

Latam Daily Flash

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Economic Analysis

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Yesterday Colombia announced lower external public financing in 2013, which implies more USD purchases from the public sector, to curb the appreciation of the peso. Both in Chile and Peru indicators continued to point to strong domestic demand, either based on high consumer confidence levels (Chile) or the rapid growth of public spending (Peru). Meanwhile, in Mexico, the latest inflation report showed an improvement in the balance of risks to inflation, although later we heard that retail sales disappointed in January. Today all eyes will be on Chile's monetary policy meeting, where despite somewhat higher risks from strong domestic demand, we expect rates to remain unchanged throughout 2013e.

Colombia - Government announces changes in 2013 external financing

Minister Cardenas announced a USD1bn reduction in the level of the central government external financing (from USD3.6bn announced in December to USD2.6bn). The measure is joined by a lower level of internal amortization and interest payments, implying that in 2013 the government will purchase a net USD1bn according to its new budget plan. Minister Cardenas said that the measure adds to the government and BanRep efforts to curb peso appreciation.

Mexico - CB's inflation report (4Q12) shows an improvement in the balance of risks

Banxico highlighted the downward trend in inflation that was made possible thanks to the current monetary stance and the favorable economic context (increased market competition in some sectors, "zero" output gap, "zero" fiscal deficit and fading impact of 2012's shocks). Banxico estimates that headline inflation in 2013 and 2014 could be lower than 2012's prints and close to the central target (3% YoY in the next two years); meanwhile, core inflation could fall below 3% YoY. Moreover, the report states that the recent advances in the inflationary process have been possible thanks to a context of internal macroeconomic equilibrium (fiscal balance with "zero" deficit, low current account deficit, solid banking sector). The central bank's balance of risks to economic activity is biased to the downside, although more moderately than in 3Q12 (see our [Banxico Flash](#) for more on this issue).

Mexico - January's retail sales posted the weakest annual growth in almost two years

Retail chains' sales growth was 0.5% YoY in January (vs. 2.3% and 7.1% in December and November respectively). This print was the lowest seen for any January since this report started (1998). We expect a slightly better performance in coming months driven by the latest increase in consumer confidence.

Chile - Consumer confidence survey revealed increased optimism in January

For the eighth consecutive month the consumer confidence index remained optimistic, reaching 58.0 in January (similar to the December 2012 level of 58.1). The result was due to an improved assessment of the current personal situation, mainly due to a dynamic labor market and its effect on nominal wage increases.

Chile - Financial traders survey showed no changes for policy rate in today's meeting

The central bank financial traders survey for the first half of February included an inflation forecast of 0.2% MoM for this month and no change in the monetary policy rate for six months ahead, both in line with our expectations. For the exchange rate, traders expect CLP to close at 475 per USD on a 3-month horizon.

Peru - Public spending maintains good momentum in January

Public investment grew 24.9% (real, YoY), higher than in 4Q12 reflecting the implementation of road concessions, while spending on wages maintained a good pace and grew 10.5% (real, YoY) due to salary increases for the police and the military. We expect the public sector to maintain a good pace of spending throughout 2013e (+ c.10%) and thus remain a major source of domestic demand growth during the year.

What to watch today**Chile - Monetary policy meeting (February, 16:00 hrs, NYT)**

Despite recent surprises in domestic activity and inflation indicators that could tilt the balance of risks, we expect the central bank to both keep the monetary policy rate unchanged at 5% and maintain its neutral stance for the medium term (consensus: 5%).

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	14-Feb	Feb-11	1.07%	--	1.01%	1.04%
Economic Activity Indx MoM SA	14-20 FEB	Dec	--	--	--	0.40%
CAGED Formal Job Creation	14-21 FEB	Jan	30000	--	--	-496944
FGV Inflation IGP-10 (MoM)	15-Feb	Feb	0.37%	--	--	0.42%
Chile						
Economist's survey	12-Feb	Feb	--	--	--	--
Financial Trader's Survey	13-Feb	Feb	--	--	--	--
Nominal Overnight Rate Target	14-Feb	Feb-18	5.00%	5.00%	--	5.00%
Colombia						
Consumer Confidence	12-Feb	Jan	24.30	21.5	23.1	21.5
Exports FOB - US\$ million	14-Feb	Dec	--	\$4852	--	\$4732.4
Outstanding Loans	14-20 FEB	Dec	--	--	--	\$244.1B
Mexico						
Trade Balance	11-Feb	Dec F	961.7M	961.7M	961.7M	961.7M
Industrial Production (YoY)	11-Feb	Dec	2.00%	2.60%	-1.10%	2.80%
Central Bank 4Q Inflation Report	13-Feb	--	--	--	--	--
Peru						
Unemployment	15-Feb	Jan	6.00%	--	--	5.60%
Economic Activity Indx YoY NSA	15-Feb	Dec	6.05%	--	--	6.80%

Most recent Latam reports

Date	Description
13-2-2013	➤ Mexico Flash: Banxico confirms its dovish tone
11-2-2013	➤ Mexico Flash: Negative surprise in industrial production at the end of 2012 -2.1% mom, -1.1% yoy
8-2-2013	➤ Chile Flash: Monthly inflation stood at 0.2% in January, surprising to the upside
7-2-2013	➤ Peru Flash: Central Bank keeps neutral tone for its policy rate
7-2-2013	➤ Mexico Flash: January's inflation: Monthly Inflation Surprises Upwards due to Telephone Services; However Inflation keeps Easing Annually
7-2-2013	➤ Brazil Flash: Inflation at uncomfortably high levels
5-2-2013	➤ Colombia Flash: Consumer inflation dropped to 2.0% YoY in January, standing at the lower bound of the inflation target band
5-2-2013	➤ Chile Flash: Economic activity shows moderate slowdown at the end of 2012
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

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