

# Latam Daily Flash

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Economic Analysis

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*Brazil's central bank kept policy rates on hold, as we expected, but refrained from committing to stable rates ahead, introducing an even greater upward bias to our current call for stable interest rates during 2013e. In Colombia, Fitch Ratings revised the sovereign's rating outlook to positive, while exports fell in January despite a strong performance in the manufacturing sector. Today will be a busy day in Latam, with markets focusing mainly on IP in Brazil, looking for hints on GDP growth in Q1, inflation in Mexico, expected to rebound, and the monetary policy decision in Peru, where we expect policy rates to remain stable.*

## Brazil – COPOM leaves the SELIC unchanged, but refrains from committing to stable monetary conditions ahead

In line with our expectations, the Monetary Policy Committee (COPOM) decided, unanimously, to maintain the SELIC at 7.25%. The reference to the “stability of monetary conditions” was eliminated from the accompanying statement, which instead revealed that the monetary authority has adopted a “wait-and-see” position. Even though the chance of a short tightening cycle starting as soon as in April is currently relevant, for now we maintain our call for a stable SELIC at 7.25% over the year. The minutes of the COPOM meeting, which will be released next week, should provide helpful information for us to shape our view on future monetary conditions.

## Colombia – Fitch revises outlook from stable to positive and affirms BBB- rating

Fitch Ratings changed its outlook for Colombia's long-term foreign currency bonds to positive, joining DBRS which changed its outlook a year ago. Fitch said the main factors driving the decision were the moderate macro imbalances with resilience to external shocks, the approval of the tax reform enhancing job-creation, government debt levels (36.3% of GDP) in line with countries with a BBB rating, robust growth perspectives and the continued accumulation of international reserves. The outlook is the first step for an upgrade, that would be contingent on a rebound of GDP growth, the fiscal impact of social reforms to be presented to Congress (pension reform and healthcare reform) and the fiscal impact of ongoing peace talks with the FARC guerrillas.

## Colombia – Exports fell 1.1% YoY in January despite a promising start to the year for manufacturing

Exports fell 1.1% in January, after two consecutive months of YoY declines (of 9.3% YoY in average). The strong performance of the manufacturing sector led the increase by growing 12.6% YoY (vs. -24.0% in December), suggesting the beginning of the recovery in this sector, but which we believe will not consolidate before 2H13e. We highlight the strong performance of the low- and medium-technology industry, which has continuously consolidated its recovery, supported by higher exports to LatAm partners and the United States.

## What to watch today

### Chile – Trade balance (February, 06.30 hrs NYT)

We expect a USD300mn surplus on the balance of trade in February. This surplus is explained by expected exports of USD6.4bn (+1.3% YoY), while imports should amount to USD6.1bn (+9.8% YoY). Finally we estimate copper exports in the order of USD3.6bn (+4.0% YoY).

### Brazil – Industrial production (January, 07:00 hrs NYT)

We expect industrial output to have rebounded in January, providing preliminary support to our view that GDP growth will gain momentum and reach 1.0% QoQ in the first quarter of the year, after reaching only 0.6% QoQ in 4Q12.

**Mexico - Headline inflation (February, 09:00 hrs, NYT)**

We forecast an upturn in CPI YoY, increasing from 3.25% YoY in January to 3.65% (consensus 3.60%) in February. Meanwhile, core inflation should increase from 2.88% YoY in December to 2.98% in January. This CPI hike is broadly expected by the central bank and should not alter Banxico's balance of risks to inflation.

**Colombia - Building construction census (4Q12, 16:00 hrs NYT)**

We expect the building census to show a higher rate of housing completions, given the strong numbers for housing starts observed a year ago. Our 4Q12e GDP forecast (3.0% YoY) is based on a quarterly rebound in residential investment, which we expect to be supported by positive numbers for housing completions.

**Peru - Monetary policy decision (19:00 hrs, NYT)**

We expect the central bank to maintain the monetary policy rate at 4.25%, consistent with inflation remaining within the target range and GDP growth close to potential. However, we note that the bank could further increase reserve requirements in order to moderate credit expansion.

