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ECONOMIC COMMISSION FOR LATIN AMERICA
AND THE CARIBBEAN

ECONOMIC PANORAMA OF LATIN AMERICA 1995

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United Nations

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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 neccessarily add up to the corresponding totals, because of rounding.

LATIN AMERICA

During the first half of 1995 the regional economic panorama was largely determined by the aftermath of the financial crisis, which emerged in Mexico at the end of 1994 and had major consequences for Argentina. While the episode brought with it a sharp decline in private capital inflows to the region, its impact was not as strong, broad or long-lasting as originally feared. None the less, it served as a warning of the risks of a growing trade gap and heavy reliance on short-term capital flows, as well as of the need for a more consistent set of economic policies.

In this context, economic performance for 1995 in Latin America and the Caribbean has four main elements. First, growth of gross domestic product (GDP) for the region as a whole will be less than 2%, as compared with an average of 3.6% during 1991-1994. Per capita GDP will remain at approximately the same level as in the previous year. Second, the downward trends in inflation achieved over the past several years will, in general, continue. For the region as a whole, inflation will fall dramatically in 1995 as a result of the Brazilian stabilization programme, despite the price rises in Mexico following the December 1994 devaluation of the peso. Third, labour conditions will deteriorate, with an increase in open unemployment and a falling trend in real wages. Consequently, the backlog of unmet social needs afflicting the region will continue to grow. Fourth, the region will return to a positive trade balance, and reserves will not be depleted despite increased factor payments, since the decrease in private financial flows will be offset by increased official flows and significant export growth.

The regional trends in growth and external accounts have been dominated by events in Mexico and Argentina. These two countries, while in differing contexts, were heavily reliant on foreign capital, such that declining inflows required severe fiscal adjustments leading to a drop in growth rates and increased unemployment. The recession in both countries was exacerbated by a banking crisis and resulting credit squeeze. At the same time, lower growth and reduced capital inflows led to a fall in imports, which, together with expanding exports, lessened the current account deficit substantially. The more balanced external stance, however, was achieved at a high social cost.

The countries that were not especially affected by the crisis unleashed by Mexico can be divided into various groups, reflecting the increasing heterogeneity in the region at present. Only Chile (and Haiti and Honduras, which had been suffering serious recessions) will see a substantial increase in growth in 1995 as compared with the previous year. Most countries (Bolivia, Brazil, Colombia, Ecuador, Paraguay, Peru and much of Central America and the Caribbean) will have somewhat lower growth rates than in 1994, but this is due mainly to domestic economic or political factors. Uruguay, however, will see a sharp deceleration because of spillover effects of the crisis, reflecting its close relationship with Argentina, and because the new government undertook a severe stabilization programme. Meanwhile, in Venezuela, the recession triggered by a financial crisis two years ago lingers on.

Even if the economic problems of Mexico and Argentina had less of an impact than would have been predicted at the beginning of the year, their experiences provide useful lessons for other countries in the region that are trying to increase growth rates and improve the well-being of their populations while at the same time stabilizing prices. First, the achievement of such aims clearly requires major investments in physical and human capital. Unless an economy is generating sufficient domestic savings, foreign savings may come to play an overly important role in determining macroeconomic stability. As events showed, such capital flows can be extremely volatile, especially when short-term capital is a significant share of inflows. Thus, measures must be sought to increase domestic savings and to deal with short-term capital flows.

Second, the Mexican/Argentine experience reminds others that macroeconomic stability cannot be taken for granted. External shocks can still cause disruptions. For example, fiscal fragility is becoming more evident in the region, and the need for new adjustment programmes is being required. Likewise, monetary and fiscal goals can be threatened by fragility in the banking sector. Bank failures have occurred in recent months in Argentina, Bolivia, Brazil, Mexico and Paraguay; they join Costa Rica and Venezuela, where banking crises existed previously. Also, exchange-rate policy, with its dual impact on inflation and external balances, can disrupt one or both of those goals.

Third, external shocks and resulting macroeconomic problems can jeopardize attempts to generate employment and to reduce poverty. Employment generation remains weak in virtually all countries, even those where growth is strong. Those in recession are in much worse shape, with Argentina's 18% unemployment only the most dramatic example. Likewise, social programmes are frequent victims of the need to reduce budget deficits or create surpluses.

These three problems –domestic savings, macroeconomic stability and social equity– will be high on the policy agenda in Latin America and the Caribbean during the rest of 1995 and in coming years.

GROWTH RATE FALLS IN TWO MAJOR COUNTRIES

Output in the Latin American and Caribbean region is likely to grow between 1.5% and 2% in 1995. This is a substantial decline with respect to the 1991-1994 period, when GDP rose by an average of 3.6%, and especially in comparison with 1994, whose 4.5% rise was the highest in 15 years. Taking population increase into account, per capita GDP will be virtually stagnant in 1995 (see table 1).

The fall in growth is mainly due to the economic performance of Mexico and Argentina. For all other countries, the growth pattern is likely to be very similar to 1994. Moreover, preliminary estimates indicate that the differing patterns seen in the previous year will continue: two countries with growth rates at 7% or higher (this year, they will be Chile and Peru), three with zero or very low growth (Argentina, Uruguay and Venezuela), Mexico in severe recession, and the rest mostly clustered in the 3% to 5% range.

Mexico and Argentina suffered dramatic declines in growth. The fall in capital inflows required sharp fiscal adjustments, as well as a restrictive monetary policy in Mexico. The resulting drop in demand was exacerbated, in both countries, by a credit squeeze from banking systems. Uruguay's close relationship with Argentina and an adjustment programme undertaken by the new government meant that it too saw a significant fall in growth in 1995.

Despite initial predictions that the Mexican/Argentine crisis would spread to the rest of the region –early in the year, analogies were frequently drawn to the 1980s debt crisis– there were no serious repercussions in other countries. Thus, for most of them, growth rates in 1995 will not vary much with respect to 1994.

Only Chile will see an important increase in growth. After an adjustment period last year to lower the inflation rate, which brought growth down to 4%, Chile will now resume its 10-year growth trend of around 7%. This record has been based on macroeconomic stability, high domestic savings and a strong export performance.

Meanwhile, Peru's significant expansion will continue, although its growth rate for 1995 will be lower than the 13% seen in the previous year. This deceleration will occur because of the government's implementation of tight fiscal and monetary policies in the second half to avoid an unmanageable trade deficit.

Bolivia, Brazil, Colombia, Ecuador and Paraguay, as well as several Central American and Caribbean countries, are likely to see small declines in growth, generally less than one percentage point, which means they will none the less have solid growth rates between 3% and 5%. The somewhat slower growth in these countries is mainly related to domestic issues, including political problems, stabilization and efforts to avoid unmanageable current-account deficits.

Lastly, Haiti, Honduras and Venezuela will recover from falling growth last year.

REGIONAL INFLATION RATE PLUMMETS

Inflation for the Latin American and Caribbean region as a whole will fall dramatically in 1995 as Brazil consolidates the success of its stabilization plan. On a 12-month basis, between August 1994 and August 1995, average regional inflation rates fell from 1,120% to 25%, the lowest level in the past 25 years.

Six countries (Argentina, Bolivia, Chile, Guatemala, Nicaragua and Panama) have had single-digit inflation in the past 12 months (see table 2). Another four countries (the Dominican Republic, El Salvador, Paraguay and Peru) currently have 12-month rates between 10% and 13%, and five are between 20% and 30% (Brazil, Colombia, Costa Rica, Ecuador and Honduras). Only in Mexico, Uruguay and Venezuela do 12-month price rises currently exceed 40%.

Most countries are likely to improve their inflation performance in 1995 or to remain about the same as last year. In addition to Brazil, where average inflation has fallen from 930% in 1994 to 26% on a 12-month basis to August 1995, 12 countries have continued to improve in this area. Another three are at about the same inflation rates as last year or slightly higher.

The two exceptions to this trend are Mexico and Costa Rica. The most important case of rising inflation in 1995 is Mexico, which went from 7% in 1994 to 42% on a 12-month basis to August. As a result of the peso devaluation, the inflation rate rose sharply. It reached a peak of 8% per month in April, but fell to 1.7% in August, still very high compared to an average of 0.6% in 1994. In Costa Rica, prices rose from 9% in 1993 to 17% in 1994 and to 22% on a 12-month basis to August 1995. This rise seems to be mainly a consequence of the emergence of a large fiscal deficit last year.

In the battle against inflation over the past decade, Latin America and the Caribbean have used several instruments. On the one hand, the traditional tools of fiscal and monetary policy have played a major role. Thus, the impressive decline in fiscal deficits (through an increase in taxes, privatizations, reduction of expenditures and the use of external resources to fill the gap) has made an especially important contribution to the fall in inflation rates. On the other hand, a number of countries have relied on an appreciating exchange rate to cut the price of inputs and expose domestic producers to international competition, while liberalizing imports. This type of exchange rate policy has been implemented in various ways, e.g., through a fixed exchange rate, floating rates in the presence of large capital inflows, or through tripartite agreements with business organizations and labour unions.

Although no consensus exists on this topic, some governments have drawn the lesson from the Mexican and Argentine crises that the exchange rate "anchor" is a dangerous tool to use against inflation. By encouraging imports (especially in the presence of newly lowered tariff barriers), and discouraging exports, the exchange rate anchor has an adverse impact on the trade balance that may affect the expectations of economic agents. Their reactions may eventually require adjustments with a high social cost and even undermine the gains made in the battle against inflation. The Mexican devaluation and resulting surge in inflation, together with a sharp recession, are an example of this process. The Argentine decision to maintain the convertibility of the peso has avoided the inflation problem, but also at the cost of recession and high unemployment.

EMPLOYMENT SITUATION DETERIORATES

During the first half of 1995, labour conditions for the region as a whole deteriorated with respect to 1994. There was a considerable increase in unemployment and a falling trend in real wages (see tables 3 and 4). This negative pattern was due to macroeconomic difficulties, which led to sluggish domestic demand in several countries (Argentina, Mexico, Uruguay and Venezuela). In others, high growth rates reduced unemployment levels (Brazil, Chile and Colombia). In the latter group of countries, however, economic growth was due mainly to higher productivity, which in some cases generated wage increases, but limited the generation of productive employment.

In Argentina, Mexico and Uruguay, the contraction of domestic demand affected mainly non-tradable activities, where unemployment levels were high. Even in the tradable sectors, however, especially manufacturing, export growth was not sufficient to halt the decline in employment.

Argentina, whose average urban unemployment rate in 1994 was 11.5%, saw it climb to 18.6% in May 1995. This sharp rise was due to the increase in the participation rate and the decline in the demand for labour, as evidenced by the elimination of overtime, the shortening of the working day, layoffs and hiring freezes. Given this context, visible underemployment also increased, although less than unemployment –from an average of 10.3% in 1994 to 11.3% in May 1995.

In Mexico urban unemployment rose to 6.6% in June, which brought the average for the first half of 1995 to 5.8%, as compared with an average unemployment rate of 3.7% in 1994. In this case, the increase in unemployment was due mainly to job losses, while the participation rate remained relatively stable. Meanwhile, in Uruguay and Venezuela, the sluggishness of domestic demand in the first semester also led to increased unemployment.

In the countries whose economies grew, some job market indicators improved, despite certain negative trends. In Brazil, urban unemployment had fallen sharply at the end of 1994; during the first half of 1995 it remained at around 4.4%, although this rate tended to rise towards the end of the period, as a result of measures to cool down the economy.

In Chile the resumption of accelerated growth increased the level of employment. Despite a slight decline in the participation rate, however, job creation was not sufficient to lower the unemployment rate significantly. The nationwide average for the first half of 1995 was 5.6%, nearly what it had been during the same period in the previous year, but lower than the 1994 average of 6%.

In Colombia the open unemployment rate for the first half of 1995 was 8.6%, somewhat lower than the previous year's average (8.9%). This modest gain was due primarily to expanding employment and also to a somewhat lower participation rate. However, unemployment increased between the first and second quarters.

In the countries where employment contracted, the available data indicate a downward pressure on real wages. Thus, in Argentina, Mexico and Uruguay, real wages fell between 1% and 5% in the early months of 1995 as compared with the first half of 1994.

In the countries whose unemployment rate fell in a context of higher output growth, wages grew at an uneven pace. In Brazil, following the increases seen in previous years, real wages in the formal sector fell 7% in Rio de Janeiro and 3% in São Paulo in the first four months of 1995. In São Paulo industry, the most modern sector of the Brazilian economy, however, wages continued to climb. In Chile, real wages rose against a background of significant productivity increases, reaching an increase of 4.4% for the January-June period with respect to the same period in the previous year. In Colombia a slight increase in real industrial wages is believed to have occurred during the early months of 1995.

EXTERNAL ACCOUNTS IMPROVE

For the first time since the beginning of the decade, Latin America is likely to have a positive trade balance in 1995. The trend is clear with respect to the merchandise balance, which had a deficit of nearly US$ 15 billion in 1994 and will probably have a surplus this year on the order of US$ 8 billion. Adding in non-factor services will either produce a small overall trade surplus or a small deficit (see table 5).

These results were heavily influenced by changes in Mexico and Argentina. Mexico went from a US$ 18.5 billion merchandise deficit in 1994 to a likely US$ 6 billion surplus in 1995. The Argentine shift was in the same direction, but smaller, while Chile increased its merchandise surplus substantially. The effect of these three countries was partially counteracted, however, by the disappearance of Brazil's typically large trade surplus. Other countries had much smaller changes, usually in the direction of smaller deficits, or, in the case of Venezuela, a larger surplus.

The most important cause of the new merchandise surpluses is a substantial rise in the region's exports. These are likely to reach US$ 220 billion in 1995, up from US$ 181 billion in 1994. This represents a 20% increase, compared with an average rise of 6% in 1991-1994. Especially large are the increases in Argentina, Chile, Colombia, Mexico and Peru whose exports may jump between 25% and 40%, and several Central American countries (where the increases could reach nearly 50%).

The rise in primary product prices was an important contributor to this outcome. These prices, which had declined for many years, shifted in a positive direction last year and continued to rise in 1995. As can be seen in table 6, of the 17 products whose prices ECLAC tracks, only three fell in price during the first half of 1995: bananas, beef and soy. Others rose at rates ranging from 4% for corn and wheat to 30% for cotton. Copper, a key export product for several countries, rose 26%, and petroleum increased by 12%.

The other side of the shift in the trade balance comes from a change in the behaviour of imports. The move from US$ 196 billion in 1994 to a predicted US$ 211 billion in 1995 represents only an 8% rise, compared to an average of 17% between 1991 and 1994. It is not surprising that, in these totals, Mexico and Argentina again stand out. Mexico's imports are likely to fall significantly in 1995, while Argentina's will be stagnant. Bolivia, Paraguay and Uruguay, together with several Central American countries, will have small increases in imports, but in Brazil, Chile, Colombia, Ecuador, Haiti and Peru, they will rise by more than 20%. Since the growth rates of imports were even higher in the first semester, the predictions for the annual totals imply significant slow-downs.

Factor payments will rise from US$ 34 billion in 1994 to US$ 38 billion in 1995 (see table 5). The increase will come mainly from interest payments, since profit remittances are likely to go up only slightly. The increase in interest payments is due both to an increase in total foreign debt and to higher interest rates. Net private transfers, however, should not vary much with respect to 1994; they are likely to approach US$ 10 billion.

In these circumstances, the current account of the balance of payments, as the summary of the above items, will continue to show a deficit, but a much smaller one than in recent years. In 1994, the current account reached a deficit of nearly US$ 50 billion, while in 1995 it is likely to fall to less than US$ 30 billion. With this dramatic reduction, it is likely that the current-account deficit can be covered by capital inflows, despite their sharp fall since the Mexican crisis. Thus, international reserves will probably not change much.

NET CAPITAL FLOWS DECREASE

During the first eight months of 1995, foreign capital inflows to the region fell significantly, and their composition changed. Available data indicate that, if current trends continue, net inflows will be around US$ 30 billion, half the annual average for 1992-1994. This total will be achieved through direct investment and through official loans –bilateral and multilateral– that were mostly aimed at supporting the balance of payments in Mexico and Argentina. Portfolio investments (bonds and stocks) and some short-term investments fell considerably, especially in the early months of the year.

Despite this decrease, nearly all Latin American countries will have positive net flows, although lower than in 1994. The exceptions are Colombia, where the amount will probably be about as high as in the previous year, and Mexico and Brazil, whose net flows will likely increase significantly. The Mexican increase, attributable to the funds provided to deal with the economic emergency, would mark a recovery from the sharp fall in 1994. In Venezuela net outflows will continue.

The drop in portfolio investments and short-term capital was triggered by turbulence in the foreign exchange and financial markets. The resulting uncertainty was reflected in the plunge in dollar values on most countries' stock exchanges during the first quarter of 1995: Mexico (-48%), Brazil (-26%), Argentina and Venezuela (-18%), Peru (-17%) and Chile (-6%). The secondary market in government debt also declined during this period. In most Latin American countries (except Chile and Colombia), the price of debt instruments fell during the first quarter. The largest drops were in Panama (-31%), Mexico (-28%), Peru (-23%), Costa Rica (-21%) and Argentina (-17%).

In an environment of scarce opportunities for private foreign financing, the International Monetary Fund (IMF) and other multilateral institutions played a crucial role, as a result of which Mexico was able to pay off a large volume of short-term debt and, together with Argentina, gradually regain admission to international financial markets. The Fund provided Mexico with US$ 17.8 billion in aid, in addition to the US$ 20 billion from the United States Government. The Fund also provided important levels of assistance to Argentina, granting it a US$ 2.4 billion loan in April, which was followed by US$ 2.6 billion in loans from the World Bank and the Inter-American Development Bank (IDB) and credits from private banks and other international institutions, for a total of US$ 8.2 billion. The two countries also received decisive support from the Bank for International Settlements, which granted them bridging credits. The World Bank funds have been geared to supporting the Mexican banking sector and facilitating bond sales by Argentine banks, while the IDB credits have been aimed at promoting reforms of the two countries' financial systems.

Latin American bond issues during the first half of 1995 totalled only US$ 5.4 billion (nearly all in the second quarter), as compared with nearly US$ 10 billion in the same period of 1994 (see table 7). Brazil accounted for more than half this amount, and Argentina for US$ 1.6 billion.

In the middle of the year, international investors began to become interested again in providing financing to Latin American countries. Thus, in July the Mexican Government issued a US$ 1 billion bond, its first international bond placement since the end of 1994; in August it issued another US$ 1.1 billion bond denominated in yen. In August the Argentine Government made its first offer of the year, a US$ 720 million bond denominated in deutsche mark; the issue of another yen-denominated instrument worth US$ 1 billion was announced later. The terms of these issues were less favourable than in the past, with shorter maturities (a trend already seen in the previous year) and higher interest rates.

If the trends seen since July continue, gross bond issues on international markets will exceed US$ 13 billion in 1995. Meanwhile, bond redemptions would reach nearly US$ 9 billion, so that net borrowing through bond issues would be only around US$ 4 billion.

Primary issues of American Depositary Receipts (ADRs) declined sharply in the early months of 1995, after attracting US$ 5 billion in 1994. A US$ 371 million placement by a Panamanian enterprise and another worth US$ 110 million by a Brazilian enterprise were made in global depositary receipts (GDRs). In Chile portfolio shifts meant a net outflow of US$ 123 million in the first half of 1995; in Mexico ADR listings at the end of July were still 18% lower than at the close of 1994.

In contrast, direct investment in most Latin American countries has continued to increase during 1995. The regional regulatory framework is now much more favourable to such investment, which could exceed the US$ 18 billion seen in 1994. The privatization process has also continued to move forward, especially in Bolivia, Brazil, Mexico and Peru. Direct investment is increasing in Chile and Peru, where it is concentrated mainly in the mining sector; it has also continued to expand in Colombia, especially in the petroleum industry. In Mexico, direct investment recovered during the first half of 1995, following the shocks at the end of 1994.

Restrictions on short-term capital movements have increased. Like Colombia, Chile had existing legislation in this area, to which it added new provisions. In Brazil and Peru measures have been adopted to discourage the entry of "hot money" (very short-term capital), which is attracted by exchange rate expectations and by high interest rates. The instruments used have been the establishment of reserve requirements (Chile and Peru) and higher taxes (Brazil).

In 1995 the Latin American countries' total foreign debt will approach US$ 545 billion, reflecting a nominal increase of around 4% with respect to 1994. This is explained mainly by the increase in multilateral loans and commercial credits and, to a lesser extent, by bond placements. The dollar's decline against other major currencies has also contributed to the growth of debt in dollar terms.

The ratio of regional foreign debt to exports of goods and services will fall again as a result of the robust expansion of sales abroad and moderate growth of debt. Thus, the ratio will fall from 276% to around 235%, its lowest figure since 1980. A similar trend will be seen with regard to the ratio between regional interest payments and exports of goods and services, since export growth will amply offset the rise in international interest rates. Thus, this ratio will fall in 1995 for the ninth consecutive year, to reach 17%, its lowest level since 1978.

During 1995 most of the countries with the heaviest debt burdens made major gains in renegotiating their foreign debt. In May, Panama signed a preliminary agreement within the Brady Plan framework on restructuring its foreign trade debt, which included US$ 2 billion in payments and US$ 1.5 billion in interest arrears. Peru continued to carry out negotiations, also within the Brady Plan framework, for the restructuring of its debt to commercial banks, which includes US$ 3.8 billion in principal and interest arrears. Meanwhile, Nicaragua is endeavouring to buy back its US$ 1.7 billion debt to commercial banks at 8% of its face value, for which purpose it has received funds from IDB, the World Bank and some European governments. During the first half of 1995, Bolivia, Nicaragua and Haiti reached agreements with the Paris Club countries on restructuring their bilateral debt; Honduras is also negotiating a restructuring agreement with these countries.

Table 1
LATIN AMERICA: GROSS DOMESTIC PRODUCT

	Annual growth rates					Cumulative variation			
						1981-1990		1991-1995[a]	
	1991	1992	1993	1994	1995[a]	GDP	Per capita GDP	GDP	Per capita GDP
Latin America	**3.6**	**3.1**	**3.3**	**4.5**	**1.7**	**12.7**	**-8.3**	**17.2**	**6.9**
South American countries[b]	3.6	3.0	4.2	5.0	3.5	10.9	-9.2	20.8	10.7
Mexico and Central American and Caribbean countries [c]	3.5	3.2	1.1	3.4	-2.9	17.1	-5.9	8.5	-2.1

Source: ECLAC, on the basis of official data.
[a] Preliminary estimates. [b] Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela. [c] Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua and Panama.

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

	1991	1992	1993	1994	1995[a]			
					March	June	July	August
Argentina	84.0	17.5	7.4	3.7	4.3	3.6	3.1	2.7
bolivia	14.5	10.5	9.4	8.5	9.7	10.9	10.3	9.5
Brazil	475.8	1 149.1	2 489.1	929.3	277.1	33.4	28.4	25.9
Chile	18.7	12.7	12.2	8.9	8.2	7.7	7.9	8.4
Colombia	26.8	25.2	22.6	22.5	21.2	21.5	21.4	20.9
Costa Rica	25.3	17.0	9.0	17.3	23.6	22.3	23.2	22.4
Ecuador	49.0	60.2	31.0	25.4	22.7	22.5	22.6	22.0
El Salvador	9.8	20.0	12.1	8.9	8.7	9.4	11.4	10.7
Guatemala	10.2	14.2	11.6	11.6	7.9	9.2	8.9	8.3
Honduras	21.4	6.5	13.1	28.8	33.7	29.3	27.6	26.6
Mexico	18.8	11.9	8.0	7.1	20.4	37.8	40.0	41.6
Nicaragua	775.4	3.6	19.5	12.4	12.1	11.2	12.7	9.1
Panama	1.1	1.7	0.9	1.4	1.2	0.9	1.0	1.0
Paraguay	11.8	17.8	20.3	18.3	14.3	14.9	14.4	12.4
Peru	139.2	56.7	39.5	15.3	11.9	11.1	10.7	10.2
Dominican Republic	7.9	5.2	2.7	14.3	14.2	11.8	12.3	11.8
Uruguay	81.3	59.0	52.9	44.1	45.3	44.9	44.0	44.3
Venezuela	31.0	31.9	45.9	70.8	70.4	61.3	55.9	52.7

Source: ECLAC, on the basis of official data.
[a] Twelve-month variations.

Table 3
LATIN AMERICA: OPEN URBAN UNEMPLOYMENT
(First half of each year)

	1991	1992	1993	1994	1995[a]
Argentina [b]	6.9	6.9	9.9	10.8	18.6
Brazil [c]	5.5	6.0	6.0	5.4	4.4
Chile [d]	6.5	5.0	4.2	6.0	5.7
Colombia [e]	10.5	11.0	9.4	10.1	8.6
Ecuador [f]	...	...	9.4	8.4	...
Mexico [g]	2.5	2.9	3.3	3.6	5.8
Uruguay [h]	9.7	9.7	8.9	8.5	10.5
Venezuela [i]	10.3	8.4	6.9	8.9	11.0

Source : ECLAC, on the basis of official figures.
[a] Preliminary figures. [b] Urban nationwide, data from May of each year. [c] Six metropolitan areas. [d] Santiago Metropolitan Region. [e] Seven metropolitan areas, average of March and June. [f] Urban nationwide, July of each year. [g] Urban nationwide. [h] Montevideo. [i] Nationwide total.

Table 4
LATIN AMERICA: REAL AVERAGE REMUNERATION

	1991	1992	1993	1994	1995[a]
	Average indexes for the first half of each year (Average 1990 = 100)				
Argentina [b]	99.3	102.4	101.0	102.3	101.0
Brazil [c]					
Rio de Janeiro	...	78.4	81.3	90.8	84.4
São Paulo	...	83.2	92.5	100.0	97.0
Chile [d]	105.8	109.9	113.8	118.3	123.4
Colombia [e]	98.3	98.4	102.7	103.3	104.2
Ecuador [f]	102.2	113.6	124.8	131.8	149.3
Mexico [g]	100.8	109.1	118.1	123.5	117.8
Peru [h]	115.1	117.4	108.3	126.5	...
Uruguay [i]	102.9	107.4	111.4	112.9	110.4
	Growth rates				
Argentina [b]	7.4	3.1	-1.4	1.3	-1.3
Brazil [c]					
Rio de Janeiro	...	...	3.7	11.7	-7.0
São Paulo	...	...	11.2	8.1	-3.0
Chile [d]	5.8	3.9	3.5	4.0	4.3
Colombia [e]	-2.5	0.1	4.4	0.6	0.9
Ecuador [f]	0.9	11.2	9.9	5.6	13.3
Mexico [g]	4.5	8.2	8.2	4.6	-4.6
Peru [h]	-4.2	2.0	-7.8	16.8	...
Uruguay [i]	-0.7	4.4	3.7	1.3	-2.2

Source : ECLAC, on the basis of official figures.
[a] Preliminary figures. [b] Average total wages in manufacturing. [c] Wages of workers covered by social and labour legislation. 1995: Average from January to April. [d] Up to April 1993, average remuneration of employed persons in non-agricultural sectors. From May 1993, general index of hourly remuneration. [e] Wages of manual workers in manufacturing. 1995: Estimate. [f] Average remuneration in mining and quarrying, manufacturing, commerce and services. 1995: Average from January to March. [g] Average wages in manufacturing. 1995: Average from January to March. [h] Wages of private-sector manual workers in Metropolitan Lima. [i] Average wages.

