

Latam Daily | Brazil's current account deficit narrows in May

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In the year to date the deficit is 20% lower than in the same period in 2014 demand, due to an improvement in the trade, services and income accounts. We expect the annual current account deficit to decline to 4.2% of GDP at the end of 2015.

Brazil - Current account deficit continued to decline in May; as did the FDI

The current account deficit reached USD3.3bn in May, lower than expected and easily the lowest figure since the updated series started to be released by the BCB at beginning of 2014. In the year to date the current account deficit totals USD35.8bn, 20% less than in the same period in 2014. There has been a reduction in the deficit registered by the current account's three components: the deficits in the trade, services and income accounts declined 43%, 10% and 23%, respectively, in the year up to May. These corrections are mainly due to a reduction in Brazil's imports/expenditure following the exchange rate depreciation and the moderation of economic activity than to higher exports/revenues. Even though the contraction of the current account deficit is positive news for the country, we have to note that foreign direct investment (FDI) has also fallen (35% in the year up to date). Looking ahead, we expect the annual current account deficit to continue to ease and close the year at 4.2% of GDP (vs. 4.5% at the end of 2014 and 4.4% in May).

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Current Account Balance	22-Jun	May	--		-\$3366M	-\$6901M
Foreign Direct Investment	22-Jun	May	--		\$6608M	\$5777M
FGV CPI IPC-S	23-Jun	1 June	--		--	0.86%
Federal Debt Total	23-Jun	May	--		--	\$2451B
Total Outstanding Loans	24-Jun	June	--			\$3061B
Central Bank Quarterly Inflation Report	24-Jun					
Unemployment Rate	25-Jun	May	0.07	6.70%	--	6.40%
FGV Consumer Confidence	25-Jun	Jun	--		--	85.1
Chile						
Central Bank's Traders Survey	24-Jun		--	--	--	--
Central Bank Meeting Minutes	26-Jun		--	--	--	--
PPI MoM	24-Jun	May	--	--	--	1.60%
Colombia						
Trade Balance	23-Jun	Apr	-\$900M	-\$ 932M	--	-\$1014.8M
Retail Confidence	23-Jun	May	--	15	--	18.1
Industrial Confidence	23-Jun	May	--	0	--	-0.1
Overnight Lending Rate	24-Jun	1-Jun	4.50%	4.50%	--	4.50%
Mexico						
Retail Sales YoY	22-Jun	Apr	5.20%	4.90%	4.6%	5.50%
Retail Sales MoM	22-Jun	Apr	0.60%	0.30%	-0.3%	0.20%
Economic Activity IGAE YoY	24-Jun	Apr	2.30%	1.70%	--	2.65%
Bi-Weekly CPI	24-Jun	1-Jun	0.10%	0.10%	--	0.04%
Bi-Weekly Core CPI	24-Jun	1-Jun	0.10%	0.09%	--	0.08%
Bi-Weekly CPI YoY	24-Jun	1-Jun	2.87%	2.84%	--	2.82%
Unemployment Rate SA	26-Jun	May	4.28%		--	4.30%
Unemployment Rate NSA	26-Jun	May	4.27%		--	4.31%
Trade Balance	26-Jun	May	-45.0M	-190.0M	--	-85.3M

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
06.19.2015	Mexico: IGAE should improve in April due to service sector
06.19.2015	Chile: Our monetary policy forecast is neutral
06.16.2015	Chile: Labour market reform, still work to do
06.15.2015	Peru: GDP accelerates in April reaching 4.3% YoY
06.12.2015	Mexico: Inflation touches historical low and industrial activity begins slow in the 2 Q15
06.12.2015	Colombia: GDP growth surprises on the upside
06.11.2015	Peru: We expect the Central Bank to keep its monetary policy unchanged for the remaining of the year
06.11.2015	Mexico: Industrial production contracts slightly
06.11.2015	Chile: Central Bank keeps its monetary policy unchanged at 3%, as expected
06.10.2015	Colombia: Inflation slows down in May due to a drop in food prices

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