

# Latam Daily Flash

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Economic Analysis

Madrid

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*The adjustment was somewhat larger than anticipated, while the inflation outlook remained unchanged. The reduction in food inflation was the main factor behind the fall in Brazil's IPCA-15, however in annual terms inflation rose to 6.3% YoY.*

## Mexico - Banxico lowered its real GDP growth forecast by 0.7pp to a range between 2.3% and 3.3%

The central bank lowered its real annual GDP growth forecast to a range of 2.3%-3.3% from 3.0%-4.0%, previously. The adjustment was somewhat larger than anticipated (consensus: 2-5%-3.5%), mainly due to a slower than anticipated pace of recovery in the first quarter. The inflation outlook remains unchanged; however, Banxico recognises that base effects could push inflation above 4.0% in the summer. Banxico also acknowledged that output gap will remain negative for longer, until either the end of 2015 or the beginning of 2016. The tone of the statement remained neutral but the new forecasts probably imply that Banxico will hold rates for longer. We continue to expect the hiking cycle to start in late 2015, and that this inflation report supports our view.

## Brazil - Inflation moderates as a reflection of food prices

Following the wane of the impact of the drought that hit the country at the beginning of the year and positive seasonal factors, food inflation declined from 1.8% MoM at the beginning of April to 0.9% MoM at the beginning of May, according to the IPCA-15 figures released yesterday, taking the contribution of the food component to overall inflation down from 0.45pp to 0.22pp. This reduction was the main factor behind the fall in the IPCA-15, which measures inflation from the middle of the previous month until the middle of the current month, from 0.78% MoM to 0.58%. However, in annual terms, inflation measured by the IPCA-15 rose to 6.3% YoY from 6.2% in April. The monthly moderation in inflation and the easing of food prices reinforce our view that the BCB will leave the Selic rate unchanged at 11.0% next week.

## Mexico - Retail sales show initial signs of improvement

Retail sales increased 0.8% MoM in March after falling in the two previous months. In annual terms, retail sales rose 1.7%. Today's monthly increase did not offset the very weak performance of the past two months. Thus, private consumption weakness continued in 1Q14, and the speed of recovery for 2Q14 remains uncertain.

## Peru - Regulator intervened in Caja Municipal de Pisco

Yesterday, the SBS (the financial system regulator) intervened in Caja Municipal de Pisco, a small-scale non-banking financial institution. This is an isolated and insignificant case because the assets of this institution represent only 0.02% of total assets in the financial system. Furthermore, 98% of savers will recover the full amount of their deposits in approximately one week as long as they are covered by the Deposit Insurance Fund.

## What to watch today

### Brazil - Labour market report (April, 08:00hrs NYT)

We expect the unemployment rate to reach 5.1% in April. The labour market report will provide information for markets to assess the evolution of economic activity at the beginning of the second quarter, following a relatively weak first quarter.

### Mexico - Inflation (first half of May, 09:00hrs NYT)

Inflation in the first fortnight of May should reflect favourable seasonal and supply factors. We anticipate a FoF drop of 0.37% in the general price index and a mild increase of 0.11% in the core index. The fall in prices should reflect lower electricity prices due to seasonal adjustments, and supply-side factors which could have led to lower prices for fruit and vegetables. In annual terms, we estimate headline inflation will be 3.44% (vs. 3.50% in April) and core inflation will be 3.02% (vs. 3.11% in April).

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
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	21 May	Apr	160000	--	105384	13117
IBGE Inflation IPCA-15 MoM	21 May	May	0.55%	0.56%	0.58%	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
<b>Chile</b>						
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%
<b>Colombia</b>						
Trade Balance	23 May	Mar	-\$322.1M	-\$68	--	-\$505.6M
Imports CIF Total	23 May	Mar	\$4937M	\$4693	--	\$5003.5M
Vehicle Sales	23 May	Apr	--	--	--	26418
<b>Mexico</b>						
Retail Sales YoY	21 May	Mar	-1.1%	-1.9%	1.7%	-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
21-05-2014	<a href="#">➤ Colombia Economic Outlook: Second Quarter 2014 (in Spanish)</a>
21-05-2014	<a href="#">➤ Paraguay Economic Outlook: First Half 2014 (in Spanish)</a>
21-05-2014	<a href="#">➤ Financial Inclusion Economic Watch: The Financial Inclusion Law in Uruguay</a>
20-05-2014	<a href="#">➤ Financial Inclusion Economic Watch: Analyzing the Uruguayan Law on Financial Inclusion (in Spanish)</a>
19-05-2014	<a href="#">➤ Chile Flash: GDP grew 2.6% YoY in 1Q14 above market expectations</a>
19-05-2014	<a href="#">➤ Mexico Insurance Observatory: Mexican insurance market is the second largest in Latin America (in Spanish)</a>
19-05-2014	<a href="#">➤ Mexico Real Estate Flash: Mortgage banking grew 18.7% to the end of the first quarter</a>
16-05-2014	<a href="#">➤ Mexico Economic Watch: The secondary legislation in the energy sector will bolster oil revenues if the private sector eagerly participates</a>
16-05-2014	<a href="#">➤ Uruguay Economic Outlook: First Half 2014</a>
15-05-2014	<a href="#">➤ Mexico Real Estate Flash: At the end of the first quarter, banks' mortgages grow 18.7% (in Spanish)</a>

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