



Weekly Observatory

August, 21st, 2009

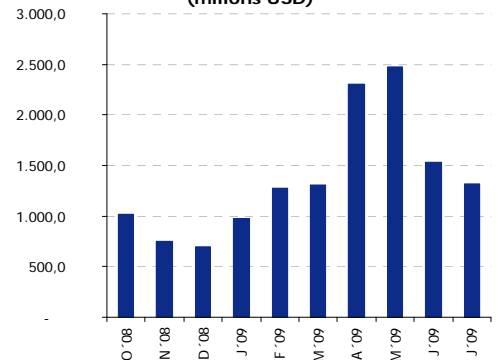
Weekly Highlights (17th – 21st August, 2009)

GDP figures for the second quarter were released in Chile, Mexico, Peru and Venezuela this week. They all show that activity levels are significantly below the levels of the second quarter of 2008. The GDP drop was of -10.3% in Mexico, -4.5 in Chile, -2.4% in Venezuela and -1.2% in Peru. Industrial production in Colombia also shows an important deterioration in comparison to pre-crisis levels, however, the data for June and May suggests that moderation is taking place. In Brazil, labour market conditions continued to surprise positively.

1. Argentina

- The trade balance for July stood again above expectations due to falling imports that showed no signs of moderation. Exports fell 30% yoy, but this figure does not indicate a deepening of the contraction because after the end of farm conflict in July 2008, exports had a strong recovery. Imports had a drop of 41 % yoy affected by strong falls of intermediate goods, capital goods and fuels, mainly. Imports were influenced not only by lower economic activity but also some measures, like non-automatic licensing which could be partially removed in the remainder of the year, had a negative impact on imports. Trade balance stood at USD 1.315 billion in July and USD 11177 billion accumulated in the first seven months of the year and, in the absence of a recovery in imports, trade balance for the whole year could be higher than our estimate of USD 16600 million.

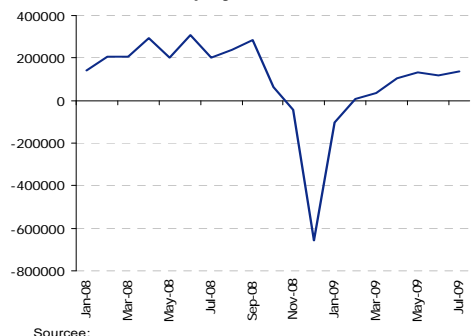
Argentina - Current Account Balance (millions USD)



2. Brazil

- The Brazilian unemployment rate dropped slightly to 8.0% in July from 8.1% in June (8.1% in June of 2008). The figure surprised the market which expected a rate around 8.4%. The positive unemployment numbers in 2009 are to some extent a consequence of the recent decline in both labour informality and equilibrium unemployment rate.
- In July 138 thousand formal jobs were created (119 thousand in June, 203 thousand in July of 2008). The employment creation accumulated since February represents 68% of the total employment destruction observed in the first months of the crisis

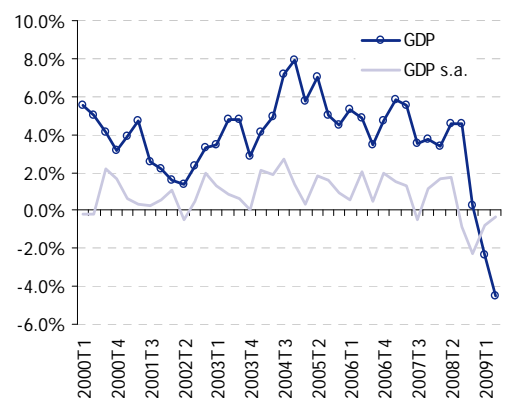
Employment creation



3. Chile

- GDP contracted by 4.5% yoy in 2Q09, as expected (-0.4% with respect to 1Q09). Domestic demand fell by 10.6% yoy due to reduction in fixed investment and largely negative change in inventories, and a decrease of 1% in total consumption. External demand on the other hand contributed positively to 2Q GDP growth (7.3pp). Fishing and Manufacturing were the sectors that contracted the most, followed by Commerce and Construction, while Utilities had a positive contribution to the quarter's growth.
- The Balance of Payments registered a USD 463 million deficit in 2Q09 (USD 3m cumulative deficit as of June). The trade balance in turn had a superavit of USD 3,177m, accumulating USD 5,728.3m in the first semester (39.4% less than in 1S08). The value of exports (FOB) fell 32.9% yoy (mainly due to lower prices), and the value of imports (CIF) was down 39.7% yoy (due both to lower prices and volume traded). The balance of the current account was positive USD 1,131m in 2Q09 (accumulating USD 1,396.7m as of June), while the financial and capital account registered a USD 975m deficit.

