Latin American Spotlight - Update

July 2005

Dresdner Bank Lateinamerika AG
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LATIN AMERICA: OPTIMISM DESPITE POLITICAL TURBULENCE

ANNUAL FIGURES AND FORECASTS

LATIN AMERICA (20 countries)		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	-0.2	1.6	5.6	3.9	3.7
GDP	US$ bn	1667	1723	1966	2319	2429
Inflation (year-end)	%	11.8	6.8	6.5	5.8	5.7
EXTERNAL SECTOR						
Merchandise exports	US$ bn	351	382	471	516	537
Merchandise imports	US$ bn	329	340	411	459	495
Trade balance	US$ bn	22.4	42.6	59.3	57.5	42.6
Current account balance	US$ bn	-13.8	7.8	20.0	15.5	-0.8
Current account balance	% GDP	-0.8	0.5	1.0	0.7	0.0
Net direct investment ***	US$ bn	44.2	32.0	54.3	42.8	47.3
Foreign exchange reserves, year-end	US$ bn	162	195	221	242	260
Import cover **	months	5.7	5.4	5.1	5.2	5.4
FOREIGN DEBT						
Gross foreign debt	US$ bn	770	805	808	770	782
Foreign debt	% exports**	224	184	154	138	134
Short-term foreign debt	US$ bn	117	135	159	159	154
Foreign debt amortization	US$ bn	97	125	128	85	81
Foreign debt service	US$ bn	141	167	172	131	129
Foreign debt service	% exports**	41	38	33	23	22
FINANCIAL MARKETS (year-end)						
IFCI stock index (US$ based, 2005: 07/14)		397	676	915	1028	
Bond market yield spread (2005: 07/14)*	bps	843	472	399	302	

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

In recent weeks, the reporting headlines on Latin America in the international press have been dominated by political turmoil. In Brazil, the government faces a number of corruption scandals that have meanwhile cost several of president Lula's close confidantes their jobs. Moreover, international investors were concerned by news that president Uribe of Colombia might not be able to stand for re-election after all; his candidacy had been considered a safe assumption before. In Venezuela, government interventions in the oil sector, the mainstay of the economy, are increasing, and Argentina's president Kirchner eventually reaffirmed by the means of vigorous statements about the IMF and the "holdouts" that he assigns greater importance to his domestic policy standing than to an economic policy geared to the country's prosperity.

International investors appear to be unfazed by these developments. Risk spreads on government bonds are low, the currencies of some countries (particularly Brazil and Mexico) have appreciated considerably in recent weeks, Peru, Colombia and Argentina are attracting international investor interest by issuing bonds denominated in domestic currency, and the national stock indices have been rising.

With regard to past crises in the emerging markets, in which political turmoil had been of major importance to the development of the crises in question (e.g. Ecuador in 1999, Argentina in 2001, Brazil in 2002), this trend raises the question as to whether underlying political conditions have lost their significance as determinants of macro-economic stability in the emerging markets.

It should be noted that investments in emerging market countries are currently benefiting from the favorable international interest conditions, the lower level of global risk aversion and an intensified search for higher-yield investments.

Yet the fundamental data of many countries have also improved substantially. Not least due to high commodity prices, such countries as Brazil, Argentina, Chile and Venezuela have recorded current account surpluses, responsible fiscal policy (with Venezuela being the main exception here) is contributing toward reducing the public debt burden, and with a GDP growth rate of nearly 4% in the current year, the region is benefiting from the favorable global economic conditions. Advances in the countries' institutional structures are also reinforcing their resistance to crises.

Latin America, as a region of emerging markets, remains susceptible to global economic turmoil, misguided national economic policy and a weariness of reforms among broad population strata. We believe, however, that many countries are on the right track.

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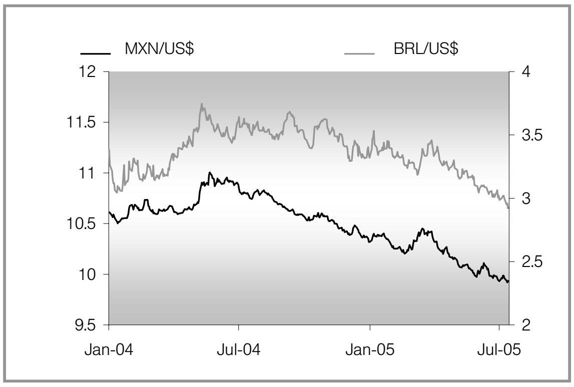
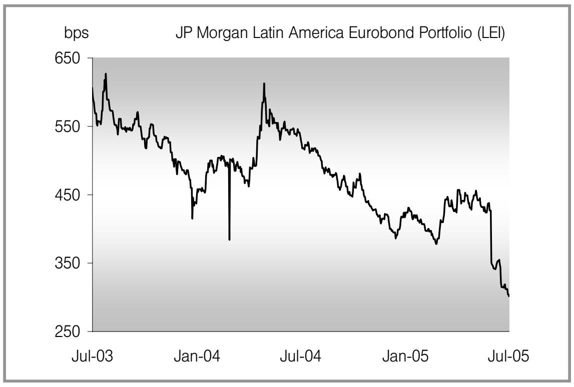
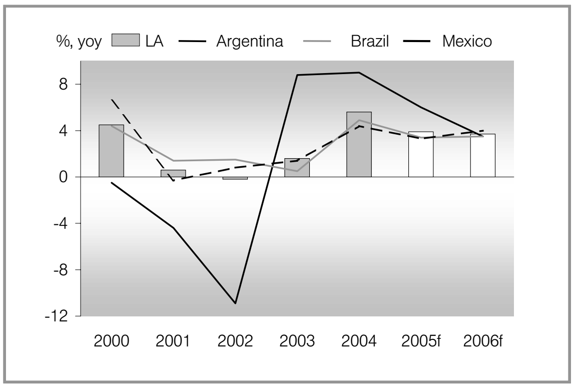
EXCHANGE RATES BRAZIL AND MEXICO



BOND YIELD SPREAD LATIN AMERICA



GDP CHANGE (REAL)



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	6.0	3.5	6.1	12.5	8.7	126	71	70
Bolivia	3.5	3.0	3.5	4.6	5.5	6.0	77	75	77
Brazil	4.9	3.4	3.5	7.6	5.7	5.0	52	50	49
Chile	6.1	5.4	5.0	2.4	3.6	3.3	12	10	10
Colombia	4.1	4.0	3.8	5.5	5.4	5.5	52	51	56
Costa Rica	4.2	3.0	3.0	13.1	12.8	9.8	60	62	62
Dominican Republic	2.0	2.8	3.0	28.7	5.8	9.4	52	49	46
Ecuador	7.0	3.5	3.0	1.9	2.7	1.5	48	47	46
El Salvador	1.5	1.9	2.4	5.8	4.5	3.7	36	35	36
Guatemala	2.7	3.0	3.0	9.2	6.5	6.0	25	25	24
Honduras	4.6	3.9	4.3	9.2	8.5	7.5	63	60	58
Jamaica	1.2	2.4	3.0	13.7	12.0	10.0	143	132	130
Mexico	4.4	3.3	4.0	5.2	3.7	3.8	27	26	26
Nicaragua	5.1	3.7	3.2	9.3	9.0	8.0	164	137	124
Panama	5.2	3.5	4.2	3.0	2.2	2.8	70	70	69
Paraguay	3.0	2.5	3.0	5.4	4.5	5.3	43	43	44
Peru	5.1	5.0	4.8	3.5	2.0	2.5	46	40	50
Trinidad & Tobago	6.0	7.0	7.0	4.5	4.8	4.0	28	24	22
Uruguay	12.3	6.5	4.0	7.4	6.5	6.0	89	80	75
Venezuela	17.9	6.0	2.5	19.2	18.0	23.7	39	38	34
Latin America (20 countries)	5.6	3.9	3.7	6.5	5.8	5.7			

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	0.6	-0.8	5.8	5.6	5.6	397	289	290
Bolivia	3.2	-1.0	-1.1	7.2	6.3	5.9	216	244	220
Brazil	1.9	1.7	1.1	6.2	6.4	7.2	203	171	164
Chile	1.5	1.6	0.7	5.6	5.1	5.1	128	111	110
Colombia	-1.3	-1.6	-2.1	6.8	7.3	6.8	205	200	192
Costa Rica	-4.9	-3.7	-3.3	2.3	2.3	2.2	70	66	67
Dominican Republic	7.0	3.9	2.8	1.0	0.9	0.9	83	84	88
Ecuador	1.1	2.2	1.5	1.3	0.9	0.9	196	182	176
El Salvador	-4.0	-2.8	-1.7	2.9	2.8	2.6	164	160	158
Guatemala	-4.1	-4.0	-3.7	4.7	4.0	3.7	141	137	140
Honduras	-5.2	-6.3	-4.5	5.0	5.1	5.2	201	168	162
Jamaica	-7.9	-10.0	-9.1	4.3	3.9	3.9	176	168	165
Mexico	-1.2	-1.7	-1.9	3.3	3.2	3.1	78	76	72
Nicaragua	-18.0	-19.1	-17.2	2.7	2.4	2.3	373	318	291
Panama	-3.1	-5.7	-4.6	1.4	1.5	1.4	96	95	94
Paraguay	0.5	-1.4	-2.5	3.8	3.8	4.3	99	101	88
Peru	-0.2	0.0	-0.9	9.3	9.2	8.7	195	177	176
Trinidad & Tobago	18.1	18.6	20.8	5.9	6.3	7.1	69	64	51
Uruguay	-0.3	-2.0	-3.1	7.3	7.3	7.5	284	277	264
Venezuela	12.7	12.3	7.0	9.0	9.9	10.1	111	123	132
Latin America (20 countries)	1.0	0.7	0.0	5.1	5.2	5.4	154	138	134

* goods and services

f=forecast

ARGENTINA

Several months after its controversial debt rescheduling, the country has already succeeded in placing two bond issues on the market in local currency, namely also with foreign investors. Initial talks on a new agreement with the IMF are to be taken up in the near future. In mid-June, the IMF had called for further reforms in the course of the Article IV consultations. We are concerned about the substantial rise in inflation. In view of the forthcoming parliamentary elections in October, the government is only likely to allow the central bank to adopt restrictive monetary policy measures to a certain degree. The inflation rate is expected to be twice as high in December at 12.5% (year-on-year) than at the end of 2004. Economic growth is currently weakening as expected but still remains at a high level (forecast for 2005: 6%).

