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Statement by the Honorable Rodrigo Vergara,
Governor, Central Bank of Chile

On behalf of Argentina, Bolivia , Chile, Paraguay, Peru, Uruguay

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Governor of the Central Bank of Chile
Speaking on behalf of the Southern Cone Countries of Latin America
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Outlook for the Global Economy, Risks and Policy Responses

As global growth recovers, international economic conditions are gradually returning to normal. In the short-term, the global economy is realigning, with growth in advanced economies picking up after a protracted period of low growth, while emerging markets ease back towards their longer-run potential. However, growth in emerging markets continues to surpass that of advanced economies, with global economic influence steadily shifting towards emerging markets. In this context we confront a global recovery that remains fragile, with unresolved downside risks stemming from still uncertain financial conditions, the risk of deflation in the Eurozone, and geopolitical risks. Against this backdrop, policy recommendations should be calibrated to adapt to shifting external conditions in order to support sustained growth and avoid the accumulation of imbalances.

The ongoing process of rebalancing has brought many changes to the global outlook. Prices of some commodities have fallen relative to their recent highs while many staple foods and energy prices have increased, altering the terms of trade in many emerging economies. Financing conditions have tightened as the Federal Reserve tapers its asset purchase program in the United States and portfolio allocations shift from emerging markets back to advanced economies. In our view, these changes constitute a normalization of global economic conditions following an unusual period since the Global Financial Crisis. Under this scenario, a broad slowdown in growth in emerging markets cannot be discarded, setting off important consequences for global growth. However, we believe that the most likely scenario will be of a gradual deceleration relative to the outstanding performance of recent years in historical terms. In this scenario, the Fund's work should continue to focus on policy advice to advanced and emerging economies on how to continue to rebalance towards the new normal minimizing the likelihood and spillovers of financial tensions.

One of the major trends in recent years has been the ascent of China as a key driver of global economic growth, which introduced new growth opportunities for commodity exporters among emerging economies. As such, the rise of China was largely responsible for the decoupling of growth in emerging market economies from advanced economies during the global crisis and its aftermath. As the balance of growth tilts back to advanced economies, a re-coupling of emerging markets to advanced economies should help mitigate the negative impact of an eventual slowdown in China.

We support the need for emerging economies to build up buffers, and welcome a careful differentiation in the advice to different emerging economies depending on their cyclical and structural conditions. In our view, a macroeconomic policy framework based on inflation targeting, sound fiscal and regulatory frameworks, and flexible exchange rates is instrumental in providing room for conducting countercyclical policy responses in emerging markets when confronted with changing external conditions. Credible exchange rate flexibility, in a context of anchored inflation expectations, serves to rebalance the economy and cushion the impact of capital outflows on aggregate demand buffeted by volatile capital flows.

We must be mindful of the risk posed by sudden depreciations of the exchange rate for the balance sheet of banks and corporations in economies with substantial currency mismatches. However, we caution against general conclusions on this issue without due consideration of the development of foreign exchange hedging markets, which in some countries has become larger in size than spot markets. Such increase in the volume of hedging markets is a reflection of activities among corporate and other non-financial institutions that have internalized the risks of having open foreign exchange positions in a flexible exchange rate environment.

The resumption of the financial regulatory reform agenda is crucial to secure global financial stability. We welcome the steps towards the materialization of a banking union in the euro area, backed by a credible and meaningful pool of common resources. Further policy steps to restore the flow of credit across the monetary union and to combat the threat of deflation are also needed to sustain the recovery. In the U.S., though recent data provides ground for optimism going forward, we remain concerned about the recent rise in corporate leverage and a weakening of underwriting standards, as these developments resemble the conditions that preceded the financial crisis of 2007.

