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# Capital Flows to Latin America

## Year-end 2005



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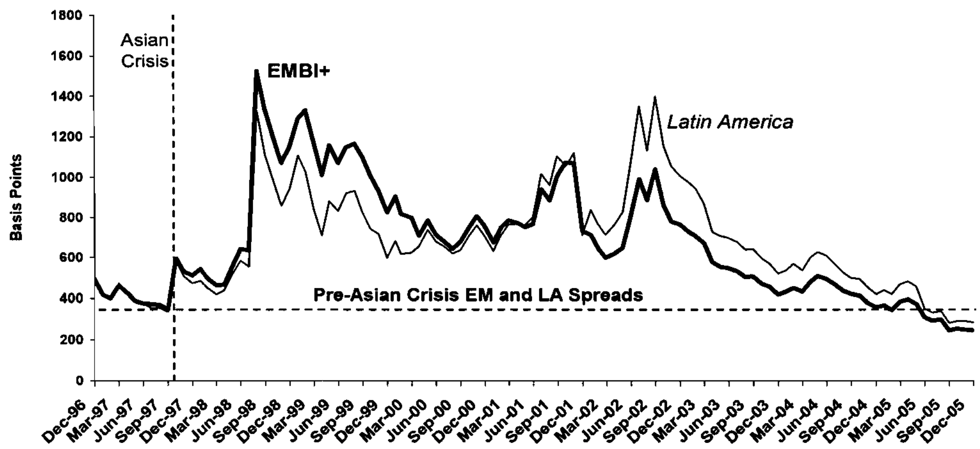
**CAPITAL FLOWS TO LATIN AMERICA**
**Year-end 2005***

Emerging market bond spreads tightened to record low levels in 2005, as a result of the search for yield in face of ample global liquidity and improving fundamentals in emerging market countries. According to J.P. Morgan, most of the EMBI Global's 8.96% total return in 2005 was derived from spread tightening, which totaled 110 basis points in 2005. The EMBI+ spreads tightened 111 basis points and its Latin component tightened 137 basis points in 2005.

**Chart 1:**
**Spreads on JP Morgan EMBI+ and Latin American Composites**
**December 1996 to December 2005**




Source: ECLAC, on the basis of data from "Emerging Markets Bond Index Monitor", JP Morgan.

Emerging and Latin American markets were also supported by active debt management, as countries took advantage of the favorable external environment to pre-finance for 2006. Sovereigns in Latin America, which will face a heavy electoral cycle in 2006, are estimated to have already met more than 90% of their 2006 external debt financing needs. Pre-financing and debt management has led to improved debt structures and increased resilience to external shocks in emerging markets.

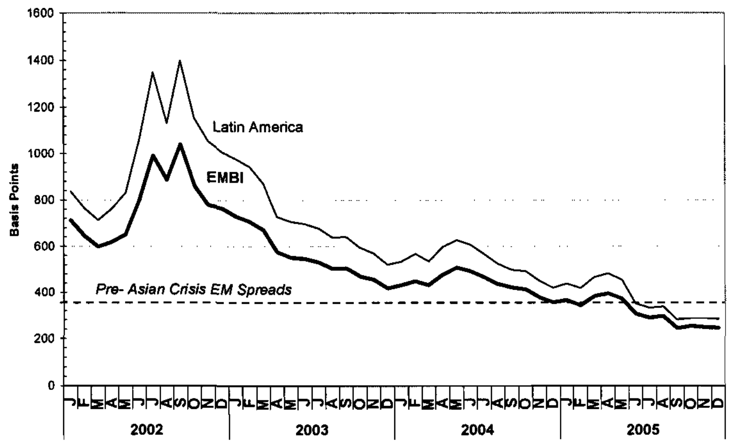
According to market analysts, however, some vulnerability remains in Latin American markets. The region remains vulnerable to fluctuations in commodity markets, because despite higher export prices, export volume growth has fallen behind the world's performance, implying a lower export share in global markets. Latin America's investment rate remains relatively low and continues to impose limits on the region's long-term growth. Finally, the 2006 electoral cycle will be a key development to watch, as it might be a source of uncertainty and increased volatility.

* This document has been prepared on the basis of market views and developments. All data and information are from market sources, unless otherwise noted.

## I. Bond Markets and Debt Management

Emerging market spreads, as measured by the J.P. Morgan EMBI+ index, tightened by 111 basis points in 2005, while the Latin American component narrowed by 137 basis points. Spreads widened in the beginning of the second quarter due to an increase in risk aversion, but narrowed significantly after that, returning to pre-Asian crisis levels by the end of June, and falling below pre-Asian levels in the third and fourth quarters (Chart 2).

**Chart 2:**
**EMBI+ Spreads and Latin American Component**
**2002-2005**




Source: J.P. Morgan.

The abundance of global liquidity has been the usual argument for why spreads are at such low levels. However, a recent Goldman Sachs study calculated that 27% of the compression in spreads since 2002 is due to a broadening in the "investor base". According to the IMF, institutional investors, such as pension funds, allocated US$7.3 billion to strategic investments in emerging markets in the first half of 2005, a 73% increase over the first half of 2004.[1] In addition, faster growth, lower inflation and tighter public finances in most emerging markets played a role, as well as investors' greater appetite for risk.

The broader class of investors has changed the nature of the commitment between buyers and issuers. In the past, emerging and Latin American markets received only short-term capital flows, but buyers are now willing to commit to longer-term goals, making liability management programs more viable. Sovereigns have launched a variety of debt management operations in 2005, such as de-leveraging, extending maturities, retiring expensive debt, switching from hard currency to local currency, and increasing the proportion of fixed-rate debt.

Brazil, for example, issued its first local-currency global bond in the third quarter of 2005, alleviating market concerns with the currency composition of its debt. This followed a landmark exchange of US$4.2 billion worth of C-Bonds for US$4.5 billion in A-bonds in August, with Brazil extending the maturity of its debt to 2018 from 2014 with the transaction. In October, the remainder US$1.2 billion of the C-Bonds was retired. Moody's raised Brazil's credit rating one level to Ba3 in October, three notches below investment grade, and the credit quality in Latin American markets is set to continue to improve as a result of debt management operations (see Box 1).

[1] IMF, *Global Financial Stability Report*, September 2005.

## BOX 1: Credit Rating Actions in Latin America - 2005

In 2005, upgrades outpaced downgrades in Latin America. There were 22 positive credit rating actions by Standard & Poor's and Moody's, and only five negative actions.

**Positive Actions: 22**

***January:***

- *Mexico:* foreign currency debt upgraded to Baa1 from Baa2 by Moody's, reflecting Mexico's continued reduction in external vulnerability.
- *Brazil:* outlook upgraded to positive from stable by Moody's, reflecting robust current account performance , strong fiscal results and improvement in domestic debt profile;
- *Ecuador:* foreign currency debt upgraded to B- from CCC+ by S&P, reflecting improvement in prospects for government financing;
- *Mexico:* foreign currency debt upgraded to BBB from BBB- by S&P.
- *Mexico:* local currency long-term debt upgraded to A from A- by S&P, reflecting depth of local debt market.

***February:***

- *Chile:* outlook upgraded to positive by Moody's, reflecting Chile's use of windfall from higher copper prices to pay down public debt;
- *Panama:* outlook upgraded to stable by S&P, reflecting improvement in fiscal stance and debt dynamics after the swift passage of the fiscal reform package.

***March:***

- *Venezuela:* foreign currency debt upgraded back to B from SD after Venezuela made debt payment on its oil-indexed warrants (see January negative actions).

***May:***

- *Dominican Republic:* outlook upgraded to stable from negative by Moody's.

***June:***

- *Dominica Republic:* foreign currency debt upgraded to B from SD by S&P, citing positive macroeconomic and fiscal picture;
- *Argentina:* foreign currency debt upgraded to B- from SD by S&P;
- *Argentina:* foreign currency debt upgraded to B2 from Caa1 by Moody's, following the positive consequences of its debt restructuring.
- *Costa Rica:* outlook upgraded by to stable by S&P.

***July:***

- *Peru:* outlook upgraded to positive by S&P;
- *Trinidad & Tobago:* foreign currency debt upgraded to A- by S&P.

***August:***

- *Trinidad & Tobago:* foreign currency debt upgraded to Baa2 by Moody's, reflecting fiscal surpluses in the fiscal and external accounts, efforts to diversify the economy and increase in the local participation in the energy sector.

***October:***

- *Brazil:* foreign currency debt upgraded to Ba3 by Moody's;
- *Brazil:* outlook upgraded to positive by Fitch, reflecting favorable trends in the balance of payments and external debt dynamics, as well as substantial progress in moderating inflation pressures;
- *Ecuador:* outlook changed back to stable by S&P (see August negative actions).

***November:***

- *Brazil:* outlook upgraded to positive by S&P.

**Negative Actions: 5**

*January:*

- *Venezuela:* Downgraded to SD by S&P, citing the nonpayment of US$35 million in oil warrant payments attached to Venezuelan Brady bonds.

***February:***

- *Dominican Republic:* foreign currency debt downgraded to SD by S&P, after the government acknowledged arrears on its commercial bank debt in its Letter of Intent with the IMF.

***June:***

- *Ecuador:* foreign currency debt downgraded to CCC+ from B- by S&P, reflecting concerns over the government's ability to cover its financing needs.
- *Bolivia:* outlook downgraded to negative by S&P, citing weakening governability due to political fragmentation.

***July:***

- *Barbados:* outlook downgraded do negative by S&P.

***August:***

- *Ecuador:* outlook downgraded to negative by S&P, due to concerns over the government's ability to cover its financing needs.

Source: J.P. Morgan, *Emerging Markets Outlook and Strategy*.

Mexico bought back US$1.4 billion of external bonds in 2005, reducing near-term amortizations and the cost of its debt. It also launched warrants allowing investors to swap up to US$2.5 billion of dollar-denominated debt in 2006 for peso-denominated paper, in an effort to reduce the government's stock of dollar debt and the associated currency risk. Mexico, as well as Colombia, has relied increasingly on domestic debt in order to reduce currency mismatches.

