

**Economic Commission for Latin America and the Caribbean**

# **ECONOMIC PANORAMA OF LATIN AMERICA 1996**

**ARGENTINA**

**BRAZIL**

**CHILE**

**COLOMBIA**

**ECUADOR**

**MEXICO**

**PERU**

**URUGUAY**

**VENEZUELA**



**United Nations**

**September 1996  
Santiago, Chile**

LC/G.1937-P  
12 September 1996

This report was prepared by the ECLAC Economic Development Division.

Copyright © United Nations 1996  
All rights reserved  
Printed in Chile

Applications for the right to reproduce this work or parts thereof are welcomed and should be sent to the Secretary of the Publications Board, United Nations Headquarters, New York, N.Y. 10017, U.S.A. Member States and their governmental institutions may reproduce this work without application, but are requested to mention the source and inform the United Nations of such reproduction.

UNITED NATIONS PUBLICATION

Sales No. E.96.II.G.9

ISSN 0259-241X  
ISBN 92-1-121213-8

## CONTENTS

	<i>Page</i>
LATIN AMERICA . . . . .	5
The region's growth rate recovers . . . . .	6
Inflation keeps declining . . . . .	7
Labour markets deteriorate further . . . . .	8
The expansion of foreign trade slows . . . . .	10
Capital flows increase significantly . . . . .	11
Statistical tables . . . . .	14
ARGENTINA . . . . .	17
Statistical tables . . . . .	20
BRAZIL . . . . .	25
Statistical tables . . . . .	28
CHILE . . . . .	34
Statistical tables . . . . .	37
COLOMBIA . . . . .	44
Statistical tables . . . . .	46
ECUADOR . . . . .	50
Statistical tables . . . . .	52
MEXICO . . . . .	55
Statistical tables . . . . .	58
PERU . . . . .	64
Statistical tables . . . . .	66
URUGUAY . . . . .	71
Statistical tables . . . . .	73
VENEZUELA . . . . .	78
Statistical tables . . . . .	81

### **Notes and explanation of symbols**

The following symbols have been used in the tables in this Survey:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (–) indicates that the amount is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise indicated.

A full stop (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1979.

Use of a hyphen (-) between years, e.g., 1960-1970, signifies an annual average for the calendar years involved, including the beginning and the end years.

References to "tons" mean metric tons, and to "dollars" United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual growth rates of variation mean cumulative annual rates.

Figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

## LATIN AMERICA

Based on data for the first half of the year, it is estimated that the economies of Latin America and the Caribbean will grow by about 3% in 1996, returning to a trend of moderate expansion after a poor performance in 1995. The low average growth figure of 0.4% for that year was due primarily to a sharp drop in economic activity in Mexico and Argentina, even though the remaining countries experienced growth averaging over 4%. In 1996, signs of recovery in Mexico and Argentina have contrasted with a slowdown in Brazil, Colombia, Costa Rica and Peru as a result of policies aimed at reducing inflation or limiting external imbalances. Chile will lead the region in growth with an increase in gross domestic product (GDP) of close to 7%, just under the figure for 1995, while Venezuela will see a drop in output resulting from a severe adjustment programme.

The countries that have experienced recovery or economic expansion owe it largely to strong export performance, despite a downward trend in international prices for some of their commodities, and to a big increase in foreign capital flows, considerably greater than projected, with a higher proportion of long-term capital. Real exchange rates have continued to decline in most of the countries of the region, Venezuela and Argentina excepted. The fiscal situation has deteriorated sharply in Argentina, less so in Colombia and Ecuador, while Brazil's fiscal deficit has declined somewhat but remains large; Chile has continued to run a surplus, and Peru, Uruguay and Venezuela have reduced their deficits. The average rate of inflation has continued to decline, although less sharply than in previous years.

Slow growth has offered little opportunity for improvement in open unemployment, and there continue to be signs of greater job insecurity and increasing underemployment. Hence there is little prospect that progress will be made in overcoming the social lags and accentuated inequality observable in most of the countries of the region.

The value of the merchandise exports of the nine largest economies in the region increased approximately 12% during the first half of the year. Exports have not only contributed largely to the recovery of the Mexican economy, but have also offset a decline in domestic demand in countries such as Brazil, Colombia, Peru and Venezuela. Imports of the same nine economies expanded less than 7% in the first six months, but the pace may pick up in coming months as economic recovery continues.

It is likely that the merchandise trade surplus will be slightly larger in 1996 than in the preceding year; but since net payments for factor services will increase, the current account should show a deficit of around US\$ 32 billion, very similar to that of 1995. This figure, equal to 2% of GDP, is lower than in earlier years of the decade and should be more than covered by increases in capital inflow.

The big increase in private capital flows was an unexpected development after the decline the year before. Barring unforeseen circumstances, total net capital inflows will exceed US\$ 50 billion, more than double the figure for 1995 and close to the peak values recorded in the early 1990s. Moreover, it appears that the new capital will be longer term and hence less volatile. Direct investment, for example, will probably reach US\$ 25 billion in 1996, while bond issues totalled that figure in the first seven months alone (although amortization will absorb about half of the bond proceeds). Maturities on bond issues in the first half increased to over five years. Syndicated bank loans over the same period increased substantially, while the issuance of American Depositary Receipts (ADRs) also recovered somewhat. At the same time, there has been no evidence thus far of a significant outflow of short-term capital –although the expected

increase in interest rates in the United States might negatively affect the behaviour of short-term capital in the second half of 1996.

The reduction of inflation continues to be a positive element in the performance of Latin America and the Caribbean economies. As of mid-year, the average inflation rate for the preceding twelve months was 22%, compared to 26% in 1995 and an average of over 600% during the period 1990-1994. While still high by international standards, the average regional inflation rate in 1996 is likely to be the lowest since 1972. The implementation of the *Real Plan* has kept inflation under control in Brazil, and Mexico's adjustment programme has made it possible to moderate the price rises caused by the devaluation of the peso in December 1994. Three-digit inflation reappeared in the region with Venezuela's rate of 115% for the 12-month period ending August 1996, but the rate is expected to decline as the year progresses.

The situation of the labour market is the most negative aspect of the region's economic picture for 1996; unemployment has not begun to come down after reaching a high point for the 1990s in 1995, and real wages have remained constant. In four of the seven countries for which employment data is available for the first half of the year, unemployment was higher than in the same period the year before. For those seven countries as a whole, the rate of employment declined from 54.0% to 53.5%. Average real wages were stagnant or falling in most of the eight countries for which such information is available, the exceptions being Chile and Brazil, particularly in the Rio de Janeiro area.

## THE REGION'S GROWTH RATE RECOVERS

The growth rate of output in Latin America and the Caribbean may reach 3% approximately in 1996, which would be a significant improvement over the previous year's figure of 0.4%. If so, per capita GDP will rise 1%, after declining 1.5% in 1995. (See table 1.) During the first half of 1996, regional output grew just a little over 1% in comparison with the same period the preceding year. In order to reach a 3% growth rate for the year, in the second half the growth rate would have to equal 5%, a figure which, while high, particularly in view of the meagre earlier results, is by no means impossible to achieve, starting from the low base level of activity during the same period of 1995, when output declined 1%.

It should be borne in mind that growth in 1996 will be the function of two contrasting trends. Argentina, Mexico and Uruguay are experiencing a turnaround after a sharp contraction in 1995, while the other countries of the region should see a continuation of a downward trend, from over 5% in 1994 to 4.3% in 1995 to less than 3% in the current year.

Argentina and Mexico, hit by a massive withdrawal of private capital following the devaluation of the Mexican peso at the end of 1994, adopted drastic adjustment policies that have yielded some positive results, particularly in the external sector. In the case of Mexico, gross domestic product continued to decline in the first quarter of 1996, but grew much faster than anticipated in the second, resulting in 3% growth for the first half and a projected 3.5% for the year. Even so, per capita GDP will still be lower than in 1994. Argentina's situation is still precarious. Although in 1995 output dropped less sharply (-4.4%) than in Mexico (-6.6%), recovery has been more difficult, notably because the external sector adjustment lacked some of the features and the scope of the adjustment in Mexico and because the problems in the fiscal area are greater. Uruguay's recovery is still tentative, because the economies of its two neighbours still show no solid improvement after the setbacks of the preceding year.

The other economies of the region, which in general achieved moderate growth in 1995, have been moving in the opposite direction from Argentina and Mexico; in most cases growth in 1996 will be lower than in previous years. The most common explanatory factor has been government policy aimed at consolidating or improving upon the results of inflation control efforts (as in Brazil, Chile and Colombia) or avoiding balance-of-payments problems (notably in Peru). Political problems have created a climate of uncertainty in some countries that has exacerbated the economic problems. This has been particularly true in Colombia, where the growth rate for the first half was only 3%, in contrast to rates of over 5% for the two preceding years. Venezuela undertook a sweeping adjustment programme at the end of 1995, but the most important measures took effect in April this year and caused a sharp contraction of domestic demand; it is therefore anticipated that output will decline in 1996, in contrast to the increase of a little over 2% recorded the preceding year.

Based on projected growth rates for 1996, of the seven largest economies of the region, only Chile's will expand strongly (by about 7%). At the other extreme, Venezuela will be the only country to experience an economic decline. The other five economies should grow at a rate of around 3%. Some of the Central American countries and Bolivia, however, are expected to grow more rapidly, and Uruguay should experience a moderate expansion.

### INFLATION KEEPS DECLINING

Inflation has continued its downward trend in 1996, bringing the regional rate to its lowest level since 1972. It is no surprise that its decline (from 26% to 22% in the first half) has been much slower than in the preceding year (from 340% in 1994 to only 26%), which reflected the strong impact of the *Real Plan* in Brazil.

Inflation has been virtually halted in Argentina, in part due to the recession in which the country has been mired for the past year and a half; the rate for the 12 months to July 1996 was only 0.1%, an unprecedented figure for that economy, and four others (Chile, Dominican Republic, Panama and Paraguay) experienced single-digit inflation over the same period. In six countries (Bolivia, Brazil, El Salvador, Guatemala, Nicaragua and Peru) prices rose between 10% and 15%. In nearly all the remaining countries (Colombia, Costa Rica, Ecuador, Haiti, Honduras, Mexico and Uruguay), the pace of inflation ranged from 15% to 30%. Only in Venezuela did it exceed 100%. (See table 2.)

The greatest strides in this regard compared to 1995 have been made in Brazil, where the Government has slowed economic growth in order to consolidate the effects of the *Real Plan*, and in Mexico, where a strenuous adjustment programme initiated early in 1995 has kept a devaluation-inflation cycle from developing. Uruguay has also persevered in a slow but steady process of inflation reduction commenced in 1991, achieving a rate of 26% for the 12 months ending August 1996, nine percentage points lower than the rate at the close of 1995 and far below the rate of 129% recorded in 1990. Chile, Costa Rica, Dominican Republic, El Salvador, Haiti, Honduras and Paraguay have made more modest improvements in 1996. Six other countries, however, have experienced small setbacks in the form of 1% to 3% increases in the inflation rate. But Venezuela has suffered the biggest leap in inflation, after it had managed to reduce the rate in 1995 from 71% to 57%. The rate for the 12 months to August 1996 rose to 115%, double the rate at the end of the preceding year, due primarily to the elimination of price controls and the deep devaluation required by the adjustment plan.

Stabilization policies have continued to focus on the fiscal area in view of the expanding budget deficits in some countries. In Venezuela, the adjustment programme has succeeded in cutting a large deficit rapidly, thanks in part to the devaluation and to the increase in fuel prices that brought a swift increase in government revenues. Uruguay has also made major progress in this regard, reducing its deficit significantly through the effects of measures approved in 1995. Peru has also improved its fiscal situation by increasing revenues and reducing expenditure. Chile has succeeded in maintaining a fiscal surplus, as government expenditure has grown more moderately than output, such combination may help offset the decline in copper revenues. Mexico's fiscal situation continues to be healthy, despite heavy pressure on parafiscal costs, which have expanded considerably as a result of the banking crisis and problems caused by a high incidence of late payments among debtors.

In Argentina, meanwhile, fiscal problems have persisted, as tax revenues have declined due to recession and tax reductions, while expenditures have risen in response to increases in interest payments, transfers to provincial governments and social security outlays. To deal with this situation, the Government has taken a number of actions in the fiscal arena, but more are required and are under consideration by Congress. In Brazil, the fiscal deficit has shrunk somewhat but has remained large, obliging the authorities to resort more intensively to monetary instruments to keep the stabilization process on course. The reforms proposed by the Government are still being considered by the legislature. In Colombia, the fiscal situation has continued to deteriorate, as central government expenditures have increased heavily, especially in the area of investment. The authorities have maintained an expansionary policy to avoid a further fall in the growth rate. In Ecuador, government revenues have failed to rise along with expenditures, somewhat deteriorating the fiscal situation.

Real exchange rates have continued to decline in most of the countries of the region. The only major exception is Venezuela, which experienced a real depreciation of its currency by about 20% in the first half, as a result of the devaluations in December 1995 and April 1996. In Chile, the trend towards a declining real exchange rate already observable in 1995 has persisted; Mexico has also experienced a decline that partially offset the big rise the year before. Clearly, this trend in real exchange rates has helped substantially to contain inflation, but at the same time it has had an impact on the external accounts.

### **LABOUR MARKETS DETERIORATE FURTHER**

In the region as a whole, urban unemployment has again risen. This is symptomatic of the gravity of the labour situation, particularly when it is recalled that the growth during the earlier years of the decade generated insufficient employment. Insufficient job creation was the most critical factor in the labour market in the first half of 1996. As a result, in four of the seven countries for which information is available, the unemployment rate rose in comparison with the same period the preceding year; and in five countries it was higher than for the second half of 1995. On the other hand, differences in the growth dynamics of the various countries have resulted in varying trends in wages in the formal sector. (See tables 3 and 4.)

In Argentina and Mexico, the two countries in which the labour situation deteriorated the most in 1995, the unemployment rate for the first half of 1996 was roughly the same as for the



same period the preceding year. While a comparison between the first six months of 1995 and of 1996 shows no improvement in Mexico, since April 1996 the monthly rate has been below that recorded in 1995 thanks to greater utilization of production capacity. In Argentina, until May 1996, the mild recovery in output was not enough to boost the demand for labour; the unemployment rate not only remained high, it actually climbed and topped its level in October 1995. Although the unemployment rate for May 1996 was lower than for May 1995, this was due to a decline in the number of those seeking work, rather than to an increase in employment.

In Chile, enjoying continuing growth, the average unemployment rate for the first half of 1996 was lower than for 1995. As the year has progressed, however, adjustment policies have caused a substantial rise in unemployment, especially high among young people.

Given the modest performance of output during the first half of 1996, in Uruguay and Venezuela urban unemployment continued on the upward trend observable in last few years. In both countries, the rate reached levels not seen since the mid-1980s.

Brazil and Colombia, after achieving relatively low rates of unemployment early in 1995 thanks to strong growth in output, experienced increasing unemployment in the second half of the year as their economies slowed. As the slowdown accentuated in the first half of 1996, both countries suffered a further deterioration of their employment situation. The rise in unemployment was due both to an expansion of supply (higher labour force participation rate) and a decline in demand (reduced rate of employment). In Brazil, formal employment declined in all branches of activity, especially in manufacturing.

To sum up, during the first half of 1996 both cyclical and structural factors combined to hold down job creation. Structural factors included changes in technology and organization introduced into many industrial activities and gradually extended to the service sector, strong external competition in various labour-intensive industries and, in a number of countries, further efforts to restructure the public sector. For the seven countries of the region for which information is available, the rate of employment (the percentage of the working-age population that is employed) sank from 54.0% in 1995 to 53.5% in the first half of 1996.<sup>1</sup>

There are also signs of increasing job insecurity. One such indication is the fact that the number of workers with an employment contract has declined in Brazil, while less formal categories (wage earners without a contract, own-account workers) have expanded. In Argentina, the proportion of workers with fixed-term contracts has risen. Together with insufficient demand, this trend has contributed to an increase in underemployment, which in Argentina, for example, rose from 11.3% to 12.7%, and in Colombia from 10.3% to 11.4% (as measured in March of 1995 and 1996). In Brazil, the percentage of workers earning less than the minimum monthly wage went up from 13.5% in June 1995 to 16.5% a year later. In Mexico, too, underemployment ratios exceeded those for the same period the preceding year, although they showed a tendency to decline towards the end of the first half.

Compared with the first half of 1995, wages in the formal sector in the first half of 1996 went up only in Brazil and Chile, where they increased at significant rates. In Brazil, however, the picture presented by this indicator varied widely from one metropolitan region to another. In Rio de Janeiro, real wages for workers with an employment contract continued to rise strongly as they had the year before. In the main industrial centres, however, such as São Paulo and

---

<sup>1</sup> Figure weighted by the working-age populations of Argentina, Brazil, Chile, Colombia, Mexico, Uruguay and Venezuela.

Porto Alegre, where unemployment increased more than in other regions, real wages remained at the level reached in the second half of 1995.

In Argentina, Colombia and Uruguay, real average wages did not change from their previous levels, and in Bolivia, Mexico and Peru they lost ground compared to the first half of 1995. The lag was considerable in Mexico, where manufacturing wages declined 14% over the same period to a level not seen since the 1980s. By the end of the first half of 1996, however, the decline in real wages was slowing down, so that the erosion of wages should be more moderate for the year as a whole. In Peru and Uruguay, there was a slight rise in real wages compared to the second half of 1995, due to the increases in nominal wages at the beginning of the 1996; the figure for the year as a whole will depend upon inflation, among other factors.

### THE EXPANSION OF FOREIGN TRADE SLOWS

According to current projections, the value of Latin American exports in 1996 may exceed US\$ 245 billion, an increase of over 10% from the year before. Yet this result would constitute a slowdown from the extraordinary growth recorded for the decade to date, although the pace is still faster than that of the period 1991-1993. (See table 5.)

The trend is heavily influenced by Mexico's continued export growth, up 20% in the first seven months of the year, driven by the devaluation of the peso a year before. Given Mexico's preponderance in the region's exports, that increase represents two thirds of the growth achieved by the region as a whole. Most of the remainder is attributable in roughly equal proportions to Argentina, Brazil and Venezuela.

The value of exports is increasing in most of the Latin American countries and holding steady in the rest; in all countries, however, the rate of increase has been lower than in 1995. In addition to Mexico, increases of over 7% are anticipated for Argentina, El Salvador, Guatemala, Haiti, Peru and Venezuela. A strong factor in this result will be the favourable trend in the prices of some of the major export commodities, notably bananas, wheat, maize, soya, fishmeal, petroleum and some minerals, such as lead. The prices of these products have risen more than those of other Latin American export products. (See table 6.)

Some other countries, however, have been hurt by declining prices of major export products. In the case of coffee, it has proved impossible to maintain the high averages reached the preceding year, and this has had an impact primarily on Colombia and the Central American countries. The situation is similar with copper; the drop in copper prices has been a major factor in holding down Chile's export earnings, despite an increase in the quantities exported by the country. Other prices that were on a downward trend as of mid-year were those for cotton, leather and aluminum.

Trends observable for the year to date suggest that regional imports may total US\$ 242 billion in 1996, an increase of about 10%, slightly lower than the growth rate of exports. This projected result would denote a slowdown from the increase of 12% recorded in 1995, due to the easing of the unusual surge in imports in Brazil the preceding year, which should offset the rise in imports in Mexico and Argentina as they catch up from their drastic retrenchment in 1995.

In other countries, a slowing or setback in domestic economic activity has resulted in a sharp decline in foreign purchases. This has been particularly the case in Ecuador and

Venezuela. In the former, the value of imports dropped 15% in the first half, and the decline for the year as a whole should be over 10%. In Venezuela, imports have been 6% lower than in the previous year. A decline in foreign purchases is also expected in El Salvador and Guatemala, while in the Dominican Republic imports may either decline or hold steady.

On the other hand, substantial increases in imports can be expected not only in Mexico (around 20%) and Argentina (over 10%), but also in Chile (around 15%) and other countries, including Bolivia, Colombia, Haiti, Honduras, Nicaragua, Panama and Uruguay (between 5% and 10%). Except possibly in the latter two, the growth in imports should be lower than that recorded the preceding year.

Given the similarity between regional trends in exports and imports during the first half of 1996, the trade balance in goods will probably show little change at year's end; it is anticipated that there will be a surplus for a second year, US\$ 2 billion higher than the year before. However, only four Latin American countries (Argentina, Ecuador, Mexico and Venezuela) will actually run a surplus, compared with five the year before.

The trade deficit (goods and services) may shrink by US\$ 3 billion, if the trade balance in services (usually a deficit) improves, as anticipated, along with the trade balance in goods. In that case, the regional trade deficit will shrink by some US\$ 9.2 billion in 1995, compared to US\$ 6.3 billion in 1996.

Net payments for factor services, which totalled US\$ 37 billion in 1995, should go up to US\$ 40 billion in 1996. The increase will be attributable almost entirely to the increase in net interest payments, since the increase in profit remittances will be minimal. The chief reason for the increase in interest payments is the expansion of the external debt during 1995 stimulated by a slight drop in the past 12 months of the LIBOR interest rate applicable to external commitments. It should be borne in mind, however, that some commitments have been undertaken at fixed rates of interest.

Overall, therefore, the balance-of-payments current account should show a slightly higher deficit than in 1995, but the regional average will continue to be moderate, equal to roughly 2% of GDP. In 1994, the deficit bordered US\$ 50 billion; in 1995, it shrank to US\$ 32 billion, and in 1996 it should stay at about the same level. Major contributing factors to this result are the reversal of Chile's surplus and the expanding deficits of Argentina, Colombia and Mexico which should be partially offset by a shrinkage of the deficit in Brazil, Ecuador and Peru, together with moderate results in the Central American countries.

### **CAPITAL FLOWS INCREASE SIGNIFICANTLY**

In the first eight months of 1996, the Latin American countries consolidated their return to the international financial markets, continuing their recovery from the financial crisis that struck Mexico in 1995 and its spillover effects in other parts of the region. It is anticipated that in 1996 capital inflows will total approximately US\$ 50 billion, nearly double the figure for the preceding year. The trend already observable in 1995 towards a higher proportion of direct investment is likely to be reinforced: in 1996 it should represent nearly half of capital inflows. Direct investment, which increased to US\$ 22 billion in 1995, remained dynamic in the first half of the current year, except in Mexico. Such flows have continued to be substantial in Argentina, Brazil, Chile, Colombia and Peru. In Brazil, Chile and Colombia, in particular, they could reach a record high in 1996. In addition, they should continue their positive trend in other countries of the region, notably in Bolivia, largely thanks to its capitalization programme, and

in Costa Rica and Venezuela. In contrast, direct investment in Mexico, which had reached an historic peak of US\$ 11 billion in 1994, should total only US\$ 7 billion in 1996, an amount similar to that for 1995. During the first half, some US\$ 3.1 billion in direct investment flowed into the country.

Bond issues have continued on the upward trend begun in mid-1995. In the first seven months of 1996, they totalled US\$ 25 billion, a record high. (See table 7.) It should be noted, however, that amortization this year will equal roughly half of that amount. Capital from bond sales has flowed mainly to three countries (Argentina, Brazil and Mexico) and to a lesser extent to Chile and Colombia.

The distinctive features of bond issues during the first half of 1996 have been: i) longer average maturities, increasing from 3.5 years in the second half of 1995 to over 5 years in the first half of 1996, with issues of 10 and even 20 years beginning to appear; ii) interest rates somewhat less onerous than a year earlier, although most issues have not yet made up the differentials that prevailed prior to the recent financial crisis in Mexico; and iii) issues in marks and yen, better received because of lower interest rates in Germany and Japan, have taken on increasing importance and now account for nearly 40% of the total.

Mexico returned to the bond market to prepay its commitments with the United States Department of the Treasury and the International Monetary Fund as part of the international financial assistance package granted early in 1995. At the close of the past year, the Government of Mexico had drawn on a total of US\$ 26 billion, of which it made an early repayment of US\$ 7 billion in July 1996 to the United States Department of the Treasury.<sup>2</sup> In the first half of 1996, the Government of Argentina placed US\$ 4.5 billion in debt instruments, partly in order to pay off public sector obligations. In Brazil, on the other hand, bond issues in international financial markets originated primarily from the private sector, the public sector accounting for only 20% of total issues.

Stock investment, down sharply in 1995 in the aftermath of the events of 1994 in Mexico and the political turbulence in other countries, showed signs of recovery in most Latin American countries in the early months of this year. The regional stock price average in August 1996 was 13% higher than at the end of 1995. It was still 23% lower, however, than the level reached in November 1994. US\$ 1.7 billion was invested in ADRs from January to July 1996, in a recovery from the decline in 1995. Peru—which has experienced the biggest surge in stock prices between November 1994 and August 1996—accounted for half of that total, with US\$ 900 million in shares sold, notably by Empresa Telefónica del Perú. The balance of US\$ 800 million included stock issues by Colombian, Chilean and Argentine companies. Portfolio investment flows to Brazil were also substantial (US\$ 13,650 million to July), but net equity investment totalled only US\$ 3 billion during that period.

Projections suggest that at the close of 1996, the total external debt of the countries of Latin America and the Caribbean will exceed US\$ 620 billion, a nominal increase of around 6% over 1995. Indebtedness in 1996 will be attributable in large part to the strong expansion of portfolio investment in debt instruments (chiefly bonds) and to a lesser extent in commercial bank loans, including syndicated loans and supplier credit. As in 1995, most of the increased debt will be concentrated in a few of the largest economies of the region.

The region's ratio of external debt to exports of goods and services should further decline as the pace of growth of exports outstrips that of the debt. It is expected to drop from 233% to

---

<sup>2</sup> At the close of 1995, the outstanding balance of US\$ 26 billion was owed primarily to the United States Department of the Treasury (US\$ 10.5 billion) and the International Monetary Fund (US\$ 15.3 billion).

225%, the lowest figure since 1980. The ratio between interest paid and exports of goods and services, however, should remain steady at around 15%, reflecting the similar trends in interest payments and external sales.

The most important debt restructuring took place in Peru, whose Government rescheduled its commitments to private banks under the Brady Plan and restructured its bilateral debt with the Paris Club.

Table 1  
LATIN AMERICA: GROSS DOMESTIC PRODUCT  
(Annual growth rates)<sup>a</sup>

	1992	1993	1994	1995	1996 <sup>b</sup>	1981 - 1990	1991 - 1996
Gross domestic product	2.6	3.6	5.2	0.4	2.9	0.9	3.0
Per capita gross domestic product	0.7	1.7	3.3	-1.5	1.1	-1.1	1.1

Source: ECLAC, on the basis of official figures.

<sup>a</sup> Includes 19 countries. <sup>b</sup> Preliminary estimates, subject to revision.

Table 2  
LATIN AMERICA: CONSUMER PRICES  
(December-December variations)

	1992	1993	1994	1995	1996 <sup>a</sup>			
					March	June	July	August
Argentina	17.5	7.4	3.7	1.7	0.4	0.0	0.1	0.2
Bolivia	10.5	9.4	8.5	12.6	14.6	12.3	13.1	13.7
Brazil	1 149.1	2 489.1	929.3	22.0	20.1	16.3	14.9	...
Chile	12.7	12.2	8.9	8.2	8.0	8.3	7.7	6.4
Colombia	25.2	22.6	22.5	19.3	20.1	19.5	20.3	...
Costa Rica	17.0	9.0	19.9	22.6	18.3	19.3	18.7	...
Ecuador	60.2	31.0	25.4	22.8	24.9	22.8	24.0	25.1
El Salvador	20.0	12.1	8.9	11.4	10.6	11.0	10.0	10.8
Guatemala	14.2	11.6	11.6	8.6	11.5	10.4	11.6	...
Haiti <sup>b</sup>	16.8	36.1	31.7	24.0	17.8	18.2	18.2	...
Honduras	6.5	13.1	28.8	26.8	21.5	21.3	21.3	...
Mexico	11.9	8.0	7.1	52.0	43.8	31.8	31.0	30.6
Nicaragua	3.6	19.5	12.4	11.1	11.7	12.1	11.1	13.8
Panama	1.7	0.9	1.5	0.9	1.2	1.6	...	...
Paraguay	17.8	20.3	18.3	10.5	11.1	9.7	9.0	...
Peru	56.7	39.5	15.3	10.2	11.6	11.0	11.9	11.7
Dominican Republic	5.2	2.7	14.3	9.2	6.5	6.6	...	...
Uruguay	59.0	52.9	44.1	35.4	31.4	28.3	27.2	2.6
Venezuela	31.9	45.9	70.8	56.6	78.2	108.1	112.6	114.8

Source: ECLAC, on the basis of official figures.

<sup>a</sup> Twelve-month variations. <sup>b</sup> Previous publications gave October-September variations.

Table 3  
LATIN AMERICA: OPEN URBAN UNEMPLOYMENT  
(Average rates)

	1992	1993	1994	1995	1995		1996 <sup>a</sup>
					First half	Second half	First half
Argentina	7.0	9.6	11.5	17.5	18.6	16.4	17.0
Brazil <sup>b</sup>	5.8	5.4	5.1	4.6	4.4	4.9	5.9
Chile <sup>c</sup>	6.7	6.5	7.8	7.4	7.7	7.1	6.6
Colombia <sup>d</sup>	10.2	8.6	8.9	8.9	8.6	9.1	11.1
Mexico	2.8	3.4	3.7	6.3	5.8	6.7	5.9
Uruguay <sup>e</sup>	9.0	8.4	9.2	10.8	10.6	11.0	12.3
Venezuela	8.1	6.8	8.9	10.9	11.1	10.7	11.9

Source: ECLAC, on the basis of official figures.

<sup>a</sup> Preliminary figures. <sup>b</sup> Six metropolitan areas. <sup>c</sup> Nationwide total. <sup>d</sup> Seven metropolitan areas. <sup>e</sup> Montevideo; 1996: January-May.

