Éclairages

Émergents

Aperiodic – No. 9 - February 2011

Latin America in 2011

- **In terms of GDP performance, 2011 will be a year of consolidation. Growth will probably slow somewhat (from 5.8% in 2010 to 4.2% in 2011), but could be somewhat stronger (up to 5.2%), depending mainly on Brazil.**
- **Inflation is still under control but rising almost everywhere. Several countries, including Brazil, Colombia, Chile and Peru, are facing a new economic policy dilemma, because any sudden tightening of monetary policy could fuel currency appreciation, driving national currencies that are already considered overvalued even higher.**
- **After an expansionary episode in 2009 that extended into 2010 in some cases, public finances are moving towards balance. The slowdown in growth will preclude any significant reduction in the public debt ratios, but greater fiscal austerity would allow the rating agencies to upgrade some sovereign debt ratings.**

Latin America's GDP approached a record $4.6 trillion in 2010; compare this with China's $5.6 trillion, bearing in mind China's population of 1.35 billion, and Latin America's 570 million. **Last year showed a strong rebound, with real growth of 5.8%** (after a 2.0 percent drop in 2009, which would have been only 0.2%, excluding Mexico). **The often strong appreciation of most of the region's currencies** also helped raise the GDP growth rate in US dollar terms, and is causing problems in finding the right tradeoff for many economies.

Growth has been driven by three factors. **First, the terms of trade in the region are more favorable than ever before, and have continued to improve.** Commodities account for over 50% of exports (52.9% in 2009, according to ECLAC, the Economic Commission for Latin America and the Caribbean), and the percentage has risen steadily over the decade. The countries reporting the strongest growth (Argentina, Peru, Uruguay and Paraguay) happen to be those most dependent on commodities (with Venezuela the exception to the rule, but for other reasons). Second, the abundant capital available worldwide, and the market's improved perception of the region (as seen in the lowest-ever CDS spreads, in some cases lower than for European sovereign debt) have prompted **unprecedented capital inflows** (exceeding $100 bn in Brazil in 2010), and more than covered the slightly wider current account deficit (which increased from 0.3% of the region's GDP in 2009, to 0.9% in 2010); almost all countries also increased their reserves. Finally, **economic policies have remained relatively accommodative**, with government spending continuing to boost activity; and most significantly, monetary tightening began only late in the year (and not at all in some cases like Colombia).

Consolidation in 2011

The first two factors should remain in play in 2011. Commodity prices are still on a positive trend from the producers' viewpoint; Asian demand will remain strong; and if political tensions in the Middle East continue, they could drive energy prices much higher. Financial markets are also expected to remain highly liquid, and even if investors wake up again to the political risk specific to the emerging market countries, this refound prudence should not affect Latin America.

The policy mix should nevertheless be less pro-growth, as fiscal policy becomes "neutral" (with the exception of a few heterodox cases, in Argentina, Venezuela and Ecuador). Most governments see the benefits of the higher sovereign debt ratings assigned by the agencies. Moody's, for instance, raised countries' ratings by a total of 12 notches in 2100, or the most ever in the region. **2011 could see further upgrades for several countries** including Brazil and Colombia, if debt ratios continue to fall, or at least if tax and fiscal policy decisions point to a likely improvement in the foreseeable future.

But the biggest change will be in monetary policy. In an environment of re-emerging inflation pressures, nearly every Latin American country (with the exceptions once again being Venezuela, Ecuador, and probably Argentina) will **gradually raise key rates in 2011**. Three factors will influence the extent of the tightening: (i) how fast inflation accelerates (even if the source of the pressure on prices raises doubts over the actual effectiveness of monetary action), (ii) the extent of the economic slowdown (particularly in Brazil and Mexico), and (iii) strategies governments and central banks adopt in an attempt to contain the appreciation of their national currencies (in Brazil, Colombia, Chile, and Peru).

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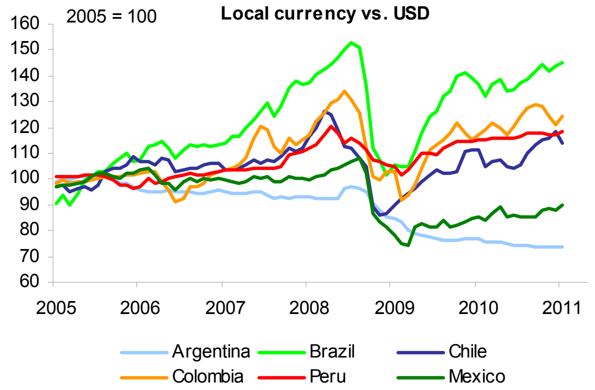
All told, **our central scenario foresees a noticeable slowdown in growth in 2011, which could come to 4.2%,** or below the pre-crisis trend of 5.2% for the 2004-2008 period. We also believe there is **a real chance for even higher growth**, particularly because of Brazil's weight in the region's overall performance. If Brazil's economy grows by 6.0% (after what will probably be 7.5% in 2010) instead of the 4.5% in our central scenario, then the region's overall GDP growth, ceteris paribus, would come to 4.9%.

The exchange rate-or-inflation quandary

All the major Latin American currencies appreciated against the dollar in 2010, except for the Argentine peso (but even then, there was appreciation in real terms, if the real and not the official inflation figures are used). Comparing the exchange rate on January 31, 2011, with the average rate for January 2010, the two "strongest" currencies for the time being are the Brazilian *real*, which was 6.3% higher, and the Colombian peso, which was 5.8% higher against the dollar.

Latin America: exchange rate



Source: Reuters, Crédit Agricole S.A.

Currency appreciation must however been seen in context. First, the pace of the appreciation slowed in 2010, after substantial rises in 2009. Second, none of the region's currencies has returned to the 2008 peaks (with the Peruvian sol closest to that level).

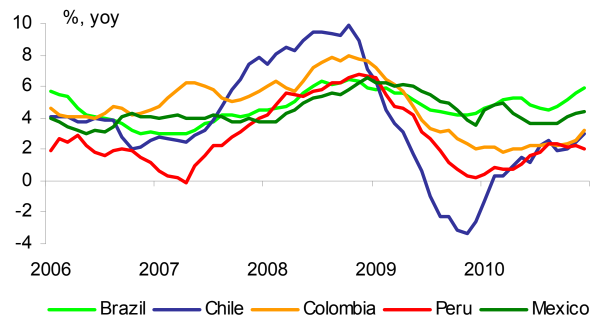
Still, **overvaluation is a real problem for four of the large countries (Brazil, Colombia, Chile, and Peru — but Uruguay could be added to the list).** That appreciation is now seen as a problem shows how far many countries have come — especially those who, fifteen years ago, considered that a peg (whether hard or soft) was the basic tool for fighting inflation. Today, they consider that **any benefits from an overvalued currency are far outweighed by the drawbacks: lost competitiveness** (Venezuela is a case study in the "Dutch disease," having abandoned most of its agricultural and manufacturing activity — and the governments of oil and mineral-exporting countries, from Brazil to Colombia, are well aware of the dangers); **widening external deficits** (owing to the appetite for imported products and services — as evidenced in the record spending by Brazilian tourists abroad — and inflows of short-term hot money); and **the risk (theoretical for the time being) of the formation of stock market, property and credit bubbles.**

Latin America's economic policymakers have the following analysis. They consider that **the currency appreciation is caused by unprecedented capital inflows that do far more than simply cover the current account deficits.** (In Brazil, inflows total $100 billion, compared to the current account deficit of less than $50 bn.) The inflows are augmented by abundant liquidity and the market's view that risk has improved in most countries. There are nevertheless some differences across countries: whereas Brazil is receiving mainly portfolio investment, most of the capital moving into Colombia is in the form of foreign direct investment into the oil and mining sectors. **Mexico is a special case** in that the current account deficit and capital flows are smaller than other countries relative to the economy as a whole, and the peso has been slower to appreciate; it is still close to 18 percent below the 2008 peak.

Many countries thus face the task of discouraging some of the inflows. The first targets are carry-trade transactions, which countries consider to be worthless for their economies. One obvious solution would **be to cut interest rates**. This was done by the central banks in 2010, all the more readily because inflation was not considered a threat; their concern to avoid contributing to currency appreciation was sometimes explicitly noted among the reasons for decisions to delay raising key lending rates.

