

Latam Daily Flash

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Economic Analysis

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We expect inflation in Peru to fluctuate around the upper limit of the target rate due to supply factors affecting food prices. In Colombia export data confirms our outlook of little recovery in industry. Today eyes will be on the monetary policy decision in Brazil where we expect a 25bp rise.

Peru - Annual inflation was lower in March but remained outside the range

The 0.5% MoM increase in March's headline inflation was in line with market expectations (BBVAe: 0.5%; consensus: 0.6%) and was mainly linked to a seasonal rise in tuition fees. With this, annual inflation stood at 3.4%, lower than the previous month (3.8%), but still above the target range (2% +/- 1pp). We estimate that in the coming months, inflation will fluctuate around the upper limit of this range, due to supply factors that will affect food prices. In this context, we have modified our inflation forecast for end-2014 to 2.7% (see our [Peru Flash](#)).

Colombia - Low manufacturing exports do not help to improve the outlook for the industry

In February, exports fell 8.5% YoY due to lower shipments of oil, precious metals and automobiles to the US, Germany and Chile. The export figure requires an equivalent (or higher) adjustment in imports, as in previous months, to avoid excessive pressures on the current account balance. Furthermore, it confirms our outlook of a late recovery in the industrial sector and in exports, which we do not expect to happen before June.

What to watch today

Brazil - Industrial production (February, 08:00hrs NYT)

After expanding 2.9% MoM in January, we expect industrial production to make further gains in February, although not as much as in the previous reading, and to continue to erase at least part of the losses recorded at the end of 2013. There are no grounds for optimism regarding industrial production in the next few months.

Brazil - Monetary policy decision (unspecified announcement time)

Both we and consensus expect the BCB to hike the Selic by 25bp to 11.0%. In our view, the most likely outcome is that the accompanying statement is left unchanged, but we would not be surprised by any changes indicating that the end of the current tightening cycle is close (or even that it is over).

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
CNI Consumer Confidence	31 Mar	Mar	--	--	108.8	108.8
FGV CPI IPC-S	1 Apr	Mar	0.81%	--	0.85%	0.83%
PPI Manufacturing MoM	1 Apr	Feb	--	--	0.51%	1.43%
Trade Balance Monthly	1 Apr	Mar	\$100M	--	\$112M	-\$2125M
FIPE CPI - Monthly	2 Apr	Mar	0.78%	--	0.74%	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%	-1.97%	-1.44%
Unemployment Rate	31 Mar	Feb	6.3%	6.3%	6.1%	6.1%
Retail Sales YoY	31 Mar	Feb	5.4%	0.9%	5.3%	6.8%
Colombia						
Urban Unemployment Rate	31 Mar	Feb	11.5%	11.5%	11.2%	12.3%
Budget Balance	2 Apr	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	1677.3M	1578.3M
IMEF Manufacturing Index SA	1 Apr	Mar	51.3	--	52.7	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%	0.5%	0.52%	0.60%

Most recent Latam reports

Date	Description
1-04-2014	➤ Uruguay Flash: 2013 finished with good growth but high external deficit (in Spanish)
1-04-2014	➤ Peru Flash: Annual inflation was lower in March but remained outside the range
1-04-2014	➤ Mexico Migration Flash: Remittances stay on growth path: increased 5.7% in February
31-03-2014	➤ Chile Flash: Activity data by sector anticipates Imacec at 2.4% YoY in February
31-03-2014	➤ Chile Flash: As expected, once again Central Bank reduced forecast growth range for 2014
31-03-2014	➤ Chile Flash: Public expenditure grows 6.1% YoY in February and execution in the first two months of 2014 is the largest of the last four years (in Spanish)
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

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