Economist Intelligence Unit The Economist

COUNTRY FORECAST
December 2007

Venezuela at a glance: 2008-09

OVERVIEW

Having won a strong mandate in 2006, the president, Hugo Chávez, has launched his third term with a drive to deepen "21st-century socialism". Complete control of the legislature and significant influence over weak and politicised institutions should facilitate this agenda, but obstacles remain, including the gradual decline of fiscal revenue, which, combined with a downturn in private investment, will produce an economic slowdown. This will help to keep inflation below 20% in 2008-09, notwithstanding a forecast devaluation of the fixed official exchange rate in 2009 as the bolívar becomes increasingly overvalued. For now, still-strong public finances and external accounts should allow the authorities to avoid a devaluation in 2008, despite a large parallel market premium. As the forecast period progresses, the current-account surplus will narrow; both import and export growth will slow, but export growth will slow more rapidly.

Key changes from last month

Political outlook

Opinion polls indicate that the "no" campaign is gathering steam ahead of the December 2nd referendum on constitutional reform. Although our central forecast is that Mr Chávez secures approval for the reforms, there is a rising possibility that the government is defeated. This would provide a significant boost to the opposition.

Economic policy outlook

Worsening food shortages have focused attention on the government's economic policy framework. Producers have increasingly claimed that the fixed retail price of many staples is below the cost of production. However, given high levels of inflation, a relaxation of the price framework is unlikely.

Economic forecast

Rising oil prices will provide a greater-than-expected stimulus to exports and fiscal revenue. We now expect a current-account surplus of 6.9% of GDP in 2008 and 5.1% of GDP in 2009, compared with 4.6% and 2.6% previously.

Country forecast overview: Highlights

- The Economist Intelligence Unit’s forecast is based on the assumption that the president, Hugo Chávez, will stay in power throughout the outlook period. Victory in the December 2006 election extends his term of office to 2012, with little meaningful opposition. The political environment will remain polarised, particularly in the context of government policy radicalisation, which also has the potential to intensify conflicts within the broad government alliance. In the medium term, this could reduce support for the president and erode political stability and governability.
- The radical economic policy agenda of the government, which is centred on expanding the state-led development model, will exacerbate deficiencies in the business environment, and Venezuela will remain a challenging place in which to invest. Investment in most sectors is unlikely to thrive against a background of distortionary macroeconomic policy (with price and exchange controls expected to be retained), rising threats to property and contract rights, unpredictable state intervention, and a growing bureaucratic burden. Even in the dominant energy sector, foreign investment will be below potential, as a result of legal uncertainty and an emerging emphasis on links with investors from “friendly” countries. The burden of oil

investment will fall increasingly on the public sector, but here there are questions over efficiency and technical capacity.

- Fiscal oil revenue will stabilise in the medium term, and non-oil revenue will fall, but the rise in essentially permanent spending commitments makes a fiscal retrenchment unlikely. The result will be a widening fiscal deficit and a rise in the public debt stock (although this is from modest levels by regional standards). The long-standing structural problems of oil dependency (which requires a comprehensive reform of the non-oil tax system) and an inefficient and costly public bureaucracy (which would require large-scale redundancies to reverse) are unlikely to be tackled within the forecast period.
- Venezuela is at the peak of another oil-fuelled boom. In the past, oil-fuelled booms have been followed by spectacular crashes in the wake of oil-price falls. However, with world oil prices expected to remain high (by historical comparison) for a prolonged period, the economic cycle is likely to prove to be more drawn out in this case. Our assumption of a stabilisation of oil prices, combined with an unfavourable climate for private enterprise, implies a gradual deceleration of investment growth and of the fiscal stimulus. Real GDP growth will slow to around 3% over the medium term as a result. Our oil price forecast also implies yearly step devaluations of the bolívar from 2009.

Country forecast overview: Key indicators

Key indicators	2007	2008	2009	2010	2011	2012
Real GDP growth (%)	7.9	5.1	3.9	2.8	3.0	2.9
Consumer price inflation (av; %)	18.1	19.8	19.0	15.9	14.3	13.7
Budget balance (% of GDP)	-1.4	-2.6	-2.8	-2.8	-2.9	-2.7
Current-account balance (% of GDP)	9.2	6.9	5.1	1.7	1.2	0.2
Commercial banks' prime rate (%; av)	17.1	20.0	19.5	17.0	16.0	15.0
Exchange rate Bs:US$ (av)	2,147.0	2,147.0	2,653.9	3,066.7	3,558.3	4,058.3
Exchange rate Bs:€ (av)	2,933.7	3,134.6	3,523.1	3,917.7	4,483.5	5,072.9

Country forecast overview: Business environment rankings

Value of index[a]	Global rank[b]	Regional rank[c]

2003-07	2008-12	2003-07	2008-12	2003-07	2008-12
4.95	4.38	69	81	11	12

[a] Out of 10. [b] Out of 82 countries. [c] Out of 12 countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Mexico, Peru and Venezuela.

- Venezuela was among the least attractive investment locations of the 82 economies included in our business environment rankings for the historical period (2003-07), and a further deterioration is expected in the forecast period (2008-12). Although the energy sector will continue to attract some investment, the general business climate will be poor, given unpredictable state interventionism and inadequate legal security.

Country forecast overview: Venezuela's business environment at a glance

Policy towards private enterprise and competition

2008-09: Nationalisation of a number of utilities marks a significant further deterioration in the environment for businesses already hit by aggressive land reform and unilateral public-sector contract revisions.

2010-12: Unpredictable interventionism and acceleration of the state-led development model restricts freedom of businesses to operate. There is a risk that more sectors, such as food production, become targets for nationalisation.

Policy towards foreign investment

2008-09: Government states that it will welcome investment in some sectors, but foreign investors face the same risks as the domestic private sector. Favouritism towards investment from, and trade with, “friendly” countries.

