

LatAm Daily | The recession deepens in Brazil

Marina Conesa / Enestor Dos Santos / Hugo Perea / Cecilia Posadas / Jorge Selaive / Carlos Serrano / Juana Téllez

Economic activity contracted 1.7% QoQ / 4.5% YoY in 3Q15, implying that the ongoing recession is deeper than expected and that GDP forecasts should be revised downwards again going forward. In Chile, government expenditures decreased in October due to lower fiscal investment while revenues increased. We do not rule out a MPR hike in Peru due to higher expected inflation.

Brazil - GDP continued to contract in 3Q15

Economic activity contracted 1.7% QoQ in 3Q15, significantly more than expected (BBVA:-0.5% QoQ; consensus: -1.2% QoQ). The main drivers of the contraction were, from a demand-side perspective, investment (-4.0% QoQ) and private consumption (-1.5% QoQ), and, on the supply-side, the downward adjustment in three components (agriculture: -2.4% QoQ, industry: -1.3% QoQ and services: -1.0% QoQ). In spite of the sharper than expected decline in 3Q15, growth in 1Q15 and 2Q15 was also revised downwards (from -0.7% QoQ to -0.8% QoQ in 1Q15; from -1.9% QoQ to -2.1% QoQ in 2Q15). As a consequence, the carry-over effect for 2015 and 2016 is now higher: -3.5% for 2015 and -1.4% QoQ for 2016. This should imply a further downward revision in our current forecasts (-2.5% and -0.5%) as well as to the market's figures.

Chile - Fiscal expenditures decelerated in October

Government expenditures grew 2.7% YoY in October, but below last year's print (+9.7% YoY), driven by a lower rate of growth in fiscal investment (+1.6% YoY). Meanwhile, revenues came out higher than expected after growing +8.6% YoY, supported by new resources from the tax reform. Nonetheless, revenues related to copper are still declining on a yearly basis. All in all, given the positive surprise in fiscal incomes we are raising our forecast for the fiscal deficit to 2.4% of GDP this year (from -2.9% previously).

Peru - Negative surprise in November's inflation print

Inflation reached 0.34%MoM in November, above our forecast and the market consensus (BBVA: 0.20%, Consensus: 0.20%). As a result, YoY inflation went up to 4.2% (October: 3.7%). November's print reflected the upward correction in some food prices that was more intense than what we were expecting. Going forward, we foresee inflation accelerating in the coming months on the back of further domestic currency depreciation with the negative effects of El Niño weather phenomenon, probably driving inflation expectations in the same way. In this context, we believe the Central Bank will probably raise its policy rate in the near future.

What to watch today

No relevant news is expected for today.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Primary Budget Balance	30-Nov	Oct	-12.85		-11.53	-7.3b
FGV CPI IPC-S	1-Dec	Nov	1.02%		1.00%	0.94%
GDP QoQ	1-Dec	3Q	-1.20%	-0.50%	-1.71%	-1.90%
Trade Balance Monthly	1-Dec	Nov	1300.00		\$1197m	\$1996m
COPOM Monetary Policy Meeting Minutes	3-Dec					
Industrial Production MoM	3-Dec	Oct	-0.15%	-0.40%		-1.30%
Chile						
Unemployment Rate	30-Nov	Oct	6.40%	6.30%	6.30%	6.40%
Retail Sales YoY	30-Nov	Oct	2.40%	2.00%	1.71%	3.10%
Industrial Production YoY	30-Nov	Oct	-1.05%	-1.00%	-0.57%	0.40%
Nominal Wage YoY	4-Dec	Oct				5.90%
Colombia						
Urban Unemployment Rate	30-Nov	Oct	9.45%	9.40%	8.85%	9.70%
National Unemployment Rate	30-Nov	Oct			8.19%	9.00%
Exports FOB	4-Dec	Oct	2956.50	3150		\$2867.1
CPI MoM	5-Dec	Nov	0.47%	0.26%		0.68%
Mexico						
Remittances Total	1-Dec	Oct	\$2140.0m	\$2107.0m	\$2075.90m	\$2060.0m
Central Bank Economist Survey	1-Dec					
Gross Fixed Investment	3-Dec	Sep	5.10%	5.20%		2.90%
Consumer Confidence Index	4-Dec	Nov	92.10	91.7		91.3
Vehicle Production AMIA	4-Dec	Nov				326876
Peru						
CPI MoM	1-Dec	Nov	0.20%	0.20%	0.34%	0.14%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
12.02.2015	Peru: Inflation resumes upward trend in November
12.01.2015	Mexico: Remittances grow 1.7% in October with a flow of 2.075.9md (In Spanish)
11.30.2015	Chile: October's IMACEC would stand around 2% (In Spanish)
11.30.2015	Chile: Only a negative CPI in November would avoid further increase in the MPR this month (in Spanish)
11.28.2015	Colombia: BanRep increased the repo rate 25bp up to 5.50% as expected
11.27.2015	Mexico: Annual inflation below 2.3%. Next week watch for US jobs data
11.24.2015	Mexico: Bank deposits: continues catching up driven by its two components
11.21.2015	Mexico: Positive surprise in the GDP for the better-than-expected growth in the 3Q
11.20.2015	Mexico: Upside surprise in the GDP due to a better than expected growth in the 3Q15
11.18.2015	Mexico: Mortgage financing accelerates and grows 17% in September
11.14.2015	Peru: Mining led growth, but non-primary sectors decelerated (In Spanish)
11.13.2015	Mexico: We estimate that GDP growth in 3Q15 will have been similar to the 2Q15
11.13.2015	Chile: Central Bank maintains MPR at 3.25% and contractionary bias (In Spanish)
11.13.2015	Peru: Unsurprisingly, the central bank keeps once again the policy rate on hold
11.11.2015	Mexico: Regional Sectorial Outlook Second Half 2015
11.10.2015	Colombia: Outlook 4Q15 (In Spanish)

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