Overview of Economic Conditions in Latin America

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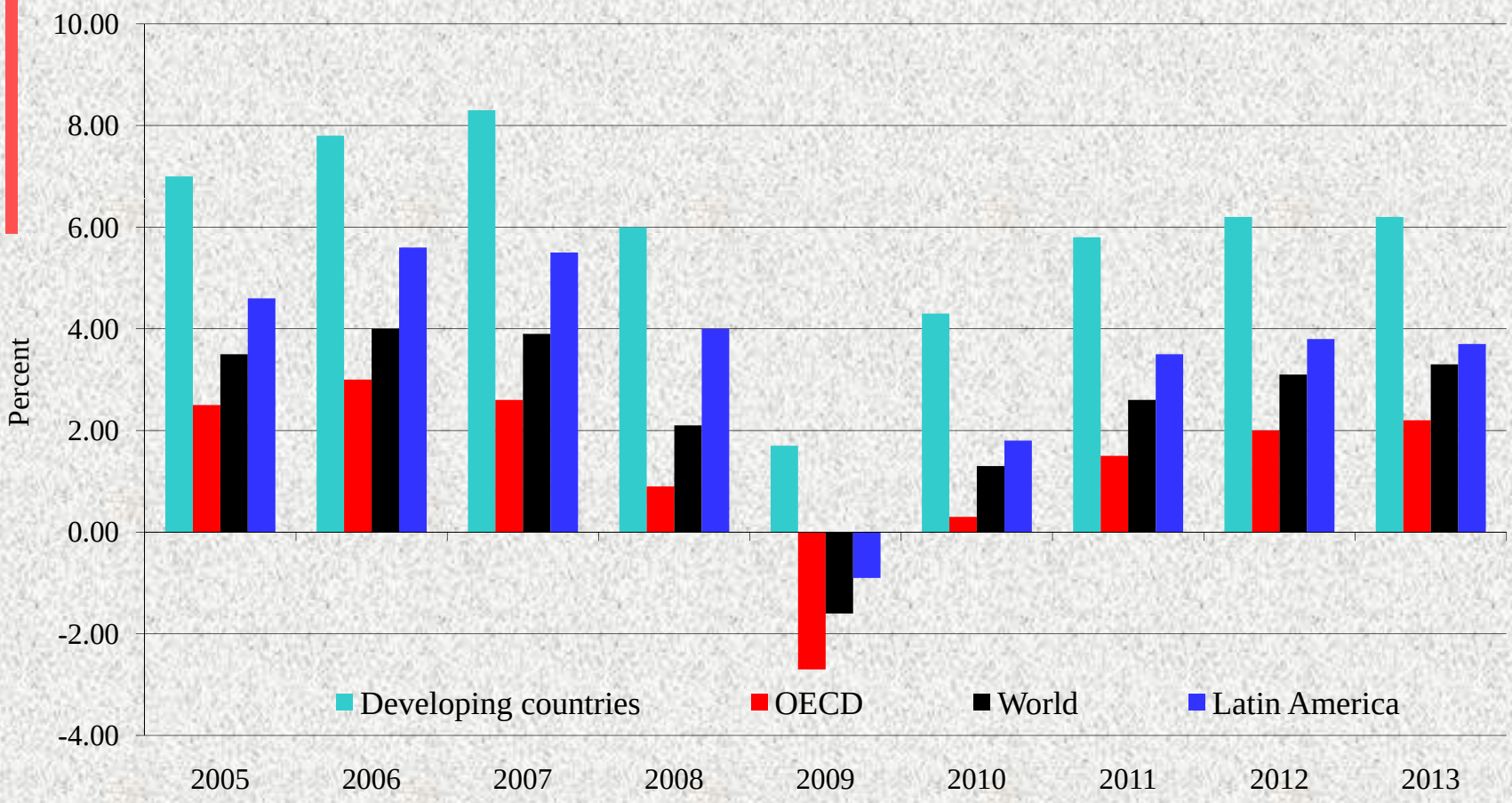
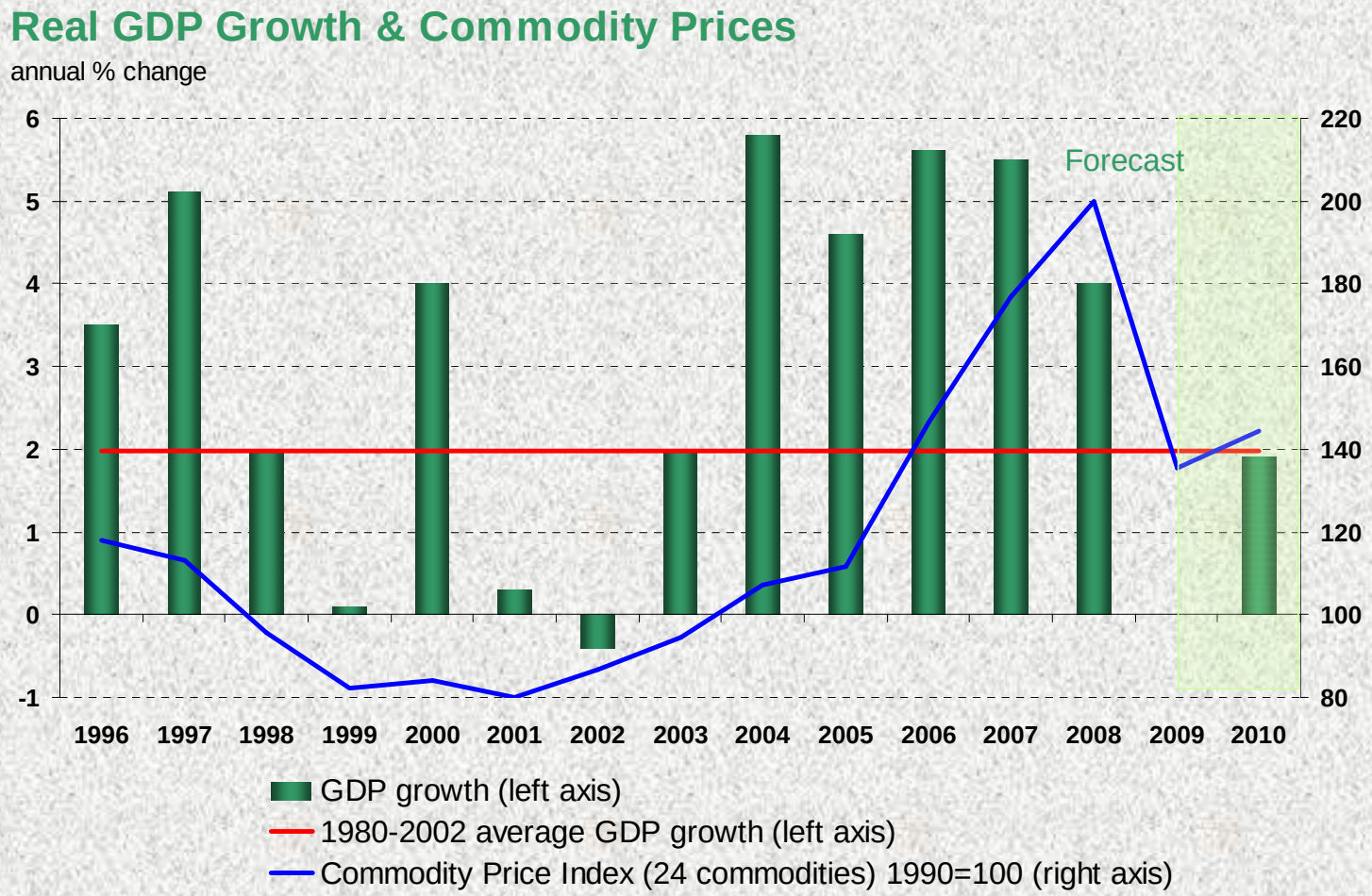
Global GDP Growth Forecast



