

Latam Daily Flash

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Economic Analysis

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Domestic demand keeps on supporting GDP growth in the region. Yesterday, data released in Chile showed a strong expansion of private consumption and gross fixed capital formation in the last quarter of 2012 while in Colombia domestic expenditure boosted imports. Today we expect that output growth in Mexico will be basically explained by the contribution of domestic demand.

Chile - Domestic demand remains dynamic in 4Q12

GDP grew 5.7%YoY in 4Q12, leading to an annual growth of 5.6%, in line with market estimates. Meanwhile, domestic demand kept momentum, increasing 8.2% YoY in the period, led by private consumption (7.3% YoY) and gross fixed capital formation (18.1% YoY). The external sector continued its negative contribution to GDP, with exports showing a recovery to grow 4.7% YoY, but still below imports increase of 11.9% YoY. All in all, recent data validate the assessment of a domestic demand growth above a sustainable path in the long run. Finally, the current account deteriorates to -3.5% of GDP, equivalent to a deficit of USD9.5 bn in 2012 (see our [Chile Flash](#) for details).

Colombia - Imports rebounded in January, determining a trade deficit

Imports grew 19% YoY in January 2013, above our expectations. This result is explained by the recovery of private consumption in both durable and nondurable goods and, a better performance of private investment (both manufacturing and nonmanufacturing). The trade balance deficit stood at USD 213 millions, (vs USD 623 millions a year ago), reflecting also lower fuel exports in January. We expect the trade balance to improve in 2H13, after solving some temporary bottlenecks in fuel production, which otherwise would introduce a negative bias on the current account deficit for 2013.

What to watch today

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

The index was rescheduled from March 15th. 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%). This index has the most volatile behavior among GDP components, which should be taken into account in case that an unexpected number is released.

Mexico - Aggregate demand and supply (4Q12, 10:00 hrs NYT)

GDP grew 0.8% QoQ (3.3 YoY) in 4Q12. Aggregate demand should grow 2.9%e YoY impelled by internal sources (contribution of 3.4pp out of 3.3% of GDP growth). External demand should contribute with -0.1pp.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
CAGED Formal Job Creation	19-21 MAR	Feb	95295	--	--	28900
FGV CPI IPC-S	18-Mar	3-Mar	0.63%	--	0.63%	0.52%
FIPE CPI - Weekly	19-Mar	3-Mar	0.03%	--	-0.11%	0.06%
FGV Preview Inflation IGP-M	19-Mar	3-Mar	0.25%	--	--	0.15%
IPCA-15	23-Mar	Mar	0.44%	0.45%	--	0.0068
Current Account - US\$ million	23-Mar	Feb	-\$4250M	--	--	-8400
Chile						
GDP (Annual Growth Rate)	18-Mar	5-Jul	5.60%	--	5.60%	5.99%
GDP (YoY)	18-Mar	4Q	5.60%	5.60%	5.70%	5.70%
Current Account	18-Mar	4Q	-2500.0	-2,330.0	-2880	-4783.0
Colombia						
Outstanding Loans (YoY)	18-Mar	Jan	--	--	15.39%	15.23%
Trade Balance	18-Mar	Jan	\$465.5	--	-\$213.3	\$677.3
Imports CIF - US\$ million	18-Mar	Jan	--	\$4,955.00	\$5200.9	\$4480.3
GDP (YoY)	21-Mar	4Q	2.9%	3.00%	--	2.1%
Overnight policy rate	23-Mar	Mar	3.50%	3.75%	--	3.75%
Retail sales	23-Mar	Jan	2.50%	3.80%	--	3.30%
Industrial production	23-Mar	Jan	0.20%	0.60%	--	-3.00%
Mexico						
Aggregate Supply & Demand	19-Mar	4Q	2.90%	--	--	2.6%
Retail Sales (INEGI)	21-Mar	Jan	1.80%	--	--	-1.80%
Unemployment rate	23-Mar	Feb	5.40%	--	--	5.42%
Bi-weekly CPI	23-Mar	1-15 Mar	0.31%	0.28%	--	0.11%
Bi-weekly Core	23-Mar	1-15 Mar	0.19%	0.16%	--	0.07%
Central Bank Monetary Policy Minutes	23-Mar	--	--	--	--	--
Aggregate Supply & Demand	19-Mar	4Q	2.90%	--	--	2.6%
Peru						
Central Bank Quarterly Inflation Report	23-Mar	--	--	--	--	--

Most recent Latam reports

Date	Description
18-3-2013	➤ Chile Flash: Domestic demand remains dynamic in line with current account worsening
15-3-2013	➤ Flash Peru: GDP Growth rebounded in January
14-3-2013	➤ Flash Chile: Central Bank 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?

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