

Latam Daily | Activity data reinforces the downward bias to our 2015 GDP forecast in Chile

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In Chile, aggregate activity rose 0.8% YoY in May missing the consensus, mainly driven by decline in manufacturing, mining and wholesale trade. This weak figure reinforces our view for a downward bias to our GDP growth forecast. Today, the trade balance and exports will be released in Chile and Colombia respectively. We expect Colombia's exports to have fallen 43%.

Chile - Imacec grew 0.8% YoY in May below expectations

Aggregate activity increased 0.8% YoY (0.0% MoM sa) in May, below both our and the consensus expectations (at 1.6% and 1.5% YoY, respectively). This figure was mainly explained by an improvement in value-added services, which in turn was partially offset by a decline in manufacturing, mining and wholesale trade. All in all, we reinforce the downward bias to our GDP growth estimate for 2015 (see our Chile Flash in Spanish for details).

Brazil - Government announces a measure to try to reduce layoffs by increasing the flexibility in the number of hours worked

The government announced yesterday a plan that will take effect from today to deal with the ongoing severe deterioration in the domestic labour market. The measure encourages companies to use the intensive margin (i.e. the number of worked hours per worker) rather than the extensive margin (i.e. the number of workers) to adjust to the current environment characterised by an overall moderation in demand. More specifically, companies can now choose to reduce by up to 30% the number of hours worked of each employee at the same time as reducing their wages by up to 30%. The workers affected by this measure will be partially compensated by the government: through a public fund (FAT in Portuguese) they will be provided with a compensation equivalent to up to 15% of their wage, which will partially offset the up to 30% wage cut they will face. As highlighted by some officials yesterday, this measure, to a certain extent, should reduce the government's unemployment insurance payments (also borne by the FAT). Nevertheless, there is a risk that this new programme could end up jeopardising the ongoing fiscal adjustment process; if rather than being a temporary measure (as announced yesterday) it becomes a permanent one. In any case, our assessment is positive, because it should help prevent an even sharper deceleration and also because in practice the measure introduces more flexibility for domestic companies to adjust to the current situation.

What to watch today

Chile - Trade balance (June, 07:30hrs NYT)

We expect a surplus of around USD 1.1bn, explained by exports at USD 6.3bn (+2.7% YoY) and imports at USD 5.2bn (-7.1% YoY). Finally, we believe copper exports should increase by 10.7% YoY to USD 3.4bn, mainly due to the normalisation of the Custom Office strikes in June.

Colombia - Exports (May, 12:00hrs NYT)

We expect exports to have fallen 43%, settling at USD3,120 mn. We do not believe the performance of non-traditional exports will be enough to offset the decrease in oil prices. In our view, agricultural shipments could register the best performance.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Vehicle Production Anfaeva	6-July	Jun	--		184,015	210,086
FGV Inflation IGP-DI YoY	7-July	Jun	6.22%		--	4.83%
IBGE Inflation IPCA MoM	8-July	Jun	0.85%	0.77%	--	0.74%
National Unemployment Rate	9-July	May	--		--	8.0%
Chile						
Economic Activity YoY	6-July	May	1.50%	1.60%	0.8%	1.70%
Economic Activity MoM	6-July	May	0.10%	0.40%	0.0%	0.00%
Trade Balance	7-July	Jun	\$750.0M	\$1126.0M	--	\$981.7M
Nominal Wage YoY	7-July	May	--	--	--	6.40%
Nominal Wage MoM	7-July	May	--	--	--	-0.20%
Vehicle Sales Total	7-July - 10 July	Jun	--	--	--	21184
CPI MoM	8-July	Jun	0.30%	0.40%	--	0.20%
CPI YoY	8-July	Jun	4.20%	4.30%	--	4.00%
Central Bank's Economist Survey	10 July				--	
Colombia						
Exports FOB	7-July	May	\$3300M	\$3,120.00	--	\$3212.3M
Colombia Monetary Policy Minutes	9-July				--	
Mexico						
Vehicle Production AMIA	6-July	Jun	--		306,694	288,382
CPI MoM	9-July	Jun	0.20%	0.17%	--	-0.50%
CPI Core MoM	9-July	Jun	0.22%	0.20%	--	0.12%
CPI YoY	9-July	Jun	2.90%	2.87%	--	2.88%
Bi-Weekly CPI	9-July	Jun	0.10%	0.04%	--	0.13%
Bi-Weekly Core CPI	9-July	Jun	0.10%	0.06%	--	0.13%
Bi-Weekly CPI YoY	9-July	Jun	2.84%	2.88%	--	2.87%
ANTAD Same-Store Sales YoY	9-July	Jun	--		--	7.40%
Industrial Production YoY	10 July	May	0.50%	0.40%	--	1.10%
Industrial Production MoM	10 July	May	-0.10%	-0.30%	--	-0.10%
Peru						
Trade Balance	9-July - 10 July	May	-\$650M		--	-\$746M
Reference Rate			3.25%	3.25%	--	3.25%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
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07.04.2015	Chile: IMACEC grows 0.8% YoY in May: slowdown speeds up
07.04.2015	Colombia: Inflation in June stood at 4.4% YoY
07.03.2015	Mexico: Industrial production could decrease 0.3
07.01.2015	Chile: New challenge for fiscal authority, implementing USD 8 Bln through public investment
07.01.2015	Peru: Inflation will make harder the CB's commitment
07.01.2015	Mexico: private sector credit rose 10.4% in May
07.01.2015	Mexico: Real estate outlook
07.01.2015	Mexico: Remittances keep growing slightly to 2.4% YoY in May
06.30.2015	Chile: weak sectorial data and rising unemployment in May
06.30.2015	Colombia: external imbalance should have touched its peak in the 1Q15

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