Latin American Spotlight

September 2005

Dresdner Bank Lateinamerika AG
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LATIN AMERICA AT A GLANCE

DOMESTIC ECONOMY	GDP change in % (real)			Inflation in % (year-end)			Public sector debt in % of GDP		
	2004	2005f	2006f	2004	2005f	2006f	2004	2005f	2006f
Argentina	9.0	8.0	4.0	6.1	11.9	9.0	126	70	66
Bolivia	3.5	3.0	3.5	4.6	6.0	5.5	77	75	77
Brazil	4.9	3.4	3.7	7.6	5.4	4.9	52	51	49
Chile	6.1	5.7	4.7	2.4	3.4	3.2	12	10	10
Colombia	4.1	4.0	3.8	5.5	5.2	4.8	52	51	56
Costa Rica	4.2	3.0	2.4	13.1	13.5	11.0	60	62	62
Dominican Republic	2.0	4.0	3.5	28.7	5.8	9.4	52	49	46
Ecuador	6.9	3.1	2.8	1.9	3.2	1.5	48	47	46
El Salvador	1.5	1.7	2.1	5.4	5.0	4.7	49	48	36
Guatemala	2.7	3.0	3.0	9.2	8.9	6.0	25	25	24
Honduras	4.6	4.0	3.9	9.2	9.2	8.5	63	60	58
Jamaica	1.2	2.8	2.7	13.7	14.0	11.0	143	132	130
Mexico	4.4	3.0	4.0	5.2	3.7	3.8	26	24	24
Nicaragua	5.1	3.7	3.2	9.3	11.0	9.0	164	137	124
Panama	6.2	3.8	3.0	1.1	2.5	2.4	73	71	70
Paraguay	3.0	3.3	2.8	2.8	9.5	7.5	45	44	44
Peru	4.8	5.6	4.8	3.5	2.0	2.5	45	39	28
Trinidad & Tobago	6.0	6.7	8.0	4.5	6.0	5.0	28	24	22
Uruguay	12.3	6.1	4.2	7.4	5.5	5.0	89	80	75
Venezuela	17.9	7.5	4.0	19.2	17.4	23.7	39	36	32
Latin America (20 countries)	5.6	4.0	3.8	6.5	5.7	5.6			

EXTERNAL SECTOR FOREIGN DEBT	Current account balance in % of GDP			Import cover in months*			Gross foreign debt in % of exports*		
	2004	2005f	2006f	2004	2005f	2006f	2004	2005f	2006f
Argentina	2.2	1.6	-0.5	5.8	6.9	6.5	396	287	288
Bolivia	3.6	-2.4	-1.4	7.3	7.1	6.4	188	207	223
Brazil	1.9	1.7	1.4	6.1	6.0	5.9	196	160	151
Chile	1.4	0.3	-1.8	5.0	4.2	4.0	112	95	91
Colombia	-1.3	-0.6	-1.5	6.5	6.4	5.8	201	178	183
Costa Rica	-4.0	-5.1	-4.6	2.3	2.2	2.2	70	66	67
Dominican Republic	7.0	4.6	3.3	1.0	2.1	1.4	83	84	88
Ecuador	1.2	5.4	1.5	1.3	0.9	0.9	195	165	150
El Salvador	-3.9	-4.6	-5.2	3.0	2.8	2.6	170	171	175
Guatemala	-4.1	-3.7	-4.2	4.7	4.6	4.6	141	137	140
Honduras	-5.2	-7.0	-4.9	5.0	4.9	5.1	201	168	162
Jamaica	-7.9	-9.8	-8.7	4.3	3.4	3.3	176	168	165
Mexico	-1.2	-1.7	-1.9	3.3	3.2	3.0	79	74	71
Nicaragua	-18.0	-17.9	-16.4	2.7	2.4	2.3	373	318	291
Panama	-8.1	-7.3	-6.7	0.7	1.0	1.0	100	94	93
Paraguay	0.5	-2.2	-2.6	3.8	3.8	3.3	99	101	88
Peru	-0.1	0.9	0.2	9.3	9.2	7.1	212	153	134
Trinidad & Tobago	18.1	18.7	20.9	5.9	7.4	7.6	69	64	51
Uruguay	-0.8	-2.1	-2.8	6.6	6.3	6.8	262	243	241
Venezuela	12.7	15.3	7.2	9.0	9.9	10.1	111	123	132
Latin America (20 countries)	1.1	0.9	0.0	5.0	5.4	5.3	154	138	134

* goods and services

f=forecast

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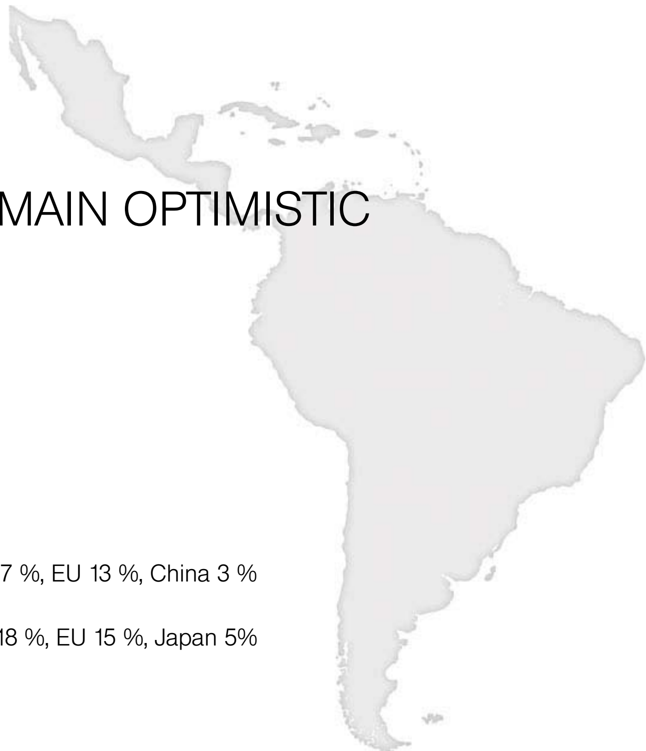

LATIN AMERICA: INVESTORS REMAIN OPTIMISTIC

Area	20.5 million sq. km
Population	543 million (1.3 % p.a.)
Share of global exports	5.3 % (2003)
Share of global GDP	5.0 % (2003)
GDP per capita	US$ 3 620 (2004)
Exports of goods (2003)	
Purchasing countries	USA 51 %, LA countries 17 %, EU 13 %, China 3 %
Imports of goods (2003)	
Supplier countries	USA 42 %, LA countries 18 %, EU 15 %, Japan 5%

ANNUAL FIGURES AND FORECASTS

LATIN AMERICA (20 countries)		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	-0.2	1.6	5.6	4.0	3.8
GDP	US$ bn	1667	1723	1966	2325	2481
Inflation (year-end)	%	11.8	6.8	6.5	5.7	5.6
EXTERNAL SECTOR						
Merchandise exports	US$ bn	351	382	471	540	555
Merchandise imports	US$ bn	329	340	412	471	508
Trade balance	US$ bn	22.4	42.7	59.7	68.7	47.3
Current account balance	US$ bn	-13.9	7.7	21.0	21.3	-0.1
Current account balance	% GDP	-0.8	0.4	1.1	0.9	0.0
Net direct investment ***	US$ bn	45	34	57	56	57
Foreign exchange reserves, year-end	US$ bn	162	195	220	250	258
Import cover **	months	5.7	5.4	5.0	5.4	5.3
FOREIGN DEBT						
Gross foreign debt	US$ bn	771	807	806	770	780
Foreign debt	% exports**	224	185	154	138	134
Short-term foreign debt	US$ bn	112	134	158	132	136
Foreign debt amortization	US$ bn	95	124	128	91	80
Foreign debt service	US$ bn	139	166	171	136	129
Foreign debt service	% exports**	41	38	33	24	22
FINANCIAL MARKETS (year-end)						
IFCI stock index (US$ based, 2005: 09/23)		397	676	915	1229	
Bond market yield spread (2005: 09/23)*	bps	843	472	399	270	

*JPM Latin America Eurobond-Portfolio **goods & services ***Mexico & Brazil: only foreign direct investment; f=forecast

Following last year's record growth, the economy has now entered a phase of discernibly weaker economic activity. Unlike the situation in previous economic cycles, however, this time the slowdown is not triggering devaluation expectations and worries about the solvency of public-sector and private borrowers of the region. Instead, the region's assets, including sovereign and corporate bonds, domestic stock markets and the currencies of many countries, are in the midst of a pronounced boom, the extent of which is sparking concerns about the threat of overshooting.

In Mexico, the economic slowdown was surprisingly sharp in the second quarter due to weaker-than-expected domestic demand. Accordingly, economic growth will decelerate to 3% for the year as a whole. Likewise, Brazil's economic growth, at 3.4% this year, will be down by 1.5 percentage points year-on-year even though GDP began to gather momentum in the second quarter amid higher investment growth, and the easing of monetary policy is expected to underpin domestic demand. In Chile and Argentina, the economic slowdown remains moderate, while in Venezuela, following last year's recovery, economic growth returns to a more moderate level of 7.5% which, in addition, is exaggerated on account of the highly expansionary fiscal policy course.

Prices for Latin American foreign bonds are at an all-time high even though growth in the region has slowed down from 5.6% in the previous year to 4% in the current year, which is moderate compared to other emerging markets. The domestic equity markets also reflect strong foreign investor interest and net inflows of direct investments have so far matched the previous year's high level. The resulting improvement in the foreign currency liquidity situation and the high trade surpluses are exerting considerable upward pressure on the region's currencies.

Can this trend continue in its present form? We believe that a slight correction amid declining global liquidity is likely; all in all, the region remains attractive for investors, however. With economic growth likely to remain robust at 3.8% next year, the prospects of Latin American assets will also stand to benefit even in the election year 2006 from the steady improvement in fundamentals and the considerable progress made with respect to underlying conditions for economic activity in many countries. Investors should, however approach those markets with caution where those in power are putting short-term political interests before the target of a sustained economic upturn – Venezuela, Ecuador and Argentina in particular come to mind in this regard.

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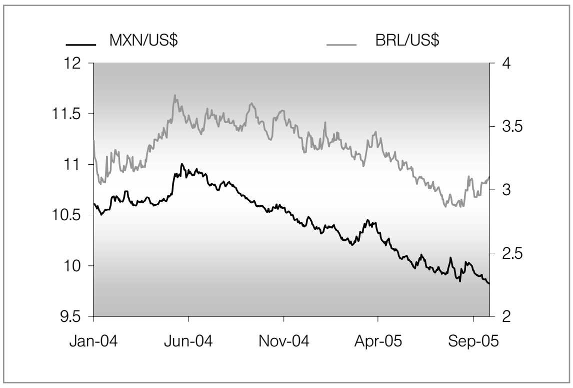
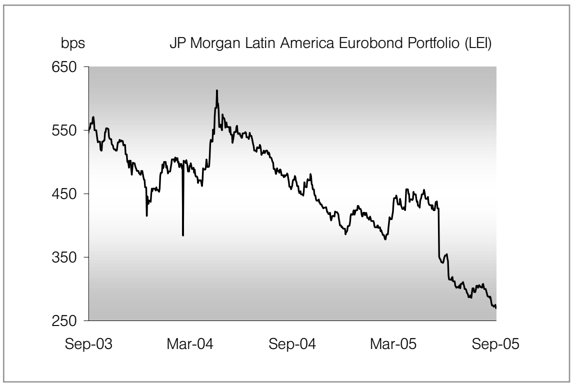
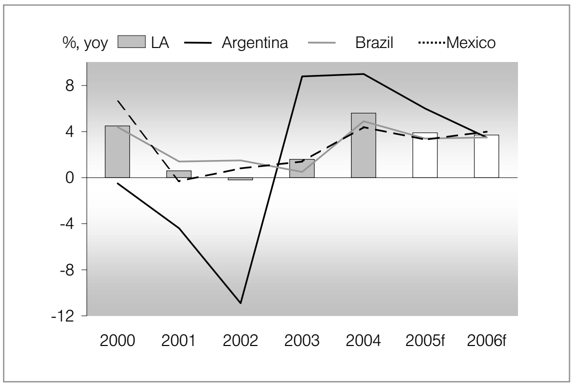
EXCHANGE RATES BRAZIL AND MEXICO



SPREADS



GDP CHANGE (REAL)



ARGENTINA: GROWTH IN SPITE OF INTERVENTIONISM

Area	2 736 700 sq. km
Population	38.4 million (+ 1.1 % p.a.)
State president	Néstor Kirchner
Economy minister	Roberto Lavagna
Central bank president	Martín Redrado
Next elections	Congress: October 2005 President: October 2007
GDP per capita	US$ 3 920 (2004)
Investment	22 % of GDP (2004)
Savings	16 % of GDP (2004)
Exchange rate system	Flexible exchange rate
Monetary policy	Inflation targeting
Exports of goods (2004)	23 % of GDP
Purchasing countries	EU 18 %, Mercosur 19 %, Asean 15 %, NAFTA 15 %
Products	Primary goods and crude oil 38 %, Manufactured agricultural goods 34 %, Industrial goods 28 %
Imports of goods (2004)	9 % of GDP
Supplier countries	Mercosur 38 %, EU 19 %, NAFTA 19 %
Products	Capital goods 40 %, Intermediate Goods 39 %, Consumer goods 17 %
Rating	Moody's: B3 S&P: B-

SUMMARY AND OUTLOOK

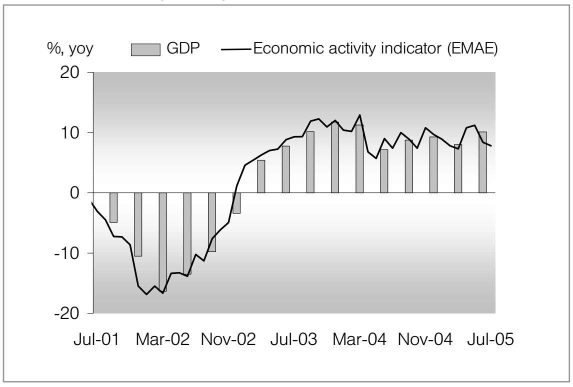
Argentina's economy continues to show robust growth. The pace of expansion will only slow down gradually; we therefore still expect a growth rate of 8% for the year 2005 as a whole. Despite a marked increase in public sector spending, the central government budget surplus should thus still reach 1.3% of GDP. However, this positive result is largely due to export and financial transaction taxes, which are distortionary for economic activity and should therefore be abolished in the IMF's opinion. As a result of neglecting to keep inflation under control in monetary policy in favor of an exchange rate policy that deliberately weakens the peso to boost exports, the inflation rate is likely to rise to almost 12% by year-end. This has also impaired the general liaison with the IMF, which has also called for relations to be normalized with the hold-out creditors. Accordingly, we expect protracted negotiations for a new IMF agreement. However, this should not prevent the government from continuing to meet its repayment obligations to the IMF since, in addition to funds from the budget surplus, it can also utilize the proceeds from domestic debt issues to finance any repayments falling due. These issues are in demand among domestic and foreign investors alike.

ARGENTINA		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	-10.9	8.8	9.0	8.0	4.0
GDP	US$ bn	99.1	127.3	152.2	181.4	202.0
Inflation (year-end)	%	41.0	3.7	6.1	11.9	9.0
Inflation (average)	%	25.9	13.4	4.4	9.6	10.0
PUBLIC SECTOR						
Budget balance, central government	% GDP	-1.2	0.5	2.6	1.3	0.7
Budget balance, public sector	% GDP	-1.8	1.1	3.7	2.2	1.5
Public debt	% GDP	138.6	140.5	125.7	70.0	65.7
Amortization	US$ bn	17.9	19.8	19.8	10.2	9.7
Gross financing needs	US$ bn	21.7	18.0	8.2	3.3	5.5
EXTERNAL SECTOR						
Merchandise exports	US$ bn	25.7	29.6	34.6	39.0	41.0
Merchandise imports	US$ bn	8.5	13.0	21.2	27.9	32.5
Trade balance	US$ bn	17.2	16.5	13.3	11.1	8.5
Current account balance	US$ bn	9.6	7.7	3.3	2.9	-1.1
Current account balance	% GDP	9.7	6.0	2.2	1.6	-0.5
Net direct investment	US$ bn	1.7	-0.3	3.9	4.0	4.2
Foreign exchange reserves, year-end	US$ bn	10.5	14.1	19.6	26.0	28.0
Import cover *	months	5.6	5.8	5.8	6.9	6.5
US$ exchange rate, year-end	Pesos	3.37	2.93	2.97	2.95	3.09
US$ exchange rate, average	Pesos	3.15	2.95	2.94	2.92	3.00
FOREIGN DEBT						
Gross foreign debt	US$ bn	157	165	171	135	140
Foreign debt	% exports*	490	448	396	287	288
Short-term foreign debt	US$ bn	23.8	39.7	60.0	35.9	40.0
Foreign debt amortization	US$ bn	19.7	30.5	22.5	9.0	8.7
Foreign debt service	US$ bn	29.6	40.1	32.3	13.5	13.7
Foreign debt service	% exports*	93	109	75	29	28
FINANCIAL MARKETS (year-end)						
Interbank interest rate, overnight	%	7.5	2.0	3.0	5.0	5.0
Merval stock index (peso based, 2005: 09/23)		525	922	1375	1659	
IFCI stock index (US$ based, 2005: 09/23)		265	502	763	1214	
Bond market yield spread (2005: 09/23)**	bps	6229	6463	4707	390	

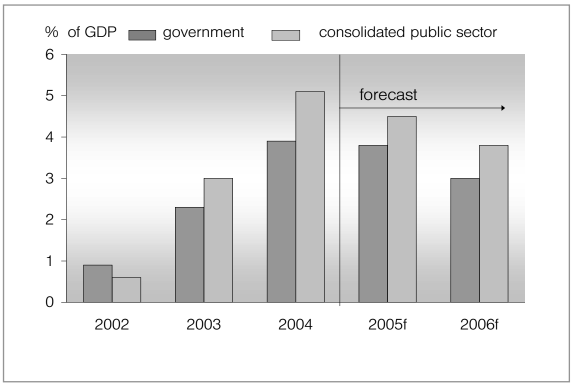
*goods and services ** EMBI+

f=forecast

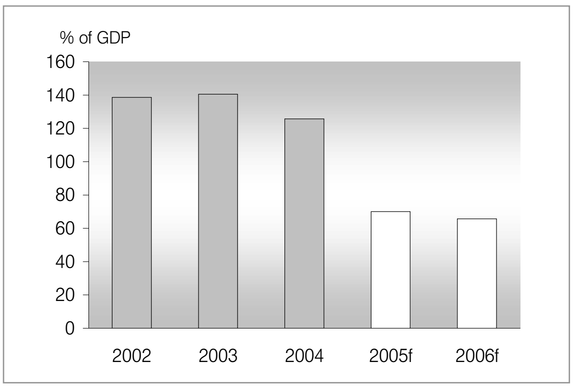
GDP CHANGE (REAL) AND EMAE



PRIMARY SURPLUS



PUBLIC DEBT



Economic policy: problematic path ahead

In the run-up to the congressional elections in October, the economic policy course of the Kirchner government continues to be shaped above all by efforts to boost the president's popularity. Structural reforms that would also enable the Argentinean economy to generate stable growth in the long term continue to be delayed. In addition, there is no reliable legal framework in place that would offer foreign investors any security for their existing investments and stronger incentives to make new investment commitments in Argentina.

This applies especially to public utilities as has been demonstrated by the withdrawal of an international company previously in charge of supplying Greater Buenos Aires with water. In response to the urgent problem of sharply rising inflation levels, the government threatens to implement price controls instead of pursuing a more restrictive monetary and fiscal policy.

Public finances: reservations of the IMF

The first eight months of this year saw the government increase its transfer payments to the provinces as well as current expenses by double digits and also doubled capital spending year-on-year. Nevertheless, the primary surplus (excluding interest payments) in the central government budget was equivalent to almost 4% of GDP, since, amid favorable cyclical tendencies, tax and social insurance revenues recorded robust growth (+18%). This primary surplus should also turn out higher than originally planned by year-end (the target was 3.2% of GDP), so that, including the budget surpluses of the provinces, the primary surplus of the overall budget should be in the region of 4.5% of GDP.

However, this will not quite enable the government to meet the IMF request to keep the primary surplus at about the level of 2004 (5.1% of GDP). Furthermore, the good budget result is attributable to export and financial transaction taxes which, in the opinion of the IMF, should be abolished.

The IMF therefore recommends tighter fiscal policy. This would seem advisable despite the currently positive situation of public-sector budgets, since the central government's debt ratio still stands at 70% of GDP even after this June's partial debt rescheduling. The IMF further demands normalization of relations with those creditors who had rejected this year's swap offer for the restructuring of Argentinean government bonds (liabilities of US$ 19.5 billion); in addition the IMF recommends to enter into debt rescheduling negotiations with the Paris Club. Given the fact that the implementation of such recommendations would entail unpopular cuts, we expect the negotiations between the IMF and the government regarding a new agreement to prove quite difficult. The negotiations are likely to drag out well into next year.

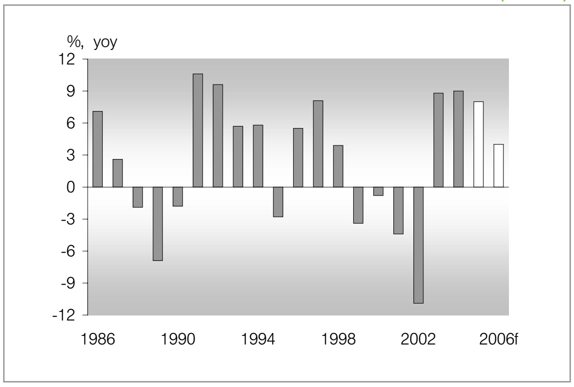
Even so, we expect the government to meet its repayment obligations to the IMF even without such an agreement for the time being. In addition to funds from the budget surplus, the proceeds from debt issues governed by Argentinean law are primarily used to finance repayments falling due. Although the moratorium on foreign debt was decreed not so long ago, both domestic and foreign investors appear to be interested in these issues.

Economic activity: growth remains robust

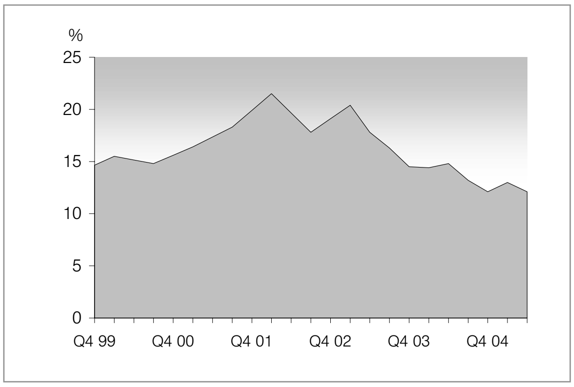
The economy expanded substantially in the first half of 2005; GDP grew by 9.1% year-on-year in tandem with a further quarter-to-quarter rebound in economic activity in the second quarter. Following 0.8% in the first quarter, GDP rose by 2.4% in the second (quarter-on-quarter, seasonally adjusted). In addition to domestic demand, growth is also being underpinned substantially by exports. Consumption continues to grow vigorously due to wage hikes in the private sector and improved access to loans. Following a period of weakness in the first quarter, investment activity grew again by 24.4% (year-on-year) in the second quarter. Some impetus came also from the construction sector having benefited from public infrastructure projects.

