

# Latam Daily Flash

23 December 2013  
Economic Analysis

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*This is the last edition of our Daily Latam Flash before the holidays. We will be back on 3 January. Season's Greetings and Happy New Year!*

*In addition to the widely-expected decision of maintaining interest rates at 3.25% in Colombia, the main news at the end of the last week was the BCB's 4Q13 Inflation Report, which was less dovish than we expected but still in line with our view that the end of the tightening cycle is close.*

## Colombia - BanRep kept the monetary policy rate unchanged at 3.25% and said that it will continue to accumulate international reserves in 1Q14

The central bank remained optimistic about economic activity and the Board decided unanimously to maintain unchanged its monetary policy rate at 3.25%. The continued optimistic tone of the central bank and the unanimous decision rules out any rate changes until the second quarter of 2014. During 2014, the discussion will be centred on the timing of the first interest-rate hike, which we anticipate in April 2014. Finally, the Board announced it will continue to accumulate up to USD1bn in international reserves during 1Q14, in line with our expectations (see our [Colombia Flash](#) for more details).

## Brazil - BCB sees weaker growth in 2013 and lower inflation in 2014

In line with the minutes of the most recent monetary policy meeting, the 4Q13 Inflation Report released on Friday emphasized that monetary policy impacts inflation with lags (suggesting that the end of the tightening cycle is close) and that the current environment requires that it remain "especially vigilant" (suggesting that maintaining the 50bp pace of adjustment at its next meeting is still an option). The report also contained the BCB's updated inflation forecasts: 5.8% for 2013 (unchanged vs. the 3Q13 report), 5.6% in 2014 (vs. 5.7% previously) and 5.3%-5.4% in 2015 (no forecasts for this period had been published previously). These projections are in line with the BCB's implicit goal of setting inflation into a downward trend (reinforcing the view that the tightening cycle is close). Finally, the monetary authority cut its 2013 GDP forecast to 2.3% (from 2.5% three months ago) and stated that growth should remain close to this level in 2014.

## What to watch during the holidays

### Brazil

Among the few indicators that will be released between 23 December and 3 January, we highlight November's **fiscal report** (27 December), which should show how close the government is to meeting 2013's primary surplus targets (and of delivering a less expansive fiscal policy), and the December **trade balance** (2 January), which should be around USD1.0bn, preventing the yearly balance of trade being in deficit this year (in 2012 the trade balance posted a USD19.4bn surplus).

## Chile

During the coming days we will be expecting **activity data and labor figures** for November and the **minutes of December's monetary policy meeting** (all data will be released on 30 December). Retail sales should expand 8.5% YoY, consistent with further deceleration in durable goods. Meanwhile, we expect manufacturing output to decrease by 0.8% YoY and mining production to expand around 5.5% YoY. Although we forecast the unemployment rate remaining at 5.8% in November, labor market figures should point to a deceleration in job-creation. On the basis of our assumptions, we anticipate a monthly aggregate activity growth (Imacec) between 2.5% and 3.5% YoY in November. The latter is still consistent with our GDP growth forecast of 4.2% for 2013e. Finally, the monetary policy minutes should highlight inflationary concerns that would anticipate a stable policy rate in the short term.

## Colombia

The main indicators that will be released between 23 December and 3 January are **industrial and retail confidence** (November), the **unemployment rate** (November), **inflation** (December) and **BanRep minutes** (from the December meeting). Industrial confidence could reveal further deterioration, as industrial production fell again in October. However, we think retail confidence is likely to continue to recover, boosted by expectations of good November employment data. Inflation should finish the year at 1.9%, which implies a rebound in food prices in December. Finally, BanRep's minutes will reveal its assessment of the temporary or permanent nature of the recently observed low inflation and its growth perspectives for the economy in 2014.

## Mexico

The main indicators that will be released between 23 December and 3 January are **inflation** in the first fortnight of December (23 December), which we estimate at 0.38% on the back of additional food-price pressures and the recently announce increase in subway fares, December's **IMEF Manufacturing index** (2 January), which could show improvement driven by the recent strengthening of the US industrial sector, and December's **consumer confidence** (2 January), which could provide additional signs of economic recovery given that recent indicators have surprised to the upside, particularly the unexpected improvement in the labor market and the stronger than expected increase in retail sales.

