

# Latam Daily Flash

11 January 2013  
Economic Analysis

Madrid  
**Juan Ruiz**  
Chief Economist, South America  
juan.ruiz@bbva.com  
+34 913745887

**Enestor dos Santos**  
Senior Economist, Latam  
enestor.dossantos@bbva.com  
+34 639827211

Mexico City  
**Octavio Gutierrez-Engelmann**  
Macro Latam Strategy  
o.gutierrez3@bbva.com  
+5255 5621 9245

With contributions from the BBVA  
Research Latam Team:

Lima  
**Hugo Perea**  
Chief Economist, Peru  
hugo.perea@bbva.com  
+51 1 2112042

Bogota  
**Juana Tellez**  
Chief Economist, Colombia  
juana.tellez@bbva.com  
+571 3471600

Santiago  
**Alejandro Puente**  
Chief Economist, Chile  
alejandropuente@bbva.com  
+56 2 2939 10 92

Mexico City  
**Cecilia Posadas**  
Senior Economist, Mexico  
c.posadas@bbva.com  
+52 55 5621 6442

*Yesterday markets focused on inflation in Brazil, which closed 2012 well above the central bank target (but within the bands), although we still expect monetary policy to remain on hold in 2013e. In Peru there were no surprises and the central bank left rates unchanged. Today attention will turn to industrial production in Mexico, to confirm a rebound in November after October's contraction. Meanwhile, we expect business confidence in Peru and exports in Colombia to contribute to a bright picture for 4Q12 in both countries.*

## Brazil - Inflation closes 2012 at 5.8%, well above target

Inflation topped expectations and reached 5.8% YoY (0.79% MoM) in December. Inflation closed another year above the 4.5% target, although within the 2.5%-6.5% official range. In our view, there are no perspectives of significant moderation in 2013e as the recovery in domestic demand, the tone of economic policies and an eventual adjustment of fuel prices should keep prices under pressure. In addition, a dry summer has been driving reservoir levels at hydroelectric dams down to multiyear lows, generating a risk (denied by the authorities) of power shortages and higher energy prices. We, however, expect the SELIC to remain at 7.25% throughout the year (see our [Brazil Flash](#) for more on this issue).

## Peru - January monetary policy meeting: no surprises

The central bank kept the policy rate in January at 4.25%, as we expected. There was nothing new in the statement released in support of this decision. We anticipate that in the coming months inflation will stay around the upper limit of the target range and that output will remain close to its potential, giving room for the policy rate to be maintained at its current level (see our [Peru Flash](#) for more on this issue).

## Chile - Central Bank Economists Survey shows no change in the monetary policy rate at January's meeting

The CB Economists Survey of January revealed a growth forecast for the monthly economic activity index (Imacec) of 4.9% YoY by December 2012 (BBVAe: 3.5% YoY). Additionally, economists estimate inflation at 0.1% MoM for January (1.5% YoY) and no changes in the monetary policy rate at this month's meeting, both in line with our expectations..

## Mexico - Activity (IGAE) was better than expected, decelerating smoothly

The Global Economic Activity Index (IGAE) rose 0.16% MoM in October (vs. BBVAe 1.1% in sa series), which confirms our view of a smooth deceleration. Primary activities and services expanded 6.47% and 0.22% respectively; meanwhile industry contracted 0.86% MoM due to lower exports. In spite of this downward path, activity expanded 4.3% YoY. We forecast a recovery in manufacturing by November and December of 2012e.

## Mexico - Construction dragged growth in domestic investment

In October, investment decreased 0.26% MoM (sa series) due to a bigger than expected fall in construction (-1.72%) and a smooth acceleration in machinery & equipment (+0.72%). In our opinion, producer confidence should back positive expansion in M&E investment for the rest of 2012e and the beginning of 2013e. In annual terms, investment grew 9.5% in October due to strong base effects.

## What to watch today

### Mexico – Industrial production (November, 9:00 hrs NYT)

We forecast industrial production growth of 1.1%e MoM in November (vs. consensus 1.2%), which implies a recovery from -0.9% in the previous month due to the dynamics in US manufacturing. However, we think the latest release of Mexican vehicle production in December could imply a downward bias for the end of 2012e.

### Peru – Business confidence (December, 13:00 hrs NYT)

We expect this to remain at similar levels to the previous reading (64 points, within the optimistic area above 50 points). This would support private investment in the coming quarters, leading GDP growth to remain close to its potential level.

