



# Latin American

*Spotlight*

*Update*

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# LATIN AMERICA: CONTINUING UNCERTAINTY



## ANNUAL FIGURES AND FORECASTS

LATIN AMERICA (17 countries)		1999	2000	2001	2002f	2003f
<b>DOMESTIC ECONOMY</b>						
GDP change (real)	%	0.2	4.0	0.1	-1.4	1.9
GDP	US\$ bn	1722	1909	1843	1562	1584
Inflation (year-end)	%	8.9	7.2	5.2	14.4	11.7
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ bn	293.0	351.2	337.1	339.0	360.6
Merchandise imports	US\$ bn	295.8	343.4	336.5	319.1	335.5
Trade balance	US\$ bn	-2.9	7.8	0.6	19.9	25.0
Current account balance	US\$ bn	-55.4	-45.7	-50.7	-24.0	-17.3
Current account balance	% GDP	-3.2	-2.4	-2.8	-1.5	-1.1
Net direct investment ***	US\$ bn	68.8	68.2	64.4	35.2	39.6
Foreign exchange reserves, year-end	US\$ bn	154	163	162	147	153
Import cover **	months	4.4	4.0	4.1	3.8	3.8
<b>FOREIGN DEBT</b>						
Gross foreign debt	US\$ bn	740	721	712	738	738
Foreign debt	% exports**	209	170	176	182	170
Short-term foreign debt	US\$ bn	112	117	111	107	114
Foreign debt amortization	US\$ bn	101	88	94	82	84
Foreign debt service	US\$ bn	148	141	144	134	135
Foreign debt service	% exports**	42	33	36	33	31
<b>FINANCIAL MARKETS (year-end)</b>						
IFCI stock index (US\$ based, 2002: 10/07)		275	520	516	353	
Bond market yield spread (2002: 10/07)*	bps	968	692	823	1050	

\*JPM Latin America-Eurobond-Portfolio \*\*goods & services \*\*\*Mexico & Brazil: only foreign direct investment; f=forecast

The uncertainty regarding Latin America's macro-economic stability continues. The presidential election in Brazil has still failed to show with absolute clarity who will be ruling the country in the next four years. In all likelihood, the candidate of the Labor Party, Jose Inacio Lula da Silva („Lula“) will win the run-off ballot scheduled for October 27 against the candidate of the ruling party, José Serra. The most urgent task of the new government will first and foremost be to stabilize the exchange rate by sending out market-friendly signals and to bring the risk spreads on government debt securities down to an acceptable level. Only then will it be possible to ensure a „normal“ rule of the country. We expect this process to succeed, albeit at a relatively slow pace since the global risk aversion is still likely to remain high in the first half of the year 2003. All in all, we forecast a GDP growth rate of only 1.4% for Brazil next year (2002: 0.5%).

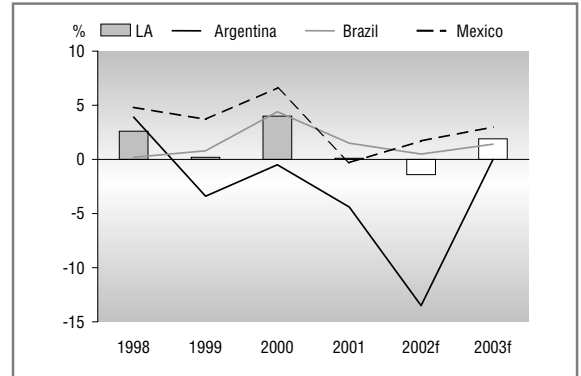
The other Latin American countries are being affected to varying degrees by the tense situation in Brazil. Their current accounts are clearly adjusting to the reduced capital inflows. In Chile and Mexico the currencies came under pressure. However, these two countries continue to maintain their safe haven status in the region. Their GDP growth of just around 2% this year is above average and will accelerate to about 3% next year.

The turmoil in Brazil is not making it any easier to solve the political problems in Venezuela. In light of the increased oil prices, which are easing the strained budget situation, President Chávez feels more firmly established in office, although public discontent continues to spark protests in Caracas. In Colombia, negotiations between the new government and Congress are proving to be difficult. A positive sign, however, is the imminent conclusion of a two-year agreement with the IMF, as this is likely to ease the market situation as regards local and international government bonds.

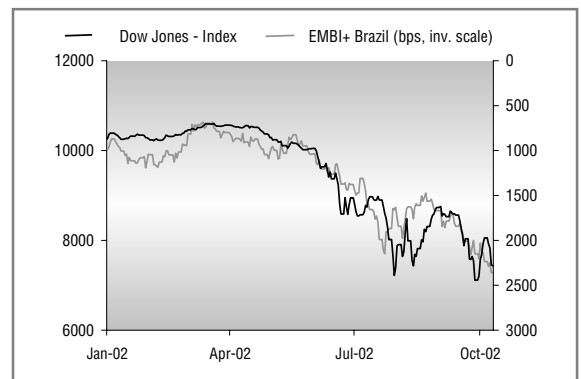
We do not expect the tense situation in Argentina to ease on a sustained basis. While the economy appears to be bottoming out, the political instability which also stems from the presidential elections scheduled for March 2002 overshadows the negotiations with the IMF, which means that a default in payments even to multilateral organizations is not unlikely.

All in all, Latin America's economy will shrink by 1.4% this year. We expect a growth rate of 1.9% for the year 2003.

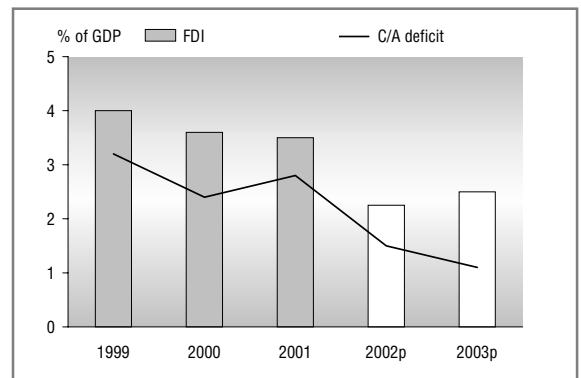
### GDP CHANGE (REAL)



### US-EQUITIES & BOND SPREAD BRAZIL



### BALANCE OF PAYMENTS



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# LATIN AMERICA AT A GLANCE

DOMESTIC ECONOMY	GDP change in % (real)			Inflation in % (year-end)			Budget balance in % of GDP		
	2001	2002f	2003f	2001	2002f	2003f	2001	2002f	2003f
Argentina	-4.4	-13.5	0.0	-1.5	55.0	45.0	-5.9	-2.4	-2.2
Bolivia	1.2	2.5	3.0	0.9	2.8	3.6	-7.0	-5.2	-4.0
Brazil	1.5	0.5	1.4	7.7	7.7	8.7	-3.6	-3.9	-3.6
Chile	2.8	1.8	3.0	2.6	3.3	3.5	-0.6	-1.5	-1.2
Colombia	1.3	1.2	2.5	7.7	6.7	6.0	-3.4	-4.1	-3.7
Costa Rica	0.9	2.6	3.5	11.0	10.5	11.0	-2.9	-3.5	-3.0
Dominican Republic	2.7	4.3	3.5	4.4	6.0	5.5	-2.0	-2.0	-1.7
Ecuador	5.6	2.0	3.2	22.4	12.0	8.0	1.3	0.8	0.5
El Salvador	1.8	2.0	2.8	1.4	4.5	4.5	-3.5	-3.6	-3.4
Guatemala	2.1	2.1	2.6	8.9	9.0	9.0	-3.0	-3.0	-2.5
Honduras	2.6	2.5	2.9	8.8	8.5	9.0	-2.5	-2.4	-1.5
Jamaica	1.7	2.2	2.6	8.8	7.5	6.0	-5.7	-5.5	-4.0
Mexico	-0.3	1.7	3.0	4.4	5.0	3.5	-0.7	-0.7	-0.5
Nicaragua	3.0	-0.5	2.0	4.7	5.0	6.0	-17.0	-13.0	-9.0
Panama	0.3	0.5	1.8	0.0	0.4	0.8	-1.4	-2.0	-1.7
Paraguay	0.5	-2.5	1.5	8.4	14.2	8.3	-1.4	-2.8	-2.5
Peru	0.2	3.5	2.8	-0.1	1.2	2.2	-2.4	-2.9	-2.4
Trinidad & Tobago	3.7	2.5	3.5	3.2	4.0	4.0	-0.5	-0.4	-0.3
Uruguay	-3.2	-7.8	1.1	3.6	23.5	13.2	-4.2	-3.2	-3.1
Venezuela	2.8	-6.2	-0.5	12.3	36.0	22.0	-4.4	-3.0	-2.5
Latin America (17 countries)	0.1	-1.4	1.9	5.2	14.4	11.7			
EXTERNAL SECTOR FOREIGN DEBT	Current account balance in % of GDP			Import cover in months*			Gross foreign debt in % of exports*		
	2001	2002f	2003f	2001	2002f	2003f	2001	2002f	2003f
Argentina	-1.6	6.8	13.9	5.7	4.3	4.8	384	457	379
Bolivia	-5.8	-4.6	-5.1	3.9	3.0	3.5	219	228	225
Brazil	-4.6	-3.0	-1.8	4.5	4.5	4.2	296	301	261
Chile	-1.9	-0.7	-1.2	6.9	7.4	7.1	160	168	157
Colombia	-2.5	-2.8	-3.0	6.3	6.0	5.5	245	265	264
Costa Rica	-4.5	-5.6	-5.9	2.0	1.9	1.6	69	71	70
Dominican Republic	-3.9	-6.1	-3.9	1.1	0.8	0.9	62	65	62
Ecuador	-4.4	-8.0	-5.9	1.2	1.1	1.2	263	270	262
El Salvador	-1.3	-2.8	-3.6	3.3	3.8	3.6	104	124	130
Guatemala	-6.0	-6.3	-6.2	4.3	3.7	3.2	127	138	127
Honduras	-5.2	-6.7	-5.1	4.5	4.5	4.5	221	221	193
Jamaica	-8.6	-7.1	-5.8	4.4	4.1	3.7	142	147	138
Mexico	-2.9	-2.4	-2.8	2.6	2.7	2.6	90	92	92
Nicaragua	-26.0	-28.5	-29.9	2.1	2.1	2.2	725	736	210
Panama	-5.0	-4.2	-4.6	1.3	1.4	1.3	82	82	78
Paraguay	-3.2	-1.9	-0.8	2.4	2.0	2.8	109	163	145
Peru	-2.0	-1.7	-2.0	8.8	10.1	10.3	317	332	324
Trinidad & Tobago	1.6	0.2	2.0	4.9	5.0	5.4	59	58	55
Uruguay	-2.6	1.3	2.9	8.2	3.7	4.4	224	302	267
Venezuela	3.2	7.6	10.3	7.1	5.8	6.2	107	108	108
Latin America (17 countries)	-2.8	-1.5	-1.1	4.1	3.8	3.8	176	182	170

\* goods and services

f=forecast



# ARGENTINA

Argentina has not made any progress as yet. Relations between the IMF and the weak Duhalde government continue to be strained. Argentina announced that it is no longer prepared to resort to its foreign currency reserves to service its debt to the IMF. Nevertheless, the beginning of October saw first indications that the IMF and the government, which will be in office until May next year, will at least enter into a transitional agreement dealing with the extension of the IMF debt falling due. Failing this, a default in payments to the Fund and consequently other multilateral financial institutions will loom. This would place a renewed damper on the economy following recent observations indicating that it might have bottomed out (GDP forecast 2002: -13.5%).

## ANNUAL FIGURES AND FORECASTS

ARGENTINA		1999	2000	2001	2002f	2003f
<b>DOMESTIC ECONOMY</b>						
GDP change (real)	%	-3.4	-0.5	-4.4	-13.5	0.0
GDP	US\$ bn	283.4	285.2	270.0	90.3	78.1
Inflation (year-end)	%	-1.8	-0.7	-1.5	55.0	45.0
Inflation (average)	%	-1.2	-0.9	-0.9	28.4	46.8
<b>PUBLIC SECTOR</b>						
Budget balance, central government	% GDP	-2.6	-2.3	-3.7	-1.3	-1.8
Budget balance, public sector	% GDP	-4.0	-3.5	-5.9	-2.4	-2.2
Public debt*	% GDP	43	45	53	115	120
Amortization*	US\$ bn	11.4	12.2	11.9	17.9	17.1
Gross financing needs	US\$ bn	19.7	19.8	22.9	22.7	25.8
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ bn	23.3	26.4	26.7	25.5	29.3
Merchandise imports	US\$ bn	24.1	23.9	19.1	9.9	10.8
Trade balance	US\$ bn	-0.8	2.5	7.6	15.6	18.5
Current account balance****	US\$ bn	-12.0	-9.0	-4.4	6.2	10.8
Current account balance****	% GDP	-4.2	-3.1	-1.6	6.8	13.9
Net direct investment	US\$ bn	11.1	10.6	4.1	1.0	0.0
Foreign exchange reserves, year-end	US\$ bn	32.2	32.5	19.4	9.0	11.0
Import cover **	months	8.3	8.1	5.7	4.3	4.8
US\$ exchange rate, year-end	Pesos	1.0	1.0	1.0	4.5	6.5
US\$ exchange rate, average	Pesos	1.0	1.0	1.0	3.5	5.6
<b>FOREIGN DEBT</b>						
Gross foreign debt*	US\$ bn	145.3	146.3	140.2	141.7	145.0
Foreign debt*	% exports**	429	381	384	457	379
Short-term foreign debt*	US\$ bn	20.0	22.8	16.8	15.3	17.5
Foreign debt amortization*	US\$ bn	12.9	16.0	22.3	11.6	13.3
Foreign debt service*	US\$ bn	23.7	28.5	34.4	23.1	24.4
Foreign debt service*	% exports**	70	74	94	74	64
<b>FINANCIAL MARKETS (year-end)</b>						
Interbank interest rate, overnight	%	7.1	11.6	340.0	30.0	40.0
Merval stock index (peso based, 2002: 10/07)		549	417	209	403	
IFCI stock index (US\$ based, 2002: 10/07)		1064	797	379	193	
Bond market yield spread (2002: 10/07)***	bps	533	773	4404	6517	

\* without rescheduling \*\*goods and services \*\*\*EMBI+ \*\*\*\*incl. interest payment due

f=forecast

**Domestic policy:** On December 15, the parties will nominate by open ballots the candidates for the presidential elections scheduled to be held on March 30, 2003. The population continues to show very little interest in the elections. With only 19% approval of those canvassed the Peronist Rodriguez Saá, who was in office as state president for one week at the end of 2001, leads in the polls. Elisa Carrio, leader of a leftist protest movement, attracts around 15%. At 12%, ex-President Carlos Menem is already placed third. It is most likely that Duhalde's successor will also emerge from the divided ranks of the Peronist party. We do not expect an improved economic policy from the new government. Furthermore, it cannot be ruled out that the elections will once again be brought forward due to party political strategy or protests flaring up again.

