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Neuer Jungfernstieg 16

20354 Hamburg

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Economics/Public Relations Dept.

Chief economist: Dr. Heinz Mewes

Editors: Walter Schäfer, Thorsten Rülle (Miami Agency)

Tel.: (+49 40) 3595 3494

Fax: (+49 40) 3595 3497

E-Mail: economics@dbla.com

http://www.dbla.com

Coordination: Kai Stefani

Translation: Dieter Bromberg

Layout: Friederike Niemeyer, Hamburg

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"Highlights Latin America" is a monthly publication that covers the seven major economies of the region in alphabetical order.

(Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela)

ARGENTINA

The last month has been good to Argentina. Although far from being out of the woods there have been some positive data releases, like the improved tax collection and the revived import growth, signaling a surge in domestic demand. Even though a closer examination takes some of the luster off these headlines, the data remain positive, which was just what Argentina badly needed. Argentina also benefited - via improving risk perceptions - from the smooth elections in Mexico and less upward pressure on U.S. interest rates. Upcoming economic data (industrial production, unemployment) will not be overwhelming, but looking further ahead we now believe Argentina - as in 1H - can stay within the IMF limits of the fiscal deficit in 2H as the tax amnesty will lead to extra revenues.

ARGENTINA

MONTHLY INDICATORS		Mar 00	Apr 00	May 00	June 00	next/latest
Industrial production, s.a., (EMI)	% yoy	4.1	5.1	2.1	**1.4**	24-Aug
Construction, n.s.a.	% yoy	-5.8	-18.1	**-20.5**		25-Jul
Supermarket sales	% yoy	-4.0	4.1	**-4.3**		26-Jul
Budget balance (Central Government)	US$ bn	-0.7	-0.6	-0.6		25-Jul
Consumer prices	% yoy	-1.1	-1.1	-1.0	**-1.1**	2-Aug
Consumer prices	% mom	-0.5	-0.1	-0.4	**-0.2**	2-Aug
Monetary aggregate M3 plus US$-deposits	% yoy	3.9	3.9	2.0	**3.0**	15-Aug
Prime Rate US$ 30 days (month-end, lat.: 07/18)	%	8.2	8.6	9.5	8.9	**8.8**
Prime Rate Peso 30 days (month-end, lat.:07/18)	%	9.1	9.4	10.6	9.8	**9.5**
Lending to private sector (month-end, lat.:07/17)	US$ bn	65.2	64.8	64.8	64.6	**64.8**
Lending to public sector (month-end, lat.: 07/17)	US$ bn	12.5	12.2	12.4	13.1	**13.4**
US$-deposits (month-end, latest: 07/17)	US$ bn	48.0	48.5	49.4	49.9	**49.8**
Peso-deposits (month-end, latest: 07/17)	US$ bn	35.3	34.8	35.6	36.5	**35.3**
Merchandise exports	US$ mn	2159	2336	**2536**		11-Aug
Merchandise imports	US$ mn	2126	1903	**2170**		11-Aug
Trade balance	US$ mn	33	433	366		11-Aug
Foreign reserves (month-end, latest: 07/18)	US$ bn	24.8	24.7	24.7	25.9	**27.1**

QUARTERLY INDICATORS		Q2 99	Q3 99	Q4 99	Q1 00	next
GDP	% yoy	-4.9	-4.1	**-0.3**	**0.9**	28-Sep
Private consumption	% yoy	-7.0	-6.0	**-1.3**	**1.1**	28-Sep
Public consumption	% yoy	0.5	1.2	**3.1**	**3.1**	28-Sep
Public and private Investment	% yoy	-10.6	-4.8	**-3.2**	**-3.1**	28-Sep
Current account balance	US$ bn	-2.0	-3.3	-3.3	**-3.2**	18-Sep
Gross foreign debt	US$ bn	139.8	141.5	144.8	**144.5**	31-Aug
Short-term foreign debt	US$ bn	22.4	21.2	19.7	**18.5**	31-Aug

Industrial Production: Preliminary figures published by INDEC indicate still weak yoy industrial growth rate of 1.4% in June, a rate that was achieved mainly due to the low base of comparison of 1999. On a monthly comparison (seasonally adjusted), there was even a decline of 1.1%. We expect a better performance in the next few months, as recent positive news should improve consumer and business confidence. This is the reason why we uphold for the time being our GDP growth forecast of 2.7% for the year with the risk to our forecast clearly on the downside.

Public Finance: June's tax collection figures - met with enthusiasm - grew an astonishing 15% (yoy). A closer look reveals that most of the increase came from non-activity related revenues in the wake of a tax amnesty, which will bring in some US$ 1.1 bn this year. This is US$ 0.6 bn more than originally expected, nearly making up for US$ 0.7 bn the government had planned to raise with privatizations, which so far have made no progress owing to the difficult market conditions. However, even deducting one-off revenues the activity related VAT-collection grew 4.5% (yoy) in June. It is likely that the Government stayed some US$ 450 mn below the deficit limit agreed with the IMF for 1H. This buffer can now be used to meet the deficit targets for Q3 (US$ 745 mn) and Q4 (US$ 1,265 mn). This buffer plus the extra income from the tax amnesty now lead us to believe the IMF targets will be met, even though the task remains difficult and depends on the whether there will be an economic pickup in 2H.

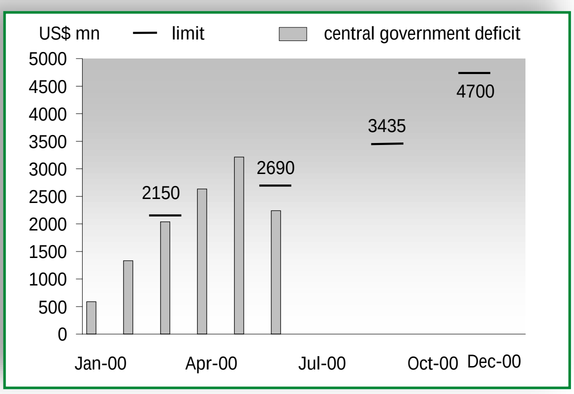
Inflation: In June, CPI declined by 0.2% (mom) for the fourth deflationary month in a row. We believe this trend of declining consumer prices will soon end as higher wholesale prices (May: +4.5%, yoy) will eventually feed into consumer prices and private consumption should begin to pick up again. However, consumer price inflation will remain subdued and likely reach only 0.4% (yoy) at year-end.

External Trade: Imports grew at a stronger pace in May, indicating that internal demand is reviving at last. Although the 12% yoy growth rate must be read in the context of the low base for comparison of last year, it is welcome news after the meager growth rates of the last several months. Exports continue to grow rapidly, (May: +14%, yoy) benefiting from higher oil prices and the revived economy in Brazil, Argentina's major trading partner. The trade surplus in May reached US$ 366 mn, bringing the year-to-date surplus to US$ 643 mn, compared to a US$ 323 mn deficit in the first five months of 1999.

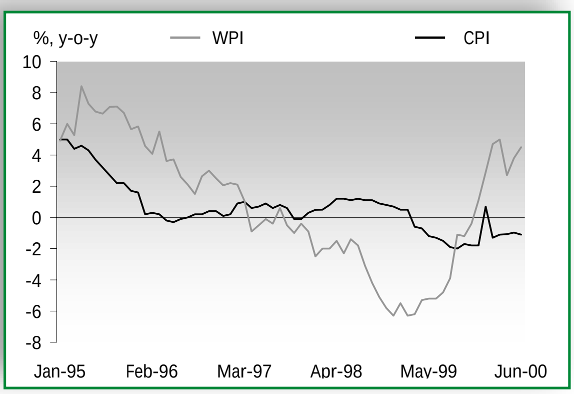
Currency Reserves: In the first week of July reserves rose by US$ 0.9 bn, to US$ 26.7 bn. We see two major reasons for this: First, the renewed interest of foreign investors and second, stronger than normal peso-demand as tax payments were anticipated. To the extent that the first reason applies, growing reserves are good news as this indicates an increased monetization of the economy, paving the way for stronger economic growth.

Unemployment: The official unemployment rate for May - released on July, 20th - came out at 15.5% against 13.8% in October 1999. The government has been preparing the ground for some time now for negative news. Job losses in the labor-intensive construction industry - which contracted by about 20% (yoy) in April and May - can be expected to have had a major impact on this deterioration of the unemployment rate.

