

# Latam Daily Flash

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**Economic Analysis**

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*New base for GDP calculations in Peru implies a greater share to sectors such as mining and exports and less to others such as commerce; this change implies an upward bias to our GDP growth estimates for 2014 and 2015. In Colombia, inflation in February revealed that it continues its path towards the midpoint of the central bank's target range.*

## Peru - Base year for calculating real GDP was updated

The official institute for statistics (INEI) updated the base year for calculating real GDP, from 1994 to 2007. The main feature is the increased share of mining and petroleum in total GDP, going from 5% in 1994 prices to 14% in 2007 prices, while the share of commerce is reduced from 15% to 10%. Similarly, exports have a larger share, of 32% compared with 13% participation with the previous base. To the extent that we expect both mining (on the sectoral side) and exports (on the spending side) to grow at a higher pace than average in the following years, this change would introduce a statistical effect that provides an upward bias to our growth projections for the medium term, particularly in 2014 and 2015 (see our [Peru Flash](#) for more details).

## Brazil - COPOM considers inflation still high and foresees stable economic activity

Minutes of last week's monetary policy meeting where the COPOM decided to hike the Selic by 25bp reveal that the monetary authority considers that inflation is still high in spite of a marginal moderation, and mentions that the authorities should be vigilant to minimise the associated risks. It foresees a stable economic future and recalls that monetary policy changes have a delayed but cumulative impact, and mentioned the volatility in the exchange rate market. Although the COPOM did not close the door on another adjustment, in our view the February hike will be the final one and the Selic rate will be maintained unchanged at 10.75% over the remainder of 2014. However, as inflation will remain under pressure, we expect the BCB and the government to try to use other tools (such as macro-prudential or fiscal policies) during the year to prevent inflation from running out of control.

## Colombia - February inflation stood at 2.32% YoY and is continuing its path towards the midpoint of the target range

In line with our expectations, February's monthly inflation rate stood at 0.63% (Consensus: 0.56% and BBVAe: 0.64%), and annual inflation rose to 2.3%. Tuition (3,82% MoM - seasonal effect), housing (0,61% MoM) and food (0,51% MoM) were the main drivers behind the monthly increase. For the second consecutive month, inflation continued within the objective target range of 2-4%, after having remained below the target range in the last quarter of 2013. Core prices were strong on an annual basis, suggesting room for larger annual variations in the coming months as economic growth strengthens (see our [Colombia Flash](#) for more details).

## What to watch today

### Chile - Consumer Price Index (February, 6:00 hrs NYT)

We expect February CPI to have increased 0.3% MoM (+3.0% YoY), mainly driven by fuel and automobile prices that will be partially offset by a slight decline in foods. In this context, to some extent exchange rate depreciation continues to fuel the inflation figures.

### Chile - Trade Balance (February, 6:30 hrs NYT)

We expect a USD949mn surplus in the February trade balance, driven by our expectations of exports at USD6.2bn (+8.1% YoY), while imports should reach USD5.2bn (-9.4% YoY). Finally, we forecast copper exports in the order of USD3.6bn (+15.0% YoY). In this context, total exports should recover and reflect the normalisation in trade channels after the port strikes during January. Nonetheless, imports will show some deceleration as observed in domestic demand (and in some related sector) figures.

### Mexico - Inflation (February, 09:00hrs NYT)

We expect February headline and core inflation to have increased 0.25% MoM (4.23% YoY) and 0.27% MoM (2.97% YoY), respectively. The lower-than-expected increase in core prices in the first fortnight confirmed the transitory effect on inflation of the fiscal reform, and suggested that inflation continues to benefit from the economic slack. We continue to expect headline inflation to head towards its target in coming months, while core inflation is likely to remain subdued before increasing somewhat in the second half of the year as the economic recovery strengthens.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
Trade Balance Monthly	5 Mar	Feb	-\$3000M	-\$2800M	-\$2125M	-\$4057M
Vehicle Sales Fenabrave	5 Mar	Feb	--	--	259357	312619
FGV CPI IPC-S	6 Mar	Feb	0.60%	--	0.66%	0.69%
COPOM Monetary Policy Meeting Minutes	6 Mar	--	--	--	--	--
FIPE CPI - Monthly	7 Mar	Feb	0.49%	--	0.52%	0.94%
PMI Services	5 Mar	Feb	--	--	50.8	49.6
<b>Chile</b>						
Economic Activity YoY	5 Mar	Jan	1.90%	1.80%	1.35%	2.63%
Central Bank Meeting Minutes	5 Mar	Feb	--	--	--	--
Real Wage MoM	6 Mar	Jan	--	--	0.70%	0.60%
CPI MoM	7 Mar	Feb	0.25%	0.30%	--	0.18%
Trade Balance	7 Mar	Feb	\$650,0	\$949	--	-\$268,0
Copper Exports	7 Mar	Feb	--	\$3551	--	\$2303,0
Vehicle Sales Total	7 Mar	Feb	--	--	--	34224
<b>Colombia</b>						
Exports FOB	3 Mar	Jan	\$4966,6	\$4850	\$4775,2	\$5272,1
CPI MoM	6 Mar	Feb	0.57%	0.64%	0.63%	0.49%
CPI Core MoM	6 Mar	Feb	--	0.80%	0.68%	0.36%
<b>Mexico</b>						
Remittances Total	3 Mar	Jan	1524,3M	--	1578,3M	1798,5M
IMEF Manufacturing Index SA	3 Mar	Feb	50.0	--	50.8	49.7
Consumer Confidence Index	5 Mar	Feb	85.0	82.2*	84.5	84.5
CPI MoM	7 Mar	Feb	0.23%	0.25%	--	0.89%
Bi-Weekly CPI	7 Mar	Feb	0.08%	0.14%	--	0.12%

\*Seasonally-adjusted figure

## Most recent Latam reports

Date	Description
6-03-2014	<a href="#">➤ Latam Economic Outlook: First Quarter 2014</a>
6-03-2014	<a href="#">➤ Presentation on Latam: What to expect from Latin American economies in the current global context?</a>
6-03-2014	<a href="#">➤ Colombia Flash: February inflation stood at 2,32% YoY and is continuing its path towards the midpoint of the target range</a>
6-03-2014	<a href="#">➤ Mexico Economic Outlook: First Quarter 2014</a>
6-03-2014	<a href="#">➤ Peru Flash: Base year for calculating real GDP was updated</a>
5-03-2014	<a href="#">➤ Chile Flash: January Imacec grew 1.4% YoY, below expectations (in Spanish)</a>
5-03-2014	<a href="#">➤ Chile Economic Outlook: First Quarter 2014</a>
5-03-2014	<a href="#">➤ Presentation on Colombia: potential, opportunities and risks (in Spanish)</a>
4-03-2014	<a href="#">➤ Peru Economic Outlook: First Quarter 2014</a>
3-03-2014	<a href="#">➤ Peru Flash: February inflation surprised to the upside and remained outside the target range</a>

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