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Argentina:	GDP growth down to 5% in May
Brazil:	Polls indicate an improving economic climate
Chile:	Strong increase in industrial production expected
Colombia:	Congress has resumed debating
Ecuador:	Ongoing controversy on pension increase financing
Mexico:	Monetary tightening
Peru:	Toledo is to hold a speech to the nation
Venezuela:	Government tries to enhance its position ahead of the referendum

Argentina

Industrial production growth in June came in slightly above our expectation (0.8%, mom, s.a.; 11.4% yoy). At the same time GDP growth as measured by the EMA indicator turned out to be lower than expected (0.9%, mom, s.a.; 4.8%, yoy). As capacity utilization is rising (on average now at 71%, however reaching more than 90% in some sectors) we expect GDP growth to slow down in H2-04.

Outlook: Both supermarket sales (Wednesday) and construction (Thursday) are likely to show significant yoy growth rates for June. ---- June's trade surplus (Thursday) likely reached a similar amount as in the previous month (US\$ 1.6 bn).

Brazil

The unemployment rate decreased in June for the second month in a row and now stands at 11.7%. One year ago the rate was at 13%. We expect a continuation of the downward trend in the coming months given the good near terms prospects of the economy. ---- The consumer confidence index IIC (Fecomercio Sao Paulo) increased by 0.9% mom in July, reaching 118.7 points on a scale from 0 to 200. The business confidence index of the industry association CNI increased as well. In July the index, at 60.7 points, is 8% higher than in April. This is the highest value since the year 2000. ---- For the first time ever, the current account showed a surplus of more than US\$ 2 bn in June due to a record high trade surplus as well as lower than expected interest payments. ---- Foreign direct investments amounted to a higher than expected US\$ 740 mn in June. However this is still low compared with the inflows some years ago. For the whole year we expect FDI of only US\$ 9.5 bn, which corresponds to a monthly inflow of US\$ 900 mn in the second half 2004.

Outlook: After having left unchanged the overnight interest rate at 16% (as expected), the minutes of the meeting (Thursday) will probably give some hints on future central bank decisions. We expect that the Selic rate will be kept unchanged up to the end of the year. --

--- The public sector's primary surplus (budget balance before interest payments) should amount to BRL 8 bn (Friday). Thus the year-to-date primary surplus would stay at BRL 46 bn (approx 5.8% of GDP), well above the target that was agreed upon with the IMF (BRL 32.6 bn). The relative public debt should have decreased slightly (may: 56.8% of GDP). ---- President Lula will arrive today in Sao Tome (Africa) for the fifth conference of Portuguese-speaking countries. ---- Spying affair leads to some nervousness: A corporate espionage case in which the US-based enterprise Kroll was commissioned to investigate Telecom Italia escalated, including spying on top government officials, among them communication secretary Luiz Gushiken. Apart from that the central bank governor Meirelles and the director for monetary policy both are investigated with respect to tax evasion and false declaration of their fortune, according to the magazine Isto é.

Chile

According to Cochilco, the government's copper research agency, total copper production should grow 9% yoy in 2004. Due to higher prices, export revenues should rise even further (+80% yoy). ---- Retail sales rose by only 0.8% in June. Amid higher sales of furniture and electrical equipment, falling garment sales contained overall growth. Nevertheless, retail sales generally exhibit considerable volatility.

Outlook: Industrial production in June is expected to have expanded considerably, mainly due to solid exports (industrial exports June 2004: +29% yoy). Mining production should experience significant growth as well (Wednesday). Labor market figures, however, could prove mixed for June. Although we expect a renewed increase in employment, seasonal factors and a rising number of job-seekers may take the unemployment rate to 9.6% (June 2003: 9%).

Colombia

As expected the Colombian central bank kept the key interest rate at 6.75% and announced further interven-

tions on the foreign exchange market (partially sterilized through open-market operations). Given the ongoing weakness of the US\$ and uncertainty over the magnitude of further rate hikes of the US Fed, it seems likely that the central bank will wait until the last quarter before lifting interest rates. Only in the case of an unexpectedly strong rise in inflation or a swing of investors towards US\$-denominated assets the Banco Republica is to hike rates earlier. ---- The first debates in congress after the summer recess proceeded relatively smoothly. Election of the presidents of the lower house and the senate gave in both cases majorities to candidates considered Uribe supporters.

Outlook: Exports should have amounted to about US\$ 1.3 bn in May, 15% higher than last year. ---- We believe that unemployment should have dropped again in June (May 14.8%). ---- Industrial production should have increased about 7% yoy in June.

