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ECONOMIC COMMISSION FOR LATIN AMERICA
AND THE CARIBBEAN

ECONOMIC PANORAMA OF LATIN AMERICA 1991

ARGENTINA
BRAZIL
COLOMBIA
CHILE
ECUADOR
MEXICO
PERU
URUGUAY
VENEZUELA

UNITED NATIONS

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23 September 1991

Economic Commission for Latin America and the Caribbean

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Corrigendum

Page 40, third paragraph, first line

Reads: the expectations of a change in the value of the dollar,

Should read: the expectations of a change in the value of the peso,

United Nations
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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 amount is nil or negligible.

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

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

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

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

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

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

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

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

CONTENTS

LATIN AMERICA

The gloomy atmosphere of stagnation, recession and inflation presented in recent years by most of the countries of Latin America shows signs of beginning to clear up in 1991, although some contradictory trends still persist. There has been an increase in the number of countries now on the road towards renewed growth or recovery of past levels of activity, although in most cases this process is taking place at a modest rate and in some instances its foundations are still fragile. The most serious inflationary processes are tending to recede, but in many countries progress in this direction has become more arduous. At the same time, flows of voluntary private capital to certain countries of the region have recently reached a significant level, although this sometimes has been reflected in a rise in the value of the national currencies concerned and unwanted expansion in the money supply. Moreover, this particular development does not always help to relieve the burden of the external debt on public finances.

Slow recovery conceals more radical changes

The slight increase in the regional output, which is estimated on the basis of the indicators for the first half of the year to be slightly over 2%, is strongly influenced by the protracted recessions in Brazil and Peru, which continue to struggle against high rates of inflation. For the rest of the countries in the region, the average growth rate will be of the order of 4%, i.e., higher than in 1990 despite the slackening in the growth rate of world trade. This result is due to the fact that two of them are growing at the rate of 5% or more, while several others are registering rates of between 2.5% and 4% per year, which are at least as high as those registered in 1990. Among the countries which have registered a better performance than last year are Argentina, which is now emerging from three years of recession; Chile, which has now completed the adjustment applied in the previous year; Nicaragua, whose level of activity is expected to show some recovery after eight years of setbacks, and Venezuela, which will exceed the rate of close to 6% achieved in 1990.

Within this more encouraging general picture, it is possible to distinguish more clearly than in the recent past among the different forms of operation and performance of the economies: i.e., among those which have already consolidated their structural transformation processes, those where they are still underway, and those which are still struggling with instability due to the failure to assimilate the structural changes dictated by present conditions. Moreover, behind the modest growth rates there are processes of change marked both by incipient progress, by inequalities of income and wealth and by the hardships of broad sectors of the population.

Despite the fragility still displayed by some stabilization processes, most of the economies of the region are now functioning on new foundations. These are characterized in general by the consolidation of an export-oriented approach, greater external openness, fiscal austerity, more prudent management of monetary policy, and greater reluctance to engage in public regulation of economic activity, while the international financial community, for its part, is showing some tolerance with regard to the need for leeway in economic policy. Without doubt, these new forms of operation are based on even greater inequalities in income than in the past, greater precariousness of employment, tighter fiscal restrictions and even less leeway for economic policy management. All this means less capacity to make transfers between economic sectors or social strata, but at the same time it inspires greater confidence in the durability of the rules guiding public policy.

Stabilization of the economies

The stabilization policies applied over the last year have managed in most cases to reduce inflationary pressures. Progress in this respect has been most marked in economies with high levels of inflation. Thus, after having stood at around 1 200% in both 1989 and 1990, the weighted average increase in consumer prices in the region has been reduced to less than 300% per year and shows a clear downward trend.

Particularly noteworthy cases are the stabilization of prices in Argentina, where price increases have fallen rapidly to less than 2% per month; the slackening of inflation in Peru to an average of 9% per month over the last eight months, and the decline to a figure of the order of 5% per month in Uruguay. Also worthy of note is the drop in inflation which has been taking place in Nicaragua since March. In contrast, there has been a resurgence of inflation in Brazil, where the figure grew to 15% in August (figure 1).

Some of the countries with moderate levels of inflation have also managed to relieve the inflationary pressures which appeared in 1990. Outstanding in this respect are the cases of Mexico, which brought down the 12-month increase in prices from 30% in December 1990 to 22% in July of this year; Paraguay, from 44% in December to 21% in August; Guatemala, from 61% in December to 39% in May, and Chile, from 27% in December to 23% in August.

A significant number of countries with moderate levels of inflation, however, including Bolivia, Colombia, Costa Rica, Ecuador and Venezuela, have had difficulty in bringing down the rate of price increases registered in 1990. In most of them, there have been fresh outbreaks of inflation in recent months which have demanded special measures to control them. This situation raises fresh challenges for economic policies aimed at simultaneously correcting macroeconomic imbalances and restoring growth (figure 2).

During the first half of 1991, with varying degrees of consolidation, there has been an increase in the number of countries which have achieved, or are on the way to achieving, macroeconomic stability. Those countries with longer experience of this situation, such as Chile or Colombia, have shown considerable flexibility in adapting their economic policy to external shocks or unforeseen results of domestic processes. In the countries which have achieved stabilization more recently, as in the case of Mexico, the authorities have prepared a variety of measures to consolidate the process. Where stabilization is still at an incipient stage after periods of high inflation –as in the cases of Argentina, Peru and Uruguay, for example– some temporary problems may still be encountered, but there are indications that their authorities will not permit prolonged deviations from the chosen path. Brazil, however, which is the biggest economy in the region, has still not found the way to lasting stabilization.

Despite considerable differences of performance, both in the degree and stability of growth, all these economies share new operational modalities. These explain the common trend towards stability, but they also reveal potentially fragile elements which point to the need to put such processes on more solid foundations. The central features of this new approach are to be seen in the areas of fiscal matters, the foreign exchange market, and the response of the economic agents to the policies applied.

Consolidation of fiscal adjustments

Generally speaking, the economies are now functioning with more balanced public sectors, though there is now less leeway than ever for permitting imbalances without setting off inflationary spirals. In the previous two years, a considerable number of countries carried out enormous fiscal adjustments through which public sector financing needs have been reduced by amounts varying between 3% and 8% of gross domestic product. In 1991, most of these countries are proceeding with, or consolidating, such adjustments.

The fragility of the fiscal balance is naturally greater in the countries which have been engaged less time in the restructuring process and it diminishes to the degree that permanent institutions help to consolidate the new fiscal structures. In many cases, the adjustment has been achieved through extraordinary compression of expenditure, consumption and investment which is hard to justify and maintain in more normal circumstances, even when the public sector has been restructured to increase its efficiency. At the same time, the interest due on the external public debt continues to represent a heavy burden for fiscal budgets, to such a point that most of the countries of the region are in arrears in spite of their clear desire to regularize their debt service.

In the stabilization programmes under way, it has been possible to balance cash flows through such exceptional expedients as delaying payments or making use of capital inflows such as those obtained by privatizing public enterprises. Once stability has been attained, the financial gap must be closed with resources of a more permanent nature provided by regular fiscal mechanisms. In countries which are emerging from profound recessions and experiencing a rapid decline in inflation, the effect of these circumstances on tax revenue tends to reinforce the process of fiscal adjustment.

Increased current account deficits on the balance of payments

If the tendencies of the first half of the year are maintained, in 1991 the merchandise trade surplus of Latin America and the Caribbean will decline considerably because of the increase in imports, which has reached striking dimensions in some countries. Thus, the positive balance for the year is likely to be around US$12 billion after having reached US$30 billion in the previous two years (table 2).

It is estimated that the value of exports will slightly exceed (by 2%) the level of last year. In the case of the oil-exporting countries, the effect of bigger volumes sold and the dynamism of non-traditional export lines will more than offset the effects of a settling-down of oil prices after the shocks registered in this market. The non-oil-exporting countries, however, are suffering from declines in the prices of most of their export products this year (table 3), and in some cases, such as those of Argentina and Uruguay, this fact is combined with lower shipments, thereby resulting in a decline in the total value of exports.

The increase in the value of imports was considerable (20%) and quite widespread, though it was greatest in Argentina, Colombia, Mexico (which is estimated to account for something like half the total regional increase) and Venezuela. The fact that countries in such dissimilar phases of their macroeconomic evolution are registering such big increases in their imports this year (Argentina, over 80%; Venezuela, over 50%; Mexico, 35%, and Colombia, over 20%) is connected with the combination of economic recovery, processes of trade liberalization and a decline, albeit from relatively high levels, in the real exchange rate due to an oversupply of foreign exchange, to which the public sectors of these countries do not have access because of the lack of national-currency financing. This oversupply is generally the result of various combinations of trade surpluses, inflows of private capital, and retention of debt service payments. It should be noted that in some countries, including Argentina, Ecuador and Venezuela, the rise in the demand for imports took place from very depressed initial levels. Nor is the composition of the demand the same in all cases: in Mexico, for example, the expansion is similar in all categories, from consumer goods to capital goods, whereas in Argentina it is concentrated in consumer goods.

The net flows of profit remittances and interest payments will go down for the second year running, this time to some US$33 billion, mainly because of the decline in international interest rates. The balance-of-payments current account deficit, however, which had been declining in recent years, will increase to US$20 billion because of the smaller trade surplus (table 2).

New flows of voluntary capital

Substantial flows of various types of private capital (including to some extent repatriation of resident capital) are taking place not only in countries which have maintained their macroeconomic stability but also in those which have only recently embarked on their internal adjustment processes. In Argentina, Mexico and Chile these flows include foreign direct investment which is partly connected, in the case of the first two countries, with the privatization of public enterprises, but there are also cases of substantial portfolio equity investments and even sales of bonds. Moreover, in these and other countries, such as Colombia and Peru, there have been considerable inflows of short-term capital, attracted by the differences between real domestic interest rates (associated with the stabilization policies) and declining international rates.

These capital inflows have had two immediate consequences. On the one hand, they have obliged the Central Banks to build up bigger reserves. On the other hand, they have kept the real exchange rate at lower levels than those which prevailed when the trade surplus reflected capital flight, and this has tended to erode the competitiveness of those countries' exports.

From the point of view of the stabilization policies, this has had contradictory repercussions. The rise in the value of national currency acts as a "anchor" on nominal prices and likewise stimulates imports (which are also facilitated by the processes of tariff liberalization), thereby favouring the stabilization of some domestic prices. The accumulation of greater reserves, however, brings with it an unwanted expansion in the money supply, which runs counter to the predominantly restrictive nature of monetary policy and whose absorption (to the extent that it exceeds the increase in demand for real monetary balances) would require an equivalent fiscal surplus. In these circumstances, the rapid and sustained expansion of imports requires a continued inflow of capital.

Likewise, the inflows of capital have made it possible to keep down domestic interest rates, a process also strengthened by the drop in the rates offered on the United States market. This undoubtedly favours aggregate demand in the countries which have already consolidated their stabilization processes. If it is desired to continue to attract short-term capital, however, it is necessary to keep interest rates significantly above international levels. This in turn seriously restricts the only instrument available for macroeconomic regulation.

The type of balance described obviously contains elements of fragility, since part of the capital inflow can suddenly be reversed. This is a possibility which cannot be ruled out in the case of investments in stocks and shares, financial deposits made because of the interest rate differential with the international market, and the repatriation of resources to help restore the working capital of enterprises affected by domestic credit restrictions or recession.

The capital flows are helping to relieve the external financing constraints suffered by these countries over the past decade of crisis. However, to the degree that they are motivated by the short-term considerations in question rather than by confidence in medium-term development, they do not represent structurally stable financing which can serve as a sound basis for development.

The response of the economic agents to the policies applied

It is precisely at the level of the confidence of the economic agents that perceptible changes are to be observed –at least in some countries– which condition economic policy in a different manner than in the past. The agents with the greatest weight in the markets are showing greater confidence in the direction, stability and effectiveness of economic policies. This change in attitudes and in the environment is probably connected with the generalized acceptance of the new foundations for the functioning of the economies, both with regard to the possible benefits and the undoubted costs involved.

In the climate of mistrust which existed before the consolidation of macroeconomic stability, an overadjustment of economic policy instruments was usually necessary: high real exchange rates and high interest rates were needed in order to avoid capital flight, and the fiscal deficit had to be adjusted by more than was actually needed to control the money supply, in order to emphasize the political will to eliminate the expansionary effect of the public sector. With the improvement in the climate of confidence, economic policy can now manage variables within narrower margins. In other words, the increase in confidence has led to the disappearance of part of the "risk premiums" which had to be included in the exchange rate, interest rates, and the amount and speed of adjustment of the fiscal deficit.

Even so, elements of fragility exist with regard to the issue of confidence. Apart from the reaction to possible political developments, import booms facilitated by greater trade liberalization and the inflow of capital may reach a situation where they become vulnerable to changes in direction of capital flows, whereupon the agents may anticipate the need for devaluation, which induces an abrupt turnaround in the existing situation.

The Burden of the Debt

The region's stock of foreign debt, US$432 billion at the end of 1990, is expected to rise in nominal terms by around 3% this year. The growth is attributable to various factors. On the one hand, some countries have regained access to voluntary credit flows. The country with by far the most significant and sustained access to this type of finance is Mexico, which during the first semester placed more than US$1 billion in bonds in international markets. Although relatively small in size, new issues were also recorded for Venezuela, Brazil and Argentina. The other main factor behind debt expansion is the accumulation of interest arrears, which is still occuring in the majority of Latin American countries. If present trends continue, by year end arrears should be in the neighbourhood of US$25 billion. Finally, short-term credit flows have been on the rise.

Contractionary factors are also present this year. Chile, Bolivia and Jamaica have negotiated debt reduction accords with the U.S. on their bilateral government to government obligations, which removed US$16 million, US$372 million and US$217 million of debt, respectively. With regard to the Brady Plan, its contractionary impact in 1991 is still uncertain. On the one hand, it is still not clear whether negotiations will advance quickly enough in Brazil and Argentina to finalize accords this year. On the other, while Brady accords have reduced the present value of the debt owed to the banks, they have also often generated enough new debt –related to collateral requirements and refinancings– to result in little or no reduction in overall gross external obligations. Finally, another potentially contractionary factor this year is the rise of the U.S. currency, which lowers the dollar value of debts denominated in other currencies.

International interest rates underwent a sharp decline in the first semester, e.g., the 6-month LIBOR rate for dollars averaged 6.5%, compared to 8.2% in the second half of 1990. This trend is expected to cause accrued interest payments on the external debt to fall by 3% with respect to last year's payments of approximately US$36 billion. It should be noted that Latin America's debt is increasingly less sensitive to movement of international interest rates. On the one hand, a sharp cutback in bank lending, coupled with diverse debt reduction schemes, has contributed to a fall in the participation of bank obligations in the region's total debt: from more than 75% in the early 1980s to less than 60% today. On the other, Brady Plan debt renegotiations in Mexico, Venezuela, Costa Rica and Uruguay have converted US$34 billion of variable rate bank debt into fixed rate bonds.

The fall in accrued interest on the debt, coupled with the expected slight rise in the region's export earnings, will mean that Latin America's (excluding Panama) interest payments/export ratio should decline to 23%, from the 25% recorded last year. This would be the fifth consecutive year that the coefficient has fallen and would bring it down to a level which is nearly half that of the peak of 41% recorded in 1982. Nevertheless, the region's interest/export ratio remains very troublesome and above the 20% that is often considered a threshold for financial crisis. As for the relation between the region's debt and exports, the similar rates of growth expected for these two variables will mean that the coefficient should be similar to last year's 285%. While this ratio is well below the peak level of 416%, registered in 1986, it still remains considerably above the 200% which is often used as the ceiling for creditworthiness.

In the first semester the major event was an agreement between Brazil and its creditor banks over the elimination of US$8 billion in interest arrears which had accumulated over the period 1989-1990. The agreement required Brazil to eliminate 25% of the arrears in cash payments spread out over the year 1991, with the balance converted into 10-year bonds. This agreement removed a major obstacle to the beginning of negotiations for a Brady Plan debt reduction scheme.

In 1991 there was a notable general rise in secondary market prices for Latin American debt. In June the average price was 45 cents on the dollar, compared to 35 cents last December (table 5).

Table 1
LATIN AMERICA: GROSS DOMESTIC PRODUCT

	Annual growth rates				Cumulative variation 1981-1991	
	1988	1989	1990	1991[a]	GDP	Per capita GDP
Latin America	**1.0**	**1.3**	**0.3**	**2.4**	**15.7**	**-8.8**
Oil-exporting countries[b]	2.3	0.0	3.6	3.8	20.0	-7.5
Non-oil-exporting countries[c]	-0.1	2.3	-2.3	1.2	12.3	-10.0

Source: ECLAC, on the basis of official data.
[a] Preliminary estimates subject to revision. [b] Bolivia, Colombia, Ecuador, Mexico, Peru and Venezuela. [c] Argentina, Brazil, Costa Rica, Chile, 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[b]			Non-oil-exporting countries[c]		
	1989	1990	1991[a]	1989	1990	1991[a]	1989	1990	1991[a]
Balance on current account[d]	**-6.0**	**-4.7**	**-19.5**	**-2.8**	**-0.4**	**-14.5**	**-3.2**	**-4.3**	**-5.0**
Trade balance (goods)	29.5	28.5	12.0	8.7	11.1	-3.5	20.8	17.5	15.5
Exports	111.0	121.5	124.0	48.4	58.0	58.5	62.6	63.6	65.5
Imports	81.5	93.0	112.0	39.7	46.9	62.0	41.8	46.1	50.0
Net payments									
Services	2.1	4.0	3.5	-0.8	0.6	0.5	2.9	3.4	3.0
Profits and interest	37.3	34.3	33.0	15.1	14.0	13.5	22.2	20.3	19.5
Unrequited private transfer payments	3.9	4.9	5.0	2.8	3.0	3.0	1.1	1.9	2.0
Balance on capital account[e]	**9.3**	**18.0**	**...**	**4.1**	**6.1**	**...**	**5.2**	**11.9**	**...**
Global balance[f]	**3.3**	**13.3**	**...**	**1.3**	**5.7**	**...**	**2.0**	**7.6**	**...**

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

Table 3

LATIN AMERICA: PRICES OF MAIN EXPORT PRODUCTS

(Current dollars)

	Annual averages					Annual growth rates				Cumulative variation
	1970	1985	1989	1990	1991[a]	1988	1989	1990	1991[b]	1991/1980
Raw sugar [c]	3.7	4.1	12.8	12.6	8.5	50.0	25.5	-1.6	-32.5	-70.4
Bananas [c]	7.9	18.4	20.4	29.5	30.8	-7.2	-17.0	44.6	4.3	62.9
Cocoa [c]	30.6	102.3	56.5	57.7	52.3	-20.4	-21.6	2.1	-9.4	-55.7
Coffee (mild) [c]	52.0	145.6	107.0	89.2	89.8	20.3	-20.8	-16.6	0.7	-49.8
Beef [c]	59.2	97.7	116.5	115.4	119.0	5.5	2.0	-0.9	3.1	-5.5
Fish meal [d]	197.0	280.0	408.0	412.0	468.0	42.0	-25.0	1.0	13.6	-7.1
Maize [d]	73.0	135.3	140.8	119.9	131.5	37.5	3.8	-14.8	9.7	-37.5
Soya [d]	121.0	225.0	275.0	247.0	242.0	40.7	-9.5	-10.2	-2.0	-18.2
Wheat [d]	55.0	138.0	170.0	137.0	119.0	27.0	16.4	-19.4	-13.1	-32.9
Cotton [c]	30.7	61.7	75.9	82.1	88.2	-16.7	19.7	8.2	7.4	-6.4
Wool [c]	54.5	141.0	191.5	155.0	123.4	13.4	-7.7	-19.1	-20.4	-36.5
Copper [c]	64.3	64.4	129.2	120.9	109.9	46.0	9.5	-6.4	-9.1	11.5
Tin [e]	1.7	5.4	3.9	2.8	2.5	6.5	19.4	-29.8	-9.6	-67.1
Iron ore [d]	12.5	22.0	24.3	26.1	28.4	0.9	9.0	7.4	8.8	-1.7
Lead [c]	13.8	17.8	30.5	36.8	26.9	9.6	2.7	20.8	-27.1	-34.6
Zinc [c]	15.3	40.4	82.0	74.6	55.5	42.0	36.2	-9.0	-25.6	60.4
Crude petroleum [f]										
IMF average	2.1	27.0	17.2	22.1	17.9[g]	20.2	21.1	28.5	-19.0	-49.6
Colombia	...	...	18.3	22.5	19.4[g]	...	...	23.0	-13.8	...
Ecuador	...	26.6	17.8	22.2	18.5[g]	-15.6	17.1	24.7	-16.7	-47.0
Mexico	...	24.1	15.2	17.6	13.1	-22.3	17.8	15.8	-25.6	-56.3
Venezuela	1.7	25.9	15.7	16.9	13.9[g]	-24.1	27.6	7.6	-17.8	-49.6

Source: UNCTAD, *Monthly Commodity Price Bulletin*, Supplements 1970-1989 and June 1991; International Monetary Fund, *International Financial Statistics*, August 1991; Petroleum Market Intelligence, various issues; and ECLAC, on the basis of official figures.

Note: **Raw sugar,** FOB Caribbean ports, for export to free market. **Central American bananas**, CIF North Sea ports. **Cocoa beans**, average daily prices (future), New York/London. **Coffee**, mild arabica, ex-dock New York. **Beef**, frozen and boned, all origins, United States ports. **Fish meal**, all origins, 64-65% protein, CIF Hamburg. **Maize,** Argentina, CIF North Sea ports. **Soya,** United States #2, yellow, in bulk, CIF Rotterdam. **Wheat**, FOB United States #2, Hard Red Winter. **Cotton**, Mexican M 1-3/32", CIF North Europe. **Wool**, clean, combed, 48's quality, United Kingdom. **Copper, tin, lead and zinc**, cash quotations of the London Metal Exchange. **Iron ore**, Liberia, c 61% Fe, CIF North Sea ports. **Crude petroleum**, IMF average: average of spot prices of "Dubai", "Brent" (United Kingdom) and "Alaskan North Slope" crude, reflecting relatively equal consumption of medium, light and heavy crude throughout the world; Colombia, C. Limón 30 (U.S. Gulf Coast); Ecuador, Oriente-30 (U.S. Gulf Coast); **Mexico**, Maya Heavy-22 (U.S. Gulf Coast); **Venezuela**, Tía Juana-22 (Caribbean).

[a] Average January-June. [b] Average January-June with respect to 1990 average. [c] US cents per pound. [d] Dollars per metric ton. [e] Dollars per pound. [f] Dollars per barrel. [g] Average January-July.

Table 4

LATIN AMERICA: DEBT, TRANSFER AND IMPACT

(As proportions of GDP)

	Total external debt	Transfer			Impact	
		Interest and profits	Net capital inflow	Total	Gross domestic investment	Growth of per capita GDP
1973-1981	38	-2.9	5.5	2.6	22.6	2.1
1982-1989	54	-5.0	1.4	-3.6	17.3	-0.3
1990	46	-3.7	1.9	-1.8	15.7	-1.8
1991 [a]	45	-3.4	...	...	...	0.3

Source: ECLAC, estimates on the basis of official information. These estimates are only orders of magnitude, since they depend on the way the product is valued in dollars.

[a] Preliminary estimates.

Table 5

LATIN AMERICA: PRICES OF EXTERNAL DEBT PAPER ON THE SECONDARY MARKET

(Percentage of nominal value)

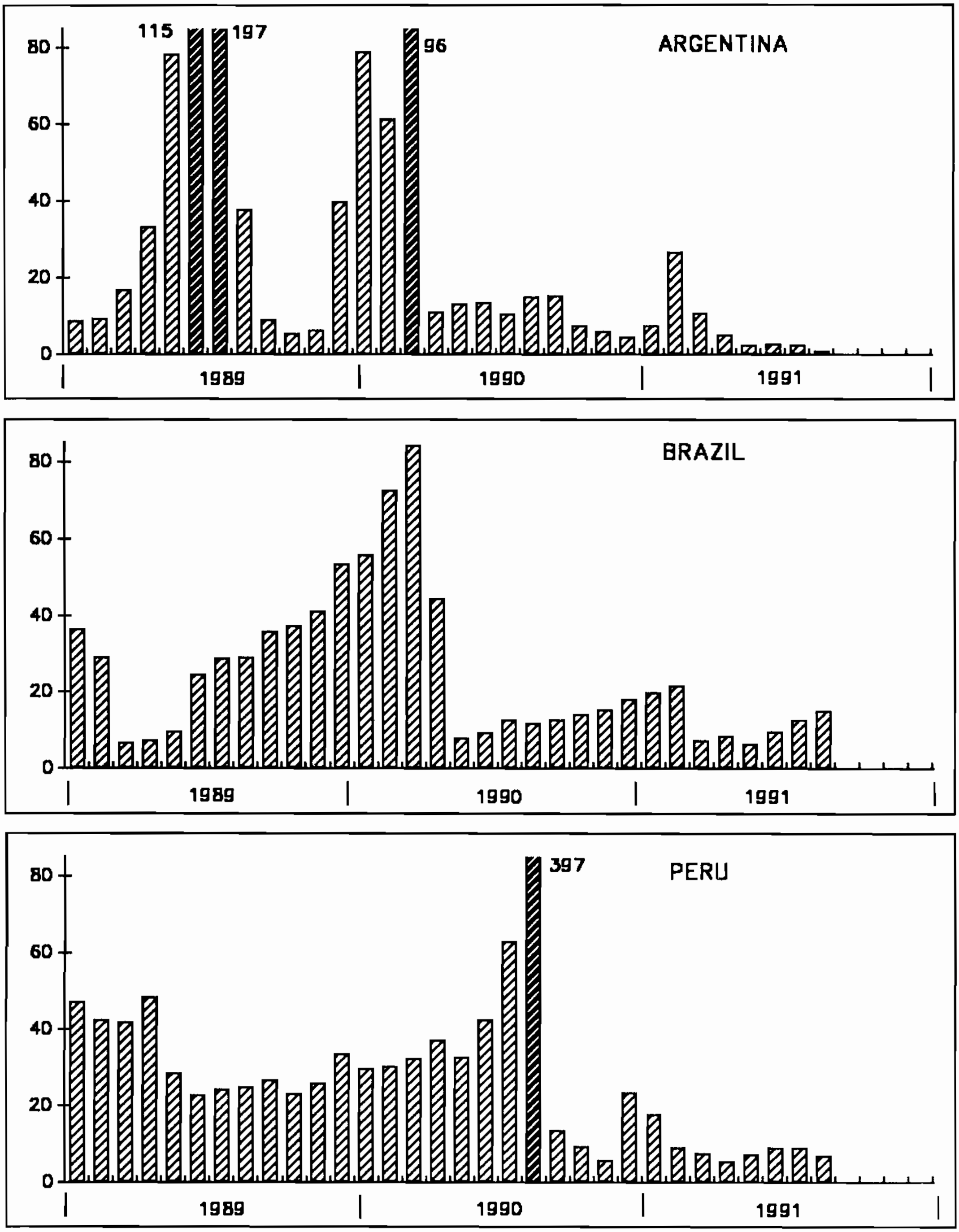
	1989			1990			1991		
	January	June	December	January	June	December	January	June	July
Argentina	20	13	13	12	13	20	19	25	29
Bolivia	10	11	11	11	...	...	...	...	...
Brazil	37	31	22	25	24	25	23	33	34
Colombia	56	57	64	60	64	63	64	73	76
Costa Rica	13	14	17	18	36	34	34	46	50
Chile	60	61	59	62	65	74	75	88	89
Ecuador	13	12	14	14	16	20	20	22	23
Honduras	22	17	20	21	...	...	...	...	...
Jamaica	40	41	40	40	44	...	...	...	...
Mexico	40	40	36	37	45	46	45	55	57
Nicaragua	2	1	1	1	...	...	...	...	...
Panama	19	10	12	19	12	13	11	13	18
Peru	5	3	6	6	4	4	3	7	10
Dominican Republic	22	22	13	13	17	...	...	...	...
Uruguay	60	57	50	50	49	55	...	...	...
Venezuela	38	37	34	35	46	50	50	60	62
Average [a]	35.2	31.9	28.0	29.5	33.3	35.1	33.6	42.9	44.9

Source: United Nations, Department of International Economic and Social Affairs, on the basis of offer prices compiled by Salomon Brothers, High Yield Department.