Quota and Governance Reform

Progress on the IMF Quota and Governance reforms is crucial to maintain the Fund's legitimacy across the membership. An effective IMF must evolve with the changing economic landscape by shifting power towards those dynamic countries that have been contributing the most to global growth over the past several decades. As guiding principles, we fully support that the Fund remains a quota-based institution, with representation based on the relative contributions of member countries to the global economy, and that the Fund have access to the resources it needs to fulfill its mandate.

We share the frustration that has been expressed by the membership from the current situation of stalemate. We encourage the Fund to continue working on possible interim measures, engaging with the membership to secure a prompt completion of the 14th General Review of Quotas.

Despite the delays in implementing the Quota and Governance Reforms, we still consider that any feasible strategy must count on unqualified support from the U.S. administration. The U.S. plays a key leadership role in sustaining a multilateral global financial system, and we welcome that the IMF's largest shareholder continues to declare its ongoing commitment to the institution. In our view, exerting leadership today means clearing the way for the incremental reforms that will reduce the existing misalignment in representation of dynamic economies.

Under a scenario in which the 14th General Review of Quotas is further delayed and quota increases are not implemented, the Fund's financing profile will continue to depend on temporary financing from the New Arrangements to Borrow (NAB) and bilateral loans.

While we take the quota-based governance of the Fund as being an important foundation of the institution, our priority is for the IMF to have access to sufficient resources to meet future crises. Therefore, we support the renewal and extension of current commitments to support the temporary financing of the Fund through the NAB until a more permanent solution is reached in terms of the 14th General Review of Quotas. Such commitment of temporary financing reflects the willingness of an important part of the membership to support the role of the IMF in securing the proper functioning of the multilateral financial system.

The outcome of Quota and Governance Reform will imply a necessary rebalancing of voting power. The entire membership is well served when the stability and relevance of the institution are preserved. We believe that this is a small price to pay in order to preserve a global public good that has served the international community well over the past 70 years.

Argentina

After a decade of sustained and inclusive growth, the challenge is to maintain and continue on the same path under different circumstances on both the domestic and international fronts. During the last century, Argentina suffered several decades characterized by macroeconomic instability and stop and go cycles. In contrast, after the worst crisis in its history, the Argentine economy initiated a significant structural transformation grounded on the active role of public policy. Between 2003 and 2013, GDP doubled, with an average annual economic growth rate above 6.8 percent, and this figure, over such a long period, constitutes the highest average growth rate achieved by the country in its economic history. Furthermore, this economic growth has been socially inclusive, expressed in a clear reduction in poverty, unemployment, and inequality, making Argentina's GDP (at PPP) per capita one of the highest in Latin America and its Gini coefficient one of the lowest.

Argentina's economic resilience is due to a prudent macroeconomic policy despite the economic uncertainties in Advanced Economies and their impact on the country. The main pillars of this policy are a strong domestic consumption based on the support given to employment policies, real wages and pension increases, enhancing job creation while promoting public and private investments, together with low indebtedness levels of both the public and private sector and a solid balance of payments result in the context of a managed floating exchange rate regime, and a robust financial sector buttressed by a sound macro-prudential framework. The government has focused on enhancing and guaranteeing income distribution to increase domestic demand and reorient private investments.

Strong and inclusive growth

During the last decade, Argentina has strongly believed that equality is an important ingredient in promoting and sustaining economic and social growth. Since 2003, the key components of Argentina's growth model are the creation of quality jobs, social inclusion and better income distribution. During this period, the number of workers with a formal job, paying social security contributions, increased by 80 percent and the minimum wage grew to be among the highest in Latin America. The participation of wages in terms of total income, which was on average 40.2 percent in the period 1993-2001, increased to 54 percent in 2012. The end result was a historical increase in living standards, which is reflected in the doubling of the middle class between 2003 and 2009, as found by a 2013 report by the World Bank.[1]

These goals were achieved through measures oriented to enhancing Argentina's social safety net based on several programs: the Universal Child Allowance Program; Universal Pregnancy Allowance Program; "Argentina Trabaja", "Ellas Hacen" with the aim of

