

## LatAm Daily | In Colombia current account deficit in 1Q15 in Colombia stood at 7% of GDP

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*The financing of the CC deficit was 55% covered by FDI. Fiscal data in Brazil reinforce our view that meeting the target for 2015 is now almost impossible. We consider it likely that Brazil will revise downwards its primary surplus target. Figures for activity and labour in Chile remain weak, but in contrast, the labour market remains resilient in Colombia.*

### Brazil - May data reinforce our view that the fiscal target for 2015 will not be met

The public sector recorded a BRL6.9bn primary deficit in May, taking the primary result in the year to date down to BRL25.6bn. The latter figure represents 39% of the BRL66.3bn target for the year. Meeting the target, which represents 1.1% of GDP, is at this point almost an impossible mission because, among other factors, i) the current environment does not favor further expenditure cuts; ii) the public sector faces a heavier expenditure program in the second half of the year; iii) public revenue prospects are far from bright as the ongoing deceleration in domestic demand is denting public revenues, iv) the primary result generated by regional governments in the year to date is already higher than its target for the full year (observed: BRL19.2bn; target: BRL11.0bn), which suggests that this segment will not contribute to aggregate public-sector results as positively in 2H15 as it did in 1H15 (the federal government's primary result was only BRL6.7bn up to May while its target for the year is BRL55.3bn). Taking this into account, we think that it is likely that the primary surplus target for FY15 ends up being revised downwards. This would have a negative impact on confidence in Brazil, unless the government commits to adopt stricter expenditure controls in the medium and long term.

### Chile - Overall, activity data in May remain weak

Manufacturing output decreased by 3.3% YoY (BBVAe: -2.0%; consensus: -1.0%) driven mainly by metals and foods. Meanwhile, mining output declined by 0.4% YoY mainly due to negative contributions from iron, coal and natural gas. Retail sales increased 3.1% YoY, above both our and market expectations (BBVAe: +2.1%; consensus: +2.0%) due to positive contributions from apparel and electronics. All in all, aggregate activity figures anticipate a rate of growth in the Imacec of between 1.3% and 1.6% YoY in May (see our Chile Flash in Spanish for details).

### Chile - At last, the unemployment rate started to get into step with the business cycle

The jobless rate increased to 6.6% in May (from 6.1% in April), driven by an increase of 1.2% YoY in job-creation (mainly self-employment) and a 1.5% YoY growth of the labour force. Annual job-creation was still concentrated in public-sector jobs, but also in construction, hotels and restaurants. All in all, labour market figures started to show clearer signs of slack (see our Chile Flash in Spanish in details).

## Colombia - Unemployment rate falls as labour market remains resilient

The urban unemployment rate decreased to 9.6% in May from 10% a year earlier, beating analysts' forecasts (BBVAe: 10%, consensus 10.3%). The figures released on Tuesday show that employers added 273k jobs YoY, down from an average of 319k jobs over the year to April. Despite the ongoing economic slowdown, the Colombian labour market remains resilient.

## Colombia - Corrections are expected in the current account deficit

The current account deficit in the first quarter of 2015 stood at 7.0% of GDP. The most significant contribution came from the trade deficit, which represents 87% of the total. In contrast, the deficit in factor income was adjusted considerably. 55% of the financing of the current account was covered by FDI vs. 95% in first quarter of 2014. Meanwhile, inflows of portfolio capital were similar to those seen a year earlier, offsetting the fall in FDI. Portfolio investment was boosted by external issuances by the national government and the private sector. We maintain our forecast for the current account deficit at 5.1% of GDP for 2015 (See our Colombia flash in Spanish).

## What to watch today

### Peru - Consumer prices (June, 11:00hrs NYT)

We expect headline CPI to have increased by 0.15% MoM. This takes into account the downward correction in poultry prices, the relative stability of other food prices, a more subdued domestic currency depreciation in June compared to previous months, and higher fuel prices. As a result, we believe YoY inflation will stand at 3.4%, once again above the ceiling target range's (2%, +/- 1pp) ceiling.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
FGV Inflation IGPM MoM	29-June	Jun	0.64%		0.67%	0.41%
CNI Consumer Confidence	29-June	Jun	--		96.2	98.7
Primary Budget Balance	30-June	May	--		-6.9B	13.4B
FGV CPI IPC-S	1-July	01-jun	--		--	0.83%
Trade Balance Monthly	1-July	Jun	--		--	\$2761M
CNI Capacity Utilization (SA)	1-July	May	--		--	80.6%
Vehicle Sales Fenabrave	1-July to 3-July	Jun	--		--	212,713
Commodity Price Index MoM	1-July to 8-July	Jun	--		--	0.76%
Industrial Production MoM	2-July	May	-0.8%	-0.60%	--	-1.2%
<b>Chile</b>						
Unemployment Rate	30-June	May	6.3%	6.30%	6.60%	6.1%
Manufacturing Index YoY	30-June	May	-0.6%	-2.00%	-3.25%	0.8%
Retail Sales YoY	30-June	May	2.1%	2.10%	3.10%	3.3%
Copper Production Total	30-June	May	--	--	508,245	471,361
<b>Colombia</b>						
Urban Unemployment Rate	30-June	May	10.3%		9.59%	10.5%
Current Account Balance	30-June	1Q	--		-\$5135.5M	-\$6364M
Economic Activity Index SA YoY	3-July	Apr	--	1.50%	--	2.8%
CPI YoY	4-July	Jun	--	4.39%	--	4.41%
CPI MoM	4-July	Jun	--	0.08%	--	0.26%
CPI Core YoY	4-July	Jun	--	3.77%	--	3.72%
CPI Core MoM	4-July	Jun	--	0.28%	--	0.48%
<b>Mexico</b>						
Remittances Total	1-July	May	--		--	\$2012.2M
IMEF Manufacturing Index SA	1-July	Jun	--	52.91	--	52.4
IMEF Non-Manufacturing Index SA	1-July	Jun	--	51	--	51.1
Vehicle Domestic Sales AMIA	1-July to 3-July	Jun	--	99,438	--	101,982
Leading Indicators (MoM)	2-July	May	--		--	-0.08
Gross Fixed Investment	3-July	Apr	--		--	6.6%
Central Bank Economist Survey	3-July	0	--		--	--
<b>Peru</b>						
CPI YoY	1-July	Jun	--	3.36%	--	3.37%
CPI MoM	1-July	Jun	--	0.15%	--	0.56%
Wholesale Price Index MoM	1-July	Jun	--		--	0.38%

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
06.30.2015	<a href="#">Sectors that will benefit the most from the Pacific Alliance</a>
06.30.2015	<a href="#">Chile: weak sectorial data and rising unemployment in May</a>
06.30.2015	<a href="#">Colombia: external imbalance should have touched its peak in the 1Q15</a>
06.29.2015	<a href="#">Mexico: economic activity grew more than expected in April at 2.4% YoY</a>
06.29.2015	<a href="#">Chile: honing fiscal policy</a>
06.24.2015	<a href="#">Brasil: COPOM still sees 2016 inflation above 4.5%; monetary tightening to continue ahead</a>
06.24.2015	<a href="#">Mexico Outlook</a>
06.24.2015	<a href="#">Chile: Inflation to come up at 0.3% MoM (4.3% YoY)</a>
06.19.2015	<a href="#">Mexico: IGAE should improve in April due to service sector</a>
06.19.2015	<a href="#">Chile: Our monetary policy forecast is neutral</a>
06.16.2015	<a href="#">Chile: Labour market reform, still work to do</a>

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