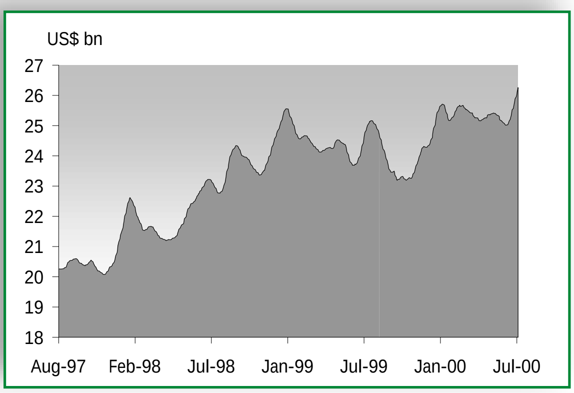
MERVAL STOCK INDEX



INFLATION



CURRENCY RESERVES



ARGENTINA: FIGURES & FORECASTS

ARGENTINA

YEARLY INDICATORS	1997	1998	1999	2000f	2001f
DOMESTIC ECONOMY					
GDP change (%, real)	8.2	3.9	-3.1	2.7	5.0
GDP (US$ bn)	293.0	298.3	285.7	290.9	307.8
Inflation (%, year-end)	0.3	0.7	-1.8	0.4	1.0
Budget balance in % of GDP***	-1.9	-2.2	-3.8	-2.6	-1.6
EXTERNAL SECTOR (US$ bn)					
Merchandise exports	26.4	26.4	23.3	25.8	27.9
Merchandise imports	28.6	29.6	24.3	25.9	28.5
Trade balance	-2.1	-3.1	-1.0	-0.1	-0.6
Current account balance	-12.0	-14.5	-12.4	-12.9	-14.2
Current account balance in % of GDP	-4.1	-4.9	-4.3	-4.4	-4.6
Net foreign direct investment	4.9	4.2	8.5	4.5	5.2
Foreign exchange reserves (year-end)	22.3	24.9	26.4	27.5	29.0
Import cover in months**	5.5	5.7	6.8	6.5	6.4
Exchange rate (pesos per US$, year-end)	1.0	1.0	1.0	1.0	1.0
FOREIGN DEBT (US$ bn)					
Gross foreign debt	140.7	124.8	144.8	152.7	161.1
Foreign debt in % of exports**	343	380	427	413	406
Short-term foreign debt	20.4	20.9	19.1	20.0	21.2
Foreign debt amortization	7.0	9.8	12.9	16.0	19.1
Foreign debt service	15.8	20.0	24.1	28.5	32.3
Foreign debt service in % of exports**	43	54	71	77	81
FINANCIAL MARKETS (year-end)					
Prime rate in %	12.4	10.6	11.5	10.0	9.0
Merval stock index (peso based, 2000: 07/19)	688	430	549	524	
IFCI stock index (US based, 2000: 07/19)	1053	798	1064	1001	
Bond market yield in % (2000: 07/19)*	10.2	11.0	11.2	12.9	
Yield spread in bps (2000: 07/19)*	429	581	447	655	

* $9^{3/4}$ US$-Bond (2027) **goods and services *** central and provincial governments f=forecast

Günter Köhne
+49 40 3595 3484
e-mail: guenter.koehne@dbla.com

BRAZIL

Taking advantage of a downward inflation trend and of an increasingly favorable external economic environment the Brazilian central bank cut the key interest rate SELIC three times recently, bringing it down from 18.5% to 16.5% within one month. The main result of the easing monetary policy will be the supportive effect on the sales of durable goods, which should grow more vigorously on account of rising consumer credit. In addition, the recent rise in employment might improve the sales of non-durable consumer goods in the second half of the year. For these reasons we have raised our forecast for the manufacturing industry expansion from 4.5% to 5.5% and consequently for GDP growth from 3.1% to 3.3% for the year 2000.

BRAZIL

MONTHLY INDICATORS		Mar 00	Apr 00	May 00	Jun 00	next/latest
Industrial Production (IBGE)	% yoy	3.9	3.3	**6.1**		6-Aug
Consumer Prices (IPCA)	% yoy	6.9	6.8	6.5	**6.5**	10-Aug
Consumer Prices (IPCA)	% mom	0.2	0.4	0.0	**0.2**	10-Aug
Wholesale Prices (IPA-DI)	% yoy	16.6	17.0	17.4	**18.9**	9-Aug
Wholesale Prices (IPA-DI)	% mom	-0.1	0.0	0.7	**1.5**	9-Aug
Money Supply M1	% yoy	16.5	21.5	**20.1**		21-Jul
Money Supply M4	% yoy	20.3	21.1	**20.7**		21-Jul
Private Sector Credit Volume *	% yoy	4.4	**8.1**			21-Jul
Unemployment Rate	% EAP	8.1	7.8	**7.8**		25-Jul
Employment	% yoy	3.8	5.4	**5.0**		25-Jul
Budget Balance (12 months)	% of GDP	-4.7	**-4.8**			27-Jul
Selic, Overnight, month-end (latest: 07/19)	% p.a.	18.5	18.6	18.4	17.3	**16.9**
Merchandise Exports	US$ mn	4472	4181	5063	**4861**	3-Aug
Merchandise Imports	US$ mn	4430	3998	4671	**4603**	3-Aug
Trade Balance	US$ mn	42	183	392	**258**	3-Aug
Current Account	US$ mn	-1880	-3078	**-1617**		21-Jul
Gross Foreign Debt	US$ bn	**246.1**				21-Jul
Short-term Foreign Debt	US$ bn	**31.9**				21-Jul
Net Foreign Direct Investment	US$ mn	2236	1268	**1605**		21-Jul
Foreign Exchange Reserves (latest: 07/19)	US$ bn	39.2	28.7	28.6	28.8	**28.8**
Exchange Rate, month-end (latest: 07/19)	Reais/US$	1.74	1.81	1.83	1.81	**1.80**

*statistical changes since March 2000

QUARTERLY INDICATORS		Q2 99	Q3 99	Q4 99	Q1 00	next
GDP	% yoy	-0.2	-0.1	3.6	3.1	15-Aug
Agriculture	% yoy	3.4	6.3	16.9	-0.8	15-Aug
Industry	% yoy	-3.6	-2.4	3.2	5.7	15-Aug
Services	% yoy	0.4	0.5	2.4	2.3	15-Aug

Industrial Production: Industrial output grew 6.1% yoy in May, bringing the year-to-date growth to 6.6% as compared to the same period in 1999. The 12 months growth reached 3.2%. Out of the industrial sectors, the best performance was sho-wed by transportation material, which increased 26% yoy in the first five months of the year, reflecting the recovery of car sales and rising exports of aircraft. Decreasing interest rates together with increasing consumer credit may further support domestic sales of durable products, so that we revised our manufacturing growth forecast for 2000 to 5.5% (from 4.5%).

Inflation: Consumer price index IPCA rose 0.2% in June, after remaining stable last May, accumulating 1.6% in the first six months of the year. The monthly consumer price inflation will show an increase in Q3 due to hikes in the administered prices and the beginning of the period between harvest sea-sons. After this we expect a further downward trend for the IPCA by year end, when the annual inflation rate should fall to 5.8% from its current level of 6.5%, overachieving the IMF target of 6% for this year.

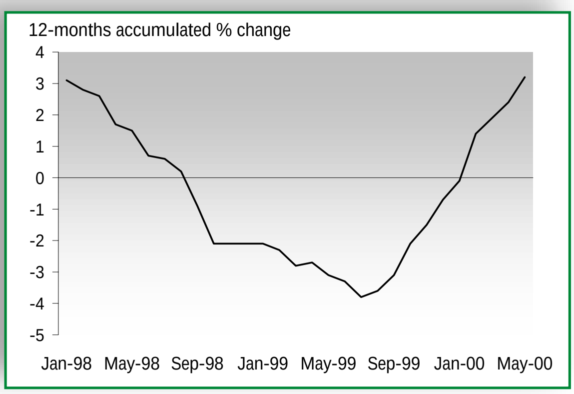
Interest Rates: Brazilian central bank cut key interest rate SELIC again (50bp) on July 19th, after the cuts of 100bp and 50 bp, undertaken on June 20th and July 9 th, and changed the bias from downward to neutral. The move brings the SELIC to 16.5% and was taken in response to benign inflation data as well as to improving signs of a favorable international economic environment, as the probability of sharp interest rate hikes in the US diminishes. We expect the central bank to cut the key interest rate from the current level to 16% by year end.

Trade Balance: As a result of exports of US$ 26.2 bn and imports of US$ 25.3 bn, trade showed a surplus of US$ 0.9 bn in the first semester 2000, comparing to a deficit of US$ 0.6 bn in the same period last year. Exports of manufactured goods performed best to US$ 15.4 bn, a growth of 22.1%. Despite these positive figures, trade balance results are be-low expectations, so that a trade surplus of US$ 3 bn for this year, formerly forecast, is very unlikely. Once the international price recovery of some basic goods has not been as high as anticipated and imports of oil and intermediate goods have been more vigorous, we reduced our trade surplus forecast for 2000 to US$ 2 bn.

Politics: Recent corruption accusations involving President Cardoso's former chief of staff Eduardo Jorge has gained much attention in the press during the last weeks, causing some uncertainty at domestic markets, yet without this wea-kening the stock prices or the currency on a sustained basis. As there is no real evidence that could link the President or the government with the case, we assume scandal-related market reactions to fade out within the next few days.

Portfolio Investment: For the first time this year, the monthly flow of foreign portfolio investment showed a strong positive result of R$ 2.1 bn last June (buys of R$ 5.5 bn and sales of R$ 3.4 bn). The favourable figure brought the year to date net inflow to nearly R$ 190 mn, turning around the net outflow of R$ 1.9 bn accumulated in the period Jan-May 2000.

