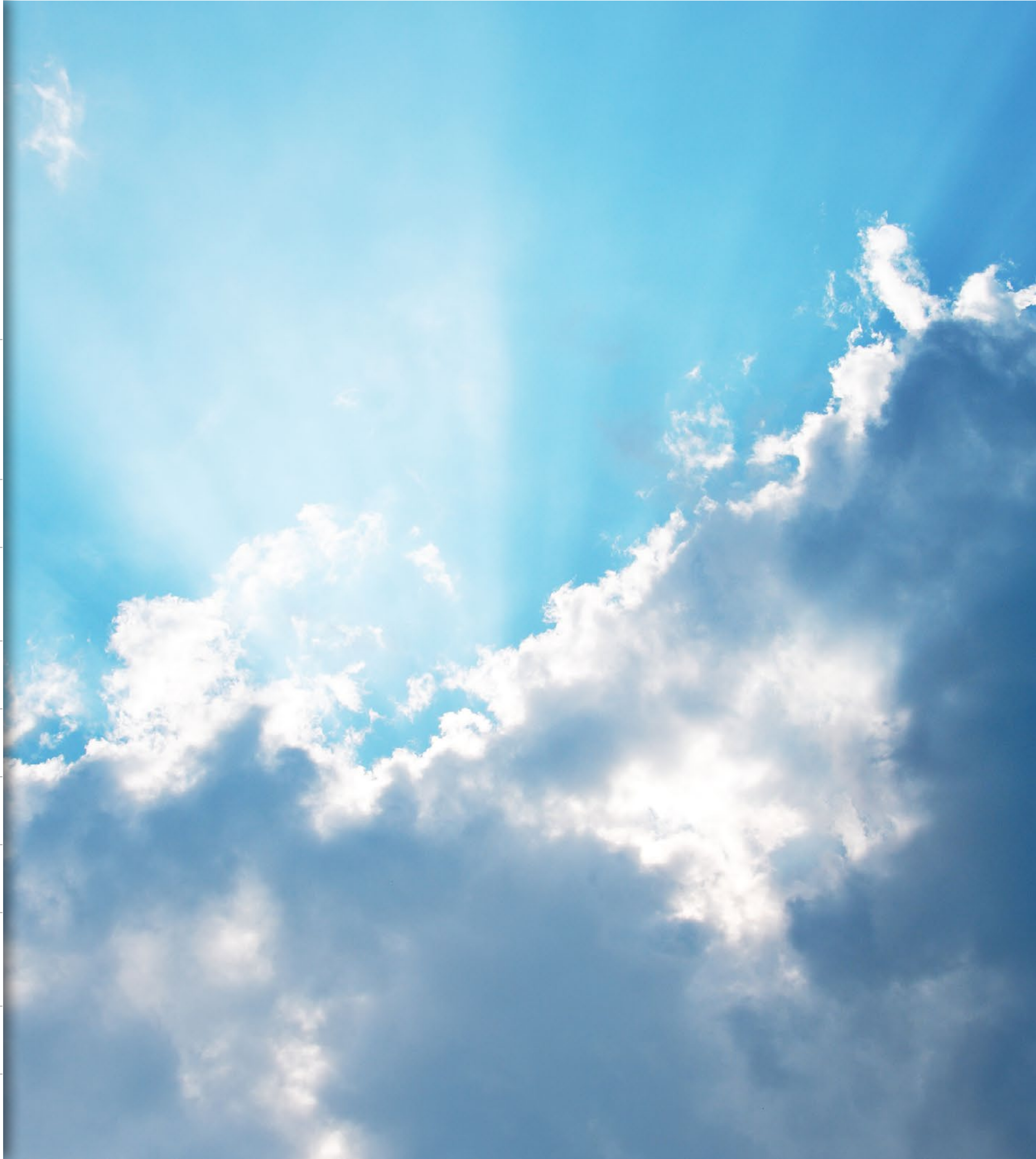
Deloitte.

Latin America Economic Outlook

March 2015

Contents



The world and the region

Declining international oil prices benefit the global economy

The abrupt fall in the international price of oil has had a dramatic impact on the global economy. In the past six months, the cost of West Texas Intermediate (WTI) crude oil has fallen nearly 50 percent, down to less than US$59 a barrel[1], a level not seen in more than six years. This decline is good news for the global economy in general, and for the domestic economic situation in particular.

In the United States, apart from the specific impact on the oil industry, lower prices at the gas pump and home heating fuel have boosted households' disposable income and, as a result, the economy's growth rate. It also has lessened inflationary pressures both directly and indirectly, given the substantial share of oil and its byproducts in multiple productive processes. Ultimately, lower oil prices may influence whether the Federal Reserve postpones its decision to raise short-term interest rates.

Lower oil costs may also help the situation in Europe. While there is still considerable resistance to unconventional monetary and fiscal measures that might help countries escape the financial crisis, and despite many European countries still facing a complicated economic situation—with low growth and high unemployment—oil's decline may provide a minor stimulus. Basically, it would be a deflationary shock that, unlike the one that most European countries have felt in recent years (caused by declining nominal wages as an adjustment mechanism aimed at improving competitiveness), might actually help make consumption more dynamic and increase economic activity. Of course, given the magnitude of the macro imbalances in Europe, the oil shock on its own isn't going to modify the economic dynamics of the region's countries. But, it just might help to amplify the efforts that have been made in recent months by the European Central Bank in its pursuit of trying to spur the growth rate of Eurozone countries.

[1]On March 9,2015

With respect to emerging economies, beyond the impact that the drop in oil prices has had (and will have) on countries such as Russia and Venezuela, emerging assets will be hard-pressed to be as affected as they were in recent years: 1995 (Tequila crisis), 1997 (Asian Tiger crisis), 1998 (Russian crisis), and 1999 (crisis in Brazil). Most likely, not all emerging economies will suffer equally, with the market differentiating among those that import and export petroleum, and those that have the ability (Central Bank reserves and reputation) to manage their currencies versus those that don't.

It will be difficult for the price of oil to continue falling in the immediate future. The reason for that, paradoxically, can be found in the same causes that led to this most recent drop in the price of crude oil. Beyond the clear downturn in demand (from Asia) and the U.S. dollar's upward swing worldwide during the past few months, the most distinct factor behind the fall in oil prices has been the major increase in the global supply of crude oil that shale technology has created, especially within the United States. Thanks to such technology, the U.S. went from only having 0.5 percent of global oil supply in 2008 to accounting for 3.7 percent of it today. Although there have also been increases to the levels of output of the member states in the Organization of Petroleum Exporting Countries (OPEC), the U.S. case has clearly been the most significant. However, because it is more costly than traditional technologies, shale extraction is only profitable in certain price ranges. When the price of crude oil passes or draws near those levels—and experts think that current prices are in that neighborhood—the supply of shale oil tends to weaken, with the price settling below the price of crude oil, and ultimately transforming itself into a self-stabilizing element of that market.

Country outlooks

Argentina
Inflation, exchange rate, and elections determine the outlook in 2015

An economy in recession. Argentina's economy contracted by -2.6 percent in 2014 (vs. +3.2 percent growth in 2013), its biggest decline since 2009.

On the supply side, most sectors reported year-on-year decreases in output, even exceeding 4 percent in a few cases. The change in the industrial sector was the most worrisome of all, given that manufacturing shrunk at an annual rate of -4.5 percent. Industry's decline occurred as a consequence of exchange rate restrictions, which hurt those sectors dependent on importing inputs. Industry's weak performance was felt in the labor market, characterized throughout the year by cutbacks in overtime and an increase in the number of layoffs and labor stoppages.