The labor market saw improvements: the unemployment rate stands at 12.1%, compared with 14.8% in the second quarter of 2004. Even though retail sales have been stagnating amid a further decline in consumer confidence since June of this year, we expect private consumer demand to flatten out only gradually by year-end. In the year 2005 as a whole, Argentina's GDP is likely to rise by 8% (2004: 9%). For next year, we expect economic growth to slow down to 4% because after three years of strong growth, production should reach its capacity limits and investments in plant and equipment will only be made to a limited degree as government policy can hardly be described as market-friendly. Furthermore, the positive growth contribution of external trade is likely to decrease due to the fact that imports will probably rise faster than exports.

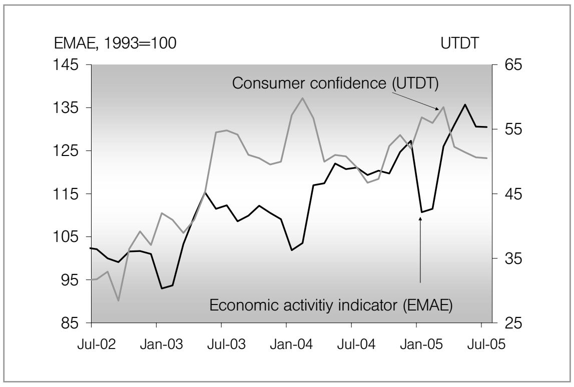
GDP CHANGE (REAL)



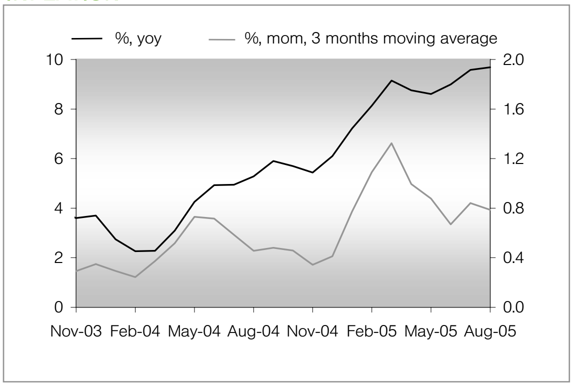
UNEMPLOYMENT RATE



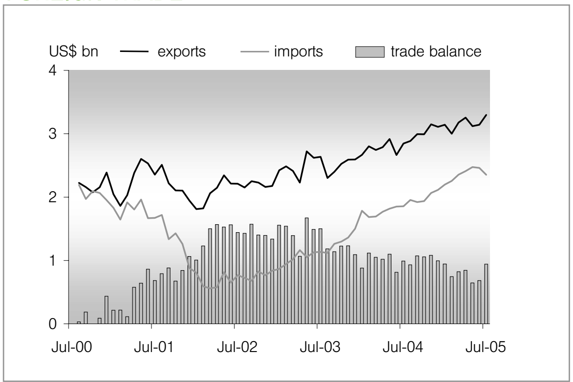
CONSUMER CONFIDENCE AND EMAE



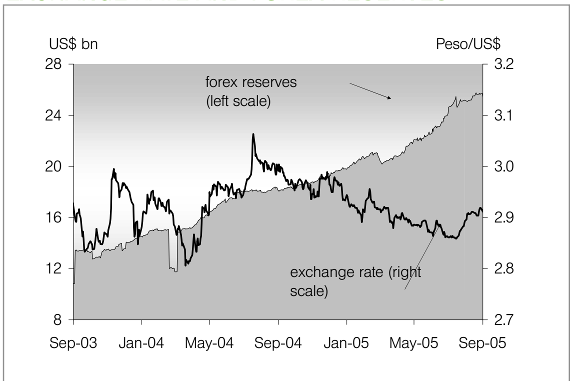
INFLATION



FOREIGN TRADE



EXCHANGE RATE AND FOREX RESERVES



Monetary sector: steady rise in inflation

At 9.7% in August, the annualized inflation rate was almost twice as high as in the same month of the previous year, with the rise in core inflation (+11.6% excluding products subject to sharp price fluctuations) clearly indicating that price hikes are continuing to take place across the board. This trend is likely to remain in evidence until the end of the year because expansionary fiscal policy as well as real wage increases will fuel inflation. The threat of a wage-price spiral cannot be ruled out.

From a monetary perspective, the central bank's exchange rate management is bound to exert additional pressure on inflation due to the fact that it is increasingly countering the appreciation trend of the peso through dollar purchases. This results in substantial peso liquidity, which is not being neutralized by the central bank's open market policy to a sufficient degree. The expansion in money supply is therefore higher (+16.9% yoy in August) than intended (target corridor between 5 and 15%). The central bank's target to weaken the peso in order to boost domestic production and exports thus clearly takes precedence over the target of keeping inflation under control. In spite of all the efforts being taken, the peso appreciated in the last few months by 2% in nominal terms compared with the end of 2004. We expect the peso to remain around current levels until the end of this year (forecast: 2.95 pesos/US$).

Accordingly, the consumer price increase is likely to reach 11.9% by year-end. In the year 2004, the inflation rate was still at 6.1%.

External sector: foreign trade remains dynamic

The first seven months of the year saw the country's exports expand by a further 14% (year-on-year), with export volumes of agricultural produce rising by 17% and industrial goods recording improvements in volume and prices by 13% and 16%, respectively. In addition, fuel exports rose by 13% due to higher prices. Imports grew more rapidly in the same period (+31%), since economic growth led to a sharp increase in import demand. Accordingly, the trade surplus dropped by US$ 0.9 billion, to US$ 6.8 billion year-on-year.

This trend is set to persist, albeit at a slower pace toward the end of the year, and we therefore expect the surplus to drop to US$ 11.1 billion (2004: US$ 13.3 billion). Nevertheless, the current account surplus will narrow only slightly since, due to debt restructuring, interest payments abroad are likely to decline by US$ 800 million. Thanks to increased US dollar purchases, the central bank will build up a reserve cushion estimated at US$ 26 billion (2004: US$ 19.6 billion) by year-end.

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ARGENTINA: MONTHLY INDICATORS		May-05	Jun-05	Jul-05	Aug-05	next/latest
DOMESTIC ECONOMY						
Economic activity indicator, EMA	% yoy	11.2	8.4	**7.8**		20-Oct
Economic activity indicator, EMA (season. adjust.)	% mom	0.5	0.0	**0.7**		20-Oct
Industrial production	% yoy	8.5	6.4	**6.7**	**7.6**	16-Oct
Industrial production (seasonally adjusted)	% mom	1.1	-0.5	**0.1**	**1.6**	16-Oct
Construction	% yoy	13.2	10.0	**9.8**		5-Oct
Construction (seasonally adjusted)	% mom	2.2	1.6	**-0.4**		5-Oct
Consumer confidence (UTDT)	% mom	-1.6	-1.5	**-0.2**	**3.1**	**-4.1**
Supermarket sales (real, seasonally adjusted)	% yoy	8.3	7.3	**8.0**		29-Sep
Supermarket sales (real, seasonally adjusted)	% mom	5.4	-2.0	**1.1**		29-Sep
Tax revenues	% yoy	-4.1	16.8	**15.0**	**21.2**	1-Oct
Budget balance	Pesos mn	648	765	**1679**		30-Sep
Primary balance	Pesos mn	3307	1800	**1837**	**1846**	30-Sep
Consumer prices	% yoy	8.6	9.0	**9.6**	**9.7**	5-Oct
Consumer prices	% mom	0.6	0.9	**1.0**	**0.4**	5-Oct
Overnight peso rate (month-end; latest: 09/23)	%	3.3	5.4	**4.6**	**4.9**	**4.9**
EXTERNAL SECTOR						
Merchandise exports	US$ mn	3681	3430	**3571**		31-Oct
Merchandise exports	% yoy	13	14	**14**		31-Oct
Merchandise imports, cif	US$ mn	2478	2724	**2349**		31-Oct
Merchandise imports	% yoy	33	33	**31**		31-Oct
Trade balance	US$ mn	1203	706	**1222**		31-Oct
Foreign exchange reserves (latest: 09/23)	US$ bn	22.1	23.0	**24.9**	**25.2**	**25.5**
US$ exchange rate (latest: 09/23)	Pesos	2.88	2.89	**2.86**	**2.91**	**2.91**

ARGENTINA: QUARTERLY INDICATORS		Q3 04	Q4 04	Q1 05	Q2 05	next /latest
DOMESTIC ECONOMY						
GDP (seasonally adjusted)	% qoq	1.5	1.0	0.8	**1.0**	15-Dec
GDP	% yoy	8.7	9.3	8.0	**10.1**	15-Dec
Private consumption	% yoy	8.9	9.4	8.1	**10.6**	15-Dec
Public consumption	% yoy	4.1	6.5	5.6	**5.4**	15-Dec
Private and public investment	% yoy	33.6	23.6	13.4	**24.4**	15-Dec
Domestic demand	% yoy	11.3	10.1	8.7	**12.4**	15-Dec
Export (goods and services)	% yoy	9.2	16.5	16.6	**17.9**	15-Dec
Import (goods and services)	% yoy	38.2	28.9	15.7	**29.7**	15-Dec
Unemployment rate (EPH)	%	13.8	12.1	13.0	**12.1**	15-Dec
Budget balance, central government	Pesos mn	3371	-762	2504	**3309**	15-Dec
Public debt	US$ bn	182.5	191.3	189.8	**126.6**	15-Dec
EXTERNAL SECTOR						
Current account balance	US$ bn	0.6	0.5	0.0		
Net foreign direct investment	US$ bn	0.8	0.5	0.6		
Net portfolio investment	US$ bn	-2.0	-2.0	-2.9		
Capital account**	US$ bn	0.1	0.6	0.9		
Change in foreign reserves #	US$ bn	-0.7	-1.1	-0.9		
Gross foreign debt*	US$ bn	167.2	171.0	168.2		
Short-term foreign debt	US$ bn	47.5	60.0	41.4		

* revised data; ** incl. residual items, - = increase

BOLIVIA: NATURAL GAS: BOON AND BANE

Area	1 098 581 sq. km
Population	9.2 million (+ 2,1 % p.a.)
State president	Eduardo Rodríguez Veltzé
Finance minister	Waldo Gutiérrez Iriarte
Central bank president	Juan Antonio Morales Anaya
Next elections	State president: December 2005 Congress: December 2005
GDP per capita	US$ 920 (2004)
Rating	Moody's: B3 S&P: B-

ANNUAL FIGURES AND FORECASTS

BOLIVIA		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	2.8	2.5	3.5	3.0	3.5
GDP	US$ bn	7.7	7.9	8.0	8.7	9.2
Inflation (year-end)	%	2.4	3.9	4.6	6.0	5.5
Inflation (year-average)	%	0.9	3.3	4.4	5.5	5.7
Budget balance, public sector	% GDP	-8.9	-8.1	-5.8	-6.0	-5.5
Public sector debt	% GDP	62	73	77	75	77
EXTERNAL SECTOR						
Merchandise exports	US$ mn	1372	1685	2261	2300	2000
Merchandise imports	US$ mn	1832	1692	1887	2200	1950
Trade balance	US$ mn	-460	-7	374	100	50
Current account balance	US$ mn	-350	62	285	-210	-130
Current account balance	% GDP	-4.6	0.8	3.6	-2.4	-1.4
Net foreign direct investment	US$ mn	674	195	114	80	100
Foreign exchange reserves, year-end	US$ mn	1360	1489	1608	1800	1500
Import cover *	months	6.2	7.4	7.3	7.1	6.4
US$ exchange rate, year-end	Bolivianos	7.5	7.8	8.1	8.4	8.8
US$ exchange rate, average	Bolivianos	7.2	7.7	8.0	8.2	8.6
FOREIGN DEBT						
Gross foreign debt	US$ mn	4300	5042	4946	5300	5400
Foreign debt	% exports*	251	247	188	207	223
Short-term foreign debt	US$ mn	495	450	400	450	500
Foreign debt amortization	US$ mn	223	221	204	210	200
Foreign debt service	US$ mn	409	428	404	410	400
Foreign debt service	% exports*	24	21	15	16	17

*goods and services f=forecast

Domestic policy: Upcoming elections

Once again, yet another Bolivian president failed to complete his term of office. President Carlos Mesa's resignation in early June was triggered by weeks of road blockades and strikes, supported in particular by the indigenous population of the highlands. They demanded higher taxes to be levied on international crude oil and natural gas companies operating in Bolivia and the water sector to be nationalized again. Although calm was restored with the enactment of a new tax law, due to president Mesa's resignation and the upcoming elections in December, the country nevertheless faces almost insurmountable conflicts on the domestic front. International natural gas companies threaten to take legal action for breach of contract and are canceling investments urgently needed for natural gas production; economically sounder regions threaten to split off from the rest of the country, and radical indigenous movements such as "Movimiento al Socialismo" led by the presidential candidate Evo Morales are calling for a communist revolution modeled on Castro's regime. At this point it is difficult to foresee whether the majority of the population will support the pro-Venezuelan course of Evo Morales during the December elections or whether former president Jorge Quiroga, who wants Bolivia to revert back to an open and free market economy, will be able to prevail.

Price trends are likewise giving cause for concern: a strong expansion of money supply and bottlenecks caused by weeks of blockades led to a rise in inflation, reaching the highest level this year in June at 6.4% year-on-year. The situation in the major cities seems to be easing only very gradually. We expect an inflation rate of 6% by year-end.

External sector: bleak prospects

The unrest in the first semester had a substantial impact on the current account, which had already recorded a deficit of US$ 15.1 million in the first quarter of this year following a surplus last year. Road blockades had almost brought export activity to a standstill and international investors withdrew from the country because of its political instability and increased taxes being levied on production volumes of crude oil and natural gas. The currently high commodity prices could partially make up for reduced production volumes and high export losses; accordingly, we expect a slightly positive trade balance before the end of this year. However, the loss of confidence and the withdrawal of investors will cause a considerable delay in the necessary expansion of the natural gas sector. For this reason, we forecast a considerable decline in production volumes in the years ahead.

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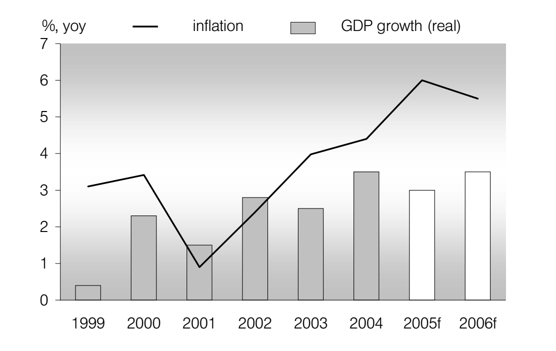
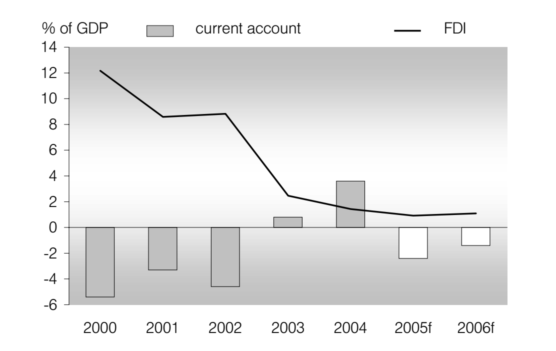
SUMMARY AND OUTLOOK

Bolivia currently is at a crossroads. Will the radical indigenous movements with Fidel Castro and Hugo Chávez as their role models, prevail in the early elections in December? Or will the market-friendly presidential candidate Jorge Quiroga succeed in unifying the country, regaining international investor confidence and steering Bolivia back on the path of an open market economy? At this stage, it would seem virtually impossible for someone to find a way out of the calamity and to unify all conflicting parties.

GDP CHANGE (REAL) & INFLATION



CURRENT ACCOUNT BALANCE & FDI



BRAZIL: BASIS FOR SUSTAINED GROWTH

Area	8 511 965 sq. km
Population	178 million (+1.4 % p.a.)
State president	Luiz Inácio Lula da Silva
Finance minister	Antonio Palocci Filho
Central bank president	Henrique Meirelles
Next elections	State president: October 2006 Congress: October 2006
GDP per capita	US$ 3 185 (2004)
Investment	19.6 % of GDP (2004)
Savings	23.2 % of GDP (2004)
Exchange rate system	Flexible exchange rate
Monetary policy	Inflation targeting
Exports of goods (2004)	17% of GDP
Purchasing countries	USA 21 %, EU 25 %, ALADI 20 %, Asia 15 %
Products	Manufactured goods 55 %, Primary goods 29 %, Semi-manufactured goods 16 %
Imports of goods (2004)	11 % of GDP
Supplier countries	EU 26 %, USA 20 %, ALADI 17 %, Asia 19 %
Products	Primary goods and inputs 53 %, Capital goods 21 %, Consumer goods 11 %
Rating	Moody's: B1 S&P: BB-

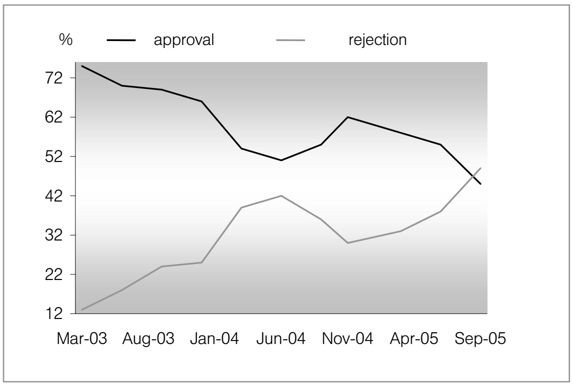
SUMMARY AND OUTLOOK

Brazil is in the throes of a severe political crisis following the discovery of a widespread network accused of having misappropriated funds from private and state-owned enterprises for the illegal funding of government parties and buying political support in congress. So far, the impact on the economy has been relatively small and is confined to a temporary increase in volatility on financial markets. Along with the favorable international environment, the reasons for this are the exceptionally positive macroeconomic fundamentals of the country. Booming foreign trade, sustained fiscal discipline aimed at reducing the public-sector deficit and debt burden, proactive debt management and an efficient monetary policy contribute considerably to increased stability and are setting the stage for sustained growth. The challenges that remain to be faced are firstly to overcome the political crisis and, secondly, to launch a political reform that would make it more difficult for such fraudulent schemes to succeed in the future. In addition, the still outstanding structural reforms – above all, the tax reform aimed at boosting the economy's competitiveness – need to be stepped up. Yet we do not expect this to materialize until the next legislative period following the elections in October 2006.

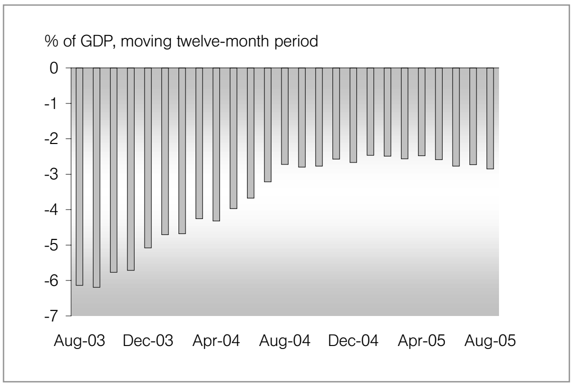
BRAZIL		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	1.5	0.5	4.9	3.4	3.7
GDP	US$ bn	461	506	604	786	853
Inflation (year-end)	%	12.5	9.3	7.6	5.4	4.9
Inflation (average)	%	8.5	14.7	6.6	6.7	4.8
PUBLIC SECTOR						
Budget balance, central government	% GDP	-0.8	-4.0	-2.0	-2.4	-1.9
Budget balance, public sector	% GDP	-4.7	-5.2	-2.7	-3.0	-2.7
Public debt (net)	% GDP	56.5	56.4	51.7	50.6	49.3
Amortization external debt	US$ bn	8.6	22.1	14.1	16.1	16.1
Amortization domestic federal debt*	US$ bn	53.4	72.1	68.3	82.3	134.8
EXTERNAL SECTOR						
Merchandise exports	US$ bn	60	73	96	115	120
Merchandise imports	US$ bn	47	48	63	75	84
Trade balance	US$ bn	13.2	24.8	33.7	39.7	36.8
Current account balance	US$ bn	-7.7	4.1	11.7	13.1	11.6
Current account balance	% GDP	-1.7	0.8	1.9	1.7	1.4
Net foreign direct investment	US$ bn	16.6	10.1	18.2	16.5	17.0
Foreign exchange reserves, year-end	US$ bn	37.8	49.3	52.9	62.0	65.0
Import cover **	months	5.4	6.9	6.1	6.0	5.9
US$ exchange rate, year-end	Reais	3.53	2.89	2.65	2.44	2.53
US$ exchange rate, average	Reais	2.90	3.08	2.93	2.48	2.48
FOREIGN DEBT						
Gross foreign debt	US$ bn	228	235	220	215	213
Foreign debt	% exports**	311	271	196	160	151
Short-term foreign debt	US$ bn	22.8	25.0	27.0	24.0	23.0
Foreign debt amortization	US$ bn	39.0	44.0	50.3	39.3	31.4
Foreign debt service	US$ bn	54.3	59.7	65.6	54.1	46.4
Foreign debt service	% exports**	74	69	58	40	33
FINANCIAL MARKETS (year-end)						
Interbank interest rate, overnight	%	24.9	16.3	17.8	18.5	15.5
Bovespa stock index (real based, 2005: 09/23)		11268	22236	26196	31294	
IFCI stock index (US$ based, 2005: 09/23)		214	439	587	834	
Bond market yield spread (2005: 09/23)***	bp	1439	463	383	358	

* incl. short term debt ** goods and services *** EMBI+ f=forecast

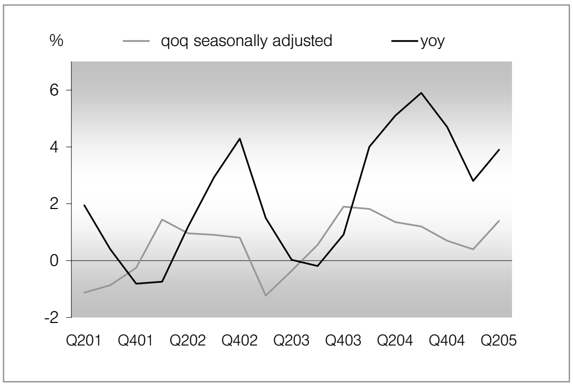
APPROVAL RATE PRESIDENT LULA



PUBLIC BUDGET BALANCE



GDP CHANGE (REAL)



Domestic policy: scandal!

Through various investigation committees, parliament devoted the last months almost exclusively to the investigation of numerous corruption cases within the coalition government, such as misappropriation of public funds for the financing of political parties and buying votes in parliament. The consequences for both the government and the ruling party (PT) are severe: the PT plunged into a deep crisis of credibility and disunity, the majority in congress was lost due to coalition breakups and none of the structural reforms still pending has been followed through. The controversial president of the house of deputies, Severino Cavalcanti, resigned over bribery accusations, and a power struggle has erupted over his succession. Deputy Roberto Jefferson, who himself is accused of involvement in a corruption scheme and initiated further accusations of corruption against the PT, has been stripped of his mandate. Other deputies are likely to suffer the same fate. Even after those found guilty have been punished, we expect political tensions to persist, not least due to the maneuvers of the opposition causing a steady weakening of the government and increasing its own chances of success at the 2006 presidential elections. This is also being confirmed by the latest poll results: although Lula may still be considered the strongest candidate of the center-left wing and will therefore most probably stand for re-election, he virtually no longer has a lead over the opposition politician and mayor of São Paulo, José Serra, for the first time since taking office. The outcome of the election, which would still have been clearly in favor of Lula shortly before the scandals erupted, is completely open at this stage. Nevertheless, we consider it highly unlikely that populist candidates can turn these events to their advantage as the vast majority of voters reject them outright.