INDUSTRIAL PRODUCTION



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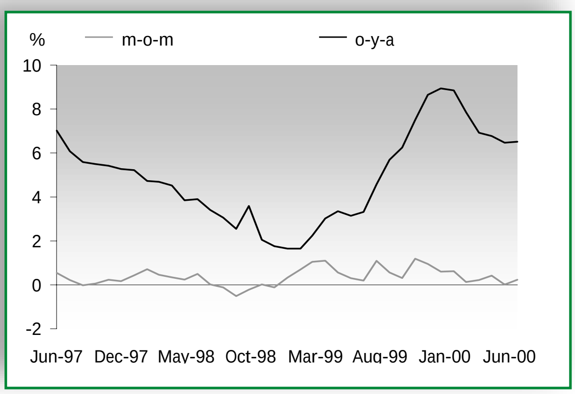
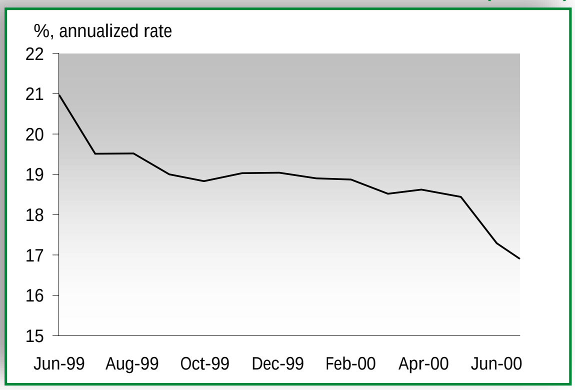


INTEREST RATE (SELIC)



BRAZIL: FIGURES & FORECASTS

BRAZIL

YEARLY INDICATORS	1997	1998	1999	2000f	2001f
DOMESTIC ECONOMY					
GDP change (%, real)	3.7	-0.1	1.0	3.3	3.6
GDP (US$ bn)	801.7	775.5	556.8	611.7	641.6
Inflation (%, year-end)	5.2	1.7	8.9	5.8	4.6
Budget balance in % of GDP	-6.1	-8.0	-9.5	-4.5	-3.0
EXTERNAL SECTOR (US$ bn)					
Merchandise exports	53.0	51.1	48.0	55.0	60.0
Merchandise imports	59.8	57.7	49.2	53.0	58.0
Trade balance	-6.8	-6.6	-1.2	2.0	2.0
Current account balance	-30.9	-33.6	-24.4	-21.0	-20.5
Current account balance in % of GDP	-3.9	-4.3	-4.4	-3.4	-3.2
Net foreign direct investment	15.5	22.7	28.6	21.0	20.0
Foreign exchange reserves (year-end)	50.8	42.6	34.8	33.0	38.0
Import cover in months**	6.2	5.1	4.8	4.3	4.7
Exchange rate (reais per US$, year-end)	1.12	1.21	1.79	1.85	1.95
FOREIGN DEBT (US$ bn)					
Gross foreign debt	253.4	258.2	244.6	240.8	243.3
Foreign debt in % of exports**	391	401	407	352	324
Short-term foreign debt	49.0	40.0	32.0	34.0	35.0
Foreign debt amortization	28.7	33.6	51.9	36.8	35.0
Foreign debt service	43.1	49.4	69.3	53.8	52.5
Foreign debt service in % of exports**	67	77	115	79	70
FINANCIAL MARKETS (year-end)					
Selic, Overnight	41.1	29.2	18.8	16.0	15.0
Bovespa stock index (real based, 2000: 07/19)	10197	6784	17091	16927	
IFCI stock index (US$ based, 2000: 07/19)	482	275	459	464	
Bond market yield in % (2000: 07/19)*	11.1	15.3	12.5	13.3	
Yield spread in bps (2000: 07/19)*	487	968	562	693	

* $10^{1/8}$% US$-Bond (2027) ** goods and services f=forecast

Humberto Santamaria
+49 40 3595 3481
e-mail: humberto.santamaria@dbla.com

Walter Schäfer
+49 40 3595 3489
e-mail: walter.schaefer@dbla.com

CHILE

Chile's economy remains set for expansion - the Imacec rose by 7.4% in May, for the ninth month in succession. The anticipated acceleration in consumer demand has not materialized as yet, however. We adhere to our growth forecast of 5.8% for the year 2000. Despite increasing headline inflation and a weak peso, Chile's central bank will initially leave its repo rate at its present level, especially as the likelihood of an interest-rate hike in the U.S. in August has become increasingly remote. The key topic of political discussion right now is the question of Chile being given full membership status in Mercosur. In the past, the differences in the level of external tariffs had prevented the country from joining. Efforts are now under way to expedite the process of integration.

CHILE

MONTHLY INDICATORS		Mar 00	Apr 00	May 00	Jun 00	next/latest
IMACEC	% yoy	6.4	6.4	**7.4**		17-Aug
Industrial production	% yoy	6.3	2.9	**11.3**		26 Juli
Retail sales	% yoy	4.5	6.2	**2.3**		-
Consumer prices	% yoy	3.4	3.5	3.6	**3.7**	2-Aug
Consumer prices	% mom	0.7	0.5	0.2	**0.2**	2-Aug
Core inflation rate	% yoy	2.9	2.8	2.7	**2.7**	2-Aug
Core inflation rate	% mom	0.8	0.2	0.1	**0.2**	2-Aug
Wholesale prices	% yoy	12.4	9.9	11.7	**13.1**	2-Aug
Wholesale prices	% mom	0.2	-0.8	1.3	**2.1**	2-Aug
Money supply M1	% yoy	10.8	10.2	12.3	**10.7**	8-Aug
Central bank base rate (PRBC) (latest: 06/21)	% real	5.6	5.6	5.9	5.7	**5.6**
Merchandise exports	US$ mn	1.5	1.3	1.8	**1.3**	17-Aug
Merchandise imports	US$ mn	1.8	1.3	1.6	**1.3**	17-Aug
Trade balance	US$ mn	361.6	36.1	179.9	**-22.3**	17-Aug
Foreign exchange reserves	US$ bn	14.5	14.3	14.7	**14.6**	7-Aug
Gross foreign debt	US$ bn	34.7	34.8	**35.0**		7-Aug
Unemployment rate	%	8.2	8.5	**8.9**		26-Jul
Total foreign investment	US$ mn	-519.0	246.1	**400.2**		24-Jul
Exchange rate, month-end (latest: 06/21)	Peso/US$	504.3	508.1	524.2	539.9	**546.2**

QUARTERLY INDICATORS		Q2 99	Q3 99	Q4 99	Q1 00	next
GDP	% yoy	-3.6	-1.7	3.9	5.5	23-Aug
Domestic demand	% yoy	-13.9	-9.7	-0.3	5.4	23-Aug
Gross fixed investment	% yoy	-18.6	-18.5	-13.9	-4.2	23-Aug
Consumption		-11.9	-6.4	5.4	8.8	23-Aug
Exports of goods and services	% yoy	6.3	5.2	9.4	9.6	23-Aug
Imports of goods and servivces	% yoy	-18.6	-14.4	-1.6	9.6	23-Aug

Trade policy: The fact that Chile's external tariff, at 9%, is considerably lower than the average external tariff of Mercosur (14%) has prevented the country from upgrading its status as an associated member of Mercosur to full membership status. However, in view of international competition, advances with regional integration are becoming increasingly urgent. Accordingly, on July 13 Chile submitted an official application for full membership of Mercosur. Whether it will be possible for Chile to join depends on the issue of external tariffs. We believe an agreement may be on the cards within the next several months.

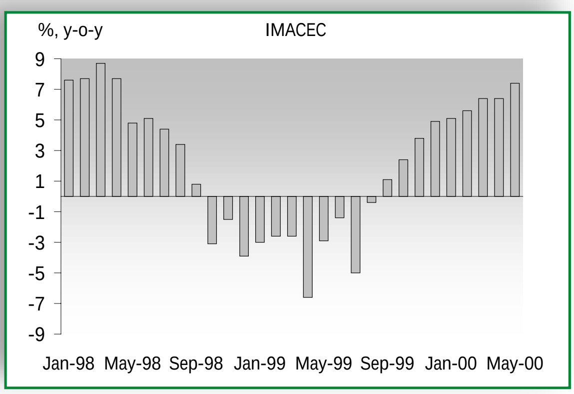
Economic activity: The Imacec, an indicator of economic activity in Chile, expanded by 7.4% in May year on year - the highest growth rate in two years. On the other hand, one of the factors responsible for this was that May this year had a greater number of working days than May 1999. Industrial output increased by 11.3% year on year, and the output of hydro-electric power generated soared by more than 60%. However, a weak increase in retail and wholesale turnover (+2.3% and +2.1%, respectively) indicate that consumer demand is only rising moderately at present. For this reason, the level of growth recorded in May is likely to be attributable to increased investment activity.

Inflation: In June the inflation rate climbed to 3.7% year on year, as expected, after having risen 3.6% during the previous month. In the next several months inflationary pressure will increase further. As oil prices remain high and the oil price stabilization fund's liquidity is diminishing, this induced the state-owned oil company ENAP early in July to pass on the higher fuel costs to the consumer - for the fourth time this year - and to increase the price by 4%. This price increase will exert a ripple effect on consumer prices in July and inflate them by an additional 0.2% to 0.3%. Toward the end of the year 2000 we expect an inflation rate of 4.3%.

