

Latam Daily Flash

20 May 2014
Economic Analysis

Madrid

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Also published yesterday was the current account deficit, which was in line with our estimates and mainly financed by FDI. Available data are consistent with the expected growth for the year at 3.4%, and our assessment that this year more monetary stimulus is needed.

Chile - GDP growth at 2.6% YoY in 1Q14, consistent with our baseline scenario for this year

GDP increased 2.6% YoY in 1Q14 (+0.7% QoQ sa), slightly above both our and the market's expectations (+2.4% YoY). Domestic demand declined by 0.3% YoY, driven by a fall in gross investment (-5.0% YoY) with a sizable negative figure in machinery and equipment (-16.9% YoY), and partially offset by an increase in both private and public consumption (+3.7% YoY and +9.6% YoY respectively). Meanwhile, real exports increased by 5.4% YoY while imports showed a contraction of 3.6% YoY in 1Q14. Finally, and in line with our estimates, the current account deficit reached 1.2% of 1Q14 GDP equivalent to USD795mn, while on a yearly basis it reached 3.1% of GDP, still financed mainly by FDI. In the context of a slowdown in investment and consumption, medium-term risks of current account imbalances declined substantially. All in all, recent data validate both our GDP growth expectation for 2014 (at 3.4%) and our assessment of the necessity of further monetary stimulus during this year (policy rate at 3.25% in eop), although this will remain data dependent, particularly over CPI inflation figures (see our [Chile Flash](#) in Spanish for more details).

What to watch today

Colombia - Imports and trade balance (March, 17:00hrs NYT)

We expect a slight growth of 4.6% in imports, to settle at USD4,693mn. Exchange rate depreciation explains in part the slow dynamic of imports, despite the robust performance of retail sales and consumption in general. Meanwhile, deteriorating exports due to lower international prices of commodities and local export supply constraints will cause the trade balance to remain in a slight deficit of USD68mn during March.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	19 May	May	0.40%	--	0.42%	0.45%
CNI Industrial Confidence	19 May	May	--	--	48.0	49.2
Formal Job Creation Total	20 May	Apr	160000	--	--	13117
IBGE Inflation IPCA-15 MoM	21 May	May	0.55%	0.56%	--	0.78%
Unemployment Rate	22 May	Apr	5.15%	5.1%	--	5.0%
FGV Consumer Confidence	23 May	May	--	--	--	106.3
FGV CPI IPC-S	23 May	May	--	--	--	0.78%
Current Account Balance	23 May	Apr	-\$6500M	--	--	-\$6248M
Foreign Investment	23 May	Apr	\$5450M	--	--	\$4995M
Chile						
GDP QoQ	19 May	1Q	0.60%	0.6%	0.70%	-0.10%
Current Account Balance	19 May	1Q	-\$150M	\$650M	-\$795M	-\$2430M
PPI MoM	23 May	Apr	--	--	--	-2.9%
Colombia						
Trade Balance	20 May	Mar	-\$322.1M	-\$68	--	-\$505.6M
Imports CIF Total	20 May	Mar	\$4937M	\$4693	--	\$5003.5M
Vehicle Sales	22 May	Apr	--	--	--	26418
Mexico						
Retail Sales YoY	21 May	Mar	-1.1%	-1.9%	--	-1.7%
Central Bank Inflation Report	21 May	--	--	--	--	--
Unemployment Rate NSA	22 May	Apr	4.82%	4.96%	--	4.80%
Bi-Weekly CPI	22 May	May	-0.38%	-0.37%	--	-0.05%
Bi-Weekly CPI YoY	22 May	May	3.44%	3.44%	--	3.47%
Economic Activity IGAE YoY	23 May	Mar	3.45%	2.93%	--	1.74%
GDP SA QoQ	23 May	1Q	0.6%	0.64%	--	0.2%
Current Account Balance	23 May	1Q	-\$5990M	-\$5300M	--	-\$4660M

Most recent Latam reports

Date	Description
19-05-2014	➤ Chile Flash: GDP grew 2.6% YoY in 1Q14 above market expectations
19-05-2014	➤ Mexico Insurance Observatory: Mexican insurance market is the second largest in Latin America (in Spanish)
19-05-2014	➤ Mexico Real Estate Flash: Mortgage banking grew 18.7% to the end of the first quarter
16-05-2014	➤ Mexico Economic Watch: The secondary legislation in the energy sector will bolster oil revenues if the private sector eagerly participates
16-05-2014	➤ Uruguay Economic Outlook: First Half 2014
15-05-2014	➤ Mexico Real Estate Flash: At the end of the first quarter, banks' mortgages grow 18.7% (in Spanish)
15-05-2014	➤ Chile Flash: Central Bank continues to wait for the appropriate moment to cut policy rates
15-05-2014	➤ Peru Flash: March GDP came weaker than expected
15-05-2014	➤ Mexico Banking Flash: Bank deposits: getting stronger, driven by demand deposits
14-05-2014	➤ Latam Economic Outlook: Second Quarter 2014 (in Spanish)

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