

# Latam Daily Flash

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## 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.serranoh@bbva.com  
+ 5255 5621 4354

*Yesterday's news was dominated by Mexico and Peru. Although consumer confidence registered declines in both countries in March, it still signals a certain degree of optimism as far as the future is concerned. Nevertheless, our outlook points to a deceleration of consumption in Mexico in 1Q13 whereas we believe it will keep driving strong domestic demand in Peru. Looking at other components of demand, business confidence gained momentum in Mexico in March, and public investment grew strongly in Peru. Meanwhile, in Peru the central Bank was given the green light to loosen limits on private pension fund investments abroad. Today all eyes will be on the estimate for February's economic activity in Chile and monetary policy minutes and inflation data in Colombia.*

## Mexico - March's consumer confidence was lower than expected

Consumer confidence fell slightly in March (95.4 points vs. 95.5 in February) and was significantly lower than expected (BBVAe 97.6 and consensus 97.7). Despite remaining relatively optimistic about future economic conditions, the current mood of Mexican households points to a weaker consumption in 1Q13e than a year ago.

## Mexico - Business sentiment gained momentum in March

In contrast to consumers, manufacturing sentiment gained momentum in March (57.3 points, compared to February's 55.6). Manufacturers seem to look positively on the advances being made in the reform agenda but we do not rule out the possibility that optimism may fade in coming months given the deceleration in the US PMI and lower consumer confidence in Mexico.

## Peru - Consumer confidence declined slightly in March

The one-point fall reflects the concerns linked to a higher CPI in March (such as the 3.7% YoY increase in education services this month) and a marginal loss in confidence regarding employment. Notwithstanding, the indicator still stands at a historically high level (56 points in March), which supports our view that consumption will continue to drive domestic demand.

## Peru - Public investment grew 20% YoY in the first quarter of 2013

The preliminary figure released by the Ministry of Finance is higher than our previous estimate, and supports the view that public spending will continue expanding at double-digit rates this year, partially offsetting the weakness in exports.

## Peru - Supervisor gives the green light to increase private pension fund investments abroad

With this decision, the Central Bank is entitled to increase the limit of AFP investments abroad from the current 34%, up to 40%. The increase would allow the AFP to channel an additional amount of up to USD2.3bn in foreign assets in order to diversify the pension fund portfolio.

## What to watch today

### Chile - Monthly economic activity index (February, 07:30hrs NYT)

We expect the monthly economic activity index (Imacec) to increase 4.5% YoY in February, driven by strong retail sales and other services, offset by slowdown in both mining and manufacturing production. For March and April, economic activity estimates should include some negative effect from the tradable sector due to strikes in the main ports which started in the last week of March.

### Colombia - Monetary policy minutes (March, 14:00 hrs NYT)

The minutes should provide additional insight into the surprising 50bp cut in interest rates, vs. the expected cut of 25bp. The minutes should also reveal BanRep's standpoint regarding additional FX intervention measures, which are expected by some market participants but were not addressed in the press releases from previous policy meetings.

### Colombia - Consumer inflation (March, 20:00 hrs NYT)

We expect consumer inflation to stand at 0.3% MoM (2.01% YoY; consensus: 1.97%). The number represents a rebound vs. February (1.82% YoY) following the disinflation process that has been observed since October 2012.

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
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	--	--	283912	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	4.80%	4.50%	--	6.70%
<b>Colombia</b>						
Producer Price Index (MoM)	4-Apr	Mar	--	--	0.37%	0.17%
Vehicle Sales	05-09 APR	Mar	--	--	--	22888
Colombia Monetary Policy Minutes	5-Apr	1-ene	--	--	--	--
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	95.4	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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