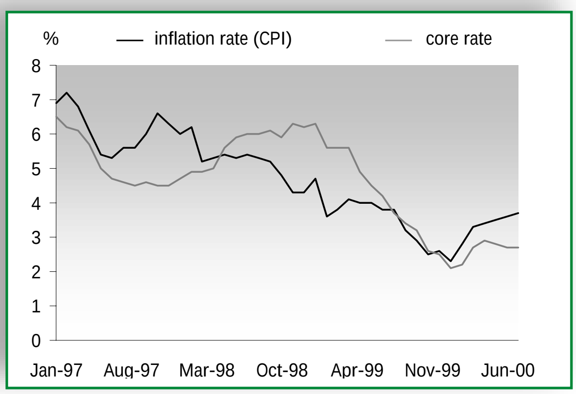
Interest rates: Since the likelihood of an interest-rate hike in the U.S. has declined and Chile's core inflation rate in June amounted to as little as 2.7% year on year, at its monthly meeting of July 11 the central bank decided not to raise the real repo rate (5.5%). We do not expect any tightening of the monetary policy reins to emerge from the following central bank board meetings either.

Trade balance: The trade balance deteriorated from a surplus of US$ 179.9 million generated in May to a deficit of US$ 22.3 million in June. One reason for this shortfall was the somewhat lower copper price compared with the previous month (with copper accounting for 40% of total exports). In 1H 2000 the trade surplus amounted to a substantial US$ 1,001.7 million. Contributory factors were the positive trends in the global economy but also significantly higher copper prices year on year.

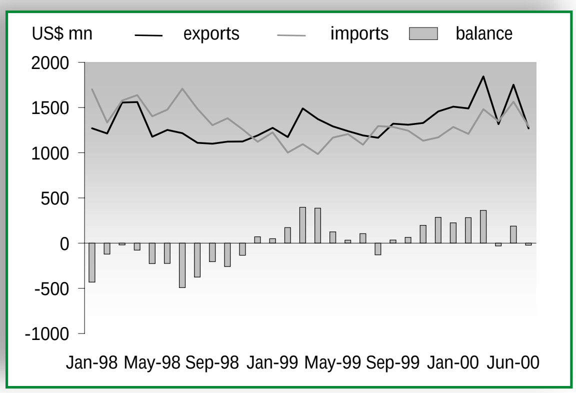
ECONOMIC ACTIVITY



INFLATION RATE



FOREIGN TRADE



CHILE: FIGURES & FORECASTS

CHILE

YEARLY INDICATORS	1997	1998	1999	2000f	2001f
DOMESTIC ECONOMY					
GDP change (%, real)	7.1	3.4	-1.1	5.8	6.0
GDP (US$ bn)	75.6	72.7	67.0	71.9	76.4
Inflation (%, year-end)	6.0	4.7	2.3	4.3	3.2
Budget balance in % of GDP***	2.0	0.4	-1.5	-0.5	0.5
EXTERNAL SECTOR (US$ bn)					
Merchandise exports	16.6	14.8	15.6	17.6	19.3
Merchandise imports	18.2	17.3	14.0	16.7	18.7
Trade balance	-1.6	-2.5	1.7	0.9	0.6
Current account balance	-4.1	-4.1	-0.1	-1.4	-2.2
Current account balance in % of GDP	-5.4	-5.7	-0.1	-2.0	-2.9
Net foreign direct investment	3.5	1.8	4.4	4.0	4.2
Foreign exchange reserves (year-end)	17.3	15.7	14.5	17.0	18.5
Import cover in months**	8.0	7.6	8.3	8.2	8.0
Exchange rate (pesos per US$, year-end)	440	474	528	535	544
FOREIGN DEBT (US$ bn)					
Gross foreign debt	28.3	33.5	36.1	36.1	42.0
Foreign debt in % of exports**	130	167	177	169	168
Short-term foreign debt	10.6	7.9	7.4	7.7	7.7
Foreign debt amortization	1.8	2.2	2.4	2.8	2.9
Foreign debt service	3.2	3.7	3.9	4.6	4.9
Foreign debt service in % of exports**	15	18	19	20	19
FINANCIAL MARKETS (year-end)					
Interbank rate, 30 days (2000: 07/19)	7.1	7.8	5.6	4.8	5.2
IPSA stock index (peso-based, 2000: 07/19)	91	71	100	98	
IFCI stock index (US$ based, 2000: 07/19)	643	451	613	554	
Bond market yield in % (2000: 07/19)*			8.1	8.3	
Yield spread in bps (2000: 07/19)*			152	191	

* $6^{7/8}$% US$-Bond (2009) ** goods and services ***central government only f=forecast

Anne Jansen
+49 40 3595 3889
e-mail: anne.jansen@dbla.com

COLOMBIA

Colombia's political picture improved somewhat thanks to the recent reshuffle of Pastrana's cabinet, as the new composition signals a continuation of the cooperation between the President's Conservative Party and the so-called dissident Liberals. This helped to bring the peso depreciation to a halt. In the absence of further political turbulence the peso should embark on a recuperation path, which should reduce the pressure for the Central Bank to raise interest rates aggressively. Despite a positive surprise on May's industrial production figures we stick to our estimate that the economic recovery has lost some steam in Q2. Nevertheless, the whole picture suggests that the Colombian economy remains on track to fulfil the targets agreed to with the IMF.

COLOMBIA

MONTHLY INDICATORS		Mar 00	Apr 00	May 00	Jun 00	next/latest
Industrial production	% yoy	13.4	8.5	**14.9**		11-Aug
Consumer prices	% yoy	9.7	10.0	10.0	**9.7**	08-Aug
Consumer prices	% mom	1.7	1.0	0.5	**0.0**	08-Aug
Producer prices	% yoy	13.8	15.2	15.6	**15.6**	08-Aug
Producer prices	% mom	1.4	1.6	0.5	**0.6**	08-Aug
Monetary base (latest: 07/12)	% yoy	3.5	8.9	17.9	16.2	**21.6**
Money supply M1 (latest: 07/12)	% yoy	35.4	34.5	37.1	34.4	**36.5**
Money supply M3 (latest: 06/30)	% yoy	5.2	3.3	5.2	**3.7**	
Financial sector lending (latest: 06/30)	% yoy	-6.6	-6.4	-6.0	**-7.7**	
Average loan interest rates (latest: 06/30)	% p.a.	23.5	24.1	24.4	**23.6**	
Certificates of deposit, 90 days (latest: 07/12)	% p.a.	10.4	10.8	11.2	11.5	**11.6**
Treasury bills (TES), 1 year (latest: 07/19)	% p.a.	13.5	14.5	14.9	15.1	**15.0**
Interbank rate, average maturity (latest: 07/13)	% p.a.	8.3	9.4	9.2	15.0	**11.7**
Merchandise exports	US$ mn	1061	897	**1121**		04-Aug
Merchandise exports	% yoy	12.1	7.8	**21.1**		04-Aug
Merchandise imports, cif	US$ mn	1079	**865**			28-Jul
Merchandise imports, cif	% yoy	20.8	**-1.5**			28-Jul
Foreign exchange reserves (latest: 07/12)	US$ mn	7799	7764	7804	7900	**7915**
Exchange rate, month-end (latest: 07/19)	Peso/US$	1952	2003	2085	2139	**2157**

QUARTERLY INDICATORS		Q2 99	Q3 99	Q4 99	Q1 00	next
GDP	% yoy	-6.7	-3.7	-1.0	**2.2**	29-Sep
Consumption	% yoy	-4.5	-3.0	-0.5	**2.3**	29-Sep
Investment	% yoy	-37.3	-25.4	-4.5	**10.7**	29-Sep
Manufacturing	% yoy	-16.8	-10.2	-3.3	**8.9**	29-Sep
Financial services	% yoy	-5.6	-7.3	-5.5	**-1.1**	29-Sep
Unemployment rate	%	19.9	20.1	18.1	20.2	31-Jul
Current account balance	US$ mn	-221	-84	-33	**-185**	29-Sep
Net foreign direct investment	US$ mn	321	72	109	**36**	29-Sep

Politics: The recent cabinet reshuffle has increased the probability that vital reforms aimed at reducing the structural public deficit, such as changes of the transfer system between the central government and regional entities, will eventually be passed by the Congress.

Guerrilla conflict: In late June the US Congress approved an increase of US$ 1.3 bn in assistance to Colombia to combat rebels and drug trafficking, a positive sign as it will boost the military strength of the armed forces and reinforce the government's bargaining position vis-à-vis the guerrilla movement. Moreover, in July several countries and international organizations promised US$ 0.9 bn for social aspects, e.g. help for refugees.

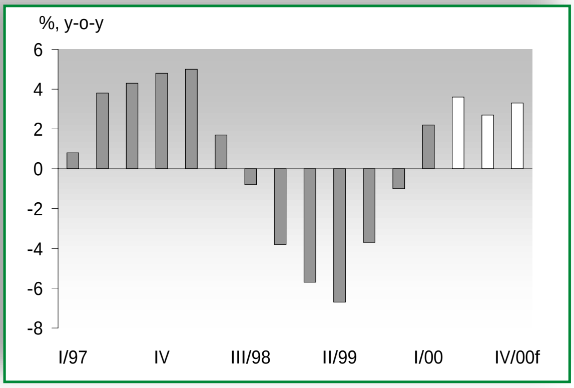
Public finances: Mainly windfall profits from higher oil prices helped the public sector to close the budget with a slight surplus in Q1. This surprisingly positive outcome confirms our view that the Government will manage to meet the IMF deficit limit (3.6% of GDP). Additional oil-related income will help to compensate for lower privatization revenues and higher than expected costs of the banking sector bail-out during the remainder of the year.