ANNUAL FIGURES AND FORECASTS

ARGENTINA		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	-10.9	8.8	9.0	6.0	3.5
GDP	US$ bn	99.1	127.3	152.2	179.4	193.9
Inflation (year-end)	%	41.0	3.7	6.1	12.5	8.7
Inflation (average)	%	25.9	13.4	4.4	9.8	10.2
PUBLIC SECTOR						
Budget balance, central government	% GDP	-1.4	0.6	2.4	2.1	1.0
Budget balance, public sector	% GDP	-1.8	1.3	4.2	2.9	1.9
Public debt*	% GDP	139	140	126	71	70
Amortization*	US$ bn	17.9	19.8	19.8	14.2	11.8
Gross financing needs	US$ bn	19.2	19.1	16.1	10.5	9.8
EXTERNAL SECTOR						
Merchandise exports	US$ bn	25.7	29.6	34.6	38.4	40.1
Merchandise imports	US$ bn	8.5	13.0	21.2	27.8	31.2
Trade balance	US$ bn	17.2	16.5	13.3	10.5	8.9
Current account balance****	US$ bn	9.6	7.9	3.3	1.1	-1.6
Current account balance****	% GDP	9.7	6.2	2.2	0.6	-0.8
Net direct investment	US$ bn	1.7	-0.3	3.9	1.5	1.0
Foreign exchange reserves, year-end	US$ bn	10.5	14.1	19.6	21.5	23.0
Import cover **	months	5.6	5.8	5.8	5.6	5.6
US$ exchange rate, year-end	Pesos	3.37	2.93	2.97	2.93	3.04
US$ exchange rate, average	Pesos	3.15	2.95	2.94	2.90	3.00
FOREIGN DEBT *						
Gross foreign debt	US$ bn	156.9	165.0	171.0	135.0	140.0
Foreign debt	% exports**	492	450	397	289	290
Short-term foreign debt	US$ bn	23.8	39.7	60.0	58.9	55.0
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: 07/14)		525	922	1375	1466	
IFCI stock index (US$ based, 2005: 07/14)		265	502	763	971	
Bond market yield spread (2005: 07/14)***	bps	6229	6463	4707	419	

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

Public finances: According to economy minister Lavagna, Argentina is interested in signing a new agreement with the IMF. At the end of June, the IMF Board had commented on the conclusion of the latest Article IV consultations, calling for further reforms to be implemented. In negotiations with the IMF, the still unaddressed issue concerning the treatment of creditors who did not accept the swap offer is also likely to play a part. Since state president Kirchner has ruled out a new offer to the "holdouts" during his term of office and as parliamentary elections are scheduled for October of this year, negotiations concerning a new agreement could turn out to be quite protracted. At present, the government is finding favorable terms for new bond issues on the domestic capital market. In mid-July, the Argentinean government issued further tranches of the BODEN bond scheduled to run until 2014. With an issue volume totaling ARS 2 billion, total demand came to almost ARS 14 billion, with significant demand coming from abroad. Interest of foreign investors in Argentinean bonds in local currency is being additionally underpinned by the stable peso.

Economic activity: The Argentinean economy continues to expand sharply. After the GDP indicator (EMAE) in April had risen by 0.6% over the previous month (12-month rate: 9.8%), supermarket revenues in May were up by 11.7% year-on-year. In the forthcoming months, however, we anticipate that economic activity will weaken; rising interest rates are likely to dampen consumer demand. In the year 2005 as a whole, GDP should rise by 6% (9% in each of 2003 and 2004).

Monetary sector: Inflation has accelerated significantly since the beginning of 2005. The increase in consumer prices in June, at 0.9% month-on-month (9% year-on-year), considerably exceeded the expectations of market participants. In the course of this year, the inflation rate has amounted to 6.1%. The central bank's inflation target, which is within a bandwidth of 5-8%, hardly appears to be achievable in our view, especially since the increase in prices was not due to seasonal factors or regulated price hikes but was evident across the board. The core inflation rate (excluding foodstuffs, fuels and regulated prices) is up by 1.1% month-on-month, which translates into significant inflationary pressure. To combat inflation, the government is relying on food producers to accept the restrictions imposed on them, and hoping they will not raise their prices. We hardly consider this a promising approach to adopt.

External sector: The trade balance saw a substantial surplus in May (US$ 1.2 billion). This brings the cumulative surplus for the first five months of the current year to US$ 4.8 billion (January-May 2004: US$ 5.8 billion). For the year as a whole, we anticipate that weaker export growth and a substantial expansion in imports will lead to a trade surplus of US$ 10.8 billion (2004: US$ 13.2 billion).

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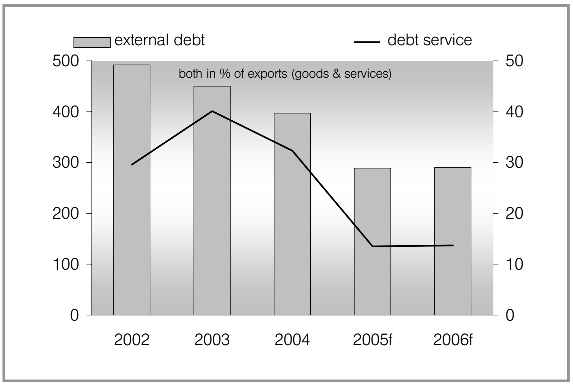
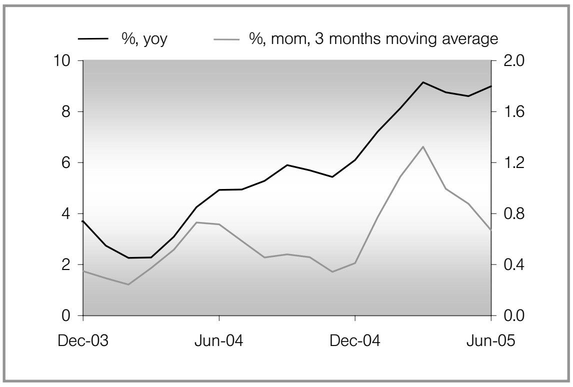
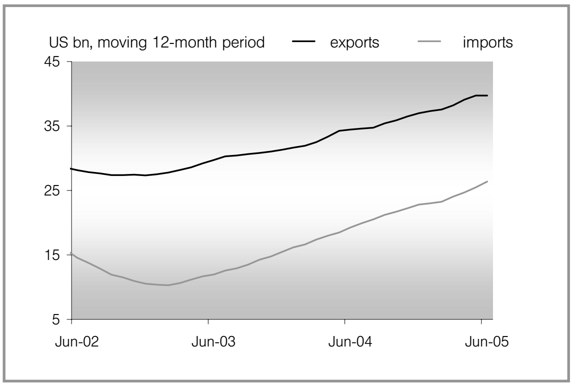
EXTERNAL DEBT AND DEBT SERVICE



INFLATION



EXTERNAL TRADE



MONTHLY AND QUARTERLY FIGURES

ARGENTINA: MONTHLY INDICATORS		Mar-05	Apr-05	May-05	Jun-05	next/latest
DOMESTIC ECONOMY						
Economic activity indicator, EMA	% yoy	7.2	**9.8**			20-Jul
Economic activity indicator, EMA (season. adjust.)	% mom	0.5	**0.6**			20-Jul
Industrial production	% yoy	5.9	10.3	**8.4**		18-Jul
Industrial production (seasonally adjusted)	% mom	2.0	0.3	**1.2**		18-Jul
Construction	% yoy	-2.2	16.4	**13.2**		27-Jul
Construction (seasonally adjusted)	% mom	-2.0	6.3	**2.3**		27-Jul
Consumer confidence (UTDT)	% mom	4.4	-10.5	-1.6	**-1.5**	14-Jul
Supermarket sales (real, seasonally adjusted)	% yoy	5.6	1.8	**8.3**		28-Jul
Supermarket sales (real, seasonally adjusted)	% mom	0.2	-2.1	**4.8**		28-Jul
Tax revenues	% yoy	26.7	30.9	-2.6		1-Aug
Budget balance	Pesos mn	891	1900			22-Jul
Primary balance	Pesos mn	1232	2240			22-Jul
Consumer prices	% yoy	9.1	8.8	8.6	**9.0**	3-Aug
Consumer prices	% mom	1.5	0.5	0.6	**0.9**	3-Aug
Overnight peso rate (month-end; latest: 07/14)	%	2.4	2.7	3.3	**5.4**	**5.3**
EXTERNAL SECTOR						
Merchandise exports	US$ mn	3030	3559	**3666**		28-Jul
Merchandise exports	% yoy	14	17	**8**		28-Jul
Merchandise imports, cif	US$ mn	2200	2379	**2478**		28-Jul
Merchandise imports	% yoy	30	44	**38**		28-Jul
Trade balance	US$ mn	830	1180	**1188**		28-Jul
Foreign exchange reserves (latest: 07/14)	US$ bn	20.3	20.9	22.1	23.0	**23.9**
US$ exchange rate (latest: 07/14)	Pesos	2.92	2.91	2.88	2.88	**2.86**

ARGENTINA: QUARTERLY INDICATORS		Q2 04	Q3 04	Q4 04	Q1 05	next /latest
DOMESTIC ECONOMY						
GDP (seasonally adjusted)	% qoq	0.5	1.5	1.0	**0.0**	16-Sep
GDP	% yoy	7.1	8.7	9.3	**8.0**	16-Sep
Private consumption	% yoy	8.3	8.9	9.4	**8.0**	16-Sep
Public consumption	% yoy	-0.8	4.1	6.5	**4.1**	16-Sep
Private and public investment	% yoy	36.8	33.6	23.6	**13.9**	16-Sep
Domestic demand	% yoy	11.0	11.3	10.1	**7.4**	16-Sep
Export (goods and services)	% yoy	-0.2	9.2	16.5	**18.8**	16-Sep
Import (goods and services)	% yoy	42.5	38.2	28.9	**16.2**	16-Sep
Unemployment rate (EPH)	%	14.8	13.8	12.1	13.0	16-Sep
Budget balance, central government	Pesos mn	6667	3371	-762	2530	16-Sep
Public debt***	US$ bn	181.2	182.5	184.0	120.9	16-Sep
EXTERNAL SECTOR						
Current account balance	US$ bn	1.8	0.6	0.5	**0.0**	21-Sep
Net foreign direct investment	US$ bn	1.1	0.8	0.5	**0.0**	21-Sep
Net portfolio investment	US$ bn	-1.1	-2.0	-2.0	**-1.5**	21-Sep
Capital account**	US$ bn	0.8	0.1	0.6	**0.7**	21-Sep
Change in foreign reserves #	US$ bn	-2.6	-0.7	-1.1	**-0.9**	21-Sep
Gross foreign debt*	US$ bn	165.4	167.2	171.0	**168.2**	21-Sep
Short-term foreign debt	US$ bn	n.a.	47.5	60.0		21-Sep

* revised data; ** incl. residual items ***without overdue interest and amortization payments # - = increase

BRAZIL

The political crisis is spreading. Following incidents of corruption in the postal service and other state-owned enterprises, fresh allegations of bribery were raised, this time against the ruling party PT. After this, José Dirceu, the state president's right-hand man, resigned along with other members of the party elite. By means of these dismissals and a cabinet reshuffle, the government is trying to reinforce the coalition again. The impacts on economic activity and the financial market have been slight so far since the country's current economic policy is not considered to be in danger as long as President Lula and finance minister Palocci are spared. Tight monetary policy has led to a slight economic slowdown but also to a significant reduction in the inflation rate; accordingly we anticipate interest cuts starting in September. The positive development of the external sector is continuing despite the persistent strength of the real.

