

Latam Daily Flash

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Economic Analysis

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At the end of last week, official data confirmed that annual inflation increased in Colombia for the first time in five months. This reduces the room for additional monetary easing and thus reinforces our view (also supported by the minutes of the last monetary meeting released on Friday) that Banrep has already completed its cycle of rate cuts. In Chile, activity decelerated in February, surprising markets to the downside and putting GDP growth on track to converge to its potential this year. In Brazil, more tax incentives to boost activity and control inflation were announced. Today the focus will be on inflation and trade data in Chile.

Colombia - Consumer inflation rebounded in March to 1.91% YoY

After four months of annual drops, inflation jumped to 1.91% YoY (0.21% MoM). The biggest increase was in tradable goods (0.39% MoM), explained by the annual depreciation as of March, partly compensated by regulated prices (-0.12% MoM). Core prices (ex-food and regulated) rose to 2.67% YoY (vs. 2.48% in February), recovering their November levels. The rebound is in line with both our and market consensus expectations that inflation will finish 2013 at 2.63% YoY. The rebound in core inflation should also help to calm the present bearish tone of BanRep and the Ministry of Finance.

Colombia- Minutes reiterate that BanRep has completed its cycle of rate cuts

The minutes reveal a bearish central bank that expects 1Q13 GDP growing below the 4Q12 number, with sluggish growth in private consumption. Nevertheless, in line with the press release, our outlook and recent statements by the Minister of Finance, the minutes suggest that the cycle of rate cuts has come to an end. Surprisingly, the minutes provide little or no information about the recent dynamics of the exchange rate (and policy alternatives), in contrast to the verbal interventions of the Ministry of Finance in recent weeks.

Chile - Economic activity slows in February

The Monthly Economic Activity Index (Imacec) increased 3.8% YoY (-0.1% MoM sa) in February driven by the mining and services sectors. The print was below both our and market expectations (4.5% and 5.1%, respectively). By March, the available information led us to estimate growth of 4.2% YoY for the Imacec. All in all, this is the first sign that the expected slowdown in economic activity is beginning to materialize, which leads us to forecast GDP growth close to its potential in 2013 (see our Chile Flash for details).

Brazil - More tax incentives to support growth and control inflation

The government decided to extend the list of industrial sectors which will be excused from the payment of a 20% payroll tax in exchange for a 1% or 2% tax on domestic sales. 14 new sectors were added to the initial list of 42 sectors announced earlier in the week. The intention of providing additional tax incentives is to support labor-intensive industries and help keep inflation under control. We are leaving our current forecasts unchanged (GDP growth of 3.6% and inflation at 5.6% by the end of the year) as the measures announced this week were expected and their impact was thus already incorporated into our scenario. According to the government, fiscal revenues will decline by approximately 0.3% and 0.4% of GDP in 2013 and 2014, respectively, following the implementation of these incentives.

Peru - Electricity production expanded at a good pace in March

Electricity demand grew 4.8% YoY in March, a similar rate to the previous month. This result is a good print given that the Easter holidays resulted in two fewer working days last month. As this indicator is highly correlated with domestic demand, the result anticipates robust GDP growth in the first quarter of the year, in line with our view.

What to watch today

Chile - Consumer Price Index (March, 7:00 hrs, NYT)

We expect a monthly increase in CPI of 0.4% in March (1.5% YoY). This print will be mainly influenced by increases in foodstuffs, gasoline and education.

Chile - Trade balance (March, 7:30 hrs, NYT)

We expect a USD700mn surplus on the balance of trade in March. This surplus is explained by expected exports of USD6.8bn (-4.3% YoY), while imports should reach USD6.1bn (+0.5% YoY). Finally we estimate copper exports in the order of USD3.4bn (-1.4% YoY). Upcoming balance of trade figures should be negatively influenced by the strikes in the main Chilean ports that began in the last week of March.

Mexico - Gross fixed investment (January, 9:00 hrs, NYT)

According to capital goods imports and durable goods production, gross fixed investment should increase in January (vs. -2.4% YoY in December) boosted by transport equipment. Nonetheless, we think that given the leading indicators, there is likely to be a deceleration in February.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	8-Mar	Apr 7	0.68%	--	--	0.72%
FIPE CPI - Weekly	9-Mar	Apr 7	-0.11%	--	--	-0.18%
FGV Inflation IGP-DI	9-Mar	Mar	0.21%	--	--	0.20%
CNI Capacity Utilization	9-Mar	Feb	83.70%	--	--	84.00%
IBGE Inflation IPCA (MoM)	10-Mar	Mar	0.50%	0.38%	--	0.60%
Economic Activity Indx MoM SA	10-17 APR	Feb	-0.70%	--	--	1.29%
FGV Preview Inflation IGP-M	11-Mar	2-mar	0.24%	--	--	0.24%
Retail Sales (MoM)	11-Mar	Feb	1.50%	--	--	0.60%
Chile						
CPI (MoM)	8-Mar	Mar	0.30%	0.40%	--	0.10%
Trade Balance in US\$ Million	8-Mar	Mar	\$500	\$700M	--	\$68.0
Copper Exports	8-Mar	Mar	--	\$3400	--	\$3192.0
Nominal Overnight Rate Target	11-Mar	Apr 11	5.00%	5.00%	--	5.00%
Colombia						
Vehicle Sales	04-09 APR	Mar	--	--	--	22888
Exports FOB - US\$ million	9-Mar	Feb	--	\$4350	--	\$4734.7
Consumer Confidence	10-16 APR	Mar	--	10	--	14.9
Mexico						
Gross Fixed Investment	8-Mar	Jan	3.60%	1	--	-2.40%
Vehicle Production (AMIA)	08-15 APR	Mar	--	--	--	--
Trade Balance	9-Mar	Feb F	--	--	--	46.1M
Consumer Prices (MoM)	9-Mar	Mar	0.69%	0.67%	--	0.49%
Consumer Prices Core (MoM)	9-Mar	2-mar	0.34%	0.34%	--	0.51%
Bi-Weekly CPI	9-Mar	2-mar	0.25%	0.19%	--	0.52%
Industrial Production (YoY)	11-Mar	Feb	0.50%	0.90%	--	1.70%
Peru						
Trade Balance (INEI)	10-Mar	Feb	-\$165M	--	--	-\$468M
Reference Rate	12-Mar	Apr	4.25%	4.25%	--	4.25%

Most recent Latam reports

Date	Description
05-04-2013	➤ Flash Chile: Economic activity slows in February
01-04-2013	➤ Flash Chile: Central Bank raises GDP growth forecast for 2013 and sets upward bias
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

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