



GDP Observatory

Advance

November 2nd, 2009

GDP contracted 0.4% in September

- The BBVA advance indicator of economic activity (IABBVA) estimates that GDP in September fell by 0.4% year-on-year.
- In seasonally adjusted terms, output recovered slightly, although at a slower pace than in the previous month.

In September, the main economic activity indicators showed mixed results (see Table 1). There was slower growth in the primary sectors and industrial output was weak, while imports of capital goods fell more sharply. On the other hand, electricity generation grew for the second month in a row and public investment was more dynamic. Based on these data, our advance indicator of economic activity (IABBVA) estimates that GDP fell by 0.4% in year-on-year terms (-1.4% in July and 0.25% in August).

Table 1: Indicators of Economic Activity (% change year-on-year)

Indicator	Aug-09	Sep-09	Change over previous month
Electricity production (Gw/h)	0.0	0.7	▲
Domestic cement consumption (tons)	4.9	2.5	▼
Production in Primary Sectors (index)	1.0	0.4	▼
Agriculture (index)	1.7	2.5	▲
Mining and Fuel (index)	1.0	-1.1	▼
Exports of goods (in real terms)	-9.7	-5.9	▲
Imports of goods (in real terms)	-22.5	-26.5	▼
Consumer goods (in real terms)	-17.3	-16.5	▲
Capital goods (in real terms)	-40.1	-49.3	▼
New car sales (units)	-28.6	-15.3	▲
Public Investment (in real terms)	52.5	41.0	▼

Source: COES, ASOCEM, ARAPER, BCRP, INEI
Produced by BBVA Banco Continental Economic Research Department

Appraisal

The recovery of GDP in seasonally adjusted terms continues, and it is now close to the levels of 2008Q3, in a context of improving global activity, greater impact of the Fiscal Stimulus Plan, the end of the inventories downward adjustment process and a recovery in business confidence. However, consumer confidence (as measured by the INDICCA published by APOYO) fell back into the pessimistic zone in September (the latest available data). This adds an element of fragility to the economic recovery. In this context, we expect the stimulus policies to remain in place for a few more months.

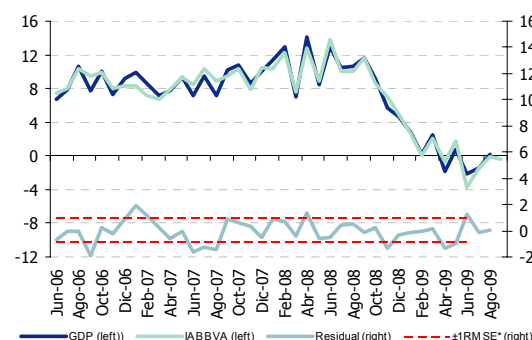
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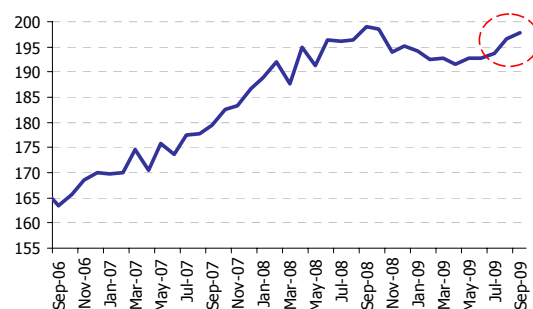
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Advance Indicator of Activity (IABBVA) and GDP (% yoy change)



* Root of mean-square error
Prepared by: ERD BBVA Banco Continental

Gross Domestic Product (seasonally adjusted*)



* Seasonally adjusted using the TRAMO-SEATS adjusted for working days
Source: Central Bank
Prepared by: ERD BBVA Banco Continental