Table 4  
**LATIN AMERICA: REAL AVERAGE REMUNERATIONS**  
(Average indexes: 1990 = 100)

	1992	1993	1994	1995 <sup>a</sup>	1995 <sup>a</sup>		1996 <sup>a</sup>
					First half	Second half	First half
Argentina <sup>b</sup>	102.7	101.0	102.0	100.8	101.0	100.6	100.7
Bolivia <sup>c</sup>	97.1	103.6	111.8	111.7	112.4	110.9	108.0
Brazil <sup>d</sup>							
Rio de Janeiro	79.5	85.7	87.1	91.8	87.0	96.6	104.0
São Paulo	85.3	94.6	98.0	102.0	97.8	106.2	105.2
Chile <sup>e</sup>	109.6	113.5	118.8	123.6	123.4	123.8	130.6
Colombia <sup>f</sup>	98.6	103.2	104.1	105.5	105.2	105.9	106.3
Mexico <sup>g</sup>	114.3	124.5	129.1	111.5	113.0	110.0	97.0
Peru <sup>h</sup>	111.1	110.2	127.4	116.7	120.5	113.0	115.7
Uruguay	106.1	111.2	112.2	109.0	110.4	107.5	109.8

Source: ECLAC, on the basis of official figures.

<sup>a</sup> Preliminary figures. <sup>b</sup> Manufacturing sector. <sup>c</sup> La Paz, private sector; 1996: March. <sup>d</sup> Workers covered by social and labour laws. <sup>e</sup> Up to April 1993, refers to average remunerations for non-agricultural wage-earners; from May 1993 on, refers to the general index of hourly wages. <sup>f</sup> Workers in the manufacturing sector; 1996: estimate based on figures for January and February. <sup>g</sup> Manufacturing sector. <sup>h</sup> Private-sector workers in the Lima metropolitan area; 1996: March.

Table 5  
**LATIN AMERICA: BALANCE OF PAYMENTS <sup>a</sup>**  
(Billions of dollars)

	1992	1993	1994	1995	1996 <sup>b</sup>
Exports of goods	146.2	157.7	183.0	222.1	245.8
Imports of goods	151.4	166.1	197.3	220.5	242.1
Trade balance (goods)	-5.2	-8.4	-14.3	1.6	3.7
Trade balance (services) <sup>c</sup>	-10.4	-12.4	-11.9	-10.8	-10.1
Current transfers	11.8	10.5	11.8	13.6	14.2
Factor income	-31.5	-33.6	-35.0	-36.8	-40.0
Balance on current account	-35.3	-43.9	-49.2	-32.4	-32.1
Balance on capital and financial accounts <sup>d</sup>	49.6	56.9	40.2	26.8	...
Balance of payments	14.3	13.0	-9.0	-5.6	...

Source: ECLAC, on the basis of official figures.

<sup>a</sup> Includes 19 countries. <sup>b</sup> Preliminary estimates, subject to revision. <sup>c</sup> Does not include factor income. <sup>d</sup> Includes errors and omissions.

Table 6  
LATIN AMERICA: PRICES OF MAIN EXPORT PRODUCTS

	1992	1993	1994	1995	1995		1996 <sup>a</sup>
					First half	Second half	First half
Indexes: 1990 = 100							
Total	82.9	79.3	91.5	98.3	102.1	94.5	96.0
Average prices in dollars							
Soya oil <sup>b</sup>	429.0	480.4	615.6	625.2	634.3	616.0	566.6
Sugar <sup>c</sup>	9.1	10.0	12.0	13.3	14.2	12.4	12.3
Bananas <sup>c</sup>	21.5	20.0	19.9	19.9	19.0	20.9	25.6
Cocoa <sup>c</sup>	49.8	50.7	63.3	65.0	66.6	63.4	64.5
Coffee (1) <sup>c</sup>	68.2	75.8	157.3	158.3	177.7	138.9	128.2
Coffee (2) <sup>c</sup>	56.5	66.7	143.2	145.9	161.5	130.4	137.5
Beef <sup>c</sup>	111.4	118.7	105.8	86.5	90.1	82.9	82.0
Cowhides <sup>c</sup>	63.5	81.2	106.8	111.0	125.9	96.1	92.2
Fish meal <sup>b</sup>	481.5	364.7	376.3	495.0	444.8	545.2	604.4
Shrimp <sup>c</sup>	4.9	5.2	5.9	6.1	6.4	5.8	5.8
Maize <sup>b</sup>	120.0	120.4	125.2	144.6	133.5	155.8	197.0
Soya <sup>b</sup>	235.5	255.1	251.8	259.3	246.3	272.2	309.3
Wheat <sup>b</sup>	150.5	141.9	150.9	178.8	158.3	199.2	237.6
Cotton <sup>c</sup>	61.8	62.2	82.2	104.4	115.3	93.6	92.9
Wool <sup>c</sup>	123.2	115.8	144.7	172.4	180.4	164.5	172.7
Tobacco <sup>c</sup>	185.0	183.4	122.9	119.9	116.9	122.9	133.3
Aluminium <sup>c</sup>	56.9	51.7	67.0	81.9	84.5	79.4	72.8
Copper <sup>c</sup>	103.5	86.7	104.6	133.1	132.1	134.2	117.9
Tin <sup>c</sup>	276.6	234.0	247.7	281.8	269.6	294.1	287.3
Iron ore <sup>b</sup>	31.6	28.1	25.5	27.0	27.0	27.0	28.6
Lead <sup>c</sup>	24.6	18.5	24.8	28.6	27.6	29.7	36.2
Zinc <sup>c</sup>	56.3	43.7	45.3	46.8	47.8	45.8	47.2
Crude petroleum <sup>d</sup>	16.6	14.7	14.6	15.8	16.2	15.4	18.2

Source: United Nations Conference on Trade and Development (UNCTAD) and International Monetary Fund (IMF).

Note: Soya oil: all points of origin, FOB Rotterdam. Raw sugar: FOB Caribbean ports, for export to the free market. Central American and Ecuadorian bananas: FOB United States ports. Cocoa beans: average daily (futures) prices, New York/London. Coffee (1): Colombia, mild arabica, ex-dock New York. Coffee (2): Brazil's and other arabicas, ex-dock New York. Beef: frozen and boned, all points of origin, United States ports. Cowhides: United Kingdom, average import price. Fish meal: all points of origin, 64%-65% protein, CIF Hamburg. Shrimp: United States prices. Maize: United States, #3 yellow, CIF Rotterdam. Soya: United States, #2 yellow, in bulk, CIF Rotterdam. Wheat: FOB United States, #2, Hard Red Winter. Cotton: United States, M 1-3/32", CIF Northern Europe. Wool: clean, combed, 48's quality, United Kingdom. Tobacco: United States, all markets. Aluminium, copper, tin, lead and zinc: spot prices on the London Metal Exchange. Iron Ore: Brazil to Europe, C.64.5% Fe, FOB Petroleum: Venezuela, Tía Juana, light.

<sup>a</sup> Preliminary figures. <sup>b</sup> Dollars per metric ton. <sup>c</sup> US cents per pound. <sup>d</sup> Dollars per barrel.

Table 7  
LATIN AMERICA: INTERNATIONAL BOND ISSUES<sup>a</sup>  
(Millions of dollars)

	1992	1993	1994	1995	1995		1996
					First half	Second half	First half
<b>Total</b>	<b>12 577</b>	<b>28 794</b>	<b>18 241</b>	<b>23 395</b>	<b>6 830</b>	<b>16 565</b>	<b>23 120</b>
Argentina	1 570	6 308	5 319	6 354	1 594	4 760	7 003
Barbados	-	-	50	-	-	-	-
Bolivia	-	-	10	-	-	-	-
Brazil	3 655	6 465	3 998	7 041	3 472	3 569	6 130
Chile	120	322	155	300	-	300	950
Colombia	-	567	955	1 083	410	673	1 445
Costa Rica	-	-	50	-	-	-	-
Ecuador	-	-	-	10	-	10	-
Guatemala	-	60	-	-	-	-	-
Jamaica	-	-	55	-	-	-	-
Mexico	6 100	11 339	6 949	7 646	1 130	6 516	7 572
Panama	-	-	250	324	225	99	-
Peru	-	30	100	-	-71	71	-
Trinidad and Tobago	100	125	150	71	-	-	-
Uruguay	100	140	200	211	-	211	-
Venezuela	932	3 438	-	356	-	356	20

Source: International Monetary Fund (IMF), information supplied to ECLAC.

<sup>a</sup> Gross financing.



## ARGENTINA

In the first half of 1996, economic activity in Argentina staged a modest revival and prices were stable. In spite of the fledgling recovery, following a 4% drop the previous year, the unemployment rate has remained high. The fiscal deficit has risen higher than forecast, prompting the new economic authorities to propose severe adjustment measures in August.

Output in the first six months was similar to that of the same period of the preceding year and was thus higher than the low levels recorded in the final part of 1995. Imports rose, but exports performed well, resulting in a surplus in the trade balance. The volume of bank deposits expanded once again and bond prices rose, but, despite heavier flows of external capital, the financial markets remained volatile. Both lenders and potential borrowers continued to display caution, and this held down domestic spending.

Nominal wages remained virtually unchanged, and the consumer price level recorded a slight drop. The lower tax yield caused a gap equivalent to almost two percentage points of output, or around US\$ 2.5 billion, in the public sector accounts.

In the light of the prospect that the deficit might overshoot original forecasts by a wide margin, the new economic authorities have submitted to the legislature a broad range of measures designed to boost government revenues. The uncertainty surrounding the direction of fiscal policy and the level of economic activity led to some fluctuation in the financial markets. In late August, the Government announced major reforms to labour legislation, focusing on wage negotiation mechanisms, working conditions and the severance pay scheme.

In the first quarter, the public sector deficit amounted to roughly 1.1 billion pesos, which was in keeping with the targets specified in the agreement with the International Monetary Fund (IMF), though 50% higher than the figure for the same period the preceding year. Expenditure fell in nominal terms, since the effect of the cutbacks in the areas of staff, transfers and capital outlays more than offset the increase in interest payments. Payments under the social security system were similar to the first quarter of 1995, but receipts declined. As a consequence, both current saving and primary results were negative. In the second quarter, the financial deficit soared to some 1.3 billion pesos.

In the first half-year, total tax receipts by national entities were down by 4% with respect to the same period in 1995. Contributions to the social security system showed a more marked drop (-11%), attributable in part to the introduction of reduced rates. Revenue from other taxes declined by 3%. However, receipts from VAT rose, owing to both the lower rate in force during the base period and the rebound in the level of economic activity. Revenues from taxes on profits and personal assets also increased.

In any case, tax revenues were below the levels provided for in the fiscal programme. In addition, public sector expenditure was also saddled with a greater burden in terms of interest payments, social security outlays and transfers to the provinces in amounts guaranteed by revenue-sharing agreements. During the first six months, the Government successfully conducted a number of credit operations, including a bond issue of US\$ 1 billion, the placement of paper denominated in different currencies and the sale of peso-denominated bills on the local market. Nonetheless, at mid-year it was by no means clear that financing capacity would be able to keep pace with the trend of the deficit.

During the first half of 1996, Congress authorized the Executive branch to change some tax rates and eliminate exemptions. In addition, the VAT rate of 21% was extended, as was the "Fiscal Pact" between the central government and the provinces concerning revenue-sharing.

In July, changes were announced to the system of family allowances, with the aim of reducing the total amount of transfers; it was also announced that certain components of remuneration would be incorporated into the tax base for social security and income taxes. In August, the new economic authorities reformulated projections for the public deficit and proposed additional measures for raising tax revenues, including higher fuel taxes, reduced drawbacks on exports, extension of VAT at differential rates to previously exempted activities and increases in social security levies on self-employed workers.

Demand for financial assets expanded in the first seven months of 1996. In July, the money supply was 18% higher than the level recorded the previous December. This was associated with an increase, though of lesser magnitude, in international reserves, which at mid-year, stood above the level recorded prior to the crisis of late 1994. Interest-bearing deposits, in both pesos and dollars, also showed growth. The broad monetary aggregate, M3, which includes currency in circulation and deposits denominated in local and foreign currencies, expanded by 17% between December 1995 and July 1996. The public's greater willingness to keep funds in banks strengthened their ability to lend, though the credit expansion was distinctly lower than the expansion of deposits. Interest rates slipped, though the slight spread between yields in pesos and dollars on the order of 1% per annum in the case of lending rates for blue-chip companies was maintained.

With the fluctuations normal to such markets, prices of securities showed an upward trend in the early months of the year, with rises in prices of bonds and, to a lesser extent, stocks. The uncertainty generated by the turnover in the economic cabinet and the announcement of the new fiscal adjustment programme in August had a greater impact on stock prices than on bond prices. In addition, the interest rate differential between bank deposits in pesos and in dollars widened slightly.

In monetary policy during the period, the authorities enlarged the range of assets, defined in 1995 as a substitute for the legal reserve requirements, that banks can use to satisfy liquidity requirements. In addition, the Central Bank announced the creation of a standby security network mechanism, whereby a group of foreign banks would ensure the availability of funds in the event of liquidity problems in the local financial system.

The expansion of credit served to ease some of the constraints on aggregate spending. Nevertheless, it is probable that the level of demand has continued to be influenced by consumers' apprehensions with respect to income prospects and by firms' difficulties in forecasting future sales.

Although agriculture was boosted by trends in international markets, the harvest in the 1995/1996 season was smaller. Adverse weather conditions were responsible for reduced production of some cereals, notably wheat (down more than 20%) and maize (-7.5%). In contrast, oilseed production once again rose, with modest increases in the soya bean (4%) and sunflower (1.5%) crops.

Adjusting for seasonal factors, industrial output, which had hit a low towards the end of 1995, staged something of a recovery up until April; in subsequent months, industrial output hovered around a level higher than the average for the preceding year, but still below pre-recession levels. Once again, there were considerable differences between the various sectors. Comparing the first six months of 1996 with the same period of 1995, there was growth in the output of some intermediate goods (agrochemicals and iron and steel products, for example) and in some goods for final consumption (some machinery, foods and beverages). In contrast, there was a downturn in the production of cement, pulp and paper, and some chemicals and automotive products. In the second quarter, motor vehicle production was significantly above the figure for the preceding year, due to an increase in units sold.

Prices have shown marked stability. In the first seven months of 1996, the consumer price index registered a slight nominal fall, related to both goods and services in the private sector. The wholesale price index, rose by about 2%, following price rises for various goods in international markets.

The survey conducted in April/May in a selected group of urban areas revealed an employment rate of 34.1%, seven tenths below the figure for the previous year, which was itself an historic low. The metropolitan area saw an even greater decline, together with a greater-than-average drop in the labour force participation ratio. The latter factor brought down the unemployment rate in Greater Buenos Aires (from 20.2% in May 1995 to 18.2% in 1996), while in the rest of the country unemployment stayed at around 15.5%. According to available data, which refer to the metropolitan region, unemployment among heads of household exceeded 13%. Data for Greater Buenos Aires show that, in comparison with the figures for May 1995, the share of manufacturing and miscellaneous services in total employment declined, while that of financial and real estate services increased.

Exports continued on their upward path in the first half, though their rate of growth (4%) was slower than the preceding year. Taking into account the rise in international prices, it is probable that volumes have not expanded. The value of exports of commodities, agro-based manufactures and fuels increased; by contrast, exports of industrial manufactures decreased. The percentage of exports destined for MERCOSUR, on the order of 31%, declined slightly.

Imports speeded up in the second quarter, recording 7% growth for the first half of 1996. Imports of passenger vehicles expanded (44%), as did imports of intermediate goods (12%) and capital goods (6%). Overall, imports of consumer goods, with the exception of motor vehicles, remained sluggish.

The trade balance in goods showed a surplus of US\$ 570 million for the first half of the year. The current account deficit was higher than for the same period of the preceding year, but much lower than for the same period in previous years. International reserves amounted to roughly US\$ 1.4 billion. In contrast with the first half of 1995, the first half of 1996 saw a net inflow of capital. It is probable that public-sector operations were a crucial determinant of the capital account balance over the period in question.

Table 1  
**ARGENTINA: GROSS DOMESTIC PRODUCT**  
(Percentage variations)<sup>a b</sup>

	1991	1992	1993	1994	1995	1996 I
<b>Total</b>	<b>8.9</b>	<b>8.7</b>	<b>6.0</b>	<b>7.4</b>	<b>-4.4</b>	<b>-3.2</b>
Agriculture, hunting, forestry and fishing	3.9	0.1	-1.0	3.8	1.7	-5.2
Mining	-5.8	8.2	6.0	11.7	4.3	...
Manufacturing	11.9	7.3	4.5	4.2	-6.5	-5.1
Construction	21.3	21.7	10.9	15.6	-11.0	-16.9
Electricity, gas and water	2.3	5.4	11.0	6.1	2.6	...
Commerce	16.5	9.2	4.5	8.0	-8.4	...
Transport	4.4	11.2	6.9	7.3	...	...
Financial institutions, insurance and real estate	10.0	13.2	10.0	12.8	...	...
Community, social and personal services	-1.4	1.0	7.2	4.9	...	...

Source: Central Bank of the Argentine Republic and Ministry of Economic Affairs.  
<sup>a</sup> With respect to the same period of the preceding year. <sup>b</sup> Provisional figures.

Table 2  
**ARGENTINA: CROP-FARMING PRODUCTION**  
(Thousands of tons)

	Season			Percentage variation	
	1993/1994 (1)	1994/1995 (2)	1995/1996 (3) <sup>a</sup>	(2/1)	(3/2) <sup>a</sup>
<b>Cereals</b>					
Maize	10 400	11 400	10 556	9.6	-7.4
Sorghum	2 148	1 650	2 118	-23.2	28.4
Wheat	9 604	11 300	8 900	17.7	-21.2
Rice	606	926	981	52.8	5.9
Malting barley	456	341	385	-25.2	12.9
Oats	437	357	260	-18.3	-27.2
<b>Oilseeds</b>					
Sunflower	4 095	5 520	5 600	34.8	1.4
Linseed	112	152	152	35.7	0.0
Peanuts (hulled)	209	237	454	13.4	91.6
Soya beans	11 700	12 100	12 600	3.4	4.1

Source: ECLAC, on the basis of official data.  
<sup>a</sup> Provisional figures.

**Table 3**  
**ARGENTINA: SOME INDICATORS OF INDUSTRIAL ACTIVITY**

	Physical output					Rates of variation <sup>a</sup>				
	Index of industrial output <sup>b</sup>	Crude steel <sup>c</sup>	Finished steel sheets <sup>d</sup>	Auto-motiles <sup>e</sup>	Cement <sup>c</sup>	Index of industrial output	Crude steel	Finished steel sheets	Auto-motiles	Cement
<b>1995</b>										
January	116.2	264.6	306.8	8.8	548.2	2.0	16.2	14.3	-74.2	10.7
February	117.9	226.9	246.7	32.9	522.3	12.3	22.1	57.0	291.7	6.3
March	115.2	311.1	234.9	36.0	523.7	-2.8	13.4	-9.1	6.2	-1.2
April	105.0	306.4	312.3	24.5	420.5	-5.2	5.0	4.7	-30.6	-12.5
May	108.9	309.5	315.6	30.9	471.7	-3.1	11.9	9.4	-10.2	-6.0
June	105.3	305.1	320.8	21.5	443.3	-4.7	13.7	13.2	-37.5	-7.2
July	103.9	327.6	337.8	22.4	420.9	-1.4	15.6	14.5	-37.8	-15.3
August	105.0	321.3	340.3	23.7	441.5	-6.7	3.0	9.0	-43.2	-19.9
September	100.9	307.0	309.6	21.1	465.3	-10.2	4.3	6.8	-49.4	-17.9
October	103.3	337.4	341.3	22.4	427.4	-6.9	3.1	3.6	-40.4	-21.1
November	102.7	333.8	324.8	22.7	426.5	-9.4	16.7	8.1	-42.2	-18.6
December	102.1	265.2	285.2	18.1	376.7	-7.7	-2.6	3.2	-42.9	-33.4
<b>1996</b>										
January	101.5	270.3	181.3	4.6	398.9	-12.7	2.2	-40.9	-47.7	-27.2
February	108.6	304.8	268.0	20.7	383.5	-7.9	34.3	8.6	-37.1	-26.6
March	107.4	360.7	357.4	24.2	415.8	-6.8	15.9	52.1	-32.8	-20.6
April	110.1	339.8	322.1	26.3	379.2	4.9	10.9	3.1	7.3	-9.8
May	110.9	349.5	339.5	29.7	407.4	1.8	12.9	7.6	-3.9	-13.6
June	109.4	361.1	344.0	26.3	346.2	3.9	18.4	7.2	22.3	-21.9
July	111.5			31.1		7.3			38.8	

Source: ECLAC, on the basis of figures from the Centre for Steel Industrialists, the Association of Automobile Manufacturers, the Association of Metallurgical Industrialists of Argentina, and the Association of Portland Cement Manufacturers.

<sup>a</sup> With respect to the same period of the preceding year.

<sup>b</sup> Seasonally adjusted series with base year 1984=100.

<sup>c</sup> Thousands of tons.

<sup>d</sup> Thousands of tons of hot-rolled steel.

<sup>e</sup> Thousands of units.

**Table 4**  
**ARGENTINA: UNEMPLOYMENT IN THE MAIN URBAN AREAS**  
(Percentages)

	1993		1994		1995		1996
	May	October	May	October	May	October	May
Federal Capital and Greater Buenos Aires	10.6	9.6	11.1	13.1	20.2	17.4	18.0
Córdoba	6.8	6.8	7.8	9.6	15.2	15.9	17.2
Mendoza	4.4	4.6	6.0	5.1	6.8	6.7	7.4
Rosario	10.8	11.8	13.1	12.4	20.9	18.4	19.7
Tucumán <sup>a</sup>	14.2	11.8	14.8	14.2	19.9	19.2	18.6

Source: National Institute of Statistics and Censuses.

<sup>a</sup> Province of Tucumán, including rural areas.

Table 5  
ARGENTINA: TRADE BALANCE

	Millions of dollars						Percentage variation			
	Exports		Imports		Trade balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year <sup>a</sup>	Month	Year <sup>a</sup>
<b>1995</b>										
January	1 342	1 342	1 718	1 718	-376	-376	39.3	39.3	8.9	8.9
February	1 392	2 734	1 630	3 347	-237	-613	44.1	41.7	9.6	9.2
March	1 802	4 536	1 891	5 238	-89	-702	59.9	48.4	2.2	6.6
April	1 897	6 433	1 485	6 723	412	-290	55.2	50.4	-15.2	0.8
May	2 270	8 703	1 722	8 445	549	258	42.1	48.1	-1.1	0.4
June	2 149	10 853	1 573	10 018	576	835	47.7	48.0	-14.3	-2.2
July	1 842	12 695	1 519	11 537	324	1 158	29.0	44.9	-14.5	-4.0
August	1 767	14 462	1 744	13 281	23	1 181	20.4	41.4	-17.1	-6.0
September	1 664	16 126	1 655	14 935	10	1 191	22.7	39.2	-6.3	-6.0
October	1 577	17 703	1 752	16 688	-175	1 016	16.3	36.8	-4.8	-5.9
November	1 589	19 292	1 833	18 521	-244	772	12.1	34.4	-3.7	-5.7
December	1 671	20 963	1 601	20 122	70	841	12.6	32.3	-18.2	-6.8
<b>1996<sup>b</sup></b>										
January	1 439	1 439	1 680	1 680	-241	-241	7.2	7.2	-2.2	-2.2
February	1 417	2 856	1 522	3 201	-105	-345	1.8	4.5	-6.6	-4.4
March	1 873	4 729	1 780	4 981	93	-252	4.0	4.3	-5.8	-4.9
April	1 998	6 727	1 807	6 788	191	-61	5.3	4.6	21.7	1.0
May	2 339	9 066	1 896	8 684	443	382	3.0	4.2	10.1	2.8
June	2 187	11 253	1 998	10 682	189	571	1.7	3.7	27.0	6.6

Source: National Institute of Statistics and Censuses.

<sup>a</sup> With respect to the same period of the preceding year.

<sup>b</sup> Provisional figures.

Table 6  
ARGENTINA: PRICE INDEXES  
(Percentage variations)

	Consumer price index						Wholesale price index					
	1995			1996			1995			1996		
	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months
January	1.2	1.2	5.0	0.3	0.3	0.7	1.4	1.4	7.4	0.2	0.2	4.7
February	-	1.2	5.0	-0.3	-	0.4	-0.3	1.1	7.3	-0.1	0.1	4.9
March	-0.4	0.8	4.4	-0.5	-0.5	0.3	0.2	1.3	7.7	0.8	0.9	5.6
April	0.5	1.3	4.6	-	-0.5	-0.2	2.6	4.0	10.0	1.5	2.4	4.4
May	-	1.3	4.3	-0.1	-0.6	-0.3	0.3	4.3	9.6	0.2	2.6	4.3
June	-0.2	1.1	3.7	-	-0.6	-0.1	0.1	4.4	8.1	-0.7	1.9	3.5
July	0.4	1.5	3.2	0.5	-0.1	-	0.1	4.5	7.5	-	1.9	3.4
August	-0.2	1.3	2.7	-0.1	-0.2	0.1	0.3	4.8	7.5			
September	0.2	1.5	2.2				0.9	5.7	8.1			
October	0.3	1.8	2.2				0.2	6.0	7.6			
November	-0.2	1.6	1.6				-0.2	5.7	6.5			
December	0.1	1.6	1.6				0.2	6.0	6.0			

Source: National Institute of Statistics and Censuses.

Table 7  
**ARGENTINA: INDEX OF REAL WAGES IN INDUSTRY <sup>a</sup>**  
(Index 1983=100)

	Index <sup>b</sup>					Percentage variation 1996/1995		
	1992	1993	1994	1995	1996	Month	Year <sup>c</sup>	12 months <sup>d</sup>
January	88.5	88.1	87.3	86.6	86.2	-0.1	-0.5	-0.5
February	87.2	87.7	87.5	86.8	86.6	0.5	-0.3	-0.2
March	87.6	86.5	87.4	86.8	86.9	0.3	-0.2	0.1
April	87.6	85.6	88.4	86.7	86.9	-	-0.1	0.2
May	87.7	86.0	88.2	86.8	86.9	-	-	0.1
June	88.6	86.2	87.8	86.7	86.7	-0.2	-	-
July	89.3	86.1	87.6	86.6				
August	88.6	86.2	87.2	86.6				
September	88.0	86.4	87.5	86.4				
October	87.7	86.8	87.4	86.4				
November	88.2	87.1	87.6	86.4				
December	88.3	87.2	87.1	86.3				

Source: National Institute of Statistics and Censuses.

<sup>a</sup> Real average monthly wage per industrial worker, excluding bonuses.

<sup>b</sup> Index of nominal wages deflated by consumer price index.

<sup>c</sup> Percentage variation in the cumulative average index, with respect to the same period of the preceding year. <sup>d</sup> Percentage variation with respect to the same month of the preceding year.

Table 8  
**ARGENTINA: NATIONAL TREASURY INCOME AND EXPENDITURE**

	Millions of current pesos								
	1994				1995				1996
	I	II	III	IV	I	II	III	IV	I
1. Current income <sup>a</sup>	12 505	12 872	12 343	12 552	11 923	12 205	11 872.7	13 037.3	11 348
2. Current expenditure <sup>a</sup>	11 229	11 266	12 184	12 799	11 758	11 516	12 483	12 692	11 639
2.1 Consumption	2 029	1 812	1 891	1 910	1 914	1 500	1 926.4	1 909.0	1 758
2.2 Social security benefits <sup>b</sup>	3 593	3 388	4 132	4 129	3 737	3 560	4 187.4	4 144.1	3 764
2.3 Net interest	531	888	685	1 046	791	1 052	1 034.3	1 206.0	897
2.4 Transfers to provinces	5 076	5 178	5 476	5 713	5 316	5 404	5 334.9	5 433.2	5 219
3. Current saving <sup>a</sup>	1 277	1 605	159	-247	164	689	-610	345	-291
4. Capital expenditure	1 113	882	885	1 007	912	818	745.9	741.1	847
5. Capital revenues	21	490	14	282	8	133	182.9	932.4	29
6. Preliminary results excluding capital revenues (3+2.3-5)	694	1 611	-41	-207	44	923	-322	810	-241
7. Preliminary results (6+7)	716	2 101	-27	75	52	1 055	-139	1 742	-213
8. Financial results (7-2.3)	185	1 213	-712	-971	-740	4	-1 173	536	-1 110

Source: ECLAC Office in Buenos Aires, on the basis of data from the Ministry of Finance.

<sup>a</sup> National Government: National Administration plus National Social Security System. Includes federal revenue-sharing transfers to the provinces and Municipality of the City of Buenos Aires (MCBA). <sup>b</sup> Social security transfers. Includes pension payments by the National Administration.

Table 9  
ARGENTINA: INTEREST RATES <sup>a</sup>

	Nominal		Real	
	Bank		Bank	
	Deposits <sup>b</sup>	Loans <sup>c</sup>	Deposits <sup>bd</sup>	Loans <sup>ce</sup>
<b>1995</b>				
January	0.9	1.7	0.9	1.7
February	1.0	1.7	1.4	2.1
March	1.6	2.4	1.1	1.9
April	1.6	2.4	1.6	2.4
May	1.3	2.4	1.9	2.6
June	0.9	2.4	0.5	2.0
July	0.8	2.1	1.0	2.3
August	0.7	2.1	0.5	1.9
September	0.7	2.1	0.4	1.8
October	0.7	1.2	0.9	1.4
November	0.8	1.2	0.7	1.1
December	0.8	1.2	0.5	0.9
<b>1996</b>				
January	0.7	2.1	1.0	2.4
February	0.6	2.1	1.1	2.6
March	0.6	2.1	0.6	2.1
April	0.6	1.5	0.7	1.6
May	0.6	1.3	0.6	1.3
June	0.5	1.3	-	0.8
July	0.6	1.3	...	...

Source: ECLAC, on the basis of data from the Central Bank of the Argentine Republic and other sources.

<sup>a</sup> Equivalent monthly rates (percentages). The deflated values correspond to real "ex-post" rates, calculated according to the formula  $(1+r(t)/(1+p(t+1)))$ , where  $r(t)$  is the nominal rate in month  $t$  and  $p(t+1)$  is the growth rate of prices in month  $t+1$ . <sup>b</sup> Until end of December 1989, reference rates on fixed-term deposits. Beginning January 1990, reference rates on savings deposits. <sup>c</sup> Rate applied by the Banco de La Nación Argentina for discount of 30-day notes. <sup>d</sup> In relation to the general consumer price index corresponding to the month in which deposits were made. <sup>e</sup> In relation to the general wholesale price index corresponding to the month in which loans were granted.