Economic activity: Industrial production, which rose 14.9% yoy in May, surprised on the upside, especially taking into account the assumed negative impact of political turbulence on business confidence. The official estimate for Q2 growth of 3.8% yoy is inflated by a base of comparison effect. Our estimate of a mere 0.4% growth qoq indicates that the economic recovery has lost steam. The outlook for Q3 is somewhat brighter as the economy should increasingly benefit from low real interest rates and an undervalued local currency (roughly 10% in real terms).

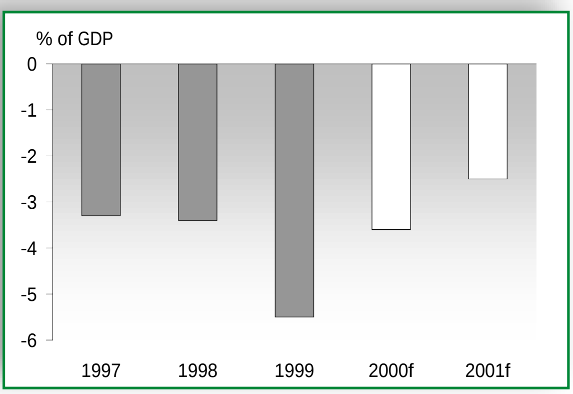
Inflation: Consumer prices were stable in June, bringing down the 12-month rate from 10.0 to 9.7%. Taking into account the observed weakness of the peso, this was a rather surprising figure. Chances have increased that the Central Bank might meet its inflation target of 10% for 2000. Nevertheless, as some of the currency depreciation and the oil price increase may pass through to consumer prices, we stick to our year-end inflation forecast of 10.5%.

Foreign trade: Merchandise exports were up 23% yoy in the first 5 months of the year primarily due to oil exports (+64%), as a result of high prices. This year oil will probably generate more than US$ 4.5 bn (1999: US$ 3.8 bn), which will contribute to a trade surplus at about last year's level. However, the outlook for Colombia's most important export is beginning to cloud over as worsening geological conditions could result in a production decline of more than 10% this year.

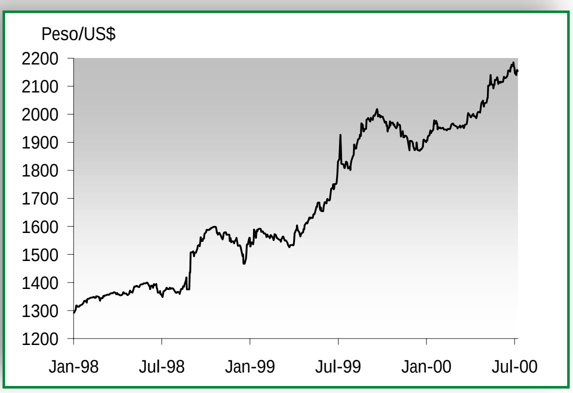
GDP GROWTH (REAL)



PUBLIC BUDGET BALANCE



EXCHANGE RATE



COLOMBIA: FIGURES & FORECASTS

COLOMBIA

YEARLY INDICATORS	1997	1998	1999	2000f	2001f
DOMESTIC ECONOMY					
GDP change (%, real)	3.4	0.5	-4.3	3.0	3.5
GDP (US$ bn)	106.7	99.4	86.5	82.8	86.9
Inflation (%, year-end)	17.7	16.7	9.2	10.5	10.0
Budget balance in % of GDP	-3.3	-3.4	-5.5	-3.6	-2.5
EXTERNAL SECTOR (US$ bn)					
Merchandise exports	12.1	11.4	12.0	13.5	13.6
Merchandise imports	14.8	14.0	10.3	12.0	13.0
Trade balance	-2.7	-2.6	1.7	1.5	0.6
Current account balance	-6.0	-5.3	-1.0	-1.5	-2.8
Current account balance in % of GDP	-5.6	-5.3	-1.2	-1.8	-3.2
Net foreign direct investment	4.8	2.4	0.9	1.1	1.9
Foreign exchange reserves (year-end)	9.5	8.3	7.6	7.9	8.3
Import cover in months**	5.3	4.9	5.4	5.0	4.9
Exchange rate (pesos per US$, year-end)	1294	1536	1874	2100	2300
FOREIGN DEBT (US$ bn)					
Gross foreign debt	35.1	36.2	36.0	36.7	37.4
Foreign debt in % of exports**	233	251	238	220	221
Short-term foreign debt	7.0	8.1	5.6	5.8	6.4
Foreign debt amortization	5.0	5.4	4.8	5.2	6.5
Foreign debt service	7.6	8.0	7.4	8.0	9.4
Foreign debt service in % of exports**	50	55	49	48	56
FINANCIAL MARKETS (year-end)					
Certificates of deposit, 90 days	23.8	34.3	15.1	14.5	13.5
IBB stock index (peso based, 2000: 07/19)	1432	1109	998	815	
IFCI stock index (US$ based, 2000: 07/19)	825	439	353	250	
Bond market yield in % (2000: 07/19)*	8.9	11.0	11.6	13.7	
Yield spread in bps (2000: 07/19)*	303	601	474	696	

* $7^{5/8}$% US$-Bond (2007) ** goods and services f=forecast

Luz Knees
+49 40 3595 3488
e-mail: luz.knees@dbla.com

MEXICO

The clear victory by Vicente Fox in the presidential elections was a positive surprise - evidenced by the marked increase of value of Mexican financial assets and the Peso the day after. We think that long-term political risks in Mexico have decreased considerably, given the fact that President Zedillo and PRI-candidate Labastida recognized their defeat and announced cooperation in order to guarantee a smooth political transition. Additionally, Fox's likely policy approach combined with the occurred strengthening of democracy has improved the outlook for further and faster economic integration with the US. Nevertheless, the composition of the new Congress is reason enough not to become overly euphoric on the medium-term economic prospects.

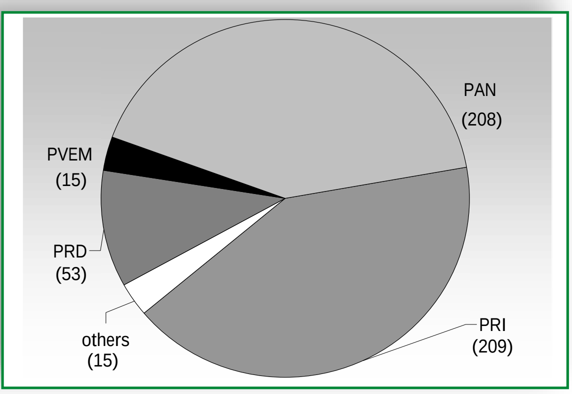
MEXICO

MONTHLY INDICATORS		Mar 00	Apr 00	May 00	Jun 00	next/latest
Industrial production	% yoy	8.3	5.0	**9.0**		11-Aug
Manufacturing, in-bond industry	% yoy	14.1	14.2	**16.4**		11-Aug
Manufacturing (excluding in-bond industry)	% yoy	8.8	3.6	**9.1**		11-Aug
Unemployment	%	2.2	2.5	2.1	**2.1**	21-Aug
Employment, manufacturing	% yoy	1.7	**1.6**			27-Jul
Retail sales	% yoy	1.3	11.2	**12.5**		22-Aug
Wholesale sales	% yoy	4.5	1.0	**12.0**		22-Aug
Consumer prices	% yoy	10.1	9.7	9.5	**9.4**	9-Aug
Consumer prices	% mom	0.6	0.6	0.4	**0.6**	9-Aug
Producer prices	% yoy	10.9	10.3	11.3	**11.6**	9-Aug
Producer prices	% mom	0.2	0.2	1.3	**1.2**	9-Aug
Money supply M1a	real % yoy	12.8	14.8	10.4		20-Jul
Money supply M4a	real % yoy	8.6	8.2	5.6		20-Jul
Credit of com.banks to non-banking sector	real % yoy	-11.2	-9.3	-9.4		20-Jul
Interbank rate (TIIE), month-end (latest: 07/19)	% p.a.	14.7	14.8	17.0	18.2	**14.8**
Treasury bills (Cetes 28T), month-end (lat.: 07/18)	% p.a.	12.88	12.77	15.45	17.01	**13.71**
Merchandise exports	US$ mn	13583	12383	**14709**		24-Jul
Merchandise imports	US$ mn	14022	12717	**15182**		24-Jul
Trade balance	US$ mn	-439	-334	**-473**		24-Jul
Foreign exchange reserves (latest: 07/14)	US$ bn	36.4	34.7	33.6	33.0	**34.1**
Exchange rate, month-end (latest: 07/19)	Pesos/US$	9.29	9.40	9.51	9.92	**9.32**

QUARTERLY INDICATORS		Q2 99	Q3 99	Q4 99	Q1 00	next
GDP	% yoy	3.1	4.3	5.2	7.9	15-Aug
Private consumption	% yoy	3.3	4.0	7.6	9.2	19-Sep
Public consumption	% yoy	1.6	-1.3	1.4	5.0	19-Sep
Public and private Investment	% yoy	6.1	5.2	8.1	11.6	19-Sep
Federal Government debt, quarter-end	Peso bn	1094	1127	1176	1194	16-Aug
Current account balance	US$ mn	-2931	-3277	-4430	-4203	5-Sep
Gross foreign direct investment	US$ mn	2798	2417	3424	3087	5-Sep

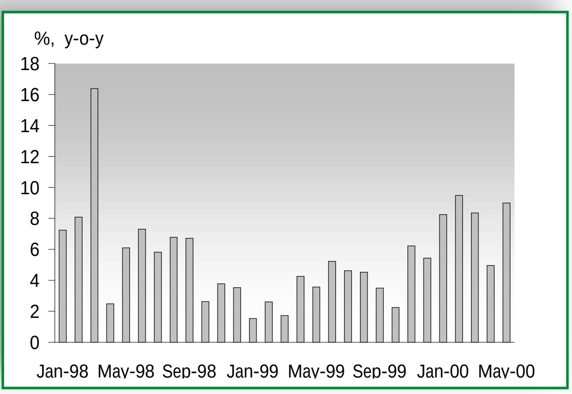
Politics: Both in the newly-elected Chamber of Deputies and in the Senate the PAN will fall short of an absolute and even a relative majority. Fox has to cooperate either with the PRD (the less probable scenario) or with the PRI. Whether and in what form a co-operation with the PRI will materialize largely depends on the outcome of the ongoing internal party struggle between traditionalists and modernizers. In any case, do not expect the major reform issues (e.g. tax reform, opening up of the electricity sector) to be resolved in a quick and calm political process.

