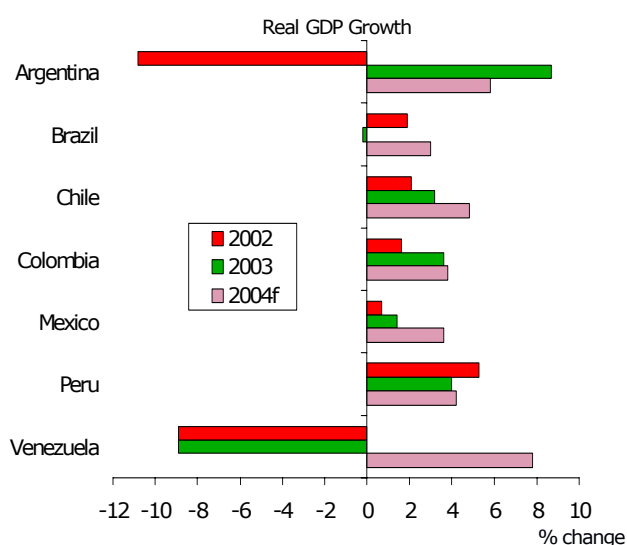
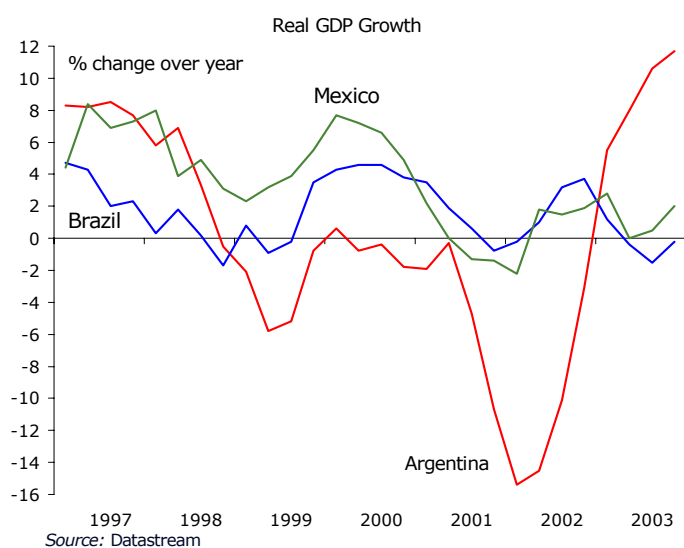


Latin America Regional Report



Economic growth

- Real GDP in Latin America rose by 1.3% in 2003 following a 0.4% contraction in 2002. 2003 was a year of contrasts, with GDP in Argentina rebounding by 8.7% following its 11% contraction in 2002, while the Venezuelan economy contracted by approximately 9% in both 2002 and 2003.
- Brazil stagnated with a 0.2% decline last year representing its weakest GDP result since 1992.
- Colombia posted its strongest growth since 1995 with real GDP expanding by 3.6% in 2003. Despite the difficult political climate in Peru, the economy recorded a respectable rate of growth of 4%.
- Economic prospects have improved in most Latin American countries and the region is forecast to grow by about 4% in 2004, which would match the growth rate achieved in 2000.



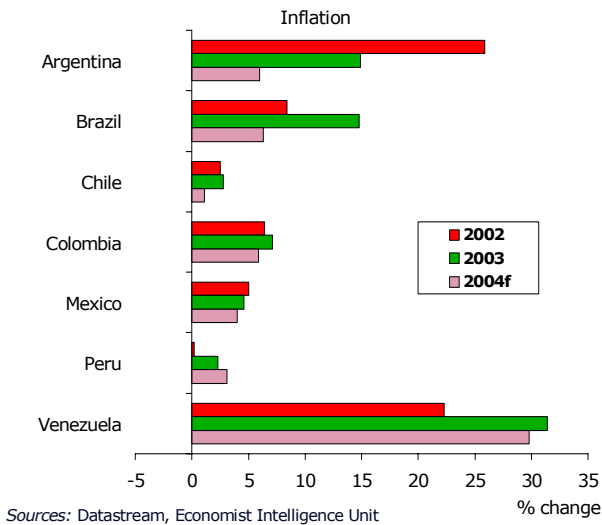
Economic growth

- The Argentine economy is poised for another year of solid growth of around 6¼% in 2004 as excess capacity is utilised and exports are supported by a competitive peso and a positive external and commodity environment. However, the lack of strong investment growth will limit the scope for sustained growth at these rates over the medium term.
- Interest rate declines are expected to lift economic prospects for Brazil with real GDP forecast to expand by around 3% in 2004.
- The Mexican economy gained momentum in Q4 2003, growing by a higher-than-expected 2% over the year to Q4 2003. The outlook is for faster growth in 2004 of around 3½% supported by a stronger US economy. Mexico is heavily reliant on the US, which absorbs the bulk of its exports.

Latin America – Economic forecasts

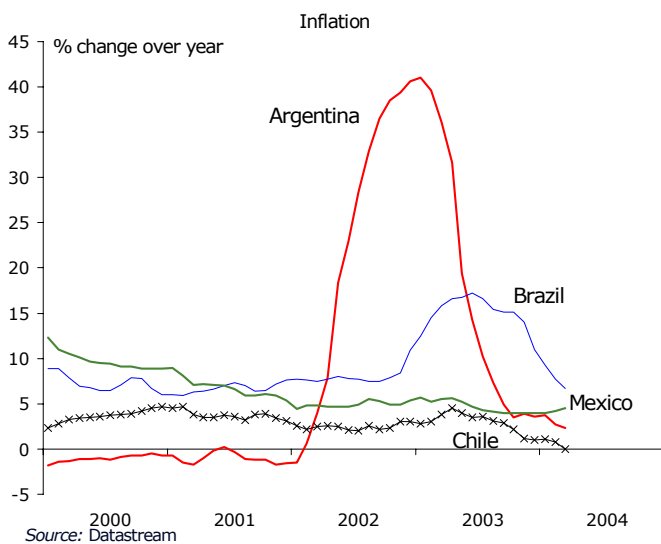
	Real GDP growth		Inflation	
	2003	2004(f)	2003	2004 (f)
Argentina	8.7	6.3	14.9	6.0
Brazil	-0.2	3.0	14.8	6.3
Chile	3.3	4.8	2.8	1.1
Colombia	3.6	3.8	7.1	5.9
Mexico	1.4	3.6	4.6	4.0
Peru	4.0	4.2	2.3	3.1
Venezuela	-8.9	7.8	31.4	29.8

Sources: Datastream, ANZ Bank, Economist Intelligence Unit



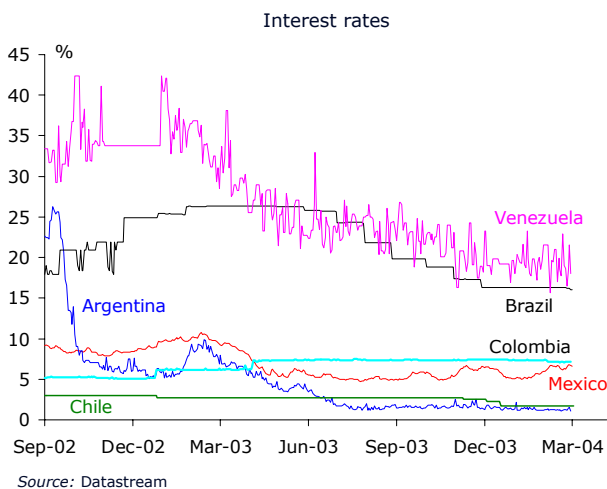
Inflation

- On an annual average basis, the main changes between 2002 and 2003 were a sharp decline in inflation in Argentina, and a significant rise in Brazil with inflation averaging 14.8% in 2003, the highest since 1996.
- Inflation is a major problem in Venezuela, despite extensive price controls, rising from 22% in 2002 to over 31% in 2003. The rise is partly due to expansionary monetary policy and is also a consequence of foreign exchange controls, which have adversely affected the supply of some imported goods pushing up their price.



