

# Latam Daily Flash

7 April 2014  
**Economic Analysis**

*Madrid*  
**Juan Ruiz**  
Chief Economist, South America  
juan.ruiz@bbva.com  
+34 91 3745887

**Enestor dos Santos**  
Principal Economist, Latam  
enestor.dossantos@bbva.com  
+34 639827211

**Cecilia Posadas**  
Economist, Latam  
c.posadas@bbva.com  
+ 34 91 3746279

**Pablo Urbiola**  
pablo.urbiola@bbva.com  
+ 34 91 8072457

With contributions from the BBVA  
Research Latam Team:

*Lima*  
**Hugo Perea**  
Chief Economist, Peru  
hugo.perea@bbva.com  
+51 1 2112042

*Bogota*  
**Juana Tellez**  
Chief Economist, Colombia  
juana.tellez@bbva.com  
+571 3471600

*Santiago*  
**Jorge Selaive**  
Chief Economist, Chile  
jselaive@bbva.com  
+56 2 2939 10 92

*Mexico City*  
**Carlos Serrano**  
Chief Economist, Mexico  
carlos.serrano@bbva.com  
+ 5255 5621 4354

**Javier Amador**  
Principal Economist, Mexico  
javier.amador@bbva.com  
+ 5255 5621 3095

*Also in Colombia, March inflation was higher than expected; although core inflation is below the midpoint of the target range, its uptrend predicts a change in monetary policy stance. Today activity and external sector data from Chile should reveal full recovery from port strikes at the beginning of the year.*

## Colombia - BanRep March minutes continue to express optimism and limited concern regarding inflation

March's board meeting minutes show that its members continue to express optimism about the evolution of economic activity, albeit with some concern regarding mixed data during 1Q14. Specifically, lower-than-expected consumer confidence in February and weak exports have raised concerns. However, inflation continues to increase gradually towards the midpoint of the target range, and expectations remain well-anchored. Purchases of US dollars by the central bank are to continue until the end of 2Q14 (up to USD1,000mn per quarter), even though no mention was made of this in the minutes.

## Colombia - March inflation continues to tick higher

In March, inflation recorded an increase of 0.36 % MoM (2.51 % YoY). According to the expectations survey from BanRep, a monthly rate of 0.28% (0.16% BBVAe) was expected. Thus, March inflation was greater than consensus estimates, which did not anticipate such a high growth in food prices. In fact, food increased by 0.61% MoM, 45bp higher than its average in the last five years. On the other hand, core inflation indexes showed a slight upward change from February, confirming positive demand for 1Q13. Although core inflation remains below the midpoint of the target range (3%), the uptrend predicts a change in the monetary policy stance in the coming months (BBVA anticipates a change in June).

## What to watch today

### Chile - Monthly economic activity index (February, 7:30hrs NYT)

We expect the monthly economic activity index (Imacec) to have increased 2.4% YoY in February (+0.5% MoM sa). As activity data by sector has revealed, the print should be mainly driven by mining output and retail sales, offset by declines in manufacturing. On this occasion, figures should reflect full recovery from the transitory negative effects related to the port strikes in January, so for the coming months economic activity prints should trend towards 3% YoY.

### Chile - Trade balance (March, 7:30hrs NYT)

We expect a USD1,694mn surplus in the March trade balance, driven by our expectations of exports at USD7.0bn (+12.6% YoY), while imports should reach USD5.3bn (-7.0% YoY). Finally, we forecast copper exports in the order of USD3.5bn (+25.7% YoY). In this context, total exports should fully recover and reflect the normalisation in trade channels after disruptions due to the port strikes. Export figures will be mainly driven by the mining sector. Meanwhile, imports should still reveal some deceleration as observed in domestic demand (and in some related sector) figures.

