

Economic Commission for Latin America and the Caribbean

ECONOMIC PANORAMA OF LATIN AMERICA 1989

**ARGENTINA
BRAZIL
COLOMBIA
CHILE
ECUADOR
MEXICO
PERU
URUGUAY
VENEZUELA**



United Nations

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Santiago, Chile

This report was prepared by the ECLAC Economic Development Division.

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 amounts is nil negligible.

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

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 states.

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.

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LATIN AMERICA

As they entered upon the second half of 1989, most Latin American countries were still trying to cope with the twin problems of stagnation and high inflation. A growing variety of situations is emerging however, ranging from a few countries which were advancing towards an adjustment combined with structural changes, albeit at a very high social cost, to others which were tottering on the brink of hyperinflation.

As in 1988, the poor performance of most of the economies of the region was due mainly to problems deriving from the speeding up of inflation or from the policies applied to control it, rather than to a shortage of foreign exchange for purchasing critical imports. Indeed, exports continued to expand thanks to increases in their volume and the recovery in the prices of a number of primary commodities, thus enabling the region to increase its trade surplus. This has not been reflected in a higher level of activity, however, while even more countries which have fallen into arrears on their debt service, and now includes three of the main debtor countries for the first time together.

Thus, after eight years of struggling to achieve adjustment, stabilization, growth and the restructuring of production, beset by external debt servicing problems and with little access to new external financing, most countries of the region continue to display the same complex syndrome of structural imbalances accompanied by fiscal deficits, low levels of investment, stagnation and inflation. In other words, the economic crisis of the 1980s still persists for the region, and its enormous social cost even led to major outbreaks of violence in the first half of the year. It is estimated that at the end of the year the average per capita product of the region will be almost 10% below that of 1980.

Stagnation and inflation

It is probable that in 1989 the level of economic activity of Latin America as a whole will remain virtually unchanged, so that the per capita product will go down for the second year running (see table 1). The only countries which are expected to show any significant expansion are Bolivia, Costa Rica, some of the small Caribbean nations, Paraguay and, in particular, Chile, all of which register moderate or tolerable levels of inflation. In contrast, the performance of the majority of the economies of the region will continue to be decisively influenced by inflation and by the stabilization programmes applied to control it.

Eloquent illustrations of the exhausting nature of the crisis and its structural characteristics have been the upsurges in inflation, which has soared in some countries to rates of four or more digits; the persistence in other countries of rates of price increases which would have been considered intolerable in the past (between 40% and 100%); and the fact that some countries which until recently had seemed immune to the problem of inflation are now suffering from it. Thus, there are now only three countries (Panama, Haiti and Guatemala) which could be considered to be free from significant problems of inflation.

Recession was particularly severe in those countries moving towards hyperinflation in 1989. In Peru, the combination of dizzying inflation and sharp socio-political conflicts brought about the virtual collapse of economic activity. In Argentina, even if the severe stabilization programme put into effect as from July were to prove successful, it would still only permit a partial recovery from the serious decline in output suffered during the

period of hyperinflation. In Brazil, for its part, the escalation of prices and the efforts to contain this meant that the growth rate was only meagre, in spite of the good results registered by the export sector. Finally, although the drastic stabilization process applied in Nicaragua has checked hyperinflation, the product is expected to go down once again, this time by between 5% and 8%.

Economic activity has also been affected in countries which have striven to apply stabilization policies or which are facing acute inflationary pressures. Thus, the significant progress made towards price stability in Mexico has been accompanied by virtual stagnation, although a slight recovery has been observed in recent months. The adjustment programme which Venezuela began to apply in January has triggered a sharp recession. In Ecuador and Uruguay, where inflation has been high but has not reached extreme levels, output is likely to stagnate. In Colombia, too, the economic slowdown has been largely due to the policies designed to check last year's resurgence of inflation.

Prices and wages

So far in 1989, inflation has reached extreme levels in Argentina, Brazil, Peru and Nicaragua, well above 1 000% per year. The outbreaks of inflation in Peru (5 700%) and Brazil (1 100%) took place after the failure of successive stabilization attempts, and in both countries price rises were of the order of 25% to 30% in August alone. In Argentina, inflation got out of control in the second quarter, fuelled by a dizzy rise in the dollar due to the run on the austral and the severe shortage of international reserves; this process peaked in July —when, in the aftermath of a new stabilization plan, prices tripled— but in August it was abruptly checked (see figure 1). In Nicaragua, where at the beginning of the year hyperinflation reached 33 000%, the Draconian programme of slashes in fiscal expenditure and the severe cut in subsidized credits managed to bring down the monthly variation in prices to 9% in July and 5% in August.

Although in Ecuador and Venezuela the monthly rates of inflation in the last quarter were a good deal lower than a year before, the respective stabilization programmes had nevertheless involved a sharp initial adjustment, especially because of the freeing of prices which had hitherto been controlled. Consequently, the 12-month inflation rates reached record levels in both countries at the beginning of the year, though they subsequently tended to go down (see figure 2). In Uruguay —another country which has been suffering from high rates of inflation— the annual rate of variation of prices rose from nearly 70% at the end of 1988 to over 80% in August, mainly as a result of the adjustments made in the exchange rate in order to maintain the country's competitiveness *vis-à-vis* Argentina and Brazil.

Finally, there were eight countries of the region where inflation has remained within relatively moderate limits (between 10% and 30% per year) so far in 1989. In three of them, however, the rate of price increases has gone up perceptibly: in Paraguay, from 17% to 33%, as a result of the unification and freeing of the exchange market and the wider extension of indexing; in Chile, from 13% to 18%, because of overheated demand; and in Honduras, from 7% to over 10%, because of the *de facto* correction in the lagged exchange rate. In contrast, inflation remained unchanged in El Salvador, went down somewhat in Colombia, dropped more noticeably in Costa Rica, and slackened significantly in Bolivia (see figure 3). The most noteworthy progress was made in Mexico, where, thanks to severe fiscal control and the concerted price and wage policy, the rate of inflation went down from almost 180% at the beginning of 1988 to 52% in December of that year and to 17% in August 1989 (see figure 2).

Apart from the other problems it causes, the resurgence of inflation (associated in some cases with recession) has eroded the purchasing power of wages and pensions, and except in Colombia, Costa Rica and Paraguay, the real value of urban minimum wages is now less than it was in 1980. Indeed, in Brazil, Ecuador, Mexico, Nicaragua and Peru real minimum wages have fallen by approximately half.

Average real wages in manufacturing and other formal activities have tended to withstand the onslaught of inflation more effectively, thanks in some cases to the collective bargaining machinery. Even so, they tend to go down during phases of accelerating inflation and to be contained during the application of stabilization programmes, so that they too have probably gone down once again in 1989. Public sector wages and pensions have deteriorated as a result of the erosion of tax revenue during periods of rising inflation or as a result of cuts in current expenditure made as part of fiscal adjustment programmes.

The external sector and the transfer of resources

If the trends observed in the first half of the year are maintained, the 1989 merchandise trade surplus for Latin America and the Caribbean will expand for the third year running, reaching almost US\$30 billion (see table 2). The increase in the value of exports (10%) is expected to be a little greater than that of imports.

The favourable performance of exports has been helped by the recovery in oil prices and the continued improvement in the prices of metals (particularly copper and zinc), wheat, and to a lesser extent sugar, corn and soya beans. Coffee prices, in contrast, after having stood at high levels in the first half of the year, have slumped as a result of the impossibility of renewing the International Coffee Agreement, while the decline in the prices of cocoa and bananas has continued (see table 3). Larger volumes of non-traditional exports have also helped to increase the value of exports in many cases. The rise in the value of the region's imports was accounted for especially by Mexico, Chile and Brazil, with increases of over 35% being registered in the first two cases. In other countries, in contrast, external purchases have been affected by the low levels of activity or heavy devaluations.

Nevertheless, much as in 1988, increased trade surpluses will be wiped out, by the bigger payments of interest on the external debt, for regardless of the evolution of international interest rates in the second half of the year, the total amount of interest payments will be determined largely by the rises registered in those rates between mid-1988 and mid-1989. Thus, the interest falling due on the external debt will increase by over US\$4 billion. If these interest commitments were paid in full, remittances of profits and interest would come to almost US\$38 billion, and the current account deficit of the region would be over US\$12 billion for the third year running. In these circumstances, and in view of the almost total lack of any inflow of voluntary external capital, the net transfer of resources to the exterior would come to some US\$35 billion: the highest figure since the crisis broke out, and 40% greater than the trade surplus of the entire region.

However, this would require a probably intolerable reduction in the already scant levels of international resources. This is why, in the first half of the year, even more countries which have entered into explicit or implicit moratoriums or arrears in their debt servicing. In practice, only Chile, Colombia, Mexico and Uruguay are currently up to date with their payments.

The transfer of resources to the exterior not only requires obtaining foreign exchange and mobilizing equivalent amounts of resources towards the public sector, but also entails additional difficulties. These problems took three forms during 1989, and largely explain the growing arrears in debt servicing.

The first of these emerged in Brazil, whose trade surplus was more than enough to cover its interest payments. However, the additional pressures put on already bulging public sector deficit to finance such an outward transfer (the internal transfer problem) brought on a resurgence of inflation and heightened uncertainty about the payment of the domestic public debt. This sharply accelerated profit remittances abroad and greatly increased the demand for foreign exchange, forcing a suspension of the external debt service.

The opposite occurred in Mexico, where fiscal control was adequate but the trade surplus was insufficient. This made it necessary to pay very high domestic interest rates in order to attract capital to help cover the external imbalance. In the long run, however, this situation could not be sustained, since the high real domestic interest rates raised the financial burden of the government's domestic debt, so that the external deficit ended up threatening the equilibrium of the fiscal accounts. This is why the agreements to reduce the burden of the Mexican external debt were important not only in order to reduce transfers abroad, but also to lighten the burden of the domestic debt, insofar as they have already helped to reduce real domestic interest rates.

The third type of problem arises when there is both an insufficient trade surplus (and a low level of reserves), as well as a heavy fiscal deficit. These circumstances lay at the root of both the massive upsurge of inflation and growing arrears in debt service in both Argentina and Peru. Indeed, these two problems mutually reinforced each other through runs on the local currency and towards the dollar and consequent rises in the exchange rate.

Transfers, the public debt and inflation

The upsurge in inflation which has affected the countries of Latin America in this decade is attributable not only to shortcomings in economic policymaking but also to the narrowing of those countries' leeway for action due to the reversal in the transfer of external resources, in which the external debt service plays a fundamental role.

This reversal not only requires an increased trade surplus but has usually entailed a transfer of resources from the private to the public sector, and in its absence a growing fiscal deficit. Many countries have had difficulties in mobilizing the necessary domestic resources, be this through increased revenue or cuts in public expenditure. Hence, they have had to borrow domestically or —if the capital market is not big enough for this— simply print more money, generating inflationary pressures.

Although the upsurge in inflation has further eroded tax revenues, thus swelling the primary deficits, in 1989 inflation was more closely associated with runs towards foreign exchange and with higher real interest payments on the domestic debt. In Peru at the end of 1988 and in Argentina during 1989, for example, runs to the dollar led to extraordinary surges in the exchange rate, which pressured costs and inflationary expectations. Prices thus shot up, further feeding the inflationary spiral.

Furthermore, in some countries real domestic interest rates rose sharply under the pressure of the increased domestic public debt, uncertainty about the full and timely honouring of the service commitments on that debt, and the urgent need to limit capital

flight. This explains the increasing difficulty in selling public securities, which had to be offered either at very high real interest rates (amounting to as much as 40% per year in Mexico) thus tending to increase the deficit, or at ever shorter maturities (as little as 24 hours in Brazil), thus converting them into increasingly close substitutes for money with an inflationary impact similar to that of money issue.

The debt burden

The external debt and its repercussions on the economic performance of the countries of the region continue to be an overwhelming source of concern. The debt service has come to be such a crushing burden —especially on public finances— that a growing number of countries have had to fall into arrears (sometimes of considerable magnitude) on their interest commitments to the private banking system, and five nations have even fallen behind in their commitments to the World Bank and the International Monetary Fund.

The external debt of the region will probably not vary appreciably from the level of US\$410 billion which it reached at the end of last year. Thus, because of the increase in exports, the debt/exports ratio could go down from 3.5 to 1 in 1988 to around 3 to 1 in 1989.

This stabilization of the total amount of the debt is the net result of the action of opposing factors. The effect of the revaluation of the dollar on debts expressed in other currencies, together with the net amortizations which some countries are effecting with the IMF and other official creditors, have helped to bring down the debt. Moreover, except for a loan to Colombia, the international private banking system has not provided any new voluntary loans. At the same time, the official debt conversion programmes (except for that of Chile) have shown little activity in 1989, while there have not been any major instances of amortization of debts owed to the private banking system. Consequently, the main factor which has tended to increase the region's indebtedness has been the accumulation of arrears of interest.

During the first half of the year there also took place important developments suggesting the prospect of a possible convergence of views between the major Latin American debtors and their creditors. On the one hand, the Presidents of the member countries of the Permanent Mechanism for Consultation and Policy Co-ordination (the "Group of Eight") approved a proposal previously agreed among their respective Ministers of Finance and aimed at solving the problem of Latin America's external debt.¹ On the other hand, in March the United States Secretary of the Treasury, William Brady, announced a new initiative that would represent important changes in the policy previously followed by his Government in this field. This initiative coincided in at least some respects with the proposals made by the main Latin American debtors, especially as regards the greater importance attached to reducing the total amount of the debt, in contrast with the past preference for periodic renegotiations. The general lines of this initiative were endorsed by the meeting of Heads of State of the main industrialized economies —the "Group of Seven"— held in Paris in mid-July.

Nevertheless—at least from the point of view of Latin America and the Caribbean—this initiative left many queries unanswered, especially as regards its implementation.

¹ On 12 December 1988 the Ministers of Finance of the Group, meeting in Rio de Janeiro, issued the document *Hacia una solución para el problema de la deuda externa de América Latina* (Towards a solution to Latin America's external debt problem). The Presidents of Brazil, Colombia, Peru, Uruguay and Venezuela and the Minister of Foreign Affairs of Mexico subsequently endorsed this document in a communiqué issued in Caracas on 3 February 1989.

The first concrete application of this initiative was the agreement reached at the end of July between the Mexican government and its Creditors' Committee, the scope of which is briefly explained in the note on Mexico later in the present document. Although many observers feel that this arrangement is far from satisfying the expectations of the main debtor countries, including of course the proposals put forward by the Mexican authorities themselves, it nevertheless represents an advance on previous agreements.

Among its most promising innovations is the possibility of reducing the principal of the existing debt by a negotiated discount instead of one determined by auction on the secondary debt market; the possibility of lowering the interest rates applied to existing debt; the fixing of maturities of 30 years for the bonds issued by Mexico in replacement of the existing debt; and the provision of public resources—although as yet in modest amounts—for the guarantees foreseen in the arrangement.

The agreement is only one of the pieces in the Mexican financing strategy for supporting that country's development policies. It is estimated that the resources directly obtained under this agreement, together with the external resources which Mexico hopes to obtain through the repatriation of capital and the increase in direct foreign investment, will be sufficient, in conjunction with a greater domestic saving effort, to provide the financing needed to support the growth of the economy. Consequently, this agreement might well be adequate for the particular circumstances of Mexico, and yet be unsuited as a model for other countries of the region which cannot rely to the same extent on mobilizing supplementary resources. Ultimately, some countries of the region may prefer options that do not involve the mechanisms included in the Brady initiative, while others will require discounts on their external debt which are significantly greater than those forming part of the set of options of the Mexican agreement.

In this respect, the initiative still suffers from two important shortcomings. The first is that there are not enough resources available for a multilateral agency to offer sufficient guarantees as to make debt reduction operations viable. The second is that there are few incentives to persuade the private banks of the developed countries to enter voluntarily into this kind of arrangement. Rather, this would require a stable institutional and legal framework, with rewards for participation in debt reduction programmes and penalties for those banks which do not do so. In the coming months, the negotiations underway between the authorities of various countries (including Costa Rica, Uruguay and Venezuela) and their respective creditors will put the feasibility of these new conceptual frameworks to the acid test.

The favourable expectations aroused by the Brady initiative have been reflected in the values of Latin American debt in the secondary market, the average price of which had been going down since 1987, when the main United States banks had to set aside additional contingency funds to cover the loans granted to countries of the region. In the first half of 1989 this downward trend slackened noticeably (except in respect of the debt of Argentina, Brazil and Venezuela, on account of those countries' increased arrears), and after the Mexican agreement average quotations actually showed a slight recovery (see table 5).

Table 1
LATIN AMERICA: GROSS DOMESTIC PRODUCT

	Annual growth rates				Cumulative variation	
	1986	1987	1988	1989 ^a	GDP	GDP/capita
Latin America	3.7	2.9	0.5	0.2	11.0	-9.4
Oil-exporting countries ^b	-0.8	1.6	1.2	-0.5	7.5	-14.7
Non-oil-exporting countries ^c	6.5	3.7	-	0.6	13.2	-6.2

Source: ECLAC, on the basis of official data.

^a Preliminary estimates subject to revision. ^b Oil-exporting countries: Bolivia, Ecuador, Mexico, Peru, and Venezuela.

^c Non-oil-exporting countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, and Uruguay.

Table 2
LATIN AMERICA: BALANCE OF PAYMENTS
(Billions of dollars)

	Latin America			Oil-exporting countries			Non-oil-exporting countries		
	1987	1988	1989 ^a	1987	1988	1989 ^a	1987	1988	1989 ^a
Balance on current account ^b	-12.6	-12.3	-12.5	-1.2	-10.3	-10.2	-11.4	-2.0	-2.3
Trade balance (goods)	21.3	26.0	29.4	9.5	2.1	3.8	11.8	23.9	25.6
Exports	88.7	101.6	111.8	36.3	36.4	40.7	52.4	65.2	71.1
Imports	67.4	75.6	82.4	26.8	34.3	36.9	40.6	41.3	45.5
Net payments									
Services	3.2	4.7	4.0	0.0	0.7	0.4	3.2	4.0	3.6
Profits and interest	30.7	33.6	37.9	10.7	11.7	13.6	20.0	21.9	24.3
Balance on capital account	14.0	2.9	...	4.6	-1.2	...	9.4	4.1	...
Global balance	1.4	-9.4	...	3.4	-11.5	...	-2.0	2.1	...

Source: ECLAC, on the basis of official data.

^a Preliminary estimates subject to revision.

^b Excluding transfers.

Table 3
LATIN AMERICA: PRICES OF MAIN EXPORT PRODUCTS
(Current Dollars)

	Annual averages					Growth rates			Cumulative variation	
	1970-1980	1986	1987	1988	1989 ^a	1986	1987	1988	1989 ^b	1989/1970-1980
Raw sugar ^c	12.8	6.1	6.8	10.2	11.2	48.8	11.5	50.0	9.8	-12.5
Coffee (mild) ^c	121.8	192.7	112.3	135.1	141.6	32.3	-41.7	20.3	4.8	16.3
Cocoa ^c	86.3	93.8	90.6	72.1	61.9	-8.3	-3.4	-20.4	-14.1	-28.3
Bananas ^c	11.8	22.1	26.5	24.6	21.3	20.1	19.9	-7.2	-13.4	80.5
Wheat ^d	125.1	115.0	115.0	146.0	174.0	-16.7	-	27.0	19.2	39.1
Corn ^d	127.5	112.9	109.4	135.7	146.0	-16.6	-3.1	24.0	7.6	14.5
Beef ^c	82.2	95.0	108.2	114.2	111.1	-2.8	13.9	5.5	-2.7	35.2
Fish meal ^d	354.7	321.0	383.0	544.0	436.0	14.6	19.3	42.0	-19.9	22.9
Soya ^d	232.4	208.0	216.0	304.0	306.0	-7.6	3.8	40.7	0.7	31.7
Cotton ^c	61.2	52.9	76.1	63.4	65.0	-14.3	43.9	-16.7	2.5	6.2
Wool ^c	131.5	147.7	182.9	207.1	201.3	5.0	23.8	13.2	-2.8	53.1
Copper ^c	69.6	62.3	80.8	117.9	141.5	-3.1	29.7	45.9	20.0	103.3
Tin ^e	3.9	2.6	3.1	3.3	4.1	-51.9	19.2	6.5	24.2	5.1
Iron ore ^d	17.6	21.6	22.1	22.3	24.5	-1.8	2.3	0.9	9.9	39.2
Lead ^c	25.3	18.4	27.1	29.8	28.5	4.0	47.3	10.0	-4.4	12.6
Zinc ^c	29.7	38.0	42.4	60.2	86.7	-5.9	11.6	42.0	44.0	191.9
Bauxite ^{d f}	103.5	165.2	164.8	164.8	...	0.5	-0.2	-	...	...
Crude petroleum ^g										
Saudi Arabia	10.0	12.5	16.3	12.8	16.1 ^h	-49.0	30.4	-21.5	25.7	60.9
Ecuador	-	15.0	18.0	15.2	17.5 ^h	-43.6	20.0	-15.6	14.9	-
Mexico	-	13.0	16.6	12.9	14.7 ^h	-47.2	27.7	-22.3	13.9	-
Venezuela	10.1	12.5	16.2	12.3	15.6 ^h	-47.9	29.6	-24.1	27.2	54.9

Source: UNCTAD, *Monthly Commodity Price Bulletin*, Supplements 1960-1984 and June 1989; International Monetary Fund, *International Financial Statistics*, Yearbooks 1981 and August 1989; Petroleum Intelligence Weekly, 1984-1989, several volumes; Energy Economics Research Limited, *Oil and Energy Trends*, April 1989. ECLAC, on the basis of official data.

^a Average January-May. ^b Average January-May with respect to 1988 average. ^c Cents per pound. ^d Dollars per metric ton. ^e Dollars per pound. ^f 1988, average January-May. ^g Dollars per barrel. ^h Average January-June.

Table 4
LATIN AMERICA: DEBT, TRANSFER AND IMPACT

	External Debt	Transfer			Impact	
		Interest and profits	Net capital inflow	Total	Gross domestic Investment	GDP Growth per capita
1973-1981	40%	-2.9 %	5.5 %	2.7%	22.6 %	2.1 %/year
1982-1988	59	-5.3	1.4	-4.0	16.9	-0.9
1988	57	-4.7	0.4	-4.3	17.0	-1.7
1989 ^a	55	-5.0	...	...	...	-2.2

Source: ECLAC, estimates on the basis of official information. These estimates are but orders of magnitude, since they are quite sensitive to how peso output is valued in dollars.

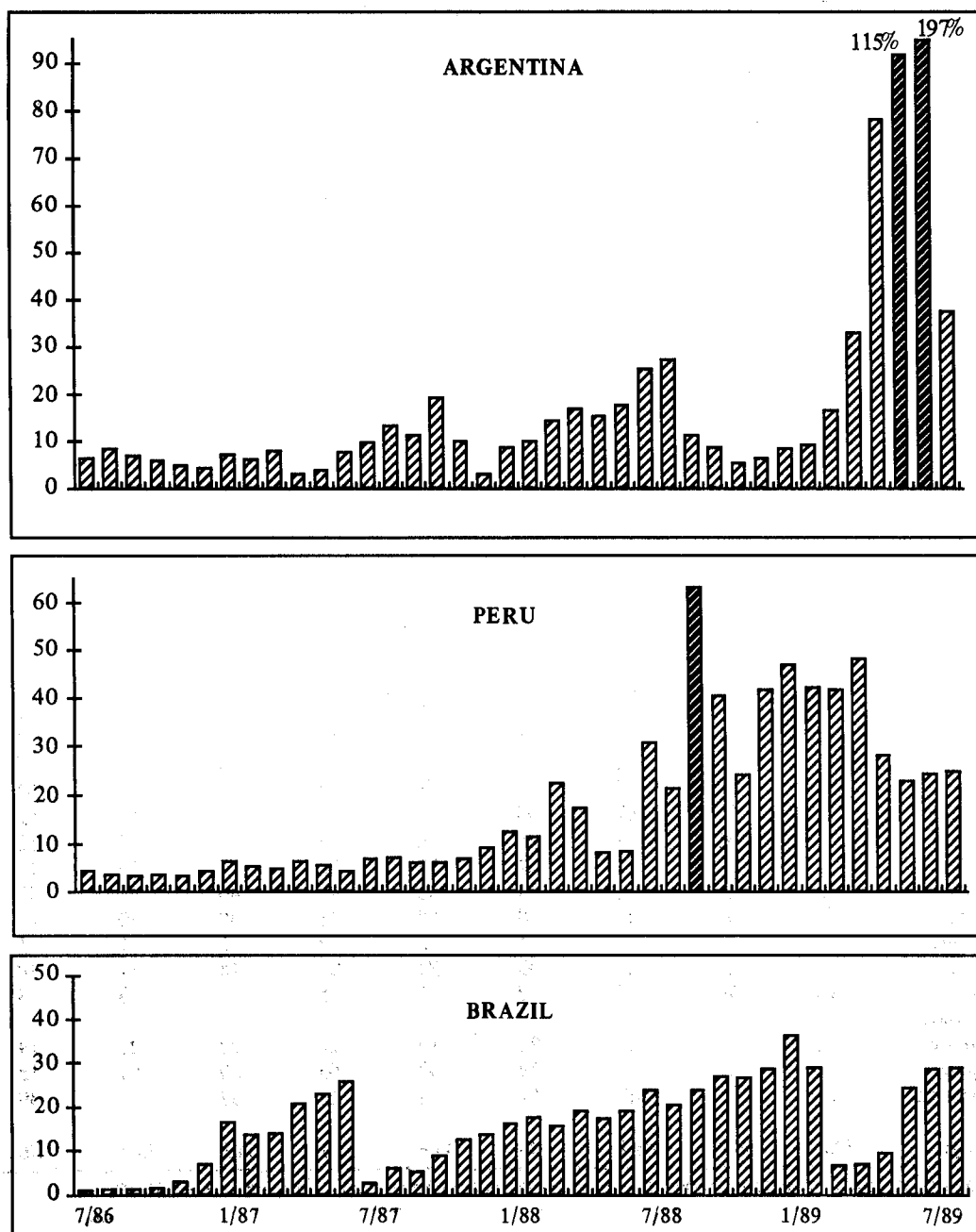
^a Preliminary estimates.

Table 5
LATIN AMERICA: VALUE OF THE EXTERNAL DEBT IN THE SECONDARY MARKET
(Percentage of nominal value)

	1987			1988			1989		
	January	June	December	January	June	December	January	June	August
Argentina	62	58	35	31	24	21	20	14	16
Bolivia	...	11	...	11	11	10	10	11	11
Brazil	74	61	45	46	50	40	34	31	34
Costa Rica	...	...	...	15	11	12	13	14	16
Chile	65	68	60	61	61	57	60	62	64
Colombia	...	85	67	65	65	58	56	57	62
Ecuador	63	51	34	35	26	13	13	12	16
Honduras	...	...	...	22	22	22	22	16	18
Jamaica	...	...	...	33	33	40	40	41	42
Mexico	54	57	51	50	50	43	38	40	43
Nicaragua	...	...	...	4	2	2	2	1	1
Panama	...	...	...	39	24	20	18	11	10
Peru	16	14	7	7	6	5	5	3	4
Dominican Republic	...	...	...	23	19	22	22	21	19
Uruguay	...	...	...	59	59	60	60	55	55
Venezuela	72	71	49	54	54	41	37	37	39
Average	60.2	58.9	45.1	46	45.9	38.3	34.5	33.4	36

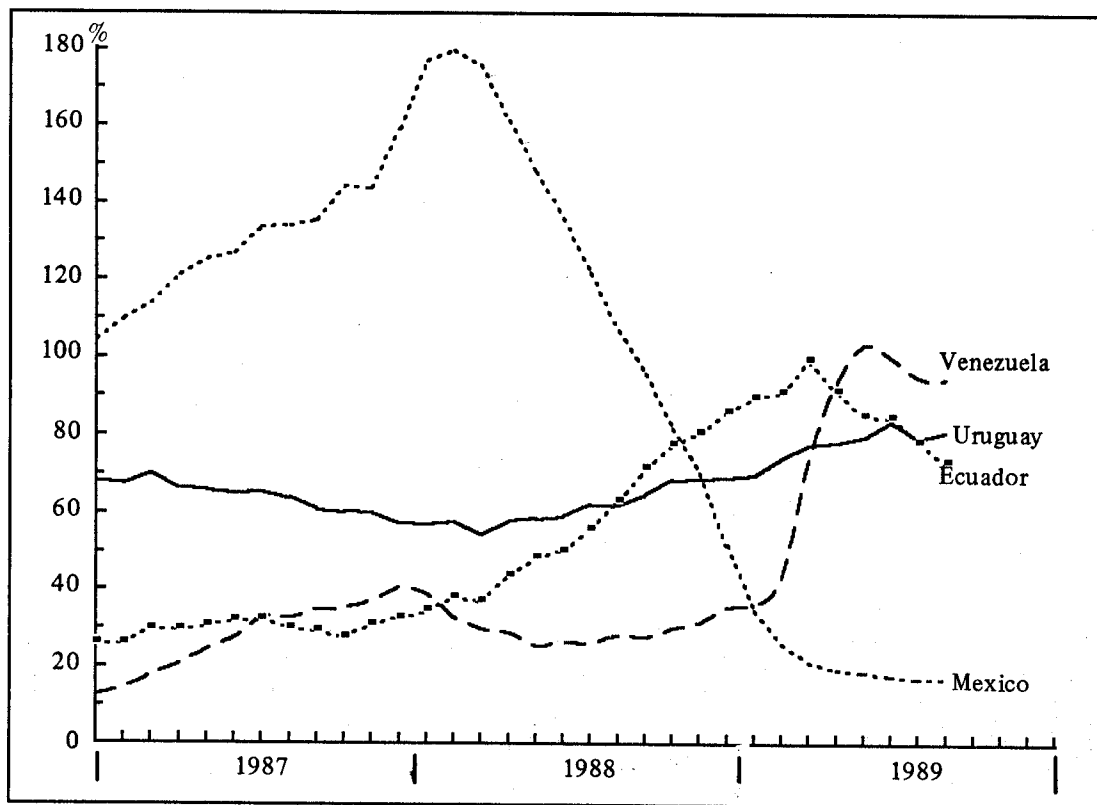
Source: ECLAC, based on the International Financial Review, various issues, and, principally, LIBRA Bank.

