

Latam Daily Flash

13 January 2014
Economic Analysis

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Brazilian inflation for 2013 was at the upper bound of the target range but the BCB did not achieve its informal target of lower inflation in 2013 than in 2012. This figure supports our view of a hike in the Selic rate this week. In Mexico, industrial production increased slightly in November, while in Chile analysts expect no changes in the MPR at the next meeting but expect a cut in February.

Brazil - Inflation closed 2013 within the target range, but the BCB did not achieve its implicit goal

Annual inflation reached 5.91% in December (BBVAe: 5.7%; consensus: 5.8%), at the upper bound of the target range (4.5% +/- 2.0%) for the fourth consecutive year. More importantly, the BCB failed to achieve its informal target of delivering lower inflation in 2013 than in 2012 (5.84%). High inflation expectations and Friday's figures lead us to think that a +50bp adjustment next week or at least a signal that the tightening cycle will continue after the January meeting is now more likely than before. However, we still think the most likely outcome is that the BCB hikes the Selic rate by 25bp to 10.25% next week and then leaves it unchanged for the rest of the year. Finally, inflation figures should add to the negative sentiment concerning Brazil (for more details, see our [Brazil Flash](#)).

Chile - No change in the policy rate is expected in January

As expected, the central bank's survey revealed a consensus growth forecast for the monthly economic activity index of around 3.0% YoY in December 2013 and inflation at +0.2% MoM in January (BBVAe at least +0.1% MoM). Annual inflation expectations for December 2014 have been revised upwards from a median of 2.8% in the previous survey to 3.0%, due to CLP depreciation and the higher than anticipated inflation figures released recently. For the longer term, inflation expectations remain anchored to the central bank's target. In terms of monetary policy, 80% of analysts do not expect any changes in the reference rate at this week's meeting (in line with our view), but analysts still anticipate a 25bp cut in February (only 50% of those surveyed). Our assessment is that the acceleration in inflation prints will not support cuts in the policy rate in the short term, although monetary policy decisions will remain dependent on economic activity figures, which have recently shown evidence of some stabilisation in the deceleration process.

Mexico - Only a slight increase in industrial production during November

Industrial production came in at 0.1% MoM sa in November, below both our and consensus expectations. This slight monthly expansion is consistent with a -1.4 YoY sa print (BBVAe: 1.2%; consensus: -0.3%). The weaker than expected result was mainly dragged down by manufacturing production (-1.0% MoM sa), despite the surge in US manufacturing production in the same month. The bright spot of the report was construction, which increased 1.8% MoM sa after falling for five straight months. The report adds to other indications of a slow recovery of the Mexican economy.

What to watch today

No relevant indicators are planned to be released today

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-10 MoM	15 Jan	Jan	0.60%	--	--	0.44%
Selic Rate	15 Jan	--	10.25%	10.25%	--	10.00%
Formal Job Creation Total	15 Jan	Dec	--	--	--	47486
CNI Industrial Confidence	15 Jan	Jan	--	--	--	54.3
FGV CPI IPC-S	16 Jan	Jan	0.79%	--	--	0.73%
Retail Sales MoM	16 Jan	Nov	0.50%	0.30%	--	0.20%
IGP-M Inflation 2nd Preview	17 Jan	Jan	0.60%	--	--	0.54%
Economic Activity MoM	17 Jan	Nov	-0.10%	0%	--	0.77%
CNI Capacity Utilization (SA)	17 Jan	Nov	--	--	--	82.1%
Chile						
Overnight Rate Target	16 Jan	--	4.50%	4.50%	--	4.50%
Colombia						
Consumer Confidence Index	13 Jan	Dec	--	23	--	23.1
Trade Balance	15 Jan	Nov	\$183,05	\$435.1	--	-\$264.0
Retail Sales YoY	17 Jan	Nov	4.30%	5.20%	--	6.60%
Industrial Production YoY	17 Jan	Nov	0%	-2.60%	--	-0.10%
Mexico						
ANTAD Same-Store Sales YoY	14 Jan	Dec	1.00%	--	--	3.40%
Unemployment Rate	17 Jan	Dec	4.33%	4.44%	--	4.47%
Peru						
Economic Activity YoY	15 Jan	Nov	5.35%	--	--	5.40%
Unemployment Rate	15 Jan	Dec	--	--	--	5.80%

Most recent Latam reports

Date	Description
13-01-2014	➤ Brazil Flash: Inflation closed 2013 within the target range, but the BCB's implicit goal was not met
13-01-2014	➤ Mexico Banking Flash: Enactment of Financial Reform: a first step in the right direction but several aspects still to be defined (in Spanish)
09-01-2014	➤ Mexico Inflation Flash: December's inflation
09-01-2014	➤ Peru Flash: Monetary policy: no surprises in January
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)

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