Ecuador

Ongoing quarrels on the financing of the proposed hike in minimum pensions: President Gutiérrez issued a veto against the partial financing through the use of Solidarity Fund monies. However, a two thirds majority in Congress could overrule this veto. The government is about to propose an alternative bill that, reportedly, will seek to re-instate the ICE tax increase on beer – but at 10% rather than the 15% that the government originally had asked for. ---- The government seems willing to appeal against the decision of the international arbitrage tribunal, which obliges the government to pay a US\$ 75 mn VAT rebate to an American oil company. Given the already fragile regulatory framework in Ecuador, this is a very negative signal to international investors. ---- Fitch ratings affirmed Ecuador's long-term foreign currency CCC+ rating. Despite increases in economic growth and public sector revenues due to higher oil prices the public sector's financing position and the foreign currency liquidity situation remain precarious. While we share this assessment, we have a negative outlook on Ecuador's economic prospects left stable by Fitch.

Mexico

In the first half of July, prices rose by 0.15% (market expectation: 0.10%) At the same time, core inflation, which is also closely monitored by the central bank, rose by 0.08% only. ---- Contrary to what had been expected, the unemployment rate rose (from 3.48% to 3.78%). This seems to contradict growing employment in the maquila industry as well as relatively positive economic figures. We expect unemployment to decrease again in the next few months. ---- Domestic demand continues to recover: Retail sales rose by 3.7% yoy in May. ----

Imports rose above expectations in June (+23% yoy), showing that the economic recovery is in full swing. Exports increased by 21.5%, an the trade balance showed a deficit of US\$ 500 mn, the highest monthly deficit of this year. ---- The central bank tightened the reins, raising the corto by pesos 4 mn. We welcome this step (although we had not expected it due to high monetary market rates) as inflation expectations are above the inflation target of 3%. ---- The central bank will leave the level of daily US\$ sales unchanged at US\$ 22 mn during the next three months.

Outlook: Given May's low industrial production level, we also expect the economic indicator IGAE (today) to have decreased. ---- Industrial employment figures, including maquila, could give the explanation for rising unemployment in May. ---- Banxico's business climate poll will probably show an improvement in July, as was expected by 84% of interviewees in June.

Peru

Political turbulences – at last fueled by the corruption scandals and the resignation of the minister of justice Kresalja – should continue during the next several weeks. Today the president of the congress is to be elected and on Wednesday or Thursday president Toledo is to hold a speech to the nation in which he is likely to comment on a cabinet reshuffle which is traditionally made possible by its resignation on the Peruvian independence day (July 28).

Venezuela

The CNE election council announced that 13.9 mn voters can participate in the referendum against President Chávez, up from 13 mn voters in May. According to press reports, the large increase in voters stems from the government granting citizenship to immigrants with the condition that they register for the referendum. This should increase the immigrant's disposition to vote for Chávez. ---- The cabinet decided to reduce the VAT by one percentage point and to eliminate the corporate asset tax. This proposition, which in our view is intended to enhance the government's standing with the middle classes, now goes to congress. According to the government, the reduction in taxes amounts to US\$ 163 mn in foregone revenues (0.2% of GDP). ---- The CADIVI exchange commission apparently intends to increase the provision of hard currency in reaction to increasing demand in the economy. This could help to limit a renewed expansion of the gap between the official and the black-market exchange rate.

Exchange rate	date	last	one week	one month	one year	end 2003	ytd-change, %	end 2004f
Argentina	25.06.2004	2.95	2.97	2.97	2.81	2.81	-4.8	3.0
Brazil	28.06.2004	3.11	3.13	3.09	2.84	2.84	-8.6	3.1
Mexico	28.06.2004	11.35	11.31	11.40	10.46	10.46	-7.9	11.9
Chile	25.06.2004	634	645	632	701	701	10.5	600
Colombia	25.06.2004	2694	2710	2718	2817	2817	4.6	2800
Peru	25.06.2004	3.47	3.47	3.49	3.47	3.47	-0.1	3.5
Venezuela	25.06.2004	1918	1918	1918	1598	1598	-16.7	1918

EMBI+ Spread								
bps	date	last	one week	one month	one year	end 2003	ytd-change, bps	
Argentina	28.06.2004	5103	5006	4921	4550	5739	-636	
Brazil	28.06.2004	665	648	698	814	463	202	
Mexico	28.06.2004	216	215	205	229	199	17	
Colombia	28.06.2004	889	849	907	1200	799	90	
Ecuador	28.06.2004	482	485	520	468	431	51	
Peru	28.06.2004	428	422	470	524	312	116	
Venezuela	28.06.2004	628	621	662	991	593	35	

