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Latam Daily Flash

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Economic Analysis

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Yesterday was marked by the unexpected fall in December retail sales in Brazil. Also in Brazil, the central bank announced a plan to reduce the operational costs of the financial system. Today we will focus on the BCB's Economic Activity Index for December, which we expect to support our call for 0.6% QoQ growth in Brazil in 4Q12. Meanwhile, Colombia will publish trade figures for December, which we expect to show a recovery of the mining sector.

Brazil – Surprise decline in retail sales in December

In a surprising result, retail sales contracted 0.5% MoM in the sa series, the first fall after six months of positive results, whereas both our and market expectations were for a 0.8% MoM increase. All in all, the YoY result is a 5% expansion, backed by an increase in consumer purchasing power. This result gives a slight downward bias to our 4Q12 GDP estimate of 0.6% QoQ.

Brazil – BCB announces new plan to reduce financial system costs

Yesterday, Brazil's central bank launched its 'Otimiza BC' programme, which includes a number of measures to reduce operational and monitoring costs within the Brazilian financial system. It is based on two main lines of action: first, a permanent evaluation programme intended to find ways to reduce operational costs, and second a new model for information management. The BCB expects this programme to improve the competitiveness of the financial sector.

What to watch today

Brazil – BCB's Economic Activity Index (December, 06:30hrs NYT)

The Brazilian central bank's Economic Activity Index, which is a proxy for GDP, is expected to have grown by 0.2% MoM in December and, therefore, by 0.7% QoQ in the last quarter of the year, in line with our 0.6% QoQ forecast for 4Q12 GDP.

Colombia – Imports and trade balance (December, 16:00 hrs NYT)

We expect the monthly trade balance to return to high levels (USD480mn FOB) due to the recovery in mining exports and given the usual lower consumption of imports in December. In total, imports should reach USD4.6bn CIF (2.1% YoY)..

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	18-Feb	Feb-21	0.62%	--	0.55%	0.88%
FIPE CPI - Weekly	19-Feb	Feb-18	0.86%	--	0.83%	1.01%
FGV Preview Inflation IGP-M	19-Feb	Feb-14	0.37%	--	0.34%	0.41%
Retail Sales (MoM)	19-Feb	Dec	0.80%	0.80%	-0.50%	0.30%
Economic Activity Indx MoM SA	20-Feb	Dec	0.30%	0.20%	--	0.40%
CAGED Formal Job Creation	19-21 FEB	Jan	47500	--	--	-496944
IBGE CPI IPCA-15 (MoM)	22-Feb	Feb	0.61%	0.60%	--	0.88%
Current Account - Monthly	22-Feb	Jan	-$9500M	--	--	-$8413M
Colombia						
Exports FOB - US$ million	18-Feb	Dec	--	$4852	$4932.7	$4732.4
Outstanding Loans (YoY)	19-20 FEB	Dec	--	--	--	14.60%
Trade Balance	20-Feb	Dec	$312M	$480	--	-$183.2
Imports CIF - US$ million	20-Feb	Dec	--	$4600	--	$5166.9
Retail Sales (YoY)	22-Feb	Dec	3.95%	4.00%	--	6.70%
Industrial Production (YoY)	22-Feb	Dec	-2.10%	-5.40%	--	-4.10%
Overnight Lending Rate	22-Feb	Feb-26	3.75%	3.75%	--	4.00%
Mexico						
GDP (YoY)	18-Feb	4Q	3.30%	3.10%	3.20%	3.30%
Global Economic Indicator IGAE	18-Feb	Dec	1.60%	2.30%	1.40%	4.14%
Retail Sales (INEGI)	21-Feb	Dec	2.00%	3.80%	--	3.50%
Unemployment Rate	22-Feb	Jan	4.98%	5.00%	--	4.47%
Bi-Weekly CPI	22-Feb	Feb-19	0.19%	0.20%	--	0.40%
Bi-Weekly Core CPI	22-Feb	Feb-20	0.19%	0.20%	--	0.47%
Peru						
GDP YoY	22-Feb	4Q	6.30%	--	--	6.50%

Most recent Latam reports

Date	Description
19-2-2013	Latam Economic Outlook. First Quarter 2013 (in spanish)
19-2-2013	Mexico Economic Outlook: First Quarter 2013 (in spanish)
18-2-2013	Mexico GDP Flash. In line with estimates, GDP grew 3.9% yoy in 2012
15-2-2013	Mexico Weekly Flash. GDP in 4Q12 set to see a similar growth rate to 3Q
15-2-2013	Mexico Real Estate Flash. 2013, a year of transition for the housing market
15-2-2013	Chile Flash: Central Bank keeps both the monetary policy rate at 5% and its neutral stance
15-2-2013	Peru Flash: GDP surprises to the downside in December
14-2-2013	Brazil Economic Outlook – First Quarter 2013
14-2-2013	Colombia Economic Outlook – First Quarter 2013 (in Spanish)
14-2-2013	Chile Economic Outlook – First Quarter 2013 (in Spanish)

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