



Weekly Observatory

May, 22nd, 2009

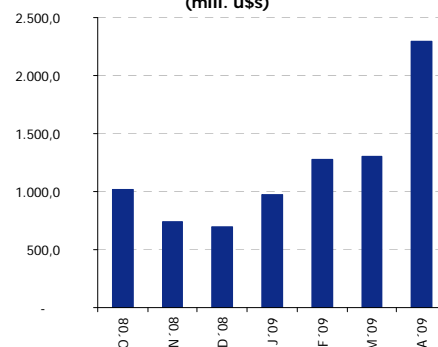
Weekly Highlights (18th – May 22nd, 2009)

Chile, Mexico, Peru, and Venezuela released GDP data for 1Q09. In Chile, the latest value brings the first negative growth rate since 1999. Thus, the fall in Mexico surpasses market expectations. Chile, Argentina and Venezuela published their trade balance for the same quarter, which yields a significant increase in the Argentinean surplus (mainly due to the fall in imports), as well as an intense deterioration of Venezuelan oil exports

1. Argentina

- An important increase on **trade surplus** was registered in April, reaching US\$ 2.299 Million, 155.4% above the same month of previous year. This result was influenced by a substantial contraction showed by imports (-43% yoy) and a gradual improvement in exports that reduced contraction's rate to -13% yoy on April (vis a vis -16% during March). Import behavior was influenced by the activity contraction, the interruption of the investment process and the devaluation of the nominal exchange rate. Exports were positive affected by the beginning of soy bean and derivative products trade and car sales to Brazilian market which had contracted severely in the first two months of the year.
- March Activity Indicator – EMAE – contracted by 0.2% m/m (s.a.) which led to a decline of -0.5% in the first quarter of 2009 compared with the last quarter of 2008. This result was in line with market expectations.

Argentina - Commercial Balance
(mill. u\$s)

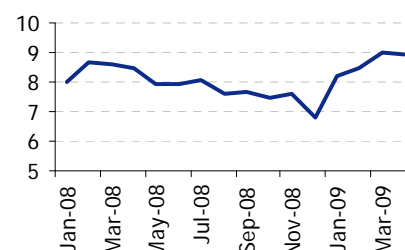


2. Brazil

- The unemployment rate in April came out at 8.9%. This rate is lower than March's rate (9.0%) and lower than the expected by the markets (9.3%). The rate, however, is higher than observed in the same month last year (8.5%) and shouldn't be seen as the inflection point for the recent labour market's deterioration cycle.

Agreements amounting to USD 15 billions were announced during President Lula's visit to China this week. These resources include a USD 10 billions loan to Petrobras, which in exchange will provide 150.000 barrels of oil per day in 2009 and 200.000 in 2010 to China.

Unemployment Rate
(%)

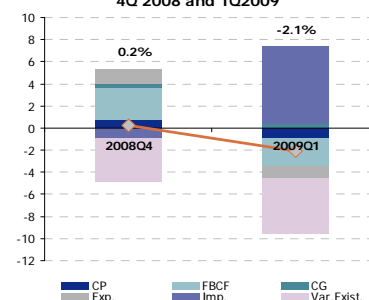


3. Chile

- The Chilean economy grew -2.1% during the first quarter of the year, a negative performance not seen since 1999. The drop in confidence had more severe effects than the foreign demand contraction, as the domestic demand decreased 7.6% y-on-y while net external demand registered a positive growth of 5.5% y-on-y.

