

Latam Daily Flash

1 March 2013 Economic Analysis

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Following a day where the main highlights were the release of supportive activity and labor data in Chile and Colombia, which triggered an upward revision of our growth forecast for January for the former and added a positive bias to our 1Q13e consumption forecasts for the latter, and Mexico's National Energy Plan (2012-2027), the week closes with a busy economic agenda today. In Chile, policy minutes should emphasize concerns about the strength of domestic activity, but still be in line with our view of stable rates in the medium-term. In Brazil, we expect 4Q12 GDP to show that activity continued to recover, albeit slowly, at the end of 2012. In Peru, we expect to see a moderate increase in prices in February.

Chile - Industrial activity regains momentum and unemployment rate drops to 6%

Manufacturing production grew 4.3% YoY in January, gaining some momentum after some weakness in the last two months. Mining production increased 8.4% YoY, principally driven by copper activity. Retail sales expanded by 9.5% YoY, supported by the strength of durable goods sales. All in all, we have adjusted our forecast for the Economic Activity Index (Imacec) slightly upwards to 6.4% YoY in January. In addition, the unemployment rate reached 6% in January (6.1% in December), given stronger than expected job-creation. Despite the strength of domestic activity, we continue to expect a pause in monetary policy for the medium term, especially given renewed external uncertainty and domestic inflation expectations well-anchored in the long-term (see our [Chile Flash](#) for details).

Colombia - Urban unemployment dropped in January while formal occupation climbed

The urban unemployment rate dropped to 13.1%, a slight decline vs. January last year (13.3%). Seasonally adjusted urban unemployment remained stable with respect to the previous month. We highlight the better performance of the participation and occupation rates, which increased by 0.6pp and 0.7pp respectively YoY (in December both remained stable). Additionally, formal employment continued to expand, reaching 52% of employment (from a historical average of 50%), adding a positive bias to our household consumption forecast and in line with our outlook of a better performance of private consumption during 1Q13e.

Mexico - National Energy Plan (2013-2027) was released with some positive signs

The new government published its draft National Energy Plan. This Plan underlines the need for a 'gradual' change in the current methodology of setting energy prices for consumers and removing indirect subsidies. Treasury estimates that the fiscal cost of these subsidies was 1.12% of GDP in 2012. The draft Plan opens the way to schemes for private-sector involvement in several activities (e.g. oil exploration, production and refining, petrochemicals, natural gas transportation, easing interconnection of private power generation to the public electricity grid and "green sources" of power generation). Some of the Plan's targets imply high investment requirements: total hydrocarbons production cannot be lower than the previous year's production and the roll-out of electricity coverage must be at least equal to population growth.

What to watch today

Chile - Minutes of the monetary policy meeting (February, 06:30 hrs NYT)

We expect the minutes of the latest central bank monetary policy meeting to reveal increasing concern about the strength of domestic activity, which should gain in importance compared to the still latent external uncertainty. However, well-anchored inflation expectations supported the pause in February.

Brazil - GDP (4Q 2012, 07:00 hrs NYT)

We expect GDP to have grown 0.6% QoQ, the same pace as observed in previous quarter, which is consistent with growth of 0.9% in FY12e and the perception that the ongoing recovery of activity is slow and fragile (as it has been driven by consumption but not by investment, which remains very weak).

Mexico - Remittances (January, 10:00 hrs NYT)

We anticipate a fall in January's remittance figures in YoY terms. Remittances have been decelerating since 2Q12, which is partially explained by the immigrant labour situation in USA.

Peru - Consumer prices (February, 11:00 hrs NYT)

Our forecast stands at 0.1% MoM (2.6% YoY), in line with consensus. It reflects on the one hand increases in fuel prices and electricity tariffs, and on the other a fall in poultry prices.

Mexico - Budget balance (January, tentative 15:30 hrs NYT)

The fiscal deficit in 2012 was in line with the Congress target and fiscal authorities are committed to a "zero deficit" in 2013. Nonetheless, it will be important to monitor tax receipts in a context of economic deceleration and a tentative adjustment of expenditure.

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%	--	8.29%	7.91%
Primary Budget Balance	27-Feb	Jan	22.0B	--	30.3B	22.3B
Manufacturing PPI (YoY)	28-Feb	Jan	--	--	7.69%	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%	--	4.30%	-2.50%
Retail Sales (YoY)	28-Feb	Jan	10.20%	--	9.50%	11.00%
Copper Production Total	28-Feb	Jan	--	--	474496	513344.00
Unemployment Rate	28-Feb	Jan	6.20%	--	6.00%	6.10%
Central Bank Meeting Minutes	01-Mar	--	--	--	--	--
Colombia						
National Unemployment Rate	28-Feb	Jan	--	--	12.10%	9.60%
Urban Unemployment Rate	28-Feb	Jan	13.00%	12.90%	13.10%	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%	2.45%	0.12%
Wholesale Prices (MoM)	01-Mar	Feb	--	--	0.80%	-0.78%
Primary Sector Production (YoY)	01-Mar	Jan	--	--	--	1.14%

Most recent Latam reports

Date	Description
28-2-2013	➤ Chile Flash: Industrial activity regains momentum and unemployment rate reaches 6%
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

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