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Latam Daily Flash

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Economic Analysis

Madrid
Juan Ruiz
Chief Economist, South America
juan.ruiz@bbva.com
+34 913745887

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

Mexico City
Octavio Gutierrez-Engelmann
Macro Latam Strategy
o.gutierrez3@bbva.com
+5255 5621 9245

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
Alejandro Puente
Chief Economist, Chile
alejandro.puente@bbva.com
+56 2 2939 10 92

Mexico City
Carlos Serrano
Chief Economist. Mexico
carlos.serranoh@bbva.com
+ 5255 5621 4354

Mexico City
Iván Martnez
Senior Economist, Mexico
ivan.martinez.2@bbva.com
+ 52 55 56216503

Monetary policy minutes in Chile turned slightly more hawkish, whereas in Mexico, minutes revealed some of the rationale for the slightly more dovish tone of the communiqué, which mentioned possible rate cuts in future. However, in both cases we are maintaining our call for stable rates at least for this year. In Peru, inflation in January stood at 2.9% YoY, very close to the ceiling of the Central Bank target band (3%), where we expect it to remain during 2013. Today we expect a quiet day in Latam, with no indicators expected to be published.

Chile – Minutes of January's meeting reveal a shift to a more hawkish view

The minutes of January's monetary policy meeting points to the board taking a more hawkish view, based on some moderation in external risks and still latent domestic risks. One comment in the minutes was that low inflation rates, while transitory, imply challenges due to their effect on the spread between domestic and external real interest rates, which triggers pressure on the exchange rate. Meanwhile, the current account deficit is still a variable to be monitored closely. Finally, the board considered that maintaining the monetary policy rate was the correct option in January, given the economic conditions and the balance of risks (see our **Chile Flash** for details).

Mexico – Monetary policy meeting minutes: rationale behind the more dovish tone

According to Banxico's minutes, its monetary stance has contributed to an orderly adjustment of markets after supply shocks in 2012 and is helping to avoid second-round effects of these supply shocks ("changes in relative prices were transitory"). Most members argued that the potential "policy mix" under reform could include a tighter fiscal stance and allow monetary easing. "Some" members were clear, in the event a rate cut were decided, that it should be considered as a "one-off" in order to induce an orderly adjustment in market. It seems that most members are in favour of cutting rates, but they need more information to take this decision (see our **Banxico Watch** for details).

Mexico – Remittances grew more slowly

Remittance flows reached USD22.445bn at YE12, which implies a fall of -1.5% YoY. Remittances have been decelerating since 2Q12, which is partially explained by the immigrant labor situation and the prevailing fiscal uncertainty in the US.

Peru – Annual inflation remained within the target range

Consumer prices rose 0.12% MoM in January (BBVAe 0.05%, consensus 0.18%) mainly due to a lower seasonal supply of locally-produced food. This print takes annual inflation to 2.9% and for the coming months we expect it to remain close to the upper limit of the target range (3%) in the context of strong domestic demand and a tight labor market (see our **Peru Flash** for details).

Brazil – Industrial output surprised to the upside in December, but lost 2.7% overall in 2012

Industrial production was stable in December (0.0% MoM), surprising markets which were expecting another drop. The outcome fits well with our view that GDP will have grown 0.6% QoQ in 4Q12. In spite of the positive surprise in December, the sector continues to be more a source of concern than of support to activity. In 2012, industrial output dropped 2.7% with respect to 2011. We see scope for a better performance in 2013 following the incentives being provided, lower inventory and the improvement in the external environment.

What to watch today

No relevant data today

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Monthly	4-Feb	Jan	1.06%	--	1.15	0.78%
FGV Inflation IGP-DI	5-Feb	Jan	0.26%	--	--	0.66%
PMI Services	5-Feb	Jan	--	--	--	53.5
CNI Capacity Utilization	6-Feb	Dec	81.50%	--	--	81.4%
Vehicle Sales (Anfavea)	06-11 Feb	Jan	--	--	--	359355
FGV Preview Inflation IGP-M	7-Feb	Jan 31	0.20%	--	--	0.34%
IBGE Inflation IPCA (MoM)	7-Feb	Jan	0.84%	0.82%	--	0.79%
FGV CPI IPC-S	8-Feb	Feb 11	--	--	--	--
Chile						
Economic Activity Indx YoY NSA	5-Feb	Dec	3.70%	3.50%	--	5.5%
Total Exports in US$ Million	7-Feb	Jan	--	$6700	--	$7714.0
Total Imports in US$ Million	7-Feb	Jan	--	$6800	--	$6208.0
CPI (MoM)	8-Feb	Jan	0.05%	0.10%	--	0.0%
Colombia						
Producer Price Index (MoM)	4-Feb	Jan	--	--	--	-0.74%
Consumer Price Index (MoM)	6-Feb	Jan	0.52%	0.52%	--	0.09%
Mexico						
IMEF Manufacturing Index	5-Feb	Jan	--	--	--	52.8
Consumer Confidence	6-Feb	Jan	99.00	99.80	--	99.0
Consumer Prices (MoM)	7-Feb	Jan	0.32%	0.26%	--	0.23%
Consumer Prices Core (MoM)	7-Feb	Jan	0.30%	0.21%	--	0.12%
Bi-Weekly CPI	7-Feb	Jan 31	0.22%	0.11%	--	0.15%
Bi-Weekly Core CPI	7-Feb	Jan 31	0.20%	0.03%	--	0.18%
Gross Fixed Investment	8-Feb	Nov	4.90%	6.80%	--	9.5%
Peru						
Reference Rate	8-Feb	Feb	4.25%	4.25%	--	4.25%
Business Confidence	8-Feb	Feb	--	--	--	64.00%
Electricity production	04-09 Feb	Mar	--	--	--	5.88%

Most recent Latam reports

Date	Description
1-2-2013	Banxico Watch: Banxico seems to be targeting a cut but the uncertainty remains: how to play it?
1-2-2013	Peru Flash: Annual inflation remained within the target range
1-2-2013	Chile Flash: Minutes of the January's meeting turn to a more hawkish view
31-1-2013	Working Paper: Expanding Credit and Savings in Peru
31-1-2013	Brazil Economic Watch: "The macro mix in Brazil: a new fiscal regime, to a new monetary policy"
31-1-2013	Chile Flash: Unemployment rate ends 2012 at 6.1%
30-1-2013	Chile Flash: Manufacturing production and mining fall, while retail sales remain strong
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

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