

**ECONOMIC COMMISSION FOR LATIN AMERICA  
AND THE CARIBBEAN**

# **ECONOMIC PANORAMA OF LATIN AMERICA 1986**

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BRAZIL  
COLOMBIA  
CHILE  
MEXICO  
PERU  
URUGUAY  
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**United Nations**

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#### Notes and explanation of symbols

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

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

A dash (—) indicates that the amounts 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., 1969/1970.

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 or rates of variation mean cumulative annual rates.

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

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## LATIN AMERICA

Despite the incomplete and provisional nature of the information available, two central facts stand out clearly in the economic evolution of Latin America during the first half of 1986. One is that the substantial changes that have taken place in the international trade and financial situation have given rise to profound differences in the evolution and prospects of the various economies of the region. The other is the equally complex and contradictory picture presented as regards inflation and stabilization policies. Although in Latin America as a whole the average rate of price increases has been markedly reduced --due mainly to the almost complete disappearance of the cases where there was a danger of a slide into hyper-inflation-- in some countries inflation has nevertheless continued to be very high, while in others, where its rate had fallen spectacularly, it surged up again strongly by mid-year.

### Economic growth and the balance of payments

The collapse of international oil prices and the successive major drops in international interest rates have had a marked influence on the rate and above all the composition of economic growth in the region. Although in 1986 the Latin American product will probably increase at a modest pace, not greatly different from that registered the year before, its evolution will be very different in the oil-exporting countries and in the other economies of the region: whereas in the former a decline in economic activity is expected, in the latter there will be significant growth (table 1).

Thus, except in Peru --where output grew by 4% in the first half of the year-- it is probable that in all the oil-exporting countries overall economic activity will either fall or show only very slight changes. In contrast, in the other Latin American economies, the economic growth rate will not only exceed that of 1985 but will also be the highest registered since 1980. Moreover, this expansion will be more widespread than in the previous year, when it was due almost exclusively to the performance of Brazil. Thus, it is probable that in 1986 output will increase by at least 4% in Chile, Colombia and Uruguay, that there will be a significant recovery in Argentina and a moderate one in most of the Central American countries, and that economic activity will continue to expand rapidly in Brazil. Nevertheless, for the group of non-oil-exporting countries other than Brazil, the 1986 gross domestic product will still not recover the level already reached in 1980.

The differences in the effects caused by the drop in interest rates and the slump in oil prices will be even more marked in the case of the balance of payments. For Latin America as a whole, the net direct result of these changes will be negative: in 1986 the region will lose more foreign exchange due to the decline in its net oil exports than it will save through lower interest payments. As a result, the current account deficit will probably rise sharply for the second year running and will amount to close to US\$ 11 billion (table 2).

This bigger deficit will be due exclusively, however, to the radical turnabout in the position of the oil-exporting countries, which, after having registered a surplus of US\$ 2.1 billion in 1985, will suffer a substantial deficit in 1986 as a result of the contraction of some 30% in the value of their exports.

In contrast, the current account deficit of the non-oil exporting countries, which already went down in 1985, is expected to drop almost by

half. Furthermore --unlike what happened in that year-- the 1986 reduction will be accompanied by an increase in imports and, in particular, a considerable rise in the volume of non-oil imports, thus fulfilling a basic condition for making the external adjustment compatible with recovery and economic growth.

In this group of countries too, however, the advantages deriving from the declines in energy prices and interest rates are shared out very unequally, for they vary according to the amount and nature of the country's external indebtedness and the relative share of oil purchases in its total imports. As may be seen from table 3, the lower oil prices benefit above all Brazil, the Dominican Republic, Uruguay and most of the Central American countries, all of which would be able to increase their imports significantly without increasing their current account deficits, by using the foreign exchange saved on their purchases of fuels and lubricants.

Still more unequal is the distribution of the benefits directly attributable to lower interest rates (table 4). The drop in these rates very markedly favours Argentina, Brazil, Mexico and Chile: economies where the relative size of the debt is greater and where a higher proportion of it consists of credits granted by the commercial banks at floating interest rates. In contrast, these benefits are almost insignificant in the short term in the Caribbean and Central American countries (excepting Costa Rica), because their levels of indebtedness are much lower and most of the external commitments correspond to loans with fixed interest rates or concessionary credits granted by multilateral or bilateral public finance bodies.

Moreover, the eased debt service for Latin America deriving from the reduction in nominal interest rates must also be weighted in the light of the evolution of the prices of its exports. Generally speaking, this evolution has once again been unfavourable. Except for the prices of coffee and bananas, which (after having remained relatively stable in the previous years), rose sharply in the first half of 1986, and the price of sugar, which increased by 60% from the very low level to which it had fallen in 1985, the dollar prices of most of Latin America's main export products continued to decline (table 5). Furthermore, because of the considerable devaluation of the United States dollar in this period, these drops failed to reflect the whole of the decline in the effective purchasing power of exports. Consequently, and also because of the considerable decline in the prices of petroleum, tin and cereals, it is probable that the terms of trade for the region as a whole will deteriorate once again in 1986.

### Inflation

Although the average rate of price increases in Latin America went down markedly during the first half of 1986, the intensity and trends of the inflationary processes continued to be very uneven in the different countries of the region.

Thus, in Bolivia --where the first case of hiperinflation in the history of Latin America was recorded in 1985-- the monthly variations in price levels, after having fallen sharply in October and November of 1985 as a new stabilization programme began to be applied, increased abruptly in December and January because of the payment to public employees of bonuses for which no financing was available. Nevertheless, in the following five months they fluctuated around 2% as a result of the application of strict fiscal policies and the stabilization of the exchange rate (figure 1).



Inflation also dropped spectacularly in Brazil. With the application of the Plan Cruzado --which eliminated the generalized indexing system that had existed in the country and froze prices, wages and the exchange rate-- the monthly increases in prices went down from an average of 15% between December 1985 and February 1986, to less than 1% in the following five months.

In contrast, the monthly rate of inflation increased moderately but noticeably as of March in Argentina --after having fallen from 30% in the first half of 1985 to 3% in the second half-- and it speeded up even more in July and August. The evolution of prices was similar, although the changes were less marked, in Peru, where consumer prices rose at an average rate of around 4.5% per month between January and August, after having increased at an average rate of 3% in the last four months of 1985. Nevertheless, both in Argentina and in Peru inflation continued to be lower than before the application of the respective heterodox stabilization programmes. At the same time, however, the weakening of these programmes suggests that although the freezing of the exchange rate, prices and wages and the elimination of indexing mechanisms may serve to reduce the inertial component of inflation thus making possible spectacular results at first, inflation may flare up again if simultaneous action is not taken to address its more fundamental causes.

In Mexico, inflation up to August continued to speed up at an unusually rapid rate --so that it may exceed 100% by the end of the year-- while in Uruguay it continued to fluctuate around 75% (table 2). In contrast, over the same period the rate of consumer price increases slackened in Chile, Colombia and Ecuador (although in the latter country this tendency will probably be reversed as a result of the sharp devaluation of the sucre carried out in August), stayed at relatively low levels in Costa Rica, Honduras and Venezuela, and was zero in Panama.

Table 1  
LATIN AMERICA: GROSS DOMESTIC PRODUCT  
(Annual growth rates)

	1984	1985	1986a	Cumulative variation 1981-1986
Latin America	3.2	2.7	2.0 a 3.5	4.2 a 5.8
Oil-exporting countries b	2.6	1.7	-3.5 a -1.5	2.0 a 4.0
Non-oil-exporting countries c	3.7	3.6	5.5 a 6.5	8.5 a 9.5
Brazil	4.8	8.2	7.0 a 8.0	17.0 a 18.0
Other non-oil- exporting countries	2.5	-1.5	3.5 a 5.0	-1.0 a 0.5

Source: ECLAC, on the basis of official data.

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

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

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

	Latin America			Oil-exporting countries			Non-oil-exporting countries		
	1984	1985	1986 a	1984	1985	1986 a	1984	1985	1986 a
Balance on current account b	-1.0	-5.2	-11.0	7.7	2.1	-7.1	-8.7	-7.3	-3.9
Trade balance (goods)	38.8	34.0	22.8	23.1	17.5	5.7	15.6	16.5	17.1
Exports	97.5	92.7	81.6	46.4	42.4	29.8	51.1	50.3	51.8
Imports	58.7	58.7	58.8	23.3	24.9	24.1	35.5	33.8	34.7
Net payments									
Services	4.5	4.3	4.0	1.5	1.7	1.5	3.0	2.6	2.5
Profits and interest	36.0	35.7	30.2	13.9	13.7	11.3	22.1	22.0	18.9
Balance on capital account	10.3	5.9	...	-3.7	-3.2	...	14.0	9.1	...
Global balance	9.3	0.7	...	4.0	-1.1	...	5.3	1.8	...

Source: ECLAC, on the basis of official data.

a: Preliminary estimates subject to revision. b: Including transfers.

Table 3

LATIN AMERICA: ESTIMATED EFFECTS OF THE  
DROP IN OIL PRICES  
(Millions of dollars)

	Exports of petroleum and petro- leum prod- ucts 1985	Imports of fuels and lubricants 1985	Imports of goods and services 1985	Effect of drop from 26 to 14 dollars in price of a barrel of petroleum (a)	Per- cent- age (4) --- (3)
	(1)	(2)	(3)	(4)	(5)
Latin America	31 124	9 210	77 677	-8 468	-11
Oil-exporting countries	30 005	436	33 516	-11 413	-34
Mexico	14 660	331	18 806	-5 511	-29
Venezuela	12 773	105	9 065	-4 872	-54
Peru	646	-	2 667	-248	-9
Ecuador	1 926	-	2 268	-741	-33
Bolivia	-	-	710	-	-
Non-oil-exporting countries	1 119	8 776	44 161	2 945	7
Brazil	-	5 418	16 839	2 084	12
Argentina	690	440	5 150	-96	-2
Chile	-	548	3 935	211	5
Colombia	417	436	5 416	7	-
Nicaragua	-	179	880	69	8
Uruguay	-	224	1 031	86	8
Costa Rica	-	80	1 261	31	2
Panama	-	255	3 147	98	3
Dominican Republic	-	427	1 286	164	13
Honduras	-	172	1 140	66	6
Guatemala	12	272	1 269	100	8
El Salvador	-	125	1 263	48	4
Paraguay	-	130	1 144	50	4
Haiti	-	70	400	27	7

Source: ECLAC, on the basis of official data and various international sources.

a: It is assumed that there are no changes in the supply of an demand for petroleum. This estimate takes into account the delay in the application of the new petroleum prices due to contracts for the sale or purchase of crude which had been signed earlier. In this case, if the average market price of petroleum in 1986 were US\$ 14 per barrel it has been assumed that the effective sale price would be around US\$ 16 per barrel.

Table 4

## LATIN AMERICA: ESTIMATED EFFECTS OF DROP IN LIBOR INTEREST RATE, 1986

	Net external debt (a) (balance at end of 1985 in millions of dollars)	Net external debt at floating interest rates as a percentage of column(1)	Effect of a drop of 2.5 percentage points in LIBOR (b) on interest payments (Millions of dollars) (1)*(2)*0.025	Imports of goods and services 1985 (Millions of dollars)	Co- ef- fi- cient (3) — (4) (%) (5)
	(1)	(2)	(3)	(4)	(5)
Latin America	335 446	72	6 043	77 677	7.8
Oil-exporting countries	140 136	79	2 774	33 516	8.3
Mexico	93 333	85	1 983	18 806	10.5
Venezuela	24 568	84	515	9 065	5.7
Peru	12 131	45	136	2 667	5.1
Ecuador	6 786	68	115	2 268	5.1
Bolivia	3 318	30	25	710	3.5
Non-oil-exporting countries	195 310	67	3 269	44 161	7.4
Brazil	92 276	75	1 730	16 839	10.3
Argentina	46 150	70	808	5 150	15.7
Chile	17 527	84	368	3 935	9.4
Colombia	11 404	60	171	5 416	3.2
Nicaragua	4 936	15	19	880	2.1
Uruguay	4 741	45	53	1 031	5.2
Costa Rica	3 623	50	45	1 261	3.6
Panama	3 553	25	22	3 147	0.7
Dominican Republic	2 450	25	15	1 286	1.2
Honduras	2 519	14	9	1 140	0.8
Guatemala	2 296	22	13	1 269	1.1
El Salvador	1 839	10	5	1 263	0.4
Paraguay	1 352	30	10	1 144	0.9
Haiti	644	5	1	400	0.2

Source: ECLAC, on the basis of official data and various international sources.

a: The net external debt equals the total disbursed external debt less the gross international reserves (excluding gold).

b: The LIBOR rate applicable in 1986 is 7.8% (average between 8.2% for second half of 1985 and 7.4% for 1986), whereas the corresponding rate for 1985 was 10.2%. There has thus been a drop of 2.4 percentage points.

Table 5

LATIN AMERICA: PRICES OF MAIN EXPORT PRODUCTS  
(Dollars)

	Annual averages				Growth rates			
	1970-1980	1984	1985	1986 a	1983	1984	1985	1986 a
Raw sugar b	12.8	5.2	4.1	6.6	1.2	-38.8	-21.1	61.0
Coffee (mild) b	121.8	147.3	155.9	243.3	-4.7	4.0	5.8	56.1
Cocoa b	86.3	108.7	102.3	94.1	21.6	13.1	-5.9	-8.0
Bananas b	11.8	19.0	18.4	24.5	10.9	-6.9	-3.2	33.2
Wheat c	125.1	153.0	138.0	124.0	-2.5	-3.2	-9.8	-10.1
Maize c	127.5	167.3	135.3	110.7	18.0	3.1	-19.1	-18.2
Beef b	82.2	102.6	97.7	95.9	2.1	-7.3	-4.8	-1.8
Fish meal c	354.7	373.0	280.0	312.0	28.3	-17.7	-24.9	11.4
Soya c	232.4	282.0	225.0	216.0	15.1	-	-20.2	-4.0
Cotton b	61.2	80.3	61.7	54.2	16.5	-5.3	-23.2	-12.2
Wool b	131.5	141.6	140.7	146.1	-6.9	-1.7	-0.6	3.8
Copper b	69.6	62.5	64.3	64.5	7.4	-13.4	2.9	0.3
Tin d	3.9	5.6	5.4	2.5	1.7	-5.1	-3.6	-53.7
Iron ore c	17.6	22.4	22.0	21.4	-3.3	-5.5	-1.8	-2.7
Lead b	25.3	20.1	17.7	17.1	-22.2	4.1	-11.9	-3.4
Zinc b	29.7	40.6	34.3	28.6	2.7	17.0	-15.5	-16.6
Bauxite c	103.5	165.0	164.3	166.3e	-13.8	-8.1	-0.4	1.2
Crude petroleum f								
Saudia Arabia	10.0	28.5	28.0g	...	-12.5	-2.7	-1.8	...
Venezuela	10.1	27.0	26.5	14.0	-12.2	-3.9	-1.9	-47.2

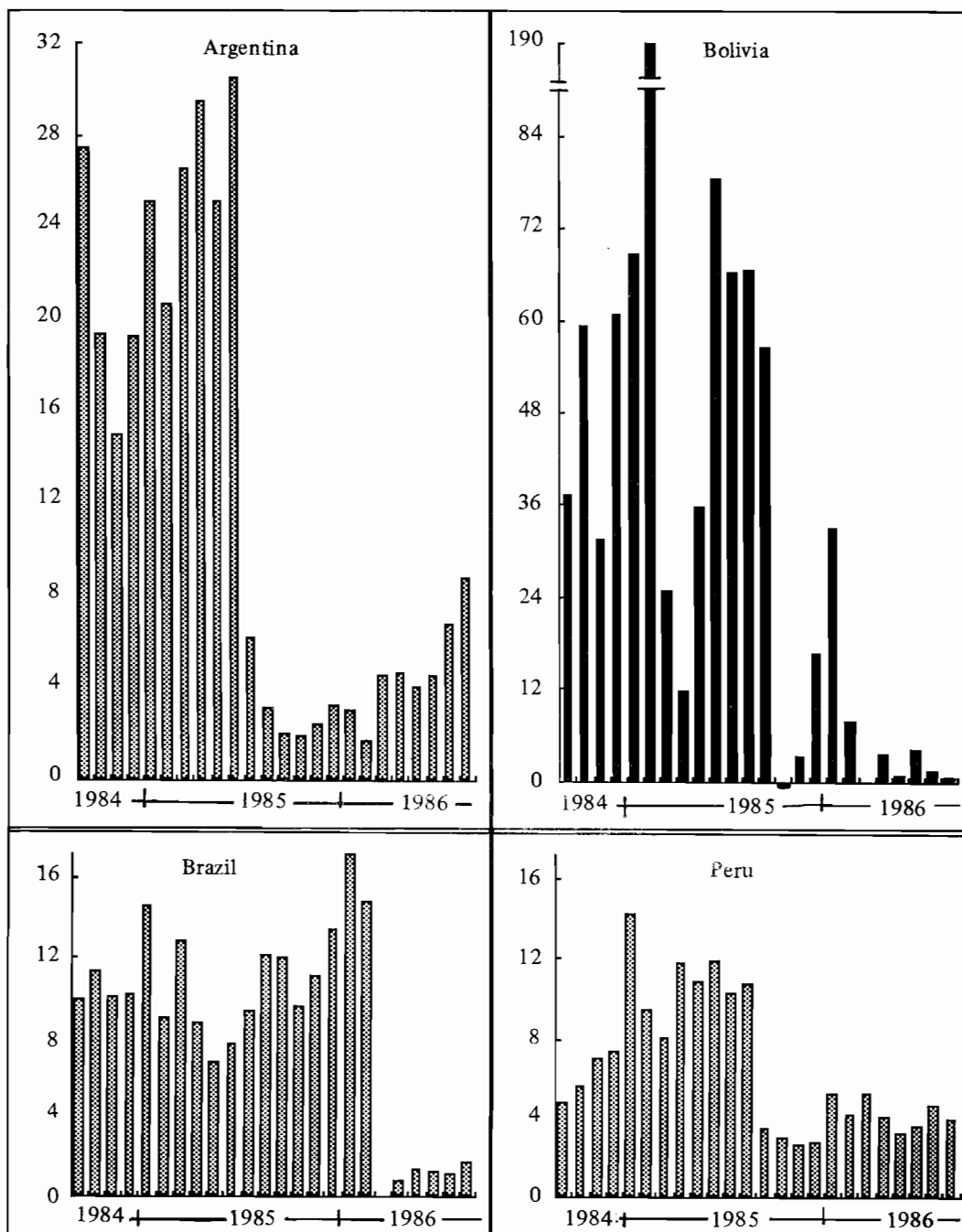
Source: UNCTAD, Monthly Commodity Price Bulletin, Supplements 1960-1980 and July 1986; International Monetary Fund, International Financial Statistics, Yearbooks 1981 and August 1986; ECLAC, on the basis of official data.

a: Average January-June. b: US cents per pound. c: US dollars per metric ton.

d: US dollars per pound. e: Average January-April. f: US dollars per barrel.

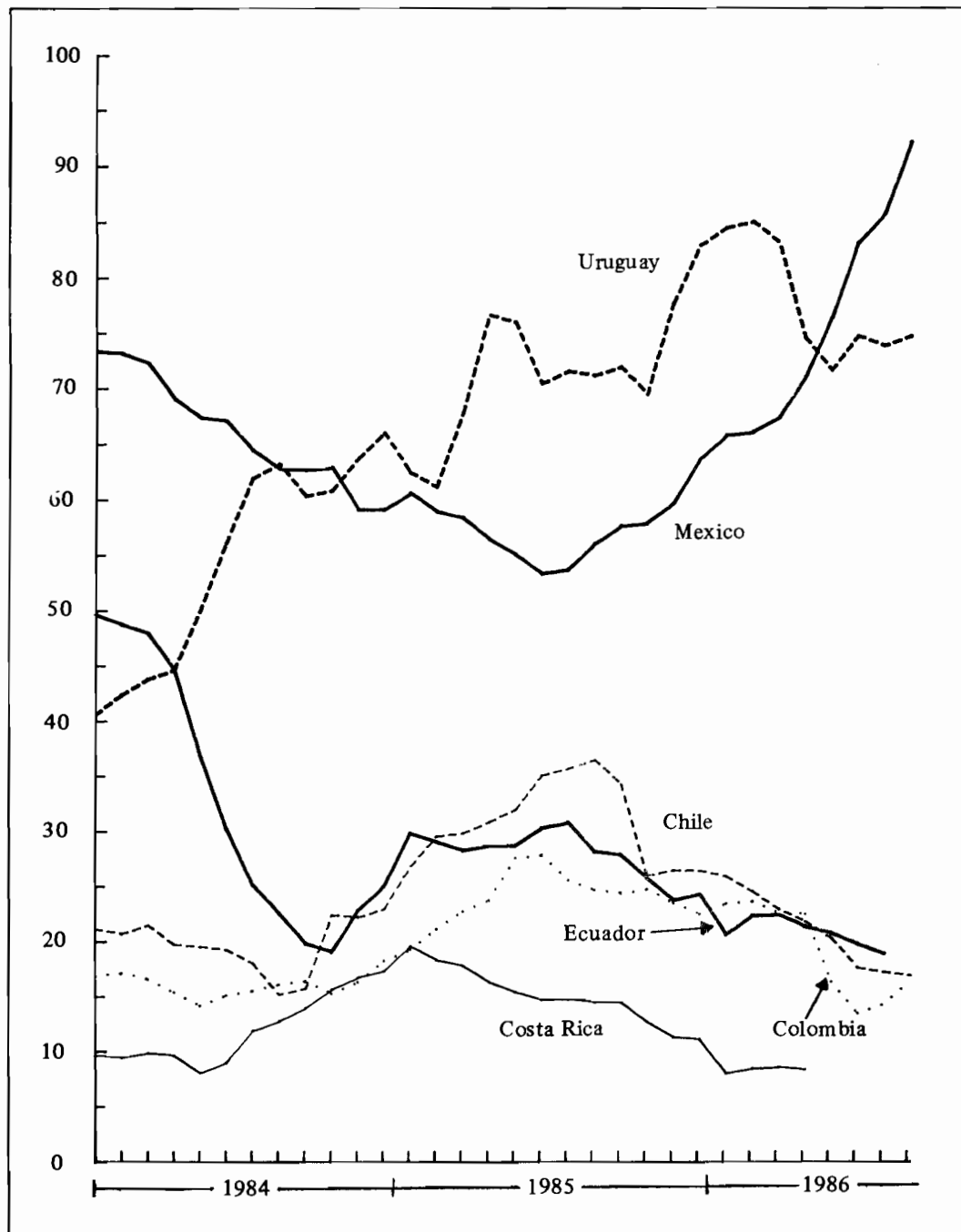
g: Average January-September.

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



Source: ECLAC, on the basis of official data.

Figure 2  
**LATIN AMERICA: TWELVE-MONTHLY VARIATIONS IN THE CONSUMER  
 PRICE INDEX IN SELECTED COUNTRIES**  
*(Percentages)*



Source: ECLAC, on the basis of official data.





