

# Latam Daily Flash

15 January 2013  
Economic Analysis

Madrid

**Juan Ruiz**

Chief Economist, South America  
juan.ruiz@bbva.com  
+34 913745887

**Enestor dos Santos**

Senior Economist, Latam  
enestor.dossantos@bbva.com  
+34 639827211

Mexico City

**Octavio Gutierrez-Engelmann**

Macro Latam Strategy  
o.gutierrez3@bbva.com  
+5255 5621 9245

With contributions from the BBVA  
Research Latam Team:

Lima

**Hugo Perea**

Chief Economist, Peru  
hugo.perea@bbva.com  
+51 1 2112042

Bogota

**Juana Tellez**

Chief Economist, Colombia  
juana.tellez@bbva.com  
+571 3471600

Santiago

**Alejandro Puente**

Chief Economist, Chile  
alejandropuente@bbva.com  
+56 2 2939 10 92

November GDP in Peru came in stronger than expected. Imports accelerated in November, also reflecting the strength of domestic demand, although the increase in export volume pushed the trade surplus higher than in October. Colombia's consumer confidence declined smoothly in December. In this context, central banks in Peru and Colombia announced measures to stem the appreciation in their currencies. Today all eyes will be on November retail sales in Brazil, looking for signs of improvement after the disappointing activity numbers in 3Q.

## Peru - Activity continued growing strongly in November

GDP grew 6.8% YoY in November, more than expected (BBVAe 6.3%; consensus 6.4%). Economic activity thus remains robust, mainly supported by sectors closely linked to domestic demand. Going forward, the strength of domestic demand and the tightening labor market conditions, together with an expansionary fiscal policy in 2013, do not allow us to rule out potential adjustments to the monetary policy stance, probably through higher reserve requirements (see our [Peru Flash](#) for more details).

## Peru - Final estimate for November trade balance reflects the strength of domestic demand

The trade balance improved in November and recorded a USD147mn surplus after a USD67mn surplus in October, but still below the USD196mn average surplus over the previous quarter. Exports and imports increased, but the latter were stronger. Exports recovered significantly (13.4% YoY) after shrinking by 9.8% in 3Q12, mainly because of the better volumes. Imports stepped up to 14.8% YoY (14.0% in 3Q12), mainly due to higher volumes, reflecting the strength of company and household spending. The robustness of imports suggests stronger than expected 4Q12 domestic demand, consistent with other indicators.

## Peru - BCR bought USD350mn, markedly more than in previous weeks

The Peruvian central bank bought USD350mn which was 5.4 times higher than the last six-week average (USD65mn) and the highest since 16 August 2012 (USD416mn). Most of the supply of USD came from banks, corporations and non-residents.

## Colombia - Consumer confidence fell marginally in December

Consumer confidence stood at 21.5, compared to 25.3 observed in November (in a range between -100 and 100). The decline was explained by reduced confidence in current economic conditions. However, expectations about future conditions remained high, similar to the levels observed in October and November, boosted by reduced fears of job losses. Declining confidence should contribute to BanRep's dovish tone, while the improving expectations support our outlook of a recovery in private consumption in 2013e.

## Colombia - The Minister of Finance announced measures to stem FX appreciation

The Minister announced that this month the Treasury will boost its dollar purchases, in order to stem FX appreciation. Minister Cardenas said that at its next meeting, Banrep will discuss alternatives to contain the appreciation, while stating that the government will buy around USD1bn this year for the royalties savings fund. Although against the recent tax cuts on portfolio flows, Cardenas said that he has not ruled out the possibility of introducing capital controls. The measures would add to BanRep's purchases of USD20mn a day, planned to continue until late March.

## What to watch today

### Brazil – Retail sales (November, 09:00hrs, NYT)

The retail sales indicator will provide more information about the evolution of domestic demand in the last quarter of the year. We do not expect growth in 4Q to be significantly different from 3Q, when GDP expanded 0.6% QoQ.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
Trade Balance (FOB) - Weekly	14-Jan	Jan 13	--	--	-\$878M	-\$100M
Retail Sales (MoM)	15-Jan	Nov	0.10%	--	--	0.80%
CAGED Formal Job Creation	15-21 JAN	Dec	-420000	--	--	46095
FGV CPI IPC-S	16-Jan	Jan 15	0.82%	--	--	0.77%
SELIC Target - Central Bank	16-Jan	Jan 16	7.25%	7.25%	--	7.25%
Economic Activity Indx MoM SA	15-16 JAN	Nov	0.13%	0.10%	--	0.36%
FIPE CPI - Weekly	17-Jan	Jan 15	0.91%	--	--	0.86%
FGV Inflation IGP-10 (MoM)	17-Jan	Jan	0.57%	--	--	0.63%
CNI Capacity Utilization	17-Jan	Nov	81.10%	--	--	81.00%
<b>Chile</b>						
Nominal Overnight Rate Target	17-Jan	Jan 17	5.00%	5.00%	--	5.00%
<b>Colombia</b>						
Trade Balance	17 Jan	Nov	138	\$0	--	\$22.4
Industrial Production (YoY)	18 Jan	Nov	1.20%	-1.90%	--	1.20%
Retail Sales (YoY)	18 Jan	Nov	0.60%	3.40%	--	-0.30%
Overnight Lending Rate	18-25 JAN	Jan 18	4.00%	4.00%	--	4.25%
<b>Mexico</b>						
International Reserves Weekly	15-Jan	Jan 11	--	--	--	\$163226M
Overnight Rate	18-Jan	Jan 18	4.50%	4.50%	--	4.50%
<b>Peru</b>						
Economic Activity Indx YoY NSA	15-Jan	Nov	6.45%	6.30%	--	6.70%
Unemployment	15-Jan	Nov	--	--	--	6.20%