Table 10  
ARGENTINA: EXCHANGE RATE

	Exchange rate (Pesos per dollar)				Adjusted real exchange rate (Index 1985=100) <sup>a</sup>			
	1993	1994	1995	1996	1993	1994	1995	1996
January	0.9994	1.00	1.00	1.00	36.8	35.4	34.7	34.7
February	0.9998	1.00	1.00	1.00	36.6	35.5	34.8	34.9
March	0.9998	1.00	1.00	1.00	36.5	35.6	35.1	35.3
April	0.9993	1.00	1.00	1.00	36.2	35.6	35.0	35.4
May	0.9994	1.00	1.00	1.00	35.8	35.5	35.1	35.1
June	0.9992	1.00	1.00	1.00	35.6	35.5	35.3	35.2
July	0.9990	1.00	1.00	1.00	35.5	35.2	35.1	35.1
August	0.9996	1.00	1.00		35.6	35.3	35.3	
September	1.0000	1.00	1.00		35.4	35.2	35.3	
October	0.9997	1.00	1.00		35.3	35.1	35.3	
November	0.9992	1.00	1.00		35.3	35.1	35.0	
December	0.9990	1.00	1.00		35.3	35.0	34.6	

Source: ECLAC, on the basis of data from the Central Bank and the International Monetary Fund (IMF), *International Financial Statistics*.

<sup>a</sup> Index of nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer prices index.



## BRAZIL

The Brazilian economy proceeded with its adjustment process during the first half of 1996 within the framework of the Real Plan. Inflation has continued to recede, although more slowly than before, since it is already at a fairly low level. Interest rates have eased as a result of a more flexible monetary policy, but domestic activity has remained depressed and unemployment has increased. The drop in imports has led to a reduction in the trade deficit. Increased capital flows have helped to back up the Government's foreign exchange policy, under which the real is allowed to float within a pre-established band. The huge public-sector deficit has diminished, but the key adjustment issue continues to be the need to make a more permanent reduction in the fiscal deficit without jeopardizing the achievement of a sustainable external-account balance.

The 12-month inflation rate (340% in 1994 and 26% in 1995) had fallen to 15% by July 1996, the lowest level in over 20 years. This favourable trend is mainly attributable to lower wage adjustments, the slower rise in the exchange rate, the increasing role of imports in the economy and the restraining effect which the credit squeeze has had on economic activity. Price movements have also reflected the increasing de-indexation of the Brazilian economy, as changes of a more lasting nature are made in relative prices. Indeed, during the period January-July, the relationship between the prices of agricultural goods and manufactures was altered significantly, with the former rising 16% while the latter edged up by 1.5%.

The move towards de-indexation was especially evident in the area of exchange-rate policy. The Central Bank did not set any explicit rules regarding fluctuations within the band for the devaluation of the currency during the period from January to August, which amounted to less than 5%. In addition, the labour courts accorded legal recognition to the right to bargain and to the absence of any system of indexation governing minimum adjustments made in response to workers' wage demands. Furthermore, no special wage hikes were granted prior to the annual wage bargaining sessions.

Mainly as a result of the fact that the 6% decline in manufacturing and the 5% downturn in agriculture were offset by the expansion of services (2.5%), mining (11%), stock-raising (13%) and public utilities (6%), GDP for the first half of 1996 was barely 0.2% higher than it had been for the same period of 1995. For the second half-year, a 5% increase is expected, which is a seemingly feasible forecast given the depressed level of activity in the reference period and the gradual recovery that has been taking shape as the year progresses, especially in the manufacturing sector. This would put GDP growth for 1996 in the range of 2.5%, almost two percentage points below the figure for the preceding year.

The employment situation has worsened. In the country's principal metropolitan areas, jobless rates on the order of 6% have been recorded throughout the first half-year, compared with 4.5% in the same period of 1995. The largest increase was recorded in the Sao Paulo metropolitan area, where the rate was over 7%, the highest since 1991. An analysis of developments in industry demonstrates that this trend is linked to the economic performance of the different sectors. Wages continued to increase in real terms in the first half of the year as compared to the corresponding period of 1995, climbing almost 5% in the manufacturing sector in São Paulo and 9% in the six main metropolitan areas of the country.

The sluggishness of economic activity affected the flow of imports. From January to July, imports declined by almost 6% compared to the same period of the preceding year, with a drastic drop being observed in consumer goods (-30%), in particular under the heading of motor vehicles. Exports rose 8.6%, with a strong performance by manufactures (13%) that was mainly

due to gains in steel, orange juice and chemicals. Buoyant international commodity prices led to increased exports of soybeans (25%) and soya meal (56%) but coffee exports declined 40%. The merchandise trade deficit amounted to US\$ 630 million, which was only one seventh as much as the deficit recorded for the same period in 1995. The current account showed a deficit of US\$ 9.6 billion, or 2.8% of GDP.

The resources available to help finance this deficit included US\$ 5 billion in net foreign direct investment, which was half as much as the negative balance on Brazil's current account. The inflow for the whole of 1995 had amounted to slightly less than US\$ 4 billion, which was sufficient to finance 22% of the current account deficit. This year's higher inflow is evidence of the interest that the expansion of the domestic market and the privatization process have aroused among multinationals. In fact, foreign investments of over US\$ 1.2 billion have poured in just from the sale of Light, the electric power distributor for the Rio de Janeiro metropolitan area.

In addition to the above, there has been a very substantial inflow of capital from the increasing level of sales of medium-term bonds and notes on the international market, which have taken the place of the short-term operations that predominated in 1995. In the first seven months of 1996, sales of these instruments (with maturities averaging approximately seven years) amounted to US\$ 12 billion. Meanwhile, portfolio investors accounted for US\$ 2.7 billion in net inflows thanks to the favourable performance of Brazilian stock exchanges, where price indexes have soared 40% in dollar terms. Foreign investors' interest in lending operations and even in portfolio investment opportunities has been due to the high level of interest rates in real terms.

These large capital inflows have drastically changed the structure of the country's capital account, thereby making it possible not only to finance the current account deficit but also to boost international reserves. As of July, reserves totalled almost US\$ 60 billion (a US\$ 7.7 billion increase over the December 1995 level), which is equivalent to 15 months' worth of imports.

The monthly interest rate for open-market operations has declined from 4% to 1.9%. Modifications in the Central Bank's monetary policy, which have been put into effect through the application of reserve requirements and various restrictions regarding credit terms and access, have been instrumental in bringing down this rate, which exceeded 30% per year in real terms in 1995. This policy has led to a substantial increase in the cost of bank loan operations while generating favourable conditions for the sale of government securities. Even so, the real interest rate remains far above international levels.

In July, the Central Bank instituted new procedures for operations in the financial market designed to supplement its policies on bank reserve requirements, which it had used heavily in the early days of the Real Plan. First, it introduced two new interest rates for its operations: one, for the discounting of government securities, serves as the minimum rate, while the second, on credits to help banks maintain their liquidity positions, serves as the maximum rate.

At the same time, facilities granted by the Central Bank for the takeover of financial institutions in distress gave rise to a net expansion of the money supply of around US\$ 9 billion between November 1995 and July 1996. The Central Bank intervened in a number of banks, including two of the country's major banking institutions. The Government, for its part, has had to pour over US\$ 7 billion into the Banco do Brasil. It has also established mechanisms so that the states can privatize or capitalize their banks by disposing of their assets.

As a result of difficulties within the financial system attributable both to some banks' capital shortfalls and to the high loan default rate, most of the available funds within the system, which have expanded with the reduction in the reserve ratio, have been used to finance public

debt. To stimulate bank lending, restrictions imposed the preceding year have been removed and accessibility has been increased; leasing contracts, for example, can now be entered into by any individual or company.

The fiscal deficit has remained high (3.6% of GDP in the first half of 1996), although it is smaller than the deficit recorded for the whole of 1995. The primary balance reflects a situation of virtual equilibrium, since while the states and municipalities generated a deficit equivalent to 0.9% of GDP, the federal government and state enterprises achieved a 0.7% surplus. This persistent imbalance imposes severe restrictions on monetary policy, since it blocks further reductions in interest rates and leaves no room for flexibility in the management of external accounts, either in terms of capital flows or with regard to the exchange rate.

As a result of this recessionary situation, the national Treasury's real income in the first seven months of the year showed no change from the corresponding period of 1995. The federal government has attempted to freeze nominal expenditure, authorizing adjustments only for the fulfilment of explicit statutory provisions, such as those concerning the minimum wage and social security benefits, which were raised by 12% in May. The Treasury's level of expenditure until July was up 8% in real terms, with a sharp increase (43%) in interest payments. Consequently, the cash deficit (US\$ 700 million in 1995) widened to US\$ 5.4 billion in the period from January to July. The social security system accumulated a primary deficit of almost US\$ 600 million over the same period.

In many states and municipalities, payroll expenses absorb over 80% of income, which imposes very tight limits on the financial management of these entities. The Government has established lines of credit through federal banks (BNDES and Caixa Econômica Federal) to finance staff reduction programmes, to permit the privatization of state enterprises, and to help restructure liabilities so as to reduce the heavy financial burden associated with short-term operations. In addition, various states have been moving ahead with plans to offer operating concessions for public utilities.

The net public-sector debt amounted to some US\$ 240 billion (US\$ 175 billion a year earlier) as of June. The percentage of the total debt accounted for by domestic liabilities has thus increased from 70% to 87%.

With a view to stepping up the public-sector adjustment, the Government has sent Congress draft constitutional amendments aimed at reforming the civil service and social insurance systems and regulating public utilities which have been or are being privatized or contracted out (energy, federal roads and railways). In particular, these reforms will allow the reorganization of state and municipal governments' finances. In addition, the Government is taking measures to rationalize a number of publicly-financed funds, such as the Wage Movement Compensation Fund (FCVS) and the Unemployment Insurance Fund (FGTS), so that they may once again be used to finance the construction and purchase of housing and basic infrastructure. There are also plans to reduce the "Brazilian cost" that is added to all agricultural and mining exports by exempting these products from the state sales tax on goods and services (ICMS), which would mean they would be treated in the same way as manufactured goods.

Table 1  
**BRAZIL: GROSS DOMESTIC PRODUCT AND GROSS FIXED CAPITAL FORMATION**  
(Percentage variations)<sup>a</sup>

	1995				1996 <sup>b</sup>	
	I	II	III	IV	I	II
<b>Total GDP</b>	<b>9.9</b>	<b>5.6</b>	<b>1.2</b>	<b>-0.1</b>	<b>-2.3</b>	<b>2.7</b>
Agriculture	6.4	3.5	3.7	6.6	2.0	1.4
Industry <sup>c</sup>	13.8	5.0	-2.8	-6.0	-7.6	2.4
Services	7.7	7.2	4.4	3.6	1.4	3.5
Gross fixed capital formation <sup>d</sup>	25.4	18.6	0.6	-11.8	-9.7	1.5

Source: IPEA, Boletim de Conjuntura Trimestral, July 1996.

<sup>a</sup> With respect to the same period of the preceding year.

<sup>b</sup> Preliminary figures.

<sup>c</sup> Includes construction and mining.

<sup>d</sup> Variation with respect to seasonally adjusted level.

Table 2  
**BRAZIL: INDUSTRIAL OUTPUT**

	National index (IBGE)				Index for the State of São Paulo (FIESP)			
	Index 1991=100	Percentage variation			Index 1989=100	Percentage variation		
		Month <sup>a</sup>	12 months <sup>b</sup>	Year <sup>c</sup>		Month <sup>a</sup>	12 months <sup>b</sup>	Year <sup>c</sup>
<b>1994</b>								
December	114.1	-5.5	17.5	7.6	103.2	-9.5	25.9	7.8
<b>1995</b>								
January	111.4	-2.4	16.6	16.6	100.2	-2.9	23.1	23.1
February	106.4	-4.5	16.9	16.8	97.9	-2.3	21.6	22.4
March	124.2	16.7	13.1	15.4	112.9	15.3	19.5	21.3
April	111.3	-10.4	11.3	14.4	99.3	-12.0	17.8	20.4
May	110.3	-0.9	-1.6	10.9	109.6	10.4	15.5	19.4
June	115.8	5.0	3.5	9.5	111.6	1.8	12.4	18.1
July	114.7	-0.9	0.3	8.1	107.8	-3.4	3.1	15.6
August	117.7	2.6	-5.6	6.1	111.5	3.4	-5.6	12.3
September	113.1	-3.9	-6.8	4.5	101.8	-8.7	-12.8	9.0
October	117.8	4.2	-2.5	3.7	106.8	4.9	-7.9	7.0
November	115.3	-2.1	-4.6	2.9	103.3	-3.3	-9.4	5.3
December	101.0	-12.4	-11.5	1.7	86.5	-16.3	-16.2	3.5
<b>1996<sup>d</sup></b>								
January	102.1	1.1	-8.3	-8.3	90.8	5.0	-9.4	-9.4
February	99.7	-2.4	-6.3	-7.3	96.9	6.7	-1.0	-5.2
March	109.5	9.8	-11.8	-9.0	106.3	9.7	-5.8	-5.5
April	108.8	-0.6	-2.2	-7.3	104.8	-1.4	5.5	-2.8
May	117.2	7.7	6.3	-4.7	112.1	7.0	2.3	-1.7
June	111.5	-4.9	-3.7	-4.5	109.9	-2.0	-1.5	-1.7

Source: ECLAC, on the basis of figures from the Brazilian Geographical and Statistical Institute (IBGE) and the Industrial Federation of the State of São Paulo (FIESP).

<sup>a</sup> Variation with respect to the previous month.

<sup>b</sup> Variation with respect to the same month of the preceding year.

<sup>c</sup> Cumulative variation with respect to the same period of the preceding year.

<sup>d</sup> Preliminary figures subject to revision.

Table 3  
BRAZIL: MANUFACTURING SECTOR EMPLOYMENT AND REAL  
WAGE LEVELS IN THE STATE OF SÃO PAULO

	Index 1978=100		Percentage variation											
			Employment						Real wages					
					Month		12 months		Month		Year <sup>b</sup>		12 months	
	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996
January	84.3	77.4	193.7	188.8	0.5	-0.8	-0.4	-8.2	-3.0	-2.9	17.3	-2.5	17.3	-2.5
February	84.8	76.9	192.1	187.5	0.6	-0.6	0.5	-9.3	-0.8	-0.7	16.8	-2.5	16.3	-2.4
March	85.1	76.5	198.8	188.0	0.4	-0.5	1.3	-10.1	3.5	0.3	14.6	-3.5	10.7	-5.4
April	85.4	76.1	203.3	186.7	0.4	-0.5	2.0	-10.9	2.3	-0.7	13.3	-4.7	9.7	-8.2
May	85.0	75.8	240.1	187.0	-0.5	-0.4	1.7	-10.8	18.1	0.2	16.5	-8.8	28.2	-22.1
June	84.6	75.6	198.7	183.7	-0.5	-0.3	1.3	-10.6	-17.2	-1.8	15.1	-8.6	8.7	-7.5
July	83.6		191.8		-1.2		0.2		-3.5		14.7		11.9	
August	81.4		188.6		-2.6		-2.0		-1.7		13.9		8.3	
September	80.3		179.4		-1.4		-3.5		-4.9		12.6		1.9	
October	79.4		179.8		-1.1		-5.1		0.2		11.3		0.6	
November	78.9		191.6		-0.6		-6.0		6.6		10.0		-1.7	
December	78.0		194.5		-1.1		-7.0		1.5		8.9		-2.6	

Source: ECLAC, on the basis of figures from the Industrial Federation of the State of São Paulo (FIESP).

<sup>a</sup> Nominal wages deflated by the cost-of-living index for São Paulo (ICV-SP). <sup>b</sup> Percentage variation of the cumulative average index with respect to the same period of the preceding year.

Table 4  
BRAZIL: RATES OF OPEN UNEMPLOYMENT  
(Percentages)

	Total <sup>a</sup>	Rio de Janeiro	São Paulo	Belo Horizonte	Porto Alegre	Salvador	Recife
<b>1995</b>							
January	4.4	3.3	5.0	3.7	3.3	6.1	5.9
February	4.3	3.5	4.6	3.5	3.7	5.9	5.4
March	4.4	3.2	4.9	4.1	3.3	7.0	5.2
April	4.4	3.3	4.6	3.6	4.1	7.1	5.6
May	4.5	3.3	4.8	3.6	4.5	7.1	5.9
June	4.6	3.2	5.1	3.6	4.8	6.9	5.7
July	4.8	3.5	5.2	4.1	5.0	6.8	6.5
August	4.9	3.7	5.3	3.8	5.1	7.0	6.2
September	5.2	3.7	5.3	3.7	5.3	7.3	5.3
October	5.1	3.7	6.0	4.1	5.2	6.7	4.7
November	4.7	3.8	5.2	3.8	4.9	6.4	4.5
December	4.4	3.2	5.1	3.6	4.4	6.5	4.4
<b>1996</b>							
January	5.3	3.5	6.3	4.2	5.4	7.1	4.8
February	5.7	3.3	7.0	4.4	6.1	7.0	6.3
March	6.4	4.4	7.7	5.3	6.6	6.4	7.3
April	6.1	4.3	7.1	4.6	6.7	6.9	6.0
May	5.9	3.7	7.0	5.1	6.3	7.0	6.5
June	5.9	3.7	7.2	5.2	6.2	6.8	5.8

Source: Geographical and Statistical Institute (IBGE).

<sup>a</sup> Weighted by the labour force of each metropolitan area.

Table 5  
**BRAZIL: PRICE INDEXES**  
(Percentage variations)

	General price index (domestic availability)						Consumer price index					
	1995			1996			1995			1996		
	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months
January	1.4	1.4	620.2	1.8	1.8	15.3	1.4	1.4	638.9	1.5	1.5	22.1
February	1.2	2.6	411.5	0.8	2.6	14.8	1.0	1.0	430.8	0.7	2.2	21.7
March	1.8	4.4	259.6	0.2	2.8	13.0	1.6	2.6	277.0	0.3	2.5	20.1
April	2.3	6.8	158.2	0.7	3.5	11.3	2.5	5.2	170.5	0.9	3.4	18.3
May	0.4	7.3	83.9	1.7	5.3	12.7	2.1	7.4	93.5	1.3	4.8	17.4
June	2.6	10.0	28.8	1.2	6.5	11.2	2.2	9.8	33.4	1.3	6.1	16.4
July	2.2	12.5	24.8	1.1	7.7	10.0	2.5	12.5	26.8	1.2	7.4	14.9
August	1.3	13.9	22.3				1.0	13.6	25.8			
September	-1.1	12.7	19.1				1.2	15.0	25.5			
October	0.2	12.9	16.4				1.4	16.6	23.8			
November	1.3	14.4	15.1				1.5	18.3	22.0			
December	0.3	14.8	14.8				1.7	20.3	21.9			

Source: ECLAC, on the basis of figures from the Getulio Vargas Foundation and IBGE.

Table 6  
**BRAZIL: TRADE BALANCE**

	Millions of dollars						Percentage variation <sup>a</sup>			
	Exports		Imports		Trade balance		Exports		Imports	
	Month	Cumulative figures (year)	Month	Cumulative figures (year)	Month	Cumulative figures (year)	Month	Cumulative figures (year)	Month	Cumulative figures (year)
<b>1995</b>										
January	2 980	2 980	3 284	3 284	-304	-304	-19.7	8.5	-27.4	85.9
February	2 952	5 932	4 047	7 331	-1 095	-1 399	-0.9	7.4	23.2	93.1
March	3 798	9 730	4 734	12 065	-936	-2 335	28.7	9.6	17.0	99.7
April	3 394	13 124	3 861	15 926	-467	-2 802	-10.6	4.9	-18.4	94.4
May	4 205	17 329	4 895	20 821	-690	-3 492	23.9	5.8	26.8	92.3
June	4 120	21 449	4 895	25 716	-775	-4 267	-2.0	6.7	0.0	93.0
July	4 004	25 453	3 999	29 715	5	-4 262	-2.8	6.8	-18.3	87.6
August	4 558	30 011	4 230	33 945	328	-3 934	13.8	6.7	5.8	82.4
September	4 167	34 178	3 686	37 631	481	-3 453	-8.6	5.9	-12.9	77.1
October	4 405	38 583	4 071	41 702	334	-3 119	5.7	6.8	10.4	70.6
November	4 048	42 631	4 033	45 735	15	-3 104	-8.1	7.0	-0.9	60.2
December	3 875	46 506	3 924	49 659	-49	-3 153	-4.3	6.8	-2.7	50.2
<b>1996 <sup>b</sup></b>										
January	3 743	3 743	3 437	3 437	306	306	-3.4	25.6	-12.4	4.7
February	3 421	7 164	3 427	6 864	-6	300	-8.6	20.8	-0.3	-6.4
March	3 408	10 572	3 872	10 736	-464	-164	-0.4	8.7	13.0	-11.0
April	4 271	14 843	4 072	14 808	199	35	25.3	13.1	5.2	-7.0
May	4 508	19 351	4 932	19 740	-424	-389	5.5	11.7	21.1	-5.2
June	3 840	23 191	4 167	23 907	-327	-716	-14.8	8.1	-15.5	-7.0
July	4 459	27 650	4 793	28 700	-334	-1 050	16.1	8.6	15.0	-3.4

Source: Foreign Trade Portfolio (CACEX) and Foreign Trade Studies Centre (FUNCEX).

<sup>a</sup> With respect to the same period of the preceding year. <sup>b</sup> Provisional figures.

Table 7  
BRAZIL: STRUCTURE OF IMPORTS, FOB

	Millions of dollars			Percentage breakdown		Percentage variation
	1995	1995 (January-July)	1996	1995 (January-July)	1996	1996 <sup>a</sup>
<b>Total</b>	<b>49 604</b>	<b>29 666</b>	<b>28 008</b>	<b>100.0</b>	<b>100.0</b>	<b>-5.6</b>
Fuels and lubricants	5 208	3 189	3 168	10.7	11.3	-0.7
Other	44 396	26 477	24 840	89.3	88.7	-6.2
Consumer goods <sup>b</sup>	10 758	7 011	4 941	23.6	17.6	-29.5
Intermediate goods	22 413	13 688	13 365	46.1	47.7	-2.4
Capital goods <sup>b</sup>	11 225	5 780	6 532	19.5	23.3	13.0

Source: ECLAC, on the basis of figures from the Foreign Trade Studies Centre.

<sup>a</sup> Variation with respect to the same period of the preceding year. <sup>b</sup> The breakdown according to type of goods was revised for the 1993-1996 period, with service vehicles being classified as consumer goods rather than capital goods.

Table 8  
BRAZIL: STRUCTURE OF EXPORTS, FOB

	Millions of dollars			Percentage breakdown		Percentage variation
	1995	1995 (January-July)	1996	1995 (January-July)	1996	1996 <sup>a</sup>
<b>Total</b>	<b>43 550</b>	<b>25 453</b>	<b>27 378</b>	<b>100.0</b>	<b>100.0</b>	<b>7.6</b>
Commodities	10 998	6 284	6 962	24.7	25.4	10.8
Iron ore	2 547	1 454	1 560	5.7	5.7	7.3
Soya meal	1 996	1 041	1 627	4.1	5.9	56.3
Coffee beans	1 969	1 220	730	4.8	2.7	-40.2
Soya beans	770	625	785	2.5	2.9	25.6
Leaf tobacco	768	394	626	1.5	2.3	58.9
Frozen poultry	636	351	454	1.4	1.7	29.3
Frozen beef	180	110	131	0.4	0.5	19.1
Other	2 132	1 089	1 049	4.3	3.8	-3.7
Industrial products	34 713	18 086	19 885	71.1	72.6	9.9
Semi-manufactures	9 146	4 695	4 764	18.4	17.4	1.5
Raw aluminium	1 214	649	669	2.5	2.4	3.1
Semi-manufactures of iron and steel	1 365	702	764	2.8	2.8	8.8
Wood pulp	1 146	798	605	3.1	2.2	-24.2
Iron alloys	427	221	288	0.9	1.1	30.3
Hides and skins	566	313	375	1.2	1.4	19.8
Other	4 128	2 012	2 063	7.9	7.5	2.5
Manufactures	25 567	13 391	15 121	52.6	55.2	12.9
Motor vehicles, tractors and parts	4 611	2 575	2 776	10.1	10.1	7.8
Boilers and mechanical equipment	2 989	1 674	1 744	6.6	6.4	4.2
Chemicals	3 347	1 768	2 010	6.9	7.3	13.7
Textiles	1 441	794	765	3.1	2.8	-3.7
Iron and steel flat products	1 344	635	875	2.5	3.2	37.8
Footwear	2 124	876	956	3.4	3.5	9.1
Electrical equipment	1 502	827	883	3.2	3.2	6.8
Orange juice	1 105	556	794	2.2	2.9	42.8
Plastics and rubber	809	419	448	1.6	1.6	6.9
Paper	2 704	682	559	2.7	2.0	-18.0
Other	3 591	2 582	3 311	10.1	12.1	28.2
Other products	2 161	1 083	531	4.3	1.9	-51.0

Source: Central Bank of Brazil.

<sup>a</sup> January-July 1996 compared with the same period of the preceding year.

Table 9  
BRAZIL: EXCHANGE RATE

	Official exchange rate (Cruzeiros reais per dollar) <sup>b</sup>				Adjusted real exchange rate <sup>a</sup> (Index 1985=100)			
	1993	1994	1995	1996	1993	1994	1995	1996
January	14.1	390.9	0.85	0.98	69.53	69.55	57.82	55.05
February	17.9	535.5	0.84	0.98	71.07	68.00	56.80	54.83
March	22.5	768.1	0.89	0.99	70.29	68.39	59.43	55.50
April	28.7	1 109.6	0.91	0.99	70.00	69.23	59.48	55.21
May	37.0	1 585.5	0.90	0.99	71.28	69.37	57.73	54.62
June	48.1	2 296.3	0.91	1.00	71.12	68.02	57.23	54.51
July	62.8	0.93	0.93	1.01	70.82	70.47	57.06	54.46
August	82.7	0.90	0.94		70.19	67.20	57.27	
September	111.2	0.87	0.96		69.68	64.23	57.91	
October	151.2	0.85	0.96		70.96	61.09	57.28	
November	205.8	0.84	0.97		71.05	58.69	56.46	
December	279.4	0.85	0.97		70.05	58.39	54.96	

Source: ECLAC, on the basis of figures from the International Monetary Fund (IMF), *International Financial Statistics*.

<sup>a</sup> Index of nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index. <sup>b</sup> Beginning in 1993, figures are expressed in cruzeiros reais; and beginning in July 1994, in reais.

Table 10  
BRAZIL: INTERNATIONAL RESERVES OF THE CENTRAL BANK  
(Millions of dollars)

	Cash <sup>a</sup>			Liquidity <sup>b</sup>		
	1994	1995	1996	1994	1995	1996
January	29 138	35 929	52 176	35 390	38 279	53 540
February	30 525	35 750	54 441	36 542	37 998	55 794
March	32 395	31 530	54 331	38 282	33 742	55 753
April	35 082	29 918	55 429	38 289	31 887	56 769
May	38 270	31 664	58 058	41 408	33 731	59 394
June	40 131	31 492	58 639	42 881	33 512	59 997
July	40 317	39 780	58 098	43 090	41 823	59 521
August	40 204	45 776		42 981	47 660	
September	40 873	46 614		43 455	48 713	
October	40 441	48 231		42 845	49 694	
November	39 531	49 797		41 937	51 257	
December	36 471	50 449		38 806	51 840	

Source: Central Bank of Brazil.

<sup>a</sup> Central Bank assets. <sup>b</sup> Includes foreign currency assets, IMF reserve position and special drawing rights.



**Table 11**  
**BRAZIL: MONEY SUPPLY AND MONETARY BASE<sup>a</sup>**  
(Percentage variations)

	Money supply				Monetary base <sup>b</sup>			
	Year <sup>c</sup>		12 months <sup>d</sup>		Year <sup>c</sup>		12 months <sup>d</sup>	
	1995	1996	1995	1996	1995	1996	1995	1996
January	-20.0	-17.6	199.3	28.9	-5.4	3.5	391.0	34.0
February	-12.7	-18.9	196.6	16.1	-10.5	-21.6	374.0	7.5
March	-24.9	-19.3	194.6	34.5	-11.9	-25.3	400.4	3.9
April	-24.7	-19.3	188.8	34.2	-21.8	-30.8	319.3	8.5
May	-29.4	-19.0	160.0	43.6	-21.9	-24.9	312.5	17.8
June	-22.6	-15.4	136.0	36.7	-21.2	-22.5	338.9	20.5
July	-21.5		67.3		-15.0		99.6	
August	-21.9		37.8		-11.7		65.9	
September	-16.3		20.4		-23.9		5.2	
October	-13.2		18.2		-13.2		18.1	
November	-3.8		22.9		-12.0		17.4	
December	25.1		25.1		22.6		22.6	

Source: Central Bank of Brazil.

<sup>a</sup> Value in reais. <sup>b</sup> Monetary liabilities of the monetary authority: currency in circulation, commercial bank deposits and demand deposits. The monetary authority consists of both the Central Bank and the Banco do Brasil, which carries out related activities as a development bank.

<sup>c</sup> With respect to December of the preceding year. <sup>d</sup> With respect to the same month of the preceding year.

**Table 12**  
**BRAZIL: MONTHLY INTEREST RATES**  
(Percentages)

	Deposits						Deposits			
	Open-market operations		Certificates of deposit		Savings deposits		Working capital		Consumer credit	
	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996
January	4.7	2.6	3.0	2.5	2.6	1.8	7.0	3.9	8.5	4.2
February	3.9	2.3	3.1	2.2	2.4	1.5	7.0	3.2	8.1	4.3
March	4.8	2.2	2.9	2.0	2.8	1.3	8.0	3.2	7.4	3.3
April	4.6	2.0	4.3	1.9	4.0	1.2	6.8	3.8	8.9	3.3
May	3.7	2.0	3.9	1.9	3.8	1.1	6.3	3.6	7.5	3.2
June	3.8	1.9	3.6	1.9	3.4	1.1	5.8	3.1	7.1	3.4
July	3.4	1.9	3.8	1.8	3.5	1.1	5.8	3.6	7.1	3.1
August	3.8		3.3		3.1		4.9		4.6	
September	3.3		2.9		2.5		4.6		4.9	
October	3.1		2.7		2.2		4.8		5.2	
November	2.8		2.5		2.0		4.5		6.6	
December	2.7		2.7		1.9		4.3		5.3	

Source: ECLAC, on the basis of official figures.

