

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

Mexico City

Carlos Serrano

Chief Economist, Mexico
carlos.serranoh@bbva.com
+5255 5621 4354

External account data were released yesterday in both Mexico and Peru. In the former, the current account deficit was higher than expected at the end of 2012, but still very low (0.8% of GDP). In the latter, the current account deficit widened and ended 2012 at 3.6% of GDP. In both cases, significant capital inflows continued to provide more than enough funding. Moreover, also in Peru, the public sector posted a fiscal surplus of 2.1% of GDP, which is higher than our forecast for 2013 given expectations of an increased fiscal boost this year. Today the focus will be on labor data in Brazil and international trade figures in Mexico.

Mexico - Low current account deficit and high international flows

The 4Q12 current account deficit was higher than the consensus forecast (USD6.5bn vs. consensus USD4.4bn). In annual terms, 2012's current account deficit was c.0.78% of GDP (vs. BBVAe 0.7% and 0.81% in 2011) that is 18x covered by the central bank's international assets. In the capital account, FDI (inflows) decreased from USD21.5bn (1.9% GDP) in 2011 to USD12.7bn (1.1%) in 2012. Meanwhile, portfolio investment increased from USD25.1bn (2.2% GDP) to USD56.7bn (4.8%) respectively. This flow behavior is explained by high global liquidity in a context of cyclical uncertainty (both in the USA and the EZ). 2012's net FDI (inflows less outflows) was negative for the first time since 1995. We expect FDI to recover in 2013e with a smooth increase in the current account deficit.

Peru - Current account deficit closed 2012 at 3.6% of GDP

This print is higher than the 3Q12 figure (3.2%, also in yearly terms), reflecting the strength of domestic demand, which expanded 7.6% (YoY) in 4Q12. The external deficit was comfortably financed by long-term capital inflows, which were more than twice the size of the deficit. In 2013e, we are forecasting a current account deficit at a similar level and continuing to be funded by private capital inflows.

Peru - Public sector ran a 6.2% fiscal deficit in 4Q12

This result was worse than the previous quarter (1.0% surplus in 3Q12), but mainly explained by a seasonal increase in public spending in the latter part of the year, and overall in 2012 the public sector ran a surplus of 2.1% of GDP. In 2013e, we expect an increase in public spending, both current and investment, so we forecast that the surplus will contract to 1.2% of GDP.

What to watch today

Brazil - Labor market data (January, 07:00 hrs, NYT)

We expect data to reveal that labor market remains very tight. We forecast that the unemployment rate will reach 5.3%, practically unchanged with respect to previous months in seasonally adjusted terms.

Mexico - Trade balance (January, 9:00 hrs, NYT)

January's trade balance should be in positive territory (similar to the December figure) as long as domestic sales remained weak at the beginning of 2013.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	25-Feb	2-feb	0.63%	--	0.52%	0.83%
FGV CPI IPC-S	25-Feb	2-feb	0.28%	--	0.26%	0.55%
FGV Consumer Confidence	26-Feb	Feb	--	--	--	117.9
Unemployment Rate	26-Feb	Jan	5.30%	5.30%	--	4.60%
Central Govt Budget	26-Feb	Jan	21.1B	--	--	28.3B
FGV Inflation IGP-M (YoY)	27-Feb	Feb	8.34%	--	--	7.91%
Primary Budget Balance	27-Feb	Jan	22.0B	--	--	22.3B
Manufacturing PPI (YoY)	28-Feb	Jan	--	--	--	7.16%
FGV CPI IPC-S	01-Mar	2-feb	0.28%	--	--	--
GDP (IBGE) QoQ	01-Mar	4Q	0.80%	0.60%	--	0.60%
PMI Manufacturing	01-Mar	Feb	--	--	--	53.20
Trade Balance (FOB) - Monthly	01-Mar	Feb	-\$800M	--	--	-\$4035M
Chile						
Manufacturing Index	28-Feb	Jan	3.45%	--	--	-2.50%
Retail Sales (YoY)	28-Feb	Jan	10.20%	--	--	11.00%
Copper Production Total	28-Feb	Jan	--	--	--	513344.00
Unemployment Rate	28-Feb	Jan	6.20%	--	--	6.10%
Central Bank Meeting Minutes	01-Mar	--	--	--	--	--
Colombia						
National Unemployment Rate	28-Feb	Jan	--	--	--	9.60%
Urban Unemployment Rate	28-Feb	Jan	13.00%	12.90%	--	10.20%
Mexico						
GDP Current \$ YoY	25-Feb	4Q	--	7.50%	3.90%	8.20%
Current Account Balance	25-Feb	4Q	-\$4350M	-\$4335M	-\$6490M	-\$3662M
Trade Balance	26-Feb	Jan P	961.7M	--	--	961.7M
Budget Balance (Year to date)	01-Mar	Jan	--	--	--	-403.60B
Peru						
Consumer Price Index (MoM)	01-Mar	Feb	0.23%	0.10%	--	0.12%
Wholesale Prices (MoM)	01-Mar	Feb	--	--	--	-0.78%
Primary Sector Production (YoY)	01-Mar	Jan	--	--	--	1.14%

Most recent Latam reports

Date	Description
22-2-2013	➤ Colombia Flash: Industrial production confirms delay of industrial recovery. Retail sales signal room for increased household spending
22-2-2013	➤ Colombia Flash: BanRep cut policy rate by 25bps to 3.75%, in line with expectations
22-2-2013	➤ Mexico Flash: February's biweekly inflation: inflation increases as mobile phone fees rise again
20-2-2013	➤ Mexico Banking Flash. Bank deposits: continue to grow
20-2-2013	➤ Chile Economic Outlook 1Q13
20-2-2013	➤ Peru Economic Outlook - First Quarter 2013 (in Spanish)
19-2-2013	➤ Latam Economic Outlook. First Quarter 2013 (in spanish)
19-2-2013	➤ Mexico Economic Outlook: First Quarter 2013 (in spanish)
18-2-2013	➤ Mexico GDP Flash. In line with estimates, GDP grew 3.9% yoy in 2012
15-2-2013	➤ Mexico Weekly Flash. GDP in 4Q12 set to see a similar growth rate to 3Q

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