

Latam Daily Flash

11 December 2013 Economic Analysis

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In Chile, the economic expectations survey anticipates no change in the policy rate at tomorrow's monetary policy meeting, in line with our view, but foresees a cut in January, which is in contrast to our assessment that acceleration in short-term inflation will not support a cut, and that monetary policy decisions will be data-dependent.

Mexico - Senate opens the oil sector to private and foreign investment

In a long-lasting session, the Mexican Senate passed a law opening the hydrocarbon industry to private and foreign investment. The law, which now needs to be approved by the House of Representatives by 17 of the 32 state legislatures, is a historic step and put an end to 73 years of nationalism in the energy industry. It amends three constitutional articles to allow the entry of private equity firms in the Mexican energy industry through i) service contracts, ii) shared production, or iii) licensing, "among other" ways. The State, through a National Hydrocarbons Commission will be in charge of granting exploration and extraction contracts. The law also creates the Mexican Petroleum Fund for Stabilization and Development, an organism that will manage Pemex earnings and use them to pay current expenses and the budget, as well as to fund science projects and cover universal pension (for more details, see our [Energy Reform Flash](#), in Spanish).

Colombia - Fitch upgrades sovereign rating to BBB

Fitch Ratings surprised the market with its upgrade of Colombian sovereign bonds to BBB (from BBB- with a positive outlook). The statement highlights improvements in external accounts and the positive government debt dynamics as the main drivers of the upgrade. This is a positive signal for the Colombian economy, especially since uncertainty remains regarding the impact of the Fed's tapering of bond purchases on emerging markets. It is a signal that the rating agency sees Colombia's economy as robust enough to withstand the anticipated change in international financial conditions (for more details, see our [Colombia Flash](#)).

Chile - The central bank's economic expectations survey anticipates a pause in the policy rate during December

The survey revealed a growth forecast for the monthly economic activity index of around 3.5% YoY in November and inflation at +0.2% MoM in December (BBVAe at least +0.3% MoM). Results also indicated expectations of another cut to 2014 GDP growth from 4.1% to 4.0%, while for 2013 respondents expect 4.2% GDP growth (both in line with our view). Annual inflation expectations for December 2014 have been revised slightly upwards from a median of 2.7% in the previous survey to 2.8%, due to CLP depreciation and the higher than anticipated inflation figures released recently. In terms of monetary policy, analysts do not expect any changes in the reference rate at tomorrow's meeting (in line with our view), but they still anticipate a 25bp cut in January. Our assessment is that acceleration in short-term inflation prints will not support a 25bp cut in policy rate during January, although monetary policy decisions will remain dependent on economic activity figures (for more details, see our [Chile Flash](#)).

Peru - Trade balance continued to trend downwards

In October, the balance of trade as a percentage of GDP has continued its downward trend to reach close to 0% (0.2% in September). Exports fell 1.5% compared with the same month in 2012, explained by the behaviour of both traditional and non-traditional products. Meanwhile, imports increased 3.4% vs. October 2012. This growth was supported by higher imports of capital goods and construction materials as well as consumer goods. In the next months we expect exports to recover in line with increased mining output, especially copper.

What to watch today

Chile - Central Bank Financial Traders Survey (1st half December, 07:30hrs NYT)

We expect the survey to show inflation estimates at around 0.3% MoM for December and expectations of a stable monetary policy rate at tomorrow's meeting. We also anticipate an exchange-rate forecast in the region of USDCLP 535 on a three-month horizon.

Colombia - Civil Engineering Works index (3Q13, 16:00hrs NYT)

Our outlook for GDP growth in 3Q13 (4.6% YoY) is based on a 4.7% (YoY) expansion of civil works, which is below our 2Q13 figure (5.1% YoY). However, strong public spending between July and September implies an upward bias to our expectation of infrastructure investment. This data would help to partially offset the lower than anticipated growth of non-residential investment.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	9 Dec	Dec	0.73%	--	0.72%	0.68%
IGP-M Inflation 1st Preview	10 Dec	Dec	0.38%	--	0.32%	0.30%
FIPE CPI - Weekly	11 Dec	Dec	0.47%	--	0.45%	0.52%
Retail Sales MoM	12 Dec	Oct	0.50%	0.30%	--	0.50%
Economic Activity MoM	13 Dec	Oct	0.50%	0.20%	--	-0.01%
Tax Collections	15 Dec	Nov	--	--	--	100999M
Chile						
Trade Balance	9 Dec	Nov	\$200M	\$189M	\$202M	\$241.0M
Copper Exports	9 Dec	Nov	--	\$3610M	\$3327M	\$3893M
Central Bank's Economist Survey	10 Dec	Dec	--	--	--	--
Central Bank's Traders Survey	11 Dec	Dec	--	--	--	--
Overnight Rate Target	12 Dec	Dec	4.50%	4.50%	--	4.50%
Colombia						
Consumer Confidence Index	11 Dec	Nov	--	25	--	22.3
Central Bank's Economists Survey	12 Dec	--	--	--	--	--
Colombia Monetary Policy Minutes	13 Dec	--	--	--	--	--
Mexico						
CPI MoM	9 Dec	Nov	0.92%	0.90%	0.93%	0.48%
Vehicle Production AMIA	9 Dec	Nov	--	--	255695	285230
Industrial Production MoM	12 Dec	Oct	0.34%	0%	--	-1.2%
Peru						
Trade Balance	10 Dec	Oct	-\$254M	--	-\$303M	\$32M
Reference Rate	13 Dec	Dec	4.00%	--	--	4.00%

Most recent Latam reports

Date	Description
10-12-2013	➤ Colombia Flash: Fitch Ratings upgrades Colombia's rating to BBB
10-12-2013	➤ Chile Flash: The central bank economic expectation survey anticipates a pause in policy rate during December
10-12-2013	➤ Working Paper: Demand factors that influence financial inclusion in Mexico: analysis of the barriers based on the ENIF survey
9-12-2013	➤ Mexico Inflation Flash: November's inflation
9-12-2013	➤ Mexico Energy Reform Flash: Deep reform that could attract significant investment and increase potential growth (in Spanish)
6-12-2013	➤ Banxico Flash: Fondo rate unchanged at 3.5%, as expected
6-12-2013	➤ Colombia Flash: November inflation surprised on the downside by falling 0,22% MoM and consolidates annual inflation (1,76%) below target range
6-12-2013	➤ Chile Flash: November CPI unexpectedly at +0.4% MoM due to increase in foods and services
6-12-2013	➤ Mexico Economic Outlook Fourth Quarter 2013
5-12-2013	➤ Colombia Real Estate Outlook 2013 (in Spanish)

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