

Latam Daily Flash

28 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

Mexico City

Carlos Serrano

Chief Economist, Mexico
carlos.serrano@bbva.com
+52 55 56216503

On Friday, a report released by the BCB in Brazil revealed that NPLs declined somewhat and lending expanded more vigorously at the end of 2012. In Mexico, the trade balance surprised to the upside in December and closed the year with an unexpected surplus. At the beginning of this week, the main highlight will be the Banrep board meeting in Colombia. We expect interest rates to be reduced by 25bp to 4.0% and we would not be surprised by an announcement of further measures to take some pressure off the Colombian peso.

Brazil - Credit lost momentum in 2012, despite some recovery at the end of the year

Total lending increased by 16.2% in 2012, less than in the last couple of years (19% in 2011; 21% in 2010), due to concerns about excessive household indebtedness, rising NPLs and a less dynamic economy. Public credit expansion (+27%) was in sharp contrast to growth in private credit (+8%). Lending rates and banking spreads continued to fall towards the end of the year and closed 2012 at historically low levels (28% and 21%, respectively). The credit expansion in the latter months of the year (1.8% MoM on average in 4Q12) and the slight drop in NPLs (which reached 3.6% in December, the lowest figure for the year) make us more optimistic on the economic support credit markets will provide in 2013.

Mexico - Balance of trade: an unexpected surplus

The balance of trade figure for December was published on Friday. A surplus of USD962mn surprised the market (consensus: a deficit of USD961mn). At year-end, the trade surplus reached USD163mn, as a consequence of still feeble domestic demand and exports boosted by a weaker exchange rate. Both exports and imports grew around 6% YoY in 2012, but growth slowed during the past six months. We expect trade to expand more slowly in 2013e given the expected moderation in foreign demand.

What to watch today

Colombia - Central bank board meeting (January; announcement time: unspecified)

We expect BanRep to cut the policy rate by 25bp to 4.0%. We think recent sluggish leading indicators will persuade the board to give more support to economic activity, while the inflation rate for December and expectations provide room for the cut. In our view, BanRep could announce measures enhancing FX interventions, in line with recent appreciation pressures and given that the balance of payments and the monetary base give scope for this.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	28-Jan	Jan 23	1.02%		1.04%	0.96%
Trade Balance (FOB) - Weekly	28-Jan	Jan 27	--		--	-\$1723M
CAGED Formal Job Creation	28-31 Jan	Dec	-401500		--	46095
FGV Inflation IGP-M (MoM)	30-Jan	Jan	0.33%		--	0.68%
Nominal Budget Balance	30-Jan	Dec	--		--	-21.8B
Net Debt % GDP	30-Jan	Dec	35.10%	35.60%	--	35.00%
Unemployment Rate	31-Jan	Dec	4.50%	4.50%	--	4.90%
FGV CPI IPC-S	01-Feb	Jan 31	1.12%		--	1.03%
Industrial Production sa (MoM)	01-Feb	Dec	-0.30%	-0.10%	--	-0.60%
PMI Manufacturing	01-Feb	Jan	--		--	51.10
Trade Balance (FOB) - Monthly	01-Feb	Jan	-\$3000M	-\$3000M	--	\$2250M
Chile						
Manufacture Production (YoY)	30-Jan	Dec	--	-0.70%		
Retail Sales (YoY)	30-Jan	Dec	8.35%	8.40%	--	10.70%
Mining production (YoY)	30-Jan	Dec	--	2.00%	--	2.30%
Unemployment Rate	31-Jan	Dec	6.00%	5.90%	--	6.20%
Central Bank Meeting Minutes	01-Feb	--	--	--	--	--
Colombia						
Overnight Lending Rate	28-Jan	Jan 28	4.00%	4.00%	--	4.25%
Urban Unemployment Rate	31-Jan	Dec	10.00%	10.00%	--	9.80%
Producer Price Index (MoM)	02-05 Feb	Jan	--	--	--	-0.74%
Mexico						
Budget Balance (Year to date)	30-Jan	Dec	--	--	--	-204.50B
Central Bank Monetary Policy Minutes	01-Feb	--	--	--	--	--
Peru						
Consumer Price Index (MoM)	01-Feb	Jan	0.24%	0.05%	--	0.26%
Wholesale Prices (MoM)	01-Feb	Jan	--		--	-0.12%
Primary Sector Production (YoY)	01-Feb	Dec	--	--	--	0.66%

Most recent Latam reports

Date	Description
24-1-2013	➤ Mexico Inflation Flash: January biweekly inflation: Inflation Drops Again as Non-Core Prices Surprise Downwards
24-1-2013	➤ Brazil Flash: Monetary policy minutes: a more hawkish tone, still in line with the stability of monetary conditions
23-1-2013	➤ Mexico Real Estate Outlook - January 2013
21-1-2013	➤ Paraguay Flash: Paraguay returns to the international bonds market with a 10-year bond
18-1-2013	➤ Mexico Flash: No change in fondo rate. Inflation slump leads to a dovish tone
17-1-2013	➤ Chile Flash: Central Bank kept the monetary policy rate at 5%
17-1-2013	➤ Banxico Watch: The significant improvement in the inflation balance of risks leads to a neutral tone and supports the monetary pause
17-1-2013	➤ Brazil Flash: Stability of monetary conditions amid higher inflation and lower growth
16-1-2013	➤ Brazil Flash: Economic activity grew more than expected in November
14-1-2013	➤ Peru Flash: Output keeps growing at a strong pace

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.) Bogota - 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 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 / 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.