



Latin American Spotlight - Update

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LATIN AMERICA: UPTURN ACROSS THE BOARD



ANNUAL FIGURES AND FORECASTS

LATIN AMERICA (20 countries)		2001	2002	2003	2004f	2005f
DOMESTIC ECONOMY						
GDP change (real)	%	0.5	-0.2	1.2	4.2	3.4
GDP	US\$ bn	1892	1664	1703	1841	1896
Inflation (year-end)	%	5.5	11.4	6.6	6.1	5.7
EXTERNAL SECTOR						
Merchandise exports	US\$ bn	348	351	380	437	451
Merchandise imports	US\$ bn	352	330	341	388	416
Trade balance	US\$ bn	-4.2	20.9	39.7	49.6	34.8
Current account balance	US\$ bn	-53.3	-14.9	6.5	11.0	-7.5
Current account balance	% GDP	-2.8	-0.9	0.4	0.6	-0.4
Net direct investment ***	US\$ bn	69.1	42.3	30.8	37.9	38.8
Foreign exchange reserves, year-end	US\$ bn	162	161	195	217	231
Import cover **	months	3.9	4.2	5.0	5.0	5.0
FOREIGN DEBT						
Gross foreign debt	US\$ bn	743	754	781	772	777
Foreign debt	% exports**	177	182	179	155	150
Short-term foreign debt	US\$ bn	117	120	142	166	177
Foreign debt amortization	US\$ bn	97	96	121	123	91
Foreign debt service	US\$ bn	150	141	166	167	140
Foreign debt service	% exports**	36	34	38	33	27
FINANCIAL MARKETS (year-end)						
IFCI stock index (US\$ based, 2004: 07/07)		520	516	676	659	
Bond market yield spread (2004: 07/07)*	bps	692	823	431	541	

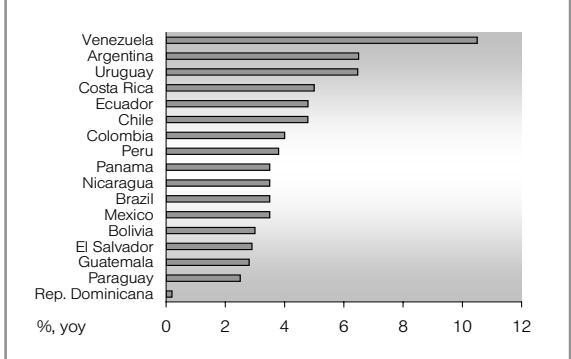
*JPM Latin America-Eurobond-Portfolio **goods & services ***Mexico & Brazil: only foreign direct investment; f=forecast

The economic upturn in Latin America continues across the board. Virtually all countries are recording growth, some boasting rates of 5% and higher. However, all that glitters is not gold. Ecuador's GDP, for instance, is likely to rise by 4.8% this year. Yet, in spite of the high oil price, the government appears to be unable to sort out its public finances. In fact, there is a yawning gap of US\$ 500 million in the public-sector budget, ultimately undermining the country's macroeconomic stability. Peru is not confronted with such problems. It has become apparent in Peru, however, that the economic upturn already in evidence for three years (average growth from 2002 to 2004: 4.3% p.a.) has not had any impact on the labor market. Outside the lucrative mining sector, investors obviously have no confidence in the rest of the country's economy, which is also contributing to the present government's lack of support from the population. Venezuela is recovering from last year's recession and is likely to record an economic growth rate of 10.5% in 2004. As early as next year, however, it will most probably register only half this rate since investments in the crude oil sector have been neglected for years. We expect the tense political situation to ease slightly following the referendum to oust President Chávez from office (August 15). In Argentina there are signs of the economic boom weakening appreciably. We believe that this is also attributable to a policy that all but ignores international agreements. In this context it does not only concern the sluggishness of the debt rescheduling of international loans but also involves the sudden cuts in gas supplies to Chile (due to the energy crisis in Argentina) and the delayed price increases in the privatized electricity sector. This was compounded by a recent announcement of import restrictions against the Mercosur partner Brazil.

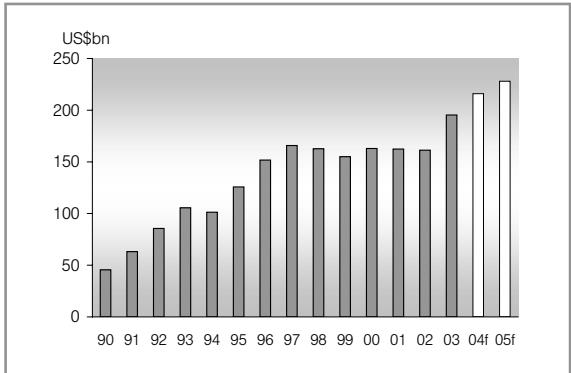
Other countries in the region are enjoying more stable conditions and using their economic policy instruments to ensure sustained growth. Chile, for instance, is set to record a GDP growth rate of just over 5%, which should only decrease slightly next year due to a general slowdown in the global economy. In Brazil, the economic upturn is increasingly gaining momentum. Investments and consumption are picking up, which means that the country no longer needs to depend solely on the export sector. We expect the upturn to continue next year and to result in another growth rate of 3.5%. Mexico (GDP forecast 2004: +3.5%) is benefiting from the recovery of the U.S. economy and remains very stable in macroeconomic terms. And Colombia seems to be making substantial progress with regard to its security policy, which is also having a positive impact on the economic climate and growth.

All in all, Latin America's GDP is set to grow by 4.2% this year (2005: 3.4%).

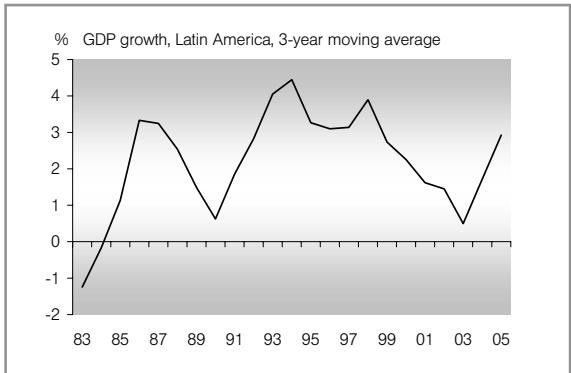
GDP CHANGE (2004), VARIOUS COUNTRIES



FOREX RESERVES LATIN AMERICA



LONG-TERM GROWTH PATH



LATIN AMERICA AT A GLANCE

DOMESTIC ECONOMY	GDP change in % (real)			Inflation in % (year-end)			Public sector debt in % of GDP		
	2003	2004f	2005f	2003	2004f	2005f	2003	2004f	2005f
Argentina	8.7	6.5	3.5	3.7	8.0	8.0	140.4	154.0	172.4
Bolivia	2.5	3.0	3.0	3.9	4.0	4.5	68.0	73.0	75.0
Brazil	-0.2	3.5	3.5	9.3	6.6	5.9	58.2	56.6	55.2
Chile	3.3	4.8	4.5	1.1	2.5	3.1	13.3	13.7	12.7
Colombia	3.7	4.0	3.7	6.5	6.0	6.5	60.0	60.0	61.0
Costa Rica	5.6	5.0	4.2	9.9	9.5	8.5	57.5	60.2	61.5
Dominican Republic	-0.4	0.2	4.0	42.8	18.0	10.0	57.9	65.1	63.7
Ecuador	2.7	4.8	2.9	6.1	3.5	0.9	53.4	50.3	48.0
El Salvador	1.8	2.9	2.4	2.5	2.2	2.4	36.2	36.2	36.0
Guatemala	2.1	2.8	2.5	5.9	7.2	5.0	23.5	24.5	24.7
Honduras	3.2	3.5	3.5	6.8	7.4	6.5	66.0	65.0	57.0
Jamaica	2.0	1.5	1.5	13.0	11.0	15.0	146.0	146.0	147.0
Mexico	1.3	3.5	3.0	4.0	4.2	3.5	27.5	28.4	28.1
Nicaragua	2.3	3.5	3.4	6.5	8.5	6.0	289.0	166.0	150.0
Panama	4.1	3.5	2.3	1.4	1.7	1.0	69.9	70.3	71.1
Paraguay	2.6	2.5	2.5	15.0	5.0	4.5	49.1	44.6	42.9
Peru	4.0	3.8	3.7	1.8	2.5	2.2	47.5	48.0	48.0
Trinidad & Tobago	4.0	5.2	5.5	3.5	4.5	4.0	31.4	29.1	27.0
Uruguay	2.5	6.5	3.5	10.4	6.5	7.0	114.3	117.8	103.4
Venezuela	-9.2	10.5	4.0	27.1	23.5	25.5	46.9	41.3	46.0
Latin America (20 countries)	1.2	4.2	3.4	6.6	6.1	5.7			
EXTERNAL SECTOR	Current account balance in % of GDP			Import cover in months*			Gross foreign debt in % of exports*		
FOREIGN DEBT									
	2003	2004f	2005f	2003	2004f	2005f	2003	2004f	2005f
Argentina	6.2	2.4	0.8	5.8	5.9	6.0	412	370	362
Bolivia	0.3	0.1	-1.8	3.7	3.5	3.2	253	242	240
Brazil	0.8	1.1	0.8	7.3	6.4	7.2	273	217	220
Chile	-0.8	2.1	-1.7	6.9	6.1	5.9	164	131	141
Colombia	-1.8	-1.3	-1.7	6.4	6.3	6.2	257	243	229
Costa Rica	-5.5	-5.7	-4.9	2.2	2.0	2.1	65	58	58
Dominican Republic	5.9	10.2	6.0	0.3	0.6	0.6	71	74	73
Ecuador	-1.7	1.2	4.8	1.0	1.2	0.9	233	203	170
El Salvador	-5.2	-4.9	-4.0	3.4	3.0	2.8	159	153	150
Guatemala	-4.1	-4.7	-4.5	4.7	4.6	4.6	109	109	109
Honduras	-3.7	-6.1	-5.1	4.2	3.9	3.9	202	208	172
Jamaica	-12.6	-12.2	-10.4	2.4	2.4	2.1	142	138	135
Mexico	-1.5	-1.3	-2.0	3.5	3.5	3.2	90	81	78
Nicaragua	-34.3	-31.7	-29.7	2.7	2.9	3.5	710	382	341
Panama	-0.9	-1.5	-1.4	1.3	1.2	1.1	97	96	97
Paraguay	8.8	6.2	2.9	2.8	2.8	3.2	87	85	85
Peru	-1.5	1.2	0.3	9.7	9.9	9.4	256	238	204
Trinidad & Tobago	9.0	11.0	7.5	6.1	6.7	6.6	46	43	44
Uruguay	1.2	1.0	1.1	7.7	7.6	8.6	364	347	350
Venezuela	11.6	11.1	4.7	10.9	11.2	10.5	125	100	112
Latin America (20 countries)	0.4	0.6	-0.4	5.0	5.0	5.0	179	155	150

* goods and services

f=forecast

ARGENTINA

The economy is losing momentum, as expected. Although GDP growth remained high in the first quarter year-on-year (11.2%), compared to the previous quarter (seasonally adjusted) growth at 1.7% was only half the rate of the two previous quarters. Indicators for the second quarter suggest that economic activity will cool down further. We still project a GDP growth rate of 6.5 % for the year as a whole. It will only be possible to prevent a further decline in economic growth next year if the investment climate can be improved substantially. In light of the previous rather anti-market economic policy (among other factors), we consider this unlikely. An additional uncertainty factor is that a solution to the debt rescheduling problem is not yet in sight. Although Argentina has presented a much improved swap proposal, it remains doubtful, however, whether this will meet with sufficient approval of the bond creditors, who would still sustain unreasonably high losses.