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[1] *Economic Mobility and the Rise of the Latin American Middle Class*, Ferreira, Francisco H. G., Julian Messina, Jamele Rigolini, Luis-Felipe López-Calva, Maria Ana Lugo, and Renos Vakis. 2013, Washington, DC: World Bank.

empowering women; “Manos a la Obra”, the Food Security Plan (Seguridad Alimentaria) and the program Actions for Social Promotion and Protection, the Plan for Pension Inclusion, Plan Federal de Viviendas, and PROCREAR, an innovative program to finance the construction and renewal of houses. To deal with the hard core of poverty, the Plan Ahí has outreached small towns and poor neighborhoods. In addition, as part of the efforts to reduce income inequality and promote social inclusion, the Government recently launched the “Progresar” (Programa de Respaldo a Estudiantes de Argentina - Program to Support Argentinean Students), aimed at including all young people in the social protection system. The program encourages beneficiaries (young people who do not work or work informally or who have a salary lower than the minimum wage) to complete their studies and/or their professional training, thus increasing their chances of productively entering the labor force.

Moreover, the social security system has increased its coverage from 3,158,000 beneficiaries in 2003, which represented 66 percent of the elderly, to almost 6 million beneficiaries, reaching 94.3 percent of coverage. Expenditure on education has risen to more than 6 percent of GDP.

Finally, the recent implementation of a program for reallocation of subsidies, based on an income and wealth criteria, as well as on energy efficiency criteria, will allow the government to assign social spending more equally, guaranteeing the protection of the most vulnerable sectors of its population. This new framework for subsidies expenditure is consistent with the policies the country implemented in the last decade.

A robust financial sector is tackling the challenge of increasing credit

During the 2001-2002 crisis in Argentina, the financial system almost collapsed. After more than ten years, it is now solvent, liquid, well-regulated and capitalized. The Central Bank of Argentina has a new charter, approved by law in 2012, which broadened its objectives and mandates, which currently include not only monetary stability, but also financial stability, employment, and economic development with social inclusion.

The government understands that public investment is a key tool for development, regional integration, employment creation and improving the living standards of the population. Public investment is currently focused on roads and highways, electricity, communications, and housing. This enhanced role of the state has strongly encouraged private investment which reached an overall investment rate of 25.2 percent of GDP in the 3Q 2013.

Moreover, the government has implemented a range of policies to support the development of long-term financing for productive investments, particularly in infrastructure and by small and medium-sized enterprises (SMEs). In particular, the Sustainability Guarantee Fund (FGS), the public pension fund, has contributed to the sustainable development of the real economy through financing long-term investment projects and recent regulatory initiatives aimed at increasing institutional private funding for those types of projects. Such is the case of subsection “K”, that establishes that insurance companies must redirect a percentage of their investments to instruments financing productive projects which raised insurers investments in this type of projects from less than 1% in 2011/2012 to 10.7% in 2013.

A sustainable public debt path

Since 2003, after the country's worst financial crisis that led to the default, Argentina implemented a set of measures aimed at progressively normalizing and reducing public debt and creating a sustainable repayment capacity. These measures involved a successful debt restructuring process that reached a substantial level of acceptance—more than 92 percent of the eligible debt. The total stock of the external debt (public plus private) was reduced from 30.5 percent of GDP in September 2012 to 27.0 percent in September 2013, reaching the lowest ratio in the last 18 years. The constant diminution of the external public indebtedness allowed the stock of international reserves, approximately represented in January 2014 to be 40.6 percent of the public external debt, whereas in 1992-2000, the period of the so called "Argentine miracle" and the currency board, it represented 33.4 percent.

