Argentina:	S&P indicates upgrade following a successful debt-swap
Brazil:	Exports continue to boom
Chile:	2004 GDP likely to have expanded by 5.8 %
Colombia:	Orthodox central bank director is going to leave the board
Ecuador:	Cooperation with China
Mexico:	S&P improves rating
Peru:	Peru grew presumably 5 % in 2004
Venezuela:	Anti-US rhetoric reinforced

Argentina

Standard & Poor's announced it plans to rate the new long-term foreign currency bonds following the present restructuring of defaulted debt at B-. The rating thus would be on the same level at which S&P presently rates the performing Argentine government bonds. ---- The government has brought forward a bill, which will deny by law the right of any government to come up with a better deal than the one currently proposed in the debt rescheduling. The Senate already approved the bill, Parliament is likely to do so during this week. ---- As expected, exports grew by 23 % (yoy) and imports by 39 % in December. The trade surplus (imports cif) reached US$ 13.1 bn in 2004. Although we expect exports to perform positively in 2005 (amongst other reasons due to a good wheat season), the trade surplus is likely to decline to US$ 7.5 bn due to continued strong import growth. ---- As in previous months, tax revenues grew strongly in December (+23 %, yoy). ---- Consumer prices grew stronger than expected in January (+1.5 %, mom). Seasonal (tourism) and one-off factors (hiking of regulated prices) explain a good part of the increase. Hence, we expect the lower inflation rates again in the coming months. ---- On the occasion of the visit of the Venezuelan President Hugo Chávez, Argentina and Venezuela agreed to intensify their cooperation, mainly in the oil sector of the economy. Barter trades are planned to be enlarged.

<u>Outlook</u>: On the back of continued good economic indicators we expect consumer confidence (Thursday) to have grown again slightly.

Brazil

Brazil took advantage of the food market conditions and tapped the capital markets once again, issuing a US$ 1.25 bn bond with a maturity of 20 years and a yield of 8.9 %. Considering the prefinancing emission of the last year (US$ 500 mn) as well as the Euro-denominated bond sold in January (Euro 500 mn), Brazil managed to cover already 55 % of the planned external issuances for this year. ----- Exports grew stronger than expected reaching almost 30 % yoy. Correspondingly, the trade surplus amounted to a surprisingly high US$ 2.2 bn. ----- The IMF reckoned after the regular review of the current program that it will recommend the approval of the quarterly credit tranche, as all targets agreed with Brazil were met (e.g. primary surplus target and inflation). Far more interesting is the question of a new program, given that the current program will expire in March. The government announced that it will decide on this point in March. There are hints that there will be a sort of emergency credit line, which contains less commitment for Brazil.

<u>Outlook</u>: We expect a calm week in economic terms, given the carnival holidays lasting from Monday to Wednesday noon. ----- According to senator Aloizio Mercadante, there will probably be a cabinet reshuffle at the end of the month. We actually exclude the possibility that this measure could target key ministries such as the Ministry of Finance (Palocci) or the Ministry of Industry and Trade (Furlan), which carried out an excellent economic policy, in our view. ----- The central bank will continue to reduce the portion of dollar-indexed bonds by swapping those titles into Selic-indexed bonds. While we welcome the reduction of the exchange-rate risk in the liability portfolio of the government, it should be noted that this comes at the cost of an increased interest-rate risk. Currently, some 55% of the government debt is indexed to the overnight interest rate which, by the way, complicates the task of the central bank, as each interest rate hike means immediately a higher burden for the public sector. ----- The vote with respect to the position of the president of the lower house is planned for February, 14. If the PT candidate, Greenhalgh failed to win enough votes, it will become more difficult for the Lula administration to put through the law agenda.

Chile

The government announced the beginning of talks on trade liberalization with the PR of China. Bilateral trade expanded by 2/3 in 2004 to around US$ 4 bn, making China one of the most dynamic destinations for Chilean exports. ----- Consumer prices decreased by 0.3 %

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mom (+2.3 % yoy) in January, mainly due to lower fuel and transport prices. Core inflation behaved well in January, decreasing 0.1 %. We therefore expect the central bank to take a rest next Thursday and leave interest rates at 2.5 %, but only to continue its course of moderate monetary tightening in March. ---- On the back of very strong industrial and mining production data, we expect the IMACEC economic indicator to expand by 6.6 % yoy in December (today). This would take overall 2004 growth to 5.8 %, only slightly ahead of our 5.7 % forecast.

Colombia:

The positive results of the unemployment rate in December 2004 (13 % compared with 14.7 % in Dec. 03) are due to a drop in the participation rate (Dec. 04: 63 %; Dec. 03: 64.8 %) and not a result of a higher employment rate. Employment even fell from 55.3 % (Dec. 03) to 54.8 %. (Dec. 04) ----- Sergio Clavijo – director of the central bank board – is going to leave the board by mutual consent with the government. He was considered the strongest opponent of the central bank's new policy, which (as claimed by the government) consists basically in stopping the appreciation of the US$/COP exchange rate to facilitate export conditions. With the two new directors (Carlos Gustavo Cano and Juan Mario Laserna), who were appointed to the board in January and already declared that they are in favor of a devaluation policy, the government achieved a majority for its devaluation target. This obvious extending of influence by the government on the monetary policy injures the credibility of the central bank which used to maintain a stability-oriented monetary policy. The credibility problem will already bear upon the next central bank board meeting on February 18.

