Economic Outlook

Latam

First Quarter 2012
Economic Analysis

- **Slowdown in the world economy.** Economic growth will recover in the second half of 2012, led by the emerging economies.
- **The risks to global growth estimates have a strong downward bias,** given the continued sovereign and financial crisis in Europe.
- **Latin America will grow by 4.4% in 2011 and somewhat below this figure in 2012 (3.7%),** fuelled by domestic demand which is beginning to slow.
- **The monetary authorities are holding back the withdrawal of monetary stimuli longer than expected,** due to a more risky global environment and the danger of recession, particularly in Europe.
- **Inflation surprised upwards in recent months.** This could generate a dilemma for the central banks if the trend is maintained in future months.
- **The strength of external and fiscal balances** provides support in the face of a deteriorating global economy.

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Closing date: January 31, 2012

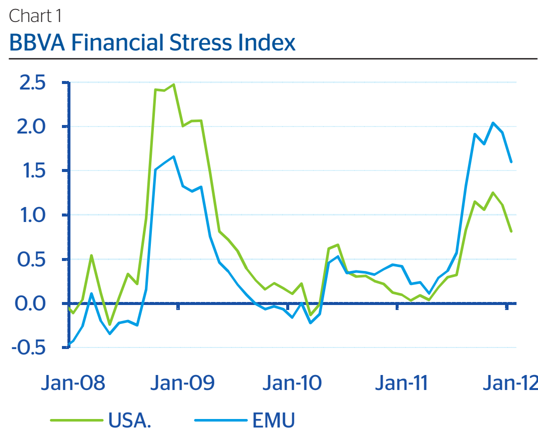
1. Global slowdown and a recession in Europe

The global economy slowed down at the end of 2011, but should rebound in the second half of 2012, led by emerging economies

The global economy decelerated markedly in the last quarters of 2011. This was the result of weaker growth in Europe (already negative in Q4) and a deceleration in emerging economies, to around 1% quarter-on-quarter at the end of 2011, their lowest growth rate since the 2008 crisis. However, the drivers of this deceleration differed. Europe has been feeling the effects of persistently high financial tensions since September (see Chart 1), owing to the lack of major advances to solve the sovereign and financial crisis. On the other hand, the slowdown in emerging economies, in addition to the headwinds from developed economies, is partly the result of previous policy tightening through the first half of 2011 to avoid overheating.

Going forward, decisive action expected by the European authorities should slowly reduce financial tensions and global risk aversion, facilitating a global rebound in the second half of 2012. The biggest contribution to that rebound will nonetheless come from emerging economies, as their policies turn more growth-supportive. At the same time, even though the US will grow more slowly than in previous recoveries, it will decouple from the recession in Europe in the first half of the year. Thus, relative to our previous Global Economic Outlook published in November, we are revising down our forecasts for global growth by 0.6pp in 2012 and 0.3pp in 2013, to 3.5% and 4.1%, respectively (Chart 2).

Chart 1
BBVA Financial Stress Index



Source: BBVA Research

Chart 2
Global GDP growth (%yoy)

Source: BBVA Research and IMF

The euro area is still the main risk to the global outlook

Even after the downward revision of growth rates in Europe and emerging economies, risks remain titled to the downside. These risks hinge on the evolution of the sovereign-financial crisis in Europe, which continues unabated and can potentially deepen the recession there and spill to other regions through trade links, financial exposures and an increase in risk aversion.

Although there have been some advances since October –mainly the provision of long-term liquidity by the ECB and some agreement towards more fiscal discipline– there needs to be more decisive action on three main lines. First, on the sovereign debt front, concerns about the solvency of Greece need to be addressed by completing the deal with private sector

bondholders. At the same time, sizable and credible sovereign firewalls should be erected to prevent contagion to less liquid countries. Second, macroeconomic reforms should be pushed forward to raise growth prospects, including those aimed at repairing financial institutions' balance sheets, while taking care to avoid a sudden a reduction in credit to the private sector. Finally, further advances in euro area governance are needed to strengthen the monetary union, including a clear roadmap to a fiscal union.

In line to these three points, European economic prospects would be greatly improved if the agreed fiscal compact were approved at the national level and convincingly implemented after the March EU summit, together with reforms proposed for peripheral countries to reduce their vulnerabilities and increase long-term growth prospects.

Sustained financial tensions have pushed Europe into recession

Financial tensions in Europe continue at levels higher than after the fall of Lehman Brothers in 2008 (Chart 1). Given this, and together with the effect of fiscal adjustment in peripheral countries, we have revised down our growth projections for Europe, incorporating negative growth at least through the first half of 2012, and -0.5% for the year as a whole, with a slow rebound in 2013. It is important to note that these projections depend on a fast resolution of the crisis and a notable reduction of financial stress. The divergence in performance between the core and the periphery in Europe will continue to be wide, partly because of the large fiscal adjustment in the latter.

