

Latam Daily Flash

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Economic Analysis

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Mexico announced the start of works on major reform proposals to be introduced in 2013, including crucial changes in the energy sector. In Chile, consumer confidence increased significantly in December. Today markets will focus on inflation in Brazil, which will close 2012 above the central bank target (but within the bands) and on the monetary policy decision in Peru, where we expect no change in policy rates.

Mexico - Reform agenda proposed for debate and implementation in 2013

The main political parties announced that they were starting to work on proposals for reforms in 1H13, including telecoms, competition, energy (i.e. private investment in Pemex) and the National Police. Other proposals will be debated in 2H13 (social programs, security laws). 1H13 will be critical for sentiment towards the reform outlook of this Administration. Energy will be the main battlefield. We think some progress could be made in terms of competition.

Mexico - Inflation ends 2012 (3.57% YoY) within Banxico's target range

Inflation was 0.23% MoM (vs. BBVAe 0.20% and consensus 0.28%). Core prices increased 0.12%. In annual terms, inflation fell from 4.73% in September to 3.57% YE12. Meanwhile, core inflation fell from 3.70% in August to 2.90%. Inflation could increase during the first four months of 2013e, but should continue to be below the 4% mark. The balance of CPI risks has improved, implying a prolonged monetary pause at 4.5%.

Chile - Consumer confidence survey remained optimistic in December 2012

The consumer confidence index reached 58.1 in December 2012 (vs. 53.4 in November) and has remained in the optimistic zone since June. The result was due to an improvement in the current personal situation assessment, while low inflation had reduced the perception of an acceleration in prices in the medium term. Consumer optimism is in line with higher than expected GDP growth and the dynamism of the labor market.

Chile - CB Traders Survey includes positive monthly inflation for January

The Financial Traders Survey for the first half of January included an inflation forecast of 0.1% MoM for this month, in line with our estimate. Even though traders' expectations are for no change in the monetary policy rate for six months ahead, for the 12 month period the survey anticipates a mild increase of 25bp to 5.25%, in line with our expectations. For the exchange rate, traders maintained their forecast of CLP480 per dollar on a 3-month horizon.

Colombia - Car sales in 2012 reached 315,968 units, a drop of 2.6% YoY

2012 ended with a remarkable turnaround in durable goods consumption. While in 3Q12 car sales fell 11.6%, 4Q12 sales dropped by just 1.7% YoY. In the coming months, we expect a resumption of positive consumption dynamics, also anticipated by imports of durable goods.

What to watch today

Brazil - Inflation (December, 06:00 hrs, NYT)

We expect inflation to reach 0.6%MoM (5.6%YoY), below the market forecast (0.7%MoM;5.8%YoY). Inflation will close another year above target (4.5%), which will not help to anchor expectations.

Chile - Central Bank Economists Survey (6:30 hrs, NYT)

The survey should deliver expectations of no change in the policy rate in the medium term, inflation at 0.1% MoM in January and slowdown in the economic activity index (Imacec) for December.

Mexico - Global Activity Index (October, 9:00 hrs, NYT)

Activity should have been positive in 4Q12e, although on a declining path, in line with manufacturing exports. We forecast a recovery in core industries in November and December.

Mexico - Gross fixed capital formation (October, 9:00 hrs, NYT)

In September, investment expanded 3.1% YoY, with construction expenditure growth of 3.4% and machinery & equipment +2.4%. We should see stronger growth in capital formation in October (above 8.0%), backed by producer sentiment and easier financial conditions.

Colombia - Consumer confidence (December, 16:00 NYT)

We expect confidence to remain at high levels, similar to previous months, in line with other leading consumer indicators, reflecting a pick-up in household spending.

Peru - Monetary policy decision (19:00 hrs, NYT)

We expect the central bank to maintain the monetary policy rate at 4.25%, in line with inflation's return to within the target range and GDP growth consistent with its potential level.

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% | -- | 0.60% |
| Chile | | | | | | |
| 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 | -- | -- | -- | -- |
| Colombia | | | | | | |
| Vehicle Sales | 08-11 JAN | Dec | -- | 24022 | 26443 | 29412 |
| Mexico | | | | | | |
| 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% | -- | 3.10% |
| Global Economic Indicator IGAE | 10-Jan | Oct | 3.80% | 2.30% | -- | 1.32% |
| Vehicle Production (AMIA) | 10-Jan | Dec | -- | -- | -- | 265001.00 |
| Industrial Production (YoY) | 11-Jan | Nov | 3.27% | 3.10% | -- | 3.60% |
| Peru | | | | | | |
| 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 |
|------------|---|
| 9-1-2013 | ➤ Mexico Inflation Flash: December's Inflation: Inflation Reaches 3.6% and Ends 2012 In Line with Banxico's Expectation |
| 8-1-2013 | ➤ Chile Flash: CPI shows no change in December and annual increase of 1.5% YoY in 2012 |
| 8-1-2013 | ➤ Colombia Flash: Consumer inflation in December stood at 2.44% explained by regulated and food prices and partly by demand effects |
| 7-1-2013 | ➤ Chile Flash "Economic activity remains strong in November" |
| 7-1-2013 | ➤ Peru "Real Estate Outlook - 2012" (in Spanish) |
| 2-1-2013 | ➤ Mexico Migration Flash: Remittances to Mexico recorded 5 consecutive-months with decreases |
| 2-1-2013 | ➤ Peru Flash: Annual inflation remained within the target range in December |
| 28-12-2012 | ➤ Chile Flash: Manufacturing production slows, dynamism in retail sales continues and unemployment rate falls again |
| 26-12-2012 | ➤ Chile Flash: Standard & Poor's upgrades sovereign debt rating of Chile to AA- |
| 21-12-2012 | ➤ Colombia Flash: Central Bank cut its policy rate by 25bps to 4.25% motivated by low 3Q12 GDP growth rate |

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