ANNUAL FIGURES AND FORECASTS

ARGENTINA		2001	2002	2003	2004f	2005f
DOMESTIC ECONOMY						
GDP change (real)	%	-4.4	-10.9	8.7	6.5	3.5
GDP	US\$ bn	269	99	127	143	152
Inflation (year-end)	%	-1.5	41.0	3.7	8.0	8.0
Inflation (average)	%	-1.1	25.9	13.4	5.0	8.4
PUBLIC SECTOR						
Budget balance, central government	% GDP	-3.2	-1.4	0.6	1.4	0.9
Budget balance, public sector	% GDP	-5.4	-1.8	1.3	2.0	1.4
Public debt*	% GDP	54	139	140	154	172
Amortization*	US\$ bn	11.9	17.9	19.8	19.8	14.2
Gross financing needs	US\$ bn	20.4	19.2	19.1	17.7	12.9
EXTERNAL SECTOR						
Merchandise exports	US\$ bn	26.7	25.7	29.6	33.2	34.9
Merchandise imports	US\$ bn	19.1	9.5	14.7	21.3	25.2
Trade balance	US\$ bn	7.6	16.2	14.9	11.9	9.7
Current account balance****	US\$ bn	-4.0	9.6	7.9	3.5	1.2
Current account balance****	% GDP	-1.5	9.7	6.2	2.4	0.8
Net direct investment	US\$ bn	4.1	1.7	-0.3	0.0	1.5
Foreign exchange reserves, year-end	US\$ bn	14.6	10.5	14.1	18.5	21.0
Import cover **	months	4.3	5.6	5.8	5.9	6.0
US\$ exchange rate, year-end	Pesos	1.00	3.37	2.93	3.05	3.19
US\$ exchange rate, average	Pesos	1.00	3.15	2.95	2.94	3.11
FOREIGN DEBT *						
Gross foreign debt	US\$ bn	140	136	147	152	155
Foreign debt	% exports**	385	426	412	370	362
Short-term foreign debt	US\$ bn	16.8	23.8	39.7	60.0	69.0
Foreign debt amortization	US\$ bn	22.3	19.7	30.5	22.5	16.3
Foreign debt service	US\$ bn	36.5	29.6	40.1	32.3	26.3
Foreign debt service	% exports**	100	93	112	79	61
FINANCIAL MARKETS (year-end)						
Interbank interest rate, overnight	%	340.0	7.5	2.0	3.0	5.0
Merval stock index (peso based, 2004: 07/07)		209	525	922	970	
IFCI stock index (US\$ based, 2004: 07/07)		379	265	502	568	
Bond market yield spread (2004: 07/07)***	bps	4404	6229	6463	5110	

* without rescheduling **goods and services ***EMBI+ ****incl. interest payment due

f=forecast

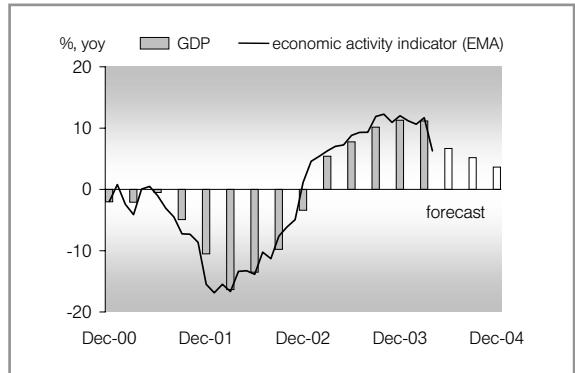
Public finances: Due to the strong growth in tax revenues (January – June 2004: +43.5%, year-on-year) resulting from the improved economic situation, the primary surplus target laid down by the IMF for the first semester was already exceeded in the first five months. Qualitative targets defined under the IMF agreement, e.g. the reorganization of revenue sharing between the central government and the provinces, are, however, not on schedule since the government faces mounting resistance from the ranks of its own party. Approval of the third revision of the IMF agreement has therefore been delayed but is not in jeopardy. Following the presentation of the new debt rescheduling proposal at the beginning of June, the IMF does not seem inclined at this stage to take a tough stance towards Argentina on the debt rescheduling issue. Even though the new debt rescheduling proposal is a substantial improvement over the first proposal (net present value losses now range between 75% and 80% rather than the approx. 90% previously projected), creditors are still expected to make very high concessions compared to debt rescheduling activities in other countries (Uruguay: 15%, Russia: 30%). The debt rescheduling proposal has therefore been rejected by creditor associations. Nevertheless, Argentina's government intends to present the new proposal to the bondholders in a few weeks' time following its approval by foreign and domestic supervisory authorities.

Economic activity: Economic growth continued to slow down in the 1st quarter of the year. GDP rose by 1.7% quarter-on-quarter (seasonally adjusted) following 3.0% in the final quarter of 2003. On a year-on-year basis growth remained high at 11.2% in the first quarter of 2004. Investments showed particularly strong growth (+51%, year-on-year), with a good two thirds accounted for by investments in the construction sector. In spite of substantial growth, investments as a whole have only reached their 1996 level in real terms. We expect the economic slowdown to continue. For the year as a whole, the rise in GDP is likely to amount to 6.5%.

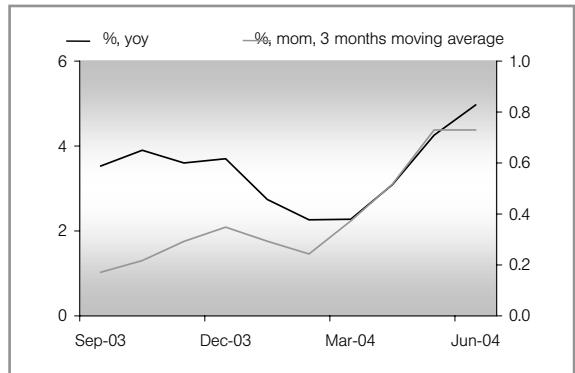
Monetary sector: The accelerated inflation rate in evidence since March of this year continued in June. Against the backdrop of increasing production shortfalls, we continue to believe that the inflation rate currently amounting to 4.9% (year-on-year) will rise to 8% at year-end.

External sector: Despite a chiefly price-related increase in exports, the trade surplus is waning since imports are outpacing exports. The current account surplus fell to US\$ 375 million in the first quarter of the year (first quarter 2003: US\$ 2.1 billion). Due to smaller capital outflows of the private sector (incl. banks), the capital account (incl. residual items) reflected a surplus (US\$ 510 million) in the first quarter of the year for the first time since mid-2001. Foreign-currency reserves increased by US\$ 885 million in the first three months of the year, to US\$ 15 billion.

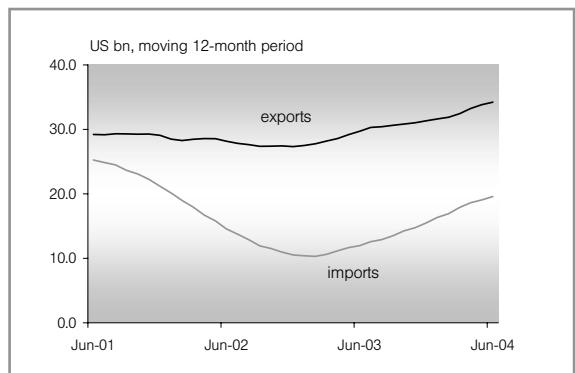
GDP CHANGE (REAL) AND EMA



INFLATION



EXTERNAL TRADE



MONTHLY AND QUARTERLY FIGURES

ARGENTINA: MONTHLY INDICATORS		Mar-04	Apr-04	May-04	Jun-04	next/latest
DOMESTIC ECONOMY						
Economic activity indicator, EMA	% yoy	11.7	6.3			20-Jul
Economic activity indicator, EMA (season. adjust.)	% mom	0.9	-1.5			20-Jul
Industrial production	% yoy	15.6	9.3	11.2		19-Jul
Industrial production (seasonally adjusted)	% mom	1.9	-4.4	1.7		19-Jul
Construction	% yoy	41.2	16.3	22.9		27-Jul
Construction (seasonally adjusted)	% mom	1.1	-4.5	5.6		27-Jul
Consumer confidence (UTDT)	% mom	-5.1	-11.4	0.6	0.7	15-Jul
Supermarket sales (real, seasonally adjusted)	% yoy	10.2	13.6	10.6		28-Jul
Supermarket sales (real, seasonally adjusted)	% mom	0.9	0.7	0.5		28-Jul
Tax revenues	% yoy	39.5	29.2	71.4	46.1	2-Aug
Budget balance	Pesos mn	1038	1330	3824		30-Jul
Primary balance	Pesos mn	1398	1677	4375		30-Jul
Consumer prices	% yoy	2.3	3.1	4.3	4.9	4-Aug
Consumer prices	% mom	0.6	0.9	0.7	0.6	4-Aug
Wholesale prices	% yoy	0.4	0.8	1.5	0.1	4-Aug
Overnight peso rate (month-end; latest: 07/07)	%	1.3	1.3	3.7	2.6	2.6
Peso deposits (month-end; latest: 06/28)*	Peso bn	87.8	90.4	92.1	94.5	
EXTERNAL SECTOR						
Merchandise exports	US\$ mn	2620	3025	3342		29-Jul
Merchandise exports	% yoy	17	23	20		29-Jul
Merchandise imports, cif	US\$ mn	1678	1638	1779		29-Jul
Merchandise imports	% yoy	81	48	64		29-Jul
Trade balance	US\$ mn	942	1387	1563		29-Jul
Foreign exchange reserves (latest: 07/06)	US\$ bn	15.0	15.8	16.7	17.4	17.7
US\$ exchange rate (latest: 07/07)	Pesos	2.87	2.85	2.97	2.96	2.94
ARGENTINA: QUARTERLY INDICATORS		Q2 03	Q3 03	Q4 03	Q1 04	next /latest
DOMESTIC ECONOMY						
GDP (seasonally adjusted)	% qoq	2.2	3.4	3.0	1.7	17-Sep
GDP	% yoy	7.7	10.2	11.3	11.2	17-Sep
Private consumption	% yoy	7.0	10.4	11.8	11.7	17-Sep
Public consumption	% yoy	3.7	1.8	0.3	1.4	17-Sep
Private and public investment	% yoy	33.1	44.9	48.8	51.0	17-Sep
Domestic demand	% yoy	9.5	13.4	14.7	15.3	17-Sep
Export (goods and services)	% yoy	7.9	5.4	7.4	7.7	17-Sep
Import (goods and services)	% yoy	36.2	46.2	52.0	57.0	17-Sep
Budget balance, central government	Pesos mn	1622	382	-1	3982	30-Jul
Public debt***	US\$ bn	152.6	169.6	178.8		
EXTERNAL SECTOR						
Current account balance	US\$ bn	3.0	1.7	1.0	0.4	20-Sep
Net foreign direct investment	US\$ bn	-0.7	-0.1	0.5	0.7	20-Sep
Net portfolio investment	US\$ bn	-2.2	-0.7	-2.6	-3.5	20-Sep
Capital account**	US\$ bn	-1.4	-0.5	-0.4	0.5	20-Sep
Change in foreign reserves	US\$ bn	1.7	1.2	0.6	0.9	20-Sep
Gross foreign debt	US\$ bn	142.0	142.3	147.0	147.3	20-Sep
Short-term foreign debt	US\$ bn	31.6	35.7	39.7	45.5	20-Sep

* bank deposits of private sector; ** incl. residual items ***without overdue interest and amortization payments

BRAZIL

Hardly any doubts remain concerning the sustainability of Brazil's economic upturn. The robust growth in industry and the retail sector is now also evident on the labor market, meaning that the momentum will spiral upward even without further interest cuts being necessary. Growing domestic demand is by no means replacing exports as a growth driver (exports continue to rise to an unprecedented extent; real growth in the first semester: roughly 15% year-on-year), but places the overall economic upturn on an even more solid footing. In light of these trends, we believe the weakness of capital inflows in the first half of the year is merely a temporary phenomenon that should be cushioned by the robust current account surpluses in any event.

