

Latam Daily Flash

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Economic Analysis

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Brazilian annual inflation in March came out above the upper-bound of the target range. Nonetheless, we believe the SELIC rate will remain constant. In Chile, the consensus of analysts does not anticipate any change in today's monetary policy, which is in line with our view. In addition, Chilean credit conditions reflected more restrictive conditions in 1Q13. Today, markets will be waiting for the monetary policy decisions in Chile and Peru for which we expect a pause for both countries. In Brazil the retail sales data will be released today and in Mexico we expect the industrial production figures are due out.

Brazil - Inflation breaches the target ceiling in March

Annual inflation continued to trend up and reached 6.59% YoY in March, surpassing the 6.5% level (the upper-bound of the target range). In monthly terms, however, inflation declined to 0.47% MoM from 0.60% MoM in February. These figures were somewhat higher than we estimated (6.49% YoY; 0.38% MoM), but slightly lower than what the markets had been expecting (6.62% YoY; 0.50% MoM). Core and diffusion measures revealed that price pressures eased somewhat in March. In our view, yesterday's print will not trigger a hike in the SELIC rate in April. We continue to expect the SELIC rate to remain constant at 7.25% in the months ahead (see more details in our [Brazil Flash](#)).

Chile - CB surveys do not anticipate any change in the monetary policy rate at tomorrow's meeting

The CB's economic expectations surveys revealed a growth forecast for the monthly economic activity index of 4.8% YoY in March (BBVAe: 4.5% YoY) and inflation at 0.1% MoM in April (BBVAe: -0.3% MoM). For tomorrow's meeting, analysts do not expect any changes in the monetary policy rate, in line with our estimate, while long-term inflation expectations remain well-anchored to the CB's target. On the other hand, the financial traders survey showed similar results, highlighting an inflation forecast of 0.0% MoM for April and an exchange rate estimate at CLP475 per dollar on a three-month horizon.

Chile - 1Q13 credit survey reflected a more restrictive stance

The CB banking credit conditions survey of 1Q13 reflected more restrictive lending conditions in both the construction and real estate development segments. It also showed more restrictive credit conditions for households. In terms of demand, results highlighted a lower demand from real estate and construction companies, while it also signalled a lower demand for mortgage and consumer loans.

Chile - Monthly monetary policy analysis points to a pause and mentioned the recent CLP appreciation

The monthly monetary policy analysis highlighted a slowdown in the high frequency data of investment while consumption remains strong. On the other hand, short-term inflation volatility has not had any impact on long-term inflation expectations. It also mentioned CLP's appreciation with respect to the USD, but also in multilateral terms (despite the recent copper price decline). All in all, no changes are expected to the monetary policy rate in tomorrow's meeting.

What to watch today

Brazil – Retail sales (February, 08:00hrs NYT)

We expect retail sales data to add to the evidence supporting our view that GDP will grow by around 1.0% QoQ in 1Q13. In contrast with the 2.5% MoM drop in industrial output, which should lead to a moderation in the IBC-Br (the BCB's economic activity index) in February, we expect retail sales to expand around 1.0% MoM in the period.

Mexico – Industrial production (February, 09:00 hrs NYT)

Industrial production (IP) should grow 0.5%e MoM (vs. consensus 1.0% MoM and the previous reading of 1.1%). This growth could be explained by the slowdown in automobile production and business confidence. A positive driver could be construction and new manufacturing orders.

Chile – Monetary policy meeting (April, 17:00 hrs NYT)

We expect the CB to keep the monetary policy rate unchanged at 5% supported by a balance between domestic and external risks. The communiqué should maintain its neutral stance, even though recent developments have nudged risk towards the domestic side.

Peru – Monetary policy meeting (19:00 hrs, NYT)

We expect the central bank to maintain the monetary policy rate at 4.25%, consistent with inflation remaining within the target range and GDP growth close to potential..

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	8-Apr	Apr 7	0.68%	--	0.71%	0.72%
FIPE CPI - Weekly	9-Apr	Apr 7	-0.11%	--	-0.11%	-0.18%
FGV Inflation IGP-DI	9-Apr	Mar	0.21%	--	0.31%	0.20%
CNI Capacity Utilization	9-Apr	Feb	83.70%	--	82.60%	84.00%
IBGE Inflation IPCA (MoM)	10-Apr	Mar	0.50%	0.38%	0.47%	0.60%
Economic Activity Indx MoM SA	11-17 APR	Feb	-0.70%	-0.10%	--	1.29%
FGV Preview Inflation IGP-M	11-Apr	2-mar	0.25%	--	--	0.24%
Retail Sales (MoM)	11-Apr	Feb	1.50%	1.00%	--	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	Apr 11	5.00%	5.00%	--	5.00%
Colombia						
Vehicle Sales	9-Apr	Mar	--	--	22888	22888
Exports FOB - US\$ million	9-Apr	Feb	--	\$4350	\$4667.8	\$4734.7
Consumer Confidence	11-16 APR	Mar	--	10	--	14.9
Mexico						
Gross Fixed Investment	8-Apr	Jan	3.60%	3.60%	4.60%	-2.40%
Vehicle Production (AMIA)	8-Apr	Mar	--	--	238519	246197
Trade Balance	9-Apr	Feb F	--	--	46.1M	46.1M
Consumer Prices (MoM)	9-Apr	Mar	0.69%	0.67%	0.73%	0.49%
Consumer Prices Core (MoM)	9-Apr	2-mar	0.35%	0.34%	0.30%	0.51%
Bi-Weekly CPI	9-Apr	2-mar	0.26%	0.19%	0.31%	0.52%
Industrial Production (YoY)	11-Apr	Feb	0.90%	0.90%	--	1.70%
Peru						
Trade Balance (INEI)	10-Apr	Feb	-\$165M	--	-\$88M	-\$468M
Reference Rate	12-Apr	Apr	4.25%	4.25%	--	4.25%

Most recent Latam reports

Date	Description
10-04-2013	➤ Brazil Flash: Inflation breaches target ceiling in March
10-04-2013	➤ Mexico Real Estate Flash: New drop in construction production
10-04-2013	➤ Mexico Real Estate Flash: The hand that rocks the cradle in the mortgage market
10-04-2013	➤ Mexico Banking Flash: Lending to private sector: double-digit growth persist
09-04-2013	➤ Mexico Inflation Flash: March's CPI: Supply shocks push headline inflation upwards; However Core inflation remains bounded
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

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