2010-12: Interest of foreign investors in industries outside hydrocarbons remains limited, as confidence in the rule of law is weak. Political risk continues to complicate project finance.

Foreign trade and exchange controls

2008-09: Exchange controls remain in place and possibly tightened as oil prices decline, limiting capital flight.

2010-12: Closer ties with the Mercado Común del Sur (Mercosur, the Southern Cone customs union), but Venezuela remains an unreliable trade partner. There are periodic protectionist measures and the chance of rising tariff and non-tariff barriers.

Taxes

2008-09: Following adjustment of the tax regime for foreign energy companies to maximise fiscal revenue from hydrocarbons, non-oil tax regime is adjusted. Ad hoc tax adjustments, depending on level of fiscal oil revenue.

2010-12: The tax system remains complicated and unpredictable. Assuming oil prices begin to trend downward, collection becomes more aggressive, rates increase and new “temporary” taxes are implemented.

Financing

2008-09: Exchange controls enforce a deepening of domestic capital markets, but long-term finance remains in short supply, reflecting lack of confidence on the part of both banks and business. Lending requirements distort credit markets.

2010-12: Economic deceleration combined with investor uncertainty make banks more reluctant to lend and businesses and consumers less willing to borrow. Long-term investment finance remains scarce.

The labour market

2008-09: High non-wage costs, skills shortages and regulatory rigidities render the labour market unattractive.

2010-12: US-dollar wage costs moderate, but labour market rigidities worsen.

Infrastructure

2008-09: Policy focus on public investment in neglected transport infrastructure, but spending will be inefficient.

2010-12: In the absence of transparent regulation, private-sector investment is limited. Threat of electricity shortages.

Fact sheet

Annual data	2006[a]	Historical averages (%)	2002-06
Population (m)	26.9	Population growth	1.8
GDP (US$ bn; market exchange rate)	181.9	Real GDP growth	3.9
GDP (US$ bn; purchasing power parity)	204.7[b]	Real domestic demand growth	6.9
GDP per head (US$; market exchange rate)	6,764	Inflation	20.8
GDP per head (US$; purchasing power parity)	7,612[b]	Current-account balance (% of GDP)	13.7
Exchange rate (av) Bs:US$	2,147	FDI inflows (% of GDP)	1.2

[a] Actual. [b] Economist Intelligence Unit estimates.

Background: From 1958 until the mid-1990s, two parties, Acción Democrática (AD) and the Comité de Organización Política Electoral Independiente (COPEI), alternated in power in Venezuela. Frequent economic crises and endemic corruption eventually led to a collapse in their support, culminating in the 1998 election of a former lieutenant-colonel and leader of a failed coup in 1992, Hugo Chávez, with a mandate for radical political reform. Mr Chávez's policy programme has exacerbated political polarisation, but his hold on power is secure. He survived an attempted coup in 2002 and a revocatory referendum in 2004, and was comfortably re-elected to a third term in December 2006. In the wake of an opposition boycott of the 2005 legislative election, the president has total control of the 167-seat unicameral National Assembly.

Political structure: Political alienation is widespread and state institutions lack credibility. The 1999 constitution permits one consecutive presidential re-election, and all elected officials can be subjected to revocatory referendums half-way through their terms. The executive, elected by direct vote, dominates the other branches of government: the National Assembly, the judiciary, the Republican Moral Council (an ombudsman) and the National Electoral Council. Constitutional reform (currently before Congress) could further concentrate power in the executive.

Policy issues: Political radicalisation has been reflected in increasingly heterodox economic policymaking in recent years, for example through the imposition of exchange and price controls in 2003 to arrest capital flight and control inflationary pressures. Both have been maintained since then, but consumer price inflation remains at double-digit levels, owing mainly to the expansionary fiscal stance, which is facilitated by high oil prices. The public finances remain over-reliant on oil revenue, which entrenches cycles of economic boom and bust. High oil prices have increased the disincentives to undertake structural reforms, and facilitated the government's policy goal of expanding the state-led development model.

Taxation: The top corporate tax rate is 34% for non-oil companies and 50% for oil companies. A maximum royalty rate of 30% applies to oil extraction. Following cuts in 2007, from 14%, the value-added tax (VAT) rate currently stands at 9%. A financial transactions tax, originally introduced in 2002 for a one-year period, was eliminated in 2006.

Foreign trade: Exports of US$65bn and imports of US$32bn led to a goods trade surplus of US$33bn in 2006. The current-account surplus reached US$27.2bn (14.9% of GDP).

Major exports 2006	% of total	Major imports 2006	% of total
Oil & gas	89.6	Raw materials & intermediate goods	41.5
Other	10.4	Capital goods	30.4
		Consumer goods	22.9

Leading markets 2006	% of total	Leading suppliers 2006	% of total
US	53.5	US	29.5
Netherlands Antilles	8.8	Colombia	9.6
China	3.7	Brazil	7.0

Outlook for 2008-09: Domestic politics

The president, Hugo Chávez, sees his convincing victory in the December 2006 presidential election as a strong mandate for a programme combining high public spending on social investment with a much more controversial drive towards what he calls “21st-century socialism”. Since taking office for a third term, Mr Chávez has moved quickly to nationalise a number of utilities and pushed through enabling legislation that allows him to rule by decree until July 2008 on a wide range of economic and social issues. Mr Chávez is seeking to further these policies through constitutional reform, which would extend state control over key strategic sectors, weaken private property rights and boost the power of the executive if passed in a public referendum on December 2nd. Although complete control of the legislature and strong influence over weak and politicised institutions should facilitate Mr Chávez's radical policy agenda, it is unclear whether a majority of voters supports the shift to state control. Opinion polls consistently show that Mr Chávez’s support is based on his pro-poor policies and the rise in real incomes in recent years, rather than solid ideological support for socialism. The Economist Intelligence Unit's central forecast is that the constitutional reforms are passed, on the back of Mr Chávez's still-high levels of personal popularity, but high abstention levels will indicate latent resistance to the president's drive to "deepen the revolution". However, in the wake of a strengthening "no" campaign, a government defeat or slender victory is now possible. This would shatter the aura of invincibility that Mr Chávez has built up, eroding support for the administration and giving a major boost to the political opposition. Such an outcome could potentially create the conditions for a political realignment, although such a shift would not occur rapidly.