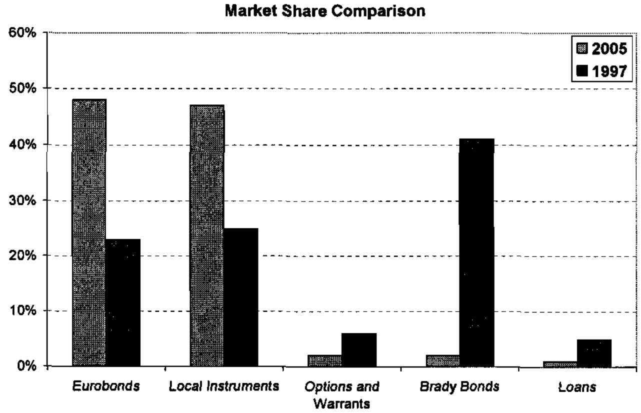
Panama and Peru also carried out liability management operations in 2005, exchanging outstanding debt to lengthen maturity profiles. Panama sold US$980 million in 20-year debt in November, as part of an ongoing liability management program to extend debt maturities and lower financing costs, and Peru reopened its 2025 global bond in December, raising US$500 million, to pay back the bulk of an US$830 million loan from Japan Peru Oil (Japeco).

Ecuador issued US$650 million in bonds due in 2015 in December, carrying a coupon of 9.375%. The sovereign plans to use part of the proceeds to buy back some of its 2012 bonds, which carry a higher coupon of 12%. The government estimates that if it can repurchase as much as US$650 million of the bonds (about half of the 2012 notes in circulation) before June of 2006, then it can save US$17 million in interest payments a year over a period of five years.[2]

Emerging markets new debt issuance was exceptionally vigorous in 2005, responding to favorable borrowing conditions and historically low yields, as well as to the improving quality of emerging markets credit. New emerging market issuance amounted to US$160 billion at the end of December according to ECLAC's estimates on the basis of J.P. Morgan and Merrill Lynch's data, with Latin American issuance reaching US$46 billion.

Finally, the volume of trade in emerging market debt instruments hit its highest level since 1997 in 2005, reaching US$5.485 trillion, according to EMTA (formerly known as the Emerging Market Traders Association). EMTA, announcing the results of its quarterly survey, said that the 2005 total had increased 18% from its 2004 level, and had only been surpassed once, by the volume of trade in 1997, when trading reached US$5.915 trillion before declining after the Russian debt default in the following year. Eurobond trading accounted for 48% of the total, while local instruments accounted for 47%, increasing 25% and 24% from their 2004 level, respectively. This contrasts significantly with 1997, when Brady bonds accounted for the biggest share of the total trading volume (Chart 3).

**Chart 3:**
**Emerging Market Debt Trading Volumes**
**Market Share Comparison**




Source: EMTA Survey.

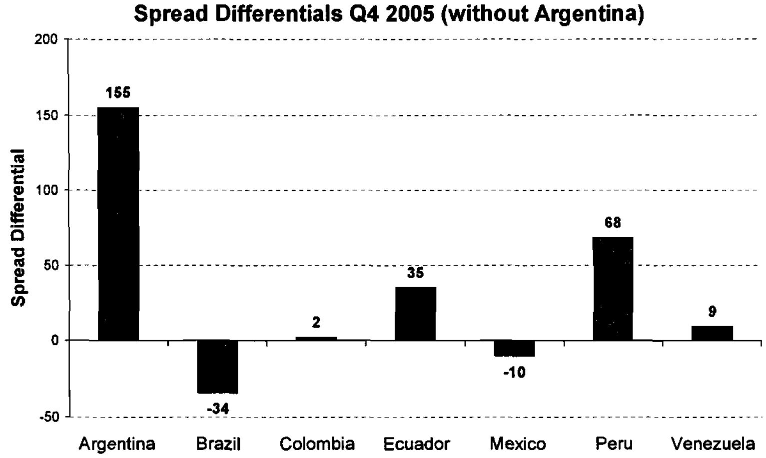
[2] *LatinFinance*, February 2006.

The most commonly traded instruments included bonds from Brazil, Mexico, Turkey, Russia and Argentina. Brazil's 2040 remained the most frequently traded individual instrument, attracting some of the activity in the previous industry benchmark, the Brazil C-Bond, which was redeemed in October. Mexico's debt instruments maintained their position as the second most frequently traded instruments in 2005, despite the fact that Mexican volumes fell 16%, reaching its lowest level since 2000. Argentina's volumes moved up to fifth position (from seventh in 2004 and twelfth in 2003), following the completion of its debt restructuring process.

## A. Spreads

The EMBI+ widened by 1 basis point and the Latin American component of the EMBI+ widened by 3 basis points in the fourth quarter, although both tightened for the year as a whole. In the fourth quarter, spreads widened for Argentina, Colombia, Ecuador, Peru and Venezuela, but tightened for Brazil and Mexico (Chart 4).[3]

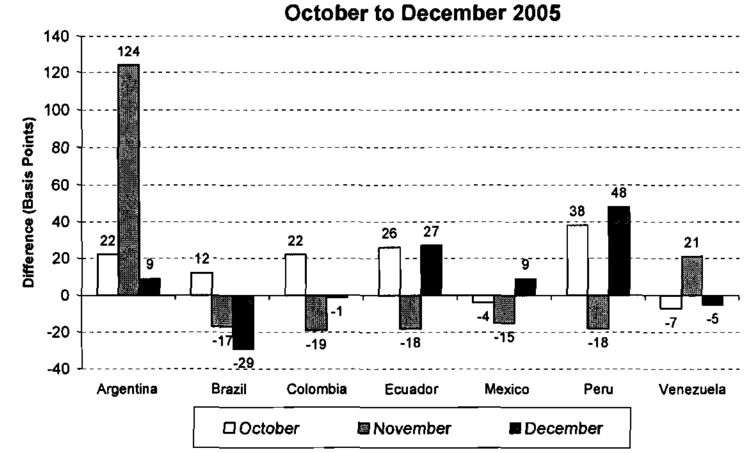
**Chart 4:**
**Spread Differentials Q4 2005 (without Argentina)**




Source: ECLAC, on the basis of data from JP Morgan.

On a monthly basis, Latin American spreads widened in October, as investor risk aversion increased, given that concerns with the possibility of an overshooting of monetary policy tightening in the U.S. resulted in a wave of profit taking across the riskier asset classes. In November, with the exception of Argentina and Venezuela, spreads declined. Signs of rising risk appetite were visible in some emerging market assets and in global equity markets, but they began to reverse in December, when spreads widened for Argentina, Ecuador, Mexico and Peru (Chart 5).

**Chart 5:**
**Monthly Spread Differentials**
**October to December 2005**

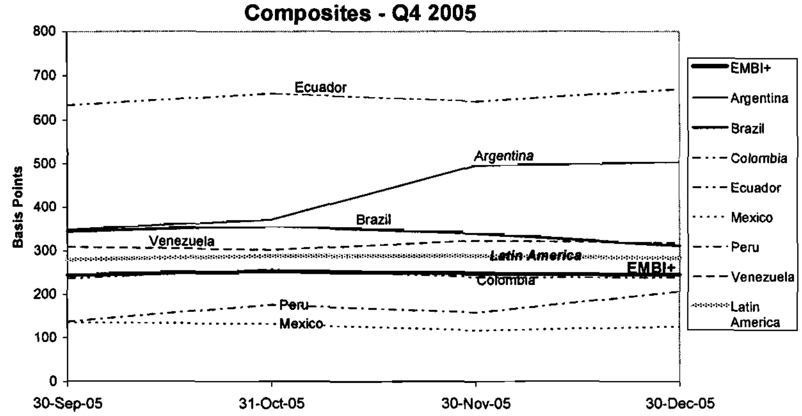



Source: ECLAC, on the basis of data from JP Morgan.

[3] See Appendix B, Table 3, for the evolution of the spreads of the EMBI Global Index, which also includes Chile and Uruguay in addition to the countries included in the EMBI+.

Argentina showed the biggest spread widening in the fourth quarter, a result of increasing inflation risks and the unexpected departure of Roberto Lavagna, Argentina's economy minister, who successfully restructured the defaulted debt. Argentina's spreads narrowed 4,931 bps in the second quarter of 2005 and 113 bps in the third, as the debt exchange came to a close in June. Spreads fell from 6,498 basis points at the end of May, to 349 basis points at the end of September. However, spreads widened to 504 basis points at the end of December, as investors did not receive well Mr. Lavagna's departure at the end of November, and the government's announcement in December that it was paying early its outstanding obligations to the IMF, amounting to US$9.6 billion. The market viewed the announcement as a political decision, showing concern that the government would cancel its debt to the IMF, on which it was paying an interest rate of 4.2%, by partly issuing new debt, on which it will probably pay higher interests.

**Chart 6:**
**Spreads on JP Morgan EMBI+ and Latin American Composites - Q4 2005**




Source: ECLAC, on the basis of data from "Emerging Markets Bond Index Monitor", JP Morgan.

Brazilian spreads tightened 44 basis points in the second quarter, 69 basis points in the third quarter, and 34 basis points in the fourth, from 458 bps at the end of March (the highest level of the year), to 311 basis points at the end of December. Strong balance of payments and receding inflation paved the way for monetary easing, and supported further spread tightening in the fourth quarter. In addition, markets welcomed Brazil's decision to repay its remaining obligations to the IMF by the end of 2005, which underscored Brazil's robust balance of payments situation. The payments amounted to US$15.5 billion, which would otherwise fall due through 2007. The decision followed a similar move in July to repay IMF obligations equivalent to US$4.9 billion, fitting within the broader context of Brazil's strategy of pursuing active debt management operations. Analysts believe the 2006 election will not derail economic policies, and that the improving external ratios warrant another upgrade in 2006.

Colombian spreads fell from 396 basis points at the end of March, to 238 basis points at the end of December, tightening 64 basis points in the second quarter, 96 basis points in the third, and remaining largely the same in the fourth quarter, widening only 2 basis points. Political noise should not be a key market driver in 2006, given President Uribe's likely reelection in May. However, positive rating actions and upside potential will depend on a renewed push for fiscal reforms after the elections.