- The Balance of Payments showed a surplus of US\$ 460 million during the first quarter of the year. Both the current account and the financial account registered positive balances of US\$ 639 million and US\$ 637 million, respectively

Contribution to Growth
4Q 2008 and 1Q2009



source: BCCh y BBVA

4. Colombia

- Industrial production, retail sales and construction permits decreased 7.5%, 5.2% and 26.8% yoy in 1Q09. This result confirms Colombian economy's downtrend.
- Fedesarrollo survey shows a further decrease in consumer confidence on April, whereas remittances decreased 17.6% yoy on April

5. Mexico

The GDP for 1Q09 contracted more than expected (-5.9 q/q; -8.2% y/y). The slump of the activity during 1Q09 was generalized in all the non-agricultural sectors. The drop in industry (-5.9% q/q) was the worst performance in history due to a feeble external demand. Meanwhile services fell -5.6% q/q because of the correction in household and corporation consumption after the sharp adjustment in employment. The perspectives of recovery throughout the year remain, but we do not discard a negative impact of Influenza during the first half of 2009

6. Peru

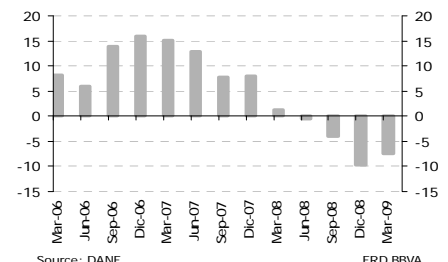
In a presentation to the Congress, the Central Bank's President announced that: (i) GDP grew 2,0% y/y in 1Q09 (BBVA estimate: 2,1% y/y), and (ii) domestic demand would have contracted 0,3% y/y in the same period. However, excluding inventories (which dropped significantly), domestic demand would have grown 5% y/y.

Furthermore, the Peruvian Banks Association released some data on credit evolution in April. According to this source, credit flow in domestic currency continued to be positive, while the opposite happened in foreign currency. In the case of domestic currency, it is worth mentioning the negative flow in consumer loans (4,7% m/m stock reduction), although more than offset by the increase in loans to firms (4,1% m/m stock increase), which partly reflects some dedollarization in loans to this type of agents

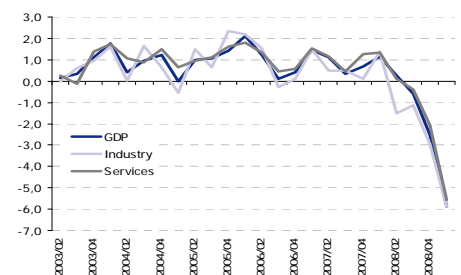
7. Venezuela

- Activity showed relevant deceleration. The GDP grew 0.3% in the 1Q-09, figure 290bp lower than the rate of growth in the previous quarter. The non-oil sector increased by 1.3% (y/y), while oil sector decreased by 4.8% as consequence of production cuts agreed in the OPEC. The Domestic Aggregated Demand rose unexpectedly, it increased by 4.1% in this period. Investment (11.6%) was the main driver of this movement.
- Global deficit in Balance of Payment (USD -15.261 MM). The Current Account registered a deficit of USD -3.523 MM, explained by the important fall of oil exports (55.5%). The negative result of Capital Account (USD -10,522 MM) is attributed to foreign reserve transferred to Fonden (USD 12,299 MM) by the Central Bank

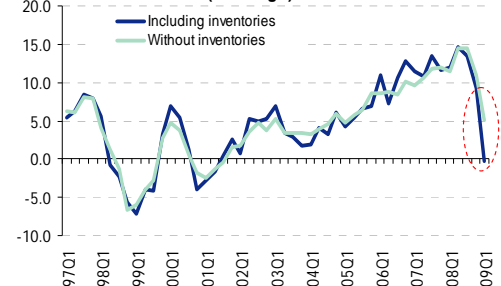
Industrial Production
(% Change, YoY)



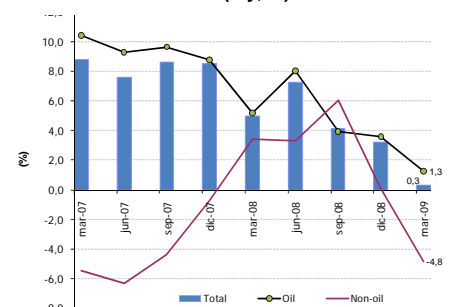
México: GDP Var. % Trimestral



Peru: domestic demand
(% change)