The situation has now changed. **All the large countries exhibited sharp inflationary pressures** either in the second half (Chile and Peru) or at the very end of the year (Brazil, Mexico, and Colombia). Up to now, the main reason has been **the large surge in food prices** (due to climate reasons) potentially followed by higher energy prices. Monetary tightening would have little impact on those prices, but the central banks fear that inflation could be generalized, in an environment marked by strong private consumption and capacity utilization ratios close to their historic highs (Mexico being a notable exception).

Latin America: consumer prices



Source: National statistical institutes, Crédit Agricole S.A.

The central banks will therefore be returning to the classical tool of raising the key rates. But they must proceed with caution because of continuing concerns over currency appreciation. **Other, less conventional, tools will also be used.** In addition to rate hikes, there will be measures to contain credit, e.g., higher mandatory reserves and other steps to control the money supply. Other measures will act more directly on the exchange rate, through market interventions — Brazil has innovated in this area in recent weeks — alongside tax increases to deter some foreign investors. ■

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Brazil

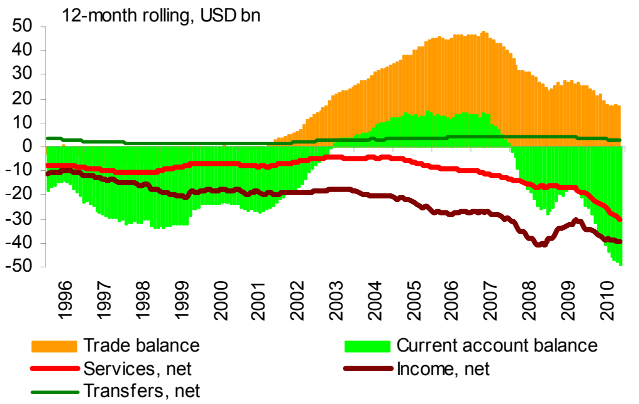
Population: 193 million
GDP: USD 1,986 bn
Growth: 7.5%
(2010 estimates))

Brazil began the year with a new president. The country voted for continuity, but there was never any danger of radical change; one of the key advances of the previous 15 years has been the broad consensus on preserving balanced public finances and keeping prices under control. Still, the new authorities assumed office in a climate of euphoria fraught with risks that can only be mastered by adjusting the policy mix; these risks include rising inflation, the formation of bubbles, the appreciation of the *real*, and the external deficit.

The ruling Workers' Party (PT) candidate, Dilma Rousseff, took office on January 1, after winning 56% of the vote in the second round of the presidential elections against 44% for Jose Serra of the Brazilian Social Democratic Party (PSDB). There should be little change in economic policies.

With public debt to GDP approaching 62%, the primary surplus is the key indicator to monitor, but it is not a cause for concern. The new Brazilian authorities will continue the prudent fiscal policy of Presidents Cardoso and Lula. The primary surplus should exceed 3% of GDP in 2011. Genuine change would consist in Dilma Rousseff rationalizing public spending: public investment is still too low (hence poor infrastructures restricting growth) and current expenditures are growing too fast. Current expenditures also have a negative impact on growth (because they expand bureaucracy and increase companies' costs), and are probably regressive in social terms because they tend to benefit the middle classes (despite the success of direct redistribution programs like Bolsa Familia that target the lowest-income segment of the population). But comprehensive reform of public spending is highly unlikely, because it would upset a portion of the ruling party's voter base.

Brazil: trade balance and current account balance



Source: Banco Central do Brasil, Crédit Agricole S.A.

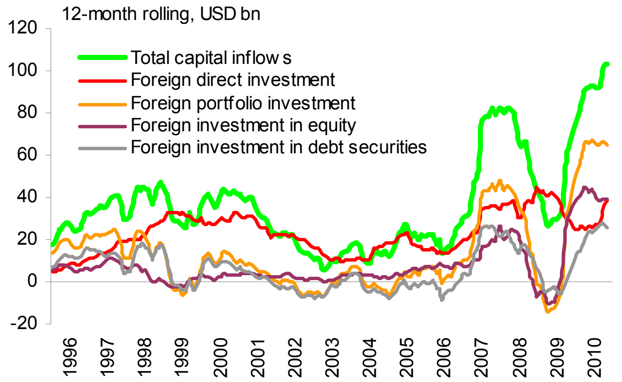
The balance of payments is a recent cause of concern. The current account balance has changed from a surplus in 2003 to 2007 into a deficit, which was initially modest (1.5% of GDP in 2009), but which is now growing rapidly; it reached $47.5 billion, or 2.5% of GDP, in 2010, and could approach $60 billion, or 2.7% of GDP, in 2011. **The current account deficit raises three questions: the speed with which it has been increasing, its components, and how it is financed.**

Exports have continued to grow in volume terms (+9.2% in 2010) and in value (as Brazil's terms of trade continue to improve with the rebound in commodity export prices). **But import growth has been even stronger, particularly for consumer goods**, which were up 49% yoy in the first 10 months of 2010, and 7% above the same period in 2008. **The appetite for imported goods and services** is similarly found in the "foreign tourism" component of the balance of payments: Brazilians' spending abroad in the first three quarters of 2010 was 53.6% higher than a year before, and 27.6% higher than in 2008; the item is currently running a negative balance of over $1 bn a month.

The income balance also shows a large and growing deficit, which came to $39 billion in the twelve months through November 2010, including the $25 billion in "direct investment income." **The $25 billion is very high compared to total FDI into Brazil since 1995** of $166 billion (assuming capital depreciation of 1 percent a month). That alone should be enough to explain why Brazil has become so attractive to direct investors.

Brazil is also increasingly attractive for portfolio investment in both stocks and debt securities, as investors are drawn by rising equity prices, high yields, and the potential for foreign exchange gains. **In the twelve months to September 2010, total portfolio investment came to $66.7 billion, and total net foreign investment exceeded $97 billion.**

Brazil: capital inflows



Source: Banco Central do Brasil, Crédit Agricole S.A.

This situation is fraught with risks. There is already **a risk of overheating and the danger of creating real-estate and consumption bubbles.** Now it is clear that Brazil's capital inflows no longer finance the current account deficit, but actually deepen it. **The capital inflows also create foreign-exchange risk:** events in late 2008 demonstrated how quickly hot money can leave the country, including as a result of events entirely outside government control, thus driving the *real* sharply lower—especially given that the *real* is now manifestly overvalued. These risks do not call into question our positive assessment of Brazil, but it should be recognized that the risks are now increasing. ■

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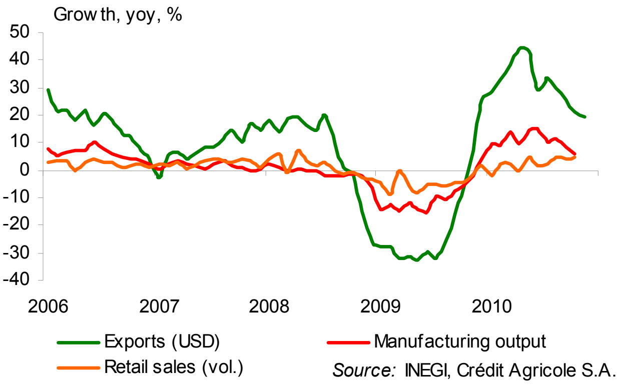
Mexico

Population: 112 million
GDP: USD 1,002 bn
Growth: 5.4%
(2010 estimates)

Irrespective of the current recovery, Mexico's economy remains highly dependent on changes in demand from the United States. In the medium term, the country will only achieve its potential—which is considerable in the automotive sector, electronics, and tourism—if it undertakes far-reaching reforms in taxation, education, and the political system itself, which is a source of paralysis today. Without stronger growth, redistribution will be impossible and political risk will persist. But the political calendar leaves little hope of meaningful reform before the 2012 presidential elections.

After a very difficult year in 2009, when GDP fell 6.1%, Mexico's economy rebounded in 2010, posting over 5% growth. Despite this performance, however, GDP has barely returned to the level of 2007. 2011 will also be marked by uncertainty over how demand evolves in the United States. The situation in the US economy is crucial for Mexico, given that 80% of exports still go north of the border (despite incipient diversification, which has reduced the figure from 89% in 2000). Travelers from the US also generate over 70% of the tourism revenue that accounts for over half of Mexico's exports of services. The rebound in GDP is largely attributable to higher exports, which increased in the first 11 months of 2010 by 31% over a year before, in US dollar terms.

Mexico: a rebound fueled by exports



Source: INEGI, Crédit Agricole S.A.

Domestic demand, and how well it picks up the slack from US exports, will therefore be crucial, but the components of domestic demand are uncertain.

