

Latam Daily Flash

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Economic Analysis

Madrid
Juan Ruiz
Chief Economist, South America
juan.ruiz@bbva.com
+34 91 3745887

Enestor dos Santos
Principal Economist, Latam
enestor.dossantos@bbva.com
+34 639827211

Cecilia Posadas
Economist, Latam
c.posadas@bbva.com
+34 91 3746279

Pablo Urbiola
pablo.urbiola@bbva.com
+34 91 8072457

With contributions from the BBVA
Research Latam Team:

Lima
Hugo Perea
Chief Economist, Peru
hugo.perea@bbva.com
+51 1 2112042

Bogota
Juana Tellez
Chief Economist, Colombia
juana.tellez@bbva.com
+571 3471600

Santiago
Jorge Selaive
Chief Economist, Chile
jselaive@bbva.com
+56 2 2939 10 92

Mexico City
Carlos Serrano
Chief Economist, Mexico
carlos.serrano@bbva.com
+5255 5621 4354

Javier Amador
Principal Economist, Mexico
javier.amador@bbva.com
+5255 5621 3095

Retail sales in Brazil and recently published data on industrial production surprised to the downside, implying a downward bias to our 4Q13 and 1Q14 forecast. In Peru, the central bank kept its policy rate unchanged. Today Colombia's BanRep's minutes should be in line with an optimistic tone on activity with no demand pressures and in line with a first hike at the June meeting.

Brazil - December retail sales surprised to the downside

Following the much sharper than expected contraction in industrial production in December (actual: -3.5% MoM; BBVAe: -1.0% MoM), the national statistics agency (IBGE) announced yesterday that retail sales declined 0.2% MoM at the end of 2013, frustrating expectations of moderate growth (BBVAe: 0.6% MoM; consensus: 0.4% MoM). The broad retail sales indicator, which includes vehicles and construction materials sales, dropped 1.5% MoM in December. Retail sales data reinforce our view that economic activity slowed more sharply than previously expected at the end of 2013. This implies that 4Q13 GDP growth could have been lower than we are forecasting (0.4% QoQ). It also increases the probability that the economy underperforms again at the beginning of 2014. On the other hand, it supports our view that the BCB will bring the tightening cycle to an end at the end of February, with a 25bp adjustment of the Selic rate.

Peru - The policy rate held at 4.0% in February, as expected

The press release that accompanied the central bank's decision was quite similar to last month's. It suggested that the central bank is comfortable with the current level of the policy rate. In terms of prices, the central bank perceives that the deviation of inflation above the target range is temporary, while expectations remain anchored below 3%. In terms of economic activity, although growth is still below the potential rate, indicators point to a recovery in the first quarter of 2014. This view is in many ways similar to our baseline scenario. In this context, we do not expect changes in the monetary policy over the coming months (see our [Peru Flash](#) for details).

What to watch today

Brazil - Economic activity index (December, 05:30hrs NYT)

Taking into account the negative surprise in yesterday's retail sales (see above), we now expect the IBC-Br (the BCB's economic activity indicator) to decline by 0.8% MoM in December and reveal that economic activity grew only 0.2% QoQ in the last quarter of the year.

Colombia - BanRep minutes should reveal an optimistic view, despite below-target inflation

We expect the minutes of the central bank's December monetary policy meeting to reveal an optimistic tone and limited concern about below-target inflation, given that low prices at the time appeared to be the result of temporary positive supply shocks in food and regulated prices rather than weak demand. As expected, price falls have reversed during December and January, and are in line with our forecast of a first 25bp interest rate rise at the June meeting.

Colombia - Exports (December, 16:00hrs NYT)

We expect a good performance of oil and agricultural exports in December. However, coal and industrial shipments could remain at low levels. The explanation for the former is a supply shock, and for the latter is lower external demand and loss of competitiveness.

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%	-0.20%	0.70%
Economic Activity MoM	14 Feb	Dec	-1.10%	-0.80%	--	-0.31%
Formal Job Creation Total	14 Feb	Jan	59348	--	--	-449444
Chile						
Central Bank's Economist Survey	11 Feb	--	--	--	--	--
Central Bank's Traders Survey	12 Feb	--	--	--	--	--
Colombia						
Consumer Confidence Index	14 Feb	Jan	--	--	--	23.2
Colombia Monetary Policy Minutes	14 Feb	--	--	--	--	--
Mexico						
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	--	--	--	--	--
Peru						
Trade Balance	10 Feb	Dec	\$475M	--	\$552.5M	-\$197M
Reference Rate	14 Feb	Feb	4.00%	4.00%	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
13-02-2014	➤ Peru Flash: The policy rate stayed in February at 4,0%, as expected
13-02-2014	➤ Peru Economic Outlook: First Quarter 2014 (in Spanish)
13-02-2014	➤ Colombia Economic Outlook: First Quarter 2014 (in Spanish)
13-02-2014	➤ Brazil Presentation: moderate growth and need for reforms (in Spanish)
12-02-2014	➤ Chile Economic Outlook: First Quarter 2014 (in Spanish)
12-02-2014	➤ Latam Flash: Trade protocol for the Pacific Alliance signed
11-02-2014	➤ Latam Flash: Pacific Alliance signs trade deal (in Spanish)
11-02-2014	➤ Mexico Real Estate Outlook: First Half 2014
07-02-2014	➤ Mexico Economic Watch: Situation and competitiveness challenges for the Mexican economy
07-02-2014	➤ Mexico Inflation Flash: Price pressures from new taxes should be temporary

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