B.F.I. - Economic Research July 15 2003

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EMERGING MARKETS IN 2003-04

FINANCIAL AND ECONOMIC OUTLOOK
COUNTRY RISK EVOLUTION

I – OVERVIEW : THE STRESS ON COUNTRY RISK HAS VANISHED IN THE PAST SEVERAL MONTHS BUT IMPROVEMENTS IN FUNDAMENTALS ARE SLOW AND FRAGILE IN A CONTEXT OF MIXED INTERNATIONAL ENVIRONMENT

1.1/ Country risk has receded worldwide in the past several months as risks, that emerged or persisted in 2002 until winter 2002-03, have sharply reduced :

- conclusion of the war in Iraq without major catastrophic event, progressive eradication of Atypical Pneumonia ;

- favorable evolution, at least until now, of the scenarios for Brazil and, to a lesser degree, Turkey. The changes in risk for these two countries are likely to influence investment behavior towards all the emerging zones;

- advances in international financial architecture. The SDRM ("Sovereign Debt Restructuring Mechanism") will likely be succeeded by « Collective Action Clauses »[1] and greater cooperation between the private financial sector and international institutions, changes that comply with the wishes of international private financial investors. International markets have learned, to a certain extent, to deal with sovereign payment defaults (Ecuador, Pakistan, Ukraine, Uruguay).

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[1] Already used for some months in the bond issues of Mexico and Uruguay (debt swap).

⇨ **Moreover, the contagion effect has clearly run its course** (the Brazilian crisis, the war in Iraq, the Venezuelan crisis have not widespread), as a consequence of reduced financial vulnerability: progressive improvement since 1999 in liquidity and external solvency ratios[2], retreat of speculative capital flows, increasing implementation of floating exchange regimes, consolidation of certain banking systems with the subsequent efficiency gains in monetary policy. Investors' greater sophistication, especially in terms of deeper knowledge of the countries, has also contributed to this development.

⇨ All in all, **as summer begins, the financial environment of emerging countries is under much less strain than a year ago**: the internet bubble's demise, fears of accounting irregularities in US companies mitigated, sector risks better defined, near-term fears for the scenarios in Brazil, Turkey, Lebanon alleviated, etc.

1.2/ This partial removal of risks has made markets more attractive, albeit somewhat cosmetically and not necessarily durably. This removes the risk of external liquidity.

These factors converged to contribute in the first half of the year to reducing the financial volatility of emerging markets (stock market, exchange rates), lifting stock market prices (since March-April), appreciating certain exchange rates against the dollar (Latin America) and, especially, reducing risk premiums significantly.

⇨ **The narrowing of « speculative grade » spreads in emerging countries** has been spectacular since the autumn of 2002, particularly in Latin America. At roughly 500 basis points at end June 2003 (the peak was over 1000 in October 2002), the EMBI+ outperformed 2000's level (about 650 points) and approached the records of 1996-97. The narrowing concerned bonds (sovereign and private primary and secondary markets), and to a lesser degree, loans. It was often accompanied by **longer maturities**.

⇨ **The narrowing of spreads has occurred in modest volumes** (even if they increase in 2003), unlike in 2000 and especially 1996-97[3]. Net bond issues picked up slightly in Latin America and Eastern Europe in the first half of the year. The relative weakness of net capital private inflows limits the risk of contagion through speculative bubbles to the equity and real estate markets[4].

⇨ **The narrowing of emerging spreads coincided with that of private bonds on the US and EU markets and was more pronounced albeit less justified.** Indeed, whereas the narrowing in US and EU corporate spreads was justified by a decline in the risk of default (since 2002 in the US; 2003 in the EU), such was not the case for emerging markets: sovereign ratings remained generally stable and there was no marked decline in defaults[5]. In Latin America, one can even notice a divergence path between spreads and ratings (see graph below).

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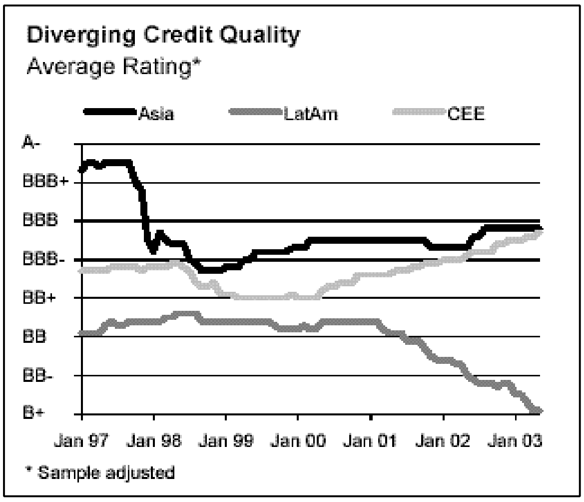
[2] The ratio of external debt to the exports of principal emerging countries went from 155 % in 1998 to 105 % in 2003 (IIF estimate).

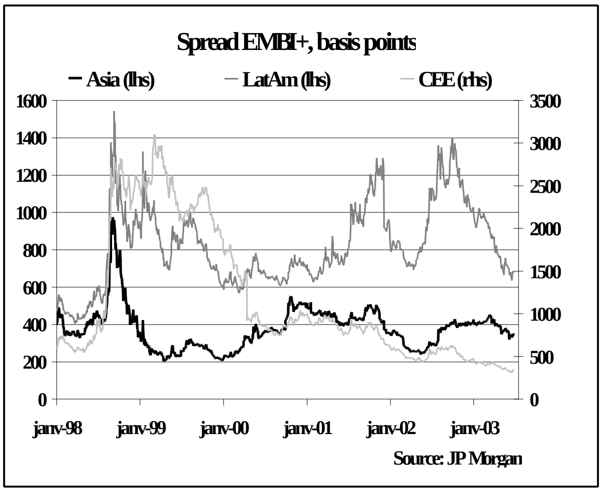
[3] According to the IIF, non-bank private loans (essentially bonds) to emerging countries grew from USD 13 billion in 2002 to USD 25 billion in 2003 compared with USD 42 billion in 2000.