## ARGENTINA

The reversal as from March of the downward trend that monthly price variations had been showing since the initiation of the Plan Austral in mid 1985, the marked recovery in industrial activity, and the sharp reduction in the trade surplus were three outstanding features of the evolution of the Argentine economy in the first half of 1986.

With the application of the Plan Austral --the initial phase of which included a monetary reform and the generalized freezing of prices, wages, service charges and the exchange rate-- the rate of price increases slowed down markedly. Thus, in the second half of 1985 consumer prices rose at an average monthly rate of 3% --compared with 27% in the first half of the year-- while wholesale prices increased by less than 1% per month (table 7). The price freeze did not produce any shortages except in a few special cases of little significance. Nevertheless, the persistence of a rate of inflation which (although much lower than in the past) was obviously not zero created pressures, especially in the area of wages. At the same time, it seemed clear that the freeze could not be kept up indefinitely.

For these reasons, in the early months of 1986 price and wage controls were eased, though efforts were made to prevent this from giving rise to a marked increase in the rate of inflation. Thus, in January a wage increase valid for three months was granted (5% in the public sector and a maximum of 8.5% in the private sector), and early in April new rules regarding price adjustments were announced. In line with these, the exchange rate and the scales of charges for public services would increase periodically by small percentages and price controls would be concentrated in a group of large enterprises, using a system of agreements based on the evolution of costs. A new quarterly increase in wages was also granted and discussions between the trade unions and enterprises were promoted with a view to setting new basic wages which would incorporate the rises that had actually been taking place in these wages in previous months. The idea was that basic wages would in the future be renegotiated quarterly within "bands" fixed by the government.

The end of the freeze brought with it a clear change in inflationary trends: between March and June the monthly rate of consumer price increases rose to almost 4.5%, in July it was nearly 7%, and in August it reached nearly 9%. Several elements influenced this acceleration in the inflationary process. On the one hand, in many cases wage adjustments exceeded the official guidelines, which led to an extraordinary increase in real wages in industry during the second quarter of the year (table 8). This rise perceptibly increased the costs of enterprises, which, after a certain period, passed on this increase to prices. This step was facilitated, in turn, by the rapid increase in the money supply, which grew at a monthly rate of some 7% between June 1985 and July 1986. Although initially this rapid growth in the means of payment did not have inflationary effects --because of the considerable expansion which took place at the same time in the demand for money, as a result of the abrupt reduction in the rate of price increases-- finally it exceeded the increases in the demand for liquid assets and thus became a new inflationary factor. Moreover, in addition to the pressures created by the rise in wages and the expansion in the money supply, there was the fact that the demand for food increased more rapidly than the supply, and especially the pressure of the seasonal rise in meat prices which took place in July.

In order to try to control this resurgence of inflation, the economic authorities announced late in August a set of measures which, in contrast with

those applied in the first phase of the Plan Austral, sought to bring about a gradual reduction in the rate of price increases. These measures included, inter alia: a) increases of up to 3% in managed industrial prices and in the prices charged by public enterprises in September and smaller rises in both these prices in the following months, so that the scheduled increases in December would be only 2%; b) an immediate 3% rise in the exchange rate and its subsequent adjustment through a system of small periodic rises; c) a stricter monetary policy aimed at rapidly reducing the growth rate of the money supply and d) greater government regulation of the wage negotiations between enterprises and trade unions, in order to ensure that the wage increases agreed by them be compatible with the gradual stabilization policy. The authorities also announced that these measures would be accompanied by continued efforts to reduce the public sector imbalance, which had already succeeded in lowering the central government deficit in the first half of 1986 (table 9).

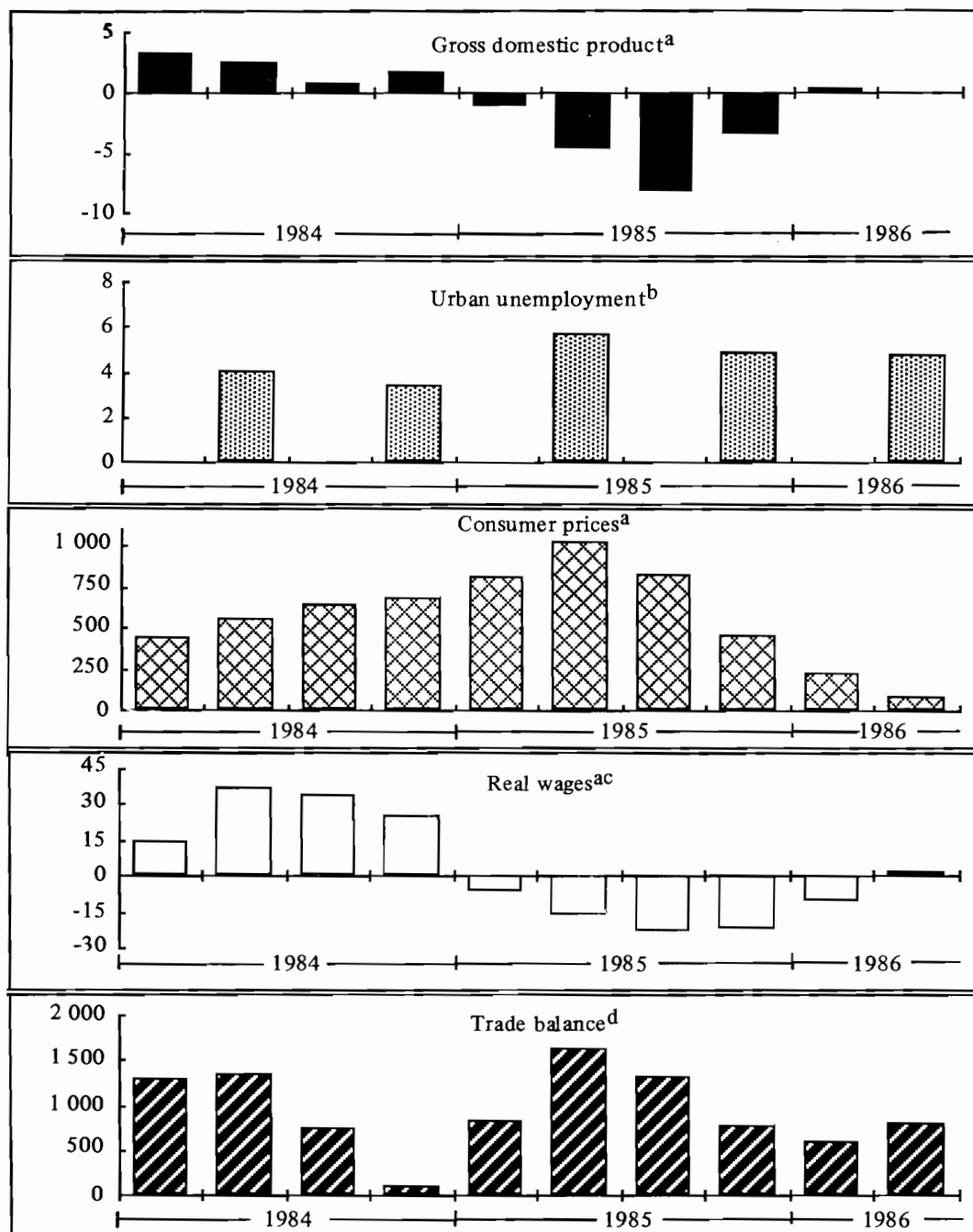
In the area of production, the recovery in manufacturing which had begun towards the end of 1985 accelerated during the first half of 1986, industrial output growing more than 8% as compared to the corresponding period of the previous year (table 3). In the second quarter of the year there also seems to have been an increase in the construction sector, to judge by the evolution of deliveries of cement and steel to the domestic market (table 4).

In the first three months of the year, however, the effects of the expansion in manufacturing activity were largely offset by the drop of over 8% in agricultural production and the decline of over 2% in commerce. Thus, in this period gross domestic product barely exceeded the very low level registered one year before (tables 1 and 2).

This evolution of domestic economic activity was reflected in the performance of imports, which fell by nearly 7% in the first quarter but recovered strongly in the second, so that the value for the first half of the year was 7% higher than that for the corresponding period of 1985. Because of this increase and, above all, the 21% decline in the value of exports due mainly to the drop in the international prices of cereals and the decline in exportable surpluses of agricultural goods, the trade surplus went down by over 40% (table 6).

Figure 1

# ARGENTINA: QUARTERLY EVOLUTION OF THE MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

<sup>a</sup>Percentage variation with respect to the same quarter in the previous year.

Federal Capital and Greater Buenos Aires.

<sup>c</sup>Real wages in manufacturing.

<sup>b</sup>Average rate in the  
<sup>d</sup>Millions of dollars.

Table 1

ARGENTINA: GROSS DOMESTIC PRODUCT  
(Percentage variation) (a)

	1985 (b)				1986 (b)	
	I	II	III	IV	Full Year	I
Total gross domestic product	-1.2	-4.6	-8.1	-3.5	-4.4	0.4
Agriculture, hunting, forestry & fisheries	0.6	-1.0	-4.1	-6.9	-3.1	-8.4
Mining	-5.2	-5.5	-2.8	0.9	-3.2	3.4
Manufacturing	-3.5	-13.1	-19.1	-4.5	-10.4	5.7
Construction	-14.2	-2.8	12.1	2.4	-0.5	-1.8
Elec., gas and water	0.5	1.9	-2.3	5.9	1.4	7.5
Commerce	0.6	-6.4	-16.0	-9.4	-7.6	-2.3
Transport	-1.6	-1.0	-7.2	-5.4	-3.8	0.6
Financial institutions, insurance & real estate	-1.4	-3.2	-3.3	-0.4	-2.1	2.2
Community, social and personal services	2.0	1.6	1.8	2.0	1.9	1.4

Source: Central Bank.

a: With respect to the same period in the previous year. b: Provisional.

Table 2

ARGENTINA: CROP FARMING PRODUCTION  
(Thousands of tons)

	Seasons			Percentage variation	
	1983/1984 (1)	1984/1985 (2)	1985/1986 (3)	(2/1)	(3/2)
Cereals					
Maize	9 500	11 900	12 800	25.3	7.6
Sorghum	6 900	6 200	4 200	-10.1	-32.3
Wheat	13 000	13 600	8 500	4.6	-37.5
Oilseeds					
Sunflower	2 200	3 250	4 000	47.7	23.1
Linseed	660	550	484	-16.7	-12.0
Peanuts	235	240	205	2.1	-14.6
Soya beans	7 000	6 500	7 100	-7.1	9.2
Vegetables and pulses					
Potatoes	2 100	2 210	2 150	5.2	-2.7
Tomatoes	604	751	650	24.3	-13.4
Pumpkins	322	310	330	-3.7	6.5
Beans	211	210	230	-0.5	9.5
Industrial crops					
Cotton	610	536	377	-12.1	-29.7
Sugar cane	15 440	14 105	14 500	-8.6	2.8
Tobacco	78	60	54	-23.1	-10.0
Tea	178	200	138	12.4	-31.0
Verba mate	161	141	150	-12.4	6.4
Wine grapes	2 746	2 279	2 415	-17.0	6.0
Fruit					
Peaches	241	282	209(a)	17.0	-25.9
Lemons	368	461	430(a)	25.3	-6.7
Apples	872	922	594(a)	5.7	-35.6
Oranges	620	621	550(a)	0.2	-11.4
Pears	167	193	165(a)	15.6	-14.5
Grapefruit	145	165	150(a)	13.8	-9.1

Source: ECLAC, on the basis of official data.

a: Estimated figures.

Table 3

## ARGENTINA: INDUSTRIAL GROSS PRODUCT (a)

	Index 1970=100	Percentage variation		
		Quarter (b)	12 months (c)	year (d)
1984				
I	94.6	-12.2	2.9	2.9
II	113.8	20.3	7.6	5.4
III	114.7	0.8	3.2	4.6
IV	110.3	-3.8	2.4	4.0
1985				
I	91.3	-17.2	-3.5	-3.5
II	99.0	8.4	-13.1	-8.7
III	92.8	-6.3	-19.1	-12.4
IV	105.3	13.5	-4.5	-10.4
1986				
I	96.4	-8.5	5.7	5.7
II(e)	109.9	14.0	11.0	8.4

Source: Central Bank of the Argentine Republic.

a: At constant 1970 factor prices. b: With respect to the previous quarter.

c: With respect to the same quarter of the previous year. d: Average cumulative index with respect to the same period in the previous year.

e: Estimated figures.

Table 4

ARGENTINA: CONSTRUCTION SECTOR INDICATORS  
(Thousands of tons)

	Deliveries of cement				Deliveries of steel products for construction				Percentage variation (a)			
	Month		Year		Month		Year		Cement		Steel products	
	1985	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985	1986
Jan	417	385	417	385	12	14	12	14	6.1	-7.8	-36.8	16.0
Feb	372	404	789	789	11	15	23	29	-	-	-41.0	26.1
Mar	371	420	1 160	1 209	21	17	44	46	-4.1	4.2	-37.1	4.5
Apr	371	423	1 531	1 632	19	33	63	79	-6.4	6.6	-35.1	25.4
May	369	439	1 900	2 071	18	21	81	100	-7.9	9.0	-35.7	23.5
Jun	288	402	2 188	2 473	17	...	98	...	-11.3	13.0	-36.4	...
Jul	352		2 540		22		120		-11.1		-33.0	
Aug	395		2 935		19		139		-13.1		-32.5	
Sep	409		3 344		33		172		-12.3		-25.9	
Oct	424		3 768		29		201		-12.6		-19.0	
Nov	374		4 142		17		218		-13.2		-18.4	
Dec	371		4 513		23		241		-12.5		-15.1	

Source: Asociación de Fabricantes de Cemento Portland and Instituto Argentino de Siderurgia.

a: Variation in cumulative figures with respect to same period in the previous year.

Table 5

## ARGENTINA: RATE OF UNEMPLOYMENT

	1983		1984		1985		1986
	April	October	April	October	April	October	June
Federal Capital and Greater Buenos Aires	5.2	3.1	4.1	3.5	5.7	4.9	4.8
Córdoba	4.4	5.6	4.4	5.1	5.3	4.7	
Mendoza	4.5	4.5	3.3	3.7	3.6	3.7	
Rosario	6.3	...	6.8	6.2	10.9	10.2	
Tucumán	8.1	7.5	8.5	10.6	12.2	11.4	

Source: National Institute of Statistics and Censuses.

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	
1985												
Jan	626	626	373	373	253	253	-4.6	-4.6	27.7	27.7	-30.5	
Feb	531	1 157	265	638	266	519	-24.0	-14.6	1.2	15.2	-35.2	
Mar	646	1 803	339	977	307	826	-19.5	-16.5	9.0	12.9	-36.1	
Apr	829	2 632	342	1 319	487	1 313	0.6	-11.7	7.2	11.4	-27.0	
May	806	3 438	333	1 652	473	1 786	-2.1	-9.6	-5.9	7.4	-21.2	
Jun	934	4 372	253	1 905	681	2 467	16.5	-5.1	-40.7	-3.0	-6.6	
Jul	900	5 272	354	2 259	546	3 013	6.0	-3.4	-14.9	-5.1	-2.1	
Aug	715	5 987	331	2 590	384	3 397	2.1	-2.8	-24.7	-8.2	1.8	
Sep	695	6 682	295	2 885	400	3 797	30.7	-0.1	-37.3	-12.3	11.7	
Oct	565	7 247	325	3 210	240	4 037	22.7	1.4	-28.9	-14.4	18.7	
Nov	571	7 818	320	3 530	251	4 288	19.7	2.5	-25.6	-15.5	24.4	
Dec	578	8 396	284	3 814	294	4 582	20.1	3.6	-30.2	-16.8	30.1	
1986 (b)												
Jan	503	503	330	330	173	173	-19.6	-19.6	-11.5	-11.5	-31.6	
Feb	480	983	276	606	204	377	-9.6	-15.0	4.2	-5.0	-27.4	
Mar	530	1 513	307	913	223	600	-18.0	-16.1	-9.4	-6.6	-27.4	
Apr	575	2 088	394	1 307	181	781	-30.6	-20.7	15.2	-0.9	-40.5	
May	519	2 607	376	1 683	143	924	-35.6	-24.2	12.9	1.9	-48.3	
Jun	833	3 440	357	2 040	476	1 400	-10.8	-21.3	41.1	7.1	-43.3	

Source: National Institute of Statistics and Censuses.

a: With respect to the same period in the previous year. b: Provisional figures.

Table 7

ARGENTINA: PRICE INDEXES  
(Percentage variation)

Consumer price index							Wholesale price index						
1985				1986			1985				1986		
Month	Year	12 Ms.		Month	Year	12 Ms.	Month	Year	12 Ms.		Month	Year	12 Ms.
Jan	25.1	25.1	776.3	3.0	3.0	299.7	21.1	21.1	689.0	-	-	-	282.9
Feb	20.7	51.0	803.9	1.7	4.8	236.8	17.8	42.7	702.2	0.8	0.8	0.8	227.5
Mar	26.5	91.0	850.9	4.6	9.6	178.6	27.7	82.3	765.5	1.4	2.2	2.2	160.1
Apr	29.5	147.3	938.9	4.7	14.8	125.4	31.5	139.7	851.0	3.0	5.2	5.2	103.7
May	25.1	209.4	1 010.1	4.0	19.7	87.4	31.2	214.5	950.4	2.7	8.1	8.1	59.5
Jun	30.1	303.5	1 128.3	4.5	24.9	50.1	42.4	347.8	1 182.2	4.6	13.0	13.0	17.1
Jul	6.2	328.5	1 003.3	6.8	33.4	50.9	-0.9	343.8	999.9	5.1	18.8	18.8	24.4
Aug	3.1	341.8	825.7	8.8	44.8	59.1	1.5	350.1	815.2				
Sep	2.0	350.8	640.2				0.6	352.8	638.0				
Oct	1.9	359.6	532.4				0.7	356.1	544.5				
Nov	2.4	370.5	463.1				0.7	359.5	466.2				
Dec	3.2	385.4	385.4				1.0	363.9	363.9				

Source: National Institute of Statistics and Censuses.

Table 8

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

	Real index (b)			Percentage variation 1986/85		
	1984	1985	1986	Month	Year (c)	12 Ms. (d)
Jan	112.3	103.0	95.6	-6.6	-7.2	-7.2
Feb	95.1	87.0	80.1	-16.2	-7.5	-7.9
Mar	119.1	114.1	98.7	23.2	-9.8	-13.5
Apr	131.3	114.8	113.2	14.7	-7.5	-1.4
May	136.1	120.3	117.5	3.8	-6.3	-2.3
Jun	136.8	105.4	117.3(e)	-0.2	-3.4	11.3
Jul	136.7	102.0				
Aug	136.2	102.0				
Sep	127.0	104.9				
Oct	143.0	110.9				
Nov	142.5	105.7				
Dec	120.9	102.4				

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 in the previous year. d: Variation with respect to the same month in the previous year. e: The data on monthly wages, which had been reduced to take account of the smaller number of working days and industrial disputes (index: 99.2), were adjusted for the purpose of comparability (index: 117.3).

Table 9

ARGENTINA: NATIONAL TREASURY INCOME AND EXPENDITURE

	Millions of australes					Coefficients (a)		
	Current income	Expenditure		Deficit	Financing by Central Bank	Income	Deficit	
		Total	Interest on the external debt				Interest	
1985								
Jan	65.6	113.3	9.7	47.7	44.0	57.9	8.6	42.1
Feb	72.8	153.7	31.2	80.9	133.7	51.8	15.3	48.2
Mar	148.8	179.1	22.0	30.3	47.5	64.4	14.1	35.6
Apr	113.2	361.7	32.0	248.5	239.6	49.6	11.7	50.4
May	179.8	371.0	39.2	191.2	189.2	49.2	11.4	50.8
Jun	204.0	765.4	109.8	561.4	315.5	40.3	12.5	59.7
Jul	395.9	471.7	52.0	75.8	0.0	48.8	12.2	51.2
Aug	385.7	380.3	69.4	-5.4	0.0	56.0	13.1	44.0
Sep	516.0	501.2	58.3	-14.8	0.0	63.1	12.8	36.9
Oct	561.8	514.6	16.9	-47.2	0.0	69.3	11.6	30.7
Nov	834.8	656.8	2.8	-178.0	0.0	77.8	9.9	22.2
Dec	640.2	2 487.4	453.3	1 847.2	-0.5	59.2	12.9	40.8
1986								
Jan	544.0	599.7	56.1	55.7	-0.2	90.7	9.4	9.3
Feb	501.8	658.3	97.5	156.5	-3.7	83.1	12.2	16.9
Mar (b)	499.8	790.0	75.0	290.2	0.0	75.5	11.2	24.5
Apr (b)	729.9	800.0	77.0	70.1	-4.6	79.9	10.7	20.1
May (b)	615.1	540.0	47.0	-75.1	0.0	85.3	10.4	14.7
Jun (b)	825.7	1 200.0	...	374.3	0.0	81.0	...	19.0

Source: Tesorería General de la Nación.

a: With respect to total expenditure. Calculated on the basis of cumulative figures. b: Provisional figures.

Table 10

## ARGENTINA: INTEREST RATES (a)

	Nominal			Real		
	Bank		Non-bank (d)	Bank		Non-bank (d) (f)
	Regulated (b)	Free (c)		Regu. (b) (e)	Free (c) (e)	
1985						
Jan	17.5	.	25.2	-6.1	.	3.4
Feb	18.0	.	22.7	-2.2	.	4.2
Mar	20.0	.	25.5	-5.1	.	-1.7
Apr	24.0	.	32.7	-4.2	.	0.9
May	30.0	30.3	39.6	3.9	4.2	6.4
Jun	16.8	19.6	27.7	-10.5	-8.4	-10.3
Jul	3.5	5.2	7.2	-2.5	-0.9	8.2
Aug	3.5	5.7	8.7	0.4	2.5	7.1
Sep	3.5	5.2	5.7	1.5	3.1	5.1
Oct	3.1	4.2	5.3	1.2	2.3	4.6
Nov	3.1	4.3	5.6	0.7	1.9	4.9
Dec	3.1	4.2	5.6	-0.1	1.0	4.6
1986						
Jan	3.1	4.3	5.7	0.1	1.3	5.7
Feb	3.1	4.5	5.6	1.4	2.8	4.8
Mar	3.1	4.3	4.3	-1.4	-0.3	2.9
Apr	3.1	4.1	4.5	-1.5	-0.6	1.5
May	3.1	4.0	4.4	-0.9	0.0	1.7
Jun	3.3	4.0	4.5	-1.1	-0.5	-0.1
Jul	3.5	4.0	5.1	-3.1	-2.6	--

Source: ECLAC, on the basis of official data.

a: Effective monthly rates (monthly average). b: Rates for 30-day deposits.

c: Rates for 7-day deposits. d: Rates for 7-day loans. e: Deflated by the

consumer price index (general level) f: Deflated by the wholesale price index (general level).