ANNUAL FIGURES AND FORECASTS

BRAZIL		2001	2002	2003	2004f	2005f
DOMESTIC ECONOMY						
GDP change (real)	%	1.4	1.5	-0.2	3.5	3.5
GDP	US\$ bn	505	452	492	548	564
Inflation (year-end)	%	7.7	12.5	9.3	6.6	5.9
Inflation (average)	%	6.8	8.5	14.7	6.4	5.8
PUBLIC SECTOR						
Budget balance, central government	% GDP	-2.1	-0.8	-3.4	-2.0	-1.9
Budget balance, public sector	% GDP	-3.6	-4.7	-5.2	-3.1	-2.5
Public debt (net)	% GDP	53.3	56.5	58.2	56.6	55.2
Amortization external debt	US\$ bn	n.a.	8.6	22.1	14.1	16.1
Amortization domestic federal debt*	US\$ bn	84	53	72	66	56
EXTERNAL SECTOR						
Merchandise exports	US\$ bn	58.2	60.4	73.1	88.9	94.4
Merchandise imports	US\$ bn	55.6	47.2	48.2	59.7	65.1
Trade balance	US\$ bn	2.6	13.2	24.8	29.2	29.3
Current account balance	US\$ bn	-23.2	-7.7	4.1	6.1	4.3
Current account balance	% GDP	-4.6	-1.7	0.8	1.1	0.8
Net foreign direct investment	US\$ bn	22.6	16.6	10.1	11.5	15.0
Foreign exchange reserves, year-end	US\$ bn	35.7	37.8	50.9	53.2	64.3
Import cover **	months	4.5	5.4	7.3	6.4	7.2
US\$ exchange rate, year-end	Reais	2.32	3.53	2.88	3.10	3.35
US\$ exchange rate, average	Reais	2.33	2.90	3.08	3.04	3.24
FOREIGN DEBT						
Gross foreign debt	US\$ bn	226	228	235	222	222
Foreign debt	% exports**	319	311	273	217	220
Short-term foreign debt	US\$ bn	27.6	22.8	25.0	27.0	26.0
Foreign debt amortization	US\$ bn	35.2	38.9	44.3	52.1	39.5
Foreign debt service	US\$ bn	52.8	54.2	60.0	67.4	54.3
Foreign debt service	% exports**	75	74	70	66	50
FINANCIAL MARKETS (year-end)						
Interbank interest rate, overnight	%	19.0	24.9	16.5	16.0	13.8
Bovespa stock index (real based, 2004: 07/07)		13577	11268	22236	21171	
IFCI stock index (US\$ based, 2004: 07/07)		288	214	439	391	
Bond market yield spread (2004: 07/07)***	bp	870	1439	463	630	

* incl. short term debt ** goods and services *** EMBI+

f=forecast

Public Finances: In the first five months of the year, the primary surplus amounted to 38.3 billion *reais* or 54% of the annual target. Thus the target of 4.25% of GDP agreed with the IMF does not appear to be in jeopardy in particular since there is every indication due to the robust economy that tax revenue growth is likely to remain strong (January – May: 5.5 %, year-on-year, in real terms).

Economic policy: Following protracted delays, it appears that the country's bankruptcy legislation is about to be finalized at last. Since the final amendments are likely to soon be passed in the house of deputies, Brazil will have a relatively modern bankruptcy act. One of the facts worthy of note is that the use of collateral security (from now on, secured loans will enjoy the same priority level as tax liabilities) is to be facilitated. Whether or not an improvement has actually been achieved can only be ascertained once the legislation is put into practice. In principle, the law marks a key step towards expanding the highly underdeveloped market for corporate loans.

Economic activity: Following the positive growth figures in the first quarter, economic indicators continue to reflect a substantial upward shift in recent months as well. In May, industrial production rose by 7.8% year-on-year and the upward trend in the moving twelve-monthly average continued unabated (see chart). Imports confirm this picture: for one thing, the economic upturn has caused imports to grow by more than 20% (in real terms); for another, capital goods and intermediate imports in particular reflect above-average growth rates. What is particularly decisive in our view is the fact that a turnaround in the labor market is finally emerging as well, which is being reflected in rising employment and declining unemployment figures. This will have a positive impact on the retail sector, which recorded a 9% year-on-year increase in sales in April (following roughly 8% in the first quarter).

Monetary policy: The interest-rate turnaround in the U.S. has affected Brazil and considerably reduced the scope for interest rate cuts. Inflationary expectations (we project a year-end inflation rate of 6.6%) have been rising steadily in recent weeks, and inflation has likewise accelerated lately. The incentive to cut interest rates in order to boost growth has receded substantially. As a result, we do not expect the central bank to take any further steps to reduce the level of interest rates this year.

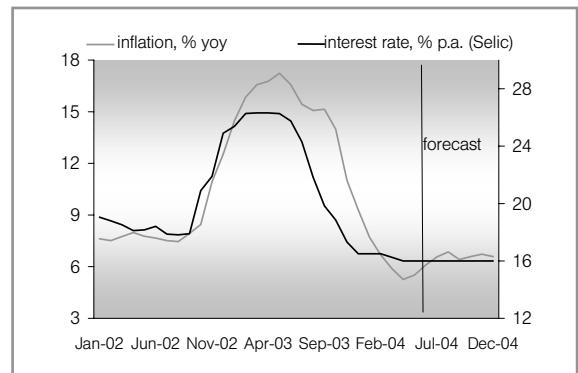
External sector: Net direct investments have virtually plummeted in recent months. In May, they only stood at US\$ 200 million, well below the monthly average of US\$ 900 million in the first quarter. Portfolio investments have also fallen sharply – an outflow of US\$ 3 billion was recorded in the first five months. This weakness is being cushioned by currency inflows in the current account, which saw a surplus of US\$ 2.4 billion during this period. For the year as a whole, we project a surplus of US\$ 6 billion (1% of GDP), which means that the *real* should not come under pressure.

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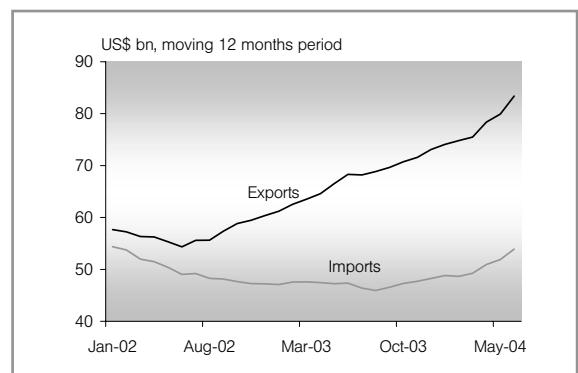
INDUSTRIAL PRODUCTION



INFLATION AND INTEREST RATES



EXTERNAL TRADE



MONTHLY AND QUARTERLY FIGURES

BRAZIL: MONTHLY INDICATORS		Mar-04	Apr-04	May-04	Jun-04	next/latest
DOMESTIC ECONOMY						
Public sector primary balance (ytd)	% of GDP	5.4	6.4	5.9		30-Jul
Public sector balance (ytd)	% of GDP	-2.9	-1.7	-2.1		30-Jul
Central government tax revenues	% yoy	15.6	2.9	5.3		14-Jul
Capacity utilization (CNI)	%	81.3	81.2	82.5		27-Jul
Industrial production (IBGE)	% yoy	12.4	6.7	7.8		6-Aug
Retail sales (IBGE)	% yoy	11.0	9.9			15-Jul
Unemployment rate (IBGE)	%	12.8	13.1	12.2		22-Jul
Consumer prices IPCA	% yoy	5.9	5.3	5.2		8-Jul
Consumer prices IPCA	% mom	0.5	0.4	0.5		8-Jul
Interbank interest rate (latest: 07/07)*	%	16.3	16.0	16.0	16.0	16.0
EXTERNAL SECTOR						
Merchandise exports	US\$ mn	7927	6590	7941	9327	2-Aug
Merchandise exports	% yoy	51.3	15.4	24.6	58.8	2-Aug
Merchandise imports	US\$ mn	5325	4632	4823	5517	2-Aug
Merchandise imports	% yoy	43.9	16.1	25.1	56.7	2-Aug
Trade balance	US\$ mn	2602	1958	3118	3810	2-Aug
Current account balance	US\$ mn	817	-735	1478		22-Jul
Net foreign direct investment	US\$ mn	703	381	207		22-Jul
Foreign exchange reserves (latest:07/07)*	US\$ bn	51.2	50.5	50.5	49.8	49.8
US\$ exchange rate (latest: 07/07)*	Reais	2.90	3.10	3.20	3.15	3.04
BRAZIL: QUARTERLY INDICATORS		Q2 03	Q3 03	Q4 03	Q1 04	next/latest
DOMESTIC ECONOMY						
GDP	% yoy	-1.1	-1.5	-0.1	2.7	31-Aug
GDP (s.a.)	% qoq	-0.9	0.5	1.4	1.6	31-Aug
Private consumption	% yoy	-6.0	-3.7	-0.6	1.0	31-Aug
Public consumption	% yoy	1.1	0.9	0.7	1.3	31-Aug
Private and public investment	% yoy	-10.5	-9.1	-5.0	2.0	31-Aug
Exports of goods and services	% yoy	29.9	3.7	10.1	19.5	31-Aug
Imports of goods and services	% yoy	-6.0	-5.5	10.0	11.2	31-Aug
Agriculture	% yoy	7.3	-2.8	4.8	6.4	31-Aug
Industry	% yoy	-3.5	-1.6	-1.7	2.9	31-Aug
Services	% yoy	-0.3	-0.8	0.3	1.2	31-Aug
Public debt (net)	% of GDP	56.6	57.8	58.2	57.4	22-Jul
EXTERNAL SECTOR						
Current account balance	US\$ bn	0.4	3.3	0.3	1.7	22-Jul
Net foreign direct investment	US\$ bn	1.5	3.0	3.7	2.7	22-Jul
Portfolio investment	US\$ bn	2.5	-0.3	1.7	2.4	22-Jul
Capital account **	US\$ bn	4.0	0.9	-5.0	0.0	22-Jul
Change in foreign exchange reserves	US\$ bn	4.4	4.2	-4.7	1.7	22-Jul
Gross foreign debt	US\$ bn	234	237	238	235	22-Sep
Short-term foreign debt	US\$ bn	21.2	18.9	20.2	20.2	22-Sep
* month-end	** incl. residual items					

CHILE

Chile's economy grew by 4.8% year-on-year in the first five months of the year, underpinned by both robust domestic and strong foreign demand. Even though recent labor market figures suggest a slight cooling of domestic demand over the next few months, we still project GDP growth of 4.8% for the year as a whole as a result of a pick-up in investment activity. Since the economic recovery has so far increased the pressure on prices only to a limited extent, the central bank should only tighten its monetary reins in the fourth quarter. Although the interest differential with respect to the U.S., which will decline until then, should tend to weaken the peso/dollar exchange rate slightly, we nevertheless project a slight appreciation of the peso due to the high dollar supply from foreign trade and declining net capital outflows.

