

# Latam Daily Flash

1 April 2013  
Economic Analysis

Madrid

**Juan Ruiz**

Chief Economist, South America  
juan.ruiz@bbva.com  
+34 913745887

**Enestor dos Santos**

Senior Economist, Latam  
enestor.dossantos@bbva.com  
+34 639827211

Mexico City

**Octavio Gutierrez-Engelmann**

Macro Latam Strategy  
o.gutierrez3@bbva.com  
+5255 5621 9245

With contributions from the BBVA  
Research Latam Team:

Lima

**Hugo Perea**

Chief Economist, Peru  
hugo.perea@bbva.com  
+51 1 2112042

Bogota

**Juana Tellez**

Chief Economist, Colombia  
juana.tellez@bbva.com  
+571 3471600

Santiago

**Alejandro Puente**

Chief Economist, Chile  
alejandro.puente@bbva.com  
+56 2 2939 10 92

Mexico City

**Carlos Serrano**

Chief Economist, Mexico  
carlos.serrano@bbva.com  
+ 5255 5621 4354

The main highlights at the end of last week were news from central banks. In Brazil the Inflation Report revealed that the BCB now sees higher inflation ahead, which in our view does not imply that the SELIC will be adjusted up, while in Peru the central bank raised reserve requirements once again in order to soften the impact of capital inflows on both credit growth and local currency appreciation. Today we are waiting for the latest minutes from the Chilean central bank, where we expect to see that concerns about the robustness of domestic demand continue.

## Brazil - BCB revises inflation forecasts upwards, but maintains the caution

According to the BCB's Inflation Report, inflation did not converge to target in 2012 as a result of non-demand issues (food prices and currency depreciation). Due to high figures in the last months, the BCB revised inflation forecasts to 5.7%-5.8% in 2013 and 5.1%-5.3% in 2014. The BCB expects GDP to grow 3.1% this year. Although the Report showed increasing concerns on inflation, it also signaled caution on the monetary policy management due to domestic and foreign uncertainties. We expect the SELIC to remain unchanged at 7.25% while the government uses other tools to try to control inflation (a hike in the IPI tax on autos was postponed until 2014 over the weekend). Anyway, the chance of a soft monetary tightening is certainly non-negligible.

## Peru - Central bank raises USD reserve requirements again

BCR raised the average USD reserve requirements by 0.25pp (this is the ninth increase since May 2012). The aim of this measure, which will become effective today, is to moderate the impact of foreign capital inflows on credit growth and PEN appreciation.

## Chile - Manufacturing production, retail sales and unemployment rate

Manufacturing output slowed in February, in line with our expectations, given that there was one less working day this year and some payback after a strong increase in January. Likewise, mining production showed no change in annual terms, after growing 8.4% YoY last month. Retail sales increased 6.5% YoY, slower than the rate in the previous month, which lends some support to our expectations of a slowdown in activity. The unemployment rate increased slightly to reach 6.1% in February, but still indicating a tight labor market.

## Chile - CB survey indicates a prolonged pause in monetary policy

The latest central bank Financial Traders survey showed a monthly inflation forecast of 0.3% for March (BBVAe: 0.4% MoM), no changes in the monetary policy rate until April 2014 (BBVAe: first 25bp hike in January 2014) and a slight depreciation of the exchange rate to CLP479 on a 3-month horizon and to CLP485 by the end of 2013.

## Mexico - February's balance of trade showed exports accelerating

Mexico posted a USD46mn trade surplus in February, driven by a sharp monthly growth in manufacturing and oil exports which increased 5.3% MoM and 3.5% MoM, respectively. In annual terms, foreign trade growth stalled as a reflection of a moderation in global growth.

## Colombia - Current account deficit ends 2012 at 3.1% of GDP

The current account deficit increased from 2.9% of GDP in 2011 to 3.1% in 2012 due to a smaller trade surplus and a rise in dividend payments to foreign shareholders. FDI flows jumped to USD15,823mn (4.3% of GDP), an increase of 17.8% YoY and still suggesting strong mining FDI flows. The data are in line with our forecasts that anticipate a current account deficit of 2.9% in FY13e, with the main drivers of the improvement being the recovery of mining and industrial exports.