Household consumption seems to be recovering. After considerable hesitation in the first half of 2010, retail sales picked up in the second half of the year, with sales from August through October 2010 over 4% higher than a year before, in volume terms. The actual risk depends on how well the labor market recovers after job losses in the 2008-2009 crisis. (The official unemployment figure of 5.3% in November 2010, down from a peak of 6.4% in September 2009, does not really reflect the market situation.) Some companies have apparently improved productivity during the crisis, so rehiring can trail behind their output growth.

The short-term outlook for investment is also uncertain. Investment contracted significantly in 2009 with the crisis, with private investment falling 19.3%. The current recovery will continue to be constrained by three main factors. The first is uncertain demand, both domestically and from the US. Second, capacity utilization has risen but remains below pre-crisis levels. The third factor is the surge in violent crime that has now spread to the industrial capital, Monterrey.

Finally, public expenditure is not used by Mexico as a way of stimulating growth, due to the relatively modest level of government spending and Mexico's fiscal prudence: ever since 1996, with the exception of two years in 1999 and 2009, public consumption has risen at a slower rate than GDP.

In 2011, the imbalances will remain modest and perfectly manageable. The current account deficit should be 1.2% of GDP, as Mexico, partly as a result of the depreciation of the peso, has recaptured some lost ground in the US market, e.g., in the automotive sector; and there is real potential for export growth in other areas like electronics and certain services. The budget deficit is expected to be 2.2% of GDP, with debt limited to 28% of GDP. Mexico has also strengthened its external position with IMF approval of a $72 billion Flexible Credit Line.

But the Mexican economy's structural problems have not vanished, and are still holding growth (only 1.5% a year, on average, since 2000) well below potential. The first structural problem is weak government, in terms of the ability to collect taxes (it is still highly dependent on oil taxes, despite the looming decline in production), its capacity to intervene in the economy (in regulation, or in reducing inequality), and also in providing basic services (including education and safety). **Rising insecurity poses a serious threat to the economy**: while the overall crime rate remains "moderate" (14 per 100,000 inhabitants in 2009) when compared to other countries in the region (Colombia 38.8; Venezuela 52.0), it is rising (and probably underestimated), and much higher in the northern part of the country (200 per 100,000 in Ciudad Juárez), including—in a recent development—in Monterrey, where manufacturing is concentrated.

The weakness of the national government (offset by the growing power of the states, which has a negative impact on overall governance quality) is largely the result of the **inherent drawbacks in the political system** whose institutions were designed for a single party but are now part of a three-way scheme where it is difficult to command a majority for any reform; further, the basic rule preventing members of the congress from seeking reelection and limiting the president to a single term undercuts elected officials' power and makes them dependent on their party. Despite President Calderón's attempts at reform, this situation—which will continue at least until the presidential elections in 2012—and the rise in violent crime undermine **government credibility** and maintain **the level of political risk**. ■

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Argentina

Population: 40.5 million
GDP: USD 360 bn
Growth: 8.8%
(2010 estimates)

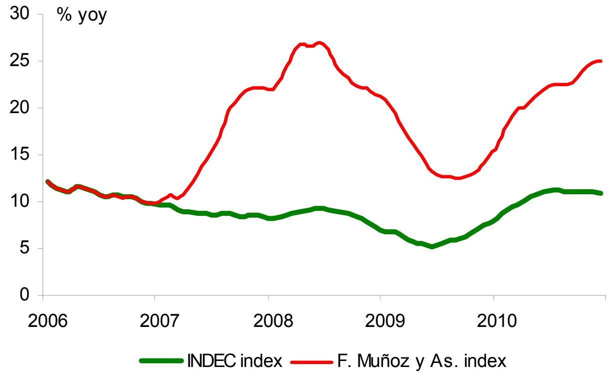
Argentina appears to be doing well, with strong growth (above 8.5% in 2010), a current account surplus, a primary surplus, and debt trending lower. This has led to a surprising rebound in the president's popularity and a Peronist party victory in the 2011 presidential elections again looks possible. But Argentina's structural problems remain unresolved: high inflation that could spin out of control, and taxes that are too dependent on soybean and petroleum exports, while current government spending is growing at a pace that is hardly sustainable.

The Argentine economy rebounded strongly in 2010, with GDP growth probably above 8.5 percent. The growth drivers included **excellent grain and soybean crops, leading to a very substantial increase in exports** (up 23.7% yoy for the January-November period), buoyed by current high soybean prices (above $12 per bushel, compared with an average of $6 between 2001 and 2006; in recent history, **Argentina has never enjoyed terms of trade as favorable as in 2007-2010**). Tax receipts are excellent due to taxes on income and exports. And despite a sharp rise in current expenditure, the 2010 budget has probably generated not only a primary surplus (2.5% of GDP), but also a financial surplus (0.8% of GDP)—something difficult to imagine just a few months before.

So far, this environment has allowed Argentina to avoid addressing the country's serious structural problems. A (non-exhaustive) list is provided below.

1. Inflation. The official figure of 10.9% yoy in December results from **gross manipulation**. The real rate of inflation is now around 25% and rising, as the 12-month expectation is around 30%. **Almost every aspect of economic policy is fueling inflation**: the high level of activity, expansionary fiscal policy, and a central Bank that has virtually abdicated its role. The authorities seem to understand the downside of not having a single reliable index, and recently asked the IMF for technical assistance to help the country's statistics office (INDEC) to reconstruct a price index. But Argentina is one of the very few countries in Latin America where the appetite for growth far exceeds the aversion to inflation—perhaps due to the general indexing of the economy.

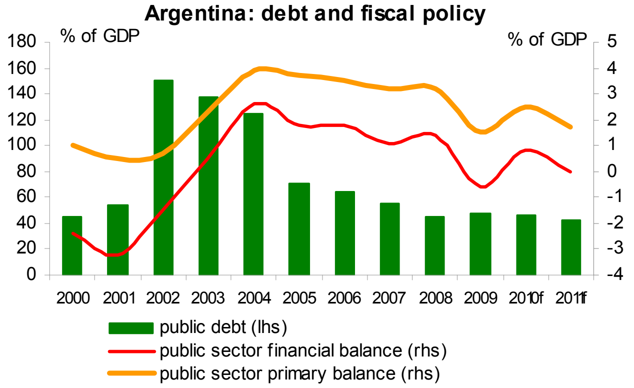
Argentina: two measures of inflation



Source: INDEC index, F. Muñoz y Asoc., Crédit Agricole S.A.

2. Public finances. There is little cause for concern in the short term. Despite the likely increase in pre-election spending, the primary surplus should continue in 2011, barring a collapse in soybean prices. **It should also be recognized that the two Kirchner administrations have improved tax collection.** Surpluses from 2004 to 2008 have been used to reduce the public debt. But the additional receipts—some of which may not be available long-term, as in the case of soybean-related revenues—have also been used to fund current expenses, e.g., for swelling government payrolls.

Argentina: debt and fiscal policy



Source: Moody's, Crédit Agricole S.A.

3. Access to capital markets. The process of exchanging the debt that was not restructured in the 2005 settlement has been completed. The authorities are now seeking to address the debt with the Paris Club. The aim is to allow Argentina to return to the financial markets; but that will be difficult. **Argentina will not have access to the market at a reasonable price before macroeconomic policy credibility is restored.**

4. Political uncertainties. The sudden death of former President Néstor Kirchner has radically changed the situation. He looked like the Peronist Party's "natural" candidate for the October 2011 presidential elections, and the marked improvement in the economy had created a genuine possibility of success. Cristina Kirchner announced that she would maintain economic policy unchanged, but after her husband's death there could be some inflections. **Several scenarios are possible for the elections.** The constitution allows Cristina Kirchner to run again, and her popularity, which had already begun to rise late in 2009, surged after her husband's death. Another potential Peronist candidate is Daniel Scioli, the moderate governor of the province of Buenos Aires. But the party is itself divided, with a left wing (notably trade union militants) that is sometimes violently opposed to the government. Finally, the opposition, which also divided, has not established its credibility since winning the June 2009 legislative elections. All things considered, there is considerable uncertainty regarding what kind of economic policy will come after 2011, **but the most likely scenario is of a limited improvement.** ■

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Colombia

Population : 46.9 million
GDP: USD 286 bn
Growth: 4.5%
(2010 estimates)

The government under President Santos has continued to focus on public security, while seeking to improve governance (after increased slippages towards the close of Uribe's second term) and give priority to economic policy, especially public finances. If clear signals emerge in the area of public finances, 2011 could see Colombia recapture the investment grade rating it lost ten years ago. Increased confidence and stability, combined with the country's potential (in mining, energy, agriculture, and tourism) would then allow sustained GDP growth exceeding 5% a year.

