International
Special Report

Latin American Sovereign Review: April 2006

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Summary

- External conditions remain relatively favorable for the Latin American sovereigns in early 2006. Commodity prices continue to be high, while global growth is still quite robust. Emerging market spreads, including for Latin American credits, remain at historically low levels.
- Fitch Ratings estimates that the Latin American region grew at an average rate of 4.1% in 2005, after ticking a 5.7% growth in 2004. While higher oil prices brought inflationary pressures to bear, average inflation remained relatively modest at 5.9% for the region as a whole.
- With improving current account balances and rising international reserves, several Latin sovereigns have opted to buy back external debt to reduce their foreign currency exposure. Fitch sees this as a positive credit development, though generally not a sufficient condition for a ratings upgrade. A detailed assessment of the recent announcement of debt buy-backs in Latin American countries is included in this report.
- Since Fitch's last "*Latin American Sovereign Review*", published in September 2005, the agency has upgraded two sovereigns, namely Mexico (whose foreign currency IDR it upgraded to 'BBB' in December 2005) and Venezuela (whose foreign currency IDR it upgraded to 'BB-(BB minus)' in November 2005). During the same period, Fitch also revised the Rating Outlooks on Brazil and Peru to Positive from Stable. However, there were no upgrades in Q106. Moreover, with 11 of the 17 Latin sovereigns that Fitch rates on Stable Outlook, the momentum for further upgrades is gradually winding down. During the first quarter, Fitch also initiated coverage on Guatemala by assigning it a Foreign Currency IDR of 'BB+'.
- In 2006, the main focus will continue to be elections and their impact on the economic reform process. With few exceptions, macroeconomic stability has been broadly achieved in Latin America; however, second-generation structural reforms are needed to address competitive challenges, improve the business climate and boost the region's foreign direct investment ("FDI") and growth potential. As the good times cannot keep rolling indefinitely, the need for such reforms will arise during the term of the new administrations.
- The main risks to the favorable outlook for Latin America include: a) sharp increases in US interest rates and widening credit spreads; b) a global slowdown; c) a hard landing in China, which could have knock-on effects on commodity prices; and d) a political shock, if the new Latin leaders that emerge from the 2006 elections prove unwilling to adhere to orthodox policies. However, given the substantial improvements in external financial ratios and macro policy frameworks across the region, most countries are in a better position to cope with such shocks than in the past.

Latin American Sovereign Ratings (LTFC)

Country	Rating	Outlook
Chile	A	Stable
Aruba	BBB	Negative
Mexico	BBB	Stable
Panama	BB+	Stable
El Salvador	BB+	Stable
Guatemala	BB+	Stable
Colombia	BB	Stable
Costa Rica	BB	Negative
Peru	BB	Positive
Brazil	BB-	Positive
Venezuela	BB-	Stable
Uruguay	B+	Stable
Suriname	B	Stable
Bolivia	B-	Negative
Ecuador	B-	Negative
Dominican Republic	B-	Stable
Argentina	RD	n.a.

N.A. – not applicable. Source: Fitch Ratings

Latin American Aggregate Indicators

Macro Indicators

	2000	2001	2002	2003	2004	2005	2006	2007
Real GDP growth (%)	4.0	0.2	0.1	1.6	5.7	4.1	3.9	3.4
Inflation (%)	7.6	5.9	8.1	9.8	6.5	5.9	5.5	5.7
Government balances (% of GDP)	-3.1	-3.8	-3.6	-3.3	-2.0	-1.5	-2.2	-2.2
Government debt (% of GDP)	49.0	51.0	60.5	60.2	56.2	51.6	50.3	50.2
Nominal GDP (USDbn)	1,916	1,852	1,646	1,708	1,953	2,363	2,565	2,668
GDP per head (USD)	4,095	3,903	3,420	3,500	3,944	4,703	5,032	5,160

Source: Fitch Ratings.

Current Account Balance

USDbn	2000	2001	2002	2003	2004	2005	2006	2007
CXR	453	438	435	475	577	682	725	732
o/w merchandise exports	356	341	344	375	461	551	584	585
CXP	498	488	449	466	557	650	716	746
o/w merchandise imports	350	342	318	328	399	469	521	548
Current Account Balance	-45	-50	-13	9	20	32	9	-14
% of GDP	*-2.4*	*-2.7*	*-0.8*	*0.5*	*1.0*	*1.4*	*0.4*	*-0.5*
memo: interest payments	59	56	49	48	47	47	49	50

Source: Fitch Ratings.

Capital Account

USDbn	2000	2001	2002	2003	2004	2005	2006	2007
Non-debt creating flows, net	62	57	45	30	40	53	37	38
o/w equity FDI, net	66	59	48	33	48	48	41	39
memo: total FDI net	69	64	43	32	48	49	41	39
External borrowing, net	-5	20	-27	-6	-26	-21	-11	15
Net Lending Abroad	-9	-16	-2	-13	-23	-36	-26	-28
Capital nes, net	2	1	4	11	19	2	0	1
Errors & Omissions	3	-11	-11	-4	-6	-2	0	0
Reserves change	8	1	-5	28	23	28	10	11

Source: Fitch Ratings.

External Debt

USDbn	2000	2001	2002	2003	2004	2005	2006	2007
Gross external debt	796	797	783	822	966	775	772	787
% of CXR	*175.7*	*182.0*	*179.9*	*172.8*	*167.5*	*113.6*	*106.5*	*107.5*
o/w public sector	391	398	428	468	488	437	425	437
% of CXR	*86.4*	*90.8*	*98.2*	*98.5*	*84.6*	*64.0*	*58.6*	*59.7*
Short-term debt	136	132	115	113	115	116	118	119
Net external debt	526	534	544	542	521	427	413	417
% of CXR	*116.1*	*122.0*	*124.9*	*114.0*	*90.4*	*62.5*	*57.0*	*56.9*
o/w public sector	207	228	259	267	264	182	159	158
% of CXR	*45.6*	*52.0*	*59.6*	*56.1*	*45.8*	*26.6*	*21.9*	*21.6*
International reserves incl. Gold	154	155	157	193	217	250	260	272
Debt service (% of CXR)	*33.2*	*32.6*	*29.5*	*31.5*	*31.3*	*24.4*	*20.6*	*17.5*
memo: liquidity ratio (%)	*3.1*	*78.4*	*82.3*	*74.3*	*80.1*	*92.4*	*107.0*	*118.9*

Source: Fitch Ratings.

External Financing Needs

USDbn	2000	2001	2002	2003	2004	2005	2006	2007
Current Account Balances	-45	-50	-13	9	20	32	9	-14
Amortizations	91	87	79	102	133	120	100	79
Financing Need (Fitch adjusted)	144	137	99	98	121	108	98	93
% of reserves	*93.4*	*88.6*	*63.2*	*50.8*	*55.9*	*43.2*	*37.6*	*34.3*
Financing Need ***less*** **FDI** (Fitch adjusted)	79	72	59	68	76	61	56	54
Financing Need *plus* short-term debt	280	273	232	214	234	223	214	211
% of reserves	*181.8*	*176.8*	*147.3*	*110.5*	*107.9*	*89.1*	*82.1*	*77.6*

Source: Fitch Ratings.

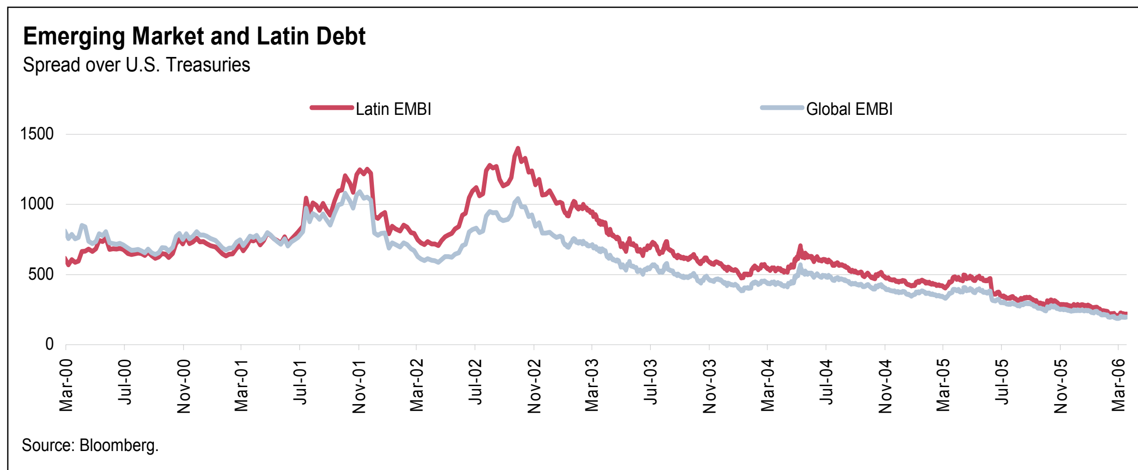
■ Favorable Trends Continue in Latin America

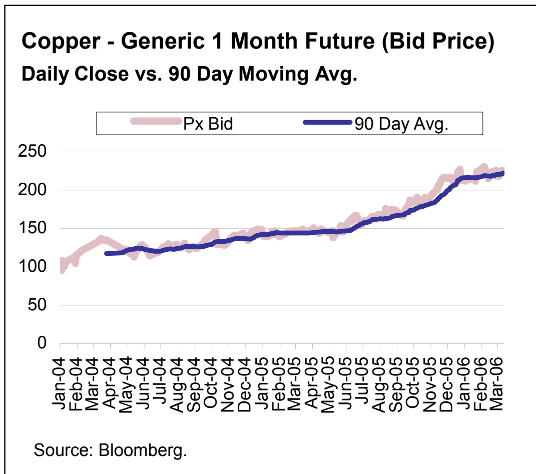
Latin America continues to benefit from the still favorable external environment, underpinned by high commodity prices and low spreads on emerging market debt. The robust external backdrop has translated into favorable growth in the region's current external receipts ("CXR"). The impetus from strong external demand and resilient domestic demand propelled growth in the region last year. Fitch estimates that in 2005, the Latin American region grew at 4.1%, down from 5.7% in 2004. The slowdown in Brazil and Mexico (the two largest economies in Latin America) in 2005 weighed heavily on the regional aggregates, partially offsetting faster growth in some countries such as Peru, Chile and Colombia, where domestic demand accelerated further. The tighter monetary policies in Brazil and Mexico were partly responsible for the less robust performance of these two economies in 2005.

