

Latam Daily Flash

5 March 2014 Economic Analysis

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Minutes from the latest monetary policy meeting of Chile should confirm that the recent developments that have affected inflation are just temporary factors; we maintain our perspective of a 25bp cut in March. We also expect inflation data today in Colombia to show a temporary upswing, and consumer and producer indicators in Mexico could register monthly contractions.

No relevant indicators were released yesterday.

What to watch today

Chile - Monthly activity index (January, 06:30hrs, NYT)

We expect the monthly economic activity index (Imacec) to have increased 1.8% YoY in January (-0.8% MoM sa). As activity data by sector revealed, the print should be mainly driven by retail sales, offset by declines in manufacture and mining output. On this occasion, figures will reflect the transitory negative effects related to the port strikes, so we expect some recovery in economic activity prints towards 3% growth during the coming months.

Chile - Monetary policy minutes (February, 06:30hrs, NYT)

We expect the minutes to reveal the board's discussion about the deceleration in activity figures - mainly in domestic demand - with respect to the central bank's baseline scenario, that justified the latest MPR cut of 25bp. Moreover, we expect that the minutes will highlight the recent CLP depreciation and the pass-through to CPI inflation in the short-term as being transitory phenomena. All in all, for March we anticipate a new cut of 25bp, conditional on both the CPI figure for February (BBVAe: +0.3% MoM) and the absence of further depreciation of the CLP. This remains consistent with our baseline scenario that expects a MPR at 4% for the end of 2014.

Mexico - Consumer and producer confidence (February, 09:00hrs NYT)

In view of the sluggish rate of formal job creation in January (21,979 jobs), we expect the consumer confidence index to fall slightly, reaching 82.2 points, equivalent to a monthly drop of 1.5%, sa. When it comes to the producer confidence index, due to the fall in US manufacturing production over January (-0.8% sa) and its drag on Mexican production, we estimate that it will come in at 50 points - that is, a monthly decrease of 1.1%, sa.

Colombia - Consumer price index (February, 19:00 hrs NYT)

We expect improved economic activity and seasonal price adjustments to have had an impact on February's headline inflation. We anticipate that the consumer price index will increase 2.3% YoY (0.64% MoM), and will continue the year's gradual crawl towards the central bank's long-term inflation target (3.0% YoY). The main driver of February's inflation should be an upturn in non-tradable goods such as education and rents, as they typically are adjusted at this time of year.

Calendar: Indicators

| Brazil | Date | Period | Consensus | BBVAe | Actual | Prior |
|---------------------------------------|-------------|---------------|------------------|--------------|---------------|--------------|
| Trade Balance Monthly | 5 Mar | Feb | -\$3000M | -\$2800M | -- | -\$4057M |
| Vehicle Sales Fenabrave | 5 Mar | Feb | -- | -- | -- | 312619 |
| FGV CPI IPC-S | 6 Mar | Feb | 0.60% | -- | -- | 0.69% |
| COPOM Monetary Policy Meeting Minutes | 6 Mar | -- | -- | -- | -- | -- |
| FIPE CPI - Monthly | 7 Mar | Feb | 0.49% | -- | -- | 0.94% |
| PMI Services | 7 Mar | Feb | -- | -- | -- | 49.6 |
| Chile | | | | | | |
| Economic Activity YoY | 5 Mar | Jan | 1.90% | 1.80% | -- | 2.63% |
| Central Bank Meeting Minutes | 5 Mar | Feb | -- | -- | -- | -- |
| Real Wage MoM | 6 Mar | Jan | -- | -- | -- | 0.60% |
| CPI MoM | 7 Mar | Feb | 0.25% | 0.30% | -- | 0.18% |
| Trade Balance | 7 Mar | Feb | \$650,0 | \$949 | -- | -\$268,0 |
| Copper Exports | 7 Mar | Feb | -- | \$3551 | -- | \$2303,0 |
| Vehicle Sales Total | 7 Mar | Feb | -- | -- | -- | 34224 |
| Colombia | | | | | | |
| Exports FOB | 3 Mar | Jan | \$4966,6 | \$4850 | \$4775,2 | \$5272,1 |
| CPI MoM | 6 Mar | Feb | 0.57% | 0.64% | -- | 0.49% |
| CPI Core MoM | 6 Mar | Feb | -- | 0.80% | -- | 0.36% |
| Mexico | | | | | | |
| Remittances Total | 3 Mar | Jan | 1524,3M | -- | 1578,3M | 1798,5M |
| IMEF Manufacturing Index SA | 3 Mar | Feb | 50.0 | -- | 50.8 | 49.7 |
| Consumer Confidence Index | 5 Mar | Feb | 85.0 | 82.2* | -- | 84.5 |
| CPI MoM | 7 Mar | Feb | 0.23% | 0.25% | -- | 0.89% |
| Bi-Weekly CPI | 7 Mar | Feb | 0.08% | 0.14% | -- | 0.12% |

*Seasonally-adjusted figure

Most recent Latam reports

| Date | Description |
|-------------|--|
| 4-03-2014 | ➤ Peru Economic Outlook: First Quarter 2014 |
| 3-03-2014 | ➤ Peru Flash: February inflation surprised to the upside and remained outside the target range |
| 3-03-2014 | ➤ Mexico Migration Flash: Remittances started 2014 with a growth of 8.0% |
| 3-03-2014 | ➤ Brazil Economic Outlook: another bumpy year ahead (in Spanish) |
| 28-02-2014 | ➤ Chile Flash: Activity data by sector anticipates Imacec at 1.8% YoY in January |
| 28-02-2014 | ➤ Chile Flash: The year begins with a significant increase in public expenditure of 12% YoY (in Spanish) |
| 28-02-2014 | ➤ Colombia Flash: BanRep decided unanimously to keep its policy rate unchanged at 3.25% |
| 27-02-2014 | ➤ Presentation: Latam and Uruguay outlook: growth and differentiation (in Spanish) |
| 27-02-2014 | ➤ Colombia Economic Outlook: First Quarter 2014 |
| 27-02-2014 | ➤ Mexico Real Estate Flash: In 2013, mortgage banking grew, at a rate of 14% |

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