Source: Economist Intelligence Unit

Gross Domestic Product (GDP)

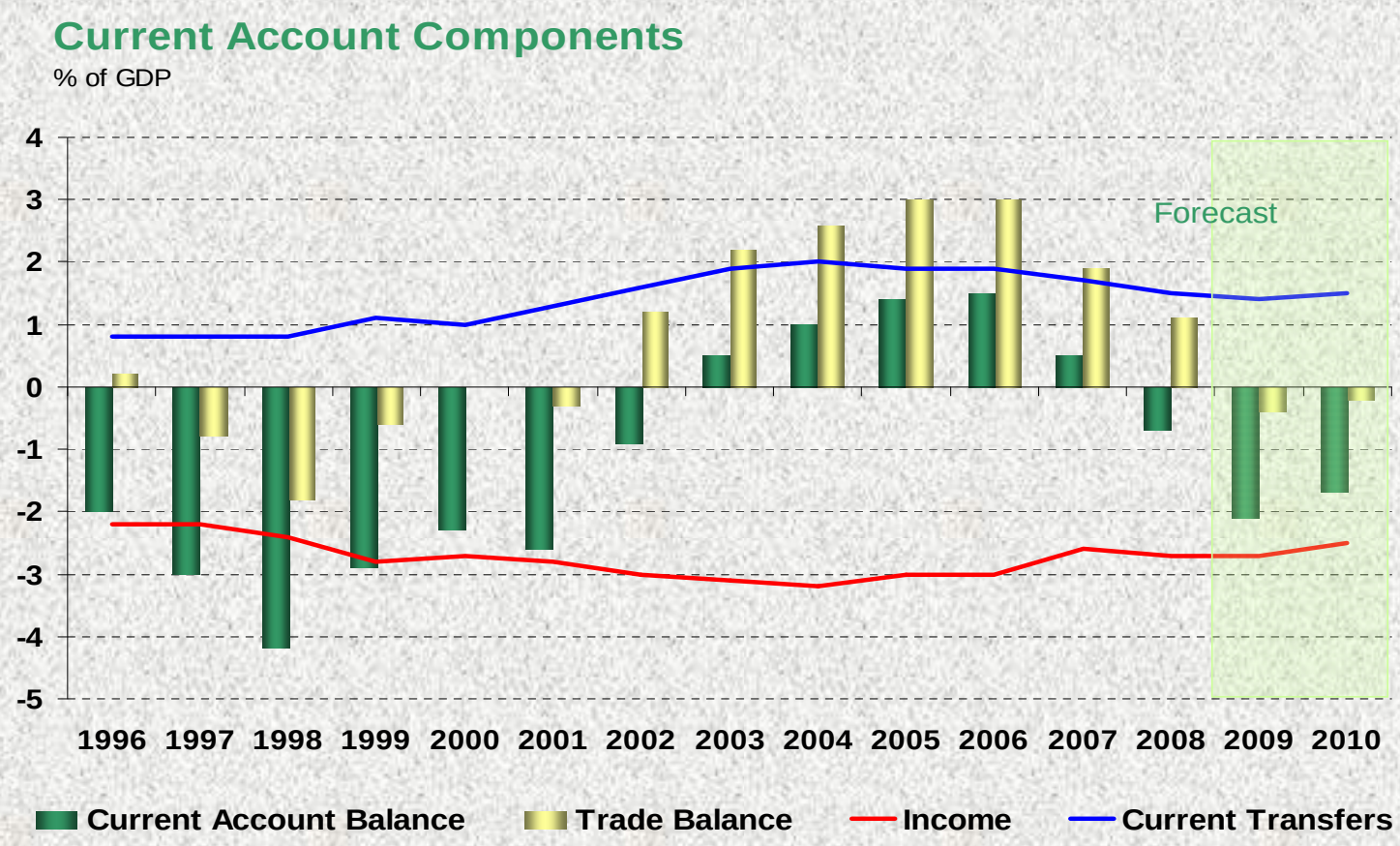
- Real GDP grew 4.4% in 2008—6th consecutive year of growth
- Latin America's growth depends on global demand for its exports



