

## Deceleration amid high imbalances

### General Information



<b>GDP</b>	USD33.81bn (World ranking 93, World Bank 2016)
<b>Population</b>	10.88mn (World ranking 80, World Bank 2016)
<b>Form of state</b>	Republic / Social Unitarian State
<b>Head of government</b>	Evo MORALES (MAS)
<b>Next elections</b>	2019, presidential and legislative



### Strengths

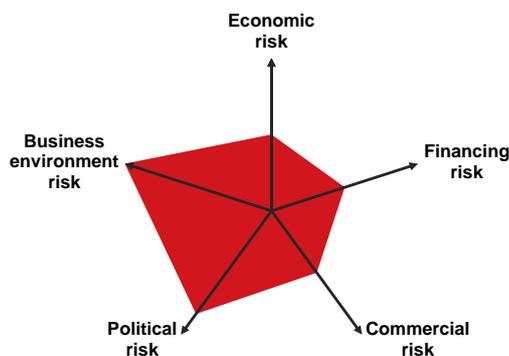
- Valuable natural resources, especially in the key sectors of hydrocarbons and mining
- Large, but dwindling amount of foreign exchange reserves
- Improving currency autonomy

### Weaknesses

- Lack of economic diversification, overreliance on the commodity sector (mainly petroleum gas and zinc ore)
- Declining but still high inequality and elevated level of poverty especially in rural areas of the country
- Landlocked country with underdeveloped roads and infrastructure
- Threat of (re)nationalization and expropriation
- Weak business environment

### Country Rating

**D4**



Source: Euler Hermes

### Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
Brazil	25% 1	20% China
United States	15% 2	19% Brazil
Argentina	13% 3	10% Argentina
Colombia	7% 4	10% United States
Belgium	7% 5	7% Peru

By product (% of total)

Exports	Rank	Imports
Gas, natural and manufactured	35% 1	14% Road vehicles
Metalliferous ores and metal scrap	23% 2	8% Other industrial machinery and parts
Gold, non-monetary	10% 3	8% Specialised machinery
Feedstuff for animals	5% 4	6% Iron and steel
Non-ferrous metals	5% 5	5% Petroleum products

Source: UNCTAD, 2016



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## Economic Overview

### Low commodity prices and growing fiscal and external imbalances weigh on growth

The global fall in gas and oil prices since late 2014 has reduced the value of exports and government revenues. This resulted in a deterioration of the external account from +1.4% in 2014 to -3.9% of GDP in 2017. The fiscal account deteriorated from -3.4% in 2014 to -6.2% of GDP in 2017. Continued low commodity prices as well as slower economic performance of the country's main trading partners (China, Brazil, and Argentina) have complicated matters further. After growing by +4.3% in 2016, the pace of real GDP growth is set to slow to +4.0% in 2017 and +3.7% in 2018, as tighter fiscal policy weighs on domestic demand.

Commodity-fueled growth has endowed the Bolivian government with sizable policy buffers, which have been used for poverty-relief programs. In this context, fiscal policy will remain buoyant and public and external debt will grow at a steady pace, but at manageable levels. Monetary policy has been accommodative to support economic activity. Yet excessive credit growth (+22.4% on average in the past 12 months) could lead to the build-up of financial risk.

Inflation remains anchored by a fixed exchange rate at around 4%. The drought in late 2016 is likely to cause a hike in food prices. The government's efforts to de-dollarize the economy have reduced the inflow of currency and diminished foreign currency reserves. These have fallen to USD8.29bn in April 2017, down from USD13.2 bn in April 2015.

### Lack of economic diversification and state interventions hinder long-term investment

Pegging the local exchange to the US dollar (albeit with micro-adjustments) has caused a loss of competitiveness vis-à-vis depreciating regional currencies, notably for non-energy exports. Moreover, the lack of economic diversification makes Bolivia vulnerable to external shocks and hinders investments in non-energy sectors.

State intervention undermines much-needed private investment. According to the 2017 World Bank Doing Business survey, Bolivia ranks 149<sup>th</sup> out of 189 countries. Notable shortcomings include the rule of law, regulatory quality, and control of corruption. The risk of expropriation is considerable. In the past years, some companies have been (re)nationalized in sectors such as hydrocarbons, electricity, and telecommunications.

President Evo Morales's popularity suffers due to the economic situation. He has been in power since 2009. In February 2016, he lost a referendum designed to allow him to hold office indefinitely. The next general elections will be held in 2019.

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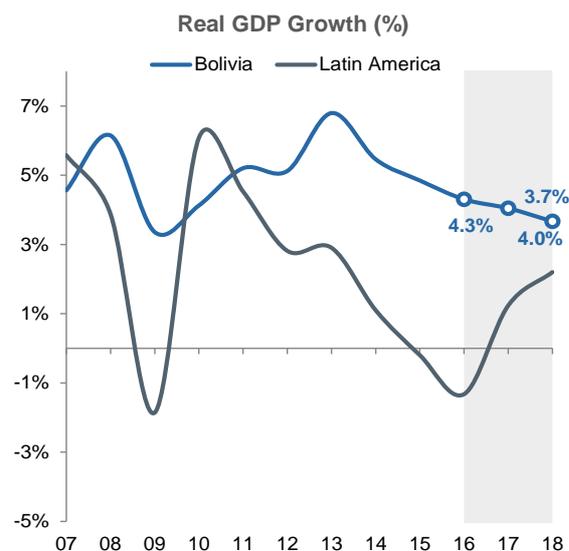
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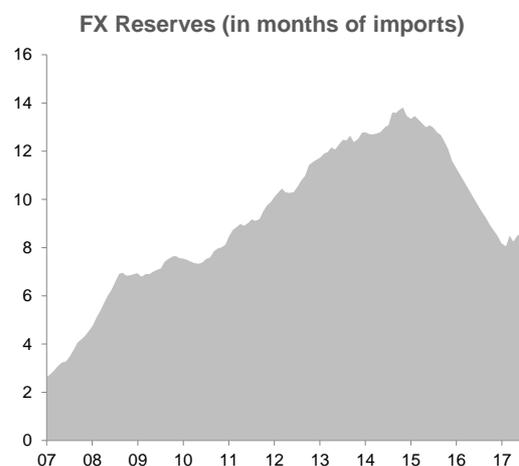
### Key Economic Forecasts

	2015	2016	2017f	2018f
GDP growth (% change)	4.8	4.3	4.0	3.7
Inflation (% end-year)	4.1	3.8	3.7	4.3
Fiscal balance (% of GDP)	-6.9	-6.5	-6.2	-5.3
Public debt (% of GDP)	40.6	42.1	42.4	43.3
Current account (% of GDP)	-5.6	-5.4	-3.9	-2.6
External debt (% of GDP)	24.8	21.5	21.7	22.7

Sources: National Statistics, IMF-WEO, IHS, Euler Hermes



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