

Latam Daily Flash

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Economic Analysis

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Today eyes will be on Brazilian GDP, where some data such as the monthly activity indicator suggest that the economy could have entered into a technical recession with two consecutive declines in a row. However, discrepancies among monthly indexes and GDP lead us to believe that 4Q13 was slightly positive, but in line with a difficult beginning of year for the economy.

Brazil - Another 25bp adjustment of the Selic, could be the last one

As widely expected, the Monetary Policy Committee unanimously decided to hike the Selic by 25bp to 10.75, rather than by 50bp as in the last six months. This followed inflation's downward surprise in January, evidence that economic activity remains weak and that the economy could even have entered into recession at the end of 2013, the moderation of the exchange rate in the last few weeks, the recent announcement of a 1.9% of GDP fiscal target for 2014 (which should make the BCB continue to bet on a neutral fiscal policy this year), and previous official communication that highlighted the lagged impact of monetary policy. In the last few weeks all these facts have been making the consensus converge on the view that the Selic would be adjusted by 25bp yesterday. However, there is still significant uncertainty regarding the next monetary policy meeting in April. We expect the February adjustment to be the last one, but many analysts are expecting the adjustment to continue as today's accompanying statement maintains the expression "Continuing the adjustment process" and withdraws the expression "at this moment".

What to watch today

Brazil - GDP (4Q13, 07:00hrs NYT)

Recent indicators suggest that growth could have surprised to the downside, once again, in 4Q13. The IBC-Br, the BCB's economic activity index which works as a monthly proxy for GDP, declined 0.6% MoM and 1.4% MoM in November and December respectively, taking quarterly growth down to 0.2% QoQ. In 3Q13, the IBC-Br also declined 0.2% and GDP contracted 0.5% QoQ. Therefore, activity could have contracted for the second quarter in a row in 4Q13, implying that the economy could have entered a technical recession at the end of 2013. However, we stick to the view that 4Q13 was in positive territory, +0.4% QoQ more precisely. If our 4Q13 forecast is correct, GDP growth will have been around 2.2% in 2013. If 4Q growth surprises to the downside, however, not only would 2013 growth then be lower than expected but there will be an even clearer downward bias to our 2.5% growth forecast for 2014 (due to a smaller carry-over effect). Lower-than-expected growth would also support our view that yesterday's Selic adjustment was the last one.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Tax Collections	25 Feb	Jan	124050M	--	123667M	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%	--	0.44%	0.70%
Federal Debt Total	25 Feb	Jan	--	--	2046B	2123B
Selic Rate	26 Feb	Feb	10.75%	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%	2.20%	1.90%
Current Account Balance	25 Feb	4Q	-\$4667M	--	-\$4660M	-\$5457M
Trade Balance	26 Feb	Jan	500M	-900M	-3195M	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
26-02-2014	➤ Chile Economic Watch: The inflationary impact of exchange rate depreciation (in Spanish)
25-02-2014	➤ Chile Flash: We expect February CPI at 0.3% MoM and March CPI heading to 0.7% MoM (in Spanish)
25-02-2014	➤ Mexico Real Estate Flash: In 2013, only banking credit grew, at a rate of 14% (in Spanish)
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)

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