Contrary to Europe, the US will show resilience in 2012, as in the second half of 2011. Our forecast remains unchanged from 3 months ago, at 2.3% in 2012 and 2.2% in 2013. However, the recovery is weaker than typical post-recession cycles, and is influenced by the risks from Europe as well as the domestic risk of policy uncertainty, including a possible fiscal tightening in 2013 (as tax cuts expire and automatic spending cuts are implemented). In addition, weak housing conditions, tight credit markets and ongoing deleveraging will create headwinds to consumption spending.

Emerging economies are heading for a soft landing

In contrast to the aftermath of the fall of Lehman Brothers in 2008, confidence has remained resilient in emerging economies, including in Asia as described below. This has allowed domestic demand in emerging economies to hold up well, even as some of the effects of increased global risk aversion are felt in financial markets through lower capital inflows, tighter trade finance, and reduced asset prices.

The slowdown in emerging economies during 2011 meant that their growth gap relative to advanced economies was close to 3 percentage points at the end of 2011, somewhat below the historical 4 percentage points since the beginning of the 2000's. We expect global risk aversion to remain high, but ease slowly in the second half of 2012, in line with the expected gradual reduction of tensions in Europe. In addition, economic policies will turn more growth supportive, in contrast with the tightening experienced in the first part of 2011. This will sustain domestic demand in the face of external headwinds from weakness in demand from developed countries. In this context, emerging economies are expected to recover growth rates close to 2% quarter-on-quarter at the end of 2012 (from 1% at end-2011), and grow 6.2% for the year as a whole. The main exception to this good performance will be in emerging markets in Europe, due to their closer trade and financial links to the euro area.

2. Convergence of growth closer to trend

The slowdown becomes more general

In the last few months of last year, and in particular starting in December, the economic slowdown became consolidated throughout the region. This has been caused by a number of very diverse factors, but the end result appears fairly clear: the region is converging to its normal rate of growth, close to the increase in the productive capacity of the different economies.

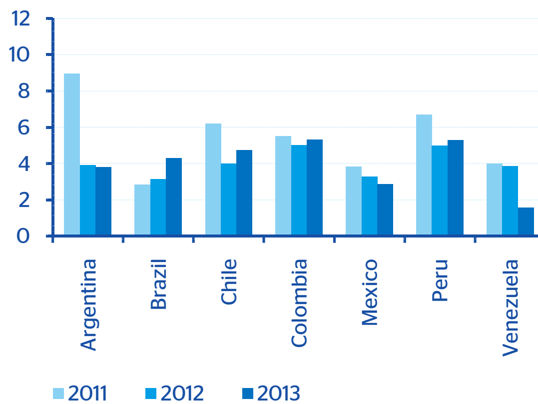
As we mentioned, a number of very diverse factors lie behind this phenomenon. One fairly general one is the fact that inflation has been somewhat higher than expected, particularly in Chile and Peru. This has limited consumer purchasing power despite major increases in employment and wages. Another common factor is the increase in global risk aversion at the start of the last quarter of last year, as reflected in pressure on currencies and a greater level of uncertainty. In Argentina this factor has been very important, because the depreciation of the Brazilian real increased pressure on the Argentinean peso, leading to liquidity problems and controls in the foreign-exchange market. In addition, an incipient drought, possibly linked to the reappearance of the La Niña phenomenon, has affected prospects for grain harvests in Argentina, Paraguay, Uruguay and Brazil, and also contributed to the slowdown in domestic demand. In the case of Colombia, where the recovery in domestic demand was later and is still continuing, the Central Bank has been raising rates to slow it down. Commodity prices, particularly copper, also suffered a downward correction in October, and this has affected the outlook for the year.

However, the adjustment to domestic demand has been moderate. Even in countries such as Chile, the level of reasonable doubt with respect to demand is sufficient to ensure that inflation will return to rates close to the target during the year. At the same time, figures for fixed capital investment continue to be positive, in part boosted by foreign investment in natural resources (Chile, Colombia, Peru). Combined with expectations of improved public investment (Brazil, Colombia, Peru), this allows us to anticipate that domestic demand will continue to support satisfactory growth in the region.

The case of Mexico is somewhat different from the rest of the region. The country was particularly hard-hit in 2009 by the outbreak of swine fever and the direct impact of recession in the United States on activity and employment. Domestic demand was negatively affected and its process of recovery has been delayed more than in the rest of the region. It is only late in 2011 that it began to gain strength, so there has been much less pressure to withdraw monetary stimuli. Nevertheless, the outlook remains for a slowdown in GDP to 3.3% in 2012 from nearly 4% in 2011. This is consistent with foreign demand not improving significantly in 2012, while the economy's financing conditions, interest rates and access to lending will also stop improving or even deteriorate in some segments. All this will put a stop to job creation and the capacity for household spending and business investment.