Despite these efforts, Argentina is still facing an extraordinary challenge posed by the creditors known as vulture funds, who continue to litigate and do not have any qualms about harming the rights of those cooperative creditors who accepted Argentina's exchange offers in 2005 and 2010. This disruptive strategy on the part of the vulture funds is made possible by the lack of an adequate international legal framework for sovereign debt restructuring. Awareness of the disastrous potential consequences that may affect the financial world, particularly the sovereign debt market, if the vultures views are upheld in court, have prompted both prestigious experts, countries and international institutions, including the IMF, to warn about the need to limit the damage that these strategies can generate. In this case Argentina has received the support of other countries such as Brazil, Mexico, and France who sent "amicus curiae" to the Supreme Court in USA, as did several private banks and investors.

Argentina has demonstrated its commitment to work together on the bilateral agenda with the IMF. Relations have involved technical assistance to develop the new CPI on a national basis launched on February 2014, and the ROSC on the three key standards of financial regulation has been completed; the country is sharing all relevant information and statistics through the SDDS, and the FSAP was completed and discussed by the Board last year. The Argentine Congress also approved the 2010 Quota and Board reform of the IMF. On other issues, Argentina has ended disputes with several corporations at the International Centre for Settlement of Investment Disputes (ICSID) of the World Bank and is advancing in the negotiations at the Paris Club.

Policy challenges going forward

By the end of 2013, the economy was facing, as its main "cyclical gap", a fall in international reserves and considerable pressures in the foreign exchange market, leading to a depreciation of the exchange rate in January 2014. After that, the government implemented a set of measures, including a rise in interest rates and a flexibilization of the conditions for access to the local foreign exchange market, which were successful in stalling the drop in reserves and reducing excessive volatility in the exchange market. Moreover, to manage the pass through from the exchange rate to prices, the authorities have implemented temporary price agreements and monetary and fiscal measures.

Moreover, the efforts underway to improve relations with foreign creditors, institutions and companies (for instance, agreements to cancel debts under ICSID litigation procedures and a preliminary agreement to compensate Repsol for the public sector increased share in the company, subject to congressional approval), together with the significant reduction in debt levels already achieved, are expected to generate favorable conditions to encourage the inflow of FDI capital in energy projects.

On the structural front, Argentina is facing some important challenges, to a large extent as a result of fast growth itself (as in the case of energy or infrastructure), but also as a consequence of the natural increase in the aspirations of the population and the need to augment competitiveness, the sophistication of production and the diversification of exports. Our reform priorities will remain focused on the areas of investment, employment and social inclusion.

Throughout its economic history, Argentina has learned the hard way that the state must play a crucial and active role to achieve a steady, sustainable and inclusive path of economic growth and that the development process should be focused on the development of the people and the improvement of their living standards. It is the state who cares for the vulnerable people, the workers, the pensioners, the poor, the consumers, the youth and the children. Growth has been sustained and social indicators have improved considerably. Due to the structural transformation of the economy since 2003, Argentina is now well placed to address the development challenges ahead. The main objectives for the future will be strengthening, broadening and continuing with these outcomes.

Bolivia

Bolivia's economy showed a satisfactory performance in 2013 as it reached the highest growth of the past three decades (6.7 percent), as well as a substantial improvement in the standard of living of the population, thanks to the successful social programs aimed at reducing inequality in the income distribution. This growth rate was mainly driven by domestic demand. Hydrocarbons and manufacturing—in similar magnitude—led the dynamism of the economy, followed by financial services and transport. During the past eight years, including the period of international crisis, Bolivia has consolidated macroeconomic stability and it has grown at an average rate of 5 percent. The ongoing reform process is based on the implementation of the so-called Bolivian economic, social, productive, and communitarian model in which the state plays a leading role. In this model, the macroeconomic stability is fundamental to achieve economic development with income redistribution and industrialization of natural resources.

