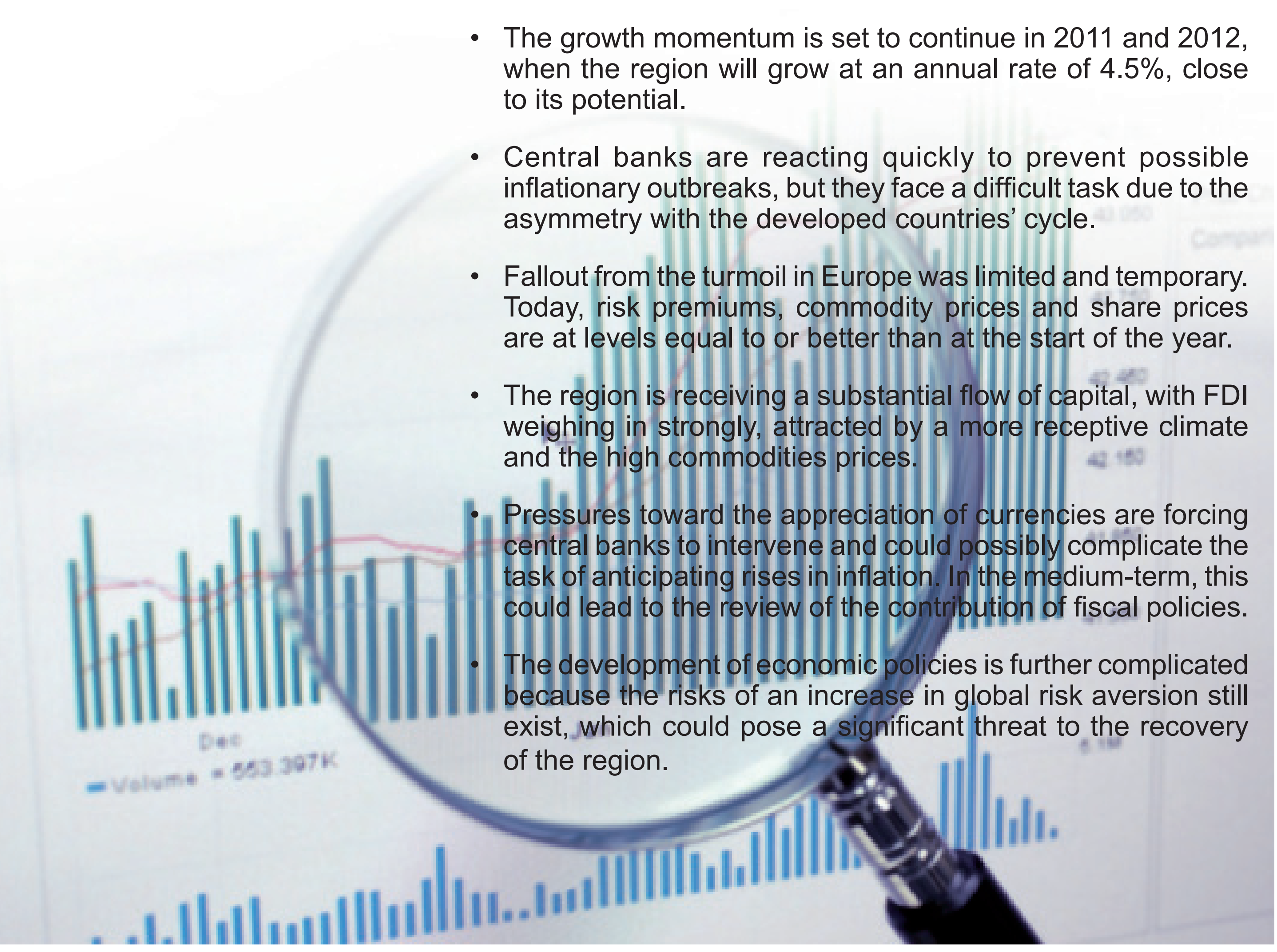
BBVA Research

Latin
Economic Outlook

Third Quarter of 2010

Economic Analysis

- The main economies of Latin America are experiencing greater-than-expected acceleration of their growth. In this issue, we will review the growth forecast from 4.6% to 5.2% in 2010 for the region as a whole.
- Domestic demand is the key driver of recovery, boosted by a return of confidence, fiscal and monetary policies that continue to be expansive and sustained by high commodity prices.
- The growth momentum is set to continue in 2011 and 2012, when the region will grow at an annual rate of 4.5%, close to its potential.
- Central banks are reacting quickly to prevent possible inflationary outbreaks, but they face a difficult task due to the asymmetry with the developed countries' cycle.
- Fallout from the turmoil in Europe was limited and temporary. Today, risk premiums, commodity prices and share prices are at levels equal to or better than at the start of the year.
- The region is receiving a substantial flow of capital, with FDI weighing in strongly, attracted by a more receptive climate and the high commodities prices.
- Pressures toward the appreciation of currencies are forcing central banks to intervene and could possibly complicate the task of anticipating rises in inflation. In the medium-term, this could lead to the review of the contribution of fiscal policies.
- The development of economic policies is further complicated because the risks of an increase in global risk aversion still exist, which could pose a significant threat to the recovery of the region.



