Latin

Economic Outlook

Fourth Quarter of 2010

Economic Analysis

- Favorable global market conditions drive regional growth, which continues posting surprisingly positive results. We raised our growth forecast for 2010 from 5.2% to 5.8%. In the following years it will converge with potential growth, around 4.5% annually.

- Inflation has surprised by falling everywhere in the region, partly helped by stronger currencies. The forecast for average inflation in 2010 was cut from 6.7% to 6.4%, with similar adjustments in 2011, from 6.6% to 6.3%.

- Heavy performance in the region has been reflected in falling risk premiums, especially in relative terms, with a considerable increase in capital inflows towards the region.

- A better external scenario and capital inflows have pushed local currencies upward, prompting most central banks to intervene -with dubious success - on FX markets.

- Even though fiscal deficits have been reduced to about 2% of GDP, they are higher than what they should, given high commodity prices and growth induced tax collection gains. They can be easily financed, but they are a reflection of slowness in the withdrawal of previous year fiscal stimulus.

- The strong increase in domestic demand is putting upward pressure on imports, leaving foreign accounts vulnerable to falls in commodity prices, at least in some countries.

- High commodity prices will continue supporting the region's higher growth rates over the medium term.

- Should the Advanced Countries fall into a "double dip", Latin America is in a good position to resist the negative shock, but economic growth would be cut by 1 -2 percent points with respect to the current forecast.

Index

Closing date: 2 November 2010

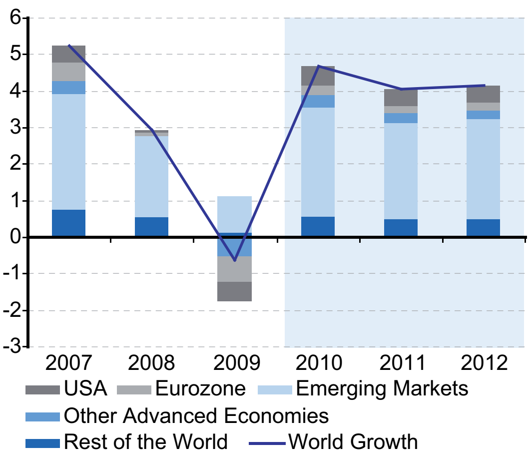
1. Global outlook: slow north, fast south

The global economy keeps growing strongly, mostly in emerging countries, whereas cyclical and financial concerns dominate advanced economies
Global growth continues to be strong, and is expected to reach 4,7% in 2010, and 4,1% in 2011 (Chart 1), mostly unchanged with respect to our forecast three months ago. This encouraging performance is mostly due to strong outturns in emerging economies, which have been less affected by the financial crisis, as their banking sector was in very good shape, and have thus recovered rapidly. In contrast, renewed cyclical concerns in the US have joined financial concerns still dominating Europe, where macroeconomic and financial adjustments are still underway. Thus, in line with our expected scenario, the outlook for the next two years continues to highlight the growth gaps between the advanced north and the emerging south (Chart 2) even if the latter also embarks on a controlled slowdown to ameliorate the risk of overheating.

But there are also significant policy differences inside each of these groups. In the US, monetary expansion is set to intensify in relative terms with respect to Europe (and most other countries), and has thus been reflected in a depreciation of the dollar against the euro and complicating Europe's recovery. In emerging economies, a strong asymmetry in exchange rate policy between Asia and Latin America continues, forcing the latter to bear (together with the euro) a significant part of the exchange rate appreciation derived from renewed monetary easing in the US.

Chart 1

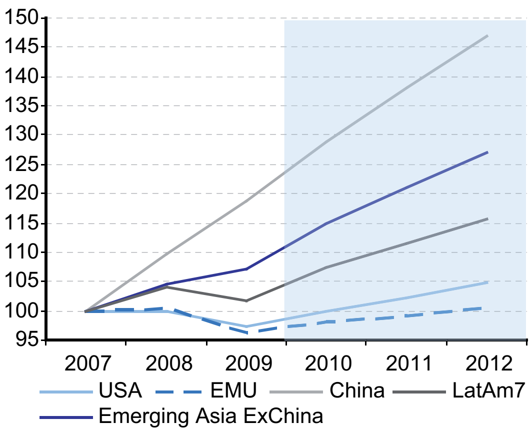
Global GDP growth and contributions



Source: BBVA Research

Chart 2

GDP level: 2007=100



Source: Datastream and BBVA Research

Growth in the US will remain low given ongoing household deleveraging, but a double dip scenario is very unlikely
Over the last quarter, relatively weak indicators of economic activity in the US have raised the specter among market participants of a possible relapse into a recession –a double dip in economic activity–. The weakness observed in some key sectors that had benefited directly from fiscal support through incentives for purchases (durable goods and housing) is a strong signal that the recovery in private sector demand is still not self sustaining. This weakness is a consequence of an ongoing household deleveraging process and a weak labor market, which will continue to push households to save more than what was observed since the second half of the 1990s. Even though this is to be welcomed in the process of rebalancing growth in the US, it increases cyclical concerns since consumption (one of the pillars of recovery in past recessions) will remain muted and only partially compensated by stronger investment in equipment by firms and exports.