CHAMBER OF DEPUTIES



Fiscal policy: Finance Minister Gurria indicated that this year's fiscal deficit will remain well below 1% of GDP, this year's official target. This is a certain hint that fiscal policy might play a bigger role in containing buoyant domestic demand in the 2nd half of the year. Moreover, President-elect Fox announced a tighter budget for 2001 aimed at reducing the deficit to 0.5% instead of 1% of GDP, the official target of the Zedillo administration. We have lowered our forecast for the fiscal deficit to 0.8% of GDP for 2000, but for now we are sticking to our 2001 projection of a deficit of 1% of GDP as it is unclear how the government will compensate for an expected shortfall in oil revenues.

INDUSTRIAL PRODUCTION



Economic Activity: Industrial production rebounded to 9.0% in May - about 2 percentage points above consensus estimates. The strong figure confirms that the slowdown observed in April was a mere "Easter holiday" effect. Incorporating a slightly improved outlook for interest rates and the positive confidence shock generated by the election outcome, we increase our projection for this year's economic growth from 5.5% to 6%

Inflation: The negative impact of the devaluation of the peso led to a slight increase in consumer price inflation in June (0.6%). Nevertheless, the 12-month rate fell to 9.4%. Despite a more positive outlook on the peso, further progress with disinflation should be limited as the improved short-term economic scenario will add to already existing pressure on prices. We have reduced this year's inflation forecast slightly from 9.5% to 9.3%.

Exchange rate: The fx-market did not only correct the "election risk premium" for the peso within days, but is currently also pricing in the positive expectations created by the Fox victory. We adjust our exchange-rate forecast for the end of the year from 10.0 to 9.7 pesos/US$. Once the political noise increases, the peso should start correcting some of its current overvaluation of roughly 20%.

EXCHANGE RATE

Interest rates: The CETES yield curve flattened sharply in the 1st two post-election auctions. The government paid a yield of 17.01% for its 28-day treasury bills on June 27, 13.35% on July 11 and 13.71% on July 18. We reduced our interest forecasts for end-2000 from 15.0% to 14.5%. With disinflation fading, expectations of a slightly depreciating peso and a tightening bias of BACEN, interest rates should start to rise soon from today's level.

MEXICO: FIGURES & FORECASTS

MEXICO

YEARLY INDICATORS	1997	1998	1999	2000f	2001f
DOMESTIC ECONOMY					
GDP change in % (real)	6.8	4.8	3.7	6.0	4.5
GDP (US$ bn)	401.5	415.0	481.6	563.4	613.3
Inflation (%, year-end)	15.7	18.6	12.3	9.3	8.0
Budget balance in % of GDP	-0.6	-1.2	-1.1	-0.8	-1.0
EXTERNAL SECTOR (US$ bn)					
Merchandise exports	110.4	117.5	136.7	156.9	166.9
Merchandise imports	109.8	125.4	142.1	165.7	178.5
Trade balance	0.6	-7.9	-5.4	-8.8	-11.6
Current account balance	-7.4	-16.0	-14.0	-17.5	-20.4
Current account balance in % of GDP	-1.9	-3.8	-2.9	-3.1	-3.3
Net foreign direct investment	12.8	11.3	11.6	11.0	12.0
Foreign exchange reserves (year-end)	28.8	31.8	31.8	33.0	34.0
Import cover in months**	2.5	2.4	2.2	2.0	1.9
Exchange rate (pesos per US$, year-end)	8.08	9.87	9.51	9.70	10.20
FOREIGN DEBT (US$ bn)					
Gross foreign debt	152.8	162.0	163.0	169.8	178.3
Foreign debt in % of exports**	121	121	106	97	95
Short-term foreign debt	34.1	39.9	42.4	46.1	49.1
Foreign debt amortization	16.1	20.3	19.7	18.1	14.0
Foreign debt service	28.5	32.8	32.7	32.0	28.6
Foreign debt service in % of exports**	23	24	21	18	15
FINANCIAL MARKETS (year-end)					
CETES-rate, 28 days	18.9	31.2	16.3	14.5	13.5
IPC stock index (peso based, 2000: 07/19)	5229	3960	7130	6863	
IFCI stock index (US$ based, 2000: 07/19)	788	479	859	834	
Bond market yield in % (2000: 07/19)*	9.8	12.4	10.0	9.4	
Yield spread in bps (2000: 07/19)*	391	736	353	324	

* $11^{1/2}$% US$-Bond (2026) ** goods and services f=forecast

Thorsten Rülle (Miami Agency)
+1 305 810 3855
e-mail: thorsten.ruelle@dbla.com

Bolko Schwanecke
+49 40 3595 3605
e-mail: bolko.schwanecke@dbla.com

PERU

The pressure being exerted on the Fujimori government by the OAS after the run-off ballot seems to be waning. The main issue right now is the U.S. ultimatum pushing for progress with the planned reforms within the next three months to prevent the good relations in the past between Peru and the U.S. - Peru's chief trading partner - from deteriorating. Up until now the government has not managed to adopt any convincing measures to reinforce democratic institutions in Peru. This, the delays in privatization, the announcement of a cabinet reshuffle and the government's plans to drop key tax relief measures have made international investors cautious. In the medium term, though, the positive fundamentals prevailing in Peru should gain the upper hand.

PERU

MONTHLY INDICATORS		Mar 00	Apr 00	Mai 00	Jun 00	next/latest
GDP	% yoy	7.9	4.7	**6.6**		4-Aug
Industrial production	% yoy	26.7	5.4			4-Aug
Consumer prices	% yoy	3.9	3.8	3.3	**3.2**	7-Aug
Consumer prices	% mom	0.5	0.5	0.0	**0.1**	7-Aug
Money supply M1	% yoy	7.7	8.7	**8.5**		21-Jul
Money supply M4	% yoy	7.9	8.9	**7.8**		21-Jul
Outstanding credit to the private sector, real	% yoy	-0.7	0.0	1.1		
Loan rates in US$ (TAMEX) (latest: 07/19)	%	14.3	14.2	14.1	13.9	**13.8**
Deposit rates in US$ (TIPMEX) (latest: 07/19)	%	4.8	4.7	4.7	4.6	**4.7**
Interbank deposit rate (1mth) (latest: 07/19)	%	12.0	13.9	15.6	14.9	**13.4**
Merchandise exports	US$ mn	562.3	501.1	**545.3**		11-Aug
Merchandise imports	US$ mn	628.0	557.9	**634.5**		11-Aug
Trade balance	US$ mn	-65.7	-56.8	**-89.3**		11-Aug
Budget balance (Central Government)	Soles mn	-959	235	**-287**		11-Aug
Foreign exchange reserves	US$ mn	8803	8775	8952	**8710**	4-Aug
Exchange rate, month-end (latest: 07/19)	Soles/US$	3.48	3.48	3.50	3.49	**3.48**

QUARTERLY INDICATORS		Q2 99	Q3 99	Q4 99	Q1 00	next
GDP	% yoy	5.2	0.4	8.6	8.4	28-Aug
Domestic demand	% yoy	-3.1	-5.5	-7.5	9.4	28-Aug
Private consumption	% yoy	0.8	1.1	5.3	5.6	28-Aug
Public consumption	% yoy	10.7	8.9	-4.1	11.5	28-Aug
Private investment	% yoy	-16.2	-28.9	23.7	19.8	28-Aug
Public investment	% yoy	12.1	17.7	-4.1	0.5	28-Aug
Unemployment rate	%	8.2	7.7	**7.2**		31-Jul
Public sector budget balance	in % of GDP	-1.7	-4.4	-3.6	-2.1	28-Aug
Current account balance	US$ mn	-530	-453	-591	-485	28-Aug
Gross foreign debt	US$ bn	28.7	28.8	28.6	28.6	28-Aug

Fiscal policy: The government has submitted 11 new legislative bills to Congress, providing inter alia for cuts of key tax relief measures. The mining sector, Peru's major export earner and the focal point of investment from abroad, is most severely affected. Royalties are set to double and the possibility of tax-free reinvestment of profits is to be abolished. The government had introduced these tax benefits in the early 1990s to make Peru, rated as very risky at the time, more attractive to investors. In view of the current political unrest, the timing for eliminating such relief measures is unfavorable.