ANNUAL FIGURES AND FORECASTS

CHILE		2001	2002	2003	2004f	2005f
DOMESTIC ECONOMY						
GDP change (real)	%	3.4	2.2	3.3	4.8	4.5
GDP	US\$ bn	68.3	67.3	72.2	86.3	92.5
Inflation (year-end)	%	2.6	2.8	1.1	2.5	3.1
Inflation (average)	%	3.6	2.5	2.8	1.0	3.0
PUBLIC SECTOR						
Budget balance, central government	% GDP	-0.3	-0.8	-0.8	0.7	1.0
Budget balance, public sector	% GDP	-0.5	-1.2	-0.4	1.2	1.5
Public debt	% GDP	15.2	15.7	13.3	13.7	12.7
Amortization	US\$ bn	0.8	0.9	0.8	0.8	1.2
Gross financing needs, central government	US\$ bn	1.0	1.4	1.4	0.2	0.3
EXTERNAL SECTOR						
Merchandise exports	US\$ bn	18.3	18.2	21.0	27.9	26.2
Merchandise imports	US\$ bn	16.4	15.9	18.0	21.0	22.4
Trade balance	US\$ bn	1.8	2.2	3.0	6.8	3.8
Current account balance	US\$ bn	-1.1	-0.9	-0.6	1.8	-1.6
Current account balance	% GDP	-1.6	-1.3	-0.8	2.1	-1.7
Net foreign direct investment	US\$ bn	3.0	1.6	1.6	1.5	1.0
Foreign exchange reserves, year-end	US\$ bn	14.4	15.4	15.9	16.6	17.0
Import cover **	months	6.8	7.5	6.9	6.1	5.9
US\$ exchange rate, year-end	Pesos	661	720	593	600	630
US\$ exchange rate, average	Pesos	635	689	691	617	620
FOREIGN DEBT						
Gross foreign debt	US\$ bn	38.5	41.0	43.4	44.5	46.0
Foreign debt	% exports**	161	176	164	131	141
Short-term foreign debt	US\$ bn	5.3	5.8	8.5	8.0	8.5
Foreign debt amortization	US\$ bn	4.1	4.7	3.9	5.5	4.8
Foreign debt service	US\$ bn	5.3	6.0	5.3	6.8	6.2
Foreign debt service	% exports**	22	26	20	20	19
FINANCIAL MARKETS (year-end)						
Base rate, 90 days (PDBC)	%	6.2	2.9	2.3	2.5	3.8
IPSA stock index (peso based, 2004: 07/07)		1183	1000	1405	1489	
IFCI stock index (US\$ based, 2004: 07/07)		479	406	654	694	
Bond market yield spread (2004: 07/07)*	bp	180	193	93	85	

* 6 7/8 % US\$-Bond (2009)

**goods and services

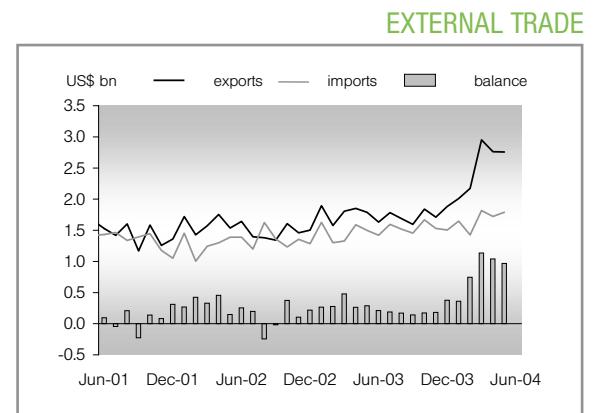
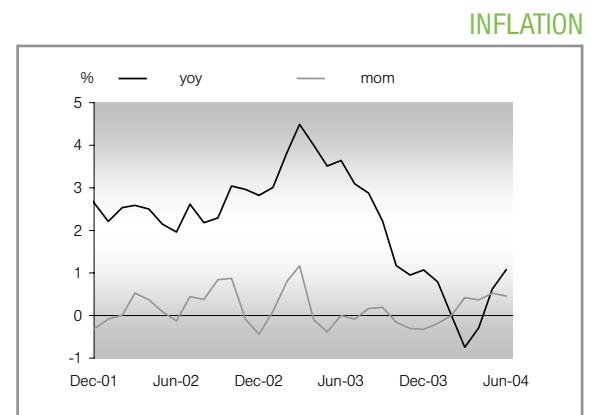
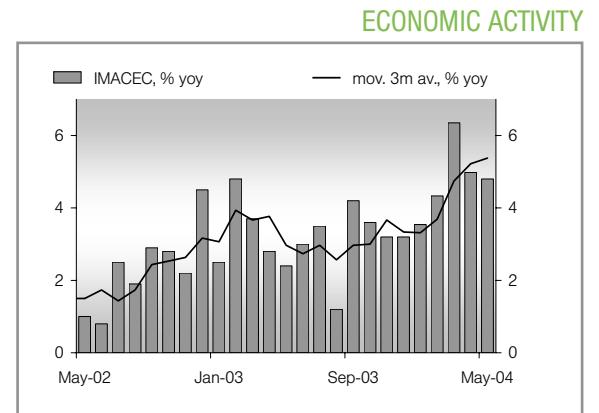
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Public finances: In the first four months of the year, the central government budget saw a surplus of CLP 800 billion (1.8% of GDP for the year as a whole). Due to a substantial increase in tax revenues (+13.2% year-on-year) amid a nominal decline in spending (-2.5%), the surplus is more than twice as high as in the year-ago period. In view of the favorable economic trend and controlled spending policy, the central government budget is likely to reach a surplus of 0.7% of GDP for the year as a whole.

Economic activity: In May, the IMACEC economic indicator climbed to 4.8% year-on-year (0.2% mom). The first five months of the year also saw a 4.8% year-on-year increase, with the upturn taking place across the board. Industrial production was up by 5.4% year-on-year, the mining industry grew by 3.7% and supermarket sales rose by 6%. The upturn is bound to lose some momentum in the next few months since growth in employment has slowed down substantially recently. Under the influence of continued favorable financing conditions and robust foreign demand (industrial goods exports January-May 2004: +19% year-on-year) investment activity should, however, pick up again, and we expect GDP to grow by a respectable 4.8% for the year as a whole.

Monetary sector: Despite the robust growth momentum, the pressure on prices currently remains within manageable limits and the rather high increase in consumer prices in June (0.4% month-on-month, 1.1% year-on-year) is chiefly attributable to higher fuel prices, as was the case in the months before. We expect consumer prices to rise moderately over the next few months and project a year-end inflation rate of 2.5%. Against this backdrop, the central bank should only raise its key lending rate early in the fourth quarter; the rate has been at 1.75% since the beginning of the year.

External sector: Due to the high prices of the country's export commodities, particularly copper (first semester: +63% year-on-year), the trade surplus almost tripled year-on-year in the first six months of 2004 (US\$ 4.9 billion). In spite of the high dollar supply thanks to foreign trade, the peso nevertheless depreciated by approx. 7% against the dollar in the first half of the year. In addition to the general strengthening of the US dollar in the course of the year and the copper price boom receding, this is attributable to the capital account deficit. This, in turn, is mainly due to the high outflow of portfolio investments from Chile (January-May: -US\$ 1.6 billion) and the net reduction of foreign loans (-US\$ 2.4 billion). We project a decrease in capital outflows and a slight appreciation of the peso over the next few months.



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MONTHLY AND QUARTERLY FIGURES

CHILE: MONTHLY INDICATORS		Mar-04	Apr-04	May-04	Jun-04	next/latest
DOMESTIC ECONOMY						
IMACEC	% yoy	6.3	5.0	4.8		8-Aug
Industrial production (INE)	% yoy	7.8	4.9	4.5		26-Jul
Mining production	% yoy	1.6	9.9	8.9		26-Jul
Retail sales	% yoy	0.8	7.0	3.0		22-Jul
Unemployment rate	%	8.1	8.7	9.4		26-Jul
Employment	mn	5.64	5.62	5.58		26-Jul
Labor cost index	% yoy	0.3	0.2	-0.1		4-Aug
Consumer prices	% yoy	-0.7	-0.3	0.6	0.4	4-Aug
Consumer prices	% mom	0.4	0.4	0.5	1.1	4-Aug
Wholesale prices	% yoy	-6.7	-0.8	4.2	5.2	4-Aug
Wholesale prices	% mom	2.2	2.2	3.3	1.8	4-Aug
Money supply M1	% yoy	13.5	12.7	17.0	20.9	9-Aug
Base rate, 90d PDBC (month-avrg., latest: 07/06)	%	1.57	1.5	1.3	1.5	1.56
Loan rate (average)	%	10.3	10.1	10.9	10.9	9-Aug
Deposit rate (average)	%	2.0	2.0	2.2	2.3	9-Aug
Lending to private sector	% yoy	5.0	5.3	0.9		23-Jul
Total financial savings (M7, seasonally adjusted)	% mom	1.9	-0.2	1.2	-0.2	9-Aug
EXTERNAL SECTOR						
Merchandise exports	US\$ mn	3004	2757	2756	2314	9-Aug
Merchandise exports	% yoy	66.3	48.9	54.2	41.7	9-Aug
Merchandise imports	US\$ mn	1877	1738	1789	1716	9-Aug
Merchandise imports	% yoy	41.4	8.4	19.4	20.7	9-Aug
Trade balance	US\$ mn	1127	1019	967	598	9-Aug
Net foreign direct investment	US\$ mn	434.2	197.0	260.3		9-Aug
Portfolio investment (net)	US\$ mn	-349.8	-670.5	-410.3		9-Aug
Copper price (monthly average, latest: 07/07)	US\$ c/lb	136.5	133.8	124.0	120.7	124.7
Foreign exchange reserves*	US\$ bn	16.0	16.0	16.1	15.9	9-Aug
US\$ exchange rate (latest: 07/07)	CLP	612.4	624.8	632.3	636.0	633.5
CHILE: QUARTERLY INDICATORS		Q2 03	Q3 03	Q4 03	Q1 04	next/latest
DOMESTIC ECONOMY						
GDP	% yoy	3.0	3.1	3.3	4.8	23-Aug
GDP seasonally adjusted	% qoq	0.4	1.0	0.9	1.6	23-Aug
Total consumption + change in stocks	% yoy	4.1	0.1	5.6	4.9	23-Aug
Private and public investment	% yoy	8.7	2.2	5.5	6.3	23-Aug
Domestic demand	% yoy	5.2	0.6	5.5	5.2	23-Aug
Exports (goods and services)	% yoy	2.2	13.9	6.3	10.1	23-Aug
Imports (goods and services)	% yoy	9.1	5.0	13.9	12.4	23-Aug
Budget balance, central government	Pesos bn	-269.0	-277.0	15.9	236.4	16-Aug
EXTERNAL SECTOR						
Current account balance	US\$ bn	-0.17	-0.38	-0.32	0.75	23-Aug
Net foreign direct investment	US\$ bn	0.73	0.33	0.24	1.50	23-Aug
Portfolio investment	US\$ bn	-1.38	-1.51	-1.24	-0.49	23-Aug
Capital account**	US\$ bn	-1.11	0.43	0.20	-0.66	23-Aug
Change in foreign exchange reserves	US\$ bn	-1.28	0.06	-0.11	-0.09	23-Aug
Gross foreign debt	US\$ bn	41.6	42.4	43.4	43.5	23-Aug
Short-term foreign debt	US\$ bn	6.39	6.60	7.59	7.33	23-Aug
* month-end	** incl. residual items					

COLOMBIA

Official negotiations between the government and the paramilitary organization AUC were launched at the beginning of July. Even though we consider the current schedule, which calls for a total demobilization of the group consisting of 20,000 men by the end of 2005 far too ambitious, we expect the negotiations to provide a positive stimulus for the long-term peace process. In view of increased expenditure that is urgently needed for domestic security, the IMF seemed to be willing to compromise on short-term budget targets. The Fund is convinced that the Uribe government will maintain fiscal balance in the medium term by means of structural reforms (a view we only share to a limited degree) and permitted it to exceed the upper limit for this year's previously agreed budget deficit.

