

Latam Daily Flash

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Economic Analysis

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Negative surprise in Chilean November CPI, mainly driven by secondary effects of accumulated increases in food prices and wages. By contrast, in Brazil inflation surprised to the downside, which in our view will enable the Brazilian central bank to both meet its informal inflation target and put an end to the monetary tightening cycle in January.

Mexico - Banxico confirms its intention to remain on hold for the foreseeable future

As widely expected, Banxico decided to maintain the reference rate unchanged at 3.5%. Banxico had already said in its previous statement that no more rate cuts were desirable for the foreseeable future. The tone of the statement was somewhat less dovish as Banxico acknowledged that the economy is recovering. However, it seems clear that Banxico is set to remain on hold during 2014, taking into account an economic outlook in which there will be ample slack and thus core inflation is likely to remain low and stable. We continue to expect Banxico to hold interest rates during 2014.

Chile - November CPI unexpectedly +0.4% MoM due to increases in foods and services

November's CPI rose 0.4% MoM (+2.4% YoY), above both our forecasts and those of the market (+0.2%e MoM and +0.1%e MoM, respectively). The figure was mainly driven by increases in foods, both processed and non-processed, as expected. Nonetheless, surprises came from increases in food services (restaurants) due to the secondary effects of the accumulated increases in food prices and wages. In this context, core inflation measures (CPI-Xs) increased by 0.2% MoM. Our preliminary forecast range for December's CPI is +0.2%-+0.3%e MoM, driven mainly by fuel costs and public transport fares. All in all, recent figures for inflation and economic activity confirm our call for a pause in the MPR at December's monetary policy meeting after 50bp cuts in previous months. Even so, we still see further cuts in the policy rate in coming quarters, at least to 4% during 2014 (see our [Chile Flash](#) for details).

Brazil - Inflation rose less than expected in November

Inflation measured by the IPCA reached 5.77% YoY (0.54% MoM) in November, less than forecast (BBVA: 5.87%e YoY, 0.63%e MoM; consensus: 5.82%e YoY, 0.58%e MoM). Therefore, this downward surprise enabled yearly inflation to continue to trend down (it reached 5.77% YoY in October) instead of remaining broadly stable as expected. Looking forward, the lower-than-expected fuel prices adjustment in December and the recent downward surprises in inflation cause us to revise our year-end forecast to 5.7%e YoY from 5.8%e YoY. Therefore, in our view the central bank will be able to meet its informal target to deliver lower inflation in 2013 than in 2012 (5.84% YoY). This provides extra support to our view that the current monetary tightening cycle will end in January, with a final +25bp adjustment.

What to watch today

Chile - Trade balance (November, 07:30hrs NYT)

We expect a USD189mne surplus in November's trade balance, driven by our expectations of exports at USD6.3bne (-4.7% YoY), while imports should reach USD6.1bne (-2.6% YoY). Finally, we forecast copper exports in the order of USD3.6bne (-4.6% YoY).

Mexico – Inflation (November, 10:00hrs NYT)

The inflation figure for November will continue to reflect the absence of demand-side inflation pressures. Nonetheless, monthly inflation will be high due to the seasonal adjustment of electricity prices and the sharp rise in agricultural prices observed in the first fortnight of the month. On a monthly basis, headline and core inflation are set to increase 0.90% MoM and 0.14% MoM respectively. With these monthly increases, headline inflation would rise to 3.59% YoY (from 3.36% YoY in October) while core inflation will remain close to its all-time lows and register a 2.57% YoY increase (+2.48% YoY in October).

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	9 Dec	Dec	0.73%	--	0.72%	0.68%
IGP-M Inflation 1st Preview	10 Dec	Dec	0.38%	--	--	0.30%
FIPE CPI - Weekly	11 Dec	Dec	0.47%	--	--	0.52%
Retail Sales MoM	12 Dec	Oct	0.50%	0.30%	--	0.50%
Economic Activity MoM	13 Dec	Oct	0.50%	0.20%	--	-0.01%
Tax Collections	15 Dec	Nov	--	--	--	100999M
Chile						
Trade Balance	9 Dec	Nov	\$200M	\$189M	--	\$241.0M
Copper Exports	9 Dec	Nov	--	\$3610M	--	\$3893M
Central Bank's Economist Survey	10 Dec	Dec	--	--	--	--
Central Bank's Traders Survey	11 Dec	Dec	--	--	--	--
Overnight Rate Target	12 Dec	Dec	4.50%	4.50%	--	4.50%
Colombia						
Consumer Confidence Index	10 Dec	Nov	--	--	--	22.3
Central Bank's Economists Survey	12 Dec	--	--	--	--	--
Colombia Monetary Policy Minutes	13 Dec	--	--	--	--	--
Mexico						
CPI MoM	9 Dec	Nov	0.92%	0.90%	--	0.48%
Vehicle Production AMIA	9 Dec	Nov	--	--	--	285230
November Nominal Wages	10 Dec	Nov	--	--	--	--
Industrial Production MoM	12 Dec	Oct	0.34%	0%	--	-1.2%
Peru						
Trade Balance	10 Dec	Oct	-\$254M	--	--	\$32M
Reference Rate	13 Dec	Dec	4.00%	--	--	4.00%

Most recent Latam reports

Date	Description
6-12-2013	➤ Banxico Flash: Fondeo rate unchanged at 3.5%, as expected
6-12-2013	➤ Colombia Flash: November inflation surprised on the downside by falling 0,22% MoM and consolidates annual inflation (1,76%) below target range
6-12-2013	➤ Chile Flash: November CPI unexpectedly at +0.4% MoM due to increase in foods and services
6-12-2013	➤ Mexico Economic Outlook Fourth Quarter 2013
5-12-2013	➤ Colombia Real Estate Outlook 2013 (in Spanish)
5-12-2013	➤ Brazil Flash: COPOM warns about the lagged impact of monetary policy
5-12-2013	➤ Chile Flash: Monthly activity at 2.8% YoY in October compromises CB's baseline scenario
4-12-2013	➤ Chile Automobile Market Outlook 2013 (in Spanish)
4-12-2013	➤ Working Paper: Financing retirement with real estate assets: an analysis of Mexico
4-12-2013	➤ Working Paper: Demand factors influencing Financial Inclusion in Mexico: Barriers analysis from the ENIF (in Spanish)

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