Figure 1
MONTHLY VARIATIONS IN THE CONSUMER PRICE INDEX IN
ARGENTINA, BRAZIL AND PERU
(Percentages)



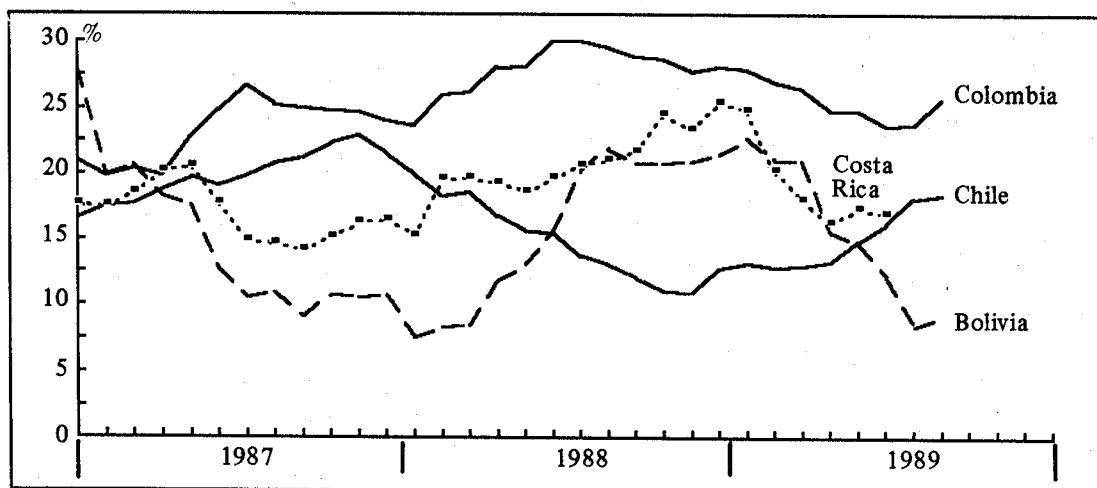
Source: ECLAC, on the basis of official data.

Figure 2
LATIN AMERICA: TWELVE-MONTH VARIATIONS IN THE
CONSUMER PRICE INDEX IN SELECTED COUNTRIES



Source: ECLAC, on the basis of official data.

Figure 3
LATIN AMERICA: TWELVE-MONTH VARIATIONS IN THE
CONSUMER PRICE INDEX IN SELECTED COUNTRIES



Source: ECLAC, on the basis of official data.

ARGENTINA

Runaway inflation as of March largely determined the socio-economic evolution of Argentina during the first half of 1989. The explosion of prices reached its peak in July, when consumer prices tripled thereby bringing the 12-month inflation level up to 3 600%. Production and real wages fell sharply, even though the country's merchandise trade yielded a considerable surplus (see figure 1).

This crisis erupted when, against the backdrop of longer-standing disequilibria, expectations became highly volatile as political changes appeared on the horizon and the country's foreign-exchange shortage worsened. Although the monthly rate of price increases for the first two months of the year was below 10%, towards the end of January the fragility of the system of regulated devaluations of the dual exchange rate became apparent. Owing to the size of the fiscal deficit, the implementation of short-term economic policies had to be accomplished primarily by means of monetary tools, and this was reflected in very high reserve requirements and interest rate levels. This magnified the impact of domestic debt servicing on public finances, which in turn further heightened the volatility of economic agents' expectations. In addition, the proximity of the Presidential and parliamentary elections, scheduled for May, seemed likely to trigger a withdrawal of time deposits denominated in australes and an increased demand for foreign currencies.

At first, the Central Bank dealt with this growing pressure on the exchange rate by drawing down a considerable proportion of its reserves. However, in early February, as the situation worsened, the Central Bank withdrew from the financial segment of the exchange market, causing the local-currency price of the dollar to jump by around 50%. The authorities tried to isolate domestic prices from the fluctuations in the financial exchange rate, but the dizzying, although erratic, rise in the price of the dollar on the financial market, coupled with the shortage of reserves, prevented it from shoring up the exchange rates for commercial transactions. The ensuing expectations of a devaluation led exporters to delay converting their foreign exchange earnings and prompted importers to speed up their payments, thereby reducing dollar deposits. At the same time, the general public sought to increase their foreign exchange holdings in order to protect themselves from the upsurge in inflation and also, very probably, because they harboured some doubts as to the conditions of repayment of the domestic public debt and other local-currency commitments.

In order to reduce the pressure on the reserves, in mid-April the authorities allowed the exchange rate to float, but this only increased the run on the dollar, whose real price peaked in May. In early June, they eliminated the free exchange market altogether, but this did not halt the rise of the dollar either. In sum, during the first six months of the year the average of the exchange rates applying to commercial transactions rose by 1 100%, while the financial (and, later, the parallel) exchange rate soared by almost 2 500%; the real increases (in terms of wholesale prices) were 80% and 270%, respectively.

The jump in the financial exchange rate in early February was the first sign of a speed-up in price increases, which began to become apparent a few weeks later and which intensified so much thereafter that in April the rate of inflation far surpassed the previous record levels of mid-1985 (see table 7). The cost pressures generated by the maxi-devaluations were compounded by increasingly widespread expectations of a worsening of inflation, while the fiscal deficit swelled as a result of the erosion of real

tax receipts, the progressively longer delays in adjusting public sector rates and charges, and also, very probably, an increase in tax evasion. The intensity of the inflationary spiral outstripped traditional wage adjustment mechanisms; workers and employers entered into negotiations more frequently (in some cases wages were adjusted more than once in a single month) and ceased to use the cumulative variation in the consumer price index as the main point of reference for wage adjustments. Nonetheless, real wages plunged, reaching their lowest levels in June.

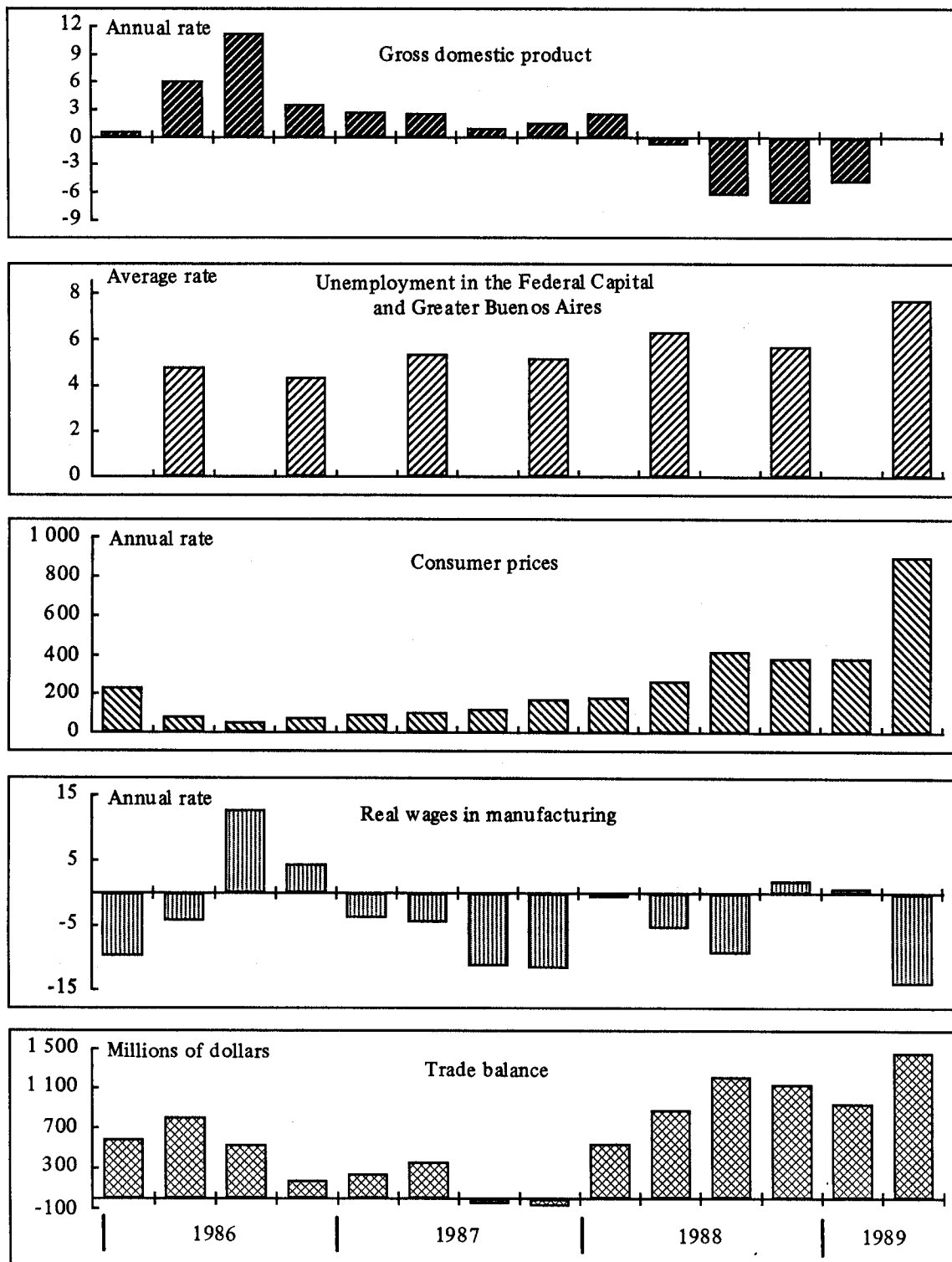
The runaway rate of inflation altered the relative price structure and, during the second quarter, caused a severe slump in transactions and in the level of economic activity. The economy's instability was also reflected in the financial markets. Not only did real currency holdings shrink, but the average term of deposits grew shorter as well.

In early July the country's newly-installed authorities, who had taken office ahead of time under an agreement reached with the outgoing administration, announced a stabilization programme. A 116% devaluation was decreed, after which the exchange rate was pegged, and public rates and charges, which had lagged far behind inflation, were raised by up to 600% and then frozen. The government negotiated an agreement with a group of large enterprises under which the latter undertook to hold their prices steady for a period of 90 days after, in many cases, first making some very large adjustments. Wages were to continue to be determined by collective bargaining; the readjustments agreed upon in July (which, in principle, were to be in effect for three months) amounted to around 180%. In addition to the measures dealing with prices and incomes, the government sent to Congress a package of public-sector reforms that were designed to reduce the fiscal deficit by limiting various subsidies and pushing forward the transfer of public enterprises to private ownership. Furthermore, the authorities announced their intention to introduce reforms that would simplify the tax system and improve tax collection.

Since the initial provisions of the programme included extremely large adjustments in nominal terms, at first the rate of inflation rose, verging on 200% in July. In August, however, although the variation in consumer prices was, due to statistical lags, still quite high (38%), inflation was clearly moving downward. Moreover, the international reserves increased, nominal interest rates fell substantially and, as the value of exports climbed by 14% and that of imports fell by 15%, a large trade surplus was recorded for the first half of the year (see table 6).

The final outcome of this as yet incipient stabilization process will largely hinge upon the continued confidence of economic agents and upon the progress made in putting the management of the public sector in order and placing it on a sounder basis as regards both the reduction of the fiscal deficit and an efficient restructuring of public services.

Figure 1
**ARGENTINA: QUARTERLY EVOLUTION OF THE
 MAIN ECONOMIC INDICATORS**



Source: ECLAC, on the basis of official data.

Table 1
ARGENTINA: GROSS DOMESTIC PRODUCT
(Percentage variations) ^a

	1988					1989 ^b
	I	II	III	IV	Year	I
Total	2.7	-0.9	-6.4	-7.2	-3.1	-5.0
Agriculture, hunting, forestry and fisheries	10.0	8.2	-1.8	-11.2	0.4	-12.0
Mining	9.3	8.5	11.9	8.2	9.5	0.0
Manufacturing	0.4	-5.5	-11.8	-10.1	-7.0	-5.0
Construction	13.1	-18.7	-27.0	-18.2	-14.5	-20.0
Electricity, gas and water	3.9	6.0	4.6	5.0	4.9	0.0
Trade	-1.2	-3.4	-9.2	-11.1	-6.1	-3.4
Transport	3.9	0.5	-10.9	-14.5	-5.4	-9.0
Financial institutions, insurance, real estate	0.3	-2.2	-3.4	2.3	-0.8	1.0
Community, social and personal services	0.7	0.8	1.0	1.9	1.1	0.8

Source: Central Bank.

^a With respect to the same period in the preceding year.

^b Estimated figures.

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

	Seasons			Percentage variation	
	1986/1987 (1)	1987/1988 (2)	1988/1989 (3) ^a	(2/1)	(3/2)
Cereals					
Maize	9 250	9 200	4 260	-0.5	-53.7
Sorghum	3 000	3 200	1 360	6.7	-57.5
Wheat	8 700	9 000	8 360	3.4	-7.1
Rice	352	415	490	17.9	18.1
Oilseeds					
Sunflower	2 200	2 915	3 100	32.5	6.3
Linseed	622	535	446	-14.0	-16.6
Peanuts (peeled)	350	274	190	-21.7	-30.7
Soya beans	7 000	9 900	6 250	41.4	-36.9
Vegetables and pulses					
Potatoes	2 103	2 859	2 209	35.9	-22.7
Tomatoes	678	654	682	-3.5	4.3
Pumpkins	373	370	390	-0.8	5.4
Beans	134	172	140	28.4	-18.6
Industrial crops					
Cotton	323	849	536	162.8	-36.9
Sugar cane	14 479	13 939	10 780	-3.7	-22.7
Tobacco	71	72	80	1.4	11.1
Tea	195	134	165	-31.3	23.1
Yerba mate	366	381	390	4.1	2.4
Wine grapes	3 689	3 304	2 938	-10.4	-11.1
Fruit					
Peaches	196	260	250	32.7	-3.8
Lemons	528	517	489	-2.1	-5.4
Apples	1 075	940	848	-12.6	-9.8
Oranges	642	650	681	1.2	4.8
Pears	251	211	224	-15.9	6.2
Grapefruit	174	176	155	1.1	-11.9

Source: ECLAC, on the basis of official data.

^a Provisional figures.

Table 3
ARGENTINA: INDUSTRIAL GROSS PRODUCT ^a

	Index 1970 = 100	Percentage variation		
		Quarter ^b	12 Months ^c	Year ^d
1987				
I	107.6	-2.7	2.8	2.8
II	110.4	2.6	4.7	3.8
III	109.9	-0.5	-3.0	1.4
IV	103.9	-5.5	-6.1	-0.5
1988				
I	108.0	3.9	0.4	0.4
II	104.4	-3.3	-5.4	-2.6
III	96.9	-7.2	-11.8	-5.7
IV	93.4	-3.6	-10.1	-6.7
1989				
I ^e	102.6	9.9	-5.0	-5.0

Source: Central Bank.

^a At constant 1970 factor prices. Unseasoned. ^b With respect to the preceding quarter. ^c With respect to the same quarter of the preceding year. ^d Average cumulative index with respect to the same period in the preceding year.

^e Estimated figures.

Table 4
ARGENTINA: GROSS FIXED INVESTMENT
(1970 value Australes)^a

	1988				1989		Percentage variation
	I	II	III	IV	I	1988	1989
							I
Total	1 272	1 353	1 267	1 139	983	13.3	-22.7
Construction	753	729	687	622	594	-14.7	-21.1
Public	292	295	283	224	216	-17.3	-26.0
Private	461	434	404	398	378	-13.0	-18.0
Machinery and equipment	519	624	580	517	389	-11.5	-25.0

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

^a Unseasoned.

Table 5
ARGENTINA: UNEMPLOYMENT IN MAIN URBAN AREAS
(Percentages)

	1986 ^a		1987		1988		1989
	April	October	April	October	April	October	April
Total ^b	4.8	5.2	6.0	5.8	6.5	6.1	...
Federal Capital and Greater Buenos Aires	4.8	4.4	5.4	5.2	6.3	5.7	7.7
Córdoba	6.4	5.1	4.9	5.5	5.0	5.9	...
Mendoza	4.9	3.3	3.6	3.1	4.7	4.0	...
Rosario	6.8	7.2	7.3	8.3	7.8	7.0	...
Tucumán ^c	13.6	12.5	15.1	9.7	11.3	10.1	...

Source: National Institute of Statistics and Censuses.

^a The surveys were performed in June and November in Greater Buenos Aires and in May and October in the remaining cities. ^b Unemployment rate aggregate of Greater Buenos Aires, Córdoba, Mendoza, Rosario, Tucumán and a number of medium and large cities. ^c Province of Tucumán, including rural areas

Table 6
ARGENTINA: TRADE BALANCE

	Millions of dollars						Percentage variation ^a					
	Exports		Imports		Trade balance		Exports		Imports		Trade balance	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year	Year	
1988												
Jan	534	534	429	429	105	105	18.4	18.4	18.5	18.5	18.0	
Feb	579	1 113	317	746	262	367	24.0	21.2	-7.0	6.1	70.7	
Mar	606	1 719	420	1 166	186	553	15.9	19.3	-15.5	-2.8	129.5	
Apr	623	2 342	442	1 608	181	734	15.8	18.3	2.1	-1.5	112.1	
May	804	3 146	487	2 095	317	1 051	62.1	27.1	15.1	1.9	150.8	
Jun	871	4 017	478	2 573	393	1 444	23.2	26.2	-8.8	-0.3	139.9	
Jul	910	4 927	489	3 062	421	1 865	47.7	29.7	-17.5	-3.5	198.4	
Aug	1 027	5 954	471	3 533	556	2 421	87.4	37.0	-9.6	-4.4	271.3	
Sep	741	6 695	498	4 031	243	2 664	63.2	39.5	-4.0	-4.3	353.8	
Oct	586	7 281	417	4 448	169	2 833	16.3	37.3	-23.1	-6.5	416.0	
Nov	821	8 102	464	4 912	357	3 190	58.5	39.2	-6.8	-6.5	460.6	
Dec	1 034	9 136	413	5 325	621	3 811	91.8	43.6	-27.2	-8.5	604.4	
1989												
Jan	691	691	369	369	322	322	29.4	29.4	-14.0	-14.0	206.7	
Feb	677	1 368	345	714	332	654	16.9	22.9	8.8	-4.3	78.2	
Mar	749	2 117	454	1 168	295	949	23.6	23.2	8.1	0.2	71.6	
Apr	735	2 852	353	1 521	382	1 331	18.0	21.8	-20.1	-5.4	81.3	
May	865	3 717	308	1 829	557	1 888	7.6	18.2	-36.8	-12.7	79.6	
Jun	946	4 663	373	2 202	573	2 461	8.6	16.1	-22.0	-14.4	70.4	
Jul	980	5 643	360	2 562	620	3 081	7.7	14.5	-26.4	-16.3	65.2	

Source: National Institute of Statistics and Censuses.

^a With respect to the same period of the preceding year.

Table 7
ARGENTINA: PRICE INDEXES
(Percentage variations)

	1988			1989			1988			1989		
	Month	Year	12Ms.	Month	Year	12Ms.	Month	Year	12Ms.	Month	Year	12Ms.
J	9.1	9.1	178.7	8.9	8.9	387.0	12.1	12.1	199.9	6.9	6.9	407.2
F	10.4	20.5	189.0	9.6	19.4	383.3	13.4	27.1	218.1	8.4	15.9	385.0
M	14.7	38.2	206.5	17.0	39.7	392.8	16.3	47.7	242.9	18.9	37.8	396.1
A	17.2	62.0	247.6	33.4	86.3	460.6	16.8	72.6	293.0	58.0	117.8	570.8
M	15.7	87.5	286.1	78.5	232.4	764.6	23.3	112.7	362.0	104.5	345.3	1 012.7
J	18.0	121.2	321.7	114.5	613.0	1 472.0	24.0	163.9	437.1	133.5	939.7	1 994.2
J	25.6	177.9	381.2	196.6	2 015.0	3 610.2	25.0	229.9	513.7	209.1	3 113.7	5 077.8
A	27.6	254.7	440.0	37.9	2 815.7	3 909.1	31.9	335.3	606.5	8.5	3 385.9	4 157.1
S	11.7	296.2	440.0				6.4	363.2	544.7			
O	9.0	331.8	392.4				4.6	384.4	416.8			
N	5.7	356.5	372.0				3.9	403.1	414.5			
D	6.8	387.7	387.7				5.7	431.6	431.6			

Source: National Institute of Statistics and Censuses.

Table 8
ARGENTINA: INDEX OF REAL WAGES ^a
(Index 1983 = 100)

	Index ^b					Percentage variation 1989/88		
	1985	1986	1987	1988	1989	Month	Year ^c	12Ms. ^d
Jan	103.0	95.6	89.8	86.0	87.9	-11.8	2.2	2.2
Feb	87.0	80.1	74.8	75.3	80.2	-8.8	4.2	6.5
Mar	114.1	98.7	99.5	102.0	95.9	19.6	0.3	-6.0
Apr	114.8	113.2	103.6	94.3	94.5	-1.5	0.3	0.2
May	120.3	117.5	102.6	103.6	79.4 ^e	-16.0	-5.1	-23.4
Jun	105.4	95.2 ^f	104.7	96.5				
Jul	102.0	116.7	104.4	93.5				
Aug	102.0	119.7	97.3	94.6				
Sep	104.9	112.4	107.5	92.6				
Oct	110.9	119.3	105.0	94.6				
Nov	105.7	110.6	96.7	103.1				
Dec	102.4	103.4	92.1	99.7				

Source: National Institute of Statistics and Censuses.

^a Real average monthly wage for industrial workers, 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.

^e Provisional figures; include the effect of the April bonus, paid in May, and which became part of the salary, because it was not deducted in the following months.

^f This figure is affected by an important decrease of the working hours, due to strikes.

Table 9
ARGENTINA: NATIONAL TREASURY INCOME AND EXPENDITURE

	Billions of Australes ^a					Percentage variation ^b		
	Current income	Expenditure		Deficit	Financing by Central Bank	Current income	Expenditure	
		Total	Interests on the external debt				Total	Interest
1988								
Jan	1.4	2.6	0.4	1.2	-	27.3	107.4	459.8
Feb	2.6	4.7	0.8	2.1	-	43.6	101.1	305.6
Mar	4.5	7.6	0.9	3.1	-	57.0	109.3	200.1
Apr	6.7	10.4	1.0	3.8	-	74.3	104.1	116.7
May	9.7	14.0	1.1	4.3	-	98.7	120.6	82.9
Jun	12.9	18.1	1.2	5.2	-	103.5	113.1	
65.7								
Jul	16.5	23.2	1.5	6.7	-	100.9	118.4	71.5
Aug	20.5	28.2	1.9	7.7	-	113.5	126.6	77.6
Sep	24.2	33.6	1.9	9.4	-	111.4	126.6	68.8
Oct	27.2	38.4	2.0	11.2	-	104.4	123.0	51.4
Nov	31.4	43.7	2.9	12.3	-	108.2	118.0	112.2
Dec	36.7	51.3	...	14.6	-	111.7	117.4	...
1989								
Jan	5.1	5.8	...	0.8	-	272.5	127.5	...
Feb	12.9	14.6	...	1.6	-	404.0	212.2	...
Mar	19.2	25.3	...	6.1	-	327.4	233.7	...
Apr	23.1	36.6	...	13.5	-	246.4	250.6	...
May	29.3	61.3	...	31.9	-	203.6	338.2	...

Source: Tesorería General de la Nación.

^a Cumulative figures.

^b With respect to the same period of the preceding year.

Table 10
ARGENTINA: INTEREST RATES ^a

	Nominal			Real		
	Bank		Non-Bank ^d	Bank		Non-Bank ^{d f}
	Regulated ^b	Free ^c		Regulated ^{b e}	Free ^{c f}	
1988						
Jan	11.7	15.5	13.8	2.4	3.0	1.5
Feb	12.2	15.4	14.0	1.6	1.8	0.5
Mar	14.1	17.3	16.1	-0.5	0.9	-0.2
Apr	15.1	17.6	17.1	-1.8	0.7	0.3
May	16.1	19.5	16.9	0.3	-3.1	-5.2
Jun	18.2	21.9	18.8	0.2	-1.7	-4.2
Jul	20.7	25.1	23.9	-3.9	0.1	-0.9
Aug	10.3	13.5	12.4	-13.6	-13.9	-14.8
Sep	8.7	12.1	7.4	-2.7	5.4	0.9
Oct	8.8	12.0	8.3	-0.2	7.1	3.5
Nov	9.6	12.7	9.3	3.7	8.5	5.2
Dec	11.9	14.9	11.1	4.8	8.7	5.1
1989						
Jan	11.5	14.8	10.6	2.4	7.4	3.5
Feb	14.9	20.3	19.3	4.8	11.0	10.1
Mar	18.7	24.8	21.6	1.5	5.0	2.3
Apr	33.1	39.9	50.5	-0.2	-11.5	-4.7
May	70.4	106.8	149.0	-4.5	1.1	21.8
Jun	82.9	130.0	137.5	-14.7	-1.0	2.2
Jul	17.4	43.3	32.2	-60.4	-53.5	-57.1

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

^a Effective monthly rates (monthly average).

^b Rates for 30-day deposits.

^c Rate applied by the Banco de la

Nación Argentina for discount of 30-day notes.

^d Rates for 7-day loans.

^e Related to the consumer price index

(general level) corresponding to the month of the effective date of the deposits.

^f Related to the wholesale price

index (general level) corresponding to the month of the execution of the loans.

Table 11
ARGENTINA: EXCHANGE RATE

	Exchange rate (Austral per dollar)				Adjusted real exchange rate (Index 1985 = 100) ^a			
	Commercial ^b		Financial ^c		Commercial ^b		Financial ^c	
	1988	1989	1988	1989	1988	1989	1988	1989
Jan	3.89	16.94	5.47	16.94	88.7	80.3	124.60	80.31
Feb	4.33	18.16	5.83	25.00	87.1	79.9	117.38	109.95
Mar	4.92	19.15	6.39	41.07	85.4	71.3	110.92	152.90
Apr	5.72	56.20	6.97	62.22	85.7	133.4	104.34	147.69
May	6.74	118.92	8.32	110.29	82.4	139.5	101.76	129.35
Jun	8.07	210.77	10.31		80.3	106.1	102.57	
Jul	9.65	567.67	12.30		77.1	92.9	98.26	
Aug	14.04	655.00	14.04		85.2	99.2	85.16	
Sep	14.44		14.44		82.4		82.38	
Oct	15.04		15.04		82.1		82.14	
Nov	15.48		15.48		81.4		81.45	
Dec	15.89		15.89		79.6		79.62	

Source: ECLAC, on the basis of figures from the Central Bank, International Monetary Fund, *International Financial Statistics*.

