

Latam Daily Flash

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Economic Analysis

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A relatively quiet day in Latam yesterday, with an advance figure for industrial production in Chile in line with expectations, which should be confirmed by official data today. In Colombia industrial confidence remained low, which should reinforce a dovish bias to BanRep. The focus today will be on fiscal reports in Brazil, Chile and Mexico. We expect all of these to show that the respective fiscal targets were met, although, in the case of Brazil, by means of using extraordinary revenues, triggering additional discussion on the easing of the current fiscal regime.

Chile - Industrial production fell 0.4% YoY in December

The Chilean Federation of Industry announced that industrial production fell 0.4% YoY in December, supporting our expectation of a slight decline in the official indicator of the National Bureau of Statistics to be released this morning (BBVAe: -0.7% YoY). This drop reflects weak external demand, only partially offset by the strength of domestic demand. Thus, industrial production grew 2% YoY in 2012, decelerating from an increase of 6.6% YoY in 2011. For 2013e, our forecasts point to a similar growth rate, given still weak external demand.

Chile - Chilean Copper Commission forecasts copper price at USD3.57/lb for 2013

In its latest quarterly report released this week, the Chilean Copper Commission forecasts an average copper price of USD 3.57/lb for 2013 and estimates world demand growth of 1.5% YoY, while supply will grow 2.8% YoY, leading to a slight surplus this year. This is in line with our macroeconomic scenario, which considers an average copper price of USD3.5/lb, based on high liquidity in international markets and a still tight demand-supply balance.

Colombia - Mixed results in industrial and trade confidence in December

Industrial confidence maintained negative (-1.3 in a range from -100 to 100), but increased compared to November's level (-5.0). The negative balance was explained by lower orders and a slight increase in inventories. Industrialists' 3-months-ahead expectations rebounded compared to November, but this was not accompanied by a positive job-creation outlook. Trade confidence continued to recover, with a slight increase to 23.2 (vs. 22.7 in November). These results are in line with our outlook, which anticipates a recovery in private consumption that makes up for the sluggish manufacturing rebound. We expect the negative industrial balance to reinforce BanRep's dovish bias.

Brazil - Fuel prices will be hiked in February and partially offset the impact of tariff cuts

An adjustment of +6.6% and +5.4%, respectively, in gasoline and diesel prices from today on was announced yesterday by authorities. The impact of these adjustments on inflation (around +25bp) will partially offset the impact of the recently announced reduction in electricity tariffs (around -75bp). We maintain our inflation forecasts practically unchanged (2013 average: 6.1%; end of the year: 5.6%) as the timing and the magnitude of fuel price adjustments were broadly in line with our expectations.

What to watch today

Chile - Activity data by sector (December, 07:00hrs, NYT)

We expect manufacturing production to decrease 0.7% YoY, while retail sales will increase by 8.4% YoY, maintaining the pace observed in the past few months. Mining production should grow 2.0% YoY.

Brazil - Fiscal report (December, 07:30hrs, NYT)

We think that the release of the fiscal report, which will show that the government had to rely on non-recurrent revenues to meet the adjusted target in 2012, could trigger discussions on the easing of fiscal targets. It will also provide data for markets to assess how expansive fiscal policy is at present. The main source of concern is the impact of fiscal policy on inflation rather than public-sector solvency (public debt continues to trend downwards).

Chile - Budget balance report (December, announcement time: unspecified)

We expect the monthly budget balance report to reveal real public expenditure growth at 5% YoY, in line with a slight under-utilization of the approved budget law of 2012.

Mexico - Budget balance report (December, 15:30 hrs, NYT)

The fiscal deficit in 2012 has been in line with the target approved by Congress. From January to November, budgetary income increased 7.6% YoY, but non-oil tax income expanded just 2.7%. Budgeted expenses grew 6.5%. In short, the report will show both well-managed public finances but also the need for fiscal reform.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	28-Jan	Jan 23	1.02%		1.04%	0.96%
Trade Balance (FOB) - Weekly	28-Jan	Jan 27	--		-\$1723M	-\$1723M
FGV Inflation IGP-M (MoM)	30-Jan	Jan	0.33%		--	0.68%
Nominal Budget Balance	30-Jan	Dec	17B		--	-21.8B
Net Debt % GDP	30-Jan	Dec	35.10%	35.60%	--	35.00%
Unemployment Rate	31-Jan	Dec	4.50%	4.50%	--	4.90%
FGV CPI IPC-S	01-Feb	Jan 31	1.12%		--	1.03%
Industrial Production sa (MoM)	01-Feb	Dec	-0.30%	-0.10%	--	-0.60%
PMI Manufacturing	01-Feb	Jan	--		--	51.10
Trade Balance (FOB) - Monthly	01-Feb	Jan	-\$3000M	-\$3000M	--	\$2250M
Chile						
Manufacture Production (YoY)	30-Jan	Dec	--	-0.70%		
Retail Sales (YoY)	30-Jan	Dec	8.35%	8.40%	--	10.70%
Mining production (YoY)	30-Jan	Dec	--	2.00%	--	2.30%
Unemployment Rate	31-Jan	Dec	6.00%	5.90%	--	6.20%
Central Bank Meeting Minutes	01-Feb	--	--	--	--	--
Colombia						
Overnight Lending Rate	28-Jan	Jan 28	4.00%	4.00%	4.00%	4.25%
Urban Unemployment Rate	31-Jan	Dec	10.00%	10.00%	--	9.80%
Producer Price Index (MoM)	02-05 Feb	Jan	--	--	--	-0.74%
Mexico						
Budget Balance (Year to date)	30-Jan	Dec	--	--	--	-204.50B
Central Bank Monetary Policy Minutes	01-Feb	--	--	--	--	--
Peru						
Consumer Price Index (MoM)	01-Feb	Jan	0.24%	0.05%	--	0.26%
Wholesale Prices (MoM)	01-Feb	Jan	--	--	--	-0.12%
Primary Sector Production (YoY)	01-Feb	Dec	--	--	--	0.66%

Most recent Latam reports

Date	Description
28-1-2013	➤ Colombia Flash: BanRep cut policy rate by 25bps to 4.0% and enhanced FX intervention
24-1-2013	➤ Mexico Inflation Flash: January biweekly inflation: Inflation Drops Again as Non-Core Prices Surprise Downwards
24-1-2013	➤ Brazil Flash: Monetary policy minutes: a more hawkish tone, still in line with the stability of monetary conditions
23-1-2013	➤ Mexico Real Estate Outlook - January 2013
21-1-2013	➤ Paraguay Flash: Paraguay returns to the international bonds market with a 10-year bond
18-1-2013	➤ Mexico Flash. No change in fondeo rate. Inflation slump leads to a dovish tone
17-1-2013	➤ Chile Flash: Central Bank kept the monetary policy rate at 5%
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

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