GDP Growth (% yoy and % qoq)



source: CBCh

4. Colombia

- In June, industrial production continued falling (6.6% yoy) and accumulated an 8.4% drop in the year to date. However, this result is also consistent with the stabilization seen during the last two months.
- During the first semester of the year, retail sales fell by 5.17% yoy, due to a decrease in automobile sales of 24.86% year to date.
- In June, total loan portfolio grew by 11.48% yoy. Commercial loans rose by 15.6%, consumption by 2.7% and mortgage by 10.9%. Non-performing loans settled at 4.58% from 4.66% in May.

5. Mexico

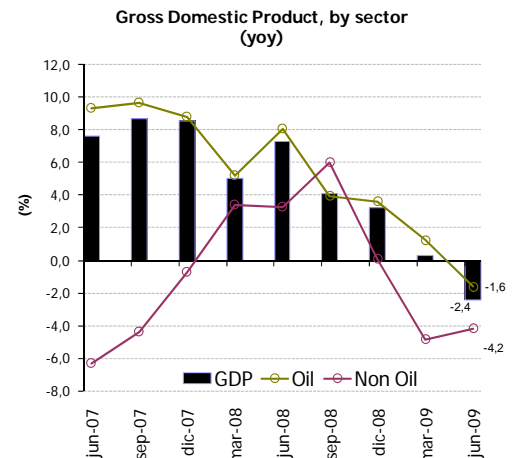
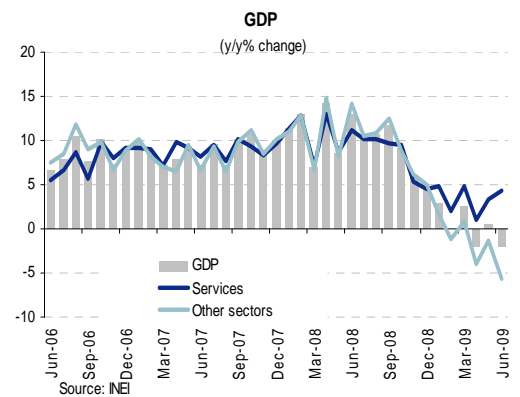
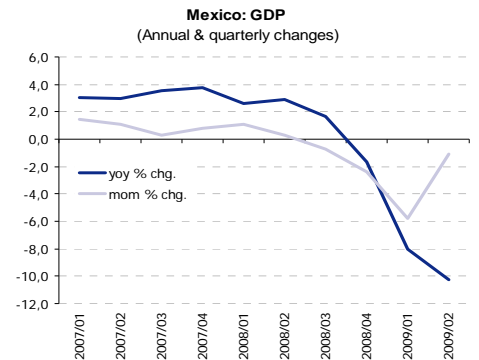
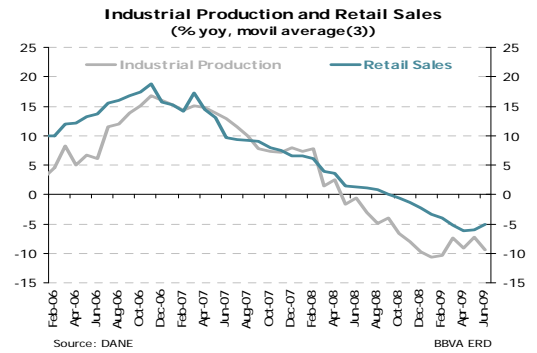
- Mexico's GDP contracted -10.3% annually during 2Q09. However it was better than expected, as reflected on a q/q figures (-1.1% actual - 2.3% BBVA) because the effects of the Influenza Pandemic were slighter than expected. Industrial GDP fell -11.5%, mostly affected by a -16.4% drop in Manufacturing. The services sector contracted -10.4%, with Commerce falling by -20.9% due to lower sales. Despite the severity of the adjustment our perspective is of improvement for the next quarters of 2009 and a slow recovery during 2010. Next week the Trade Balance for June, will be published, we expect it to reflect higher activity by registering a slight deficit. Also the balance of payments for 2Q09 will be known, we expect it near equilibrium.

