

Complicated business environment

General Information



GDP	USD34.176bn (World ranking 96, World Bank 2014)
Population	10.85mn (World ranking 80, World Bank 2014)
Form of state	Republic / Social Unitarian State
Head of government	Evo MORALES (MAS)
Next elections	2019, presidential and legislative



Strengths

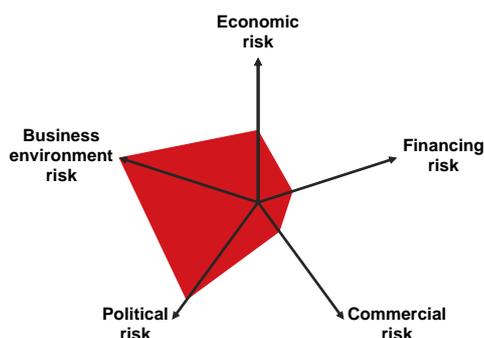
- Valuable natural resources, especially hydrocarbons
- Improving currency autonomy
- Surplus in current account and fiscal balances
- Increasing capacity to weather external shocks

Weaknesses

- High dependency on the commodity sector (mainly gas)
- Declining but still high inequality and elevated level of poverty
- Weak business environment
- Threat of (re)nationalization, expropriation
- Enclosed geographic position

Country Rating

D4



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports		Rank		Imports	
Brazil	33%	1	19%	Brazil	
Argentina	16%	2	12%	Argentina	
United States	16%	3	12%	Chile	
Peru	5%	4	10%	United States	
China	3%	5	9%	China	

By product (% of total)

Exports		Rank		Imports	
Natural gas	47%	1	13%	Petroleum products	
Metalliferous ores	16%	2	13%	Road vehicles	
Gold	10%	3	7%	Specialised machinery	
Feedstuff for animals	5%	4	6%	Iron and steel	
Petroleum products	4%	5	6%	Industrial machinery parts	

Source: ITC, UNCTAD, CHELEM

Economic Overview

Low commodity prices to weigh on growth

The landlocked economy is heavily dependent on mineral and hydrocarbon exports. Amid a protracted period of low commodity prices and poor economic performance of main trade partners (recession in Argentina and Brazil, slowing growth in China), Bolivian growth is set to go below +4% in coming years, vs. an average of +5.5% in 2010-2014. Nonetheless, growth should continue to outperform the regional average.

State interventionism undermines private investment and generates rigidities

The government conducted a prudent policy during the boom in commodity prices and safeguarded a sizeable share of export revenues, improving its capacity to weather external shocks, while fiscal surpluses were registered from 2006 to 2013. Despite lower revenues from the hydrocarbon sector, public spending should remain buoyant, supporting domestic demand and imports. The fiscal and current account deficits recorded in 2015 are expected to prevail in 2016 and 2017. Accordingly, public and external debt will increase gradually, but will remain at manageable levels. Alongside, FX reserves are more than comfortable and cover around 14 months of imports.

Inflation expectations are broadly anchored by the fixed exchange rate regime currently in place in Bolivia. However, the emergence of problematic inflation rates cannot be ruled out in the medium term as a price-wage spiral remains a risk. This year, the government decided a nationwide increase in salaries by +8.5% and the minimum wage was also raised, by +15%, though it remains low at around USD239 per month.

Despite growth above the regional average and relatively unproblematic fiscal and external positions, trading with Bolivia remains difficult. State interventionism undermines private investment and generates rigidities. According to the World Bank's *Doing Business 2016* survey, Bolivia ranks 157th out of 189 countries, with particular shortcomings in registering property, paying taxes and protecting investors. The risk of expropriation is considerable. In the past few years, several companies have been (re)nationalized, notably in the hydrocarbons, the electricity and the telecommunication sectors.

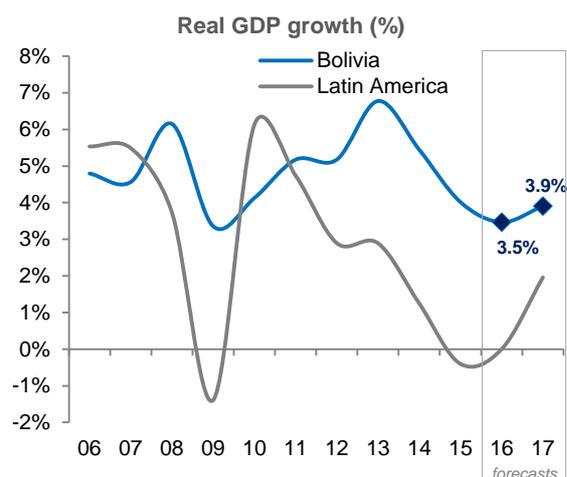
President Evo Morales, who continues to enjoy high popularity, was re-elected in October 2014 for a third 5-year term.

Key economic forecasts

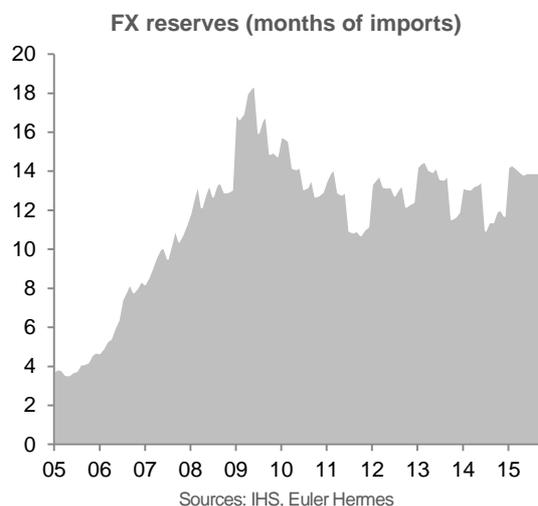
	2014	2015f	2016f	2017f
GDP growth (% change)	5.4	4.0	3.5	3.9
Inflation (% , yearly average)	5.8	4.2	4.6	5.4
Fiscal balance* (% of GDP)	-3.4	-5.5	-5.2	-5.0
Public debt* (% of GDP)	33.0	34.5	35.8	37.0
Current account (% of GDP)	0.0	-3.7	-3.0	-2.0
External debt (% of GDP)	19.1	21.7	23.5	24.1

*Includes Local Government; Non-financial Public Corporations; Social Security Funds; State Governments

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



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Contact Euler Hermes
 Economic Research Team
research@eulerhermes.com

Last review: 2015-12-01
 Country Risk Analyst:
 Daniela Ordóñez
daniela.ordonez@eulerhermes.com