

# Latam Daily Flash

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**Economic Analysis**

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*Colombian imports suggest a slow recovery of private investment, while Peru's GDP reflected dynamic commerce, services and primary sectors, in contrast to manufacturing and construction. Today eyes will be on the monetary policy meeting in Chile where we expect no changes in the MPR but which could reveal the central bank's intention to make further cuts, although any moves will remain very data dependent as concerns emerge over higher than expected inflation.*

## **Brazil - Higher inflation and a weaker currency force the COPOM to maintain the tightening pace**

We and a significant part of the market expected a final +25bp adjustment of the Selic, but the Monetary Policy Committee (COPOM) decided to hike the reference rate by 50bp and, in addition, left the door open for additional tightening ahead. In our view, the decision to increase the Selic to 10.50% instead of to 10.25% was driven by [the recent worsening of inflation](#) and the ongoing depreciation of the exchange rate (7.6% in the last three months). At the time of writing, before seeing the minutes of yesterday's monetary policy meeting which will only be released in a week's time, we consider it more likely that the COPOM will deliver a final +25bp after its next meeting in February (for more details, see our [Brazil Flash](#)).

## **Chile - Bank lending conditions remained stable during 4Q13**

The central bank survey of the bank credit environment in 4Q13 reflected stable lending conditions for both companies and the construction sector. Only credit supply conditions for households showed evidence of a more restrictive stance compared with the 3Q13 results. Finally, results also reflected relatively stable credit demand conditions for commercial and consumer loans. Only demand for mortgage loans was less dynamic.

## **Colombia - Imports suggest a slower recovery of private non-residential investment**

In November, imports fell 1.8% YoY, mainly explained by the performance of the capital goods element. As we anticipated, the below-expectations growth in the manufacturing sector in previous months was reflected in reduced willingness to invest and delayed investment plans in some industries. Meanwhile, the trade balance posted a surplus of USD128.1mn, which implies less pressure on the current account deficit in the fourth quarter of 2013.

## **Peru - November GDP reflected the momentum of trade and services**

GDP grew 4.8% YoY in November, reflecting the momentum of the commerce, services and primary sectors, which was partially offset by a contraction in manufacturing and a slowdown in construction. Also, available indicators for December suggest a somewhat higher rate of expansion. These results confirm that GDP growth accelerated by more than 5% in the last quarter of 2013, and we expect this momentum to continue in the early months of this year (see our [Peru Flash](#) for details).

## What to watch today

### Brazil - Retail sales (November, 06:00hrs NYT)

We expect retail sales to expand 0.3% MoM in November, broadly the same as in October and less than in 3Q13, suggesting that private consumption will contribute less to GDP growth in 4Q13 than it did in 3Q13. Anyway, a rebound in exports and investment should help to support GDP growth around 0.4% QoQ in the last quarter of the year (vs. -0.5% MoM in 3Q13).

### Chile - Monetary policy meeting (January, 16:00hrs NYT)

We expect the Board to keep rates at 4.5%, and the communiqué to reveal the central bank's intention to make further cuts in coming quarters. However, we also expect concerns to emerge over recent inflation figures, as these were above expectations, and in turn led to increases in some inflation-expectation measures. In this context, movements in the monetary policy rate will remain data-dependent. Finally, we do not rule out a 25bp cut in February.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
FGV Inflation IGP-10 MoM	15 Jan	Jan	0.60%	--	0.58%	0.44%
Selic Rate	15 Jan	--	10.25%	10.25%	10.50%	10.00%
Formal Job Creation Total	16 Jan	Dec	-473000	--	--	47486
CNI Industrial Confidence	16 Jan	Jan	82.2	--	--	54.3
FGV CPI IPC-S	16 Jan	Jan	0.79%	--	0.85%	0.73%
Retail Sales MoM	16 Jan	Nov	0.40%	0.30%	--	0.20%
IGP-M Inflation 2nd Preview	17 Jan	Jan	0.51%	--	--	0.54%
Economic Activity MoM	17 Jan	Nov	0%	0%	--	0.77%
CNI Capacity Utilization (SA)	17 Jan	Nov	--	--	--	82.1%
<b>Chile</b>						
Overnight Rate Target	16 Jan	--	4.50%	4.50%	--	4.50%
<b>Colombia</b>						
Consumer Confidence Index	13 Jan	Dec	--	23	23.2	23.1
Trade Balance	15 Jan	Nov	\$83,2	\$435.1	\$128,1	-\$264.0
Retail Sales YoY	17 Jan	Nov	4.00%	5.20%	--	6.60%
Industrial Production YoY	17 Jan	Nov	0%	-2.60%	--	-0,10%
<b>Mexico</b>						
ANTAD Same-Store Sales YoY	16 Jan	Dec	-0.40%	--	--	3.40%
Unemployment Rate	17 Jan	Dec	4.27%	4.44%	--	4.47%
<b>Peru</b>						
Economic Activity YoY	15 Jan	Nov	5.20%	4.70%	4.81%	5.40%
Unemployment Rate	15 Jan	Dec	5.60%	--	5.70%	5.80%

## Most recent Latam reports

Date	Description
16-01-2014	<a href="#">➤ Brazil Flash: Higher inflation and a weaker currency force the COPOM to maintain the tightening pace</a>
15-01-2014	<a href="#">➤ Peru Flash: November GDP reflected momentum of trade and services</a>
14-01-2014	<a href="#">➤ Mexico Banking Flash: Enacting the Financial Reform: a first step in the right direction albeit with several aspects still to be defined</a>
14-01-2014	<a href="#">➤ Financial inclusion and the role of mobile banking in Colombia: developments and potential (in Spanish)</a>
13-01-2014	<a href="#">➤ Mexico Real Estate Outlook: First Half 2014 (in Spanish)</a>
13-01-2014	<a href="#">➤ Brazil Flash: Inflation closed 2013 within the target range, but the BCB's implicit goal was not met</a>
13-01-2014	<a href="#">➤ Mexico Banking Flash: Enactment of Financial Reform: a first step in the right direction but several aspects still to be defined (in Spanish)</a>
09-01-2014	<a href="#">➤ Mexico Inflation Flash: December's inflation</a>
09-01-2014	<a href="#">➤ Peru Flash: Monetary policy: no surprises in January</a>
08-01-2014	<a href="#">➤ Colombia Flash: December inflation in line with forecasts and places annual inflation slightly below target range</a>

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