

# Latam Daily Flash

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**Economic Analysis**

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*In Chile, activity data showed an expansion below expectations with declines in mining, manufacturing and commerce, affected by the port strikes. Minutes of the last PM meeting showed some board concerns on activity, which supports another cut of 25bp in March. On the other hand, producer and particularly consumer confidence in Mexico revealed better-than-expected figures that are not yet evident in the hard data.*

## Chile - Monthly activity grew at 1.4% YoY in January, below expectations

Monthly activity expanded 1.4% YoY in January (-0.6% MoM sa), below both our expectations (1.8% YoY) and those of the market (1.9% YoY), mainly driven by positive contributions from services, but compensated by declines in mining, manufactures and wholesale commerce. In this regard, the effect of port strikes on the activity figures was underestimated, so a recovery in figures during the coming months is expected. Consistently, we still see our forecast of 4% GDP growth in 2014 as being feasible - although harder to achieve - and characterised by a recovery more in line with potential output during 2H14. Finally, in terms of monetary policy, we still anticipate a 25bp cut in rates at March's meeting, to 4.00%, conditional on February's inflation figures that we expect at +0.3% MoM (see our [Chile Flash](#) for more details).

## Chile - Minutes of February monetary policy meeting support another cut of 25bp in the MPR during March

Minutes of the February meeting show that at its last meeting the board considered the options of both maintaining the MPR at 4.5% and reducing it to 4.25%. The board considered that recent events in the international scenario were in line with projections, but with the risk of a hard landing by the Chinese economy. Also, one member of the Board mentioned the political tensions in Ukraine and Venezuela, and considered the current experience of Brazil and Peru with their respective currency depreciations. The board's main concerns were over the activity and demand slowdown, higher than estimated in December, and the depreciation pass-through to inflation. In this context, the board decided to reduce the rate to 4.25% and maintain its expansionary bias, pending more information of the second round effect of CPI inflation and activity figures.

## Mexico - Consumer confidence surprised on the upside

After declining in January (-1.4% MoM sa), producer confidence came in at 50.9 points in February, 0.1 above January's level and slightly above our forecast (BBVAe: 50 points). Meanwhile, consumer confidence surprised on the upside, rising to 86 points from 83.5 in January (BBVAe: 82.2). Although consumer confidence was somewhat better than expected, improvements in soft data have not yet translated into hard data, which has been on the weak side so far in 1Q14.

## What to watch today

### Brazil - Monetary policy meeting's minutes (06:30hrs NYT)

Today we will be awaiting the release of the minutes from the last monetary policy meeting, that could provide information on the past decision raising the Selic (25bp), and may provide clues as to whether it will be the last rise in the cycle. Remember that economic activity remains weak in Brazil, although data from the last quarter of GDP last year were not as bad as initially expected. Moreover, inflation has been affected by temporary shocks in the exchange rate. We consider the raising of the rate in February was the last in the cycle, although there is a high degree of uncertainty in this regard.

## Calendar: Indicators

| <b>Brazil</b>                         | <b>Date</b> | <b>Period</b> | <b>Consensus</b> | <b>BBVAe</b> | <b>Actual</b> | <b>Prior</b> |
|---------------------------------------|-------------|---------------|------------------|--------------|---------------|--------------|
| Trade Balance Monthly                 | 5 Mar       | Feb           | -\$3000M         | -\$2800M     | --            | -\$4057M     |
| Vehicle Sales Fenabrave               | 5 Mar       | Feb           | --               | --           | 259357        | 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                          | 5 Mar       | Feb           | --               | --           | 50.8          | 49.6         |
| <b>Chile</b>                          |             |               |                  |              |               |              |
| Economic Activity YoY                 | 5 Mar       | Jan           | 1.90%            | 1.80%        | 1.35%         | 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        |
| <b>Colombia</b>                       |             |               |                  |              |               |              |
| Exports FOB                           | 3 Mar       | Jan           | \$4966.6         | \$4850       | \$4775.2      | \$5272.1     |
| CPI MoM                               | 6 Mar       | Feb           | 0.57%            | 0.64%        | 0.63%         | 0.49%        |
| CPI Core MoM                          | 6 Mar       | Feb           | --               | 0.80%        | --            | 0.36%        |
| <b>Mexico</b>                         |             |               |                  |              |               |              |
| 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          | 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

| <b>Date</b> | <b>Description</b>   |
|-------------|--|
| 5-03-2014   | <a href="#">➤ Chile Flash: January Imacec grew 1.4% YoY, below expectations (in Spanish)</a>                             |
| 5-03-2014   | <a href="#">➤ Chile Economic Outlook: First Quarter 2014</a>   |
| 5-03-2014   | <a href="#">➤ Presentation on Colombia: potential, opportunities and risks (in Spanish)</a>                              |
| 4-03-2014   | <a href="#">➤ Peru Economic Outlook: First Quarter 2014</a>  |
| 3-03-2014   | <a href="#">➤ Peru Flash: February inflation surprised to the upside and remained outside the target range</a>           |
| 3-03-2014   | <a href="#">➤ Mexico Migration Flash: Remittances started 2014 with a growth of 8.0%</a>                                 |
| 3-03-2014   | <a href="#">➤ Brazil Economic Outlook: another bumpy year ahead (in Spanish)</a>   |
| 28-02-2014  | <a href="#">➤ Chile Flash: Activity data by sector anticipates Imacec at 1.8% YoY in January</a>                         |
| 28-02-2014  | <a href="#">➤ Chile Flash: The year begins with a significant increase in public expenditure of 12% YoY (in Spanish)</a> |
| 28-02-2014  | <a href="#">➤ Colombia Flash: BanRep decided unanimously to keep its policy rate unchanged at 3.25%</a>                  |

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