

# Latam Daily Flash

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Economic Analysis

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Moreover, revisions were made to the historical data so that the accumulated figures in January and February are weaker and the contraction in 4Q13 more intense than originally announced. Inflation in Mexico for April, due out today, should reflect favourable seasonal effects and positive effects on the supply side. In Chile, trade balance figures for April showed further deceleration in domestic demand components.

## Brazil - Industrial production declined 0.4% QoQ in 1Q14

According to the revised series released today, which incorporate some methodological updates, Industrial output declined 0.5% MoM in March, slightly less than we expected (-0.8% MoM) and significantly less than anticipated by the market consensus (-2.0% MoM). However, the revision of historical data revealed that the expansion accumulated in January and February was weaker and the contraction in 4Q13 was more intense than previously announced: according to the revised data the expansion from the end of 2013 until February was of 2.1% rather than 4.2% and the contraction in 1Q14 was of 1.6% QoQ rather than 0.5% QoQ. Therefore, rather than reversing the declines recorded in 4Q13, industrial production remained weak in 1Q14. The reasons behind this additional weakening are multiple: declining business and household confidence, tighter monetary conditions, less tax incentives, lower manufacturing demand from Argentina, slowdown in private consumption, etc. We continue to expect 1Q14 GDP to grow 0.5% QoQ, but the data released today add a downward bias to this forecast.

## Chile - Trade balance registered a surplus of USD949mn in April

The balance of trade registered a surplus of USD949mn in April, slightly below our expectations of USD1,100mn. With this figure the accumulated surplus reached USD3.6bn in 2014. The monthly figure was driven by exports of USD6.7bn (-1.6% YoY, BBVAe: -0.7% YoY), while imports reached USD5.7bn (-10.6% YoY, BBVAe: -11.9% YoY). The negative surprise came mainly from copper exports which totalled USD3.1bn (-11.3% YoY), slightly below our forecast of USD3.2bn. In this context, trade figures confirm our view of both a higher contribution of the external sector in aggregate activity prints during this year and a further deceleration in domestic demand, mainly in durable consumption and capital goods (related to the investment in machinery and equipment), that will require the support of further monetary stimulus in coming months.

## Chile - Nominal wages registered an increase of 0.8% MoM in March

Wages registered a nominal increase of 0.8% MoM (+6.2% YoY) mainly driven by the manufacture and real estate sectors, even though wages posted increases across all the sectors. Taking into account the fact that CPI inflation showed an increase of 0.8% MoM in March, real salaries presented a negligible monthly variation (+2.2% YoY). Overall, although the labour market remains in a favourable position, prospects are not encouraging given the deceleration in domestic demand. In this context, we should still see further deceleration in both nominal and real wages in coming months that will ease some of the pressure on CPI inflation figures in the medium term (mainly in core measures).

## What to watch today

### Chile - Consumer price index (April, 8:00hrs NYT)

We expect the CPI in April to have increased 0.2% MoM (+3.9% YoY) mainly driven by foodstuffs and seasonal increases in healthcare items.

### Mexico – Inflation (April, 10:00hrs NYT)

April inflation should reflect favourable seasonal and supply factors. We anticipate a MoM drop of 0.10% in the general price index and an increase of 0.34% in the core index. The fall in prices is mainly due to lower electricity prices because of seasonal adjustments in the first half of the month, and by supply-side factors which caused significant falls in the prices of fruit and vegetables over the same period. The monthly figures mean that these supply conditions became less favourable in the second half of the month. The increase in core inflation is principally a response to the seasonal increase in prices linked to Easter tourism. In annual terms, we estimate headline inflation will be 3.59% (vs. 3.76% in March) and core inflation will be 3.16% (vs. 2.89% in March).