Benchmark interest rates								ytd-change
%	date	last	one week	one month	one year	end 2003	%-points	end 2004f
Argentina, Overnight	25.06.2004	2.63	2.81	4.06	4.31	1.50	1.1	4.0
Brazil Selic	25.06.2004	15.79	15.79	15.79	25.76	16.33	-0.5	14.8
Mexico Cetes 28 days	25.06.2004	6.54	6.51	6.41	5.00	6.01	0.5	7.5
Chile 90 days, PDBC	24.06.2004	1.57	1.57	1.31	2.92	2.29	-0.7	2.8
Colombia Overnight	22.06.2004	6.87	6.86	6.93	7.33	7.49	-0.6	8.8
Peru Overnight	25.06.2004	2.45	2.60	2.55	3.80	2.50	0.0	2.6
Venezuela deposits 20 days	22.06.2004	11.53	10.39	10.02	14.75	13.20	-1.7	

Foreign exchange reserves								
US\$, bn	date	last	one week	one month	one year	end 2003	ytd-change	end 2004f
Argentina	23.06.2004	17.4	17.4	16.4	11.7	14.1	3.3	17.0
Brazil	24.06.2004	50.2	50.2	50.1	48.9	49.3	1.0	55.2
Mexico	18.06.2004	683.1	687.0	690.8	585.6	658.0	25.1	65.0
Chile	31.05.2004	16.1	na	16.0	15.9	16.0	0.2	16.6
Colombia	31.05.2004	11.4	na	11.4	10.6	10.9	0.4	11.5
Peru	30.04.2004	10.5	na	10.4	10.2	10.2	0.3	11.4
Venezuela (FEM&Gold incl.)	22.06.2004	23.8	23.8	24.5	17.5	21.3	2.5	

Economic activity				Inflation			GDP 2003, US\$ bn	
	GDP (yoy, %)	2003	2004f	2005f	%, year end	2003	2004	2005
Argentina	8.7	6.5	3.8		3.7	8.0	8.0	127
Brazil	-0.2	3.5	3.5		9.3	6.2	5.2	492
Mexico	1.3	3.2	2.6		4.0	4.0	3.5	626
Chile	3.3	4.8	4.5		1.1	2.2	3.0	72
Colombia	3.7	4.0	3.7		6.5	6.0	6.5	78
Ecuador	2.7	4.8	2.9		6.1	4.1	0.9	27
Peru	4.0	3.8	3.7		1.8	2.3	2.2	61
Venezuela	-9.2	10.5	4.3		27.1	26.0	28.0	82

Public sector	Budget balance, % of GDP		Public debt, % of GDP		Amortization, US\$ bn		Gr. financing needs, US\$ bn	
	2003	2004f	2003	2004f	2003	2004f	2003	2004f
Argentina	1.2	1.6	140	152	19.8	19.8	19.1	18.3
Brazil*	-5.2	-2.6	58	57	94.2	83.2	72.1	67.3
Mexico**	-0.6	-0.3	28	28	23	29	26	31
Chile***	-1.0	0.9	15	14	0.8	0.8	1.4	0.3
Colombia	-2.8	-2.8	60	60	6.2	5.3	8.4	7.9
Peru	-1.9	-1.6	48	48	1.1	1.5	2.3	2.5
Venezuela	-4.0	-3.5	45	40	4.7	6.3	8.0	9.7

* Amortisations only federal debt, including short term debt

** Amortisations without Cetes

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

External Sector 2004f									
	External debt		Debt service		Current account		Trade Balance US\$ bn	FDI (net) US\$ bn	Import cover months
	% of exports	s.t., % of total	US\$ bn	% of exports	% of GDP	US\$ bn			
Argentina	368	30	32.3	80	2.1	3.0	11.3	0.0	5.5
Brazil	226	12	67.4	68	0.7	3.9	27.0	11.5	6.8
Mexico	83	28	33.3	17	-1.6	-10.4	-7.8	15.0	3.5
Chile	134	18	6.8	21	1.1	1.0	6.0	1.5	6.1
Colombia	243	12	7.9	49	-1.3	-1.2	0.9	2.0	6.3
Ecuador	17	14	1.4	3	-0.3	0.4	6.4	-1.1	1.0
Peru	238	16	3.6	26	1.2	0.8	2.6	1.1	9.9
Venezuela	105	8	5.3	16	10.0	9.6	15.5	1.0	10.4



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Abbreviations:

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

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