## CHILE

The year 1996 is shaping up to be a time of adjustment for the Chilean economy, with high interest rates and a steep downturn in national income due to a deterioration of the terms of trade. Nonetheless, the economy is maintaining its buoyancy. GDP growth is estimated at around 7%, and inflation is expected to continue on its downward path, with the projected rate for the year being close to the Government's target of 6.5%.

After having risen by 15% in 1995, private consumption is likely to keep pace with GDP, while –thanks to the forward momentum of mining and construction– it is projected that gross fixed capital formation will increase by about 12%.

An unexpectedly sharp downturn in the terms of trade made it necessary to revise the projections for the country's trade and current account deficits, with the new estimates putting the former at US\$ 500 million and the latter at 3.3% of GDP. Copper prices averaged US\$ 1.08 per pound for the period January-August 1996, which is 19% lower than the figure for the same period in 1995.

The decision to embark upon a mild adjustment process in December 1995, with a one-point increase in interest rates, was prompted by the highly expansionary trends seen in the closing quarter of that year, when GDP growth was verging on 10% and domestic demand was climbing at a rate of 15%.

During the first quarter, the economy continued to expand rapidly on the basis of an upsurge in domestic demand (13%) that outpaced GDP growth (9%) by a wide margin. The increase in spending was led by investment (15%) and consumption (12%). The fact that exports climbed by only 5.8% was attributable to a downswing in the prices of the country's main products (copper: -12.5%; wood pulp: -10%).

Acting on its belief that these levels of expenditure and output exceed the Chilean economy's medium-term potential, the Central Bank stepped up the monetary adjustment process by raising the real interbank rate from 6.7% to a range of 7%-7.5%. During the second quarter, the growth rates for both output and expenditure slowed, bringing the rate of increase in GDP for the first half of the year to 8.5%.

The gap between the growth rates for expenditure and output amounted to over five percentage points in the final quarter of 1995 but tended to reduce during the first half of 1996 as a consequence of a slowdown in imports and a less robust rate of expansion in commerce and manufacturing. It is anticipated that the effects of both the deterioration in the terms of trade and monetary constraints will be felt more strongly in the second half of the year and that, as a result, a turn-around will be seen in the relationship between these two variables (i.e., that GDP will increase more sharply than spending).

Midway through the year, monetary policy remained tight, with the interbank rate standing at 7.5% in real terms following a second adjustment in April. Only short-term rates followed this trend, however, since the 8-year readjustable securities issued by the Central Bank tended downward and then levelled off at an annual rate of around 6.5% (6.3% at the end of August). The changes made in monetary policy in mid-1995 account for the fact that the adjustment has had so little impact on long-term rates and has done so little to dampen the steep rise in investment.

The movement of the exchange rate has been influenced by the strengthening of the dollar on international markets and the existence of a more plentiful supply of foreign exchange. An increase was seen in the spread between the exchange rate set by the Central Bank for payments

on debts expressed in dollars and the going rate for the dollar on the market, and from May to July the dollar remained on the floor of the currency band. The additional rate adjustment implemented in April created more room for arbitrage, and such operations appear to be on the rise.

This is very probably what prompted the Central Bank to take a further step in controlling speculative flows in May by deciding that external credits entering the country under chapters XIV and VI of the Compendium of Rules on International Exchange could not be extended more than once. This decision closed a loophole in existing reserve requirements, since until that time many credits were rolled over repeatedly without the corresponding reserve deposit being made. This step was interpreted as an attempt to influence long-term rates, which have thus far proved to be quite intractable in the face of adjustment efforts.

By August the market exchange rate for the dollar was starting to move away from the floor of the band; indeed, the reduction in the expenditure-output gap, the continuing deterioration in the country's terms of trade and the abatement of external inflation have all helped to bring the nominal depreciation of the peso more closely into line with domestic price trends during the second half of the year. As a result, a decline of nearly 4% in the real exchange rate is expected.

The underlying 12-month inflation rate (7.5% in December 1995) climbed steadily during the first half of the year, reaching 8.8% in June, with the annualized rate of increase in the consumer price index (CPI) nearing 9% in May due to external shocks. In July, however, it slowed to 7.7% thanks to the low rate of inflation in the prices of tradable goods and then, in August, plunged to 6.4% as the trends in both tradables and non-tradables improved. The incomplete nature of the adjustment is demonstrated by the fact that the annualized rate of increase in the prices of tradable goods, which make up 60% of the basket of goods and services included in the CPI, has remained above 10%. Moreover, the potential anti-inflationary effect of the exchange rate will be much weaker in the coming months.

The latest available figures (July) indicate that over the preceding 12 months wages rose by 15.1% in nominal terms and by 6.9% in real terms, which is still quite high in relation to reasonable levels of productivity and expected inflation.

Repeated changes in the bases for comparison hinder a detailed analysis of the situation in the labour market, but there have been signs of a downswing. The nationwide unemployment rate for May-July was 7.1%, which was 0.5% higher than the rate for April-June and 0.8 points lower than in the same quarter of 1995. Meanwhile, the level of unemployment in the Santiago metropolitan area, which 12 months earlier had been 8.1%, climbed to 8.4%.

The balance of payments yielded a US\$ 407 million surplus for the first half of the year, with a current account deficit of US\$ 353 million and a capital account surplus (excluding reserves) of US\$ 959 million. The trade surplus narrowed to US\$ 397 million (versus US\$ 1,461 million in the first six months of 1995). Exports were up a scant 0.4% but imports were 16.5% higher than in the same period of the preceding year. For the year as a whole, the value of exports is expected to remain unchanged while a 16% increase is projected for imports.

The surplus on the capital account (excluding reserves) for the first six months of the year was only US\$ 209 million lower than the figure for all of 1995. Capital inflows in the form of direct and portfolio investment bordered US\$ 2 billion, but because of the prepayments made on the public external debt, the overall capital account posted a deficit. When the country's reserves (and, hence, these prepayments) are excluded from the calculations, then the account shows a surplus of US\$ 2,677 million for the first half of the year, while the overall surplus on the balance of payments amounts to US\$ 2,125 million.

The upturn in portfolio investment strengthened, and the half-year total of US\$ 900 million was similar to the figure for the whole of 1995. Foreign portfolio investment verged on US\$ 1 billion, of which 55% was in ADRs (17% in primary issues) and another 38% in private-sector bond issues.

In the first half of the year, the public sector's level of current expenditure, including social security payments and transfers, was up 6.5%, which was less than the increase in output (7.9%). The expansion of current income outstripped the growth of GDP, largely as a result of the transfers made in the form of advance tax payments by the country's largest business enterprise, the State-owned Corporación Nacional del Cobre de Chile (CODELCO-Chile). This pushed current savings up to 2.9% of GDP, which was an improvement over the same period of 1995 (2.4%). The public sector's overall balance amounted to 1.5% of GDP.

**Table 1**  
**CHILE: GROSS DOMESTIC PRODUCT <sup>a</sup>**  
*(Percentage variations)<sup>b</sup>*

	1995					1996 <sup>c</sup>	
	I	II	III	IV	Year	I	II
Agriculture and forestry	8.8	7.5	3.6	-5.6	4.8	1.4	-2.3
Fishing	13.6	18.3	3.1	4.4	10.1	8.4	-6.3
Mining	1.2	12.7	5.3	9.5	7.2	15.5	6.7
Manufacturing	6.0	6.9	5.5	7.6	6.5	5.2	0.2
Electricity, gas and water	6.5	6.0	9.3	5.6	6.9	7.8	7.0
Construction	3.0	5.2	9.8	11.1	7.4	13.9	10.9
Commerce, restaurants and hotels	7.7	9.5	11.9	13.3	10.6	13.3	12.9
Transport and communications	12.7	11.8	12.1	12.6	12.3	9.8	9.8
Financial services	6.6	8.1	7.7	8.5	7.7	8.0	6.4
Residential property	2.8	2.9	3.0	3.2	3.0	2.8	2.8
Personal services <sup>d</sup>	2.7	3.0	2.9	2.9	2.9	3.6	3.1
Government service	1.3	1.6	1.5	1.4	1.4	1.4	1.2
<b>Subtotal</b>	<b>6.4</b>	<b>7.8</b>	<b>7.3</b>	<b>7.9</b>	<b>7.4</b>	<b>8.1</b>	<b>5.6</b>
Less bank charges	6.4	8.0	7.4	8.4	7.6	8.2	5.4
VAT	6.5	7.5	10.4	10.7	8.8	10.1	8.3
Import duties	21.3	18.4	25.5	33.0	24.7	17.2	16.5
<b>Total</b>	<b>7.3</b>	<b>8.4</b>	<b>8.9</b>	<b>9.6</b>	<b>8.5</b>	<b>8.9</b>	<b>6.6</b>

Source: Central Bank of Chile.

<sup>a</sup> At 1986 prices.

<sup>b</sup> With respect to the same period of the preceding year.

<sup>c</sup> Provisional figures.

<sup>d</sup> Includes education and public and private health services.

**Table 2**  
**CHILE: CROP-FARMING INDICATORS<sup>a</sup>**

	Area planted (in thousands of hectares)				Percentage variation			
	1993	1994	1995	1996	1993	1994	1995	1996
Wheat	395	362	390	370	-14.2	-8.5	7.8	-5.1
Oats	68	58	65	81	7.2	-15.0	12.3	24.0
Barley	23	28	25	23	-19.3	22.9	-10.7	-8.0
Rice	29	30	34	32	-8.4	4.4	11.8	-5.6
Maize	106	105	104	99	-1.3	-1.0	-1.3	-4.2
Beans	63	58	47	50	1.7	-7.8	-20.4	6.8
Lentils	13	10	11	11	-29.5	-23.3	4.7	0.8
Chickpeas	11	9	9	10	-16.6	-20.8	11.4	8.6
Potatoes	63	58	57	61	1.7	-7.8	-2.3	6.3
Sunflower	7	7	6	4	-45.0	6.0	-9.7	-31.8
Rape <sup>b</sup>	10	10	10	17	-69.8	6.5	0.6	67.5
Sugar beet <sup>b</sup>	51	52	53	50	0.5	2.4	1.8	-6.1
Tobacco <sup>b</sup>	6	5	4	3	19.6	-13.1	-26.0	-18.6

Source: National Statistical Institute (INE).

<sup>a</sup> Crop years.

<sup>b</sup> Figures provided by businesses.

Table 3  
CHILE: OUTPUT AND SALES  
(Percentage variations)

	SOFOFA <sup>a</sup>						INE <sup>b</sup>		
	Output			Sales			Output		
	Month <sup>c</sup>	12 months <sup>d</sup>	Year <sup>e</sup>	Month <sup>c</sup>	12 months <sup>d</sup>	Year <sup>e</sup>	Month <sup>c</sup>	12 months <sup>d</sup>	Year <sup>e</sup>
<b>1995</b>									
January	-5.5	5.7	5.7	-3.8	9.8	9.8	2.5	6.9	6.9
February	-10.9	0.5	3.2	-8.3	6.3	8.1	-9.8	2.6	4.8
March	24.3	0.1	2.0	18.5	4.3	6.7	24.1	4.5	4.7
April	-0.8	2.7	2.2	-9.2	0.8	5.2	-5.8	5.5	4.9
May	6.7	6.1	3.1	5.0	3.6	4.9	6.6	7.7	5.5
June	-3.8	5.8	3.5	-5.8	3.0	4.5	-5.3	9.0	6.1
July	-0.2	8.9	4.3	3.2	8.5	5.1	2.3	9.8	6.6
August	2.8	6.0	4.5	3.6	3.6	4.9	0.7	5.1	6.4
September	-7.7	4.3	4.5	-4.2	0.7	4.4	-9.6	2.0	5.9
October	6.1	8.4	4.9	9.4	7.4	4.7	8.8	8.9	6.2
November	-1.4	5.1	4.9	-0.4	8.8	5.1	-3.1	5.0	6.1
December	-3.7	1.7	4.6	-1.6	3.2	4.9	0.0	6.9	6.2
<b>1996</b>									
January	-1.3	6.1	6.1	-3.0	4.0	4.0	3.0	7.4	7.4
February	-9.0	8.4	7.2	-8.7	3.7	3.8	-6.7	11.1	9.1
March	14.8	0.2	4.6	14.2	-0.1	2.4	14.5	2.4	6.7
April	1.6	2.6	4.1	-3.6	6.1	3.3	-4.6	3.7	5.9
May	-0.4	-4.2	2.2	1.2	2.2	3.1	-1.5	-4.2	3.7
June	-1.1	-1.6	1.5	0.3	8.8	4.0	-2.5	-1.4	2.9

Source: National Statistical Institute (INE); Sociedad de Fomento Fabril (SOFOFA).

<sup>a</sup> Figures represent variations with respect to the index (1980=100).

<sup>b</sup> Figures represent variations with respect to the index (1979=100).

<sup>c</sup> Variation with respect to the preceding month.

<sup>d</sup> Variation with respect to the same month of the preceding year.

<sup>e</sup> Cumulative variation with respect to the same period of the preceding year.

Table 4  
CHILE: UNEMPLOYMENT RATE  
(Quarterly averages)

Quarters ending in:	1994		1995		1996	
	Metropolitan region	Nationwide	Metropolitan region	Nationwide	Metropolitan region	Nationwide
January	4.9	4.8	5.9	5.7	6.3	6.6
February	5.6	5.1	5.6	5.4	6.3	6.1
March	5.7	5.2	5.6	5.4	6.8	6.3
April	5.9	5.3	5.6	5.3	7.5	6.6
May	6.0	5.7	5.7	5.6	8.4	7.1
June	6.3	6.1	5.7	5.8		
July	6.7	6.5	5.7	5.9		
August	6.8	6.5	5.7	5.9		
September	6.9	6.7	5.6	5.7		
October	6.8	6.7	5.2	5.4		
November	6.9	6.5	4.7	4.9		
December	6.2	5.9	4.3	4.7		

Source: National Statistical Institute (INE).

Table 5  
CHILE: PRICE INDEXES  
(Percentage variations)

	Consumer price index						Wholesale price index					
	1995			1996			1995			1996		
	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months
January	0.6	0.6	8.5	0.3	0.3	7.8	0.4	0.4	8.2	0.1	0.1	7.9
February	0.5	1.1	8.7	0.5	0.8	7.8	0.6	1.0	8.6	-0.5	-0.4	6.7
March	0.6	1.8	8.2	0.7	1.5	7.9	1.7	2.7	9.2	1.2	0.8	6.1
April	0.6	2.4	8.3	1.0	2.6	8.4	0.3	3.0	9.4	1.3	2.1	7.2
May	0.6	3.0	7.4	0.8	3.4	8.6	-0.8	2.2	7.5	-0.1	1.9	7.9
June	0.7	3.8	7.6	0.4	3.8	8.3	-0.6	1.6	5.7	0.3	2.2	8.8
July	0.8	4.6	7.9	0.3	4.1	7.7	0.8	2.4	6.0	-0.5	1.7	7.4
August	1.6	6.4	8.5	0.4	4.6	6.4	1.1	3.6	5.5	0.4	2.1	5.7
September	0.6	7.0	8.6				1.8	5.4	6.6			
October	0.8	7.8	8.8				1.8	7.3	8.2			
November	0.1	7.9	8.2				0.9	8.3	7.9			
December	0.3	8.2	8.2				-0.1	8.2	8.2			

Source: National Statistical Institute (INE).

Table 6  
CHILE: INDEX OF REAL WAGES AND SALARIES

	Index of real wages and salaries <sup>a</sup> (April 1993=100)			Percentage variation					
				1995			1996		
	1994	1995	1996	Month	Year <sup>b</sup>	12 months <sup>c</sup>	Month	Year <sup>b</sup>	12 months <sup>c</sup>
January	104.6	108.4	112.9	0.1	3.6	3.6	0.1	4.2	4.2
February	104.9	108.6	115.6	0.2	3.6	3.5	2.3	5.3	6.4
March	104.7	109.1	116.1	0.5	3.8	4.2	0.4	5.6	6.3
April	105.1	109.6	115.9	0.4	3.9	4.3	-0.2	5.7	5.7
May	103.5	109.2	115.7	-0.3	4.2	5.6	-0.1	5.7	6.0
June	104.6	109.9	116.6	0.6	4.4	5.0	0.8	5.8	6.1
July	104.8	109.3		-0.5	4.4	4.4			
August	104.2	108.0		-1.2	4.3	3.7			
September	105.4	108.9		0.8	4.2	3.3			
October	105.1	108.4		-0.5	4.1	3.2			
November	105.0	109.3		0.9	4.1	4.1			
December	108.3	112.8		3.2	4.1	4.2			

Source: ECLAC, on the basis of figures from the National Statistical Institute (INE).

<sup>a</sup> Index of nominal wages and salaries, deflated by the consumer price index. <sup>b</sup> Percentage variation in the cumulative average index with respect to the same period of the preceding year. <sup>c</sup> With respect to the same month of the preceding year. <sup>d</sup> Beginning in April, these figures correspond to the general index of hourly wages.

Table 7  
**CHILE: EXCHANGE RATE**

	Nominal bank market exchange rate (Pesos per dollar)				Adjusted real exchange rate (Index: 1985=100) <sup>a</sup>			
	1993	1994	1995	1996	1993	1994	1995	1996
January	383.93	430.45	405.78	408.53	87.58	86.50	77.33	72.86
February	387.91	428.69	412.14	410.97	88.45	86.18	78.46	73.15
March	397.22	430.45	410.46	411.55	90.34	85.88	77.93	73.11
April	401.19	424.47	394.33	408.42	90.24	84.38	74.67	72.12
May	404.98	424.70	377.17	406.23	89.87	83.32	71.14	71.31
June	403.30	420.68	373.59	409.85	89.17	82.40	70.11	71.73
July	404.79	420.49	378.07	410.72	88.62	82.09	70.39	71.74
August	407.66	419.43	387.27		87.65	81.32	71.18	
September	408.19	414.87	394.56		86.91	80.25	72.23	
October	412.59	412.21	406.62		85.97	79.31	74.07	
November	412.50	413.45	412.31		85.16	79.18	74.28	
December	425.73	402.23	408.98		86.17	76.81	72.73	

Source: ECLAC, on the basis of figures from the Central Bank of Chile.

<sup>a</sup> Index of the nominal exchange rate, deflated by the consumer price index and adjusted by the United States consumer prices index.

Table 8  
**CHILE: TRADE BALANCE**

	Millions of dollars						Percentage variation <sup>a</sup>			
	Exports FOB		Imports FOB		Trade balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
<b>1993</b>										
December	707	9 202	874	10 181	-167	-979	-13.9	-7.8	11.0	10.2
<b>1994</b>										
January	795	795	798	798	-3	-3	18.5	18.5	-4.5	-4.5
February	767	1 562	637	1 435	130	127	7.5	12.8	-17.2	-10.6
March	1 066	2 628	954	2 389	112	239	4.6	9.3	9.1	-3.6
April	927	3 555	794	3 183	133	372	-0.3	6.6	-3.5	-3.6
May	991	4 546	939	4 122	52	424	42.5	12.8	18.9	0.8
June	827	5 373	907	5 028	-79	345	5.1	11.6	5.3	1.5
July	954	6 327	941	5 969	13	358	24.1	13.3	1.5	1.5
August	1 042	7 368	1 051	7 020	-9	348	28.8	15.3	19.6	3.9
September	970	8 339	978	7 998	-8	341	32.6	17.0	14.3	5.1
October	941	9 280	949	8 947	-8	333	36.6	18.8	13.3	5.9
November	1 103	10 383	988	9 935	115	448	62.0	22.2	15.4	6.8
December	1 221	11 604	944	10 879	277	725	72.7	26.1	8.0	6.9
<b>1995</b>										
January	1 287	1 287	1 052	1 052	234	234	61.8	61.8	31.8	31.8
February	1 229	2 516	1 023	2 075	206	441	60.3	61.1	60.7	44.6
March	1 596	4 112	1 108	3 183	488	929	49.7	56.5	16.2	33.3
April	1 313	5 425	997	4 180	316	1 245	41.7	52.6	25.5	31.3
May	1 497	6 922	1 229	5 409	268	1 513	51.0	52.3	30.9	31.2
June	1 167	8 089	1 219	6 628	-52	1 461	41.0	50.5	34.4	31.8
July	1 375	9 464	1 365	7 993	10	1 471	44.2	49.6	45.1	33.9
August	1 378	10 842	1 452	9 444	-73	1 398	32.3	47.1	38.1	34.5
September	1 182	12 024	1 205	10 650	-24	1 374	21.8	44.2	23.2	33.2
October	1 357	13 381	1 486	12 135	-129	1 246	44.2	44.2	56.6	35.6
November	1 362	14 743	1 289	13 424	74	1 319	23.5	42.0	30.4	35.1
December	1 295	16 039	1 231	14 655	65	1 384	6.1	38.2	30.4	34.7
<b>1996</b>										
January	1 240	1 240	1 359	1 359	-119	-119	-3.6	-3.6	29.1	29.1
February	1 251	2 491	1 184	2 543	67	-52	1.8	-1.0	15.7	22.5
March	1 443	3 934	1 256	3 799	187	135	-9.6	-4.3	13.3	19.3
April	1 489	5 423	1 305	5 104	184	319	13.4	0.0	30.9	22.1
May	1 467	6 890	1 391	6 495	76	395	-2.0	-0.5	13.2	20.1
June	1 229	8 119	1 227	7 722	2	397	5.4	0.4	0.7	16.5
July	1 360	9 479	1 503	9 225	-142	255	-1.1	0.2	10.0	15.4

Source: Central Bank of Chile.

<sup>a</sup> With respect to the same period of the preceding year.



Table 9  
CHILE: EXPORT STRUCTURE, FOB  
(Millions of dollars)<sup>a</sup>

	Mining products				Agricultural and marine products		Manufactures		Percentage variation <sup>b</sup>		
	Total		Copper								
	1995	1996	1995	1996	1995	1996	1995	1996	Mining	Agri-cultural	Manufac-turing
January	617	616	509	480	167	151	503	474	-0.1	-9.8	-5.9
February	1 178	1 228	931	992	359	327	979	936	4.3	-8.9	-4.4
March	1 858	1 849	1 486	1 516	669	586	1 585	1 499	-0.5	-12.5	-5.4
April	2 399	2 480	1 914	2 028	910	842	2 116	2 102	3.4	-7.5	-0.7
May	3 069	3 180	2 481	2 614	1 073	988	2 780	2 721	3.6	-8.0	-2.1
June	3 586	3 817	2 899	3 151	1 155	1 059	3 348	3 243	6.5	-8.3	-3.1
July	4 259	4 521	3 455	3 731	1 220	1 129	3 986	3 830	6.2	-7.5	-3.9
August	5 025		4 118		1 275		4 543				
September	5 658		4 638		1 318		5 048				
October	6 366		5 219		1 369		5 646				
November	7 139		5 882		1 410		6 194				
December	7 850		6 487		1 480		6 709				

Source: Central Bank of Chile.

<sup>a</sup> Cumulative figures. <sup>b</sup> Variation in cumulative value in 1995 with respect to the same period of the preceding year.

Table 10  
CHILE: MERCHANDISE IMPORT STRUCTURE, CIF  
(Millions of dollars)<sup>a</sup>

	Consumer goods		Intermediate goods				Capital goods		Percentage variation <sup>b</sup>		
			Total		Fuels and lubricants						
	1995	1996	1995	1996	1995	1996	1995	1996	Con-sumer goods	Inter-mediate goods	Capital goods
January	183	262	645	786	87	124	314	426	43.2	22.0	35.6
February	344	489	1 295	1 546	208	270	611	721	42.2	19.4	18.1
March	543	737	2 007	2 307	305	389	900	1 072	35.7	15.0	19.1
April	714	982	2 669	3 066	405	522	1 150	1 477	37.7	14.9	28.4
May	909	1 227	3 486	3 940	576	700	1 475	1 865	34.9	13.0	26.5
June	1 134	1 470	4 287	4 709	722	860	1 774	2 181	29.6	9.8	22.9
July	1 374	1 749	5 118	5 622	842	1 022	2 181	2 612	27.3	9.8	19.8
August	1 645		6 020		979		2 587				
September	1 889		6 749		1 096		2 929				
October	2 200		7 623		1 243		3 361				
November	2 469		8 328		1 325		3 783				
December	2 698		9 039		1 447		4 177				

Source: Central Bank of Chile.

Note: The classification of import products has been adjusted to conform to the criteria used in the System of National Accounts. This change, which affects the figures from 1990 on, involved moving some imports from the consumer and capital goods categories to the category of intermediate goods. The new criteria take into account not only the nature of the products in question but also the specific use or uses to be made of them. In some cases, the end use of the product is determined on the basis of the import's destination.

<sup>a</sup> Cumulative figures. <sup>b</sup> Percentage variation in cumulative value in 1996 with respect to the same period of the preceding year.

Table 11  
CHILE: NET INTERNATIONAL RESERVES<sup>a</sup>  
(Millions of dollars)

	Amount			Absolute variation			
	1994	1995	1996	1995		1996	
				Month	Year <sup>b</sup>	Month	Year <sup>b</sup>
January	10 101	13 469	13 684	3	3	-1 121	-1 121
February	10 282	13 857	13 634	387	390	-50	-1 171
March	10 431	14 176	14 218	319	709	584	-587
April	10 388	14 795	14 339	619	1 328	122	-466
May	10 487	15 006	14 506	212	1 540	167	-299
June	11 004	15 297	14 854	291	1 831	348	49
July	10 967	15 254	15 301	-44	1 787	447	496
August	10 976	14 937		-317	1 471		
September	11 527	14 857		-80	1 391		
October	11 833	14 165		-692	699		
November	12 771	14 208		43	742		
December	13 467	14 805		597	1 339		

Source: Central Bank of Chile.

<sup>a</sup> Foreign exchange holdings (including monetary gold, SDRs, IMF reserve position, foreign exchange assets, net balance on reciprocal credit agreements) less liabilities arising from use of IMF credits and short-term liabilities. <sup>b</sup> With respect to December of the preceding year.

Table 12  
CHILE: MONETARY AGGREGATES

	E	M1A	Dg	Dp	M2A
	Percentage variation <sup>a</sup>				
<b>1995</b>					
January	16.7	20.4	4.9	20.5	20.5
February	17.0	22.9	27.3	18.0	19.4
March	16.6	22.5	42.0	21.1	21.5
April	20.2	24.7	22.1	22.5	23.1
May	19.5	26.6	21.2	22.4	23.5
June	20.6	27.3	17.5	23.8	24.7
July	19.9	23.9	19.0	23.5	23.6
August	20.9	22.0	27.7	25.4	24.5
September	20.5	24.5	39.8	26.2	25.8
October	26.7	21.3	32.9	27.3	25.7
November	19.4	18.9	33.2	26.4	24.5
December	21.0	19.4	31.4	28.6	25.9
<b>1996</b>					
January	21.8	20.0	24.4	32.7	29.1
February	19.4	16.1	11.0	35.7	30.1
March	19.0	16.6	7.0	31.1	27.1
April	17.5	17.7	1.1	31.3	27.6
May	18.7	14.3	11.9	32.9	27.8
June	20.6	15.3	5.3	33.3	28.5
July	20.3	15.3	-3.3	33.5	28.8

Source: Central Bank of Chile.

Note: E = Money issue; M1A = M1 + demand deposits other than current accounts + demand deposits in savings accounts; Dg = Public-sector money supply; DP = Time deposits; M2A = M1A + Dp.

<sup>a</sup> With respect to the same month of the preceding year.

**Table 13**  
**CHILE: BANK INTEREST RATES**  
(Percentages)

	Nominal rates <sup>a</sup>		Real rates			
	Short-term deposits	Short-term loans	Non-readjustable operations <sup>a</sup>		Readjustable operations <sup>a</sup>	
			Short-term deposits	Short-term loans	Deposits	Loans
<b>1995</b>						
January	0.82	1.17	0.22	0.57	5.86	8.77
February	1.00	1.34	0.50	0.84	5.93	8.70
March	0.98	1.31	0.38	0.71	5.91	8.67
April	1.03	1.34	0.43	0.74	5.90	8.68
May	1.04	1.35	0.44	0.75	5.87	8.56
June	1.02	1.31	0.32	0.61	5.52	8.27
July	1.12	1.41	0.32	0.61	5.42	8.17
August	1.41	1.68	-0.19	0.08	5.39	8.01
September	1.65	1.97	1.04	1.36	5.34	8.01
October	1.08	1.43	0.28	0.62	5.72	8.43
November	1.08	1.41	0.98	1.31	6.46	8.93
December	0.67	1.05	0.32	0.75	6.88	9.18
<b>1996</b>						
January	0.83	1.11	0.53	0.81	6.77	9.19
February	0.85	1.15	0.35	0.65	6.60	9.11
March	1.04	1.29	0.34	0.59	6.59	9.00
April	1.29	1.56			6.93	9.40
May	1.49	1.74			7.20	9.58
June	1.24	1.55			7.19	9.64
July	0.93	1.28			7.09	9.53

Source: Central Bank of Chile.

<sup>a</sup> Average monthly rates. <sup>b</sup> Annual rates.

**Table 14**  
**CHILE: FISCAL BALANCE OF GENERAL GOVERNMENT<sup>a</sup>**

	Percentage of GDP			Real growth rate <sup>b</sup>		
	First half of year			First half of year		
	1994	1995	1996	1994	1995	1996
1. Current income	10.6	10.0	10.6	-0.9	2.0	14.2
2. Current expenditure	8.2	7.7	7.7	4.2	1.5	7.7
3. Saving (1 - 2)	2.5	2.4	2.9	-14.7	3.8	30.1
4. Capital expenditure (net)	1.2	1.0	1.4			
Income	0.4	0.3	0.3	3.4	-18.9	7.7
Less expenditure	1.6	1.3	1.7	11.3	-12.2	40.8
5. Fiscal balance (3 - 4)	1.3	1.4	1.5			

Source: ECLAC, on the basis of official figures.

