

LatAm Daily | Brazilian CA deficit falls to 4.2% of GDP; we expect 3.9% for the year end

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Brazilian FDI accumulates half of the figure recorded in September last year. We expect the exchange rate depreciation and the contraction in domestic demand to continue to favour a reduction of the current account deficit. Today, August IGAE will be released in Mexico. It is expected to be in line with the annual rate of GDP growth of 2.5%.

Brazil - Current account deficit declines to 4.2% of GDP

The current account deficit reached USD3.1bn in September, somewhat higher than in August (USD2.6bn) but significantly lower than in the same month last year (USD8.4bn). The external deficit now amounts to USD49.4bn in the year to date, 52% lower than in the same period last year. Net capital inflows have also slowed down sharply in comparison to last year: they reached USD47.6bn in the year to September, a figure 53% smaller than in the first nine months of 2014. In particular, FDI has amounted to USD48.2bn this year, half of the figure recorded in the same period last year. Similarly, net capital inflows remain in positive territory, although well below last year's figures (USD21.3bn from January to September in 2015 vs. USD41.7bn in the same period in 2014). All in all, the reduction in external funding, due to both less supportive external conditions and the increase in domestic risk, has been accompanied by an adjustment of the current account deficit which now stands at 4.2% of GDP in annual terms (vs. 4.6% in April and 4.3% in August). Looking ahead, we expect the exchange rate depreciation and the contraction in domestic demand to continue to favour a reduction of the current account deficit. We forecast this deficit to close the year at around USD65bn or 3.9% of GDP.

What to watch today

Mexico - August's Monthly Economic Index Activity (IGAE, 9:00hrs NYT)

We expect that August's IGAE will grow 0.2% MoM and 2.4% YoY,sa. These rates would imply a moderate rate of growth of all its components. Note that they are in line with the annual rate of growth that we expect of 2015 GDP of 2.5%.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV Consumer Confidence	26-Oct	Oct				76.3
Outstanding Loans MoM	27-Oct	Sep				0.70%
CNI Consumer Confidence	28-Oct	Oct				96.3
FGV Inflation IGPM MoM	29-Oct	Oct	1.91%			0.95%
COPOM Monetary Policy Meeting Minutes	29-Oct					0
National Unemployment Rate	29-Oct	Aug	8.70%			8.60%
Central Govt Budget Balance	29-Oct	Sep	-14			-5.1b
Net Debt % GDP	30-Oct	Sep	33.30%			33.70%
Chile						
Central Bank's Traders Survey	28-Oct					
Manufacturing Production YoY	29-Oct	Sep	-1%			-1.40%
Retail Sales YoY	29-Oct	Sep	3.35%			1.90%
Copper Production Total	29-Oct	Sep				443285
Industrial Production YoY	29-Oct	Sep	-0.79%			-5.20%
Central Bank Meeting Minutes	30-Oct					
Unemployment Rate	30-Oct	Sep	6.60%			6.50%
Colombia						
Urban Unemployment Rate	30-Oct	Sep	9.70%	9.70%		9.90%
National Unemployment Rate	30-Oct	Sep				9.10%
Overnight Lending Rate	30-Oct	Oct	5.00%	5.00%		4.75%
Mexico						
Economic Activity IGAE YoY	26-Oct	Aug	2.40%	2.40%		1.95%
Trade Balance	27-Oct	Sep	-1404.16	-1500		-2800.5m
Overnight Rate	29-Oct	Oct	3.00%			3.00%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
10.22.2015	LatAm: Has exchange rate pass-through to prices increased in Latin America?
10.22.2015	Mexico: Bank deposits, dynamism driven by its two components
10.16.2015	Mexico: Weak US industrial prod. suggests that moderation in Mexico will continue
10.16.2015	Peru: Unsurprisingly, the central bank kept the policy rate at 3,50%
10.15.2015	Chile: Central bank increases the MPR to 3.25%, maintaining the contractionary bias (In Spanish)
10.15.2015	Peru: GDP growth in August was lower than expected (In Spanish)
10.14.2015	Chile: Complicated monetary policy decision (In Spanish)
10.12.2015	Peru: Transpacific agreement benefits still pose implementation challenges (In Spanish)
10.08.2015	Chile: CPI increased 0.5% MoM in September, below consensus expectations
10.07.2015	Brazil: Inflation: stable at high levels and ready to move further up
10.06.2015	Mexico: Credit to private sector grew 11.6% in August driven by consumer & firms credit
10.06.2015	Colombia: Sharply rise in food prices pushes inflation up
10.05.2015	Chile: Imacec weakened to 1.1% YoY in August, missing expectations

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