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<b>Argentina:</b>	Possible delay of bond restructuring
<b>Brazil:</b>	Moody's upgrade
<b>Chile:</b>	Exports increase by 60%
<b>Colombia:</b>	Re-election bill takes another hurdle
<b>Ecuador:</b>	Politically motivated reshuffle
<b>Mexico:</b>	Worried about inflation
<b>Peru:</b>	Efforts for an early Paris Club debt amortization
<b>Venezuela:</b>	Following S&P, Moody's also lifts rating

## Argentina

Increasing 1.4% (mom) in September, consumer confidence came in slightly better than we had expected. One possible explanation could be the recent hikes of pensions and wages. However, we continue to expect slightly declining consumer confidence in the near future.

**Outlook:** According to official estimates the clearing of the procedures of the present bond restructuring offer by the US-American SEC (a prerequisite for the swap to go ahead) was expected to take place in the second half of September. However, according to local press reports this SEC consent could be delayed by two to three weeks, as Argentina apparently needs to provide more details of the swap offer. ---- Industrial production growth in August (Thursday) is likely to come in – again - slightly below 10% yoy (July: 9.8%, yoy). ---- GDP growth will have slowed considerably in Q2-04. Following a growth rate of 11.2% (yoy) in Q1-04 we expect a growth rate of around 6.5% in Q2-04 (Friday). ---- Reflecting the decline of the trade surplus in Q2-04 (-23%, yoy) the current account surplus is also likely to shrink significantly (Friday).

## Brazil

Moody's, the rating agency, upgraded Brazil's sovereign bonds from B2 to B1. This was to be expected as the fundamentals have improved significantly over the past years. Especially the downward trend of the foreign debt as a percentage of exports of goods and services is an important development in this respect. We expect an upgrade from S&P in the next several months, too (from B+ to BB-). Brazil took advantage of the upgrade and issued € 750 mn in sovereign debt (maturity 2012, interest rate: 8.7%), completing cover of its financial needs this year. ---- Good figures from the industrial sector, as was to be expected: The industrial production increased by 9.6% (0.5% mom, sa). In the first seven months the industrial production was 7.8% higher than in the same period of last year. It fits into our picture of a sustainable economic upturn that the production of capital goods and of durable consumer goods ex-

panded above average. According to data from the industry association CNI, industrial sales increased by 20 % yoy in the same month. ---- Capital outflows via the so-called CC5 accounts which are associated with capital flight reached an extremely high figure of US\$ 2.1 bn in August (more than the outflow of the first 7 months). However, the central bank indicated that most of it was accounted for by normal corporate investments guided through this accounts for exceptional reasons.

**Outlook:** The IPCA inflation stood at 0.69% mom (7.18%) in August, reaching the higher range of the inflation corridor of 5.5 % +/- 2.5 percentage points. We expect that the central bank will keep the overnight interest rate unchanged at 16 % (although we think that a rate increase would be appropriate) in its September meeting; instead the CB will act only after the municipal elections in October. ---- Retail sales (Friday) will probably have increased by 13 % yoy in July, the fifth double-digit gain in a row. ---- Tax revenues (Tuesday) are likely to have continued its strong rise of the last months in August (July: 12.7 %, real). ---- This week there will be a new poll of CNT/Sensus. We expect that the approval rate for the government has continued to increase as the employment situation improved significantly over the last months.

## Chile

As expected the GDP proxy IMACEC grew 4.5% (yoy) in July. Although due to a calendar effect the yoy rate was slightly lower than in previous months, the mom growth rate (s.a.) reflects the strong dynamics of the economy. ---- One month earlier than we expected the central bank started the tightening cycle, hiking its leading interest rate by 25bp to 2%. The accompanying statement clarified the central bank believes the solid economic growth does not need monetary stimulus. We expect the leading rate to be hiked twice by year-end to reach 2.5%. ---- On the back of continued strong export growth (64%, yoy) and robust import growth (30%, yoy) the trade surplus again showed a high surplus (US\$

802 mn) in August. YTD the surplus now stands at US\$ 6.5 bn.

### Colombia

The constitutional reform that would allow President Uribe's reelection passed its sixth (out of eight) round of voting in the Senate. The bill will now go to the house of deputies for the remaining two votes. The last and presumably most difficult vote needs to take place in the lower house by mid-December at the latest.