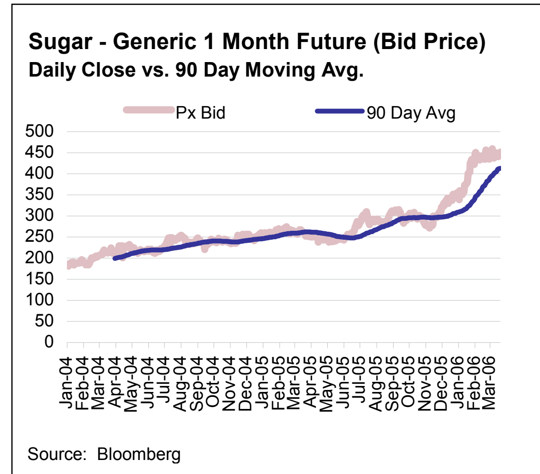
External accounts for the region solidified further in 2005 on the back of strong growth in merchandise exports as the region continued to enjoy favorable terms of trade. Moreover, in some countries – notably Mexico, Colombia, Peru, Guatemala and El Salvador – overseas workers' remittances grew at double-digit rates, providing additional support to the current account. The region as a whole recorded a higher surplus of USD 32bn, up from USD 20 bn in 2004. Despite substantial IMF debt repayments by Brazil and Argentina, robust inflows of FDI and other capital coupled with a strong current account position allowed for further increases in international reserves, which reached a new peak of USD250 bn in 2005. The strengthening in external accounts improved the resilience of the region to potential external shocks in the future. Both gross and net external indebtedness ratios have been declining as CXR has grown sharply, while the region has been making net external repayments, further shoring up Latin America's external balance sheet. The growing abundance of dollar inflows into the region has prompted numerous countries to announce external debt buy-backs. Please refer to the article included in this report regarding Latin America's debt buy-backs and Fitch's assessment of these operations.

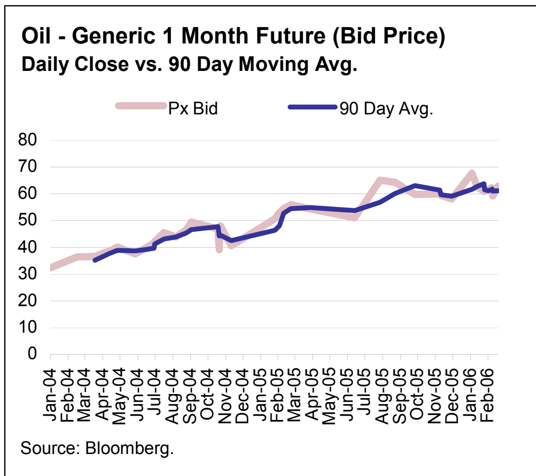
Macroeconomic stability has been maintained in the recent upswing, as few countries have squandered all the windfalls, and many have consolidated inflation-targeting regimes. Although high commodity prices have exerted pressure on inflation in several countries, average inflation for the region remained relatively subdued, averaging 5.9% in 2005. Most countries' currencies have appreciated in response to a favorable terms-of-trade shock and a stronger external position, although some – notably Argentina – have been intervening heavily to stem this appreciation. Strengthening regional currencies have also helped mitigate imported inflation. After a sharp tightening in 2004 and early 2005, both Brazil and Mexico began easing monetary policy later in 2005 and have continued to do so in early 2006 as their inflation outlook improved. In Chile and Peru robust domestic demand conditions prompted the central banks to increase policy rates. Bucking the trend are Argentina, Venezuela and Costa Rica, which are running double-digit inflation rates. The first two have adopted quite accommodative monetary policies, as reflected by negative real interest rates in both countries and in Argentina, inflation is also being held down by the extensive use of price controls. In Costa Rica, however, the quasi-fiscal losses incurred by the central bank are limiting its ability to fight inflation.

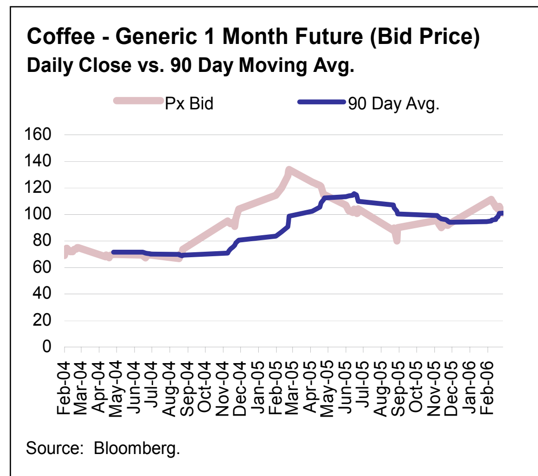
With respect to public finances, the region has seen a slight improvement in government balances, owing largely to the cyclical upturn as well as the more disciplined fiscal policies in most countries. For the











region as a whole, the general government debt burden declined in 2005, as public debt dynamics turned more favorable, underpinned by higher growth and stronger currencies. Argentina and Uruguay experienced the sharpest decline in government debt in 2005, the first owing to the partial completion of its bond restructuring. Uruguay's debt burden declined because of its higher primary surplus and GDP growth, and a stronger exchange rate. Even though the Venezuelan and Argentine governments have been running expansionary fiscal policies, the rise in revenues emanating from the cyclical upturn allowed them to run modest fiscal surpluses in 2005. Chile continues to be a distinct outperformer in the region, known for its astute fiscal management, as it continues to implement a rules-based counter-cyclical fiscal policy: its fiscal surpluses have surged and its debt burden fell by 5% of GDP in 2005. Panama is the only country in the region to have implemented a far-reaching fiscal reform to improve its fiscal imbalances in 2005[1]. Nevertheless, public debt burdens remain high in the region relative to other EM countries, and given how pronounced the "good times" are in Latin America, Fitch believes that more could be done in terms of fiscal consolidation and structural reforms that would underpin a more rapid improvement in public debt dynamics.

Fitch noted in its September "*Latin American Sovereign Review*" that the region faces a busy election schedule in 2006. Since our last review, presidential elections have taken place in Bolivia, Chile, Costa Rica and Peru, while Argentina, El Salvador, and Colombia have all held congressional elections. In Bolivia, Evo Morales was elected president in December 2005. Fitch maintains a Negative Outlook on Bolivia's sovereign ratings, which reflects our concerns about the new administration's resolve and ability to attract

[1] Although El Salvador implemented a tax reform in 2005, its fiscal deficit did not decline substantially owing to rises in pension costs and the burden of subsidies.

investment in the country's extractive sectors. In Chile, Michelle Bachelet, the country's first woman president, took office in March. Her presidency is expected to emphasize social issues via the expansion of programs in the areas of education, health, pensions and women's employment. Fitch affirmed Chile's ratings in March, reflecting our belief that the country's superior macroeconomic policy framework and considerable fiscal flexibility allow for modest expansion in expenditure without undermining its fiscal balances. In Costa Rica, contrary to earlier expectations, Oscar Arias won by only a narrow margin, which could adversely affect the pace of reforms. A tax enhancing reform needs to be implemented if the country is to solidify its public finances and stabilize its sovereign creditworthiness. Furthermore, it remains to be seen if President Arias will be able to obtain approval for the CAFTA (Central American Free Trade Agreement) in Congress in the face of stiff opposition from public sector unions and PAC (the political party of Otton Solis, the runner-up in the presidential elections).

In Argentina's October 2005 legislative elections, President Kirchner's supporters gained ground, but the president has yet to gainfully employ his increased political capital toward pursuing reforms – including dealing with the holdouts from the 2005 bond restructuring. In El Salvador's March 2006 election, the ruling Arena party increased its representation in congress, but the FMLN (the main opposition party) won one-third of congressional seats, thereby retaining its position as a still-formidable force in Salvadoran politics. As a result, Arena will have to negotiate with the FMLN to secure approval for any long-term external borrowing – which has sometimes been difficult to obtain in the past. Finally, in Colombia's recent legislative elections, the supporters of President Uribe won a majority in both houses of congress. The current political environment suggests that President Uribe will probably win a second term, a development that could improve the outlook for fiscal reforms. Colombia could be a standout in the region in that a strong executive with a majority in the legislature will have favorable prospects for passing reforms. Fitch will closely monitor President Uribe's agenda and political strategy, if he is elected. At the time of writing, the official results on Peru's first round of presidential elections were not out. However, Ollanta Humala will enter the second round. Fitch will closely monitor this election, with the view to evaluate whether the new administration poses a significant risk to the current macro policy framework.

In light of the relatively benign external conditions, and more disciplined economic policies in Latin America, sovereign ratings in the region have remained quite stable. In 2005, Fitch upgraded five sovereigns in the region, similar to the number of upgrades made in 2004. However, the ratings of Ecuador and Bolivia were placed on a Negative Outlook, reflecting the deterioration in their political outlook. Since our last "Latin American Sovereign Review", Mexico and Venezuela have been upgraded by one notch each to 'BBB' and 'BB-(BB minus)', respectively. Mexico's upgrade stemmed from its improving external solvency and liquidity ratios, as well as the enhanced credibility of its central bank. The upgrade of Venezuela was underpinned by the considerable improvement in its financial ratios and its new status as a net public sector external creditor, both of which were made possible by high oil prices. In November, Fitch revised the Rating Outlook of Peru ('BB') to Positive in recognition of the country's reduced financing needs, as well as favorable trends in its balance of payments and its public and external debt dynamics. The agency placed Brazil's ratings on a Positive Outlook in October to reflect the impressive improvement in the country's external solvency ratios and in its inflation outlook, which set the stage for further interest cuts and higher growth. Finally, in Q106, Fitch added Guatemala to its universe of rated sovereigns, assigning it a foreign currency IDR of 'BB+'. The rating is supported by the country's track record of fiscal discipline, which has resulted in low external and public sector debt burdens, as well as its solid commercial debt repayment record.

