

Latam Daily Flash

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Economic Analysis

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At the end of 2013 Chilean GDP showed a slightly decrease in quarterly terms, related to a sharp drop in investment. Future innovation in monetary policy will remain data dependent, although activity figures support further cuts.

Chile - Changes in the composition of 2013 GDP growth support cuts in policy rates towards 3.25%

GDP growth closed at 4.1% in 2013 (BBVAe: 4.0%), with an increase of 2.7% YoY in 4Q13 (-0.1% QoQ sa) as expected. Domestic demand slowed at 1.1% YoY in 4Q13, closing 2013 with an increase of 3.4% YoY. The latter was driven by a sharp drop in gross investment, mainly machinery and equipment (-28.5% YoY in 4Q13 and -4.2% in 2013), while private consumption increased 4.9% YoY in 4Q13 (+5.6% in 2013). Real exports showed a decline of 0.9% YoY, while imports showed a contraction of 5.3% YoY in 4Q13 (closing 2013 with increases of 4.3% and 2.2% respectively). Finally, and in line with our estimates, the current account deficit reached 3.4% of GDP in 2013, equivalent to USD9.5bn and still financed mainly by FDI. In the context of a slowdown in investment and consumption, risks of current account imbalances should decline in the medium term. Although we expect short-term pauses in the policy rates, recent data validate our assessment of the necessity of further monetary stimulus during 2014, but future innovations will remain data dependent, mainly over CPI inflation figures. (see our [Chile Flash](#) -in Spanish- for details).

What to watch today

No relevant economic news are expected to be published today

Calendar: Indicators

| Brazil | Date | Period | Consensus | BBVAe | Actual | Prior |
|-------------------------------|--------|--------|-----------|-------|----------|-----------|
| FGV Inflation IGP-10 MoM | 17 Mar | Mar | 1.25% | -- | 1.29% | 0.30% |
| FGV CPI IPC-S | 17 Mar | Mar | 0.81% | -- | 0.84% | 0.71% |
| Tax Collections | 19 Mar | Feb | 85961M | -- | -- | 123667M |
| FIPE CPI - Weekly | 19 Mar | Mar | 0.61% | -- | 0.68% | 0.57% |
| IGP-M Inflation 2nd Preview | 19 Mar | Mar | 1.30% | -- | -- | 0.24% |
| IBGE Inflation IPCA-15 MoM | 21 Mar | Mar | 0.73% | 0.65% | -- | 0.70% |
| CNI Industrial Confidence | 21 Mar | Mar | -- | -- | -- | 52.4 |
| Chile | | | | | | |
| GDP YoY | 18 Mar | 4Q | 2.90% | 2.7% | 2.70% | 4.74% |
| Colombia | | | | | | |
| Retail Sales YoY | 17 Mar | Jan | 6.05% | 6.3% | 6.50% | 4.50% |
| Industrial Production YoY | 17 Mar | Jan | 1.00% | -0.3% | 0.07% | 1.60% |
| Outstanding Loans | 17 Mar | Jan | -- | -- | \$283.5T | \$281.8T |
| GDP YoY | 20 Mar | 4Q | 4.60% | -- | -- | 5.10% |
| Overnight Lending Rate | 21 Mar | Mar | 3.25% | -- | -- | 3.25% |
| Mexico | | | | | | |
| International Reserves Weekly | 19 Mar | Mar | -- | -- | -- | \$180801M |
| Aggregate Supply and Demand | 20 Mar | 4Q | 0.44% | 0.5% | -- | 1.51% |
| Retail Sales YoY SA | 21 Mar | Jan | -- | 0.75% | -- | 2.5% |
| Overnight Rate | 21 Mar | Mar | 3.50% | 3.50% | -- | 3.50% |

Most recent Latam reports

| Date | Description |
|------------|---|
| 18-03-2014 | ➤ Brazil Economic Watch: Loss of competitiveness in the Brazilian manufacturing sector (in Spanish) |
| 18-03-2014 | ➤ Chile Flash: Economy grew 4.1% YoY in 2013 with generalized slowdown in economic sectors (in Spanish) |
| 17-03-2014 | ➤ Chile Flash: We expect February Imacec between 1.6% and 2.6% YoY, below the median of the Economic Expectations Survey (in Spanish) |
| 17-03-2014 | ➤ Peru Flash: GDP growth slowed in January |
| 17-03-2014 | ➤ Chile Economic Watch: Proposals for strengthening the Sipco (in Spanish) |
| 14-03-2014 | ➤ Uruguay Flash: Measures against inflation (in Spanish) |
| 14-03-2014 | ➤ Mexico Flash: In January 2014 industrial production surprised to the upside, driven solely by manufactured goods |
| 13-03-2014 | ➤ Working Paper: Manufacturing competitiveness in Latin America: trends and determinants (in Spanish) |
| 13-03-2014 | ➤ Chile Flash: Central bank cut policy rate by 25bp but moderates its dovish bias |
| 13-03-2014 | ➤ Mexico Flash: Industrial production surprised to the upside in January, driven only by the manufacturing sector (in Spanish) |

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