## Peru

December's **CPI** will be released on 3 January and our preliminary estimate is 0.3%, mainly reflecting seasonal factors partially offset by the reversal of supply shocks that have been affecting food and fuel prices in recent months. As a result, annual inflation should be 3.0%, just at the upper limit of the target range (2% +/- 1pp).

## 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	26 Dec	25 Dec	0.73%	--	--	0.75%
Central Govt Budget Balance	26 Dec	Nov	29,5B	--	--	5.4B
FGV Inflation IGPM YoY	27 Dec	Dec	5.54%	--	--	5.60%
Primary Budget Balance	27 Dec	Nov	30,45B	--	--	6.2B
FGV CPI IPC-S	2 Jan	31 Dec	--	--	--	--
PMI Manufacturing	2 Jan	Dec	--	--	--	49.7
Trade Balance Monthly	2 Jan	Dec	\$1400M	\$1000M	--	\$1740M
Vehicle Sales Fenabrave	3 Jan	Dec	--	--	--	302950
<b>Chile</b>						
Central Bank's Traders Survey	26 Dec	--	--	--	--	--
Manufacturing Index YoY	30 Dec	Nov	-1.50%	-0.80%	--	-3.20%
Retail Sales YoY	30 Dec	Nov	8.75%	8.50%	--	13.40%
Copper Production Total	30 Dec	Nov	--	504865	--	507694
Unemployment Rate	30 Dec	Nov	5.80%	5.80%	--	5.80%
Central Bank Meeting Minutes	30 Dec	--	--	--	--	--
<b>Colombia</b>						
Industrial Confidence	24 Dec	Nov	--	-2	--	-1.4
Retail Confidence	24 Dec	Nov	--	19	--	17.5
National Unemployment Rate	30 Dec	Nov	--	--	--	7.80%
Urban Unemployment Rate	30 Dec	Nov	8.80%	8.70%	--	8.70%
Budget Balance	31 Dec	Nov	--	--	--	-\$7123B
PPI YoY	2 Jan	Dec	--	--	--	-1.33%
Colombia Monetary Policy Minutes	3 Jan	--	--	--	--	--
CPI MoM	3 Jan	Dec	0.20%	0.24%	--	-0.22%
<b>Mexico</b>						
Bi-Weekly CPI	23 Dec	Dec	0.37%	0.45%	--	0.02%
Trade Balance	26 Dec	Nov	-800M	522.4M	--	-128.9M
Budget Balance YTD	30 Dec	Nov	--	--	--	-218.1B
Net Outstanding Loans	31 Dec	Nov	--	--	--	2449B
IMEF Manufacturing Index NSA	2 Jan	Dec	--	--	--	50.7
IMEF Non-Manufacturing Index NSA	2 Jan	Dec	--	--	--	51.3
Consumer Confidence Index	2 Jan	Dec	92.1	92.1*	--	94.2
Leading Indicators (MoM)	2 Jan	Nov	--	--	--	0.02
<b>Peru</b>						
CPI MoM	1 Jan	Dec	0.20%	0.30%	--	-0.22%
Wholesale Price Index MoM	1 Jan	Dec	--	--	--	--

\*Seasonally adjusted figure

## Most recent Latam reports

Date	Description
20-12-2013	<a href="#">➤ Colombia Flash: BanRep decided unanimously to keep its policy rate unchanged at 3.25% and continue on accumulating international reserves</a>
20-12-2013	<a href="#">➤ Mexico Banking Watch: Banxico Financial System Report (in Spanish)</a>
20-12-2013	<a href="#">➤ Colombia Economic Watch: How good are employment data? (in Spanish)</a>
20-12-2013	<a href="#">➤ Chile Economic Watch: Bullish scenario for chilean long-term interest rates (in Spanish)</a>
19-12-2013	<a href="#">➤ Mexico Flash: Standard and Poor's raised Mexico's credit rating to BBB+ from BBB; outlook is stable</a>
19-12-2013	<a href="#">➤ Colombia Flash: Colombia recorded its highest annual growth since the first quarter of 2012</a>
19-12-2013	<a href="#">➤ Chile Flash: November Imacec would be between 2.5% and 3.5% YoY (0.5% MoM sa) (in Spanish)</a>
19-12-2013	<a href="#">➤ Chile Real Estate Outlook 2013 (in Spanish)</a>
17-12-2013	<a href="#">➤ Colombia Real Estate Outlook 2013</a>
16-12-2013	<a href="#">➤ Peru Flash: GDP rebounded in October</a>

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