

# Latam Daily Flash

25 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

**Carlos Serrano**

Chief Economist, Mexico  
carlos.serranoh@bbva.com  
+52 55 56216503

Yesterday, the main news on the macroeconomic front were released in Mexico and in Brazil. In the former, inflation surprised to the downside and growth to the upside. In the latter, where the recent set of indicators has not been as positive as in Mexico, the monetary policy meeting minutes revealed a more hawkish tone, which is however still in line with the stability of the SELIC rate for a prolonged period of time. Today we await credit numbers in Brazil, focusing on NPLs, in particular in the consumer segment.

## Mexico - Inflation was significantly lower than expected

Bi-weekly headline inflation was 0.15% (vs. BBVAe 0.39% and consensus 0.31%) due to a moderation in non-core prices (unprocessed food) and a lower than expected increase in public services prices. In annual terms, CPI inflation fell from 3.57% to 3.21% (core from 2.9% to 2.78%, the lowest in history). The major improvement in the inflationary balance of risk moves the Banxico's Monetary Statement to the dovish side, and we think it could continue in this vein in the coming months. Our call for a monetary pause remains in place (see our [Mexico Flash](#) for more).

## Mexico - Global Economic Indicator (IGAE) was better than expected

In seasonally adjusted series, the IGAE rose 1.07% MoM in November (vs. BBVAe 0.5%) from 0.2% MoM in October. In annual terms, economic activity expanded 4.14% YoY, which is almost 1pp higher than expected by the market. By sector, primary activities expanded 9.5% YoY, services 4.5% and industry 2.8%. We reiterate our positive outlook for YE12.

## Brazil - COPOM: more hawkish but still in line with stable monetary conditions

In the monetary policy meeting minutes, the COPOM recognizes that the balance of risks for inflation has deteriorated, especially in the short-term. The COPOM now sees inflation above target through 2013 and 2014. In addition, lower than expected growth is explained by "limitations on the supply side" which "cannot be addressed by monetary policy actions". Rising inflation and the corresponding change in the tone of monetary policy have practically closed the door to a SELIC cut and triggered talks about an upward adjustment. We continue to expect interest rates stable at 7.25% for a "prolonged period of time" (see our [Brazil Flash](#) for more).

## Chile - Congress passed a bill of new business creation

Yesterday the Congress passed a new business-creation bill to simplify paperwork for the new company start-ups, encouraging entrepreneurs. Additionally, this new law will reduce both business-creation costs (notary fees) and the number of days needed to start up a new company. According to Ministry of Economic Affairs officials, the act will be implemented in full by May 2013.

## What to watch today

### Brazil – Credit market report (December, 07:30hrs, NYT)

The report should shed some light on the impact of the credit markets on domestic demand at the end of 2012. Markets will also focus on the evolution of NPLs, especially in the consumer segment.

### Mexico – Trade balance (December, 9:00 hrs, NYT)

We expect the trade balance to narrow from a deficit of USD1,272.7mn in November to USD734mn in December (vs. consensus USD968m). We do not perceive any financing pressures on Mexico's external accounts.

## 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
FGV CPI IPC-S	23-Jan	Jan 22	0.81%	--	1.03%	0.89%
IBGE CPI IPCA-15 (MoM)	23-Jan	Jan	0.81%	0.75%	0.88%	0.69%
Current Account - Monthly	23-Jan	Dec	-\$6320M	--	-\$8413M	-\$6265M
Foreign Investment	23-Jan	Dec	\$4100M	--	\$5358M	\$4587M
FGV Consumer Confidence	24-Jan	Jan	--	--	117.9	118.7
COPOM Monetary Policy Meeting Minutes	24-Jan	--	--	--	--	--
Tax Collections	24-Jan	Dec	103300M	--	103246M	83707M
Outstanding Loans MoM%	25-Jan	Dec	--	--	--	1.5%
CAGED Formal Job Creation	28-31 Jan	Dec	-401500	--	--	46095
<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%	3.50%	3.5%
Global Economic Indicator IGAE	24-Jan	Nov	3.00%	3.10%	4.10%	4.33%
Bi-Weekly Core CPI	24-Jan	Jan 15	0.21%	0.36%	0.18%	0.03%
Bi-Weekly CPI	24-Jan	Jan 15	0.32%	0.57%	0.15%	0.10%
Trade Balance	25-Jan	Dec P	-967.95M	--	--	-1272.7M

## Most recent Latam reports

Date	Description
24-1-2013	<a href="#">➤ Mexico Inflation Flash: January biweekly inflation: Inflation Drops Again as Non-Core Prices Surprise Downwards</a>
24-1-2013	<a href="#">➤ Brazil Flash: Monetary policy minutes: a more hawkish tone, still in line with the stability of monetary conditions</a>
23-1-2013	<a href="#">➤ Mexico Real Estate Outlook - January 2013</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>

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