



Weekly Observatory

August, 28th, 2009

Weekly Highlights (24th – 28th August, 2009)

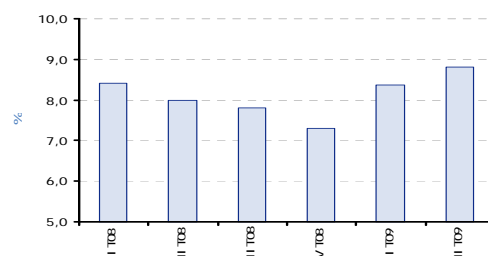
The week leaves signs of recovery of domestic credit. In Brazil, credit in July registered the highest y/y growth since the onset of the financial crisis; thus, in Chile, the rate of decay on this aggregate is stabilizing. In this last country, industrial production data points to a marginal, but nevertheless significant upturn. Regional participation in international trade tends to improve, as suggested by the increase in imports during July for Mexico and Peru.

1. Argentina

- Second Quarter data of the Permanent Household Survey (INDEC) showed that the unemployment rate reached 8.8%, (8% in the same quarter of 2008).

Labor force participation remained at 45.9% so labor supply only increased due to population growth, but the marginal increase in demand could not absorb the growth in supply. This result was below our expectations (9.2%) and we have revised our forecasts down, assuming that the labor situation will continue deteriorating in the next quarters reaching an average unemployment of 9.1% for the whole year.

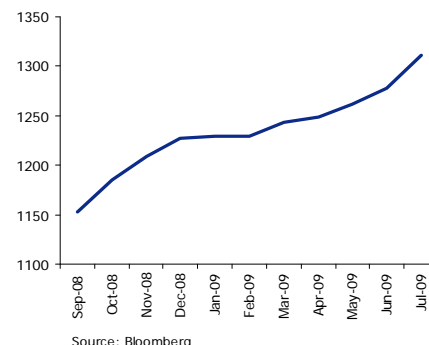
Argentina - Unemployment rate evolution



2. Brazil

- According to the latest data published by the Central Bank, credit grew 2.6% during July, the fastest rate of expansion in the last 9 months. The extended cycle of monetary easing, along with employment levels that have proven to be fairly resilient against the crisis, is supporting a rapid recovery of credit activity.
- The federal government posted a surplus on the fiscal balance for July, after 2 consecutive months of deficit. The primary fiscal balance reached 1.44bln reais, up from a deficit of 615 millions in June. This result, however, is far below the surplus registered on the same month of 2008 (7.2bln reais), mainly as a result of the cost of the anti-crisis policies set up by the Brazilian government.

Brazil: Domestic Credit (BRL bln)



3. Chile

- Industrial production decreased 10% y-o-y in July according to the SOFOFA. However, it increased 3% m-o-m using the seasonal adjusted series, the greatest increase since Jun 2008. The sectors that grew the most were metalmechanic and product of wood. On the other hand, industrial sales fell 7.5% y-o-y in July.
- Credit figures for July keep falling in the yearly comparison. Total lending fell from 3.3% y-o-y in Jun to 2.1% y-o-y in July. However, in monthly and seasonal adjusted terms, total lending and almost all its components improved in the margin. On the other hand, it was a good surprise the non performing loans fall from 1.34% to 1.3% between Jun and July.

Consumer credit flow nominal
(Millions of USD Seasonally adjusted series)



4. Colombia

- In June, Building Permits declined 22.7% yoy (-26.9% in 1S09). It is worth noting the slighter decline in home permits during this month (-17%).
- Remittances fell 33.3% yoy in July, which represents a further decline from 10.5% to 14.3% year to date. This result is due to the fall of remittances from the United States and Venezuela (-20% a/a). ERD expects remittances to fall 20% in 2009.