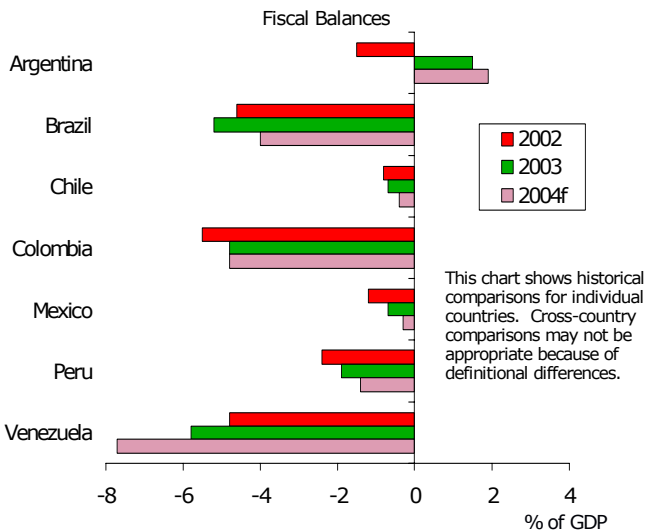
Inflation

- Inflation has declined dramatically in Argentina falling from a peak of 41% at end-2002 to just 2.3% by February 2004.
- There has also been a pronounced decline in inflation in Brazil, from around 17% in mid-2003 to 6.7% in February 2004.
- Chile's record of consistently low inflation over recent years is impressive, but a strong rise in the peso, driven higher by the recent surge in copper prices, has raised fears of deflation. The central bank responded by cutting interest rates in January and a decline in inflation to zero in February 2004 leaves open the possibility of a further interest rate reduction.



Interest rates

- Consistent with the decline in inflation in Argentina, interest rates have fallen to very low levels, with overnight rates currently around 1¼%.
- In Brazil, the most recent official interest rate cut, in March, took the benchmark Selic rate to 16¼%.
- There is scope for further cuts, provided inflation continues to fall.
- In Venezuela, nominal lending rates are high, but are lower than the inflation rate.
- Inflation concerns have prompted the Bank of Mexico to tighten its monetary stance. The central bank has raised the corto (the amount it leaves the banking system short of liquidity) twice so far this year.

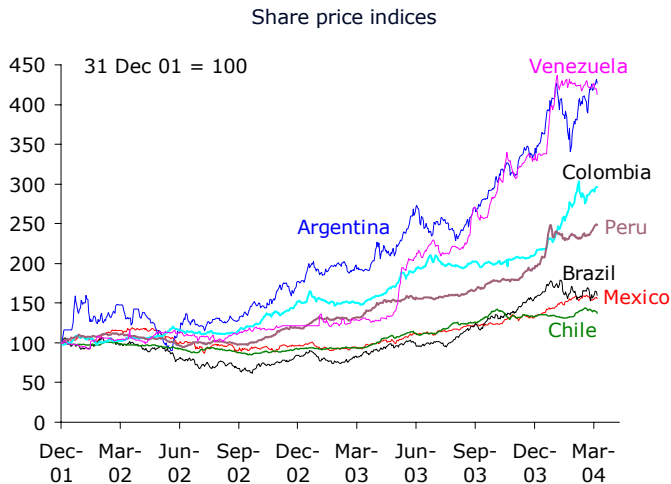


Sources: Economist Intelligence Unit, Institute of International Finance

Fiscal policy

- Chile has a well-established record of fiscal responsibility and has implemented counter-cyclical policies that are based on "long-term" copper prices and "potential" GDP growth.
- Argentina is the only Latin American economy that posted a fiscal surplus in 2003 and a stronger surplus is expected for 2004.
- Brazil is meeting primary surplus targets, but records deficits due to its large public debt.
- In Venezuela, there is a risk that the government's attempts to bolster its popularity by raising spending will lead to a further deterioration in the fiscal deficit. However, political uncertainties and the sensitivity of government revenue to oil prices mean that projections are subject to a wide margin of error.

Stockmarket



Source: Datastream

- Share prices across the region have in the past been buffeted as investors responded to political and economic developments. Over the past year, all have performed strongly, for different reasons.
- Argentina, which suffered a huge decline in 2000-2001, has rebounded from a very low base in line with a stronger economy in 2003.
- Brazil's market has favourably re-evaluated the government which took office in January 2003 and is anticipating economic recovery this year.
- Venezuela, which has shown the largest percentage increase over the past 12 months, has benefited from high oil prices, an easy monetary policy and captive capital.

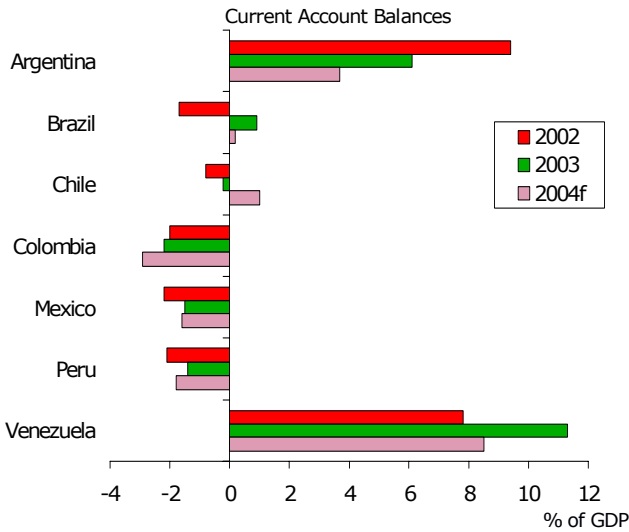
Exchange rates, US\$ per local currency unit, indexed