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Closing date: 30 July 2010

1. Reassessing the outlook for the global economy

The effect from the fiscal adjustment on growth in Europe will be lower than commonly assumed. The positive impact on credibility will almost compensate the negative effect from reduced public demand. Conversely, medium-term risks from unsustainable fiscal positions in other developed regions are probably underestimated

One of the most important channels through which the fiscal crisis has affected the European economy has been the loss of confidence, and a prerequisite to restore confidence is fiscal prudence. Consolidation plans in Europe are being implemented according to schedules presented to the EC at the beginning on 2010. Fiscal consolidation in Europe needs to focus on the structural side, but a positive factor is that adjustment is fast and tilted towards reducing expenditure, which will boost confidence and almost compensate the negative effect on growth from reduced public demand. Thus, as long as the determination on fiscal consolidation is maintained, the impact on European economic activity will be limited and transitory. On the other hand, other advanced economies, where fiscal impulses have been substantial and debt levels have increased at similar pace as in Europe, are relatively slow in coming to grips with reducing deficits and –at least– stabilizing debt levels. This is a medium-term risk that is being underestimated, as experience shows that the effect of lax fiscal policy on interest rates in highly non-linear, and there is a risk of sudden increase in long-term rates and a displacement of private demand; exactly the opposite effect as intended by the fiscal stimulus packages.

The main risk to the global outlook is still coming from financial markets. Stress tests have had positive –though asymmetric– impacts throughout Europe. Although risks have been reduced, the potential fallout from renewed tensions is still sizable

Financial risks, which stemmed from sovereign debt concerns, formed a feedback loop that ended up increasing market risk and drying up liquidity, especially in Europe. Nonetheless the sharp increase in financial tensions in Europe in the second quarter is starting to abate (see Chart 1). The release of European stress test results has had positive effects on lowering tensions, although there has been a clear differentiation across countries. In particular, it may act as a powerful driver for removing uncertainty surrounding the Spanish financial system, as the implementation of the exercise looks rigorous and the outcome seems credible and is very informative. Undoubtedly the risk to Europe and the global economy coming from financial markets is still the main source of concern.

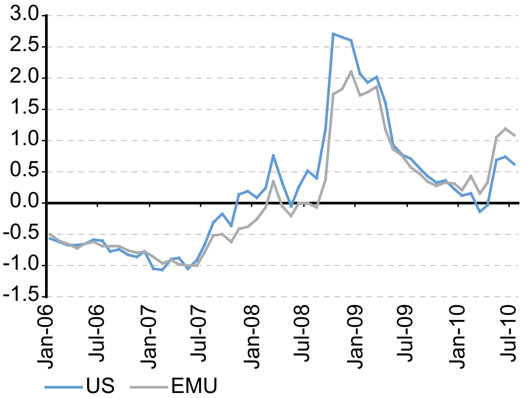
Increasing divergence in monetary policy strategies. Heightened uncertainty will prompt the Fed and ECB to postpone the exit from accommodative policies. On the contrary, tightening has resumed across much of Asia and Latin America

Financial strains in Europe and uncertainty about the pace of recovery in the US will prompt central banks in both regions to postpone their first rate rises and keep very low policy rates for an extended period. Inflationary pressures in both areas will remain subdued, allowing them to keep lax monetary policies. Nonetheless, a faster recovery in the US will mean that the monetary exit will be earlier there than in Europe, and both factors will weigh down on the euro. Although both central banks will postpone monetary tightening, communication and the assessment of risks continue to differentiate both institutions, limiting the ECB's relative capacity to react, in particular to deflationary risks. On the other hand, in emerging economies monetary tightening is resuming, after a pause (especially in Asia) as the European debt crisis unfolded. This will help reduce inflationary pressures in Asia –where they were starting to build– and prevent potential pressures from developing later in the year in South America. An important exception is Banco de México, likely to hold rates beyond the second quarter of 2011, even when inflation edges up in the last months of this year.