ANNUAL FIGURES AND FORECASTS

BRAZIL		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	1.5	0.5	4.9	3.4	3.5
GDP	US$ bn	461	506	604	789	841
Inflation (year-end)	%	12.5	9.3	7.6	5.7	5.0
Inflation (average)	%	8.5	14.7	6.6	6.9	5.0
PUBLIC SECTOR						
Budget balance, central government	% GDP	-0.8	-4.0	-2.0	-2.1	-1.8
Budget balance, public sector	% GDP	-4.7	-5.2	-2.7	-3.0	-2.6
Public debt (net)	% GDP	57	56	52	50	49
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	68.4	145.2	85.6
EXTERNAL SECTOR						
Merchandise exports	US$ bn	60.4	73.1	96.5	110.6	115.5
Merchandise imports	US$ bn	47.2	48.3	62.7	73.7	81.0
Trade balance	US$ bn	13.2	24.8	33.7	36.9	34.5
Current account balance	US$ bn	-7.7	4.1	11.7	13.4	9.6
Current account balance	% GDP	-1.7	0.8	1.9	1.7	1.1
Net foreign direct investment	US$ bn	16.6	10.1	18.2	13.0	16.0
Foreign exchange reserves, year-end	US$ bn	37.8	49.0	52.9	62.0	75.1
Import cover **	months	5.4	6.9	6.2	6.4	7.2
US$ exchange rate, year-end	Reais	3.53	2.89	2.65	2.44	2.49
US$ exchange rate, average	Reais	2.90	3.08	2.92	2.47	2.52
FOREIGN DEBT						
Gross foreign debt	US$ bn	228	235	225	216	216
Foreign debt	% exports**	311	271	203	171	164
Short-term foreign debt	US$ bn	22.8	25.0	27.0	26.0	25.0
Foreign debt amortization	US$ bn	39.0	44.0	50.3	34.5	30.0
Foreign debt service	US$ bn	54.3	59.7	65.6	49.3	45.0
Foreign debt service	% exports**	74.2	68.7	59.1	39.2	34.2
FINANCIAL MARKETS (year-end)						
Interbank interest rate, overnight	%	24.9	16.3	17.8	18.5	16.0
Bovespa stock index (real based, 2005: 07/14)		11268	22236	26196	25919	
IFCI stock index (US$ based, 2005: 07/14)		214	439	587	657	
Bond market yield spread (2005: 07/14)***	bp	1439	463	383	398	

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

Domestic policy: The political crisis is spreading. The ruling party (PT) has been accused of making monthly payments in order to rig voting in the house of deputies. Meanwhile, after cabinet leader Dirceu, the party chairman (José Genoíno) and other top-level PT functionaries have resigned. For this reason, two committees of investigation have been set up, which is hampering parliamentary work considerably and blocking the forthcoming reforms. President Lula's re-election in 2006, which was considered a safe assumption until now, could be in jeopardy. Lula has reshuffled his cabinet; in the process, he awarded three ministries to the PMDB (the country's strongest party, which officially left the ruling coalition) in order to ensure a minimum of governability.

Fiscal policy: In the period from January to May this year, the public sector's primary surplus, at 6.6% of GDP, considerably exceeded the 4.25% mark targeted for the year as a whole, while the nominal deficit came to 1.9% of GDP. Public debt until end-May this year fell by 1.4 percentage points, to 50.3% of GDP. These relatively good figures are attributable in particular to the appreciation of the *real* and the ongoing favorable revenue situation. Tax revenues in the first five months of this year were up by 5.2% year-on-year in real terms.

Economic activity: The last production figures suggest a slight revitalization in economic activity. For instance, industrial production growth in May, seasonally adjusted, came to 1.3% month-on-month (April 2005: +0.1% month-on-month). Retail sales also rose in May, by 0.4% month-on-month (12-month period: +7.5%). We project an economic growth rate of 3.4% for the year as a whole.

Monetary policy: Tighter monetary policy and the appreciation of the *real* are dampening inflation. The IPCA consumer price indicator, at -0.02%, registered deflation in June, as did the IGP (-0.45%). For the IPCA, which (at an annual rate of 7.3% year-on-year) is substantially higher than the inflation target of 5.1%, we predict a decline as of July, predominantly due to the basis for comparison. We have lowered our end-of-year forecast from 6.9% to 5.7%. Inflationary expectations are likewise in decline, suggesting that the central bank may initiate a gradual series of interest rate cuts as early as of September.

External sector: In June, the trade balance saw a monthly all-time high of US$ 4 billion, raising the 12-month surplus to US$ 38.3 billion in the process. Exports reached new highs of US$ 10.2 billion in the month of June or US$ 106.8 billion for the twelve-month period ending in June. Owing to the strength of the *real* (+32% against the US$ since June 2004), for the next several months we expect slightly more moderate export figures and a surplus of US$ 37 billion for 2005 as a whole.

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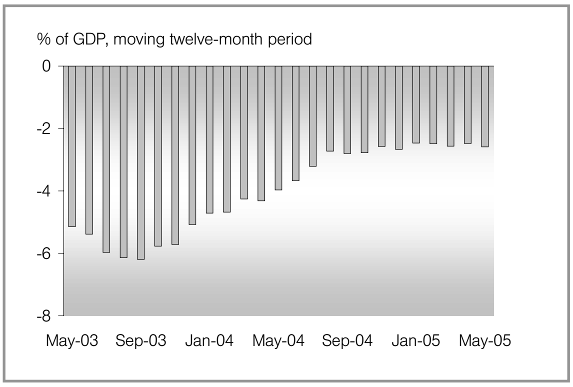
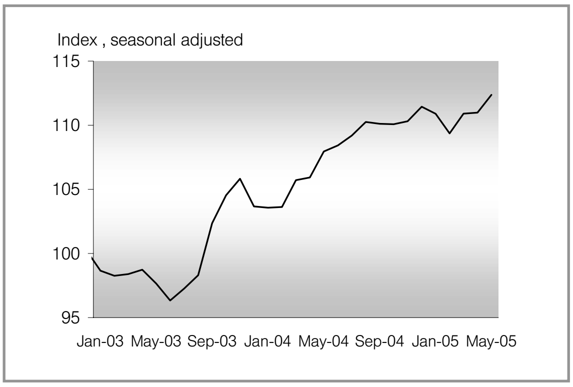
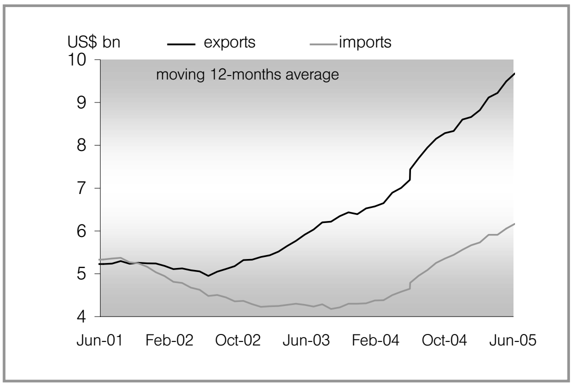
PUBLIC SECTOR BUDGET BALANCE



INDUSTRIAL PRODUCTION



FOREIGN TRADE



MONTHLY AND QUARTERLY FIGURES

BRAZIL: MONTHLY INDICATORS		Mar-05	Apr-05	May-05	Jun-05	next/latest
DOMESTIC ECONOMY						
Public sector primary balance (ytd)	% of GDP	6.2	7.3	**6.6**		29-Jul
Public sector balance (ytd)	% of GDP	-2.3	-1.2	**-1.9**		29-Jul
Central government tax revenues	% yoy	6.4	8.4	**2.0**		28-Jul
Capacity utilization (CNI)	%	82.3	82.1	**81.8**		6-Aug
Industrial production (IBGE)	% yoy	1.7	6.3	**5.5**		5-Aug
Retail sales (IBGE)	% yoy	7.7	3.4	**2.7**		16-Aug
Unemployment rate (IBGE)	%	10.8	10.8	**10.2**		21-Jul
Consumer prices IPCA	% yoy	7.5	8.1	8.1	**7.3**	9-Aug
Consumer prices IPCA	% mom	0.61	0.87	0.49	**0.0**	9-Aug
Interbank interest rate (latest: 07/14)*	%	19.25	19.50	19.75	**19.75**	**19.75**
EXTERNAL SECTOR						
Merchandise exports	US$ mn	9251	9202	9819	**10207.0**	1-Aug
Merchandise exports	% yoy	16.7	39.6	23.6	**9.4**	1-Aug
Merchandise imports	US$ mn	5902	5326	6367	**6176.0**	1-Aug
Merchandise imports	% yoy	10.7	15.1	32.0	**11.9**	1-Aug
Trade balance	US$ mn	3349	3876	3452	**4031**	1-Aug
Current account balance	US$ mn	1758	757	**615**		25-Jul
Net foreign direct investment	US$ mn	1402	3038	**711**		25-Jul
Foreign exchange reserves (latest: 07/13)*	US$ bn	62.0	61.7	60.7	**59.9**	**59.6**
US$ exchange rate (latest: 07/14)*	Reais	2.67	2.53	2.40	**2.35**	**2.34**

BRAZIL: QUARTERLY INDICATORS		Q2 04	Q3 04	Q4 04	Q1 05	next/latest
DOMESTIC ECONOMY						
GDP	% yoy	5.7	6.1	4.9	**2.9**	31-Aug
GDP (s.a.)	% qoq	1.4	1.1	0.4	**0.3**	31-Aug
Private consumption	% yoy	4.5	5.8	5.4	**3.1**	31-Aug
Public consumption	% yoy	0.8	0.3	0.8	**0.7**	31-Aug
Private and public investment	% yoy	13.4	19.2	9.3	**2.3**	31-Aug
Exports of goods and services	% yoy	17.6	18.2	16.2	**13.6**	31-Aug
Imports of goods and services	% yoy	14.2	17.7	12.8	**12.2**	31-Aug
Agriculture	% yoy	6.0	5.9	2.9	**4.2**	31-Aug
Industry	% yoy	6.3	7.0	6.0	**3.1**	31-Aug
Services	% yoy	3.2	4.4	3.8	**2.0**	31-Aug
Public debt (net)	% of GDP	56.0	53.7	52.0	**50.8**	29-Jul
EXTERNAL SECTOR						
Current account balance	US$ bn	2.8	5.3	2.0	**2.7**	25-Jul
Net foreign direct investment	US$ bn	1.3	8.3	5.8	**3.5**	25-Jul
Portfolio investment	US$ bn	-6.1	-0.5	-0.5	**5.8**	25-Jul
Capital account **	US$ bn	-4.1	-6.1	-0.3	**7.7**	25-Jul
Change in foreign exchange reserves #	US$ bn	1.3	0.8	-1.7	**-10.4**	25-Jul
Gross foreign debt	US$ bn	224	220	220	**221.6**	21-Sep
Short-term foreign debt	US$ bn	21.2	18.6	18.7	**20.5**	21-Sep

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

CHILE

Once again, Chile has proven exemplary in dealing with public finances: instead of spending its windfall profits generated by high copper prices and solid economic growth with both hands, the government is consistently following its objective of anti-cyclical fiscal policy. As a result the budget surplus is expected to reach approx. 4% of GDP this year, an outcome not achieved in the last 25 years. This responsible action on the part of the government is also enabling the central bank to continue tightening its monetary policy reins only gradually in spite of high oil prices and the inflationary pressure being generated by solid domestic demand. This will provide the necessary support for a consolidation of economic activity at a high level. Underpinned by a dynamic labor market - unemployment in May, at 8.3%, was almost a full percentage point lower year-on-year - GDP is likely to grow by 5.4% in the current year.