[4] In 1995-97, large net capital inflows inflated monetary bases and led to a disproportionate rise in assets' prices (Asia, Latin America).

[5] According to Standard and Poor's, the default rate of speculative grade corporate issuers in emerging countries rose sharply in 2002.



Source : S & P



⇨ The narrowing of spreads was in part the result of the elimination of uncertainties weighing on emerging markets (hereabove) without, however, reflecting a significant improvement in their fundamentals (hereafter). **Notably, it resulted from the changes in international investors' strategy.** Globally overly liquid (funds, banks) and in search of more attractive yields after the disappointing performance of Occidental markets, the cross-border funds reallocated a part of their portfolios to emerging issuers[6]. This change was modest, but enough to lead to a significant easing in spreads, all the more marked because high yield bonds were de-correlated from the US stock market. **This increase in lendable funds was not matched by a comparable increase in the demand for borrowings**: the emerging countries whose debt ratios have declined significantly since 1999 continue to post current account surpluses in 2003. Among the majors, few are undergoing conditions of fragile external liquidity. Lower spreads have often presented an opportunity to renew loans under more favorable conditions[7].

⇨ **In 2003, this favorable evolution** to restored liquidity in some countries (Brazil, Indonesia, Turkey) or the consolidation of the solvency of others (Bulgaria, Mexico, Russia, etc.), **is not yet without risks**. It increases developing countries' dependence on emerging bond markets[8] **whose evolution will depend essentially on the US scenario**. Indeed, a part of the capital flows could return to US and maybe EU markets, if a solid US recovery were to improve earnings expectations while the rate curve of US bonds would become only slightly steeper (managed by the FED). Another scenario, unfavourable for emerging markets, but less probable, is a crash in the US bond market that would draw emerging markets into its wake.

[6] Neither too well noted because the spreads were already low, nor almost in default, resulting in targets like Brazil, Colombia, Russia and Turkey.
[7] On the emerging sovereign bond market, restructured bonds' share in total bonds has declined from 75 % in 1994 to 25 % today.
[8] Regular increase in ratio of bond debt to bank loans since 1997.

⇨ **Overall, the spectacular recovery in emerging countries' bond and credit markets over-reacts to a modest or arguable improvement in their fundamentals through the exacerbated competition of investors and lenders, and this could lead to a correction in up-coming quarters, depending on the global scenario.** In fact, a massive return of capital flows to emerging countries is unlikely (FDI's, credits, bonds).

1.3/ Excluding today's financial improvement, emerging countries' international environment remains mitigated. The dollar's depreciation could modify the competitive positions among the zones.

⇨ **GDP growth in the G7 countries** accelerated slightly from an annual +0.6 % in 2001 to 1.8 % for the year in 2002-03 and 2.5 % in 2004 (source : IIF), essentially in the United States (an annual +3.2 % in 2004) driven by services. Recovery in the industrial sector is still sputtering so exports increase of manufactured goods to developing countries remain stable (about +5% a year from 2002 to 2004), in a context of stabilized "industrial commodity" prices following 2002's increase (roughly +10 %). Recovery in the electronic components sector remains hesitant as well.

⇨ **Agricultural and food prices rose sharply in 2002 and the first quarter of 2003**, due in part to circumstantial events (climate, civil wars). The oil price decline since the peak in 2002 are not enough to produce substantial margins of maneuvre for importing countries. On the other hand, the still high level of oil price consolidates the financial position of exporting countries.

⇨ **The dollar's depreciation against the euro, if it lasts, could considerably modify the competitive positions of the zones.** It weakens those of Eastern Europe and North Africa, whose currencies are strongly linked to the euro (except the zloty). It also weakens, to a lesser extend, Latin American countries whose recent monetary re-appreciations are significant and partially offset the depreciations of previous years (the real and the Argentine, Chilean, Colombian, and Mexican pesos) and clearly enhance the positions of Asian countries, especially China, whose currency are strongly correlated with the dollar (with the partial exception of the Indonesian rupee, and to a lesser extent, the yen).

⇨ **Major unknown factors in the worldwide scenario continue to be on the downside,** taking into account the uncertainties dampening household and business confidence. Excess supply at the global level and regional deflationary trends will continue to weigh on world trade prices until at least 2004.

1.1 + 1.2 + 1.3 ⇨ In sum, having become more sensitive to international evolutions since 1996-97, developing countries can hardly count on them in 2003-04 to spur their growth or improve their solvency (moderate increase in nominal exports, probable continuation of compression and concentration of FDIs), **yet without being handicapped by an unfavourable real and financial environment as was the case in 2001**. The risk of a financial crisis has receded owing to the perhaps temporary appetite of international investors and the IMF's strong support of countries that are vulnerable but strategically important to the United States (Brazil, Turkey, Pakistan). The position of the IMF seems to have become more pragmatic (less stringent and dogmatic conditionalities, as in Argentina).

Nonetheless, **developing countries remain vulnerable to internal social and political conditions that have continued to deteriorate since 1997-98 in a context of weak growth** (many countries in Latin America, Africa, the Middle East, and some in Asia), a still troubled geo-political context (Middle East) and potential new severe financial turbulence in the major economies (spike in bond rates and/or crash in the US and EU property markets, bond crash in Japan, etc.).

