

Latam Daily Flash

27 February 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

Mexico City

Carlos Serrano

Chief Economist, Mexico
carlos.serranoh@bbva.com
+ 5255 5621 4354

Official reports released yesterday show that credit growth is moderating in Peru in response to recent macroprudential measures and that credit markets continue to provide only partial support to economic activity in Brazil. Also in Brazil, data for January showed that labor market lost some momentum, but remains very robust. In Mexico, the balance of trade was unexpectedly in deficit, which shows that even though domestic demand is decelerating it is still strong in comparison to foreign markets. The agenda for today includes the release of the fiscal report in Brazil and the central bank's Financial Traders survey in Chile.

Brazil - Labor market lost some momentum in January, but remains tight

The unemployment rate reached 5.4% in January, slightly higher than we expected and above December's 4.6% (the increase in comparison to December is to a large extent - although not completely - due to seasonal factors). Real average wages contracted slightly in monthly terms (in both the observed and the seasonally adjusted series). In spite of these signs of moderation, the labor market remains tight: the unemployment rate continues close to historical lows and real wages are currently 2.4% higher than a year ago. In our view, the tightness of the labor market should continue to support private consumption in spite of some likely moderation.

Brazil - Public banks continued to lead credit expansion in January

Public credit continued to expand at a strong pace in January (28.2% YoY; 0.5% MoM), offsetting the slowdown in private credit (7.2% YoY; -0.4% MoM) and preventing a sharper moderation in the total credit stock (16.4% YoY; 0.0% MoM). As a consequence of its continuous expansion, public credit already accounts for 48% of the credit market. The credit report released today also revealed that non-performing loans remain unchanged at 3.7% of the total and that both banking spreads and lending rates increased for the first time in several months. Overall, credit markets continue to provide only partial support to domestic demand.

Colombia - Industrial confidence remains weak while commercial confidence deteriorates slightly

Industrial confidence stood at 2.1 in January (range -100 to 100), increasing from -1.9 observed in December. Industrialists' willingness to invest remained positive, as 58% of industrialists expect to increase their fixed investment during the year (although below the 68% of a year ago). Commercial confidence fell to 18.7 in January (23.2 in December), although mainly explained by seasonal factors. The continuing weakness in industrial confidence is in line with our outlook for a feeble manufacturing recovery in 1H13, offset by a better performance for household consumption, where we do not expect the slowdown in confidence to continue beyond January.

Mexico - Balance of trade unexpectedly in deficit at the beginning of 2013

January's trade balance was in negative territory (-USD2,879mn vs. consensus +USD216mn) and it was a record deficit for January. Total exports fell 0.2% YoY (by components: oil exports -1.5% and non-oil exports +0.1%). Meanwhile, total imports increased 9.3% YoY (by components: consumption 15.8%, intermediate goods 8% and capital goods 9.5%). What this data tells us is that: i) the growth gap between Mexico and developed countries partially explained this print; ii) domestic demand is decelerating but still relatively strong vs. foreign markets; iii) Mexico still has a comparative advantage in the production of durable goods for export to the US (Mexican vehicle sales to the US rose 15.1% YoY vs. a fall of total exports of 6.8% to rest of the world); and iv) we should expect a slight deceleration in GDP in 1Q13e.

Peru - Mining investment increased 18% in 2012 in spite of conflicts

According to the industry association that groups mining, oil, and energy firms (SNMPE), mining investment reached USD8.5bn in 2012, an annual upsurge of 18%. This print is even more appealing given the difficulties firms in natural resources sectors are encountering, one of them being the environmental conflicts in some mining projects. The SNMPE's president expects mining investment to remain at this level in 2013, of which more than 40% for financing new projects. This supports our view of a sustained important inflow of long-term capitals this year.

Peru - Banking loans to the private sector continue to moderate

In January, the YoY growth of banking loans in local currency slowed to 14.8% (vs. +15.3% in December), while loan growth in foreign currency moderated to 13.9% (vs. +15.7% in the previous month). This mainly reflects the impact of macroprudential measures on credit, including the successive reserve requirements hikes, intended to bring this variable onto a healthier path, not only in terms of its pace of growth but also in terms of its currency components.

