

Latam Daily Flash

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Economic Analysis

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Chilean MP Minutes revealed the Board's intention to introduce further cuts in the MPR but shed no light on the timing. Today we will be watching activity data in Chile where we expect deceleration driven by retail sales and to a lesser extent, manufacturing output.

Peru - Central bank lowered reserve requirements for deposits in domestic currency

Reserve requirements for deposits in domestic currency were cut by 0.5pp to 12.0%, effective from April. The central bank has already lowered these requirements nine times since June last year. The measure will free-up an amount equivalent to almost USD160mn, aimed at driving credit growth in an orderly fashion and stimulating private spending. This is in line with our view that any relaxation of monetary policy will be made using this instrument, leaving interest rates unchanged in the coming months.

Peru - Government awards a concession for Lima's Line 2 Metro project

Consortium "Nuevo Metro de Lima" has been granted the concession of the Lima City Line 2 Metro project by the state agency ProInversión. The required investment amounts to USD6.5bn, of which the government will co-finance USD3.7bn. This is a positive signal of the government's willingness to expedite investment and should in turn have a positive impact on business confidence.

Chile - Minutes of March meeting support further cuts in policy rate during 2014

Minutes of March's meeting shed no light on the timing of the further cuts that we expect for policy rates (BBVAe: 3.25% in 2014eop). Nonetheless, the Minutes clearly showed that the Board's intention is to introduce further increases in monetary stimulus, although this intention will remain data-dependent. The Board's main concerns were over the faster than estimated deceleration in activity and demand, and also related to CLP depreciation and the pass-through to headline inflation in the short term. Both we and the Board consider the latter as a transitory phenomenon, supported by the recent reverse in USDCPL, although within a depreciation trend over this year. All in all, for April's meeting we still anticipate a pause in policy rates, but this decision will be particularly sensitive to short-term figures for activity, prices and inflation expectations.

What to watch today

Chile - Activity data by sector (February, 08:00hrs NYT)

We estimate a sharper deceleration in retail sales to reach 0.9% YoY in February, mainly driven by a decline in durable consumption (automobiles), while manufacturing output should decrease by around 1.5% YoY, similar to the previous month's print.

Chile - Unemployment rate (February, 08:00hrs NYT)

We expect the unemployment rate to remain stable at 6.3% in February. Increases in job-creation should fully offset rises in the participation rate (increases in the labour force). Despite job-creation in February, we still expect changes in the composition of employment towards the more fragile self-employment. In this context, the unemployment rate will trend upwards during the rest of 2014.

Colombia - Unemployment rate (February, 11:00hrs NYT)

We are forecasting the urban unemployment rate to reach 11.5% (a 0.8pp decrease YoY), similar to last month's figure (seasonally-adjusted). Job-creation figures (YoY) should be similar to those reported for February in recent years.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
CNI Consumer Confidence	31 Mar	Mar	--	--	--	108.8
FGV CPI IPC-S	1 Apr	Mar	0.81%	--	--	0.83%
PPI Manufacturing MoM	1 Apr	Feb	--	--	--	1.50%
Trade Balance Monthly	1 Apr	Mar	\$100M	--	--	-\$2125M
FIPE CPI - Monthly	2 Apr	Mar	0.78%	--	--	0.52%
Industrial Production MoM	2 Apr	Feb	0.45%	0.5%	--	2.86%
Selic Rate	2 Apr	--	11.00%	11.00%	--	10.75%
Vehicle Production Anfavea	4 Apr	Mar	--	--	--	281452
Chile						
Manufacturing Index YoY	31 Mar	Feb	-0.50%	-1.5%	--	-1.44%
Unemployment Rate	31 Mar	Feb	6.3%	6.3%	--	6.1%
Retail Sales YoY	31 Mar	Feb	5.4%	0.9%	--	6.8%
Colombia						
Urban Unemployment Rate	31 Mar	Feb	11.5%	11.5%	--	12.3%
Budget Balance	31 Mar	Feb	--	--	--	--
Colombia Monetary Policy Minutes	4 Apr	--	--	--	--	--
CPI MoM	5 Apr	Mar	0.32%	0.16%	--	0.63%
Mexico						
Remittances Total	1 Apr	Feb	1709.6M	1662M	--	1578.3M
IMEF Manufacturing Index SA	1 Apr	Mar	51.3	--	--	50.8
Consumer Confidence Index	3 Apr	Mar	85.5	85.6	--	84.5
Central Bank Monetary Policy Minutes	4 Apr	--	--	--	--	--
Peru						
CPI MoM	1 Apr	Mar	0.53%	0.50%	--	0.60%

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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