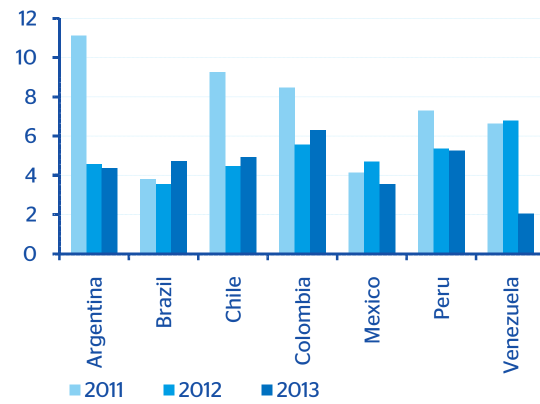
As a result of all the above, we expect growth in the region to be in the order of 4.4% in 2011, headed by Panama (9.4%) and Argentina (9.0%). The increase in 2012 will be in the order of 3.6%, after which it will hit rates of close to 4% in the following years. This growth is mainly supported by domestic demand, which grew by 5.6% in 2011. We expect it to slow to 4.5% in 2012, after which it will gradually converge to rates of growth of around 4%. At the aggregate level these figures are affected by slight downward revisions for growth in 2012, except in the case of Peru, which maintains its forecast unchanged thanks to an improved local business climate that compensates for the deteriorating scenario abroad. In terms of individual countries, Panama, Peru and Colombia stand out among those that will grow most in the period 2012-15, with rates at above an average of 5% in this period. Our estimates for growth in Paraguay are also very positive (an average of around 5% for this period), but they are highly dependent on a swift solution to the health problems affecting its meat exports, as well as good weather conditions for agriculture, and soybean production in particular. In Uruguay, a better than expected 3Q11 suggests 2011 will close with a growth of over 6.2%, but we maintain our forecast of 4.4% in 2012, as the doubts about the impact of the drought in the agricultural and energy sectors, together with the effects of foreign-exchange controls in Argentina on the tourist season are still uncertain, and will not be known until the end of 1Q12.

Chart 3
GDP growth (y/y %)



Source: BBVA Research

Chart 4
Growth of domestic demand (y/y %)



Source: BBVA Research

Inflation is still not falling as expected

However, not everything is positive. As mentioned above, inflation has given the central banks in the region some headaches (though slight). If we compare the inflation rates for 2011 projected in October, we see that 5 of the 7 biggest countries in the region ended up exceeding the forecast. The most notable case is Chile, as it ended with a rate of 4.4% for the year, 1.1 pp above the forecast and above the upper band of its Central Bank target range. In other countries the deviations were not as great, (between 0.1% and 0.4%) but only in Venezuela and Argentina did inflation end up slightly below expectations. Paraguay is particularly notable in this respect, as inflation has fallen abruptly to levels of around 5%, in line with official targets, after hovering at around 10% for a few months. The determinants of this result were a restrictive monetary policy and a fall in imported inflation. In contrast, in Uruguay inflation was 8.6%, significantly above the Central Bank's target range. Despite the sudden increase in the monetary policy rate in December 2011 (from 8% to 8.75%) and the relative strength of the exchange rate, our expectations for 2012, and those of the consensus, still place inflation above the required rate of 6%, although down on the previous year.

Upward surprises in inflation have a temporary component derived from food price rises that subsequently were reversed. However, it cannot be ruled out that the depreciation of currencies has also had an effect towards the end of the year. In a context of high domestic demand this should affect prices more than in periods of adjustment. It is therefore no surprise that in Brazil the deviation in inflation is barely 0.1%, given that the slowdown in domestic demand has been much more pronounced there, to the extent that concern about a possible recession moved the focus from inflation, at least for a few weeks. In fact, the latest short-term indicators suggest an incipient reactivation of domestic demand in recent months.

In the case of the Mexican economy, the upturn in inflation is exclusively the result of supply shocks in foodstuffs, energy tariff rises and, to a lesser extent, the effect of the major loss in value of the peso over the last quarter of 2011. There are no pressures on the demand side, given the available capacity in the factor markets after the intense recession in 2009. There are also no pressures from wages or the credit market.

In the future, the combination of currency gains on their present values at the start of the last quarter of last year, downward corrections of food prices, and fewer pressures from domestic demand should combine to help inflation converge to the respective official targets of the different countries. If this does not happen, there will be a risk that inflation could continue above official targets. This could alter the course of official interest rates that in countries such as Chile and Colombia are anticipating the markets.

Exchange-rate fluctuations in the face of fears about the global economy

Recent months have been marked by strong pressure on currencies, which have shifted direction according to changes in the levels of risk aversion on global markets. This pressure has also been amplified by fluctuations in commodity prices, which have been affected by strong changes in perceptions with respect to the future of the global economy, though within their underlying framework of strength.

Thus in September, in the midst of growing concerns for the future of southern European countries, the most flexible Latin American currencies (Brazil, Chile and Mexico) lost between 10% and 20%, following a long period of recovery in which they had reached pre-2008 crisis levels. This eased the pressure to limit capital entry and restrictions were even lifted in some countries, while in others central banks shifted from purchasing currencies to being net sellers. Starting in October the currencies stabilized and intervention ended. The exception was Argentina, where local risk factors resulted in greater than usual capital outflows. The flows returned to normal in December when currency controls were imposed and expectations of a post-election depreciation vanished. Overall, slight currency appreciation pressures have even reappeared in the region in response to a lower global risk aversion.

