

Latam Daily Flash

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Economic Analysis

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The Central Bank of Brazil decided to hike the SELIC rate by 25bp to 7.50%, in line with our call. We expect the monetary tightening cycle started yesterday to be softer than in the past, and thus that the SELIC rate will remain at relatively low levels at the end of the cycle. Today we await trade data for Colombia.

Brazil - Monetary conditions are tightened to prevent inflation from running out of control

The BCB decided to raise the SELIC rate by 25bp to 7.50%. The decision was in line with our call, but did not match the expectations of a relevant part of the market (some expected a 50bp hike and other no hike at all). In the communiqué, the BCB revealed that inflation is the main source of concerns, even though domestic and “especially” external uncertainties remain high, requiring caution ahead. Taking into account these uncertainties and our perception that this cycle will be adopted to anchor medium-term inflation expectations around 5.5% (and not to drive inflation down to the 4.5% target) we expect a soft monetary adjustment ahead: three 25bp adjustments in the next three meetings, the last of these three hikes could be aborted as by then we expect inflation pressures to ease somewhat (see our [Brazil Flash](#) for more details)

What to watch today

Colombia - Imports and balance of trade (February, 17:00 hrs NYT)

We expect a trade surplus of USD556mn (vs. a deficit of USD213mn in January), despite the weak performance of mining exports. This dynamic should be offset by a reduction in imports of 9% YoY, explained by lower purchases of transportation equipment, both for commercial and private use, and raw materials and capital goods for the industry.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
CAGED Formal Job Creation	17-Apr	Mar	110000	--	112450	123446
FGV Inflation IGP-10 (MoM)	16-Apr	Apr	0.35%	--	0.18%	0.22%
FGV CPI IPC-S	16-Apr	Apr 15	0.66%	--	0.65%	0.71%
FIPE CPI - Weekly	17-Apr	Apr 15	0.01%	--	0.08%	-0.11%
SELIC Target - Central Bank	17-Apr	Apr 17	7.50%	7.50%	7.50%	7.25%
IBGE CPI IPCA-15 (MoM)	19-Apr	Apr	0.46%	0.43%	--	0.49%
Colombia						
Outstanding Loans	17-Apr	Feb	--	--	\$248.16B	\$248.2B
Trade Balance	18-Apr	Feb	\$204.5	\$556	--	-\$213.3
Retail Sales (YoY)	19-Apr	Feb	1.35%	2.80%	--	1.30%
Industrial Production (YoY)	19-Apr	Feb	-2.70%	-4.50%	--	-1.70%
Mexico						
ANTAD Same-Store Sales (YoY%)	15-Apr	Mar	--	--	5.90%	0.20%
Unemployment Rate	19-Apr	Mar	4.67%	4.80%	--	4.85%
Peru						
Unemployment	15-Apr	Mar	6.60%	--	6.40%	6.40%
Economic Activity Indx YoY NSA	15-Apr	Feb	5.90%	5.00%	4.98%	6.20%

Most recent Latam reports

Date	Description
18-04-2013	➤ Brazil Flash: Monetary conditions are tightened to prevent inflation from running out of control
16-04-2013	➤ Mexico Real Estate Flash: A helping hand for the housing industry
11-04-2013	➤ Peru Flash: Output kept expanding at a strong pace in February
11-04-2013	➤ Mexico Real Estate Flash: Construction activity a step back
11-04-2013	➤ Flash Chile: Central Bank keeps interest rate at 5% and its neutral tone
11-04-2013	➤ Flash Peru: No surprises in April monetary policy meeting
10-04-2013	➤ Brazil Flash: Inflation breaches target ceiling in March
10-04-2013	➤ Mexico Real Estate Flash: New drop in construction production
10-04-2013	➤ Mexico Real Estate Flash: The hand that rocks the cradle in the mortgage market
10-04-2013	➤ Mexico Banking Flash: Lending to private sector: double-digit growth persist

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