

# Latam Daily Flash

9 August 2013  
**Economic Analysis**

Madrid

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*Inflation continues to increase in Chile and to trend down in Mexico. In both cases the door to monetary cuts in the short run remains open, although we do not expect a cut in the next meeting in Chile. In Peru the Central Bank kept the rate unchanged, but suggested that reserve requirements might be relaxed ahead. Today Mexican industrial production should show a slight improvement in June and the Colombian Central Bank should provide further information regarding the recent downward GDP growth revision to 4.0%.*

## Chile - CPI inflation increased 0.3% MoM in July

CPI inflation for July was slightly above our forecast of 0.2% MoM and in line with consensus positively, impacted by increases in gas prices, transportation fares and food, leading to an increase of 2.2% YoY. Tradable inflation rose to 0.1% MoM while non-tradable inflation increased 0.5% MoM. In this context, the core measures registered variations between 0.1% and 0.2% MoM. All in all, considering the recently released activity and price data, we do not expect any changes in the monetary policy rate in August's meeting, even though the CB will study the possibility of a 25bp interest rate cut (see our [Chile Flash](#) for details).

## Mexico - Inflation continues to fall

July's inflation fell -0.03% MoM, slightly below the market consensus (0.01%) and slightly less negative than our forecast (-0.08%). For the third consecutive month inflation posted a negative print. In annual terms inflation reached 3.47%, its first print below 4.0% since February. Core inflation increased 0.03% MoM, below market estimates (0.08%) and in line with our forecast (0.04%). As a result, annual core inflation reached an all time low of 2.50%. Non core inflation fell -0.26% MoM (6.6% YoY), and continues to moderate (See [Mexico Inflation Flash](#)).

## Peru - The Central Bank leaves the possibility open of further easing reserve requirements

The central bank kept its policy rate at 4.25%, in line with expectations. The decision was supported by a Central Bank estimation of inflation returning within the target range (2% +/- 1pp) in the third quarter of the year, in a context of output growth being close to potential. Furthermore, the CB mentioned again that reserve requirements might be relaxed. This is in line with our expectation that an eventual easing would come from this side, keeping the policy rate unchanged; thus, avoiding introducing greater exchange rate volatility (see our [Peru Flash](#) for details).

## Colombia - Exports reflected a better performance of the mining sector and a high external demand for manufacturing

In June, exports grew 5.6% YoY (USD 4.820mn) boosted by a recovery in oil shipments and a good balance of medium- and high-tech industrial products. However, growth was capped by the lower terms of trade, especially of coal and oil, when compared with the levels observed a year ago. In line with our outlook, the positive result in June anticipates a recovery in economic activity in 2H13, mainly in the industrial sector thanks to the external sales effect on reducing inventories.

## What to watch today

### Mexico – Industrial Production (June, 9:00 am NYT)

Industrial production is a relevant variable for the Mexican economy given its substantial weight in Mexico's GDP growth forecast. We expect that industrial output will continue to expand (1.4 MoM, SA) in line with the US industrial output. However, in annual terms the industrial production remains very moderate, 0.2% (SA)

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

The report should provide further information behind the recent downward GDP growth revision to 4.0%, detailing the drivers of the expected recovery. It should also reveal BanRep's standpoint on the gradual increase in consumer inflation and its outlook for the year-end.

### Colombia – Minutes of monetary policy meeting (July, 14:00 hrs NYT)

The minutes, in addition to the inflation report, should give some additional information about when BanRep could give the first change in its monetary stance, or the reasons behind the decision. It should also reflect BanRep's view on the recent moderation of local financial volatility.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
PMI Services	05 Aug	Jul	--	--	50.3	51
FGV Inflation IGP-DI MoM	06 Aug	Jul	0.24%	--	0.14%	0.76%
Vehicle Sales Anfavea	06 Aug	Jul	--	--	342306	318619
IBGE Inflation IPCA MoM	07 Aug	Jul	0.00%	0.05%	0.03%	0.26%
Commodity Price Index MoM	08 Aug	Jul	2.20%	--	2.27%	5.34%
IGP-M Inflation 1st Preview	08 Aug	Aug	0.20%	--	0.13%	0.26%
FGV CPI IPC-S	08 Aug	Aug 7	-0.08%	--	-0.02%	-0.17%
CNI Capacity Utilization (SA)	08 Aug	Jun	--	--	82.20%	82.2%
FIPE CPI - Weekly	09 Aug	Aug 7	-0.02%	--	--	-0.16%
<b>Chile</b>						
Economic Activity YoY	05 Aug	Jun	3.4%	3.30%	4.20%	3.5%
Trade Balance	07 Aug	Jul	-\$325	-\$462	-\$254	\$608.0
CPI MoM	08 Aug	Jul	0.30%	0.20%	0.30%	0.6%
<b>Colombia</b>						
Vehicle Sales	09 Aug	Jun	--	--	--	24488
CPI MoM	06 Aug	Jul	0.09%	0.08%	0.04%	0.23%
Exports FOB	08 Aug	Jun	--	\$4800	4820.3	\$5266.8
Colombia Monetary Policy Minutes	09 Aug	--	--	--	--	--
Consumer Confidence Index	09-15 Aug	Jul	--	25	--	27.4
<b>Mexico</b>						
Consumer Confidence Index	05 Aug	Jul	94.8	93.8	98	93.3
Gross Fixed Investment	07 Aug	May	-0.50%	--	-0.70%	5.9%
Central Bank 2Q Inflation Report	07 Aug	--	--	--	--	--
CPI MoM	08 Aug	Jul	0.02%	-0.08%	-0.03%	-0.06%
Trade Balance	09 Aug	Jun F	--	--	--	855.0M
Industrial Production YoY	09-20 Aug	Jun	0.06%	0.2%	--	0.5%
Manufacturing Production (YoY)	09-20 Aug	Jun	1.00%	1.5%	--	2.2%
<b>Peru</b>						
Reference Rate	09 Aug	Aug	4.25%	--	4.25%	4.25%
Trade Balance	09 Aug	Jun	-\$100	--	--	-\$404M

## Most recent Latam reports

Date	Description
8-08-2013	<a href="#">➤ 3Q13 Latin America Economic Outlook (in Spanish)</a>
8-08-2013	<a href="#">➤ Peru Flash: Central Bank leaves open the possibility of further easing reserve requirements</a>
8-08-2013	<a href="#">➤ Mexico Inflation Flash: Inflation continues falling in July, and the core inflation reaches its historical low</a>
8-08-2013	<a href="#">➤ Chile Flash: CPI inflation increased 0.3% MoM in July</a>
8-08-2013	<a href="#">➤ 3Q13 Mexico Economic Outlook (in Spanish)</a>
7-08-2013	<a href="#">➤ Peru Economic Outlook 3Q13 (in Spanish)</a>
7-08-2013	<a href="#">➤ Brazil Flash: Significant decline of inflation in July marks the beginning of a downward trend</a>
5-08-2013	<a href="#">➤ Colombia Flash: CPI inflation stood at 2.22% YoY in July, continuing with increasing YoY variations</a>
5-08-2013	<a href="#">➤ Chile Economic Outlook 3Q13 (in Spanish)</a>
5-08-2013	<a href="#">➤ Flash Chile: Economic activity increased 4.2% YoY in June and supports a maintenance in the policy rate in August</a>

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