Table 5
LATIN AMERICA: BALANCE OF PAYMENTS
(Billions of dollars)

	Latin America			South American countries [a]			Mexico, and Central American and Caribbean countries [b]		
	1993	1994	1995[c]	1993	1994	1995[c]	1993	1994	1995[c]
Balance on current account [d]	-46.0	-48.9	-29.1	-19.3	-16.6	-20.4	-26.7	-32.4	-8.7
Merchandise trade balance	-10.3	-14.7	7.9	9.0	10.0	7.0	-19.3	-24.7	1.0
Exports [e]	156.0	181.0	219.3	93.1	108.0	128.2	62.9	73.1	91.0
Imports [e]	166.3	195.8	211.3	84.1	98.0	121.3	82.2	97.8	90.1
Balance of services	-10.2	-9.5	-8.5	-11.2	-10.2	-8.7	1.0	0.7	0.2
Balance of profits and interest	-33.0	-34.2	-38.3	-20.2	-20.2	-22.7	-12.8	-14.0	-15.6
Unrequited private transfer payments	7.5	9.5	9.7	3.1	3.8	4.0	4.4	5.7	5.7
Balance on capital account [f]	66.8	43.5	...	32.7	30.4	...	34.1	13.1	...
Global balance [g]	20.8	-5.4	...	13.4	13.9	...	7.4	-19.3	...

Source: ECLAC, on the basis of official data.
[a] Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela. [b] Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua and Panama. [c] Preliminary estimates. [d] Including unrequited private transfer payments. [e] Includes Mexico's inbond assembly industry (maquila). [f] Including unrequited official private transfer payments, short- and long-term capital and errors and omissions. [g] Equals variation in international reserves (of opposite sign) plus counterpart items.

Table 6
LATIN AMERICA: PRICES OF MAIN EXPORT PRODUCTS
(Prices in current dollars and growth rates)

	Average annual prices					Annual growth rates		
	1991	1992	1993	1994	1995[a]	1993	1994	1995[a]
Raw sugar [b]	9.0	9.1	10.0	12.0	14.2	10.6	19.7	18.1
Bananas [b]	25.5	21.7	20.1	19.9	19.0	-7.4	-1.0	-4.7
Cocoa [b]	54.2	49.8	50.7	63.3	66.6	1.9	24.8	5.2
Coffee (mild) [b]	85.0	63.6	69.9	148.5	168.9	9.9	112.5	13.7
Beef [b]	120.8	111.3	118.7	105.8	90.1	6.6	-10.9	-14.9
Fish meal [c]	478.0	482.0	365.0	376.0	444.8	-24.3	3.0	18.3
Maize [c]	140.1	136.7	141.7	143.6	149.7	3.7	1.3	4.2
Soya [c]	240.0	236.0	255.0	252.0	246.3	8.1	-1.2	-2.3
Wheat [c]	129.0	151.0	142.0	151.0	157.5	-6.0	6.3	4.3
Cotton [b]	81.5	62.6	62.2	82.2	106.4	-0.6	32.1	29.5
Wool [b]	119.2	123.5	116.0	145.1	179.0	-6.1	25.1	23.4
Copper [b]	106.0	103.5	86.7	104.9	131.9	-16.2	20.9	25.8
Tin [d]	2.5	2.7	2.3	2.5	2.7	-15.3	7.0	8.3
Iron ore [c]	33.3	31.6	28.1	25.5	27.0	-11.0	-9.5	6.0
Lead [b]	25.4	24.6	18.5	24.9	27.5	-24.8	34.5	10.4
Zinc [b]	52.8	58.4	46.1	48.5	56.1	-21.1	5.2	15.7
Crude petroleum [e]	18.3	18.2	16.1	15.5	17.3	-11.5	-4.0	12.1

Source: UNCTAD, *Monthly Commodity Price Bulletin*, Supplements 1970-1989 (TD/B/C.1/CPB/L.101/Add.1), Geneva, November 1989; ibid. (TD/B/CN.1/CPB/L.26), vol. XV, No. 6, June 1995; International Monetary Fund (IMF), *International Financial Statistics*, Washington, D.C., August 1995.

Note: **Raw sugar**, f.o.b. Caribbean ports, for export to free market. **Central American and Ecuadorian bananas**, f.o.b. United States ports. **Cocoa beans**, average daily prices (future), New York/London. **Coffee**, mild arabica, ex-dock New York. **Beef**, frozen and boned, all origins, United States ports. **Fish meal**, all origins, 64-65% protein, c.i.f. Hamburg. **Maize**, Argentina, c.i.f. North Sea ports. **Soya**, United States, # 2, yellow, in bulk, c.i.f. Rotterdam. **Wheat**, f.o.b. United States, # 2, Hard Red Winter. **Cotton**, United States M 1-3/32", c.i.f. Northern Europe. **Wool**, clean combed, 48"s quality, United Kingdom. **Copper, tin, lead and zinc**, spot prices on the London Metal Exchange. **Iron**, Brazil to Europe, C. 64.5% Fe, f.o.b. **Petroleum**, IMF, average of spot prices of 'Dubai', 'Brent' (United Kingdom) and 'Alaskan North Slope', reflecting relatively equal consumption of medium, light and heavy crude throughout the world.

[a] Average January-June. [b] U.S. cents per pound. [c] Dollar per metric ton. [d] Dollars per pound. [e] Dollars per barrel.

Table 7
LATIN AMERICA: INTERNATIONAL BOND ISSUES [a]
(Millions of dollars)

	1991	1992	1993	1994		1995
				1st half	2nd half	1st half
Total	**7 242**	**14 018**	**29 404**	**9 690**	**10 176**	**5 434**
Argentina	795	1 630	6 428	2 360	2 959	1 588
Barbados	-	-	-	40	30	-
Bolivia	-	-	-	10	-	-
Brazil	1 837	4 520	6 810	1 279	2 756	2 986
Chile	200	120	322	-	155	100
Colombia	-	-	567	333	622	260
Costa Rica	-	-	-	50	-	-
Guatemala	-	-	60	-	-	-
Jamaica	-	-	-	-	55	
Mexico	3 782	6 480	11 483	5 438	2 081	500
Panama	50	-	-	-	1 248	-
Peru	-	-	30	80	20	-
Trinidad and Tobago	-	100	125	-	150	-
Uruguay	-	100	140	100	100	-
Venezuela	578	1 068	3 439	-	-	-

Source: 1991-1994: International Monetary Fund (IMF), estimates based on various sources; 1995: West Merchant Bank.
[a] Gross financing.

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In contrast to the previous year, when the country still managed to absorb a large volume of funds despite reduced flows of external financing, during the early months of 1995 there was a net outflow of capital. This sudden shift, in part a regional phenomenon, was also associated with turbulence in the local financial market. In the first quarter, the demand for domestic assets dropped sharply. In addition to less inclination to keep funds in Argentina, this behaviour on the part of asset holders reflected uncertainty about the stability of the exchange rate. It soon became clear, however, that the system based on fixed parity with the dollar would not be changed. The demand for assets dropped to its lowest point in March. Its subsequent rebound significantly relieved tension in the financial markets, but did not restore the previous level of credit flows.

Against this background, internal demand for goods and services flattened out. Exports, on the other hand, grew vigorously under the impetus of favourable external conditions, including improved international prices and increased purchases by Brazil. The growth in exports brought about a reversal of the foreign trade balance and helped sustain the level of economic activity. There was none the less a substantial slow-down in the growth of gross domestic product (GDP), which intensified in the second quarter, when industrial output was down by over 4% compared with the same period the previous year.

This trend in the level of activity was associated with a drop in employment, while coincided with a marked increase in the participation ratio. These two factors had a negative impact on the unemployment rate, which shot up in May to 18.6%, more than six points higher than the figure reported at the end of 1994, already a historic high. The weak demand for labour also resulted in an erosion of wages in both the public and private sectors. Inflation remained very low: during the first eight months of the year the consumer price index (CPI) rose by only 1.3%, and in three of those months it posted declines.

The main thrust of economic policy was to shore up the foreign exchange system and cushion the impact of turbulence in the financial system. In the face of the greater demand for foreign exchange, at the start of the year the authorities converted the banks' reserves into foreign currency, giving signals reinforcing the pegging of the peso to the dollar. The central bank made the rules on reserves more flexible and advanced funds to financial institutions by extending credit to banks with public securities as collateral and through rediscount operations. In addition, the central bank charter was amended to extend its scope of action as lender of last resort within the limits imposed by the requirement for monetary liabilities to be covered in foreign currency. In addition, a system of deposit guarantees was established and funds were set up, using resources obtained from a bond issue and loans from multilateral organizations, to facilitate the restructuring of the financial system and the privatization of state-owned provincial banks.

The fiscal administration of the central Government was faced with both eroding revenues and greater limitations on financing through the market; some of the provincial governments, however, encountered even more severe fiscal problems and were obliged to delay payments considerably. By the end of the previous year the national public sector deficit had already resulted in spending cuts. In February 1995, new adjustment measures were announced. They included roll-backs in the wages of the highest paid public-sector employees and measures broadening the tax base for profits and personal property; a system of facilities for paying tax liabilities was also set up. In March the Government decided to increase the VAT rate by three points, reduce drawbacks on exports and raise import duties. In addition, a law was passed to try to limit pension costs. Employer social security contributions were increased, but were subsequently reduced to enhance demand for labour.

In March the Government signed a new agreement with the International Monetary Fund. The IMF agreed to grant loans in view of the especially tense situation in the financial markets and set strict fiscal surplus targets for the remainder of the year, which would in effect rule out new public sector debt offerings during the period. In August, the country negotiated a reformulation of the targets, in light of the decline in activity levels and a relaxation of the restrictions on government access to credit, which resulted in a rebound in the prices of domestic debt and a positive response in international markets to new Argentine Treasury bond issues.

In terms of its cash performance, the national public sector posted a primary surplus for the first half year, but the financial result was negative. Tax revenues collected by national entities contracted 1%. There was a sharp drop in social security contributions, in part because some amounts were diverted to private retirement funds. Despite the increase in the rate, the VAT generated roughly the same amount of revenue as in the first half of the previous year. Revenue from taxes on profits, on the other hand, continued to rise.

Financial markets were severely shaken in the first quarter. The slump in demand for domestic assets affected the entire range of financial instruments. Due in part to seasonal factors, money in circulation contracted by some 2.5 billion pesos (18%) and was accompanied by an even more severe erosion in international reserves. There was also a sharp drop in the volume of bank deposits, at first affecting primarily the peso-denominated segment, but eventually spreading to dollar deposits as well. Although the volume of bank loans to the private sector only began to decline in March, it is likely that many firms were already suffering from a credit shortage even before financing constraints intensified. Prices on the securities exchanges were volatile and tended to decline. As a result, the yield differentials between domestic and foreign assets widened, i.e., the "country risk" coefficient rose.

The withdrawal of funds from the banks had the greatest impact on a number of smaller institutions, some of which could not meet their obligations on maturing deposits, while other banks managed to take in more funds than they paid out. At this time there was a considerable number of bank acquisitions, mergers and portfolio transfers, some of them involving institutions (representing only a small percentage of total banking volume) that were ordered by the central bank to close or suspend operations.

The tension in the financial markets gradually eased, probably due to the consistent fiscal and financial signals given out by the Government and relief from the uncertainty existing prior to the general elections in May, when Carlos Menem was reelected president by a wide majority. The gradual recovery of confidence in Latin America on the part of foreign investors also helped the situation.

Despite some fluctuations, prices of stocks and other securities made a strong recovery. By mid-August, the quotations on a variety of securities were higher than at the end of the previous year. Interest rates, meanwhile, which had risen to 1.6% per month in March, dropped to under 1% in June (just a little above pre-crisis levels), and deposits began flowing back into the banks, partially reversing previous losses. The increase in deposits did not fully translate into an increase in loan volume, because some of the funds were used to settle transactions with the central bank and to build up bank liquidity. The caution shown by the banks in offering credit was apparently matched by less inclination on the part of potential borrowers to incur debt in the face of lower income expectations. At the end of August, the Government changed the rules regarding the liquid assets banks were required to hold, with the aim of reducing intermediation costs and stimulating financial recovery.

Since 1991 the expansion of credit had been a key factor in economic expansion; hence, the turbulence in the financial markets had an impact on activity levels. Although the level of output in the first quarter exceeded the figure for the same period the previous year, the slow-down was none the less sharp. Preliminary figures indicate that in the second quarter the decline in domestic demand and aggregate output intensified, but by August the gradual easing of tension in financial markets was beginning to have a positive influence on spending decisions.

The main sectors of the economy increased their output in the first quarter, although only agriculture grew at a faster pace than in 1994, thanks to an excellent grain harvest. Within the manufacturing sector, there was considerable variation among industries, and the pattern differed from that of previous years. There was significant growth, for example, in the output of some intermediate goods with easy access to external markets and a considerable decline in the production of automobiles and various consumer durables.

One of the salient events of the period was the abrupt change in balance-of-payment flows. In the first quarter, the net capital outflow was approximately US$3.5 billion. It appears likely that for the second quarter the capital account balance, influenced by financing attracted by the public sector, will be positive, but it will not be sufficient to compensate for the gap in the earlier months. International reserves dropped by some US$5.5 billion in the first quarter, but recovered by around US$2.5 billion in the second quarter. There was a turnaround in the current account balance; in the first quarter the deficit dropped below US$2 billion, and in the second the balance became positive.

The trade balance showed an appreciable surplus for every month from April on, due primarily to the surge in exports, which were 45% higher in the first half of 1995 than in the same period the year before. The boom was widespread and was especially strong in non-agricultural manufactures. Exports to MERCOSUR increased by 90% and accounted for more than one third of total exports. In contrast, aggregate merchandise imports in the first half were 5% lower than in the same period of 1994.

Table 1
ARGENTINA: GROSS DOMESTIC PRODUCT
(Percentage variations) [a] [b]

	1991	1992	1993	1994	1995 I
Total	**8.9**	**8.7**	**6.0**	**7.1**	**2.6**
Agriculture, hunting, forestry and fishing	3.9	0.1	-1.0	1.5	5.5
Mining	-5.8	8.2	6.0	11.4	9.8
Manufacturing	11.9	7.3	4.5	4.1	1.7
Construction	21.3	21.7	10.9	14.3	6.4
Electricity, gas, and water	2.3	5.4	11.0	6.0	3.9
Commerce	16.5	9.2	4.5	7.1	0.6
Transport	4.4	11.2	6.9	7.3	4.8
Financial institutions, insurance and real estate	10.0	13.2	10.0	12.6	3.0
Community, social and personal services	-1.4	1.0	7.2	4.6	2.4

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

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

	Seasons			Percentage variation	
	1992/1993 (1)	1993/1994 (2)	1994/1995 (3)[a]	(2/1)	(3/2)[a]
Cereals					
Maize	9 957	10 246	11 008	2.9	7.4
Sorghum	2 681	2 160	1 739	-19.4	-19.5
Wheat	9 872	9 604	10 850	-2.7	13.0
Rice	608	606	967	-0.3	59.6
Oilseeds					
Sunflower	2 956	3 903	4 719	32.0	20.9
Linseed	180	112	129	-37.8	15.2
Peanuts (hulled)	230	208	271	-9.6	30.3
Soya beans	11 050	11 715	12 540	6.0	7.0

Source: ECLAC, on the basis of official data.
[a] Provisional figures.

Table 3
ARGENTINA: SOME INDICATORS OF INDUSTRIAL ACTIVITY

	Physical output					Rates of variation [a]				
	Index of industrial output [b]	Crude steel [c]	Finished steel sheets [d]	Automobiles [e]	Cement [c]	Index of industrial output	Crude steel	Finished steel sheets	Automobiles	Cement
1994										
January	113.9	227.8	268.4	34.1	495.1	11.4	8.3	47.3	30.7	19.3
February	105.0	185.8	157.1	8.4	491.4	7.5	14.4	5.5	75.0	14.1
March	118.5	274.4	258.4	33.9	529.8	5.5	18.5	11.2	30.4	6.7
April	110.8	291.9	298.3	35.3	480.6	4.9	19.8	21.4	36.3	16.7
May	112.4	276.5	288.4	34.4	501.8	8.1	7.9	21.5	23.3	17.8
June	110.5	268.4	283.5	34.4	477.9	1.5	7.8	37.4	13.2	13.9
July	105.4	283.5	295.0	36.0	496.9	-0.2	16.9	19.9	12.1	2.8
August	112.6	312.0	312.2	41.7	551.3	5.3	18.3	24.9	27.5	6.9
September	112.3	294.3	289.9	41.7	566.7	4.8	12.3	19.0	21.2	7.2
October	111.0	327.1	329.3	37.6	541.9	4.9	24.0	23.8	16.0	10.3
November	113.4	286.1	300.5	39.3	523.8	4.1	17.1	23.5	11.6	1.5
December	110.6	272.3	276.4	31.7	565.9	2.1	41.2	14.5	-7.6	9.5
1995										
January	102.9	264.6	306.8	8.8	548.2	-9.7	16.2	14.3	-74.2	10.7
February	125.9	226.9	246.7	32.9	522.3	19.9	22.1	57.0	291.7	6.3
March	118.6	311.1	234.9	35.5	523.7	0.1	13.4	-9.1	4.7	-1.2
April	106.0	306.4	312.3	24.5	420.5	-4.3	5.0	4.7	-30.6	-12.5
May	107.1	309.5	315.6	30.9	471.7	-4.7	11.9	9.4	-10.2	-6.0
June	105.0	305.1	320.8	21.5	443.3	-5.0	13.7	13.2	-37.5	-7.2
July	100.0	327.6	337.8	23.5	420.9	-5.1	15.6	14.5	-34.7	-15.3

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.
[a] With respect to the same period of the preceding year. [b] Seasonally adjusted series with base year 1984=100. [c] Thousands of tons.
[d] Thousands of tons of hot-rolled steel. [e] Thousands of units.

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

	1992		1993		1994		1995
	May	October	May	October	May	October	May
Federal Capital and Greater Buenos Aires	6.6	6.7	10.6	9.6	11.1	13.1	20.2
Córdoba	4.8	5.3	6.8	6.8	7.8	9.6	...
Mendoza	4.1	4.4	4.4	4.6	6.0	5.1	6.8
Rosario	10.1	8.5	10.8	11.8	13.1	12.4	20.9
Tucumán [a]	12.1	12.5	14.2	11.8	14.8	14.2	19.9

Source: National Institute of Statistics and Censuses.
[a] 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[a]	Month	Year[a]
1994										
January	963	963	1 578	1 578	-615	-615	-12.0	6.8	-5.3	51.9
February	966	1 929	1 487	3 065	-521	-1 136	6.1	6.4	65.3	58.1
March	1 127	3 056	1 850	4 915	-723	-1 859	4.8	5.8	39.8	50.7
April	1 222	4 278	1 752	6 667	-530	-2 389	13.3	7.9	45.2	49.2
May	1 598	5 876	1 741	8 408	-143	-2 532	30.9	13.3	38.9	46.9
June	1 459	7 335	1 836	10 244	-377	-2 909	14.2	13.5	30.2	43.6
July	1 430	8 765	1 776	12 020	-346	-3 255	23.4	15.0	13.9	38.3
August	1 470	10 235	2 103	14 123	-633	-3 888	35.9	17.6	36.7	38.1
September	1 357	11 592	1 766	15 889	-409	-4 297	14.3	17.2	13.0	34.7
October	1 355	12 947	1 840	17 729	-485	-4 782	24.2	17.9	17.2	32.7
November	1 421	14 368	1 892	19 621	-471	-5 253	40.3	19.8	7.6	29.8
December	1 472	15 840	1 970	21 591	-498	-5 751	34.6	21.0	18.3	28.6
1995[b]										
January	1 326	1 326	1 708	1 708	-382	-382	37.7	37.7	8.2	8.2
February	1 374	2 700	1 617	3 325	-243	-625	42.2	40.0	8.7	8.5
March	1 776	4 476	1 817	5 142	-41	-666	57.6	46.5	-1.8	4.6
April	1 833	6 309	1 429	6 571	404	-262	50.0	47.5	-18.4	-1.4
May	2 184	8 493	1 640	8 211	544	282	36.7	44.5	-5.8	-2.3
June	2 200	10 693	1 500	9 711	700	982	50.8	45.8	-18.3	-5.2

Source: National Institute of Statistics and Censuses.
[a] With respect to the same period of the preceding year. [b] Provisional figures.

Table 6
ARGENTINA: PRICE INDEXES
(Percentage variations)

	Consumer price index						Wholesale price index					
	1994			1995			1994			1995		
	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months	Month	Year	12 months
January	0.1	0.1	6.6	1.2	1.2	4.8	-	-	-0.8	1.4	1.4	7.4
February	-	0.1	5.9	-	1.2	4.8	-0.2	-0.2	-1.8	-0.3	1.1	7.3
March	0.1	0.2	5.1	-0.4	0.8	4.3	-0.2	-0.4	-1.4	0.2	1.3	7.9
April	0.2	0.4	4.3	0.5	1.3	4.6	0.5	0.1	-1.7	2.6	3.9	10.6
May	0.3	0.7	3.3	-	1.3	4.3	0.6	0.7	-1.5	0.3	4.2	10.2
June	0.4	1.1	3.0	-0.2	1.1	3.6	1.5	2.2	0.1	0.1	4.3	7.9
July	0.9	2.1	3.6	0.4	1.5	3.1	0.7	2.9	0.9	0.1	4.5	5.0
August	0.2	2.3	3.8	-0.2	1.3	2.7	0.3	3.2	0.7			
September	0.7	3.0	3.7				0.3	3.5	1.0			
October	0.3	3.3	3.4				0.7	4.3	1.3			
November	0.2	3.5	3.5				0.9	5.2	3.8			
December	0.2	3.7	3.7				0.7	5.9	5.9			

Source: National Institute of Statistics and Censuses.

Table 7
ARGENTINA: INDEX OF REAL WAGES IN INDUSTRY [a]
(Index 1983=100)

	Index [b]					Percentage variation 1995/1994		
	1991	1992	1993	1994	1995	Month	Year[c]	12 months[d]
January	85.6	88.5	88.1	87.3	86.5	-0.7	-0.9	-0.9
February	82.8	87.2	87.7	87.5	86.8	0.3	-0.9	-0.8
March	82.7	87.6	86.5	87.4	86.8	-	-0.8	-0.7
April	86.8	87.6	85.6	88.4	86.6	-0.2	-1.1	-2.0
May	87.5	87.7	86.0	88.2	86.6	-	-1.2	-1.8
June	86.2	88.6	86.2	87.8	86.7	0.1	-1.2	-1.3
July	87.3	89.3	86.1	87.6				
August	87.9	88.6	86.2	87.2				
September	87.1	88.0	86.4	87.5				
October	89.5	87.7	86.8	87.4				
November	90.1	88.2	87.1	87.6				
December	90.1	88.3	87.2	87.1				

Source: National Institute of Statistics and Censuses.
[a] Standard real average monthly wage per industrial worker, excluding bonuses. [b] Index of nominal wages deflated by consumer price index.
[c] Percentage variation in the cumulative average index, with respect to the same period of the preceding year. [d] Percentage variation with respect to the same month of the preceding year.

Table 8
ARGENTINA: NATIONAL TREASURY INCOME AND EXPENDITURE

	Millions of current pesos					1995[a]	
	1994				1995		
	I	II	III	IV	I	I	II
1. Current income [b]	11 759	12 119	11 669	11 841	11 393	11 679	11 901
2. Current expenditure [b]	11 217	11 107	12 066	12 626	11 623	11 435	11 246
2.1 Consumption [c]	1 829	1 722	1 840	1 905	1 805	1 914	1 500
2.2 Social security benefits [d]	4 317	4 004	4 855	4 846	4 374	3 737	3 559
2.3 Net interest	531	888	685	1 046	791	791	1 052
2.4 Transfers to provinces	4 540	4 493	4 686	4 829	4 653	4 993	5 135
3. Current saving [b]	542	1 012	-397	-785	-230	244	655
4. Current saving of public enterprises	-15	-6	12	-7	-80	-80	34
5. Capital expenditure	357	221	298	372	301	912	818
6. Capital revenues	21	490	14	282	8	8	133
7. Preliminary results excluding privatizations (4+3+2.3-5)	701	1 673	2	-117	181	44	923
8. Preliminary results (7+6.1)	722	2 162	16	165	189	52	1 055
9. Financial results (8-2.3)	191	1 274	-669	-881	-603	-739	3

Source : Ministry of Economic Affairs and Public Works and Services, Department of Finance.
[a] This data incorporates a number of changes in methodology with respect to the data used in previous periods. Changes have arisen owing to variation in a number of assignment criteria and the inclusion of additional items under the heading; consequently, both income and expenditure appear greater than in the calculations based on the previous methodology. [b] National Government: National Administration plus National Social Security System. [c] Wages, goods and services and others. [d] National Social Security System.

Table 9
ARGENTINA: INTEREST RATES [a]

	Nominal		Real	
	Bank		Bank	
	Deposits [b]	Loans [c]	Deposits [bd]	Loans [ce]
1994				
January	0.6	1.6	0.6	1.6
February	0.5	1.6	0.4	1.5
March	0.6	1.6	0.4	1.4
April	0.6	1.6	0.3	1.3
May	0.6	1.6	0.2	1.2
June	0.7	1.6	-0.2	0.7
July	0.7	1.6	0.5	1.4
August	0.7	1.6	0.0	0.9
September	0.7	1.6	0.4	1.3
October	0.7	1.6	0.5	1.4
November	0.7	1.6	0.5	1.4
December	0.8	1.7	-0.4	0.5
1995				
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	1.5	2.6
June	0.9	2.4	0.5	2.0

Source: ECLAC, on the basis of data from the Central Bank of the Argentine Republic and other sources.
[a] 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. [b] Reference rates on savings deposits. [c] Rate applied by the Banco de La Nación Argentina for discount of 30-day notes. [d] In relation to the general consumer price index corresponding to the month in which deposits were made. [e] 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)[a]			
	1992	1993	1994	1995	1992	1993	1994	1995
January	0.9910	0.9994	1.00	1.00	40.6	36.8	35.4	34.7
February	0.9913	0.9998	1.00	1.00	39.9	36.6	35.5	34.8
March	0.9921	0.9998	1.00	1.00	39.3	36.5	35.6	35.1
April	0.9910	0.9993	1.00	1.00	38.8	36.2	35.6	35.0
May	0.9910	0.9994	1.00	1.00	38.6	35.8	35.5	35.1
June	0.9914	0.9992	1.00	1.00	38.5	35.6	35.5	35.3
July	0.9912	0.9990	1.00	1.00	37.9	35.5	35.2	35.1
August	0.9911	0.9996	1.00		37.4	35.6	35.3	
September	0.9911	1.0000	1.00		37.2	35.4	35.2	
October	0.9910	0.9997	1.00		36.8	35.3	35.1	
November	0.9941	0.9992	1.00		36.8	35.3	35.1	
December	0.9921	0.9990	1.00		36.6	35.3	35.0	

Source: ECLAC, on the basis of data from the Central Bank and the International Monetary Fund (IMF), *International Financial Statistics*.
[a] Index of nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index.