Gross Domestic Product by sectors
(Y/y, %)



Source: BCV

The latest from markets

Bond and Money markets

Market	End	Weekly Var.	Yearly Bp	Var.	Forecast. Dec 2009
Argentina					
7 day Central Bank rate	10,50	0	175		---
Badlar rate	12,75	-12,50	-131		17,00
Brazil					0,00
Official Rate	10,25	0	-150		8,50
Andima 1 year bond	9,50	1	-439		---
Chile					
Official rate	1,25	0	-500		1,50
Swap CLP	0,96	-6	-553		---
10 year rate	5,67	9	-145		---
Colombia					0,00
Official Rate (BR)	6,00	0	-375		5,00
DTF	6,29	-29	-296		---
TES jul-2020	8,76	11	-245		---
Mexico					
Official Rate (fondeo)	5,25	0	-225		5,50
3 months rate	5,10	-18	-249		5,47
10 years rate	7,70	1	-41		6,90
Peru					
Official Rate	4,00	-100	-150,0		2,00
10 years*	5,45	11,0	-95,0		
Venezuela					
Overnight-interbank (daily)	0,3	-31	-2724		15,9
CD 28d (official)	6,0	-100	-800		6,0
DPF 90d	16,1	9	209		16,0

Foreign exchange market

Latin American currencies appreciated against the dollar, influenced by investors' optimism and increasing oil prices.

Exchange Rate	End	Weekly Var. %	Yearly Var. %	Forecast. Dec 2009
America				
Argentina (peso-dollar)	3,74	0,2	19,1	4,10
Brazil (Real-dollar)	2,03	-2,4	22,4	2,30
Colombia (Peso-dollar)	2205	-2,1	24,0	2542,66
Chile (Peso-dollar)	560	-0,2	18,7	590,00
Mexico (Peso-dollar)	13,09	-1,1	25,9	13,40
Peru (New sol-dollar)	2,99	-1,0	4,9	3,30
Venezuela (Bolivar-dollar)	2147	0,0	0,0	2700,00
dollar-Euro	1,39	3,0	-12,0	1,21

Emerging Spreads

Country risk falls in the Latin American economy, except Venezuela with a variation of 9.9pb. Argentina registers a significant drop on its spread.

EMBI+ sovereign spreads	End	weekly chg. Bps	Annual chg bps
EMBI+	471	-15	212
EMBI + Latin America	539	-12	260
Argentina	1405	-68	864
Brazil	306	-11	98
Colombia	311	-16	131
Chile*	234	-22	74
Mexico	247	-14	115
Peru	293	-12	134
Venezuela	1323	10	692
EMBI+ Asia	345	-27	93
EMBI+ Europe	394	-12	174

Commodity Markets

The oil price broke the USD 60 per barrel barrier and it's now at the highest level since November. The rise was supported by a weaker dollar, which reached the lowest level in the year in comparison to the euro. Agriculture prices increased following strong fundamentals while metals prices dropped with concerns about oversupply in Chinese copper markets.

Commodities	End	Weekly Var. %	Yearly Var. %	Forecast Dec 2009
Brent (\$/b)	60,4	7,8	-54,1	48,9
Gold (\$/onza)	952	2,1	2,9	875,0
Copper (c/lb)	202	0,1	-46,4	160,0
Soy (c/bush)	392	0,5	-16,3	336,0
Corn (c/bush)	150	2,0	-28,5	350,0
Goldman-Sachs Index	411	-0,2	-47,0	---
CRB Index	399	-0,7	-26,5	---

Stock Markets

Latin American stock markets (except for Venezuela) rallied, mimicking the performance of US and European stock markets.