<sup>a</sup> Budget performance. <sup>b</sup> With respect to the same period of the preceding year.

## COLOMBIA

In 1996, with the country in the throes of a severe political crisis, the Colombian economy has lost much of the momentum it had built up in previous years. In the first half of the year, gross domestic product (GDP) was only 3% higher than in the same period the preceding year, whereas during the biennium 1994-1995 the annual growth rate had been 6%. Exports expanded faster than imports and sizeable amounts of external capital continued to flow in, much of this in the form of direct investment. An ample supply of foreign exchange was thus maintained, but the prevailing climate of uncertainty led to a surge in demand, and the subsequent defence of the exchange rate mounted by the central bank (Bank of the Republic) depleted international reserves by around US\$ 400 million. The resulting squeeze on the money supply has not sufficed, however, to bring inflation to within the 1996 target of 17%.

In order to avoid a recessionary situation, the Bank of the Republic began to relax its policy gradually. In February and March it eased restrictions on external borrowing; in March it lowered the reserve requirement on current accounts and official deposits from 40% to 37%, and in May lowered it again, to 33%; in April it authorized banks to borrow up to US\$ 400 million abroad and to use these funds for loans in pesos. Even so, interest rates remained high until July, hovering at around 32% for deposits and 43% for loans. Then they began to give way and by the end of August they were down by three percentage points. The money supply (M1) shrank by 11% between January and July and rose only 13% over 12 months. Trends in other monetary aggregates have been similar, with M2 and M3 growing by somewhat less than 5% between January and July and slightly more than 15% over 12 months. All these variations have been lower than envisaged.

The exchange rate remained at the ceiling of the currency band until the end of June, when it dropped because demand had cooled and supply was swollen with the disbursement of external credits and increased earnings from oil and coffee exports. The exchange rate against the dollar fell from 1,070 pesos at the end of June to 1,040 pesos in mid-August, which represents a nominal devaluation over the year of barely 6%, considerably below the rate of inflation.

The fiscal situation has continued to worsen owing to the sharp increase in central government expenditure. Total public spending during the first quarter was nearly 50% greater than during the same period in 1995, an increase in real terms of around 25%.

The Government has presented an ambitious programme of privatization projects for 1996, with the aim of raising some US\$ 900 million, which would alleviate its fiscal problems. Some of these projects, however, such as the lifting of restrictions on foreign investment in telephone services, have been postponed until 1997.

In July, the Banking Superintendency adopted a number of measures to strengthen anti-laundering mechanisms. It also introduced new provisions to improve the information available on clients entering the financial system and agencies operating in the market.

During the first half of 1996, economic activity slowed markedly. Growth in the second quarter (2.2%) in particular was the lowest of the decade, arresting the momentum that has characterized the Colombian economy in recent years. The economy had in fact begun to cool down in 1995, not only because of the Bank of the Republic's tight monetary policy and the end of the expansionary cycle of construction, but also because of the onset of the political crisis.

The activities hardest hit were construction, commerce, manufacturing and agriculture. However, the robust growth in government services, mining, telecommunications and financial

activities propped up the economy during the first half of the year. Within mining, the most notable performance has been that of oil, where the copious investments that have been poured into developing new deposits have begun to pay off, to the extent that oil production is fast becoming the country's principal economic activity. There has also been a significant recovery in a number of areas of manufacturing, including clothing (14%) and petroleum derivatives (18%).

It was hoped to bring inflation down by two percentage points in 1996. In December 1995, in order to help achieve the target of 17%, the Government, business and labour had signed a new productivity, prices and wages pact. At the same time, however, the value-added tax (VAT) was raised by two percentage points as part of the tax reform. By August, the consumer price index already equalled the total planned for the whole year, and exceeded the level for the same period in the preceding year, having been pushed up mainly by the price of educational, health, transport and housing services. The producer price index performed better, rising just 10.8% in the first seven months of the year, i.e., one and a half points less than in the same period the preceding year. The fact that inflation is so hard to reduce can be attributed to the widespread indexation (explicit or implicit) that prevails in the Colombian economy.

The loss of economic impetus has accelerated the decline in the labour market. The unemployment rate for the seven main metropolitan areas stood at 11.7% in June, the highest rate of the decade and 2.7 percentage points above the rate for the same month the year before.

In the first five months of 1996, exports approached US\$ 4.3 billion, an increase of 6% over the same period in 1995. Imports, on the other hand, expanded by barely 2%, totalling around US\$ 5.2 billion.

The two principal export products have shown opposite trends. During the first five months of 1996, the value of petroleum exports rose to US\$ 1.1 billion, 40% higher than in the same period the preceding year, thanks to both larger shipments and higher prices. By contrast, coffee exports fell by around 21% to only just over US\$ 600 million, hit by faltering coffee-bean prices and the policy of withholding exports in response to the adverse market situation. Non-traditional exports also shrank by 4% owing to the low real exchange rate.

Despite the political crisis and the downturn in domestic demand, foreign investors have not forsaken the Colombian economy. Net inflows in the capital account totalled over US\$ 1.7 billion during the first seven months of 1996, 5% more than in the same period the preceding year. These funds have not benefitted the oil sector alone. Mexican investors have bought up two Colombian cement works, to the value of US\$ 600 million, while a Spanish bank, the Banco Bilbao Vizcaya, has acquired a 40% share in Banco Ganadero, Colombia's largest financial institution, for US\$ 330 million. Issues of Colombian bonds on the international market have also been successful, raising over US\$ 1.4 billion during the first half of the year.

Table 1  
COLOMBIA: INDUSTRIAL PRODUCTION  
(Percentage variations)<sup>a</sup>

	Total industry	Coffee milling	Total industry excluding coffee milling	Consumer goods	Intermediate goods	Capital goods <sup>b</sup>	Vehicles
<b>1992</b>							
I	7.7	30.8	5.9	3.8	5.7	12.2	14.5
II	1.9	37.8	-0.8	-3.1	-0.8	13.7	3.3
III	7.2	40.3	5.0	0.3	5.6	25.5	17.4
IV	6.1	30.9	3.9	-0.1	1.8	15.0	43.1
<b>1993</b>							
I	4.9	4.6	4.9	...	...	...	...
II	4.6	-11.7	6.2	...	...	...	...
III	4.1	-15.6	6.0	...	...	...	...
IV	3.1	-18.0	5.3	...	...	...	...
<b>1994</b>							
I	3.3	-28.2	4.5	...	...	...	...
II	5.8	-4.4	4.9	...	...	...	...
III	7.3	14.3	4.9	...	...	...	...
IV	3.8	-24.8	3.5	...	...	...	...
<b>1995</b>							
I	3.2	-19.1	6.5	...	...	...	...
II	-0.3	-34.8	2.0	...	...	...	...
III	-1.1	-28.8	0.7	...	...	...	...
IV	5.0	13.1	4.6	...	...	...	...
<b>1996</b>							
I	0.6	15.9	-0.3	...	...	...	...

Source: National Bureau of Statistics (DANE).

<sup>a</sup> Variation with respect to the same period of the preceding year.

<sup>b</sup> Excluding vehicles.

Table 2  
COLOMBIA: INDICATORS OF ECONOMIC ACTIVITY

	January-June				Percentage variation		
	1995				1995	January-June	
		1994	1995	1996		1995	1996
<b>Mining</b>							
Crude oil <sup>a</sup>	214	79	100	113	28.9	25.9	12.6
Gold <sup>b</sup>	194	401	132	32	-71.3	-67.0	-75.9
Silver <sup>b</sup>	21	117	14	4	-88.5	-87.9	-72.2
Iron ore <sup>c</sup>	572	184	275	291	3.5	49.6	6.0
<b>Manufacturing</b>							
Sugar <sup>c</sup>	2 058	889	1 017	959	4.8	14.5	-5.7
Cement <sup>c</sup>	9 229	4 371	4 518	3 541 <sup>e</sup>	0.2	3.4	-5.8 <sup>f</sup>
Steel ingots <sup>c</sup>	295	92	138	135	14.9	50.8	-2.4
Assembled vehicles <sup>d</sup>	80	38	42	35 <sup>e</sup>	-0.5	9.4	-5.3 <sup>f</sup>

Source: Bank of the Republic of Colombia and National Bureau of Statistics (DANE).

<sup>a</sup> Millions of barrels. <sup>b</sup> Thousands of troy ounces. <sup>c</sup> Thousands of tons. <sup>d</sup> Thousands of units. <sup>e</sup> January-May. <sup>f</sup> January-May 1996 with respect to the same period of the preceding year.

Table 3  
COLOMBIA: UNEMPLOYMENT RATE

	1994				1995				1996	
	March	June	September	December	March	June	September	December	March	June
Total	10.2	9.8	7.6	7.9	8.0	9.0	8.7	9.5	10.2	11.7
Bogotá	8.1	0.7	4.9	7.2	6.5	8.1	6.3	7.7	8.2	9.7
Barranquilla	11.3	11.8	10.1	8.8	9.8	8.4	11.2	10.1	10.9	12.6
Cali	10.8	10.3	11.3	6.9	9.1	11.2	10.1	10.8	13.1	14.8
Medellín	13.2	11.9	8.6	8.4	9.2	9.8	10.9	11.9	11.6	12.8

Source: Bank of the Republic of Colombia and National Bureau of Statistics (DANE).

Table 4  
COLOMBIA: PRICE INDEXES  
(Percentage variations)

	Consumer price index						Producer price index <sup>a</sup>					
	1995			1996			1995			1996		
	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months
January	1.8	1.8	21.0	2.5	2.5	20.2	1.0	1.0	18.7	3.0	3.0	17.7
February	3.5	5.4	20.9	4.0	6.6	20.8	2.6	3.6	18.4	2.3	5.4	17.4
March	2.6	8.2	21.3	2.1	8.9	20.2	2.7	6.4	18.7	1.7	7.2	16.3
April	2.2	10.6	21.2	2.0	11.1	19.9	2.4	8.9	19.7	0.9	8.2	14.6
May	1.7	12.5	21.3	1.6	12.9	19.9	1.3	10.3	20.0	1.3	9.6	14.6
June	1.2	13.8	21.7	1.1	14.1	19.8	1.5	12.0	21.5	0.1	9.7	13.0
July	0.8	14.7	21.5	1.6	15.9	20.7	0.4	12.4	19.4	1.0	10.8	13.7
August	0.6	15.4	21.0	1.0	17.1	21.2	0.3	12.8	17.8			
September	0.8	16.4	20.8				0.2	13.0	17.2			
October	0.9	17.4	20.5				0.2	13.2	15.6			
November	0.8	18.4	20.2				1.2	14.6	15.7			
December	0.9	19.5	19.5				0.7	15.4	15.4			

Source: ECLAC, on the basis of figures from the National Bureau of Statistics (DANE).

<sup>a</sup> The producer price index replaced the wholesale price index beginning in January 1991.

Table 5  
COLOMBIA: EXCHANGE RATE

	Market exchange rate (Pesos per dollar)				Adjusted real exchange rate <sup>a</sup> (Index 1985=100)			
	1993	1994	1995	1996	1993	1994	1995	1996
January	745.5	816.2	846.6	1 011.2	114.6	105.0	92.5	92.8
February	749.1	817.7	850.9	1 029.6	111.8	101.8	90.2	91.2
March	764.4	819.8	865.8	1 045.0	112.4	100.2	89.7	91.1
April	771.8	829.9	873.4	1 050.9	111.7	99.2	88.8	90.2
May	779.7	841.4	877.0	1 066.2	111.2	99.1	87.9	90.3
June	784.2	830.9	874.9		110.3	97.3	86.9	
July	795.1	819.1	893.2		110.5	95.3	88.0	
August	804.6	814.8	935.1		110.7	94.3	91.9	
September	809.7	830.1	954.2		110.3	95.3	93.2	
October	814.5	839.3	985.0		110.3	95.3	95.6	
November	814.1	830.0	1 000.6		108.9	93.4	95.4	
December	803.5	829.2	988.2		106.3	91.9	92.4	

Source: ECLAC, on the basis of figures from the Bank of the Republic of Colombia and the International Monetary Fund (IMF).

<sup>a</sup> Index of the nominal exchange rate, deflated by the consumer price index and adjusted by the United States consumer price index.

Table 6  
COLOMBIA: TRADE BALANCE

	Millions of dollars						Percentage variation <sup>a</sup>			
	Exports FOB		Imports CIF		Trade balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
<b>1995</b>										
January	686	686	935	788	-249	-102	37.1	37.1	18.8	-14.7
February	747	1 433	988	1 923	-241	-491	24.6	30.3	31.3	24.9
March	908	2 341	1 222	3 145	-313	-804	57.1	39.5	32.2	27.7
April	790	3 130	1 038	4 182	-248	-1 052	23.9	35.2	12.0	23.4
May	917	4 047	1 263	5 445	-346	-1 398	44.3	37.2	27.5	24.3
June	841	4 888	1 244	6 689	-403	-1 801	15.0	32.8	23.7	24.2
July	803	5 691	1 145	7 834	-342	-2 143	17.7	30.4	20.0	23.6
August	848	6 539	1 204	9 038	-356	-2 500	-2.0	25.1	0.9	20.0
September	790	7 329	1 204	10 242	-413	-2 913	4.2	22.4	7.5	18.4
October	851	8 181	1 199	11 441	-348	-3 260	10.1	21.0	14.3	17.9
November	862	9 042	1 222	12 663	-360	-3 620	3.0	19.0	13.9	17.5
December	801	9 843	1 191	13 853	-390	-4 010	-0.1	17.2	7.6	16.6
<b>1996</b>										
January	668	668	1 075	1 359	-406	-691	-2.6	-2.6	14.9	72.5
February	797	1 465	1 084	2 158	-287	-693	6.7	2.3	9.7	12.2
March	922	2 387	1 087	3 246	-166	-859	1.5	2.0	-11.0	3.2
April	966	3 353	1 084	4 329	-118	-977	22.3	7.1	4.4	3.5
May	920	4 272	1 219	5 548	-299	-1 275	0.3	5.6	-3.5	1.9

Source: Bank of the Republic of Colombia.

<sup>a</sup> With respect to the same period of the preceding year.



**Table 7**  
**COLOMBIA: NET INTERNATIONAL RESERVES**  
(Millions of dollars)

	Amount			Absolute variation					
	1994	1995	1996	Quarter <sup>a</sup>			Year <sup>b</sup>		
				1994	1995	1996	1994	1995	1996
March	8 131	8 314	7 926	262	312	-398	262	312	-398
June	7 989	8 554	7 961	-142	240	35	120	552	-36.3
September	7 775	8 325		-214	-229		-94	323	
December	8 002	8 324		227	-1		133	322	

Source: Bank of the Republic of Colombia.

<sup>a</sup> With respect to the preceding quarter.

<sup>b</sup> With respect to December of the preceding year.

**Table 8**  
**COLOMBIA: VARIATION IN MONETARY AGGREGATES**  
(Percentage variations) <sup>a</sup>

	Monetary base	M1 <sup>b</sup>	M2 <sup>c</sup>
<b>1995</b>			
March	15.9	19.3	39.1
June	22.6	17.8	38.3
September	20.1	12.9	33.7
December	-6.5	19.4	26.1
<b>1996</b>			
March	22.5	18.9	19.5
June	6.6	15.0	15.8

Source: Bank of the Republic of Colombia.

<sup>a</sup> With respect to the same period of the preceding year.

<sup>b</sup> Money.

<sup>c</sup> M1 + quasi-money.

**Table 9**  
**COLOMBIA: EFFECTIVE INTEREST RATES**  
(Annualized percentages)

Monthly averages	Nominal		Real <sup>a</sup>		Equivalents in dollars <sup>b</sup>	
	Deposits	Loans	Deposits	Loans	Deposits	Loans
<b>1995</b>						
March	32.9	43.9	-2.4	5.6	-3.6	4.4
June	30.8	41.8	13.3	22.9	22.3	32.7
September	28.8	40.4	16.5	27.0	18.7	29.3
December	32.3	42.0	18.5	27.2	50.3	61.3
<b>1996</b>						
March	32.5	43.1	3.2	12.4	20.0	30.7
June	30.3	...	13.8	...	36.2	...

Source: ECLAC, on the basis of official figures and data supplied by the International Monetary Fund (IMF).

<sup>a</sup> Nominal rates deflated by the variation in consumer prices over the period.

<sup>b</sup> Ratio of nominal rates to devaluation over the period.

## ECUADOR

The performance of the Ecuadorian economy during the first half of 1996 was marred by the same weaknesses that it displayed in 1995, namely deteriorating public-sector finances, high interest rates, assaults on the exchange rate and a crisis in the financial sector. It has also been affected by the uncertainties generated by the election campaign, which culminated in a change of Administration in August. The downward trend in inflation has gone into reverse, and output growth rate remained low at an estimated rate of below 3% for the year.

This slowdown in growth has resulted in a marked drop in imports which has narrowed the current account deficit considerably.

The outgoing Administration opted for a policy that aimed to secure the ground it had gained in terms of stability, while refraining from making major changes or undertaking any ambitious projects. The objectives it established were somewhat more demanding than the results of 1995: 3% growth in output, a 19% inflation rate and balanced accounts in the non-financial public sector.

During the first few months of the year, the decline in the level of activity and in imports drove fiscal revenues down, while various factors conspired to push expenditure above its planned level. Chief among these were wage rises for different groups of public-sector employees, a number of cases of embezzlement of Treasury funds, and the steps taken to clean up the portfolio of the State-owned Banco Nacional de Fomento and to provide it with an injection of capital.

As in 1995, the authorities have opted to finance part of the resulting deficit through domestic borrowing. They have announced that, with some additional cuts in programmed expenditure, the deficit will equal 1.7% of GDP by the end of the year. On the other hand, some independent observers, as well as the incoming Administration, believe it will in fact be more –possibly as much as 4% of GDP.

Exchange rate pressures have not eased, despite the acceleration in the nominal devaluation of the sucre resulting from the decision to increase the gradient of the currency band in October 1995. Throughout the first half of 1996, the price of the dollar hovered near the ceiling of the band. Since domestic inflation exceeded official forecasts, however, between December 1995 and June 1996 the sucre appreciated by 4% in real terms against a basket of the currencies of Ecuador's main trading partners. This tendency was exacerbated by the imminent prospect of a change of Administration and the prevailing uncertainty surrounding the new economic policy. The authorities found themselves obliged to sell more dollars in order to prop up the currency band until, finally, the day before the change of Administration, they decided to rise the band and increase the gradient from 16.5% to 18.5% in response to expectations of higher inflation.

In late 1995 and early 1996, a crisis overtook a series of financial institutions, and the authorities had to intervene to avert the collapse of the financial system: emergency credits were granted, incentives were offered to encourage financial institutions to merge, a freeze was imposed on the issuance of new operating licences for banks, capital requirements for financial institutions were raised and improvements were made in the supervision of the sector. In March 1996, the Central Bank granted a subordinated credit to the Banco Continental, one of Ecuador's largest banks, and took over its management with a view to its re-privatization.

In order to lessen the impact that the expansion of credit to the financial sector might have on the money supply, the authorities relied increasingly on issues of monetary stabilization bonds, which more than tripled between December 1995 and June 1996. At the same time,

however, Central Bank deposits by the non-financial public sector contracted. As a result, money creation during the first half of the year was 37% up on the same period of 1995. Against a background of intense pressure on the exchange rate and a climate of uncertainty in the market, interest rates remained very high, with the reference rate standing at over 60% midway through the year.

In order to solve the production sector's liquidity problems and so help to stabilize the financial sector, a credit package has been put together using funds from the Andean Development Corporation and the National Finance Corporation (CFN). However, since by the end of the first half the external portion of these funds had still not been made available, thus far only US\$ 30 million in loans, drawn from CFN funds, has been granted.

The persistence of high interest rates and uncertainty in the market have prevented any vigorous recovery in the level of activity. First-quarter growth was 1.7% and was based mainly on the trend in household consumption.

The price index has accelerated somewhat, after counter-inflationary trends showed signs of faltering in 1995. In August the annualized variation in the CPI was 25%, two points above that recorded last December, which makes it unlikely that the original 1996 target of 19% will be met. The outgoing Administration continued its policy of restoring the value of the minimum wage, and during the first half of the year it was 11% up (including supplementary allowances) on the same period of 1995 in real terms.

A remarkable improvement in the trade balance has had a positive impact on the current account. Exports have risen by 2%, with bananas and non-traditional exports turning in the best performances. Thanks to the recovery in the international prices of crude oil, petroleum exports have improved somewhat even though their volume has continued to be limited by inadequate pipeline capacity. Other important categories such as coffee and shrimp have declined in terms of their total value, however, chiefly owing to lower prices. The overall 15% drop in imports has been reflected in all product categories, but the decreases have been particularly sharp in capital goods and fuels and lubricants, which have contracted by 28%. There has also been a drop in arms purchases, which were quite substantial in 1995 as a result of the conflict with Peru.

Thus, the trade surplus in goods swelled from US\$ 160 million during the first half of 1995 to US\$ 510 million in the same period of 1996, while the balance of non-factor services was largely unchanged. It is hoped that Ecuador's membership in the World Trade Organization (WTO) (it joined in January 1996) will act as a spur to foreign trade.

Despite the widening of the deficit in the factor services account as a result of higher external debt service payments, the current account balance has improved considerably. Indeed, during the first quarter the deficit was less than US\$ 50 million, and official estimates for the year as a whole put it at around 3.5% of GDP.

These improvements in the current account notwithstanding, direct investment and inflows of long-term capital have diminished, and the outflow of short-term capital has continued. Consequently, midway through the year, Ecuador's international monetary reserves registered a level similar to that of December 1995, i.e., around US\$ 1.6 billion.

Table 1  
ECUADOR: TRADE BALANCE  
(Millions of dollars)

	Exports FOB		Imports CIF		Trade balance		Percentage variation <sup>a</sup>			
							Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
<b>1995</b>										
January	328	328	349	349	-21	-21	35.3	35.3	32.6	32.6
February	342	669	286	634	56	35	34.5	34.9	-7.4	11.0
March	383	1 052	343	977	40	75	26.2	31.6	37.1	19.0
April	388	1 440	310	1 287	78	153	43.3	34.6	21.3	19.5
May	390	1 830	389	1 676	1	154	24.6	32.3	12.3	17.8
June	356	2 186	350	2 026	7	160	21.9	30.5	8.3	-3.0
July	336	2 522	316	2 342	20	180	-5.7	24.1	-7.5	-4.0
August	387	2 909	371	2 713	16	196	7.5	21.6	5.7	-2.0
September	351	3 259	415	3 128	-65	131	-11.7	16.9	25.8	1.6
October	373	3 632	392	3 520	-20	111	1.0	15.0	26.2	5.2
November	374	4 006	360	3 880	15	126	8.1	14.4	35.4	7.1
December	355	4 361	315	4 195	40	166	4.6	13.5	13.7	15.8
<b>1996</b>										
January	356	356	338	338	18	18	8.6	8.6	-2.9	-2.9
February	342	698	277	615	66	83	0.2	4.3	-3.0	-3.0
March	412	1 111	327	942	85	168	7.7	5.5	-4.7	-3.6
April	386	1 496	315	1 257	71	239	-0.5	3.9	1.7	-2.3
May	386	1 883	230	1 488	156	395	-0.9	2.9	-40.8	-11.2
June	357	2 240	240	1 728	117	513	0.3	2.5	-31.4	-14.7

Source: Central Bank of Ecuador.

<sup>a</sup> With respect to the same period of the preceding year.

Table 2  
ECUADOR: EXPORT STRUCTURE <sup>a</sup>  
(Millions of dollars)

	Primary products						Manufactured goods		Percentage variation <sup>b</sup>			
	Total		Oil		Non-oil				1996			
	1995	1996	1995	1996	1995	1996	1995	1996	Pri.	Oil	Non-oil	Manu.
January	269	281	107	114	162	167	59	75	4.5	6.8	3.0	26.6
February	544	552	209	218	334	334	126	146	1.6	4.0	0.1	15.9
March	851	876	327	342	524	534	201	234	2.9	4.7	1.8	16.5
April	1 173	1 173	465	464	708	709	267	323	0.0	-0.4	0.2	21.0
May	1 492	1 475	601	582	891	893	338	408	-1.1	-3.2	0.3	20.5
June	1 783	1 754	710	696	1 072	1 058	404	486	-1.6	-2.0	-1.4	20.4
July	2 042		804		1 238		481					
August	2 358		934		1 424		551					
September	2 640		1 026		1 614		620					
October	2 948		1 154		1 793		685					
November	3 252		1 278		1 974		754					
December	3 539		1 395		2 144		822					

Source: Central Bank of Ecuador.

Note: Pri. = Primary. Manu. = Manufactured goods.

<sup>a</sup> Cumulative figures. <sup>b</sup> With respect to the same period of the preceding year.

**Table 3**  
**ECUADOR: IMPORT STRUCTURE, CIF <sup>a</sup>**  
(Millions of dollars) <sup>b</sup>

	Consumer goods		Fuels and lubricants		Raw materials		Capital goods		Percentage variation <sup>c</sup>			
									1995			
	1995	1996	1995	1996	1995	1996	1995	1996	CG	FL	RM	CAP
January	60.3	59.2	10.0	15.0	139.4	156.2	138.9	107.9	-1.9	50.5	12.1	-22.3
February	113.9	110.0	24.9	26.7	255.4	292.2	239.7	186.2	-3.4	7.1	14.4	-22.3
March	179.3	179.8	38.6	44.1	401.1	441.4	358.0	276.8	0.3	14.2	10.0	-22.7
April	234.0	243.3	71.9	67.6	519.3	566.8	461.7	379.7	4.0	-5.9	9.2	-17.8
May	308.5	303.5	96.3	74.7	685.9	667.5	584.9	441.8	-1.6	-22.4	-2.7	-24.5
June	394.4	346.4	107.7	77.9	812.1	789.6	710.9	513.3	-12.2	-27.6	-2.8	-27.8
July	463.2		118.4		948.1		811.6					
August	537.7		144.2		1 101.9		928.2					
September	613.0		192.6		1 278.9		1 042.9					
October	685.2		207.6		1 442.4		1 184.7					
November	761.0		227.9		1 597.5		1 293.0					
December	819.9		243.5		1 719.5		1 410.9					

Source: Central Bank of Ecuador.

Note: CG = Consumer goods. FL = Fuels and lubricants. RM = Raw materials. CAP = Capital goods.

<sup>a</sup> Classified by economic use or purpose. <sup>b</sup> Cumulative figures. <sup>c</sup> With respect to the same period of the preceding year.

**Table 4**  
**ECUADOR: NET INTERNATIONAL RESERVES**

	Millions of dollars <sup>a</sup>			Absolute variation			
				1995		1996	
	1994	1995	1996	Month <sup>b</sup>	Year <sup>c</sup>	Month <sup>b</sup>	Year <sup>c</sup>
March	1 332	1 608	1 559	276	-104	-49	2
June	1 445	1 770	1 571	325	58	-199	14
September	1 583	1 661		78	-51		
December	1 712	1 557		-155	-155		

Source: Central Bank of Ecuador.

<sup>a</sup> Month-end balances. <sup>b</sup> With respect to the same month of the preceding year. <sup>c</sup> With respect to December of the preceding year.

**Table 5**  
**ECUADOR: EXCHANGE RATES**

	Average exchange rate (Sucre per dollar)				Adjusted real exchange rate (Index 1985=100) <sup>a</sup>			
	Managed floating rate		Floating rate		Managed floating rate		Floating rate	
	1995	1996	1995	1996	1995	1996	1995	1996
January	2 300.7	2 894.6	2 347.6	2 923.4	106.4	110.5	89.7	92.2
February	2 360.0	2 912.6	2 389.4	2 950.3	108.3	108.8	90.6	91.0
March	2 382.6	2 972.5	2 407.4	3 022.8	107.6	108.4	89.8	91.1
April	2 398.9	3 032.9	2 432.9	3 071.7	105.9	108.1	88.8	90.4
May	2 430.8	3 072.6	2 457.5	3 116.5	105.5	110.0	88.1	92.2
June	2 479.3	3 095.9	2 532.1	3 138.4	106.5	109.3	89.9	91.6
July	2 550.3		2 574.5		108.8		90.8	
August	2 558.4		2 592.9		108.3		90.7	
September	2 598.2		2 631.9		107.6		90.0	
October	2 638.3		2 680.1		108.2		90.8	
November	2 743.9		2 816.6		109.7		93.0	
December	2 877.4		2 916.6		111.9		93.7	

Source: ECLAC, on the basis of figures from the Central Bank of Ecuador.

<sup>a</sup> Index of the nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index.

Table 6  
ECUADOR: CONSUMER PRICE INDEX  
(Percentage variations)

	1995			1996		
	Month	Year	12 months	Month	Year	12 months
January	3.0	3.0	26.9	2.4	2.4	22.1
February	1.2	4.2	23.5	2.5	5.0	23.7
March	2.0	6.3	22.7	2.9	8.0	24.8
April	2.6	9.0	22.2	2.8	11.0	25.1
May	2.0	11.1	22.9	-0.3	10.7	22.4
June	1.2	12.5	22.5	1.5	12.4	22.8
July	0.7	13.3	22.6	1.7	14.3	24.0
August	1.1	14.5	22.1	2.0	16.5	25.1
September	2.5	17.3	22.9			
October	1.3	18.8	23.0			
November	1.6	20.7	22.2			
December	1.8	22.8	22.8			

Source: National Institute of Statistics and Censuses, INEC.

Table 7  
ECUADOR: MONETARY AGGREGATES  
(Percentage variations)<sup>a</sup>

	Money supply (M1)				Money issue			
	Year <sup>b</sup>		12 months <sup>c</sup>		Year <sup>b</sup>		12 months <sup>c</sup>	
	1995	1996	1995	1996	1995	1996	1995	1996
January	-4.6	-8.2	47.8	8.4	10.7	-14.3	64.1	-1.8
February	-9.8	-8.2	31.9	14.7	8.3	-5.2	59.8	11.0
March	-12.4	-4.3	23.0	23.2	-3.5	-2.4	30.8	28.3
April	-4.2	2.2	34.0	20.2	0.1	3.1	35.6	30.6
May	-3.9	0.1	46.0	17.3	-5.2	4.5	31.7	39.8
June	-2.3	3.4	29.3	19.3	-0.4	7.5	34.5	36.9
July	-1.7		24.4		2.7		24.4	
August	-0.9		24.8		2.8		25.5	
September	3.2		14.9		8.5		22.9	
October	0.4		12.7		10.1		25.3	
November	-0.4		12.6		6.5		24.0	
December	12.7		12.7		26.8		26.8	

Source: Central Bank of Ecuador.