ANNUAL FIGURES AND FORECASTS

CHILE		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	2.2	3.7	6.1	5.4	5.0
GDP	US$ bn	67.2	73.5	94.1	106.9	107.7
Inflation (year-end)	%	2.8	1.1	2.4	3.6	3.3
Inflation (average)	%	2.5	2.8	1.1	2.8	3.7
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	2.1	4.5	2.5
Public debt	% GDP	16	13	12	10	10
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	-3.6	-1.5
EXTERNAL SECTOR						
Merchandise exports	US$ bn	18.2	21.0	31.9	36.9	37.4
Merchandise imports	US$ bn	15.8	18.0	23.0	27.9	28.8
Trade balance	US$ bn	2.4	3.0	9.0	9.0	8.6
Current account balance	US$ bn	-0.7	-1.1	1.4	1.7	0.7
Current account balance	% GDP	-1.1	-1.5	1.5	1.6	0.7
Net foreign direct investment	US$ bn	2.2	2.5	6.7	4.4	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	5.6	5.1	5.1
US$ exchange rate, year-end	Pesos	720	593	556	580	640
US$ exchange rate, average	Pesos	689	691	609	583	630
FOREIGN DEBT						
Gross foreign debt	US$ bn	40.7	43.4	43.8	44.0	44.5
Foreign debt	% exports**	179	166	128	111	110
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	21	19	15
FINANCIAL MARKETS (year-end)						
Base rate, 90 days (PDBC)	%	2.9	2.3	2.3	4.3	5.0
IPSA stock index (peso based, 2005: 07/14)		1000	1405	1797	2095	
IFCI stock index (US$ based, 2005: 07/14)		406	654	861	914	
Bond market yield spread (2005: 07/14)*	bp	176	90	64	59	

* EMBIG **goods and services f=forecast

Public finances: The central government budget trend remains highly positive, with the cumulative surplus in the first five months reaching 3% of GDP, almost three times as high as in the same period in the preceding year. Both tax revenues and income associated with copper production saw substantial growth (+22% and 105%, respectively). We expect this trend to continue, resulting in a surplus for the year as a whole amounting to 4% of GDP. The country's stable situation is also reflected in the very low risk spread being seen for Chilean bonds (see chart).

Economic activity: The IMACEC GDP proxy recorded year-on-year growth of 6.4% in May. A moving three-month average (see chart) shows that while the pace of growth has declined slightly compared with the second semester of 2004, it still remains at a high level. With reference to specific sectors, it is evident that industrial output rose by approx. 8% on average in April and May, while production in the mining sector in the same period was in decline year-on-year. Domestic demand is being underpinned by an ongoing robust labor market. The unemployment rate in May was 0.9 percentage points below the previous May's level, and the number of persons employed in May was 4.3% higher than in May 2004. Against this backdrop, we anticipate an overall 2005 GDP growth rate of 5.4% year-on-year.

Monetary sector: Inflation picked up slightly in June (+0.4 % month-on-month). While the annual rate, at 2.7%, remains in the middle of the central bank's target corridor (2-4%), in its mid-July session the central bank raised the key lending rate by 25 basis points, to 3.5 %. This is based on the assumption that the dynamic economic performance will make a further monetary policy stimulus unnecessary. Moreover, the significant increase in the core inflation rate since the beginning of the year – in the past several months by 0.4% per month - indicates that inflationary pressure is being fueled by dynamic domestic demand. We expect the central bank to continue its policy of gradually tightening its monetary reins, with the key lending rate likely to reach 4.25 % at the end of this year. This will limit potential inflationary risks that might result from a persistently high oil price.

External sector: Despite the meanwhile high statistical basis of comparison, export growth, at 24.3% year-on-year in the first semester, remains robust. While cyclical trends have also led to a sharp rise in imports, the trade surplus amounted to roughly US$ 5 billion. This positive trend is also bolstering the peso, whose external value in relation to the US dollar has remained more or less unchanged despite the substantial recovery of the greenback between mid-March and mid-July. In the forthcoming months, we anticipate a largely stable peso and an end-of-year exchange rate of 580 CLP/US$.

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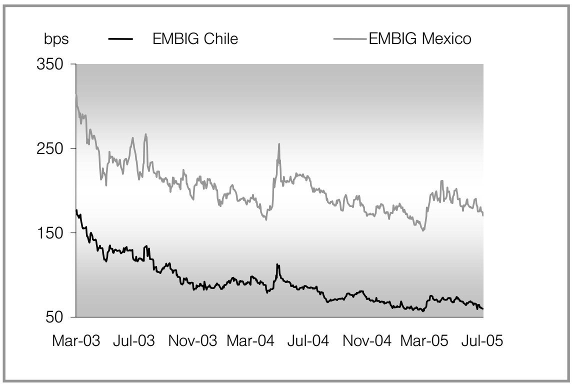
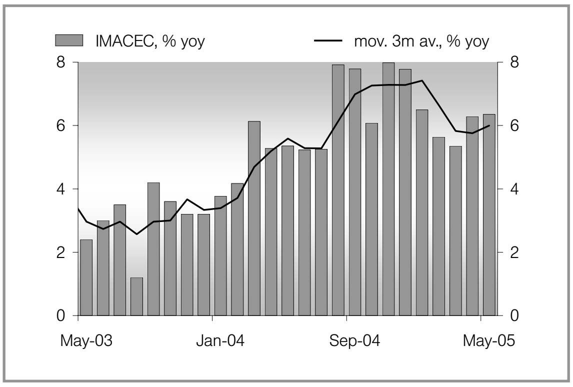
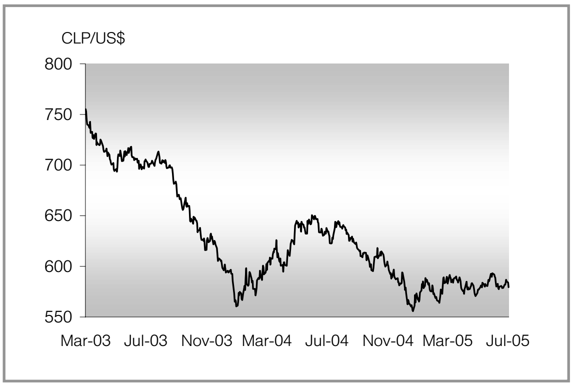
YIELD SPREADS CHILE AND MEXICO



ECONOMIC ACTIVITY



INFLATION



MONTHLY AND QUARTERLY FIGURES

CHILE: MONTHLY INDICATORS		Mar-05	Apr-05	May-05	Jun-05	next/latest
DOMESTIC ECONOMY						
IMACEC	% yoy	5.4	6.3	**6.4**		5-Aug
Industrial production (INE)	% yoy	2.3	10.1	**6.8**		28-Jul
Mining production	% yoy	2.8	-5.4	**1.0**		28-Jul
Retail sales	% yoy	5.6	**7.2**			21-Jul
Unemployment rate	%	7.9	8.2	**8.3**		28-Jul
Employment	mn	5.83	5.83	**5.82**		28-Jul
Labor cost index	% yoy	4.4	4.6	**5.0**		5-Aug
Consumer prices	% yoy	2.4	2.9	**2.7**	**2.7**	5-Aug
Consumer prices	% mom	0.6	0.9	**0.3**	**0.4**	5-Aug
Wholesale prices	% yoy	8.5	8.0	**4.5**	**4.1**	5-Aug
Wholesale prices	% mom	2.0	1.7	**-0.1**	**1.4**	5-Aug
Money supply M1	% yoy	12.1	17.2	**14.2**	**10.5**	8-Aug
Base rate, 90d PDBC (month-avrg. and 07/14)	%	2.8	2.9	**3.2**	**2.9**	**3.0**
Loan rate (average)	%	16.0	16.9	**16.1**		25-Jul
Deposit rate (average)	%	4.4	4.9	**5.2**		25-Jul
Lending to private sector	% yoy	15.4	15.3	**8.6**		25-Jul
Total financial savings (M7, seasonally adjusted)	% mom	0.4	0.6	**2.4**	**-0.4**	8-Aug
EXTERNAL SECTOR						
Merchandise exports	US$ mn	3651	3440	3065	**3355**	8-Aug
Merchandise exports	% yoy	21.0	24.7	6.9	**45.7**	8-Aug
Merchandise imports	US$ mn	2598	2373	2522	**2379**	8-Aug
Merchandise imports	% yoy	38.9	35.8	36.4	**38.0**	8-Aug
Trade balance	US$ mn	1053	1067	543	**976**	8-Aug
Net foreign direct investment	US$ mn	-387.7	811.3	**401.7**		8-Aug
Portfolio investment (net)	US$ mn	252.1	-275.1	**-130.3**		8-Aug
Copper price (monthly average, latest: 07/14)	US$ c/lb	153.3	154.0	147.4	**159.9**	**151.9**
Foreign exchange reserves*	US$ bn	15.4	17.0	17.4	**16.6**	8-Aug
US$ exchange rate (latest: 07/14)	CLP	586.5	582.4	583.5	**579.2**	**580.0**

CHILE: QUARTERLY INDICATORS		Q2 04	Q3 04	Q4 04	Q1 05	next/latest
DOMESTIC ECONOMY						
GDP	% yoy	5.3	7.0	7.3	**5.7**	23-Aug
GDP seasonally adjusted	% qoq	1.7	1.7	1.3	**1.4**	23-Aug
Private and public consumption	% yoy	4.9	7.6	7.1	**6.0**	23-Aug
Private and public investment	% yoy	7.9	15.6	20.6	**26.1**	23-Aug
Domestic demand	% yoy	5.6	9.5	10.4	**10.8**	23-Aug
Exports (goods and services)	% yoy	11.4	15.7	15.5	**6.7**	23-Aug
Imports (goods and services)	% yoy	12.5	23.0	24.8	**21.6**	23-Aug
Budget balance, central government	Pesos bn	442	207	355	**892**	29-Jul
EXTERNAL SECTOR						
Current account balance	US$ bn	0.79	-0.25	0.16	**0.37**	23-Aug
Net foreign direct investment	US$ bn	0.57	3.17	1.08	**0.70**	23-Aug
Portfolio investment	US$ bn	-1.45	-1.09	-0.59	**-0.11**	23-Aug
Capital account**	US$ bn	-0.77	-0.39	-0.33	**-0.74**	23-Aug
Change in foreign exchange reserves	US$ bn	-0.02	0.14	0.17	**0.38**	23-Aug
Gross foreign debt	US$ bn	43.6	43.9	43.8	**44.5**	23-Aug
Short-term foreign debt	US$ bn	8.21	8.54	7.71	**8.19**	23-Aug

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

COLOMBIA

International investors' confidence in the Colombian economy is largely based on president Uribe and his successful security and economic policies. It cannot be guaranteed, however, that Uribe will be able to stand for re-election next year. Initial signs that the constitutional court might reject legislation allowing the president to be re-elected have already resulted in some nervousness on the markets. Should the decision of the constitutional court expected by mid-November at the latest turn out negative, this might lead to a slight deprecation of the peso and increase inflationary pressure in the short term. On the other hand, we do not believe that the currently dynamic level of economic activity, which is based on an upturn across the board, could be stopped by an adverse ruling by the constitutional court. We forecast an economic growth rate of 4.0 % for this year.