1.4/ Some outlooks for emerging countries

⇨ **The large divergences in growth rates among the zones in 2001-02 will shrink in 2003-04**, *via* the return to positive growth in Latin America (+1.2 % in 2003, +2 % to +3 % in 2004) and a slowdown in Eastern Europe (+4 % in 2002, +3.5 % yearly in 2003-04) and in the Asia/Pacific region (+6.4 % en 2002 ; +5 % to +5.5 % in 2003-04). The Africa/ Middle-East zone should maintain growth at about 3.5 % a year for 2002-04. With the exception of Latin America, whose growth rates start from low levels, **no developing zone in the world seems to be able to record accelerated growth in 2004 in the wake of that of the G7** (to be sure modest itself) principally because domestic demand should weaken (Eastern Europe, Asia).

⇨ **Emerging countries should continue to consolidate their external liquidity**. **Globally, they should have a current account surplus** in 2003-04 (steady surplus of OPEC countries, lower Asian surplus, stabilization of Latin American deficit at a moderate level, return to deficit in Eastern Europe), to which are added net capital inflows (FDIs). So, their foreign currency reserves continue to increase, especially in Asia (China, Korea, Hong-Kong, Taiwan), and partially for economies in transition such as Russia's. But, the current account surplus and net FDI inflows are decreasing since 2002-03.

⇨ **Budget deficits and sovereign risk remain the Achilles' heel of country risk in many cases**. The increases in public debt during recent years from already high but variable levels in Asia, Eastern Europe and Latin America seem unlikely to turn around in 2003-04 in light of the persistence of high public deficits, apart from exceptions (mainly Brazil, Bulgaria, Indonesia).

II –EVOLUTIONS BY ZONE : AN UNEVEN TENDANCY IN COUNTRY RISK'S REDUCTION

The de-coupling of the evolution of risks among the zones continues: recovery or consolidation in Eastern Europe and Asia, fluctuation around a downgraded level in Latin America and Africa, and uncertainty in the Middle East.

2.1/ Asia

⇨ **Growth in the region slowed in 2003** influenced by the slump in domestic demand and exports (US upturn faltering in the second half of 2002). As we have previously indicated, in Asia (excluding China), the strength of domestic demand in 2002 essentially depended on circumstantial factors (good agricultural harvests, budgetary stimulation, disinflation-driven purchasing power, unsustainable growth in consumer credit) that are vanishing this year. **So, once again, the zone is more dependent on the international environment,** (essentially the US economy and electronic components). Exports have been slowing since the first quarter but will be structurally supported by the competitive advantage resulting from regional currencies' strong link to the dollar.

⇨ **SARS seems to be under control at present** (however, a new outbreak of the disease is always possible) **so that its impact on growth appears to be defined.** It should have a negative effect on domestic demand in the third quarter (the most affected countries in the range of 1 point to 1.5 points of GDP in 2003: Hong Kong, Singapore and Taiwan). SARS did not spawn significant financial turbulence and only marginally modified our analysis of country risk in the region. Risk premiums, benefiting from the favorable international financial context, continued to decline to the degree that some countries plan new issues (Vietnam, Pakistan).

⇨ **Continued disinflation/deflation** has favored monetary loosening and the development of household credit (notably in China, Korea and Thailand) since 2002. The latter has caused defaults (particularly on credit cards in Korea) and the creation of **new speculative bubbles in the property markets** (for the three countries).

⇨ **Sovereign risk is rising** in almost all the countries, fuelled by expansionist budgetary policies, except in Indonesia where it was already high and in Korea. **Non-transfer risk** has stabilized at a generally moderate level (continued increase in reserves and stabilization in the Philippines and Thailand).

⇨ The recent improvement in sovereign and systemic credit risk in **Indonesia** will have to be confirmed when in 2004 the newly elected power (probably the incumbent, President Megawaty) is no longer under the protective authority of the IMF. **In Korea**, the group SK failure proves that business practices change slowly. **China** should not revalue the yuan, at least in the near term, in spite of international pressure. **Hong Kong**, which continues to be a good risk, must face rising social discontent in the aftermath of several years of weak growth aggravated by the clumsy application of the anti-subversion article 23. If it continues, this context could damage the business climate[9]. **The dual trajectories of growth and risk for Southeast Asian countries are maintained** (Malaysia and South Korea on one and the Philippines and Indonesia on the other, with Thailand at the intersection).

[9] However, faced with the level of protest, the authorities agreed to amend certain clauses and postponed the vote on the law without nullifying it.

2.2/ Eastern Europe

⇨In spite of lackluster growth in the EU, **growth in 2002-03 in Central and Eastern Europe** was maintained by greater opportunities (the probable affect of inflows of FDIs of the past years that exploit the mother lode of comparative advantages such as low employment costs) and domestic demand (budgetary expansion, rapid growth of credit). These support factors risk being checked by solvency constraints (high private debt ratios, budget deficits) and exchange rates (appreciation of the euro against the dollar) so that, as is Asia in relation to the United States, growth in Eastern Europe risks once again being more correlated with that of the EU in the coming years.

⇨ **Institutional integration in the EU** is going according to plan (recently adopted by referendum in Hungary, Lithuania, Malta, Poland, the Czech Republic, Slovakia, and Slovenia). But the nominal and real convergence is slowed because of high budget and trade deficits for the years 2002-04 (Hungary, Poland, the Czech Republic and Slovakia), still appreciated currencies (Czech Republic, Slovakia and Hungary) and an erosion in the credibility of economic policy (Poland and Hungary?). This combination could lead to a postponement of the deadline for entry in the « EMS II ». These changes carry the risk of currency depreciation and widening spreads, but without deteriorating country risk. The zloty and the Hungarian florin are already in the correction phase.