Macroeconomic stability is evident as reflected by the positive outcomes in economic indicators, such as sustained surpluses in the fiscal and external accounts, the dynamism of economic activity, stable prices, and high levels of international reserves and stability of the financial system, among others. These results are associated with the economic stability in the last eight years. Additionally, macroeconomic policy has succeeded in isolating the country from the effects of international crises since substantial buffers have been built to deal with any external shocks, which have provided sufficient confidence to economic agents. These, along with the Bolivian economic model orientation, have enabled sustained growth, greater potential output and substantial improvements in the quality of life of the population, thus unemployment has been declining steadily. In 2013 the unemployment rate was 3.2 percent while in 2006 it was 8 percent.

As for fiscal policy, control over current spending has been crucial, as well as the use of fiscal space to increase capital spending. The electoral process of the year 2014 will have no impact on fiscal sustainability, taking into account that in elections and referendums carried out between 2006 and 2012 fiscal revenue was always higher than expenditure, reflecting the authorities' commitment to fiscal discipline. In 2013 the fiscal stance ended up once more with a surplus of 0.6 percent of GDP. Tax revenue has been strengthened in recent years with measures that allow increasing the scope of the tax base, improving the efficiency of tax administration, combating tax fraud and imposing new sanctions for non-compliance with tax obligations.

Capital spending accelerated significantly in 2013. Economic development relies on a steady expansion of public investment as Bolivia requires expanding its infrastructure and moving forward in the process of industrialization of its raw materials for economic diversification. In 2012 public investment amounted to $2,897 million, while in 2013 the execution of the public investment budget has been greater, $3,781 million.

Domestic prices, although higher in 2013 than 2012 (6.5 percent), do not signal an overheating of the economy, since public expenditure is under control and credit is expanding at reasonable rates. Inflationary pressures appeared in August 2013 due to rising prices of three products of the food basket, meaning that such pressures did not arise from a monetary impulse but from a transitory supply shock. Those increases were caused by adverse weather conditions (frost and drought), and disruption in commercialization channels and speculation. The authorities reacted quickly to solve the problem of supply, normalize the flow of those products and reverse the situation by the end of the year.

Monetary policy has been appropriately geared in light of inflationary pressures. Since the fourth quarter of 2012, the Central Bank of Bolivia has gradually reduced the liquidity of the financial system by increasing the supply and the placement of monetary regulation instruments, allowing moderated increases in interest rates. Gradualism in these operations was in accordance with a context of slowing global growth (especially in Bolivia's trading partners), minor external inflationary pressures, but risk of internal inflation which, however, did not justify more restrictive policies. These gradual increases in rates preserved the dynamism of economic activity. The exchange rate policy kept its objective of controlling excessive volatility while inducing further confidence in the financial system and preserving the de-dollarization process, reflected in a stable demand for foreign currency, increasing deposits and loans denominated in domestic currency, and no expectations about sudden movements in the exchange rate. The banking system is strong and showing a comfortable expansion, an increasing capital adequacy ratio and decreasing non-performing loans.

Chile

As the global economy continues its gradual process of rebalancing, the Chilean economy has decelerated somewhat faster than had been anticipated. The country's strong institutional framework has given economic authorities room to navigate this adjustment in an orderly fashion, striking a balance between supporting demand while avoiding the accumulation of vulnerabilities. Following several years of high growth, output is expected to grow by 3.0 to 4.0 percent during 2014. The recent slowdown has been driven by lower rates of private investment that are largely due to the ongoing maturation of the investment cycle in the mining sector.

The external environment is gradually returning to normal following a very favorable period for many emerging markets. Mineral prices have fallen substantially hurting the country's terms of trade. While external financing conditions have tightened somewhat amidst global risk aversion and the withdrawal of unconventional monetary policy in advanced economies, domestic fixed income and money markets have continued functioning smoothly. Downward revisions to Chinese growth have been offset by recovery in some advanced economies, such that trade-weighted demand from Chile's partners has remained steady. External adjustment has come through a marked depreciation of the nominal exchange rate. The real exchange rate has depreciated along with the peso, supporting external competitiveness and export performance, and remains in line with its long-run fundamentals. Deep domestic financial markets and widespread currency hedging amongst banks and corporates mitigate risks to financial stability, and demonstrates the extent to which private agents have adjusted to the flexible exchange rate framework.