Recent concerns about the health of the housing sector are, in our view, excessive and the possibility of a relapse into further significant real estate price drops is very small, given that prices have declined by about 30%. There are certainly elements of concern, such as elevated house inventory levels and the potential impact of an unexpected further supply of housing from new foreclosures, which may come either from increased delinquencies or due to owners walking away from increasingly negative housing equity. But there are also elements of support, such as the huge gains in housing affordability since the crisis started and the demographic trends that should help prop up demand going forward. It is true that if house prices continue to decline, it might have a non-negligible impact on consumption, but at least the banking system seems in a relatively good shape to withstand a moderate shock to prices. All in all, the scenario of further significant price drops is highly unlikely. Instead, a period of relatively stable house prices seems more likely, while past excesses are finally reabsorbed.

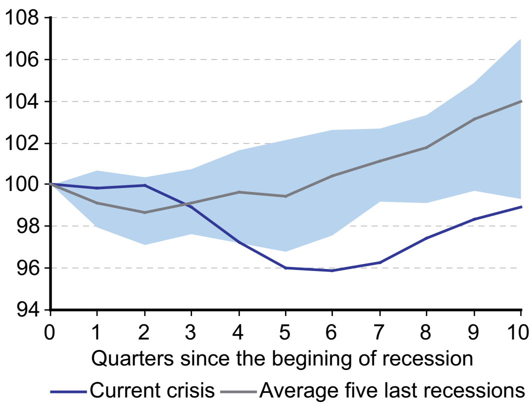
Overall, the drags on consumption and the low probability of further fiscal stimulus –out of concerns about the size of current deficits and the political arena, especially if there is a change in the balance of power after November's congressional elections– will be partially compensated by recovering private investment as sales improve and regulatory uncertainties diminish. This will imply an exit from the crisis in the US at a pace much lower than in previous cycles (Chart 3), as we have been forecasting for a long time. While the probability of a double dip in the US is low, in any case, the lack of strength of domestic demand will induce the US more and more to press the rest of the world (especially countries with a current account surplus and high domestic saving rates) to increase their demand and contribute to the necessary global rebalancing. The renewed monetary expansion in the US can be interpreted in this context as one way to force part of this adjustment onto the rest of the world.

Financial stress in Europe is still a source of concern, though systemic risk is lower than before the summer. Fiscal consolidation remains crucial to sustain confidence, and will not have a large negative impact on growth beyond the short-term

After decisive advances in fiscal consolidation, measures to provide support to distressed governments and especially after the financial sector stress tests, there has been a qualitative change in the dynamics of the crisis in Europe. Even if average sovereign spreads have remained relatively stable, markets have highlighted the differentiation between sovereign assets, thus reducing the risk of a systemic event. In addition, financial markets have started to open –though selectively– and renewed debt issuance is a further sign of lower tensions.

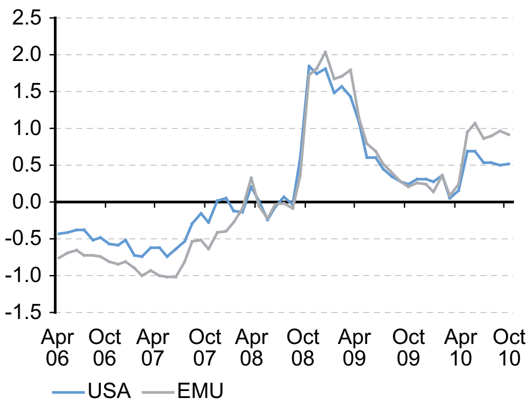
Notwithstanding this, financial market stress in Europe is still the main source of risk for the region (Chart 4) especially given the link between sovereign concerns and risks to the financial sector, given their national and cross-border exposure. In addition, the recent strengthening of the euro means an added challenge given that best performing economies had been supported by external demand. This makes it more imperative to tackle decisively in the short run the sources of macroeconomic vulnerability in the region, namely fiscal sustainability and external imbalances, as well as avoiding further de lays in restructuring the weak part of banking systems. The key is to continue rebuilding confidence to reduce market tensions and rebuild the autonomous strength of private sector demand. In addition, to sustain growth in the long run, it will be crucial to undertake much needed structural and institutional reforms, the latter especially geared towards preventing and resolving future fiscal imbalances. The focus on structural reform more than sustaining demand has been precisely the differentiating factor between the ECB and other central banks, prompting a less expansive stance than the Fed.