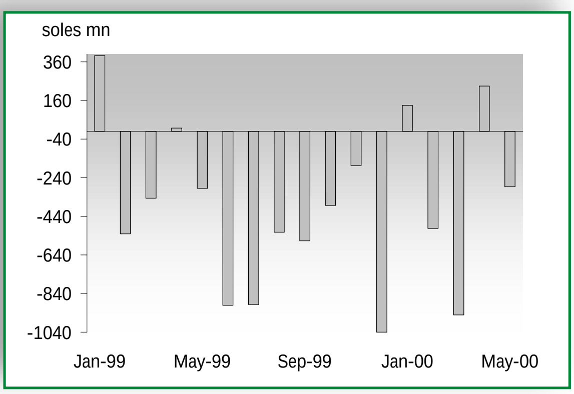
Public finance: As far as the budget is concerned, the abolition of tax relief would be a positive signal, especially since the central government's revenues will probably turn out lower than planned due to the cuts and delaying of privatization projects. The maximum deficit agreed for 1H 2000 in a Letter of Intent, amounting to 1820 million soles, is likely to have been met (January/May: -1371 million soles). We expect that the year 2000 limit to the deficit for the entire public-sector budget (1.9% of GDP) will also be complied with.

Economic activity: Peru's GDP statistics were recently converted from the base year 1979 to 1994; the weighting of sectors was likewise adjusted to the current economic structure; the monthly growth rates according to the old and the new calculation thus differ profoundly. In May, real GDP grew by 6.6% yoy (1994=100). Compared with the previous year, fishing saw a particularly strong gain (+31%), followed by an increase in the manufacturing industry by 13.1%. The agricultural sector likewise managed to increase its output by 6.5% yoy.

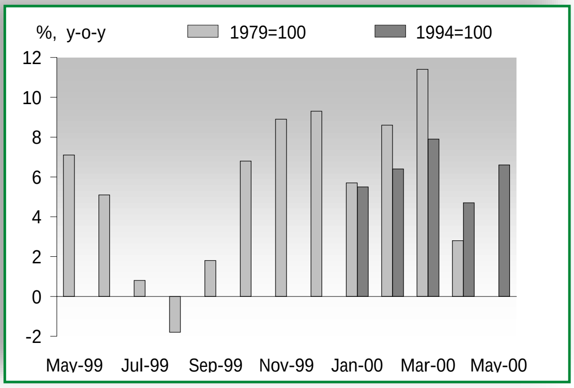
Inflation: In June, consumer prices remained at the previous month's level (+0.06%), as had already been the case in May. This represents an increase of 3.2% yoy. The decisive factor here was a further reduction in prices of food and beverages, which make up almost 50% of the basket of commodities. For instance, lower fish, fruit and potato prices offset higher prices of pharmaceuticals, rents and clothing. In the course of the year the upward pressure on prices should remain moderate too. While inflation should turn out slightly higher than at present due to a statistical base effect, it should nevertheless remain within a band forecast by the central bank of 3% to 4%.

Trade balance: The trade deficit widened in May mom from US$ 57 million to US$ 89 million. This is attributable in particular to higher imports of capital goods; there was also a significant rise in commodities and intermediate products imports. The cumulative trade deficit since the beginning of the year amounts to approx. -US$ 285 mn (January/May 1999: -US$ 271 mn). For the year 2000 as a whole, we expect the trade deficit also to increase slightly from 1999, to US$ 700 mn.

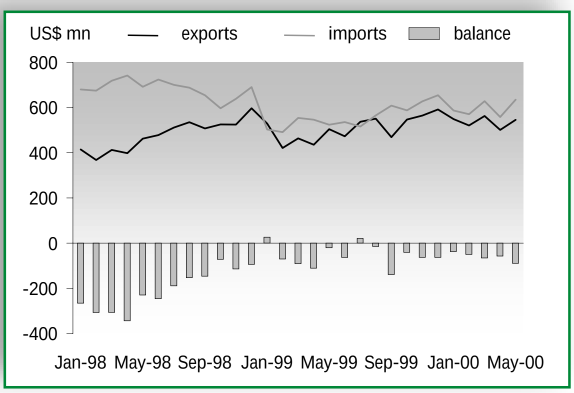
CENTRAL GOVERNMENT BALANCE



GDP GROWTH (REAL)



FOREIGN TRADE



PERU: FIGURES & FORECASTS

PERU

YEARLY INDICATORS	1997	1998	1999	2000f	2001f
DOMESTIC ECONOMY					
GDP change (%, real)	6.9	0.3	3.8	4.5	5.3
GDP (US$ bn)	65.0	63.5	58.2	63.1	66.3
Inflation (%, year-end)	6.5	6.0	3.7	4.0	3.9
Budget balance in % of GDP***	0.1	-0.7	-2.5	-1.9	-1.4
EXTERNAL SECTOR (US$ bn)					
Merchandise exports	6.8	5.7	6.1	6.9	7.7
Merchandise imports	8.6	8.2	6.7	7.6	8.4
Trade balance	-1.8	-2.5	-0.6	-0.7	-0.7
Current account balance	-3.3	-3.8	-1.9	-2.2	-2.3
Current account balance in % of GDP	-5.1	-6.0	-3.3	-3.5	-3.5
Net foreign direct investment	2.0	2.0	2.1	2.0	2.1
Foreign exchange reserves (year-end)	11.0	9.6	9.1	9.6	10.1
Import cover in months**	10.0	9.0	9.6	9.2	9.0
Exchange rate (soles per US$, year-end)	2.73	3.15	3.51	3.45	3.60
FOREIGN DEBT (US$ bn)					
Gross foreign debt	28.5	30.0	28.6	29.5	30.0
Foreign debt in % of exports**	314	361	328	304	280
Short-term foreign debt	6.4	6.5	4.9	5.5	6.0
Foreign debt amortization	2.5	2.4	2.5	2.6	2.6
Foreign debt service	4.2	4.1	4.3	4.5	4.6
Foreign debt service in % of exports**	46	49	49	46	49
FINANCIAL MARKETS (year-end)					
Inter bank rate (average rate)	12.8	12.6	16.4	13.0	11.0
IBGVL stock index (sol based, 2000: 07/19)	1794	1336	1836	1361	
IFCI stock index (US$ based, 2000: 07/19)	221	134	161	133	
Bond market yield in % (2000: 07/19)*	9.9	11.2	11.1	11.6	
Yield spread in bps (2000: 07/19)*	420	568	455	540	

* FLIRB 3 3/4% (2017) ** goods and services ***excluding privatization income f=forecast

Anne Jansen
+49 40 3595 3889
e-mail: anne.jansen@dbla.com

VENEZUELA

With a lead of 20 percentage points in recent polls, a lot must happen for Chavez not to be elected President on July, 30th. With his interventionist measures - such as the forced salary increase in the private sector - and the hike in public spending, he will most certainly gain the support of the poor in the short term, but in doing so he will definitely not set the base for sustainable economic growth. On the contrary, the fact that discontented investors are taking their capital abroad - a development that might be hidden by now thanks to oil-related windfall profits - leaves the country highly vulnerable to a drop in oil prices.

VENEZUELA

MONTHLY INDICATORS		Mar 00	Apr 00	May 00	Jun 00	next/latest
Vehicle sales (units)	% yoy	39.2	31.1	35.6	**39.3**	07-Aug
Consumer prices	% yoy	17.5	18.0	16.9	**16.4**	01-Aug
Consumer prices	% mom	0.9	1.5	1.0	**1.1**	01-Aug
Producer prices	% yoy	10.3	10.4	10.0		
Producer prices	% mom	2.0	0.6	0.5		
Money supply M2 (latest: 06/23)	% yoy	23.8	26.7	23.4	**22.4**	
Deposits in the banking system (latest: 06/23)	% yoy	14.5	19.6	15.6	**18.1**	
Loan interest rates, average (latest: 07/07)	%	25.1	26.0	23.1	26.2	**24.7**
Deposit interest rates, 90 days (latest: 07/07)	%	14.4	15.0	15.0	16.4	**13.5**
Interbank rate, overnight, (latest: 07/19)	%	5.0	5.4	43.6	4.4	**6.1**
Oil price, average export price (lat.: 07/14)	US$/barrel	26.49	22.02	25.39	27.87	**27.05**
Oil price, average export price (lat.: 07/14)	% yoy	140.8	60.7	84.0	95.4	**58.1**
Foreign exchange reserves (lat.: 07/11)	US$ mn	11412	11941	11389	12100	**12550**
Foreign exchange reserves, FIEM (lat.: 07/11)	US$ mn	1706	2014	2023	2275	**2279**
exchange rate, month-end (latest: 07/19)	Bolívares/US$	670	675	684	682	**686**

QUARTERLY INDICATORS		Q2 99	Q3 99	Q4 99	Q1 00	next
GDP	% yoy	-8.9	-5.9	-4.5	0.3	30-Aug
GDP, private sector	% yoy	-11.9	-5.2	-3.3	1.8	30-Aug
GDP, public sector	% yoy	-4.2	-6.8	-6.5	-1.9	30-Aug
Trade balance	US$ mn	1358	3213	3829	4375	
Merchandise exports	US$ mn	4757	5992	6636	7633	
Exports, oil and derivatives	US$ mn	3764	4813	5467	6372	
Merchandise imports	US$ mn	3399	2779	2807	3258	
Current account balance	US$ mn	448	2332	2991	3505	
Net foreign direct investment	US$ mn	539	442	534	591	

Politics: A new timetable was fixed for the elections: the president, the National Assembly, the governors of the states and the mayors will be elected on July 30, followed on October 1 by elections to the municipal assemblies. We continue to assume that left-leaning president Chávez in office since February 1999 will be re-elected for a further six years - the legislative period according to the new constitution. Most polls showed more than 50% of voters in his favor, approx. 20 percentage points more than his only serious contender, Arias, who is being supported by the business community and the upper classes.

