

Analysis-Bolivia's Creaking Big State Model Rings Warning Bell in South America

LA PAZ (Reuters) – Bolivia's "economic miracle," a boom in the 2000s and 2010s that saw years of state spending lift millions of people into the middle class, is creaking, a warning sign to the wider region battling high inflation, shrinking government coffers and tepid growth.

For years the Andean country enjoyed one of South America's fastest economic growth rates as a boom in demand for natural resources – mainly gas – helped the former leftist government of President Evo Morales fund social programs and cut poverty.

But over the last decade gas production has tumbled by around a third, dragging down foreign currency reserves from over \$15 billion in 2014 to \$3.5 billion in February, when the central bank abruptly stopped publishing reserves data.

The drain in hard currency sparked panic earlier in the year, with Bolivians forming lines outside banks to withdraw dollars. Bond yields spiked sharply and in May the government was forced to sell half of its \$2.6 billion gold reserves to raise cash.

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