2006 and Beyond

Fitch's global assumptions project a slight deceleration in world growth to 3.1% in 2006 from an estimated 3.2% in 2005, and a further slowing to 2.8% in 2007. This trend will be driven primarily by the deceleration in the US, whose GDP growth we forecast to reach 2.8% in 2006 and 2.3% in 2007. Fitch's base case for oil prices envisages an increase in the average WTI price to USD62.5 pb for 2006, followed by an 11% fall to USD56.2 pb in 2007. Fitch also assumes that non-fuel index is likely to peak in 2006 and will fall slightly in 2007. Consistent with our global assumptions, Fitch forecasts that Latin America's growth will decline slightly to 3.9% in 2006 and 3.4% in 2007 but will still remain relatively healthy compared with the average growth of less than 1% recorded in 2001-03. While most countries in the region will post slower growth in 2006, the regional result should be sustained by comparatively high growth in both Brazil and Mexico, where domestic demand should gain momentum owing to their easier monetary conditions. After considerable deceleration in mid-2005, both countries are experiencing higher growth in their industrial output in early 2006, carrying

forward the turnaround seen in the last quarter of 2006. Over the next two years, Argentina and Venezuela, where Fitch expects to see deceleration in growth, are likely to hamper the region's overall performance.

Regional inflation is likely to be stable in 2006-07, owing to declining commodity price pressures. Growth in both current external receipts (CXR) and current external payments (CXP) is likely to decelerate during our forecast period as external demand is hit, leading to a concomitant slowing in domestic demand in most countries. Fitch expects the regional current account position to deteriorate, and forecasts that the region will return to a small current account deficit in 2007 for the first time in four years. External debt ratios are likely to improve only slightly in 2007, as CXR growth slows and net borrowing increases in response to the increase in the financing gap (the current account deficit minus net FDI and portfolio equity inflows). Fitch expects the general government balances and indebtedness to remain broadly stable. No sizable reduction in government debt burdens is likely as GDP growth will slow and Fitch does not expect regional currencies to appreciate significantly, due to weakening external accounts and higher international interest rates, as well as considerable recent currency strength. However, as the feature article included in this report notes, some countries, including Brazil, Colombia and Venezuela, should be able to reduce the foreign currency exposure of their debt.

Trends in Central America and the Caribbean will be heavily dependent on growth in the US – the region's largest trading partner. While El Salvador has already implemented the DR–CAFTA treaty, Guatemala is expected to do so in June. Implementation in the Dominican Republic will likely face significant delays due to the necessity of key legislative reforms. In Costa Rica, by contrast, the fate of CAFTA remains uncertain, while Panama's progress on negotiating a bilateral treaty with the US has been slow. Fitch expects CAFTA to have positive effects on the region's export growth as well as FDI inflows. As high oil prices have led to a marked deterioration in the region's external accounts and kindled higher inflation, the expected softening in oil prices in 2007 should provide the long-awaited relief for their balance of payments. While Panama is likely to consolidate its fiscal position further in anticipation of a potential expansion of its canal, other countries in the region are likely to maintain stable fiscal deficits and debt burdens.

The main risks to Fitch's global soft-landing base case are: a) a faster–than-expected increase in US interest rates and wider credit spreads; b) a greater–than-expected US and global slowdown, which would reduce the demand for exports from the region; and c) a hard landing in China, which could have knock-on effects on commodity prices; and d) a political shock, if the new Latin leaders that emerge from the 2006 elections prove unwilling to adhere to orthodox policies. However, given the much-improved external solvency and liquidity ratios, and the comparatively strong macro policy frameworks across the region, most countries are in a better position to cope with such shocks than in the past. Moreover, almost all countries have pre-funded their 2006 external bond amortizations and some are already pre-financing next year's external financing needs, which should limit the fallout from any significant shock that emerges for the region.

Fitch believes that recent revenue windfall gains yielded by the cyclical upturn and high commodity prices have masked some of the structural weaknesses in the region's public finances, which are likely to resurface once economic growth slows. The tax-to-GDP ratio remains woefully low in most countries (with the exception of Brazil and Aruba), while expenditure is highly rigid. An uptick in interest rates, which is likely as international rates begin to climb, will further increase the interest burden. Pension costs remain heavy in many countries, and there is a need to rectify this through more aggressive pension reforms, especially in Brazil, Colombia, Mexico and El Salvador. While debt burdens in the region have stabilized, they still remain relatively high (with the exception of Chile, Dominican Republic, Mexico and Peru). Similarly, the narrow revenue base in Latin countries translates into a heavy debt-to-revenue ratio for most countries, highlighting the need for further tax reform in the region. With the exception of Chile – and unlike other commodity exporters (especially Russia, Kazakhstan and even speculative-grade-rated Azerbaijan) – most Latin countries have failed to accumulate substantial fiscal reserves in times of plenty, which will make downward adjustments in expenditure necessary in an economic downturn. The key risk is that the new Latin leaders who emerge from elections in 2006 and 2007 could show little appetite for adjusting spending as the economy slows; if this happens, the recent stabilization of debt burdens in the region could prove temporary.

Fitch expects election-related noise to capture most of the headlines in 2006 and will continually assess the impact of the election outcomes on economic reforms. We note that populists have been gaining ground in some countries (e.g. Bolivia, Peru, Ecuador and Argentina), and that populism will remain firmly rooted in Venezuela, as President

Chavez is likely to prevail in the July presidential elections. In Mexico, Mr. Lopez Obrador of the leftist PRD party maintains a lead over Mr. Calderon of the right-wing ruling party, the PAN – a more market-friendly presidential candidate. Fitch's base case assumes that political transitions will be smooth compared to the volatility surrounding previous transitions, though jolts and capital outflows cannot be ruled out, especially if local shocks come at a time of a deteriorating global risk appetite. Even if more populist candidates do win elections, in some countries, including Peru and Mexico, they will face a divided congress, which will make it difficult for them to engineer a complete reversal of policies, at least in the short term. On the positive side, President Uribe's re-election bid could be successful, and this could further solidify the security situation in Colombia, positively affecting the country's investment and growth outlook. At the same time, Uribe could secure a Free Trade Agreement with the US in his second term, which would help expand and diversify Colombia's export base over the medium term. However, it remains to be seen whether President Uribe would be prepared to expend his political capital on tackling the difficult fiscal issues confronting the country – rigidity of expenditure and pension problems – in his second term.

Upcoming Elections

Peru	April 2006
Colombia	May 2006
Mexico	July 2006
Brazil	October 2006
Ecuador	October 2006
Venezuela	December 2006
Argentina	April 2007

Source: Fitch Ratings.

In Brazil, the next government (following the October 2006 elections) , no matter whether it is led by President Lula or someone from the opposition will be challenged to assemble a coaliton in Brazil's historically fragmented Congress to pursue reforms to support non-inflationary growth as well as a downward trend in public debt burden. Currently, it appears that the closest rival to President Lula is Gerardo Alckmin of the PSDB. If elected, Alckmin, could try to revive the old coalition of Fernando Henrique Cordoso (PSDB-PFL-PMDB) which could represent a formidable bloc of votes in Congress. For this reason, in conjunction with the PSDB-PFL's greater ideological affinity for market –oriented reforms than PT, Fitch believes that an Alckmin administration could pursue a more ambitious reform agenda than would a second Lula administration.

Broadly, although Fitch believes macroeconomic stability is likely to be preserved in most countries after the imminent elections, it is difficult to foresee faster progress on the structural reforms that are critical for placing the region on the path to higher growth. Lagging structural reforms in recent years are also responsible for Latin America's weaker growth compared to the other regions of the world. For example, the average Latin American growth in 2001-05 was 2.3%, compared to 5% for Emerging Europe and 6.6% for Emerging Asia. Besides its lower savings rate, Latin America continues to suffer from a weak business climate, a relatively poor human and physical infrastructure and high crime rates – all of which result in much lower regional FDI. As the table on the next page illustrates, Latin America's business indicators are worse than those of some of the other emerging regions in the world. Labor markets tend to be comparatively rigid, while the judiciary is often corrupt and inefficient, and investor protection is weak. As the global environment is likely to become less favorable over the next two years, progress on some of these issues will become more critical.

In terms of ratings, the pace of upgrades has already slowed this year: in Q106 there were no sovereign upgrades in the region compared with two in Q105. With global growth slowing, some softening in commodity prices and a rise in uncertainty owing to a busy election schedule, the credit upswing seen in the last two years is less likely to be repeated in 2006 and 2007. This is also borne out by the fact that, of the 17 Fitch-rated sovereigns in Latin America, 11 are currently on Stable Outlook, while only two are on Positive Outlook, suggesting that the momentum for further upgrades in the region may be winding down. On the other hand, there are four sovereigns on Negative Outlook. However, some of the lower-rated credits in the 'B' category, which tend to exhibit greater rating volatility could be upgraded or downgraded at a short notice. Some of the candidates for possible upgrades could be Argentina and the Dominican Republic. In the former case, a resolution of the debt holdouts could be positive for creditworthiness, while in the case of latter, continued adherence to the IMF program would be viewed positively.

World Bank Doing Business Database

	East Asia & Pacific	Europe & Central Asia	Latin America & Caribbean	Middle East & North Africa	OECD: High Income	South Asia	Sub-Saharan Africa
Starting a Business (Days / Cost)	52.6 / 42.9	36.4 / 13.5	63.0 / 56.2	45.4 / 64.2	19.5 / 6.8	35.3 / 40.5	63.8 / 215.3
Hiring and Firing Workers (Difficulty of Hiring / Difficulty of Firing)	26.0 / 23.0	34.5 / 41.5	40.5 / 29.5	30.8 / 35.0	30.1 / 27.4	41.9 / 42.5	48.1 / 47.8
Enforcing Contracts (Number Procedures / Days)	30.0 / 406.8	29.6 / 393.0	35.5 / 461.3	39.5 / 432.1	19.5 / 225.7	29.7 / 385.5	35.9 / 438.5
Protecting Investors (Investor Protection Index)[1]	5.3	4.8	4.5	4.6	5.9	5.0	5.0
Closing a Business (years)	3.4	3.5	3.5	3.8	1.5	4.2	3.3

[1] Higher number denotes more protection. Source: World Bank, 2005.