Chart 3
US GDP: current cycle vs. previous recessions*. Beginning of each recession=100



* Shaded area: range of GDP during last 5 recessions
Source: NBER and BBVA Research

Chart 4
Financial Stress index



Source: BBVA Research

Monetary policy in advanced economies will be lax for a long time, adding pressure to exchange rates worldwide

Prospects of very low growth and subdued inflationary pressures in advanced economies will translate into low interest rates for a prolonged period in the three most important advanced areas (US, Europe and Japan). However, against the backdrop of renewed cyclical concerns and the much-reduced scope for further fiscal stimulus, markets were focused on the US embarking into a new bout of unconventional monetary easing (so-called Quantitative Easing 2, or QE2). The expectation of this further increase in liquidity lowered the exchange rate of the dollar across the board, including vis-à-vis the euro. Going forward, given that most of QE2 has been already priced in by markets, euro-dollar exchange rates will depend more on relative growth prospects (which favor the US vis-à-vis EMU) but also on the relative perception of monetary policy in both areas and the evolution of investment flows. At the same time, we expect appreciating pressures on emerging economies to continue due to increased global liquidity, stronger macroeconomic fundamentals and positive return differentials favoring renewed capital inflows.

Emerging markets face increasing policy dilemmas from strong growth, abundant global liquidity and neighbors' foreign exchange interventions

Emerging economies continue to grow strongly, with emerging Asia leading the world recovery. In both Asia and Latin America, private domestic demand is taking over policy-induced stimulus as the source of the recovery. Going forward, growth in Asia will slow down because of a reduction in momentum from the ending of the global inventory cycle, weaker external demand and a withdrawal of policy stimulus, thus reducing the risk of overheating. But the region will continue to contribute the most to global growth.

Both Asia and Latin America confront increasing monetary and exchange-rate policy dilemmas, between cooling strong domestic demand and preventing strong capital inflows and preserving competitiveness in foreign markets. Some countries have started introducing administrative measures to discourage strong capital inflows and some others have slowed their rate of monetary tightening.

Given the relative inflexibility of exchange rates in China (and, to a lesser extent, in the rest of emerging Asia), Latin America is facing a significant part of the adjustment, to the point that further exchange-rate appreciations will start to be a problem for growth. Thus, many countries in the region are weighing further exchange rate interventions although experience shows that their effectiveness if rather limited, contributing mostly to slow down the rise in exchange rates, but not prevent them. The risk is that increased intervention into foreign exchange markets ends up sliding into retaliatory trade measures. This highlights the importance of increased exchange rate flexibility in Asia (China, in particular) as a way to provide more policy space to the rest of the world.

2. Regional growth continues to post surprisingly positive results

The region's growth rates have been higher than expected, with Domestic Demand playing a major role. The growth forecast has been increased again from 5.2% in 2010 to 5.8%

The region's economy is still growing at a fast rate, driven by strong domestic demand. This is explained by a recovery in consumer and investor confidence, backed by positive changes in employment and the delayed impact of the monetary policy and a slower-than-expected withdrawal of fiscal stimulus packages. An additional factor that is having a lasting effect is the heavy inflow of foreign capital towards countries, in order to exploit their natural resources, especially minerals (Peru and Chile), oil, gas and coal (Colombia, Brazil and even Venezuela), and agriculture (Uruguay).

In this respect, investment has played a leading role in driving growth, with an expected growth rate of 13.0% for 2010 for the region overall, followed by a respectable 8.7% in 2011. A look to the individual countries reveals that Mexico strays slightly from the general rule, because its domestic demand growth rate is still lower than the GDP growth rate, and the recovery is driven mainly by exports to the US, which leaves this country's cycle more vulnerable. We expect consumption to gradually start to contribute more to growth and domestic demand to play a more important role in the coming years. In the rest of the region, the focus is on how to avoid fast demand growth generating tensions, both in terms of inflation and foreign accounts.

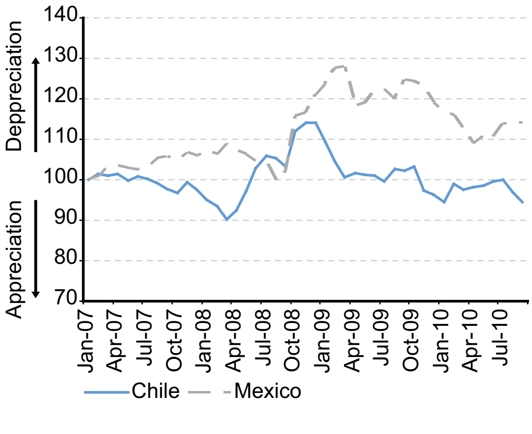
Inflation is lower, partly due to an appreciation in currencies

As far as inflation is concerned, the news are good, since it has surprised by falling nearly everywhere. In the aggregate we have lowered the inflation forecast for the region in 2010 from 6.7% to 6.4%, with a similar adjustment in 2011 (from 6.6% to 6.3%). Although there is a significant disparity between inflation levels in Argentina and Venezuela and the rest of the region, in each case stability reigns and in general inflation has come lower than initially expected. A common factor is the appreciation of local currencies, relieving pressure on price increases. Some currencies have experienced dramatic fluctuations, however, including the Chilean peso, which has been very volatile during the period, in the midst of an appreciation trend.