Stock Exchange	End	Weekly Var. %	Yearly Var. %
The Americas			
Argentina (Merval)	1561	8,5	-30,2
Brazil (Bovespa)	50087	2,2	-29,9
Colombia (General Index)	9113	1,7	-7,9
Chile (IGPA)	14401	3,0	1,9
Mexico (IPC)	23821	2,1	-23,3
Peru (Lima General)	12234	2,5	-28,7
Venezuela (IBC)	43535	-1,4	25,0
USA			
S&P 500	888	0,6	-35,4
Nasdaq 100	1695	0,9	-30,7
Europe			
Londres (FTSE)	4345	-0,1	-28,6
EuroStoxx50	2099	2,1	-33,8
Ibex35	9225	2,7	-32,1
Estambul-100	35184	5,1	-12,0
Asia			
Nikkei	9226	-0,4	-34,2
China	2598	-1,8	-25,2

The week ahead

Day	Country	Indicator	Period	Last/prev	Mkt Forecast	BBVA
Monday						
	Chile	Monetary policy minute	May			
	Chile	monthly report (Central Bank)	May			
	Chile	weekly economic indicators	May			
	Chile	International trade data	1Q 2009			
	México	Balanza de Pagos	IT09	-6119	NA	-231
	Brasil	FGV Confianza del consumidor	mayo	97,6		
Tuesday						
	México	Ocupation and employment	Apr	4.76	4.6	4.99
	Brasil	Monthly current account	Apr	-\$1645M		
	Brasil	External investment	Apr	\$1444M		
Wednesday						
	México	IGAE	Mar	-10.8	-4.5	-4.4
Thursday						
	Argentina	Sales Inquiry Center Shopping	Apr	- 5,3% a/a		1,9% a/a
	Argentina	Sales Inquiry Center Shopping	Apr	13,5% a/a	-3.7	-2.5
	Brasil	Nominal Budget Balance	Apr	-2.49B		
	Brasil	Net debt % GDP	Apr	37,60%		
	Brasil	Fiscal Balance Primary	Apr	11.6B		
Friday						
	Argentina	Estadística de Servicios Públicos	39904	9,0% a/a		
	Argentina	Indicador Sintético de la Act. Construcción	39904	1,9% a/a		
	Chile	Empleo e indicadores sectoriales	abril			
	Colombia	Tipo de interés a un día	May.	6,00%	5,0%	5,0%
	Colombia	Tasa de Desempleo	Abr.	13,50%		12,6%

Macroeconomic Indicators

	GDP (yoy)					Inflation		Unemployment		Industrial Prod.		Sales		Exports		Trade Balance	
	1Q09	4Q08	3Q08	2Q08	1Q08	yoy		(% active pop.)		yoy		yoy		yoy		mUSD	
Argentina		4.9	6.9	7.8	8.5	5.7	Apr	7.3	Dec	-0.9	Mar	13.5	Mar	-13.0	Apr	2299.0	Apr
Brazil		1.3	6.8	6.2	6.1	5.6	Apr	8.9	Apr	-10.0	Mar	1.8	Mar	-12.3	Apr	3712.0	Apr
Chile	-2.1	0.2	4.6	4.6	3.4	4.5	Apr	9.2	Mar	-7.1	Mar	-8.3	Mar	-40.0	Feb	774.6	Apr
Colombia		-0.7	2.9	3.9	4.1	5.7	Apr	13.5	Mar	0.4	Mar	-7.1	Mar	-17.4	Feb	-41.9	Feb
Mexico	-8.2	-1.6	1.7	2.9	2.6	6.0	Apr	4.8	Mar	-6.7	Mar	-0.5	Mar	-25.1	Mar	159.9	Mar
Peru		6.7	10.7	11.7	10.3	4.6	Apr	8.8	Mar	-5.4	Mar	n.d	Mar	-31.3	Mar	344	Mar
Venezuela	0.3	3.2	4.1	7.3	5.0	28.3	Apr	7.3	Mar	-0.9	Jan	23.6	Jan	-55.5	Mar	-1442.0	Mar

Sources: Bloomberg, Reuter, and
BBVA staff estimates.