

Latam Daily Flash

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Economic Analysis

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In Chile, although inflation rose slightly above our forecast, it is still in line with our call for a pause in the MPR at January's meeting. In Mexico, business confidence improved but consumer confidence unexpectedly slipped back in December. Today, we look for inflation in Mexico to close the year just below the upper limit of Banxico's target range.

Brazil - Industrial production declined less than expected in November

Industrial output contracted 0.2% MoM in November, significantly less than forecast (BBVAe: -0.5% MoM; consensus: -1.0% MoM). The main driver of the contraction was the 3.2% MoM drop in vehicle production. Preliminary data for December show that the poor performance of the auto sector is once again likely to undermine overall industrial production in the last month of 2013. This implies that the economic rebound we expect to materialise is unlikely to be particularly strong. More precisely, we expect GDP to expand around 0.4% MoM in 4Q13e after having declined 0.5% in 3Q13, while FY13e growth should be slightly above 2.0%. Finally, data for the end of 2013 suggest that economic activity will not start 2014 off in the right foot.

Chile - December CPI at +0.6% MoM due to increases in transportation fares and fuels

December's CPI rose by 0.6% MoM (+3.0% YoY), slightly above our forecasts (BBVAe: 0.5% MoM) and those of the market. The figure was mainly driven by increases in fuels and transportation fares, as expected. Surprises came from increases in services, related to Recreation and Culture, due to both seasonality and currency depreciation. In this context, core inflation measures (CPIXs) increased by 0.5% MoM, while the measure excluding foods and energy rose 0.6% MoM. Our preliminary forecast for January's CPI is of at least +0.1% MoM, mainly driven by fuels and vehicle prices. All in all, recent figures for inflation and economic activity confirm our call for a pause in the MPR at January's monetary policy meeting (see our [Chile Flash](#) for details).

Chile - Traders expect a stable policy rate in January

The survey for the first half of January came out with inflation estimates at around +0.2% MoM for the current month (BBVAe at least +0.1% MoM). The results also reflected expectations of the monetary policy rate remaining stable at 4.5% at January's meeting (according to 68% of respondents), although on a 3-month horizon traders anticipate a 25bp cut (according to almost 59% of respondents). The latter is in a context where median long-term inflation expectations are anchored to the central bank's target of 3%. Finally, traders forecast further depreciation of the currency to reach USDCLP 535 on a 3-month horizon.

Mexico - Producer confidence strengthened but consumer confidence unexpectedly slipped back in December

After declining for three straight months, producer confidence came in at 51.5 sa in December, broadly in line with our forecast (BBVAe: 51), registering the fastest monthly increase (1.7% MoM) since August 2012. Meanwhile, we were expecting stronger consumer confidence on the back of an improving labour market (BBVAe: 92.1, 0.4% MoM). However, consumer confidence slipped back to 90.2 in December from 91.5 in November (-1.4% MoM sa).

What to watch today

Mexico - Inflation (December, 09:00hrs NYT)

After the first fortnight of December, we adjusted our year-end inflation forecast to 3.9%, as we expect a 0.47% MoM increase in December. Meanwhile, we expect core inflation to increase 0.30% MoM, reaching 2.8% in annual terms. Nonetheless, we have a slight upward bias for both forecasts as food price pressures have continued and the services component has accelerated.

Peru - Monetary policy meeting (January, 19:30hrs NYT)

We expect the central bank to keep its reference rate on hold for January. This decision is taken in a context of GDP remaining at around its potential level without inflationary pressures.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Monthly	6 Jan	Dec	0.60%	--	0.65%	0.46%
FIPE CPI - Weekly	6 Jan	Dec	0.56%	--	0.61%	0.50%
PMI Services	6 Jan	Dec	--	--	51.7	52.3
PPI Manufacturing MoM	7 Jan	Nov	--	--	0.62%	-0.37%
Vehicle Sales Anfavea	7 Jan	Dec	--	--	353843	302939
FGV Inflation IGP-DI MoM	8 Jan	Dec	0.67%	--	0.69%	0.28%
FGV CPI IPC-S	8 Jan	Jan	0.77%	--	0.73%	0.69%
Industrial Production MoM	8 Jan	Nov	-1.00%	-0.50%	-0.20%	0.60%
CNI Capacity Utilization (SA)	9 Jan	Nov	--	--	--	82.1%
FIPE CPI - Weekly	10 Jan	Jan	--	--	--	0.61%
IGP-M Inflation 1st Preview	10 Jan	Jan	0.58%	--	--	0.32%
IBGE Inflation IPCA MoM	10 Jan	Dec	0.82	0.75%	--	0.54%
Chile						
Economic Activity YoY	6 Jan	Nov	3.10%	2.90%	2.80%	2.80%
Economic Activity MoM sa	6 Jan	Nov	0.60%	0.40%	0.50%	-0.10%
Trade Balance	7 Jan	Dec	\$225M	\$408M	\$146M	\$202M
CPI YoY	8 Jan	Dec	2.90%	2.90%	3.00%	2.40%
CPI MoM	8 Jan	Dec	0.50%	0.50%	0.60%	0.40%
Colombia						
CPI Core MoM	7 Jan	Dec	--	0.24%	0.24%	-0.09%
Exports FOB	7 Jan	Nov	\$4875M	\$5300M	\$4934	\$4835M
Mexico						
Vehicle Production AMIA	8 Jan	Dec	--	--	164221	255695
Economic Activity IGAE YoY	9 Jan	Oct	1.40%	1.20%	--	0.79%
CPI MoM	9 Jan	Dec	0.48%	0.47%	--	0.93%
Industrial Production YoY	10 Jan	Nov	0.04%	1.20%	--	0.10%
Gross Fixed Investment	10 Jan	Oct	-4.80%	--	--	-5.50%
Peru						
Trade Balance	10 Jan	Nov	-\$329M	--	--	-\$303M
Reference Rate	10 Jan	Jan	4.00%	4.00%	--	4.00%

Most recent Latam reports

Date	Description
08-01-2014	➤ Colombia Flash: December inflation in line with forecasts and places annual inflation slightly below target range
08-01-2014	➤ Chile Flash: December CPI at 0.6% MoM due to increases in transportation fares and fuels
06-01-2014	➤ Chile Flash: Monthly activity figures in November 2013 showed signs of stabilization
03-01-2014	➤ Mexico Migration Flash: Remittances accumulate four consecutive months of growth
03-01-2014	➤ Chile Automobile Market Outlook 2013
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)

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