[a] Weighted by the bank debt.

Figure 1

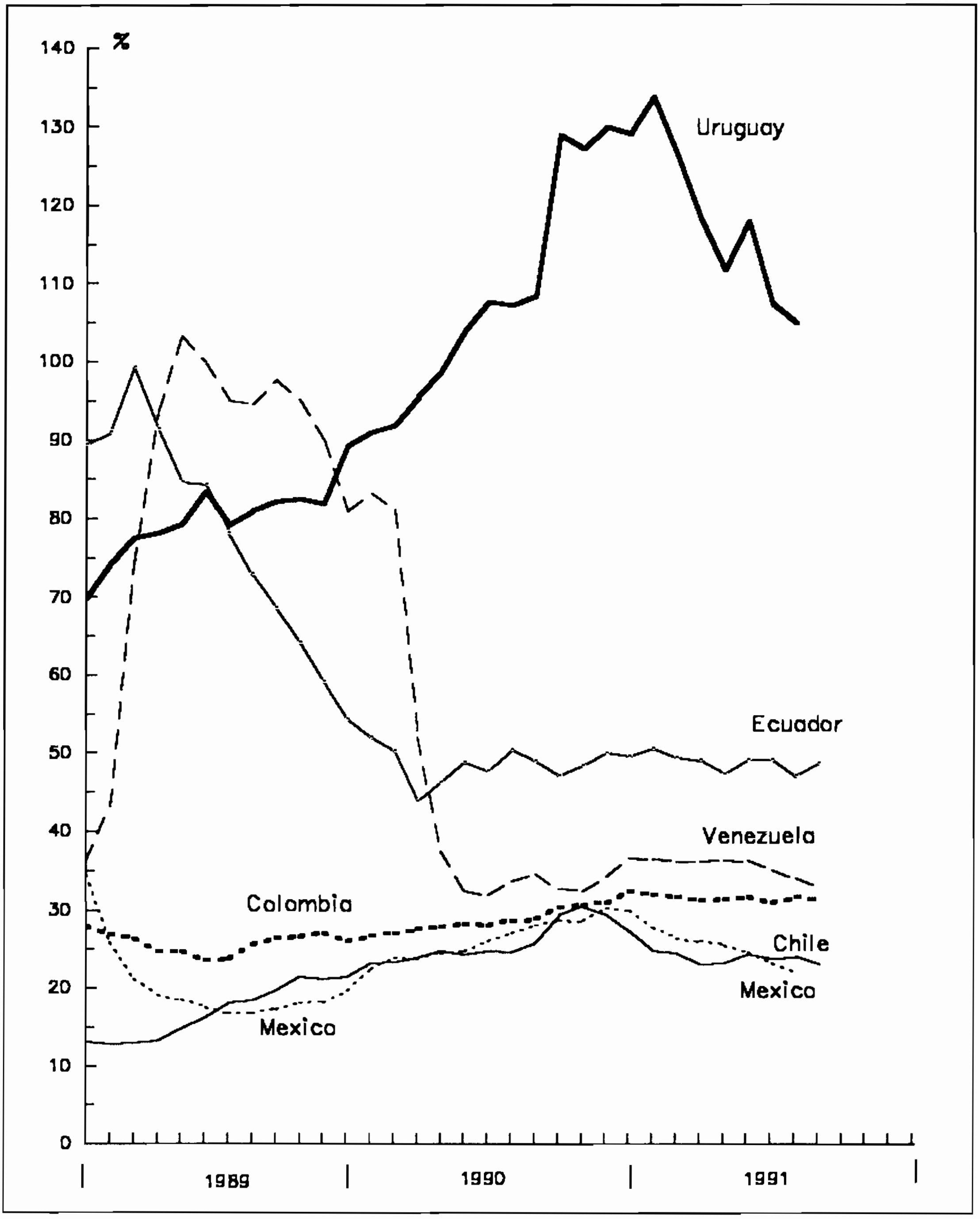
MONTHLY VARIATIONS IN THE CONSUMER PRICE INDEX IN ARGENTINA, BRAZIL AND PERU
(Percentages)



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.

ARGENTINA

The performance of the Argentine economy in 1991 was more orderly than it had been in the recent past. The new economic programme checked inflation sharply as from April, so that in August consumer prices rose by only 1%. Output is estimated to have recovered by around 3% in the first quarter, while in the second quarter the lower inflation was accompanied by a marked increase in domestic demand. The trade surplus declined somewhat from the exceptionally high values it had been registering, and there was a big increase in imports, while there was also an inflow of short-term external capital. The fiscal management, for its part, succeeded in bringing the cash situation into balance, thanks to bigger tax receipts and, in particular, the capital income from privatization operations.

The evolution of the economy was determined by the "convertibility programme", which fixed the exchange rate and made the Central Bank subject to a law linking the variation of the monetary base with that of the international reserves. At the end of 1990, the sharp appreciation in nominal terms in the value of the national currency and the perception that the fiscal adjustment was running into difficulties had given rise to expectations of a reversal in the downward trends in foreign exchange values and the rate of inflation. Early in 1991 there was a sharp increase in the demand for dollars which could not be contained by the sales made by the Central Bank. The abrupt decompression of the exchange market led to a jump in the price of the dollar, which rose by over 80% between December 1990 and February 1991 (table 11). Domestic prices also followed this trend, although less markedly: the increase in the consumer price index came to 27% in February, but eased off to 11% in March.

In February, the new economic authorities set a permissible range of variation for the dollar between 9 000 and 10 000 australes, which was close to the prevailing values. It was also decided to adjust public service charges and apply tax measures designed to increase revenue from that source. At the same time, it was announced that the official banking system was to be restructured in order to improve control over the expansion of domestic credit. With regard to tariffs, the maximum level was reduced to 22%, and non-tariff barriers were eliminated, especially the specific duties charged on imports of certain goods. Although inflationary expectations were not completely deactivated, the pressure on the foreign exchange market eased considerably: in February and March, the Central Bank increased its reserves and the exchange rate remained within the established range.

In contrast with what had happened on similar previous occasions, there were no disturbances in the supply of goods. The recovery in industrial output came to an end, but even so its level seems to have been higher than that registered in the stormy early months of 1990 (table 3). The good results registered in the agricultural year also contributed to the growth in total output (tables 1 and 2).

At the end of March, an anti-inflationary programme was established which was based on the new monetary regime introduced after the approval by Parliament of the "convertibility law". Under this, the Central Bank is obliged to sell whatever foreign exchange is requested of it at the legally fixed exchange rate of 10 000 australes per dollar. In addition, it is stipulated that the monetary base cannot exceed the value of the international reserves, which can henceforth only be used to back up the currency and will not be available for any other purposes. The backing for the monetary base will consist of the total holdings of gold, foreign exchange and foreign exchange assets, together with public securities denominated in foreign currency, all entered at their market value. At the same time, the use of indexing mechanisms based on past domestic price performance is prohibited and future payments due under existing contracts with an indexing clause are subject to modification.

These announcements elicited a favourable response from the financial markets. In particular, interest rates went down sharply, so that the yield on fixed-term bank deposits fell to around 1.5% per month in April. This reaction, and the simultaneous over-supply of foreign exchange, gave grounds for thinking that the fixed exchange rate system had indeed succeeded in doing away with expectations of devaluation. The Central Bank allowed liquidity to grow without trying to contain the drop in interest rates. Favourable expectations were also observed on the goods markets, and the Government negotiated some sectoral agreements which included price reductions, in some cases offset by tax rebates. The wholesale price index, which had remained almost unchanged in March, went up by only 1% in April. As usual, consumer prices responded more slowly: the increase of 5.5% registered in April showed a clear change of trend, but not an immediate adjustment.

The prospects of more predictable macroeconomic behaviour had significant effects in the sphere of real activities. The recovery in the purchasing power of wages, due to the drop in inflation, was accompanied by an increase in consumer credit designed to increase demand. This was reflected in an increase in industrial production which was particularly marked in the case of durable goods. Thus, manufacturing output is estimated to have grown substantially in the second quarter of 1991.

The recovery in activity helped to increase tax revenue from domestic transactions, while the action taken to improve compliance with tax obligations may also have contributed to this increase. In contrast, duties on external trade brought in few resources, since export duties were applied only to exports of a small number of goods. At all events, as from April a marked increase in current Treasury income was observed. Furthermore, the Government received substantial capital income, especially from the granting of oilfield concessions. Expenditure continued to be kept in check, so that primary surpluses were registered again and the financing needs in the second quarter were consequently only small.

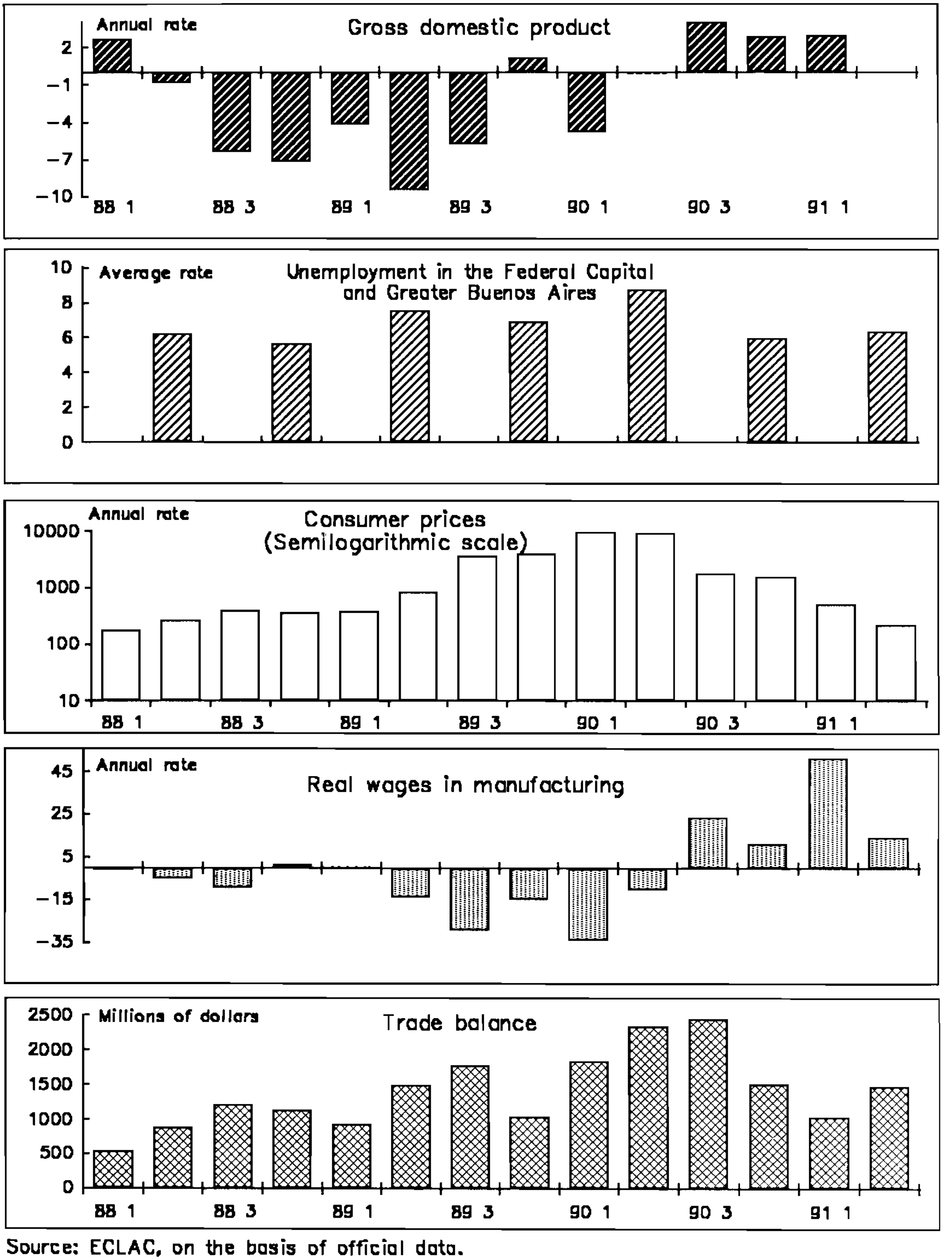
Central Bank credit to the Government played a declining role as a factor in growth of the monetary base: in both May and June its contribution was only very slight. Although the Central Bank carried out monetary policy through the sale of public securities, the expansion of monetary base in the period under analysis was due largely to the intervention purchases on the exchange market. The monetary expansion supplied the growing demand for real balances, but nevertheless the liquidity coefficient remained low, bearing in mind the elimination of inflationary expectations.

Although price rises tended to become more moderate, as was clearly perceptible in the case of the wholesale price index, the residual inflation in the consumer price index led to price rises totalling nearly 15% between March and July. In order to avoid the reintroduction of indexing of wages, the Government decreed that wage adjustments could only be made as a result of increases in productivity.

In mid-year, the estimates of the real exchange rate made on the basis of the consumer price index indicated a comparatively low level (although higher than the very low levels registered at the end of the previous year), while the value estimated on the basis of the wholesale price index remained at levels similar to those of the mid-1980s. At all events, there was a spectacular increase in imports (67% in the first half of the year), due to the recovery in demand and the changes made in the trade regime. Since at the same time there was a drop in exports, the trade surplus went down sharply, but even so the surplus registered in the first half of the year was still appreciable at around US$2.5 billion (table 6).

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]

	1990					1991[b]
	I	II	III	IV	Year	I
Total	**-4.8**	**-0.2**	**4.0**	**2.9**	**0.4**	**3.0**
Agriculture, hunting, forestry and fisheries	16.1	18.3	4.3	3.2	9.8	...
Mining	-2.1	-1.5	4.3	-6.8	-1.5	...
Manufacturing	-15.1	-9.8	2.1	4.1	-4.8	4.5
Construction	-42.4	-1.6	-1.2	-23.9	-18.9	...
Electricity, gas and water	-3.8	-4.4	5.7	-	-0.6	...
Commerce	-13.0	-4.4	5.3	8.5	-1.7	...
Transport	2.0	4.5	6.8	1.6	3.6	...
Financial institutions, insurance and real estate	-10.1	-3.2	11.4	11.5	2.0	...
Community, social and personal services	1.0	0.7	0.3	0.3	0.6	...

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	
	1988/1989 (1)	1989/1990 (2)	1990/1991[a] (3)	(2/1)	(3/2)
Cereals					
Maize	4 260	5 050	7 600	18.5	50.5
Sorghum	1 360	2 040	2 300	50.0	12.7
Wheat	8 360	10 300	11 100	23.2	7.8
Rice	490	500	420	2.0	-16.0
Oilseeds					
Sunflower	3 100	3 800	4 000	22.6	5.3
Linseed	446	475	475	6.5	-
Peanuts (hulled)	190	230	235	21.1	2.2
Soya beans	6 250	10 700	10 600	71.2	-0.9
Vegetables and pulses					
Potatoes	2 209	2 900	2 900	31.3	-
Tomatoes	682	710	700	4.1	-1.4
Pumpkins	390	350	350	-10.3	-
Beans	140	230	200	64.3	-13.0
Industrial crops					
Cotton	619	790	850	27.6	7.6
Sugar cane	10 780	13 000	13 600	20.6	4.6
Tobacco	80	75	90	-6.3	20.0
Tea	165	190	190	15.2	-
Yerba mate	390	140	145	-64.1	3.6
Wine grapes	2 938	2 600	2 800	-11.5	7.7
Fruit					
Peaches	250	260	250	4.0	-3.8
Lemons	489	550	500	12.5	-9.1
Apples	891	980	950	10.0	-3.1
Oranges	681	700	700	2.8	-
Pears	224	210	200	-6.3	-4.8
Grapefruit	155	175	170	12.9	-2.9

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

Table 3
ARGENTINA: GROSS INDUSTRIAL PRODUCT[a]
(Seasonally adjusted)

	Index 1970=100	Percentage variation		
		Quarter[b]	12 months[c]	Year[d]
1989				
I	102.6	9.0	-4.3	-4.3
II	93.1	-9.3	-11.8	-8.0
III	89.3	-4.1	-8.5	-8.2
IV	90.6	1.5	-3.7	-7.1
1990				
I	87.0	-4.0	-15.2	-15.2
II	84.2	-3.2	-9.6	-12.5
III	91.5	8.7	2.5	-7.8
IV	93.8	2.5	3.5	-5.1
1991				
I[e]	90.9	-3.1	4.5	4.5

Source: Central Bank.
[a] At constant 1970 factor prices; seasonally adjusted. [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 DOMESTIC INVESTMENT
(Australes at 1970 prices)

	1990					1991[a]	Percentage variation	
	I	II	III	IV	Year	I	1990	1991 I
Total	**628.0**	**814.8**	**882.5**	**757.6**	**770.7**	...	**-13.6**	...
Construction	360.4	472.6	447.2	367.0	411.8	...	-16.2	...
Public	70.6	200.0	168.9	98.4	134.5	...	-17.8	...
Private	289.8	272.6	278.3	268.6	277.3	...	-15.4	...
Machinery and equipment	267.6	342.2	435.3	390.6	358.9	...	-10.3	...

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

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

	1987		1988		1989		1990		1991
	May	October	May	October	May	October	May	October	May
Federal Capital and Greater Buenos Aires	5.4	5.2	6.3	5.7	7.6	7.0	8.8	6.0	6.4
Córdoba	4.9	5.5	5.0	6.0	8.8	7.3	7.4	4.2	...
Mendoza	3.6	3.1	4.7	4.0	4.4	4.1	6.0	5.8	...
Rosario	7.3	8.3	7.8	7.4	14.2	7.3	10.4	6.5	...
Tucumán[a]	15.1	9.7	11.3	10.1	12.6	13.4	11.5	9.4	...

Source: National Institute of Statistics and Censuses.
[a] 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
1990											
January	796	796	386	386	410	410	15.1	15.1	4.6	4.6	27.3
February	811	1 607	227	613	585	994	19.8	17.5	-34.3	-14.2	52.0
March	1 164	2 770	303	916	860	1 855	55.3	30.9	-33.2	-21.6	95.4
April	1 015	3 785	277	1 192	738	2 593	38.1	32.7	-21.7	-21.6	94.8
May	1 106	4 891	302	1 494	804	3 397	27.8	31.6	-1.9	-18.3	79.9
June	1 076	5 967	268	1 762	808	4 205	13.8	28.0	-28.2	-20.0	70.9
July	1 264	7 231	313	2 075	950	5 156	21.4	26.8	-10.2	-18.6	63.5
August	1 126	8 356	313	2 388	813	5 969	20.9	25.9	-3.3	-16.9	58.7
September	1 021	9 378	326	2 714	695	6 664	21.4	25.4	-8.1	-15.9	56.9
October	958	10 336	426	3 140	532	7 196	32.0	26.0	36.5	-11.3	54.4
November	930	11 266	439	3 579	491	7 687	33.8	26.6	48.3	-6.7	51.9
December	983	12 249	481	4 060	502	8 189	65.2	29.0	32.1	-3.4	54.8
1991 [b]											
January	674	674	492	492	182	182	-15.3	-15.3	27.5	27.5	-55.6
February	807	1 481	400	892	407	589	-0.5	-7.8	76.4	45.6	-30.4
March	869	2 350	408	1 300	461	1 050	-25.3	-15.2	34.6	42.0	-46.4
April	990	3 340	610	1 910	380	1 430	-2.5	-11.8	120.6	60.2	-48.5
May	1 150	4 490	520	2 430	630	2 060	4.0	-8.2	72.1	62.6	-21.6
June	1 000	5 490	520	2 950	480	2 540	-7.1	-8.0	94.2	67.4	-40.6

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

Table 7
ARGENTINA: PRICE INDEXES
(Percentage variations)

	Consumer price index						Wholesale price index					
	1990			1991			1990			1991		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	79.2	79.2	8 165.4	7.7	7.7	767.8	61.6	61.6	8 188.1	10.1	10.1	513.5
February	61.6	189.5	12 085.7	27.0	36.8	582.0	87.9	203.6	14 265.6	37.9	51.8	350.5
March	95.5	466.1	20 263.4	11.0	51.8	287.2	71.3	420.0	20 594.3	0.4	52.5	163.5
April	11.4	530.5	16 904.4	5.5	60.2	267.0	7.4	458.4	13 965.8	1.1	54.2	148.0
May	13.6	616.3	10 724.5	2.8	64.7	232.1	7.9	502.3	7 321.3	1.4	56.3	133.1
June	13.9	715.9	5 648.3	3.1	69.9	200.7	8.3	552.2	3 341.8	1.1	57.8	117.4
July	10.8	804.2	2 047.7	2.6	74.3	178.3	3.9	577.7	1 057.0	0.4	58.5	110.1
August	15.3	942.5	1 696.8	1.3	76.6	144.4	17.2	694.3	1 150.1			
September	15.7	1 106.6	1 800.7				9.2	766.9	1 230.9			
October	7.7	1 199.1	1 838.4				2.4	787.5	1 242.3			
November	6.2	1 279.4	1 832.2				1.3	799.4	1 236.3			
December	4.7	1 343.9	1 343.9				0.1	800.4	800.4			

Source: National Institute of Statistics and Censuses.

Table 8

ARGENTINA: INDEX OF INDUSTRIAL REAL WAGES [a]

(Index 1983 = 100)

	Index [b]					Percentage variation 1991/1990		
	1987	1988	1989	1990	1991	Month	Year [c]	12 Ms. [d]
January	89.8	86.0	87.9	63.4	92.4	-1.5	45.7	45.7
February	74.8	75.3	80.2	54.1	83.1	-10.1	49.4	53.6
March	99.5	102.0	95.9	56.3	88.3	6.3	51.8	56.8
April	103.6	94.3	94.5	70.4	86.4	-2.2	43.4	22.7
May	102.6	103.6	80.9	75.0	85.5	-1.0	36.5	14.0
June	104.7	96.5	73.4	77.0	83.4	-2.5	31.0	8.3
July	104.4	93.5	64.5	74.4				
August	97.3	94.6	63.3	82.9				
September	107.3	92.6	64.8	82.2				
October	105.0	94.6	72.7	85.5				
November	96.7	103.1	86.6	89.4				
December	92.1	99.7	81.0	93.8				

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.

Table 9

ARGENTINA: NATIONAL TREASURY INCOME AND EXPENDITURE

	Billions of australes						Percentage variation [a]		
	Income		Expenditure		Deficit	Financing by Central Bank [b]	Current income	Expenditure	
	Total	Current	Total	Total interest				Total	Total income
1990									
January	497	497	376	26	-121	-324	7 915	4 782	12 900
February	674	674	578	65	-96	28	8 110	3 024	2 289
March	1 287	1 287	1 490	406	203	-428	32 035	10 935	31 139
April	1 661	1 661	1 371	148	-290	-537	36 758	9 980	13 382
May	2 087	2 087	2 067	300	-20	1 254	25 331	8 200	14 176
June	2 381	2 381	2 506	506	125	736	3 918	3 929	6 301
July	2 256	2 256	3 819	1 503	1 562	1 994	2 281	2 376	10 874
August	2 714	2 714	2 743	362	29	-586	1 289	965	829
September	3 168	2 198	3 112	669	-57	228	794	927	835
October	2 891	2 891	3 726	933	835	1 184	1 023	1 343	2 001
November	4 327	3 181	3 851	730	-475	93	965	1 163	3 309
December	3 333	2 680	3 898	732	565	576	752	982	6 551
1991 [c]									
January	3 983	3 324	4 645	570	662	1 510	568	1 136	2 090
February	3 690	3 670	7 553	1 034	3 863	7 363	438	1 207	1 503
March	3 816	3 816	8 168	1 272	4 352	4 340	197	448	213
April	6 175	6 046	8 020	1 308	1 845	-1 244	264	485	782
May	6 075	6 070	6 931	456	856	337	191	235	52
June	9 161	6 000	6 813	513	-2 348	-1 622	152	172	2

Source: Tesorería General de la Nación.

[a] With respect to the same period of the preceding year. [b] Includes: Central Bank credits (including those under item Use of External Financing to National Government), Utilization of the Unified Fund of Official Accounts and Net Variation of Miscellaneous Short-term Assets and Liabilities.

[c] Estimated figures.

Table 10

ARGENTINA: INTERES RATES [a]

	Nominal			Real		
	Bank		Non-bank [d]	Bank		Non-bank [df]
	Deposits [b]	Loans [c]		Deposits [b e]	Loans [c f]	
1990						
January	35.4	73.7	87.0	-16.2	-7.2	-0.1
February	34.9	58.3	147.0	-31.0	-7.6	44.2
March	44.5	79.3	139.4	29.7	66.9	122.9
April	11.6	25.4	12.1	-1.8	16.3	4.0
May	8.8	18.0	10.7	-4.5	9.0	2.2
June	14.0	19.4	16.9	2.9	14.9	12.5
July	10.9	18.2	11.7	-3.8	0.9	-4.7
August	9.6	15.8	11.8	-5.3	6.0	2.4
September	16.7	26.4	19.0	8.4	23.4	16.2
October	10.9	18.5	12.7	4.4	17.0	11.3
November	6.7	13.3	7.3	1.9	13.1	7.2
December	6.6	12.6	6.6	-1.0	2.3	-3.2
1991						
January	13.8	20.6	11.5	-10.4	-12.5	-19.1
February	16.8	23.3	16.1	5.2	22.8	15.6
March	12.0	19.8	10.1	6.2	18.5	8.9
April	1.4	5.2	1.3	-1.4	3.7	-0.1
May	1.2	5.0	2.0	-1.8	3.9	0.9
June	1.2	5.1	2.2	-1.4	2.4	-0.4
July	1.6	5.1	2.4			

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

[a] Equivalent monthly rates (percentages). The deflated values correspond to real "ex-post" rates, calculated according to the formula (1+r(t)/(1+p(t+1), where r(t) is the nominal rate in month t and p(t+1) is the growth rate of prices in month t+1. [b] Up to the end of December 1989, reference rates on time deposits. As of January 1990, reference rates on savings deposits. [c] Rate applied by the Banco de la Nación Argentina for discount of 30-day notes. [d] Present rate for inter-company 7-day transactions with BONEX guarantee. [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 the loans were granted.

Table 11

ARGENTINA: EXCHANGE RATE

	Exchange rate (Australes per dollar)				Adjusted real exchange rate (Index 1985=100) [a]			
	Commercial [b]		Free [c]		Commercial [b]		Free [c]	
	1990	1991	1990	1991	1990	1991	1990	1991
January	1 680.0	6 491.9	1 715.2	6 491.9	100.0	65.2	102.1	65.2
February	3 581.5	9 386.8	3 581.5	9 386.8	113.1	67.4	113.1	67.4
March	4 798.1	9 478.7	4 823.2	9 478.7	88.3	67.2	88.8	67.2
April	4 941.1	9 792.8	4 941.1	9 792.8	84.5	68.6	84.5	68.6
May	5 006.0	9 869.9	5 006.0	9 869.9	79.7	68.4	79.7	68.4
June	5 277.0	9 939.5	5 277.0	9 939.5	77.5	68.0	77.5	68.0
July	5 340.7	9 938.9	5 340.7	9 938.9	75.5	67.6	75.5	67.6
August	6 028.6		6 028.6		74.1		74.1	
September	5 805.5		5 805.5		66.3		66.3	
October	5 625.9		5 625.9		64.1		64.1	
November	5 284.5		5 284.5		59.1		59.1	
December	5 119.3		5 119.3		56.5		56.5	

Source: ECLAC, on the basis of figures from the Central Bank and the 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 4 August 1988 through 6 February 1989. Special exchange rate from 6 February through 5 April 1989; simple average of the official and free exchange rates from 5 to 17 April; from 17 April through 30 May, free exchange rate; from 30 May to 20 December, uniform exchange rate; as of 20 December 1989, free exchange rate. [c] In effect from 15 October 1987 through 19 May 1989, and since 20 December: exchange rate on free market. Other observations relate to parallel market quotations.