Table 11

## ARGENTINA: EXCHANGE RATE

Month	Official exchange rate (Australas per dollar)		Adjusted real exchange rate (a) (Index 1980=100)	
	1985	1986	1985	1986
Jan	0.200	0.801	202.4	210.9
Feb	0.242	0.801	207.5	206.4
Mar	0.306	0.801	205.1	200.7
Apr	0.396	0.828	202.2	199.8
May	0.525	0.849	204.8	200.4
Jun	0.749	0.874	205.0	197.2
Jul	0.801	0.903	220.9	193.0
Aug	0.801		216.3	
Sep	0.801		214.1	
Oct	0.801		214.0	
Nov	0.801		213.7	
Dec	0.801		212.0	

Source: ECLAC, on the basis of figures from 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.



## BRAZIL

The "Plan Cruzado" was the central feature of Brazilian economic policy in the first half of 1986. Aimed at stopping inflation sharply, but without at the same time causing a drop in economic activity, it began to be applied on the last day of February, after a four-month period in which the rate of price increases had been speeding up at an extraordinary pace and the danger of a slide into hyperinflation had become obvious.

The basic assumption of the plan is that recent Brazilian inflation has been due essentially to forces of inertia. It therefore holds that, whatever the original causes of price rises may have been in the past, in recent years such rises have been due mainly to the effect of deep-rooted inflationary expectations and the existence of a generalized system of indexing. In these circumstances, any demand or supply shock, which in theory should only bring about a transitory increase in price levels, led in practice to a permanent rise in the rate of inflation. Furthermore, in the absence of exogenous changes, the system of indexing and the effect of inflationary expectations meant that price rises in a given period tended to repeat those of the preceding period, and this constituted the basic manifestation of the inertial nature of the inflationary process.

Starting from this basic assumption, the plan eliminated the system of indexing and provided, among other major measures, for the following: (a) the creation of a new currency --the cruzado-- whose value was equivalent to one thousand cruzeiros and would be increased in terms of the latter at a rate of approximately 15% per month for a period of one year, in order to avoid unjustified gains or losses in respect of term contracts agreed before the application of the plan; (b) the freezing of all prices at the levels prevailing on 27 February, until the publication of official lists of maximum prices; (c) the establishment of a fixed exchange rate of 13.84 cruzados per dollar (although the authorities emphasized that that exchange rate could be reviewed in the light of any changes which might occur in the external situation); (d) the fixing of wages at a level equivalent to the real average over the preceding six months plus 8% and the freezing of the minimum wage at a level 15% higher than its real average over the previous six months; and (e) the elimination of indexing for financial assets with a term of less than one year and the freezing for one year of rents and installments owed to the housing finance system.

The initial effects of the Plan Cruzado were spectacular. Prices --which had risen at an average monthly rate of around 15% before its application-- grew at an average rate of less than 1% per month between March and July, industrial production kept on growing rapidly, and unemployment continued to go down (figure 1 and table 4). The main problem which arose as a result of the application of the plan was in fact not a decline in economic activity but the shortage of certain goods (such as meat, milk and motorcars) because of the enormous expansion (23% in real terms) in retail sales in the first half of the year. This suggests not only that some prices were fixed at relatively low levels (as in the case of motorcars, whose official prices had lagged behind in 1985) but also that wages were possibly frozen at a very high real level (as is suggested by the fact that in Sao Paulo the purchasing power of wages was 20% higher in June 1986 than one year before).

In order to tackle this situation, at the end of July the government decided to reduce consumer credit by 40%, to impose a 25% tax on sales of international travel tickets and dollars sold to Brazilian tourists, and to levy compulsory loans on sales of gasoline and alcohol (at a rate equivalent

to 28% of the consumer price) and on purchases of automobiles (30% for new vehicles, 20% for those with two years' use, and 10% for those with up to four years' use).

Due largely to the impetus provided by consumer demand, economic activity (which had grown by over 8% in 1985) continued to increase rapidly and industrial production during the first half of the year was almost 13% higher than in the equivalent period the year before (table 1). It is estimated that in the course of the year, however, the growth rate of the gross domestic product will diminish slightly, because the drought which hit the south of the country caused declines of over 15% in the harvests of most of the main crops (table 2).

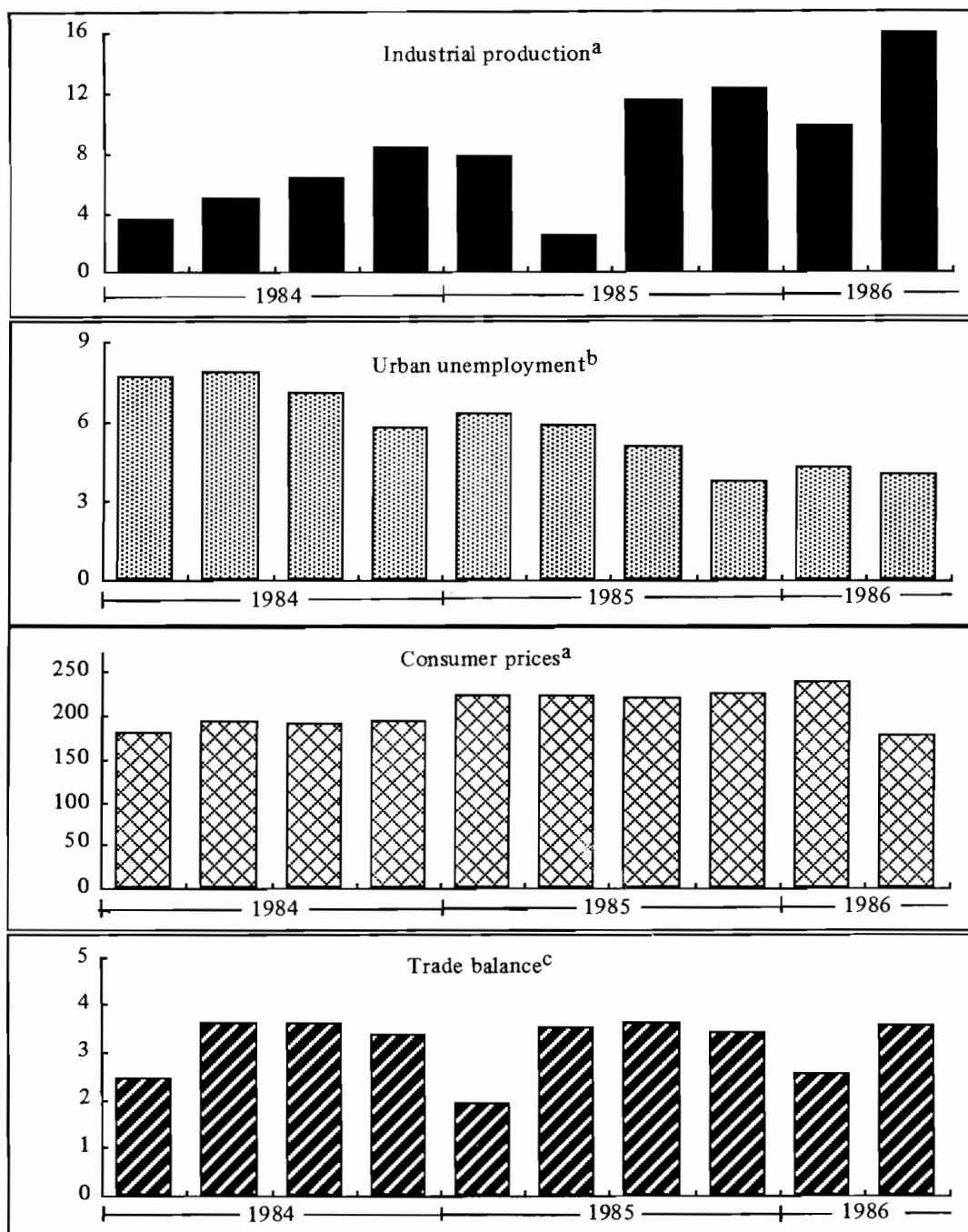
As a result of the rapid growth of economic activity, unemployment (which had already gone down considerably in the previous two years) continued to decline and dropped in June to an average level of only 3.8% in the six biggest urban centres of the country. Furthermore, the dispersion of the rates of unemployment was markedly reduced, to the point where the highest figure registered was only 5% in Recife, a city where the rate of unemployment one year before had been around 8.5% (table 3).

Despite the vigorous expansion of demand and production, the balance of payments continued to show favourable results. Up to July the merchandise trade surplus was 10% greater than in the first half of 1985, and it is expected that by the end of the year it will be close on US\$ 13 billion. This result reflected both growth of exports --which was very marked in the first quarter but which slackened markedly in the second-- and a very small increase in imports (table 5). The virtually stable value of foreign purchases, however, represented the net result of very different paths followed by oil and non-oil imports. Whereas the former went down by 18% in the first quarter, thanks above all to the abrupt drop in international oil prices and, to a lesser extent, to the 10% increase in domestic production of crude in the period January-May, non-oil imports increased by 30%, with purchases of capital and consumer goods rising by over 40% (table 6).

As it is probable that interest payments will decline by around US\$ 1.5 billion, the balance of payments current account is expected to close with a bigger surplus than that registered in the previous two years (table 9).

Figure 1

**BRAZIL: QUARTERLY EVOLUTION OF THE MAIN ECONOMIC INDICATORS**



Source: ECLAC, on the basis of official data.

<sup>a</sup>Percentage variation with respect to the same quarter of the previous year.  
Rio de Janeiro, São Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife.

<sup>b</sup>Average rate in  
<sup>c</sup>Billions of dollars.

Table 1

## BRAZIL: INDUSTRIAL PRODUCTION

	IBGE (National index)					FIESP (Index for the State of Sao Paulo)				
	Percentage variation					Percentage variation				
	Index 1981=100	Month (a)	12 Ms. (b)	Year (c)	Mobile average (d)	Index 1979=100	Month (a)	12 Ms. (b)	Year (c)	Mobile average (d)
1984										
Dec	95.3	-9.9	5.5	6.0	6.0	110.8	-4.7	12.6	7.5	7.5
1985										
Jan	97.4	2.2	13.5	13.5	7.0	112.9	1.9	18.5	18.5	8.6
Feb	90.2	-7.4	0.4	6.8	6.4	108.3	-4.1	9.0	13.6	8.7
Mar	100.7	11.6	9.6	7.8	7.5	118.8	9.7	14.3	13.9	10.2
Apr	90.1	-10.4	2.3	6.4	7.5	106.9	-10.0	5.2	11.7	10.4
May	101.9	13.1	2.2	5.5	7.1	116.4	8.9	7.3	10.7	10.8
Jun	105.5	3.5	3.3	5.1	6.5	117.8	1.2	10.8	10.8	11.5
Jul	116.8	10.7	11.3	6.1	6.3	126.5	7.4	13.4	11.1	11.7
Aug	119.2	2.1	9.6	6.6	6.6	128.5	1.6	11.0	11.1	11.9
Sep	117.1	-1.8	13.8	7.4	7.3	128.0	-0.4	14.2	11.5	12.4
Oct	128.4	9.6	13.7	8.1	7.5	134.5	5.1	13.3	11.7	12.3
Nov	115.9	-9.7	9.5	8.3	7.8	128.6	-4.4	10.6	11.6	11.5
Dec	108.4	-6.5	13.7	8.4	8.4	121.7	-5.4	9.8	11.3	11.3
1986										
Jan	109.0	0.6	11.9	11.9	8.1	122.2	0.4	8.2	8.2	10.5
Feb	102.5	-6.0	13.6	12.7	9.0	115.8	-5.2	6.9	7.6	10.4
Mar	104.9	2.3	4.2	9.7	8.4	121.7	5.1	2.4	5.8	9.5
Apr	109.0	3.9	21.0	12.4	9.7	127.4	4.7	19.2	8.9	10.4
May	114.7	5.2	12.6	12.5	10.7	...	...	...	...	...
Jun	120.6	5.1	14.3	12.8	11.6	...	...	...	...	...

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

a: Variation with respect to the previous month. b: Variation with respect to the same month in the previous year. c: Cumulative variation with respect to the same period in the previous year. d: Mobile average for the immediately preceding 12-month period.

Table 2

BRAZIL: CROP FARMING PRODUCTION  
(Thousands of tons)

	1984	1985	1986 (a)	Percentage variation
Tree cotton	268	188	222	18.1
Field cotton	1 891	2 652	1 882	-29.0
Rice	9 022	9 019	10 083	11.8
Sugar cane	222 716	246 542	251 090	1.8
Coffee	2 679	3 753	2 004	-46.6
Beans (b)	1 408	1 459	1 068	-26.9
Beans (c)	1 014	1 089	...	...
Maize	21 174	22 020	18 676	-15.2
Peanuts (a) (b)	247	339	212	-37.5
Oranges (d)	64 613	70 995	59 548	-16.1
Potatoes (b)	1 232	1 211	930	-23.2
Soya beans	15 536	18 278	13 142	-28.1
Tobacco	415	411	316	-23.2
Tomatoes	1 820	1 932	1 596	-17.3
Wheat	1 957	4 247	...	...
Manioc	21 289	23 111	25 533	10.5

Source: ECLAC, on the basis of figures from the Special Commission for Planning, Control and Appraisal of Agricultural Statistics-CEPAGRO/IBGE; and IPLAN/IFEA.

a: Annual production, estimated on the basis of data collected up to March 1986. b: First crop. c: Second crop. d: Millions.

Table 3

BRAZIL: RATES OF OPEN UNEMPLOYMENT  
(Percentages)

	Total (a)	Rio de Janeiro	Sao Paulo	Belo Horizonte	Porto Alegre	Salvador	Recife
1984							
Dec	4.8	5.1	4.1	6.5	4.3	6.0	5.8
1985							
Jan	6.3	6.4	6.0	7.3	5.5	6.3	7.7
Feb	6.1	5.7	6.0	7.4	5.4	7.4	6.9
Mar	6.5	6.0	6.2	7.7	6.6	6.9	8.7
Apr	6.1	5.6	6.0	6.5	6.2	6.3	8.5
May	5.9	5.6	5.7	6.5	6.1	6.2	8.5
Jun	5.6	5.0	5.6	5.9	6.1	5.6	8.3
Jul	5.4	4.8	5.2	5.3	5.9	6.5	7.6
Aug	5.0	4.3	4.8	5.0	5.6	6.9	7.5
Sep	4.8	4.3	4.5	5.2	5.2	5.6	6.9
Oct	4.3	3.9	4.1	4.3	4.3	5.3	6.4
Nov	3.9	3.8	3.6	4.2	3.9	5.0	5.4
Dec	3.2	3.1	2.7	3.8	3.5	4.5	4.1
1986							
Jan	4.2	3.9	4.1	4.4	5.5	5.1	5.3
Feb	4.4	3.9	4.4	5.4	5.4	4.6	4.8
Mar	4.4	4.3	4.2	4.8	5.3	4.7	4.5
Apr	4.2	3.7	4.1	4.3	5.0	5.0	5.2
May	4.1	4.2	3.7	4.4	4.4	4.8	4.6
Jun	3.8	3.7	3.4	3.9	4.2	4.7	5.0

Source: IBGE.

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

Table 4

BRAZIL: PRICE INDEXES  
(Percentage variations)

	Domestic availability						National consumer price index					
	1985			1986			1985			1986		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	12.6	12.6	232.1	17.8	17.8	250.4	14.0	14.0	214.8	16.2	16.2	238.4
Feb	10.2	24.1	225.9	22.4	44.2	289.3	9.9	25.2	217.5	14.4	32.9	255.2
Mar	12.7	39.9	234.1	-0.9	42.9	242.4	11.9	40.0	223.9	-0.1	32.8	214.8
Apr	7.2	49.9	228.9	-0.6	42.1	217.5	9.5	53.3	221.3	0.8	33.9	191.6
May	7.8	61.6	225.3	0.3	42.5	195.6	6.7	63.6	215.6	1.4	35.7	176.8
Jun	7.8	74.3	221.4	0.5	43.1	175.2	7.8	76.4	212.8	1.3	37.5	160.4
Jul	8.9	89.8	217.3	0.6	44.0	154.2	8.8	91.8	204.8	1.2	39.2	141.2
Aug	14.0	116.4	227.0	1.3	45.9	125.9	12.3	115.3	219.4	1.7	41.5	118.9
Sep	9.1	136.2	222.9				10.7	136.5	219.2			
Oct	9.0	157.5	212.8				8.9	158.6	213.8			
Nov	15.0	196.0	227.2				11.2	186.4	215.7			
Dec	13.2	235.1	235.1				13.6	225.4	225.4			

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

Table 5

BRAZIL: TRADE BALANCE  
(Millions of dollars)

	Exports FOB			Imports FOB			Trade balance		
	1985	1986	Percentage	1985	1986	Percentage	1985	1986	Percentage
			variation			variation			variation
Monthly data									
Jan	1 571	1 910	21.6	1 045	1 209	15.6	526	701	33.3
Feb	1 470	1 751	19.1	985	1 032	4.8	485	719	48.2
Mar	1 957	2 157	10.3	1 064	1 014	-4.7	893	1 143	28.0
Apr	2 124	2 172	2.2	1 046	886	-15.3	1 079	1 286	19.2
May	2 239	2 291	2.3	1 006	1 038	3.2	1 233	1 253	1.6
Jun	2 195	2 001	-8.8	965	917	-4.9	1 230	1 084	-11.9
Jul	2 185	2 209	1.1	957	1 196	25.0	1 228	1 013	-17.5
Aug	2 170			1 073			1 097		
Sep	2 404			1 102			1 302		
Oct	2 370			1 256			1 113		
Nov	2 293			1 214			1 079		
Dec	2 664			1 441			1 223		
Cumulative figures									
Jan	1 571	1 910	21.6	1 045	1 209	15.6	526	701	33.3
Feb	3 041	3 661	20.4	2 031	2 241	10.4	1 010	1 420	40.6
Mar	5 000	5 818	16.4	3 094	3 255	5.2	1 905	2 563	34.5
Apr	7 121	7 990	12.2	4 140	4 141	0.0	2 981	3 849	29.1
May	9 360	10 281	9.8	5 146	5 179	0.6	4 214	5 102	21.1
Jun	11 554	12 282	6.3	6 111	6 127	0.3	5 444	6 155	13.1
Jul	13 739	14 492	5.5	7 068	7 140	1.0	6 671	7 352	10.2
Aug	15 907			8 141			7 768		
Sep	18 313			9 243			9 070		
Oct	20 683			10 499			10 184		
Nov	22 975			11 713			11 263		
Dec	25 639			13 154			12 486		

Source: CACEX and FUNCEX.

Table 6

BRAZIL: IMPORTS, FOB  
(Millions of dollars)

	1983	1984	1985	January-March		
				1985	1986	Percentage variation
Total	15 429	13 916	13 153	3 094	3 255	5.2
(Excluding crude petroleum)	7 607	7 181	8 005	1 698	2 222	30.9
Capital goods	2 505	2 151	2 480	489	715	46.2
Intermediate goods	12 130	11 065	9 880	2 434	2 295	-5.7
Fuels and lubricants	8 607	7 346	6 177	1 509	1 234	-18.2
Crude petroleum	7 822	6 735	5 148	1 397	1 032	-26.1
Others	785	610	1 029	112	202	80.4
Other intermediate goods	3 524	3 719	3 703	925	1 061	14.7
Consumer goods	793	700	793	171	245	43.2

Source: FUNCEX and Central Bank.

Table 7

BRAZIL: EXPORTS, FOB  
(Millions of dollars)

	1983	1984	1985	January-April		
				1985	1986	Percentage variation
Total	21 899	27 005	25 639	7 121	7 990	12.2
Basic commodities	8 535	8 755	8 533	2 456	2 784	13.4
Coffee beans	2 096	2 564	2 338	893	989	10.8
Iron ore	1 428	1 445	1 412	472	504	6.8
Soya meal and cake	1 793	1 460	1 177	254	366	44.1
Soya beans	309	454	764	166	65	-44.5
Unrefined sugar	323	326	166	76	73	-4.2
Others	2 586	2 506	2 676	645	788	22.2
Industrial products	13 057	17 955	16 822	4 579	5 140	12.3
Semimanufactures	1 782	2 824	2 760	733	865	18.0
Manufactures	11 275	15 131	14 062	3 846	4 275	11.2
Transport equipment	1 452	1 354	1 688	398	420	5.5
Machinery, boilers & mechanical equipment	1 106	1 396	1 574	416	456	9.7
Electrical machinery and equipment	448	591	550	156	249	59.2
Footwear	713	1 072	964	258	291	22.1
Orange juice	608	1 415	753	249	233	-6.4
Processed coffee	252	292	269	173	114	-34.3
Others	6 696	9 011	8 234	2 216	2 513	13.4
Other products (a)	307	275	284	87	66	-24.3

Source: Banco do Brazil, CACEX.

a: Includes consumption on board aircraft and ships, re-exports and special transactions.

Table 8

BRAZIL: EXCHANGE RATE

	Official exchange rate (Cruzados per dollar)			Adjusted real exchange rate (a) (Index 1980=100)		
	1984	1985	1986	1984	1985	1986
Jan	1.02	3.36	11.31	112.6	109.0	103.9
Feb	1.13	3.76	13.03	112.5	111.8	101.6
Mar	1.27	4.16	13.84	115.7	118.5	107.5
Apr	1.39	4.72	13.84	115.0	115.0	107.9
May	1.51	5.24	13.84	114.6	120.6	108.3
Jun	1.65	5.74		113.5	122.3	
Jul	1.82	6.22		113.5	123.3	
Aug	1.99	6.71		113.9	114.2	
Sep	2.20	7.46		112.1	115.3	
Oct	2.45	8.19		109.1	115.9	
Nov	2.74	8.93		110.5	107.8	
Dec	2.99	9.91		109.9	108.9	

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 wholesale price index and adjusted by the United States wholesale price index.

Table 9

BRAZIL: BALANCE OF PAYMENTS  
(Millions of dollars)

	1984	1985	January-March		1986 (a)
			1985	1986	
Balance on current account (b)	517	275	-1 185	-557	700
Balance on goods and services	11 345	10 769	1 674	2 061	10 700
Goods balance	13 089	12 471	2 022	2 568	12 800
Non-factor services	-1 744	-1 702	-348	-507	-2 100
Factor services	-10 999	-10 648	-2 891	-2 643	10 100
Net payments of interest	-10 203	-9 589	-2 568	-2 360	-9 000
Profits and dividends (b)	-796	-1 059	-323	-283	-1 100
Unrequited transfer payments	171	154	32	25	100
Balance on capital account	6 114	268	796	344	100
Direct investment (b)	1 076	710	281	224	800
Medium- and long-term capital	9 116	1 662	408	632	1 149
Gross receipts	16 932	12 195	2 306	3 437	14 181
Amortization payments (c)	-7 816	-10 533	-1 898	-2 805	-13 032
Short-term capital	-3 367	-1 575	330	-355	-1 269
Other capital	-711	-525	-223	-157	580
Errors and omissions	403	-529	475	-287	-
Balance (variation in net reserves for balance of payments purposes) (d)	7 034	14	86	-500	800
Liabilities on operations connected with international reserves	- 7	-471	-614	-11	-756
Global balance	7 027	-457	-528	-511	44

Source: Central Bank.

a: Projection. b: Excluding reinvested profits and dividends.

c: Including refinanced amortization commitments (project 2). d: Represents the quantitative balance-of-payments target agreed with the IMF.

