

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
alejandrp.puente@bbva.com
+56 2 2939 10 92

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

Official reports released yesterday show that credit growth is moderating in Peru in response to recent macroprudential measures and that credit markets continue to provide only partial support to economic activity in Brazil. Also in Brazil, data for January showed that labor market lost some momentum, but remains very robust. In Mexico, the balance of trade was unexpectedly in deficit, which shows that even though domestic demand is decelerating it is still strong in comparison to foreign markets. The agenda for today includes the release of the fiscal report in Brazil and the central bank's Financial Traders survey in Chile.

Brazil – Labor market lost some momentum in January, but remains tight

The unemployment rate reached 5.4% in January, slightly higher than we expected and above December's 4.6% (the increase in comparison to December is to a large extent - although not completely - due to seasonal factors). Real average wages contracted slightly in monthly terms (in both the observed and the seasonally adjusted series). In spite of these signs of moderation, the labor market remains tight: the unemployment rate continues close to historical lows and real wages are currently 2.4% higher than a year ago. In our view, the tightness of the labor market should continue to support private consumption in spite of some likely moderation.

Brazil – Public banks continued to lead credit expansion in January

Public credit continued to expand at a strong pace in January (28.2% YoY; 0.5% MoM), offsetting the slowdown in private credit (7.2% YoY; -0.4% MoM) and preventing a sharper moderation in the total credit stock (16.4% YoY; 0.0% MoM). As a consequence of its continuous expansion, public credit already accounts for 48% of the credit market. The credit report released today also revealed that non-performing loans remain unchanged at 3.7% of the total and that both banking spreads and lending rates increased for the first time in several months. Overall, credit markets continue to provide only partial support to domestic demand.

Colombia – Industrial confidence remains weak while commercial confidence deteriorates slightly

Industrial confidence stood at 2.1 in January (range -100 to 100), increasing from -1.9 observed in December. Industrialists' willingness to invest remained positive, as 58% of industrialists expect to increase their fixed investment during the year (although below the 68% of a year ago). Commercial confidence fell to 18.7 in January (23.2 in December), although mainly explained by seasonal factors. The continuing weakness in industrial confidence is in line with our outlook for a feeble manufacturing recovery in 1H13, offset by a better performance for household consumption, where we do not expect the slowdown in confidence to continue beyond January.

Mexico – Balance of trade unexpectedly in deficit at the beginning of 2013

January's trade balance was in negative territory (-USD2,879mn vs. consensus +USD216mn) and it was a record deficit for January. Total exports fell 0.2% YoY (by components: oil exports -1.5% and non-oil exports +0.1%). Meanwhile, total imports increased 9.3% YoY (by components: consumption 15.8%, intermediate goods 8% and capital goods 9.5%). What this data tells us is that: i) the growth gap between Mexico and developed countries partially explained this print; ii) domestic demand is decelerating but still relatively strong vs. foreign markets; iii) Mexico still has a comparative advantage in the production of durable goods for export to the US (Mexican vehicle sales to the US rose 15.1% YoY vs. a fall of total exports of 6.8% to rest of the world); and iv) we should expect a slight deceleration in GDP in 1Q13e.

Peru - Mining investment increased 18% in 2012 in spite of conflicts

According to the industry association that groups mining, oil, and energy firms (SNMPE), mining investment reached USD8.5bn in 2012, an annual upsurge of 18%. This print is even more appealing given the difficulties firms in natural resources sectors are encountering, one of them being the environmental conflicts in some mining projects. The SNMPE's president expects mining investment to remain at this level in 2013, of which more than 40% for financing new projects. This supports our view of a sustained important inflow of long-term capitals this year.

Peru - Banking loans to the private sector continue to moderate

In January, the YoY growth of banking loans in local currency slowed to 14.8% (vs. +15.3% in December), while loan growth in foreign currency moderated to 13.9% (vs. +15.7% in the previous month). This mainly reflects the impact of macroprudential measures on credit, including the successive reserve requirements hikes, intended to bring this variable onto a healthier path, not only in terms of its pace of growth but also in terms of its currency components.

What to watch today

Chile - CB Financial Trader's Survey (2nd half of February, 06:30hrs NYT)

We expect the survey to show inflation estimates around 0.3% MoM for February and expectations of a stable monetary policy rate in the medium term. Also, we do not anticipate changes in the short-term exchange-rate estimates.

Brazil - Fiscal data (January, 09:30hrs NYT)

The first batch of fiscal data for 2013 will provide information about the evolution of public sector's primary and total results, in a context characterized by an eased primary surplus target for the year.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	25-Feb	2-feb	0.63%	--	0.52%	0.83%
FGV CPI IPC-S	25-Feb	2-feb	0.28%	--	0.26%	0.55%
FGV Consumer Confidence	26-Feb	Feb	--	--	116.2	117.9
Unemployment Rate	26-Feb	Jan	5.30%	5.30%	5.40%	4.60%
Central Govt Budget	26-Feb	Jan	21.1B	--	26.1B	28.3B
FGV Inflation IGP-M (YoY)	27-Feb	Feb	8.34%	--	--	7.91%
Primary Budget Balance	27-Feb	Jan	22.0B	--	--	22.3B
Manufacturing PPI (YoY)	28-Feb	Jan	--	--	--	7.16%
FGV CPI IPC-S	01-Mar	2-feb	0.28%	--	--	--
GDP (IBGE) QoQ	01-Mar	4Q	0.80%	0.60%	--	0.60%
PMI Manufacturing	01-Mar	Feb	--	--	--	53.20
Trade Balance (FOB) - Monthly	01-Mar	Feb	-\$800M	--	--	-\$4035M
Chile						
Manufacturing Index	28-Feb	Jan	3.45%	--	--	-2.50%
Retail Sales (YoY)	28-Feb	Jan	10.20%	--	--	11.00%
Copper Production Total	28-Feb	Jan	--	--	--	513344.00
Unemployment Rate	28-Feb	Jan	6.20%	--	--	6.10%
Central Bank Meeting Minutes	01-Mar	--	--	--	--	--
Colombia						
National Unemployment Rate	28-Feb	Jan	--	--	--	9.60%
Urban Unemployment Rate	28-Feb	Jan	13.00%	12.90%	--	10.20%
Mexico						
GDP Current \$ YoY	25-Feb	4Q	--	7.50%	3.90%	8.20%
Current Account Balance	25-Feb	4Q	-\$4350M	-\$4335M	-\$6490M	-\$3662M
Trade Balance	26-Feb	Jan P	216.0M	--	-2878.9M	961.7M
Budget Balance (Year to date)	01-Mar	Jan	--	--	--	-403.60B
Peru						
Consumer Price Index (MoM)	01-Mar	Feb	0.23%	0.10%	--	0.12%
Wholesale Prices (MoM)	01-Mar	Feb	--	--	--	-0.78%
Primary Sector Production (YoY)	01-Mar	Jan	--	--	--	1.14%

Most recent Latam reports

Date	Description
22-2-2013	➤ Colombia Flash: Industrial production confirms delay of industrial recovery. Retail sales signal room for increased household spending
22-2-2013	➤ Colombia Flash: BanRep cut policy rate by 25bps to 3.75%, in line with expectations
22-2-2013	➤ Mexico Flash: February's biweekly inflation: inflation increases as mobile phone fees rise again
20-2-2013	➤ Mexico Banking Flash. Bank deposits: continue to grow
20-2-2013	➤ Chile Economic Outlook 1Q13
20-2-2013	➤ Peru Economic Outlook - First Quarter 2013 (in Spanish)
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

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