Regardless of the outcome of the December referendum, the potential for greater resistance to the government will in large part depend on the ability of the opposition to overcome internal divisions. The opposition political class has in recent years found it difficult to shed its poor reputation and the legacy of corruption in government in previous decades. Moreover, given a lack of representation at local or national level, it has no direct influence on policy. Given these limitations, it appears likely that a “third force” will eventually emerge to lead the opposition. This might include what

Venezuelans call “Chavistas light”: Chávez supporters who are uncomfortable with some of the more radical elements of the president’s programme. It might also include some pro-Chávez groups that are unhappy with a recent drive towards centralisation of power in a government that presents itself as a grassroots political movement. Until then, spontaneous demonstrations will remain the most frequent means of expressing discontent with government policy. These have become more frequent in the run-up to the referendum; we expect this to be contained, but the possibility of significant social unrest cannot be discounted.

Outlook for 2008-09: International relations

The Chávez government will continue to use the state’s wealth of energy resources as leverage to deepen diplomatic and commercial relations with countries it considers “friendly” within and outside the region. Mr Chávez’s increasingly provocative international agenda will continue to fuel some unease within Latin America—reflected in occasional diplomatic and trade disputes with former trade partners in the Comunidad Andina (CAN, the Andean Community) and prospective partners from the Mercado Común del Sur (Mercosur, the Southern Cone customs union)—and outside it, most obviously in the US. Although the US has become less vocal in its criticism of the Venezuelan government recently, spats between the governments are likely to re-emerge. Despite poor diplomatic relations and Venezuela’s pursuit of new markets for oil trade and investment, oil supply to the US is expected to be largely unaffected during the forecast period. In spite of recent tensions with Colombia and Spain, we expect commercial relations to remain sound.

Outlook for 2008-09: Policy trends

Through his moves to nationalise utility companies and ensure state control of heavy oil production in the Orinoco Belt, Mr Chávez has essentially reversed the market-oriented structural reforms introduced in the 1990s. The question now is how much further the president intends to limit the scope of the private sector as he drives the country towards “21st-century socialism”. An alarmist view is that the government is moving towards full state control of the economy. The other view is that private-sector enterprises will still have scope to operate in the space between large state companies in strategic sectors and small-scale co-operatives based on social and communal property. This would still entail many restrictions, including only minority participation in activities deemed to be strategic. For the moment, this second view would appear to correspond more to reality. However, the fear that the first view will ultimately turn out to be correct will continue to curb private-sector investment and foment capital flight. There is therefore no guarantee that the drive towards “21st-century socialism” will come to a halt after the latest measures. Whether or not further nationalisation actually takes place, or is instead used as a bargaining tool to extract concessions, the threat of nationalisation means that contract rights will remain weak and the burden of red tape large, even if outright expropriation is avoided.

Outlook for 2008-09: Fiscal policy

Central government revenue has risen by around 10% of GDP in the past five years, on the back of rising oil prices and oil tax rates. To increase its spending powers on top of this, the government has established “parallel” budgets run by the Fondo Nacional de Desarrollo (Fonden, the national development fund) and by Petróleos de Venezuela (PDVSA, the state oil company). But despite the array of resources at its disposal, management of the central government accounts will become more complicated in the forecast period. Oil revenue will stabilise as a share of GDP in 2008 before moderating to a still-high 15.6% of GDP by 2009, but non-oil revenue will fall more rapidly in the wake of a cut of 5 percentage points in value-added tax (VAT) in mid-2007, from 14% to 9%, and as GDP growth decelerates more rapidly in 2008-09. Although we expect a gradual decline in public expenditure as a percentage of GDP, this will be insufficient to prevent an increase in the central government deficit, to 2.8% of GDP in 2009. The true fiscal position will be worse, as a rising burden of expenditure will be placed on PDVSA and Fonden.

Outlook for 2008-09: Monetary policy

Faced by government reluctance to cut back spending significantly, and threatened with the loss of its independence as part of a proposed constitutional reform, the Banco Central de Venezuela (BCV, the Central Bank) remains hamstrung in its battle against inflation. In the context of exchange controls and fiscal dominance over monetary policy, the money supply has continued to expand rapidly. We expect the pace of monetary expansion to remain rapid during the forecast period and the BCV will continue to pose significant quasi-fiscal losses. The BCV has raised both minimum savings rates and bank reserve requirements in order to slow down credit expansion, but these measures are unlikely to slow credit growth significantly, especially as deposit rates are still highly negative.

Outlook for 2008-09: International assumptions

Our baseline forecasts assume that the impact of the financial market turbulence of recent months on the real economy will be relatively contained, producing a modest slowdown in global growth in 2008-09. However, given the close trading ties with the US and reliance on oil revenue, there are significant downside risks to this forecast. The global environment is expected to become less conducive to growth in emerging markets in 2008-09, especially as financing conditions turn less favourable. The repricing of risk that has been spurred by the sub-prime mortgage crisis will lead to less generous borrowing conditions, which will expose weaknesses in some markets. Given its domestic policy uncertainty, Venezuela is particularly vulnerable to changing sentiment in global financial markets; the sovereign has already been forced to postpone one global bond issue. But to its advantage, oil prices are expected to remain extremely high by historical standards; although it will start to fall by 2009, Dated Brent crude will remain above US$70/barrel throughout the forecast period. Moreover, the sovereign’s external debt burden is low and exchange controls limit the possibility of capital flight.