In terms of GDP components, weakening domestic consumption was the leading factor behind the economy's contraction. Retail sales recorded an annual decrease of -6.5 percent in 2014. The drop in private expenditures was explained by rising prices; the loss in purchasing power from consumers' personal incomes (wages, retirement, or social subsidies); a nominal slowdown in private-sector credit; growing labor uncertainty; and a greater propensity to save money during times of uncertainty.

Price dynamics. Domestic prices continued to rise at a relatively fast pace, despite slowing economic activity. Even though monthly indicators in the final months of last year were slightly below those in preceding months, the inflation rate was still more than +35 percent a year, according to unofficial estimates (published each month by the Freedom of Expression Commission in Argentina's Chamber of Deputies).

Despite signs in the first few months of 2014 showing an inflation rate closer to reality, official data have become differentiated again, thus widening the gap with respect to private monthly inflation indicators.

Official data, for their part, continued to remain below private figures (of around +23 percent a year on average). Despite signs in the first few months of 2014 showing an inflation rate closer to reality, official data have become differentiated again, thus widening the gap with respect to private monthly inflation indicators.

As in 2013, financing the fiscal imbalance via transfers from the Argentine Central Bank to the Treasury remained the main cause of the pace at which domestic prices rose. Indeed, public accounts recorded a primary deficit in 2014 of around -0.8 percent of GDP vs. -0.6 percent a year earlier. The Central Bank's financing of the Treasury, through funds transferred in both pesos and foreign capital, was fundamental for the public coffers not to fall (even further) into the red.

Financial calm. In recent weeks, the various measures deployed by the authorities have managed to soothe the foreign-exchange market, at least for now. Capital from currency swaps with China, a loan from the Bank of France, the auctioning of 4G bandwidth, the issuance of dollar-linked bonds, and an agreement with grain exporters all calmed pressures on the informal dollar, the blue-chip swap, and the so-called *"dólar-bolsa."* Additionally, stricter controls on brokers in the exchange market and limited authorization to buy foreign currency for imports also contributed to relieving pressure on the price of U.S. currency on the parallel market and keeping reserves at more than US$31 billion. Officially, the U.S. dollar closed out 2014 at AR$8.56 per dollar (+35.3 percent vs. December 2013).

On the foreign exchange market, the peso's exchange rate is expected to reach AR$10.70 per dollar by the end of 2015.

No major change expected to domestic policy. In the months to come, the expected macro scenario isn't much different from the current one, and it will still be characterized by fiscal and foreign imbalances, relatively high inflation, and a low price for the U.S. dollar. As such, real GDP is expected to contract by around -1.0 to -2.0 percent, and inflation should remain high (though lower than in 2014). On the foreign exchange market, the peso's exchange rate is expected to reach AR$10.70 per dollar by the end of 2015.

The current administration's priority will continue to be the prevention of an abrupt drop in international reserves that might trigger uncertainty among investors. Any significant innovation in terms of economic policy will be put off until a new administration takes office around December 2015.

Brazil

First steps toward recovery

The economic situation continues to deteriorate. From July to September 2014, Brazil's economy slowed yet again in year-on-year terms, recording a -0.2 percent drop compared to the same period in 2013. As such, growth for the first nine months of 2014 was just +0.2 percent.

From a demand standpoint, the decline in activity during the third quarter was the result of an overall weakness of its components, though the plunge in investment was particularly noteworthy. On the supply side, agriculture and the services sector contributed positively to economic activity, while industry slowed.

In the third quarter, GDP expanded by 0.1 percent from the previous quarter. Even though growth was minimal and reflected stagnant activity, it differs from the declines recorded in preceding quarters and enabled Brazil to overcome the technical recession that it had fallen into during the first quarter of the year.

Definitive figures from the last quarter of 2014 are not yet available, but the most recent projections from the weekly survey done by the Central Bank of Brazil (BCB) indicate that economic growth in 2014 may have only been +0.1 percent a year (compared to +2.5 percent in 2013), confirming the smallest economic expansion since 2009 (-0.3 percent).

Fiscal and monetary adjustments required. At its most recent monetary policy meeting, the BCB decided to continue its aggressive pace of benchmark interest rate increases, implementing the second consecutive half-point increase to the SELIC rate (to 12.25 percent, its highest level since July 2011, when it was at 12.50 percent), in a scenario of high inflation and low growth.

On the supply side, agriculture and the services sector contributed positively to economic activity, while industry slowed.

This latest tightening of monetary conditions is part of other measures the government is hoping will reverse the expansionary tone of fiscal policy and help recover credibility lost in recent years, as well as lessen inflationary pressures.

In mid-January 2015, the authorities announced an increase to a few taxes, such as those on fuel, consumer credit, and cosmetics—in addition to greater controls over imports—as part of a plan to halt the growing fiscal deficit, cool off inflation by dampening consumption, recover investors' trust, and re-start a depressed economy.

Slight decrease in inflation. Recent adjustments to raise the benchmark interest rate have encouraged a downward trend in the pace of domestic price inflation, though prices continue to move at elevated levels near the upper limit of the inflation-target range (+4.5 percent, +/-2.0 percent). Last year ended with year-on-year inflation of +6.4 percent in December 2014, surpassing the mark from 12 months earlier (2013 closed out with a +5.9 percent increase).

Inflation remained high because of pressure on the prices of tradable goods—which have felt the impact of the currency's depreciation (total of +12.6 percent in 2014), leading to an average exchange rate of R$2.65 to the U.S. dollar in December, as well as an increase in government-controlled prices due to the government cut backs on subsidies.

Last year ended with year-on-year inflation of +6.4 percent in December 2014, surpassing the mark from 12 months earlier (2013 closed out with a +5.9 percent increase).

First negative trade balance in 14 years. Latin America's biggest economy recorded a negative balance between imports and exports of US$3.93 billion in 2014. Last year, exports totaled US$225.101 billion, while imports reached US$229.031 billion. This is the first trade deficit in 14 years, and the worst since 1998 when the deficit was US$6.623 billion. The result was attributed to a larger-than-expected drop in the price of exported raw materials (like iron, used for steel), a drop-off in sales of manufactured goods, and the economic troubles that many of Brazil's trading partners are facing (such as the economic slowdown in Argentina).

Challenging environment. President Dilma Rousseff began her second presidential term dealing with a stagnant economy, persistent inflation, and a loss of overall confidence in emerging markets. For now, there is no reason to believe that activity will recover much in 2015.

From a foreign standpoint, the failure of Brazil's main trading partners to recover will continue to hurt the country's exports. Domestically, the recent change in fiscal policy (raising taxes on gasoline, consumer lending, and imports) will have a negative impact on consumption and investment, limiting the expansion of domestic demand throughout this year.

In this context, analysts' forecasts indicate that in 2015, real GDP will advance only +0.5 percent while price increases this year, based on the outlook for inflation, should end up around +6.7 percent.

Chile
2014, a year of low growth and high inflation

Economic downturn. Over the first nine months of 2014, the Chilean economy turned in a weak performance, with a cumulative increase in GDP of just +1.8 percent year-on-year. According to more recent data, the Monthly Economic Activity Index recorded growth of +1.7 percent from January to November 2014. This result suggests that the fourth quarter isn't going to be an exception in terms of expansion, and that 2014 likely ended with economic growth of less than +2.0 percent for the year.

The economy's sluggishness can mostly be explained by weak domestic demand. Consumption grew very little from January to September 2014 (+2.0 percent year-on-year), a situation that was repeated in terms of the performance of exports (+1.8 percent). The gross formation of fixed capital, for its part, dropped precipitously during that same period (-7.8 percent).

On the supply side, the sectors with the biggest declines were agriculture/forestry (-1.5 percent in the first three quarters of the year, but a -6.6 percent drop in the third quarter) and manufacturing (-1.4 percent over nine months, and -2.7 percent from July to September 2014). The industry giving the biggest push to Chile's growth was fishing, which rose +10.7 percent in the third quarter of last year and a cumulative +22.7 percent from January to September 2014.