BRAZIL

In 1995 the Brazilian economy experienced a continuation of the transformation process that began in the middle of the previous year with the implementation of the most successful stabilization plan of those attempted in the past 10 years. The 12-month inflation figure, which in June 1994 had risen to 5,000%, reached only 26% in August 1995. In the first half of the year, the gross domestic product increased by 8% and manufacturing output rose by a little over 10% compared with the same period in 1994. Although beginning in March the economy was clearly slowing down, it is expected that the increase for the entire year will be around 5%. The unemployment rate in the first seven months was 4.4%, the lowest in the past five years, and average real industrial wages in São Paulo were 12% higher than in the same period the year before. It is estimated that the gross capital formation ratio will reach the equivalent of around 18% of GDP, the highest level experienced so far this decade.

These results are attributable basically to the Real Plan, which introduced a new currency and radically changed exchange-rate and monetary policies in order to neutralize the element of inertia in inflation. Likewise, public-sector accounts were balanced and the main public-sector prices and tariffs were frozen. Nevertheless, the stabilization process met with new obstacles, both internal and external, that made it necessary to modify key policies and increase control over internal demand. These adjustments had the effect of diminishing the short-term growth rate, but, together with sweeping constitutional reforms, they strengthened the Brazilian economy's medium-term prospects.

In particular, the inflation rate has settled at around 2% a month, after its sharp drop at the beginning of the second half of 1994. Its resistance to dropping further is due to the very rapid increase in internal demand, as well as to the continued existence of a certain residue of the element of inertia in inflation. The Government adopted stringent measures to deal with both of these factors. On the one hand, in view of the restrictions that made it difficult to achieve a far-reaching fiscal adjustment, monetary policy was tightened. On the other hand, as a result of a decision already in force but subject to ratification by parliament, a large part of the remaining indexation mechanisms were abolished, as were annual salary adjustments based automatically on past inflation rates and indexation linked to credit operations in the financial system.

Major obstacles stand in the way of the achievement of a sustainable public-sector account balance. There is still no sign that far-reaching tax reform will be approved, at a time when the expenditure reduction phase has practically come to an end. Furthermore, the financial situation of the state and municipal governments has reached a critical stage. The same can be said of the state banks, owing to difficulties in recovering the large loans that they have granted their respective governments.

The Government has just announced an ambitious four-year plan to achieve strong growth, strengthen its current anti-inflationary programme and attain external goals that will guarantee sustainable financing of the economy. This initiative is based on the assumption that inflation will be contained and that there will be about 5% average annual growth in the framework of consolidation of the stabilization plan, whose goals include fiscal equilibrium, State structural reforms, public efforts to employ vast marginalized sectors, and attracting foreign financing.

The year began with the inauguration of President Fernando Henrique Cardoso, who had been elected in October, and who as Minister of Finance in the previous Government had been responsible for designing and implementing the Real Plan. The new Government continued the economic policy, although it introduced certain correctives to support the stabilization programme. At the same time, early in the year the impact of the Mexican devaluation was beginning to make itself felt in international financial markets. The new external financing conditions, which were much more restrictive, coincided with an unfavourable change in Brazil's external accounts. From November onwards, the monthly trade deficit grew worse and worse, until in June the cumulative deficit reached US$ 5.5 billion. The nominal and real revaluation of the Brazilian currency against the United States dollar, the acceleration of tariff reductions provided for in the MERCOSUR agreement and the strong increase in internal demand led to this deterioration in the trade balance. This change had the effect of reducing the pressure of foreign capital inflows on monetary policy, while the supply of merchandise was increasing, contributing to a balance in the respective merchandise markets.

The Mexican crisis caused a contraction in the availability of external funding for the countries of the region, resulting in Brazil's case in an outflow of capital. During the first quarter there was a net outflow of US$ 3.6 billion in portfolio investments and financial allocations, while new bond issues came to only US$ 1.5 billion, half the amount raised in the previous quarter.

In March the exchange-rate policy was modified, and explicit currency bands were set. Immediately, strong speculative currents against the Brazilian currency were unleashed, which had the effect of reducing international reserves by US$ 4 billion. Urgent adjustments were made in the exchange-rate mechanism, while the currency bands were maintained. In June, the bands were adjusted upwards, a move that was received with equanimity by traders, in contrast to the way in which they had reacted in March.

The rise in imports, whose value was almost double that of the previous year, prompted changes in several aspects of trade policy. The marked increase in demand owing to the success of the Real Plan and the concomitant reduction in import tariffs had the combined effect that motor-vehicle imports rose from a monthly average of US$ 70 million in the first half of 1994 to US$ 130 million in the second half and US$ 400 million in the first half of 1995. Concerned about the impact of such a steep increase in imports on the external accounts, the authorities raised the import tariff on motor vehicles by 32% in February and by 70% in April. In June the introduction of a quota system was announced, with the establishment of a sectoral plan for the motor vehicle industry, in order to stimulate new investment and a higher level of exports.

From January to July, total imports climbed to US$ 29.7 billion, while exports rose to US$ 25.4 billion, an increase of only 7%. The cumulative trade deficit in the first seven months was thus US$ 4.3 billion, but it showed a downward trend; during the first quarter the monthly deficit was US$ 780 million, gradually declining to US$ 640 million in the second quarter. In July the deficit was transformed into a small surplus of US$ 2 million. This development was linked both to the slower rate of car purchases (only US$ 140 million in July) and to a smaller inflow of intermediate products and consumer goods.

Where the balance of payments was concerned, in the first half of the year the current account showed a deficit of US$ 11.4 billion, equal to 4% of GDP. In addition to the merchandise balance deficit, net expenditure on services rose from US$ 6.2 billion in the first half of 1994 to US$ 9.2 billion in the same period of 1995, owing mainly to higher payments for profits and interest and to international travel. The current account deficit was financed in basically equal parts by net capital inflows (US$ 5.9 billion) and international reserve losses (US$ 5.5 billion).

In the second quarter international reserves began to show improvement and in July they increased considerably, since there was a huge inflow of foreign funds, in an amount of US$ 8.8 billion. The bulk of these foreign currency inflows derived from the raising of funds by Brazilian companies through foreign loans taken out to finance both a greater inventory level and the extension of credit to consumers. International reserves thus rose to US$ 40 billion, exceeding by more than US$ 3 billion the high levels seen at the end of 1994, before the effects of the Mexican crisis began to be felt. In view of this new situation, new restrictive measures were adopted, such as increasing taxes on financial operations, in order to slow the influx of capital from abroad, which was seriously complicating the management of monetary policy.

The tremendous increase in demand for foreign credit was mainly the result of the restrictive monetary policy implemented during 1995, especially from March onwards. On the one hand, controlling liquidity by means of reserve requirements in excess of the liabilities of the banking system significantly increased the gap between lending and borrowing rates. On the other hand, the Central Bank has maintained the base rate at a level far above the inflation rate, which translates into very high real rates. For example, the nominal average monthly rate for savings deposits was 3.2% and the rate for consumer credit was 7.8%, with monthly rates equivalent to 1.5% and 6% in real terms. The maintenance of this policy caused the monetary base to contract by 15% and the supply of credit by 20% in the first seven months of 1995. Moreover, this control of monetary expansion was undertaken in unfavourable circumstances, given the strong increase in credit to financial institutions as a consequence of the growing difficulties that some banks were facing.

This monetary policy had powerful repercussions on the level of economic activity. The restrictions on credit, among them the imposition of a limit of only three monthly instalment payments on consumer credits, and the high cost of borrowing caused an increase in payment arrears and arrangements with creditors to avoid bankruptcy, a situation that even affected two large commercial chains and brought about government administration of the eighth largest private bank. Sales and production began to decline. In the second quarter of 1995, the seasonally-adjusted GDP index went down by almost 4% and the industrial index declined by 7.5% compared with the previous quarter. Retail sales contracted, especially in the automotive sector. The level of employment in industry in São Paulo, which had been rising since the previous September, began to go down in May, and it is estimated that by July 43,000 jobs had been eliminated.

Various indicators show that this unfavourable situation persisted as the second half of the year progressed. The outlook is not promising, owing to the high level of inventories of both imported and domestic products in several sectors (247,000 vehicles in Brazilian factories). An encouraging sign, however, is the trend in gross capital formation, owing both to the vitality of the capital goods industry (20% growth in the first half of the year) and to the size of the increase in imports (87% up to July), to which can be added a significant increase in construction (8%).

The higher level of economic activity and the maintenance of relatively low levels of inflation have increased government revenues. In the first seven months the National Treasury's receipts grew by 18% in real terms, in spite of the ending of the provisional tax on financial movements. Tax receipts that rose the most were from levies on earnings (25%), industrial products (19%), imports (104%) and assessments for social programmes (48%). The rise in imports contributed to the spectacular increase in customs receipts, whose percentage of total revenues rose from 3.6% in the first half of 1994 to 6.5% in the same period in 1995. Tax receipts may represent as much as 30% of GDP this year, thus exceeding the unprecedented level reached in 1990.

Expenditures by the National Treasury also increased significantly (14%) in the first seven months of 1995. The increase would have been greater if in April the date for paying public employees had not been shifted (from before the end of the month to early in the following month), with the result that the rate of increase in expenditure on remuneration in the first half of the year was less than 8%. Interest payments on the entire public debt grew by 25% in real terms, especially in the case of foreign debt payments, whose level rose from US$ 1.4 billion in the period from January to July 1994 to US$ 2.8 billion during the same period of 1995.

The financial performance of the state and municipal governments was markedly less favourable, with an operating deficit greater than 2% in the period from January to May, exacerbated by the great difficulties they met with in placing their debt instruments. A significant part of this deficit was financed by delaying interest payments, which had to be guaranteed by the Central Bank. Government enterprises also had an account deficit, although smaller. The consolidated public sector deficit from January to May thus rose to the equivalent of 1.5% of GDP.

Table 1
BRAZIL: GROSS DOMESTIC PRODUCT AND GROSS FIXED CAPITAL FORMATION
(Percentage variation) [a]

	1994 [b]				1995 [b]	
	I	II	III	IV	I	II
Total GDP	**5.0**	**3.9**	**4.6**	**5.8**	**10.4**	**8.0**
Agriculture	0.9	8.2	8.4	8.1	7.4	5.9
Industry [c]	5.2	5.3	5.4	6.9	14.3	9.3
Services	4.2	3.2	3.3	4.1	8.0	7.5
Gross fixed capital formation (% GDP)	15.7	15.8	15.9	17.6	18.5	18.5

Source: IPEA, Boletim de Conjûtura Trimestrial, July 1995.
[a] With respect to the same period of the preceding year. [b] Preliminary figures. [c] Includes construction and mining.

Table 2
BRAZIL: INDUSTRIAL PRODUCTION

	National index (IBGE)				Index for the State of São Paulo (FIESP)			
	Index 1991=100	Percentage variation			Index 1989=100	Percentage variation		
		Month[a]	12 Ms.[b]	Year[c]		Month[a]	12 Ms.[b]	Year[c]
1993								
December	97.1	-9.9	8.5	7.5	82.0	-14.0	12.0	11.8
1994								
January	95.5	-1.6	8.6	8.6	81.4	-0.7	4.9	4.9
February	91.0	-4.7	3.8	6.2	80.5	-1.1	3.2	4.0
March	109.8	20.7	5.0	5.7	94.5	17.4	1.5	3.1
April	100.0	-8.9	1.2	4.6	84.3	-10.8	-3.4	1.4
May	112.1	12.1	5.0	4.7	94.9	12.6	0.2	1.1
June	111.9	-0.2	4.1	4.6	99.3	4.6	-1.1	0.7
July	114.3	2.1	1.6	4.1	104.6	5.3	0.6	0.7
August	124.7	9.1	10.3	4.9	118.1	12.9	11.9	2.3
September	121.4	-2.6	11.6	5.7	116.7	-1.2	14.4	3.8
October	120.8	-0.5	10.4	6.2	115.9	-0.7	16.0	5.1
November	120.8	-	12.1	6.8	114.0	-1.6	19.6	6.4
December	114.1	-5.5	17.5	7.6	103.2	-9.5	25.9	7.8
1995 [d]								
January	111.4	-2.4	16.6	16.6	100.2	-2.9	23.1	23.1
February	106.4	-4.5	16.9	25.1	97.9	-2.3	21.6	22.4
March	124.2	16.7	13.1	35.1	112.9	15.3	19.5	21.3
April	111.3	-10.4	11.3	44.1	100.4	-11.1	19.1	20.8
May	110.3	-0.9	-1.6	53.0	110.5	10.1	16.4	19.8
June	115.8	5.0	3.5	62.3	113.6	2.8	14.4	18.8
July	...	...	...	...	112.2	-1.2	7.3	16.9

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).
[a] Variation with respect to the previous month. [b] Variation with respect to the same month of the preceding year. [c] Cumulative variation with respect to the same period of the preceding year. [d] Preliminary figures subject to revision.

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

	Index 1978=100				Percentage variation									
					Employment				Real wages					
	Employment		Real wages [a]		Month		12 Ms.		Month		Year[b]		12 Ms.	
	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995
January	84.6	84.3	165.2	193.7	-0.2	0.5	-1.3	-0.4	-6.5	-3.0	2.2	17.3	2.2	17.3
February	84.4	84.8	165.2	192.1	-0.2	0.6	-1.6	0.5	-	-0.8	2.6	16.8	3.1	16.3
March	84.0	85.1	179.6	198.8	-0.5	0.4	-2.2	1.3	8.7	3.5	2.9	14.6	3.5	10.7
April	83.7	85.4	185.4	203.3	-0.4	0.4	-2.7	2.0	3.2	2.3	4.4	13.3	8.5	9.7
May	83.6	85.0	187.3	204.1	-0.1	-0.5	-3.0	1.7	1.0	0.4	5.3	12.4	9.1	9.0
June	83.5	84.6	182.8	199.8	-0.1	-0.5	-3.2	1.3	-2.4	-2.1	5.9	11.9	8.9	9.3
July	83.4	83.6	171.4	193.6	-0.1	-1.2	-3.4	0.2	-6.2	-3.1	5.0	12.0	-0.3	13.0
August	83.1		174.2		-0.4		-3.5		1.6		4.9		4.2	
September	83.2		176.1		0.1		-3.0		1.1		5.3		8.2	
October	83.7		178.7		0.6		-2.2		1.5		5.6		8.4	
November	83.9		195.0		0.2		-1.5		9.1		5.8		8.1	
December	83.9		199.6		-		-1.1		2.4		6.4		13.0	

Source: ECLAC, on the basis of figures from the Industrial Federation of the State of São Paulo (FIESP).
[a] Nominal wages deflated by the cost-of-living index of São Paulo (ICV-SP). [b] 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[a]	Rio de Janeiro	São Paulo	Belo Horizonte	Porto Alegre	Salvador	Recife
1994							
January	5.5	4.6	5.9	5.1	4.2	7.3	7.5
February	5.4	4.3	5.9	4.9	4.2	6.8	7.2
March	5.9	4.7	6.4	5.0	4.4	7.8	8.5
April	5.4	4.4	5.5	4.3	4.5	7.5	8.7
May	5.2	3.9	5.5	4.1	4.2	8.1	7.8
June	5.4	4.2	5.9	4.8	4.7	7.1	7.1
July	5.5	4.7	5.7	5.1	4.6	7.4	6.7
August	5.5	4.7	5.8	4.9	4.6	6.9	6.9
September	5.1	3.7	5.8	3.9	4.3	6.9	6.4
October	4.5	4.0	4.8	3.4	3.8	6.6	5.6
November	4.0	3.3	4.1	3.1	3.5	6.5	5.4
December	3.4	2.7	3.6	2.9	2.9	5.8	4.0
1995							
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

Source: Geographical and Statistical Institute (IBGE).
[a] Weighted by the labour force of each metroplitan area.

Table 5
BRAZIL: PRICE INDEXES
(Percentage variations)

	Domestic availability						Consumer price index					
	1994			1995			1994			1995		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	42.2	42.2	3 001.8	1.4	1.4	620.2	41.3	41.3	2 750.7	1.4	1.4	638.9
February	42.4	102.5	3 391.6	1.2	2.6	411.5	40.6	98.7	3 111.2	1.0	2.4	430.8
March	44.8	193.3	3 856.6	1.8	4.4	259.6	43.1	184.2	3 501.3	1.6	4.0	277.0
April	42.5	317.8	4 296.4	2.3	6.8	158.2	42.9	306.1	3 896.0	2.5	6.6	170.5
May	41.0	488.9	4 584.9	0.4	7.3	83.9	42.7	479.6	4 398.7	2.1	8.9	93.5
June	46.6	763.2	5 153.3	2.6	10.0	28.7	48.2	759.1	5 015.4	2.2	11.3	33.4
July	5.5	810.4	4 098.7	2.2	12.5	24.7	7.8	826.2	4 109.1	2.5	14.1	26.8
August	3.4	841.3	3 151.3	1.3	14.0	22.2	1.9	843.8	3 115.7	1.0	15.3	25.9
September	1.6	855.9	2 310.2				1.4	857.0	2 304.1			
October	2.6	880.3	1 728.9				2.8	883.8	1 742.7			
November	2.5	904.5	1 268.4				3.0	913.3	1 295.6			
December	0.6	910.3	910.3				1.7	930.5	930.5			

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

Table 6
BRAZIL: TRADE BALANCE

	Millions of dollars						Percentage variation[a]			
	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)
1994										
January	2 747	2 747	1 769	1 769	978	978	-19.5	-4.2	-37.0	-1.0
February	2 778	5 525	2 030	3 799	748	1 726	1.1	-5.0	14.8	18.4
March	3 351	8 876	2 249	6 048	1 102	2 828	20.6	-6.1	10.8	16.2
April	3 635	12 511	2 152	8 200	1 483	4 311	32.3	-0.4	21.7	11.2
May	3 862	16 373	2 625	10 825	1 237	5 548	39.0	4.9	29.3	20.8
June	3 728	20 101	2 499	13 324	1 229	6 777	11.3	6.7	11.1	18.4
July	3 738	23 839	2 514	15 838	1 224	8 001	2.8	7.0	16.8	13.2
August	4 282	28 121	2 775	18 613	1 507	9 508	10.9	8.9	5.7	13.7
September	4 162	32 283	2 641	21 254	1 521	11 029	11.6	10.3	5.7	14.3
October	3 843	36 126	3 186	24 440	657	11 686	2.8	11.1	26.7	17.9
November	3 706	39 832	3 889	28 329	-183	11 503	-13.5	11.5	40.1	24.6
December	3 712	43 544	4 776	33 105	-1 064	10 439	-10.8	11.3	80.8	29.5
1995[b]										
January	2 980	2 980	3 284	3 284	-304	-304	-19.7	8.5	-31.2	85.6
February	2 952	5 932	4 047	7 331	-1 095	-1 399	-0.9	7.4	23.2	93.0
March	3 798	9 730	4 734	12 065	-936	-2 335	28.7	9.6	17.0	99.5
April	3 394	13 124	3 861	15 926	-467	-2 802	-10.6	4.9	-18.4	94.2
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	4 002	29 718	2	-4 265	-2.8	6.8	-18.2	87.6

Source: Foreign Trade Porfolio (CACEX) and Foreign Trade Studies Centre (FUNCEX).
[a] With respect to the same period of the preceding year. [b] Provisional figures.

Table 7
BRAZIL: STRUCTURE OF IMPORTS, FOB

	Millions of dollars			Percentage breakdown		Percentage variation
	1994	1994 (January-July)	1995 (January-July)	1994 (January-July)	1995 (January-July)	1995[a]
Total	**33 105**	**15 838**	**29 718**	**100.0**	**100.0**	**87.6**
Fuels and lubricants	4 328	2 136	3 144	13.5	10.6	47.2
Other	28 777	13 702	26 574	86.5	89.4	93.9
Consumer goods	5 241	2 168	6 269	13.7	21.1	189.2
Intermediate goods	13 724	7 870	13 776	49.7	46.4	75.0
Capital goods	9 812	3 664	6 529	23.1	22.0	78.2

Source: ECLAC, on the basis of figures from the Foreign Trade Studies Centre.
[a] Variation with respect to the same period of the preceding year.

Table 8
BRAZIL: STRUCTURE OF EXPORTS, FOB

	Millions of dollars			Percentage breakdown		Percentage variation
	1994	1994 (January-July)	1995 (January-July)	1994 (January-July)	1995 (January-July)	1995[a]
Total	**43 550**	**23 839**	**25 453**	**100.0**	**100.0**	**6.8**
Commodities	11 058	5 943	6 283	24.9	24.7	5.7
Iron ore	2 294	1 258	1 455	5.3	5.7	15.7
Soya meal	1 980	1 161	1 042	4.9	4.1	-10.2
Coffee beans	2 219	711	1 220	3.0	4.8	71.6
Soya beans	1 316	1 086	626	4.6	2.5	-42.4
Leaf tobacco	694	331	394	1.4	1.5	19.0
Frozen poultry	609	345	351	1.4	1.4	1.7
Frozen beef	268	191	110	0.8	0.4	-42.4
Other	1 678	860	1 085	3.6	4.3	26.2
Industrial products	31 866	17 547	18 630	73.6	73.2	6.2
Semi-manufactures	6 893	3 612	4 696	15.2	18.4	30.0
Raw aluminium	962	556	650	2.3	2.6	16.9
Semi-manufactures of iron and steel	1 072	610	703	2.6	2.8	15.2
Wood pulp	851	402	798	1.7	3.1	98.5
Iron alloys	371	212	221	0.9	0.9	4.2
Hides and skins	451	292	313	1.2	1.2	7.2
Other	3 186[b]	1 540	2 011	6.5	7.9	30.6
Manufactures	24 973	13 935	13 934	58.5	54.7	-
Motor vehicles, tractors and parts	3 061	1 635	1 680	6.9	6.6	2.8
Boilers and mechanical equipment	2 483	2 074	2 209	8.7	8.7	6.5
Chemicals	2 053	1 074	1 349	4.5	5.3	25.6
Textiles	1 403	835	794	3.5	3.1	-4.9
Iron and steel flat products	1 377	674	635	2.8	2.5	-5.8
Footwear	1 624	995	877	4.2	3.4	-11.9
Electrical equipment	1 206	804	827	3.4	3.2	2.9
Orange juice	985	491	556	2.1	2.2	13.2
Plastics and rubber	1 387	772	798	3.2	3.1	3.4
Paper	942	496	682	2.1	2.7	37.5
Other	8 452	4 085	3 527	17.1	13.9	-13.7
Other products	634	349	540	1.5	2.1	54.7

Source: Central Bank of Brazil.
[a] January-July 1995 with respect to the same period of the preceding year. [b] Includes wood pulp and hides and skins.

Table 9
BRAZIL: EXCHANGE RATE

	Official exchange rate (Cruzeiros reais per dollar)[b]				Adjusted real exchange rate[a] (index 1985=100)			
	1992	1993	1994	1995	1992	1993	1994	1995
January	1 197.4	14.1	390.9	0.85	74.60	69.53	69.55	57.82
February	1 478.7	17.9	535.5	0.84	74.28	71.07	68.00	56.80
March	1 814.5	22.5	768.1	0.89	75.32	70.29	68.39	59.43
April	2 197.8	28.7	1 109.6	0.91	75.61	70.00	69.23	59.48
May	2 628.6	37.0	1 585.5	0.90	72.74	71.28	69.37	57.73
June	3 149.7	48.1	2 296.3	0.91	72.38	71.12	68.02	57.23
July	3 829.2	62.8	0.93	0.93	72.23	70.82	70.47	57.06
August	4 672.2	82.7	0.90		72.22	70.19	67.20	
September	5 771.5	111.2	0.87		72.16	69.68	64.23	
October	7 214.9	151.2	0.85		71.81	70.96	61.09	
November	9 046.8	205.8	0.84		73.37	71.05	58.69	
December	11 150.9	279.4	0.85		70.67	70.05	58.39	

Source: ECLAC, on the basis of figures from the International Monetary Fund (IMF), *International Financial Statistics*.
[a] Index of nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index. [b] Up to 1992 figures are expressed in cruzeiros; beginning in 1993, in cruzeiros reais; and beginning in July 1994, figures are expressed in reais, Brazil's new currency.

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

	Cash[a]			Liquidity[b]		
	1993	1994	1995	1993	1994	1995
January	18 779	29 138	35 929	23 313	35 390	38 279
February	18 493	30 525	35 750	22 890	36 542	37 998
March	17 960	32 395	31 530	22 309	38 282	33 742
April	17 816	35 082	29 918	22 737	38 289	31 887
May	18 661	38 270	31 664	23 981	41 408	33 731
June	18 814	40 131	31 492	24 476	42 881	33 512
July	19 619	40 317	39 780	25 973	43 090	41 823
August	20 277	40 204		27 088	42 981	
September	20 116	40 873		26 948	43 455	
October	22 229	40 441		29 019	42 845	
November	...	39 531		31 011	41 937	
December	25 878	36 471		32 211	38 806	

Source: Central Bank of Brazil.
[a] Central Bank assets. [b] Includes foreign currency assets, IMF reserve position and special drawing rights.

Table 11

BRAZIL: MONEY SUPPLY AND MONETARY BASE

(Percentage variations)

	Money supply				Monetary base [a]			
	Year[b]		12 months [c]		Year[b]		12 months[c]	
	1994	1995	1994	1995	1994	1995	1994	1995
January	19.6	-19.4	2 555.8	1 734.7	9.9	-5.4	2 362.1	2 847.0
February	83.4	-12.9	2 859.4	1 193.3	49.8	-10.5	2 661.8	1 944.0
March	127.3	-24.1	3 167.7	809.0	100.2	-11.9	2 938.0	1 406.1
April	231.6	-22.3	3 322.2	537.9	202.4	-21.8	3 563.2	785.0
May	417.0	-28.0	4 040.2	279.2	342.0	-21.9	4 162.1	504.8
June	780.7	-20.8	5 879.2	144.8	514.4	-21.2	4 861.8	339.2
July	1 160.6	-20.0	6 398.6	69.9	1 358.0	-15.0	8 455.3	99.6
August	4 421.8		6 160.3		1 721.8		8 426.9	
September	1 768.9		5 782.6		2 374.8		9 098.0	
October	1 874.0		4 779.7		2 415.6		6 289.3	
November	2 002.6		3 206.2		2 465.4		4 522.5	
December	2 622.5		2 622.5		3 322.5		3 322.5	

Source: Central Bank of Brazil.

[a] 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. [b] With respect to December of the preceding year. [c] With respect to the same month of the preceding year.

