

## Hit by low commodity prices

### General Information



<b>GDP</b>	USD34.176bn (World ranking 96, World Bank 2014)
<b>Population</b>	10.85mn (World ranking 80, World Bank 2014)
<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

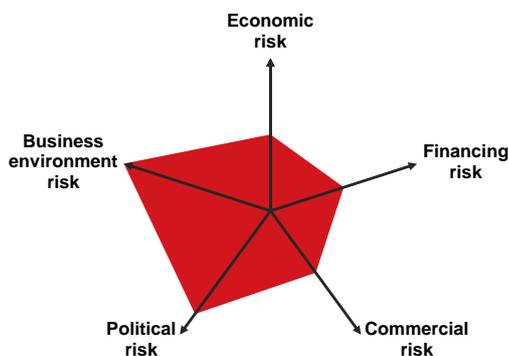
- Valuable natural resources, especially hydrocarbons
- Improving currency autonomy
- Surplus in current account and fiscal balances
- Increasing capacity to weather external shocks

### 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



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## Economic Overview

### Low commodity prices to weigh on growth

The landlocked economy depends on mineral and hydrocarbon exports to a large extent. 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), growth is set to dip below +4% in coming years. The average rate over 2010-2014 was +5.5%. Nonetheless, Bolivia 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. It safeguarded a sizeable share of export revenues. However, the plunge in gas and oil prices has led to a strong deterioration of fiscal and external accounts. These are not expected to narrow much in the coming years.

Indeed, while fiscal and export revenues are set to recover at a modest pace, public spending should remain buoyant. This will support domestic demand. Imports - notably of capital goods - will remain strong due to public development projects.

Accordingly, the public and external debt will rise at a steady pace but remain at manageable levels. FX reserves are comfortable and cover around 12 months of imports. Yet these have tumbled over the last months to USD11.6bn. The June 2016 figure is -11% lower than a year ago.

Inflation is anchored to the most part by a fixed exchange rate regime. But the emergence of problematic inflation rates cannot be ruled out in the medium term as a price-wage spiral remains a risk. The government decided to increase the minimum wage by 9% in April 2016, after +15% in 2015.

Trading with Bolivia remains problematic. 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, with a focus on the hydrocarbons, the electricity, and the telecommunication sectors.

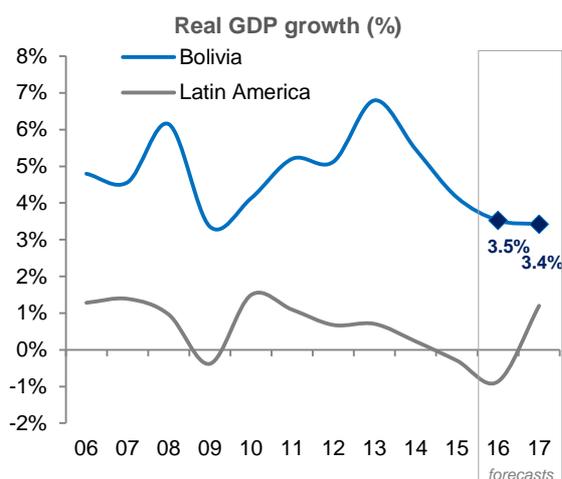
President Evo Morales, who continues to enjoy high popularity rates, was re-elected in October 2014 for a third 5-year term. He has been in power since 2009. However, in February 2016, he lost a referendum aimed at allowing him to hold office indefinitely. Next elections will be held in 2019.

### Key economic forecasts

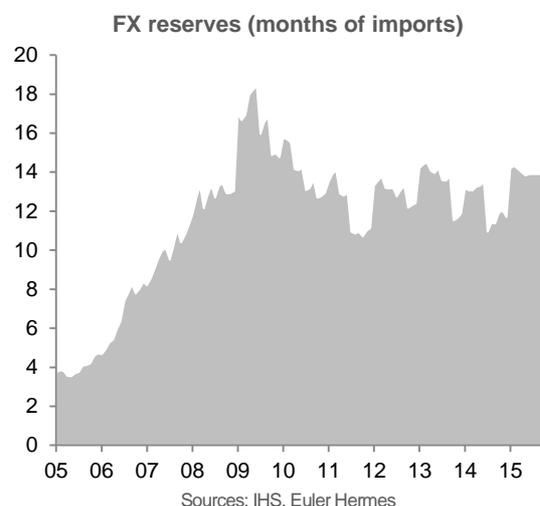
	2014	2015	2016f	2017f
GDP growth (% change)	5.5	4.2	3.5	3.4
Inflation (% , yearly average)	5.8	4.1	3.9	5.0
Fiscal balance* (% of GDP)	-3.4	-6.6	-6.9	-6.7
Public debt* (% of GDP)	33.0	39.7	40.8	42.7
Current account (% of GDP)	0.2	-6.9	-8.2	-7.0
External debt (% of GDP)	26.6	28.2	32.3	36.8

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

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



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