Even though the new president, Juan Manuel Santos, was closely associated with his predecessor Alvaro Uribe (serving as his long-term defense minister), his first months in office were marked by **significant changes**, particularly in economic policy.

The largest change of course concerns public finances. Colombia is one of the very limited number of Latin American countries not to have defaulted on its debt in recent years, not even during the great crisis of the 1980s. This earned the country an investment-grade rating, which it preserved until 1999 (Moody's), and which it lost for two reasons: the severe deterioration in public security (which continued until 2002), and slippage in public finances. Before 1995, public finances were close to being balanced, but then began to worsen. **The public sector debt rose from 25% of GDP in 1994 to 41.2% in 2010.** The outgoing government did not really consider the debt to be a priority; the improvement in public finances since 2006 is attributable mainly to a positive environment, with strong growth and a rapid increase in oil exports.

A key focus of the Santos administration will be defining a fiscal rule linking the primary balance to GDP and oil revenue cycles, with the objective of significantly reducing the ratio of public debt to GDP over the medium term. Plans announced in July 2010 aim to reduce the ratio from 39.4% in 2010 to 28.4% in 2020, under conservative assumptions for growth and energy prices. **Santos also announced stricter management of public finances, involving an improvement in governance by the state.**

Governance is actually better than the country's general image would suggest, especially with a judiciary that is more independent than in many comparable countries. One illustration of the strength of governance was the Constitutional Court's refusal in 2010 to allow Alvaro Uribe to seek a third term, despite intense lobbying and the president's popularity. But governance was undermined somewhat by the president's omnipresence, and the World Bank's "control of corruption" indicator has fallen since 2005. **The Santos administration has returned to a more classical approach to governing, one more respectful of the institutions.**

Beyond the mater of public finances, the economy has provided little cause for concern. The current account deficit of the balance of payments is moderate ($5.9 billion in 2010, or 2.0% of GDP) and is more than covered by foreign direct investment (over $8 billion in 2010). Foreign trade, however, has suffered from the political crisis with Venezuela, which was the country's second biggest export market before 2008. Relations between the two countries are now improving. Colombia is nonetheless seeking to redirect exports, especially to China; exports to China tripled in 2010 to 5.5% of total exports, compared to 1.3% in 2008.

But the free trade treaty with the United States (which accounts for 42% of exports) that has been waiting for action by the US Congress for several years is unlikely to be ratified anytime soon.

Colombia: a strong link with the US

Source: DANE, Bureau of Census, Crédit Agricole S.A.

Growth prospects are favorable, but the potential remains constrained by several negative factors. GDP grew at an average annual rate of 5.3% between 2002 and 2008, partly due to favorable conditions for raw materials, but mostly because of newfound confidence by consumers and investors, as a result of improved security in the country. **Colombia can grow by over 5% a year over the next decade**: a boom in mining and oil is imminent (oil exports are expected to triple in volume); the considerable potential for agriculture (abundant land and water, and varied climate) remains virtually untapped after 60 years of civil war; the same applies to tourism; and even the manufacturing sector can grow from a broader base than in many comparable countries.

But there are numerous obstacles. First, **insecurity** has not diminished since 2008, and the rate of violent deaths (38 per 100,000 population) remains significantly higher than in Mexico. Second, there are **infrastructure constraints**: with the difficult geography (two mountain ranges with peaks over 5,000 meters) the road network is very inadequate, and the rail system has been abandoned. Next, there is a macroeconomic problem: the oil boom raises the danger of **excessive appreciation of the peso** and the risk of "Dutch disease." Finally, the social situation is difficult, with **deepening inequalities** in recent years (another effect of violence, which has displaced and further impoverished large numbers from rural areas), and a large informal sector in cities (with the attendant low wages and marginalization). **Nonetheless, in terms of political risk, we consider that the probability of a dramatic shift in economic policy remains low.** ■

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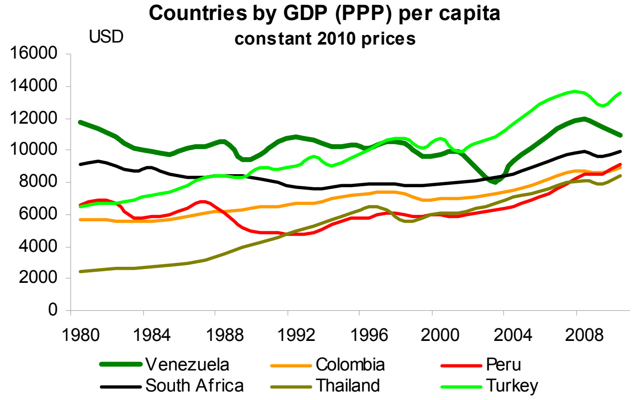
Venezuela

Population : 28,6 million
GDP: USD 207 bn
Growth: -2.3%
(2010 estimates)

Venezuela has exceptional natural resources, especially oil reserves which, with the Orinoco tar sands, could be the highest in the world (500 billion barrels, compared with 270 billion for Saudi Arabia). But after decades of mismanagement, the country's economic performance has been disastrous. Social frustration facilitated Hugo Chávez' rise and continuing hold on power, but his management has proven to be even more incoherent than his predecessors'. His popularity has fallen, but he does not appear to be threatened in the short term by the opposition, which is divided and lacks credibility.

Venezuela's economy has registered exceptionally poor performance. GDP has grown at an average annual rate of only 2.0% since 1980, or less than the growth of the population (2.2%), even including the acceleration since 2003 (7.8% per year) on the strength of the sharp rise in oil prices, which increased 3.5-fold between 2003 and 2008. In 1980, Venezuela's GDP was 78% higher than Colombia's (in current US dollar terms), but today it is 22% lower—despite the fact that Colombia is far less endowed in natural resources, and has been caught in civil war for 60 years. The history of Venezuela since 1980 is one of decline in relative and even absolute terms up until the oil boom in 2004-2008. Further, the economy is subject to tremendous swings, as in 2002-2003, when an attempted coup and a two-month long general strike caused GDP to fall by 16% in 2 years' time.

Countries by GDP (PPP) per capita
constant 2010 prices



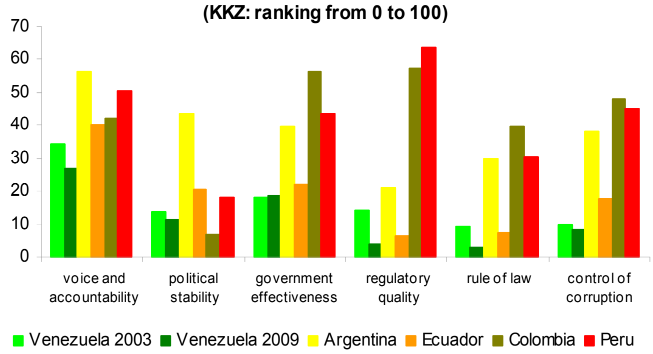
Source: UNDP, EIU, Crédit Agricole S.A.

The balance of payments is also surprising. Between 2000 and 2010, Venezuela accumulated $182 billion in current account surpluses. But reserves increased only from $12 billion to $18 billion, while foreign debt rose from $41 billion to $86 billion. The explanation is found in "resident lending abroad," which totaled $200 billion over the same period. This item includes an overstatement of oil exports (i.e., overestimation of production, and "gifts" of oil to "friendly" countries), the issuance of government bonds denominated in US dollars but payable in bolivares (in an attempt to defend the national currency), along with typical capital flight.

Erratic economic policies that have become outright unorthodox over the past three years explain the poor performance and capital flight. Arbitrary and ill-negotiated nationalizations (in the "key" sectors of energy, telecoms, steel, and banking, as well as in retail distribution); the PDVSA takeover in 2002, which resulted in a decline in oil production; aggressively expansionary fiscal policy (over the past 10 years, public spending has risen from 20% to 27% of GDP, not counting the unknown but growing amounts spent for off-budget social programs); costly and ineffective monetary policy aimed at defending the bolivar and which discourages savings, investment and production. Agriculture has virtually vanished; manufacturing industry is crippled by the "Dutch disease;" and even areas where Venezuela has a comparative advantage (steel, aluminium, and chemicals) are declining due to incoherent economic policy and mismanagement of the nationalized enterprises.