**Economic activity:** In the second quarter, GDP shrank by 13.6% year-on-year, which was less than anticipated. Even though there are increasing signs that the recession bottomed out (seasonally adjusted industrial production June-August averaged +0.9% per month) we maintain our GDP forecast of -13.5% for the year as a whole.

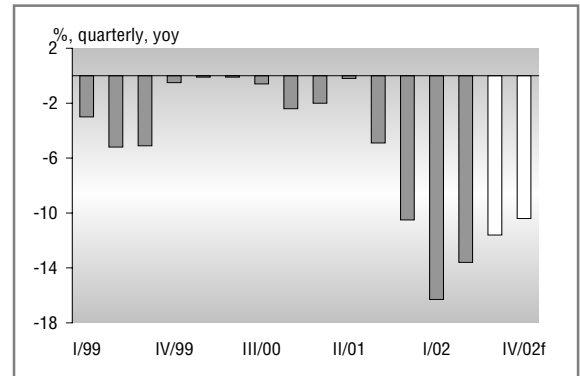
**Inflation:** As a result of the recession and administered prices, which have been kept constant as much as possible, the pressure on prices due to the depreciation of the peso (73% since the beginning of the year) continues to have only a limited impact on consumer prices (August 36% year-on-year) while wholesale prices simultaneously increased by 107%. Pent-up inflationary pressure is likely to cause consumer prices to increase by an annualized average of just about 50% in 2003 (2002: 28%).

**Monetary sector:** In October two measures will be taken to ease the freezing of bank deposits: a maximum of 10,000 pesos in deposits will be released. Since this will benefit 60% of all savers, the general discontent among the population at large is likely to abate. At the same time this should have a limited impact on the exchange rate since only 1,7 billion of a total of 20 billion pesos frozen will be released. In addition, all holders of frozen bank deposits are once again being offered a swap for government bonds.

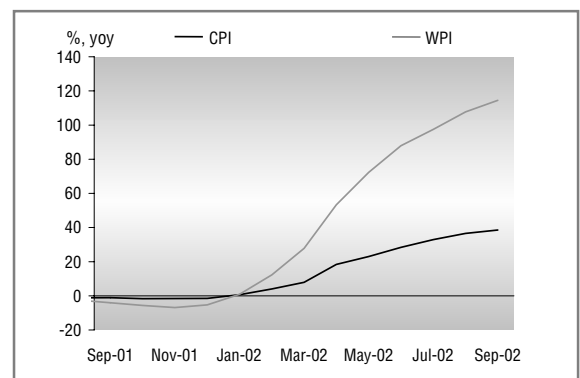
**External sector:** Amid declining exports, the unbridled sharp fall in imports continues to generate trade surpluses. As a result, foreign exchange reserves have recovered slightly (end-September: US\$ 9.5 billion). The government refuses to continue resorting to the country's reserves to service its debt payments to multilateral financial institutions. Since the IMF's statutes only allow for a fraction of debt falling due in the fourth quarter to be prolonged, pressure is mounting to reach a transitional agreement with the IMF.

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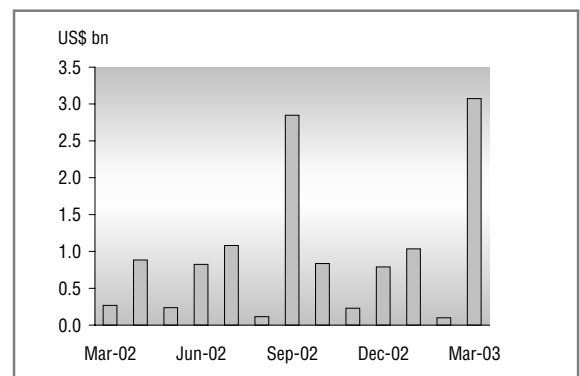
## GDP CHANGE (REAL)



## INFLATION



## MATURITY OF MULTILATERAL DEBT



## MONTHLY AND QUARTERLY FIGURES

ARGENTINA: MONTHLY INDICATORS		Jun-02	Jul-02	Aug-02	Sep-02	next/latest
<b>DOMESTIC ECONOMY</b>						
Industrial production	% yoy	-15.1	-11.4	<b>-7.5</b>		16-Oct
Industrial production (seasonally adjusted)	% mom	1.6	-1.5	<b>2.7</b>		16-Oct
Construction	% yoy	-36.1	-37.2	<b>-28.3</b>		24-Oct
Supermarket sales	% yoy	-28.9	-27.6	<b>-26.1</b>		24-Oct
Budget balance	Pesos mn	299.0	<b>-474.0</b>			15-Oct
Consumer prices	% yoy	28.4	32.9	36.5	<b>38.5</b>	5-Nov
Consumer prices	% mom	3.6	3.2	2.3	<b>1.3</b>	5-Nov
Wholesale prices	% yoy	87.9	97.5	107.7	<b>114.5</b>	5-Nov
Overnight peso rate (month-end; latest: 10/07)	%	45.0	66.0	39.0	<b>19.3</b>	<b>17.1</b>
Peso deposits (month-end; latest: 10/02)*	Peso bn	56.9	54.6	55.9	<b>56.7</b>	<b>57.7</b>
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ mn	2213	2211	<b>2151</b>		31-Oct
Merchandise exports	% yoy	-13	-6	<b>-15</b>		31-Oct
Merchandise imports, cif	US\$ mn	687	813	<b>764</b>		31-Oct
Merchandise imports	% yoy	-61	-54	<b>-58</b>		31-Oct
Trade balance	US\$ mn	1526	1398	<b>1387</b>		31-Oct
Foreign exchange reserves (latest: 10/03)	US\$ bn	9.6	9.0	9.1	<b>9.4</b>	<b>9.4</b>
US\$ exchange rate (latest: 10/07)	Pesos	3.81	3.73	3.63	<b>3.73</b>	<b>3.76</b>
ARGENTINA: QUARTERLY INDICATORS		Q3 01	Q4 01	Q1 02	Q2 02	next /latest
<b>DOMESTIC ECONOMY</b>						
GDP	% yoy	-4.9	-10.5	-16.3	<b>-13.6</b>	20-Dec
Private consumption	% yoy	-6.6	-12.3	-18.8	<b>-16.7</b>	20-Dec
Public consumption	% yoy	-2.1	-6.5	-7.5	<b>-4.2</b>	20-Dec
Private and public investment	% yoy	-17.2	-28.6	-45.4	<b>-43.0</b>	20-Dec
Domestic demand	% yoy	-7.8	-14.5	-24.1	<b>-20.1</b>	20-Dec
Export (goods and services)	% yoy	5.7	-0.4	5.6	<b>-0.8</b>	20-Dec
Import (goods and services)	% yoy	-17.9	-33.7	-57.4	<b>-56.7</b>	20-Dec
Budget balance, central government	Pesos mn	-802	-2713	-2518	-581	27-Dec
Public debt	US\$ bn	141.2	144.5	112.6	<b>114.5</b>	27-Dec
<b>EXTERNAL SECTOR</b>						
Current account balance	US\$ bn	-0.7	0.4	1.5	<b>2.7</b>	27-Dec
Net foreign direct investment	US\$ bn	0.8	-0.3	0.5	<b>-0.1</b>	27-Dec
Net portfolio investment	US\$ bn	-1.5	-1.6	-2.0	<b>-1.5</b>	27-Dec
Capital account**	US\$ bn	0.2	-5.7	-3.5	<b>-5.1</b>	27-Dec
Change in foreign reserves***	US\$ bn	-4.0	-4.7	-7.1	-3.2	<b>-3.2</b>
Gross foreign debt	US\$ bn	146.9	140.2	132.6		16-Oct
Short-term foreign debt	US\$ bn	20.9	16.8	17.0		16-Oct
* bank deposits of private sector; ** incl. residual items ***new calculation system since Feb 02						



# BRAZIL

After the Labor Party candidate failed to win an absolute majority in the presidential election of October 6, a run-off ballot between Lula and José Serra, the government candidate, will be held on October 27. The massive gap between the two candidates (Lula 46 %, Serra 23 %) does point to a victory by Lula; however, as some of the cards in the deck are likely to be re-shuffled before the vote, Serra may still be in with a chance. The nervousness in the financial markets is going to continue in any case, and may well be aggravated by a continued slide in stock markets worldwide. The crisis in the financial markets may have had a greater impact on the economy in the third quarter than was anticipated, so that our growth projection for the whole year is only 0.5% (forecast for GDP in 2003: 1.4%, previously 3%).

## ANNUAL FIGURES AND FORECASTS

BRAZIL		1999	2000	2001	2002f	2003f
<b>DOMESTIC ECONOMY</b>						
GDP change (real)	%	0.8	4.4	1.5	0.5	1.4
GDP	US\$ bn	529	594	505	427	440
Inflation (year-end)	%	8.9	6.0	7.7	7.7	8.7
Inflation (average)	%	4.9	7.0	6.8	7.7	8.6
<b>PUBLIC SECTOR</b>						
Budget balance, central government	% GDP	-2.7	-1.5	-1.5	-1.7	-1.5
Budget balance, public sector	% GDP	-5.9	-3.7	-3.6	-3.9	-3.6
Public debt	% GDP	49.4	49.5	53.3	66.0	60.0
Amortization external debt	US\$ bn	n.a.	n.a.	n.a.	7.3	7.5
Amortization domestic federal debt*	Reais bn	n.a.	n.a.	197	155	176
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ bn	48.0	55.1	58.2	58.9	64.4
Merchandise imports	US\$ bn	49.3	55.8	55.6	49.7	51.0
Trade balance	US\$ bn	-1.3	-0.7	2.6	9.2	13.4
Current account balance	US\$ bn	-25.3	-24.7	-23.2	-12.8	-8.0
Current account balance	% GDP	-4.8	-4.1	-4.6	-3.0	-1.8
Net foreign direct investment	US\$ bn	28.6	32.8	22.6	15.0	15.5
Foreign exchange reserves, year-end	US\$ bn	34.8	32.5	36.0	34.0	35.0
Import cover **	months	4.8	4.1	4.5	4.5	4.2
US\$ exchange rate, year-end	Reais	1.84	1.96	2.32	3.4	3
US\$ exchange rate, average	Reais	1.82	1.83	2.33	2.99	3.19
<b>FOREIGN DEBT</b>						
Gross foreign debt	US\$ bn	226	217	210	219	210
Foreign debt	% exports**	382	319	296	301	261
Short-term foreign debt	US\$ bn	26.6	27.4	27.6	23.0	24.0
Foreign debt amortization	US\$ bn	44.3	25.8	31.6	32.0	32.0
Foreign debt service	US\$ bn	59.5	42.9	49.2	50.0	50.0
Foreign debt service	% exports**	101	63	70	69	62
<b>FINANCIAL MARKETS (year-end)</b>						
Interbank interest rate, overnight	%	18.8	15.8	19.0	18.0	17.0
Bovespa stock index (real based, 2002: 10/07)		17091	15258	13577	8863	
IFCI stock index (US\$ based, 2002: 10/07)		459	411	288	169	
Bond market yield spread ( 2002: 10/07)***	bp	636	749	870	2040	

\* incl. short term debt \*\* goods and services \*\*\* EMBI+ f=forecast

**Domestic policy:** In addition to the presidential election, voters also went to the polls to determine the state governors and members of Congress. Lula's PT party did as well as expected in the gubernatorial elections and the party did improve in the elections to the Senate and the House of Deputies (Senate +6, to 14 seats of a total of 81, House of Deputies +36, to 94 seats of a total of 513). Should Lula win the election, he will need to form a coalition of some sort in order to command a majority. Possible coalition partners are the major parties PMDB and PSDB in particular, both currently members of the ruling coalition. We therefore consider it unlikely that the new government would abandon the current stability-oriented monetary and fiscal policies. There is, however, a risk that the necessary reforms (among others, taxation and pension reforms) may be delayed further.