^a Index of nominal exchange rate deflated by the wholesale price index and adjusted by the United States wholesale price index.

^b Exchange rate for imports. Official exchange rate up to 4 August, 1988. Free exchange rate from August 4, 1988 through February 6, 1989. Special exchange rate from 6 February through 5 April, 1989; simple average of the official and free exchange rates average from 5 to 17 April; from 17 April through 30 May, free exchange rate. As of 30 May, 1989, uniformed exchange rate.

^c Standing from 15 October, 1987 through 19 May, 1989.

BRAZIL

The evolution of the Brazilian economy during the first eight months of 1989 was marked by a return to very high rates of inflation along with the stagnation of economic activity, despite continued export dynamism (see figure 1).

A major factor behind this performance was the "Plano Vero" ("Summer Plan"), which was announced in January and which represented the third attempt in three years to bring about a drastic reduction in the rate of inflation, which in 1988 had exceeded 930%. However, the positive effects of this stabilization programme were felt only up to May; from June onwards, inflation again shot upwards, reaching monthly averages of 25% or higher, equal to or higher than the rates reached in late 1988, thus bringing the economy to the brink of hyperinflation.

Once again the stabilization programme resorted to a price and wage freeze and the abolition of indexing mechanisms. It also introduced a further monetary reform measure with the creation of the New Cruzado (equal to 1 000 old cruzados). Unlike the stabilization plans of 1986 and 1987, the current plan enforced a restrictive monetary policy by sharply increasing interest rates, to the point that in real terms the rate for deposits with the Central Bank and the lending rate rose by up to 15% per month. In addition, substantial increases were decreed in public utility tariffs and the exchange rate was frozen after a substantial devaluation of 17%. Proposals were also introduced to close down a number of public agencies, reduce the number of functionaries, privatize State enterprises and restrict government expenditure strictly to the available funds. However, these measures were not really applied because the National Congress only partially adopted some of them.

Following a marked increase in prices during the first two months of the year, the monthly inflation rate dropped to less than 10% up until May. From June onwards, however, it surged upward again just as vigorously as it had done in 1988. In July and again in August, the monthly rate was 29% and the annual rate over 1 000% (see table 4). The failure of the plan was due to the difficulties experienced by the authorities in controlling public sector deficits and to the fact that private agents had little confidence in the economic policy after the poor results of previous plans. Moreover, although the policy of high real interest rates initially helped to reduce expenditure, it clearly could not be maintained for long because of the danger that the public sector deficit could reach the equivalent of 5% of the gross domestic product simply to meet real interest payments on the internal debt.

Furthermore, the freezing of the exchange rate for over three months while inflation proceeded rapidly led to an artificial revaluation of the national currency. The exchange rate on the parallel market thus reached a level three times that of the official rate. This also brought about an increase in capital outflow, mainly in the form of the remittance of profits. Meanwhile, the absence of fresh programmes with the international financing agencies meant that there was no new net inflow of resources from abroad. Moreover, as a result of the elimination of the indexation mechanisms, there was an increase in strikes and shortages of certain products on the market.

In the face of these difficulties, the authorities began to modify the original programme. In order to deal with the problem of the high real cost of money and to orient expectations, at the end of March nominal interest rates were reduced and in April a return to periodic devaluations in accordance with the evolution of domestic

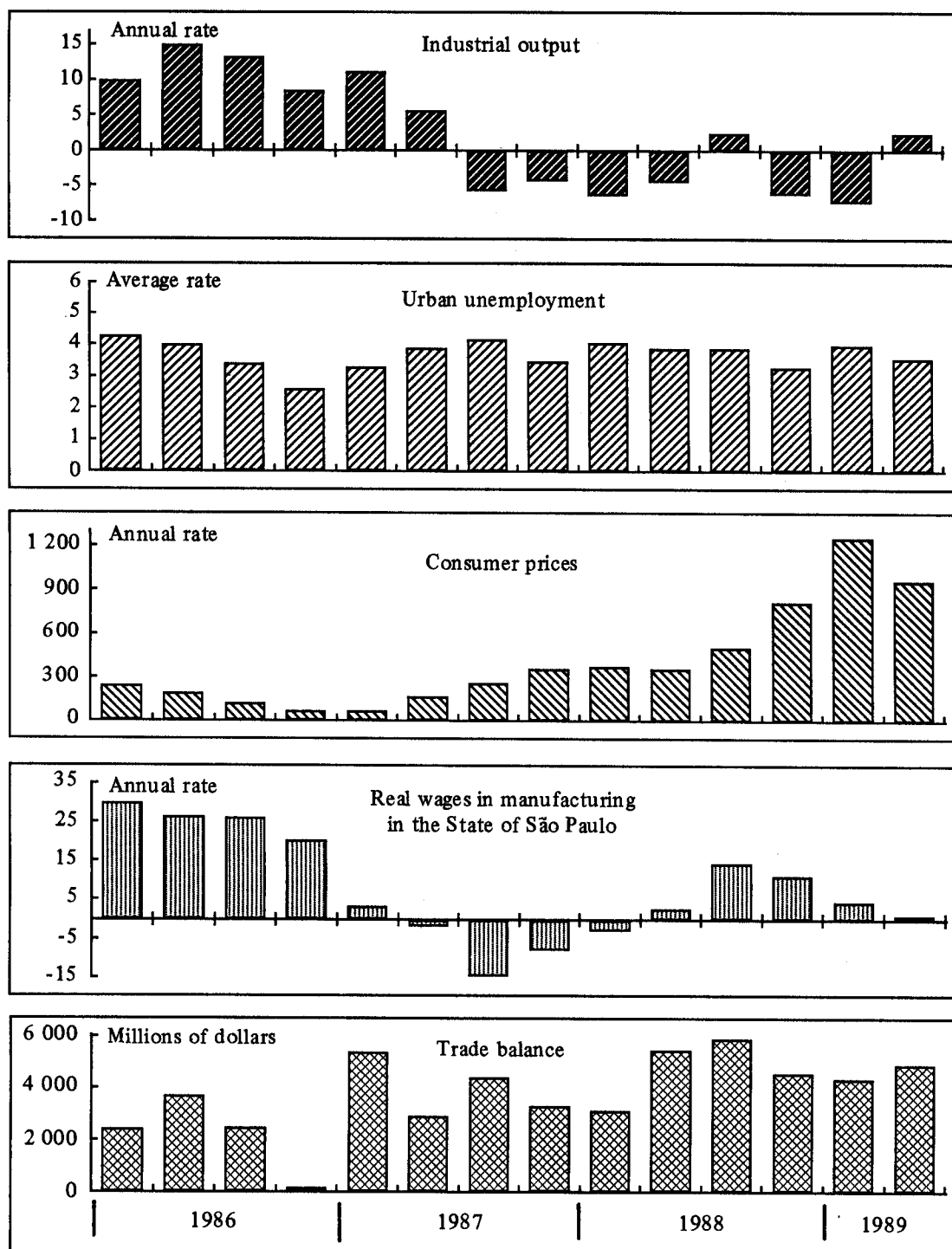
prices was announced. These corrective measures, however, far from relieving the pressures, created still greater uncertainty as regards the stability of prices, since the imbalance in public finances still persisted. At the same time, the expectations of a major devaluation stimulated the outflow of capital.

The accumulation of pressures on the cost side forced the authorities, in June, to lift the freeze on prices. The government reintroduced indexation mechanisms —such as daily adjustments to the exchange rate, government bonds and tax payments— and again took steps to maintain positive real interest rates. At the same time, Congress provided for monthly readjustments linked to the inflation rate for all those earning less than three times the minimum wage. A devaluation of 12% was also decreed in order to help restore the competitiveness of exports. Finally, transactions involving foreign currency were more tightly centralized and it was decided to allow arrears to build up in the servicing of the external debt in order to keep international reserves above US\$6 billion.

The gross domestic product stagnated, although there were considerable fluctuations and marked differences between the evolution of the goods-producing sectors and the service sectors. Industrial activity fell off sharply during the first quarter but recovered from May onwards, largely because the expectation of the removal of the freeze stimulated demand for consumer durables as a hedge against inflation. This was particularly true in the construction and industrial sectors. Nonetheless, manufacturing output declined by nearly 1% during the first seven months in relation to the same period the previous year (see table 1). The unemployment rate in the main metropolitan areas showed a slight downward trend during the second quarter, reaching a level lower than the average for the previous year (3.8%), partly on account of the absorption of labour by the informal market (see table 3). On the other hand, real wages in industry, which had increased considerably in 1988 due to monthly readjustments which incorporated both the variation in consumer prices and increases in productivity, declined as a result of the upsurge in inflation, although their average level during the first half of the year was higher than for the same period of the previous year (see table 2).

Exports again provided a major boost for output, although their rate of growth slumped from 29% in 1988 to less than 9% in July (see table 5). This slowdown was due to the drop in the world prices of several agricultural products, such as coffee and soya, the lag between the official and the real exchange rate, and labour disputes in a number of export industries. Nevertheless, the value of exports of semi-manufactured products continued to rise significantly (33%) during the first seven months (see table 7). The value of imports, for its part, rose by 17%, because of the lag in the exchange rate and of some easing of trade restrictions. Nevertheless, the trade balance again posted a large surplus, amounting to US\$10.7 billion for the first seven months.

Figure 1
BRAZIL: QUARTERLY EVOLUTION OF THE
MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

Table 1
BRAZIL: INDUSTRIAL PRODUCTION

	IBGE (National Index)				FIESP (Index for the State of São Paulo)			
	Index 1981 = 100	Percentage variation			Index 1978 = 100	Percentage variation		
		Month ^a	12 Ms. ^b	Year ^c		Month ^a	12 Ms. ^b	Year ^c
1987								
Dec	109.5	-11.6	-3.9	1.0	127.7	-5.8	-8.5	-0.6
1988								
Jan	105.3	-3.8	-9.1	-9.1	126.0	-0.6	-5.5	-5.5
Feb	105.0	-0.3	-9.5	-9.3	127.2	0.2	-3.4	-4.5
Mar	119.9	14.2	-0.2	-6.2	139.4	9.6	-0.6	-3.2
Apr	109.2	-8.9	-8.4	-6.7	131.6	-5.6	-3.0	-3.1
May	113.4	3.8	-6.0	-6.6	135.6	3.0	0.0	-2.5
Jun	125.4	10.6	1.1	-5.3	138.5	2.1	6.6	-1.0
Jul	124.9	-0.4	1.6	-4.3	138.3	-0.1	4.7	-0.2
Aug	133.1	6.6	7.5	-2.7	140.7	1.7	4.3	0.3
Sep	128.1	-3.8	-1.6	-2.6	137.2	-2.5	0.8	0.4
Oct	122.1	-4.7	-8.1	-3.2	143.1	4.3	2.5	0.6
Nov	114.7	-6.1	-7.4	-3.6	122.8	-14.2	-9.4	-0.3
Dec	106.0	-7.6	-3.2	-3.6	127.1	3.5	-0.5	-0.3
1989								
Jan	102.9	-2.9	-2.3	-2.3	120.5	-5.2	-5.0	-5.0
Feb	94.5	-8.2	-10.0	-6.1	116.0	-3.7	-8.8	-6.9
Mar	108.4	14.7	-9.6	-7.4	130.5	12.5	-6.4	-6.7
Apr	106.7	-1.6	-2.3	-6.1	126.8	-2.8	-3.6	-6.0
May	119.4	11.9	5.3	-3.8	139.2	9.8	2.7	-4.2
Jun	131.0	9.7	4.5	-2.3	143.0	2.7	3.2	-2.9
Jul	135.1	3.1	8.1	-0.6				

Source: ECLAC, on the basis of figures from the Brazilian Geographical and Statistical Institute (IBGE) and 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 in the preceding year.

Table 2
BRAZIL: MANUFACTURING SECTOR EMPLOYMENT AND REAL WAGE
LEVELS IN THE STATE OF SÃO PAULO

	Index 1978 = 100		Percentage variations									
			Employment				Real wage					
			Month		12 Ms.		Month		Year ^b		12 Ms.	
	Employment	Real wage ^a	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989
Jan	104.7	103.3	161.1	182.5	0.0	-0.1	-2.8	-1.3	-5.4	-3.9	-2.7	13.3
Feb	104.8	103.1	168.4	166.1	0.1	-0.2	-3.6	-1.6	4.5	-9.0	-0.4	5.8
Mar	104.8	103.2	167.7	170.5	0.0	0.1	-3.5	-1.5	-0.4	2.6	-3.2	4.4
Apr	104.7	103.4	176.3	184.0	-0.1	0.2	-3.5	-1.2	5.1	7.9	-3.3	4.4
May	104.5	104.3	184.7	185.1	-0.2	0.9	-3.4	-0.2	4.8	0.6	-1.5	3.5
Jun	104.3	104.9	179.0	174.9	-0.2	0.6	-2.4	0.6	-3.1	-5.5	-0.2	2.5
Jul	104.2		176.4		-0.1		-1.3		-1.5		1.8	15.2
Aug	104.3		177.6		0.1		-0.3		0.7		3.5	17.1
Sep	104.2		174.8		-0.1		-0.3		-1.6		4.3	11.2
Oct	104.9		180.5		0.7		0.1		3.3		5.3	14.0
Nov	105.0		190.0		0.1		-0.1		5.3		5.6	8.6
Dec	103.4		189.9		-2.9		-2.6		-0.1		6.1	11.5

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

^a Nominal wages deflated by the consumer price 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 3
BRAZIL: RATES OF OPEN UNEMPLOYMENT
(Percentages)

	Total ^a	Rio de Janeiro	São Paulo	Belo Horizonte	Porto Alegre	Salvador	Recife
1988							
Jan	3.8	2.8	4.0	4.3	3.4	4.9	6.2
Feb	4.3	3.4	4.7	4.3	4.2	4.8	6.0
Mar	4.3	3.4	4.6	4.1	4.3	4.9	6.3
Apr	4.1	3.3	4.2	4.4	3.9	5.1	5.9
May	4.0	3.2	4.4	4.6	3.7	4.8	5.1
Jun	3.9	3.0	4.0	4.6	4.1	5.2	5.0
Jul	3.8	3.0	4.0	4.1	3.6	4.9	5.7
Aug	4.2	3.3	4.3	4.3	3.8	5.2	6.3
Sep	3.8	3.2	4.1	3.7	3.7	3.8	5.6
Oct	3.7	3.2	3.8	3.6	3.3	3.8	5.2
Nov	3.3	3.0	3.3	3.1	2.9	4.0	5.1
Dec	2.9	2.4	2.9	3.1	2.8	4.0	4.6
1989							
Jan	3.9	2.9	4.9	4.2	3.0	5.4	5.7
Feb	4.0	3.0	4.5	4.0	3.5	4.0	5.6
Mar	4.2	3.2	4.5	4.2	3.4	5.1	6.9
Apr	3.9	3.2	4.3	4.0	3.0	4.5	5.8
May	3.4	2.6	3.6	3.7	2.8	4.0	5.3
Jun	3.4	2.7	3.6	3.1	2.6	4.6	5.0

Source: Geographical and Statistical Institute Foundation (FIBGE)

^a Weighted by the labour force of each Metropolitan Area.

Table 4
BRAZIL: PRICE INDEXES
(Percentage variations)

	Domestic availability March 1986 = 100						National Consumer Price Index March 1986 = 100					
	1988			1989			1988			1989		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	19.1	19.1	448.5	36.6	36.6	1 204.4	16.5	16.5	364.8	36.6	36.6	1 112.5
Feb	17.7	40.2	465.6	11.8	52.7	1 139.6	18.0	37.4	380.9	29.1	76.4	1 227.0
Mar	18.2	65.8	481.1	4.2	59.1	993.1	16.0	59.4	387.9	6.9	88.5	1 122.8
Apr	20.3	99.3	482.4	5.2	67.4	855.6	19.3	90.2	381.1	7.3	102.3	999.9
May	19.5	138.2	445.5	12.8	88.7	802.0	17.8	124.0	359.9	9.9	122.4	926.8
Jun	20.8	187.8	423.6	26.8	139.3	851.0	19.5	167.7	336.1	24.8	177.6	972.3
Jul	21.5	249.8	482.1	37.9	230.0	971.5	24.0	232.2	424.9	28.8	257.4	1 012.5
Aug	22.9	329.9	584.6				20.7	300.7	495.5	29.3	362.3	1 092.5
Sep	25.8	440.6	697.0				24.0	397.2	599.1			
Oct	27.6	589.7	814.9				27.3	532.6	714.4			
Nov	28.0	782.6	922.8				26.9	702.6	816.1			
Dec	28.9	1 037.6	1 037.6				28.8	933.6	933.6			

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

Table 5
BRAZIL: TRADE BALANCE
(Millions of dollars)

	Exports FOB			Imports FOB			Trade balance		
	1988	1989	Percentage variation ^a	1988	1989	Percentage variation ^a	1988	1989	Percentage variation ^a
Monthly data									
Jan	2 144	2 748	28.2	1 111	1 137	2.3	1 033	1 611	56.0
Feb	2 062	2 280	10.6	1 164	1 199	3.0	898	1 081	20.4
Mar	2 469	2 841	15.1	1 241	1 196	-3.6	1 228	1 645	34.0
Apr	2 794	2 404	-14.0	916	1 093	19.3	1 878	1 311	-30.2
May	2 901	2 837	-2.2	1 155	1 450	25.5	1 746	1 387	-20.6
Jun	3 097	3 687	19.1	1 257	1 482	17.9	1 840	2 205	19.8
Jul	2 972	3 221	8.4	1 095	1 788	63.3	1 877	1 433	-23.7
Aug	3 465			1 378			2 087		
Sep	3 310			1 376			1 934		
Oct	2 676			1 088			1 588		
Nov	2 958			1 363			1 595		
Dec	2 897			1 514			1 383		
Cumulative figures									
Jan	2 144	2 748	28.2	1 111	1 137	2.3	1 033	1 611	56.0
Feb	4 206	5 028	19.5	2 275	2 336	2.7	1 931	2 692	39.4
Mar	6 675	7 869	17.9	3 516	3 532	0.5	3 159	4 337	37.3
Apr	9 469	10 273	8.5	4 432	4 625	4.4	5 037	5 648	12.1
May	12 370	13 110	6.0	5 587	6 075	8.7	6 783	7 035	3.7
Jun	15 467	16 797	8.6	6 844	7 557	10.4	8 623	9 240	7.2
Jul	18 439	20 018	8.6	7 939	9 345	17.7	10 500	10 673	1.6
Aug	21 904			9 317			12 587		
Sep	25 214			10 693			14 521		
Oct	27 890			11 781			16 109		
Nov	30 848			13 144			17 704		
Dec	33 745			14 658			19 087		

Source: CACEX and FUNCEX.

^a With respect to the same period of the preceding year.

Table 6
BRAZIL: STRUCTURE OF IMPORTS, FOB

	Millions of dollars			Percentage breakdown		Percentage variation	
	1988	1988 (Jan-May)	1989	1988 (Jan-May)	1989	1988	1989 ^a
Total	14 602	5 584	6 089	100.0	100.0	-3.0	9.0
Petroleum	3 194	1 404	1 356	25.1	22.3	-17.2	-3.4
Others	11 408	4 180	4 733	74.9	77.7	1.9	13.2
Consumer good	1 363	473	707	8.5	11.6	-10.2	49.5
Intermediate goods	5 851	2 115	2 281	37.9	37.5	2.3	7.8
Capital goods	4 194	1 592	1 745	28.5	28.7	6.0	9.6

Source: ECLAC, on the basis of figures from the External Trade Center of Studies Foundation.

^a January-May 1988 with respect to the same period of the preceding year.

Table 7
BRAZIL: STRUCTURE OF EXPORTS, FOB

	Millions of dollars			Percentage breakdown		Percentage variation	
	1988	1988 (Jan-Jul)	1989	1988 (Jan-Jul)	1989	1988	1989 ^a
Total	33 781	18 482	20 002	100.0	100.0	28.8	8.2
Basic products	9 397	5 058	5 207	27.4	26.0	17.1	2.9
Coffee beans	1 998	1 176	1 005	6.4	5.0	2.0	-14.5
Iron ore	1 828	1 079	1 240	5.8	6.2	17.0	14.9
Soya meal	2 024	946	1 074	5.1	5.4	39.6	13.5
Tobacco	511	319	290	1.7	1.4	26.2	-9.1
Others	3 036	1 538	1 598	8.3	8.0	14.8	3.9
Industrial products	24 082	13 276	14 623	71.8	73.1	33.7	10.1
Semimanufactures	4 892	2 643	3 504	14.3	17.5	54.0	32.6
Manufactures	19 190	10 632	11 118	57.5	55.6	29.4	4.6
Transport equipment	3 387	1 792	1 712	9.7	8.6	21.8	-4.5
Mach., boilers and mechanical app.	1 415	992	927	5.4	4.6	-13.4	-6.6
Mach., and elec. app	859	608	699	3.3	3.5	-3.3	15.0
Footwear	1 168	695	763	3.8	3.8	-8.8	9.8
Orange juice	1 144	497	527	2.7	2.6	37.5	6.0
Steel manufactures	2 185	1 273	1 144	6.9	5.7	120.9	-10.1
Others	6 492	3 418	4 206	18.5	21.0	107.7	23.1
Other products	302	148	172	0.8	0.9	70.6	16.2

Source: Bank of Brazil.

^a January-July 1989 with respect to the same period of the preceding year.

Table 8
BRAZIL: EXCHANGE RATE

	Official exchange rate (Cruzados per dollar)				Adjusted real exchange rate ^a Index March 1986 = 100			
	1986	1987	1988	1989 ^b	1986	1987	1988	1989
Jan	12.16	15.67	77.60	0.91	104.87	79.47	88.01	89.87
Feb	13.84	18.16	91.40	1.00	104.66	81.26	87.95	76.85
Mar	13.84	20.93	107.60	1.00	100.00	81.87	89.48	72.91
Apr	13.84	23.74	125.20	1.02	98.86	77.38	88.04	69.82
May	13.84	30.78	151.40	1.10	98.16	82.00	91.00	68.95
Jun	13.84	39.44	178.30	1.34	97.13	83.72	90.42	67.12
Jul	13.84	44.93	215.80	1.90	95.81	93.03	88.57	74.02
Aug	13.84	47.13	267.40	2.48	94.66	91.83	91.13	75.00
Sep	13.84	49.80	326.20		93.72	91.82	89.73	
Oct	14.09	53.41	408.80		94.32	90.43	88.46	
Nov	14.20	59.29	526.20		92.11	89.11	88.90	
Dec	14.90	67.48	666.60		90.10	88.78	88.91	

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

^a Index of the nominal exchange rate deflated by the consumer price index and adjusted by the United States wholesale price index.

^b Expressed in the new currency denominated "cruzado novo"; 1 cruzado novo = 1 000 cruzados.

Table 9
BRAZIL: MONEY SUPPLY AND MONETARY BASE
(Percentage variations)

	Money supply				Monetary base ^a			
	Year ^b		12 Months ^c		Year ^b		12 Months ^c	
	1988	1989	1988	1989	1988	1989	1988	1989
Jan	-10.3	17.1	161.0	776.2	0.4	13.2	193.1	714.6
Feb	-0.9	23.1	171.9	734.6	-6.8	35.5	185.8	949.0
Mar	12.9	40.1	175.3	733.4	34.1	58.8	299.1	754.8
Apr	27.9	92.8	270.4	712.4	44.2	80.1	288.3	801.9
May	52.5	101.7	337.5	788.3	66.3	140.6	353.8	944.6
Jun	78.0	129.8	288.1	767.0	80.9	178.9	435.7	1 012.8
Jul	94.5	154.1	285.6	777.6	99.4	203.1	358.4	997.7
Aug	115.8		289.8		115.1		299.3	
Sep	179.3		364.4		183.2		338.9	
Oct	258.2		433.4		267.3		395.6	
Nov	339.6		475.0		336.4		464.5	
Dec	571.7		571.7		622.0		622.0	

Source: Central Bank.

^a Defined as the sum of the monetary liabilities of the monetary authorities: currency outside banks, deposits of commercial banks and current account deposits. The monetary authorities include not only the Central Bank but also the Banco do Brasil, which plays an important role 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 10
BRAZIL: MONTHLY INTEREST RATES
(Percentages)

	Deposits						Loans			
	Open market operations		Deposits bonds		Savings deposits		Working capital		Consumer credit	
	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989 ^a
Jan	17.1	22.7	21.9	22.7	17.1	22.9	25.5	29.5	21.7	40.0
Feb	18.6	19.0	24.5	19.0	18.6	19.0	27.5	^b	21.9	25.0
Mar	16.6	20.4	22.4	20.4	16.6	20.4	26.3	22.4	23.5	26.6
Apr	19.9	11.5	27.3	11.5	19.9	11.5	25.1	16.8	23.3	25.3
May	18.6	10.4	18.7	10.4	18.3	10.5	19.2	16.1	24.0	25.0
Jun	19.6	21.3	20.4	19.3	20.1	25.5	20.9	21.7	23.0	26.3
Jul	24.7	33.3	25.7	31.6	24.7	29.4	26.2	35.3	27.5	39.5
Aug	21.3	33.3	25.8	29.9	21.3	30.0	32.3	40.0	28.1	43.4
Sep	24.6		26.5		24.6		26.5		27.3	
Oct	27.9		29.8		27.8		29.8		30.0	
Nov	27.2		28.3		27.6		28.9		30.9	
Dec	29.4		29.9		29.4		29.9		40.0	

Source: ECLAC, on the basis of official data.

^a January, only two weeks included, because there were no transactions during the second half registered.

^b No transactions

COLOMBIA

The performance of the Colombian economy during the first half of 1989 was affected by the restrictive policy adopted early in the previous year to dampen the upturn in inflation. Although prices again rose by the now typical rate of approximately 25%, output has been sluggish, so that growth is expected to be less than the 3.5% registered in 1988, which, in turn, was only half the rate attained in the 1986-1987 biennium. In the external sector, the current account showed a favourable balance which may be eroded, however, by the sharp drop in the international price of coffee from July onwards.

The strengthening of monetary and fiscal policies led to the removal in January of the controls on interest rates established the previous August. This resulted in increases in both the nominal and real rates of interest, although the increase in the latter was greater, given the downward trend of inflation. The rate of expansion of the monetary base also dropped sharply. In contrast with the difficulties experienced in the harvests of the first half of 1988, good agricultural performance helped to slow the rise in food prices. As a result of these factors, the yearly inflation rate declined from 28% in January to somewhat less than 26% in August (see table 4).

In order to enhance the competitiveness of exports, the rate of devaluation of the nominal exchange rate was kept unchanged. Owing to the decline in the rate of inflation, this resulted in a rise of almost 6% in the real average exchange rate, which thus attained a level well above that reached in any other year of the current decade (see table 5).

The restrictive policy had particularly adverse consequences for the industrial and construction sectors (see tables 1 and 2). The rate of expansion in the industrial sector, which had begun to slacken in the second half of the previous year, turned negative in early 1989, with sharp declines in branches such as cement (-13%), steel (-33%) and vehicle assembly (-20%). Moreover, the financial provisions contained in the new urban reform law on low-cost housing caused the savings and housing corporations to cease granting loans for construction, with predictable consequences for the latter activity. Public construction, for its part, ran into problems of financing, owing to the delay in the inflow of fresh external credits. In contrast, the mining sector expanded, thanks to a 10% increase in the extraction of petroleum and a more than 4% rise in gold production, as well as the continued good performance of the coal-mining sector. Petroleum production, however, remained below capacity as a result of fresh acts of sabotage against both the pipeline and the terminal which forced a three-week suspension in the transport of crude. For its part, the agricultural sector managed to maintain the growth rate of the previous year (3%) despite a decline of more than 4% in the coffee harvest. Finally, commerce was affected by the restrictive monetary policy and by the maintenance of the requirement for an initial 30% down payment on credit card purchases.

Despite the sluggishness of the economy, the unemployment rate in the four principal cities fell from nearly 12% to 10% between June 1988 and June 1989 (see table 3). This reduction is attributable to a decline in the rate of participation and an increase in employment in the public sector, particularly in branches linked to security and the administration of justice. For its part, following a decline in the early part of the year, the level of real wages recovered so that the average for the first five months of the year was slightly higher than the average for the same period of the previous year (see table 6).

