

Latam Daily | Brazil's GDP declined by 0.2% QoQ in Q1 and upbeat figures released in Chile

Cecilia Posadas / Enestor Dos Santos / Jorge Selaive Carrasco / Juana Téllez Corredor / Carlos Serrano Herrera / Hugo Perea Flores / Alejandro Faci

Brazil's GDP fell less than expected as external demand improved due to exports increasing more than imports. In Chile, data were mainly upbeat as retail sales climbed 3.3% YoY, manufacturing output rose 0.8% and public investment supported domestic demand. In terms of unemployment, Chile remained stable whereas urban unemployment in Colombia was quite disappointing

Brazil - GDP contracted 0.2% QoQ in 1Q15, less than expected

The contraction in investment (-1.3% QoQ), public consumption (-1.3% QoQ) and private consumption (-1.5% QoQ) contributed to a 0.2% QoQ decline in GDP in 1Q15. The contraction would have been larger had it not been for the improvement in external demand (exports grew 5.7% QoQ, topping import growth which reached 1.2% QoQ) and the inventory accumulation (0.8% QoQ). The latter, however, is not entirely positive as higher inventories should weigh negatively on production and investment decisions going forward. Anyway, in spite of the upward surprise we see no major reasons to revise our -0.7% GDP forecast for the year, amongst other things, because high-frequency indicators have been showing us that the contraction in 2Q15 could be larger than we were expecting (-0.3% QoQ). In annual terms, GDP contracted 1.6% YoY in 1Q15. Another figure that reinforces weakness of the Brazilian economy was the investment rate, which declined (again) to 19.7% of GDP. Despite this weakness, we expect the BCB to hike the Selic by another 50bp at its monetary policy meeting next week.

Chile - Overall, positive figures in terms of activity data by sectors during April

Retail sales increased 3.3% YoY above both our estimates and the market consensus (BBVAe: +2.0%; consensus: +1.9%), while manufacturing output came out with a slight increase of 0.8% YoY (BBVAe: +1.0%; consensus: -2.0%) representing a slight recovery from previous annual figures. Meanwhile, mining output declined by -2.4% YoY, mainly due to iron metals. All in all, aggregate activity figures anticipate a rate of growth in the Imacec of between 2.5% and 3.0% YoY in April (see our Chile Flash in Spanish for details).

Chile - Public investment continued to support domestic demand in April

April's figures showed that fiscal revenues rose by 3.7% YoY while expenditures increased by 4.0% YoY. Capital expenditures increased 11.5% YoY still supporting the slack in private investment. Finally, the fiscal balance registered a surplus of USD3.3bn, the latter nonetheless was seasonally driven by annual tax bill payments of economic agents in a context of declining copper revenues. All in all, we still forecast a fiscal deficit at around 3% of GDP this year (see our Economic Watch in Spanish in details).

Chile - A stable unemployment rate in April, in part driven by a lower participation rate

The jobless rate remained stable at 6.1%, driven by an increase of 0.8% YoY in job-creation and a 0.9% YoY growth of the labour force. Annual job-creation was concentrated in public jobs, agriculture and

transportation. Additionally, people getting inactive increased at the beginning of the year reflected in a declining participation rate, especially in the young work force. The latter has started to be a major driver of the low unemployment rate in a context of poor growth in private job-creation (see our Chile Flash in Spanish in details).

Colombia - The urban unemployment rate came out higher than expected

The urban unemployment rate stood at 10.5% (vs. 9.6% consensus) in April, significantly higher than last year (1.3pp YoY). The increase was, in part, explained by the historically low unemployment rate for April registered last year. Nevertheless, the result was not as good as had been expected. The rise in the labour force participation rate (1.2pp YoY) was 1pp greater in than the one in the occupation rate (0.2pp YoY) and the urban job creation in April (1.8% YoY) was lower than the average of the last three months (3.6% YoY). In our view, the evolution of job creation and of the labour force should be monitored in the coming months.

What to watch today

Chile - Monetary policy minutes (May, 07:30hrs, NYT)

We expect the minutes to reflect the board's arguments supporting the pause in the policy rate (at 3.00%) and the neutral tone. In this regard, the minutes should shed some light on the central bank's assessment and concerns over core CPI and wage inflation in a context of sluggish figures in private expenditures (both in investments and consumption).

Peru - Consumer prices (May, 11:00hrs NYT)

We expect headline CPI to have increased by 0.41% MoM mainly due to increases in food prices, fuel, and electricity tariffs. In May, electricity rates went up by more than 5% MoM due to the depreciation of the domestic currency. This depreciation would also have negatively affected the prices of imported goods. As a result, we believe YoY inflation could stand at 3.2%, above the ceiling of the target range (2%, +/- 1pp).

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	01-June	31-May	--		--	0.68%
Trade Balance Monthly	01-June	May	--	\$2,500M	--	\$491M
Industrial Production MoM	02-June	Apr	-1.4%	-1.00%	--	-0.8%
Selic Rate	03-June	03-Jun	13.75%	13.75%	--	13.25%
Chile						
Central Bank Meeting Minutes	01-June	--	--		--	--
Economic Activity YoY	05-June	Apr	--	2.80%	--	1.6%
Economic Activity MoM	05-June	Apr	--	0.80%	--	-0.3%
Colombia						
Exports FOB	04-June	Apr	--	\$3,326M		\$3,402M
Colombia Monetary Policy Minute	05-June	--	--		--	--
CPI YoY	06-June	May	4.48%	4.44%	--	4.64%
CPI MoM	06-June	May	0.33%	0.29%	--	0.54%
CPI Core YoY	06-June	May	--	0.19%	--	3.44%
CPI Core MoM	06-June	May	--	4.41%	--	0.34%
Mexico						
Remittances Total	01-June	Apr	--	\$2156M	--	\$2257.9M
Consumer Confidence Index	05-June	May	--	92.6	--	91.3
Gross Fixed Investment	03-June	Mar	--	6.10%	--	1.3%
Overnight Rate	04-June	04-Jun	3.00%	3.00%	--	3.00%
		05-June to				
Vehicle Production AMIA	10-June	May	--		--	283,392
Peru						
CPI YoY	01-June	May	3.00%		--	3.02%
CPI MoM	01-June	May	0.27%		--	0.39%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
05.29.2015	Chile: Public investment continues growing in April
05.28.2015	Chile: to reduce public investment to reach structural balancing in 2018
05.27.2015	Chile: IPC inflation will rise at 0,2% MoM in May, below consensus
05.27.2015	Chile: Investment in non-mining tradable goods
05.26.2015	Chile: Exchange rate competitiveness (in Spanish)
05.22.2015	Colombia: BanRep keeps its monetary policy rate on hold
05.21.2015	Mexico: Annual GDP growth for 2015 was revised downwards from 3.5% to 2.5%
05.19.2015	Mexico: In February, the number of mortgages exceeds the rate of 15%
05.18.2015	Chile: GDP grew 2.4% y/y in 1Q15. We projected an IMACEC for April between 2.2% and 2.7% y/y
05.15.2015	Peru: GDP showed better performance in March due to extractive sectors

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance. This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.