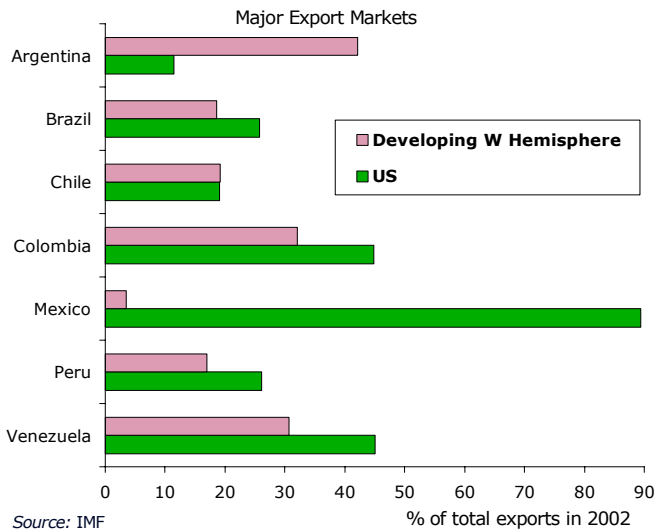
Source: Datastream

Exchange rate

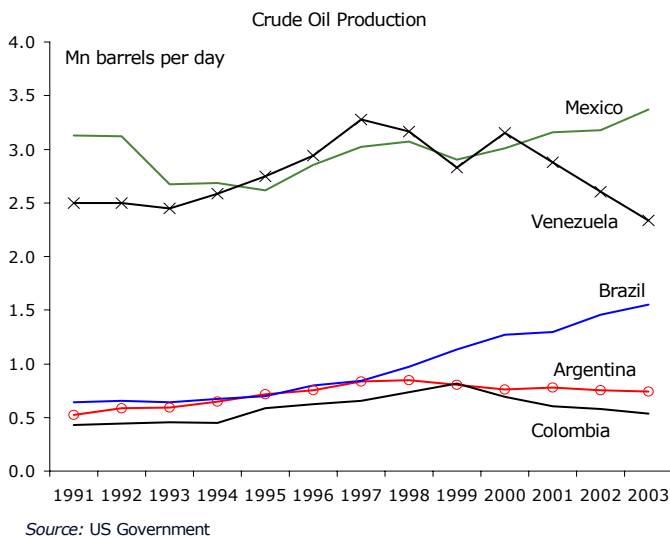
- The Argentine peso has been fairly steady over the past six months after recovering some ground following the break of the peg in 2002.
- Improving investor sentiment has contributed to relative stability of the Brazilian real over the past year.
- The rise in the Chilean peso was driven by the recent surge in copper prices.
- The Mexican peso weakened by about 7½% over the year to end-Dec 2003 weighed down by slow progress on reform. Competition from China has also heightened the need to maintain a competitive peso.
- The Venezuelan bolivar, which has been fixed against the US dollar since February 2003, was devalued in February 2004, but remains significantly overvalued.



Source: Economist Intelligence Unit



Source: IMF



Source: US Government

Current account

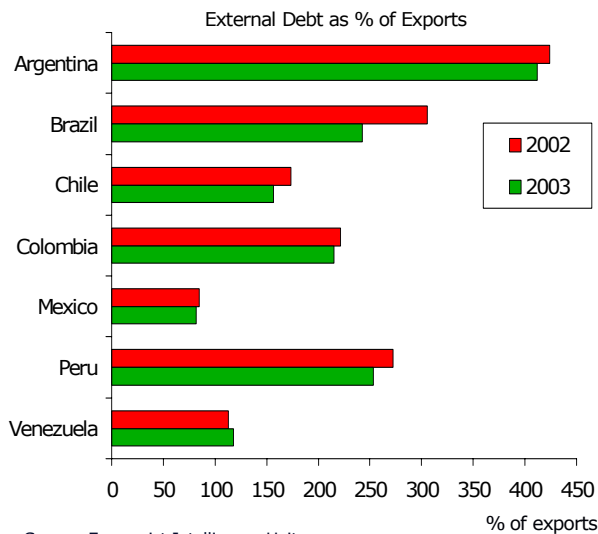
- Brazil recorded a small current account surplus in 2003, its first since 1993.
- There were much larger current account surpluses in Argentina and Venezuela. In Argentina, the surplus declined from 9.4% of GDP to approximately 6.0% reflecting some recovery in imports from crisis-lows in 2002 that was only partly offset by a rise in exports. The current account surplus in Venezuela is estimated to have exceeded 11% of GDP in 2003, but this mainly reflected the impact of the severe recession on imports. The rise in international oil prices in 2003 helped to partially offset a decline in oil export volumes.

Dependence on the US

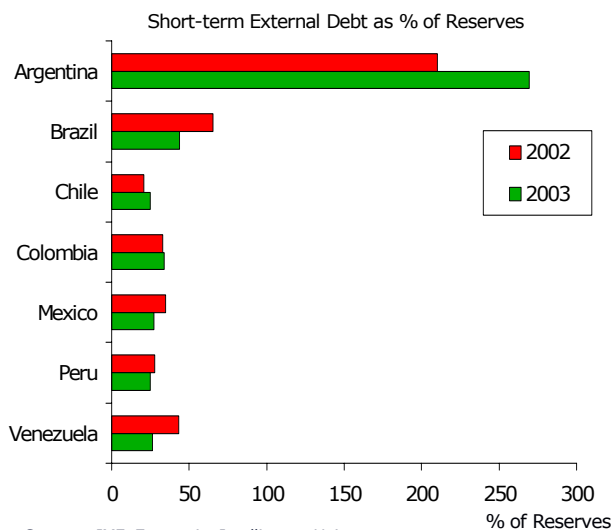
- Direction of trade patterns vary significantly between Latin American countries.
- The US dominates Mexican exports, accounting for over 80% of the total. In contrast, the US is a much less important export market for Argentina and Chile, accounting for 11.5% and 19.1% of total exports respectively in 2002.
- The importance of the developing countries of the Western Hemisphere (ie. all countries except the US and Canada) as export markets for individual countries varies significantly. The region accounted for less than 4% of Mexico's total exports in 2002, but was much more important to Argentina with a share of approximately 42%.

Dependence on oil

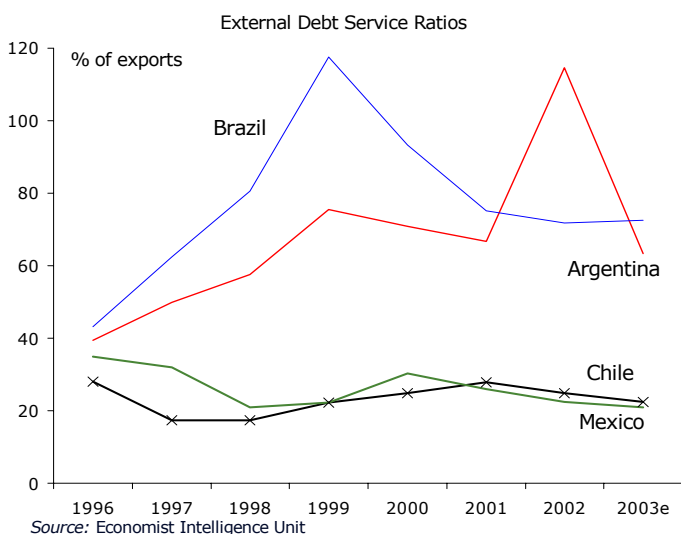
- Mexico and Venezuela are the main producers in Latin America; Mexico was the sixth largest producer in the world in 2003 but Venezuela has slipped down the league table to ninth place. Production in Venezuela, which averaged 2.6 mbd in 2002, fell to just 0.6 mbd in January 2003 due to a general strike but subsequently recovered more quickly than most analysts had expected and was back around 2.6 mbd by April.
- Argentina, Colombia and Ecuador are also self-sufficient, while production in Brazil has more than doubled from approximately 0.7 mbd in 1995 to almost 1.6 mbd in 2003. Domestic production in Peru meets about two-thirds of its requirements while Chile imports most of its oil.



