

# Latam Daily Flash

## 4 April 2013 Economic Analysis

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*In Colombia, external debt at end-2012 was slightly higher than expected and Government announced the presentation of an economic plan in April 15, driven to agriculture and industry, mainly. In its Financial Stability Report published yesterday, the Brazilian Central Bank revealed that credit has been growing at a more sustainable pace at the end of last year and that it thinks that the financial system is prepared to face adverse scenarios. Today we await data on consumer and business expectations in Mexico.*

## Colombia - Government will present an economic plan on 15 April

The plan will have a sector approach, mainly in support of agriculture and industry. Some measures will have to pass through Congress because they require a change in the fiscal budget. We think there could also be some sections concerning the exchange rate, smuggling and financing for agriculture and industry and we expect to see measures to reduce energy costs. However, in our view capital controls are unlikely.

## Colombia - External debt in December stood in 21.6% of GDP

External debt decreased by 1.3 percentage points vs. YE11. We highlight the long-term duration of the outstanding debt (87% of the total). In addition, the average cost of public borrowing decreased from 4.6% in 2011 to 3.1% in 2012. In contrast, the cost of private sector borrowing increased from 2.7% to 3.2%. Even though external debt was above our estimate of 20.7% of GDP, the downward trend was confirmed.

## Colombia - Central Bank Report to Congress

The report confirms previous announcements about 2013 growth expected to reach c.4% YoY. It also indicates that inflation could rise slowly to 3% YoY over the next five quarters, and thereafter will remain slightly below this level. However, the forecast was made in December 2012, prior to the low inflation levels seen in January and February, which came as a surprise to BanRep. The Central Bank's outlook differs slightly from our own view that inflation will return to 3% in 2H14e.

## Brazil - BCB publishes its 2H12 Financial Stability Report

The Brazilian Central Bank (BCB) released its Financial Stability Report for the 2H12, with its analysis of the domestic financial system for the period. After a recent moderation, credit has now been expanding at a more sustainable pace, according to the monetary authority (a view we share). The benign impact (observed and expected to continue) of the reduction in interest rates on both household debt service and default levels was highlighted, together with the challenges imposed on the financial system by this reduction. Moreover, the BCB emphasised that the financial system remains very well-capitalized (although to a lesser extent than in the recent past), with high liquidity levels and prepared to face adverse scenarios, at least according to the stress-test exercises performed by the institution.

## What to watch today

### Mexico - Consumer confidence (March, 10:00 hrs NYT)

We expect consumer confidence to increase from 95.5 in February to 97.6 in March supported by formal labor growth. However, global uncertainties and transitory hike in inflation could imply a negative bias to our estimate.

### Mexico - Business sentiment (March, 10:00 hrs NYT)

According to INEGI, business sentiment has been above the 50-point benchmark for 45 months in a row. This positive sentiment has been led by sale prices and costs; however some deceleration is seen in capacity utilization, investment and the cost of new hires.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
FGV CPI IPC-S	1-Apr	2-Mar	0.74%	--	0.72%	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%	-2.5%	2.50%
FIPE CPI - Monthly	3-Apr	Mar	-0.15%	--	-0.17%	0.22%
PMI Services	3-Apr	Mar	--	--	50.3	52.1
Vehicle Sales (Anfavea)	4-Apr	Mar	--	--	--	235109
<b>Chile</b>						
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	4.80%	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-Jan	--	--	--	--
Consumer Price Index (MoM)	6-Apr	Mar	0.25%	0.30%	--	0.44%
<b>Mexico</b>						
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	97.7	97.6	--	95.5
<b>Peru</b>						
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	<a href="#">➤ Flash Chile: Central Bank raises GDP growth forecast for 2013 and sets upward bias</a>
01-04-2013	<a href="#">➤ Flash Chile: Central Bank kept its neutral stance in March meeting</a>
01-04-2013	<a href="#">➤ Mexico Migration Flash: Remittance to Mexico recorded eight consecutive-months with declines</a>
01-04-2013	<a href="#">➤ Flash Peru: Inflation was higher than expected in March</a>
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>

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