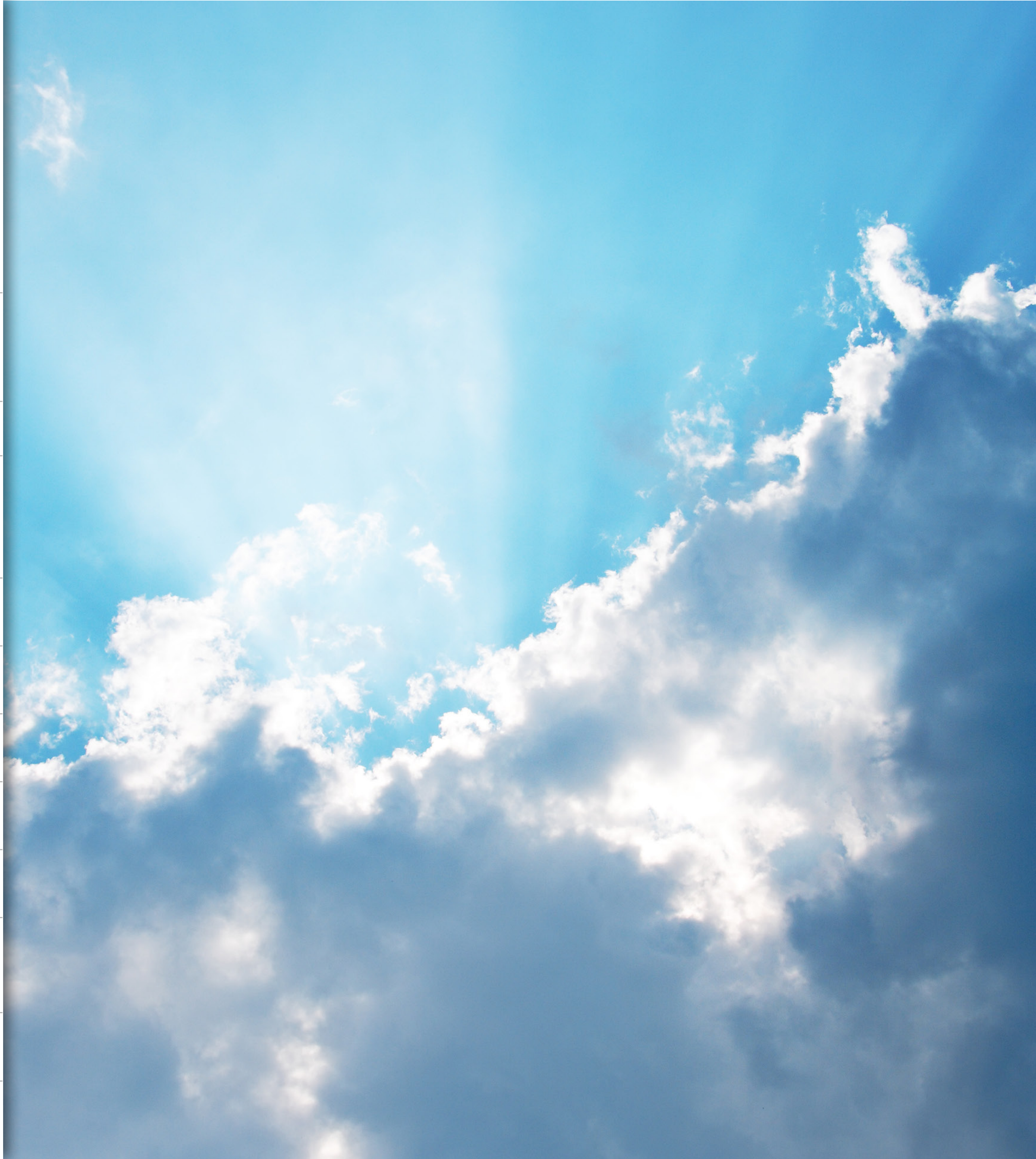
Deloitte.

Latin America Economic Outlook

July 2015

Contents



Executive summary

An international economic environment long favorable to Latin America is fading. Indeed, slower growth in China and an expected increase in interest rates in the U.S. have combined to push down the prices of commodities, push up the dollar worldwide, and lessen the flow of capital to the region, negatively impacting most Latin American economies. Although a few countries have initiated the structural reforms necessary for increased productivity and competitiveness, it is clear that recent slowed growth has made the reform process more difficult, and, in some cases, even halted it.

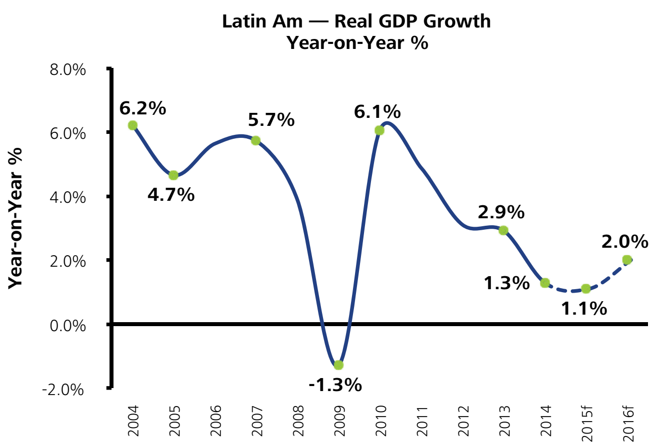
At present, the region needs a growth strategy based on increased productivity. Given that in the short term the international context is not going to improve, failure to implement such a strategy risks hampering Latin America with low economic growth much longer than advisable from either an economic, political, or social perspective.

Macroeconomic overview

Latin America: Time for structural reforms

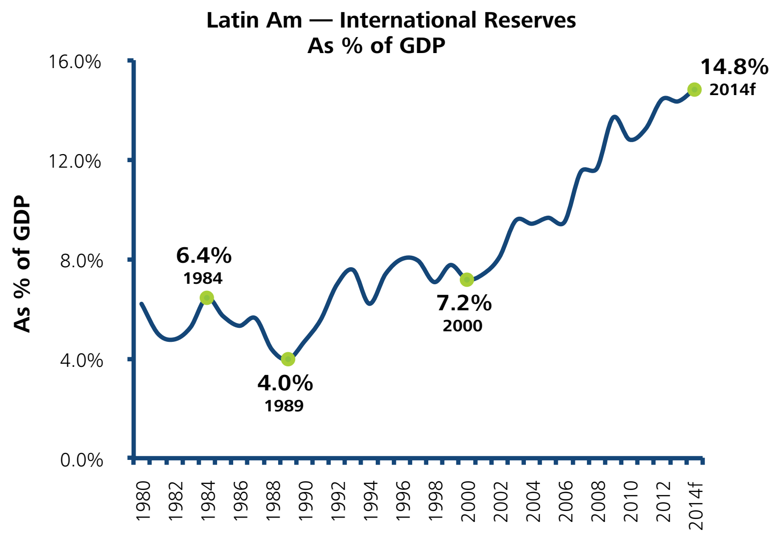
After average annual growth of 4.2% from 2004 to 2013, the region's economies expanded only 1.3% in 2014. The trend should continue this year, with expected growth of just 1.1%.

In the context of the changed international environment, the marked deceleration of growth that Latin America has seen in recent years comes as no surprise. After average annual growth of 4.2% from 2004 to 2013, the region's economies expanded only 1.3% in 2014. The trend should continue this year, with expected growth of just 1.1%. For the first time in some years, the average growth rate of Latin American countries is expected to be lower than that of the developed nations (1.6% vs. 2.4%, respectively, for 2015–16).



Source: CEPAL and IMF

The good news is that, despite the slowdown, economic fundamentals for most countries in the region remain solid. As measured by international reserves, public debt (in terms of stock and maturity profile), and overall social conditions, the current situation is clearly much more favorable than it was 10–20 years ago.



Source: CEPAL and IMF

Latin America: Time for structural reforms

At times of economic uncertainty, the short term rules and attention to the medium/long term fades. Preventing this from happening is the main challenge facing Latin America today.

Nevertheless, Latin America faces major challenges in the short/medium term. The region needs to resume faster growth as soon as possible, for both economic and political reasons (it should not be forgotten how, in developing economies, economic stagnation can create the conditions for political and social instability). In other words, the task that most Latin American countries have before them is designing and implementing a growth strategy that is not unduly vulnerable to global conditions but, instead, based once and for all on systemic improvements in productivity. Only a strategy rooted in continuous, general, and sustainable gains in productivity will ensure a path to steady growth for the region in the medium/long term.

The difficulty is that on this score Latin America still lags. Indeed, in terms of skilled labor, investment in physical capital, infrastructure, developed financial markets, incentives for innovation, and technological expertise, the region still has a very long way to go.

Although a few countries have started down the path of structural reform required to raise productivity and competitiveness, it is clear that the recent slowdown of economic growth has made the reform process more difficult. When growth slows or stops, societies tend to shy away from processes of continual, systematic change, despite the promise of positive results in the medium/long term. At times of economic uncertainty, the short term rules and attention to the medium/long term fades. Preventing this from happening is the main challenge facing Latin America today.

.

Argentina
A tense calm

Recession persists. Domestic economic activity has continued to fall. According to private calculations, in the first three months of the year it declined 2.3% as compared to the same period of 2014, when the economy grew 0.1%. Thus, Argentina recorded three consecutive months of shrinkage, something not seen since the 2009 crisis.

The first quarter of 2015 was characterized (again, by unofficial figures) by a divergence between goods-producing sectors, which rose 0.4% year-on-year driven by agriculture, and the service sector, which continued to fall, registering a 2.9% annualized decline.

Industry also in negative territory. Manufacturing output closed out 2014 with a slowdown of 5.2% compared to the previous year (which saw 0.4% growth), according to information published by the Fundación de Investigaciones Económicas Latinoamericanas. Industrial activity continued to fall during the first quarter of this year, by 4.5% year-on-year.

This drop reflects decreased domestic and foreign demand for all manufacturing. Locally, a decline in private consumption has had a direct impact on manufacturing that caters to domestic demand, which has been exasperated by government-imposed customs barriers that have slowed the arrival of materials needed for production. Internationally, the declining competitiveness of export goods and sluggish growth among Argentina's main trading partners (especially Brazil) have also played a significant role.

Prices rising more slowly, but remain high. Despite less economic dynamism, domestic prices continue to rise. Although the year-on-year variation was down considerably in the first few months of 2015, the figures reflect the current elevated basis of comparison (inflation was over 4.0% a month during the first quarter of 2014). Thus, from January to April, according to estimates published by the Commission on the Freedom of Expression of Argentina's legislature, there was an average monthly rise of less than 2.0% and a year-on-year rise of around 31.0%.

The decision not to devalue, coupled with the sell-off of dollars by the central bank (setting a record for the fourth straight month in April, when USD 495 million were sold), and the eventual appearance of a portion of these sales in unofficial markets, have all contributed to a recent decline of the dollar on the black and gray markets.

For the rest of 2015, most forecasts are for retail inflation below that seen in 2014, ending at 25% to 30% in a December/December comparison.

