

# Latam Daily Flash

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Economic Analysis

Madrid

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*Yesterday was a day of extremes in Mexico, where the unprecedented annual expansion in the services sector was marred by the equally unprecedented fall in monthly retail sales in December. Meanwhile, in Colombia, BanRep appointed two new members to its Board, one of them with a hawkish bias (the monetary stance of the second appointee remains to be seen). We still expect a rate cut at today's monetary policy meeting. Also today, markets will focus on inflation in Brazil - which we expect to decelerate, albeit temporarily - and in Mexico, where we expect a slight upturn. In Peru, final GDP numbers should confirm a temporary deceleration in 4Q12 to 5.9%.*

## Mexico - An unexpected fall in December's retail sales

Retail sales retreated 3.64% MoM (sa series) in December which was an unprecedented monthly print for this variable. Lower monthly sales were seen in some durable goods, office supplies and chain store sales. In annual terms retail sales fell 1.8% (vs. consensus +2%). According to advance releases from chain stores for January, household consumption could remain subdued at the beginning of 2013 despite the increase in consumer confidence and the performance of the labour market.

## Mexico - Positive momentum in the services sector in December, but showing some signs of deceleration

Services income (other than financials) grew 10.4% YoY in December, which is the highest annual rate since this indicator was first released (2005). The monthly expansion of 2.4% MoM (vs. 1.7% in November, sa series) was mainly driven by independent services (professional and technical) and leisure activities. The expansion in transport services and mass media was milder, which we think could be linked to lower manufacturing output.

## Colombia - New BanRep board members with a technical profile

President Santos appointed Deputy Minister of Finance Ana Maiguashca and researcher Adolfo Meisel. Both appointees have a technical rather than a political background. Ms. Maiguashca has an MBA, and has held public posts in financial regulation. Mr. Meisel holds a PhD in economics, recently conducting research into state and local economics. Although appointed by President Santos, we expect both to maintain their independence once on the board. The new members will not sit at today's meeting (thus we maintain our call for a 25 bp cut for today), but in our view Maiguashca will have a hawkish voice (i.e. prudent on the current monetary stimulus and its effects on financial stability), while Mr. Meisel is a research-oriented person with an unidentified monetary policy bias.

## What to watch today

### Brazil - IPCA-15 (February, 07:00 hrs NYT)

The IPCA-15 for February, which measures inflation from mid-January to mid-February, should decelerate following the moderation in food prices and electricity tariff cuts, and therefore signal that inflation will ease in February. However, we expect this easing to be temporary and inflation to continue to trend up from March onwards (see market and BBVA forecasts in the table below).

### Mexico - Inflation (1-15 February, 9:00 hrs NYT)

We forecast a slight upturn in CPI YoY for the first time in four months, increasing from 3.25% YoY in January to 3.44%. Meanwhile, core inflation is still in decline, falling from 2.88% YoY in December to 2.74% in January. We forecast 0.2% bi-weekly CPI, with downward pressures on non-food goods and tourism services, and upward pressures on agricultural, energy and prices set by local governments.

### Peru - GDP growth (4Q12, 10:00 hrs NYT)

Preliminary figures showed that GDP growth slowed to 5.9% (YoY) in 4Q12 (vs. 6.8% in 3Q12), mainly due to supply factors that temporarily affected fishing activities. Going forward, available indicators anticipate private spending maintaining momentum, which supports our view for a renewed acceleration of GDP growth in 1Q13e.

### Colombia- Industrial production and retail sales (December, 16:00 hrs NYT)

We expect a YoY fall in manufacturing of 5.4%, in line with the sluggish growth in industrial exports and fewer working days in the month compared to a year ago. Retail sales should grow 4.0% YoY, reflecting a continued improvement in private consumption.

### Colombia- Central bank policy meeting (February, announcement time: unspecified)

We anticipate a 25 bp cut after the inflation surprise in January and the still sluggish leading indicators that we expect to receive. We do not anticipate additional FX intervention measures.

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	18-Feb	Feb-21	0.62%	--	0.55%	0.88%
FIPE CPI - Weekly	19-Feb	Feb-18	0.86%	--	0.83%	1.01%
FGV Preview Inflation IGP-M	19-Feb	Feb-14	0.37%	--	0.34%	0.41%
Retail Sales (MoM)	19-Feb	Dec	0.80%	0.80%	-0.50%	0.30%
Economic Activity Indx MoM SA	20-Feb	Dec	0.30%	0.20%	0.26%	0.40%
CAGED Formal Job Creation	22-Feb	Jan	47500	--	--	-496944
IBGE CPI IPCA-15 (MoM)	22-Feb	Feb	0.61%	0.60%	--	0.88%
Current Account - Monthly	22-Feb	Jan	-\$9500M	--	--	-\$8413M
<b>Colombia</b>						
Exports FOB - US\$ million	18-Feb	Dec	--	\$4852	\$4932.7	\$4732.4
Outstanding Loans (YoY)	20-Feb	Dec	--	--	15.23%	14.60%
Trade Balance	20-Feb	Dec	\$312M	\$480	\$677.3	-\$183.2
Imports CIF - US\$ million	20-Feb	Dec	--	\$4600	\$4480.3	\$5166.9
Retail Sales (YoY)	22-Feb	Dec	3.95%	4.00%	--	6.70%
Industrial Production (YoY)	22-Feb	Dec	-2.10%	-5.40%	--	-4.10%
Overnight Lending Rate	22-Feb	Feb-26	3.75%	3.75%	--	4.00%
<b>Mexico</b>						
GDP (YoY)	18-Feb	4Q	3.30%	3.10%	3.20%	3.30%
Global Economic Indicator IGAE	18-Feb	Dec	1.60%	2.30%	1.40%	4.14%
Retail Sales (INEGI)	21-Feb	Dec	2.00%	3.80%	-1.80%	3.50%
Unemployment Rate	22-Feb	Jan	4.98%	5.00%	--	4.47%
Bi-Weekly CPI	22-Feb	Feb-19	0.19%	0.20%	--	0.40%
Bi-Weekly Core CPI	22-Feb	Feb-20	0.19%	0.20%	--	0.47%
<b>Peru</b>						
GDP YoY	22-Feb	4Q	6.30%	--	--	6.50%

## Most recent Latam reports

Date	Description
20-2-2013	<a href="#">➤ Mexico Banking Flash. Bank deposits: continue to grow</a>
20-2-2013	<a href="#">➤ Chile Economic Outlook 1Q13</a>
20-2-2013	<a href="#">➤ Peru Economic Outlook - First Quarter 2013 (in Spanish)</a>
19-2-2013	<a href="#">➤ Latam Economic Outlook. First Quarter 2013 (in spanish)</a>
19-2-2013	<a href="#">➤ Mexico Economic Outlook: First Quarter 2013 (in spanish)</a>
18-2-2013	<a href="#">➤ Mexico GDP Flash. In line with estimates, GDP grew 3.9% yoy in 2012</a>
15-2-2013	<a href="#">➤ Mexico Weekly Flash. GDP in 4Q12 set to see a similar growth rate to 3Q</a>
15-2-2013	<a href="#">➤ Mexico Real Estate Flash. 2013, a year of transition for the housing market</a>
15-2-2013	<a href="#">➤ Chile Flash: Central Bank keeps both the monetary policy rate at 5% and its neutral stance</a>
15-2-2013	<a href="#">➤ Peru Flash: GDP surprises to the downside in December</a>

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