

# Latam Daily Flash

*Industrial production contracted in Brazil in November, revealing that the manufacturing sector remains weak and downplaying the chance of more robust GDP growth in 4Q12. In Colombia, both inflation figures and monetary policy minutes paved the way for the maintenance of a dovish tone by the central bank in the months ahead. Today the focus will be on Chile, with the release of figures for the economic activity index and the balance of trade.*

## **Brazil – Industrial production contracted in November**

Industrial production declined 0.6% MoM in November. The figure was broadly in line with our forecast (-0.5% MoM) and somewhat better than expected by consensus (-0.9% MoM). Even though the result surprised most analysts to the upside, October data was revised downwards to 0.1% MoM from 0.9% MoM. All in all, in our view the incoming data continues to reveal the weakness of the manufacturing sector in Brazil and reinforces the perspectives of low GDP growth in Q412e.

## **Brazil – Sovereign fund and state companies' dividends used to meet 2012 fiscal target**

The government raised BRL15.8bn (around 0.4% of GDP) from the sovereign fund and state companies' profits to enable it to meet the "adjusted" fiscal target in 2012 (the initial target was a primary surplus of 3.1% of GDP; the "adjusted" one, which deducts infrastructure investment from the initial target, is around 2.2%). The need to generate extra fiscal resources is due to weak revenues and rising expenditure. In 2013e, we expect fiscal policy to continue to be expansionary and the primary surplus to remain well below the 3.2% average recorded in the last decade.

## **Chile – Central bank and Ministry of Finance announced their issuance program for 2013**

The central bank's issuance program for 2013 is for USD3.1bn (USD2.1bn in 5-year bonds and USD1bn in 10-year bonds). The program includes both nominal and CPI-linked bonds and includes USD4.8bn due in 2013, mainly concentrated in 5-year bonds. In a separate release, the Ministry of Finance announced its program of public debt issuance. The program includes USD5.0bn of long-term nominal bonds (36% of total amount) and CPI-linked bonds (64% of total amount), as well as a new 30-year nominal bond for 2013.

## **Colombia – CPI inflation stood at 2.44% YoY (0.09% MoM)**

Consumer inflation fell to 2.44% YoY in December (vs. 2.77% in November). The largest increase was observed in non-tradable goods (0.24% YoY), although the increase was less than a year ago, mainly due to lower demand pressures as December's seasonal factor was mainly demand-driven. Non-food prices stood at 2.40% YoY (vs. 2.68% in November), which gives the central bank monetary scope; although the board is divided in its views, it maintains a dovish tone.

## **Colombia – December central bank minutes reveal a divided BanRep**

The minutes revealed a three-way division in the latest decision to cut interest rates. The majority of the board asked for a 25bp cut, based on newly available information (mainly the sluggish 3Q12 GDP growth released the day before the meeting). Other board members asked for a 50bp interest-rate cut (instead of the 25bp cut eventually agreed), stating that "almost all indicators denote a manifest deterioration". Only one member voted for stability. Although the board expects a rebound in economic activity in 2013, the minutes suggest that the board maintains a dovish tone that could materialize in a further monetary support should leading indicators not show a rebound.

## **What to watch today**

### **Chile – Monthly economic activity index (November, 06:30 hrs, NYT)**

We expect the monthly economic activity index (Imacec) print to show an increase of 4.9% YoY in November (0.5% MoM sa), below the October figure, mainly driven by the slowdown in manufacturing production and despite dynamic retail sales. In addition, there was the negative effect of two fewer working days in 2012 than in November 2011.

### **Chile – Trade balance (December, 07:00 hrs, NYT)**

We expect the trade balance to reach a surplus of USD55mn in December, based on exports of USD6,470mn (-10.4% YoY) and imports of USD6,415mn (+6.1% YoY). This result would lead to a surplus of USD2,760mn for FY12e, well below the surplus of USD10,972mn reached in 2011.

# Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
CNI Capacity Utilization	04-07 Jan	Nov	81.20%		--	81.00%
FGV Inflation IGP-DI	7-Jan	Dec	0.65%		--	0.25%
Vehicle Sales (Anfavea)	7-Jan	Dec	--		--	311,772
Trade Balance (FOB) - Weekly	7-Jan	Jan 6	--		--	--
FGV CPI IPC-S	8-Jan	Jan 7	0.68%		--	0.66%
FGV Preview Inflation IGP-M	9-Jan	Jan 8	--		--	0.69%
Economic Activity Indx MoM SA	09-16 Jan	Nov	--		--	0.36%
FIPE CPI - Weekly	10-Jan	Jan 7	--		--	0.82%
IBGE Inflation IPCA (MoM)	10-Jan	Dec	0.74%	0.60%	--	0.60%
<b>Chile</b>						
Economic Activity Indx YoY NSA	7-Jan	Nov	5.20%	4.90%	--	6.70%
Trade Balance in US\$ Million	7-Jan	Dec	325.0	55	--	562.0
Total Exports in US\$ Million	7-Jan	Dec	--	6,470	--	6,674.0
Total Imports in US\$ Million	7-Jan	Dec	--	6,415	--	6,112.0
Copper Exports	7-Jan	Dec	--	3,700	--	3,859.0
Wages Index (YoY)	7-Jan	Nov	--		--	6.30%
CPI (MoM)	8-Jan	Dec	0.10%	0.10%	--	-0.50%
Financial Traders Survey	9-Jan	1HJan	--		--	--
Economists Survey	10-Jan	Jan	--		--	--
<b>Colombia</b>						
Vehicle Sales	08-11 Jan	Dec	--	24,022	--	29,412
<b>Mexico</b>						
Consumer Confidence	8-Jan	Dec	--	97.40	--	97.00
International Reserves Weekly	8-Jan	Jan 4	--		--	\$16,3592M
Vehicle Production (AMIA)	08-15 Jan	Dec	--		--	265,001.00
Trade Balance	9-Jan	Nov F	--	-1,272.7M	--	-1,272.7M
Consumer Prices (MoM)	9-Jan	Dec	0.40%	0.20%	--	0.68%
Consumer Prices Core (MoM)	9-Jan	Dec	0.21%	0.11%	--	0.05%
Bi-Weekly CPI	9-Jan	Dec 31	--	0.03%	--	0.27%
Bi-Weekly Core CPI	9-Jan	Dec 31	--	0.01%	--	0.26%
Gross Fixed Investment	10-Jan	Oct	--	3.60%	--	3.10%
Global Economic Indicator IGAE	10-Jan	Oct	3.90%	2.30%	--	2.80%
Industrial Production (YoY)	11-Jan	Nov	3.30%	3.10%	--	2.10%
<b>Peru</b>						
Trade Balance	9-Jan	Nov	--		--	\$148.0M
Reference Rate	10-Jan	Jan	4.25%	4.25%	--	4.25%
Business Confidence	11-14 Jan	Dec	--		--	64

## Most recent Latam reports

Date	Description
2-1-2013	<a href="#">➤ Mexico Migration Flash: Remittances to Mexico recorded 5 consecutive-months with decreases (in Spanish)</a>
2-1-2013	<a href="#">➤ Peru Flash: Annual inflation remained within the target range in December</a>
28-12-2012	<a href="#">➤ Chile Flash: Manufacturing production slows, dynamism in retail sales continues and unemployment rate falls again</a>
26-12-2012	<a href="#">➤ Chile Flash: Standard &amp; Poor's upgrades sovereign debt rating of Chile to AA-</a>
21-12-2012	<a href="#">➤ Colombia Flash: Central Bank cut its policy rate by 25bps to 4.25% motivated by low 3Q12 GDP growth rate</a>
21-12-2012	<a href="#">➤ Mexico Flash: December's biweekly inflation: Inflation falls below 4% as Banxico expected</a>
20-12-2012	<a href="#">➤ Colombia Flash: Low 3Q12 GDP growth, due to sluggish private demand not offset by public investment</a>
18-12-2012	<a href="#">➤ Chile Watch: Positive outlook for credit, although decelerating in the medium-term (in Spanish)</a>
18-12-2012	<a href="#">➤ Mexico Real Estate Flash. Construction output grew 2.5% in September</a>
18-12-2012	<a href="#">➤ Chile Flash: Central Bank adjusts up its GDP growth range for 2013 and mentions risks from strength of domestic demand</a>

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