

## LatAm Daily | After a significant adjustment, CA declines to 3.3% of GDP in Brazil

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*Thanks to the contraction of domestic demand, which we estimate to have been around 6.3%, and the 50% depreciation of the USD exchange rate in 2015, the current account deficit dropped 44% and reached USD59bn (3.3% of GDP) last year. The deficit was entirely covered by FDI, which reached USD75bn (4.2% of GDP).*

### Brazil - Current account deficit declined sharply in 2015

The current account deficit was only USD2.5bn in December, well below the deficit recorded in the same month last year (USD11.7bn). As a consequence the current account accumulated a USD59bn deficit in 2015, 44% less than the deficit recorded in 2014. In terms of GDP, the deficit declined from 4.3% to 3.3% last year (the large contraction of GDP measured in dollars prevented a more significant drop in this ratio). The turnaround in the trade balance, which recorded a USD17.7bn surplus in 2015 vs. a USD6.6bn deficit in 2014 (exports and imports fell 15.2% and 25.3% respectively), was the main driver of the current account improvement. However, the services and income accounts also contributed positively to the shrinkage of the external deficit in 2015: the deficit in the former declined 23% while the negative result in the latter account was 18% smaller this year. Similarly, external financing also declined over 2015, although the adjustment was more pronounced in portfolio inflows (which declined 87% in 2015 in net terms, but remained in positive terrain in spite of the outflows in 2H15) and in other segments, and less significant in FDI, which declined “only” 22% in gross terms, closing the year at USD75bn (4.2% of GDP), more than enough to cover the current account deficit. All in all, yesterday’s figures show that balance of payment risks are relatively low in Brazil in spite of external turbulence and domestic crisis. Looking forward, we expect the external adjustment to continue over this year and the current account deficit to drop further to around USD39bn or 2.7% of GDP this year.

### What to watch today

No relevant news is expected for today.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
Federal Debt Total	25-Jan	Dec			2793	2717b
FGV CPI IPC-S	25-Jan	Jan			1.55%	1.30%
FIPE CPI - Weekly	26-Jan	Jan			1.21%	1.02%
Current Account Balance	26-Jan	Dec			-2460	-\$2931m
FGV Consumer Confidence	27-Jan	Jan				75.2
FGV Inflation IGPM MoM	28-Jan	Jan	0.80%			0.49%
COPOM Monetary Policy Meeting Minutes	28-Jan					
Unemployment Rate	28-Jan	Dec	7.40%	7.00%		7.50%
PPI Manufacturing YoY	29-Jan	Dec				10.44%
CNI Consumer Confidence	29-Jan	Jan				96.30
Outstanding Loans MoM	27-Jan	Dec				0.60%
Central Govt Budget Balance	28-Jan	Dec				-21.3b
Primary Budget Balance	29-Jan	Dec				-19.6b
<b>Chile</b>						
Retail Sales YoY	29-Jan	Dec	3.60%			5.50%
Manufacturing Production YoY	29-Jan	Dec	-1.00%			-0.20%
Unemployment Rate	29-Jan	Dec	6.00%			6.10%
Industrial Production YoY	29-Jan	Dec				0.60%
<b>Colombia</b>						
Retail Confidence	25-Jan	Dec		15	23.5	18.7
Industrial Confidence	25-Jan	Dec		-2	1.3	-3.3
Overnight Lending Rate	29-Jan	Jan	6.00%	6.00%		5.75%
Urban Unemployment Rate	29-Jan	Dec	8.60%	8.80%		8.10%
<b>Mexico</b>						
Unemployment Rate SA	25-Jan	Dec	4.12%		4.37%	4.09%
Economic Activity IGAE YoY	25-Jan	Nov	1.85%	2.10%	2.70%	2.28%
Retail Sales YoY	26-Jan	Nov	4.70%		5.70%	4.80%
Retail Sales MoM	26-Jan	Nov	0.50%		0.50%	0.30%
ANTAD Same-Store Sales YoY	26-Jan	Dec			8.10%	6.00%
Trade Balance	27-Jan	Dec	-1092.0m			-1568.8m
GDP NSA YoY	29-Jan	4Q	2.30%	2.40%		2.60%
GDP SA QoQ	29-Jan	4Q	0.50%			0.80%
Budget Balance YTD	30-Jan	Dec				-515.8b

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
01.26.2016	<a href="#">Peru: Trade deficit was enlarged in 2015, but we anticipate an improvement in 2016</a>
01.25.2016	<a href="#">Mexico: The IGAE grew 0.1% MoM in November 2015</a>
01.22.2016	<a href="#">Mexico: Moderate recovery of the peso at end of the week after hitting record highs</a>
01.21.2016	<a href="#">Brazil: Copom refrains from beginning a new tightening cycle</a>
01.15.2016	<a href="#">Mexico: Continuing decline in oil prices leads to the exchange rate to new highs</a>
01.15.2016	<a href="#">Peru: November growth surprised on the upside</a>
01.15.2016	<a href="#">Chile: Central bank maintained policy rate at 3.50%, in line with expectations</a>
01.15.2016	<a href="#">Peru: BCRP maintains its focus on containing inflation expectations (In Spanish)</a>
01.14.2016	<a href="#">Chile: Central Bank maintains the MPR at 3.5%, in line with expectations (In Spanish)</a>
01.08.2016	<a href="#">Mexico: Oil in lowest level since 2004 and dollar in record high</a>
01.08.2016	<a href="#">Brazil: Inflation peaked at 10.7% YoY in December</a>
01.08.2016	<a href="#">Peru: Exports continue to improve in November (In Spanish)</a>
01.08.2016	<a href="#">Chile: CPI closes 2015 with an increase of 4.4% YoY (In Spanish)</a>
01.07.2016	<a href="#">Chile: Emissions by a total of 11,000md are announced (In Spanish)</a>
01.06.2016	<a href="#">Colombia: Inflation closed 2015 at 6.8% (In Spanish)</a>
01.05.2016	<a href="#">Chile: IMACEC growth in November disappoint again (In Spanish)</a>
01.04.2016	<a href="#">Peru: Inflation surprising on the upside in December</a>
01.04.2016	<a href="#">Chile: We forecast CPI for December at 0.1% MoM (4.5% YoY) (In Spanish)</a>
01.04.2016	<a href="#">Mexico: Remittances grow 6.3% in November with a flow of 1887.9md (In Spanish)</a>
12.30.2015	<a href="#">Chile: November IMACEC would be between 2.25% and 2.75% YoY (0.2% MoM) (In Spanish)</a>

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