ANNUAL FIGURES AND FORECASTS

COLOMBIA		2001	2002	2003	2004f	2005f
DOMESTIC ECONOMY						
GDP change (real)	%	1.4	1.6	3.7	4.0	3.7
GDP	US\$ bn	81.7	81.5	78.1	91.7	95.9
Inflation (year-end)	%	7.7	7.0	6.5	6.0	6.5
Inflation (average)	%	8.0	6.3	7.1	6.2	6.3
PUBLIC SECTOR						
Budget balance, central government	% GDP	-4.6	-6.1	-5.4	-4.8	-4.5
Budget balance, public sector	% GDP	-3.4	-3.6	-2.8	-2.8	-2.8
Public debt	% GDP	50	57	60	60	61
Amortization	US\$ bn	6.1	6.7	6.2	5.3	6.5
Gross financing needs	US\$ bn	8.9	9.6	8.4	7.9	9.2
EXTERNAL SECTOR						
Merchandise exports	US\$ bn	12.8	12.3	13.5	15.4	16.8
Merchandise imports	US\$ bn	12.3	12.1	13.3	14.4	16.2
Trade balance	US\$ bn	0.6	0.2	0.3	0.9	0.7
Current account balance	US\$ bn	-1.2	-1.5	-1.4	-1.2	-1.7
Current account balance	% GDP	-1.5	-1.8	-1.8	-1.3	-1.7
Net direct investment	US\$ bn	2.5	1.2	0.8	2.0	1.5
Foreign exchange reserves, year-end	US\$ bn	10.2	10.7	10.9	11.5	11.3
Import cover *	months	6.3	6.8	6.4	6.3	6.2
US\$ exchange rate, year-end	Pesos	2291	2867	2780	2800	2900
US\$ exchange rate, average	Pesos	2300	2507	2878	2680	2850
FOREIGN DEBT						
Gross foreign debt	US\$ bn	39.1	42.0	39.5	39.4	39.2
Foreign debt	% exports***	246	282	257	243	229
Short-term foreign debt	US\$ bn	3.3	3.8	4.3	4.7	5.1
Foreign debt amortization	US\$ bn	5.3	5.8	7.3	5.2	5.4
Foreign debt service	US\$ bn	7.8	8.6	10.0	7.9	8.1
Foreign debt service	% exports***	49	56	65	49	47
FINANCIAL MARKETS (year-end)						
Deposit rate (DTF, 90 days)	%	11.4	8.0	7.9	8.8	8.5
IBB stock index (peso based, 2004: 07/07)		1071*	1474	2334	2973	
IFCG stock index (US\$ based, 2004: 07/07)		561	615	783	1054	
Bond market yield spread (2004: 07/07)**	bp	516	736	431	476	

*goods and services

** EMBI+

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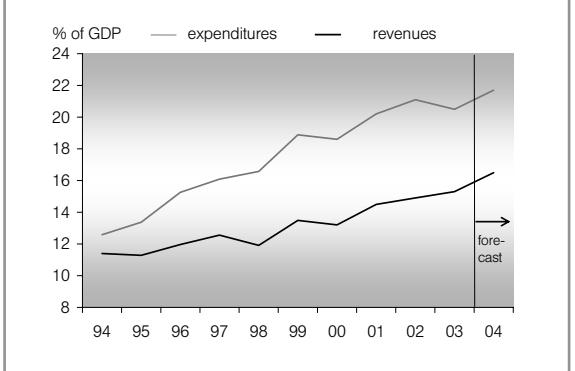
Domestic policy: When congress starts its second legislative term on July 20, the efforts to enable president Uribe to stand for the 2006 presidential elections by means of a constitutional amendment will have top priority. There is a substantial incentive for potential presidential candidates to prevent Uribe from running again for presidency – according to the latest opinion polls, 71% of the respondents would currently vote for Uribe. Therefore, the government would need to make major concessions in order to gain the required majority in the remaining votes (two each in the senate and the house of deputies). The outcome of the legislative process, scheduled to run until end-September, remains uncertain. Another domestic policy topic will be the negotiations with the largest paramilitary organization, the AUC, which were officially launched on July 6, and are likely to continue for several more weeks. AUC members are scheduled to address congress at the end of July.

Public finances: Congressional negotiations on increased flexibility of central government spending – transfers in particular are indexed and thus move independently of the revenue position – are at the main focus of this year's budget policy. The changes proposed by the government might have a positive impact on the performance of public finances, particularly if the economic situation should deteriorate. The government has conceded that a reduction of the deficit is highly unlikely to be achieved this year. The country's financing requirements (which exceed the budget by 0.3% of GDP) are to be covered by privatizations of banks and utility companies. In addition, the government has already begun to utilize the central bank's foreign currency reserves to buy back international bonds. A total of US\$ 500 million has been earmarked for this purpose.

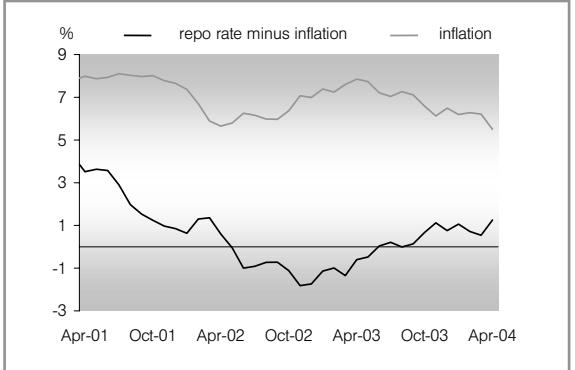
Economic activity: The revised GDP growth rate for the first quarter (from 3.8 to 4.1% year-on-year) confirms our forecast for the year as a whole (4%). Thus far, hardly any details have been made available on economic trends in the second quarter. Growing consumer confidence, increased industrial production and higher retail sales (each in April) as well as the ongoing low unemployment rate (May) suggest, however, that the upturn has continued unabated.

Monetary sector: The increase in consumer prices (June 0.6% month-on-month, 6.0% year-on-year) was in line with the central bank's projections and stood at the upper edge of the year-end target corridor (5-6%). We expect inflation rates to remain more or less constant for the remainder of the year. Thus far, the impact of the moderate hike of US key lending rates on the exchange rate has not been as strong as expected. In spite of further US dollar option sales by the central bank, the peso appreciated by approx. 3% against the dollar in June. This trend also confirms our current projection that the central bank will only increase its key lending rates after a further interest rate hike in the U.S. (probably in September).

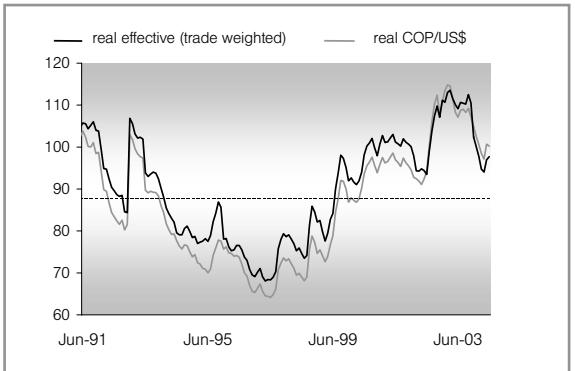
CENTRAL GOVERNMENT BUDGET



INFLATION AND REAL SHORT TERM RATE



EXCHANGE RATE



MONTHLY AND QUARTERLY FIGURES

COLOMBIA: MONTHLY INDICATORS		Mar-04	Apr-04	May 04	Jun-04	next/latest	
DOMESTIC ECONOMY							
Industrial production (not incl. coffee)	% yoy	7.1	3.8			2-Aug	
Retail sales (excl. fuel)	% yoy	5.0	2.4			2-Aug	
Unemployment rate (urban)	%	16.2	14.7	14.8		9-Aug	
Consumer prices	% yoy	6.2	5.5	5.4	6.1	5-Aug	
Consumer prices	% mom	1.0	0.5	0.4	0.6	5-Aug	
Producer prices	% yoy	4.6	4.1	5.3	5.9	9-Aug	
Producer prices	% mom	0.5	0.7	1.2	0.4	9-Aug	
Monetary base (month-end)	% yoy	20.6	11.7	17.2	13.3	12-Jul	
Money supply M1 (month-end)	% yoy	14.6	12.3	17.0	12.7	12-Jul	
Money supply M3 (month-end)	% yoy	12.6	12.3	11.3		12-Jul	
Lending rate (month-end)	%	15.1	16.1	15.3		12-Jul	
Deposit rate (DTF, 90 days, month-end)	%	6.92	7.75	7.89	7.81	12-Jul	
Treasury bills (local index, month-end, latest 07/07)***	%	107.5	104.7	102.8	102.6	102.4	
Treasury bills (TES 08/08, month-end, latest 07/07)***			11.1	12.2	13.0	13.1	13.2
Interbank interest rate (month-end)	%	6.92	6.92	6.92	6.87	12-Jul	
Credit volume (month-end)	% yoy	5.6	5.3	8.1		12-Jul	
EXTERNAL SECTOR							
Merchandise exports	US\$ mn	1118.0	1327.3			15-Jul	
Merchandise exports	% yoy	8.8	20.3			15-Jul	
Merchandise imports	US\$ mn	1225.6	1263.1			9-Aug	
Merchandise imports	% yoy	18.3	19.7			9-Aug	
Trade balance	US\$ mn	-107.6	64.2			9-Aug	
Foreign exchange reserves (month-end)	US\$ mn	11332	11434	11367	11590	12-Jul	
US\$ exchange rate (month-end, latest 07/07)	pesos	2678	2647	2725	2700	2674	
COLOMBIA: QUARTERLY INDICATORS		Q2 03	Q3 03	Q4 03	Q1 04	next/latest	
DOMESTIC ECONOMY							
GDP (latest Q1 04)	% yoy	2.2	4.1	4.5	4.1	1-Sep	
GDP, seasonally adjusted	% qoq	0.6	1.9	0.8	0.5	15-Sep	
Private consumption	% yoy	1.5	2.6	3.5	4.6	15-Sep	
Public consumption	% yoy	0.8	0.0	4.1	2.2	15-Sep	
Domestic consumption	% yoy	1.3	1.9	3.6	4.0	15-Sep	
Domestic investment	% yoy	5.2	16.0	13.7	9.0	15-Sep	
Domestic demand	% yoy	1.9	4.3	5.4	4.9	15-Sep	
Exports (goods and services)	% yoy	2.6	10.2	3.9	1.1	15-Sep	
Imports (goods and services)	% yoy	1.0	10.6	8.6	5.3	15-Sep	
EXTERNAL SECTOR							
Merchandise exports	US\$ bn	3.53	3.49	3.42	3.36	21-Sep	
Merchandise imports	US\$ bn	3.15	3.43	3.47	3.42	21-Sep	
Trade balance	US\$ bn	0.38	0.06	-0.05	-0.06	21-Sep	
Current account balance	US\$ bn	-0.02	-0.33	-0.48	-0.72	21-Sep	
Net foreign direct investment	US\$ bn	0.62	0.55	-0.51	0.52	21-Sep	
Portfolio investment*	US\$ bn	-0.35	0.01	0.27	0.83	21-Sep	
Capital account**	US\$ bn	-0.09	0.70	0.15	0.95	21-Sep	
Change in foreign exchange reserves	US\$ bn	-0.20	0.33	-0.04	-0.41	21-Sep	

*incl. foreign credit

**incl. residual items

***source: Corfinsura

MEXICO

Mexico's economy continues to pick up speed. Thanks to the strong growth in foreign demand, we expect economic growth to turn out even higher than originally expected in the second quarter. We have therefore raised our GDP forecast for 2004 from 3.2% to 3.5% and for 2005 from 2.6% to 3.0%. However, our projections that economic growth will lose momentum as early as the third quarter due to a weaker U.S. economy remain unchanged. We further project a sustained interest rate increase to roughly 7.5% (Cetes, 28 days) up to the end of the year as monetary policy of Mexico's central bank is becoming increasingly restrictive. The high oil prices are causing an abundant flow of public sector revenues, which means that the public-sector deficit will only amount to 0.3% of GDP this year, as planned. The stronger growth in industrial goods exports will give the peso an additional boost; we therefore expect only a slight depreciation to MXN/US\$ 11.75 (previously: MXN/US\$ 11.90).