### Peru – Monetary policy meeting (May, 19:30hrs NYT)

We expect the central bank to keep its policy rate on hold (4.00%) in May. This decision would take into consideration the fact that, on the one hand, inflation (both headline and core) remains above the target and the current account deficit is around 5% of GDP, while on the other that output keeps growing below its potential pace.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
FGV CPI IPC-S	5 May	Apr	0.71%	--	0.77%	0.78%
FIPE CPI - Monthly	6 May	Apr	0.53%	--	0.53%	0.74%
PPI Manufacturing MoM	6 May	Mar	--	--	-0.22%	0.51%
HSBC Brazil Composite PMI	6 May	Apr	--	--	49.9	51.0
HSBC Brazil Services PMI	6 May	Apr	--	--	50.4	51.0
FGV Inflation IGP-DI MoM	7 May	Apr	0.60%	--	0.45%	1.48%
Industrial Production MoM	7 May	Mar	-1.95%	-0.8%	-0.5%	0.4%
CNI Capacity Utilization (SA)	8 May	Mar	--	--	--	82.6%
FGV CPI IPC-S	8 May	May	0.78%	--	--	0.77%
IGP-M Inflation 1st Preview	9 May	May	0.40%	--	--	0.72%
IBGE Inflation IPCA MoM	9 May	Apr	0.80%	0.72%	--	0.92%
Vehicle Exports Anfavea	9 May	Apr	--	--	--	23592
<b>Chile</b>						
Economic Activity MoM	5 May	Mar	0.2%	-0.3%	-0.17%	0.2%
Central Bank Meeting Minutes	6 May	--	--	--	--	--
Trade Balance	7 May	Apr	\$1150	\$1087	\$949	\$1702
Real Wage MoM	7 May	Mar	--	--	0.0%	-0.2%
CPI MoM	8 May	Apr	0.2%	0.2%	--	0.8%
CPI Core MoM	8 May	Apr	0.2%	0.2%	--	0.7%
<b>Colombia</b>						
PPI MoM	5 May	Apr	--	--	0.43%	1.71%
CPI MoM	5 May	Apr	0.32%	0.24%	0.46%	0.39%
CPI Core MoM	6 May	Apr	--	0.11%	0.36%	0.31%
Colombia Monetary Policy Minutes	9 May	--	--	--	--	--
<b>Mexico</b>						
Consumer Confidence Index	6 May	Apr	90.0	91.3	90.3	88.8
Vehicle Production AMIA	7 May	Apr	--	--	248031	277314
CPI MoM	8 May	Apr	-0.13%	-0.10%	--	0.27%
CPI Core MoM	8 May	Apr	0.36%	0.34%	--	0.21%
Bi-Weekly CPI	8 May	Apr	0.10%	0.13%	--	-0.19%
Bi-Weekly Core CPI	8 May	Apr	0.07%	0.03%	--	0.26%
Gross Fixed Investment	9 May	Feb	-1.7%	--	--	-2.4%
Central Bank Monetary Policy Minutes	9 May	--	--	--	--	--
Nominal Wages	9 May	Apr	--	--	--	4.4%
<b>Peru</b>						
Reference Rate	8 May	May	4.00%	4.00%	--	4.00%
Trade Balance	9 May	Mar	-\$325M	--	--	\$114M

## Most recent Latam reports

Date	Description
07-05-2014	<a href="#">➤ Chile Economic Outlook: Second Quarter 2014 (in Spanish)</a>
06-05-2014	<a href="#">➤ Colombia Flash: April inflation continues to surprise to the upside</a>
06-05-2014	<a href="#">➤ Yearbook of migration and remittances Mexico 2014</a>
05-05-2014	<a href="#">➤ Mexico Economic Watch: Mexican manufacturing exports gained competitiveness in 2002-2012 (in Spanish)</a>
05-05-2014	<a href="#">➤ Mexico Migration Flash: Remittances to Mexico grew at double digit in March: increased 16% in annual rate</a>
05-05-2014	<a href="#">➤ Chile Flash: INE retail sales would have grown less than 4% YoY in April (in Spanish)</a>
05-05-2014	<a href="#">➤ Chile Flash: Activity grew 2.8% YoY in March</a>
05-05-2014	<a href="#">➤ Financial Inclusion Economic Watch: Financial Inclusion Status in Peruvian Households</a>
02-05-2014	<a href="#">➤ Colombia Economic Watch: Industry's competitiveness has gone down since 2008 (in Spanish)</a>
02-05-2014	<a href="#">➤ Peru Flash: April inflation reflected seasonal and supply factors</a>

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