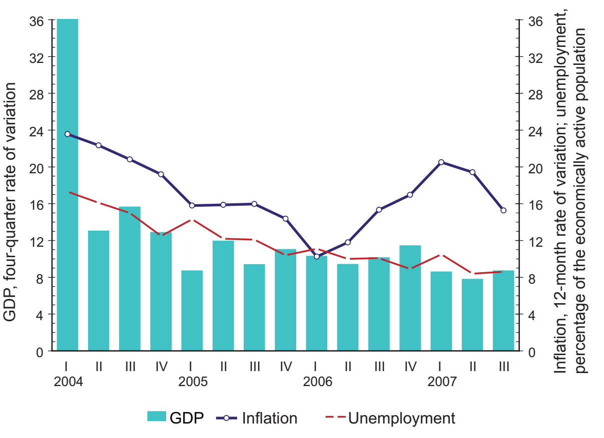
Bolivarian Republic of Venezuela

GDP growth for 2007 is estimated to be over 8% thanks to the increased buoyancy of internal demand. GDP rose by 8.4% in the first three quarters, boosted by growth in the non-oil sectors (9.9%). The oil industry was down by 6.1%. The strongest sectors were commerce (18.3%), communications (23.2%) and financial services (22.2%), while construction grew by only 12.5% during the same period.[1] On the demand side, there were increases in consumption (16.5%) and investment (22.7%), reflecting growth in the volume of imports (31.1%), but export volumes continued to fall (-3.9%). For 2008, the authorities estimate GDP growth at about 6%, an exchange rate holding steady at 2,150 bolívares to the United States dollar, and annual inflation averaging 11%.

Following the enactment of an enabling law by the executive branch in February 2007, the government implemented a number of policy measures. In January, it announced the nationalization of two public-service companies: Electricidad de Caracas S.A. and Compañía Anónima Nacional de Teléfonos de Venezuela (CANTV). As of 1 May, Petróleos de Venezuela, S.A. (PDVSA) acquired controlling stakes in the strategic partnerships operating in the Orinoco oil belt. Also in May, the government did not renew the operating licence of a television channel which had operated for many years. In October, the National Assembly adopted the constitutional reform proposed by the President. The new constitution was submitted to a referendum on 2 December, but was not approved by the electorate. Among the most controversial measures were the decision to strip the central bank of its independence, changes to the country's territorial structure which would have implications for budgetary outlays, the indefinite re-election of the President, the creation of the legal concept of popular power, and changes in provisions relating to ownership.

BOLIVARIAN REPUBLIC OF VENEZUELA: GDP, INFLATION AND UNEMPLOYMENT



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

1 The construction sector had been growing at rates exceeding 20% since 2004.

Fiscal policy remained expansionary in 2007, as it had been in recent years, although at a more moderate level. In the period from January to August 2007, central government current expenditure rose by 12.8% (56.2% for the same period in 2006), while revenue was up by 13.8% (43.5% for the same period in 2006). Current revenue and spending are increasing very slowly in real terms. For the year as a whole, the fiscal balance is expected to be close to the 2006 level.

There were a number of changes in tax policy during the year. In February, as part of their anti-inflation policy, the authorities announced a cut in the VAT rate from 14% to 9%, to be implemented in two stages: from 14% to 11%, as of 1 March 2007, and from 11% to 9%, as of 1 July. On 15 March, VAT was abolished for a number of foodstuffs and the rate was lowered for transport services for foodstuffs. In October, the government announced a rise in taxation on alcoholic beverages and cigarettes and, as from 1 November, the entry into force for November and December 2007 of the tax on banking transactions, which levies 1.5% on corporate withdrawals and transfers.

