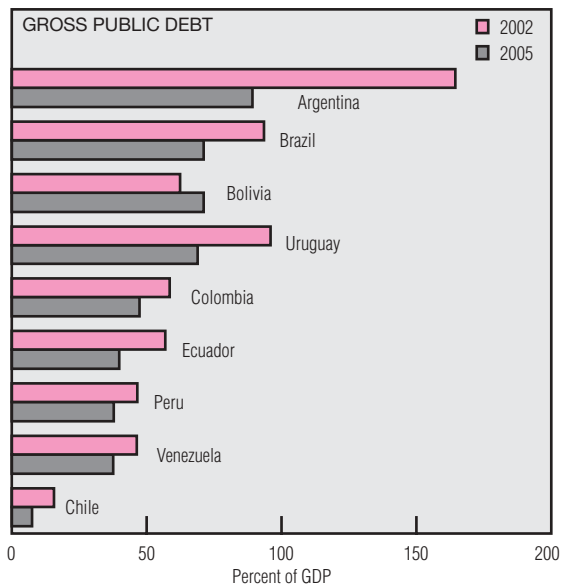
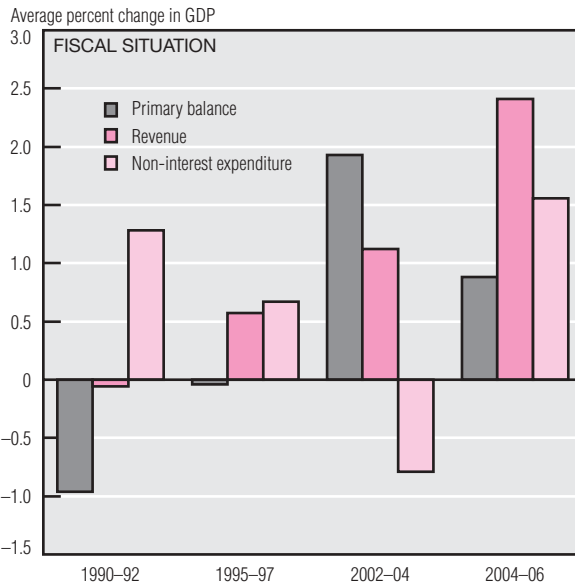


Latin America's Economic Prospects

	Percent			
	Average,	Average,	2006 ^a	2007 ^a
	1988-97	1988-2005		
Western Hemisphere	2.9	2.4	4.8	4.2
Argentina	3.2	1.4	8.0	6.0
Bolivia	4.1	2.9	4.1	3.9
Brazil	2.0	2.0	3.6	4.0
Chile	7.9	3.3	5.2	5.5
Colombia	4.0	2.1	4.8	4.0
Ecuador	3.7	3.0	4.4	3.2
Paraguay	3.7	1.2	3.5	4.0
Peru	0.6	3.0	6.0	5.0
Uruguay	3.3	0.8	4.6	4.2
Venezuela	2.6	1.5	7.5	3.7

	Percent			
	Average,	Average,	2006 ^a	2007 ^a
	1988-97	1988-2005		
Western Hemisphere	162.8	7.9	5.6	5.2
Argentina	159.4	6.4	12.3	11.4
Bolivia	12.5	3.8	4.1	4.0
Brazil	576.3	7.3	4.5	4.1
Chile	13.9	3.2	3.5	3.1
Colombia	24.5	8.9	4.7	4.2
Ecuador	42.7	30.9	3.2	3.0
Paraguay	19.3	8.8	8.9	4.9
Peru	267.1	3.1	2.4	2.5
Uruguay	59.0	9.1	5.9	4.3
Venezuela	51.4	22.4	12.1	15.4



a. International Monetary Fund projections.

SOURCES: International Monetary Fund, *World Economic and Financial Surveys*, Western Hemisphere, November 2006, and *World Economic Outlook*, September 2006.

The economic outlook for developing countries in the Western Hemisphere is one of the brightest in decades. According to the International Monetary Fund, the region is likely to post real economic growth of around 4.8% this year and 4.2% in 2007, with a regional inflation rate moderating to about 5% in 2007. That said, public debt remains relatively high, and fiscal spending has recently accelerated despite the stepped-up pace of economic activity.

Latin American countries owe much of their improved growth to a strong demand for fuel and nonfuel

commodities. Colombia, Ecuador, and Venezuela, for example, benefited from the sharp rise in oil prices, while Chile and Peru benefited from a jump in metals prices. In consequence, private domestic consumption and investment are poised to propel Latin America's economic activity next year.

Even with higher commodity prices, most countries in the region have made big strides in lowering their inflation rates. Many of them, notably Brazil, Chile, Colombia, and Peru, have implemented formal inflation targeting regimes and have allowed their exchange rates greater flexibility.

Notable outliers in the inflation fight are Argentina and Venezuela, where inflation continues to breach double-digit levels.

Primary fiscal surpluses are shrinking. Although revenues—particularly commodity-based revenues—keep growing, government outlays, a high proportion of which are mandated, are rising rapidly. Stronger fiscal positions, faster economic growth, exchange rate appreciation, lower interest rates, and debt restructuring have all contributed to a healthy drop in many countries' public debt ratios.