

# Latam Daily Flash

6 March 2013  
**Economic Analysis**

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February indicators published yesterday revealed strong economic activity in Chile and low inflation in Colombia, despite which we keep our call for stable interest rates in both countries for 2013e. Meanwhile, consumer confidence and manufacturing orders in Mexico showed signs of a soft patch. Today all eyes will be on Brazil's monetary policy meeting. We do not expect changes in policy rates, although the accompanying statement is expected to show increasing concerns about inflation and may introduce an even greater upward bias to our current call for stable interest rates during 2013e.

## Chile -Strong growth in economic activity in January

The Monthly Economic Activity Index (Imacec) increased 6.7% YoY in January (0.1% MoM sa), slightly above both our and market expectations. This time the print was led by mining, retail sales and services sectors. For February, available information confirms a moderating pace of activity, leading us to estimate an increase of 4.5% YoY for Imacec. Finally, although the balance of risks remains tilted towards stronger internal pressures, external uncertainty should not alter the neutral bias of monetary policy in coming months (see our [Chile Flash](#) for details).

## Colombia - Inflation below the inflation target range at 1.83% YoY

In February inflation continued to fall, reaching 1.83% YoY (vs. 2.0% in January), below the inflation target range of 2%-4%. The largest decrease was observed in food prices (-0.06% MoM) which accounts for 28% of the CPI basket, with a variation largely explained by the cereals component (-1.55% MoM). February's inflation does not change our call for stability at the next BanRep meeting, as core inflation indicators maintained relatively unchanged (inflation excluding food and regulated prices at 2.48% YoY vs. 2.54% in January) and provide limited room for enhancing monetary support.

## Mexico - Consumer confidence worsens in February

Consumer confidence decreased 0.5% MoM (sa series) in February. All the components fell except the possibility of buying durable goods which increased 1.83% MoM. Households' economic situation compared with a year before and the outlook for Mexico for the coming year fell the most at -4.14% and -3.0% MoM respectively.

## Mexico - February's manufacturing orders are still improving but show some signs of losing momentum

INEGI and Banxico published their indicator of manufacturing orders (similar to ISM) which has been above the 50 benchmark (expansionary zone) for the last 42 months, but we saw some deceleration in key activities for Mexico, i.e. transport and transport equipment, which are linked to foreign trade.

## What to watch today

### Brazil – Monetary policy decision (March, unspecified announcement time)

We do not expect the SELIC rate to be changed at today's meeting, but the accompanying statement should reveal increased concerns about inflation. Ahead of the guidance we expect the official communication to provide today, we continue to see the most likely outcome as that the central bank keeps the SELIC unchanged over the year, but we would not be surprised if the monetary authority signals the beginning of a tightening cycle at the next monetary meeting in April.

### Colombia – Exports (January, 16:00 hrs NYT)

Customs records anticipate a good export performance in January, mainly to the United States. We estimate growth of 12% YoY (vs. -10.3% in December), which is consistent with our outlook of fewer internal bottlenecks in the oil sector at the beginning of the year.

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Monthly	04-Mar	Feb	0.33%		0.22%	1.15%
PMI Services	05-Mar	Feb	--		52.1	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%
FIPE CPI - Monthly	04-Mar	Feb	0.33%		0.22%	1.15%
<b>Chile</b>						
Economic Activity Indx YoY NSA	05-Mar	Jan	6.50%	6.40%	6.70%	4.70%
Trade Balance in US\$ Million	07-Mar	Feb	\$500	\$300	--	\$244.0
Copper Exports	07-Mar	Feb	--	\$3600	--	\$3474.0
CPI (MoM)	08-Mar	Feb	0.30%	0.30%	--	0.20%
<b>Colombia</b>						
Producer Price Index (MoM)	04-Mar	Feb	--	--	0.17%	-0.05%
Consumer Price Index (MoM)	06-Mar	Feb	0.50%	0.54%	0.44%	0.30%
<b>Mexico</b>						
IMEF Manufacturing Index	04-Mar	Feb	51.50%	--	51.5	52.1
IMEF Non Manufacturing Index	04-Mar	Feb	--	--	51.1	51.7
Consumer Confidence	05-Mar	Feb	98.6	98.1	95.5	100
International Reserves Weekly	05-Mar	2-mar	--	--	\$165793M	\$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
<b>Peru</b>						
Reference Rate	08-Mar	Mar	4.25%	4.25%	--	4.25%

## Most recent Latam reports

Date	Description
6-3-2013	<a href="#">➤ Latin America Economic Outlook. First quarter 2013</a>
5-3-2013	<a href="#">➤ Chile Flash: Economic activity shows strong growth in January</a>
4-3-2013	<a href="#">➤ Brazil Economic Outlook. First Quarter 2013. (in Chinese)</a>
1-3-2013	<a href="#">➤ Mexico Real Estate Flash. Guidelines of the new Infonavit housing policy</a>
1-3-2013	<a href="#">➤ Flash Chile: Minutes of the February´s meeting gives more weight to internal risks</a>
1-3-2013	<a href="#">➤ Peru Flash: Unexpected inflation decline in February</a>
1-3-2013	<a href="#">➤ Mexico Migration Flash: Remittances to Mexico starts 2013 decreasing</a>
1-3-2013	<a href="#">➤ Brazil Flash: Activity continued to recover, albeit slowly, at the end of the last year. GDP grew only 0.9% in 2012</a>
28-2-2013	<a href="#">➤ Chile Flash: Industrial activity regains momentum and unemployment rate reaches 6%</a>
22-2-2013	<a href="#">➤ Colombia Flash: Industrial production confirms delay of industrial recovery. Retail sales signal room for increased household spending</a>

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