**Calendar: Indicators**

| <b>Brazil</b>                  | <b>Date</b> | <b>Period</b> | <b>Consensus</b> | <b>BBVAe</b> | <b>Actual</b> | <b>Prior</b> |
|--------------------------------|-------------|---------------|------------------|--------------|---------------|--------------|
| FIPE CPI - Monthly             | 04-Mar      | Feb           | 0.33%            |              | 0.22%         | 1.15%        |
| PMI Services                   | 05-Mar      | Feb           | --               |              | 52.1          | 54.5         |
| FGV Inflation IGP-DI           | 06-Mar      | Feb           | 0.35%            |              | 0.20%         | 0.31%        |
| Vehicle Sales (Anfavea)        | 06-Mar      | Feb           | --               |              | 235109        | 311453       |
| SELIC Target - Central Bank    | 06-Mar      | 2-mar         | 7.25%            | 7.25%        | 7.25%         | 7.25%        |
| Industrial Production sa (MoM) | 07-Mar      | Jan           | 1.55%            | 0.60%        | --            | 0.00%        |
| FGV Preview Inflation IGP-M    | 08-Mar      | 2-feb         | 0.38%            |              | --            | 0.34%        |
| FGV CPI IPC-S                  | 08-Mar      | 2-mar         | --               |              | --            | --           |
| IBGE Inflation IPCA (MoM)      | 08-Mar      | Feb           | 0.50%            | 0.40%        | --            | 0.86%        |
| CNI Capacity Utilization       | 08-Mar      | Jan           | 81.00%           |              | --            | 80.90%       |
| <b>Chile</b>                   |             |               |                  |              |               |              |
| Economic Activity Indx YoY NSA | 05-Mar      | Jan           | 6.50%            | 6.40%        | 6.70%         | 4.70%        |
| Trade Balance in US\$ Million  | 07-Mar      | Feb           | \$500            | \$300        | --            | \$244.0      |
| Copper Exports                 | 07-Mar      | Feb           | --               | \$3600       | --            | \$3474.0     |
| CPI (MoM)                      | 08-Mar      | Feb           | 0.30%            | 0.30%        | --            | 0.20%        |
| <b>Colombia</b>                |             |               |                  |              |               |              |
| Producer Price Index (MoM)     | 04-Mar      | Feb           | --               | --           | 0.17%         | -0.05%       |
| Consumer Price Index (MoM)     | 06-Mar      | Feb           | 0.50%            | 0.54%        | 0.44%         | 0.30%        |
| <b>Mexico</b>                  |             |               |                  |              |               |              |
| IMEF Manufacturing Index       | 04-Mar      | Feb           | 51.5             | --           | 51.5          | 52.1         |
| IMEF Non Manufacturing Index   | 04-Mar      | Feb           | --               | --           | 51.1          | 51.7         |
| Consumer Confidence            | 05-Mar      | Feb           | 98.6             | 98.1         | 95.5          | 100          |
| International Reserves Weekly  | 05-Mar      | 2-mar         | --               | --           | \$165793M     | \$164715M    |
| Consumer Prices (MoM)          | 07-Mar      | Feb           | 0.53%            | 0.58%        | --            | 0.40%        |
| Consumer Prices Core (MoM)     | 07-Mar      | Feb           | 0.53%            | 0.53%        | --            | 0.42%        |
| Bi-Weekly CPI                  | 07-Mar      | 2-feb         | 0.22%            | 0.29%        | --            | 0.24%        |
| Bi-Weekly Core CPI             | 07-Mar      | 2-feb         | 0.12%            | 0.24%        | --            | 0.24%        |
| Gross Fixed Investment         | 08-Mar      | Dec           | -2.00%           | 3.00%        | --            | 5.40%        |
| Overnight Rate                 | 08-Mar      | 2-mar         | 4.50%            | 4.50%        | --            | 4.50%        |
| Vehicle Production (AMIA)      | 08-15 MAR   | Feb           | --               | --           | --            | 242855       |
| <b>Peru</b>                    |             |               |                  |              |               |              |
| Reference Rate                 | 08-Mar      | Mar           | 4.25%            | 4.25%        | --            | 4.25%        |

## Most recent Latam reports

| Date     | Description                                                                                                                             |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------|
| 6-3-2013 | <a href="#">➤ Flash Colombia: Consumer inflation dropped below the inflation target range at 1.83% YoY in February</a>                  |
| 6-3-2013 | <a href="#">➤ Mexico Flash: Banco de México: Upward inflation risks increase the probability that the rate cut takes place in April</a> |
| 6-3-2013 | <a href="#">➤ Latin America Economic Outlook. First quarter 2013</a>                                                                    |
| 5-3-2013 | <a href="#">➤ Chile Flash: Economic activity shows strong growth in January</a>                                                         |
| 4-3-2013 | <a href="#">➤ Brazil Economic Outlook. First Quarter 2013. (in Chinese)</a>                                                             |
| 1-3-2013 | <a href="#">➤ Mexico Real Estate Flash. Guidelines of the new Infonavit housing policy</a>                                              |
| 1-3-2013 | <a href="#">➤ Flash Chile: Minutes of the February´s meeting gives more weight to internal risks</a>                                    |
| 1-3-2013 | <a href="#">➤ Peru Flash: Unexpected inflation decline in February</a>                                                                  |
| 1-3-2013 | <a href="#">➤ Mexico Migration Flash: Remittances to Mexico starts 2013 decreasing</a>                                                  |
| 1-3-2013 | <a href="#">➤ Brazil Flash: Activity continued to recover, albeit slowly, at the end of the last year. GDP grew only 0.9%in 2012</a>    |

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