

# Latam Daily Flash

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**Economic Analysis**

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*Headline inflation in Mexico closed the year just below the ceiling of Banxico's target range. Today inflation in Brazil should confirm that risk was tilted to the upside by the end of 2013. We expect Chilean analysts to be forecasting no change in the MPR at the first meeting of 2014. Meanwhile, industrial production in Mexico is likely to signal an upturn in late 2013, led by external demand.*

- **Mexico - Headline inflation closed the year just below the ceiling of Banxico's target range**

Headline inflation came in above expectations, increasing 0.57% MoM in December (BBVAe: 0.47%; consensus: 0.52%). Annual inflation closed the year with an increase of 3.97% YoY (increasing from 3.62% YoY in November), just below the ceiling of Banxico's target range. Core inflation came in at 0.33% MoM, below consensus expectations but a touch above our below-consensus forecast (BBVAe: 0.30%; consensus: 0.35%), equivalent to 2.78% annual inflation (increasing from 2.56% YoY in November). As we anticipated, the strong headline inflation print was led by perishable food price pressures, which were stronger than consensus expectations in the second fortnight of December. Meanwhile, both the goods and services core components registered sharp increases in December, 0.36% MoM and 0.30% MoM, respectively (see our [Mexico Inflation Flash](#) for more details).

- **Peru - Central bank keeps benchmark rate unchanged**

The central bank held its monetary policy rate at 4.0% in January, as largely expected by the market (BBVAe and consensus: 4.0%). This decision was taken in a context of GDP remaining at around its potential level and in the absence of inflationary pressures (see our [Peru Flash](#) for details).

## What to watch today

- **Brazil - Inflation (December, 06:00hrs NYT)**

We expect transport prices to help to drive December monthly inflation up to 0.75% from 0.54% in November. This forecast is consistent with yearly inflation closing the year at 5.73% (vs. 5.84% in 2012). However, preliminary data show that risks are tilted to the upside and thus that inflation could be higher in 2013 than in 2012, frustrating the BCB's implicit goal.

- **Chile - Central Bank Economic Expectations Survey (January, 07:30hrs NYT)**

We expect the survey to reveal forecasts of no change in the monetary policy rate at January's meeting. Additionally, we think the results will point to an increase of around 2.9% YoY for the economic activity index (Imacec) in December and monthly inflation at around +0.2% MoM for January.

- **Mexico - Industrial production (November, 09:00hrs NYT)**

In October, industrial production broke its negative run and rose 0.1 YoY sa, 0.8% MoM sa. The upturn was driven by the manufacturing sector (3.4% YoY sa) and to a lesser extent by utilities (0.6% YoY sa). In November, the IMEF manufacturing index rose 1.9% MoM. The improved sentiment together with the surge in monthly US industrial production (1.3% MoM sa), points to an increase in Mexico's production in the same month. Thus, we expect industrial production to increase 2.6% MoM, equivalent to 1.2% YoY sa.

