



GDP Observatory

February 15, 2010

GDP increased 6.4% in December and 1.1% in 2009

- The boost in the last month of the year came, once again, from the construction and financial services sectors. Moreover, non-primary manufacturing recorded its first year-on-year increase since December 2008 with greater production of intermediate goods.
- December results reflect a greater incidence of public spending and the possible start of an inventory repositioning process -two factors that will continue supporting activity in the short term.
- Consolidating the economic recovery will depend on the expected increase of dynamism in private spending.

In December, the central government's increase spending was reflected in (i) the expansion of government services, with an impact of 2.5 pp on the result for the month; and (ii) progress in Public Investment (up 173%), contributing 7 pp to the growth in the Construction sector and, thus, 1.3 pp to the month's GDP expansion. Therefore, as in previous months, public spending continued supporting activity.

Moreover, non-primary manufacturing recorded its first year-on-year increase of the year in December (3%). A positive statistical effect was also observed in connection with the halt of operations carried out by companies in the steel sector in December 2008. This was in addition to indices that an inventory repositioning process could be starting, taking into consideration the reactivation in the last two months of 2009 due to the production of intermediate goods (year-on-year contractions in the rest of the year) and a greater proportion of manufacturing branches undergoing expansion (62% versus the 20% mid year).

Appraisal

The noteworthy growth of economic activity in December positively affected the market consensus. Although it is outstanding, this growth primarily reflects the support given to fiscal stimulation activity, as well as the possible start of an inventory repositioning process in some industries. This support will continue in the short term: However, consolidating the economic recovery will depend on the expected increase in the dynamism of consumption and, in particular, private investment.

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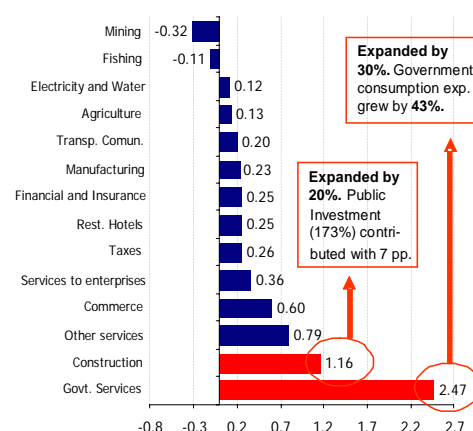
Table 1: Gross Domestic Product
(annual. % yoy change)

Sectors	Dec. 2009	2009
Agriculture and Livestock	2.2	2.3
Agriculture	0.8	0.9
Livestock	3.7	4.4
Fishing	-21.7	-7.7
Mining and Fuels	-5.7	0.4
Metals	-6.8	-1.4
Fuels	2.7	16.1
Manufacturing	1.6	-7.2
Based on raw materials	-4.4	0.0
Non-Primary	3.0	-8.5
Electricity and Water	6.2	1.2
Construction	19.7	6.1
Commerce	4.3	-0.4
Other Services	9.1	4.8
<i>Governmental Services</i>	<i>29.3</i>	<i>15.6</i>
PBI	6.4	1.1

Source: INEI

Prepared by: SEE BBVA Banco Continental

Chart 1: Contribution to GDP growth
December 2009 (pp)



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