The global economy is on track for a mild and differentiated slowdown. It will be a healthy development for China and the rest of emerging Asia, with growth converging towards more sustainable rates. However, in the US private demand will remain weak without policy support, whereas in Europe confidence will be negatively affected by the fallout from the financial crisis

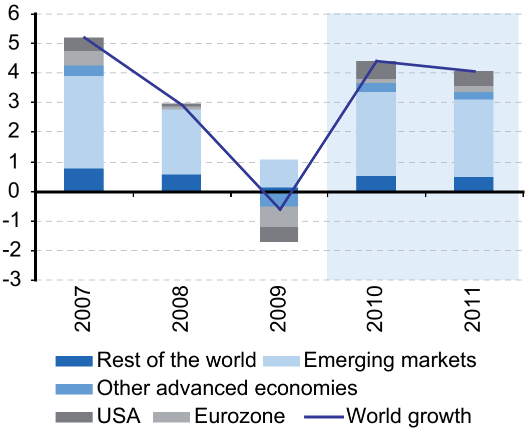
Spillovers from the European financial crisis to other geographical zones have been relatively limited. Nonetheless, the global economy will slow down going forward (see Chart 2). The severity of financial tensions in Europe will affect confidence and reduce growth in the second half of 2010 and the beginning of 2011. Moreover, external demand will not be as strong as it was in the first half of the year, although it will provide some support for economic activity. In the US, the recovery is likely to lose momentum on account of softening labor and housing markets. This shows the limits of private demand taking over as an autonomous driver of growth. In China, slowing GDP growth in the second quarter and moderating activity indicators are evidence that the authorities' tightening measures are being effective to steer the economy to more sustainable growth rates. Latin America will also slow down in 2011, but keep robust growth rates going forward. Therefore divergences with continue to widen both between advanced and emerging economies and within each of those groups.

Chart 1
Financial Stress Index*



* Composite indicator of financial tensions in 3 credit markets (sovereign, corporate and financial), liquidity strains and volatility in interest rate, foreign exchange and equity markets
Source: BBVA Research

Chart 2
Contributions to Global GDP growth



Source: BBVA Research based on national accounts

Although there were some steps in the right direction, going forward the necessary global rebalancing of demand and the narrowing of global imbalances is still pending
The rebalancing of the Chinese economy towards more internal demand (particularly consumption) continues, and the recent renewal of currency flexibility should help. However, further reforms are needed to bring the weight of consumption more in line with international standards. Other advanced surplus countries also need to implement reforms to increase domestic demand, most notably in the service sector. On the other hand, the US and other countries with substantial external financing needs need to switch from a consumption-led model to investment, especially in tradable sectors. The recent financial crisis has shown the limits to foreign financing of growth. Economies with high external financing needs are highly vulnerable to an upsurge of international financial tensions, and the resulting sudden movements in exchange rates risk undermining global financial stability.

2. Slight contagion of "European crisis"

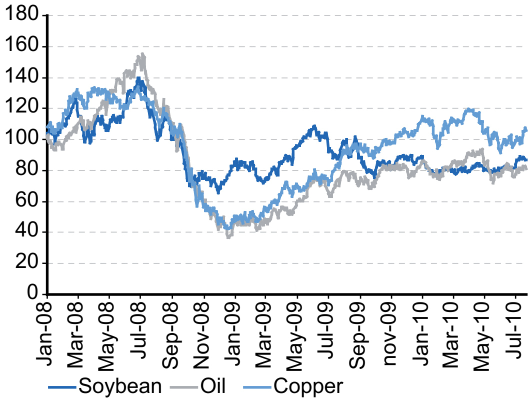
The second quarter of this year was marked by strong crisis in financial markets derived from the growing concern of some European governments regarding paying off their debt and its impact on the respective banking systems. The alert came from Greece, but fears extended to Portugal, Spain, Ireland and Italy, in spite of the vigorous fiscal adjustment measures announced and being implemented, as well as the extensive financial aid package promised by the European Union.

This event provoked substantial increases in risk premiums and CDS in the involved countries, falls in stock market prices and a global strengthening of the dollar. As a consequence of the above, there were repercussions on commodities markets, exchange rates and risk premiums worldwide. Thus, the turmoil spilled over to Latin America. As of today, and assuming that the normalization process continues, we can say that this contagion was relatively limited and temporary. Nevertheless, as we mentioned in the previous section, latent risks remain and could lead to a worsening of the international backdrop with new negative effects on the region.

Very limited impact on commodity prices

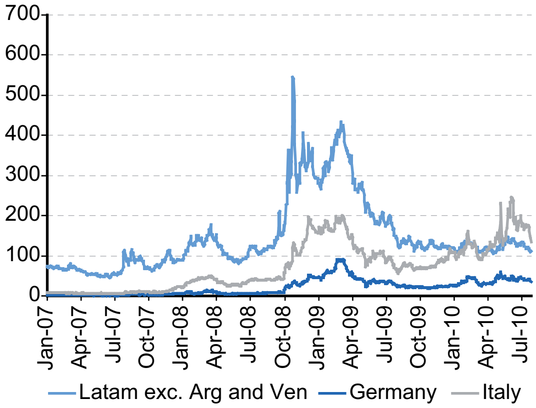
One of the main transmission channels of the international crises into Latin America has been its effect on commodity prices, given that these impact both the external accounts and the fiscal position of the great majority of the countries in the region. On this occasion the fall has been very limited and temporary. On the other hand, the main part of the adjustment is explained by the stronger value of the dollar and, only secondarily, by the increase of risk aversion in Europe. With the decrease in risk aversion, the dollar-euro parity has returned to levels close to 1.3 USD/EUR, and commodity prices have returned to levels around USD 75 per barrel in the case of oil, USD 3.2/pound for copper, and USD 350/ton for soybeans, which are quite high, historically speaking.