Source: EIU

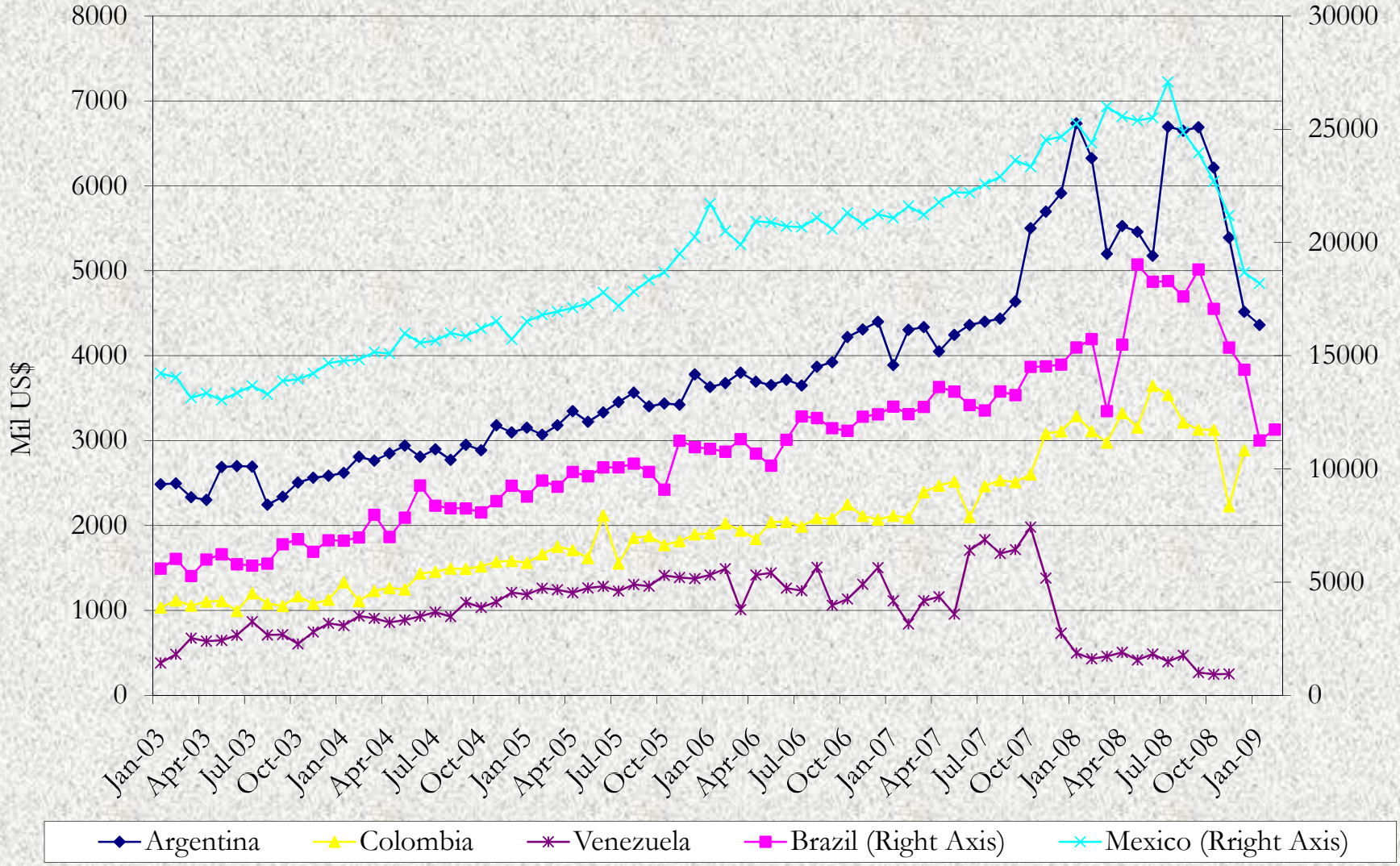
Current Account

- Strong export growth resulted in current account surpluses 2003-2007
- Current account surplus turned into deficit in 2008 as export growth moderated relative to imports