Governance is indeed disastrous, and continues to deteriorate. For each and every one of the World Bank criteria, Venezuela lags far behind most other Latin American countries, and now stands in the lowest decile for regulatory quality, rule of law, and control of corruption.

Venezuela: governance
(KKZ: ranking from 0 to 100)



Source: World Bank, Crédit Agricole S.A.

The key question is therefore the political outlook. Venezuela is not a totalitarian dictatorship, but Hugo Chávez has gradually weakened checks and balances and silenced dissent (by intimidation, economic sanctions, imprisonment or exile) whether from the judiciary, the media, or part of the political opposition. The opposition returned to Parliament after the September 2010 legislative elections. But Hugo Chavez has preserved his majority, despite the fall of the regime's popularity, and last December was granted special powers to rule by decree for 18 months.

In the short term, the most likely scenario is one of regime consolidation. The increasing radicalization of economic policy will aggravate tensions unless crude oil prices rise sharply. **For the medium term, we do not believe that the current regime will evolve towards greater pragmatism. But even if the opposition were to replace the current leadership that would not be a guarantee of stability**: Hugo Chávez is best seen as the product of social frustrations generated by the negligence of the "bourgeois" governments that preceded him. ■

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Chile

Population: 17.1 million
GDP: USD 200 bn
Growth: 5.3%
(2010 estimates)

Chile's strict budgetary discipline, outstanding management of the main natural resource (copper), and governance quality at least on a par with many developed countries, have fostered sustained, balanced growth. The December 2009 general elections brought in a new administration but no radically changes to economic policy. Chile, however, cannot yet be considered a developed country: its economic base is narrow, and despite growth, income per capita remains low and income distribution is highly unequal.

A massive earthquake shook Chile on the night of February 27 to 28, 2010. The epicenter was located offshore near the town of Concepción, some 400 km south of Santiago. The quake caused enormous damage, killing over 500 and destroying or damaging 500,000 homes (displacing two million people out of a population of 17 million), severely impacting infrastructure and affecting numerous businesses.

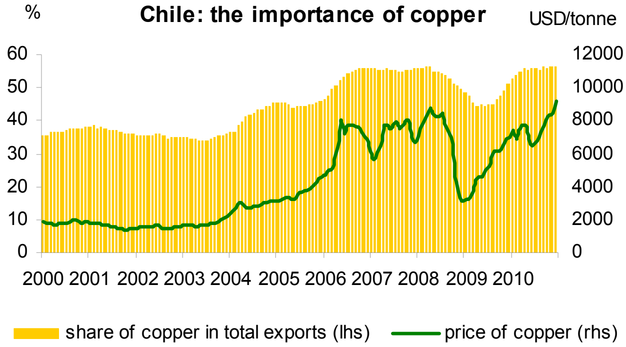
Reconstruction is the top priority for Chile's president, Sebastián Piñera, who was elected to a four-year term in December 2009. Reconstruction will cost an estimated $30 billion, or 16% of GDP. **Funding should be relatively easy.** The government announced budget reallocations, temporary tax increases, and a withdrawal from the sovereign wealth fund (currently $11 billion), along with domestic and international borrowing. The international loans should be readily available, as public debt is low (6% of GDP), the country is rated from A to AA- by the three agencies, and the spreads on Chile's debt are low (the 5-year CDS rate is 80 basis points, or lower than the rate for France).

The election of the right-leaning candidate, after 20 years of government by the Concertación coalition formed by the center and the moderate left, does not mark a radical change. First, the Left showed resiliency in the parliamentary elections; Sebastián Piñera failed to win a majority in the Senate, and has only a slim majority in the lower house. Second, the new president is far from being a radical; he is a member of the more moderate of the two right-wing parties (Renovación Nacional; the other is the UDI).

While the post-earthquake reconstruction environment should facilitate achieving a consensus with the opposition in the near term, conflicts will crop up again in several areas. These include the president's intention to part-privatize (while retaining State control over) state-owned Codelco, the world's largest copper producer. But the biggest potential battlefield is education reform. The presidential candidates agreed on the need for improvement, as poor performance by the educational system is one of Chile's most serious weaknesses. Here again, there was little difference between the intentions of Piñera, as a candidate, and the opposition. But the Education Minister is a leader of the Pinochet-era based UDI, so there is a genuine risk of clashes with the teacher unions. Sebastián Piñera should nevertheless benefit from the divisions of the opposition, which is split in two ways: between centrists and the left wing (which could become more radical during four years in opposition), and between the generations (reflected in the dissident campaign by Socialist Marco Henríquez-Ominami, who stood as an independent in the presidential election).

The earthquake ultimately had little impact on economic performance in 2010. Growth was strong (probably 5.3%). Inflation remained under check (an average 1.4% in 2010), but December's surge to 3.0% yoy suggests interest rates could be tightened in the coming weeks. Continuing high copper prices have restored the budget surplus (0.5% of GDP in 2010) faster than expected, and preserved a current-account surplus (1.2% of GDP). Moody's raised Chile's sovereign debt rating to Aa3 in June 2010. There are two notches between the highest (Moody's) and lowest of the ratings (Fitch), but the three agencies agree (and we concur) on the factors justifying the best sovereign rating in Latin America: (i) **sustained and transparent fiscal discipline** (including a "fiscal rule" limiting the potential deficit, taking account of the external environment), which has reduced the public debt to a very low level and made it possible to establish a sovereign wealth fund (Fondo de Estabilización Económica y Social, FEES); this gives Chile considerable flexibility in dealing with adverse events (like the February 2010 earthquake); and (ii) **political stability and quality of governance on a par with the developed countries** (on 5 of the 6 World Bank governance indicators, Chile's score is very close to France's), and much better than most countries with higher ratings.

Chile: the importance of copper



Source: BCCh, LME, Crédit Agricole S.A.

Chile's weaknesses are also well known. First, **the narrow economic base**: despite strong, coherent efforts to diversify the economy (e.g., with wine and fruit), copper accounted for 56.4% of exports in 2010, and the economy is increasingly dependent on metal prices. (The sudden collapse of market prices in 2008 led to recession in 2009.) What's more, the net surplus of the mining sector is lower than may initially appear, as exports totaled $43 billion in 2010, but repatriated dividends (largely from mining) were approximately $20 billion—and have averaged 11.3% of GDP each year for the past five years. Further, Chile continues to have **relatively low average income** (in 2010: $14,000 per capita in purchasing power parity, compared with an average $28,400 for emerging-market countries rated A or higher); and **income distribution is very unequal**, with a GINI index of 52.0, which is consistent with Latin American standards. However, Chile's political risk (in the sense of a radical shift in economic policy following a change of government) is very low. ■

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Peru

Population: 30.0 million
GDP: USD 157 bn
Growth: 8.8%
(2010 estimates)

Peru's GDP grew by nearly 9% in 2010, boosted by the rebound in the price of metal, especially gold and copper. The upturn has relieved constraints on public finances while boosting both consumer and investor optimism, but further postpones diversification. Peru remains primarily a mining country where metals and ores account for over 60% of exports. Peru also continues to be a dual society, divided between an increasingly modern urbanized coastline, and the poor, rural Andes.

The Peruvian economy was quick to emerge from the crisis. GDP growth peaked at 9.8% in 2008, before pulling back to 0.9% in 2009—still the best performance among the region's medium and large-sized economies. The vigorous rebound is continuing, with "monthly GDP" (a composite indicator of activity calculated by the INEI) up 10% yoy on average in volume terms in November; and GDP growth for the full year 2010 will be roughly 8.8.

This acceleration in growth has not created any major macroeconomic imbalances. Inflation remains in check (at 2.1% yoy in December). Public finances have benefited from the renewed growth, with a deficit of less than 1.5% of GDP (and a primary balance close to zero). Finally, the current payments deficit is still moderate, at $2.5 billion, or 1.6% of GDP.

The rebound in activity is largely due to stronger exports, which increased by 32.3% yoy in the first eleven months of 2010; this is almost entirely due to higher prices; the export price index rose by 30.4% in the same period (with a 19.1% increase in the terms of trade). While exports are equivalent to only 25% of GDP, the increase in the value of exports has stimulated the overall economy, by relieving constraints on public finances, and more importantly, by restoring economic confidence, thus fostering a recovery in consumption, investment, and credit to the private sector (which rose by 13.8% yoy in May 2010), while also reducing dollarization (which nonetheless still stands at 39%).