Source: Economist Intelligence Unit



Sources: IMF, Economist Intelligence Unit



Source: Economist Intelligence Unit

External debt to exports

- A country's external indebtedness is often gauged by Debt-to-GDP or Debt-to-Exports ratios.
- In terms of debt-to-exports, Argentina, Peru and Brazil are the most highly indebted countries among the major economies of the region.

Short-term debt to reserves

- The ratio of short-term debt to reserves is an important indicator of a country's capacity to meet its liabilities.
- Short-term debt in excess of reserves indicates a very high risk of payments difficulties, which, in the case of Argentina, forced it to default on its external debt at the end of 2001.

Debt service ratio

- A country's debt service ratio (i.e. the ratio of external debt interest and principal payments to exports of goods and services due in that year) is one of the most important criteria used in country risk assessment.
- The chart clearly illustrates the heavy cost of servicing external debt in Argentina and Brazil, in contrast to the much lower debt-servicing burden in Chile and Mexico, the two investment-grade economies in Latin America.

Politics-Snapshot

Latin America

- Recent political unrest and upheavals in a number of Latin American and Caribbean countries highlight the fragility of democracy in parts of the region.
- Attempts to reach agreement on a Free Trade Area of the Americas (FTAA) have been hampered by the failure of the US, Brazil, and other countries to resolve basic differences about the scope of the proposed agreement, and by opposition from Venezuela.

Brazil

- A fragmented party system, as well as significant power in the hands of provincial governors, makes for an unwieldy legislative process.
- The electorate has high expectations that the new government will deliver on promises to reduce unemployment and inequality and tackle crime.
- Moderation and pragmatism in the new government are being challenged by its radical wing.

Colombia

- President Uribe's personal popularity rating is high (80%) underscoring support for his move against the drugs trade and efforts to improve security.
- Right-wing paramilitary groups continue to decommission and the second-largest leftist guerrilla group, ELN, is likely to make some efforts to talk peace although FARC rebels – the leading leftist guerrilla force – are not expected to come to the negotiating table any time soon. The military has made some headway into counter-terrorism. However, the situation remains tenuous.

Peru

- There has been growing discontent over President Toledo's leadership and his failure to deliver on promises to lift socio-economic conditions. A series of corruption scandals and cabinet-member resignations have also seriously undermined his credibility and his popularity rating has plunged since coming into office in 2001.
- The reform process is likely to slow reflecting popular opposition and the government's attempts to regain support.

Argentina

- President Kirchner's hardline approach with the IMF and creditors as well as the economic rebound has lifted his popularity rating.
- A standby agreement was reached with the IMF in September 2003. While some macroeconomic targets have been met, structural reform is lacking.
- Relations between President Kirchner and former President Duhalde, who commands strong support within the Peronist Party, remain tense.

Chile

- There is support for an open-market economy across a broad political spectrum with good economic management also supported by strong institutional foundations.
- Chile's reputation as the least-corrupt country in Latin America seemed at risk in late 2002/early 2003 when the coalition government was hit by a series of financial scandals.
- The government responded by implementing measures to tackle corruption and appears to have recovered from these scandals with its popularity benefiting from stronger economic growth and divisions among the opposition.

Mexico

- Lack of a majority in Congress has impeded the Fox administration's efforts to implement reforms.
- With his party's (PAN) setback in the July 2003 congressional elections and presidential elections due in mid-2006, progress on the reform front will be even more difficult.
- The PRI, which held the presidency for 71 years until 2000, is steering its focus on the 2006 elections. The PRI, however, has been undermined by political infighting.

Venezuela

- The prospect of further large-scale political unrest will persist until deep-seated political grievances are tackled.
- Chavez and his supporters are resisting opposition efforts to hold a recall referendum to determine whether he should remain in power.
- As at March 2004, the campaign for the referendum was being delayed by legal wrangling and doubts were growing about whether a referendum would be held by mid-August, the deadline for clearing the way for early elections.

Country Risks

Latin America

- More than other developing regions, Latin America has experienced “false starts” in the development process, but many countries have now embraced the challenging path of democratisation and engagement with the global economy. A legacy of high external debt, dramatic social inequalities and resistance from strong vested interests add to the difficulties of the process. This is exacerbated by the tendency of world financial markets to sell-off the region in response to difficulties in one country.

Brazil

- Brazil is poised for a modest economic recovery - a payoff for its recent policy discipline. However, with exports the main growth driver, it will remain hostage to sustained growth in its major markets.
- Political pressure on the administration to deliver on jobs, welfare and law and order could lead it to compromise on its thus-far sound policies and reforms.
- The task of maintaining policy discipline would become even harder if, for whatever reason, markets again lose confidence in Brazil.

Colombia

- Deterioration in the security situation would stymie investment and hinder economic growth.
- High unemployment, 17% in January 2004, heightens the threat of social unrest.
- Sustained peso appreciation is likely to erode export competitiveness.
- Political constraints on expenditure cutbacks and fiscal reform limit capacity to reduce the fiscal deficit.

Peru

- Growing discontent with President Toledo’s leadership could spark widespread unrest and undermine investment and the economy.
- Popular opposition to economic reforms, particularly to privatisation, could adversely affect relations with the IMF and other creditors.

Argentina

- Failure to engage in “good faith” negotiations with private creditors, which remains a sticking point with the IMF, have strained relations and could threaten the standby agreement.
- This, in turn, is likely to damage Argentina’s prospects for securing external funding and attracting foreign direct investment.
- Medium-term growth sustainability is in doubt reflecting diminishing excess capacity, failure to pursue structural reform and a fragile financial system.

Chile

- Chile is vulnerable to external shocks reflecting the open nature of its economy (exports were 34% of GDP in 2002) and heavy dependence on copper (34% of merchandise exports in 2002).
- Imported energy provides 65% of total energy supply so Chile is much more vulnerable to a period of high oil prices than other Latin American economies.
- There is also vulnerability to financial contagion from economic/financial shocks elsewhere in Latin America.

Mexico

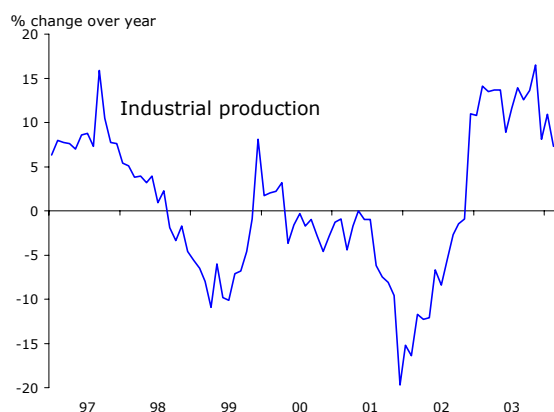
- Slower-than-expected recovery in the US would dent Mexico’s economic prospects.
- Fierce competition from China, which has replaced Mexico as the second-largest source of imports for the US after Canada.
- Heavy dependence on oil. Oil-related proceeds account for about 30% of budget revenue.
- Lack of structural reform (eg. energy sector, labour market, fiscal reform) will undermine medium-term growth prospects.

Venezuela

- The likelihood of further large-scale political unrest is high.
- Economic mismanagement is likely to continue as long as President Chavez remains in office. Economic imbalances are growing and include high inflation, a growing fiscal deficit and overvalued currency.