We still do not expect any change in the current stability oriented economic policy, since it has proven successful so far, enjoys the approval of the majority of Brazilians and constitutes the key anchor of the government. An urgently required comprehensive reform of the political system that would improve the regulation and tightening of political party financing, reduce the number of small parties in congress and further limit the possibility of opportunistic floor-crossing of members of parliament, remains a challenge. In this regard, the government is attempting to find a compromise among its own ranks and with the opposition in order to arrange for a reform to be passed prior to the 2006 elections. We believe the most that can be hoped for is the initiation of a reform.

Fiscal policy: further relief

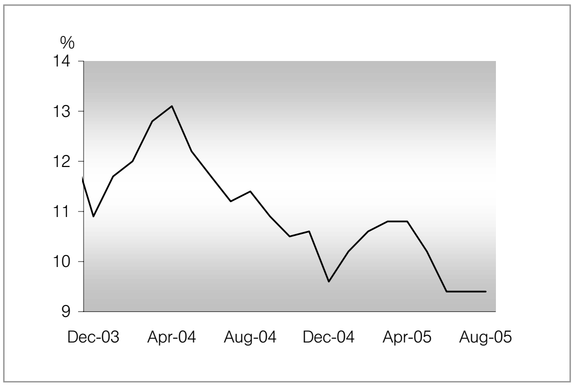
The government has continued its fiscal policy course aimed at improving the public sector's financial situation. Following 4.6% of GDP in the year 2004, the primary surplus of the public-sector budget reached 5.2% of

GDP in the 12-month period up until July 2005, well above the target of 4.25% of GDP for the year as a whole. Despite rising interest payments due to the hike in the key lending rate in the first half of the year, the nominal deficit remained stable at 2.7% of GDP. This is a significant improvement on the level of approx. 5% of GDP in 2002 and 2003. Public net debt thus dropped from 57% of GDP at the end of December 2003 to just under 52% of GDP in 2004 and has remained relatively stable at 51% of GDP in the course of this year. In addition, the debt structure is also improving thanks to good debt management. The share of dollar-indexed debt instruments in domestic debt dropped from 22% in 2003 to 4% in July 2005, which also means a reduction in exchange-rate risks. At the same time, the share of fixed rate debt, i.e. not exposed to interest fluctuation risks, rose from 13% to 22%; on the other hand, the share of interest-based instruments (indexed to the "Selic" interest rate) has also increased, viz. from 50% to 57%. We expect the debt ratio to improve further to 49% of GDP next year due to the combination of continued high primary surpluses and the effects of sinking interest rates. The expected interest rate cuts should likewise cause a further increase in the fixed-rate share in domestic debt as well as a prolongation of terms to maturity.

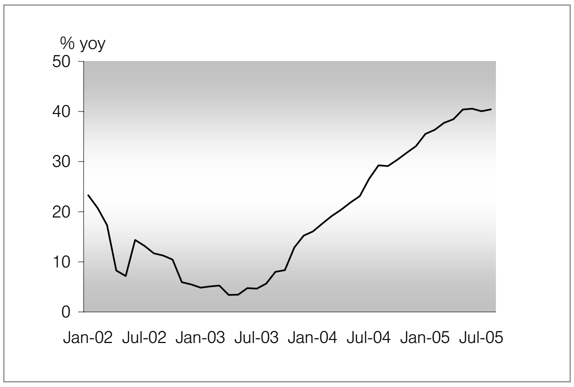
Economic activity: sustained growth

The second quarter of this year saw GDP growth accelerate to 1.4% quarter-on-quarter (seasonally adjusted; 3.9% year-on-year). In addition to continued robust growth in exports, there are signs of a recovery of private consumer demand (+1% quarter-on-quarter, seasonally adjusted; +3% year-on-year) boosted by the improved labor market situation in the course of the year, higher real wages due to lower inflation rates and the expansion of private loans. In view of a further decline in inflation and interest rates, which should boost real wages and the demand for credit alike, we expect this positive trend to persist both in the second half of the year and next year, so that private demand should in future likewise make a substantial contribution to growth. This process is accompanied by a significant increase in investments in the second quarter (+4% quarter-on-quarter, seasonally adjusted, +4.5% year-on-year; 2004: +11%) and the rise in capital goods imports between July and August further suggest a brisk level of capital spending. This should increase the production capacity of Brazil's industry in the short term, so that overall supply is likely to cover growing consumer demand without fueling inflationary pressure. This should set the stage for steady growth over the next two years at low inflation rates. For the current year, we anticipate a growth rate of 3.4% (2006: 3.7%).

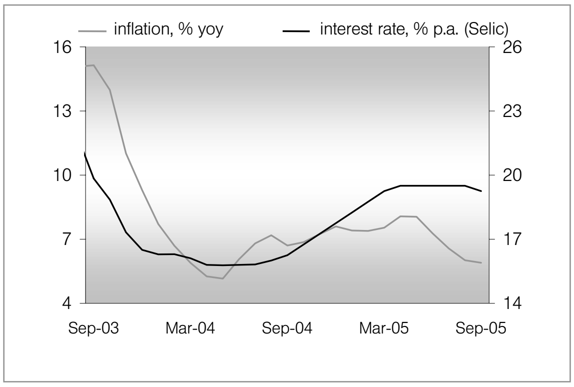
UNEMPLOYMENT RATE



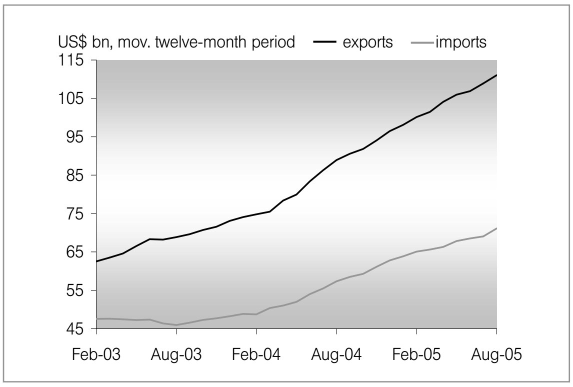
PRIVATE LOANS



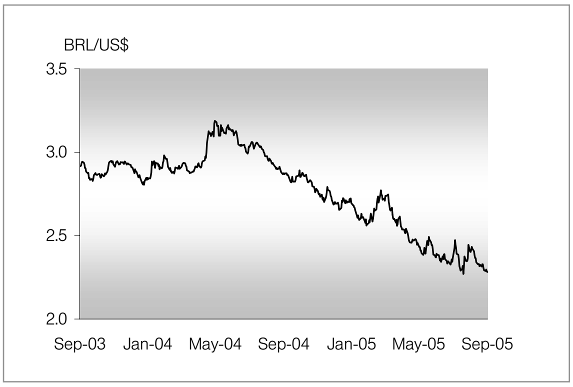
INFLATION AND INTEREST RATES



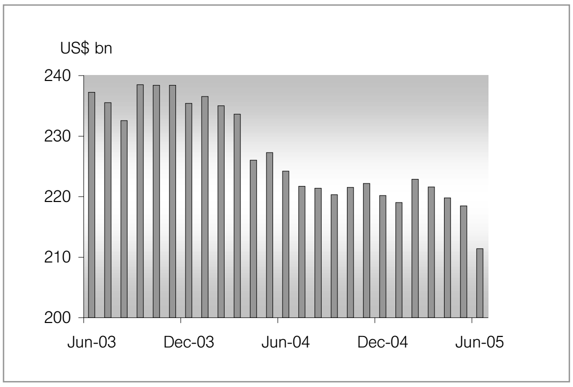
FOREIGN TRADE



EXCHANGE RATE



FOREIGN DEBT



Monetary policy: cautious interest rate cut

As a result of the overnight rate hikes by a total of 375 basis points to 19.75% since September 2004 and the real's sharp appreciation against the US dollar (August: +24% year-on-year), the 12-month inflation rate came to 6% in August and was thus once again within the central bank's target corridor (2-7%). Inflationary expectations for this year and next have likewise declined steadily in the past few months to a level commensurate with central bank targets (5.1% and 4.8%, respectively). This, in combination with adequate economic growth, has not only increased the credibility of Brazil's monetary policy but also prompted the central bank to cut the key "Selic" lending rate by 25 basis points in September, to 19.50%. Unlike the rapid rate-cutting cycle in the year 2003 (within seven months from 26.5% to 16.5%), during which inflation rates were kept under control only in the short term, we expect a more conservative stance of the central bank this time. The interest rate moves are likely to be smaller and the institution will increasingly pay attention to exchange rate trends and the sustainability of economic activity. For the end of the year, we expect an interest rate of 18.5% and an inflation rate of 5.4%.

External sector: all-time high

Brazil's foreign trade achieved record figures in the last few months and thus contributes substantially to the improvement of the current account and the country's solvency. Exports reached US$ 76 billion in the first eight months of the year, 24% up on the previous year, while imports grew by 21%, to US$ 48 billion, in the same period. The trade surplus, which has risen substantially to US$ 28.3 billion (+29% year-on-year) so far, should expand to almost US$ 40 billion by year-end. What is noteworthy are the signs of an improvement in the structure of exports. Export growth is primarily being boosted by industrial goods (US$ 41.6 billion; +28.1% year-on-year), whose share of total exports thus rose to 55%. In addition, substantial growth rates were recorded in non-traditional exports and in respect of new markets such as eastern Europe (+67.4% year-on-year) and Africa (+47.9% year-on-year), which translates into rising diversification despite the hitherto modest share of the country's total exports. The high trade surplus helped to significantly improve the current account. We expect a current account surplus of US$ 13 billion (1.7% of GDP) this year. Together with the export boom, the steady decrease in foreign debt since 2003 will facilitate a 50% reduction of the debt ratio to 160% of exports by year-end; the country's foreign debt structure has improved at the same time. Foreign currency reserves, which still amounted to US$ 38 billion at the end of 2003, should rise to US$ 62 billion by the end of this year.

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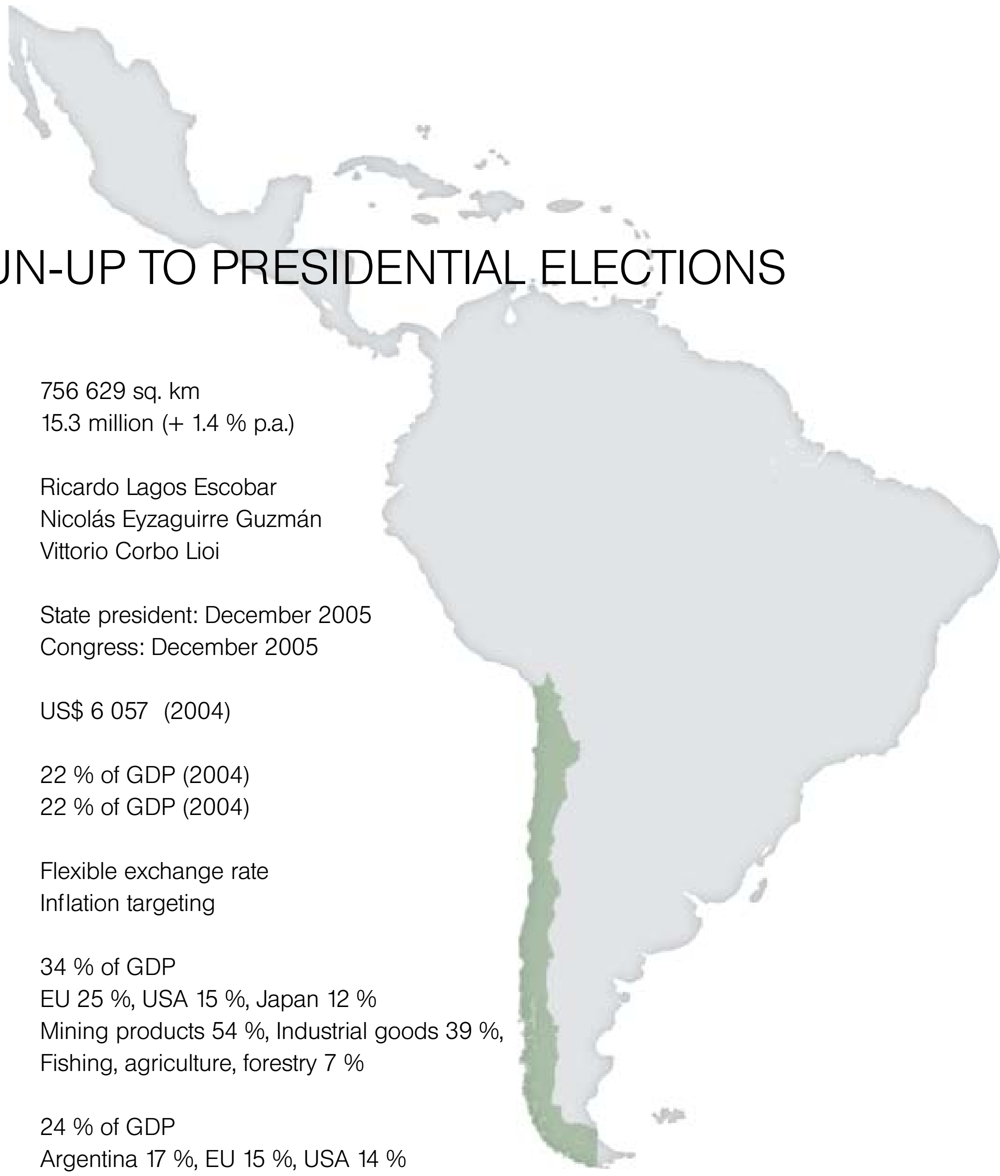
BRAZIL: MONTHLY INDICATORS		May-05	Jun-05	Jul-05	Aug-05	next/latest
DOMESTIC ECONOMY						
Public sector primary balance (ytd)	% of GDP	6.6	6.6	6.3	**6.3**	28-Oct
Public sector balance (ytd)	% of GDP	-1.9	-2.2	-2.1	**-2.1**	28-Oct
Central government tax revenues	% yoy	2.0	10.8	5.5	**7.0**	21-Oct
Capacity utilization (CNI)	%	81.8	82.4	81.9		6-Oct
Industrial production (IBGE)	% yoy	5.6	6.4	0.5		6-Oct
Retail sales (IBGE)	% yoy	2.7	5.3	4.5		14-Oct
Unemployment rate (IBGE)	%	10.2	9.4	9.4	**9.4**	17-Oct
Consumer prices IPCA	% yoy	8.1	7.3	6.6	**6.0**	7-Oct
Consumer prices IPCA	% mom	0.49	0.0	0.3	**0.2**	7-Oct
Interbank interest rate (latest: 09/23)*	%	19.75	19.75	19.75	**19.75**	**19.50**
EXTERNAL SECTOR						
Merchandise exports	US$ mn	9818	10206	11061	**11348**	3-Oct
Merchandise exports	% yoy	23.6	9.4	23.0	**25.3**	3-Oct
Merchandise imports	US$ mn	6367	6176	6050	**7676**	3-Oct
Merchandise imports	% yoy	31.8	11.7	9.8	**36.5**	3-Oct
Trade balance	US$ mn	3451	4030	5011	**3672**	3-Oct
Current account balance	US$ mn	615	1252	2592	**822**	20-Oct
Net foreign direct investment	US$ mn	711	1328	2035	**1143**	20-Oct
Foreign exchange reserves (latest: 09/19)*	US$ bn	60.7	59.9	54.7	**55.1**	**55.9**
US$ exchange rate (latest: 09/23)*	Reais	2.40	2.35	2.39	**2.36**	**2.27**

BRAZIL: QUARTERLY INDICATORS		Q3 04	Q4 04	Q1 05	Q2 05	next/latest
DOMESTIC ECONOMY						
GDP	% yoy	6.1	4.9	2.9	**3.9**	28-Oct
GDP (s.a.)	% qoq	1.1	0.4	0.3	**1.4**	28-Oct
Private consumption	% yoy	5.8	5.4	3.1	**3.0**	28-Oct
Public consumption	% yoy	0.3	0.8	0.7	**3.1**	28-Oct
Private and public investment	% yoy	19.2	9.3	2.3	**4.0**	28-Oct
Exports of goods and services	% yoy	18.2	16.2	13.6	**12.9**	28-Oct
Imports of goods and services	% yoy	17.7	12.8	12.2	**12.7**	28-Oct
Agriculture	% yoy	5.9	2.9	4.2	**3.2**	28-Oct
Industry	% yoy	7.0	6.0	3.1	**5.5**	28-Oct
Services	% yoy	4.4	3.8	2.0	**2.5**	28-Oct
Public debt (net)	% of GDP	53.7	52.0	50.8	**51.0**	20-Oct
EXTERNAL SECTOR						
Current account balance	US$ bn	5.3	2.0	2.7	**2.6**	20-Oct
Net foreign direct investment	US$ bn	8.3	5.8	3.5	**5.1**	20-Oct
Portfolio investment	US$ bn	-0.5	-0.5	5.8	**-1.3**	20-Oct
Capital account **	US$ bn	-6.1	-0.3	7.7	**-3.4**	20-Oct
Change in foreign exchange reserves #	US$ bn	0.8	-1.7	-10.4	**0.8**	20-Oct
Gross foreign debt	US$ bn	220	220	221.6	**211.4**	19-Dec
Short-term foreign debt	US$ bn	18.6	18.7	20.5	**16.8**	19-Dec

* month-end ** incl. Residual items # - = increase



CHILE: IN THE RUN-UP TO PRESIDENTIAL ELECTIONS

Area	756 629 sq. km
Population	15.3 million (+ 1.4 % p.a.)
State president	Ricardo Lagos Escobar
Finance minister	Nicolás Eyzaguirre Guzmán
Central bank president	Vittorio Corbo Lioi
Next elections	State president: December 2005 Congress: December 2005
GDP per capita	US$ 6 057 (2004)
Investment	22 % of GDP (2004)
Savings	22 % of GDP (2004)
Exchange rate system	Flexible exchange rate
Monetary policy	Inflation targeting
Exports of goods (2004)	34 % of GDP
Purchasing countries	EU 25 %, USA 15 %, Japan 12 %
Products	Mining products 54 %, Industrial goods 39 %, Fishing, agriculture, forestry 7 %
Imports of goods (2004)	24 % of GDP
Supplier countries	Argentina 17 %, EU 15 %, USA 14 %
Products	Capital goods 20 %, Fuel and lubricants 19 %, Consumer goods 17 %
Rating	Moody's: Baa1 S&P: A

SUMMARY AND OUTLOOK

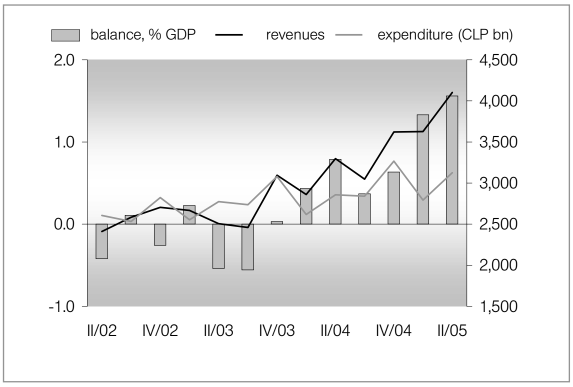
Unlike other countries of the region, in which the start of the election campaign for the presidential elections scheduled for next year is at least being closely monitored, in Chile the political situation before the presidential elections due to be held in December is of little relevance to the market players. All candidates, of whom Michelle Bachelet of the ruling Concertación probably stands the best chance, have endorsed the mainstays of macroeconomic stability in Chile, and the underlying conditions for a new government are quite favorable. Against the backdrop of a budget surplus of 3.5% of GDP in the first seven months, central government debt is likely to drop below 10% of GDP in the current year and despite the slowdown currently observed, economic growth, at 5.7% this year and 4.7% next, should remain robust. Despite rising wages and high oil prices, inflation remains under control and we expect the central bank to continue its course of gradually tightening the monetary reins in the forthcoming months as well. The high stability makes the country attractive for foreign investors, as is shown by high inflows of direct investments, low risk spreads on government bonds and a booming equities market.

ANNUAL FIGURES AND FORECASTS

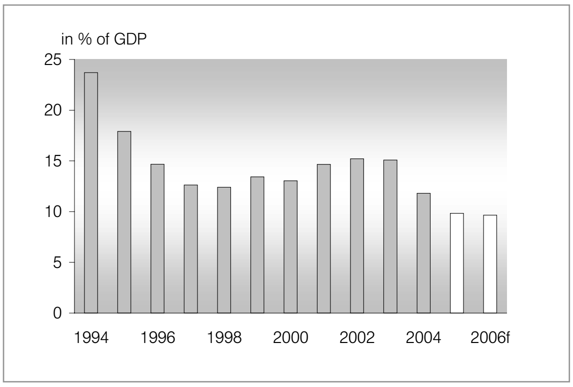
CHILE		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	2.2	3.7	6.1	5.7	4.7
GDP	US$ bn	67.2	73.5	94.1	109.8	108.8
Inflation (year-end)	%	2.8	1.1	2.4	3.4	3.2
Inflation (average)	%	2.5	2.8	1.1	2.9	3.4
PUBLIC SECTOR						
Budget balance, central government	% GDP	-0.8	-0.4	2.2	4.0	2.0
Budget balance, public sector	% GDP	-1.2	-0.4	2.2	4.5	2.5
Public debt	% GDP	15.7	13.3	11.8	9.8	9.7
Amortization	US$ bn	0.9	0.8	0.8	0.6	0.7
Gross financing needs, central government	US$ bn	1.4	1.1	-1.2	-3.8	-1.5
EXTERNAL SECTOR						
Merchandise exports	US$ bn	18.2	21.0	31.9	38.3	40.0
Merchandise imports	US$ bn	15.8	18.0	23.0	30.0	33.7
Trade balance	US$ bn	2.4	3.0	9.0	8.3	6.3
Current account balance	US$ bn	-0.7	-1.1	1.3	0.3	-2.0
Current account balance	% GDP	-1.1	-1.5	1.4	0.3	-1.8
Net foreign direct investment	US$ bn	2.2	2.5	6.7	5.4	4.8
Foreign exchange reserves, year-end	US$ bn	15.4	15.9	16.0	16.7	17.5
Import cover **	months	7.7	6.8	5.0	4.2	4.0
US$ exchange rate, year-end	Pesos	720	593	556	560	630
US$ exchange rate, average	Pesos	689	691	609	569	622
FOREIGN DEBT						
Gross foreign debt	US$ bn	40.7	43.4	43.8	44.0	44.5
Foreign debt	% exports**	179	166	112	95	91
Short-term foreign debt	US$ bn	5.8	7.5	7.7	8.0	8.2
Foreign debt amortization	US$ bn	4.7	3.8	5.9	6.2	4.5
Foreign debt service	US$ bn	6.0	5.2	7.2	7.7	5.9
Foreign debt service	% exports**	26	20	18	17	12
FINANCIAL MARKETS (year-end)						
Base rate, 90 days (PDBC)	%	2.9	2.3	2.3	4.8	5.3
IPSA stock index (peso based, 2005: 09/23)		1000	1405	1797	2158	
IFCI stock index (US$ based, 2005: 09/23)		406	654	861	1034	
Bond market yield spread (2005: 09/23)*	bp	176	90	64	56	

* EMBIG **goods and services f=forecast

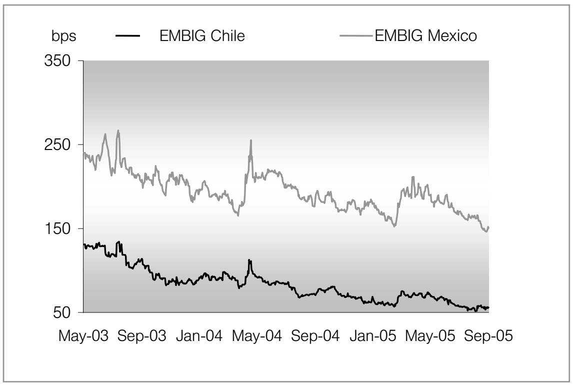
CENTRAL GOVERNMENT BUDGET



CENTRAL GOVERNMENT DEBT



BOND SPREAD CHILE & MEXICO



Domestic policy: Concertación candidate ahead in polls

In the run-up to the presidential elections scheduled for December 11, the candidate of the government coalition 'Concertación', former defense minister Michelle Bachelet, is still leading the opinion polls well ahead of her conservative opponents, Lavín and Piñera. In the process, she is able to rely on the high popularity of the Lagos government, which managed to take an important step towards further democratization of the country by passing a constitutional reform in mid-July. There is consensus among the candidates that the economic foundations of Chile's prosperity, namely a liberal foreign trade regime, the independence of the central bank and a responsible and controlled budget policy, are to be maintained in their present form. Accordingly, we do not expect any market uncertainty over Chilean assets, regardless of the outcome of the elections. An urgent task likely to be tackled immediately by the new government is the reform of the private pension system. In its present form, the latter represents a major contingent liability for the government, since a large number of people employed fail to pay the contributions required to qualify for a minimum pension. In accordance with current regulations, the government guarantees the difference between individually funded pension and the minimum basic pension payable in such cases.

