

Latam Daily Flash

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Economic Analysis

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Colombia's sovereign rating was upgraded to BBB by S&P due to "a stronger fiscal profile, growing domestic capital markets, and favorable long-term prospects for GDP growth". In Mexico, in annual terms headline inflation jumped in line with our expectations (to 4.72%) on supply shocks, as core inflation remained close to 3.0%. Finally, in Brazil the current account continued to deteriorate and in March posted the largest deficit since 2002 and today the minutes of the latest monetary policy meeting in Brazil should provide more information for markets to fine-tune their expectations about the ongoing monetary tightening cycle..

Colombia - S&P raised sovereign credit rating to BBB

Standard and Poor's upgraded Colombia's foreign currency rating to BBB (Outlook stable) from BBB- (Outlook positive). The drivers were the reducing vulnerability to external shocks, "a stronger fiscal profile, growing domestic capital markets, and favorable long-term prospects for GDP growth". The new rating is in line with BBVA Research credit rating models, and S&P joins DBRS, which upgraded Colombia's rating to BBB in March. The upgrade should further enhance foreign portfolio flows to Colombia, that as of early April had increased by 28% YtD.

Colombia - Trade and industrial confidences in March posted mixed results

Trade confidence rose to 14.9 (vs. 12.9 in February), with an improvement in sales expectations for 2H13, despite a more pessimistic assessment of the current economic situation. Industrial confidence was in the pessimistic zone for the second month in a row. All components of industrial confidence deteriorated in MoM terms. We expect a sharper slowdown in private investment for FY13e vs. FY12, while trade confidence suggests that household consumption should post recovery signals in 2Q13.

Mexico - Annual inflation soars while core remains close to 3.0%

April's biweekly inflation fell -0.09% FoF, in line with our forecast (-0.12% FoF). In annual terms it rose from 4.25% YoY in March to 4.72% YoY. Core inflation increased 0.05% FoF in line with our estimate and slightly below the market consensus (0.08 FoF), remaining stable around 3% in annual terms. Non-core inflation rose from 8.3% YoY in March to 10.4% YoY as the supply shocks that have affected it recently persist. We expect non-core inflation to fall in H213e, allowing inflation to decrease in coming months, closing the year at around 3.8% YoY.

Brazil - Current account deficit reaches 2.9% of GDP in March

Broadly in line with forecasts, the current account deficit reached USD6.8bn in March, taking the annual deficit to USD67bn. As a share of GDP, the annual deficit reached 2.9%. This is the largest deficit since 2002 as the trade surplus reached 0.5% of GDP, the lowest result since the end of 2001, and the deficits in the income and service accounts totaled 3.6% of GDP, the second-worst figure since 2006. We expect the recovery of exports, which dropped 7.7% YoY in the first quarter, during the remainder of the year to prevent the current account from any further significant deterioration. We forecast that the current account will close the year at USD72bn (3.0% of GDP), but recent data adds an upside bias to this forecast.

Chile - Financial Traders' Survey reveals inflation of -0.2% MoM in April

The Financial Traders Survey for the second half of April anticipates a monthly inflation rate of -0.2% for current month, slightly above our estimate of -0.3% MoM. In addition, results show expectations of a stable monetary policy rate for the whole survey horizon, in contrast to our baseline scenario, which considers a brief cycle of hikes during 1Q14. Finally, traders forecast the exchange rate at USD/CLP 480 on a 3-month horizon.

What to watch today

Brazil – Monetary policy minutes (April, 07:30hrs NYT)

The monetary minutes should supply more details about the BCB's decisions to hike the SELIC rate by 25bp to 7.50% last week. We expect the minutes support our view of a soft monetary tightening, meaning no more than three additional 25bp adjustments in the next few months.

Mexico – IGAE (February, 09:00hrs NYT)

With the industrial output figures (0.5% MoM) already known, we forecast services slowing from 0.4% MoM in January to 0.2% in February. This would mean the Global Indicator posting 0.1% MoM growth which, in annual terms equates to 2.0%.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	24-Apr	Apr 22	0,18%	--	0,17%	0,08%
FGV Consumer Confidence	24-Apr	Apr	112.00	--	113.8	113.9
FGV CPI IPC-S	24-Apr	Apr 23	0.59%	--	0.54%	0.65%
Current Account - Monthly	24-Apr	Mar	-\$6300M	--	-\$6873M	-\$6625M
FGV Construction Costs (MoM)	25-Apr	Apr	0.76%	--	--	0.28%
COPOM Monetary Policy Meeting Minutes	25-Apr	Apr	--	--	--	--
Unemployment Rate	25-Apr	Mar	5.9%	5.9%	--	5.6%
Manufacturing PPI (YoY)	26-Apr	Mar	--	--	--	7.73%
Outstanding Loans MoM%	26-Apr	Mar	--	--	--	0.7%
Chile						
Central Bank's Traders Survey	24-Apr	Apr	--	--	--	--
Central Bank Meeting Minutes	26-Apr	Apr	--	--	--	--
Colombia						
Overnight Lending Rate	26-Apr	Apr 26	3.25%	3.25%	--	3.25%
Mexico						
Retail Sales (INEGI)	22-Apr	Feb	0.5%	1.1%	-2.60%	1.8%
Bi-Weekly CPI	24-Apr	Apr 15	-0.1%	--	-0.09%	0.31%
Bi-Weekly Core CPI	24-Apr	Apr 15	0.06%	--	0.05%	0.02%
Global Economic Indicator IGAE	25-Apr	Feb	0.75%	2.00%	--	3.24%
Trade Balance	26-Apr	Mar	391M	--	--	46.1M
Overnight Rate	26-Apr	Apr 26	4.00%	4.00%	--	4.00%

Most recent Latam reports

Date	Description
22-04-2013	➤ Mexico Inflation Flash: April's biweekly CPI: Headline inflation soars driven by persistent supply shocks, while core remains near 3%
22-04-2013	➤ Mexico Flash: Banco de México: Inflation hike anchors the monetary policy rate
22-04-2013	➤ Mexico Economic Watch: Room for accumulating reserves in view of the strength of the exchange rate
22-04-2013	➤ Mexico Real Estate Flash: Let's not lose sight of the forest...
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

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