Purchasing power is weakening. As mentioned above, consumption has stopped its rapid expansion. Higher inflation and a slowdown of economic activity have significantly affected consumers, weakening households' purchasing power. This situation, along with an unemployment rate that remains at historically high levels (around 6.5 percent of the EAP), the limited creation of salaried jobs, and greater uncertainty regarding changes in the labor market, explain the deceleration observed in retail sales (which only recorded a year-on-year increase of +2.5 percent from January to November 2014).

Consumption grew very little from January to September 2014 (+2.0 percent year-on-year), a situation that was repeated in terms of the performance of exports (+1.8 percent).

Falling oil prices have lessened inflation. In December 2014, year-on-year inflation was +4.6 percent, a sudden slowdown in comparison to November 2014 (+5.5 percent). The slower pace of inflation can be explained by the marked drop in domestic fuel prices, as a consequence of the large decline in the international price of oil.

As such, in 2014, prices on average rose by +4.6 percent (vs. +3.0 percent in 2013), placing inflation over the target range set by the monetary authority (+2.0 percent/+4.0 percent). Although the significant nominal depreciation of the Chilean peso is one of the main causes of inflation's temporary shift, the effects of other transitory elements, like increases in the price of certain foods, were also fundamental. For this year, inflation is expected to converge to the target and close out 2015 at +2.7 percent.

Depreciation of the local currency. On the currency market, the peso's exchange rate with the U.S. dollar, though wavering in recent months, depreciated by +15.7 percent in 2014, reaching an average exchange rate in December 2014 of C$613 to the U.S. dollar (in December 2014, this rate was C$529 to the dollar).

In the first few days in 2015, however, the local currency's devaluing trend had not changed, with a cumulative loss of value on the order of +2.5 percent against the U.S. dollar. These results are mostly the result of the dollar's gains worldwide; the weak, local, macroeconomic scenario; changes to U.S. monetary policy implemented by the Fed; and the fall in the international price of copper. For this year, the aforementioned factors are expected to reduce their impact on the peso, such that current forecasts are for an exchange rate of around C$620 to the U.S. dollar in December 2015.

Higher inflation and a slowdown of economic activity have significantly affected consumers, weakening households' purchasing power.

International prices will determine the way forward. According to the survey of expectations taken by the Central Bank of Chile (CBC), the country's economy ought to experience a slight economic recovery based on low domestic interest rates, a stronger fiscal push on the part of local authorities, and the low international price of oil. Chile imports practically all the oil it consumes each year, which is why if the international price continues to fall, it could lead to major savings in dollars that would help the industry and energy sectors, while also benefiting transportation.

The above notwithstanding, the weakening of copper prices (one of the country's leading exports) in recent weeks could have a negative effect on GDP, current accounts, and the fiscal deficit if this trend continues. In these circumstances, analysts forecast modest growth for 2015 (+2.6 percent a year).

Colombia
Mixed signals

Economic slowdown. In the third quarter, Colombia's GDP grew by +4.2 percent in comparison to the same period in 2013. Even though economic activity has continued to expand at a good pace, it actually has slowed in consecutive quarters; growth was +4.3 percent in the second quarter of 2014 and +6.5 percent in the first quarter.

In line with data on national accounts, the Economic Monitoring Indicator (ISE, published monthly) is yet another sign of the economic downturn, in an international context marked by the big drop in the price of oil. According to the latest information available, economic activity increased 4.6 percent from January to October 2014.

Private consumption and industry make positive contributions. Unemployment and domestic demand posted positive results, reflected in a sustained decrease to the former (unemployment fell to 7.7 percent in November 2014, after starting out the year at 10.2 percent) and the soundness of the latter—especially retail sales, which are up +7.3 percent for the first 11 months of 2014. The manufacturing industry's behavior is similarly heartening as a result of rising confidence in the sector, use of installed capacity above the historic average, and a decline in inventory.

Larger current-account deficit. In contrast to the above, the foreign sector has produced negative results owing to an increase in imports and the biggest decline in shipments abroad in the past 15 years (impacted by the drop in international prices of Colombia's leading exports). The stagnation of the global economy is starting to create visible negative effects within the Colombian economy through the foreign sector, which has turned into the most debilitated component of the economy. As a result, the current account deficit in 2014 rose to 4.3 percent of GDP, which is expected to worsen in 2015, when it could grow to 4.9 percent (well above historic levels).

Even though economic activity has continued to expand at a good clip, it actually has slowed in consecutive quarters

Inflation on the rise. At +0.3 percent in December 2014, inflation closed out 2014 at +3.7 percent year-on-year, near the upper limit of the range set by the Central Bank (+2.0 percent/+4.0 percent). The effects of the devaluation of Colombia's peso (+24.2 percent last year) were felt on inflation's tradable component, though they were mitigated by lower oil prices. As such, the rate of increase to domestic prices quickened considerably during the year, after having ended below the inflation target in 2013.

For 2015, though—given that the effects of devaluation won't be repeated and any adverse climate shock would only cause temporary deviations—prices are expected to increase, on average, by +3.3 percent.

Stable monetary policy. The Bank of the Republic (Colombia's Central Bank) unanimously decided to hold the benchmark interest rate at 4.5 percent at its last meeting. The decision was based on an environment of declining terms of trade, growing uncertainty about the recovery of global economic activity, the cost of foreign financing, and inflation expectations anchored to the long-term target. Market analysts estimate that the monetary pause may be extended in 2015, though future cuts would be possible during the first half of the year, depending on the impact of lower oil prices on local business and inflation expectations.

The macro outlook remains positive. The Colombian economy is expected to continue on its path to growth, though at a more moderate rate than last year. Better private consumption and a sustained recovery of non-mineral exports—spurred by a devalued exchange rate and greater demand from the United States—will be determining factors for these estimates to become reality. Thus, according to the market consensus, the outlook for 2015 is around +4.1 percent with a slight improvement (+4.2 percent) expected the following year.

Ecuador

Modest growth in 2015

Growing at a good clip. According to the *National Accounts Newsletter* published by the Central Bank of Ecuador (BCE), the economy grew in the third quarter of 2014 by +3.4 percent year-on-year. This was a downturn compared to the first two quarters, when growth had been +4.5 percent and +3.9 percent, respectively.

On the demand side, the GDP components that contributed most significantly to the economy's advancement were the gross formation of fixed capital (+5.7 percent from July to September 2014) and private consumption (+4.3 percent), while exports also performed admirably, growing +3.8 percent year-on-year. In terms of industry's contribution, agriculture and fishing stood out with year-on-year growth of +15.6 percent in the third quarter of 2014, followed by electricity and water (+9.3 percent) and construction (+9.1 percent). The oil-refining sector's performance was the poorest, plunging by more than 60 percent.

According to the most recent data, the Economic Activity Index rose from October to November 2014 by +3.8 percent year-on-year, indicating that GDP continued to grow during the final quarter of last year (+4.5 percent from January to November 2014). According to forecasts, 2014 should have closed out with GDP up by around +3.6 percent for the year (vs. +4.6 percent in 2013).

Prices exceed government estimates. In December 2014, the Consumer Price Index recorded a year-on-year rise of +3.7 percent (+3.6 percent average in 2014) and ended higher than the target set by the authorities for price increases last year. The categories contributing the most to this increase were food and beverage, recreation and culture, and apparel and footwear.

For 2015, the economy is expected to grow a modest +2.9 percent (the lowest rate since 2009), while, in 2016, a new expansion would begin, with economic activity increasing by +3.6 percent.

