

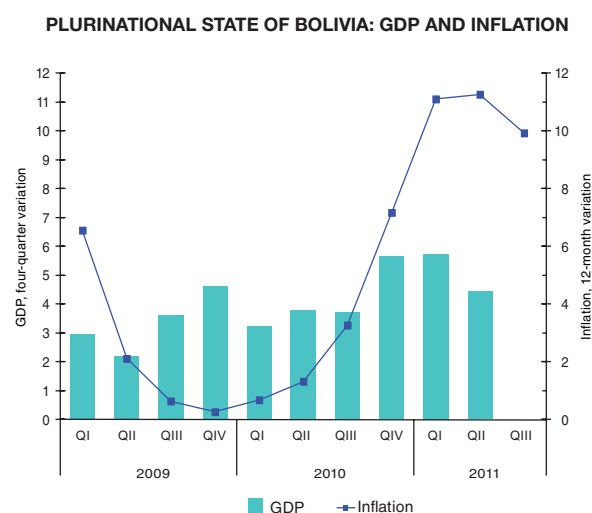
## Plurinational State of Bolivia

The GDP of the Plurinational State of Bolivia is estimated to have grown by 5.1% in 2011, almost 1 percentage point more than in 2010. Annual inflation, at close to 7% to December 2011, is projected to remain almost the same as in 2010. The general government accounts will close the year with a slight deficit for the first time since 2005 despite the expected surplus for the non-financial public sector for the seventh consecutive year.

During the first half of 2011, the non-financial public sector posted an overall surplus equivalent to 2.9% of GDP, which is almost the same as the 2.8% surplus in 2010. The government is projecting a small non-financial public sector surplus of about 0.5% of GDP at year's end, while the general government is expected to close the year with a slight deficit equivalent to 0.5% of GDP—its first deficit since 2005. For the first three quarters of 2011, nominal tax revenues rose by 29.7% compared with the same period the previous year, on the back of an increase in hydrocarbon tax receipts, which went up by 14.3% during the period. Current expenditure expanded by 16% in nominal terms in the year to September 2011 compared with the same period in 2010. This can be attributed mainly to a 20% increase in spending on goods and services, while wage expenditure rose by 13%. The government continued its public investment programme in 2011, expanding the amount budgeted to this end. However, as in previous years, it encountered some difficulties in executing those investments. Public investment stood at US\$ 1.08 billion through September 2011, an increase of 34% compared with the same period in 2010; the total investment budget for 2011 was a little over US\$ 2.4 billion. Although only about 51.4% of the amount allocated for public investment had been spent by the end of the third quarter, the government is expecting execution to pick up in the remainder of the year. The government is planning to boost public investment substantially in 2012, from US\$ 2.4 billion to more than US\$ 3 billion. These investments are a major component of the government's new economic plan, which aims to invest in public enterprises with a view to boosting their productive capacity. External public debt edged up by 4.1% in nominal terms during the first half of the year,

but as a percentage of GDP it fell by 1 percentage point, from 15.4% to 14.4%, between year-end 2010 and the end of June 2011.

The central bank uses the exchange rate as an anchor to control inflation, making the money supply in the economy somewhat endogenous. Nevertheless, the central bank continued the gradual tightening of monetary policy by supplying a growing number of instruments in open market operations during the first half of the year and raising the reserve requirements for financial institutions on foreign currency deposits. This contraction in liquidity was part of the central bank's monetary programme for offsetting an expected expansion in total net domestic



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

credit and net domestic credit to the non-financial public sector. During the first half of the year, total net domestic credit did not meet the programme target. After leaving the repo rate unchanged for more than one and a half years, the central bank raised this rate in June 2011 as part of its contractionary policy. Despite that policy, all of the monetary indicators are continuing to expand. The monetary aggregates increased in 2011: M2 posted an annual variation of 14.8% through 11 November 2011, while M3 went up by 20.6%. The gross loan portfolio of private banks has continued its rapid expansion, increasing by 16.6% in the first eight months of 2011 despite the slight uptick in lending and borrowing rates during the first nine months of the year (although the real lending rate remains negative). The “bolivianization” of the banking system continued in 2011, with two thirds of loans and 62% of deposits held in bolivianos as at September—the highest levels ever recorded. Exchange-rate policy remained unchanged, with the boliviano appreciating slightly against the United States dollar. Until 20 November 2011, the central bank allowed the dollar exchange rate to appreciate from 6.95 bolivianos to 6.86 bolivianos. With the spread of 0.10 bolivianos between the buying and selling rates remaining unchanged, the selling price was therefore 6.96 bolivianos to the dollar. The real effective exchange rate through October 2011 showed a year-on-year appreciation of 5.7%.

