

Latam Daily Flash

29 April 2013
Economic Analysis

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In line with our expectations, interest rates were left unchanged in both Mexico and Colombia on Friday. In the former, Banxico maintained its dovish tone but signalled a neutral stance in the near future and, in the latter; Banrep suggested once again that the cycle of rate cuts has already come to an end. In Chile, the minutes of the last monetary policy meeting were released, highlighting an incipient deceleration of domestic activity and suggesting the maintenance of stable rates ahead.

Mexico - Banxico: a neutral stance in the near future

Banxico kept its policy rate unchanged at 4.0% and signalled a neutral stance in the near future. However, the statement maintained a dovish tone stating that risks are on the downside with respect to global growth while reiterating the importance of the relative monetary position of Mexico. We believe a monetary policy pause is still the most likely scenario. For a move to occur in either direction before the start of the next interest rate cycle, some conditions must be met: Banxico would pre-emptively hike rates if second-round effects of the recent uptick in inflation are observed and/or if inflation deviates from its expected convergence path with its target; while it would consider another rate cut if relative monetary policy becomes more restrictive in a context of low inflation and weak economic activity (see our [Banxico Flash](#) for details).

Colombia - Banrep keeps its policy rate unchanged at 3.25% and revises FY13 GDP growth up to 4.3%

The decision is in line with both our forecasts and the market consensus. BanRep reiterated that while the activity continues to grow below potential and inflation remains outside the target range, the actions of the monetary and fiscal policies will help GDP to reach its potential level. The government's countercyclical plan led BanRep to revise upwards its FY13 GDP growth forecast to 4.3% YoY (previously at 4%). We reiterate that we believe the cycle of rate cuts has already come to an end, as we consider that the weak 1Q13 leading indicators are already within BanRep's expectations and its policy actions (see our [Colombia Flash](#) for details).

Chile - CB confirms neutral stance before preliminary slowdown

The minutes of the monetary policy meeting held in April confirmed the uncertainty in the external scenario, highlighting the expansionary measures applied in Japan. From the domestic side, the Board considers the recent economic activity data as a preliminary sign of a slowdown. On the whole, the divergence between domestic demand and the supply side remains, but on the other hand, they seem to be comfortable with current exchange rate levels, which they consider to be in line with its fundamentals. Finally, in a context of well anchored long-term inflation expectations, we expect the CB keep the monetary policy rate at 5% in its next meeting (see our [Chile Flash](#) for details).

Brazil - Credit growth stabilizes around 17%YoY

After growing at an average rate of 22% from 2005 to 2011, credit markets started to decelerate in 2012 and have been growing around 17% of late. The credit data released on Friday reinforced the perception of stability around this slower rate of growth: the credit stock grew by 16.7% YoY in March. This moderation is likely to continue in the remainder of the year: we expect the credit stock to grow by 15% in 2013, providing less support to economic activity than in the recent past. The data released by the BCB also revealed that: i) credit growth continued to be led by public banks, ii) NPLs remained stable, but declined in the non-earmarked consumption credit segment, and iii) spreads and lending rates dropped slightly.

What to watch today

Colombia - Inflation report (2Q13, 13:00 hrs NYT)

BanRep is due to release its quarterly inflation report, including its updated economic outlook. The report should include BanRep's 1Q13 GDP growth rate forecast, which although the central bank has already stated it could be on the weak side, it has not yet officially released its forecast.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-M (YoY)	29-Apr	Apr	7,35%	--	--	8.06%
Central Govt Budget	29-Apr	Mar	2,65B	--	--	-6.4B
Nominal Budget Balance	30-Apr	Mar	--	--	--	-23.3B
Commodity Price Index (MoM)	01-08 May	Apr	--	--	--	-1.82%
FGV CPI IPC-S	02-May	Apr 30	0.00	--	--	0.54%
Trade Balance (Mln) - Monthly	02-May	Apr	\$-1000M	\$-800M	--	\$164M
Vehicle Sales (Fenabrave)	02-03 May	Apr	--	--	--	283934
FIPE CPI - Monthly	03-May	Apr	0,22%	--	--	-0.17%
Industrial Production sa (MoM)	03-May	Mar	1.3%	1.5%	--	-2.5%
PMI Services	03-May	Apr	--	--	--	50.3
Chile						
Manufacturing Index	30-Apr	Mar	0.1%	-0,08%	--	0.9%
Retail Sales (YoY)	30-Apr	Mar	8.7%	7,8%	--	7.4%
Copper Production Total	30-Apr	Mar	--	408927	--	420207
Unemployment Rate	30-Apr	Mar	6.4%	6,4%	--	6.2%
Colombia						
Central Govt Budget	29-Apr	Mar	--	--	--	-\$2821B
Urban Unemployment Rate	30-Apr	Mar	11.4%	11,4%	--	12.3%
Producer Price Index (MoM)	03-May	Apr	--	--	--	0.37%
Consumer Price Index (MoM)	04-May	Apr	0.20%	0,15%	--	0.21%
Mexico						
Budget Balance (Year to date)	30-Apr	Mar	--	--	--	53.80B
Remittances (USD)	02-May	Mar	1933M	--	--	1590.0M
IMEF Manufacturing Index NSA	02-May	Apr	51.30	51.8	--	51.3
Peru						
Consumer Price Index (MoM)	01-May	Apr	0,36%	0,35%	--	0.91%
Wholesale Prices (MoM)	01-May	Apr	--	--	--	0.28%

Most recent Latam reports

Date	Description
26-04-2013	➤ Flash Colombia: BanRep kept policy rate unchanged at 3.25% in line with consensus, and revised upwards FY13 GDP growth to 4.3%
26-04-2013	➤ Flash Chile: Central Bank kept its neutral stance before preliminary slowdown
26-04-2013	➤ Banxico Flash: Banxico: Getting ready to pull the trigger if necessary
25-04-2013	➤ Brazil Flash: COPOM: "vigilant" and focused on 2014
22-04-2013	➤ Mexico Inflation Flash: April's biweekly CPI: Headline inflation soars driven by persistent supply shocks, while core remains near 3%
22-04-2013	➤ Mexico Flash: Banco de México: Inflation hike anchors the monetary policy rate
22-04-2013	➤ Mexico Economic Watch: Room for accumulating reserves in view of the strength of the exchange rate
22-04-2013	➤ Mexico Real Estate Flash: Let's not lose sight of the forest...
18-04-2013	➤ Brazil Flash: Monetary conditions are tightened to prevent inflation from running out of control
16-04-2013	➤ Mexico Real Estate Flash: A helping hand for the housing industry

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