During the past few years, authorities have wanted to lower inflation in an attempt to recover part of the competitiveness that has been lost (domestic prices are higher than its main trading partners, including the United States, Peru and Colombia), which is a disadvantage from a trading standpoint.

According to market analysts' forecasts, domestic prices are expected to slow in 2015; by December 2015, they should rise +3.4 percent year-on-year.

The effects of petroleum on the economy. Currently, the main difficulty the Ecuadorean economy faces is related to the non-trivial effects of the drop in the international price of oil. The consequences of this fall, explained by a surplus of supply worldwide, started being felt locally in August 2014 and intensified in the final month of last year.

For 2015, the government's budget has estimated around US$79.70 per barrel of oil. This means that if the price falls below that figure, the country would suffer a double impact: On the fiscal side, it would bring in less revenue than projected; on the foreign-trade side, there may be a setback to the trade balance. Bear in mind, though, that after five years in the red, there was a positive trade balance in 2014, a result of import restrictions and the growth of non-oil exports.

Forecasts for 2015 are being revised downward. If the price of oil continues to tumble, the government will likely be forced to take additional measures to keep the economy operating properly. For now, a few cuts have already been made to the 2015 budget, and there is a chance that investment will be cut back across all sectors (except strategic ones).

For these reasons, growth forecasts have been trending downward in recent reports. For 2015, the economy is expected to grow a modest +2.9 percent (the lowest rate since 2009), while, in 2016, a new expansion would begin, with economic activity increasing by +3.6 percent.

1 2 3 4 5 6 7 8 9 10

Mexico
On the road to recovery

Foreign demand propping up the economy. According to the quarterly report published by the Bank of Mexico (BANXICO), the country's economy rose year-on-year by +2.2 percent from July to September 2014 after performing poorly during the first half of the year (when it grew only +1.8 percent).

The dynamism of foreign demand was the main determining factor of this performance; exports achieved a year-on-year increase of +7.1 percent in the third quarter of 2014. That was followed on the demand side by the gross formation of capital (+4.3 percent). Private consumption didn't do well, but at least it improved in comparison to the preceding quarters (+2.2 percent).

On the supply side, primary activities led the way in terms of economic growth (+7.3 percent), while secondary and tertiary economic activities each expanded by +2.0 percent.

Data available for the fourth quarter of 2014 suggest slightly better performance by the economy. According to figures from the Global Economic Activity Indicator, in October 2014, the Mexican economy grew by +2.5 percent year-on-year and was up a cumulative +2.0 percent during the first 10 months of last year. Despite this fact, the economic recovery has not yet fully solidified and uncertainty remains about the results.

Resumed employment. During the past few months, both production and investment have improved and, as a consequence, formal employment has performed better. Despite the slow pace of growth of the Mexican economy, the figures posted for October 2014 show a drop in both unemployment and underemployment, in addition to a considerable increase in jobs. Thus, job creation grew by +4.0 percent over the first 10 months of 2014.

Despite the slow pace of growth of the Mexican economy, the figures posted for October 2014 show a drop in both unemployment and underemployment, in addition to a considerable increase in jobs.

Prices outside of the range. Throughout 2014, inflation mostly exceeded the upper limit of the established target range (+3.0 percent +/- 1.0 percent). The year closed with prices up 4.1 percent year-on-year in December 2014, while the CPI was up an average of +4.0 percent over all 12 months of 2014. Inflationary pressures are explained mostly by the increase in taxes implemented at the outset of last year and a few increases to agricultural prices.

According to forecasts from BANXICO's survey of expectations among the leading experts in the private sector, inflation in 2015 is expected to be less than last year and within the target range. Thus, prices are expected to rise by around +3.5 percent in December 2015.

The drop in oil prices affects the exchange rate. Mexico's currency depreciated by 12.6 percent in 2014. Even though the Mexican peso oscillated throughout the year, its biggest loss of ground to the U.S. dollar came in December 2014 when the currency rose to a maximum of Ps. 14.72 to the dollar (versus Ps. 13.00 in December 2013), a result of the drop in the international price of oil and some concerns about Europe (like heightened risk aversion due to the recent general elections in Greece). In the months to come, according to forecasts, the currency is expected to appreciate slightly in comparison to current figures, to around Ps. 13.74 to the dollar by December 2015.

Exports will be the main driver of growth in the months to come. The outlook for the Mexican economy is good, with the country on a path to recovery over the next few years. According to analysts' forecasts, GDP will grow by +3.5 percent this year and 4.0 percent in 2016. The main factors behind this performance will be exports, especially those to the United States (thus supporting the recovery of manufacturing, which is key to the Mexican economy), and private consumption, which is expected to turn around in the next few months.

Peru
Leader in growth in 2015

Major slowdown in 2014. The Peruvian economy grew by +1.8 percent in the third quarter of 2014, and as a result, expanded by +2.9 percent over the first nine months of last year.

After its excellent performance from January to March 2014 (+5.1 percent), the country's economic activity slowed down considerably. This loss of dynamism is confirmed by figures posted in the Monthly National Production Indicator which, in November 2014, recorded the lowest monthly rate of growth in more than five years (+0.3 percent, with cumulative expansion of +2.6 percent in the first 11 months of 2014).

Performance during the third quarter of 2014 responded to the dynamism of services, which were up +4.9 percent year-on-year (due mainly to an uptick in trade), while extractive activities and manufacturing both fell by -1.4 percent and -2.4 percent, respectively.

On the expense side, domestic demand contributed favorably to GDP growth, recording a year-on-year increase of +3.2 percent from July to September 2014. Even though the gross formation of capital fell by -3.4 percent during that period, private consumption rose by +3.6 percent and consumption by the government went up by +8.2 percent, offsetting the fall in investment. Foreign demand, though, had its worst performance since the first months of 2013, posting an annual decline of -8.9 percent due to lower demand for copper from China and Japan.

After its excellent performance from January to March 2014 (+5.1 percent), the country's economic activity slowed down considerably

Lowest inflation in Latin America. In December 2014, the Consumer Price Index rose by +3.2 percent, just beyond the target range set by the monetary authority (+2.0 percent, +/-1.0 percent). The downturn of economic activity and the drop in the international price of oil have enabled prices to slowly approach the upper limit of the range after having spent much of the year over it. As such, Peru became the economy with the lowest inflation rate in the region in 2014. According to the survey of expectations prepared by the Central Reserve Bank of Peru (BCRP), however, prices are expected to rise by +2.7 percent by the end of 2015, within the established target.

Substantial devaluation of the Nuevo Sol. Disappointing growth figures generated considerable volatility on the exchange market, leading the local currency to its highest value in more than five years (the previous peak was in July 2009, when it had reached Ns. 3.01 to the U.S. dollar). Thus, in December of 2014, the average, nominal exchange rate had gone to Ns. 2.96 per dollar, a year-on-year devaluation of +6.3 percent. This exchange-rate volatility in recent months and the below-potential results of economic growth were determining factors in the BCRP's decision to lower interest rates by 25 basis points, to 3.25 percent, in the last month of 2014.

For 2015, GDP growth is expected to recover substantially with the support of government stimulus, the implementation of new major infrastructure projects, and two mega mining projects that will begin operations soon.

Favorable forecasts. According to the survey of economic expectations done by the BCRP, Peru's economy was expected to close out 2014 with growth of +2.5 percent. For 2015, GDP growth is expected to recover substantially with the support of government stimulus, the implementation of new major infrastructure projects, and two mega mining projects that will begin operations soon. These factors are expected to enable the economy to expand by +4.5 percent. As such, the Andean nation ought to lead the region in terms of growth.