Outlook for 2008-09: Economic growth

Extremely high oil prices have driven double-digit rates of GDP growth in 2004-06, as windfall fiscal revenue has fed through into public-sector consumption and investment, and from there into rapid private-sector spending. Growth has moderated in 2007, but at around 8-9% in the first three quarters of the year, the pace of expansion has remained firm. However, deficiencies in the policy environment and a stabilisation of fiscal revenue are expected to produce slower growth in 2008-09, of 5.1% and 3.9% respectively. The government's fiscal injection and negative savings rates will boost consumer spending in 2008, but as real wage growth turns negative and unemployment rises, private consumption growth will slow to 4.9% by 2009. As the forecast period progresses, it will become harder for the government to maintain an expansionary fiscal stance as revenue begins to stabilise; this will result in a slowing of public consumption growth to 4.8%. Combined with weaker private investment, it will also contribute to a deceleration of growth of fixed investment. Double-digit investment growth since 2004 has been sustained by the consumer spending boom, but private fixed investment will increasingly suffer from threats to property and contract rights. The external sector will eventually become less of a drag on growth as export volumes recover (assuming some recovery in oil output following a drop in 2007), while the pace of import growth slows in line with domestic demand.

Outlook for 2008-09: Inflation

After falling to 15% in the third quarter of the year on the back of one-off factors, including a sharp cut in the VAT rate, inflation picked up to 17.2% in October. This upward trend is expected to continue in 2008-09. There is a lack of sufficient capacity in a variety of sectors as a result of inadequate investment. This is only partly offset by rising imports, producing shortages, supply bottlenecks and the sale of regulated goods above the official price. Meanwhile, the effectiveness of the exchange-rate anchor is being undermined by the weakness of the parallel exchange rate. In the absence of a marked fiscal adjustment, price pressures will remain strong, and inflation will remain at double-digit levels. Given the impact of a step devaluation of the official exchange rate in 2009, there is likely to be little price relief as the forecast period progresses, even if domestic demand growth slows as forecast.

Outlook for 2008-09: Exchange rates

The fixed official exchange rate of Bs2,150:US$1 is becoming increasingly overvalued. However, high oil prices mean that Venezuela is likely to continue to delay devaluation for some time. With no pressing problems on either the balance of payments or fiscal accounts, there is little incentive for the authorities to adjust the official rate. Moreover, under the current policy framework the fixed exchange rate is the main anchor for domestic prices. Despite much speculation, the authorities have ruled out a devaluation at the beginning of 2008 in tandem with currency reform (which will knock three zeroes off the value of the bolívar). Assuming that oil prices remain high, we now expect that the government will not devalue the bolívar until 2009. An unchanged official exchange rate will leave the parallel market premium extremely high, raising the risk that the eventual adjustment will be harsh.

Although the government claims not to be worried about the ever-wider premium of the parallel exchange rate over the official rate, officials have indicated that additional sales of dollar-denominated assets are being planned. However, in the absence of a comprehensive fiscal and monetary adjustment programme, and given the government’s anti-market stance, there will be little let-up to capital flight.

Outlook for 2008-09: External sector

The current-account surplus narrowed sharply in the first three-quarters of 2007, to US$16bn (a 30% year-on-year decline), mainly reflecting strong growth in imports. Notwithstanding a recovery in oil prices since then, the general trend during the forecast period will be for a continued narrowing of the current-account surplus from the 2006 peak, to US$19.3bn (7% of GDP) in 2008 and US$14.0bn (5.1% of GDP) in 2009. The reserves position will continue to be distorted by the transfer of assets between the Central Bank, Fonden and PDVSA. There has been a sharp drop in Central Bank reserves in 2007, but total public-sector external assets (including US dollars held by Fonden and PDVSA) are much larger than the reserves data indicate. We are forecasting a stabilisation in Central Bank reserves in 2008-09 around current levels of US$31bn, but the balance-of-payments position will be better than it appears according to this data. Opacity of the data, however, is a growing problem.

Data Charts

Data summary: Global outlook

Global outlook

	2003[a]	2004[a]	2005[a]	2006[a]	2007[b]	2008[c]	2009[c]	2010[c]	2011[c]	2012[c]
International assumptions										
World GDP growth (%)	2.7	4.0	3.5	4.0	3.7	3.1	3.4	3.4	3.3	3.3
US GDP growth (%)	2.5	3.6	3.1	2.9	1.9	1.5	2.7	2.7	2.8	2.8
Latin America growth (%)	2.3	6.1	4.5	5.3	5.1	3.8	4.2	4.0	4.0	4.0
World trade growth (%)	6.3	10.9	7.5	10.0	7.5	7.1	7.6	7.8	7.9	7.7
US CPI (%)	2.3	2.7	3.4	3.2	2.7	2.1	2.2	2.4	2.4	2.6
EU CPI (%)	1.9	2.0	2.1	2.1	2.1	2.0	2.0	1.9	1.8	1.8
Industrial raw materials export price (%)	13.0	21.0	10.2	49.6	12.8	-3.1	-12.8	-5.1	-5.4	-2.9
Oil price (Brent; US$/b)	28.8	38.5	54.7	65.3	73.3	78.0	72.0	66.0	69.0	70.3
US$ 3-month commercial paper rate (%)	1.1	1.5	3.4	5.0	5.2	4.6	4.7	4.8	4.8	4.8
US$:€ (av)	1.13	1.24	1.25	1.26	1.37	1.46	1.33	1.28	1.26	1.25
¥:€ (av)	131.06	134.43	137.13	145.93	161.24	156.59	127.77	119.45	115.66	114.74

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Data summary: Gross domestic product, current market prices