As in the previous two years, the government invested dollars in purchases of foreign bonds, continued to build up foreign-exchange funds outside the country and pursued its external debt renegotiation programme. The authorities issued a number of bonds in the course of the year: in early 2007, the Southern Bond II (US$ 1.5 billion), the bond issued by Petróleos de Venezuela, S.A. (US$ 7.5 billion) and in August, the Southern Bond III (US$ 1.2 billion).[2]

In 2007, the authorities implemented measures to hold back the growth of monetary aggregates. Early in the year, it was determined that the payment of taxes by Petróleos de Venezuela, S.A. to the Treasury should take place directly in dollars via the Treasury's accounts outside the country. In the first semester, the authorities ordered a new transfer, of US$ 6.77 billion, from the international reserves of the central bank to the National Development Fund (FONDEN). In July, the central bank increased annual deposit rates from 6.5% to 8.0% (savings deposits) and from 10.0% to 11.0% (time deposits); it also raised the legal reserve rate from 15% to 16% and subsequently, as of 1 October, to 17%.[3] The central bank continued to intervene in the market with absorption measures. In October 2007, broad money (M3) was 18% up on the December 2006 figure (42% for the same period in 2006). In the first eight months of 2007, bank credit to the private sector rose by 45.2%, while lending by the financial system to the public sector declined by 32.6% compared with December 2006.

A redenomination of the bolívar will take place on 1 January 2008, when three zeros will be cut from the currency unit. The currency's new name will be the "strong bolívar" and it will be represented by the symbol "Bs.F." Both currencies will be in circulation for a period of six months, during which the prices of goods and services are to be displayed in both denominations.

The authorities maintained the foreign-exchange management regime which had been in place since

BOLIVARIAN REPUBLIC OF VENEZUELA: MAIN ECONOMIC INDICATORS

	2005	2006	2007[a]
	Annual growth rates		
Gross domestic product	10.3	10.3	8.5
Per capita gross domestic product	8.5	8.5	6.7
Consumer prices	14.4	17.0	20.7[b]
Average real wage	2.6	5.1	0.4[c]
Money (M1)	50.0	71.3	64.6[d]
Real effective exchange rate[e]	0.1	-6.0	-10.8[f]
Terms of trade	30.8	19.4	8.7
	Annual average percentages		
Unemployment rate	12.4	10.0	8.7[g]
National administration overall balance / GDP	1.6	0.0	0.5
Nominal deposit rate	11.7	10.1	10.5[h]
Nominal lending rate	15.6	14.6	15.9[h]
	Millions of dollars		
Exports of goods and services	56 829	66 669	70 002
Imports of goods and services	28 915	37 944	48 641
Current account	25 534	27 167	22 611
Capital and financial account	-20 110	-22 431	-27 611
Overall balance	5 424	4 736	-5 000

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary estimates.
[b] Twelve-month variation to November 2007.
[c] Estimate based on data from January to September.
[d] Twelve-month variation to September 2007.
[e] A negative rate indicates an appreciation of the currency in real terms.
[f] Year-on-year average variation, January to October 2007.
[g] Estimate based on data from January to October.
[h] Average from January to October, annualized.

2 Like the Southern Bond I, these bonds were made up of equal parts of Argentine bonds (BODEN 15) and principal and interest covered bonds issued by the Venezuelan government.

3 For the first ten months of 2007, on average, and for the six principal commercial and universal banks, lending rates stood at 16%, and the rates for savings deposits and time deposits were 7.1% and 10.5%, respectively.

2003 and the restrictions on capital outflows. The official exchange rate remained unchanged. In the last months of 2007, despite the fact that foreign exchange was now more readily available through the Foreign Exchange Administration Commission (CADIVI) and the raising of the limits on the amount of foreign-currency credit that credit-card holders may use outside the country, the rate of exchange on the parallel market rose significantly.[4]

In November 2007, the consumer price index (CPI) was up by 18.6% compared with December 2006. The sharpest increases were in the prices of foodstuffs and beverages, health care, and restaurants and hotels, despite price controls on a significant group of products in the CPI basket. In the last months of the year, the shortages of certain foodstuffs worsened. During the same period, the wholesale price index recorded an increase of 14.5% (15.2% and 12.0% for national and imported products, respectively). As for wages, the general index showed an average rise for the period from January to September 2007 of 17.3% compared with the 2006 average (17.2% and 17.5% in the private and government sectors, respectively). The minimum wage was raised by 20% as of 1 May. In the first nine months of the year, in terms of the yearly average, the unemployment rate stood at 9.1% (10.4% for the same period in 2006).