Table 12

BRAZIL: MONTHLY INTEREST RATES

(Percentages)

	Deposits									
	Open-market operations		Certificates of deposit		Savings deposits		Working capital		Consumer credit	
	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995
January	41.7	4.7	42.6	4.1	42.2	2.6	49.0	7.0	66.1	8.5
February	47.0	3.9	54.0	3.2	40.6	2.4	51.0	7.0	65.0	8.1
March	48.0	4.8	50.2	3.9	42.6	2.8	53.0	8.0	70.0	7.4
April	46.0	4.6	45.2	4.3	46.7	4.0	56.0	6.8	68.0	8.9
May	54.3	3.7	54.4	5.8	47.2	3.8	55.0	6.3	63.0	7.5
June	50.8	3.8	50.5	4.1	47.6	3.4	52.0	5.8	64.5	7.1
July	8.9	3.4	9.1	3.9	5.6	3.5	8.6	5.8	12.5	7.1
August	5.4		5.3		2.6		5.0		5.4	
September	3.9		3.9		3.0		4.7		5.8	
October	3.6		2.8		3.1		5.3		6.8	
November	6.1		5.9		3.4		7.0		4.7	
December	5.0		4.8		3.4		6.4		4.2	

Source: ECLAC, on the basis of official figures.

COLOMBIA

Economic activity in the first half of the year grew by about 5.5%, boosted by robust demand, attributable to the increase in both public and private expenditure (the latter encouraged by the expansion of bank credit). The surge in demand translated into a substantial increase in imports and output. During the first quarter, the manufacturing sector excluding coffee milling grew by 6.5%. Including coffee milling, growth was a little over 3%, similar to the rate recorded a year earlier. In the second quarter, however, there was a slow-down in activity, and as a result the official projection of growth in GDP for 1995 was revised downwards from 6% to just over 5%. In an attempt to contain the inflationary impact of increased demand, monetary policy focused on limiting the growth in the money supply (M1), but liquidity as measured more broadly (M2) continued to expand. The outbreak of a political scandal in July altered the economic picture.

The strong growth trend recorded in housing construction since 1992 came to an end. Growth in cement production slowed from 23% to 3%, comparing the first half of 1995 to the same period the previous year. In contrast, steel ingot production increased by over 50%, in step with iron ore output; sugar production increased by 15% and motor vehicle production by 9%. Under the heading of mining, the drop in the production of precious metals (gold and silver) intensified, but petroleum output rose by 25%. This pattern was accompanied by worsening urban unemployment in almost all major cities. The overall unemployment rate, which had stood at around 8% in late 1994 and early 1995, rose above the 9% mark in the second quarter.

The monetary policy adopted by the central bank (Bank of the Republic) was oriented towards reducing inflation. The previous year's inflation rate of 23% was 4% over target. A goal of 18% inflation was set for 1995 and included in the "Social Pact" on increases in prices and wages, which was agreed to in December by Government, employers and workers. In line with that goal, it was specified that expansion in M1 was to be no greater than 24.5%, and as in previous years a band with upper and lower limits was established for the aggregate. Faced with persistent demand pressures, linked to a considerable increase in private loan portfolios, the Bank of the Republic continued to conduct open-market operations during the first half of the year in an effort to absorb liquidity. As a result of this policy, the money supply contracted by 4% and hence remained under the monetary band. Late in June, the expansion of M1 over the previous 12 months amounted to just 18%.

Against this background, inflation started to slow down beginning in March, though by the end of August it still hovered around 21% per annum, which was above target. Nominal interest rates, which had fallen slightly early in the year after rising in the preceding six months, levelled off at around 33% for deposits and 44% for loans. These yields stimulated savings and time deposits, attracting mainly external capital, and as a consequence M2 expanded at a considerably faster rate than M1; by early August, M2 had increased by a nominal 15% for the year and by 36% over the previous 12 months. This trend enabled the financial system to keep on expanding its loan portfolios at an annual rate which, while lower than before, still stood as high as 45% in May.

At the end of June, amid concern at the level of prevailing interest rates, the Bank of the Republic reached an agreement with the Government whereby the latter, which had committed itself to supporting the inflation target with fiscal measures within the framework of the Social Pact, proceeded to trim government spending by 530 billion pesos, equivalent to 0.8% of GDP. The monetary authorities set temporary ceilings on interest rates, with the result that by mid-August rates on deposits had fallen to 29% with a similar trend noted in rates on loans.

The decision to curb spending was taken after central Government outlays for the first five months rose, according to preliminary estimates, by around 46% from the already high level recorded for the same period the previous year. At the beginning of the second quarter, the non-financial public-sector deficit was calculated to be more than 1% of GDP. The gap was partly financed with domestic borrowing, and this was a factor in keeping interest rates high. The increase in expenditure was in line with the general trend evident over recent years and was called for by the four-year development programme known as the "Social Leap". Mindful of the fact that the execution of the programme could lead to fiscal deficits, in May the Government submitted a bill to Congress that was designed to increase tax revenues. Even if approved, however, these measures would only take full effect in 1996.

The decentralization policy and the reform of the social security system combined to put pressure on the level of expenditure, which was not matched by a comparable rise in revenue. In the first half of the year, both tax revenues and income from privatizations declined, while the financial situation of the electric utilities, the National Telecommunications Company, regional and local governments, the Medellín metro and the National Coffee Fund all deteriorated. Petroleum income, on the other hand, showed notable improvement. Budget cuts made it possible to reduce the rate of growth in public spending and to adhere to the goal of a fiscal surplus of around 0.7% in GDP by the end of the year, which the Government had agreed to as part of the Social Pact.

Foreign capital flows remained high during the first seven months of the year. The foreign exchange balance showed an inflow of more than US$ 2 billion, more than double the figure recorded for the same period the preceding year. This volume of resources made it possible to sustain a sizeable current account deficit and to accumulate gross reserves of US$ 680 million, bringing the level to around US$ 8.8 billion at the end of July. At the same time, the peso was devalued by 8% with respect to the dollar; since the rate was much lower than domestic inflation, this meant that once again the Colombian peso was revalued in real terms.

Sales abroad of the two main products, coffee and petroleum, increased by around 60% in value. Non-traditional exports expanded by 23%, although most of this growth was due to sales of emeralds. Even so, sales of industrial products recorded solid growth (26%). In contrast, sales of gold, coal and other mining products slipped. Imports grew by 23% during the first four months of the year, and this represented a slight slowdown. This situation reflected the slower increase in purchases of capital goods, a trend which was partially offset by the upswing in purchases of intermediate goods.

By the end of July, the uncertainty generated by allegations of the use of drug money in presidential electoral campaign began to have an impact on the economic situation. Stock market prices and the value of the peso both slumped sharply. The Bank of the Republic was forced to use its foreign-exchange reserves to intervene in support of the peso when the currency reached the ceiling of the exchange band. By late August, cumulative devaluation since the beginning of the year stood at 17%, above the 14% target. The loss of reserves caused a considerable contraction in the money supply (more than 5% in the first fortnight of August). This threatened to drive interest rates upward, while the rapid devaluation raised the prospect of upward pressure on prices.

Table 1
COLOMBIA: INDUSTRIAL PRODUCTION
(Percentage variation) [a]

	Total industry	Coffee milling	Total industry excluding coffee milling
1992			
I	7.7	30.8	5.9
II	1.9	37.8	-0.8
III	7.2	40.3	5.0
IV	6.1	30.9	3.9
1993			
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
1994			
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
1995			
I	3.2	-19.1	6.5

Source: National Bureau of Statistics (DANE).
[a] Variation with respect to the same period of the preceding year.

Table 2
COLOMBIA: INDICATORS OF ECONOMIC ACTIVITY

	1994	January-June		Percentage variations		
				1994	January-June	
		1994	1995		1994	1995
Mining						
Crude oil [a]	166	79	100	0.2	-5.9	25.4
Gold [b]	675	401	133	-23.4	-10.4	-67.0
Silver [b]	187	117	14	-21.0	-2.9	-87.9
Iron ore [c]	552	184	275	7.0	-32.6	49.6
Manufacturing						
Sugar [c]	1 964	889	1 017	11.5	6.7	14.5
Cement [c]	9 209	4 371	4 518	18.3	22.8	3.4
Steel ingots [c]	256	92	138	-2.7	14.3	50.8
Assembled vehicles [d]	80	38	42	4.6	0.3	9.4

Source: Bank of the Republic of Colombia and National Bureau of Statistics (DANE).
[a] Millions of barrels. [b] Thousands of troy ounces. [c] Thousands of tons. [d] Thousands of units.

Table 3
COLOMBIA: UNEMPLOYMENT RATE

	1993				1994				1995	
	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June
Total	**9.8**	**9.2**	**7.9**	**7.9**	**10.2**	**9.8**	**7.6**	**7.9**	**8.0**	**9.2**
Bogotá	7.5	7.2	5.3	5.8	8.1	7.7	4.9	7.2	6.5	8.1
Barranquilla	11.4	9.5	9.1	10.1	11.3	11.8	10.1	8.8	9.8	8.4
Cali	9.0	10.9	9.2	7.7	10.8	10.3	11.3	6.9	9.1	11.3
Medellín	13.3	12.2	11.4	10.6	13.2	11.9	8.6	8.4	9.2	9.9

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 [a]					
	1994			1995			1994			1995		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	3.2	3.2	22.5	1.8	1.8	21.0	2.8	2.8	12.4	1.0	1.0	18.7
February	3.7	6.9	23.0	3.5	5.4	20.7	2.8	5.7	14.1	2.6	3.6	18.4
March	2.2	9.3	23.4	2.6	8.1	21.2	2.4	8.1	15.5	2.7	6.4	18.7
April	2.4	11.9	23.9	2.2	10.5	21.0	1.8	9.9	15.8	2.4	8.9	19.7
May	1.5	13.6	23.9	1.7	12.4	21.2	1.1	11.0	16.0	1.3	10.3	19.9
June	0.9	14.6	23.1	1.2	13.7	21.5	0.2	11.3	15.7	1.5	12.0	21.5
July	0.9	15.7	22.7	0.8	14.6	21.4	2.2	13.7	17.3	0.4	12.4	19.4
August	1.0	16.8	22.4	0.6	15.3	20.9	1.6	15.6	18.7			
September	1.1	18.1	22.4				0.7	16.4	18.5			
October	1.1	19.4	22.4				1.6	18.2	19.8			
November	1.1	20.8	22.2				1.1	19.5	20.3			
December	1.5	22.6	22.6				1.0	20.7	20.7			

Source: ECLAC, on the basis of figures from the National Bureau of Statistics (DANE).
[a] 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[a] (index 1985=100)			
	1992	1993	1994	1995	1992	1993	1994	1995
January	644.3	746.1	818.4	856.4	119.6	114.7	105.2	93.6
February	638.5	758.0	819.7	857.0	115.1	113.2	102.0	90.9
March	641.6	766.4	819.5	880.2	113.6	112.7	100.1	91.2
April	653.8	774.9	836.9	877.9	112.7	112.1	100.0	89.3
May	664.4	779.6	841.1	876.4	112.1	111.2	99.1	87.9
June	697.6	787.1	819.6	881.2	115.6	110.7	96.0	87.5
July	705.1	801.4	815.6	897.6	114.8	111.4	94.9	88.4
August	691.7	806.9	816.3		112.0	111.1	94.4	
September	702.8	810.8	842.0		113.2	110.5	96.6	
October	716.9	817.0	838.6		114.9	110.6	95.2	
November	725.5	811.7	829.0		115.6	108.6	93.2	
December	738.0	804.3	831.3		116.5	106.4	92.1	

Source: ECLAC, on the basis of figures from the Bank of the Republic of Colombia and the International Monetary Fund (IMF).
[a] Index of the nominal exchange rate, deflated by the consumer price index and adjusted by the United States consumer price index.

Table 6
COLOMBIA: FOREIGN EXCHANGE BALANCE [a]
(Millions of dollars)

	1994 [d]	January-July [b]			Percentage variation [c]	
		1993	1994[d]	1995[d]	1994[d]	1995[d]
Balance on current account	-2 208	-347	-968	-1 643		
Merchandise trade balance	-3 445	-1 416	-1 734	-2 003		
Exports f.o.b.	4 622	2 437	2 790	2 398	14.5	-14.1
Coffee	1 161	535	728	401	36.1	-44.9
Other	3 461	1 902	2 062	1 997	8.4	-3.2
Imports	8 066	3 853	4 524	4 401	17.4	-2.7
Purchase of gold	269	185	184	72	-0.5	-60.9
Other accounts	104 [e]	255[f]	-	-		
Balance of services and other transfers	-253	408	-77	-355		
Net interest	-520	-235	-253	-307		
Other	267	643	176	-48	-72.6	-127.3
Oil and mineral prospecting [g]	1 117	221	659	643	198.2	-2.4
Balance on capital account	2 374	716	912	2 020	27.4	121.5
Accrual, valuation and reserves [h]	5	163	146	304		
Global balance	171	532	90	681	-83.1	656.7

Source: ECLAC, on the basis of figures from the Bank of the Republic of Colombia.
[a] Does not include clearing accounts abroad. [b] As of 28 July. [c] With respect to the same period of the preceding year. [d] Preliminary figures.
[e] Refers to accrual and valuations included at the end of the year. [f] Refers to the clearing of the special exchange account.
[g] Foreign exchange sold by foreign mining subsidiaries to meet their expenditure in Colombia. [h] Mainly includes variation in the value of international reserves.

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

	Amount			Absolute variation					
				Quarter[a]			Year[b]		
	1993	1994	1995	1993	1994	1995	1993	1994	1995
March	8 002	8 131	8 314	289	262	312	289	262	312
June	8 222	7 989	8 554	220	-142	240	509	120	552
September	8 413	7 775		191	-214		700	-94	
December	7 869	8 002		-544	227		156	133	

Source: Bank of the Republic of Colombia.
[a] With respect to the preceding quarter. [b] With respect to December of the preceding year.

Table 8
COLOMBIA: VARIATION IN MONETARY AGGREGATES
(Percentage variation) [a]

	Monetary base	M1[b]	M2[c]
1994			
March	38.3	37.4	43.6
June	29.8	30.4	38.7
September	31.9	30.0	41.1
December	27.5	25.3	38.0
1995			
March	15.9	19.3	39.1
June	22.6	17.8	38.3

Source: Bank of the Republic of Colombia.
[a] With respect to the same period of the preceding year. [b] Money. [c] M1 + quasi-money.

Table 9
COLOMBIA: EFFECTIVE INTEREST RATES
(Annualized percentages)

Monthly averages	Nominal		Real [a]		Equivalents in dollars [b]	
	Deposits	Loans	Deposits	Loans	Deposits	Loans
1994						
March	25.0	36.8	-3.8	5.2	25.4	37.2
June	31.3	40.1	17.9	25.8	28.6	90.6
September	30.8	42.1	14.8	24.7	-9.8	-2.1
December	37.4	46.5	15.1	22.7	33.0	41.9
1995						
March	32.9	43.9	-2.4	5.6	-3.6	4.4
June	33.2	...	15.4	...	24.6	...

Source: ECLAC, on the basis of official figures and data supplied by the International Monetary Fund (IMF).
[a] Nominal rates deflated by the variation in consumer prices over the period. [b] Ratio of nominal rates to devaluation over the period.

CHILE

Chile's economy continued to be characterized by the robustness of its external accounts, a trend towards lower inflation and a faster pace of growth. Projections based on events during the first half of 1995 point towards growth on the order of 7% in output, 9% in expenditure and 11% in disposable national income. Balance-of-payments estimates foresee a trade surplus of US$ 2 billion and a current account either in balance or showing a small surplus. The favourable external situation will help to increase the already high domestic savings rate; so, too, will public-sector savings of about 5%.

The effects of the Mexican crisis were minor and were concentrated in the first quarter. The fluctuations in interest rates, exchange rates and listed securities did not affect earlier projections. The improvement in the current account more than made up for the deficits in foreign portfolio investment and short-term flows during the first half of the year.

Once the adjustment process was completed, economic activity grew 7% in the first six months, boosted by a marked improvement in the terms of trade. The level of domestic spending rose 10%, driven by the build-up of inventories and improved external conditions.

The annualized inflation rate stood at just above the 8% mark in August; this was close to the projected rate for 1995, which thus appeared within reach. The faster pace of growth was especially beneficial to real wages, which rose by more than 4%, this time failing to match productivity increases (6%). Employment expanded at a modest pace (1%), which was partly a reflection of the lag between employment and the recovery cycle. The unemployment rate in the first six months averaged 5.5%, one tenth of 1% higher than it had been during the same period in 1994, but nearly one percentage point lower than the rate during the second half of 1994, when the effects of the adjustment on the labour market reached their peak. Job creation and growth in the labour force remained sluggish. In the latter case, the pace of growth fell from 3.8% in the first six months of 1994 to 0.6% during the same period in 1995.

The trade balance posted a US$ 1.3 billion surplus over the six-month period, almost four times the figure for the same period in the preceding year. The current account posted a surplus of US$ 725 million, in contrast to a deficit of US$ 270 million for the reference period. The total surplus on the balance of payments increased by 18% to exceed US$ 880 million. By mid-August, the level of net international reserves approached US$ 15.3 billion, equivalent to 14 months of imports.

The balance of payments was marked by a strong improvement in the trade balance and a slump in net capital flows. The improved trade balance was attributable to a recovery in the terms of trade of between 3 and 4 percentage points of GDP and to the growth in export volumes. Net capital flows were negative in the first quarter, but recovered in the second.

Exports of goods and services were up 48%, with increases of 12% in volume and 32% in prices. Imports grew 32%, with increases of 20% in volume and 10% in prices. The value of copper exports expanded by 76%, and prices were 60% higher than for the same period in the previous year. Non-copper exports rose by 36% and exports of non-traditional products by 34%, with volume increases of 9% and 14%, respectively.

After incurring a US$ 160 million deficit in the first quarter, the capital account recorded flows of around US$ 680 million by the end of the first six months. This was less than half the figure recorded during the same period in the previous year, and one fourth the level during the previous six months. During that period, the peso had appreciated substantially, culminating in late November in a major revaluation (10%) of the reference exchange rate. Medium- and long-term flows, including foreign investment, approached US$ 990 million. Direct investment increased with respect to both the preceding six months and the same period in 1994. Conversely, portfolio investment slipped downward, reflecting regional instability. Thus, the first half of 1995 was marked by net outflows into investment funds and American Depository Receipts (ADRs). The deficit in net short-term flows exceeded US$ 300 million, with a drop of US$ 1.12 billion in bank lines of credit.

By early March, the stock exchange was down 25% from its pre-Mexican crisis levels, or 15% in dollar terms. This trend was later reversed, so that by the end of May, using the same yardstick, the stock index was showing an increase of 19% in dollar terms. The real interest rate on 8-year Central Bank paper went from 5.9% before the crisis to 6.3% in May. In any case, this level had more to do with domestic factors stemming from the surge in domestic spending. In subsequent months, changes in monetary policy drove interest rates down to nearly the same levels as at the end of 1994.

The exchange rate rose from 402 pesos to the dollar in mid-December to a peak of 419 pesos to the dollar in early March, influenced by the effects of financial upheaval in Argentina. From then on, the rate fell steadily, reaching a low point of 368 pesos to the dollar in mid-June. After that, a combination of domestic measures taken by the Central Bank and the international strengthening of the dollar caused the rate to rebound to 395 pesos in mid-August. The peso's strong appreciation with respect to the dollar continued to be the subject of intense debate. The reasons for this trend include the substantial devaluation of the United States currency with respect to the yen and the deutsche mark, as reflected in the relative weighting of currencies within the Chilean basket of currencies; the robust trade balance; the continuation of foreign investment flows; and the gradual return of short-term capital, as foreign investors came to understand the unique structural features of Chile's economy.

The overall performance of the public sector was in keeping with general goals. Current saving equivalent to 2.5% of GDP was achieved, reflecting the fact that current income expanded by more than 6.3% in the first half of the year, while current expenditure increased by just 5.8%. Current income received a boost from the remarkably high price of copper, such that fiscal revenues from copper rose 110%, while tax receipts grew by barely 3.4%. Delays in implementing a legal framework governing concessions discouraged capital expenditures, which declined by more than 8%. As a result, only 37% of capital resources allocated were used, with the balance being deferred to the second half of the year.

In early August, the legislature approved hikes of about 10% in cigarette and fuel taxes, designed to finance similar increases in lower-income retirement pensions and a 5% increase in education subsidies. Changes to the tax system were also approved which sought to close loopholes used by businesses and individuals.

The abundance of foreign exchange in the Chilean economy led to a series of measures designed to compensate for falling interest rates through new advantages for foreign investors, despite the additional restrictions imposed on short-term flows. The liquidity interest rate was lowered by half a percentage point; the 1-day rate became the main instrument of monetary policy, thus displacing the 90-day rate for Central Bank Readjustable Paper (PRBC), which from then on was determined by the market.

Table 1
CHILE: GROSS DOMESTIC PRODUCT[a]
(Percentage variation)[b]

	1994					1995[c]	
	I	II	III	IV	Year	I	II
Agriculture and forestry	4.0	6.5	6.1	14.0	6.9	5.6	4.9
Fishing	21.3	20.5	20.3	11.7	18.8	13.5	7.8
Mining	0.2	1.6	4.8	4.1	2.7	-0.4	14.2
Industry	5.5	5.5	0.4	0.4	2.9	4.6	4.7
Electricity, gas and water	4.5	3.0	2.7	8.0	4.5	6.7	6.3
Construction	2.6	2.3	-	2.9	2.0	5.7	5.3
Commerce, restaurants and hotels	2.1	3.3	5.3	4.8	3.8	8.5	7.8
Transport and communications	8.8	8.6	7.3	9.7	8.6	12.6	11.2
Financial services	4.9	5.5	3.7	4.7	4.7	5.9	7.1
Residential property	2.7	2.8	3.0	3.1	2.9	2.8	2.9
Personal services [d]	3.6	3.6	3.3	3.2	3.4	2.5	2.7
Public administration	0.5	0.7	0.7	1.0	0.7	1.3	1.4
Subtotal	**4.1**	**4.6**	**3.6**	**4.6**	**4.2**	**5.7**	**6.7**
Less bank charges	4.8	5.4	3.2	4.5	4.4	5.6	6.8
VAT	4.5	3.7	3.8	4.0	4.0	6.9	7.0
Import duties	0.1	8.6	8.0	5.7	5.6	21.9	19.0
Total	**3.8**	**4.7**	**4.0**	**4.6**	**4.2**	**6.7**	**7.5**

Source: Central Bank of Chile.
[a] At 1986 prices. [b] With respect to the same period of the preceding year. [c] Provisional figures. [d] Includes education and public and private health services.

Table 2
CHILE: CROP-FARMING INDICATORS[a]

	Thousands of sown hectares				Percentage variation			
	1992	1993	1994	1995	1992	1993	1994	1995
Wheat	461	395	362	390	-1.1	-14.2	-8.5	7.8
Oats	64	68	58	65	-17.4	7.2	-15.0	12.3
Barley	28	23	28	25	-11.3	-19.3	22.9	-10.7
Rice	32	29	30	34	5.9	-8.4	4.4	11.8
Maize	107	106	105	104	7.3	-1.3	-1.0	-1.3
Beans	62	63	58	47	5.7	1.7	-7.8	-20.4
Lentils	19	13	10	11	27.6	-29.5	-23.3	4.7
Chickpeas	13	11	9	9	6.0	-16.6	-20.8	11.4
Potatoes	62	63	58	57	-10.0	1.7	-7.8	-2.3
Sunflower	12	7	7	6	-12.6	-45.0	6.0	-9.7
Raps [b]	32	10	10	10	7.1	-69.8	6.5	0.6
Sugar beet [b]	51	51	52	53	31.2	0.5	2.4	1.8
Tobacco[b]	5	6	5	4	9.3	19.6	-13.1	-26.0

Source: National Statistical Institute (INE).
[a] Crop years. [b] Figures provided by businesses.

Table 3

CHILE: INDUSTRIAL OUTPUT AND SALES

(Percentage variation)

	SOFOFA [a]						INE [b]		
	Output			Sales			Output		
	Month[c]	12 Ms.[d]	Year[e]	Month[c]	12 Ms.[d]	Year[e]	Month[c]	12 Ms.[d]	Year[e]
1994									
January	-6.7	4.0	4.0	-11.4	5.1	5.1	-3.4	4.5	4.5
February	-6.3	5.8	4.8	-5.3	0.4	2.8	-7.5	1.4	3.0
March	24.8	8.7	6.4	20.7	1.9	2.5	21.8	1.8	2.6
April	-3.4	5.2	6.0	-6.0	1.0	2.1	-5.8	1.6	2.3
May	3.3	11.5	7.2	1.9	7.6	3.2	4.6	9.1	3.7
June	-3.5	5.9	6.9	-5.2	2.9	3.2	-6.2	1.8	3.4
July	-3.0	-2.0	5.6	-2.1	-0.9	2.6	1.2	-2.2	2.5
August	5.6	3.6	5.3	8.5	7.4	3.2	5.4	2.8	2.6
September	-6.1	1.6	4.8	-1.5	0.4	2.8	-7.3	1.5	2.4
October	2.1	3.8	4.7	2.5	7.3	3.3	1.8	1.2	2.3
November	1.6	5.2	4.8	-1.7	2.1	3.2	1.0	2.2	2.3
December	-0.4	4.3	4.7	3.8	1.0	3.0	-3.2	-0.9	2.0
1995									
January	-5.4	5.7	5.7	-3.7	9.8	9.8	1.3	4.0	4.0
February	-10.8	0.5	3.2	-8.2	6.2	8.1	-9.3	2.0	3.0
March	24.3	0.1	2.0	18.5	4.4	6.7	24.2	4.0	3.4
April	-0.8	2.6	2.2	-9.2	0.7	5.2	-6.1	3.7	3.5
May	6.6	6.1	3.1	5.0	3.6	4.8	6.0	5.0	3.8
June	-3.7	5.8	3.5	-5.8	2.9	4.5	-5.9	5.4	4.0

Source: National Statistical Institute (INE); Sociedad de Fomento Fabril (SOFOFA).
[a] Figures represent variations with respect to the index 1980=100. [b] Figures represent variations with respect to the index 1979=100. [c] Variation with respect to the preceding month. [d] Variation with respect to the same month of the preceding year. [e] Cumulative variation with respect to the same period of the preceding year.

Table 4

CHILE: UNEMPLOYMENT RATE

(Quarterly averages)

Quarters ending in:	1993		1994		1995	
	Metropolitan region	Nationwide	Metropolitan region	Nationwide	Metropolitan region	Nationwide
January	4.4	4.4	4.9	4.8	5.9	5.7
February	4.0	4.3	5.6	5.1	5.6	5.4
March	4.4	4.5	5.7	5.2	5.6	5.4
April	4.2	4.4	5.9	5.3	5.6	5.3
May	4.2	4.6	6.0	5.7	5.6	5.6
June	3.9	4.7	6.3	6.1	5.7	5.8
July	3.9	4.9	6.7	6.5	5.7	5.9
August	4.0	5.1	6.8	6.5		
September	3.9	5.0	6.9	6.7		
October	3.5	4.8	6.8	6.7		
November	3.3	4.4	6.9	6.5		
December	4.1	4.5	6.2	5.9		

Source: National Statistical Institute (INE).