## Calendar: Indicators

| Brazil                                | Date   | Period | Consensus | BBVAe   | Actual | Prior   |
|---------------------------------------|--------|--------|-----------|---------|--------|---------|
| FGV Inflation IGP-DI MoM              | 7 Apr  | Mar    | 1.59%     | --      | --     | 0.85%   |
| FGV CPI IPC-S                         | 8 Apr  | Apr    | 0.91%     | --      | --     | 0.85%   |
| FIPE CPI - Weekly                     | 9 Apr  | Apr    | 0.75%     | --      | --     | 0.76%   |
| IGP-M Inflation 1st Preview           | 9 Apr  | Apr    | 0.81%     | --      | --     | 1.16%   |
| IBGE Inflation IPCA MoM               | 9 Apr  | Mar    | 0.85%     | 0.78%   | --     | 0.69%   |
| COPOM Monetary Policy Meeting Minutes | 10 Apr | --     | --        | --      | --     | --      |
| <b>Chile</b>                          |        |        |           |         |        |         |
| Economic Activity MoM                 | 7 Apr  | Feb    | 0.1%      | 0.5%    | --     | 0.49%   |
| Real Wage MoM                         | 7 Apr  | Feb    | --        | --      | --     | 0.7%    |
| Trade Balance                         | 7 Apr  | Mar    | \$1400M   | \$1694M | --     | \$1237M |
| Copper Exports                        | 7 Apr  | Mar    | --        | \$3484M | --     | \$3794M |
| CPI MoM                               | 8 Apr  | Mar    | 0.7%      | 0.7%    | --     | 0.48%   |
| Central Bank's Traders Survey         | 9 Apr  | --     | --        | --      | --     | --      |
| <b>Colombia</b>                       |        |        |           |         |        |         |
| CPI Core MoM                          | 7 Apr  | Mar    | --        | 0.16%   | --     | 0.68%   |
| Consumer Confidence Index             | 9 Apr  | Mar    | --        | 23      | --     | 15.7    |
| Central Bank's Economists Survey      | 11 Apr | --     | --        | --      | --     | --      |
| <b>Mexico</b>                         |        |        |           |         |        |         |
| Gross Fixed Investment                | 8 Apr  | Jan    | -1.0%     | 0.9%    | --     | 0.74%   |
| Vehicle Production AMIA               | 8 Apr  | Mar    | --        | --      | --     | 248017  |
| CPI MoM                               | 9 Apr  | Mar    | 0.30%     | 0.27%   | --     | 0.25%   |
| CPI Core MoM                          | 9 Apr  | Mar    | 0.18%     | 0.18%   | --     | 0.28%   |
| ANTAD Same-Store Sales YoY            | 9 Apr  | Mar    | -1.2%     | 1.5%    | --     | -0.2%   |
| Nominal Wages                         | 10 Apr | Mar    | --        | --      | --     | 4.3%    |
| Industrial Production MoM             | 11 Apr | Feb    | 0.45%     | 0.96%   | --     | 0.51%   |
| <b>Peru</b>                           |        |        |           |         |        |         |
| Trade Balance                         | 8 Apr  | Feb    | \$129M    | --      | --     | -\$740M |
| Reference Rate                        | 10 Apr | Apr    | 4.00%     | --      | --     | 4.00%   |

## Most recent Latam reports

| Date       | Description   |
|------------|---|
| 04-04-2014 | <a href="#">➤ Mexico Banking Flash: Credit to the private sector: 8.7% growth in February</a>   |
| 03-04-2014 | <a href="#">➤ Uruguay Flash: Slight slowdown in inflation due to recent measures (in Spanish)</a>   |
| 1-04-2014  | <a href="#">➤ Uruguay Flash: 2013 finished with good growth but high external deficit (in Spanish)</a>  |
| 1-04-2014  | <a href="#">➤ Peru Flash: Annual inflation was lower in March but remained outside the range</a>  |
| 1-04-2014  | <a href="#">➤ Mexico Migration Flash: Remittances stay on growth path: increased 5.7% in February</a>   |
| 31-03-2014 | <a href="#">➤ Chile Flash: Activity data by sector anticipates Imacec at 2.4% YoY in February</a>   |
| 31-03-2014 | <a href="#">➤ Chile Flash: As expected, once again Central Bank reduced forecast growth range for 2014</a>  |
| 31-03-2014 | <a href="#">➤ Chile Flash: Public expenditure grows 6.1% YoY in February and execution in the first two months of 2014 is the largest of the last four years (in Spanish)</a> |
| 27-03-2014 | <a href="#">➤ Mexico Real Estate Flash: Banks' mortgages start 2014 with a growth of 9.7% (in Spanish)</a>  |
| 26-03-2014 | <a href="#">➤ EAGLEs Economic Outlook: Annual Report 2014</a>   |