The contribution of investment will be essential to turning these estimates into reality. Investment accounts for more than 23 percent of the Peruvian GDP. In 2014, it was negative for the first time since 2010, and given its importance to the economy, its dynamics will be essential for Peru to achieve growth near its potential.

Venezuela
The doubts about economic performance continue

Confirmation of an economic recession. Venezuela technically entered into recession in the middle of 2014 when it posted two consecutive quarters of economic decline. According to data published by the Central Bank of Venezuela (BCV), GDP fell consecutively during the first three quarters of 2014, with confirmed drops of -4.8 percent, -4.9 percent, and -2.3 percent, respectively.

Analyzing results from the supply side of the equation, all non-oil economic activities, except for communications and financial activities, have posted negative figures with an average decline of -3.8 percent year-on-year cumulatively through September of 2014. Oil-related activities have grown meekly (+0.3 percent a year over the first nine months of last year), but not enough to offset the poor performance of the first group. Moreover, there has been a clear stagnation of this industry, considered the "traditional engine" of the country's growth.

Inflation, a problem without a solution in sight. The pace of rising prices continues to be one of the main issues faced by the Venezuelan economy. According to the latest data available, the rise reached +63.6 percent year-on-year in November 2014, just below the maximum of +64.0 percent that it had hit in September 2014—by far the highest rate in Latin America. The monthly increase of +4.7 percent in the eleventh month of last year was higher than the *annual* rates that a few of the region's countries recorded in 2014.

The Fair Price Law introduced by the government in January 2014—an attempt to guarantee price stability by controlling the costs of selling and producing all products and setting maximum earnings margins for producers—has proven impossible to apply in practice, increased the scarcity of products, and accelerated inflation.

Venezuela is starting out 2015 in recession, with inflation in excess of +63 percent a year

Three exchange-rate systems in 2015. Changes were recently announced to the current, complex system of exchange-rate controls, though the changes do not imply abandoning the current system of multiple rates.

According to the official announcement, the Concoex rate of 6.3 bolivars per U.S. dollar will remain in place for food and medicine, and there will be a second official rate combining the old Sicad I and Sicad II (currently at Bs. 11.3 and Bs 50.0 per dollar, respectively), which will be set at a yet-to-be-reported level. Then, a third rate will be set that will operate via a market-auction system and offer an intermediate exchange rate between the Concoex rate and the one available on the black market. This new mechanism will operate on stock exchanges, and both the public and private sector may use it.

With this measure, authorities are seeking to operate on the parallel exchange market (currently at Bs. 178 to the dollar) to lessen inflationary pressure and combat the shortage of basic products, like food and medications.

Tough times. Venezuela is starting out 2015 in recession, with inflation in excess of +63 percent a year—a complicated scenario for Nicolás Maduro's administration, which must face an electoral year full of doubts about whether it is able to improve the economy after closing out 2014 with the region's worst economic performance.

The biggest inconvenience has come from debt obligations that must be settled in 2015

In the final few weeks of last year, plunging oil prices—the leading source of revenue for Venezuela—narrowed the limited economic wiggle room of the country, which has seen its income fall by at least 30 percent. The biggest inconvenience has come from debt obligations that must be settled in 2015, estimated at US$12 billion compared to reserves of about only US$22 billion, increasing the fear of a suspension of payments.

In this negative context, market estimates are for an expected downturn in 2015 of -2.8 percent, while in 2016, the economy would experience a slight recovery and grow at a +0.1 percent a year.

Macroeconomic variables

1
2
3
4
5
6
7
8
9
10

Argentina

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	8.0	5.1	-0.3	3.2	-2.6	-2.0	0.2
Inflation (Dec-Dec, as %)	26.4	23.2	25.2	27.9	38.5	33.9	38.9
Fixed gross investment (y-y var., as %)	21.2	18.2	-5.2	3.0	-4.2	0.6	5.4
DFI (in US$ million)	7,846	10,720	14,941	11,353	3,545	8,450	10,000
Exports (in US$ million)	68,134	83,950	80,927	81,660	71,935	64,957	66,256
Imports (in US$ million)	56,502	73,937	68,508	73,655	65,249	58,659	57,603
Trade Balance (in US$ million)	11,632	10,013	12,419	8,005	6,686	6,298	8,653
Current Account Balance (% GDP)	0.3	-0.4	-0.2	-0.8	-1.0	-0.8	-0.8
Reserves (in US$ million)	52,145	45,915	44,273	30,589	31,443	26,902	24,001
Total foreign debt (% GDP)	26.5	23.9	21.6	20.8	24.0	20.9	24.5
Total foreign debt (% exports)	177.3	158.1	164.3	166.9	192.4	202.4	205.7
GDP (in US$ million)	455,374	555,576	615,634	654,209	576,098	628,878	555,802
GDP per capita (in US$)	11,272	13,651	15,015	15,879	13,882	15,009	13,202
Exchange rate (AR$/US$, average)	3.93	4.16	4.57	5.49	8.14	10.15	14.65

Source: Own estimates and EIU

Bolivia

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	4.1	5.2	5.2	6.8	5.5	4.5	4.5
Inflation (Dec-Dec, as %)	7.2	6.9	4.5	6.5	5.2	5.3	4.7
Fixed gross investment (y-y var., as %)	7.5	23.7	1.5	12.9	11.0	6.5	6.0
Exports (in US$ million)	6,129	8,175	11,133	11,545	12,302	12,614	13,842
Imports (in US$ million)	5,007	7,126	7,998	8,729	9,915	10,820	11,792
Trade Balance (in US$ million)	1,122	1,049	3,135	2,816	2,387	1,794	2,050
Current Account Balance (% GDP)	4.6	2.3	7.9	3.5	1.9	-0.3	0.0
Reserves (in US$ million)	9,730	12,020	13,927	14,430	15,383	15,783	15,983
Total foreign debt (% GDP)	31.0	27.2	25.7	25.5	23.8	23.8	23.7
Total foreign debt (% exports)	98.7	79.2	62.1	67.0	65.6	70.0	69.9
GDP (in US$ million)	19,504	23,775	26,873	30,381	33,894	37,119	40,807
GDP per capita (in US$)	1,912	2,308	2,559	2,839	3,138	3,374	3,643
Exchange rate (B/US$, average)	6.97	6.89	6.99	6.96	6.96	7.32	7.69

Source: EIU

Brazil

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	7.5	2.7	1.0	2.5	0.1	0.5	1.8
Inflation (Dec-Dec, as %)	5.9	6.5	5.8	5.9	6.4	6.5	5.8
Fixed gross investment (y-y var., as %)	21.6	4.8	-4.0	5.1	-6.5	0.0	3.0
DFI (in US$ million)	48,506	66,660	65,272	63,996	60,000	59,400	58,806
Exports (in US$ million)	201,915	256,039	242,577	242,034	225,163	232,498	241,362
Imports (in US$ million)	181,769	226,247	223,184	239,634	229,091	228,452	233,978
Trade Balance (in US$ million)	20,147	29,792	19,393	2,400	-3,928	4,046	7,384
Current Account Balance (% GDP)	-2.2	-2.1	-2.4	-3.6	-4.0	-4.0	-4.1
Reserves (in US$ million)	288,575	352,010	373,147	358,806	357,401	356,912	358,896
Total foreign debt (% GDP)	16.5	16.3	19.6	21.5	25.1	30.2	32.4
Total foreign debt (% exports)	174.5	157.8	181.6	199.5	245.3	259.8	273.6
GDP (in US$ billion)	2,142	2,474	2,247	2,245	2,201	2,000	2,037
GDP per capita (in US$)	10,956	12,531	11,278	11,170	10,860	9,780	9,880
Exchange rate (R$/US$, average)	1.76	1.67	1.95	2.16	2.35	2.77	2.92

