

Latam Daily Flash

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Economic Analysis

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Investment in Mexico expanded strongly in January, but this may prove short-lived given other hard and soft forward indicators. In Peru, the central bank raised limits for pension funds' investments overseas, while in Chile, inflation in March came out in line with expectations. Today all eyes will be focusing on inflation in Mexico and exports in Colombia.

Mexico - Gross fixed investment expanded in January, but should lose momentum in 1H13e

As expected, the gross fixed investment print for January was positive (4.6% YoY vs. consensus 3.6% and previous -2.4%) driven by capital goods imports and durable goods production. Investment in plant and equipment grew 9.5% YoY (1.7% MoM, sa) and construction expanded 1.2% (3.4% MoM, sa). Nonetheless, industrial production, trade imports and manufacturing surveys point to a deceleration in the coming months.

Peru - Central bank raises the limit for pension funds' investments abroad

Following clearance by the supervisor, the central bank raised this limit from 34% to 36% of the portfolio, which will allow AFPs to channel an additional USD775mn into foreign assets. This is the third 2pp increase so far this year, after similar measures taken in January and February, in order to stimulate the diversification of private pension funds' portfolio investments and also to mitigate appreciation pressures on the domestic currency.

Chile - Inflation reached 0.4% MoM in March

Monthly inflation reached 0.4% (1.5% YoY), in line with our expectations and slightly above consensus (0.3% MoM). In the case of core inflation, monthly changes were in a range from 0.2 to 0.4% MoM, slightly above previous prints. For April, we anticipate headline inflation of -0.3%, mainly due to a new adjustment in electricity tariffs and the fall in fuel prices (see our Chile Flash for details).

Chile - Trade surplus reached USD1,134mn in March

The surplus of USD1,134mn in March (USD1,446mn accumulated in 2013) was above both our and market expectations. Exports amounted to USD6,882mn (-3.1% YoY), while imports rose to USD5,748mn (-5.3% YoY). Copper exports reached USD3,381mn (-1.9% YoY). This figure points to some slowdown in economic activity, but also takes into account some transitory effects of the strikes in the main Chilean ports during the last days of March that continued into the first week of April.

Colombia - Oil production in 1Q13 above one million barrels a day

Oil production increased 8.4% in 1Q13, more strongly than in 4Q12 (+2.9%), but below the historical highs of 1Q08-1Q12 (>10%). The figure is in line with our outlook for 2013e of a mining sector growing close to the same rate as last year (FY12 +5.9%), but below the historical highs of 2008-11.

Colombia - Energy consumption in March above expectations

Energy consumption stood at 0.0% YoY. Despite the zero growth rate, the number is better than we expected, as we were forecasting a drop given that there were fewer working days in March compared to a year ago. The composition of energy demand will be released tomorrow, when we will see whether demand was driven by business or households.

What to watch today

Mexico - Consumer Price Index (March, 09:00 hrs NYT)

In the first half of March, inflation surprised to the upside (fortnightly change of 0.52% vs. consensus 0.28%), rising above the 4% YoY benchmark. March inflation should be 0.67% MoM (vs. consensus 0.35% MoM) led by transitory shocks in non-core prices.

Colombia - Exports (February, 17:00 hrs NYT)

We expect exports to reach USD4,350mn (-11.9% YoY). We do not expect the gradual recovery of industrial exports to offset the reduction in mining exports, after coal production was temporarily affected by strikes and regulatory sanctions. This result should be one of the main drivers of the sluggish GDP growth in 1Q13e.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	8-Apr	7-Apr	0.68%	--	0.71%	0.72%
FIPE CPI - Weekly	9-Apr	7-Apr	-0.11%	--	--	-0.18%
FGV Inflation IGP-DI	9-Apr	Mar	0.21%	--	--	0.20%
CNI Capacity Utilization	9-Apr	Feb	83.70%	--	--	84.00%
IBGE Inflation IPCA (MoM)	10-Apr	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-Apr	2-Mar	0.25%	--	--	0.24%
Retail Sales (MoM)	11-Apr	Feb	1.50%	--	--	0.60%
Chile						
CPI (MoM)	8-Apr	Mar	0.30%	0.40%	0.40%	0.10%
Trade Balance in US\$ Million	8-Apr	Mar	\$500	\$700M	\$1134M	\$68.0
Copper Exports	8-Apr	Mar	--	\$3400	\$3381	\$3192.0
Nominal Overnight Rate Target	11-Apr	11-Apr	5.00%	5.00%	--	5.00%
Colombia						
Vehicle Sales	9-Apr	Mar	--	--	--	22888
Exports FOB - US\$ million	9-Apr	Feb	--	\$4350	--	\$4734.7
Consumer Confidence	10-16 Apr	Mar	--	10	--	14.9
Mexico						
Gross Fixed Investment	8-Apr	Jan	3.60%	1	4.60%	-2.40%
Vehicle Production (AMIA)	08-15 Apr	Mar	--	--	238519	--
Trade Balance	9-Apr	Feb F	--	--	--	46.1M
Consumer Prices (MoM)	9-Apr	Mar	0.69%	0.67%	--	0.49%
Consumer Prices Core (MoM)	9-Apr	2-Mar	0.35%	0.34%	--	0.51%
Bi-Weekly CPI	9-Apr	2-Mar	0.26%	0.19%	--	0.52%
Industrial Production (YoY)	11-Apr	Feb	0.90%	0.90%	--	1.70%
Peru						
Trade Balance (INEI)	10-Apr	Feb	-\$165M	--	--	-\$468M
Reference Rate	12-Apr	Apr	4.25%	4.25%	--	4.25%

Most recent Latam reports

Date	Description
08-04-2013	Flash Chile: Inflation reached 0.4% MoM in March due to increases in education and food prices
08-04-2013	Colombia Flash: Consumer inflation rebounded in March to 1.91% YoY, with signs of recovery in core inflation
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

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