BRAZIL

The Brazilian economy was once again rocked by severe turbulence in the first eight months of 1991. The economic picture was dominated by an upsurge in inflation and the successive failures in the struggle to contain it, although some recovery in productive activity was observed as from February. At the beginning of the year, inflation had once again risen to a level of around 20% per month and it was feared that new episodes of hyperinflation might take place, while the level of activity reflected an acute recession. At the end of January a fresh stabilization programme –the "Collor II" Plan– was put into effect which represented a reversal of the policy of price liberalization applied as from June 1990. Thus, price and wage controls were reintroduced and new rules were fixed for the financial market. The results obtained were only transitory, however, since after having gone down to 5% in April, the rate of price increases shot up again in subsequent months and in August it was close to 15% (table 5).

The "Collor II" Plan provided for a fresh price freeze, while wages, after an initial adjustment, were to remain frozen until August. With regard to prices and public service charges, the increases decreed were aimed at restoring their real values. In addition, one-day open market operations were abolished, and their place was taken by financial application funds (FAF) whose resources were to be used basically for the purchase of public securities in general or the financing of selected private investments. In order to do away with the indexing mechanisms based on the past evolution of prices, a Central Bank reference interest rate was introduced which was supposed to reflect the inflationary expectations and which was to be calculated on the basis of the monthly nominal interest rates on time deposits, after deduction of a real component of two percentage points.

In view of the abrupt drop in fiscal income in real terms and the impossibility of gaining approval for a tax reform programme, the Plan limited public expenditure to the available resources. As a result, there were severe cuts in various items, especially investments. The exchange policy continued to be based on a floating exchange rate, but in the early months of the year the Central Bank intervened vigorously in the market, so that up to March the cumulative fall in the international reserves came to more than US$1 billion. On the other hand, an agreement was reached in April with the foreign creditor banks on the payment of interest arrears up to the end of 1990 amounting to a little more than US$8 billion: US$2 billion was to be paid during the year, and the rest over a period of ten years, with three years' grace. A partial moratorium was still maintained, however, as the authorities decided that until agreement was reached on the principal of the debt, the public sector would only pay 30% of the interest due on the debt.

In May, with the change in the economic team, prices began to be freed through the elimination of controls, although limits on increases negotiated with the producers' organizations were imposed. Fiscal policy sought to bring the Treasury cash flows into balance, while monetary policy was aimed at maintaining positive real interest rates. The Central Bank, for its part, continued to intervene in order to bolster the real exchange rate. In addition, negotiations with the International Monetary Fund were resumed and the creditor banks were presented with a proposal based on the mechanisms laid down under the Brady Plan.

As from March, there was a recovery in the level of activity, after the severe contraction registered since September 1990. Demand was stimulated by the monetary expansion associated with the introduction of the financial application funds (FAF), the voluntary granting of advance wage adjustments in important sectors of activity, the approval by Parliament of nominal increases in the minimum wage and in the salaries of public officials, and finally, advance purchases made in view of the imminent unfreezing of prices and the desire of consumers to protect themselves from the possible rapid acceleration of inflation. Thus, gross domestic product grew by 7% in the second quarter as compared with the same period in the previous year, while there was an increase of 11% in the industrial output (table 1).

In January and February, prices rose by 20% per month, but thanks to the freeze these levels dropped to 12% in March and 5% in April. With the gradual freeing of prices, however, inflation rose above 10% in June and was close on 15% in August, which led to the reintroduction of de facto indexing mechanisms. This acceleration of price rises reflected not only greater demand, but also the expectations of a fresh inflationary spiral and lack of confidence of the economic agents in the sustainability of the public sector financing. Meanwhile, after the big expansion of the monetary aggregates in February and March, the Central Bank reimposed a highly restrictive monetary policy (table 11) through high real interest rates.

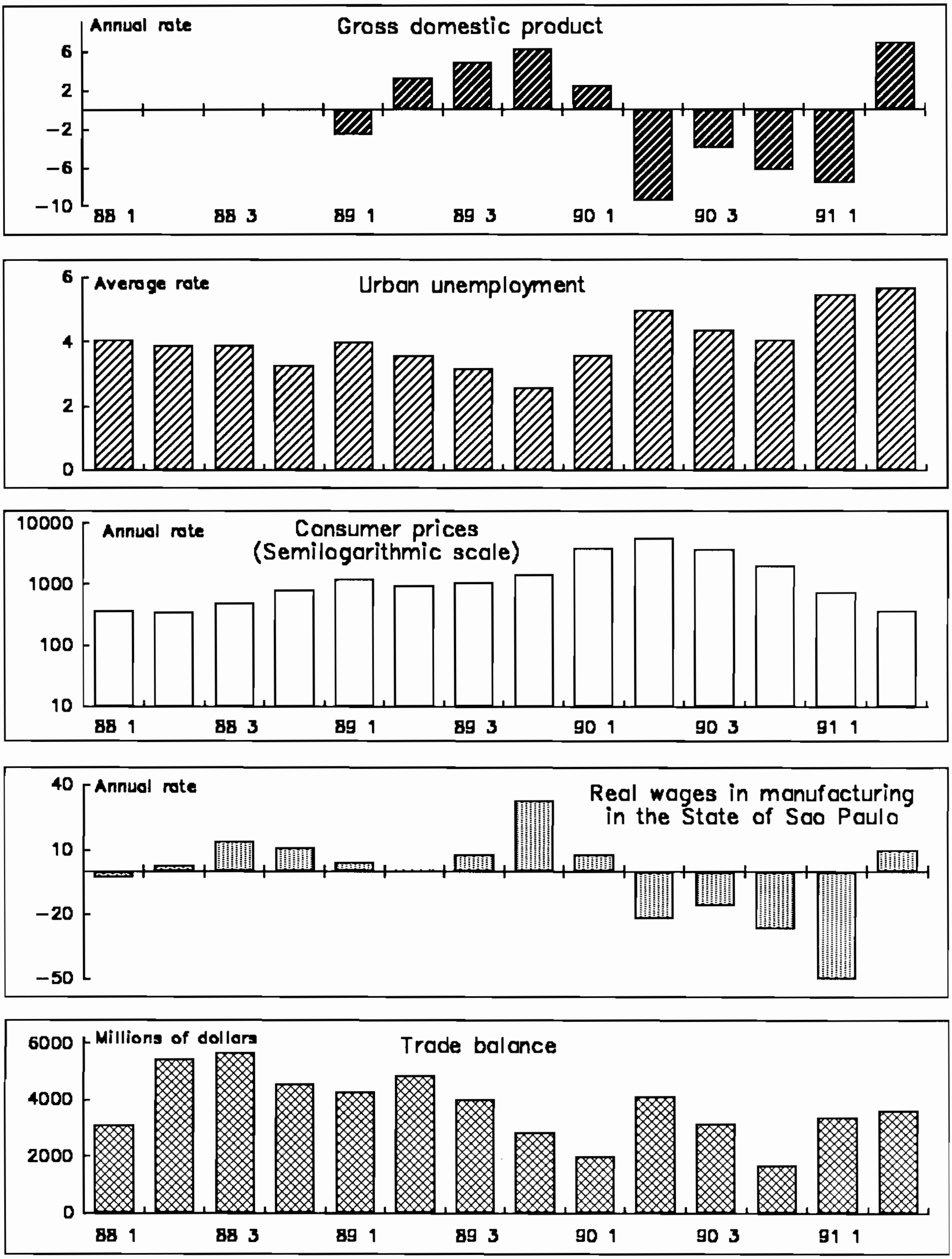
The execution of the monetary policy ran into serious difficulties because of the reappearance of the fiscal deficit. In the period January-July, Federal government expenditure contracted by over 25% in real terms compared with the same period in 1990, due mainly to the lower real cost of the public debt and the sharp fall in the salaries of government officials. But at the same time fiscal income fell by 30% in real terms, because the government was no longer receiving exceptional types of income such as those obtained the year before when the "Collor I" Plan was put into effect. Since other levels of the public sector (State and municipal governments and Social Security) also experienced budgetary difficulties because of bigger expenditure, declines in their income and increases in their debt servicing commitments, it is estimated that the financing needs, from the operational point of view, could be equivalent to 2% of GDP. The government has proposed a number of measures for effecting a definitive fiscal adjustment through a constitutional reform which places limits on retirement benefits, permits the dismissal of public officials, facilitates the raising of tax rates, eliminates various mechanisms for financing States and municipalities, and authorizes the privatization of the telecommunications services. Other important State enterprises, such as the USIMINAS iron and steel company, will also begin to be placed on sale in the coming months under the privatization plan.

The achievements of the last few months are characterized, however, by their fragility (since the fundamental macroeconomic imbalances still persist, especially in the public sector) and by uncertainty over the effects of the gradual return into circulation of resources equivalent to US$27 billion (6% of GDP) retained under the "Collor I" Plan. The return of these resources was begun in August and took place without major difficulties, since only a small part of the resources thus freed were used for consumption. In order to encourage the continued use of these resources to finance the public sector, the Central Bank created a special form of deposit with daily interest payments and established a compulsory reserve requirement equivalent to the increase in time deposits.

The external sector registered an increase in exports, after the contraction of the previous year, and a decline in imports at the beginning of the year, which made it possible to accumulate a surplus of almost US$8 billion in the first seven months (table 6). The increase in exports was due to primary commodities and semimanufactures, since manufactures registered a further decline. At the same time, net direct investment flows began to recover the levels they had registered before the onset of the external debt crisis. Furthermore, the private sector and big State corporations, including Petrobras and Vale do Rio Doce, returned to the external capital market as a result of the authorization given to them to negotiate their external debts directly. The regulations governing foreign investment on Brazilian stock exchanges were also simplified. In the first half of 1991, the inflow of capital in respect of commercial paper and inter-enterprise loans came to over US$2 billion.

Figure 1

BRAZIL: QUARTERLY EVOLUTION OF THE MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

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

	1990[b]					1991[b]	
	I	II	III	IV	Year	I	II[c]
Total GDP	**2.5**	**-9.5**	**-4.0**	**-6.3**	**-4.0**	**-7.7**	**7.0**
Agriculture	-9.2	-5.0	0.1	-1.3	-3.7	3.4	3.9
Industry[d]	4.8	-17.3	-7.8	-12.1	-7.4	-15.7	11.2
Services	3.9	-3.0	-1.3	-2.2	-0.7	-2.9	4.5
Gross fixed capital formation	16.7	-19.1	-9.2	-18.9	-8.0	-28.6	8.6

Source: IPEA, *Boletim de Conjûntura*, July 1991.
[a] Compared with same period in previous year. [b] Preliminary figures. [c] IPEA projections. [d] Includes construction and mining.

Table 2
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]	12Ms.[b]	Year[c]		Month[a]	12Ms.[b]	Year[c]
1989								
December	110.2	-13.4	4.0	3.2	130.0	-5.5	19.4	2.7
1990								
January	119.7	8.6	16.3	16.3	128.4	-1.2	6.6	6.6
February	104.5	-12.7	10.6	13.6	123.4	-3.9	6.4	6.5
March	106.5	1.9	-1.8	8.1	118.5	-4.0	-9.2	0.9
April	77.2	-27.5	-27.6	-1.1	98.5	-16.9	-22.3	-5.1
May	106.8	38.3	-10.6	-3.2	112.2	13.9	-18.7	-8.0
June	110.8	3.7	-15.4	-5.6	114.4	2.0	-19.0	-10.1
July	123.9	11.8	-8.1	-6.1	126.0	10.1	-11.9	-10.3
August	130.8	5.6	-8.9	-6.5	133.8	6.2	-10.3	-10.3
September	122.9	-6.0	-8.6	-6.8	125.5	-6.2	-11.7	-10.5
October	126.7	3.1	-8.4	-6.9	126.5	0.8	-12.1	-10.7
November	113.8	-10.2	-10.6	-7.3	118.0	-6.7	-14.2	-11.0
December	88.7	-22.0	-19.5	-8.2	102.8	-12.9	-20.9	-11.8
1991								
January	90.4	1.9	-24.5	-24.5	104.7	1.8	-18.5	-18.5
February	84.0	-7.1	-19.6	-22.2	100.4	-4.1	-18.6	-18.5
March	91.9	9.4	-13.7	-19.5	113.1	12.6	-4.6	-14.1
April	104.4	13.6	35.2	-9.1	119.2	5.4	21.0	-6.7
May	...	...	...	...	126.4	6.0	12.7	-3.0
June	...	...	...	...	126.7	0.2	10.8	-0.7

Source: ECLAC, on the basis of figures from the Brazilian Geographical and Statistical Institute (IBGE) and the Industrial Federation of the State of São Paulo (FIESP).
[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 3
BRAZIL: MANUFACTURING SECTOR EMPLOYMENT AND REAL WAGE LEVELS IN THE STATE OF SÃO PAULO

	Index 1978=100				Percentage variations									
	Employment		Real wages[a]		Employment				Real wages					
					Month		12 Ms.		Month		Year[b]		12 Ms.	
	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991
January	107.6	89.2	190.0	114.3	-0.1	-10.3	4.2	-17.1	-14.0	-26.3	4.1	-39.8	4.1	-39.8
February	107.3	78.7	190.3	90.4	-0.3	-11.8	4.1	-26.7	0.2	-20.9	9.1	-46.2	14.6	-52.5
March	106.3	69.5	180.9	71.9	-0.9	-11.7	3.1	-34.6	-4.9	-20.5	8.1	-50.7	6.1	-60.3
April	104.3	95.0	145.2	147.9	-1.9	36.7	0.9	-8.9	-19.7	105.7	0.5	-39.9	-21.1	1.9
May	102.7	94.4	135.7	160.5	-1.5	-0.6	-1.3	-8.1	-6.5	8.5	-5.2	-30.5	-26.7	18.3
June	101.7		142.5		-1.0		-3.1		5.0		-7.4		-18.5	
July	102.6		160.4		0.9		-2.9		12.6		-8.4		-14.4	
August	102.2		164.3		-0.4		-4.4		2.4		-9.5		-16.0	
September	102.8		157.4		0.6		-4.4		-4.2		-10.3		-17.1	
October	102.6		153.9		-0.2		-5.1		-2.2		-11.9		-24.6	
November	103.7		172.8		1.1		-4.1		12.3		-13.6		-26.4	
December	99.4		155.1		-4.1		-7.7		-10.2		-15.1		-29.8	

Source: ECLAC, on the basis of figures from the Industrial Federation of the State of São Paulo (FIESP).
[a] Nominal wages deflated by the cost-of-living index of São Paulo (ICV-SP). [b] Percentage variation of the cumulative average index with respect to the same period of the preceding year.

Table 4
BRAZIL: RATES OF OPEN UNEMPLOYMENT
(Percentages)

	Total[a]	Rio de Janeiro	São Paulo	Belo Horizonte	Porto Alegre	Salvador	Recife
1990							
January	3.3	3.2	3.1	3.3	2.5	4.5	5.1
February	3.4	3.0	3.6	3.9	2.5	4.4	4.8
March	4.0	3.5	4.1	4.4	3.4	4.5	6.0
April	4.8	3.9	5.1	4.6	4.5	5.9	6.1
May	5.3	4.4	5.5	5.5	4.3	6.5	7.0
June	4.9	3.8	5.4	4.7	4.2	5.5	6.6
July	4.5	3.2	5.0	4.4	4.0	5.6	6.4
August	4.5	3.5	4.9	3.6	3.9	6.1	6.3
September	4.3	3.4	4.6	3.8	3.7	5.6	4.9
October	4.2	3.5	4.5	3.8	3.9	5.1	5.7
November	4.3	3.5	4.7	3.8	3.7	5.3	5.0
December	3.9	3.1	4.2	3.4	3.9	5.7	4.6
1991							
January	5.2	4.2	5.9	4.8	4.6	5.4	6.1
February	5.4	3.8	6.4	5.0	5.5	5.2	6.4
March	5.9	4.2	7.2	5.1	5.1	5.8	6.3
April	5.8	4.1	6.9	4.5	5.4	6.1	6.7
May	5.7	4.5	6.4	...	...	7.2	

Source: Geographical and Statistical Institute Foundation (FIBGE).
[a] Weighted by the labour force of each Metropolitan Area.

Table 5

BRAZIL: PRICE INDEXES

(Percentage variation)

	Domestic availability						Consumer price index					
	1990			1991			1990			1991		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	71.9	73.0	2 271.0	19.9	19.9	1 000.1	68.2	68.2	2 335.2	21.0	21.0	1 111.5
February	71.7	195.2	3 540.9	21.1	45.2	676.1	74.0	192.7	3 541.6	20.2	45.4	736.9
March	81.3	435.1	6 233.8	7.3	55.8	359.0	82.1	433.0	6 162.7	11.8	62.5	413.8
April	11.3	495.6	6 604.8	8.7	69.4	348.4	14.7	511.2	6 549.5	5.0	70.7	370.5
May	9.1	549.8	6 386.0	6.5	80.4	337.9	7.3	555.8	6 016.0	6.7	82.1	367.6
June	9.0	608.9	5 476.5	9.9	98.2	341.3	11.6	632.2	5 176.6	10.8	101.8	364.3
July	13.0	701.1	4 469.4	12.8	123.7	340.7	12.6	724.6	4 564.4	12.1	126.3	366.5
August	12.9	804.4	3 681.0	15.4	158.4	350.8	12.2	825.0	3 828.9	...	...	...
September	11.7	910.4	2 940.7				14.3	956.9	3 192.4			
October	14.2	1 053.5	2 384.8				14.4	1109.4	2 616.3			
November	17.5	1 255.4	1 922.9				16.9	1314.1	2 039.1			
December	16.5	1 476.9	1 476.9				19.1	1584.7	1 584.6			

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

Table 6

BRAZIL: TRADE BALANCE

	Millions of dollars						Percentage variation				
	Exports		Imports		Trade balance		Exports		Imports		Trade balance [a]
	Month	Cumulative figures	Month	Cumulative figures	Month	Cumulative figures	Month	Cumulative figures	Month	Cumulative figures	Cumulative figures
1990											
January	2 290	2 290	1 632	1 632	658	658	-16.8	-16.8	43.7	43.7	-59.3
February	1 978	4 268	1 210	2 842	768	1 426	-13.2	-15.2	-0.2	21.0	-46.9
March	2 236	6 504	1 630	4 472	606	2 032	-20.7	-17.2	35.8	26.0	-52.8
April	2 580	9 084	1 334	5 806	1 246	3 278	7.2	-11.5	23.1	25.3	-41.8
May	3 228	12 312	1 503	7 309	1 725	5 003	13.9	-6.0	2.3	19.8	-28.5
June	2 525	14 837	1 352	8 661	1 173	6 176	-31.6	-11.6	-10.0	13.9	-32.7
July	3 064	17 901	1 639	10 300	1 425	7 601	-4.6	-10.5	-7.6	9.8	-28.4
August	3 043	20 944	2 009	12 309	1 034	8 635	-9.7	-10.4	5.2	9.1	-28.5
September	2 591	23 535	1 880	14 189	711	9 346	-34.5	-13.9	4.2	8.4	-34.3
October	2 325	25 860	2 102	16 291	223	9 569	-15.4	-14.0	22.2	10.0	-37.3
November	2 652	28 512	2 246	18 537	406	9 975	3.3	-12.6	40.8	13.0	-38.5
December	2 894	31 406	1 807	20 344	1 087	11 062	4.7	-11.3	-4.5	11.2	-35.3
1991 [b]											
January	2 961	2 961	1 614	1 614	1 347	1 347	29.3	29.3	-1.1	-1.1	104.7
February	2 270	5 231	1 264	2 878	1 006	2 353	14.8	22.6	4.5	1.3	65.0
March	2 604	7 835	1 525	4 403	1 079	3 432	16.5	20.5	-6.4	-1.5	68.9
April	3 027	10 862	1 614	6 017	1 413	4 845	17.3	19.6	21.0	3.6	47.8
May	2 922	13 784	1 506	7 523	1 416	6 261	-9.5	12.0	0.2	2.9	25.1
June	2 812	16 596	2 001	9 524	811	7 072	11.4	11.9	48.0	10.0	14.5
July	2 515	19 111	1 619	11 143	896	7 968	-17.9	6.8	-1.2	8.2	4.8

Source: CACEX and FUNCEX.

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

Table 7
BRAZIL: STRUCTURE OF IMPORTS, FOB

	Millions of dollars			Percentage breakdown		Percentage variation	
	1990	1990	1991	1990	1991	1990	1991[a]
				(January-July)			
Total	**20 424**	**10 574**	**11 143**	**100.0**	**100.0**	**11.8**	**5.4**
Petroleum[b]	4 734	1 778	1 714	16.8	15.4	26.1	-3.6
Other	15 690	8 796	9 428	83.2	84.6	7.9	7.2
				(January-May)			
Consumer goods	3 345	866	997	11.5	13.3	27.5	15.1
Intermediate goods[c]	11 146	4 351	4 345	58.0	57.8	3.0	-0.1
Capital goods	5 932	2 281	2 169	26.8	28.9	22.2	-4.9

Source: ECLAC, on the basis of figures from the External Trade Studies Centre Foundation.
[a] With respect to the same period of the preceding year. [b] Includes minerals. [c] Includes petroleum and wheat.

Table 8
BRAZIL: STRUCTURE OF EXPORTS, FOB

	Millions of dollars			Percentage breakdown		Percentage variation	
	1990	1990 (January-July)	1991 (January-July)	1990 (January-July)	1991 (January-July)	1990	1991[a]
Total	**31 390**	**17 868**	**19 111**	**100.0**	**100.0**	**-8.7**	**7.0**
Commodities	**8 748**	**4 744**	**5 357**	**26.6**	**28.0**	**-8.4**	**12.9**
Coffe beans	1 106	513	749	2.9	3.9	-29.0	46.0
Iron ore	2 407	1 438	1 601	8.0	8.4	7.8	11.3
Soya meal	1 610	875	874	4.9	4.6	-24.6	-0.1
Leaf tobacco	551	284	447	1.6	2.3	7.6	57.4
Other	3 074	1 634	1 686	9.1	8.8	-1.0	3.2
Industrial products	**22 096**	**12 896**	**13 465**	**72.2**	**70.5**	**1.5**	**4.4**
Semimanufactures	5 107	2 829	3 482	15.8	18.2	18.7	23.1
Manufactures	16 988	10 067	9 983	56.3	52.2	-2.9	-0.8
Transport equipment	3 035	1 865	1 715	10.4	9.0	-21.9	-8.0
Machinery, boilers and mechanical equipment	1 590	941	1 003	5.3	5.2	-13.2	6.6
Electrical machinery and equipment	1 014	581	564	3.3	3.0	-5.8	-2.9
Footwear	1 183	694	762	3.9	4.0	-9.8	9.8
Orange juice	1 468	994	415	5.6	2.2	44.2	-58.2
Iron and steel manufactures	1 643	1 001	1 170	5.6	6.1	10.8	16.9
Other	7 055	3 991	4 354	22.3	22.8	-8.0	9.1
Other products	**546**	**228**	**289**	**1.3**	**1.5**	**38.6**	**26.8**

Source: Banco do Brasil.
[a] January-July 1991 with respect to the same period of the preceding year.

Table 9
BRAZIL: EXCHANGE RATE

	Official exchange rate (Cruzados per dollar)				Adjusted real exchange rate [a] Index 1985=100			
	1988	1989[b]	1990[b]	1991	1988	1989	1990	1991
January	77.60	0.90	14.31	180.16	78.31	63.44	57.06	61.44
February	91.40	1.00	23.66	221.92	78.25	68.36	53.98	62.04
March	107.60	1.00	37.70	230.01	79.61	64.85	47.15	57.01
April	125.20	1.02	49.89	252.18	78.33	62.10	54.30	59.47
May	151.40	1.10	52.23	272.98	80.97	61.31	53.22	60.55
June	178.30	1.33	57.12	297.87	80.45	59.22	52.05	59.52
July	215.80	1.91	66.52	328.92	78.80	65.99	53.84	58.46
August	267.40	2.48	71.76		81.08	65.88	52.74	
September	326.20	3.27	75.54		79.84	64.07	49.35	
October	408.80	4.51	87.49		78.70	64.39	51.01	
November	526.20	6.24	124.14		80.27	62.99	61.54	
December	666.60	9.26	151.51		79.08	61.05	62.31	

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 nuevo": 1 cruzado nuevo = 1 000 cruzados.

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

	Cash[a]			Liquidity[b]		
	1989	1990	1991	1989	1990	1991
January	6 151	6 905	8 552	9 498	9 044	9 840
February	6 339	6 897	8 600	9 403	8 808	9 805
March	7 408	5 378	7 468	10 520	7 385	8 665
April	6 655	6 843	7 609	9 775	8 794	8 808
May	5 651	7 585	8 411	8 681	9 963	9 665
June	5 555	7 786	9 225	8 564	10 173	10 401
July	6 519	8 113		9 460	10 521	
August	7 092	8 588		10 116	10 533	
September	6 948	8 627		9 891	10 171	
October	6 839	8 120		10 012	10 027	
November	6 751	7 605		9 426	8 753	
December	7 268	8 751		9 679	9 973	

Source: Central Bank of Brazil.
[a] Central Bank assets. [b] Includes foreign currency assets, IMF reserve position, and Special Drawing Rights.

Table 11
BRAZIL: MONEY SUPPLY AND MONETARY BASE
(Percentage variation)

	Money supply				Monetary base [a]			
	Year [b]		12 Months [c]		Year [b]		12 Months [c]	
	1990	1991	1990	1991	1990	1991	1990	1991
January	14.8	-15.3	1 353.0	1 707.2	19.1	-19.3	1 850.5	1 530.3
February	124.4	27.9	2 599.5	1 297.2	107.6	11.8	2 742.7	1 194.3
March	494.2	36.2	6 180.5	461.9	407.7	24.8	5 830.4	491.1
April	722.7	38.6	6 220.9	312.7	763.3	25.0	8 788.3	248.2
May	1 008.8	49.5	8 041.7	230.5	1 266.7	38.8	10 434.2	144.1
June	1 033.0	74.7	7 203.4	277.7	1 141.0	52.7	8 153.8	195.8
July	1 053.7	71.9	6 626.9	265.1	1 029.5	58.6	6 810.9	237.6
August	1 165.2		6 205.4		1 059.2		5 900.4	
September	1 370.0		5 305.7		1 266.5		5 245.1	
October	1 365.0		3 827.6		1 264.2		4 021.7	
November	1 633.5		3 166.3		1 422.0		2 741.6	
December	2 350.8		2 350.8		2 304.4		2 304.4	

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 12
BRAZIL: MONTHLY INTEREST RATES
(Percentages)

	Deposits						Loans			
	Open market operations		Certificates of deposit		Savings deposits		Working capital		Consumer credit	
	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991
January	63.5	21.0	64.3	23.5	56.9	20.8	89.4 [a]	27.0	95.0	31.0
February	80.4	6.9	78.6	11.0	73.6	7.5	93.4 [a]	13.5	90.0	19.5
March	34.7	9.0	34.6	9.6	85.2	9.0	61.6 [a]	13.0	63.0	18.0
April	22.1	9.6	2.7	10.5	0.5	9.5	27.3 [a]	12.0	40.0	14.0
May	7.8	9.5	4.8	10.5	5.9	9.5	11.6	13.0	22.0	15.0
June	9.1	10.3	8.3	12.3	10.2	9.9	13.4	14.5	20.0	17.0
July	14.1	12.4	13.0	11.8	11.3	10.6	17.5	14.0	27.0	19.0
August	13.8	...	11.5	14.4	11.1	12.5	30.0	...	32.0	...
September	15.2		15.9		13.4		20.0		25.0	
October	16.5		18.9		14.3		23.0		34.0	
November	19.8		21.2		17.2		26.5		39.0	
December	29.8		22.1		20.0		24.0		24.0	

Source: ECLAC, on the basis of official data.
[a] Very short term.