ANNUAL FIGURES AND FORECASTS

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	120.8	129.8
Inflation (year-end)	%	7.0	6.5	5.5	5.4	5.5
Inflation (average)	%	6.3	7.1	5.9	5.2	5.3
PUBLIC SECTOR						
Budget balance, central government	% GDP	-6.1	-5.4	-5.6	-6.1	-6.0
Budget balance, public sector	% GDP	-3.7	-2.7	-1.2	-2.8	-2.7
Public debt	% GDP	59	56	52	51	56
Amortization	US$ bn	12.5	10.6	10.0	11.2	10.0
Gross financing needs	US$ bn	15.3	12.8	11.2	14.6	13.5
EXTERNAL SECTOR						
Merchandise exports	US$ bn	12.3	13.7	16.8	18.9	19.3
Merchandise imports	US$ bn	12.1	13.3	15.8	18.4	19.4
Trade balance	US$ bn	0.2	0.4	1.0	0.5	-0.1
Current account balance	US$ bn	-1.5	-1.3	-1.2	-1.9	-2.8
Current account balance	% GDP	-1.8	-1.6	-1.3	-1.6	-2.1
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	6.8	7.3	6.8
US$ exchange rate, year-end	Pesos	2867	2780	2353	2356	2416
US$ exchange rate, average	Pesos	2507	2877	2628	2342	2387
FOREIGN DEBT						
Gross foreign debt	US$ bn	37.4	38.5	38.6	39.4	39.9
Foreign debt	% exports*	252	242	205	200	192
Short-term foreign debt	US$ bn	3.6	4.0	4.3	4.7	5.0
Foreign debt amortization	US$ bn	6.5	6.7	4.6	4.3	4.1
Foreign debt service	US$ bn	8.9	9.2	7.3	7.1	7.0
Foreign debt service	% exports*	60	57	39	36	34
FINANCIAL MARKETS (year-end)						
Deposit rate (DTF, 90 days)	%	8.0	7.9	7.7	7.1	7.5
IBB stock index (peso based, 2005: 07/14)		1474	2334	4346	5737	
IFCG stock index (US$ based, 2005: 07/14)		615	783	1686	2239	
Bond market yield spread (2005: 07/14)	bp**	736	431	333	318	

*goods and services ** EMBI+ f=forecast

Domestic policy: President Uribe has managed to gain the confidence of national and international investors in himself and his policies. Many associate the successes in terms of economic and security policy directly with his person and hope he will be re-elected at the presidential elections scheduled to be held in May 2006. This would call for an amendment to the constitution, which is currently being studied by the constitutional court. The recommendation by the attorney-general to reject the constitutional amendment on account of procedural errors only resulted in temporary unrest on the markets. While recommendations by the attorney-general are not binding, in recent years the constitutional court has obeyed him in a majority of cases. We continue to believe, however, that the court ruling will tend to be in president Uribe's favor. Nevertheless, it can take until mid-November before this issue is resolved.

Fiscal policy: While the deficit of the consolidated public sector in the first quarter, at 0.6% of GDP, was higher than in the same 2004 period (0.4% of GDP), it still conforms to the deficit target of 2.5% agreed with the IMF for the year as a whole. To some extent, it was possible to offset the deficit of the central government (-2.2% of GDP) by higher revenues generated by the remaining public sector. A major contribution in this regard was made by the state-owned oil company, which managed to boost its profits thanks to high oil prices.

Economic activity: Both the growth data of the first quarter (+3.6%) and the initial figures for the second quarter confirm that the economy continues to flourish this year. For instance, a 43.6% increase in infrastructural projects resulted in robust growth in the construction sector in the first quarter (+10.6% year-on-year). Industrial output also recovered again in April (+11%) following a poor first quarter (-1% year-on-year). The sharp increase in investments in the first quarter (+16.9% year-on-year) indicates that an upturn is taking shape across the board. The positive trend on the labor market, in which the number of persons employed has been rising again since March (+2.5% year-on-year) is also exerting a positive impact on the economy.

Monetary sector: Inflation, at 4.8% in June year-on-year, remained within the central bank's target corridor of 4.5% - 5.5%. While the central bank's intervention policy since the end of last year has resulted in a substantial increase in money supply, due to the high demand for money this has not yet led to increased inflationary pressure. In the second half of the year, however, we anticipate a decline in monetary demand. A negative ruling by the constitutional court on the re-election act in the second half of the year would weaken the peso and increase inflationary pressure.

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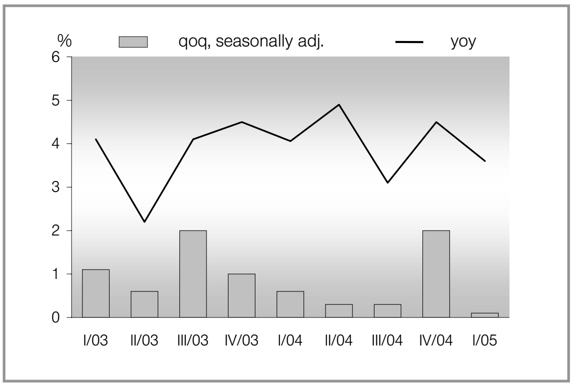
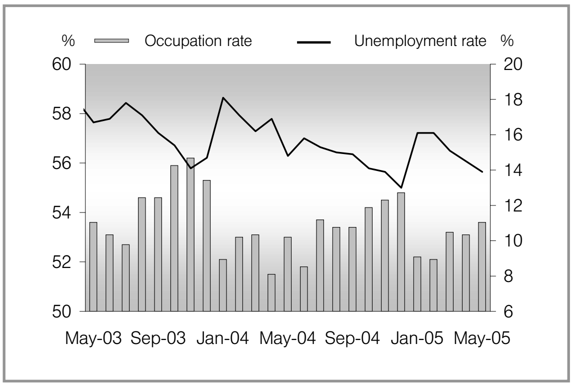
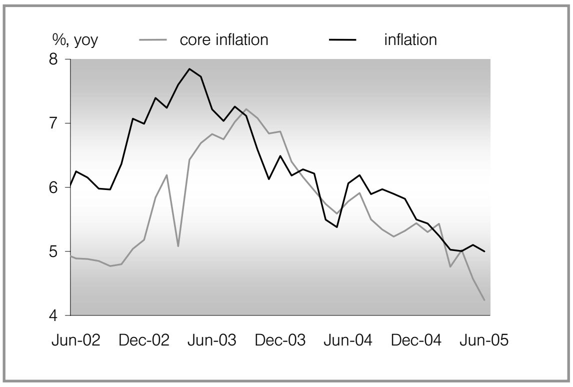
GDP CHANGE (REAL)



LABOR MARKET



INFLATION



MONTHLY AND QUARTERLY FIGURES

COLOMBIA: MONTHLY INDICATORS		Mar-05	Apr-05	May-05	Jun-05	next/latest
DOMESTIC ECONOMY						
Industrial production (not incl. coffee)	% yoy	-4.1	**11.0**			2-Aug
Retail sales (excl. fuel)	% yoy	4.1	**12.1**			2-Aug
Unemployment rate (urban)	%	15.1	14.5	**13.9**		2-Aug
Consumer prices	% yoy	5.0	5.0	5.0	**4.8**	5-Aug
Consumer prices	% mom	0.8	0.4	0.4	**0.4**	5-Aug
Producer prices	% yoy	4.9	4.2	3.0	**2.7**	5-Aug
Producer prices	% mom	1.1	-0.1	0.1	**0.1**	5-Aug
Monetary base (month-end)	% yoy	14.4	20.2	15.1	**16.5**	8-Aug
Money supply M1 (month-end)	% yoy	10.6	19.7	13.7	**15.9**	8-Aug
Money supply M3 (month-end)	% yoy	18.4	17.9	**19.4**		8-Aug
Lending rate (month-end)	%	15.8	15.3	**14.7**		8-Aug
Deposit rate (DTF, 90 days, month-end)	%	7.4	7.3	7.1	**7.2**	8-Aug
Treasury bills (local index, month-end)	%	106.0	107.5	108.5	**110.2**	8-Aug
Treasury bills (yield, TES Aug. 08, month-end)		10.5	9.7	8.9	**8.2**	8-Aug
Interbank interest rate (month-end)	%	6.3	6.4	6.4	**6.4**	8-Aug
Credit volume (month-end)	% yoy	14.6	13.4	**14.6**		8-Aug
EXTERNAL SECTOR						
Merchandise exports	US$ mn	**1708**	**1729**			26-Jul
Merchandise exports	% yoy	**41.9**	**36.4**			26-Jul
Merchandise imports	US$ mn	**1521**	**1719**			26-Jul
Merchandise imports	% yoy	24.1	**36.1**			26-Jul
Trade balance	US$ mn	**187**	**10**			26-Jul
Foreign exchange reserves (month-end)	US$ mn	12784	13279	13413	**13731**	8-Aug
US$ exchange rate (month-end + 07/14)	pesos	2376	2348	2336	**2336**	**2327**

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

MEXICO

The central bank has made a good deal of progress on its path to combating inflation. In June, consumer prices fell for the second month in succession, and inflationary expectations for the end of the year meanwhile are distinctly below the upper limit of 4% envisaged by the central bank. In its efforts, the central bank is profiting from a stronger peso, whose external value against the US dollar rose by more than 5% between early April and mid-July. Investors are attracted by the substantial difference between domestic and U.S. interest rates; this difference will narrow slightly in the course of the year, however. At that point, the political in-fighting in the run-up to the presidential election 2006 will increasingly move to center stage; accordingly, by the end of this year we expect the peso to depreciate to 11 pesos per US dollar.

