

# Latam Daily | Current account deficit contracts in Brazil at the beginning of the year

Cecilia Posadas / Enestor Dos Santos / Jorge Selaive Carrasco / Juana Téllez Corredor / Carlos Serrano Herrera / Hugo Perea Flores / Alejandro Faci

*The current account deficit narrowed in Brazil, in line with the slowdown in domestic demand and exchange rate depreciation. Retail sales in Mexico point to a slight improvement in consumption, albeit at a slow pace.*

## Brazil - Current account deficit contracts somewhat at the beginning of the year

The current account deficit reached USD 6.9bn in April, slightly higher than expected but lower than one year ago (USD 9.2bn). The deficit accumulated between January and April was equal to USD 32.5bn, 12% less than in the same period last year due to an improvement in its three components: trade, services and income accounts (but mainly in the latter, whose deficit declined 19%). This reduction in the current account deficit is in line with the slowdown in domestic demand and the exchange rate depreciation. We expect this adjustment to gain momentum going forward and the current account deficit to converge to around USD 80bn (4.2% of GDP) by the end of the year (USD 100bn or 4.4% of GDP in April 2015).

## Mexico - Retail sales in March rose 5.5% (YoY), seasonally adjusted (sa)

This increase was equivalent to a monthly variation of 0.2%, sa. In seasonally adjusted terms, the annual increase was 5.5%, in line with our forecast and above the market consensus (BBVAe: 5.6% YoY; consensus: 4.5% YoY). This indicates a slight improvement in consumption, albeit at a slow pace. We maintain our view that the performance of retail sales will improve in the second quarter, before weakening again at the end of the year.

## What to watch today

### Brazil - Credit markets report (April, 9:30hrs NYT)

The BCB's credit report should reveal the degree to which private and public credit are moderating, in an environment characterised by a slowdown in domestic demand, rising reference interest rates and abnormally high degree of uncertainty. The report should also show a fresh increase in lending rates, and a rise in non-performing loans should not come as a surprise.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
FGV CPI IPC-S	24-May	1-may	0,61%		0,68	0.65%
FGV Consumer Confidence	25-May	May	--		85,10	85,6
Current Account Balance	25-May	Apr	-\$6750M		-6901,40	-\$5736M
Outstanding Loans MoM	26-May	Apr	--		0,10	1.2%
CNI Consumer Confidence	26-May	May	--		98,70	99,0
FGV Inflation IGPM MoM	27-May	May	0,4		1,17	1.17%
Central Govt Budget Balance	27-May	Apr	13		1,46	1.5B
GDP QoQ	28-May	1Q	-0,6	-0,6	--	0.3%
<b>Chile</b>						
Central Bank's Traders Survey	26-May	Apr	--	--	--	0
Unemployment Rate	28-May	Apr	6,2	--	--	6.1%
Manufacturing Index YoY	28-May	Apr	-2	--	--	-2.8%
Retail Sales YoY	28-May	Apr	1,6	--	--	0.4%
Copper Production Total	28-May	Apr	--	--	--	474507
<b>Colombia</b>						
Urban Unemployment Rate	28-May	Apr	9,7	9,50%	--	10.1%
National Unemployment Rate	28-May	Apr	--	--	--	8.9%
<b>Mexico</b>						
Trade Balance	24-May	Apr	-26	-140.0M	-85,30	479.8M
Current Account Balance	24-May	1Q	-\$7091 M	--	-9445,80	-\$5310M
Retail Sales YoY	25-May	Mar	4,5	5,60%	5,50	5.6%
Retail Sales MoM	25-May	Mar	-0,2	0,50%	0,20	0.5%
Unemployment Rate SA	27-May	Apr	4,17	4,28%	4,20	4.20%
Unemployment Rate NSA	27-May	Apr	4,1	4,23%	3,86	3.86%

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
05.26.2015	<a href="#">Chile: Exchange rate competitiveness (in Spanish)</a>
05.22.2015	<a href="#">Colombia: BanRep keeps its monetary policy rate on hold</a>
05.21.2015	<a href="#">Mexico: Annual GDP growth for 2015 was revised downwards from 3.5% to 2.5%</a>
05.19.2015	<a href="#">Mexico: In February, the number of mortgages exceeds the rate of 15%</a>
05.18.2015	<a href="#">Chile: GDP grew 2.4% y/y in 1Q15. We projected an IMACEC for April between 2.2% and 2.7% y/y</a>
05.15.2015	<a href="#">Peru: GDP showed better performance in March due to extractive sectors</a>
05.15.2015	<a href="#">Colombia: Colombian infrastructure: Where are we and where are we going?</a>
05.14.2015	<a href="#">Chile: Central Bank maintains the MPR at 3% for the seventh consecutive month</a>

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance. This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.