

Latam Daily Flash

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Economic Analysis

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In Brazil, GDP data for 4Q12 published on Friday revealed that economic activity continued to expand at a moderate pace at the end of last year. The growth figures were in line with our forecasts, but surprised markets slightly to the downside. In Chile, the monetary minutes highlighted domestic risks as we expected. However, the anchoring of inflation expectations should guarantee the stability of monetary conditions in the medium term. A downside surprise in February inflation should give Peru's central bank more room to keep interest rates stable. Today we expect the main news to be manufacturing confidence data in Mexico.

Brazil - Activity continued to recover, albeit slowly, at the end of the last year; GDP grew only 0.9% in 2012

4Q12 GDP expanded by 0.6% QoQ (1.4% YoY), in line with our forecasts (0.6% QoQ; 1.5% YoY) but slightly less than markets expected. The recovery in economic activity remained slow and fragile (i.e. excessively dependent on private consumption). We continue to expect growth to accelerate gradually over 2013e and GDP to expand 3.6% this year, but we also see increasing risks to this "benign scenario". Moreover, the data released on Friday reinforces our view that the SELIC rate will not be changed at the monetary policy meeting this week, when the central bank should provide more information about how it sees the evolution of monetary conditions in a context of low growth and high inflation (see our [Brazil Flash](#) for details).

Chile - Minutes of February's meeting gives more weight to domestic risks

The minutes of the last monetary policy meeting note that domestic risks have been gaining weight vis-à-vis external risks, but that the decision to maintain the reference rate remains the most appropriate in the current scenario, given that the limited evidence of a slowdown in domestic demand has not been reflected in a rise in inflation expectations in the long term. Thus, we forecast that the central bank will leave rates on hold, as long as no risks materialize in the medium term, in particular on the domestic front.

Peru - Unexpected decline in inflation in February

Consumer prices fell 0.1% MoM (BBVAe: +0.1%; consensus: +0.2%). This negative print reflected lower food prices, which is unusual at the beginning of the year and which is partly due to a delay in the start of the rainy season. With only one exception, all the components of the consumer prices index rose by at least 0.2% MoM, suggesting underlying inflation pressures are still significant (core inflation remains above the 3% upper end of target range). This result drove YoY inflation down to 2.4% in February (vs. 2.9% in January). We expect inflation to remain within the target range throughout the year, giving the central bank room to keep the policy rate on hold (see our [Peru Flash](#) for details).

Peru - Consumer confidence remained strong in February

The consumer confidence index stood at 57 points, one point below January's print, but still higher than the 4Q12 average. This is mainly a reflection of the moderation in inflation, together with favorable labor market conditions for higher-skilled workers. Household optimism indicates that private consumption is continuing to expand steadily in the first quarter.

Peru - Cement consumption recovered in January

The growth rate of this indicator, which has a close correlation with the performance of the Construction sector, rose to 18.6% (YoY) in January. This result confirms that the low print in December (4.3%) was just a soft patch. It also suggests that the momentum of both public and private investment remain strong, reinforcing our view of healthy domestic demand in the coming quarters.

Mexico - Remittances are still falling and constraining household income

Remittance inflows fell 2.3% YoY in January (in USD terms), the seventh consecutive month in decline. In MXN terms, remittances decreased 8% YoY, which implies lower household income. Looking forward, we expect YoY contraction in remittances in the coming months but a smooth recovery by YE13e (see our [Migration Flash](#) for details).

Mexico - January's budget balance was in line with the budget approved for 2013

Fiscal income fell 7.0% YoY due to lower oil revenues (-20.5% YoY), lower tax revenues (-1.9%) and higher public tariffs and fees (14.6%). Meanwhile, net expenditure decreased 7.9% YoY. The fiscal balance was in line with the budget, but it points to slowing economic momentum at the beginning of the year.

