

LatAm Daily | In line with expectations, Brazilian annual inflation is decreasing further

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IPCA-15 reached 9.34% YoY at the beginning of April, less than recorded in March 9.95% YoY. CA deficit declined to 2.4% of GDP, mostly due to an improvement of the trade balance, meaning that the external adjustment continued in March, and will likely continue moving forward.

Brazil - Annual inflation eased at the beginning of April

April's IPCA-15, which measures inflation from mid-March till mid-April, reached 0.51% MoM, broadly in line with expectations (BBVAe: 0.49% MoM, consensus: 0.48% MoM). The increase in prices during the period was mostly due to a further augment in food and beverages (+1.35% MoM) and a sharp adjustment in medicine prices. April's IPCA-15 was somewhat higher than March's IPCA-15 (0.43% MoM) and March's full-month IPCA (0.43% MoM). Despite this, mainly due to lower adjustments in administered prices but also due to the weakening of domestic demand, annual inflation measured by the IPCA-15 reached 9.34% YoY at the beginning of April, significantly less than recorded in March's IPCA-15 9.95% YoY and slightly below the full-month IPCA in March (9.39% YoY). After analysing yesterday's figures, we see no reasons to adjust our forecasts for the full month of April, which therefore remain at 9.18% YoY / 0.52% MoM.

Brazil - The current account deficit declined to 2.4% of GDP

The current account deficit reached USD0.9bn in March, the lowest value since 2009, when the Lehman Brothers crisis hit the country. The figure is 55% lower than the February deficit and 85% lower than the result recorded one year ago. Even though most of the adjustment is due to an improvement of the trade balance (which reached USD4.3bn in March), the exchange rate depreciation and mainly the sharp contraction of domestic demand are also playing a decisive role in the reduction of the deficit in both the service and income accounts. With respect to external funding, while gross FDI remained relatively high (USD5.6bn, +30% YoY), net portfolio outflows were recorded in March. Looking at cumulative figures over the last 12 months, we see that the current account deficit declined to 2.4% of GDP, from 2.7% of GDP in February and 4.5% of GDP in March 2015, and that gross FDI increased to 4.6% of GDP from 4.5% of GDP in the previous reading and 3.9% of GDP one year ago. All in all, yesterday's balance of payments report confirms that the external adjustment continued in March, and will likely continue moving forward.

What to watch today

Colombia - Imports and trade balance (February, 15:00hrs NYT)

We expect imports to have fallen 26.5% YoY, settling at USD CIF 3,373 mn. The adjustment in external purchases points to a gradual process of substitution of imports: the slowdown in internal demand is less intense than the fall in imports (growing at similar rates respect to the end of 2015), and industrial production is accelerating strongly. Meanwhile, the trade balance will show a deficit of USD FOB 918 mn., as the fall in oil prices was sharper than the imports adjustment.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Tax Collections	15-22 abr	Mar	94660.07		95778.54	87851m
FGV CPI IPC-S	18-abr	Apr 15	0.46		0.45	0.48%
Formal Job Creation Total	18-22 abr	Mar	-89236			-104582
Economic Activity MoM	18-22 abr	Feb	-0.5	-0.30%		-0.61%
National Unemployment Rate	20-abr	Feb	10.1		10.2	9.50%
IBGE Inflation IPCA-15 MoM	20-abr	Apr	0.48	0.49	0.51	0.43%
Current Account Balance	20-abr	Mar	-1050		-855	-\$1919m
Colombia						
Trade Balance	21-abr	Feb	-1035	-918		-\$1521.0
Mexico						
Bi-Weekly CPI	22-abr	Apr 15	-0.23	-0.27		0.15%
Bi-Weekly Core CPI	22-abr	Apr 15	0.12	0.13		-0.01%
Bi-Weekly CPI YoY	22-abr	Apr 15	2.74	2.68		2.49%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
04.15.2016	Mexico Weekly: Government measures alleviate the liquidity problems of PEMEX (In Spanish)
04.15.2016	Peru: GDP growth accelerated in February (In Spanish)
04.15.2016	Peru: Central Bank: MPR unchanged (In Spanish)
04.13.2016	Mexico: Federal Government support allows Pemex to improve its financial situation in 2016 (In Spanish)
04.12.2016	Chile: Policy rate keeps at 3.5%, but the restrictive tone is moderated (In Spanish)
04.08.2016	Mexico Weekly: An unfavorable industrial performance corroborates moderate growth outlook (In Spanish)
04.08.2016	Brasil: Times of two-digit inflation are over
04.08.2016	Chile: Surprises in CPI inflation (In Spanish)
04.06.2016	Colombia: Inflation reaches 15-year high on soaring food prices
04.05.2016	Colombia: Automobile Market Outlook 2016 (In Spanish)

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