Source: EIU

Chile

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	5.8	5.8	5.4	4.1	1.8	2.9	3.9
Inflation (Dec-Dec, as %)	3.0	4.4	1.5	2.8	4.6	2.8	3.1
Fixed gross investment (y-y var., as %)	12.2	14.4	12.2	0.4	-6.3	1.5	3.0
DFI (in US$ million)	15,725	23,445	28,542	20,258	19,000	20,900	22,800
Exports (in US$ million)	71,059	81,422	78,052	76,868	75,777	74,983	81,156
Imports (in US$ million)	55,372	70,399	75,458	74,567	68,272	66,487	72,741
Trade Balance (in US$ million)	15,687	11,023	2,594	2,301	7,505	8,496	8,415
Current Account Balance (% GDP)	1.6	-1.2	-3.4	-3.4	-1.6	-1.6	-1.6
Reserves (in US$ million)	27,828	41,944	41,649	41,093	40,459	39,043	39,769
Total foreign debt (% GDP)	37.4	38.3	44.1	47.2	55.2	59.2	60.1
Total foreign debt (% exports)	114.6	118.2	150.6	170.1	187.9	199.6	197.5
GDP (in US$ million)	217,560	251,000	266,400	277,020	258,100	252,700	266,600
GDP per capita (in US$)	12,727	14,552	15,310	15,780	14,570	14,140	14,790
Exchange rate (C$/US$, average)	510.25	483.67	486.49	495.31	570.40	628.20	639.30

Source: EIU

Colombia

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	4.0	6.6	4.0	4.7	4.8	4.3	4.6
Inflation (Dec-Dec, as %)	3.2	3.7	2.4	1.9	3.4	3.0	3.4
Fixed gross investment (y-y var., as %)	4.9	19.0	4.6	6.1	9.1	5.0	5.5
DFI (in US$ million)	6,430	14,648	15,039	16,198	16,934	17,237	17,584
Exports (in US$ million)	39,713	56,915	60,125	58,824	56,012	55,722	59,409
Imports (in US$ million)	37,348	50,518	54,640	55,031	56,418	55,633	56,949
Trade Balance (in US$ million)	2,365	6,397	5,485	3,793	-406	89	2,460
Current Account Balance (% GDP)	-3.0	-2.9	-3.1	-3.2	-4.3	-4.9	-4.2
Reserves (in US$ million)	28,077	31,910	36,998	43,158	47,477	47,088	48,548
Total foreign debt (% GDP)	22.2	22.9	21.4	24.3	26.2	31.2	30.7
Total foreign debt (% exports)	160.7	134.9	131.5	156.1	179.3	188.8	185.4
GDP (in US$ million)	286,950	335,440	370,100	378,390	383,300	337,500	358,300
GDP per capita (in US$)	6,095	7,032	7,659	7,733	7,740	6,730	7,070
Exchange rate (C$/US$, average)	1,899	1,848	1,798	1,869	2,004	2,421	2,461

Source: EIU

Costa Rica

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	5.0	4.5	5.2	3.5	3.7	4.1	4.3
Inflation (Dec-Dec, as %)	5.8	4.7	4.6	3.7	5.6	5.1	4.9
Fixed gross investment (y-y var., as %)	5.5	8.9	7.8	12.4	4.7	7.4	7.7
DFI (in US$ million)	1,466	2,176	2,681	3,235	2,465	2,781	3,142
Exports (in US$ million)	9,516	10,414	11,460	11,526	11,526	11,956	12,781
Imports (in US$ million)	12,956	15,542	16,801	17,149	17,378	18,287	19,593
Trade Balance (in US$ million)	-3,440	-5,128	-5,341	-5,623	-5,852	-6,331	-6,812
Current Account Balance (% GDP)	-3.5	-5.4	-5.2	-5.1	-5.4	-5.5	-5.5
Reserves (in US$ million)	4,627	4,756	6,857	7,331	7,138	7,615	7,437
Total foreign debt (% GDP)	23.6	26.0	31.9	34.6	37.0	38.3	38.1
Total foreign debt (% exports)	89.9	103.0	126.2	149.2	158.2	169.5	170.4
GDP (in US$ million)	36,298	41,237	45,375	49,621	49,298	52,976	57,127
GDP per capita (in US$)	7,723	8,774	9,453	10,127	9,860	10,595	11,201
Exchange rate (CRC/US$, average)	525.80	505.70	502.90	499.80	538.50	540.20	545.80

Source: EIU

Dominican Republic

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	7.8	4.5	3.9	4.1	6.1	4.5	4.0
Inflation (Dec-Dec, as %)	6.2	7.8	3.9	3.9	2.6	3.4	3.7
Fixed gross investment (y-y var., as %)	17.6	-2.7	4.3	-2.9	5.7	6.6	6.0
DFI (in US$ million)	1,419	2,198	3,416	1,600	2,038	2,160	2,290
Exports (in US$ million)	6,815	8,362	8,936	9,504	10,000	10,400	10,900
Imports (in US$ million)	15,210	17,302	17,673	16,810	17,000	16,900	17,900
Trade Balance (in US$ million)	-8,395	-8,940	-8,737	-7,306	-7,000	-6,500	-7,000
Current Account Balance (% GDP)	-8.6	-8.0	-6.9	-4.1	-2.8	-1.7	-2.3
Reserves (in US$ million)	3,874	4,114	3,579	4,703	4,803	5,353	5,553
Total foreign debt (% GDP)	25.4	26.5	27.9	30.7	30.7	30.9	29.3
Total foreign debt (% exports)	197.6	184.5	188.6	197.6	197.6	201.0	189.4
GDP (in US$ million)	53,043	58,145	60,308	61,162	64,280	67,566	70,584
GDP per capita (in US$)	5,304	5,757	5,855	5,881	6,122	6,315	6,536
Exchange rate (DOP/US$, average)	36.88	38.11	39.34	41.81	55.29	53.91	54.28

Source: EIU

Ecuador

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	3.5	7.9	5.2	4.6	3.8	3.1	3.7
Inflation (Dec-Dec, as %)	3.3	5.4	4.2	2.8	3.4	4.0	4.8
Fixed gross investment (y-y var., as %)	10.2	14.3	10.6	10.7	6.2	6.0	6.1
DFI (in US$ million)	163	644	585	590	600	700	850
Exports (in US$ million)	17,490	22,322	23,765	24,848	25,920	25,913	27,865
Imports (in US$ million)	19,641	23,243	24,519	26,331	26,755	27,039	28,490
Trade Balance (in US$ million)	-2,151	-921	-754	-1,483	-835	-1,126	-625
Current Account Balance (% GDP)	-2.3	-0.3	-0.2	-1.2	-0.2	-0.7	-0.5
Reserves (in US$ million)	2,622	2,958	2,483	4,352	5,246	5,915	6,039
Total foreign debt (% GDP)	21.5	20.8	19.3	20.4	22.7	25.6	25.3
Total foreign debt (% exports)	85.6	73.9	71.2	77.4	88.6	105.6	102.6
GDP (in US$ million)	69,555	79,277	87,623	94,473	101,200	106,800	112,900
GDP per capita (in US$)	4,802	5,400	5,880	6,260	6,610	6,890	7,190

