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# Latam Daily Flash

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Economic Analysis

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*In Mexico retail sales declined in December and are likely to decline again in January due to new taxes and the limited job-creation. Today eyes will be on the monetary policy decision in Brazil, where in line with the latest figures on inflation, economic activity and the exchange rate, we expect a 25bp hike, rather than the 50bp we expected a few months ago.*

### Peru – Cabinet changes: new actors, but technical orientation is maintained

René Cornejo (former housing minister) was sworn in as Prime Minister to replace César Villanueva, and other five new ministers were incorporated. The economic orientation of the Cabinet will be preserved as Luis Castilla will remain as Minister of Economy and Finance. The new cabinet has a very technical bias, with appointees including Piero Ghezzi, former Chief Economist at Barclays Capital, as Minister of Production.

### Mexico – Retail sales declined in December and are likely to contract again in January

Retail sales decreased 2.1% MoM sa in December, more than we expected (-1.2% MoM sa). In annual seasonally-adjusted terms, retail sales increased 2.5% in December, close to our above-consensus forecast (BBVAe: 2.7%, consensus: 0.5%). Retail sales are likely to fall again in January as a reflection of the tax changes, the 1.1% MoM sa drop in ANTAD same-store sales and the limited job-creation in January. Internal demand is still facing a challenging environment in 1Q14.

## What to watch today

### Brazil – Monetary policy decision (unspecified announcement time)

We expect the Monetary Policy Committee to hike the Selic rate by 25bp to 10.75%, rather than by 50bp as in the last six months. This would reflect inflation's downward surprise in January, evidence that economic activity remains weak and that the economy could even have entered into recession at the end of 2013, exchange rate moderation in the last few weeks, and previous official communications highlighting the lagged impact of monetary policy. There is still significant uncertainty regarding the next monetary policy meeting in April. We expect the February adjustment to be the last one. Even though today's accompanying statement could shed some light on future decisions, we see more likely that the monetary authority leaves all doors open.

### Chile – Central Bank Financial Traders Survey (second fortnight in February, 06:30hrs, NYT)

We expect the survey to reveal inflation estimates of around +0.3% MoM for February and expectations of a 25bp cut in the monetary policy rate at the March meeting. This, in a context where long-term inflation expectations remain anchored to the central bank's 3% target. Finally, we also anticipate an exchange-rate forecast in the order of USDCLP 545 on a three-month horizon.

# Calendar: Indicators

| Brazil | Date | Period | Consensus | BBVAe | Actual | Prior |
|---|---|---|---|---|---|---|
| Tax Collections | 25 Feb | Jan | 124050M | -- | 123667M | 118364M |
| FGV Consumer Confidence | 24 Feb | Feb | -- | -- | 107.1 | 108.9 |
| FGV CPI IPC-S | 24 Feb | Feb | 0.68% | -- | 0.69% | 0.78% |
| FIPE CPI - Weekly | 25 Feb | Feb | 0.65% | -- | 0.58% | 0.73% |
| FGV Construction Costs MoM | 25 Feb | Feb | 0.45% | -- | 0.44% | 0.70% |
| Federal Debt Total | 25 Feb | Jan | -- | -- | 2046B | 2123B |
| Selic Rate | 26 Feb | Feb | 10.75% | 10.75% | -- | 10.50% |
| FGV Inflation IGPM MoM | 27 Feb | Feb | 0.30% | -- | -- | 0.48% |
| GDP QoQ | 27 Feb | 4Q | 0.28% | 0.40% | -- | -0.50% |
| Total Outstanding Loans | 27 Feb | Jan | -- | -- | -- | 2715B |
| PPI Manufacturing MoM | 28 Feb | Jan | -- | -- | -- | 0.65% |
| Primary Budget Balance | 28 Feb | Jan | 23.4B | -- | -- | 10.4B |
| CNI Consumer Confidence | 28 Feb | Feb | -- | -- | -- | 113.9 |
| **Chile** | | | | | | |
| Central Bank's Traders Survey | 26 Feb | Feb | -- | -- | -- | -- |
| Manufacturing Index YoY | 28 Feb | Jan | -2.00% | -1.50% | -- | 0.20% |
| Unemployment Rate | 28 Feb | Jan | 5.80% | 5.80% | -- | 5.70% |
| Retail Sales YoY | 28 Feb | Jan | 6.00% | 7.80% | -- | 7.00% |
| **Colombia** | | | | | | |
| Industrial Confidence | 24 Feb | Jan | -- | -- | 6.7 | -1.3 |
| Retail Confidence | 24 Feb | Jan | -- | -- | 24 | 22 |
| Urban Unemployment Rate | 28 Feb | Jan | 12.25% | 12.60% | -- | 9.70% |
| Overnight Lending Rate | 28 Feb | Feb | 3.25% | -- | -- | 3.25% |
| **Mexico** | | | | | | |
| Unemployment Rate SA | 24 Feb | Jan | 4.80% | 4.77% | 4.81% | 4.76% |
| Bi-Weekly CPI | 24 Feb | Feb | 0.18% | 0.23% | 0.12% | 0.12% |
| Bi-Weekly CPI YoY | 24 Feb | Feb | -- | 4.32% | 4.21% | 4.34% |
| Retail Sales YoY | 25 Feb | Dec | 0.40% | 2.70% | 2.20% | 1.90% |
| Current Account Balance | 25 Feb | 4Q | -$4667M | -- | -$4660M | -$5457M |
| Trade Balance | 26 Feb | Jan | 500M | -900M | -- | 1658M |
| **Peru** | | | | | | |
| GDP YoY | 24 Feb | 4Q | 5.20% | 5.20% | 5.20% | 4.40% |
| CPI MoM | 1 Mar | Feb | 0.30% | -- | -- | 0.32% |
| Wholesale Price Index MoM | 1 Mar | Feb | -- | -- | -- | 0.03% |

# Most recent Latam reports

| Date | Description |
|---|---|
| 25-02-2014 | Chile Flash: We expect February CPI at 0.3% MoM and March CPI heading to 0.7% MoM (in Spanish) |
| 25-02-2014 | Mexico Real Estate Flash: In 2013, only banking credit grew, at a rate of 14% (in Spanish) |
| 24-02-2014 | Brazil Economic Outlook: another bumpy year ahead |
| 24-02-2014 | Mexico Inflation Flash: Inflation surprised on the downside in the first fortnight of February |
| 24-02-2014 | Mexico GDP Flash: In 2013 the GDP growth rate was 1.1%, which is in line with our forecast |
| 24-02-2014 | Mexico Regional Sectorial Outlook: First Half 2014 |
| 21-02-2014 | Mexico Flash: GDP growth rate in 2013 was 1.1%, in line with our forecast (in Spanish) |
| 19-02-2014 | Chile Flash: We expect January Imacec between 1.5 and 2.5% YoY (in Spanish) |
| 19-02-2014 | Latam Economic Outlook: First Quarter 2014 (in Spanish) |
| 18-02-2014 | Chile Flash: Central bank cut policy rate by 25bp (at 4.25%) and kept dovish bias |

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