

Latam Daily Flash

10 May 2013 Economic Analysis

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Inflation in Mexico in April came out slightly below estimates and in our opinion is likely to have peaked at 4.65% YoY. Given that inflation should start to converge towards the CB's target and, therefore, that the relative stance of monetary policy is likely to tighten, the probability of another rate cut is increasing. Meanwhile, in Peru, as expected the Central Bank left rates unchanged. Today all eyes will be on the industrial production data in Mexico looking for confirmation of a steady recovery, and the trade balance in Peru, which is likely to continue shrinking in the short term.

Mexico - Headline inflation peaks as core inflation falls below 3.0% again

Mexico CPI increased 0.07% MoM in April, slightly below our above-consensus forecast (BBVA Bancomer 0.13%, consensus 0.09%). In annual terms, the headline inflation reached 4.65%. In our opinion, this print will probably mark a peak for this year as it should start converging towards the Central Bank's target (3.0%) from next month onwards. Core inflation came in at 0.08% MoM (2.95% YoY) as services inflation remains in check and merchandise inflation continues trending downwards. Given that core inflation should remain low and stable, headline inflation should start to converge towards its target and, therefore, the relative monetary stance of Mexico is likely to tighten in coming months, the probability of an additional rate cut this year is increasing (see our [Mexico Flash](#) for more details)

Peru - Central Bank maintains its monetary policy rate

As expected, the reference rate for May remained at 4.25%. There were no major changes in the press release in relation to last month's report, and the Central Bank continued to support its decision on the subdued pace of price increases and economic activity growing around the potential level. We maintain our outlook of a steady policy rate in the coming months (see our [Peru Flash](#)).

What to watch today

Chile - CB Economic expectation survey (May, 8:00hrs NYT)

We expect the survey to show forecasts of no changes in the monetary policy rate for next week's meeting and in the medium term, in line with our view. The figures should also reveal forecasts of an increase of around 5.3% YoY for the economic activity index (Imacec) in April and estimates of zero monthly inflation for May.

Mexico - Industrial production (March, 9:00hrs NYT)

We expect industrial production to remain on a slow but steady path to recovery following the sharp slowdown in December mainly related to the construction industry. We forecast a 1.8% YoY growth in March (0.6% MoM).

Peru - Trade Balance (March, 13:00 hrs NYT)

We expect the trade balance to continue shrinking, in line with an estimated 16% YoY fall in exports in March. In the coming months, we anticipate a gradual recovery in the trade balance, as long as the temporary factors that have been affecting exports begin to dissipate.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Commodity Price Index (MoM)	01-08 May	Apr	--	--	-1.93%	-1.82%
Vehicle Sales (Anfavea)	07-May	Apr	--	--	333738	283912
FGV Inflation IGP-DI	08-May	Apr	0,05%	--	-0,06%	0,31%
IBGE Inflation IPCA (MoM)	08-May	Apr	0,49%	0,45%	0,55%	0,47%
FIPE CPI - Weekly	09-May	2-may	0,33%	--	0,31%	0,17%
CNI Capacity Utilization	09-May	Mar	82,60%	--	82,20%	82,6%
IGP-M Inflation 1st Preview	10-May	May	0,06%	--	--	0,42%
Chile						
Economic Activity Indx YoY NSA	06-May	Mar	4,65%	3,90%	3,1%	3,8%
Trade Balance in US\$ Million	07-May	Apr	\$550	\$1084	\$447	\$1134,0
Copper Exports	07-May	Apr	--	\$4345	\$3527	\$3381,0
CPI (MoM)	08-May	Apr	-0,1%	-0,20%	-0,5%	0,4%
Central Bank's Economist Survey	10-May	May	--	--	--	--
Colombia						
Vehicle Sales	09-10 May	Apr	--	--	--	23551
Exports FOB - US\$ million	08-May	Mar	\$4958,64	\$4284	\$4567,1	\$4667,8
Colombia Monetary Policy Minutes	10-May	May	--	--	--	--
Consumer Confidence	10-17 May	Apr	15,1	18	--	--
Mexico						
Consumer Confidence	07-May	Mar	--	--	0,11	0,06
Leading Indicators (MoM)	08-May	Feb	-0,1%	2,50%	0,5%	4,6%
Gross Fixed Investment	08-May	May	--	--	--	--
Central Bank 1Q Inflation Report	08-15 May	Apr	--	--	238766	238519
Vehicle Production (AMIA)	09-May	Apr	0,1%	--	0,07%	0,73%
Consumer Prices (MoM)	09-May	Apr 30	0,05%	--	0,01%	-0,09%
Bi-Weekly CPI	09-May	Mar F	391,0M	--	1706M	1714,3M
Trade Balance	10-May	Mar	-1,25%	1,80%	--	-1,2%
Industrial Production (YoY)	10-May	Mar	--	--	--	-0,9%
Manufacturing Production (YoY)	10-May	May	--	--	--	--
Central Bank Monetary Policy Minutes	07-May	Mar	--	--	0,11	0,06
Peru						
Reference Rate	10-May	May	4,25%	4,25%	--	4,25%
Trade Balance (INEI)	10-May	Mar	-\$110M	--	--	-\$88M

Most recent Latam reports

Date	Description
9-05-2103	➤ Mexico Flash: April's inflation: Headline Inflation Peaks as Core Inflation Falls Again Below 3%
9-05-2103	➤ Peru Flash: The Central Bank keeps a neutral bias for the policy rate
9-05-2103	➤ Chile Economic Outlook (in Spanish) - Second quarter, 2013
9-05-2103	➤ Peru Economic Outlook (in Spanish) - Second quarter, 2013
9-05-2103	➤ Colombia Economic Outlook (in Spanish) - Second quarter, 2013
8-05-2103	➤ Brazil Flash: In spite of an upward surprise in April, inflation is (temporarily) back to within the target range
8-05-2103	➤ Flash Chile: Monthly inflation reached -0.5% in April, well below both our and market expectations
8-05-2103	➤ Banxico Flash: Despite supply shocks and recent moderation of economic activity, Banxico keeps unchanged its inflation and economic growth forecasts
7-05-2103	➤ MexicoReal Estate Flash: Second month of the year, second decline in construction
6-05-2013	➤ Flash Chile: Economic activity increased 3,1% YoY in March, but we anticipate growth above 5% YoY in April

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