

# Latam Daily Flash

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Economic Analysis

Madrid

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*In Colombia, the central bank cut interest rates by 25bp to 4.0%, in line with expectations. In addition, the monetary authority extended its dollar purchases to an average of USD37.5mn a day. In our view, the current monetary easing cycle still has some way to go, especially after the expected appointment of new, more dovish board members. In Peru, a foreign debt buyback program was announced to take some pressure off the Peruvian Nuevo Sol (PEN).*

## Colombia - BanRep cut policy rate by 25bp and enhanced FX intervention

After the sluggish leading indicators and given the recent moderation in inflation, the central bank decided to further encourage economic activity by cutting its policy rate by 25bp to 4.0%. BanRep also enhanced its FX intervention, extending its dollar purchases from an average of USD25mn a day to an average of USD37.5mn. These two measures were in line with both our call and market expectations. We consider that BanRep has room for an additional cut, which we expect to be pushed by the two new board members to be appointed by President Santos, and whom we expect to take a more dovish line (for more on this see our [Colombia Flash](#)).

## Peru - Finance Minister announces up to USD2bn debt buyback

The Peruvian government will seek to purchase between USD1bn and USD2bn of international bonds next month. The operation should help to attenuate the pace of PEN appreciation somewhat; the PEN appreciated 5.4% last year, the most since 2009.

## Peru - Public investment grew 10.5% (real, YoY) in December

With this figure, the expansion in public investment closed at 16.6% in 2012. We expect the public sector to maintain a good pace of spending throughout this year (+c. 10%) and thus remain a major source of domestic demand growth in 2013e.

## Peru - Credit to the private sector slowed in December

According to the central bank print (which includes loans and holdings of non-financial corporate bonds), credit to the private sector grew 15.6% (nominal, YoY) in the last month of the year, down 1pp from November. This is consistent with the goals and measures implemented by financial system regulators that include higher reserve ratios and capital requirements.

## What to watch today

No important indicators expected today

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
FIPE CPI - Weekly	28-Jan	Jan 23	1.02%		1.04%	0.96%
Trade Balance (FOB) - Weekly	28-Jan	Jan 27	--		-\$1723M	-\$1723M
FGV Inflation IGP-M (MoM)	30-Jan	Jan	0.33%		--	0.68%
Nominal Budget Balance	30-Jan	Dec	17B		--	-21.8B
Net Debt % GDP	30-Jan	Dec	35.10%	35.60%	--	35.00%
Unemployment Rate	31-Jan	Dec	4.50%	4.50%	--	4.90%
FGV CPI IPC-S	01-Feb	Jan 31	1.12%		--	1.03%
Industrial Production sa (MoM)	01-Feb	Dec	-0.30%	-0.10%	--	-0.60%
PMI Manufacturing	01-Feb	Jan	--		--	51.10
Trade Balance (FOB) - Monthly	01-Feb	Jan	-\$3000M	-\$3000M	--	\$2250M
<b>Chile</b>						
Manufacture Production (YoY)	30-Jan	Dec	--	-0.70%		
Retail Sales (YoY)	30-Jan	Dec	8.35%	8.40%	--	10.70%
Mining production (YoY)	30-Jan	Dec	--	2.00%	--	2.30%
Unemployment Rate	31-Jan	Dec	6.00%	5.90%	--	6.20%
Central Bank Meeting Minutes	01-Feb	--	--	--	--	--
<b>Colombia</b>						
Overnight Lending Rate	28-Jan	Jan 28	4.00%	4.00%	4.00%	4.25%
Urban Unemployment Rate	31-Jan	Dec	10.00%	10.00%	--	9.80%
Producer Price Index (MoM)	02-05 Feb	Jan	--	--	--	-0.74%
<b>Mexico</b>						
Budget Balance (Year to date)	30-Jan	Dec	--	--	--	-204.50B
Central Bank Monetary Policy Minutes	01-Feb	--	--	--	--	--
<b>Peru</b>						
Consumer Price Index (MoM)	01-Feb	Jan	0.24%	0.05%	--	0.26%
Wholesale Prices (MoM)	01-Feb	Jan	--	--	--	-0.12%
Primary Sector Production (YoY)	01-Feb	Dec	--	--	--	0.66%

## Most recent Latam reports

Date	Description
28-1-2013	<a href="#">➤ Colombia Flash: BanRep cut policy rate by 25bps to 4.0% and enhanced FX intervention</a>
24-1-2013	<a href="#">➤ Mexico Inflation Flash: January biweekly inflation: Inflation Drops Again as Non-Core Prices Surprise Downwards</a>
24-1-2013	<a href="#">➤ Brazil Flash: Monetary policy minutes: a more hawkish tone, still in line with the stability of monetary conditions</a>
23-1-2013	<a href="#">➤ Mexico Real Estate Outlook - January 2013</a>
21-1-2013	<a href="#">➤ Paraguay Flash: Paraguay returns to the international bonds market with a 10-year bond</a>
18-1-2013	<a href="#">➤ Mexico Flash. No change in fondeo rate. Inflation slump leads to a dovish tone</a>
17-1-2013	<a href="#">➤ Chile Flash: Central Bank kept the monetary policy rate at 5%</a>
17-1-2013	<a href="#">➤ Banxico Watch: The significant improvement in the inflation balance of risks leads to a neutral tone and supports the monetary pause</a>
17-1-2013	<a href="#">➤ Brazil Flash: Stability of monetary conditions amid higher inflation and lower growth</a>
16-1-2013	<a href="#">➤ Brazil Flash: Economic activity grew more than expected in November</a>

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