Chart 3
Commodity prices (Index – Jan08 = 100)



Source: Datastream and BBVA Research

Chart 4
Credit Default Swap



Source: Datastream and BBVA Research

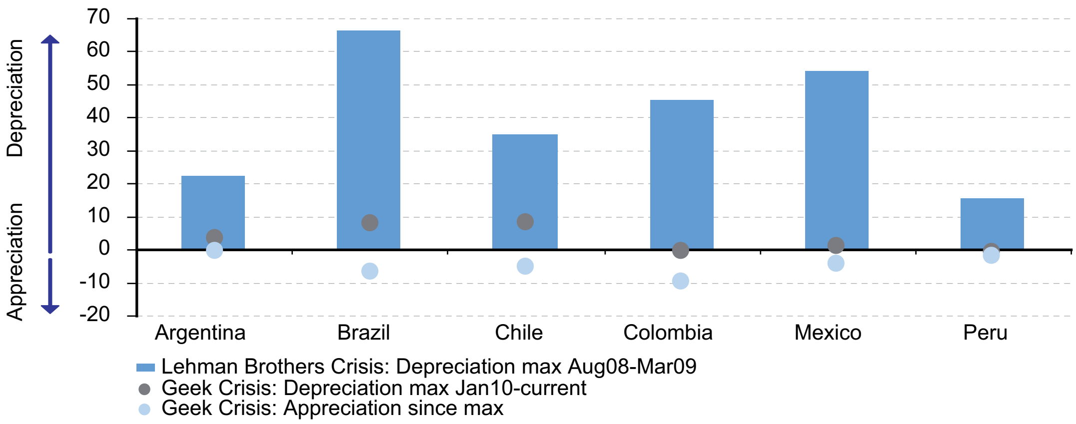
Relative improvement in risk premiums in the region

Although sovereign risk premiums in the region increased with respect to their levels at the end of last year, today they are at levels similar to those before the Lehman Brothers crisis. Even more interestingly, the average value of CDS in Brazil, Chile, Colombia, Mexico and Peru is below that of countries like Italy and Spain, reflecting a change in relative position previously unseen in the history of these countries. This has been recognized by rating agencies, which have improved the rating of Brazil, Chile, Colombia and Peru since the start of the Lehman Brothers crisis. One of the consequences of this relative improvement is the strong capital inflow into the region, which has made it possible for the central banks of Argentina, Brazil, Colombia, Mexico and Peru to accumulate reserves during this period.

Currencies rise after initial fears

Regional currencies depreciated in response to the increase in global risk aversion, which was greater for those countries more exposed to trade with Europe (Brazil, Chile). However, the effect was limited and temporary: in the end, it was merely a reflection of the relative strength of the dollar. In fact, the majority of the countries have returned to intervening by accumulating international reserves to avoid a greater appreciation of their currencies in a context in which prospects of interest rate increases in developed countries are diminishing and pressures to limit monetary stimuli in the region are on the rise.

Chart 5
Exchange rate variations



Source: Datastream and BBVA Research

Good deeds have their rewards

What we have observed in these two episodes of adverse external shocks (Lehman Brothers and Greek crises) represents a dramatic break from the past in the region. The normal state of affairs would have been that shocks of this type would be amplified by fiscal and exchange rate turmoil in these countries, which would have led to painful fiscal adjustments, devaluations and inflation, with a prolonged period of recession and stagnation and dramatic deteriorations in employment. The reason for which this has not happened is that the great majority of countries implemented reforms during the 1990s to improve their fiscal and external solvency, while strengthening their technical and institutional capacities. It is therefore not a coincidence that the crisis arrived to the region that was well prepared to withstand it, that policymaking reactions were quick and adequate, and that the fiscal and external solvency of these countries could be preserved. Nor is it a coincidence to see relative improvements in risk premiums and ratings. Our perspective is that Latin America is entering a period of sustained growth, at a rhythm approaching its potential, which will allow it to reduce income disparities with developed countries.

