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Argentina:	Tender period ended on Friday
Brazil:	Is the monetary tightening cycle coming to an end?
Chile:	Solid surplus in the current account
Colombia:	Further details on debt management operation
Ecuador:	Further details on planned bond issues
Mexico:	Banxico remains in a tightening mood
Peru:	5.1 % growth in 2004
Venezuela:	S&P to reinstate the country's B rating

Argentina

The tender offer period of the restructuring of defaulted sovereign bonds ended on Friday last week. Latest official data on the participation ratio were only available for Friday of the week earlier, indicating a participation ratio of 44% at that stage. We continue to expect a final ratio of above 70%, as institutional investors are likely to have waited until the very end to join the exchange. Official announcements on the final participation are expected around Thursday this week. ---- Following a primary deficit of 2.0 bn Pesos in December 04 the central government's accounts went back into positive territory in January with a 1.6 bn Pesos primary surplus. The figures confirmed the view that the bulk measures taken by the government at the end of last year that explain the significant ease in fiscal accounts were of a temporary nature.

Outlook: Following a likely announcement of final results of the debt restructuring around Thursday this week, all eyes will be on the IMF and his reaction to the exchange. Should our perception prove right, that the participation ratio exceeded 70% the IMF is expected to give his blessing to the exchange. Argentine papers already reported an IMF mission is planning to arrive in Buenos Aires around mid-March. ---- External trade figures for January (Monday) should show another strong increase of exports in excess of 20% yoy helped by weaker figures one year ago. Pushed by strong economic growth imports are likely to be high again. However, the yoy growth rate should decline to around 30% due to the high base of comparison.

Brazil

President Lula's comments on potential corruption in his predecessor's government caused significant political noise. Even though first calls for an impeachment of Lula should not materialize, the issue underlines the fact that governing will not become easier in the run-up to the elections 2006. ---- The minutes of the last week's

central bank meeting were less hawkish than we expected. Under these circumstances next time the central bank might hike the overnight interest rate only by 25 basis points. On the other hand, however, February IPCA inflation came in somewhat higher than expected at 0.74 % mom, mainly due to higher prices of non-tradable goods. ---- The unemployment rate increased from 9.6% in December to 10.2% in January for seasonal reasons, as expected. The rate is well below the January 2004 figure of 11.7%.

Outlook: GDP growth should have slowed down to 0.7% (sa) in the fourth quarter of last year. The industrial sector should have grown by some 7 % yoy while the service sector might have expanded by 3.6 % yoy. Over the whole year we expect GDP growth at 5.0% (Tuesday). ---- Given the central government's primary surplus of 5.5% of GDP in January, the primary surplus of the consolidated public sector should come in at an even higher figure. For the whole year the government aims at a surplus of 4.25% of GDP.

Chile

As expected, the current account posted a solid surplus in Q4-04. Driven by a 50 % increase in goods exports, the surplus amounted to US\$ 217 mn, or 0.2 % of GDP. Due to revisions in previous quarters, however, the overall 2004 surplus came in somewhat lower than expected at 1.5 % of GDP.

Outlook: Both industrial production and mining production should have performed well in January. We expect the labor market to provide good news for this month, as well (today). ---- After two months of deflation, consumer prices are expected to have increased considerably in February. This should take the annual rate to 2.6 % (Friday).

Colombia

After the US had put pressure on Colombia to implement a legal framework for the reintegration of the paramilitary groups, congress is discussing about an accordant bill. It will regulate the rehabilitation and the prosecution of the paramilitary groups and the guerrilla. Representatives of the paramilitary group AUC – who expected rehabilitation almost exempt from punishment – announced that they were going to abandon peace negotiations and will renew illegal activities if congress affirms the bill. ---- News concerning the government's debt buyback intentions: It apparently plans to use US\$ 1 bn in funds provided by the Central Bank – coming from its international reserves – to prepay a loan extended by the IADB. By this, the government intends to lock in current beneficial terms on international capital markets and lower financing costs.

Outlook: The national statistics institute announced that the growth data of the fourth quarter 2004 will be released by mid-March and not, as scheduled, last Friday. We expect last year's GDP growth to amount to 3.6 % yoy. ---- Against the solid economic backdrop, we expect unemployment in January to have decreased to 16.4 % (Jan-04: 17 %).

