

Latam Daily Flash

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Economic Analysis

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In Brazil, the less hawkish than expected monetary minutes reduced the chance of an imminent and aggressive monetary tightening, supporting our call for a stable SELIC ahead (albeit with a significant upward bias). In Chile, the central bank decided to maintain the policy rate at 5%, reinforcing the generalized expectations of stable monetary conditions in the medium term (in spite of the focus on domestic risks). Today, GDP data in Peru should support our view that the growth rate will remain close to its potential this quarter (and also this year).

Brazil - Monetary policy minutes: a cautious COPOM

The Monetary Policy Committee (COPOM) highlighted the resilience of inflation and recognized that recent pressures “could represent not a temporary phenomenon, but rather a possible accommodation of inflation in a higher range”. However, the COPOM considered that “remaining uncertainties...recommend that monetary policy should be conducted with caution”. This reveals that the COPOM is concerned with the negative impact that a tightening of monetary conditions could have at the moment. We maintain our view that the SELIC will remain stable at 7.25% in the months ahead. A hike cannot be ruled out, but the minutes suggest that any eventual monetary tightening would start in May rather than April (see our [Brazil Flash](#) for more details).

Brazil - Retail sales rebounded in line with forecasts in January

After declining 0.4% MoM in December, retail sales expanded by 0.6% MoM (5.9% YoY) in January. The expansion of the broad retail index, which also includes the auto and construction sectors, was milder in monthly terms (0.3% MoM), as auto sales declined 1.2%, but growth was stronger in yearly terms (7.1% YoY). Retail sales data reveals that the consumer segment continues relatively strong and that overall economic activity rebounded in January, supporting our forecasts for GDP growth at around 1.0% QoQ in 1Q13e (vs. 0.6% QoQ in 4Q12).

Chile - CB kept monetary policy rate at 5% and showed some concerns

The central bank kept the reference rate at 5% in line with expectations. In its statement, it stressed that local activity remained strong and domestic demand continued to outpace GDP growth. However, core inflation was c.1% and inflation expectations were anchored to the bank's target. On the other hand, the CB warned that the CLP has appreciated in multilateral terms. On the external side, while US activity figures have been favorable, Europe remains in recession and global risks are still latent. All in all, despite a tone of greater concern given the domestic situation, we expect the CB to keep its monetary policy in pause in the medium term. (see our [Chile Flash](#) for more details).

What to watch today

Peru - GDP growth (January, 11:00 hrs NYT)

We estimate that GDP grew 6.5% YoY in January (consensus: 6.3%), mainly driven by sectors closely linked to domestic demand, such as construction, trade and services. This is consistent with our view of that GDP will continue to expand at a pace close to potential this quarter, supported by dynamic public and private spending.

Colombia - Civil engineering works (4Q12, 17:00 hrs NYT)

We expect a fall of 3% due to a high statistical base a year ago, although implying a rise in quarterly disbursements (+15% compared to 3Q12). The annual drop is consistent with our 4Q12e GDP forecast at 3.0%. An unexpected number would introduce a bias to our GDP outlook, as civil works make a significant contribution to total GDP (around 6.5%).

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	15-20 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%	0.60%	-0.5%
CAGED Formal Job Creation	15-21 MAR	Feb	97647.5	--	--	28900
FGV Inflation IGP-10 (MoM)	15-Mar	Mar	0.28%	--	--	0.29%
Chile						
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%	5.00%
Colombia						
Vehicle Sales	11-Mar	Feb	--	--	22888	19994
Consumer Confidence	12-Mar	Feb	--	16.00	14.9	23.1
Outstanding Loans (YoY)	15-20 MAR	Jan	--	--	--	15.23%
Mexico						
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%
Peru						
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
14-3-2013	➤ Flash Chile: Central Bans keeps interest rate and shows some concern
14-3-2013	➤ Brazil Flash: A Cautious COPOM
12-3-2013	➤ Mexico Real Estate Flash: Construction activity remains flat
12-3-2013	➤ Mexico Flash. Industrial production rebounded in January, 1.1% m/m, positively highlights the construction industry
8-3-2013	➤ Mexico. Banxico Watch: Banxico Delivers
8-3-2013	➤ Chile Flash: Monthly inflation stood at 0.1% in February, below expectations
8-3-2013	➤ Brazil Flash: February inflation pushes central bank up against the wall
7-3-2013	➤ Mexico Real Estate Flash: The construction guarantee program: Is this what is needed?
7-3-2013	➤ Mexico Real Estate Flash: Construction output down a notch
7-3-2013	➤ Flash Peru: Central policy rate: no surprises

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