Source: EIU

1
2
3
4
5
6
7
8
9
10

El Salvador

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	1.4	2.2	1.9	1.7	2.0	2.1	2.2
Inflation (Dec-Dec, as %)	2.1	5.0	0.8	0.8	0.5	1.8	2.0
Fixed gross investment (y-y var., as %)	2.4	13.8	-1.4	9.7	4.5	5.5	5.8
DFI (in US$ million)	99	420	516	197	251	388	540
Exports (in US$ million)	3,473	4,243	4,235	4,334	4,528	4,704	5,155
Imports (in US$ million)	7,495	9,015	9,162	9,629	9,942	10,338	11,293
Trade Balance (in US$ million)	-4,022	-4,772	-4,927	-5,295	-5,414	-5,634	-6,138
Current Account Balance (% GDP)	-3.1	-5.4	-5.3	-6.5	-5.2	-4.3	-4.6
Reserves (in US$ million)	2,883	2,504	3,176	2,745	3,008	2,714	2,958
Total foreign debt (% GDP)	51.7	51.9	55.3	55.1	59.1	60.1	60.8
Total foreign debt (% exports)	318.6	282.8	311.5	308.6	327.0	330.6	318.5
GDP (in US$ million)	21,419	23,140	23,864	24,259	25,072	25,870	26,993
GDP per capita (in US$)	3,455	3,673	3,788	3,851	3,918	4,042	4,218

Source: EIU

Guatemala

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	2.9	4.2	3.0	3.7	3.9	3.5	3.3
Inflation (Dec-Dec, as %)	5.4	6.2	3.4	4.4	3.3	4.5	4.0
Fixed gross investment (y-y var., as %)	-2.1	7.1	3.6	1.8	4.8	5.0	5.0
Exports (in US$ million)	8,536	10,519	10,103	10,190	10,560	11,180	12,073
Imports (in US$ million)	12,807	15,482	15,838	16,356	16,907	17,460	19,090
Trade Balance (in US$ million)	-4,271	-4,963	-5,735	-6,166	-6,347	-6,280	-7,017
Current Account Balance (% GDP)	-2.1	-3.2	-3.0	-2.8	-2.5	-1.8	-2.0
Reserves (in US$ million)	5,950	6,184	6,694	7,269	7,330	7,616	7,913
Total foreign debt (% GDP)	36.4	34.2	29.7	31.3	31.4	30.9	30.1
Total foreign debt (% exports)	176.2	154.8	148.2	165.4	177.0	177.8	170.4
GDP (in US$ million)	41,338	47,655	50,388	53,852	59,450	64,409	68,468
GDP per capita (in US$)	2,891	3,242	3,337	3,474	3,763	3,976	4,125
Exchange rate (Q/US$, average)	8.02	7.81	7.89	7.83	7.73	7.67	7.78

Source: EIU

Honduras

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	3.7	3.8	3.9	2.6	3.1	3.3	3.4
Inflation (Dec-Dec, as %)	6.5	5.6	5.4	4.9	6.4	5.5	5.5
Fixed gross investment (y-y var., as %)	1.4	16.9	4.2	-0.9	6.5	7.2	7.4
Exports (in US$ million)	6,264	7,977	8,274	7,833	8,277	8,585	9,033
Imports (in US$ million)	8,907	11,126	11,374	11,026	11,520	11,854	12,420
Trade Balance (in US$ million)	-2,643	-3,149	-3,100	-3,193	-3,243	-3,269	-3,387
Current Account Balance (% GDP)	-6.2	-8.6	-9.5	-9.0	-8.2	-7.7	-7.3
Reserves (in US$ million)	2,699	2,793	2,533	3,009	2,934	3,006	3,154
Total foreign debt (% GDP)	25.3	25.0	27.1	36.1	36.5	37.4	37.7
Total foreign debt (% exports)	63.5	55.0	60.3	84.7	87.9	89.2	88.6
GDP (in US$ million)	15,727	17,586	18,401	18,361	19,963	20,463	21,202
GDP per capita (in US$)	2,069	2,255	2,329	2,267	2,405	2,436	2,465
Exchange rate (HNL$/US$, average)	19.03	19.05	19.64	20.49	21.12	22.08	23.05

Source: EIU

Mexico

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	5.1	4.0	3.7	1.3	2.1	3.0	3.6
Inflation (Dec-Dec, as %)	4.4	3.8	3.6	4.0	3.8	3.7	3.7
Fixed gross investment (y-y var., as %)	1.2	7.8	4.5	-1.7	0.2	5.5	6.8
DFI (in US$ million)	23,500	23,700	17,800	39,200	25,900	29,000	34,500
Exports (in US$ million)	298,860	349,946	371,378	380,903	408,500	442,100	481,600
Imports (in US$ million)	301,803	351,209	371,151	381,638	409,600	443,300	483,700
Trade Balance (in US$ million)	-2,943	-1,263	227	-735	-1,100	-1,200	-2,100
Current Account Balance (% GDP)	-0.5	-0.8	-1.0	-2.1	-2.0	-1.8	-1.8
Reserves (in US$ million)	120,543	149,344	167,094	181,022	200,963	207,822	214,822
Total foreign debt (% GDP)	23.2	24.5	29.9	31.3	33.7	35.4	35.4
Total foreign debt (% exports)	81.5	81.8	95.6	103.6	106.6	105.6	105.8
GDP (in US$ billion)	1,051	1,171	1,187	1,262	1,293	1,320	1,440
GDP per capita (in US$)	9,341	10,288	10,310	10,319	10,441	10,540	11,370
Exchange rate (M$/US$, average)	12.36	12.42	13.17	12.77	13.29	13.87	13.69

Source: EIU

1
2
3
4
5
6
7
8
9
10

1
2
3
4
5
6
7
8
9
10

Nicaragua

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	3.3	5.7	5.0	4.6	4.2	4.5	4.7
Inflation (Dec-Dec, as %)	9.2	8.0	6.6	5.8	6.4	6.3	6.8
Fixed gross investment (y-y var., as %)	-6.5	22.3	5.5	-9.2	8.0	8.9	5.5
Exports (in US$ million)	2,744	3,666	4,146	4,123	4,000	4,200	4,500
Imports (in US$ million)	4,495	5,844	6,442	6,402	6,300	6,500	7,100
Trade Balance (in US$ million)	-1,751	-2,178	-2,296	-2,279	-2,300	-2,300	-2,600
Current Account Balance (% GDP)	-14.9	-17.4	-17.4	-11.3	-10.7	-9.2	-10.9
Reserves (in US$ million)	1,799	1,892	1,887	1,993	2,170	2,170	2,185
Total foreign debt (% GDP)	77.9	82.0	84.5	86.3	85.1	86.3	86.2
Total foreign debt (% exports)	253.7	221.3	216.9	235.5	255.7	256.4	248.7
GDP (in US$ million)	8,938	9,899	10,645	11,256	12,012	12,479	12,987
GDP per capita (in US$)	1,515	1,650	1,745	1,845	1,937	1,981	2,061
Exchange rate (NIO/US$, average)	21.36	21.36	23.55	24.72	26.01	27.68	29.67

Source: EIU

Panamá

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	7.5	10.9	10.8	8.4	6.3	5.5	5.1
Inflation (Dec-Dec, as %)	4.9	6.3	4.6	3.7	1.0	3.4	3.9
Fixed gross investment (y-y var., as %)	11.6	19.9	16.1	15.0	10.0	6.6	2.0
Exports (in US$ million)	12,687	16,932	18,878	17,505	17,700	18,500	19,700
Imports (in US$ million)	17,214	24,139	25,404	24,256	25,400	26,300	28,200
Trade Balance (in US$ million)	-4,527	-7,207	-6,526	-6,751	-7,700	-7,800	-8,500
Current Account Balance (% GDP)	-11.0	-12.7	-9.7	-11.8	-10.0	-8.7	-8.3
Reserves (in US$ million)	2,715	2,304	2,466	2,848	3,348	3,498	3,508
Total foreign debt (% GDP)	39.5	37.8	34.9	38.6	38.7	38.0	37.8
Total foreign debt (% exports)	89.7	74.3	70.2	94.1	103.8	106.9	109.1
GDP (in US$ million)	28,814	33,271	37,956	42,648	47,458	52,037	56,834
GDP per capita (in US$)	7,788	8,992	9,988	10,935	12,169	13,009	13,862

