

Latam Daily Flash

24 February 2014 Economic Analysis

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In 4Q13 the Mexican economy expanded 0.2% QoQ, below our expectations, and only expanded 1.1% in annual terms in the full year. It underlines the contraction in the industrial sector in 2013 of 0.7% vs. 2012. In Brazil February's IPCA-15 figure was broadly unchanged in comparison to the previous reading, and we expect inflation to start to trend upwards from March onwards. Today Mexico reports inflation for the first fortnight of February which we expect to move towards Banxico's target following January's fiscal shock.

Mexico - 4Q13 GDP growth surprised to the downside

The Mexican economy expanded 0.2% QoQ sa during the 4Q13, below market expectations (BBVAe: 0.5%, consensus: 0.6%). The industrial sector was flat in 4Q13 while the services sector expanded 0.2% QoQ sa. In annual terms, the economy expanded 0.7% YoY. With this print, the economy grew 1.1% in 2013 (BBVAe: 1.2%, consensus: 1.2%), the lowest expansion since 2009 (see our [Mexico Flash](#) for more details).

Brazil - Signs of stable inflation in February

February's IPCA-15, which measures inflation from the middle of January until the middle of February, reached 5.65% YoY (0.70% MoM). The figure was broadly unchanged in comparison to the previous reading (5.63% YoY; 0.67% MoM). Higher (seasonal) pressure from the education category was offset by lower inflation in the food, apparel and transportation categories. Even though Friday's figures were higher than expected (BBVAe: 0.58% MoM; consensus: 0.68% MoM) we maintain our full-month IPCA forecast unchanged at 5.61% YoY (0.62% MoM), reinforcing the message of stability in February (in January inflation reached 5.59% YoY; 0.55% MoM). Looking further ahead, we expect inflation to start to trend upwards in yearly terms from March onwards.

Brazil - The current account deficit remained at 3.7% of GDP in January

The current account deficit reached USD11.6bn in January thanks to deficits in all three of its main components (the trade, income and services accounts). The cumulative annual external deficit now stands at USD81.6bn, which represents 3.7% of GDP (vs. 3.7% in December of 2013 and 2.6% one year ago). FDI flows remained strong (USD5.1bn in the month and USD65.4bn - or 2.9% of GDP - in annual terms). We expect the trade balance to improve over the course of the year and to drive the current account deficit slightly lower to USD75bn (3.5% of GDP) by the end of 2014.

What to watch today

Mexico - Inflation (first fortnight of February; 09:00hrs NYT)

We expect headline inflation to move towards its target in February following January's fiscal shock. We anticipate a 0.23% FoF increase in the first fortnight of February. With this print, annual inflation would decrease slightly to 4.32% from 4.34% in the second fortnight of January. We expect core inflation to increase 0.22% and to reach 3.08% in annual terms, just below the 3.10% level observed in the second fortnight of January.

Mexico - Unemployment rate (January; 09:00hrs NYT)

The unemployment rate for January will be useful to better gauge the economic performance at the beginning of 2014. This variable is particularly relevant in a context of sluggish industrial activity (-0.5% MoM sa in December), particularly in manufacturing, although the services sector seems to be performing somewhat better at the beginning of the year. Therefore, for January we expect the unemployment rate to increase somewhat to stand at 4.77%.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Tax Collections	24 Feb	Jan	124050M	--	--	118364M
FGV Consumer Confidence	24 Feb	Feb	--	--	--	108.9
FGV CPI IPC-S	24 Feb	Feb	0.68%	--	--	0.78%
FIPE CPI - Weekly	25 Feb	Feb	0.65%	--	--	0.73%
FGV Construction Costs MoM	25 Feb	Feb	0.45%	--	--	0.70%
Federal Debt Total	25 Feb	Jan	--	--	--	--
Selic Rate	26 Feb	Feb	10.75%	10.75%	--	10.50%
FGV Inflation IGPM MoM	27 Feb	Feb	0.30%	--	--	0.48%
GDP QoQ	27 Feb	4Q	0.28%	0.40%	--	-0.50%
Total Outstanding Loans	27 Feb	Jan	--	--	--	2715B
PPI Manufacturing MoM	28 Feb	Jan	--	--	--	0.65%
Primary Budget Balance	28 Feb	Jan	23,4B	--	--	10.4B
CNI Consumer Confidence	28 Feb	Feb	--	--	--	113.9
Chile						
Central Bank's Traders Survey	26 Feb	Feb	--	--	--	--
Manufacturing Index YoY	28 Feb	Jan	-2.00%	-1.50%	--	0.20%
Unemployment Rate	28 Feb	Jan	5.80%	5.80%	--	5.70%
Retail Sales YoY	28 Feb	Jan	6.00%	7.80%	--	7.00%
Colombia						
Industrial Confidence	24 Feb	Jan	--	--	--	-1.3
Retail Confidence	24 Feb	Jan	--	--	--	22.0
Urban Unemployment Rate	28 Feb	Jan	12.25%	12.60%	--	9.70%
Overnight Lending Rate	28 Feb	Feb	3.25%	--	--	3.25%
Mexico						
Unemployment Rate SA	24 Feb	Jan	4.80%	4.77%	--	4.76%
Bi-Weekly CPI	24 Feb	Feb	0.18%	0.23%	--	0.12%
Bi-Weekly CPI YoY	24 Feb	Feb	--	4.32%	--	4.34%
Retail Sales YoY	25 Feb	Dec	0.40%	2.70%	--	1.90%
Current Account Balance	25 Feb	4Q	-\$4667M	--	--	-\$5457M
Trade Balance	26 Feb	Jan	500M	-900M	--	1658M
Peru						
GDP YoY	24 Feb	4Q	5.20%	5.20%	--	4.40%
CPI MoM	1 Mar	Feb	0.30%	--	--	0.32%
Wholesale Price Index MoM	1 Mar	Feb	--	--	--	0.03%

Most recent Latam reports

Date	Description
21-02-2014	➤ Mexico Flash: GDP growth rate in 2013 was 1.1%, in line with our forecast (in Spanish)
19-02-2014	➤ Chile Flash: We expect January Imacec between 1.5 and 2.5% YoY (in Spanish)
19-02-2014	➤ Latam Economic Outlook: First Quarter 2014 (in Spanish)
18-02-2014	➤ Chile Flash: Central bank cut policy rate by 25bp (at 4.25%) and kept dovish bias
17-02-2014	➤ Mexico Economic Outlook: First Quarter 2014 (in Spanish)
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)

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