

LatAm Daily | Gradual adjustment in Colombia's external deficit

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In Colombia, the current account deficit in 1Q16 was 5.6% of GDP, below 2015's figure. In the coming quarters the trade balance should improve due to the recovery of oil prices. Also in Colombia, a gradual import substitution process is being signalled by imports (-17.0 YoY in April), with manufacturing and fuel products showing the sharpest drops.

Colombia - The balance of payments confirms a gradual adjustment in the external deficit

The current account deficit in the first quarter stood at 5.6% of GDP (USD 3,381 mn.). The deficit, as a percentage of GDP, was below 2015's figure (6.5% of GDP), and its level in dollar terms stood at its lowest since the end of 2013. Although the trade deficit (USD -3,096 mn.) continued pushing up the total deficit, the remaining accounts of the current account partially offset that unbalance. In fact, factor income and services balance produced the lowest value for a first quarter since 2005. On the other hand, direct foreign investment stood at USD 4,568 mn., above the current account deficit. However, this includes a fraction (below 60%, probably) of the ISAGEN sale. In the coming quarters, the trade balance should improve due to the recovery of oil prices, although factor income and the services balance will deteriorate marginally.

Colombia - The performance of imports signals a gradual imports substitution process

In April, imports fell -17.0 YoY, settling at USD CIF 3,701 mn. Manufactured goods (-19.6%) and fuel products (-38.9%) showed the sharpest drops. Hence, while internal demand continues to grow (mainly in private consumption of non-durable and semi-durable goods), the adjustment in imports is allowing for an important recovery in industrial production in a genuine imports substitution process. On the other hand, the trade deficit stood at USD FOB 1,118 mn., similar to previous figures and below the numbers for 2015. Thus, the current account deficit in 2016 should be below the level observed in the previous year, in line with our current outlook.

What to watch today

Brazil - IPCA-15 (June, 08:00hrs NYT)

June's IPCA-15, which measures inflation from mid-May to mid-June, is expected to ease to 0.55% MoM from 0.86% in the previous reading, thanks to lower adjustments in food and regulated prices. Accordingly, annual inflation should slow down from 9.6% to 9.1%, still well-above the 2.5%-6.5% target range.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Trade Balance Weekly	20-jun	jun-19			974	\$561m
IBGE Inflation IPCA-15 MoM	21-jun	Jun	0.51	0.55		0.86%
FGV CPI IPC-S	23-jun	jun-22	0.38			0.45%
FIPE CPI - Weekly	24-jun	jun-22				--
Current Account Balance	24-jun	May	2000			\$412m
Chile						
Central Bank's Traders Survey	22-jun					
Colombia						
Trade Balance	20-jun	Apr	-1000		-1117.5	-\$1116.9
Overnight Lending Rate	22-jun	jun-22	7.5			7.25%
Retail Confidence	23-jun	May		18		26
Industrial Confidence	23-jun	May		8		5.9
Mexico						
Aggregate Supply and Demand	20-jun	1Q	2.5		2.5	2.40%
Economic Activity IGAE YoY	23-jun	Apr	3.4			1.18%
Bi-Weekly CPI	23-jun	jun-15	0.1	0.10%		0.17%
Bi-Weekly Core CPI	23-jun	jun-15	0.14	0.14%		0.11%
Bi-Weekly CPI YoY	23-jun	jun-15	2.63	2.63%		2.66%
Retail Sales MoM	24-jun	Apr	-0.6			3.00%
Retail Sales YoY	24-jun	Apr	8.5			6.40%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
06.17.2016	Chile: Central bank kept policy rate at 3.5% and modifies the restrictive tone (In Spanish)
06.16.2016	Brazil: Still no room for a monetary easing
06.15.2016	Peru: April's growth the lowest result so far this year and surprised to the downside (In Spanish)
06.14.2016	Inflation persistence in Latin America
06.10.2016	Mexico Weekly: New episode of peso adjustment resulting from proximity of the Fed meeting (In Spanish)
06.10.2016	Peru: The Central Bank maintains rates in 4.25% in a context of decrease of inflation (In Spanish)
06.09.2016	Colombia: Where are we in Financial Inclusion? (In Spanish)
06.08.2016	Brazil: Inflation stopped falling in May but will continue to trend down going forward
06.08.2016	Chile: May's CPI (0.2% MoM) shows a inflation slowdown higher than expected (In Spanish)
06.07.2016	Colombia: Inflation accelerates in May in line with expectations

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