

Latam Daily Flash

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Economic Analysis

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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% |
| 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% | 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% |
| 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 |
|------------|---|
| 10-1-2013 | ➤ Peru Flash: January monetary policy meeting: no surprises |
| 10-1-2013 | ➤ Brazil Flash: Inflation closes 2012 at 5.8%, well above target |
| 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 |

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