Fiscal policy: record surplus

The central government budget recorded a surplus of 3.5% of GDP in the first seven months of the year. This very good result is based on a marked increase in revenues (+22.8% year-on-year), with expenditure only up moderately (+5.2%). We expect a slight acceleration of expenditure growth with revenues remaining robust in the second half of the year, so that the budget surplus in the year as a whole should amount to 4% of GDP. For one thing, the government is utilizing the funds from the budget surplus to replenish the copper price stabilization fund. For another, we also expect a further reduction of public debt, in particular debt owed to the central bank. The central government's indebtedness in relative terms should therefore be down to 9.8% of GDP by year-end. The debt reduction process is likely to continue next year, albeit at a slower pace.

Against this backdrop, the risk spread on Chilean foreign bonds remains at a very low level (roughly 60 basis points). However, it must be borne in mind that this level is not solely attributable to the country's positive fundamentals but is also influenced by the high level of global liquidity. Therefore, the possibility of the spreads widening to a certain degree cannot be ruled out.

Economic activity: economic slowdown from a high level

Strong investment growth (+25.1% year-on-year) contributed to the fact that the economy recorded a year-on-year growth rate of 6.5% in the second quarter. Private consumption (+7.3% year-on-year) continued to perform very well, while export growth, which had been the growth motor last year, stagnated at previous quarter's level.

A closer look at the general trend, however, indicates that the growth momentum has weakened over the past several quarters (see chart). This trend persisted in July. The growth rate recorded by the IMACEC economic indicator in that month was down to 4.9% year-on-year (seasonally adjusted). We expect the growth momentum to consolidate at the current level, underpinned by robust domestic demand, which is based above all on positive labor market trends. In the twelve months to July 2005, employment rose by 4.8% and employment growth has accelerated steadily over the past few months. This took the unemployment rate in July to 8.6%, down more than one percentage-point compared to July 2004. For the year as a whole, we anticipate a GDP growth rate of 5.7 %.

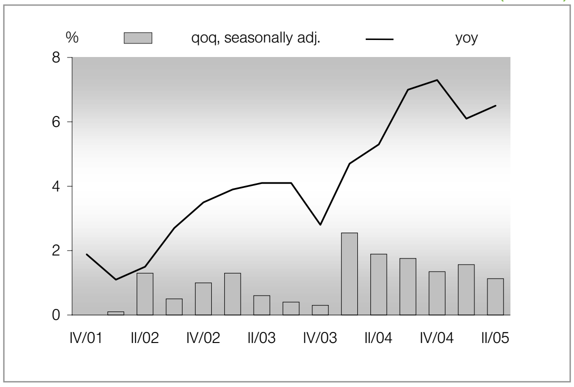
Should investment growth continue as expected, the investment ratio is likely to exceed 27% of GDP in the course of the year. In conjunction with an ongoing robust labor market, this should contribute to economic growth being in the region of 5% in 2006 as well.

Monetary sector: monetary tightening remains gradual

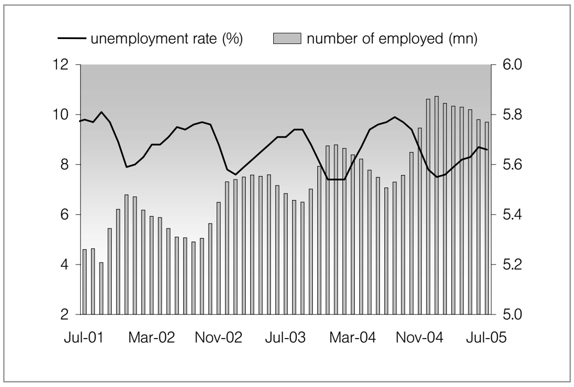
At 0.3% month-on-month in August, the rise in consumer prices fell short of market participants' expectations which, in view of the positive economic trend and sharply rising oil prices, had projected an inflation rate at the previous months' levels (June: +0.4%, July: +0.6%). At 3%, the annual inflation rate was in the middle of the central bank's target corridor (2-4%), and core inflation has been stagnating since May 2005 at 2.4% year-on-year.

Despite a marked increase in wages (labor costs July: +5.2% year-on-year) and an ongoing robust level of economic activity, the central bank should therefore maintain its policy of only gradually tightening the monetary reins, in the course of which it has raised the key lending rate from 1.75% to 4% since October 2004. This assumption is additionally supported by the observation that money supply growth has slowed down substantially over the past several months (M1A July: +9.6% year-on-year). We expect three 25-basis-point hikes at a time from the three remaining Central Bank Council sessions, so that the key lending rate should be at 4.75% by year-end.

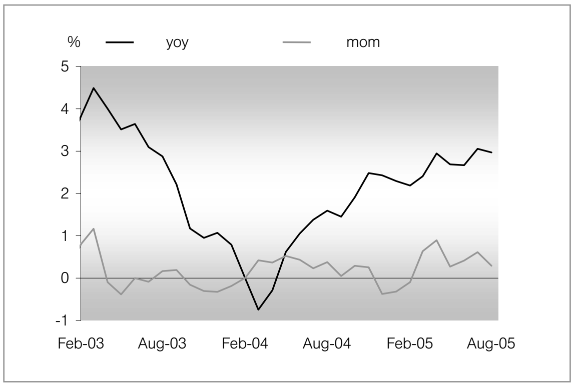
GDP CHANGE (REAL)



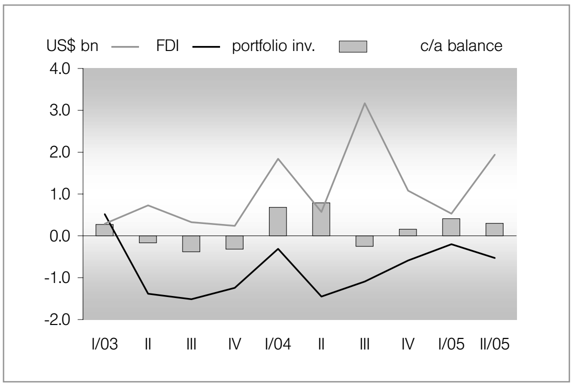
LABOR MARKET



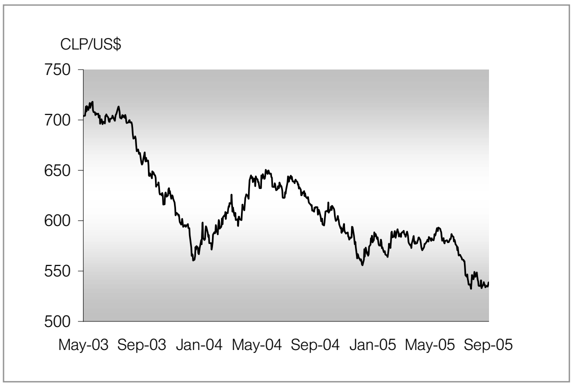
INFLATION



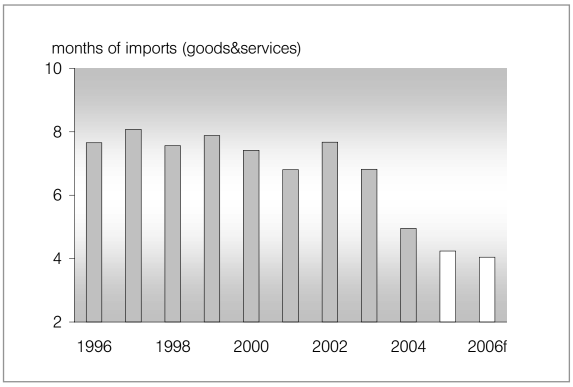
BALANCE OF PAYMENTS



EXCHANGE RATE



IMPORT COVER



External sector: direct investments remain very strong

In spite of the high basis of comparison and the flattening of copper exports in volume terms, export growth remains very high (January-August 2005: +23% year-on-year), particularly due to the sharp rise in exports of manufactured goods. With imports surging (January-August: +35.6%) – and investment goods recording a particularly sharp rise – the trade surplus in the first eight months of the year amounted to US$ 6.2 billion (January-August 2004: US$ 6.5 billion). This upbeat trend in foreign trade should contribute to the current account reflecting a slight surplus in the year as a whole, despite rising profit transfers abroad and higher imports of services.

At roughly US$ 3 billion, net inflows of direct investments exceeded the already very high pre-year level in the first seven months. For the year as a whole, the comparable pre-year figure is likely to remain just out of reach due to substantial non-recurring effects in the second half of 2004; on the other hand, with a share of 5% of GDP foreign direct investment is equivalent to more than twice the regional average. This reflects the strong confidence of international investors in Chile's growth prospects and the stable institutional framework and fundamentals. The local stock market, which has expanded by 18% in the course of the year, is also benefiting from this general sentiment of confidence.

Exchange rate: peso remains strong

Thanks to substantial capital inflows and the high trade surplus, the peso has appreciated by 4% against the dollar in the course of the year, although the external value of the dollar against the euro, for instance, has also risen in the same period, by more than 10%. In the forthcoming months, a slight drop in the copper price and the moderate economic slowdown should exert a slight devaluation pressure, if to a limited extent on account of the continued tightening of monetary policy.

A certain degree of uncertainty might result from the steadily declining level of import cover which, on account of rising imports (visible and invisible) with foreign currency reserves remaining almost unchanged, is likely to decline from almost seven months at the end of 2003 to four months in the current year (see chart).

In view of high opportunity costs for holdings of foreign currency reserves and the country's comfortable liquidity position, we consider this erosion acceptable under the present circumstances. We forecast an exchange rate of 560 CLP/US$ by year-end.

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CHILE: MONTHLY INDICATORS		May-05	Jun-05	Jul-05	Aug-05	next/latest
DOMESTIC ECONOMY						
IMACEC	% yoy	6.2	**6.5**	**4.4**		5-Oct
Industrial production (INE)	% yoy	6.8	**7.4**	**4.4**		29-Sep
Mining production	% yoy	1.3	**-7.8**	**-12.1**		29-Sep
Retail sales	% yoy	4.3	**5.8**	**4.9**		19-Oct
Unemployment rate	%	8.3	**8.7**	**8.6**		29-Sep
Employment	mn	5.82	**5.78**	**5.77**		29-Sep
Labor cost index	% yoy	5.0	**4.9**	**5.2**		5-Oct
Consumer prices	% yoy	2.7	2.7	**3.1**	**3.0**	5-Oct
Consumer prices	% mom	0.3	0.4	**0.6**	**0.3**	5-Oct
Wholesale prices	% yoy	4.3	5.8	**7.1**	**7.2**	5-Oct
Wholesale prices	% mom	-0.1	1.4	**1.2**	**0.0**	5-Oct
Money supply M1	% yoy	14.3	10.5	**9.6**		7-Oct
Base rate, 90d PDBC (month-avrg. and 09/22)	%	3.2	2.9	**3.0**	**3.5**	**4.3**
Loan rate (average)	%	16.1	15.2	**17.9**	**20.0**	24-Sep
Deposit rate (average)	%	5.2	5.0	**4.8**	**4.9**	24-Sep
Lending to private sector	% yoy	15.3	**15.0**	**7.2**		24-Sep
Total financial savings (M7, seasonally adjusted)	% mom	1.0	**0.8**	**-0.1**		7-Oct
EXTERNAL SECTOR						
Merchandise exports	US$ mn	3071	3353	**3196**	**3344**	7-Oct
Merchandise exports	% yoy	7.1	45.6	**18.0**	**20.4**	7-Oct
Merchandise imports	US$ mn	2557	2400	**2653**	**2646**	7-Oct
Merchandise imports	% yoy	38.3	39.2	**32.9**	**32.5**	7-Oct
Trade balance	US$ mn	514	953	**543**	**698**	7-Oct
Net foreign direct investment	US$ mn	492.6	**677.7**	**549.3**		7-Oct
Portfolio investment (net)	US$ mn	-118.2	**-114.7**	**-373.0**		7-Oct
Copper price (monthly average, latest: 09/23)	US$ c/lb	147.4	159.9	**163.9**	**172.3**	**168.9**
Foreign exchange reserves*	US$ bn	17.4	16.6	**16.2**	**16.3**	7-Oct
US$ exchange rate (latest: 09/23)	CLP	583.5	577.8	**560.2**	**542.8**	**538.8**

CHILE: QUARTERLY INDICATORS		Q3 04	Q4 04	Q1 05	Q2 05	next/latest
DOMESTIC ECONOMY						
GDP	% yoy	7.0	7.3	6.1	**6.5**	23-Nov
GDP seasonally adjusted	% qoq	1.8	1.3	1.6	**1.1**	23-Nov
Private and public consumption	% yoy	7.6	7.1	6.3	**6.7**	23-Nov
Private and public investment	% yoy	15.6	20.6	26.9	**25.1**	23-Nov
Domestic demand	% yoy	9.5	10.4	11.3	**11.2**	23-Nov
Exports (goods and services)	% yoy	15.7	15.5	7.1	**7.8**	23-Nov
Imports (goods and services)	% yoy	23.0	24.8	22.0	**21.5**	23-Nov
Budget balance, central government	Pesos bn	207	355	835	**976**	28-Oct
EXTERNAL SECTOR						
Current account balance	US$ bn	-0.25	0.16	0.41	**0.30**	23-Nov
Net foreign direct investment	US$ bn	3.17	1.08	0.53	**1.94**	23-Nov
Portfolio investment	US$ bn	-1.09	-0.59	-0.20	**-0.53**	23-Nov
Capital account**	US$ bn	0.11	-0.33	-0.79	**1.31**	23-Nov
Change in foreign exchange reserves	US$ bn	0.14	0.17	0.38	**-1.61**	23-Nov
Gross foreign debt	US$ bn	43.4	43.3	44.3	**44.4**	23-Nov
Short-term foreign debt	US$ bn	7.86	7.62	8.20	**7.35**	23-Nov

* month-end   ** incl. Residual items   # - = increase

COLOMBIA: IN WHICH DIRECTION GOES THE CENTRAL BANK?

Area	1 141 748 sq. km
Population	45.3 million (+1.7 % p.a.)
State president	Álvaro Uribe Vélez
Finance minister	Alberto Carrasquilla
Central bank president	José Dario Uribe Escobar
Next elections	State president: May 2006 Congress: March 2006
GDP per capita	US$ 2 152 (2004)
Investment	17 % of GDP (2004)
Savings	16 % of GDP (2004)
Exchange rate system	Flexible exchange rate
Monetary policy	Inflation targeting
Exports of goods (2004)	14 % of GDP
Purchasing countries	USA 40 %, EU 14 %, Venezuela 10 %
Products	Industrial goods 44 %, Crude oil 25 %, coal 11 %, Coffee 6 %
Imports of goods (2004)	13 % of GDP
Supplier countries	USA 29 %, EU 14 %, Brazil 6 %, Venezuela 6 %
Products	Primary goods and inputs 48 %, Capital goods 33 %, Consumer goods 19 %
Rating	Moody's: Ba2 S&P: BB

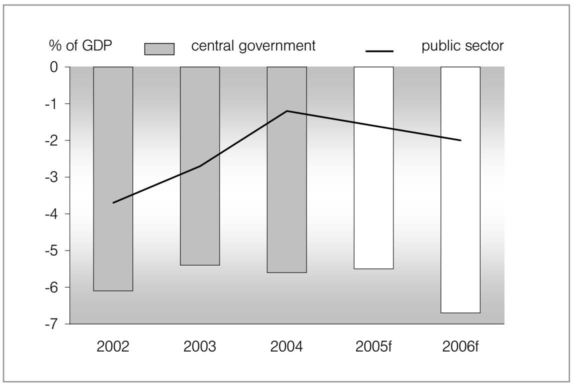
SUMMARY AND OUTLOOK

Economic growth continues across the board, exports are booming despite the sustained appreciation of the peso, and above-average tax revenues in the first semester induced the government to aim for a budget deficit limit of 1.6% (previously 2.5%) this year. Next year's budget deficit is not to exceed 2% of GDP. To this end, preliminary funding measures on the international financial markets are already in full swing. In addition, the government will buy US$ 3 billion in foreign currency reserves from the central bank in order to cover the public-sector financing requirements for the 2006 election year. However, the government will not only use the foreign currency reserves as a budget cushion but also to further improve the country's debt profile by making early repayments. The government already did so in mid-September as part of a proactive policy of debt management, buying back part of the foreign bonds or swapping them for debt instruments featuring more favorable terms and conditions.

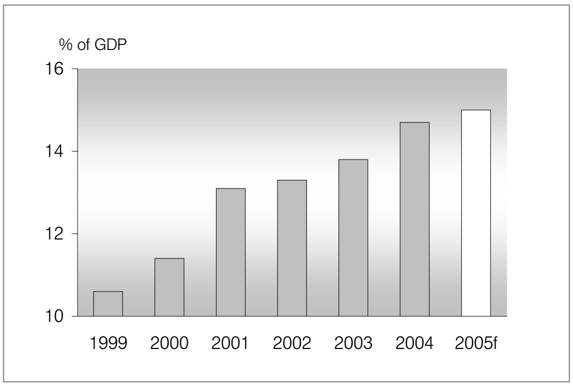
COLOMBIA		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	1.9	4.1	4.1	4.0	3.8
GDP	US$ bn	76.9	80.0	97.5	121.4	134.3
Inflation (year-end)	%	7.0	6.5	5.5	5.2	4.8
Inflation (average)	%	6.3	7.1	5.9	5.1	5.0
PUBLIC SECTOR						
Budget balance, central government	% GDP	-6.1	-5.4	-5.6	-5.5	-6.7
Budget balance, public sector	% GDP	-3.7	-2.7	-1.2	-1.6	-2.0
Public debt	% GDP	58.5	56.4	52.5	50.8	55.8
Amortization	US$ bn	12.5	10.6	10.0	11.2	10.0
Gross financing needs	US$ bn	15.3	12.8	11.2	13.1	12.7
EXTERNAL SECTOR						
Merchandise exports	US$ bn	12.3	13.7	17.0	21.7	22.3
Merchandise imports	US$ bn	12.1	13.3	15.9	19.6	21.4
Trade balance	US$ bn	0.2	0.4	1.1	2.1	0.9
Current account balance	US$ bn	-1.4	-1.1	-1.0	-0.8	-2.0
Current account balance	% GDP	-1.7	-1.4	-1.3	-0.6	-1.5
Net direct investment	US$ bn	1.2	0.8	2.6	2.8	2.0
Foreign exchange reserves, year-end	US$ bn	10.7	10.9	13.4	16.0	15.5
Import cover	months*	6.8	6.4	6.5	6.4	5.8
US$ exchange rate, year-end	Pesos	2867	2780	2353	2318	2304
US$ exchange rate, average	Pesos	2507	2877	2628	2330	2307
FOREIGN DEBT						
Gross foreign debt	US$ bn	37.4	38.5	38.6	39.4	39.9
Foreign debt	% exports*	251	236	201	178	183
Short-term foreign debt	US$ bn	1.8	2.1	2.4	2.7	2.8
Foreign debt amortization	US$ bn	5.0	5.8	3.8	4.6	2.8
Foreign debt service	US$ bn	7.5	8.2	6.3	7.4	5.8
Foreign debt service	% exports*	51	51	32	33	25
FINANCIAL MARKETS (year-end)						
Deposit rate (DTF, 90 days)	%	8.0	7.9	7.7	7.0	7.5
IBB stock index (peso based, 2005: 09/23)		1474	2334	4346	6791	
IFCG stock index (US$ based, 2005: 09/23)		615	783	1686	2565	
Bond market yield spread (2005: 09/23)	bp**	736	431	333	241	

*goods and services ** EMBI+ f=forecast

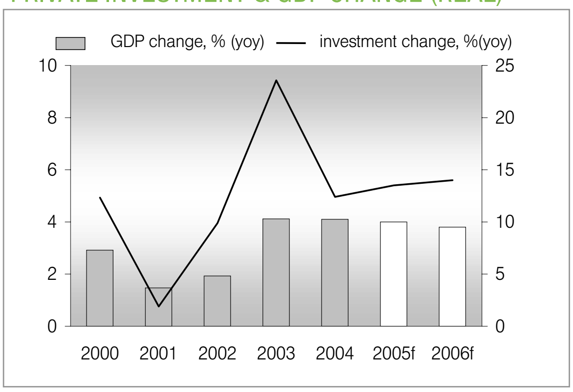
BUDGET BALANCE



TAX REVENUES



PRIVATE INVESTMENT & GDP CHANGE (REAL)



Domestic policy: waiting for court ruling

The supreme court ruling on the presidential reelection bill is still pending. Yet speculation is mounting that the outcome may be positive and would facilitate president Uribe's reelection. However, this will only be certain after the court ruling expected to be handed down in mid-October. Yet even a negative decision should only cause temporary disturbances in the markets since the latest national polls revealed that the population primarily endorses a continuation of Uribe's political and economic course and that there are a number of promising candidates who would probably likewise pursue this course.

Public finances: lower deficit

Although the government has passed a supplementary budget providing for a higher level of spending, it has now lowered the ceiling for its 2005 budget deficit from 2.5% of GDP to 1.6% of GDP. This was prompted by the very positive budget situation in the first semester, in which even a surplus was generated. The latter, however, is not representative of the year as a whole, since by far the largest share of expenses will be incurred during the second semester. The high revenues were attributable to economic growth, which presented the government with higher tax revenues, the positive impact of the appreciation of the peso on interest payments on foreign debt and the high revenues of the state-owned oil company. Finance minister Carrasquilla also gave an assurance that a further supplementary budget with additional expenses would not be contemplated this year.

However, as soon as the supreme court ruling on the presidential reelection bill has been handed down, the election campaign will be launched and it cannot be ruled out that the positive budget situation will be exploited to facilitate additional spending after all.

When the year 2006 budget bill was passed, it also became apparent that the government's payment obligations continue to grow. A 13.1% spending increase due to higher pension payments, additional expenditure on the military and the police force as well as the elections will translate into a record deficit for the government of 6.7% of GDP. Even so, the public sector as a whole will presumably manage to meet the deficit limit of 2% of GDP agreed with the IMF.

In addition, the government increasingly wants to tap the international markets for funding and to increase its bond issues by 50% year-on-year, to US$ 2 billion. As in previous years, a considerable share of financing requirements should be covered by preliminary funding measures before the end of this year. In addition, the central bank will sell US$ 3 billion in foreign currency reserves to the government, part of which it will probably use for an early buy-back of foreign debt in order to improve the country's debt profile, as was already the case in mid-September when the government bought back foreign bonds or swapped them for instruments subject to better terms and prices.

