

Latam Daily Flash

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Economic Analysis

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Industrial production in Brazil surprised to the downside in February, but we still expect GDP growth to reach 1% MoM in 1Q13e. The Brazilian government continues to stimulate the economy (and thus moderate inflation) by reducing taxes on loans and postponing planned tax hikes on autos, a pattern that we expect to continue going forward. In Chile, the central bank revised upwards its growth projections for 2013 and continues to assume stable rates in the medium term. Meanwhile, in Peru, exports continued to fall in February, but their reduced contribution to growth is being compensated by strong domestic demand, as also evidenced yesterday by a significant increase in cement consumption. Today should be a quiet day in Latam, with no major indicators expected to be published.

Brazil - Industrial production declined sharply in February

After expanding by 2.6% MoM in January, industrial output dropped 2.5% MoM in February. The decline surprised to the downside (BBVAe: -1.6% MoM; consensus: -2.0% MoM). The high volatility of the indicator in the last few months is in line with the results posted by the auto sector (where output declined 9.1% MoM in February after a 6.1% increase in January). Overall, industrial production data suggest that economic activity lost momentum in February after a strong January. Anyway, it is still consistent with our forecast GDP growth of 1.0% QoQ in 1Q13e.

Brazil- Government cuts tax on investment and infrastructure credit

With the aim of providing extra stimulus to economic activity, the government set to zero the IOF tax on loans extended to energy, infrastructure, technology and capital goods. The measure follows the announcement made over last weekend saying that the hike in the IPI tax on autos, which was planned to be adopted in April, had been postponed until 2014. This postponement had the double goal of boosting economic activity and reducing inflation. We think that more measures like these are likely to be adopted in the months ahead.

Chile - Central bank raises GDP growth forecast for 2013 and sets upward bias

In its monetary policy report released yesterday, the bank adjusted upwards its GDP growth forecast by 0.25 pp to 4.5%-5.5% in 2013, setting an upward bias. In terms of prices, the bank expects inflation to reach 2.8% YoY by December, slightly below its previous projection. Additionally, it estimates a current account deficit of 4.4% of GDP. In terms of domestic risks, it highlights the dynamism of domestic demand which is somewhat offset by external risks (which have, however, eased somewhat lately). In this context, the bank is assuming a stable monetary policy rate in the medium term, in line with market expectations (see our [Chile Flash](#) for details).

Peru - Exports fell for the third consecutive month in February

According to a preliminary release by the National Statistical Institute, nominal exports contracted 22.5% YoY in February. This result was mainly due to a 26.8% fall in traditional exports (minerals and other primary products), which follows similar readings in December and January. According to these figures, exports were weaker than expected in 1Q13, although this was mostly offset by the robustness of domestic demand at the aggregate activity level.

Peru - Domestic cement consumption increased by 14.5% YoY in February

Cement consumption continued to post double-digit growth, despite the statistical effect of one trading day less than in the same month last year. This result, which anticipates the performance of construction in February, has been mainly driven by the good momentum in both public and private investment spending.

What to watch today

No major indicators expected today

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	1-Apr	2-mar	0.74%	--	0.72%	0.78%
PMI Manufacturing	1-Apr	Mar	--	--	51.8	52.5
Trade Balance (FOB) - Monthly	1-Apr	Mar	\$100M	--	\$164M	-\$1276M
Industrial Production sa (MoM)	2-Apr	Feb	-2%	-1.60%	-2.5%	2.50%
FIPE CPI - Monthly	3-Apr	Mar	-0.15%	--	-0.17%	0.22%
PMI Services	3-Apr	Mar	--	--	--	52.1
Vehicle Sales (Anfavea)	04-09 APR	Mar	--	--	--	235109
Chile						
Central Bank Meeting Minutes	1-Apr	1-ene	--	--	--	--
Central Bank 1Q monetary policy report (IPOM)	2-Apr	1-ene	--	--	--	--
Economic Activity Indx YoY NSA	5-Apr	Feb	4.80%	4.50%	--	6.70%
Colombia						
Producer Price Index (MoM)	4-Apr	Mar	--	--	--	0.17%
Vehicle Sales	04-09 APR	Mar	--	--	--	22888
Colombia Monetary Policy Minutes	5-Apr	1-ene	--	--	--	--
Consumer Price Index (MoM)	6-Apr	Mar	0.25%	0.30%	--	0.44%
Mexico						
Remittances (USD)	1-Apr	Feb	1715M	1672.0M	1589.9M	1471.6M
IMEF Manufacturing Index NSA	1-Apr	Mar	52	--	51.3	51.5
IMEF Non Manufacturing NSA Index	1-Apr	Mar	52.1	--	51.3	51.1
Consumer Confidence	4-Apr	Mar	97.6	97.6	--	95.5
Peru						
Consumer Price Index (MoM)	1-Apr	Mar	0.55%	0.54%	0.91%	-0.09%
Wholesale Prices (MoM)	1-Apr	Mar	--	--	0.28%	0.08%

Most recent Latam reports

Date	Description
01-04-2013	➤ Flash Chile: Central Bank raises GDP growth forecast for 2013 and sets upward bias
01-04-2013	➤ Flash Chile: Central Bank kept its neutral stance in March meeting
01-04-2013	➤ Mexico Migration Flash: Remittance to Mexico recorded eight consecutive-months with declines
01-04-2013	➤ Flash Peru: Inflation was higher than expected in March
28-3-2013	➤ Flash Chile: Industrial activity moderates its pace, in contrast to dynamism in retail sales. Unemployment rate reached 6.2%
27-3-2013	➤ Mexico Migration Flash: Would had remittances declined again in February?
23-3-2013	➤ Mexico Banking Flash: Financial System Stability Council: the Mexican financial system maintains an adequate level of resistance to turbulence
22-3-2013	➤ Flash Colombia: BanRep cut policy rate by 50 bps to 3.25%
22-3-2013	➤ Mexico Inflation Flash: March`s bi-weekly inflation: Food-driven upside surprise; temporary increase and low and stable core inflation keep monetary policy expectations unchanged
21-3-2013	➤ Mexico Banking Flash: ICAP: banks pass the first Basel III test

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