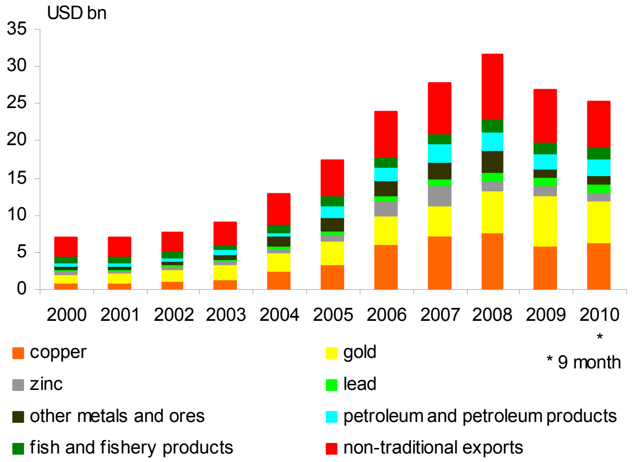
The risks of overheating are not completely absent. The most telling sign of budding euphoria is probably seen in imports, which rose 37.4% yoy in the first 11 months of 2010, and particularly the surge in imports of consumer goods, which were increasing at nearly 50% yoy in recent months.

Peru's economic performance over the medium term has been remarkable. Growth averaged 6.8% between 2002 and 2008, marking a radical change from the catastrophic 1980-1994 period, when (short) periods of growth alternated with severe recession (as GDP fell 22.5% in volume between 1987 and 1990), combined with hyperinflation (7500% in 1990!). **Far more pragmatic economic policy**, initiated by President Fujimori in 1993, and pursued by his successors Toledo and García (despite the latter's disastrous first term from 1985 to 1990) brought stabilization and, **aided by extremely favorable international economic conditions** (reflected in the change in the terms of trade), enabled strong growth and a reduction in government debt. Public debt has been cut to 24% of GDP, and Peru is now rated investment grade by all three agencies.

Peru nonetheless remains a fragile country, with a dual economy and a dual society. Exports, which drive the economy, are highly concentrated, as two metals (gold and copper) alone account for 47% of exports (up from 30% in 2000), and metals and metal ores account for 61% of total exports. Despite genuine efforts to diversify (with "non-traditional" exports increasing 2.9-fold in 9 years' time), and free trade agreements, particularly with the United States and China (the destination of 20% of exports in the first half of 2010), **Peru is increasingly dependent on metal prices** (and ultimately on demand from China).

In addition, **the overall impact of mining on the balance of payments is far less favorable than at first sight because of dividend repatriation**: over the 2005-1H2009 period, total "income payments" (mainly dividend transfers by mining companies) came to $51.8 billion, compared with $86.8 in mining exports and only $21 billion in total foreign direct investment into Peru in the same period.

Peru: Metals dominate exports



Source: INEI, Crédit Agricole S.A.

Finally, the dual society. Despite recent progress, Peru continues to be a poor country, with per capita GDP of $5200, and **very unequal distribution** (including geographically: with 34.8% of the national population below the poverty line, variations between regions range from 12.7% to 77.2%); and **the social indicators are mediocre.** The traditional opposition persists between the coast (where Lima accounts for a third of the population) **and the "sierra" which, apart from the mining enclaves, remains far removed from development. Nevertheless, the April 2011 presidential election does not appear to carry the risk of radical change.** President Alan García may be unpopular, but none of the front-runners (Keiko Fujimori, the former president's daughter; Luis Castañeda, the former mayor of Lima; and especially former president Alejandro Toledo who is currently leading in the polls), will be calling into question García's economic policy orientations. ■

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Ecuador

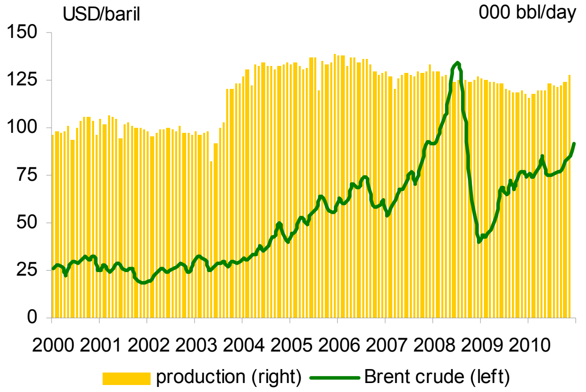
Population: 14.2 million
GDP: USD 56 bn
Growth: 2,4%
(2010 estimates)

Since Ecuador's default in December 2008 led to severe downgrades by the agencies, economic policy has become more radical, with an expanded role for the State and growing fiscal deficits, offset by bilateral loans (primarily from China) and further payment arrears. The political situation is also tense, as evidenced by the attempted police coup in September 2010. The coup's failure actually increased President Correa's popularity. The next general elections are scheduled for April 2013, but the president could call a snap election as early as 2011.

Ecuador has the lowest sovereign debt rating of all the Latin American countries, with Caa3 from Moody's and B- from Standard & Poor's and Fitch (which nevertheless, in August and November 2010, upgraded from CCC+, as S&P noted an improvement in the Ecuadorian authorities' commitment honor their financial obligations). "*The ratings on the Republic of Ecuador reflect Standard & Poor's Ratings Services' view that the Ecuadorian government has a greater willingness to make timely interest payments on its remaining global bond due in 2015 than it did on its 2012 and 2030 global bonds. The government defaulted on its 2012 and 2030 global bonds in 2008 and 2009. Willingness, more than ability, has historically been the main rating constraint, and although the government's willingness has improved, it remains weak.*" The main reason for the low rating is the December 2008 refusal to pay interest on bonds maturing in 2012 and 2030, which the government considered "illegitimate," while it nevertheless announced it would make payments on the 2015 bond. This was Latin America's first sovereign default since Argentina in 2001. But the difficulties surrounding Ecuador's economic situation and outlook go well beyond the 2008 default.

The principal weakness is the country's troubled public finances. When all is said and done, Ecuador has a relatively low debt burden. Rising oil prices through mid-2008 generated a recurrent primary surplus which, with robust growth of the economy (particularly in the 2004-2008 period), reduced the public debt from 73% of GDP in 2000 to 18% in 2009. Further, the unilateral decision in 2000 to dollarize contributed to bringing some stabilization to the economy, notably by reducing inflation from 108% in September 2000 to 3.3% in December 2010.

Ecuador: oil

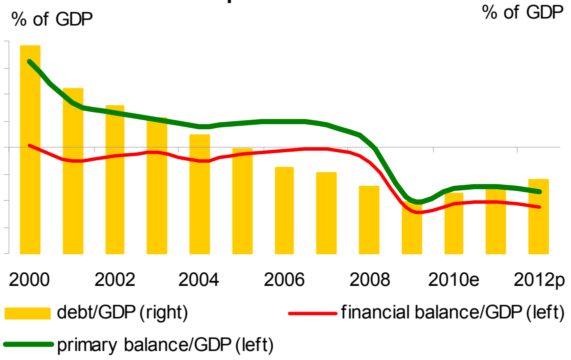


Source: Banco Central del Ecuador, Crédit Agricole S.A.

But Ecuador's public finances have taken a severe turn for the worse since 2008. The first reason is the fall in crude oil prices; the government's oil-related revenues fell from 8.5% of GDP (or one-third of public revenues) in 2008 to 4.2% in 2009. The impact is aggravated by the downward trend in oil production, from 534,000 barrels a day in 2005-2006 to 463,000 bbl/d in January 2010, largely due to the uncertain regulatory environment that has production and investment by private oil companies. Output has nevertheless risen somewhat in recent months, reaching 510,000 bbl/d in November 2010.

The main reason, however, is the very strong increase in public expenditures starting in 2008, when outlays rose from 18.8% of GDP in 2007 to 25.4% the following year. Higher crude oil prices in 2009 and 2010 failed to reduce the public deficit, which now exceeds 4% of GDP. **The 2011 budget is hardly reassuring**, as it is based on an unreasonable 5.1% GDP growth assumption and calls for, among other things, a 47% increase in current expenditures (including fuel subsidies that alone account for 5% of GDP). **The financing of the deficit is also unorthodox**, with a bilateral loan from China repayable in oil (so it is actually an advance payment on future production), the use of Social Security fund resources, and a call for banks to use part of their mandatory reserves with the central bank to buy government securities. A bond issue is also in the works, but the recent default and current economic policy mean that Ecuador could borrow only at prohibitive rates.

Ecuador: public finance ratios



Source: Fitch, Crédit Agricole S.A.

