

Latam Daily Flash

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Economic Analysis

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In Mexico, investment surprised to the downside offering further proof that internal demand is off to a weak start in 1Q14. In Brazil, we expect inflation to continue trending up in the next few months in spite of the recent appreciation in the exchange rate. In contrast, in Mexico inflation should come in within Banxico's tolerance interval in March.

Chile - CPI inflation at +0.8% MoM does not compromise the central bank's baseline scenario

March's CPI increased 0.8% MoM (+3.5% YoY), slightly above both our and the market's expectations (+0.7% MoM). As expected the figure was mainly driven by increases in education and gasoline prices, while a slight surprise came from the food component. Exchange rate depreciation is still pushing the price of imported goods up, although at a decreasing rate, mainly in automobiles and fuels as also reflected by the tradable price index (+0.9% MoM). In this context, the core inflation measures (CPIXs) increased by 0.7% MoM, while the one excluding food and energy rose +0.8% MoM. For April's CPI inflation we estimate a range between -0.1/+0.1% MoM, with negative contributions from fuels mainly due to short-term CLP appreciation. All in all, with the information at hand we still see as the most probable scenario another 25bp cut in the MPR to 3.75% at April's monetary policy meeting (see our [Chile Flash](#) for details).

Mexico - Investment surprises to the downside

The fixed investment index for January 2014 posted an annual growth rate of -2.4%. Weakness was broad-based with both components; construction and machinery and equipment, decreasing 2.7% YoY and 1.9% YoY, respectively. We had expected a 0.7% YoY for January on the back of continuing weakness in construction (BBVAe: -2.4% YoY) but anticipating a 7.5% YoY growth in machinery and equipment, given the signs of recovery it had shown recently, rising from -2.7% YoY in October 2013 to 3.1% in November 2013 and to 8.9% YoY in December 2013. The overall weak investment report not only demonstrates that investment continues to lag behind the external led economic recovery but it may also be indicating that it will take longer for the economy to get on a firm footing.

What to watch today

Brazil - Inflation - IPCA (March, 08:00hrs NYT)

We expect food prices to drive annual and monthly inflation up to, 6.01% YoY and 0.78% MoM respectively in March, from 5.68% YoY and 0.69% MoM in February. Consequently, annual inflation should breach the 6.0% YoY mark after six months below that level. More significantly, we expect inflation to continue to trend up in the next few months and breach the 6.5% mark (the ceiling of the target range) by the middle of the year even though the recent appreciation of the exchange rate should take some pressure off prices.

Mexico - Inflation (March, 09:00hrs NYT)

Inflation should come in within Banxico's tolerance interval in March, while core inflation should stay below 3.0%. We anticipate a monthly increase of 0.27% for headline inflation, which in annual terms should decrease to 3.75% from 4.23% in February (and 3.89% in the first half of March). For core inflation we forecast a MoM rise of 0.18%, equivalent to 2.85% in annual terms (2.98% in February; 2.84% in the first half of March). In contrast to the first half of the month, in the second fortnight lemon prices should have fallen after the sharp increases registered in the two previous fortnights, but this fall may be partially offset by increases in the prices of other staples such as tomatoes. The monthly data will confirm that the balance of risks has improved as inflation continues to benefit from the slack in the economy.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-DI MoM	7 Apr	Mar	1.59%	--	1.48%	0.85%
FGV CPI IPC-S	8 Apr	Apr	0.91%	--	0.96%	0.85%
FIPE CPI - Weekly	9 Apr	Apr	0.75%	--	--	0.76%
IGP-M Inflation 1st Preview	9 Apr	Apr	0.81%	--	--	1.16%
IBGE Inflation IPCA MoM	9 Apr	Mar	0.85%	0.78%	--	0.69%
COPOM Monetary Policy Meeting Minutes	10 Apr	--	--	--	--	--
Chile						
Economic Activity MoM	7 Apr	Feb	0.1%	0.5%	0.20%	0.49%
Real Wage MoM	7 Apr	Feb	--	--	-0.2%	0.7%
Trade Balance	7 Apr	Mar	\$1400M	\$1694M	\$1702M	\$1237M
Copper Exports	7 Apr	Mar	--	\$3484M	\$3605	\$3794M
CPI MoM	8 Apr	Mar	0.7%	0.7%	0.84%	0.48%
Central Bank's Traders Survey	9 Apr	--	--	--	--	--
Central Bank's Economist Survey	10 Apr	--	--	--	--	--
Colombia						
CPI Core MoM	7 Apr	Mar	--	0.16%	0.31%	0.68%
Consumer Confidence Index	9 Apr	Mar	--	23	--	15.7
Central Bank's Economists Survey	11 Apr	--	--	--	--	--
Mexico						
Gross Fixed Investment	8 Apr	Jan	-1.0%	0.9%	-2.39%	0.74%
Vehicle Production AMIA	7 Apr	Mar	--	--	277314	248017
CPI MoM	9 Apr	Mar	0.30%	0.27%	--	0.25%
CPI Core MoM	9 Apr	Mar	0.18%	0.18%	--	0.28%
ANTAD Same-Store Sales YoY	9 Apr	Mar	-1.2%	1.5%	--	-0.2%
Nominal Wages	10 Apr	Mar	--	--	--	4.3%
Industrial Production MoM	11 Apr	Feb	0.45%	0.96%	--	0.51%
Peru						
Trade Balance	7 Apr	Feb	--	--	\$58M	-\$679M
Reference Rate	10 Apr	Apr	4.00%	4.00%	--	4.00%

Most recent Latam reports

Date	Description
08-04-2014	➤ Chile Flash: CPI inflation at +0.8% MoM does not compromise Central Bank's baseline scenario (in Spanish)
07-04-2014	➤ Chile Flash: Monthly activity surprises to the upside in February (in Spanish)
07-04-2014	➤ Colombia Flash: March inflation stood at 2,51% YoY, explained by food prices and regulated items
07-04-2014	➤ Mexico Real Estate Flash: Banking loans for mortgages grew 9.7% in January
04-04-2014	➤ Mexico Banking Flash: Credit to the private sector: 8.7% growth in February
03-04-2014	➤ Uruguay Flash: Slight slowdown in inflation due to recent measures (in Spanish)
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

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