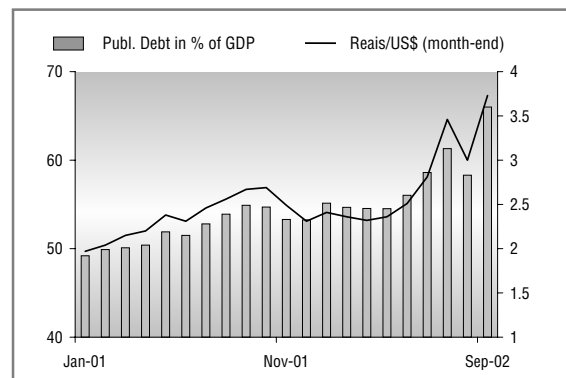
**Fiscal policy:** The higher debt dynamics (see graph) attributable to the devaluation of the real has made it increasingly difficult to revolve maturing dollar-indexed debt securities in recent months. In the forthcoming year some 177 billion reais (as per today's figures) worth of domestic securities will fall due for payment. We anticipate that the new government will gradually succeed in calming the local financial markets in particular. Accordingly, the new government should continue to be in a position to service its debts as agreed.

**Economic activity:** Following a rather modest recovery during the first semester of this year, the Brazilian economy is likely to have suffered a slump in the third quarter of 2002 as a result of the financial markets crisis. Industrial production, which stagnated in August compared to the previous month (excluding mining), is suffering the negative effects of high interest rates, among other factors. Given the contraction in consumer demand, the services sector will stagnate, especially since public expenditure has barely shown an increase either. Robust growth in the agricultural sector (forecast for 2002: 4%) should prevent it from sliding deeper into recession (GDP 2002: +0.5%). We anticipate that the gradual calm returning to the financial markets will produce a GDP growth rate of 1.4% (previous forecast: 3.0%).

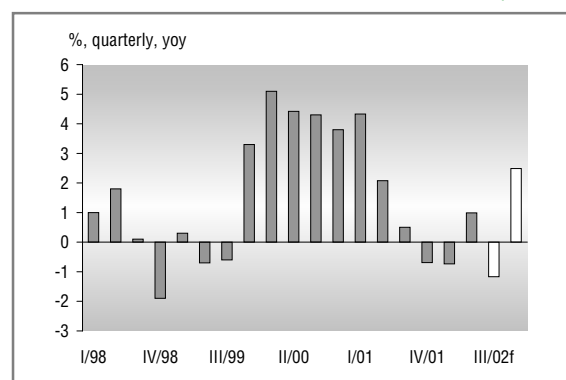
**Monetary sector:** Despite the considerable degree of devaluation, inflation remained relatively low (September: 0.7%, mom) However, the central bank is likely to miss its inflation target of 6% by a wide margin. Due to the weakness of the real, we do not see any leeway for lowering interest rates over the forthcoming months.

**External sector:** The effects of the current account adjustment relating to devaluation and economic activity factors were particularly evident in August and even produced a slight surplus. (Forecast for 2002: -2.9 % of GDP). The current account adjustment will probably continue in the coming year, and together with stabilizing capital inflows this will make a further deterioration in the value of the real unlikely. By year-end we anticipate an exchange rate of 3.4 reais/US\$ (end-2003: 3.0 reais/US\$).

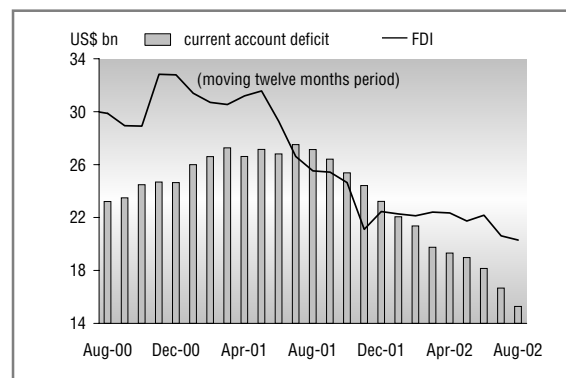
## PUBLIC DEBT AND EXCHANGE RATE



## GDP CHANGE (REAL)



## BALANCE OF PAYMENTS



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## MONTHLY AND QUARTERLY FIGURES

BRAZIL: MONTHLY INDICATORS		Jun-02	Jul-02	Aug-02	Sep-02	next/latest
<b>DOMESTIC ECONOMY</b>						
Public sector primary balance (ytd)	% of GDP	4.7	<b>4.5</b>	<b>4.5</b>		31-Oct
Public sector balance (ytd)	% of GDP	-2.8	<b>-2.6</b>	<b>-2.8</b>		31-Oct
Central government tax revenues	Reais bn	9.7	<b>23.8</b>	<b>10.8</b>		14-Oct
Capacity utilization (CNI)	% yoy	80.2	<b>81.1</b>			10-Oct
Industrial production (IBGE)	% yoy	0.7	<b>3.3</b>	<b>0.9</b>		7-Nov
Unemployment rate (IBGE)	%	7.5	<b>7.5</b>	<b>7.3</b>		23-Oct
Real wages per working hour (FIESP)	% yoy	6.1	<b>6.7</b>	<b>6.0</b>		10-Oct
Consumer prices	% yoy	7.7	7.5	<b>7.5</b>		9-Oct
Consumer prices	% mom	0.4	1.2	<b>0.7</b>		9-Oct
Money supply M1	% yoy	12.7	<b>20.0</b>	<b>23.0</b>		29-Oct
Interbank interest rate (latest: 10/07)*	%	18.4	17.9	<b>17.8</b>	<b>17.9</b>	<b>17.9</b>
Financial sector lending	% yoy	12.8	<b>13.2</b>	<b>9.3</b>		29-Oct
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ mn	4079	6223	<b>5751</b>	<b>6492</b>	1-Nov
Merchandise exports	% yoy	-19.1	25.3	<b>0.4</b>	<b>36.5</b>	1-Nov
Merchandise imports	US\$ mn	3404	5026	<b>4176</b>	<b>4012</b>	1-Nov
Merchandise imports	% yoy	-28.6	3.5	<b>-18.1</b>	<b>-3.6</b>	1-Nov
Trade balance	US\$ mn	675	1197	<b>1575</b>	<b>2480</b>	1-Nov
Current account balance	US\$ mn	-1294	-550	<b>316</b>		24-Oct
Net foreign direct investment	US\$ mn	1530	929	<b>882</b>		24-Oct
Foreign exchange reserves (latest:10/07)*	US\$ bn	42.0	39.0	<b>37.6</b>	<b>38.4</b>	<b>37.9</b>
US\$ exchange rate (latest: 10/07)*	Reais	2.84	3.46	<b>3.01</b>	<b>3.74</b>	<b>3.68</b>
BRAZIL: QUARTERLY INDICATORS		Q3 01	Q4 01	Q1 02	Q2 02	next/latest
<b>DOMESTIC ECONOMY</b>						
GDP	% yoy	0.5	-0.7	-0.7	<b>1.0</b>	29-Nov
GDP (s.a.)	% qq	-0.4	-0.1	0.9	<b>0.6</b>	29-Nov
Private consumption	% yoy	-3.3	-3.3	-1.3	<b>-0.3</b>	20-Dec
Public consumption	% yoy	1.6	1.4	0.9	<b>1.3</b>	20-Dec
Private and public investment	% yoy	1.7	-7.5	-8.4	<b>-6.3</b>	20-Dec
Exports of goods and services	% yoy	6.3	13.3	-1.8	<b>-7.7</b>	20-Dec
Imports of goods and services	% yoy	-7.8	-14.1	-18.8	<b>-17.5</b>	20-Dec
Agriculture	% yoy	3.3	9.9	4.4	<b>4.6</b>	29-Nov
Industry	% yoy	-2.0	-5.5	-3.9	<b>0.3</b>	29-Nov
Services	% yoy	2.1	1.8	1.7	<b>1.4</b>	29-Nov
Public debt	Reais bn	671.9	660.9	680.7	750.3	29-Oct
<b>EXTERNAL SECTOR</b>						
Current account balance	US\$ bn	-4.1	-5.8	-3.2	-5.1	27-Oct
Net foreign direct investment	US\$ bn	5.4	7.4	4.7	4.9	27-Oct
Portfolio investment	US\$ bn	1.7	3.3	2.4	-1.5	27-Oct
Capital account **	US\$ bn	10.7	3.1	4.4	10.2	27-Oct
Change in foreign exchange reserves	US\$ bn	2.7	-4.2	0.9	5.3	27-Oct
Gross foreign debt	US\$ bn	216.5	209.9	210.8	<b>219.0</b>	19-Dec
Short-term foreign debt	US\$ bn	27.1	27.7	29.4	<b>30.2</b>	19-Dec
* month-end						** incl. residual items



# CHILE

In Chile, the turmoil in Brazil is being reflected in a significantly depreciated peso and comparatively high risk spreads on public foreign debt. In spite of this, we still consider Chile a safe haven in Latin America. In view of low inflation figures the depreciation of the peso is boosting the competitive position of the economy, and even the temporary higher risk spreads are having no significant impact on the government's refinancing options on the international capital market. In fiscal policy terms, the government's 2003 draft budget is sending the right signals. Looking at the economic data nothing has changed: the economy is not picking up momentum and the anticipated upturn will be delayed well into next year. In the current regional and global context, however, growth rates of 1.8% this year and 3% next year are quite remarkable.

## ANNUAL FIGURES AND FORECASTS

CHILE		1999	2000	2001	2002f	2003f
<b>DOMESTIC ECONOMY</b>						
GDP change (real)	%	-1.0	4.4	2.8	1.8	3.0
GDP	US\$ bn	73.0	74.9	66.4	64.0	68.8
Inflation (year-end)	%	2.3	4.5	2.6	3.3	3.5
Inflation (average)	%	3.3	3.8	3.6	2.5	3.5
<b>PUBLIC SECTOR</b>						
Budget balance, central government	% GDP	-1.3	0.3	-0.3	-1.2	-1.0
Budget balance, public sector	% GDP	-1.5	-0.6	-0.6	-1.5	-1.2
Public debt	% GDP	13.9	13.9	15.6	17.5	18.0
Amortization ***	US\$ bn	0.6	1.2	0.8	0.9	1.1
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ bn	17.2	19.2	18.5	17.9	19.0
Merchandise imports	US\$ bn	14.7	17.1	16.4	15.5	16.6
Trade balance	US\$ bn	2.5	2.2	2.1	2.4	2.4
Current account balance	US\$ bn	-0.3	-1.1	-1.2	-0.4	-0.8
Current account balance	% GDP	-0.4	-1.4	-1.9	-0.7	-1.2
Net foreign direct investment	US\$ bn	6.2	-0.3	3.0	0.4	1.6
Foreign exchange reserves, year-end	US\$ bn	14.6	15.1	14.4	14.7	15.1
Import cover **	months	7.9	7.0	6.9	7.4	7.1
US\$ exchange rate, year-end	Pesos	530	574	661	700	700
US\$ exchange rate, average	Pesos	509	540	635	690	685
<b>FOREIGN DEBT</b>						
Gross foreign debt	US\$ bn	34.2	36.6	37.7	38.5	38.3
Foreign debt	% exports**	159	151	160	168	157
Short-term foreign debt	US\$ bn	1.2	2.5	1.9	2.4	2.5
Foreign debt amortization	US\$ bn	2.8	4.0	4.5	4.6	4.2
Foreign debt service	US\$ bn	4.4	5.9	6.3	6.0	6.1
Foreign debt service	% exports**	21	25	27	25	24
<b>FINANCIAL MARKETS (year-end)</b>						
Base rate, 90 days (PDBC)	%	10.7	8.5	6.2	3.5	6.0
IPSA stock index (peso based, 2002: 10/07)		100	96	113	78	
IFCI stock index (US\$ based, 2002: 10/07)		613	520	479	350	
Bond market yield spread (2002: 10/07)*	bp	152	221	180	243	
* 6 <sup>7/8</sup> % US\$-Bond (2009)		**goods and services		*** excl. domestic debt		f=forecast

## ECONOMIC ACTIVITY

**Fiscal policy:** The budget plan presented by the central government at the beginning of October provides for a 0.7% GDP deficit in 2003. In our opinion, this slight deficit appears to be consistent with stability; against the backdrop of the low level of public-sector debt (17% of GDP), we do not consider a stricter austerity policy necessary (as has been called for by some voices in the country). The deficit is to be financed by means of a bond issue with a volume of up to US\$ 1.5 billion; it has not been determined yet at this point whether this sum should be raised on the domestic market or abroad.

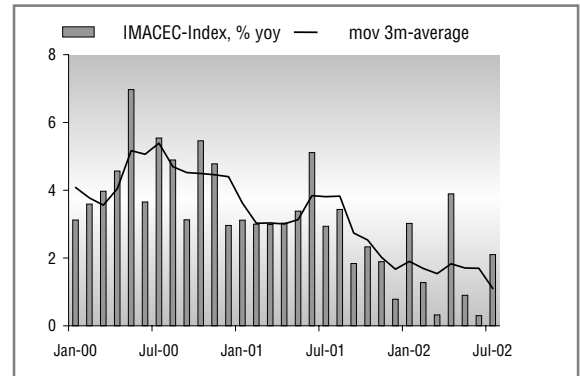
**Economic activity:** Chile's economy continues to sputter along only at half throttle. The increase as measured by the monthly economic activity indicator (IMACEC) of 2.1% year-on-year in July does not mean a trend reversal and in the forthcoming months we expect an average growth rate of just around 1.5% (GDP growth 2002 1.8%): We predict that due to the bleaker international growth forecasts and the uncertainties in the region emanating from Brazil, the acceleration in growth anticipated for the first half of 2003 will turn out weaker than expected. As a result we have lowered our growth forecast for 2003 to 3% (previously: 4.5%)

**Monetary sector:** The depreciation of the Chilean peso against the U.S. dollar and the increasing prices of crude oil triggered a 0.8% rise in consumer prices month-on-month (2.3% year-on-year) in September. As a result the consumer price increase and likewise the core inflation rate (2.0%) are currently at the lower end of the inflation band of 2 to 4% targeted by the central bank. Due to high oil prices, strong growth in wholesale prices (6.7% year-on-year) and statistical base effects, the inflation rate should rise to 3.2% year-on-year at the end of the year, reducing the Central Bank's leverage for a decrease in the key interest rates accordingly.