**Outlook:** According to a study by the Inter-American Development Bank (IADB), transfers from Colombians living abroad will increase this year by 50% to US\$ 4.5 bn. This strong supply of US-dollars is likely to explain part of the appreciation pressure the peso has been under for some time now. ---- To counter the appreciation of the peso (around 10% since the beginning of the year) the central bank announced it will buy US\$ and treasury notes for up to US\$ 1.2 bn until the end of the year. YTD the central bank bought around US\$1.4bn.

### Ecuador

President Gutiérrez has laid off the president of the tax collection authority SRI, Ms. Elsa Romoleroux de Mena. During the past six years, de Mena had contributed to make tax collection much more efficient which was appreciated, i.a., by the IMF. The supposed goal of her dismissal is to assure the party of President Gutiérrez the support of the PRIAN party of Álvaro Noboa during the upcoming municipal elections. In the past, Noboa, who owns numerous companies, counted among SRI's most ferocious critics. (Besides, Gutiérrez is presently under political pressure because two weeks ago, he has met in Panama with Mr. Bucaram, the exiled former president, against whom warrants of arrest are pending in Ecuador. In this case, too, Gutiérrez needs the support of PRIAN). Should the new president of the SRI, Vicente Saavedra, not consequently push forward the modernization of the SRI, this would exert additional pressure on the relation with the IMF. Due to the exchange of personnel performed last week at the top of the authority that administers the intervened Ecuadorian banks, the sale of these banks – an old demand of the IMF – remains uncertain. Following his trip to Washington Economy Minister Mauricio Yepez has acknowledged that Ecuador will need to cement a fresh agreement with the IMF in order to gain access to funding from other multilateral lenders. According to Yepez, the aim is to reach an agreement with the IMF by November at the latest. The government is hoping to obtain around US\$500mn in total funding from IFIs next year, in order to cover the 2005 financing gap. Yepez has indicated that Ecuador will not attempt to negotiate a conventional IMF standby program with disbursements).

Instead, the government will seek an "enhanced monitoring program". The latter implies a lower level of conditionality. Even so, we believe that the government will face a difficult task in meting IMF demands – and that negotiations could easily drag on beyond November.

### Mexico

The Government sent its budget proposal for 2005 to congress. It is proposing to reduce the public deficit from 0.3% of GDP in 2004 to 0.1% of GDP in 2005. We would judge the proposal as being a realistic approach, even as growth assumptions in our view appear to be a bit too optimistic (2004: 4% (DBLA: 3.5%); 2005: 3.8% (DBLA: 3.0%)). ---- Gross fixed investments recovered in June as expected (+9.2% yoy; +2.2% mom, s.a.) after having fallen for two consecutive months. ---- In August, consumer prices rose 0.62%, again more than expected. Compared to a year ago, consumer prices were up 4.8%, which is significantly above the upper tolerance limit of the central bank's inflation target (3% +/- 1 percentage point). Despite the bad news, the central bank, which has increased the "corto" already 5 times this year, left monetary policy unchanged on Friday. We still think there might be a couple of tightening moves in the pipeline. But first Banxico is likely to wait and see, if local interest rates will increase in case of an interest rate hike by the Fed on September 21.

**Outlook:** According to industrial production data in the US, industrial production is likely to have increased in July, too, albeit at a slightly weaker pace (Monday). We still think that the "soft spot" of the US-economy will continue in the second half of 2004, which also explains our below-consensus growth forecast for Mexico. ---- Money market rates (Cetes, 28 days) should continue to approach our year-end target of 7.5%, following last week's bad news from the inflation front.

### Peru

According to the polling organization Apoyo, support for President Toledo continues to rise, i.e. from 12% in August to 14% in September; nevertheless, about 80% of the population continue to be anti-Toledo. ---- Following the central bank's indication, with 3.5% at year-end, inflation will be slightly higher than hitherto expected by this institution (3.2%). This notwithstanding, last Thursday it left its monetary policy unchanged, supposedly not to increase the sol's appreciation trend. Contrary to the central bank, we are projecting an inflation rate of 4.0% as per year-end (target corridor: between 1.5% and 3.5%). ---- According to, the economy minister Kuczynski, the central bank has bought dollars at the market in order to dampen the appreciation trend of the sol and will act again this way in the future to maintain the country's competitiveness and prevent disruptions in parts of the heavily dollarized economy. ---- Peru will

propose its Paris Club creditor countries an early repayment of part of its debt worth US\$ 8.3 bn to reduce the high repayment burden it will be awaiting during the next few years. The anticipated repayment is set to be financed with the revenues generated from a new international bond to be issued at the beginning of 2005.

