

# Latam Daily Flash

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Economic Analysis

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*In Chile, February's CPI increased above expectations, with exchange rate depreciation affecting some tradable prices. In spite of this inflation increase, we still expect a 25bp cut in MPR by March followed by a wait-and-see period. In Mexico, inflation is on a declining trend as expected, following the one-off increase in January.*

## Chile - February's CPI at +0.5% MoM, above expectations

February's CPI increased 0.5% MoM (+3.2% YoY), above both our and market expectations (BBVAe: +0.3% MoM, Consensus: +0.2% MoM). The figure was mainly driven by increases in transportation (mainly fuels, automobile and transport fares) as expected, while surprises came from housing and foods, the latter showing unexpected increases in some perishables. Exchange rate depreciation is still pushing prices of imported goods up, as reflected by the tradable price index (+0.5% MoM), while second-round effects are making their way through increases in rentals. In this context, core inflation measures (CPIXs) increased by 0.4% MoM, while the one excluding foods and energy rose +0.3% MoM. All in all, and despite the inflation surprise, we still expect a 25bp cut in the MPR to 4% at March's monetary policy meeting, but also a moderation in the easing bias that will be characterized by a wait-and-see stance during the next months (see our [Chile Flash](#) for details).

## Mexico - Inflation is on a declining trend as expected, following the one-off increase in January

Headline inflation increased 0.25% MoM in February, exactly in line with our above-consensus forecast (BBVAe: 0.25%, consensus: 0.23%), driven higher as we had expected by an increase in fruit and vegetable prices in the second fortnight (0.98% FoF) which partially offset the large drop observed in the first fortnight. In annual terms, headline inflation decelerated to 4.23% from 4.48% in January. Core inflation increased 0.28% MoM, in line with expectations (BBVAe: 0.27%, consensus: 0.28%), mainly driven higher by the prices of other services (0.63% MoM; BBVAe: 0.56%) which were pushed up by a 1.7% MoM increase in mobile rates. As we expected, core inflation continues to benefit from the slack in the economy: the other core goods prices were unchanged (0.00% MoM; BBVAe: 0.02%). In annual terms, core inflation decreased to 2.98% from 3.21% in January. Friday's inflation report thus shows that headline inflation has entered a declining trend and confirms the transitory effect on prices of the new taxes, as data reveal the absence of any second-round effects. We expect both annual headline and annual core inflation to edge down further in March (see our [Mexico Inflation Flash](#) for details).

## Chile - Trade balance reached surplus of USD1,237mn in February

The balance of trade was a positive USD1,237mn in February, slightly above our expectations of USD949mn. The monthly figure was driven by exports at USD6.5bn (+14.5% YoY), while imports reached USD5.3bn (-8.0% YoY). The positive surprise in exports came from copper, which totaled USD3.8bn (+22.5% YoY), above our expectation of USD3.6bn. In this context, figures confirm our view of both a recovery in trade channels after the port strikes during January and some deceleration of imports related to the observed slowdown in domestic demand. All in all, we should see improvements in February's aggregate activity figures (Imacec), mainly in supply-side sectors such as mining and manufacture production.

## What to watch today

No relevant indicators are planned to be released today

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-DI MoM	10 Mar	Feb	0,63%	--	--	0.40%
FGV CPI IPC-S	10 Mar	Mar	0,68%	--	--	0.66%
Industrial Production MoM	11 Mar	Jan	2,50%	2,8%	--	-3,46%
FIPE CPI - Weekly	12 Mar	Mar	0,61%	--	--	0.58%
IBGE Inflation IPCA MoM	12 Mar	Feb	0,65%	0,62%	--	0.55%
Retail Sales MoM	13 Mar	Jan	-0,35%	0%	--	-0,17%
Economic Activity MoM	14 Mar	Jan	0,70%	0,5%	--	-1,35%
Formal Job Creation Total	14 Mar	Feb	120651	--	--	29595
<b>Chile</b>						
Central Bank's Traders Survey	12 Mar	Mar	--	--	--	--
Overnight Rate Target	13 Mar	Mar	4,00%	4,00%	--	4.25%
<b>Colombia</b>						
Consumer Confidence Index	11 Mar	Feb	24,0	25,04	--	26.6
Trade Balance	12 Mar	Jan	\$117,4	\$250	--	\$556.6
Colombia Monetary Policy Minutes	14 Mar	--	--	--	--	--
<b>Mexico</b>						
Gross Fixed Investment YoY	11 Mar	Dec	-0,05%	-1,7%	--	-4,51%
ANTAD Same-Store Sales YoY	11 Mar	Feb	-0,10%	-2,3%	--	-1,70%
Industrial Production MoM	13 Mar	Jan	0,20%	0,3%	--	-0,53%
<b>Peru</b>						
Reference Rate	13 Mar	Mar	4,00%	--	--	4.00%
Unemployment Rate	14 Mar	Feb	6,70%	--	--	6.40%
Economic Activity YoY	14 Mar	Jan	4,95%	--	--	5.01%

## Most recent Latam reports

Date	Description
7-03-2014	<a href="#">➤ Chile Economic Watch: Low pass-through to inflation</a>
7-03-2014	<a href="#">➤ Mexico Inflation Flash: Inflation is on a declining trend as expected following the one-off increase in January</a>
7-03-2014	<a href="#">➤ Chile Flash: February's CPI at +0.5% MoM, above expectations</a>
6-03-2014	<a href="#">➤ Latam Economic Outlook: First Quarter 2014</a>
6-03-2014	<a href="#">➤ Presentation on Latam: What to expect from Latin American economies in the current global context?</a>
6-03-2014	<a href="#">➤ Colombia Flash: February inflation stood at 2,32% YoY and is continuing its path towards the midpoint of the target range</a>
6-03-2014	<a href="#">➤ Mexico Economic Outlook: First Quarter 2014</a>
6-03-2014	<a href="#">➤ Peru Flash: Base year for calculating real GDP was updated</a>
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>

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