COLOMBIA

During 1991, the growth rate of the Colombian economy slackened to a little less than 3%, while the rate of inflation showed reluctance to go below 30% per year. In spite of the restrictions on credit, liquidity continued to grow rapidly, fuelled by the significant increase in the supply of foreign exchange and the consequent expansion of international reserves. Fiscal management improved thanks to the bigger tax income and the containment of public expenditure.

The first half of 1991 was marked by a decline in the economic growth rate due mainly to the effects of policies designed to moderate price rises, which had reached 32% at the end of 1990. Towards mid-year, however, the restrictive policy had had more effect on demand and economic activity than on the rate of inflation. Industrial production (excluding coffee processing), which had grown by 4% in 1990, went down by around 2% (table 1). The growth rate of the agricultural sector suffered a severe setback, but the 10% increase in the coffee harvest, coming after the 27% increase registered in 1990, will make it possible to reach a record production figure of 15 million bags. The rest of the agricultural sector, especially seasonal crops, grew more slowly because of the very slight readjustment in support prices. There was also some slackening in the mining sector because the numerous attacks by guerrilla groups caused difficulties in oil transport. The solution of a legal problem which had affected credits for low-income housing, however, made possible a recovery in the construction sector after the 7% decline suffered the previous year (table 2). The slower economic growth has caused a slight increase in the unemployment rate, which is now around 11% (table 3).

Despite the measures taken to contain credit and apply fiscal austerity measures, inflation has not gone down: the price variation over the 12 months up to August was 31%, which is virtually the same as the figure registered at the end of the previous year (table 4). Many of the difficulties encountered in the attempt to bring down the rate of inflation are due to the high rate of expansion of the money supply caused by the increase in the international reserves of the monetary authorities. In the first half of the year, these reserves increased by US$700 million to a level 15% higher than that of the end of 1990 (table 8).

Finding a way to attain the anti-inflationary objectives in spite of the abundant supply of foreign exchange has been the main economic policy problem so far this year. With the aim of controlling the expansion in the money supply, a compulsory 100% marginal reserve was introduced in respect of all types of deposits. In addition, open market operations were increased, leading to a rise in interest rates. As the rate of devaluation was reduced from 30% to 23% per year, however (table 5), the domestic interest rates offered by the financial system (table 10) gave a yield of 11% in dollars. This encouraged the inflow of capital, as did the elimination of exchange controls for a sector of the foreign exchange market; the legalization of the possession of foreign exchange; and the risk of seizure of financial assets deposited in the United States and Panama because of the anti-drug measures adopted in those countries. This set of factors encouraged an abundant inflow of foreign exchange, a decline in the real exchange rate from the high levels which it had reached, and a level of expansion of the money supply incompatible with anti-inflationary goals.

In order to channel the excess supply of foreign exchange towards the acquisition of imports and thereby support the efforts to moderate price rises, measures were taken to intensify the process of trade liberalization. The administrative restrictions on imports (prior import licenses) had already been eliminated in 1990, and a timetable of four years had been set for the gradual reduction of tariffs. In the early months of 1991, further reductions were ordered, so that the average level of tariffs went down from 21% to 16%. Altogether, these measures helped to give rise to a 20% increase in imports. However, the merchandise trade balance remained at a level similar to that of the previous year, since exports also increased by 20% because the 34% increase in non-traditional exports more than offset the contraction in coffee sales.

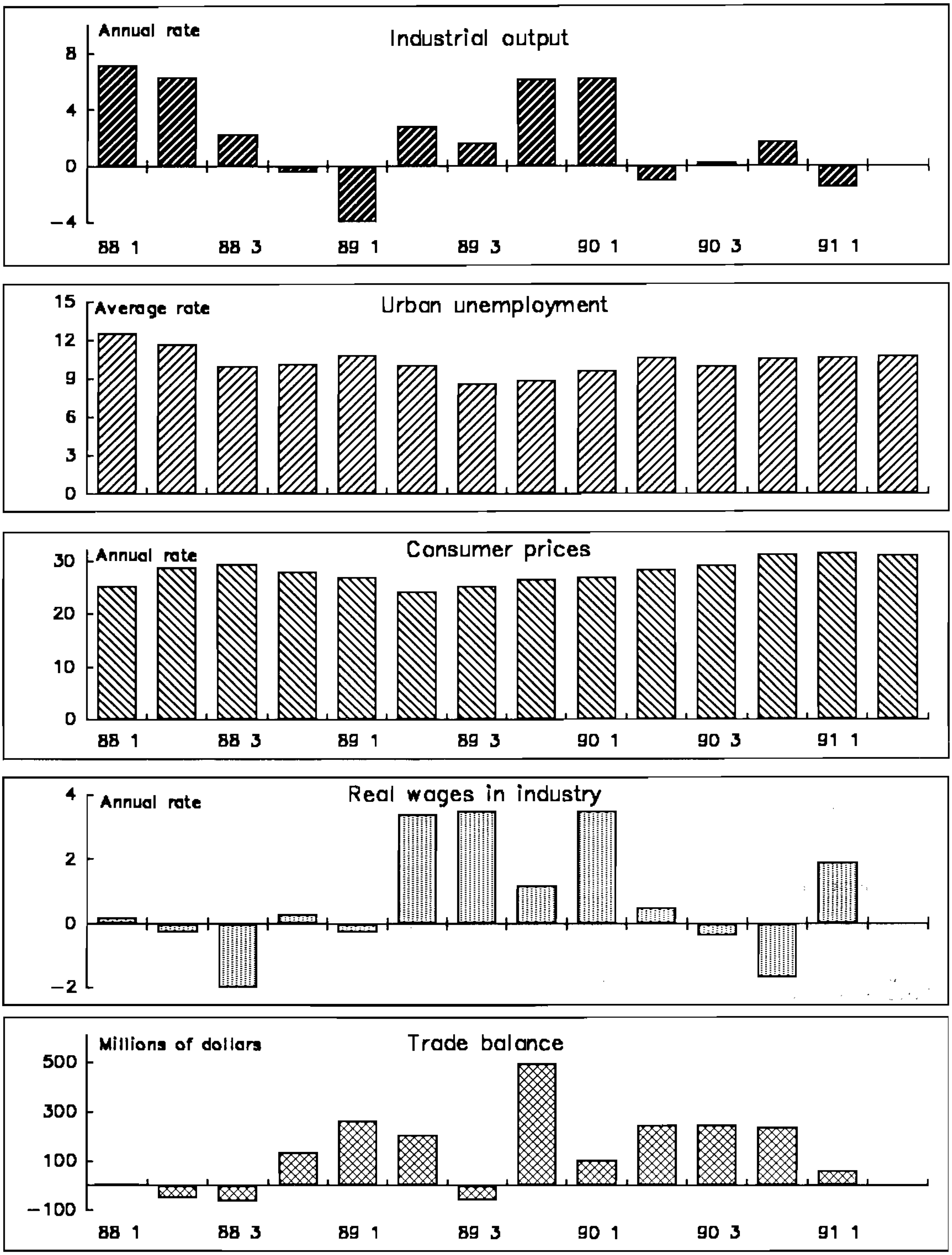
Because of a considerable inflow of transfers, which may include the repatriation of capital, the services balance registered a substantial surplus. Thus, at the end of July the current account of the exchange balance showed a surplus of some US$1.5 billion. In contrast, the capital account showed a deficit of the order of US$620 million, due mainly to amortization payments on public debt and smaller disbursements (table 7).

Colombia has continued its policy of refinancing its external debt with the foreign commercial banks every two years. The increase in the current account surplus has facilitated the handling of this situation, so that there should not be any major difficulties in continuing with this procedure. Furthermore, an agreement has been signed with international banks for the sale of new Colombian debt securities on international markets in place of voluntary credits.

During the first half of the year, great efforts were made to keep public finances under control, and this was reflected in a primary surplus which contrasted with the deficit registered over the same period of the previous year. This result was largely due to the excellent performance of both direct and indirect tax income, reflecting greater efficiency in tax administration. For this year it is hoped to keep the public sector deficit below 1% of GDP, even if the difficult coffee situation persists. This could lead to the total depletion of the resources of the National Coffee Fund, which is used to relieve the effects on national producers of a fall in international prices of this product.

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 1990=100			Percentage variation					
				1990			1991		
	1989	1990	1991	Month	12 Ms.[b]	Year[c]	Month	12 Ms[b]	Year[c]
January	81.7	83.4	83.5	-9.5	2.0	2.0	-12.0	0.1	0.1
February	92.1	94.2	93.8	12.9	2.2	2.2	12.3	-0.4	-0.2
March	91.1	104.4	91.3	10.8	14.6	6.4	-2.7	-12.5	-4.8
April	99.8	96.1	102.2	-8.0	-3.7	3.7	11.9	6.3	-1.9
May	101.7	104.6		8.8	2.9	3.5			
June	102.3	99.7		-4.7	-2.5	2.4			
July	99.1	101.2		1.5	2.1	2.4			
August	103.5	105.5		4.2	1.9	2.3			
September	104.5	101.1		-4.2	-3.2	1.6			
October	106.6	108.2		7.0	1.5	1.6			
November	105.7	106.8		-1.3	1.1	1.6			
December	92.2	94.9		-11.1	2.9	1.7			

Source: National Bureau of Statistics (DANE).
[a] Except coffee processing. [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)			Percentage variation	
	1989	1990	1991	1990	1991
Mining					
Crude oil[a]	69.3	77.3	60.5	11.5	-21.7
Gold[b]	475.3	458.4	517.4	-3.6	12.9
Silver[b]	111.3	101.8	121.1	-8.5	19.0
Iron ore[c]	270.2	333.8	301.8	23.5	-9.6
Manufacturing					
Sugar[cd]	686.1	745.9	740.9	8.7	-0.7
Cement[cd]	3 252.2	3 174.2	2 568.4	-2.4	-19.1
Steel ingots[cd]	133.8	183.8	164.4	37.4	-10.6
Assembled vehicles[de]	27.1	23.7	21.4	-12.5	-9.7
Construction[f]	3 801.7	3 364.8	3 868.7	-11.5	15.0

Source: Banco de la República and National Bureau of Statistics (DANE).
[a] Millions of barrels. [b] Thousands of troy ounces. [c] Thousands of tons. [d] January-May for 1990. [e] Thousands of units.
[f] Thousands of square metres.

Table 3
COLOMBIA: RATE OF UNEMPLOYMENT

	1989				1990				1991	
	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June
Total	**10.9**	**10.1**	**8.7**	**8.9**	**9.7**	**10.7**	**10.0**	**10.6**	**10.7**	**10.8**
Bogotá	9.7	8.5	7.4	6.3	8.0	10.1	8.8	10.8	9.2	9.6
Barranquilla	13.9	11.3	11.1	9.6	12.1	11.7	10.4	9.5	9.6	11.1
Cali	10.5	11.5	7.6	11.6	10.9	9.9	8.7	8.7	10.6	9.2
Medellín	12.7	12.1	12.0	12.0	11.4	12.4	13.7	12.4	13.8	14.8

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

Table 4
COLOMBIA: PRICE INDEXES
(Percentage variation)

	Consumer price index						Wholesale price index					
	1990			1991			1990			1991		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	3.3	3.3	26.7	3.0	3.0	32.0	3.8	3.8	25.2	4.8	4.8	31.2
February	3.7	7.1	27.1	3.4	6.5	31.7	3.0	6.9	25.8	1.7	6.6	29.2
March	2.9	10.2	27.6	2.5	9.2	31.2	2.6	9.7	26.0	2.2	8.9	29.0
April	2.8	13.3	28.0	2.8	12.3	31.2	1.8	11.7	25.1	2.6	11.7	30.0
May	2.0	15.5	28.2	2.2	14.7	31.5	2.3	14.2	26.0	1.4	13.3	28.9
June	2.0	17.7	29.0	1.6	16.6	31.0	1.3	15.7	25.4	1.8	15.3	29.5
July	1.4	19.4	28.7	1.8	18.7	31.6	1.4	17.4	24.7	1.3	16.8	29.4
August	1.6	21.3	29.0	1.3	20.2	31.2	2.2	19.9	24.9	...	...	...
September	2.4	24.1	30.2				3.1	23.6	27.4			
October	1.9	26.6	30.6				2.0	26.2	28.6			
November	2.0	29.1	31.0				1.5	28.0	29.1			
December	2.5	32.4	32.4				1.5	29.9	29.9			

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)			
	1988	1989	1990	1991	1988	1989	1990	1991
January	265.8	339.6	440.1	574.1	115.1	121.3	129.3	132.1
February	270.9	346.8	451.7	580.9	112.8	120.4	127.4	127.4
March	276.9	354.1	463.4	593.8	112.4	120.8	126.8	125.9
April	283.5	361.8	479.2	603.7	111.7	121.3	127.3	124.4
May	289.9	369.9	491.6	613.7	113.0	122.6	128.6	124.2
June	296.4	377.9	502.4	624.2	113.8	123.2	128.6	124.1
July	302.4	385.7	513.1	634.4	114.9	123.7	129.6	123.6
August	308.4	393.4	519.9		117.6	123.8	131.7	
September	314.9	401.8	530.5		119.4	125.1	133.3	
October	321.1	410.6	540.5		120.0	126.1	136.1	
November	327.0	419.8	551.3		121.2	126.7	135.3	
December	333.3	429.3	563.4		121.0	128.1	133.2	

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.

Table 6

COLOMBIA: INDEX OF AVERAGE REAL WAGES[a]

(Percentage variation)

	1990			1991		
	Month[b]	Year[c]	12 Ms.[d]	Month[b]	Year[c]	12Ms.[d]
January	0.7	0.7	3.3	0.9	0.9	1.9
February	3.0	3.6	4.4	-0.5	0.4	1.8
March	-1.3	2.4	2.8	0.2	0.6	2.1
April	-0.1	2.3	1.7	-1.5	-0.9	1.0
May	-1.4	0.9	0.9			
June	-1.4	-0.5	-1.0			
July	0.7	0.2	-0.2			
August	-	0.2	-0.4			
September	-1.5	-1.2	-0.7			
October	-0.5	-1.7	-1.7			
November	0.4	-1.3	-1.1			
December	-0.9	-2.2	-2.3			

Source: National Bureau of Statistics (DANE).

Note: Total industrial sector, except coffee processing.

[a] Index December 1986=100. [b] Variation in the month. [c] Cumulative figure for year. [d] With respect to the same month of the preceding year.

Table 7

COLOMBIA: EXCHANGE BALANCE

(Millions of dollars)

	January-July			Percentage variation	
	1989	1990	1991	1990	1991
Balance on current account	292	594	1 521	103.4	156.1
Trade balance (goods)	126	518	616	311.1	18.9
Exports (FOB)	2 426	2 636	3 162	8.7	20.0
Coffee	803	811	716	1.0	-11.7
Other	1 623	1 824	2 446	12.4	34.1
Imports	2 300	2 118	2 546	-7.9	20.2
Purchases of gold	221	217	229	-1.8	5.5
Balance on services and other transactions	-151	-279	514		
Net interest	-673	-639	-707		
Other	522	414	1 221	-20.7	194.9
Oil and mining explorations	96	138	163	43.8	18.1
Balance on capital account	-623	-511	-622		
Asset valuation adjustments	-55	-82	-18		
Global balance	-386	2	881		

Source: ECLAC, on the basis of official information.

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

	Amount			Absolute variation					
				Quarter [a]			Year [b]		
	1989	1990	1991	1989	1990	1991	1989	1990	1991
March	3 447	3 872	4 633	-363	5	132	-363	5	132
June	3 325	3 884	5 165	-122	12	532	-485	17	664
September	3 265	4 300		-60	416		-545	433	
December	3 867	4 501		602	201		57	634	

Source: Banco de la República.
[a] With respect to the preceding quarter. [b] With respect to December of the preceding year.

Table 9
COLOMBIA: NATIONAL GOVERNMENT INCOME AND EXPENDITURE

	Billions of pesos			Percentage variation	
	1989 (January-June)	1990 (January-April)	1991 (January-April)	1990[a]	1991[b]
Current income (net) [c]	655.4	532.9	714.1	35.9	34.0
Total payments	788.8	706.7	836.6	27.0	18.4
Operating expenditure	554.0	498.9	577.4	28.3	15.7
Interest payments on debt	97.5	94.3	130.2	27.8	38.1
Investment	135.2	113.5	129.0	21.9	13.7
Other payments	2.1	-	-		
Surplus or deficit	-133.4	-173.8	-122.5		
Financing	133.4	173.8	122.5	...	-29.5
Net external credit	-71.4	86.5	-11.5		
Net domestic credit	204.8	91.9	132.6	...	44.3
Variation in cash holdings	-	-4.6	1.4		

Source: ECLAC, on the basis of figures supplied by the Banco de la República.
[a] Variation January-December with respect to corresponding period of preceding year. [b] Variation January-April with respect to corresponding period of preceding year. [c] Actual transactions.

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

	Projected nominal rate [a]				Weighted effective rate [b]			
	1988	1989	1990	1991	1988	1989	1990	1991
March	29.1	27.9	28.8	30.1	35.3	33.5	34.8	36.7
June	29.9	27.9	29.3		36.5	33.5	35.5	
September	26.9	27.3	30.0		32.1	32.7	36.6	
December	26.7	28.2	31.0		31.8	34.0	38.2	

Source: Banco de la República.
[a] Comparable with the corresponding weighted effective rate. [b] Based on the value of new deposits in banks and financial corporations in Bogotá.

CHILE

In 1991 the growth rate of the Chilean economy quickened as a result of the end of the adjustment to which it had been subjected throughout the previous year. At the end of the first half of the year, economic activity registered a satisfactory growth rate, together with a continued increase in the considerable foreign trade surplus and the maintenance of balanced fiscal accounts, while inflation showed a slight downward trend. At the same time, total wage bill continued to increase because of the rise in real wages, and despite some slackening in the rate of creation of new jobs.

After moderate growth early in the year, economic activity recovered vigorously in the second quarter, so that altogether the gross domestic product grew by over 4% in the first half of the year (table 1). The only exceptions within a situation of generalized growth were the agricultural and fishery sectors, the latter of which was seriously affected by the abrupt drop in demand due to the cholera outbreak. Transport and communications continued to be the most dynamic sector, but mining, electricity generation and commerce also grew at rapid rates. The recovery in industrial sales could already be glimpsed during the first quarter, but the reactivation of production was only consolidated in the second quarter (table 3).

The delay in the recovery of industry and the expectations of a change in the value of the dollar, encouraged by the growing solidity of the external accounts, affected imports of capital goods. Even so, however, it is estimated that the investment coefficient will go down only slightly to a figure of 18%, thanks to the implementation of major projects in mining, energy and other capital-intensive sectors.

Inflation has proved to be stubborn and has remained at a cumulative 12-month level of around 24%. The trend is a downward one, however, since the increase in consumer prices in the first eight months of the year is only equivalent to an annualized rate of 18% (table 5).

After having fallen below 6% at the end of 1990, unemployment rates began to rise again, and amounted to 7.4% in the three-month period ending in July. Thus, the average unemployment rate for the first seven months (6.3%) is slightly higher than that for the same period of the year before (table 4). Over the same period, however, real wages grew by 5%. The increase in total wages is one of the factors behind the marked increase in domestic consumption.

Fiscal management continues to make a net contribution to domestic saving, for although an increase of nearly 20% is scheduled for public investment in 1991, government saving will increase by the order of 12%. Thus, the public sector contribution to domestic saving is likely to be close to 5% of GDP, without taking account of the Copper Stabilization Fund. Foreign currency income has gone down compared with the same half year in 1990 because of a drop in world copper prices, but national-currency tax revenue increased by over 20% with the entry into full operation of the 1990 tax reform.

The slow decline in the indexes of inflation and the abundant supply of foreign currency have given rise to persistent pressure towards appreciation of the local currency. In a context of high interest rates and oversupply of foreign exchange, the authorities' objective of keeping up the real exchange rate, in order to protect the profitability of exporters, obliged the Central Bank to make heavy purchases of dollars. In order not to exceed the monetary expansion target, the Central Bank has had to sterilize the impact of its exchange operations through increased domestic indebtedness, which leads to a contraction in domestic credit.

The monetary authorities adopted a cautious policy based on the assumption that the oversupply of foreign exchange was only temporary and was due to the unusually high price of copper (the country's main export product) and the low international interest rates. The latter factor stimulated the inflow of short-term capital, since the authorities have kept domestic interest rates at higher levels in their efforts to reconcile the targets for growth and inflation. The efforts to maintain the exchange rate, together with the abundant liquidity due to the inflow of foreign exchange, began to be reflected as from March in bigger monthly variations in prices, thereby endangering the inflation target set by the authorities for 1991.

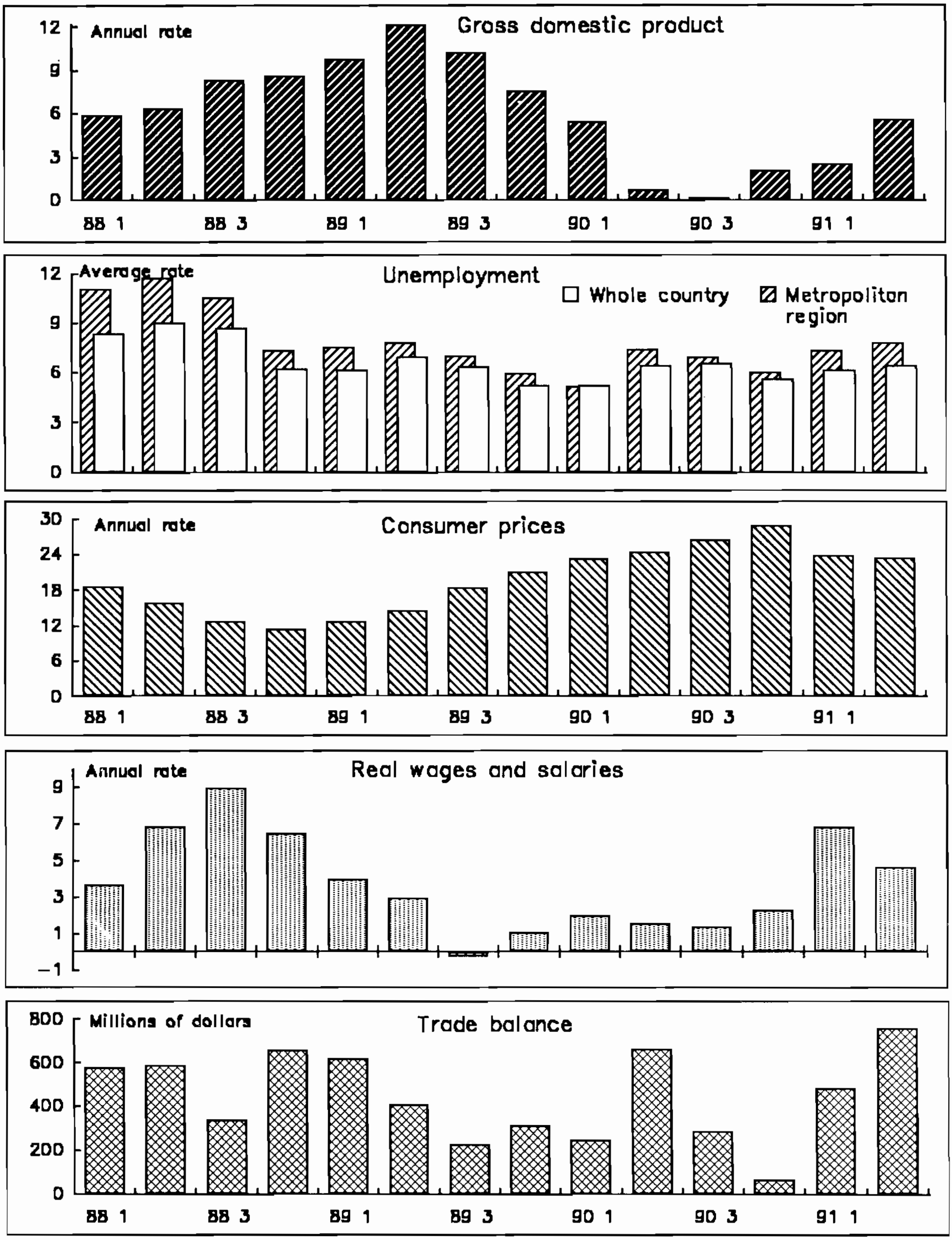
The real exchange rate was not in keeping with the increasing supply of foreign exchange, the growth of which was exceeding initial projections. The external situation was characterized by rapid growth in exports, a decline in imports, a marked reduction in the external debt/exports coefficient, significant inflows of portfolio and short-term capital, and a steady flow of foreign direct investment.

In view of this situation, in early April and again at the end of the month the Central Bank revalued the national currency by 0.7%, thus changing the established exchange rate procedure, which consists of a devaluation announced in advance for the next 30 days, equivalent to the domestic inflation for the previous month, less external inflation. However, this measure did not succeed in causing the dollar to rise above the floor level of the float range, because of the expectations that there would be a revaluation or a lowering of tariffs, and this led to the reduction of import operations to a minimum and to the bringing forward of export operations. In mid-June the authorities announced a package of measures designed to deal with the oversupply of foreign exchange. Tariffs were reduced from 15% to 11%, the reference dollar was revalued by 2%, and a non-interest-bearing compulsory reserve of 20% was introduced for indebtedness in foreign currency, which has a proportionately greater effect on short-term operations. For the same purpose, the fiscal stamp tax was extended to external credits, except for exports. In order to make up for the decline in fiscal income due to the tariff reduction, the specific tax on gasoline was raised by the application of a surcharge of 40% during 1991 and 1992, going down to 35% in 1993.

In this context, up to July the trade balance showed a surplus of US$1.3 billion, which was slightly more than the figure registered for the whole of the previous year. This increase in the trade balance was due to a rise of 5% in exports, accompanied by a slight drop (-1%) in imports (table 8). The biggest growth in exports (16%) was registered by sales of agricultural and industrial products, while the 15% drop in imports of capital goods was a determining factor in the decline in imports (tables 9 and 10). In mid-August, the net reserves stood at US$5.6 billion –equivalent to over nine months' imports– after deduction of the external debt payments made by the Central Bank and the main State enterprise, the Chilean Copper Corporation (CODELCO).