### Colombia - Urban unemployment dropped slightly in February

Urban unemployment reached 12.3%, slightly lower than at the same time last year. Seasonally-adjusted, unemployment remained practically constant at 11.01%. Employment grew 2.5% YoY, maintaining the pace observed since December of 2012, while occupation increased by 0.9pp YoY, in line with our positive outlook for private consumption during 1Q13e.

## What to watch today

### Chile - Minutes of the monetary policy meeting (March, 07:00hrs NYT)

The minutes of the last monetary policy meeting should continue to show the Board's mounting concerns about lack of any slowdown in domestic demand and the medium-term effects of this on inflationary pressures and the current account. However, external risks should continue to be a significant counterbalance in the bank's monetary policy stance.

### Mexico - IMEF Index (March, 11:00hrs NYT)

The IMEF for manufacturing and non-manufacturing sectors is likely to continue to indicate a slowdown, as has been the case since October 2012, but remaining above the 50-point threshold.

### Peru - Consumer prices (March, 11:00hrs NYT)

We expect a monthly increase of 0.54% MoM in CPI (2.2% YoY) due to seasonal adjustments in some services (education and transport) and food prices.

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	1-Apr	2-mar	0.74%	--	--	0.78%
PMI Manufacturing	1-Apr	Mar	--	--	--	52.5
Trade Balance (FOB) - Monthly	1-Apr	Mar	\$150M	--	--	-\$1276M
Industrial Production sa (MoM)	2-Apr	Feb	-2%	-1.60%	--	2.50%
FIPE CPI - Monthly	3-Apr	Mar	-0.15%	--	--	0.22%
PMI Services	3-Apr	Mar	--	--	--	52.1
Vehicle Sales (Anfavea)	04-09 APR	Mar	--	--	--	235109
<b>Chile</b>						
Central Bank Meeting Minutes	1-Apr	1-ene	--	--	--	--
Central Bank 1Q monetary policy report (IPOM)	2-Apr	1-ene	--	--	--	--
Economic Activity Indx YoY NSA	5-Apr	Feb	4.90%	4.50%	--	6.70%
<b>Colombia</b>						
Producer Price Index (MoM)	4-Apr	Mar	--	--	--	0.17%
Vehicle Sales	04-09 APR	Mar	--	--	--	22888
Colombia Monetary Policy Minutes	5-Apr	1-ene	--	--	--	--
Consumer Price Index (MoM)	6-Apr	Mar	0.27%	0.30%	--	0.44%
<b>Mexico</b>						
Remittances (USD)	1-Apr	Feb	1726,6M	1672,0M	--	1471,6M
IMEF Manufacturing Index NSA	1-Apr	Mar	52.2	--	--	51.5
IMEF Non Manufacturing NSA Index	1-Apr	Mar	52.1	--	--	51.1
Consumer Confidence	4-Apr	Mar	97.6	97.6	--	95.5
<b>Peru</b>						
Consumer Price Index (MoM)	1-Apr	Mar	0.55%	0.54%	--	-0.09%
Wholesale Prices (MoM)	1-Apr	Mar	--	--	--	0.08%

## Most recent Latam reports

Date	Description
28-3-2013	<a href="#">➤ Flash Chile: Industrial activity moderates its pace, in contrast to dynamism in retail sales. Unemployment rate reached 6.2%</a>
27-3-2013	<a href="#">➤ Mexico Migration Flash: Would had remittances declined again in February?</a>
23-3-2013	<a href="#">➤ Mexico Banking Flash: Financial System Stability Council: the Mexican financial system maintains an adequate level of resistance to turbulence</a>
22-3-2013	<a href="#">➤ Flash Colombia: BanRep cut policy rate by 50 bps to 3.25%</a>
22-3-2013	<a href="#">➤ Mexico Inflation Flash: March`s bi-weekly inflation: Food-driven upside surprise; temporary increase and low and stable core inflation keep monetary policy expectations unchanged</a>
21-3-2013	<a href="#">➤ Mexico Banking Flash: ICAP: banks pass the first Basel III test</a>
21-3-2013	<a href="#">➤ Mexico Real Estate Flash: Bank lending for housing construction is contracting: True or False?</a>
21-3-2013	<a href="#">➤ Flash Colombia: Colombian economy remains on a path of high growth</a>
21-3-2013	<a href="#">➤ Mexico Banking Flash: Private-sector credit continues to grow at double-digit rates</a>
20-3-2013	<a href="#">➤ Mexico Real Estate Flash: Strong mortgage activity in early 2013</a>