Ecuador

India and Ecuador agreed on a co-operation in the oil sector. State-run oil companies Petroecuador and OVL are planned to initiate closer relations in the fields of research and development and training. Long-term cooperation between the two countries is meant to increase, with OVL planning to take part in refineries.

Outlook: This week foreign minister Baki is beginning talks in Washington on the details of the free trade agreement. Restrictions particularly on flower and tunafish are supposed to be lowered. ---- President Gutiérrez announced higher tax rates on alcohol and cigarettes. The measure is aimed to partly compensate for possibly declining revenues due to lower oil prices.

Mexico

Much sooner than we had expected, S&P increased its rating for foreign currency-denominated Mexican Government bonds from BBB- to BBB, leaving it only one notch below Moody's Baa2 rating. Due to the benign inflation figures in December and the first half of January and the ongoing monetary tightening, inflation expectations for the end of 2005 fell from 4.3 % to 4.0 %. Nevertheless, the central bank will continue to increase the "corto", because the central inflation target is still much lower at 3 %. Following the increase of the Fed Funds, Mexican money market rates (cetes, 28 days) rose to 9.1 %. We expect them to rise to 9.5 % at the end of the first quarter. ---- Consumer confidence increased again in January from 102.8 to 105.2, as the consumer was apparently less affected by the increase in interest rates than by the booming stock market and moderately growing employment and real wages. ----- The public sector had a considerable deficit in December due to seasonal factors. Nevertheless, the government reached its target to limit the public deficit at 0.3 % of GDP.

Outlook: On Wednesday the central bank will publish January inflation data. Consumer prices probably rose 0.2 %, which will bring down the annual inflation rate from 5.2 % to 4.7 %. We expect that on Friday, Banxico will leave its monetary policy unchanged at its regular bi-weekly meeting. ---- Due to robust demand from the US, industrial production in December probably was 5 % higher yoy. We had already increased our GDP forecast for 2004 from 3.5 % to 4.0 %, due to much stronger than expected fourth-quarter growth.

Peru:

Treasury secretary Kuczynski announced that the economy grew unexpectedly strong with 5 % last year. (the final growth report will be published by the central bank on February 15). This is especially due to the recovery of the industrial sector (10.7 % growth in Dec. 04) and high exports in the agricultural, textile and mining sector. Effective as of the second quarter 2005, we expect minor growth rates due to worse global general conditions and the upcoming election year 2006. ----- A team from the IMF will look over the standby agreement (duration until April 2006) and announce the new targets. Until now, Peru achieved the targets or was even below the budget deficit target (1.4 % of GDP) with 1.1 %. This result is due to buoyant tax revenues and a firm control over public spending by the government who stick at their policy despite the ongoing political noise.

Outlook: Last year was characterized by an export boom, which probably also continued until December. We expect exports in 2004 to amount US$ 12.4 bn(Thursday).

Venezuela

President Chávez announced that PDVSA intended to sell some of its refinery activities in the US and Europe. Even though PDVSA declared that no such decision has been taken, the announcement fits the increasingly anti-American rhetoric of the government in recent weeks and goes in line with its goal to reduce the country's dependency on the US market. Currently, around half of Venezuela's oil exports head for the US. A sale of foreign activities would reduce the collateral potentially available to external creditors in case of a default on the country's public debt. Furthermore, the government's hard-line course may reduce foreign investment in the oil sector, both the government's and the country's cash-cow. ----- The bolívar weakened considerably on the parallel market (to VEB/US$ 2800) due to speculation of an imminent devaluation of the official exchange rate, currently at VEB/US$ 1918. We would not rule out a devaluation of the official exchange rate to around VEB/US$ 2200, even though recently nominated central bank president Parra is said to be skeptical of a devaluation, and price pressure was strong recently. ----- Consumer prices increased by 1.9 % mom in January (18.5 % yoy), significantly ahead of December's 1.6 % rate. This is mainly due to higher unregulated prices, which increased on the back of a weaker bolívar on the parallel market.

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Abbreviations:

mom = month-on-month
qoq = quarter-on-quarter
yoy = year-on-year
ytd = year-to-date
s.a. = seasonally adjusted
n.s.a. = not seasonally adjusted

Exchange rate	date	last	one week	one month	one year	end 2004	ytd-change, %	end 2005f
Argentina	04.02.2005	2.92	2.92	2.96	2.93	2.97	1.8	3.1
Brazil	07.02.2005	2.61	2.61	2.71	2.93	2.66	1.6	2.9
Mexico	07.02.2005	11.17	11.19	11.28	11.12	11.15	-0.2	12.0
Chile	04.02.2005	576	582	571	587	556	-3.6	600
Colombia	04.02.2005	2363	2366	2373	2740	2355	-0.3	2398
Peru	07.02.2005	3.26	3.26	3.27	3.49	3.28	0.6	3.3
Venezuela	04.02.2005	1918	1918	1918	1918	1918	0.0	2200