<sup>a</sup> Percentage variation calculated with respect to month-end balances. <sup>b</sup> With respect to December of the preceding year. <sup>c</sup> With respect to the same month of the preceding year.

Table 8  
ECUADOR: MINIMUM LIVING WAGE AND EXTRA ALLOWANCES<sup>a</sup>  
(Index January 1990=100)

	Nominal minimum wage				Real minimum wage				
	Suces		Index		Index		Percentage variation		
	1995	1996	1995	1996	1995	1996	Month	Year <sup>b</sup>	12 months <sup>c</sup>
January	331 417	453 750	709.2	970.9	121.9	136.7	16.8	12.1	12.1
February	331 417	453 750	709.2	970.9	120.4	133.3	-2.5	11.4	10.7
March	331 417	453 750	709.2	970.9	118.1	129.5	-2.9	10.8	9.7
April	331 417	453 750	709.2	970.9	115.5	126.0	-2.7	10.4	9.1
May	331 417	453 750	709.2	970.9	112.9	126.3	0.2	10.7	11.9
June	331 417	453 750	709.2	970.9	111.6	124.5	-1.4	10.8	11.6
July	375 583	513 750	803.7	1 099.3	125.6	138.5	11.2	10.8	10.3
August	375 583		803.7		124.3				
September	375 583		803.7		122.5				
October	375 583		803.7		121.0				
November	375 583		803.7		119.1				
December	375 583		803.7		117.0				

Source: ECLAC, on the basis of official figures.

<sup>a</sup> Private sector. <sup>b</sup> Percentage variation of the cumulative average index with respect to the same period of the preceding year. <sup>c</sup> With respect to the same month of the preceding year.

## MEXICO

After being hit in 1995 by its worst recession since the 1930s, the Mexican economy is beginning to make a recovery. GDP climbed 3% in the first six months of 1996 thanks to the buoyancy of exports and a moderate upturn in domestic demand which lowered unemployment and spurred imports. Tight monetary and fiscal policies and the appreciation of the peso in real terms have paved the way for a gradual decline in inflation, while a reduction in interest rates has helped to stabilize financial markets. The persistence of the crisis in the banking system—one of the main obstacles to a normalization of economic activity—has prompted the Government to strengthen its debt relief programmes.

Fiscal policy-makers continue to place priority on balancing public finances in an effort to take pressure off the financial market. In the first half of the year, the public sector's accounts yielded a surplus equivalent to 0.6% of GDP, but in real terms its amount was 45% lower than the figure for the first six months of 1995.

A 12% drop in tax revenues, which is primarily attributable to the lower level of income tax receipts, has driven government income down by more than 4% in real terms. The erosion of income has been held in check, however, by the upward trend in international oil prices, which has bolstered the balance sheet of the State-controlled oil company, *Petróleos Mexicanos* (PEMEX), whose profits have nearly trebled in real terms. Falling into step with the trend in income, expenditure is also down by 4%. Nevertheless, spending on infrastructure and on assistance, transfers and subsidies has been increased (11% and 50%, respectively) in order to buttress the reactivation of the economy. Interest payments on the public debt have decreased by 15% after having doubled during the first half of 1995.

In an effort to provide prompt debt relief, the Government has been restructuring debtors' loans with the help of nearly US\$ 12 billion in financing which it obtained on the international market on softer terms than those it had agreed to with the IMF and the United States in 1995. In addition, in May the Government swapped Brady bonds for a new global bond totalling US\$ 1.75 billion and, in June, made a US\$ 7 billion prepayment to the United States Treasury, thereby cutting its debt overhang with the United States to US\$ 3.7 billion. The restructuring of the public external debt has reduced its net balance by US\$ 500 million, bringing it to US\$ 90 billion, or 27% of GDP, by the end of the second quarter.

In an effort to help stabilize financial markets, curtail inflation and maintain the flexible exchange-rate regime, the authorities set contractionary targets for the expansion of the supply of domestic credit to be made available by the Bank of Mexico. Thus, between July 1995 and July 1996, the net balance of such credit plunged 21% in real terms and the monetary base shrank by 2%. Lending by private banks to the non-bank sector has fallen off by over 4%, which demonstrates just how slack the demand for credit has been, despite the fresh resources made available to private economic agents under programmes designed to help put the banking system back on a sound financial footing. This is partially due to the fact that real interest rates are not only positive but have remained quite high (the leading financial instrument, 28-day CETES, averaged 8% in real terms between January and August), even though nominal rates plummeted by more than 20 points during the first eight months of the year.

The volume of government securities in circulation has edged upward. The Government ceased issuing TESOBONOS and then, in May, began to offer a new instrument—UDIBONOS—whose real yield is denominated in the unit of account (the UDI) that was created in April 1995 as part of the effort to promote saving and restructure bank credits. The stock exchange is

starting to bounce back and the volatility of stock quotations has diminished, although returns have been virtually nil in real terms.

The Bank of Mexico has played no more than a sporadic and marginal role in the currency market. During the first eight months of 1996, the peso appreciated 15% in real terms under a system of floating exchange rates. This trend has been fuelled by the level of foreign exchange brought into the country by the trade surplus and capital inflows. Around US\$ 4 billion has been added to the Bank of Mexico's net international reserves, bringing the total to US\$ 3.6 billion. In an effort to back up this trend, in August the Bank of Mexico began to hold monthly auctions in which lending institutions can bid for the right to sell it dollars during the following month. The Bank of Mexico acquired US\$ 130 million at the first auction and US\$ 200 million at the second.

Although the appreciation of the peso has been a drawback from the standpoint of foreign trade, it has helped the country to pull inflation down to its target level. The maintenance of positive real interest rates, as part of the country's monetary and fiscal austerity plan, has had the same type of effect. Despite higher prices for commodities and public-sector goods and services, as well as a 12% increase in the minimum wage in April, the rate of inflation for the first eight months of the year amounted to 18.5%, which was only half as much as in the same period of 1995. In addition, collective wage bargaining in January and February resulted in an average wage hike of 20%, which made up for only part of the decrease seen the year before.

The reactivation was more palpable in the second quarter, when output was over 7% higher than it had been during the severe slump experienced in the second quarter of 1995. This upswing was associated primarily with a strong export performance and a modest resurgence of domestic demand. The agricultural, mining, manufacturing and services sectors have all benefited from this trend, but construction remains sluggish.

Output has expanded in eight of the nine manufacturing subsectors, with especially notable increases being registered in textiles and wearing apparel (17%), basic metals (17%) and machinery and equipment (18%). After tumbling 18% in 1995, motor vehicle production and exports jumped 37% in the first seven months of 1996. The sector's total sales climbed 17%, in stark contrast to the 70% downturn seen in 1995. An industrial development programme has also been launched which includes a number of innovations not present in the programme implemented from 1988 to 1994. For example, to help counter the dampening effect which liberalization measures initially have on manufacturing activity, the programme includes an active industrial policy whose basic aim is to promote the integration of production chains and an efficient form of import substitution.

The agricultural sector has been hurt by a long, severe drought in the northern part of the country which has ravaged livestock production and spring/summer crops. This has led to a sharp increase in the country's imports of grains, milk and other farm produce, which are usually quite substantial even under normal circumstances, and this, in combination with the upswing in the international prices of basic grains, has driven up the country's hard-currency import bill. The Government set up a programme to help mitigate the effects of the drought and later supplemented it with a package of incentives for basic grain cultivation.

The crisis in the banking system has entered into a new phase in 1996. The financial reorganization programmes implemented the year before had helped to boost liquidity and improve the capitalization indexes of the country's financial institutions thanks, in large part, to the Government's decision to buy up bank portfolios valued at the equivalent of 5% of GDP. Since debtors have continued to have difficulty in meeting their obligations, however, the ratio of bad debts to total loan portfolios has remained high (around 18%), prompting the authorities



and banks to augment their relief package. As a result, between the end of 1995 and August 1996, the cost to the Government of the bailout climbed from six to eight points of GDP.

Despite an improvement in the banking system's financial indicators, the persistence of high default rates on bank loans is a worrisome sign. The upturn in economic activity and slowdown in inflation ought to help upgrade the quality of bank portfolios. Nevertheless, it is felt that only a consolidation of the stability now reigning in the country's financial markets can break the vicious circle of economic stagnation and default.

The downward trend in unemployment, which was already discernible in the closing months of 1995, has taken on a more definite outline. Open unemployment in July (5.8%) was below the 1995 average but far above the mean figure for 1994. In the first half of the year, the number of jobs in the formal sector that entitle their holders to social security coverage rose by 337,000, thereby matching the sector's end-1994 levels. Employment in the *maquila* industry has advanced at a particularly rapid pace, passing the 750,000 mark in June 1996 (19% higher than employment in this sector in June 1995).

The cumulative trade surplus for the first seven months of the year amounted to US\$ 4.6 billion, thus besting the US\$ 3.9 billion figure recorded for the corresponding period in 1995 and rounding out 18 consecutive months of surpluses. The size of these surpluses has been declining, however, inasmuch as the expansion of imports has been outpacing export growth since April. Even so, thanks to the country's larger trade surplus in the first six months of the year, the US\$ 750 million deficit posted for the current account of the balance of payments in the first half of 1995 gave way to a US\$ 520 million surplus in the first half of 1996.

Total merchandise exports for January-July (including those of the *maquila* industry) were up 20% on the corresponding period of the preceding year, which represented a slowdown from the 32% growth rate recorded for the first seven months of 1995. Sales of manufactures climbed by 23% (26% for the non-*maquila* sector and 16% for the *maquila* industry), but agricultural exports were considerably lower. Mexico's exports of manufactures continue to be concentrated in a small number of products, firms and markets.

The cumulative gain of 20% in the value of imports during this same period stood out in contrast to the 8% decline registered in the same months of 1995. The upsurge is attributable to the fact that agricultural imports have doubled as well as to the economy's rebounding level of activity. Purchases of intermediate goods swelled 22%, while imports of consumer goods marked up an increase of 13% and those of capital goods climbed 14%. In a significant departure from the situation in 1995, imports of intermediate and capital goods by companies other than export firms rose steeply (17% and 11%, respectively) as a result of their replenishment of inventories and the reactivation of domestic demand.

The gradual normalization of the country's financial markets and the steps taken to restructure the external debt payments falling due in the immediate future have set the scene for a resumption of inflows of private external capital. Foreign investment has made a strong comeback thanks, in particular, to a turnaround in portfolio investment, which jumped from a negative balance of US\$ 11 billion in the first half of 1995 to a positive flow of US\$ 4.7 billion in the same months of 1996. On the other hand, direct investment shrank from nearly US\$ 4 billion to slightly more than US\$ 3 billion during the same period. Overall, incoming foreign investment totalled US\$ 7.8 billion in the first half of the year, as opposed to an outflow of over US\$ 7 billion in the first six months of 1995.

Table 1  
**MEXICO: QUARTERLY GROSS DOMESTIC PRODUCT<sup>a</sup>**  
(Growth rates)<sup>b</sup>

	1995					1996 <sup>c</sup>	
	I	II	III	IV	Year	I	II
<b>Total</b>	<b>-1.0</b>	<b>-9.8</b>	<b>-8.1</b>	<b>-5.8</b>	<b>-6.2</b>	<b>-1.0</b>	<b>7.2</b>
Agriculture, forestry and fishing	0.5	-12.3	10.6	-4.9	-2.5	0.8	4.0
Mining	-1.9	-3.3	-2.9	-5.6	-3.4	6.2	7.2
Manufacturing	1.6	-9.3	-6.6	-3.6	-4.6	4.2	13.9
Construction	-15.1	-30.3	-26.0	-21.4	-23.3	-6.8	7.8
Electricity, gas and water	5.5	1.9	0.7	0.7	2.1	2.9	4.1
Transport, storage and communications	1.0	-7.5	-5.8	-5.7	-4.5	1.1	14.3
Commerce, restaurants and hotels	-4.2	-18.6	-17.7	-15.4	-14.1	-7.0	7.9
Financial services, insurance and real estates	4.5	-0.2	-2.4	-3.3	-0.4	-3.1	2.1
Community, social and personal services	-1.6	-4.8	-6.6	0.9	-2.9	-1.8	2.0

Source: ECLAC, on the basis of official figures.

<sup>a</sup> The figures shown in this table have been calculated on the basis of new balance-of-payments data at constant 1993 prices (the base year for the data used in previous editions was 1980). <sup>b</sup> Percentage variation with respect to the same period of the preceding year. <sup>c</sup> Preliminary figures.

Table 2  
**MEXICO: PRODUCTION, BY SECTORS**  
(Percentage variations)<sup>a</sup>

	Total	Mining	Manufactures				Con- struction	Elec- trici- ty
			Total	Con- sumer goods	Inter- mediate goods	Cap- ital goods		
<b>1995</b>								
January	3.1	1.9	5.1	3.1	6.5	2.1	-4.7	6.2
February	0.5	0.9	3.1	1.9	4.4	-2.5	-11.3	6.3
March	-1.5	-1.0	1.5	0.6	2.1	-4.6	-15.2	5.5
April	-4.6	-1.2	-1.9	-2.3	-1.1	-9.1	-18.6	4.5
May	-5.7	-0.9	-2.8	-2.7	-1.9	-10.5	-20.9	4.1
June	-7.0	-1.2	-4.0	-3.6	-3.1	-13.4	-22.9	3.6
July	-7.6	-1.4	-4.5	-4.1	-3.5	-13.8	-23.9	3.2
August	-7.7	-1.3	-4.8	-4.5	-3.8	-14.1	-23.7	2.8
September	-7.8	-1.0	-4.9	-4.5	-4.1	-14.2	-24.0	2.6
October	-7.9	-2.5	-4.8	-4.4	-4.2	-13.0	-24.3	2.3
November	-7.9	-2.4	-4.8	-4.3	-4.3	-12.6	-24.2	2.2
December	-7.5	-1.8	-4.6	-4.1	-4.0	-12.7	-23.3	2.1
<b>1996</b>								
January	-0.2	3.5	1.5	2.2	0.7	8.6	-9.0	1.7
February	1.9	5.6	3.4	3.6	2.6	11.4	-6.2	2.3
March	2.2	6.8	3.6	3.3	3.8	9.9	-6.1	3.0
April	3.6	6.4	5.5	4.3	5.6	12.5	-5.3	2.9
May	5.5	6.7	7.3	5.2	6.7	18.6	-2.3	3.2
June	6.6	6.8	8.2	5.3	7.7	22.1	0.2	3.5

Source: ECLAC, on the basis of figures from the National Institute of Statistics, Geography and Information Sciences (INEGI).

<sup>a</sup> Of the cumulative average index with respect to the same period of the preceding year.

Table 3  
MEXICO: EMPLOYMENT AND UNEMPLOYMENT

	1994				1995				1996 <sup>a</sup>	
	I	II	III	IV	I	II	III	IV	I	II
<b>Percentage of EAP in 37 urban areas<sup>b</sup></b>										
Total open unemployment (TOU) <sup>c</sup>	3.7	3.6	3.9	3.6	5.2	6.5	7.4	6.1	6.2	5.6
Part-time employment and unemployment (PTEU1) <sup>d</sup>	8.1	8.0	7.7	7.4	9.3	11.0	12.0	10.7	11.0	10.4
Insufficient income and unemployment (IU) <sup>e</sup>	11.4	11.6	11.7	10.6	13.2	17.5	18.1	16.1	17.4	18.0
Part-time employment of less than 35 hours/week and unemployment (PTEU2) <sup>f</sup>	22.4	23.6	20.6	21.8	23.5	27.8	25.1	26.2	27.0	27.2

Source: ECLAC, on the basis of figures from the National Institute of Statistics, Geography and Information Sciences (INEGI) and the Mexican Social Security Institute (IMSS).

<sup>a</sup> Preliminary figures. <sup>b</sup> The economically active population (EAP), as defined by INEGI, includes all persons aged 12 and over who carried out some type of economic activity (employed population) or actively sought to do so (openly unemployed population) in the two months prior to the reference week used for the urban employment survey conducted in 37 urban areas. In 1992, INEGI began to publish the results of the urban employment survey for 34 urban areas. <sup>c</sup> TOU = The percentage of the total EAP represented by unemployed members of that population (with or without work experience) who neither earned wages nor were self-employed during the reference week (i.e., who worked less than one hour during that week), were available for employment and had actively sought work during at least one of the eight weeks leading up to the reference period. <sup>d</sup> PTEU1 = TOU plus the percentage of the population who worked less than 15 hours a week during the reference week. <sup>e</sup> IU = TOU plus the percentage of the employed population whose income was below the minimum wage. <sup>f</sup> PTEU2 = TOU plus the percentage of the employed population working less than 35 hours a week.

Table 4  
MEXICO: PRICE INDEXES  
(Percentage variations)

	Consumer price index						Wholesale price index <sup>a</sup>					
	1995			1996			1995			1996		
	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months
January	3.8	3.8	10.2	3.6	3.6	51.7	5.6	5.6	13.0	3.6	3.6	55.1
February	4.2	8.2	14.3	2.3	6.0	49.0	4.1	9.9	17.0	2.5	6.1	52.6
March	5.9	14.5	20.4	2.2	8.3	43.8	6.3	16.9	23.6	2.4	8.7	47.1
April	8.0	23.7	29.4	2.8	11.4	36.9	8.6	26.9	33.5	2.8	11.7	39.2
May	4.2	28.9	34.1	1.8	13.4	33.8	4.0	31.9	37.9	1.9	13.8	36.4
June	3.2	33.0	37.7	1.6	15.3	31.8	3.4	36.4	41.9	1.7	15.8	34.1
July	2.0	35.7	39.9	1.4	16.9	31.0	1.9	39.0	43.8			
August	1.7	37.9	41.6				1.9	41.7	45.7			
September	2.1	40.8	43.5				2.2	44.8	48.0			
October	2.1	43.7	45.7				2.2	48.0	50.6			
November	2.5	47.2	48.6				3.1	52.6	54.2			
December	3.3	52.0	52.0				3.6	58.1	58.1			

Source: ECLAC, on the basis of figures from the Bank of Mexico.

<sup>a</sup> In Mexico City.

**Table 5**  
**MEXICO: NOMINAL AND REAL WAGE INDEXES**

	Indexes <sup>a</sup>				Percentage variation in real wages <sup>b</sup>	
	Nominal		Real		Minimum wage <sup>c</sup>	Manufacturing sector wage
	Minimum wage <sup>c</sup>	Manufacturing sector wage	Minimum wage <sup>c</sup>	Manufacturing sector wage		
<b>1995</b>						
January	14 446	281.6	35.1	125.4	-3.6	-0.5
February	14 446	282.0	33.7	120.4	-7.3	-2.7
March	14 446	295.6	31.8	119.8	-12.3	-8.6
April	16 176	302.2	32.9	113.6	-8.6	-10.7
May	16 176	310.7	31.5	112.0	-12.1	-12.5
June	16 176	316.8	30.4	110.5	-14.4	-14.0
July	16 176	319.5	29.7	109.1	-15.9	-15.5
August	16 176	324.4	29.2	108.9	-16.8	-15.6
September	16 176	324.9	28.7	106.9	-17.5	-16.9
October	16 176	328.0	28.0	105.8	-19.0	-18.0
November	16 176	336.0	27.2	105.7	-20.6	-20.0
December	17 650	474.7	28.7	144.5	-15.7	-21.7
<b>1996</b>						
January	17 809	340.8	27.9	100.1	-20.4	-20.2
February	17 809	344.9	27.3	98.9	-18.8	-17.8
March	17 809	360.9	26.7	101.3	-15.9	-15.5
April	19 963	...	29.0	...	-11.9	...
May	19 963	...	28.4	...	-9.8	...
June	19 963	...	27.9	...	-8.2	...
July	19 963	...	27.5	...	-7.4	...

Source: ECLAC, on the basis of figures from the Bank of Mexico and the National Institute of Statistics, Geography and Information Sciences (INEGI).

<sup>a</sup> The base for the minimum wage index is 1978 = 100; the base for the manufacturing-sector wage index is 1989 = 100. <sup>b</sup> With respect to the same month of the preceding year. <sup>c</sup> The minimum wage does not benefit.

**Table 6**  
**MEXICO: TRADE BALANCE<sup>a</sup>**

	Millions of dollars						Percentage variation <sup>b</sup>			
	Exports FOB		Imports FOB		Balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
<b>1995</b>										
January	5 932	5 932	6 240	6 240	-308	-308	45.1	45.1	12.4	12.4
February	6 066	11 999	5 596	11 836	470	163	33.9	39.2	-7.3	2.1
March	6 788	18 787	6 354	18 190	434	597	31.7	36.4	-2.0	0.6
April	5 865	24 651	4 969	23 159	896	1 492	26.0	33.7	-18.2	-4.1
May	7 028	31 679	6 037	29 196	991	2 483	37.9	34.6	-8.6	-5.1
June	6 739	38 418	6 027	35 223	712	3 196	26.8	33.2	-13.1	-6.5
July	6 049	44 467	5 389	40 612	660	3 855	27.1	32.3	-14.5	-7.7
August	7 099	51 566	6 407	47 019	692	4 547	34.7	32.7	-8.3	-7.8
September	6 939	58 505	6 077	53 095	863	5 410	37.8	33.2	-7.5	-7.7
October	7 346	65 852	6 628	59 723	718	6 129	32.2	33.1	-7.8	-7.7
November	6 909	72 761	6 438	66 162	471	6 600	13.1	30.9	-15.4	-8.5
December	6 781	79 542	6 292	72 453	489	7 089	27.7	30.6	-10.1	-8.7
<b>1996</b>										
January	7 147	7 147	6 474	6 474	673	673	20.5	20.5	3.8	3.8
February	7 113	14 260	6 622	13 096	491	1 164	17.3	18.8	18.3	10.6
March	7 617	21 877	6 839	19 935	778	1 942	12.2	16.4	7.6	9.6
April	7 920	29 796	7 077	27 012	843	2 785	35.0	20.9	42.4	16.6
May	8 076	37 872	7 482	34 494	594	3 379	14.9	19.6	23.9	18.1
June	7 596	45 468	6 848	41 342	748	4 127	12.7	18.4	13.6	17.4
July	8 017	53 485	7 556	48 898	461	4 588	32.5	20.3	40.2	20.4

Source: ECLAC, on the basis of figures from the Bank of Mexico.

<sup>a</sup> Includes the inbond assembly industry (*maquila*). <sup>b</sup> With respect to the same period of the preceding year.

Table 7  
MEXICO: EXPORT STRUCTURE<sup>a</sup>  
(Cumulative figures)

	Millions of dollars										Percentage variation	
	Oil		Non-oil								Oil	Non-oil
			Total		Agricultural		Mining		Manufacturing			
			1995	1996	1995	1996	1995	1996	1995	1996		
January	686	805	5 304	6 342	505	384	40	36	4 759	5 921	17.3	19.6
February	1 354	1 572	10 702	12 688	1 143	826	77	73	9 482	11 789	16.1	18.6
March	2 042	2 451	16 803	19 426	1 784	1 283	130	108	14 889	18 035	20.1	15.6
April	2 740	3 434	21 969	26 362	2 130	1 685	172	147	19 667	24 531	25.3	20.0
May	3 552	4 377	28 185	33 495	2 467	2 056	228	190	25 490	31 249	23.2	18.8
June	4 306	5 362	34 170	40 107	2 750	2 293	274	225	31 147	37 589	24.5	17.4
July	5 021	6 254	39 504	47 232	2 936	2 483	326	257	36 242	44 492	24.5	19.6
August	5 808		45 816		3 135		373		42 308			
September	6 533		52 030		3 297		414		48 319			
October	7 129		58 781		3 465		461		54 855			
November	7 733		65 086		3 717		508		60 861			
December	8 477		71 122		4 016		545		66 561			

Source: ECLAC, on the basis of figures from the Bank of Mexico.

<sup>a</sup> Includes the inbond assembly industry (*maquila*). <sup>b</sup> Cumulative variation in 1996 with respect to the same period of the preceding year.

Table 8  
MEXICO: IMPORT STRUCTURE<sup>a</sup>  
(Cumulative figures)

	Millions of dollars						Percentage variation <sup>b</sup>		
	Consumer goods		Intermediate goods		Capital goods		Con- sumer goods	Inter- mediate goods	Capital goods
	1995	1996	1995	1996	1995	1996			
January	519	451	4 890	5 237	832	786	-13.1	7.1	-5.4
February	997	948	9 318	10 613	1 521	1 535	-4.9	13.9	0.9
March	1 470	1 456	14 349	16 139	2 371	2 340	-0.9	12.5	-1.3
April	1 859	1 973	18 366	21 862	2 933	3 177	6.1	19.0	8.3
May	2 260	2 477	23 264	27 925	3 672	4 092	9.6	20.0	11.4
June	2 666	2 911	28 122	33 488	4 434	4 942	9.2	19.1	11.5
July	3 000	3 385	32 487	39 667	5 125	5 845	12.8	22.1	14.1
August	3 462		37 711		5 846				
September	3 882		42 721		6 492				
October	4 350		48 173		7 200				
November	4 826		53 422		7 914				
December	5 335		58 421		8 697				

Source: ECLAC, on the basis of figures from the Bank of Mexico.

<sup>a</sup> Includes inbond assembly industry (*maquila*). <sup>b</sup> Cumulative variation in 1996 with respect to the same period of the preceding year.

Table 9  
MEXICO: EXCHANGE RATE

	Interbank exchange rate <sup>a</sup> (New pesos per dollar)			Adjusted real exchange rate (Index: 1985=100) <sup>b</sup>		
	1994	1995	1996	1994	1995	1996
January	3.11	5.64	7.39	59.9	101.6	88.3
February	3.12	5.67	7.64	60.1	98.2	89.5
March	3.30	6.76	7.53	63.4	111.0	86.7
April	3.35	6.18	7.45	64.2	94.4	83.8
May	3.31	5.97	7.41	63.2	87.6	82.0
June	3.36	6.21	7.58	64.1	88.4	82.6
July	3.40	6.11	7.58	64.7	85.4	81.6
August	3.38	6.26		64.2	86.3	
September	3.40	6.36		64.3	86.0	
October	3.42	6.94		64.4	92.2	
November	3.44	7.48		64.6	96.0	
December	4.07	7.68		75.6	94.5	

Source: ECLAC, on the basis of figures from the Bank of Mexico and the International Monetary Fund (IMF), *International Financial Statistics*.

<sup>a</sup> Exchange rate used in wholesale transactions between banks, exchanges, private money-exchange offices and important firms or clients. <sup>b</sup> Index of nominal exchange rate, deflated by the consumer price index and adjusted by the United States consumer price index.

Table 10  
MEXICO: MAIN OPERATIONS OF THE CONSOLIDATED PUBLIC SECTOR <sup>a</sup>  
(Cumulative figures in millions of new pesos)

	Income			Expenditure			Balance <sup>c</sup>
	Total	Federal government	PEMEX <sup>b</sup>	Total	Federal government	PEMEX <sup>b</sup>	
<b>1995</b>							
March	91 081	57 827	12 664	84 389	57 460	9 729	6 692
June	190 397	128 213	20 815	178 588	124 407	19 062	11 809
September	290 486	191 849	33 152	274 382	190 266	28 962	16 104
December	420 440	283 195	48 899	421 240	293 757	46 051	-800
<b>1996</b>							
March	122 506	81 563	15 500	120 500	84 620	12 480	2 006
June	255 944	168 919	35 326	241 111	167 103	25 768	14 833
<b>Percentage variation<sup>d</sup></b>							
<b>1995</b>							
March	16.9	8.8	116.2	10.0	6.3	58.4	
June	20.7	23.3	44.1	17.2	18.0	52.0	
September	19.8	20.8	57.4	15.4	17.6	39.5	
December	26.6	31.5	50.9	25.1	30.4	49.2	
<b>1996</b>							
March	34.5	41.0	22.4	42.8	47.3	28.3	
June	34.4	31.7	69.7	35.0	34.3	35.2	

Source: ECLAC, on the basis of figures from the National Institute of Statistics, Geography and Information Sciences (INEGI) and the Ministry of Finance and Public Credit.

<sup>a</sup> Excludes non-recurrent income from the sale of Teléfonos de México (TELMEX) and State banks. <sup>b</sup> Income and expenditure net of taxes and charges.

<sup>c</sup> Includes differentials with sources of financing and therefore does not necessarily correspond exactly to the difference between income and expenditure. <sup>d</sup> With respect to the same period of the preceding year.

**Table 11**  
**MEXICO: MONETARY AGGREGATES**  
(Balance at end of period)

	Billions of new pesos					Percentage variation <sup>a</sup>				
	Monetary base	M1	M2	M3	M4	Monetary base	M1	M2	M3	M4
<b>1994</b>										
December	56.9	154.5	444.7	580.5	729.1	20.6	3.8	19.9	25.1	23.2
<b>1995</b>										
January	51.2	138.9	454.5	580.1	729.2	20.4	-4.1	25.2	26.0	23.0
February	49.8	132.3	458.1	573.2	720.3	18.8	-8.7	26.3	21.6	18.8
March	48.8	124.2	476.0	590.0	741.5	8.8	-13.8	26.2	23.8	21.3
April	47.6	121.4	465.7	567.1	714.2	13.5	-11.3	22.5	23.0	20.6
May	46.2	122.3	479.2	578.6	739.6	8.5	-11.6	25.7	22.9	22.8
June	47.0	124.5	494.9	591.1	750.8	8.4	-10.9	26.9	22.3	22.0
July	47.9	128.5	507.8	593.8	754.4	6.5	-8.0	28.0	20.8	21.1
August	47.8	128.5	514.7	598.8	769.6	8.1	-7.1	27.2	18.4	21.1
September	47.2	130.2	521.9	610.3	784.2	7.8	-6.2	27.3	19.5	21.6
October	48.5	139.5	546.5	634.9	818.6	8.3	-0.2	29.8	21.8	23.8
November	53.6	147.2	580.7	659.2	842.0	9.1	0.8	35.2	25.2	25.6
December	66.8	165.4	616.9	692.7	880.1	17.3	7.0	38.7	19.3	20.7
<b>1996</b>										
January	57.9	159.7	613.2	695.6	891.3	13.2	15.0	34.9	19.9	22.2
February	57.8	161.3	621.8	704.0	902.5	16.1	21.9	35.7	22.8	25.3
March	59.5	167.9	648.8	725.9	930.8	21.9	35.2	36.3	23.0	25.5
April	57.2	168.8	649.2	733.5	947.6	20.2	39.0	39.4	29.3	32.7
May	60.5	173.6	668.4	760.3	978.2	31.0	41.9	39.5	31.4	32.3
June	61.6	178.7	676.4	769.6	998.3	31.0	43.5	36.7	30.2	33.0

Source: ECLAC, on the basis of figures from the Bank of Mexico.