Tense calm on the exchange market. The foreign-exchange market has remained relatively quiet. The decision not to devalue, coupled with the sell-off of dollars by the central bank (setting a record for the fourth straight month in April, when USD 495 million were sold), and the eventual appearance of a portion of these sales in unofficial markets, have all contributed to a recent decline of the dollar on the black and gray markets. Thus, while officially the dollar closed out April 2015 at AR$/USD 8.88 (+40.3% vs. December 2013, but only +3.7% vs. December 2014), on the parallel market, the dollar was trading at AR$/USD 12.63 (+30.8% and -3.7%, respectively).

Pending tasks for the new administration. Regardless of who wins the October elections, the next administration will need to deal with several pressing issues: public spending at record levels, prices distorted by onerous government regulation, and decreased competitiveness in foreign markets.

Meanwhile, no changes in direction are forecast: real GDP should shrink by 1.0% to 1.5% in 2015, and the inflation rate should remain high, although lower than in 2014.

Brazil

Protests, rising unemployment, and high inflation

The economy cools. In 2014 the Brazilian economy grew by 0.1% over the preceding year, according to data published by the Brazilian Institute of Geography and Statistics (IBGE)[1]. GDP growth last year was driven by the service sector, which saw an increase of 0.7%, and agriculture, which expanded by 0.4%; manufacturing hindered overall activity, declining 1.2% for the year.

The weak performance is explained not only by sluggish growth in the productive sectors—all except mining produced earnings below those of 2013—but also by a drop in capital investment and a consumption sector hurt by shrinking credit.

If it was the worst performance by Latin America's leading economy since 2009, the final result was nevertheless slightly higher than analysts' expectations. Estimates had been for economic stagnation and no growth for 2014. The increase in GDP in the last quarter of the year was the confounding factor: 0.3% in comparison to the preceding three earlier months, exceeding forecasts for a 0.2% decline.

In the first few months of this year, however, economic activity has weakened; monthly data and the economic activity index reveal a contraction of around 2.5% during the quarter.

Unemployment highest in the three years. The unemployment rate in the country's six largest cities rose in March 2015 to 6.2%, the highest it has been in three years, according to reports by the IBGE. Unemployment has risen unchecked this year, and the rapid decline in the Brazilian labor market is occurring while the country is facing its worst recession in recent memory; the combination has been a heavy blow to the administration of President Dilma Rousseff, whose popularity is at historic lows due to the threats to job security.

[1]It should be pointed out that national-accounts figures were calculated according to the new methodology that all countries are adopting. Based on the international model, the IBGE also revised GDP growth from the past two years: for 2012, the growth rate went from 1.0% to 1.8%, while for 2013, it rose from 2.5% to 2.7%.

1 2 3 4 5 6 7 8 9 10 11

Brazil's currency fell precipitously during the first few months of the year, responding to not only the dollars strengthening worldwide but also weakening domestic activity. During the first quarter of 2015, the real depreciated 18.6%, settling above R$/USD 3.

Persistent inflation. In March, the monthly advance of prices was the largest since February 2003. Although April's inflation was lower, the year-on-year increase climbed to 8.2%, and, therefore, for the fourth month in a row was beyond the target range (4.5%, +/–2.0%). Rising inflation in the first few months of this year can be explained by adjustments to electricity rates, together with the recent rise in government-regulated prices of goods and services such as gasoline and public transportation.

For the rest of the year, according to forecasts by the central bank of Brazil (BCB), inflation is expected to be around 8.5%.

More restrictive monetary policy. At its latest policy meeting, the BCB, in a measure aimed at combating growing inflation, raised its benchmark interest rate by 50 basis points, from 12.75% to 13.25%, the highest in six years. It was the fifth consecutive meeting at which the monetary policy committee decided to raise rates.

An ever-weakening real. Brazil's currency fell precipitously during the first few months of the year, responding to not only the dollar's strengthening worldwide but also weakening domestic activity. During the first quarter of 2015, the real depreciated 18.6%, settling above R$/USD 3. Although the currency appreciated slightly during the fourth month of the year, it was expected to decline against the U.S. dollar in the short term, due to concerns over reports of corruption at Petrobras, the state-run oil company, and the economy's general stagnation.

In April 2015, millions of protestors took to the streets in dozens of Brazilian cities to protest policies of the administration. President Dilma Rouseff faces a very delicate situation just five months into her second term—not only the problems besetting the economy, but also the growing corruption scandal involving Petrobras.

Recession in sight. After meager growth in 2014 that staved off outright recession, the outlook is not heartening for this year. In 2015 recession is inevitable, with a fall in economic activity of around 1% expected, which would be the worst result in 25 years—that is, since 1990, when GDP fell by more than 4%.

New protests against the administration. In April 2015, millions of protestors took to the streets in dozens of Brazilian cities to protest policies of the administration. President Dilma Rouseff faces a very delicate situation just five months into her second term—not only the problems besetting the economy, but also the growing corruption scandal involving Petrobras. Despite the repeated protests, the administration defends its fiscal adjustments, citing the need to improve public accounts and ensure the country's return to the path of growth.

Chile
Preparing for recovery

Moderate expansion. According to data provided by the central bank, the Chilean economy closed out 2014 with GDP growth of just 1.9%, the lowest in five years. On the supply side, nearly every sector saw gains, in particular the fishing industry, which grew 17.5%; the exceptions were manufacturing and agriculture, both of which fell 0.3%. On the demand side, consumption grew by 2.6% and exports rose 0.7%. Investment suffered a marked decline of 6.1%.

The downturn was the result of falling prices for exportable raw materials, which had driven regional growth in recent years. The price of copper—the country's leading export commodity—began falling before that of other raw materials, which affected Chile particularly.

According to the latest data, economic activity was up a monthly average of 2.2% in the first quarter of 2015. Although the March data was weak—reflecting the effects of storms that ravaged the north of the country—considering the trajectory the economy had been tracing at the close of 2014, the first-quarter figures indicate a slight recovery of activity based on rising consumption (increases to real retail and supermarket sales), which offset declines in mining and manufacturing.

With respect to the labor market, unemployment for January to March of 2015 stood at 6.1%, essentially unchanged from the three preceding months and slightly lower than the rate for the same period of 2014 (6.5%).

Inflation to return to target range in the short term. In the last few months of 2014, inflation rose faster than predicted and ended outside the target range set by the monetary authority (3.0%, +/– 1.0%). This in a context in which economic activity grew less than expected, the Chilean peso depreciated considerably, and the central bank decided to cut interest rates. In the first few months of 2015, however, slower inflation has led analysts to predict a convergence toward the new target range set for the end of the year, when the increase to the cost of living should be around 3.2%. Conservative policy initiatives by the central bank and a more moderate weakening of the currency are expected to limit pressure on domestic prices.

Currency depreciation continues. This past April, the Chilean currency was trading at C$/USD 615, a depreciation of only 0.3% since the end of last year (although depreciation since December 2013 totals 16.1%). The peso is expected to continue to decline, in response to weak economic growth, persistent negative confidence indicators, and uncertainty regarding implementation of still pending structural reforms.

Public sector leads job creation. With respect to the labor market, unemployment for January to March of 2015 stood at 6.1%, essentially unchanged from the three preceding months and slightly lower than the rate for the same period of 2014 (6.5%). Despite this, available data show a slowdown in job creation and a decline in the labor force, in addition to major restructuring of the labor market. In recent times, the mining, manufacturing, construction, commerce and real estate sectors have experienced the most job losses, while there has been greater dynamism and employment generation in social services and healthcare, education, public administration and defense, agriculture, and hotels and restaurants.

Consequently, approval ratings for President Michelle Bachelet have fallen drastically, settling at a historic low of 31% in April 2015.

A slow recovery, amid political uncertainty. Economic activity should pick up this year. According to a survey of expectations prepared by the central bank, analysts forecast economic growth for 2015 of around 2.8%, and for 2016, 3.5%. Even considering the economy's vulnerability to the prices of export commodities, activity is expected to accelerate this year, sustained by investment and public spending on infrastructure.

In the political realm, the country has recently seen multiple corruption scandals at major Chilean companies in which government employees have been implicated. Consequently, approval ratings for President Michelle Bachelet have fallen drastically, settling at a historic low of 31% in April. In face of the institutional crisis, and determined to reverse popular indignation and dispel a perception of pervasive corruption, the president asked her entire cabinet of ministers to resign and has proposed stricter regulations on government and public-sector employees.

Colombia
Stronger regionally

Continuing on the path to stability. According to the National Administrative Department of Statistics, the economy grew 4.6% in 2014, slightly below the 4.9% achieved in 2013. Thus, Colombia managed to close out the year with the highest growth rate in the region.

On the supply side, eight of the nine sectors that make up GDP witnessed a year-on-year increase. The construction sector performed particularly well and supported overall economic activity; it rose by 9.9% from a year earlier, buoyed by civil works and a free housing program being promoted by the government, as well as private residential construction.

On the spending side, the expansion was associated with the growth of both gross capital formation and final consumer expenditures. The dynamism of investment was accompanied by a favorable macroeconomic environment characterized by a more competitive exchange rate, single-digit unemployment, and a poverty rate now below 30%.

Strong domestic demand. Final consumer expenditures were one of the determinants of growth in 2014. With a 4.7% uptick for the year, consumption lifted domestic demand, based on increases in household spending (4.4% a year) and government outlays (6.2%). This performance reflects high consumer confidence and significant advances in the labor market. The national unemployment rate averaged 9.1% in 2014, below the 9.6% recorded in 2013; moreover, urban employment rose 2.2%.

Fourth-quarter weakness. Favorable annual results notwithstanding, in the last few months of 2014 the Colombian economy showed signs of slowing down, growing 3.5% year-on-year from October to December. These figures confirmed the slowing pace of growth already evident in preceding quarters: after a 6.4% annual rise in the first, GDP rose 4.3% in the second quarter, and only 4.2% in the third.

Market analysts expect that during the second half of the year inflation will slow and converge on the target, closing out the year at around 3.8%.

The latest data, from January and February, suggest that the downturn has extended into the first few months of 2015. The slowdown is associated with falling oil prices and an exhaustion of what, to date has been the main driver of growth: oil drilling and other mining activity.

Temporary increase in inflation. The uninterrupted rise in prices that began in December 2013 has led to inflation that in April 2015 stood at 4.6% a year, a level unseen since May 2009. Recently, the largest increases have occurred in education, communications, and food, and this last group has contributed the most to inflation over the past 12 months.

Although from a longer term perspective these are historically low levels, price increases have remained outside the target range (3.0%, +/–1.0%) for the third successive month. The uptick in recent months is temporary; however, and for this year, indications are that demand pressures should moderate. Market analysts expect that during the second half of the year inflation will slow and converge on the target, closing out the year at around 3.8%.

No changes to monetary policy this year. At its latest board meeting, the central bank held its benchmark interest rate steady at 4.5%. The authorities have thus left the rate unchanged for seven straight months, attempting thereby to stimulate the economy while, at the same time, avoiding further upward pressure on consumer prices precisely when there has been an increase to a level above the target.

The merely temporary higher inflation justifies holding the rate steady, where it is likely to stay in the months to come, given that nothing would seem to indicate changes until at least January of 2016.