A major part of these additional revenues are also to provide a financial cushion for next year's budget in order to leave no room for financing problems in the election year. In order to achieve budget consolidation in the long term, however, the next government will have no choice but to implement structural tax and pension reforms. These seem to be urgently required, particularly since the level of public debt remains high and should stand at 51% of GDP by year-end.

Economic activity: solid growth

Low interest rates and tax exemptions on imports of capital goods continue to bolster private investments. However, the rise in imports will put parts of national industrial production at risk in the medium term. In particular, cheap imports from China caused a sharp drop in domestic production of textiles (-12.2%) and clothing (-7.5%) as early as the first half of the year. However, it was possible to offset this negative effect by a sharp expansion in production output in many other sectors, so that industrial production in the first half of the year recorded a 2.5% year-on-year increase in real terms.

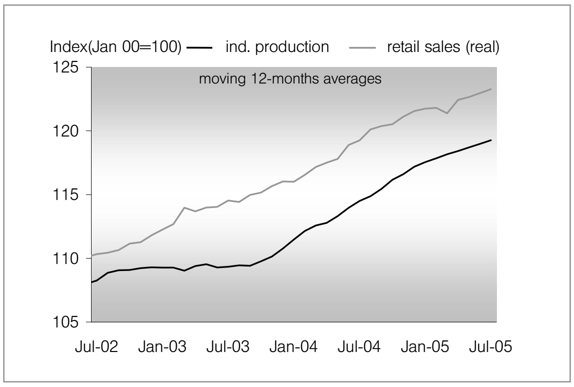
Optimistic consumer confidence and the creation of new jobs suggest that strong consumer activity will also persist in the second half of the year. All in all, we expect the dynamic and broad-based economic growth to continue in the second half of the year as well and the economy to grow by 4% this year.

Monetary policy: interventions by the central bank

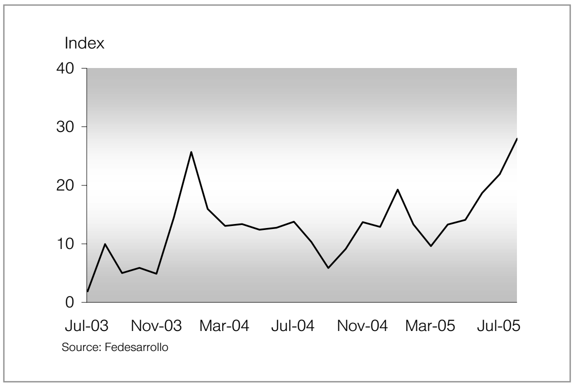
The sale of state-owned companies, the positive fundamentals and good return potential in the national capital market – underpinned by continued low risk aversion of international investors – are increasingly boosting inflows of foreign exchange into the country. This caused a sharp appreciation of the peso, against which both the government and the central bank are intervening strongly.

Despite announcements to the contrary, the government is maintaining the capital movement controls it introduced in December last year and, in a surprise move, the central bank cut its repo rate by 50 basis points in mid-September, to 6%. Until August of the current year, the central bank had already bought US$ 2.84 billion on the foreign exchange market, which it did not neutralize by means of a correspondingly high issue of

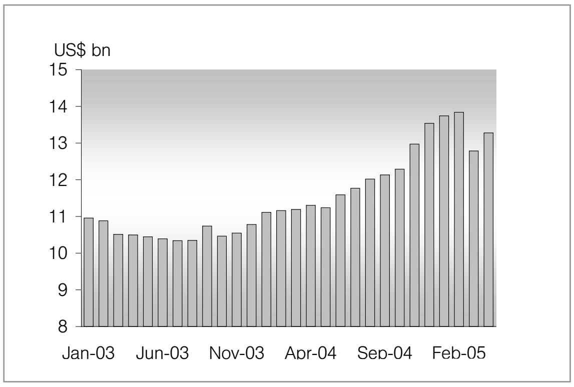
INDUSTRIAL PRODUCTION & RETAIL SALES



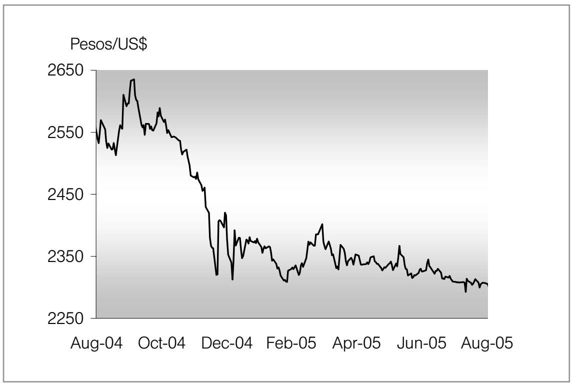
CONSUMER CONFIDENCE



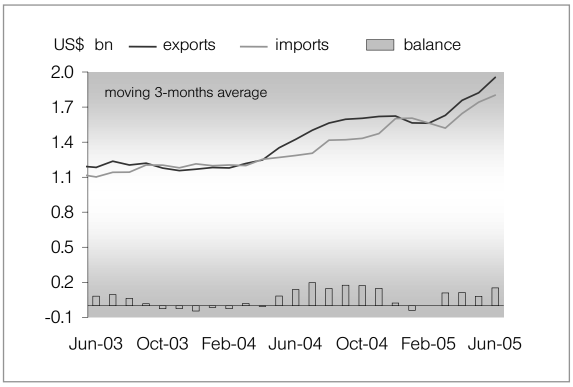
FOREIGN RESERVES



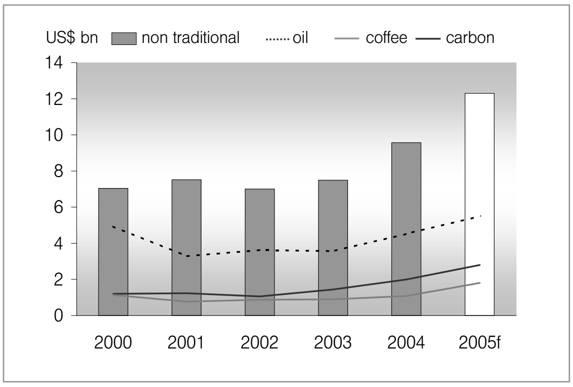
EXCHANGE RATE



TRADE BALANCE



STRUCTURE OF GOODS EXPORTS



domestic debt instruments; as a result, the monetary base expanded by almost 20%. The ongoing high monetary demand only managed to absorb part of the expansion in money supply. Yet the inflation rate, at 4.88% in August, still is lower than expected.

One of the reasons for this is the strong peso, which has made marketable goods substantially cheaper. Imports accounted for 36% of private consumption in the first quarter, thus impacting on inflation. Even though the underlying conditions are still highly positive at present, the situation could change very quickly.

The pending constitutional court ruling on the presidential reelection bill will in any event also have an impact on the value of the peso. Should the decision be in favor of Uribe's reelection, the confidence of international investors will be reinforced and the upward pressure on the peso will continue. In contrast, a negative decision and rising risk aversion of investors will weaken the peso at least temporarily and fuel inflation.

The international environment also favors a weakening of the peso as the interest differential between Colombia and the U.S. is declining due to the tightening of monetary policy in the U.S. The fundamentals are so positive, however, that there is no serious risk on this front. As long as the upward trend of the peso persists and inflation does not accelerate, the central bank will continue to buy U.S. dollars on the foreign exchange market.

External sector: high trade surplus

Robust economic growth among many of Colombia's trading partners – particularly in the Andean states - led to strong growth in exports of 37.2% (year-on-year) in the first semester despite the sustained appreciation of the peso. For one thing, this trend is attributable to high commodity prices, which caused exports of traditional products such as crude oil, coal and coffee to rise by 48%. For another, exports of manufactured goods likewise recorded a sharp rise (+30%) suggesting a sustained level of diversification. Secondly, thanks to the strong peso and the sharp rise in consumer demand and capital spending, imports also grew in the same period, by 29.7%. High commodity prices and sustained growth of the trading partners will, however, provide Colombia with a trade surplus this year. Rising foreign direct investments lured into the country by the improved security situation, an attractive legislative framework and high commodity prices, will have a positive effect as well. Due to the high levels of exports and transfer payments, the current account deficit will also turn out lower than last year.

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COLOMBIA: MONTHLY INDICATORS		May-05	Jun-05	Jul-05	Aug-05	next/latest
DOMESTIC ECONOMY						
Industrial production (not incl. coffee)	% yoy	2.3	3.0			3-Oct
Retail sales (excl. fuel)	% yoy	5.0	6.1			3-Oct
Unemployment rate (urban)	%	13.9	14.0	14.1		30-Sep
Consumer prices	% yoy	5.0	4.8	4.9	4.9	5-Oct
Consumer prices	% mom	0.4	0.4	0.1	0.0	5-Oct
Producer prices	% yoy	3.0	2.7	3.0	2.9	5-Oct
Producer prices	% mom	0.1	0.1	-0.1	-0.2	5-Oct
Monetary base (month-end)	% yoy	15.1	16.5	16.9	18.1	7-Oct
Money supply M1 (month-end)	% yoy	13.7	15.9	18.0	14.8	7-Oct
Money supply M3 (month-end)	% yoy	19.4	16.5	17.1		7-Oct
Lending rate (month-end)	%	14.7	14.7	15.7		7-Oct
Deposit rate (DTF, 90 days, month-end)	%	7.1	7.2	7.1	6.9	7-Oct
Treasury bills (local index, month-end)	%	108.5	110.2	111.8	112.1	7-Oct
Treasury bills (yield, TES Aug. 08, month-end)		8.9	8.2	8.1	7.9	7-Oct
Interbank interest rate (month-end)	%	6.4	6.4	6.4	6.4	7-Oct
Credit volume (month-end)	% yoy	14.6	14.4	13.8		7-Oct
EXTERNAL SECTOR						
Merchandise exports	US$ mn	1733	2110			
Merchandise exports	% yoy	30.2	47.3			
Merchandise imports	US$ mn	1754	1812	1675		26-Oct
Merchandise imports	% yoy	28.6	33.0	18.4		26-Oct
Trade balance	US$ mn	-21	298			
Foreign exchange reserves (month-end)	US$ mn	13413	13731	13869	15083	7-Oct
US$ exchange rate (month-end + 09/23)	pesos	2336	2327	2308	2302	2291

COLOMBIA: QUARTERLY INDICATORS		Q2 04	Q3 04	Q4 04	Q1 05	next/latest
DOMESTIC ECONOMY						
GDP	% yoy	4.9	3.1	4.5	3.6	30-Sep
GDP, seasonally adjusted	% qoq	0.3	0.3	2.0	0.1	30-Sep
Private consumption	% yoy	4.1	3.2	3.8	3.2	30-Sep
Public consumption	% yoy	4.3	3.1	3.3	3.0	30-Sep
Domestic consumption	% yoy	4.1	3.2	3.6	3.2	30-Sep
Domestic investment	% yoy	18.1	11.0	19.4	15.9	30-Sep
Domestic demand	% yoy	6.4	4.3	6.5	6.6	30-Sep
Exports (goods and services)	% yoy	9.5	10.1	12.3	13.1	30-Sep
Imports (goods and services)	% yoy	18.3	16.7	23.2	22.2	30-Sep
EXTERNAL SECTOR						
Merchandise exports	US$ bn	3.92	4.48	4.53	4.60	6-Oct
Merchandise imports	US$ bn	3.72	3.90	4.41	4.25	6-Oct
Trade balance	US$ bn	0.19	0.59	0.12	0.35	6-Oct
Current account balance	US$ bn	-0.24	0.06	-0.31	-0.57	6-Oct
Net foreign direct investment	US$ bn	0.71	0.70	0.64	0.78	6-Oct
Portfolio investment*	US$ bn	-0.05	0.48	0.26	0.43	6-Oct
Capital account**	US$ bn	0.62	0.44	1.55	0.21	6-Oct
Change in foreign exchange reserves #	US$ bn	0.38	0.50	1.24	-0.55	6-Oct

*incl. foreign credit **incl. residual items # - = increase

EL SALVADOR: STRONGLY DEPENDENT ON THE U.S. ECONOMY

Area	21 041 sq. km
Population	6.8 million (+ 1.9 % p.a.)
State president	Antonio Elías Saca
Finance minister	Guillermo López Suárez
Central bank presidentin	Luz María Serpas de Portillo
Next elections	State president: March 2009 Congress: March 2006
GDP per capita	US$ 2 340 (2004)
Rating	Moody's: Baa3 S&P: BB+

ANNUAL FIGURES AND FORECASTS

EL SALVADOR		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	2.2	1.8	1.5	1.7	2.1
GDP	US$ bn	14.3	14.9	15.8	16.8	18.0
Inflation (year-end)	%	2.8	2.5	5.4	5.0	4.7
Inflation (year-average)	%	1.9	2.1	4.5	4.7	4.8
Budget balance, public sector	% GDP	-4.6	-3.8	-2.6	-2.8	-2.9
Public sector debt	% GDP	48.5	49.4	48.6	47.8	36.0
EXTERNAL SECTOR						
Merchandise exports	US$ mn	3020	3153	3330	3519	3637
Merchandise imports	US$ mn	4885	5428	5949	6418	6718
Trade balance	US$ mn	-1865	-2275	-2619	-2899	-3081
Current account balance	US$ mn	-406	-764	612	-772	-931
Current account balance	% GDP	-2.8	-5.1	-3.9	-4.6	-5.2
Net foreign direct investment	US$ mn	496	153	459	470	490
Foreign exchange reserves, year-end	US$ mn	1623	1943	1927	1930	1880
Import cover *	months	3.0	3.3	3.0	2.8	2.6
US$ exchange rate, year-end	Colones	8.75	8.75	8.75	8.75	8.75
US$ exchange rate, average	Colones	8.75	8.75	8.75	8.75	8.75
FOREIGN DEBT						
Gross foreign debt	US$ bn	6.0	7.1	7.6	8.0	8.5
Foreign debt	% exports*	151	171	170	171	175
Short-term foreign debt	US$ bn	1.2	1.8	1.9	2.1	2.3
Foreign debt service	US$ bn	0.5	0.5	0.6	0.7	0.8
Foreign debt service	% exports*	10.2	11.4	13.2	13.7	14.5

* goods and services f=forecast

Domestic sector: economy stagnating

High oil prices, a weakening of the U.S. economy as well as interest rate hikes in the U.S. will have a negative impact on economic growth for the foreseeable future. The Salvadoran coffee sector is benefiting from higher world market prices, but revenues of the manufacturing industry and the construction sector are declining, with the in-bond processing industry suffering from mounting competition from China. GDP growth, currently at 1.6% (first quarter, year-on-year) stems mainly from rising domestic demand: growing private transfer payments from the U.S., which will keep the current account deficit within acceptable limits, continue to sustain private consumption; yet public-sector demand is also rising in the run-up to the parliamentary elections (March 2006). It cannot be ruled out that hurricane Katrina will have negative effects on foreign trade and private transfers in the second half of the year. In the year 2006, the Salvadoran economy should grow by roughly 2% since the free trade agreement with the U.S. (CAFTA) is likely to bolster investments and exports and infrastructural projects should slowly gain momentum. El Salvador will only return to a robust growth path if the government creates more incentives for capital investment (the investment ratio stands at only 16% of GDP).

Fiscal policy: Consolidation must be given priority again

Despite the tax reform and growing revenues, the public-sector budget deficit will most probably widen to almost 3% of GDP (2004: 2.6%) once again, because austerity principles will no longer be strictly adhered to in terms of current spending in the run-up to parliamentary elections and higher interest rates and oil prices will result in additional expenditure. In the dollarized economy, it is vital for the government to return to a more restrictive fiscal policy as soon as possible in order to confine its debt to acceptable limits and help dampen inflation. The inflation rate, which in August stood at 4.2% (year-on-year), is likely to rise to 5% by year-end due to the increase in fuel prices.
Even after the elections, president Saca will only be able to push through further tax and social security reforms and clampdowns on expenditure in the legislature with the support from the conservative right wing and other smaller parties since the ruling party will probably once again fail to reach an absolute majority. However, the launch of new long-term bond issues on the international capital market and multilateral lending commitments helped the government to improve the maturity structure of public debt (2004: 49% of GDP) and to reduce financing costs.

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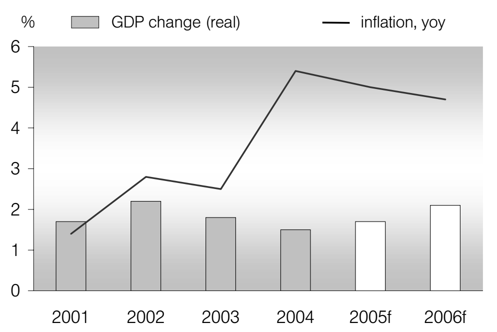
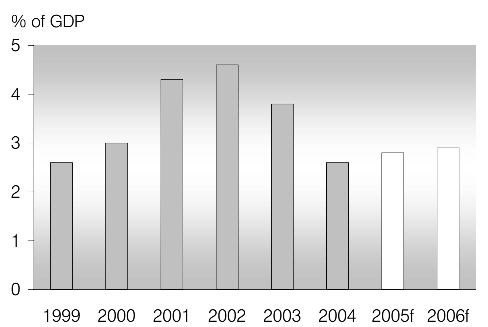
SUMMARY AND OUTLOOK

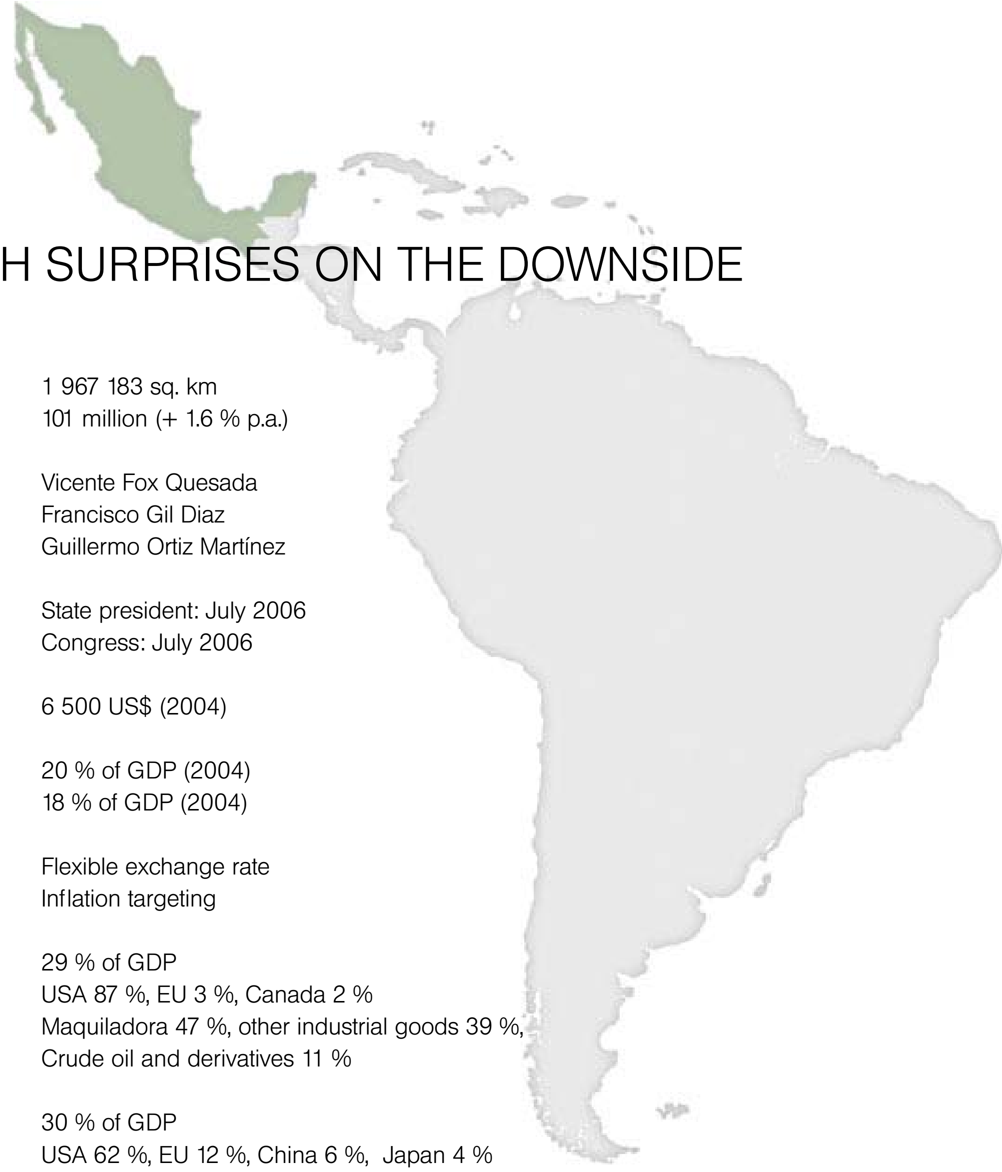
The decline in demand from the U.S. is one of the principal reasons for the stagnation of El Salvador's economy. 2006 should see a slight economic revitalization resulting from the free trade agreement CAFTA and the start of infrastructural investments. The 2005 budget deficit should reach about 3% of GDP. The government, which has no absolute majority, remains dependent on the support from the opposition to implement the fiscal policy adjustment measures required to reduce the deficit.

GDP CHANGE (REAL) & INFLATION



PUBLIC SECTOR DEFICIT





MEXICO: GROWTH SURPRISES ON THE DOWNSIDE

Area	1 967 183 sq. km
Population	101 million (+ 1.6 % p.a.)
State president	Vicente Fox Quesada
Finance minister	Francisco Gil Diaz
Central bank governor	Guillermo Ortiz Martínez
Next elections	State president: July 2006 Congress: July 2006
GDP per capita:	6 500 US$ (2004)
Investment	20 % of GDP (2004)
Savings	18 % of GDP (2004)
Exchange rate system	Flexible exchange rate
Monetary policy	Inflation targeting
Exports of goods (2004)	29 % of GDP
Purchasing countries	USA 87 %, EU 3 %, Canada 2 %
Products	Maquiladora 47 %, other industrial goods 39 %, Crude oil and derivatives 11 %
Imports of goods (2004)	30 % of GDP
Supplier countries	USA 62 %, EU 12 %, China 6 %, Japan 4 %
Products	Maquiladora inputs 35 %, other intermediate goods 41 %, Capital goods 12 %, Consumer goods 13%
Rating	Moody's: Baa1 S&P: BBB

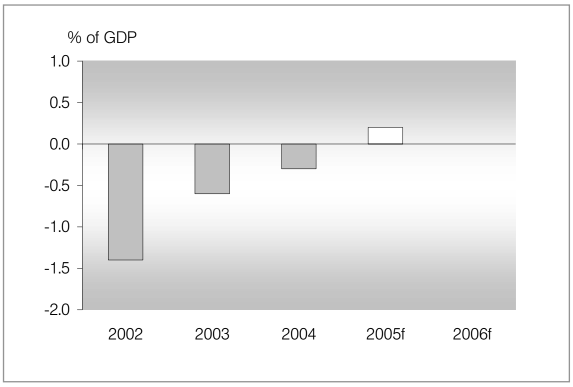
SUMMARY AND OUTLOOK

Mexico's economy was surprisingly weak in the second quarter; adjusted for seasonal factors, GDP dropped by 0.4% quarter-on-quarter and at 3.1% the year-on-year rate fell well below market expectations. In the second half of the year, we expect a slight economic upturn since the rising demand from the U.S. is likely to have a positive impact and a higher employment rate is likely to boost domestic consumer demand. GDP will probably grow at a rate of 3.0 % in 2005. Since inflation rates are falling and inflation expectations on the part of market participants have likewise dropped despite relatively high increases in real wages, the central bank has eased its monetary policy. In mid-September, for instance, it cut the overnight rate for the second time by 25 basis points, to 9.25%, and we expect two further interest rate cuts by the end of the year. The narrower interest rate differential to the US dollar should tend to weaken the peso, although the devaluation potential will be limited thanks to continued robust international capital inflows and high oil revenues. We forecast an exchange rate of 11 MXN/US$ by year-end.