Country Update: Argentina

Production picks up



Peso recovers some ground in 2003



- The economy rebounded in 2003, expanding by 8.7% following an 11% plunge in real GDP in 2002. Growth was driven by higher commodity prices, the effects of the sharp devaluation of the peso on manufactured exports and recovering consumer demand. Real GDP is forecast to expand by around 6¼% in 2004 but medium term growth sustainability is a concern given the prospect of a protracted impasse on debt restructuring negotiations.
- A 3-year US\$13.3 bn stand-by credit agreement was reached with the IMF in September 2003. After difficult negotiations, Argentina met its US\$3.1 bn payment deadline to the IMF, averting a potential default. The IMF recently approved the second review of Argentina's performance, paving the way for the release of US\$3.1 bn.
- Some quantitative targets have been met. For instance, the IMF-agreed target for the primary fiscal surplus of 2.5% of GDP for 2003 was surpassed with the surplus coming in at 3.06% and Argentina is expected to meet its target for 2004 comfortably. However, little progress on structural reform and failure to engage in "good faith" negotiations with private creditors have strained relations with the IMF.
- With President Kirchner's high popularity rating largely reflecting support for his hardline approach with the IMF and creditors, debt restructuring negotiations are likely to remain tough. This is likely to limit the scope for securing external funding and attracting foreign direct investment.
- The Argentine peso recovered some ground in 2003 after the sharp decline in 2002. It appreciated against the US dollar by 2.5% between end-2003 and late March 2004 after a 14% rise over the year to end-Dec 2003.

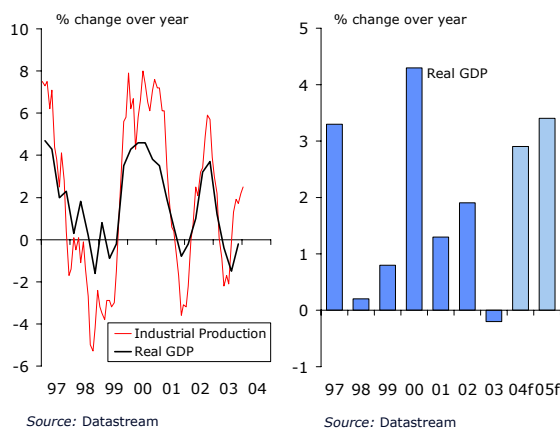
Economic data and debt statistics

Argentina	1998	1999	2000	2001	2002	2003e	2004f	2005f
Economic growth (%)	3.9	-3.4	-0.8	-4.4	-10.9	8.7	6.3	4.0
Inflation (yr av, %)	0.9	-1.2	-0.9	-1.1	25.9	14.9	6.0	5.0
Budget Balance (% of GDP)	-1.4	-1.7	-2.4	-3.2	-1.5	1.5	1.9	
Current Account Balance (% of GDP)	-4.9	-4.2	-3.1	-1.5	9.4	6.1	3.7	
External Debt (USD bn)	141.5	145.3	145.9	136.7	135.0	147.4	94.3	
External Debt/GDP Ratio (%)	47.3	51.2	51.3	50.9	132.3	112.2	64.3	
External Debt/Exports Ratio (%)	379.3	427.2	377.7	376.3	423.6	412.1	246.7	
Short-term Debt/Reserves (%)	125.1	112.0	112.6	137.4	210.4	269.3		
Debt Service Ratio (Paid) (%)	57.6	75.5	70.8	66.8	39.2	48.1		
Debt Service Ratio (Due) (%)	57.6	75.5	70.8	66.8	114.6	63.4	59.4	
International Reserves (USD bn)	24.8	26.3	25.1	14.6	10.5	14.2		
Import Cover (g & s) (months)	7.7	9.6	9.2	6.4	9.7	9.2		

Sources: IMF, Economist Intelligence Unit, ANZ Bank

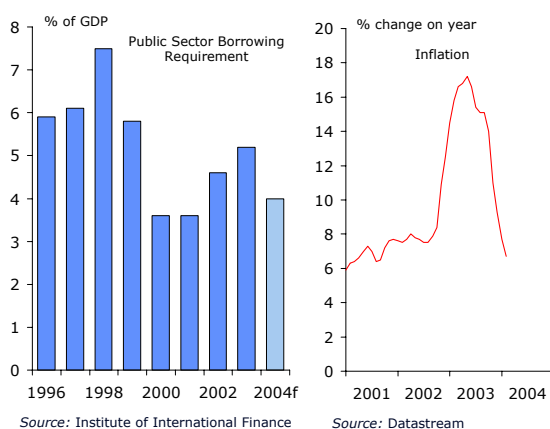
Country Update: Brazil

Economic recovery is expected in 2004



- President "Lula" da Silva's administration has adhered to coherent and 'market-friendly' policies since taking office in January 2003. The primary budget surplus target (4¼% of GDP) was achieved in 2003, although the large public debt and high interest rates pushed the overall public sector balance to a deficit of 5.2%. Austerity policies drove consumer price inflation down from 17% in mid-2003 to below 7% in February 2004 and compressed imports, so that the current account recorded a surplus in 2003 - the first since 1993.
- High interest rates and fiscal austerity caused real GDP to stagnate in 2003, but recovery is now underway thanks to booming exports. Recent interest rate declines have enhanced the outlook, and real growth of around 3% is expected in 2004. With the economy having stabilised, the government is likely to give greater priority to tackling poverty, unemployment and other social issues.
- The economy will remain vulnerable to swings in market sentiment, which will impose fiscal and monetary discipline on the government. A modest reduction in the public sector deficit is expected in 2004, but the recent improvement in the current account is unlikely to be sustained with stronger growth boosting demand for imports.
- Brazil is much less vulnerable to high oil prices than in the 1980s, but imports still provide almost 30% of its oil requirements. A period of high prices would have a detrimental impact on growth and the balance of payments, renewing financial market concerns about external debt default.

The public sector deficit has stabilised and inflation has fallen sharply



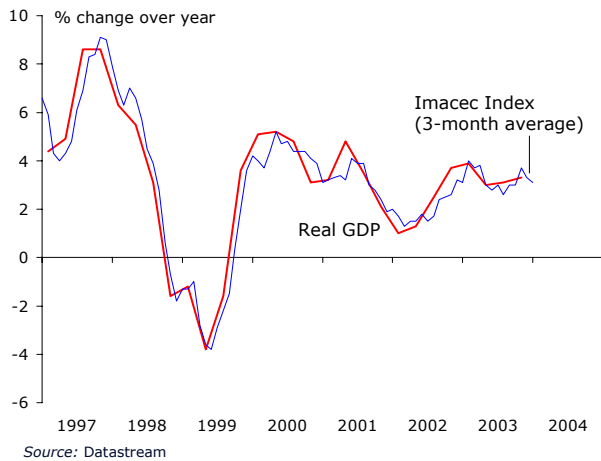
Economic data and debt statistics

Brazil	1998	1999	2000	2001	2002	2003e	2004f	2005f
Economic growth (%)	0.1	0.8	4.3	1.3	1.9	-0.2	3.0	3.2
Inflation (yr av, %)	3.2	4.9	7.1	6.8	8.4	14.8	6.3	5.2
Public Sector Balance (% of GDP)	-7.5	-5.8	-3.6	-3.6	-4.6	-5.2	-4.0	
Current Account Balance (% of GDP)	-4.3	-4.7	-4.0	-4.6	-1.7	0.9	0.2	
External Debt (USD bn)	241.0	243.7	238.8	226.4	227.1	213.2	225.3	
External Debt/GDP Ratio (%)	30.6	45.4	39.7	44.4	49.3	42.0	42.1	
External Debt/Exports Ratio (%)	371.3	401.9	343.3	313.2	305.4	242.8	242.2	
Short-term Debt/Reserves (%)	70.2	84.0	95.3	79.1	65.5	43.7		
Debt Service Ratio (Paid) (%)	79.1	117.2	93.2	75.2	71.8	72.5		
Debt Service Ratio (Due) (%)	80.5	117.5	93.2	75.2	71.8	72.5	59.7	
International Reserves (USD bn)	42.6	34.8	32.5	35.7	37.7	49.1		
Import Cover (g & s) (months)	7.1	6.8	5.5	5.9	7.3	9.3		