Note: M1 = Currency plus local and foreign currency accounts. M2 = M1 plus negotiable bank paper with a term of up to one year and banker's acceptances. M3 = M2 plus negotiable non-bank paper with a term of up to one year, CETES, AGAFES, BONDES and commercial paper). M4 = M3 plus long-term financial instruments (over one year), PEMEX bonds, etc.

<sup>a</sup> With respect to the same month of the preceding year.

**Table 12**  
**MEXICO: ANNUAL INTEREST RATES ON DEPOSITS**  
(Percentages)

	Average rate on deposits			Time deposits (30 to 85 days)			Treasury bills (90 days)		
	1994	1995	1996	1994	1995	1996	1994	1995	1996
January	13.2	29.9	40.2	9.3	25.3	32.8	10.8	39.2	41.6
February	12.0	36.0	35.9	8.4	29.7	30.1	9.8	41.7	40.7
March	11.5	56.8	39.1	8.5	47.4	32.1	10.3	71.2	43.1
April	14.2	70.3	35.2	13.9	55.8	27.8	15.9	71.5	37.2
May	17.0	57.9	29.4	16.2	45.5	22.6	17.4	54.7	31.1
June	17.2	46.4	27.1	15.8	39.1	21.6	16.7	47.3	29.6
July	17.8	41.4	29.2	16.7	35.3	23.5	17.4	39.7	31.7
August	17.2	37.1		14.5	31.4		14.8	35.9	
September	16.7	34.6		13.6	30.1		14.1	34.3	
October	16.0	37.1		13.7	30.3		14.0	41.2	
November	16.3	47.5		14.2	43.3		15.5	54.2	
December	17.0	46.5		15.2	40.3		20.4	48.0	

Source: ECLAC, on the basis of figures from the Bank of Mexico.

## PERU

During the first half of 1996, the growth rate of the Peruvian economy was only 1%, compared with 11% for the same period of the preceding year, but substantial progress was made in renegotiating the external debt, after a period of several years in which Peru was in moratorium. The successful outcome of talks with the Paris Club will mean a lightening of the debt service burden and will facilitate renegotiation with the international commercial banking system. The slowdown reflected in gross domestic product (GDP) has also extended to imports, although they still remain at very high levels. The persistence of an overvalued real exchange rate has continued to generate a significant substitution effect.

The cooling of economic activity has resulted from an intensification of the adjustment applied to the Peruvian economy since the second quarter of 1995. Nevertheless, the expectations of private agents and the authorities are optimistic. There is consensus that growth in the second half could reach 5%, bringing overall growth for 1996 to 3%. This would appear to be in keeping with the targets stipulated in the letter of intent submitted to the IMF in July; under the terms of this agreement, the authorities have committed themselves to restricting the rate of output growth to a range of 3%-4.5% in 1996, by means of a fiscal adjustment policy designed to reduce the sizeable balance-of-payments deficit, which in 1995 amounted to over 7% of GDP.

The policy mix has combined monetary contraction with cutbacks in fiscal expenditure. The annualized increase to June of all monetary indicators reflected restraint. Net international reserves increased by nearly US\$ 570 million in the first half, but most of that was composed of public sector and banking system deposits with the Central Reserve Bank of Peru (BCRP), while net money creation of external origin was minimal. The variation in domestic money creation was also contractionary, as a result of open market operations (sale of BCRP paper) in the first quarter and later an increase in deposits of the public sector and Banco de la Nación with BCRP. The trend in money creation from both external and domestic sources caused the monetary base to contract by 7% in the first six months. The increase in the 12 months to June came to 18%, in contrast to the 48% surge recorded in the 12 months to June of the preceding year. M1 rose by 16%; there was an increase in quasi-money, both in local currency (46%), and in foreign currency (38%), and as a consequence the dollarization ratio of the economy fell from 77% to 74%.

Central government current expenditure declined by 6% in real terms, with falls of 5.5% in wages and salaries and 20% in financial outlays (external debt service). Capital expenditure declined by 15% in real terms, among other reasons, because of the completion of the highway rehabilitation and maintenance project. Current income was up 8%, in real terms, compared with the same period of the preceding year, thanks largely to the substantial increase (32%) in income tax receipts, itself due to higher corporate earnings in 1995. Since expenditures declined over the same period, the Government was able to purchase foreign exchange in the amount of US\$ 592 million, in order to pay off external debt. The non-financial public sector operating results at the end of the first quarter were in balance, bolstered by income on the order of US\$ 190 million from privatizations, equivalent to 0.2% of GDP.

Due to sluggish growth in economic activity, imports in the first six months rose by a bare 2% to total US\$ 3.7 billion. A breakdown of imports reveals the marked non-elasticity of non-durable consumer goods, which increased by 19%, while inputs, especially raw materials for industry, and capital goods showed declines of 6.5% and 1.4% respectively. It seems likely that these data reflect terms of trade favourable to imported goods, a development which coincides with a downward trend in the real exchange rate in recent years. It should be borne



in mind that over the course of 1996, the nominal exchange rate has been keeping pace with inflation.

Exports have performed satisfactorily, exceeding the US\$ 2.8 billion mark. As a consequence, the deficit in the trade balance in goods for the first six months narrowed to US\$ 880 million, US\$ 200 million less than the same period of the preceding year.

The adjustment policy hit the construction industry especially hard. The sector witnessed a 7% downturn in the first half of 1996, in contrast to the brisk activity that marked the reference period. Manufacturing slowed, recording a growth rate (1.4%) in line with that of GDP. The persistence of adverse weather conditions accentuated the downtrend in the fishing industry (-8%). The best performing sector of the economy was agriculture, which recorded growth of nearly 6%, thanks to increases in the harvests of cotton (14%), maize (14%), wheat (40%), coffee (13%) and beans (16%).

Despite the agricultural bonanza, food prices rose strongly in the first quarter, with the result that by March the annualized change in the CPI amounted to almost 12%. Another category fuelling price rises in the period was services (school enrolments, and water, electricity and telephone rates). Inflation slowed in the second quarter, but surged again in July when it rose to an annualized rate of 11.9%.

The third round of debt renegotiations with the Paris Club, made up of 14 countries, concluded in late July, marking a genuine milestone in the process of normalization of relations after a moratorium that has dragged on for more than a decade. As a result, Peru will be in a position to adjust its debt service to its ability to pay, using as a reference the amounts specified in the Extended Fund Facility programme for the period April 1996-1998, agreed upon with the IMF in early July.

The renegotiation will mean relief of US\$ 1.3 billion in debt service to 1998. In addition, it provides for some US\$ 5 billion of debt to be rescheduled, on conditions comparable to those obtained by Russia, adjusting debt service during the period 1999-2007 to Peru's ability to pay over the medium term, thus avoiding the need to hold fresh debt renegotiation talks. In a similar vein, the limit set by the Paris Club with respect to commercial debt swaps was raised from 10% to 20%, in anticipation that various debt conversion and forgiveness mechanisms will be used to speed up the debt reduction process.

With regard to negotiations aimed at bringing the Brady Plan agreement with international banks to a close, the majority of lending institutions had elected their options by mid-August, with most opting for front-loaded interest reduction bonds (FLIRBs), which bear a floating rate of interest. It should be noted that as the negotiations were concluding, Peru's external debt totalled US\$ 32 billion, which includes a charge of US\$ 4.57 billion for the financial cost of service arrears.

Table 1  
PERU: GROSS DOMESTIC PRODUCT

	Percentage variation <sup>a</sup>					
	1995				1996	
	I	II	III	IV	I	II
<b>Total</b>	<b>13.0</b>	<b>9.7</b>	<b>7.9</b>	<b>1.6</b>	<b>-0.2</b>	<b>2.6</b>
Agriculture	16.1	10.4	10.8	5.0	0.4	7.3
Fishing	0.5	-13.6	-24.2	-23.9	-21.6	4.1
Mining	6.7	1.8	8.6	6.6	0.0	1.9
Manufacturing	11.3	4.5	3.1	-2.3	0.9	1.8
Construction	32.0	31.6	12.4	2.4	-4.2	-10.4
Commerce	13.5	16.9	13.1	3.2	-0.6	5.0
Other	12.7	11.7	9.0	1.6	0.5	4.1

Source: ECLAC, on the basis of figures from the National Institute of Statistics and Informatics and the Central Reserve Bank of Peru.

<sup>a</sup> Variation with respect to the same period of the preceding year.

Table 2  
PERU: AGRICULTURAL PRODUCTION

	Thousands of metric tons						Percentage variation <sup>a</sup>		
	1995				1996		1995	1996	
	I	II	III	IV	I	II		I	II
<b>Crop farming</b>									
Potatoes	444	1 259	363	296	359	1 344	34.9	-19.2	6.8
Rice	114	622	331	75	136	551	-17.9	18.9	-11.4
Cotton	23	102	81	11	24	118	29.2	4.4	16.2
Maize	135	274	223	88	134	327	-0.7	-1.0	19.5
Sugar	1 427	1 197	1 844	1 928	1 535	1 043	15.4	7.6	-12.9
Coffee	5	72	20	0	4	83	5.9	-21.2	15.4
Wheat	1	44	63	17	2	61	-3.5	266.7	36.7
<b>Stock-raising</b>									
Poultry	100	92	106	108	98	102	14.9	21.1	10.6
Beef	25	27	28	26	26	28	4.5	-8.0	3.3
Pork	19	20	20	20	20	21	2.2	1.6	4.0
Mutton	4	5	5	5	5	5	3.9	-4.4	8.3
Milk	225	220	206	212	232	229	3.9	3.8	4.2
Eggs	35	37	37	36	33	32	23.8	2.3	-12.6

Source: ECLAC, on the basis of figures from the Central Reserve Bank of Peru.

<sup>a</sup> With respect to the same period of the preceding year.

Table 3  
PERU: INDUSTRIAL OUTPUT

	Index August 1990=100			Percentage variation					
	1994	1995	1996	1995			1996		
				Month	12 Mos. <sup>a</sup>	Year <sup>b</sup>	Month	12 Mos. <sup>a</sup>	Year <sup>b</sup>
January	147.3	175.6	169.2	4.1	19.2	19.2	4.3	-3.6	-3.6
February	126.4	149.0	162.4	-15.1	17.9	18.6	-4.0	9.0	2.2
March	160.0	158.1	155.5	6.1	-1.2	11.3	-4.2	-1.6	0.9
April	160.9	162.2	162.8	2.6	0.8	8.5	4.7	0.4	0.8
May	154.5	168.6	173.4	3.9	9.1	8.6	6.5	2.8	1.2
June	150.2	155.7	159.1	-7.7	3.7	7.8	-8.2	2.2	1.4
July	151.2	152.2		-2.2	0.7	6.7			
August	148.1	156.0		2.5	5.3	6.6			
September	149.1	154.2		-1.2	3.4	6.2			
October	164.4	164.4		6.6	0.0	5.5			
November	170.5	165.1		0.4	-3.2	4.7			
December	168.7	162.3		-1.7	-3.8	3.9			

Source: ECLAC, on the basis of figures from the Ministry of Industry, National Commerce, Tourism and Integration, Office of Sectoral Statistics.

<sup>a</sup> With respect to the same month of the preceding year.

<sup>b</sup> Variation of the average cumulative index with respect to the same period of the preceding year.

Table 4  
PERU: EMPLOYMENT IN THE LIMA METROPOLITAN AREA  
(Index August 1990=100)<sup>a</sup>

	Manufacturing			Commerce			Services		
	1994	1995	1996	1994	1995	1996	1994	1995	1996
I	77.9	76.8	73.3	57.9	62.4	71.8	83.8	79.2	83.9
II	77.8	76.3	74.3	59.0	64.3	74.4	84.8	81.4	87.1
III	77.8	75.2		58.7	65.4		83.3	84.1	
IV	77.6	75.1		59.0	65.7		82.0	85.7	

Source: ECLAC, on the basis of figures from the Ministry of Labour and Social Welfare, Department of Employment.

<sup>a</sup> Quarterly averages.

Table 5  
PERU: CONSUMER PRICE INDEX  
(Percentage variations)

	1994			1995			1996		
	Month	Year	12 Mos.	Month	Year	12 Mos.	Month	Year	12 Mos.
January	1.8	1.8	35.5	0.4	0.4	13.7	1.2	1.2	11.2
February	1.8	3.7	34.0	1.1	1.5	13.0	1.5	2.8	11.6
March	2.3	6.1	31.6	1.4	2.9	11.9	1.4	4.2	11.6
April	1.5	7.7	27.9	1.0	3.9	11.3	0.9	5.1	11.5
May	0.7	8.5	25.0	0.8	4.8	11.4	0.7	5.9	11.4
June	1.1	9.7	24.2	0.8	5.6	11.1	0.5	6.4	11.0
July	0.9	10.7	22.0	0.6	6.2	10.7	0.3	7.8	11.9
August	1.5	12.4	20.8	1.0	7.3	10.2			
September	0.5	13.0	19.5	0.4	7.8	10.0			
October	0.3	13.3	18.0	0.5	8.3	10.3			
November	1.2	14.5	17.6	1.2	9.6	10.3			
December	0.6	15.4	15.4	0.5	10.2	10.2			

Source: ECLAC, on the basis of figures from the National Institute of Statistics and Informatics.

Table 6  
PERU: REAL WAGES AND SALARIES  
(Index: August 1990=100)

	Private sector <sup>a</sup>				Legal minimum wage				
	Salaries		Wages		Indexes		Percentage variation		
							1996		
	1995	1996	1995	1996	1995	1996	Month <sup>b</sup>	Year <sup>c</sup>	12 Mos. <sup>d</sup>
January					83.3	75.0	-1.2	-10.0	-10.0
February	281.5	276.9	236.3	225.7	82.4	73.8	-1.6	-10.2	-10.4
March					81.3	72.8	-1.4	-10.3	-10.5
April	278.6		229.7		80.5	72.2	-0.8	-10.3	-10.3
May					79.8	71.7	-0.7	-10.3	-10.2
June	274.4		239.3		79.2	71.3	-0.6	-10.2	-10.0
July					78.7	70.9	-0.6	-10.2	-9.9
August	279.4		224.7		77.9				
September					77.6				
October	277.2		218.7		77.2				
November					76.3				
December	271.8		217.7		75.9				

Source: ECLAC, on the basis of figures from the National Institute of Statistics and Informatics.

<sup>a</sup> February 1986 was taken as the base since the new methodology for the Survey of Salaries and Wages began to be used at that time. <sup>b</sup> With respect to the preceding month. <sup>c</sup> Percentage variation in average cumulative index with respect to the same period of the preceding year.

<sup>d</sup> With respect to the same month of the preceding year.

Table 7  
PERU: EXCHANGE RATE

	Nominal free-market exchange rate (New soles per dollar)			Adjusted real exchange rate <sup>a</sup> (Index 1985=100)		
	1994	1995	1996	1994	1995	1996
January	2.17	2.19	2.35	23.6	21.6	21.0
February	2.17	2.21	2.36	23.3	21.6	20.9
March	2.17	2.25	2.36	22.8	21.8	20.7
April	2.18	2.26	2.37	22.7	21.7	20.7
May	2.18	2.25	2.41	22.5	21.5	20.9
June	2.19	2.25	2.44	22.4	21.4	21.1
July	2.20	2.23	2.45	22.3	21.1	21.1
August	2.23	2.24		22.5	21.0	
September	2.25	2.25		22.6	21.1	
October	2.22	2.26		22.4	21.1	
November	2.19	2.31		21.7	21.1	
December	2.15	2.33		21.1	20.7	

Source: ECLAC, on the basis of figures from the Central Reserve Bank of Peru and the International Monetary Fund (IMF).

<sup>a</sup> Index of the nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index.

Table 8  
PERU: INTERNATIONAL RESERVES OF THE CENTRAL RESERVE BANK  
(Millions of dollars)

	Net international reserves			Absolute variation in reserves					
				Quarter <sup>a</sup>			Year <sup>b</sup>		
	1994	1995	1996	1994	1995	1996	1994	1995	1996
March	3 117	5 674	6 865	375	-44	227	375	-44	224
June	4 846	6 050	7 207	1 729	376	342	2 104	332	566
September	5 563	6 157		717	107		2 821	439	
December	5 718	6 641		155	484		2 976	923	

Source: ECLAC, on the basis of figures from the Central Reserve Bank of Peru.

<sup>a</sup> With respect to the preceding quarter. <sup>b</sup> With respect to December of the preceding year.

Table 9  
PERU: TRADE BALANCE

	Millions of dollars						Percentage variation <sup>a</sup>			
	Exports FOB		Imports FOB		Trade balance		Exports		Imports	
	Quarter	Year	Quarter	Year	Quarter	Year	Quarter	Year	Quarter	Year
1994										
I	956	956	1 170	1 170	-214	-214	7.1	7.1	28.4	28.4
II	1 076	2 032	1 282	2 452	-206	-420	32.8	19.3	29.9	29.2
III	1 313	3 345	1 430	3 882	-117	-537	45.6	28.4	38.8	32.6
IV	1 229	4 574	1 664	5 546	-435	-972	35.2	30.2	43.8	35.8
1995										
I	1 292	1 292	1 781	1 781	-489	-489	35.1	35.1	52.2	52.2
II	1 358	2 650	1 890	3 671	-532	-1 021	26.2	30.4	47.4	49.7
III	1 489	4 139	2 007	5 678	-518	-1 539	13.4	23.7	40.3	46.3
IV	1 437	5 576	2 008	7 686	-571	-2 110	16.9	21.9	20.7	38.6
1996										
I	1 427	1 427	1 775	1 775	-348	-348	10.4	10.4	-0.3	-0.3
II	1 443	2 870	1 973	3 748	-530	-878	6.3	8.3	4.4	2.1

Source: ECLAC, on the basis of figures from the Central Reserve Bank of Peru and the Institute of Foreign Trade.

<sup>a</sup> With respect to the same period of the preceding year.

Table 10  
PERU: EXPORTS STRUCTURE, FOB

	Millions of dollars						Percentage variation <sup>a</sup>			
	1995					1996 <sup>b</sup>		1996 <sup>b</sup>		
						I	II	1995	I	II
	I	II	III	IV	Year					
Total	1 292	1 358	1 489	1 437	5 576	1 427	1 443	21.9	10.4	6.2
Traditional	936	986	1 076	983	3 981	1 060	1 066	26.2	13.3	8.2
Mining	593	638	698	680	2 609	662	686	32.7	11.6	7.5
Petroleum and petroleum products	39	75	64	63	241	100	86	46.2	154.2	15.0
Agricultural	36	51	147	111	345	49	63	40.1	34.1	23.0
Fishery products	267	222	168	129	785	249	231	1.2	-6.5	4.3
Non-traditional	338	354	356	390	1 438	346	359	19.9	2.4	1.2
Other <sup>c</sup>	19	18	57	64	157	21	18	-29.1	11.6	0.6

Source: ECLAC, on the basis of figures from the Ministry of Economic Affairs, Finance and Trade, Department of Informatics and Statistics, and the Institute of Foreign Trade.

<sup>a</sup> With respect to the same period of the preceding year.

<sup>b</sup> Preliminary figures.

<sup>c</sup> Includes fishing permits, sales of fuel and food to foreign vessels and repair of capital goods.

Table 11  
PERU: IMPORT STRUCTURE, FOB

	Millions of dollars						Percentage variation <sup>a</sup>			
	1995					1996		1996 <sup>b</sup>		
						I	II	1995	I	II
	I	II	III	IV	Year					
Total	1 781	1 890	2 007	2 008	7 687	1 775	1 973	38.6	-0.3	4.4
Consumer goods	371	431	464	489	1 755	415	440	30.5	12.0	2.0
Inputs	764	801	843	818	3 226	779	801	40.6	2.0	-0.1
Capital goods	562	591	638	572	2 363	529	608	40.9	-5.8	2.8
Miscellaneous and adjustments	85	67	62	129	343	52	125	49.2	-39.2	87.0

Source: ECLAC, on the basis of figures from the Central Reserve Bank of Peru and the Institute of Foreign Trade.

<sup>a</sup> With respect to the same period of the preceding year.

<sup>b</sup> Preliminary figures.

Table 12  
PERU: MONETARY AGGREGATES

	Millions of new soles <sup>a</sup>						Percentage variation <sup>b</sup>	
	1995				1996		1996	
	I	II	III	IV	I	II	I	II
Monetary base	2 825	2 860	3 123	3 658	3 409	3 390	20.7	18.5
Liquidity	19 620	21 022	21 777	23 931	25 918	28 399	32.1	35.1
Local currency	7 401	8 053	8 558	9 384	10 010	10 576	35.3	31.3
Money	3 977	3 898	4 009	4 607	4 435	4 522	11.5	16.0
Quasi-money	3 424	4 155	4 549	4 777	5 575	6 054	62.8	45.7
Foreign currency	12 219	12 969	13 219	14 547	15 908	17 823	30.2	37.4

Source: ECLAC, on the basis of figures from the Central Reserve Bank of Peru.

<sup>a</sup> Figures at end of period. <sup>b</sup> With respect to the same period of the preceding year.

Table 13  
PERU: CENTRAL GOVERNMENT AND NON-FINANCIAL  
PUBLIC-SECTOR ECONOMIC RESULTS  
(Percentages of GDP)

	1994					1995					1996
	I	II	III	IV	Year	I	II	III	IV	Year	I
I. Central government result	1.8	9.2	-	-3.0	1.9	-2.1	-1.4	-2.2	-0.7	-1.6	-0.7
1. Current income	14.0	12.3	12.5	13.1	12.9	14.3	13.2	12.8	14.6	13.7	14.7
2. Current expenditure	10.1	11.7	11.6	14.1	12.0	13.5	12.6	12.4	14.3	13.2	11.8
3. Capital account result	-2.1 <sup>a</sup>	8.6 <sup>a</sup>	-0.9	-1.9	1.1	-2.9	-2.0	-2.7	-1.0	-2.1	-3.6
II. Financing	-1.8	-9.2	-	3.0	-1.9	2.1	1.4	2.2	0.7	1.6	0.7
1. Foreign	0.7	2.0	1.9	3.3	2.1	1.6	2.0	1.5	2.7	2.0	0.8
2. Domestic	-2.5	-11.2	-1.9	-0.3	-4.0	0.4	-0.6	0.7	-2.0	-0.4	-0.1
III. Non-financial public-sector result	3.3	10.1	0.6	-4.2	2.3	-1.9	-0.6	-1.5	-0.6	-1.1	-
1. Central government	1.8	9.2	-	-3.0	1.9	-2.1	-1.4	-2.2	-0.7	-1.6	-0.7
2. Public enterprises and rest of central government	1.5	0.9	0.6	-1.2	0.4	0.2	0.8	0.7	0.1	0.5	0.7
IV. Financing	-3.3	-10.1	-0.6	4.2	-2.3	1.9	0.6	1.5	0.6	1.1	-
1. Foreign	0.6	2.0	1.5	3.4	2.0	2.0	2.2	1.6	2.6	2.1	0.6
2. Domestic	-4.0	-12.1	-2.1	0.8	-4.3	-0.1	-1.6	-	-2.0	-1.0	-0.6

Source: Central Reserve Bank of Peru.

<sup>a</sup> Includes privatizations.

Table 14  
PERU: INTEREST RATES <sup>a</sup>

	1995				1996	
	I	II	III	IV	I	II
Real interest rate on loans <sup>b</sup>	21.2	23.8	27.0	23.9	15.2	26.0
Real interest rate on deposits <sup>c</sup>	2.7	4.1	7.9	6.2	-2.0	6.2
Dollar equivalent rate on deposits <sup>d</sup>	-9.2	17.7	18.9	-0.7	11.7	...
Rate on deposits in foreign currency <sup>d</sup>	7.2	7.6	8.3	8.5	8.5	...
Rate on loans in foreign currency <sup>e</sup>	16.0	16.4	17.0	16.9	17.6	...

Source: Central Reserve Bank of Peru.

<sup>a</sup> Annualized quarterly rates. <sup>b</sup> Average interest rate weighted according to commercial bank loan balances. <sup>c</sup> Rate on 31- to 179-day time deposits. <sup>d</sup> Interest rate on deposits deflated by the free-market devaluation rate. <sup>e</sup> Rate on loans of up to 360 days.

## URUGUAY

Economic activity in Uruguay made a partial recovery in the first half of 1996, after losing ground the previous year, and there were significant improvements with respect to inflation and fiscal balance. The merchandise trade deficit tended to stabilize and was easily offset by earnings from tourism and capital inflows. The unemployment rate, however, rose significantly.

The goal of the financial programme for 1996 is to bring inflation down to 20% per year (compared with 35% in 1995) and to reduce the balance-of-payments current account deficit and the consolidated public-sector deficit to levels equivalent to 1.5% and 0.5%, respectively, of GDP. In the first half of the year, progress was made towards reaching most of these targets.

The consolidated public sector brought its annual deficit down to less than 1% of GDP, almost half the figure for 1995. This result includes a central government deficit of slightly over one percentage point for the 12-month period ending in May, a parafiscal deficit on the order of half a percentage point, and a public enterprise surplus of close to one percentage point. The adjustment implemented in May 1995 brought about a 4% increase in income and a 2% reduction in expenditure, in real terms in each case, as a result of which the central government deficit narrowed by half a percentage point during the first six months of 1996 compared with the same period of the preceding year.

Higher receipts from both value-added tax (VAT) and direct taxes accounted for the growth in revenues. The cutback in public-sector investment contributed substantially to the decline in real expenditure, while transfers to the social security budget increased as the new capitalization system took effect. In order to strengthen the country's competitiveness in international markets, at the end of August it was decided to reduce employer social security contributions by another three percentage points and to add to the list of export products eligible for VAT refund.

As part of the effort to bring down inflation, the Central Bank reduced the monthly adjustment rate of the exchange-rate band from 2% to 1.8% (24% per year) in April, and to 1.4% (18% per year) in September. The movement of the exchange rate within its 7% flotation band was different from that observed previously. As the year progressed, and against a background of increased liquidity, demand for foreign currency strengthened and the price of the dollar remained above the floor of the band. Interventions by the Banco de la República Oriental del Uruguay, as a seller of foreign currency, became more frequent and tended to narrow the effective flotation margins within the exchange-rate band. There have been only slight fluctuations in the exchange rate of the Uruguayan peso against the dollar since April 1995, after discounting for domestic price changes in each country.

After seasonal adjustment, the nominal expansion of monetary aggregates in the first five months proved to be less than 10%. Hence, expansion of the money supply in the 12 months ending in May was on the order of 28%. The growth (36%) of the broad monetary aggregate (M2) was greater, given the rapid increase in time deposits in late 1995 and early 1996, a period in which real returns became highly attractive as a result of the fall of inflation. The subsequent decline in the rates offered by private banks to levels similar to domestic inflation levels has reversed this trend. At the end of August, faced with signs of excess liquidity, the Central Bank stepped up its open-market operations, adopting a more active monetary policy.

The mixed performance of the components of external demand resulted in an increase of barely 1% in the value of exports in the first five months of 1996. Non-traditional exports expanded by almost 8%, while traditional exports declined by 11%. The main factors contributing to this fall were the reduction in Brazil's purchases of cattle on the hoof and the

slump in wool exports, due to a decline in international prices. In contrast, exports of non-traditional agricultural products, such as rice and dairy products, experienced a surge. The meat-packing industry became the leading export sector (with 18% of the total), followed closely by the textile industry.

Imports rose by 2% in the first half of the year. Purchases of both capital and intermediate goods increased, while imports of consumer goods dropped slightly, owing to decreased purchases of motor vehicles and transport equipment.

Uruguay continues to conduct almost half of its foreign trade in goods with other MERCOSUR countries. Brazil is once again Uruguay's main export market, accounting for almost a third of total exports, while sales to Argentina account for just over one tenth of the total. Most of Uruguay's tourists continued to come from Argentina, and this tends to make the level of demand similar for both of Uruguay's two main trading partners. Brazil accounts for 24% of Uruguay's imports, with Argentina just behind at 21%.

The slow-down in the exchange rate, the gradual closing of the fiscal gap and the weak pressure of domestic demand have caused inflation to decelerate. The cumulative rise in the consumer price index for the 12 months to August is around 26%, nine points below the figure at the end of the preceding year. Wholesale prices have risen at a somewhat slower pace, suggesting that inflation is tending to converge at the level determined by the evolution of the exchange rate and the variation in external prices.

Against this backdrop, GDP in the first quarter, the most recent period for which data are available, was half a percentage point higher than in the same period of the preceding year. Seasonally adjusted figures show an increase of nearly 4% with respect to the last quarter of 1995 and a level close to the record highs of 1994. Manufacturing grew by almost 6% compared with the same quarter of the previous year and accounted for most of the increase. There was also growth in agricultural production; electricity, transport and communications services; and the category of other services, which includes banking services and import duties. In contrast, construction and commerce, restaurants and hotels witnessed an 11% decline as a result of weak demand on the part of both local consumers and residents of neighbouring countries.

The substantial increase in manufacturing output was due to the resumption of State oil-refining operations, which had been shut down the previous year while the main refinery was being upgraded. Other industry again experienced a setback, on this occasion of almost 3%. Trends in different branches of manufacturing were mixed. Food processing remained dynamic, and the paper, chemicals, glass, machinery and electrical supplies industries continued to build back up to levels reached in previous years. Beverages, tobacco, textiles and clothing, footwear, non-metallic mineral products, metal products and motor vehicle plants, however, were unable to emerge from recession.