There is also a temporary effect due to an improvement in climate conditions for agriculture, which lead to a drop in food prices in Brazil, Colombia and Peru. In Venezuela, an increased currency flow towards official FX markets has improved supply conditions for food and other consumption goods, which has had a positive impact on inflation.

Chart 5

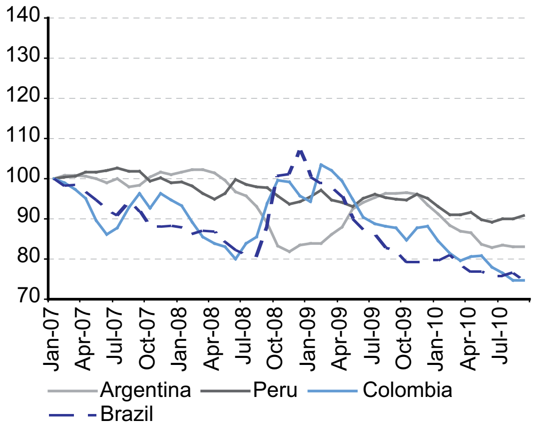
Change in FX Real Effective Exchange Rate (basis Jan07=100)



Source: BBVA Research

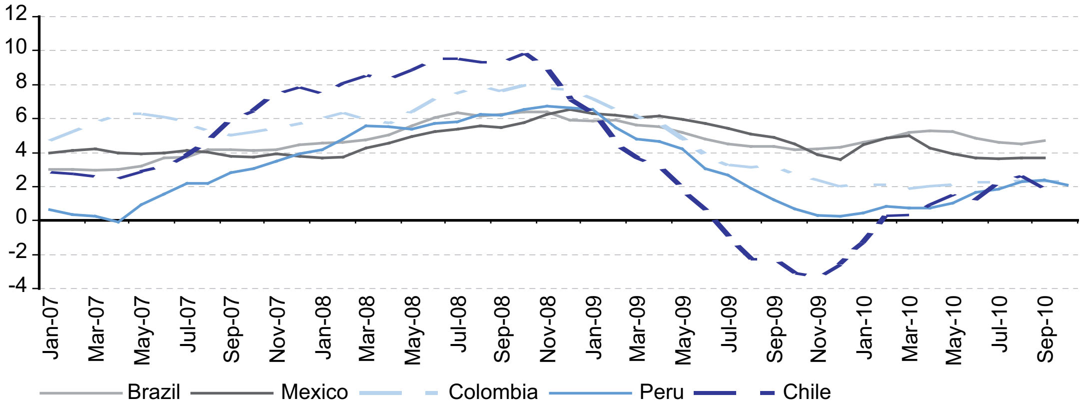
Chart 6

Change in FX Real Effective Exchange Rate (basis Jan07=100)



Source: BBVA Research

Chart 7
Change in inflation (% yoy)



Source: BBVA Research

3. New challenges for economic policy

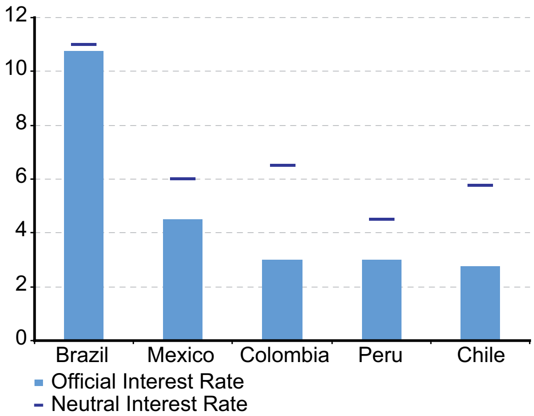
Central Banks start to withdraw monetary stimulus

In spite of good inflation results in recent months, mid-term concerns are growing due to high domestic demand growth rates in almost every country. Argentina, Brazil, Peru and possibly Chile are getting close to eliminating excess production capacity, which means they will need to curb growth in demand over the coming months to avoid inflation pressures. Countries that are pursuing inflation targets have accordingly adjusted inflation rates at a similar rate to what we predicted a few months ago. Although rates are not yet close to neutral levels, central banks have stopped or reduced the pace of interest rate increases earlier than we expected. For instance, Brazil left the SELIC at 10% (we expected 10.3%) and now we think that it will keep it at this level for longer, meaning that this rate will end up at 10.75% in 2011, instead of 11.5% as we expected in July. A similar situation occurred in Peru, where increases stopped at 3% and should not go beyond 4% in 2011.

The reasons for this slowing of the monetary tightening process are twofold: firstly, low inflation rates have reduced the urgency of this tightening process somewhat, and secondly, the external environment of increased liquidity supply and low interest rates at very low levels for longer make very difficult for these countries to advance further without severely compromising exchange rates. There is still a risk that domestic demand will continue to grow at a faster rate than the economy's potential, putting pressure on current accounts and real exchange rates.

