

# Latam Daily Flash

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Economic Analysis

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*S&P revised its outlook for Mexico from stable to positive and stated that ratings “could be upgraded over the next 18 months”; meanwhile, Mexican industrial production surprised to the upside in January in spite of the relative weakness of the manufacturing segment. In Peru, public investment data reinforced our view that fiscal spending will support activity this year. In Colombia, weak numbers for consumer confidence and vehicle sales introduce a downward bias to our private consumption outlook for 1Q13e. Finally, in Chile the central bank’s economic survey pointed to a stable monetary policy rate at 5.0% at tomorrow’s meeting, which is in line with our view.*

## Mexico – S&P revised its rating outlook from stable to positive, Mexico could be upgraded over the next 18 months

The rationale behind this change was the record of prudent fiscal and monetary policy, which helped to minimize domestic market imbalances and “bolster economic resilience”. In addition, the new administration reiterates its commitment to foster stability and to drive through critical reforms to enhance productivity, growth and financial soundness. Nonetheless, S&P highlighted the low potential growth in Mexico (around 3.3%), tax reliance on oil revenues (35% of the total), and the rise in external vulnerability despite a low current account deficit (i.e. high capital inflows in the debt market). S&P estimates a probability greater than 33% that fiscal reforms will be approved and the agency considers that it could raise Mexico’s ratings over the next 18 months once it evaluates the extent of the fiscal situation and potential growth prospects.

## Mexico – Higher than expected industrial production, but low momentum in manufacturing in January

Industrial production in Mexico grew 1.1% MoM (vs. consensus 0.9% and BBVAe 0% in sa series). The construction print was a positive surprise, with the highest monthly growth (3.71%) since mid-2009, which we think could point to positive infrastructure dynamics in 2013e. Meanwhile, utilities and manufacturing grew 1.14% and 0.05% respectively. Low levels of industrial expansion in the US and low producer confidence in Mexico explained the weak performance in Mexican manufacturing, and we expect this to continue in the coming months (see our [Mexico Flash](#) for more details).

## Peru - Public investment remained strong in February

Public investment grew 16% (YoY) in February, more slowly than in January (24%), mainly due to the effect of there being one calendar day less in the second month of this year. The indicator continues to reflect strong public investment, which is consistent with our expectation that fiscal as well as private spending will continue to drive domestic demand and GDP this year.

## Colombia – Vehicle sales fell 16.4% YoY in February

For the second consecutive month, vehicle sales fell in February (16.3% YoY in January), implying a negative bias to our estimates of private consumption and GDP for the first quarter. Also, these data indicate that it will take longer for lower interest rates to feed through into household spending decisions (even longer than our initial estimates).

### Colombia - Drop in consumer confidence due to temporary factors

Consumer confidence fell to 14.9 in February from 23.1 in January (on an index between -100 to 100). The level is the lowest observed since May 2011, although explained by temporary factors (social protests of both coffee growers and the mining sector). However, consumers remained very willing to buy durable goods and remained optimistic about perspectives for the next 12 months. Weak confidence data introduce a negative bias to our private consumption outlook for 1Q13e, although we think that this is probably a temporary effect that should normalize during the first half of the year.

### Chile - Policy rate stable at 5% in tomorrow's meeting, according to the CB survey

The central bank's economic survey for March revealed a growth forecast for the monthly economic activity index (Imacec) of 5.4% YoY in February (BBVAe: 4.5% YoY) and inflation at 0.4% MoM in March (BBVAe: 0.3% MoM). Also, analysts do not foresee any changes in the monetary policy rate at Thursday's meeting, in line with our view, while long-term inflation expectations remained well-anchored to the central bank target of 3%.

## What to watch today

### Chile - Central Bank Financial Traders Survey (first half of March, 7:30 hrs NYT)

We expect the survey to show inflation estimates at around 0.3% MoM for March and expectations of monetary policy at 5.0% in tomorrow's meeting. We anticipate stable short-term exchange-rate estimates in the order of CLPUSD473.

## 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	1-ene	--	--	--	--
Retail Sales (MoM)	14-Mar	Jan	0.40%	0.70%	--	-0.5%
CAGED Formal Job Creation	14-21 MAR	Feb	97647.5	--	--	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	12-Mar	Feb	--	16.00	14.9	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	1.3%	--	1.7%	-1.1%
ANTAD Same-Store Sales (YoY%)	12-Mar	Feb	--	--	0.2%	0.5%
<b>Peru</b>						
Trade Balance (INEI)	11-Mar	Jan	-\$975M	--	-\$468M	\$679M
Unemployment	15-Mar	Feb	6.5%	--	--	6.1%
Economic Activity Indx YoY NSA	15-Mar	Jan	6.25%	--	--	4.3%

## Most recent Latam reports

Date	Description
12-3-2013	<a href="#">➤ Mexico Flash. Industrial production rebounded in January, 1.1% m/m, positively highlights the construction industry</a>
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>

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