Table 10

BRAZIL: INTERNATIONAL RESERVES (a)  
(Millions of dollars)

Quarter	1984	1985	1986
I	5 936	11 454	10 482
II	7 950	11 647	...
III	9 639	11 861	...
IV	11 995	11 608	...

Source: Central Bank.

a: Balances at ends of periods.



Table 11

BRAZIL: MONEY SUPPLY AND MONETARY BASE  
(Percentage variations)

	Money supply				Monetary base (a)			
	Year(b)		12 Ms. (c)		Year(b)		12 Ms. (c)	
	1985	1986	1985	1986	1985	1986	1985	1986
Jan	-6.9	-6.3	187.3	333.3	-11.6	1.0	189.0	246.2
Feb	5.0	5.8	217.8	334.0	0.4	13.3	216.0	242.0
Mar	15.7	85.5	222.5	590.1	-3.9	54.0	197.3	385.4
Apr	27.9		209.4		-2.7		152.7	
May	38.1		219.2		10.1		163.6	
Jun	64.7		258.2		18.8		159.6	
Jul	82.5		260.8		30.7		163.0	
Aug	107.4		280.2		49.1		176.1	
Sep	139.7		288.7		71.6		182.7	
Oct	148.7		283.5		78.6		173.9	
Nov	215.1		318.7		113.9		191.2	
Dec	330.4		330.4		202.9		202.9	

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: NATIONAL TREASURY INCOME  
(Millions of cruzados)

	January-May		Percentage variation
	1985	1986	
A. Income	37 703	141 680	275.8
Taxes on:	26 816	106 835	298.4
Income	15 996	58 479	265.6
Manufactured goods	4 327	24 963	476.9
Financial transactions	1 823	8 367	359.0
Imports	1 212	4 832	298.7
Exports	961	539	-43.9
Fuels and lubricants	283	1 366	382.7
Electric energy	676	3 401	403.1
Others	1 538	4 888	217.8
Non-tax income	10 887	34 845	220.1
B. Expenditure	26 462	155 963	489.4
C. Balance (A-B)	11 241	-14 283	-

Source: Central Bank.



## COLOMBIA

The sudden, pronounced rise in the international price of coffee favourably affected both the current situation and future prospects of the Colombian economy. During the first half of 1986 there was a considerable turnaround in the balance of payments, domestic demand expanded, and the expectations of the economic agents improved. At the same time, an unexpected drop in the level of consumer prices in May and June brought down the rate of inflation and helped to increase the purchasing power of wages. On the other hand, however, the unemployment rate continued to rise and by mid-year it had reached a record level in the main cities of the country (figure 1).

In the first seven months of the year, the international price of Colombian coffee was 50% higher than in the same period of 1985 (table 1). As a result of this rise and of the increase in the volume exported, the value of coffee exports grew by 54% in the first half of 1986. Furthermore, in this period the value of non-coffee exports increased by 10%, so that the total value of exports of goods exceeded US\$ 2 billion and was 35% greater than in the same period of the previous year. Thanks to this increase, the merchandise trade surplus doubled even though imports rose by almost 19%. As at the same time there was a marked reduction in the deficit on the services account, the current account generated a surplus of rather more than US\$ 500 million in the first half of 1986, in contrast with a deficit of US\$ 180 million in the corresponding period of 1985 (table 5).

This surplus --the first achieved since 1979-- was used largely to reduce external indebtedness and especially to pay off the loan of US\$ 229 million granted in February 1985 by the Andean Development Fund. The rest of the surplus on current account was used to increase international reserves, which, after having gone down steadily in the previous four years from a maximum of around US\$5.6 billion in 1981 to less than US\$1.7 billion in October 1985, recovered to almost US\$2.5 billion in mid-1986 (table 6).

In view of the improved balance of payments results, the authorities reduced the rate of increase of the exchange rate. Thus, in the first seven months of the year the exchange rate rose by only 15%, compared with 29% in the same period in 1985. As at the same time there was a slackening in the rate of inflation, however, the adjusted real exchange rate remained during the first half of 1986 at the very high level registered in the last quarter of the previous year (table 7).

The increase in international reserves brought about by the coffee boom was also the main source of the considerable expansion of the means of payments, the supply of which increased by almost 38% in the twelve months ending in June 1986, thus exceeding by almost 10 percentage points the originally planned increase. In order to try to reduce the excessive growth of the money supply, the authorities eliminated the minimum periods applicable to drafts for paying for imports, increased the periods for turning over export receipts, increased the ceiling on the amount of dollars that could be sold for foreign travel, and reduced the restrictions on imports. Furthermore, after having been fixed in January, interest rates were freed in mid-year.

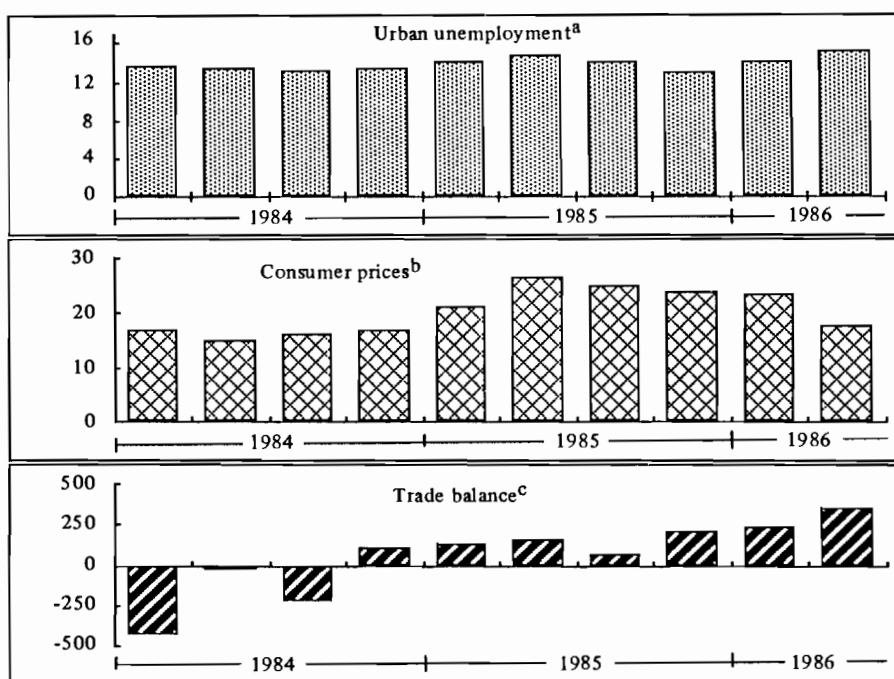
Despite the rapid increase in the money supply, inflation went down. Thus, in the first eight months of the year consumer prices rose by 11.6%, compared with 17.7% in the corresponding period of 1985 (table 4). This slackening of inflation was due exclusively, however, to the drop in the price level in May and June. This reduction, in turn, was caused by the decline of

5% registered in that two month-period in food prices, as a result both of increased harvests (thanks to the very favourable weather conditions) and the considerable smuggling of agricultural products from Venezuela, which was encouraged by the rise in the dollar in the free sector of the Venezuelan foreign exchange market.

In the first half of the year, there was an appreciable increase in the extraction of crude petroleum and precious metals, while production of steel and motor vehicles also grew vigorously (table 2). In addition, as a result of the increase in income (which was particularly significant in the coffee-growing areas) and the rise in real wages due to nominal hikes at the beginning of the year and the subsequent slackening of inflation, domestic demand expanded considerably. According to preliminary figures of the National Association of Industries, sales of manufactures are estimated to have risen by over 8% in the first four months of the year. Nevertheless, due to the lag between the increase in sales and the expansion of employment, and also on account of the drop in the volume of new construction, unemployment rates continued to be very high in the main urban centres and in June they came to an average of 15%, the highest figure ever registered in the country. However, they will probably go down in the second half of the year, since according to recent official and private estimates gross domestic product is expected to increase by around 5% in 1986.

Figure 1

COLOMBIA: QUARTERLY EVOLUTION OF SELECTED ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

<sup>a</sup>Average rate in Bogotá, Barranquilla, Cali and Medellín.  
to the same quarter of the previous year.

<sup>b</sup>Percentage variation with respect

<sup>c</sup>Millions of dollars.

Table 1

## COLOMBIA: COFFEE PRICES (a)

	Dollars per pound (453.6 grams)				Percentage variation (b)			
	1985		1986		1985		1986	
	Month	Year (c)	Month	Year (c)	Month	Year	Month	Year
Jan	1.46	1.46	2.35	2.35	2.1	2.1	61.0	61.0
Feb	1.44	1.45	2.27	2.31	-1.4	--	57.6	59.3
Mar	1.41	1.44	2.38	2.33	-4.7	-1.4	68.8	61.8
Apr	1.41	1.43	2.24	2.31	-6.0	-2.7	58.9	61.5
May	1.42	1.43	2.09	2.27	-5.3	-2.7	47.2	58.7
Jun	1.41	1.43	1.75	2.18	-4.1	-2.7	24.1	52.4
Jul	1.34	1.41	1.71	2.11	-6.3	-4.1	27.6	49.6
Aug	1.33	1.40	1.77	2.07	-8.3	-4.8	33.1	47.9
Sep	1.33	1.39			-5.7	-4.8		
Oct	1.40	1.40			2.9	-3.4		
Nov	1.55	1.41			10.7	-2.1		
Dec	1.97	1.46			39.7	1.4		

Source: National Coffee-Growers' Federation.

a: Average price on the New York exchange for the "other milds" variety.

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

c: Average between January and the month in question.

Table 2

COLOMBIA: INDICATORS OF ECONOMIC ACTIVITY  
(January- June)

	1985	1986	Percentage variation
Mining			
Crude oil (a) (b)	25.4	37.0	46.0
Gold (c)	512.4	726.1	41.7
Silver (c)	76.8	91.9	19.6
Iron ore (d)	205.6	197.0	-4.2
Manufacturing			
Sugar (b) (d)	622.3	466.5	-25.0
Cement (d) (e)	1 748.4	1 859.7	6.4
Steel ingots (d)	105.7	128.4	21.5
Assembled vehicles (f) (g)	4 605.0	6 861.0	49.0
Construction (h) (i)			
Total	1 466.6	1 394.2	-4.9
Bogotá	565.1	446.3	-21.0
Medellín	443.9	309.0	-30.3
Cali	222.2	447.9	101.6
Barranquilla	21.1	36.4	72.4

Source: Banco de la República: Revista, various issues, and Síntesis Económica.

a: Millions of barrels. b: January-May. c: Thousands of troy ounces.

d: Thousands of tons. e: January-April. f: January-February. g: Units.

h: January-March. i: Thousands of square metres.

Table 3

## COLOMBIA: RATE OF UNEMPLOYMENT

	1985				1986	
	March	July	September	December	April	June
Total	14.2	14.7	14.2	13.1	14.2	15.1
Bogotá	13.7	13.2	12.6	11.7	14.3	14.2
Barranquilla	14.3	17.9	17.5	13.1	16.0	18.1
Cali	13.4	15.4	15.2	13.7	12.4	13.5
Medellín	16.1	16.5	15.6	15.7	15.1	17.2

Source: ECLAC, on the basis of data supplied by the National Bureau of Statistics (DANE).

Table 4

COLOMBIA: PRICE INDEX  
(Percentage variations)

	Consumer price index						Wholesale price index (a)					
	1985			1986			1985			1986		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	2.2	2.2	19.3	3.2	3.2	23.5	2.6	2.6	21.2	3.5	3.5	24.0
Feb	3.0	5.3	21.2	3.2	6.4	23.7	2.9	5.6	23.3	2.5	6.1	23.5
Mar	3.1	8.6	22.8	2.2	8.8	22.6	2.6	8.3	24.7	2.1	8.3	23.0
Apr	2.8	11.6	23.8	2.7	11.7	22.5	2.5	11.1	24.6	2.6	11.1	23.0
May	4.5	16.8	27.6	-0.7	10.9	16.4	3.0	14.4	26.0	0.8	12.0	20.4
Jun	1.8	18.8	27.9	-0.7	10.1	13.5	2.4	17.2	27.2			
Jul	-0.6	18.1	25.6	0.0	10.1	14.1	0.7	18.1	26.4			
Aug	-0.4	17.7	24.7	1.4	11.6	16.4	0.5	18.7	26.0			
Sep	0.9	18.8	24.4				0.9	19.8	26.0			
Oct	0.9	19.7	24.8				0.9	20.9	26.0			
Nov	1.0	20.9	23.5				1.1	22.2	24.6			
Dec	1.3	22.5	22.5				0.6	23.0	23.0			

Source: National Bureau of Statistics (DANE).

a: Includes raw materials, consumer goods and capital goods.

Table 5

COLOMBIA: BALANCE OF PAYMENTS  
(Millions of dollars)

	Year	January-June		Percentage variation
	1985	1985	1986	
Balance on current account	144	-181	504	-
Trade balance (goods)	983	300	606	102.0
Exports FOB	2 829	1 516	2 048	35.1
Coffee	1 575	861	1 324	53.8
Other	1 254	655	723	10.5
Purchases of gold	407	207	335	61.7
Imports FOB	2 254	2 216	1 442	18.6
Balance on services and other current transactions	-840	-688	-437	-36.6
Balance on capital account	302	197	-312	-
Global balance	446	16	192	-
Variation in gross reserves	426	-14	172	-

Source: ECLAC, on the basis of official data.

Table 6

COLOMBIA: INTERNATIONAL RESERVES  
(Millions of dollars)

	Amount		Variation			
			Month		Year (a)	
	1985	1986	1985	1986	1985	1986
Jan	1 689	2 101	-107	34	-107	34
Feb	1 650	2 141	-39	40	-146	74
Mar	1 677	2 217	27	76	-188	150
Apr	1 513	2 151	-165	-66	-283	84
May	1 552	2 219	39	68	-244	152
Jun	1 687	2 482	135	263	-109	415
Jul	1 643		-44		-152	
Aug	1 620		-23		-175	
Sep	1 725		104		-71	
Oct	1 681		-43		-114	
Nov	1 840		159		45	
Dec	2 067		227		272	

Source: Banco de la República.

a: With respect to December of the preceding year.

Table 7

## COLOMBIA: EXCHANGE RATES

	Official exchange rate (Pesos per dollar)			Adjusted real exchange rate (a) (1980 = 100)		
	1984	1985	1986	1984	1985	1986
Jan	89.8	115.2	173.5	105.6	112.3	135.9
Feb	91.6	118.3	177.4	106.8	111.9	133.8
Mar	93.5	123.2	179.5	108.1	113.5	130.7
Apr	95.4	129.4	184.4	107.6	116.4	129.8
May	97.5	136.0	188.6	108.1	119.0	132.3
Jun	99.4	140.8	192.2	108.5	120.2	...
Jul	101.7	145.5	195.2	109.9	123.1	...
Aug	103.7	150.0	199.1	110.6	125.4	...
Sep	105.9	155.3		111.2	128.1	
Oct	108.1	160.3		112.6	131.9	
Nov	110.4	164.6		112.8	134.8	
Dec	112.9	169.2		113.0	137.9	

Source: ECLAC, on the basis of figures supplied by the International Monetary Fund.

a: Index of the nominal exchange rate, deflated by the domestic-goods subindex of the wholesale price index and adjusted by the United States wholesale price index.

Table 8

COLOMBIA: NATIONAL GOVERNMENT INCOME AND EXPENDITURE (a)  
(January-May)

	Billions of pesos			Percentage variation		
	1984	1985	1986	1984	1985	1986
Current income (net)	102.0	125.6	198.5	21.7	23.1	58.1
Total payments	163.5	164.7	246.7	35.9	0.7	49.8
Operating expenditure	108.2	117.5	170.8	28.4	8.5	45.4
Interest payments on the debt	10.3	13.1	22.2	20.1	27.0	60.3
Domestic	1.4	1.5	0.9	256.2	10.5	-40.3
External	8.9	11.5	2.1	8.8	29.6	84.0
Investment	44.3	33.5	49.2	65.3	-24.5	46.9
Deficit	-61.5	-39.1	-48.2	68.6	-36.4	23.2
Financing	61.5	39.1	48.2	68.6	-36.4	23.2
Net external credit	7.0	-8.7	-24.0	--	--	--
Net domestic credit	41.2	41.4	33.6	28.8	0.4	-18.8
Decrease (increase) in cash holdings	133.4	6.4	38.6	139.0	-52.0	502.6

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

a: Effective transactions.



Table 9

COLOMBIA: MONETARY AGGREGATES  
(Percentage variations)

	Monetary base		Total Money supply		Private sector money supply (M1)		Loans		M2 (a)		Quasi-money (b)	
	Month (c)	Year (d)	Month (c)	Year (d)	Month (c)	Year (d)	Month (c)	Year (d)	Month (c)	Year (d)	Month (c)	Year (d)
1985												
Jan	-17.3	-17.3	5.9	5.9	-8.8	-8.8	2.9	2.9	2.3	2.3	10.2	10.2
Feb	-4.5	-21.0	-0.7	5.2	-2.0	-10.5	2.1	5.1	1.8	4.2	4.1	14.7
Mar	4.1	-17.7	1.3	6.5	0.4	-10.2	1.5	6.7	1.0	5.3	1.4	16.3
Apr	-4.2	-21.1	0.6	7.1	0.4	-9.8	1.6	8.4	1.3	6.6	1.8	18.4
May	4.3	-17.8	-0.3	6.8	1.4	-8.5	1.2	9.7	1.5	8.2	1.6	20.3
Jun	5.9	-12.9	2.2	9.1	3.4	-5.4	0.1	9.8	2.7	11.3	2.3	23.1
Jul	-5.3	-17.5	0.5	9.7	-1.2	-6.5	3.5	13.7	1.8	13.2	3.4	27.3
Aug	6.2	-12.4	5.3	15.4	3.0	-3.7	1.5	15.4	1.8	15.3	1.2	29.8
Sep	-2.7	-14.7	1.8	17.5	0.8	-3.0	2.3	18.0	1.9	17.5	2.5	32.1
Oct	-1.9	-16.3	0.5	18.1	1.4	-1.7	2.3	20.7	2.2	20.1	2.6	35.6
Nov	18.9	-0.5	7.2	26.6	8.7	6.9	1.7	22.8	3.6	24.4	1.0	36.9
Dec	26.5	25.9	1.7	28.7	19.3	27.5	2.1	25.4	7.2	33.3	0.5	37.5
1986												
Jan	-16.4	-16.4	7.3	7.3	-8.9	-8.9	5.6	5.6	2.9	2.9	10.7	10.7
Feb	2.6	-14.2	3.1	10.6	1.7	-7.3	3.0	8.7	2.7	5.7	3.2	14.2
Mar	-0.6	-14.4	-2.0	8.4	1.1	-6.3	2.5	11.4	1.8	7.6	2.2	16.8
Apr	--	-14.5	4.2	13.0	2.5	-4.0	0.9	12.4	1.1	8.7	0.3	17.1
May	2.2	-12.6	2.4	15.7	2.1	-2.0	2.2	14.9	2.6	11.6	2.9	20.5
Jun	5.5	-7.8	2.3	18.3	3.9	1.8	2.6	17.9	2.4	14.2	1.6	22.4
Jul	-4.9	-12.3	...	...	-1.7	--	1.9	20.2	1.1	15.5	2.7	25.7

Source: Banco de la República.

a: M1 plus quasi-money. b: Includes savings deposits, deposit certificates and housing corporations. c: With respect to the preceding month. d: With respect to December of the preceding year.

Table 10

COLOMBIA: INTEREST RATES ON 90-DAY DEPOSIT CERTIFICATES

	Projected nominal rate (a)			Effective weighted rate (b)		
	1984	1985	1986	1984	1985	1986
Jan	28.9	29.5	27.4	35.0	35.9	32.9
Feb	28.5	28.5	25.7	34.4	34.4	30.4
Mar	28.6	28.6	25.4	34.5	34.5	30.1
Apr	28.4	28.6	25.7	34.2	34.5	30.4
May	28.6	29.2	25.7	34.5	35.4	30.4
Jun	28.8	28.7	25.9	34.9	34.8	30.7
Jul	29.3	29.2	26.7	35.5	35.5	31.9
Aug	28.6	29.2		34.5	35.4	
Sep	28.7	29.6		34.7	36.1	
Oct	28.7	29.4		34.7	35.7	
Nov	29.1	29.3		35.3	35.5	
Dec	28.5	29.5		34.4	35.9	

Source: Banco de la República.

a: Comparable with the corresponding weighted effective rate. b: Based on the value of deposits in banks and financial corporations in Bogotá.



## CHILE

In the first half of 1986 there was a consolidation of the recovery which (with some ups and downs) had been registered by the Chilean economy since the end of 1983 after the deep decline of 14% suffered in 1982. Indeed, together with the increase in economic activity unemployment dropped, inflation continued to go down and the external sector registered a marked improvement (figure 1).

After having grown by 4.3% in the first quarter, the gross domestic product rose by a little over 7% in the second. Overall economic activity was thus almost 6% greater in the first half of 1986 than in the corresponding period of the previous year (table 1). The sectors producing goods and basic services made particularly important contributions to this expansion: agriculture and fisheries grew by 10%, mining and production of electricity, gas and water increased by 7.5%, and transport, manufacturing and construction expanded by around 6%; in contrast, commerce grew by 4.6% and other services by nearly 4%.

The expansion of the agricultural sector was led by increased production of fruit and considerably larger harvests of wheat, sugar beet, sunflower and grapes, which were encouraged by the protection provided by officially guaranteed minimum price ranges (table 2). The growth in mining, for its part, was due mainly to the increase of almost 9% in copper production and the big expansion, as in the previous three years, in coal mining (table 3). In manufacturing, the 8.4% growth in sales during the first seven months of the year was higher than the increase in production (7%), which recovered in mid-1986 the level it had reached in 1981 before the beginning of the crisis (table 4).

The recovery of the economy brought with it a further decline in unemployment, which, after having climbed to the extraordinarily high level of around 20% in the 1982-1983 period but having gone down by the end of 1985 to 15% in the Santiago metropolitan area and to 12% in the country as a whole, dropped by mid-1986 to average levels of approximately 13% in the capital and 11% at the national level (table 6). The reduction in unemployment also coincided with a considerable decline in the number of persons registered in the government's emergency employment programmes, from rather more than 330 000 in May-July 1985 to a little under 228 000 in the same period of 1986.

At the same time that economic activity and employment increased, inflation went down markedly and steadily. In the first eight months of the year, the consumer price index rose by 10.6%, compared with almost 20% in the equivalent period of 1985, while between these two periods the rate of increase of the wholesale price index declined from 25.4% to 14.5% (table 7). This slackening of the rate of inflation was caused by various factors. First of all, it was due to the drop in external inflation and the very slight increase in the exchange rate, which went up by less than 6% in the period January-August (table 9). As a result of these two factors, local currency prices of imported goods went down by a little more than 2% in the first eight months of the year. The deceleration in the rate of increase of costs and prices also was facilitated by a reduction of the overall public sector deficit, the drop in interest rates, and the almost complete stability of real wages and salaries, which, after having fallen by 15% between 1981 and 1985, showed practically no variation in the first half of 1986 compared with the corresponding period in the previous year or in comparison with December 1985 (table 8). Over the same period, in contrast, interest rates went down steadily, so that the average annual rate charged on readjustable loans in

June (7.6%) was considerably below the rate of 9.6% charged on such operations in mid-1985 (table 15).