Chart 8

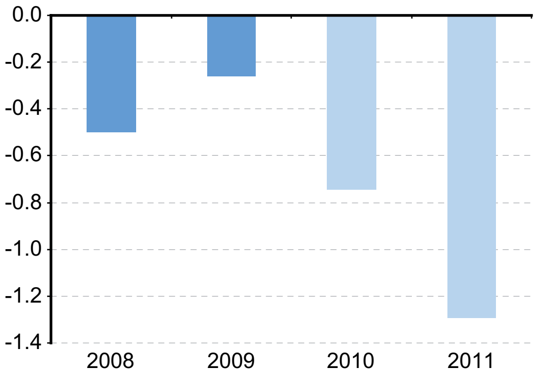
Official vs neutral interest rates



Source: BBVA Research

Chart 9

Current account (% GDP)



Source: BBVA Research

Foreign accounts are starting to absorb excess domestic demand

The dramatic rise in domestic demand has resulted in significant increases in imports, which have suddenly taken off in almost every country and are growing at double digit levels. Venezuela is the exception to the rule, due to limited access to foreign currency. This has not unraveled current account balances though, due to the strong increase in commodity prices, on the one hand, and record harvests in Atlantic basin countries after climate conditions returned to normal. In some countries we even predict more moderate increases in current account deficits than we forecast in July.

Nonetheless, the underlying processes are different: while we expect import volumes to continue to rise at a fast pace as a result of the growth in domestic demand and real currency appreciation, as far as exports are concerned there is a transitory element linked to weather conditions and high commodity prices. Changes in foreign accounts in these countries must therefore be watched closely to detect negative results that might surpass safe levels.

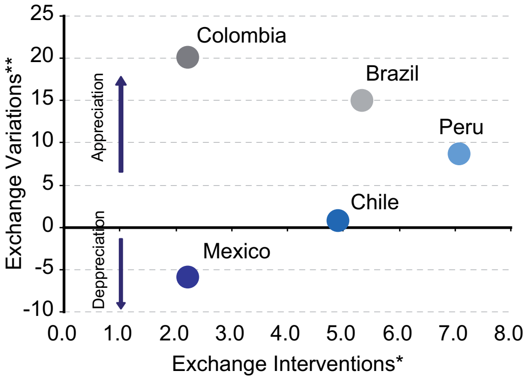
Central banks intervene to prevent "excessive appreciation"

Dramatic currency fluctuations and the strong appreciation trend in the region have prompted central banks and governments to step in, forcefully in some cases. This is nothing new. We saw the same thing in 2007 and early 2008 when there was a heavy abundance of foreign currencies due to similar reasons to what we are witnessing now: high commodity prices and excellent financing conditions. Faced with a similar situation in 2010, most central banks have intervened by buying international reserves, which have reached large proportions in Peru, Brazil and Argentina. Mexico has also adopted a reserve accumulation policy as a way of reinforcing its defenses against possible future problems with global financing availability. On the contrary, Chile has not stepped in the FX market yet, while Colombia is intervening, but cautiously.

By way of new developments in this sense, Brazil and Peru have resorted to regulatory changes and more reserve requirements on deposits and credits from abroad. In spite of these more active policies, it is not clear whether the results have been very significant. In fact, we have witnessed a somewhat low correlation between the size of interventions and changes in foreign currencies. The charts show that Chile, for example, has seen a lower real appreciation this year than Peru and Brazil, which have made large purchases of international reserves.

Chart 10

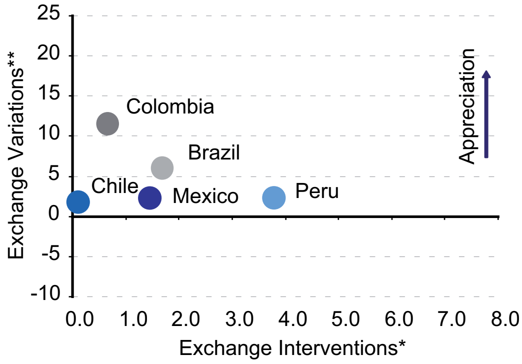
Exchange Rate Interventions vs Appreciations (since start of 2008)



* Exchange Rate Interventions: International Reserves: net purchases between Jan08-Sep10 (% GDP)
** Change in Foreign Currencies: Appreciation/Depreciation in the Real Effective Exchange Rate between Jan08-Sep10

Chart 11

Exchange Rate Interventions vs Appreciations (since start of 2010)