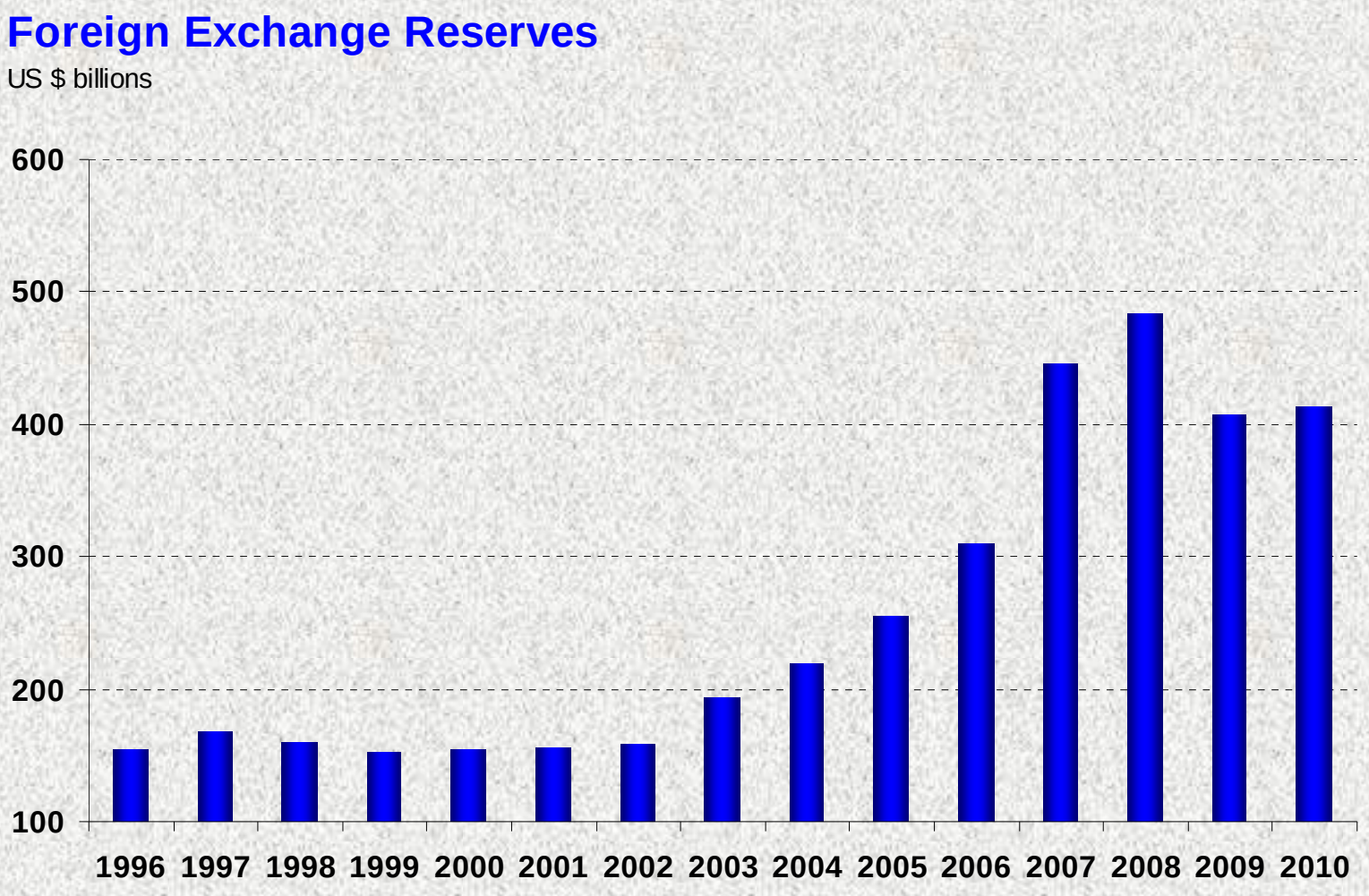


Source: EIU

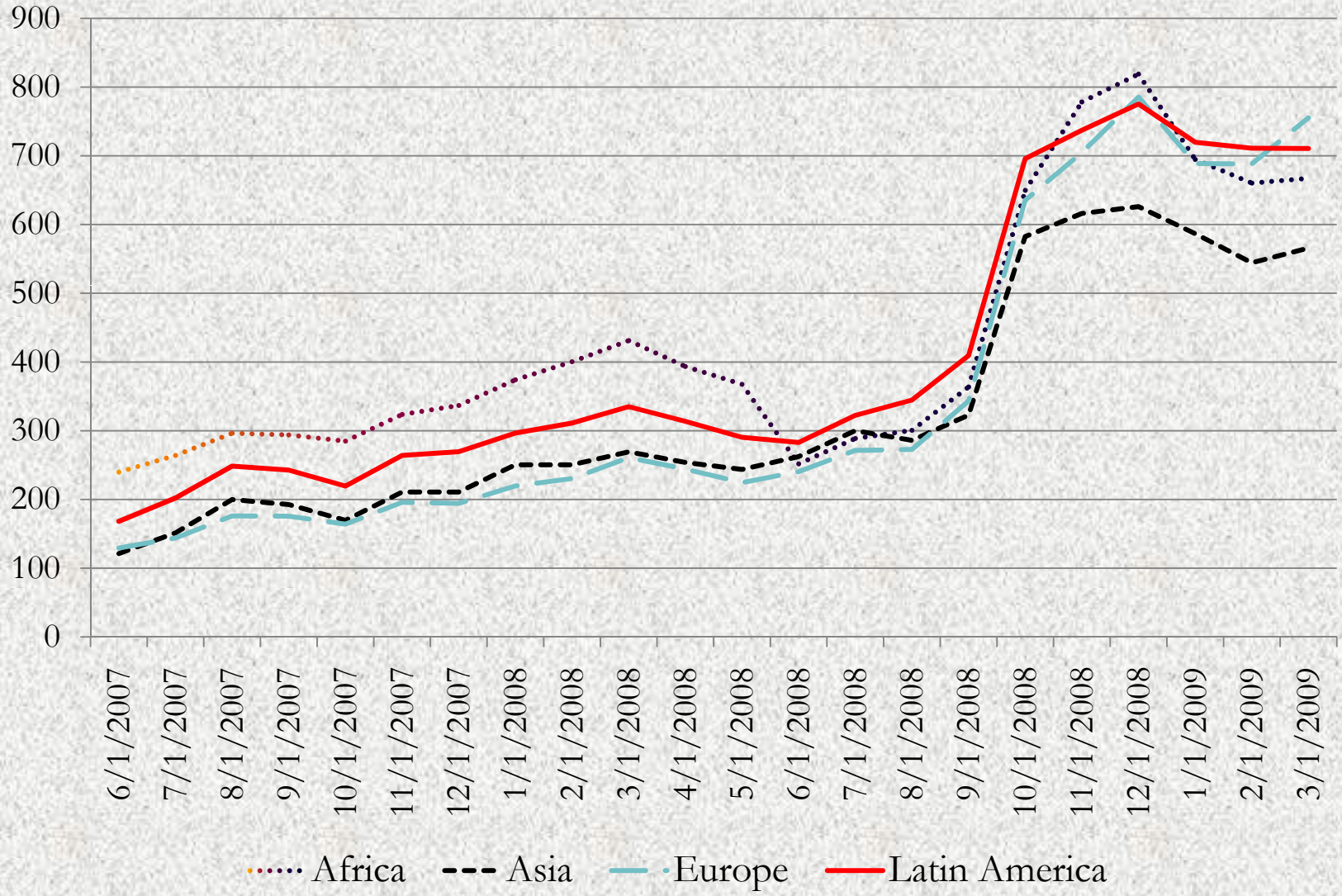
Exports


Mil US$
8000
7000
6000
5000
4000
3000
2000
1000
0
30000
25000
20000
15000
10000
5000
0
Jan-03
Apr-03
Jul-03
Oct-03
Jan-04
Apr-04
Jul-04
Oct-04
Jan-05
Apr-05
Jul-05
Oct-05
Jan-06
Apr-06
Jul-06
Oct-06
Jan-07
Apr-07
Jul-07
Oct-07
Jan-08
Apr-08
Jul-08
Oct-08
Jan-09
Argentina
Colombia
Venezuela
Brazil (Right Axis)
Mexico (Rright Axis)

