

# Latam Daily Flash

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**Economic Analysis**

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*In last week's monetary policy minutes, COPOM revised its inflation forecast upwards but showed less confidence about economic activity. Although the monetary authority did not close the door to a 50bp adjustment, we think that a 25bp hike is the most likely scenario. The downward surprise of the inflation figures, also released yesterday, supports our view.*

## Brazil - COPOM sees higher inflation and stable economic activity ahead

The minutes of [last week's monetary policy meeting](#) show that the monetary authority revised its 2014 inflation forecasts upwards and acknowledged that inflation has been surprising to the upside lately, which was probably the trigger for the decision to hike the Selic by 50bp last week. However, the minutes also reveal that the monetary authority is less confident about economic activity and less worried about wage pressures. The reference to the lagged impact of monetary policy on inflation was left unchanged. Although the COPOM did not close the door to another 50bp adjustment, we think that a final 25bp hike of the Selic in February is the most likely scenario. The significant downward surprise of January's IPCA-15, which was also released yesterday, supports our view (for more details see below and also our [Brazil Flash](#)).

## Brazil - Lower-than-expected inflation at the beginning of January

Due to a sharp moderation in transport prices, inflation slowed down at the beginning of the year. More precisely, January's IPCA-15, which measures inflation from mid-December to mid-January, declined unexpectedly to 0.67% MoM (5.63% YoY) from 0.75% MoM (5.85% YoY) in the previous reading (BBVAe: 0.82% MoM and 5.78% YoY; consensus: 0.79% MoM and 5.75% YoY). This suggests that the full-month IPCA will decline more than we anticipated to around 0.65% MoM / 5.7% YoY. Just as the upward surprise in December inflation determined a 50bp hike (rather than 25bp) of the Selic rate in January, a likely downward surprise in January inflation should trigger a 25bp (instead of 50bp) adjustment in February.

## Mexico - Higher than expected inflation in the first fortnight of January

Headline inflation came in above expectations, increasing 0.68% FoF in the first fortnight of January (BBVAe: 0.55%, consensus: 0.62%). In annual terms, inflation accelerated to 4.6% from 4.1% in the second fortnight of December. Both the core and non-core inflation increased due to new taxes, as anticipated -on sodas, junk food and fuels- but the upward surprise was caused mainly by a higher than expected increase in the core component, mostly driven by unexpectedly strong increases in food-related services. Core inflation was 0.69% FoF, higher than both consensus and our forecast (BBVAe: 0.50%, consensus: 0.54%). The higher than expected print pushed up annual core inflation to 3.33% from 2.80% in the previous fortnight (for more details see our [Mexico Inflation Flash](#)).

## What to watch today

### Brazil - Balance of payments (December, 07:30hrs NYT)

We expect the current account deficit to close 2013 at 3.6% of GDP, the highest level since 2001 due to the maintenance at high levels of both income and service account deficits and the deterioration of the trade income (to be partially reversed in 2014).

### Mexico - Retail sales (November, 09:00hrs NYT)

Retail sales increased 0.8% MoM sa in October, consistent with a -1.5% YoY sa change. We expect retail sales in November to increase 0.9% MoM sa, although the annual change will remain negative, with a decline of 1.6%. This forecast would be in line with the ANTAD sales indicator, which declined 1.1% YoY sa in November.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
Formal Job Creation Total	21 Jan	Dec	-473000	--	-449444	47486
FIPE CPI - Weekly	20 Jan	Jan	0.75%	--	0.83%	0.74%
Tax Collections	22 Jan	Dec	116000M	--	118364M	112517M
CNI Industrial Confidence	22 Jan	Jan	--	--	53.1	54.3
FGV CPI IPC-S	23 Jan	Jan	0.91%	--	0.93%	0.85%
COPOM Monetary Policy Meeting Minutes	23 Jan	--	--	--	--	--
IBGE Inflation IPCA-15 MoM	23 Jan	Jan	0.79%	0.82%	0.67%	0.75%
FGV Consumer Confidence	24 Jan	Jan	--	--	--	111.5
Current Account Balance	24 Jan	Dec	-\$6700M	--	--	-\$5145M
<b>Chile</b>						
Central Bank's Traders Survey	22 Jan	Jan	--	--	--	--
PPI MoM	24 Jan	Dec	--	--	--	-0.10%
<b>Colombia</b>						
Outstanding Loans	24 Jan	Nov	--	--	--	\$275.8T
<b>Mexico</b>						
ANTAD Same-Store Sales YoY	21 Jan	Dec	0.30%	--	-0.40%	3.40%
Banamex Survey of Economists	21 Jan	--	--	--	--	--
Bi-Weekly Core CPI	23 Jan	Jan	0.64%	--	0.69%	0.08%
Bi-Weekly CPI	23 Jan	Jan	0.63%	--	0.68%	0.32%
Retail Sales YoY	24 Jan	Nov	0.80%	0.87%	--	-1.10%

## Most recent Latam reports

<b>Date</b>	<b>Description</b>
23-01-2014	<a href="#">➤ Brazil Flash: COPOM sees higher inflation and stable economic activity ahead</a>
23-01-2014	<a href="#">➤ Mexico Inflation Flash: Inflation in the first fortnight of January</a>
22-01-2014	<a href="#">➤ Mexico Economic Watch: The evolution of educational attainment in Mexico and the OECD, 1960-2010 (in Spanish)</a>
22-01-2014	<a href="#">➤ Peru Real Estate Outlook 2013</a>
21-01-2014	<a href="#">➤ Colombia Economic Watch: How good are the employment data?</a>
20-01-2014	<a href="#">➤ Chile Flash: We expect December Inmaec between 2.2% and 3.2% YoY and GDP to close 2013 around 4.1%</a>
16-01-2014	<a href="#">➤ Chile Flash: Central bank kept policy rate at 4.5% but includes a dovish bias</a>
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>

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