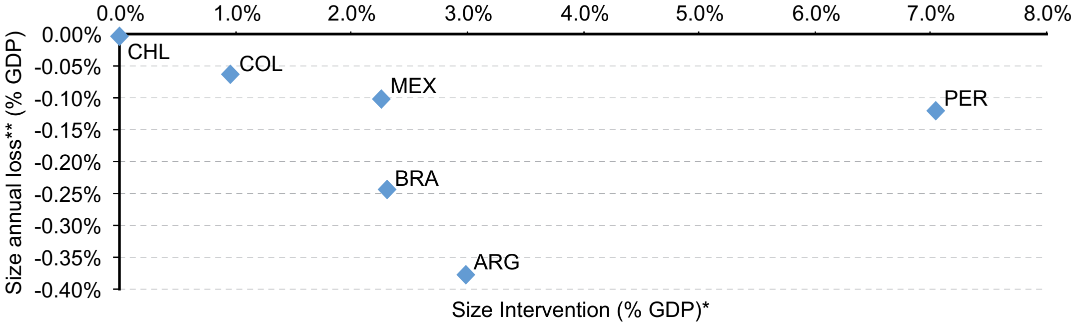


* Exchange Rate Interventions: International Reserves: net purchases between Jan10-Sep10 (% GDP)
** Change in Foreign Currencies: Appreciation/Depreciation in the Real Effective Exchange Rate between Jan10-Sep10
Source: BBVA Research

These interventions have not come without costs: in several countries there is a large spread between the return rates for central banks from their international reserves and the cost that they must pay for interest on issued debt to sterilize the monetary effect of purchasing dollars (see chart 12). Here we see how Brazil must make up for much higher losses than Mexico, with similar interventions in terms of size, due to the greater spread between official interest rates and the hypothetical rate of return gained by depositing new reserves at the Fed's intervention rate. Peru has made bigger interventions with a lower cost, also due to lower spreads.

Chart 12

Equity losses due to sterilization of exchange rate interventions in 2010 (% GDP)



* Purchasing dollars: accumulated since Jan10 (million US$)
** Rate spread: Spread between rates of return that central banks gain from their international reserves (FED rate: 0.5%) and the cost that they must pay for interest on issued debt
Source: BBVA Research

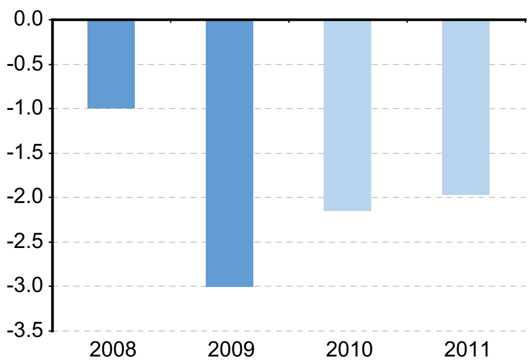
Is it the time for fiscal policy to lend a hand?

The above results reveal that some central banks are running out of instruments to curb an excessive currency appreciation, even going so far as to put their inflation credibility at risk. This inflation credibility is a valuable asset, which has taken years to build, and its loss would come at a great cost. We therefore think that fiscal policy should play a more active role in limiting the growth of aggregate demand. Although we have seen some statements in this direction in Brazil and Peru, no specific initiatives have been taken yet, and the budgets that have been submitted for debate and parliamentary approval in recent months clearly show that there is not much intention to make those changes at the moment.

This reluctance is not very surprising at a time when the government coffers are overflowing due to high commodity prices, strong economic growth and abundant financing availability at unprecedented low costs. However, experience shows how important it is to establish the fiscal policy in accordance with macroeconomic targets and not with available cash. What held true for countries like Chile in the last two decades, and for almost the entire region in the middle of the 2008-09 recession, still holds true in the expansive stage of the cycle. That is why we think governments should make more efforts to adjust public spending to consolidate lower interest rates, even below their neutral rates, which would relieve considerable pressure on exchange rates.

Chart 13

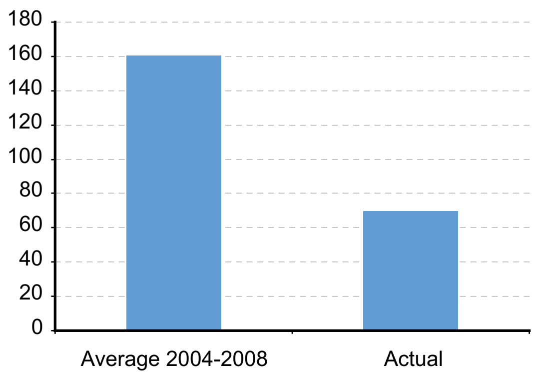
Fiscal Balance (% GDP)



Source: BBVA Research

Chart 14

Credit Default Swap:
Spread CDS Latin America vs. Germany



Source: BBVA Research

4. Risks under control regarding a possible decline in developed countries

A relapse in developed countries would affect the region, but to a lesser extent than in 2009

Perhaps the biggest risk that the global economy is facing today is a relapse in developed countries, whether due to problems refinancing overdue public debt, a problem that has affected several economies surrounding Europe since halfway through this year, or due to a worsening in credit conditions in the United States.