As in 1985, the growth in economic activity was also accompanied by an increase in the trade surplus. Up to August, it was 45% bigger than in the first eight months of 1985 and was equivalent to 95% of the amount which the economic authorities had expected to be achieved for the whole year (table 10).

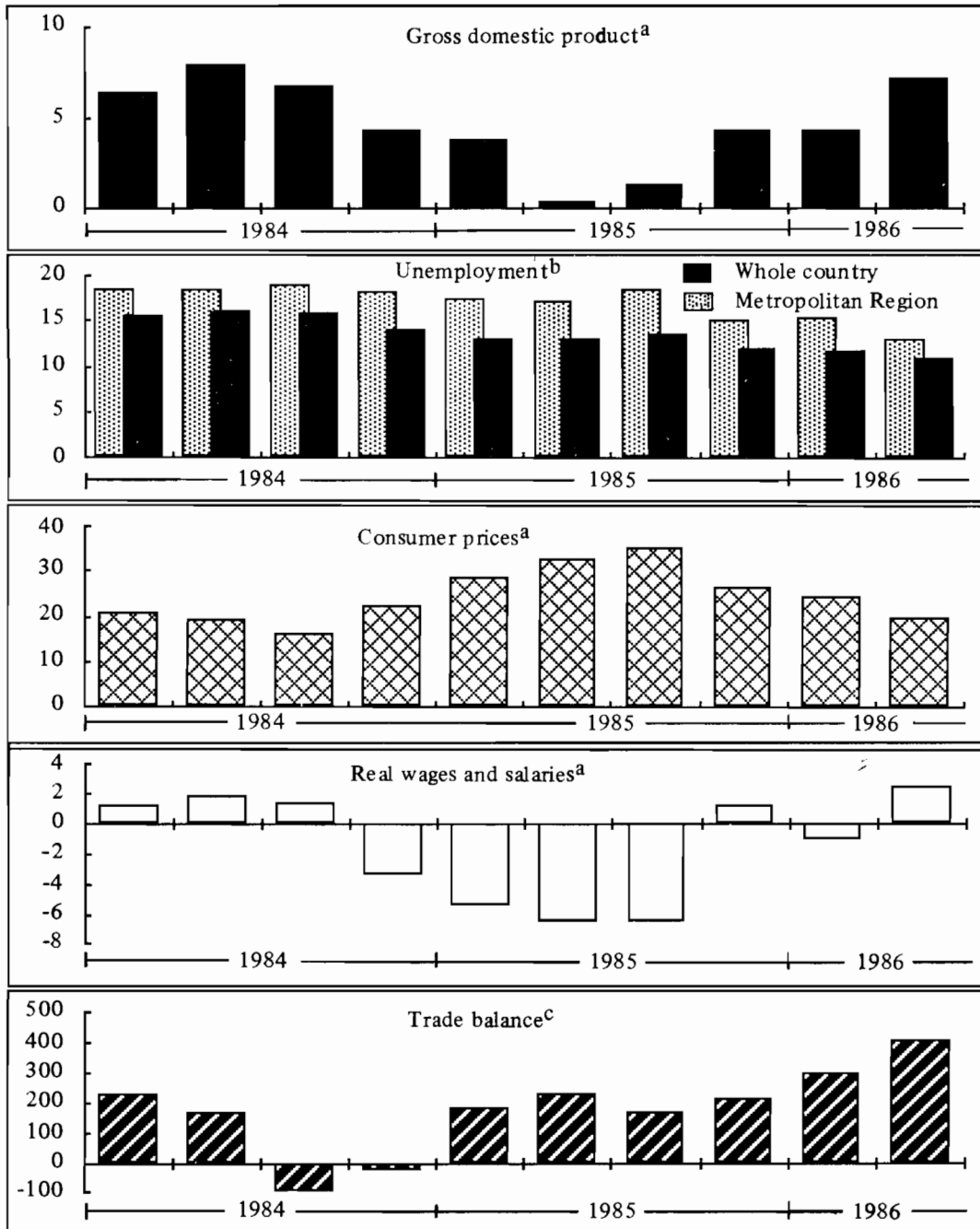
This considerable increase in the trade surplus was due exclusively to the growth of exports, whose value increased by 12%. This growth was due to increases of 6% in mineral exports, nearly 19% in those of agricultural products, and over 17% in foreign sales of industrial goods. The increase in the latter took place entirely between April and August, when sales of these goods increased by 26% compared with the same period in 1985 (table 11).

In contrast, the value of imports in the first eight months of the year was almost unchanged from that of the corresponding period of 1985. This stability of imports, however, was the net result of the opposing changes displayed by its various components. While imports of consumer goods went down by 5% because of the 46% contraction in foreign purchases of foodstuffs, and those of intermediate goods fell by 2% (mainly as a result of the decline in the international price of petroleum), imports of capital goods grew by 16%. This increase took place entirely in the second four months of the year, when imports of capital goods were 34% higher than those made in the same period of 1985 (table 12).

Finally, in the first quarter of 1986 there was an interruption in the upward trend which the external debt had been displaying for many years past. Thus, in this period the debt went down by around US\$ 65 million, mainly as a result of operations connected with the purchase of external debt promissory notes on the secondary market, portfolio changes, and the condonation of debts by some foreign creditors. Thanks to this reduction of the total external indebtedness (which, it is estimated, continued to take place in the second quarter) and thanks above all to the decline in international interest rates, interest payments went down in 1986 for the second year running. As a result of this drop and of the increased trade surplus, there will also be a decline for the second year running in the current account deficit (table 14).

Figure 1

CHILE: QUARTERLY EVOLUTION OF THE MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

<sup>a</sup>Percentage variation with respect to the same quarter of the previous year.

<sup>b</sup>Average rate.

<sup>c</sup>Millions of dollars.

Table 1

CHILE: GROSS DOMESTIC PRODUCT  
(Percentage variations) (a)

	1985 (b)					1986 (b)		
	I	II	III	IV	Year	I	II	I + II
Total	3.8	0.4	1.4	4.3	2.4	4.3	7.2	5.8
Agriculture	7.5	6.5	1.7	4.4	5.6	12.4	7.7	10.1
Fishing	34.9	-18.9	3.6	11.2	5.6	-22.9	51.4	9.8
Mining	-3.7	-3.6	9.0	7.2	2.2	5.6	9.1	7.4
Industry	2.8	-1.2	-0.5	3.7	1.2	1.7	9.6	5.8
Electricity, gas and water	3.7	-0.7	4.7	6.6	3.5	6.8	8.0	7.5
Construction	16.7	11.4	18.8	17.6	16.1	8.0	3.5	5.7
Commerce	5.0	0.9	-1.1	2.3	1.7	3.0	6.1	4.6
Transport	3.5	3.7	3.4	11.4	5.5	5.8	7.4	6.6
Other	1.6	-1.2	-1.3	1.1	-	3.3	4.6	3.9

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			Percentage variation		
	1984	1985	1986	1984	1985	1986
Wheat	9 883	11 647	16 258	68.7	17.8	39.6
Oats	1 630	1 704	1 244	11.4	4.5	-27.0
Barley	735	850	681	0.4	15.6	-19.9
Rye	44	115	86	-2.2	161.9	-25.0
Rice	1 650	1 566	1 267	42.7	-5.1	-19.1
Maize	7 214	7 718	7 213	41.0	7.0	-6.5
Beans	941	1 007	892	11.5	7.0	-11.4
Lentils	160	247	290	15.9	54.1	17.6
Chickpeas	69	92	89	115.6	32.6	-3.3
Peas	63	63	48	10.5	--	-24.9
Potatoes	10 362	9 086	7 911	51.6	-12.3	-12.9
Field peas	--	23	30	--	--	33.2
Sunflower	74	325	544	60.9	336.4	67.3
Rape	41	319	971	41.4	678.0	204.3
Sugar beet	21 940	21 244	26 384	33.6	-3.3	24.2
Lupin	--	164	97	--	--	-41.0
Tobacco	61	78	79	--	27.9	1.0

Source: National Statistical Institute (INE).

Table 3

CHILE: MINING PRODUCTION  
(First half of year)

	Copper (a)	Molybdenum (b)	Silver (b)	Gold (c)	Iron ore (a) (d)	Iron ore (a) (e)	Coal (a)	Petroleum (f)	Nitrate
1985	628	8 515	248	7 781	2 990	1 570	556	1 049	...
1986	683	8 756	252	7 491	3 200	1 400	651	1 018	...
Percentage variation									
	8.7	2.8	1.6	-3.7	5.5	-11.2	17.2	-2.9	5.4

Source: National Statistical Institute (INE).

a: Thousands of metric tons. b: Metric tons. c: Kilogrammes. d: Crude iron ore. e: Pellets. f: Thousands of cubic metres.

Table 4

CHILE: INDUSTRIAL OUTPUT  
(Percentage variations)

	SOFOFA						INE		
	Production			Sales			Production		
	Month (a)	12 Ms. (b)	Year (c)	Month (a)	12 Ms. (b)	Year (c)	Month (a)	12 Ms. (b)	Year (c)
1985									
Jan	-6.3	-2.6	-2.6	-10.5	2.7	2.7	-3.3	2.0	-3.3
Feb	-1.5	2.9	-	2.1	3.7	3.3	-6.6	2.3	2.1
Mar	11.0	-3.3	-1.2	13.0	1.0	2.4	19.2	-1.1	1.0
Apr	1.2	1.2	-0.6	-3.7	1.7	2.2	0.2	0.6	0.8
May	3.0	-2.1	-0.9	0.5	-0.7	1.2	1.3	-3.7	-0.2
Jun	-3.4	-6.6	-2.0	-6.7	-5.6	0.3	0.2	-5.7	-1.2
Jul	5.3	2.1	-1.3	5.9	1.0	0.5	8.0	4.6	-0.3
Aug	-3.0	-5.6	-1.9	1.3	1.5	0.6	-4.3	-4.5	-0.9
Sep	-7.6	0.2	-1.7	0.3	5.2	1.1	-5.1	2.0	-0.6
Oct	11.5	0.8	-1.4	8.3	8.7	1.9	13.4	-0.3	-0.6
Nov	-4.5	0.0	-1.3	-3.7	10.4	2.6	-8.3	-3.7	-0.9
Dec	3.0	7.7	-0.6	4.9	9.9	3.3	5.6	10.8	0.1
1986									
Jan	-8.0	5.7	5.7	-7.8	13.1	13.1	-6.8	6.8	6.8
Feb	-1.2	6.0	5.8	-5.1	5.1	9.0	-13.1	-0.7	3.2
Mar	9.5	4.5	5.3	11.5	3.7	7.1	21.1	0.9	2.3
Apr	8.7	11.4	7.0	3.1	11.0	8.2	13.8	14.6	5.6
May	-1.0	7.0	7.0	-3.3	6.8	7.9	-3.4	10.7	6.4
Jun	0.1	10.9	7.6	-2.9	11.2	8.4	-1.0	7.9	6.7
Jul	0.5	5.9	7.4	3.6	8.7	8.4	4.1	4.0	6.2

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

a: Variation with respect to the preceding month. b: Variation with respect to the same month of the preceding year. c: Cumulative variation with respect to the same period of the preceding year.

Table 5

CHILE: BUILDING PERMITS APPROVED AND BUILDING STARTS IN  
SELECTED COMUNES (a)

	Total construction				Housing					
	Surface area (b)		Variation (c)		Number		Surface area (b)		Variation (c)	
	1985	1986	1985	1986	1985	1986	1985	1986	Number	Surface area
Jan	402.5	281.6	81.1	-30.0	7 385	3 251	350.0	200.3	-56.0	-42.8
Feb	184.8	208.4	49.6	-16.6	2 389	2 695	140.4	153.2	-39.2	-27.9
Mar	204.7	220.5	33.0	-10.3	2 968	2 805	152.0	169.5	-31.3	-18.6
Apr	226.4	237.7	12.3	-6.9	2 996	2 966	175.8	173.3	-25.5	-14.9
May	167.0	152.4	5.5	-7.2	2 048	1 640	117.2	100.8	-24.9	-14.8
Jun	232.2	308.2	6.4	-0.6	3 786	4 509	194.3	253.3	-17.2	-7.0
Jul	262.3		10.8		4 383		216.1			
Aug	175.1		11.0		2 555		141.3			
Sep	297.5		15.5		5 238		238.1			
Oct	340.3		19.0		4 479		227.0			
Nov	318.4		17.4		5 712		272.1			
Dec	430.6		18.4		7 340		476.2			

Source: National Statistical Institute (INE).

a: New construction projects in the public and private sectors. b: Thousands of square metres. c: Cumulative percentage variation with respect to the same period of the preceding year.

Table 6

CHILE: UNEMPLOYMENT RATE  
(Quarterly averages)

Quarters ending in:	1984		1985		1986	
	Metropolitan region	Nation- wide	Metropolitan region	Nation- wide	Metropolitan region	Nation- wide
Jan	17.1	14.7	16.9	13.0	15.2(b)	12.2
Feb	17.4	15.0	16.9	12.8	15.1	12.0
Mar	18.3	15.5	17.3	13.0	15.4	11.8
Apr	18.9	15.9	17.6	13.0	14.5	11.1
May	18.6	15.8	17.0	12.8	13.8	11.0
Jun	18.4	16.2	17.2	12.9	13.0	11.0
Jul	17.8	16.0	17.1	13.1	12.4	10.8
Aug	18.5	16.1	18.1	13.4		
Sep	19.0	15.7	18.4	13.6		
Oct	19.1	15.3	17.8(a)	13.6(a)		
Nov	18.7	14.6	16.3	13.0		
Dec	18.1	14.0	15.1	11.9		

Source: National Statistical Institute (INE).

a: From October onwards, the figures are not wholly comparable with those for the preceding months due to a change in the size of the sample. b: From January onwards, the figures are entirely comparable only with those for December 1985.

Table 7

CHILE: PRICE INDEX  
(Percentage variations)

	Consumer price index						Wholesale price index					
	1985			1986			1985			1986		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	3.1	3.1	26.8	2.7	2.7	25.9	5.2	5.2	44.1	2.1	2.1	26.5
Feb	2.0	5.2	29.6	0.9	3.6	24.5	3.0	8.3	45.9	1.7	3.9	24.9
Mar	2.8	8.2	29.9	1.5	5.2	22.9	1.9	10.4	44.6	1.2	5.1	24.0
Apr	2.3	10.6	30.9	1.4	6.6	21.8	3.3	14.1	47.4	1.1	6.3	21.4
May	2.0	12.9	32.0	0.7	7.4	20.3	2.6	17.1	47.6	-0.8	5.5	17.3
Jun	3.7	17.0	35.1	1.3	8.8	17.6	3.9	21.6	51.4	1.9	7.5	15.1
Jul	1.3	18.5	35.7	1.0	9.9	17.2	2.4	24.5	52.7	3.5	11.2	16.4
Aug	0.9	19.6	36.5	0.6	10.6	16.9	0.7	25.4	52.2	2.9	14.5	18.9
Sep	1.2	21.0	34.3				1.8	27.7	44.2			
Oct	1.5	22.9	26.0				1.4	29.5	35.6			
Nov	1.6	24.8	26.5				0.6	30.3	31.9			
Dec	1.3	26.4	26.4				-	30.3	30.3			

Source: National Statistical Institute (INE).



Table 8

## CHILE: INDEX OF REAL WAGES AND SALARIES

	Index of real wages and salaries (a) (December 1982=100)			Percentage variations					
				1985			1986		
	1984	1985	1986	Month	Year (b)	12Ms. (c)	Month	Year (b)	12Ms. (c)
Jan	100.1	95.6	93.9	3.7	-4.6	-4.6	-0.1	- 1.8	-1.8
Feb	100.8	95.1	93.5	-0.5	-5.1	-5.7	-0.4	- 1.7	-1.7
Mar	98.9	93.1	93.3	-2.1	-5.3	-5.9	-0.2	- 1.1	0.2
Apr	99.3	93.5	93.9	0.5	-5.5	-5.8	0.6	- 0.7	0.3
May	99.0	93.2	95.4	-0.4	-5.5	-5.8	1.6	- 0.1	2.3
Jun	98.5	90.4	94.6	-3.0	-6.0	-8.3	-0.8	0.6	4.7
Jul	98.2	91.1		0.9	-6.2	-7.2			
Aug	99.1	91.4		0.3	-6.4	-7.8			
Sep	96.3	92.0		0.7	-6.2	-4.5			
Oct	90.5	91.8		-0.2	-5.6	1.5			
Nov	91.7	91.9		0.1	-5.0	0.2			
Dec	92.2	93.9		2.2	-4.4	1.9			

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 9

## CHILE: EXCHANGE RATE

	Nominal exchange rate on the banking market (Pesos per dollar)		Adjusted real exchange rate (a) (Index 1980=100)	
	1985	1986	1985	1986
Jan	129.0	184.8	153.6	170.5
Feb	131.8	186.7	151.3	166.8
Mar	145.7	189.2	163.9	164.9
Apr	148.8	189.2	162.4	159.6
May	152.2	187.9	162.6	160.6
Jun	155.1	188.8	157.7	155.4
Jul	170.8	190.4	167.9	150.4
Aug	176.5	193.3	171.8	146.8
Sep	178.2		169.5	
Oct	179.2		169.5	
Nov	180.7		170.3	
Dec	182.5		172.2	

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 domestic-goods subindex of the wholesale price index and adjusted by the United States wholesale price index.

Table 10

## CHILE: TRADE BALANCE

Millions of dollars							Percentage variation (a)				
Exports FOB		Imports FOB		Trade balance		Exports		Imports		Trade balance	
Month	Year	Month	Year	Month	Year	Month	Year	Month	Year	Year	
1985											
Jan	269	269	270	270	- 1	- 1	-4.9	-4.9	4.7	4.7	...
Feb	270	538	215	485	54	53	-12.1	-8.7	-9.7	-2.2	-43.6
Mar	394	932	268	753	126	179	2.6	-4.2	7.2	0.9	-21.1
Apr	365	1 297	237	990	128	307	-4.9	-4.4	-12.9	-2.7	-9.7
May	322	1 619	258	1 248	64	371	-2.1	-4.0	-21.8	-7.3	9.4
Jun	264	1 883	228	1 476	37	408	-18.5	-6.3	-15.9	-8.8	4.1
Jul	301	2 184	229	1 705	72	479	-2.3	-5.8	-19.1	-10.3	14.9
Aug	317	2 501	272	1 977	45	555	21.9	-3.0	-24.0	-12.5	64.3
Sep	274	2 775	223	2 200	51	575	5.8	-2.2	-20.6	-13.4	93.6
Oct	336	3 111	249	2 449	87	662	31.8	0.6	-21.9	-14.3	185.3
Nov	294	3 404	261	2 711	32	694	8.9	1.3	-9.4	-13.9	224.3
Dec	339	3 743	244	2 955	95	788	17.3	2.5	16.2	-12.0	178.4
1986											
Jan	287	287	260	260	27	27	7.0	7.0	-3.7	-3.7	--
Feb	314	601	209	469	105	132	16.5	11.7	-3.2	-3.5	149.0
Mar	371	972	204	673	166	298	-5.9	4.3	-23.8	-10.7	67.2
Apr	460	1 432	257	930	204	502	26.3	10.5	8.5	-6.1	63.9
May	363	1 795	237	1 166	126	628	12.5	10.9	-8.3	-6.6	69.5
Jun	318	2 113	240	1 406	78	707	20.5	12.2	5.3	-4.7	73.3
Jul	327	2 440	303	1 709	24	731	8.6	11.7	32.3	0.2	52.6
Ago	352	2 793	277	1 986	75	806	11.0	11.7	1.8	0.5	45.2

Source: Central Bank.

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

Table 11

CHILE: STRUCTURE OF EXPORTS  
(Millions of dollars)

	Mining products				Agricultural and marine products		Industrial goods		Percentage variation (a)		
	Total		Copper		1985	1986	1985	1986	variation (a)		
	1985	1986	1985	1986					Min.	Agr.	Ind.
Jan	140	158	109	123	45	47	84	83	12.7	3.5	-0.8
Feb	272	306	224	247	105	123	162	173	12.3	17.6	6.9
Mar	461	481	377	397	217	236	254	255	4.3	8.7	0.3
Apr	617	677	512	562	321	353	359	402	9.8	13.0	12.1
May	826	856	684	718	358	412	436	527	3.7	15.1	21.0
Jun	971	1 029	810	867	382	456	530	629	6.0	19.4	18.7
Jul	1 134	1 200	935	1 002	413	489	637	752	5.8	18.4	18.1
Aug	1 312	1 392	1 090	1 164	434	516	755	886	6.1	18.9	17.4
Sep	1 477		1 236		446		852				
Oct	1 681		1 414		462		967				
Nov	1 876		1 583		479		1 049				
Dec	2 085		1 770		500		1 158				

Source: Central Bank.

a: Variation in cumulative value with respect to the same period of the preceding year.

Table 12

CHILE: STRUCTURE OF IMPORTS (CIF)  
(Millions of dollars)

Goods											
Consumer products				Intermediate goods		Capital goods		Percentage variation (a)			
Total		Foodstuffs									
1985	1986	1985	1986	1985	1986	1985	1986	Consumer	Interme	Cap-	ital
Jan	65	52	24	10	182	169	52	66	-21.1	-6.7	27.2
Feb	109	94	37	15	319	312	110	112	-13.5	-2.3	2.0
Mar	165	145	53	28	486	444	183	156	-12.0	-8.6	-14.7
Apr	223	202	70	39	643	599	230	230	-9.3	-6.9	-0.1
May	277	255	89	47	932	756	272	283	-7.8	-9.2	3.8
Jun	329	311	111	58	982	905	320	344	-5.7	-7.9	7.6
Jul	389	371	134	70	1 127	1 100	370	426	-4.6	-2.4	15.1
Aug	460	438	166	88	1 299	1 271	427	495	-4.8	-2.2	15.9
Sep	523		193		1 442		470				
Oct	593		219		1 593		523				
Nov	672		256		1 748		578				
Dec	735		280		1 894		640				

Source: Central Bank.

a: Variation in cumulative value with respect to the same period of the preceding year.

Table 13

CHILE: BALANCE OF PAYMENTS RESULTS AND INTERNATIONAL RESERVES  
(Millions of dollars)

Balance of payments					International reserves			
1985		1986			Amount		Variation	
Month	Year (a)	Month	Year (a)		1985	1986	Month	Year(a)
Jan	-146	-146	-271	-271	1 874	1 605	-262	-262
Feb	-109	-254	-110	-382	1 743	1 471	-134	-396
Mar	-13	-267	94	-288	1 694	1 601	130	-266
Apr	-174	-441	78	-210	1 521	1 682	81	-185
May	27	-414	77	-133	1 531	1 780	98	- 87
Jun	-131	-545	-139	-272	1 431	1 618	-161	-248
Jul	-111	-655			1 308			
Aug	-108	-763			1 202			
Sep	49	-714			1 242			
Oct	-44	-758			1 210			
Nov	-70	-753			1 211			
Dec	655	- 99			1 867			

Source: Central Bank.

a: With respect to December of the preceding year.