The political situation remains difficult. In September 2010, President Correa weathered a police rebellion that could have turned into a coup d'état, but that improved his personal popularity in the aftermath. **But the incident illustrates the fragility of Ecuador's institutions**, which have not been stabilized by the additional powers granted to the executive under the 2008 constitution. **This institutional fragility reflects a fragmented society**, divided between the "interior" with Quito, the capital, and the Pacific coast (including the principal city Guayaquil); between whites and mestizos on the one hand, and the Indians (represented in Parliament by their own parties) on the other; and with numerous pressure groups often ready to challenge the government in place. Indeed, since 1996, no president of Ecuador has completed his term.

Ecuador is not much poorer than its neighbors (with per capita GDP in PPP terms of $8000, compared with about $9000 in Colombia and Peru), but growth has lagged below the region's average for several years, and **the country's economic and political outlook are highly uncertain.** ■

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Dominican Republic

Population : 9.6 million
GDP: USD 51 bn
Growth: 5.2%
(2010 estimates)

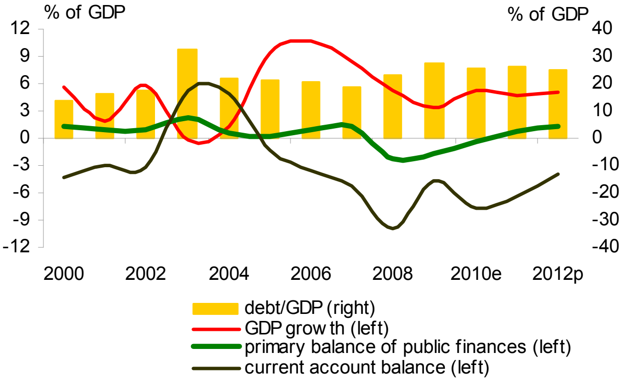
The Dominican Republic was expected to be severely impacted by the US recession in 2009. What actually happened in 2009 was the best GDP-growth performance in the Western Hemisphere; the improvement was confirmed in 2010, and the medium-term growth outlook is positive. In 2010, public finances began to improve under an IMP stand-by arrangement, and the public debt was stabilized. But the external deficits will remain substantial, despite rising mineral exports that should start narrowing the gap in 2011.

When the second largest bank, Baninter, collapsed in March 2003 following a series of frauds, the state rescue cost public finances over 20% of GDP. **The banking crisis has had a severe, sustained impact on the perception of the Dominican Republic's risk**, forcing the government in 2005-2006 to restructure part of its foreign-currency denominated debt; and the sovereign risk is today rated B or the equivalent by the agencies.

The country's authorities also had **to call in the IMF**, which responded with a series of stand-by arrangements, the first in 2003-2005, then in 2005-2008, and finally starting in November 2009. The current program calls for the total disbursement of $1.7 billion in phases. Four reviews have already been completed, the latest **in November 2010, when the IMF expressed its satisfaction with program implementation**; "*All performance criteria and structural benchmarks for end-September 2010 were observed, except the performance criterion on the zero ceiling on arrears to private electricity generators." The IMF nevertheless called for tighter fiscal and monetary policy: "The second phase of the program (after mid-2010) stresses a gradual rolling back of the stimulus to regain fiscal space, further strengthen debt sustainability and anchor inflationary expectations.*"

The 2003 crisis was followed by a strong recovery, with the economy growing at an average rate of 7.0% between 2003 and 2008. In 2009, the Dominican Republic looked particularly vulnerable to the crisis because of its dependence on tourism from the U.S. (10% of GDP) and overseas remittances (a massive 17% of GDP). The country actually reported 3.5% GDP growth, or the strongest performance in the Western Hemisphere. The lack of interim accounts makes estimating 2010 performance particularly hazardous, but GDP growth will be over 5% (and possibly 7%, according to certain analysts); and this high level is expected to continue in the medium term.

Dominican Republic: macroeconomic balances



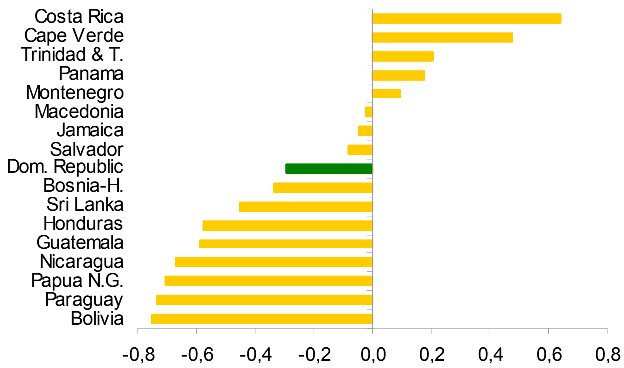
Source: Fitch, Crédit Agricole S.A.

But three structural weaknesses are dragging down growth and affecting the country's rating. The first is **the persistently weak state of public finances**, irrespective of the IMF's satisfaction. The problem is less a matter of aggressive fiscal policy than the low capacity to collect taxes; public revenues come to less than 15% of GDP. 2012 is an election year, and could see yet further slippage in the fiscal balances.

The second is **the structurally high level of the external deficits.** The current account deficit came to 9.9% of GDP in 2008, and was still 7.6% in 2010. It is expected to narrow in 2011 as mineral exports rise, but will still be around 5% of GDP in 2015. But foreign direct investment finances between 70 and 100% of the current account deficit.

The third structural weakness is continued poor governance, even if it is somewhat better than on average for countries with the same rating. In terms of the perception of corruption, Transparency International ranks the Dominican Republic 99th out of 180 countries. In its latest report, however, Moody's notes a clear improvement in two touchy areas, namely banking sector supervision (Superintendancia Bancaria) and the management of the public debt (Dirección General de Crédito Público).

Dominican Republic: weak governance
Average of KKZ indicators, 2009



Source: World Bank, Crédit Agricole S.A.

Democracy in the Dominican Republic may still be imperfect, but it has stabilized. The presidential election is held every four years, and while it would be misleading to speak of a consensus, the differences between the right and center-right (the Social Christian Reformist Party, and the Dominican Liberation Party, PLD) and the left (Dominican Revolutionary Party, PRD) are less radical than in the 1980s and 1990s. Leonel Fernández (PLD) was re-elected in 2008. The constitution prevents him from running again in 2012, but his party's strong majority in parliament would be enough to amend the constitution—a move that would not be entirely welcome. ■

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Uruguay

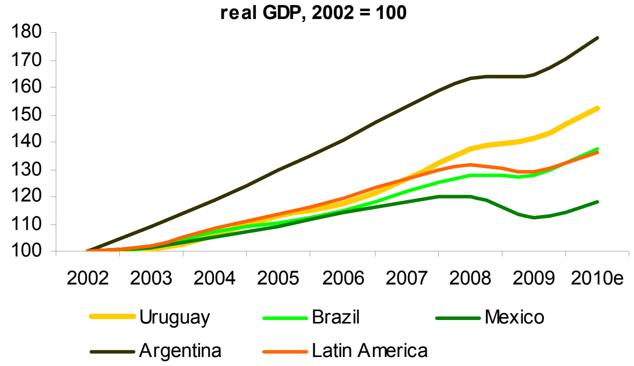
Population: 3.4 million
GDP: USD 41 bn
Growth: 8.0%
(2010 estimates)

The conservative opposition hasn't really digested losing the last two presidential elections in 2004 and 2009, so the main challenge facing President José Mujica could well come from the left within the ruling Frente Amplio coalition, especially given his efforts to control public finances. Uruguay also faces the standard regulation problems, with continuing inflation and an economy likely on the verge of overheating. But GDP growth is still healthy, potential imbalances are under control, and quality of governance is well above the regional average.

Uruguay suffered considerably from the Argentine crisis that began late in 2001, with the withdrawal of Argentine deposits triggering a recession (as real GDP contracted by 7.7% in 2002), a severe national banking crisis, depreciation of the Uruguayan peso, and a spike in the public debt, culminating in default in 2002. **But since 2007 Uruguay has been among the fastest growing countries in the region**, expanding at an average annual rate of 6.7%. The economy proved extremely resilient despite the global slowdown in 2009, when GDP rose by 2.9%, and 2010 again saw growth close to 8 percent.

