

Latam Daily Flash

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Although Banxico pointed out that the balance of risks for inflation has deteriorated, it expects inflation to converge with its target relatively fast. Meanwhile, in line with our view, the traders' survey in Chile reveals expectations of a 25bp cut at February's meeting and another 25bp cut on a 3-month horizon. Today we expect the monetary authority in Peru to leave its policy rate unchanged, in a context of GDP around its potential and no inflationary pressures.

Mexico – Banxico's quarterly inflation report signals its intention to hold rates steady for a prolonged period

Although Banxico did not change its forecasts for economic growth or inflation in its quarterly inflation report, it pointed out that the balance of risks for growth has improved while that for inflation has deteriorated. However, by demonstrating its confidence that inflation is going to remain under control in a context of ample economic slack, it signalled its intention to keep its policy rate unchanged for a prolonged period by repeating that its current monetary policy stance is consistent with inflation converging to Banxico's target. All in all, the last policy statement (somewhat less dovish than expected) together with today's messages (still dovish) suggest that Banxico is aiming at anchoring inflation expectations to avoid any risks of second-round effects arising from January's fiscal shock. We continue to expect Banxico to remain on hold until late 2015

Chile – Further easing is expected for policy rates during 1H14

The survey for the first half of February came out with inflation estimates at around +0.1% MoM for the current month (BBVAe at least +0.1% MoM). The results also reflected expectations of a 25bp cut in the monetary policy rate at February's meeting (according to 83% of respondents), and on a 3-month horizon traders anticipate another 25bp cut towards 4% (according to 55% of respondents). Both median expectations are in line with our view for policy rates. The latter is in a context where long-term inflation expectations are anchored to the central bank's target of 3%. Finally, traders forecast further depreciation of the currency to reach USDCLP 560 on a 3-month horizon.

What to watch today

Brazil – Retail sales (December, 06:00hrs NYT)

We expect retail sales to close the year with limited growth in monthly terms, partially offsetting the impact of a sharp contraction in industrial production in December (-3.5% MoM) and supporting our view that GDP will grow around 0.4% QoQ in the last quarter of 2013.

Peru – Monetary policy meeting (February, 19:30hrs NYT)

We expect the central bank to keep its reference rate on hold for February. This decision is taken in a context of GDP remaining at around its potential level with no inflationary pressures.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	10 Feb	Feb	0.95%	--	0.96%	0.99%
FIPE CPI - Weekly	11 Feb	Feb	0.90%	--	0.86%	0.86%
IGP-M Inflation 1st Preview	11 Feb	Feb	0.39%	--	0.22%	0.37%
Retail Sales MoM	13 Feb	Dec	0.40%	0.60%	--	0.70%
Economic Activity MoM	14 Feb	Dec	-1.10%	-0.40%	--	-0.31%
Formal Job Creation Total	14 Feb	Jan	59348	--	--	-449444
Chile						
Central Bank's Economist Survey	11 Feb	--	--	--	--	--
Central Bank's Traders Survey	12 Feb	--	--	--	--	--
Colombia						
Consumer Confidence Index	13 Feb	Jan	--	--	--	23.2
Colombia Monetary Policy Minutes	14 Feb	--	--	--	--	--
Mexico						
Gross Fixed Investment	10 Feb	Nov	-5.60%	--	-4.50%	-5.60%
Vehicle Production AMIA	10 Feb	Jan	--	--	249400	164221
Industrial Production MoM	11 Feb	Dec	0.20%	0.70%	-0.53%	0.10%
Central Bank Inflation Report	12 Feb	--	--	--	--	--
Central Bank Monetary Policy Minutes	14 Feb	--	--	--	--	--
Peru						
Trade Balance	10 Feb	Dec	\$475M	--	\$552.5M	-\$197M
Reference Rate	14 Feb	Feb	4.00%	4.00%	--	4.00%
Unemployment Rate	14 Feb	Jan	--	--	--	5.70%
Economic Activity YoY	14 Feb	Dec	5.10%	--	--	4.80%

Most recent Latam reports

Date	Description
13-02-2014	➤ Brazil Presentation: moderate growth and need for reforms (in Spanish)
12-02-2014	➤ Chile Economic Outlook: First Quarter 2014 (in Spanish)
12-02-2014	➤ Latam Flash: Trade protocol for the Pacific Alliance signed
11-02-2014	➤ Latam Flash: Pacific Alliance signs trade deal (in Spanish)
11-02-2014	➤ Mexico Real Estate Outlook: First Half 2014
07-02-2014	➤ Mexico Economic Watch: Situation and competitiveness challenges for the Mexican economy
07-02-2014	➤ Mexico Inflation Flash: Price pressures from new taxes should be temporary
07-02-2014	➤ Chile Flash: January's CPI at 0.2% MoM (2.8% YoY) (in Spanish)
07-02-2014	➤ Brazil Flash: Inflation eases (temporarily) at the beginning of the year
06-02-2014	➤ Mexico Economic Watch: Outlook and challenges of competitiveness of the Mexican economy (in Spanish)

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