What to watch today

Chile - CB Financial Trader's Survey (2nd half of February, 06:30hrs NYT)

We expect the survey to show inflation estimates around 0.3% MoM for February and expectations of a stable monetary policy rate in the medium term. Also, we do not anticipate changes in the short-term exchange-rate estimates.

Brazil - Fiscal data (January, 09:30hrs NYT)

The first batch of fiscal data for 2013 will provide information about the evolution of public sector's primary and total results, in a context characterized by an eased primary surplus target for the year.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	25-Feb	2-feb	0.63%	--	0.52%	0.83%
FGV CPI IPC-S	25-Feb	2-feb	0.28%	--	0.26%	0.55%
FGV Consumer Confidence	26-Feb	Feb	--	--	116.2	117.9
Unemployment Rate	26-Feb	Jan	5.30%	5.30%	5.40%	4.60%
Central Govt Budget	26-Feb	Jan	21.1B	--	26.1B	28.3B
FGV Inflation IGP-M (YoY)	27-Feb	Feb	8.34%	--	--	7.91%
Primary Budget Balance	27-Feb	Jan	22.0B	--	--	22.3B
Manufacturing PPI (YoY)	28-Feb	Jan	--	--	--	7.16%
FGV CPI IPC-S	01-Mar	2-feb	0.28%	--	--	--
GDP (IBGE) QoQ	01-Mar	4Q	0.80%	0.60%	--	0.60%
PMI Manufacturing	01-Mar	Feb	--	--	--	53.20
Trade Balance (FOB) - Monthly	01-Mar	Feb	-\$800M	--	--	-\$4035M
Chile						
Manufacturing Index	28-Feb	Jan	3.45%	--	--	-2.50%
Retail Sales (YoY)	28-Feb	Jan	10.20%	--	--	11.00%
Copper Production Total	28-Feb	Jan	--	--	--	513344.00
Unemployment Rate	28-Feb	Jan	6.20%	--	--	6.10%
Central Bank Meeting Minutes	01-Mar	--	--	--	--	--
Colombia						
National Unemployment Rate	28-Feb	Jan	--	--	--	9.60%
Urban Unemployment Rate	28-Feb	Jan	13.00%	12.90%	--	10.20%
Mexico						
GDP Current \$ YoY	25-Feb	4Q	--	7.50%	3.90%	8.20%
Current Account Balance	25-Feb	4Q	-\$4350M	-\$4335M	-\$6490M	-\$3662M
Trade Balance	26-Feb	Jan P	216.0M	--	-2878.9M	961.7M
Budget Balance (Year to date)	01-Mar	Jan	--	--	--	-403.60B
Peru						
Consumer Price Index (MoM)	01-Mar	Feb	0.23%	0.10%	--	0.12%
Wholesale Prices (MoM)	01-Mar	Feb	--	--	--	-0.78%
Primary Sector Production (YoY)	01-Mar	Jan	--	--	--	1.14%

Most recent Latam reports

Date	Description
22-2-2013	➤ Colombia Flash: Industrial production confirms delay of industrial recovery. Retail sales signal room for increased household spending
22-2-2013	➤ Colombia Flash: BanRep cut policy rate by 25bps to 3.75%, in line with expectations
22-2-2013	➤ Mexico Flash: February's biweekly inflation: inflation increases as mobile phone fees rise again
20-2-2013	➤ Mexico Banking Flash. Bank deposits: continue to grow
20-2-2013	➤ Chile Economic Outlook 1Q13
20-2-2013	➤ Peru Economic Outlook - First Quarter 2013 (in Spanish)
19-2-2013	➤ Latam Economic Outlook. First Quarter 2013 (in spanish)
19-2-2013	➤ Mexico Economic Outlook: First Quarter 2013 (in spanish)
18-2-2013	➤ Mexico GDP Flash. In line with estimates, GDP grew 3.9% yoy in 2012
15-2-2013	➤ Mexico Weekly Flash. GDP in 4Q12 set to see a similar growth rate to 3Q

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.

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.

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.

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 TIEs [TE28], TIE 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 / 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.