

# Latam Daily Flash

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Economic Analysis

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*Inflation in Mexico came in lower than expected, increasing the probability of a rate cut at today's monetary meeting. In Brazil, there was a robust expansion in industrial production, reinforcing our view of higher GDP growth in 1Q13. Meanwhile, there were no surprises from Peru's central bank, which kept policy rates stable. Today, all eyes will be on inflation figures in Chile and Brazil, especially the latter as it will be key for shaping expectations about its monetary policy decision in April. Similarly, in Colombia, central bank minutes should offer clues about the weight given to falling inflation in the latest rate cut.*

## Mexico - February's inflation was lower than expected

February's headline inflation was 0.49% MoM (vs. BBVAe 0.58% and consensus 0.53%) and core inflation was 0.51% MoM (vs. BBVAe 0.53% and consensus 0.54%). Annual inflation increased from 3.25% in January to 3.55% in February, which was broadly expected. The upturn in inflation is likely to last until April (BBVAe 3.9% YoY) and subsequently decline throughout the rest of the year. This CPI print increases the probability of a rate cut at today's monetary policy meeting (see [Mexico Inflation Flash](#)).

## Brazil - Robust expansion in industrial production in January

Industrial production expanded by 2.5% MoM in January, a much stronger pace than either we or the markets had anticipated. The report also revealed that 18 out of the 27 sectors expanded in January (in MoM terms), indicating that growth was widespread. The capital goods segment grew 8.2% MoM, which suggests that investment is picking up. Even though preliminary data suggest moderation in February, industrial figures for January reinforce our view that growth will gain momentum in 1Q13e.

## Peru - March monetary policy meeting: no surprises

The central bank kept its policy rate at 4.25%, in line with expectations. In the coming months, we do not expect changes in this rate, and any adjustments to monetary policy stance to influence credit and domestic demand growth will be carried out through increases in reserve requirements, so as to avoid introducing major appreciation pressures on the local currency (see our [Peru Flash](#)).

## Chile - Trade balance showed a slight surplus in February

The balance of trade was slightly in surplus in February (USD68mn, USD312mn accumulated in 2013), below both our and market expectations. Exports amounted to USD5,490mn (-6.0% YoY), while imports rose to USD5,872mn (+5.7% YoY). Copper exports reached USD3,192mn (-7.7% YoY). This figure points to moderating domestic demand, together with a slowdown in mining and industrial exports.

## Colombia - Housing completions grew 2.4% YoY in 4Q12

The buildings census for 4Q12 showed a 2.8 million m2 of construction completions, above 3Q12 number (2.6), but warning of a slower pace of construction starts (-28.5% YoY). These data support our outlook of a dynamic 4Q12 growth in residential investment, which should represent a rebound on a quarterly basis. However, the slow replacement of completed works suggests sluggish momentum in the housing sector in 2013e.

## Colombia - Energy demand fell 0.5% YoY in February

Energy demand slowed after a positive start to the year (+4.5% in January). This result appears to be consistent with a slow recovery in manufacturing and our expectations. Note that the slowdown also reflects one less working day than in the same month in 2012.

## What to watch today

### Chile - Consumer Price Index (February, 06:00 hrs NYT)

We expect a monthly increase in CPI of 0.3% in February (1.5% YoY). This print will be influenced by increases in transport prices (mainly gasoline), foodstuffs and hotel and restaurant services.

### Brazil - Inflation (February, 07:00 hrs NYT)

The IPCA should decline to 6.1% YoY (0.4% MoM) from 6.2% (0.9% MoM), due to the fall in electricity tariffs and, to a lesser extent, a moderation in food prices. We expect inflation data for February (and also for March) to be key to the next monetary policy decision in April. Thus, today's inflation data will be very important helping markets shape their SELIC expectations.

### Colombia - Central bank minutes (February, 10:00 hrs NYT)

BanRep will release the minutes of February's meeting, when the board decided to cut its policy rate by 25bp. The minutes should reveal the main drivers of the decision, and we anticipate that consumer inflation played a major role, together with the sluggish leading indicators. It should also reveal BanRep's standpoint regarding core inflation indicators and the likelihood of a quick reversal of headline inflation.

### Mexico - Monetary policy statement (10:00 hrs NYT)

Banxico turned to the dovish side in its last policy statement (18 January) and the market started to discount a rate cut of 50bp (to 4.0%) in March or April. If the central bank does not cut at today's meeting, we expect the statement to provide a convincing argument for implementing one in April.

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
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%	2.50%	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	\$68	\$244.0
Copper Exports	07-Mar	Feb	--	\$3600	\$3192	\$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
Vehicle Production (AMIA)	06-Mar	Feb	--	--	246197	242855
Consumer Prices (MoM)	07-Mar	Feb	0.53%	0.58%	0.49%	0.40%
Consumer Prices Core (MoM)	07-Mar	Feb	0.53%	0.53%	0.51%	0.42%
Bi-Weekly CPI	07-Mar	2-feb	0.22%	0.29%	0.11%	0.24%
Bi-Weekly Core CPI	07-Mar	2-feb	0.12%	0.24%	0.07%	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%
<b>Peru</b>						
Reference Rate	08-Mar	Mar	4.25%	4.25%	4.25%	4.25%

## Most recent Latam reports

Date	Description
7-3-2013	<a href="#">➤ Flash Peru: Central policy rate: no surprises</a>
7-3-2013	<a href="#">➤ Mexico Inflation Flash: February's CPI: Inflation accelerated as widely expected; But it's risk balance remain positive.</a>
7-3-2013	<a href="#">➤ Peru Economic Watch: Activity kept showing strong dynamism in 4Q12 (Spanish)</a>
7-3-2013	<a href="#">➤ Brazil Flash: COPOM leaves the SELIC unchanged, but refrains from committing to stable monetary conditions ahead</a>
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>

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