

Economic Watch

Cross-Country Emerging Markets Analysis

Madrid, 30th November 2011
Economic Analysis

Cross-Country Emerging
Markets Analysis

Chief Economist
Alvaro Ortiz
alvaro.ortiz@bbva.com

David Martinez Turegano
dmartinez@bbva.com

Trade decelerating rapidly but not a trade finance collapse so far

- **World trade recovered momentum in September driven by advanced economies...**

Although well below figures for 1Q/11, September data recorded a positive qoq change in World trade (trade momentum) (see Chart 1). Improvement was driven by advanced economies, with the largest export momentum since August 2008. The US led the positive signal, while recovery was milder in the Euro Area. Export momentum was also positive in September in emerging countries, following improvement in August (see Chart 2). Asia outperforms, confirming recovery since July, while Latin America shows a negative trend in 3Q/11, although it's still in positive momentum. Finally, the Central and Eastern Europe region, in spite of improvement, remains with the most negative outlook.

- **...but new export orders continue to decline**

The export orders index in manufacturing confidence indicators shows a negative trend since spring for the main World economies, close to the contractionary threshold, anticipating further slowdown of trade in the next two quarters (see Charts 3&4). Thus, leading indicators are consistent with a negative trend in growth in the coming future but signs of a sharp reversal due to a potential trade finance collapse are still not present.

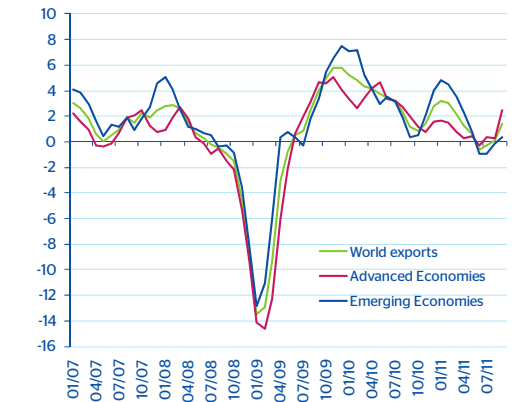
- **High frequency cargo volume data signals further weakening ...**

Other volume high frequency indicators confirm the negative outlook for trade. Total air freight traffic, computed by IATA, showed a yoy contraction of 4.8% in October, confirming negative figures recorded since May and accelerates the negative trend (see Chart 5). Maritime container volumes registered in Hong Kong port continue to decelerate. The 3-month moving average stabilised in October at 1.6% yoy, well below the average for the April-August period.

- **...and the most recent data based on shipping signals a contraction**

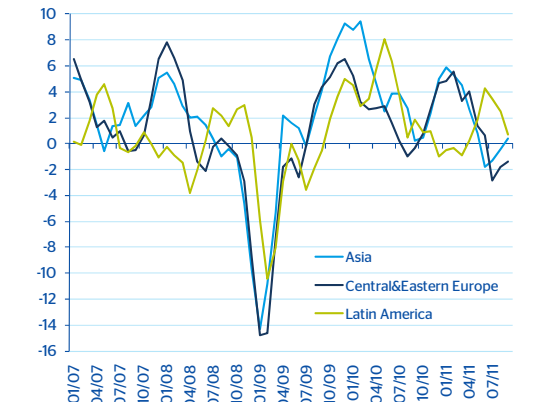
The most negative performance is recorded in shipping rates indicators (prices). The Baltic Dry Index (for dry bulk commodities, including coal, grain, iron ore, finished steel and other metals and minerals) decreased by a 20.7% yoy in November and remains close to the lowest levels for the last years after plunging since spring 2010 (see Chart 6). The Harpex Index (that includes average rates for vessels with container cargo) contracted by 27.0% yoy in November. We incorporate in this update the VHSS Index, which includes container ship time charter rates from member brokers in Hamburg, Copenhagen, London and Paris. The Index shows a strong correlation with the Harpex Index and it decreased by 20.8% yoy in November.

Chart 1
Volume of exports momentum
Quarterly change in 3-month average (%)
World and aggregates



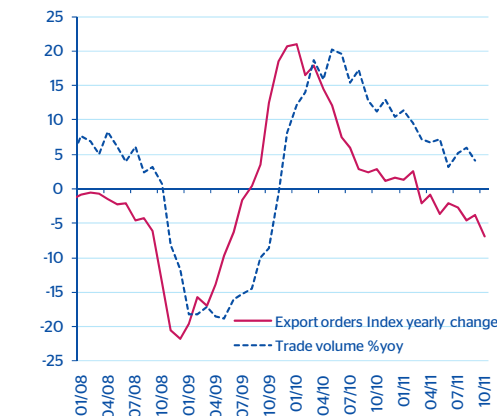
Source: BBVA Research and World Trade Monitor

Chart 2
Volume of exports momentum
Quarterly change in 3-month average (%)
Emerging countries



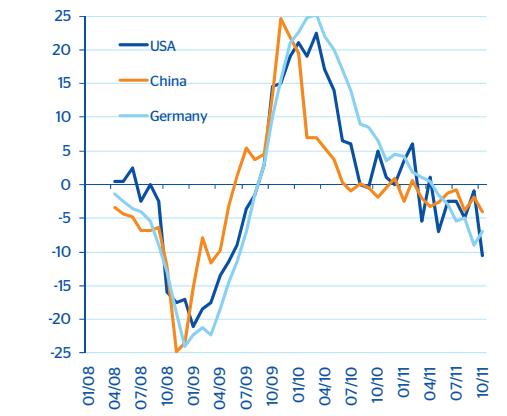
Source: BBVA Research and World Trade Monitor

Chart 3
Trade volume and new export orders index*
YoY change in % and percentage points



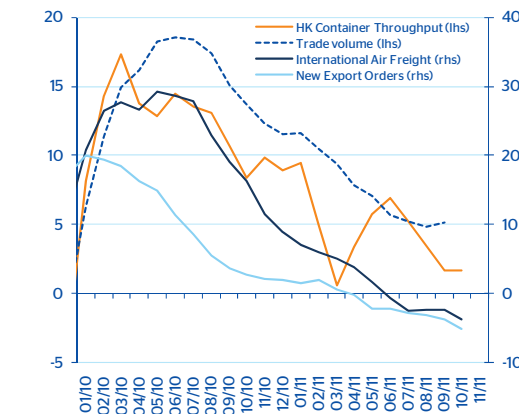
*Trade-weighted average for the US, China and Germany orders
Source: BBVA Research and national manufacturing surveys

Chart 4
New export orders index
YoY change in percentage points



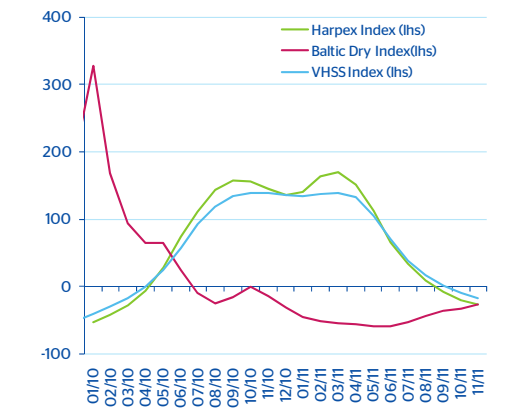
Source: BBVA Research and national manufacturing surveys

Chart 5
Freight volumes and exports
YoY change in % and pp (3-month average)



Source: BBVA Research, World Trade Monitor, IATA and HK Marine Department

Chart 6
Shipping rates and exports
YoY change in % (3-month average)



Source: BBVA Research, World Trade Monitor Harper, VHSS and Baltic Exchange Marine Department

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document is based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances, investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.