

## LatAm Daily | Lower fiscal deficit in Chile but tight room for fiscal manoeuvre

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*Surprises in non-cyclical revenues raised government revenues leading to a lower than expected fiscal deficit. Structural balance reached a deficit of 0.3% of GDP, though this result deteriorates if non-recurrent incomes are included. Food prices and currency depreciation caused inflation to rise in Peru, expected to rise further with “El Niño” and the currency weakening.*

### Chile - Although the fiscal deficit closed at 2.2% of GDP in 2015, the room for fiscal manoeuvre will narrow

Due to positive surprises in non-cyclical revenues (related to one-off effects in both tax reforms and anti-trust fines) the effective fiscal deficit reached 2.2% of GDP in 2015. During last year, government real expenditures increased by 7.4%, a figure that is behind the slowdown in the fiscal support to aggregate activity during 4Q15. In this regard, although the overall fiscal budget was over-executed at 101.1%, government investment was under-executed mainly in areas such as health and education programmes. Additionally, real revenues increased by 5.2% in 2015 mainly due to increased revenues from non-mining tax-payers. Finally, the structural balance reached a deficit at 0.3% of GDP, but if non-recurrent incomes were excluded from the balance, the figure changes to a deficit of 0.6% of GDP. In this context, the structural figures should be read carefully given that the parameters that drive the structural revenues of the government (both the copper price and GDP growth) will be corrected downwards in the most probable fiscal scenario (see our [Chile Watch](#) in Spanish for details).

### Peru - Inflation keeps rising, as expected

The CPI rose 0.37% in January due to higher food prices and the depreciation of the local currency, which were in part offset by the decline in global oil prices and its transmission to domestic fuel prices. With this result, the YoY rate of inflation increased again and reached 4.6% (vs. 4.4% in December). We estimate that it will keep going up in the short term because the local currency is weakening at a faster pace and “El Niño” weather phenomenon will continue to have negative impacts on food supply. [See our [Peru Watch](#) in Spanish for additional details.]

## What to watch today

### Brazil - Industrial production (December, 06:00hrs NYT)

We expect industrial production to have remained broadly stable in monthly terms in December after having dropped 8.3% from June to November.

## Calendar indicators

|                                | Date  | Period | Consensus | BBVAe | Actual | Prior    |
|--------------------------------|-------|--------|-----------|-------|--------|----------|
| <b>Brazil</b>                  |       |        |           |       |        |          |
| FGV CPI IPC-S                  | 1-Feb | Jan    | 1.70%     |       | 1.78%  | 1.55%    |
| Trade Balance Monthly          | 1-Feb | Jan    | 500       |       | 923    | \$6240m  |
| Industrial Production MoM      | 2-Feb | Dec    | 0.00%     | 0.00% |        | -2.40%   |
| FIPE CPI - Monthly             | 3-Feb | Jan    | 1.36%     |       |        | 0.82%    |
| FGV Inflation IGP-DI MoM       | 5-Feb | Jan    | 1.24%     |       |        | 0.44%    |
| IBGE Inflation IPCA MoM        | 5-Feb | Jan    | 1.09%     | 0.95% |        | 0.96%    |
| CNI Consumer Confidence        | 5-Feb | Jan    |           |       |        | 96.3     |
| <b>Chile</b>                   |       |        |           |       |        |          |
| Economic Activity MoM          | 5-Feb | Dec    | 0.05%     | 0.10% |        | -0.50%   |
| Economic Activity YoY          | 5-Feb | Dec    | 0.85%     | 0.90% |        | 1.80%    |
| Nominal Wage MoM               | 5-Feb | Dec    |           | 0.80% |        | 0.40%    |
| Vehicle Sales Total            | 5-Feb | Jan    |           |       |        | 29835    |
| <b>Colombia</b>                |       |        |           |       |        |          |
| Economic Activity Index SA YoY | 5-Feb | Nov    | 2.60%     | 2.50% |        | 3.30%    |
| Quarterly Inflation Report     | 5-Feb |        |           |       |        |          |
| Exports FOB                    | 5-Feb | Dec    | 2400      | 2355  |        | \$2362.3 |
| CPI MoM                        | 5-Feb | Jan    | 0.90%     | 0.89% |        | 0.62%    |
| <b>Mexico</b>                  |       |        |           |       |        |          |
| Central Bank Economist Survey  | 2-Feb |        |           |       |        |          |
| Vehicle Domestic Sales AMIA    | 2-Feb | Jan    |           |       |        | 160663   |
| Overnight Rate                 | 4-Feb | Feb    | 3.25%     |       |        | 3.25%    |
| Consumer Confidence Index      | 5-Feb | Jan    | 90.6      | 90.8  |        | 93       |
| ANTAD Same-Store Sales YoY     | 5-Feb | Jan    |           |       |        | 8.10%    |
| <b>Peru</b>                    |       |        |           |       |        |          |
| CPI MoM                        | 1-Feb | Jan    |           | 0.33% | 0.37%  | 0.45%    |
| CPI YoY                        | 1-Feb | Jan    |           | 4.60% | 4.61%  | 4.40%    |

Fuente: BBVA Research

## Most recent Latam reports

| Date       | Description  |
|------------|--|
| 02.02.2016 | <a href="#">Peru: Inflation keeps rising, as expected</a>  |
| 02.01.2016 | <a href="#">Chile: We forecast CPI in January 2016 at 0.3% MoM (In Spanish)</a>  |
| 02.01.2016 | <a href="#">Chile: Although the fiscal deficit closed at 2.2% of GDP in 2015, the room for fiscal manoeuvre will narrow (In Spanish)</a> |
| 01.29.2016 | <a href="#">Mexico: The peso appreciated nearly 2.0% over the week due to rising oil prices</a>  |
| 01.29.2016 | <a href="#">Colombia: BanRep increased its monetary policy rate to 6% in line with expectations</a>                                      |
| 01.29.2016 | <a href="#">Chile: Sectoral figures disappoint, supporting maintenance of monetary stimulus</a>  |
| 01.28.2016 | <a href="#">Brazil: A more dovish Copom redirects its focus to the global environment</a>  |
| 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>   |

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