

Latam Daily Flash

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Economic Analysis

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The central bank of Chile kept interest rates at 5%, as widely expected, and the communiqué reinforced our view of stable rates until the beginning of 2014. Today all eyes will be focused on Mexico's monetary policy meeting, where we also expect no change in interest rates and a less hawkish communiqué.

Chile - Central bank kept rates on hold at 5% at its January meeting

At its monthly monetary policy meeting on Thursday, the central bank kept the reference interest rate on hold at 5%, in line with market expectations. On the external side, the communiqué mentioned that financial tensions have eased in the last month, both in Europe and in the US, but that risks remain high. On the other hand, local activity has evolved in line with the last monetary policy report's baseline scenario, and long-term inflation expectations remain well-anchored to the bank's target. Finally, the bank stated that the Chilean peso has appreciated slightly, although its latest real exchange rate estimate leads us to rule out FX intervention. All in all, we have not changed our monetary policy outlook of stable rates until 1Q14e.

Colombia - Trade balance from surplus to deficit of USD183mn in November

The trade balance in recent months has reflected internal bottlenecks in mining production and lower terms of trade. In fact, in the year to June, there was surplus of USD2,945mn, while between July and November the figure fell to USD186mn. Recent data for production and export prices anticipate a rebound to a trade surplus in 1Q13, boosted by the slowdown in imports, which grew only 2.1% YoY in November.

What to watch today

Mexico - Monetary policy decision (10:00 hrs, NYT)

We expect Banxico to leave the target rate at 4.5%. Inflation remains within the central bank target ranges with growth slowing to around 3%. The improvement in the balance of risks for inflation increases the likelihood of our call for a monetary pause this year, in our view. We expect a less hawkish tone in the communiqué.

Colombia - Industrial production and retail sales (November, 16:00 hrs, NYT)

We expect a YoY drop of 1.9% for industrial production in November. These numbers are lower than our previous estimates, and reinforce our negative bias on economic activity, anticipated in other leading indicators. We also forecast a moderate recovery in retail sales, from -0.3% YoY observed in October, to 3.4% YoY in November, in line with the best outlook for household consumption for the next quarters.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Trade Balance (FOB) - Weekly	14-Jan	Jan 13	--		-\$878	-\$100M
Retail Sales (MoM)	15-Jan	Nov	0.20%		0.30%	0.80%
FGV CPI IPC-S	16-Jan	Jan 15	0.83%		0.89%	0.77%
SELIC Target - Central Bank	16-Jan	Jan 16	7.25%	7.25%	7.25%	7.25%
Economic Activity Indx MoM SA	16-Jan	Nov	0.20%	0.20%	0.40%	0.36%
CAGED Formal Job Creation	18-21 JAN	Dec	-401500		--	46095
FIPE CPI - Weekly	17-Jan	Jan 15	0.91%		0.96%	0.86%
FGV Inflation IGP-10 (MoM)	17-Jan	Jan	0.58%		0.42%	0.63%
CNI Capacity Utilization	17-Jan	Nov	81.05%		81.40%	81.00%
Chile						
Nominal Overnight Rate Target	17-Jan	Jan 17	5.00%		5%	5.00%
Colombia						
Trade Balance	17 Jan	Nov	\$136		-\$183,2	\$22.4
Industrial Production (YoY)	18 Jan	Nov	0.60%		--	1.20%
Retail Sales (YoY)	18 Jan	Nov	1.20%		--	-0.30%
Overnight Lending Rate	18-25 JAN	Jan 18	4.00%		--	4.25%
Mexico						
International Reserves Weekly	15-Jan	Jan 11	--		\$163430M	\$163226M
Overnight Rate	18-Jan	Jan 18	4.50%		--	4.50%
Peru						
Economic Activity Indx YoY NSA	15-Jan	Nov	--		6.83%	6.70%
Unemployment	15-Jan	Nov	--		5.60%	6.20%

Most recent Latam reports

Date	Description
17-1-2013	➤ Banxico Watch: The significant improvement in the inflation balance of risks leads to a neutral tone and supports the monetary pause
17-1-2013	➤ Brazil Flash: Stability of monetary conditions amid higher inflation and lower growth
16-1-2013	➤ Brazil Flash: Economic activity grew more than expected in November
14-1-2013	➤ Peru Flash: Output keeps growing at a strong pace
14-1-2013	➤ Mexico Banking Flash: Private-sector credit: continues to grow at double-digit rates
14-1-2013	➤ Mexico Real Estate Flash: Negative growth for the first time in two years
11-1-2013	➤ Mexico Flash: Industrial production in November rose 0.9% mom, good progress in manufacturing, construction setback
11-1-2013	➤ Colombia Automobile Market Outlook 2012 (in Spanish)
10-1-2013	➤ Peru Flash: January monetary policy meeting: no surprises
10-1-2013	➤ Brazil Flash: Inflation closes 2012 at 5.8%, well above target

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