

Latam Daily Flash

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Economic Analysis

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Due to public holidays in Madrid, we will not publish our Latam Daily Flash on Friday.

Meanwhile, the unemployment rate increased and the labor force decreased due to a lower participation rate. The figures reveal changes in the composition of employment towards the more fragile element of self-employment.

Brazil - The public sector's primary surplus remains around 1.7% of GDP

The BCB's fiscal report released on Wednesday morning in Brazil revealed that the annual primary surplus generated by the public sector reached 1.75% of GDP, close to the 1.7% mark, as in the previous two readings. The figure is less than the surplus a year ago and at the end of 2013, and also below the 1.9% target for the end of 2014. The total fiscal result (including interest payments) reached -3.2% of GDP, public-sector net debt increased to 34.2% (+0.5pp) due to the appreciation of the Brazilian real (which drives down the value of international reserves) while gross debt remained broadly stable at 57.5% of GDP. March fiscal figures reinforce our view that the public sector will have a hard time meeting the primary target for 2014. We remain sceptical on this and expect the primary surplus to reach only 1.5% this year. Even though public expenditure will not expand as robustly as in 2013, weak revenues will continue to weigh on fiscal accounts.

Chile - Activity data by sector anticipates Imacec at 2.7% YoY in March

Retail sales expanded 5.2% YoY in March (BBVAe: 5.5% YoY), evidence of less dynamic consumption. Manufacturing increased by 0.8% YoY (BBVAe: 1.3% YoY), while mining production surprised to the downside after increasing by a disappointing 1.0% YoY. All in all, we forecast that the monthly activity index (Imacec) grew 2.7% YoY in the period (-0.3% MoM sa), below our preliminary expected growth range for the month (from 2.9% to 3.4% YoY). In this context, we think the central bank should not hesitate to increase monetary easing with a 25bp cut in rates at May's monetary policy meeting (see our [Chile Flash](#) for more details).

Chile - Unemployment rate increased to 6.5% in March

The unemployment rate increased to 6.5% in the moving quarter to end-March (BBVAe: 6.3%). Job-creation decreased by 0.6% QoQ (+2.1% YoY), driven mainly by net separations in agriculture, manufacture and construction. The labour force decreased by 0.3% QoQ (+2.4% YoY) due to a lower participation rate and the consequent increase in the inactive population that was not enough to offset the strong quarterly decline in employment. Figures still show changes in the composition of employment towards the more fragile element of self-employment, which grew 0.5% QoQ (+7.4% YoY), while salaried jobs decreased by 0.9% QoQ (+0.9 YoY). In this context, we still expect the unemployment rate to trend upwards during the rest of 2014 (see our [Chile Flash](#) for more details).

Colombia - Unemployment rate stood at 10.5% in March

The unemployment rate reached 10.5%, in line with our forecast (10.6%). Job-creation stood at 2.6% (YoY), an improvement on 4Q13 (2% on average), and in line with the rest of the quarter (2.6% on average). The labour market's figures are in line with our expectations of an acceleration in activity in 1Q14 with respect to 4Q13.

What to watch today

Mexico - Remittances (March, 10:00hrs NYT)

We think remittances in March could increase by 5.4% (to USD1.869bn), a similar change to last February. Estimates for the first quarter of the number of Mexican immigrants in the United States indicate that their numbers increased by 1.3% over the same period last year, so this indicator has improved, although only moderately. This increase was mainly visible in jobs in the construction sector in a large number of US states, but principally in Texas.

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

We estimate headline CPI increased 0.5% MoM in April, mainly due to higher food prices and electricity tariffs, as well as to seasonal increments in the cost of transport. As a result, annual inflation would rise to 3.6%, remaining outside the target range (2% +/- 1pp) for the fourth consecutive month. We expect annual inflation to approach this range in the following months and to converge with it towards the middle of the year.

Mexico - IMEF Manufacturing Index (April, 13:00hrs NYT)

We expect the IMEF manufacturing activity indicator to post a small increase in April (reaching 53.7 points) and the non-manufacturing indicator to remain practically unchanged (at 51.1 points). These indicators will be published on 2 May. The rise in US manufacturing production in March (0.5% MoM sa) suggests that there will be a small improvement in Mexico's manufacturing index and no change in the non-manufacturing index for April, which would point to the onset of the expected improvement in economic activity from the second quarter of 2014 onwards.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Tax Collections	28 Apr	Mar	87000M	--	86621M	83137M
CNI Consumer Confidence	28 Apr	Apr	--	--	108.7	108.8
FGV Inflation IGPM MoM	29 Apr	Apr	0.82%	--	0.78%	1.67%
Outstanding Loans MoM	29 Apr	Mar	--	--	1.0%	0.6%
Total Outstanding Loans	29 Apr	Mar	--	--	2760B	2733B
Primary Budget Balance	30 Apr	Mar	3,2B	--	3,6B	2.1B
Trade Balance Monthly	2 May	Apr	\$275M	--	--	\$112M
Chile						
Manufacturing Index YoY	30 Apr	Mar	1.15%	1.3%	0.77%	-1.97%
Unemployment Rate	30 Apr	Mar	6.3%	6.3%	6.5%	6.1%
Retail Sales YoY	30 Apr	Mar	5.0%	5.5%	5.19%	5.3%
Colombia						
Trade Balance	28 Apr	Feb	-\$72,5	-\$65.0	-\$505,6	\$157.4
Urban Unemployment Rate	30 Apr	Mar	10.6%	10.6%	10.5%	11.2%
Budget Balance	2 May	Mar	--	--	--	-\$2703B
Mexico						
Trade Balance	28 Apr	Mar	1600,0M	1830.0M	1026,6M	976.3M
Net Outstanding Loans	30 Apr	Mar	--	--	2502B	2496B
Budget Balance YTD	1 May	Mar	--	--	--	-45.7B
HSBC Mexico Manufacturing PMI	2 May	Apr	--	--	--	51.7
Remittances Total	2 May	Mar	1900,0M	1869.0M	--	1677.3M
IMEF Manufacturing Index SA	2 May	Apr	53.5	53.7	--	52.7
IMEF Non-Manufacturing Index SA	2 May	Apr	51.2	51.1	--	51.2
Peru						
CPI MoM	1 May	Apr	0.27%	--	--	0.52%
Wholesale Price Index MoM	1 May	Apr	--	--	--	0.38%

Most recent Latam reports

Date	Description
30-04-2014	➤ Chile Flash: Activity data by sector anticipates Imacec at 2.7% YoY in March
29-04-2014	➤ Mexico Real Estate Flash: Mortgage lending by banks grew 17.4% in February
28-04-2014	➤ Banxico Flash: Fondeo rate remains at 3.5%. Banxico tamed its dovish tone by indicating that economic activity improved marginally
28-04-2014	➤ Colombia Automotive Outlook 2013
25-04-2014	➤ Banxico Flash: Policy rate unchanged at 3.5%. Banxico points to a marginal improvement in activity, softening the dovish tone of the previous statement (in Spanish)
25-04-2014	➤ Colombia Flash: 'Banco de la República' increased its monetary policy rate by 25pb to 3.50%
24-04-2014	➤ Banxico Flash: Banxico will maintain rates at 3.5% and its dovish tone given lower-than-expected economic activity figures (in Spanish)
24-04-2014	➤ Mexico Real Estate Flash: Banks' mortgage financing grew 17.4% in February (in Spanish)
24-04-2014	➤ Chile Flash: We do not expect April CPI to surprise expectations reflected in surveys and asset prices (in Spanish)
23-04-2014	➤ Colombia Automobile Market Outlook 2013 (in Spanish)

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