

## LatAm Daily | In Brazil, current account deficit decreases, fully funded with FDI

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*Also in Brazil, inflation surprised to the upside in the first two weeks of February (1.42% MoM, BBVAe: 1.15% MoM) due to food and regulated prices. In Mexico, GDP grew 2.5% in 2015. Growth was nil in December and the weak performance could extend into the first months of 2016.*

### Brazil - Inflation surprised to the upside at the beginning of February

February's IPCA-15, which measured inflation from mid-January to mid-February, reached 1.42% MoM, higher than expected (BBVAe: 1.15% MoM; consensus: 1.24% MoM). Even though food inflation declined somewhat in comparison to the full-month inflation in January, it was again the source of the greatest pressure on domestic prices. More precisely, food prices contributed to monthly inflation with 0.49 p.p.. Due to adjustments in the regulated prices for transport and education, which are common at this time of year, these two segments contributed to February's IPCA-15 with 0.30 p.p. and 0.27 p.p. respectively. Taking into account yesterday's figures, we are fine-tuning our forecast for February's full-month IPCA to 1.0% MoM from 0.90% MoM. This would imply a decline in annual inflation from 10.7% YoY in December and January to 10.47% YoY.

### Brazil - Current account deficit continued to lose steam in January

Due to an improvement in the trade balance, which exhibited a USD0.6bn surplus in January compared to a USD2.9 deficit a year ago, and a sharp decline in both service and income accounts, the current account deficit fell from USD12.2bn in January 2015 to USD4.8bn in the first month of this year. As a result, the 12-month current account deficit was USD51.6bn (2.9% of GDP), in comparison to USD58.9bn (3.3% of GDP) in December 2015. Regarding external funding, even though we have been seeing short-term capital outflows lately, in January foreign direct investment was holding up relatively well. In January it was USD5.5bn, broadly unchanged in comparison to the same month last year. It has therefore reached USD75.8bn (4.3% of GDP) in the last 12 months, more than sufficient to fund the deficit in the current account.

### Mexico - 2015 GDP grew 2.5% while December's IGAE growth rate was nil

INEGI announced that the annual GDP growth rate for 2015 was 2.5%, although the Q/Q rate was lower (0.5%) than it had expected (0.6%) in its preliminary growth estimate. The source of this lower quarterly growth rate is related to December's nil monthly growth rate for IGAE (the monthly GDP indicator). Note that there is the possibility that IGAE's weak performance may extend into the first months of 2016.

## What to watch for today

### Brazil - Credit report (January, 8:30 am NYT)

We expect the BCB's credit report to show that credit markets remained very weak at the beginning of the year. It should also provide additional evidence that the deterioration of economic activity is translating into higher default rates.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
Formal Job Creation Total	22-Feb al 24-Feb	Jan	-157126			-596208.00
FGV CPI IPC-S	23-feb				1.1	1.4%
IBGE Inflation IPCA-15 MoM	23-feb	Feb	1.26	1.15%	1.42	0.9%
Current Account Balance	23-feb	Jan			-4817	-\$2460m
FIPE CPI - Weekly	24-feb					1.2%
Total Outstanding Loans	24-feb	Jan				3217b
FGV Consumer Confidence	25-feb	Feb				67.90
Unemployment Rate	25-feb	Jan	7.5	7.9		6.9%
FGV Inflation IGPM MoM	26-feb	Feb	1.19			1.1%
Primary Budget Balance	26-feb	Jan				-71.7b
<b>Chile</b>						
Central Bank Meeting Minutes	26-feb					
<b>Colombia</b>						
Retail Confidence	25-feb	Jan		12.00		23.50
Industrial Confidence	25-feb	Jan		3.00		1.30
<b>Mexico</b>						
Retail Sales MoM	22-feb	Dec			-1.6	0.5%
Retail Sales YoY	22-feb	Dec			3.4	5.7%
GDP Full Year YoY	23-feb	2015			2.5	2.1%
Economic Activity IGAE YoY	23-feb	Dec			2.56	2.7%
GDP NSA YoY	23-feb	4Q		2.5%	2.5	2.5%
GDP SA QoQ	23-feb	4Q		0.6%	0.54	0.6%
Bi-Weekly CPI	24-feb	1-15 Feb		0.1%		0.4%
Bi-Weekly Core CPI	24-feb	1-15 Feb		0.3%		0.1%
Bi-Weekly CPI YoY	24-feb	1-15 Feb		2.8%		2.8%
Current Account Balance	25-feb	4Q				-\$8856m
Unemployment Rate SA	26-feb	Jan				4.4%
Trade Balance	26-feb	Jan		-1962.00		-926.5m

Fuente: BBVA Research

## Most recent Latam reports

Date	Description
02.23.2016	<a href="#">Colombia: Economic Outlook 1Q16</a>
02.22.2016	<a href="#">Latam: Economic Outlook 1Q16 (Presentation)</a>
02.19.2016	<a href="#">Colombia: BanRep increased its monetary policy rate to 6.25% in line with expectations</a>
02.19.2016	<a href="#">Latam: Economic Outlook 1Q16 (In Spanish)</a>
02.18.2016	<a href="#">Colombia: Economic Outlook 1Q16 - Presentation</a>
02.17.2016	<a href="#">Peru: Econbomic Outlook 1Q16 (In Spanish)</a>
02.17.2016	<a href="#">Mexico: Monetary fiscal and exchange rate measures (In Spanish)</a>
02.16.2016	<a href="#">Colombia: Economic Outlook 1Q16, infographic (In Spanish)</a>
02.16.2016	<a href="#">Colombia: Econbomic Outlook 1Q16 (In Spanish)</a>
02.16.2016	<a href="#">Chile: January would mark the turning point in the annual growth (In Spanish)</a>
02.15.2016	<a href="#">Peru: Strong GDP growth in December, its fastest in two years</a>
02.11.2016	<a href="#">Peru: CB adjust MPR again and is more energetic with expectations (In Spanish)</a>
02.11.2016	<a href="#">Chile: CB mantains MPR unchanged. (In Spanish)</a>

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