



**Argentina:** Planned meeting with bondholder committee

**Brazil:** According to revised data, industrial production decreased three months in a row

**Chile:** New signs of an accelerating economy

**Ecuador:** President Gutiérrez under pressure

**Colombia:** Majority of Colombians backs President Uribe

**Mexico:** Inflation slows more than expected – CB remains on the sidelines

**Peru:** Tax revenues continue their upward trend

**Venezuela:** New domestic issue of US\$ bonds

## Argentina

Consumer prices continued to rise moderately in March (0.6%, mom). However, inflation picked up compared to the previous months. We expect this tendency to continue as production bottlenecks will increase and utility prices are set to rise, especially gas and electricity. On a yoy basis CPI inflation is likely to rise from 2.3% at present to 8% at year-end. ---- On the back of seasonally high exports of grain and oilseeds the Peso last week appreciated to around 2.81 ARS/US\$. The central bank and the public Banco Nación stepped up their intervention towards midweek, thus avoiding a further Peso appreciation.

Outlook: Representatives of the by far most important bondholder group, the Global Committee of Argentine Bondholders (GCAB) and the ministry of economy are set to meet on Friday (April 16) in Buenos Aires. The two sides remain at odds whether they will meet in future for merely talks or for negotiations, as demanded by the GCAB. ---- The University Torcuato Di Tella today releases its consumer confidence indicator for April. Following recent mass protests against the insufficient fight against increasing crime the sentiment is likely to have deteriorated further (March: -5.1%, yoy). However, the level of consumer confidence remains high. ---- Economy minister Lavagna announced tax reliefs for investments. As tax revenues thus will be lower, the primary surplus, which is running way ahead of IMF targets, will be reduced to some extent. Incentives for investments are needed as investment activity continues to be low. However, we believe this will not be changed by tax reliefs as long as the restructuring of defaulted bonds remains pending and the economic policy overall is rather market-unfriendly.

## Brazil

The industrial production fell by 1.8% mom (+1.8% yoy). What caused disappointment was the fact that industrial production has now been decreasing for three months in a row. We stick to our forecast of 3.5% GDP growth in 2004. However, we note that the economic upturn seems to be more fragile than expected until now. ---- The car production increased by 23.6% mom (nsa) and

33.8% yoy having positive effects on the employment in this sector (+0.6% mom, nsa and 0.4 %yoy).

Outlook: Interest rate decision on Wednesday: The IPCA inflation was higher than expected in March (0.47% mom; 6.0% yoy). The core inflation increased even more, at 0.76% mom. We stick to our forecast of a cut of the key interest rate by 25 bps on Wednesday, considering the weak industrial output figures of last week. ---- The consumer confidence index, published on a quarterly basis by the industrial association CNI, decreased in March by 4.8% in comparison to December. This week the CNI will publish the industrial confidence index (also on a quarterly basis), which stood at a comfortable level at 62.4 points in December.

## Chile

Bolstered by the solid expansion of the industrial production, the IMACEC economic indicator posted a stronger-than-expected 4.2 % yoy growth in February. ---- As expected, the CPI rose slightly in March (0.4 % yoy), mainly due to seasonally higher prices for education. Higher-than-expected increases in some other products nevertheless might point to an incipient price pressure due to the expansion of internal demand. We therefore expect the CB to maintain key interest rates at 1.75% in its meeting on Thursday, even though consumer prices entered into deflation in March in a yoy perspective (-0.7 %). ---- Favorably affected by high copper prices (exports +64 % yoy), the trade balance posted a record surplus of US\$ 1.1 bn in March 2004, more than twice the surplus in March 2003 and on average in recent months. Solid import growth (+37%) is a further indication of recovering internal demand.

## Colombia

An unexpectedly strong increase of exports (27% yoy) – boosted by high commodity prices and recovering exports to Venezuela – together with lower imports (-3% yoy) resulted in a trade surplus of roughly US\$ 50 mn in January (DBLA forecast: deficit of US\$ 300 mn). We expect a trade surplus of US\$ 500 mn this year (2003: -US\$ 100 mn). ---- As expected the increase of con-

sumer prices slowed to 1% mom and 6.2% yoy, respectively, in March. We believe that inflation will remain within the target corridor of the central bank (5.5% +/- 2 percentage points) throughout the year. Still we consider further monetary easing unlikely in the next several months. The central bank will rather provide the economy with extra liquidity via further interventions on the foreign exchange market. ----- According to latest opinion polls, a high share of Colombians continues to support the policy of president Uribe (roughly 80%). Moreover, more than 60% are in favor of a constitutional change, which would allow President Uribe to run for a second term.

**Outlook:** IMF staff will visit Bogota this week for a review of the current stand-by agreement. Last year the government managed to keep the budget deficit within the limit agreed (2.8% of GDP), despite the failure of the referendum. We do not expect that the budget deficit will be further reduced this year (IMF target 2.5% of GDP).