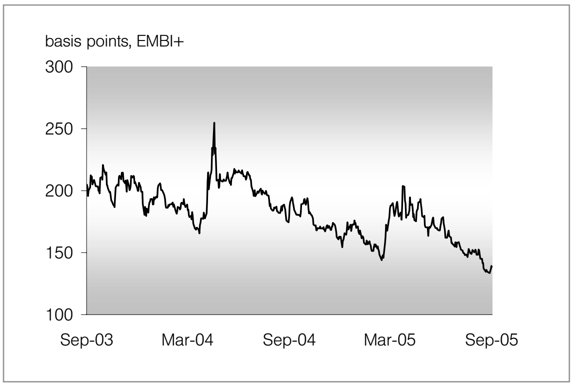
MEXICO		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	0.8	1.4	4.4	3.0	4.0
GDP	US$ bn	648	626	657	729	756
Inflation (year-end)	%	5.7	4.0	5.2	3.7	3.8
Inflation (average)	%	5.0	4.5	4.7	4.2	4.1
PUBLIC SECTOR						
Budget balance, central government	% GDP	-1.0	-0.8	-0.6	0.0	-0.2
Budget balance, public sector	% GDP	-1.4	-0.6	-0.3	0.2	0.0
Public debt	% GDP	27.7	28.3	25.5	24.0	23.5
Amortization (Cetes excl.)	Pesos bn	222	250	336	324	371
Gross financing needs (Cetes excl.)	Pesos bn	298	283	359	308	371
EXTERNAL SECTOR						
Merchandise exports	US$ bn	161	165	188	203	215
Merchandise imports	US$ bn	169	171	197	214	230
Trade balance	US$ bn	-7.7	-5.7	-8.8	-11.2	-14.5
Current account balance	US$ bn	-13.5	-8.6	-7.4	-12.1	-14.1
Current account balance	% GDP	-2.1	-1.4	-1.1	-1.7	-1.9
Net foreign direct investment	US$ bn	15.5	12.3	17.4	20.0	22.0
Foreign exchange reserves, year-end	US$ bn	51	59	64	62	64
Import cover **	months	3.0	3.5	3.3	3.0	2.9
US$ exchange rate, year-end	Pesos	10.46	11.24	11.15	11.00	11.80
US$ exchange rate, average	Pesos	9.66	10.79	11.32	10.95	11.60
FOREIGN DEBT						
Gross foreign debt	US$ bn	159	160	163	166	169
Foreign debt	% exports**	90	88	79	74	71
Short-term foreign debt	US$ bn	36	35	34	34	34
Foreign debt amortization	US$ bn	13	21	25	18	21
Foreign debt service	US$ bn	25	33	37	32	36
Foreign debt service	% exports**	14	18	18	14	15
FINANCIAL MARKETS (year-end)						
Interest rates (Cetes, 28 days)	%	7.6	6.0	8.6	9.3	8.5
IPC stock index (peso based, 2005: 09/23)		6127	8795	12918	15649	
IFCI stock index (US$ based, 2005: 09/23)		637	830	1227	1547	
Bond market yield spread (2005:09/23)*	bp	324	199	167	138	

* EMBI+ ** goods and services f=forecast

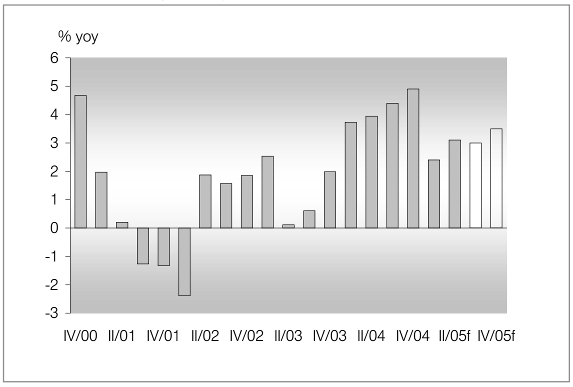
PUBLIC BUDGET DEFICIT



BOND SPREADS



GDP CHANGE (REAL)



Domestic policy: presidential candidates still unclear

In the run-up to the presidential elections in July 2006, the leftist former Mexico City mayor Andres Manuel Lopez Obrador is still leading in the polls. While his candidacy seems to be as good as certain, it is still unclear who will be standing against him. It looks like the PRI will be in for a close race between former Mexico state governor Arturo Montiel and the previous favorite Roberto Madrazo. And the previous favorite of the PAN, President Fox's party, Interior Minister Santiago Creel supported by President Fox, was defeated by former Energy Minister Felipe Calderon in the first round of primaries in mid-September.

In one last big effort to implement a key structural reform during his tenure after all, President Fox launched an initiative in early September aimed at amending those clauses in the constitution that hitherto are barring private investments in the nationalized crude oil and energy transportation industry. We expect this to meet with considerable resistance in congress.

Fiscal policy: conservative 2006 draft budget

With crude oil revenues rising sharply (January-July: +6.5% yoy, real) and robust tax revenues (+5.1% yoy, real), the budget surplus in the first seven months of the year stands at 0.8% of GDP despite rising expenses (in real terms) of 4.1%. While expenditure should be rising in the course of the year along with the seasonal pattern, overall, however, instead of the deficit provided for in the budget of 0.2% of GDP, a surplus is likely to be generated of this size.

The 2006 draft budget, presented by the government to the congress, provides for a surplus of 0.2% of GDP. The assumptions on economic growth (3.6%) and inflation (3%) are realistic and public expenses should remain below the 2005 level in real terms despite the elections in July. The average price for Mexican crude oil, projected at US$ 31,50 per barrel, is relatively low – the annual average price of oil currently amounts to roughly US$ 40. Accordingly, we expect pressure to be exerted in congress in the forthcoming weeks towards raising the budgeted oil price – and thus higher expenditure. All in all, the government should succeed, however, in recording a balanced budget next year. The congress now has until November 15 to pass the budget.

Public debt should drop from around 28% of GDP at the end of 2003 to 24% towards the end of the current year. For the purpose of servicing repayments falling due on foreign debt by the end of 2007, the government bought foreign currency equivalent to US$ 2.9 billion from the central bank in July. The residual payments falling due (approx. US$ 2 billion) have already been pre-financed thus preventing any increase in the government's financing costs due to any potential turmoil in the wake of the presidential elections. The good debt management has been duly acknowledged by the international financial markets, which is reflected in the almost steadily declining risk spreads on Mexican foreign bonds since mid-April of this year. While political turmoil or a further economic slowdown may cause a slight widening of the spreads again, we consider a sharp rise in risk spreads highly unlikely, however.

Economic activity: growth weaker than expected

The growth weakness continued in the second quarter of 2005. Adjusted for seasonal factors, GDP was down by 0.4% on the previous quarter (first quarter: +0,2 %). This is attributable to the decline in production output in both the services sector (-0.1%) and the agricultural sector (-0.8%); industrial production, having stagnated in the first quarter, managed to record slight growth (0.3%, in each case qoq, seasonally adjusted), however.

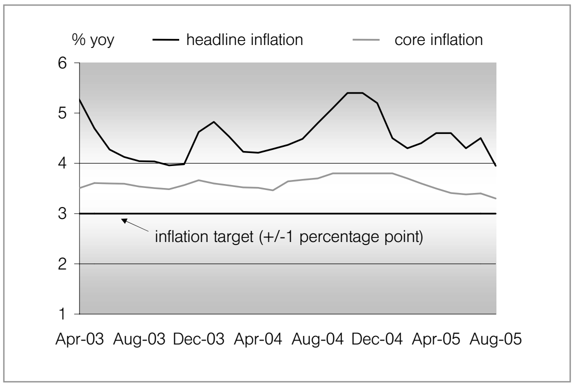
In the second half of the year, we expect a slight economic upturn since the rising demand from the U.S. is likely to have a positive impact. In addition, the solid increase in employment and sustained growth in lending following monetary easing should boost domestic consumer demand, even though the increase in July retail sales, at just 3.3% year-on-year, was markedly weaker than expected and industrial production even fell by 1.1% year-on-year in the same month. GDP is likely to grow at a rate of 3.0 % in 2005.

Monetary sector: central bank easing monetary reins

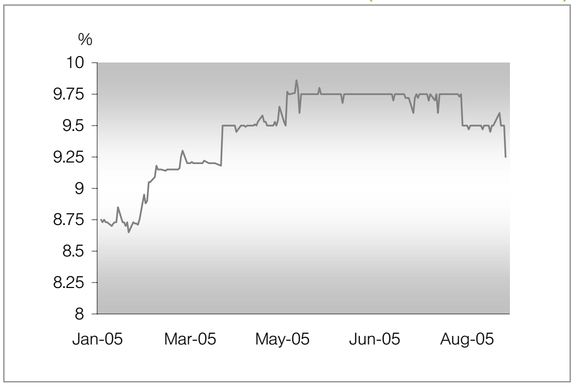
While consumer prices were characterized by high volatility in the course of the year, the trend in the direction of declining inflation rates appears to be solidifying. At an annual rate of 3.95%, inflation fell below 4% again in August for the first time since the end of 2003 and by year-end we expect a further slight drop towards the center of the central bank's inflation target (3% +/- 1 percentage point).

After the central bank has steadily tightened the monetary reins between the beginning of 2004 and March 2005 and subsequently kept the overnight rate unchanged at 9.75% over a few months, the economic weakness, declining inflation expectations of market participants and receding inflation have prompted a turnaround. In the process, the central bank has moved away from the policy of liquidity management in accordance with the liquidity requirements of banks ("corto") and, while leaving the "corto" unchanged, cut the overnight rate twice by 25 basis points to 9.25%. In anticipation of lower growth and inflation rates

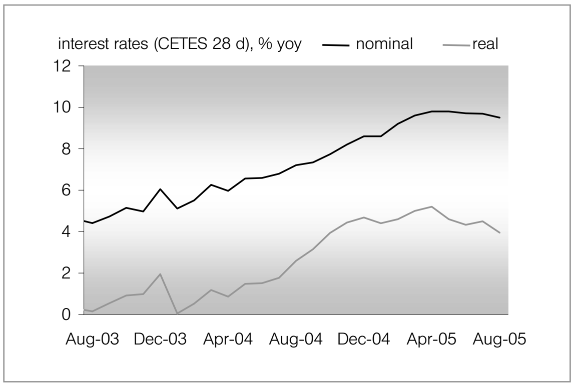
INFLATION



MONETARY POLICY (OVERNIGHT RATE)



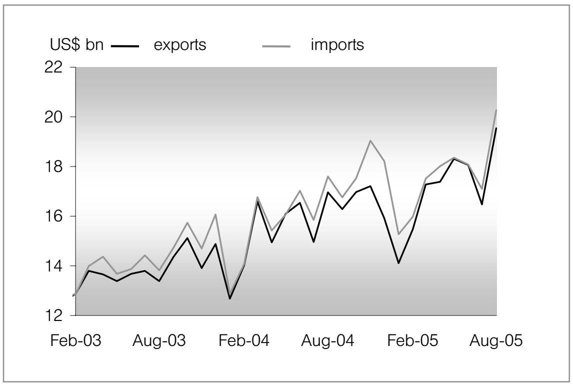
INTEREST RATES



and in view of robust international capital inflows, bond market yields on 10-year government bonds dropped from 10.4% in April to 8.5% in mid-September.

In our view, the longer-term yields should still have substantial room for a downward move. The central bank's success with respect to fighting inflation will ultimately be reflected in a drop in risk spreads on longer-term exposures on the bond market. The ongoing economic convergence process between Mexico and the U.S. also includes a further convergence of the long-term peso interest rate towards the U.S. rate. At present, the interest rate differential still amounts to about four percentage points.

FOREIGN TRADE

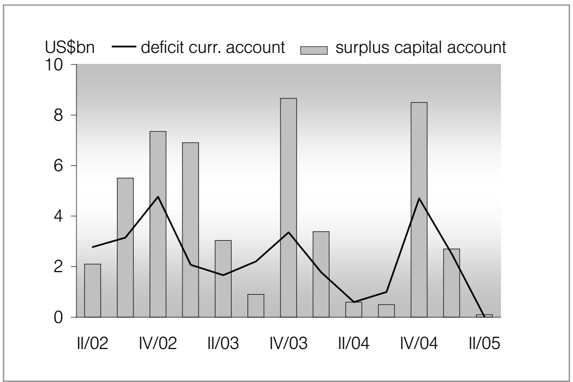


External sector: oil and transfers boost current account

At US$ 19 million in the second quarter of 2005, the current account deficit was significantly lower than in the pre-year period. This is mainly attributable to higher oil exports and increased transfer payments from Mexicans living abroad. This trend should continue in the next quarters, so that in spite of the current account deficit having doubled year-on-year in the first quarter, the deficit may be confined to 1.7% of GDP in the year as a whole.

Following the government's foreign currency purchases, the central bank's foreign currency reserves, at roughly US$ 57 billion in mid-July, reached their lowest level since September 2004. Thanks to robust capital inflows, the central bank has meanwhile managed to cover the loss of reserves, which amounted to approx. US$ 61 billion in mid-September. It will therefore take more than temporary external shocks (recession in the U.S., slump in the oil price, increase in risk aversion on the international capital market) to put Mexico's macroeconomic stability in jeopardy today.

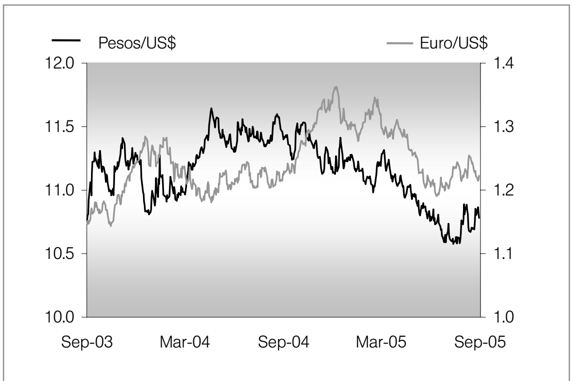
BALANCE OF PAYMENTS



Exchange rate: upward trend unabated

Given the good prospects for macroeconomic stability of the country, both the domestic bond market and the stock market, which recorded a rise of about 15% in the current year, should continue to attract foreign investors. In tandem with the reduction of the current account deficit, this caused an almost continuous appreciation of the peso in the last few months, trading at 10,90 MXN/US$ in mid-September. A slight increase in the current account deficit and "political noise" in the wake of the approaching presidential elections in July 2006, should only result in a slight depreciation of the national currency to 11 pesos per US dollar at the end of 2005.

EXCHANGE RATES



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MEXICO: MONTHLY INDICATORS		May-05	Jun-05	Jul-05	Aug-05	next/latest
DOMESTIC ECONOMY						
Economic activity index (IGAE)	% yoy	**3.6**	**1.0**			26-Sep
IGAE index (seasonally adjusted)	% mom	**0.9**	**-1.2**			26-Sep
Industrial production	% yoy	2.9	**0.5**	**-1.1**		12-Oct
Manufacturing, in-bond industry	% yoy	0.0	**5.3**	**1.8**		12-Oct
Manufacturing (excluding in-bond industry)	% yoy	2.8	**-0.8**	**-2.4**		12-Oct
Construction	% yoy	5.1	**3.5**	**2.5**		12-Oct
Gross fixed capital formation	% yoy	**8.3**	**5.1**			7-Oct
Consumer confidence (January 2003=100)	Index	99.7	100.7	**102.2**	**100.7**	4-Oct
Retail sales	% yoy	3.7	**6.0**	**3.3**		21-Oct
Wholesale sales	% yoy	0.2	**4.1**	**0.5**		21-Oct
Unemployment rate	%	4.3	**3.5**	**3.5**	**4.1**	20-Oct
Real wages per employee, manufacturing	% yoy	**0.0**	**1.4**			20-Oct
Budget balance, public sector	Pesos bn	20.4	**-31.8**	**20.7**		30-Sep
Public domestic debt	Pesos bn	1019.0	**1083.0**	**1093.0**		30-Sep
Public external debt	US$ bn	75.0	73.6	**70.4**		30-Sep
Consumer prices	% yoy	4.6	4.3	**4.5**	**4.0**	7-Oct
Consumer prices	% mom	-0.3	-0.1	**0.4**	**0.1**	7-Oct
Treasury bills, Cetes 28d (month-end and 09/23)	%	9.8	9.7	**9.7**	**9.5**	**9.0**
EXTERNAL SECTOR						
Merchandise exports	US$ mn	18310	18060	**16476**	**19544**	24-Oct
Merchandise exports	% yoy	13.3	9.4	**9.7**	**15.5**	24-Oct
Merchandise imports	US$ mn	18356	18079	**17098**	**20265**	24-Oct
Merchandise imports	% yoy	14.3	6.2	**7.9**	**15.1**	24-Oct
Trade balance	US$ mn	-46	-19	**-622**	**-721**	24-Oct
Foreign exchange reserves (month-end and 09/15)	US$ bn	59.8	61.6	**59.3**	**59.3**	**61.0**
US$ exchange rate (month-end and 09/23)	Pesos	10.88	10.78	**10.59**	**10.75**	**10.84**

MEXICO: QUARTERLY INDICATORS		Q3 04	Q4 04	Q1 05	Q2 05	next/latest
DOMESTIC ECONOMY						
GDP	% yoy	4.4	4.9	2.4	**3.1**	16-Nov
Private consumption	% yoy	5.7	7.0	5.4	**4.4**	24-Nov
Public consumption	% yoy	-4.9	-0.9	0.0	**-0.5**	24-Nov
Private and public investment	% yoy	8.5	10.9	6.5	**8.5**	24-Nov
Exports (goods and services)	% yoy	12.1	10.3	4.8	**6.3**	24-Nov
Imports (goods and services)	% yoy	10.9	11.9	7.9	**9.1**	24-Nov
EXTERNAL SECTOR						
Current account balance	US$ bn	-1.0	-4.7	-2.5	**0.0**	22-Nov
Net foreign direct investment	US$ bn	2.4	3.3	4.1	**3.4**	22-Nov
Net foreign portfolio investment (incl. bonds)	US$ bn	3.6	2.6	6.5	**1.4**	22-Nov
Capital account **	US$ bn	-0.5	8.5	2.7	**0.1**	22-Nov
Change in foreign exchange reserves*	US$ bn	1.5	-3.8	0.2	**0.0**	22-Nov

* balance of payments, - = increase ** incl. residual items

PANAMA: FISCAL POLICY ADJUSTMENT NECESSARY

Area	77 082 sq. km
Population	3.2 million (+ 1.9 % p.a.)
State president	Martín Torrijos
Finance minister	Ricaurte Vásquez
President of Banco Nacional de Panamá	Bolivar Pariente C.
Next elections	State president: May 2009 Congress: May 2009
GDP per capita	US$ 4 300 (2004)
Rating	Moody's: Ba1 S&P: BB

ANNUAL FIGURES AND FORECASTS

PANAMA		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	0.8	4.1	6.2	3.8	3.0
GDP	US$ bn	12.3	12.9	13.7	14.6	15.4
Inflation (year-end)	%	2.4	0.0	1.1	2.5	2.4
Inflation (year-average)	%	1.0	1.4	0.2	2.6	2.5
Budget balance, public sector	% GDP	-3.3	-4.7	-5.3	-3.6	-3.0
Public sector debt	% GDP	69	67	73	71	70
EXTERNAL SECTOR						
Merchandise exports	US$ mn	5315	5049	5886	6650	6900
Merchandise imports	US$ mn	6350	6162	7471	8180	8350
Trade balance	US$ mn	-1035	-1113	-1585	-1530	-1450
Current account balance	US$ mn	-96	-437	-1104	-1060	-1030
Current account balance	% GDP	-0.8	-3.4	-8.1	-7.3	-6.7
Net foreign direct investment	US$ mn	99	792	1012	700	800
Foreign exchange reserves, year-end	US$ mn	1183	1011	631	950	1050
Import cover *	months	1.6	1.3	0.7	1.0	1.0
US$ exchange rate, year-end	balboa	1.0	1.0	1.0	1.0	1.0
US$ exchange rate, average	balboa	1.0	1.0	1.0	1.0	1.0
FOREIGN DEBT						
Gross foreign debt	US$ mn	8298	8770	9400	9750	9900
Foreign debt	% exports*	98	105	100	94	93
Short-term foreign debt	US$ mn	1012	1040	1090	1200	1300
FINANCIAL MARKETS (year-end)						
Bond market yield spread (2005: 09/23)*	bp	444	335	275	225	

* EMBIG   *goods and services   f=forecast

Economic policy: obstacles to fiscal policy adjustment

The consolidation of public finances is making slower progress than anticipated by the government. The beginning of the year saw tax reforms and drastic cuts in public-sector salaries being passed by the country's parliament, in which the ruling party PRD holds an absolute majority, but necessary reforms for the restructuring of the social security system (CSS; Caja de Seguro Social) passed in May of this year had to be suspended for 90 days due to heavy protests from the population. We anticipate further delays since, due to a currently heated public debate over the social security act, the government will most probably have to deal with demands for dilutive amendments. Provided the government maintains strict austerity in terms of current spending until the end of the year, the public-sector budget deficit (excluding surpluses from the Panama Canal administration) should nevertheless drop to 3.6% of GDP (2004: 5.3%). Revenues currently show double-digit growth thanks to the tax reform and the level of economic activity. Ongoing fiscal discipline and the reforms of the CSS are required to ensure budget consolidation in the long run. International investors and foreign banks may well make their contributions to finance the planned extension of the Panama Canal (a long-term project at a cost of almost US$ 10 billion) contingent upon the successful consolidation of Panama's finances (the state's debt ratio exceeds 70% of GDP). Due to the currently sluggish fiscal policy adjustment, the national referendum on the Canal extension project, announced by President Torrijos, will most probably not take place before 2006.

Domestic economy: economic slowdown foreseeable

According to preliminary figures, economic growth remained at 6% (year-on-year) in the first half of the year. In particular, visible and invisible exports proved to be very dynamic: the Colón Free Zone, tourism sector, ports and the Panama Canal recorded double-digit expansion rates. Economic growth is bound to slow down in the second semester since foreign demand for Panamanian visible and invisible goods will weaken due to the slowdown in the U.S. and Latin American economies. In addition, it cannot be ruled out that hurricane Katrina in the Gulf of Mexico will have a negative impact on exports. The Panamanian government is also likely to contain its own demand for goods in accordance with self-imposed austerity measures. Accordingly, we anticipate GDP to grow by no more than 3.8% in the year 2005 as a whole. Price-boosting effects of high fuel prices are perceptible in Panama as well. Although the government is currently cutting fuel taxes by 50%, inflation is likely to rise by 2.5% by year-end – an unusually high rate for the dollarized economy of the country. Due to high oil imports, the current account deficit will remain at US$ 1 billion (7% of GDP), though pressure from other imports will gradually subside for cyclical reasons.