## Most recent Latam reports

Date	Description
14-1-2013	<a href="#">➤ Peru Flash: Output keeps growing at a strong pace</a>
14-1-2013	<a href="#">➤ Mexico Banking Flash: Private-sector credit: continues to grow at double-digit rates</a>
14-1-2013	<a href="#">➤ Mexico Real Estate Flash: Negative growth in construction for the first time in two years (in Spanish)</a>
11-1-2013	<a href="#">➤ Mexico Flash: Industrial production in November rose 0.9% mom, good progress in manufacturing, construction setback</a>
11-1-2013	<a href="#">➤ Colombia Automobile Market Outlook 2012 (in Spanish)</a>
10-1-2013	<a href="#">➤ Peru Flash: January monetary policy meeting: no surprises</a>
10-1-2013	<a href="#">➤ Brazil Flash: Inflation closes 2012 at 5.8%, well above target</a>
9-1-2013	<a href="#">➤ Mexico Inflation Flash: December's Inflation: Inflation Reaches 3.6% and Ends 2012 In Line with Banxico's Expectation</a>
8-1-2013	<a href="#">➤ Chile Flash: CPI shows no change in December and annual increase of 1.5% YoY in 2012</a>
8-1-2013	<a href="#">➤ Colombia Flash: Consumer inflation in December stood at 2.44% explained by regulated and food prices and partly by demand effects</a>

**Important Disclosures**

The BBVA Group companies that have participated in preparing or contributed information, opinions, estimates, forecasts or recommendations to this report are identified by the location(s) of the author(s) listed on the first page as follows: 1) Madrid, London or Europe - Banco Bilbao Vizcaya Argentaria, S.A., including its E.U. branches (hereinafter called 'BBVA'), 2) Mexico City - BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (hereinafter called 'BBVA Bancomer'); 3) New York - BBVA Securities, Inc. (hereinafter called 'BBVA Securities'); 4.) Lima - BBVA Continental S.A.; 5.) Bogata - BBVA Colombia S.A.; 6.) Santiago - BBVA Chile S.A.

**For recipients in the European Union**, this document is distributed by BBVA, a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), and registered with the Bank of Spain with number 0182.

**For recipients in Mexico**, this document is distributed by BBVA Bancomer, a bank supervised by the Comisión Nacional Bancaria y de Valores de México.

**For recipients in USA**, this document is being distributed by BBVA Securities, a subsidiary of BBVA registered with and supervised by the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation. U.S. persons wishing to execute any transactions should do so only by contacting a representative of BBVA Securities in the U.S. Unless local regulations provide otherwise, non-U.S. persons should contact and execute transactions through a BBVA branch or affiliate in their home jurisdiction.

BBVA and BBVA Group companies or affiliates (art. 42 of the Royal Decree of 22 August 1885 Code of Commerce), are subject to the BBVA Group Policy on Conduct for Security Market Operations which establishes common standards for activity in these entities' markets, but also specifically for analysis and analysts. This BBVA policy is available for reference at the following web site: [www.bbva.com](http://www.bbva.com).

Analysts residing outside the U.S. who have contributed to this report are not registered with or qualified as research analysts by FINRA or the New York Stock Exchange and may not be considered "associated persons" of BBVA Securities (as such term is construed by the rules of FINRA). As such, they are not subject to NASD Rule 2711 restrictions on communications with subject companies, public appearances and trading of securities held in research analysts' accounts.

**BBVA is subject to a Code of Conduct for Security Market Operations, which details the standards of the above-mentioned overall policy for the EU. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. This Code of Conduct for Security Market Operations is available for reference in the 'Corporate Governance' section of the following web site: [www.bbva.com](http://www.bbva.com).**

**BBVA Bancomer is subject to a Code of Conduct and to Internal Standards of Conduct for Security Market Operations, which details the standards of the above-mentioned overall policy for Mexico. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. This Code and the Internal Standards are available for reference in the 'Grupo BBVA Bancomer' subsection of the 'Conócenos' menu of the following web site: [www.bancomer.com](http://www.bancomer.com).**

**BBVA Securities is subject to a Capital Markets Code of Conduct, which details the standards of the above-mentioned overall policy for USA. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers.**

**Exclusively for Recipients Resident in Mexico**

**BBVA Bancomer S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer acts as a market maker/specialist in:** MexDer Future Contracts (US dollar [DEUA], 28-day TIIEs [TE28], TIIE Swaps, 91-day CETES [CE91]), Bonos M, Bonos M3, Bonos M10, BMV Price and Quotations Index (IPC), Options Contracts (IPC, shares in América Móvil, Cemex, CPO, Femsa UBD, Gcarso A1, Telmex L) and Udibonos.

BBVA Bancomer, and, as applicable, its affiliates within BBVA Bancomer Financial Group, may hold from time to time investments in the securities or derivative financial instruments with underlying securities covered in this report, which represent 10% or more of its securities or investment portfolio, or 10% or more of the issue or underlying of the securities covered.

**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 and are current as of the date of issue and 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 are 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](http://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.**