⇨ Among the countries in the second sphere, **Bulgaria** continues to distinguish itself from **Romania**. It has redressed its public and external solvency and liquidity, slightly broadened its export base and consolidated its banking system. However, in the future, the leva could suffer from the effects of being pegged to the euro, i.e., a loss of competitiveness for products of the dollar zone.

⇨ Since the end of the war in Irak, **Turkey** has returned to financial stability owing in part to the strong support of the IMF (easing of domestic interest rates, rise of the Turkish Lira against the dollar) and strengthened by the solid performance in terms of growth and inflation in the first half of the year. A *modus vivendi* appears to have been found between the government and the military. In spite of the deterioration in the current account, the pound has returned to its mid-2002 level, meaning a real appreciation of 15%-20%. This appreciation creates a dilemma between the solvency of public accounts and external accounts. A sharp correction is still in the cards in case of political slippage, which would imply a worsening in sovereign risk.

⇨ **Russia's** public and external solvency and liquidity continue to improve. However, recent pressure brought to bear on the entourage of one of the principal oligarchs shows that clan disputes at the highest levels of the state continue in a persistently "scandal-ridden" environment. Furthermore, elections (legislative in December 2003 and presidential in March 2004) may push back the timetable for reforms.

⇨ **Even if the Eastern Europe zone as a whole has recorded the most consistent improvement in country risk in several years**, the remaining uncertainties compel us to consider that the sovereign (and maybe corporate) spreads today could underestimate the reality of risks: Russia : 300 bp, Romania : 250 bp, Bulgaria : 200 bp, Croatia : 100 bp and less that 50 bp for most of the acceding countries that still have a sovereign debt in foreign currency. The same goes for Turkey (600 bp).

2.3/ Latin America

⇨ After having announced flat (2001) and negative (2002) GDP growth, **Latin America should return to growth in 2003** (+1.5 %) and 2004 (+2 % to +3 %) owing to Argentina's emergence from depression and an up-tick in Chile, Columbia and Mexico (+2 % to +3.5 % yearly for each of these countries). The zone benefits from rising prices for commodities, inflows of speculative capital and the easing of US rates and spreads. The year 2003 will see **Brazil's** growth remain sluggish for the fourth consecutive year (GDP +1.5 %), owing to restrictive monetary policies, and Venezuela's second year of recession (GDP –15 % after –9 % in 2002). **For the coming years, growth will be the key issue for a zone whose GDP per capita has fallen since 1998** amidst low domestic savings and a decline in foreign direct investment from USD 60 billion each year in 2000-01 to USD30 billion in 2003 (Source: IIF). **Consequently, social and economic issues continue to dominate in a context in which the sub-continent is highly sensitive to changes in the international financial and economic environment.**

⇨ **The depreciation of most of the zone's currencies in 2001-02** resulting from widespread floating of currencies and problems financing external accounts (Argentina, Brazil, Colombia, Peru and Chile) have driven up inflation, toughened monetary policies and slowed growth. This has favored the reduction in current account deficits (down for the zone from around 2 points of GDP in 2000-01 to less than 1 point in 2002-03). Cutting trade deficits, maintaining budget orthodoxy (Brazil, Colombia, Peru, Mexico, Chile) and returning capital seeking quick yields, have led to **the re-appreciation of regional currencies since the beginning of the year while preserving a relative competitive advantage.** This works in favor of disinflation and monetary easing.

⇨ The strenghtening of external accounts, the return of private capital inflows (among which the partial re-opening of the Eurobond market) and the support of the IMF **ward off the risk of an external liquidity crisis, at least in the short term, for all the major countries in the zone**.

⇨ **Anti-liberal protest is fairly widespread.** In countries governed by the liberal central right, economic policy (notably the structural reforms) is paralyzed by political conservatism **(Mexico)** or strong social dissent (**Peru, Bolivia**); the improvement in Colombia (thanks to the implementation of structural reforms) is an exception, albeit in a specific social context (civil disturbances). In the rest of the continent, on the left since 2002, governments attempt to achieve a fragile balance between social aspirations and liberalism, involving a restrictive policy mix under stringent solvency constraints. A large consensus in favor of this « third way » **has given rise to great hopes for Lula's Brazil,** in contrast with Gutierrez's **Ecuador** and Chavez's **Venezuela,** at the brink of social chaos. Lagos's **Chili** remains an island of macro-economic stability and modest social progress, but no longer serves as a model for Latin American societies.

⇨ **Argentina** starts to recover by taking a middle path between monetary and fiscal orthodoxy and statism. The partial recovery in growth and the restoration of liquidity are carried out against a backdrop of major unresolved issues: the legal framework for business (in progress), banks' financial situation, and external debt. **Venezuela's** anarchy and depression could lead to a sovereign default in 2004 if the price of oil drops, in spite of the rather unexpected recovery in oil output this year (although the statistics are not very reliable).

⇨ **In all**, **there is a dual evolution in fondamentals and in the country risk for the zone**, new improvement (Argentina, Brazil, Colombia) and continued deterioration (Dominican Republic, Jamaica, Venezuela and Peru). The easing of external constraints, notably due to the bolstered support of the IMF for at least the first group of countries, is accompanied by persistent internal social and political constraints.

2.4/ Middle East and Africa

⇨ **The persisting high oil prices** have strengthened the external financial position of the countries in the Gulf region (Saudi Arabia, Kuwait, UAE, Oman, Qatar, Bahrain) as well as those of Algeria and Iran. Their external liquidity and solvency are acceptable or sound**. All these countries should be able to cope with a sharp drop in oil prices for at least a year**.