6. Peru

- In June, GDP contracted 2.1%/y, in line with our monthly forecast. With this result, growth in the first half of the year was 0.3%/y (- 1.2%/y in 2Q09). In seasonally adjusted terms, economic activity would have contracted 1% with respect to the previous month.
- The Peruvian Banking Association released banking credit data for July. Credit in both domestic and foreign currency grew in this month, 1.2%/m in the former and 1.1%/m in the latter. These figures are consistent with prospects of a better economic performance in the second half of the year, in a context where interest rates are decreasing partly as a result of the aggressive monetary policy easing.

7. Venezuela

- **The economy contracted 2.4% (yoy) in IIQ-09.** Among all falling activities, oil sector (4.2%) and manufacturing (8.5%) stand out. OPEP's production cuts drove the negative oil sector performance. With these results 1H-09 closed with 1.0% decrease yoy. On the other hand, domestic aggregated demand fell 3.3% (a/a), explained, mostly, by private consumption decreases of 2.7% and Investment by 2.4%.
- **The current account closed 2Q-09 on surplus (USD 1,495 MM).** Total exports reached USD 14,627 MM, although this amount exceeds the registered in 1Q-09 (USD 9,829 MM) it is still quite far from IIQ-08 (USD 22,341 MM). Imports showed a yoy fall of 8.8%, adding up to USD 10,055 MM in the quarter



The latest from markets

Bond and Money markets

Market	End	Weekly Var.	Yearly Bp	Var.	Forecast. Dec 2009
Argentina					
7 day Central Bank rate	10,00	0	125		---
Badlar rate	12,56	-12,50	25		17,00
Brazil					
Official Rate	8,75	0	-425		8,50
Andima 1 year bond	9,13	1	-550		---
Chile					
Official rate	0,50	0	-725		1,50
Swap CLP	0,58	1	-763		---
10 year rate	5,55	3	-222		---
Colombia					
Official Rate (BR)	4,50	0	-550		6,00
DTF	5,13	9	-476		---
TES jul-2020	9,39	27	-241		---
Mexico					
Official Rate (fondeo)	4,50	0	-350		5,50
3 months rate	4,58	-26	-374		5,47
10 years rate	8,21	-11	-34		6,90
Peru					
Official Rate	1,3	0,0	-500,0		
10 years*	5,9	0,0	-196,0		
Venezuela					
Overnight-interbank (daily)	1,1	23,0	-292,0		5,00
CD 28d (official)	6,0	0,0	-800,0		6,00
DPF 90d	14,7	-52,0	-242,0		14,50

Foreign exchange market

Slight appreciations in some Latin American currencies because of the recuperation of the US stock exchange and oil prices.

Exchange Rate	End	Weekly Var. %	Yearly Var. %	Forecast. Dec 2009
America				
Argentina (peso-dollar)	3,85	0,2	27,2	4,10
Brazil (Real-dollar)	1,84	-0,2	13,7	2,30
Colombia (Peso-dollar)	2015	-0,2	7,6	2543,00
Chile (Peso-dollar)	548	-0,9	5,6	590,00
Mexico (Peso-dollar)	12,86	-0,1	27,2	13,40
Peru (New sol-dollar)	2,96	0,4	1,4	3,30
Venezuela (Bolívar-dollar)	2147	0,0	0,0	2700,00
dollar-Euro	1,43	0,5	-3,5	1,25

Emerging Spreads

Mixed results in Latin American country risk, highlighting the fall in Venezuelan Embi spread (-14.5Bps).

EMBI+ sovereign spreads	End	weekly chg. Bps	Annual chg bps
EMBI+	381	-2	75
EMBI + Latin America	408	-1	75
Argentina	926	1	249
Brazil	264	3	18
Colombia	272	-5	39
Chile*	127	1	-44
Mexico	214	1	29
Peru	259	-2	53
Venezuela	1032	-14	371
EMBI+ Asia	305	-1	18
EMBI+ Europe	367	-7	107

Commodity Markets

Oil prices were driven up this week by the largest drop in US inventories since May of 2008.

Most of other commodity prices dropped as both the macroeconomic environment and the fundamentals of the markets refrained to provide support this week.

