

Latam Daily Flash

23 January 2014 Economic Analysis

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Today Brazil's minutes of the last monetary policy meeting will be published. This could provide insights of a forthcoming decision where we expect that the most likely outcome is an end of the tightening cycle in February. In Mexico, inflation figures should reflect the initial impact on prices of fiscal reform.

Chile - Traders anticipates CPI inflation at +0.2% MoM in January

Traders forecast January's inflation at +0.2% MoM (BBVAe: at least +0.1% MoM), while long-term inflation expectations remain anchored to the central bank's 3% target. Also, results showed forecasts of a 25bp cut in policy rates in February's meeting and another slash of the same size on a 3-month horizon, reaching 4.0% (both in line with our view, and the latter in a context where the bank sees the need for further monetary stimulus). Finally, traders expect further depreciation of the exchange-rate towards USDCLP 550 on a three-month horizon.

What to watch today

Brazil - Minutes of the monetary policy meeting (05:30hrs NYT)

The minutes of last week's monetary policy meeting should reveal the reasons behind the decision to hike the Selic by 50bp rather than 25bp and, more importantly, provide some insights into forthcoming decisions. At the moment, we think that the most likely outcome is that the present tightening cycle ends in February with a 25bp adjustment. However, additional tightening should not be ruled out given the current pressure on inflation (especially on expectations).

Brazil - IPCA-15 (January, 06:00hrs NYT)

We expect January's IPCA-15 to come in at 5.78% YoY (0.82% MoM), showing a slight deceleration in yearly terms (5.85%% YoY in the previous reading) although not in the monthly comparison (0.75% MoM in December). Higher than expected figures should support bets for tighter than expected monetary policy ahead (i.e. the Selic above 10.75%).

Mexico - Inflation (first fortnight of January, 09:00hrs NYT)

The inflation figures will reflect the initial impact on prices of the fiscal reform. We estimate an impact of 0.44pp and 0.29pp on headline and core inflation, respectively. Although our daily perishable food prices monitoring points to a deflation from that component in the first fortnight of the year, bi-weekly inflation is set to be high due to the tax changes that will affect prices of several products. We expect headline inflation to increase 0.55% FoF and core inflation to rise 0.50% FoF. On the basis of these fortnightly increases, headline inflation would surge to 4.5% YoY from 4.0% in December, while core inflation would edge up to 3.1% from 2.8% at the end of last year.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Formal Job Creation Total	21 Jan	Dec	-473000	--	-449444	47486
FIPE CPI - Weekly	20 Jan	Jan	0.75%	--	0.83%	0.74%
Tax Collections	22 Jan	Dec	116000M	--	118364M	112517M
CNI Industrial Confidence	22 Jan	Jan	--	--	53.1	54.3
FGV CPI IPC-S	23 Jan	Jan	0.91%	--	--	0.85%
COPOM Monetary Policy Meeting Minutes	23 Jan	--	--	--	--	--
IBGE Inflation IPCA-15 MoM	23 Jan	Jan	0.79%	0.82%	--	0.75%
FGV Consumer Confidence	24 Jan	Jan	--	--	--	111.5
Current Account Balance	24 Jan	Dec	-\$6700M	--	--	-\$5145M
Chile						
Central Bank's Traders Survey	22 Jan	Jan	--	--	--	--
PPI MoM	24 Jan	Dec	--	--	--	-0.10%
Colombia						
Outstanding Loans	23 Jan	Nov	--	--	--	\$275.8T
Mexico						
ANTAD Same-Store Sales YoY	21 Jan	Dec	0.30%	--	-0.40%	3.40%
Banamex Survey of Economists	21 Jan	--	--	--	--	--
Bi-Weekly Core CPI	23 Jan	Jan	0.64%	--	--	0.08%
Bi-Weekly CPI	23 Jan	Jan	0.63%	--	--	0.32%
Retail Sales YoY	24 Jan	Nov	0.80%	0.87%	--	-1.10%

Most recent Latam reports

Date	Description
22-01-2014	➤ Mexico Economic Watch: The evolution of educational attainment in Mexico and the OECD, 1960-2010 (in Spanish)
22-01-2014	➤ Peru Real Estate Outlook 2013
21-01-2014	➤ Colombia Economic Watch: How good are the employment data?
20-01-2014	➤ Chile Flash: We expect December Imaec between 2.2% and 3.2% YoY and GDP to close 2013 around 4.1%
16-01-2014	➤ Chile Flash: Central bank kept policy rate at 4.5% but includes a dovish bias
16-01-2014	➤ Brazil Flash: Higher inflation and a weaker currency force the COPOM to maintain the tightening pace
15-01-2014	➤ Peru Flash: November GDP reflected momentum of trade and services
14-01-2014	➤ Mexico Banking Flash: Enacting the Financial Reform: a first step in the right direction albeit with several aspects still to be defined
14-01-2014	➤ Financial inclusion and the role of mobile banking in Colombia: developments and potential (in Spanish)
13-01-2014	➤ Mexico Real Estate Outlook: First Half 2014 (in Spanish)

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