Ecuador

Following announcements by the Ministry of Economy that –depending on investor appetite – bond issues in 2005 could amount to as much as 750 US\$ mn, the Central Bank last week gave more details on the planned issues, which will be probably come in three separate maturities: 5, 8 and 10 years. The plan is to raise, respectively, US\$ 200 mn, US\$ 100 mn and US\$ 450 mn in terms of each of these maturities. ---- During his visit to Ecuador last week, IMF managing director Rodrigo de Rato urged the government to take advantage of the current favorable economic climate to push ahead with its reform agenda, including the reform of the oil and electricity sector and the social security system. The IMF call comes against the backdrop of a signal from government officials that a package of reforms may be sent to Congress in the coming days. However, attempts at structural reforms have been repeatedly blocked in the past. Although the government has a small majority in Congress, it will be difficult to maintain a united front on reforms which seemingly run against the interests of individual parties of the informal coalition.

Mexico

Last Friday the Mexican central bank tightened monetary policy again and increased the "corto" by 2mn Peso to 77mn Peso. The move did not come as a sur-

prise, as Banxico's Governor Guillermo Ortíz made some hawkish comments about the stubbornly core inflation. Indeed, in the first two weeks of February core inflation (0.25%) exceeded expectations. Money market rates (28 days) continued to increase to 9.25%. We expect them to reach a cyclical high over the next weeks at 9.5%. ---- In January, the unemployment rate rose to 3.8% from 3.0% due to seasonal factors. The increase was widely expected. ---- In the fourth quarter, the current account deficit (4.6bn US\$) was slightly lower than expected, which was mainly due to the booming remittances and a strong increase in tourism income. At the same time, capital inflows remained strong – direct investment as well as portfolio investment – which helped to explain the recent strength of the Mexican peso against the US-Dollar.

Outlook: In February, consumer confidence most likely fell slightly from 105.2 to 104.5. This is still a comparatively high level, which signals ongoing robust consumer demand during the first quarter. ---- In January, the public sector probably posted a high surplus due to seasonal factors. At least in the first quarter of 2005 the financial situation of the public sector will be supported by continuously high oil prices.

Peru

After President Toledo's popularity declined to 8 % according to opinion polls in February, he restructured cabinet and appointed four new ministers. We do not expect this attempt to improve the reputation of the government to succeed, as two of the new ministers are members of the ruling 'Peru Posible' party which is involved in an affair of signature falsification. The party is accused to have committed forgery of signatures before the last elections in order to be allowed in the election. As the population favors independent technocrats in cabinet, we expect considerable criticism from the opposition and the population. ---- On Friday the central bank announced the quarterly data for the forth quarter 2004. With respect to the public sector, the overall 2004 budget deficit of 1.1 % of GDP was confirmed. With respect to economic activity, GDP expanded by 6.8 % yoy in the fourth quarter, driven by very strong private sector investment. This took overall 2004 GDP growth to 5.1 %. Good news as well in the external sector: A higher trade surplus (exports: +15.2 % yoy) and higher transfers from abroad contributed to an almost balanced current account in 2004 (-0.1 % of GDP; 2003: -1.8 % of GDP)

Venezuela

Rating agency S&P announced to lift the country's foreign currency rating back to „B“ shortly. The agency

had lowered the rating to „SD“ a few weeks ago, when Venezuela missed a contractual payment on some oil-indexed warrants. The government, which had justified the delay with accounting problems, had announced last week that it would pay US\$ 330,000 by this week. Even though this should clear the problem, the issue underlines the dire state of debt management in the country. ---- Non-oil exports increased by US\$ 1.5 bn in 2004 to US\$ 6.8 bn, mainly due to solid demand in the US and in Colombia.

Outlook: Consumer prices in February should reflect the considerable price pressure, taking the annual inflation rate to 18.5 % (tomorrow). ---- According to local newspapers the government plans to issue a euro-denominated global bond of EUR 500 mn during the next weeks in order to meet a payment falling due in the same currency and amount by end-March.

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Abbreviations:

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

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Exchange rate	date	last	one week	one month	one year	end 2004	ytd-change, %	end 2005f
Argentina	28.02.2005	2.93	2.91	2.92	2.92	2.97	1.3	3.0
Brazil	28.02.2005	2.60	2.58	2.61	2.90	2.66	2.3	2.9
Mexico	28.02.2005	11.09	11.07	11.19	10.97	11.15	0.5	12.0
Chile	28.02.2005	573	565	582	586	556	-3.0	580
Colombia	28.02.2005	2326	2313	2366	2654	2355	1.2	2398
Peru	28.02.2005	3.26	3.26	3.26	3.47	3.28	0.6	3.3
Venezuela	28.02.2005	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	28.02.2005	5002	4941	5104	5846	4707	295	
Brazil	28.02.2005	390	394	417	571	383	7	
Mexico	28.02.2005	155	151	167	189	167	-12	
Ecuador	28.02.2005	638	643	653	755	691	-53	
Colombia	28.02.2005	344	348	375	425	333	11	
Peru	28.02.2005	214	232	242	344	220	-6	
Venezuela	28.02.2005	438	449	459	735	412	26	
Benchmark interest rates								
%	date	last	one week	one month	one year	end 2004	%-points	end 2005f
Argentina, Overnight	25.02.2005	2.31	2.31	2.31	1.38	2.31	0.0	5.0
Brazil Selic	28.02.2005	18.75	18.75	18.24	16.31	17.75	1.0	17.8
Mexico Cetes 28 days	28.02.2005	9.26	9.12	8.71	6.41	8.61	0.6	8.7
Chile 90 days, PDCC	24.02.2005	2.87	3.08	2.60	1.46	2.24	0.6	3.8
Colombia Overnight	24.02.2005	6.43	6.44	6.34	7.14	6.24	0.2	7.5
Peru Overnight	25.02.2005	3.01	3.00	2.98	2.48	3.03	0.0	4.0
Venezuela deposits 30 days	23.02.2005	11.21	11.40	11.33	9.84	11.92	-0.7	14.5
Foreign exchange reserves								
US\$, bn	date	last	one week	one month	one year	end 2004	ytd-change	end 2005f
Argentina	25.02.2005	20.7	20.8	20.0	15.0	19.6	1.1	21.5
Brazil	24.02.2005	58.6	57.9	53.1	53.0	52.8	5.8	62.0
Mexico	18.02.2005	70.3	72.1	72.0	70.1	71.6	-1.2	65.0
Chile	31.12.2004	16.0	na	16.0	15.8	15.8	0.2	16.5
Colombia	31.01.2005	13.7	na	13.5	11.2	13.5	0.2	14.5
Peru	31.12.2004	12.6	na	12.3	10.2	10.2	2.4	12.5
Venezuela (FEM&Gold incl.)	24.02.2005	24.7	24.5	24.5	22.4	24.2	0.5	26.6
Economic activity								
GDP (yoY, %)	2003	2004e	2005f	Inflation %, year end	2003	2004	2005	GDP 2003, US\$ bn
Argentina	8.8	8.8	6.0		3.7	6.1	9.0	127
Brazil	0.5	5.0	3.9		9.3	7.6	6.3	495
Mexico	1.3	4.4	3.3		4.0	5.2	3.7	626
Chile	3.3	5.9	5.3		1.1	2.4	2.9	72
Colombia	3.8	3.6	3.8		6.5	5.5	5.7	80
Ecuador	2.5	7.0	3.5		6.1	1.9	1.5	27
Peru	4.0	5.0	4.7		1.8	3.5	3.0	61
Venezuela	-7.7	17.3	6.0		27.1	19.2	17.2	86
Public sector								
Budget balance, % of GDP		2003	2004e	Public debt, % of GDP	2003	2004e	Amortization, US\$ bn	Gr. financing needs, US\$ bn
					2003	2004e	2003	2004e
Argentina	1.3	4.2		140	123	19.8	19.8	19.1
Brazil*	-5.2	-2.7		56	52	94.2	84.3	72.1
Mexico**	-0.6	-0.3		28	27	23	30	26
Chile***	-0.4	2.4		13	12	0.8	0.8	1.4
Colombia	-2.8	-2.3		62	58	10.6	10.0	12.8
Peru	-1.9	-1.3		48	46	1.1	1.3	2.3
Venezuela	0.2	0.5		45	34	10.8	9.0	10.7

* 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)
	% of exports	s.t., % of total	US\$ bn	% of exports	% of GDP	US\$ bn	US\$ bn	US\$ bn
Argentina	365	39	32.3	78	2.7	4.0	13.3	0.7
Brazil	203	12	65.6	59	2.0	11.7	33.7	18.2
Mexico	79	21	37.5	18	-1.6	-10.4	-8.0	15.0
Chile	128	18	7.2	21	1.5	1.4	9.0	5.0
Colombia	233	11	7.3	44	-1.3	-1.1	1.1	2.0
Ecuador	17	9	1.4	3	0.2	0.7	6.8	0.5
Peru	199	10	3.7	26	0.1	0.1	2.6	2.0
Venezuela	83	10	8.3	21	14.0	14.6	22.1	1.3

Import cover months