5. Mexico

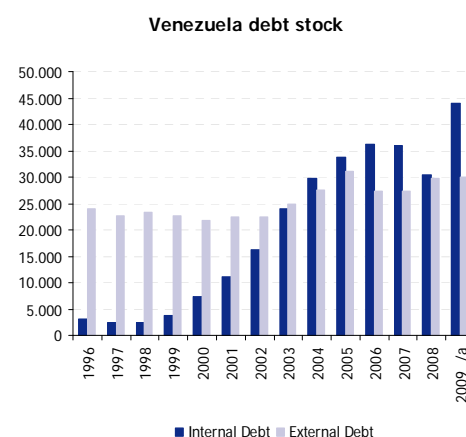
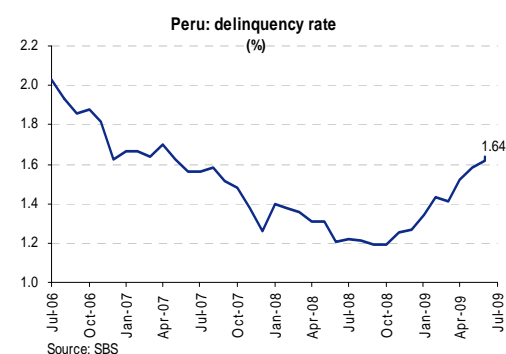
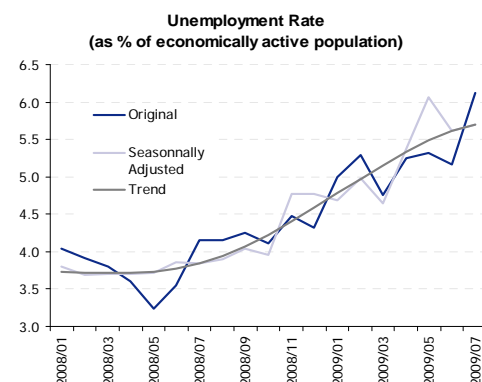
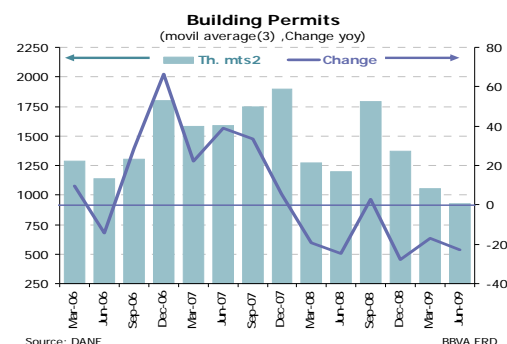
- Inflation for the first half of August (0.11% core and general) incorporated the low growth cycle and turned out lower than expected. Core inflation shows positive signs in services and non-food merchandise. The current dynamics of prices match with our forecasts, and we don't rule out it will end 2009 under 4%. July's Trade Balance reached -1275 MD, thanks to the recovery of merchandise exchange. Imports grew 1.1% for the second consecutive month, a trend that anticipates an eventual rise in exports and activity towards year's end. Unemployment reached 6.12% in July; however the seasonally adjusted series, shows it's growth moderated from 6.1% in May to 5.7% in July. Next week Consumer and Producer Confidence will be published, the first soft data from August.

6. Peru

- Local cement dispatches rose 9.4% m/m in July, a positive result compared to the contraction shown during the first half of the year (average of -1.1% m/m). In this context, the Central Bank announced that it expects the Construction sector to have grown by 6.2%/y, higher than its yoy growth in 1H09 (1.9%). It is worth mentioning that mortgage lending in domestic currency has had an average increase of 2.5%/m in so far 2009.
- In July imports fell by 37.7%/y. For a second month in a row, the contraction pace slowed (-39.6%/y in June and -41.3%/y in May).
- Finally, the delinquencies rate on banks loans reached 1.64% at the end of July (1.62% in June and 1.22% in July 2008), thus continuing the slight upward trend recorded since late 2008.

7. Venezuela

- Capital inflow by USD 4,000 related to China's contribution to bilateral fund.** This amount would increase the joint Chinese-Venezuela fund up to USD 16,000 MM.
- REPSOL and PDVSA will constitute an oil joint venture.** The Spanish company will pay USD 207 MM for 40% of share in the oil exploitation in Zulia state, where it forecasts a production of 40,000 barrels per day.
- Internal debt rise to 44% in the first half of the year.** According to Ministry of Finance, in the first six month of the year the external debt stock closed at USD 29,894 MM while the domestic debt stock closed at USD 20,442 MM. With respect to December 2008 those figures represent increases of 0.1% and 44%, respectively



The latest from markets

Bond and Money markets

Market	End	Weekly Var.	Yearly Bp	Var.	Forecast. Dec 2009
Argentina					
7 day Central Bank rate	9,50	0	75		---
Badlar rate	12,56	6,25	19		17,00
Brazil					
Official Rate	8,75	0	-425		8,50
Andima 1 year bond	9,24	5	-542		---
Chile					
Official rate	0,50	0	-725		1,50
Swap CLP	0,60	3	-791		---
10 year rate	5,60	3	-233		---
Colombia					
Official Rate (BR)	4,50	0	-550		6,00
DTF	5,10	-3	-471		---
TES jul-2020	9,44	-1	-215		---
Mexico					
Official Rate (fondeo)	4,50	0	-375		5,50
3 months rate	4,56	-28	-375		5,47
10 years rate	8,28	5	-17		6,90
Peru					
Official Rate	1,3	0,0	-500,0		
10 years*	5,8	-7,0	-212,0		
Venezuela					
Overnight-interbank (daily)	2,6	173,0	142,0		5,00
CD 28d (official)	6,0	0,0	-800,0		6,00
DPF 90d	14,7	8,0	-240,0		14,50

Foreign exchange market

Depreciations in Latin American currencies respect to the dollar, particularly Mexican peso and Brazilian real.

Exchange Rate	End	Weekly Var. %	Yearly Var. %	Forecast. Dec 2009
America				
Argentina (peso-dollar)	3,85	0,0	27,0	4,10
Brazil (Real-dollar)	1,87	2,2	14,1	2,30
Colombia (Peso-dollar)	2028	1,6	4,5	2543,00
Chile (Peso-dollar)	550	1,1	7,4	590,00
Mexico (Peso-dollar)	13,22	3,2	28,6	13,40
Peru (New sol-dollar)	2,94	-0,3	-0,3	3,30
Venezuela (Bolívar-dollar)	2147	0,0	0,0	2700,00
dollar-Euro	1,43	0,1	-2,1	1,25

Emerging Spreads

Increased in Latin American country risk, highlighting the Argentinean Embi spread (79.6Bps).

