

# Latam Daily Flash

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**Economic Analysis**

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*Inflation in Brazil jumped up in March and is expected to continue in an upwards trend. In contrast, in Mexico inflation remains under control. Today all eyes will be on the Monetary Policy meeting in Peru where we expect the CB to keep its reference rate on hold. Also the minutes from last MP meeting in Brazil should reinforce our view of that the BCB is looking to bring the tightening cycle to an end in May. Finally, in Chile the trader's survey published yesterday anticipated a transitory pause in monetary easing.*

## Brazil - Inflation jumps in March and will soon breach the 6.5% target ceiling

Following a sharp increase in food prices, annual inflation reached 6.15% in March, significantly higher than in February (5.68%). After remaining within the 5.5% and 6.0% range for the last six months, inflation is expected to breach the 6.5% mark by the middle of the year and then remain between 6.0% and 7.0% until the end of 2014. Following the release of today's figures, as well as more signs suggesting that energy prices will increase more than anticipated, we have adjusted our forecast for inflation at the end of 2014 up to 6.2% YoY from 6.0% YoY previously. Moreover, we now attach a significant probability of inflation closing 2014 above the 6.5% target ceiling (see our [Brazil Flash](#) for more details).

## Mexico - Inflation returned to Banxico's tolerance interval in March

Headline inflation increased 0.27% MoM in March, exactly in line with our below-consensus forecast (BBVAe: 0.27%, consensus: 0.30%). In annual terms, headline inflation decelerated to 3.76% from 4.23 in February and 3.89% in the first half of March. Core inflation increased 0.21% MoM, slightly above expectations (BBVAe: 0.18%, consensus: 0.19%). The upside surprise in core prices was driven by a higher than anticipated increase in other services prices (0.37% MoM; BBVAe: 0.23%) which were pushed up by a 0.57% MoM increase in food related services and a 5.77% increase in flight fares. In annual terms, core inflation decreased to 2.89% from 2.98% in February (see our [Mexico Inflation Flash](#) for more details).

## Chile - Traders expect a pause in policy rates during April

The trader's survey for the first half of April came out with inflation estimates at around +0.1% MoM for the current month (in line with our view). The results also reflected expectations of a pause at 4.0% in the policy rate at April's meeting according to 70% of the respondents (BBVAe: 3.75%), and on a six-month horizon traders anticipate a 25bp cut to 3.75% according to 60% of the respondents. The latter is in a context where long-term inflation expectations are well-anchored to the central bank's target of 3%. Finally, traders forecast a contained depreciation of the currency to reach USDCLP 556 on a 3-month horizon.

## What to watch today

### Brazil - Minutes of the monetary policy meeting (7:30hrs NYT)

We expect the minutes to reinforce the perception that the BCB wants to bring the ongoing tightening cycle to an end in May, but that upward surprises in inflation could force it to deliver another 25bp adjustment in its next meeting.

**Chile - Economic expectations survey (April, 7:30hrs NYT)**

We expect the survey to reveal forecasts of a 25bp cut in the monetary policy rate at this month's meeting, to 3.75%, as the most likely option. Additionally, we think the results will point to an increase of around 3.5% YoY in the economic activity index (Imacec) in March, and headline inflation of +0.1% MoM for April.

**Peru - Monetary policy meeting (April, 19:30hrs NYT)**

We expect the central bank to keep its reference rate on hold for April. This decision is taken in a context of GDP remaining at around its potential level, with no important inflationary pressures.

**Calendar: Indicators**

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
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%	--	0.73%	0.76%
IGP-M Inflation 1st Preview	9 Apr	Apr	0.81%	--	0.72%	1.16%
IBGE Inflation IPCA MoM	9 Apr	Mar	0.85%	0.78%	0.92%	0.69%
COPOM Monetary Policy Meeting Minutes	10 Apr	--	--	--	--	--
<b>Chile</b>						
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	--	--	--	--	--
<b>Colombia</b>						
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	--	--	--	--	--
<b>Mexico</b>						
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%	0.27%	0.25%
CPI Core MoM	9 Apr	Mar	0.18%	0.18%	0.21%	0.28%
ANTAD Same-Store Sales YoY	9 Apr	Mar	-1.2%	1.5%	-2.4%	-0.2%
Nominal Wages	10 Apr	Mar	--	--	--	4.3%
Industrial Production MoM	11 Apr	Feb	0.45%	0.96%	--	0.51%
<b>Peru</b>						
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	<a href="#">➤ Brazil Flash: Inflation jumps in March and will soon breach the 6.5% target ceiling</a>
08-04-2014	<a href="#">➤ Mexico Inflation Flash: Inflation returned to Banxico's tolerance interval in March</a>
08-04-2014	<a href="#">➤ Mexico Economic Watch: Social Security reform (in Spanish)</a>
08-04-2014	<a href="#">➤ Financial Inclusion Economic Watch: Voluntary long-term savings in Chile (in Spanish)</a>
08-04-2014	<a href="#">➤ Brazil: Brazilian economy perspectives (video)</a>
08-04-2014	<a href="#">➤ Latam: Deterioration in Latin America's manufacturing competitiveness (video)</a>
08-04-2014	<a href="#">➤ Latam: Second generation reforms for Latin America (video)</a>
08-04-2014	<a href="#">➤ Chile Flash: CPI inflation at +0.8% MoM does not compromise Central Bank's baseline scenario (in Spanish)</a>
07-04-2014	<a href="#">➤ Chile Flash: Monthly activity surprises to the upside in February (in Spanish)</a>
07-04-2014	<a href="#">➤ Colombia Flash: March inflation stood at 2,51% YoY, explained by food prices and regulated items</a>

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