

Latam Daily Flash

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Economic Analysis

Madrid

Juan Ruiz

Chief Economist, South America
juan.ruiz@bbva.com
+34 913745887

Enestor dos Santos

Senior Economist, Latam
enestor.dossantos@bbva.com
+34 639827211

Mexico City

Octavio Gutierrez-Engelmann

Macro Latam Strategy
o.gutierrez3@bbva.com
+5255 5621 9245

With contributions from the BBVA
Research Latam Team:

Lima

Hugo Perea

Chief Economist, Peru
hugo.perea@bbva.com
+51 1 2112042

Bogota

Juana Tellez

Chief Economist, Colombia
juana.tellez@bbva.com
+571 3471600

Santiago

Alejandro Puente

Chief Economist, Chile
alejandropuente@bbva.com
+56 2 2939 10 92

Activity in November surprised to the upside in Brazil, but the central bank sprang no big surprises and left SELIC rates unchanged, reinforcing our view that they will remain stable at least this year. In Chile, the central bank's monthly analysis in advance of today's monetary policy meeting supports our call for no change in official rates.

Brazil - SELIC at 7.25% and reinforced perspectives of stability for a long period

The COPOM left the SELIC rate unchanged at 7.25%, in line with expectations. References to the worsening of short-term inflation and lower than expected growth were introduced in the accompanying statement. In our view, these references to activity and inflation offset each other and reinforce the COPOM's neutral stance. They add to the main message revealed by the statement, i.e. "the stability of monetary conditions for a sufficiently prolonged period of time". We reinforce our call for an unchanged SELIC through 2013 (see our [Brazil Flash](#) for more on this issue).

Brazil - Economic activity grew faster than expected in November

The Brazilian central bank's Economic Activity Index expanded by 0.4% MoM in November, somewhat more than we expected (see the "Calendar indicators" table below). In previous days, other activity indicators had also surprised positively. These surprises suggest that 4Q GDP could grow slightly faster than in 3Q, when it expanded by 0.6% QoQ. They, however, do not change the overall picture of relative weakness of economic activity in the country (see our [Brazil Flash](#) for more on this issue).

Chile - Monetary policy meeting monthly analysis

As we expected, the central bank's monthly analysis showed a balance between domestic and external risks, justifying its neutral stance for monetary policy. In particular, it considered that recent political developments in the US have reduced global financial tensions, while local activity figures for November surprised to the upside. In addition, the bank mentioned that prices remain subdued (closing at 1.5% YoY in 2012), while long-term inflation expectations are still well-anchored to the bank's target of 3.0%. All in all, this report supports our expectation of the monetary policy rate being maintained unchanged at 5.0% in today's meeting.

Chile - Central bank loan survey showed more restrictive credit conditions in 4Q12

The central bank loan survey for 4Q12 revealed more restrictive credit conditions for real estate developers and construction companies, as well as a more restrictive stance on consumer loans, anticipating a slight moderation in domestic demand in coming quarters. On the other hand, perceptions of credit demand remained strong and increased for all categories of loan, both for households and corporates. This result is mainly explained by the dynamic labor market and the boost in confidence during 4Q12, in our view.

What to watch today

Chile - Monetary policy meeting (January, 16:00 hrs, NYT)

We expect the central bank to both keep the monetary policy rate unchanged at 5% and to maintain its neutral stance for the medium term (consensus: 5%). We think the communiqué is likely to show a balance between domestic and external risks, taking into account the recent surprises in domestic activity indicators and a decrease in financial tensions.

Colombia - Imports and trade balance (November, 16:00 hrs, NYT)

The release has been rescheduled from 14 January to 17 January. We anticipate imports growing at 0% YoY, reflecting the recovery of consumption but offset by the slowdown in non-residential investment. If that is the case, the November trade balance should be in equilibrium.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Trade Balance (FOB) - Weekly	14-Jan	Jan 13	--		-\$M878	-\$100M
Retail Sales (MoM)	15-Jan	Nov	0.20%		0.30%	0.80%
FGV CPI IPC-S	16-Jan	Jan 15	0.83%		0.89%	0.77%
SELIC Target - Central Bank	16-Jan	Jan 16	7.25%	7.25%	7.25%	7.25%
Economic Activity Indx MoM SA	16-Jan	Nov	0.20%	0.20%	0.40%	0.36%
CAGED Formal Job Creation	16-21 Jan	Dec	-401500		--	46095
FIPE CPI - Weekly	17-Jan	Jan 15	0.91%		--	0.86%
FGV Inflation IGP-10 (MoM)	17-Jan	Jan	0.58%		--	0.63%
CNI Capacity Utilization	17-Jan	Nov	81.05%		--	81.00%
Chile						
Nominal Overnight Rate Target	17-Jan	Jan 17	5.00%		--	5.00%
Colombia						
Trade Balance	17 Jan	Nov	\$136		--	\$22.4
Industrial Production (YoY)	18 Jan	Nov	0.60%		--	1.20%
Retail Sales (YoY)	18 Jan	Nov	1.20%		--	-0.30%
Overnight Lending Rate	18-25 JAN	Jan 18	4.00%		--	4.25%
Mexico						
International Reserves Weekly	15-Jan	Jan 11	--		\$163430M	\$163226M
Overnight Rate	18-Jan	Jan 18	4.50%		--	4.50%
Peru						
Economic Activity Indx YoY NSA	15-Jan	Nov	--		6.83%	6.70%
Unemployment	15-Jan	Nov	--		5.60%	6.20%

Most recent Latam reports

Date	Description
17-1-2013	➤ Brazil Flash: Stability of monetary conditions amid higher inflation and lower growth
16-1-2013	➤ Brazil Flash: Economic activity grew more than expected in November
14-1-2013	➤ Peru Flash: Output keeps growing at a strong pace
14-1-2013	➤ Mexico Banking Flash: Private-sector credit: continues to grow at double-digit rates
14-1-2013	➤ Mexico Real Estate Flash: Negative growth for the first time in two years
11-1-2013	➤ Mexico Flash: Industrial production in November rose 0.9% mom, good progress in manufacturing, construction setback
11-1-2013	➤ Colombia Automobile Market Outlook 2012 (in Spanish)
10-1-2013	➤ Peru Flash: January monetary policy meeting: no surprises
10-1-2013	➤ Brazil Flash: Inflation closes 2012 at 5.8%, well above target
9-1-2013	➤ Mexico Inflation Flash: December's Inflation: Inflation Reaches 3.6% and Ends 2012 In Line with Banxico's Expectation

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