Table 5
CHILE: PRICE INDEXES
(Percentage variations)

	Consumer price index						Wholesale price index					
	1994			1995			1994			1995		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	1.0	1.0	13.2	0.6	0.6	8.5	0.1	0.1	7.8	0.4	0.4	8.2
February	0.3	1.4	13.1	0.5	1.1	8.7	0.2	0.3	8.3	0.6	1.0	8.6
March	1.1	2.5	13.7	0.6	1.8	8.2	1.2	1.5	8.5	1.7	2.7	9.2
April	0.5	3.0	12.7	0.6	2.4	8.3	0.1	1.6	7.3	0.3	3.0	9.4
May	1.4	4.5	12.7	0.6	3.0	7.4	0.9	2.5	6.8	-0.8	2.2	7.5
June	0.5	5.0	12.7	0.7	3.8	7.6	1.1	3.6	7.6	-0.6	1.6	5.7
July	0.6	5.7	12.3	0.8	4.6	7.9	0.6	4.2	7.6	0.8	2.4	6.0
August	1.1	6.8	11.1	1.6	6.3	8.4	1.5	5.8	7.8	1.1	3.6	5.5
September	0.5	7.4	10.4				0.5	6.7	7.9			
October	0.6	8.0	8.3				0.3	7.0	6.9			
November	0.6	8.6	8.9				1.1	8.2	8.3			
December	0.3	8.9	8.9				-0.3	7.8	7.8			

Source: National Statistical Institute (INE).

Table 6
CHILE: INDEX OF REAL WAGES AND SALARIES

	Index of real wages and salaries [a] (April 1993=100)			Percentage variations					
				1994			1995		
	1993	1994	1995	Month	Year [b]	12 Ms. [c]	Month	Year [b]	12 Ms. [c]
January	98.4	104.6	108.4	0.7	6.3	6.3	0.1	3.6	3.6
February	98.6	104.9	108.6	0.4	6.3	6.4	0.2	3.6	3.5
March	98.9	104.7	109.1	-0.2	6.2	5.9	0.5	3.8	4.2
April	100.0	105.1 [d]	109.6	0.4	5.9	5.1	0.4	3.9	4.3
May	99.3	103.5	109.2	-1.6	5.6	4.2	-0.3	4.2	5.6
June	100.7	104.6	109.9	1.1	5.3	3.9	0.6	4.4	5.0
July	99.9	104.8	109.3	0.1	5.2	4.9	-0.5	4.4	4.4
August	98.6	104.2		-0.5	5.3	5.7			
September	99.6	105.4		1.2	5.4	5.8			
October	98.4	105.1		-0.4	5.5	6.8			
November	99.2	105.0		0.0	5.5	5.9			
December	103.9	108.3		3.1	5.4	4.2			

Source: ECLAC, on the basis of figures from the National Statistical Institute (INE).
[a] Index of nominal wages and salaries deflated by the consumer price index. [b] Percentage variation in the cumulative average index with respect to the same period of the preceding year. [c] With respect to the same month of the preceding year. [d] Beginning in April, figures show the evolution of 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) [a]			
	1992	1993	1994	1995	1992	1993	1994	1995
January	369.75	383.93	430.45	405.78	91.20	87.58	86.50	77.33
February	347.86	387.91	428.69	412.14	86.63	88.45	86.18	78.46
March	348.34	397.22	430.45	410.46	86.58	90.34	85.88	77.93
April	346.30	401.19	424.47	394.33	85.09	90.24	84.38	74.67
May	346.56	404.98	424.70	377.17	84.35	89.87	83.32	71.14
June	355.00	403.30	420.68	373.59	86.11	89.17	82.40	70.11
July	361.25	404.79	420.49	378.07	86.86	88.62	82.09	70.53
August	368.86	407.66	419.43		87.72	87.65	81.32	
September	376.04	408.19	414.87		87.66	86.91	80.25	
October	373.10	412.59	412.21		86.08	85.97	79.31	
November	377.63	412.50	413.45		86.04	85.16	79.18	
December	380.22	425.73	402.23		86.48	86.17	76.81	

Source: ECLAC, on the basis of figures supplied by the Central Bank of Chile.
[a] Index of the nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index.

Table 8
CHILE: TRADE BALANCE

	Millions of dollars						Percentage variation[a]			
	Exports f.o.b.		Imports f.o.b.		Trade balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
1992										
December	821	9 986	788	9 237	33	749	13.2	11.8	19.0	25.6
1993										
January	671	671	836	836	-165	-165	-15.3	-15.3	11.9	11.9
February	713	1 384	769	1 605	-56	-221	1.2	-7.6	27.0	18.6
March	1 019	2 403	874	2 479	145	-76	6.7	-2.0	34.6	23.8
April	930	3 333	823	3 302	107	32	0.1	-1.4	14.7	21.4
May	696	4 029	789	4 091	-94	-62	-18.4	-4.8	20.1	21.2
June	787	4 816	861	4 952	-73	-136	0.2	-4.0	14.8	20.0
July	768	5 584	927	5 878	-158	-294	-18.0	-6.2	2.6	16.9
August	809	6 393	879	6 757	-70	-364	-3.1	-5.8	9.2	15.8
September	732	7 125	855	7 613	-124	-488	-8.8	-6.2	1.8	14.1
October	689	7 814	837	8 450	-148	-636	-21.2	-7.7	-4.4	11.9
November	681	8 495	857	9 307	-176	-811	-2.4	-7.3	-4.7	10.2
December	707	9 202	874	10 181	-167	-979	-13.9	-7.8	11.0	10.2
1994										
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	933	9 271	949	8 947	-16	324	35.3	18.6	13.3	5.9
November	1 087	10 358	988	9 935	99	423	59.6	21.9	15.4	6.8
December	1 181	11 539	944	10 879	237	660	67.0	25.4	8.0	6.9
1995										
January	1 283	1 283	1 053	1 054	230	230	61.4	61.4	31.9	32.0
February	1 197	2 480	1 023	2 076	174	404	56.1	58.8	60.7	44.7
March	1 566	4 046	1 108	3 184	458	862	46.9	54.0	16.2	33.3
April	1 265	5 311	996	4 180	269	1 132	36.5	49.4	25.4	31.3
May	1 482	6 794	1 227	5 407	255	1 387	49.5	49.5	30.7	31.2
June	1 158	7 951	1 214	6 621	-56	1 331	39.9	48.0	33.9	31.7
July	1 369	9 320	1 384	8 005	-15	1 316	43.5	47.3	47.1	34.1

Source: Central Bank of Chile.
[a] With respect to the same period of the preceding year.

Table 9
CHILE: EXPORT STRUCTURE, FOB
(Millions of dollars) [a]

	Mining products				Agricultural and marine products		Industrial goods		Percentage variation [b]		
	Total		Copper								
	1994	1995	1994	1995	1994	1995	1994	1995	Mining	Agricultural	Industrial
January	351	652	263	534	100	114	314	505	85.9	13.4	61.0
February	637	1 215	485	958	264	269	631	985	90.8	1.8	56.0
March	1 009	1 915	795	1 533	539	525	1 050	1 595	89.8	-2.7	51.9
April	1 335	2 456	1 040	1 961	755	716	1 435	2 128	84.0	-5.2	48.3
May	1 763	3 127	1 382	2 528	878	863	1 875	2 793	77.4	-1.7	48.9
June	2 129	3 642	1 670	2 945	943	938	2 272	3 359	71.1	-0.5	47.9
July	2 607	4 316	2 062	3 502	992	996	2 698	4 046	65.6	0.4	50.0
August	3 100		2 483		1 030		3 209				
September	3 572		2 869		1 064		3 673				
October	4 041		3 268		1 094		4 107				
November	4 601		3 740		1 131		4 596				
December	5 192		4 242		1 203		5 114				

Source: Central Bank of Chile.
[a] Cumulative figures. [b] 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) [a]

	Consumer goods		Intermediate goods				Capital goods		Percentage variation [b]		
			Total		Fuels and lubricants						
	1994	1995	1994	1995	1994	1995	1994	1995	Consumer	Intermediate	Capital goods
January	152	213	443	594	77	93	272	336	40.1	33.9	23.5
February	288	406	809	1 181	137	212	468	665	41.1	46.0	42.1
March	478	641	1 311	1 838	237	308	810	973	34.1	40.2	20.2
April	636	842	1 759	2 436	318	407	1 069	1 256	32.4	38.5	17.5
May	810	1 079	2 295	3 180	434	575	1 377	1 609	33.3	38.6	16.9
June	984	1 342	2 781	3 916	514	715	1 699	1 932	36.4	40.8	13.7
July	1 173	1 625	3 352	4 671	641	827	1 964	2 366	38.6	39.4	20.4
August	1 370		3 925		747		2 327				
September	1 576		4 502		870		2 607				
October	1 800		5 027		949		2 894				
November	2 018		5 580		1 051		3 200				
December	2 209		6 124		1 162		3 492				

Source: Central Bank of Chile.
[a] Cumulative figures. [b] Percentage variation in cumulative value in 1995 with respect to the same period of the preceding year.

Table 11
CHILE: NET INTERNATIONAL RESERVES[a]
(Millions of dollars)

	Amount			Absolute variation			
				1994		1995	
	1993	1994	1995	Month	Year[b]	Month	Year[b]
January	9 594	10 101	13 469	343	343	3	3
February	9 720	10 282	13 857	181	523	387	390
March	9 598	10 431	14 176	149	673	319	709
April	9 753	10 388	14 795	-43	630	619	1 328
May	9 975	10 487	15 006	98	728	212	1 540
June	9 880	11 004	15 297	518	1 246	291	1 831
July	9 979	10 967	15 254	-37	1 208	-44	1 787
August	10 060	10 976	15 285	9	1 217	31	1 818
September	10 021	11 527		551	1 768		
October	9 889	11 833		306	2 074		
November	9 909	12 771		938	3 013		
December	9 759	13 467		695	3 708		

Source: Central Bank of Chile.
[a] 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. [b] With respect to December of the preceding year.

Table 12
CHILE: MONETARY AGGREGATES

	E	M1A	Dg	Dp	M2A
		Percentage variation[a]			
1994					
January	16.5	17.3	21.0	25.0	22.7
February	7.4	13.9	15.5	30.0	25.1
March	13.2	13.9	7.6	30.4	25.4
April	13.1	10.9	27.1	29.6	24.0
May	11.6	13.8	16.3	27.0	23.2
June	12.7	15.7	5.0	22.8	20.9
July	12.3	16.9	12.0	23.8	22.0
August	13.7	18.0	3.4	21.8	20.8
September	14.8	19.9	2.3	20.2	20.1
October	14.4	21.4	1.0	18.4	19.1
November	16.5	26.3	3.2	16.2	18.8
December	13.3	22.5	9.7	17.3	18.7
1995					
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	21.8	22.0
April	20.2	24.7	22.1	23.3	23.7
May	19.5	26.6	21.0	24.8	25.3
June	20.6	27.1	17.5	24.5	25.2
July	19.9	24.1	19.1	24.3	24.2

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.
[a] With respect to the same month of the preceding year.

Table 13
CHILE: BANK INTEREST RATES
(Percentages)

	Nominal rates[a]		Real rates			
			Non-readjustable operations[a]		Readjustable operations[b]	
	Short-term deposits	Short-term loans	Short-term deposits	Short- term loans	Deposits	Loans
1994						
January	0.89	1.24	-0.11	0.24	6.55	9.36
February	1.31	1.69	1.01	1.39	6.65	9.65
March	1.05	1.50	-0.05	0.40	6.63	9.55
April	1.45	1.80	0.95	1.29	6.60	9.42
May	1.25	1.63	-0.15	0.23	6.62	9.47
June	1.60	1.94	1.09	1.43	6.53	9.49
July	1.01	1.44	0.41	0.83	6.35	9.24
August	1.22	1.55	0.12	0.45	6.32	9.25
September	1.42	1.77	0.92	1.26	6.26	9.13
October	1.01	1.40	0.41	0.80	6.12	9.03
November	1.02	1.40	0.42	0.80	6.02	8.84
December	0.90	1.27	0.60	0.97	5.92	8.81
1995						
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	...	...	5.42	8.18

Source: Central Bank of Chile.
[a] Average monthly rates. [b] Annual rates.

Table 14
CHILE: FISCAL BALANCE OF CENTRAL GOVERNMENT [a]

	Percentages of GDP		Real rates of variation[b]	
	First half of year		First half of year	
	1994	1995	1994	1995
1. Current income	10.6	10.7	-0.9	6.3
2. Current expenditure	8.2	8.1	4.2	5.8
3. Saving (1 - 2)	2.5	2.5	-14.7	8.2
4. Capital expenditure (net)	1.2	1.0		
Capital revenue	0.4	0.4	3.4	9.6
Capital expenditure	1.6	1.4	11.3	-8.5
5. Fiscal balance (3 - 4)	1.3	1.5		

Source: ECLAC, on the basis of official figures.
[a] Budget performance. [b] With respect to the same period of the preceding year.

ECUADOR

Despite the impact of armed conflict on the Ecuadorian economy during the first half of 1995, the level of activity was slightly higher than during the second half of the previous year, when the economy had made a strong recovery. Given this trend, the rate of growth for the first half in comparison to the average for the previous year was around 3%. Inflation slowed somewhat, to a rate of 22% for the twelve months ending in August.

The Mexican crisis did not have a major impact on the country's economy, but the border conflict with Peru that broke out in January affected the economic picture. First, it provoked widespread deposit withdrawals, as the public opted to hold liquid assets. Second, it increased the demand for foreign currency, which in turn put pressure on the exchange rate. In order to avoid a drastic devaluation of the sucre and an upsurge of inflation, the authorities allowed interest rates to rise significantly and sold foreign currency. By the end of January the price of the dollar approached the ceiling of the band set in the macroeconomic plan for 1995, but thereafter it dropped rapidly. International reserves, following a similar pattern, climbed back to pre-conflict levels in April after dropping some $200 million in January and February.

The extra expenditure due to the hostilities, roughly $380 million dollars, opened up a wide fiscal gap. Part of the deficit was quickly covered by one-time taxes (2% of the value of motor vehicles and two days' wages or salary) and a reduction in planned public sector investment. A substantial deficit remained, however, and figured heavily in the debate on economic policy.

The economic effects of the conflict led the authorities to reformulate the targets set at the beginning of the year. The goal for growth in GDP was reduced to a range of 3.0 to 3.5%, while the inflation target was raised to between 19% and 21%. In order to maintain the real exchange rate, the rate of crawl of the 100-sucre flotation band was adjusted to 17% annually. The authorities hoped for a fiscal balance for the consolidated public sector and an increase in international reserves equivalent to four months' worth of imports.

Higher interest rates and the uncertainties generated by armed conflict caused activity to stagnate in the early months of the year at the level of the previous quarter. Financial services and manufacturing were the sectors hardest hit. Construction was also hurt by high interest rates. The prolonged periods of electricity rationing in April and August also had a negative impact. Once a lasting cease-fire was achieved and the border situation stabilized, however, some of the affected industries revived. The authorities are hoping for a resurgence of growth in the second half, which will have to be export-generated, since domestic demand is expected to remain weak.

The upward adjustment in the domestic price of diesel fuel at the end of 1994 and better international prices for petroleum, Ecuador's principal export product, gave a boost to public sector finances in the first half. Their contribution, however, was more than cancelled out by the cost of the armed conflict, and there was intense controversy between the executive and legislative branches on how to figure the cost and what measures to take to absorb it. In the course of the first half-year the Government came up with a number of proposals to strengthen fiscal revenues, such as eliminating VAT exemptions and raising electrical and telephone rates, to strengthen fiscal revenues, but all its proposals were rejected by Congress. Finally, in June it was determined that the deficit to be covered was equal to nearly one per cent of GDP. In order to close the gap, measures were agreed upon that included improving customs revenues and reforming the tax system. In addition, Congress decided that the proceeds realized from the partial privatization of the State-owned enterprise EMETEL should be used to cover the shortfall.

Interest rates, which had shot up during the hostilities, acting as a safety value to maintain the value of the exchange rate, began to decline slowly in mid-February and came down to pre-crisis levels in June. The authorities facilitated this process with a series of measures aimed at expanding liquidity, including open market operations and temporary regulations allowing for more flexibility in constituting required bank reserves.

Once the rise in the exchange rate was brought to a halt, the price of the dollar hovered near the bottom of the band until May. Primarily because of the uncertainty arising from the internal political tensions that developed around mid-year, the nominal price of the dollar moved up towards the top of the band. In order to avoid a further devaluation, the authorities sold foreign currency and raised interest rates and with these measures again succeeded in holding the rate of exchange within preset limits. As it diverged from the floor of the band, the sucre lost value in relation to a basket of currencies (4.2% in the first six months) and returned, in real terms, to its level in December 1994 in relation to the dollar.

Against this background, the twelve-month variation in the consumer price index continued to decline slowly during the early months of 1995, reaching a level of approximately 22% by mid-year.

The conflict with Peru affected trade with this neighbouring country. Trade expanded, however, with other Latin American countries, among them Colombia and Chile, and with the United States, the European Union and Japan. As a result, the level of exports (fob) during the period January-May was one-third higher than during the same period of 1994. The growth came from both primary products (petroleum, bananas, shrimp and coffee) and manufactured goods. Sales of petroleum, the principal export product, increased in volume and also fetched higher prices than during the comparison period.

Recorded imports (cif) increased strongly (20% during the period January-May), with striking growth in fuels and lubricants (180%) and raw materials (27%). Consumer goods, on the other hand, declined. The net result was that the merchandise trade balance improved slightly. Since the balance does not, however, reflect the imported content of military expenditures (between $150 and $200 million dollars), it is likely that the merchandise trade balance will swing from positive to negative. The balance of services showed a deficit. Due to the surplus in the capital account, in any case, international reserves swelled by around $60 million during the first half, reaching a level nearly the equivalent of four months of imports.

Negotiations on the country's application to join the World Trade Organization were successfully completed in July, subject to formal approval by two thirds of the member countries and ratification by the Ecuadorian Congress. Meanwhile, an economic complementarity agreement signed with Chile the year before went into effect in January, and an agreement was concluded with Cuba in August providing for preferential tariff treatment for certain products.

Table 1
ECUADOR: TRADE BALANCE
(Millions of dollars)

	Exports f.o.b.		Imports c.i.f.		Trade balance		Percentage variation [a]			
							Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
1994										
January	242	242	266	266	-24	-24	1.2	1.2	93.6	93.6
February	254	496	301	568	-47	-72	10.8	5.9	138.3	115.0
March	303	800	241	809	62	-10	5.0	5.6	4.9	63.8
April	271	1 070	258	1 067	13	3	2.1	4.7	74.6	66.3
May	313	1 383	368	1 435	-55	-52	12.5	6.3	101.5	74.1
June	286	1 669	326	1 761	-40	-92	19.7	8.4	67.8	72.9
July	355	2 024	347	2 108	8	-84	49.9	13.9	54.9	69.6
August	359	2 383	358	2 466	1	-83	33.6	16.5	61.1	68.3
September	392	2 774	366	2 831	26	-57	52.7	20.5	24.7	61.0
October	360	3 134	316	3 148	44	-13	40.8	22.6	21.8	56.0
November	317	3 451	261	3 409	56	42	20.4	22.4	-10.8	47.5
December	266	3 717	234	3 642	33	75	10.2	21.4	-7.3	42.2
1995										
January	328	328	352	352	-24	-24	35.3	35.3	32.1	32.1
February	340	668	284	636	56	32	33.8	34.6	-5.8	12.0
March	380	1 048	355	991	25	57	25.4	31.1	47.1	22.5
April	381	1 429	373	1 364	8	65	40.6	33.5	44.6	27.8
May	386	1 815	384	1 748	2	67	23.4	31.2	4.3	21.8

Source: Central Bank of Ecuador.
[a] With respect to the same period of the preceding year.

Table 2
ECUADOR: EXPORT STRUCTURE [a]
(Millions of dollars)

	Primary products						Manufactured goods		Percentage variation [b]			
	Total		Oil		Non-oil				1995			
	1994	1995	1994	1995	1994	1995	1994	1995	Pri.	Oil	Non-oil	Manu.
January	197	269	74	107	122	162	46	59	36.8	43.6	32.6	29.1
February	399	543	145	209	254	334	97	125	36.1	43.9	31.7	28.2
March	643	849	236	326	407	524	157	199	32.1	37.9	28.6	27.0
April	868	1 167	326	463	542	704	203	262	34.5	42.1	29.9	29.2
May	1 125	1 484	426	598	698	885	259	331	31.9	40.3	26.8	27.9
June	1 356		516		840		314					
July	1 655		635		1 020		369					
August	1 958		751		1 207		425					
September	2 291		874		1 417		483					
October	2 587		981		1 606		548					
November	2 839		1 088		1 751		612					
December	3 048		1 185		1 863		670					

Source: Central Bank of Ecuador.
Note: Pri. = Primary. Manu. = Manufactured goods.
[a] Cumulative figures. [b] With respect to the same period of the preceding year.

Table 3
ECUADOR: IMPORT STRUCTURE, CIF [a]
(Millions of dollars) [b]

	Consumer goods		Fuels and lubricants		Raw materials		Capital goods		Percentage variation [c]			
									1995			
	1994	1995	1994	1995	1994	1995	1994	1995	CG	FL	RM	CAP
January	57.7	62.3	11.7	16.2	91.7	137.9	105.2	135.5	7.9	37.8	50.3	28.8
February	137.9	117.1	18.6	36.2	229.3	253.5	181.8	228.8	-15.1	94.2	10.5	25.9
March	185.3	182.6	28.7	70.8	327.7	392.7	267.3	344.5	-1.5	147.2	19.8	28.9
April	242.4	234.9	33.9	113.4	433.2	528.9	357.1	486.2	-3.1	234.5	22.1	36.1
May	341.2	316.8	49.3	136.9	542.7	690.3	501.7	603.6	-7.1	177.6	27.2	20.3
June	414.2		58.4		671.9		615.9					
July	500.0		72.8		778.0		756.5					
August	583.6		89.6		897.8		894.2					
September	659.3		113.0		1 012.0		1 046.6					
October	735.7		136.8		1 117.1		1 157.4					
November	807.5		160.3		1 192.5		1 247.5					
December	860.1		170.2		1 236.8		1 374.3					

Source: Central Bank of Ecuador
Note: CG = Capital goods. FL = Fuels and lubricants. RM = Raw materials. CAP = Capital goods.
[a] Classified by economic use or purpose. [b] Cumulative figures. [c] With respect to the same period of the preceding year.

Table 4
ECUADOR: NET INTERNATIONAL RESERVES

	Millions of dollars [a]			Absolute variation			
				1994		1995	
	1993	1994	1995	Month[b]	Year[c]	Month[b]	Year[c]
March	851	1 332	1 608	481	78	276	-104
June	968	1 445	1 770	477	191	325	58
September	1 121	1 583		462	329		
December	1 254	1 712		458	458		

Source: Central Bank of Ecuador.
[a] Month-end balances. [b] With respect to the same month of the preceding year. [c] With respect to December of the preceding year.

Table 5
ECUADOR: EXCHANGE RATES

	Average exchange rate (Sucres per dollar)				Adjusted real exchange rate (index 1985=100) [a]			
	Managed floating rate		Floating rate		Managed floating rate		Floating rate	
	1994	1995	1994	1995	1994	1995	1994	1995
January	1 944.8	2 300.7	2 081.3	2 349.3	111.1	106.4	98.3	89.8
February	1 947.3	2 360.0	2 067.6	2 389.3	107.3	108.3	94.1	90.6
March	1 982.0	2 382.6	2 120.5	2 408.3	106.7	107.6	94.3	89.8
April	2 031.6	2 398.9	2 160.5	2 432.9	106.4	105.9	93.4	88.8
May	2 043.9	2 430.8	2 169.6	2 457.5	105.6	105.5	92.6	88.1
June	2 052.3	2 479.3	2 180.0	2 531.2	104.8	106.2	92.0	89.6
July	2 066.1		2 198.1		105.2		92.4	
August	2 109.4		2 242.5		106.2		93.2	
September	2 136.6		2 261.9		105.9		92.6	
October	2 147.8		2 278.4		105.3		92.3	
November	2 263.0		2 302.4		108.8		91.4	
December	2 281.7		2 298.5		108.3		90.1	

Source: ECLAC, on the basis of figures from the Central Bank of Ecuador.
[a] 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 variation)

	1994			1995		
	Month	Year	12 months	Month	Year	12 months
January	1.8	1.8	29.1	3.0	3.0	26.9
February	4.0	5.8	32.0	1.2	4.2	23.5
March	2.6	8.6	31.6	2.0	6.3	22.7
April	3.0	11.9	30.8	2.6	9.0	22.2
May	1.4	13.4	26.9	2.0	11.1	22.9
June	1.5	15.1	26.5	1.2	12.5	22.5
July	0.6	15.8	25.7	0.7	13.3	22.5
August	1.5	17.6	27.1	1.1	14.5	22.0
September	1.8	19.7	26.2			
October	1.2	21.2	23.8			
November	2.2	23.8	24.5			
December	1.3	25.4	25.4			

Source: National Institute of Statistics and Censuses, INEC.

Table 7
ECUADOR: MONETARY AGGREGATES
(Percentage variation) [a]

	Money supply (M1)				Money issue			
	Year [b]		12 months [c]		Year [b]		12 months [c]	
	1994	1995	1994	1995	1994	1995	1994	1995
January	-12.4	-4.6	49.8	47.8	-8.3	10.7	46.4	64.1
February	-7.2	-9.8	50.1	31.9	-7.8	8.3	39.3	59.8
March	-3.3	-12.4	52.0	23.0	0.3	-3.5	56.0	30.8
April	-2.9	-4.6	42.7	33.4	0.4	0.1	39.5	35.6
May	-10.6	-4.4	34.5	45.1	-2.1	-5.2	37.5	31.7
June	2.5	-3.1	44.1	28.2	0.7	-0.4	44.9	34.5
July	7.3		53.7		12.2		47.2	
August	7.8		48.3		11.3		44.4	
September	21.9		62.3		20.0		48.6	
October	21.0		52.7		19.5		39.8	
November	20.1		45.4		16.8		38.9	
December	35.7		35.7		36.0		36.0	

Source: Central Bank of Ecuador.
[a] Percentage variation calculated with respect to month-end balances. [b] With respect to December of the preceding year. [c] With respect to the same month of the preceding year.

