

# Latam Daily Flash

## 12 March 2013 Economic Analysis

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*At the start of the week, the main highlights were the presentation of another important economic reform in Mexico, namely the Telecoms Reform Bill aimed at enhancing competition, and the information that the Colombian central bank FX purchases reached USD820mn in February, the highest monthly amount since 2000. Today the highlight will be industrial production data, also in Mexico, which we expect will reveal that the sector's output did not register any growth in January, reinforcing the recent signs of moderation in activity.*

## Mexico - The Telecommunications Reform Bill was presented to Congress

The proposal is aimed at enhancing competition in telecom sector. Along with the Tax and Energy reforms (2S13e), the Telecoms Reform Bill should have a major positive impact on investment, potential growth and inflation dynamics. This initiative will be debated and we believe it could be approved by Congress in a month or two. At first glance, we would highlight: i) the Regulatory and Antitrust Commissions will be strengthened; ii) the public tender of two nationwide TV-networks; iii) foreign participation will increase to up to 100% in telecoms (vs. 49% previously) and up to 49% in radio-broadcasting (vs. 0% previously). Despite the relevance of this reform, implementation risks could constrain some of the potential benefits for the economy (i.e. foreign direct investment). Secondary rules to the telecom Act will be crucial in order to mitigate these risks (we expect those rules to be completed by YE13).

## Colombia - BanRep's FX purchases totalled USD820mn in February

The Colombian Central Bank released its FX purchases for the month of February, totalling USD820mn which represents the highest monthly purchase since 2000. The level (USD41mn/day on average) is above the expected average announced in late January when BanRep committed itself to purchasing a minimum of USD3bn between February and May 2013 (an average of USD37.5mn/day). The level represents an accumulation of foreign reserves of 2.1%, and is also the highest MoM increase since 2011. The measure dampened the peso's appreciation slightly, partially offsetting the high levels of FDI flows. We expect BanRep to continue its purchase program in the coming months, although with a limited effect on FX appreciation in the medium-term.

## Chile - Government announces increase in the minimum wage and a lump-sum payment to households in March

The Government announced two economic measures that need to be ratified by Congress. Firstly, an increase of around 6% in the nominal minimum wage (from CLP193,000 to close to CLP205,000). Second, a one-off lump-sum payment of CLP40,000 in March to households that meet certain income requirements, with a total estimated cost of 0.1% of GDP. We expect these measures to be financed by a reallocation of expenditures from the 2013 fiscal budget.

## What to watch today

### Chile – Central Bank Economic Expectation Survey (March, 07:30 hrs NYT)

We expect the economist's survey to reveal expectations of no change in the monetary policy for both this week's meeting and in the medium term, in line with our estimates. The figures should also reveal expectations of growth for the economic activity index (Imacec) of around 4.5% YoY in February and inflation estimates in the order of 0.3% MoM for March.

### Mexico – Industrial production (January, 09:00 hrs NYT)

Lower growth in US industrial production (-0.1% MoM) and lower Mexican producer confidence in January should explain a stagnated industrial production. We forecast a 0% MoM growth (consensus 0.8% MoM) vs. -2.1% MoM in December (sa).

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	11-Mar	2-mar	0.05%	--	0.06%	0.52%
Economic Activity Indx MoM SA	13-20 MAR	Jan	0.85%	--	--	0.26%
COPOM Monetary Policy Meeting Minutes	14-Mar	--	--	--	--	--
Retail Sales (MoM)	14-Mar	Jan	0.40%	0.70%	--	-0.5%
CAGED Formal Job Creation	14-21 MAR	Feb	--	--	--	28900
FGV Inflation IGP-10 (MoM)	15-Mar	Mar	0.28%	--	--	0.29%
<b>Chile</b>						
CB Economic Expectation Survey	12-Mar	Mar	--	--	--	--
CB Financial Traders Survey	13-Mar	Mar	--	--	--	--
Nominal Overnight Rate Target	14-Mar	2-mar	5.00%	5.00%	--	5.00%
<b>Colombia</b>						
Vehicle Sales	11-Mar	Feb	--	--	22888	19994
Consumer Confidence	11-15 MAR	Feb	--	16.00	--	23.1
Outstanding Loans (YoY)	14-20 MAR	Jan	--	--	--	15.23%
<b>Mexico</b>						
Trade Balance	11-Mar	Jan F	--	--	-2866.4M	-2878.9M
Industrial Production (YoY)	12-Mar	Jan	1.30%	--	--	-1.1%
ANTAD Same-Store Sales (YoY%)	12-Mar	Feb	--	--	--	0.5%
<b>Peru</b>						
Trade Balance (INEI)	11-Mar	Jan	-\$975M	--	-\$468M	\$679M
Unemployment	15-Mar	Feb	--	--	--	6.1%
Economic Activity Indx YoY NSA	15-Mar	Jan	6.05%	--	--	4.3%

## Most recent Latam reports

Date	Description
8-3-2013	<a href="#">➤ Mexico. Banxico Watch: Banxico Delivers</a>
8-3-2013	<a href="#">➤ Chile Flash: Monthly inflation stood at 0.1% in February, below expectations</a>
8-3-2013	<a href="#">➤ Brazil Flash: February inflation pushes central bank up against the wall</a>
7-3-2013	<a href="#">➤ Mexico Real Estate Flash: The construction guarantee program: Is this what is needed?</a>
7-3-2013	<a href="#">➤ Mexico Real Estate Flash: Construction output down a notch</a>
7-3-2013	<a href="#">➤ Flash Peru: Central policy rate: no surprises</a>
7-3-2013	<a href="#">➤ Mexico Inflation Flash: February's CPI: Inflation accelerated as widely expected; But it's risk balance remain positive.</a>
7-3-2013	<a href="#">➤ Peru Economic Watch: Activity kept showing strong dynamism in 4Q12 (Spanish)</a>
7-3-2013	<a href="#">➤ Brazil Flash: COPOM leaves the SELIC unchanged, but refrains from committing to stable monetary conditions ahead</a>
6-3-2013	<a href="#">➤ Flash Colombia: Consumer inflation dropped below the inflation target range at 1.83% YoY in February</a>

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