

Latam Daily Flash

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Economic Analysis

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In Brazil, the monetary policy minutes revealed that the COPOM is concerned about the risk that high inflation persists next year and labor data showed some signs of moderation even though the unemployment rate remains at very low levels. In Mexico, the economic activity index for February added evidence to economic deceleration in 1Q13. Central banks will be the focus of all attention today: there are policy meetings in Mexico and Colombia and the release of the policy minutes in Chile. In these three cases we expect central bank communications to reinforce our perspectives of stable interest rates through 2013.

Brazil - COPOM: “vigilant” and focused on 2014

The minutes of last week’s monetary policy meeting revealed that the Monetary Policy Committee (COPOM) is “vigilant in order to minimize the risk that the high levels of inflation observed in the last twelve months persist” in the relevant horizon (especially in 2014). This is in line with our view that this monetary tightening cycle is aimed at anchoring medium-term inflation expectations and not at forcing inflation to converge to the target. Even though the tone of the minutes was slightly more hawkish than we expected, we continue to expect three additional 25bp hikes at the next monetary meetings (for more details see our [Brazil Flash](#)).

Brazil - Unemployment rate reached 5.7% in March

The unemployment rate came in at 5.7% in March, lower than in the same period last year (6.2%) and than markets were expecting (5.9%). The rate was slightly higher than in February (5.6%), to a large extent due to seasonal issues. The real average wage increased 0.6% YoY (vs. 2.4% in February and 5.6% a year ago). Even though unemployment remains at historically low levels, the moderation suggested by wage growth data and other indicators reveals that labor markets are losing some steam, which is good news for inflation but less so for domestic demand.

Mexico - February’s IGAE adds evidence to 1Q13 deceleration

The economy continued to decelerate in February as it expanded only 0.2% MoM sa, 0.4% YoY. The source of the weakness was the services sector as it expanded 0.2% MoM sa, after growing 0.6% in January. The industrial sector grew 0.5% MoM but was not enough to offset the weakness. With this print the bias to our growth forecast in 1Q13e of 2.2% is to the downside. However, we are expecting a rebound in economic activity from 2Q13e onwards.

What to watch today

Chile - Minutes of monetary policy meeting (07:00hrs NYT)

The minutes should confirm the Board’s concerns about domestic demand momentum (and its medium-term effects on inflation and the current account). However, external risks should continue to be a significant counterbalance to the bank’s monetary policy stance.

Brazil - Credit report (March, 09:30hrs NYT)

Among other things, the figures released today will provide updated details for the assessment of the support credit markets are giving to domestic demand.

Mexico – Banxico monetary policy meeting (10:00hrs NYT)

Banxico will keep the policy rate at 4.0%. In terms of wording, we do not expect a significant reaction from Banxico as the source of the deviation in inflation from the target is supply shocks, while core inflation remains close to 3.0% and leading indicators suggest that economic growth in 1Q13 will come in below expectations. Moreover, the global economy remains weak and risks are tilted to the downside. Overall, our current outlook for inflation and growth is consistent with a monetary policy pause during 2013e.

Colombia – Banrep policy meeting (announcement time: unspecified)

We expect BanRep to keep its policy rate at 3.25%, in line with the latest policy minutes and statements by the Ministry of Finance. The consensus is for stability, although market participants are divided (60/40), with a minority expecting a rate cut of 25bp. We expect that either today or at next month's meeting BanRep will extend its USD purchase programme, with a forecast scope for purchasing a maximum of USD3bn for the rest of the year..

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	24-Apr	Apr 22	0.18%	--	0.17%	0.08%
FGV Consumer Confidence	24-Apr	Apr	112.00	--	113.8	113.9
FGV CPI IPC-S	24-Apr	Apr 23	0.59%	--	0.54%	0.65%
Current Account - Monthly	24-Apr	Mar	-\$6300M	--	-\$6873	-\$6625M
FGV Construction Costs (MoM)	25-Apr	Apr	0.76%	--	0.84%	0.28%
COPOM Monetary Policy Meeting Minutes	25-Apr	Apr	--	--	--	--
Unemployment Rate	25-Apr	Mar	5.9%	5.9%	5.7%	5.6%
Manufacturing PPI (YoY)	26-Apr	Mar	--	--	--	7.73%
Outstanding Loans MoM%	26-Apr	Mar	--	--	--	0.7%
Chile						
Central Bank's Traders Survey	24-Apr	Apr	--	--	--	--
Central Bank Meeting Minutes	26-Apr	Apr	--	--	--	--
Colombia						
Overnight Lending Rate	26-Apr	Apr 26	3.25%	3.25%	--	3.25%
Mexico						
Retail Sales (INEGI)	22-Apr	Feb	0.5%	1.1%	-2.60%	1.8%
Bi-Weekly CPI	24-Apr	Apr 15	-0.1%	--	-0.09%	0.31%
Bi-Weekly Core CPI	24-Apr	Apr 15	0.06%	--	0.05%	0.02%
Global Economic Indicator IGAE	25-Apr	Feb	0.75%	2.00%	0.4%	3.24%
Trade Balance	26-Apr	Mar	391M	--	--	46.1M
Overnight Rate	26-Apr	Apr 26	4.00%	4.00%	--	4.00%

Most recent Latam reports

Date	Description
25-04-2013	➤ Brazil Flash: COPOM: “vigilant” and focused on 2014
22-04-2013	➤ Mexico Inflation Flash: April’s biweekly CPI: Headline inflation soars driven by persistent supply shocks, while core remains near 3%
22-04-2013	➤ Mexico Flash: Banco de México: Inflation hike anchors the monetary policy rate
22-04-2013	➤ Mexico Economic Watch: Room for accumulating reserves in view of the strength of the exchange rate
22-04-2013	➤ Mexico Real Estate Flash: Let’s not lose sight of the forest...
18-04-2013	➤ Brazil Flash: Monetary conditions are tightened to prevent inflation from running out of control
16-04-2013	➤ Mexico Real Estate Flash: A helping hand for the housing industry
11-04-2013	➤ Peru Flash: Output kept expanding at a strong pace in February
11-04-2013	➤ Mexico Real Estate Flash: Construction activity a step back
11-04-2013	➤ Flash Chile: Central Bank keeps interest rate at 5% and its neutral tone

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