Rating Implications of Debt Buy-backs in Latin America

The following is excerpted from the Fitch Special Report, "Rating Implications of External Debt Buy-backs in Latin America", published April 18 and available at www.fitchratings.com.

During the 1990s, Latin American countries saw international bonded debt surge under the Brady Plan, which securitized defaulted commercial loan obligations into collateralized bonds. Numerous LatAm countries issued billions of dollars in Brady bonds. Subsequently, persistent fiscal deficits in the region, coupled with shallow domestic capital markets, led many LatAm sovereigns to fund their fiscal deficits from abroad. Unsurprisingly, as the dependence on international capital markets rose, these countries also become more susceptible to changes in investor sentiment. During the various crises since the mid-1990s, including the Russian and the Argentine defaults as well as severe financial distress in Brazil in 2002-03, Latin American spreads widened markedly. Clearly, the financial contagion experienced during these times revealed the growing external vulnerability of Latin America. It is precisely to reduce this exposure that several LatAm countries have been trying to alter the composition of their debt and buy back external obligations since end-2005.

Since end-2003 Latin America has seen a change in its fortunes with higher oil and commodity prices. The commodity-dependent region has benefited from a positive terms of trade shock, which has led to an unprecedented increase in the region's international liquidity position. As many countries in the region have adopted flexible exchange rates, the need to maintain huge foreign reserves to defend pegged exchange rates has diminished. Consequently, in response to the rising abundance of dollar inflows, driven both by robust growth in net current external receipts as well as strong capital inflows, several LatAm countries have announced their intention to buy-back external debt, including Brazil, Mexico, Colombia, Venezuela and Ecuador. The motivation for more aggressive liability management stems from the desire to reduce foreign currency debt. The authorities may also be hoping that this could also mitigate future local currency appreciation.

The markets have reacted enthusiastically to the various buy-back announcements. In Fitch Ratings' view, the proposals are a positive development and illustrate the increasing external and fiscal flexibility of these sovereigns. These initiatives will reduce the vulnerability of their public debt burden to foreign exchange rate movements, thereby making them more resilient to future adverse terms of trade shocks. They also highlight the positive developments seen in the domestic capital markets in the region, as some countries have been able to refinance external debt prepayments in the local markets. Finally, in the case of Brazil and Venezuela, all their outstanding Brady bonds are expected to be retired, which would remove a major stigma in their debt history. Moreover, it would also allow for the release of the Brady collateral, which could potentially be used to improve fiscal balances and/or reduce debt burdens further.

Notwithstanding, it should be stressed that in most cases these initiatives will not lead to a significant decline in net public sector external debt, unlike countries such as Russia and Bulgaria, which have made net debt repayments because of their capacity to run substantial fiscal surpluses. However, in the case of Brazil, a current account surplus and central bank FX intervention could lead to a decline in the net public sector external debt/CXR after the debt

buyback. Fitch forecasts that Brazil could turn into a net public sector external creditor by 2009.

In general, the recent external debt buy-backs in LatAm can be viewed as more opportunistic but astute asset-liability management. While such operations would lead to debt service relief over the coming few years, the adverse impact on foreign reserves will be far more immediate. In essence, these countries are giving up external liquidity to obtain further improvements in public external solvency ratios. *Ceteris paribus*, these operations will weaken the international liquidity position of some of these countries as their Treasuries use international reserves to pay down external debt. While in the case of Russia, Fitch upgraded its sovereign ratings in recognition of the rapid decline in government debt, the agency has so far refrained from taking any positive rating actions following the announcements of debt buy-backs by LatAm countries. It should also be noted that in the case of Brazil, Venezuela and Ecuador, a fair chunk of the debt buy-backs has not occurred yet, and will be dependent on suitable market conditions, making potential improvements in their sovereign creditworthiness even more speculative. The case of Colombia illustrates that not all the outstanding bond debt eligible for buy-back was tendered by investors.

The country-specific details of the debt buy-back, together with Fitch's broad assessment of these operations are discussed in a recent comment "Rating Implications of Debt Buy-backs in Latin America" published separately. The country-specific debt buy-back initiatives in Latin America have one common theme: financial ratios have not improved across the board due to these operations. This is mainly because net repayments of debt are not possible without compromising either domestic or external liquidity. Unlike Russia and Bulgaria, most LatAm countries still suffer from relatively weak public finances. Mexico and Venezuela have largely spent their oil windfalls rather than making more aggressive net repayments of external debt. Although the windfall in Colombia was lower, its public finances continue to be burdened by large regional transfers and heavy pension costs. In general, Fitch concludes that while the LatAm debt buy-backs have some positive effects, such as reducing the foreign currency component of public debt, it is difficult to justify sovereign upgrades based on these initiatives alone.

Country Updates

Brazil

Updated country statistics located at the end of this report.
In October 2005, Fitch Ratings revised the Outlook on Brazil's BB- sovereign ratings to Positive from Stable, reflecting improved external debt dynamics and moderating inflationary pressures. At that time Fitch explained that, going forward, public debt dynamics, and especially the outlook for real interest rates and GDP growth, would be important rating drivers. Likewise, Fitch underscored that greater certainty about macro policy continuity in the government that takes office in January 2007 would be critical to continued improvement in Brazil's sovereign creditworthiness.

Since late 2005, there have been some improvements in credit fundamentals including an improved currency composition of public debt. This has been evidenced by a ratio of Net Public External Debt (NPXD) to Current External Receipts (CXR) of 23.9% at end 2005 (versus a forecast of 36.4% in October 2005) and by a decline in dollar-linked domestic debt to near zero. The NPXD/CXR ratio is forecast to fall to 8.6% at year-end 2006 and could turn negative by 2008, making Brazil a net public external creditor. The government's external debt buyback program and the paydown of IMF obligations late last year will reduce its external debt service burden in the coming years.

In adiditon, inflation expectations are moving down, and Fitch expects the 2006 IPCA inflation to hit close to the 4.5% central bank target. Against this backdrop, Brazil's central bank cut interest rates 300 bps since last October, lowering the real interest rate from 14.8% to a still-high 12.2% currently. Yet the BRL strengthened 3.5% against the US dollar since that time, even as US interest rates moved higher. With solid balance of payments performance, external debt ratios moving lower, and inflation under control, real interest rates should continue to fall, underpinning improving economic growth and easing pressures on public finances.

Notwithstanding the above improvements, politics has stymied economic reform in Brazil. Since the corruption scandal rose to a fever pitch last year, reforms have ground to a halt, with the exception of the elimination of the withholding tax on non-resident investment in Brazil's local fixed income market and the debt management policies described above. Finance Minister Palocci was the architect of policies that yielded primary surpluses in excess of the 4.25% of GDP target and, as a member of the

National Monetary Council, helped underpin monetary policy credibility. His decision to step down and his replacement by BNDES President Guido Mantega have increased uncertainty about the government's commitment to high primary surpluses and to maintaining prudent inflation targets.

Fitch will monitor developments in macroeconomic policy in the wake of Palocci's stepping down and other potential changes in the economic team. Likewise the October 2006 elections, no matter who the victors are, will determine the scope for reform in the government that takes office in January 2007. The incoming government, no matter whether it is led by President Lula in a second term or someone from the opposition, will be challenged to assemble a coalition in Brazil's historically fragmented Congress to pass reforms that will support non-inflationary growth as well as a downward trend in the public debt to GDP ratio.

Mexico

Updated country statistics located at the end of this report.

Since our last "*Latin American Sovereign Review*" published in September 2005, Mexico's foreign currency IDR and local currency IDR have been upgraded to 'BBB' and 'BBB+', respectively. The Rating Outlook is Stable. Mexico's rating upgrade reflected the improvements in the country's external financial ratios as well as a strengthening in the credibility of its monetary policy. External debt ratios such as gross and net external debt as a percentage of CXR are consistent with the 'BBB' median. More importantly, after years of stagnation, the net public sector external debt declined as a percentage of CXR in 2005, and we expect it to fall steadily given the government's improved liability management strategy and Pemex's increasing reliance on local capital markets to raise funds. Finally, the upgrade also recognized some progress on reforms, such as the passage of the Pemex tax reform. Fitch views the resultant reduction in Pemex's tax burden as a first step in the right direction toward addressing the financial weaknesses of Pemex.

Overall, Fitch expects favorable macro trends to continue in Mexico, and projects GDP growth of 3.0%-3.5% for 2006, driven by domestic demand. Fitch expects the government to be able to meet its balanced budget goal in 2006. Higher-than-budgeted oil prices are again likely to result in windfall gains, although these should be lower than in 2005. The inflation rate remains within the central bank's target band of 2%-4% and Banco de México should be able to meet its target in 2006. The central bank has continued to ease monetary policy in the first quarter of 2006, but the scope for further easing is diminishing.

During Q206, political events will be the main focus of attention. The campaigning for the July 2006 presidential and congressional elections will gather pace in the coming months. At this juncture, presidential elections are still too close to call; however, Andres Manuel Lopez Obrador ("AMLO") of the PRD continues to lead in several Mexican polls. In Fitch's view, even if political uncertainty increases in the coming months, Mexico is well-placed to cope with higher volatility given the strength of its international reserves, the enhanced credibility of Banco de México and the country's floating exchange rate regime. Moreover, the government does not need to enter the international capital markets in 2006 as it has already fully financed its 2006 bond amortizations.

Post-elections, Fitch will monitor the policy statements of the new president, and the selection of the new cabinet. The agency will also assess the implications of the composition of the new congress for the reform process. Fitch believes that, given Mexico's flagging competitiveness, the onus will be on the new administration to carry forward the reform agenda to improve the country's growth prospects. Mexico needs to implement structural reforms in the areas of energy and labor sectors to improve its competitiveness and growth potential. In addition, structural weaknesses in public finances (a low tax burden and a high reliance on oil revenues) must, in our view, be addressed if the country is to improve its sovereign creditworthiness. If, on the other hand, the new administration chooses to depart from the current policy framework and pursue a substantial fiscal expansion to boost growth and fulfill its campaign promises, then Mexico's ratings could come under pressure over time.

Argentina

Updated country statistics located at the end of this report.

