

Monthly GDP growth of (just) 0.1% YoY: Authentic deterioration or additional costs of the census?

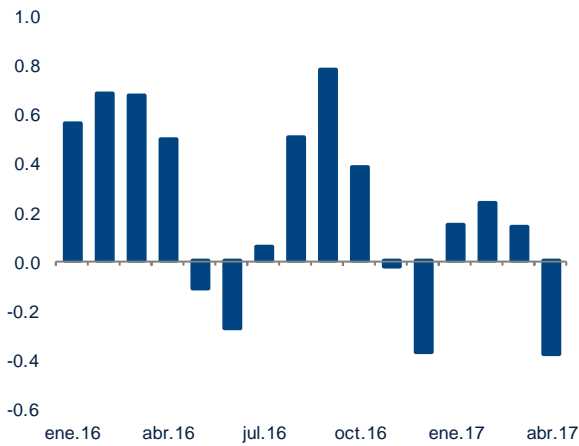
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The IMACEC for April rose by 0.1% YoY (BBVAe 0%; consensus 0.7%), marking a difficult start to the quarter. The fact that there were three fewer working days in the month than in April 2016, including one compulsory official holiday for the census, had a negative impact, but the figure could also be signalling a somewhat sharper slowdown. In any case, non-mining IMACEC decreased by 0.1% on the previous month, which is not good news whichever way one looks at it. For now, we see growth of between 0.5% and 1.5% YoY for May, which has the same number of working days as last year, but the customs strike could have some effect.

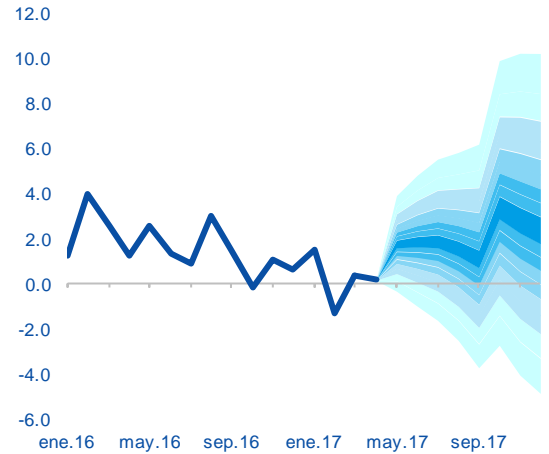
Effect of the census on activity, or real slowdown? The 7.5% YoY contraction in manufacturing activity reported by the INE (National Statistics Institute), and the fall of 0.4% YoY in retail sales, are part of the diagnostics of a slowdown due to three fewer working days that were difficult to make up for, particularly bearing in mind that the compulsory official holiday fell on a Wednesday in a month in which this had not occurred so far this decade. In other words we know that the effect of the three missing working days was a significant part of the reason for the final result (we can see this by comparing the 1.3% YoY change in the seasonally-adjusted series with the 0.1% change in the original), but given the specific nature of the census holiday we cannot rule out the possibility of non-captured and more profound, albeit temporary, effects on the IMACEC. According to the figures published by the central bank, the economy slowed significantly in the moving quarter ending in April (Figure 1), although we consider this to be compatible with our baseline scenario in which the economy grows between 1.0% and 1.6% in 2017 (Figure 2).

Figure 1. Total IMACEC
(% growth QoQ sa, moving qter.)



Source: Banco Central de Chile and BBVA Research

Figure 2. Projected IMACEC, BBVA Research
(% growth YoY)



Source: Banco Central de Chile and BBVA Research

Fiscal spending is slowing and will not be able to contribute actively in the remainder of the year beyond some expected temporary fine tuning linked to the presidential elections. After growing by 7.8% YoY in the first quarter of 2017, spending grew by 1.5% YoY in April, marking the start of a gradual convergence towards the level established in the Budget Act. Consequently a recovery in private sector activity becomes essential. Growth in public spending over the period May to December is likely to average around 3% in real terms, which certainly represents a slowdown relative to the early part of the year.

Mining activity contracted by 4.0% YoY, rather more than the 1.3% YoY reported by the INE in its mining output indicator, reflecting the sector's persistent weakness. According to the INE, effects relating to the reopening of certain mine sites following the strike of previous months continued to make themselves felt in April, and this together with some unscheduled maintenance work and lower ore grades drove down production compared with the same month last year.

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