Our view is that the global economic slowdown will finally manifest itself in a limited downward correction of the prices of commodities exported by Latin American countries. The tension in the financial markets will continue, because the problems of some European countries are not about to disappear. As a result, the general trend for the currencies in the region, except in the case of Colombia and Peru, should be for a moderate depreciation, combined with the use of international reserves. In our forecast those countries that are prepared to intervene more strongly to limit currency fluctuations, as is the case of Peru, for example, will experience a lower level of change. At the opposite end of the scale is Chile, where with very little or no currency intervention the currency will lose value.

Marginal deterioration in the fiscal and foreign balances

In 2011 nearly all the countries ended up with fiscal and current-account results that were less positive than those expected in October. They were affected by the surprising decline in prices of commodities such as oil, copper and soybeans in the last quarter of the year, and this trend was reinforced by higher imports. In the case of the fiscal balance, the deterioration is less notable because the domestic cycle and the upward surprises in inflation have helped offset at least part of the fall in commodity prices. In all, the situation of these accounts continues to be very sound compared with other countries, and also with their historical performance.

Regarding the fiscal accounts, Chile and Peru have extremely solid figures, with total balances positive or very close to equilibrium and with enough savings to cope with an adverse scenario. Both countries have easy access to external finance and have low levels of public debt. One notch down from them are Brazil, Colombia and Mexico, which have deficits in the range of 2-3% of GDP, manageable public debt levels, and no major problems in accessing finance. Like these countries, Panama has fluid access to the markets, but it faces a high current-account deficit and a significant increase in the fiscal deficit, which is close to the limits set by law, so a fiscal adjustment would be desirable. Finally, we have a third level consisting of Argentina and Venezuela, who are not faced by a fiscal crisis or an urgent need for immediate adjustments, but are very vulnerable to commodity prices and to the economic cycle, partly because of their limited access to external finance. It would be advisable to implement a fiscal adjustment in these countries (in fact Argentina is already doing so) and take the necessary measures to recover access to international financial markets.

With respect to the external accounts, the situation is also very sound, in part because all the countries accumulated significant international reserves during the last period of high commodity prices. The so-called “currency war” meant in practice that the strength of the Latin American countries is now backed not only by high terms of trade and capital flows, but also by a far better net foreign asset position in practically all the countries.

3. Good conditions for resisting a possible deterioration in the global environment

One of the main risks facing the global economy, and Latin America in particular, is a worsening of the situation in Europe, which has put a brake on capital flows. Combined with a significant fall in commodity prices, this could lead to difficulties for the scenario described above.

As we explained in the first section, there are three major channels of contagion to the region: (i) The financial channel, which in an event of this nature could result in higher risk premiums and eventually a (possibly temporary) closure of credit facilities and portfolio flows for the region; (ii) The trade channel, where we estimate that the impact will vary widely according to each country's foreign trade structure: in countries that export manufactures (final goods or parts), such as Mexico, much of Central America and the Caribbean, and to a lesser extent Brazil, the biggest impact will be in the amounts exported, with indirect effects on employment. At the other extreme are countries with a trading structure that is biased strongly towards commodities (oil in Venezuela and Colombia; copper and other minerals in Chile and Peru; grains and meat in Argentina, Uruguay and Paraguay; the services provided by the Canal in the case of Panama, which is thus affected by changes in trading volumes, etc.). Here the greatest impact will be in the falling prices of these goods; and (iii) The third and final channel is local consumer and business expectations. This factor was key to the recession suffered by nearly all the countries in the region in 2009, even though their fundamentals were sound; confidence collapsed and dragged down both consumption and investment. On this occasion we think that the effect will not be as great because the countries have already gone through the earlier experience and seen that its effects were temporary, unlike what happened in Europe.

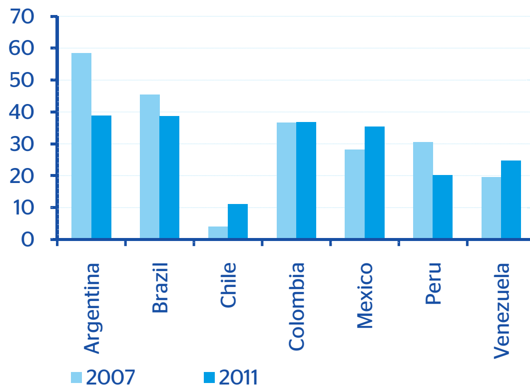
In order to assess where the region would stand in the event of a deterioration in the global economy, below is a brief summary of the factors that have changed with respect to 2008.