Sovereign creditworthiness in Argentina has been supported by recent economic performance. GDP growth was an impressive 9.2% last year, and though expected to slow this year, should be above 6%. Moreover, in spite of negative real interest rates, inflation, though high, has not accelerated as much as expected. Tax receipts have been buoyant and public spending relatively contained, suggesting persistent and sizable primary budget surpluses, overall government surpluses, and modest financing needs. At 79.5% of GDP in 2005, general government debt is high but moving rapidly lower due to economic growth and an Argentine peso strengthening in real terms. Yet price controls and moral suasion rather than monetary policy and

market mechanisms have been employed in Argentina to contain price pressures, suggesting that an efficient allocation of resources over the medium term toward higher return investment projects may be at risk, especially in the critical energy sector, limiting the country's long-run growth potential. Should structural reforms move ahead that increase the use of market mechanisms, underpin growth, and improve the quality of public finances, and should the government deal productively with the holdouts, then Argentina's sovereign ratings could be upgraded.

Bolivia

Bolivia Key Indicators

	2004^{e}	2005^{e}	2006^{f}	2007^{f}
Real GDP growth (%)	3.6	3.9	3.3	3.1
General government balance (% of GDP)	-5.7	-2.7	-2.0	-1.7
General government debt (% of GDP)	74.3	73.7	71.6	71.0
Current account balance (% of GDP)	3.3	3.2	3.2	2.8
Current external receipts CXR (USDmn)	3123.7	3663.9	4026.5	4209.1
Net external debt (% of CXR)	128.8	94.8	90.4	86.1
Net public external debt (% of CXR)	115.5	92.9	83.6	80.6
Gross financing requirement (% of official reserves)	-5.3	-2.8	0.5	1.0
GDP (USDbn)	8.8	9.4	10.0	10.4

Source: Fitch Ratings (e) estimates and (f) forecasts.

President Evo Morales of the leftist party *Movimiento al Socialismo* (MAS) entered office on Jan. 22, 2006. His party also fared well in the congressional elections, winning 78 of the 157 seats, one short of a majority. The new president will face the daunting task of addressing the demands of Bolivians for the nationalization of the energy sector, the drafting of a new constitution, and the issue of more autonomy for Bolivia's regions. In spite of a prolonged period of social unrest and political uncertainty, Bolivia's president inherits a growing and stable economy due to a benign international environment and the previous government's efforts to tighten fiscal policy.

While Fitch is concerned about the politician's campaign rhetoric, which challenged the liberal economic policies followed by recent governments and the regional policies of the U.S. that advocate the eradication of coca cultivation, the Morales victory should give his government a greater degree of legitimacy than that enjoyed by recent predecessors, and could lead to improvements in governability. Furthermore, the carrot of the Multilateral Debt Relief Initiative, which could lead to 100% debt relief from the IMF and the World Bank as early as next year, may provide sufficient incentive to maintain important aspects of Bolivia's macroeconomic framework and to respect property rights. Looking ahead, Bolivia's credit story will be determined by the political and economic pragmatism of President Evo Morales and his ability to withstand demands by more radical social movements.

Fitch believes there are two key factors to monitor with respect to the sovereign's creditworthiness, particularly since both could have implications for future debt relief. First, how does the Morales government interpret and implement the hydrocarbons law approved last year? Second, will Bolivia maintain a cordial bilateral relationship with the U.S.? This relationship is likely to be conditioned on respect for democratic institutions and a continuation of the fight against drug production and trafficking. Although the country’s short-term economic prospects remain good, Fitch has maintained its Negative outlook on the ‘B-’ Issuer Default Rating due to uncertainties with respect to economic prospects beyond this horizon, and hence the country’s capacity to service its high debt burden. Materialization of the Multilateral Debt Relief Initiative and more certainty on the policy framework could lead to a revision of the outlook back to Stable.

Colombia

Colombia Indicators

	2004^{e}	2005^{e}	2006^{f}	2007^{f}
Real GDP growth (%)	4.0	4.5	4.0	3.3
General government balance (% of GDP)	-2.7	-3.0	-2.9	-2.5
General government debt (% of GDP)	50.2	48.2	48.6	50.5
Current account balance (% of GDP)	-1.0	-0.7	-1.3	-1.5
Current external receipts CXR (USDmn)	24.1	27.9	27.8	28.2
Net external debt (% of CXR)	103.6	81.0	81.9	89.0
Net public external debt (% of CXR)	50.8	45.0	50.0	61.5
Gross financing requirement (% of official reserves)	58.0	47.8	52.5	52.7
GDP (USDbn)	98.1	121.8	134.6	141.3

Source: Fitch Ratings (e) estimates and (f) forecasts.

Colombia’s economic recovery appears likely to continue through 2006 as sentiment remains

favorable, supporting solid growth in investment and consumption. Exceptional performance at public enterprises helped bring the overall public sector into balance in 2005 despite a nagging 4.9% of GDP deficit at the central government level. Authorities have also made strides in improving the currency composition of government debt to insulate it more from potential exchange rate weakness. Ongoing imbalances at the central government level point the importance of prioritizing fiscal reforms when the new administration takes office in August following the May presidential elections. The social security system and local governments are particularly intractable drains on the central government purse that will need to be addressed if recent improvements are to be truly consolidated. How successful the new government will be will depend both on its perceived mandate based on election results and also on its political will. During his current term, President Uribe made some important strides in reforming public finances, but faced resistance to more ambitious structural improvements from Congress, from the judiciary and in a public referendum. These experiences suggest that aggressive initiatives to address fiscal imbalances cannot be assured even under a second Uribe administration. Fitch will be monitoring the initial agenda of the new administration with a view to the potential credit improvement that could come from a fresh round of fiscal reform.

Costa Rica

Costa Rica Key Indicators

	2004e	2005e	2006f	2007f
Real GDP growth (%)	4.1	4.1	3.5	3.0
General government balance (% of GDP)	-3.6	-2.8	-3.2	-3.2
General government debt (% of GDP)	49.2	45.7	45.1	45.0
Current account balance (% of GDP)	-4.5	-4.8	-4.7	-4.3
Current external receipts CXR (USDbn)	9.1	10.1	10.9	11.5
Net external debt (% of CXR)	33.6	22.2	26.6	26.1
Net public external debt (% of CXR)	21.5	15.2	13.5	12.9
Gross financing requirement (% of official reserves)	77.2	78.4	69.5	66.8
GDP (USDbn)	18.4	20.0	21.6	23.0

Source: Fitch Ratings (e) estimates and (f) forecasts.

Costa Rica's economy continued to perform relatively well, with growth reaching 4.1% in 2005, boosted by rising tourism, enhanced domestic demand and robust export growth, in line with the rise in global growth. However, given the central bank's limited flexibility in fighting inflationary pressures owing to its quasi fiscal losses, the inflation rate reached 14% in 2005, which was among the highest in Latin America. In light of the modest slowdown in global growth, Fitch expects Costa Rica's growth to slip to 3.5% in 2006.

Oscar Arias emerged as the ultimate victor in the presidential elections that were held on 5 February 2006. Belying the pre-election polls that gave Mr. Arias a lead of several percentage points, however, he won by a very narrow margin. President Arias is viewed as being in favor of the US- CAFTA and is also a partisan of fiscal reform, but a weaker election mandate could undermine his ability to spearhead reforms. In addition, the PLN (the party of President Arias) failed to obtain a majority in the unicameral congress, making negotiations with the other parties necessary for the passage of important reforms. The new administration has its work cut out in terms of implementing the much-delayed fiscal reform and CAFTA. The fiscal reform, which had passed a first vote in the legislative assembly, was recently declared unconstitutional by the Constitutional Court. It remains to be seen whether the Arias administration that takes over in May is able to push through an alternative tax reform. A revenue-raising tax reform is necessary to improve the medium-term outlook for Costa Rican public finances. Additional revenue is also needed to recapitalize the central bank in order to improve the effectiveness of monetary policy and, eventually, to allow for a more flexible exchange rate regime. An enhanced macro framework would also allow for a gradual decline in domestic interest rates and help reverse the widespread financial dollarization in the system.

At this juncture, it is unclear whether the Arias administration will be able to obtain a speedy approval of CAFTA since the PAC, which has been opposing the treaty, obtained the second-largest number of seats and its presidential candidate Otton Solis has publicly stated that his party will fervently oppose CAFTA in congress. Given his narrow victory, President Arias may be inclined to move more slowly on CAFTA than previously envisaged. In the coming months, Fitch will assess the Arias administration's ability to push reforms through congress. Continued fiscal restraint, the passage of a tax-enhancing package and/or the implementation of CAFTA could help stabilize Costa Rica's ratings.

Dominican Republic

Dominican Republic Key Indicators

	2004e	2005e	2006f	2007f
Real GDP growth (%)	2.0	9.3	5.8	4.8
General government balance (% of GDP)	-4.1	-0.8	-0.2	0.0
General government debt (% of GDP)	29.9	30.5	27.2	25.8
Current account balance (% of GDP)	7.6	-0.5	-2.4	-3.1
Current external receipts CXR (USDbn)	12.3	13.1	13.9	14.6
Net external debt (% of CXR)	46.9	34.9	31.6	30.6
Net public external debt (% of CXR)	47.0	35.9	32.0	30.4
Gross financing requirement (% of official reserves)	-328.0	188.4	120.4	115.2
GDP (USDbn)	18.5	29.1	28.7	31.0

Source: Fitch Ratings (e) estimates and (f) forecasts.

The Dominican Republic's economic recovery consolidated last year, in part reflecting prompt actions by the Fernandez Administration to achieve a substantial fiscal adjustment and the resulting improved domestic and foreign confidence. Economic growth was broad based and reached a vigorous 9.3% last year, one of the strongest rates of growth in Latin America and the Caribbean, while inflation continued to decline. A favorable balance of payments performance, underpinned by remittances, tourism receipts, as well as reduced debt service outflows as a result of the debt restructurings, has led to a steady recuperation of foreign reserves and an improvement in the country's liquidity position. Scheduled amortizations are almost entirely with official creditors this year and appear to be covered by substantial commitments from multilateral and bilateral disbursements as well as access to local market financing. If the Dominican authorities stay on track with the country's International Monetary Fund program by pursuing sound macroeconomic policies, then multilateral financing should be assured and the government's liquidity position would remain stable. With this as a backdrop, Fitch would consider a positive outlook or even an upgrade of the country's foreign currency Issuer Default rating, currently at 'B-'.