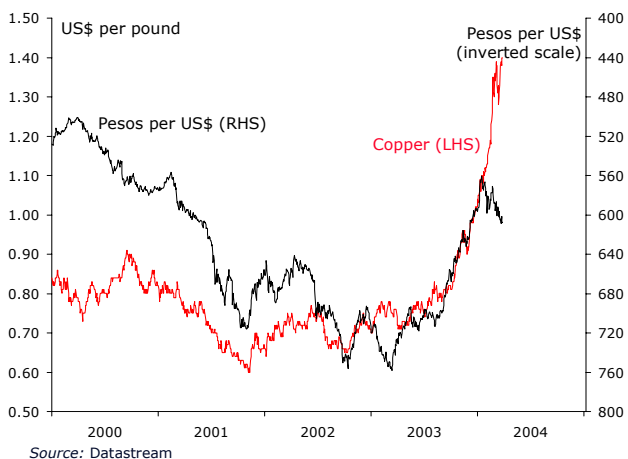
Sources: IMF, Economist Intelligence Unit, Institute of International Finance, ANZ Bank

Country Update: Chile

Real GDP is recovering assisted by low interest rates and strong copper prices



The peso has been driven higher by surging copper prices



- Economic management is stronger than in other Latin American countries and medium-term growth prospects are brighter. Recent free trade agreements with the EU, South Korea and the US enhance the attractions of Chile to foreign investors.
- Real GDP growth over recent years has been well below rates achieved in the 1990s. However, record low interest rates and the improved international economic outlook are assisting economic recovery and real GDP, which rose by 3.3% in 2003, is forecast to approach 5.0% in 2004, which would be the strongest since 1997. Unemployment has been on a gradual downward trend since mid-2002, but has stuck around 8.5% over recent months. Increased world demand for copper and supply constraints have produced a surge in copper prices from US\$0.75 per pound in mid-2003 to over US\$1.30 in March 2004.
- Rising copper prices have boosted the peso, which has reduced inflationary pressures and raised fears of deflation. The core inflation rate fell to 0.7% in February 2004 - the official target is 2-4% over a 24-month period. The central bank responded to reduced inflationary pressures by cutting its benchmark interest rate by 50 bps to 1.75% in January, despite the improving growth outlook. While further peso appreciation is possible if the recent surge in copper prices continues, the risks of a sustained fall in prices is considered small as the rise in copper prices is also likely to boost economic activity. It is possible that the authorities could reimpose controls on capital inflows to stem the peso's appreciation if upward pressures are sustained.

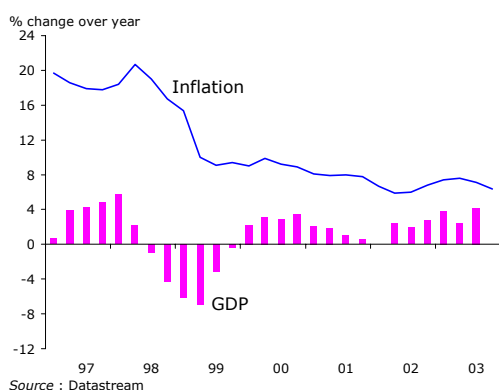
Economic data and debt statistics

Chile	1998	1999	2000	2001	2002	2003e	2004f	2005f
Economic growth (%)	3.2	-1.0	4.4	3.1	2.1	3.3	4.8	5.0
Inflation (yr av, %)	5.1	3.3	3.8	3.6	2.5	2.8	1.1	3.0
Budget Balance (% of GDP)	0.4	-1.4	0.1	-0.3	-0.8	-0.7	-0.4	
Current Account (% of GDP)	-4.9	0.1	-1.0	-1.7	-0.8	-0.2	1.0	
External Debt (USD bn)	30.2	34.3	37.0	38.4	40.9	43.0	45.7	
External Debt/GDP Ratio (%)	38.0	46.9	49.0	56.2	61.6	61.0	50.2	
External Debt/Exports Ratio (%)	139.4	154.6	148.7	160.9	173.5	156.8	144.4	
Short-term Debt/Reserves (%)	10.1	8.0	16.8	17.8	20.8	24.9		
Debt Service Ratio (Paid) (%)	17.4	22.2	24.8	27.8	24.8	22.4		
Debt Service Ratio (Due) (%)	17.4	22.2	24.8	27.8	24.8	22.4	18.2	
International Reserves (USD bn)	15.9	14.6	15.0	14.4	15.3	15.8		
Import Cover (g & s) (months)	8.4	9.1	8.3	8.1	8.9	8.2		

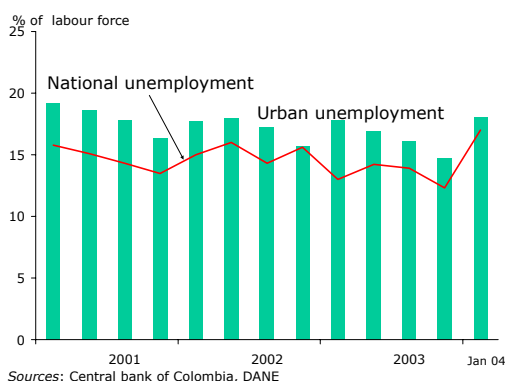
Sources: IMF, Economist Intelligence Unit, ANZ Bank

Country Update: Colombia

Economic indicators improve



Unemployment remains high



- Real GDP grew by 3.6% in 2003, the highest rate since 1995. Growth was underpinned by investment in the construction and mining sectors. Private consumption, however, has been sluggish with unemployment remaining high at 17% in January 2004. The economy is forecast to expand at a slightly higher rate in 2004. Scope for much stronger growth is limited by fiscal constraints and security concerns, which have inhibited investment flows. Inflation has eased, with an annual rate at 6.3% in February 2004 compared with 7.2% in February 2003.
- Colombia has a US\$2.2 bn 2-year standby agreement with the IMF, which was approved in January 2003. The IMF-agreed public sector deficit target of 2.8% of GDP for 2003 was met. A deficit limit of 2.5% of GDP has been set for 2004. After the referendum on fiscal reform was defeated in October 2003, the Uribe administration submitted a new proposal and a watered-down version of that bill was approved by Congress in December 2003. Some expenditure cutbacks are expected to help rein in the deficit. However, the target will be difficult to meet given high interest payments as well as military and security-related expenses. The central government fiscal deficit is forecast to be steady at around 5% of GDP.
- There have been improvements on the security front under the leadership of President Uribe although violence remains high. Right-wing paramilitary groups continue to decommission and the second-largest leftist guerrilla group, ELN, is likely to make some efforts to talk peace although FARC rebels – the leading leftist guerrilla force – are not expected to come to the negotiating table any time soon. The military has made some headway into counter-terrorism. However, the situation remains tenuous. While investors have responded to the progress made, a deterioration in the security situation would damage market confidence and economic performance.