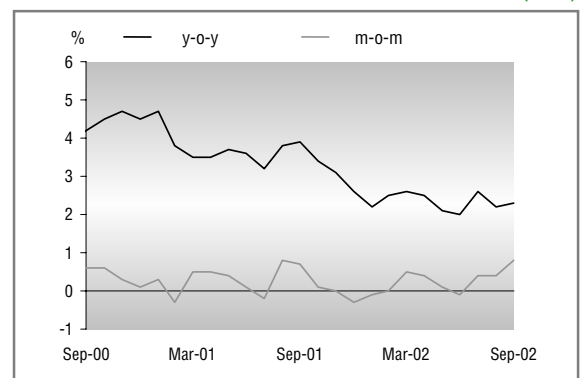
**External sector:** In August, imports recorded a surprising increase of 21% after having previously declined year-on-year for 13 months in succession. We do not consider this a trend reversal but are expecting that due to the high oil prices the declining trend in imports will come to an end in the forthcoming months. Export performance in August (-13.3% yoy) is attributable to an exceptionally low volume of copper exports. Since the forthcoming months will also see significantly lower copper prices than previously anticipated, we are lowering our forecast for the trade balance surplus for the year 2002 as a whole to US\$ 2.4 billion.

**Exchange rate:** The performance of the Chilean peso against the U.S. dollar reflects a high correlation with the Brazilian real over the past several months. A slight recovery of copper prices from their current level and a moderate calm-down in Brazil should cause the peso to appreciate to around 700 pesos/US\$ by year-end.

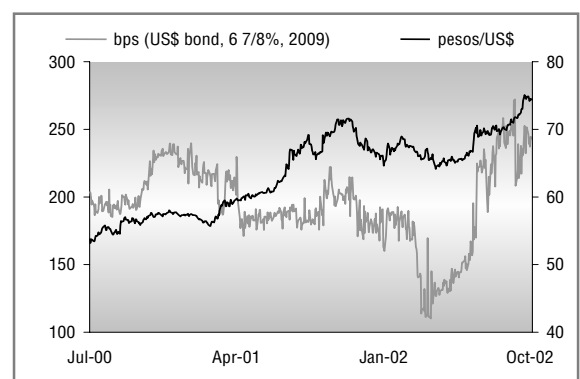
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## INFLATION (CPI)



## EXCHANGE RATE & BOND SPREAD



## MONTHLY AND QUARTERLY FIGURES

CHILE: MONTHLY INDICATORS		Jun-02	Jul-02	Aug-02	Sep-02	next/latest
<b>DOMESTIC ECONOMY</b>						
IMACEC	% yoy	0.3	<b>2.1</b>			17-Oct
Industrial production (INE)	% yoy	-2.0	8.6	<b>-1.0</b>		29-Oct
Mining production	% yoy	-0.6	-12.3	<b>-4.5</b>		29-Oct
Retail sales	% yoy	0.5	-2.9	<b>0.8</b>		29-Oct
Unemployment rate	%	9.5	9.4	<b>9.6</b>		29-Oct
Employment	mn	5.3	5.3	<b>5.3</b>		29-Oct
Labour cost index	% yoy	0.2	0.3	<b>0.2</b>		5-Nov
Consumer prices	% yoy	2.0	2.6	<b>2.2</b>	<b>2.3</b>	5-Nov
Consumer prices	% mom	-0.1	0.4	<b>0.4</b>	<b>0.8</b>	5-Nov
Wholesale prices	% yoy	4.9	7.1	<b>5.6</b>	<b>6.7</b>	5-Nov
Wholesale prices	% mom	-0.2	3.0	<b>1.2</b>	<b>2.5</b>	5-Nov
Money supply M1	% yoy	12.8	12.3	<b>17.3</b>	<b>16.7</b>	7-Nov
Base rate, 90 days PDBC (month-avg., latest: 10/03)	%	4.0	3.5	<b>3.0</b>	<b>3.0</b>	<b>3.1</b>
Loan rate (average)	%	14.9	13.8	<b>13.4</b>	<b>12.8</b>	7-Nov
Deposit rate (average)	%	4.2	3.6	<b>3.0</b>	<b>3.0</b>	7-Nov
Lending to private sector	% mom	3.1	0.7	<b>-1.1</b>		23-Oct
Total financial savings (M7)	% mom	0.0	0.4	<b>-0.1</b>	<b>0.4</b>	7-Nov
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ mn	1675	1422	<b>1390</b>		17-Oct
Merchandise exports	% yoy	9.5	0.0	<b>-13.3</b>		17-Oct
Merchandise imports	US\$ mn	1361	1166	<b>1616</b>		17-Oct
Merchandise imports	% yoy	-4.9	-20.4	<b>21.0</b>		17-Oct
Trade balance	US\$ mn	314	256	<b>-226</b>		17-Oct
Net foreign direct investment	US\$ mn	-224	285.2	<b>80.7</b>		7-Nov
Portfolio investment (net)	US\$ c/lb	-303	-219.5	<b>-419.4</b>		7-Nov
Copper price (monthly average, latest: 10/07)	Mrd. US\$	74.7	72.1	67.1	<b>67.1</b>	<b>66.1</b>
Foreign exchange reserves*	US\$ bn	15.2	15.1	14.9	<b>14.7</b>	7-Nov
US\$ exchange rate (latest: 10/07)	CLP	688.8	704.9	710.5	<b>748.7</b>	<b>743.8</b>
CHILE: QUARTERLY INDICATORS		Q3 01	Q4 01	Q1 02	Q2 02	next/latest
<b>DOMESTIC ECONOMY</b>						
GDP	% yoy	2.7	1.7	1.6	1.7	25-Nov
Total consumption + change in stocks	% yoy	-1.3	-4.5	-3.2	-0.8	25-Nov
Private and public investment	% yoy	3.7	-6.2	-1.3	0.9	25-Nov
Domestic demand	% yoy	-0.2	-4.9	-2.7	-0.4	25-Nov
Exports (goods and services)	% yoy	7.2	12.5	6.0	8.6	25-Nov
Imports (goods and services)	% yoy	-2.0	-8.9	-6.6	2.9	25-Nov
Budget balance, central government	Pesos bn	-11.0	-274.5	-96.8	-193.9	14-Nov
<b>EXTERNAL SECTOR</b>						
Current account balance	US\$ bn	-0.78	-0.25	0.31	0.10	25-Nov
Net foreign direct investment	US\$ bn	0.75	-0.19	0.15	0.10	25-Nov
Portfolio investment	US\$ bn	0.72	0.18	-0.69	0.21	25-Nov
Capital account**	US\$ bn	0.78	0.25	-0.31	-0.10	25-Nov
Change in foreign exchange reserves	US\$ bn	-0.29	-0.06	-0.16	0.56	25-Nov
Gross foreign debt	US\$ bn	37.1	37.7	37.4	38.8	7-Nov
Short-term foreign debt	US\$ bn	1.85	1.92	2.02	2.59	7-Nov
* month-end						** incl. residual items



# COLOMBIA

Despite the announced tax increases, the popularity of President Uribe has risen further, to over 70%. Congress is opposing planned budget cuts, however, and rumblings of resistance are also starting to be heard from among the unions. Even though the budget deficit for this year will top 4%, the IMF is satisfied with the reforms introduced to date. The public sector is in dire need of financial support from official lenders at present: With spreads over more than 1000 points, the international markets are virtually closed to the government, and even in the local market spreads on government bonds have recently seen a sharp rise. With the Colombian peso losing some 16% of its value against the US\$ over the last three months, and expecting only a moderate calm-down of the situation in the coming months, we have increased our year-end forecast to 2900 pesos/US\$ (previously 2550 pesos/US\$.)

## ANNUAL FIGURES AND FORECASTS

COLOMBIA		1999	2000	2001	2002f	2003f
<b>DOMESTIC ECONOMY</b>						
GDP change (real)	%	-4.2	2.7	1.3	1.2	2.5
GDP	US\$ bn	86.3	83.2	81.5	84.8	84.6
Inflation (year-end)	%	9.2	8.8	7.7	6.7	6.0
Inflation (average)	%	10.9	9.2	8.0	6.4	6.1
<b>PUBLIC SECTOR</b>						
Budget balance, central government	% GDP	-7.5	-5.9	-4.7	-5.9	-5.7
Budget balance, public sector	% GDP	-6.5	-3.6	-3.4	-4.1	-3.7
Public debt	% GDP	43	49	54	56	57
Amortization	US\$ bn	6.1	5.7	6.5	5.1	4.7
Gross financing needs	US\$ bn	11.0	8.2	9.3	8.6	7.8
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ bn	12.0	13.6	12.8	12.3	12.8
Merchandise imports	US\$ bn	10.2	11.1	12.5	12.1	12.5
Trade balance	US\$ bn	1.8	2.5	0.3	0.2	0.3
Current account balance	US\$ bn	0.3	0.3	-2.0	-2.4	-2.5
Current account balance	% GDP	0.3	0.4	-2.5	-2.8	-3.0
Net direct investment	US\$ bn	1.4	2.1	2.0	1.6	2.2
Foreign exchange reserves, year-end	US\$ bn	8.0	8.9	10.2	9.8	9.4
Import cover ***	months	6.1	6.0	6.3	6.0	5.5
US\$ exchange rate, year-end	Pesos	1874	2229	2291	2900	3065
US\$ exchange rate, average	Pesos	1756	2088	2300	2559	3002
<b>FOREIGN DEBT</b>						
Gross foreign debt	US\$ bn	36.0	35.9	38.5	40.8	42.3
Foreign debt	% exports***	245	218	245	265	264
Short-term foreign debt	US\$ bn	5.5	4.2	4.3	4.7	5.0
Foreign debt amortization	US\$ bn	4.9	5.6	5.7	5.5	6.5
Foreign debt service	US\$ bn	7.5	8.3	8.3	8.2	9.3
Foreign debt service	% exports***	51	50	53	53	58
<b>FINANCIAL MARKETS (year-end)</b>						
Deposit rate (DTF, 90 days)	%	15.8	13.4	11.4	11.2	12.5
IBB stock index (peso based, 2002: 10/07)*		998	713	1071*	1287	
IFCG stock index (US\$ based, 2002: 10/07)		813	448	561	509	
Bond market yield spread (2002: 10/07)**	bp	423	755	516	1021	

\* as of July 2001: IGBC \*\* EMBI+ \*\*\*goods and services f=forecast

**Domestic policy:** President Uribe is undeterred in pursuing his strategy for solving the serious problems besetting his country, and he is trying to implement his plans for reforms (political reform, taxation and pension reforms) without having to make any major concessions. There are inherent risks in this strategy (Congress may decide to oppose his reforms), but it is nevertheless based on the consideration that the country cannot afford any feeble compromises at this critical stage. In addition, Uribe has emerged with greater political strength after his opponent Serpa resigned from the office of Chairman of the Liberal Party and a greater backing by the public as evidenced by positive opinion polls.

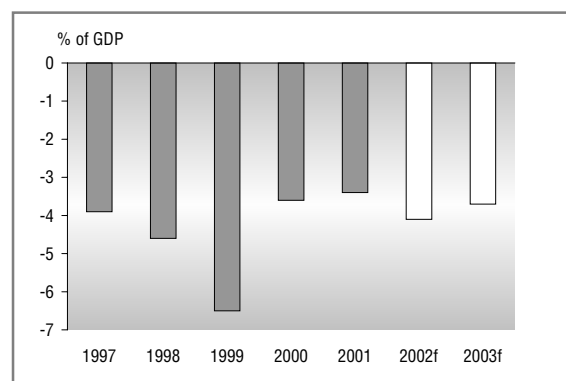
**Public finances:** In early September President Uribe announced that the government intends not only to improve the country's revenue situation by means of a comprehensive taxation reform, but also to reduce central government spending by 1 percentage point of GDP. After Congress opposed the budget cuts, the government now intends to let the people decide the fate of a spending freeze in a referendum. Following consultations with representatives of the U.S. government and official lenders, it appears that the financing requirements of the government will be covered for the next few months despite a lack of opportunities to raise finance on the private capital market. The announcement by the Ministry of Finance that the budget deficit will exceed 4% this year demonstrates how badly progress is needed in terms of bringing about reforms.

**Economic activity:** Following the surprisingly strong growth of 2.2% during the second quarter, higher interest rates will be slowing the economy down for the rest of the year. We foresee a decrease in the rate of growth starting in the third quarter, leaving our growth forecast for 2002 unchanged at 1.2%.

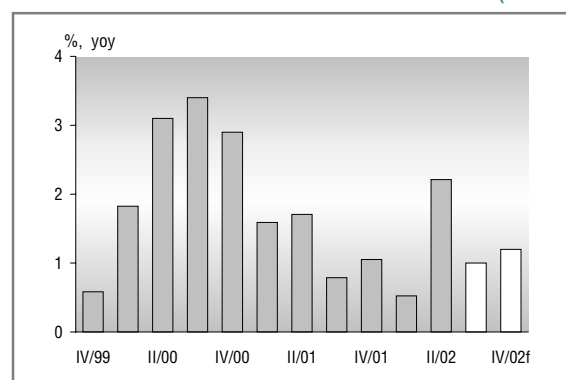
**Monetary sector:** The tense situation in the international capital markets and the delays experienced in consolidating the budget are reflected in an increase in the risk spread on Colombian government bonds in the domestic and international capital markets, as well as in the accelerating depreciation of the peso in the forex market. The latter caused producer prices to rise by 6.8% (year-on-year) in September, and the likely result is that the year-end inflation target of 6% will not be achieved.