Gross domestic product, at current market prices

	2003[a]	2004[a]	2005[a]	2006[a]	2007[b]	2008[c]	2009[c]	2010[c]	2011[c]	2012[c]
Expenditure on GDP (Bs trn at current market prices)										
GDP	134.2	212.7	302.6	390.5	478.4	597.4	720.9	836.2	984.9	1,152.3
Private consumption	73.5	104.7	142.6	188.6	248.9	316.1	387.2	459.7	531.8	615.3
Government consumption	17.3	25.4	32.1	44.3	61.8	84.0	108.9	137.3	170.7	210.7
Gross fixed investment	20.8	39.0	61.2	87.9	121.2	161.5	194.0	226.7	266.0	315.4
Exports of goods & services	45.4	77.0	120.1	143.0	153.5	171.4	207.9	233.5	292.3	351.2
Imports of goods & services	22.4	40.8	60.6	81.9	116.7	142.7	183.6	228.4	284.4	350.1
Stockbuilding	-0.3	7.4	7.2	8.6	9.6	7.1	6.4	7.4	8.5	9.8
Domestic demand	111.2	176.5	243.2	329.3	441.6	568.7	696.6	831.1	977.0	1,151.2
Expenditure on GDP (US$ bn at current market prices)										
GDP	83.5	112.5	144.8	181.9	222.8	278.2	271.6	272.7	276.8	283.9

Private consumption	45.8	55.3	68.3	87.8	115.9	147.2	145.9	149.9	149.5	151.6
Government consumption	10.8	13.4	15.4	20.6	28.8	39.1	41.0	44.8	48.0	51.9
Gross fixed investment	12.9	20.6	29.3	40.9	56.5	75.2	73.1	73.9	74.8	77.7
Exports of goods & services	28.3	40.7	57.5	66.6	71.5	79.8	78.3	76.1	82.1	86.5
Imports of goods & services	14.0	21.6	29.0	38.1	54.3	66.5	69.2	74.5	79.9	86.3
Stockbuilding	-0.2	3.9	3.5	4.0	4.5	3.3	2.4	2.4	2.4	2.4
Domestic demand	69.2	93.3	116.4	153.4	205.7	264.9	262.5	271.0	274.6	283.7
Economic structure (% of GDP at current market prices)										
Private consumption	54.8	49.2	47.1	48.3	52.0	52.9	53.7	55.0	54.0	53.4
Government consumption	12.9	12.0	10.6	11.3	12.9	14.1	15.1	16.4	17.3	18.3
Gross fixed investment	15.5	18.3	20.2	22.5	25.3	27.0	26.9	27.1	27.0	27.4
Stockbuilding	-0.3	3.5	2.4	2.2	2.0	1.2	0.9	0.9	0.9	0.8
Exports of goods & services	33.9	36.2	39.7	36.6	32.1	28.7	28.8	27.9	29.7	30.5
Imports of goods & services	16.7	19.2	20.0	21.0	24.4	23.9	25.5	27.3	28.9	30.4
Memorandum items										
Oil production ('000 b/d)	2,684	3,022	2,694[b]	2,554[b]	2,394	2,568	2,660	2,705	2,775	2,825
National savings ratio (%)	29.3	35.6	40.2	39.6	36.6	35.2	32.9	29.7	29.0	28.4

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Data summary: Gross domestic product, at constant prices

Gross domestic product, at constant prices

	2003[a]	2004[a]	2005[a]	2006[a]	2007[b]	2008[c]	2009[c]	2010[c]	2011[c]	2012[c]
Real expenditure on GDP (Bs bn at constant 1984 market prices)										
GDP	35,653	42,172	46,524	51,338	55,383	58,208	60,478	62,180	64,059	65,930
Private consumption	21,345	24,642	28,514	33,627	40,115	44,114	46,283	48,110	49,888	51,521
Government consumption	5,845	6,676	7,387	7,879	8,312	8,728	9,147	9,558	9,969	10,388
Gross fixed investment	5,716	8,559	11,847	15,000	18,480	20,513	21,744	22,831	24,201	25,895
Exports of goods & services	9,936	11,296	11,722	11,197	10,760	11,200	11,757	12,177	12,715	13,174
Imports of goods & services	7,060	11,131	15,045	19,718	25,514	28,296	29,953	31,997	34,215	36,549
Stockbuilding	-129	2,130	2,098	3,353	3,230	1,950	1,500	1,500	1,500	1,500
Domestic demand	32,777	42,008	49,847	59,859	70,138	75,305	78,674	81,999	85,558	89,304
Real expenditure on GDP (% change)										
GDP	-7.8	18.3	10.3	10.3	7.9	5.1	3.9	2.8	3.0	2.9
Private consumption	-4.3	15.4	15.7	17.9	19.3	10.0	4.9	3.9	3.7	3.3
Government consumption	5.7	14.2	10.7	6.7	5.5	5.0	4.8	4.5	4.3	4.2
Fixed investment	-37.0	49.7	38.4	26.6	23.2	11.0	6.0	5.0	6.0	7.0
Exports of goods &	-10.4	13.7	3.8	-4.5	-3.9	4.1	5.0	3.6	4.4	3.6

services										
Imports of goods & services	-20.9	57.7	35.2	31.1	29.4	10.9	5.9	6.8	6.9	6.8
Stockbuilding (% contribution to GDP growth)	0.7	6.3	-0.1	2.7	-0.2	-2.3	-0.8	0.0	0.0	0.0
Domestic demand	-10.2	28.2	18.7	20.1	17.2	7.4	4.5	4.2	4.3	4.4
Real contribution to growth (%)										
Private consumption	-2.5	9.2	9.2	11.0	12.6	7.2	3.7	3.0	2.9	2.5
Government consumption	0.8	2.3	1.7	1.1	0.8	0.8	0.7	0.7	0.7	0.7
Gross fixed investment	-8.7	8.0	7.8	6.8	6.8	3.7	2.1	1.8	2.2	2.6
External balance	1.8	-7.6	-8.3	-11.2	-12.1	-4.2	-1.9	-2.7	-2.7	-2.9