EMBI+ Spread							
bps	date	last	one week	one month	one year	end 2004	ytd-change, bps
Argentina	07.02.2005	5141	5128	4842	5824	4707	434
Brazil	07.02.2005	410	417	415	532	383	27
Mexico	07.02.2005	170	162	167	201	167	3
Ecuador	07.02.2005	629	644	713	766	691	-62
Colombia	07.02.2005	369	364	360	443	333	36
Peru	07.02.2005	238	241	240	348	220	18
Venezuela	07.02.2005	470	461	439	634	412	58

Benchmark interest rates							ytd-change	
%	date	last	one week	one month	one year	end 2004	%-points	end 2005f
Argentina, Overnight	04.02.2005	2.31	2.31	2.25	1.44	2.31	0.0	5.0
Brazil Selic	04.02.2005	18.25	18.24	17.74	16.27	17.75	0.5	17.8
Mexico Cetes 28 days	04.02.2005	9.06	8.71	8.56	5.26	8.61	0.5	8.0
Chile 90 days, PDBC	01.02.2005	2.61	2.67	2.24	1.63	2.24	0.4	3.8
Colombia Overnight	02.02.2005	6.43	6.33	6.24	7.37	6.24	0.2	7.5
Peru Overnight	04.02.2005	3.00	2.98	3.03	2.50	3.03	0.0	4.0
Venezuela deposits 30 days	02.02.2005	12.37	11.59	11.92	10.27	11.92	0.4	14.5

Foreign exchange reserves								
US$, bn	date	last	one week	one month	one year	end 2004	ytd-change	end 2005f
Argentina	03.02.2005	20.3	20.1	19.6	15.0	19.6	0.7	21.5
Brazil	03.02.2005	54.9	53.4	52.7	53.4	52.8	2.1	58.2
Mexico	28.01.2005	73.2	72.5	72.5	66.6	71.6	1.7	65.0
Chile	30.09.2004	15.8	na	15.8	15.7	15.9	0.0	17.3
Colombia	31.12.2004	13.5	na	13.0	10.9	10.9	2.6	13.3
Peru	30.11.2004	12.3	na	12.2	10.3	10.2	2.1	12.5
Venezuela (FEM&Gold incl.)	02.02.2005	24.6	24.7	24.2	22.3	24.2	0.4	21.1

Economic activity				Inflation				
GDP (yoy, %)	2003	2004e	2005f	%, year end	2003	2004	2005	GDP 2003, US$ bn
Argentina	8.8	8.2	4.5		3.7	6.1	8.5	127
Brazil	0.5	5.0	3.9		9.3	7.6	6.0	495
Mexico	1.3	4.0	3.0		4.0	5.2	3.6	626
Chile	3.3	5.7	5.3		1.1	2.4	3.0	72
Colombia	3.7	3.6	3.8		6.5	5.5	5.4	79
Ecuador	2.5	7.0	3.5		6.1	1.9	1.5	27
Peru	4.0	4.6	4.1		1.8	3.5	3.9	61
Venezuela	-7.6	17.0	6.0		27.1	19.2	16.4	86

Public sector	Budget balance, % of GDP		Public debt, % of GDP		Amortization, US$ bn		Gr. financing needs, US$ bn	
	2003	2004e	2003	2004e	2003	2004e	2003	2004e
Argentina	1.3	3.5	140	123	19.8	19.8	19.1	16.0
Brazil*	-5.2	-2.9	58	52	94.2	84.3	72.1	68.4
Mexico**	-0.6	-0.3	28	27	23	30	26	32
Chile***	-0.4	2.4	13	12	0.8	0.8	1.4	-1.7
Colombia	-2.8	-2.5	62	58	10.6	10.0	12.8	12.5
Peru	-1.9	-1.3	48	46	1.1	1.3	2.3	2.2
Venezuela	0.2	0.5	45	34	10.8	9.0	10.7	8.5

* Amortisations only federal debt, including short term debt ** Amortisations without Cetes *** debt, amortization and financing needs: central government only

External Sector 2004e	External debt		Debt service		Current account		Trade Balance	FDI (net)	Import cover
	% of exports	s.t., % of total	US$ bn	% of exports	% of GDP	US$ bn	US$ bn	US$ bn	months
Argentina	365	39	32.3	78	2.6	4.0	13.3	0.7	6.3
Brazil	203	12	65.6	59	2.0	11.7	33.7	14.5	6.2
Mexico	79	21	37.5	18	-1.4	-9.4	-7.1	15.0	3.3
Chile	113	19	7.2	19	2.8	2.6	9.0	3.4	5.2
Colombia	233	11	7.3	44	-1.1	-1.5	1.1	2.0	6.5
Ecuador	17	9	1.4	3	0.2	0.7	6.8	0.5	1.1
Peru	201	10	3.7	26	-1.2	-0.8	2.6	2.0	9.3
Venezuela	83	10	8.3	21	14.5	15.0	22.5	1.3	9.0