**External sector:** In spite of the high oil price, the export sector continued its downward slide. In August, exports were down 21% year-on-year. We anticipate a further trade deficit for this month. Foreign currency reserves dropped slightly recently, after the central bank intervened in the forex market for the third time this year, to the tune of some US\$ 100 million.

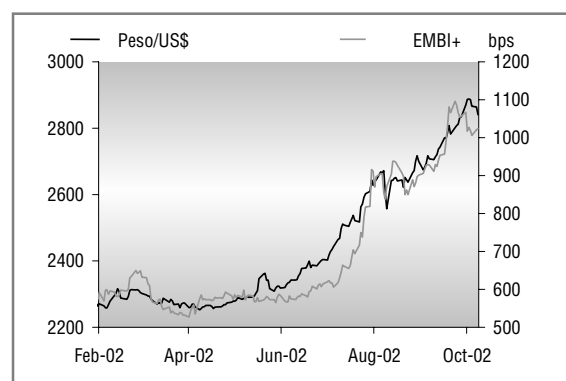
## BUDGET BALANCE PUBLIC SECTOR



## GDP CHANGE (REAL)



## EXCHANGE RATE AND BOND SPREAD



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## MONTHLY AND QUARTERLY FIGURES

COLOMBIA: MONTHLY INDICATORS		Jun-02	Jul-02	Aug-02	Sep-02	next/latest
<b>DOMESTIC ECONOMY</b>						
Industrial production	% yoy	1.2	2.7			11-Oct
Retail sales	% yoy	4.1	3.2			18-Oct
Unemployment rate (urban)	%	18.0	18.3	18.1		25-Oct
Active labour force (urban)	% yoy	3.0	3.7	3.5		25-Oct
Consumer prices	% yoy	6.3	6.2	6.3	6.0	31-Oct
Consumer prices	% mom	0.4	0.0	0.1	0.4	31-Oct
Producer prices	% yoy	2.95	3.8	4.8	6.8	31-Oct
Producer prices	% mom	0.36	0.9	1.2	2.0	31-Oct
Money supply M1 (latest: 10/02)*	% yoy	22.5	22.1	28.7	24.9	28.6
Money supply M3 *	% yoy	8.0	8.9	8.0		14-Oct
Lending rate *	%	16.8	15.6	14.9		14-Oct
Deposit rate (DTF, 90 days, latest: 10/04)*	%	8.2	7.7	8.0	7.9	7.9
Treasury bills (TES, 1 year)*	%	8.4	10.5	10.5		
Interbank interest rate (latest: 10/07)*	%	5.2	5.4	5.3	5.3	5.3
Credit volume *	% yoy	-2.6	-1.0	-0.4		14-Oct
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ mn	914	1040	908		25-Oct
Merchandise exports	% yoy	-8.3	-10.0	-21.2		25-Oct
Merchandise imports	US\$ mn	929	993.0			18-Oct
Merchandise imports	% yoy	-6.5	1.0			18-Oct
Trade balance	US\$ mn	-15	47			18-Oct
Foreign exchange reserves (latest: 10/02)*	US\$ mn	10821	10679	10650	10700	10638
US\$ exchange rate (latest: 10/07)*	pesos	2404	2628	2701	2870	2848
<b>COLOMBIA: QUARTERLY INDICATORS</b>						
		Q3 01	Q4 01	Q1 02	Q2 02	next/latest
<b>DOMESTIC ECONOMY</b>						
GDP	% yoy	0.8	1.1	0.5	2.2	30-Dec
GDP	% qoq	0.6	0.5	-0.5	1.6	30-Dec
Domestic consumption	% yoy	1.0	1.8	1.8	1.9	30-Dec
Domestic investment	% yoy	10.4	0.5	-12.6	-0.3	30-Dec
Domestic demand	% yoy	2.3	1.6	-0.4	1.5	30-Dec
Exports (goods and services)	% yoy	1.6	1.1	-0.8	3.7	30-Dec
Imports (goods and services)	% yoy	10.3	4.3	-5.8	0.2	30-Dec
Manufacturing industry	% yoy	-3.2	-3.0	-3.6	1.0	30-Dec
Financial sector and real estate	% yoy	0.5	1.1	0.0	3.2	30-Dec
Budget balance, central government	Pesos bn	-1114	-4204	-2166	-2844	30-Dec
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ bn	3.36	3.08	2.86	3.24	30-Dec
Merchandise imports	US\$ bn	3.04	2.96	2.60	3.18	30-Dec
Trade balance	US\$ bn	0.32	0.11	0.25	0.06	30-Dec
Current account balance	US\$ bn	-0.16	-0.36	-0.28	-0.52	30-Dec
Net foreign direct investment	US\$ bn	0.40	0.42	0.76	0.48	30-Dec
Portfolio investment	US\$ bn	0.11	0.75	-0.73	-0.68	30-Dec
Capital account**	US\$ bn	0.33	0.47	-0.28	0.10	30-Dec
Change in foreign exchange reserves	US\$ bn	0.49	0.48	0.10	0.69	37620.00
* month-end		** incl. residual items				



# MEXICO

The moderate upturn in economic activity continues. This is chiefly attributable to private consumption, which is benefiting from rising employment, increasing real wages and lower interest rates in real terms. In contrast, the export-oriented sectors are being impacted by the sluggish U.S. economy, a condition likely to accompany its neighboring country well into next year. The economic stimuli arising from foreign demand will most probably be considerably weaker in 2003 than originally anticipated. We have therefore lowered our growth forecast for Mexico from 4.5% to 3%. The strongest impact of the turmoil on the international financial markets on Mexico is being reflected in the depreciation of the peso, which has meanwhile induced the central bank to tighten its monetary policy. In fundamental terms, we no longer see any need for a further devaluation of the Mexican currency at this point.

## ANNUAL FIGURES AND FORECASTS

MEXICO		1999	2000	2001	2002f	2003f
<b>DOMESTIC ECONOMY</b>						
GDP change (real)	%	3.7	6.6	-0.3	1.7	3.0
GDP	US\$ bn	481	581	618	636	661
Inflation (year-end)	%	12.3	9.0	4.4	5.0	3.5
Inflation (average)	%	16.6	9.5	6.4	4.9	4.2
<b>PUBLIC SECTOR</b>						
Budget balance, central government	% GDP	-1.7	-1.5	-1.0	-1.0	-0.8
Budget balance, public sector	% GDP	-1.1	-1.1	-0.7	-0.7	-0.5
Public debt	% GDP	43	39	40	42	43
Amortization (not incl. Cetes)***	US\$ bn	n.a.	44.3	23.7	20.1	
Gross financing needs***	US\$ bn	n.a.	52.9	31.2	26.6	
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ bn	136.4	166.5	158.4	162.4	168.8
Merchandise imports	US\$ bn	142.0	174.5	168.4	170.7	180.1
Trade balance	US\$ bn	-5.6	-8.0	-10.0	-8.3	-11.3
Current account balance	US\$ bn	-14.4	-17.7	-17.9	-15.3	-18.3
Current account balance	% GDP	-3.0	-3.1	-2.9	-2.4	-2.8
Net foreign direct investment	US\$ bn	12.5	14.2	24.8	12.0	14.0
Foreign exchange reserves, year-end	US\$ bn	31.8	35.5	44.7	45.7	47.2
Import cover **	months	2.2	2.0	2.6	2.7	2.6
US\$ exchange rate, year-end	Pesos	9.48	9.61	9.17	9.80	10.00
US\$ exchange rate, average	Pesos	9.56	9.46	9.34	9.61	9.91
<b>FOREIGN DEBT</b>						
Gross foreign debt	US\$ bn	167.5	158.6	159.2	166.0	172.0
Foreign debt	% exports**	110	85	90	92	92
Short-term foreign debt	US\$ bn	38.3	39.8	40.2	41.5	43.3
Foreign debt amortization	US\$ bn	23.4	24.6	17.7	17.0	15.8
Foreign debt service	US\$ bn	36.5	38.5	30.3	30.1	28.3
Foreign debt service	% exports**	24	21	17	17	15
<b>FINANCIAL MARKETS (year-end)</b>						
Interest rates (Cetes, 28 days)	%	16.3	17.6	7.4	8.0	7.0
IPC stock index (peso based, 2002: 10/07)		7130	5652	6372	5854	
IFCI stock index (US\$ based, 2002: 10/07)		859	675	761	613	
Bond market yield spread (2002: 10/07)*	bp	363	392	308	411	
* EMBI+ ** goods and services *** central government						f=forecast

**Public finances:** From January until August 2002 the public sector managed to generate a budget surplus of 3.9 billion pesos. The deterioration of figures in a year-on-year comparison (14.2 billion pesos) is solely attributable to a portion of the expenses (which are traditionally higher in the second half of the year) being brought forward to the first half of the year. In view of the presumably sustained high oil prices and low financing costs we expect the government to meet its budget target of -0.65% of GDP without any difficulty.

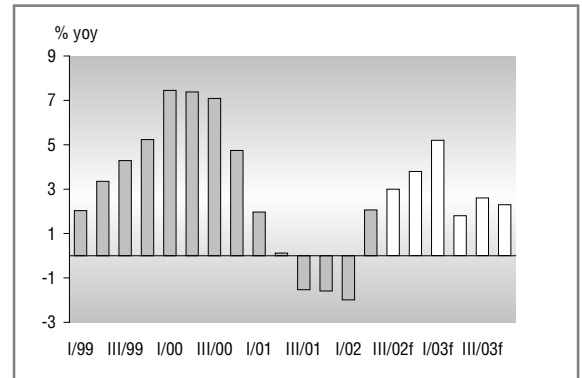
**Economic activity:** In the third quarter the moderate upturn in economic activity is likely to have continued (DBLA forecast: +3% year-on-year). In the process, economic indicators suggest that growth is increasingly being generated in sectors dependent on domestic demand (retail sales in July: +2.1% year-on-year) while the export-oriented sectors, which sparked a turnaround in economic activity in the first quarter, are likely to stagnate at present. The ongoing growth in employment figures (January-August: +227,000 jobs), in particular in the construction and services sectors, suggests that private consumption can keep the economy moving until the end of the year. Although foreign demand will pick up slightly again next year, we nevertheless have reason to downgrade the 2003 GDP forecast for Mexico from 4.5% to 3% in light of the meanwhile lower prospects for growth in the U.S.

**Monetary sector:** The Mexican central bank has absorbed liquidity from the banking sector by raising the "corto" from 300 million to 400 million pesos. The upward revision of inflation expectations in the private sector and the depreciation of the peso increasingly being reflected in price movements made it necessary to tighten monetary policy. In the year 2002, Banxico will be slightly off its inflation target of 4.5%.

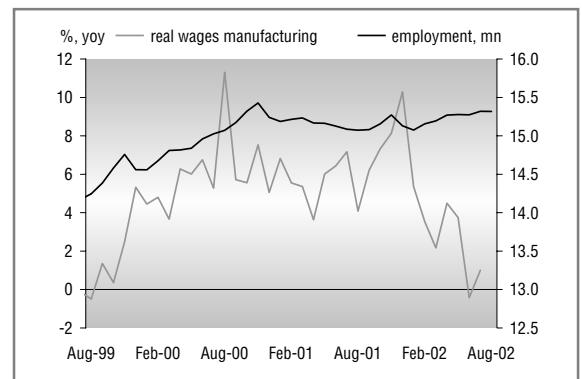
**Exchange rate:** The peso has again been dragged into the whirl of negative economic news from the U.S. and the turmoil in the global financial markets and has depreciated significantly against the U.S. dollar. This has done nothing to change our fundamental assessment: In view of the stable long-term capital inflows anticipated and a moderate current account deficit of 2.4% of GDP (2002) a depreciation beyond the current level would not be justified by the fundamentals. Assuming that the level of risk aversion in the international financial markets will subside, we still consider it likely that by year-end the exchange rate will recover to 9.8 pesos/US\$ .

