

LatAm Daily | Lower fiscal deficit in Chile but tight room for fiscal manoeuvre

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Surprises in non-cyclical revenues raised government revenues leading to a lower than expected fiscal deficit. Structural balance reached a deficit of 0.3% of GDP, though this result deteriorates if non-recurrent incomes are included. Food prices and currency depreciation caused inflation to rise in Peru, expected to rise further with “El Niño” and the currency weakening.

Chile - Although the fiscal deficit closed at 2.2% of GDP in 2015, the room for fiscal manoeuvre will narrow

Due to positive surprises in non-cyclical revenues (related to one-off effects in both tax reforms and anti-trust fines) the effective fiscal deficit reached 2.2% of GDP in 2015. During last year, government real expenditures increased by 7.4%, a figure that is behind the slowdown in the fiscal support to aggregate activity during 4Q15. In this regard, although the overall fiscal budget was over-executed at 101.1%, government investment was under-executed mainly in areas such as health and education programmes. Additionally, real revenues increased by 5.2% in 2015 mainly due to increased revenues from non-mining tax-payers. Finally, the structural balance reached a deficit at 0.3% of GDP, but if non-recurrent incomes were excluded from the balance, the figure changes to a deficit of 0.6% of GDP. In this context, the structural figures should be read carefully given that the parameters that drive the structural revenues of the government (both the copper price and GDP growth) will be corrected downwards in the most probable fiscal scenario (see our [Chile Watch](#) in Spanish for details).

Peru - Inflation keeps rising, as expected

The CPI rose 0.37% in January due to higher food prices and the depreciation of the local currency, which were in part offset by the decline in global oil prices and its transmission to domestic fuel prices. With this result, the YoY rate of inflation increased again and reached 4.6% (vs. 4.4% in December). We estimate that it will keep going up in the short term because the local currency is weakening at a faster pace and “El Niño” weather phenomenon will continue to have negative impacts on food supply. [See our [Peru Watch](#) in Spanish for additional details.]

What to watch today

Brazil - Industrial production (December, 06:00hrs NYT)

We expect industrial production to have remained broadly stable in monthly terms in December after having dropped 8.3% from June to November.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	1-Feb	Jan	1.70%		1.78%	1.55%
Trade Balance Monthly	1-Feb	Jan	500		923	\$6240m
Industrial Production MoM	2-Feb	Dec	0.00%	0.00%		-2.40%
FIPE CPI - Monthly	3-Feb	Jan	1.36%			0.82%
FGV Inflation IGP-DI MoM	5-Feb	Jan	1.24%			0.44%
IBGE Inflation IPCA MoM	5-Feb	Jan	1.09%	0.95%		0.96%
CNI Consumer Confidence	5-Feb	Jan				96.3
Chile						
Economic Activity MoM	5-Feb	Dec	0.05%	0.10%		-0.50%
Economic Activity YoY	5-Feb	Dec	0.85%	0.90%		1.80%
Nominal Wage MoM	5-Feb	Dec		0.80%		0.40%
Vehicle Sales Total	5-Feb	Jan				29835
Colombia						
Economic Activity Index SA YoY	5-Feb	Nov	2.60%	2.50%		3.30%
Quarterly Inflation Report	5-Feb					
Exports FOB	5-Feb	Dec	2400	2355		\$2362.3
CPI MoM	5-Feb	Jan	0.90%	0.89%		0.62%
Mexico						
Central Bank Economist Survey	2-Feb					
Vehicle Domestic Sales AMIA	2-Feb	Jan				160663
Overnight Rate	4-Feb	Feb	3.25%			3.25%
Consumer Confidence Index	5-Feb	Jan	90.6	90.8		93
ANTAD Same-Store Sales YoY	5-Feb	Jan				8.10%
Peru						
CPI MoM	1-Feb	Jan		0.33%	0.37%	0.45%
CPI YoY	1-Feb	Jan		4.60%	4.61%	4.40%

Fuente: BBVA Research

Most recent Latam reports

Date	Description
02.02.2016	Peru: Inflation keeps rising, as expected
02.01.2016	Chile: We forecast CPI in January 2016 at 0.3% MoM (In Spanish)
02.01.2016	Chile: Although the fiscal deficit closed at 2.2% of GDP in 2015, the room for fiscal manoeuvre will narrow (In Spanish)
01.29.2016	Mexico: The peso appreciated nearly 2.0% over the week due to rising oil prices
01.29.2016	Colombia: BanRep increased its monetary policy rate to 6% in line with expectations
01.29.2016	Chile: Sectoral figures disappoint, supporting maintenance of monetary stimulus
01.28.2016	Brazil: A more dovish Copom redirects its focus to the global environment
01.26.2016	Peru: Trade deficit was enlarged in 2015, but we anticipate an improvement in 2016
01.25.2016	Mexico: The IGAE grew 0.1% MoM in November 2015
01.22.2016	Mexico: Moderate recovery of the peso at end of the week after hitting record highs
01.21.2016	Brazil: Copom refrains from beginning a new tightening cycle
01.15.2016	Mexico: Continuing decline in oil prices leads to the exchange rate to new highs
01.15.2016	Peru: November growth surprised on the upside
01.15.2016	Chile: Central bank maintained policy rate at 3.50%, in line with expectations
01.15.2016	Peru: BCRP maintains its focus on containing inflation expectations (in Spanish)
01.14.2016	Chile: Central Bank maintains the MPR at 3.5%, in line with expectations (in Spanish)
01.08.2016	Mexico: Oil in lowest level since 2004 and dollar in record high
01.08.2016	Brazil: Inflation peaked at 10.7% YoY in December
01.08.2016	Peru: Exports continue to improve in November (In Spanish)
01.08.2016	Chile: CPI closes 2015 with an increase of 4.4% YoY (In Spanish)

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