Mexican spreads fell from 180 bps at the end of March to 126 bps at the end of December, tightening 12 bps in the second quarter, 32 bps in the third, and 10 bps in the fourth quarter. Mexico's fundamentals remained solid during 2005 and the improved outlook for domestic inflation, improved debt profile and faster economic growth should support Mexican debt in 2006, despite elections and tight spread levels.

Spreads in Peru tightened by 33 bps in the second quarter and 68 basis points in the third, falling from 239 bps at the end of March to 138 basis points at the end of September. However, spreads widened 68 basis points in the fourth quarter because of electoral uncertainty, ending the year at 206 basis points. Electoral volatility should be a factor in the first quarter of 2006, but Peru will go to elections in April displaying solid economic growth. Positive rating actions can take place next year, if the next administration maintains a conservative fiscal stance, and continues to improve debt ratios.

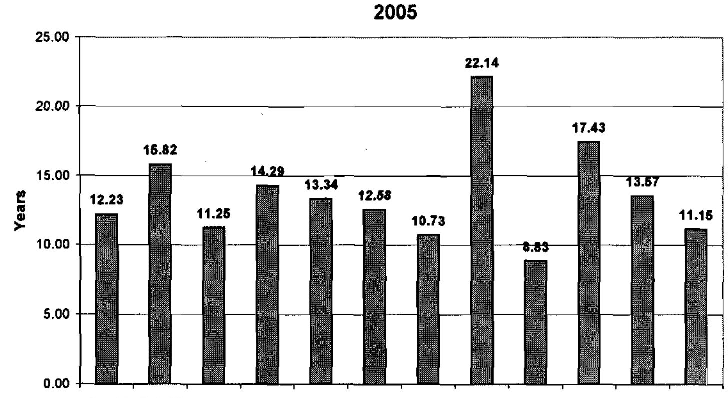
Finally, Venezuelan spreads remained roughly the same in the fourth quarter, increasing only by 9 bps, from 309 bps at the end of September to 318 bps at the end of December. However, spreads tightened 93 bps in 2005 on the basis of elevated oil prices, fueling government spending and keeping growth relatively high. Analysts believe debt buybacks may be an important theme for Venezuela in 2006, given that the country is currently overfinanced.

## B. Issuance

According to ECLAC's estimates based on Merrill Lynch and J.P. Morgan data, emerging markets issuance in 2005 reached a record high of US$160 billion. New issuance responded to favorable borrowing conditions and historically low yields, as well as to the improving quality of emerging markets credit.

The favorable borrowing conditions and improved debt structures in Latin American markets in 2005 were reflected on the higher average maturity of the new debt issued (Chart 7). Brazilian corporates issued seven perpetual bonds in 2005. Perpetual bonds have no maturity date, thus are not redeemable, but pay a steady stream of interest forever. A perpetual bond offers a longer duration for investors seeking long-term investments.

**Chart 7:**
**New Latin American Debt Issuance: Average Maturity**
**2005**

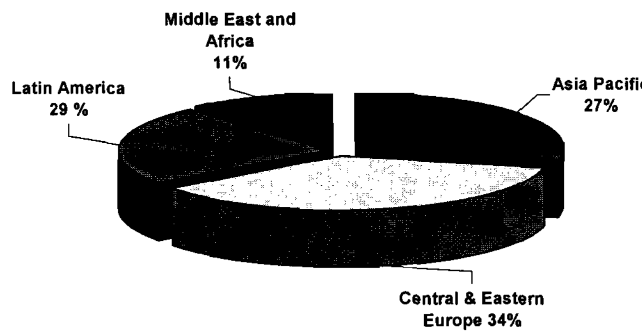



Source: ECLAC, on the basis of data from Merrill Lynch and J.P.Morgan.

*Note: the May, June, July and September averages do not include the perpetual bonds issued by Brazilian enitites.*

Latin American bond issuers placed a total of US$46 billion in international capital markets in 2005. Latin American issuance was the second largest share of total emerging markets issuance, following Emerging Europe (Chart 8), and covered more than 90% of its external financing needs for 2006 according to J.P. Morgan data. Several countries, including Colombia, Mexico, and Venezuela, completed already in 2005 their planned financing for 2006. In January 2006, Uruguay closed its external financing gap after reopening its existing bond due in 2022, and Brazil's National Treasury released its Annual Financing Plan highlighting that about 85% of this year's external financing needs have already been met. The favorable global economic and financial environment has facilitated liability management operations on the part of key emerging market countries, including the refinancing of more expensive debt by less expensive money and the pre-financing of a large share of obligations due in 2006. In addition, higher commodity prices and increased remittances from overseas workers made external financing requirements more manageable for many countries.

**Chart 8:**
**Emerging Markets Debt Issuance: Regional Breakdown**
**2005**




Note: Total emerging markets debt issuance for 2005 YTD is US $159.6 billion.
Source: ECLAC, on the basis of data from Merrill Lynch and J.P.Morgan.

Active debt management operations helped reduce debt-related vulnerabilities, leading to the broadening of the investor base, which, in turn, has given debt managers more flexibility to issue in different currencies and to increase the share of financing from local sources. The share of local currency bonds in total Latin American debt in 2005 was 8%; 5.4% was denominated in Brazilian *reais* (Table 1). With the broadening of the investors base, strategic long-term investment in emerging markets, particularly from pension funds, increased significantly over the last few years, with the amounts invested in 2005 exceeding last year's totals.

**Table 1: Global Local-Currency Denominated Bond Issues in 2005**

| Announcement Date | Issuers | Currency | Maturity | US$ Equivalent (million) |
|---|---|---|---|---|
| 13-Jan-05 | Colombia | COP | 1-Mar-10 | 125 |
| 3-Feb-05 | Unibanco | BRL | 11-Feb-10 | 125 |
| 15-Feb-05 | Banco ABN Real | BRL | 22-Feb-05 | 58 |
| 16-Feb-05 | Colombia | COP | 22-Oct-15 | 325 |
| 18-Feb-05 | Banco Votorantim | BRL | 28-Feb-08 | 100 |
| 24-Feb-05 | Bradesco | BRL | 10-Dec-07 | 50 |
| 7-Apr-05 | Banespa | BRL | 13-Apr-08 | 58 |
| 10-May-05 | Banco Bradesco | BRL | 10-Dec-07 | 50 |
| 23-Jun-05 | Eletropaulo | BRL | 28-Jun-10 | 200 |
| 19-Sep-05 | Brazil | BRL | 5-Jan-16 | 1,479 |
| 22-Sep-05 | Bradesco | BRL | 4-Jan-10 | 100 |
| 29-Sep-05 | America Movil | MXN | 15-Jan-16 | 463 |
| 3-Oct-05 | Telefonica del Peru | PEN | 11-Apr-16 | 225 |
| 10-Nov-05 | Banco ABN AMRO Brazil | BRL | 22-Feb-10 | 272 |
| 14-Dec-05 | Colombia | COP | 22-Oct-15 | 250 |
| Total | | | | 3,880 |

Source: ECLAC, on the basis of data from Merrill Lynch and J.P.Morgan.

Sovereigns to tap the international capital markets in the fourth quarter of 2005 were Jamaica, Barbados, Brazil, Colombia, Panama, Uruguay, Venezuela, Ecuador and Peru (Appendix C).

**Table 2**
**Currency Breakdown**
(% of Latin America's Total)

| Currency | 2005 |
|---|---|
| Dollar | 80.3% |
| Euro | 10.0% |
| JPY | 0.8% |
| Other* | 8.9% |

Source: ECLAC, with data from Merrill Lynch and JP Morgan.
* Issuance in Brazilian Reais, Colombian and Mexican Pesos, Swiss francs, and Peruvian Soles.

Sovereigns diversified in 2005, issuing debt in various international markets. In 2005, 80% of the Latin American bonds issued were denominated in dollars, 10% in euros, 1% in yens and 9% in Brazilian reais, Colombian and Mexican pesos, Swiss francs and Peruvian soles (Table 2).

Sovereign issuance amounted to US$24.3 billion or 53% of Latin American issuance in 2005 (Table 3), but corporate and bank issuance in Latin America was also strong, amounting to US$21.5 billion, or 47% of total Latin American issuance in 2005. Although corporate issuance did not outpace sovereign issuance in Latin America, for the emerging markets total, corporate issuance increased more than sovereign issuance in 2005. Analysts expect this trend to continue, with corporates outpacing sovereigns due to buy-backs of sovereign issues and the continued growth of local markets.

Brazil, Mexico and Venezuela were among the top ten issuers in emerging markets, ranking second, fifth and eighth, with amounts totaling US$15.3, US$11.7 and US$6.1 billion, respectively. The total amount issued by these three sovereigns in 2005 represented more than 70% of the total Latin American issuance.

**Table 3**
**Issuer Type Breakdown**
(% of Latin America's Total)

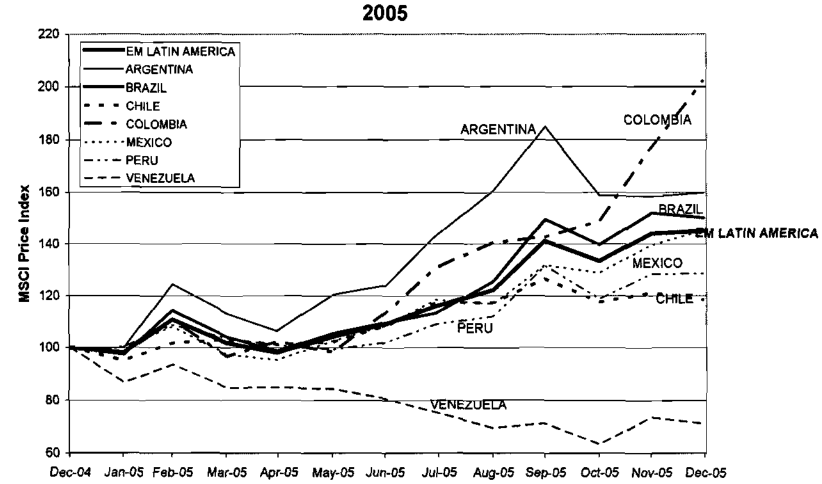
| Issuer Type | 2005 |
|---|---|
| Sovereign | 53.1% |
| Corporate* | 46.9% |

*Also includes bank issuance.
Source: ECLAC, with data from Merrill Lynch and JP Morgan.