Foreign exchange reserves



EMBI Spread


900
800
700
600
500
400
300
200
100
0
6/1/2007
7/1/2007
8/1/2007
9/1/2007
10/1/2007
11/1/2007
12/1/2007
1/1/2008
2/1/2008
3/1/2008
4/1/2008
5/1/2008
6/1/2008
7/1/2008
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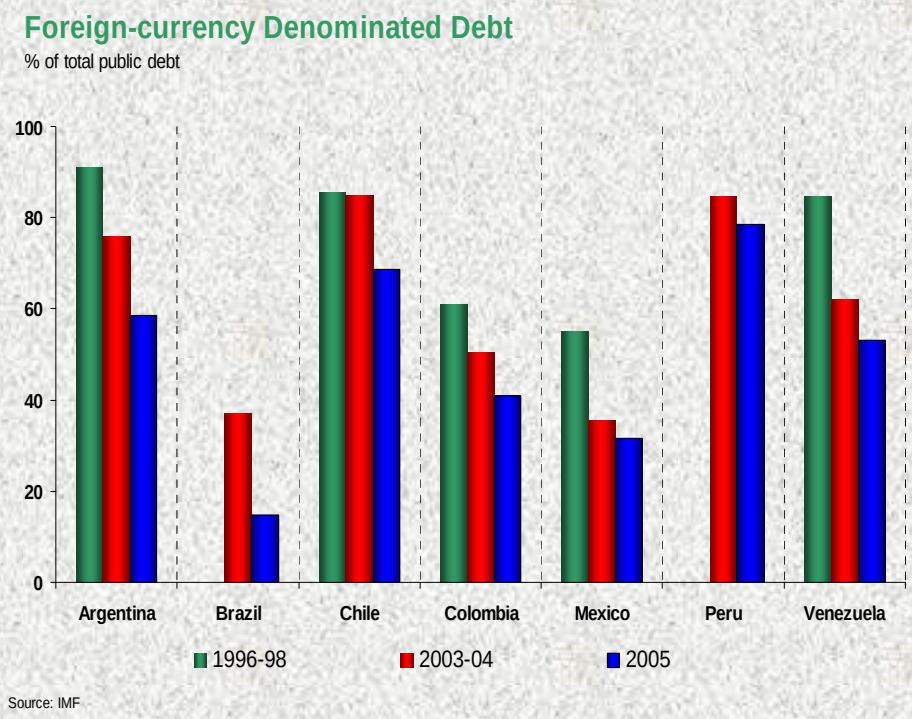
9/1/2008
10/1/2008
11/1/2008
12/1/2008
1/1/2009
2/1/2009
3/1/2009
Africa
Asia
Europe
Latin America

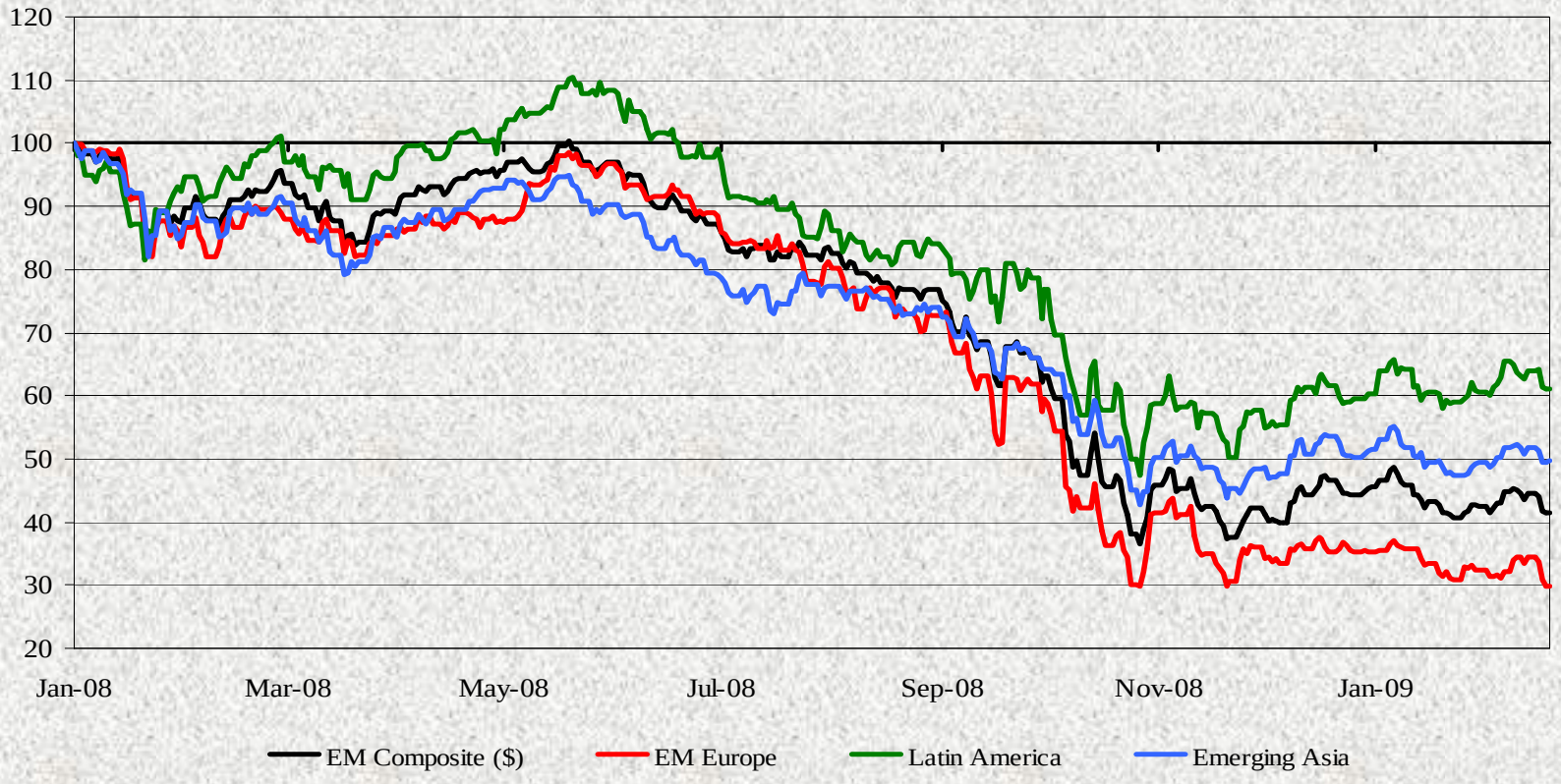
- The level of external debt has fallen to below 20% of GDP
- Longer maturities, fixed rates, less foreign currency