Table 14  
CHILE: BALANCE OF PAYMENTS  
(Millions of dollars)

	1985	1986 (a)		
	Year	I half	II half	Full Year
Balance on current account	-1 322	-449	-730	- 1 179
Trade balance (goods)	788	648	310	958
Exports	3 743	2 062	1 992	4 054
Copper	1 761	867	970	1 837
Other	1 982	1 195	1 022	2 217
Imports	-2 955	-1 414	-1 682	-3 096
Non-financial services	-226	-146	-207	-353
Financial services	-1 931	-981	-863	-1 844
Transfer payments	47	30	30	60
Balance on capital account	1 235	476	647	1 123
Foreign investment	112	102	45	147
Net credit	1 123	374	602	976
Medium- and long-term disbursements	...	210	446	656
Other medium- and long-term flows	...	-90	-	-90
Short-term flows (net)	...	92	133	225
New money from banks	...	237	133	470
SAL (World Bank)	...	125	150	275
Unrescheduled amortization payments	...	-200	-260	-460
Errors and omissions	-16	111	-	111
Global balance	-103	138	-83	55

Source: Central Bank.  
a: Official projections.

Table 15  
CHILE: BANK INTEREST RATES  
(Percentages)

	Nominal rates (a)		Real rates			
	Short-term deposits	Short-term loans	Non-readjustable operations (a)		Readjustable operations (b)	
			Short-term deposits	Short-term loans	De-posits	Loans
1985						
Jan	1.91	3.00	-1.15	-0.10	10.76	9.91
Feb	2.56	3.48	0.55	1.45	7.82	9.32
Mar	2.72	3.30	-0.08	0.49	7.81	9.20
Apr	3.42	3.91	1.09	1.57	9.07	9.36
May	2.91	3.38	0.89	1.35	10.16	9.67
Jun	2.64	3.11	-1.02	-0.57	8.73	9.20
Jul	3.12	3.59	1.80	2.26	7.58	9.74
Aug	1.78	2.27	0.87	1.36	7.87	9.98
Sep	1.43	1.87	0.23	0.66	7.67	9.61
Oct	1.70	2.07	0.20	0.56	7.38	9.30
Nov	1.71	2.12	0.11	0.51	6.86	8.97
Dec	1.91	2.33	0.60	1.01	6.22	8.87
1986						
Jan	1.73	2.22	-0.94	-0.47	5.92	9.01
Feb	2.00	2.74	1.09	1.82	5.37	8.63
Mar	1.31	1.92	-0.19	0.41	5.11	8.46
Apr	1.59	2.10	0.19	0.69	4.60	8.31
May	1.49	1.99	0.78	1.28	4.44	7.94
Jun	1.04	1.57	-0.26	0.27	3.91	7.58
Jul	1.41	1.84	0.41	0.83	3.61	7.56
Aug	1.18	1.68	0.58	1.07	...	...

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

## MEXICO

The drop in the international price of petroleum severely affected the performance of the Mexican economy in the first half of 1986 and forced the authorities to make important changes in the economic policy. In this period there was a very marked deterioration in the external sector, inflation accelerated steadily, real wages went down and there was a decline in economic activity (figure 1). The country was thus faced with the need to embark on a new adjustment process, and to this end it signed an agreement which had novel features with the International Monetary Fund and began new negotiations with the international banking system to reprogramme the maturities of the external debt and to obtain a very substantial amount of additional bank loans.

As a result of the slump in the international price of petroleum and a certain decline in the volume of crude exported, the value of petroleum exports went down by 57% in the first six months of the year. The effects of this huge drop could not be offset by the marked expansion in non-oil exports, even though the value of the latter increased by 30% as a consequence of the rise in the effective real exchange rate, the contraction in domestic demand and the increase in the international price of coffee (table 7). Thus, in spite of the fact that the value of imports declined by 7%, the merchandise trade surplus shrank from US\$ 4 billion in January-June 1985 to a little over US\$1.4 billion in the first half of 1986 (table 6). Because of this enormous contraction and even though net payments of interest went down appreciably as a result of the drop in international interest rates, there was a turnaround in the current account balance, which closed the first quarter with a deficit of nearly US\$550 million after having generated considerable although decreasing surpluses in the previous three years (table 9).

In view of this sharp deterioration in the external sector, the economic authorities raised repeatedly the exchange rate, so that the real exchange rate with respect to the dollar was almost 33% higher in the first half of 1986 than in the corresponding period of the year before (table 10). As at the same time the dollar devalued with respect to the other main currencies, the effective real exchange rate in this period reached its highest level since the first quarter of 1983.

This increase represented a powerful incentive for exports, especially those of manufactures, whose value exceeded that of petroleum sales for the first time in many years. At the same time, however, this helped to increase the rate of inflation, which also accelerated because of the adjustments in the minimum wage granted in January (32%) and June (25%), the sharp rise in interest rates (table 12) and the strengthening of inflationary expectations, which were reflected in a significant rise in the velocity of circulation of money. As a result of these changes, the annual growth rate of consumer prices, which had already begun to accelerate as from mid-1985, continued to rise rapidly in 1986. In fact, the twelve-month variation in the consumer price index rose between the end of the previous year and August 1986 from 64% to 92% (table 4).

As a result of this unusually rapid increase in inflation, the purchasing power of wages went down appreciably once again. In real terms, the minimum wage was almost 9% lower in January-August 1986 than in the same period of the previous year, even though its nominal value was adjusted in January and June (table 5).

The deterioration of the balance of payments and the increase in inflation were also accompanied by a decline in economic activity. In the

period January-April, the compound index of production in the mining, industrial, construction and electricity sectors registered a drop of 2% compared with the same period of the year before (table 1). The decline was particularly marked in the case of construction (-8%), which was affected by the rise in interest rates and the reduction in national income. The drop in real wages also helped to hold back the recovery of industry. In spite of the expansion of exports of manufactures (particularly from areas bordering with the United States) industrial production went down slightly in the first four months of 1986 and, according to preliminary estimates, stagnated in the following three months. Petroleum sector production, for its part, went down by 4% in the first quarter as a result both of the decline in the volume exported and the contraction in domestic demand brought about by the drop in disposable income and the successive rises in the domestic prices of hydrocarbons.

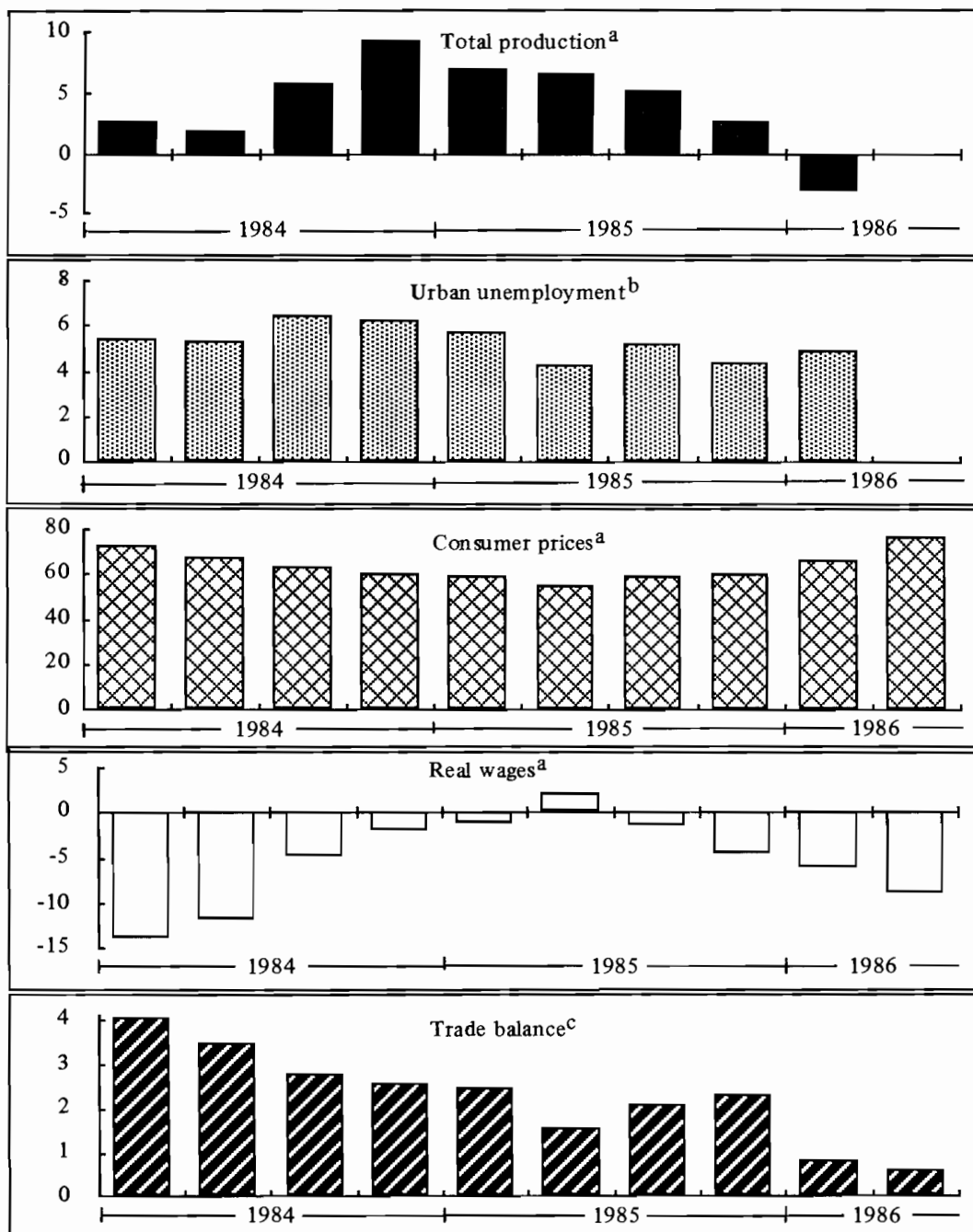
In view of the critical situation which it was facing, the government decided to initiate an adjustment programme with very special features which contains important innovations with respect to the plans usually agreed with the International Monetary Fund. Thus, the programme is designed as a function of an economic growth goal to which external financing is adjusted, and not as a function of a given supply of external financing to which the growth of the economy must adapt itself, as had been the rule in traditional adjustment programmes. In fact, both the amount of the external resources which the country will effectively receive and the performance criteria and economic policy understandings included in the agreement with the Fund are subject to the evolution of the price of petroleum and the extent to which the goals laid down as regards the recovery of economic activity are fulfilled.

Thus, if the international price of petroleum falls below US\$ 9 per barrel, the plan provides for additional external financing which would make up for the whole of the effects of such a drop on the balance of payments, up to a total of US\$ 2.5 billion for three quarters. Subsequently, the economy would have to adjust gradually to cope with the deterioration in petroleum prices over a period of five quarters. If, on the other hand, the price of petroleum exceeded US\$ 14 per barrel, the external financing would be reduced in proportion to the greater income from exports. Furthermore, if the growth of the economy in the first half of 1987 were not sufficient to reach the planned goal of 3-4% in the year, external financing would be augmented by US\$500 million to increase public investment and stimulate economic activity.

Another novel feature of the programme is the criterion used to calculate the public sector deficit, the total amount of which will be estimated excluding the effects of inflation on interest payments on the domestic debt. The application of this criterion means that the present nominal deficit of around 13% of the gross domestic product would be equivalent to a real deficit of only 3%. Although according to the programme the deficit must be totally eliminated by the end of 1987, this only calls for the nominal deficit to be reduced to 10% over that period. Moreover, in accordance with the priority given to the recovery and growth of economic activity, the programme does not aim to advance simultaneously both in stabilizing the price level and in securing the external adjustment of the economy.

Figure 1

**MEXICO: QUARTERLY EVOLUTION OF THE MAIN ECONOMIC INDICATORS**



Source: ECLAC, on the basis of official data.

<sup>a</sup>Percentage variation with respect to the same quarter of the previous year.

<sup>b</sup>Average rate in

Mexico City, Guadalajara and Monterrey.

<sup>c</sup>Billions of dollars.

Table 1

MEXICO: PRODUCTION BY SECTORS  
(Percentage variations) (a)

	Total	Mining	Petroleum	Manufactures				Con- struc- tion	Elec- trici- ty
				Total	Consumer	Interm.	Capital		
1985									
Jan	8.2	1.0	-1.3	9.0	7.5	8.8	21.7	11.2	7.2
Feb	6.9	-1.4	-2.7	7.9	6.8	7.5	19.6	9.5	6.5
Mar	6.7	0.3	-2.1	7.5	6.6	7.0	19.0	8.1	6.4
Apr	7.3	1.0	-1.6	8.1	7.0	7.7	21.3	8.3	6.7
May	7.1	0.7	-1.3	8.0	6.8	7.6	20.6	8.4	5.6
Jun	6.4	-0.8	-2.3	7.5	6.5	7.1	18.3	7.9	5.5
Jul	6.4	-1.2	-2.7	7.6	6.8	7.2	17.9	7.2	6.0
Aug	6.2	0.2	-2.2	7.2	6.5	6.7	16.5	6.5	6.3
Sep	6.1	0.7	-1.2	7.0	6.4	6.5	16.3	5.9	6.4
Oct	5.7	0.9	-0.9	6.7	5.9	6.2	16.6	5.1	6.7
Nov	5.4	1.4	-0.7	6.2	5.4	5.8	15.7	4.1	6.7
Dec	5.0	1.5	-0.4	5.9	5.1	5.5	14.8	3.1	6.9
1986									
Jan	-1.2	-2.2	-6.2	-0.9	-0.7	-0.9	-1.7	-4.6	7.2
Feb	-1.6	-5.0	-7.5	-1.0	-1.1	-0.6	-3.3	-5.7	8.2
Mar	-3.1	-7.2	-5.6	-2.6	-2.5	-2.1	-6.9	-6.7	7.2
Apr	-2.0	-5.9	-3.9	-0.9	-0.7	-0.6	-4.8	-7.7	7.0
May				-1.1(b)					
Jun				-1.0(b)					
Jul				-1.3(b)					

Source: ECIAC, on the basis of figures supplied by the Banco de Mexico.

a: Variations in cumulative figures with respect to the same period of the preceding year. b: Estimates based on entrepreneurial opinion polls.

Table 2

MEXICO: INDUSTRIAL OUTPUT

	Index 1970=100			Percentage variation					
	1984	1985	1986	1985			1986		
				Month	12 Ms. (a)	Year (b)	Month	12 Ms. (a)	Year (b)
Jan	196.4	212.6	210.1	1.2	8.7	8.7	-1.3	-1.2	-1.2
Feb	205.1	216.7	212.5	1.1	5.2	6.9	1.1	-1.9	-1.6
Mar	212.3	225.7	211.9	4.2	5.9	6.5	-0.3	-6.1	-3.1
Apr	198.3	216.0	219.4	-3.7	9.1	7.2	3.5	1.6	-2.0
May	212.4	226.5		4.5	6.3	7.0			
Jun	211.9	219.3		-2.5	4.0	6.5			
Jul	213.4	227.2		3.3	6.7	6.2			
Aug	213.1	223.0		-1.9	4.8	6.0			
Sep	204.6	214.8		-4.6	4.2	5.8			
Oct	215.8	222.4		4.0	2.7	5.5			
Nov	216.0	219.9		-1.0	1.6	4.9			
Dec	210.9	212.4		-3.3	0.6	4.7			

Source: ECIAC, on the basis of figures supplied by the Banco de Mexico.

a: With respect to the same month of the preceding year. b: Variations in average cumulative index with respect to the same period of the preceding year.



Table 3

MEXICO: EMPLOYMENT INDICATORS  
(Quarterly averages)

		Rate of open unemployment			Number of workers enrolled in social security scheme		Employment in manufacturing			
							Index 1970=100		Percentage variation(a)	
		Mexico City	Guanajuata	Monterrey	Thousands	Annual variation	Month	Year	Month	Year
1985										
Jan					7 603	6.6	140.2	140.2	1.0	1.0
Feb	I )	5.7	3.9	6.9	7 667	8.0	142.6	141.4	2.2	1.5
Mar					7 780	8.7	144.0	142.3	3.0	2.0
Apr					7 926	10.0	144.5	142.8	3.4	2.4
May	II )	4.3	3.5	5.1	7 947	9.5	145.3	143.3	3.6	2.6
Jun					7 993	9.7	145.7	143.7	3.5	2.8
Jul					8 016	9.8	145.5	144.0	2.7	2.7
Aug	III )	5.2	3.9	5.4	8 053	9.6	145.3	144.1	2.6	2.7
Sep					8 108	8.9	145.7	144.3	2.5	2.7
Oct					8 098	8.0	145.0	144.4	2.0	2.6
Nov	IV )	4.4	2.4	4.0	8 136	6.9	143.5	144.5	0.6	2.6
Dec					8 149	7.0	141.6	144.1	0.4	2.3
1986										
Jan					8 086	6.4	141.9	141.9	1.2	1.2
Feb	I )	4.9	2.6	5.0	8 052	5.0	143.4	142.7	0.6	0.9
Mar					8 003	2.9	143.5	142.9	-0.3	0.4
Apr							143.9	143.2	-0.4	0.3

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

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

Table 4

MEXICO: PRICE INDEX  
(Percentage variations)

	Consumer price index						Wholesale price index					
	1985			1986			1985			1986		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
	a	b	c	a	b	c	a	b	c	a	b	c
Jan	7.4	7.4	60.8	8.8	8.8	65.9	6.3	6.3	58.9	8.7	8.7	67.2
Feb	4.2	11.9	59.0	4.4	13.6	66.4	3.0	9.5	55.5	2.6	11.6	66.5
Mar	3.9	16.3	58.4	4.6	18.9	67.6	3.7	13.6	55.8	4.7	16.9	68.1
Apr	3.1	19.8	56.5	5.2	25.2	71.1	5.4	19.7	54.9	4.9	22.6	67.4
May	2.4	22.8	55.1	5.6	32.1	76.4	2.5	22.7	50.4	6.7	30.8	74.2
Jun	2.5	25.7	53.4	6.4	40.6	83.2	2.3	25.6	49.0	5.1	37.4	78.9
Jul	3.5	30.1	53.7	5.0	50.1	89.5	3.3	29.7	49.8			
Aug	4.4	35.8	56.0	8.0	59.4	92.2	2.8	33.3	52.1			
Sep	4.0	41.2	57.6				1.9	35.8	51.7			
Oct	3.8	46.5	58.0				4.8	42.3	51.3			
Nov	4.6	53.3	59.0				3.7	47.6	50.7			
Dec	6.8	63.7	63.7				10.8	63.4	63.4			

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

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

Table 5

MEXICO: NOMINAL AND REAL WAGES IN MEXICO CITY  
(Index: base 1978 = 100)

	Minimum wage				Real wages			
	Pesos		Index		Index		Percentage variation	
	1985	1986	1985	1986	1985	1986	Month(a)	Year(b)
Jan	1 060	1 650	883	1 375	70.3	66.4	-5.5	-5.5
Feb	1 060	1 650	883	1 375	67.4	63.4	-5.9	-5.7
Mar	1 060	1 650	883	1 375	65.1	60.7	-6.8	-6.1
Apr	1 060	1 650	883	1 375	63.2	57.9	-8.4	-6.7
May	1 060	1 650	883	1 375	61.8	54.9	-11.2	-7.5
Jun	1 231	2 065	1 026	1 721	70.1	64.7	-7.7	-7.5
Jul	1 250	2 065	1 042	1 721	68.7	61.6	-10.3	-7.9
Aug	1 250	2 065	1 042	1 721	65.8	57.0	-13.4	-8.6
Sep	1 250		1 042		63.1			
Oct	1 250		1 042		61.1			
Nov	1 250		1 042		58.4			
Dec	1 250		1 042		54.6			

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

a: With respect to the same month of the preceding year. b: Cumulative variation with respect to the same period in the previous year.