In spite of the recovery in economic activity, the slump affecting commerce and construction caused unemployment to increase to over 12%. The reduction of the demand for labour appears to have affected the real wage level, which stayed below that for 1995 during the first half of the year; only since the start of the second half have real wages begun to recover.





**Table 1**  
**URUGUAY: GROSS DOMESTIC PRODUCT**  
(Percentage variations)<sup>a</sup>

	1994				1995				1996 <sup>b</sup>
	I	II	III	IV	I	II	III	IV	I
<b>Total</b>	<b>3.4</b>	<b>10.6</b>	<b>7.3</b>	<b>6.0</b>	<b>2.0</b>	<b>-1.1</b>	<b>-6.8</b>	<b>-3.4</b>	<b>0.4</b>
Agriculture	0.0	9.7	17.0	9.4	6.9	9.0	0.1	-1.5	2.3
Fishing	-8.6	-7.4	-4.3	25.0	13.8	20.1	23.1	-21.7	-20.1
Manufacturing	0.5	9.5	7.7	7.5	1.7	-10.6	-9.2	-2.5	7.7
Electricity, gas and water	-7.3	-15.4	7.4	2.8	5.4	3.4	2.0	3.9	5.7
Construction	1.6	10.6	26.8	-11.4	-10.6	-20.3	-21.3	-5.7	-30.7
Commerce, restaurants and hotels	19.9	19.8	5.3	6.6	-2.0	-8.4	-20.1	-13.4	-12.5
Transport and communications <sup>c</sup>	13.6	19.0	11.5	19.5	8.5	5.8	1.5	-2.0	4.2
Other <sup>d</sup>	4.4	9.2	2.6	2.3	0.9	-0.1	-3.7	-0.9	1.2

Source: Central Bank of Uruguay.

<sup>a</sup> With respect to the same quarter of the preceding year.

<sup>b</sup> Preliminary figures.

<sup>c</sup> Includes storage.

<sup>d</sup> Includes charges paid to financial institutions and import duties.

**Table 2**  
**URUGUAY: UNEMPLOYMENT RATE<sup>a</sup>**  
(Quarterly averages)

Three months ending:	1990	1991	1992	1993	1994	1995	1996
January	7.7	8.4	8.6	8.7	8.0	9.6	11.2
February	8.3	9.0	9.7	8.6	8.1	9.9	11.8
March	9.3	9.9	11.3	9.0	8.1	10.7	12.3
April	9.4	10.3	10.6	8.8	8.7	10.4	12.5
May	9.6	9.5	9.8	9.0	8.7	10.3	12.3
June	8.6	9.4	8.1	8.8	8.9	10.4	
July	8.5	9.1	8.2	8.7	9.4	10.9	
August	9.7	8.9	8.4	8.1	10.2	11.0	
September	9.6	8.2	8.4	8.3	10.4	10.9	
October	10.7	8.5	8.5	7.4	9.9	11.1	
November	9.9	8.5	8.3	7.9	9.3	11.2	
December	9.7	8.3	8.3	7.6	9.1	11.1	

Source: National Institute of Statistics.

<sup>a</sup> In Montevideo.

Table 3  
URUGUAY: PRICE INDEXES  
(Percentage variations)

	Consumer price index						Wholesale price index					
	1995			1996			1995			1996		
	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months
January	3.2	3.2	43.9	2.0	2.0	33.9	3.8	3.8	42.4	2.6	2.6	26.3
February	1.7	5.0	44.3	1.5	3.5	33.6	1.3	5.2	42.5	1.8	4.4	26.9
March	3.6	8.8	45.4	1.9	5.5	31.4	3.0	8.4	42.5	2.2	6.7	25.9
April	3.5	12.6	45.3	2.8	8.5	30.6	1.4	9.9	43.1	3.1	10.1	28.0
May	2.2	15.1	44.6	2.1	10.7	30.4	2.4	12.5	42.8	1.1	11.3	26.4
June	3.0	18.6	44.9	1.3	12.2	28.2	2.1	14.9	42.0	0.7	12.1	24.7
July	2.5	21.6	44.0	1.7	14.1	27.2	2.5	17.8	39.9	2.7	15.1	24.9
August	3.4	25.7	44.4	2.2	16.6	25.7	2.9	21.2	40.0	2.2	17.6	24.1
September	1.9	28.1	42.3				1.9	23.5	35.8			
October	1.5	30.0	39.6				1.3	25.1	31.3			
November	1.9	32.5	36.8				1.7	27.3	29.4			
December	2.2	35.4	35.4				0.4	27.7	27.7			

Source: National Institute of Statistics.

Table 4  
URUGUAY: INDEX OF REAL SALARIES AND WAGES

	Index 1985=100 <sup>a</sup>			Percentage variation					
	1994	1995	1996	1995			1996		
				Month	Year <sup>b</sup>	12 months <sup>c</sup>	Month	Year <sup>b</sup>	12 months <sup>c</sup>
January	116.2	118.4	115.2	3.1	1.9	1.9	1.8	-2.7	-2.7
February	117.7	117.7	114.7	-0.6	0.9	-	-0.4	-2.6	-2.5
March	118.8	116.0	114.7	-1.4	-0.2	-2.4	0.0	-2.1	-1.1
April	116.4	114.8	114.3	-1.0	-0.5	-1.4	-0.3	-1.7	-0.4
May	120.0	114.4	115.4	-0.3	-1.3	-4.7	1.0	-1.2	0.9
June	119.0	112.1	115.5	-2.0	-2.1	-5.8	0.1	-0.5	3.0
July	117.6	110.8		-1.2	-2.6	-5.8			
August	115.4	109.5		-1.2	-2.9	-5.1			
September	119.8	114.6		4.7	-3.1	-4.3			
October	117.5	113.7		-0.8	-3.1	-3.2			
November	115.0	113.9		0.2	-2.9	-1.0			
December	114.8	113.2		-0.6	-2.8	-1.4			

Source: National Institute of Statistics.

<sup>a</sup> Index of nominal salaries and wages deflated by the consumer price index. <sup>b</sup> Variation in average cumulative index with respect to the same period of the preceding year. <sup>c</sup> With respect to the same month of the preceding year.

Table 5  
URUGUAY: EXCHANGE RATE

	Average official exchange rate (Pesos per dollar) <sup>a</sup>				Adjusted real exchange rate <sup>b</sup> (Index 1985=100)			
	1993	1994	1995	1996	1993	1994	1995	1996
January	3.52	4.47	5.77	7.20	60.1	51.4	47.5	44.6
February	3.59	4.55	5.78	7.32	59.4	51.8	46.9	44.9
March	3.67	4.66	5.95	7.47	58.8	51.7	46.8	45.2
April	3.74	4.76	6.02	7.61	57.6	51.1	45.8	44.9
May	3.81	4.84	6.15	7.76	56.3	50.6	45.9	45.0
June	3.95	4.94	6.26		56.1	50.4	45.5	
July	4.05	5.04	6.39		55.8	50.0	45.3	
August	4.05	5.18	6.51		53.9	50.0	44.8	
September	4.13	5.55	6.63		53.0	52.0	44.8	
October	4.21	5.55	6.78		53.1	50.2	45.3	
November	4.29	5.53	6.92		52.8	48.2	44.9	
December	4.38	5.57	7.05		51.9	47.1	44.3	

Source: ECLAC, on the basis of figures from the Central Bank of Uruguay and the International Monetary Fund (IMF), *International Financial Statistics*.

<sup>a</sup> One peso equals 1,000 new pesos.

<sup>b</sup> Index of the nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index.

Table 6  
URUGUAY: TRADE BALANCE

	Millions of dollars						Percentage variation <sup>a</sup>			
	Exports FOB		Imports CIF		Trade balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
<b>1995</b>										
January	179	179	187	187	-7	-7	47.2	47.2	-2.8	-2.8
February	190	370	216	403	-26	-33	46.2	46.7	21.7	9.0
March	186	555	262	665	-76	-110	24.5	38.4	27.0	15.4
April	171	727	206	871	-35	-145	14.0	31.8	-0.3	11.3
May	184	910	274	1 145	-90	-235	12.5	27.4	14.7	12.1
June	182	1 092	267	1 412	-86	-320	6.8	23.4	13.8	12.4
July	189	1 280	219	1 631	-30	-350	4.5	20.2	1.0	10.7
August	190	1 470	219	1 849	-29	-379	10.9	18.9	-19.7	6.0
September	155	1 625	233	2 082	-78	-457	-14.2	14.7	-10.0	3.9
October	162	1 787	255	2 337	-94	-550	-1.8	13.0	7.1	4.2
November	153	1 940	275	2 612	-122	-672	-10.1	10.8	8.2	4.6
December	166	2 106	255	2 867	-89	-761	2.4	10.1	-12.2	2.9
<b>1996</b>										
January	166	166	237	237	-71	-832	-7.3	-7.3	27.2	27.2
February	156	322	206	443	-50	-882	-18.3	-12.9	-4.7	10.1
March	212	534	254	697	-42	-924	14.2	-3.9	-3.1	4.9
April	180	714	241	938	-61	-985	5.0	-1.8	16.8	7.7
May	205	919	259	1 197	-54	-1 039	11.6	0.9	-5.4	4.6
June										
July										

Source: Central Bank of Uruguay.

<sup>a</sup> With respect to the same period of the preceding year.

Table 7  
URUGUAY: EXPORT STRUCTURE  
(Millions of dollars)

	Traditional exports				Non-traditional exports				Percentage variation <sup>a</sup>			
	1995		1996		1995		1996		1995		1996	
	Month	Year	Month	Year	Month	Year	Month	Year	T	NT	T	NT
January	77.8	77.8	57.2	57.2	101.5	101.5	109.1	109.1	92.6	25.6	-26.5	7.5
February	80.2	158.0	57.4	114.6	110.2	211.7	98.2	207.3	80.0	29.4	-27.5	-2.1
March	62.1	220.1	78.0	192.6	123.5	335.2	133.9	341.2	59.4	27.7	-12.5	1.8
April	60.5	280.6	50.2	242.8	110.9	446.1	129.7	470.9	47.9	23.5	-13.5	5.6
May	50.0	330.6	51.5	294.3	133.7	579.8	153.9	624.8	37.6	22.3	-11.0	7.8
June	48.9	379.5			132.6	712.4			32.0	19.4		
July	52.1	431.6			136.4	848.8			29.5	16.1		
August	48.8	480.4			141.0	989.8			28.0	15.0		
September	39.5	519.9			115.6	1 105.4			23.3	11.2		
October	36.2	556.1			125.3	1 230.7			20.9	9.8		
November	37.5	593.6			115.4	1 346.1			17.0	8.3		
December	55.1	648.7			111.2	1 457.3			15.4	7.9		

Source: Central Bank of Uruguay.

Note: T = Traditional exports. NT = Non-traditional exports.

<sup>a</sup> In cumulative figures with respect to the same period of the preceding year.

Table 8  
URUGUAY: IMPORT STRUCTURE

	Millions of dollars <sup>a</sup>			Percentage variation <sup>b</sup>		
	Intermediate goods	Capital goods	Consumer goods	Intermediate goods	Capital goods	Consumer goods
<b>1995</b>						
I	372	113	179	13.7	14.5	19.8
II	791	208	413	11.9	7.0	16.3
III	1 179	319	585	1.6	5.2	8.2
IV	1 597	459	812	-1.0	11.8	6.4
<b>1996</b>						
I	402	117	179	7.8	3.2	-0.2

Source: Central Bank of Uruguay.

<sup>a</sup> Cumulative figures for the year.

<sup>b</sup> With respect to the same period of the preceding year.

Table 9  
URUGUAY: NET INTERNATIONAL RESERVES  
(Millions of dollars)

	Amount <sup>a</sup>				Variation in reserves <sup>c</sup>			
	Total		Central Bank		Total		Central Bank	
	1995 <sup>b</sup>	1996 <sup>d</sup>	1995 <sup>b</sup>	1996 <sup>d</sup>	1995 <sup>b</sup>	1996 <sup>d</sup>	1995 <sup>b</sup>	1996 <sup>d</sup>
March	4 008	4 253	1 475	1 815	558	66	46	38
June	3 995		1 416		545		-13	
September	4 047		1 503		597		74	
December	4 007		1 639		557		210	
December	4 187 <sup>d</sup>		1 777 <sup>d</sup>					

Source: Central Bank of Uruguay.

<sup>a</sup> Balance at end of period.

<sup>b</sup> Gold valued at US\$ 306.36 per troy ounce.

<sup>c</sup> With respect to December of the preceding year.

<sup>d</sup> Gold valued at US\$ 387.05 per troy ounce.

Table 10  
URUGUAY: FISCAL INDICATORS <sup>a</sup>

	Billions of new pesos <sup>b</sup>						Nominal percentage variation <sup>c</sup>	
	1995			1996			1996/1995	
	Income	Expend- iture	Balance	Income	Expend- iture	Balance	Income	Expend- iture
March	4 831	5 383	-552	6	6 630	6 682	-5 237.2	24.1
June	9 975	10 925	-950	13 588	14 199	-611	36.2	30.0
September	15 426	16 870	-1 433					
December	21 391	23 868	-2 477					

Source: Central Bank of Uruguay.

<sup>a</sup> Fiscal performance of central government (supplied by National Treasury).

<sup>b</sup> Cumulative figures.

<sup>c</sup> With respect to the same month of the preceding year.

Table 11  
URUGUAY: MONETARY AGGREGATES

	M1	TD	M2	FD	M3
Billions of new pesos <sup>a</sup>					
<b>1994</b>					
December	5 033	2 244	7 277	34 353	41 630
<b>1995</b>					
February	5 124	2 338	7 463	37 568	45 030
April	5 091	2 524	7 614	40 745	48 359
June	5 265	2 757	8 022	42 856	50 878
August	5 055	3 022	8 077	44 580	52 658
October	5 281	3 233	8 514	46 813	55 327
December	6 680	3 376	10 056	50 589	60 645
<b>1996</b>					
February	6 302	3 669	9 971	53 415	63 386
April	6 284	3 874	10 158	56 884	67 042
June	7 186	4 045	11 232		
Percentage variations <sup>b</sup>					
<b>1994</b>					
December	43.9	24.4	37.3	48.9	46.7
<b>1995</b>					
February	46.9	18.2	36.5	54.9	51.5
April	41.9	23.3	35.1	61.7	56.8
June	34.1	32.3	33.5	59.4	54.7
August	30.2	38.4	33.1	53.6	50.0
October	32.5	45.7	37.2	55.9	52.7
December	32.7	50.5	38.2	47.3	45.7
<b>1996</b>					
February	23.0	56.9	33.6	42.2	40.8
April	23.4	53.5	33.4	39.6	38.6
June	36.5	46.7	40.0		

Source: Central Bank of Uruguay.

Note: M1 = Money supply (currency in circulation plus current-account deposits). TD = Time deposits in local currency. M2 = M1 + TD.

FD = Deposits in foreign currency. M3 = M2 + FD.

<sup>a</sup> Balance at end of period.

<sup>b</sup> With respect to the same month of the preceding year.



## VENEZUELA

During the first quarter of 1996, the Venezuelan economy continued to be plagued by recession in the non-oil sector, high –and rising– inflation, large fiscal deficits and a steady outflow of foreign exchange. This predicament led the authorities to abandon exchange-rate and price controls and to launch an adjustment programme in April known as the “Agenda Venezuela”; the programme then served as the basis for the authorization of a US\$ 1.4 billion stand-by loan from the International Monetary Fund (IMF).

The most important fiscal measures that have been taken include hiking the average price of gasoline on the local market from 9.6 to 55 bolívares, raising the luxury and wholesale tax rates from 12.5% to 16.5% as of August and reviving the privatization programme, which envisages sales over the next few months of Línea Aeropostal Venezolana, several companies in the aluminium sector, a number of banks and other holdings that were nationalized during the banking crisis and the State’s 49% stake in CANTV, the telephone company. Measures have also been announced to reduce tax evasion, raise public utility charges, grant subsidies for public passenger transport and provide a comprehensive social programme to alleviate the adverse effects of the adjustment process.

At the end of July, the Government approved the establishment of a fund (Fondo de Rescate de la Deuda) to facilitate the amortization and prepayment of the public-sector debt. Contributions to the fund will come from privatization revenues and from earnings from any oil exports over and above what is envisaged in the economic programme. Also in July, contracts were signed allowing 14 foreign companies to prospect for oil in new areas and, later on, to start production on a profit-sharing basis with the State-owned company, Petróleos de Venezuela, S.A. (PDVSA).

Fiscal measures have been in line with the goal of narrowing the public-sector deficit to around 3% of GDP. By August, this target was well on the way to being met and the cumulative deficit for the year stood at 1.5% of GDP. Roughly half of this figure is accounted for by the central government.

Given the great importance of dollar-denominated oil revenues in the national budget, devaluations of the local currency have played a part in improving the fiscal balance. After the December 1995 devaluation, a fixed parity of 290 bolívares to the dollar was in effect until the end of April; then, as part of the country’s adjustment programme, the bolívar was allowed to float freely, and the price of the dollar shot up to around 465-470 bolívares. The Central Bank of Venezuela then intervened in the foreign-exchange market in order to stabilize the rate and, at the beginning of the second half of the year, established a currency band system under which the bolívar is allowed to float within a range of 7.5% on either side of a central parity of 470 bolívares; this rate is adjusted periodically according to trends in inflation.

During the following two months, however, the bolívar began to exhibit a tendency to appreciate in real terms as the level of international reserves climbed; gross reserves, which had closed out 1995 at a little more than US\$ 9.7 billion, swelled to over US\$ 12 billion by the beginning of August, boosted by, *inter alia*, oil revenues and the receipt of the first tranche (US\$ 500 million) of the IMF loan.

The trend of the exchange rate makes the prospects for curbing inflation during the second half of the year somewhat brighter. Following a 57% increase in consumer prices in 1995, inflation continued upwards in 1996 and indeed gathered more speed after the April devaluation, peaking at nearly 13% per month in May. Inflation subsequently slowed to a



scant 4% in August, however. Nonetheless, the cumulative 12-month rate was nearly 115%, which was a record level for Venezuela.

This reduction in inflation has been brought about by the cooling of demand as a consequence of the adjustment programme and by the economic policy that has been pursued. At the beginning of the year, the efficacy of monetary policy management was limited by the need to finance the fiscal deficit. When the foreign-exchange market was deregulated in April, the Central Bank stepped up its open-market sales of monetary stabilization bonds (TEMs) and reopened its money desk, offering high yields in order to forestall excessive pressure on the bolívar as demand for the local currency waned. Once the exchange rate had stabilized and international reserves had recovered, the Central Bank relaxed its grip on domestic liquidity and lengthened the terms of its bonds, which may have discouraged the inflow of short-term external capital. Interest rates, which had skyrocketed in nominal terms (from an average of 32% to over 50% on deposits and from 52% to 85% on loans between March and May), fell right back again in June. In real terms they have remained strongly negative.

Owing mainly to June's surge in liquidity, the money supply (M1) expanded by 23% during the first half of the year, thus remaining below the inflation rate, while broad money (M2) rose by only 15%. In August the authorities were considering a plan to soak up excess liquidity by stepping up Central Bank sales of TEMs together with offerings of public debt instruments and Treasury bills through the non-financial public sector.

In spite of the boost it received from the oil sector, first-quarter GDP was 1% down on the same period in 1995. Crude oil production climbed 6.6% during the first seven months of the year, but the various components of the non-oil sector remained slack or even slipped back, with the exception of the aluminium industry. Job creation also remained flat, and the unemployment rate consequently rose to more than 11% in the country as a whole and nearly 12% in the cities. Generally speaking, industries geared to the home market have been hurt by sluggish domestic demand, and sales of food products, apart from subsistence products, have declined. Vehicle sales plummeted by 40% during the first half, but picked up again before the new sales tax rate came into effect in August.

External demand has not assisted Venezuela's non-oil industries either. Non-traditional exports slumped during the first half by 16% compared with the same period of last year, the hardest-hit categories being chemicals and vehicles. One factor in this situation was flagging demand in Venezuela's chief export market, Colombia, which accounted for 28% of sales; another 26% went to the United States. The decline in exports was reflected in a 75% contraction in the credit granted by the Export Finance Fund. At the beginning of the second half of the year, Congress approved the establishment of the Banco de Comercio Exterior, which will provide credits for similar purposes.

By contrast, sales of oil—which form the bulk of Venezuela's exports—have continued to expand. An increase in volume (of over 8% during the first seven months) has been enhanced by rising prices on the international market. At the beginning of the second half, the average price of Venezuelan oil exports was some US\$ 2 (13%) up from a year before. Earnings from oil exports during the first half of 1996 were around 20% higher than those for the same period in 1995.

Imports have fallen by nearly 6% owing to the slackness of production activity in non-oil sectors and last year's build-up of inventories, as well as the devaluation of the bolívar. The country's main supplier continues to be the United States (44% of imports), followed by Colombia (10%). In addition, the deficit in trade in services has narrowed (by 15%), as has the

deficit in factor services (by 2%), and, as a result, the current account surplus is even larger than it was for the same period last year. Foreign direct investment, which had shrunk noticeably, has rebounded by 43%. This performance which accounts for the build-up of reserves during the first half of the year.

**Table 1**  
**VENEZUELA: REAL GROSS DOMESTIC PRODUCT**  
(Percentage variations) <sup>a</sup>

	1995					1996
	I	II	III	IV	Year	I
Gross domestic product	3.9	-	5.6	-0.6	2.2	-1.0

Source: Central Bank of Venezuela.

<sup>a</sup> On the basis of figures at constant 1984 prices, with respect to the same period of the preceding year.

**Table 2**  
**VENEZUELA: PETROLEUM PRODUCTION AND EXPORTS**

	Thousands of barrels per day						Rate of variation <sup>a</sup>			
	Production <sup>b</sup>			Exports <sup>c</sup>			Production		Exports	
	1994	1995	1996	1994	1995	1996	1995	1996	1995	1996
January	2 598	2 844	3 053	2 067	2 233	2 383	9.5	7.3	8.0	6.7
February	2 632	2 839	3 065	2 056	2 422	2 586	7.9	8.0	17.8	6.8
March	2 640	2 896	3 093	2 321	2 601	2 663	9.7	6.8	12.1	2.4
April	2 666	2 906	3 087	1 999	2 365	2 724	9.0	6.2	18.3	15.2
May	2 707	2 918	3 119	2 400	2 485	2 731	7.8	6.9	3.5	9.9
June	2 698	2 937	3 110	2 408	2 578	2 786	8.9	5.9	7.1	8.1
July	2 732	2 962	3 122	2 309	2 446	2 697	8.4	5.4	5.9	10.3
August	2 729	2 970		2 418	2 645		8.8		9.4	
September	2 787	2 993		2 391	2 591		7.4		8.4	
October	2 794	3 000		2 487	2 562		7.4		3.0	
November	2 825	3 033		2 533	2 767		7.4		9.2	
December	2 866	3 050		2 681	2 739		6.4		2.2	

Source: ECLAC, on the basis of figures from the Central Bank of Venezuela.

<sup>a</sup> With respect to the same period of the preceding year. <sup>b</sup> Includes condensates and liquefied petroleum gas (LPG). <sup>c</sup> Includes raffinates.

**Table 3**  
**VENEZUELA: INDICATORS OF ECONOMIC ACTIVITY**  
(Quarterly averages)

	1995				1996
	I	II	III	IV	I
Iron ore production <sup>a</sup>	1 611	1 520	1 715	1 473	1 737
Aluminium production <sup>a</sup>	51	51	53	53	51
Steel production <sup>a</sup>	251	212	205	233	259
Petrochemical production <sup>a</sup>	336	276	372	368	376
Fertilizer production <sup>a</sup>	202	172	230	243	249

Source: ECLAC, on the basis of figures from official sources, industrial association and Veneconomía, S.A.

<sup>a</sup> Thousands of tons.

Table 4  
**VENEZUELA: CONSUMER PRICE INDEX**  
(Percentage variations)<sup>a</sup>

	1994			1995			1996		
	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months
January	4.3	4.3	47.8	3.1	3.1	68.9	8.1	8.1	64.2
February	1.9	6.3	46.7	2.4	5.6	69.7	8.0	16.7	73.2
March	2.8	9.3	47.4	3.2	9.0	70.4	6.2	24.0	78.2
April	3.3	12.9	48.1	4.1	13.4	71.7	8.6	34.6	85.9
May	5.2	18.7	51.6	4.9	19.0	71.2	12.6	51.6	99.6
June	9.0	29.4	60.2	2.7	22.2	61.3	7.1	62.4	108.1
July	6.3	37.6	65.2	2.8	25.6	55.9	5.0	70.5	112.7
August	5.2	44.7	68.5	3.1	29.4	52.7	4.1	77.5	114.8
September	4.0	50.5	69.7	3.3	33.7	51.7			
October	5.1	58.2	69.8	4.6	39.9	51.1			
November	4.3	65.0	71.0	5.6	47.6	52.9			
December	3.5	70.8	70.8	6.0	56.5	56.6			

Source: ECLAC, on the basis of figures from the Central Bank of Venezuela.

<sup>a</sup> In the Caracas metropolitan area.

Table 5  
**VENEZUELA: GROSS INTERNATIONAL RESERVES<sup>a</sup>**  
(Millions of dollars)

At the end of:	1992	1993	1994	1995	1996
March	13 409	12 020	10 970	11 174	9 983
June	13 490	12 667	8 861	10 547	10 708
September	13 230	12 689	11 271	9 207	
December	13 001	12 656	11 507	9 723	

Source: Central Bank of Venezuela.

<sup>a</sup> Central Bank reserves. Does not include reserves of the Venezuelan Investment Fund.

Table 6  
**VENEZUELA: EXCHANGE RATE**

	(Bolívares per dollar)				Adjusted real exchange rate (Index 1985=100) <sup>a</sup>			
	1993	1994	1995	1996	1993	1994	1995	1996
January	80.3	104.1	170.0	290.0	143.3	128.9	128.2	134.2
February	81.9	109.5	170.0	290.0	142.8	133.5	125.7	124.6
March	83.9	112.8	170.0	290.0	143.6	134.2	122.2	118.0
April	85.3	115.6	170.0	360.5	142.4	133.3	117.8	135.6
May	86.9	133.9	170.0	468.9	141.3	146.9	112.5	156.9
June	87.6	170.2	170.0	471.3	138.3	171.9	109.7	147.4
July	90.9	170.0	170.0	470.8	139.1	162.0	106.8	140.5
August	93.2	170.0	170.0	474.2	138.8	154.6	103.9	136.1
September	95.9	170.0	170.0		138.5	149.0	100.7	
October	98.1	170.0	170.0		135.5	141.9	96.5	
November	101.8	170.0	170.0		135.8	136.2	90.6	
December	104.2	170.0	290.0		134.2	131.6	144.2	

Source: ECLAC, on the basis of data from the Central Bank of Venezuela and the International Monetary Fund (IMF).

<sup>a</sup> Index of the nominal exchange rate deflated by the consumer price index in the Caracas metropolitan area and adjusted by the United States consumer price index.

Table 7  
VENEZUELA: MONETARY AGGREGATES  
(Percentage variations)

	M1						M2					
	1994		1995		1996		1994		1995		1996	
	Month	12 months	Month	12 months	Month	12 months	Month	12 months	Month	12 months	Month	12 months
January	0.6	22.6	2.7	134.8	-2.3	27.7	1.9	31.3	6.3	61.4	0.5	30.5
February	15.6	35.4	6.2	115.8	7.8	29.6	4.3	33.6	10.8	71.5	4.7	23.3
March	4.1	49.9	-1.5	104.3	7.8	41.9	7.5	44.9	0.8	60.8	2.7	25.6
April	6.5	65.5	0.8	93.4	-6.8	31.1	1.3	42.6	0.5	59.6	-3.7	20.4
May	3.9	63.0	-3.5	79.6	4.3	41.6	1.7	42.4	0.5	57.7	4.8	25.5
June	7.7	74.3	3.1	72.0	11.4	53.0	1.4	38.4	1.5	57.7	5.1	30.0
July	11.3	93.8	1.1	56.1			8.7	46.0	1.2	46.8		
August	10.6	139.5	-2.0	38.4			6.6	58.5	0.5	38.4		
September	1.6	126.0	-1.8	33.8			2.5	61.3	-0.1	34.9		
October	2.7	111.0	5.7	37.7			2.6	59.7	2.1	34.4		
November	16.1	137.3	17.0	38.7			5.2	66.5	6.5	36.0		
December	7.0	130.0	3.5	34.2			1.1	54.8	2.7	38.1		

Source: ECLAC, on the basis of data from the Central Bank of Venezuela.

Table 8  
VENEZUELA: EFFECTIVE INTEREST RATES  
(Annualized percentages)

Monthly averages	Nominal		Real <sup>a</sup>		Dollar equivalents <sup>b</sup>	
	Deposits	Loans	Deposits	Loans	Deposits	Loans
<b>1995</b>						
January	27.2	52.3	-12.2	5.1	27.2	52.3
February	24.6	47.2	-6.2	10.8	24.6	47.2
March	19.4	40.3	-18.2	-3.8	19.4	40.3
April	19.8	38.3	-26.0	-14.6	19.8	38.3
May	25.1	40.8	-29.5	-20.7	25.1	40.8
June	28.0	46.0	-7.0	6.0	28.0	46.0
July	28.0	48.8	-7.5	7.4	28.0	48.8
August	31.1	49.5	-8.6	4.2	31.1	49.5
September	32.7	51.0	-10.1	2.2	32.7	51.0
October	33.4	52.5	-22.6	-11.6	33.4	52.5
November	34.5	52.2	-29.6	-20.4	34.5	52.2
December	35.9	52.6	-32.8	-24.5	-99.8	-99.7
<b>1996</b>						
January	35.2	53.1	-46.9	-39.9	35.2	53.1
February	31.6	51.9	-47.7	-39.7	31.6	51.9
March	31.6	51.9	-36.0	-26.2	31.6	51.9
April	49.8	71	-44.0	-36.1	-89.0	-87.4
May	50.9	84.9	-63.6	-55.6	-93.6	-92.1
June	31.8	53.8	-42.3	-32.7	24.0	44.6

Source: ECLAC, on the basis of figures from official sources and the International Monetary Fund (IMF).

<sup>a</sup> Nominal rates deflated by the variation in consumer prices during the same period.

<sup>b</sup> Ratio of nominal rates to devaluation during the same period.