BBVA | RESEARCH

Latam Daily Flash

26 September 2013
Economic Analysis

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

Enestor dos Santos
Principal Economist, Latam
enestor.dossantos@bbva.com
+34 639827211

Cecilia Posadas
Economist , Latam
c.posadas@bbva.com
+ 34 913746279

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
Jorge Selaive
Chief Economist, Chile
jselaive@bbva.com
+56 2 2939 10 92

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

Javier Amador
Principal Economist, Mexico
javier.amadord@bbva.com
+ 5255 5621 3095

In Mexico, the Economic Activity Index pointed to an economic recovery. Meanwhile, the Financial Traders survey in Chile reveals that no change is expected from October's monetary policy meeting. Today we expect employment figures in Brazil to be in line with relatively weak private consumption in 3Q13.

Chile – Financial Traders Survey shows inflation expectations at 0.4% MoM for September, and no changes in the MPR

The survey revealed a monthly inflation rate forecast of 0.4% MoM for September (BBVAe: 0.5% MoM). In terms of monetary policy, the traders forecast that the monetary policy rate will be maintained at 5% at October's meeting.

Mexico – Economic activity appears to be recovering

The Economic Activity Index (IGAE) rose a stronger than expected 0.5% MoM sa in July, driven by a better performance of the services sector, which increased 0.6% MoM sa after declining 0.2% MoM in June. In annual terms, the IGAE expanded 1.6%, above our below-consensus forecast (BBVAe 1.0%; consensus 1.2%). In our view, this positive report suggests that the deceleration in economic activity has probably bottomed-out and confirms that the economy is off to a good start in 3Q13.

What to watch today

Brazil – Unemployment rate (August, 08:00hrs NYT)

We expect the unemployment rate to reach 5.7%, practically unchanged in comparison to July and still close to all-time lows in spite of the deterioration observed in the last few months. Overall, we think employment and wage figures should support our view that private consumption will remain relatively weak in 3Q13.

Mexico – Balance of trade (August, 09:00hrs NYT)

We expect to see some growth in both exports and imports (7.2% YoY and 9.7% Yoy, respectively) as a reflection of the recent upswing in industrial output in the US. For example, in August manufacturing output in the US rose 2.7% YoY, up from 1.3% YoY in July. With regard to the trade balance, we are thus expecting to see a deficit for August as imports of intermediate and capital goods in July could point to an increase in manufacturing exports in the short term.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Tax Collections	23 Sep	Aug	84500M	--	83956M	94293M
FGV CPI IPC-S	23 Sep	2-Sep	0.27%	--	0.27%	0.27%
FGV Consumer Confidence	24 Sep	Sep	--	--	114.2	113.1
Current Account Balance	24 Sep	Aug	-$5081M	--	-$5505M	-$9018M
FIPE CPI - Weekly	25 Sep	2-Sep	0.17%	--	0.20%	0.16%
PPI Manufacturing YoY	25 Sep	Aug	--	--	5.97%	4.96%
Unemployment Rate	26 Sep	Aug	5.60%	5.70%	--	5.60%
FGV Inflation IGPM MoM	27 Sep	Sep	1.42%	--	--	0.15%
Total Outstanding Loans	27 Sep	Aug	--	--	--	2546B
Central Govt Budget Balance	27 Sep	Aug	0.5B	--	--	3.7B
Colombia						
Outstanding Loans	23-Sep	Jul	--	--	--	$265.0T
Trade Balance	23 Sep	Jul	$118.7	-$12,3	-$221	$717.8
Imports	23-Sep	Jul	--	$4934	$5111.8	$4311
Industrial Confidence	24 Sep	Aug	--	--	--	-2
Retail Confidence	24 Sep	Aug	--	--	--	21.8
Current Account Balance	26 Sep	2Q	--	--	--	-$3038M
Overnight Lending Rate	27 Sep	2-Sep	3.25%	3.25%	--	3.25%
Budget Balance	27 Sep	Aug	--	--	--	-$3448B
Mexico						
Retail Sales YoY	23 Sep	Jul	0.50%	--	1.30%	-1.90%
Bi-Weekly CPI	24 Sep	2-Sep	0.23%	--	0.34%	0.07%
Bi-Weekly Core CPI	24 Sep	2-Sep	0.21%	--	0.30%	0.01%
Economic Activity IGAE YoY	25 Sep	Jul	1.30%	--	1.70%	-0.39%
Trade Balance	26 Sep	Aug P	-1500	--	--	-1436.7M

Most recent Latam reports

Date	Description
25-09-2013	Mexico Economic Outlook 3Q13
24-09-2013	Chile Flash: CPI for September and October are moderated, but leave the door open for November and December
24-09-2013	September's biweekly inflation: core inflation surprised us on the upside
23-09-2013	Mexico Flash: Banxico: rate cut decision passed by simple majority. FED in the spotlight
19-09-2013	Flash Mexico: Private consumption and investment dragged down GDP in 2Q13 (In Spanish)
19-09-2013	Flash Colombia: GDP surprised upwards in 2Q13 growing 4.2% YoY with a homogeneous path to recovery
16-09-2013	Flash Peru: GDP growth kept moderate in July
12-09-2013	Flash Chile: Central Bank kept the monetary policy rate at 5%. Even though, the downward bias for the MPR was ratified
12-09-2013	Flash Peru: Monetary policy meeting: no news
11-09-2013	Mexico Economic Watch: Fiscal Reform: in the right direction, but not enough

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 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.