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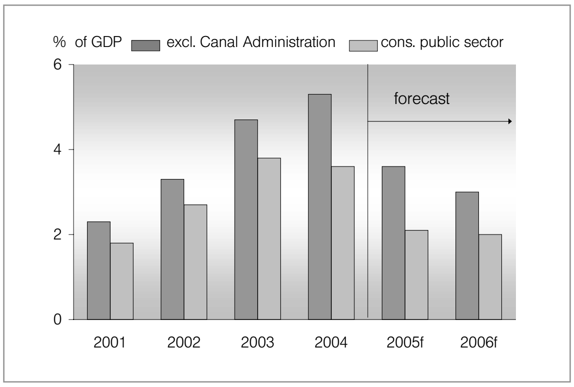
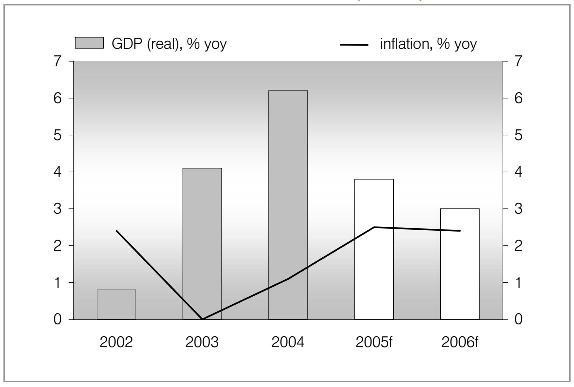
SUMMARY AND OUTLOOK

This year, the government should manage to reduce the budget deficit to 3.6% of GDP, provided it adheres to the austerity measures to check public-sector spending. However, the structural adjustment of fiscal policy is moving ahead very slowly since the population vigorously opposes the structural reforms passed to streamline the social security system. This obstacle is yet to be taken before public finances can be consolidated in the long term. Panama will only be able to tackle the multi-billion Panama Canal expansion project once the country's macroeconomic stability has improved.

PUBLIC SECTOR DEFICIT



GDP CHANGE (REAL) & INFLATION



PERU: RECORD YEAR

Area	1 285 215 sq. km	
Population	27.1 million (+ 1.5 % p.a.)	
State president	Alejandro Toledo Maurique	
Finance minister	Fernando Zavala Lombardi	
Central bank president (interim)	Oscar Dancourt Masias	
Next elections	State president: April 2006 Congress: April 2006	
GDP per capita	US$ 2 501 (2004)	
Rating	Moody's: Ba3	S&P: BB

ANNUAL FIGURES AND FORECASTS

PERU		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	4.9	4.0	4.8	5.6	4.8
GDP	US$ bn	56.5	60.6	68.4	77.4	62.5
Inflation (year-end)	%	1.5	2.5	3.5	2.0	2.5
Inflation (average)	%	0.2	2.3	3.7	1.9	2.4
Budget balance, public sector	% GDP	-2.1	-1.6	-1.2	-0.7	-1.0
Public debt	% GDP	47	48	45	39	37
EXTERNAL SECTOR						
Merchandise exports	US$ bn	7.7	9.0	12.5	16.3	18.0
Merchandise imports	US$ bn	7.4	8.3	9.8	11.6	12.0
Trade balance	US$ bn	0.2	0.7	2.7	4.7	5.9
Current account balance	US$ bn	-1.2	-1.1	-0.1	1.5	2.5
Current account balance	% GDP	-2.0	-1.8	-0.1	2.0	4.0
Net foreign direct investment	US$ bn	2.2	1.3	1.8	1.1	0.9
Foreign exchange reserves, year-end	US$ bn	9.6	10.2	12.6	15.6	14.1
Import cover	months**	9.8	9.2	9.3	10.1	8.7
US$ exchange rate, year-end	Soles	3.52	3.46	3.28	3.28	3.26
US$ exchange rate, average	Soles	3.52	3.48	3.42	3.27	3.27
FOREIGN DEBT						
Gross foreign debt	US$ bn	27.5	29.6	31.1	29.5	29.4
Foreign debt	% exports**	287	272	212	158	143
Short-term foreign debt	US$ bn	2.5	2.7	2.9	2.9	3.0
Foreign debt amortization	US$ bn	1.9	1.9	2.3	2.4	2.6
Foreign debt service	US$ bn	3.2	3.3	3.8	4.0	4.2
Foreign debt service	% exports**	34.0	29.7	25.4	24.5	23.7

**goods and services

f=forecast

Domestic economy: on track for strong growth

High domestic demand, the sustained export boom as well as further growth in private (+13.5%) and public-sector (+9.8%) investments in the second quarter prompted the government to raise its official growth forecast from originally 4.8% to 5.5%. Even the political crisis in August, during which finance minister Pedro Pablo Kuczynski was chosen as prime minister, could not diminish the positive sentiment prevailing in the country. Former vice-finance minister Fernando Zavala, intent on maintaining Kuczynski's course, was appointed as new finance minister. This is quite clearly reflected in next year's budget. Whereas the increase in expenditure in real terms still amounted to about 9% in the current year, it will drop below 3% for the first time. Even so, the government has assumed long-term payment commitments by raising public-sector wages and pensions and by launching long-term infrastructural projects. The upcoming presidential and parliamentary elections in April constitute a further source of uncertainty as far as the budget is concerned. According to opinion polls, none of the parties has gained a majority in congress as yet and the broad population is highly distrustful of all politicians. Accordingly, the government is expected to find it difficult to resist spending pressure before the elections and will fail to meet its 2006 budget target of confining the deficit to 1% of GDP (DBLA forecast: 1.5 % of GDP).

External sector: export boom unabated

Economic growth of the trading partner Peru and high commodity prices led to a trade surplus of US$ 2.57 billion in the first seven months. This surplus is also having a highly positive impact on the current account. It will be possible to cover the deficit in the services account caused primarily by high profit transfers from foreign subsidies abroad. For the first time in years, we expect a slight current account surplus in 2005. Yet the strong foreign currency inflow buoyed by the country's positive fundamentals is intensifying the upward pressure on the sol. The central bank has been attempting to counter this trend since the beginning of the year by strong interventions in the foreign exchange market. In order to help prevent any additional inflationary pressure, the bank is increasingly neutralizing its interventions by issuing domestic debt instruments.
By means of funds raised on the domestic market, the government managed to prematurely discharge repayments to the Paris Club falling due within the next four and a half years to the tune of US$ 1.5 billion. This should enable the government to reduce foreign debt from US$ 31.1 billion last year to US$ 29.5 billion this year.

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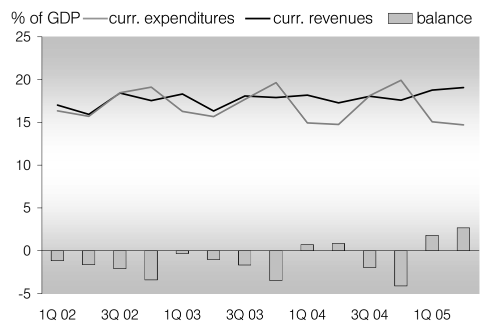
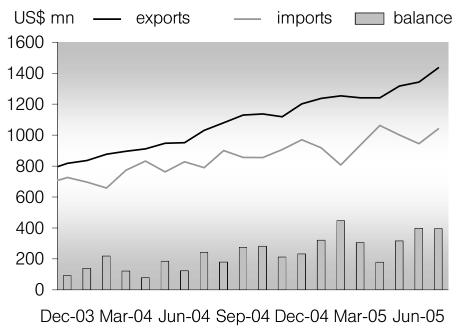
SUMMARY AND OUTLOOK

Both the domestic economy and the external sector are flourishing. The public-sector deficit will drop below 1% of GDP this year, and both the trade balance and the current account will show a surplus. While in its 2006 budget the government has substantially limited the spending increase, it has nevertheless assumed future commitments in the form of wage hikes and infrastructural projects, the funding of which has by no means been secured in the long term. At this point in time, the situation is highly positive, yet whether the long-term consolidation of the state will also be tackled once the elections are over remains to be seen.

PUBLIC BUDGET



FOREIGN TRADE



URUGUAY: STABILIZATION

Area	174 800 sq. km
Population	3.4 million (+ 0.7 % p.a.)
State president	Tabaré Vásquez
Finance minister	Danilo Astori
Central bank president	Walter Cancela
Next elections	State president and Congress: October 2009
GDP per capita	3 394 US$ (2004)
Rating	Moody's: B3 S&P: B

ANNUAL FIGURES AND FORECASTS

URUGUAY		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	-10.8	2.5	12.3	6.1	4.2
GDP	US$ bn	11.9	10.9	13.2	17.1	18.6
Inflation (year-end)	%	25.9	10.4	7.4	5.5	5.0
Inflation (year-average)	%	14.0	19.4	9.1	4.7	5.4
Budget balance, public sector	% GDP	-4.2	-3.3	-2.8	-2.5	-2.0
Public sector debt	% GDP	95.8	111.7	89.0	80.0	75.0
EXTERNAL SECTOR						
Merchandise exports	US$ mn	1861	2206	2918	3451	3703
Merchandise imports	US$ mn	1873	2065	2945	3858	4166
Trade balance	US$ mn	-12	141	-27	-407	-463
Current account balance	US$ mn	251	52	-103	-362	-523
Current account balance	% GDP	2.1	0.5	-0.8	-2.1	-2.8
Net foreign direct investment	US$ mn	50	100	150	200	300
Foreign exchange reserves, year-end	US$ mn	777	2087	2512	2900	3300
Import cover *	months	3.1	7.6	6.6	6.3	6.8
US$ exchange rate, year-end	Pesos	27.4	29.3	26.5	24.4	25.2
US$ exchange rate, average	Pesos	21.3	28.4	28.7	24.6	24.8
FOREIGN DEBT						
Gross foreign debt**	US$ bn	10.5	12.0	11.4	12.2	12.6
Foreign debt**	% exports*	334	365	262	243	241
Short-term foreign debt**	US$ bn	1.3	0.7	0.8	0.9	1.0
Foreign debt service	US$ bn	1.4	1.4	1.4	2.5	2.1
Foreign debt service	% exports*	46	42	33	50	41

* goods and services ** excl. deposits of foreigners f=forecast

Economic policy: "social orthodoxy"

In the first few months of its rule, the first left-wing government in Uruguay's history has largely managed to instill a high level of confidence and to lay the foundations for the continuation of the stability-oriented economic policy. A new three-year stand-by agreement with the IMF for US$ 1.13 billion in funding and fresh capital from other multilateral institutions ensure that the country's financing requirements will be covered for the time being. In addition, the parameters of the future domestic policy have thus been defined, enabling the government to implement market-friendly reforms that would include social components. The aim is to increase investments necessary to modernize the country and enhance its competitiveness, which is to be achieved by a more restrictive fiscal policy (primary surplus of 3.5% of GDP in 2005, 3.75% in 2006 and 4% as from 2007) and structural reforms (tax reform, independence of the central bank, pension reform and reform of state-owned enterprises). Despite disagreements within the government coalition on some of the reform projects, we expect that state president Vazquez' consensus-based policy that extends to include various sectors of society will facilitate implementation of most of the measures, in particular since it has the backing of the highly reputable finance minister Danilo Astori, who also enjoys cross-party support.

Domestic economy: persistent strong growth

Following stagnation in the first quarter of this year, GDP grew by 3% in the second (quarter-on-quarter, seasonally adjusted). The robust growth in economic output thus continued in the first half of 2005 (+6.9%, year-on-year), if a great deal more slowly than in 2004 (+12.3%). Apart from the positive trend in exports (+18% year-on-year), contributing significantly to industrial production growth, both investments (+22% year-on-year) and private consumption picked up sharply. For the year as a whole we forecast economic growth of 6.1%, which is likely to weaken and drop to 4.2% next year due to high crude oil prices and lower export growth. As a result of restrictive monetary policy and the strong appreciation of the peso against the US dollar (August: +19% year-on-year), the inflation rate fell in August (+3.4% year-on-year) to its lowest level in the past five years. Due to rising energy prices and statistical base effects, we project an inflation rate of 5.5% for the year as a whole, which thus will be at the lower edge of the central bank's target range (5.5% - 7.5%). Despite rising exports, the trade balance – due to higher energy prices (oil and electricity imports) and growing imports of capital goods – reflects an increasing deficit (first semester of 2005: US$ 108 million compared to a surplus of US$ 10 million in the pre-year period); the trade deficit should be in the region of US$ 400 million in the year as a whole. This is also the main reason for the expansion of the current account deficit, which stood at US$ 142 million in the first quarter and should rise to roughly US$ 360 million by year-end (2.1% of GDP).

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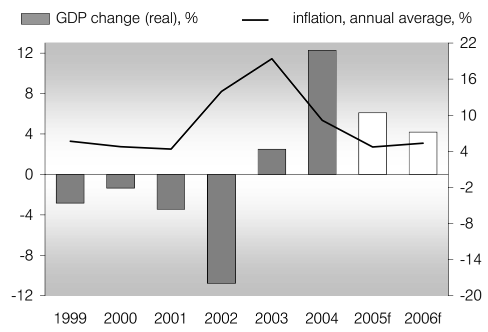
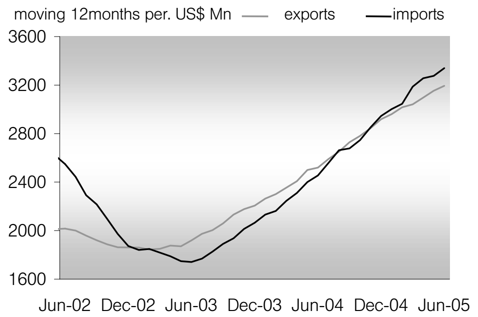
SUMMARY AND OUTLOOK

The first few months of Uruguay's first left-wing government under president Vázquez have been positive. Despite some disagreements within the coalition, the government is attempting to realize its ambitious reform program by adopting a policy based on consensus with society. A key step has already been taken: the agreement concluded with the IMF and, therefore, the commitment to a sustained stability-oriented economic policy, instills confidence and ensures that the financial requirements for the next two years will be covered.

GDP CHANGE (REAL) & INFLATION



FOREIGN TRADE



VENEZUELA: EVERYTHING POSSIBLE THANKS TO OIL WEALTH?

Area	912 050 sq. km	
Population	25.7 million (+ 1.9 % p.a.)	
State president	Hugo Chávez Frías	
Finance minister	Nelson Merentes	
Central bank president	Gastón Luis Parra Luzardo	
Next elections	State president: December 2006	
	Congress: December 2005	
GDP per capita	US$ 4 137 (2004)	
Investment	14 % of GDP (2003)	
Savings	24 % of GDP (2003)	
Exchange rate system	Fixed exchange rate	
Monetary policy	Heterodox, with price controls	
Exports of goods (2004)	35 % of GDP	
Purchasing countries	USA 50 %, EU 6 % , Colombia 3 %	
Products	Crude oil 81 %	
Imports of goods (2004)	16 % of GDP	
Supplier countries	USA 26 %, EU 19 %, Colombia 10 %	
Products	Primary goods 29 %, Capital goods 22 %	
Rating	Moody's: B2	S&P: B+

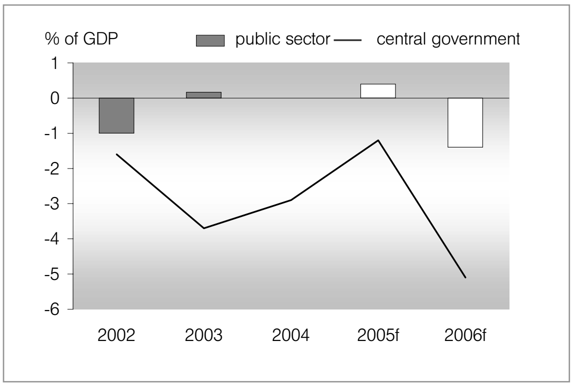
SUMMARY AND OUTLOOK

Venezuela is virtually drowning in oil riches: with prices for Venezuelan oil averaging more than US$ 50 per barrel, the central government budget, chronically in deficit, recorded a surplus of 2% of GDP in the first seven months of the year, and the current account should close the current year with a surplus of more than 15% of GDP. The government is systematically deploying vast resources to reinforce its domestic political power base and to propagate its project of "Bolivarian revolution" abroad. In order to extend its control over the country's oil wealth even further, it has implemented a number of controversial projects over the last few weeks – including the transfer of "excess" foreign currency reserves held by the central bank totaling US$ 6 billion to a state-owned fund – which are bound to jeopardize the country's macroeconomic stability in the medium term. In addition, the increasingly interventionist economic policy is weakening private economic activity and the drop in foreign direct investments in the second quarter could mark the beginning of international companies turning away from Venezuela. Accordingly, following robust economic growth this year, we expect a substantial slowdown in growth in the year 2006.

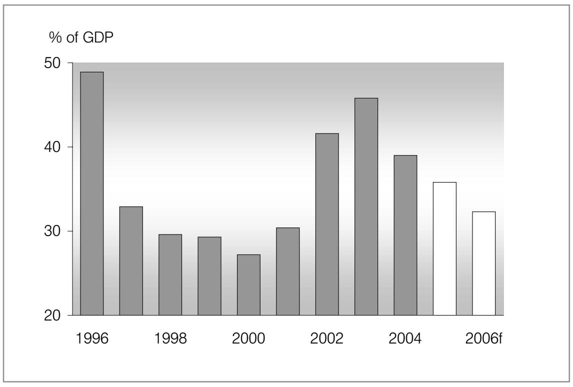
VENEZUELA		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	-8.9	-7.7	17.9	7.5	4.0
GDP	US$ bn	92.6	83.5	109.2	123.9	137.5
Inflation (year-end)	%	31.2	27.1	19.2	17.4	23.7
Inflation (average)	%	22.4	31.1	21.7	16.5	20.3
PUBLIC SECTOR						
Budget balance, central government	% GDP	-1.6	-3.7	-2.9	-1.2	-5.1
Budget balance, public sector	% GDP	-1.0	0.2	0.0	0.4	-1.4
Public debt	% GDP	41.6	45.8	39.0	35.8	32.3
Amortization	US$ bn	7.3	10.8	9.0	7.3	6.5
Gross financing needs	US$ bn	8.2	10.7	9.0	6.9	8.4
EXTERNAL SECTOR						
Merchandise exports	US$ bn	26.8	27.2	38.7	48.6	39.5
Merchandise imports	US$ bn	13.4	10.7	17.3	22.4	22.8
Trade balance	US$ bn	13.4	16.5	21.4	26.2	16.7
Current account balance	US$ bn	8.0	11.2	13.8	18.9	10.0
Current account balance	% GDP	8.7	13.4	12.7	15.3	7.2
Net direct investment	US$ bn	-0.3	1.4	1.3	0.4	0.2
Foreign exchange reserves, year-end **	US$ bn	11.4	16.7	19.0	23.0	24.0
Import cover **) ***)	months	6.5	10.9	9.0	9.9	10.1
US$ exchange rate, year-end	Bolívar	1387	1598	1918	2150	2400
US$ exchange rate, average	Bolívar	1160	1611	1885	2082	2348
FOREIGN DEBT						
Gross foreign debt	US$ bn	35.5	41.3	43.2	43.8	45.0
Foreign debt	% exports ***	121	147	111	123	132
Short-term foreign debt	US$ bn	6.7	7.7	9.6	9.4	9.0
Foreign debt amortization	US$ bn	2.9	5.4	5.3	2.7	3.0
Foreign debt service	US$ bn	4.9	7.9	8.3	5.3	5.5
Foreign debt service	% exports ***	17	28	21	15	16
FINANCIAL MARKETS (year-end)						
Deposit rate, 90 days	%	26.1	14.2	14.5	11.0	10.0
ICB stock index (Bolívar based, 2005: 09/23)		8015	22204	29952	20619	
IFCG stock index (US$ based, 2005: 09/23)		159	182	274	208	
Bond market yield spread (2005: 09/23)*	bp	1127	469	412	336	

* EMBI+ ** Central bank and FEM, without Gold *** goods and services f=forecast

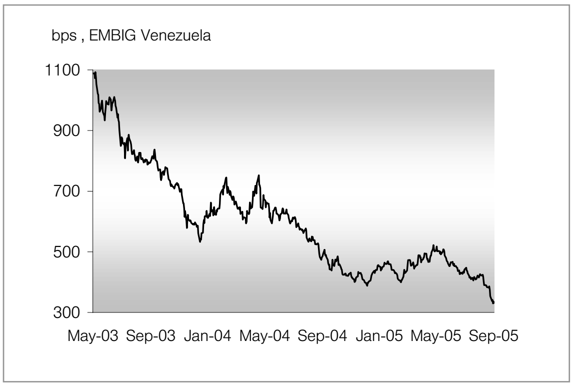
BUDGET BALANCE



PUBLIC DEBT



BOND SPREADS



Economic policy: heading for a command economy?

Congressional elections are scheduled for December 4 and even though the country's economic policy has increasingly been shaped by government initiatives over the last few years, the assembly's composition will ultimately be a crucial determinant of the country's future course. Although a number of key opposition parties were able to nominate joint candidates, the ruling coalition will probably gain a comfortable 2/3 majority in congress overall. This would clear the way for arbitrary constitutional amendments by the government.

President Chávez is expected to exploit this gain in power to further intensify his interventionist economic policy. The last few weeks saw the expropriation of various companies, even though the constitutional basis for action of this kind is more than dubious. Furthermore, plans have been announced to assign government officials to the management boards of private banks, where they are to ensure "conformity" between lending and the political objectives of the government. At the same time, state-controlled enterprises (e.g. supermarkets) look set to gain in importance and in mid-September, president Chávez alarmed international mining companies with his announcement that Venezuela's mining activities are in future to be bundled into a state-owned corporation.

Fiscal policy: high surpluses, little transparency

With a surplus of VEB 857 billion in July, the budget surplus for the first seven months stands at 2% of GDP. This is attributable to a sharp increase in revenues (+85% year-on-year) based on the economic upturn and high oil prices, with expenditure seeing a relatively moderate rise (+36%). In the remainder of the year, the increase in spending should accelerate substantially on account of seasonal factors and in view of the parliamentary elections in December, meaning that we can expect a budget deficit of 1.4% of GDP for the year as a whole.

The medium-term outlook is bleaker than the current trend. In addition to the transparency of public finances already having diminished over the past few years as a result of the creation of ancillary budgets, in the last few weeks some fundamental amendments to the institutional framework have been made which will have a negative impact on the country's fiscal stability in the event of lower oil prices. These include the establishment of a state-controlled fund (FONDEN) to be filled this year with a total of US$ 6 billion that will be siphoned off from "excess" foreign currency reserves of the central bank. At the same time, the regulation that all foreign currency revenues of the state-owned oil company PDVSA must be exchanged at the central bank was abolished, diminishing the transparency of public revenues even further. In addition, the underlying conditions of the macroeconomic stabilization fund FEM, which was established to serve as a fiscal cushioning mechanism for oil price cycles, were eased to such extent as to allow the government to make discretionary decisions on the inflow and outflow of FEM funds.

The risk spreads on Venezuelan foreign currency bonds are evidently characterized by rather short-term considerations and, at 350 basis points, are trading at a historical low (see graph). The optimism of market participants was also fueled by the fact that the rating agency S&P upgraded the country's long-term foreign currency rating by one notch to B+ in mid-July. The agency justified this move with the increase in foreign currency reserves resulting from the high oil prices, the current account surplus and improved debt indicators. While this may apply in the short run, we foresee quite serious problems for the country's economic stability in the medium term. Such problems may occur relatively suddenly, meaning that in our view caution must be exercised in assessing Venezuelan government bonds.