A situation of this kind would affect the region due to its impact on commodity prices, and the increase in global risk premiums, as well as to those specific to the region given its dependency on products that would see their prices fall. As far as we see it, this shock would hit confidence and slow down consumption and private investment in the region, but not as much as in 2008-09. The immediate effect of this trend would be a rise in current account deficits, which as well as affecting currencies could force a monetary contraction and even, in more vulnerable countries, fiscal adjustment. We believe that the overall impact on the region will just be slower economic growth (between 1 and 2 percentage points less than our forecast) for one or two years, but not a recession.

Asian countries will help sustain the region's performance

One of the reasons why the region will be able to withstand such a shock is that the Asian countries will maintain a fast growth pace, mainly backed by strong growth in domestic demand. We also predict that, in an adverse scenario such as the one described above, countries like China would implement new fiscal stimulus programs to keep up the economic growth rate. They have the resources and motivation to do so and in the past have proven to be efficient in this area.

This "Asian connection" has been highly beneficial for Latin America in recent decades and we think that it will continue to play a decisive role in the decades to come. In the short term this mainly is reflected in the cycle of high commodity prices, but it is increasingly becoming important with investment flows and by branching out to other business areas. It also represents a risk, however: as price increases in China might cause a heavy adjustment resulting in a significant slowdown in growth in 2011, this will inevitably cause greater adjustments in commodity prices, with a strong negative impact on current and fiscal accounts in Latin American countries. As a scenario like this seems more plausible and markets include it in risk premiums, pressure should be reduced on Latin American currencies and interest rates should rise.

On the whole, the region is rather strong and has a very positive growth outlook, and we expect foreign conditions to continue being favorable. In this environment Latin American authorities should gradually focus their attention on implementing programs and policies that support an increase in productivity in the respective economies, with a view to keeping competitiveness against a background of currency appreciation.

5. Tables

Table 1

GDP (% a/a)

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2009	2010	2011
Argentina	-1.8	-2.3	-4.3	0.2	5.7	9.2	8.6	8.3	6.5	4.1	4.6	5.0	-2.1	8.0	5.0
Brazil	-2.0	-1.8	-1.3	4.4	9.0	8.7	7.1	5.3	3.6	3.7	4.5	5.2	-0.2	7.5	4.3
Chile	-2.1	-4.5	-1.4	2.1	1.5	6.3	7.2	6.2	8.9	5.5	4.3	4.8	-1.5	5.4	5.8
Colombia	-0.4	-0.2	0.9	3.0	4.2	4.5	5.2	5.2	6.4	6.0	4.0	4.6	0.8	4.8	5.2
Mexico	-9.1	-8.5	-6.2	-2.4	4.3	7.7	4.3	3.6	4.8	3.9	3.3	2.8	-6.6	4.5	3.7
Panama													3.2	6.0	6.3
Paraguay													-3.9	10.1	4.0
Peru	1.9	-1.2	-0.6	3.4	6.1	10.1	8.9	8.7	7.3	5.8	6.0	6.2	0.9	8.5	6.3
Uruguay													2.9	8.8	5.3
Venezuela	0.5	-2.6	-4.6	-5.8	-5.2	-1.9	-1.5	-1.0	1.1	2.0	2.0	1.5	-3.3	-2.3	1.7
Latin America													**-2.4**	**5.8**	**4.2**

Source: BBVA Research

Table 2

Inflation (% y/y, average)

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2009	2010	2011
Argentina	6.6	5.5	5.9	7.1	9.0	10.6	11.1	11.1	11.1	11.0	11.1	11.4	6.3	10.5	11.1
Brazil	5.8	5.2	4.4	4.2	4.9	5.1	4.6	4.8	4.4	4.1	4.8	4.8	4.9	4.8	4.5
Chile	4.8	1.8	-1.9	-3.0	-0.3	1.2	2.3	2.9	3.0	3.0	3.0	3.1	0.4	1.5	3.0
Colombia	6.6	4.8	3.2	2.4	2.0	2.1	2.3	2.6	3.1	3.0	3.2	3.3	4.2	2.2	3.2
Mexico	6.2	6.0	5.1	4.0	4.8	4.0	3.7	5.0	3.8	4.1	4.6	3.7	5.3	4.4	4.0
Panama													1.9*	4.0*	3.3*
Paraguay													2.6	4.1	4.3
Peru	5.6	4.0	1.9	0.4	0.7	1.2	2.2	2.8	2.8	3.0	2.7	2.5	3.0	1.7	2.7
Uruguay													7.1	6.6	6.7
Venezuela	29.6	28.2	28.7	28.1	27.3	31.9	29.8	30.3	29.2	25.9	26.7	26.4	28.6	29.8	27.1
Latin America													**6.3**	**6.4**	**6.3**

Source: BBVA Research. *End of period.

