

# Latam Daily Flash

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Economic Analysis

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*In Mexico, we had the release of the Annual Borrowing Plan for 2013, with no surprises in terms of public debt management: Mexico continues with its positive fiscal differentiation. Today we await data on Brazilian CPI for the first half of January, which is likely to confirm an upward trend in inflation and reduce the room for further interest rate cuts, even with weak growth. Retail sales data in Mexico, on the other hand, is expected to point to a sizable hike in November relative to October.*

## Mexico - Annual Borrowing Plan for 2013

The Ministry of Finance announced its Annual Borrowing Plan with the following guidelines: i) to favor local currency debt in domestic markets over external debt; ii) to encourage the placement of long-term fixed-rate instruments (at present the average maturity of public debt in local markets is eight years); iii) active use of external debt in an attempt to reduce overall portfolio risk; and iv) increasing currency diversification of external debt. The borrowing plan is in line with the approved Federal Budget, with expected net debt issuance of 2.5% of GDP (vs. 2.7% in 2012). Capital amortizations of internal and external debt are expected to represent 5.2% of GDP in 2013, the lowest figure for this indicator since 2005.

## Mexico - Economic Analysts Survey

Economists in the financial sector revised downwards their headline inflation for YE13 from 3.79% to 3.70 % YoY, after the positive surprise in December's inflation figure (3.57% YoY vs. consensus 3.69%). Also, 25% of market economists forecast monetary policy easing in the next 12 months (vs. 0% in the previous survey) in the light of Banxico's dovish statement last week (we are still expecting a long monetary pause). According to this survey, the current economic outlook for 2013 is GDP 3.52%, USDMXN 12.5, and the monetary rate at 4.50% (median).

## What to watch today

### Brazil - Inflation: IPCA-15 (January, 06:00hrs, NYT)

The IPCA-15 for January, which measures inflation from mid-December to mid-January, should reveal that inflation continues to trend upwards at the beginning of the year, putting extra pressure on the central bank and leaving practically no room for a fresh round of monetary easing anytime soon (see market and BBVA forecasts in the table below).

### Brazil - External accounts (December, 07:30hrs, NYT)

The current account deficit should end 2012 around 2.3% of GDP, slightly more than in 2011 (2.1% of GDP) in spite of the weakness of the domestic demand and the depreciation of the Brazilian real. Total FDI inflows are expected to reach 2.8%, the highest result in many years.

### Mexico - Retail sales (November, 09:00hrs, NYT)

The recovery of employment (4.8% YoY in the last six months vs. 4.5% in the previous six months) and the stability in real wages should support a smooth monthly hike (BBVAe: 1.5% MoM vs. -0.1% in the previous month, sa series).

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
FGV Preview Inflation IGP-M	21-Jan	Jan 20	0.37%	--	0.34%	0.41%
Trade Balance (FOB) - Weekly	21-Jan	Jan 20	--	--	-\$1723M	-\$878M
CAGED Formal Job Creation	23-Jan	Dec	-401500	--	--	46095
FGV CPI IPC-S	23-Jan	Jan 22	0.81%	--	--	0.89%
IBGE CPI IPCA-15 (MoM)	23-Jan	Jan	0.81%	0.75%	--	0.69%
Current Account - Monthly	23-Jan	Dec	-\$6320M	--	--	-\$6265M
Foreign Investment	23-Jan	Dec	\$4100M	--	--	\$4587M
FGV Consumer Confidence	24-Jan	Jan	--	--	--	118.7
COPOM Monetary Policy Meeting Minutes	24-Jan	--	--	--	--	--
Tax Collections	24-Jan	Dec	103300M	--	--	83707M
Outstanding Loans MoM%	25-Jan	Dec	--	--	--	1.5%
<b>Chile</b>						
Central Bank's Traders Survey	23-Jan	--	--	--	--	--
<b>Mexico</b>						
Unemployment Rate	21-Jan	Dec	4.80%	4.80%	4.47%	5.12%
Retail Sales (INEGI)	23-Jan	Nov	3.50%	2.30%	--	3.5%
Global Economic Indicator IGAE	24-Jan	Nov	3.00%	3.10%	--	4.33%
Bi-Weekly Core CPI	24-Jan	Jan 15	0.21%	0.36%	--	0.03%
Bi-Weekly CPI	24-Jan	Jan 15	0.32%	0.57%	--	0.10%
Trade Balance	25-Jan	Dec P	-967.95M	--	--	-1272.7M

## Most recent Latam reports

<b>Date</b>	<b>Description</b>
22-1-2013	<a href="#">➤ Mexico Real Estate Outlook - January 2013 (in Spanish)</a>
21-1-2013	<a href="#">➤ Paraguay Flash: Paraguay returns to the international bonds market with a 10-year bond</a>
18-1-2013	<a href="#">➤ Mexico Flash. No change in fondeo rate. Inflation slump leads to a dovish tone</a>
17-1-2013	<a href="#">➤ Chile Flash: Central Bank kept the monetary policy rate at 5%</a>
17-1-2013	<a href="#">➤ Banxico Watch: The significant improvement in the inflation balance of risks leads to a neutral tone and supports the monetary pause</a>
17-1-2013	<a href="#">➤ Brazil Flash: Stability of monetary conditions amid higher inflation and lower growth</a>
16-1-2013	<a href="#">➤ Brazil Flash: Economic activity grew more than expected in November</a>
14-1-2013	<a href="#">➤ Peru Flash: Output keeps growing at a strong pace</a>
14-1-2013	<a href="#">➤ Mexico Banking Flash: Private-sector credit: continues to grow at double-digit rates</a>
14-1-2013	<a href="#">➤ Mexico Real Estate Flash: Negative growth for the first time in two years</a>

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