⇨ **The ending in Irak's** war with the Anglo-American occupation and the dissolution of the Baas party has modified the regional geo-political landscape. The United States relies more on Qatar and Bahrain, as well as the UAE and Kuwait, than on Saudi Arabia. The Gulf's small conservative monarchies seem to be globally bolstered by a US support that limits their exposure to the Saudi risk. All these countries face fragile social base unified by anti-Americanism.

⇨ Irak's political future is less rosy than the American administration had hoped, clouded by social and political chaos, the absence of any evident US post-war project, the disarray of the state apparatus and the high cost of reconstruction. Thus, **Irak should remain a hotbed of instability for many years.** In addition, the political situation in **Iran** is drifting toward an impasse (society's aspirations frustrated by the political deadlock between liberals and conservatives, whose power is growing). Prospects for dialogue in the **Middle East** are opening (necessity for Bush administration to resolve other regional conflicts), and **Lebanon** has benefited from a financial windfall (ParisII), which pushes the risk of a liquidity crisis at least two years into the future. However, public finances are only slowly improving and internal political tensions are still high.

⇨ **Sovereign and non-transfer risks** of the countries of the Maghreb and subSaharan Africa are relatively stable. The implementation of the HIPC initiatives and the rising prices of some commodities (gold and cacao, even if decreasing lately) have not led to an in-depth improvement in country risk. Public deficits are still high.

⇨ **Regional geo-political tensions are rising in East Africa but internal political tensions are on a diminishing trend in the Ivory Coast, Kenya, Madagascar, Mozambique and Nigeria.** In Ghana, Mozambique and Tanzania, the 2004 elections will be a major test to reconcile public support with keeping the commitments to the IMF. In **Egypt, Morocco and** to a lesser extent **Tunisia,** the risk of religious fundamentalism continues to grow, mainly due to unemployment and social inequalities.

⇨ **In South Africa,** country risk remains moderate in the short term as the macroeconomic fundamentals remain sound, in spite of still-fragile liquidity. The medium-term outlook continues to depend on social and political risk.

⇨ In spite of GDP growth of roughly 3 % a year, **the African continent** does not show of favorable prospects in the medium term, with the exception of the sectors for oil and a few commodities.

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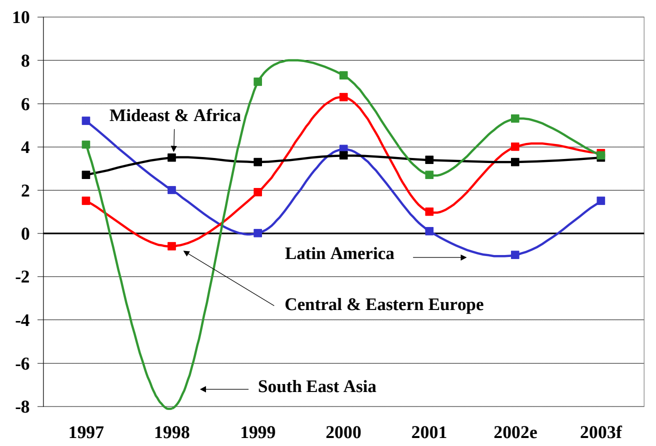
ANNEXS

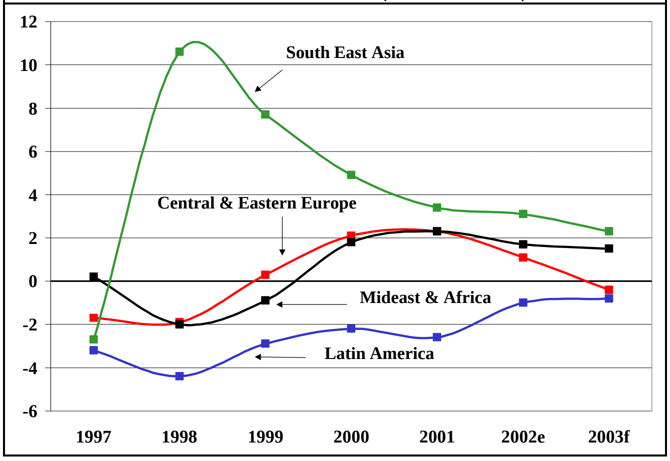
Emerging Markets (Economy and Financing 1)

Emerging Market Economies' Output
(Real GDP, %)



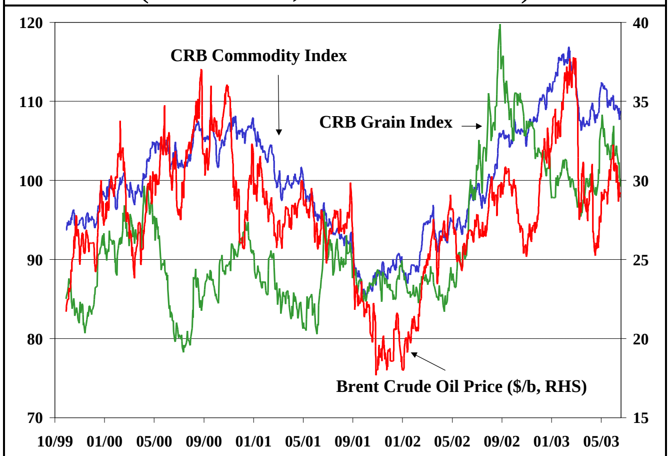
Source: Institute for International Finance

Emerging Market Economies' Current-Account Balance (% of GDP)