## II. Portfolio Equity Flows into Latin America

Latin American equity markets hit record highs in 2005 due to vigorous growth supported by a favorable external environment. According to the Morgan Stanley's MSCI (Morgan Stanley Capital International) Price Index, emerging market equity prices resumed an upward climb following a correction in March and April, and increased 30% in 2005, bringing the index to an all-time high. Latin American stock gained 45% in 2005, compared to 34% for 2004 as a whole. Colombia showed the biggest gain in 2005 (102.3%), followed by Argentina (59.7%), Brazil (50%) and Mexico (45.2%). Venezuela was the only exception, where less-than-market-friendly policies have led to an index decline of 28.9% (Chart 9, Table 4).

**Chart 9:**
**MSCI Equity Price Index (USD)**
**2005**




Source:MSCI Equity Indices, http://www.msci.com/equity/index2.html

Table 4

| Stock Price Indexes 2005 YTD | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Price Index in US Dollars | | | | | Variation | | | | |
| | *31-Dec-04* | *31-Mar-05* | *30-Jun-05* | *30-Sep-05* | *30-Dec-05* | *Q1* | *Q2* | *Q3* | *Q4* | *2005* |
| *Emerging markets* | 542.17 | 548.689 | 565.168 | 661.318 | 706.483 | 1.20% | 3.00% | 17.01% | 6.83% | 30.31% |
| *Latin America* | 1,483.58 | 1,510.47 | 1,617.02 | 2,093.47 | 2,149.97 | 1.81% | 7.05% | 29.47% | 2.70% | 44.92% |
| *Argentina* | 1,162.98 | 1,316.37 | 1,440.50 | 2,151.60 | 1,857.10 | 13.19% | 9.43% | 49.36% | -13.69% | 59.68% |
| *Brazil* | 1,046.55 | 1,090.51 | 1,145.92 | 1,560.62 | 1,569.44 | 4.20% | 5.08% | 36.19% | 0.56% | 49.96% |
| *Chile* | 997.324 | 1,027.34 | 1,078.46 | 1,261.62 | 1,180.68 | 3.01% | 4.98% | 16.98% | -6.42% | 18.38% |
| *Colombia* | 245.007 | 236.54 | 277.572 | 349.72 | 495.667 | -3.46% | 17.35% | 25.99% | 41.73% | 102.31% |
| *Mexico* | 2,715.56 | 2,643.43 | 2,940.26 | 3,580.98 | 3,943.63 | -2.66% | 11.23% | 21.79% | 10.13% | 45.22% |
| *Peru* | 343.392 | 355.897 | 349.751 | 451.876 | 441.302 | 3.64% | -1.73% | 29.20% | -2.34% | 28.51% |
| *Venezuela* | 151.033 | 127.631 | 121.717 | 107.636 | 107.377 | -15.49% | -4.63% | -11.57% | -0.24% | -28.90% |

Source:MSCI Equity Indices, http://www.msci.com/equity/index2.html

According to the IMF's Financial Market Update, there are some indications that emerging equity markets have become more independent from their mature market counterparts, as the proportion of returns that is correlated with the U.S. market has declined, while the uncorrelated share has risen.[4]

## III. Bank Lending

The latest data available on bank lending is for the first half of 2005. Latin America experienced a net outflow to commercial banks of US$3.9 billion for the first half of 2005. After twelve consecutive outflows from the region, there was an inflow of US$7.6 billion into Latin America in the second quarter, however, breaking up with the previous trend. Claims on the region increased by US$2.1 billion, while deposits fell by US$5.5 billion (Table 5).[5]

Table 5

| ***Cross-border bank flows to Latin America*** Exchange rate adjusted changes in amounts outstanding, in billions of US$ dollars | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Banks Position* | 2003 Year | 2004 Year | 2004 Q3 | 2004 Q4 | 2005 Q1 | 2005 Q2 | Stocks at end-Dec 2004 | Stocks at end-March 2005 | Growth Q1 | Stocks at end-June 2005 | Growth H1 2005 |
| Latin America | Claims | -15.7 | -14.8 | -9.6 | -4.0 | 2.8 | 2.1 | 256.7 | 259.0 | 0.9% | 258.9 | 0.9% |
| | Liabilities | 25.3 | 13.0 | -8.5 | 7.5 | 14.3 | -5.5 | 289.2 | 301.5 | 4.3% | 295.1 | 2.0% |
| Argentina | Claims | -8.5 | -5.3 | -0.8 | -0.7 | -1.3 | -0.6 | 18.9 | 17.4 | -7.8% | 16.5 | -12.5% |
| | Liabilities | -0.8 | -0.3 | -0.3 | -0.5 | -0.1 | 1.0 | 24.8 | 24.5 | -1.2% | 25.0 | 0.8% |
| Brazil | Claims | -7.2 | -7.4 | -2.1 | -3.1 | 2.9 | 0.8 | 77.3 | 80.0 | 3.5% | 80.1 | 3.6% |
| | Liabilities | 14.4 | -4.8 | -7.0 | 0.9 | 13.3 | -9.3 | 53.2 | 65.8 | 23.7% | 55.7 | 4.7% |
| Chile | Claims | 1.4 | -1.8 | -0.7 | -0.2 | 0.2 | 0.4 | 20.9 | 21.0 | 0.5% | 21.3 | 1.9% |
| | Liabilities | -2.5 | 0.9 | 0.4 | -0.6 | 1.0 | -0.3 | 15.3 | 16.3 | 6.4% | 15.8 | 3.2% |
| Mexico | Claims | -0.7 | -0.8 | -6.7 | -1.0 | 0.5 | -1.8 | 65.2 | 66.0 | 1.2% | 63.7 | -2.3% |
| | Liabilities | 6.2 | -4.7 | -6.4 | -1.6 | -1.5 | 2.3 | 58.1 | 56.2 | -3.2% | 58.1 | 0.1% |
| Venezuela | Claims | -1.7 | -0.7 | 0.0 | -0.2 | -0.4 | 0.1 | 13.7 | 13.2 | -4.1% | 13.1 | -4.5% |
| | Liabilities | -3.5 | 4.7 | 0.1 | 1.6 | 4.5 | 3.5 | 33.7 | 38.1 | 13.0% | 41.3 | 22.5% |

Source: BIS Quarterly Review (Table 6A), 5 December 2005.

* External on-balance sheet positions of banks in the BIS reporting area. Liabilities mainly comprise deposits.

An increase in claims represents an inflow into Latin American economies; an increase in liabilities an outflow.

[4] IMF, *Financial Market Update*, December 2005, p.9.

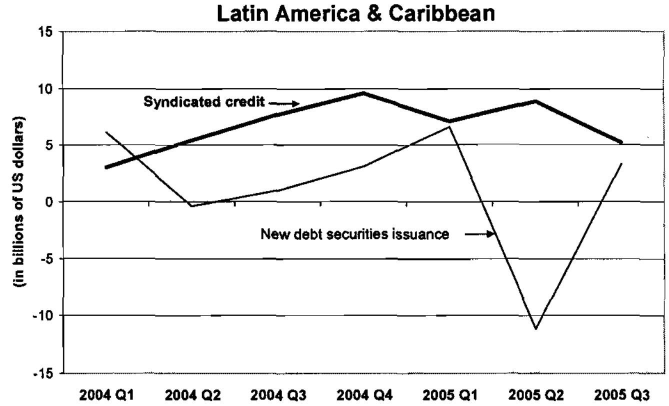
[5] BIS *Quarterly Review*, December 2005.

Brazil was the country with the largest outflow of funds in the region during the first quarter of 2005. Total claims on Brazil increased by US$2.9 billion, but given also an increase in liabilities of US$13.3 billion, Brazil experienced a net outflow of US$10.4 billion. It was followed by Venezuela, which experienced a net outflow of US$4.9 billion. Mexico was the only country to experience a net inflow of funds of US$2 billion.

In the second quarter, however, Brazil received a net inflow of funds amounting to US$10.1 billion. Brazil and Chile were the only Latin American countries to see net lending from commercial banks (all the other countries experienced an outflow of funds). Short-term credit inflows took place for the first time in Brazil after more than five years.

Activity in the international market for syndicated loans was very strong in the second quarter, but slowed down in the third, and although syndicated credits data are not necessarily a reliable proxy for future bank lending, the data indicates that bank lending may have slowed down in the third quarter (Chart 10). Argentina returned to the market after a long pause, with an engineering company arranging a US$1.4 billion facility.

**Chart 10:**
**Announced Syndicated Lending and Securities Issuance in Latin America & Caribbean**




* Net Issuance: Gross Issues - Repayments
Source: ECLAC, on the basis of data from the Bank for International Settlements (BIS).

## IV. Prospects

Given favorable global background for Latin American credit and equity markets, investors brought a great amount of money to the region's financial markets in 2005. Global liquidity was plentiful, and with interest rates still relatively low in the U.S., investors were hungry for higher yielding assets. In addition, most Latin American governments improved their fiscal situation, kept inflation under control, and provided macroeconomic stability. In 2005, the region recorded its third successive annual current account surplus. Foreign reserves grew and debt levels were reduced.

As a result of these favorable borrowing conditions, equity markets in Brazil and Mexico reached new records in 2005, local currencies strengthened and Latin American bond spreads reached record low levels. Mexico's IPC stock market index rose more than 40% in dollar terms in 2005, following increases of 48% in 2004 and 31% in 2003. Stock prices in Brazil rose more than fourfold from 2003 to 2005 in dollars. Latin American bonds returned more than any other class on emerging market debt in 2005, and spreads on Latin American bonds fell to record lows.

According to J.P. Morgan, 2005 represented a year of breaking with historical relationships. Local emerging markets entered the mainstream, emerging market spreads were less volatile than U.S. high yield and high grade spreads, and spreads reached unprecedented low levels. Emerging and Latin American spreads are expected to remain less volatile than their counterparts in mature markets in 2006, and sovereign borrowing needs for 2006 are very low, given the heavy pre-financing that has already occurred, especially in Latin America. Mexico has even refinanced debt due through 2007. Sovereign upgrades in 2005 brought the EMBI Global to one notch below investment grade, and ratings momentum should continue in 2006.