Financial Markets

- Stock markets in many Latin American countries rose to record levels in 2007 before declining in 2008
- No "decoupling"

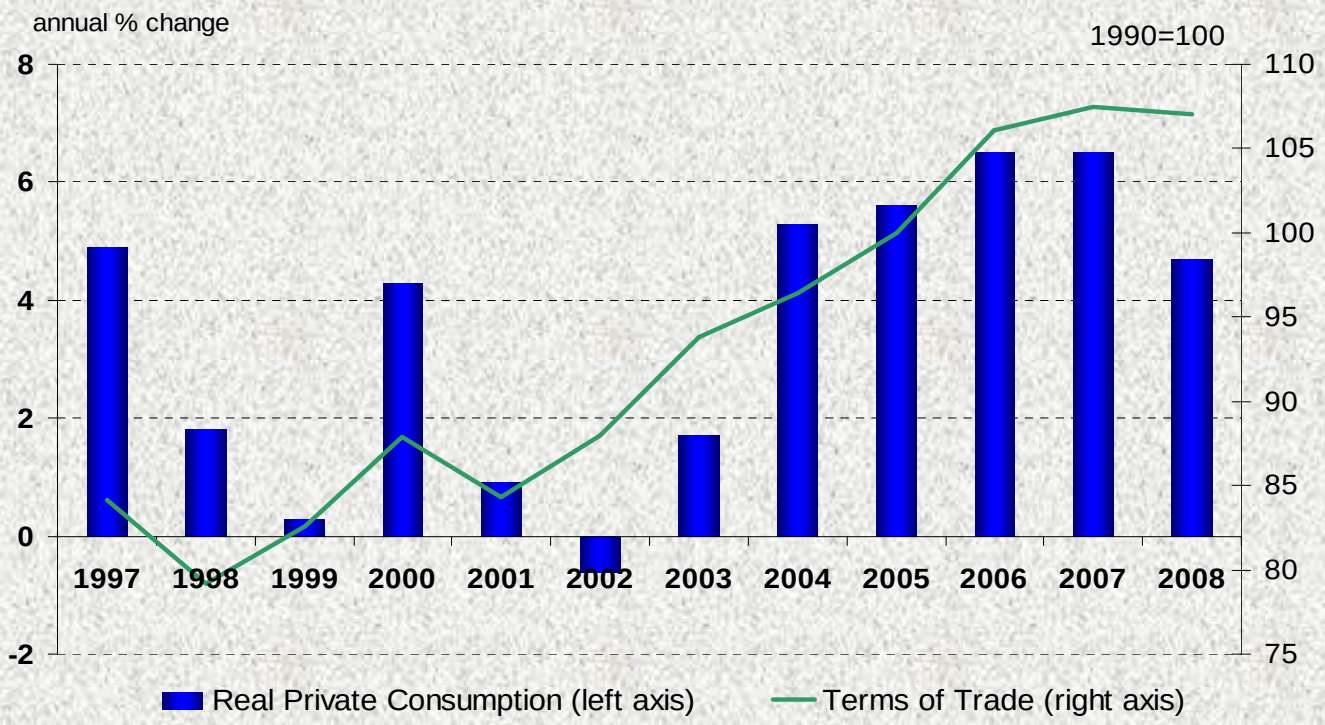
Emerging Equity Markets (MSCI)