Source: EIU

Paraguay

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	13.1	4.3	-1.2	14.4	4.2	4.4	4.3
Inflation (Dec-Dec, as %)	7.2	4.9	4.0	3.7	4.2	4.1	4.2
Fixed gross investment (y-y var., as %)	21.7	11.0	-7.7	10.9	7.8	7.0	6.0
Exports (in US$ million)	10,367	12,500	11,515	13,444	14,400	14,400	15,600
Imports (in US$ million)	9,545	11,723	11,014	11,861	12,400	12,900	13,900
Trade Balance (in US$ million)	822	777	501	1,583	2,000	1,500	1,700
Current Account Balance (% GDP)	-3.4	-2.4	-0.3	2.1	3.1	0.4	0.2
Reserves (in US$ million)	4,167	4,983	4,994	5,873	7,241	7,481	7,731
Total foreign debt (% GDP)	63.1	52.1	52.4	46.5	48.5	50.0	48.8
Total foreign debt (% exports)	122.1	104.6	111.8	99.9	103.3	109.7	105.9
GDP (in US$ million)	20,048	25,100	24,595	28,897	30,695	31,589	33,869
GDP per capita (in US$)	3,084	3,803	3,671	4,250	4,449	4,513	4,770
Exchange rate (PYG/US$, average)	4,735	4,191	4,425	4,321	4,472	4,733	4,862

Source: EIU

Peru

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	8.4	6.5	5.9	5.8	2.7	4.7	5.3
Inflation (Dec-Dec, as %)	2.1	4.7	2.6	2.9	3.2	2.5	3.5
Fixed gross investment (y-y var., as %)	24.1	4.8	16.8	8.3	-0.5	4.0	6.0
DFI (in US$ million)	8,455	8,233	12,244	9,162	8,712	8,965	9,502
Exports (in US$ million)	35,803	46,376	46,367	42,177	35,700	35,100	38,500
Imports (in US$ million)	28,815	37,152	41,135	42,218	39,200	38,100	41,600
Trade Balance (in US$ million)	6,988	9,224	5,232	-41	-3,500	-3,000	-3,100
Current Account Balance (% GDP)	-1.5	-1.3	-3.6	-4.4	-4.8	-4.9	-4.7
Reserves (in US$ million)	44,213	48,929	64,167	65,762	61,922	58,054	59,825
Total foreign debt (% GDP)	27.4	25.5	27.1	26.5	26.5	26.3	25.4
Total foreign debt (% exports)	117.7	97.1	116.8	129.5	154.1	158.0	148.0
GDP (in US$ million)	153,800	176,500	199,600	206,500	207,500	210,700	224,500
GDP per capita (in US$)	5,214	5,923	6,631	6,770	6,737	6,753	7,127
Exchange rate (Ns/US$, average)	2.83	2.75	2.64	2.70	2.84	3.00	3.05

Source: EIU

Uruguay

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	8.3	7.3	3.2	4.8	3.1	3.3	4.0
Inflation (Dec-Dec, as %)	6.9	8.6	7.5	8.5	8.4	7.0	6.9
Fixed gross investment (y-y var., as %)	13.6	6.4	19.2	6.2	3.1	5.0	5.5
Exports (in US$ million)	8,031	9,274	9,916	10,317	10,900	11,000	12,000
Imports (in US$ million)	8,558	10,704	12,277	11,591	12,000	12,300	13,000
Trade Balance (in US$ million)	-527	-1,430	-2,361	-1,274	-1,100	-1,300	-1,000
Current Account Balance (% GDP)	-1.1	-1.9	-5.3	-5.5	-5.4	-5.5	-4.7
Reserves (in US$ million)	7,656	10,302	13,605	16,281	17,956	18,674	19,421
Total foreign debt (% GDP)	36.1	30.4	29.8	29.2	t31.8	33.3	34.3
Total foreign debt (% exports)	174.7	154.7	150.4	157.7	160.8	169.7	168.3
GDP (in US$ million)	38,881	47,237	50,003	55,708	55,105	56,101	58,915
GDP per capita (in US$)	11,436	14,314	14,707	16,385	16,207	16,500	17,328
Exchange rate (UYU/US$, average)	20.06	19.31	19.31	20.31	23.29	25.44	26.97

Source: EIU

Venezuela

	2010	2011	2012	2013	2014e	2015p	2016p
Real GDP (y-y var., as %)	-1.5	4.2	5.6	1.3	-3.1	-2.8	0.1
Inflation (Dec-Dec, as %)	28.2	26.1	20.1	56.2	67.4	39.5	31.6
Fixed gross investment (y-y var., as %)	-6.3	4.4	23.3	-9.0	-8.5	-0.5	2.0
DFI (in US$ million)	1,900	3,900	2,200	4,100	1,900	2,800	3,000
Exports (in US$ million)	65,741	92,807	97,336	88,722	80,300	70,200	75,600
Imports (in US$ million)	38,507	46,781	59,305	51,778	50,300	47,300	49,200
Trade Balance (in US$ million)	27,234	46,026	38,031	36,944	30,000	22,900	26,400
Current Account Balance (% GDP)	5.8	8.6	2.9	3.4	0.7	-1.0	-0.2
Reserves (in US$ million)	29,500	29,889	29,887	21,478	22,633	18,317	17,746
Total foreign debt (% GDP)	16.5	22.2	18.9	19.7	13.9	13.4	14.7
Total foreign debt (% exports)	99.1	75.8	74.1	79.1	87.6	102.6	99.3
GDP (in US$ million)	393,800	316,500	381,300	355,700	504,800	538,900	511,800
GDP per capita (in US$)	13,769	10,876	12,925	11,896	16,605	17,440	16,351
Exchange rate (B/US$, average)	2.58	4.29	4.29	6.05	6.28	8.69	12.43
Exchange rate (B/US$, average)	7.59	8.32	14.99	36.20	122.26	159.54	140.83

Source: EIU

For more information

Martin Apaz
Director of Economics, Deloitte LATCO
mapaz@deloitte.com

Ira Kalish
Chief Economist, Deloitte Global
ikalish@deloitte.com

Emilia Alias
Senior Economist, Deloitte LATCO
malias@deloitte.com

Mercedes Ottaviano
Senior Economist, Deloitte LATCO
mottaviano@deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 200,000 professionals are committed to becoming the standard of excellence. These materials and the information contained herein are provided by Deloitte Touche Tohmatsu and are intended to provide general information on a particular subject or subjects and are not an exhaustive treatment of such subject(s).

Accordingly, the information in these materials is not intended to constitute accounting, tax, legal, investment, consulting, or other professional advice or services. The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

These materials and the information contained therein are provided as is, and Deloitte Touche Tohmatsu makes no express or implied representations or warranties regarding these materials or the information contained therein. Without limiting the foregoing, Deloitte Touche Tohmatsu does not warrant that the materials or information contained therein will be error-free or will meet any particular criteria of performance or quality. Deloitte Touche Tohmatsu expressly disclaims all implied warranties, including, without limitation, warranties of merchantability, title, fitness for a particular urpose, noninfringement, compatibility, security, and accuracy.

Your use of these materials and information contained therein is at your own risk, and you assume full responsibility and risk of loss resulting from the use thereof. Deloitte Touche Tohmatsu will not be liable for any special, indirect, incidental, consequential, or punitive damages or any other damages whatsoever, whether in an action of contract, statute, tort (including, without limitation, negligence), or otherwise, relating to the use of these materials or the information contained therein.

If any of the foregoing is not fully enforceable for any reason, the remainder shall nonetheless continue to apply.

©2015. Deloitte & Co. S.A. All rights reserved.