

Latam Daily Flash

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Economic Analysis

Madrid
Juan Ruiz
Chief Economist, South America
juan.ruiz@bbva.com
+34 913745887

Enestor dos Santos
Principal Economist, Latam
enestor.dossantos@bbva.com
+34 639827211

With contributions from the BBVA
Research Latam Team:

Lima
Hugo Perea
Chief Economist, Peru
hugo.perea@bbva.com
+51 1 2112042

Bogota
Juana Tellez
Chief Economist, Colombia
juana.tellez@bbva.com
+571 3471600

Santiago
Jorge Selaive
Chief Economist, Chile
jselaive@bbva.com
+56 2 2939 10 92

Mexico City
Carlos Serrano
Chief Economist, Mexico
carlos.serrano@bbva.com
+ 5255 5621 4354

Javier Amador
Principal Economist
javier.amador@bbva.com
+ 5255 5621 3095

Mexican retail sales are back in positive territory with a better than expected performance in May, in line with a recovery profile for the second part of the year. In Peru the central bank reduced reserve requirements amid a moderation in credit and in Brazil the government announced a cut in public spending, which we see as insufficient to ease concerns about fiscal policy. Today, Brazil's monthly current account deficit is expected have increased slightly in June.

Mexico - Retail sales suggest that economic activity seems to be finally rebounding

Retail sales rose by a stronger than expected 0.7% MoM sa in May (consensus: 0.4% MoM sa). In annual terms, retail sales increased 0.2%. The trend continues to improve and is back in positive territory. Retail sales increased 2.3% 3Mo3M sa following a -0.1% rate in April. Moreover, the ANTAD same-store sales index improved in June (+2.0% MoM sa) and suggests that retail sales will probably show further improvement in June.

Peru - Central Bank reduces reserves requirements for both domestic and foreign currency

This takes place in a context in which credit to the private sector has been trending downwards while reserve requirements have remained pretty high. The central bank had already announced a couple of weeks ago that it was ready to act in this way. Our view is coherent with this move in that an eventual easing of the monetary policy stance would be made using reserve requirements rather than by means of the policy rate.

Brazil - Government announces a small cut in public spending

Broadly in line with expectations, the government decided to freeze BRL10bn (around 0.2% of GDP) in budgeted spending this year. In our view, although the adjustment is a step in the right direction, it is not enough to either signal that fiscal policy will support monetary policy on fighting inflation or to restore the government's commitment to fiscal targets. In our opinion, the probability of a sovereign rating downgrade remains practically unchanged after this adjustment. In addition, we expect the tone of fiscal policy to remain expansive and this year's primary surplus to be around 1.8% of GDP, lower than the 2.3% lowered target (the original target was 3.1%).

What to watch today

Brazil - External accounts (June, 9:30hrs NYT)

The monthly current account deficit should decline in comparison to May due to a higher trade surplus. In spite of this improvement in MoM terms, in our view the annual deficit will increase slightly and be between 3.2% and 3.3% of GDP.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Tax Collections	22 Jul	Jun	86050M	--	85683M	87858M
FGV Consumer Confidence	23 Jul	Jul	--	--	--	112.9
FGV CPI IPC-S	23 Jul	2-Jul	-0.02%	--	--	0.07%
Current Account - Monthly	23 Jul	Jun	-\$5200M	--	--	-\$6420M
FIPE CPI - Weekly	25 Jul	2-Jul	0.05%	--	--	0.01%
Unemployment Rate	25 Jul	Jun	5.9%	6.00%	--	5.8%
FGV Construction Costs (MoM)	26 Jul	Jul	0.70%	--	--	1.96%
Outstanding Loans MoM%	26 Jul	Jun	--	--	--	1.5%
Chile						
Central Bank's Traders Survey	24 Jul	--	--	--	--	--
Colombia						
Overnight Lending Rate	26 Jul	2-Jul	3.25%	3.25%	--	3.25%
Mexico						
Retail Sales (INEGI)	22 Jul	May	1%	--	0.10%	2.5%
Bi-Weekly CPI	24 Jul	2-Jul	0.11%	--	--	-0.05%
Global Economic Indicator IGAE	25 Jul	May	2.00%	--	--	4.55%
Trade Balance	26 Jul	Jun P	-533M	--	--	-469.9M
Central Bank Monetary Policy Minutes	26 Jul	--	--	--	--	--

Most recent Latam reports

Date	Description
18-07-2013	➤ Brazil Flash: For the COPOM, the exchange rate depreciation is a "natural and expected" transition to normality, but entails risks
15-07-2013	➤ Mexico Real Estate Flash: Construction returns to negative terrain
15-07-2013	➤ Flash Peru: GDP slowed in May
15-07-2013	➤ Mexico Flash: Industrial production rebounded in May, partially offsetting the sharp decline in April. The trend remains of moderation.
12-07-2013	➤ Mexico Flash: In spite of a greater concern on domestic activity and a better inflation outlook, a rate cut seems to depend on a greater impairment of economic activity
11-07-2013	➤ Peru Flash: Central Bank somewhat more dovish
11-07-2013	➤ Chile Flash: CB kept the monetary policy rate at 5%, but explicitly delivered a dovish tone
11-07-2013	➤ Mexico Flash: Banxico: Fondo rate at 4.0%. A dovish tone is expected as domestic activity impairs
11-07-2013	➤ Flash Brazil: The monetary tightening continues, at an unchanged pace
09-07-2013	➤ Mexico Inflation Flash: June's inflation: Inflation Approaches 4% Due To Lower Fruit And Vegetable Prices And Falling Core Inflation

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