Rising Consumer Spending: 2004-2007

- Improved terms of trade
- Growing remittances and higher public spending
- Rising personal incomes due to higher employment & real wages
- Strong household credit growth

Consumer Spending & Terms of Trade

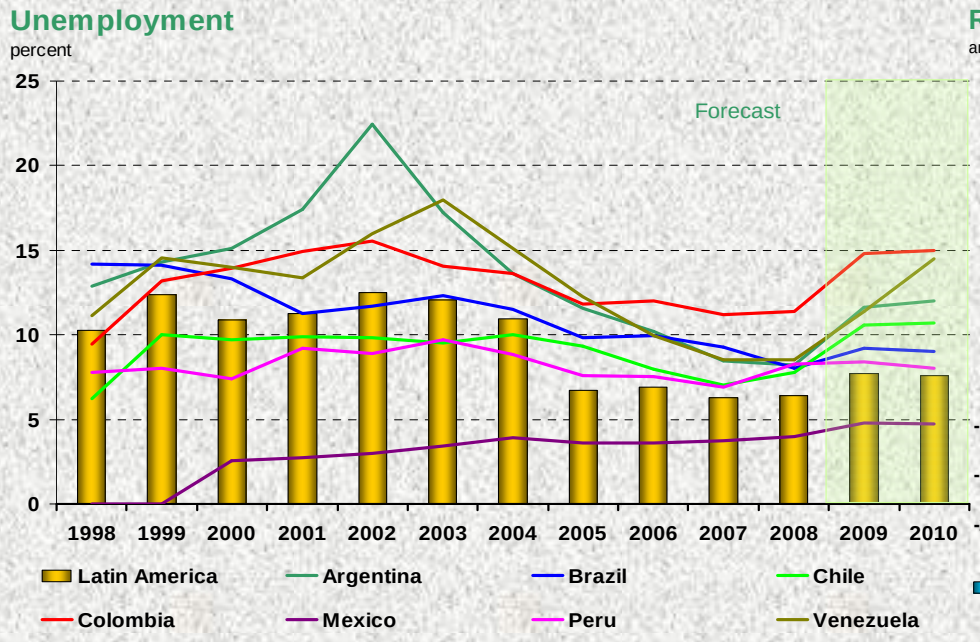


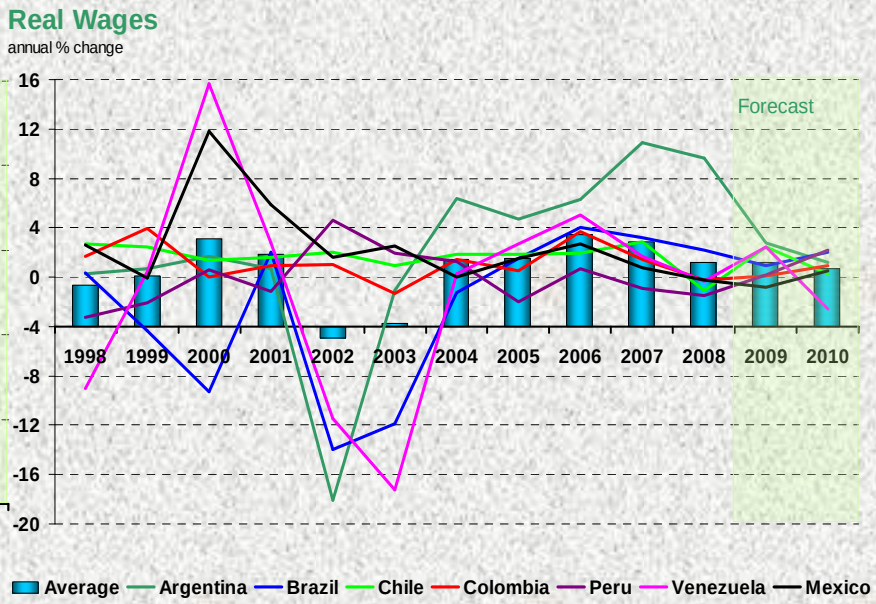
Source: EIU

Employment

Unemployment rate down, **wage** growth up through 2007

50% of labor force in **informal sector**





Outlook

Near Term: Impact of the Global Downturn

- Overall, Lat Am in better shape than in past crisis to confront a slowdown
- Duration of slowdown?

- Brazil, Chile, Colombia, Peru, Uruguay better prepared
- Mexico dependent on US economic outlook
- Argentina, Ecuador, Venezuela face financing challenges