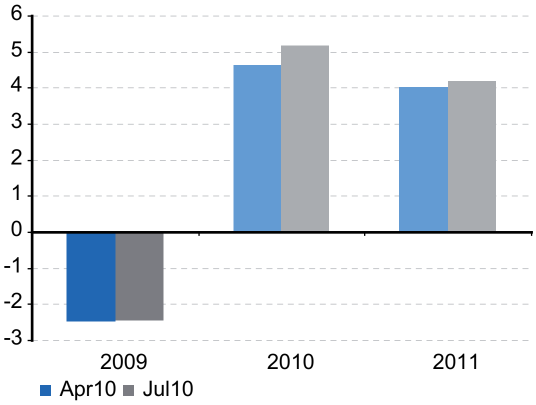
3. The strength of domestic demand makes an upward revision of forecasts possible

Available figures for the first half of the year, both in terms of national accounts and more recent partial indicators, point to rapid growth in domestic demand, especially in Argentina, Brazil, Chile and Peru, and to more moderate increases in Colombia and Mexico. In all of the aforementioned countries we have seen greater-than-expected increases, especially in the areas of investment and durable goods purchases, which has in turn translated into two-digit increases in imports. This recovery is partly due to the recovery of confidence, but it is also a reaction to the strong monetary and fiscal stimuli put in place by these countries at the start of 2009. Factors such as the lowering of risk premiums at the international level and high commodity prices have contributed to this process. Given that the latter, to an extent, reflect concerns about future supplies in a context of rapid growth of the Asian giants, a global race for natural resources exploration and development has begun, and the region is receiving high levels of FDI associated to mining and energy projects. This is especially affecting countries such as Brazil, Chile, Colombia and Peru, all of which have shown greater receptiveness to this inflow.

Upward revision of GDP growth in 2010

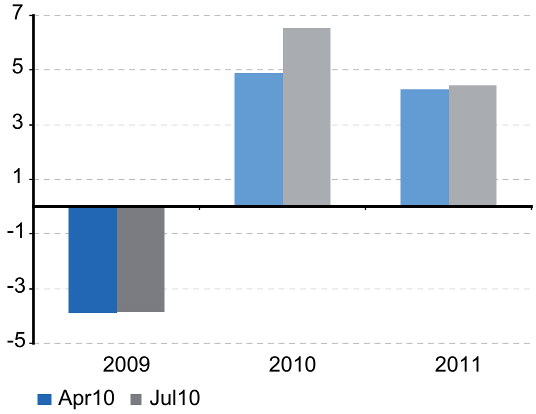
As shown in Chart 6, presenting global figures for LatAm 7 (Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela), the region will grow 5.2% in 2010, boosted by the factors mentioned above, and then slow down to a rate more consistent with the potential of the GDP (4.2% and 4.3% in 2001 and 2012, respectively). This slowdown will in part be a response to the evolution of the global economy, as well as the withdrawal of the monetary stimuli that has started and could accelerate if the rapid growth of domestic demand begins to generate inflationary pressures.

Chart 6
LatAm* GDP forecasts comparison



* LatAm: Arg, Bra, Chi, Col, Mex, Per and Ven
Source: BBVA Research

Chart 7
LatAm* domestic demand forecasts comparison



* LatAm: Arg, Bra, Chi, Col, Mex, Per and Ven.
Source: BBVA Research

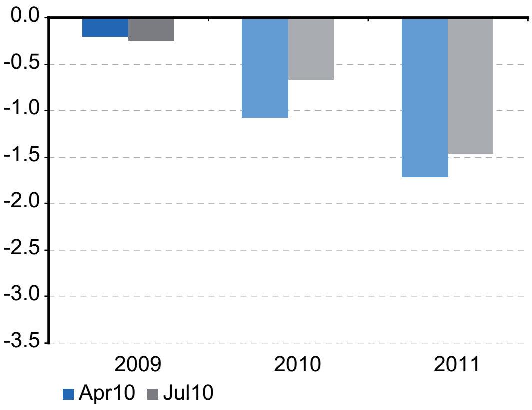
One aspect in our forecast that does not see any substantial change is that of inflation: in all of the countries pursuing inflation targets, the latter has risen to a level close to the official objectives, after a period of significant downward deviations in 2009 as a consequence of the fall of food and fuel prices as well as the recession that affected almost the entire region. In Argentina and Venezuela, after a marked acceleration at the start of the year, inflation has stabilized within or slightly above the planned ranges.

Although the strength of the recovery in Brazil, Peru and Chile generates doubts concerning the future evolution of inflation, it should be noted that the three central banks have reacted quickly by raising interest rates and, in the case of the first two of these, withdrawing quantitative stimuli. Colombia and Mexico are in an earlier stage of the recovery cycle, with foreign demand and public spending being the main drivers of the latter, and we do not expect interest rate increases in the months to come.

Finally, it should be mentioned that new forecasts imply improvements in the current accounts and fiscal balances of the region, thanks to a better performance than expected in the area of commodity prices and a dramatic increase in the demand for exports, especially from Asia, which has, in turn, facilitated the compensation for the increased growth of imports. This can be seen in the comparison of current accounts of the LatAm7 shown in Chart 8. Fiscal accounts are boosted by increased tax collection resulting from growth and high commodity prices, as seen in Chart 9. In both cases, a higher denominator is also a factor, due to the greater GDP growth that we now expect.