Ecuador

Ecuador Key Indicators

	2004e	2005e	2006f	2007f
Real GDP growth (%)	6.9	3.3	3.1	3.2
General government balance (% of GDP)	-0.1	0.9	0.1	-0.2
General government debt (% of GDP)	48.0	45.3	42.3	39.8
Current account balance (% of GDP)	-0.5	-0.3	0.4	-0.7
Current external receipts CXR (USDbn)	10.7	12.0	13.2	13.2
Net external debt (% of CXR)	122.3	102.7	89.1	88.1
Net public external debt (% of CXR)	90.1	73.2	63.5	64.5
Gross financing requirement (% of official reserves)	98.3	86.9	45.8	50.6
GDP (USDbn)	30.3	32.1	34.3	36.6

Source: Fitch Ratings (e) estimates and (f) forecasts.

Tight liquidity, uncertain financing and political risk will leave Ecuador with little margin to avoid payment irregularities this year. The announcement of a call for a portion of the Global 2012 bonds with proceeds from a December issuance do suggest that financing conditions are improving in recent months. But in light of persistent civil unrest and oil production interruptions, sentiment could change quickly. With presidential elections approaching in October there will be pressure to increase spending, particularly from local governments where the leading parties hold the most power. Rising tax revenues in recent years have offset higher expenditures, but as the economy slows this year it may become more difficult to sustain fiscal balance while still meeting periodic demands for wage and pension increases outside of the budget cycle. There is a plausible muddle-through scenario for covering the government's 7.5% of GDP financing requirement this year, but it may be more difficult than last year because 39% of principal payments are to private creditors, compared with 18% in 2005. In past years the social security fund and the oil fund had acted as lenders of last resort to the central government when market financing was not available. But both of these sources enter 2006 with smaller balance sheets because of legislation passed in 2005 to deplete significant portions of their assets for current spending. Accessing domestic and external private creditors will therefore be critical through 2006, no small feat in light of Ecuador's chronic political instability.

El Salvador

El Salvador Key Indicators

	2004e	2005e	2006f	2007f
Real GDP growth (%)	1.5	2.8	3.2	3.2
General government balance (% of GDP)	-2.4	-3.0	-3.0	-2.7
Public sector debt (% of GDP)	40.5	39.6	40.0	40.1
Current account balance (% of GDP)	-3.9	-4.0	-3.8	-3.7
Current external receipts CXR (USDbn)	7.0	7.6	8.3	8.9
Net external debt (% of CXR)	79.9	75.5	73.8	72.9
Net public external debt (% of CXR)	40.1	37.9	36.3	34.6
Gross financing requirement (% of official reserves)	68.8	81.2	77.5	73.8
GDP (USDbn)	15.8	17.0	18.2	19.4

Source: Fitch Ratings (e) estimates and (f) forecasts.

In March, Fitch affirmed El Salvador's foreign currency IDR at 'BB+'. This affirmation took into account El Salvador's monetary stability, its relatively modest public sector debt burden, and its good record on structural reforms. The political environment has improved following the victory of Antonio Saca in the 2004 presidential elections. As a result, El Salvador has made steady progress on reforms including the implementation of CAFTA, a tax reform and a pension reform that has eliminated the provision for early retirement. However, in the context of dollarization, El Salvador's limited growth prospects and relatively high fiscal deficits (3% of GDP in 2005) serve as major constraints on its ratings. That said, since the Saca administration has devised strategies to address the challenge of sluggish growth, Fitch expects the Salvadoran economy to grow at an average rate of just over 3% in the coming two years. The drivers for this growth should be the implementation of CAFTA, together with greater private and public investment in infrastructure, and the tourism and maquila sectors.

In the coming months, Fitch will monitor the progress the government is able to make on economic reforms now that the March 2006 legislative elections are over. Although the ruling Arena party has increased its representation, the FMLN (the main opposition party) did better than expected and continues to hold one-third of seats in congress. This will make negotiation with the FMLN important for the passage of the budget and for securing approval for long-term external borrowing. It remains to be seen if the government will be able to push through further revenue-enhancing tax initiatives and/or measures to reduce the high pension costs. Sovereign creditworthiness would be better served if the government's debt burden were reduced steadily and growth picked up sharply from the average of 2% seen over the past five years. Higher growth would allow for further improvements in social indicators, while lowering the risk of policy reversal and consolidating the dollarization regime.

Guatemala

Guatemala Key Indicators

	2004e	2005e	2006f	2007f
Real GDP growth (%)	2.7	3.2	4.0	4.3
General government balance (% of GDP)	-1.0	-1.5	-1.6	-1.2
General government debt (% of GDP)	17.8	16.6	16.7	17.3
Current account balance (% of GDP)	-4.4	-4.1	-3.9	-3.6
Current external receipts CXR (USDmn)	7829.6	8791.3	9329.7	9836.0
Net external debt (% of CXR)	35.2	31.5	28.1	30.5
Net public external debt (% of CXR)	10.5	5.6	-0.1	0.0
Gross financing requirement (% of official reserves)	57.8	52.9	53.0	53.2
GDP (USDbn)	26.8	31.9	34.7	36.9

Source: Fitch Ratings (e) estimates and (f) forecasts.

Fitch recently assigned Guatemala sovereign ratings of 'BB+' with a Stable outlook. These ratings are supported by the country's low external and public debt burdens, the government's track record of fiscal discipline and moderate inflation, as well as a solid commercial debt repayment history. These factors have provided a sufficient buffer to deal with adverse external shocks, such as the natural disasters experienced in recent years, and should continue to do so over our rating horizon. A recovery of investment and consumption has resulted in a gradual acceleration of GDP growth, which reached 3.2% last year. A solid balance of payments performance, underpinned by remittance growth and increased private capital inflows, has been reflected in international reserve accumulation of US$250 mn in 2005. Reserve accumulation, combined with low debt service, increased Guatemala's liquidity ratio to an estimated 187% at the beginning of this year, compared with a 'BB' median of 157%. Although economic risks appear contained due to the government's favorable balance sheet, high levels of poverty and inequality, as well as the country's poor social indicators, will likely constrain the country's ratings for some time.

Panama

Panama Key Indicators

	2004e	2005e	2006f	2007f
Real GDP growth (%)	7.7	6.4	5.5	4.0
General government balance (% of GDP)	-5.8	-5.0	-3.6	-2.9
Gross public sector debt (% of GDP)	65.9	64.7	63.2	60.1
Current account balance (% of GDP)	-7.9	-4.9	-4.4	-4.9
Current external receipts CXR (USDbn)	10.0	11.8	13.0	13.9
Net external debt (% of CXR)	51.5	-2.4	-0.7	-1.5
Net public external debt (% of CXR)	50.4	41.4	35.4	32.6
Gross financing requirement (% of official reserves)	170.5	150.4	117.9	79.6
GDP (USDbn)	14.2	15.9	17.0	17.9

Source: Fitch Ratings (e) estimates and (f) forecasts.

Dollarization, a stable financial system, moderate debt service needs, and the government's considerable financial and land assets support the sovereign's Issuer Default Rating of ‘BB+’. Despite fiscal slippage in 2004, a strong economic recovery and the Torrijos administration's efforts to strengthen public finances, as demonstrated by the prompt passage of fiscal reform, and more recently social security reform, as well as improvements in fiscal transparency, also underpin Panama's sovereign ratings. A favorable external environment, combined with a pickup in domestic demand, underpinned economic growth of 6.4% in 2005, with almost all economic sectors reporting a healthy expansion. Fiscal consolidation materialized in line with the government’s expectations, which combined with robust economic growth, led to a decline in public debt ratios. These trends are expected to continue over the medium-term.

Peru

With 90% of the vote counted as of the publication of this report, Ollanta Humala, of the Union por el Peru party, held the lead in the first round of the presidential elections in Peru with 26.3% of the vote, followed by Alan García with 20.8% and Lourdes Flores with 20.2% of the vote. Based on the results thus far, Ollanta Humala will face either Alan Garcia or Lourdes Flores in the second round that will be held either in late May or early June. The outcome of Peru’s first round of national elections this month could put at risk a deepening of structural reforms that would support current export and investment growth trends beyond 2007. Furthermore, whoever is elected will face a fragmented Congress based on early election results, making it difficult to push through reform legislation.

Peru Key Indicators

	2004e	2005e	2006f	2007f
Real GDP growth (%)	4.8	6.7	4.8	4.5
General government balance (% of GDP)	-1.2	-1.0	-1.0	-0.9
General government debt (% of GDP)	43.3	40.8	38.7	36.8
Current account balance (% of GDP)	0.0	1.4	1.0	0.7
Current external receipts CXR (USDbn)	16.3	20.9	22.0	23.1
Net external debt (% of CXR)	105.8	71.7	61.7	54.0
Net public external debt (% of CXR)	72.2	42.0	30.8	24.5
Gross financing requirement (% of official reserves)	21.8	20.9	8.1	9.1
GDP (USDbn)	68.6	77.6	79.5	85.1

Source: Fitch Ratings (e) estimates and (f) forecasts.

Although Humala has stated that if elected president he will maintain public debt service and fiscal discipline, even while increasing social expenditure, concerns persist given his campaign stance with respect to the role of the state in Peru’s extractive sectors and his views about the free trade agreement with the US. Alan García has been campaigning on a more moderate platform than Humala, however, doubts about his policy direction also persist given his heterodox policy path as president in the 1980s. Nevertheless, the APRA party has been supporting prudent policy settings and modest reforms to enhance their credibility with the electorate. Furthermore, based on preliminary election results, APRA will have the second largest block of seats in Congress, which could facilitate the formation of a reasonable coalition of parties. And, even if the perceived market friendly candidate Ms. Lourdes Flores triumphs in the second round of elections, her political skill will be tested as her party will only have about 15% of the seats in Congress.