Commodities	End	Weekly Var. %	Yearly Var. %	Forecast Dec 2009
Brent (\$/b)	73,5	1,6	-35,4	56,3
Gold (\$/onza)	941	-0,8	14,3	875,0
Copper (c/lb)	275	-3,2	-22,1	165,0
Soy (c/bush)	363	0,1	-22,1	370,0
Corn (c/bush)	113	0,2	-46,5	350,0
Goldman-Sachs Index	466	3,2	-37,3	---
CRB Index	410	0,7	-22,5	---

Stock Markets

Some increases in Latin American stock exchanges, after the positive behaviour on Wall Street by the financial sector.

Stock Exchange	End	Weekly Var. %	Yearly Var. %
The Americas			
Argentina (Merval)	1767	0,3	0,3
Brazil (Bovespa)	56831	0,34	1,8
Colombia (General Index)	10558	0,5	16,8
Chile (IGPA)	15501	-0,5	12,8
Mexico (IPC)	27944	0,3	4,0
Peru (Lima General)	14264	0,3	14,1
Venezuela (IBC)	47990	-0,6	20,8
USA			
S&P 500	1007	0,3	-22,0
Nasdaq 100	1989	0,2	-17,6
Europe			
Londres (FTSE)	4768	1,1	-13,4
EuroStoxx50	2338	0,6	-18,5
Ibex35	10932	0,3	-4,9
Estambul-100	46295	4,5	13,2
Asia			
Nikkei	10238	-3,4	-19,2
China	2961	-2,8	23,1

The week ahead

Day	Country	Indicator	Period	Last/prev	Mkt Forecast	BBVA
Monday						
	Chile	Monthly Bulletin	august			
	Chile	Weekly economic indicators (CBCh)	august			
	Chile	International Trade indicators 2Q09	2Q 2009			
Tuesday						
	México	Balance of payments	2T09	-1075	290	
	México	Current GDP	2T09	-3.3		
	Brasil	Consumer confidence FGV	August	108,40		
Wednesday						
	Argentina	Shopping Sales	July	15,2% a/a		
	México	Employment and occupation	July	5.17	5.65	
	Brasil	Central goverment budget	July	-0.64B		
Thursday						
	Venezuela	Unemployment	July	June 7,8%		
	Brasil	Primary fiscal balance	July	3.4B		
Friday						
	Argentina	Supermarket Sales	July	13,5% a/a		
	Chile	August Monetary Meeting Minute	August			
	México	Commercial balance	July	-209	-526	-1131
	Perú	GDP (national accounts)	2T09	0,018		BBVA: -1.2%

Macroeconomic Indicators

	GDP (yoy)					Inflation		Unemployment		Industrial Prod.		Sales		Exports		Trade Balance	
	1Q09	4Q08	3Q08	2Q08	1Q08	yoy		(% active pop.)		yoy		yoy		yoy		mUSD	
Argentina	2,0	4,1	6,9	7,8	0,0	5,5	Jul	8,4	1 T09	0,6	Jun	13,5	Jun	-4,5	Jun	1528,0	Jun
Brazil	-1,8	1,3	6,8	6,2	6,1	4,5	Jul	8,0	Jul	-10,9	Jun	5,6	Jun	-30,8	Jul	2928,0	Jul
Chile	-4,5	-2,3	0,2	4,6	4,6	0,3	Jul	10,7	Jun	-8,3	Jun	-6,6	Jun	-30,0	Jul	881,0	Jul
Colombia	-0,6	-1,0	3,3	3,7	4,2	3,3	Jul	13,0	Jul	-6,6	Jun	-4,5	Jun	-18,8	Jun	377,9	Jun
Mexico	-8,0	-1,6	1,7	2,9	2,6	5,4	Jul	5,2	Jun	-10,6	Jun	-8,4	May	-26,6	Jun	-209,3	Jun
Peru	1,8	6,5	10,9	11,8	10,3	2,7	Jul	8,2	Jul	-12,2	Jun	n.d.	n.d.	-25,6	Jun	441,0	Jun
Venezuela	-2,4	0,3	3,2	4,1	7,3	28,3	Jul	7,8	Jun	11,4	Mar	20,5	Mar	51,7	Jun	4572,0	Jun

Sources: Bloomberg, Reuter, and BBVA staff estimates.