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Data summary: Gross domestic product by sector of origin

Gross domestic product by sector of origin

	2003[a]	2004[b]	2005[b]	2006[b]	2007[b]	2008[c]	2009[c]	2010[c]	2011[c]	2012[c]
Origin of GDP (Bs bn at constant 1984 prices)										
GDP at factor cost	35,653	42,172[a]	46,524[a]	51,338[a]	55,383	58,208	60,478	62,180	64,059	65,930
Agriculture	1,703[b]	1,785	1,870	1,964	2,004	2,044	2,074	2,105	2,137	2,169
Industry	15,141	17,807[a]	19,315[a]	20,899[a]	22,049	22,956	23,356	23,708	24,506	25,034
Services	18,808	22,580	25,339	28,474	31,331	33,209	35,048	36,366	37,416	38,727
Origin of GDP (real % change)										
Agriculture	-0.4[b]	4.8	4.7	5.1	2.0	2.0	1.5	1.5	1.5	1.5
Industry	-9.8	17.6[a]	8.5[a]	8.2[a]	5.5	4.1	1.7	1.5	3.4	2.2
Services	-6.7	20.1	12.2	12.4	10.0	6.0	5.5	3.8	2.9	3.5
Origin of GDP (% of factor cost GDP)										
Agriculture	4.8[b]	4.2	4.0	3.8	3.6	3.5	3.4	3.4	3.3	3.3
Industry	42.5	42.2[a]	41.5[a]	40.7[a]	39.8	39.4	38.6	38.1	38.3	38.0
Services	52.8[b]	53.5	54.5	55.5	56.6	57.1	58.0	58.5	58.4	58.7

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Data summary: Growth and productivity

Growth and productivity

	2003[a]	2004[a]	2005[a]	2006[a]	2007[a]	2008[b]	2009[b]	2010[b]	2011[b]	2012[b]
Growth and productivity										
Labour productivity growth (%	-9.1	13.3	7.6	5.7	4.2	3.0	2.4	1.6	1.8	1.7
Total factor productivity growth (%)	-7.5	19.5	7.7	5.1	2.7	0.7	0.0	-0.7	-0.4	-0.5

Growth of capital stock (%)	-3.5	2.8	3.0	6.6	8.4	8.7	8.3	7.9	7.6	7.5
Growth of potential GDP (%)	-6.1	21.0	8.2	8.6	7.3	5.1	4.2	3.3	3.3	3.2
Growth of GDP (%)	-7.8[c]	18.3[c]	10.3[c]	10.3[c]	7.9	5.1	3.9	2.8	3.0	2.9
Growth of GDP per head (%)	-9.6[c]	16.2[c]	8.3[c]	8.7[c]	6.1	3.4	2.3	1.3	1.5	1.5

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual.

Data summary: Economic structure, income and market size

Economic structure, income and market size

	2003[a]	2004[a]	2005[a]	2006[a]	2007[b]	2008[c]	2009[c]	2010[c]	2011[c]	2012[c]
Population, income and market size										
Population (m)	25.5	26.0	26.5	26.9	27.3	27.8	28.2	28.6	29.0	29.5
GDP (US$ bn at market exchange rates)	83.5	112.5	144.8	181.9	222.8	278.2	271.6	272.7	276.8	283.9
GDP (US$ bn at parallel exchange rate)	55.4	76.5	114.1	139.4	111.1	132.1	144.1	159.7	176.7	195.4
GDP per head (US$ at market exchange rates)	3,272	4,327	5,469	6,764	8,152	10,018	9,634	9,526	9,530	9,638
GDP per head (US$ at parallel exchange rate)	2,170	2,944	4,311	5,184	4,065	4,757	5,111	5,578	6,084	6,633
Private consumption (US$ bn)	45.8	55.3	68.3	87.8	115.9	147.2	145.9	149.9	149.5	151.6
Private consumption (US$ bn at parallel exchange rate)	30.3	37.7	53.8	67.3	57.8	69.9	77.4	87.8	95.4	104.3
Private consumption per head (US$)	1,790	2,130	2,580	3,270	4,240	5,300	5,180	5,240	5,150	5,150
Private consumption per head (US$ at parallel exchange rate)	1,189	1,449	2,032	2,504	2,115	2,517	2,746	3,066	3,285	3,542
GDP (US$ bn at PPP)	129.7	157.9[b]	179.8[b]	204.7[b]	226.2	243.0	258.7	272.9	288.0	303.7
GDP per head (US$ at PPP)	5,080	6,080[b]	6,790[b]	7,610[b]	8,280	8,750	9,180	9,530	9,920	10,310
Personal disposable income (Bs trn)	113.9	153.8	156.8	184.5[b]	226.8	268.8	305.4	329.3	342.1	357.9
Personal disposable income (US$ bn)	70.9	81.3	75.0	85.9[b]	105.6	125.2	115.1	107.4	96.1	88.2
Growth of real disposable income (%)	0.0	9.5[b]	-13.5[b]	5.0[b]	11.1	2.6	-2.7	-5.6	-6.9	-6.6
Memorandum items										
Share of world population (%)	0.41	0.41	0.41	0.41	0.42	0.42	0.42	0.42	0.42	0.43
Share of world GDP (%;	0.23	0.27	0.33	0.38	0.42	0.48	0.45	0.43	0.41	0.40

market exchange rates)										
Share of world GDP (%; PPP)	0.25	0.28[b]	0.29[b]	0.31[b]	0.32	0.32	0.32	0.31	0.31	0.30
Share of world exports (%)	0.35	0.42	0.52	0.53	0.49	0.49	0.45	0.40	0.40	0.38

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Data summary: Fiscal indicators

