

# Latam Daily Flash

10 April 2013  
Economic Analysis

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Headline inflation in Mexico increased in March, although the balance of risks has not changed significantly and going forward core prices should remain stable. Meanwhile, in Colombia, exports decelerated in February as a result of negative (but temporary) supply shocks in the coal industry, while consumer confidence in March remained unchanged. Today markets will focus on inflation in Brazil, and the latest monetary analysis by the Central Bank in Chile, in both cases looking for clues regarding future interest rate decisions.

## Mexico - The hike in March's annual inflation is mostly explained by transitory factors

Headline inflation in March was 0.73% (vs. BBVAe 0.67 and consensus 0.69%), and the annual inflation increased from 3.55% in February to 4.25% at the end of 1Q13. Around 94% of this increase can be explained by non-core prices. Core prices were lower than expected and should remain anchored (core inflation of 3.02% in March). The balance of risks on inflation has not changed significantly; meanwhile the balance on activity continues to signal weakness.

## Colombia - Exports decelerated in February after temporary shocks in the mining sector

Exports fell 6.6% YoY, in a month with temporary supply shocks mainly affecting the coal industry (strikes and regulatory sanctions) which fell 51.8% YoY. Industrial exports continued with their gradual recovery, concentrated in medium-high technology, although with shipments below the average in 2007-2012 reflecting a weak growth in 1H13. All in all, export numbers anticipate sluggish 1Q13 export and GDP growth rates.

## Colombia - Consumer confidence remained unchanged in March

Consumer confidence stood at 14.8 in March (range between -100 and 100), similar to February's print (14.9). Households improved their assessment of the current situation, but were less optimistic about economic conditions for the next twelve months. Consumers' willingness to purchase durable goods remained high (26.3), in line with the recent policy rate cuts. These levels fall in line with our negative outlook on 1Q13 private consumption, suggesting as well that deteriorating confidence should have bottomed-out in March when Colombia was still facing union strikes.

## What to watch today

### Chile - CB Economic Expectations and Financial Traders Survey (April, 07:30 hrs NYT)

We expect the surveys to show expectations of no changes in the monetary policy for both tomorrow's meeting and in the medium term, in line with our estimates. The figures should also reveal forecasts of 4.5% YoY increase for the economic activity index (Imacec) in March and inflation estimates at -0.3% MoM for April.

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

Inflation should decline in March in monthly terms and continue to trend up (nearing or even breaking the through 6.5% level) in annual terms. The figure will be key in determining monetary policy ahead: if inflation falls short of the consensus forecast (0.50% MoM; 6.62% YoY) as we are expecting (0.38% MoM; 6.49% YoY), the probability of monetary tightening ahead will decline; however if it surprises to the upside, the likelihood of monetary tightening will increase.

**Chile - Monthly Monetary Policy Analysis (April, 17:00 hrs NYT)**

We still expect the central bank's monthly analysis to show a balance between domestic and external risks, justifying its neutral stance on monetary policy, even though recent developments have nudged risk towards the domestic side. In a context of well anchored long-term inflation expectations, the interpretation of the analysis should support our expectation of the monetary policy rate remaining unchanged at 5.0% in tomorrow's meeting..