ANNUAL FIGURES AND FORECASTS

MEXICO		2001	2002	2003	2004f	2005f
DOMESTIC ECONOMY						
GDP change (real)	%	-0.1	0.7	1.3	3.5	3.0
GDP	US\$ bn	622.7	647.8	626.0	642.3	651.7
Inflation (year-end)	%	4.4	5.7	4.0	4.2	3.5
Inflation (average)	%	6.4	5.0	4.5	4.3	3.9
PUBLIC SECTOR						
Budget balance, central government	% GDP	-1.0	-1.0	-0.8	-0.6	-0.6
Budget balance, public sector	% GDP	-0.7	-1.4	-0.6	-0.3	-0.3
Public debt	% GDP	26	28	28	28	28
Amortization (Cetes excl.)	Pesos bn	194	222	250	338	325
Gross financing needs (Cetes excl.)	Pesos bn	236	298	283	359	348
EXTERNAL SECTOR						
Merchandise exports	US\$ bn	158.4	160.8	164.9	180.9	188.9
Merchandise imports	US\$ bn	168.4	168.7	170.6	186.7	198.9
Trade balance	US\$ bn	-10.0	-7.9	-5.7	-5.9	-10.0
Current account balance	US\$ bn	-18.2	-14.1	-9.3	-8.5	-12.7
Current account balance	% GDP	-2.9	-2.2	-1.5	-1.3	-2.0
Net foreign direct investment	US\$ bn	25.3	13.6	10.7	15.0	12.0
Foreign exchange reserves, year-end	US\$ bn	44.7	50.6	59.0	65.0	63.5
Import cover **	months	2.6	3.0	3.5	3.5	3.2
US\$ exchange rate, year-end	Pesos	9.17	10.46	11.24	11.90	12.00
US\$ exchange rate, average	Pesos	9.34	9.66	10.79	11.47	11.93
FOREIGN DEBT						
Gross foreign debt	US\$ bn	159.2	161.0	163.5	161.0	162.0
Foreign debt	% exports**	90	91	90	81	78
Short-term foreign debt	US\$ bn	40.2	41.5	43.1	45.0	46.5
Foreign debt amortization	US\$ bn	17.7	13.0	20.8	21.7	12.5
Foreign debt service	US\$ bn	30.3	25.0	32.3	33.3	24.5
Foreign debt service	% exports**	17	14	18	17	12
FINANCIAL MARKETS (year-end)						
Interest rates (Cetes, 28 days)	%	7.4	7.6	6.0	7.5	8.2
IPC stock index (peso based, 2004: 07/07)		6372	6127	8795	10042	
IFCI stock index (US\$ based, 2004: 07/07)		761	637	830	929	
Bond market yield spread (2004: 07/07)*	bp	308	324	199	209	

* EMBI+ ** goods and services

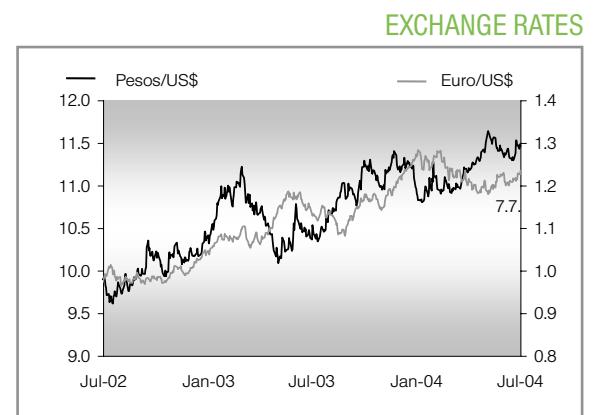
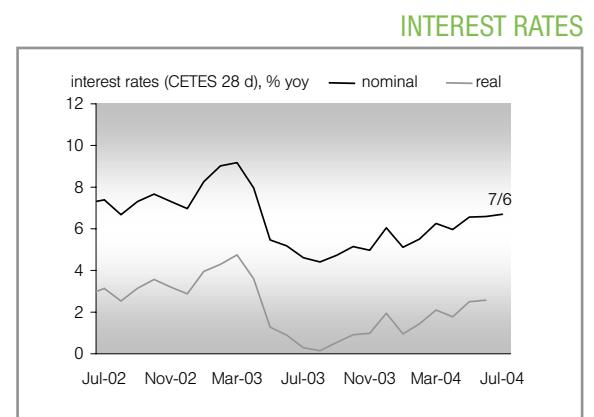
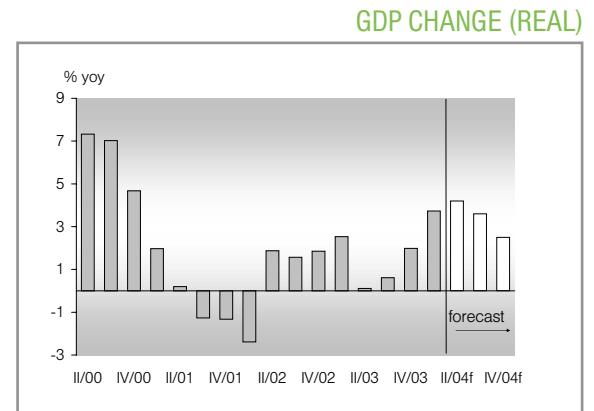
f=forecast

Public finances: The financial situation of the public-sector budgets remained comfortable in May as well. Since the oil price was higher than had been assumed in the budget bill, the budget surplus generated between January and May topped the forecast substantially at 81.8 billion pesos. Over the coming months, the good shape of the economy should also precipitate stronger growth in tax revenues. The government will utilize part of its non-scheduled revenues for additional infrastructure investments. The public budget deficit should therefore amount to 0.3% this year as planned.

Economic activity: Foreign demand performed considerably better than expected in the second quarter. Following a 10.4% year-on-year increase in the first quarter, real exports are again set to rise at a double-digit year-on-year rate. The strong growth in exports has also boosted demand for investments which, in turn, underpinned the labor market and thus private consumer demand. We have therefore increased our growth forecast for 2004 from 3.2% to 3.5% and for 2005 from 2.6% to 3.0% but still assume that the economy is likely to have already peaked in the second quarter.

Monetary sector: The interest hike cycle that has begun in the U.S. leaves no doubt that the Mexican central bank will likewise tighten its monetary reins further. At present, both the annual inflation rate (May: 4.3 %) and inflationary expectations for end 2004 (June: 4.1%) exceed the limit the central bank is willing to tolerate (inflation target: 3% +/- 1 percentage point). Short-term rates (Cetes, 28 days) already rose to 6.8% after still standing at 4.7% in January. We anticipate a further increase to 7.5% in the course of the year, which would hold the interest differential to the US dollar roughly constant.

Exchange rate: Underpinned by the sustained high oil prices and the surprisingly strong performance of industrial goods exports, the peso recovered slightly against the dollar from its low level in May. The structural change in the export sector with a shift to higher-end products (e.g. measurement technology, medical technology, high-quality products for the IT industry) seems to have been completed. We have increased our export forecast for the year 2004 from US\$ 176 billion to US\$ 181 billion. The current account deficit, at US\$ 8.5 billion, is likely to return to its lowest level since 1997 this year and will be substantially outperformed by direct investments (DBLA forecast: US\$ 15 billion). We have therefore lowered our exchange-rate forecast for end-2004 from 11.90 to 11.75 pesos/US\$.



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MONTHLY AND QUARTERLY FIGURES

MEXICO: MONTHLY INDICATORS		Mar-04	Apr-04	May-04	Jun-04	next/latest
DOMESTIC ECONOMY						
Economic activity index (IGAE)	% yoy	5.5	4.2			26-Jul
IGAE index (seasonally adjusted)	% mom	2.8	0.5			26-Jul
Industrial production	% yoy	6.5	4.0			12-Jul
Manufacturing, in-bond industry	% yoy	3.1	5.2			12-Jul
Manufacturing (excluding in-bond industry)	% yoy	7.3	3.6			12-Jul
Construction	% yoy	6.1	6.3			12-Jul
Gross fixed capital formation	% yoy	7.1	5.2			6-Aug
Consumer confidence (January 2003=100)	Index	96.4	96.5	99.9	99.6	3-Aug
Retail sales	% yoy	3.7	3.1			22-Jul
Wholesale sales	% yoy	11.5	6.0			22-Jul
Unemployment rate	%	3.9	3.6	3.5		21-Jul
Employees (social insurance)	% yoy	0.6	0.9			
Real wages per employee, manufacturing	% yoy	1.3	1.3	1.3		28-Jul
Budget balance, public sector	Pesos bn	13.2	27.7	6.8		4-Aug
Public domestic debt	Pesos bn	1034	1050	1072		4-Aug
Public external debt	US\$ bn	80.9	80.5	79.9		4-Aug
Consumer prices	% yoy	4.2	4.2	4.3		8-Jul
Consumer prices	% mom	0.3	0.2	-0.2		8-Jul
Treasury bills, Cetes 28d (latest: 07/06)	%	6.1	6.0	6.4	6.8	6.7
EXTERNAL SECTOR						
Merchandise exports	US\$ mn	16592	14944	16124		23-Jul
Merchandise exports	% yoy	20.5	10.2	21.2		23-Jul
Merchandise imports	US\$ mn	16769	15425	16068		23-Jul
Merchandise imports	% yoy	19.9	7.3	17.5		23-Jul
Trade balance	US\$ mn	-178	-480	57		23-Jul
Foreign exchange reserves (latest: 07/02)	US\$ bn	61.6	60.3	60.3	60.4	60.4
US\$ exchange rate (latest: 07/07)	Pesos	11.13	11.42	11.45	11.49	11.47
MEXICO: QUARTERLY INDICATORS		Q2 03	Q3 03	Q4 03	Q1 04	next/latest
DOMESTIC ECONOMY						
GDP	% yoy	0.1	0.6	2.0	3.7	17-Aug
Private consumption	% yoy	0.8	4.3	3.2	3.7	15-Sep
Public consumption	% yoy	3.1	2.6	2.8	-0.3	15-Sep
Private and public investment	% yoy	-7.6	-13.3	-6.9	4.5	15-Sep
Domestic demand	% yoy	-0.7	0.3	1.1	1.9	15-Sep
Exports (goods and services)	% yoy	-3.1	-0.7	4.6	10.4	15-Sep
Imports (goods and services)	% yoy	-5.2	-1.4	2.0	8.5	15-Sep
EXTERNAL SECTOR						
Current account balance	US\$ bn	-1.6	-2.2	-3.3	-1.9	26-Aug
Net foreign direct investment	US\$ bn	3.6	2.3	2.2	7.4	26-Aug
Net foreign portfolio investment (incl. bonds)	US\$ bn	-0.7	-1.8	3.2	2.4	26-Aug
Capital account **	US\$ bn	3.0	0.9	8.6	3.5	26-Aug
Change in foreign exchange reserves*	US\$ bn	1.4	-1.3	5.3	1.6	26-Aug

* balance of payments ** incl. residual items

VENEZUELA

The referendum against president Chávez fought for so strongly by the opposition is scheduled to be held on August 15. Whether or not he will actually be ousted still remains open, especially since the president is gaining popular support and his campaign has not reached its zenith yet by a long shot. He is drumming up support in the population using social development projects; however, these projects are being financed to an increasing extent by ancillary budgets. The president also certainly stands to benefit from the ongoing economic revitalization. The external sector situation remains positive; the country's foreign currency reserves are likely to increase until the end of the year. Venezuela is also continuing to restructure its debt. Taking advantage of high oil export revenues, the state-owned oil company PDVSA made an offer valid through July 26 for an early buy-back of bonds worth the equivalent of approx. US\$ 2.6 billion.