Market expectations are for a 3.5% expansion in 2015. For next year, major outlays for public works and a gradual increase in domestic manufacturing capacity will drive growth up slightly, to 3.7%.

The peso grows weaker. Despite an upward trend in April, the currency has depreciated 7.0% since December 2014. This can be explained by the dollar's strengthening worldwide, the continual drop in oil prices, and expectations generated by the U.S. Federal Reserve's message at its last monetary policy meeting: U.S. interest rates are expected to rise in the final months of the year. At the close of 2015, the exchange rate should be around COP/USD 2,485, very close to the final rate of 2014 (+6.1% in comparison).

Gradual recovery in 2016. With respect to the economic cycle, the outlook for the Colombian economy in 2015 and 2016 is positive. Although the recent downturn is expected to continue through the year, growth will nevertheless be solid. Market expectations are for a 3.5% expansion in 2015. For next year, major outlays for public works and a gradual increase in domestic manufacturing capacity will drive growth up slightly, to 3.7%.

Ecuador

Continued growth, despite the slowdown

Closing out the year well. Last year, the Ecuadorian economy recorded one of the region's highest growth rates: in the last quarter, GDP advanced by 3.5%, and for the year it was up 3.8% (vs. 4.6% in 2013).

The greatest dynamism was seen in remittances from abroad, which rose 6.2% year-on-year, while imports were 5.5% higher than in 2013. Household consumption rose by 3.9%, but growth in government outlays fell slightly, to 3.6%. Finally, investment was up 3.7% year-on-year. Overall, the non-petroleum sector expanded 4.3%, while the oil sector rose by 2.2% (vs. 5.0% and 3.2%, respectively, in 2013).

Not surprising, the global decline in crude oil prices has negatively affected the smallest partner in the Organization of the Petroleum Exporting Countries (OPEC). Indeed, the flow of dollars into Ecuador in recent years, following historic highs in the international price of oil, is now slowing to a trickle. If the impact was especially noticeable during the last quarter of last year, the economy nevertheless managed to grow at a good pace.

An uncertain start to the year. Based on data published by the central bank, the economy did not get off on a good foot this year, shrinking by 0.4% during the first two months.

The year is going to be challenging economically for the government because of the responsiveness of economic activity to the international price of oil, the country's leading export commodity. According to data provided by the Ministry of Renewable and Nonrenewable Resources, the state incurs production costs in excess of USD 27 per barrel, and the equilibrium price to support such production is around USD 60 (USD 5 over the current price). For this reason, for the time being the government has agreed to cut state production by 10,000 barrels a day (2% less production than in 2014), in order to optimize investments in the sector.

This year, the forecast is for price increases of around 3.9%, although authorities have advised that estimates will be revised to take account of changes in the price of oil.

Slight increase in prices. After averaging 3.7% last year, inflation sped up a bit during the first few months of this year. According to the latest data available, in April the year-on-year figure was 4.3%, with a cumulative 2.5% for the first four months of the year. Food and nonalcoholic beverages and transportation were the sectors that contributed the most to the CPI variation[2].

This year, the forecast is for price increases of around 3.9%, although authorities have advised that estimates will be revised to take account of changes in the price of oil.

A year of challenges. Although GDP is expected to remain positive, there will be a marked slowdown in growth. On the one hand, the decline in government revenue due to the fall in petroleum prices is expected to result in a major drop in public spending. On the other, the government is likely to be forced to raise fees and costs for services in an effort to contain the domestic and foreign deficit. Given these conditions, GDP is expected to grow by 2.4% in 2015, while in 2016 expansion will be closer to potential, at 3.6%.

[2]In January 2015, the Ecuadorian Institute of Statistics and Census adjusted the base year for measuring the consumer price index (CPI), from 2004=100 to 2014=100, in order to update the basket of products and to optimize the methodological, technical, and operational processes for calculating the CPI.

Mexico
Major challenges for the year

Gains in economic activity. In the fourth quarter of 2014, the Mexican economy's growth rate rose to 2.6% over the same period the previous year. Thanks to dynamism in foreign demand and increased domestic spending, economic activity continued the moderate recovery that had begun in the second quarter and closed out with an annual expansion of 2.1%.

The trend continued into 2015, with an uptick of 2.3% for the first two months of the year, according to initial data presented by the National Institute of Statistics and Geography, well above the figure for the same period of 2014 (1.3%). This result, along with higher employment numbers (+4.6% year-on-year in February) and strong growth in automobile sales (22.0% year-on-year in February), would suggest that the economy is on the road to recovery.

Yet there are still a few indicators that will need to see reversals if the Mexican economy is to consolidate its positive gains this year. In recent months the industrial sector has grown at diminishing rates and started 2015 up just 0.8%, and exports, which, in the last few months of 2014, advanced at decreasing rates, fell 2.2% year-on-year January to February, negatively impacted by the drop in oil prices. Revenue from crude oil exports has not advanced since July 2014.

Inflation to return to target. In 2014, the price index rose 4.1% and ended above the upper limit established by the monetary authority (BANXICO) (3.0%, +/–1.0%). In the first few months of this year inflation has been slightly lower, suggesting that upward pressure is lessening.

According to the latest data, in April 2015 prices fell by 0.3% per month, and year-on-year inflation was 3.1%. The slowdown can be explained by summer discounts on electricity rates, lower agricultural prices, and lower prices for tourism services. For the year, inflation is expected to remain within the target range and average 3.1% a year, while in 2016, prices should rise by 3.5%.

The petroleum sector, heavily punished by the drop in the international price of oil, is responding to structural reforms, as evident recently in increased exploration.

Currency depreciation follows crude oil's decline. Mexico's currency depreciated 12.6% in 2014, while in the period from January to April 2015, its cumulative depreciation was 5.6%, settling in April 2015 at a nominal rate of Ps/USD 15.23. The exchange market has operated in an environment of speculation over the price of oil, and, thus, the currency has depreciated considerably since the price of crude began its decline.

For December 2015, the exchange rate is expected to be around Ps/USD 14.80. If and when the U.S. Federal Reserve decides to raise its benchmark interest rate will impact the exchange rate.

Unchanged monetary policy. BANXICO decided to maintain its benchmark interest rate at 3.0%, consistent with the convergence of inflation on the target. In the short term, however, it has not discounted the possibility of intervention to avoid an abrupt flight of capital.

Structural reforms fundamental for growth. Mexico is relatively stable economically, and forecasts for both the near and longer term are good. However, if these projections are to be realized, the country must continue the current reforms it is undertaking, so that the economy remains competitive.

Commercial trade with the U.S. is expected to grow apace this year. And the petroleum sector, heavily punished by the drop in the international price of oil, is responding to structural reforms, as evident recently in increased exploration. Given this auspicious context, GDP is expected to grow 3.1% in 2015.

Peru
Solid growth for the year, despite a weak start

Weak performance at the start of the year. According to data provided by the National Institute of Statistics and Information, Peru's GDP grew by 2.4% in 2014, well below its excellent performance in 2013, when it advanced 5.8%. On the demand side, dynamism in public and household consumption (+7.1% and +4.1%, respectively) was offset by poor performance by both investment (–1.0%) and exports (–3.4%), while imports fell by 1.0%. By sector, services stood out as contributing the most to the economy's growth, up 5.5% for the year, manufacturing and mining fell by 1.7% and 0.9%, respectively.

The downturn in 2014 was a consequence of both the slow recovery of the global economy, which kept terms of trade unfavorable—low prices for copper, gold, and silver affected investment and mining operations—and poor weather conditions throughout the year, which suppressed domestic output.

Indicators for the first quarter of 2015 are mixed and suggest continued weak performance. According to the Monthly National Production Indicator, domestic output grew an average of 1.3% in the first two months of the year. Although most sectors managed gains, fishing, manufacturing, and construction continue to hamper the overall economy, which has made only minor advances since the second quarter of last year.

At the end of 2015, annual inflation is expected to be around 2.7%

Lower international prices affect trade. Exports were off by 25.5% year-on-year in February 2015 (with total shipments abroad of USD 2.4 billion) due to a drop in traditional exports and the decline of commodity prices on the international market. Purchases from abroad totaled USD 2.7 billion, 7.5% below the figure for February 2014; the decline in imports reflected fewer acquisitions of capital goods and construction materials. With these results, the trade balance ended with a deficit of USD 280 million, well below the last figures recorded in 2014. For the rest of this year, lower international prices for Peru's export commodities, especially copper and gold, are expected to limit revenue from shipments abroad, at least in the short-term, such that the country's current account deficit should be more than in 2014 (4.1% of GDP).

Prices converge on target and depreciation slows. In April 2015, retail prices recorded a year-on-year increase of 3.0%, at the upper limit of the target range established by the central bank (2.0%, +/–1.0%). Cumulative inflation was 1.6% for the first four months, a consequence mainly of increases in education and transportation and weather disruptions affecting the food supply.

Inflationary pressures were mitigated by slower currency depreciation, and in the short term, inflation is expected to slow as a consequence of weak economic activity and lower oil prices. At the end of 2015, annual inflation is expected to be around 2.7%.

GDP is expected to recover substantially as a result of greater mining output, increased fishing (a sector that suffered much in 2014), more investment in infrastructure, and stimulus fiscal and monetary policies that the government is set to enact.

On the foreign exchange market, in April 2015, the nominal exchange rate was Ns/USD 3.12 (+12.0% vs. July 2014, the last month in which the currency appreciated), which reflects a moderating of the strong upward trend seen in the first three months of the year. However, the Peruvian currency remains vulnerable to the recent strengthening of the U.S. dollar, particularly given expectation of a higher benchmark interest rate in the U.S. analysts forecast an exchange rate of around Ns/USD 3.20 in December 2015.

Forecast very sunny. GDP is expected to recover substantially as a result of greater mining output, increased fishing (a sector that suffered much in 2014), more investment in infrastructure, and stimulus fiscal and monetary policies that the government is set to enact. Growth of 4.3% is anticipated for 2015, a result that would make Peru's one of the best performing economies in the region. It is important to note, however, that such an outcome depends fundamentally on what happens with investment; without adequate investment the economy could be pulled into another year of low growth.

Venezuela
Oil prices hamper growth

Confirmation of an economic recession. The crisis intensifies. According to data from the central bank (BCV), GDP fell by 4.0% year-on-year from January to September of 2014, and, while results from the last quarter of the year have not yet been published, analysts estimate that the economy shrank between 4.5% and 4.9% in 2014. Macroeconomic projections are based on the steep decline in the price of oil, export of which generates 95% of the country's foreign capital, and poor economic management.

Socioeconomic decline and an unfavorable outlook. Between dependence on oil exports and low foreign reserves, the Venezuelan economy is left with little room for maneuver. While the energy market saw prices rebound some this past February, which replenished reserves slightly, they are still very low. The direct consequence has been a drastic reduction in imports, which has led to a worsening scarcity of all goods.

