

Latam Daily Flash

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Economic Analysis

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Mexico left rates unchanged at 4.5% on Friday, as we expected. However, the communiqué turned dovish and mentioned possible rate cuts in the event of lower growth or inflation. Colombia published mixed prints for retail sales (recovery) and industrial production (drop) which we think, taken together, could lead to Banrep adopting a more dovish stance. Peru increased the limit on foreign portfolios for pension funds, although we expect this to have only a mild impact on the exchange rate. Today the focus will be on Mexico, where the unemployment rate is expected to remain subdued at around 5%.

Mexico - Banxico leaves target rate at 4.5% but communiqué turns dovish

Banxico left its official rate at 4.5% but the Board mentioned the possibility of "rate cuts" in the event of lower growth or lower inflation. The balance of risks in prices has improved significantly and the balance in activity is still biased to the downside. According to the Board, headline inflation should be close to the central target (3% YoY) in 2013 and core inflation below this mark. In addition, Banxico highlighted that structural reforms should help to speed up growth without introducing significant pressure on prices.

Peru - Central bank raised pension fund foreign portfolio limit to 32% from 30%

According to the central bank, under the new limit pension funds can invest an additional USD750mn abroad. However, we do not expect pension funds to move quickly up to the new limit so this measure should have only a mild impact on the exchange rate.

Colombia - Mixed prints for retail sales and industrial production

Industrial production returned to negative numbers, falling 4.1% YoY in November (+1.2% in October), accompanied by lower hirings in the industrial sector (down 0.5% YoY). In contrast, retail sales recovered to 6.7% YoY (-0.3% in October), reflecting improved expectations of household consumption. In our view, the recent weak data suggest that manufacturing recovery could take until the second half of 2013e, with the addition of sluggish numbers to the Central bank's dovish tone.

What to watch today

Mexico - Unemployment rate (December, 9:00 hrs, NYT)

The recovery in the labor market has been smooth and in line with the potential growth. November's unemployment rate was 5.13% and we think could remain subdued around 5%. It will be important to monitor complementary labor rate numbers such as the participation rate and under-unemployment.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Preview Inflation IGP-M	21-Jan	Jan 20	0.37%	--	--	0.41%
Trade Balance (FOB) - Weekly	21-Jan	Jan 20	--	--	--	-\$878M
CAGED Formal Job Creation	21-23 JAN	Dec	-401500	--	--	46095
FGV CPI IPC-S	23-Jan	Jan 22	0.81%	--	--	0.89%
IBGE CPI IPCA-15 (MoM)	23-Jan	Jan	0.81%	0.75%	--	0.69%
Current Account - Monthly	23-Jan	Dec	-\$6320M	--	--	-\$6265M
Foreign Investment	23-Jan	Dec	\$4100M	--	--	\$4587M
FGV Consumer Confidence	24-Jan	Jan	--	--	--	118.7
COPOM Monetary Policy Meeting Minutes	24-Jan	--	--	--	--	--
Tax Collections	24-Jan	Dec	103300M	--	--	83707M
Outstanding Loans MoM%	25-Jan	Dec	--	--	--	1.5%
Chile						
Central Bank's Traders Survey	23-Jan	--	--	--	--	--
Mexico						
Unemployment Rate	21-Jan	Dec	4.80%	4.80%	--	5.12%
Retail Sales (INEGI)	23-Jan	Nov	3.50%	2.30%	--	3.5%
Global Economic Indicator IGAE	24-Jan	Nov	3.00%	3.10%	--	4.33%
Bi-Weekly Core CPI	24-Jan	Jan 15	0.21%	0.36%	--	0.03%
Bi-Weekly CPI	24-Jan	Jan 15	0.32%	0.57%	--	0.10%
Trade Balance	25-Jan	Dec P	-967.95M	--	--	-1272.7M

Most recent Latam reports

Date	Description
18-1-2013	➤ Mexico Flash. No change in fondo rate. Inflation slump leads to a dovish tone
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

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