Even though GDP and export growth have begun to decelerate, it remains robust by Latin American standards and continues to support Peru's sovereign creditworthiness, which should provide a sufficient buffer to deal with possible adverse shocks, whether election-related or externally-driven over the near term. Fitch is projecting real GDP growth of 4.8% this year compared with 6.7% in 2005. A solid balance of payments performance has been reflected in international reserve accumulation of US$375 million during the first three months of 2006 and Peru's low external financing needs of about 8% of reserves. The government’s debt reprofiling operations have also reduced the public sector’s financing requirement to a manageable 3% of GDP

over the medium-term if the current fiscal stance is maintained.

Factors that could trigger an upgrade of Peru's sovereign ratings include evidence that export volume and investment growth trends are sustainable, as well as an improvement in fiscal trends, such as conversion of temporary tax measures into more permanent revenue sources. A smooth transition to the next government and maintenance of prudent macroeconomic settings after the election would also be positive for creditworthiness. On the other hand, a populist departure from the current policy framework would be negative.

Suriname

Suriname Key Indicators

	2004e	2005e	2006f	2007f
Real GDP growth (%)	7.8	5.2	5.1	4.0
General government balance (% of GDP)	-0.8	0.1	-0.6	-0.5
General government debt (% of GDP)	39.5	36.7	31.8	28.3
Current account balance (% of GDP)	-9.2	-8.8	-9.3	-8.1
Current external receipts CXR (USDmn)	1014.9	1253.3	1337.5	1395.1
Net external debt (% of CXR)	-0.1	-4.6	-3.7	-3.3
Net public external debt (% of CXR)	23.9	14.8	14.5	14.2
Gross financing requirement (% of official reserves)	150.3	132.6	110.2	104.4
GDP (USDbn)	1.5	1.8	2.0	2.2

Source: Fitch Ratings (e) estimates and (f) forecasts.

Fitch affirmed Suriname's Foreign Currency Issuer Default Rating (IDR) at 'B' and the Local Currency IDR at 'B+', both with a Stable outlook, earlier this year. A low level of public sector and external debt, as well as a low debt servicing requirement support the long-term IDR assigned to Suriname. Nevertheless, these credit strengths are offset by a weak track record of public finance management and implementation of structural reforms, areas that need to be strengthened in light of Suriname's vulnerability to international commodity price shocks. High international commodity prices, however, particularly for the mining sector, should continue to underpin economic and fiscal revenue growth near term, benefiting both external and public sector debt dynamics. Furthermore, the foreign currency rating is constrained by the periodic occurrence of arrears with bilateral creditors, which has yet to be resolved.

Venezuela

Venezuela Key Indicators

	2004e	2005e	2006f	2007f
Real GDP growth (%)	17.9	9.3	6.8	3.6
General government balance (% of GDP)	-2.0	0.4	-2.3	-4.7
Public debt (% of GDP)	39.7	35.0	32.3	34.4
Current account balance (% of GDP)	12.7	19.0	8.1	4.2
Current external receipts CXR (USDbn)	41.6	60.2	59.2	51.9
Net external debt (% of CXR)	40.9	22.4	22.2	38.5
Net public external debt (% of CXR)	9.2	-0.4	-0.5	12.6
Gross financing requirement (% of official reserves)	-32.6	-89.6	-22.4	-2.9
GDP (USDbn)	109.0	131.5	150.1	152.1

Source: Fitch Ratings (e) estimates and (f) forecasts.

High oil prices continue to support Venezuela's fiscal and external balances. The government's choice to increase spending rapidly rather than make net debt repayments in 2005 will make any adjustments required by potential oil price declines more difficult. But significant asset accumulation in both off-budget development funds and international reserves should afford a meaningful financing cushion under such a downside scenario. Furthermore, Venezuela's external debt and liquidity ratios are superior enough to most 'BB' peers, allowing room for some deterioration without pushing these indicators out of line with the category. Longer-term concerns about the coherence of fiscal and economic policies are a constraint to further improvements in credit standing.

Key Indicators for Brazil

Population (2005): 177.3m **Population Growth Rate (2000-2005):** 1.3% p.a.
GDP (2005^e): USD805.4bn **GDP per Head at Market Exchange Rates (2005^e):** USD4,543
GNI Per Head at Purchasing Power Parity (2004): USD8,020 (= 20% of USA level)
Modern Sovereign Rescheduling History: Many rounds of rescheduling with official and commercial bank creditors 1983–94; Brady deal with commercial banks in 1994 resulted in capital losses

	2001	2002	2003	2004	2005^e	2006^f	2007^f
Domestic Economy and Finance							
Real GDP growth (%)	1.3	1.9	0.5	4.9	2.3	3.5	3.5
Unemployment (% of labor force)	5.6	5.2	12.2	11.5	9.8	9.8	9.5
Consumer prices (annual average % change)	6.8	8.5	14.7	6.6	6.7	5.3	4.5
Gross domestic savings (% of GDP)	20.2	21.8	23.4	26.0	26.0	25.4	25.4
Gross domestic investment (% of GDP)	21.2	19.8	19.8	21.3	20.6	20.5	20.8
Policy interest rate (%)(1)	17.5	19.1	23.4	16.2	19.1	16.0	14.0
Broad money (% change Dec to Dec)	13.3	23.6	3.9	19.2	9.4	8.1	8.3
BRL per USD (annual average)	2.36	2.92	3.08	2.93	2.40	2.37	2.45
REER (CPI, 2000=100)	84.1	84.8	82.3	85.7	92.6	87.9	84.4
REER: % change (+ = appreciation)	-15.9	0.8	-3.0	4.2	8.0	-5.0	-4.0
Public Finances							
General government balance (% of GDP)	-4.3	-5.1	-6.5	-3.8	-4.0	-4.3	-3.2
General government debt (% of GDP)	73.9	84.2	78.9	75.4	75.2	74.2	74.6
General government debt maturities (% ofGDP(2))	18.8	13.0	18.1	17.6	24.9	24.8	25.5
General government debt/revenue (%)	200.2	223.8	214.5	200.4	199.9	197.2	198.3
Interest payments/revenue (%)	19.0	22.1	26.9	20.6	21.2	20.3	17.5
Balance of Payments							
Current account balance (USDbn)	-23.2	-7.6	4.2	11.7	14.2	8.5	-2.3
Current account balance (% of GDP)	-4.6	-1.7	0.8	1.9	1.8	1.0	-0.3
Current account balance plus net FDI (USDbn)	1.5	6.5	14.1	23.7	26.9	20.5	9.7
Current account balance plus net FDI/GDP (%)	0.3	1.4	2.8	3.9	3.3	2.3	1.0
Gross financing requirement/official reserves (%)(3)	176.8	120.8	94.7	52.4	79.2	60.4	39.7
Current external receipts CXR (USDbn)	72.8	75.8	90.0	115.8	141.1	147.7	148.6
Current external receipts CXR (annual % change)	3.9	4.2	18.7	28.7	21.8	4.7	0.6
Current external payments CXP (USDbn)	96.0	83.5	85.8	104.1	127.0	139.2	150.9
Current external payments CXP (annual % change)	1.8	-13.0	2.8	21.3	22.0	9.6	8.4
External Assets and Liabilities							
Gross external debt (USDbn)	226.1	227.7	235.4	220.2	188.0	179.0	182.0
Gross external debt (% of GDP)	44.5	49.4	46.5	36.5	23.3	20.3	19.7
Gross external debt (% of CXR)	310.7	300.2	261.6	190.1	133.2	121.1	122.5
Net external debt (USDbn)	173.5	176.9	166.5	148.2	113.0	96.4	90.0
Net external debt (% of GDP)	34.1	38.4	32.9	24.5	14.0	10.9	9.7
Net external debt (% of CXR)	238.5	233.3	184.9	127.9	80.1	65.3	60.6
Public external debt (USDbn)	93.2	110.4	119.8	114.7	87.6	74.1	75.6
Public external debt (% of GDP)	18.3	24.0	23.7	19.0	10.9	8.4	8.2
Net public external debt /CXR (%)	78.8	95.7	78.3	53.3	23.9	8.6	3.2
Public FC denominated & FC indexed debt (USDbn)	154.6	176.0	171.2	129.9	98.3	84.5	85.6
Short-term external debt (% of gross external debt)	12.2	10.3	8.6	8.5	10.0	10.5	10.3
External debt service (% of CXR)	72.5	67.2	61.5	45.6	50.9	37.6	24.0
External interest service (% of CXR)	24.2	20.1	17.0	13.2	11.1	9.9	9.2
Liquidity ratio (%)(4)	60.2	65.6	62.7	91.5	77.4	96.1	132.0
Official international reserves including gold (USDbn)	35.9	37.8	49.3	52.9	53.8	61.4	70.8
Official international reserves in months of CXP cover	4.5	5.4	6.9	6.1	5.1	5.3	5.6
Official international reserves (% of broad money)	25.9	33.6	34.5	28.5	23.4	25.3	28.1

(1) Selic overnight interest rate (annual average).
(2) Short-term debt outstanding at the beginning of the year. Prior to 2003, this figure did not include central bank holdings of short-term treasuries.
(3) Current account balance plus amortization of medium and long-term debt, over official international reserves.
(4) Official reserves incl. gold *plus* banks' foreign assets/ Debt service *plus* liquid external liabilities.

e/f = estimates and forecasts

Key Indicators for Mexico

Population (2005): 107.5m **Population Growth Rate (2000-2005):** 1.4% p.a.
GDP (2005[e]): USD750.4bn **GDP per Head at Market Exchange Rates (2005[e]):** USD6,981
GNI Per Head at Purchasing Power Parity (2004): USD9,590 (= 24% of USA level)
Modern Sovereign Rescheduling History: 1982. 1986. 1990 (capital losses incurred as a result of the 1980 Brady deal)