ANNUAL FIGURES AND FORECASTS

MEXICO		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	0.8	1.4	4.4	3.3	4.0
GDP	US$ bn	648	626	657	717	749
Inflation (year-end)	%	5.7	4.0	5.2	3.7	3.8
Inflation (average)	%	5.0	4.5	4.7	4.5	3.7
PUBLIC SECTOR						
Budget balance, central government	% GDP	-1.0	-0.8	-0.6	-0.6	-0.3
Budget balance, public sector	% GDP	-1.4	-0.6	-0.3	-0.3	-0.1
Public debt	% GDP	28	28	27	26	26
Amortization (Cetes excl.)	Pesos bn	222	250	336	324	371
Gross financing needs (Cetes excl.)	Pesos bn	298	283	359	348	394
EXTERNAL SECTOR						
Merchandise exports	US$ bn	161	165	189	202	219
Merchandise imports	US$ bn	169	171	197	214	233
Trade balance	US$ bn	-7.9	-5.7	-8.6	-11.2	-14.5
Current account balance	US$ bn	-13.6	-8.5	-7.9	-12.1	-14.1
Current account balance	% GDP	-2.1	-1.3	-1.2	-1.7	-1.9
Net foreign direct investment	US$ bn	14.8	10.8	15.0	14.0	16.0
Foreign exchange reserves, year-end	US$ bn	51	59	64	66	68
Import cover **	months	3.0	3.5	3.3	3.2	3.1
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	78	76	72
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	15	15
FINANCIAL MARKETS (year-end)						
Interest rates (Cetes, 28 days)	%	7.6	6.0	8.6	9.5	8.5
IPC stock index (peso based, 2005: 07/14)		6127	8795	12918	14085	
IFCI stock index (US$ based, 2005: 07/14)		637	830	1227	1403	
Bond market yield spread (2005:07/14)*	bp	324	199	167	156	

* EMBI+   ** goods and services   f=forecast

Politics: In the run-up to the presidential elections to be held in July 2006, the PRI has managed to regain a great deal of ground. For instance, the PRI candidate won the gubernatorial elections in the key federal state of Mexico by a huge margin, and managed to defeat a PRD candidate supported by the favorite for the presidential election, Manuel López Obrador. López Obrador, in turn, faces internal party resistance to his style of leadership, while president Fox (PAN) evidently feels called upon to engage in active campaigning for his party following its disastrous election results. Any hopes for structural reforms during the remaining tenure of president Fox have thus been dashed.

Economic activity: The detailed GDP data for the first quarter underscore the high significance of domestic demand for the current economic trend. Private consumption in particular is making a substantial contribution to growth (+5.4% year-on-year, 1.4% quarter-on-quarter, sa). This trend continued in the second quarter. While retail sales rose by 8.9% in April, industrial output in May came in at a disappointing 3% growth rate year-on-year. The primary risks remaining for the economy include an economic slowdown in the U.S., a substantial drop in oil prices (because of negative effects on public spending) and a deterioration of the currently good corporate and consumer sentiment due to mounting political clashes in the run-up to the presidential elections.

Monetary sector: In June, consumer prices declined for the second month in a row (-0.1%). As a result, annual inflation dropped quite substantially from 4.6% to 4.3% (tolerance limit set by the central bank for end-2005: 4%). Inflationary expectations have been in decline for some months now, and the market anticipates an end-of-year inflation rate of 3.8%. Against this backdrop, we assume that the monetary policy tightening cycle has reached its zenith and that the central bank will begin easing its policy in the fourth quarter. Money market interest rates (Cetes, 28 days) are likely to have reached their cyclical peak at around 10%. In the event of an unexpectedly sharp tightening of monetary policy in the U.S., a short-term increase to nearly 11% could not be ruled out. Interest rates should fall back to a level of 9.5% by the end of the year, however.

Exchange rate: The high difference between the domestic and the U.S. level of interest rates is making investments interesting in the Mexican money market, both for Mexican and for international investors. In the wake of this trend and the declining risk aversion on a global scale in recent weeks, the external value of the peso against the dollar rose by more than 5% between early April and mid-July. In light of a slightly narrowing interest differential and increasing political turmoil, by the end of the year we expect the peso to slightly devalue, to 11 pesos to the US dollar.

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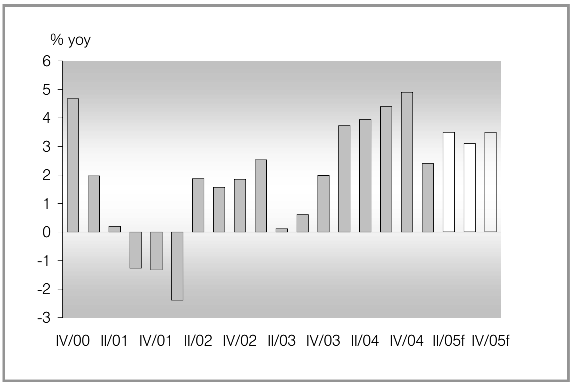
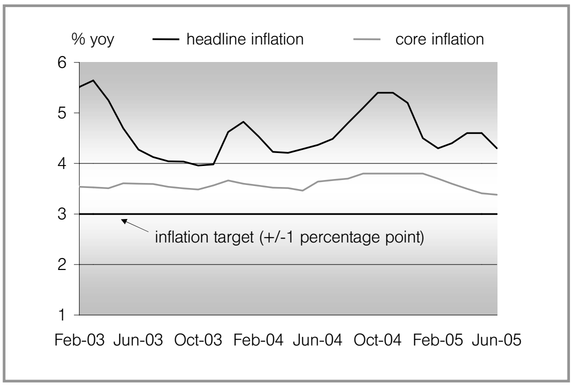
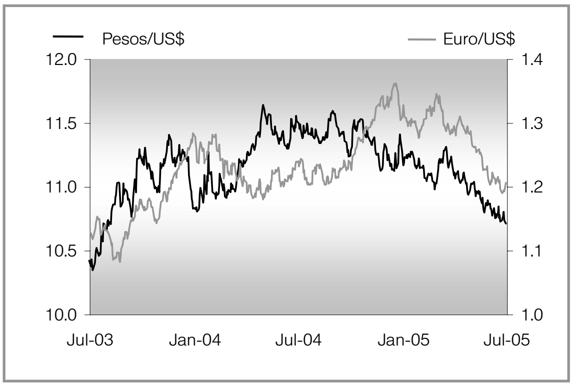
GDP CHANGE (REAL)



INFLATION



EXCHANGE RATES



MONTHLY AND QUARTERLY FIGURES

MEXICO: MONTHLY INDICATORS		Mar-05	Apr-05	May-05	Jun-05	next/latest
DOMESTIC ECONOMY						
Economic activity index (IGAE)	% yoy	0.3	**4.8**			26-Jul
IGAE index (seasonally adjusted)	% mom	-0.4	**0.0**			26-Jul
Industrial production	% yoy	-4.7	**5.2**	**3.0**		11-Aug
Manufacturing, in-bond industry	% yoy	7.7	**3.0**	**0.5**		11-Aug
Manufacturing (excluding in-bond industry)	% yoy	-6.3	**5.6**	**2.9**		11-Aug
Construction	% yoy	-3.1	**6.5**	**5.1**		11-Aug
Gross fixed capital formation	% yoy	2.3	**12.3**			8-Aug
Consumer confidence (January 2003=100)	Index	105.7	100.3	99.7	**100.7**	3-Aug
Retail sales	% yoy	4.4	8.9			25-Jul
Wholesale sales	% yoy	-6.3	4.9			25-Jul
Unemployment rate	%	4.0	**4.2**	**3.3**		18-Jul
Real wages per employee, manufacturing	% yoy	0.2	**-2.2**			26-Jul
Budget balance, public sector	Pesos bn	25.9	**26.1**	**17.5**		1-Aug
Public domestic debt	Pesos bn	1128	**1138**	**1019.0**		1-Aug
Public external debt	US$ bn	79.3	**77.2**	**75.0**		1-Aug
Consumer prices	% yoy	4.4	**4.6**	**4.6**	**4.3**	9-Aug
Consumer prices	% mom	0.5	**0.4**	**-0.3**	**-0.1**	9-Aug
Treasury bills, Cetes 28d (month-end and 07/12)	%	9.6	9.6	**9.6**	**9.6**	**9.6**
EXTERNAL SECTOR						
Merchandise exports	US$ mn	17279	17382	**18310**		22-Jul
Merchandise exports	% yoy	4.0	18.1	**13.3**		22-Jul
Merchandise imports	US$ mn	17516	18013	**18356**		22-Jul
Merchandise imports	% yoy	4.5	16.8	**14.3**		22-Jul
Trade balance	US$ mn	-237	-628	**-46**		22-Jul
Foreign exchange reserves	US$ bn	64	62.8	**60.5**	**61.8**	
US$ exchange rate (month-end and 07/15)	Pesos	11.17	11.05	10.88	10.78	**10.64**

MEXICO: QUARTERLY INDICATORS		Q2 04	Q3 04	Q4 04	Q1 05	next/latest
DOMESTIC ECONOMY						
GDP	% yoy	3.9	4.4	4.9	**2.4**	16-Aug
Private consumption	% yoy	5.4	5.7	7.0	**5.4**	22-Aug
Public consumption	% yoy	-5.0	-4.9	-0.9	**0.0**	22-Aug
Private and public investment	% yoy	-1.5	8.5	10.9	**6.5**	22-Aug
Exports (goods and services)	% yoy	14.4	12.1	10.3	**4.8**	22-Aug
Imports (goods and services)	% yoy	11.1	10.9	11.9	**7.9**	22-Aug
EXTERNAL SECTOR						
Current account balance	US$ bn	-0.6	-1.8	-4.7	**-2.5**	25-Aug
Net foreign direct investment	US$ bn	2.5	2.6	2.9	**3.8**	25-Aug
Net foreign portfolio investment (incl. bonds)	US$ bn	-2.6	5.7	7.6	**2.8**	25-Aug
Capital account **	US$ bn	0.6	0.6	7.7	**3.6**	25-Aug
Change in foreign exchange reserves*	US$ bn	-0.1	1.5	-3.8	**0.2**	25-Aug

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

VENEZUELA

The risk spread on Venezuelan foreign bonds decreased by about 1/5 between early June and mid-July, when Venezuelan bonds were trading at roughly the same level as Brazilian bonds. The optimism of market participants is chiefly attributable to the high oil price and the associated copious flow of revenues for the Venezuelan state. Venezuela's medium-term prospects remain bleak, however. The government is squandering its windfall profits generated by the oil sector instead of accumulating reserves for times of lower oil prices. Due to an increasingly interventionist economic policy, the country's growth potential is being reduced and the private foreign companies which are so necessary for the efficiency of the oil sector have become the target of regulatory interventions and retroactive tax increases. In the forthcoming months, the high level of public spending is likely to bring about a reversal in the declining inflation trend of the past few years.