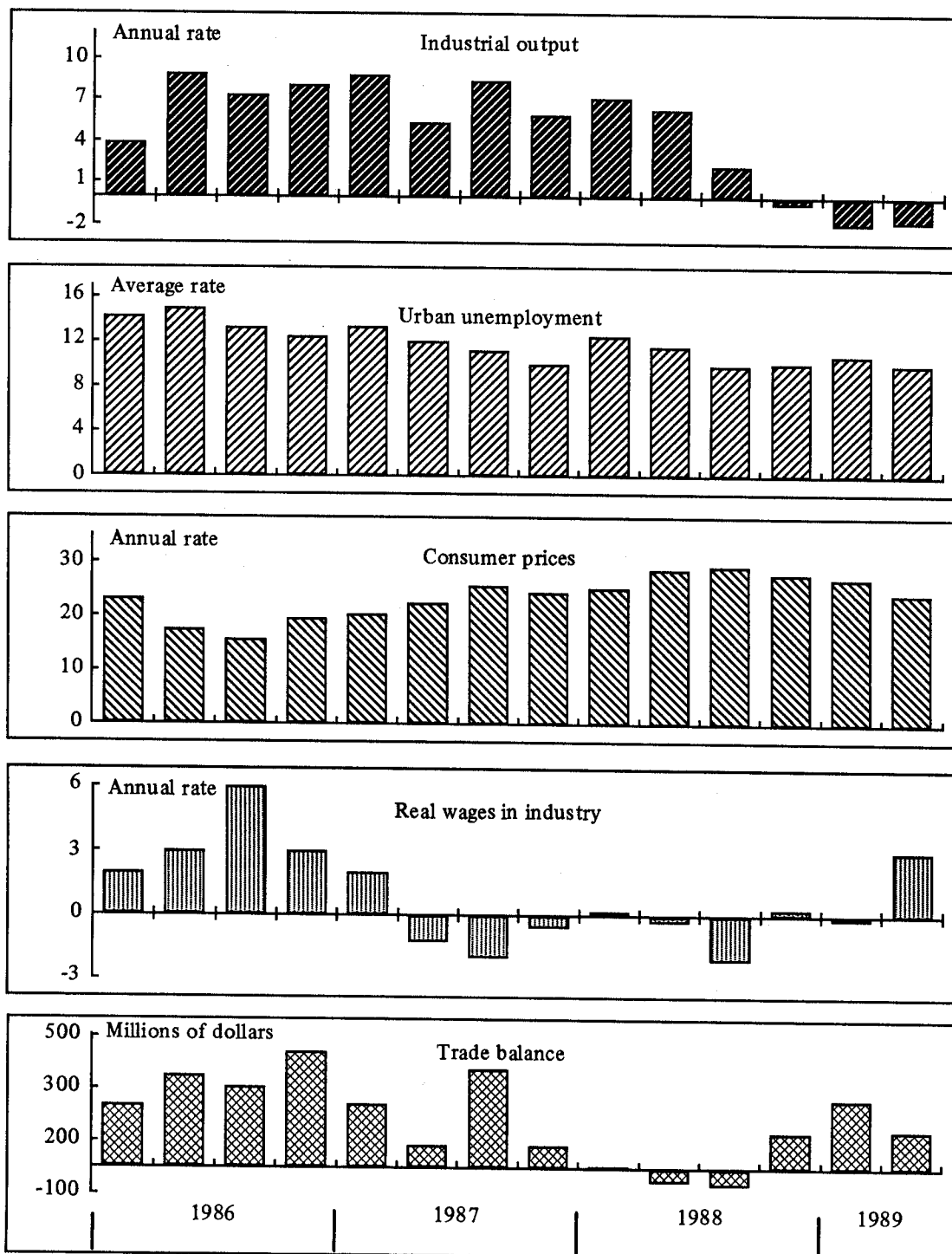
Exports of goods and receipts from transfers posted significant increases. Continued growth in sales of non-traditional products and the upswing in international petroleum prices led to a rise in the total value of exports. Of particular note was the upturn (approximately 50%) in sales of coal, as a result of the aggressive marketing policies pursued by the State company CARBOCOL. While the volume of petroleum exports recovered appreciably, it still remained below normal levels. In contrast, coffee encountered serious difficulties because of the slump in international prices, which fell from an average of US\$1.50 per pound in the period January-May to US\$0.91 in July. This drop is attributable to the imminent disappearance of the quota system following the failure to reach agreement on the renewal of the International Coffee Agreement, which expires in September. The fall in prices will result in a considerable loss of export earnings, though this may be partially offset by the increase in export volume, using a part of the huge stocks set aside in previous years.

The increase in exports and in income from transfers was greater than the combined value of imports and interest payments on the foreign debt (see table 7). During the first seven months of the year a substantial surplus was thus recorded on the current account. In contrast, international reserves declined by US\$400 million (see table 8), owing to the fact that Colombia continued to pay its external debt even though disbursement of the fresh credit of US\$1.65 billion secured under an agreement with international commercial banks had not yet begun.

This delay had serious adverse consequences on public investment. Thus, although central government outlays on investment during the first half of the year were equal, in real terms, to the level for the same period of the previous year, those of the public sector as a whole declined, even though they were scheduled for an increase in the macroeconomic programme for 1989.

The size of the overall public sector deficit remained about the same as in 1988—approximately 2.7% of the gross domestic product—; all the same public sector accounts did encounter some difficulties. The central government deficit during the first five months of the year was almost 50% larger than the year before, owing to the drop in real income as a result of the reduced transfers from ECOPETROL, which was forced to spend large sums to repair the damage caused by acts of sabotage and also had to apply special increases in the domestic prices of petroleum products.

Figure 1
COLOMBIA: QUARTERLY EVOLUTION OF THE
MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

Table 1
COLOMBIA: INDUSTRIAL PRODUCTION ^a

	Index 1980 = 100			Percentage variations					
				1988			1989		
	1987	1988	1989	Month	12Ms. ^b	Year ^c	Month	12Ms. ^b	Year ^c
Jan	100.7	105.9	106.1	-9.3	5.2	5.2	-8.9	0.2	0.2
Feb	111.9	125.3	119.6	18.3	12.0	8.7	12.7	-4.5	-2.4
Mar	123.1	128.5	118.4	2.6	4.4	7.1	-1.0	-7.9	-4.3
Apr	114.3	123.5	129.4	-3.9	8.0	7.4	9.3	4.8	-2.0
May	123.6	132.8	132.0	7.5	7.4	7.4	2.0	-0.6	-1.7
Jun	122.6	127.2		-4.2	3.8	6.8			
Jul	126.4	125.9		-1.0	-0.4	5.7			
Aug	124.3	135.0		7.2	8.6	6.0			
Sep	133.1	131.2		-2.8	-1.4	5.1			
Oct	128.0	126.9		-3.3	-0.9	4.5			
Nov	128.6	128.6		1.3	0.0	4.1			
Dec	116.8	116.5		-9.4	-0.3	3.7			

Source: National Bureau of Statistics (DANE).

^a Except coffee thrash.

^b With respect to the same month of the preceding year.

^c With respect to the same

period of the preceding year.

Table 2
COLOMBIA: INDICATORS OF ECONOMIC ACTIVITY
(January-June)

	1987	1988	1989	Percentage variations	
				1988	1989
Mining					
Crude oil ^a	65.7	62.8	69.3	-4.4	10.4
Gold ^b	408.1	454.7	475.3	11.4	4.5
Silver ^{b c}	76.0	99.4	92.8	30.8	-6.6
Iron ore ^{c d}	290.7	317.7	219.9	9.3	-30.8
Manufacturing					
Sugar ^d	622.4	649.5	686.1	4.4	5.6
Cement ^{c d}	2 916.1	3 064.2	2 668.0	5.1	-12.9
Steel ingots ^{c d}	175.0	166.3	110.9	-5.0	-33.3
Assembled vehicles ^e	24.0	29.9	23.8	24.6	-20.4
Construction ^f	4 370.5	4 279.6	3 084.9	-2.1	-27.9

Source: Banco de la República and National Bureau of Statistics (DANE).

^a Millions of barrels.

^b Thousands of troy ounces.

^c January-May.

^d Thousands of tons.

^e Thousands of

units. ^f Thousands of square meters.

Table 3
COLOMBIA: RATE OF UNEMPLOYMENT

	1987				1988				1989	
	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June
Total	13.4	12.1	11.3	10.1	12.6	11.7	10.0	10.2	10.9	10.1
Bogotá	13.0	12.0	10.5	8.9	12.2	11.0	9.4	9.4	9.8	8.6
Barranquilla	16.1	11.9	13.6	10.2	13.2	11.0	9.1	12.3	13.3	11.5
Cali	13.8	12.4	12.7	10.6	11.9	12.4	10.8	9.9	10.7	11.7
Medellín	12.4	12.5	11.1	12.9	14.4	13.4	11.7	11.9	13.0	12.3

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

Table 4
COLOMBIA: PRICE INDEX
(Percentage variations)

	Consumer price index						Wholesale price index					
	1988			1989			1988			1989		
	Month	Year	12Ms.	Month	Year	12Ms.	Month	Year	12Ms.	Month	Year	12Ms.
Jan	3.0	3.0	23.7	2.8	2.8	27.9	3.8	3.8	24.8	4.2	4.2	30.0
Feb	4.0	7.2	26.1	3.3	6.3	27.0	2.9	6.8	25.0	2.5	6.8	29.5
Mar	2.9	10.3	26.4	2.5	8.9	26.5	2.8	9.8	26.4	2.5	9.4	29.0
Apr	3.9	14.6	28.4	2.5	11.6	24.8	2.7	12.8	27.1	2.5	12.1	28.7
May	1.7	16.6	28.4	1.8	13.6	24.9	1.6	14.6	27.3	1.6	13.9	28.7
Jun	2.4	19.3	30.3	1.4	15.2	23.6	2.5	17.5	29.2	1.8	15.9	27.8
Jul	1.4	21.1	30.3	1.5	17.0	23.8	2.0	19.8	29.5			
Aug	-0.2	20.0	29.6	1.4	18.6	25.6	1.3	21.4	30.5			
Sep	0.7	21.7	29.0				1.1	22.7	29.7			
Oct	1.6	23.6	28.6				1.8	24.9	29.8			
Nov	1.4	25.3	27.7				1.4	26.7	29.4			
Dec	2.2	28.1	28.1				2.2	29.5	29.5			

Source: National Institute of Statistics (INE).

Table 5
COLOMBIA: EXCHANGE RATE

	Official exchange rate (Pesos per dollar)				Adjusted real exchange rate ^a (Index 1985 = 100)			
	1986	1987	1988	1989	1986	1987	1988	1989
Mar	179.5	229.0	276.9	354.1	94.3	100.8	100.1	108.5
Jun	192.4	241.4	296.4	377.9	99.5	103.0	101.4	110.7
Sep ^b	203.2	252.8	314.9	385.5	101.6	105.6	106.3	110.6
Dec	216.9	262.1	333.3		101.7	103.7	107.8	

Source: ECLAC, on the basis of data from the International Monetary Fund.

^a Index of the nominal exchange rate, deflated by the consumer price index and adjusted by the United States wholesale price index. ^b 1989 data are for July.

Table 6
COLOMBIA: INDEX OF AVERAGE REAL SALARIES
(Percentage variations)

	1988			1989		
	Month ^a	Year ^b	12Ms. ^c	Month ^a	Year ^b	12Ms. ^c
Jan	0.9	0.7	0.6	-2.4	-2.3	-2.3
Feb	-0.8	0.5	0.2	1.8	-1.0	0.3
Mar	-0.5	0.3	-0.4	0.4	-0.3	1.2
Apr	-0.9	0.3	0.2	0.9	0.5	3.1
May	-0.8	0.3	0.2	-0.3	1.1	3.5
Jun	-0.3	-	1.3			
Jul	-1.3	-0.4	-3.2			
Aug	2.0	-0.7	-2.4			
Sep	0.7	-0.7	-0.7			
Oct	0.1	-0.6	0.1			
Nov	0.6	-0.6	-0.1			
Dec	1.4	-0.4	1.1			

Source: National Bureau of Statistics (DANE).

^a Monthly variation.

^b Percentage variation of the average cumulative index, with respect to the same period of

the preceding year.

^c With respect to the same month of the preceding year. Note: Total industrial sector, except coffee thrash.

Table 7
COLOMBIA: BALANCE OF PAYMENTS
(Millions of dollars)

	January-July			Percentage variation	
	1987	1988	1989	1988	1989
Balance on current account	273	-19	292	-	-
Trade balance (goods)	221	87	126	-61	45
Exports (FOB)	1 936	2 119	2 426	9	14
Coffee	875	816	803	-7	-2
Others	1 061	1 303	1 623	23	25
Imports	1 715	2 032	2 300	18	13
Purchases of gold	209	241	221	15	-8
Balance on services and other transactions	-211	-413	-151	96	-63
Net interest	-590	-629	-673	7	7
Others	379	216	522	-43	142
Oil and mining explorations	54	66	96	22	45
Balance on capital account	-464	464	-623	-	-
Valuation adjustments	58	8	-55	-86	-
Global balance	-133	453	-386	-	-

Source: ECLAC, on the basis of official information.

Table 8
COLOMBIA: NET INTERNATIONAL RESERVES
(Millions of dollars)

	Amount			Absolute variation					
				Month			Year ^a		
	1987	1988	1989	1987	1988	1989	1987	1988	1989
Mar	3 257	3 227	3 447	-117	-160	-189	-221	-223	-363
Jun	3 315	3 970	3 325	20	238	-11	-163	520	-485
Sep ^b	3 262	3 673	3 389	-138	-168	64	-216	223	-421
Dec	3 450	3 810		137	78		-28	360	

Source: Banco de la República.

^a With respect to December of the preceding year. ^b 1989 data stand for July.

Table 9
COLOMBIA: NATIONAL GOVERNMENT INCOME AND EXPENDITURE
(January-June)

	Billions of pesos			Percentage variations	
	1987	1988	1989	1988	1989
Current income (net) ^a	388.1	485.7	655.4	25.1	34.9
Total payments	403.7	579.9	788.8	43.6	36.0
Operating expenditure	267.4	418.2	554.0	56.4	32.5
Interest payments on debt	40.3	55.9	97.5	38.7	74.4
Investment	94.6	103.7	135.2	9.6	30.4
Other payments	1.4	2.1	2.1	50.0	-
Deficit	-15.6	-94.2	-133.4	-	-
Financing	15.6	94.2	133.4	503.8	41.6
Net external credit ^b	-53.5	-61.2	-71.4	14.4	16.7
Net domestic credit ^b	2.1	155.4	204.8	-	31.8
Reduction in cash holdings	67.0	-	-	-	-

Source: ECLAC, on the basis of figures supplied by the National Planning Department.

^a Tax resources of the special exchange account are not included. ^b Includes amortization of public debt.

Table 10
COLOMBIA: INTEREST RATES ON 90-DAY DEPOSIT CERTIFICATES

	Projected nominal rate ^a				Effective weighted rate ^b			
	1986	1987	1988	1989	1986	1987	1988	1989
Mar	25.4	25.7	29.1	27.9	30.1	30.4	35.3	33.5
Jun	25.9	26.0	29.9	28.3	30.7	30.8	36.5	34.1
Sep	25.9	25.9	26.9		30.7	30.7	32.1	
Dec	26.9	28.3	26.7		32.1	34.2	31.8	

Source: Banco de la República.

^a Comparable with the corresponding weighted effective rate.

^b Based on the value of deposits in banks and financial corporations in Bogotá.

CHILE

The outstanding feature of the Chilean economy in the first half of 1989 was the exceptional but unsustainable growth of output. Gross domestic product increased by over 10% compared with the same period of the year before, so that per capita output exceeded for the first time—and by a considerable margin—the peak level attained before the 1982-1983 crisis. While the expansion was generalized, it was particularly marked in fisheries (29%), commerce and transport (15%) and manufacturing (12%). Mining and construction also grew at very high rates (see table 1).

As a result of the increase in economic activity, the employment situation also improved. Although, on account of seasonal factors, the unemployment rate rose moderately up to June, the average nationwide unemployment rate in the first half of 1989 stood at 6.6% compared with 8.8% for the same period of the year before, while in the Metropolitan Region it went down from 11.5% to 7.7% (see table 6).

In its sixth year of recovery and growth, however, the economy began to show signs of overheating. Thus, inflation rose slowly but surely while, imports expanded at a very rapid rate.

The huge increase in demand was due to a marked upswing in private sector expenditure, both on consumption and on investment. Sustained growth of economic activity seems to have gradually raised many economic agents' expectations of their permanent future income, as is suggested by the considerable rise in the values of real estate and stocks and shares. So too, the initiation of major investment projects—especially in mining and in the pulp and paper industry—helped to bring about a substantial increase in capital formation and imports. A further factor behind the dynamism of domestic demand was the delayed impact of the expansionary monetary policy applied in 1988, which had reached its high point in October, when the annual rate of variation of private sector money rose to 66%. Although private sector money went down slightly in the first half of 1989, the big expansion it had undergone in the previous year continued to exert upward pressures on effective demand. Finally, private consumption was also stimulated by the recovery in real average wages and, above all, the growth in employment.

One result of the vigorous growth in domestic spending was the resurgence of inflation, which, although it remained at a moderate level, gradually rose from an annual rate of 11% in November 1988 to one of over 18% in August 1989 (see table 7). This resurgence of inflation, in turn, hindered the improvement of real average wages, which, after having risen by 6.5% in 1988, grew by only 3% in the first seven months of 1989 compared with the same period the year before (see table 8).

The most striking effect of the excessive growth in demand, however, was the marked increase in imports, due to the decline in the real exchange rate in the first half of the year and the tendency of economic agents to make earlier purchases of durable goods in order to protect themselves against possible increases in tariffs and taxes. Thus, the total value of imports in the first seven months was 38% higher than in the corresponding period of 1988. Particularly pronounced increases were noted in purchases of both consumer goods (49%) and capital goods (43%) (see table 12).

The negative impact of the expansion of imports on the trade surplus was limited somewhat, however, by the 17% increase in the value of exports, due in particular to the steady expansion in the volume of exports of industrial goods and the high price of

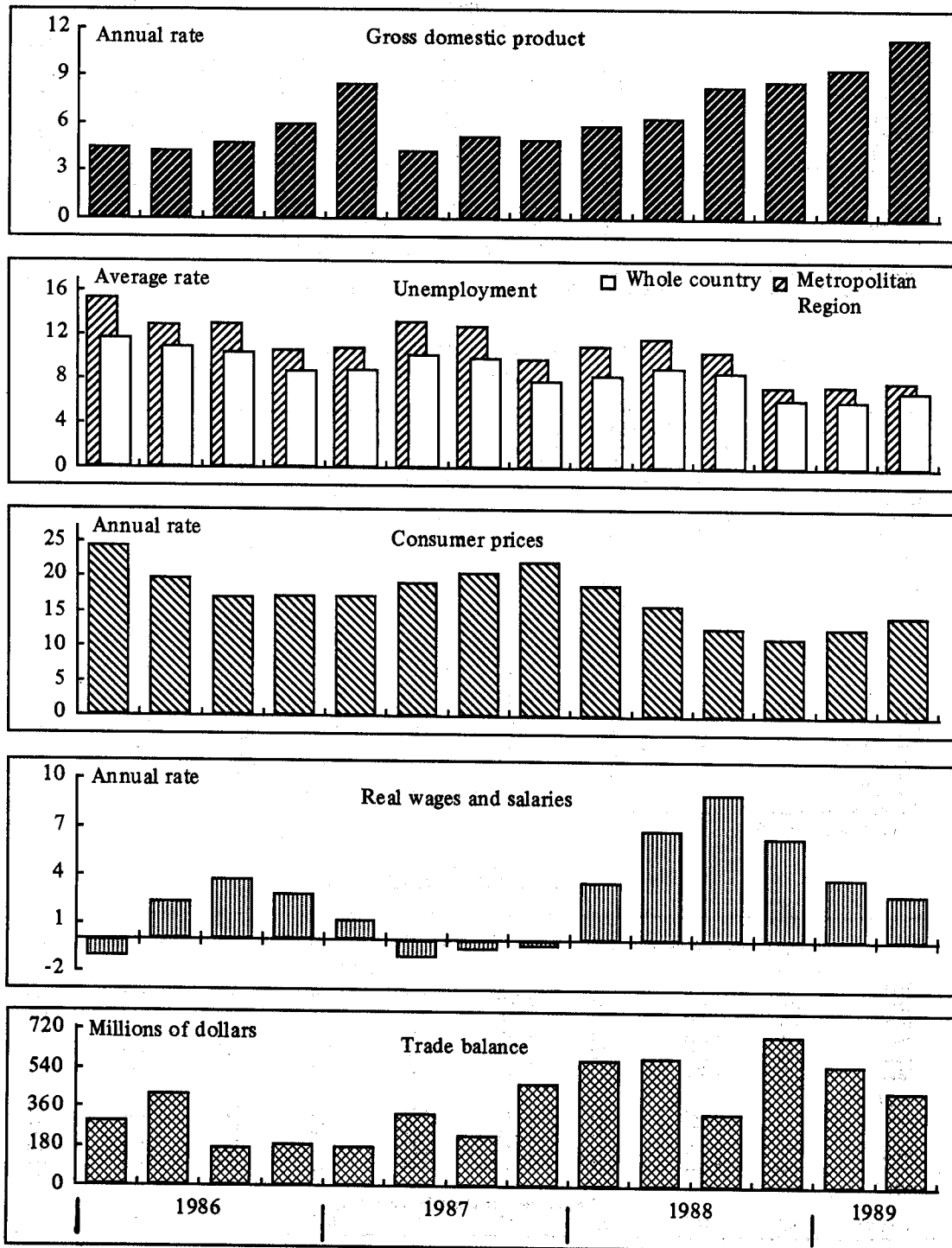
copper. The average price of this metal in the first seven months of the year was 23% higher than in the same period of the year before, representing rather more than US\$300 million of extra foreign exchange income. This increased income was partly offset, however, by the losses of around US\$200 million caused by the difficulties encountered by fruit exports on account of the alleged poisoning of grapes shipped to the United States market, as well as by the drops in the prices of gold (-15%), silver (-13%) and fish meal (-3%).

Consequently, the trade surplus for the first half of the year, although still substantial (US\$1 015 million), was 14% less than that for the same period of the preceding year, and in July—for the first time since January 1985—it registered a small deficit (see table 10).

The excessive growth rate of both economic activity and of exports, together with the resurgence of inflation, caused the economic authorities to take steps to limit the expansion of the economy in the second half of the year. Thus, in January and again in April, the Central Bank raised the rate of interest on its 90-day readjustable bills, and in June, together with raising interest rates again, it increased the rediscounting costs to the banking system and modified exchange policy. In order to make imports more expensive and promote exports, the exchange rules laid down at the beginning of the year—which provided for a devaluation of the Chilean peso in real terms at the rate of 0.3% per month—were modified in two respects: the rate of external inflation used to fix the exchange rate was lowered and the acceptable range of float was widened. Thus, the exchange rate moved up to the top of the permissible range, and its real level rose 5% between May and August. These measures were further strengthened in September, when the authorities raised the interest rate on readjustable bills of the Central Bank for the fourth time and once again reduced the rate of external inflation to be taken into account in fixing the monthly variation of the exchange rate.

At the same time, the external debt continued to fall during the period under review. Thus (excluding the Central Bank's debts with the IMF) it declined from US\$17 650 million in December 1988 to US\$16 800 million at the end of July 1989. As in previous years, the main cause of this reduction was the debt conversion operations which have made it possible, since they began in 1985, to reduce bank debt by some US\$7 500 million. As a result, the structure of the external debt has undergone significant changes. Thus, in mid-1989 the medium- and long-term debt owed to commercial banks came to US\$6 500 million (compared with US\$14 700 million in 1985), while the debt owed to suppliers and multilateral agencies (which had been around US\$5 000 million in 1985) amounted to a little over US\$10 000 million.

Figure 1
CHILE: QUARTERLY EVOLUTION OF THE
MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

Table 1
CHILE: GROSS DOMESTIC PRODUCT
(Percentage variations) ^a

	1988					1989 ^b		
	I	II	III	IV	Year	I	II	I Sem.
Total	5.9	6.4	8.4	8.7	7.4	9.5	11.4	10.5
Agriculture	5.1	6.4	6.1	5.6	5.7	0.9	5.5	3.0
Fishing	-5.8	1.2	24.8	0.0	2.6	41.3	17.6	29.2
Mining	-1.1	0.0	8.4	9.2	4.2	5.3	11.5	8.5
Industry	9.3	7.6	9.5	8.4	8.7	10.7	14.1	12.4
Electricity, gas and water	9.1	8.1	9.9	10.2	9.3	7.3	8.1	7.7
Construction	7.5	5.2	6.5	5.2	6.1	10.8	6.0	8.3
Commerce	8.3	9.6	10.5	10.5	9.8	14.7	16.1	15.4
Transport	10.6	6.6	13.5	15.0	11.5	14.5	16.8	15.6
Others	3.7	5.7	6.0	7.8	5.8	8.2	9.0	8.6

Source: Central Bank.

^a With respect to the same period of the preceding year.

^b Provisional figures.

Table 2
CHILE: CROP-FARMING PRODUCTION
(Crop years)

	Thousands of metric quintals ^a				Percentage variation			
	1986	1987	1988	1989	1986	1987	1988	1989
Wheat	16 258	18 741	17 342	17 655	39.6	15.3	-7.5	1.8
Oats	1 244	1 275	1 569	1 645	-27.0	2.5	23.1	4.8
Barley	881	483	816	851	3.6	-45.2	68.9	4.3
Rye	86	48	...	...	-25.2	-44.2	...	...
Rice	1 267	1 470	1 623	1 852	-19.1	16.0	10.4	14.1
Maize	7 213	6 172	6 609	9 385	-6.5	-14.4	7.1	42.0
Beans	892	812	998	730	-11.4	-9.0	22.9	-26.9
Lentils	290	247	201	78	17.4	-14.8	-18.6	-61.2
Chickpeas	89	148	76	42	-3.3	66.3	-48.6	-44.7
Peas	48	52	...	...	-23.8	8.3	...	...
Potatoes	7 911	7 269	9 282	8 816	-12.9	-8.1	27.7	-5.0
Field peas	30	24	...	...	30.4	-20.0	...	...
Sunflower	544	396	489	319	67.4	-27.2	23.5	-34.8
Rape	971	951	1 226	1 129	204.4	-2.1	28.9	-7.9
Sugar beet	26 384	26 495	24 872	28 097	24.2	0.4	-6.1	13.0
Lupin	97	133	...	...	-40.9	37.1	...	...
Tobacco	79	83	104	105	1.3	5.1	25.3	1.0

Source: National Statistics Institute (INE).

^a Metric quintal = 100 kgs.

Table 3
CHILE: MINING PRODUCTION

	Copper ^a	Molybdenum ^b	Silver ^b	Gold ^c	Iron Ore ^{ad}	Iron Ore ^{ae}	Coal ^a	Petroleum ^f	Natural gas ^g
1988									
Jan	100	1 238	41	1 589	721	353	196	122	350
Feb	101	1 397	42	1 838	397	360	187	114	329
Mar	120	1 625	44	1 610	727	388	227	112	346
Apr	106	1 502	32	1 797	632	385	199	105	344
May	108	1 393	46	1 814	666	384	222	116	371
1989									
Jan	118	1 021	41	1 643	639	353	179	122	364
Feb	120	1 307	37	1 503	669	316	183	106	326
Mar	130	1 377	49	1 948	677	215	181	115	366
Apr	130	1 251	41	1 555	769	377	163	106	353
May								102	354
Percentage variation January-May									
1989/88	16.6	-14.0	5.7	-2.7	11.2	-15.1	-12.7	-3.2	1.3

Source: National Statistics Institute (INE).

^a Thousands of metric tons.

^b Metric tons.

^c Kilogrammes.

^d Crude iron ore.

^e Pellets.

^f Thousands

of cubic meters.

^g Millions of cubic meters.

