

LatAm Daily | Indicators in Colombia anticipate a wider current account deficit in 3Q15

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In Colombia, the current account deficit decreased in 2Q15 (from 1Q15) and was mostly covered by FDI, however higher figures for the trade deficit driven by fuel oil and manufacturing products anticipate a wider current account deficit for 3Q15. Indicators for retail and industrial confidence remain positive. Today, we will see the economic activity index for Brazil.

Colombia - A decrease in the current account deficit, but it remains high

In the second quarter of the year the current account deficit stood at 5.5% of GDP (vs. 7.0% in the first quarter), the smallest gap between the current account deficit and the foreign direct investment (FDI). FDI stood at 5.0% of GDP (vs. 3.9% in the first quarter). Consequently, 91% of the current account deficit was covered by FDI. However, the better results in the second quarter could be transient, because of the data for the third quarter suggest a wider external deficit due to lower oil prices.

Colombia - A wider trade deficit in the beginning of the third quarter

In July, imports fell 18.3% YoY (vs. BBVAe: -24%) to settle at USD4,968mn. Fuel oil (-25.5%) and manufacturing products (-17.5%) explained the performance. On the contrary, raw materials for the agricultural sector and pharmaceutical and toiletry products increased. On the other hand, the trade deficit stood at USD1,758mn, the second highest figure in the year to date (January: USD1,790mn.). All in all, the result anticipates a wider current account deficit in the third quarter of the year vs. the deficit observed in the second quarter (5.5% of GDP).

Colombia - Retail and industrial confidence remains in positive terrain

In August, industrial confidence stood at 2.9 (in a range between -100 and 100) slightly above July's figure (0.1), highlighting the improvement in orders and the decrease in inventories. Furthermore, manufacturers are optimistic regarding next quarter's production and noted an increase of the utilisation of the installed capacity in the third quarter. Hence, we expect an improvement in industrial production in the second half of the year, albeit a slow one. Meanwhile, retail confidence fell to 17.8 from 18.2 in July. The level is close to the historical average, but the confidence indicator indicates a gradual slowdown in private consumption.

What to watch today

Brazil - Economic activity index (July, 7:30hrs NYT)

We expect the IBC-Br, the BCB's economic activity index which works as a monthly proxy for GDP, to show that the economy remained very weak at the beginning of 3Q15. More specifically, we expect it to decline 0.3% MoM, following a 0.6% MoM in June.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Formal Job Creation Total	21-sep	Aug	-73600,0			-157905
Tax Collections	21-sep	Aug				104868
IBGE Inflation IPCA-15 MoM	22-sep	Sep	9,6	0,3		0,43
FGV CPI IPC-S	23-sep	Sep	0,4			0,28
Current Account Balance	23-sep	Aug	-3200,0			-6162,99
FGV Consumer Confidence	24-sep	Sep				80,6
Unemployment Rate	24-sep	Aug	7,7	7,9		7,5
Total Outstanding Loans	25-sep	Aug				3110,762
Central Bank Quarterly Inflation Report	25-sep	Jan				
Economic Activity MoM	21-sep	Jul	-0,3	-0,3		-0,58
Chile						
Central Bank's Traders Survey	23-sep	Jan				
Colombia						
Overnight Lending Rate	25-sep	Sep	4,5	4,5		4,5
Mexico						
Overnight Rate	21-sep	Sep	3,0	3		3
Retail Sales YoY	23-sep	Jul	4,7			5,4
Retail Sales MoM	23-sep	Jul	0,4			1,1
Economic Activity IGAE YoY	24-sep	Jul	2,2	2,2		3,1
Trade Balance	25-sep	Aug	-1677,5	-1800		-2266,9
Budget Balance YTD	25-sep	Aug				-375,44

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
09.19.2015	Mexico: Banxico will maintain the monetary pause to await the decision of the Fed (In Spanish)
09.19.2015	Mexico: We estimate the monetary rate hike will be postponed until later this year
09.17.2015	Brazil: A more negative outlook
09.16.2015	Peru: Growth in July showed a better sector balance (In Spanish)
09.16.2015	Chile: Central Bank maintains the MPR at 3% and introduces contractionary bias (In Spanish)
09.12.2015	Mexico: Financial markets are pending the decision of the Federal Reserve (In Spanish)
09.11.2015	Peru: Central Bank surprises in September by delivering a 25bp policy rate hike
09.10.2015	Colombia: The slowdown of the Colombian economy remains orderly (In Spanish)
09.10.2015	Brazil: Copom sees 2016 inflation converging to the target, but also important risks
09.10.2015	Brazil: Inflation eased in August
09.10.2015	Mexico: The 2016 budget package reduces spending and promotes savings (In Spanish)
09.08.2015	Chile: CPI inflation surprisingly increased 0.7% MoM in August
09.07.2015	Chile: July IMACEC (2.5% YoY) in line with stabilization of growth (In Spanish)

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