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 variation)[a]

	1990				1991[b]		
	I	II	III	IV	I	II	I+II
Total	**5.5**	**0.8**	**0.2**	**2.1**	**2.6**	**5.6**	**4.1**
Agriculture and forestry	5.3	0.5	6.2	10.1	-0.5	0.1	-0.2
Fishing	-2.1	-0.6	-20.0	-28.3	-0.7	-3.7	-2.1
Mining	5.9	-0.9	-1.5	-5.3	7.3	5.5	6.4
Industry	4.5	-3.4	-2.6	2.1	-1.5	8.7	3.6
Electricity, gas and water	5.0	0.4	1.4	5.4	6.8	6.3	6.5
Construction	9.5	5.2	-3.0	-1.0	2.0	3.0	2.5
Commerce	3.9	1.0	2.6	2.5	4.6	6.8	5.7
Transport	11.6	11.8	7.2	11.0	11.8	13.8	12.8
Other	5.2	1.3	-0.2	1.4	2.2	3.5	2.9

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			
	1988	1989	1990	1991	1988	1989	1990	1991
Wheat	17 342	17 655	17 182	15 887	-7.5	1.8	-2.7	-7.5
Oats	1 569	1 645	2 055	2 067	23.1	4.8	24.9	0.6
Barley	816	851	916	1 070	68.9	4.3	7.6	16.8
Rice	1 623	1 852	1 360	1 171	10.4	14.1	-26.6	-13.9
Maize	6 609	9 385	8 232	8 357	7.1	42.0	-12.3	1.5
Beans	998	730	871	1 170	22.9	-26.9	19.3	34.3
Lentils	201	78	83	119	-18.6	-61.2	6.4	43.2
Chickpeas	76	42	60	88	-48.6	-44.7	42.9	46.3
Potatoes	9 282	8 816	8 288	8 439	27.7	-5.0	-6.0	1.8
Sunflower	489	319	273	324	23.5	-34.8	-14.4	18.7
Rape	1 226	1 129	532	577	28.9	-7.9	-52.9	8.4
Sugar beet	24 872	28 097	23 265	21 498	-6.1	13.0	-17.2	-7.6
Tobacco	104	105	144	154	25.3	1.0	37.1	7.0

Source: National Statistical Institute (INE).
[a] Metric quintal = 100 Kg.

Table 3
CHILE: INDUSTRIAL PRODUCTION AND SALES
(Percentage variation)

	SOFOFA[a]						INE[b]		
	Production			Sales			Production		
	Month[c]	12 Ms.[d]	Year[e]	Month[c]	12 Ms.[d]	Year[e]	Month[c]	12 Ms.[d]	Year[e]
1990									
January	-2.6	6.4	6.4	-6.7	6.9	6.9	-2.0	3.7	3.7
February	-11.3	2.3	4.5	-13.0	4.7	5.8	-13.4	4.8	4.2
March	22.9	1.5	3.4	26.0	0.1	3.6	28.5	4.1	4.2
April	-1.7	-2.6	1.7	-5.8	6.5	4.4	-6.6	-0.5	2.9
May	8.5	0.9	1.5	2.2	0.4	3.5	2.8	-2.4	1.7
June	-5.9	-3.8	0.6	-3.9	-	2.9	-4.1	-6.1	0.3
July	5.9	1.4	0.7	0.5	-1.3	2.3	5.1	-0.8	0.2
August	-0.2	0.3	0.6	9.2	-2.4	1.6	1.8	-2.0	-0.1
September	-15.4	-5.7	-0.1	-9.3	3.1	1.8	-15.0	-7.7	-0.9
October	15.0	0.2	-0.1	2.7	-5.5	1.0	19.1	0.8	-0.8
November	-3.3	-1.2	-0.2	2.6	-6.1	0.3	-3.8	-0.3	-0.7
December	-2.4	3.3	-	2.3	1.6	0.4	-2.8	1.6	-0.5
1991									
January	-3.0	2.8	2.8	-2.5	6.2	6.2	-0.9	2.8	2.8
February	-13.7	0.1	1.5	-10.5	9.2	7.6	-18.1	-2.7	0.2
March	19.5	-2.6	-	14.2	-1.0	4.4	25.9	-4.7	-1.6
April	4.9	3.8	1.0	3.2	8.4	5.4	4.9	6.9	0.6
May	7.6	2.9	1.4	-3.8	2.0	4.7	2.9	7.1	2.0
June	-4.7	4.2	1.9	0.4	6.5	5.0	-3.6	7.6	2.9
July	2.6	1.0	1.8	-3.3	2.5	4.6	5.1	7.6	3.7

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

Table 4
CHILE: UNEMPLOYMENT RATE
(Quarterly averages)

Quarters ending in:	1989		1990		1991	
	Metropolitan region	Nation-wide	Metropolitan region	Nation-wide	Metropolitan region	Nation-wide
January	7.3	5.9	5.2	5.0	6.0	5.6
February	7.3	5.9	4.8	5.0	6.4	5.7
March	7.6	6.2	5.2	5.3	7.4	6.2
April	7.8	6.4	6.1	5.6	7.7	6.2
May	8.1	6.8	6.8	6.1	7.9	6.5
June	7.9	7.0	7.5	6.5	8.1	6.8
July	7.2	6.7	7.6	6.7	8.6	7.4
August	7.4	6.7	7.5	6.7		
September	7.1	6.4	7.0	6.6		
October	7.5	6.4	6.7	6.5		
November	6.8	5.9	6.7	6.3		
December	6.0	5.3	6.1	5.7		

Source: National Statistical Institute (INE).

Table 5
CHILE: PRICE INDEXES
(Percentage variation)

	Consumer price index						Wholesale price index					
	1990			1991			1990			1991		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	2.5	2.5	23.1	0.4	0.4	24.8	1.6	1.6	23.5	0.1	0.1	23.9
February	0.3	2.8	23.3	0.1	0.6	24.5	-0.1	1.5	20.7	0.8	1.0	25.1
March	2.4	5.3	23.9	1.2	1.7	23.0	0.5	2.0	19.5	0.9	1.9	25.6
April	1.8	7.2	24.8	1.8	3.6	23.1	1.5	3.5	19.1	0.4	2.3	24.3
May	1.5	8.8	24.3	2.5	6.2	24.3	0.7	4.2	17.2	2.3	4.6	26.3
June	2.2	11.2	24.8	1.8	8.1	23.8	1.9	6.2	17.4	2.5	7.3	27.0
July	1.7	13.0	24.6	1.8	10.1	24.0	3.8	10.2	19.4	2.0	9.5	24.8
August	2.0	15.3	25.8	1.2	11.4	23.0	2.4	12.9	19.7	0.6	10.1	22.6
September	4.9	20.9	29.3				5.4	19.0	23.7			
October	3.8	25.6	30.4				5.6	25.7	27.4			
November	0.9	26.7	29.4				0.8	26.6	26.5			
December	0.2	27.3	27.3				-0.7	25.7	25.7			

Source: National Statistical Institute (INE).

Table 6
CHILE: INDEX OF REAL WAGES AND SALARIES

	Index of real wages and salaries[a] (December 1982=100)			Percentage variation					
				1990			1991		
	1989	1990	1991	Month	Year[b]	12 Ms.[c]	Month	Year[b]	12 Ms[c]
January	101.6	104.5	111.4	0.7	2.8	2.8	2.3	6.7	6.7
February	102.8	104.4	111.5	-	2.2	1.6	0.1	6.7	6.8
March	102.2	103.7	111.2	-0.7	2.0	1.5	-0.3	6.9	7.2
April	103.3	104.5	110.6	0.8	1.8	1.2	-0.5	6.6	5.8
May	103.1	105.2	109.5	0.6	1.8	2.0	-1.0	6.1	4.1
June	102.8	104.6	108.9	-0.6	1.8	1.7	-0.5	5.8	4.1
July	102.8	105.6	107.5	1.0	1.9	2.8	-1.2	5.2	1.8
August	103.1	105.3		-0.3	2.0	2.1			
September	102.3	101.6		-3.5	1.7	-0.7			
October	100.8	101.4		-0.2	1.6	0.6			
November	101.7	103.1		1.7	1.5	1.4			
December	103.7	108.9		5.6	1.8	5.0			

Source: National Statistical Institute (INE).
[a] Index of nominal wages and salaries, deflated by the consumer price index. [b] Percentage variation in the cumulative average index with respect to the same period of the preceding year. [c] With respect to the same month of the preceding year.

Table 7
CHILE: EXCHANGE RATE

	Nominal exchange rate on the banking market (pesos per dollar)				Adjusted real exchange rate (Index 1985=100) [a]			
	1988	1989	1990	1991	1988	1989	1990	1991
January	243.70	247.10	296.76	327.23	97.96	92.65	94.21	86.47
February	240.00	245.80	292.46	337.53	96.20	92.48	92.16	87.79
March	243.30	249.60	296.70	340.24	95.96	92.77	91.14	86.67
April	241.90	251.40	296.40	340.28	95.47	93.14	89.27	85.07
May	245.20	252.40	297.00	339.95	96.98	92.30	88.53	83.21
June	248.30	261.70	296.79	344.89	98.45	93.79	86.41	82.78
July	248.30	272.80	296.67	348.72	98.70	95.92	84.93	82.00
August	245.60	276.70	303.44	350.89	97.05	95.80	86.78	...
September	245.70	280.20	308.35		96.26	95.26	85.40	
October	247.10	282.80	312.49		95.46	93.70	85.13	
November	246.40	288.40	326.86		93.95	93.95	87.72	
December	244.60	294.60	334.98		91.66	94.23	88.64	

Source: ECLAC, on the basis of figures supplied by the Central Bank of Chile and 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.

Table 8
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
1988											
December	799	7 052	474	4 833	325	2 219	25.4	35.0	50.5	21.0	80.4
1989											
January	650	650	499	499	151	151	24.5	24.5	28.3	28.3	13.5
February	611	1 261	414	913	197	348	19.8	22.2	35.7	31.6	3.0
March	800	2 061	525	1 438	275	623	25.6	23.5	33.9	32.4	6.9
April	683	2 744	508	1 946	175	798	7.6	19.1	52.1	37.0	-9.7
May	707	3 451	481	2 427	226	1 024	31.9	21.5	15.1	32.0	2.2
June	641	4 092	631	3 058	10	1 034	14.9	20.4	64.3	37.6	-12.1
July	560	4 652	582	3 640	-22	1 012	-0.2	17.5	50.4	39.5	-25.0
August	771	5 423	636	4 276	135	1 147	48.3	21.1	38.0	39.3	-18.6
September	640	6 063	523	4 799	117	1 264	25.0	21.5	29.1	38.1	-16.6
October	692	6 755	522	5 321	170	1 434	22.5	21.6	20.0	36.1	-12.9
November	674	7 429	605	5 926	69	1 503	-3.3	18.8	34.7	35.9	-20.6
December	651	8 080	576	6 502	75	1 578	-18.5	14.6	21.5	34.5	-28.9
1990											
January	625	625	652	652	-27	-27	-3.9	-3.9	30.6	30.6	...
February	658	1 283	527	1 178	132	105	7.8	1.7	27.2	29.1	-70.0
March	711	1 994	567	1 746	144	248	-11.1	-3.3	8.1	21.4	-60.2
April	851	2 845	563	2 309	288	536	24.6	3.7	10.8	18.6	-32.9
May	820	3 665	577	2 885	244	780	16.0	6.2	19.9	18.9	-23.9
June	656	4 321	521	3 407	135	914	2.3	5.6	-17.4	11.4	-11.6
July	704	5 025	620	4 027	84	998	25.7	8.0	6.5	10.6	-1.4
August	721	5 745	644	4 670	77	1 075	-6.5	5.9	1.2	9.2	-6.3
September	641	6 386	514	5 184	127	1 202	0.2	5.3	-1.7	8.0	-4.9
October	719	7 105	686	5 870	33	1 235	3.9	5.2	31.4	10.3	-13.9
November	617	7 723	596	6 466	22	1 257	-8.4	4.0	-1.6	9.1	-16.4
December	587	8 310	571	7 037	16	1 273	-9.8	2.8	-0.8	8.2	-19.3
1991											
January	712	712	623	623	89	89	13.9	13.9	-4.5	-4.5	...
February	658	1 369	493	1 115	165	254	-0.1	6.7	-6.5	-5.4	143.3
March	809	2 179	575	1 690	234	488	13.8	9.3	1.4	-3.2	96.9
April	899	3 078	500	2 190	380	888	5.7	8.2	-11.2	-5.1	65.7
May	791	3 869	599	2 789	192	1 080	-3.6	5.6	3.9	-3.3	38.5
June	737	4 606	549	3 338	188	1 268	12.4	6.6	5.3	-2.0	38.7
July	702	5 307	642	3 980	60	1 328	-0.3	5.6	3.5	-1.2	33.0

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

Table 9
CHILE: STRUCTURE OF EXPORTS (FOB)
(Millions of dollars) [a]

	Mining products				Agricultural and marine products		Industrial goods		Percentage variation[b]		
	Total		Copper								
	1990	1991	1990	1991	1990	1991	1990	1991	Min.	Agr.	Ind.
January	337	384	261	312	93	96	195	232	13.9	3.2	19.0
February	655	709	507	566	220	208	409	453	8.3	-5.4	10.7
March	964	1 091	747	874	411	396	619	692	13.1	-3.7	11.9
April	1 411	1 473	1 119	1 195	604	609	830	996	4.4	0.9	20.0
May	1 843	1 857	1 484	1 522	716	744	1 107	1 269	0.7	3.9	14.6
June	2 221	2 205	1 802	1 817	767	840	1 333	1 561	-0.7	9.5	17.1
July	2 595	2 489	2 114	2 049	815	963	1 615	1 856	-4.1	18.2	14.9
August	3 005		2 461		864		1 877				
September	3 428		2 839		883		2 067				
October	3 877		3 215		904		2 316				
November	4 241		3 514		928		2 545				
December	4 581		3 796		979		2 742				

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

Table 10
CHILE: STRUCTURE OF IMPORTS (CIF)
(Millions of dollars) [a]

	Goods										
	Consumer products		Intermediate goods				Capital goods		Percentage variation [b]		
	Total		Total		Fuels and lubr.						
	1990	1991	1990	1991	1990	1991	1990	1991	Cons.	Inter.	Cap.
January	102	92	375	401	100	100	710	682	-9.5	6.9	-3.9
February	179	186	672	727	164	185	908	808	3.9	8.1	-11.1
March	267	273	1 040	1 106	249	267	1 072	973	2.1	6.3	-9.2
April	349	358	1 375	1 433	331	330	1 270	1 114	2.4	4.2	-12.3
May	426	459	1 764	1 832	427	447	1 437	1 276	7.8	3.8	-11.2
June	497	566	2 073	2 184	484	524	1 630	1 422	13.8	5.4	-12.8
July	589	687	2 424	2 596	538	615	1 870	1 596	16.7	7.1	-14.7
August	680		648								
September	757		743								
October	854		901								
November	963		997								
December	1 042		1 129								

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

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

	Amount			Absolute variation			
				1990		1991	
	1989	1990	1991	Month	Year [b]	Month	Year [b]
January	2 731	2 956	5 532	13	13	185	185
February	2 800	3 157	5 731	201	214	198	383
March	2 755	3 217	5 836	60	274	105	489
April	2 631	3 269	5 679	52	326	-157	331
May	2 906	3 536	5 786	267	593	108	439
June	2 663	3 792	5 652	256	849	-134	305
July	2 662	4 148	5 561	356	1 205	-91	214
August	2 623	4 370		223	1 427		
September	2 583	4 290		-80	1 347		
October	2 700	4 987		696	2 044		
November	2 937	5 397		410	2 454		
December	2 943	5 347		-50	2 404		

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

Table 12
CHILE: MONETARY AGGREGATES

	E	D1	M1	Dg	Dp	M2	CN	CE
	Percentage variations [a]							
1990								
January	19.3	19.5	19.0	-18.4	37.3	32.7	36.6	7.0
February	21.4	-2.7	7.1	-7.6	38.7	30.5	35.4	8.4
March	22.2	9.4	13.0	-7.8	38.7	31.9	35.1	5.9
April	23.9	21.4	20.6	-12.7	39.7	34.9	33.4	4.5
May	26.4	16.9	17.2	-15.8	44.3	37.7	31.9	2.5
June	17.4	18.7	18.1	-20.4	43.1	37.3	30.1	1.4
July	15.5	4.8	10.0	-24.5	41.9	34.4	26.9	2.6
August	26.9	-15.7	0.5	-1.4	37.5	29.1	24.6	1.5
September	27.9	-4.0	7.1	12.6	36.9	29.7	21.1	0.0
October	28.7	-12.8	0.5	8.2	42.1	32.7	17.3	5.1
November	29.4	-19.7	-1.7	34.7	41.4	32.4	16.0	8.0
December	25.4	-8.1	5.4	45.2	35.8	28.8	20.0	8.9
1991								
January	34.1	37.2	33.0	65.8	26.5	28.0	14.3	7.2
February	31.7	57.9	44.4	67.9	25.9	29.8	13.7	6.8
March	30.9	64.9	50.1	46.9	23.0	29.1	12.8	5.3
April	31.9	47.3	41.2	44.4	21.8	26.1	13.0	2.8
May	34.1	42.6	40.0	53.2	24.4	27.7	13.6	2.3
June	36.0	39.0	36.6	34.8	28.4	30.0	14.3	2.5
July	34.7	20.7	29.1	37.2	30.6	30.3	17.1	-12.4
August	29.5	38.5	37.2	36.5	33.1	33.8	...	...

Source: Central Bank.
Note: E = Money issue; D1 = Private sector quasi-money; 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 13
CHILE: BANK INTEREST RATES
(Percentages)

	Nominal rates[a]		Real rates			
			Non-readjustable operations [a]		Readjustable operations [b]	
	Short-term deposits	Short-term loans	Short-term deposits	Short-term loans	Deposits	Loans
1990						
January	2.99	3.51	0.53	0.99	10.55	13.62
February	3.15	3.82	2.84	3.51	11.79	14.85
March	1.97	2.56	-0.41	0.17	13.32	16.50
April	2.95	3.43	1.13	1.61	11.74	15.31
May	2.61	3.10	1.09	1.58	10.97	15.10
June	2.37	2.86	0.17	0.65	9.49	13.96
July	2.86	3.33	1.14	1.60	9.23	13.31
August	2.41	2.92	0.40	0.91	8.75	12.67
September	3.14	3.42	-1.68	-1.41	8.52	13.05
October	4.67	5.23	0.84	1.38	7.25	11.74
November	3.47	3.99	2.55	3.06	5.90	10.03
December	1.33	1.85	0.83	1.34	6.00	9.18
1991						
January	1.06	1.52	0.66	1.12	6.19	9.17
February	0.72	1.36	0.62	1.26	6.12	9.24
March	0.71	1.08	-0.48	-0.12	5.71	8.77
April	1.62	1.95	-0.18	0.15	5.50	8.36
May	2.14	2.44	-0.35	-0.06	5.46	8.76
June	2.53	2.91	0.72	1.09	5.31	8.80
July	2.07	2.52	...	...	...	...

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

ECUADOR

Normalization of international petroleum markets after the end of the Persian Gulf conflict put an end to the fiscal bonanza registered in the latter part of 1990. The decline in oil prices below the level of US$17 per barrel, which was the figure used as a basis for the preparation of the budget, widened the fiscal gap and made it necessary, towards the middle of 1991 to adopt austerity measures with regard to public spending. The increase in exports of other products, especially bananas, however, could prevent the decline in crude prices from affecting the external accounts significantly over the year as a whole. All in all, there was a continuation of the situation registered in the last two years, marked by a growth rate of the output similar to that of the population and the persistence of inflation at around 50% per year.

Exports continued to be the main element responsible for growth in production, since the expansion in both public and private domestic demand continued to be weak because of the fiscal adjustment and the stagnation of real wages. Despite the drop in crude prices, exports of primary commodities again grew rapidly (23% in the first half of the year) because of the big increase in non-oil sales (32%), especially of bananas and shrimps. In the case of bananas, the value of exports increased by a little over 40% because of considerable growth in both the physical volume of sales and international prices. The opening up of the Eastern European market, bigger demand from South Korea, and the slackening in competition from some Asian exporters whose plantations were affected by disease were the main factors in the explosive growth registered by banana exports in the last two years: in the first half of 1991, they were double those of the same period of 1989. Shrimp exports, for their part, increased by almost 50%, thus amounting to one-sixth of the country's total external sales. In contrast, there was a decline in exports of coffee, cocoa and industrial goods (tables 1 and 2).

Imports of goods also grew vigorously (11%), although not as fast as exports. Increased trade liberalization played a leading part in the high growth rates registered by purchases of capital goods (40%) and consumer goods (28%), but the low level of domestic activity was reflected in a decline in imports of raw materials and intermediate goods (table 3). Application of the tariff reform programme, which is to be completed next year, continued in the first half of 1991. Tariffs were adjusted to a minimum of 5% and a maximum of 35%, and a number of measures were adopted aimed at gradually eliminating quantitative restrictions. Moreover, at the fifth meeting of the Council of Andean Presidents held in May, Ecuador agreed to join the subregional free-trade area. Consequently, at the end of the year it must reduce the tariffs applied to purchases from the other countries in the area by half, and completely abolish such tariffs by mid-1992.

Net transfers of foreign resources (inflows of external capital, less factor payments) continued to be negative for the country, so that the international reserves went down slightly despite the increased trade surplus (table 4). In mid-May, the authorities unilaterally suspended their external debt negotiations with the international banks because they rejected the creditors' proposal that the country should increase its payments above the level of 30% of the interest due.

Inflation remained within the range of 50% per year at which it has stood since 1989 (table 6). In spite of the tariff reduction and the fact that the rate of devaluation was only a little over 30% per year (the rate for the dollar increases by 3.50 sucres per week), the rate of price increases for industrial goods and for services considerably exceeded the target figures fixed by the authorities.

The money supply grew by 56% in the 12 months ending in June (table 7). This considerable expansion was due partly to the increase in reserves which took place at the end of 1990 and partly to the greater financing needs of the public sector. In order to relieve this pressure, the compulsory bank reserves were increased and later the coverage of freely negotiated deposit rates was increased and interest rates for preferential operations by the issuing body were freed. With the same objective, measure were taken to reduce the quasi-fiscal expenditure originating in the Central Bank by reducing the period of the advance delivery of foreign exchange to exporters, which acts in practice as an export subsidy. In addition, a 4% corrective devaluation was made in order to take account of the lag between the evolution of the exchange rate and the behaviour of domestic prices observed in the first half of the year. Other factors taken into account in adopting these measures were the high level of the country's international reserves and the exchange rate appreciation which has taken place in Colombia, an important trading partner of Ecuador (table 5).

The reduction in fiscal revenue from hydrocarbon exports made public management more difficult. In order to adapt spending to the probable evolution of income, a series of fiscal austerity measures were adopted early in May. A 15% cut was ordered in expenditure under the General State Budget and in the spending of other public sector bodies, except for the municipalities and provincial councils. The creation of new public posts and the signing of special service contracts was also prohibited, while vacant posts in public bodies were eliminated. In mid-July, further cuts in public spending totalling around US$180 million were announced.

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
1990										
January	193	193	163	163	30	30	-5.0	-5.0	-2.6	-2.6
February	177	369	140	302	37	67	-2.4	-3.8	-4.3	-3.4
March	204	574	144	446	61	128	15.5	2.3	-22.0	-10.3
April	168	742	188	634	-20	108	-14.8	-2.1	12.6	-4.5
May	219	961	158	792	61	169	10.6	0.5	15.5	-1.1
June	181	1 141	178	970	3	171	-16.0	-2.5	9.9	0.8
July	185	1 327	140	1 110	45	217	-8.7	-3.4	-3.5	0.2
August	282	1 608	141	1 251	141	357	45.9	2.6	-26.3	-3.7
September	272	1 880	159	1 410	112	470	32.5	6.1	7.8	-2.5
October	301	2 181	120	1 531	181	650	62.0	11.4	-20.2	-4.2
November	295	2 476	180	1 711	115	765	34.6	13.7	28.6	-1.6
December	238	2 714	151	1 862	88	853	34.7	15.3	22.6	-
1991										
January	198	198	188	188	10	10	2.9	2.9	15.9	15.9
February	217	416	143	331	74	84	22.9	12.5	2.1	9.5
March	223	639	163	494	60	145	9.2	11.3	13.6	10.8
April	196	835	203	697	-7	138	16.8	12.6	7.9	10.0
May	269	1 104	195	892	74	212	22.8	14.9	23.0	12.6
June	251	1 355	190	1 081	62	274	39.1	18.7	6.4	11.4

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

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

	Primary products						Industrial goods		Percentage variation [b]			
	Total		Oil		Non-oil							
	1990	1991	1990	1991	1990	1991	1990	1991	Pri	Oil	Non-oil	Ind
January	164	172	85	82	79	90	29	26	5.3	-3.2	14.4	-10.5
February	314	369	167	182	147	187	55	47	17.4	8.8	27.2	-15.5
March	490	567	248	274	242	294	84	71	15.9	10.7	21.2	-15.2
April	632	742	306	319	327	423	110	93	17.4	4.5	29.5	-15.3
May	826	985	403	427	422	557	135	119	19.2	6.0	31.9	-11.7
June	982	1 208	468	525	515	683	159	147	23.0	12.2	32.8	-7.8
July	1 134		534		600		193					
August	1 363		649		713		246					
September	1 603		799		805		277					
October	1 876		972		904		305					
November	2 142		1 142		1 001		334					
December	2 345		1 258		1 087		369					

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

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

	Consumer goods (CG)		Fuels and lubricants (FL)		Raw materials (RM)		Capital goods (CAP)		Percentage variation [c]			
	1990	1991	1990	1991	1990	1991	1990	1991	CG	FL	RM	CAP
January	14	16	9	5	90	90	49	78	13.2	-38.2	-0.4	59.9
February	24	27	17	10	167	159	93	135	12.6	-41.4	-4.9	45.5
March	40	42	28	15	245	241	132	195	5.7	-44.6	-1.6	47.2
April	54	64	35	24	355	332	187	276	18.7	-31.2	-6.4	47.4
May	69	87	44	31	430	422	246	350	26.9	-29.1	-1.9	42.3
June	84	108	52	36	537	525	294	412	28.3	-30.9	-2.2	39.9
July	104		57		609		336					
August	120		62		671		396					
September	139		67		751		449					
October	148		74		805		500					
November	164		83		898		563					
December	179		92		982		606					

Source: Central Bank of Ecuador.
[a] Classified by economic use or purpose. [b] Cumulative figures for each year. [c] With respect to the same period of the preceding year.

Table 4
ECUADOR: NET INTERNATIONAL RESERVES

	Millions of dollars [a]			Absolute variations			
				1990		1991	
	1989	1990	1991	Month [b]	Year [c]	Month [b]	Year [c]
March	-92	203	503	295	-	300	-100
June	-111	193	557	304	-10	364	-46
September	-	235		235	32	-235	
December	203	603		400	400	-603	

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

Table 5
ECUADOR: EXCHANGE RATES

	Average exchange rate (Sucres per dollar)				Adjusted real exchange rate (Index 1985=100) [a]			
	Semi-free market		Free market		Semi-free market		Free market	
	1990	1991	1990	1991	1990	1991	1990	1991
January	657.2	897.8	688.2	932.3	142.0	133.6	122.9	114.6
February	669.9	954.4	692.0	976.7	137.8	134.7	117.6	113.9
March	702.3	968.1	733.6	1 013.3	138.4	130.3	119.4	112.7
April	719.3	983.8	782.6	1 034.4	135.4	128.2	121.7	111.4
May	734.9	999.7	821.9	1 061.0	135.0	125.5	124.8	110.0
June	750.3	1 014.8	849.4	1 119.5	134.2	124.1	125.6	113.1
July	785.8		897.8		136.2		128.6	
August	808.3		902.1		140.6		129.6	
September	823.4		879.1		140.5		124.0	
October	839.0		862.1		141.3		119.9	
November	854.8		872.4		137.3		115.8	
December	869.8		877.0		134.8		112.3	

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 variation)

	1990			1991		
	Month	Year	12 Ms.	Month	Year	12 Ms.
January	3.7	3.7	52.0	4.4	4.4	50.4
February	4.6	8.5	50.2	3.9	8.5	49.4
March	4.2	13.1	43.6	3.9	12.7	49.0
April	4.5	18.2	46.2	3.2	16.3	47.1
May	2.9	21.7	48.9	4.2	21.2	49.1
June	2.5	24.8	47.7	2.5	24.2	49.0
July	3.2	28.7	50.3	1.8	26.5	47.0
August	1.6	30.7	48.9	1.7	30.0	48.6
September	3.5	35.3	46.9			
October	3.5	40.0	48.3			
November	4.2	45.9	49.8			
December	2.4	49.4	49.5			

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

Table 7

ECUADOR: MONETARY AGGREGATES

(Percentage variation)[a]

	Money supply (M1)				Money issue			
	Year [b]		12 months [c]		Year [b]		12 months [c]	
	1990	1991	1990	1991	1990	1991	1990	1991
January	-5.8	-10.5	35.2	44.6	-11.3	-13.8	38.2	50.5
February	-1.9	-6.2	38.1	45.5	-2.7	-8.4	49.6	45.6
March	-0.7	-3.7	38.3	47.6	-2.9	-0.2	44.1	59.1
April	4.9	3.9	46.9	50.8	4.6	2.8	46.0	52.0
May	1.3	5.4	37.4	58.3	2.1	7.2	49.0	62.5
June	10.5	13.2	40.6	55.9	11.0	9.2	47.9	52.3
July	10.0		33.5		13.8		39.7	
August	12.6		38.5		24.8		56.5	
September	18.2		40.7		30.4		52.3	
October	22.5		40.0		26.9		48.6	
November	27.0		45.5		30.5		54.6	
December	52.2		52.2		54.8		54.8	

Source: Central Bank of Ecuador.

