

Latam Daily Flash

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Economic Analysis

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In contrast in Peru GDP showed good momentum boosted by domestic demand. Peru maintained good momentum in December. Colombian monetary policy minutes confirmed the central bank's optimistic view of activity supported in recovery by exports and good consumer confidence and in line with its inflation target.

Brazil - Activity fell sharply in December suggesting that the economy could have entered recession at the end of 2013

The IBC-Br, the BCB's economic activity index which works as a monthly proxy for GDP, declined 1.4% MoM in December (BBVAe: -0.9% QoQ; consensus: -1.1% QoQ). The figure not only confirms the downward bias to our GDP forecasts for Brazil (4Q13: 0.4% QoQ; 2013: 2.2%; 2014: 2.5%) but also suggests that we should not rule out the possibility that the country entered technical recession at the end of 2013. Looking at the figure for December, the IBC-Br reveals that economic activity declined 0.2% QoQ in 4Q13. In 3Q13, when the IBC-Br also contracted 0.2% QoQ, GDP dropped 0.5% QoQ.

Peru - GDP maintained good momentum in December

GDP grew 5.0% YoY in December (BBVAe: 5.1%, consensus: 5.1%) due to the favorable trend in sectors that have strong links with domestic demand, such as commerce and services. With this result, economic activity growth closed at 5.0% in 2013. In addition, it confirmed the rebound in GDP in the fourth quarter of last year (5.2% in 4Q13 compared to 4.5% in 3Q13), and available indicators anticipate that this dynamic will continue in the coming months (see our [Peru Flash](#) for details).

Colombia - January's minutes confirm BanRep's optimistic view and limited concern about recent EM turmoil

January's monetary policy minutes confirm the central bank's optimistic view with regards to GDP growth for 2013 (3.7% to 4.3%) and 2014 (4.3% as most likely). Board members reaffirmed their confidence in the current monetary framework's capacity to withstand the recent turbulence in emerging markets. They mention that an inflation target scheme with a flexible exchange rate regime, sufficient international reserves, below-target inflation and limited foreign exchange exposure allow the exchange rate to absorb most of the external shock without any traumatic impact on the Colombian economy and without compromising the inflation target (2% to 4%).

Colombia - Exports showed a slight recovery in industrial shipments

In 2013 exports fell 2.2% YoY due to lower sales of coal and manufactured goods. December data shows a moderate turnaround. Exports stood at USD5,272 mn. (+6.5% YoY), industrial shipments grew 2.0% YoY and coal returned to the average levels prior to the negative supply shock due to labour strikes. However, the good performance of coal exports could be transitory, as environmental restrictions on coal shipments were imposed on one of the main export companies in January. All in all, December figures confirm a slow industrial recovery, pending consolidation of demand for these products from developed countries.

Colombia - Confidence figures to boost private consumption in 2014

Consumer confidence stood at 26.6% (in a range between -100 and 100). The figure was boosted by an improvement in respondents' assessment of the current economic situation and better expectations for their household's future. In line with our outlook, consumers are now considering buying durable goods, even more so than in previous months. Data helps to confirm our expectation that growth in the first half of 2014 will be robust and supported by strong domestic demand.

What to watch today

Colombia - Industrial production and retail sales

We expect industrial production to grow at 0.4% YoY in December, driven by a consolidation of internal demand and a slight recovery of manufacturing exports. Meanwhile, confidence indicators suggest that retail sales could grow 7.0% YoY.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Formal Job Creation Total	17 Feb	Jan	50327	--	--	-449444
FGV Inflation IGP-10 MoM	17 Feb	Feb	0.34%	--	--	0.58%
FGV CPI IPC-S	17 Feb	Feb	0.83%	--	--	0.96%
FIPE CPI - Weekly	18 Feb	Feb	0.76%	--	--	0.86%
CNI Industrial Confidence	18 Feb	Feb	--	--	--	53.1
IGP-M Inflation 2nd Preview	19 Feb	Feb	0.30%	--	--	0.46%
Unemployment Rate	20 Feb	Jan	5.10%	5.10%	--	4.30%
IBGE Inflation IPCA-15 MoM	21 Feb	Feb	0.68%	0.58%	--	0.67%
Current Account Balance	21 Feb	Jan	-\$11663M	--	--	-\$8678M
Foreign Investment	21 Feb	Jan	\$4000M	--	--	\$6490M
Chile						
Overnight Rate Target	18 Feb	Feb	4.25%	4.25%	--	4.50%
Colombia						
Retail Sales YoY	17 Feb	Dec	5.05%	7.00%	--	5.30%
Industrial Production YoY	17 Feb	Dec	0.80%	0.40%	--	-0.60%
Trade Balance	18 Feb	Dec	\$200	\$832	--	\$128
Mexico						
Economic Activity IGAE YoY	21 Feb	Dec	1.20%	1.00%	--	-0.04%
GDP SA QoQ	21 Feb	4Q	0.70%	0.50%	--	0.80%
GDP Full Year YoY	21 Feb	2013	--	1.20%	--	--
Peru						
GDP YoY	18 Feb	4Q	5.20%	--	--	4.40%

Most recent Latam reports

Date	Description
14-02-2014	➤ Peru Flash: GDP maintained good momentum in December
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

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