Ineffective reforms to the multiple exchange rate system. The government's modifications to the exchange rate system have not altered the underlying dynamics. The multiple rate system remains in place, with the currency's official parity at BsF/USD 6.3, a rate essentially reserved for public-sector imports and strategic government sectors such as food and healthcare. The other two systems remain in place, although with slight adjustments: Sicad I offers an exchange rate for personal services and the manufacturing sector of BsF/USD 12.0, while Sicad II has been replaced by a variable rate called the Simadi that is used for the rest of the productive sectors. On its first few days of trading, Simadi was offering around BsF/USD 170.0. The scarcity of capital has made it extremely difficult to buy dollars in any of the official exchanges, encouraging a robust black market, currently trading at BsF/USD 250.0.

For 2016, the recession is expected to worsen, given that the legislative elections scheduled for the end of 2015 mean greater stimulus in the form of public spending, with consequent increased inflation and worsening of economic conditions.

Highest inflation in Latin America. The BCV has yet to publish inflation figures for the first quarter of 2015, and, in the absence of official data, the leader of the opposition, Henrique Capriles, has asserted that prices rose nearly 30% in that time. If such estimates are confirmed, inflation may exceed the 100% mark in just one year.

Abrupt economic downturn this year. Given this context, projections for overall activity this year are not heartening: analysts expect a decline of around 7.0%. The poor outlook reflects the sharp drop in the price of oil, the state's control of the economy, and distortions that have exacerbated the scarcity of basic goods in an economy that is currently in recession. For 2016, the recession is expected to worsen, given that the legislative elections scheduled for the end of 2015 mean greater stimulus in the form of public spending, with consequent increased inflation and worsening of economic conditions.

Negative outlook. The ratings agency S&P downgraded Venezuela's credit rating from CCC+ to CCC, with a negative outlook, given the forecast of lower oil prices, a worsening of the recession, and sky-rocketing prices. The rating also took into account the elevated risk of the Venezuelan government's default, given that its failure to introduce corrective measures sufficient to stabilize the economy, alleviate scarcity, boost economic activity, and improve public accounts, may further erode its ability to access liquidity. This situation, along with fewer foreign assets and sustained political polarization, increases the risk of default in both the short- and medium-terms.

1
2
3
4
5
6
7
8
9
10
11

Industry analysis

Manufacturing: Facing the challenge of restarting production

In looking at manufacturing in Latin America, the focus is primarily on Argentina, Brazil, and Mexico, given that these countries are responsible for nearly 80% of the region's output. In 2014, there was almost no industrial growth in Latin America, given that the sector's recession in Argentina and Brazil was not offset by positive performance in Mexico.

In **Brazil**, the industrial production indicator dropped 3.2% in 2014, the worst result in five years (in 2009, factory output fell by 7.1%). The manufacturing slowdown was seen in every sector, but particularly in capital goods and durable consumer goods, which suffered the consequences of the automotive industry's crisis. Inflation, which has remained high, and higher costs for imports due to the rapid fall of the Brazilian real, have severely hurt the competitiveness of Brazil's firms.

Argentina's industry, for its part, has been shrinking consistently for six quarters straight, the longest such period since 1993. Factory output closed out 2014 with a contraction of 5.0% compared to the previous year, and has not shown any signs of improvement in the first few months of this year. Stagnation in private consumption, customs limits imposed by the government, low competitiveness in international markets, and economic slowdown among its leading trade partners have all contributed to the industrial sector's decline.

The situation in **Mexico** is different. According to information provided by the National Institute of Statistics and Geography, industrial activity advanced 1.9% last year, a better result than in 2013. The automotive sector's strength and the construction sector's consolidation were the keys to the industry's dynamism throughout the year. At the outset of 2015, manufacturing activity has shown signs of a slight tapering of growth, revealing that the push from construction appears to have dissipated.

Manufacturing: Facing the challenge of restarting production

1
2
3
4
5
6
7
8
9
10
11

The state of **automotive manufacturing** is the main cause of the ongoing industrial recession in Argentina and Brazil. However, while in 2014 those countries' output in this sector fell, Mexican automakers recorded 9.8% growth. Further, Mexico has received investment announcements for six new car plants worth over USD 7 billion, as well as new joint production capacity for high-end vehicles. These announcements are in addition to Nissan's plans in Argentina, where it forecasts investment of USD 600 million in the production of three new pickup-truck models for South American markets[3].

Metals production is another sector experiencing challenges. Latin American raw steel output, which accounts for 4.1% of global production, grew only 0.3% last year, while primary iron production fell 2.3%. The industry's weak performance is a consequence of the shift in production away from Latin America as a result of unfair trade, given the subsidies that China's mostly state-run steelmakers receive; the shift is affecting not only steel products, but also related manufactured goods.

The **chemicals industry** appears to be faring slightly better in Argentina. Atanor, part of the US Albaugh group and a manufacturer of insecticide, sugar, and alcohol, announced investment over the next five years of USD 100 million, part of which will go to expanding a plant in Río Tercero, where herbicides, caustic soda, and other chemicals are produced. Also in Argentina, Adama, an agro-chemicals manufacturer, will invest USD 30 million over the next three years to develop products without glyphosate for the domestic market. In Uruguay, a company called Efice plans an industrial project at a cost of USD 300 million, including expansions that will enhance caustic-soda production (and incorporate also nonchemical components, such as a wind farm).

[3] http://www.nissan-global.com/EN/NEWS/2015/_STORY/150408-03-e.html

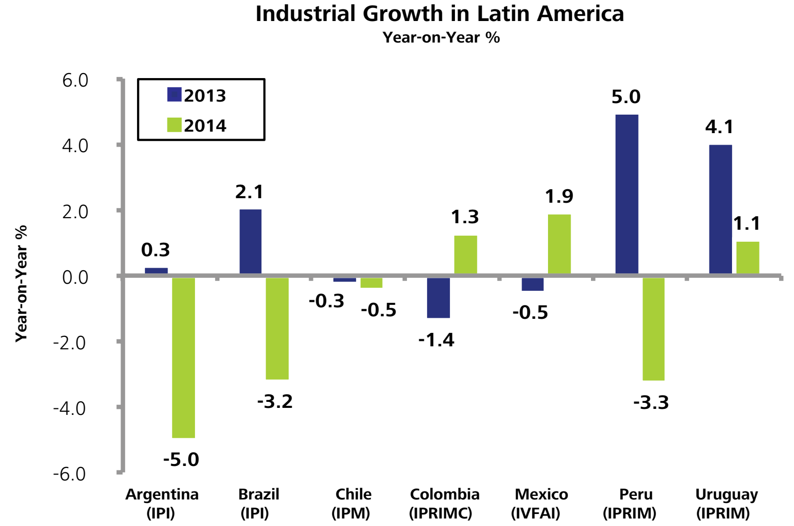
Manufacturing: Facing the challenge of restarting production

For this year, there are indications of growth in industrial output regionally, although the performance of individual countries will remain very unequal. Mexico will continue to stand out, for the dynamism of its automotive sector, which will encourage growth in related industries like basic metals, rubber and plastics, electronic equipment, and electrical machinery. Additionally, Mexican industry will benefit from the structural reforms encouraged by President Peña Nieto and the positive outlook for manufacturing in the U.S.

Brazil, however, can expect another industrial contraction, though less than last year's contraction. Many of the problems affecting manufacturing output in Latin America's largest economy, such as high labor costs, precarious infrastructure, and a heavy tax burden, will remain in place in 2015; however, the automotive sector could recover part of the losses it endured in 2014, while stability in the food and beverage industry could contribute to an improvement.

For Argentina, there is no indication of a turnaround, at least in the short term; 2015 appears to be yet another year that Argentine industry will spend in negative territory.

Regardless of the sector in question, it is clear that the short-term challenge for all Latin American countries is to get manufacturing output restarted. After an unfavorable 2014, industrial policy must focus on processes that incorporate new technologies and are designed to ensure economic, social, and environmental sustainability.



Source: Central Banks and statistical institutes in each country

Consumer sector: Limited recovery, uncertain outlook

In recent months, the consumer industry has not performed very well regionally. Markets in the leading economies—Argentina, Chile, Colombia, Mexico, and Brazil—are experiencing the same difficulties and are following the same downward trend as their economies in general. Slow growth and higher inflation have encouraged workers to save, to the detriment of consumption.

In **Argentina**, 2014 was a tough year for private consumption, not just because it shrank during 11 of 12 months, but also because the decline was especially steep during the second half of the year, departing from the pattern of 2013. All the various indicators show a sustained drop throughout 2014. For example, according to the Argentine Confederation of Medium-Sized Enterprises, retail sales endured a cumulative annual decline of 5.6%. Sales at supermarkets and malls measured in real terms were also negative (by 0.5% and 4.0%, respectively). Notable were the drop in household purchasing power, the consequent deceleration of consumer spending, and shrinking credit (reflected in the decline in real terms of private sector credit).

This year, however, started with more positive signs for the sector: purchases at retail shops rose an average of 2.0% year-on-year in the first four months, while transactions at shopping malls and supermarkets remained negative, year-on-year, although they have improved slightly with respect to previous months. The tepid recovery seems to be tied to recent stimulus measures initiated to jump-start sales; these policies have helped stop the decline in several areas. These positive signs are in addition to the slowdown in inflation in recent months, which has boosted the purchasing power of households slightly and contributed to consumer optimism. Even if comparisons are to a very weak 2014—results for which were well below those attained in 2013—indicators are expected to continue to show improvement.

Consumer sector: Limited recovery, uncertain outlook

In **Chile**, consumer-related indicators show growth, though at slower rates than those recorded in years past. The Retail Trade Real Sales Index recorded a 2.5% year-on-year uptick in 2014, well below the 9.7% in 2013, while 2015 began with an annual increase of 1.6% for the first quarter. This result is better than the one recorded in the last half of 2014 and demonstrates the sector's greater, though still very limited, dynamism, influenced by higher confidence and increases to compensation, as well by more growth in overall payroll.

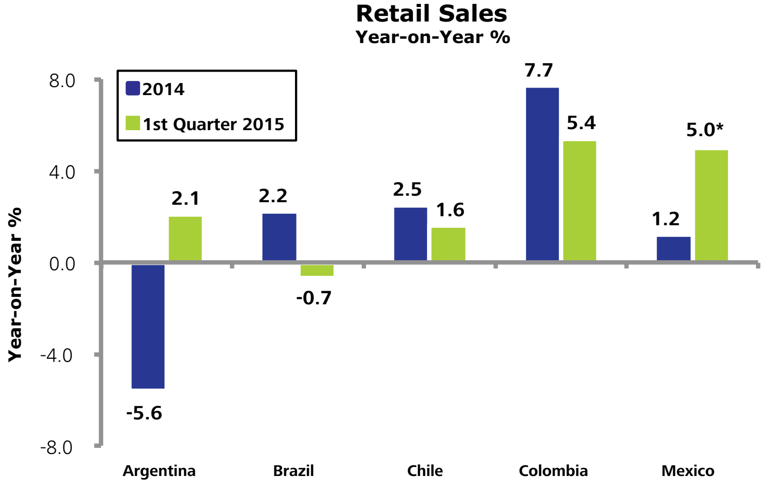
In **Mexico**, the sector's status is similar. According to the National Association of Self-Service and Department Stores, at the start of this year, retail sales were exceptionally strong, leaving behind a 2014 in which consumption was weak (growing just 1.2% year-on-year) as a consequence of the poor performance of the national economy. From January to February, net sales in real terms advanced by 5.0% year-on-year. The sector's recovery is associated with solid job creation and a drop in unemployment, along with lower inflation.