[a] Percentage variation 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.

Table 8

ECUADOR: GENERAL MINIMUM WAGE

(Index December 1987=100)

	Nominal minimum wage				Real minimum wage				
	Sucres		Index		Index		Percentage variation		
	1990	1991	1990	1991	1990	1991	Month	Year[a]	12 Ms.[b]
January	32 000	40 000	220.7	275.9	74.3	61.7	19.7	-16.9	-16.9
February	32 000	40 000	220.7	275.9	71.0	59.4	-3.7	-16.6	-16.3
March	32 000	40 000	220.7	275.9	68.1	57.2	-3.8	-16.5	-16.1
April	32 000	40 000	220.7	275.9	65.2	55.4	-3.1	-16.1	-15.1
May	32 000	40 000	220.7	275.9	63.3	53.1	-4.1	-16.1	-16.1
June	32 000	40 000	220.7	275.9	61.8	51.8	-2.4	-16.1	-16.1
July	32 000		220.7		59.8				
August	32 000		220.7		58.9				
September	32 000		220.7		56.9				
October	32 000		220.7		55.0				
November	32 000		220.7		52.8				
December	32 000		220.7		51.5				

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.

MEXICO

The Mexican economy registered marked progress in the first half of 1991, with higher growth of production, a slackening of inflation, and improvement of the public accounts. The continuing climate of optimism stimulated private investment and gave rise to a considerable inflow of foreign capital which made it possible to finance the heavy balance-of-payments current account deficit resulting from the explosive increase in imports. However, the massive inflow of external resources includes some flows which could be volatile, such as the entry of short-term private capital and portfolio investments, or inflows connected with special incentives such as the acquisition of public enterprises.

The policy of greater external openness gave priority to economic integration with other countries. Within this context, negotiations were begun for the signing of free trade agreements with the United States and Canada –which further strengthened the prevailing optimistic expectations– and with the Central American countries. Progress was also made in the establishment of the so-called Group of Three, with Colombia and Venezuela, and in bilateral negotiations with other Latin American countries, such as Chile, on mutual tariff reductions.

The upward trend in the level of activity observed during the previous two years was further consolidated in the first half of 1991, with an increase of almost 5% in the gross domestic product (table 1), thus bringing per capita output close to the 1985 level. The agricultural sector was one of the most dynamic areas of activity (growth of 7%), since favourable weather conditions coincided with the expansion of domestic demand, new price support mechanisms, and the easing of the rules governing associations between producers. Mining, transport and communication services, and commerce also grew rapidly. The growth rate of manufacturing was over 4%, which was somewhat slower than in the previous six months but was in line with the performance of the economy as a whole. Despite the recession which affected Mexico's main trading partner, the external sector continued to be the driving force behind industrial production, since exports of manufactures continued to increase (table 7). Investment activity was also a factor in the growth of industry, however, since capital goods production activities made a significant contribution to the higher level of activity registered in the first half of the year (table 2).

The stabilization programme registered substantial progress. The adjustments made in managed prices, the increase in the minimum wage, and greater domestic demand had abruptly increased the monthly variation in the consumer price index to an average of almost 3% in the three month period November 1990-January 1991. The expansion of the national solidarity pact and the easing of devaluation to an annualized rate equivalent to 5% –less than half that registered the year before (table 9)– however, furthered a rapid decline in the rate of inflation, which stood at only 1% per month (13% per year) during the three-month period April-June (table 4). This result was also aided by the freezing of the minimum wage at the level set in November 1990, although increases of nearly 22% were observed in the wage negotiations carried out in certain branches of production.

The slackening of inflation, the smaller exchange rate adjustment, and the heavy inflow of foreign capital, which gave rise to a considerable expansion of liquidity, made it possible to bring down nominal interest rates. Thus, the yield of Treasury Certificates (CETES) dropped from 26% per year at the end of 1990 to 18% in mid-year (table 12). Because of the slower rate of devaluation, however, the latter figure represents an equivalent dollar rate of over 12% per year.

The significant reduction in the interest rate paid on the domestic debt, the expansion of revenue and the austerity policies applied in respect of expenditure all reduced the financial needs of the public sector. Moreover, the sale of important State enterprises such as the national telephone company, banks and some industrial complexes resulted in a financial surplus on the public accounts. If the exceptional income from the sale of public assets is excluded, a slight financial deficit is expected for the public sector for the year as a whole. Although the level of public expenditure did not vary to any great extent, there was a change in its composition, with a bigger share of expenditure in connection with the Solidarity Programme, which accounted in June 1991 for around one-third of total expenditure, excluding external debt servicing (table 10).

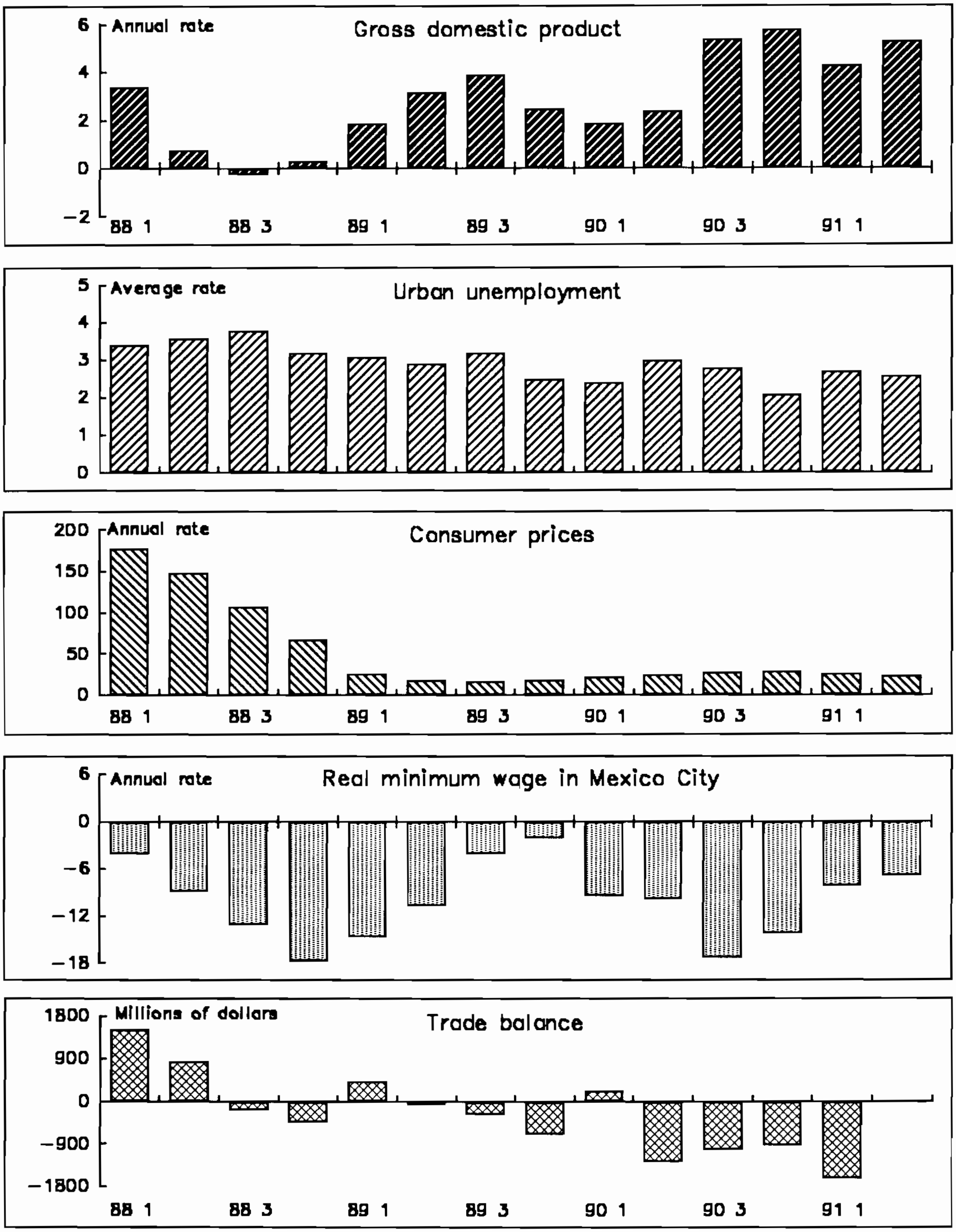
Imports continue to grow at an explosive rate: after having more than doubled between 1987 and 1990, the 45% increase in imports registered in the early months of 1991 means that their total share in GDP is close to 20%. Greater trade liberalization, the erosion of the real exchange rate, the recovery in production and the favourable expectations now prevailing have stimulated demand for imported goods, while the substantial inflow of external resources (which are estimated to have amounted to some US$8 billion in the first half of the year) has significantly increased import capacity. As the growth rate of exports was substantially less (14%), the trade deficit widened significantly and, with it, the current account deficit of the balance of payments (table 6). Some of the inflows of capital which were registered, such as those corresponding to direct investment, have entered the economic circuit on an apparently permanent basis, but others, such as the portfolio investment, which caused a boom on the stock exchange, or the short-term private capital attracted by the high dollar yields on financial investments, are potentially volatile. Since it was foreseen that oil prices would drop after the end of the Persian Gulf conflict, a Contingency Fund was set up to receive part of the extraordinary income received by the country under this heading, and in July the fund contained some US$4.7 billion.

The end of the Persian Gulf crisis led to the weakening of oil exports, although these were still higher than the level registered in the same period of last year. The increase in exports was therefore due to non-oil sales, especially of manufactures, since the rest of the traditional export lines are declining (table 7). In contrast, the vigorous increase in imports covered all types of goods (table 8).

The inflow of external resources not only made it possible to finance the current account deficit but also to considerably increase the international reserves. Their acquisition by the monetary authorities has led to big expansion of the monetary aggregates: the 12-month variation up to June showed a nominal increase of over 70% in the means of payment, while at the same date the monetary base had grown by 40% per year. This means that there has been a substantial increase in real terms.

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)

	1990					1991[b]	
	I	II	III	IV	Year	I	II
Total	**1.9**	**2.4**	**5.4**	**5.8**	**3.9**	**4.3**	**5.3**
Agriculture, forestry and fishing	1.2	2.0	5.7	4.6	3.4	8.6	5.5
Mining	2.0	2.5	3.5	4.7	3.2	-2.8	6.4
Manufacturing	2.8	2.1	8.4	7.7	5.2	4.0	4.7
Construction	3.5	6.8	9.1	11.1	7.7	2.0	1.5
Electricity, gas and water	7.1	5.5	4.1	4.4	5.2	3.7	4.9
Commerce, restaurants and hotels	1.2	2.0	5.3	6.6	3.9	5.9	7.1
Transport, storage and communications	4.2	5.0	7.7	8.4	6.3	5.5	9.0
Financial services, insurance and real estate	2.2	2.4	2.6	2.6	2.5	3.6	4.1
Community, social and personal services	0.4	1.0	1.6	2.5	1.4	3.1	4.1

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 variation)[a]

	Total	Mining	Manufactures				Construction	Electricity
			Total	Consumer goods	Intermediate goods	Capital goods		
1990								
January	4.3	2.3	3.5	4.0	2.0	3.5	8.6	8.1
February	3.2	2.0	2.5	2.9	1.5	1.4	6.2	7.8
March	5.1	2.8	4.8	4.7	4.2	4.2	7.5	7.4
April	3.5	2.6	2.8	2.7	2.1	2.8	6.7	6.9
May	3.8	3.4	3.3	3.8	2.2	3.8	5.5	6.4
June	4.0	3.7	3.5	3.7	2.5	5.5	5.5	6.3
July	4.3	3.6	4.0	4.1	3.0	7.8	5.7	6.0
August	4.5	3.5	4.2	4.1	3.2	9.0	6.1	5.9
September	4.7	3.7	4.4	4.0	3.6	9.2	6.8	5.6
October	5.1	3.7	4.9	4.4	4.1	10.6	7.4	5.5
November	5.2	3.9	5.0	4.4	4.3	11.9	7.1	5.5
December	5.5	4.1	5.3	4.5	4.6	13.1	7.3	5.4
1991								
January	5.0	0.5	6.0	4.8	5.8	22.8	4.5	3.7
February	5.1	-1.3	6.2	4.8	6.4	21.6	5.7	4.1
March	2.4	-2.8	2.8	1.3	3.0	18.5	4.8	4.0
April	3.8	-1.2	4.5	3.4	4.0	20.7	4.6	4.3
May	3.9	-0.1	4.4	3.3	4.1	18.8	4.9	4.7

Source: ECLAC, on the basis of figures supplied by the Banco de México.
[a] Variation in average cumulative index with respect to the same period of the preceding year.

Table 3

MEXICO: RATES OF OPEN UNEMPLOYMENT

(Quarterly averages)

	1990				1991			
	Average of 16 cities	Mexico City	Gua-dala-jara	Mon-te-rrey	Average of 16 cities	Mexico City	Gua-dala-jara	Mon-te-rrey
January	2.6	3.0	1.3	2.9	2.8	3.1	2.0	3.7
February	2.4	2.7	1.3	3.4	2.5	2.4	2.5	4.8
March	2.4	2.9	1.0	3.5	2.9	3.4	1.8	3.0
April	2.7	3.5	1.0	2.6	2.6	2.9	2.1	3.8
May	2.7	3.2	1.7	2.8				
June	3.0	3.7	1.6	4.0				
July	3.6	4.1	2.1	4.7				
August	3.0	3.5	2.2	3.9				
September	2.8	3.2	1.5	3.6				
October	3.3	3.8	2.2	4.9				
November	2.3	2.5	1.7	3.3				
December	2.1	2.5	1.0	2.9				

Source: ECLAC, on the basis of figures supplied by the Banco de México and the Ministry of Programming and Budget.

Table 4

MEXICO: PRICE INDEXES

(Percentage variation)

	Consumer price index						Wholesale price index [a]					
	1990			1991			1990			1991		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	4.8	4.8	22.5	2.5	2.5	27.0	3.0	3.0	17.1	2.0	2.0	26.2
February	2.3	7.1	23.9	1.7	4.3	26.5	1.7	4.8	17.7	1.1	3.1	25.3
March	1.8	8.9	23.7	1.4	5.8	26.0	1.8	6.6	18.8	1.3	4.3	24.7
April	1.5	10.8	24.4	1.0	6.9	25.5	2.4	9.1	20.2	1.3	5.7	23.4
May	1.7	12.7	24.9	1.0	8.0	24.5	2.2	11.5	21.2	1.3	7.0	22.3
June	2.2	15.2	26.1	1.0	9.1	22.9	2.7	14.5	23.6	1.3	8.4	20.6
July	1.8	17.3	27.1	0.9	10.1	21.8	1.7	16.5	24.9	...	...	...
August	1.7	19.3	28.1				1.6	18.4	26.0			
September	1.4	21.0	28.7				1.1	19.7	26.6			
October	1.4	22.7	28.6				1.4	21.4	27.0			
November	2.7	26.0	30.2				2.4	24.3	28.2			
December	3.2	29.9	29.9				2.5	27.4	27.4			

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

[a] In Mexico City.

Table 5
MEXICO: NOMINAL AND REAL MINIMUM WAGES IN MEXICO CITY

	Nominal minimum wage				Real minimum wage				
	Pesos		Index 1978=100		Index 1978=100		Percentage variation		
	1990	1991	1990	1991	1990	1991	Month[a]	Year[b]	12Ms.[c]
January	9 139	10 787	8 831	10 423	43.1	39.3	-2.2	-8.8	-8.8
February	9 139	10 787	8 831	10 423	41.9	38.5	-2.0	-8.5	-8.1
March	9 139	10 787	8 831	10 423	41.1	37.8	-1.8	-8.3	-8.0
April	9 139	10 787	8 831	10 423	40.6	37.4	-1.1	-8.2	-7.9
May	9 139	10 787	8 831	10 423	40.0	37.1	-0.8	-8.0	-7.3
June	9 139	10 787	8 831	10 423	39.0	36.7	-1.1	-7.7	-5.9
July	9 139	10 787	8 831	10 423	38.1	36.4	-0.8	-7.3	-4.5
August	9 139		8 831		37.3				
September	9 139		8 831		36.8				
October	9 139		8 831		36.2				
November	9 963		9 627		38.4				
December	10 787		10 423		40.2				

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		Balance		Exports		Imports		Balance
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year	Year
1990											
January	2 132	2 132	2 008	2 008	124	124	21.7	21.7	20.7	20.7	41.3
February	1 985	4 117	1 820	3 828	165	289	16.4	19.1	8.0	14.3	165.3
March	2 040	6 157	2 114	5 942	-74	215	4.7	13.9	30.1	19.5	-50.3
April	1 701	7 858	1 927	7 869	-227	-12	-12.3	7.0	-9.3	10.8	...
May	1 858	9 715	2 617	10 486	-759	-771	-11.2	2.9	28.2	14.7	...
June	1 811	11 526	2 112	12 598	-302	-1 072	-13.5	0.0	3.4	12.7	...
July	2 009	13 534	2 682	15 280	-674	-1 746	8.3	1.1	47.3	17.5	...
August	2 445	15 980	2 861	18 141	-415	-2 161	29.4	4.6	43.2	20.9	...
September	2 637	18 617	2 566	20 707	71	-2 090	46.8	9.1	27.6	21.7	...
October	2 946	21 563	3 266	23 973	-320	-2 411	50.6	13.3	45.8	24.5	...
November	2 710	24 273	2 990	26 963	-280	-2 691	56.9	17.0	53.3	27.2	...
December	2 500	26 773	2 835	29 798	-335	-3 026	24.3	17.6	28.3	27.3	...
1991											
January	2 345	2 345	2 830	2 830	-485	-485	10.0	10.0	41.0	41.0	...
February	2 046	4 391	2 660	5 490	-614	-1 099	3.1	6.6	46.1	43.4	...
March	2 118	6 509	2 654	8 144	-536	-1 635	3.8	5.7	25.5	37.1	...
April	2 370	8 879	3 161	11 305	-791	-2 426	39.4	13.0	64.0	43.7	...

Source: ECLAC, on the basis of figures from the Banco de México.
[a] With respect to the same period of the preceding year.

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

	Petroleum		Non-petroleum								Percentage variation [a]	
			Total		Agricultural		Mining		Manufacturing			
	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	Petro-leum	Non-petr.
January	753	795	1 379	1550	374	289	46	59	959	1 202	5.6	12.4
February	1 361	1 413	2 756	2 978	736	609	115	106	1 946	2 242	3.9	8.1
March	1 983	2 031	4 174	4 479	1 032	921	156	146	2 986	3 391	2.4	7.3
April	2 480	2 706	5 378	6 174	1 198	1 205	207	194	3 973	3 391	9.1	14.8
May	2 995		6 720		1 324		271		5 124			
June	3 468		8 059		1 432		325		6 303			
July	4 070		9 465		1 518		380		7 568			
August	5 093		10 887		1 585		430		8 872			
September	6 393		12 224		1 646		484		10 093			
October	7 761		13 802		1 747		534		11 521			
November	8 994		15 279		1 940		576		12 763			
December	10 104		16 669		2 162		617		13 890			

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: IMPORT STRUCTURE
(Cumulative figures)

	Millions of dollars						Percentage variation [a]		
	Consumer goods		Intermediate goods		Capital goods				
	1990	1991	1990	1991	1990	1991	Con-sumer goods	Inter-mediate goods	Capital goods
January	285	448	1 266	1743	457	639	57.1	37.7	39.9
February	570	853	2 415	3 403	843	1 234	49.7	40.9	46.4
March	884	1 219	3 729	5 072	1 329	1 854	38.0	36.0	39.5
April	1 156	1 678	4 918	7 076	1 795	2 551	45.2	43.9	42.1
May	1 505		6 347		2 334				
June	1 954		7 812		2 832				
July	2 405		9 445		3 430				
August	2 900		11 252		3 989				
September	3 333		12 818		4 554				
October	3 926		14 697		5 348				
November	4 497		16 389		6 095				
December	5 059		17 920		6 820				

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	
	1990	1991	1990	1991	1990	1991	1990	1991
January	2 700	2 951	2 656	2 947	76.6	68.2	90.9	82.2
February	2 730	2 963	2 675	2 958	75.3	66.3	89.1	80.0
March	2 759	2 975	2 715	2 970	74.6	65.1	88.7	78.5
April	2 789	2 987	2 745	2 982	74.2	64.6	88.2	77.9
May	2 820	2 999	2 775	2 995	74.1	64.5	88.1	77.8
June	2 847	3 012	2 802	3 007	73.1	64.0	86.9	77.2
July	2 869	3 021	2 827	3 018	72.3	63.5	86.1	76.5
August	2 884		2 852		72.9		87.0	
September	2 893		2 876		73.2		87.9	
October	2 905		2 900		74.0		89.2	
November	2 927		2 922		72.2		87.0	
December	2 938		2 934		69.4		83.7	

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 million millions of pesos)

	Income			Expenditure			Deficit
	Total	Fed. Gov.	PEMEX	Total	Fed. Gov.	PEMEX	
1990							
March	45.5	27.8	11.4	51.0	34.6	12.0	8.2
June	92.5	55.5	21.8	100.0	66.3	21.9	9.9
September	141.2	83.4	33.7	149.7	96.0	33.5	11.5
December	200.4	116.0	51.7	215.5	135.4	48.7	15.5
1991							
March	61.3	43.0	14.6	51.6	34.7	14.6	-6.9
			Percentage variation [a]				
1990							
March	32.5	30.5	47.8	33.6	36.7	50.2	38.8
June	30.2	27.3	33.7	25.5	24.0	30.7	-9.8
September	28.4	22.7	36.2	18.5	12.5	27.9	-31.5
December	34.4	28.6	48.7	24.1	16.9	35.2	-38.5
1991							
March	34.7	55.0	28.4	1.1	0.2	21.5	...

Source: ECLAC, on the basis of figures from the Banco de México.
[a] With respect to the same period of the preceding year.

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

	Million millions of pesos					Percentage variation [a]				
	Monetary base	M1	M2	M3	M4	Monetary base	M1	M2	M3	M4
1989										
December	23.0	31.3	125.0	182.5	202.2	10.6	40.1	43.0	49.3	50.5
1990										
January	19.9	28.0	119.5	182.0	202.4	-0.6	38.3	39.7	46.4	47.7
February	19.9	28.7	118.1	186.7	207.3	-1.8	40.3	47.7	46.2	47.5
March	20.6	29.3	120.8	192.4	214.6	-0.2	41.9	52.4	46.6	48.6
April	21.4	31.1	126.5	200.3	222.6	23.3	49.6	56.9	47.1	49.7
May	21.5	31.9	130.3	208.0	230.8	27.0	49.8	52.0	47.7	50.2
June	21.5	33.5	134.4	213.8	237.9	21.0	52.1	42.7	44.1	47.4
July	22.1	32.6	136.9	220.6	246.6	19.9	42.9	44.2	41.5	45.7
August	21.0	32.5	139.0	224.5	252.6	26.4	45.9	47.9	44.0	47.3
September	21.7	33.6	145.6	227.3	257.1	34.6	45.7	48.7	44.0	47.2
October	23.5	39.3	154.9	235.4	268.5	33.1	60.3	49.3	42.7	46.9
November	25.6	43.9	164.6	246.0	281.8	32.1	68.8	53.9	45.1	50.0
December	31.1	51.0	182.4	257.6	296.2	35.6	62.6	45.9	41.0	46.3
1991										
January	27.7	47.3	178.7	257.6	298.9	39.4	69.3	49.6	41.5	47.6
February	28.8	48.3	182.9	263.2	306.8	45.1	68.6	54.7	40.7	47.8
March	29.7	50.3	190.3	267.3	314.0	44.0	71.6	56.8	38.5	45.9
April	29.6	51.7	195.5	276.6	326.5	38.5	66.3	54.0	37.7	46.3
May	30.0	54.7	205.9	282.2	337.6	39.9	71.0	57.2	35.0	45.7

Source: ECLAC, on the basis of figures supplied by the Banco de México.
Note: M1 = Currency outside banks 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 negotiable non-bank paper with a term of up to one year (Treasury Certificates, Federal Government Bonds, Development Bonds and commercial paper). M4 = M3 plus long-term financial instruments (over one year), 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)		
	1989	1990	1991	1989	1990	1991	1989	1990	1991
January	49.4	42.1	27.1	31.1	32.1	20.8	50.6	40.3	23.9
February	48.7	44.9	25.7	31.1	32.6	20.0	49.4	43.1	23.3
March	47.3	47.2	24.3	31.1	32.9	18.9	48.8	45.2	22.5
April	46.9	47.2	23.6	31.1	32.5	17.9	51.4	44.3	21.4
May	49.2	42.6	23.1	31.1	29.5	16.8	53.9	38.0	20.2
June	52.0	35.2	21.8	31.1	26.9	14.5	55.0	33.3	18.3
July	51.5	33.1	21.0	31.9	26.1	15.4	a	31.8	18.7
August	38.1	31.3		29.4	25.6		36.3	30.5	
September	35.2	31.1		29.2	26.0		35.7	31.6	
October	37.4	31.5		30.4	25.5		39.2	30.3	
November	39.5	29.6		31.7	22.4		40.0	26.3	
December	40.1	29.2		32.5	22.6		40.3	25.8	

Source: ECLAC, on the basis of figures from the Banco de México.
[a] Rates not quoted.

Economic performance continued to reflect the stress of absorbing the tough stabilization measures and radical structural adjustment policies that have been introduced in Peru since August of last year. The economy remained depressed and this had its counterpart in the high levels of unemployment and underemployment in the economy. Inflationary pressures, though still intense, continued to recede from the hyperinflationary proportions registered mid last year.

Economic policy attempted to balance the short term tradeoffs arising from the goals of achieving lower rates of inflation, relative exchange rate stability and a reinsertion into the international financial community. In this regard, the resumption last year of debt service to the multilateral financial institutions, coupled with a restrictive monetary policy that discouraged Central Bank purchases of dollars, led to a fall of net official international reserves; indeed, by the beginning of the second quarter of 1991 reserve levels were equivalent to less than 2 months' imports. In April, Central Bank purchases in the exchange market contributed to upward pressure on the exchange rate. This was followed in May by a shift in the expectations of the private sector which led to an increased preference for dollars. The result was an abrupt rise in the exchange rate –52% between March and June– which was attenuated in May by countervailing Central Bank policy (table 7).

The upward movement in the exchange rate was accompanied by further adjustment of public tariffs, including the price of gasoline, the increase of which was heavily concentrated in the month of June. These events contributed to a rebound in the monthly rates of inflation. Whereas the monthly rate of price increases progressively declined from 18% in January to 6% in April, it rose again peaking at 9% in both June and July. In August the rate receded to 7%, aided by a 7% fall in the nominal exchange rate during the first two months of the third quarter. The progress in combating inflation was more lineal when measured by the 12-month rate of change in prices: it steadily descended from 6 930% in January to 230% in August, the lowest level recorded since June 1988 (table 5).