Public debt and fiscal deficits

One of the determining factors of the current vulnerability of the economies is the situation of their public finances. This depends both on the asset position (public debt and assets held by the government) and financing needs, which are determined by the total deficit or surplus and by debt repayment requirements. In both aspects the situation of Latin America is very sound (Charts 5 and 6). The first striking aspect when examining the public debt is its low level as a proportion of GDP in the whole region. In no country does it reach 40%, and in most it has fallen with respect to pre-2008 crisis levels, despite the fact that fiscal stimulus measures were applied in the majority of countries in response to the crisis.

The fiscal deficit has also remained within a limited and prudent range. Even in an adverse scenario with a deterioration of the global economy as a result of the deepening crisis in the euro zone, we do not expect these deficits to increase. This is because in this scenario, the effects of lower growth and falling income associated with commodity prices would be eased by greater fiscal stimuli. Only in Venezuela do we see the need for a fiscal adjustment to reduce the deficit, due to the extreme dependence of tax revenues on the oil price.

Chart 5
Public debt, 2007 and 2011 (% GDP)



Source: BBVA Research

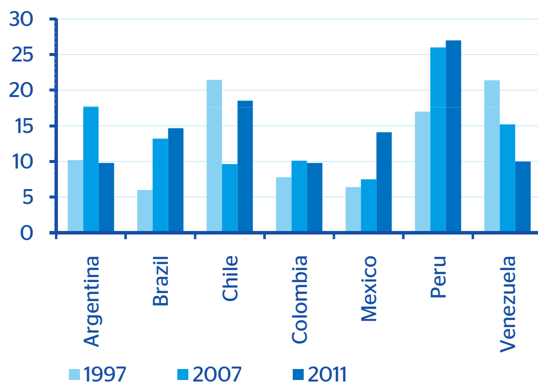
Chart 6
Fiscal deficit, 2011 and 2012 (% GDP)

Source: BBVA Research

Significant increase in the asset position in Latam countries

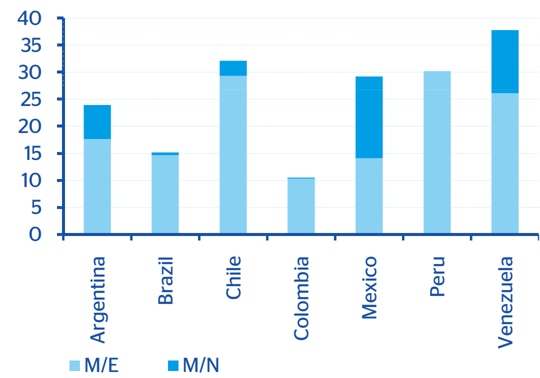
One of the reasons for our optimism about the region is the fact that after 2008 the countries significantly strengthened their positions in domestic and foreign assets. The pressure to avoid excessive currency gains led to foreign-exchange interventions that resulted in a significant accumulation of international reserves in practically all the countries (except Venezuela and Argentina). In addition, the strong economic recovery in 2010-11, combined with high commodity prices, boosted tax revenues throughout the region and allowed nearly all the governments to accumulate substantial funds, which have been held in local and foreign-currency deposits (Charts 7 and 8).

Chart 7
International reserves in 1997, 2007 and 2011 (% GDP)



Source: BBVA Research

Chart 8
Public financial assets by currency in 2011 (% GDP)



Source: BBVA Research

These charts make clear the sound asset position in Chile and Peru. There has also been a significant improvement in Brazil, which is a less open economy than the former two and thus has less need for dollar funds to finance possible credit facilities abroad for foreign trade operations. Also notable is the changing foreign asset position of the public sector in Venezuela. International reserves are lower than they were at difficult times in the past, but this has been offset by a major accumulation of funds in public-sector entities.

Room to implement counter-cyclical policies

Given that these countries have sound fiscal positions and healthy financial systems, and that in recent years all the instruments for providing liquidity and promoting credit in the event of a possible worsening of the global situation have been tested and improved, it is to be expected that the authorities will react more strongly and effectively than in 2009. What is more, the markets today recognize the greater solidity of the Latam region, about which there were more doubts in 2009.

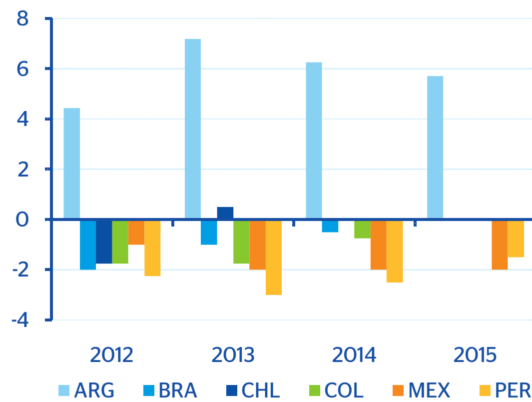
Our forecasts have included this factor, as international markets may penalize a permanent deterioration in the fiscal accounts more strongly now than before. This should result in a more important role for monetary instruments in this case. Our improved estimate for monetary policy and fiscal reactions in this scenario appears in Charts 9 and 10.