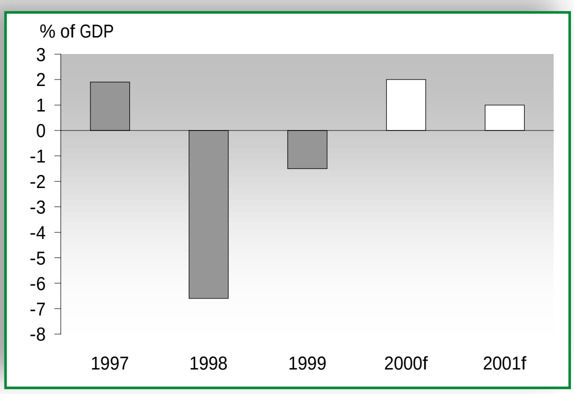
Economic policy: On July 3, as another example for the government's dirigisme in economic policy, private-sector enterprises were forced to raise wages by 15% to 20%, retroactively as of May, corresponding to the wage increases for public-sector employees. In view of the elections, this was not a big surprise. In addition, however, a 60-day freeze on dismissals was decreed, making conditions worse for employers, and in the longer term, for the workers, too, as such an economic-policy stance eventually dampens investment, growth, and thus destroys jobs. This contrasts with Chávez' main target of improving the living standards of the poor.

Economic activity: After the economy grew by 0.3% in Q1 yoy (the first positive change after 1 1/2 years), we believe GDP will increase by 2.8% in 2000 as a whole, although private-sector sentiment remains depressed as documented by numerous closures of small industrial enterprises. The government announced a 35% increase in spending, over US$ 8 bn (nearly 8% of GDP), in this year's budget to spur the economic recovery by infrastructural measures, among other things. This is to be financed by windfall profits from oil exports, which already led to a strong public-sector budget surplus of 7.2% of GDP in Q1/2000.

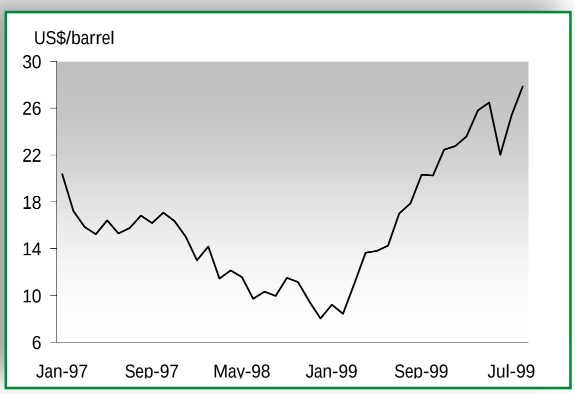
Current account, foreign exchange reserves: In spite of the decisions made by leading oil-exporting countries including Venezuela to increase production, prices are still high. We now assume that exports of crude oil and refined products will amount to US$ 26 to 27 bn in 2000, US$ 10 bn more than in 1999. The current-account surplus (US$ 3.5 bn in Q1) should rise to almost US$ 12 bn (just under 11% of GDP). In spite of this surplus, forex reserves have increased to a relatively moderate degree, primarily due to the substantial capital flight in consequence of the dirigistic economic policy and the high overvaluation of the bolívar. From the beginning of 2000 to mid-July, the central bank's forex reserves grew just US$ 0.3 bn, to US$ 12.6 bn, whereas those of the stabilization fund FIEM increased by US$ 2.1 bn, to reach US$ 2.3 bn.

Exchange rate: After the bolívar regained approx. 1% against the US$ early in June due to Chávez's initiative to "punish speculators", market participants assumed the exchange rate had reached the lower limit of the currency band. The central bank, which had previously not disclosed details of the band, disagreed: the annual increase in the US$ exchange rate had not been 16.5% as generally assumed but a constant 84 bolívares, resulting in a lower slope in the currency band than supposed. After this "hidden band adjustment" (another blow to the credibility of the central bank's policy), we now project a US$ exchange rate of 720 bolívares by year-end (formerly 750 bolívares).

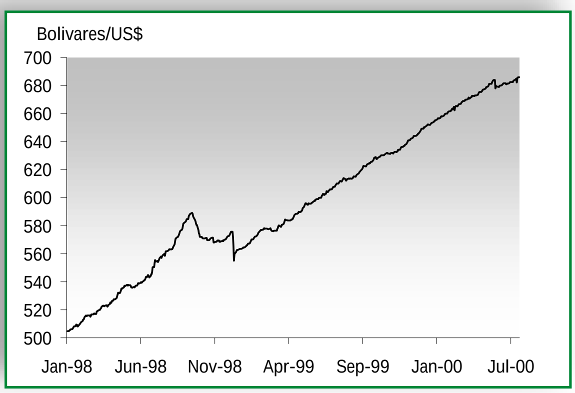
PUBLIC BUDGET BALANCE



OIL PRICE



EXCHANGE RATE



VENEZUELA: FIGURES & FORECASTS

VENEZUELA

YEARLY INDICATORS	1997	1998	1999	2000f	2001f
DOMESTIC ECONOMY					
GDP change in % (real)	6.4	-0.1	-7.2	2.8	4.0
GDP (US$ bn)	88.4	95.0	102.3	109.3	118.0
Inflation in % (year-end)	37.6	29.9	20.0	20.0	25.0
Budget balance in % of GDP	1.9	-6.6	-1.5	2.0	1.0
EXTERNAL SECTOR (US$ bn)					
Merchandise exports	23.7	17.6	20.9	31.2	29.0
Merchandise imports	13.7	14.8	11.7	14.5	16.2
Trade balance	10.0	2.8	9.2	16.7	12.8
Current account balance	3.5	-2.6	5.4	11.9	7.7
Current account balance in % of GDP	4.0	-2.7	5.3	10.9	6.5
Net foreign direct investment	5.0	4.2	2.0	2.2	2.4
Foreign exchange reserves (year-end)	14.4	11.9	12.3	10.4	10.0
Import cover in months**	7.3	6.0	7.6	5.4	4.8
Exchange rate (bolivares per US$, year-end)	504	565	648	720	830
FOREIGN DEBT (US$ bn)					
Gross foreign debt	35.7	37.2	36.2	35.5	35.0
Foreign debt in % of exports**	131	173	146	101	107
Short-term foreign debt	6.6	7.4	7.0	7.4	7.8
Foreign debt amortization	2.3	5.6	4.0	3.8	3.7
Foreign debt service	5.0	8.2	6.7	6.7	6.7
Foreign debt service in % of exports**	18	38	27	19	20
FINANCIAL MARKETS (year-end)					
Deposit rate, 90 days	17.0	35.3	17.3	16.0	20.0
ICB stock index (bolívar based, 2000: 07/19)	8656	4789	5418	6747	
IFCI stock index (US$ based, 2000: 07/19)	915	453	397	501	
Bond market yield in % (2000: 07/19)*	10.7	16.1	14.8	14.6	
Yield spread in bps (2000: 07/19)*	450	1046	785	814	

* $9^{1/4}$% US$-Bond (2027) ** goods and services f=forecast

Luz Knees
+49 40 3595 3488
e-mail: luz.knees@dbla.com

ECONOMICS DEPARTMENT

Economic Research:

E-Mail: economics@dbla.com
Online analyses: http://www.dbla.com

Chief Economist:

Dr. Heinz Mewes
Tel.: (+49 40) 3595 3482
E-Mail: heinz.mewes@dbla.com

Senior Regional Economist:

Thorsten Rülle (Miami Agency)
Tel.: (+1 305) 810 3855
E-Mail: thorsten.ruelle@dbla.com

Mercosur:

Günter Köhne
Tel.: (+49 40) 3595 3484
E-Mail: guenter.koehne@dbla.com

Humberto Santamaria
Tel.: (+49 40) 3595 3481
E-Mail: humberto.santamaria@dbla.com

Walter Schäfer
Tel.: (+49 40) 3595 3489
E-Mail: walter.schaefer@dbla.com

Andean countries:

Anne Jansen
Tel.: (+49 40) 3595 3889
E-Mail: anne.jansen@dbla.com

Luz Knees
Tel.: (+49 40) 3595 3488
E-Mail: luz.knees@dbla.com

Mexico and Central America:

Ingrid Grünewald
Tel.: (+49 40) 3595 3487
E-Mail: ingrid.gruenewald@dbla.com

Bolko Schwanecke
Tel.: (+49 40) 3595 3605
E-Mail: bolko.schwanecke@dbla.com

Documentation:

Susanne Holzhausen
Tel.: (+49 40) 3595 3494
E-Mail: susanne.holzhausen@dbla.com