Table 4
CHILE: INDUSTRIAL OUTPUT
(Percentage variations)

	SOFOFA ^a						INE		
	Production			Sales			Production		
	Month ^b	12 Ms. ^c	Year ^d	Month ^b	12 Ms. ^c	Year ^b	Month ^c	12 Ms. ^c	Year ^d
1988									
Jan	-10.6	3.3	3.3	-11.2	2.7	2.7	-2.7	7.8	7.8
Feb	-4.7	7.0	5.1	-4.4	-0.2	1.3	-10.8	8.1	7.9
Mar	21.6	2.7	4.2	20.1	10.6	4.5	21.2	2.6	5.9
Apr	0.3	1.7	3.5	-5.6	4.0	4.4	-2.2	0.8	4.5
May	4.6	3.5	3.5	-1.1	4.2	4.4	5.5	6.1	4.9
Jun	0.4	4.9	3.8	1.2	2.0	3.9	-1.0	4.8	4.9
Jul	2.1	6.5	4.2	2.9	3.1	3.8	4.7	6.5	5.1
Aug	2.3	11.6	5.1	1.7	9.3	4.5	1.1	13.1	6.1
Sep	-5.4	11.3	5.8	-1.0	8.9	5.0	-4.2	12.4	6.8
Oct	-4.0	2.7	5.5	-2.4	5.0	5.0	0.8	4.7	6.6
Nov	12.5	15.0	6.4	14.4	14.7	5.9	4.8	12.7	7.2
Dec	-3.6	12.3	6.9	-1.3	10.0	6.3	-0.4	14.7	7.8
1989									
Jan	-8.2	17.2	17.2	-9.5	13.9	13.9	6.7	10.0	10.0
Feb	-7.8	13.3	15.3	-11.2	5.8	10.0	-14.0	6.0	8.1
Mar	23.8	15.4	15.3	31.8	16.1	12.2	28.2	12.1	9.6
Apr	2.5	18.0	16.0	-11.7	8.5	11.3	-2.8	11.4	10.1
May	4.1	17.4	16.3	8.7	19.3	12.9	4.9	10.7	10.2
Jun	-0.5	16.3	16.3	-3.4	13.8	13.1	-0.8	10.9	10.3
Jul	0.4	14.4	16.1	1.8	12.5	13.0	-	-	-

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

^a Figures represent variations of 1980 = 100 index.

^b Variation with respect to the preceding month.

^c Variation

with respect to the same month of the preceding year.

^d Cumulative variation with respect to the same period of the

preceding year.

Table 5
CHILE: BUILDING PERMITS APPROVED AND BUILDING STARTS
IN SELECTED COMMUNES ^a

	Total construction				Housing					
	Surface area ^b		Variation ^c		Number		Surface area ^b		Variation ^c	
	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989
Jan	542.2	281.4	44.7	-48.1	6 784	2 798	357.1	186.5	-58.8	-47.8
Feb	265.5	383.0	22.3	-17.7	3 691	5 942	189.4	306.6	-16.6	-9.8
Mar	538.4	618.1	18.5	-4.7	6 739	10 620	396.7	492.3	12.5	4.5
Apr	340.4	425.3	12.6	1.3	5 303	4 981	270.8	307.7	8.1	6.5
May	405.6	504.3	7.8	5.7	4 753	6 390	265.4	390.7	12.7	13.8
Jun	526.3		6.0		8 364		418.1			
Jul	473.1		7.4		6 586		330.2			
Aug	425.4		9.5		6 063		322.4			
Sep	441.4		10.8		4 432		274.5			
Oct	389.4		11.4		5 416		295.4			
Nov	563.0		15.4		8 621		414.9			
Dec	637.3		15.3		9 241		466.2			

Source: National Statistics Institute (INE).

^a New construction projects in the public and private sectors.

^b Thousands of square meters.

^c Cumulative

percentage variation with respect to the same period of the preceding year.

Table 6
CHILE: UNEMPLOYMENT RATE
(Quarterly averages)

Quarters ending in:	1987		1988		1989	
	Metropolitan Region	Nation- wide	Metropolitan Region	Nation- wide	Metropolitan Region	Nation- wide
Jan	10.2	8.4	9.8	7.7	7.3	5.9
Feb	10.6	8.6	10.8	8.3	7.3	5.9
Mar	10.9	8.9	11.1	8.4	7.6	6.2
Apr	11.5	9.1	11.5	8.6	7.8	6.4
May	12.1	9.7	11.7	8.7	8.1	6.8
Jun	13.3	10.3	11.8	9.1	7.9	7.0
Jul	13.8	10.5	11.2	9.1	7.2	6.7
Aug	13.6	10.3	11.0	9.0		
Sep	12.9	10.0	10.6	8.7		
Oct	12.3	9.6	9.7	8.0		
Nov	10.4	8.5	8.3	7.1		
Dec	9.9	7.9	7.4	6.3		

Source: National Statistics Institute (INE).

Table 7
CHILE: PRICE INDEX
(Percentage variations)

	Consumer price index						Wholesale price index					
	1988			1989			1988			1989		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12Ms.
Jan	0.7	0.7	19.9	1.1	1.1	13.1	-1.7	-1.7	16.1	1.0	1.0	6.2
Feb	0.4	1.1	18.3	0.1	1.2	12.8	-0.6	-2.2	14.4	2.2	3.3	9.1
Mar	1.9	3.0	18.6	1.9	3.2	12.9	0.7	-1.5	12.1	1.4	4.7	9.9
Apr	0.8	3.8	16.8	1.0	4.2	13.2	1.1	-0.5	9.8	1.9	6.7	10.8
May	0.5	4.3	15.6	2.0	6.3	14.8	0.8	0.3	8.6	2.3	9.2	12.5
Jun	0.6	4.9	15.5	1.8	8.2	16.2	1.3	1.7	8.6	1.8	11.1	12.9
Jul	0.1	5.1	13.7	1.8	10.1	18.1	0.5	2.2	5.4	2.0	13.4	14.7
Aug	0.8	5.9	13.0	1.0	11.2	18.4	-0.5	1.6	2.1	2.1	15.8	17.8
Sep	0.9	6.9	12.0				0.7	2.3	0.4			
Oct	1.5	8.5	11.0				1.0	3.3	-1.6			
Nov	1.9	10.6	10.9				-0.2	3.1	-2.6			
Dec	1.9	12.7	12.7				0.2	3.3	3.3			

Source: National Statistics Institute (INE).

Table 8
CHILE: INDEX OF REAL WAGES AND SALARIES

	Index of real wages and salaries ^a (December 1982 = 100)			Percentage variations					
	1987	1988	1989	1988			1989		
				Month	Year ^b	12 Ms. ^c	Month	Year ^b	12 Ms. ^c
Jan	95.5	98.0	101.6	1.6	2.5	2.5	1.1	3.7	3.7
Feb	94.8	98.6	102.8	0.7	3.3	4.0	1.2	4.0	4.2
Mar	93.9	98.2	102.2	-0.4	3.7	4.5	-0.6	4.0	4.1
Apr	93.2	98.7	103.3	0.5	4.2	5.8	1.1	4.2	4.7
May	93.2	99.8	103.1	1.1	4.8	7.0	-0.2	4.0	3.4
Jun	94.4	101.8	102.8	2.1	5.3	7.9	-0.4	3.5	0.9
Jul	94.3	103.0	102.8	1.1	5.9	9.2	0.1	3.0	-0.1
Aug	93.9	103.3		0.3	6.4	10.0			
Sep	94.9	102.7		-0.6	6.6	8.2			
Oct	94.4	101.4		-1.3	6.7	7.5			
Nov	93.9	101.1		-0.3	6.8	7.6			
Dec	96.4	100.5		-0.5	6.5	4.3			

Source: National Statistics 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.

Table 9
CHILE: EXCHANGE RATE

	Nominal exchange rate on the banking market (Pesos per dollar)				Adjusted real exchange rate (Index 1985 = 100) ^a			
	1986	1987	1988	1989	1986	1987	1988	1989
Jan	184.8	204.5	243.7	247.1	102.5	94.8	98.0	92.7
Feb	186.7	206.0	240.0	245.8	101.2	94.3	96.2	92.5
Mar	189.2	207.8	243.3	249.6	99.6	93.8	96.0	92.8
Apr	189.2	211.5	241.9	251.4	97.6	93.9	95.5	93.2
May	187.9	212.5	245.2	252.4	96.6	93.7	97.0	92.3
Jun	188.8	218.2	248.3	261.7	95.7	95.8	98.5	93.8
Jul	190.4	224.1	248.3	272.8	95.0	97.4	98.7	96.2
Aug ^b	194.5	224.6	245.6	276.8	96.4	96.3	97.1	97.0
Sep	198.4	225.2	245.7	97.0	94.8	96.3		
Oct	199.7	229.3	247.1	96.4	94.5	95.5		
Nov	202.0	233.8	246.4	96.3	94.7	93.6		
Dec	203.7	235.3	244.6	95.5	94.9	91.7		

Source: ECLAC, on the basis of figures supplied by the Central Bank of Chile and the International Monetary Fund, International Financial Statistics, August, 1989.

^a Index of the nominal exchange rate deflated by the consumer price index and adjusted by the wholesale price index of the United States. ^b Figures of August, 1989 are provisional.

Table 10
CHILE: TRADE BALANCE

	Millions of dollars						Percentage variation ^a				
	Exports FOB		Imports FOB		Trade balance		Exports		Imports		Trade balance
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year	Year
1987											
Dec	637	5 224	315	3 994	322	1 230	77.4	24.4	18.9	28.8	11.9
1988											
Jan	522	522	389	389	133	133	55.8	55.8	29.2	29.2	291.2
Feb	510	1 032	305	694	205	338	39.0	47.0	1.3	15.3	238.0
Mar	637	1 669	392	1 086	245	583	50.6	48.4	15.6	15.4	216.8
Apr	635	2 304	334	1 420	301	884	27.8	42.0	12.1	14.6	130.8
May	536	2 840	418	1 838	118	1 002	31.4	39.9	27.1	17.2	116.9
Jun	558	3 398	384	2 222	174	1 176	47.6	41.1	20.8	17.8	125.3
Jul	561	3 959	387	2 609	174	1 350	17.1	37.1	5.4	15.8	112.9
Aug	520	4 479	461	3 070	59	1 409	26.5	35.8	22.3	16.7	110.9
Sep	512	4 991	405	3 475	107	1 516	22.8	34.3	23.1	17.4	100.5
Oct	565	5 556	435	3 910	130	1 646	29.0	33.8	25.0	18.2	94.6
Nov	697	6 253	449	4 359	248	1 894	60.6	36.3	20.7	18.5	108.6
Dec	799	7 052	474	4 833	325	2 219	25.4	35.0	50.5	21.0	80.4
1989											
Jan	627	627	499	499	128	128	20.1	20.1	28.3	28.3	-3.8
Feb	611	1 238	414	913	197	325	19.8	20.0	35.7	31.6	-3.8
Mar	766	2 004	525	1 438	241	566	20.3	20.1	33.9	32.4	-2.9
Apr	674	2 678	508	1 946	166	732	6.1	16.2	52.1	37.0	-17.2
May	720	3 398	503	2 449	217	949	34.3	19.6	20.3	33.2	-5.3
Jun	647	4 045	582	3 031	65	1 014	15.9	19.0	51.6	36.4	-13.8
Jul	566	4 611	581	3 612	-15	999	0.9	16.5	50.1	38.4	-26.0

Source: Central Bank.

^a With respect to the same period of the preceding year.

Table 11
CHILE: STRUCTURE OF EXPORTS (FOB)
(Millions of dollars) ^a

	Mining products				Agricultural and marine products		Industrial goods		Percentage variation ^b		
	Total		Copper						Min.	Agr.	Ind.
	1988	1989	1988	1989	1988	1989	1988	1989			
Jan	270	387	247	356	74	83	178	157	43.3	12.2	-11.8
Feb	507	688	444	609	195	199	329	351	35.7	2.1	6.7
Mar	769	1 073	661	956	386	354	513	578	39.5	-8.3	12.7
Apr	1 048	1 372	902	1 210	554	521	702	785	30.9	-6.0	11.8
May	1 307	1 764	1 123	1 561	632	616	901	1 019	35.0	-2.5	13.1
Jun	1 628	2 095	1 414	1 821	675	673	1 095	1 297	28.7	-0.3	18.4
Jul	1 915	2 420	1 665	2 123	741	725	1 304	1 485	26.4	-2.2	13.9
Aug	2 173		1 891		784		1 523				
Sep	2 468		2 151		821		1 702				
Oct	2 821		2 471		843		1 892				
Nov	3 318		2 924		875		2 061				
Dec	3 848		3 416		931		2 274				

Source: Central Bank.

^a Cumulative figures.

^b Variation in cumulative value with respect to the same period of the preceding year.

Table 12
CHILE: STRUCTURE OF IMPORTS (CIF)
(Millions of dollars) ^a

	Goods											
	Consumer products				Intermediate goods				Capital goods		Percentage variation ^b	
	Total		Foodstuffs		Total		Fuels and lubricants					
	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989	Con.	Int. Cap.
Jan	60	97	6	9	259	294	93	59	110	157	61.7	13.5 42.7
Feb	117	179	11	17	453	542	134	100	193	283	53.0	19.6 46.6
Mar	194	298	23	26	674	849	165	153	327	436	53.6	26.0 33.3
Apr	252	386	27	35	885	1 183	210	237	427	569	53.2	33.7 33.3
May	326	499	37	47	1 160	1 490	292	302	533	709	53.1	28.4 33.0
Jun	402	602	47	57	1 408	1 838	342	379	631	897	49.8	30.5 42.2
Jul	477	711	55		1 647	2 203	382	7	42	1 060	49.1	33.8 42.9
Aug	564		64		1 932		433		869			
Sep	651		73		2 181		468		977			
Oct	750		88		2 444		510		1 094			
Nov	849		97		2 683		548		2 141			
Dec	936		104		2 987		628		1 369			

Source: Central Bank.

^a Cumulative figures.

^b Percentage variation in cumulative value with respect to the same period of the preceding year.

Table 13
CHILE: NET INTERNATIONAL RESERVES ^a
(Millions of dollars)

	Amount			Absolute variation			
	1987	1988	1989	1988		1989	
				Month	Year ^b	Month	Year ^b
Jan	1 719	1 670	2 731	24	24	181	181
Feb	1 668	1 820	2 800	150	174	69	250
Mar	1 512	1 817	2 755	-3	171	-45	205
Apr	1 532	2 054	2 631	237	408	-124	81
May	1 614	1 986	2 906	-68	340	275	356
Jun	1 718	2 105	2 663	119	459	-243	113
Jul	1 590	2 227	2 662	122	581	-1	112
Aug	1 600	2 140		-87	494		
Sep	1 504	2 025		-115	379		
Oct	1 499	1 955		-70	309		
Nov	1 629	1 945		-10	299		
Dec	1 646	2 550		605	904		

Source: Central Bank.

^a Foreign exchange holdings (including monetary gold, SDR, reserve position in the IMF, foreign exchange, the net balance on reciprocal credit agreements) less obligations arising from IMF and short term credits.

^b With respect to december of the preceding year.

Table 14
CHILE: MONETARY AGGREGATES

	E	D1	M1	Dg	Dp	M2	CN	CE
Percentage variations ^a								
1988								
Mar	27.3	48.7	31.0	88.5	32.2	31.9	27.9	-0.5
Jun	23.7	15.6	29.7	-5.4	21.0	22.1	26.7	-3.4
Sep	32.5	28.1	53.1	-13.0	26.4	31.5	26.2	2.4
Dec	32.0	36.4	56.8	5.2	22.0	28.5	24.0	12.0
1989								
Jan	30.9	26.2	38.9	8.4	26.9	29.4	21.6	14.8
Feb	28.1	14.9	36.9	-16.3	28.0	30.0	21.4	18.1
Mar	30.3	16.4	37.0	-15.8	26.8	29.1	22.4	22.8
Apr	31.9	45.1	36.1	67.2	28.6	30.2	21.1	30.5
May	28.1	50.9	33.3	86.9	27.9	29.1	21.6	30.8
Jun	...	...	25.3	...	...	...	...	...

Source: Central Bank.

Note: E = Money issue; D1 = M1 + Dg = Total money supply; M1 = Private sector money supply; Dg = Public sector money supply; Dp = Term deposits; M2 = M1 + Dp; CN = Local currency loans; CE = Foreign currency loans.

^a With respect to the same month of the preceding year.

Table 15
CHILE: BANK INTEREST RATES
(Percentages)

	Nominal rates ^a		Real rates			
	Short-term deposits	Short-term loans	Non-readjustable operations ^a		Readjustable operations ^b	
			Short-term deposits	Short-term loans	Deposits	Loans
1987						
Feb	2.10	2.54	0.39	0.83	3.51	6.87
Apr	1.82	2.32	-0.57	-0.08	3.94	6.98
Jun	1.72	2.26	1.01	1.55	4.37	6.95
Aug	1.85	2.25	0.44	0.84	4.29	7.44
Oct	2.13	2.63	-0.26	0.22	5.12	7.95
Dec	1.88	2.47	1.58	2.16	4.47	7.51
1988						
Feb	0.93	1.50	0.53	1.10	4.25	7.38
Apr	1.83	2.19	1.02	1.38	4.05	7.01
Jun	0.78	1.28	0.18	0.68	4.53	7.54
Aug	0.68	1.10	-0.12	0.30	4.73	8.02
Oct	1.33	1.66	-0.17	0.16	5.01	7.90
Dec	2.00	2.43	0.10	0.52	4.99	7.66
1989						
Jan	2.03	2.56	0.92	1.44	5.29	8.11
Feb	1.38	2.22	1.28	2.12	5.45	8.16
Mar	0.99	1.50	-0.89	-0.39	5.67	8.42
Apr	2.04	2.50	1.03	1.49	5.72	8.29
May	1.54	2.07	-0.45	0.07	5.84	8.63
Jun	2.28	2.73	0.47	0.91	6.34	8.96
Jul	2.24	2.75	0.43	0.93	-	-

Source: Central Bank.

^a Average monthly rates.

^b Annual rates.

ECUADOR

The Ecuadorian economy continues under the strong influence of the stabilization plan instituted in August 1988. After having reached an all-time high, inflation began to subside and the exchange market stabilized. Nonetheless, production and employment have remained virtually stagnant. In addition, the trade surplus for the first six months of 1989 was lower than it had been in the first half of 1988 and was once again too small to cover Ecuador's debt servicing obligations.

Two factors which played a crucial role in slowing down the rate of inflation were the reduction in the public-sector deficit —expected to drop to less than 5% of GNP— and the greater control achieved over monetary aggregates, with the rate of growth of money issue for the first six months of 1989 falling to half that for the same period of the preceding year. Although inflation had climbed during the first few months that the emergency plan was in effect (reaching an annual rate of nearly 100% in March 1989), in April it began to decline, and by August it had fallen to an annual rate of 73% (see table 6).

Thanks to the devaluation carried out in mid-1988 —which was followed by weekly mini-devaluations— and the lower level of liquidity in the economy, the gap between the regulated and free exchange rates gradually narrowed. During the first half of 1988 this differential had widened so much that by July, when it reached its maximum, the value of the dollar on the free market was almost double its price on the regulated market. In the first two months of 1989 the difference between the two rates was still nearly 20%, but in March it began to shrink and in June it was less than 4% (see table 5).

In order to compensate for the effects of the upsurge in inflation seen in the early months of 1989, in May the regulated exchange rate was raised by 5% with respect to its April average. The 5% commission charged to exporters on their foreign exchange conversion operations was eliminated, but the commission charged to importers remained in effect. In addition, the weekly devaluation rate was increased. Consequently, the average real exchange rate for the first seven months of the year was 10% higher than the average for the same period of 1988.

It is estimated that the gross domestic product will grow but slightly in 1989. The petroleum sector is expected to contract by about 3%, following its strong recovery the year before. Non-petroleum activities, however, are expected to expand at a rate similar to that of 1988 (2%), chiefly as a result of the performance of the agricultural sector, which has been stimulated, among other factors, by the greater availability of financial resources. Industry and construction, on the other hand, will probably remain depressed in view of the restrictions on aggregate demand and the deterioration of real wages.

The country's foreign trade performance has tended to be weaker than in 1988. The trade surplus for the first half of 1989 was significantly smaller than that recorded for the first six months of the preceding year, due to a 5% drop in the value of exports and a 13% increase in the value of imports (see table 1).

The lower level of exports was largely a reflection of the drop of almost 8% in external sales of primary products other than petroleum (especially shrimps (-12%) and bananas (-23%)) and the 13% decrease in exports of manufactures. These declines were due to the fall in the unit values of non-petroleum primary products, except in the case of bananas, whose unit value rose by 11%. This deterioration was not offset by higher petroleum export earnings, since these only rose by 2%, although the average price per

barrel went up by almost 8%. The increase in imports, for its part, was mainly accounted for by the 35% jump in imports of raw materials, since external fuel purchases hardly rose at all and those of capital goods fell by 11%.

On the other hand, since only part of the service on the external debt was paid, the Central Bank maintained its level of gross international reserves, and although the net reserves still showed a negative balance as of the end of June, the shortfall was much smaller than it had been a year earlier.

The main events which affected Ecuador's external debt position in the period under review were the granting of a US\$137 million standby credit by the IMF and the country's resumption of debt servicing, which it had suspended in early 1987. However, its disbursement of US\$33 million in this respect was essentially a token gesture, since it owed a total of US\$1.1 billion in interest. The country was up-to-date, however, with respect to its obligations with multilateral agencies, governments and suppliers.

Within the context of the greater control over monetary aggregates provided for by the stabilization plan and the steps taken since late 1988 to reduce the net amount of credit extended to the public sector, an effort was made to channel financial savings to productive activities and to make credit operations more flexible. Thus, interest rates on Central Bank loans to the public and private sectors were raised by around 10 percentage points, as were the rates charged by private banks both on the operations they financed on preferential terms and on operations that could be rediscounted with the Central Bank. A number of regulations were also modified with a view to raising the rates on loans. As a result of these measures and of the decrease in inflation, the rates applying to subsidized activities became less negative in real terms, while those corresponding to non-subsidized activities became positive.

The package of measures adopted in May also provided for wage adjustments. The minimum wage for public-sector workers was increased by 23%, while that applying to the private sector was raised by 36%. The minimum levels of remunerations paid to wage earners in the agricultural, cottage-industry, manufacturing and domestic-service sectors were also revised. Nevertheless, despite the slackening in inflation, in the first seven months of the year the real minimum wages for the public and private sectors were 19% and 14% lower, respectively, than their average levels during the same period of the preceding year (see table 8).

Table 1
ECUADOR: TRADE BALANCE

	Millions of dollars						Percentage variation ^a			
	Exports FOB		Imports CIF		Trade balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
1988										
Jan	178	178	137	137	41	41	-38.6	-38.6	-10.5	-10.5
Feb	211	389	117	254	94	135	12.2	-18.6	-25.9	-18.3
Mar	236	625	127	381	109	244	257.6	14.9	-20.6	-19.1
Apr	160	785	106	487	54	298	29.0	17.5	-53.7	-30.4
May	206	991	106	593	100	398	56.1	23.9	-45.6	-33.7
Jun	234	1 225	156	749	78	476	70.8	30.7	-8.8	-29.7
Jul	156	1 381	125	874	31	507	110.8	36.6	-27.7	-29.5
Aug	152	1 533	138	1 012	14	521	10.1	33.4	-12.1	-27.5
Sep	164	1 697	120	1 132	44	565	-22.6	24.7	-30.6	-27.9
Oct	153	1 850	124	1 256	29	594	-36.8	15.4	1.6	-25.7
Nov	164	2 014	141	1 397	23	617	-22.3	11.0	10.2	-23.2
Dec	179	2 193	121	1 518	58	675	-13.5	8.5	-25.8	-23.4
1989										
Jan	203	203	149	149	54	54	14.0	14.0	8.8	8.8
Feb	181	384	128	277	53	107	-14.2	-1.3	9.4	9.1
Mar	178	562	158	435	20	127	-24.6	-10.1	24.4	14.2
Apr	197	759	149	584	48	175	23.1	-3.3	40.6	19.9
May	192	951	121	705	71	246	-6.8	-4.0	14.2	18.9
Jun	216	1 167	143	848	73	319	-7.7	-4.7	-8.3	13.2

Source: Central Bank of Ecuador.

^a With respect to the same period of the preceding year.

Table 2
ECUADOR: STRUCTURE OF EXPORTS ^a
(Millions of dollars)

	Primary						Industrialized		Percentage variation ^b			
	Total		Oil		Non-oil							
	1988	1989	1988	1989	1988	1989	1988	1989	Pr	Oil	Non-oil	In
Jan	147	176	75	88	72	88	31	27	19.7	17.3	22.2	-12.9
Feb	324	329	164	160	160	169	66	55	1.5	-2.4	5.6	-16.7
Mar	525	480	247	234	278	246	100	81	-8.6	-5.3	-11.5	-19.0
Apr	658	649	322	334	336	315	126	109	-1.4	3.7	-6.3	-13.5
May	834	809	411	409	423	400	156	141	-3.0	-0.5	-5.4	-9.6
Jun	1 036	1 003	491	498	545	505	188	163	-3.2	1.4	-7.3	-13.3
Jul	1 169		565		604		211					
Aug	1 296		640		656		237					
Sep	1 436		695		741		261					
Oct	1 567		763		804		283					
Nov	1 708		819		889		306					
Dec	1 861		875		986		332					

Source: Central Bank of Ecuador.

Note: Pr = Primary. In = Industrialized.

^a Cumulative figures.

^b With respect to the same period of the preceding year.

Table 3
ECUADOR: IMPORTS STRUCTURE ^a
(Millions of dollars) ^b

	Consumer goods		Fuels and lubricants		Raw materials		Capital goods		Percentage variation ^c			
	1988	1989	1988	1989	1988	1989	1988	1989	Cg	Fl	Rm	Cap.g
Jan	9	12	4	4	57	80	85	72	33.3	0.0	39.7	-15.2
Feb	22	22	10	8	117	167	139	117	0.0	-20.0	42.9	-16.0
Mar	33	39	15	14	189	262	195	181	18.2	-6.7	38.6	-7.3
Apr	51	65	19	18	242	339	243	240	27.5	-5.3	40.3	-1.0
May	65	78	24	22	304	424	282	273	20.0	-8.3	39.7	-3.3
Jun	81	93	29	30	386	518	355	317	14.8	3.4	34.2	-10.7
Jul	93		35		450		413					
Aug	109		41		527		470					
Sep	122		46		592		521					
Oct	134		49		673		563					
Nov	148		54		757		618					
Dec	164		59		822		667					

Source: Central Bank of Ecuador.

^a Classified by economic 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 variations			
	1987	1988	1989	1988		1989	
				Month ^b	Year ^c	Month ^b	Year ^c
Mar	-47	-229	-92	-78.0	-78.0	84.0	84.0
Jun	-125	-276	-111	-47.0	-125.0	-19.0	65.0
Sep	-107	-265		11.0	-114.0		
Dec	-151	-176		89.0	-25.0		

Source: Central Bank of Ecuador.

^a Monthly 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 (Sucre per dollar)				Adjusted real exchange rate (Index 1985=100) ^a			
	Free		Controlled		Free		Controlled	
	1988	1989	1988	1989	1988	1989	1988	1989
Jan	224.5	439.3	262.3	535.7	127.0	138.5	122.6	139.5
Feb	243.5	450.0	340.9	531.6	131.3	134.6	151.9	131.4
Mar	249.1	460.3	371.7	518.5	129.0	127.2	159.0	118.4
Apr	249.5	471.3	393.8	505.7	121.8	127.8	158.8	113.3
May	249.5	497.8	422.2	528.9	117.1	134.4	163.7	117.9
Jun	249.5	522.6	463.2	540.2	114.0	136.0	174.9	116.2
Jul	249.5	535.9	490.4	574.0	109.2	137.6	177.4	121.8
Aug	255.9		488.4		106.1		167.3	
Sep	395.7		516.9		152.9		165.0	
Oct	406.6		503.2		149.1		152.5	
Nov	417.8		476.7		144.2		135.9	
Dec	428.3		497.5		140.5		134.9	

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 wholesale price index.

Table 6
ECUADOR: CONSUMER PRICE INDEX
(Percentage variations)

	1988			1989		
	Month	Year	12 months	Month	Year	12 months
Jan	3.2	3.2	34.3	5.3	5.3	89.4
Feb	5.0	8.4	37.6	5.8	11.4	90.9
Mar	4.5	13.3	36.7	9.0	21.4	99.1
Apr	6.9	21.1	43.3	2.7	24.7	91.3
May	4.7	26.8	48.0	1.1	26.0	84.6
Jun	3.6	31.3	49.9	3.4	30.3	84.3
Jul	4.9	37.7	55.7	1.4	32.1	78.2
Aug	5.8	45.6	63.0	2.6	35.5	72.9
Sep	7.4	56.4	71.5			
Oct	5.5	64.9	77.4			
Nov	6.4	75.4	80.5			
Dec	5.9	85.7	85.7			

Source: National Institute of Statistics and Censuses (INEC).