### Important Disclosures

The BBVA Group companies that have participated in preparing or contributed information, opinions, estimates, forecasts or recommendations to this report are identified by the location(s) of the author(s) listed on the first page as follows: 1) Madrid, London or Europe - Banco Bilbao Vizcaya Argentaria, S.A., including its E.U. branches (hereinafter called 'BBVA'), 2) Mexico City - BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (hereinafter called 'BBVA Bancomer'); 3) New York - BBVA Securities, Inc. (hereinafter called 'BBVA Securities'); 4.) Lima - BBVA Continental S.A.; 5.) Bogata - BBVA Colombia S.A.; 6.) Santiago - BBVA Chile S.A.

**For recipients in the European Union**, this document is distributed by BBVA, a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), and registered with the Bank of Spain with number 0182.

**For recipients in Mexico**, this document is distributed by BBVA Bancomer, a bank supervised by the Comisión Nacional Bancaria y de Valores de México.

**For recipients in USA**, this document is being distributed by BBVA Securities, a subsidiary of BBVA registered with and supervised by the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation. U.S. persons wishing to execute any transactions should do so only by contacting a representative of BBVA Securities in the U.S. Unless local regulations provide otherwise, non-U.S. persons should contact and execute transactions through a BBVA branch or affiliate in their home jurisdiction.

BBVA and BBVA Group companies or affiliates (art. 42 of the Royal Decree of 22 August 1885 Code of Commerce), are subject to the BBVA Group Policy on Conduct for Security Market Operations which establishes common standards for activity in these entities' markets, but also specifically for analysis and analysts. This BBVA policy is available for reference at the following web site: [www.bbva.com](http://www.bbva.com).

Analysts residing outside the U.S. who have contributed to this report are not registered with or qualified as research analysts by FINRA or the New York Stock Exchange and may not be considered "associated persons" of BBVA Securities (as such term is construed by the rules of FINRA). As such, they are not subject to NASD Rule 2711 restrictions on communications with subject companies, public appearances and trading of securities held in research analysts' accounts.

**BBVA is subject to a Code of Conduct for Security Market Operations**, which details the standards of the above-mentioned overall policy for the EU. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. This Code of Conduct for Security Market Operations is available for reference in the 'Corporate Governance' section of the following web site: [www.bbva.com](http://www.bbva.com).

**BBVA Bancomer is subject to a Code of Conduct and to Internal Standards of Conduct for Security Market Operations**, which details the standards of the above-mentioned overall policy for Mexico. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. This Code and the Internal Standards are available for reference in the 'Grupo BBVA Bancomer' subsection of the 'Conócenos' menu of the following web site: [www.bancomer.com](http://www.bancomer.com).

**BBVA Securities is subject to a Capital Markets Code of Conduct**, which details the standards of the above-mentioned overall policy for USA. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers.

### Exclusively for Recipients Resident in Mexico

---

**BBVA Bancomer S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer acts as a market maker/specialist in:** MexDer Future Contracts (US dollar [DEUA], 28-day TIIEs [TE28], TIIE Swaps, 91-day CETES [CE91]), Bonos M, Bonos M3, Bonos M10, BMV Price and Quotations Index (IPC), Options Contracts (IPC, shares in América Móvil, Cemex, CPO, Femsa UBD, Gcarso A1, Telmex L) and Udibonos.

BBVA Bancomer, and, as applicable, its affiliates within BBVA Bancomer Financial Group, may hold from time to time investments in the securities or derivative financial instruments with underlying securities covered in this report, which represent 10% or more of its securities or investment portfolio, or 10% or more of the issue or underlying of the securities covered.

**DISCLAIMER**

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information and are current as of the date of issue and subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

**Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report.** Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

**The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.**

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

**BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: [www.bbva.com](http://www.bbva.com) / Corporate Governance".**

**BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.**