Fiscal indicators

	2003[a]	2004[a]	2005[a]	2006[a]	2007[b]	2008[c]	2009[c]	2010[c]	2011[c]	2012[c]
Fiscal indicators (% of GDP)										
Government expenditure	27.8	25.9	26.0	30.0	30.9	30.7	30.0	29.0	28.7	28.3
Interest	4.7	3.7	3.0	2.1	1.7	2.0	2.1	2.4	2.4	2.2
Non-interest expenditure	23.1	22.3	23.1	27.9	29.2	28.7	27.9	26.6	26.3	26.1
Government revenue	23.4	24.0	27.7	30.0	29.5	28.1	27.3	26.2	25.8	25.6
Budget balance	-4.4	-1.9	1.6	0.0	-1.4	-2.6	-2.8	-2.8	-2.9	-2.7
Primary balance	0.3	1.8	4.6	2.1	0.3	-0.6	-0.6	-0.4	-0.5	-0.5
Government debt	47.4	38.8	33.3	24.3	25.9	26.7	28.5	30.4	31.6	32.2

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Data summary: Monetary indicators

Monetary indicators

	2003[a]	2004[a]	2005[a]	2006[a]	2007[b]	2008[c]	2009[c]	2010[c]	2011[c]	2012[c]
Monetary indicators										
Exchange rate Bs:US$ (av)	1,607.0	1,891.3	2,089.8	2,147.0	2,147.0	2,147.0	2,653.9	3,066.7	3,558.3	4,058.3
Exchange rate Bs:US$ (year-end)	1,598.0	1,918.0	2,147.0	2,147.0	2,147.0	2,147.0	2,700.0	3,100.0	3,600.0	4,100.0
Parallel exchange rate Bs:US$ (av)	2,423.0	2,779.7	2,651.3	2,801.3	4,306.0	4,521.9	5,002.4	5,237.7	5,573.6	5,897.1
Exchange rate Bs:€ (av)	1,817.2	2,351.5	2,603.3	2,695.9	2,933.7	3,134.6	3,523.1	3,917.7	4,483.5	5,072.9
Exchange rate Bs:€ (year-end)	2,015.7	2,596.6	2,532.6	2,833.4	3,156.1	2,984.3	3,496.5	3,921.5	4,518.0	5,134.0
Real effective exchange rate (av) CPI-based	105.7	103.2	101.1	107.5	116.2	132.8	128.7	127.8	123.5	120.7
Real effective	87.8	88.6	89.0	93.0	101.2	118.4	113.3	112.2	109.2	108.1

exchange rate (av) PPI-based										
Real effective exchange rate (av) ULC-based	128.0	108.8	105.2	113.2	117.1	127.0	116.7	110.4	100.3	92.7
Purchasing power parity Bs:US$ (av)	1,035.2	1,347.1	1,683.3	1,907.8	2,114.7	2,457.9	2,786.6	3,064.5	3,419.7	3,794.4
Money supply (M2) growth (%)	57.6	46.9	54.1	76.2[b]	35.9	28.3	21.1	15.2	15.7	14.2
Domestic credit growth (%)	-14.5	57.5	71.0	92.4[b]	35.9	27.3	20.3	14.6	15.7	14.2
Commercial banks' prime rate (%; av)	25.2	18.5	16.8	15.5	17.1	20.0	19.5	17.0	16.0	15.0
Deposit interest rate (%; av)	17.2	12.6	11.6	10.3	10.7	11.8	12.5	13.0	13.5	13.5
Money market interest rate (%; av)	13.2	4.4	2.6	5.3	7.8	8.2	9.0	8.0	7.0	6.0

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Data summary: Employment, wages and prices

Employment, wages and prices

	2003[a]	2004[a]	2005[a]	2006[a]	2007[b]	2008[c]	2009[c]	2010[c]	2011[c]	2012[c]
The labour market (av)										
Labour force (m)	12.0	12.1	12.0	12.2	12.5	12.8	13.0	13.2	13.5	13.7
Labour force (% change)	4.0	0.8	-0.8	1.8	2.6	2.0	1.9	1.9	1.7	1.7
Employment (m)	9.8	10.2	10.5	11.0	11.4	11.6	11.8	11.9	12.0	12.2
Employment (% change)	1.5	4.4	2.5	4.4	3.5	2.0	1.5	1.2	1.2	1.2
Unemployment (m)	2.2	1.8	1.5	1.2	1.1	1.2	1.2	1.4	1.4	1.5
Unemployment rate (%)	18.0	15.1	12.2	10.0	9.1	9.2	9.6	10.2	10.6	11.0
Wage and price inflation (%)										
Consumer prices (av)	31.1	21.7	16.0	13.7	18.1	19.8	19.0	15.9	14.3	13.7
Consumer prices (year-end)	27.1	19.2	14.4	17.0	18.2	17.1	18.7	15.5	13.7	13.7
Producer prices (av)	40.1	28.0	17.3	11.9	16.0	23.0	17.4	15.3	14.7	14.8
GDP deflator (av)	34.9	34.0	29.0	16.9	13.6	18.8	16.1	12.8	14.3	13.7
Private consumption deflator	33.0	23.3	17.8	12.1	10.7	15.5	16.8	14.2	11.6	12.0

(av)										
Government consumption deflator (av)	16.5	28.9	14.1	29.3	32.3	29.4	23.8	20.6	19.1	18.5
Fixed investment deflator (av)	39.5	25.4	13.4	13.4	12.0	20.0	13.4	11.3	10.7	10.8
Average nominal wages	8.5	22.0	19.1	19.3	19.0	18.0	16.0	13.0	10.0	10.0
Average real wages	-17.2	0.2	2.7	5.0	0.8	-1.5	-2.5	-2.5	-3.8	-3.2
Unit labour costs (Bs-based)	19.4	7.7	10.7	12.9	14.2	14.5	13.3	11.2	8.1	8.2
Unit labour costs (US$-based)	-13.7	-8.5	0.2	9.9	14.2	14.5	-8.3	-3.7	-6.9	-5.2
Labour costs per hour (Bs)	3,191	3,894	4,638	5,535	6,587	7,772	9,016	10,188	11,207	12,328
Labour costs per hour (US$)	2.0	2.1	2.2	2.6	3.1	3.6	3.4	3.3	3.1	3.0