Uruguay: above-average GDP growth

real GDP, 2002 = 100

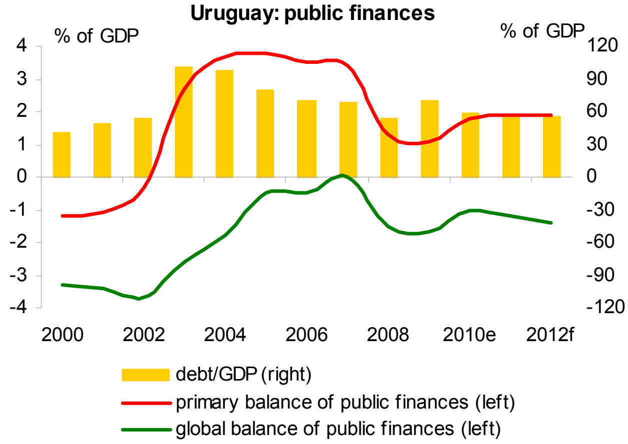


Source: EIU, Crédit Agricole S.A.

The current growth rate may well be above trend for what is a mature economy in many respects, with a relatively low investment rate (19.1% in 2009) and the continent's "oldest" population. **Still, potential imbalances are under control.** The current external account was slightly in surplus, in 2009 and should record a deficit in the low tens of millions of US dollars in 2010. Inflation threatened in 2008, and is now fluctuating between 6% and 7% (6.9% in December 2010). Monetary policy is highly accommodating, with the key rate now set at 6.5%; some limited tightening is expected in 2011. The peso has been appreciating since July 2010, but is not experiencing the same pressure as many other Latin American currencies.

The main problem facing Uruguay is the burden of the public debt. At 49% of GDP, the public debt is higher than the average (42%) for BB-rated countries. And much of the debt—60 percent—is denominated in foreign currencies. The debt-to-GDP ratio has been falling (from 101% of GDP in 2003) and the debt has been well managed (e.g., the average maturity is 12.3 years, compared with an average 3.0 years for BB-rated countries), but it continues to weigh on the country's rating; Uruguay and Indonesia were the only sovereigns rated investment-grade to have defaulted. The current level of the primary surplus of public finances (just under 2% of GDP) is too low to reduce the debt burden anytime soon. In 2010, the rating agencies nevertheless recognized the quality of Uruguay's macro-economic management and the fact its public finances are under control **by raising the sovereign rating**, from BB- to BB by S&P and Fitch, and even from Ba3 to Ba1 in December by Moody's.

Uruguay: public finances



Source: Min. Economía y Finanzas, Fitch, Crédit Agricole S.A.

President Mujica belongs to the left-wing faction in the ruling Frente Amplio (Broad Front) coalition, but his vice president, Danilo Astori, was the finance minister in the previous government, and together they have maintained fiscal austerity. This has caused **problems in recent months with the public sector unions**, notably in Montevideo and in the health sector. **The labor unrest has dented the president's popularity but he still has considerable resources.** He is supported by the highly popular former president, Tabaré Vázquez, who could seek another term in 2014; the right-wing opposition is divided; and the trade unions have finally accepted negotiations with the government.

What's more, the government wishes to proceed with its **reform objectives**, including increased investment in education, changes to public sector employment contracts, and its announced plan to reduce VAT (which weighs most heavily on those with modest income) from 22 to 20%—but only after measures against tax evasion succeed in making up for the shortfall in receipts.

Uruguay has the smallest population of any Latin American country, and **its governance is among the highest rated.** According to the World Bank's KKZ indicators, only Chile ranks higher on the continent for the two "political" indicators ("voice and accountability" and "political stability"), with Uruguay rated above Poland and Greece. The Economist Intelligence Unit's democracy indicator ranks Uruguay 21st among 167 countries, ahead of Costa Rica (25), Chile (34), and (for the sake of comparison) France (31). Uruguay gets the maximum ten points for "electoral process and pluralism" and "civil liberties". ■

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Macroeconomics data for Latin America

Structural Data [1]	Population	GDP	GDP PPP per cap.	Growth rate 2000-2010	Exportations	exportations % raw mat.	HDI	Governance	Doing Business
	million hab	USD bn	USD	Average ann. %	USD bn	%	Ranking [2]	aver. KKZ [3]	2011 [4]
Brazil	193	1 986	11 310	3,6	201,9	56	73	54,6	127
Mexico	112	1 002	13 690	1,6	300,6	26	56	51,1	35
Argentina	40,5	360	16 160	4,3	68,8	69	46	32,1	115
Colombia	46,9	286	8 920	4,0	39,9	67	79	50,3	39
Venezuela	28,6	207	10 980	2,9	65,9	96	75	8,3	172
Chile	17,1	200	13 970	3,8	69,6	89	45	89,2	43
Peru	30,0	157	9 110	5,7	35,2	87	63	45,6	36
Ecuador	14,2	56	8 030	4,5	17,8	91	77	13,3	130
Dominican Republic	9,6	51	8 860	5,1	6,3	26	88	36,1	91
Guatemala	14,4	43	4 670	3,1	8,0	64	116	31,5	101
Uruguay	3,4	41	15 430	3,1	7,9	72	52	72,7	124
Costa Rica	4,7	36	10 980	4,2	9,3	37	62	67,9	125
Latin America	567	4 587	10 920	3,1	858	52	70	41,6	94

Growth, prices, and exchange	GDP (y/y, %)			inflation (y/y, %)			Current account balance (GDP %)		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Brazil	7,5	4,5	4,8	5,0	5,7	5,3	-2,4	-2,7	-3,2
Mexico	5,4	3,5	3,9	4,2	4,4	4,2	0,0	-0,3	0,1
Argentina	8,8	5,0	4,4	21,7	25,0	22,0	1,8	1,6	1,6
Colombia	4,5	4,6	4,8	2,3	3,0	2,7	-1,9	-1,8	-1,9
Venezuela	-2,3	1,0	2,5	29,0	28,7	33,0	9,8	9,4	8,0
Chile	5,3	6,0	5,0	1,4	2,9	2,4	0,1	1,6	2,3
Peru	8,8	6,0	6,0	1,5	2,0	1,8	-1,0	-0,8	-0,8
Ecuador	2,4	2,9	3,4	3,6	3,7	4,3	-3,2	-2,2	-2,8
Dominican Republic	5,2	4,7	5,0	6,3	6,3	6,2	-7,8	-7,2	-6,2
Guatemala	2,7	2,8	3,5	3,9	5,2	4,5	-0,9	-1,3	-1,7
Uruguay	8,0	4,5	4,8	6,7	7,0	6,5	-2,1	-1,6	-1,9
Costa Rica	3,8	3,8	4,3	5,7	5,9	5,5	-3,8	-4,7	-5,2
Latin America	5,8	4,2	4,4	6,8	7,6	7,3	-0,9	-1,0	-1,1

Public finances	Primary balance (GDP %)			Financial balance (GDP %)			Public debt (GDP %)		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Brazil	2,8	3,0	3,0	-2,8	-2,7	-2,7	61,4	59,5	57,3
Mexico	-0,4	-0,7	-0,2	-2,4	-2,7	-2,4	38,0	38,4	38,6
Argentina	1,7	1,3	0,9	-0,7	-1,1	-1,5	54,2	51,0	50,8
Colombia	-0,1	0,1	0,9	-3,4	-3,2	-2,6	40,9	41,3	40,9
Venezuela	-1,1	-1,2	-2,9	-2,3	-2,5	-4,2	22,4	21,9	20,5
Chile	-0,7	-0,1	1,0	-1,2	-0,5	0,6	8,6	8,2	8,0
Peru	0,4	0,6	1,1	-0,8	-0,6	0,0	23,3	22,7	20,8
Ecuador	-3,1	-3,0	-3,3	-4,2	-4,1	-4,5	22,3	24,9	27,6
Dominican Republic	-0,3	0,8	1,3	-2,3	-1,6	-0,8	25,8	26,5	25,3
Guatemala	-1,6	-1,4	-1,6	-3,3	-2,9	-3,0	23,1	23,4	24,0
Uruguay	1,8	1,9	1,9	-1,1	-1,2	-1,4	48,9	47,0	45,2
Costa Rica	-1,2	-0,2	0,5	-3,8	-2,8	-2,0	30,1	27,9	27,0
Latin America	1,2	1,2	1,4	-2,4	-2,4	-2,3	46,9	45,8	44,7

[1] Data 2010 (unless otherwise specified)
[2] Human Development Index, in 169 countries
[3] Average of KKZ governance criteria 4 to 6, note from 0 (min.) to 100 (max.)
[4] in 183 countries

Sources: National statistical institutes, central banks, UNDP, World Bank, EIU, Fitch, Crédit Agricole SA

Publication Manager: Jean-Paul Betbèze
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Copy deadline February 7, 2011