What to watch today

Mexico - Manufacturing confidence, IMEF (February, 13:00 hrs, NYT)

Manufacturing activity should remain above 50 point benchmark for a fifth consecutive month, but with reduced momentum, in line with US manufacturing confidence.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Monthly	04-Mar	Feb	0.33%		--	1.15%
Trade Balance (FOB) - Weekly	04-Mar	2-mar	--		--	--
PMI Services	05-Mar	Feb	--		--	54.5
FGV Inflation IGP-DI	06-Mar	Feb	0.35%		--	0.31%
Vehicle Sales (Anfavea)	06-Mar	Feb	--		--	311453
SELIC Target - Central Bank	06-Mar	2-mar	7.25%	7.25%	--	7.25%
Industrial Production sa (MoM)	07-Mar	Jan	1.55%	0.60%	--	0.00%
FGV Preview Inflation IGP-M	08-Mar	2-feb	0.38%		--	0.34%
FGV CPI IPC-S	08-Mar	2-mar	--		--	--
IBGE Inflation IPCA (MoM)	08-Mar	Feb	0.50%	0.40%	--	0.86%
CNI Capacity Utilization	08-Mar	Jan	81.00%		--	80.90%
Chile						
Economic Activity Indx YoY NSA	05-Mar	Jan	6.50%	6.40%	--	4.70%
Trade Balance in US\$ Million	07-Mar	Feb	\$500	\$3000	--	\$244.0
Copper Exports	07-Mar	Feb	--	\$3600	--	\$3474.0
CPI (MoM)	08-Mar	Feb	0.30%	0.30%	--	0.20%
Colombia						
Producer Price Index (MoM)	04-Mar	Feb	--	--	--	-0.05%
Consumer Price Index (MoM)	06-Mar	Feb	0.50%	0.54%	--	0.30%
Mexico						
IMEF Manufacturing Index	04-Mar	Feb	51.50%	--	--	52.1
IMEF Non Manufacturing Index	04-Mar	Feb	--	--	--	51.7
Consumer Confidence	05-Mar	Feb	98.6	98.1	--	100
International Reserves Weekly	05-Mar	2-mar	--	--	--	\$164715M
Consumer Prices (MoM)	07-Mar	Feb	0.53%	0.58%	--	0.40%
Consumer Prices Core (MoM)	07-Mar	Feb	0.53%	0.53%	--	0.42%
Bi-Weekly CPI	07-Mar	2-feb	0.22%	0.29%	--	0.24%
Bi-Weekly Core CPI	07-Mar	2-feb	0.12%	0.24%	--	0.24%
Gross Fixed Investment	08-Mar	Dec	-2.00%	3.00%	--	5.40%
Overnight Rate	08-Mar	2-mar	4.50%	4.50%	--	4.50%
Vehicle Production (AMIA)	08-15 MAR	Feb	--	--	--	242855
Peru						
Reference Rate	08-Mar	Mar	4.25%	4.25%	--	4.25%

Most recent Latam reports

Date	Description
4-3-2013	➤ Brazil Economic Outlook. First Quarter 2013. (in Chinese)
1-3-2013	➤ Peru Flash: Unexpected inflation decline in February
1-3-2013	➤ Mexico Migration Flash: Remittances to Mexico starts 2013 decreasing
1-3-2013	➤ Brazil Flash: Activity continued to recover, albeit slowly, at the end of the last year. GDP grew only 0.9% in 2012
28-2-2013	➤ Chile Flash: Industrial activity regains momentum and unemployment rate reaches 6%
22-2-2013	➤ Colombia Flash: Industrial production confirms delay of industrial recovery. Retail sales signal room for increased household spending
22-2-2013	➤ Colombia Flash: BanRep cut policy rate by 25bps to 3.75%, in line with expectations
22-2-2013	➤ Mexico Flash: February's biweekly inflation: inflation increases as mobile phone fees rise again
20-2-2013	➤ Mexico Banking Flash. Bank deposits: continue to grow
20-2-2013	➤ Chile Economic Outlook 1Q13

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