

ECONOMIC ANALYSIS

Analysts in Chile expect increased monetary stimulus in the coming months

Chile Unit / Colombia Unit / Latin America Unit / Mexico Unit / Peru Unit

Today we will be watching out for the minutes of the last monetary policy meeting in Brazil, among other data, which could provide information on what to expect from the next such meeting in a difficult context of anaemic growth and high inflation at the beginning of year; our call is for an additional 25bp hike.

Chile – Traders still calling for further and long-lasting monetary stimulus

The traders' survey came out with inflation estimates for January at -0.3% MoM (BBVAe: between -0.3/-0.2% MoM). Long-term inflation expectations (13 to 24 months ahead) remain decoupled at 2.8%, below the central bank's 3.0% target. A pause at 3.0% in the policy rate is projected for the short-term, but results revealed expectations of further and long-lasting monetary stimulus, with rates reaching 2.50% on a six-month horizon (BBVAe: at least 2.50% in 2015 eop). Finally, traders forecast that the currency will be around USDCLP 630 on a three-month horizon.

What to watch today

Brazil – Monetary policy minutes (5:30hrs NYT)

The minutes of last week's monetary policy meeting should shed some light on the BCB's next moves. The statement accompanying the decision to raise the Selic by 50bp last Wednesday suggest that the monetary authority will rule out either delivering another 50bp adjustment or adopting a final 25bp hike (our call) at its next meeting at the beginning of March.

Brazil – Labour market report (December, 06:00hrs NYT)

We expect the report to continue to reveal a gradual deterioration in labour markets at the end of 2014. Even though the unemployment rate is expected to decline, that should be entirely explained by seasonal factors.

Chile – Activity data by sector (December 2014, 07:00hrs NYT)

We expect manufacturing output and retail sale to remain sluggish, with around 0.0% YoY figures. Nonetheless, we expect other sectors (such as services) to account for a mild recovery in aggregate activity figures during the last month of 2014.

Colombia – Unemployment rate (November, 11:00hrs NYT)

According to our forecasts, the urban unemployment rate stood at 9.2% in December 2014. With that figure the average urban unemployment rate of the year would stand at 9.9%, almost 9 percentage points below the level observed in 2001 (year in which the average unemployment rate stood at 18.1%). The good performance of the labour market in terms of job-creation and particularly in terms of formal employment generation during the year seems to reflect not only the good economic performance of the year but also the active labour policies introduced by the government.

Colombia – Imports and trade balance (November, 16:00hrs NYT)

We expect imports to settle at USD4,965 mn, falling 1.4% YoY. The currency depreciation and the moderation in private investment could explain this reduction. Meanwhile, the trade balance should be negative (-USD909 mn.), as export growth was negative in November due to lower oil shipments. All in all, it is likely that the current account deficit for 4Q14 could be wider than it was in previous quarters.

Calendar indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
BZ Tax Collections	26-Jan	Dec	122451M		104470M	104470M
BZ FIPE CPI - Weekly	27-Jan	Jan 23	1.10%		1.27%	0.87%
BZ Outstanding Loans MoM	27-Jan	Dec	--		2.00%	1.30%
BZ COPOM Monetary Policy Meeting Minut	29-Jan	--	--		-	0
BZ FGV Inflation IGPM MoM	29-Jan	Jan	0.61%		0.76%	0.62%
BZ Unemployment Rate	29-Jan	Dec	4.60%	4.70%	--	4.80%
BZ CNI Consumer Confidence	30-Jan	Jan	--		0	109.2
BZ PPI Manufacturing MoM	30-Jan	Dec	--		0	1.16%
BZ Primary Budget Balance	30-Jan	Dec	9.85		0	-8.1B
Chile						
CL Manufacturing Index YoY	29-Jan	Dec	0	0.00%	1.14%	-1.10%
CL Retail Sales YoY	29-Jan	Dec	0	1.75%	0.38%	0.40%
CL Copper Production Total	29-Jan	Dec	--		--	477432
CL Central Bank Meeting Minutes	30-Jan	--	--		0	0
CL Unemployment Rate	30-Jan	Dec	6%	6.10%	0	6.10%
Colombia						
CO Overnight Lending Rate	30-Jan	Jan 30	4.50%		0	4.50%
CO Trade Balance	29-Jan	Nov	-\$1343,15		0	-\$1356.7
CO Urban Unemployment Rate	29-Jan	Dec	8.92%		0	8.70%
CO National Unemployment Rate	29-Jan	Dec	--		0	7.70%
Mexico						
MX Retail Sales YoY	26-Jan	Nov	3.70%	1.92%	1,2%	5.60%
MX Retail Sales MoM	26-Jan	Nov	--	0.95%	0,8%	-0.10%
MX Trade Balance	27-Jan	Dec	654.2M	1200.0M	254M	-1076.4M
MX Economic Activity IGAE YoY	27-Jan	Nov	2.30%		2.00%	2.54%
MX Overnight Rate	29-Jan	Jan 29	3%	3.00%	-	3.00%
MX Net Outstanding Loans	30-Jan	Dec	--		-	2686B

Most recent Latam reports

Date	Description
23.01.2015	Mexico weekly: In Mexico, annual inflation has surprised to the downside
22.01.2015	Brazil Flash: The SELIC rate is adjusted by +50bp. in line with expectations
19.01.2015	Mexico weekly: Annual inflation will fall sharply in the first half of January
15.01.2015	Flash Peru: Surprisingly, the CB cuts the MPR (in Spanish)
15.01.2015	Flash Peru: The weak GDP data in Peru increases pressure on monetary policy meeting (in Spanish)
09.01.2015	Brazil Flash: Inflation closes 2014 slightly below the target ceiling
08.01.2015	Chile Flash: December's CPI inflation declined 0.4% MoM, closing 2014 with +4.6% YoY
08.01.2015	Mexico Flash: Annual inflation fell for the second month in a row and will show a sharp slowdown in January

- 08.01.2015 [Mexico: The Central Bank Report on the Financial System](#)
- 06.01.2015 [Chile Flash: Central bank announces emissions of USD2,200mn \(in Spanish\)](#)
- 06.01.2015 [Colombia Flash: Inflation accelerates to 3.66% in 2014](#)
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