

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

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