Data summary: Current account and terms of trade

Current account and terms of trade

	2003[a]	2004[a]	2005[a]	2006[a]	2007[b]	2008[c]	2009[c]	2010[c]	2011[c]	2012[c]
Current account (US$ bn)										
Current-account balance	11.8	15.5	25.5	27.2	20.5	19.3	14.0	4.8	3.2	0.4
Current-account balance (% of GDP)	14.1	13.8	17.6	14.9	9.2	6.9	5.1	1.7	1.2	0.2
Goods: exports fob	27.2	39.7	55.5	65.2	68.8	75.8	73.4	69.9	74.6	78.7
Goods: imports fob	-10.5	-17.0	-23.7	-32.2	-43.4	-48.8	-50.6	-55.5	-60.8	-66.9
Trade balance	16.7	22.6	31.8	33.0	25.4	27.0	22.8	14.4	13.8	11.8
Services: credit	0.9	1.1	1.4	1.5	1.6	1.8	1.7	1.9	1.9	2.0
Services: debit	-3.5	-4.5	-5.2	-5.7	-6.8	-8.4	-8.9	-9.2	-9.7	-10.2
Services balance	-2.6	-3.4	-3.9	-4.3	-5.2	-6.6	-7.2	-7.4	-7.8	-8.2
Income: credit	1.7	2.1	4.2	7.5	6.3	5.2	4.6	4.0	3.6	3.1
Income: debit	-4.1	-5.7	-6.4	-9.0	-5.6	-6.0	-6.1	-6.2	-6.3	-6.3
Income balance	-2.3	-3.7	-2.3	-1.5	0.7	-0.8	-1.6	-2.2	-2.7	-3.2
Current transfers: credit	0.3	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Current transfers: debit	-0.2	-0.3	-0.3	-0.3	-0.6	-0.7	-0.5	-0.5	-0.4	-0.4
Current transfers balance	0.0	-0.1	-0.1	0.0	-0.3	-0.3	-0.1	-0.1	0.0	0.0
Terms of trade										
Export price index (US$-based; 1996=100)	58.0[b]	73.5[b]	100.0[b]	121.3[b]	135.0	143.8	134.2	125.5	130.0	132.3
Export prices (% change)	11.6[b]	26.6[b]	36.1[b]	21.3[b]	11.3	6.5	-6.7	-6.5	3.6	1.8
Import price index (US$-based; 1996=100)	102.6[b]	100.4[b]	100.0[b]	100.3[b]	106.1	110.9	110.4	111.4	112.7	114.5
Import prices (% change)	4.8[b]	-2.1[b]	-0.4[b]	0.3[b]	5.8	4.5	-0.4	0.9	1.1	1.6
Terms of trade (1996=100)	56.6[b]	73.2[b]	100.0[b]	120.9[b]	127.2	129.7	121.5	112.6	115.3	115.5
Memorandum item										
Export market growth (%)	4.9[b]	10.8[b]	7.6[b]	9.8[b]	4.5	4.2	6.0	6.2	6.3	7.0

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Data summary: Foreign direct investment

Foreign direct investment	2003[a]	2004[a]	2005[a]	2006[a]	2007[b]	2008[c]	2009[c]	2010[c]	2011[c]	2012[c]
Foreign direct investment (US$ bn)										
Inward direct investment	2.0	1.5	2.6	-0.5	-0.8	1.3	2.0	2.1	2.1	2.2
Inward direct investment (% of GDP)	2.4	1.3	1.8	-0.3	-0.4	0.5	0.7	0.8	0.8	0.8
Inward direct investment (% of gross fixed investment)	15.8	7.2	8.8	-1.3	-1.4	1.7	2.7	2.8	2.8	2.8
Outward direct investment	-1.3	-0.6	-1.2	-2.1	-3.0	-1.2	-0.8	-0.8	-0.8	-0.8
Net foreign direct investment	0.7	0.9	1.4	-2.6	-3.8	0.1	1.2	1.3	1.3	1.4
Stock of inward direct investment	41.4	42.4	44.4	45.4	44.6	45.9	47.9	50.0	52.1	54.3
Stock of inward direct investment per head (US$)	1,620.9	1,630.0	1,676.9	1,688.5	1,632.4	1,653.3	1,699.4	1,747.4	1,794.3	1,843.7
Stock of inward direct investment (% of GDP)	49.5	37.7	30.7	25.0	20.0	16.5	17.6	18.3	18.8	19.1
Memorandum items										
Share of world inward direct investment flows (%)	0.41	0.24	0.30	-0.05	-0.06	0.11	0.16	0.16	0.16	0.16
Share of world inward direct investment stock (%)	0.53	0.47	0.47	0.40	0.36	0.33	0.32	0.31	0.30	0.29

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Data summary: External debt

External debt

	2003[a]	2004[a]	2005[a]	2006[b]	2007[b]	2008[c]	2009[c]	2010[c]	2011[c]	2012[c]
External debt										
Total external debt (US$ bn)	37.8	39.3	44.2	41.4	44.6	44.2	41.5	40.7	40.1	39.0
Total external debt (% of GDP)	45.2	35.0	30.5	22.8	20.0	15.9	15.3	14.9	14.5	13.7
Total external debt (% of GDP, at parallel exchange rate)	68.2	51.4	38.7	29.7	40.1	33.5	28.8	25.5	22.7	20.0
Debt/exports ratio (%)	126.5	91.7	72.3	55.8	58.2	53.4	52.0	53.7	50.1	46.6
Debt-service ratio, paid (%)	29.5	17.1	9.1	13.1	10.3	10.7	10.6	11.1	10.4	10.0

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.