

## LatAm Daily | Chile announces cuts in public expenditure

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*Treasury in Chile reaffirms its commitment with the structural balance; announcement should instill confidence concerning the sustainability of public debt. In Peru, inflation fell in February influenced by seasonal effects. Today no changes are expected on Selic rate from MP meeting in Brazil.*

### Chile - Further measures for the sustainability of public debt

Treasury announced an adjustment in public expenditure for this year, equivalent to USD 540mn, mainly due to an update in structural revenues coming from the reference copper price (from a tendency of USD2.98 to a USD2.57 per pound). This measure implies both a downward adjustment for public expenditure growth and lower structural fiscal deficit during this year (that the Treasury expects at 4.2% YoY and 1.3% of GDP respectively). Nonetheless, it will also relieve pressure to withdraw at an even faster rate the fiscal support expected for aggregate demand during 2017, in a context of lower reference parameters for structural revenues (both expected copper price and GDP growth). All in all, the announcement should remove market fears of an unsustainable path for public debt, but also of crowd-in investments from the private sector.

### Chile - A clear slowdown of fiscal support for aggregate demand

During January, real government expenditure declined by 3.4% YoY, showing a clear slowdown of fiscal support to aggregate activity. The figure was driven by both declines in public consumption and investment (-3.5% YoY and -3.3% YoY respectively). Meanwhile, fiscal income surged to +19.2% YoY, mainly due to one-off non-recurrent revenues related to the repatriation of capital that offset the decline in taxes that came from private mining activities (-54.3% YoY). All in all, figures are showing less support for aggregate demand that will persist during the year, mainly in the investment component of expenditure.

### Peru - Inflation fell in February

In February inflation reached 0.17% MoM due to the seasonal increase in the prices of Education Services, which was mitigated by the downward correction in some food prices and electricity tariffs, and lower fuel prices. Thus, the annual inflation stood at 4.5% YoY (vs. 4.6% in January). In March, inflation could be affected by factors that are affecting the normal food supply (See our [Peru Watch](#) in Spanish for additional details).

## What to watch for today

### Brazil - Monetary policy decision (after local markets close)

The Monetary Policy Committee (COPOM) will likely leave the Selic rate unchanged at 14.25%. Moreover, the accompanying statement is not expected to signal any changes in the policy rate going forward.

## 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			453638.00	495953.0
Retail Sales YoY	29-feb	Jan	3.25	3.5	3.35	1.9%
Manufacturing Production YoY	29-feb	Jan	-3.25	-3.5	-4.64	-2.8%
Unemployment Rate	29-feb	Jan	6.00	6.1	5.80	5.8%
Industrial Production YoY	29-feb	Jan	-3.50		-8.28	-3.3%
<b>Colombia</b>						
National Unemployment Rate	29-feb	Jan			11.91	8.6%
Urban Unemployment Rate	29-feb	Jan	12.50		14.07	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		0.17	0.4%
CPI YoY	1-mar	Feb	4.50		4.5	4.6%

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
03.01.2016	<a href="#">Latam: Economic Outlook 1Q16</a>
03.01.2016	<a href="#">Mexico: Credit to the private sector begins the year with a growth of 15.3%</a> (In Spanish)
03.01.2016	<a href="#">Chile: Labour aggregates, job search efforts and Google trends</a> (In Spanish)
03.01.2016	<a href="#">Mexico: Remittances start 2016 with growth of 18.8% in January</a> (In Spanish)
03.01.2016	<a href="#">Peru: The inflation fell in February</a> (In Spanish)
02.29.2016	<a href="#">Colombia: Worse labour results than expected</a>
02.29.2016	<a href="#">Brazil: Economic Outlook 1Q16 - Presentation</a>
02.29.2016	<a href="#">Brazil: Economic Outlook 1Q16</a>
02.29.2016	<a href="#">Chile: January's IMACEC could have grown among -0.25% - 0.25% YoY</a> (In Spanish)
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)

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