ANNUAL FIGURES AND FORECASTS

VENEZUELA		2001	2002	2003	2004f	2005f
DOMESTIC ECONOMY						
GDP change (real)	%	2.8	-8.9	-9.2	10.5	4.0
GDP	US\$ bn	126.1	95.2	82.0	95.1	93.6
Inflation (year-end)	%	12.3	31.2	27.1	23.5	25.5
Inflation (average)	%	12.5	22.4	31.1	23.0	25.1
PUBLIC SECTOR						
Budget balance, central government	% GDP	-4.2	-3.5	-4.5	-4.1	-4.9
Budget balance, public sector	% GDP	-4.5	-1.0	0.2	-3.5	-4.1
Public debt	% GDP	30	42	47	41	46
Amortization	US\$ bn	5.0	7.3	10.8	4.6	3.4
Gross financing needs	US\$ bn	10.6	8.2	10.7	7.9	7.2
EXTERNAL SECTOR						
Merchandise exports	US\$ bn	26.3	26.7	25.8	31.7	27.9
Merchandise imports	US\$ bn	18.7	13.6	10.7	15.2	16.7
Trade balance	US\$ bn	7.6	13.0	15.0	16.5	11.2
Current account balance	US\$ bn	2.1	7.6	9.5	10.5	4.4
Current account balance	% GDP	1.6	8.0	11.6	11.1	4.7
Net direct investment	US\$ bn	3.5	-0.3	1.4	1.4	1.5
Foreign exchange reserves, year-end **	US\$ bn	15.5	11.4	16.7	22.2	22.8
Import cover **) ***)	months	6.6	6.4	10.9	11.2	10.5
US\$ exchange rate, year-end	VEB	758	1387	1598	1918	2800
US\$ exchange rate, average	VEB	724	1160	1611	1884	2490
FOREIGN DEBT						
Gross foreign debt	US\$ bn	34.2	34.1	35.1	33.5	34.0
Foreign debt	% exports ***	113	116	125	100	112
Short-term foreign debt	US\$ bn	3.9	3.5	3.5	2.9	2.7
Foreign debt amortization	US\$ bn	2.5	2.9	1.7	2.8	3.0
Foreign debt service	US\$ bn	5.1	4.9	4.2	5.3	5.5
Foreign debt service	% exports ***	17	17	15	16	18
FINANCIAL MARKETS (year-end)						
Deposit rate, 90 days	%	19.5	26.1	14.2	14.0	18.0
ICB stock index (VEB based, 2004: 07/07.)		6570	8015	22204	24844	
IFCG stock index (US\$ based, 2004: 07/07.)		246	159	182	232	
Bond market yield spread (2004: 07/07.)*	bp	1130	1127	646	637	

* EMBI+ ** Central bank and FEM, Gold excl. *** goods and services

f=forecast

Domestic policy: The referendum is scheduled to take place on August 15. Voting President Chávez out of office would only succeed if at least 3.75 million people were to vote for the opposition (president Chávez was able to capture that many votes at the last election) and unless an even greater number of people were to cast their vote in favor of the president. The majority of the opinion polls predict the president's defeat although Chávez' approval ratings have improved slightly over the last few months – most probably due to numerous social programs. We believe that the outcome of the referendum is still anyone's guess. Should Chávez be ousted from office, fresh elections will need to be held within 30 days. Should he stay, the next elections will only take place at the end of 2006.

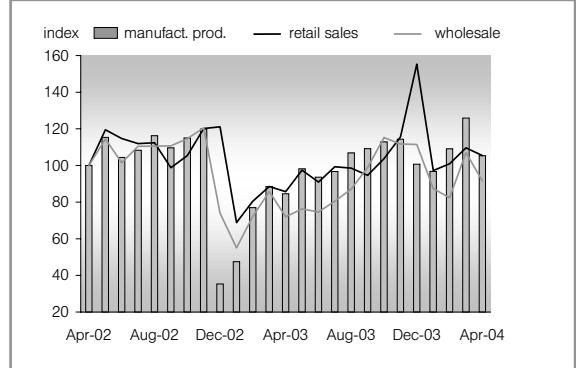
Fiscal policy: Although public revenues reflect strong growth due to higher oil prices and greater efficiency in tax collection (January-April 2004: +90% in real terms, year-on-year), the government is searching for additional sources to finance social projects. For instance, foreign exchange earned by the PDVSA will be used to set up a public-sector fund to a value of up to US\$ 2 billion to promote economic development although the company is already financing its own fund (US\$ 1.7 billion) for the promotion of social development projects. In addition, the banks' deposit insurance fund will transfer part of its earnings from asset investments to a special fund for the development of health, education and housing. The ancillary budgets are impairing the transparency and control of public finances.

Economic activity: The April figures for both the production of private manufacturing and retail and wholesale sales were down on the March readings. Since such a decline is by no means unusual for seasonal reasons, we still assume that the economic revitalization continued in the second quarter.

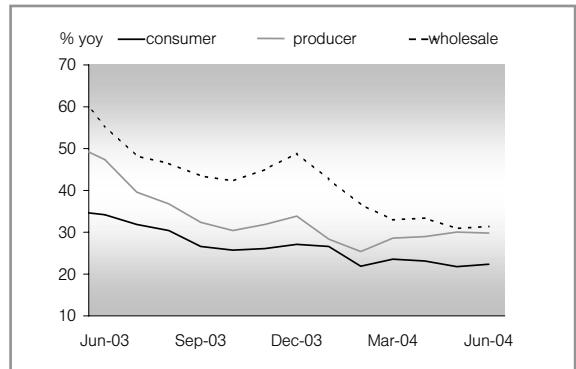
Monetary sector: In spite of the hitherto quite effective price controls, consumer prices, at 1.9% month-on-month, grew substantially in June (May: 1.2% mom). This is attributable to the unusually high increases in price-regulated goods and services. We project an inflation rate of 23.5 % for 2004.

External sector: While foreign currency reserves had grown steadily for a long time, this changed in mid-May when PDVSA started retaining foreign exchange earnings from crude oil exports and used them to set up the new public-sector development fund. As a result, foreign currency reserves declined by almost US\$ 1.5 billion, to US\$ 23.3 billion (incl. gold and the FEM oil stabilization fund) by the end of June. However, in light of the still rather high oil prices, we expect foreign currency reserves to rise to roughly US\$ 26 billion by year-end, in particular since a major part of foreign exchange from the new fund will flow back again to the central bank after utilization within the country.

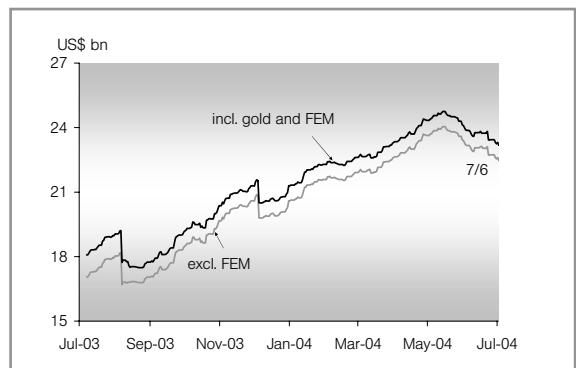
ECONOMIC INDICATORS



INFLATION



FOREX RESERVES



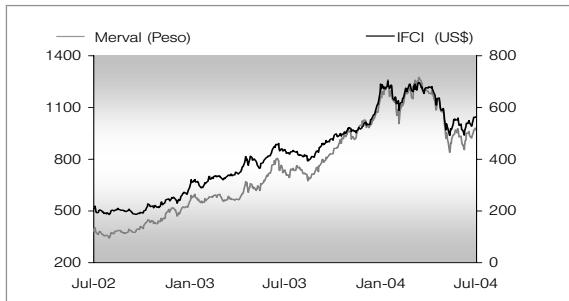
MONTHLY AND QUARTERLY FIGURES

VENEZUELA: MONTHLY INDICATORS		Mar-04	Apr-04	May-04	Jun-04	next/latest
DOMESTIC ECONOMY						
Industrial production (private sector)	% yoy	43.2	24.6			Jul 5-10
Car sales	% yoy	113	111	94	108	Aug 5-10
Retail sales	% yoy	23.6	23.0			Jul 5-10
Wholesale sales	% yoy	15.9	27.1			Jul 5-10
Crude oil production	1000 bpd	2530	2490	2491		17-Jul
Consumer prices	% yoy	23.5	23.1	21.9		1-Aug
Consumer prices	% mom	2.1	1.3	1.2		1-Aug
Producer prices	% yoy	28.6	28.9	30.0		1-Aug
Producer prices	% mom	5.7	1.8	2.7		1-Aug
Money supply M2 *	% yoy	37.4	34.2	34.1		20-Jul
Lending rate (monthly average, latest: 06/25)*	%	17.6	18.0	17.7		16.8
Deposit rate (monthly average, latest: 06/25)*	%	12.8	12.5	13.1		12.3
Interbank interest rate (month-av., until: 07/02)*	%	9.1	3.3	3.1	5.6	6.0
Credit volume *	% yoy	48.2	66.4	72.0		20-Jul
Deposits *	% yoy	73.3	47.5	42.0		20-Jul
EXTERNAL SECTOR						
Oil price (Venezuelan exports, latest: 07/02)	US\$/barrel	30.9	30.2	34.3	31.7	30.1
Oil price (Venezuelan exports, latest: 07/02)	% yoy	10.7	34.4	51.5	26.8	18.5
Foreign exchange reserves (CB, latest: 07/06)****	US\$ bn	17.8	19.1	18.9	18.0	18.1
Forex reserves (FEM**, latest: 07/06)*	US\$ bn	0.7	0.7	0.7	0.7	0.7
US\$ exchange rate (latest: 07/07)*	VEB	1918	1918	1918	1918	1918
VENEZUELA: QUARTERLY INDICATORS		Q2 03	Q3 03	Q4 03	Q1 04	next/latest
DOMESTIC ECONOMY						
GDP	% yoy	-9.6	-7.2	9.0	29.9	20-Aug
GDP, private sector	% yoy	-11.7	-6.9	5.4	23.4	20-Aug
GDP, public sector	% yoy	-5.5	-8.5	14.8	42.0	20-Aug
Oil sector	% yoy	-3.2	-9.1	25.0	72.5	20-Aug
Manufacturing industry	% yoy	-13.8	-9.9	15.7	48.0	20-Aug
Financial services and real estate	% yoy	-6.3	-4.0	2.5	10.0	20-Aug
Commerce	% yoy	-17.4	-10.0	12.2	27.9	20-Aug
Budget balance, public sector	VEB bn	-441	2445	-3149		
EXTERNAL SECTOR						
Merchandise exports	US\$ bn	6.58	7.17	7.68	8.24	20-Aug
Exports of oil and derivatives	US\$ bn	5.35	5.72	6.39	6.91	20-Aug
Merchandise imports	US\$ bn	2.10	2.81	3.58	3.34	20-Aug
Trade balance	US\$ bn	4.48	4.36	4.11	4.90	20-Aug
Current account balance balance	US\$ bn	3.22	2.91	2.71	3.46	20-Aug
Net foreign direct investment	US\$ bn	0.54	0.34	-0.05	-0.63	20-Aug
Portfolio investment	US\$ bn	-0.39	-0.86	0.15	0.33	20-Aug
Capital account***	US\$ bn	-0.56	-1.77	-1.05	-1.78	20-Aug
Change in foreign exchange reserves (Centr.B.)	US\$ bn	3.04	1.46	1.66	1.68	20-Aug
Change in foreign exchange reserves (FIEM)**	US\$ bn	-0.38	-0.33	0.00	0.00	20-Aug