In the first three quarters, the current account of the balance of payments posted a surplus (US$ 16.034 billion), less than the figure for the same period in 2006 (US$ 22.993 billion), owing to the 2.8% fall in oil exports and the large increase in goods imports (up 35.9%).[5] The country's external debt rose to US$ 48.078 billion (US$ 44.184 billion in 2006) because of rising public debt. Public and private debts were equivalent to 68% and 32% of the total, respectively. As of November 2007, the central bank's international reserves stood at US$ 30.331 billion (as against US$ 36.5 billion at the beginning of the year).

4 Up to November 2007, the dollar exchange rate on the parallel market was 210% higher than the official rate.

5 As of November 2007, the average price of the Venezuelan crude-oil basket was US$ 62.61 per barrel, compared with an average of US$ 56.45 in 2006.

Uruguay

In 2007, Uruguay enjoyed its fourth consecutive year of economic expansion, achieving a growth rate of about 7.5% thanks to increases in both external and domestic demand. This higher demand, together with supply limitations in some sectors and upward trends in world commodity markets, led to inflationary pressure in the country's economy (8.6% in the 12 months to November 2007). For the year as a whole it is estimated that the value of goods and services exports will be up 14% and imports by 10%, so the balance of payments current-account deficit should stand at about 1% of GDP. If current conditions in local and international markets continue, economic growth in 2008 should be close to 6.5%.

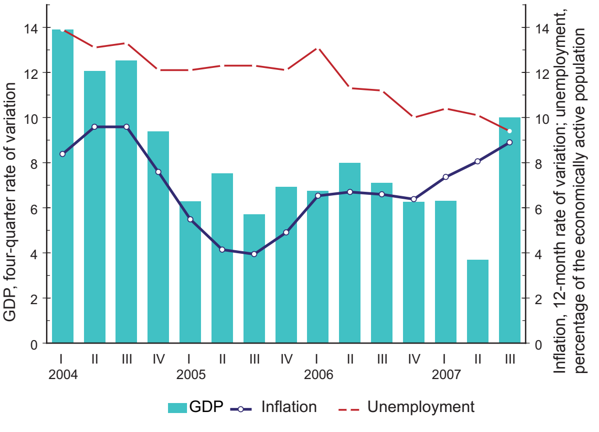
The fiscal situation remained balanced, with a primary surplus of some 4% of GDP and interest payments on debt at a similar level. Tax receipts picked up thanks to increased activity and a growing formalization of the economy, as well as a slight improvement in profits from state-owned enterprises, against the background of rising production costs. Spending by the non-financial public sector once again diminished in relation to GDP, closing the year at about 29% of GDP.

A reform of the tax system came into force in mid-2007, with the main goals of improved efficiency and equity. On the efficiency side, the system was simplified with the abolition of certain taxes which had generated few receipts; value added tax (VAT) was applied more widely, but its rates were cut. As for equity, the tax reform introduced a dual personal income tax system with progressive rates, with separate regimes for work income and capital income.

The gross debt/GDP ratio of the non-financial public sector fell once again, standing at 60% in mid-2007. External debt restructuring continued by means of bond issues and buy-back operations in the market. Gross reserves were over US$ 3.6 billion as of late October, about 16% of GDP.

Monetary policy continued to aim at preserving price stability, but its main instrument changed with the introduction of a system to set the short-term interbank interest rate. The interbank overnight rate (call rate) was initially set at 5% per year, and was then

URUGUAY: GDP, INFLATION AND UNEMPLOYMENT



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.