Table 7
ECUADOR: MONETARY AGGREGATES
(Percentage variations) ^a

	Money supply (M1)				Monetary base			
	Year ^b		12 Months ^c		Year ^b		12 Months ^c	
	1988	1989	1988	1989	1988	1989	1988	1989
Mar	2.4	-0.8	42.0	48.9	6.4	-3.1	57.5	50.3
Jun	19.0	8.5	54.7	40.1	14.1	7.8	57.0	56.0
Sep ^d	27.1	13.4	51.8	42.0	39.7	...	68.1	...
Dec	53.8		53.8		65.1		65.1	

Source: Central Bank of Ecuador.

^a Percentage variations calculated with respect to balances at the end of each month. ^b With respect to December of the preceding year. ^c With respect to the same month of the preceding year. ^d Data for 1989 correspond to July.

Table 8
ECUADOR: GENERAL MINIMUM MONTHLY WAGES
(Index December 1987 = 100)

	Nominal minimum wages				Real minimum wage				
	Sucres		Index		Index		Percentage variation		
	1988	1989	1988	1989	1988	1989	Month	Year ^a	12Ms. ^b
Feb	14 500	22 000	100.0	151.7	92.3	73.3	-5.5	-20.2	-20.5
Apr	14 500	22 000	100.0	151.7	82.6	65.5	-2.6	-21.2	-20.7
Jun	19 000	27 000 ^c	131.0	186.2	99.8	76.9	-3.3	-18.3	-22.9
Aug ^d	19 000	27 000 ^c	131.0	186.2	90.0	75.9	-1.3	-18.6	-20.2
Oct	22 000		151.7		92.0				
Dec	22 000		151.7		81.7				

Source: ECLAC, on the basis of official data.

^a Percentage variation of the cumulative average index with respect to the same period of the preceding year. ^b With respect to the same month of the preceding year. ^c Corresponding to the public sector; the minimum wage for private sector is 30 000 sucres. ^d 1989 data correspond to July.

MEXICO

During the first half of 1989, the reduction in inflation achieved the previous year through the Economic Solidarity Pact (PSE) was consolidated, although the trade surplus and the level of international reserves continued to decline. In July the Mexican government reached decisive agreements on its external debt with private creditor banks aimed at reversing the outflow of foreign exchange and accelerating the slight recovery begun in the first half of the year.

The anti-inflationary strategy of the PSE was modified and it was renamed the Pact for Stability and Economic Growth (PECE), to remain in effect until the beginning of 1990. The changes mainly consist of the revision of some prices and tariffs to keep them from lagging behind inflation; wage adjustments to moderate the deterioration in purchasing power; and a daily minidevaluation of the exchange rate to prevent its subsequent overvaluation. Government austerity measures were intensified, which kept public investment at a depressed level, while tax collection rose by 15% in real terms, resulting in an expansion of over 30% in the primary surplus. However, the sharp rise in domestic interest rates, both nominal and real, since the end of 1988 raised the government's financial expenditures, pushing up the operational deficit. The net result of these measures was that monthly inflation continued to fluctuate around 1.5%, so that its annual rate fell from 52% at the end of 1988 to 17% in August 1989 (see table 4).

The gross domestic product increased slightly over 2% in the first half of the year. Although the delay in rainfall and insufficient incentives for producers adversely affected agricultural production, manufacturing grew by nearly 6% (see table 1). The most buoyant subsectors were those oriented toward the external market, together with capital goods production, which expanded considerably (see table 2). Despite the high interest rates, private investment evolved favourably, encouraging economic activity, in contrast to the persistent weakness of domestic consumption. As a result of the adjustments made in the minimum wage (8% in January and 6% in July), its purchasing power at the beginning of the second semester was 2% higher than in December 1988. Even so, however, the mean real minimum wage level for the first seven months was 12% lower than that of the same period the previous year (see table 5).

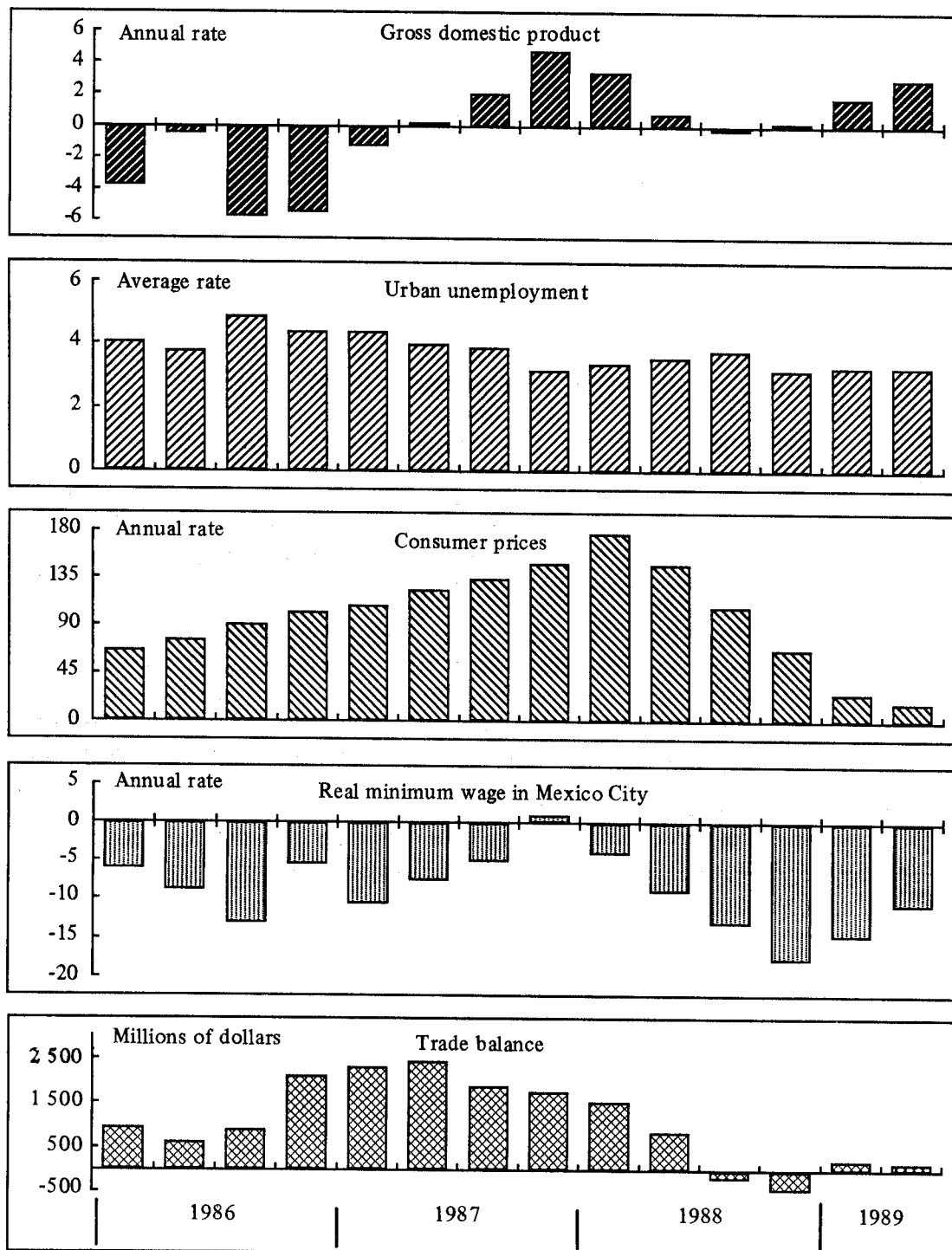
At the same time, there was a persistence of the adverse trends in the balance of payments which led to significant losses of international reserves in 1988. By July, the current account deficit amounted to US\$2.5 billion, owing to the high outlays for interest payments (US\$5.5 billion) and the deterioration of the trade balance. This deterioration was primarily the result of the sustained increase in imports, especially of intermediate and capital goods, which had been liberalized in 1988 in order to support a different insertion of the country into the international economy and to combat inflation. The previously spectacular rate of expansion of non-petroleum exports and services declined, while the 1988 exchange lag encouraged both spending by Mexican tourists and cross-border transactions. Lastly, outlays for the amortization of private debt continued to represent an additional drain on reserves.

Pressure on the balance of payments and the financial burden on the government—aggravated by unusually high real domestic interest rates—made it imperative to seek a substantial, permanent decrease in the level and servicing costs of the external debt. After difficult negotiations, an agreement was reached in July with the private international banking system which offered an immediate respite and prospects for economic reactivation in the medium term. Of the total balance of the external debt

(US\$100 billion), US\$53 billion were renegotiated, corresponding to the public debt contracted with 530 foreign private banks. The agreement provides for negotiations with each of these institutions on the basis of three options: i) exchange of debt for 30-year bonds with a reduction of 35% of the principal; ii) exchange of debt for 30-year bonds at a fixed 6.25% annual interest rate; and iii) fresh financing in an amount equivalent to up to 25% of current commitments, for a term of 15 years (with a seven-year grace period) and at an interest rate of 0.8% over the LIBOR rate. The bonds issued under the first two options will enjoy a full guarantee on the principal and a partial guarantee on the interest, backed by special credits from Japan, the International Monetary Fund (IMF) and the World Bank, as well as part of the Mexican reserves. In addition, if the price of petroleum exceeds a certain level, the banks may charge a higher interest rate beginning in 1996, but they are committed to providing new funds if the petroleum price falls below US\$10 per barrel. There is also provision for the resumption of swaps, although for limited amounts and in specific activities. It is estimated that the agreement should make it possible to reduce net debt servicing by up to US\$1.8 billion annually, representing somewhat over 1% of the product and 20% of the interest paid in 1988.

Probably even more important than the decrease in interest payments, however, is the favourable change that will result from the agreement in terms of expectations about the future of the Mexican economy. For example, to keep the exchange rate stable despite the pressure on the balance of payments meant that, as from the end of last year, domestic interest rates had to be kept at extraordinary levels—up to 40% in real terms—, thus leading to the repatriation of some US\$2.3 billion in the period January-July 1989. This prevented the current account deficit from bringing on a sharp drop in international reserves. It also raised however, the financial burden of the domestic public debt to the equivalent of 4% of GDP in respect of real interest payments alone, inasmuch as the domestic public debt exceeded US\$50 billion. The announcement of the new agreement resulted in a sharp drop in interest rates which will considerably relieve the government's financial burden. Moreover, it is believed that the scheduled fiscal facilities will provide incentives for the return of part of the capital deposited abroad. It is also hoped that direct foreign investment, which is currently stagnating, will be stimulated by the re-establishment of swaps and by the loosening of controls on foreign capital. In brief, the agreement will probably free or attract financial resources in an amount which is higher than the direct reduction in external debt servicing, thus making it possible for the Mexican economy to resume the road to growth and begin to satisfy deferred basic needs.

Figure 1
MEXICO: QUARTERLY EVOLUTION OF THE
MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

Table 1
MEXICO: QUARTERLY GROSS DOMESTIC PRODUCT ^a
1980 = 100

	1988					1989 ^b		
	I	II	III	IV	Year	I	II	I Sem.
Total	3.4	0.8	-0.2	0.2	1.1	1.8	2.9	2.4
Agriculture, forestry, and fishing	0.3	-0.8	-1.9	-3.6	-1.6	0.4	-2.0	-0.9
Mining	3.8	2.5	-1.4	-3.2	0.4	-2.6	-3.6	-3.1
Manufacturing	5.5	0.7	0.1	2.4	2.2	4.2	7.4	5.8
Construction	4.7	-3.2	-7.5	-6.4	-3.3	-0.7	1.4	0.4
Electricity, gas, and water	5.0	6.5	5.7	4.4	5.4	6.6	8.4	7.5
Trade (restaurants and hotels)	3.7	0.9	0.0	0.5	1.2	1.6	2.5	2.1
Transport, storing, and communications	5.6	1.5	1.2	2.8	2.8	4.3	6.0	5.1
Financial services, insurance and real estate	3.2	3.0	2.5	2.0	2.7	1.5	2.0	1.7
Community services, social and private	0.8	0.9	0.3	-0.3	0.4	0.3	1.4	0.9

Source: ECLAC, on the basis of official information.

^a Percentage variation with respect to the same period of the preceding year.

^b Provisional.

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

	Total	Mining	Manufactures				Construction	Electricity
			Total	Consump.	Interm.	Capital		
1988								
Jan	6.8	-0.5	7.7	3.3	10.4	13.1	9.5	5.1
Feb	7.2	3.5	7.6	3.4	10.4	13.7	9.0	5.5
Mar	5.2	3.1	5.5	1.7	7.6	10.8	5.6	4.6
Apr	4.6	2.8	5.3	2.1	6.8	11.2	2.7	5.5
May	3.4	2.5	3.9	0.8	5.0	10.6	1.1	5.5
Jun	3.0	3.0	3.2	0.6	4.1	9.6	1.3	5.6
Jul	2.2	2.8	2.4	0.1	3.1	8.2	-0.1	5.7
Aug	2.2	2.8	2.7	0.5	2.8	10.1	-1.3	5.5
Sep	1.9	1.6	2.6	0.4	2.5	10.5	-2.3	5.6
Oct	1.7	1.4	2.6	0.5	2.4	10.6	-3.4	5.4
Nov	1.8	1.2	1.5	1.2	2.5	11.3	-3.9	5.1
Dec	1.8	-1.1	1.6	1.3	2.4	11.1	-3.6	4.9
1989								
Jan	2.6	0.8	2.8	2.0	-0.2	21.3	2.1	5.9
Feb	2.3	-1.9	3.0	2.3	0.4	18.3	0.9	6.4
Mar	2.0	-1.6	3.0	2.2	0.4	18.6	-1.3	6.6
Apr	2.9	-1.0	3.7	2.8	1.2	20.7	0.9	6.6
May	...	...	4.9 ^b	...	...	...	...	...
Jun	...	...	6.0 ^b	...	...	...	...	...

Source: ECLAC, on the basis of figures supplied by the Banco de México.

^a Variations in average cumulative index with respect to the same period of the preceding year.

^b Estimates based on surveys of opinions of businessmen.

Table 3
MEXICO: EMPLOYMENT INDICATORS
(Quarterly averages)

	Rate of open unemployment				Number of workers enrolled in social security scheme		Employment in manufacturing			
	Average of 16 cities	Ciudad de Mexico	Guadala-jara	Monte-rrey	Thou-sands	Annual varia-tion ^b	Index 1970 = 100		Percentage variation ^a	
							Month	Year	Month	Year
1987	3.9	4.5	3.1	5.5	8 340	4.3	133.6	133.6	-3.4	-3.4
1988										
Jan	3.6	4.2	3.1	3.8	8 734	10.5	134.1	134.1	1.7	1.7
Feb	3.3	3.6	3.4	4.2	8 772	9.8	134.1	134.1	1.3	1.5
Mar	3.5	4.3	2.3	4.5	8 777	8.4	134.1	134.1	0.8	1.3
Apr	3.8	4.9	1.9	3.5	8 670	6.6	134.2	134.1	0.7	1.1
May	3.4	4.1	2.7	3.9	8 661	5.8	134.1	134.1	-0.1	0.9
Jun	3.7	4.7	2.8	4.2	8 699	4.9	133.0	133.9	-0.7	0.6
Jul	4.0	5.1	2.6	4.7	8 720	3.9	133.4	133.9	-1.3	0.3
Aug	3.5	4.0	2.9	5.0	8 729	5.8				
Sep	4.0	5.2	2.8	3.9	8 658	0.8				
Oct	3.5	4.2	2.7	4.1	8 760	1.0				
Nov	3.3	4.1	2.3	3.8	8 917	1.2				
Dec	2.9	3.7	1.2	3.7	8 917	1.8				
1989										
Jan	3.5	4.4	1.6	3.8						
Feb	3.0	3.7	2.0	4.2						

Source: ECLAC, on the basis of figures supplied by the Banco de México and the Ministry of Programming and Budget.
^a With respect to the same period of the preceding year. ^b With respect to the same month of the preceding year.

Table 4
MEXICO: PRICE INDEX
(Percentage variations)

	Consumer price index						Wholesale price index					
	1988			1989			1988			1989		
	Month	Year	12Ms.	Month	Year	12Ms.	Month	Year	12Ms.	Month	Year	12Ms.
Jan	15.5	15.5	176.8	2.4	2.4	34.6	19.2	19.2	193.4	3.9	3.9	24.3
Feb	8.3	25.1	179.7	1.4	3.8	25.9	5.8	26.1	193.0	1.3	5.2	19.0
Mar	5.1	31.5	175.8	1.1	4.9	21.1	1.8	28.4	178.0	0.7	6.0	17.7
Apr	3.1	35.5	161.4	1.5	6.5	19.2	2.6	31.7	151.9	1.2	7.2	16.1
May	1.9	38.2	147.8	1.4	8.0	18.5	2.2	34.7	141.1	1.3	8.7	15.1
Jun	2.0	40.9	135.8	1.2	9.3	17.6	1.4	36.6	129.6	0.7	9.4	14.3
Jul	1.7	43.3	121.8	1.0	10.4	16.8	1.3	38.3	108.1			
Aug	0.9	44.6	106.9	1.0	11.5	16.9	1.1	39.8	93.8			
Sep	0.6	45.6	95.3				0.1	39.9	84.3			
Oct	0.8	46.7	81.7				1.0	42.0	74.0			
Nov	1.3	48.5	70.4				-0.2	41.6	63.8			
Dec	2.1	51.7	51.7				0.8	42.6	42.6			

Source: ECLAC, on the basis of figures supplied by the Banco de México.

Table 5
MEXICO: NOMINAL AND REAL WAGES IN MEXICO CITY

	Minimum wages				Real minimum wages				
	Pesos		Index 1978 = 100		Index 1978 = 100		Percentage variation		
	1988	1989	1988	1989	1988	1989	Month ^a	Year ^b	12Ms. ^c
Jan	7 041	7 834	6 803	7 570	57.6	46.9	5.4	-18.6	-18.6
Feb	7 041	7 834	6 803	7 570	53.2	46.3	-1.3	-15.9	-13.0
Mar	7 253	7 834	7 008	7 570	52.4	45.9	-0.9	-14.8	-12.4
Apr	7 253	7 834	7 008	7 570	50.8	45.0	-2.0	-14.0	-11.4
May	7 253	7 834	7 008	7 570	49.8	44.3	-1.6	-13.4	-11.0
Jun	7 253	7 834	7 008	7 570	48.6	43.7	-1.4	-12.9	-10.1
Jul	7 253	8 304	7 008	8 024	47.6	45.9	5.0	-11.7	-3.6
Aug	7 253		7 008		47.3				
Sep	7 253		7 008		46.9				
Oct	7 253		7 008		46.3				
Nov	7 253		7 008		45.6				
Dec	7 253		7 008		44.5				

Source: ECLAC, on the basis of figures supplied by the National Minimum Wage Commission and the Banco de México.

^a With respect to the preceding month.

^b Percentage variation of the 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 6
MEXICO: TRADE BALANCE

	Millions of dollars						Percentage variation ^a				
	Exports FOB		Imports FOB		Trade balance (goods)		Exports		Imports		Trade balance (goods)
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year	Year
1988											
Jan	1 672	1 672	1 118	1 118	554	554	4.5	4.5	41.7	41.7	-31.7
Feb	1 757	3 429	1 198	2 316	559	1 113	18.8	11.4	56.8	49.1	-27.1
Mar	1 831	5 274	1 419	3 737	412	1 537	4.7	9.2	48.0	48.8	-33.6
Apr	1 788	7 046	1 398	5 135	390	1 911	5.9	8.1	44.0	47.4	-37.0
May	1 868	8 930	1 555	6 689	313	2 241	3.1	7.2	63.9	50.9	-42.5
Jun	1 783	10 713	1 633	8 322	150	2 391	-4.2	5.2	64.1	53.3	-49.8
Jul	1 673	12 386	1 595	9 917	78	2 469	-7.6	3.2	40.7	51.2	-54.6
Aug	1 829	14 215	1 827	11 744	2	2 471	10.6	4.1	69.2	53.7	-58.9
Sep	1 479	15 694	1 741	13 485	-262	2 209	-15.4	1.9	59.0	54.4	-66.8
Oct	1 533	17 227	1 740	15 225	-207	2 002	-15.1	0.1	44.4	53.2	-72.4
Nov	1 727	18 954	1 949	17 174	-222	1 780	2.1	0.3	69.5	54.8	-77.2
Dec	1 704	20 658	1 730	18 904	-26	1 754	-3.2	0.0	52.7	54.6	-79.2
1989											
Jan	1 764	1 764	1 664	1 664	100	100	5.5	5.5	48.8	48.8	-81.9
Feb	1 688	3 452	1 691	3 355	-3	97	-3.9	0.7	41.2	44.9	-91.3
Mar	1 955	5 407	1 819	5 174	136	233	6.8	2.5	28.2	38.5	-84.8
May ^b	...	9 375	...	9 056	...	319	...	4.9	...	35.4	-85.8

Source: ECLAC, on the basis of figures from the Banco de México.

^a With respect to the same period of the preceding year.

^b April-May: preliminary estimations.

Table 7
MEXICO: STRUCTURE OF EXPORTS
(Cumulative values in millions of dollars)

	Petroleum										Percentage variation ^a	
	Petroleum		Total		Agricultural		Extract. industries		Manufactures			
	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989	Petroleum	Non-petr.
Jan	628	610	1 044	1 154	219	161	46	59	779	934	-2.9	10.5
Feb	1 194	1 166	2 235	2 286	488	368	103	94	1 644	1 824	-2.3	2.3
Mar	1 801	1 852	3 473	3 555	694	550	165	150	2 614	2 855	2.8	2.4
Apr	2 403		4 643		862		217		3 564			
May	3 062		5 868		1 026		268		4 574			
Jun	3 632		7 081		1 131		346		5 604			
Jul	4 193		8 193		1 206		387		6 600			
Aug	4 786		9 429		1 294		456		7 679			
Sep	5 198		10 496		1 357		494		8 645			
Oct	5 667		11 560		1 411		557		9 592			
Nov	6 149		12 805		1 529		611		10 665			
Dec	6 709		13 949		1 672		661		11 616			

Source: ECLAC, on the basis of figures from the Banco de México.

^a With respect to the same period of the preceding year.

Table 8
MEXICO: STRUCTURE OF IMPORTS
(Cumulative figures)

	Millions of dollars						Percentage variation ^a		
	Consumer goods		Intermediate goods		Capital goods				
	1988	1989	1988	1989	1988	1989	Con- sumer goods	Inter- mediate goods	Capital goods
Jan	64	176	817	1 150	237	338	175.0	40.8	42.6
Feb	149	380	1 668	2 300	499	675	155.0	37.9	35.3
Mar	242	641	2 702	3 535	793	998	164.9	30.8	25.9
Apr	355		3 721		1 059				
May	486		4 840		1 363				
Jun	640		6 004		1 678				
Jul	806		7 043		2 068				
Aug	1 012		8 214		2 518				
Sep	1 201		9 422		2 862				
Oct	1 422		10 574		3 229				
Nov	1 671		11 860		3 643				
Dec	1 922		12 951		4 031				

Source: ECLAC, on the basis of figures from the Banco de México.

^a With respect to the same period of the preceding year.

Table 9
MEXICO: EXCHANGE RATE

	Official exchange rate (Pesos per dollar)				Adjusted real exchange rate (Index 1985 = 100) ^a			
	Free		Controlled		Free		Controlled	
	1988	1989	1988	1989	1988	1989	1988	1989
Jan	2 231	2 315	2 202	2 257	91.9	74.8	109.6	88.1
Feb	2 269	2 343	2 231	2 309	86.4	75.0	102.6	89.3
Mar	2 298	2 372	2 257	2 342	83.5	75.7	99.0	90.2
Apr	2 298	2 403	2 257	2 375	81.6	76.1	96.8	90.8
May	2 298	2 435	2 257	2 408	80.6	76.5	95.6	91.4
Jun	2 298	2 458	2 257	2 433	79.7	76.1	94.5	91.0
Jul	2 298	2 481	2 257	2 459	78.7	76.2	93.3	91.2
Aug	2 298		2 257		78.1		92.6	
Sep	2 298		2 257		77.7		92.2	
Oct	2 298		2 257		77.2		91.6	
Nov	2 298		2 257		76.3		90.5	
Dec	2 298		2 257		75.2		89.2	

Source: ECLAC, on the basis of figures supplied by the Banco de México and the International Monetary Fund, *International Financial Statistics*.

^a Index of nominal exchange rate deflated by the consumer price index and adjusted by the United States wholesale price index.

Table 10
MEXICO: MAIN OPERATIONS OF THE CONSOLIDATED PUBLIC SECTOR
(Cumulative values in billions of pesos)

	Income			Expenditure			Deficit
	Total	Fed.Gov.	PEMEX	Total	Fed.Gov.	PEMEX	
1988							
Mar	27.7	15.5	7.7	37.2	26.4	7.4	9.9
Jun	56.9	32.0	15.7	76.7	54.0	14.1	20.1
Sep	88.9	49.5	23.3	115.7	78.7	22.1	29.9
Dec	118.5	65.5	29.9	154.9	103.3	29.1	42.5
1989							
Mar	32.7	19.5	7.8	38.1	24.9	8.1	5.6
Percentage variations ^a							
1988							
Mar	180.4	191.8	163.6	172.4	174.6	165.8	177.7
Jun	150.7	154.0	115.1	141.2	146.6	98.6	120.9
Sep	130.9	134.6	87.9	117.5	118.6	87.3	104.8
Dec	100.5	98.5	57.4	78.3	71.0	52.4	46.0
1989							
Mar	18.1	25.8	1.3	2.4	-5.7	9.5	-43.4

Source: ECLAC, on the basis of figures from Banco de México.

^a With respect to the same period of the preceding year.

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

	Billions of pesos					Percentage variation ^a				
	Monetary base	M1	M2	M3	M4	Monetary base	M1	M2	M3	M4
1987										
Dic	14.3	14.1	61.5	73.9	82.1	70.3	129.7	141.0	159.4	158.0
1988										
Jan	15.1	13.4	60.4	76.2	84.7	92.4	131.9	131.3	152.9	150.8
Feb	15.2	14.6	64.5	83.7	95.2	80.1	143.0	131.4	156.9	160.7
Mar	15.5	15.6	70.0	91.7	104.0	75.1	140.3	126.6	156.7	161.1
Apr	18.4	16.8	71.3	98.0	109.7	95.6	145.7	121.6	153.7	154.1
May	19.1	16.8	74.2	101.2	113.0	92.8	134.1	109.3	142.5	143.3
Jun	19.4	18.4	75.7	103.6	115.4	104.4	137.5	97.8	127.0	127.0
Jul	18.8	18.6	75.8	102.9	114.6	75.5	133.5	85.6	108.2	108.1
Aug	18.2	18.3	74.6	104.3	115.4	81.3	105.7	76.3	96.0	94.9
Sep	16.7	18.4	77.5	107.1	118.1	54.4	103.0	71.2	88.0	86.6
Oct	17.1	19.5	79.8	111.9	123.0	43.5	93.9	64.5	82.0	79.6
Nov	17.7	20.6	78.6	117.2	128.0	45.2	74.1	52.4	80.1	77.8
Dec	20.3	22.3	87.6	124.9	136.8	42.4	58.1	42.4	69.0	66.7
1989										
Jan	20.1	20.2	85.5	128.2	141.0	32.9	50.6	41.6	68.2	66.4
Feb	20.2	20.4	80.0	131.3	144.1	33.0	40.0	24.0	56.9	51.4
Mar	20.7	20.7	79.3	136.2	149.3	33.1	32.8	13.3	48.5	43.6
Apr	17.4	20.8	80.7	141.7	154.2	-5.5	23.8	13.2	44.6	40.6

Source: ECLAC, on the basis of figures supplied by the Banco de México.

Note: M1 = Money plus national and foreign currency checking accounts. M2 = M1 plus negotiable bank paper with a term of up to one year and bank loans. M3 = M2 plus non-negotiable 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), Petroleum Bonds, etc.