Monetary policy was mainly restrictive, notwithstanding considerable purchases of foreign exchange by the Central Bank. The expansion over 12 months of the monetary base declined from a little more than 5 000% at the end of 1990 to 3 200% and 1 340% at the end of the first and second quarters of this year, respectively. About two-thirds of the expansion of the monetary base in the first semester had its origin in the external sector, as central bank credit to the public sector remained relatively tight. At the beginning of the year the New Sol replaced the Inti as the national currency. Nevertheless, the trend toward a growing dollarization of the economy continued during the first half of the year. By June nearly 60% of domestic liquidity was held in US currency, compared to 25% one year earlier. Indeed, the growth of dollar balances over the 12-month period ending in June was nearly four times greater than that of the money supply (M_1) and more than five times that of quasi-money denominated in local currency. Moreover, dollar balances were the only monetary aggregates that grew in real terms (table 12).

Reflecting exchange rate uncertainty, there were increasing preferences to borrow in Sols and lend in dollars. This contributed to prohibitive real monthly rates of interest for local currency loans, which averaged 12% in the first semester of this year.

The fiscal stance was much more restrictive as in the first semester the central government registered a deficit equivalent to 3% of expenditures, in contrast to a deficit equivalent to 60% of expenditures in the same period of 1990 (table 13). The government experienced difficulty in achieving its goal of raising fiscal income to 12% of GDP. This led to accelerated plans for privatization, the introduction at mid-year of new indirect taxes and higher public service tariffs as well as intensified efforts to reduce evasion.

In the first semester GDP declined by 5% when compared to the same period last year. However, there was some recovery in economic activity in the second quarter. Output of many agricultural commodities nearly recovered from the drought-stricken production levels recorded a year earlier. Industrial production also picked up, although by June the expansion showed signs of petering out. The first semester also witnessed a rise in the output of certain metals, largely due to a reduction in labor unrest. On the other hand, petroleum production was depressed; towards the end of the semester output levels were about 15% below those recorded a year earlier.

Employment continued the falling trend of recent years. In June the employment index for metropolitan Lima was 5% lower than the level registered for the same period last year and 13% below the index's base year of 1979. Real wages also were very depressed. July's minimum wage was nearly 40% less than that recorded a year earlier and more than 70% less than 1988. The decline in real wages for the central government was particularly severe: 66% over the 12 months ending in July and 89% with respect to 1988 (table 6). This situation gave rise to considerable labor unrest in the public sector.

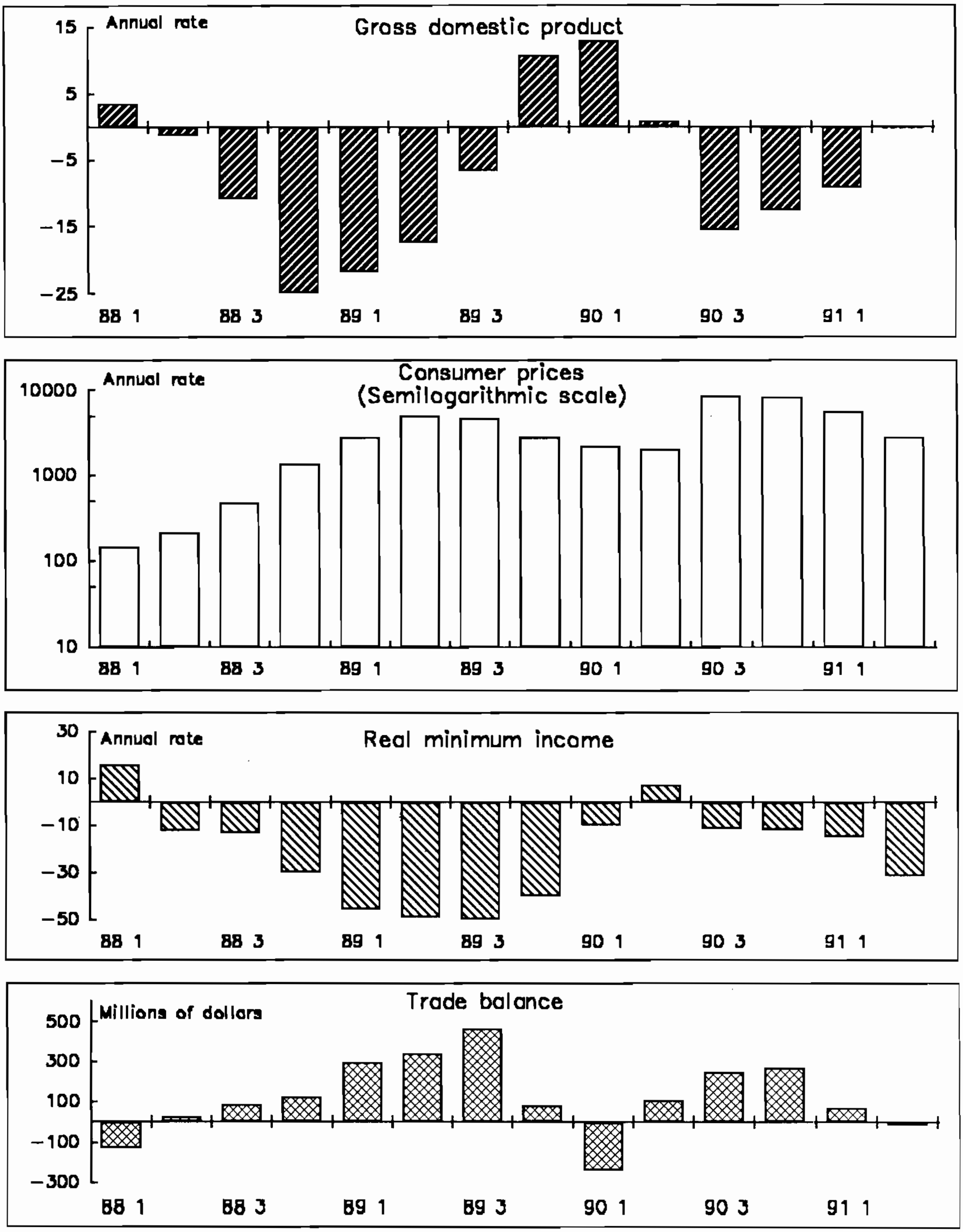
Notwithstanding the adverse effects of the cholera epidemic, exports rose by 7% with respect to the first semester of 1990 on the strength of the performance of traditional products, particularly from the mineral, agricultural, and fishing sectors. In contrast, non-traditional exports, handicapped by a persistently overvalued Sol –in spite of recent devaluations– fell by 3%. Imports declined by 5% in the first semester as growth in consumer goods purchases was more than offset by the decline of intermediate and capital goods, indicating that the impact of the economic recession still dominated the expansionary effects of a low exchange rate and significant trade liberalization. The result of these trends was a trade surplus of US$64 million for the semester, compared to a deficit of US$126 million a year earlier. Reflecting the greater availability of foreign exchange, and the policy of dollar purchases by the Central Bank, net official international reserves eventually rose by 42% in the first semester, closing at US$754 million, equivalent to about 3 months' imports.

During the year Peru made progress in organizing a Support Group loan of US$1 300 million to help it eliminate its arrears with multilateral financial agencies and finance the 1991/1992 balance of payments. The U.S. government agreed to lead the Group and pledged US$350 million (plus US$122 million in AID funds). Japan also pledged US$400 million. Other pledges came from a number of European countries, the member nations of the Andean Group, Mexico and Chile. With a view to pressuring creditor countries for more rapid progress in the formation of Peru's Support Group, during March-June the government diverted US$128 million in multilateral debt service payments to a special escrow account.

Structural reforms continued to be introduced in the first semester. In March the average tariff level was further reduced, from 26% to 17%, with a maximum tariff of 25%. During the semester remaining exchange controls were eliminated, thereby allowing exporters to retain their foreign exchange earnings. The state oil monopoly was abolished and a liberal foreign investment code was expected to be in force by the second half of the year.

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			
	1990				1991		1990	1991		
	I	II	III	IV	I	II		I	II	I+II
Total	**101.5**	**102.8**	**85.9**	**84.0**	**92.0**	**102.4**	**-11.2**	**-9.3**	**-0.4**	**-4.8**
Agriculture	87.6	148.6	123.3	80.3	85.6	153.1	0.9	-2.3	3.0	1.1
Fishing	248.5	205.0	126.5	132.4	166.7	209.0	-38.8	-32.9	1.9	-17.2
Mining	70.5	70.6	72.0	68.7	67.0	70.6	-1.0	-5.0	0.0	-2.5
Electricity	146.7	135.8	132.7	143.9	147.7	152.0	4.0	0.7	11.9	6.1
Manufacturing	99.5	89.6	71.7	83.8	87.6	93.7	-17.0	-11.9	4.6	-4.1
Construction	118.8	120.6	80.6	104.5	92.4	99.1	-9.1	-22.2	-17.8	-20.0
Commerce	112.4	95.9	68.6	71.7	99.4	100.4	-17.0	-11.6	4.8	-4.1
Other	108.6	107.2	95.7	91.2	101.5	102.3	-9.6	-6.5	-4.6	-5.5

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]			
	1990				1991		1990	1991		
	I	II	III	IV	I	II		I	II	I+II
Crop-farming production										
Potatoes	318	460	117	260	299	816	-31.8	-5.9	77.6	43.5
Rice	83	490	334	60	80	326	-11.4	-3.4	-33.4	-29.1
Cotton	8	127	99	5	10	109	-25.8	23.5	-14.1	-11.8
Maize	172	186	158	111	127	227	-38.0	-26.1	21.8	-1.2
Sugar	1 644	1 267	1 507	1 507	1 531	1421	-6.4	-6.9	12.1	1.4
Coffee	7	53	23	1	5	54	-20.0	-35.1	1.9	-2.7
Wheat	2	25	45	27	2	39	-37.5	-4.8	56.6	51.8
Stock-raising production										
Poultry	65	66	59	55	64	69	18.9	-1.4	4.1	1.4
Beef	28	34	29	26	25	29	4.6	-10.1	-16.1	-13.4
Pork	18	17	16	16	17	17	-10.1	-2.8	0.6	-1.1
Mutton	5	7	7	5	5	5	19.0	-10.0	-29.7	-21.8
Milk	211	209	180	177	208	208	-3.1	-1.3	-0.5	-0.9
Eggs	22	22	26	29	30	30	2.7	36.4	36.2	36.3

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 variation					
				1990			1991		
	1989	1990	1991	Month	12 Ms.[a]	Year[b]	Month	12 Ms.[a]	Year[b]
January	89.5	105.4	95.4	-0.8	17.8	17.8	3.5	-9.5	-9.5
February	81.0	98.3	87.0	-6.7	21.4	19.5	-8.8	-11.5	-10.5
March	88.0	99.6	88.5	1.3	13.2	17.3	1.7	-11.1	-10.7
April	85.2	87.4	94.3	-12.2	2.6	13.7	6.6	7.9	-6.5
May	84.3	96.7	99.8	10.6	14.7	13.9	5.8	3.2	-4.6
June	87.7	90.9	91.5	-6.0	3.6	12.1	-8.3	0.7	-3.8
July	88.3	84.7		-6.8	-4.1	9.8			
August	84.4	69.8		-17.6	-17.3	6.4			
September	95.7	58.4		-16.3	-39.0	0.9			
October	101.1	73.1		25.2	-27.7	-2.4			
November	98.5	90.9		24.4	-7.7	-2.9			
December	106.3	92.2		1.4	-13.3	-3.9			

Source: ECLAC, on the basis of figures supplied by the Ministry of Industry, Foreign Trade, Tourism and Integration: Office of Sectoral Statistics.
[a] With respect to the same month of the preceding year. [b] Variation of the average cumulative index compared with 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		
	1989	1990	1991	1989	1990	1991	1989	1990	1991	1989	1990	1991
I	95.6	93.9	88.7	86.9	86.3	81.1	91.9	89.1	82.0	112.1	111.8	106.8
II	93.0	91.7	87.1	83.4	83.3	78.6	88.2	88.8	80.8	111.7	110.0	106.3
III	92.9	90.0		84.0	80.1		86.5	84.1		111.2	111.8	
IV	94.5	89.7		86.0	80.0		87.8	83.6		112.1	111.1	

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

Table 5
PERU: CONSUMER PRICE INDEX
(Percentage variation)

	1989			1990			1991		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	47.3	47.3	2 280.7	29.8	29.8	2 433.9	17.8	17.8	6 932.4
February	42.5	109.9	2 933.1	30.5	69.5	2 221.2	9.4	28.9	5 795.1
March	42.0	198.1	3 414.0	32.6	124.8	2 068.4	7.7	38.9	4 686.5
April	48.6	343.1	4 329.4	37.3	208.7	1 903.1	5.8	47.0	3 589.8
May	28.6	469.9	5 149.9	32.8	309.9	1 968.1	7.6	58.2	2 891.0
June	23.1	601.2	5 836.0	42.6	484.4	2 296.4	9.3	72.8	2 191.9
July	24.6	773.6	5 548.9	63.2	854.0	3 039.9	9.1	88.5	1 431.5
August	25.1	992.0	5 704.3	397.0	4 641.2	12 377.8	7.2	102.1	230.3
September	26.9	1 286.0	3 339.4	13.8	5 294.1	11 089.9			
October	23.3	1 608.3	2 915.0	9.8	5 812.8	9 851.9			
November	25.8	2 049.7	2 949.8	5.9	6 163.5	8 277.4			
December	33.8	2 775.3	2 775.3	23.7	7 649.6	7 649.6			

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

Table 6
PERU: REAL REMMUNERATIONS
(Index: 1988=100)

	Private sector[a]		General government		Legal minimum wage		Percentage variation[b]		
	1990	1991	1990	1991	1990	1991	Month[c]	Year[d]	12 Ms.[e]
January			38.7	14.1	46.7	44.3	29.0	-5.2	-5.2
February	45.5	35.9	39.4	16.8	49.0	40.5	-8.6	-11.4	-17.3
March			40.1	15.6	48.0	37.6	-7.2	-14.8	-21.7
April	43.5	36.4	38.4	14.8	48.3	35.6	-5.5	-17.7	-26.4
May			37.7	13.7	49.5	33.0	-7.1	-20.9	-33.2
June	38.9		36.9	12.6	46.5	30.2	-8.5	-23.2	-34.9
July			33.5	11.5	44.5	27.7	-8.3	-25.1	-37.8
August	18.3		15.3		35.9				
September			16.4		49.3				
October	34.2		14.9		45.0				
November			14.1		42.5				
December	34.4		11.4		34.3				

Source: ECLAC, on the basis of figures supplied by the National Institute of Statistics of Peru.
[a] The base was taken as February 1986, which was when the new methodology for the Survey of Wages and Salaries began to be used. [b] Of legal minimum wage. [c] With respect to the preceding month. [d] Percentage variation in average cumulative index with respect to the same period of the preceding year. [e] With respect to the same month of the preceding year.

Table 7
PERU: EXCHANGE RATE
(Period average)

	Official		Free market		Adjusted real rate[a] (Index 1985=100)			
	Intis per dollar	Soles per dollar	Intis per dollar	Soles per dollar	Official		Free market	
	1990	1991	1990	1991	1990	1991	1990	1991
January	5 804	0.53	13 003	0.54	18.4	24.8	36.4	22.3
February	7 219	0.55	13 572	0.55	17.5	23.2	29.0	20.4
March	9 664	0.56	18 464	0.56	17.6	21.7	29.7	19.1
April	13 548	0.63	27 740	0.63	18.0	23.1	32.4	20.3
May	19 259	0.79	39 247	0.80	19.3	27.0	34.7	24.1
June	27 580	0.85	71 932	0.85	19.4	26.5	44.5	23.4
July	44 215	0.82	122 048	0.82	19.0	...	46.2	...
August	297 570	0.79	313 930	0.79	26.3		24.4	
September	431 895		434 844		34.0		30.2	
October	443 847		445 432		32.6		28.8	
November	437 038		438 214		30.1		26.6	
December	516 989		538 868		28.4		26.1	

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru and the International Monetary Fund.
Note: As from January 1991, the Inti was replaced by the Sol, which is equivalent to 1 million Intis.
[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	
	Quarter	Year	Quarter	Year	Quarter	Year	Quarter	Year	Quarter	Year
1989										
I	814	814	514	514	300	300	30.7	30.7	-28.8	-28.8
II	906	1 720	563	1 077	343	643	24.6	27.4	-18.5	-23.8
III	929	2 649	459	1 536	470	1 113	30.8	28.6	-39.9	-29.4
IV	839	3 488	755	2 291	84	1 197	32.3	29.5	31.8	-16.7
1990										
I	779	779	1 017	1 017	-238	-238	-4.3	-4.3	97.9	97.9
II	739	1 518	627	1 644	112	-126	-18.4	-11.7	11.4	52.6
III	913	2 431	665	2 309	248	122	-1.7	-8.2	44.9	50.3
IV	845	3 276	576	2 885	269	391	0.7	-6.1	-23.7	25.9
1991										
I	813	813	742	742	71	71	4.4	4.4	-27.0	-27.0
II	813	1 626	820	1 562	7	64	10.0	7.1	30.8	-5.0

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]			
	1990				1991		1990	1991		
	I	II	III	IV	I	II		I	II	I+II
Total	**779**	**739**	**913**	**845**	**813**	**813**	**-6.1**	**4.4**	**10.0**	**7.1**
Traditional	537	502	679	584	591	571	-8.3	10.1	13.7	11.8
Mining	370	309	427	365	363	356	-5.0	-1.9	15.2	5.9
Petroleum and petroleum products	50	38	74	101	49	47	21.2	-2.0	25.2	9.7
Agricultural	25	38	72	42	43	39	-25.9	72.0	2.1	29.8
Fishery prod.	79	107	92	62	124	116	-17.1	56.6	8.4	28.9
Other	13	10	14	14	12	13	-46.3	-7.8	27.0	7.5
Non-traditional	242	237	234	261	222	242	-0.5	-8.2	2.2	-3.0

Source: ECLAC, on the basis of figures supplied by the Ministry of the Economy and Finance, Department of Informatics and Statistics, 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]			
	1990				1991		1990	1991		
	I	II	III	IV	I	II		I	II	I+II
Total	**1 017**	**627**	**665**	**576**	**742**	**820**	**25.9**	**-27.0**	**30.8**	**-5.0**
Consumer goods	204	46	34	45	121	145	31.1	-40.7	215.2	6.4
Inputs	451	291	272	289	343	355	19.7	-23.9	22.0	-5.9
Capital goods	292	213	232	181	195	244	37.8	-33.2	14.5	-13.1
Miscellaneous and adjustments	70	77	127	61	83	76	17.5	18.6	-1.2	8.2

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 11
PERU: OFFICIAL INTERNATIONAL RESERVES
(Millions of dollars)

	Net international reserves				Gross international reserves			
	1988	1989	1990	1991	1988	1989	1990	1991
March	-194	-213	-37	499	867	1 236	1 150	1 613
June	-180	176	-143	754	854	1 470	1 113	1 930
September	-293	450	427		960	1 564	1 761	
December	-352	357	531		1 125	1 512	1 801	

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

Table 12
PERU: MONETARY AGGREGATES

	Thousands of Soles [a]						Percentage variation [b]		
	1990				1991		1991		
	I	II	III	IV	I	II	1990	I	II
Monetary base	15 530	41 009	291 790	419 246	513 926	591 203	5 152	3 209	1 342
Liquidity	40 725	93 967	662 475	1 153 450	1 471 446	2 493 474	4 990	3 513	2 554
Local currency	31 022	70 613	363 272	612 962	732 108	1 024 431	3 332	2 260	1 351
Money	13 688	32 914	192 919	392 769	414 673	562 561	4 976	2 929	1 609
Quasi-money	17 334	37 700	170 352	220 193	317 435	461 870	2 075	1 731	1 125
Foreign currency [c]	9 703	23 353	299 204	540 488	739 338	1 469 043	11 160	7 520	6 191

Source: ECLAC, on the basis of figures supply 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] Equivalents in Intis.

Table 13
PERU: CENTRAL GOVERNMENT INCOME AND EXPENDITURE
(Thousands of Soles)

	1990	January-June		Percentage variation
		1990	1991[a]	1991[ab]
Current income	589 031	26 132	1 137 284	4 252
Current expenditure	699 811	57 867	1 000 215	1 629
Savings on current account	-110 780	-31 736	137 070	
Capital expenditure	91 532	7 395	168 580	2 180
Surplus or deficit (-)	-202 313	-39 131	-31 510	
Financing	202 312	39 131	231 541	492
External	54 209	4 269	73 100	1 612
Disbursements	253 889	15 963	371 410	2 227
Amortization payments	199 681	11 694	298 310	2 451
Domestic	148 104	34 862	158 441	355
Credits (Central Reserve Bank)	69 494	26 756	4 340	-84
Credits (rest of banking system)	-107 872	-11	74 941	
Bonds	12 051	-1 096	10 937	
Other, and errors and omissions	174 431	9 212	68 224	641

Source: Central Reserve Bank of Peru.
[a] Preliminary figures. [b] Percentage variation in period January-June, compared with same period in preceding year.

Fiscal adjustment continued to be the main objective of the economic policy applied in Uruguay during 1991. Despite the success achieved through this policy, which made it possible to attain virtual financial balance in the public sector in the first half of the year, the typical inertia in domestic price formation meant that the rate of inflation only went down slowly and remained at a high level. The sharp decline in traditional exports and the substantial increase in imports wiped out the balance-of-payments current account surplus, while external debt buyback operations and the delay in the arrival of the agreed international contributions led to a substantial deficit on the capital account, with consequent loss of international reserves. The feeble growth of both domestic and external demand maintained the situation of virtual stagnation of production which has been observed in recent years.

The further progress in the process of fiscal adjustment which had been begun in 1990 and which had reduced the public sector deficit from over 6% to only 2.5% of GDP enabled the non-financial public sector to build up a substantial surplus in the first half of the year which offset the quasi-fiscal deficit originating in the Central Bank. Both the Central Government and the public enterprises registered financial surpluses. In the case of the government, income grew by 9% in real terms and expenditure went down slightly, thus giving a surplus of the order of 8% of total expenditure, while in the case of the public enterprises the four-monthly corrections in charges offset the rise in costs. Finally, the smaller burden of domestic and external interest commitments paid by the Central Bank caused quasi-fiscal expenditure to go down. Fiscal behaviour in the second half of the year will depend largely on the extension of the period of application of the temporary provisions which made it possible to increase tax revenue in 1990.

The financial balance achieved by the public sector in the first half of the year reduced the inflationary pressures arising from the creation of money related to the financing of the quasi-fiscal deficit, but the money supply continued to expand rapidly and inflation went down only slowly. The 12-month growth rate of the consumer price index, which had been 129% at the end of 1990, reached a peak in January but then went down almost without interruption until it stood at 106% in August (table 3). The annualized equivalent of the variation registered in the first eight months of the year was even less (88%). This behaviour is largely explained by the generalized indexing of the Uruguayan economy and an exchange policy aimed at avoiding any significant real appreciation of the national currency. Thus, in order not to lose external competitiveness, the authorities have kept up a rate of devaluation in line with the expected path of domestic prices. Under the current sliding peg exchange rate system, the Central Bank intervenes in the market in order to maintain this rate of devaluation. Because of the abundant supply of foreign exchange, the official banking system had to acquire a considerable amount of international reserves in order to avoid deterioration of the real exchange rate, and this was a contributory factor in the expansion of the money supply at the rate of around 100% per year. Moreover, the Uruguayan economy keeps up a high degree of indexation in private contracts, which take into account the evolution of the consumer price index in previous periods. The public sector established its prices, wages and exchange rate in a manner aimed at bringing their growth into line with expected inflation, but private sector prices evolved more rapidly, since they are determined by expectations which give greater weight to past inflation. As a result, even though there has been a slackening in the growth rate of prices, inflation is still well above the official targets. Furthermore, the divergence between the rate of devaluation and domestic prices has gradually been eroding the real exchange rate.

In spite of the slackening in inflation, average real wages continued to decline (table 4). This was due to the drop in real public sector wages, which are adjusted every four months in line with the expected evolution of prices and the availability of fiscal resources. Private sector wages, in contrast, which are adjusted on the basis of past variations in prices, registered a slight increase.

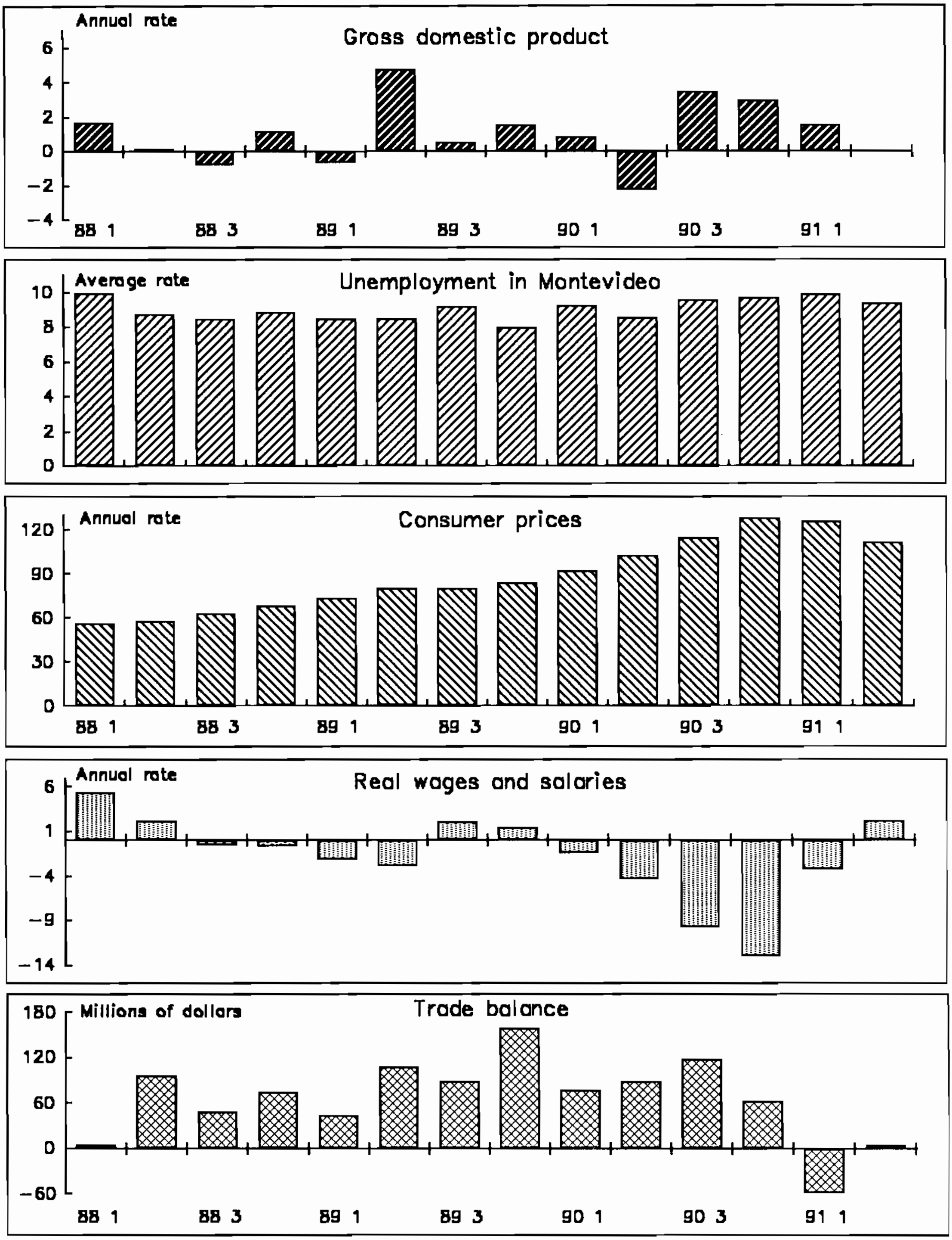
The behaviour of the balance of payments was substantially different from that observed in the previous two years. On the one hand, a considerable decline in international wool prices and lower beef exports caused a drop of 30% in non-traditional exports, leading to a decline of 10% in external sales of goods in the first half of the year. On the other hand, there was a generalized increase in external purchases (24%), and although there was a noteworthy (56%) increase in purchases of capital goods (mainly because of the importation of equipment for a power station), there was also a substantial increase in imports of intermediate and consumer goods (tables 6, 7 and 8). The favourable tourist season, during which Uruguay maintained a high level of competitiveness with neighbouring countries, made possible a substantial inflow of foreign exchange which generated a surplus on trade in goods and services of similar magnitude to the net amount of external factor payments. Thus, the considerable current account surplus which had been a feature of the previous two years disappeared. Likewise, the capital account showed a marked deficit, since the country had to use its own funds for almost all the external debt buyback operations and the establishment of guarantees agreed with the international banking system under the Brady Plan. This situation arose because most of the contributions of the international organizations involved in the debt negotiations did not materialize during the first half of the year. The big purchases of foreign exchange made by the Central Bank over this period kept the loss of international reserves down to a little less than US$300 million (table 9). The high level of the "errors and omissions" item in the balance of payments, which exceeded US$550 million in the six-month period, and the increase in deposits by Uruguayan residents in commercial banks, suggest that there was a considerable inflow of short-term private capital. The signing of the treaty for the establishment of a free-trade area with Argentine, Brazil and Paraguay (MERCOSUR) was an important event in Uruguayan foreign trade policy.

