

LatAm Daily | October's current account deficit narrows in Brazil

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In our view, FDI flows will largely fund the current account deficit which we expect to continue declining as it did in October. Today we will see the monetary policy minutes in Chile -where weak activity figures could have influenced the pause at the last meeting-, and the Colombian monetary policy decision, where we expect a 25bp hike in the MPR.

Brazil - The current account deficit continued to adjust downwards in October

The current account deficit reached USD4.2bn in October, higher than in September (USD3.1bn), but well below the figure recorded in October 2014 (USD9.3bn). As a result, the twelve-month deficit declined, to USD 74bn (4.02% of GDP) from USD79.3bn in September (4.18% of GDP), as has happened in every month since the beginning of the year. The financial account, which broadly speaking measures the level of external financing, reached USD3.6bn in October and now accumulates USD71.2bn (3.86% of GDP) in the last twelve months. Gross foreign direct investment (FDI) came in at USD6.7bn, totally funding the current account deficit in the month, and now stands at USD70.7bn (3.84% of GDP) in annual terms. As regards, portfolio flows; they registered net outflows of USD3.6bn in the month (and net inflows of USD9.9bn in the last twelve-months). Looking ahead, we expect the current account deficit to continue to decline -converging to around 3.8% of GDP at the end of the year and 2.6% of GDP by the end of 2016- and to continue being largely funded by gross FDI flows.

What to watch today

Brazil - Credit markets report (October, 7:30hrs NYT)

We expect the BCB's credit report to reveal that credit markets continued to weaken in October, due to a reduction in the demand and supply of credit. We believe the total credit growth is likely to remain in negative territory in real terms. Moreover, we expect some signs of an uptick in default rates.

Chile - Minutes of monetary policy meeting (November, 7:30hrs NYT)

Despite the pause at 3.25% in rates at November's meeting, the monetary policy minutes could still reveal concerns about the persistence of inflation figures remaining around 4% YoY. A pause in rates probably prevailed in the Board's decision because activity figures remain weak -despite a mild recovery during September. Additionally, the decline copper prices could also be a source of concern, not necessarily due to their impact on FX depreciation, but rather because of the negative spillover effects to the real economy.

Colombia - BanRep's monetary policy meeting (No set time)

The Central Bank's Board will hold its monthly monetary policy meeting. According to the latest minutes some Board members were concerned regarding the inflation outlook and the dynamics of inflation expectations. In addition, the CB expects a slightly better GDP performance in 2015. In that context, we expect an additional 25bp increase in the repo rate up to 5.50% (consensus: 5.75%).

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	23-Nov	Nov	0.92%		0.94%	0.86%
Formal Job Creation Total	23-Nov	Oct			-169131	-95602
National Unemployment Rate	24-Nov	Sep	8.90%		8.90%	8.70%
Federal Debt Total	24-Nov	Oct			2646b	2735b
FGV Consumer Confidence	25-Nov	Nov			76.7	75.7
Selic Rate	25-Nov	Nov	14.25%	14.25%	14.25%	14.25%
Current Account Balance	26-Nov	Oct	-3950	-4100	-4166	-\$3076m
CNI Consumer Confidence	26-Nov	Nov				97.3
FGV Inflation IGPM MoM	27-Nov	Nov	1.50%			1.89%
Outstanding Loans MoM	27-Nov	Oct				0.80%
Central Govt Budget Balance	27-Nov	Oct	-7.5			-6.9b
Chile						
Central Bank's Traders Survey	25-Nov					
Central Bank Meeting Minutes	27-Nov					
Colombia						
Retail Confidence	24-Nov	Oct		18	20.5	20.9
Industrial Confidence	24-Nov	Oct		7.5	2.1	6.3
Overnight Lending Rate	27-Nov	Nov	5.75%	5.50%		5.25%
Mexico						
Retail Sales YoY	23-Nov	Sep	7.00%		4.90%	6.40%
Current Account Balance	25-Nov	3Q	-8120		-8855.59	-\$7980m
Trade Balance	27-Nov	Oct	-1735	-1680		-1419.9m
Unemployment Rate NSA	27-Nov	Oct	4.30%			4.50%
Unemployment Rate SA	27-Nov	Oct	4.18%			4.23%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
11.24.2015	Mexico: Bank deposits: continues catching up driven by its two components
11.21.2015	Mexico: Positive surprise in the GDP for the better-than-expected growth in the 3Q
11.20.2015	Mexico: Upside surprise in the GDP due to a better than expected growth in the 3Q15
11.18.2015	Mexico: Mortgage financing accelerates and grows 17% in September
11.14.2015	Peru: Mining led growth, but non-primary sectors decelerated (In Spanish)
11.13.2015	Mexico: We estimate that GDP growth in 3Q15 will have been similar to the 2Q15
11.13.2015	Chile: Central Bank maintains MPR at 3.25% and contractionary bias (In Spanish)
11.13.2015	Peru: Unsurprisingly, the central bank keeps once again the policy rate on hold
11.11.2015	Mexico: Regional Sectorial Outlook Second Half 2015
11.10.2015	Colombia: Outlook 4Q15 (In Spanish)
11.10.2015	Chile: Outlook 4Q15 (In Spanish)
11.06.2015	Colombia: Automotive sector, recent developments and outlook
11.06.2015	Chile: Inflation in October surprised to the upside
11.06.2015	Colombia: Foodstuff inflation unstoppable
11.06.2015	Brazil: Inflation at 10%? Almost there
11.05.2015	Chile: Imacec surprised to the upside and eases the fears of a technical recession (In Spanish)

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