

Latam Daily Flash

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Economic Analysis

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Also in Brazil, the labour market remains robust but we expect some moderation ahead. Today will have the monetary policy minutes from Chile, where clues about the moderation of the easing bias will shed light on the timing of further cuts that we expect for policy rates during the rest of 2014. Nonetheless, for April's meeting we still expect a pause in rates but conditional on short-term figures for activity and prices.

Brazil - Inflation Report reinforces the view that the tightening cycle is not over yet

Broadly in line with expectations, the BCB revised its inflation forecasts upwards, largely due to the impact of higher food prices. In its baseline scenario, the central bank now expects inflation to close 2014 and 2015 at 6.1% and 5.5%, respectively, in comparison to 5.6% and 5.4% previously. In its alternative scenario, inflation forecasts were adjusted to 6.2% and 5.5% from 5.6% and 5.3%. In addition to that, the report reiterates that the central bank will remain "especially vigilant" and will act to limit the effects of a surge in food price inflation, signalling that the BCB should continue to tighten monetary conditions. We expect a 25bp hike in the Selic to be announced next week. Additional tightening is not our baseline scenario, but additional food pressures or a new round of deterioration of inflation expectations could trigger an extra adjustment.

Brazil - Labour market remains robust

The unemployment rate increased from 4.8% in January to 5.1% in February (BBVAe: 5.3%, consensus: 5.10%) which is the lowest rate for the month of February since 2002, although this increase vs. the previous month has a strong seasonal component. Income in real terms of the employed population grew 3.1% YoY in February, while the expansion in the wage mass was 4.1% YoY. Despite the slight decline in the unemployment rate, the labour market remains robust, the number of employed remained unchanged from the previous year. In the coming months we expect to see more moderation ahead.

What to watch today

Chile - Monetary policy minutes (March, 06.30hrs NYT)

We expect the minutes to shed light on the timing of the further cuts in policy rates that we expect for this year (BBVAe: 3.25% eop). Also, the discussion should reveal the Board's assessment related to the moderation in the easing bias posted in the last communiqué, mainly related to the recent CLP depreciation and the pass-through to headline inflation in the short term. We still consider this as a transitory phenomenon and this view is supported by the recent reverse in CLPUSD, although within a depreciation trend during this year. All in all, for April we still anticipate a pause in the policy rate consistent with a short-term wait and see stance.

Colombia - Current account balance (4Q13, 17:00hrs NYT)

In 4Q13 imports posted a moderate performance that was explained by a strong exchange rate depreciation. This result should offset the lower exports of coal during the same period. As a result the current account deficit should have remained stable at 3.0% of GDP between October and December 2013 and at 3.2% of GDP for the year as a whole.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	24 Mar	Mar	0.85%	--	0.83%	0.84%
Current Account Balance	24 Mar	Feb	-\$8000M	-\$8000M	-\$7445M	-\$11591M
FIPE CPI - Weekly	26 Mar	Mar	0.28%	--	0.76%	0.68%
FGV Consumer Confidence	26 Mar	Mar	--	--	107.2	107.1
FGV Construction Costs MoM	26 Mar	Mar	0.35%	--	0.22%	0.44%
Outstanding Loans MoM	26 Mar	Feb	--	--	0.58	0.07%
Unemployment Rate	27 Mar	Feb	5.10%	5.3%	5.10%	4.80%
FGV Inflation IGPM MoM	28 Mar	Mar	1.53%	--	--	0.38%
Net Debt % GDP	28 Mar	Feb	33.5%	--	--	33.3%
Chile						
PPI MoM	24 Mar	Feb	--	--	-0.30%	0.80%
Colombia						
Industrial Confidence	26 Mar	Feb	--	0	5.8	6.7
Retail Confidence	26 Mar	Feb	--	24.0	21.9	24.0
Current Account Balance	28 Mar	4Q	-\$3300M	--	--	-\$3580M
Mexico						
Unemployment Rate NSA	24 Mar	Feb	4.90%	4.9%	4.65%	5.05%
Bi-Weekly CPI	24 Mar	Mar	0.19%	0.18%	0.17%	0.15%
Economic Activity IGAE YoY sa	25 Mar	Jan	--	1%	0.9%	0.5%
International Reserves Weekly	25 Mar	Mar	--	--	\$180700M	\$181043M
Trade Balance	27 Mar	Feb	-200.0M	-440M	976.3M	-3195.1M
Budget Balance YTD	28 Mar	Feb	--	--	--	-4.9B

Most recent Latam reports

Date	Description
27-03-2014	➤ Mexico Real Estate Flash: Banks' mortgages start 2014 with a growth of 9.7% (in Spanish)
26-03-2014	➤ EAGLEs Economic Outlook: Annual Report 2014
25-03-2014	➤ Chile Flash: March CPI would be at 0.66% MoM (in Spanish)
24-03-2014	➤ Mexico Inflation Flash: Inflation is back to Banxico's tolerance interval
21-03-2014	➤ Colombia Flash: BanRep decided to keep its policy rate unchanged at 3.25% and extend its international reserve purchase program
21-03-2014	➤ Banxico Flash: Fondeo rate unchanged at 3.5%. Slightly dovish tone given the absence of a clear economic recovery
20-03-2014	➤ Latam Economic Watch: Deterioration in Latin America's manufacturing competitive
20-03-2014	➤ Brazil Economic Watch: The Brazilian manufacturing sector loses competitiveness
20-03-2014	➤ Chile Flash: Exchange rate: beware of short-term reversals
20-03-2014	➤ Colombia Flash: A good result of GDP growth in 2013

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