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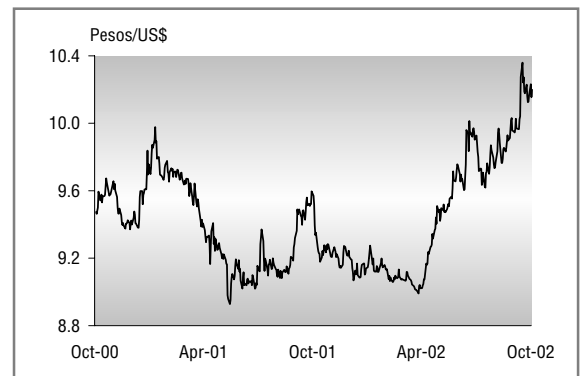
## GDP CHANGE (REAL)



## WAGES & EMPLOYMENT



## EXCHANGE RATE



## MONTHLY AND QUARTERLY FIGURES

MEXICO: MONTHLY INDICATORS		May-02	Jun-02	Jul-02	Aug-02	next/latest
<b>DOMESTIC ECONOMY</b>						
Economic activity index (IGAE)	% yoy	1.7	0.6	<b>2.7</b>		25-Oct
IGAE index (seasonally adjusted)	% mom	0.5	0.2	<b>0.1</b>		25-Oct
Industrial production	% yoy	0.8	-0.8	<b>1.9</b>		14-Oct
Manufacturing, in-bond industry	% yoy	-10.0	-8.2	<b>-4.2</b>		14-Oct
Manufacturing (excluding in-bond industry)	% yoy	0.9	-1.3	<b>2.2</b>		14-Oct
Construction	% yoy	4.0	2.5	<b>2.0</b>		14-Oct
Gross fixed capital formation	% yoy	3.3	-2.3	<b>0.6</b>		7-Nov
Retail sales	% yoy	3.1	-0.4	<b>2.1</b>		22-Oct
Wholesale sales	% yoy	-5.9	-10.7	<b>-5.2</b>		22-Oct
Unemployment rate	%	2.7	2.4	2.9	<b>2.8</b>	17-Oct
Employees (social insurance)	% yoy	0.7	1.0	1.5	<b>1.6</b>	25-Oct
Real wages per employee, manufacturing	% yoy	3.5	-0.4	<b>1.0</b>		29-Oct
Budget balance, public sector	Pesos bn	9.1	3.9	-26.5	<b>6.5</b>	4-Nov
Public domestic debt	Pesos bn	838.8	852.7	856.5	<b>867.6</b>	4-Nov
Public external debt	US\$ bn	78.7	77.9	77.3	<b>77.7</b>	4-Nov
Consumer prices	% yoy	4.7	4.9	5.5	<b>5.3</b>	9-Oct
Consumer prices	% mom	0.2	0.5	0.3	<b>0.4</b>	9-Oct
Producer prices (excl. Services)	% yoy	3.0	3.9	4.6	<b>4.4</b>	9-Oct
Producer prices (excl. Services)	% mom	0.7	0.8	0.5	<b>0.2</b>	9-Oct
Money supply M1a	% yoy	17.7	18.1	16.1	<b>13.3</b>	25-Oct
Treasury bills, Cetes 28d (latest: 10/01)	%	6.9	8.1	6.7	<b>8.6</b>	<b>7.9</b>
Comercial bank lending (excl. restructuring)	% yoy	-0.9	1.1	2.2	<b>3.1</b>	25-Oct
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ mn	13922	13202	14025	<b>13767</b>	9-Oct
Merchandise exports	% yoy	-0.9	-1.7	8.6	<b>2.3</b>	9-Oct
Merchandise imports	US\$ mn	14443	13519	14570	<b>14300</b>	9-Oct
Merchandise imports	% yoy	-1.5	-1.7	7.8	<b>1.0</b>	9-Oct
Trade balance	US\$ mn	-522	-317	-548	<b>-533</b>	9-Oct
Foreign exchange reserves (latest: 09/27)	US\$ bn	0.0	45.5	46.1	46.6	<b>46.6</b>
US\$ exchange rate (latest: 10/07)	Pesos	9.66	9.94	9.87	10.2	<b>10.23</b>
<b>MEXICO: QUARTERLY INDICATORS</b>						
		Q3 01	Q4 01	Q1 02	Q2 02	next/lat
<b>DOMESTIC ECONOMY</b>						
GDP	% yoy	-1.5	-1.6	-2.0	2.1	15-Nov
Private consumption	% yoy	1.6	1.5	-1.5	<b>2.9</b>	13-Dec
Public consumption	% yoy	-3.5	3.3	-1.1	<b>-1.6</b>	13-Dec
Private and public investment	% yoy	-8.5	-9.8	-1.0	<b>1.6</b>	13-Dec
Domestic demand	% yoy	-1.7	-0.4	-1.6	<b>2.2</b>	13-Dec
Exports (goods and services)	% yoy	-9.5	-10.9	-5.8	<b>3.3</b>	13-Dec
Imports (goods and services)	% yoy	-8.0	-7.7	-3.8	<b>3.6</b>	13-Dec
<b>EXTERNAL SECTOR</b>						
Current account balance	US\$ bn	-3.3	-5.8	-3.8	<b>-3.0</b>	30-Nov
Net foreign direct investment	US\$ bn	14.6	2.4	2.7	<b>3.4</b>	30-Nov
Net foreign portfolio investment (incl. bonds)	US\$ bn	0.3	-0.4	2.6	<b>-3.4</b>	30-Nov
Capital account **	US\$ bn	4.0	7.6	5.1	<b>3.5</b>	30-Nov
Change in foreign exchange reserves*	US\$ bn	0.7	1.5	1.3	<b>0.5</b>	30-Nov

\* balance of payments \*\* incl. residual items

# PERU

Recent weeks brought good news regarding Peru's economic development: GDP rose stronger than expected in July and August, domestic demand firmed, and the trade balance was in positive territory once again. And yet, both the exchange rate trend and the unusually high risk spread on international government bonds (more than 800 basis points) are an expression of the lack of confidence in Peru's future macro-economic development on the part of the capital market. The reason lies in the government's weak position, which does not augur well for the implementation of urgently needed reforms for the near future. We still expect the economy to slow by year-end; however, in view of the surprisingly good economic data for the third quarter, we have upgraded our growth forecast for 2002 to 3.5% (previously 3.0%).

## ANNUAL FIGURES AND FORECASTS

PERU		1999	2000	2001	2002f	2003f
<b>DOMESTIC ECONOMY</b>						
GDP change (real)	%	0.9	3.1	0.2	3.5	2.8
GDP	US\$ bn	51.7	53.5	54.8	55.8	56.4
Inflation (year-end)	%	3.7	3.7	-0.1	1.2	2.2
Inflation (average)	%	3.5	3.8	2.0	0.2	1.9
<b>PUBLIC SECTOR</b>						
Budget balance, central government	% GDP	-2.7	-3.1	-2.3	-2.7	-2.4
Budget balance, public sector	% GDP	-3.1	-3.2	-2.4	-2.9	-2.4
Public debt	% GDP	44	42	42	43	43
Amortization	US\$ bn	0.87	1.26	0.94	1.53	1.10
Gross financing needs	US\$ bn	2.47	2.98	2.26	3.15	2.45
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ bn	6.1	7.0	7.1	7.4	7.8
Merchandise imports	US\$ bn	6.7	7.3	7.2	7.2	7.6
Trade balance	US\$ bn	-0.6	-0.3	-0.1	0.2	0.2
Current account balance	US\$ bn	-1.9	-1.6	-1.1	-1.0	-1.1
Current account balance	% GDP	-3.7	-3.1	-2.0	-1.7	-2.0
Net foreign direct investment	US\$ bn	2.3	0.7	1.1	0.7	0.8
Foreign exchange reserves, year-end	US\$ bn	8.4	8.2	8.6	10.0	10.5
Import cover	months**	9.0	8.2	8.8	10.1	10.3
US\$ exchange rate, year-end	Soles	3.51	3.52	3.44	3.65	3.70
US\$ exchange rate, average	Soles	3.38	3.49	3.48	3.55	3.68
<b>FOREIGN DEBT</b>						
Gross foreign debt	US\$ bn	29.6	30.4	29.9	31.5	32.5
Foreign debt	% exports**	325	315	317	332	324
Short-term foreign debt	US\$ bn	3.3	3.3	3.0	3.0	2.8
Foreign debt amortization	US\$ bn	2.3	2.2	2.3	2.1	2.5
Foreign debt service	US\$ bn	3.8	4.1	3.7	3.8	3.8
Foreign debt service	% exports**	42	43	40	40	38
<b>FINANCIAL MARKETS (year-end)</b>						
Interbank interest rate (av)	%	16.9	11.4	3.1	4.0	7.0
IGBVL stock index (sol based, 2002: 10/07)		1836	1208	1163	1154	
IFCI stock index (US\$ based, 2002: 10/07)		161	116	128	151	
Bond market yield spread (2002: 10/07)*	bp	443	687	520	858	

\* EMBI+ \*\*goods and services f=forecast

**Fiscal policy:** Despite increasing tax revenues (9% year-on-year), central bank information regarding the central government's cash flow points towards a renewed increase in the budget deficit for August. We expect a marked slowdown in economic growth for the last quarter of this year. The fact that the government will find it difficult to achieve any further spending cuts confirms our projected increase in the budget deficit/GDP ratio from 2.4% to 2.9%. The government has lifted its upper limit for the deficit for next year from 1.7% to a current 1.9% of GDP (DBLA forecast: 2.4% of GDP). This was apparently done with the consent of the IMF – a delegation of the Fund recently visited Lima.

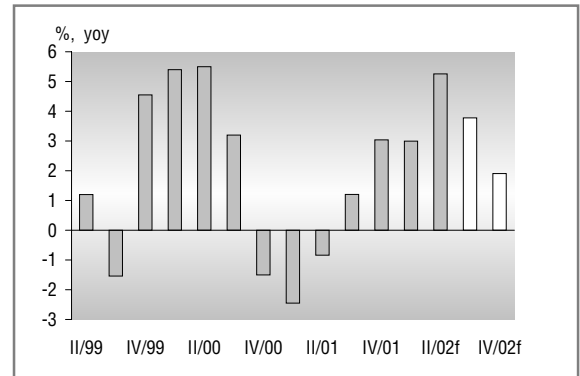
**Economic policy:** Two recent congressional resolutions have led to some uncertainty. They interfere in the human resources affairs (sacked personell must be reinstated) and also intervene in the pricing policy in the telecom sector.

**Economic activity:** The economy has turned out considerably more stable than expected. GDP grew by 3.8% in both July and August, even though the special effects in the mining sector which have driven growth in H1 02 have now dissipated. In particular, production in the manufacturing sector proved surprisingly robust, recording an increase of more than 4% year-on-year. As growth for the third quarter is likely to exceed our earlier expectations, we have upgraded our growth forecast for the year as a whole to 3.5% (previously 3.0%). We still anticipate that the economy will slow down by the end of the year, and our projection for 2003 remains unchanged at 2.8%.

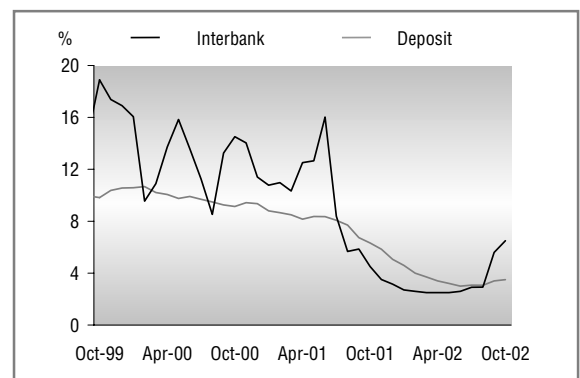
**Monetary sector:** After high liquidity in the banking system led to a drop in interbank interest rates in local currency from more than 16% in the middle of last year down to under 3% in August, this interest rate soared just recently. This increase was based above all on a slightly more restrictive monetary policy. In addition to lifting the repo rate, the central bank also selectively engaged in dollar sales on the forex market. The external value of the sol finally stabilized at just over 3.6 soles/US\$, representing a loss in value of only 4% since the beginning of July. Inflation for September amounted to 0.7%. The core inflation rate came to 1.6%. Together with a sustained rise in oil prices this should lead to a CPI of 1.2 % at year-end.

**External sector:** Despite the persistent negative trends in the terms of trade (high oil prices and lower prices of industrial metals), the trade balance for August will once again record a surplus, as can be concluded on the basis of export estimates by the government export agency Prompex. For 2002 as a whole we expect a trade balance surplus of US\$ 170mn.

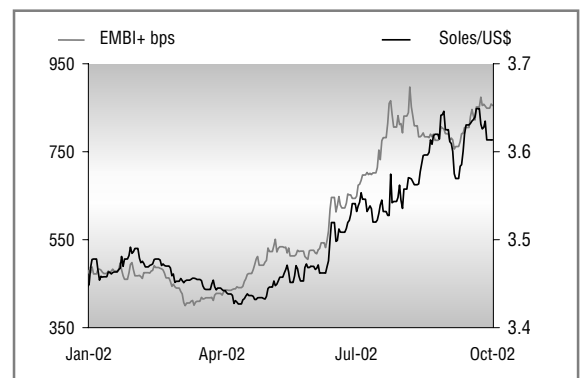
## GDP CHANGE (REAL)



## INTEREST RATES



## EXCHANGE RATE & YIELD SPREAD



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## MONTHLY AND QUARTERLY FIGURES