**Outlook:** We expect July GDP figures to be published this week (Wednesday) anticipating an increase of about 4% yoy. As we are now counting on a revitalization of the domestic consumer demand on top of the continued dynamic increase in exports, we have recently raised our growth projection for the whole year from 3.8% to 4.2%.

### Venezuela

The opposition maintains its allegations that President Chávez only won the referendum by fraud. There is talk of electronic polling stations and the electoral register having been manipulated. Meanwhile, the opposition has officially submitted its investigation results to the electoral authority CNE, which had declared a few days earlier that it had concluded its review of the outcome of the referendum. We do not believe the opposition will succeed with its objection. ----- President Chávez said he is prepared to pay a visit to the U.S. in order to improve the relationship between the two countries. -----

Finance Minister Nobrega accuses the central bank of breaching the supervisory authority's accounting standards and thus transferring too little in profits to the state. Profits of 1.5 trillion Bolívares were reported for the first quarter, yet between 1 and 2.5 trillion are said to be still missing. ----- The rating agency Moody's improved Venezuela's rating for long-term public foreign-currency bonds by two notches, from Caa1 to B2. It kept its outlook at "stable". Reasons given for the upgrade are the improvement of the foreign-currency situation and the clarification of the political situation. The assessment by Moody's now corresponds to that of Standard & Poor's, which had been raised to B two weeks ago. ----- Non-oil tax revenues were up 102% yoy in August. This means the upward trend of the past few months is continuing, which represents evidence of the economic upturn and more efficient tax collection. ----- While car sales declined by 4% mom in August, they still showed an increase of 115% yoy. Since March, there now have been five months with yoy growth rates of more than 100%, indicating that domestic demand is robust.

**Outlook:** This week, July production figures will be published for the private manufacturing industry. We expect a confirmation of the ongoing upward trend at the beginning of the second half of the year.

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### Abbreviations:

