

Latam Daily Flash

22 March 2013
Economic Analysis

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GDP growth in Colombia was as expected for 4Q12, but retrospective revisions set growth for the whole year 2012 at 4%. In Mexico, retail sales recovered modestly after the big drop in December. In Brazil, Moody's has downgraded the state-owned banks BNDES and Caixa. Meanwhile, Chile approved a one-off payment to low-income households and is set to approve a lower cap on lending rates. Today all eyes will be on inflation in Brazil and monetary policy minutes in Mexico, in both cases looking for clues for their next interest-rate moves. In addition, the markets expect a 25bp rate cut in Colombia at the monetary policy meeting today.

Colombia - 4Q12 GDP hiked to 3.1%. FY12 ends at 4% after statistical revisions

4Q12 GDP grew in line with expectations at 3.1% (3.0% BBVAe), although FY12 was above expectations at 4.0% (3.7% BBVAe), after growth was revised upwards in 1Q12-3Q12. GDP growth in 2011 was also revised upwards from 5.9% to 6.6%. In 4Q12, domestic demand accelerated slightly to 3.6% (vs. 3.5% in 3Q12), driven by a slight rebound in private consumption (4.0% YoY vs. 3.9% in 3Q12) and private investment (5.5% vs. -0.1% in 3Q12). On the supply side, the industrial sector reported a contraction of -3.1% YoY in 4Q12 (vs. -0.1% in 3Q12), remaining a risk factor for 2013. 4Q12 growth was in line with our expectations, and thus should not cause us to review our FY13 growth forecast (BBVAe: 4.1%). (See our [Colombia Flash](#) for more details)

Mexico - Modest recovery in retail sales in January

After their steepest fall in December since 2001, retail sales made a partial recovery in January (2.08% MoM, sa series, and 1.8% YoY, nsa series) driven by auto sales, auto parts and gasoline. In spite of this monthly increase, the trend is still negative. In the retail sector, employment and real average wages rose 3.1% and 3.7% YoY respectively. Income from non-banking services rose by a mild 2.2% YoY in January after December hike (10.4% YoY). Incoming data is still pointing to a smooth deceleration in 1Q13e.

Brazil - BNDES and Caixa downgraded by Moody's

The two wholly government-owned banks have been downgraded two notches by Moody's from A3 to Baa2, which is in line with our comments in recent months. The rating claims that the use of these state-owned banks as a way to stimulate the economy through loans to key Brazilian companies makes them heavily exposed to these top customers. After the wide-ranging fiscal stimulus measures last year, the Brazilian government used the dividends received from BNDES and Caixa (which comprise 74% of the total dividends paid by state-owned companies) to meet its fiscal surplus target.

Chile - Congress approved a one-off lump-sum payment to households in March

Congress ratified and approved a one-off lump-sum payment of CLP40,000 (c. USD80) in March to households that earn less than CLP1.3mn. We estimate this measure to have cost a total of 0.1% of GDP, financed by a reallocation of expenditure in the 2013 fiscal budget.

Chile - Lower House reduces upper limit on lending rates

The Lower House reduced the upper limit on lending interest rates, although the Upper House still has to vote on this. The law proposes a gradual reduction from 56% to 39% in annual lending rates for loans up to USD2,400 (in local currency) and a decline from 50% to 32% to those between USD2,400 to USD9,700.

What to watch today

Brazil - IPCA-15 (March, 08:00hrs NYT)

We expect the IPCA-15, which measures inflation from mid-February to mid-March, to continue to trend up and reach 6.4% YoY in March, vs. to 6.2% in February. In addition to focusing on headline, core and dispersion figures (key for determining the SELIC's path ahead), markets will also pay attention to the impact of the recent tax cut on food prices.

Mexico - Unemployment rate (February, 10:00 hrs NYT)

January's unemployment rate was higher than we expected (5.42% vs. 4.9% at the same time last year), in line with an economic slowdown. We expect a smooth recovery in the unemployment rate as a reflection of formal employment dynamics and services activity.

Mexico - Bi-weekly CPI (1-15 March, 10:00 hrs NYT)

We expect annual inflation to increase from 3.55% in February to 3.89% in the first half of March as a reflection of upward pressures in some farm products (i.e. poultry), tariffs set by the government and tourism services.

Mexico - Monetary policy minutes (meeting on 08 March, 11:00 hrs NYT)

Banxico opted for a "one-off" rate cut to 4.0% in order to fit its monetary conditions to a context of lower growth and flagged an undesired tightening in the event of real FX appreciation. Markets will be looking for hints regarding future actions in case of further MXN strengthenings.

Colombia - Monetary policy meeting (March, announcement time: unspecified)

Market participants expect a 25 bp rate cut to 3.5%. We anticipate that BanRep will moderate its dovish tone after FY12 GDP came in above expectations, and will be looking to bring the monetary stimulus cycle to a close.

Colombia - Industrial production and retail sales (January, 17:00 hrs NYT)

We expect IP to grow by +0.6% YoY, recovering from two consecutive drops in November (-4.0%) and December (-3.0%). We also expect retail sales to accelerate to 3.8% (vs. 3.3% YoY in December). The positive performance of these two indicators should support the positive signs of consumer and investment imports, already released for January.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
CAGED Formal Job Creation	20-Mar	Feb	95148	--	123446	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%	--	0.24%	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	\$5200.9	\$4480.3
GDP (YoY)	21-Mar	4Q	3.00%	3.00%	3.10%	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%	--	3.60%	2.6%
Retail Sales (INEGI)	21-Mar	Jan	1.60%	1.60%	1.80%	-1.80%
Unemployment rate	23-Mar	Feb	5.27%	--	--	5.42%
Bi-weekly CPI	23-Mar	1-15 Mar	0.28%	0.28%	--	0.11%
Bi-weekly Core	23-Mar	1-15 Mar	0.17%	0.16%	--	0.07%
Central Bank Monetary Policy Minutes	23-Mar	--	--	--	--	--
Peru						
Central Bank Quarterly Inflation Report	23-Mar	--	--	--	--	--

Most recent Latam reports

Date	Description
21-3-2013	➤ Flash Colombia: Colombian economy remains on a path of high growth
21-3-2013	➤ Mexico Banking Flash: Private-sector credit continues to grow at double-digit rates
20-3-2013	➤ Mexico GDP Flash: 4Q12 GDP: growth based on the good performance of the private consumer expenditures, as opposed to investment
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

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