

Latam Daily Flash

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Economic Analysis

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Brazilian inflation in April surprised to the downside although the annual figure continued to trend up. The last MP minutes in Mexico suggest that the balance of risks to inflation remained unchanged while balance of risks to growth improved slightly. The consensus among members is that the output gap is still large. We expect Banxico to remain on hold until 2H15. Minutes in Colombia express optimism on activity and inflation converging towards target.

Brazil - Inflation surprises to the downside

Monthly inflation declined to 0.67% MoM in April from 0.92% MoM in March, following the deceleration in food prices, although the latter remained very high (1.2% MoM vs. 1.9% MoM in the previous reading). The headline figure was significantly lower than expected (BBVAe: 0.72% MoM; consensus: 0.81% MoM). Although annual inflation continued to trend up (6.33% vs. 6.15% in March and 5.59% YoY in January), we expect the BCB to focus on the monthly deceleration and keep the Selic rate unchanged at 11.0% at its next meeting (see our [Brazil Flash](#) for more details).

Mexico - Neutral tone in the monetary policy minutes

The minutes of the last meeting suggest that the board members believe that the balance of risks to inflation remained unchanged, while the balance of risks to growth improved slightly. Some members even stated that domestic demand is showing signs of improvement (signs of a strengthening in consumption and a change in trend in investment as the February data released last Friday suggests), although others were more cautious. All members consider that the output gap remains large. All in all, the minutes support our view that the policy rate will remain at 3.5% for a long time. We expect Banxico to remain on hold throughout 2014 and 1H15.

Mexico - Investment surprised to the upside

The annual rate of growth of the fixed investment index for February 2014 was -0.5% (BBVAe: -1.8%, consensus: -1.6%). This was the result of an annual decrease of 2.7% in its construction component and of a 3.3% annual increase in its machinery and equipment component. We had forecast a decrease of 1.8% of the investment index due to a forecast decrease of 2.1% in construction and -1.2% in machinery and equipment. This means that the main source of error was the forecast for the annual rate of growth of investment in machinery and equipment. All in all, the report is positive and points to a change in trend in investment.

Colombia - BanRep minutes express optimism about economic activity in 2014 and inflation converging towards long-term target

In the latest minutes, Colombia's central bank expressed its view that economic activity expanded during the first quarter of 2014 at a similar rate to that of the last quarter of 2013, which exceeded 4.5% YoY and most likely reached 4.8%. This robust beginning to the year enhances the possibility of reaching the government's 2014 forecast of 4.7% by year-end (BBVAe: 4.7%). Inflation has continued to rise gradually towards the long-term target of 3%, mainly driven by higher than expected food and regulated prices.

Peru - Business confidence remains in the optimistic zone, with no major changes in April

Business confidence stayed at a level of 54 points in April (above 50 suggests businessmen are optimistic). We believe confidence around these levels supports acceleration in private investment in the coming quarters, after a very muted 1Q14, and will lead it to grow close to 4% in 2014.

What to watch today

Mexico - Industrial production (March, 09:00hrs NYT)

We expect industrial production to increase 1.6% YoY sa, equivalent to 0.9% MoM sa, in March. Our expected positive outcome stems from the good performance observed in US industrial production in the same month (0.7% MoM sa).

Colombia - Exports (March, 17:00hrs NYT)

We expect exports to fall 2.6% YoY, and to settle at USD4.5bn. In March, coal exports remained significantly below average due to environmental restrictions. Furthermore, industrial problems impeding exports in the two first months of the year could have been repeated in March, mainly in the automotive sector. In total, these data could imply a downward revision of our forecast for exports in 2014.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	12 May	May	0.49%	--	0.45%	0.57%
Formal Job Creation Total	14 May	Apr	144764	--	--	13117
FGV Inflation IGP-10 MoM	15 May	May	0.29%	--	--	1.19%
Retail Sales MoM	15 May	Mar	0.0%	0.0%	--	0.2%
FGV CPI IPC-S	16 May	May	0.80%	--	--	0.84%
Economic Activity MoM	16 May	Mar	0.00%	-0.20%	--	0.24%
Chile						
Overnight Rate Target	16 May	May	4.00%	4.00%	--	4.00%
Colombia						
Exports FOB	12 May	Mar	\$4541.0	\$4500	--	\$4271.4
Consumer Confidence Index	12 May	Apr	20.5	22.0	--	17.5
Retail Sales YoY	14 May	Mar	6.2%	6.80%	--	6.7%
Industrial Production YoY	14 May	Mar	8.9%	7.3%	--	2.8%
Mexico						
Industrial Production YoY	12 May	Mar	3.0%	1.84%	--	0.7%
Industrial Production MoM	12 May	Mar	0.3%	0.93%	--	0.3%
ANTAD Same-Store Sales YoY	12 May	Apr	1.5%	-0.6%	--	-2.4%
Peru						
Economic Activity YoY	15 May	Mar	5.9%	--	--	5.7%
Unemployment Rate	15 May	Apr	6.4%	--	--	6.9%

Most recent Latam reports

Date	Description
09-05-2014	➤ Mexico Flash: There are signs that suggest that economic activity has started to improve (in Spanish)
09-05-2014	➤ Mexico Economic Watch: Mexican manufacturing exports gained competitiveness in 2002-2012
09-05-2014	➤ Brazil Flash: Inflation surprises to the downside
08-05-2014	➤ Peru Economic Outlook: Second Quarter 2014 (in Spanish)
08-05-2014	➤ Uruguay Economic Outlook: First Half 2014 (in Spanish)
08-05-2014	➤ Chile Economic Watch: Who is responsible for the fall in investment: the Treasury, the private sector or both? (in Spanish)
08-05-2014	➤ Peru Flash: No monetary policy news: the policy rate stayed at 4,0% in May and the communiqué was pretty similar to last month's
08-05-2014	➤ Mexico Inflation Flash: lowest point probably behind us
08-05-2014	➤ Chile Flash: CPI inflation reached +0.6% MoM in April, considerably above expectations
07-05-2014	➤ Chile Economic Outlook: Second Quarter 2014 (in Spanish)

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