

Latam Daily Flash

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Economic Analysis

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Retail sales in Brazil surprisingly dropped in February, and not just because of faltering auto sales. Nonetheless, we expect GDP growth of 1% QoQ in 1Q13e. However, there were no surprises from the central banks in either Chile or Peru, and rates were left unchanged in both countries. In both cases we maintain our call for stable rates in 2013. Meanwhile, industrial production expanded in Mexico, but leading indicators point to a deceleration going forward. Today will be a quiet day in Latam, with just business confidence being published in Peru and the BCB's activity indicator in Brazil.

Chile - Central bank kept interest rate at 5% at April's meeting

The bank kept its reference rate at 5% at its meeting yesterday, and maintained a neutral tone. On the external front, the press release highlights the new monetary stimulus measures in Japan, while commodity prices - particularly copper - have decreased amid mixed global activity indicators. On the domestic side, the statement mentions that activity was below expectations in February, although the momentum of domestic demand continued. The bank also highlights the recent appreciation of the exchange rate in multilateral terms. Finally, while noting that the various measures of inflation are under the bank's tolerance range, long-term expectations remain well-anchored (see our [Chile Flash](#) for details).

Peru - Central bank keeps neutral tone at April's meeting

As expected, the reference rate remained at 4.25%. There were no major changes in the bank's press release with respect to last month's, and the bank once again drew attention to the subdued pace of price increases and economic activity growing around potential. We maintain our call for a steady policy rate in the coming months, even though we think there is still a possibility of further hikes in foreign currency reserve requirements to curb dollar credit growth (see our [Peru Flash](#)).

Brazil - Retail sales declined in February, surprising markets to the downside

Retail sales declined 0.4% MoM in February, in sharp contrast to the perspectives of robust expansion in the period (BBVAe: 1.0% MoM; consensus: 1.5% MoM). The broad retail sales index, which also includes the auto and construction sectors, also revealed weakness (-0.7% MoM), in this case due to the expected decline in auto sales. Retail figures add to the evidence suggesting economic activity contracted in February after a sharp expansion in January, but our growth forecasts for 1Q13e remain unchanged at around 1.0% QoQ.

Mexico - Industrial production expanded in February, but points to a deceleration in 1H13e

In line with our forecast, February's industrial production grew 0.51% MoM (vs. BBVAe 0.5% and consensus 1% MoM, sa). By components, manufacturing increased 0.71% MoM, construction 0.32% and mining 0.2%. In annual terms, industrial production fell 1.2% (vs. +1.7% in January). Leading indicators (such as new orders, auto exports, and confidence) point to a lower MoM figure.

What to watch today

Brazil – BCB's activity indicator – IBC-Br (February, 07:00hrs NYT)

The weakness of economic activity in February was reinforced by the contraction in retail sales announced yesterday. We now expect the IBC-Br (a monthly proxy for the GDP) to decline 0.3% MoM in February. However, the sharp growth in January (1.3% MoM) and the perspectives of expansion in March suggest that 1Q13 GDP will grow around 1.0% QoQ.

Peru – Business confidence (March, 15:00 hrs NYT)

We expect the index to remain in the optimistic zone, around last month's print (67 points). This supports our view that private investment will continue to expand in double-digits in the coming quarters.

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	12-17 Apr	Feb	-0.70%	-0.30%	--	1.29%
FGV Preview Inflation IGP-M	11-Apr	2-Mar	0.25%	--	0.42%	0.24%
Retail Sales (MoM)	11-Apr	Feb	1.50%	1.00%	-0.40%	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%	5.00%
Colombia						
Vehicle Sales	9-Apr	Mar	--	--	22888	22888
Exports FOB - US\$ million	9-Apr	Feb	--	\$4350	\$4667.8	\$4734.7
Consumer Confidence	12-16 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%	-1.20%	1.70%
Peru						
Trade Balance (INEI)	10-Apr	Feb	-\$165M	--	-\$88M	-\$468M
Reference Rate	12-Apr	Apr	4.25%	4.25%	4.25%	4.25%

Most recent Latam reports

Date	Description
11-04-2013	➤ Flash Chile: Central Bank keeps interest rate at 5% and its neutral tone
11-04-2013	➤ Flash Peru: No surprises in April monetary policy meeting
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

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