Table 6

## MEXICO: TRADE BALANCE

	Millions of dollars						Percentage variation (a)				
	Exports.		Imports.		Trade balance		Exports		Imports		Trade
	FOB		FOB		(goods)						balance
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year	(goods)
1984											
Dec	1 862	24 050	1 139	11 254	723	12 796	-4.3	7.8	50.7	31.6	-7.0
1985											
Jan	1 813	1 813	1 143	1 143	670	670	-17.0	-17.0	77.8	77.8	-56.5
Feb	1 844	3 657	1 013	2 156	831	1 501	- 8.8	-13.1	16.0	42.2	-44.2
Mar	2 073	5 730	1 119	3 275	953	2 454	- 5.4	-10.5	32.7	38.8	-39.3
Apr	1 930	7 660	1 116	4 391	815	3 269	- 4.5	- 9.0	42.7	39.8	-38.1
May	1 781	9 441	1 221	5 612	560	3 829	-11.6	- 9.5	39.1	39.6	-40.3
Jun	1 263	10 704	1 094	6 706	169	3 998	-36.1	-13.8	18.4	35.7	-46.5
Jul	1 801	12 505	1 136	7 842	665	4 663	-11.9	-13.5	5.5	30.3	-44.7
Aug	1 894	14 399	1 165	9 007	729	5 392	- 2.2	-12.2	9.9	27.2	-42.1
Sep	1 725	16 124	1 009	10 016	715	6 107	- 7.0	-11.6	5.9	24.7	-40.2
Oct	1 777	17 901	1 162	11 178	616	6 723	-12.3	-11.7	6.9	22.6	-39.7
Nov	1 985	19 886	1 120	12 298	864	7 587	3.7	-10.4	12.6	21.6	-37.2
Dec	1 980	21 866	1 162	13 460	819	8 406	6.3	- 9.1	2.0	19.6	-34.3
1986											
Jan	1 468	1 468	1 085	1 085	383	383	-19.0	-19.0	-5.1	-5.1	-42.8
Feb	1 243	2 711	1 028	2 113	215	598	-32.5	-25.9	1.5	-2.0	-60.2
Mar	1 175	3 886	949	3 062	226	824	-43.3	-32.2	-15.2	-6.5	-66.4
Apr	1 254	5 140	1 126	4 188	128	952	-35.0	-32.9	0.9	-4.6	-70.9
May	1 333	6 473	1 082	5 270	251	1 203	-25.2	-31.4	-11.4	-6.1	-69.3
Jun	1 176	7 649	958	6 228	218	1 421	-6.9	-28.5	-12.4	-7.1	-64.5

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

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

Table 7

MEXICO: EXPORTS, BY CATEGORY  
(Cumulative values in millions of dollars)

	Petroleum		Non-petroleum								Percentage variation(a)	
			Total		Agricultural		Extract. industries		Manufactures		Petro-leum	Non-petr.
	1985	1986	1985	1986	1985	1986	1985	1986	1985	1986		
Jan	1 228	735	585	733	128	202	34	29	423	502	-40.1	25.3
Feb	2 504	1 273	1 153	1 438	268	385	82	64	804	988	-49.2	24.7
Mar	3 916	1 677	1 814	2 209	435	637	128	102	1 251	1 471	-57.2	21.8
Apr	5 281	2 102	2 380	3 038	550	835	173	154	1 657	2 049	-60.2	27.6
May	6 461	2 603	2 980	3 870	659	1 008	217	196	2 104	2 637	-59.7	29.9
Jun	7 207	3 084	3 497	4 565	753	...	255	...	2 489	...	-57.2	30.5
Jul	8 466		4 038		836		303		2 899			
Aug	9 821		4 580		908		348		3 323			
Sep	11 033		5 090		954		393		3 743			
Oct	12 187		5 714		1 012		434		4 269			
Nov	13 541		6 344		1 124		463		4 757			
Dec	14 767		7 100		1 323		510		5 267			

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

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

Table 8

MEXICO: IMPORTS, BY CATEGORY  
(Cumulative figures)

	Millions of dollars						Percentage variation (a)		
	Consumer goods		Intermediate goods		Capital goods		Con-sum-er goods	Inter-mediate goods	Cap-ital goods
	1985	1986	1985	1986	1985	1986			
Jan	84	86	828	719	231	280	2.4	-13.2	21.2
Feb	154	168	1 560	1 405	443	540	9.1	- 9.9	21.9
Mar	242	229	2 365	2 022	669	811	- 5.4	-14.5	21.2
Apr	338	296	3 154	2 816	899	1 076	-12.4	-10.7	19.7
May	448	355	3 985	3 536	1 179	1 379	-20.8	-11.3	17.0
Jun	527	420	4 738	4 201	1 441	1 607	-20.3	-11.3	11.5
Jul	604		5 530		1 707				
Aug	708		6 322		1 978				
Sep	796		6 967		2 254				
Oct	902		7 735		2 541				
Nov	983		8 445		2 870				
Dec	1 075		9 162		3 223				

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

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

Table 9

MEXICO: BALANCE OF PAYMENTS  
(Millions of dollars)

	1985					1986 (a)
	I	II	III	IV	Year	I
Balance on current account	531	-447	-103	559	541	-544
Trade balance (goods)	2 454	1 544	2 109	2 299	8 406	823
Exports	5 729	4 974	5 420	5 743	21 866	3 886
Imports	3 275	3 430	3 311	3 444	13 460	3 063
Trade balance (services)	396	131	-146	65	446	343
Exports	1 695	1 483	1 258	1 356	5 792	1 497
Imports	1 299	1 352	1 404	1 291	5 346	1 154
Factor payments	2 409	2 228	2 191	1 933	8 761	1 817
Profits	74	151	119	42	386	84
Interest	2 200	2 040	2 061	1 888	8 189	1 837
Other	135	37	11	3	186	-104
Transfer payments	91	106	126	129	452	106
Balance on capital account	-465	293	-1 039	-65	-1 276	725
Long term	43	-20	-293	565	295	87
Banking sector	-262	430	-121	433	480	264
Public sector	329	-407	-14	84	- 8	-80
Private sector	120	45	-73	-33	59	-34
Other assets	-143	-88	-84	80	-235	-64
Short term	-508	313	-746	-630	-1 571	639
Banking sector	-64	- 5	175	-19	87	-47
Public sector	-10	-42	-30	82	--	-63
Private sector	-328	-231	-162	-79	-800	-2
Other assets	-106	590	-728	-615	-859	750
Errors and omissions	-525	-610	- 55	-498	-1 688	-49
Global balance	-459	-764	-1 197	- 4	-2 423	132

Source: ECLAC, on the basis of figures supplied by the Banco de Mexico.  
a: Preliminary figures.

Table 10

MEXICO: EXCHANGE RATES

	Official exchange rate (Pesos per dollar)				Adjusted real exchange rate (a) (Index 1980=100)			
	Free		Controlled		Free		Controlled	
	1985	1986	1985	1986	1985	1986	1985	1986
Jan	212.7	445.7	195.3	388.2	123.1	153.9	113.1	133.9
Feb	217.7	469.7	200.3	421.2	122.1	155.8	112.4	139.7
Mar	223.2	475.6	205.8	459.3	120.5	148.5	111.1	143.4
Apr	229.6	502.2	212.2	489.7	117.8	148.2	109.0	144.5
May	236.0	535.5	218.6	520.1	118.4	148.8	109.7	144.5
Jun	242.4	625.3	225.0	556.5	118.7	166.6	110.1	145.4
Jul	311.4	630.8	241.8	589.8	147.4	158.2	114.5	147.9
Aug	333.4		285.9		152.6		130.9	
Sep	363.9		289.2		162.8		129.4	
Oct	402.6		313.2		173.1		121.8	
Nov	487.3		330.2		203.2		137.7	
Dec	463.4		357.2		174.8		134.7	

Source: ECLAC, on the basis of figures supplied by the Banco de Mexico and the International Monetary Fund, *International Financial Statistics*.  
a: Index of the nominal exchange rate deflated by the wholesale price index and adjusted by the United States wholesale price index.

Table 11

MEXICO: INTEREST RATES ON DEPOSITS  
(Percentages)

	Average cost of procuring funds		Time deposits (30 to 85 days)		Treasury Certificates (90 days)	
	1985	1986	1985	1986	1985	1986
Jan	47.2	68.6	45.6	66.4	48.1	73.8
Feb	47.3	70.3	45.6	66.1	49.3	75.7
Mar	49.4	71.8	51.3	66.1	56.5	78.5
Apr	51.9	73.5	53.8	66.1	58.3	80.5
May	53.8	75.0	52.8	66.1	59.6	80.5
Jun	54.9	77.0	53.7	70.4	65.9	84.0
Jul	57.0	81.4	57.1	76.7(a)	70.4	90.5(b)
Aug	59.1		58.6		72.3	
Sep	61.0		59.0		68.7	
Oct	62.3		59.1		66.4	
Nov	63.4		60.9		68.8	
Dec	65.7		65.3		74.2	

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

a: From 1 to 20 July. b: From 1 to 13 July.

Table 12

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

	Income			Expenditure			Deficit
	Total	Fed.Gov.	PEMEX	Total	Fed.Gov.	PEMEX	
1985							
Jun	6.7	3.6	2.5	8.0	4.9	2.2	1.3
Jul	7.8	4.2	2.8	9.7	6.0	2.6	1.9
Aug	9.0	4.8	3.3	11.1	6.9	3.1	2.2
Sep	10.4	5.6	3.8	12.8	7.9	3.5	2.4
Oct	11.8	6.3	4.4	14.5	9.0	4.1	2.7
Nov	13.1	7.0	4.9	15.9	9.9	4.5	2.8
Dec	14.7	7.9	5.5	18.5	11.5	5.1	3.8
1986							
Jan	1.8	1.1	0.7	2.1	1.2	0.7	0.3
Feb	3.2	1.9	1.1	4.0	2.4	1.2	0.7
Mar	4.8	2.8	1.5	6.1	3.8	1.6	1.3
Apr	6.4	3.7	2.0	8.5	5.4	2.2	2.1
May	8.4	4.7	2.5	11.0	7.0	2.7	2.7
Percentage variations (a)							
1985							
Jun	53.2	58.2	35.8	67.0	69.3	50.3	156.1
Jul	50.5	57.0	32.0	62.3	68.4	47.7	150.5
Aug	50.1	57.2	30.8	63.8	70.6	48.0	171.9
Sep	49.4	57.6	32.2	61.1	73.8	50.1	215.5
Oct	52.7	60.0	36.5	62.3	66.3	51.4	116.2
Nov	52.4	60.2	36.3	59.1	66.3	50.0	118.1
Dec	49.6	58.7	42.1	65.2	61.4	51.0	80.9
1986							
Jan	60.4	90.6	51.7	63.5	49.1	104.9	83.0
Feb	60.7	76.6	50.6	63.6	55.2	70.3	78.4
Mar	57.4	71.3	39.2	63.9	64.1	58.3	93.6
Apr	51.3	60.9	25.5	67.6	69.8	49.9	150.8
May	50.4	57.9	18.6	71.4	75.6	47.7	203.2

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

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



## PERU

The recovery in economic activity, the improvement in the situation as regards employment and wages, the slackening of inflation and the persistence of serious problems in the external sector were the main features of the evolution of the Peruvian economy in the first half of 1986 (figure 1).

Thanks to the very vigorous expansion of the gross domestic product in the second quarter, overall economic activity was 4% higher in the first half of 1986 than in the corresponding period of the previous year. Growth was particularly marked in the case of fisheries (46%), construction (12.5%) and manufacturing (7%). In contrast, the agricultural product stagnated and mining suffered a contraction of almost 6% (table 1).

After remaining virtually unchanged in the last three quarters of 1985, industrial production recovered markedly in 1986. Its growth was favoured by the increase in real wages, the reduction in interest rates (which stimulated purchases of consumer durables) and the greater activity in the construction sector, which expanded sharply as from the last quarter of 1985. The very favourable performance by the fisheries sector, for its part, was due to the enormous increase in the anchoveta catch and the increase in the amount of fresh fish caught in the second quarter (table 4). Mining, however, was affected by the decline in the international prices of most of its products, by strikes and by the uncertainty caused by changes in petroleum legislation. As a result, production of all the main minerals except iron ore went down markedly (table 3). The stagnation of the agricultural sector, for its part, reflected the divergent trends in crop farming and livestock production. In the case of the latter the rapid growth in production of poultry meat and eggs was partly offset by the declines in the output of beef and pork. In the case of the main crop farming products, the fall in the harvests in the first quarter was sharp and generalized. Nevertheless, it is considered that the expansion in the area sown, the rise in the prices paid to producers, and the greater availability of fertilizers should help to raise the supply of crop farming products in the second part of the year.

The increase in economic activity helped to improve the employment situation, which had deteriorated dramatically in the previous three years. In metropolitan Lima, where most industry and commerce is concentrated, employment in the manufacturing sector rose by 4% in the first half of the year, while employment in commerce and the other branches of services increased slightly (table 6).

In the first half of 1986 there was also an interruption in the persistent and very marked decline which the real wages of workers had been suffering since 1980. The purchasing power of the wages of private sector workers in Lima --which had contracted by 40% between 1980 and 1985-- was 7% higher in the first half of 1986 than in the same period of the previous year. The real wages of public employees, for their part, registered a slight recovery in the second quarter, even though they continued to be equal to less than half those received in the 1980-1981 period (table 8).

The improvement in real wages was due partly to the slackening of inflation. In the first eight months of the year, consumer prices rose by 40%, compared with almost 130% in the corresponding period of 1985 (table 7). This reduction in the rate of inflation was due to the application of a broad programme of price controls, the drop in production costs brought about by the decline in interest rates, and the application as from August 1985 of a fixed exchange rate policy. From that month onwards, the official exchange rate was

kept at 13.95 intis per dollar: a rate which the authorities said would be maintained until the end of 1985. Because of this measure and the fact that inflation has been higher in Peru than abroad, the adjusted real exchange rate went down by 36% between August 1985 and July 1986 (table 9). However, the negative effect which this decline entails for the international competitiveness of the sectors competing with imports and those engaged in the export trade has been partly offset in the case of the former by the raising of tariffs, the prohibition of certain imports and the establishment of a system of prior import licenses and, in the case of non-traditional exports, by authorizing producers to change a growing proportion of their foreign exchange receipts at the higher exchange rate prevailing in the financial market.

Nevertheless, the balance of payments continued to represent the principal constraint on the sustained growth of the economy. In the first half of the year, the value of exports of goods diminished by almost 17% compared with the already very low level registered in the first half of the previous year, whereas the value of imports rose by 14%. The trade surplus was thus 63% smaller than in the first half of 1985, and in the second quarter it shrank almost to nothing (table 10). Major factors in the decline in exports were the drops in the international prices of metals and petroleum, which adversely affected traditional exports (-16%), although there was also a considerable reduction (-11%) in non-traditional exports (table 11). The deterioration of the balance of payments also was reflected in the evolution of the net international reserves of the Central Bank, which, after having reached their highest level for the past five years in March, went down steadily in the following four months (table 13).

In order to cope with this situation, at the end of July the government decided to extend to the private sector external debt the restrictions which it had already imposed a year before in respect of the servicing of the medium and long term public debt. At the same time, it suspended for a period of two years all remittances abroad by foreign firms in respect of profits, depreciation, interest, patents and royalties.

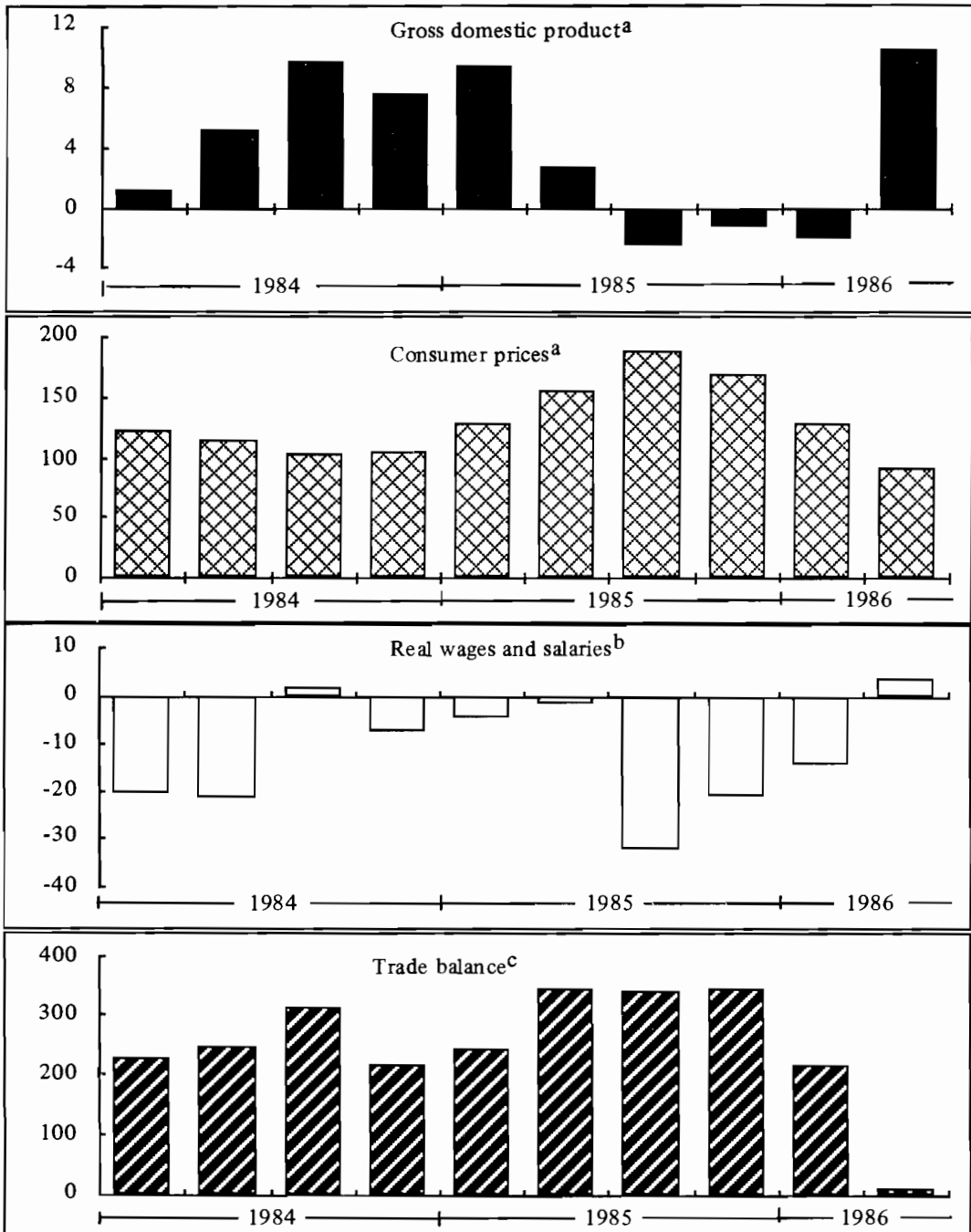
The effects of the de-dollarization policy adopted in August of the previous year also continued to show themselves in 1986. At the end of the first half of the year, the proportion of money and quasi-money represented by foreign currency deposits was 17%, compared with 57% a year before (table 14). As a result, the government decided to unfreeze the dollar accounts of savers with deposits of less than US\$ 1 000 and authorize them to make withdrawals in foreign currency.

Finally, in the first five months of the year there was substantial progress as regards central government finances: current income rose by 3.5% in real terms, while current expenditure went down by rather more than 5%. Government savings thus almost doubled and, despite an 11% increase in capital expenditure, the deficit went down by over 70% (table 15).



Figure 1

PERU: QUARTERLY EVOLUTION OF THE MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

<sup>a</sup>Percentage variation with respect to the same quarter of the previous year.

<sup>b</sup>Real wages and salaries of general government employees.

<sup>c</sup>Millions of dollars.

Table 1

## PERU: GROSS DOMESTIC PRODUCT

	Index 1979=100 (a)						Percentage variation (b)			
	1985				1986		1985	1986		
	I	II	III	IV	I	II		I	II	I + II
Total GDP	105.2	98.7	96.8	99.0	102.9	109.1	2.0	-2.1	10.5	4.0
Agriculture	111.4	108.0	101.1	112.5	111.2	108.4	2.2	-0.2	0.4	0.1
Fishing	109.9	57.1	104.0	118.4	111.9	132.7	1.1	1.8	132.4	46.4
Mining	108.6	107.8	107.8	103.5	101.0	102.9	4.3	-7.0	-4.5	-5.8
Manufacturing	100.8	91.6	88.6	90.9	98.1	108.2	4.0	-2.7	18.2	7.2
Construction	103.8	92.9	88.2	100.1	107.9	113.6	-11.0	3.9	22.3	12.6
Government	107.4	106.2	105.7	108.9	109.5	...	-1.0	2.0	...	...
Commerce	103.0	95.8	91.7	94.5	99.6	108.1	1.5	-3.2	12.8	4.5
Electricity	140.7	136.1	141.2	144.4	149.8	146.0	3.8	6.5	7.3	6.9
Other	104.2	101.1	98.1	100.5	103.2	...	1.7	-1.0	7.8	3.2

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

a: Adjusted for seasonal variations. b: With respect to the same period of the preceding year.

Table 2

PERU: AGRICULTURAL PRODUCTION  
(Thousands of metric tons)

	1985				1986	Percentage variation (a)
	I	II	III	IV	I	I
Crop-farming production						
Potatoes	415	905	120	150	363	-12.5
Rice	96	499	293	84	83	-13.5
Cotton	15	136	117	23	11	-26.7
Maize	147	99	145	106	160	8.8
Sugar	1 849	1 686	1 983	1 907	1 407	-23.9
Coffee	4	55	32	2	4	—
Wheat	-	32	57	3	1	—
Stock-raising production						
Poultry	49	50	52	51	53	8.2
Beef	24	26	28	23	20	-16.7
Pork	13	14	14	13	13	—
Mutton	5	5	5	4	4	-20.0
Milk	202	208	193	206	207	2.5
Eggs	18	19	20	21	23	27.8

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

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

Table 3

## PERU: MINING PRODUCTION

	1985				1986	Percentage variation (a)
	I	II	III	IV	I	I
Copper (b)	95	99	104	102	89	-6.3
Lead (b)	52	53	53	52	43	-17.3
Silver (c)	466	471	481	477	419	-10.1
Zinc (b)	140	153	152	149	126	-10.0
Iron ore (b)	697	741	863	960	809	16.1
Petroleum (d)	17.0	17.7	17.7	16.4	16.1	-5.3

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. b: Thousands of metric tons fine. c: Thousands of kilogrammes fine. d: Millions of barrels.

Table 4

PERU: FISHERY PRODUCTION (a)  
(Thousands of gross metric tons)

	1985				1986	Percentage variation (b)
	I	II	III	IV	I	I
By species	1 149	422	787	1 212	1 178	2.5
Anchoveta	81	87	397	507	590	628.4
Other	1 068	335	390	705	588	-44.9
For human consumption	167	109	92	86	110	-34.1
Fresh	59	32	41	52	59	--
Frozen	58	52	25	5	12	-79.3
Canned	39	21	19	22	29	-25.6
Dried and salted	11	4	7	7	10	-9.1
Fish meal and oil	982	313	695	1 126	1 068	8.8

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

a: Volume of marine catch landed. b: With respect to the same period of the preceding year.

Table 5

PERU: INDUSTRIAL OUTPUT  
(Index 1973=100)

	1985				1986	Percentage variation (a)
	I	II	III	IV	I	I
Total	110	105	101	110	108	-1.8
Fish meal	201	59	133	226	187	-7.0
Foodstuffs	93	81	92	79	79	-15.1
Beverages	139	114	113	129	173	24.5
Tobacco	101	96	96	129	102	0.9
Textiles	83	97	95	99	91	9.6
Footwear	32	44	44	39	43	34.4
Paper	77	64	68	58	67	-13.0
Chemicals (ind.)	209	214	207	216	219	4.8
Chemicals (other)	94	106	75	90	102	8.5
Refined petroleum	145	146	154	126	138	-4.8
Rubber	103	143	108	100	97	-5.8
Plastics	130	138	83	115	121	-6.9
Glass	115	97	103	87	123	7.0
Non-metallic min.	91	92	69	93	110	20.9
Basic metals	141	123	135	141	133	-5.7
Basic non-ferrous metals	207	201	206	212	150	-27.5
Metal products	82	71	74	64	79	-3.7
Machinery and equip.	55	113	118	72	65	18.1
Electric machinery and appliances	81	94	71	87	84	3.7
Transport equipment	49	35	21	42	59	20.4
Miscellaneous	79	73	52	83	72	-8.9

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

a: With respect to the same quarter of 1985.

Table 6

PERU: EMPLOYMENT LEVELS IN THE LIMA METROPOLITAN AREA  
(Index 1979=100)

Quarter	Manufacturing			Commerce			Services		
	1984	1985	1986	1984	1985	1986	1984	1985	1986
I	87.2	85.3	88.3	93.4	90.2	92.1	104.2	106.0	107.4
II	85.2	85.1	89.1	91.4	88.6	91.4	104.8	105.3	107.9
III	85.2	84.4		83.0	89.6		105.2	105.8	
IV	85.5	86.5		92.3	94.3		105.9	107.6	

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

Table 7

PERU: CONSUMER PRICE INDEX  
(Percentage variations)

	1985			1986		
	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	13.9	13.9	124.5	5.2	5.2	138.4
Feb	9.5	24.7	127.0	4.2	9.6	126.9
Mar	8.1	34.9	129.5	5.3	15.4	120.8
Apr	12.2	51.4	143.8	4.1	20.0	104.8
May	10.9	67.9	154.8	3.3	24.1	90.8
Jun	11.8	87.7	168.8	3.6	28.5	76.8
Jul	10.3	107.1	183.6	4.6	34.4	67.6
Aug	10.8	129.4	191.7			
Sep	3.5	137.5	188.2			
Oct	3.0	144.6	181.2			
Nov	2.7	151.2	169.9			
Dec	2.8	158.3	158.3			

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

Table 8

PERU: REAL WAGES OF NON-MANUAL WORKERS (a)  
(Index, base 1979=100)

	March	June	September	December
1980	121.5	145.2	146.8	132.0
1981	120.1	123.5	122.6	123.8
1982	117.9	116.7	108.8	101.8
1983	86.5	90.3	79.4	74.4
1984	68.6	70.8	81.0	68.8
1985	65.6	58.4	55.0	54.4
1986	56.2	60.7	...	...