Chart 8

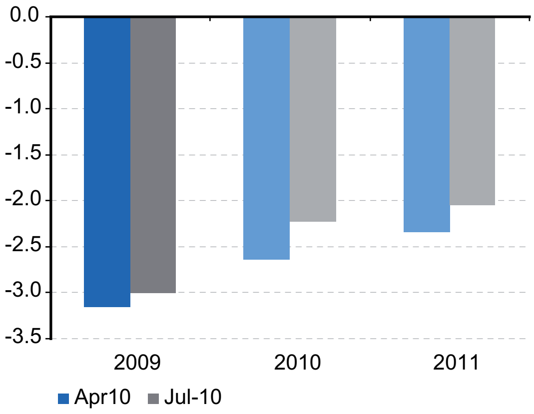
LatAm* current account (%GDP) forecast comparison



* LatAm: Arg, Bra, Chi, Col, Mex, Per and Ven.
Source: BBVA Research

Chart 9

LatAm* Fiscal Balance (%GDP) forecasts comparison



* LatAm: Arg, Bra, Chi, Col, Mex, Per and Ven.
Source: BBVA Research

4. Credit will accompany the recovery

After strong credit growth in 2007 and 2008, central banks in the region were acting decisively to slow its expansion, precisely as inflation was rising due to higher food and energy prices. The Lehman Brothers crisis dramatically altered the scenario. As in the rest of the world, bank credit flows collapsed. For instance, in Peru, the credit that had been growing at inter-annual rates close to 35% before the Lehman Brothers episode grew only 2.3% in the second half of 2009. In parallel, default rates grew although also at levels much lower than those seen in the middle of the decade. Governments and central banks launched measures to provide liquidity and, in some cases such as that of Brazil and, to a lesser extent, Chile, they used the state bank system to provide credit. Our diagnosis at that time was that part of the problem originated in liquidity restrictions on behalf of banks and the application of stricter risk evaluation criteria in a recessionary environment. The other part of the explanation was the fall in credit demand linked to the reluctance to invest or spend money on durable goods that resulted from confidence loss.

In fact, since 2009 we have been witnessing a recovery of credit with rates that are not only positive but accelerating, although they are still at prudent levels. This has come together with the return of confidence and has coincided with improved liquidity conditions. It should be noted, however, that although we still do not have complete information for the second quarter, when global risk aversion worsened, fragmented evidence so far seems to indicate that credit continued to accelerate throughout most of the region, especially from private banks, which are again competing to regain market share, thereby accompanying the recovery of private spending on goods and investment. One indication that the market is not in want of offer is that long-term market interest rates are at extraordinarily low levels in countries such as Chile, Colombia and Peru.

5. Economic policy dilemmas

The majority of the countries in the region confront the dilemma of keeping an excessively rapid growth of aggregate demand from causing inflationary pressures, in a context in which the region is receiving high levels of FDI, linked to the exploration and development of mining and energy projects, in addition to having become more attractive with respect to the developed world in terms of growth prospects and risk premiums. The traditional response of rapidly increasing benchmark rates therefore clashes with concerns regarding the excessive appreciation of currencies, which the majority of countries have attempted to avoid by intervening in the exchange markets, accumulating large reserves in the first half of the year. The sterilization of monetary effects resulting from these interventions has also led the central banks of Brazil and Peru to raise reserves and it is feared that, should this not prove sufficient, some countries could resort to controlling capital inflow.

Part of the problem has to do with the fact that fiscal policy takes quite longer to adjust itself, and in the majority of these countries it is still in the expansive mode, adding to the recovery of investment and private consumption. Recent data on the execution of public investment in Peru, as well as the increase in public spending in Chile to deal with the aftermath of the earthquake confirm the difficulty involved with re-synchronizing macroeconomic policies, accentuating the risks of appreciation that would be detrimental to competitiveness.

The decision to slow the expansion of domestic demand must take into consideration that there are still risks of a relapse into global risk aversion and a new recessionary adjustment in developed countries, as we stated in the first section. While it is true that a robust domestic demand would help to compensate the fall in foreign demand, it is important to keep in mind that in such an event financing will become more costly and scarce, including that issued by multilateral organizations. In such a context, only those countries with extensive savings to finance fiscal deficits for relatively long periods, as well as international reserves to provide liquidity in foreign currency for their financial systems will be able to sustain anti-cyclical policies for a prolonged period of time.

For the longer-term outlook, it is worth asking if what we are seeing now goes beyond a transitory clash in exchange rates combined with a temporary decoupling of the economic cycle of Latin America with respect to those of the United States and Europe. If the commodity price increases that we have already been seeing for a very long time are the consequence of supply-side restrictions on the needs of the Asian giants in a process of development, industrialization and urbanization, then we could be at the start of a “super-cycle” of commodities prices that could last a long time. This would have a very profound impact on the relative price structure of resource-rich countries from Africa to South America, with very important consequences on their productive structure and development patterns. Exchange rate interventions are certainly not the answer to this phenomenon, and if the wish is to preserve an important degree of diversification in these economies, the latter shall have to consider the necessity of saving part of the capital earned by current generations for those of the future.

