

ECONOMIC ANALYSIS

The new Brazilian finance minister Joaquim Levy sets the goals for a tighter fiscal policy

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Levy announced that the goal will be to reach a 1.2% surplus in 2015 and at least 2% in 2016-17, from around 0% this year. Nelson Barbosa will be the new Minister of Planning and Alexandre Tombini will remain the president of the BCB. The new economic team has a technical and orthodox profile. Today we expect the Brazilian GDP to rebound slightly compared to the technical recession of the first half of the year.

Brazil - Dilma Rousseff announces the economic team for her second government

President Dilma Rousseff confirmed that the economist Joaquim Levy will replace Guido Mantega as Minister of Finance. Levy, who is an orthodox economist with a Ph.D. from the University of Chicago, contributed to the making of a fiscal adjustment in both the federal government, during the first government of President Lula (2003-2006) as the head of the Treasury, and the State of Rio de Janeiro (2007-2010). With this change the president is signalling that fiscal policy will go through an important change, at least at the beginning of the new government: the expansive tone should be reversed and increasing primary surpluses are expected to be delivered from 2015 onwards. Regarding the latter, Levy announced yesterday that the goal will be to reach a 1.2% surplus in 2015 and at least 2% in 2016 and 2017, in line with our forecasts (the primary surplus should be around 0% in 2014). Moreover, the president confirmed that Nelson Barbosa, a former member of the Ministry of Economy in her first government, will be the new Minister of Planning and Alexandre Tombini will remain in charge of monetary policy at the BCB (for more details on our expectations about the forthcoming adjustment, see our just released [Brazil Economic Outlook 4Q14](#)).

What to watch today

Brazil - GDP (3Q14, 6:00hrs NYT)

We expect 3Q14 GDP to have grown 0.1% QoQ, marking a gradual recovery following a technical recession in the first half of the year (-0.2% QoQ and -0.6% QoQ in 1Q14 and 2Q14, respectively). We expect the timid recovery to continue in 4Q14 and 2014 GDP to grow 0.2%.

Brazil - Fiscal report (October, 7:30hrs NYT)

The BCB report should show that fiscal accounts, in particular the primary result of the public sector, continued to deteriorate in October. The figures will help us to assess the degree of fiscal deterioration in 2014 and the magnitude of the fiscal adjustment that is needed.

Chile – Activity data by sector (October, 08:00hrs NYT)

We expect manufacturing output to have increased by 1.5% YoY and retail sales to have declined 1.5% YoY. All in all, we expect a mild recovery in aggregate activity figures during October.

Chile – Unemployment rate (October, 08:00hrs NYT)

We expect the unemployment rate to have increased to 6.7% in October (vs. 6.6% previously). Labour force expansion should more than compensate for seasonal increases in job-creation. Changes in the composition of employment will persist, with a higher proportion of self-employed rather than salaried jobs.

Calendar indicators

	Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
BZ	FGV CFI IPC-S	24-Nov	Nov	--	--	0.58%	0.50%
BZ	Current Account Balance	24-Nov	Oct	--	-\$7000M	-\$8131,3M	-\$7907M
BZ	FGV Consumer Confidence	25-Nov	Nov	--	--	95.3	101.5
BZ	Federal Debt Total	25-Nov	Oct	--	--	2155B	2183B
BZ	Outstanding Loans MoM	26-Nov	Oct	--	--	0.8%	1.3%
BZ	FIPE CFI - Weekly	27-Nov	-	--	--	0.58%	0.53%
BZ	FGV Inflation IGPM MoM	27-Nov	Nov	--	--	0.98%	0.28%
BZ	Central Govt Budget Balance	27-Nov	Oct	--	--	4,101B	-20.4B
BZ	CNI Consumer Confidence	27-Nov	Nov	--	--	112	112.0
BZ	GDP QoQ	28-Nov	3Q	0.1	0.1%	0	-0.6%
BZ	Primary Budget Balance	28-Nov	Oct	--	--	0	-25.5B
	Chile						
CL	Central Bank's Traders Survey	26-Nov	0	--	--	0	-
CL	Manufacturing Index YoY	28-Nov	Oct	--	1,5%	0	5.0%
CL	Unemployment Rate	28-Nov	Oct	--	6.70%	0	6.6%
CL	Copper Production Total	28-Nov	Oct	--	--	0	464572
CL	Retail Sales YoY	28-Nov	Oct	--	-1.50%	0	-0.9%
	Colombia						
CO	Industrial Confidence	24-Nov	Oct	--	8.00	7.2	7.2
CO	Retail Confidence	24-Nov	Oct	--	23.00	23.2	23.2
CO	National Unemployment Rate	28-Nov	Oct	--	--	0	8.4%
CO	Urban Unemployment Rate	28-Nov	Oct	9.05	--	0	9.3%
	Mexico						
MX	Unemployment Rate NSA	24-Nov	Oct	4.93	5.00%	4.78%	5.08%
MX	Unemployment Rate SA	24-Nov	Oct	4.76	4.80%	4.71%	4.75%
MX	Bi-Weekly CFI	24-Nov	Nov	0.77	0.66%	0.74%	0.09%
MX	Bi-Weekly Core CFI	24-Nov	Nov	0.16	0.11%	0.13%	0.07%
MX	Bi-Weekly CFI YoY	24-Nov	Nov	4.15	4.08%	4.16%	4.28%
MX	Current Account Balance	25-Nov	3Q	--	--	-\$2702M	-\$6982M
MX	Trade Balance	26-Nov	Oct	-819.14	--	142,97M	590.1M
MX	Budget Balance YTD	28-Nov	Oct	--	--	0	-412.1B
	Peru						
PE	GDP YoY	25-Nov	3Q	--	1.70%	1.80%	1.7%

Most recent Latam reports

Date	Description
11.27.2014	Mexico Flash:Trade Balance: Jan-Oct 2014 the trade balance was in deficit by 1,619 million dollars
11.27.2014	Mexico Flash:The Plan of Justice by the Federal government is a key step...
11.24.2014	Mexico GDP Flash: In 3Q14 Mexico 's GDP growth rate was moderate
11.20.2014	Chile Economic Watch:Growth and unemployment (the worst is yet to come)
11.18.2014	Chile Flash: Central bank kept policy rate at 3.00%
11.17.2014	Peru Flash:Output rebounds in September somewhat more than expected
11.14.2014	Peru Flash: Monetary pause continues in Novemeber with higher monetary accomodation (In Spanish)
11.12.2014	Mexico Flash: In October 2014 the annual rate of growth of formal employment in the Mexican private sector..
11.11.2014	Mexico Flash: Industrial production increased 2.3%, YoY, sa, in September
11.11.2014	Chile Situation: 4Q 2014 (In Spanish)
11.07.2014	Chile Presentation: Radiography of the energy sector

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