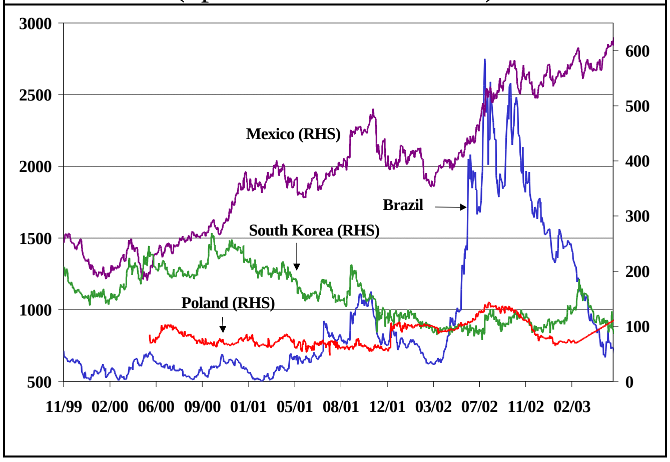
Source: Institute for International Finance

Commodity Prices
(for indexes, June 1998 = 100)



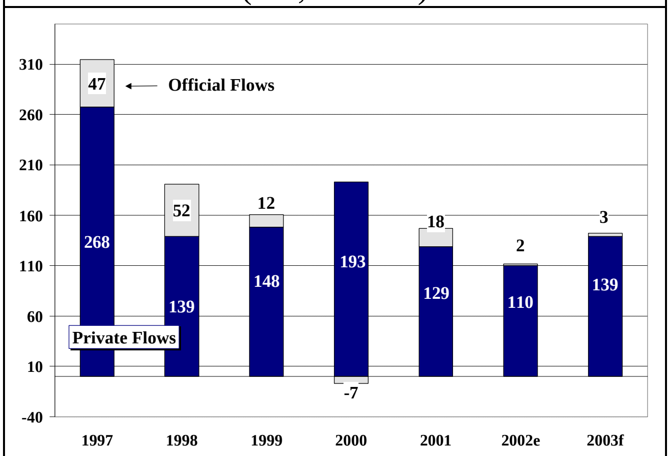
Source: Datastream

Comparative Spreads' Evolution by Countries
(bps over US Treasuries)



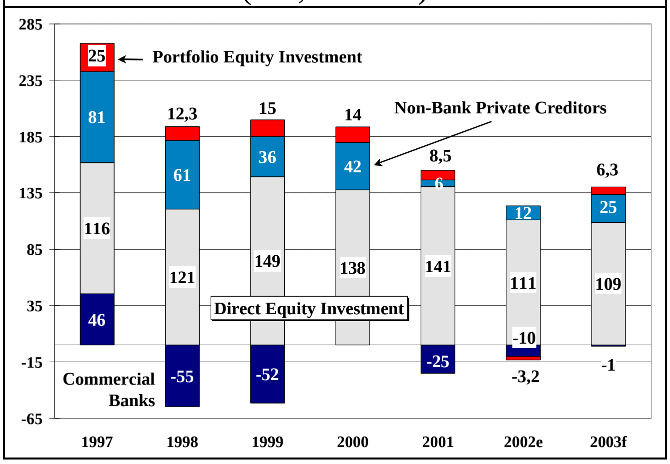
Source: Datastream

Capital Flows to Emerging Market Economies
(Net, USD bn)



Source: Institute for International Finance

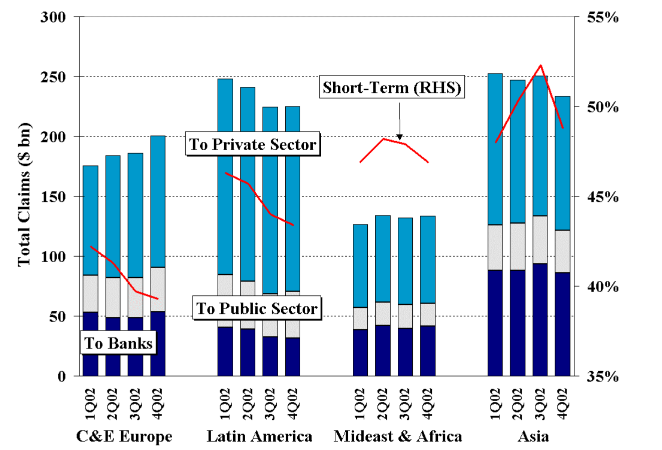
Private Flows
(Net, USD bn)



Source: Institute for International Finance

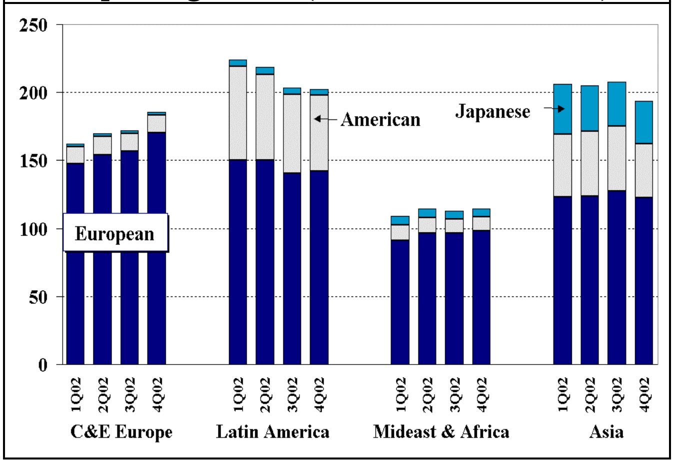
Emerging Markets (Economy and Financing 2)

International Bank Lending By Maturity And Sector (Total Claims, USD bn)