In **Colombia**, by contrast, the sector has been consistently strong. According to monthly retail sales data published by the National Administrative Department of Statistics, 2014 closed out with an advance of 7.7%, and for the first quarter of this year, sales rose 5.4%.

In **Brazil**, growth in retail sales was the slowest in the last 11 years, with an uptick of just 2.2% in 2014 (compared to 4.3% in 2013), according to data provided by the Brazilian Institute of Geography and Statistics. Household consumption was affected by an economic environment that progressively worsened nearly without interruption throughout 2014. And this year, in contrast to the regional trend, more positive news has not been forthcoming: in the first quarter, retail sales recorded a year-on-year drop of 0.7%. In addition to sluggish economic activity in general, high inflation, an end to tax incentives for purchase of certain items, and more expensive credit are the main causes for the downturn in consumption.

Consumer sector: Limited recovery, uncertain outlook

In recent years, the region's rising household incomes have enabled a remarkable expansion of consumption that has translated into improvements in general well-being. However, the consumer pattern is strongly pro-cyclical and volatile. For that reason, the consumer industry experienced difficulties maintaining momentum in 2014. For this year, though, the sector is expected to recover a bit, based on an increase in income, low unemployment, and an increasingly visible middle class.



Source: CAME and statistical institutes in each country

* Average Jan 15/Feb 15

Energy and natural resources: New discoveries

1
2
3
4
5
6
7
8
9
10
11

In recent months, the oil industry has been affected by the downward trend in the benchmark price. For 2015 the region's governments can expect a decline in tax revenue from petroleum.

In **Bolivia, Ecuador**, and **Mexico,** where revenue comes from exploration, production, and processing, the drop should be around 1.0% to 1.5% of GDP, due not only to falling prices, but also to slow growth—or perhaps even a decrease—in output. In **Colombia** and **Peru,** a drop in oil revenue with respect to GDP is anticipated despite the expected increases in output.

In terms of oil production, the low cost of energy in the U.S. and a lack of new refining facilities in the region (in contrast to the growth of refining capacity in North America and the Middle East) points to increasing dependency on imports of refined petroleum from outside of Latin America.

Companies are taking exploration to new geographical frontiers in an effort to add reserves and, thus, offset the difficulties presented by lack of refining capacity. Although the discovery of fields as large as those found in previous decades is less and less common, technological advances are breathing new life into mature fields. Several countries, including Ecuador, Colombia, Venezuela and Argentina, are trying to stimulate the production of mature fields.

With respect to natural gas, proven regional reserves reached 283 billion cubic feet in 2013, accounting for nearly 4% globally. In the past few months, the industry has been very active in exploration.

The most important announcement is from the Brazilian state-run oil company Petrobras, which found natural gas at an exploratory well in Colombia, the first deep-water discovery off the country's Caribbean coast.

This comes in addition to a discovery in

Energy and natural resources: New discoveries

the south of Argentina: a new natural gas reservoir in the area of El Mangrullo, in the province of Neuquén. Also in Argentina, the U.S. oil company ExxonMobil announced the discovery of gas and nonconventional crude oil in a second well in the Patagonian formation of Vaca Muerta.

In Mexico, since the implementation of reforms that authorized private domestic and foreign investment in the sector, numerous multinational companies from Canada have stated their intention to build natural-gas pipelines and expand their activities to other phases of the energy value chain, in addition to their continued presence in such areas as mapping, drilling, and providing field equipment. Likewise, several Chinese and Chilean firms have stated an interest in cooperating with Pemex (the state-run oil company) to modernize the sector and improve productivity by exploiting idle capacity.

Natural Gas Reserves

In billions of cubic feet (Bcf)

	2014	2015e
Latin Am and Caribbean	277.6	274.3
Venezuela	196.4	197.1
Brazil	16.2	16.2
Peru	15.4	15.0
Trinidad y Tobago	13.1	12.2
Argentina	13.4	11.1
Bolivia	9.9	9.9
Colombia	7.0	6.4
All other countries	6.2	6.2

Crude Oil Reserves

In billions of barrels

	2014	2015e
Latin Am and Caribbean	328.3	329.4
Venezuela	297.7	298.4
Brazil	15.0	15.3
Ecuador	8.2	8.8
Colombia	2.4	2.4
Argentina	2.8	2.4
Peru	0.6	0.7
Trinidad y Tobago	0.7	0.7
All other countries	0.7	0.6

Source: U.S. Energy Information Administration (EIA)

Financial services: Moderation in the credit market

The most significant issue in recent months for the financial services sector has been the economic slowdown that many Latin American countries experienced in 2014 and the first months of 2015.

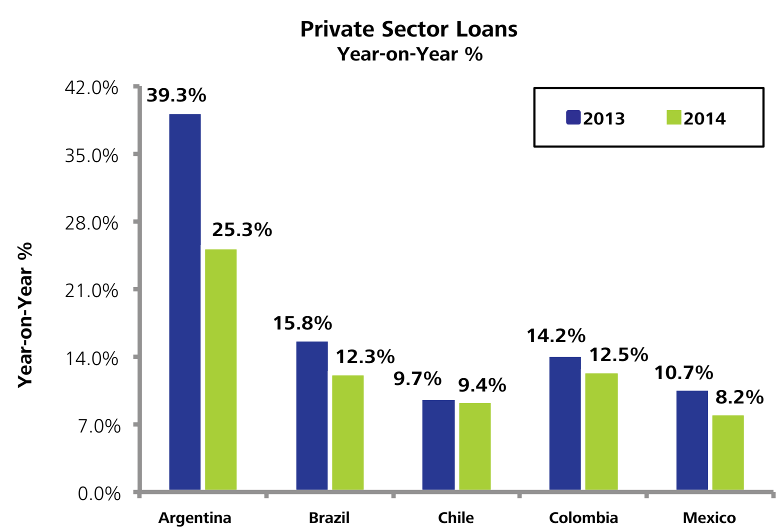
Thus, according to news sources, in **Argentina**, total private-sector loans in pesos were up 25.3% in 2014, demonstrating a slight deceleration in comparison to the 39.3% growth the year before (given high relative inflation, in real terms loans actually contracted by 9.5% in 2014). The credit market in **Brazil** began a more moderate expansion, growing at a year-on-year average of 12.0% last year, compared to 15.8% in 2013. Similarly, the central bank of **Colombia** noted that domestic private-sector credit had expanded less than in previous years, with an annual advance of 12.5% from January to December of 2014 (vs. 14.2% in the previous 12 months). The exception in this context is likely **Chile**, where financial system placements were up 9.4% in 2014 (compared to 9.7% in 2013) and have yet to show any signs of slowing.

The outlook for Latin American banks in 2015 is generally favorable, given that after the downturn in 2014 credit growth should stabilize at more sustainable levels. The gradual implementation of Basel III regulations in Brazil, Mexico, Chile, and Peru will help strengthen capital and liquidity standards there, while political resistance to such polices will continue to hamper banking performance in countries such as Argentina and Venezuela.

Another important issue for the industry in recent months has been the announcement of reforms in the financial sector by some countries.

The most significant news in **Bolivia** concerns enactment of a new financial services law that calls for greater state intervention in the management of financial entities. The law, which regulates trading activities, financial services, and interest rates for housing, incorporates nonconventional guarantees of access to credit and creates a financial consumer protection agency.

Financial services: Moderation in the credit market



Source: Central Banks and statistical institutes in each country

In **Mexico**, the reforms approved in 2014 represent an opportunity for the sector by establishing a foundation for a more efficient, effective, and robust financial system; one that provides greater flexibility and incentives so that the private sector and the development bank can lend more cheaply and in a more favorable environment, with guarantees and streamlined legal proceedings.

The news out of **Brazil** concerns the decision to create a development bank in cooperation with the BRICS group (Brazil, Russia, India, China and South Africa) that will help those countries avoid deficiencies of short-term liquidity. The so-called New Development Bank will have initial subscribed and disbursed capital of USD 50 billion, with each partner contributing a fifth, and authorization to expand up to USD 100 billion.

Another important matter is the invitation to become part of a new financial institution, the Asian Infrastructure Investment Bank, whose objective is to ensure financing for infrastructure projects in Asia. Joining the Chinese initiative will enable economic and financial ties to be strengthened between Latin America's leading economy and the Asian giant.

Finally, the stability and soundness of the banking system in **Peru** has piqued interest among numerous foreign banks in starting operations in the Peruvian financial market. Recently, three institutions, two Chinese and one European, have expressed interest in entering the country, attracted by the security of government guarantees for investments being offered there. Also in Peru, the Brazilian firm BTG Pactual has moved up its plans to invest USD 150 million in the opening of a new commercial bank providing services to local businesses.

Science and healthcare: Despite obstacles, S&T initiatives increase

Science, technology and innovation (STI) activities have gained relevance in recent years and are becoming crucial to the ability to grow and compete on the global market. However, low investment in this sector is characteristic of the Latin America economies, especially as compared to the developed nations. One factor that merits attention is that the financing of R&D is very divergent in the two contexts, with the public sector leading the way in Latin America, and the private sector spearheading investment in the developed nations.

Brazil, Mexico, and **Argentina** receive 92% of all R&D investment in Latin America and the Caribbean. While Brazil invests 1.20% of its GDP in R&D, Argentina allocates 0.64% and Mexico 0.45%; at the other extreme are El Salvador, Trinidad and Tobago, and Guatemala, which allocate only between 0.03% and 0.04% of their respective gross domestic products to R&D.

Despite these deficiencies, in recent years there have been numerous initiatives for development and cooperation on research and technology. Argentina, Brazil, and Costa Rica stand out for the creation of ministries of science, technology, and innovation, while Chile has created the National Council on Innovation for Competitiveness and Uruguay the Ministerial Innovation Cabinet.

Additionally, there was a conference in June 2014 for representatives from all the national science, innovation, and technology agencies of Latin American and the Caribbean, at which it was agreed to address the challenges the region faces in terms of structural changes, social inequality, and environmental sustainability, while working jointly on projects related to technological training and innovation.

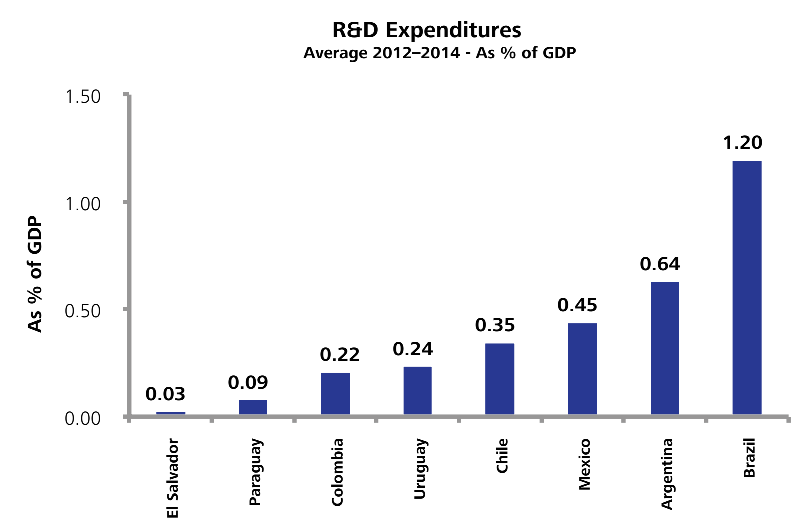
Science and healthcare: Despite obstacles, S&T initiatives increase

1
2
3
4
5
6
7
8
9
10
11

More recently, in **Mexico** an international lab was opened for study of the human genome, a joint project between the Universidad Nacional Autónoma de México and the Cold Spring Harbor Laboratory in the U.S. that offers young researchers the opportunity to make contributions on the frontier of knowledge.