PERU: MONTHLY INDICATORS		Jun-02	Jul-02	Aug-02	Sep-02	next/latest
<b>DOMESTIC ECONOMY</b>						
Economic activity index	% yoy	3.6	<b>3.8</b>	<b>3.8</b>		07-Nov
Economic activity index (s.a.)	% mom	-2.1	<b>1.0</b>	<b>2.3</b>		07-Nov
Industrial production	% yoy	3.1	<b>5.4</b>	<b>4.1</b>		07-Nov
Fishing sector	% yoy	25.6	<b>-0.7</b>	<b>0.1</b>		07-Nov
Trade index	% yoy	0.2	<b>1.3</b>	<b>1.0</b>		07-Nov
Mining	% yoy	23.0	<b>2.1</b>			07-Nov
Construction sector	% yoy	10.3	<b>13.5</b>	<b>7.8</b>		07-Nov
Cement Sales (ASOCEM)*	% yoy	38.8	20.4	<b>8.1</b>		16-Sep
Tax revenues (central government)*	% yoy	9.8	-5.6	<b>8.6</b>		16-Oct
Employment in Lima	% yoy	5.4	7.1			10-Nov
Consumer prices	% yoy	0.0	-0.1	<b>0.3</b>	<b>0.7</b>	06-Oct
Consumer prices	% mom	-0.2	0.0	<b>0.1</b>	<b>0.5</b>	01-Oct
Core inflation	% yoy	0.6	0.8	<b>0.9</b>	<b>1.6</b>	06-Oct
Core inflation	% mom	0.1	0.1	<b>0.1</b>	<b>0.7</b>	06-Oct
Money supply M1 (September: 09/07)	% yoy	16.0	16.6	<b>19.2</b>	<b>19.6</b>	11-Oct
Loan rates in US\$ (TAMEX, latest: 10/01)	%	10.1	10.1	<b>10.1</b>	<b>10.0</b>	<b>10.0</b>
Deposit rates in US\$ (TIPMEX, latest: 10/01)	%	1.6	1.5	<b>1.5</b>	<b>1.5</b>	<b>1.7</b>
Net credit of the Financial sector	US\$ bn	7.9	7.7	<b>7.6</b>	<b>7.6</b>	11-Oct
Deposits in foreign currencies (September: 09/07)	US\$ bn	5.8	6.1	<b>6.2</b>	<b>6.1</b>	11-Oct
Share of Deposits in foreign currency	%	65.9	65.8	<b>66.6</b>	<b>66.4</b>	11-Oct
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ mn	765	<b>720</b>			11-Oct
Merchandise exports	% yoy	25.8	<b>0.9</b>			11-Oct
Merchandise imports	US\$ mn	541	<b>674</b>			11-Oct
Merchandise imports	% yoy	2.7	<b>6.7</b>			11-Oct
Trade balance	US\$ mn	224	<b>46</b>			11-Oct
Foreign exchange reserves (month end)	US\$ bn	9.13	9.59	<b>9.89</b>	<b>9.86</b>	11-Oct
US\$ exchange rate (latest: 10/04)	Soles	3.51	3.57	<b>3.62</b>	<b>3.63</b>	<b>3.61</b>
<b>PERU: QUARTERLY INDICATORS</b>						
		Q3 01	Q4 01	Q1 02	Q2 02	next/latest
<b>DOMESTIC ECONOMY</b>						
GDP	% yoy	1.2	3.0	3.0	5.3	7-Nov
Private consumption	% yoy	1.0	1.1	2.7	4.2	22-Nov
Public consumption	% yoy	0.5	7.1	3.7	4.6	22-Nov
Private and public investment	% yoy	-6.1	-4.8	-6.1	2.8	22-Nov
Domestic demand	% yoy	-0.3	0.6	1.2	4.0	22-Nov
Exports (goods and services)*	% yoy	13.2	8.7	5.3	11.7	22-Nov
Imports (goods and services)*	% yoy	4.7	-4.7	-5.1	3.5	22-Nov
Budget balance, public sector	% of GDP	-2.8	-5.6	-1.4	-1.8	22-Nov
Public foreign debt	US\$ bn	19.4	19.0	19.1	19.9	22-Nov
<b>EXTERNAL SECTOR</b>						
Trade Balance	US\$ mn	67	49	-62	121	22-Nov
Current account balance	US\$ mn	-119	-199	-374	-267	22-Nov
Net foreign direct investment	US\$ mn	313	430	224	532	22-Nov
Portfolio investment	US\$ mn	-4	-191	-349	70	22-Nov
Capital account**	US\$ mn	444	180	475	572	22-Nov
Change in foreign exchange reserves	US\$ mn	338	-66	173	342	22-Nov
Gross foreign debt	US\$ bn	27.9	27.4	27.5	28.0	22-Nov
Short-term foreign debt	US\$ bn	3.4	3.1	3.1	3.2	22-Nov
*nominal			** incl. residual items			



# VENEZUELA

Political pressure on the state president continues to mount. Trade unions and entrepreneurial associations are once again planning extensive strikes against Chávez, who for weeks has kept accusing the company owners of instigating an „economic coup d'etat“ to bring him to his knees. We do not expect him to resign any time soon, however. The economy remains trapped in recession and inflation has not peaked as yet. The sharp increase in oil prices indicates that the budget deficit will turn out lower, and we have also increased our forecast for the current account surplus from 5.7% to 6.5% of GDP. On the other hand, foreign currency reserves will not see a corresponding increase as the central bank has once again started to bolster the bolívar massively.

## ANNUAL FIGURES AND FORECASTS

VENEZUELA		1999	2000	2001	2002f	2003f
<b>DOMESTIC ECONOMY</b>						
GDP change (real)	%	-6.1	3.2	2.8	-6.2	-0.5
GDP	US\$ bn	103.2	121.2	124.9	85.4	73.1
Inflation (year-end)	%	20.0	13.4	12.3	36.0	22.0
Inflation (average)	%	23.6	16.2	12.5	24.8	27.9
<b>PUBLIC SECTOR</b>						
Budget balance, central government	% GDP	-1.6	-1.6	-4.3	-3.4	-2.9
Budget balance, public sector	% GDP	0.7	4.3	-4.4	-3.0	-2.5
Public debt	% GDP	29	27	31	47	47
Amortization	US\$ bn	6.3	6.3	7.3	5.5	4.9
Gross financing needs	US\$ bn	5.6	1.0	12.9	8.1	6.7
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ bn	20.8	33.0	26.8	26.9	28.6
Merchandise imports	US\$ bn	13.2	15.5	17.4	14.2	15.0
Trade balance	US\$ bn	7.6	17.5	9.4	12.7	13.6
Current account balance	US\$ bn	3.6	13.1	4.0	6.5	7.5
Current account balance	% GDP	3.5	10.8	3.2	7.6	10.3
Net direct investment	US\$ bn	2.8	4.4	2.7	0.8	1.2
Foreign exchange reserves, year-end **	US\$ bn	12.3	17.7	15.5	12.3	13.5
Import cover **) ***)	months	7.2	8.9	7.1	5.8	6.2
US\$ exchange rate, year-end	Bolívares	648	700	763	1500	1800
US\$ exchange rate, average	Bolívares	606	680	724	1172	1663
<b>FOREIGN DEBT</b>						
Gross foreign debt	US\$ bn	37.0	34.1	33.0	33.0	33.8
Foreign debt	% exports ***	152	92	107	108	108
Short-term foreign debt	US\$ bn	7.0	6.6	6.2	6.6	7.0
Foreign debt amortization	US\$ bn	3.7	3.4	2.7	2.9	3.4
Foreign debt service	US\$ bn	6.4	6.1	4.8	5.0	5.6
Foreign debt service	% exports ***	26	16	16	16	18
<b>FINANCIAL MARKETS (year-end)</b>						
Deposit rate, 90 days	%	17.3	13.5	19.5	26.0	20.0
ICB stock index (bolívar based, 2002: 10/07)		5418	6825	6570	7532	
IFCG stock index (US\$ based, 2002: 10/07)		243	308	246	145	
Bond market yield spread (2002: 10/07)*	bp	844	958	1128	1151	

\* EMBI+ \*\* Central bank only \*\*\* goods and services f=forecast

**Fiscal policy:** The ongoing increase in oil prices will result in additional public-sector revenues. In spite of this it is not yet clear whether the budget deficit of the central government will now drop below our forecast of -3.4% of GDP since expenses tend to rise significantly at the end of the year. In addition, major principal repayments will be due at the end of the year. By amending the central banking law, the government intends to achieve that the central bank's profits (which are rather high this year thanks to the depreciation of the bolívar) will not be transferred to the government only in June of the following year, as has previously been the case, but largely already by the end of this year.

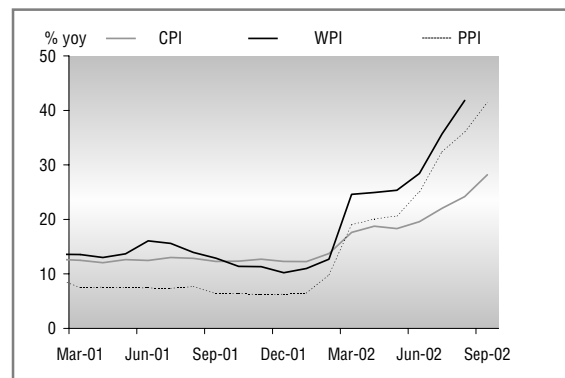
**Economic activity:** In spite of higher oil prices there is no indication that the recession will slow down soon. This is evident from the negative performance of the retail trade. Due to higher price increases and rising unemployment (July: 16.4%) the demand in almost every field of this sector fell sharply in the second quarter of this year compared to the previous quarter and year-on-year; according to a business survey, more than 80% of companies canvassed do not expect any upturn in demand in the third quarter.

**Inflation:** The sharp decline in domestic demand has until now prevented the full impact of increased producer and wholesale prices on consumer prices (September: 28.2% year-on-year). Even though the central bank's policy is more restrictive once again (it raised its discount rate on two occasions) and despite a firmer bolívar, we still expect an inflation rate of 36% at the end of the year, particularly since inflation is likely to be fueled even further by the early remittance of central bank profits to the central government and their immediate utilization.

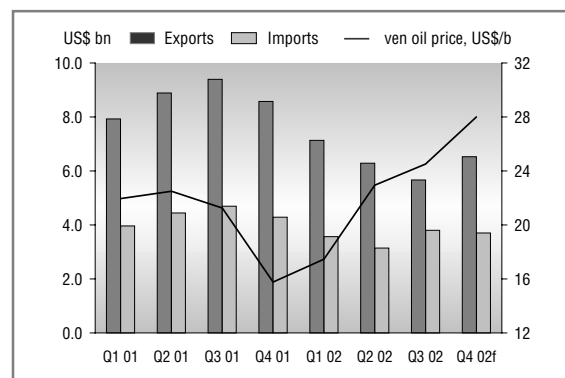
**Exchange rate:** The depreciation of the bolívar (January-August: 46%) did not continue in September. Instead of the usual amount of US\$ 51 million per day the central bank quite frequently intervened with considerably higher amounts. In spite of rising oil prices, foreign currency reserves did not increase also due to the fact that the central, regional and local authorities have withdrawn an additional US\$ 366 million from the stabilization fund FIEM, among other factors.

**External sector:** In the wake of higher oil prices, Venezuelan exports will soar higher than previously anticipated even if the OPEC production quota is largely adhered to. We now expect a trade surplus of US\$ 12.7 billion (previously US\$ 11.1 billion) and a current account surplus of US\$ 6.5 billion (previously US\$ 5.7 billion).

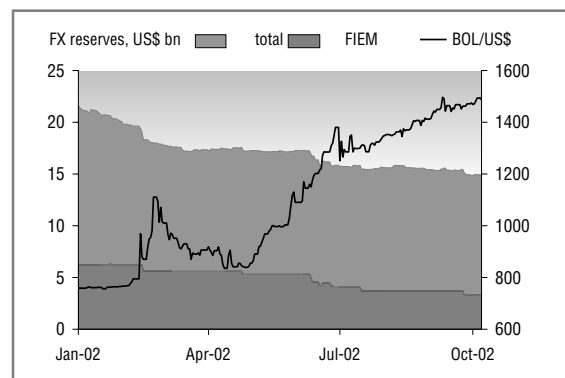
## INFLATION



## EXTERNAL TRADE & OIL PRICE



## FOREX RESERVES & EXCHANGE RATE



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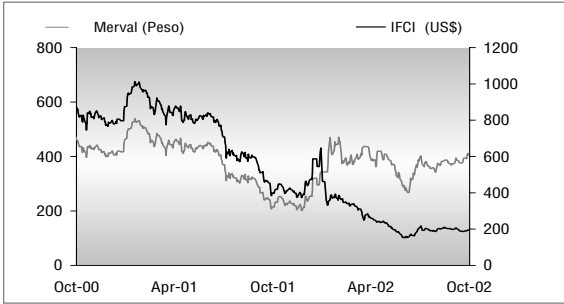
## MONTHLY AND QUARTERLY FIGURES