## 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            | 6 Jan       | Dec           | 0.60%            | --           | 0.65%         | 0.46%        |
| FIPE CPI - Weekly             | 6 Jan       | Dec           | 0.56%            | --           | 0.61%         | 0.50%        |
| PMI Services                  | 6 Jan       | Dec           | --               | --           | 51.7          | 52.3         |
| PPI Manufacturing MoM         | 7 Jan       | Nov           | --               | --           | 0.62%         | -0.37%       |
| Vehicle Sales Anfavea         | 7 Jan       | Dec           | --               | --           | 353843        | 302939       |
| FGV Inflation IGP-DI MoM      | 8 Jan       | Dec           | 0.67%            | --           | 0.69%         | 0.28%        |
| FGV CPI IPC-S                 | 8 Jan       | Jan           | 0.77%            | --           | 0.73%         | 0.69%        |
| Industrial Production MoM     | 8 Jan       | Nov           | -1.00%           | -0.50%       | -0.22%        | 0.60%        |
| CNI Capacity Utilization (SA) | 10 Jan      | Nov           | --               | --           | --            | 82.1%        |
| FIPE CPI - Weekly             | 10 Jan      | Jan           | --               | --           | 0.74%         | 0.61%        |
| IGP-M Inflation 1st Preview   | 10 Jan      | Jan           | 0.58%            | --           | --            | 0.32%        |
| IBGE Inflation IPCA MoM       | 10 Jan      | Dec           | 0.82%            | 0.75%        | --            | 0.54%        |
| <b>Chile</b>                  |             |               |                  |              |               |              |
| Economic Activity YoY         | 6 Jan       | Nov           | 3.10%            | 2.90%        | 2.80%         | 2.80%        |
| Economic Activity MoM sa      | 6 Jan       | Nov           | 0.60%            | 0.40%        | 0.50%         | -0.10%       |
| Trade Balance                 | 7 Jan       | Dec           | \$225M           | \$408M       | \$146M        | \$202M       |
| CPI YoY                       | 8 Jan       | Dec           | 2.90%            | 2.90%        | 3.00%         | 2.40%        |
| CPI MoM                       | 8 Jan       | Dec           | 0.50%            | 0.50%        | 0.60%         | 0.40%        |
| <b>Colombia</b>               |             |               |                  |              |               |              |
| CPI Core MoM                  | 7 Jan       | Dec           | --               | 0.24%        | 0.24%         | -0.09%       |
| Exports FOB                   | 7 Jan       | Nov           | \$4875M          | \$5300M      | \$4934M       | \$4835M      |
| <b>Mexico</b>                 |             |               |                  |              |               |              |
| Vehicle Production AMIA       | 8 Jan       | Dec           | --               | --           | 164221        | 255695       |
| Economic Activity IGAE YoY    | 9 Jan       | Oct           | 1.40%            | 1.20%        | 1.33%         | 0.79%        |
| CPI MoM                       | 9 Jan       | Dec           | 0.52%            | 0.47%        | 0.57%         | 0.93%        |
| Industrial Production YoY     | 10 Jan      | Nov           | 0.04%            | 1.20%        | --            | 0.10%        |
| Gross Fixed Investment        | 10 Jan      | Oct           | -4.80%           | --           | --            | -5.50%       |
| <b>Peru</b>                   |             |               |                  |              |               |              |
| Trade Balance                 | 10 Jan      | Nov           | -\$329M          | --           | --            | -\$303M      |
| Reference Rate                | 10 Jan      | Jan           | 4.00%            | 4.00%        | 4.00%         | 4.00%        |

## Most recent Latam reports

| Date       | Description   |
|------------|---|
| 09-01-2014 | <a href="#">➤ Mexico Inflation Flash: December's inflation</a>  |
| 09-01-2014 | <a href="#">➤ Peru Flash: Monetary policy: no surprises in January</a>  |
| 08-01-2014 | <a href="#">➤ Colombia Flash: December inflation in line with forecasts and places annual inflation slightly below target range</a>                       |
| 08-01-2014 | <a href="#">➤ Chile Flash: December CPI at 0.6% MoM due to increases in transportation fares and fuels</a>  |
| 06-01-2014 | <a href="#">➤ Chile Flash: Monthly activity figures in November 2013 showed signs of stabilization</a>  |
| 03-01-2014 | <a href="#">➤ Mexico Migration Flash: Remittances accumulate four consecutive months of growth</a>  |
| 03-01-2014 | <a href="#">➤ Chile Automobile Market Outlook 2013</a>  |
| 02-01-2014 | <a href="#">➤ Chile Flash: changes in the CPI weights (in Spanish)</a>  |
| 02-01-2014 | <a href="#">➤ Peru Flash: Annual inflation closed 2013 within the target range</a>  |
| 02-01-2014 | <a href="#">➤ Chile Flash: Growth of fiscal expenditure could be higher than 5% in real terms in 2014, among the highest in recent years (in Spanish)</a> |

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