### Ecuador

Following modifications in the sales conditions, the deadline for submissions of offers for concessions in state-owned Petroecuador oil fields has been extended until April 20. Legal conditions apparently are more complicated than expected. We keep on expecting a successful auction for now. However, allegations of illegal campaign financing against President Gutiérrez voiced last week might delay the auction process. There is considerable resistance in congress against the auction, as some congressmen claim the recent modifications to come at undue disadvantage for the state. Should allegations against Gutiérrez prove to be true, this might lower congress' disposition to find an amicable solution for the concession issue. In this context, yesterday's resignation of energy minister Arboleda, a close ally of Gutiérrez who has recently been criticized by the opposition, may be perceived as a tactical move in order to regain congressional support.

### Mexico

Last week saw a continuation of the release of rather positive figures with regards to economic activity. In January, gross fixed investment rose by a seasonally adjusted 0.4% compared to December, after it had already increased by 1.4% in the previous month. Compared to the same month a year ago gross fixed investment was 1.7% higher. Nevertheless, it was mainly construction spending that contributed to the solid performance, while investment in machinery and equipment was basically flat.---- Industrial production increased by 2.2 % yoy in February after 0.8 % growth in January. Nevertheless, in sa terms, production actually fell by 0.6 % mom. ----- In March consumer prices rose by 0.34%, somewhat lower than expected. The 12-month inflation

rate decelerated from 4.5% to 4.2%. Most likely inflation will continue to edge lower below 4% in the seasonally low inflation months ahead until July. Given the benign price behavior in March, the central bank kept monetary policy unchanged on its Wednesday meeting. Nevertheless, we expect Banxico to increase the „corto“ further – most likely starting in August – in order to bring inflation closer to its inflation target of 3%. As the inflationary fears subsided somewhat in March, interest rates in the money markets (cetes, 28 days) fell from 6.6% (March 16) to below 6% (April 5).

### Peru

Tax revenues continued their upward trend of recent months (March +13.1% yoy, in real terms). The new financial transaction tax boosted yoy growth of tax revenues by more than 2 percentage points. We do not believe that the government will be able to reduce the budget deficit below the upper limit agreed upon with the IMF (1.5% of GDP), despite the good income position, as higher public wages limit the ability to cut the deficit (DBLA forecast 1.8% of GDP). ----- The IMF representative in Lima said that he expects shortly the completion of negotiations for a new stand-by agreement. During the previous agreement, which expired at the end of February, the government managed to reach the main macroeconomic targets and refrained from drawing the US\$380mn stand-by loan.

### Venezuela

The central bank announced that it will transfer to the public budget around US\$ 500 mn of "devaluation gains" accumulated in the second half of 2003. ---- The government brought a charge against several foreign oil companies operating in the country on account of tax evasion; this comes as a surprise, for the government depends on growing production of exactly those companies to maintain the country's current production level, as PDVSA's production is decreasing due to a lack of investment.

**Outlook:** The Finance Ministry announced a US\$ bond issue of up to US\$ 1 bn (maturing in 2011, variable interest rate of 3-month LIBOR + 100 bps) for this week. The bond will be offered in the country for domestic currency at the official exchange rate. By this issue, the Finance Ministry will conclude the issuance of US\$ bonds totaling US\$ 3 bn planned for this year (in January, a 30-year US\$ bond of US\$ 1 bn and in March, a six-month note of US\$ 1 bn as well were issued); we expect high demand for the issue due to foreign currency restrictions; the risk spread (EMBI+) meanwhile has come down to 630 bps. ---- According to preliminary CNE information, the subsequent confirmation of doubtful signatures will be possible from May 21 to May 23.

Dresdner Bank Lateinamerika AG  
Neuer Jungfernstieg 16  
20354 Hamburg  
Germany

Economics Dept.  
Chief economist: Dr. Heinz Mewes  
Tel.: (+49 40) 3595 3494  
Fax: (+49 40) 3595 3497  
E-Mail: [economics@dbla.com](mailto:economics@dbla.com)  
<http://www.dbla.com>

Abbreviations:

mom = month-on-month  
qoq = quarter-on-quarter  
yoY = year-on-year  
s.a. = seasonally adjusted  
n.s.a. = not seasonally adjusted

"Latin American Weekly Spotlight" is published in addition to our "Latin American Spotlight" and our "Latin American Spotlight Update". All three are published in English and in German. The information contained in this issue has been carefully researched and examined by Dresdner Bank Lateinamerika AG or reliable third parties. But neither Dresdner Bank Lateinamerika AG nor such third parties can assume any liability for the accuracy, completeness and up-to-datedness of this information. The authors' opinions are not necessarily those of Dresdner Bank Lateinamerika. Statements do not constitute any offer or recommendation of certain investments, even if individual issuers and securities are mentioned. Information given in this issue is no substitute for specific investment advice based on the situation of the individual investor. For personalized investment advice please contact your Dresdner Bank Lateinamerika branch.