Table 8
ECUADOR: MINIMUM LIVING WAGE AND EXTRA ALLOWANCES [a]
(Index January 1990=100)

	Nominal minimum wage				Real minimum wage				
	Sucres		Index		Index		Percentage variation 1995		
	1994	1995	1994	1995	1994	1995	Month	Year[b]	12 Ms.[c]
January	210 667	331 417	450.8	709.2	98.3	121.9	12.1	24.0	24.0
February	210 667	331 417	450.8	709.2	94.5	120.4	-1.2	25.7	27.4
March	210 667	331 417	450.8	709.2	92.1	118.1	-1.9	26.5	28.2
April	210 667	331 417	450.8	709.2	89.4	115.5	-2.2	27.1	29.2
May	210 667	331 417	450.8	709.2	88.2	112.9	-2.3	27.3	28.0
June	210 667	331 417	450.8	709.2	86.9	111.6	-1.2	27.5	28.4
July	277 334	375 583	593.4	803.7	113.7	125.6	12.5	24.6	10.5
August	277 334		593.4		112.0				
September	277 334		593.4		110.0				
October	277 334		593.4		108.7				
November	277 334		593.4		106.4				
December	277 334		593.4		105.0				

Source: ECLAC, on the basis of official figures.
[a] Private sector. [b] Percentage variation of the cumulative average index with respect to the same period of the preceding year. [c] With respect to the same month of the preceding year.

MEXICO

After the abrupt devaluation of the peso in December, Mexico faced severe economic difficulties. In the first quarter, the foreign-exchange and financial markets were in turmoil and there was a resurgence of high inflation. The Government adopted a rigorous adjustment programme, and as a result the second quarter saw a change in the price trend while the situation in the financial and foreign-exchange markets tended to stabilize. The programme entailed high costs: output contracted, unemployment increased and real wages fell. A combination of recession and high interest rates threatened the financial health of numerous companies and jeopardized the solvency of the banking system, whose overdue portfolios rose rapidly, reaching the point where the Government and the banks were obliged to take measures to assist debtors.

The programme sought to narrow the current account deficit, avoid an inflationary spiral linked to the devaluation and re-establish the necessary conditions for growth through tight fiscal and monetary policies and wage restraint. The plan involved the abandonment of the currency-band system, which had served as an anti-inflationary anchor since 1988, and its replacement by a floating exchange-rate system.

In an effort to cushion the effects of the adjustment on the most vulnerable groups in society, the Government brought in a range of compensatory social measures, including temporary job creation schemes (primarily in rural areas), training programmes for workers, and consumer subsidies on food staples. The Government also decided to extend to six months the length of time during which the unemployed and their dependants can use health services provided by the social security system.

An international aid package totalling US$ 47.8 billion was put together at the beginning of the year in support of the emergency programme. Contributions were provided by the United States Treasury (US$ 20 billion), the International Monetary Fund (IMF) (US$ 17.8 billion), and the Bank for International Settlements (US$ 10 billion). The agreement with IMF stipulated that goals for 1995 should be to keep the share of public-sector revenue in GDP at the same level and to reduce expenditure, excluding interest payments, in order to increase the primary surplus from 2.3% to 4.5% of GDP in 1995 and to generate a financial surplus equivalent to 0.5% of GDP. Similarly, it is estimated that programmable public-sector spending will contract by 9.8% in real terms, equivalent to 1.6% of GDP.

The objective of fiscal policy was in essence to produce a sizeable financial surplus, through a considerable cut in expenditure and measures to enhance revenue collection. In the first half of 1995, there was a financial surplus of around 1% and a primary surplus of almost 3% of GDP, but these results were somewhat lower than the targets agreed upon with IMF for that period.

The total revenue of the budgetary public sector declined by 1% in real terms, with respect to the first half of 1994. The strong growth in petroleum revenues was in large part outweighed by the sharp drop in non-petroleum revenues. The severity of the recession led to a slump in tax revenues, despite the increase in the VAT rate in April. Revenue from agencies and enterprises under direct budgetary control, excluding the state-owned oil firm PEMEX, dropped. Total budgetary expenditure declined by more than 6% in real terms; the 34% decline in physical investment was particularly noteworthy. In contrast, interest payments on debt increased by 60% in real terms.

The net domestic debt of the Federal Government decreased to an amount equivalent to 8.5% of GDP, mainly owing to the retirement of TESOBONOS; the amount of TESOBONOS in circulation declined from US$ 29 billion in late 1994 to just over US$ 3 billion in early September 1995. Gross external debt rose to US$ 93.5 billion, which was 9.5% above the level recorded in December.

For the first eight months of the year, there was a severe domestic liquidity constraint. As the replenishment of international reserves was based on external borrowing, the lower demand for notes and coin together with the reduction in net domestic credit from the Bank of Mexico served to restrict total liquidity. The monetary base fell by 38% in real terms from December 1994 to July 1995. The money supply (M1) decreased by 15% in nominal terms over the same period.

Over the first quarter, a trend towards higher nominal yields on government debt instruments became evident; this was a reflection both of a tight monetary policy and the need to offer a sufficiently attractive risk premium to generate an independent supply of foreign exchange. The peak was reached in March when annual yields on 28-day treasury certificates (CETES) exceeded 80%. Interest rates on loans exceeded the 100% mark for several weeks in the first quarter. Nominal rates were still above 70% in April, the month in which inflation peaked. Improved expectations and greater confidence in the emergency programme subsequently contributed to a fall in these rates, which hovered around the 35% mark at the end of August. Since estimates for inflation were lower than the actual inflation rate and owing to the lag in adjustment of nominal rates, these were negative in real terms over the first four months of the year. The subsequent drop in inflation and the risk that current economic conditions entailed the prospect of negative yields had a hand in the fact that beginning in May annualized real rates were very positive.

The downswing which had characterized the stock market since late 1994 intensified; consequently, the stock market index of prices and quotations tumbled by 37% between the end of 1994 and the beginning of March 1995. From then onwards, the stock market staged a recovery, bolstered by greater confidence in the functioning of the adjustment programme, lower inflationary expectations and the certainty of being able to count on assistance from IMF and the United States Government, which had been agreed on for the second half of the year. Thus, by late August, the index of prices and quotations was 5% above the level recorded the preceding December, though measured in dollar terms it was actually 17% down. Foreign investment in the stock market fell by 19% in the first seven months of 1995, despite a recovery from May to July.

Prompted by the rapid growth in overdue client portfolios as well as other difficulties facing Mexico's financial groups, the financial authorities required that banks establish reserves to cover credit risks and that they strictly adhere to the capitalization ratio. In addition, in April the Government introduced a unit of account with a constant real value, which was used as a point of reference when setting interest rates, and whose aim was to mitigate inflation's effect on loans, and in particular on the accelerated depreciation of capital so as to offer debtors the possibility of rescheduling their liabilities with banks.

In late 1994, the Government gave up controlling the exchange rate through the use of flotation bands, a system which had served as an anchor against inflation since 1988. Beginning on 22 December 1994, the exchange rate was allowed to float, with intermittent intervention by the Central Bank to avoid significant fluctuations. The behaviour of the market up until 31 August was characterized by two distinct periods. The first of these lasted virtually all of the first quarter, and was notable for the instability and depreciation of the exchange rate. The exchange rate on the interbank market reached a high of 7.55 pesos to the dollar on 9 March, and this was more than double the level prior to the December devaluation. Adjustments to the emergency programme contributed to the peso's subsequent recovery; thus, by late August, the peso stood at 6.3 to the dollar. In April, the peso futures market recommenced operations, after a lapse of 10 years.

The implementation of the Economic Emergency Programme resulted in a severe recession. The sharp reduction in domestic demand was cushioned by the robust export performance, and this helped limit the fall in GDP in the first half of 1995 to no more than 6% with respect to the same period in 1994. This was the result of a slight fall in the first quarter and an exceptionally large slump of 10% in the second; a contraction of around 5% in GDP is projected for the year as a whole.

Agricultural output dropped by 10% in the first half of 1995. According to official estimates, the harvests of staple crops for the summer/spring period are likely to decline, with the exception of sorghum, owing to the shortage of credit and the drought which has affected mainly the northern parts of Mexico. The 16% decline in construction recorded in the first six months of 1995 is attributable to cutbacks in government spending and the poor terms of credit available; this decline was in contrast with the buoyancy shown by the sector over the same period in the previous year, and had an adverse effect on the level of employment.

Manufacturing recorded a drop of 6%, with sectors turning in quite mixed performances. The explanation for this lies largely in the source of demand in the different industries. Industries which cater primarily to the domestic market or depend on government spending contracted sharply, while export industries showed strong growth. Both trends were in evidence in the motor vehicle industry: domestic sales of motor vehicles in the first seven months of the year slumped by 72% with respect to the same period in the previous year, while the number of units exported increased by 34%. Overall, production by the motor vehicle industry dropped by 18% in the first seven months of the year. A drop of 13% was recorded in the activity of commerce, restaurants and hotels.

The inflationary effect of the devaluation was felt by virtually all sectors. Despite the severe economic contraction, cost pressures contributed to an upsurge in inflation early in the year; in April, when the VAT rate was raised from 10% to 15%, inflation reached 8%, the highest rate since February 1988. Nevertheless, the sluggishness of domestic demand, the fact that the impact of the devaluation was absorbed almost completely in the first four months, and the stability of the exchange rate from May onwards all gave rise to a significant drop in inflation, which amounted to 1.7% in August, the lowest rate for the year. In spite of this, the national consumer price index recorded a rise of 38% in the first eight months of 1995 and a rise of almost 42% in the 12 months to August 1995.

Against a background of recession, wage increases lagged behind inflation. In January, a 7% increase in minimum wages was decreed, with an additional 3% for tax relief. As of 1 April, minimum wages were raised by 10%, and additional tax rebates were granted to workers earning from two to four times the minimum wage. Workers in large and medium-sized manufacturing firms received contractual wage increases of 15% to 18%, and these were serving as a guide for wage increases in other firms.

The open unemployment rate rose from 3.2% in December 1994 to 6.6% in June 1995, which means that the number of unemployed people rose to almost 2.5 million. The partial unemployment rate (which measures the unemployed together with workers employed less than 35 hours a week with respect to the economically active population) rose from 21.8% in December to 25.6% in May.

In line with forecasts, the current account deficit on the balance of payments, which in the first half of 1994 had exceeded US$ 13 billion, fell to US$ 670 million in the same period in 1995. This development can primarily be attributed to the trend in the trade surplus, which in the first seven months of the year widened to US$ 3.7 billion, following a deficit of more than US$ 10 billion in the same period in the previous year.

Merchandise exports grew by 32% from January to July, while imports fell by almost 8%. Petroleum exports benefited from the upward trend in the price of crude oil during the first half of the year (10% up on the price in December 1994). Non-petroleum exports were boosted by the competitiveness resulting from the devaluation of the peso. One noteworthy feature was the surge in exports of manufactures (32%), involving both exports by the inbond assembly industry *(maquila)* and those by the remaining categories (textiles, leather, paper, chemicals, steel, mineral and metallurgical products, and motor vehicles), which climbed by 47%. Exports of agricultural products and those from the extractive industry jumped by over 60%, though the two combined make up barely 7% of total exports.

Import trends were quite mixed. Imports of intermediate goods increased, though exhibiting a marked slow-down, while imports of capital goods contracted by 31%, as a result of the substantial decline in investment. Imports of intermediate goods by exporting firms (including the *maquila* industry) grew by 30%; in contrast, imports by firms which do not export directly slumped by 28%, which illustrates the divergence between the behaviour of domestic demand and that of external demand. Similarly, imports of capital goods by exporting firms expanded by 36%, while those of non-exporting firms plunged by 46%. Lastly, imports of consumer goods fell by 42%. The trends in foreign trade indicate that a surplus of around US$ 5 billion will be generated in 1995.

During the first five months of 1995, Mexico ran up its highest ever trade surplus (US$ 5 billion) with the United States, its leading trade partner; this represented a turnaround from the US$ 2.1 billion deficit recorded over the same period in 1994. Exports to the United States expanded by 29%, to a total of US$ 30.1 billion; imports slipped by 14% to around US$ 21.6 billion.

Early estimates indicate a positive flow of foreign direct investment in the first half of 1995 and a steady recovery from then on. Following the run on the peso which occurred in late 1994, international reserves fell to only US$ 6,150 million as of 31 December; this was well below the peak of around US$ 30 billion reached in late February that same year. The erosion of reserves continued until the first disbursements of the international aid package made it possible, early in February 1995, to redeem TESOBONOS at maturity and begin rebuilding reserves, which by late August exceeded US$ 15 billion.

Table 1
MEXICO: QUARTERLY GROSS DOMESTIC PRODUCT [a]
(1980 = 100)

	1994					1995[b]	
	I	II	III	IV	Year	I	II
Total	**0.7**	**4.8**	**4.5**	**4.0**	**3.5**	**-0.6**	**-10.5**
Agriculture, forestry and fishing	-2.5	16.3	-4.0	-1.3	2.0	-2.3	-14.7
Mining	3.1	1.4	1.5	0.6	1.6	-0.2	0.1
Manufacturing	-2.2	4.6	7.2	5.2	3.6	0.4	-11.0
Construction	3.6	8.0	11.1	3.5	6.4	-7.3	-23.6
Electricity, gas and water	4.5	7.3	9.3	9.4	7.7	6.8	2.9
Transport, storage and communications	3.8	9.6	9.9	8.2	7.8	3.1	-3.5
Commerce, restaurants and hotels	0.1	2.6	3.7	4.7	2.8	-4.0	-21.3
Financial services, insurance and real estate	4.4	5.0	5.3	6.0	5.2	3.9	0.4
Community, social and personal services	1.6	1.6	2.1	2.3	1.9	-0.2	-1.5

Source: ECLAC, on the basis of official data.
[a] Percentage variation with respect to the same period of the preceding year. [b] Preliminary figures.

Table 2
MEXICO: PRODUCTION BY SECTORS
(Percentage variations) [a]

	Total	Mining	Manufactures				Construction	Electricity
			Total	Consumer goods	Intermediate goods	Capital goods		
1994								
January	-0.1	4.6	-1.9	-1.5	-0.6	7.0	3.0	3.7
February	0.2	3.9	-1.2	-1.4	-0.8	4.7	3.0	3.5
March	-0.4	3.1	-2.2	-2.2	-1.2	1.2	3.6	4.5
April	1.2	2.7	-	-0.1	1.1	2.5	4.6	5.3
May	1.7	2.2	0.5	0.0	1.5	2.7	5.3	5.6
June	2.2	2.2	1.2	0.4	1.8	4.3	5.7	5.9
July	2.6	2.0	1.6	0.6	2.3	4.6	6.2	6.6
August	3.5	2.1	2.6	1.2	3.7	6.3	7.3	7.0
September	3.9	2.0	3.1	1.3	4.4	6.5	7.5	7.1
October	4.2	2.0	3.5	1.6	5.3	5.9	7.7	7.4
November	4.4	2.2	3.8	1.8	5.7	5.8	7.2	7.6
December	4.0	1.6	3.6	1.7	5.7	4.0	6.5	7.7
1995								
January	3.7	1.9	4.3	1.7	7.4	-1.3	1.6	8.0
February	1.3	1.5	1.8	-0.3	5.4	-4.6	-2.4	7.8
March	-0.6	-0.3	0.7	-2.1	4.3	-4.2	-7.9	6.7
April	-4.0	-0.2	-3.5	-5.5	0.7	-10.2	-11.3	5.6
May	-5.0	-	-4.2	-5.8	0.1	-11.5	-14.0	5.1
June	-6.2	-0.5	-5.4	-6.6	-0.7	-13.6	-15.9	4.7

Source: ECLAC, on the basis of figures supplied by the National Institute of Statistics, Geography and Information Sciences (INEGI).
[a] Of the cumulative average index with respect to the same period of the preceding year.

Table 3
MEXICO: EMPLOYMENT AND UNEMPLOYMENT

	1993				1994				1995[a]	
	I	II	III	IV	I	II	III	IV	I	II
	Percentages of the EAP of 37 urban areas [b]									
Total open unemployment (TOU) [c]	3.5	3.2	3.7	3.3	3.7	3.6	3.9	3.6	5.2	6.5
Part-time employment and unemployment (PTEU1) [d]	7.6	7.4	7.8	8.0	8.1	8.0	7.7	7.4	9.3	11.0
Insufficient income and unemployment (IIU) [e]	13.0	12.4	12.3	11.8	11.4	11.6	11.7	10.6	13.2	17.5
Part-time employment of less than 35 hours/week and unemployment (PTEU2) [f]	23.5	23.5	21.4	23.7	22.4	23.6	20.6	21.8	23.5	27.8

Source: ECLAC, on the basis of figures supplied by the National Institute of Statistics, Geography and Information Sciences (INEGI) and the Mexican Social Security Institute.
[a] Preliminary figures. [b] 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 of 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. [c] TOU = The percentage of unemployed out of the total EAP, with or without work experience, that were not earning wages or self-employed during the reference week; i.e., that were working between zero and less than one hour a week, were available for employment and had taken steps to seek employment in the eight weeks prior to the reference period. [d] PTEU1 = TOU plus the percentage of the EAP working less than 15 hours a week during the reference week. [e] IIU = TOU plus the percentage of the employed EAP with income of less than the minimum wage. [f] PTEU2 = TOU plus the percentage of the employed EAP working less than 35 hours a week.

Table 4
MEXICO: PRICE INDEXES
(Percentage variations)

	Consumer price index						Wholesale price index [a]					
	1994			1995			1994			1995		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	0.8	0.8	7.5	3.8	3.8	10.2	0.8	0.8	7.0	5.6	5.6	13.0
February	0.5	1.3	7.2	4.2	8.2	14.3	0.4	1.2	6.4	4.1	9.9	17.0
March	0.5	1.8	7.1	5.9	14.5	20.4	0.6	1.8	6.4	6.3	16.9	23.6
April	0.5	2.3	7.0	8.0	23.7	29.4	0.6	2.5	6.4	8.6	26.9	33.5
May	0.5	2.8	6.9	4.2	28.9	34.2	0.6	3.1	6.4	4.0	31.9	37.9
June	0.5	3.3	6.9	3.2	33.0	37.8	0.5	3.6	6.3	3.4	36.4	41.9
July	0.4	3.8	6.8	2.0	35.7	39.9	0.6	4.3	6.6			
August	0.5	4.3	6.8	1.7	37.9	41.6	0.6	4.9	6.7			
September	0.7	5.0	6.8				0.6	5.6	6.9			
October	0.5	5.6	6.9				0.4	6.0	7.1			
November	0.5	6.1	7.0				0.6	6.7	7.4			
December	0.9	7.1	7.1				1.0	7.8	7.8			

Source: ECLAC, on the basis of figures supplied by the Bank of Mexico.
[a] In Mexico City.

Table 5
MEXICO: NOMINAL AND REAL WAGE INDEXES

	Indexes [a]				Percentage variation in real wages [b]	
	Nominal		Real			
	Minimum wage [c]	Manufacturing sector wage	Minimum wage [c]	Manufacturing sector wage	Minimum wage [c]	Manufacturing sector wage
1994						
January	13 499	256.3	36.4	126.0	-0.5	7.1
February	13 499	253.0	36.3	123.8	0.2	4.5
March	13 499	269.5	36.2	131.1	0.1	5.0
April	13 499	262.8	36.0	127.2	-	3.4
May	13 499	265.6	35.8	128.0	0.2	4.3
June	13 499	267.9	35.5	128.5	0.2	3.2
July	13 499	270.7	35.3	129.1	0.1	3.7
August	13 499	271.7	35.1	129.0	-0.3	3.4
September	13 499	273.0	34.8	128.6	-0.6	2.0
October	13 499	275.2	34.6	129.0	-0.8	2.3
November	13 499	283.3	34.3	132.1	-0.9	2.5
December	13 499	398.8	34.0	184.4	-1.1	2.7
1995						
January	14 446	281.6	35.1	125.4	-3.7	-0.5
February	14 446	282.0	33.7	120.4	-7.3	-2.7
March	14 446	295.6	31.8	118.2	-12.2	-9.8
April	16 176	302.2	32.9	111.6	-8.6	-12.3
May	16 176		31.4		-12.1	
June	16 176		30.4		-14.5	
July	16 176		29.7		-15.9	

Source: ECLAC, on the basis of figures supplied by the Bank of Mexico and the National Institute of Statistics, Geography and Information Sciences (INEGI).
[a] Base for minimum index is 1978=100; base for manufacturing sector wage index is 1989=100. [b] Variation with respect to the same month of the preceding year. [c] Minimum wage excludes benefits.

Table 6
MEXICO: TRADE BALANCE [a]

	Millions of dollars						Percentage variation [b]			
	Exports f.o.b.		Imports f.o.b.		Balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
1994										
January	4 089	4 089	5 552	5 552	-1 463	-1 463	17.1	17.1	20.3	20.3
February	4 531	8 620	6 036	11 588	-1 504	-2 967	18.5	17.8	19.5	19.9
March	5 156	13 776	6 486	18 073	-1 330	-4 297	15.7	17.0	13.4	17.5
April	4 655	18 431	6 074	24 147	-1 419	-5 716	12.7	15.9	17.0	17.4
May	5 097	23 528	6 607	30 755	-1 510	-7 227	23.5	17.5	27.1	19.3
June	5 316	28 844	6 937	37 691	-1 621	-8 847	11.0	16.2	17.0	18.9
July	4 758	33 601	6 303	43 994	-1 545	-10 392	14.6	16.0	13.8	18.1
August	5 271	38 873	6 989	50 982	-1 717	-12 110	24.9	17.1	32.2	19.9
September	5 035	43 908	6 567	57 550	-1 532	-13 642	13.2	16.7	19.3	19.8
October	5 556	49 463	7 190	64 740	-1 635	-15 276	12.8	16.2	26.0	20.5
November	6 108	55 572	7 607	72 347	-1 499	-16 775	31.4	17.7	32.7	21.7
December	5 310	60 882	6 999	79 346	-1 688	-18 464	13.5	17.3	18.7	21.4
1995										
January	5 990	5 990	6 240	6 240	-250	-250	46.5	46.5	12.4	12.4
February	6 032	12 023	5 596	11 836	436	187	33.1	39.5	-7.3	2.1
March	6 815	18 837	6 354	18 190	461	647	32.2	36.7	-2.0	0.6
April	5 859	24 696	4 969	23 159	890	1 537	25.9	34.0	-18.2	-4.1
May	6 980	31 675	6 037	29 196	943	2 479	36.9	34.6	-8.6	-5.1
June	6 637	38 312	6 028	35 223	609	3 089	24.8	32.8	-13.1	-6.5
July	6 082	44 394	5 480	40 703	602	3 691	27.8	32.1	-13.1	-7.5

Source: ECLAC, on the basis of figures from the Bank of Mexico.
[a] Includes inbond assembly industry (*maquila*). [b] With respect to the same period of the preceding year.

Table 7

MEXICO: EXPORT STRUCTURE [a]

(Cumulative figures)

	Millions of dollars										Percentage variation [b]	
	Oil		Non-oil									
			Total		Agricultural		Mining		Manufacturing		Oil	Non-oil
	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995		
January	510	686	3 579	5 304	250	505	38	40	3 291	4 759	34.6	48.2
February	986	1 318	7 634	10 704	644	1 143	61	77	6 930	9 484	33.7	40.2
March	1 504	2 027	12 273	16 810	1 046	1 784	91	130	11 136	14 896	34.8	37.0
April	2 100	2 715	16 331	21 981	1 302	2 130	116	172	14 913	19 679	29.3	34.6
May	2 768	3 527	20 759	28 148	1 521	2 467	143	228	19 095	25 453	27.4	35.6
June	3 438	4 281	25 406	34 031	1 683	2 750	171	274	23 553	31 007	24.5	33.9
July	4 138	4 996	29 464	39 398	1 798	2 941	200	327	27 466	36 130	20.7	33.7
August	4 805		34 068		1 906		228		31 934			
September	5 424		38 484		2 001		253		36 230			
October	6 100		43 364		2 135		286		40 943			
November	6 787		48 785		2 358		319		46 108			
December	7 445		53 437		2 679		357		50 402			

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

[a] Includes inbond assembly industry (*maquila*). [b] Cumulative 1995 variation with respect to the same period of the preceding year.

Table 8

MEXICO: IMPORT STRUCTURE [a]

(Cumulative figures)

	Millions of dollars						Percentage variation [b]		
	Consumer goods		Intermediate goods		Capital goods		Consumer goods	Intermediate goods	Capital goods
	1994	1995	1994	1995	1994	1995			
January	616	519	3 981	4 890	955	832	-15.8	22.8	-12.9
February	1 290	997	8 352	9 318	1 946	1 521	-22.7	11.6	-21.8
March	2 068	1 470	12 964	14 349	3 041	2 372	-28.9	10.7	-22.0
April	2 831	1 859	17 219	18 366	4 098	2 934	-34.3	6.7	-28.4
May	3 615	2 260	21 966	23 264	5 174	3 672	-37.5	5.9	-29.0
June	4 418	2 666	26 949	28 123	6 325	4 435	-39.7	4.4	-29.9
July	5 113	2 993	31 440	32 592	7 441	5 119	-41.5	3.7	-31.2
August	5 917		36 467		8 599				
September	6 702		41 207		9 641				
October	7 595		46 341		10 804				
November	8 576		51 690		12 082				
December	9 511		56 514		13 322				

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

[a] Includes inbond assembly industry (*maquila*). [b] Cumulative 1995 variation with respect to the same period of the preceding year.

Table 9
MEXICO: EXCHANGE RATE

	Inter-bank exchange rate [a] (new pesos per dollar)			Adjusted real exchange rate (index 1985=100) [b]		
	1993	1994	1995	1993	1994	1995
January	3.10	3.11	5.64	62.8	59.9	101.6
February	3.11	3.12	5.67	62.6	60.1	98.2
March	3.11	3.30	6.76	62.4	63.4	111.0
April	3.09	3.35	6.18	62.0	64.2	94.4
May	3.12	3.31	5.97	62.2	63.2	87.6
June	3.12	3.36	6.21	61.9	64.1	88.4
July	3.12	3.40	6.11	61.6	64.7	85.4
August	3.11	3.38		61.3	64.2	
September	3.11	3.40		61.0	64.3	
October	3.11	3.42		61.0	64.4	
November	3.15	3.44		61.5	64.6	
December	3.11	4.07		60.2	75.6	

Source: ECLAC, on the basis of figures supplied by the Bank of Mexico and the International Monetary Fund (IMF), *International Financial Statistics*.
[a] Exchange rate used in wholesale transactions between banks, exchanges, private money-exchange offices and important firms or clients.
[b] 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 [a]
(Cumulative figures in millions of new pesos)

	Income			Expenditure			Result [c]
	Total	Federal government	PEMEX[b]	Total	Federal government	PEMEX[b]	
1994							
March	78 526	52 949	6 044	74 095	53 864	6 369	4 344
June	160 668	105 264	14 755	157 610	105 467	12 850	3 058
September	246 753	160 617	21 624	242 385	163 531	21 486	4 368
December	334 049	213 467	32 937	337 732	223 395	32 124	-3 683
1995							
March	89 258	55 714	12 949	80 268	53 028	10 003	8 990
June	189 106	126 852	20 901	173 813	119 780	19 183	15 293
			Percentage variation [d]				
1994							
March	10.3	10.4	-1.7	14.1	24.5	4.4	
June	10.6	8.6	9.0	25.0	21.1	4.8	
September	12.1	12.0	-2.0	17.1	20.1	9.6	
December	10.8	9.6	13.1	15.2	17.2	12.7	
1995							
March	13.7	5.2	114.2	8.3	-1.6	57.1	
June	17.7	20.5	41.7	10.3	13.3	49.3	

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.
[a] Excludes extraordinary income from the sale of Teléfonos de México (TELMEX) and State banks. [b] Net income and expenditure from payments of taxes and charges. [c] Includes differences in sources of financing; therefore, it does not always reflect the difference between income and expenditure. [d] 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 [a]				
	Monetary base	M1	M2	M3	M4	Monetary base	M1	M2	M3	M4
1993										
December	47.2	148.9	370.9	463.9	591.8	3.6	17.7	14.4	23.5	27.3
1994										
January	42.5	144.8	363.1	460.4	593.0	12.8	19.5	11.5	19.4	24.0
February	41.9	144.8	362.7	471.4	606.1	15.8	18.6	11.1	21.7	26.0
March	44.9	144.0	377.2	476.6	611.6	29.4	20.3	15.3	21.3	25.0
April	41.9	136.9	380.2	461.0	592.0	18.9	14.5	12.9	13.6	17.7
May	42.6	138.4	381.1	471.0	602.5	18.0	12.4	10.7	14.1	17.6
June	43.4	139.7	390.0	483.2	615.2	20.3	10.6	12.4	15.0	17.7
July	45.0	139.7	396.6	491.5	623.2	22.3	10.2	13.6	15.6	17.6
August	44.2	138.4	404.5	505.7	635.2	25.7	9.9	17.4	19.5	19.0
September	43.8	138.7	409.8	510.7	645.1	24.7	10.2	17.8	18.6	19.0
October	44.8	139.8	421.2	521.3	661.0	20.5	7.5	19.5	19.1	19.4
November	49.2	146.0	429.6	526.3	670.2	28.6	10.1	17.7	20.6	20.3
December	56.9	154.5	444.7	580.5	729.1	20.6	3.8	19.9	25.1	23.2
1995										
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	751.0	8.4	-10.9	26.9	22.3	22.1
July	47.9	...	...	...	...	6.4	...	...	...	...