With respect to monetary policy, in all cases except Argentina we see that the authorities are lowering official interest rates in relation to the base scenario. The amount and extent of this stimulus varies, but its direction does not. In the case of Argentina, we estimate that the market rates (Badlar) used in our chart should rise due to the impact of a global deterioration on the depositors in the financial system, which will lead them to increase the dollarization level of their assets. If this happened, an appropriate reaction by the authorities to restore confidence would of fundamental importance in lifting this restriction.

Fiscal stimuli will be important, but not as strong as in 2008-09, because global market sensitivity to possible sovereign creditworthiness problems is today much greater than in 2009. This should lessen fiscal activism, even in countries with such good debt indicators as Chile and Peru.

Chart 9

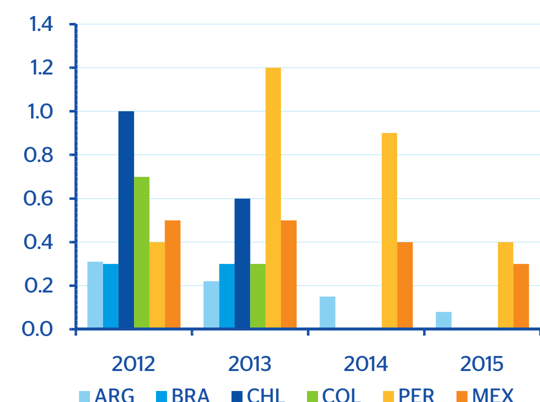
Difference between risk and base interest rates (pp)



Source: BBVA Research

Chart 10

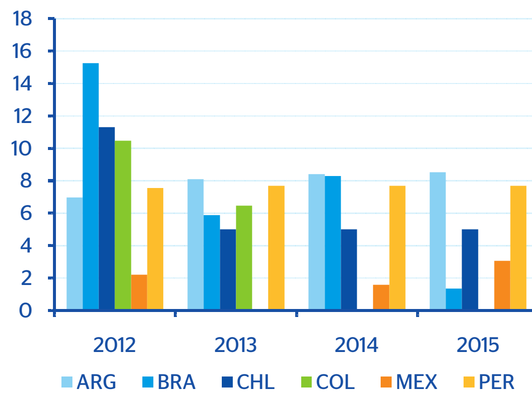
Discretionary fiscal stimulus (% GDP)



Source: BBVA Research

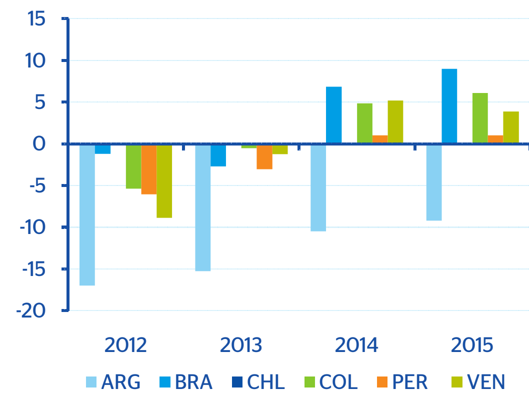
The other area of significant public intervention is foreign-exchange policy and the handling of reserves. In this case there is more difference between countries, depending on the preference of the economic authorities for greater foreign-exchange flexibility (tolerance of depreciation, in this case) and the use of reserves to cushion the effect. Charts 11 and 12 show our best projection of the response of the monetary authorities on both fronts in the event of a major deterioration of the global economy.

Chart 11
Depreciation of currencies against a base scenario (pp)



Source: BBVA Research

Chart 12
Annual change in NIR on 2010, in a risk scenario (%)



Source: BBVA Research

As can be seen in the charts, all the currencies end up losing more ground against the USD than in the base scenario. However, after the initial adjustment in 2012, all of them recover some of the losses in the coming years, except in the case of Argentina, where the difference between domestic and external inflation generates pressure leading to a continuous depreciation over time. We also see that except for Chile, all the countries use their reserves very actively to limit losses in 2012 and 2013, after which they return to a position of net foreign currency purchasers when their currencies begin to appreciate. Argentina is the only country where we see a trend to continue using reserves, because we estimate that as long as its relationship with international financial markets does not return to normal, it will tend to lose reserves. Although private capital outflows have returned to normal, the reduction in the trade surplus will mean that the foreign surplus in the private sector is insufficient to offset the foreign-currency deficit of the public sector, which needs foreign currency to pay its foreign debt maturities.