In **Peru**, 2015 commenced with a new policy on science and technology, starting with the inauguration of a Center of Scientific Excellence, at which it was announced that the science and technology budget would be raised considerably, from USD 5 million to USD 42 million, in an effort to strengthen the country's development. The government also pledged to finance 608 scholarships, for postgraduate studies in science, technology, and engineering, and 261 STI projects.

Finally, the Regional Agricultural Technology Fund will soon announce its call for "innovation in the sustainable management of natural resources in family farming in Latin America and the Caribbean," a USD 1.6 million project that seeks to foment sustainable management of natural resources in small-scale agriculture.



Source: Red de Indicadores de Ciencia y Tecnología Iberoamericana e Interamericana

Public sector: An agenda of legislative reforms

Fiscal, tax, and labor reforms have been the most important topics for the public sector in the past few months for many Latin American countries.

On labor matters, in **Peru**, the administration of Ollanta Humala decided to approve a reform that seeks to promote the employment of young people who do not have work experience. The new regulation, aimed at 18- to 24-year-olds who are entering the labor market for the first time or those who have spent more than 90 days unemployed, ensures a minimum income, a maximum work day of eight hours, enrollment in social health insurance, and economic support in the event of unjustified dismissal.

Along these same lines, the president of **Ecuador**, Rafael Correa, announced at the end of 2014 a package of reforms to the labor code that includes enhancing the right to job stability and the pursuit of equity, modernization of the wage system, democratization of union representation, and the universalization of social security. The reforms proposed by the executive are currently being analyzed by the legislature.

Chile is also on the list of Latin American economies with labor reform bills. In this case, the proposal, which seeks to modernize labor relations and is currently under review by the parliament, sets the conditions for agreements between unions and employers; acknowledges unions as the agents for filing collective bargaining proceedings; bans the replacement of striking workers; and strengthens the rights of female workers by including them in the negotiation process.

On tax matters, Chile also approved an emblematic reform that will allow for collection of an additional USD 8.3 billion, which will be allocated to public education. The initiative is the biggest change to the Chilean tax systems since the early 1990s, and it represents the fulfillment of one of the pillars of President Michelle Bachelet's campaign platform. The new measures include adjustments to the income tax,

1
2
3
4
5
6
7
8
9
10
11

more incentives for savings and investment, corrective taxes, and a set of measures aimed at stopping tax evasion and avoidance.

Tax Structure in Latin America

As % of total taxes

	2000	2010	2011	2012	2013
Taxes on Income and Profits	22	26	26	27	27
Social Security Tax	16	16	16	17	17
Taxes on Wages	1	1	1	1	1
Property Taxes	4	4	4	4	4
General Consumption Tax	31	33	33	32	32
Specific Consumption Taxes	23	18	18	17	17
Other Taxes	3	2	2	2	2
Total	100	100	100	100	100

Source: OECD

Since early 2015, a tax reform has been in place in Colombia that seeks to cover the USD 5.1 billion deficit, for which financing has not been available. The new provisions call for a mandatory estate tax and other taxes on cooperatives and the creation of a "wealth tax" on those with assets in excess of USD 416,000. Most of the funds collected through this reform are expected to be used for social investments.

Finally, authorities in Guatemala have decided to put off temporarily a reform initiative. The set of measures, which includes modernization of the country's weak taxation system and the creation of new taxes, was postponed while the government focused on tax evasion, especially non-payment of income tax and the value-added tax.

Technology, media, and telecommunications: Innovation and development

Over the past decade, the digital economy has become increasingly visible in Latin American and the Caribbean, and while major tasks remain, regional progress in the construction of digital infrastructure has been significant. More potent networks, more mobile devices, increased use of modalities such as telecommuting and telemedicine, and more widespread Internet connections, are just a few of the important advances of recent years.

One of the most significant developments has been the implementation of 4G-LTE technology, an evolution of 3G that allows wireless data transmission at speeds ten times faster than previously. New networks continue to enter the Latin American market; the latest concessions were in Venezuela, where the National Telecommunications Council signed agreements with Movistar, CanTv, and DirecTV. By the end of 2015 the total number of 4G lines in the region is expected to reach nine million, and it is anticipated that by 2020 these networks will cover over three-fourths of Latin America. According to data published by the Mobile World Congress, the growth of high-speed mobile broadband networks is driven by widespread adoption of smartphones, which, in 2014, accounted for 32% of Latin American mobile connections; the figure is expected to rise to 68% by 2020.

Another significant development is the alliance between satellite and telecommunications providers that will enable wireless access in remote communities throughout Latin America. Implementation will take place in several stages, beginning in Brazil, Uruguay, Chile, Colombia, and part of Argentina. The project is being developed with the participation of the Telefónica group, a multinational that has invested USD 6 million and is about to inject nearly USD 30 million more in satellite receivers and other equipment to provide the region with connectivity on airplanes.

Technology, media, and telecommunications: Innovation and development

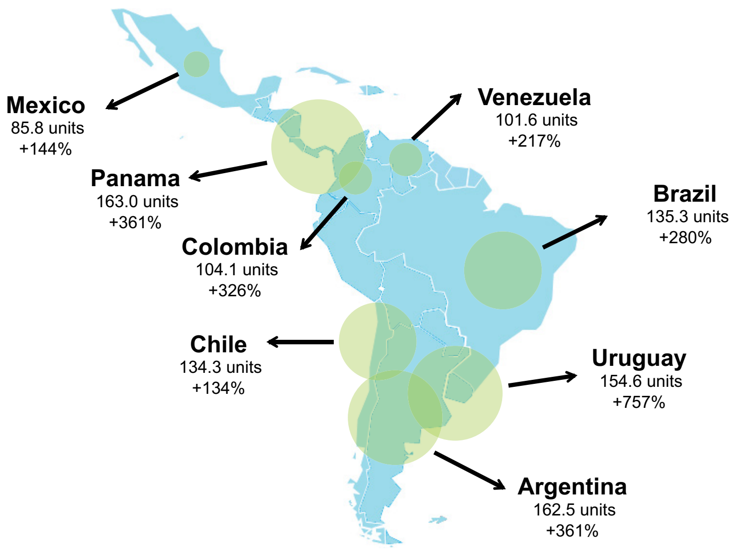
In Costa Rica, the most significant news is the implementation over the next six years of a single website for all scientific, technological, and business information that will be available to the public at no charge. This resource will offer weather information, economic news, and data for managing water, ocean, and wind resources, as well as cutting-edge scientific research in any number of fields.

On the legislative front, notable is the telecommunications reform implemented in 2014 by Mexico, with the goal of developing a robust trunk communications network that would substantively increase competitiveness in radio and television, telephony, and data services. Since the law's approval, investments of over USD 6 billion have come from international firms such as AT&T, Eutelsat, and Virgin Mobile.

Ecuador also approved a new telecommunications law. The bill establishes greater tax obligations for broadcasting companies with a large share of the market, in an apparent attempt to promote competition.

Mobile Telephone Subscribers per 100 inhabitants

In units (2013) and 2013 vs 2004 %



Source: International Telecommunications Union

Macroeconomic variables

Macroeconomic variables

Argentina

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	8.0	5.1	-0.3	3.3	-2.5	-1.6	-0.2
Inflation (Dec-Dec % change)	26.4	23.2	25.2	27.9	38.5	27.0	36.1
Fixed gross investment (yoy % change)	22.0	19.4	-7.0	3.1	-5.6	0.4	5.4
DFI (in US$ million)	7,846	10,720	14,941	11,353	5,200	8,500	10,000
Exports (in US$ million)	68,134	83,950	80,927	81,660	71,935	62,296	61,112
Imports (in US$ million)	56,502	73,937	68,508	73,655	65,249	57,093	54,181
Trade Balance (in US$ million)	11,632	10,013	12,419	8,005	6,686	5,203	6,931
Current Account Balance (% GDP)	0.3	-0.4	-0.2	-0.8	-1.0	-1.3	-1.2
Reserves (in US$ million)	52,145	45,915	44,273	30,589	30,119	28,689	27,762
Total foreign debt (% GDP)	26.5	23.9	21.6	20.8	23.9	19.8	22.6
Total foreign debt (% exports)	177.3	158.1	164.4	166.9	192.1	201.4	213.5
GDP (in US$ million)	455,374	555,576	615,634	654,209	578,892	633,274	578,411
GDP per capita (in US$)	11,272	13,651	15,015	15,879	13,949	15,114	13,739
Exchange rate (AR$/US$, average)	3.93	4.16	4.57	5.49	8.14	9.13	13.82

Source: Own estimates and EIU

Bolivia

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	4.1	5.2	5.2	6.8	5.5	4.5	4.5
Inflation (Dec-Dec % change)	7.2	6.9	4.5	6.5	5.2	4.9	4.4
Fixed gross investment (yoy % change)	7.5	23.7	1.5	12.9	12.5	6.5	6.0
Exports (in US$ million)	6,129	8,175	11,133	11,545	12,148	12,815	14,075
Imports (in US$ million)	5,007	7,126	7,998	8,729	9,848	10,820	11,879
Trade Balance (in US$ million)	1,122	1,049	3,135	2,816	2,300	1,995	2,196
Current Account Balance (% GDP)	4.6	2.3	7.9	3.5	1.7	0.3	0.3
Reserves (in US$ million)	9,730	12,020	13,927	14,430	15,518	15,783	15,983
Total foreign debt (% GDP)	30.6	26.9	25.5	25.8	24.1	23.9	23.9
Total foreign debt (% exports)	98.2	78.9	62.0	68.4	67.7	69.9	69.6
GDP (in US$ million)	19,650	23,949	27,067	30,601	34,155	37,457	40,917
GDP per capita (in US$)	1,926	2,325	2,578	2,860	3,163	3,405	3,653
Exchange rate (B/US$, average)	6.97	6.89	6.99	6.96	6.96	7.32	7.69

