

## LatAm Daily | Insufficient fiscal surplus in Brazil in January

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*The primary surplus was mainly due to one-off revenues, although not enough to guarantee an improvement in the total fiscal result, as interest payments continued to grow. The minutes of the last Monetary Policy meeting in Chile revealed options that included a pause or an increase of 25 bp influenced by increased global volatility.*

### Brazil - High public deficit, in spite of a positive fiscal primary result, thanks to increasing interest payments

The public sector's primary surplus reached BRL27.9 billion in January, in comparison to surpluses of BRL21.1 billion and BRL19.9 billion one and two years ago, respectively. In spite of the weakness of tax revenues, in line with the tone of economic activity, one-off revenues related to government's concession to the public sector (BRL11.4 billion) and the adjustment in some expenditure (mainly payroll and investment) allowed the public sector to generate a higher-than-expected surplus at the beginning of the year. BRL20.9 billion of the total surplus in January was generated by the federal government while the remainder, BRL7 billion, was the result of state-owned companies and regional governments. In spite of the positive primary result, interest payments continued to increase, suggesting that the total fiscal result is equal to -BRL28.3 billion, much worse, than at the beginning of 2015 (+BRL3 billion) and of 2016 (-BRL10.5 billion). As a consequence, the gross public debt reached 67% of GDP in January, compared to 66.2% in December. In spite of a relatively positive outlook in January, we expect the primary result to deteriorate moving forward. For the year, we expect it to reach -0.8% of GDP, contributing to a total fiscal deficit of 8.7% of GDP and to a public debt of around 72% of GDP.

### Chile - Higher external risks supported a pause in policy rates during February

The minutes of February's monetary policy meeting revealed options that include both a 25bp increase in rates and a pause at 3.5%. The increase in global volatility and the risks it poses to world growth expectations were their main concerns. Within this context, the board highlighted the persistence of slow growth in activity combined with the persistence of low confidence figures. The positive unemployment rate was somewhat lessened by acknowledging some slack due to the deceleration of nominal and real wages. Concerns about short-term inflation continued, which were mainly related to exchange-rate depreciation risks, driven by a scenario of further declines in copper prices. All in all, taking into account a gradual and data-dependent monetary policy normalisation, the option for a pause at 3.5% in rates prevailed.

### Colombia - January's urban unemployment rate should stand at 12.5%

Since August 2015, the urban unemployment rate grew with respect to last year's rate (with the exception of the November rate). According to our projection, the unemployment rate for January will be 0.7% above last year's rate.

## Mexico - January trade balance deficit of USD3.441 billion

The trade balance deficit for January was higher than we forecast, although in line with consensus opinion. The outstanding point was that total exports fell 7.6% year-on-year (oil exports decreased by 49%, while non-oil also dropped 4.1%). Export figures also show a negative performance by manufacturing exports, which in January fell at an annual rate of 3.9% (1.8% growth in automotive exports and a fall in other manufacturing exports of 4.6%). An improvement in export performance is required to foster economic growth throughout 2016.

## What to watch for today

### Chile - Activity data by sector (January, 7 am NYT)

We expect manufacturing output to have decreased by around 3.5% YoY in January, while mining activity should also show a negative figure around 8% YoY, among others factors, due to a higher comparison base. Retail sales and services seems to be the only sectors supporting GDP growth, with the former showing a +3.5% YoY increase over the month. Overall, figures should still point to weak aggregate economic activity.

### Chile - Unemployment rate (January, 7 am NYT)

We expect the jobless rate to have increased by 6.1% in January (from a previous 5.8% in December 2015), showing a slowdown in job creation combined with a seasonal acceleration in workforce growth.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
FGV CPI IPC-S	1-mar	Feb	0.85			1.1%
Trade Balance Monthly	1-mar	Feb	2500.00			\$923m
Selic Rate	2-mar	Mar	14.25	14.25		14.25%
GDP QoQ	3-mar	4Q	-1.60	-1.1		-1.7%
GDP YoY	3-mar	4Q	-5.90			-4.5%
Industrial Production MoM	4-mar	Jan	-0.49	-0.3		-0.7%
Vehicle Production Anfavea	4-mar	Feb				145064.0
<b>Chile</b>						
Copper Production Total	29-feb	Jan				495953.0
Retail Sales YoY	29-feb	Jan	3.25	3.5		1.9%
Manufacturing Production YoY	29-feb	Jan	-3.25	-3.5		-2.8%
Unemployment Rate	29-feb	Jan	6.00	6.1		5.8%
Industrial Production YoY	29-feb	Jan	-3.50			-3.3%
<b>Colombia</b>						
National Unemployment Rate	29-feb	Jan				8.6%
Urban Unemployment Rate	29-feb	Jan	12.50			9.8%
Exports FOB	3-mar	Jan	\$2223.0	\$2.015m		\$2543.0
PPI Domestic MoM	4-mar	Feb		7.77%		1.1%
PPI Total MoM	4-mar	Feb		1.50%		-0.2%
<b>Mexico</b>						
Remittances Total	1-mar	Jan	1785.50	1748		\$2188.0m
IMEF Manufacturing Index SA	1-mar	Feb	51.10			51.5
IMEF Non-Manufacturing Index SA	1-mar	Feb	50.50			50.2
Central Bank Economist Survey	2-mar					
Vehicle Domestic Sales AMIA	2-mar al 4-mar	Feb				119693.0
Mexican Central Bank Releases Inflation Report	3-mar					
Gross Fixed Investment	4-mar	Dec	-1.40	-2.4		-0.4%
<b>Peru</b>						
CPI MoM	1-mar	Feb	0.20			0.4%
CPI YoY	1-mar	Feb	4.50			4.6%

Fuente: BBVA Research

## Most recent Latam reports

Date	Description
02.24.2016	<a href="#">Latam: The business model of Spanish banks in Latin America</a> (In Spanish)
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</a> (In Spanish)
02.18.2016	<a href="#">Colombia: Economic Outlook 1Q16 - Presentation</a>
02.17.2016	<a href="#">Peru: Economic Outlook 1Q16</a> (In Spanish)
02.17.2016	<a href="#">Mexico: Monetary fiscal and exchange rate measures</a> (In Spanish)
02.16.2016	<a href="#">Colombia: Economic Outlook 1Q16, infographic</a> (In Spanish)
02.16.2016	<a href="#">Colombia: Economic Outlook 1Q16</a> (In Spanish)
02.16.2016	<a href="#">Chile: January would mark the turning point in the annual growth</a> (In Spanish)
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</a> (In Spanish)
02.11.2016	<a href="#">Chile: CB maintains MPR unchanged.</a> (In Spanish)

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