Latin America is currently well cushioned for a tightening in global liquidity. Prudent fiscal stance and current account surpluses led to an improvement in Latin America's debt ratios and to a decline in the region's vulnerability to external shocks. However, the region still remains vulnerable to fluctuations in commodity prices, as the region's export share in world markets has diminished despite the increase in export prices, and its investment rate remains relatively low, limiting long-term growth.

**APPENDIX**

A. **Credit Ratings in Latin America**
B. **Latin American Spreads**
C. **New Latin American Debt Issuance**

## A. Credit Ratings

**Table 1:**
**Credit Ratings in Latin America**

| | Moody's | | S&P | | Recent Moody's Action | | Recent S&P Action | |
|---|---|---|---|---|---|---|---|---|
| | Rating | View | Rating | View | Action | Date | Action | Date |
| Argentina | B3 | | B- | | Upgrade, stable | 29-Jun-05 | Upgrade, stable | 1-Jun-05 |
| Barbados | Baa2 | | BBB+ | (-) | Affirmed, stable | 9-Jul-02 | O/L changed to (-) | 29-Jul-05 |
| Bolivia | B3 | | B- | (-) | Affirmed, stable | 16-Apr-03 | O/L changed to (-) | 7-Jun-05 |
| **Brazil** | **Ba3** | **(+)** | **BB-** | **(+)** | **Upgrade, O/L (+)** | **12-Oct-05** | **Affirmed, O/L changed to (+)** | **8-Nov-05** |
| **Chile** | Baa1 | (+) | **A** | | O/L changed to (+) | 14-Feb-05 | **Affirmed, stable** | **19-Dec-05** |
| **Colombia** | Ba2 | (-) | **BB** | | O/L changed to (-) | 27-Mar-02 | **Affirmed, stable** | **12-Oct-05** |
| Costa Rica | Ba1 | (-) | BB | | Affirmed O/L (-) | 16-Apr-03 | O/L changed to stable | 10-Jun-05 |
| Cuba | Caa1 | | nr | | | | | |
| Dominican Republic | B3 | | B | | O/L changed to stable | 24-May-05 | Upgrade, stable | 29-Jun-05 |
| **Ecuador** | Caa1 | | **CCC+** | | Upgrade, stable | 24-Feb-04 | **Affirmed, O/L changed to stable** | **4-Oct-05** |
| El Salvador | Baa3 | | BB+ | | O/L changed to stable | 18-Dec-03 | Affirmed, stable | 15-Sep-05 |
| Guatemala | Ba2 | | BB- | | Affirmed, stable | 8-Jul-97 | Affirmed, stable | 5-Aug-05 |
| Honduras | B2 | | nr | | Affirmed, stable | 29-Sep-98 | | |
| Jamaica | B1 | | B | | Downgrade, stable | 27-May-03 | Affirmed, stable | 10-Dec-04 |
| Mexico | Baa1 | | BBB | | Upgrade, stable | 6-Jan-05 | Upgrade, stable | 31-Jan-05 |
| Nicaragua | B2 | | nr | | Affirmed, stable | 30-Jun-03 | | |
| Panama | Ba1 | | BB | | Affirmed, stable | 7-May-03 | O/L changed to stable | 18-Feb-05 |
| Paraguay | Caa1 | | B- | | Downgrade, stable | 28-Apr-03 | Upgrade,O/L to stable | 26-Jul-04 |
| Peru | Ba3 | | BB | (+) | Affirmed, stable | 28-Oct-02 | O/L changed to (+) | 11-Jul-05 |
| Trinidad & Tobago | Baa2 | | A- | | Upgrade, stable | 9-Aug-05 | Upgrade, stable | 21-Jul-05 |
| Uruguay | B3 | | B | (+) | O/L changed to stable | 10-Nov-04 | **Affirmed, O/L changed to (+)** | **9-Jan-06** |
| Venezuela | B2 | | B+ | | Upgrade, stable | 7-Sep-04 | Upgrade, stable | 12-Aug-05 |

***Changes for the second and third quarters of 2005 are highlighted.***
**Note:** Moody's ratings are qualified by outlooks and reviews while S&P ratings are qualified by outlooks and watches.
A review/watch is indicative of a likely short-term development.
An outlook suggests that a review/watch or long/intermediate-term movement is likely.
**Source:** *JP Morgan, Emerging Markets Outlook, January 13, 2006.*

**Rating Scale**

| | MOODY's | S&P | | MOODY's | S&P |
|---|---|---|---|---|---|
| Upper Investment Grade | Aaa | AAA | Lower Non-Investment Grade | B1 | B+ |
| | Aa1 | AA+ | | B2 | B |
| | Aa2 | AA | | B3 | B- |
| | Aa3 | AA- | | Caa1 | CCC+ |
| | A1 | A+ | | Caa2 | CCC |
| | A2 | A | | Caa3 | CCC- |
| | A3 | A- | | Co | CC |
| Lower Investment Grade | Baa1 | BBB+ | | C | C |
| | Baa2 | BBB+ | Default | | SD |
| | Baa3 | BBB- | | | D |
| Non-Investment Grade | Ba1 | BB+ | | | |
| | Ba2 | BB | | | |
| | Ba3 | BB- | | | |

## B. Latin American Spreads

**Table 2:**

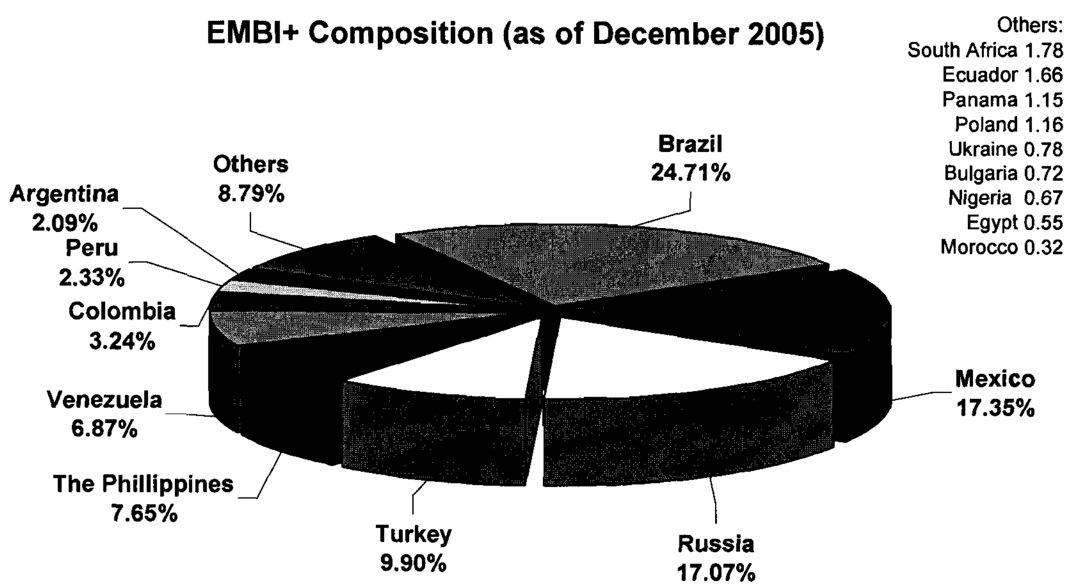
**Sovereign Spreads on JP Morgan EMBI+ and Latin American Composites**

| | *EMBI+* | *Argentina* | *Brazil* | *Colombia** | *Ecuador* | *Mexico* | *Peru* | *Venezuela* | *Latin America* |
|---|---|---|---|---|---|---|---|---|---|
| 30-Jan-04 | 432 | 5764 | 493 | 430 | 714 | 204 | 343 | 641 | 536 |
| 27-Feb-04 | 449 | 5815 | 579 | 426 | 762 | 189 | 356 | 733 | 568 |
| 31-Mar-04 | 432 | 4873 | 559 | 379 | 701 | 183 | 343 | 667 | 536 |
| 30-Apr-04 | 478 | 4628 | 663 | 443 | 925 | 201 | 393 | 692 | 598 |
| 28-May-04 | 508 | 4964 | 701 | 523 | 909 | 208 | 473 | 666 | 626 |
| 30-Jun-04 | 493 | 5188 | 650 | 486 | 952 | 215 | 439 | 647 | 607 |
| 30-Jul-04 | 466 | 5036 | 593 | 437 | 852 | 200 | 411 | 581 | 566 |
| 31-Aug-04 | 436 | 5258 | 521 | 408 | 813 | 183 | 357 | 550 | 524 |
| 30-Sep-04 | 421 | 5440 | 469 | 408 | 778 | 188 | 323 | 490 | 498 |
| 30-Oct-04 | 413 | 5440 | 473 | 400 | 745 | 183 | 318 | 462 | 493 |
| 30-Nov-04 | 377 | 5194 | 414 | 338 | 696 | 172 | 274 | 407 | 451 |
| 31-Dec-04 | 356 | 4703 | 382 | 332 | 690 | 166 | 220 | 411 | 420 |
| 31-Jan-05 | 366 | 5129 | 418 | 365 | 644 | 162 | 239 | 461 | 439 |
| 28-Feb-05 | 343 | 4980 | 393 | 344 | 632 | 153 | 211 | 437 | 419 |
| 31-Mar-05 | 384 | 5393 | 458 | 396 | 660 | 180 | 239 | 459 | 466 |
| 29-Apr-05 | 395 | 6298 | 457 | 407 | 810 | 188 | 234 | 492 | 482 |
| 31-May-05 | 372 | 6498 | 420 | 354 | 875 | 164 | 206 | 498 | 455 |
| 30-Jun-05 | 307 | 462 | 414 | 332 | 808 | 168 | 206 | 466 | 350 |
| 29-Jul-05 | 290 | 413 | 402 | 317 | 735 | 152 | 173 | 434 | 331 |
| 31-Aug-05 | 296 | 439 | 413 | 309 | 727 | 152 | 169 | 425 | 337 |
| 30-Sep-05 | 244 | 349 | 345 | 236 | 634 | 136 | 138 | 309 | 280 |
| 31-Oct-05 | 253 | 371 | 357 | 258 | 660 | 132 | 176 | 302 | 288 |
| 30-Nov-05 | 248 | 495 | 340 | 239 | 642 | 117 | 158 | 323 | 288 |
| 30-Dec-05 | 245 | 504 | 311 | 238 | 669 | 126 | 206 | 318 | 283 |

Source: "Emerging Markets Bond Index Monitors"; JP Morgan

EMBI+ composition by market sector (end-Dec. 2005): Brady, 20.74%; Benchmark Eurobonds 78.94%; Loans, 0.32%.
by country: Brazil and Mexico account for 42.06% of the total weighting.
by region: Latin: 59.40%; Non-Latin: 40.60%.