EMBI+ sovereign spreads	End	weekly chg. Bps	Annual chg bps
EMBI+	375	8	65
EMBI + Latin America	409	14	74
Argentina	934	80	257
Brazil	263	10	16
Colombia	272	7	41
Chile*	138	6	-33
Mexico	233	16	42
Peru	246	2	37
Venezuela	1001	15	344
EMBI+ Asia	296	2	4
EMBI+ Europe	345	-1	80

Commodity Markets

Strong growth in oil consumption is giving enough support to keep it above USD 70/ barrel. Sugar remained firm partially in response to a disappointing monsoon season in India. Lead prices rose on supply concerns in China, while copper remained strong despite rising inventories and questions about the strength of fundamentals.

Commodities	End	Weekly Var. %	Yearly Var. %	Forecast Dec 2009
Brent (\$/b)	72,6	-2,1	-36,3	56,3
Gold (\$/onza)	950	-0,4	14,3	875,0
Copper (c/lb)	284	-0,2	-17,1	165,0
Soy (c/bush)	400	4,6	-13,1	370,0
Corn (c/bush)	114	0,6	-43,2	350,0
Goldman-Sachs Index	464	-2,2	-34,6	---
CRB Index	410	-1,2	-20,5	---

Stock Markets

Some decreases in Latin American stock exchanges, with losses concentrated in banking and commodity shares.

Stock Exchange	End	Weekly Var. %	Yearly Var. %
The Americas			
Argentina (Merval)	1778	-1,1	0,1
Brazil (Bovespa)	57704	-0,04	3,6
Colombia (General Index)	10618	0,0	13,3
Chile (IGPA)	15297	-1,1	11,0
Mexico (IPC)	28437	0,5	8,2
Peru (Lima General)	14239	-0,9	7,2
Venezuela (IBC)	49422	3,0	21,4
USA			
S&P 500	1031	0,5	-19,6
Nasdaq 100	2028	0,3	-14,4
Europe			
Londres (FTSE)	4894	0,9	-13,2
EuroStoxx50	2405	0,7	-17,5
Ibex35	11416	2,3	-2,5
Estambul-100	47430	0,6	19,0
Asia			
Nikkei	10534	2,9	-19,4
China	2861	-3,4	19,3

The week ahead

Day	Country	Indicator	Period	Last/prev	Mkt Forecast	BBVA
Monday						
	Argentina	Public Services statistics	July	15,2% a/a		
	Argentina	Synthetic Indicator Construction Activity	July	5,5% a/a		
	Chile	Weekly economic indicators (CBCh)	August			
	Colombia	Unemployment Rate	July	0		13,2%
	Brazil	Industrial Production	July	-10.9%		
	Brazil	Trade Balance	August	\$2928M		
Tuesday						
	Argentina	Salary Index	July	19,4% a/a		
	Perú	Monthly Inflation	August	0,0019		BBVA: 0.1%
	Perú	Inflation yoy	August	0,03		BBVA: 2.2%
	Venezuela	Unemployment	July	June 7,8%		
Wednesday						
	México	Manufacturing opinion index	August	NA	NA	NA
Thursday						
	México	Manufacturing IMEF	August	50	NA	NA
Friday						
	México	Consumer confidence	August	85.4	86	86

Macroeconomic Indicators

	GDP (yoy)					Inflation		Unemployment		Industrial Prod.		Sales		Exports		Trade Balance	
	2Q09	1Q09	4Q08	3Q08	2Q08	yoy		(%active pop.)		yoy		yoy		yoy		mUSD	
Argentina	2,0	4,1	6,9	7,8	0,0	5,5	Jul	8,8	2 T 09	-1,5	Jul	13,5	Jun	-30,0	Jul	1315,0	Jul
Brazil		-1,8	1,3	6,8	6,2	4,5	Jul	8,0	Jul	-10,9	Jun	5,6	Jun	-30,8	Jul	2928,0	Jul
Chile	-4,5	-2,3	0,2	4,6	0,3	0,3	Jul	10,7	Jun	-8,3	Jun	-6,6	Jun	-30,0	Jul	881,0	Jul
Colombia		-0,6	-1,0	3,3	3,7	3,3	Jul	13,0	Jun	-6,6	Jun	-4,5	Jun	-18,8	Jun	377,9	Jun
Mexico	-10,3	-8,0	-1,6	1,7	2,9	5,4	Jul	6,1	Jul	-10,6	Jun	-5,1	Jun	-34,7	Jul	-209,3	Jun
Peru	-1,2	1,8	6,5	10,9	11,6	2,7	Jul	8,2	Jul	-12,2	Jun	n.d.	n.d.	-25,6	Jun	441,0	Jun
Venezuela	-2,4	0,3	3,2	4,1	7,2	28,3	Jul	7,8	Jun	11,4	Mar	20,5	Mar	51,7	Jun	4572,0	Jun

Sources: Bloomberg, Reuter, and
BBVA staff estimates.