Economic data and debt statistics

Colombia	1998	1999	2000	2001	2002	2003e	2004f	2005f
Economic growth (%)	0.6	-4.2	2.9	1.4	1.8	3.6	3.8	3.5
Inflation (yr av, %)	18.7	10.9	9.2	8.0	6.3	7.1	5.9	5.0
Budget Balance (% of GDP)	-4.9	-5.9	-5.9	-5.9	-5.5	-4.8	-4.8	
Current Account Balance (% of GDP)	-4.9	0.8	0.7	-1.5	-2.0	-2.2	-2.9	
External Debt (USD bn)	33.1	34.4	33.9	36.7	37.1	38.0	40.4	
External Debt/GDP Ratio (%)	33.6	39.9	40.5	44.9	45.7	48.4	46.7	
External Debt/Exports Ratio (%)	222.1	212.2	185.3	208.7	221.2	215.4	214.8	
Short-term Debt/Reserves (%)	72.0	49.5	32.2	36.8	32.9	34.0		
Debt Service Ratio (Paid) (%)	30.5	40.7	27.9	35.8	39.7	40.8		
Debt Service Ratio (Due) (%)	30.5	40.7	27.9	35.8	39.7	40.9	35.7	
International Reserves (USD bn)	8.7	8.0	8.9	10.2	10.7	10.8		
Import Cover (g & s) (months)	6.0	7.2	7.4	7.7	8.4	7.9		

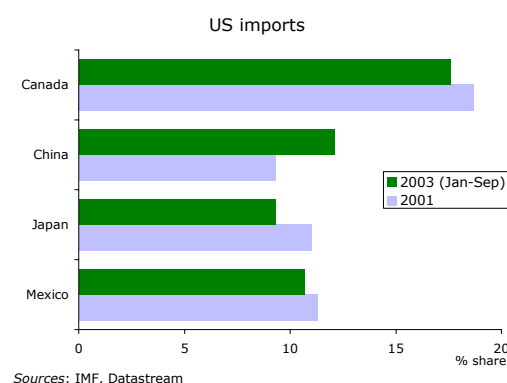
Sources: IMF, Economist Intelligence Unit, ANZ Bank

Country Update: Mexico

Industrial production recovering



Mexico faces strong competition from China in the US market



- The Mexican economy gained momentum in the final quarter of 2003, growing by a higher-than-expected 2% over the year to Q4 2003. Supported by a pick-up in US demand, real GDP is projected to expand by around 3½% in 2004 from 1.4% in 2003.
- The fiscal deficit target for 2004 is 0.3% of GDP, which looks achievable given a realistic set of budget assumptions. Nevertheless, oil-related proceeds account for about 30% of budget revenue. Congress has thwarted efforts to reduce Mexico's reliance on oil revenue. In December, it rejected the government's tax proposals aimed at widening the tax base.
- Mexico has been relatively resilient economically when compared to its Latin American neighbours. The government's commitment to fiscal discipline and debt management has helped to support investor sentiment.
- However, the lack of structural reform (eg. liberalising the energy sector, improving labour market flexibility, fiscal reform) will undermine medium-term growth prospects. The Fox administration has failed to acquire enough support to implement reforms. With his party's (PAN) setback in the July 2003 congressional elections and presidential elections due in mid-2006, progress on the reform front will be even more difficult.
- Mexico relies heavily on the US, which absorbs more than 80% of its exports and faces strong competition from China. For January-September 2003, US imports from China accounted for 12.1% of total imports compared with 9.3% in 2001, while Mexico's share of US imports declined from 11.3% in 2001 to 10.7% in January-September 2003. China replaced Mexico as the US' second-largest import source, after Canada.

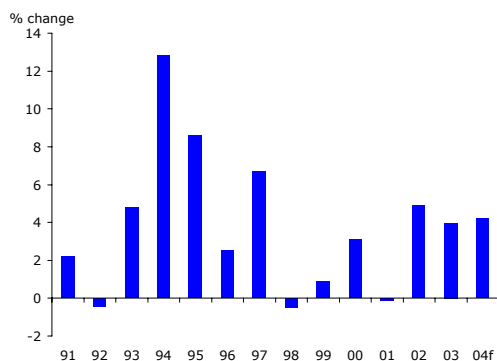
Economic data and debt statistics

Mexico	1998	1999	2000	2001	2002	2003e	2004f	2005f
Economic growth (%)	4.9	3.7	6.6	-0.1	0.7	1.4	3.6	2.5
Inflation (yr av, %)	15.9	16.6	9.5	6.4	5.0	4.6	4.0	3.5
Public Sector Balance (% of GDP)	-1.2	-1.1	-1.1	-0.7	-1.2	-0.7	-0.3	
Current Account Balance (% of GDP)	-3.8	-2.9	-3.1	-2.9	-2.2	-1.5	-1.6	
External Debt (USD bn)	159.9	167.3	158.5	158.3	159.0	159.0	163.4	
External Debt/GDP Ratio (%)	38.0	34.8	27.3	25.4	25.0	26.3	26.8	
External Debt/Exports Ratio (%)	113.8	105.0	81.8	85.0	84.3	81.5	78.0	
Short-term Debt/Reserves (%)	82.8	75.7	53.3	40.2	34.6	27.4		
Debt Service Ratio (Paid) (%)	20.9	22.3	30.2	25.9	22.5	20.9		
Debt Service Ratio (Due) (%)	20.9	22.3	30.2	25.9	22.5	20.9	19.6	
International Reserves (USD bn)	31.8	31.8	35.5	44.7	50.6	58.9		
Import Cover (g & s) (months)	2.8	2.5	2.2	2.9	3.3	3.8		

Sources: IMF, Economist Intelligence Unit, ANZ Bank

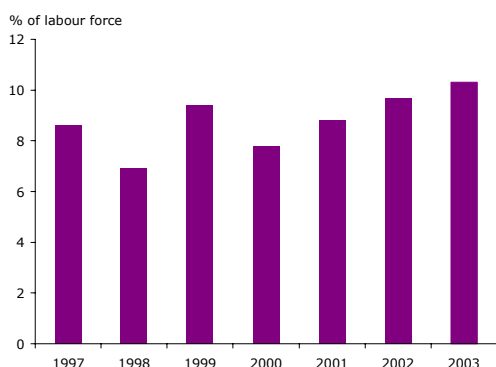
Country Update: Peru

Steady economic growth of 4-5% between 2002-2004



Sources : Datastream, EIU, ANZ

High recorded unemployment



Sources : Institute of International Finance; Ministry of Economy & Finance, Peru