The subordination of monetary policy to exchange rate considerations was reflected in substantial growth in the monetary aggregates. Since from March onwards the interest rates on local currency deposits were generally negative in real terms, the broad definition of money supply (M_2) continued to evolve more slowly than the means of payment, which doubled over the 12 months up to June (table 11). Domestic interest rates took as their point of reference the arbitrage rate resulting from the combined effect of currency devaluation and the interest paid in foreign currency. Thus, the slackening in the rate of devaluation exerted downward pressure on domestic interest rates, and as the rise in prices was considerably greater than that in the value of the dollar (in the first seven months of the year the corresponding annual rates were 85% and 60%, respectively), the yields of both rates were negative in real terms.

In these circumstances, the level of activity remained in the state of stagnation which has characterized recent years. Agriculture continued to be one of the most dynamic activities, and there was a substantial increase in generation of electricity for export to Argentina. The good level of competitiveness with that country also furthered commercial activity. In contrast, manufacturing production continued to stagnate, while construction kept on declining (table 1). The unemployment rate rose to over 9% and was consistently higher than that registered in the corresponding periods of 1990 (table 2).

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]

	1990					1991[b]
	I	II	III	IV	Year	I
Total	**0.9**	**-2.3**	**3.5**	**3.0**	**1.4**	**1.6**
Agriculture	5.8	3.0	11.6	3.0	5.4	3.8
Fishing	-13.1	-62.5	-39.9	20.2	-27.2	10.2
Manufacturing	-	-8.4	2.9	0.1	-1.4	0.2
Electricity, gas and water	9.2	20.2	22.3	23.8	19.0	17.6
Construction	-2.3	-10.4	-7.3	-10.2	-7.7	-2.5
Commerce, restaurants and hotels	-3.6	-6.7	3.4	5.9	-0.2	5.2
Transport and communications[c]	1.8	0.6	0.1	1.8	1.1	2.8
Other[d]	1.3	1.1	1.9	3.8	2.0	-0.3

Source: Central Bank.

[a] With respect to the same period of the preceding year. [b] Provisional figures. [c] Includes storage. [d] Includes imputed remunerations of financial institutions and import duties.

Table 2

URUGUAY: UNEMPLOYMENT RATE

(Quarterly averages)

Quarter ending in:	1986	1987	1988	1989	1990	1991
January	10.8	9.0	9.9	8.0	7.7	8.4
February	11.2	8.9	10.3	7.9	8.3	9.0
March	12.0	9.8	10.2	8.5	9.3	9.9
April	12.3	10.2	9.8	8.6	9.4	10.3
May	12.0	9.9	9.4	9.1	9.6	9.5
June	10.7	9.1	8.8	8.5	8.6	9.4
July	11.2	9.1	8.3	9.5	8.5	
August	11.3	8.7	7.8	8.8	9.7	
September	10.9	8.9	8.5	9.2	9.6	
October	10.0	8.3	9.5	8.7	10.7	
November	9.6	8.8	9.8	8.3	9.9	
December	9.2	9.4	8.9	8.0	9.7	

Source: Department of Statistics and Censuses.

Table 3
URUGUAY: PRICE INDEXES
(Percentage variation)

	Consumer price index						Wholesale price index					
	1990			1991			1990			1991		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	5.1	5.1	91.0	7.2	7.2	133.7	6.2	6.2	83.3	7.3	7.3	123.0
February	6.9	12.3	91.8	3.5	11.0	126.3	6.6	13.3	87.2	2.5	10.0	114.3
March	9.0	22.3	95.4	5.0	16.5	118.1	10.8	25.5	96.0	5.7	16.2	104.4
April	7.0	30.9	98.7	3.9	21.0	111.6	3.4	29.8	95.5	6.3	17.7	100.1
May	5.6	38.3	103.9	8.7	31.6	117.9	7.5	39.6	102.6	7.4	26.4	99.9
June	9.6	51.5	107.6	4.3	37.2	107.3	8.1	50.9	103.4	4.8	32.4	93.7
July	5.6	60.0	107.0	4.4	43.2	104.8	5.7	59.6	101.4	4.7	38.6	91.8
August	5.6	69.0	109.4	6.3	52.2	106.1	4.6	66.9	100.6	5.1	45.6	92.6
September	14.7	93.8	128.9				16.7	94.8	120.8			
October	6.5	106.3	127.2				5.7	105.9	124.8			
November	5.3	117.2	129.9				4.1	114.3	128.2			
December	5.4	129.0	129.0				3.0	120.7	120.7			

Source: Department of Statistics and Censuses.

Table 4
URUGUAY: INDEX OF REAL WAGES AND SALARIES

	Index 1985=100[a]			Percentage variation					
				1990			1991		
	1989	1990	1991	Month	Year[b]	12 Ms.[c]	Month	Year[b]	12 Ms.[c]
January	112.1	109.3	110.4	-4.4	-2.4	-2.4	6.3	0.9	0.9
February	114.7	115.8	109.2	5.9	-0.7	0.9	-1.0	-2.5	-5.7
March	114.8	111.4	105.9	-3.8	-1.5	-3.0	-3.1	-3.3	-5.0
April	110.1	106.5	102.8	-4.4	-1.9	-3.3	-2.9	-3.3	-3.4
May	107.0	101.5	109.4	-4.7	-2.5	-5.2	6.4	-1.2	7.9
June	112.1	106.7	109.1	5.2	-2.9	-4.8	-0.3	-0.7	2.3
July	116.6	102.0		-4.4	-4.3	-12.6			
August	112.5	98.8		-3.1	-5.3	-12.2			
September	108.1	102.7		3.9	-5.3	-5.0			
October	113.4	100.0		-2.5	-5.9	-11.8			
November	120.0	98.2		-1.9	-7.1	-18.2			
December	114.4	103.8		5.8	-7.3	-9.2			

Source: Department of Statistics and Censuses.
[a] Index of nominal wages and salaries deflated by the consumer price index. [b] Variations in average cumulative index 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 1985=100)			
	1988	1989	1990	1991	1988	1989	1990	1991
January	287.6	461.1	833.3	1 627.9	79.5	79.3	78.1	67.6
February	298.6	477.5	881.3	1 705.6	79.6	77.6	77.0	67.4
March	311.1	497.9	935.1	1 758.0	79.4	76.1	74.8	65.6
April	323.8	522.3	1 015.9	1 842.2	79.5	76.4	75.8	66.1
May	336.1	548.1	1 088.8	1 894.8	81.2	78.4	77.3	62.7
June	348.4	575.1	1 150.4	1 961.1	80.8	76.2	74.4	62.1
July	360.8	611.2	1 206.5	2 030.5	77.4	76.4	73.9	61.5
August	375.9	644.2	1 253.3		78.2	76.7	74.0	
September	392.0	679.0	1 309.4		78.4	77.3	68.5	
October	407.8	714.6	1 364.2		76.2	76.0	68.4	
November	426.7	750.9	1 462.8		76.4	76.8	69.3	
December	445.0	787.1	1 551.4		78.8	76.3	68.8	

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
1990										
January	90.0	90.0	90.6	90.6	-0.6	-0.6	12.5	12.5	7.3	7.3
February	100.1	190.1	108.8	199.4	-8.7	-9.3	4.8	8.3	23.6	15.7
March	195.9	386.0	108.9	308.3	87.0	77.7	69.9	32.7	47.2	25.1
April	126.2	512.2	93.6	401.9	32.6	110.3	-1.8	22.2	3.2	19.2
May	132.0	644.2	88.1	490.0	43.9	154.2	-9.8	13.9	-20.4	9.4
June	128.3	772.5	115.0	605.0	13.3	167.5	-4.7	10.3	14.7	10.4
July	146.6	919.1	97.9	702.9	48.7	216.2	-1.9	8.2	-6.8	7.6
August	171.5	1 090.6	112.9	815.8	58.6	274.8	17.2	9.5	-17.5	3.3
September	139.6	1 230.2	128.6	944.4	11.0	285.8	-1.8	8.1	21.4	5.4
October	124.9	1 355.1	111.3	1 055.7	13.6	299.4	10.0	8.3	11.5	6.0
November	156.3	1 511.4	167.2	1 222.9	-10.9	288.5	29.6	10.1	85.4	12.6
December	181.3	1 692.7	120.0	1 342.9	61.3	349.8	-20.0	5.9	9.0	12.3
1991										
January	64.8	64.8	144.3	144.3	-79.5	-79.5	-28.0	-28.0	59.3	59.3
February	103.5	168.3	107.3	251.6	-3.8	-83.3	3.4	-11.5	-1.4	26.2
March	101.6	269.9	78.3	329.9	23.3	-60.0	-48.1	-30.1	-28.1	7.0
April	157.0	426.9	149.9	479.8	7.1	-52.9	24.4	-16.7	60.1	19.4
May	136.5	563.4	128.3	608.1	8.2	-44.7	3.4	-12.5	45.6	24.1
June	130.5	693.9	143.0	751.1	-12.5	-57.2	1.7	-10.2	24.3	24.1

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

Table 7
URUGUAY: EXPORT STRUCTURE
(Millions of dollars)

	Traditional exports				Non-traditional exports				Percentage variation [a]			
	1990		1991		1990		1991		1990		1991	
	Month	Year	Month	Year	Month	Year	Month	Year	T	NT	T	NT
January	41.6	41.6	28.6	28.6	48.4	48.4	36.2	36.2	-10.5	44.5	-31.3	-25.2
February	41.5	83.1	38.8	67.4	58.7	107.1	64.7	100.9	-9.5	28.0	-18.9	-5.8
March	88.0	171.1	37.5	104.9	107.9	215.0	64.1	165.0	14.3	52.4	-38.7	-23.3
April	58.4	229.5	46.6	151.5	67.7	282.7	110.4	275.4	10.3	33.9	-34.0	-2.6
May	50.3	279.8	41.0	192.5	81.8	364.5	95.5	370.9	3.4	23.6	-31.2	1.8
June	52.4	332.2	41.6	234.1	75.9	440.4	88.9	459.8	-0.4	20.1	-29.5	4.4
July	53.8	386.0			92.9	533.3			-0.3	15.3		
August	55.4	441.4			116.2	649.5			-0.4	17.5		
September	51.9	493.3			87.7	737.2			4.5	10.7		
October	36.9	530.2			88.0	825.2			7.7	8.7		
November	44.9	575.1			111.5	936.7			10.0	10.3		
December	48.0	623.1			132.4	1 069.1			5.1	6.3		

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: IMPORT STRUCTURE

	Millions of dollars [a]			Percentage variation [b]		
	Petroleum and petroleum products	Capital goods	Other	Petroleum and petroleum products	Capital goods	Other
1990						
I	43.5	47.1	217.6	61.1	23.7	20.1
II	91.8	87.5	425.7	15.3	11.9	9.1
III	146.1	123.7	674.7	-5.6	5.8	8.1
IV	202.2	179.1	961.6	2.5	15.4	14.0
1991						
I	70.0	37.3	222.6	61.0	-21.0	2.3
II	108.4	136.9	505.8	18.0	56.5	18.8

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 [c]		Year [d]	
	1990	1991	1990	1991	1990	1991	1990	1991
March	2 115	2 643	990	820	...	528	170	112
June	2 113	2 920	936	811	...	807	168	389
September	2 446		1 020		580		501	
December	2 531		1 098		586		586	

Source: Central Bank.
[a] Balance at end of period. [b] Gold valued at US$307.71 per troy ounce. [c] With respect to the same quarter of the preceding year.
[d] With respect to December of the preceding year.

Table 10
URUGUAY: FISCAL INDICATORS

	Billions of new Uruguayan pesos [a]						Percentage variation [b]		
	1990			1991			1991/1990		
	Income	Expen-diture	Balance	Income	Expen-diture	Balance	Income	Expen-diture	Balance
March	289.9	324.8	-34.9	736.6	682.6	54.0	154.1	110.2	-
June	677.4	688.5	-11.1	1 607.9	1 487.7	117.1	137.4	116.1	-
September	1 136.0	1 135.1	0.9						
December	1 738.7	1 746.2	-7.5						

Source: Department of Statistics and Censuses.
[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]				
1990					
December	695.6	561.2	1 258.8	6 832.6	8 089.4
1991					
February	685.4	625.8	1 311.2	7 902.3	9 213.5
April	697.9	729.0	1 426.9	8 706.9	10 133.8
June	825.5	783.9	1 609.4	9 469.9	11 079.3
	(Percentage variation) [b]				
1990					
December	114.1	70.0	92.2	126.7	120.5
1991					
February	101.3	78.2	89.6	125.1	119.2
April	93.3	88.0	90.6	111.4	108.2
June	103.4	81.0	91.8	102.6	100.9

Source: Central Bank.
Note: M1 = Money supply (currency outside banks plus deposits in checking accounts). DP = Time deposits in local currency. M2 = M1 + DP. DE = Deposits in foreign currency. M3 = M2 + DE.
[a] Balance at end of period. [b] With respect to the same month of the preceding year.

VENEZUELA

The recovery in economic activity from the 1989 slump has gathered momentum, with output rising strongly in the first half. The re-emergence of demand pressures has, however, curtailed previous progress in lowering inflation. In addition, rising demand together with trade liberalization and exchange rate appreciation has led to a rebound in imports. With exports falling due to lower world oil prices and faltering non-oil sales, the trade surplus has narrowed. Thus, although a positive current account balance is still expected for 1991 as a whole, this will be much smaller in size than last year's exceptionally large surplus.

According to preliminary official estimates, real GDP increased by 9.6% in the first quarter over the same period the year before. The rate of growth accelerated even further in the second quarter, so that for the first six months as a whole output was more than 10% higher than a year earlier, although the growth rate for the year as a whole will be somewhat lower than that. The quickening in the pace of recovery has been driven above all else by expanding public sector expenditure. Heavy capital outlays by the oil and petrochemicals industries have been a key element in this regard. At the sectoral level, the highly cyclical construction industry registered the fastest rate of growth in the first half, with output up by 37% from a year earlier. Activity in the personal services and commerce sectors was significantly higher than in 1990 while manufacturing also put in a solid performance, bolstered by robust demand for consumer durables such as automobiles (table 2).

Consumer prices rose by 19.7% in the first eight months, as against 23% during the same period the year before. As a result, the 12-month rate of increase in the consumer price index slackened only slightly to 33% in August from 36.5% at the end of 1990 (table 3). Buoyant domestic demand and continuing rapid growth in the monetary aggregates were largely responsible for the slowing in the downward trend in inflation. There have also been cost pressures, stemming in part from further increases in the prices of public sector goods and services. In June the government lifted the minimum wage, unchanged since early 1989, by 50% for urban workers and 80% for rural workers. For private sector employees earning more than the minimum wage it decreed raises varying from 20% for those at the lower end of the salary scale to 17% for the higher paid.

Broad money (M_2) has continued to expand at a brisk pace, rising by 64% in the 12 months ending in June, while the monetary base doubled in the same period (table 7). Although this may have partly reflected the reconstitution of real monetary balances following their sharp fall previously, rising fiscal spending has been a prime determinant of the growth in the monetary aggregates. Also, commercial bank lending activity has picked up significantly. Against this background, the monetary authorities have maintained a policy aimed at restraining liquidity. During the opening months of the year open-market operations in the form of the sale of short-term Central Bank notes remained the main policy instrument. As a result, the annual yield on these notes rose from 32.4% at the end of 1990 to 38% in mid 1991, leading to an overall increase in short-term interest rates. However, with the outstanding stock of Central Bank paper building up rapidly, it was decided that additional policy tools needed to be deployed. To this end, in May the reserve requirement on public sector deposits in the banking system (representing around 11% of total deposits) was raised from 15% to 80%.

After last year's massive surplus, the trade balance is being squeezed both by lower exports and soaring imports. In the wake of the end of the Gulf war, Venezuela's average oil export price moved down to US$16.7 per barrel in the first half, as against just over US$20 for the whole of 1990 (table 1). Lower prices have only partly been offset by a higher than programmed volume of shipments, which averaged 2.06 million b/d in the first six months of the year, with export revenues totalling around US$6 200 million. Even assuming some firming in world prices in the latter months of the year as demand rises with the approach of winter in the northern hemisphere, exports for the complete year will be around US$1 300 million less than in 1990. Furthermore, non-oil exports have been adversely affected by a number of factors, including lower government incentive payments, the diversion of sales to the expanding domestic market and weak world aluminium prices. The value of these exports fell by 29% in the January to June period compared with the previous year. In the meantime, imports have moved on to a steeply rising path and between January and May were up by no less than 55% from a year earlier. Apart from strengthening domestic demand and the ending of the previous process of stock drawdowns, the rapid advance in imports is related to the trade liberalization programme embarked on in 1989. The third stage of this was implemented in May, consisting of a reduction in the maximum tariff rate from 50% to 40%, a lowering of the tax on customs services from 5% to 1% and the elimination of import prohibitions for 120 luxury goods.

The fall in non-oil exports and the growth in imports were also probably related to the slowdown in the pace of depreciation of the exchange rate since mid 1990. In the year to June the Bolívar rate vis-à-vis the US dollar increased by only 20%, which was insufficient to compensate for the inflation differential between Venezuela and its major trading partners (table 6). However, in July the exchange rate rose by more than 7%, restoring part of the competitiveness lost over preceding months. Meanwhile, despite the narrowing trade surplus, Central Bank international reserves rose somewhat further in the first half and surpassed US$12 000 million (table 5).

The decline in oil export revenues has had an adverse impact on public sector finances. At the same time, state expenditure has kept on growing at a fast pace, led by outlays on investment projects in the oil and petrochemicals sectors. In addition, central government current spending was raised by a substantial upward adjustment in public administration salaries at the beginning of the year. As a result, the consolidated public sector balance shifted into substantial deficit in the second quarter after a moderate surplus in the first three months. As part of an effort to prevent a further increase in the fiscal deficit, the state oil company's budgeted expenditure for 1991 has been lowered by or approximately 11%.

In July an income tax reform bill was approved. The introduction of a value-added tax is under consideration. Furthermore, progress has been made in the privatization and rationalization of state enterprises, with two commercial banks sold to private investors, a consortium chosen to purchase a majority stake in the state airline and the restructuring of the ports system advancing.

Table 1
VENEZUELA: PETROLEUM PRODUCTION AND EXPORTS

	Production		Exports		
	Crude oil [ab]	Petroleum products [a]	Volume [a]	Price [c]	Income [d]
1988	1 813	945	1 650	13.51	680
1989	1 862	901	1 624	16.87	833
1990	2 135	916	1 881	20.33	1 163
1991 [e]	2 362	1 010	2 063	16.71	1 048
1990					
I	2 055	915	1 739	17.11	905
II	2 051	899	1 779	14.71	796
III	2 115	921	1 861	22.46	1 271
IV	2 316	930	2 139	25.66	1 669
1991 [c]					
I	2 387	982	2 057	18.35	1 148
II	2 337	1 037	2 068	15.06	947

Source: ECLAC, on the basis of figures supplied by the Central Bank of Venezuela.
[a] Thousands of barrels per day. [b] Includes condensates. [c] Dollars per barrel. Average price for total exports (crude oil and petroleum products). [d] Millions of dollars. Monthly average. [e] January-June average.

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

	1989	1990	1991 (Jan.-June)	1990				1991	
				I	II	III	IV	I	II
Iron ore production [a]	1 471	1 677	1 716	1 621	1 613	1 570	1 903	1 631	1 800
Aluminium production [a]	47	50	51	48	50	50	51	50	51
Steel production [a]	184	196	201	172	180	229	204	195	206
Petrochemical production [a]	181	186	166	197	206	175	165	172	159
Fertilizer production [a]	86	84	70	89	94	80	73	72	68
Cement shipments [b]	7 619	6 979	8 255	6 342	6 789	7 297	7 487	7 391	9 118
Tire production [c]	348	329	386	342	327	332	317	343	429
Automobile sales [c]	2 165	3 443	5 455	2 162	3 249	3 631	4 729	4 546	6 364

Source: ECLAC, on the basis of figures from the Ministry of Energy and Mines, the Latin American Iron and Steel Institute and Veneconomía, S.A.
[a] Thousands of tons. [b] Thousands of 60-kilo bags. [c] Thousands of units.

Table 3
VENEZUELA: CONSUMER PRICE INDEX
(Percentage variation) [a]

	1989			1990			1991		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	1.1	1.1	36.4	2.4	2.4	83.2	2.3	2.3	36.4
February	3.2	4.3	43.5	1.9	4.3	81.1	1.7	4.1	36.2
March	21.3	26.5	74.2	1.8	6.2	52.0	1.7	5.9	36.1
April	13.5	43.6	93.8	2.6	9.0	37.4	2.8	8.8	36.3
May	6.4	52.7	103.3	2.5	11.7	32.4	2.4	11.4	36.2
June	3.2	57.6	99.8	2.8	14.8	31.8	1.9	13.5	34.9
July	2.5	61.5	94.9	3.9	19.3	33.7	3.1	17.1	34.0
August	2.2	65.0	94.5	3.2	23.0	35.0	2.3	19.7	32.9
September	3.3	70.4	97.6	1.5	24.9	32.7			
October	3.0	75.5	95.0	2.6	28.2	32.2			
November	1.3	77.9	90.0	2.9	31.9	34.2			
December	1.7	81.0	81.0	3.5	36.5	36.5			

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
	Petróleos de Venezuela S.A.	Other[a]	Total	Imports[b]	External debt: Public	External debt: Private	Other[c]	Total	
1989	10 140	4 701	14 841	5 267	2 910	188	4 879	13 244	1 597
1990	15 948	5 219	21 167	4 575	4 009	45	8 309	16 938	4 229
1990									
I	2 831	793	3 624	837	1 326	15	1 515	3 693	-69
II	3 209	553	3 762	1 088	415	6	1 780	3 289	473
III	3 925	302	4 227	1 583	713	19	1 376	3 691	536
IV[d]	5 983	3 571	9 554	1 067	1 555	53	638	6 265	3 289
1991									
I	4 303	1 447	5 750	1 572	933	126	2 528	5 159	591
II	4 158	1 355	5 513	1 753	1 107	330	2 335	5 525	-12

Source: ECLAC, on the basis of data supplied by the Central Bank of Venezuela.
[a] Includes receipts from the Venezuelan Investment Fund and short-term financing received by the Central Bank. [b] Imports of goods and services. Includes foreign exchange expenditure 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 and as from 1989, amortization of bridging loans received by the Central Bank. [d] Outlays include establishment of guarantees totalling US$1 959 million for refinancing of external debt.

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

At the end of:	1987	1988	1989	1990	1991
March	9 536	8 683	6 794	7 339	12 183
June	9 270	8 501	6 464	7 813	12 133
September	9 469	7 442	7 061	8 352	
December	9 402	6 555	7 411	11 642	

Source: ECLAC, on the basis of data supplied by the Central Bank of Venezuela and the International Monetary Fund.
[a] Central Bank reserves. Does not include reserves of the Venezuelan Investment Fund.

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

	1986	1987	1988	1989	1990	1991
January	17.3	23.2	30.0	37.4	43.4	51.3
February	18.9	22.9	29.7	38.9	42.8	53.7
March	19.1	23.1	29.7	36.0	43.2	54.1
April	19.3	24.7	29.4	37.5	44.8	54.5
May	20.1	28.5	31.7	38.2	46.1	55.1
June	17.6	27.9	33.2	37.2	46.0	55.5
July	19.7	29.1	36.2	36.8	49.2	59.4
August	19.8	31.4	36.4	38.0	49.0	
September	20.5	31.7	37.0	38.7	48.7	
October	23.6	31.9	36.7	42.9	49.0	
November	23.8	29.5	37.3	44.5	50.1	
December	23.6	30.5	39.3	43.0	50.4	

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 variation) [a]

	Monetary base						M2					
	1989		1990		1991		1989		1990		1991	
	Month	12 Ms.	Month	12 Ms.	Month	12 Ms.	Month	12 Ms.	Month	12 Ms.	Month	12 Ms.
January	0.8	28.7	-7.6	22.3	-13.9	70.0	1.6	19.4	1.3	38.1	-1.4	56.7
February	3.2	32.3	9.3	29.5	5.4	63.8	1.8	20.9	3.7	40.6	2.7	55.2
March	-6.9	21.1	4.0	44.8	5.3	65.8	-0.3	19.1	5.3	48.6	3.9	53.1
April	-2.9	19.0	8.9	62.5	9.1	66.1	-2.4	15.1	2.1	55.4	3.5	55.2
May	3.4	17.8	1.7	59.8	9.4	78.7	2.5	14.9	1.1	53.2	3.3	58.6
June	-5.1	10.6	2.8	73.2	14.3	98.7	2.2	16.2	2.0	52.9	5.5	64.1
July	5.7	17.9	5.9	73.6			4.0	19.9	3.0	51.5		
August	4.3	21.7	5.1	74.9			4.2	25.0	6.8	55.2		
September	9.2	34.9	14.9	84.1			3.5	29.2	5.2	57.7		
October	0.1	30.7	-4.1	76.5			4.8	36.9	4.2	56.8		
November	5.0	25.9	7.8	81.3			5.2	37.1	6.4	58.5		
December	14.5	33.4	15.2	82.3			6.0	38.6	7.6	60.9		

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	Expen-diture	Balance	Financing		Balance of reserves [b]
				Domestic credit	Variation in reserves [a]	
1989						
I	34.0	39.4	-5.4	9.6	-4.2	17.9
II	74.8	65.9	9.0	-6.5	-2.4	20.4
III	81.5	76.1	5.3	9.6	-14.9	35.3
IV	103.6	88.9	14.7	-8.6	-6.1	41.4
1990						
I	111.5	123.2	-11.8	-0.6	12.3	29.0
II	98.8	94.8	3.9	-2.2	-1.7	30.7
III	109.9	119.2	-9.3	30.9	-21.6	52.6
IV	193.4	157.4	36.1	-6.0	-30.1	82.7
1991						
I	119.0	130.0	-11.0	-32.5	43.5	39.3
II	201.7	215.0	-13.3	-4.3	17.6	21.7

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

[a](-) means increase. Does not include adjustments. [b]Balance at end of period.

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