Source: EIU

Macroeconomic variables

Brazil

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	7.6	3.9	1.8	2.7	0.1	-1.0	1.0
Inflation (Dec-Dec % change)	5.9	6.5	5.8	5.9	6.4	8.2	5.5
Fixed gross investment (yoy % change)	17.8	6.6	-0.6	6.1	-4.4	-3.5	2.0
DFI (in US$ million)	48,506	66,660	65,272	63,996	62,500	61,900	61,300
Exports (in US$ million)	201,915	256,040	242,578	242,034	225,101	227,943	243,263
Imports (in US$ million)	181,769	226,247	223,184	239,748	229,060	222,694	231,013
Trade Balance (in US$ million)	20,146	29,793	19,394	2,286	-3,959	5,249	12,250
Current Account Balance (% GDP)	-2.2	-2.1	-2.4	-3.6	-3.9	-4.2	-4.0
Reserves (in US$ million)	288,575	352,010	373,147	358,806	363,551	348,919	350,284
Total foreign debt (% GDP)	16.0	15.5	18.3	20.2	23.7	30.3	31.9
Total foreign debt (% exports)	174.5	157.8	181.6	199.3	247.1	251.0	246.4
GDP (in US$ billion)	2,208	2,612	2,411	2,390	2,346	1,890	1,878
GDP per capita (in US$)	11,296	13,232	12,105	11,893	11,568	9,244	9,110
Exchange rate (R$/US$, average)	1.76	1.67	1.95	2.16	2.35	3.09	3.35

Source: EIU

Chile

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	5.8	5.8	5.5	4.2	1.9	2.9	3.9
Inflation (Dec-Dec % change)	3.0	4.4	1.5	2.8	4.6	3.8	3.1
Fixed gross investment (yoy % change)	11.6	15.0	11.6	2.1	-6.1	1.4	3.0
DFI (in US$ million)	15,725	23,445	28,542	20,258	23,300	20,900	22,800
Exports (in US$ million)	71,109	81,438	77,790	76,477	75,675	72,720	80,088
Imports (in US$ million)	55,372	70,399	75,458	74,657	67,907	66,128	71,985
Trade Balance (in US$ million)	15,737	11,039	2,332	1,820	7,768	6,592	8,103
Current Account Balance (% GDP)	1.6	-1.2	-3.4	-3.4	-1.1	-1.4	-1.3
Reserves (in US$ million)	27,828	41,944	41,649	41,093	40,447	39,145	39,204
Total foreign debt (% GDP)	37.4	38.3	44.2	47.3	54.7	58.0	58.8
Total foreign debt (% exports)	114.5	118.2	151.4	171.3	186.5	203.5	197.4
GDP (in US$ million)	217,560	251,000	266,400	277,020	258,100	255,100	268,800
GDP per capita (in US$)	12,649	14,509	15,223	15,740	14,500	14,251	14,851
Exchange rate (C$/US$, average)	510.25	483.67	486.49	495.31	570.40	626.90	642.20

Source: EIU

Macroeconomic variables

Colombia

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	4.0	6.6	4.0	4.9	4.6	3.0	3.7
Inflation (Dec-Dec % change)	3.2	3.7	2.4	1.9	3.7	4.3	3.5
Fixed gross investment (yoy % change)	4.9	19.0	4.7	6.0	10.9	3.5	4.5
DFI (in US$ million)	6,430	14,648	15,039	16,198	16,060	16,220	16,530
Exports (in US$ million)	40,761	58,263	61,604	60,281	56,982	52,632	58,543
Imports (in US$ million)	38,407	52,125	56,649	57,100	61,676	58,374	58,850
Trade Balance (in US$ million)	2,354	6,138	4,955	3,181	-4,694	-5,742	-307
Current Account Balance (% GDP)	-3.0	-2.9	-3.1	-3.2	-5.2	-7.0	-5.1
Reserves (in US$ million)	28,077	31,910	36,998	43,158	46,807	45,074	45,425
Total foreign debt (% GDP)	22.2	22.9	21.6	24.3	26.8	33.9	34.1
Total foreign debt (% exports)	156.6	132.0	129.7	152.6	177.7	199.8	187.4
GDP (in US$ million)	286,950	335,440	370,100	378,390	377,900	310,000	321,900
GDP per capita (in US$)	6,184	7,122	7,759	7,834	7,728	6,263	6,425
Exchange rate (C$/US$, average)	1,899	1,848	1,798	1,869	2,001	2,586	2,732

Source: EIU

Costa Rica

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	5.0	4.5	5.2	3.4	3.5	3.4	4.0
Inflation (Dec-Dec % change)	5.8	4.7	4.6	3.7	5.1	3.8	4.6
Fixed gross investment (yoy % change)	5.5	8.9	8.0	12.3	4.5	6.3	6.8
DFI (in US$ million)	1,466	2,176	2,681	3,235	2,725	3,040	3,297
Exports (in US$ million)	9,516	10,426	11,454	11,555	11,139	9,746	10,070
Imports (in US$ million)	12,956	15,570	16,829	17,178	16,346	15,476	16,389
Trade Balance (in US$ million)	-3,440	-5,144	-5,375	-5,623	-5,207	-5,730	-6,319
Current Account Balance (% GDP)	-3.5	-5.4	-5.2	-5.1	-4.9	-4.3	-4.6
Reserves (in US$ million)	4,627	4,756	6,857	7,331	7,211	7,204	7,117
Total foreign debt (% GDP)	23.5	26.0	32.0	35.4	38.3	38.6	38.1
Total foreign debt (% exports)	89.8	102.8	126.7	151.0	170.3	214.2	221.9
GDP (in US$ million)	36,298	41,237	45,301	49,237	49,553	54,051	58,618
GDP per capita (in US$)	7,723	8,774	9,438	10,048	10,113	10,810	11,494
Exchange rate (CRC/US$, average)	525.80	505.70	502.90	499.80	538.30	536.50	541.40

Source: EIU

Macroeconomic variables

Dominican Republic

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	7.8	4.5	3.9	4.1	7.3	4.6	4.6
Inflation (Dec-Dec % change)	6.2	7.8	3.9	3.9	1.6	2.2	3.0
Fixed gross investment (yoy % change)	17.6	-2.7	4.3	-2.9	10.5	8.0	7.0
DFI (in US$ million)	1,419	2,198	3,416	1,600	2,038	2,160	2,290
Exports (in US$ million)	6,815	8,362	8,936	9,424	9,920	9,900	10,300
Imports (in US$ million)	15,210	17,302	17,673	16,801	16,801	17,300	16,300
Trade Balance (in US$ million)	-8,395	-8,940	-8,737	-7,377	-6,881	-7,400	-6,000
Current Account Balance (% GDP)	-8.6	-8.0	-6.9	-4.1	-3.2	-1.3	-2.9
Reserves (in US$ million)	3,874	4,114	3,559	4,701	4,862	5,412	5,612
Total foreign debt (% GDP)	25.4	26.0	36.6	38.9	38.0	33.7	31.6
Total foreign debt (% exports)	198.0	180.5	247.3	252.9	245.0	226.8	214.5
GDP (in US$ million)	53,043	58,026	60,441	61,198	63,969	66,689	69,833
GDP per capita (in US$)	5,304	5,745	5,868	5,884	6,092	6,233	6,466
Exchange rate (DOP/US$, average)	36.88	38.11	39.34	41.81	43.56	44.83	45.61

Source: EIU

Ecuador

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	3.5	7.9	5.2	4.6	3.8	2.1	3.4
Inflation (Dec-Dec % change)	3.3	5.4	4.2	2.8	3.7	5.3	3.8
Fixed gross investment (yoy % change)	10.2	14.3	10.6	10.7	3.7	5.6	6.0
DFI (in US$ million)	163	644	585	730	600	500	600
Exports (in US$ million)	18,137	23,083	24,569	25,685	26,604	21,553	24,296
Imports (in US$ million)	19,641	23,384	24,519	26,178	26,671	24,560	26,523
Trade Balance (in US$ million)	-1,504	-301	50	-493	-67	-3,007	-2,227
Current Account Balance (% GDP)	-2.3	-0.3	-0.2	-1.2	-0.6	-3.3	-2.3
Reserves (in US$ million)	2,622	2,958	2,483	4,352	3,949	3,569	3,924
Total foreign debt (% GDP)	21.5	20.8	19.3	21.5	24.9	28.2	26.8
Total foreign debt (% exports)	82.5	71.5	68.9	79.0	94.1	139.6	131.2
GDP (in US$ million)	69,555	79,277	87,623	94,473	100,500	106,700	119,100
GDP per capita (in US$)	4,797	5,393	5,881	6,256	6,569	6,884	7,586

Source: EIU

Macroeconomic variables

El Salvador

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	1.4	2.2	1.9	1.8	2.0	2.3	2.3
Inflation (Dec-Dec % change)	2.1	5.0	0.8	0.8	0.5	1.8	2.0
Fixed gross investment (yoy % change)	2.4	13.8	-1.4	9.3	-6.4	5.5	5.8
DFI (in US$ million)	99	420	516	197	201	388	540
Exports (in US$ million)	3,473	4,243	4,235	4,334	5,273	5,461	6,020
Imports (in US$ million)	7,495	9,015	9,162	9,629	10,513	11,143	12,153
Trade Balance (in US$ million)	-4,022	-4,772	-4,927	-5,295	-5,240	-5,682	-6,133
Current Account Balance (% GDP)	-3.1	-5.4	-5.3	-6.5	-4.9	-4.5	-4.6
Reserves (in US$ million)	2,882	2,503	3,175	2,745	3,181	2,925	3,184
Total foreign debt (% GDP)	51.7	51.9	55.4	55.1	58.7	59.8	60.5
Total foreign debt (% exports)	318.6	282.8	311.5	308.6	278.8	283.4	271.4
GDP (in US$ million)	21,419	23,139	23,814	24,260	25,039	25,875	27,011
GDP per capita (in US$)	3,455	3,673	3,780	3,851	3,912	4,043	4,220

Source: EIU

Guatemala

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	2.9	4.2	3.0	3.7	4.2	3.8	3.3
Inflation (Dec-Dec % change)	5.4	6.2	3.4	4.4	2.9	3.7	3.8
Fixed gross investment (yoy % change)	-2.1	7.1	3.6	1.5	4.4	5.0	5.1
Exports (in US$ million)	8,536	10,519	10,103	10,183	11,004	10,589	11,559
Imports (in US$ million)	12,807	15,482	15,838	16,359	17,075	16,545	18,629
Trade Balance (in US$ million)	-4,271	-4,963	-5,735	-6,176	-6,071	-5,956	-7,070
Current Account Balance (% GDP)	-2.1	-3.2	-3.0	-2.8	-1.8	-0.8	-1.6
Reserves (in US$ million)	5,950	6,184	6,694	7,269	7,329	7,473	7,620
Total foreign debt (% GDP)	36.4	34.2	27.9	31.2	31.6	30.2	29.1
Total foreign debt (% exports)	176.2	154.7	139.1	165.2	168.4	180.3	169.1
GDP (in US$ million)	41,338	47,655	50,388	53,851	58,728	63,306	67,158
GDP per capita (in US$)	2,891	3,242	3,337	3,474	3,694	3,884	4,021
Exchange rate (Q/US$, average)	8.02	7.81	7.89	7.83	7.73	7.73	7.84