Exchange rate	date	last	one week	one month	one year	end 2003	ytd-change, %	end 2004f
Argentina	12.4.2004	2.81	2.84	2.91	2.92	2.93	4.3	3.1
Brazil	12.4.2004	2.88	2.88	2.90	3.16	2.89	0.4	3.1
Mexico	13.4.2004	11.24	11.17	11.01	10.66	11.23	-0.1	11.9
Chile	13.4.2004	595	606	607	720	593	-0.3	600
Colombia	12.4.2004	2646	2663	2657	2780	2780	5.1	2900
Peru	12.4.2004	3.46	3.46	3.46	3.46	3.46	0.0	3.5
Venezuela	12.4.2004	1918	1918	1918	1598	1598	-16.7	2400

EMBI+ Spread								
bps	date	last	one week	one month	one year	end 2003	ytd-change, bps	
Argentina	13.4.2004	4712	4655	5577	5651	5739	-1027	
Brazil	13.4.2004	544	541	559	925	463	81	
Mexico	13.4.2004	167	170	187	273	199	-32	
Colombia	13.4.2004	354	359	413	570	431	-77	
Ecuador	13.4.2004	700	676	731	1240	799	-99	
Peru	13.4.2004	325	326	349	326	312	13	
Venezuela	13.4.2004	633	629	692	1324	593	40	

Benchmark interest rates							
%	date	last	one week	one month	one year	end 2003	ytd-change
Argentina, Peso 7 days	12.4.2004	1.69	1.69	1.69	9.00	1.81	-0.1
Brazil Selic	12.4.2004	16.09	16.10	16.07	26.32	16.33	-0.2
Mexico Cetes 28 days	12.4.2004	5.86	5.86	5.96	7.69	6.01	-0.1
Chile 90 days, PDBC	6.4.2004	1.51	1.57	1.63	2.34	2.29	-0.8
Colombia Prime Rate	26.3.2004			11.55	10.88	11.32	8.0
Peru Overnight	12.4.2004	2.55	2.55	2.55	3.70	2.50	0.0
Venezuela Prime Rate							2.6

Foreign exchange reserves								
US\$, bn	date	last	one week	one month	one year	end 2003	ytd-change	end 2004f
Argentina	6.4.2004	15.1	14.9	15.0	10.5	14.1	1.0	17.0
Brazil	8.4.2004	51.3	51.7	52.7	42.7	49.3	2.0	54.2
Mexico	2.4.2004	68.2	68.0	69.8	57.8	65.8	2.4	65.0
Chile	31.3.2004	16.0		16.03	16.50	16.50	-0.5	16.0
Colombia	29.2.2004	11.29		11.24	10.99	10.99	0.3	10.5
Peru	29.2.2004	10.5		10.6	10.1	10.19	0.3	10.9
Venezuela (FEM&Gold incl.)	7.4.2004	23.5	23.273	22.65	23.27	21.30	2.2	-6.3

Economic activity								
GDP (yoy, %)	2003e	2004f	2005f	Q303	Q403e	Q104f	Q204f	GDP 2003e, US\$ bn
Argentina	8.7	6.5	3.8	10.2	11.3	8.8	6.8	127
Brazil	-0.2	3.5	3.5	-1.5	-0.1	2.4	5.2	492
Mexico	1.3	2.8	2.6	0.6	2.0	1.8	3.7	614
Chile	3.2	4.8	4.5	3.1	3.3	4.4	4.8	72
Colombia	3.6	3.8	3.5	4.1	4.5	5.1	3.4	77
Ecuador	2.4	4.1	2.9					27
Peru	4.0	3.8	3.7	3.5	2.8	2.9	2.3	61
Venezuela	-9.2	6.0	5.0	-7.2	9.0	26.3	3.4	82

		Budget balance, % of GDP	Public debt, % of GDP		Amortization, US\$ bn		Gr. financing needs, US\$ bn		
		2003e	2004f	2003e	2004f	2003e	2004f	2003e	2004f
Argentina		1.2	1.6	135	135	19.8	19.8	19.1	18.3
Brazil*		-5.2	-2.6	83	79	94.2	83.0	72.1	67.2
Mexico**		-0.6	-0.3	28	28	23	29	26	31
Chile***		-1.0	0.2	16	14	0.8	0.8	1.4	0.8
Colombia		-2.8	-2.8	63	61	6.2	5.3	8.4	7.9
Peru		-1.9	-1.8	39	40	1.1	1.5	2.3	2.7
Venezuela		-3.6	-4.5	42	47	4.7	6.1	7.7	10.0

External Sector 2004f								
	External debt	Debt service		Current account		Trade Balance	FDI (net)	Import cover months
	% of exports	s.t., % of total	US\$ bn	% of exports	% of GDP	US\$ bn	US\$ bn	
Argentina	361	24	32.8	83	2.3	3.3	11.5	0.0
Brazil	237	12	64.0	69	0.6	3.3	26.3	13.0
Mexico	83	28	33.3	17	-1.8	-11.0	-7.8	14.0
Chile	148	18	6.9	23	0.4	0.3	4.4	1.5
Colombia	246	11	9.1	56	-1.7	-1.6	0.1	2.0
Ecuador	224	14	2.6	34	-2.1	-0.6	0.1	1.2
Peru	238	10	3.6	28	0.0	0.0	1.7	1.1
Venezuela	122	6	5.0	18	7.2	6.3	11.6	1.0

\* Amortisations only federal debt, including short term debt

\*\* Amortisations without Cetes

\*\*\* debt, amortization and financing needs: central government only