6. Tables

Table 1

GDP (% y/y)

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2009	2010	2011
Argentina	-1.8	-2.3	-4.3	0.2	5.5	7.7	6.7	6.1	4.1	3.0	3.9	4.6	-2.1	6.5	3.9
Brazil	-2.0	-1.7	-1.3	4.4	8.9	8.2	6.3	4.3	2.9	3.9	5.2	6.6	-0.2	6.9	4.7
Chile	-2.1	-4.5	-1.4	2.1	1.0	6.1	6.3	5.8	6.9	5.6	5.0	4.8	-1.5	4.8	5.6
Colombia	-0.9	0.1	0.7	3.4	4.4	4.2	4.0	4.3	4.3	5.0	5.2	5.4	0.8	4.2	5.0
Mexico	-9.1	-8.5	-6.2	-2.4	4.4	5.6	4.3	3.6	4.8	3.8	3.3	2.8	-6.6	4.5	3.7
Peru	1.9	-1.2	-0.6	3.4	6.0	9.0	7.6	4.7	5.7	3.8	5.7	7.7	0.9	6.8	5.7
Venezuela	0.5	-2.6	-4.6	-5.8	-5.8	-4.9	-3.6	-1.4	1.6	2.0	1.5	1.6	-3.3	-3.8	1.7
Latin America 5	**-0.7**	**-2.1**	**-2.5**	**0.3**	**2.4**	**4.4**	**4.1**	**4.0**	**4.2**	**3.7**	**4.1**	**4.6**	**-1.3**	**3.8**	**4.1**
Latin America 6	**-1.4**	**-1.9**	**-1.8**	**2.5**	**6.0**	**6.5**	**5.3**	**4.2**	**3.5**	**3.8**	**4.7**	**5.7**	**-0.7**	**5.5**	**4.4**
Latin America 7	**-3.7**	**-3.9**	**-3.1**	**1.1**	**5.5**	**6.2**	**5.0**	**4.0**	**3.9**	**3.8**	**4.3**	**4.8**	**-2.4**	**5.2**	**4.2**

Latin America 5: Arg, Chi, Col, Per and Ven. Latin America 6: Latin America 5 + Bra. Latin America 7: Latin America 6 + Mex
Source: BBVA Research

Table 2

Inflation (% y/y, average)

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2009	2010	2011
Argentina	6.6	5.5	5.9	7.1	9.0	10.6	11.0	11.0	11.0	10.9	11.1	11.4	6.3	10.4	11.1
Brazil	5.8	5.2	4.4	4.2	4.9	5.1	5.2	5.4	5.0	4.6	4.7	4.8	4.9	5.2	4.8
Chile	4.8	1.8	-1.9	-3.0	-0.3	1.2	2.2	2.9	3.0	2.8	2.8	2.9	0.4	1.5	2.9
Colombia	6.6	4.8	3.2	2.4	2.0	2.1	2.4	3.0	3.5	3.1	2.9	3.1	4.2	2.4	3.1
Mexico	6.2	6.0	5.1	4.0	4.8	4.0	4.2	5.0	3.8	4.1	4.1	3.7	5.3	4.5	3.9
Peru	5.6	4.0	1.9	0.4	0.7	1.1	2.0	2.5	2.4	2.6	2.5	2.4	3.0	1.6	2.5
Venezuela	29.5	28.2	28.7	28.1	27.4	32.1	32.7	34.3	34.9	30.8	29.8	28.4	28.6	31.6	31.0
Latin America 5	**10.9**	**9.2**	**8.4**	**8.2**	**9.0**	**10.8**	**11.3**	**12.0**	**12.1**	**11.2**	**11.0**	**10.9**	**9.2**	**10.8**	**11.3**
Latin America 6	**8.1**	**7.0**	**6.2**	**6.0**	**6.7**	**7.7**	**8.0**	**8.4**	**8.2**	**7.6**	**7.6**	**7.5**	**6.8**	**7.7**	**7.7**
Latin America 7	**7.5**	**6.7**	**5.9**	**5.4**	**6.1**	**6.6**	**6.8**	**7.4**	**6.9**	**6.5**	**6.5**	**6.4**	**6.4**	**6.7**	**6.6**

Latin America 5: Arg, Chi, Col, Per and Ven. Latin America 6: Latin America 5 + Bra. Latin America 7: Latin America 6 + Mex
Source: BBVA Research

Table 3

Exchange Rate (vs. USD, average)