Source: EIU

Macroeconomic variables

1 2 3 4 5 6 7 8 9 10 11

Honduras

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	3.7	3.8	4.1	2.8	3.1	3.3	3.3
Inflation (Dec-Dec % change)	6.5	5.6	5.4	4.9	5.8	6.2	3.9
Fixed gross investment (yoy % change)	1.4	16.9	3.7	-1.9	-1.4	7.2	7.4
Exports (in US$ million)	6,264	7,977	8,359	7,806	8,072	7,900	8,500
Imports (in US$ million)	8,907	11,126	11,371	10,953	11,070	11,000	11,700
Trade Balance (in US$ million)	-2,643	-3,149	-3,012	-3,147	-2,998	-3,100	-3,200
Current Account Balance (% GDP)	-6.2	-8.6	-9.5	-9.0	-7.5	-7.2	-7.0
Reserves (in US$ million)	2,699	2,793	2,533	3,009	3,458	3,543	3,630
Total foreign debt (% GDP)	25.3	25.0	27.5	37.2	36.3	41.3	42.0
Total foreign debt (% exports)	63.5	55.0	60.5	87.5	87.2	102.4	101.2
GDP (in US$ million)	15,727	17,586	18,401	18,373	19,379	19,595	20,484
GDP per capita (in US$)	2,069	2,255	2,329	2,268	2,335	2,333	2,382
Exchange rate (HNL$/US$, average)	19.03	19.05	19.64	20.49	21.14	22.28	23.27

Source: EIU

Mexico

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	5.1	4.0	3.8	1.7	2.1	2.7	3.1
Inflation (Dec-Dec % change)	4.4	3.8	3.6	4.0	4.1	3.7	3.7
Fixed gross investment (yoy % change)	1.2	7.8	4.8	-1.5	2.2	4.1	5.5
DFI (in US$ million)	25,900	23,600	18,100	42,100	22,600	24,500	28,600
Exports (in US$ million)	298,860	350,004	371,442	380,741	398,273	426,700	462,700
Imports (in US$ million)	301,803	351,209	371,151	381,638	400,440	427,800	464,200
Trade Balance (in US$ million)	-2,943	-1,205	291	-897	-2,167	-1,100	-1,500
Current Account Balance (% GDP)	-0.5	-0.8	-1.0	-2.1	-2.1	-1.8	-1.7
Reserves (in US$ million)	120,543	149,344	167,094	181,022	195,920	201,273	206,060
Total foreign debt (% GDP)	24.9	25.8	31.7	35.1	37.1	40.2	40.7
Total foreign debt (% exports)	87.7	86.3	101.2	116.4	119.4	115.5	118.4
GDP (in US$ billion)	1,051	1,171	1,187	1,262	1,283	1,225	1,345
GDP per capita (in US$)	8,913	9,805	9,822	10,319	10,359	9,786	10,624
Exchange rate (M$/US$, average)	12.36	12.42	13.17	12.77	13.29	15.05	14.79

Source: EIU

Macroeconomic variables

Nicaragua

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	2.6	6.4	5.6	4.5	4.7	4.0	4.5
Inflation (Dec-Dec % change)	9.2	8.0	6.6	5.7	6.5	5.7	6.7
Fixed gross investment (yoy % change)	17.5	30.0	-2.3	1.4	-1.9	15.3	8.0
Exports (in US$ million)	2,425	3,036	3,491	3,292	3,622	3,400	3,600
Imports (in US$ million)	4,350	5,463	5,938	5,802	6,024	5,900	6,600
Trade Balance (in US$ million)	-1,925	-2,427	-2,447	-2,510	-2,402	-2,500	-3,000
Current Account Balance (% GDP)	-14.9	-17.4	-17.4	-11.3	-7.1	-7.6	-9.9
Reserves (in US$ million)	1,799	1,892	1,887	1,993	2,276	2,170	2,185
Total foreign debt (% GDP)	79.6	82.9	85.6	88.8	86.5	85.3	83.8
Total foreign debt (% exports)	286.9	266.4	256.5	292.6	281.4	314.7	309.8
GDP (in US$ million)	8,741	9,756	10,460	10,851	11,783	12,550	13,318
GDP per capita (in US$)	1,507	1,654	1,743	1,779	1,900	1,992	2,114
Exchange rate (NIO/US$, average)	21.36	21.36	23.55	24.72	26.01	27.31	28.69

Source: EIU

Panamá

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	7.5	10.9	10.8	8.3	6.2	5.5	5.1
Inflation (Dec-Dec % change)	4.9	6.3	4.7	3.7	1.0	2.3	3.7
Fixed gross investment (yoy % change)	11.6	19.9	16.1	14.5	9.7	6.6	2.0
Exports (in US$ million)	12,687	16,988	18,839	17,159	15,332	17,900	19,000
Imports (in US$ million)	17,214	24,139	25,263	24,125	23,479	25,700	27,800
Trade Balance (in US$ million)	-4,527	-7,151	-6,424	-6,966	-8,147	-7,800	-8,800
Current Account Balance (% GDP)	-11.0	-12.7	-9.7	-11.8	-11.4	-8.9	-9.0
Reserves (in US$ million)	2,715	2,304	2,466	2,848	3,348	3,498	3,508
Total foreign debt (% GDP)	39.5	37.8	34.9	38.6	39.8	39.5	39.3
Total foreign debt (% exports)	89.7	74.1	70.3	96.0	119.8	111.8	114.4
GDP (in US$ million)	28,814	33,271	37,956	42,648	46,213	50,685	55,361
GDP per capita (in US$)	7,788	8,992	9,988	10,935	11,849	12,671	13,503

Source: EIU

Macroeconomic variables

Paraguay

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	13.1	4.3	-1.2	14.2	4.4	3.9	4.1
Inflation (Dec-Dec % change)	7.2	4.9	4.0	3.7	4.2	3.0	4.0
Fixed gross investment (yoy % change)	21.7	11.0	-7.7	11.9	8.4	7.0	6.2
Exports (in US$ million)	10,367	12,500	11,515	13,444	13,450	12,000	13,300
Imports (in US$ million)	9,545	11,723	11,014	11,861	11,858	11,300	12,700
Trade Balance (in US$ million)	822	777	501	1,583	1,592	700	600
Current Account Balance (% GDP)	-3.4	-2.4	-0.3	2.1	1.8	-1.0	-1.8
Reserves (in US$ million)	4,167	4,983	4,994	5,873	6,986	7,236	7,376
Total foreign debt (% GDP)	63.1	52.1	52.4	46.5	47.4	48.9	47.9
Total foreign debt (% exports)	122.1	104.6	111.8	99.9	109.7	126.1	117.9
GDP (in US$ million)	20,048	25,100	24,595	28,897	31,140	30,932	32,742
GDP per capita (in US$)	3,084	3,803	3,671	4,250	4,513	4,419	4,612
Exchange rate (PYG/US$, average)	4,735	4,191	4,425	4,321	4,467	4,865	5,026

Source: EIU

Peru

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	8.4	6.5	5.9	5.7	2.4	3.9	5.0
Inflation (Dec-Dec % change)	2.1	4.7	2.6	2.9	3.2	2.8	3.2
Fixed gross investment (yoy % change)	24.1	5.1	16.7	8.0	-1.7	3.3	6.6
DFI (in US$ million)	8,455	7,665	11,918	9,298	8,723	8,941	9,388
Exports (in US$ million)	35,803	46,376	47,410	42,474	39,326	40,500	44,100
Imports (in US$ million)	28,815	37,152	41,135	42,218	40,807	42,800	45,600
Trade Balance (in US$ million)	6,988	9,224	6,275	256	-1,481	-2,300	-1,500
Current Account Balance (% GDP)	-1.5	-1.3	-3.6	-4.4	-4.1	-4.6	-4.2
Reserves (in US$ million)	44,213	48,929	64,167	65,762	62,505	63,238	63,189
Total foreign debt (% GDP)	28.4	26.4	28.1	28.0	29.1	30.8	29.1
Total foreign debt (% exports)	117.7	97.1	114.2	133.4	150.0	150.5	139.2
GDP (in US$ million)	148,600	170,600	192,700	202,400	202,900	197,700	210,600
GDP per capita (in US$)	5,037	5,725	6,402	6,636	6,588	6,337	6,686
Exchange rate (Ns/US$, average)	2.83	2.75	2.64	2.70	2.84	3.10	3.17

Source: EIU

Macroeconomic variables

Uruguay

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	8.4	7.3	3.7	5.0	3.3	3.3	3.8
Inflation (Dec-Dec % change)	6.9	8.6	7.5	8.5	8.3	7.5	7.0
Fixed gross investment (yoy % change)	13.6	6.4	19.2	6.2	1.9	5.0	5.5
Exports (in US$ million)	8,031	9,274	9,916	10,291	10,397	10,000	11,000
Imports (in US$ million)	8,558	10,704	12,277	11,593	11,436	10,800	11,900
Trade Balance (in US$ million)	-527	-1,430	-2,361	-1,302	-1,039	-800	-900
Current Account Balance (% GDP)	-1.1	-1.9	-5.3	-5.5	-5.1	-4.4	-4.3
Reserves (in US$ million)	7,656	10,302	13,605	16,281	17,810	18,344	18,986
Total foreign debt (% GDP)	36.1	30.4	29.8	29.2	31.7	33.0	34.2
Total foreign debt (% exports)	174.7	154.7	150.4	158.1	168.4	185.9	183.1
GDP (in US$ million)	38,881	47,237	50,003	55,708	55,164	56,393	58,832
GDP per capita (in US$)	11,436	14,314	14,707	16,385	16,225	16,586	17,303
Exchange rate (UYU/US$, average)	20.06	19.31	19.31	20.31	23.25	25.35	27.04

Source: EIU

Venezuela

	2010	2011	2012	2013	2014e	2015f	2016f
Real GDP (yoy % change)	-1.5	4.2	5.6	1.3	-2.9	-4.5	-6.5
Inflation (Dec-Dec % change)	28.2	26.1	20.1	56.2	68.5	84.8	57.8
Fixed gross investment (yoy % change)	-6.3	4.4	23.3	-9.0	-17.0	-20.0	-20.0
DFI (in US$ million)	1,900	3,900	2,200	7,000	700	400	1,200
Exports (in US$ million)	65,741	92,807	97,336	88,958	75,513	50,400	55,800
Imports (in US$ million)	38,507	46,781	59,305	52,991	44,085	33,700	34,400
Trade Balance (in US$ million)	27,234	46,026	38,031	35,967	31,428	16,700	21,400
Current Account Balance (% GDP)	5.8	8.6	2.9	3.4	1.3	-1.5	-0.6
Reserves (in US$ million)	29,500	29,889	29,887	21,478	22,026	16,580	16,542
Total foreign debt (% GDP)	24.7	35.0	31.2	33.4	21.8	13.5	11.7
Total foreign debt (% exports)	147.7	119.3	122.2	133.5	144.5	201.2	170.1
GDP (in US$ million)	393,800	316,500	381,300	355,300	501,200	749,000	808,500
GDP per capita (in US$)	13,769	10,876	12,925	11,883	16,707	24,638	26,165
Exchange rate (B/US$, average)	2.58	4.29	4.29	6.05	6.28	6.28	8.75
Exchange rate (B/US$, average)	7.59	8.32	14.99	36.20	122.27	122.28	105.69

Source: EIU