ANNUAL FIGURES AND FORECASTS

VENEZUELA		2002	2003	2004	2005f	2006f
DOMESTIC ECONOMY						
GDP change (real)	%	-8.9	-7.7	17.9	6.0	2.5
GDP	US$ bn	92.6	83.5	109.2	122.8	134.4
Inflation (year-end)	%	31.2	27.1	19.2	18.0	23.7
Inflation (average)	%	22.4	31.1	21.7	17.1	20.4
PUBLIC SECTOR						
Budget balance, central government	% GDP	-1.6	-3.7	-2.9	-3.9	-5.1
Budget balance, public sector	% GDP	-1.0	0.2	0.0	-1.0	-1.4
Public debt	% GDP	42	46	39	38	34
Amortization	US$ bn	7.3	10.8	9.0	7.3	6.5
Gross financing needs	US$ bn	8.2	10.7	9.0	8.5	24.0
EXTERNAL SECTOR						
Merchandise exports	US$ bn	26.8	27.2	38.7	41.2	35.7
Merchandise imports	US$ bn	13.4	10.7	17.3	18.9	19.6
Trade balance	US$ bn	13.4	16.5	21.4	22.4	16.1
Current account balance	US$ bn	8.0	11.2	13.8	15.1	9.4
Current account balance	% GDP	8.7	13.4	12.7	12.3	7.0
Net direct investment	US$ bn	-0.3	1.4	1.3	1.0	0.8
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: 07/14)		8015	22204	29952	21324	
IFCG stock index (US$ based, 2005: 07/14)		159	182	274	221	
Bond market yield spread (2005: 07/14)*	bp	1127	469	412	430	

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

Domestic policy: President Chávez is taking further steps against the private oil sector. For instance, international oil companies operating within the framework of production agreements are forced to enter into joint ventures with the state-owned oil company PDVSA in which the latter shall have a majority holding. Moreover, tax rates on the private oil sector were raised substantially, partly also with retroactive effect. We anticipate that the municipal elections early in August will further reinforce the government's position. In the forthcoming months, the election campaign for the congressional elections in December is likely to begin, in which we also expect forces loyal to the government to gain influence.

Fiscal policy: A three-fold increase in oil revenues (excluding PDVSA profit transfers) and the favorable short-term economic situation have contributed to the fact that in the first four months of 2005, the central government's budget saw a surplus amounting to 0.9% of GDP for the year as a whole despite a marked increase in spending (+44% year-on-year). In view of the congressional elections and the fact that as a rule, the level of public spending in the second half of the year substantially exceeds that of the first semester, we anticipate that the central government budget will show a deficit of 3.9% of GDP for the year as a whole. To be able to secure funding of expansionary fiscal policy in the medium term too, the government is currently tightening its grip on the central bank's foreign currency reserves. A law will soon be passed in congress providing for part of foreign currency reserves to be transferred to the government.

Economic activity: Automobile sales almost doubled in June compared with the same month a year earlier (+94% year-on-year). This is attributable to ongoing robust domestic demand, which is benefiting from the increased availability of credit, direct income transfers by the government and public construction subsidies. Despite the distortions taking place in the economy due to the massive interventions by the state, we anticipate a growth rate of 6% for 2005, which is likely to slow down to 2.5% in the following year, however.

Monetary sector: Surprisingly enough, the increase in consumer prices turned out relatively low at 0.6% in June (15.9% year-on-year). On account of the sharp expansion in domestic money supply, in the forthcoming months we expect substantial inflationary pressure and an end-of-year inflation rate of 18%.

Foreign debt: Even though the government's access to the central bank's reserves is increasing the country's susceptibility to external shocks and the government's policy hostile to business is compromising Venezuela's medium-term outlook, the risk spread on Venezuelan foreign bonds fell by approx. 100 basis points to 420 basis points between early June and mid-July. This level is comparable with that of Brazilian bonds. Even though short-term liquidity indicators justify a certain degree of confidence, the current evaluation of Venezuelan bonds does not appear to be compatible with the country's medium-term prospects.

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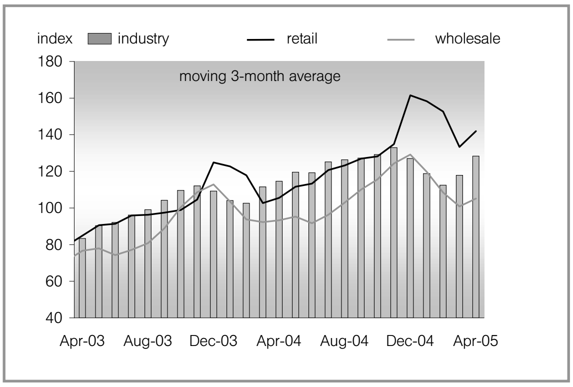
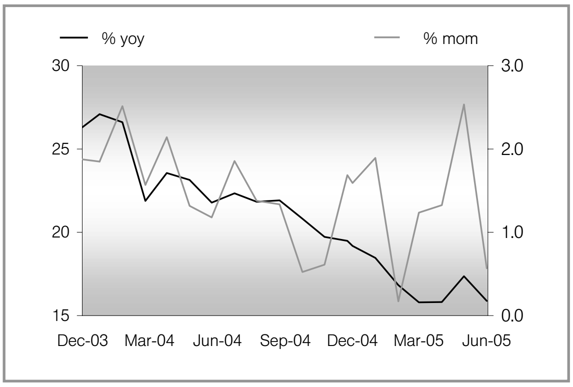
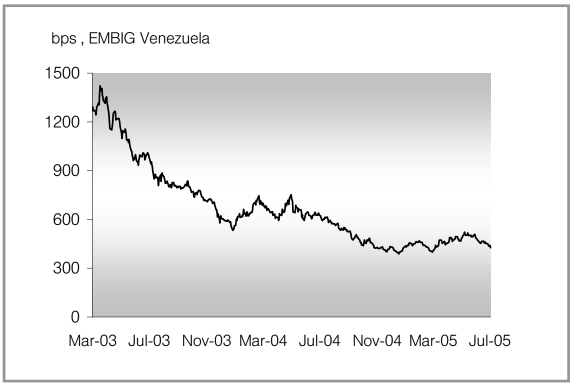
PRODUCTION AND SALES



INFLATION



FOREIGN EXCHANGE RESERVES



MONTHLY AND QUARTERLY FIGURES

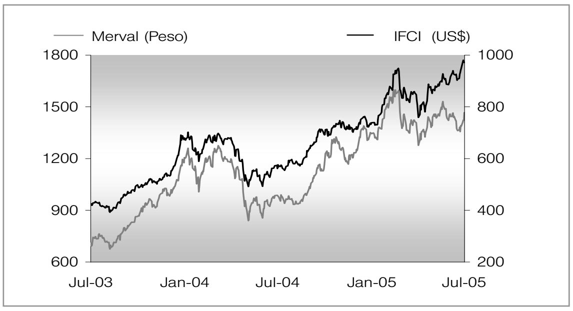
VENEZUELA: MONTHLY INDICATORS		Mar-05	Apr-05	May-05	Jun-05	next/latest
DOMESTIC ECONOMY						
Industrial production (private sector)	% yoy	0.5	**28.2**			August 5-10
Car sales	% yoy	69.3	114.0	**54.3**	**94.4**	August 5-10
Retail sales	% yoy	34.9	**39.4**			August 5-10
Wholesale sales	% yoy	2.1	**16.8**			August 5-10
Crude oil production	1000 bpd	2730	2690	2670	**2690**	15-Aug
Unemployment rate	%	13.5	**12.1**			25-Jul
Consumer prices	% yoy	15.8	15.8	**17.4**	**15.9**	2-Aug
Consumer prices	% mom	1.2	1.3	**2.5**	**0.6**	2-Aug
Producer prices	% yoy	18.3	18.2	**17.1**	**16.3**	2-Aug
Producer prices	% mom	3.3	1.7	**1.7**	**1.1**	2-Aug
Money supply M2 *	% yoy	50.4	52.9	**48.9**		18-Aug
Lending rate (monthly average)*	%	16.5	15.5	**16.4**	**15.3**	18-Aug
Deposit rate (monthly average)*	%	5.2	12.5	**11.7**	**11.7**	18-Aug
Interbank interest rate (month-average)*	%	0.6	3.7	**2.7**	**4.1**	2-Aug
Credit volume *	% yoy	103	96	**96**		18-Aug
Deposits *	% yoy	47	49	**49**		18-Aug
EXTERNAL SECTOR						
Oil price (Venezuelan exports, latest: 07/08)	US$/barrel	45.1	45.3	39.8	**45.0**	**49.3**
Oil price (Venezuelan exports, latest: 07/08)	% yoy	47.5	49.8	16.0	**41.9**	**48.5**
Foreign exchange reserves (CB, latest: 07/14)****	US$ bn	19.4	21.1	21.8	**23.2**	**23.5**
Forex reserves (FEM**; latest: 07/14)*	US$ bn	0.7	0.7	0.7	**0.7**	**0.7**
US$ exchange rate (latest: 07/14)*	Bolívar	2150	2150	2150	**2150**	**2150**

VENEZUELA: QUARTERLY INDICATORS		Q2 04	Q3 04	Q4 04	Q1 05	next/latest
DOMESTIC ECONOMY						
GDP	% yoy	14.3	14.2	12.1	**7.9**	19-Aug
GDP, private sector	% yoy	17.4	16.4	12.4	**8.9**	19-Aug
GDP, public sector	% yoy	6.8	8.6	8.8	**5.1**	19-Aug
Oil sector	% yoy	2.5	-0.8	-1.6	**1.0**	19-Aug
Manufacturing industry	% yoy	25.5	18.9	14.7	**6.4**	19-Aug
Financial services	% yoy	30.6	25.9	19.8	**24.0**	19-Aug
Commerce	% yoy	24.7	21.7	23.3	**17.8**	19-Aug
EXTERNAL SECTOR						
Merchandise exports	US$ bn	9.47	10.50	10.85	**11.33**	19-Aug
Exports of oil and derivatives	US$ bn	7.95	8.65	8.83	**9.65**	19-Aug
Merchandise imports	US$ bn	3.84	4.86	5.43	**4.97**	19-Aug
Trade balance	US$ bn	5.63	5.64	5.42	**6.36**	19-Aug
Current account balance balance	US$ bn	3.37	3.65	3.89	**4.62**	19-Aug
Net foreign direct investment	US$ bn	0.40	0.01	0.69	**0.06**	19-Aug
Portfolio investment	US$ bn	0.28	-2.77	-0.21	**1.38**	19-Aug
Capital account***	US$ bn	-3.15	-5.26	-2.29	**-2.90**	19-Aug
Change in foreign exchange reserves (C.B.)#	US$ bn	-0.22	1.61	-1.60	**-1.72**	19-Aug
Change in foreign exchange reserves (FEM)**#	US$ bn	0.00	0.00	0.00	**0.00**	19-Aug

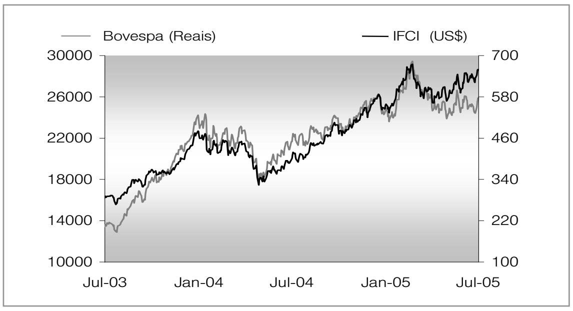
*month-end **macroeconomic stabilization fund *** incl. residual items **** Gold excluded (latest: US$ 5.1bn) # - = increase