**Calendar: Indicators**

| <b>Brazil</b>                 | <b>Date</b> | <b>Period</b> | <b>Consensus</b> | <b>BBVAe</b> | <b>Actual</b> | <b>Prior</b> |
|-------------------------------|-------------|---------------|------------------|--------------|---------------|--------------|
| FGV CPI IPC-S                 | 8-Apr       | Apr 7         | 0.68%            | --           | 0.71%         | 0.72%        |
| FIPE CPI - Weekly             | 9-Apr       | Apr 7         | -0.11%           | --           | -0.11%        | -0.18%       |
| FGV Inflation IGP-DI          | 9-Apr       | Mar           | 0.21%            | --           | 0.31%         | 0.20%        |
| CNI Capacity Utilization      | 9-Apr       | Feb           | 83.70%           | --           | 82.60%        | 84.00%       |
| IBGE Inflation IPCA (MoM)     | 10-Apr      | Mar           | 0.50%            | 0.38%        | --            | 0.60%        |
| Economic Activity Indx MoM SA | 10-17 APR   | Feb           | -0.70%           | --           | --            | 1.29%        |
| FGV Preview Inflation IGP-M   | 11-Apr      | 2-mar         | 0.25%            | --           | --            | 0.24%        |
| Retail Sales (MoM)            | 11-Apr      | Feb           | 1.50%            | --           | --            | 0.60%        |
| <b>Chile</b>                  |             |               |                  |              |               |              |
| CPI (MoM)                     | 8-Apr       | Mar           | 0.30%            | 0.40%        | 0.40%         | 0.10%        |
| Trade Balance in US\$ Million | 8-Apr       | Mar           | \$500            | \$700M       | \$1134M       | \$68.0       |
| Copper Exports                | 8-Apr       | Mar           | --               | \$3400       | \$3381        | \$3192.0     |
| Nominal Overnight Rate Target | 11-Apr      | Apr 11        | 5.00%            | 5.00%        | --            | 5.00%        |
| <b>Colombia</b>               |             |               |                  |              |               |              |
| Vehicle Sales                 | 9-Apr       | Mar           | --               | --           | 22888         | 22888        |
| Exports FOB - US\$ million    | 9-Apr       | Feb           | --               | \$4350       | \$4667.8      | \$4734.7     |
| Consumer Confidence           | 10-16 APR   | Mar           | --               | 10           | --            | 14.9         |
| <b>Mexico</b>                 |             |               |                  |              |               |              |
| Gross Fixed Investment        | 8-Apr       | Jan           | 3.60%            | 3.60%        | 4.60%         | -2.40%       |
| Vehicle Production (AMIA)     | 8-Apr       | Mar           | --               | --           | 238519        | 246197       |
| Trade Balance                 | 9-Apr       | Feb F         | --               | --           | 46.1M         | 46.1M        |
| Consumer Prices (MoM)         | 9-Apr       | Mar           | 0.69%            | 0.67%        | 0.73%         | 0.49%        |
| Consumer Prices Core (MoM)    | 9-Apr       | 2-mar         | 0.35%            | 0.34%        | 0.30%         | 0.51%        |
| Bi-Weekly CPI                 | 9-Apr       | 2-mar         | 0.26%            | 0.19%        | 0.31%         | 0.52%        |
| Industrial Production (YoY)   | 11-Apr      | Feb           | 0.90%            | 0.90%        | --            | 1.70%        |
| <b>Peru</b>                   |             |               |                  |              |               |              |
| Trade Balance (INEI)          | 10-Apr      | Feb           | -\$165M          | --           | --            | -\$468M      |
| Reference Rate                | 12-Apr      | Apr           | 4.25%            | 4.25%        | --            | 4.25%        |

## Most recent Latam reports

| Date       | Description  |
|------------|--|
| 09-04-2013 | <a href="#">➤ Mexico Inflation Flash: March's CPI: Supply shocks push headline inflation upwards; However Core inflation remains bounded</a>   |
| 08-04-2013 | <a href="#">➤ Flash Chile: Inflation reached 0.4% MoM in March due to increases in education and food prices</a>                               |
| 08-04-2013 | <a href="#">➤ Colombia Flash: Consumer inflation rebounded in March to 1.91% YoY, with signs of recovery in core inflation</a>                 |
| 05-04-2013 | <a href="#">➤ Flash Chile: Economic activity slows in February</a>   |
| 01-04-2013 | <a href="#">➤ Flash Chile: Central Bank raises GDP growth forecast for 2013 and sets upward bias</a>   |
| 01-04-2013 | <a href="#">➤ Flash Chile: Central Bank kept its neutral stance in March meeting</a>   |
| 01-04-2013 | <a href="#">➤ Mexico Migration Flash: Remittance to Mexico recorded eight consecutive-months with declines</a>                                 |
| 01-04-2013 | <a href="#">➤ Flash Peru: Inflation was higher than expected in March</a>  |
| 28-3-2013  | <a href="#">➤ Flash Chile: Industrial activity moderates its pace, in contrast to dynamism in retail sales. Unemployment rate reached 6.2%</a> |
| 27-3-2013  | <a href="#">➤ Mexico Migration Flash: Would had remittances declined again in February?</a>  |

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