

# Latam Daily Flash

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Economic Analysis

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*The minutes point to maintenance of policy rates in the May meeting although due to inflation surprises the monetary authority could be forced to hike the Selic. In Peru no changes in the policy rate; we continue to expect a steady rate. In Chile the central bank economic survey published yesterday anticipated a transitory pause in monetary easing. Today we will be watching industrial production in Mexico where we expect a positive reading influenced by upturn in US IP.*

## Brazil - COPOM minutes suggest that the tightening cycle is over

The minutes of the last Monetary Policy Committee (COPOM) meeting highlight the lagged impact of the current monetary tightening on inflation and regard the recent increase in food prices as a temporary, limited shock. The minutes reinforce our view that the Selic rate will be left unchanged at 11.0% at the next COPOM meeting at the end of May. However, the monetary authority could be forced to deliver a final 25bp hike if inflation surprises to the upside in the upcoming readings as it did in March (see our [Brazil Flash](#) for more details).

## Peru - Monetary policy meeting: no changes in the policy rate and a similar communiqué to that of last month's

As expected, the policy rate was left unchanged in April at 4.0%. The statement accompanying the decision was similar to last month's and continued to emphasise that the current monetary policy stance is consistent with an inflation forecast that converges to the centre of the target range in 2014-15. At BBVA we continue to expect a steady reference rate at 4.0% in the coming months as the central bank faces, on the one hand, an inflation rate that remains above the target and a current account deficit of around 5% of GDP, and on the other, a weak output growth, below potential (see our [Peru Flash](#) for more details).

## Chile - Central bank economic survey anticipates a pause in policy rates in April

The central bank's survey revealed a consensus growth forecast for the monthly economic activity index of around 3.0% YoY in March (BBVAe: +3.0%/+4.0% YoY), and inflation at +0.2% MoM in April (BBVAe: -0.1%/+0.1% MoM). Annual inflation expectations for December 2014 increased from 3.0% to 3.3% reflecting the recent surprises in CPI monthly inflation figures, while for the longer term they remain anchored to the central bank's target. In terms of monetary policy, the median of analysts anticipates a pause in the reference rate at April's meeting (83% of those surveyed) and a 25bp cut in May (with 51% of respondents). With the information at hand, we still see two consecutive cuts of 25bp in rates as being the most likely option, with a start at April's meeting. Finally, we would highlight a third consecutive downward correction in GDP growth expected for 2014 from 3.7% to 3.4%, mainly influenced by incoming activity figures.

## What to watch today

### Mexico - Industrial production (February, 09:00hrs NYT)

February's industrial production should go up by 1.0% YoY sa, equivalent to 1.0% MoM sa. This performance is affected to a large extent by the upturn in the US monthly industrial production index in February (0.6% MoM sa). In January, industrial production in Mexico increased 0.8% YoY sa. In monthly terms it grew 0.5% sa, helped by a significant rise in manufacturing (2.3% MoM sa). Meanwhile, mining fell (-0.1% MoM sa), as did electricity, gas and water (-0.9% MoM sa), and construction (-1.2% MoM sa).

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-DI MoM	7 Apr	Mar	1.59%	--	1.48%	0.85%
FGV CPI IPC-S	8 Apr	Apr	0.91%	--	0.96%	0.85%
FIPE CPI - Weekly	9 Apr	Apr	0.75%	--	0.73%	0.76%
IGP-M Inflation 1st Preview	9 Apr	Apr	0.81%	--	0.72%	1.16%
IBGE Inflation IPCA MoM	9 Apr	Mar	0.85%	0.78%	0.92%	0.69%
COPOM Monetary Policy Meeting Minutes	10 Apr	--	--	--	--	--
<b>Chile</b>						
Economic Activity MoM	7 Apr	Feb	0.1%	0.5%	0.20%	0.49%
Real Wage MoM	7 Apr	Feb	--	--	-0.2%	0.7%
Trade Balance	7 Apr	Mar	\$1400M	\$1694M	\$1702M	\$1237M
Copper Exports	7 Apr	Mar	--	\$3484M	\$3605	\$3794M
CPI MoM	8 Apr	Mar	0.7%	0.7%	0.84%	0.48%
Central Bank's Traders Survey	9 Apr	--	--	--	--	--
Central Bank's Economist Survey	10 Apr	--	--	--	--	--
<b>Colombia</b>						
CPI Core MoM	7 Apr	Mar	--	0.16%	0.31%	0.68%
Consumer Confidence Index	11 Apr	Mar	--	23	--	15.7
Central Bank's Economists Survey	11 Apr	--	--	--	--	--
<b>Mexico</b>						
Gross Fixed Investment	8 Apr	Jan	-1.0%	0.9%	-2.39%	0.74%
Vehicle Production AMIA	7 Apr	Mar	--	--	277314	248017
CPI MoM	9 Apr	Mar	0.30%	0.27%	0.27%	0.25%
CPI Core MoM	9 Apr	Mar	0.18%	0.18%	0.21%	0.28%
ANTAD Same-Store Sales YoY	9 Apr	Mar	-1.2%	1.5%	-2.4%	-0.2%
Nominal Wages	10 Apr	Mar	--	--	4.42%	4.3%
Industrial Production MoM	11 Apr	Feb	0.45%	0.96%	--	0.51%
<b>Peru</b>						
Trade Balance	7 Apr	Feb	--	--	\$58M	-\$679M
Reference Rate	10 Apr	Apr	4.00%	4.00%	4.00%	4.00%

## Most recent Latam reports

Date	Description
08-04-2014	<a href="#">➤ Brazil Flash: COPOM minutes suggest that the tightening cycle is over</a>
08-04-2014	<a href="#">➤ Peru Flash: Monetary policy meeting: no changes in the policy rate and a similar communiqué to that of last month's</a>
08-04-2014	<a href="#">➤ Brazil Flash: Inflation jumps in March and will soon breach the 6.5% target ceiling</a>
08-04-2014	<a href="#">➤ Mexico Inflation Flash: Inflation returned to Banxico's tolerance interval in March</a>
08-04-2014	<a href="#">➤ Mexico Economic Watch: Social Security reform (in Spanish)</a>
08-04-2014	<a href="#">➤ Financial Inclusion Economic Watch: Voluntary long-term savings in Chile (in Spanish)</a>
08-04-2014	<a href="#">➤ Brazil: Brazilian economy perspectives (video)</a>
08-04-2014	<a href="#">➤ Latam: Deterioration in Latin America's manufacturing competitiveness (video)</a>
08-04-2014	<a href="#">➤ Latam: Second generation reforms for Latin America (video)</a>
08-04-2014	<a href="#">➤ Chile Flash: CPI inflation at +0.8% MoM does not compromise Central Bank's baseline scenario (in Spanish)</a>

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