

# Latam Daily Flash

## 12 February 2014 Economic Analysis

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*Mexican industrial production was much weaker than we expected in December. Meanwhile, as forecast, and in line with our view, analysts expect a 25bp cut in the MPR in Chile. The survey also shows a slight downwards correction in GDP growth forecast for 2014. In Peru exports rebounded at the year-end but posted an accumulated USD0.4bn deficit for the year as a whole.*

## Mexico - Industrial production weakness at the end of last year

Industrial production decreased 0.5% MoM sa in December, well below expectations (BBVAe: 0.7%, consensus: 0.2%). The downside surprise was mainly driven by a 1.1% MoM sa decline in manufacturing production, the second consecutive monthly drop (-0.9% MoM sa in November). On the bright side of a very weak report, the construction sector expanded slightly (0.2% MoM sa). In annual terms, industrial production decreased 0.3% YoY, also below market expectations (BBVAe: 1.0%, consensus: 0.7%).

## Chile - A 25bp cut in policy rates is expected in February

The central bank's survey revealed a consensus growth forecast for the monthly economic activity index of around 2.6% YoY in January 2014 and inflation at +0.2% MoM in February (BBVAe: at least +0.1% MoM). Annual inflation expectations for December 2014 and for the longer term remain anchored to the central bank's target. In terms of monetary policy, median analysts expect a 25bp cut in the reference rate at next week's meeting (70% of those surveyed), in line with our view, and a pause in March (although 34% anticipates another 25bp cut). Finally, we highlight the downward correction in GDP growth expected for 2014 from 4% towards 3.8%, mainly influenced by recent monthly activity figures. Our assessment is that GDP growth bottomed-out during 4Q13 (BBVAe: 2.7% YoY), but for the whole 1Q14 we anticipate a slight recovery (around 3% YoY).

## Colombia - Energy demand confirms a slow recovery of industrial production

In January, total energy demand grew 2.7% YoY. In particular, energy consumption in the manufacturing sector rose 2.5% YoY. These data are rather weak, but are in line with our outlook, which anticipates dismal growth for industrial production, limiting the recovery of non-residential investment. In fact, the latter component will not make a stronger contribution to GDP growth until 2H14.

## Peru - Trade balance closed 2013 with an accumulated deficit of USD0.4bn

The balance of trade was a positive USD480mn in December. The monthly figure was driven by exports at USD3.6bn (+11.5% YoY), while imports reached USD3.2bn (-7.0% YoY). With this print, the trade balance accumulated a deficit of USD0.4bn in 2013 (USD5.1bn in 2012), with exports totalling USD41.8bn (-9.5% YoY) and imports USD42.2bn (+2.6% YoY).

## Peru - Tax revenues continued to increase, supported by domestic demand

Tax revenues rose 4.9% real YoY in January (9.9% real YoY in December) supported by the growth in VAT (9.7% YoY), while income tax fell (1.2% YoY). At the sector level, note that taxes on trade and services increased, while mining shrank due to the fall in export prices.

## What to watch today

### Chile - Central Bank Financial Traders Survey (1st fortnight in February, 06:30hrs, NYT)

We expect the survey to reveal inflation estimates of at least +0.1% MoM for February and expectations of a 25bp cut in the monetary policy rate at February's meeting. This, in a context where long-term inflation expectations remain anchored to the central bank's 3% target. Finally, we also anticipate an exchange-rate forecast in the order of USDCLP 550 on a three-month horizon.

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	10 Feb	Feb	0.95%	--	0.96%	0.99%
FIPE CPI - Weekly	11 Feb	Feb	0.90%	--	0.86%	0.86%
IGP-M Inflation 1st Preview	11 Feb	Feb	0.39%	--	0.22%	0.37%
Retail Sales MoM	13 Feb	Dec	0.40%	0.60%	--	0.70%
Economic Activity MoM	14 Feb	Dec	-1.10%	-0.40%	--	-0.31%
Formal Job Creation Total	14 Feb	Jan	59348	--	--	-449444
<b>Chile</b>						
Central Bank's Economist Survey	11 Feb	--	--	--	--	--
Central Bank's Traders Survey	12 Feb	--	--	--	--	--
<b>Colombia</b>						
Consumer Confidence Index	12 Feb	Jan	--	--	--	23.2
Colombia Monetary Policy Minutes	14 Feb	--	--	--	--	--
<b>Mexico</b>						
Gross Fixed Investment	10 Feb	Nov	-5.60%	--	-4.50%	-5.60%
Vehicle Production AMIA	10 Feb	Jan	--	--	249400	164221
Industrial Production MoM	11 Feb	Dec	0.20%	0.70%	-0.53%	0.10%
Central Bank Inflation Report	12 Feb	--	--	--	--	--
Central Bank Monetary Policy Minutes	14 Feb	--	--	--	--	--
<b>Peru</b>						
Trade Balance	10 Feb	Dec	\$475M	--	\$552.5M	-\$197M
Reference Rate	14 Feb	Feb	4.00%	--	--	4.00%
Unemployment Rate	14 Feb	Jan	--	--	--	5.70%
Economic Activity YoY	14 Feb	Dec	5.10%	--	--	4.80%

## Most recent Latam reports

Date	Description
11-02-2014	<a href="#">➤ Latam Flash: Pacific Alliance signs trade deal (in Spanish)</a>
11-02-2014	<a href="#">➤ Mexico Real Estate Outlook: First Half 2014</a>
07-02-2014	<a href="#">➤ Mexico Economic Watch: Situation and competitiveness challenges for the Mexican economy</a>
07-02-2014	<a href="#">➤ Mexico Inflation Flash: Price pressures from new taxes should be temporary</a>
07-02-2014	<a href="#">➤ Chile Flash: January's CPI at 0.2% MoM (2.8% YoY) (in Spanish)</a>
07-02-2014	<a href="#">➤ Brazil Flash: Inflation eases (temporarily) at the beginning of the year</a>
06-02-2014	<a href="#">➤ Mexico Economic Watch: Outlook and challenges of competitiveness of the Mexican economy (in Spanish)</a>
06-02-2014	<a href="#">➤ Colombia Flash: January's inflation continues on growth path, but slightly below forecasts</a>
05-02-2014	<a href="#">➤ Mexico Flash: Moody's raised Mexico's sovereign rating to A3 from Baa1 based on the approval of government's reform agenda</a>
05-02-2014	<a href="#">➤ Mexico Real Estate Flash: In the year to November, banking mortgage lending grew 6.1%</a>

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