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2009	2010	2011
Argentina	3.54	3.73	3.83	3.81	3.84	3.90	4.00	4.15	4.29	4.44	4.49	4.66	3.73	3.97	4.47
Brazil	2.32	2.08	1.87	1.74	1.80	1.79	1.74	1.79	1.82	1.82	1.84	1.84	2.00	1.78	1.83
Chile	607	567	545	518	519	531	529	530	534	539	537	531	560	527	535
Colombia	2415	2233	2017	1965	1947	1950	1940	1930	1915	1900	1852	1880	2158	1942	1887
Mexico	14.38	13.32	13.27	13.06	12.78	12.38	12.61	12.10	11.83	11.90	12.17	12.28	13.51	12.47	12.04
Peru	3.19	3.02	2.96	2.88	2.85	2.84	2.83	2.85	2.85	2.86	2.85	2.80	3.01	2.84	2.84
Venezuela	2.15	2.15	2.15	2.15	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	2.15	4.30	4.30

Source: BBVA Research

Table 4

Interest Rate (%, average)

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	2009	2010	2011
Argentina	13.29	12.83	12.64	10.75	9.62	9.56	11.11	12.87	13.89	14.49	15.12	15.78	12.38	10.79	14.82
Brazil	12.62	10.33	8.86	8.75	8.75	9.75	11.33	11.50	11.50	11.50	11.50	11.50	10.14	10.33	11.50
Chile	5.55	1.44	0.53	0.50	0.50	0.67	1.92	2.75	3.75	4.50	5.25	5.92	2.00	1.46	4.85
Colombia	8.00	5.17	4.33	3.67	3.50	3.00	3.00	3.17	3.67	4.17	4.67	5.17	5.29	3.17	4.42
Mexico	7.33	5.33	4.50	4.50	4.50	4.50	4.50	4.50	4.50	5.00	5.75	6.00	5.42	4.50	5.31
Peru	6.25	4.00	1.50	1.25	1.25	1.50	2.25	3.00	3.42	3.92	4.42	4.75	3.25	2.00	4.13
Venezuela	17.10	15.60	14.52	15.05	14.59	14.51	13.50	13.50	13.50	13.50	13.50	13.50	15.57	14.03	13.50

Source: BBVA Research

Table 5

Private Consumption, Government Consumption and Investment (% y/y)

	Private Consumption (% y/y)			Government Consumption (% y/y)			Investment (% y/y)		
	2009	**2010**	**2011**	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**
Argentina	-4.1	6.0	3.3	7.2	8.7	6.1	-10.2	15.7	7.8
Brazil	4.1	6.4	4.2	3.7	2.2	2.1	-10.0	20.6	9.0
Chile	0.9	6.8	5.5	6.8	4.3	4.3	-15.3	16.4	16.0
Colombia	1.1	4.0	5.0	2.6	3.0	1.3	3.2	7.9	7.7
Mexico	-6.2	1.9	2.6	4.9	-2.3	0.1	-15.3	5.3	9.3
Peru	2.4	4.1	4.6	16.5	8.0	3.9	-15.1	14.0	11.0
Venezuela	-3.2	-2.5	3.3	2.3	3.7	4.2	-8.2	-26.4	1.7
Latin America 5	**-1.4**	**3.8**	**4.1**	**6.4**	**5.9**	**4.2**	**-8.5**	**5.5**	**8.1**
Latin America 6	**1.6**	**5.2**	**4.2**	**4.9**	**3.8**	**3.1**	**-9.3**	**13.8**	**8.6**
Latin America 7	**-0.7**	**4.2**	**3.7**	**4.9**	**2.0**	**2.2**	**-11.1**	**11.2**	**8.8**

Latin America 5: Arg, Chi, Col, Per and Ven. Latin America 6: Latin America 5 + Bra. Latin America 7: Latin America 6 + Mex
Source: BBVA Research

Table 6

Fiscal Balance and Current Account (% GDP)

	Fiscal Balance (% GDP)			Current Account (% GDP)		
	2009	**2010**	**2011**	**2009**	**2010**	**2011**
Argentina	-0.6	-0.4	-1.9	3.6	1.4	0.8
Brazil	-3.3	-2.8	-2.4	-1.6	-2.7	-3.3
Chile	-4.6	-1.6	-0.9	2.5	0.2	-3.8
Colombia*	-3.8	-3.9	-3.3	-2.0	-2.1	-1.8
Mexico	-2.7	-2.3	-1.9	-0.6	-1.2	-1.9
Peru	-1.9	-1.4	-0.7	0.1	-0.9	-1.7
Venezuela	-5.4	-0.7	-1.6	2.4	11.2	9.2
Latin America 5	**-2.9**	**-1.4**	**-1.8**	**1.7**	**2.3**	**1.2**
Latin America 6	**-3.2**	**-2.2**	**-2.1**	**-0.1**	**-0.4**	**-1.3**
Latin America 7	**-3.0**	**-2.2**	**-2.0**	**-0.2**	**-0.7**	**-1.5**

* Central Government
Latin America 5: Arg, Chi, Col, Per and Ven. Latin America 6: Latin America 5 + Bra. Latin America 7: Latin America 6 + Mex
Source: BBVA Research

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