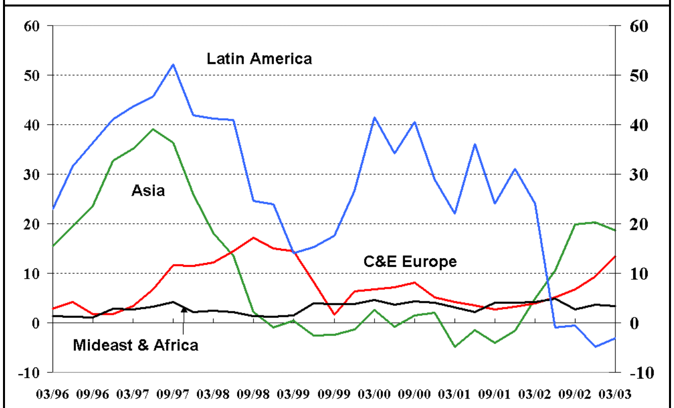
Source: Bank for International Settlements

International Bank Lending By Nationality Of Reporting Banks (Total Claims, USD bn)



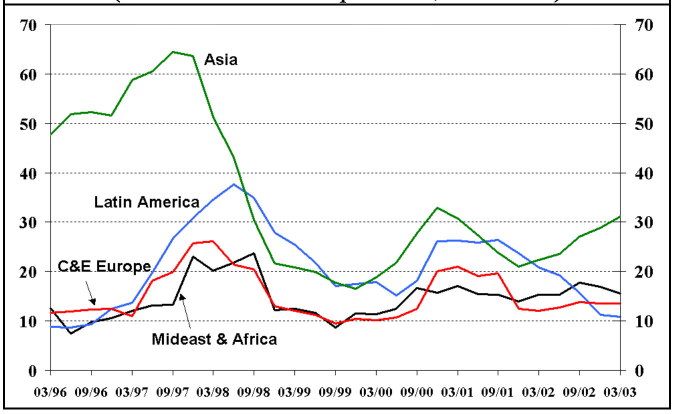
Source: Bank for International Settlements

International debt securities net issues
(sum of last four quarters, USD bn)



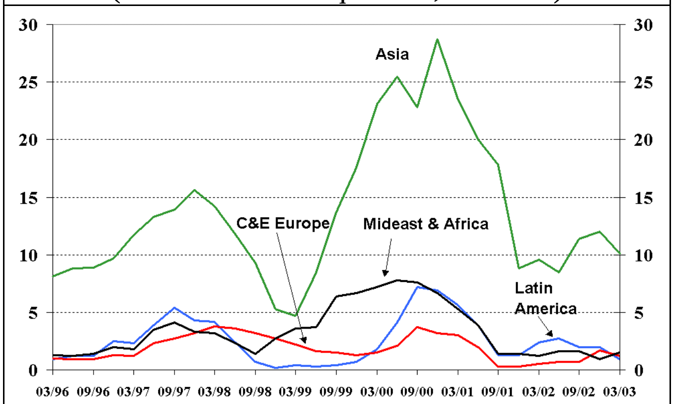
Source: Bank for International Settlements

Announced international syndicated credit facilities
(sum of last four quarters, USD bn)



Source: Bank for International Settlements

International equity issues
(sum of last four quarters, USD bn)



Source: Bank for International Settlements

Selected Bonds and Spreads
(bps over US Treasuries)

	end-March 02	end-June 02	end-Sept 02	end-Dec 02	30/06/2003	Reference
Argentina	5689	6391	7108	7357	5726	ARGENT 11% 10/09/06
Brazil	623	1906	2580	1563	744	BRAZIL 9 3/8% 04/07/08
Mexico	356	435	582	575	604	MEX 9 7/8% 01/15/07
Venezuela	917	1193	1381	1365	1025	VENZ 9 1/8% 06/18/07
China	109	86	88	106	124	CHINA 7 3/4% 07/05/06
Malaysia	143	160	129	128	74	PETROL 7 1/8% 10/18/06
Thailand	98	107	115	133	98	THAI 7 3/4% 04/15/07
Indonesia	344	430	435	432	309	INDON 7 3/4% 08/01/06
Philippines	330	373	488	508	336	PHILIP 8 3/4% 10/07/16
South Korea	90	96	113	114	93	KOREA 8 7/8% 04/15/08
Poland	91	70	120	81	123	POLAND 7 3/4% 07/01/17
Russia	385	463	520	363	192	RUSSIA 10% 06/26/07
South Africa	211	222	279	229	128	SOAF 8 3/8% 10/17/06
Turkey	476	926	911	660	653	TURKEY 10% 09/19/07