VENEZUELA: MONTHLY INDICATORS		Jun-02	Jul-02	Aug-02	Sep-02	next/latest
<b>DOMESTIC ECONOMY</b>						
Industrial production (private sector)	% yoy	-17.1	<b>-6.6</b>			4-Nov
Car sales	% yoy	-44.3	-43.7	-49.0	<b>-55.6</b>	5-Nov
Crude oil production	1000 bpd	2696	2715	<b>2760</b>		1-Nov
Unemployment rate	%	16.2	<b>16.4</b>			4-Nov
Consumer prices	% yoy	19.6	22.0	24.2	<b>28.2</b>	4-Nov
Consumer prices	% mom	2.0	3.6	2.4	<b>4.5</b>	4-Nov
Producer prices	% yoy	24.6	32.0	36.1	<b>41.4</b>	4-Nov
Producer prices	% mom	3.9	6.2	3.3	<b>4.6</b>	4-Nov
Budget balance of Central Government	US\$ bn	983	-907	<b>-386</b>		20-Oct
Budget balance of Central Government, accum.	US\$ bn	488	-419	<b>-1595</b>		20-Oct
Money supply M2 *	Bolívar bn	15273	16214	<b>16313</b>		14-Oct
Money supply M2 *	% yoy	2.3	8.2	<b>8.5</b>		14-Oct
Lending rate (monthly average, latest: 09/27)*	%	35.2	32.8	30.9	<b>30.7</b>	<b>31.4</b>
Deposit rate (monthly average, latest: 09/27)*	%	28.1	27.0	22.9	<b>23.2</b>	<b>24.1</b>
Interbank interest rate (month-av., latest: 10/07)*	%	22.4	15.6	18.6	<b>23.1</b>	<b>33.2</b>
Credit volume *	Bolívar bn	8264	8237	<b>8312</b>		16-Oct
Credit volume *	% yoy	1.9	0.9	<b>0.8</b>		16-Oct
Deposits *	Bolívar bn	13484	14121	<b>14273</b>		16-Oct
Deposits *	% yoy	-0.1	4.9	<b>6.6</b>		16-Oct
<b>EXTERNAL SECTOR</b>						
Oil price (Venezuelan exports, latest: 10/07)	US\$/barrel	22.5	22.8	24.3	<b>25.7</b>	<b>27.1</b>
Oil price (Venezuelan exports, latest: 10/07)	% yoy	-1.6	7.3	14.9	<b>20.5</b>	<b>59.5</b>
Foreign exchange reserves (CB, latest: 10/07)*	US\$ bn	7.7	8.2	8.1	<b>8.2</b>	<b>8.2</b>
Forex reserves (FIEM**, latest: 10/07)*	US\$ bn	4.1	3.7	3.7	<b>3.3</b>	<b>3.3</b>
US\$ exchange rate (latest: 10/07)*	Bolívares	1346	1336	1412	<b>1475</b>	<b>1487</b>
VENEZUELA: QUARTERLY INDICATORS		Q3 01	Q4 01	Q1 02	Q2 02	next/latest
<b>DOMESTIC ECONOMY</b>						
GDP	% yoy	3.3	0.9	-4.1	-9.9	22-Nov
GDP, private sector	% yoy	6.1	3.5	-3.0	-8.5	22-Nov
GDP, public sector	% yoy	-1.1	-3.5	-6.1	-12.2	22-Nov
Oil sector	% yoy	-0.5	-5.0	-7.7	-16.4	22-Nov
Manufacturing industry	% yoy	2.7	0.1	-6.6	-9.2	22-Nov
Financial services and real estate	% yoy	1.4	-1.8	-1.1	-2.9	22-Nov
Commerce	% yoy	5.3	1.8	-6.1	-11.1	22-Nov
Budget balance, public sector	Bolívares bn	-853	-3551	-299	<b>258</b>	13-Dec
<b>EXTERNAL SECTOR</b>						
Merchandise exports	US\$ bn	7.02	5.31	5.48	6.43	22-Nov
Exports of oil and derivatives	US\$ bn	5.70	4.03	4.35	5.10	22-Nov
Merchandise imports	US\$ bn	4.70	4.29	3.57	3.14	22-Nov
Trade balance	US\$ bn	2.33	1.02	1.91	3.29	22-Nov
Current account balance	US\$ bn	0.74	-0.62	0.08	1.68	22-Nov
Net foreign direct investment	US\$ bn	1.43	1.43	0.17	0.27	22-Nov
Portfolio investment	US\$ bn	0.33	0.30	-0.52	-0.51	22-Nov
Capital account***	US\$ bn	-1.84	0.78	-3.78	-1.75	22-Nov
Change in foreign exchange reserves (Centr. B.)	US\$ bn	-1.60	0.26	-3.07	1.38	22-Nov
Change in foreign exchange reserves (FIEM)**	US\$ bn	0.51	-0.85	-0.64	-1.46	22-Nov

\*month-end \*\*macroeconomic stabilization fund \*\*\* incl. residual items

# FINANCIAL MARKETS: LATIN AMERICAN STOCK MARKET INDICES

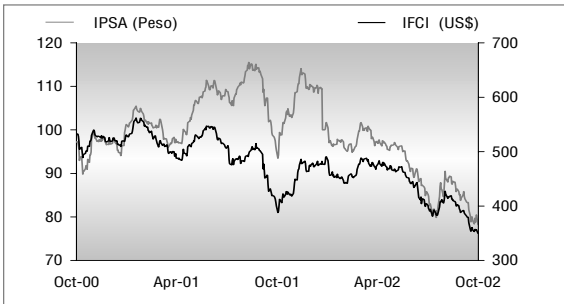
## ARGENTINA



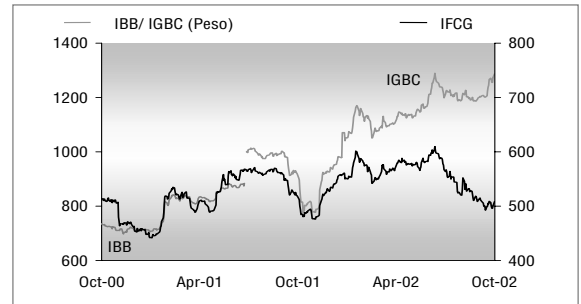
## BRAZIL



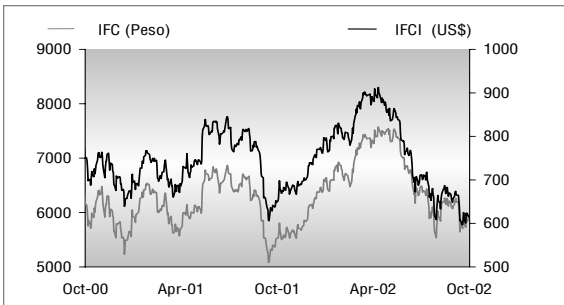
## CHILE



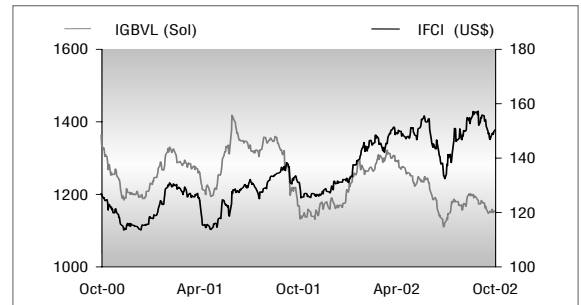
## COLOMBIA



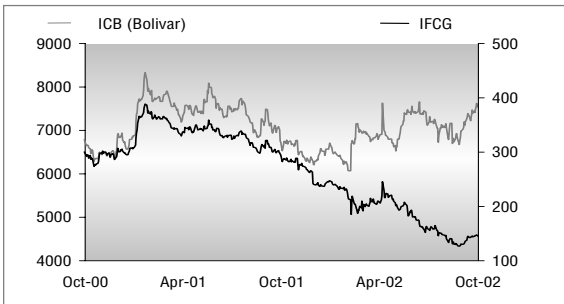
## MEXICO



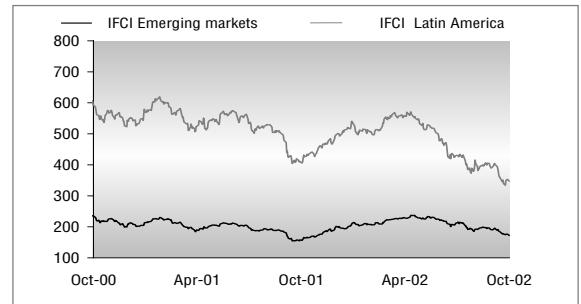
## PERU



## VENEZUELA

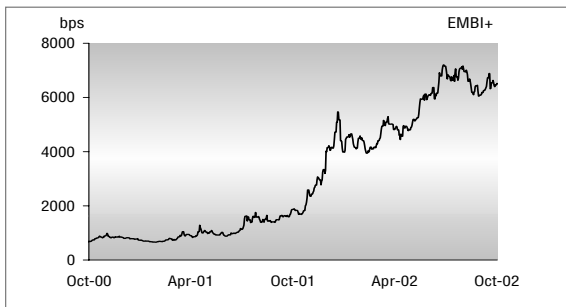


## LATIN AMERICA

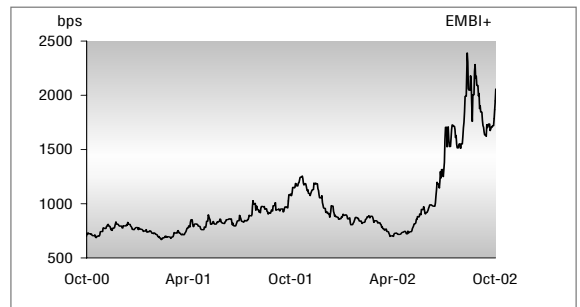


# FINANCIAL MARKETS: LATIN AMERICAN BOND YIELD SPREADS

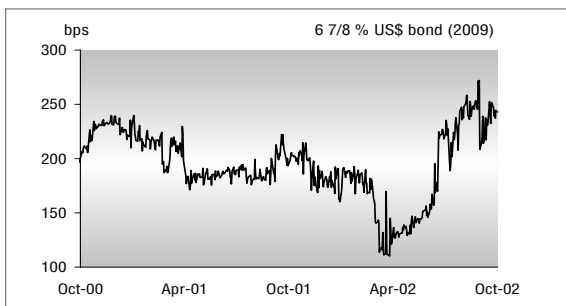
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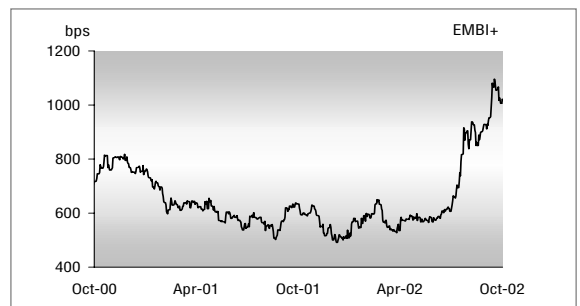
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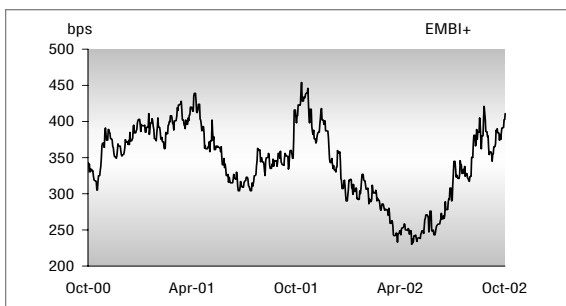
## CHILE



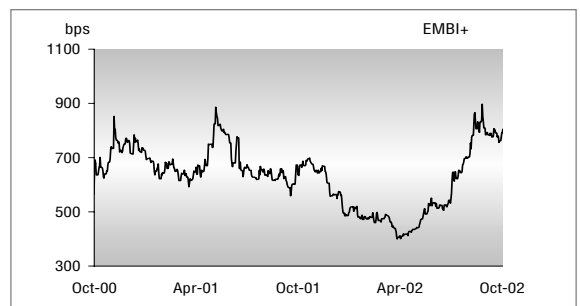
## COLOMBIA



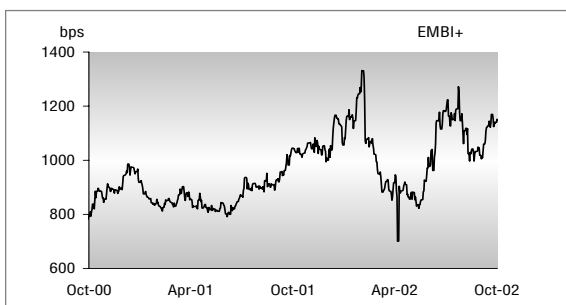
## MEXICO



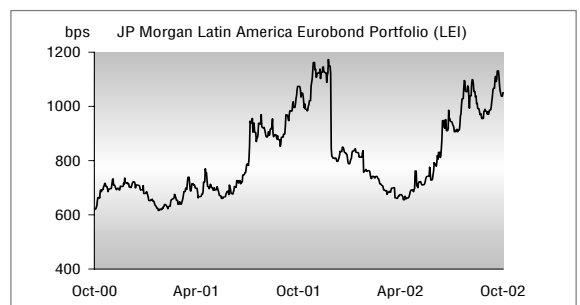
## PERU



## VENEZUELA



## LATIN AMERICA



## GLOBAL ECONOMY - FIGURES AND FORECASTS

		2000	2001	10/7/02	2002f	2003f
<b>REAL GDP CHANGE *</b>						
Industrialized countries	% yoy	3.4	0.8		1.3	2.3
USA	% yoy	3.8	0.3		2.4	2.4
Euro area	% yoy	3.5	1.5		0.9	2.3
Germany	% yoy	3.0	0.6		0.5	2.0
Japan	% yoy	2.4	-0.2		-0.7	1.2
<b>INTEREST RATES, YEARLY AVERAGE*</b>						
USA, 3m money market rate	%	6.5	3.3	<b>1.8</b>	2.1	2.5
USA, 10yr government bond yield	%	6.0	5.0	<b>3.6</b>	4.7	5.1
Euro area, 3m money market rate	%	4.4	4.3	<b>3.2</b>	3.4	3.7
Euro area, 10yr gov. bond yield	%	5.3	4.8	<b>4.3</b>	4.8	5.0
Japan, 3m money market rate	%	0.3	0.2	<b>0.1</b>	0.1	0.1
Japan, 10yr government bond yield	%	1.8	1.3	<b>1.2</b>	1.3	1.6
<b>EXCHANGE RATES, YEARLY AVERAGE *</b>						
US\$/ Euro	US\$	0.92	0.90	<b>0.98</b>	0.95	0.99
Yen/ US\$	YEN	108	122	<b>124</b>	125	125
Yen/ Euro	YEN	100	109	<b>122</b>	118	124
<b>COMMODITY PRICES, YEARLY AVERAGE</b>						
Coffee (other milds)	c/lb, NY	85.0	61.9	<b>58.7</b>	56.0	54.0
Copper	c/lb, LME	84.0	73.0	<b>66.0</b>	70.3	72.0
Crude oil (WTI)	US\$/b	30.3	25.9	<b>29.7</b>	27.1	28.0
Crude oil (Brent)	US\$/b	28.9	24.7	<b>28.5</b>	26.1	26.6
Gold	US\$/ounce	279	271	<b>322</b>	313	310
* Source: Dresdner Bank AG					f=forecast	

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