**EMBI+ Composition (as of December 2005)**



## Table 3:

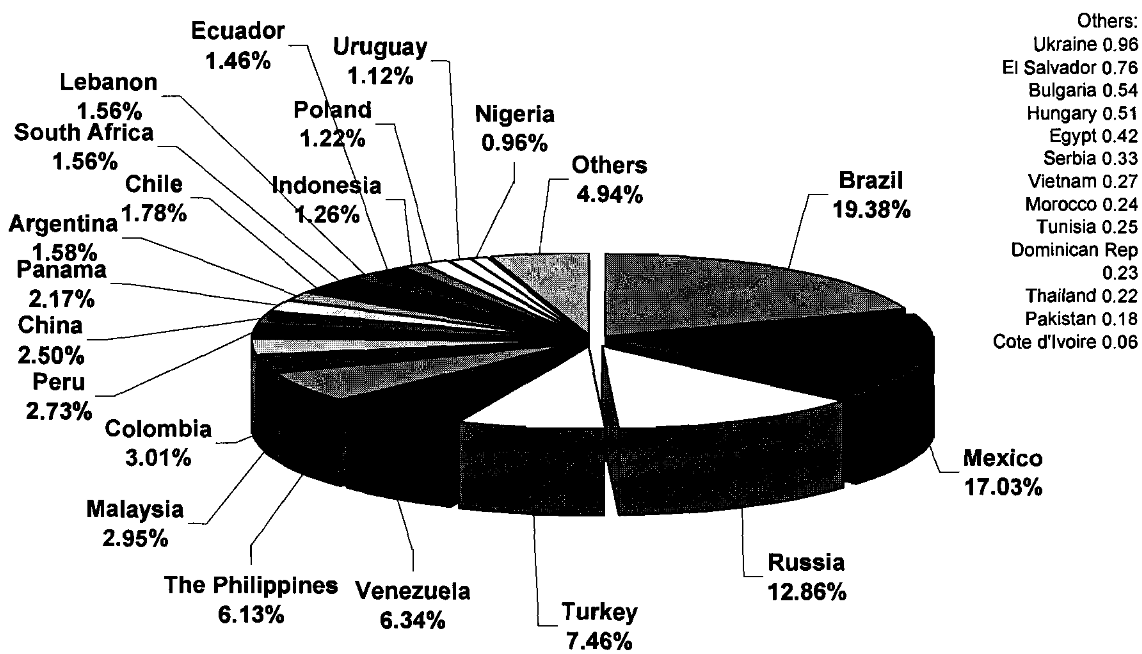
**Sovereign Spreads on JP Morgan EMBI Global and Latin American Composites**

| | EMBI Global | Argentina | Brazil | Chile | Colombia | Ecuador | Mexico | Peru | Uruguay | Venezuela | Latin America |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 30-Jan-04 | 414 | 5619 | 489 | 94 | 425 | 714 | 205 | 357 | 585 | 633 | 531 |
| 27-Feb-04 | 431 | 5622 | 575 | 88 | 424 | 762 | 191 | 371 | 638 | 720 | 563 |
| 31-Mar-04 | 414 | 4840 | 554 | 91 | 379 | 701 | 184 | 355 | 576 | 647 | 531 |
| 30-Apr-04 | 468 | 4534 | 660 | 92 | 443 | 925 | 204 | 406 | 658 | 684 | 588 |
| 28-May-04 | 494 | 4838 | 696 | 92 | 521 | 909 | 210 | 483 | 682 | 659 | 614 |
| 30-Jun-04 | 482 | 5087 | 646 | 83 | 483 | 952 | 218 | 450 | 710 | 643 | 600 |
| 30-Jul-04 | 453 | 4994 | 590 | 80 | 435 | 852 | 201 | 424 | 601 | 584 | 556 |
| 31-Aug-04 | 425 | 5237 | 518 | 70 | 406 | 813 | 184 | 372 | 598 | 550 | 518 |
| 30-Sep-04 | 409 | 5389 | 466 | 78 | 407 | 778 | 189 | 340 | 497 | 490 | 492 |
| 30-Oct-04 | 399 | 5269 | 470 | 81 | 401 | 745 | 185 | 337 | 507 | 459 | 481 |
| 30-Nov-04 | 363 | 4987 | 410 | 73 | 340 | 696 | 181 | 293 | 414 | 400 | 433 |
| 31-Dec-04 | 347 | 4527 | 376 | 64 | 332 | 690 | 174 | 239 | 388 | 403 | 415 |
| 31-Jan-05 | 356 | 5022 | 412 | 60 | 364 | 644 | 172 | 267 | 402 | 452 | 434 |
| 28-Feb-05 | 333 | 4827 | 388 | 59 | 343 | 632 | 161 | 247 | 344 | 427 | 413 |
| 31-Mar-05 | 373 | 5105 | 455 | 71 | 393 | 660 | 188 | 277 | 427 | 455 | 459 |
| 29-Apr-05 | 384 | 5757 | 452 | 72 | 406 | 810 | 198 | 279 | 470 | 491 | 473 |
| 31-May-05 | 364 | 5956 | 415 | 68 | 353 | 875 | 176 | 251 | 446 | 494 | 448 |
| 30-Jun-05 | 297 | 462 | 409 | 60 | 331 | 808 | 181 | 252 | 406 | 460 | 337 |
| 29-Jul-05 | 276 | 413 | 397 | 56 | 316 | 735 | 165 | 218 | 366 | 430 | 316 |
| 31-Aug-05 | 281 | 439 | 409 | 55 | 307 | 727 | 165 | 223 | 376 | 419 | 320 |
| 30-Sep-05 | 235 | 349 | 341 | 55 | 240 | 634 | 82 | 183 | 310 | 303 | 267 |
| 31-Oct-05 | 242 | 371 | 353 | 74 | 261 | 660 | 146 | 213 | 327 | 298 | 274 |
| 30-Nov-05 | 237 | 495 | 337 | 74 | 243 | 642 | 133 | 199 | 320 | 318 | 274 |
| 30-Dec-05 | 237 | 504 | 308 | 80 | 244 | 661 | 143 | 257 | 298 | 313 | 272 |

Source: "Emerging Markets Bond Index Monitors"; JP Morgan

EMBI Global composition by market sector (end-Dec. 2005): Brady, 16.01%; Benchmark Eurobonds 83.29%; Loans, 0.70%.
by country: Brazil and Mexico account for 36.41% of the total weighting.
by region: Latin: 57.57%; Non-Latin: 42.43%.

**EMBI Global Composition (as of December 2005)**



## C. New Latin American Debt Issuance

### C1. January 2005

**Table 4:**

| New Latin American Debt Issuance<br>First Quarter of 2005<br>Jan-05 | | | |
|---|---|---|---|
| **Country** | **Issuer** | **Amount US$ (mm)** | **Maturity** |
| Brazil | Banco Votorantim | 100 | 24-Jan-07 |
| Brazil | CSN Islands Corporation | 200 | 15-Jan-15 |
| Brazil | Banco Itau | 125 | 31-Jan-08 |
| Brazil | Federative Republic of Brazil | 648 | 3-Feb-15 |
| Brazil | Banco Alfa de Investimento SA | 40 | 15-Jan-09 |
| Brazil | Federative Republic of Brazil | 1,250 | 4-Feb-25 |
| Colombia | Republic of Colombia | 126 | 1-Mar-10 |
| Mexico | United Mexican States | 1,000 | 3-Mar-15 |
| Mexico | Axtel SA | 80 | 15-Dec-13 |
| Mexico | Grupo Posadas SA | 75 | 4-Oct-11 |
| Mexico | First Citizens Bank of St. Lucia | 100 | 1-Feb-12 |
| Mexico | Telefonos de Mexico (Telmex) | 650 | 27-Jan-10 |
| Mexico | Vitro Envases Norteamericano | 80 | 23-Jul-11 |
| Mexico | Vitro SA de CV | 82 | 23-Jul-11 |
| Peru | Republic of Peru | 400 | 21-Nov-33 |
| **Total** | | 4,956 | |

Source: ECLAC, on the basis of data from Merrill Lynch, "Emerging Markets Daily".

***January average maturity*: *12.61* years.**

**Currency Breakdown**
(% of Latin America's Total)

| Currency | Jan-05 |
|---|---|
| Dollar | 84.38% |
| Euro | 13.08% |
| Other | 2.54% |

Source: Merrill Lynch

**Issuer Type Breakdown**
(% of Latin America's Total)

| Issuer Type | Jan-05 |
|---|---|
| Sovereign | 69.09% |
| Corporate* | 30.91% |

*Also includes bank issuance.

