

Latam Daily Flash

7 February 2014 Economic Analysis

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Today all eyes will be on inflation figures. In Brazil, we expect a deceleration that should help the BCB to adjust the Selic rate upwards in the next meeting. In Chile, exchange rate depreciation will put some pressure on inflation figures, in the context of a new CPI basket. Mexican inflation will still show acceleration related to new taxes, but should begin to trend downwards in February..

Peru - Public investment expanded at a good pace in the first month of the year

In January, public investment maintained the pace exhibited at the end of last year, and grew 25% in real terms YoY. Going forward, we expect public spending to continue to give support to domestic demand and, thus, it will be an important factor in sustaining the evolution of GDP at rates close to its potential.

What to watch today

Brazil - Inflation: IPCA (January, 06:00hrs NYT)

Available indicators, such as January's IPCA-15, which measures inflation from mid-December to mid-January, suggest that January inflation will be lower than expected a few weeks ago. We expect monthly inflation to slow down from 0.92% MoM in December to 0.65% MoM, taking annual inflation to 5.69% YoY from 5.91% YoY. This deceleration should help the BCB to adopt a final +25bp adjustment (vs. 50bp at the previous meeting) to the Selic rate at the end of February, in spite of the recent volatility in emerging markets.

Chile - Consumer price index (January, 06:00hrs NYT)

We expect January CPI to have increased 0.3% MoM, mainly driven by fuel and automobile prices that will be partially offset by declines in foods. In this context, exchange rate depreciation continues to be fueling the inflation figures. Finally, this data will be the first print with a new CPI basket based on a 2013 representative consumption pattern, so annual figures will be particularly uncertain. Our analysis suggest that YoY figures will probably come in lower than the CPI based on the 2009 basket.

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

Headline inflation came in above expectations in the first fortnight of January, increasing 0.68% FoF. 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 mainly due to a larger-than-expected increase in the core component, mostly driven by unexpectedly strong increases in food-related services. Core inflation was 0.69% FoF, The higher-than-expected print pushed up annual core inflation to 3.33%, from 2.80% in the previous fortnight. Taking into account these unexpected increases, we now expect core inflation to increase 0.82% in January and to reach 3.46% by year-end, and headline inflation to increase 0.95% and close the year at 3.93%. Annual headline inflation should begin to move towards the target in February following January's fiscal shock, but should accelerate again after May (base effects) and it is likely to remain above 4.0% from June to November.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	3 Feb	Jan	0.99%	--	0.99%	0.93%
PMI Manufacturing	3 Feb	Jan	--	--	50.8	50.5
Trade Balance Monthly	3 Feb	Jan	-\$4550M	-\$4000M	-\$4057M	\$2654M
Vehicle Sales Fenabrave	3 Feb	Jan	--	--	312619	353863
FIPE CPI - Monthly	4 Feb	Jan	0.91%	--	0.94%	0.65%
Industrial Production MoM	4 Feb	Dec	-1.50%	-1.00%	-3.46%	-0.20%
CNI Capacity Utilization (SA)	5 Feb	Dec	--	--	81.40%	82%
PMI Services	5 Feb	Jan	--	--	49.6	51.7
Vehicle Sales Anfavea	6 Feb	Jan	--	--	312618	353843
FGV Inflation IGP-DI MoM	7 Feb	Jan	0.42%	--	--	0.69%
IBGE Inflation IPCA MoM	7 Feb	Jan	0.62%	0.65%	--	0.92%
Chile						
Economic Activity MoM	5 Feb	Dec	0.40%	0.50%	0.81%	0.50%
Real Wage MoM	6 Feb	Dec	--	--	0.60%	1.00%
CPI MoM	7 Feb	Jan	0.20%	0.14%	--	0.60%
Colombia						
PPI MoM	4 Feb	Jan	--	--	0.22%	0.11%
CPI MoM	6 Feb	Jan	0.56%	0.56%	0.49%	0.26%
CPI Core MoM	6 Feb	Jan	--	0.44%	0.36%	0.24%
Mexico						
IMEF Manufacturing Index SA	4 Feb	Jan	--	--	49.7	50.3
Remittances Total	4 Feb	Dec	1740.8M	1747.0M	1798.5M	1693.8M
Producer Confidence Index SA	5 Feb	Jan	--	52.5	50.6	51.3
Consumer Confidence Index SA	5 Feb	Jan	91.0	89.5	84.5	89.7
Leading Indicators (MoM)	6 Feb	Dec	--	--	0.11%	0.06%
CPI MoM	7 Feb	Jan	0.96%	0.95%	--	0.57%
Bi-Weekly CPI	7 Feb	Jan	--	0.23%	--	0.68%

Most recent Latam reports

Date	Description
06-02-2014	➤ Mexico Economic Watch: Outlook and challenges of competitiveness of the Mexican economy (in Spanish)
06-02-2014	➤ Colombia Flash: January's inflation continues on growth path, but slightly below forecasts
05-02-2014	➤ Mexico Flash: Moody's raised Mexico's sovereign rating to A3 from Baa1 based on the approval of government's reform agenda
05-02-2014	➤ Mexico Real Estate Flash: In the year to November, banking mortgage lending grew 6.1%
05-02-2014	➤ Economic Calendar 2014: Mexico and United States (in Spanish)
05-02-2014	➤ Chile Flash: Monthly activity grew at 2.6% YoY in December 2013, in line with our expectations
04-02-2014	➤ Mexico Real Estate Flash: Mortgage loans in the banking system grew 6.1% up to November (in Spanish)
04-02-2014	➤ Mexico Migration Flash: Accumulated remittances closed 2013 with a fall of 3.8%
03-02-2014	➤ Working Paper: Fiscal Sustainability and Economic Growth in Bolivia
03-02-2014	➤ Peru Flash: January inflation surprised to the upside and located outside the target range

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