

Latam Daily Flash

21 February 2013 Economic Analysis

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Yesterday December's index of economic activity in Brazil showed a small increase, as we expected, supporting our call for 0.6% QoQ growth in 4Q12. Trade data supported our view that in the first quarter of 2013 consumption should start to recover in Colombia and private spending (consumption and investment) will be an important support for growth in Peru. Meanwhile, Chile announced a contribution of USD2bn to its sovereign wealth funds, coherent with its fiscal rules and in line with our expectations. Today we expect retail sales and service sector income data in Mexico, which should provide some clues about the expected dynamics of economic activity in 1Q13.

Brazil - December's Economic Activity Index in line with market expectations

BCB's Economic Activity Index for December revealed a 0.3% MoM increase in the sa series, in line with market expectations, and slightly above ours (0.2% MoM). The figure is evidence of a slowdown since November's result of 0.6% MoM (revised from a previous 0.4% MoM), in line with what we saw in retail sales last Tuesday. This result backs our 4Q12e GDP growth forecast of 0.6% QoQ.

Colombia - Trade surplus in 2012 below 2011 number

Last year's trade surplus was USD4,916mn, slightly below the 2011 surplus of USD5,422mn. In December, the trade balance reached USD677mn, half of that recorded in December 2011. Likewise, December imports stood at USD4,480mn (-0.5% YoY), driven by the stronger pace in consumer goods, in line with our outlook for a recovery in household consumption in 1Q13e. In our view, the smaller trade surplus should not have much effect on last year's current account deficit (to be published in March, BBVAe: -3.1% of GDP), since the domestic adjustment should have curbed the deficits on the services account and in factor income.

Peru - Imports returned to double-digit growth in January

After recording a contraction in December (-3.2%), imports increased 14.4% (YoY in USD) in January. Capital goods imports accelerated to 23% and consumer goods increased 12%. This supports our view that private spending will continue to provide an important support to GDP growth in the first quarter of the year.

Chile - Minister of Finance announced a contribution of USD2.0bn to sovereign funds

Yesterday, the Chilean Minister of Finance announced a contribution of USD2.0bn to the sovereign funds, in line with our expectation of a contribution around USD1.5bn, mainly due to an estimated 2012 fiscal surplus of 0.6% of GDP, plus an additional saving of USD0.5bn. The allocation comprises USD1.3bn for the FRP (Pensions Reserve Fund) and USD0.7bn for the FEES (Economic and Social Stabilisation Fund). This is coherent with fiscal responsibility rules that force the government to save surpluses. All in all, sovereign funds will accumulate a total of USD22.9bn (8.5% of GDP, approximately), increasing the room for potential countercyclical measures.

What to watch today

Mexico - Retail sales (December, 9:00 hrs, NYT)

We forecast a lower annual expansion of retail sales in December (vs. 3.5% YoY in November), in line with the advance release of chain store sales, which revealed a slowdown. Formal payroll and credit expansion are still supportive, but household consumption remains subdued.

Mexico - Service sector income (December, 9:00 hrs, NYT)

Services income (other than financials) was better than expected in the GDP release for 4Q12. Hence we expect the monthly release to confirm similar dynamics for December. Despite the upward trend since September, it will be important to monitor the degree of deceleration in sectors linked to manufacturing.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	18-Feb	Feb-21	0.62%	--	0.55%	0.88%
FIPE CPI - Weekly	19-Feb	Feb-18	0.86%	--	0.83%	1.01%
FGV Preview Inflation IGP-M	19-Feb	Feb-14	0.37%	--	0.34%	0.41%
Retail Sales (MoM)	19-Feb	Dec	0.80%	0.80%	-0.50%	0.30%
Economic Activity Indx MoM SA	20-Feb	Dec	0.30%	0.20%	0.26%	0.40%
CAGED Formal Job Creation	21-22 Feb	Jan	47500	--	--	-496944
IBGE CPI IPCA-15 (MoM)	22-Feb	Feb	0.61%	0.60%	--	0.88%
Current Account - Monthly	22-Feb	Jan	-\$9500M	--	--	-\$8413M
Colombia						
Exports FOB - US\$ million	18-Feb	Dec	--	\$4852	\$4932.7	\$4732.4
Outstanding Loans (YoY)	20-Feb	Dec	--	--	15.23%	14.60%
Trade Balance	20-Feb	Dec	\$312M	\$480	\$677.3	-\$183.2
Imports CIF - US\$ million	20-Feb	Dec	--	\$4600	\$4480.3	\$5166.9
Retail Sales (YoY)	22-Feb	Dec	3.95%	4.00%	--	6.70%
Industrial Production (YoY)	22-Feb	Dec	-2.10%	-5.40%	--	-4.10%
Overnight Lending Rate	22-Feb	Feb-26	3.75%	3.75%	--	4.00%
Mexico						
GDP (YoY)	18-Feb	4Q	3.30%	3.10%	3.20%	3.30%
Global Economic Indicator IGAE	18-Feb	Dec	1.60%	2.30%	1.40%	4.14%
Retail Sales (INEGI)	21-Feb	Dec	2.00%	3.80%	--	3.50%
Unemployment Rate	22-Feb	Jan	4.98%	5.00%	--	4.47%
Bi-Weekly CPI	22-Feb	Feb-19	0.19%	0.20%	--	0.40%
Bi-Weekly Core CPI	22-Feb	Feb-20	0.19%	0.20%	--	0.47%
Peru						
GDP YoY	22-Feb	4Q	6.30%	--	--	6.50%

Most recent Latam reports

Date	Description
20-2-2013	➤ Chile Economic Outlook 1Q13
20-2-2013	➤ Peru Economic Outlook - First Quarter 2013 (in Spanish)
19-2-2013	➤ Latam Economic Outlook. First Quarter 2013 (in spanish)
19-2-2013	➤ Mexico Economic Outlook: First Quarter 2013 (in spanish)
18-2-2013	➤ Mexico GDP Flash. In line with estimates, GDP grew 3.9% yoy in 2012
15-2-2013	➤ Mexico Weekly Flash. GDP in 4Q12 set to see a similar growth rate to 3Q
15-2-2013	➤ Mexico Real Estate Flash. 2013, a year of transition for the housing market
15-2-2013	➤ Chile Flash: Central Bank keeps both the monetary policy rate at 5% and its neutral stance
15-2-2013	➤ Peru Flash: GDP surprises to the downside in December
14-2-2013	➤ Brazil Economic Outlook - First Quarter 2013

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