LatAm Daily | Brazil's current account deficit reached 4.5% of GDP

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In Colombia, the contraction in imports anticipates a moderation of domestic demand. Today we will be looking at activity and inflation data from Mexico; the former should confirm the sluggishness of the economy at the beginning of the year and the latter a limited exchange-rate pass-through at the beginning of April.

Brazil – The current account deficit reached 4.5% of GDP in March

The current account deficit increased slightly for the third month in a row and reached 4.5% of GDP in March (vs. 4.4% in December). This small increase is due to the reduction of the GDP measured in dollars in the period (the consequence of a deceleration in GDP growth and currency depreciation) rather than to an increase in the current account deficit measured in dollars. In fact, the current account deficit eased in nominal terms to USD101bn from USd104bn from the end of 2014 until March mostly because of an improvement in the income account. We expect the nominal current account deficit to continue to decline over the year. However, the expected reduction in GDP measured in dollars should limit the reduction of the deficit in terms of GDP, which should not be less than 4.0%. It's worth noting that this month the BCB reviewed its methodology for calculating Brazil's external accounts (it is now in line with the IMF's BPM6 standards). Under the previous methodology, the current account deficit in 2014 was equal to 4.2% of GDP, somewhat less than the revised figure.

Colombia – Imports are contracting as domestic demand shrinks

Imports fell 8.3% YoY, explained by lower imports of fuel oil and industrial machinery. The value of imports was USD4,587mn, below than January figure (USD4,885mn). The result anticipates the gradual adjustment of the current account deficit and a moderation of domestic demand.

What to watch today

Mexico – Global Economic Activity Indicator (February, 09:00hrs NYT)

We forecast that February's Global Economic Activity Indicator (IGAE) will post YoY growth of 2.3%, seasonally adjusted (sa). This would confirm the sluggishness of the economy resulting from the weak increase in industry over the same month (0.2% MoM, sa), although we are expecting a better performance in services. Note that in January, the IGAE printed YoY expansion of 2.6%, sa, which in monthly terms translated into growth of just 0.2%. This performance would confirm our expectations of a moderate GDP growth rate for the first quarter of 2015. On 23 April, the INEGI will post the IGAE figure for February.

Mexico – Inflation (First fortnight in April, 09:00hrs NYT)

We believe that YoY inflation will remain relatively stable in the first half of April compared to the second half of March (an estimated 3.26%, against 3.30% the previous fortnight). For the first half of April, we forecast a fall of 0.22% in headline inflation and an increase in core inflation over the previous fortnight of 0.10%. If our forecasts are correct, in annual terms core inflation will cone in at 3.26% (compared to 3.30% in the second half of March), while core will shrink to 2.30% (compared to 2.47% in the previous fortnight). With regard to core inflation, although the prices of tourism services may see further rises linked to the Easter holidays, we believe that most of this season's increase was already visible in the second half of March. In addition, we continue to expect that the exchange rate pass-through to inflation will be limited, to a large extent because of weak internal demand. As for non-core inflation, the hot weather electricity subsidies are about to start, which will be reflected in the sub-index of energy prices, and would account for a negative figure in the first half of the month.

Calendar indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Central Bank Weekly Economists Survey	20-Apr		-			
Current Account Balance	22-Apr	Mar	-$5000M		-$5736,21M	-$7082M
Foreign Direct Investment	22-Apr	Mar	$3600M		$4262,8M	$3107M
FGV CPI IPC-S	23-Apr	Apr 22	0.76%		-	0.93%
Formal Job Creation Total	24-Apr	Mar	-20400		-	-2415
Tax Collections	24-Apr	Mar	96138,5M		-	89982M
Chile						
Central Bank's Traders Survey	22-Apr		-			
PPI MoM	24-Apr	Mar	-		-	-0.011
Colombia						
Retail Confidence	21-Apr	Mar	-	14	21.4	21.4
Industrial Confidence	21-Apr	Mar	-	2	4.1	7.3
Trade Balance	22-Apr	Feb	-$1189,5	-955	$-1245,6M	-$1797.6
Imports CIF Total	22-Apr	Feb	$4,800	4,286	$4587,08	$4885.0
Overnight Lending Rate	24-Apr	Apr 24	4.5%	4.50%	-	4.5%
Mexico						
Banamex Survey of Economists	21-Apr		-			
Economic Activity IGAE YoY	23-Apr	Feb	2.40%	2.34%	-	2.0%
Retail Sales YoY	24-Apr	Feb	4.50%	4.46%	-	4.7%
Retail Sales MoM	24-Apr	Feb	0.10%	-0.10%	-	2.1%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
04.16.2015	Chile: Central bank kept policy rate at 3%, as widely expected
04.13.2015	Mexico: Industrial production pushes down our growth expectations
04.10.2015	Peru: New monetary pause and the window of opportunity for rate cut is reduced (In Spanish)
04.08.2015	Brazil: Inflation jumps above 8%; pressure from administered prices to ease ahead
04.08.2015	Chile: March's CPI increased 0.6% MoM, below market expectations
04.06.2015	Chile: Imacec expanded 2.0% YoY in February, slightly above expectations
04.06.2015	Colombia: Inflation in March reaches maximum in 6 years driven by food costs (In Spanish)
30.03.2015	Mexico: IGAE and exports point to moderate economic performance in the first quarter
30.03.2015	Chile: Activity by sector anticipates an Imacec at around 2% YoY in February