

Latam Daily Flash

16 August 2013 Economic Analysis

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In Peru, GDP growth was below market expectations but we estimate that economic activity should have rebounded in July. IBC-Br Index for Brazilian activity in line with slow recovery of activity in 2Q13. In Colombia, market analysts expect a mild increase in the CPI for August.

Brazil - IBC-Br Index of activity in line with slow recovery of activity in 2Q13

Economic activity in Brazil grew by 1.1% MoM (3.2% YoY) in June, slightly above our estimate (0.8% MoM). This expansion constitutes an increase in the second quarter of 0.9% QoQ, slightly below 1Q13 (1.1% QoQ). Activity in June is in line with the expected GDP expansion of 2.3% for 2013, and signals a less-intense economic recovery than expected at the beginning of the year.

Colombia - Building permits signal very dynamic private construction in 2013 and 2014

In June, building permits decreased by 7.3% YoY and stood at 1.8 million m², above the 2009-13 average. This level guarantees robust residential construction in 2014, which is one of the most important drivers for GDP growth, which we expect to reach 5% during the first half of the year. In fact, YtD permits have increased by 23.3% YoY. Cali and Medellín were the cities with the highest rate of new building licences.

Colombia - BanRep's survey of market analysts shows a rebound in inflation expectations for August with respect to July prices

According to the BanRep survey, market analysts expect an inflation rate for August of 0.09% (BBVAe: 0.13%). This would imply a slight increase in YoY inflation to 2.27% (BBVAe: 2.31%) from 2.22% in July. At year-end 2013, inflation is expected to be 2.6% (BBVAe: 2.7%). On the other hand, the market expectations for official interest rates were slightly lower than in the July survey. On average, while in July the year-end interest rate was expected at 3.39%, the mean is now 3.33%. At present, an increase of 25bp is expected for February 2014 (vs. January in the July survey), sooner than our interest rate outlook which anticipates the first increase taking place in April 2014.

Peru - GDP was lower than expected in June

June GDP came in at 4.4% YoY, lower than expected (BBVAe: 4.7%, consensus: 5.0%), reflecting slower expansion in Construction, Trade and Services. For July, available indicators anticipate that the result will be higher, suggesting that the economy is in a phase of cyclical moderation rather than pronounced slowdown. In this context, we expect output to be around potential, with average growth rates above 5% in the coming months.

What to watch today

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

In June, we expect an upturn in the trade surplus to USD700mn from USD315mn in May. While mining exports have showed signs of recovery, imports (mainly of raw materials and capital goods) should reflect slow growth in manufacturing during 2Q13. However, a rebound in economic activity, as expected in our central scenario for GDP growth, is likely to limit the trade surplus in the second half of the year.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Retail Sales MoM	14 Aug	Jun	0.6%	0.4%	0.50%	0.00%
Formal Job Creation Total	16-21 Aug	Jul	100000	--	--	123836
FGV Inflation IGP-10 MoM	15 Aug	Aug	0.15%	--	0.15%	0.43%
Economic Activity MoM	15 Aug	Jun	1.2%	0.9%	1.13%	-1.4%
Tax Collections	15-22 Aug	Jul	94500	--	--	85683M
FGV CPI IPC-S	16 Aug	Aug 15	0.07%	--	--	-0.02%
Chile						
Overnight Rate Target	14 Aug	Aug 13	4.88%	5.00%	5.00%	5.00%
Central Bank's Traders Survey	14 Aug	--	--	--	--	--
Colombia						
Vehicle Sales	14 Aug	Jul	--	--	--	--
Consumer Confidence Index	13 Aug	Jul	25	25	25.1	27.4
Outstanding Loans	14-21 Aug	Jun	--	--	--	\$260.1T
Trade Balance	16 Aug	Jun	--	\$700	--	\$315.4
Mexico						
ANTAD Same-Store Sales (YoY%)	13 Aug	Jul	0.50%	--	2.30%	1.6%
Peru						
Unemployment Rate	15 Aug	Jul	--	--	6%	5.8%
Economic Activity YoY	15 Aug	Jun	5.05%	--	4.40%	5.00%

Most recent Latam reports

Date	Description
15-08-2013	➤ Flash Peru: GDP slowed in June
13-08-2013	➤ Colombia Economic Outlook 3Q13 (In Spanish)
13-08-2013	➤ Flash Chile: Central Bank kept policy rate at 5%, but easing should be materialize in September
9-08-2013	➤ Brazil Economic Outlook
8-08-2013	➤ 3Q13 Latin America Economic Outlook (in Spanish)
8-08-2013	➤ Peru Flash: Central Bank leaves open the possibility of further easing reserve requirements
8-08-2013	➤ Mexico Inflation Flash: Inflation continues falling in July, and the core inflation reaches its historical low
8-08-2013	➤ Chile Flash: CPI inflation increased 0.3% MoM in July
8-08-2013	➤ 3Q13 Mexico Economic Outlook (in Spanish)
7-08-2013	➤ Peru Economic Outlook 3Q13 (in Spanish)

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