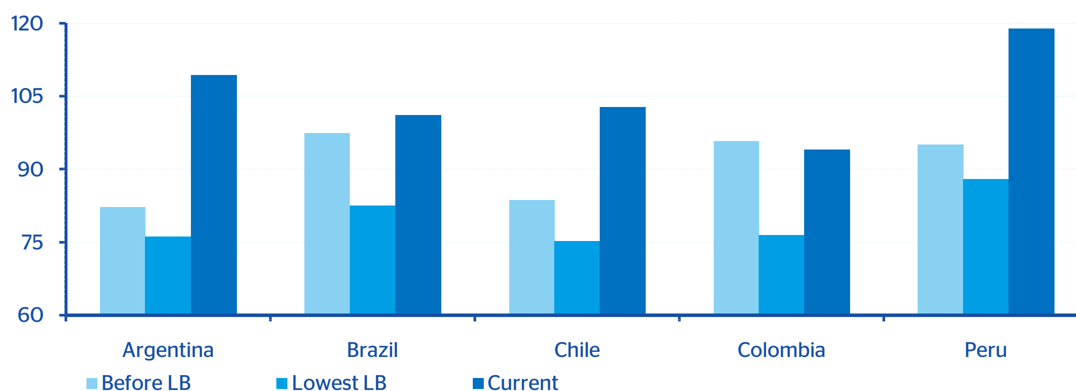
The great unknown: How will the local private agents react to a global deterioration?

In 2008 the objective indicators for the Latin American economies were nearly as good as those we see today, but most countries entered recession (short and slight compared with similar events in the past), despite the fact that for the first time in decades the vast majority of countries were in a condition to finance strong fiscal and monetary stimuli. This apparent paradox can be explained because in a world that is highly interconnected and with the future of the global economic system under scrutiny, consumers and businesses were frightened and cancelled or delayed investment and consumption expenditure. These expectations led to an endogenous adjustment in domestic demand of such a size that nearly all the countries increased their trade balances, despite the slump in commodity prices.

Our impression is that even if the global economic scenario deteriorates significantly compared with the present, the same will not happen; or if it does, it will be much weaker than on the previous occasion. The main reason for this is that the private economic agents have already lived through the previous experience and know that even a strong global deterioration will not lead to a collapse of the emerging economies. Although this is conjecture, we can find some evidence for it in the indices of consumer confidence, which are closely related to private consumption expenditure, though they anticipate it to a different extent in different countries. Chart 13 compares the indices of consumer confidence on the eve of the collapse of Lehman Brothers, at their low point during that episode and in the last quarter of last year, when there was a resurgence of fears about a sovereign debt crisis in Europe. The most notable thing about these

data is that the levels of confidence, in the midst of major turbulence in Europe, are today higher than those before the collapse of Lehman Brothers. This shows a significant change in attitude. It may be ignorance, irresponsibility or simply a calm confidence that the fundamentals are sound and that the previous fears were exaggerated; but the fact is that it appears unlikely that in 2012 we will see an endogenous collapse in consumption and private investment similar to what we experienced in 2008-09.

Chart 13
Consumer confidence indices (Q1 2008 = 100)



Source: BBVA Research

The above analysis leads us to think that even in a scenario of global economic deterioration, Latin America will continue to grow, but at a slower rate than in the base scenario. For the region as a whole, GDP growth in this context would be in the order of 0.4%, and if we exclude the two regional giants (Brazil and Mexico), around 1.7%. However, after the initial impact, we expect a gradual recovery that would lead to annual rates of growth of between 3.5-4%, close to its current rate of potential growth.

4. Tables

Table 1
GDP (% y/y)

	2010	2011*	2012*	2013*
Argentina	8.7	9.0	3.9	3.8
Brazil	7.5	2.8	3.2	4.3
Chile	5.2	6.2	4.0	4.7
Colombia	4.3	5.5	5.0	5.3
Mexico	5.4	3.8	3.3	2.9
Panama	7.6	9.4	6.0	6.2
Paraguay	15.0	4.1	4.2	5.1
Peru	8.8	6.7	5.0	5.3
Uruguay	8.5	6.2	4.4	4.2
Venezuela	-1.5	4.0	3.8	1.6
Latin America	**6.3**	**4.4**	**3.6**	**3.8**

*Forecast
Source: BBVA Research

Table 2

Inflation (% y/y, average)

	2010	2011	2012*	2013*
Brazil	5.0	6.6	5.6	5.2
Chile	1.4	3.3	3.8	2.9
Colombia	2.3	3.4	3.6	3.6
Mexico	4.2	3.4	3.8	3.5
Panama	3.5	5.9	5.4	4.3
Paraguay	4.6	8.3	2.5	5.2
Peru	1.5	3.4	3.5	2.2
Uruguay	6.7	8.1	7.8	6.7
Venezuela	29.1	27.2	27.2	28.6
Latin America	**6.4**	**6.9**	**6.7**	**6.6**

*Forecast
Source: BBVA Research

Table 3

Exchange rate (against USD, average)

	2010	2011	2012*	2013*
Argentina	3.9	4.1	4.7	5.6
Brazil	1.8	1.7	1.8	1.8
Chile	510	484	516	521
Colombia	1,899	1,848	1,797	1,762
Mexico	12.6	12.4	13.4	12.5
Panama	1.0	1.0	1.0	1.0
Paraguay	4,739	4,196	4,310	4,552
Peru	2.8	2.8	2.7	2.6
Uruguay	20.0	19.3	19.7	19.8

