

Latam Daily Flash

25 February 2014 Economic Analysis

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In Peru, the fiscal balance was in surplus for the third consecutive year. The current account deficit was financed by long-term inflows, mainly FDI; we estimate that this year the current account deficit will narrow thanks to significant investment in tradable sectors. In Mexico, yesterday's positive inflation report confirmed the transitory nature of January's fiscal shock.

Mexico - Inflation surprised to the downside in the first fortnight of February

Headline inflation increased 0.12% FoF in the first fortnight of February, well below expectations (BBVAe: 0.23%, consensus: 0.19%). This downside surprise was mainly driven by a much lower than expected core inflation print of 0.12% (BBVAe: 0.22%, consensus: 0.22%). In annual terms, headline inflation decelerated from 4.3% to 4.2% in the second fortnight of January, while core inflation reached 3.0%, 0.1pp lower than in the previous fortnight. Thus, as we expected, following the fiscal shock in January, annual inflation is heading towards its target. Moreover, yesterday's positive report appears to confirm the transitory effect on prices of the new taxes as data reveal the absence of any second-round effects (see our [Mexico Flash](#) for more details).

Mexico - The unemployment rate rose in January

The unemployment rate came in at 5.05% in January, above both our and consensus forecast (BBVAe: 4.77%; consensus: 4.85%). The negative result was mainly driven by a slow pace of formal employment: only 22k jobs were created in January, the lowest level of job-creation at the beginning of a year since 2009.

Peru - The fiscal balance remained in surplus at 0.8% of GDP in 2013

This is the third year in a row that the fiscal accounts have been in surplus, albeit with a declining trend. In this context, while the general government's current revenues were very similar in 2013 to those of the previous year, non-financial expenditure increased by 11.1% in real terms. Higher government spending is partly explained by the introduction of the new wage structure applicable since December 2012 to various sectors of the public administration. As a result of this fiscal surplus, gross public debt fell from 19.7% of GDP at the end of 2012 to 19.2% at December 2013.

Peru - In 2013, the current account deficit reached 4.9% of GDP

During the fourth quarter of 2013, the balance of payments on current account registered a deficit of USD2,246mn (4.3% of GDP), accumulating a deficit of USD10,169mn over the year as a whole (4.9% of GDP). This was mainly explained by a deterioration in the balance of trade, which was in deficit (-0.2% of GDP) for the first time since 2001, due to lower export prices. Note also that the current account deficit is still fully-funded by long-term capital inflows (USD15,539mn in 2013 or 7.5% of GDP), two-thirds of which was FDI. We expect this negative external gap to gradually narrow over the coming years as current investments in tradable sectors, of which investments in mining are very important, are transformed into exports.

Colombia - Industrial and commercial confidence pave the way for a good start to 2014

In January, for first time since mid-2012, industrial confidence was in positive territory (6.7 in a range between -100 and 100). Manufacturers were more optimistic about production three months ahead and reduced their inventories. Moreover, 68% of industrialists plan an increase in investment for 2014 with respect to 2013. However, the low level of orders (still in negative territory) anticipates a slow recovery during the first half of the year, in line with our outlook for industrial production and non-residential private investment. Meanwhile, commercial confidence rose for the fifth consecutive month and stood at 24.0. A reduction in inventories was the main driver of expectations. The latter result confirms the good performance of private consumption, an essential factor in our 2014 GDP growth forecast (4.7%).

What to watch today

Mexico - Retail sales (December, 09:00hrs NYT)

In November retail sales increased 3.1% MoM sa, equivalent to 1.5% YoY sa. For December, we expect a 1.2% MoM sa drop, which would be consistent with a 2.7% YoY sa. This forecast would be in line with the same-stores ANTAD sales print, which fell 1.2% MoM sa in December.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Tax Collections	25 Feb	Jan	124050M	--	--	118364M
FGV Consumer Confidence	24 Feb	Feb	--	--	107.1	108.9
FGV CPI IPC-S	24 Feb	Feb	0.68%	--	0.69%	0.78%
FIPE CPI - Weekly	25 Feb	Feb	0.65%	--	0.58%	0.73%
FGV Construction Costs MoM	25 Feb	Feb	0.45%	--	--	0.70%
Federal Debt Total	25 Feb	Jan	--	--	--	--
Selic Rate	26 Feb	Feb	10.75%	10.75%	--	10.50%
FGV Inflation IGPM MoM	27 Feb	Feb	0.30%	--	--	0.48%
GDP QoQ	27 Feb	4Q	0.28%	0.40%	--	-0.50%
Total Outstanding Loans	27 Feb	Jan	--	--	--	2715B
PPI Manufacturing MoM	28 Feb	Jan	--	--	--	0.65%
Primary Budget Balance	28 Feb	Jan	23,4B	--	--	10.4B
CNI Consumer Confidence	28 Feb	Feb	--	--	--	113.9
Chile						
Central Bank's Traders Survey	26 Feb	Feb	--	--	--	--
Manufacturing Index YoY	28 Feb	Jan	-2.00%	-1.50%	--	0.20%
Unemployment Rate	28 Feb	Jan	5.80%	5.80%	--	5.70%
Retail Sales YoY	28 Feb	Jan	6.00%	7.80%	--	7.00%
Colombia						
Industrial Confidence	24 Feb	Jan	--	--	6.7	-1.3
Retail Confidence	24 Feb	Jan	--	--	24	22
Urban Unemployment Rate	28 Feb	Jan	12.25%	12.60%	--	9.70%
Overnight Lending Rate	28 Feb	Feb	3.25%	--	--	3.25%
Mexico						
Unemployment Rate SA	24 Feb	Jan	4.80%	4.77%	4.81%	4.76%
Bi-Weekly CPI	24 Feb	Feb	0.18%	0.23%	0.12%	0.12%
Bi-Weekly CPI YoY	24 Feb	Feb	--	4.32%	4.21%	4.34%
Retail Sales YoY	25 Feb	Dec	0.40%	2.70%	--	1.90%
Current Account Balance	25 Feb	4Q	-\$4667M	--	--	-\$5457M
Trade Balance	26 Feb	Jan	500M	-900M	--	1658M
Peru						
GDP YoY	24 Feb	4Q	5.20%	5.20%	5.20%	4.40%
CPI MoM	1 Mar	Feb	0.30%	--	--	0.32%
Wholesale Price Index MoM	1 Mar	Feb	--	--	--	0.03%

Most recent Latam reports

Date	Description
24-02-2014	➤ Brazil Economic Outlook: another bumpy year ahead
24-02-2014	➤ Mexico Inflation Flash: Inflation surprised on the downside in the first fortnight of February
24-02-2014	➤ Mexico GDP Flash: In 2013 the GDP growth rate was 1.1%, which is in line with our forecast
24-02-2014	➤ Mexico Regional Sectorial Outlook: First Half 2014
21-02-2014	➤ Mexico Flash: GDP growth rate in 2013 was 1.1%, in line with our forecast (in Spanish)
19-02-2014	➤ Chile Flash: We expect January Imacec between 1.5 and 2.5% YoY (in Spanish)
19-02-2014	➤ Latam Economic Outlook: First Quarter 2014 (in Spanish)
18-02-2014	➤ Chile Flash: Central bank cut policy rate by 25bp (at 4.25%) and kept dovish bias
17-02-2014	➤ Mexico Economic Outlook: First Quarter 2014 (in Spanish)
14-02-2014	➤ Peru Flash: GDP maintained good momentum in December

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