

Latam Daily Flash

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Economic Analysis

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Monthly inflation came back into positive territory in December, placing annual inflation at 1.94%, slightly below the centre of the target range (2.0%). Low inflation levels, together with increasing GDP growth, could be evidence that potential GDP is now higher, according to some members of BanRep's monetary policy board.

Colombia - CPI increased 0.26% MoM in December, placing annual inflation at 1.94% at the end of 2013

Inflation returned to positive territory in December after two consecutive months of deflationary surprises, allowing annual inflation to reach 1.94%, slightly below the central bank's target (3.0%, with a tolerance of $\pm 1\%$). Food and utilities (3.90% MoM and 0.74% MoM respectively) contributed the most to December's price rise, showing that recently-observed supply shocks have diluted. Throughout the year, the main inflation drivers were health and education costs, as well as low food prices due to extraordinarily positive harvests. For 2014 we expect inflation to remain in the lower half of the central bank's target range, only reaching 3.0% during the last quarter of the year.

Colombia - Monetary policy minutes: concern from some members of the board about the estimates of potential GDP

The minutes show that some (at least three) members of the board are concerned about the potential GDP estimates. They consider that it could be higher than currently estimated, as the GDP growth rate is increasing while inflation has been below the target for several months. In that sense, one member considers that the interest rate should be unchanged for an extended period, at least until the middle of next year or even longer. In the same vein, other members believe that it could be necessary to make adjustments in monetary policy in order to hasten the convergence of inflation with the target and thus close the output gap. We estimate potential GDP growth of 4.8% for 2014.

Brazil - There are few reasons to celebrate the fulfilment of the federal government's fiscal target for 2013

The Minister of Finance, Guido Mantega, confirmed that the federal government's primary surplus reached "around" BRL75bn in 2013, therefore meeting the BRL73bn target (approximately 1.5% of GDP). The announcement was made almost a month before the release of official figures for the month of December, to "reduce market anxiety" according to the minister. The fulfilment of the target was expected, and four important things should be borne in mind when digesting this information: i) the federal government surplus was built largely on one-off revenues; ii) the official target was initially set at BRL108bn (2.3% of GDP), and then lowered throughout the year; iii) a law was recently passed exempting the federal executive from generating an extra primary surplus from 2013 onwards, to compensate for any below-target results at the sub-national level; iv) the consolidated public sector's primary surplus should reach 1.8% of GDP this year (and 1.4% in 2014), below the levels observed in previous years (3.1% in 2011 and 2.4% in 2012).

What to watch today

No relevant indicators are planned to be released today

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Monthly	6 Jan	Dec	--	--	--	0.46%
FIPE CPI - Weekly	6 Jan	Dec	--	--	--	0.50%
PMI Services	6 Jan	Dec	--	--	--	52.3
PPI Manufacturing MoM	7 Jan	Nov	--	--	--	-0.37%
Vehicle Sales Anfavea	7 Jan	Dec	--	--	--	302939
FGV Inflation IGP-DI MoM	8 Jan	Dec	--	--	--	0.28%
FGV CPI IPC-S	8 Jan	Jan	--	--	--	--
Industrial Production MoM	8 Jan	Nov	--	-0.5%	--	0.6%
CNI Capacity Utilization (SA)	8 Jan	Nov	--	--	--	82.1%
FIPE CPI - Weekly	10 Jan	Jan	--	--	--	--
IGP-M Inflation 1st Preview	10 Jan	Jan	--	--	--	0.32%
IBGE Inflation IPCA MoM	10 Jan	Dec	--	0.75%	--	0.54%
FIPE CPI - Monthly	6 Jan	Dec	--	--	--	0.46%
Chile						
Economic Activity YoY	6 Jan	Nov	--	2.9%	--	2.8%
CPI MoM	6 Jan	Dec	--	0.5%	--	0.4%
Trade Balance	7 Jan	Dec	--	\$408	--	\$202.0
Colombia						
CPI Core MoM	7 Jan	Dec	--	0.24%	0.26%	-0.09%
Exports FOB	10 Jan	Nov	--	\$5300	--	\$4834.9
Mexico						
Gross Fixed Investment	6 Jan	Oct	--	--	--	-5.5%
CPI MoM	6 Jan	Dec	--	--	--	0.93%
Vehicle Production AMIA	8 Jan	Dec	--	--	--	255695
Economic Activity IGAE YoY	8 Jan	Oct	--	1.2%	--	0.79%
Industrial Production YoY	8 Jan	Nov	--	1.2%	--	0.1%
Peru						
Trade Balance	8 Jan	Nov	--	--	--	-\$303M
Reference Rate	10 Jan	Jan	4.0%	4.0%	--	4.00%

Most recent Latam reports

Date	Description
02-01-2014	Chile Flash: changes in the CPI weights (in Spanish)
02-01-2014	Peru Flash: Annual inflation closed 2013 within the target range
02-01-2014	Chile Flash: Growth of fiscal expenditure could be higher than 5% in real terms in 2014, among the highest in recent years (in Spanish)
30-12-2013	Chile Flash: Activity data by sector anticipates Imacec at 2.9% YoY in November
26-12-2013	Peru 2013 Real Estate Outlook (in Spanish)
23-12-2013	Chile Flash: December CPI should come in at 0.5% m/m (in Spanish)
20-12-2013	Colombia Flash: BanRep decided unanimously to keep its policy rate unchanged at 3.25% and continue on accumulating international reserves
20-12-2013	Mexico Banking Watch: Banxico Financial System Report (in Spanish)
20-12-2013	Colombia Economic Watch: How good are employment data? (in Spanish)
20-12-2013	Chile Economic Watch: Bullish scenario for chilean long-term interest rates (in Spanish)

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