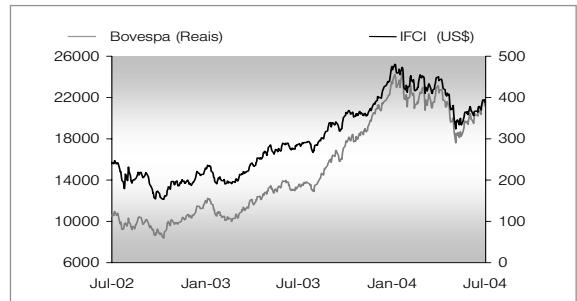
*month-end **macroeconomic stabilization fund *** incl. residual items **** Gold excluded (latest: US\$ 4.4bn)

FINANCIAL MARKETS: LATIN AMERICAN STOCK MARKET INDICES

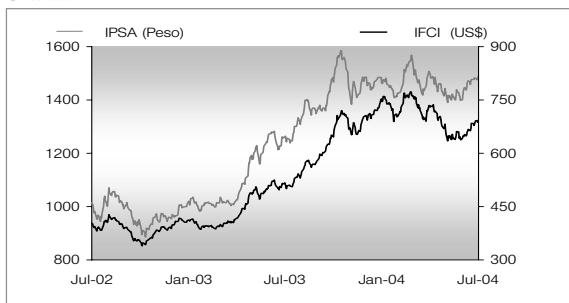
ARGENTINA



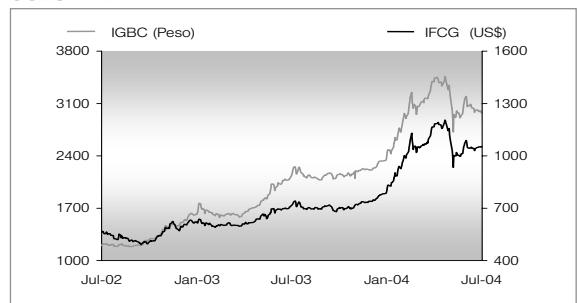
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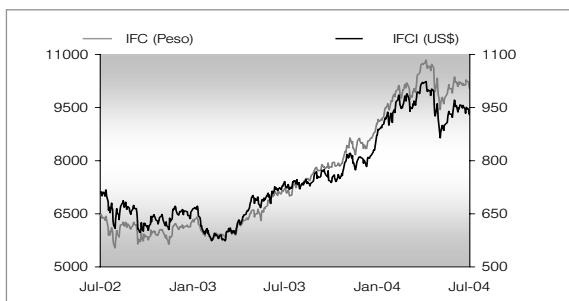
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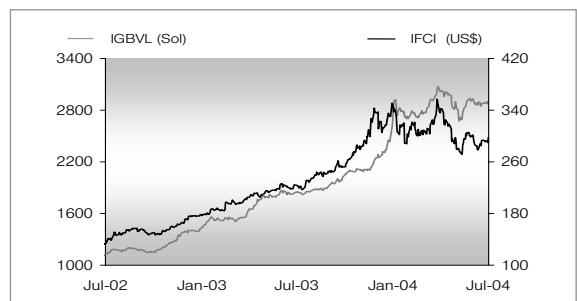
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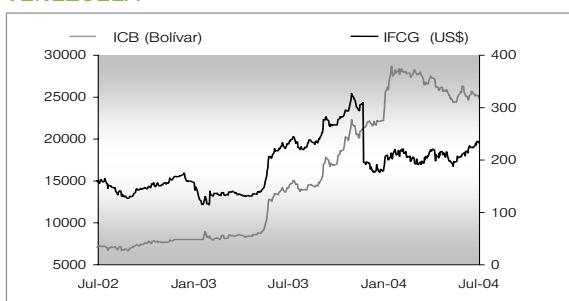
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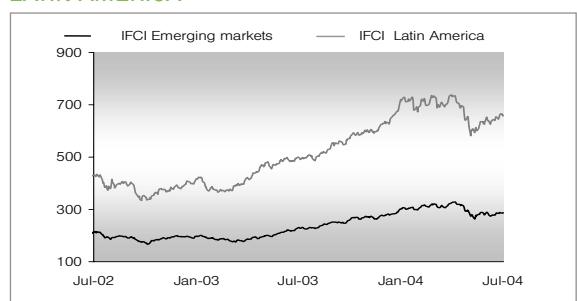
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VENEZUELA

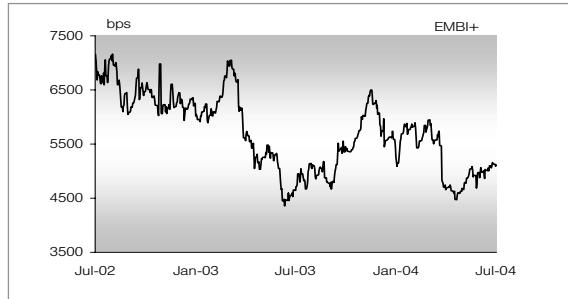


LATIN AMERICA

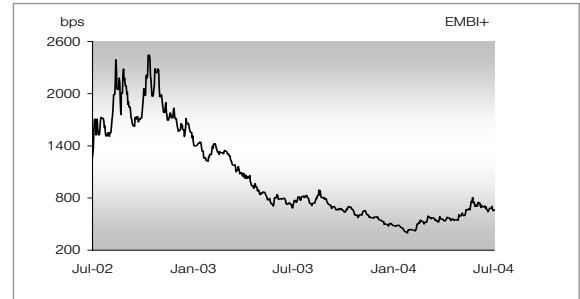


FINANCIAL MARKETS: LATIN AMERICAN BOND YIELD SPREADS

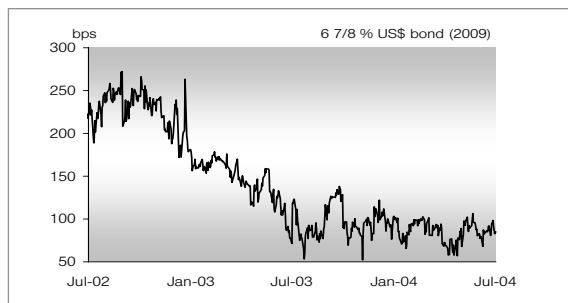
ARGENTINA



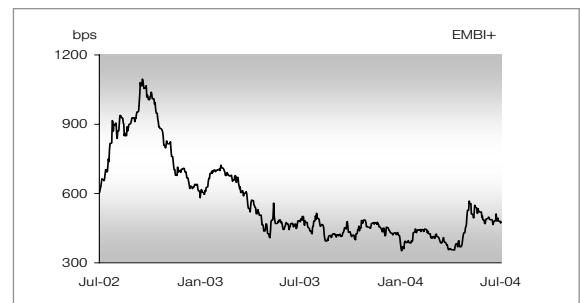
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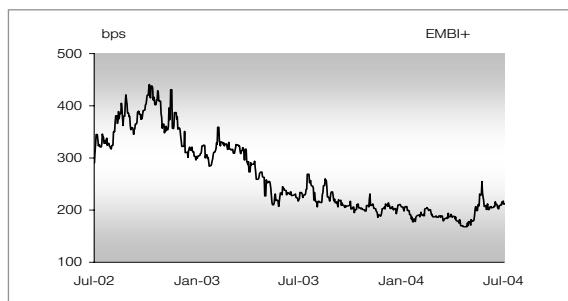
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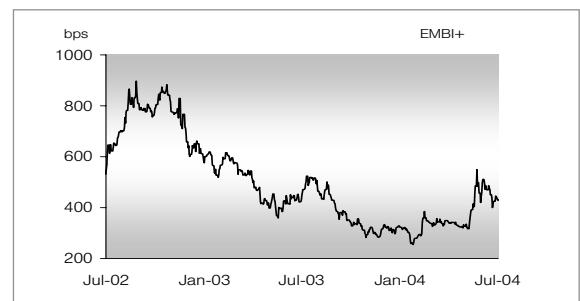
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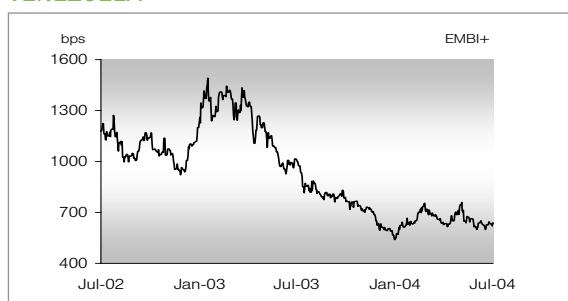
MEXICO



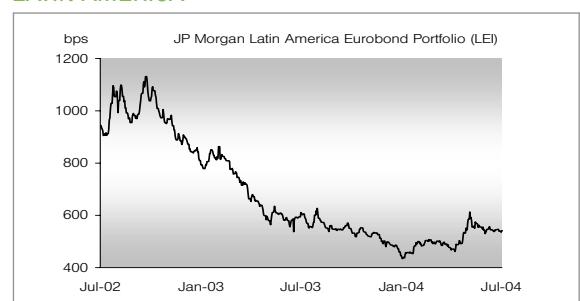
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LATIN AMERICA



GLOBAL ECONOMY - FIGURES AND FORECASTS

		2002	2003	7/7/2004	2004f	2005f
REAL GDP CHANGE *						
Industrialized countries	% yoy	1.5	2.1		3.2	2.6
USA	% yoy	2.4	3.1		4.0	3.3
Euro area	% yoy	0.8	0.4		1.6	2.1
Germany	% yoy	0.2	-0.1		1.4	1.6
Japan	% yoy	0.2	2.7		4.0	1.9
INTEREST RATES, YEARLY AVERAGE*						
USA, 3m money market rate	%	1.8	1.2	1.6	1.6	3.3
USA, 10yr government bond yield	%	4.5	3.9	4.5	4.5	5.6
Euro area, 3m money market rate	%	3.3	2.3	2.1	2.1	2.7
Euro area, 10yr gov. bond yield	%	4.8	4.1	4.2	4.4	5.0
Japan, 3m money market rate	%	0.1	0.1	0.1	0.1	0.1
Japan, 10yr government bond yield	%	1.2	1.0	1.8	1.6	2.0
EXCHANGE RATES, YEARLY AVERAGE *						
US\$/ Euro	US\$	0.95	1.13	1.24	1.23	1.25
Yen/ US\$	YEN	125	116	109	106	105
Yen/ Euro	YEN	118	131	134	131	131
COMMODITY PRICES, YEARLY AVERAGE						
Coffee (other milds)	c/lb, NY	60.3	64.1	73.6	75.0	75.0
Soybeans	c/bushel	505	627	947	850	800
Copper	c/lb, LME	72.0	81.0	122.0	120.0	105.0
Crude oil (WTI)	US\$/b	26.1	31.0	39.2	35.5	31.0
Crude oil (Brent)	US\$/b	25.1	28.8	36.5	32.5	29.0
Gold	US\$/ounce	310	364	403	395	390

* Source: Dresdner Bank AG

f=forecast

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CEO = Chief Executive Officer
CIO = Chief Investment Officer

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