In the first half of 2011, the country’s GDP rose by 5% against the same period in 2010. The best performing sectors were oil and natural gas; their 9.1% growth was due primarily to rising oil prices in late 2010 and early 2011. It takes three months for the observed oil price to be reflected in the price at which the Plurinational State of Bolivia sells oil. In fact, hydrocarbon production in volume terms has held steady at 1.4 billion cubic metres of natural gas and 1.4 million barrels of oil per month over the last year. Construction is still experiencing relatively high growth of over 7%, as are electricity, gas and water utilities. On the demand side, GDP growth was attributable mainly to an increase in gross fixed capital formation (11%), public administration final consumption expenditure (5%), and final consumption expenditure by households and non-profit institutions serving households (4.6%). ECLAC estimates that the economy of the Plurinational State of Bolivia will grow by 5.1% in 2011 and 4.5% in 2012.

Cumulative inflation between January and November 2011 was 6.4% and is expected to close the year at about 7%, indicating an improvement in price trends over the year. Inflation has eased off after jumping by almost 4 percentage points in the first quarter of 2011, to rise by

**PLURINATIONAL STATE OF BOLIVIA:  
MAIN ECONOMIC INDICATORS**

	2009	2010	2011 <sup>a</sup>
<b>Annual growth rates</b>			
Gross domestic product	3.4	4.1	5.1
Per capita gross domestic product	1.6	2.4	3.4
Consumer prices	0.3	7.2	8.3 <sup>b</sup>
Real minimum wage	8.3	2.5	9.2
Money (M1)	19.3	29.6	31.3 <sup>c</sup>
Real effective exchange rate <sup>d</sup>	-9.3	3.5	-0.9 <sup>e</sup>
Terms of trade	-3.2	13.1	11.3
<b>Annual average percentages</b>			
Urban unemployment rate	7.9	6.5	...
Central government overall balance / GDP	-1.1	-0.1	-0.5
Nominal deposit rate <sup>f</sup>	1.5	0.4	0.5 <sup>g</sup>
Nominal lending rate <sup>h</sup>	8.3	5.2	6.3 <sup>g</sup>
<b>Millions of dollars</b>			
Exports of goods and services	5 433	6 840	8 816
Imports of goods and services	5 159	6 159	8 450
Current account balance	813	903	878
Capital and financial balance <sup>i</sup>	-488	20	1 295
Overall balance	325	923	2 173

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

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2011.

<sup>c</sup> Twelve-month variation to September 2011.

<sup>d</sup> A negative rate indicates an appreciation of the currency in real terms.

<sup>e</sup> January to October average, year-on-year variation.

<sup>f</sup> Bank operations (61-90 days), in dollars.

<sup>g</sup> January-November average.

<sup>h</sup> Local-currency rate for 60-91-day banking operations.

<sup>i</sup> Includes errors and omissions.

slightly over 2% in the eight months to November. This moderation can be explained above all by the fact that food and commodity prices stopped their upward climb. Between June 2010 and June 2011, the unemployment rate fell from 6% to 5.5%, owing mainly to the drop in female unemployment, which went from 6.9% to 6.1%. The employment rate declined slightly from 53.7% to 52.8%; the labour force participation rate shrank as well, from 45.5% to 44.8%.

In the first half of 2011, the Plurinational State of Bolivia ran a current account surplus of US\$ 405.7 million, which was 17.8% less than during the same period in 2010. Goods exports grew by 23.6%, while imports surged by 33.7%. This caused the trade balance to fall by 32% to US\$ 301 million in the first half of 2011. Remittances expanded by 13.4% in the first half of the year compared with the same period in 2010. The capital and financial account posted a surplus of US\$ 587.4 million as of June 2011. From January to November 2011 the net international reserves held by the central bank increased by US\$ 2.457 billion (25.3%) to more than US\$ 12 billion, which is equivalent to 22 months of imports.