	2001	2002	2003	2004	2005[e]	2006[f]	2007[f]
Domestic Economy and Finance							
Real GDP growth (%)	-0.1	0.7	1.3	4.4	3.0	3.3	3.0
Unemployment (% of labor force)	2.8	3.0	3.4	3.9	3.7	3.6	3.5
Consumer prices (annual average % change)	6.4	5.0	4.5	4.7	4.0	3.4	3.4
Gross domestic savings (% of GDP)	18.6	18.8	18.9	19.9	19.9	19.7	19.7
Gross domestic investment (% of GDP)	20.9	20.6	20.6	21.7	21.5	21.7	21.7
Policy interest rate (%)(1)	11.3	7.0	6.2	6.8	9.2	8.0	7.3
Broad money (% change Dec to Dec)	12.5	8.3	7.1	10.7	7.2	7.0	7.0
MXN per USD (annual average)	9.34	9.66	10.79	11.29	10.90	11.04	11.55
REER (CPI, 2000=100)	105.6	105.6	94.7	91.6	96.8	97.4	95.2
REER: % change (+ = appreciation)	5.6	0.0	-10.3	-3.3	5.7	0.6	-2.3
Public Finances							
General government balance (% of GDP)(2)	-2.5	-3.4	-2.1	-2.0	-1.2	-2.3	-2.5
General government debt (% of GDP)(3)	38.1	39.4	38.5	35.7	34.9	35.5	36.3
General government debt/revenue (%) (4)	-	-	-	-	-	-	-
Interest payments/revenue (%)	235.7	249.4	234.2	214.9	202.0	222.1	237.3
General government balance (% of GDP)(2)	17.8	16.0	14.1	13.8	13.3	15.0	15.7
Balance of Payments							
Current account balance (USDbn)	-17.7	-13.5	-8.6	-7.3	-5.7	-7.9	-11.7
Current account balance (% of GDP)	-2.8	-2.1	-1.4	-1.1	-0.8	-1.0	-1.5
Current account balance plus net FDI (USDbn)	5.7	2.7	2.3	7.1	8.6	7.1	2.8
Current account balance plus net FDI/GDP (%)	0.9	0.4	0.4	1.1	1.1	0.9	0.3
Gross financing requirement/official reserves (%)(5)	99.1	59.1	58.1	65.0	38.2	36.0	39.2
Current external receipts CXR (USDbn)	186.1	188.1	195.1	224.2	254.6	274.5	282.3
Current external receipts CXR (annual % change)	-3.5	1.1	3.7	14.9	13.6	7.8	2.9
Current external payments CXP (USDbn)	203.8	201.6	203.8	231.4	260.4	282.4	294.1
Current external payments CXP (annual % change)	-3.6	-1.1	1.1	13.6	12.5	8.5	4.2
External Assets and Liabilities							
Gross external debt (USDbn)	160.4	161.0	167.1	172.6	178.6	181.6	185.6
Gross external debt (% of GDP)	25.8	24.8	26.2	25.5	23.8	22.9	23.1
Gross external debt (% of CXR)	86.2	85.6	85.6	77.0	70.1	66.2	65.7
Net external debt (USDbn)	95.9	94.2	93.1	90.7	86.5	86.3	87.1
Net external debt (% of GDP)	15.4	14.5	14.6	13.4	11.5	10.9	10.8
Net external debt (% of CXR)	51.5	50.1	47.7	40.5	34.0	31.5	30.8
Public external debt (USDbn)(6)	100.0	102.6	107.7	115.6	116.8	118.1	120.1
Public external debt (% of GDP)	16.1	15.8	16.9	17.1	15.6	14.9	14.9
Net public external debt /CXR (%)	27.7	25.4	23.9	22.4	16.8	14.9	14.0
Public FC denominated & FC indexed debt (USDbn)(7)	98.2	101.0	105.6	108.6	106.1	108.1	110.1
Short-term external debt (% of gross external debt)	16.0	14.5	13.7	12.8	12.5	12.8	12.9
External debt service (% of CXR)	16.3	13.4	16.7	19.0	12.2	11.9	11.9
External interest service (% of CXR)	6.8	6.5	6.0	5.1	4.8	5.0	5.3
Liquidity ratio (%)(8)	72.1	117.3	109.8	107.4	136.1	142.7	148.0
Official international reserves including gold (USDbn)	44.8	50.7	59.0	64.2	74.1	77.2	80.5
Official international reserves in months of CXP cover	2.6	3.0	3.5	3.3	3.4	3.3	3.3
Official international reserves (% of broad money (%)	24.3	28.6	33.9	33.4	34.4	35.2	35.8

(1) This refers to the 28-day Cetes rate (annual average).
(2) Fitch Ratings estimate: refers to federal government plus social security, plus flows related to IPAB and Farac and excludes non-recurrent revenues.
(3) Refers to debt of the federal government plus states and IPAB and FARAC.
(4) Refers to federal government plus IPAB debt divided by federal government revenues.
(5) Current account balance plus amortization of medium and long-term debt, over official international reserves.
(6) Includes Pidiregas debt.
(7) Includes Pidiregas debt.
(8) Official reserves incl. gold *plus* banks' foreign assets/ Debt service *plus* liquid external liabilities.

e/f = estimates and forecasts.

Key Indicators for Argentina

Population (2005): 38.8m **Population Growth Rate (2000-2005):** 1.0% p.a.
GDP (2005^{e}): USD182.8bn **GDP per Head at Market Exchange Rates (2005^{e}):** USD4,718
GNI Per Head at Purchasing Power Parity (2004): USD12,460 (= 31% of USA level)
Modern Sovereign Rescheduling History: 1983-93: numerous reschedulings with official and commercial bank creditors. Brady deal with commercial banks in April 1993 inflicted significant capital losses. 2001-present: in default on foreign currency bonds. 2005: 76% of defaulted bonds tendered in distressed debt exchange.

	2001	2002	2003	2004	2005^{e}	2006^{f}	2007^{f}
Domestic Economy and Finance							
Real GDP Growth (%)	-4.4	-10.9	8.7	9.0	9.1	6.5	4.2
Unemployment (% of Labor Force)	18.3	23.0	14.4	12.1	11.0	10.5	11.0
Consumer Prices (Annual Average % Change)	-1.1	25.9	13.4	4.4	9.6	13.2	15.0
Gross Domestic Savings (% of GDP)	16.9	25.9	25.4	26.0	26.5	27.1	27.0
Gross Domestic Investment (% of GDP)	15.6	11.0	14.6	18.9	20.7	22.0	21.6
Short-Term Interest Rate (%)[1]	24.9	41.4	3.7	2.0	4.1	5.0	5.5
Broad Money (% Change Dec to Dec)	-19.4	19.7	29.6	21.4	21.7	19.0	18.0
ARS per USD (Annual Average)	1.00	3.06	2.90	2.92	2.90	3.06	3.25
REER (CPI, 2000=100)	106.8	46.3	48.0	45.6	48.1	50.9	51.5
REER: % Change (+ = Appreciation)	6.8	-56.7	3.7	-4.9	5.4	5.9	1.2
Public Finances[2]							
General Government Balance (% of GDP)	-6.7	-1.5	1.5	2.8	1.6	1.2	0.8
General Government Debt (% of GDP)	53.6	149.9	137.9	121.0	79.5	71.0	64.8
General Government Debt Maturities (% of GDP)	9.7	28.3	23.6	23.4	8.9	7.3	4.9
General Government Debt/Revenue (%)	237.8	685.4	556.2	451.8	293.8	262.3	239.2
Interest Payments/Revenue (%)	21.8	11.8	9.4	6.1	8.3	9.1	9.4
Balance of Payments							
Current Account Balance (USDbn)	-3.3	8.7	8.0	3.3	3.6	3.3	2.1
Current Account Balance (% of GDP)	-1.2	8.5	6.2	2.1	2.0	1.6	0.9
Current Account Balance plus Net FDI (USDbn)	-1.3	11.4	8.9	7.2	7.3	5.5	4.2
Current Account Balance plus Net FDI (% of GDP)	-0.5	11.2	6.8	4.7	4.0	2.6	1.8
Gross Financing Requirement (% of Official Reserves)[3]	57.2	-22.0	48.0	37.8	64.7	27.8	43.7
Current External Receipts CXR (USDbn)	37.9	32.8	38.2	44.3	49.9	55.8	60.4
Current External Receipts CXR (Annual % Change)	-4.1	-13.5	16.5	16.1	12.7	11.8	8.1
Current External Payments CXP (USDbn)	41.2	24.1	30.2	41.0	46.4	52.5	58.3
Current External Payments CXP (Annual % Change)	-15.1	-41.5	25.3	35.9	13.0	13.3	11.0
External Assets and Liabilities							
Gross External Debt (USDbn)	166.3	156.7	165.0	172.8	144.3	141.6	141.8
Gross External Debt (% of GDP)	61.9	153.6	127.4	112.9	78.9	68.6	61.9
Gross External Debt (% of CXR)	439.0	478.4	432.4	389.9	288.9	253.6	234.9
Net External Debt (USDbn)	142.8	141.7	146.6	149.3	113.2	116.9	116.8
Net External Debt (% of GDP)	53.1	138.9	113.2	97.6	61.9	56.6	51.0
Net External Debt (% of CXR)	377.0	432.5	384.2	336.9	226.7	209.3	193.5
Public External Debt (USDbn)	87.9	91.2	105.9	115.9	89.2	86.6	87.3
Public External Debt (% of GDP)	32.7	89.4	81.7	75.7	48.8	42.0	38.1
Net Public External Debt (% of CXR)	170.1	232.6	229.2	208.5	116.3	110.9	103.3
Public FC Denominated & FC Indexed Debt (USDbn)	107.0	104.1	105.9	114.7	86.5	83.1	83.8
Short-Term External Debt (% of Gross External Debt)	13.0	13.6	12.1	10.4	12.8	13.4	13.8
External Debt Service (% of CXR)	61.6	47.1	59.2	34.7	43.6	29.7	28.0
External Interest Service (% of CXR)	32.2	30.4	25.1	15.3	11.0	9.9	9.0
Liquidity Ratio (%)[4]	94.3	58.2	29.8	42.9	55.1	81.6	62.2
Official International Reserves Including Gold (USDbn)	14.6	10.5	14.2	19.7	27.9	21.5	21.6
Official International Reserves in Months of CXP Cover	4.2	5.2	5.6	5.7	7.2	4.9	4.5
Official International Reserves (% of Broad Money)	20.0	39.9	36.3	42.3	50.3	33.5	31.3

[1] Money market rate (annual average).
[2] General government balance on a cash basis; debt includes arrears of principal and interest.
[3] Current account balance plus amortization of medium and long-term debt, over official international reserves.
[4] Official reserves incl. gold plus banks' foreign assets/ Debt service plus liquid external liabilities.

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