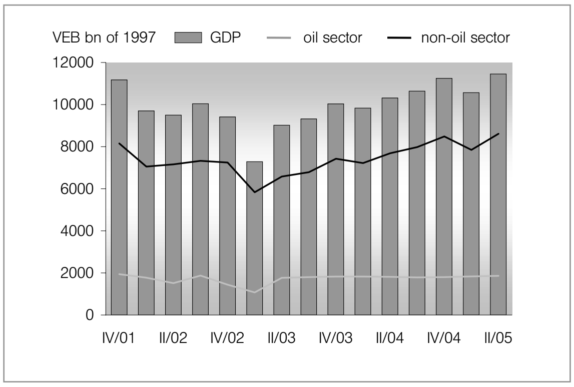
Domestic economy: growth not sustainable

The economy grew by 11.1% year-on-year in the second quarter. While activity in the oil sector was rather subdued (+2.5% year-on-year), the non-oil sector recorded very dynamic growth at 12.1% This is attributable to high growth in commerce (+21.5% year-on-year) resulting from the expansion of state-controlled markets and high transfer payments to poorer population strata on the one hand, but also from the increased availability of loan funds at (state-regulated) favorable conditions on the other. Likewise, the construction sector (+20.3%) benefited from increased credit availability – here, too, state-regulated lending plays an important role – and public infrastructural investments, but, at 12.1%, the manufacturing industry (the largest sector) also recorded robust growth. Accordingly, economic growth amounts to 9.3% in the first semester. Due to the government's business-hostile economic policy, we expect an economic slowdown in the second semester which, thanks to rising transfers and contracts from the public sector, should be moderate, however. In the year as a whole, GDP should expand by 7.5%, after which a stronger decline in private activity will confine economic growth to 4% in 2006.

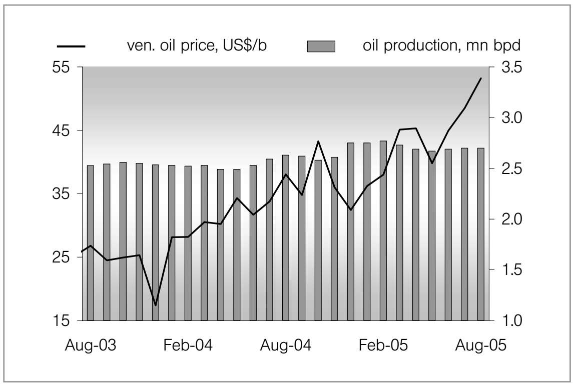
Monetary sector: gloomy outlook for banking sector

After the sharp rise in consumer prices in May (+2.5%) had intensified doubts about the effectiveness of price controls in view of expansionary fiscal policy (particularly by means of ancillary budgets), monthly inflation rates subsequently recorded were partly well below 1%. This limited the annual inflation rate to 14.8% in August, the lowest level since the beginning of 2002 which, in addition to the strict price controls, we attribute

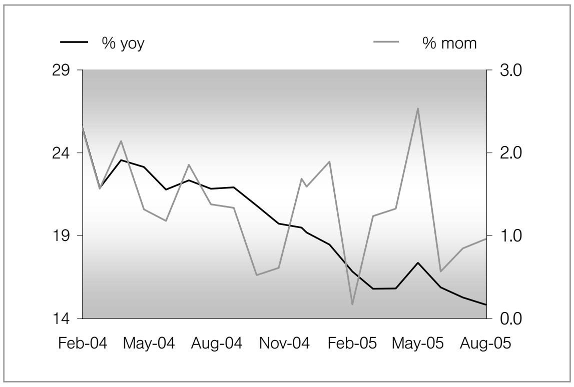
ECONOMIC ACTIVITY



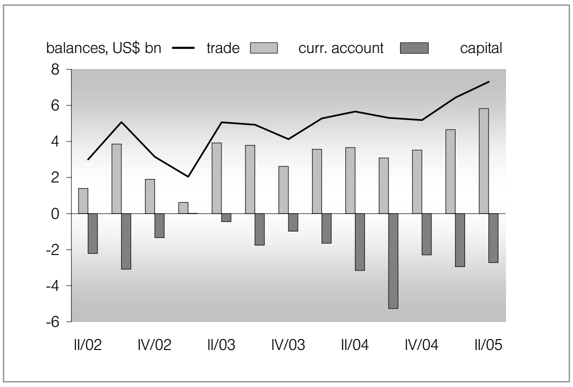
OIL PRICE AND PRODUCTION



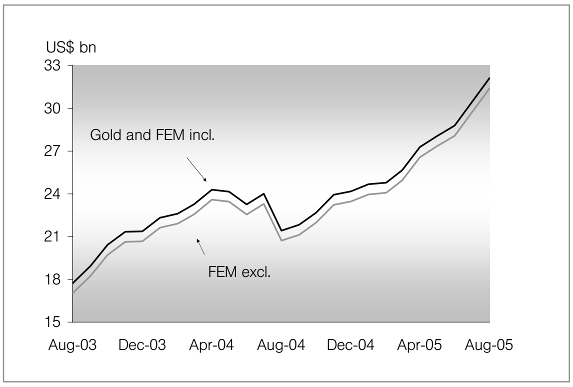
INFLATION



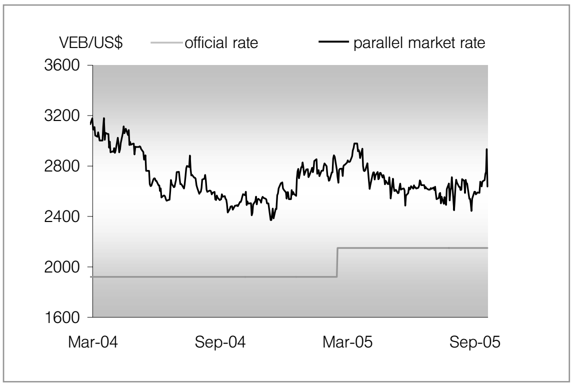
BALANCE OF PAYMENTS



FOREIGN EXCHANGE RESERVES



EXCHANGE RATE



to the ample provisions of foreign currency through the foreign currency control authority CADIVI and subsidized imports of products by the public sector. In the forthcoming months, we expect inflationary pressure to intensify due to higher public-sector spending and rising lending, e.g. also through the planned bank of the armed forces. By year-end, the inflation rate should be in the region of 17.4%.

The government's increasing intervention in lending terms and lending operations will aggravate the situation of the national banking sector. The establishment of new public-sector banks may also lead to enormous distortions in the private banking sector. In July, the share of total deposits accounted for by government holdings in the banking sector amounted to 23%, with some banks recording a government stake of more than 40%. In addition, roughly 50% of the banking sector's assets are in the form of government bonds. If a major part of deposits should in future be deposited with public-sector banks and if – as stated by president Chávez - the government, in view of the comfortable financing situation, should dispense with the issue of debt instruments, the private banking sector will be facing serious problems.

External sector: slump in foreign direct investments

Thanks to high oil exports, the current account surplus in the second quarter, at US$ 5.8 billion, was almost twice as high as in the pre-year quarter. In the year as a whole, the current account surplus should thus amount to roughly 15% of GDP. On a negative note, however, net direct investments in the second quarter only reached ¼ of the pre-year figure. This might very well be a first reaction to the deteriorating conditions also in store for foreign companies. A prime example of this is the breakdown in negotiations that had lasted for three years between an international energy group and the government concerning the development of a new natural gas field. Evidently, even in spite of very high oil prices, concerns increasingly predominate because of the legal uncertainty, which has manifested itself in arbitrary amendments to the legal and tax framework in the last several weeks.

Nevertheless, foreign currency reserves held by the central bank continue to rise, not least thanks to strict capital movement controls, and reached a record high of US$ 32 billion (incl. gold and FEM) in mid-September. Due to the comfortable foreign currency liquidity position and with oil prices in the region of US$ 60/barrel, we do not expect any negative market reactions to the transfer of a total of US$ 6 billion to the central government, even though this increases the country's susceptibility to external shocks in the medium term.

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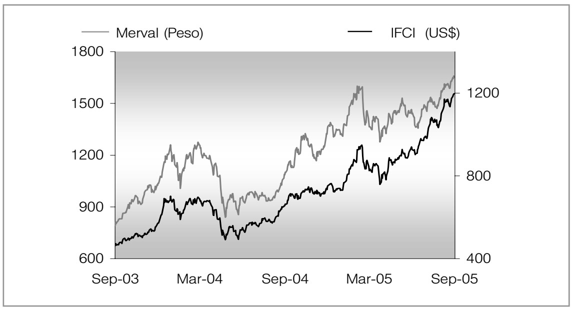
VENEZUELA: MONTHLY INDICATORS		May-05	Jun-05	Jul-05	Aug-05	next/latest
DOMESTIC ECONOMY						
Industrial production (private sector)	% yoy	10.4	**6.2**			October 3-7
Car sales	% yoy	54.3	94.4	**78.4**	**71.6**	October 3-7
Retail sales	% yoy	**38.3**	**34.2**			October 3-7
Wholesale sales	% yoy	**26.2**	**18.4**			October 3-7
Crude oil production	1000 bpd	2670	**2690**	**2700**	**2700**	17-Oct
Unemployment rate	%	12.6	11.8	**12.6**	**12.1**	25-Oct
Consumer prices	% yoy	17.4	15.9	**15.3**	**14.8**	3-Oct
Consumer prices	% mom	2.5	0.6	**0.8**	**1.0**	3-Oct
Producer prices	% yoy	17.1	16.3	**15.7**	**15.4**	3-Oct
Producer prices	% mom	1.7	1.1	**0.2**	**0.5**	3-Oct
Money supply M2 *	% yoy	48.9	50.3	**51.2**		18-Oct
Lending rate (monthly average)*	%	16.4	15.3	**15.8**	**15.9**	18-Oct
Deposit rate (monthly average)*	%	11.7	11.7	**11.2**	**10.8**	18-Oct
Interbank interest rate (month-average)*	%	2.7	4.1	**2.3**	**1.6**	3-Oct
Credit volume *	% yoy	96	**97**	**87**		18-Oct
Deposits *	% yoy	49	**59**	**56**		18-Oct
EXTERNAL SECTOR						
Oil price (Venezuelan exports, latest: 09/23)	US$/barrel	39.8	45.0	**48.5**	**53.2**	**53.6**
Oil price (Venezuelan exports, latest: 09/23)	% yoy	16.0	41.9	**43.5**	**39.8**	**34.3**
Foreign exchange reserves (CB, latest: 09/23)****	US$ bn	21.8	22.6	**24.8**	**26.7**	**26.7**
Forex reserves (FEM**; latest: 09/23)*	US$ bn	0.7	0.7	**0.7**	**0.7**	**0.7**
US$ exchange rate (latest: 09/23)*	Bolívar	2150	2150	**2150**	**2150**	**2150**

VENEZUELA: QUARTERLY INDICATORS		Q3 04	Q4 04	Q1 05	Q2 05	next/latest
DOMESTIC ECONOMY						
GDP	% yoy	14.2	12.1	7.5	**11.1**	18-Nov
GDP, private sector	% yoy	16.4	12.4	9.0	**13.1**	18-Nov
GDP, public sector	% yoy	8.6	8.8	2.9	**4.5**	18-Nov
Oil sector	% yoy	-0.8	-1.6	0.5	**2.5**	18-Nov
Manufacturing industry	% yoy	18.9	14.7	6.4	**12.4**	18-Nov
Financial services	% yoy	25.9	19.8	25.5	**23.1**	18-Nov
Commerce	% yoy	21.7	23.3	18.7	**21.5**	18-Nov
EXTERNAL SECTOR						
Merchandise exports	US$ bn	10.50	10.85	11.45	**13.15**	18-Nov
Exports of oil and derivatives	US$ bn	8.65	8.83	9.73	**11.25**	18-Nov
Merchandise imports	US$ bn	4.86	5.43	5.02	**5.85**	18-Nov
Trade balance	US$ bn	5.64	5.42	6.43	**7.31**	18-Nov
Current account balance balance	US$ bn	3.65	3.89	4.66	**5.83**	18-Nov
Net foreign direct investment	US$ bn	0.01	0.69	0.07	**0.15**	18-Nov
Portfolio investment	US$ bn	-2.77	-0.21	1.47	**0.84**	18-Nov
Capital account***	US$ bn	-5.26	-2.29	-2.94	**-2.72**	18-Nov
Change in foreign exchange reserves (C.B.)#	US$ bn	1.61	-1.60	-1.72	**-3.11**	18-Nov
Change in foreign exchange reserves (FEM)**#	US$ bn	0.00	0.00	0.00	**0.00**	18-Nov

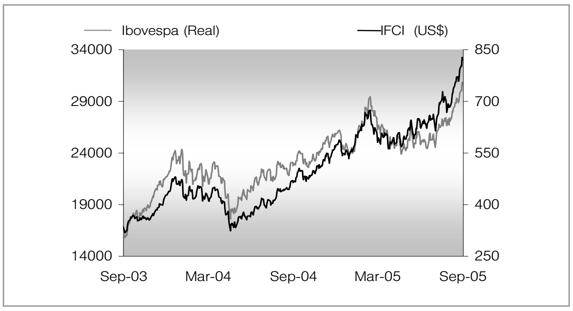
*month-end **macroeconomic stabilization fund *** incl. residual items **** Gold excluded (latest: US$ 5.1bn) # - = increase

FINANCIAL MARKETS: LATIN AMERICAN STOCK MARKET INDICES

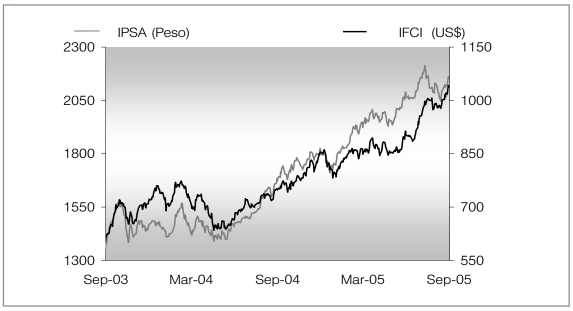
ARGENTINA



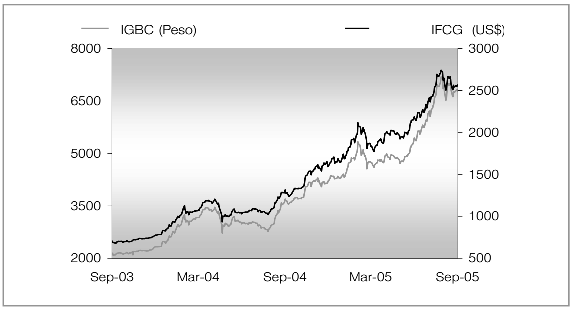
BRAZIL



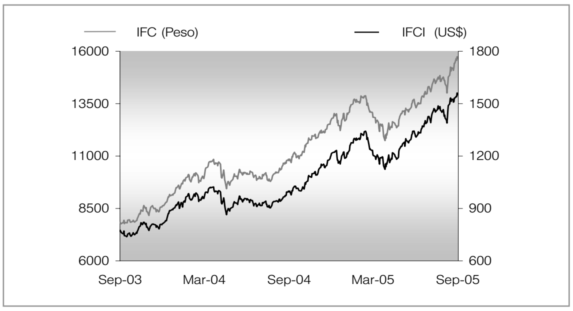
CHILE



COLOMBIA



MEXICO



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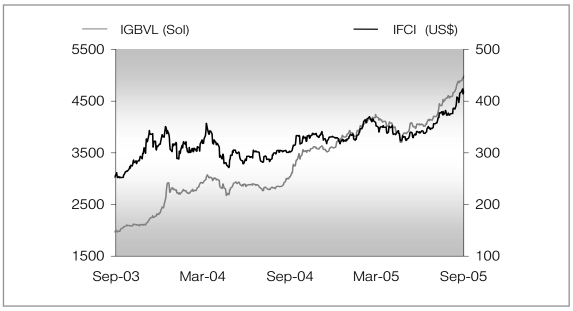

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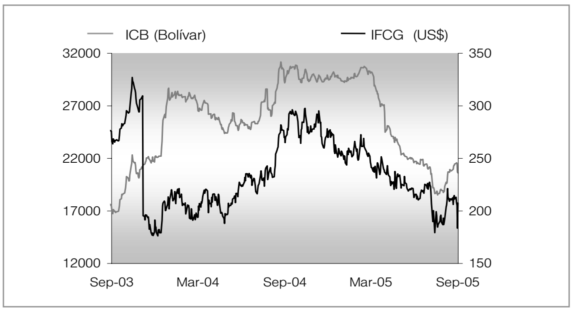
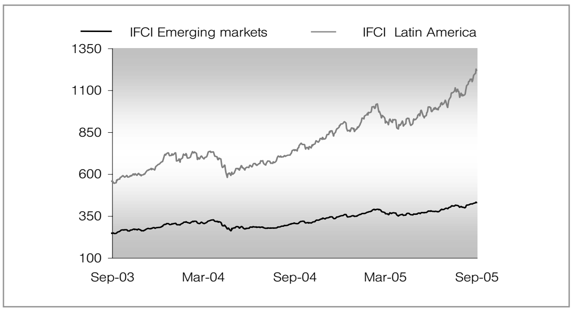
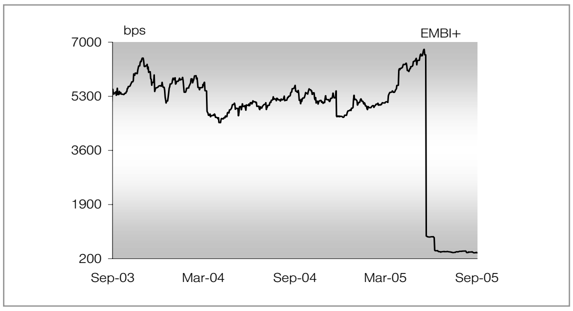


LATIN AMERICA



FINANCIAL MARKETS: LATIN AMERICAN BOND YIELD SPREADS

ARGENTINA



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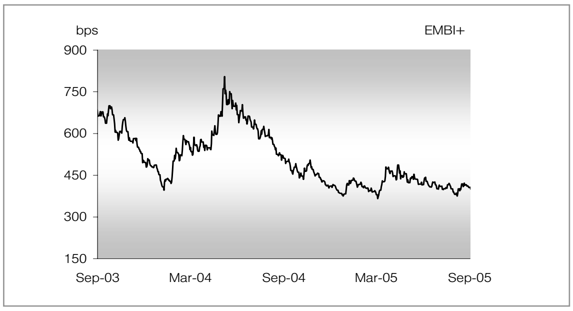

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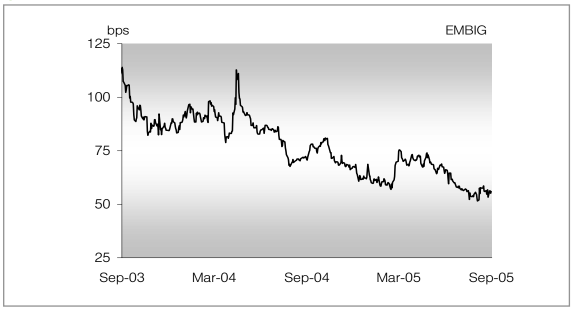

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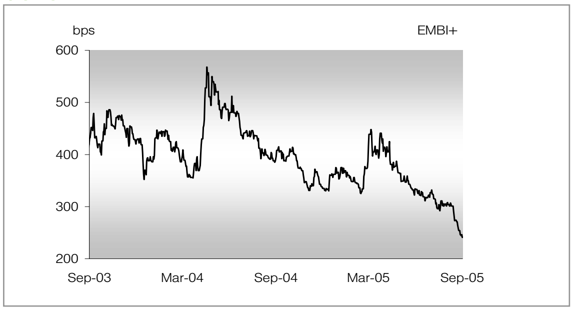

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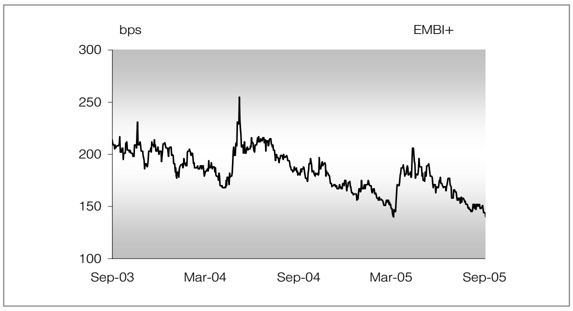

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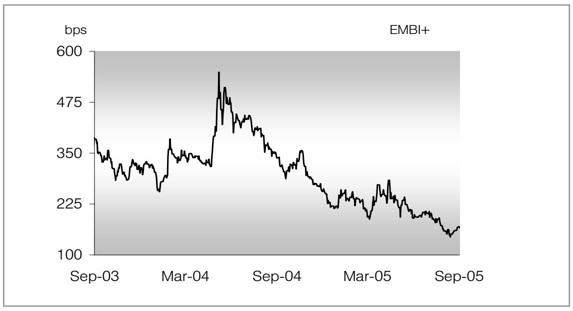

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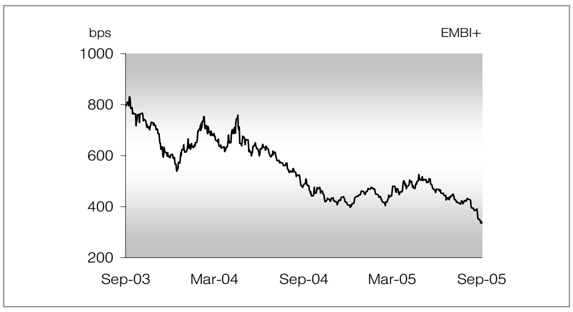

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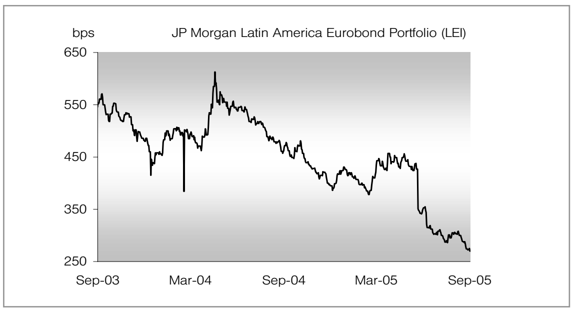

DBLA - OVERVIEW

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GLOBAL ECONOMY - FIGURES AND FORECASTS

		2003	2004	**9/23/05**	2005f	2006f
REAL GDP CHANGE *						
Industrialized countries	% yoy	2.1	3.1		2.4	2.5
USA	% yoy	3.0	4.2		3.7	3.2
Euro area	% yoy	0.5	2.1		1.3	1.9
Germany	% yoy	-0.1	1.6		1.0	1.7
Japan	% yoy	2.4	2.7		1.7	1.7
INTEREST RATES, YEARLY AVERAGE*						
USA, 3m money market rate	%	1.2	1.7	**4.0**	3.5	4.7
USA, 10yr government bond yield	%	3.9	4.2	**4.2**	4.5	5.1
Euro area, 3m money market rate	%	2.3	2.1	**2.1**	2.1	2.6
Euro area, 10yr gov. bond yield	%	4.1	4.1	**3.1**	3.5	4.1
Japan, 3m money market rate	%	0.1	0.1	**0.1**	0.1	0.1
Japan, 10yr government bond yield	%	1.0	1.5	**1.3**	1.5	2.0
EXCHANGE RATES, YEARLY AVERAGE *						
US$/ Euro	US$	1.13	1.24	**1.20**	1.3	1.2
Yen/ US$	YEN	116	108	**113**	109	107
Yen/ Euro	YEN	131	134	**135**	135	132
COMMODITY PRICES, YEARLY AVERAGE						
Coffee (other milds)	c/lb, NY	64	79	**96**	112	97
Soybeans	c/bushel	627	750	**543**	584	580
Copper	c/lb, LME	81	130	**181**	140	122
Crude oil (WTI)	US$/b	31	42	**64**	57	56
Crude oil (Brent)	US$/b	29	39	**62**	56	55
Gold	US$/ounce	364	405	**463**	440	430

* Source: Dresdner Bank AG

f=forecast