Source: Merrill Lynch

## C2. February 2005

**Table 5:**

| New Latin American Debt Issuance<br>First Quarter of 2005<br>Feb-05 | | | |
|---|---|---|---|
| **Country** | **Issuer** | **Amount US$ (mm)** | **Maturity** |
| Brazil | Banco Bradesco SA | 100 | 2-Jan-08 |
| Brazil | Banco BGN SA | 50 | 15-Feb-08 |
| Brazil | Unibanco - Uniao de Bancos Brasileiros | 48 | 11-Feb-10 |
| Brazil | Banco ABN Amro Real SA | 58 | 22-Feb-10 |
| Brazil | Federative Republic of Brazil | 1,000 | 7-Mar-15 |
| Brazil | Banco Votorantim | 100 | 28-Feb-08 |
| Colombia | Republic of Colombia | 325 | 22-Oct-15 |
| Mexico | Telefonos de Mexico (Telmex) | 300 | 27-Jan-10 |
| Mexico | Telefonos de Mexico (Telmex) | 150 | 27-Jan-15 |
| Mexico | Pemex | 1,321 | 24-Feb-25 |
| Mexico | America Movil SA de CV | 1,000 | 1-Mar-35 |
| **Total** | | 4,452 | |

Source: ECLAC, on the basis of data from Merrill Lynch, "Emerging Markets Daily".

***February average maturity*: 16.60 years.**

**Currency Breakdown**
(% of Latin America's Total)

| Currency | Feb-05 |
|---|---|
| Dollar | 58.4% |
| Euro | 29.7% |
| Other | 11.9% |

Source: Merrill Lynch

**Issuer Type Breakdown**
(% of Latin America's Total)

| Issuer Type | Feb-05 |
|---|---|
| Sovereign | 29.8% |
| Corporate* | 70.3% |

*Also includes bank issuance.

Source: Merrill Lynch

## C3. March 2005

**Table 6:**

| New Latin American Debt Issuance<br>First Quarter of 2005<br>Mar-05 | | | |
|---|---|---|---|
| **Country** | **Issuer** | **Amount US$ (mm)** | **Maturity** |
| Argentina | Argentine Beverages | 150 | 22-Mar-12 |
| Brazil | Banco Mercantil do Brazil | 30 | 7-Mar-15 |
| Mexico | Grupo Televisa | 400 | 18-Mar-25 |
| Venezuela | Bolivarian Republic of Venezuela | 1,341 | 16-Mar-15 |
| Venezuela | Bolivarian Republic of Venezuela | 170 | 21-Mar-11 |
| **Total** | | 2,091 | |

Source: ECLAC, on the basis of data from Merrill Lynch, "Emerging Markets Daily".

***March average maturity*: 10.92 years.**

**Currency Breakdown**
(% of Latin America's Total)

| Currency | Mar-05 |
|---|---|
| Dollar | 8.1% |
| Euro | 27.7% |
| Other | 100.0% |

Source: Merrill Lynch

**Issuer Type Breakdown**
(% of Latin America's Total)

| Issuer Type | Mar-05 |
|---|---|
| Sovereign | 72.3% |
| Corporate* | 27.7% |

*Also includes bank issuance.

Source: Merrill Lynch

## C4. April 2005

**Table 7:**

| New Latin American Debt Issuance<br>Second Quarter of 2005<br>Apr-05 | | | | |
|---|---|---|---|---|
| **Country** | **Issuer** | **Amount (mm)** | **Amount US$ (mm)** | **Maturity** |
| Brazil | Banespa | BRL150 | 58 | 13-Apr-08 |
| Brazil | Banco Fibra | USD60 | 60 | 20-Apr-08 |
| Chile | Celulosa Arauco | USD400 | 400 | 20-Apr-15 |
| Mexico | Grupo Transportacion Ferroviaria Mexicana | USD460 | 460 | 5-May-10 |
| Other | CAF | USD250 | 250 | 1-May-12 |
| Venezuela | Bolivarian Republic of Venezuela | USD1604 | 1,604 | 21-Apr-25 |
| **Total** | | | 2,832 | |

Source: ECLAC, on the basis of data from Merrill Lynch and J.P. Morgan.

***April average maturity*: 14.29 years.**

**Currency Breakdown**
(% of Latin America's Total)

| Currency | Apr-05 |
|---|---|
| Dollar | 98.0% |
| Euro | 0.0% |
| Other* | 2.0% |

Source: ECLAC on the basis of Merrill Lynch and J.P. Morgan data.
* Issuance in Brazilian Reais (BRL).

**Issuer Type Breakdown**
(% of Latin America's Total)

| Issuer Type | Apr-05 |
|---|---|
| Sovereign | 56.6% |
| Corporate* | 43.4% |

*Also includes bank issuance.
Source: ECLAC on the basis of Merrill Lynch and J.P. Morgan data.

## C5. May 2005

**Table 8:**

**New Latin American Debt Issuance**
**Second Quarter of 2005**
**May-05**

| Country | Issuer | Amount (million) | Amount US$ (mm) | Maturity |
|---|---|---|---|---|
| Brazil | Banco Bradesco | BRL122.84 | 50 | 10-Dec-07 |
| Brazil | Republic of Brazil | USD500 | 500 | 14-Oct-19 |
| Brazil | Braskem | USD150 | 150 | 1-Jun-15 |
| Brazil | Republic of Brazil | USD500 | 500 | 20-Jan-34 |
| Brazil | Banco Bradesco | USD300 | 300 | perpetual |
| Colombia | Republic of Colombia | USD335 | 335 | 17-Mar-13 |
| Jamaica | Government of Jamaica | USD300 | 300 | 2-Jun-15 |
| Mexico | United Mexican States | CHF250 | 204 | 14-Jun-12 |
| Mexico | Televisa | USD200 | 200 | 18-Mar-25 |
| Mexico | Controladora Comercial Mexicana | USD200 | 200 | 1-Jun-15 |
| Panama | Corredor Sur Trust | USD150 | 150 | 25-May-25 |
| Uruguay | Republic of Uruguay | USD300 | 300 | 15-May-17 |
| Uruguay | Republic of uruguay | USD200 | 200 | 17-May-17 |
| **Total** | | | 3,389 | |

Source: ECLAC, on the basis of data from Merrill Lynch and J.P.Morgan.

***May average maturity*: 13.34 years** (does not include the Brazilian perpetual bond).

**Currency Breakdown**
(% of Latin America's Total)

| Currency | May-05 |
|---|---|
| Dollar | 92.5% |
| Euro | 0.0% |
| Other* | 7.5% |

Source: ECLAC, with data from Merrill Lynch and JP Morgan.
* Issuance in Brazilian Reais and in Swiss Franc.

**Issuer Type Breakdown**
(% of Latin America's Total)

| Issuer Type | May-05 |
|---|---|
| Sovereign | 69.0% |
| Corporate* | 31.0% |

*Also includes bank issuance.
Source: ECLAC, with data from Merrill Lynch and JP Morgan.

## C6. June 2005

**Table 9:**

| New Latin American Debt Issuance<br>Second Quarter of 2005<br>Jun-05 | | | | |
|---|---|---|---|---|
| **Country** | **Issuer** | **Amount (million)** | **Amount US$ (mm)** | **Maturity** |
| Brazil | Banco Mercantil | EUR22 | 26 | 9-Jun-06 |
| Brazil | Braskem | USD150 | 150 | perpetual |
| Brazil | Brascan | USD50 | 50 | 15-Jun-07 |
| Brazil | Republic of Brazil | USD600 | 600 | 7-Mar-15 |
| Brazil | Votorantim | USD400 | 400 | 24-Jun-20 |
| Brazil | Banco BMG | USD175 | 175 | 1-Jul-10 |
| Brazil | Eletropaulo | BRL480 | 200 | 28-Jun-10 |
| Brazil | Banco Votorantim | USD125 | 125 | 11-Jul-08 |
| El Salvador | Republic of El Salvador | USD375 | 375 | 15-Jun-35 |
| Jamaica | Air Jamaica | USD200 | 200 | 8-Jul-15 |
| Mexico | Pemex Master Trust | USD1000 | 1,000 | 15-Jun-15 |
| Mexico | Pemex Master Trust | USD500 | 500 | 15-Jun-35 |
| Mexico | United Mexican States | EUR750 | 921 | 16-Jun-15 |
| Mexico | Cia Interamericana de Entretenimiento | USD200 | 200 | 14-Jun-15 |
| Other | CAF | JPY15000 | 138 | 7-Jul-08 |
| Other | CAF | JPY5000 | 46 | 6-Jul-12 |
| **Total** | | | **5,106** | |

Source: ECLAC, on the basis of data from Merrill Lynch and J.P.Morgan.

***June average maturity*: 12.58 years** (does not include the Brazilian perpetual bond).

**Currency Breakdown**
(% of Latin America's Total)

| Currency | Jun-05 |
|---|---|
| Dollar | 73.9% |
| Euro | 18.5% |
| GBP | 0.0% |
| JPY | 3.6% |
| Other* | 3.9% |

Source: ECLAC, with data from Merrill Lynch and JP Morgan.
* Issuance in Brazilian Reais.

**Issuer Type Breakdown**
(% of Latin America's Total)

| Issuer Type | Jun-05 |
|---|---|
| Sovereign | 37.1% |
| Corporate* | 62.9% |

*Also includes bank issuance.
Source: ECLAC, with data from Merrill Lynch and JP Morgan.

## C7. July 2005

**Table 10:**

| New Latin American Debt Issuance<br>Third Quarter of 2005<br>Jul-05 | | | | |
|---|---|---|---|---|
| **Country** | **Issuer** | **Amount (million)** | **Amount US$ (mm)** | **Maturity** |
| Brazil | Banespa | USD75 | 75 | 8-Jul-08 |
| Brazil | CSN Islands X Corp | USD500 | 500 | perpetual |
| Brazil | Bertin Ltda | USD120 | 120 | 25-Jul-08 |
| Brazil | Camargo Correa, Caue Finance Ltd | USD150 | 150 | 1-Aug-15 |
| Brazil | Unibanco | USD500 | 500 | perpetual |
| Chile | Empresa lansa | USD100 | 100 | 28-Jul-12 |
| Colombia | Republic of Colombia | USD500 | 500 | 22-Dec-14 |
| Jamaica | Digicel Limited | USD300 | 300 | 1-Sep-12 |
| Mexico | BBVA Bancomer | USD500 | 500 | 22-Jul-15 |
| Other | CAF | USD150 | 150 | 26-Jul-09 |
| Peru | Republic of Peru | USD750 | 750 | 21-Jul-25 |
| Peru | Southern Peru Copper Corp | USD200 | 200 | 27-Jul-15 |
| Peru | Southern Peru Copper Corp | USD600 | 600 | 27-Jul-35 |
| Uruguay | Republic of Uruguay | EUR360 | 362 | 26-Jul-16 |
| **Total** | | | **4,807** | |

Source: ECLAC, on the basis of data from Merrill Lynch and J.P.Morgan.