Source: ECLAC, on the basis of figures supplied by the Bank of Mexico.
Note: M1 = Currency plus local and foreign currency demand deposit 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 (Treasury certificates, federal government bonds, development bonds and commercial paper. M4 = M3 plus long-term financial instruments (over one year), PEMEX bonds, etc.
[a] With respect to the same month of the preceding year.

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

	Average cost of procuring funds			Time deposits 30 to 85 days			Treasury certificates 90 days		
	1993	1994	1995	1993	1994	1995	1993	1994	1995
January	22.8	13.2	29.9	17.9	9.3	25.3	18.3	10.8	39.2
February	22.7	12.0	36.0	18.2	8.4	29.7	18.8	9.8	41.7
March	21.3	11.5	56.8	17.7	8.5	47.4	18.0	10.3	71.2
April	20.2	14.2	70.3	16.6	13.9	55.8	16.7	15.9	71.5
May	19.8	17.0	57.9	16.4	16.2	45.5	16.3	17.4	54.7
June	18.7	17.2	46.4	15.6	15.8		15.9	16.7	47.3
July	17.4	17.8	41.4	14.4	16.7		14.7	17.4	39.7
August	16.9	17.2	37.1	13.6	14.5		14.1	14.8	35.9
September	16.2	16.7		13.3	13.6		14.1	14.1	
October	15.6	16.0		13.0	13.7		13.6	14.0	
November	16.6	16.3		13.0	14.2		13.7	15.5	
December	14.7	17.0		11.0	15.2		11.7	20.4	

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

PERU

The Peruvian economy continued to grow strongly during the first half of 1995, in a climate of stability and confidence, once the border clashes with Ecuador had ended and the continuity of economic policy had been ensured by the re-election of President Alberto Fujimori in April. The output level was 9% higher than in the first six months of the preceding year, while the 12-month inflation rate to August was only 10%, half what it had been during the same period in 1994.

The main factor expanding total demand during the first quarter was private expenditure, whose components, consumption and investment, each contributed a third of the total growth. The balance was divided almost equally between exports and public expenditure. Despite the high expansion rate for both demand and output, employment in industry and services continued to fall, while rising slightly in wholesale and retail trade.

During the first half of the year, construction was the leading growth sector by a wide margin (31%), followed by services, excluding government, at 16%, agriculture (9%) and manufacturing (6%). Within the manufacturing sector, surges in production of capital goods (21%) and consumer goods (8%) played an outstanding role. Fishery production decreased by 8%, owing to a smaller anchovy catch, which led to a drop in export volumes for fish meal and frozen fish. Agricultural performance was bolstered by favourable weather conditions, as reflected in increases of 33% for potatoes, 10% for cotton, 19% for sugar cane, 14% for coffee, 10% for maize, 17% for beans and 8% for wheat, all basic dietary components (except cotton). The expansion of supply had a positive effect on trends in food prices.

The high rates of growth and investment have resulted in a continual expansion of the trade gap, as the Peruvian economy is marked by a high elasticity of imports. While exports increased by 30%, the merchandise trade deficit doubled, since imports expanded by 50% during the first half of 1995, thus strengthening the trends seen in the previous year. The upheavals in international financial markets had a negative domestic impact in the early months of 1995, but this quickly dissipated, so that by the end of the first half, net international reserves showed an increase of nearly US$ 380 million.

Current expenditure by the non-financial public sector was three percentage points of GDP higher than in the same period in 1994. Investment expenditure, which was concentrated on the improvement of transport infrastructure and the building of schools, increased by one point. As tax revenues remained constant, a deficit of around 1% of GDP emerged. This situation continued over the following two months; during the January-May period, while central government revenues expanded by 17% in real terms, current expenditures grew by nearly 40%, and capital expenditures by 66%.

On 23 June the Government and IMF signed a new letter of intent which stipulated the economic goals for the rest of the year. The agreement envisaged a slow-down in the pace of growth to around 5% during the second half, so that the annual average for 1995 would be in the range of 6%-7%, as a way of narrowing the deficit on the current account of the balance of payments to around 5% of GDP. The tools for limiting this gap to a sustainable range are monetary and fiscal policy. In terms of monetary policy, the agreement proposes a drastic reduction in the annual rate of monetary creation, which would drop from 43% in June to 15% in December. In the fiscal sphere, it is stipulated that public expenditure, excluding interest on the foreign debt, will not exceed 13.8% of GDP (two points less than in 1994). It is further hoped that the non-financial public sector's primary surplus, excluding income from privatization, will reach 0.8% of GDP in 1995.

The high dollarization of the economy, given that 75% of total liquidity consists of foreign currency, makes it difficult to use monetary policy as a tool for restraining aggregate demand. In the first quarter, the expansion of the monetary base stemmed from the reduction in deposits that sterilized the financial system; in the second quarter, as in recent years, the influx of foreign currencies again represented the basic source of primary expansion, while open market operations had a contractionary effect. By issuing securities, the Central Bank sterilized the bulk of the undesirable growth. Thus, the rate of liquidity increase in national currency fell from 66% in the first quarter to 50% in the second. Meanwhile, the national-currency equivalent of dollar deposits expanded by one third. The financial system's total liquidity swelled 26% during the first six months of the year, or half the previous year's rate.

During the first half of 1995, a combination of supply factors and the expectations of economic agents continued to produce a slow-down in inflation. Costs were heavily influenced by good harvests and stability in the nominal exchange rate, which increased only slightly in the second quarter. As to expectations, confidence in the continuity of the current strategy strengthened the demand for money and the remonetization of the economy, although at a slower pace than in 1994. Moreover, foreign financing of the growth in public expenditure and substantial import growth helped to keep demand pressure from being transferred to prices. Under these circumstances, the monthly inflation rate fell to an average of 0.8% between June and August, which lowered the 12-month increase in consumer prices to 10%.

While the privatization process was interrupted during the first quarter of the year, pending the electoral outcome, the auction of several public enterprises is planned for the second half. Mention should be made here of the confirmation of YPF Argentina's interest in PETROPERU and of Shell's plans to develop the Camisea gas reserves and to build gas pipelines. The sale in April of the Cahua hydroelectric plant marked the start of the programme to sell off ELECTROPERU. Three thermal energy plants were also put up for sale through a capital formation mechanism.

The letter of intent signed with IMF refers to the strengthening of ownership rights in the water and land markets. During the second half of the year the Government intends to promulgate two reforms designed to give a strong impetus to the agroindustrial export sector. The first of these is related to communal ownership of land in the coastal region and will make it possible to sell, lease and transfer such assets. The Irrigation Act, meanwhile, seeks to rationalize water use by imposing a water resources tax.

As to the foreign debt, talks began in May between the Government and the commercial banks, represented by the Committee of the Banking Association, for the negotiation, within the Brady Plan framework, of the Government's US$ 6.3 billion debt to foreign banks. Half of that figure represents unpaid interest and arrears.

Table 1
PERU: GROSS DOMESTIC PRODUCT

	Percentage variations [a]					
	1994				1995	
	I	II	III	IV	I	II
Total	**10.5**	**16.0**	**10.7**	**14.7**	**10.4**	**7.7**
Agriculture	9.6	25.7	4.3	7.9	13.4	6.6
Fishing	44.8	39.0	25.1	40.9	-1.0	-13.5
Mining	6.6	10.3	0.3	0.6	5.6	2.3
Manufacturing	12.1	18.1	17.0	21.2	7.5	4.0
Construction	27.8	31.9	33.2	44.1	31.8	31.0
Commerce	15.5	17.1	16.2	19.1	16.9	14.1
Other	5.4	9.1	6.1	10.1	10.3	9.3

Source: ECLAC, on the basis of figures supplied by the National Institute of Statistics and Informatics and the Central Reserve Bank of Peru.
[a] Variation with respect to the same period of the preceding year.

Table 2
PERU: AGRICULTURAL PRODUCTION

	Thousands of metric tons						Percentage variation [a]		
	1994				1995		1994	1995	
	I	II	III	IV	I	II		I	II
Crop-farming									
Potatoes	300	971	196	284	472	1 228	50.9	57.5	26.4
Rice	147	766	372	107	121	619	16.9	-17.8	-19.2
Cotton	23	95	42	9	38	91	-9.4	68.0	-3.4
Maize	105	270	195	156	137	256	51.5	30.9	-5.0
Sugar	1 184	994	1 600	1 690	1 431	1 164	-8.4	20.8	17.1
Coffee	4	59	28	-	3	69	0.6	-25.0	17.3
Wheat	2	39	65	23	1	44	47.1	-75.0	13.3
Stock-raising									
Poultry	85	82	85	102	100	93	-5.5	21.1	14.2
Beef	24	26	26	25	25	26	-3.7	-8.0	1.6
Pork	19	19	20	20	19	20	4.0	1.6	2.6
Mutton	4	5	5	5	4	5	-4.6	-4.4	6.7
Milk	215	211	199	206	224	223	4.5	3.8	5.9
Eggs	27	28	29	32	35	37	0.3	2.3	31.8

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru.
[a] With respect to the same period of the preceding year.

Table 3
PERU: INDUSTRIAL PRODUCTION

	Index August 1990=100			Percentage variations					
				1994			1995		
	1993	1994	1995	Month	12 Ms.[a]	Year[b]	Month	12 Ms.[a]	Year[b]
January	129.4	147.3	167.2	-3.3	13.8	13.8	-0.9	13.5	13.5
February	114.3	126.4	144.0	-14.2	10.6	12.3	-13.9	13.9	13.7
March	141.8	160.0	155.2	26.6	12.8	12.5	7.8	-3.0	7.5
April	133.6	160.9	162.6	0.6	20.5	14.5	4.8	1.1	5.8
May	130.1	154.5	166.7	-4.0	18.8	15.4	2.5	7.9	6.2
June	133.5	150.2	154.7	-2.8	12.5	14.9	-7.2	3.0	5.7
July	131.2	151.2		0.7	15.2	15.0			
August	129.8	148.1		-2.1	14.1	14.8			
September	127.5	149.1		0.7	16.9	15.1			
October	130.2	164.4		10.3	26.3	16.2			
November	146.5	170.5		3.7	16.4	16.2			
December	152.4	168.7		-1.1	10.7	15.7			

Source: ECLAC, on the basis of figures supplied by the Ministry of Industry, National Commerce, Tourism and Integration, Office of Sectoral Statistics.
[a] With respect to the same month of the preceding year. [b] 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) [a]

	Manufacturing			Commerce			Services		
	1993	1994	1995	1993	1994	1995	1993	1994	1995
I	80.0	77.9	76.8	67.4	57.9	62.4	80.7	83.8	79.2
II	79.2	77.8		65.6	59.0		79.0	84.8	
III	78.5	77.8		61.8	58.7		79.6	83.3	
IV	77.5	77.6		60.5	59.0		81.3	82.0	

Source: ECLAC, on the basis of figures supplied by the Ministry of Labour and Social Welfare, Department of Employment.
[a] Quarterly averages.

Table 5
PERU: CONSUMER PRICE INDEX
(Percentage variations)

	1993			1994			1995		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	4.8	4.8	58.7	1.8	1.8	35.5	0.4	0.4	13.7
February	2.9	7.9	56.0	1.8	3.7	34.0	1.1	1.5	13.0
March	4.2	12.5	51.3	2.3	6.1	31.6	1.4	2.9	11.9
April	4.4	17.5	53.2	1.5	7.7	27.9	1.0	3.9	11.3
May	3.0	21.0	52.6	0.7	8.5	25.0	0.8	4.8	11.4
June	1.8	23.2	50.0	1.1	9.7	24.2	0.8	5.6	11.1
July	2.7	26.6	48.9	0.9	10.7	22.0	0.6	6.2	10.7
August	2.5	29.8	48.5	1.5	12.4	20.8	1.0	7.4	10.2
September	1.6	31.9	47.0	0.5	13.0	19.5			
October	1.5	33.9	44.0	0.3	13.3	18.0			
November	1.6	36.1	41.3	1.2	14.5	17.6			
December	2.5	39.5	39.5	0.6	15.4	15.4			

Source: ECLAC, on the basis of figures supplied by the National Institute of Statistics and Informatics of Peru.

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

	Private sector [a]				Legal minimum wage				
	Salaries		Wages		Indexes		Percentage variations 1995		
	1994	1995	1994	1995	1994	1995	Month [b]	Year [c]	12 Ms. [d]
January					51.7	83.3	-0.4	61.1	61.1
February	280.2	...	244.4	...	50.8	82.4	-1.1	61.7	62.2
March					49.6	81.3	-1.3	62.4	63.9
April	289.9	...	245.5	...	89.6	80.5	-1.0	35.5	-10.2
May					88.9	79.8	-0.9	23.2	-10.2
June	292.8	...	250.5	...	87.9	79.2	-0.8	16.2	-9.9
July					87.2	78.7	-0.6	11.8	-9.7
August	287.1		252.6		85.8				
September					85.4				
October	290.0		241.5		85.2				
November					84.1				
December	301.6		257.2		83.6				

Source: ECLAC, on the basis of figures supplied by the National Institute of Statistics and Informatics of Peru.
[a] 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. [b] With respect to the preceding month. [c] Percentage variation in average cumulative index with respect to the same period of the preceding year. [d] 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 [a] (index 1985=100)		
	1993	1994	1995	1993	1994	1995
January	1.69	2.17	2.19	24.2	23.6	21.6
February	1.75	2.17	2.21	24.5	23.3	21.6
March	1.83	2.17	2.25	24.7	22.8	22.0
April	1.91	2.18	2.26	24.7	22.7	22.0
May	1.96	2.18	2.25	24.7	22.5	22.0
June	2.00	2.19	2.25	24.8	22.4	21.9
July	2.05	2.20	2.23	24.7	22.3	21.7
August	2.07	2.23		24.4	22.5	
September	2.09	2.25		24.3	22.6	
October	2.14	2.22		24.6	22.4	
November	2.17	2.19		24.5	21.7	
December	2.16	2.15		23.9	21.1	

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru and the International Monetary Fund (IMF).
[a] 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 [a]			Year [b]		
	1993	1994	1995	1993	1994	1995	1993	1994	1995
March	2 163	3 117	5 674	162	375	-44	162	375	-44
June	2 469	4 846	6 050	306	1 729	376	468	2 104	332
September	2 521	5 563		52	717		520	2 821	
December	2 742	5 718		221	155		741	2 976	

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru.
[a] With respect to the preceding quarter. [b] With respect to December of the preceding year.

Table 9
PERU: TRADE BALANCE

	Millions of dollars						Percentage variations[a]			
	Exports f.o.b.		Imports f.o.b.		Trade balance		Exports		Imports	
	Quarter	Year	Quarter	Year	Quarter	Year	Quarter	Year	Quarter	Year
1993										
I	893	893	911	911	-18	-18	4.6	4.6	-14.0	-14.0
II	810	1 703	987	1 898	-177	-195	-6.5	-1.0	3.8	-5.6
III	902	2 605	1 030	2 928	-128	-323	5.8	1.2	2.1	-3.0
IV	909	3 514	1 157	4 085	-248	-571	-0.3	0.8	12.2	0.8
1994										
I	959	959	1 186	1 186	-227	-227	7.4	7.4	30.2	30.2
II	1 079	2 038	1 299	2 485	-220	-447	33.2	19.7	31.6	30.9
III	1 298	3 336	1 471	3 956	-173	-620	43.9	28.1	42.8	35.1
IV	1 219	4 555	1 705	5 661	-486	-1 106	34.1	29.6	47.4	38.6
1995										
I	1 291	1 291	1 808	1 808	-517	-517	34.6	34.6	52.4	52.4
II	1 356	2 647	1 939	3 747	-583	-1 100	25.7	29.9	49.3	50.8

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru and the Institute of Foreign Trade.
[a] With respect to the same period of the preceding year.

Table 10
PERU: EXPORTS STRUCTURE, FOB

	Millions of dollars						Percentage variations[a]		
	1994				1995[b]		1994	1995[b]	
	I	II	III	IV	I	II		I	II
Total	**959**	**1 079**	**1 298**	**1 219**	**1 291**	**1 356**	**31.5**	**34.6**	**25.7**
Traditional	677	777	890	812	935	984	35.2	38.2	26.7
Mining	390	459	501	509	546	597	29.8	40.2	30.0
Petroleum and petroleum products	49	47	36	33	39	75	-9.1	-19.6	59.4
Agricultural	26	26	107	85	35	50	214.4	38.4	96.5
Fishery products	175	199	199	137	240	194	31.1	37.2	-2.6
Other	38	46	47	48	75	68	74.9	98.1	47.3
Non- traditional	282	302	408	408	356	372	23.9	25.9	23.3

Source: ECLAC, on the basis of figures supplied by the Ministry of Economic Affairs, Finance and Trade, Department of Informatics and Statistics, and the Institute of Foreign Trade.
[a] With respect to the same period of the preceding year. [b] Preliminary figures.

Table 11
PERU: IMPORT STRUCTURE, FOB

	Millions of dollars						Percentage variations[a]		
	1994				1995[b]		1994	1995[b]	
	I	II	III	IV	I	II		I	II
Total	**1 186**	**1 299**	**1 472**	**1 705**	**1 807**	**1 939**	**40.1**	**52.3**	**49.2**
Consumer goods	262	321	364	436	388	455	52.5	48.2	41.8
Inputs	527	561	592	657	767	806	26.3	45.7	43.8
Capital goods	333	369	470	534	568	599	50.1	70.5	62.5
Miscellaneous and adjustments	64	49	45	79	83	79	57.3	29.2	60.4

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru and the Institute of Foreign Trade.
[a] With respect to the same period of the preceding year. [b] Preliminary figures.

Table 12
PERU: MONETARY AGGREGATES

	Millions of new soles [a]						Percentage variations [b]	
	1994				1995		1995	
	I	II	III	IV	I	II	I	II
Monetary base	1 815	2 003	2 212	2 672	2 825	3 294	55.6	64.5
Liquidity	13 431	14 933	17 027	18 193	19 388	20 684	44.4	38.5
Local currency	4 164	4 955	5 758	6 357	6 926	7 442	66.3	50.2
Money	2 517	2 768	3 155	3 805	4 047	4 026	60.8	45.4
Quasi-money	1 647	2 187	2 603	2 552	2 879	3 416	74.8	56.2
Foreign currency	9 267	9 978	11 269	11 836	12 462	13 242	34.5	32.7

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru.
[a] Figures at end of period. [b] 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)

	1993					1994					1995	
	I	II	III	IV	Year	I	II	III	IV	Year	I	II
I. Central Government result	2.1	-1.9	-1.4	-3.4	-1.4	3.1	10.0	1.0	-2.2	2.9	-0.8	-0.5
1. Current income	12.4	11.0	10.4	12.0	11.4	14.0	12.3	12.6	13.1	13.0	14.3	13.2
2. Current expenditure	9.2	10.7	8.9	11.7	10.2	8.9	10.9	10.7	13.4	11.1	12.3	12.1
3. Capital-account result	-1.0	-2.2	-2.9	-3.7	-2.6	-2.1 [a]	8.6 [a]	-0.9	-1.9	1.0	-2.8	-1.6
II. Financing	-2.1	1.9	1.4	3.4	1.4	-3.1	-10.0	-1.0	2.2	-2.9	0.8	0.5
1. Foreign	1.5	1.4	0.5	2.5	1.5	-0.5	1.2	0.9	2.6	1.2	0.5	1.3
2. Domestic	-3.6	0.5	0.9	0.9	-0.1	-2.6	-11.2	-1.8	-0.4	-4.0	0.3	-0.8
III. Non-financial public-sector result	2.4	-1.2	-0.3	-4.1	-1.1	4.6	10.8	1.5	-3.5	3.2	-0.7	-
1. Central Government	2.1	-1.9	-1.4	-3.4	-1.4	3.1	10.0	1.0	-2.2	2.9	-0.8	-0.5
2. Public enterprises	-0.2	0.4	1.0	-	0.3	0.9	0.5	0.4	-0.9	0.2	-0.2	-
3. Rest of Central Government	0.5	0.4	0.1	-0.6	-	0.6	0.3	0.1	-0.4	0.1	0.3	0.5
IV. Financing	-2.4	1.2	0.3	4.1	1.1	-4.6	-10.8	-1.5	3.5	-3.2	0.8	-
1. Foreign	1.3	1.7	0.3	2.3	1.4	-0.6	1.2	0.5	2.7	1.1	0.8	1.4
2. Domestic	-3.7	-0.6	-	1.8	-0.4	-4.0	-12.0	-2.0	0.8	-4.2	-	-1.4

Source: Central Reserve Bank of Peru.
[a] Includes privatizations.

Table 14
PERU: INTEREST RATES [a]

	1994				1995	
	I	II	III	IV	I	II
Real interest rate on loans [b]	36.0	38.1	28.5	28.8	20.9	23.8
Real interest rate on deposits [c]	3.8	9.2	5.1	5.9	2.4	4.1
Dollar equivalent rate on deposits [d]	28.9	20.5	4.0	45.9	-7.5	15.6
Rate on deposits in foreign currency [d]	6.8	6.6	6.8	6.9	7.2	7.6
Rate on loans in foreign currency [e]	16.2	16.1	15.8	15.7	16.0	16.4

Source: Central Reserve Bank of Peru.
[a] Annualized quarterly rates. [b] Average interest rate weighted according to commercial bank loan balances. [c] Rate on 31- to 179-day time deposits. [d] Interest rate on deposits deflated by the free-market devaluation rate. [e] Rate on loans of up to 360 days.

URUGUAY

The pace of economic activity in Uruguay slowed sharply, so that the growth rate for the first quarter (2%) was scarcely a third of the figure for 1994. Despite an annual devaluation rate of 27%, the twelve-month inflation rate remained high (45%); however, the annualized rate for the first eight months of the year was roughly 40%. The fiscal gap continued to widen during the early months but the trend reversed somewhat following the adjustment measures adopted in April. Strong growth in the value of exports, exceeding the growth in imports, did not erase the merchandise trade deficit, while a lower volume of tourism from Argentina diminished the foreign exchange contribution of the balance of services. By the end of July the level of international reserves was $76 million lower than at the close of 1994.

At the beginning of March the administration elected the previous November took office. Its first priorities were to contain the growing fiscal deficit, to enhance the competitiveness of the industrial sector and to muster the political support needed for a thorough reform of the social security system, which was putting tremendous pressure (15% of output) on the budget. After doubling the year before, the percentage of output represented by the consolidated public sector deficit, a category including the quasi-fiscal expenditure of the official financial system, continued to rise during the early months of 1995. In order to limit the deficit to a level compatible with an inflation target of around 35% annually, the Tax Reform and Productivity Improvement Act was introduced and approved by the legislature at the end of April. It raised to a maximum of 6% the tax rate on incomes higher than six times the minimum wage and pensions higher than seven times the minimum wage. The basic rate for the value added tax was raised one per cent to 23%, and the minimum rate was raised from 12% to 14%. In addition, the tax base was expanded to include interest on loans granted to natural persons not paying direct taxes and income from games of chance. The basis for calculating VAT on imports was also changed to harmonize it with the provisions of MERCOSUR agreements. The act included an increase in family allowances to low-income workers. In order to enhance competitiveness, the executive branch was empowered to reduce employer social security contributions in the manufacturing industries by up to six per cent, and imports of capital goods were virtually exempted from VAT.

By mid-year, the steps taken to improve revenues and limit spending were beginning to have an impact on the consolidated public sector deficit, which shrunk to the previous year's level. The gap was financed by central bank credit and external sources. In August, moreover, a social security reform law was passed replacing the current distribution system with a mixed system. Wage-earners will continue to be enrolled in the distribution system up to a certain level of income, but beyond that a capitalization system will take over. The capitalization fund will be created with mandatory contributions on the portion of earnings between the first level and a second higher level; contributions on the portion above the second level will be voluntary. Under the distribution system, the minimum age for drawing a pension was standardized, and the method of calculating benefits was made stricter.

The fight against inflation was also supported by the foreign exchange policy. The authorities continued to apply a 2% monthly devaluation rate, the pace at which the price of the dollar has moved since early 1991, to set the bottom of the 7% flotation band. The supply of foreign currency was generally higher than demand, so that the exchange rate floated very close to the bottom of the band. In contrast to previous years, this situation did not cause an expansion of the monetary base, since the central bank accumulated reserve losses during the first seven months of the year. The expansion of the monetary base was instead the result of credit extended to the public sector and quasi-fiscal expenditure. The money supply expanded 33% during the twelve months ending July, indicating that in contrast to the previous year public demand for real balances had tended to moderate. Quasi-money in the national currency expanded by the same percentage in a setting in which real interest rates on deposits were slightly negative. The amount of dollar deposits in the banking system at the end of July was roughly the same as at the end of 1994.

A number of factors combined to keep the inflation rate up around 45% per year since mid-1994. The 2% monthly devaluation and imported inflation were seconded by inertial inflation factors, such as the continued use of automatic indexation mechanisms in domestic price formation. Nevertheless, the pace at which prices rose during the first half of 1995 was significantly lower than during the previous six months (50%) because of the reduced impact of inflation in dollars in neighbouring countries. The divergence between the rates of devaluation and inflation kept the domestic rate of inflation in dollars above 10% per year, although the real effective exchange rate, calculated against a basket of currencies of the main trading partners, was at roughly the same level at the end of the first half as at the close of the previous year.