^a With respect to the same month in the preceding year.

Table 12
MEXICO: INTEREST RATES ON DEPOSITS
(Percentages)

	Average cost of procuring funds			Time deposits (30 to 85 days)			Treasury Certificates (90 days)		
	1987	1988	1989	1987	1988	1989	1987	1988	1989
Jan	95.9	122.5	49.4	90.2	123.4	31.1	104.8	155.7	50.6
Feb	96.2	135.9	48.7	90.2	123.5	31.1	105.0	153.9	49.4
Mar	96.3	117.2	47.3	90.2	72.5	31.1	101.8	78.3	48.8
Apr	95.8	81.0	46.9	90.2	51.2	31.1	99.6	54.5	51.4
May	94.8	60.6	49.2	90.2	43.8	31.1	98.5	44.8	53.9
Jun	93.8	46.8	52.0	90.2	31.8	31.1 ^a	98.4	33.0	55.0 ^b
Jul	92.9	40.7		90.1	31.1		97.3	32.5	
Aug	92.2	39.9		89.0	31.1		96.0	32.5	
Sep	91.0	39.9		88.1	31.1		95.5	32.5	
Oct	90.3	40.0		87.8	31.1		96.4	32.5	
Nov	92.4	41.7		97.3	31.1		110.7	c	
Dec	104.3	45.5		115.1	31.1		133.0	51.5	

Source: ECLAC, on the basis of figures from the Banco de México.

^a From 1 to 18 June.

^b From 1 to 11 June.

^c Unquoted rates.

PERU

The Peruvian economy suffered major setbacks during the first half of 1989. Thus, the gross domestic product shrank by 20%, the annual rate of inflation rose to over 5 700%, and real wages fell to half their previous level. Largely because of the contraction in economic activity, however, imports dropped substantially, and this, together with the increase in the value of exports, generated a very considerable trade surplus which relieved the serious shortage of foreign exchange and made possible some recovery of international reserves (see figure 1).

The contraction in economic activity and the very high rate of inflation were reflected in a severe deterioration in wages, greater unemployment, sporadic shortages of basic foodstuffs, and growing labour unrest against a background of intensified subversive activities, all of which went to make up a tense socio-political situation.

The upsurge of inflation in the early months of the year was due largely to the adjustments made in the last four months of 1988. Thus, in September of that year the various exchange rates were unified and the prices and rates charged by public enterprises, were drastically increased, as were those of goods with price controls. With regard to the remaining prices, it was decided that there should be a period during which they could be freely raised, after which they would be frozen for 120 days. This freeze was never applied, however. At the end of November, controlled prices, wages and the official exchange rate were readjusted once again. As from December, the authorities began to do away with subsidies and make periodic readjustments in public service charges and controlled prices. These measures had little effect, however, in view of the growing scepticism of economic agents. The monthly rate of price increases continued quite high, while the contraction in real incomes depressed domestic demand and helped to accentuate the fall in the product.

In an effort to moderate expectations, advance announcements were made in January of the exchange rate, the minimum wage and the price of gasoline that would apply for the next four months. The lack of credibility of these announcements and the failure to adhere to the schedule for these measures, however, together with the initial perception of the fragile nature of the recovery of the external sector, kept expectations volatile and they continued to be one of the main factors in the speeding-up of inflation. Up to April, the increase in price levels also reflected the effects of the fiscal adjustment efforts made through the raising of public sector charges and the reduction of subsidies. At the same time, however, the scant variation in the free market exchange rate operated in the opposite direction. Furthermore, since as of February the free exchange rate was applied to the great majority of imports, the average exchange rate applicable to these goods underwent only a moderate increase.

As from the end of April, the rate of readjustment of the prices of staple foods and public services slowed down considerably, and in some cases there was a virtual freeze. This offset the effect of the increase in the average exchange rate for imports between April and June and, together with the sharp depression of wages and a certain lowering of expectations, helped to bring down inflation from a monthly average of 45% between January and April to an average of 25% between May and August. Even so, in August the 12-month increase in consumer prices came to over 5 700% (see table 5).

The speeding up of inflation contributed to the deterioration in the real value of the monetary base and wages and the erosion of tax revenue, to such an extent that such

revenue was equivalent to only 6% of the product in the first half of the year. As fiscal expenditure was also severely compressed, however, the central government deficit only represented about 1% of the product. Nevertheless, the fact that the deficit of public enterprises was equivalent to approximately 4% of GDP and the emergence of additional pressures to expand fiscal expenditure at the beginning of the second semester obliged the Central Bank to expand its credit to the public sector by a substantial amount. The delay in readjusting the charges of the public enterprises also helped to worsen their already critical financial situation.

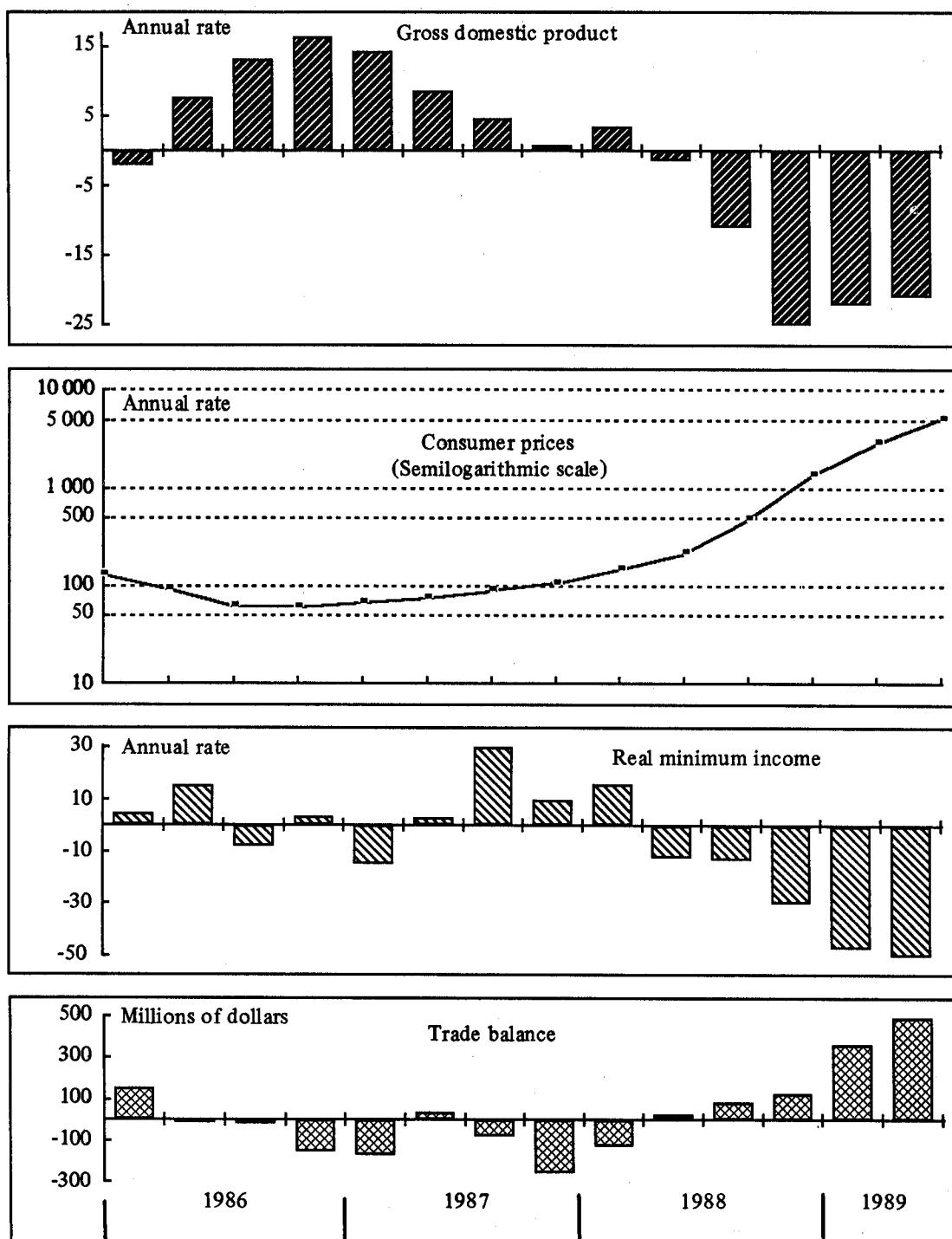
The deterioration in wages was very severe. During the first four months of the year, the real value of the legal minimum wage was only half that of the same period in the previous year, and the drop in the real wages of government employees was even greater (see table 6).

Together with the upsurge in inflation, there was a sharp contraction in output. In the first half of the year, gross domestic product fell by 20%, but as this recession mainly affected manufacturing (-32%), construction (-33%) and commerce (-24%) the drop in production for the domestic market was even greater (see table 1). Agricultural production, which had been rising since 1984, went down by 10% because of credit restrictions and the increased cost of imported inputs (see table 2). Mining and petroleum production—which generates half the total value of the country's exports—also declined, because of new labour conflicts and inadequate maintenance of the installations. Only the fisheries sector registered a major increase.

Largely as a result of the recession, external trade registered a positive balance. This was due both to the drastic contraction in imports (-38%) and to the 31% increase in the value of exports (see table 8). The drop in imports was due not only to the lower demand, but also to the rise in real terms in the exchange rate applicable to purchases of industrial inputs (except foodstuffs, pharmaceutical products and paper), which now had to be paid for at the free market rate. For their part, exports increased because during the first half of the year the prices of copper, zinc, lead and petroleum were higher than in the corresponding period of the preceding year, and this more than made up for the declines in the physical quantities exported. Non-traditional exports also grew markedly, both because of the weak domestic demand and because of the improvement in the effective exchange rate at which the foreign-exchange revenue from them was changed.

Since, in addition, there was a further decrease in foreign debt service payments, while official credits and some supplier credits continued to be disbursed, albeit on a limited scale, net international reserves rose by over US\$630 million up to mid-August, and as from May they became positive after having been negative for the previous five quarters (see table 11).

Figure 1
PERU: QUARTERLY EVOLUTION OF THE
MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

Table 1
PERU: GROSS DOMESTIC PRODUCT

	Index 1979 = 100 ^a						Percentage variation			
	1988				1989		1988	1989		
	I	II	III	IV	I	II		I	II	I+II
Total	116.0	124.3	109.8	92.6	90.7	102.0	-8.8	-21.9	-17.9	-19.8
Agriculture	96.3	180.6	138.9	85.7	84.7	164.3	4.9	-12.0	-9.0	-10.1
Fishing	169.8	139.9	146.7	244.5	199.7	227.2	17.2	17.6	62.4	37.9
Mining	86.9	80.7	72.4	58.0	80.8	74.8	-18.6	-7.0	-7.3	-7.1
Electricity	153.9	156.0	154.2	139.8	141.2	143.0	-0.4	-8.2	-8.3	-8.3
Manufactures	129.9	119.3	108.0	84.5	87.5	81.9	-14.2	-32.7	-31.4	-32.0
Construction	133.5	127.1	117.2	101.7	85.9	88.4	-5.4	-35.6	-30.5	-33.1
Commerce	141.7	140.3	124.2	145.5	103.5	111.4	-10.1	-26.9	-20.6	-23.8
Others	107.8	117.3	106.6	85.0	90.3	100.7	-6.8	-16.3	-14.2	-15.2

Source: ECLAC, on the basis of figures supplied by the National Institute of Statistics and the Central Reserve Bank of Peru.
^a Quarterly averages.

Table 2
PERU: AGRICULTURAL PRODUCTION

	Thousands of metric tons						Percentage variation ^a			
	1988				1989		1988	1989		
	I	II	III	IV	I	II		I	II	I+II
Crop-farming production										
Potatoes	449	1 190	195	280	368	869	22.9	-18.1	-27.0	-24.5
Rice	106	518	465	45	82	353	-3.0	-22.4	-32.0	-30.4
Cotton	23	127	114	14	20	144	35.9	-11.5	14.0	10.1
Maize	187	324	261	130	181	288	28.1	-3.4	-11.2	-8.4
Sugar	1 460	1 204	1 687	1 717	1 310	1 483	-0.7	-10.3	23.2	4.8
Coffee	6	70	21	1	6	80	-5.1	0.0	14.4	13.3
Wheat	1	44	83	27	1	28	10.2	0.0	-36.4	-35.6
Stock-raising production										
Poultry	77	83	67	70	43	47	6.0	-44.8	-44.0	-44.4
Beef	27	32	31	25	25	29	6.9	-6.4	-10.3	-8.5
Pork	17	18	19	20	19	18	13.1	6.9	2.8	4.9
Mutton	5	5	5	5	4	5	5.3	-20.0	2.0	-9.0
Milk	209	213	214	213	204	213	2.3	-2.7	0.3	-1.2
Eggs	29	31	31	28	23	24	21.9	-20.8	-21.6	-21.2

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 1979 = 100			Percentage variations					
	1987	1988	1989	1988			1989		
				Month	12 Ms. ^a	Year ^b	Month	12 Ms. ^a	Year ^b
Jan	119.4	120.9	89.1	-9.8	1.3	1.3	5.3	-26.3	-26.3
Feb	117.1	129.0	81.5	6.7	10.2	5.7	-8.5	-36.8	-31.7
Mar	121.0	132.1	86.4	2.4	9.2	6.9	6.0	-34.6	-32.7
Apr	125.8	118.1	81.4	-10.6	-6.1	3.5	-5.8	-31.1	-32.3
May	121.1	119.5	81.1	1.2	-1.3	2.5	-0.4	-32.1	-32.3
Jun	130.4	125.1	86.6	4.7	-4.1	1.3	6.8	-30.8	-32.0
Jul	129.0	111.9		-10.6	-13.3	-0.8			
Aug	135.5	111.5		-0.4	-17.7	-3.1			
Sep	138.4	105.8		-5.1	-23.6	-5.6			
Oct	140.6	91.5		-13.5	-34.9	-8.8			
Nov	139.8	80.9		-11.6	-42.1	-12.1			
Dec	134.1	84.6		4.6	-36.9	-14.3			

Source: ECLAC, on the basis of figures supplied by the Ministry of Industry, Foreign Commerce, Tourism, and Integration. Office of Sectorial Statistics.

^a With respect to the same month of the preceding year. ^b Of the average cumulative index of the same period of the preceding year.

Table 4
PERU: EMPLOYMENT LEVELS IN THE LIMA METROPOLITAN AREA
(Index 1979 = 100)^a

	Total			Manufacturing			Commerce			Services		
	1987	1988	1989	1987	1988	1989	1987	1988	1989	1987	1988	1989
I	99.5	102.2	95.6	95.1	98.0	86.9	94.2	97.3	91.9	109.8	111.0	112.1
II ^b	101.1	101.9	94.0	97.0	97.2	84.5	95.3	97.6	90.5	110.8	111.4	112.1
III	101.7	101.6		98.0	96.4		95.3	96.3		110.9	112.3	
IV	103.6	98.5		100.7	91.1		98.6	94.9		111.1	112.3	

Source: ECLAC, on the basis of figures supplied by the Ministry of Labour and Social Production. General Employment Administration.

^a Quarterly averages. ^b For 1989, only April and May.

Table 5
PERU: CONSUMER PRICE INDEX
(Percentage variations)

	1987			1988			1989		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	6.6	6.6	65.1	12.8	12.8	127.0	47.3	47.3	2 280.7
Feb	5.6	12.5	67.3	11.8	26.1	140.4	42.5	109.9	2 933.1
Mar	5.3	18.5	67.4	22.6	54.6	179.8	42.0	198.1	3 414.0
Apr	6.6	26.3	71.5	17.6	82.3	209.5	48.6	343.1	4 329.4
May	5.9	33.8	75.7	8.5	97.8	217.2	28.6	469.9	5 149.9
Jun	4.7	40.1	77.6	8.8	115.3	229.7	23.1	601.2	5 835.2
Jul	7.3	50.3	82.2	30.9	181.8	302.1	24.6	773.6	5 548.5
Aug	7.4	61.4	88.2	21.7	243.0	355.8	25.1	992.0	5 704.3
Sep	6.5	71.8	93.5	114.1	634.4	816.8			
Oct	6.4	82.8	98.0	40.6	932.4	1 111.8			
Nov	7.1	95.8	104.8	24.4	1 184.5	1 307.1			
Dec	9.6	114.5	114.5	41.9	1 722.0	1 722.0			

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

Table 6
PERU: REAL REMUNERATIONS
(Index: 1979 = 100)

	Private sector		General Government		Legal minimum wage		Percentage variations ^a		
	1988	1989	1988	1989	1988	1989	Month ^b	Year ^c	12Ms ^d
Jan			84	26	71	42	-12.5	-40.8	-40.8
Feb	85	...	75	21	64	37	-11.9	-41.5	-42.2
Mar			85	21	83	37	0.0	-46.8	-55.4
Apr	74	33	72	18	71	31	-16.2	-49.1	-56.3
May			66	22	65	33	6.5	-49.2	-49.2
Jun	76	32	61	18	60	34	4.4	-48.2	-42.6
Jul			72		78				
Aug	66		59		64				
Sep			44		75				
Oct	43		31		53				
Nov	49		37		68				
Dec	43		28		48				

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

^a Of legal minimum wage. ^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
(Period average)

	Intis per dollar				Adjusted real rate ^a (Index 1985 = 100)			
	Official		Free market		Official		Free market	
	1988	1989	1988	1989	1988	1989	1988	1989
Jan	33.0	654.6	-	1 896.8	57.6	50.6	-	129.1
Feb	33.0	909.0	-	1 419.0	51.5	49.6	-	68.1
Mar	33.0	1 200.0	-	1 305.1	42.1	46.4	-	44.4
Apr	33.0	1 536.0	-	1 738.3	36.0	40.2	-	40.1
May	33.0	1 946.8	-	2 800.0	33.4	39.9	-	50.5
Jun	33.0	2 166.4	164.4	3 176.4	31.0	36.0	135.9	46.4
Jul	33.0	2 670.7		3 002.1	23.8	35.7	-	35.3
Aug	33.0		-		19.6		-	
Sep	210.6		344.0		58.4		83.9	
Oct	250.0				49.3		-	
Nov	321.4		-		51.0		-	
Dec	500.0		1 090.8		56.3		108.2	

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru and the International Monetary Fund, International Financial Statistics, August, 1989

^a Index of the nominal exchange rate deflated by the consumer price index and adjusted by the United States wholesale price index.

Table 8
PERU: TRADE BALANCE

	Millions of dollars						Percentage variation ^a			
	Exports FOB		Imports FOB		Trade Balance		Exports		Imports	
	Quart	Year	Quart	Year	Quart	Year	Quart	Year	Quart	Year
1987										
I	578	578	746	746	-168	-168	-5.1	-5.1	66.1	66.1
II	679	1 257	640	1 386	39	-129	13.0	3.9	6.3	31.9
III	713	1 970	790	2 176	-77	-206	7.2	5.1	15.2	25.3
IV	635	2 605	892	3 068	-257	-463	0.2	3.8	13.2	21.5
1988										
I	629	629	758	758	-129	-129	8.8	8.8	1.6	1.6
II	726	1 355	699	1 457	27	-102	6.9	7.8	9.2	5.1
III	706	2 061	618	2 075	88	-14	-1.0	4.6	-21.8	-4.6
IV	611	2 672	481	2 556	130	116	-3.8	2.6	-46.1	-16.7
1989										
I	849	849	482	482	367	367	35.0	35.0	-36.4	-36.4
II	922	1 771	425	907	497	864	27.0	30.7	-39.2	-37.7

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 9
PERU: STRUCTURE OF EXPORTS, FOB

	Millions of dollars						Percentage variation ^a			
	1988				1989		1988	1989		
	I	II	III	IV	I	II		I	II	I+II
Total	629	726	706	611	849	922	1.8	35.0	27.0	30.7
Traditional	445	538	528	427	633	663	2.6	42.2	23.2	31.8
Mining	323	364	304	247	380	462	2.6	17.6	26.9	22.6
Petroleum and petroleum by-products	45	50	33	37	59	68	-39.6	31.1	36.0	33.7
Agricultural	18	24	86	43	60	39	-4.5	233.3	62.5	135.7
Fishery prod.	59	100	104	101	134	123	59.0	127.1	23.0	61.6
Non-traditional	184	188	179	184	216	228	-0.3	17.4	21.3	19.4

Source: ECLAC, on the basis of figures supplied by the Ministry of Economics and Finance, the Statistical Office and the Institute of Foreign Trade.

^a With respect to the same period of the preceding year.

Table 10
PERU: STRUCTURE OF IMPORTS, FOB

	Millions of dollars						Percentage variation ^a			
	1988				1989		1988	1989		
	I	II	III	IV	I	II		I	II	I+II
Total	759	698	618	481	482	425	-9.5	-36.5	-39.1	-37.7
Consumer goods	94	74	71	50	41	-26.6	-56.4			
Intermediate										
Inputs	414	413	373	284	273	5.2	-34.1			
Capital goods	251	210	169	139	130	-24.4	-48.2			
Miscellaneous and adjustments	0	1	5	7	38	225.0	-			

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

^a With respect to the same period of the preceding year.

Table 11
PERU: CENTRAL BANK INTERNATIONAL RESERVES
(Millions of dollars)

	Net international reserves				Available reserves ^a			
	1986	1987	1988	1989	1986	1987	1988	1989
Mar	1 541	820	-194	-213	2 637	1 848	867	1 140
Jun	1 278	790	-180	176	2 363	1 769	854	1 375
Sep	1 239	533	-293	281 ^b	2 360	1 480	960	
Dec	958	43	-352		2 051	1 183	1 042	

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

^a Deposits in foreign exchange, plus holdings in gold and silver, and other net assets.

^b As of August 11.

Table 12
PERU: MONETARY AGGREGATES

	Billions of Intis ^a						Percentage variation ^b		
	1988				1989		1988	1989	
	I	II	III	IV	I	II		I	II
Monetary base	94	118	220	424	817	1 850	273.5	766.4	1 474.5
Liquidity	184	217	503	1 022	2 281	5 378	341.0	1 139.7	2 379.5
Local currency	168	200	367	696	1 449	3 490	256.1	762.5	1 645.0
Money	96	116	217	446	801	1 656	331.2	738.7	1 333.8
Quasi-money	72	84	150	250	648	1 834	179.0	800.0	2 083.3
Foreign currency ^c	16	17	136	326	832	1 887	-	-	-

Source: ECLAC, on the basis of the 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.

^c Intis equivalent.

Table 13
PERU: CENTRAL GOVERNMENT INCOME AND EXPENDITURE
(Billions of Intis)

	January-June		
	1988	1989	1989/1988 ^a
Current income	81.3	1 764.0	2 069.7
Current expenditure	94.2	1 768.1	1 777.0
Savings on current account	-12.9	-4.1	-
Capital expenditure	16.1	367.9	2 185.1
Surplus or deficit (-)	-29.0	-372.0	1 182.8
Financing	29.0	372.0	1 182.8
External	9.9	222.2	2 144.4
Disbursements	32.3	843.5	2 511.5
Amortization payments	22.4	621.2	2 673.2
Domestic	19.1	150.8	689.5
Credits (Central Reserve Bank)	13.5	8.4	-37.8
Credits (others in banking system)	8.9	-163.9	-
Bonds	0.0	3.1	-
Others and residual	-3.3	303.2	-

Source: Central Reserve Bank of Peru.

^a Percentage variation.

URUGUAY

The stagnation of output, the acceleration of inflation, and an enlarged trade surplus were the main features of the Uruguayan economy in the first half of 1989. These changes occurred in a very unstable external context in the subregion, whose adverse effects were heightened by a long drought.

The economic instability of the neighbouring countries determined the behaviour of the Uruguayan economy to a large extent. Although the tourist season at the beginning of the year was favourable, largely because the relationship between the Argentine austral and the Uruguayan peso remained stable until mid-February, the subsequent sharp drop in the austral on the free market abruptly reduced the competitiveness of Uruguayan goods and services. Something similar occurred with respect to Brazil, where the free market price of the dollar rose to more than double the official price. Strong incentives thus arose for a general shift of Uruguayan demand to the neighbouring countries, through tourism, purchase of consumer goods and contraband. This in turn severely reduced demand for domestic production and pre-empted a good part of consumer spending for the second half of the year. In the belief that the subregional terms of trade in the first half of the year represented a temporary situation, the authorities introduced rigorous customs controls.

The persistence of the drought that had begun in early 1988 continued to have unfavourable effects on economic activity as a whole, especially in agriculture and the electric power sector. In the latter case, the result was a drop in the level of activity and a sharp rise in the costs of generating electricity, since thermal energy based on the consumption of petroleum products had to be used.

However, by reducing the grazing capacity, the drought brought about a forcible increase in slaughtering just at a time when the international meat market was favourable, thereby contributing in the short run to the stimulation of industrial activity, although this will probably have an adverse effect on future stock-raising operations. Construction and the other services also showed some progress. On the other hand, competition from the neighbouring countries reduced domestic demand for manufactures, consequently depressing commerce and transport too.

Open unemployment increased early in the year, but the average unemployment rate for the first six months was at least one percentage point lower than that for the same period in 1988, thus continuing its gradual decline since 1984 (see table 2).

During the first six months, inflation continued to accelerate, and the 12-month variation in the consumer price index, which had risen from 54% to 69% between March and December of 1988, jumped to 83% in June (see table 3).

One of the factors contributing to this acceleration was the increase in the monthly devaluation rate around mid-year, in order to offset Uruguay's gradual loss of competitiveness, especially with respect to its neighbours. However, since indexing was widespread, the effects of the devaluation were cancelled out by the rapidly ensuing rise in inflation, which also worked against efforts to reduce the public sector deficit. The form of financing of that deficit changed, however, and became more dependent on indebtedness, especially in foreign currency. On the other hand, the shift in domestic demand to the neighbouring countries, and especially the rise in contraband activities, operated as deflationary factors. Indeed, the drop in domestic demand—which will probably be accentuated in the third quarter because of the pre-emptive purchases from

neighbouring countries— could help to moderate inflation in the second half of the year. Thus, the July price variation was lower than that of the same month of the previous year —when there had been a sharp acceleration—, so that the 12-month growth rate of prices declined for the first time since March 1988.

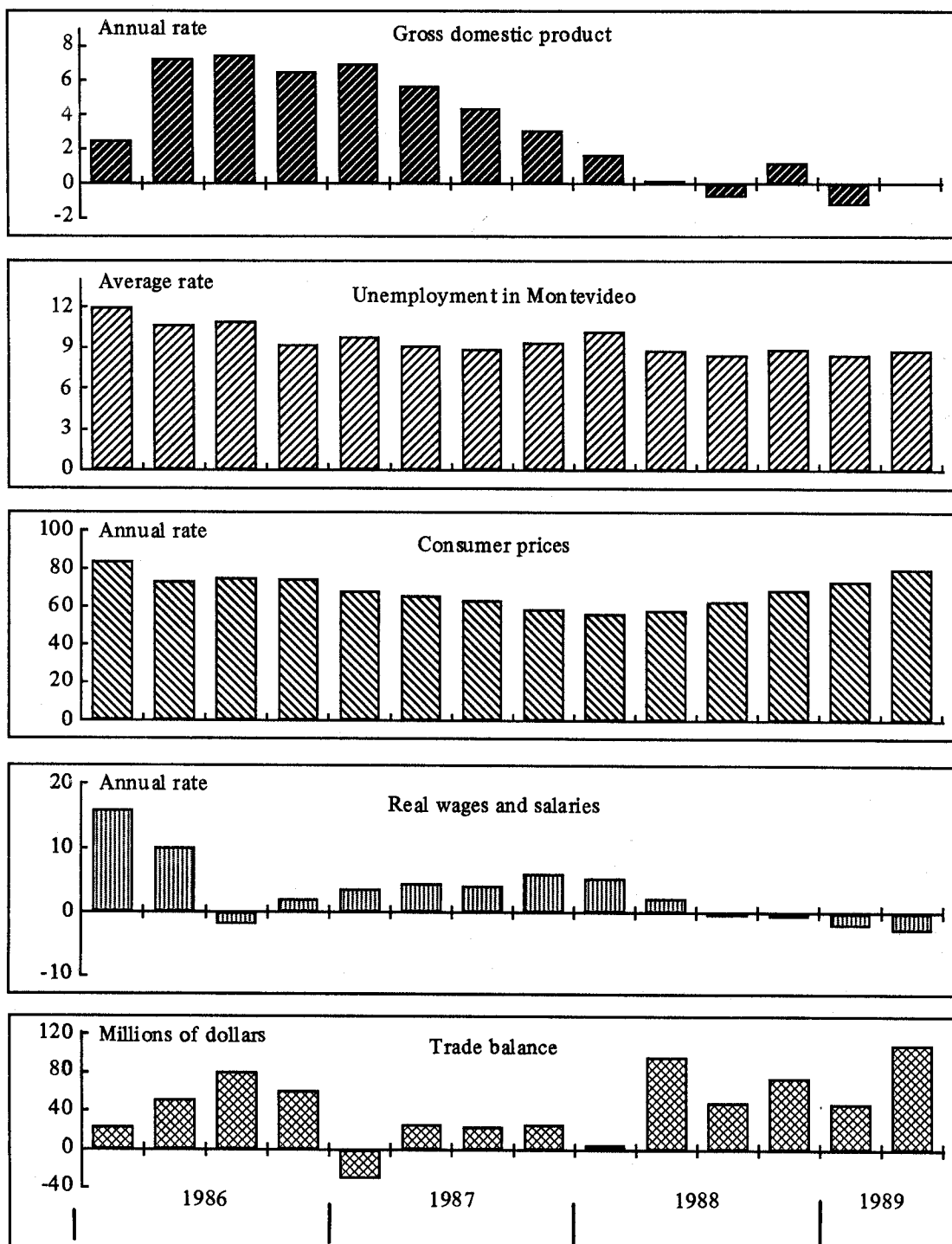
Furthermore, although the interest rate on deposits in local currency exceeded the level of international interest rates plus devaluation in the first quarter, it later fell below it. This, together with the upsurge in inflation, prompted a sharp increase in the velocity of circulation of the leading monetary aggregates. Money outside banks expanded at a lower rate than that of price increases, and the real monetary base thus contracted (see table 11).

