

Latam Daily Flash

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Economic Analysis

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The lower GDP expansion expected for this year by the Board is mainly driven by gross investment. In terms of prices, the central bank revised its inflation expectations upwards although highlighting the transitory acceleration of headline inflation due to both international supply shocks and exchange-rate depreciation. Although the Board's new baseline scenario assumes an MPR of 3.50%, we still consider that further monetary stimulus will be necessary during the current year, up to 3.25% in 2014 eop.

Chile - As we expected, the central bank once again reduced its forecast growth range for 2014

The Monetary Policy Report for March contained another downward revision to the 2014 growth range, forecasting GDP expansion between 3.00% and 4.00% (previously at 3.75%-4.75%). The lower GDP expansion expected for this year was mainly driven by gross investment, forecast at 0.8% YoY in 2014 (previously at 4.1% YoY). In terms of prices, the bank revised upwards its inflation expectations for 2014eop, from 2.5% YoY to a 3.0% YoY (BBVAe: 2.9%), highlighting the transitory acceleration of headline inflation due to both international supply shocks (food and energy) and exchange-rate depreciation. In this regard, the bank mentioned the low pass-through to inflation expected from the recent CLP depreciation, mainly related to the cyclical position of the economy, with GDP growth persistently below potential. Finally, for 2014 the Board's new baseline scenario assumes an MPR path similar to that implicit in measures of private expectations, which calls for a policy rate of 3.50% (BBVAe: 3.25% in 2014eop). In this context, we still consider further monetary stimulus necessary during the current year, and even more than is implicit in both average expectations and those that can be captured from asset prices (see our [Chile Flash](#) for more details).

Chile - Activity data by sector anticipates Imacec at 2.4% YoY in February

Retail sales expanded 5.3% YoY in February, evidence of less dynamic consumption. On the other hand, supply-side related sectors were mixed. In particular, manufacturing decreased by 2.0% YoY, (BBVAe: -1.5% YoY), while mining production surprised to the upside after increasing 6.7% YoY. All in all, we forecast that the monthly activity index (Imacec) grew 2.4% YoY in the period (+0.5% MoM sa) – see our [Chile Flash](#) for more details –.

Chile - Unemployment rate stable at 6.1% in February

The unemployment rate remained at 6.1% in the moving quarter to end-February. Job-creation increased 0.4% QoQ (+2.7% YoY), driven by seasonal rises in social services and healthcare, agriculture and commerce, in a context where the labour force increased in the same proportion (+0.4% QoQ). Figures still show changes in the composition of employment towards the more fragile element of self-employment, which grew 9.4% YoY (a 65% YoY increase in job-creation), while salaried jobs increased by a modest 1.2% YoY. In this context, we still expect the unemployment rate to trend upwards during the rest of 2014.

Colombia - Urban unemployment rate stood at 11.2%

The urban unemployment rate stood at 11.2%, 1.1pp lower YoY. The latter was explained by an increase in the occupation rate of 1.4pp YoY vs. a nearly constant participation rate (0.1pp). Job-creation figures in February this year (296k YoY) are similar to those reported for February in recent years (292k on average between 2010 and 2013), but with a greater participation of formal jobs (52.4% of total urban jobs are formal now vs. 50% on average in 2010-12).

Colombia - A higher current account deficit in 2013, but healthy external financing

The current account deficit stood at 3.4% of GDP in 2013, above the 2012 figure. The main downside pressures came from the trade balance. While the contribution made by exports to the current account decreased by 0.8pp between 2012 and 2013, imports' contribution fell by 0.2pp. On the other hand, direct investment was 4.4% of GDP, 0.2pp above the 2012 level, and international reserves reached 11.8% of GDP, compared to 10.2% of GDP in 2012. Results confirmed the health of external financing resources, but implied a necessary correction of the trade balance in 2014, consistent with the most recent data.

What to watch today

Peru - Consumer prices (March, 11:00hrs NYT)

We estimate headline CPI increased 0.5% MoM in March, mainly due to seasonal increases in the cost of education services and fuels. If this is the case, annual inflation would stand at 3.4%, lower than the previous month, but still above the upper limit of the target range (2% +/- 1pp). We expect annual inflation to continue approaching the target range in the following months and to converge with it at the end of the second quarter.

Colombia - Exports (February, 16:00hrs NYT)

We expect exports to have fallen by 5.0% YoY in February. A better performance of industrial exports would support a manufacturing recovery sooner than our current estimation (not before July), in line with confidence and capacity utilisation signals.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
CNI Consumer Confidence	31 Mar	Mar	--	--	108.8	108.8
FGV CPI IPC-S	1 Apr	Mar	0.81%	--	--	0.83%
PPI Manufacturing MoM	1 Apr	Feb	--	--	--	1.50%
Trade Balance Monthly	1 Apr	Mar	\$100M	--	--	-\$2125M
FIPE CPI - Monthly	2 Apr	Mar	0.78%	--	--	0.52%
Industrial Production MoM	2 Apr	Feb	0.45%	0.5%	--	2.86%
Selic Rate	2 Apr	--	11.00%	11.00%	--	10.75%
Vehicle Production Anfavea	4 Apr	Mar	--	--	--	281452
Chile						
Manufacturing Index YoY	31 Mar	Feb	-0.50%	-1.5%	-1.97%	-1.44%
Unemployment Rate	31 Mar	Feb	6.3%	6.3%	6.1%	6.1%
Retail Sales YoY	31 Mar	Feb	5.4%	0.9%	5.3%	6.8%
Colombia						
Urban Unemployment Rate	31 Mar	Feb	11.5%	11.5%	11.2%	12.3%
Budget Balance	31 Mar	Feb	--	--	3355.5	--
Colombia Monetary Policy Minutes	4 Apr	--	--	--	--	--
CPI MoM	5 Apr	Mar	0.32%	0.16%	--	0.63%
Mexico						
Remittances Total	1 Apr	Feb	1709.6M	1662M	--	1578.3M
IMEF Manufacturing Index SA	1 Apr	Mar	51.3	--	--	50.8
Consumer Confidence Index	3 Apr	Mar	85.5	85.6	--	84.5
Central Bank Monetary Policy Minutes	4 Apr	--	--	--	--	--
Peru						
CPI MoM	1 Apr	Mar	0.53%	0.5%	0.52	0.60%

Most recent Latam reports

Date	Description
31-03-2014	➤ Chile Flash: Activity data by sector anticipates Imacec at 2.4% YoY in February
31-03-2014	➤ Chile Flash: As expected, once again Central Bank reduced forecast growth range for 2014
31-03-2014	➤ Chile Flash: Public expenditure grows 6.1% YoY in February and execution in the first two months of 2014 is the largest of the last four years (in Spanish)
27-03-2014	➤ Mexico Real Estate Flash: Banks' mortgages start 2014 with a growth of 9.7% (in Spanish)
26-03-2014	➤ EAGLEs Economic Outlook: Annual Report 2014
25-03-2014	➤ Chile Flash: March CPI would be at 0.66% MoM (in Spanish)
24-03-2014	➤ Mexico Inflation Flash: Inflation is back to Banxico's tolerance interval
21-03-2014	➤ Colombia Flash: BanRep decided to keep its policy rate unchanged at 3.25% and extend its international reserve purchase program
21-03-2014	➤ Banxico Flash: Fondeo rate unchanged at 3.5%. Slightly dovish tone given the absence of a clear economic recovery
20-03-2014	➤ Latam Economic Watch: Deterioration in Latin America's manufacturing competitive

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