The international financial crisis at the beginning of the year had an indirect impact on the country in the form of a substantial weakening of demand from Argentina. International financial upsets and rising interest rates in the United States also played a part in dampening expectations of economic agents and causing a sharp drop in domestic demand, which had grown by 10% in 1994. Against this backdrop, the pace of output expansion slowed considerably in the first quarter, particularly in the areas of construction and commerce. Manufacturing, on the other hand, experienced growth, largely due to the resumption of oil refining operations that had been shut down the previous year. Agriculture also turned in a good performance, particularly in the area of livestock-raising, which was in a highly favourable phase of the production cycle. The pace slowed further in the next few months in response to internal adjustments and the slump occurring in Argentina.

The impact on employment and wages was considerable. Unemployment rose above 10%, its highest level since 1991, due in part to an increase in the participation ratio. Average real wages for the first half were 2% lower than for the same period of 1994, although part of the decline should be attributed to higher direct taxes.

The effect of external demand, on the other hand, was positive despite the loss of momentum in tourism from Argentina. The annualized growth rate of merchandise exports reached 17% in the first half of 1995, with special impetus from traditional exports (26%). Most of that growth was due to a rise in prices, but quantities also increased. Among the traditional exports, the most notable growth was in sales of beef and wool; among non-traditional exports, the best performers were processed wool (tops), tanned leather and leather goods, and milk products. Sales to Brazil accounted for a third of total exports, sales to the European Union another fifth.

Although imports grew at a slower pace (12%), the merchandise trade deficit for the first half still equalled some 5% of output. In contrast to earlier years, net sales of services and external capital flows did not manage to offset this deficit and factor service payments.

Table 1
URUGUAY: GROSS DOMESTIC PRODUCT
(Percentage variations) [a]

	1994				1995 [b]
	I	II	III	IV	I
Total	**2.4**	**8.0**	**5.3**	**4.3**	**2.0**
Agriculture	-2.0	3.0	8.9	5.8	6.3
Fishing	-3.9	-1.8	-5.3	27.5	10.6
Manufacturing	-9.3	6.9	6.3	8.4	4.4
Electricity, gas and water	-6.5	-14.8	5.2	3.3	5.4
Construction	0.5	6.4	19.2	-12.2	-11.0
Commerce, restaurants and hotels	19.2	17.2	3.3	5.7	-0.8
Transport and communications [c]	9.8	12.2	11.6	9.8	3.5
Other [d]	4.5	8.3	2.1	1.6	1.2

Source: Central Bank of Uruguay.
[a] With respect to the same period of the preceding year, using seasonally adjusted values. [b] Preliminary figures. [c] Includes storage. [d] Includes charges paid to financial institutions and import duties.

Table 2
URUGUAY: UNEMPLOYMENT RATE
(Quarterly averages)

Quarter ending in:	1989	1990	1991	1992	1993	1994	1995
January	8.0	7.7	8.4	8.6	8.7	8.0	9.6
February	7.9	8.3	9.0	9.7	8.6	8.1	9.9
March	8.5	9.3	9.9	11.3	9.0	8.1	10.7
April	8.6	9.4	10.3	10.6	8.8	8.7	10.4
May	9.1	9.6	9.5	9.8	9.0	8.7	10.3
June	8.5	8.6	9.4	8.1	8.8	8.9	10.4
July	9.5	8.5	9.1	8.2	8.7	9.4	
August	8.8	9.7	8.9	8.4	8.1	10.2	
September	9.2	9.6	8.2	8.4	8.3	10.4	
October	8.7	10.7	8.5	8.5	7.4	9.9	
November	8.3	9.9	8.5	8.3	7.9	9.3	
December	8.0	9.7	8.3	8.3	7.6	9.1	

Source: National Institute of Statistics.

Table 3

URUGUAY: PRICE INDEXES

(Percentage variations)

	Consumer price index						Wholesale price index					
	1994			1995			1994			1995		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	3.4	3.4	52.0	3.2	3.2	43.9	2.7	2.7	31.8	3.8	3.8	42.4
February	1.4	4.9	49.0	1.7	5.0	44.3	1.3	4.0	30.3	1.3	5.2	42.5
March	2.8	7.9	47.9	3.6	8.8	45.4	3.0	7.2	32.0	3.0	8.4	42.5
April	3.5	11.7	47.0	3.5	12.6	45.3	1.0	8.2	32.1	1.4	9.9	43.1
May	2.8	14.7	44.3	2.2	15.1	44.6	2.6	11.1	30.9	2.4	12.5	42.8
June	2.8	18.0	42.6	3.0	18.6	44.9	2.7	14.0	31.4	2.1	14.9	42.0
July	3.2	21.7	42.8	2.5	21.6	44.0	4.0	18.6	31.5	2.5	17.8	39.9
August	3.1	25.5	41.6	3.4	25.7	44.4	2.8	21.9	31.2	2.9	21.2	40.0
September	3.4	29.8	41.3				5.1	28.1	34.3			
October	3.5	34.3	43.1				4.8	34.2	39.5			
November	3.9	39.6	44.8				3.3	38.7	41.2			
December	3.2	44.1	44.1				1.7	41.0	41.0			

Source: National Institute of Statistics.

Table 4

URUGUAY: INDEX OF REAL SALARIES AND WAGES

	Index 1985=100 [a]			Percentage variations					
				1994			1995		
	1993	1994	1995	Month	Year [b]	12 Ms. [c]	Month	Year [b]	12 Ms. [c]
January	119.6	116.2	118.4	0.2	-2.8	-2.8	3.1	1.9	1.9
February	116.9	117.7	117.7	1.3	-1.1	0.7	-0.6	0.9	-
March	116.2	118.8	116.0	0.9	-	2.2	-1.4	-0.2	-2.4
April	114.8	116.4	114.8	-2.0	0.3	1.4	-1.0	-0.5	-1.4
May	117.0	120.0	114.4	3.1	0.8	2.6	-0.3	-1.3	-4.7
June	115.1	119.0	112.1	-0.8	1.2	3.4	-2.0	-2.1	-5.8
July	113.7	117.6		-1.2	1.5	3.4			
August	113.7	115.4		-1.9	1.5	1.5			
September	117.6	119.8		3.8	1.6	1.9			
October	118.2	117.5		-1.9	1.3	-0.6			
November	117.9	115.0		-2.1	1.0	-2.5			
December	116.0	114.8		-0.2	0.8	-1.0			

Source: National Institute of Statistics.

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

Table 5
URUGUAY: EXCHANGE RATE

	Average interbank exchange rate (pesos per dollar) [a]				Adjusted real exchange rate [b] (index 1985=100)			
	1992	1993	1994	1995	1992	1993	1994	1995
January	2.55	3.52	4.47	5.77	66.1	60.1	51.4	47.5
February	2.62	3.59	4.55	5.78	66.7	59.4	51.8	46.9
March	2.73	3.67	4.66	5.95	65.4	58.8	51.7	46.8
April	2.83	3.74	4.76	6.02	65.3	57.6	51.1	45.8
May	2.93	3.81	4.84	6.15	64.7	56.3	50.6	45.9
June	3.01	3.95	4.94	6.26	64.9	56.1	50.4	45.5
July	3.09	4.05	5.04	6.39	64.0	55.8	50.0	45.3
August	3.16	4.05	5.18		62.9	53.9	50.0	
September	3.24	4.13	5.55		62.1	53.0	52.0	
October	3.32	4.21	5.55		61.5	53.1	50.2	
November	3.38	4.29	5.53		61.7	52.8	48.2	
December	3.46	4.38	5.57		61.0	51.9	47.1	

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

[a] One peso equals 1,000 new pesos. [b] 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 variations [a]			
	Exports f.o.b.		Imports c.i.f.		Trade balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
1994										
January	122	122	192	192	-70	-70	14.4	14.4	15.3	15.3
February	130	252	178	370	-47	-118	6.4	10.1	21.1	18.0
March	149	401	206	576	-57	-175	-0.4	5.9	15.9	17.2
April	150	551	207	783	-57	-232	7.9	6.5	41.7	22.8
May	163	715	239	1 022	-75	-307	9.8	7.2	30.5	24.5
June	170	885	235	1 256	-65	-372	15.0	8.6	23.3	24.3
July	180	1 065	217	1 473	-36	-408	19.4	10.3	17.3	23.2
August	171	1 236	269	1 742	-98	-506	29.3	12.6	15.5	22.0
September	181	1 417	257	1 999	-76	-582	24.2	14.0	17.7	21.4
October	164	1 581	238	2 237	-73	-655	25.5	15.1	-0.9	18.6
November	170	1 751	247	2 484	-77	-733	27.5	16.2	14.9	18.2
December	162	1 914	289	2 773	-127	-859	17.7	16.3	29.8	19.3
1995										
January	166	166	187	187	-21	-21	36.1	36.1	-2.7	-2.7
February	176	342	217	404	-41	-62	35.1	35.6	22.1	9.3
March	171	513	263	666	-91	-153	15.0	27.9	27.2	15.7
April	156	669	207	873	-51	-204	3.8	21.3	-0.3	11.5
May	182	851	273	1 146	-91	-295	11.5	19.1	14.4	12.1
June	185	1 036	266	1 412	-81	-376	8.9	17.1	13.3	12.4

Source: Central Bank of Uruguay.

[a] With respect to the same period of the preceding year.

Table 7
URUGUAY: EXPORT STRUCTURE
(Millions of dollars)

	Traditional exports				Non-traditional exports				Percentage variations [a]			
	1994		1995		1994		1995		1994		1995	
	Month	Year	Month	Year	Month	Year	Month	Year	T	NT	T	NT
January	40.4	40.4	69.2	69.2	81.4	80.8	96.6	96.6	13.5	14.0	71.3	19.6
February	47.4	87.8	70.4	139.6	82.8	163.6	105.5	202.1	15.1	7.2	59.0	23.5
March	50.3	138.1	55.6	195.2	98.8	262.4	115.8	317.9	16.4	0.9	41.3	21.2
April	51.6	189.7	56.4	251.6	98.7	361.1	89.6	407.5	19.8	0.4	32.6	12.8
May	50.6	240.3	52.6	304.2	112.8	473.9	139.6	547.1	24.6	-	26.6	15.4
June	47.3	287.6	58.3	362.5	122.6	596.5	126.6	673.7	26.6	1.7	26.0	12.9
July	45.6	333.2			134.3	730.8			25.4	4.5		
August	42.0	375.2			129.2	860.0			27.7	7.0		
September	46.6	421.8			134.0	994.0			32.5	7.5		
October	38.3	460.1			126.0	1 120.0			33.0	8.9		
November	47.3	507.4			122.8	1 242.8			31.5	10.8		
December	54.6	562.0			107.2	1 350.0			29.9	11.3		

Source: Central Bank of Uruguay.
Note: T = Traditional exports. NT = Non-traditional exports.
[a] Cumulative figures with respect to the same period of the preceding year.

Table 8
URUGUAY: IMPORT STRUCTURE

	Millions of dollars [a]			Percentage variations [b]		
	Intermediate goods	Capital goods	Consumer goods	Intermediate goods	Capital goods	Consumer goods
1994						
I	327	99	150	18.7	13.9	16.3
II	707	195	355	24.9	13.0	30.3
III	1 154	304	541	23.6	11.2	22.9
IV	1 604	406	763	23.9	6.0	18.0
1995						
I	380	107	180	16.1	7.9	20.0
II	791	208	413	12.0	6.8	16.3

Source: Central Bank of Uruguay.
[a] Cumulative figures for the year. [b] With respect to the same period of the preceding year.

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

	Amount [a]				Variation in reserves [d]			
	Total		Central Bank		Total		Central Bank	
	1994 [b]	1995 [c]	1994 [b]	1995 [c]	1994 [b]	1995 [c]	1994 [b]	1995 [c]
March	2 876	3 904	1 256	1 475	88	531	54	46
June	2 923	3 392	1 275	1 416	135	19	73	-13
September	2 806		1 275		18		73	
December	3 060		1 440		272		238	
December [c]	3 373		1 429					

Source: Central Bank of Uruguay.
[a] Balance at end of period. [b] Gold valued at US$ 291.89 per troy ounce. [c] Gold valued at US$ 306.36 per troy ounce. [d] With respect to December of the preceding year.

Table 10
URUGUAY: FISCAL INDICATORS [a]

	Billions of new pesos [b]						Nominal percentage variation[c]	
	1994			1995			1995/1994	
	Income	Expen-diture	Balance	Income	Expen-diture	Balance	Income	Expen-diture
March	3 526	3 394	133	4 831	5 383	-552	37.0	58.6
June	7 288	7 454	-165	9 975	10 925	-950	36.9	46.6
September	11 039	11 760	-721					
December	15 320	17 032	-912					

Source: Central Bank of Uruguay.
[a] Central Government. [b] Cumulative figures. [c] With respect to the same month of the preceding year.

Table 11
URUGUAY: MONETARY AGGREGATES

	M1	TD	M2	FD	M3
		Billions of new pesos [a]			
1993					
December	3 497	1 804	5 300	23 077	28 377
1994					
February	3 489	1 979	5 467	24 258	29 725
April	3 588	2 047	5 635	25 204	30 839
June	3 926	2 083	6 009	26 889	32 898
August	3 882	2 184	6 066	29 031	35 097
October	3 986	2 218	6 204	30 025	36 229
December	5 033	2 244	7 277	32 183	39 460
1995					
February	5 124	2 338	7 463	35 253	42 716
April	5 090	2 524	7 614	35 266	42 880
June	5 265	2 757	8 022	36 517	44 539
		Percentage variations [b]			
1993					
December	61.0	31.7	49.7	31.2	34.3
1994					
February	48.9	39.0	45.2	31.0	33.4
April	51.5	35.2	45.2	30.8	33.2
June	52.5	37.7	47.0	30.7	33.4
August	57.0	38.8	49.9	36.7	38.8
October	35.3	26.2	31.9	36.5	35.7
December	43.9	24.4	37.3	39.5	39.1
1995					
February	46.9	18.2	36.5	45.3	43.7
April	41.9	23.3	35.1	39.9	39.0
June	34.1	32.3	33.5	35.8	35.4

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.
[a] Balance at end of period. [b] With respect to the same month of the preceding year.

VENEZUELA

Following the drop in GDP of around 3% experienced in 1994, which was a year marked by an acute banking crisis, the economy seems to be on the way towards achieving more favourable results in 1995, although it is still having difficulties in getting back onto the growth track. The persistence of these difficulties is reflected in the maintenance of exchange controls and price controls on a number of goods and services. Despite these measures, the annual inflation rate has still been around 50%, while the public sector remains far from being able to reverse the deficit in its fiscal accounts.

The better than 1.5% growth in GDP during the first half of the year was the result of the continued vitality of the petroleum sector. Oil production, which averaged 2.6 million barrels a day in 1994, rose to nearly 2.9 million barrels in the first quarter. The sector's outlook was enhanced when Congress approved a model contract that permits foreign companies, for the first time since the petroleum industry was nationalized, to explore and drill in certain areas in association with the State-owned petroleum company PDVSA.

After a slight decline in the first quarter, economic activity in the other sectors began to improve in the second quarter. The petrochemical industry was especially active, with production during the first half of the year 30% higher than in the same period the previous year. Fertilizers and olefins led this rebound. The metal industry also performed well: iron and steel production rose by 10%; aluminium production, which was about to be privatized, went up by 5%. On the other hand, the plastics industry saw a decline of more than 4%, with companies closing and workers losing their jobs.

Sales began to improve from the depressed levels of the previous year, especially in foods and durable goods. Sales of the latter were given a boost by the decline in savings induced by the inflationary climate and by the low rates of return on liquid assets. Domestic motor vehicle sales improved by 20% during the first half of the year compared with the same period in 1994, although total sales, which include imported vehicles, declined.

Unemployment continued its upward trend, with manufacturing employment declining by nearly 12% during the first quarter. By the end of the first half of the year the total unemployment rate, which had been under 9% at the end of 1994, had risen to 11%. The informal sector of the economy continued to account for about half of the labour force.

The local currency's exchange rate maintained a level of 170 bolívares to the dollar under the exchange controls instituted in mid-1994 to contain the outflow of international reserves. These were below US$ 11 billion at the end of the first half of 1995, with a loss of some US$ 870 million during those first six months of the year. At the end of June, the Venezuelan stock exchanges were allowed to trade, in bolívares, external debt "Brady bonds" denominated in dollars. A de facto virtual parallel currency market was thus created, and the resulting currency price came to be called the "arbitrage parity rate". One month later, the rate stabilized at around 230 bolívares to the dollar.

In March, the Central Bank of Venezuela resumed its policy of absorbing the liquidity brought into the economy during the previous year and, to a lesser extent, in 1995 through financial aid extended to the troubled banking sector. For this purpose, it made use of sale by auction of a new financial instrument, monetary stabilization securities, to replace the old "zero coupon" bonds. Unlike zero coupon bonds, the yield on the stabilization securities was initially fixed by the Central Bank until June, when it began to fluctuate with the market. As a result, liquidity in the economy, which had risen significantly in the first quarter, was only 22% higher at the end of the first half of the year than it had been at the end of 1994 in terms of the broad aggregate M2 and barely 7% higher in terms of M1.

The level of liquidity, however, continued to be high, with the result that nominal interest rates were below the rate of inflation. Deposit rates, which had fallen to an average of 19% in March, rose to 28% in June, while lending rates, which had also fallen during the first quarter, were hovering around 46% at the end of the second quarter. The permissible range of these rates was linked to the yields of securities issued by the Central Bank (10 percentage points to the downside for deposit rates and 15 points to the upside for lending rates), until this arrangement was discontinued in June and minimum deposit rates were fixed at 24%.

The main cause of this liquidity situation was the need to finance the previous year's massive deficit that was linked to the banking crisis. In 1995 interest on the large volume of internal debt taken on by the public sector continued to weigh heavily on the budget, which also suffered from the effects of the weakness of the economy and the absence of new sources of income to make up for those that were drying up, such as the tax on direct debits. Furthermore, in spite of the fact that dollar income from petroleum exports rose, the policy of maintaining a fixed exchange rate meant that the amount received in bolívares was reduced considerably owing to inflation, causing income in local currency to slip by the equivalent of several percentage points of GDP. As a result, the public sector continued to carry forward a considerable deficit, estimated halfway through the year at 7% to 8% of GDP. In September, for the first time in many years, a rise in the domestic price of petrol sold by PDVSA was authorized.

The fiscal deficit and its counterpart, the abundance of liquidity, continued to feed inflationary expectations even though the controls imposed in mid-1994 had slowed the rise in prices. The increase in the monthly CPI began to slow after the imposition of price controls, and the CPI reached a low-point of 2.4% in February 1995. It then rose again, reaching nearly 5% in May, before returning to a level of around 3% in the three subsequent months owing to the signing in May of a declaration of intent between the Government and business to reach an agreement to combat inflation. By mid-September, however, this agreement had not yet materialized. The cumulative increase in the CPI from January until August 1995 was 29%, and in the 12 months to August 1995 it was 53%.

Foreign trade, especially in the non-petroleum sectors, was adversely affected by the sluggishness of domestic economic activity, the effective revaluation of the bolívar (which in June had risen by 34% on an annual basis against the dollar) and by exchange controls, which also continued to apply to debt service payments. Imports rose at the end of the first half of the year, exceeding the US$ 5 billion level, which was around 20% higher than in the period from January to June 1994 but less than in the same period in 1993.

The value of petroleum exports was on the rise, owing both to higher prices and to higher shipment levels, which rose by 12% in the first quarter compared with the same period in the previous year. In mid-August, PDVSA's average export price during the year, despite having been in decline since June, was around 10% higher than the average price during 1994. Non-petroleum exports also rose in the first half of 1995, reaching a level 17% higher than in the previous year, although their growth rate was beginning to diminish.

Table 1
VENEZUELA: GROSS DOMESTIC PRODUCT
(Percentage variations) [a]

	1994					1995
	I	II	III	IV	Year	I
Gross domestic product	-4.5	0.8	-7.4	-1.6	-2.9	1.6

Source: Central Bank of Venezuela.
[a] 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						Rates of variation [a]			
	Production [b]			Exports[c]			Production		Exports	
	1993	1994	1995	1993	1994	1995	1994	1995	1994	1995
January	2 560	2 598	2 844	1 959	2 067	2 233	1.5	9.5	5.5	8.0
February	2 536	2 632	2 839	2 251	2 056	2 422	3.8	7.9	-8.7	17.8
March	2 557	2 640	2 896	1 974	2 321	2 601	3.2	9.7	17.6	12.1
April	2 542	2 666		1 991	1 999		4.9		0.4	
May	2 542	2 707		1 981	2 400		6.5		21.2	
June	2 541	2 698		2 038	2 408		6.2		18.2	
July	2 542	2 732		2 125	2 309		7.5		8.7	
August	2 572	2 729		2 089	2 418		6.1		15.7	
September	2 572	2 787		2 954	2 391		8.4		-19.1	
October	2 578	2 794		2 197	2 487		8.4		13.2	
November	2 629	2 825		2 316	2 533		7.5		9.4	
December	2 592	2 866		2 188	2 681		10.6		22.5	

Source: ECLAC, on the basis of figures supplied by the Central Bank of Venezuela.
[a] With respect to the same period of the preceding year. [b] Includes condensates and liquefied petroleum gas (LPG). [c] Includes raffinates.

Table 3
VENEZUELA: INDICATORS OF ECONOMIC ACTIVITY
(Monthly averages)

	1994				1995	
	I	II	III	IV	I	II
Iron ore production [a]	1 309	1 509	1 560	1 665	1 692	1 559
Aluminium production [a]	48	50	50	49	51	52
Steel production [a]	201	187	200	208	...	...
Petrochemical production [a]	235	230	277	334	335	277
Fertilizer production [a]	145	122	170	195	202	172

Source: ECLAC, on the basis of figures from official sources, industrial associations and Veneconomía, S.A.
[a] Thousands of tons.

Table 4
VENEZUELA: CONSUMER PRICE INDEX
(Percentage variations)[a]

	1993			1994			1995		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	3.0	3.0	34.1	4.3	4.3	47.8	3.1	3.1	68.9
February	2.6	5.7	34.0	1.9	6.3	46.7	2.4	5.6	69.7
March	2.3	8.1	34.2	2.8	9.3	47.4	3.2	9.0	70.4
April	2.8	11.1	34.9	3.3	12.9	48.1	4.1	13.4	71.7
May	2.8	14.2	35.3	5.2	18.7	51.6	4.9	19.0	71.2
June	3.2	17.9	36.0	9.0	29.4	60.2	2.7	22.2	61.3
July	3.1	21.6	36.3	6.3	37.6	65.2	2.8	25.6	55.9
August	3.1	25.3	37.4	5.2	44.7	68.5	3.1	29.4	52.7
September	3.3	29.5	39.1	4.0	50.5	69.7			
October	5.0	35.9	42.6	5.1	58.2	69.8			
November	3.6	40.8	44.1	4.3	65.0	71.0			
December	3.6	45.9	45.9	3.5	70.8	70.8			

Source: ECLAC, on the basis of official figures.
[a] In the Caracas metropolitan area.

Table 5
VENEZUELA: GROSS INTERNATIONAL RESERVES [a]
(Millions of dollars)

At the end of:	1991	1992	1993	1994	1995
March	12 316	13 409	12 020	10 970	11 174
June	12 253	13 490	12 667	...	10 638
September	12 777	13 230	12 689	...	
December	14 105	13 001	12 656	11 507	

Source: Central Bank of Venezuela.
[a] 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) [a]			
	1992	1993	1994	1995	1992	1993	1994	1995
January	62.0	80.3	104.1	170.0	143.6	143.3	128.9	128.2
February	63.8	81.9	109.5	170.0	144.5	142.8	133.5	125.7
March	65.4	83.9	112.8	170.0	145.7	143.6	134.2	122.2
April	64.9	85.3	115.6	170.0	141.7	142.4	133.3	117.8
May	65.3	86.9	133.9	170.0	139.2	141.3	146.9	112.5
June	65.8	87.6	170.2	170.0	137.2	138.3	171.9	109.7
July	66.5	90.9	170.0	170.0	134.9	139.1	162.0	106.8
August	67.7	93.2	170.0		134.7	138.8	154.6	
September	68.9	95.9	170.0		134.7	138.5	149.0	
October	73.9	98.1	170.0		141.7	135.5	141.9	
November	77.4	101.8	170.0		144.8	135.8	136.2	
December	78.9	104.2	170.0		144.2	134.2	131.6	

Source: ECLAC, on the basis of data supplied by the Central Bank of Venezuela and the International Monetary Fund (IMF).
[a] 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					
	1993		1994		1995		1993		1994		1995	
	Month	12 Ms.	Month	12 Ms.	Month	12 Ms.	Month	12 Ms.	Month	12 Ms.	Month	12 Ms.
January	-9.3	4.1	0.6	22.6	0.4	129.6	-2.4	18.5	1.9	31.3	7.2	62.8
February	4.6	12.4	15.6	35.4	10.3	119.3	2.5	23.5	4.3	33.6	9.4	70.8
March	-6.0	2.6	4.1	49.9	-3.0	104.3	-0.8	21.7	7.5	44.9	1.9	61.9
April	-3.5	-3.4	6.5	65.5	-	91.9	2.9	24.7	1.3	42.6	-0.1	59.8
May	5.5	-3.0	3.9	63.0	-2.6	79.8	1.9	23.4	1.7	42.4	0.8	58.3
June	0.7	-0.9	7.7	74.3	2.3	70.8	4.3	26.7	1.4	38.4	1.5	58.4
July	0.1	-6.0	11.3	93.8			3.1	26.0	8.7	46.0		
August	-10.5	-14.4	10.6	139.5			-1.8	20.1	6.6	58.5		
September	7.7	-7.3	1.6	126.0			0.7	20.7	2.5	61.3		
October	10.0	6.0	2.7	111.0			3.6	20.8	2.6	59.7		
November	3.2	-1.3	16.1	137.3			0.9	18.4	5.2	66.5		
December	10.4	10.6	7.0	130.0			8.8	25.7	1.1	54.8		

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

Table 8
VENEZUELA: EFFECTIVE INTEREST RATES
(Annualized percentages)

Monthly averages	Nominal		Real [a]		Dollar equivalents [b]	
	Deposits	Loans	Deposits	Loans	Deposits	Loans
1994						
March	55.8	84.2	11.8	32.2	9.9	30.0
June	65.1	90.8	-41.3	-32.2	-90.7	-89.3
September	29.3	50.6	-19.2	-6.0	31.0	52.5
December	29.3	53.9	-14.4	1.9	25.4	49.3
1995						
March	19.4	40.3	-18.2	-3.8	15.8	36.1
June	28.0	46.0	-7.0	6.0	28.0	46.0

Source: ECLAC, on the basis of figures from official souces and the International Monetary Fund (IMF).
[a] Nominal rates deflated by the variation in consumer prices during the same period. [b] Ratio of nominal rates to devaluation during the same period.