The speeding-up of inflation was only partially offset by wage adjustments, especially in the public sector, and hence the average real wage contracted by 2%. Moreover, despite the increase in the nominal devaluation rate, the real exchange rate fell slightly (see tables 4 and 5).

Nevertheless, the upward trend in exports continued during the first half of the year. The growth in sales of traditional products was especially notable, and once again considerably exceeded that of non-traditional products (see tables 6 and 7). The increase in total external sales was due to the demand from Brazil, which nearly doubled. Exports of meat and dairy products were the most buoyant, with increases of 39% and 50% respectively, whereas exports of non-traditional products grew by a little under 7%.

Imports expanded by only about 10%, so that the trade surplus amounted to approximately US\$125 million: nearly 25% higher than in the first half of the previous year. However, the deterioration in the services account (which also covers contraband) largely absorbed this improvement in trade. External indebtedness, mainly through the sale of public securities in foreign currency, made it possible not only to finance the current account deficit but also to increase the Central Bank reserves by somewhat more than US\$50 million (see table 9).

Figure 1
URUGUAY: QUARTERLY EVOLUTION OF THE
MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

Table 1
URUGUAY: GROSS DOMESTIC PRODUCT
(Percentage variation) ^a

	1988 ^b					1989 ^b
	I	II	III	IV	Year	I
Total	1.7	0.0	-0.8	1.2	0.5	-1.2
Agriculture	2.8	4.5	2.6	-0.7	1.7	-7.1
Fishing	-15.2	-13.4	-45.4	-23.9	-26.1	7.1
Manufacturing	-0.3	-7.8	-5.9	-0.1	-5.0	-5.2
Electricity, gas, and water	28.9	9.8	-4.5	0.5	7.6	-15.0
Construction	3.1	3.0	4.7	4.6	3.9	3.7
Commerce	0.1	-1.5	-0.4	0.0	-0.5	-2.9
Transport ^c	0.7	4.1	-1.8	3.3	1.6	-3.4
Others	2.3	3.2	1.8	2.8	2.6	3.4

Source: Central Bank.

^a With respect to the same period of the preceding year.

^b Provisional figures.

^c Includes storage.

Table 2
URUGUAY: UNEMPLOYMENT RATE
(Quarterly averages)

Quarter ending in:	1984	1985	1986	1987	1988	1989
January	14.8	13.2	10.8	9.0	9.9	8.0
February	14.9	13.3	11.2	8.9	10.3	7.9
March	14.6	13.7	12.0	9.8	10.2	8.5
April	14.0	13.4	12.3	10.2	9.8	8.6
May	14.2	13.2	12.0	9.9	9.4	9.1
June	14.1	13.2	10.7	9.1	8.8	8.5
July	14.3	13.7	11.2	9.1	8.3	
August	14.7	13.3	11.3	8.7	7.8	
September	14.7	13.6	10.9	8.9	8.5	
October	14.0	13.0	10.0	8.3	9.5	
November	13.4	12.7	9.6	8.8	9.8	
December	12.7	12.0	9.2	9.4	8.9	

Source: Department of Statistics and Censuses.

Table 3
URUGUAY: PRICE INDEX
(Percentage variations)

	Consumer price index						Wholesale price index					
	1988			1989			1988			1989		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12Ms.
Jan	3.8	3.8	57.0	4.1	4.1	69.5	2.5	2.5	56.0	4.7	4.7	64.0
Feb	3.8	7.7	57.6	6.4	10.8	73.8	2.3	4.8	55.6	4.4	9.3	67.5
Mar	4.8	12.8	54.3	7.0	18.5	77.5	4.7	9.7	54.0	5.9	15.7	69.4
Apr	4.9	18.3	57.8	5.3	24.7	78.1	3.2	13.2	55.1	3.7	20.0	70.2
May	2.3	21.2	58.4	2.9	28.2	79.3	2.4	15.9	55.1	3.8	24.6	72.5
Jun	5.0	27.1	59.1	7.6	38.1	83.5	3.5	19.9	55.5	7.6	34.1	79.3
Jul	8.5	37.9	62.1	5.9	46.2	79.1	9.9	31.7	58.3	6.8	43.1	74.4
Aug	3.4	42.5	62.1	4.4	52.6	81.0	4.0	37.0	55.7	5.0	50.3	76.4
Sep	4.2	48.5	64.8				6.1	45.3	56.2			
Oct	7.1	59.0	68.4				5.7	53.6	62.0			
Nov	4.4	66.3	68.5				4.6	60.5	60.5			
Dec	1.8	69.0	69.0				0.0	60.5	60.5			

Source: Department of Statistics and Censuses.

Table 4
URUGUAY : INDEX OF REAL WAGES AND SALARIES

	Index: Dec. 1985 = 100 ^a			Percentage variations					
	1987	1988	1989	1988			1989		
				Month	Year ^b	12Ms. ^c	Month	Year ^b	12Ms. ^c
Jan	100.8	107.5	105.4	-2.7	6.7	6.7	-2.7	-1.9	-1.9
Feb	105.0	109.8	108.0	2.2	5.6	4.6	2.4	-1.8	-1.7
Mar	106.3	111.3	108.0	1.4	5.3	4.7	0.0	-2.2	-3.0
Apr	104.4	107.2	103.6	-3.7	4.7	2.8	-4.1	-2.5	-3.4
May	102.8	105.8	100.7	-1.3	4.3	2.9	-2.8	-2.9	-4.8
Jun	105.1	106.1	105.5	0.2	3.7	0.9	4.8	-2.5	-0.5
Jul	106.0	105.8	109.8	-0.3	3.2	-0.2	4.1	-1.7	3.8
Aug	104.0	103.7		-2.0	2.7	-0.3			
Sep	102.7	101.1		-2.4	2.3	-1.5			
Oct	104.5	104.7		3.5	2.1	0.2			
Nov	109.5	109.4		4.5	1.9	-0.1			
Dec	110.5	108.3		-1.0	1.5	-2.0			

Source: Department of Statistics and Censuses.

^a Index of nominal wages and salaries deflated by the Consumer Price Index.

^b Variations in average cumulative in-

dex as compared 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 official exchange rate (Pesos per dollar)				Adjusted real exchange rate ^a (Index Dec. 1985 = 100)			
	1986	1987	1988	1989	1986	1987	1988	1989
Jan	127.1	184.2	286.4	460.1	119.7	110.6	103.6	103.6
Feb	131.9	191.1	297.6	476.5	118.1	101.4	103.9	101.4
Mar	135.5	197.9	310.1	496.9	113.5	98.4	103.6	99.4
Apr	139.9	205.1	322.8	521.3	111.0	100.1	103.7	99.8
May	144.7	212.4	335.1	547.1	112.6	102.4	105.9	102.4
Jun	149.2	218.6	347.4	573.9	110.6	100.8	105.4	99.6
Jul	152.9	226.2	359.8	608.9	106.1	99.0	101.1	100.2
Aug	158.2	234.0	374.9	643.2	105.1	99.2	102.1	102.0
Sep	162.3	244.0	390.6		103.3	100.9	102.2	
Oct	165.9	253.9	406.8		100.7	100.5	99.4	
Nov	172.4	264.2	425.7		100.2	100.3	99.7	
Dec	177.4	274.6	444.0		99.8	102.7	102.9	

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

^a Index of the nominal exchange rate deflated by the consumer price index and adjusted by the United States wholesale price index.

Table 6
URUGUAY: TRADE BALANCE

	Millions of dollars						Percentage variation ^a			
	Exports FOB		Imports CIF		Trade Balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
1988										
Jan	50.5	50.5	87.0	87.0	-36.5	-36.5	10.5	10.5	5.6	5.6
Feb	108.8	159.3	67.3	154.3	41.5	5.0	26.2	20.8	3.7	4.8
Mar	93.5	252.8	93.2	247.5	0.3	5.3	5.9	14.8	-9.4	-1.1
Apr	122.7	375.5	75.4	322.9	47.3	52.6	55.5	25.5	4.3	0.1
May	134.8	510.3	118.7	441.6	16.1	68.7	31.3	27.0	32.0	7.1
Jun	116.0	626.3	82.1	523.7	33.9	102.6	8.5	23.1	-18.1	2.2
Jul	117.4	743.7	89.5	613.2	27.9	130.5	-0.6	18.7	-24.5	-2.9
Aug	143.5	887.2	131.3	744.5	12.2	142.7	33.6	20.8	54.3	3.9
Sep	117.3	1 004.5	107.8	852.3	9.5	152.2	6.3	18.9	0.1	3.4
Oct	92.1	1 096.6	92.1	944.4	0.0	152.2	13.3	18.4	-15.7	1.2
Nov	89.2	1 185.8	104.1	1 048.5	-14.9	137.3	-17.2	14.7	15.8	2.5
Dec	218.7	1 404.5	128.5	1 177.0	90.2	227.5	41.7	18.2	8.3	3.1
1989										
Jan	80.0	80.0	82.6	82.6	-2.6	-2.6	58.4	58.4	-5.1	-5.1
Feb	95.5	175.5	86.8	169.4	8.7	6.1	-12.2	10.2	29.0	9.8
Mar	115.3	290.8	72.7	242.1	42.6	48.7	23.3	15.0	-22.0	-2.2
Apr	128.5	419.3	83.2	325.3	45.3	94.0	4.7	11.7	10.3	0.7
May	146.4	565.7	105.2	430.5	41.2	135.2	8.6	10.9	-11.4	-2.5
Jun	134.5	700.2	102.7	533.2	31.8	167.0	15.9	11.8	25.1	1.8
Jul	149.4	849.6	98.9	632.1	50.5	217.5	27.3	14.2	10.5	3.1

Source: Central Bank.

^a With respect to the same period of the preceding year.

Table 7
URUGUAY: STRUCTURE OF EXPORTS
(Millions of dollars)

	Traditional exports				Non-traditional exports				Percentage variation ^a			
	1988		1989		1988		1989		1988		1989	
	Month	Year	Month	Year	Month	Year	Month	Year	T	NT	T	NT
J	28.5	28.5	46.5	46.5	22.1	22.1	33.5	33.5	8.4	13.9	63.2	51.6
F	48.5	77.0	45.3	91.8	60.2	82.3	50.2	83.7	26.9	15.6	19.2	1.7
M	43.6	120.6	57.9	149.7	49.9	132.2	57.4	141.1	20.5	10.1	24.1	6.7
A	54.1	174.7	58.4	208.1	68.6	200.8	70.1	211.2	31.3	21.0	19.1	5.2
M	56.4	231.1	62.5	270.6	78.4	279.2	83.8	295.0	34.2	21.6	17.1	5.7
J	45.3	276.4	63.0	333.6	70.6	349.8	71.6	366.6	30.8	17.6	20.7	4.8
J	37.7	314.1	53.4	387.0	79.7	429.5	96.0	462.6	24.4	14.7	23.2	7.7
A	52.8	366.9			90.7	520.2			29.4	15.4		
S	29.8	396.7			87.6	607.8			32.7	11.4		
O	23.3	420.0			68.8	676.6			35.5	9.6		
N	28.9	448.9			60.3	736.9			30.6	6.6		
D	90.2	539.1			128.5	865.4			37.4	8.6		

Source: Central Bank.

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

^a Cumulative figures with respect to the same period of the preceding year.

Table 8
URUGUAY: STRUCTURE OF IMPORTS

	Millions of dollars ^a			Percentage variation ^b		
	Petroleum	Capital goods	Other	Petroleum	Capital goods	Other
1988						
I	21.7	48.2	177.7	-28.9	27.2	-2.3
II	49.6	81.6	392.5	-18.7	7.5	4.5
III	113.5	119.5	619.3	4.4	10.8	2.0
IV	155.1	181.1	840.7	-7.0	17.7	2.4
1989						
I	27.0	36.8	178.3	24.4	-23.7	0.3
II	79.6	75.2	378.4	60.5	-7.8	-3.6

Source: Central Bank.

^a Cumulative figures. ^b With respect to the same period of the preceding year.

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

	Amount ^{a b}				Variation in total reserves			
	Total		Central Bank		Quarter		Year ^c	
	1988	1989	1988	1989	1988	1989	1988	1989
Mar	1 305	1 559	917	999	106	236	106	236
Jun	1 418	1 786	964	1 032	113	227	219	463
Sep	1 405		998		-13		206	
Dec	1 323		977		-82		124	

Source: Central Bank.

^a Balance at the end of period.
preceding year.

^b Gold valued at US\$ 327.92 troy ounce.

^c With respect to December of the

Table 10
URUGUAY: FISCAL INDICATORS

	Billions of New Uruguayan pesos ^a						Percentage variation ^b		
	1988			1989			1989/1988		
	I	E	B	I	E	B	I	E	B
Mar	88.3	101.3	-12.9	150.5	172.7	-22.2	70.4	70.5	72.1
Jun	189.5	216.8	-27.3	322.9	375.1	-52.2	70.4	73.0	91.2
Sep	309.8	346.2	-36.4						
Dec	456.7	510.7	-54.0						

Source: Department of Statistics and Censuses.

Note: I = Income; E = Expenditure; B = Balance.

^a Cumulative figures.

^b With respect to the same month of the preceding year.

Table 11
URUGUAY: MONETARY AGGREGATES

	M1	DP	M2	DE	M3
(Billions of New Uruguayan Pesos) ^a					
1989					
Feb	191.2	245.8	437.0	1 420.7	1 857.7
Apr	196.8	263.7	460.5	1 622.6	2 083.1
Jun	220.7	280.4	501.1	1 931.3	2 432.4
(Percentage variations) ^b					
1988					
Dec	63.9	54.7	58.9	97.5	86.2
1989					
Feb	64.4	56.7	60.0	98.4	87.8
Apr	61.4	53.9	57.0	105.9	92.6
Jun	58.2	55.3	56.6	117.6	101.4

Source: Central Bank.

Note: M1 = Money Supply (currency outside banks plus deposits in checking account). DP = Time deposits in local currency. M2 = M1 + DP. DE = Deposits in foreign currency. M3 = M2 + DE.

^a Balance at the end of period.

^b With respect to the same month of the preceding year.

VENEZUELA

Economic trends during the first half of the year were largely governed by the implementation of a severe adjustment and stabilization programme designed to reduce the macroeconomic imbalances caused by the sustained expansion of domestic demand in previous years. The immediate effect of this programme was an abrupt rise in prices, which led to serious social disturbances. However, inflation subsequently slackened and the external accounts began to improve, but at the cost of a drop in the product that will probably exceed 5% for the year as a whole.

The new government began implementing its programme in January by a halting amortization payments on its external debt, and by lifting price controls on all but 17 basic consumer goods the following month. At the same time, the prices of public goods and services were increased between 70 and 100%. In mid-March, exchange controls were lifted and replaced by a single free exchange rate, resulting in an effective devaluation of over 100%. The new government's social policy provided for an increase of 54% in the minimum wage and an average wage increase of 30% in public sector wages, supplemented by specific allowances for the lower wage levels. It also included programmes focused on assistance to poor groups, but its implementation was delayed in seeking legislature approval.

The lifting of price controls was followed by violent protests in the major cities and an inflationary surge of unprecedented severity. In March alone, consumer prices rose by 21%, five times the monthly average for the previous 12 months. However, inflation was subsequently brought under control, and by August the monthly rate was only slightly over 2% (see table 3). This result was due in part to the application of a restrictive monetary and credit policy, which was reflected in a gradual slowdown in the growth rate of the monetary base and a substantial rise in domestic interest rates. These more than doubled, although preferential rates were maintained for the agricultural sector and home mortgages. The fiscal accounts showed a considerable surplus in the second quarter, owing to the favourable effect of the devaluation on petroleum sector income and, to a lesser extent, to the increase in prices of public goods and services (see table 8). Finally, at the end of June quantitative limits on imports were partially eliminated, while both the spread and the maximum levels of the tariff system were reduced in order to facilitate exports and, in the short run, exert downward pressure on domestic prices.

The programme has had a highly recessionary effect on the level of activity. Price adjustments, the marked increase in the cost of credit and the many advance purchases made the previous year contributed to a strong contraction in domestic demand. Production was also hurt by the pronounced rise in the costs of imported inputs and the elimination of various subsidies to enterprises. Construction and manufacturing were the sectors most affected, especially the automobile industry, whose sales fell by more than 75% (see table 2). Agricultural production also slowed, although the income of the sector continued to benefit from preferential interest rates and a high subsidy on purchases of fertilizers. Only the petroleum industry and some mining subsectors managed to maintain their rate of activity in the first half of the year.

In April, in order to minimize the unfavourable repercussions of this adjustment on the labour market, the authorities prohibited all lay-offs for a six-month period, and in August announced the establishment of a special employment programme aimed at creating 150 000 new jobs. Even so, the open unemployment rate increased from 7% at the end of 1988 to nearly 10% in the first half of the year. In addition, the rapid

acceleration of inflation meant that during the same period the real minimum wage declined by more than 17%.

Imports contracted sharply, because of both the enormous volume of advance imports in 1988 and shrinking domestic demand. The consequent drop in the outflow of foreign exchange under this heading was partially offset, however, by the payments which the Central Bank had to make to cover some US\$6 billion in purchases made the previous year through letters of credit. Nearly half of these operations were given the benefit of a preferential exchange rate. On the other hand, debt servicing payments, especially for private debt, declined quite markedly (see table 4). This was mainly due to the suspension of amortization payments as from January and the later build-up of arrears of interest, which were estimated at nearly US\$900 million by the end of the second quarter.

With regard to foreign exchange income, petroleum sales were favoured by a significant improvement in the international market, which was reflected in a rise in both prices and in the volume exported (see table 1). Although non-petroleum income declined in the first six months, other types of foreign exchange income increased significantly, owing to the receipt of the first US\$750 million payment provided for in the stand-by agreement with the IMF. The authorities have also opened negotiations with the international banking system for the restructuring of the external public debt and have decided to authorize debt swap operations for a total amount of US\$600 million in three years.

The net effect of these transactions, was that the balance-of-payments deficit, which had amounted to some US\$3 billion in 1988, has now virtually disappeared. The international reserves of the Central Bank have stabilized at around US\$6.5 billion, and the nominal exchange rate has been relatively steady throughout the first half of the year (see tables 5 and 6).

Table 1
VENEZUELA: PETROLEUM PRODUCTION AND EXPORTS

	Production		Exports		
	Crude oil ^{a b}	Petroleum by-products ^a	Volume ^a	Prices ^c	Income ^d
1987	1 704	798	1 518	16.32	757
1988	1 813	945	1 650	13.51	670
1989 ^e	1 825	961	1 623	14.80	721
1988					
I	1 747	874	1 586	13.10	623
II	1 770	895	1 589	15.48	738
III	1 829	930	1 631	13.20	645
IV	1 904	1 081	1 791	12.50	672
1989					
I ^f	1 826	993	1 600	14.60	699
II ^f	1 824	913	1 658	15.20	755

Source: ECLAC, on the basis of figures supplied by Petróleos de Venezuela and the International Monetary Fund.

^a Thousands of barrels per day.

^b Includes condensed.

^c Dollars per barrel. Average price for total exports

(crude oil and petroleum by-products).

^d Millions of dollars. Monthly average.

^e January-May average.

^f April-May average.

Table 2
VENEZUELA: INDICATORS OF ECONOMIC ACTIVITY
(Monthly averages)

	Steel products ^a	Tire production ^b	Cement shipments ^c	Automobile sales ^b
1987	311	454	9 583	9 250
1988	309	434	10 179	10 274
1989 ^d	327	360	8 835	2 603
1988				
I	321	433	9 661	10 302
II	309	403	10 393	10 654
III	300	455	10 989	9 999
IV	307	444	9 673	10 140
1989				
I ^e	322	345	8 951	2 800
II ^e	344	403	8 487	2 013

Source: ECLAC, on the basis of figures from the Ministry of Energy and Mines, the Latin American Institute of Iron Ore and Steel, and Veneconomía, S.A.

^a Thousands of tons.

^b Thousands of units.

^c Thousands of 60 kilogrammes bags.

^d January-April average.

^e April.

Table 3
VENEZUELA: CONSUMER PRICE INDEX
(Percentage variations) ^a

	1987			1988			1989		
	Month	Year	12Ms.	Month	Year	12Ms.	Month	Year	12Ms.
Jan	1.7	1.7	12.6	0.4	0.4	38.6	1.1	1.1	36.4
Feb	2.5	4.2	14.3	-1.9	-1.5	32.6	3.2	4.3	43.5
Mar	2.0	6.3	17.5	-0.1	-1.6	29.8	21.3	26.5	74.2
Apr	2.8	9.3	20.7	2.0	0.4	28.8	13.5	43.6	93.8
May	4.3	14.0	24.3	1.4	1.8	25.2	6.4	52.7	103.3
Jun	4.1	18.7	27.3	5.0	6.9	26.3	3.2	57.6	99.8
Jul	5.2	24.9	32.6	5.1	12.3	26.1	2.5	61.5	94.9
Aug	0.8	26.0	32.6	2.4	14.9	28.0	2.2	65.1	94.5
Sep	2.1	28.6	34.6	1.7	16.9	27.5			
Oct	2.5	31.8	35.1	4.4	22.0	29.9			
Nov	2.9	35.6	37.0	4.0	26.9	31.3			
Dec	3.5	40.3	40.3	6.8	35.5	35.5			

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

^a In the Caracas metropolitan area.

Table 4
VENEZUELA: CENTRAL BANK FOREIGN EXCHANGE RECEIPTS AND OUTLAYS
(Millions of dollars)

	Receipts			Outlays					Balance
	Petroleum	Other ^a	Total	Imp. ^b	External debt		Other ^c	Total	
					Publ.	Priv.			
1986	7 869	2 683	10 552	6 716	3 996	1 087	2 716	14 515	-3 963
1987	9 083	3 857	12 940	6 257	3 367	1 481	2 513	13 618	-678
1988	8 432	5 812	14 244	8 597	3 500	1 200	3 626	16 923	-2 679
1988									
I sem.	4 082	3 154	7 236	4 492	1 750	721	1 045	8 008	-772
II sem.	4 350	2 658	7 008	4 105	1 750	479	2 581	8 915	-1 907
1989									
I sem.	4 361	3 166	7 527	3 528	1 147	142	2 774	7 591	-64

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

^a Includes receipts from the Venezuelan Investment Fund.

^b Imports of goods and services. Including expenditure in foreign exchange of Petróleos de Venezuela and agreements. Excludes imports at the free exchange rate.

^c Includes Central Bank sales of foreign exchange on the free market.

Table 5
VENEZUELA: NET INTERNATIONAL RESERVES
(Millions of dollars)

At the end of:	1985	1986	1987	1988	1989
Mar	13 027	13 443	9 536	8 683	6 794
Jun	13 465	12 612	9 270	8 501	6 463
Sep	13 287	11 367	9 469	7 605	
Dec	13 750	9 858	9 376	6 671	

Source: ECLAC, on the basis of data supplied by the Central Bank of Venezuela and the International Monetary Fund.

Table 6
VENEZUELA: FREE EXCHANGE RATE
(Bolívares per dollar)

	1984	1985	1986	1987	1988	1989
Jan	13.8	13.5	17.3	23.2	30.0	37.4
Feb	13.0	13.3	18.9	22.9	29.7	38.9
Mar	14.2	13.1	19.1	23.1	29.7	36.0
Apr	15.7	12.9	19.3	24.7	29.4	37.5
May	16.2	13.2	20.1	28.5	31.7	38.3
Jun	14.0	14.0	17.6	27.9	33.2	37.2
Jul	13.0	14.2	19.7	29.1	36.2	
Aug	12.7	14.4	19.8	31.4	36.4	
Sep	12.0	14.6	20.5	31.7	37.0	
Oct	12.3	14.6	23.6	31.9	36.7	
Nov	12.6	15.1	23.8	29.5	37.3	
Dec	12.7	14.9	23.6	30.5	39.3	

Source: ECLAC, on the basis of data supplied by the Central Bank of Venezuela and the International Monetary Fund.

Table 7
VENEZUELA: MONETARY AGGREGATES
(Percentage variations)

	Monetary base						M2					
	1987		1988		1989		1987		1988		1989	
	Month	12Ms.	Month	12Ms.	Month	12Ms.	Month	12Ms.	Month	12Ms.	Month	12Ms.
Jan	-5.3	8.2	-5.1	19.8	0.8	29.3	-0.9	16.3	-1.6	23.3	1.7	19.7
Feb	-1.3	12.0	0.3	21.7	3.0	32.7	1.5	18.2	0.5	22.0	2.1	21.6
Mar	2.5	15.2	1.8	20.9	-7.1	21.1	0.8	19.8	1.1	22.3	0.4	20.8
Apr	4.3	7.0	-0.9	14.8	-3.0	18.6	2.2	18.3	1.3	21.3	-2.1	16.8
May	-2.9	2.3	4.1	23.1	3.8	18.2	1.4	17.9	2.5	22.6	3.1	17.1
Jun	2.9	1.4	2.0	22.0	-3.4	12.1	2.0	18.6	0.9	21.2	5.3	22.6
Jul	-0.7	1.9	-1.8	20.8			0.8	17.2	0.1	20.3		
Aug	3.4	3.5	1.1	18.1			1.2	15.8	0.5	19.6		
Sep	0.4	6.6	-1.4	16.0			0.9	16.0	-0.2	18.2		
Oct	4.4	16.2	3.2	14.6			3.5	18.5	-0.3	14.0		
Nov	4.4	15.9	9.1	19.8			3.7	21.3	5.2	15.6		
Dec	6.6	19.4	8.4	21.8			4.3	23.6	5.0	15.8		

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

Table 8
VENEZUELA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE
(Billions of bolívares)

	Income	Expenditure	Balance	Financing		Reserves
				Domestic credit	Variation in reserves ^a	Balance ^b
1987						
I	27.0	28.1	-1.1	-0.7	1.8	13.8
II	32.9	34.1	-1.2	0.2	1.0	12.8
III	44.2	38.6	5.6	1.9	-7.5	20.5
IV	46.6	51.2	-4.7	9.5	-4.8	27.2
1988						
I	44.7	40.5	4.2	2.2	-6.4	33.6
II	39.2	47.1	-7.9	-2.1	10.0	23.6
III	35.2	46.2	-11.1	-0.7	11.7	11.9
IV	40.8	42.0	-1.1	2.6	-1.5	13.8
1989						
I	35.0	39.8	-4.8	9.6	-4.8	18.6
II	74.8	65.8	9.0	-6.5	-2.4	20.6

Source: ECLAC, on the basis of data supplied by the Central Bank of Venezuela and the International Monetary Fund.

^a (-) means increase. Does not include adjustments.

^b Balance at end of period.