Table 3

Exchange Rate (vs. USD, average)

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2009	2010	2011
Argentina	3.54	3.73	3.83	3.81	3.84	3.90	3.94	4.01	4.11	4.21	4.31	4.42	3.73	3.92	4.26
Brazil	2.32	2.08	1.87	1.74	1.80	1.79	1.75	1.65	1.69	1.77	1.80	1.83	2.00	1.74	1.77
Chile	607	567	545	518	519	530	511	478	487	505	507	501	560	510	500
Colombia	2415	2233	2017	1965	1947	1950	1831	1780	1800	1777	1768	1790	2158	1878	1784
Mexico	14.38	13.32	13.27	13.06	12.78	12.38	12.80	12.10	11.83	11.90	12.17	12.28	13.51	12.47	12.04
Panama													1.00	1.00	1.00
Paraguay													4967	4760	4872
Peru	3.19	3.02	2.96	2.88	2.85	2.84	2.81	2.78	2.79	2.79	2.78	2.74	3.01	2.82	2.78
Uruguay													22.53	19.95	20.27
Venezuela	2.15	2.15	2.15	2.15	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	2.15	4.30	4.30

Source: BBVA Research

Table 4

Interest Rate (%, average)

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2009	2010	2011
Argentina	13.29	12.83	12.64	10.75	9.62	9.56	9.77	10.84	11.08	11.50	12.42	13.00	12.38	10.11	12.00
Brazil	12.62	10.33	8.86	8.75	8.75	9.75	10.75	10.75	10.75	10.75	10.75	10.75	10.14	10.00	10.75
Chile	5.55	1.44	0.53	0.50	0.50	0.67	2.00	3.00	3.75	4.50	5.25	5.50	2.00	1.54	4.75
Colombia	8.00	5.17	4.33	3.67	3.50	3.00	3.00	3.00	3.17	3.58	3.92	4.33	5.29	3.13	3.75
Mexico	7.33	5.33	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.75	5.17	5.50	5.42	4.50	4.98
Panama													2.50	2.60	3.10
Paraguay													28.26	25.75	25.77
Peru	6.25	4.00	1.50	1.25	1.25	1.50	2.50	3.00	3.17	3.42	3.67	3.92	3.25	2.06	3.54
Uruguay													8.67	6.31	7.02
Venezuela	17.10	15.60	14.52	15.05	14.59	14.51	14.51	14.51	13.84	13.50	13.50	13.50	15.57	14.53	13.58

Source: BBVA Research

Table 5

Private Consumption, Government Consumption and Investment (% y/y)

	Private Consumption (% y/y)			Government Consumption (% y/y)			Investment (% y/y)		
	2009	**2010**	**2011**	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**
Argentina	-4.1	7.4	6.0	7.2	8.5	8.2	-10.2	16.3	7.6
Brazil	4.1	5.9	4.2	3.7	4.0	4.3	-10.0	21.6	8.2
Chile	0.9	7.9	5.5	6.8	4.0	4.8	-15.3	19.6	16.0
Colombia	1.1	4.1	5.2	13.0	7.3	5.7	-8.9	3.6	10.1
Mexico	-6.2	1.9	2.6	4.9	-2.3	0.1	-15.3	5.3	9.3
Panama	3.7	3.9	4.3	3.0	3.8	4.9	-8.8	21.6	7.9
Paraguay	-3.4	7.0	4.6	13.7	12.0	4.0	-11.1	19.0	7.5
Peru	2.4	5.8	5.3	16.5	7.7	4.0	-15.1	19.5	13.0
Uruguay	1.5	8.0	6.5	5.2	5.0	5.0	-4.0	18.0	11.0
Venezuela	-3.2	-2.2	1.9	2.3	3.4	3.6	-8.2	-9.9	2.2
Latin America	**-0.7**	**4.4**	**4.0**	**5.6**	**3.0**	**3.5**	**-11.8**	**13.0**	**8.7**

Source: BBVA Research

Table 6

Fiscal Balance and Current Account (% GDP)

	Fiscal Balance (% GDP)			Current Account (% GDP)		
	2009	**2010**	**2011**	**2009**	**2010**	**2011**
Argentina	-0.6	0.3	-0.9	3.5	1.2	0.3
Brazil	-3.3	-2.6	-2.4	-1.6	-2.4	-2.9
Chile	-4.6	0.5	0.2	2.5	-0.4	-1.6
Colombia*	-4.1	-4.2	-4.0	-2.1	-2.7	-2.8
Mexico	-2.7	-2.3	-1.9	-0.6	-1.2	-1.9
Panama	-1.0	-1.6	-1.2	0.0	-3.2	-3.8
Paraguay	0.1	0.3	1.2	0.1	-2.1	0.7
Peru	-1.9	-1.4	-0.8	0.1	-1.3	-2.3
Uruguay	-1.7	-0.5	-0.3	0.8	-0.2	-0.9
Venezuela	-5.1	-3.0	-1.8	2.4	9.9	10.4
Latin America	**-3.0**	**-2.1**	**-1.9**	**-0.2**	**-0.8**	**-1.3**

* Central Government
Source: BBVA Research

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