

Latam Daily Flash

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Economic Analysis

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Minutes from the March meeting of the Chilean central bank revealed a still-neutral stance which supports our view of stable rates in the medium term. In Peru, inflation surprised to the upside in March, but we expect it to remain within the target range. Meanwhile, in Colombia, industrial and commercial confidence fell in February; the former was in line with our expectations, but the latter could suggest a downward bias to our outlook for consumption. Today all eyes will be on Brazilian industrial production, which we expect to confirm a deceleration vs. January. In addition, we expect the monetary policy report in Chile to continue to focus on domestic risks to inflation.

Chile - Central bank maintained its neutral stance

The minutes of the monetary policy meeting held in March showed few changes from the previous month. The external scenario remains close to the baseline outlook presented in its latest quarterly report, while the chance of extreme scenarios decreases. Domestically, the bank stressed that domestic demand growth has remained strong, feeding the pressure on the current account deficit and future vulnerabilities of the economy. However, this momentum has not been reflected in higher inflation. The tone of the minutes continues to support a pause in monetary policy in the medium term (see our [Chile Flash](#) for details).

Peru - Inflation was higher than expected in March

Consumer prices rose 0.9% (MoM) in March (BBVAe: 0.5%; Consensus: 0.6%), due to seasonally higher rates for education services, as well as supply factors that drove up the prices of food. As a result, annual inflation rose to 2.6% in March (2.4% in February) and we expect that in the coming months it will be within the target range (2% +/- 1pp), but closer to its upper limit in the first part of the year (see our [Peru Flash](#) for details).

Colombia - Industrial and commercial confidence fell in February

Industrial confidence fell to -3.0 from 2.1 in January (range between -100 to 100), with high inventories and low orders as the main concern. Three-month forward expectations remained high, although lower than a month ago. Commercial confidence dropped from 18.7 in January to 12.9 in February. The largest decline was in the assessment of current sales, while expectations remained high and similar to previous months. Commercial confidence suggests a negative bias to our private consumption growth forecast for 1Q13e, while industrial sentiment is in line with our outlook of a recovery in manufacturing in 2H13e.

What to watch today

Brazil - Industrial production (February, 08:00hrs NYT)

Industrial output should drop 1.6% MoM in February, reinforcing the perception that economic activity lost some momentum in February after a very dynamic January and in line with our view that 1Q13e GDP will grow around 1.0% QoQ.

Chile - Monetary policy report (March, 10:00hrs NYT)

We expect the central bank to adjust upwards its GDP growth forecast to 4.5%-5.5% YoY for 2013e, (December's report: 4.25%-5.25% YoY). Inflation forecast should remain close to the target by the end of the year. The focus is likely to be on domestic risks, although external risks will continue to be relevant for the neutral monetary policy stance.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	1-Apr	2-Mar	0.74%	--	0.78%	0.78%
PMI Manufacturing	1-Apr	Mar	--	--	51.8	52.5
Trade Balance (FOB) - Monthly	1-Apr	Mar	\$100M	--	\$164M	-\$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
Chile						
Central Bank Meeting Minutes	1-Apr	1-Jan	--	--	--	--
Central Bank 1Q monetary policy report (IPOM)	2-Apr	1-Jan	--	--	--	--
Economic Activity Indx YoY NSA	5-Apr	Feb	4.90%	4.50%	--	6.70%
Colombia						
Producer Price Index (MoM)	4-Apr	Mar	--	--	--	0.17%
Vehicle Sales	04-09 Apr	Mar	--	--	--	22888
Colombia Monetary Policy Minutes	5-Apr	1-Jan	--	--	--	--
Consumer Price Index (MoM)	6-Apr	Mar	0.25%	0.30%	--	0.44%
Mexico						
Remittances (USD)	1-Apr	Feb	1715M	1672.0M	1589.9M	1471.6M
IMEF Manufacturing Index NSA	1-Apr	Mar	52	--	51.3	51.5
IMEF Non Manufacturing NSA Index	1-Apr	Mar	52.1	--	51.3	51.1
Consumer Confidence	4-Apr	Mar	97.6	97.6	--	95.5
Peru						
Consumer Price Index (MoM)	1-Apr	Mar	0.55%	0.54%	0.91%	-0.09%
Wholesale Prices (MoM)	1-Apr	Mar	--	--	0.28%	0.08%

Most recent Latam reports

Date	Description
01-04-2013	➤ Flash Chile: Central Bank kept its neutral stance in March meeting
01-04-2013	➤ Mexico Migration Flash: Remittance to Mexico recorded eight consecutive-months with declines
01-04-2013	➤ Flash Peru: Inflation was higher than expected in March
28-3-2013	➤ Flash Chile: Industrial activity moderates its pace, in contrast to dynamism in retail sales. Unemployment rate reached 6.2%
27-3-2013	➤ Mexico Migration Flash: Would had remittances declined again in February?
23-3-2013	➤ Mexico Banking Flash: Financial System Stability Council: the Mexican financial system maintains an adequate level of resistance to turbulence
22-3-2013	➤ Flash Colombia: BanRep cut policy rate by 50 bps to 3.25%
22-3-2013	➤ 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
21-3-2013	➤ Mexico Banking Flash: ICAP: banks pass the first Basel III test
21-3-2013	➤ Mexico Real Estate Flash: Bank lending for housing construction is contracting: True or False?

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