**Important Disclosures**

The BBVA Group companies that have participated in preparing or contributed information, opinions, estimates, forecasts or recommendations to this report are identified by the location(s) of the author(s) listed on the first page as follows: 1) Madrid, London or Europe - Banco Bilbao Vizcaya Argentaria, S.A., including its E.U. branches (hereinafter called 'BBVA'), 2) Mexico City - BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (hereinafter called 'BBVA Bancomer'); 3) New York - BBVA Securities, Inc. (hereinafter called 'BBVA Securities'); 4.) Lima - BBVA Continental S.A.; 5.) Bogota - BBVA Colombia S.A.; 6.) Santiago - BBVA Chile S.A.

**For recipients in the European Union**, this document is distributed by BBVA, a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), and registered with the Bank of Spain with number 0182.

**For recipients in Mexico**, this document is distributed by BBVA Bancomer, a bank supervised by the Comisión Nacional Bancaria y de Valores de México.

**For recipients in USA**, this document is being distributed by BBVA Securities, a subsidiary of BBVA registered with and supervised by the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation. U.S. persons wishing to execute any transactions should do so only by contacting a representative of BBVA Securities in the U.S. Unless local regulations provide otherwise, non-U.S. persons should contact and execute transactions through a BBVA branch or affiliate in their home jurisdiction.

BBVA and BBVA Group companies or affiliates (art. 42 of the Royal Decree of 22 August 1885 Code of Commerce), are subject to the BBVA Group Policy on Conduct for Security Market Operations which establishes common standards for activity in these entities' markets, but also specifically for analysis and analysts. This BBVA policy is available for reference at the following web site: [www.bbva.com](http://www.bbva.com).

Analysts residing outside the U.S. who have contributed to this report are not registered with or qualified as research analysts by FINRA or the New York Stock Exchange and may not be considered "associated persons" of BBVA Securities (as such term is construed by the rules of FINRA). As such, they are not subject to NASD Rule 2711 restrictions on communications with subject companies, public appearances and trading of securities held in research analysts' accounts.

**BBVA is subject to a Code of Conduct for Security Market Operations, which details the standards of the above-mentioned overall policy for the EU. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. This Code of Conduct for Security Market Operations is available for reference in the 'Corporate Governance' section of the following web site: [www.bbva.com](http://www.bbva.com).**

**BBVA Bancomer is subject to a Code of Conduct and to Internal Standards of Conduct for Security Market Operations, which details the standards of the above-mentioned overall policy for Mexico. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. This Code and the Internal Standards are available for reference in the 'Grupo BBVA Bancomer' subsection of the 'Conócenos' menu of the following web site: [www.bancomer.com](http://www.bancomer.com).**

**BBVA Securities is subject to a Capital Markets Code of Conduct, which details the standards of the above-mentioned overall policy for USA. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers.**

**Exclusively for Recipients Resident in Mexico**

**BBVA Bancomer S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer acts as a market maker/specialist in:** MexDer Future Contracts (US dollar [DEUA], 28-day TIIEs [TE28], TIIE Swaps, 91-day CETES [CE91]), Bonos M, Bonos M3, Bonos M10, BMV Price and Quotations Index (IPC), Options Contracts (IPC, shares in América Móvil, Cemex, CPO, Femsa UBD, Gcarso A1, Telmex L) and Udibonos.

BBVA Bancomer, and, as applicable, its affiliates within BBVA Bancomer Financial Group, may hold from time to time investments in the securities or derivative financial instruments with underlying securities covered in this report, which represent 10% or more of its securities or investment portfolio, or 10% or more of the issue or underlying of the securities covered.

**DISCLAIMER**

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information and are current as of the date of issue and subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

**Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report.** Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

**The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.**

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

**BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: [www.bbva.com](http://www.bbva.com) / Corporate Governance".**

**BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.**