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

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US\$ Wechselkurs		Datum	Zuletzt	1 Woche	1 Monat	1 Jahr	Ende 2003	Veränd. % s. Jahresbeginn	Ende 2004p
Argentinien	13.09.2004	3.01	2.99	3.02	2.89	2.89	2.89	-4.0	3.1
Brasilien	13.09.2004	2.90	2.91	3.02	2.89	2.89	2.89	-0.5	3.1
Mexiko	13.09.2004	11.60	11.58	11.38	10.96	10.96	10.96	-5.5	11.9
Chile	13.09.2004	617	621	640	671	671	671	8.7	620
Kolumbien	10.09.2004	2531	2556	2612	2825	2825	2825	11.6	2640
Peru	10.09.2004	3.37	3.38	3.41	3.48	3.48	3.48	3.4	3.4
Venezuela	10.09.2004	1918	1918	1918	1598	1598	1598	-16.7	1918
EMBI+ Spread bp		Datum	Zuletzt	1 Woche	1 Monat	1 Jahr	Ende 2003	Veränderung in Basispunkten seit Jahresbeginn	
Argentinien	13.09.2004	5305	5174	5214	4810	5739	5739	-434	
Brasilien	13.09.2004	501	510	561	678	463	463	38	
Mexiko	13.09.2004	187	180	194	208	199	199	-12	
Ecuador	13.09.2004	845	808	828	1075	799	799	46	
Kolumbien	13.09.2004	392	398	436	422	431	431	-39	
Peru	13.09.2004	318	338	369	352	312	312	6	
Venezuela	13.09.2004	523	535	561	808	593	593	-70	
Benchmark Zinssätze %		Datum	Zuletzt	1 Woche	1 Monat	1 Jahr	Ende 2003	Veränd. abs. s. Jahresbeginn	Ende 2004p
Argentinien, Peso, Overnight	10.09.2004	2.56	2.50	2.50	2.13	1.50	1.50	1.1	3.0
Brasilien, Selic	10.09.2004	15.93	15.92	15.88	21.84	16.33	16.33	-0.4	16.5
Mexiko, Cetes, 28 Tage	10.09.2004	7.26	7.26	7.21	4.68	6.01	6.01	1.3	7.5
Chile, 90 Tage, PDBC	09.09.2004	2.42	2.04	1.57	2.91	2.29	2.29	0.1	2.3
Kolumbien, Overnight	08.09.2004	6.87	6.85	6.87	7.30	7.49	7.49	-0.6	8.5
Peru, Overnight	10.09.2004	2.70	2.70	2.60	2.80	2.50	2.50	0.2	2.6
Venezuela Depositen 30 Tage	07.09.2004	11.4	11.2	8.5	12.2	13.2	13.2	-1.8	14.0
Devisenreserven Mrd. US\$		Datum	Zuletzt	1 Woche	1 Monat	1 Jahr	Ende 2003	Veränd. abs. dieses Jahr	Ende 2004p
Argentinien	08.09.2004	18.2	18.1	18.1	13.7	14.1	14.1	4.1	18.5
Brasilien	09.09.2004	49.3	49.5	49.8	52.3	49.3	49.3	0.1	50.1
Mexiko	03.09.2004	70.3	69.1	68.8	59.7	65.8	65.8	4.5	65.0
Chile	31.08.2004	15.8	na	15.9	15.3	15.9	15.9	-0.1	16.4
Kolumbien	31.07.2004	11.8	na	11.6	10.5	10.9	10.9	0.8	12.0
Peru	31.07.2004	11.1	na	10.9	10.0	10.2	10.2	0.9	11.4
Venezuela (inkl.FEM+Gold)	09.09.2004	21.5	21.6	21.5	18.2	21.3	21.3	0.2	18.4
Wirtschaftswachstum BIP (J/J, %)		2003	2004p	2005p	Inflation (%) Jahresende	2003	2004p	2005p	BIP 2003, in Mrd. US\$
Argentinien	8.8	6.5	3.5		3.7	7.0	8.0		127
Brasilien	-0.2	4.5	3.9		9.3	6.9	5.8		492
Mexiko	1.3	3.5	3.0		4.0	4.2	3.5		626
Chile	3.3	4.8	4.5		1.1	2.9	3.1		72
Kolumbien	3.7	4.0	3.7		6.5	6.0	6.0		79
Ecuador	2.7	4.8	2.9		6.1	2.3	0.9		27
Peru	4.0	4.2	4.0		1.8	4.0	3.9		61
Venezuela	-7.6	12.8	4.5		27.1	21.0	24.0		86
Öffentlicher Sektor		Haushaltssaldo, % des BIP 2003 2004p		Verschuldung, % des BIP 2003 2004p		Amortisationen, Mrd. US\$ 2003 2004p		Finanzierungsbedarf, Mrd. US\$ 2003 2004p	
Argentinien		1.3	3.1	140	154	19.8	19.8	19.1	16.3
Brasilien*		-5.2	-3.1	58	57	94.2	82.1	72.1	66.2
Mexiko**		-0.6	-0.3	28	28	23	29	26	31
Chile***		-0.4	2.5	13	13	0.8	0.8	1.4	-0.7
Kolumbien		-2.8	-2.8	56	52	6.2	5.3	8.4	7.9
Peru		-1.9	-1.5	48	46	1.1	1.3	2.3	2.3
Venezuela		0.2	0.5	45	35	10.8	4.6	10.7	4.1

\* Amortisationen der Zentralregierung, inklusive Kurzfristschulden

\*\* Amortisationen ohne Ceteo

\*\*\* Verschuldung, Amortisationen und Finanzierungsbedarf nur Zentralregierung

## Außenwirtschaft (2004p)

	Auslandsschuld		Schuldendienst		Leistungsbilanz		Handelsbilanz	Direktinvestitionen	Importdeckung
	% der Exporte	Anteil Kurzfrist	Mrd. US\$	% der Exporte	% des BIP	Mrd. US\$	Mrd. US\$	Mrd. US\$	Monate
Argentinien	378	39	32.3	80	1.2	1.7	10.0	0.0	5.8
Brasilien	210	12	67.4	64	1.3	7.5	32.1	9.5	5.9
Mexiko	80	28	33.3	17	-1.4	-8.7	-6.0	15.0	3.5
Chile	127	18	7.7	22	1.9	1.7	7.8	2.7	5.8
Kolumbien	242	12	6.9	41	-1.8	-1.7	0.4	2.0	6.3
Ecuador	17	14	1.4	3	-0.3	0.3	6.8	-1.1	1.1
Peru	225	16	3.6	26	-1.5	-1.0	2.4	1.1	8.6
Venezuela	87	8	8.1	22	12.3	12.4	19.7	1.5	9.2