- Real GDP expanded by 4% in 2003, supported by investment in the mining & hydrocarbons sector (eg. Camisea natural gas project) and exports (eg. minerals, textiles). The manufacturing sector (particularly textiles and garments) benefited from the 2002 Andean Trade Promotion and Drug Eradication Act, which increased the range of items accorded duty-free access to the US. The economy is forecast to expand by a similar rate in 2004, driven by investment and exports. In addition, the effect of interest-rate reductions in the second half of 2003 should filter through the economy but consumer spending is likely to remain weak.
- Growth of around 4-5% over the past two years has not, however, translated into lower unemployment or poverty alleviation causing growing discontentment over President Toledo's leadership and his failure to deliver on promises to lift socio-economic conditions. A series of corruption scandals and cabinet-member resignations have also seriously undermined his credibility and his popularity rating has plunged since coming into office in 2001.
- Despite the unstable political climate, the government remains committed to fiscal discipline. The fiscal deficit target for 2004 is 1.4% of GDP, down from 1.9% for 2003. Tax reform is underway to strengthen revenue to help make good on some electoral pledges (eg. lifting public sector wages) but the passage of implementation is not expected to be smooth.
- Peru's two-year agreement with the IMF expired in February and authorities are expected to negotiate another stand-by facility. Peru has not used the funds but the pact has helped to maintain positive investor sentiment and secure external funding.

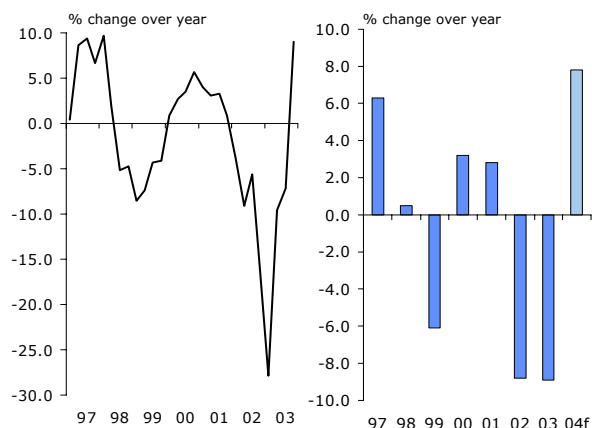
Economic data and debt statistics

Peru	1998	1999	2000	2001	2002	2003e	2004f	2005f
Economic growth (%)	-0.5	0.9	3.1	-0.1	4.9	4.0	4.2	4.4
Inflation (yr av, %)	7.3	3.5	3.8	2.0	0.2	2.3	3.1	3.0
Public Sector Balance (% of GDP)	-0.8	-3.2	-3.2	-2.6	-2.4	-1.9	-1.4	
Current Account Balance (% of GDP)	-6.0	-2.9	-2.9	-2.2	-2.1	-1.4	-1.8	
External Debt (USD bn)	30.5	29.2	28.7	27.5	27.9	30.0	31.4	
External Debt/GDP Ratio (%)	53.7	56.6	53.6	51.3	49.5	48.9	47.8	
External Debt/Exports Ratio (%)	340.6	324.3	286.8	278.5	272.5	253.5	229.9	
Short-term Debt/Reserves (%)	65.6	52.7	47.3	35.0	27.7	25.0		
Debt Service Ratio (Paid) (%)	24.2	28.2	25.6	22.2	48.8	33.2		
Debt Service Ratio (Due) (%)	24.3	28.2	25.6	22.3	37.0	33.2	31.7	
International Reserves (USD bn)	9.6	8.7	8.4	8.7	9.3	9.8		
Import Cover (g & s) (months)	10.7	11.6	10.4	10.8	11.3	10.6		

Sources: IMF, Economist Intelligence Unit, ANZ Bank

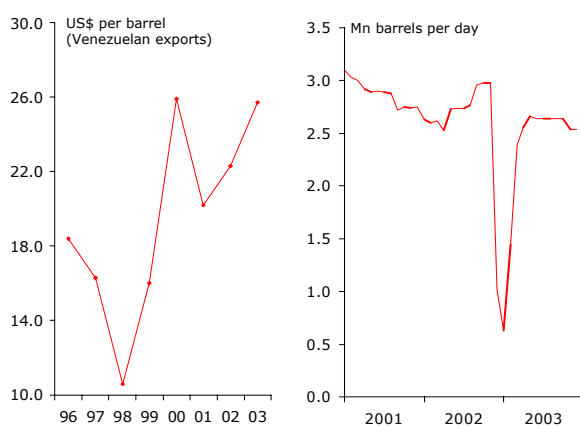
Country Update: Venezuela

Partial recovery in real GDP expected in 2004 following contraction in 2002 and 2003



Sources: Datastream, ANZ Bank

Economy assisted by stronger-than-expected recovery in oil production



Sources: Institute of International Finance, US Government

- Real GDP plummeted by approximately 18% in cumulative terms during 2002 and 2003. Political turmoil was largely responsible with growing unrest in early 2002 culminating in the brief overthrow of President Chavez and a general strike in late 2002/early 2003 having a devastating impact on GDP. There has been a strong recovery in GDP since early-2003 with oil production returning close to pre-strike levels more quickly than expected and a strong recovery in the non-oil sector.
- Real GDP growth is expected to exceed 7% in 2004, which would be the strongest since 1991 but would still leave output well below 2001 levels.
- The government is resorting to increased public spending to boost GDP growth and its own political standing. Economic imbalances are being exacerbated by price controls, foreign exchange controls, and a fixed exchange rate.
- The bolivar, which has been fixed against the US dollar since February 2003, was devalued by 16.7% in February 2004. The new rate is VEB1,920 per US dollar, but with the black market rate reported to be more than VEB3,000, the bolivar is still significantly overvalued.
- The large current account surplus is estimated to have exceeded 11% of GDP in 2003. A sharp decline in imports, caused by the economic contraction and foreign exchange controls, was largely responsible while the rise in oil prices helped to partially offset the decline in the volume of oil exports.

Economic data and debt statistics

Venezuela	1998	1999	2000	2001	2002	2003e	2004f	2005f
Economic growth (%)	0.2	-6.1	3.2	2.8	-8.8	-8.9	7.8	4.0
Inflation (yr av, %)	36.0	23.8	16.3	12.5	22.2	31.4	29.8	19.3
Budget Balance (% of GDP)	-3.7	-1.6	-1.7	-4.4	-4.8	-5.8	-7.7	
Current Account (% of GDP)	-4.6	1.8	10.0	1.6	7.8	11.3	8.5	
External Debt (USD bn)	37.4	37.3	37.8	34.7	33.0	32.4	33.9	
External Debt/GDP Ratio (%)	39.1	36.1	31.2	27.5	34.6	38.0	35.7	
External Debt/Exports Ratio (%)	173.2	152.6	99.2	114.3	112.6	118.1	118.4	
Short-term Debt/Reserves (%)	18.6	16.8	31.1	40.4	43.2	26.5		
Debt Service Ratio (Paid) (%)	27.8	23.4	15.9	24.9	18.5	18.4		
Debt Service Ratio (Due) (%)	27.8	23.4	15.9	24.9	18.5	18.4	16.0	
International Reserves (USD bn)	11.9	12.3	13.1	9.2	8.5	16.0		
Import Cover (g & s) (months)	6.9	7.9	7.4	4.7	5.8	14.0		

Sources: IMF, Economist Intelligence Unit, ANZ Bank

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