*Forecast
Source: BBVA Research

Table 4

Interest Rate (%, average)

	2010	2011	2012*	2013*
Argentina	10.1	13.3	16.8	15.7
Brazil	10.0	11.7	10.1	9.5
Chile	1.5	4.8	4.8	4.9
Colombia	3.1	4.1	5.2	5.9
Mexico	4.5	4.5	4.5	4.9
Panama	2.7	2.2	2.0	2.4
Paraguay	-	-	-	-
Peru	2.1	4.0	4.3	4.5
Uruguay	6.3	7.6	8.8	8.5
Venezuela	14.6	14.5	14.5	15.0

*Forecast
Source: BBVA Research

Table 5

Current Account (% GDP)

	2010	2011*	2012*	2013*
Argentina	0.8	0.1	-0.4	-0.8
Brazil	-2.3	-2.1	-3.1	-3.5
Chile	1.9	-1.9	-3.8	-3.8
Colombia	-3.1	-2.8	-3.2	-3.4
Mexico	-0.5	-1.0	-1.1	-1.1
Panama	-0.1	-0.1	-0.1	-0.1
Paraguay	-3.7	-0.7	-2.6	-1.6
Peru	-1.5	-1.5	-2.7	-3.2
Uruguay	-0.4	-1.3	-2.1	-1.5
Venezuela	6.1	10.6	5.5	6.5
Latin America	**-0.7**	**-0.7**	**-1.7**	**-1.8**

*Forecast
Source: BBVA Research.

Table 6

Fiscal balance (% GDP)

	2010	2011*	2012*	2013*
Argentina	0.2	-1.1	-1.2	-1.0
Brazil	-2.5	-2.1	-2.0	-1.6
Chile	-0.4	0.7	-0.3	-0.8
Colombia	-3.8	-3.2	-3.1	-2.8
Mexico	-3.5	-3.0	-3.0	-2.8
Panama	-1.9	-2.4	-2.0	-2.0
Paraguay	1.4	1.2	0.6	1.1
Peru	-0.3	2.0	1.1	1.0
Uruguay	-1.1	-1.2	-1.0	-1.1
Venezuela	-3.1	-5.2	-6.1	-1.4
Latin America	**-2.4**	**-2.2**	**-2.3**	**-1.8**

*Forecast
Source: BBVA Research.

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This report has been produced by the Latam Coordination Unit:

Economista Jefe para Coordinación Latam
Joaquiín Vial
jvial@bbva.com

Rodrigo Alfaro
+ 56 2 939 1198
ralfaro@bbva.com

BBVA Research

Group Chief Economist
Jorge Sicilia

Emerging Markets:
Alicia García-Herrero
alicia.garcia-herrero@bbva.com.hk

Cross-Country Emerging Markets Analysis
Álvaro Ortiz Vidal-Abarca
alvaro.ortiz@bbva.com

Asia
Stephen Schwartz
stephen.schwartz@bbva.com.hk

Latam Coordination

Argentina
Gloria Sorensen
gsorensen@bbva.com

Chile
Alejandro Puente
apuente@bbva.com

Colombia
Juana Téllez
juana.tellez@bbva.com

Peru
Hugo Perea
hperea@bbva.com

Venezuela
Oswaldo López
oswaldo_lopez@provincial.com

Mexico
Adolfo Albo
a.albo@bbva.bancomer.com

Macroeconomic Analysis Mexico
Julián Cubero
juan.cubero@bbva.bancomer.com

Developed Economies:
Rafael Doménech
r.domenech@bbva.com

Spain
Miguel Cardoso
miguel.cardoso@bbva.com

Europe
Miguel Jiménez
mjimenezg@bbva.com

United States
Nathaniel Karp
nathaniel.karp@bbvacompass.com

Financial Systems & Regulation:
Santiago Fernández de Lis
sfernandezdelis@bbva.com

Financial Systems
Ana Rubio
arubiog@bbva.com

Pensions
David Tuesta
david.tuesta@bbva.com

Regulation and Public Policy
María Abascal
maria.abascal@bbva.com

Global Areas:

Financial Scenarios
Sonsoles Castillo
s.castillo@bbva.com

Economic Scenarios
Juan Ruiz
juan.ruiz@bbva.com

Innovation & Processes
Clara Barrabés
clara.barrabes@bbva.com

Market & Client Strategy:
Antonio Pulido
ant.pulido@grupobbva.com

Equity Global
Ana Munera
ana.munera@grupobbva.com

Global Credit
Javier Serna
Javier.Serna@bbvauk.com

Global Interest Rates, FX and Commodities
Luis Enrique Rodríguez
luisen.rodriguez@grupobbva.com

Contact details

BBVA Research Latam
Pedro de Valdivia 100
Providencia
97120 Santiago de Chile
Tel: + 56 26791000
E-mail: bbvaresearch@bbva.com