

## LatAm Daily | A smaller - but still very high- primary deficit for Brazil in 2017

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*The government set a -2.2% of GDP target for the primary result in 2017, which is higher than the goal for 2016 (-2.7% of GDP), and will require a freezing of expenditure in real terms and some further actions on the revenue side (privatizations, tax hikes, etc.). That is still a very high deficit, which shows that the fiscal adjustment in Brazil will be very slow.*

### Brazil - A smaller primary deficit for Brazil in 2017

The government announced that it will pursue a primary deficit of BRL143bn (2.2% of GDP) next year. Even though there is still uncertainty about whether Congress will approve the government's project that proposes to freeze public expenditure in real terms at 2016 levels for 20 years, the 2017 budget will incorporate that restriction. To deliver the announced target next year, however, the government will have to take further measures, probably on the revenue side (privatizations and concessions to the private sector as well as tax hikes). The goal for the 2017 deficit is lower than the goal for 2016 (a BRL170bn deficit or -2.7% of GDP), but it is above the very high deficit recorded in 2015 (BRL111bn or -1.9% of GDP) not to mention in sharp contrast with the primary surpluses observed in the past (from 2001 to 2013 the primary surplus averaged 3.0% of GDP). The new primary target for 2017 is in line with our view that in the best-case scenario, in which the abovementioned project to limit expenditure is approved and other important fiscal measures are taken, primary deficits will diminish very gradually until 2019/2020 when a primary surplus could then be generated. Even in that scenario, public debt would increase constantly and reach around 88% of GDP in 2020 before stabilizing.

## What to watch today

### Brazil - Inflation (June, 8:00hrs NYT)

We expect monthly inflation to moderate to 0.35% MoM from 0.78% MoM due to lower pressure from regulated and food prices (the latter to some extent due to more favorable seasonality). In annual terms, inflation should then moderate downwards to 8.84% YoY from 9.32% in May and 10.71% YoY at the beginning of the year.

### Chile - Consumer price index (June, 08:00hrs NYT)

We expect an increase of 0.4% MoM in June (+4.1% YoY), driven by foodstuffs and transportation, which should be partially offset by declines in apparel. Meanwhile, core measures that exclude foods and energy will rise around 0.15% MoM (+4.1% YoY).

### Colombia - Monetary policy minutes (June, 14:00hrs NYT)

BanRep will publish the minutes for its last monetary policy meeting. In June the central bank decided to increase the monetary policy rate 25bp taking the repo rate to 7.5%. During the press conference it was announced that the decision was taken by majority.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
FIPE CPI - Monthly	05-jul	Jun	0.45		0.65	0.57%
Vehicle Sales Anfavea	06-jul	Jun			171797	167489
Commodity Price Index MoM	06 jul-13 jul	Jun			0.01	1.47%
FGV Inflation IGP-DI MoM	07-jul	Jun	1.67		1.63	1.13%
FGV CPI IPC-S	08-jul	Jul-07	0.38			
IBGE Inflation IPCA MoM	08-jul	Jun	0.36	0.35		0.78%
<b>Chile</b>						
Central Bank Meeting Minutes	04-jul					
Economic Activity YoY	05-jul	May	1.50	1.8	1.85	0.70%
Economic Activity MoM	05-jul	May	0.20		0.74	-1.30%
Trade Balance	07-jul	Jun	200.00		-32.82	\$745
Exports Total	07-jul	Jun	4860.95		4573.93	\$5050
Imports Total	07-jul	Jun	4669.50		4606.75	\$4305
Copper Exports	07-jul	Jun			2008.86	\$2274
Nominal Wage YoY	07-jul	May	5.15	5.3	5.30	5.30%
Vehicle Sales Total	07 jul-12 jul	Jun			23636	24002
CPI YoY	08-jul	Jun	4.10	4.1		4.20%
CPI MoM	08-jul	Jun	0.30	0.4		0.20%
<b>Colombia</b>						
PPI Domestic MoM	05-jul	Jun			0.6	0.59%
CPI YoY	06-jul	Jun	8.36	8.30	8.6	8.20%
CPI MoM	06-jul	Jun	0.25	0.20	0.48	0.51%
CPI Core YoY	06-jul	Jun			6.31	6.07%
CPI Core MoM	06-jul	Jun			0.47	0.53%
Colombia Monetary Policy Minutes	08-jul					
<b>Mexico</b>						
Vehicle Domestic Sales AMIA	04 jul-06 jul	Jun			134536	121587
Gross Fixed Investment	05-jul	Apr	2.10		1.60	-3.0%
Vehicle Exports AMIA	06 jul-8 jul	Jun			247005	226240
Vehicle Production AMIA	06 jul-8 jul	Jun			319122	279508
CPI MoM	07-jul	Jun	0.16		0.11	-0.45%
CPI Core MoM	07-jul	Jun	0.27		0.25	0.21%
CPI YoY	07-jul	Jun	2.60		2.54	2.60%
Bi-Weekly CPI	07-jul	Jun-30	0.10		0.01	0.02%
Bi-Weekly Core CPI	07-jul	Jun-30	0.11		0.08	0.16%
Bi-Weekly CPI YoY	07-jul	Jun-30	2.62		2.53	2.55%
Consumer Confidence Index	08-jul	Jun	92.10			90.9
<b>Peru</b>						
Trade Balance	08jul-11jul	May	30			-\$40m

Fuente: BBVA Research

## Most recent Latam reports

Date	Description
07.06.2016	<a href="#">Colombia: Inflation surprises on the upside in June</a> (In Spanish)
07.05.2016	<a href="#">Chile: Economic activity slows down in May losing what was gained earlier this year</a> (In Spanish)
07.01.2016	<a href="#">Peru: Inflation remains downtrend</a> (In Spanish)
07.01.2016	<a href="#">Mexico: Private sector credit, better growth in its three segments</a> (In Spanish)
07.01.2016	<a href="#">Mexico: Remittances reach 2,477.8md (+13.1%), the best record for May since 2006</a> (In Spanish)
07.01.2016	<a href="#">Chile: Imacec with a ceiling of 2% YoY in May - Labor market depreciation surges</a> (In Spanish)
06.30.2016	<a href="#">Mexico: 50bps hike in the MPR amid fears that inflation expectations increase</a> (In Spanish)
06.29.2016	<a href="#">Mexico: Monetary policy rate unchanged at 3.75%</a> (In Spanish)
06.27.2016	<a href="#">Mexico: Bank deposits: mixed performance in its components</a> (In Spanish)
06.24.2016	<a href="#">Mexico: Brexit leads the dollar above 19ppd</a> (In Spanish)

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