***July average maturity*: 10.73 years** (does not include the Brazilian perpetual bonds).

**Currency Breakdown**
(% of Latin America's Total)

| Currency | Jul-05 |
|---|---|
| Dollar | 92.5% |
| Euro | 7.5% |
| GBP | 0.0% |
| JPY | 0.0% |
| Other | 0.0% |

Source: ECLAC, with data from Merrill Lynch and JP Morgan.

**Issuer Type Breakdown**
(% of Latin America's Total)

| Issuer Type | Jul-05 |
|---|---|
| Sovereign | 33.5% |
| Corporate* | 66.5% |

*Also includes bank issuance.
Source: ECLAC, with data from Merrill Lynch and JP Morgan.

## C8. August 2005

**Table 11:**

| New Latin American Debt Issuance<br>Third Quarter of 2005<br>Aug-05 | | | | |
|---|---|---|---|---|
| **Country** | **Issuer** | **Amount (million)** | **Amount US$ (mm)** | **Maturity** |
| Brazil | Banco Votorantim | USD100 | 100 | 19-Aug-10 |
| Panama | Republic of Panama | USD250 | 250 | 28-Apr-34 |
| **Total** | | | **350** | |

Source: ECLAC, on the basis of data from Merrill Lynch and J.P.Morgan.

***August average maturity*: 22.14 years.**

**Currency Breakdown**
(% of Latin America's Total)

| Currency | Aug-05 |
|---|---|
| Dollar | 100.0% |
| Euro | 0.0% |
| GBP | 0.0% |
| JPY | 0.0% |
| Other | 0.0% |

Source: ECLAC, with data from Merrill Lynch and JP Morgan.

**Issuer Type Breakdown**
(% of Latin America's Total)

| Issuer Type | Aug-05 |
|---|---|
| Sovereign | 71.4% |
| Corporate* | 28.6% |

*Also includes bank issuance.
Source: ECLAC, with data from Merrill Lynch and JP Morgan.

## C9. September 2005

**Table 12:**

| New Latin American Debt Issuance<br>Third Quarter of 2005<br>Sep-05 | | | | |
|---|---|---|---|---|
| **Country** | **Issuer** | **Amount (million)** | **Amount US$ (mm)** | **Maturity** |
| Brazil | Federal Republic of Brazil | USD1000 | 1,000 | 4-Feb-05 |
| Brazil | Banespa | USD500 | 500 | perpetual |
| Brazil | Gerdau | USD600 | 600 | perpetual |
| Brazil | Odebretch Overseas | USD200 | 200 | perpetual |
| Brazil | Federal Republic of Brazil | BRL3400 | 1,479 | 5-Jan-16 |
| Brazil | Bradesco | BRL227 | 100 | 4-Jan-10 |
| Chile | Codelco | USD500 | 500 | 21-Sep-35 |
| Colombia | Republic of Colombia | USD500 | 500 | 21-May-24 |
| Mexico | Desarrolladora Homex SA | USD250 | 250 | 28-Aug-15 |
| Mexico | America Movil SA | MXN5000 | 463 | 15-Jan-16 |
| **Total** | | | **5,592** | |

Source: ECLAC, on the basis of data from Merrill Lynch and J.P.Morgan.

***September average maturity*: 8.83 years** (does not include the Brazilian perpetual bonds).

**Currency Breakdown**
(% of Latin America's Total)

| Currency | Sep-05 |
|---|---|
| Dollar | 63.5% |
| Euro | 0.0% |
| GBP | 0.0% |
| JPY | 0.0% |
| Other* | 36.5% |

Source: ECLAC, with data from Merrill Lynch and JP Morgan.
* Issuance in Brazilian Reais and Mexican Pesos.

**Issuer Type Breakdown**
(% of Latin America's Total)

| Issuer Type | Sep-05 |
|---|---|
| Sovereign | 53.3% |
| Corporate* | 46.7% |

*Also includes bank issuance.
Source: ECLAC, with data from Merrill Lynch and JP Morgan.

## C10. October 2005

### Table 13

| New Latin American Debt Issuance<br>Fourth Quarter of 2005<br>Oct-05 | | | | |
|---|---|---|---|---|
| **Country** | **Issuer** | **Amount (million)** | **Amount US$ (mm)** | **Maturity** |
| Brazil | Banco Votorantim | USD200 | 200 | 14-Oct-15 |
| Brazil | Banco BMG | USD28 | 28 | 24-Oct-07 |
| Brazil | CVRD Overseas Limited | USD300 | 300 | 17-Jan-34 |
| Brazil | Banco Mercant do Brasil | USD50 | 50 | 3-Nov-08 |
| Peru | Telefonica Del Peru | PEN754 | 225 | 11-Apr-16 |
| Jamaica | Government of Jamaica | USD250 | 250 | 17-Oct-25 |
| **Total** | | | **1,053** | |

Source: ECLAC, on the basis of data from J.P.Morgan.

***October average maturity*: 17.43 years.**

**Currency Breakdown**
(% of Latin America's Total)

| Currency | Oct-05 |
|---|---|
| Dollar | 78.6% |
| Euro | 0.0% |
| GBP | 0.0% |
| JPY | 0.0% |
| Other* | 21.4% |

Source: ECLAC, with data from Merrill Lynch and JP Morgan.

* Issuance in Peruvian Soles.

**Issuer Type Breakdown**
(% of Latin America's Total)

| Issuer Type | Oct-05 |
|---|---|
| Sovereign | 23.7% |
| Corporate* | 76.3% |

*Also includes bank issuance.

Source: ECLAC, with data from Merrill Lynch and JP Morgan.

## C11. November 2005

**Table 14**

| New Latin American Debt Issuance<br>Fourth Quarter of 2005<br>Nov-05 | | | | |
|---|---|---|---|---|
| **Country** | **Issuer** | **Amount (million)** | **Amount US$ (mm)** | **Maturity** |
| Argentina | Banco Hipotecario | USD150 | 150 | 16-Nov-10 |
| Barbados | Government of Barbados | USD125 | 125 | 5-Dec-35 |
| Brazil | Federal Republic of Brazil | USD500 | 500 | 7-Mar-15 |
| Brazil | BANCO ABN AMRO Brazil | BRL590 | 272 | 22-Feb-10 |
| Brazil | Electrobras | USD300 | 300 | 30-Nov-15 |
| Brazil | Federal Republic of Brazil | USD500 | 500 | 20-Jan-34 |
| Colombia | Republic of Colombia | USD400 | 400 | 16-Nov-15 |
| Mexico | Cablemas | USD175 | 175 | 15-Nov-15 |
| Mexico | Controladora Mabe SA DE | USD200 | 200 | 15-Dec-15 |
| Mexico | Pemex Master Trust | USD750 | 750 | 3-Dec-12 |
| Panama | Banco Continental | USD150 | 150 | 1-Dec-10 |
| Panama | Republic of Panama | USD980 | 980 | 29-Jan-26 |
| Uruguay | Oriental Republic of Uruguay | USD200 | 200 | 22-Nov-18 |
| Venezuela | Bolivian Rep. of Venezuela | USD1500 | 1500 | 2-Dec-20 |
| Venezuela | Bolivian Rep. of Venezuela | USD1500 | 1500 | 26-Feb-16 |
| **Total** | | | **7,702** | |

Source: ECLAC, on the basis of data from J.P.Morgan.

*November average maturity*: **13.57 years.**

**Currency Breakdown**
(% of Latin America's Total)

| **Currency** | **Nov-05** |
|---|---|
| Dollar | 96.5% |
| Euro | 0.0% |
| GBP | 0.0% |
| JPY | 0.0% |
| Other* | 3.5% |

Source: ECLAC, with data from Merrill Lynch and JP Morgan.

* Issuance in Brazilian Reais.

**Issuer Type Breakdown**
(% of Latin America's Total)

| **Issuer Type** | **Nov-05** |
|---|---|
| Sovereign | 74.1% |
| Corporate* | 25.9% |

*Also includes bank issuance.

Source: ECLAC, with data from Merrill Lynch and JP Morgan.

### C12. December 2005

## Table 15

| New Latin American Debt Issuance<br>Fourth Quarter of 2005<br>Dec-05 | | | | |
|---|---|---|---|---|
| **Country** | **Issuer** | **Amount (million)** | **Amount US$ (mm)** | **Maturity** |
| Argentina | Telecome Personal | USD240 | 240 | 22-Dec-10 |
| Brazil | Banco Industrial e Comercial SA | USD40 | 40 | 15-Dec-08 |
| Brazil | Ultrapar Participacoes | USD250 | 250 | 20-Dec-15 |
| Brazil | Banco BMG | USD300 | 300 | 15-Jan-16 |
| Brazil | Lojas Colombo SA | USD50 | 50 | 14-Dec-07 |
| Colombia | Republic of Colombia | COP569bn | 250 | 22-Oct-15 |
| Dom. Rep. | AES Dominicana | USD160 | 160 | 13-Dec-15 |
| Ecuador | Republic of Ecuador | USD650 | 650 | 15-Dec-15 |
| Peru | Republic of Peru | USD500 | 500 | 21-Jul-25 |
| **Total** | | | **2,440** | |

Source: ECLAC, on the basis of data from J.P.Morgan and ML.

***December average maturity*: 11.15 years.**

**Currency Breakdown**
(% of Latin America's Total)

| Currency | Dec-05 |
|---|---|
| Dollar | 89.8% |
| Euro | 0.0% |
| GBP | 0.0% |
| JPY | 0.0% |
| Other* | 10.2% |

Source: ECLAC, with data from Merrill Lynch and JP Morgan.
* Issuance in Colombian Pesos.

**Issuer Type Breakdown**
(% of Latin America's Total)

| Issuer Type | Dec-05 |
|---|---|
| Sovereign | 57.4% |
| Corporate* | 42.6% |

*Also includes bank issuance.
Source: ECLAC, with data from Merrill Lynch and JP Morgan.