The flexible exchange rate regime, credible inflation targeting framework, and well-regulated financial markets have allowed monetary policy to respond to the needs of the domestic economy. The monetary authority has mitigated the slowdown in aggregate demand by gradually easing the monetary policy rate by 100 basis points. Low pass-through from the nominal exchange rate depreciation to domestic prices has helped ensure that inflation expectations remain well anchored at the midpoint of the central bank's target range at the policy horizon.

The fiscal deficit was 0.6 percent of GDP in 2013, while the structural or cyclically-adjusted deficit was 0.7 percent. These figures are in line with the gradual withdrawal of the stimulus undertaken in 2009 to mitigate the impact of the global financial crisis and to support reconstruction following the 2010 earthquake. The structural deficit is expected to reach 1 percent of GDP during 2014. The new administration that took office in March remains committed to Chile's fiscal sustainability, anchored by the long-standing structural balance rule. They have announced plans to continue the ongoing fiscal consolidation in order to achieve structural balance by 2018. The authorities have recently sent an ambitious tax reform bill to Congress that aims to finance a major reform of the education sector and other social expenditure, and to bring the structural deficit back to a balanced position. The tax reform will gradually increase structural revenues while reducing tax evasion and inequality. It includes improvements to the treatment of the income of labor and capital in order to enhance tax equity, the introduction of new and more efficient incentive mechanisms for saving and investment as well as green taxes.

By providing reliable financing for needed improvements to the public education system, the package aims to increase the country's potential growth rate and foster a sustainable development path. The Chilean government maintains favorable access to debt markets and remains a net creditor due to low debt levels and large balances in sovereign wealth funds.

Chile's fiscal and monetary authorities stand ready to use the country's healthy policy buffers to support the domestic economy should any large negative shocks materialize.

Paraguay

In 2013, Paraguay's economy recovered sharply from the previous year's severe drought. After contracting by 1.2 percent in 2012, real GDP grew by 13.6 percent in 2013, driven by a strong recovery in the agricultural sector with the non-agricultural sector growing around potential. The outlook for 2014 remains positive with real growth projection at 4.8 percent, despite the worsening in external conditions.

Inflation reached 3.7 percent in 2013, below the BCP's target rate of 5 percent. Nevertheless, inflationary pressures are expected for 2014. Accordingly, the Central Bank of Paraguay has implemented the necessary policies to address the above-referred pressures and, if needed, will reinforce policies and instruments in order to maintain inflation in line with the 5 percent inflation objective.

Paraguay's macroeconomic conditions have improved substantially over the past years. This continuous improvement of the economic situation has reduced poverty and extreme poverty in 8.6 p.p. and 7.9 p.p. respectively, during the last 3 years.

Paraguay has achieved significant improvements regarding its fiscal framework. The Public Private Partnerships Law is expected to reduce infrastructure bottlenecks and lift investment rates and economic growth potential over the medium term. In addition, the approval of the Fiscal Responsibility Law (FRL) in 2013 and its successful implementation could institutionalize the fiscal prudence observed in Paraguay during the period 2003-2011. The Tax Reform passed recently will increase the taxable base, government revenues while discouraging economic informality. Before the reform, highly profitable sectors -like agriculture- were exempt of income taxes and benefited from value added tax deductions. The changes introduced in the reform harmonized the corporate tax at 10 percent across all economic sectors.

Peru

Peru's economic activity registered a slowdown with a GDP growth rate of 5.6 percent in 2013, mainly due to the lower dynamism of private investment and exports. However, strong fundamentals continue to be the key element to maintain a high long-term growth.