Source : Datastream

Statistical appendix

Key Economic Indicators

	Real GDP % change			Current account balance % GDP			Fiscal balance % GDP			CPI inflation % change on year average		
	2001	2002e	2003f	2001	2002e	2003f	2001	2002e	2003f	2001	2002e	2003f
Argentina	-4,5	-10,9	3,5	-1,6	4,8	5,2	-5,6	-2,6	-3,7	-1,1	25,9	19,5
Brazil	1,5	1,5	1,4	-4,6	-1,7	-1,4	-5,2	-10,4	-7,2	7,7	12,5	13,0
Chile	2,8	2,2	2,8	-1,9	-1,7	-1,3	-1,6	-2,1	-2,0	3,6	2,1	3,0
Colombia	1,4	1,8	3,0	-1,9	-1,9	-2,6	-3,8	-4,0	-2,4	7,6	6,3	5,5
Mexico	-0,2	0,7	1,8	-2,9	-2,2	-2,3	-0,7	-1,2	-0,5	4,4	5,7	4,0
Venezuela	2,8	-8,9	-10,0	3,2	8,7	11,9	-4,5	-3,0	-2,0	12,4	31,2	37,6
China	7,3	8,0	7,5	1,5	2,0	1,8	-2,6	-3,0	-3,0	0,7	-0,8	1,0
India	5,4	4,8	5,5	0,3	0,2	0,1	-6,1	-5,8	na	3,6	2,9	2,9
Indonesia	3,5	3,6	3,0	4,7	4,1	2,5	-3,7	-1,7	-1,8	11,5	11,9	7,5
Malaysia	0,3	4,1	4,2	8,3	7,6	7,5	-4,8	-4,3	-5,5	1,4	1,8	1,8
Philippines	3,2	4,6	3,5	0,4	2,3	0,5	-4,3	-6,8	-7,3	6,1	3,1	3,0
South Korea	3,0	6,0	4,0	2,1	1,5	1,0	1,3	3,0	0,5	4,1	2,8	3,0
Thailand	1,9	5,2	4,9	5,4	6,0	4,8	-3,5	-3,1	-1,9	1,7	0,6	2,1
Bulgaria	4,0	4,7	4,0	-6,2	-4,4	-4,5	-0,9	-0,7	-0,7	7,3	5,8	3,5
Czech Republic	3,3	2,0	2,5	-5,7	-6,4	-4,7	-5,2	-7,3	-8,0	4,7	1,8	0,5
Hungary	3,8	3,3	3,5	-3,3	-4,2	-4,5	-4,7	-9,6	-5,5	9,1	5,3	4,9
Poland	1,0	1,3	2,5	-4,1	-3,6	-3,8	-4,3	-5,2	-4,8	5,5	1,9	1,3
Slovakia	3,3	4,4	4,0	-8,2	-8,2	-6,2	-5,4	-7,2	-5,0	7,1	3,3	7,0
Romania	5,3	4,8	4,3	-5,9	-3,5	-4,2	-3,3	-2,9	-2,8	34,5	22,6	15,6
Russia	5,0	4,3	4,8	11,2	9,5	7,3	3,0	1,8	1,0	21,6	15,8	13,5
Algeria	2,1	4,1	4,5	12,9	8,6	10,9	3,9	-0,9	-6,0	4,2	1,4	4,0
Egypt	3,5	3,0	2,6	0,0	0,4	-0,7	-5,5	-5,9	-6,5	2,3	2,7	2,8
Lebanon	1,9	1,8	2,0	-22,9	-26,0	-22,0	-16,8	-15,9	-12,0	-0,4	3,3	1,2
Morocco	6,5	4,5	5,0	4,9	2,9	1,8	-8,8	-4,5	-6,0	0,6	3,0	2,3
Saoudi Arabia	2,2	-2,0	1,5	8,1	4,8	3,5	-3,9	-3,4	-2,0	-0,8	-0,5	1,0
South Africa	2,8	3,0	3,2	-0,2	0,2	-0,3	-1,4	-1,6	-2,0	5,7	10,1	7,4
Tunisia	4,9	1,9	4,0	-4,6	-4,2	-4,2	-2,6	-2,6	-2,4	1,9	2,8	3,0
Turkey	-7,4	7,8	4,5	2,3	-1,0	-3,0	-21,0	-18,0	-14,0	54,4	45,0	28,0

Sources: Institute for International Finance, BNP PARIBAS

External Liquidity & Liability Indicators

	Official Reserves Excluding Gold (1)		Total External Debt			Debt-Service Ratio (4)	
	USD bn	Import cover months (2)	USD bn end 2002e	% of GDP end 2002e	% of exports (3) end 2002e	2002e	2003f
Argentina	11.4	9.3	142.0	139.6	444.3	63.7	75.1
Brazil	43.2	6.2	238.6	45.5	325.9	63.0	79.4
Chile	15.9	9.2	41.5	64.0	179.6	22.6	25.2
Colombia	10.5	6.8	39.6	48.8	261.8	55.9	54.3
Mexico	55.8	3.6	161.7	25.4	91.1	14.1	18.2
Venezuela	11.8	8.9	34.3	39.1	116.6	13.6	21.9
China	320.7	11.7	170.6	13.8	45.6	6.6	4.7
India	78.6	13.3	118.8	23.3	151.1	16.4	18.5
Indonesia	33.0	9.3	133.8	75.1	207.4	31.0	29.2
Malaysia	36.1	4.3	48.1	51.5	44.0	9.8	6.2
Philippines	13.2	4.0	60.3	78.3	133.5	19.4	19.3
South Korea	128.8	8.4	135.2	28.4	68.4	9.0	9.4
Thailand	38.0	6.2	63.8	50.8	74.8	15.1	11.0
Bulgaria	5.2	6.8	11.1	70.1	134.0	15.3	12.2
Czech Republic	25.9	6.6	26.3	37.8	55.4	8.6	6.1
Hungary	12.8	3.5	39.8	60.4	90.8	13.0	13.7
Poland	32.4	6.1	80.9	42.9	144.0	12.5	12.1
Slovakia	10.1	6.4	13.2	55.6	75.4	12.5	14.0
Romania	6.4	4.0	14.4	31.9	90.6	19.5	15.2
Russia	61.1	11.2	141.4	40.9	135.3	19.9	16.0
Algeria	23.2	16.6	22.9	41.1	111.3	18.4	18.1
Egypt	14.3	8.7	28.7	32.6	176.2	11.2	16.9
Lebanon	9.7	15.7	7.5	42.7	419.2	92.7	80.5
Morocco	9.5	8.3	15.4	41.5	137.5	25.9	22.2
Saoudi Arabia	20.6	5.0	28.8	15.5	39.1	7.9	6.5
South Africa	6.0	2.0	33.8	31.5	90.5	13.3	9.9
Tunisia	2.5	2.7	13.1	62.1	142.3	16.6	16.9
Turkey	28.5	6.3	134.6	73.8	238.5	62.3	49.0

Sources: Institute for International Finance, BNP Paribas

(1) Month: April or May 2003
(2) Imports of goods & services and income
(3) Exports of goods & services and income
(4) Debt service in % of exports of goods & services and income