### Colombia – Exports (November, 16:00 hrs NYT)

The data should confirm the expected recovery in oil and coal exports, in our view, which would verify the expected rebound in activity in 4Q12. However, the high statistical base of 2011 could limit YoY expansion to 0% or even a slightly negative value.

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-DI	7-Jan	Dec	--		0.66	0.25%
Vehicle Sales (Anfavea)	7-Jan	Dec	--		359355	311772.00
Trade Balance (FOB) - Weekly	7-Jan	Jan 6	--		-\$100M	--
FGV CPI IPC-S	8-Jan	Jan 7	0.71%		0.77%	0.66%
FGV Preview Inflation IGP-M	9-Jan	Jan 8	0.57%		0.41	0.69%
Economic Activity Indx MoM SA	09-16 Jan	Nov	0.25%		--	0.36%
FIPE CPI - Weekly	10-Jan	Jan 7	0.76%		0.86%	0.82%
IBGE Inflation IPCA (MoM)	10-Jan	Dec	0.74%	0.60%	0.79%	0.60%
<b>Chile</b>						
Economic Activity Indx YoY NSA	7-Jan	Nov	5.20%	4.90%	5.50%	6.70%
Trade Balance in US\$ Million	7-Jan	Dec	\$325	\$55	\$1506	\$562.0
Total Exports in US\$ Million	7-Jan	Dec	--	\$6470	\$7714	\$6674.0
Total Imports in US\$ Million	7-Jan	Dec	--	\$6415	\$6208	\$6112.0
Copper Exports	7-Jan	Dec	--	\$3700	\$4704	\$3859.0
CPI (MoM)	8-Jan	Dec	0.10%	0.10%	0.00%	-0.50%
Financial Traders Survey	9-Jan	1HJan	--	--	--	--
Economist Survey	10-Jan	Jan	--	--	--	--
<b>Colombia</b>						
Vehicle Sales	08-11 Jan	Dec	--	24022	26443	29412
<b>Mexico</b>						
Consumer Confidence	8-Jan	Dec	95.5	97.4	99	94.2
International Reserves Weekly	8-Jan	Jan 4	--	--	\$163226M	\$163592M
Trade Balance	9-Jan	Nov F	-1272.7	-1272M	-1272.7	-1272.7M
Consumer Prices (MoM)	9-Jan	Dec	0.34%	0.20%	0.23%	0.68%
Consumer Prices Core (MoM)	9-Jan	Dec	0.23%	0.11%	0.12%	0.05%
Bi-Weekly CPI	9-Jan	Dec 31	0.27%	0.03%	0.10%	0.27%
Bi-Weekly Core CPI	9-Jan	Dec 31	0.23%	0.01%	0.03%	0.26%
Gross Fixed Investment	10-Jan	Oct	8.30%	3.60%	9.50%	3.10%
Global Economic Indicator IGAE	10-Jan	Oct	3.80%	2.30%	4.30%	1.32%
Vehicle Production (AMIA)	10-Jan	Dec	--	--	180597	265001.00
Industrial Production (YoY)	11-Jan	Nov	3.27%	3.10%	--	3.60%
<b>Peru</b>						
Trade Balance	9-Jan	Nov	\$140M	--	222.6	\$148.0M
Reference Rate	11-Jan	Jan	4.25%	--	--	4.25%
Business Confidence	11-14-Jan	Dec	--	--	--	64

## Most recent Latam reports

Date	Description
10-1-2013	<a href="#">➤ Peru Flash: January monetary policy meeting: no surprises</a>
10-1-2013	<a href="#">➤ Brazil Flash: Inflation closes 2012 at 5.8%, well above target</a>
9-1-2013	<a href="#">➤ Mexico Inflation Flash: December's Inflation: Inflation Reaches 3.6% and Ends 2012 In Line with Banxico's Expectation</a>
8-1-2013	<a href="#">➤ Chile Flash: CPI shows no change in December and annual increase of 1.5% YoY in 2012</a>
8-1-2013	<a href="#">➤ Colombia Flash: Consumer inflation in December stood at 2.44% explained by regulated and food prices and partly by demand effects</a>
7-1-2013	<a href="#">➤ Chile Flash "Economic activity remains strong in November"</a>
7-1-2013	<a href="#">➤ Peru "Real Estate Outlook - 2012" (in Spanish)</a>
2-1-2013	<a href="#">➤ Mexico Migration Flash: Remittances to Mexico recorded 5 consecutive-months with decreases</a>
2-1-2013	<a href="#">➤ Peru Flash: Annual inflation remained within the target range in December</a>
28-12-2012	<a href="#">➤ Chile Flash: Manufacturing production slows, dynamism in retail sales continues and unemployment rate falls again</a>