The current account deficit increased to 4.9 percent of GDP in 2013 due to deteriorating terms of trade and lower export demand due to a slow recovery of economic activity in developed countries and to a deceleration of the Chinese economy. On the fiscal front, the non-financial public sector continued with a countercyclical fiscal stance, with higher non-financial expenditure and lower revenues of the general government, in a context of lower terms of trade and a slowdown in the pace of economic growth. The public sector surplus decreased from 2.1 percent of GDP in 2012 to 0.8 percent of GDP in 2013. The government remains committed to enhancing the quality and coverage of social programs.

Twelve-month inflation increased temporarily from 2.86 percent in December 2013 to 3.38 percent in March 2014, slightly above the upper bound of the inflation target band (2%±1%), which reflects some domestic supply-side factors affecting food prices and the effect of exchange rate depreciation on certain prices such as house rents and new vehicles. Inflation is expected to return to the inflation target band during the current year, once the influence of transitory factors disappears in the short run.

The Board of the Central Bank decided to lower the monetary policy benchmark interest rate from 4.25 percent to 4.00 percent in November 2013, after maintaining this rate at this level since May 2011. In a volatile global context, the authorities are committed to preserving financial stability. In this regard, their attention has turned to establishing a set of macro-prudential policies to limit systemic risks. Therefore, since May 2013 the Central Bank has implemented measures to ease reserve requirements in order to ensure an orderly evolution of credit in domestic currency.

Uruguay

Recording a growth rate of 4.4 percent in 2013, Uruguay displayed its eleventh consecutive year of GDP increase at an annual average of about 6 percent. Beyond these figures, especially worthy is that this period of robust growth has gone hand in hand with a critical reduction of poverty and inequality. In the period 2006-13, poverty (relative to the number of households) declined from 24.2 percent to 7.8 percent, while inequality (Gini Index) decreased from 0.46 to 0.38. This is not a mere coincidence; Uruguay's policies and reforms have consistently aimed to attain an inclusive growth.

The Uruguayan authorities welcome the IMF's recent emphasis on the need to address inequality around the world, not only for the intrinsic benefits that it entails, but also regarding other positive effects. In Uruguay's case, these benefits are palpable; a peaceful social environment among the different social actors, which to a large extent is the consequence of the amalgamation of robust growth, economic stability and social achievements, has fostered an appropriate investment climate and a massive ownership of structural reforms. Unemployment rates continue to be at historical lows; and investment, once the Achilles' heel of the country, is currently at 23 percent of GDP, a record high. Looking from another perspective, the 2013 Latinobarómetro survey asked countries in the region "how satisfied with the way democracy works in your country?" Positive responses in Uruguay reached 82 percent (more than double Latin America's average).

As a side effect, the above-referred economic enhancement, along with commodity price developments, has been exerting considerable pressures on inflation, whose reduction constitutes the authorities' highest priority. While the monetary policy stance has been significantly tightened, the authorities have been working in different areas to avoid temporary factors being transformed into more permanent facts. Recently, the government has looked for voluntary commitments from companies and workers to moderate price and wage pressures. The success of these negotiations is closely related to that cooperative environment, and inflation figures after the above-referred commitments signal a step in the right direction.

In recent years, there have been critical transformations in Uruguay's trade, revenue administrations and tax system, the Central Bank and Superintendency of Financial Institutions, public banks, etc. The reform process continues: among others, it is important to underline that the authorities have sent Congress a draft law for financial inclusion, which would encourage better and higher access to the financial system, particularly for those from the most vulnerable sectors of society.

For 2014, the authorities project a satisfactory economic increase, taking into account Uruguay's growth rates during the second half of the twentieth century and the prevailing global and regional circumstances. Among other things, it is important to underscore that the country's performance has taken place in a context of trade restrictions at regional levels during the last years and, contrary to other countries, unfavorable terms of trade in most of the decade. Uruguay's economic resilience (connected, among others things, with the declining trend of net public debt-to-GDP ratio, the country's debt profile, the level of international reserves, as well as the health of the financial system) and achievements constitute incentives for the authorities to redouble efforts aimed at dealing with the country's additional needs.