

Latam Daily Flash

28 February 2013
Economic Analysis

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In Peru, the central bank once again increased its reserve requirements to try to moderate the impact of capital inflows on both credit growth and the exchange rate. In Chile, the Financial Traders Survey shows that analysts now expect inflation of 0.3% MoM in February and a hike of 25bp in the monetary policy rate over the next 12 months, both in line with our forecasts. Today, data for Colombia and Chile should reveal that labor markets continue to support domestic demand at the beginning of 2013.

Peru - The central bank raises reserve requirements once again

banks which from now on expand their foreign currency lending for auto and mortgage financing too fast (the bank has set a rate of growth for this purpose) will have to put aside even more funds as reserves. These measures, which will become effective tomorrow, are aimed at moderating the impact of capital inflows on credit growth and at strengthening the currency. We were expecting the monetary authority to continue tightening monetary conditions using reserve requirements and we foresee more adjustments of this kind in the coming months.

Chile - CB Traders Survey shows inflation expectations of 0.3% MoM in February

The Financial Traders Survey for the second half of February forecasts a monthly inflation rate of 0.3% for this month, in line with our estimate. In addition, survey results show no change in the monetary policy rate for six months ahead, while they anticipate a slight increase of 25bp to 5.25% on a 12-month horizon, in line with our baseline scenario. Finally, traders forecast the exchange rate at CLP478 per dollar on a 3-month horizon.

Brazil - Fiscal accounts: robust primary surplus in January

The public sector generated a primary surplus of BRL30.2bn in January. The figure is 16% higher than the January 2012 surplus and the highest for the period since 2001, when figures for this metric were first published. Robust tax revenues (+15.6% YoY) and, to a lesser extent, a moderation in expenditures (2013 Budget is still pending approval, which helps to keep expenses under control) contributed to the generation of the hefty surplus, which already accounts for 19.4% of the full target for the year. Even though we believe the government will target the adjusted primary surplus target (1.8% of GDP) rather than the overall target (3.1%), it would come as no surprise to us if public expenditures were partially reined in to help to control inflation.

What to watch today

Chile - Activity data and unemployment rate (January, 07:00hrs, NYT)

We expect manufacturing output to have increased 3.3% YoY and retail sales to have grown 9.5% YoY in January, maintaining the momentum observed in recent months. The latter is supported by expectations of unemployment rate at 6.2% in January, slight higher than December's 6.1% print.

Colombia - Urban unemployment (January, 11:00 hrs NYT)

We expect urban unemployment to drop to 12.9% (vs. 13.3% a year ago), in line with the low levels observed during the latter months of 2012. Nevertheless, our forecast implies stability compared to December's number (on a seasonally-adjusted basis).

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 | -- | -- | 116.2 | 117.9 |
| Unemployment Rate | 26-Feb | Jan | 5.30% | 5.30% | 5.40% | 4.60% |
| Central Govt Budget | 26-Feb | Jan | 21.1B | -- | 26.1B | 28.3B |
| FGV Inflation IGP-M (YoY) | 27-Feb | Feb | 8.34% | -- | 8.29% | 7.91% |
| Primary Budget Balance | 27-Feb | Jan | 22.0B | -- | 30.3B | 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 | 216.0M | -- | -2878.9M | 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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