**Important Disclosures**

The BBVA Group companies that have participated in preparing or contributed information, opinions, estimates, forecasts or recommendations to this report are identified by the location(s) of the author(s) listed on the first page as follows: 1) Madrid, London or Europe - Banco Bilbao Vizcaya Argentaria, S.A., including its E.U. branches (hereinafter called 'BBVA'), 2) Mexico City - BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (hereinafter called 'BBVA Bancomer'); 3) New York - BBVA Securities, Inc. (hereinafter called 'BBVA Securities'); 4.) Lima - BBVA Continental S.A.; 5.) Bogota - BBVA Colombia S.A.; 6.) Santiago - BBVA Chile S.A.

**For recipients in the European Union**, this document is distributed by BBVA, a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), and registered with the Bank of Spain with number 0182.

**For recipients in Mexico**, this document is distributed by BBVA Bancomer, a bank supervised by the Comisión Nacional Bancaria y de Valores de México.

**For recipients in USA**, this document is being distributed by BBVA Securities, a subsidiary of BBVA registered with and supervised by the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation. U.S. persons wishing to execute any transactions should do so only by contacting a representative of BBVA Securities in the U.S. Unless local regulations provide otherwise, non-U.S. persons should contact and execute transactions through a BBVA branch or affiliate in their home jurisdiction.

BBVA and BBVA Group companies or affiliates (art. 42 of the Royal Decree of 22 August 1885 Code of Commerce), are subject to the BBVA Group Policy on Conduct for Security Market Operations which establishes common standards for activity in these entities' markets, but also specifically for analysis and analysts. This BBVA policy is available for reference at the following web site: [www.bbva.com](http://www.bbva.com).

Analysts residing outside the U.S. who have contributed to this report are not registered with or qualified as research analysts by FINRA or the New York Stock Exchange and may not be considered "associated persons" of BBVA Securities (as such term is construed by the rules of FINRA). As such, they are not subject to NASD Rule 2711 restrictions on communications with subject companies, public appearances and trading of securities held in research analysts' accounts.

**BBVA is subject to a Code of Conduct for Security Market Operations, which details the standards of the above-mentioned overall policy for the EU. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. This Code of Conduct for Security Market Operations is available for reference in the 'Corporate Governance' section of the following web site: [www.bbva.com](http://www.bbva.com).**

**BBVA Bancomer is subject to a Code of Conduct and to Internal Standards of Conduct for Security Market Operations, which details the standards of the above-mentioned overall policy for Mexico. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. This Code and the Internal Standards are available for reference in the 'Grupo BBVA Bancomer' subsection of the 'Conócenos' menu of the following web site: [www.bancomer.com](http://www.bancomer.com).**

**BBVA Securities is subject to a Capital Markets Code of Conduct, which details the standards of the above-mentioned overall policy for USA. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers.**

**Exclusively for Recipients Resident in Mexico**

**BBVA Bancomer S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer acts as a market maker/specialist in:** MexDer Future Contracts (US dollar [DEUA], 28-day TIEs [TE28], TIE Swaps, 91-day CETES [CE91]), Bonos M, Bonos M3, Bonos M10, BMV Price and Quotations Index (IPC), Options Contracts (IPC, shares in América Móvil, Cemex, CPO, Femsa UBD, Gcarso A1, Telmex L) and Udibonos.

BBVA Bancomer, and, as applicable, its affiliates within BBVA Bancomer Financial Group, may hold from time to time investments in the securities or derivative financial instruments with underlying securities covered in this report, which represent 10% or more of its securities or investment portfolio, or 10% or more of the issue or underlying of the securities covered.

**DISCLAIMER**

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information and are current as of the date of issue and subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

**Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report.** Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

**The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances, investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.**

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

**BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: [www.bbva.com](http://www.bbva.com) / Corporate Governance".**

**BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.**