FINANCIAL MARKETS: LATIN AMERICAN STOCK MARKET INDICES

ARGENTINA



BRAZIL



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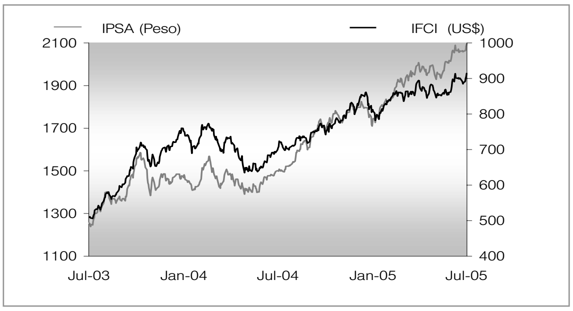

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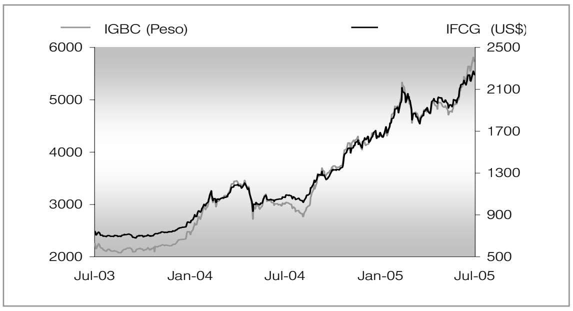

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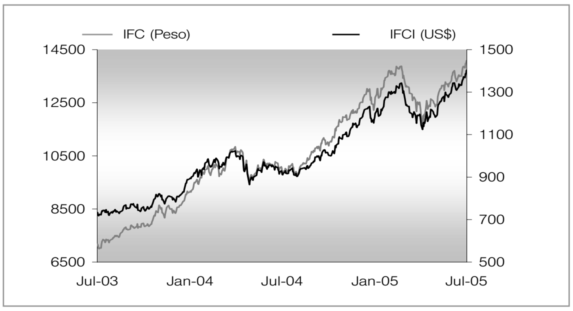

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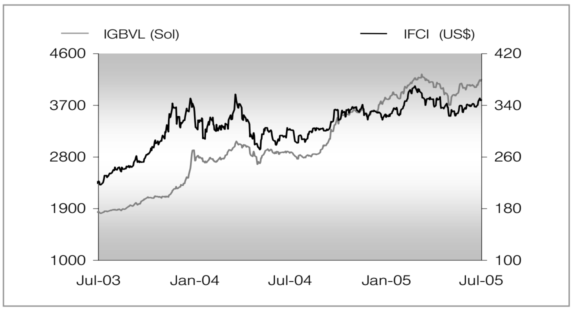

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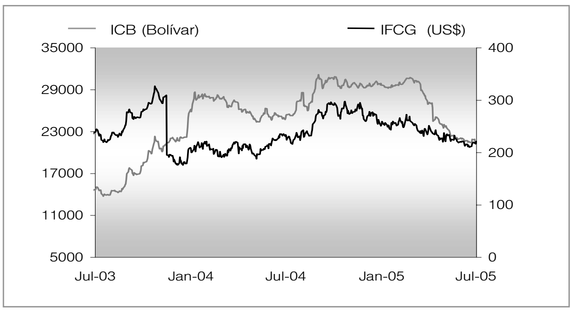
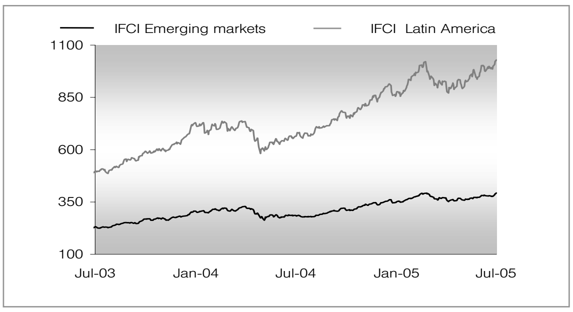


LATIN AMERICA



FINANCIAL MARKETS: LATIN AMERICAN BOND YIELD SPREADS

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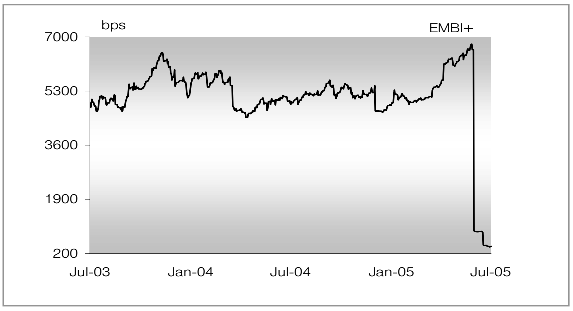

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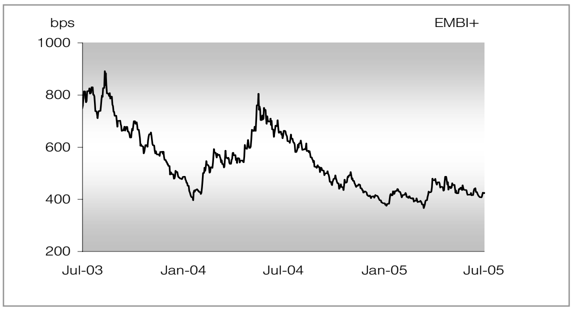

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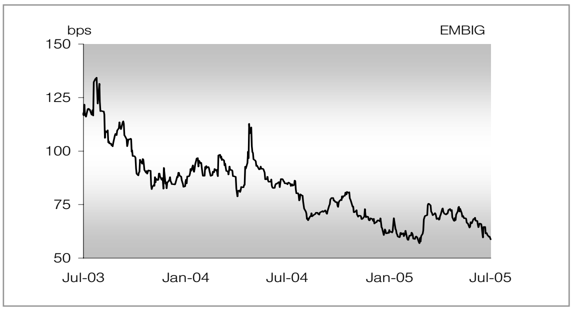

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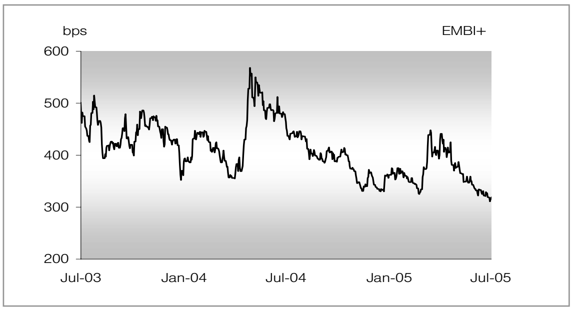

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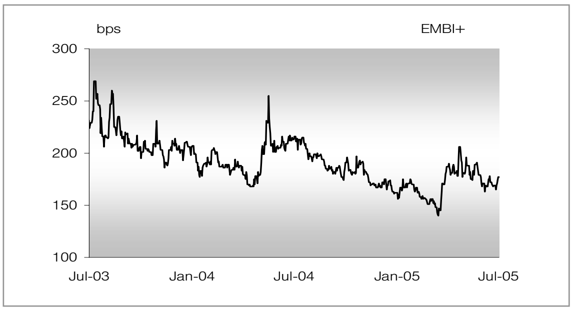

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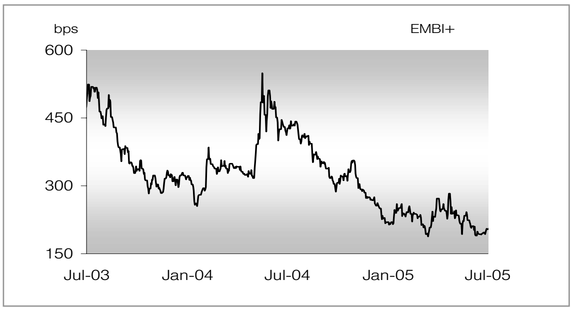

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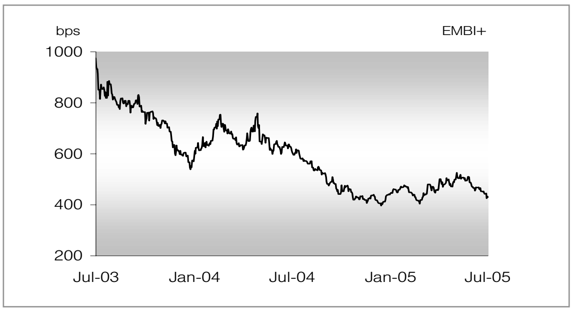

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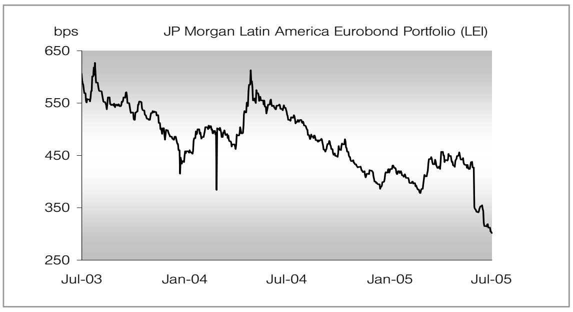

GLOBAL ECONOMY - FIGURES AND FORECASTS

		2003	2004	**7/14/05**	2005f	2006f
REAL GDP CHANGE *						
Industrialized countries	% yoy	2.1	3.2		2.4	2.6
USA	% yoy	3.0	4.4		3.5	3.4
Euro area	% yoy	0.5	2.1		1.3	2.0
Germany	% yoy	-0.1	1.6		1.0	1.7
Japan	% yoy	2.4	2.7		1.4	1.7
INTEREST RATES, YEARLY AVERAGE*						
USA, 3m money market rate	%	1.2	1.7	**3.6**	3.8	4.4
USA, 10yr government bond yield	%	3.9	4.2	**4.2**	4.5	5.5
Euro area, 3m money market rate	%	2.3	2.1	**2.1**	2.3	2.8
Euro area, 10yr gov. bond yield	%	4.1	4.1	**3.3**	3.5	4.4
Japan, 3m money market rate	%	0.1	0.1	**0.1**	0.1	0.1
Japan, 10yr government bond yield	%	1.0	1.5	**1.2**	1.5	2.1
EXCHANGE RATES, YEARLY AVERAGE *						
US$/ Euro	US$	1.13	1.24	**1.21**	1.3	1.3
Yen/ US$	YEN	116	108	**112**	108	105
Yen/ Euro	YEN	131	134	**136**	134	132
COMMODITY PRICES, YEARLY AVERAGE						
Coffee (other milds)	c/lb, NY	64	79	**110**	120	105
Soybeans	c/bushel	627	750	**710**	610	570
Copper	c/lb, LME	81	130	**162**	140	122
Crude oil (WTI)	US$/b	31	42	**58**	51	48
Crude oil (Brent)	US$/b	29	39	**57**	48	45
Gold	US$/ounce	364	405	**424**	430	440

* Source: Dresdner Bank AG

f=forecast

DBLA - AN OVERVIEW

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