Source: National Institute of Statistics.

a: Non-manual workers employed by the government (central government, decentralized public institutions, local government and public welfare organizations).

Table 9

## PERU: EXCHANGE RATES

	Intis per dollar				Adjusted real rate (a) (Index 1980=100)			
	Official rate		FCBC (b)		Official rate		FCBC (b)	
	1985	1986	1985	1986	1985	1986	1985	1986
Jan	6.2	13.9	6.5	17.4	122.9	116.1	124.3	139.9
Feb	7.0	13.9	7.2	17.4	126.5	109.9	125.8	132.4
Mar	7.9	13.9	8.1	17.4	131.9	102.9	131.5	124.0
Apr	8.7	13.9	9.0	17.4	130.1	98.1	130.3	118.2
May	9.6	13.9	9.9	17.4	130.4	95.3	130.1	115.0
Jun	10.8	13.9	11.6	17.4	130.2	92.1	135.1	111.0
Jul	11.9	13.9	12.4	17.4	130.0	87.5	130.9	105.5
Aug	13.9		17.4		136.7		164.4	
Sep	13.9		17.3		131.5		157.5	
Oct	13.9		17.4		128.6		154.9	
Nov	13.9		17.4		125.9		151.7	
Dec	13.9		17.4		122.7		147.8	

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru 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. b: Foreign-currency bank certificates (FCBC) are issued to the bearer upon the surrender of foreign exchange, in the amount of US\$ 1 000 as a minimum, for a freely-negotiated term of no less than 30 days.

Table 10

## PERU: TRADE BALANCE

	Millions of dollars						Percentage variation (a)					
	Exports FOB		Imports FOB		Trade balance		Exports		Imports		Trade balan.	
	Quart.	Year	Quart.	Year	Quart.	Year	Quart.	Year	Quart.	Year	Year	Year
1984												
I	727	727	498	498	229	229	16.9	16.9	-15.6	-15.6	615.6	
II	803	1 530	554	1 052	249	478	-2.2	6.0	-26.0	-21.4	360.0	
III	839	2 369	525	1 577	314	792	-1.8	3.1	-19.8	-20.9	161.4	
IV	778	3 147	563	2 140	215	1 007	8.4	4.4	-22.7	-21.4	243.7	
1985												
I	686	685	443	443	243	243	-5.6	-5.6	-11.0	-11.0	6.1	
II	793	1 479	449	892	344	587	-1.2	-3.3	-19.0	-15.2	22.8	
III	744	2 223	404	1 296	340	927	-11.3	-6.2	-23.0	-17.8	17.0	
IV	749	2 972	405	1 701	344	1 271	-3.7	-5.6	-28.1	-20.5	26.2	
1986												
I	642	642	427	427	215	215	-6.3	-6.3	-3.6	-3.6	-11.5	
II	592	1 234	588	1 015	4	219	-25.3	-16.6	31.0	13.8	-62.7	

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 11

PERU: EXPORTS FOB, BY CATEGORY  
(Millions of dollars)

	1985				1986		Percentage variation (a)		
	I	II	III	IV	I	II	I	II	I + II
Total	671	779	762	749	642	592	-4.3	-24.0	-15.9
Traditional exports	497	594	565	575	476	438	-4.2	-26.3	-16.2
Mining products	257	329	308	276	242	244	-5.8	-25.8	-17.1
Petroleum and petroleum products	153	170	153	169	82	56	-46.4	-67.1	-57.3
Agricultural products	45	38	69	62	90	75	100.0	97.4	98.8
Fishery products	21	35	20	41	41	37	95.2	5.7	39.3
Other	21	22	15	27	21	26	--	18.2	9.3
Non-traditional exports	174	185	197	174	166	154	-4.6	-16.8	-10.9

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 12

PERU: IMPORTS FOB, BY CATEGORY (a)  
(Millions of dollars)

	1985				1986		Percentage variation (b)		
	I	II	III	IV	I	II	I	II	I + II
Total	443	449	404	405	427	588	-3.6	31.0	13.8
Consumer goods	40	36	28	53	65	95	62.5	163.9	110.5
Inputs	170	198	162	187	217	298	27.6	50.5	39.9
Capital goods	197	176	159	165	145	195	-23.4	10.8	-8.8
Miscellaneous and adjustments	36	39	55	--	--	--	--	--	--

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

a: Imports classified by use or economic purpose. b: With respect to the same period of the preceding year.

Table 13

PERU: NET INTERNATIONAL RESERVES  
(Millions of dollars)

	CRB			Rest of system			Total		
	1984	1985	1986	1984	1985	1986	1984	1985	1986
Mar	925	1 048	1 541	-130	-71	-55	795	977	1 486
Jun	916	971	1 278	-23	2	-40	893	973	1 238
Sep	1 048	1 144	1 234 a	-7	-101	-11 a	1 041	1 043	1 223 a
Dec	1 125	1 493		-22	-72		1 103	1 421	

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

a: July.

Table 14

PERU: MONETARY AGGREGATES  
(Millions of millions of soles = billions of intis) (a)

	1985				1986		Percentage var. (b)	
	I	II	III	IV	I	II	I	II
Total	24.2	28.9	35.4	40.4	48.4	53.0	19.9	31.3
Subtotal	10.4	12.4	20.6	27.6	37.8	43.8	31.2	58.7
Money	5.0	6.0	10.2	13.9	19.2	22.5	38.7	62.4
Quasi-money	5.4	6.4	10.3	13.7	18.6	21.3	35.6	55.0
Foreign currency	13.9	16.5	14.8	12.8	10.6	9.2	-17.2	-27.8

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

a: At the end of the period. b: With respect to December of the preceding year.

Table 15

PERU: CENTRAL GOVERNMENT INCOME AND EXPENDITURE  
(Millions of intis at 1986 values)

	Average January-May		
	1985	1986	1986/1985
Current income	18 892	19 554	3.5
Current expenditure	17 171	16 248	-5.4
Savings on current account	1 721	3 306	92.1
Capital income	109	106	-2.8
Capital expenditure	3 488	3 877	11.2
Surplus or deficit (-)	-1 658	-465	-72.0
Financing	1 658	465	-72.0
External	1 776	1 559	-12.2
Disbursements	8 203	7 107	-13.4
Amortization payments	6 427	5 548	-13.7
Domestic	-118	-1 094	---
CRB credit	176	6 471	---
Credit from rest of banking system	-734	-3 325	352.9
Bonds	584	112	-80.8
Miscellaneous and discrepancies	-144	-4 352	---

Source: Central Reserve Bank of Peru (CRB).



## URUGUAY

After its drastic fall in the period 1982-1984 and its slight recovery in the second half of 1985, the Uruguayan economy performed positively in the first half of 1986. Indeed, the pace of recovery of economic activity accelerated, unemployment went down, the fiscal situation improved considerably and there was a significant turnaround in the external sector (figure 1).

The balance of payments situation was enhanced in particular by a series of favourable changes in the international economy. In the first six months of the year there was a substantial reduction in the international price of petroleum, the price of meat exports increased, there was a rise in foreign demand for some of the country's main export goods (especially on the part of Brazil) and international interest rates went down. At the same time, the devaluation of the dollar with respect to the other main currencies facilitated the sale of Uruguayan products on the European market.

Thus, the value of exports up to July was 30% greater than in the same period the previous year, while up to June the value of imports had increased by only 6%. As a result of these changes, the trade surplus rose sharply, from less than US\$ 44 million in the first half of 1985 to US\$ 106 million in the first half of 1986 (table 5).

The growth in foreign sales was due to the expansion of both traditional and non-traditional exports (table 6). This interrupted the almost continuous decline shown by both types of exports in the previous four years, when the value of exports of goods went down by 30%. In contrast, the increase in imports (the first since 1980) was due entirely to the rise in non-petroleum purchases, which grew by 18% in the first four months of the year. Imports of fuels, on the other hand, dropped by one-third.

As a result of the enlarged trade surplus and also the increase in the net inflow of capital, the international reserves grew spectacularly, from US\$440 million at the end of 1985 to almost US\$740 million in May (table 7). The greater availability of external resources also was reflected in the fact that the dollar exchange rate rose a good deal less than domestic prices, with a consequent decline in the real exchange rate (table 8).

The increase in employment and the rise in real wages suggests that the more satisfactory performance of the trade sector has been accompanied by an increase in domestic demand. The unemployment rate of around 11% registered in mid-year was not only well below the 13.5% rate observed in the same period of 1985, but was also the lowest in the last five years (table 2). Moreover, although real wages tended to stabilize as from January, they were still 11% higher in the first seven months of 1986 than in the same period of 1985 (table 4).

In these circumstances, the gross domestic product --which had begun to recover in mid-1985 from the drastic 17% drop suffered in the period 1982-1984-- grew by 2.7% in the first quarter and almost 6% in the second. The increase in economic activity was broad-based in the second quarter, but it was due above all to the considerable expansion in industry and the recovery in construction (table 1).

The recovery in economic activity and foreign trade also was accompanied by a favourable turnaround in public sector finances. In previous years the central government had consistently registered deficits, but in the first half

of 1986 it achieved a small surplus. This was due both to the vigorous growth (17%) of income in real terms (due above all to better control over tax evasion) and to the reduction in expenditure (table 10).

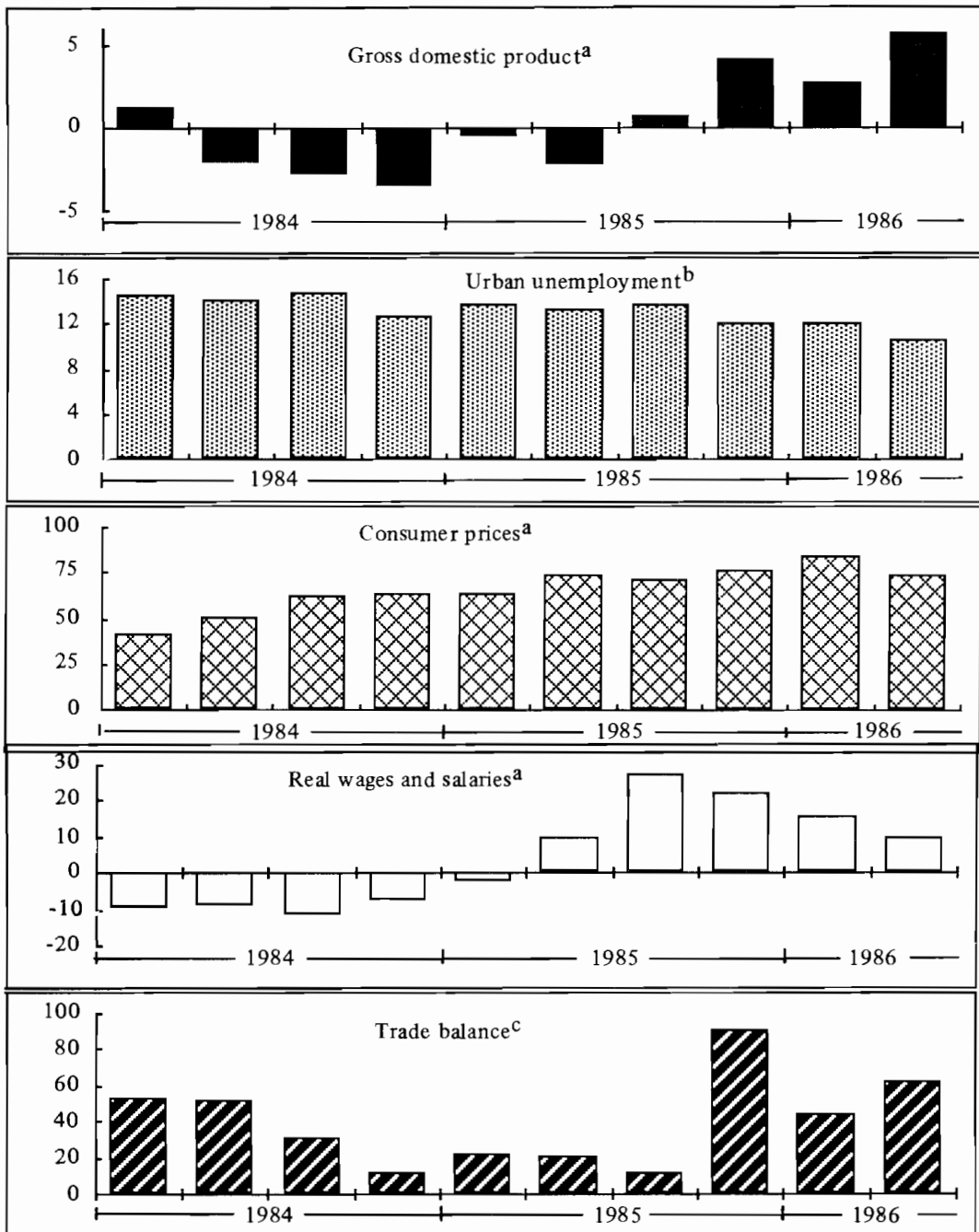
In contrast with the improvements in production, the balance of payments and public finances, inflation exceeded the official projections. Thus, up to August consumer prices had risen by 44% (i.e. an annualized rate of 73%) and hence substantially exceeded the goal of 50% set by the government at the beginning of the year.

The money supply was also above the projected level, with M2 showing an increase of 32% between December 1985 and July 1986 (an annualized rate of 62%), in contrast with the increase of 51% planned for the whole year. This expansion was due mainly to the fact that the increase in the international reserves of the Central Bank was higher than expected even though the monetary authorities tried to compensate for the money creation caused by purchases of foreign exchange through the compulsory sale of treasury bonds to banks and the sale to the public of securities on which the Central Bank offered attractive interest rates.

On balance, however, economic performance in the first two quarters of the year was in line with the targets set with the IMF in the standby credit agreement signed in 1985. As the same had occurred with regard to the targets laid down for the second half of 1985, this meant that the objectives set for the programme year July 1985-June 1986 were completely fulfilled.

Figure 1

URUGUAY: QUARTERLY EVOLUTION OF THE MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

<sup>a</sup>Percentage variation with respect to the same quarter of the previous year.

Montevideo.

<sup>c</sup>Millions of dollars.

<sup>b</sup>Average rate in

Table 1

URUGUAY: GROSS DOMESTIC PRODUCT  
(Percentage variations) (a)

	1985 (b)					1986(b)		
	I	II	III	IV	Year	I	II	I + II
Total GDP	-0.1	-2.3	0.8	4.1	0.7	2.7	5.7	4.9
Agriculture	-0.3	-3.3	3.5	13.2	5.3	9.2	2.1	5.7
Fishing	122.2	-31.2	-3.7	-5.6	1.4	-27.2	...	14.8
Manufacturing	-2.6	-5.1	4.0	-2.6	-1.6	2.9	10.3	8.1
Electricity, gas and water	1.8	4.0	-0.3	5.4	2.7	4.4	6.3	...
Construction	-7.0	-17.7	-11.1	-4.5	-10.1	-14.2	13.7	...
Commerce	1.8	-2.6	-5.0	8.3	0.7	4.2	5.8	7.8
Transport	-0.1	0.5	-6.3	-1.1	-1.7	3.8	6.0	...
Other	0.3	0.5	1.9	3.8	1.6	2.3	7.7	...

Source: Central Bank.

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

Table 2

URUGUAY: UNEMPLOYMENT RATE  
(Quarterly averages)

Quarter ending in:	1982	1983	1984	1985	1986
Jan	8.5	14.0	14.8	13.2	10.8
Feb	10.1	14.4	14.9	13.3	11.2
Mar	10.7	15.9	14.6	13.7	12.0
Apr	11.1	16.1	14.0	13.4	12.3
May	11.2	16.5	14.2	13.2	12.0
Jun	11.3	16.1	14.1	13.2	10.7
Jul	11.4	15.8	14.3	13.7	11.2
Aug	11.3	15.3	14.7	13.3	
Sep	11.7	15.2	14.7	13.6	
Oct	12.8	15.3	14.0	13.0	
Nov	13.5	14.9	13.4	12.7	
Dec	13.8	14.6	12.7	12.0	

Source: Department of Statistics and Censuses.

Table 3

URUGUAY: PRICE INDEX  
(Percentage variations)

	Consumer price index						Wholesale price index					
	1985			1986			1985			1986		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	4.9	4.9	62.5	5.6	5.6	84.4	4.5	4.5	75.9	5.1	5.1	75.2
Feb	3.2	8.3	61.2	3.6	9.5	85.1	2.5	7.1	70.9	1.3	6.4	73.1
Mar	6.5	15.3	67.9	5.4	15.4	83.1	8.1	15.8	81.8	4.8	11.5	67.9
Apr	10.0	26.8	76.7	4.9	21.0	74.6	11.5	29.1	89.7	4.0	16.0	56.6
May	4.1	32.1	76.0	2.4	23.9	71.7	2.8	32.7	87.2	2.1	18.4	55.5
Jun	3.0	36.0	70.5	4.9	29.9	74.8	0.3	33.1	73.7	5.2	24.6	63.1
Jul	6.8	45.3	71.6	6.3	38.1	73.9	6.6	41.9	78.2	6.2	32.3	62.5
Aug	3.8	50.8	71.2	4.3	44.0	74.8	2.5	45.4	73.2	5.9	40.1	67.9
Sep	3.5	56.1	72.0				3.3	50.2	73.8			
Oct	4.0	62.4	69.6				2.9	54.6	70.3			
Nov	6.6	73.2	77.6				7.7	66.5	74.8			
Dec	5.7	83.0	83.0				4.6	74.2	74.2			

Source: Department of Statistics and Censuses.

Table 4

URUGUAY: INDEX OF REAL WAGES AND SALARIES

	Index: Dec. 1982=100 (a)			Percentage variation					
	1984	1985	1986	1985			1986		
				Month	Year(b)	12 Ms. (c)	Month	Year(b)	12 Ms. (c)
Jan	90.8	88.0	97.9	-1.3	-3.1	-3.1	-3.3	11.3	11.3
Feb	88.0	87.3	101.4	-0.8	-1.9	-0.8	3.6	13.7	16.2
Mar	86.5	87.2	105.2	-0.1	-1.0	0.8	3.7	16.0	20.6
Apr	83.2	89.1	102.2	2.2	0.9	7.1	-2.9	15.7	14.7
May	85.4	90.6	100.8	1.7	1.8	6.1	-1.4	14.8	11.3
Jun	81.8	95.5	99.7	5.4	4.2	16.7	-1.1	12.9	4.4
Jul	78.0	101.0	103.0	5.8	7.5	29.5	3.3	11.3	2.0
Aug	76.3	101.1		0.1	10.4	32.5			
Sep	82.8	99.5		-1.6	11.6	20.2			
Oct	79.8	98.4		-1.1	12.6	23.3			
Nov	80.0	104.2		5.9	14.1	30.2			
Dec	89.2	101.2		-2.9	13.5	13.5			

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: TRADE BALANCE

Millions of dollars							Percentage variation (a)				
Exports FOB		Imports CIF		Trade balance		Exports		Imports		Trade balance	
Month	Year	Month	Year	Month	Year	Month	Year	Month	Year	Year	
1985											
Jan	69.0	69.0	46.4	46.4	22.6	22.6	3.0	3.0	-4.9	-4.9	24.2
Feb	68.9	137.9	76.9	123.3	-8.0	14.6	-5.2	-1.3	-6.8	-6.1	73.8
Mar	54.6	192.5	46.5	169.8	8.1	22.7	-35.2	-14.1	18.9	-0.4	-57.6
Apr	48.4	240.9	57.3	227.1	-8.9	13.8	-27.1	-17.0	-19.1	-5.8	-72.0
May	71.6	312.5	58.8	285.9	12.8	26.6	-26.6	-19.5	5.4	-3.7	-70.8
Jun	66.0	378.5	49.0	334.9	17.0	43.7	-9.3	-17.9	-15.7	-5.7	-58.7
Jul	73.3	451.8	76.7	411.6	-3.4	40.3	-18.7	-18.0	18.0	-2.0	-69.2
Aug	64.3	516.1	45.2	456.8	19.1	59.3	-24.9	-18.9	-0.9	-1.9	-65.3
Sep	79.8	595.9	84.0	540.8	-4.3	55.1	14.3	-15.6	-19.2	-5.1	-59.7
Oct	75.6	671.5	58.2	599.0	17.4	72.5	17.0	-12.9	-7.2	-5.3	-47.7
Nov	68.7	740.2	40.5	639.5	28.2	100.7	18.9	-10.7	-24.4	-6.8	-29.5
Dec	113.4	853.6	68.2	707.8	45.1	145.8	18.4	-7.7	-24.0	-8.8	-2.1
1986											
Jan	66.5	66.5	73.4	73.4	-6.9	-6.9	-3.6	-3.6	58.2	58.2	—
Feb	80.5	147.0	37.4	110.8	43.1	36.2	16.8	6.6	-51.4	-10.1	147.9
Mar	72.2	219.1	63.6	174.4	8.6	44.8	32.2	13.8	36.8	2.7	97.3
Apr	87.0	306.1	58.3	232.7	28.7	73.4	79.7	27.1	1.7	2.5	431.9
May	82.2	388.3	71.0	303.7	11.2	84.6	14.8	24.3	20.7	6.2	218.0
Jun	74.2	462.5	52.4	356.1	21.8	106.4	12.4	22.2	6.9	6.3	143.5
Jul	125.8	588.3	...	...	...	...	71.6	30.2	...	...	...

Source: Central Bank.

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

Table 6

URUGUAY: EXPORTS, BY CATEGORY  
(Millions of dollars)

	Traditional exports				Non-traditional exports				Percentage variation (a)			
	1985		1986		1985		1986		1985		1986	
	Month	Year	Month	Year	Month	Year	Month	Year	T	NT	T	NT
1984												
Jan	38.0	38.0	38.7	38.7	31.0	31.0	27.8	27.8	-17.7	49.0	1.8	-10.3
Feb	29.3	67.3	35.7	74.4	39.6	70.6	44.9	72.7	-24.8	40.6	10.5	3.0
Mar	23.3	90.6	34.8	109.2	31.2	101.8	37.4	110.1	-32.9	14.4	20.5	8.2
Apr	16.5	107.1	34.5	143.7	31.9	133.7	52.5	162.6	-33.5	3.3	34.2	21.6
May	33.6	140.7	26.6	170.3	38.0	171.7	55.6	218.2	-29.2	-9.3	21.0	27.1
Jun	15.4	156.1	31.3	201.6	50.7	222.4	42.9	261.1	-31.2	-4.9	29.1	17.4
Jul	17.9	174.0	39.7	241.3	55.4	277.8	86.1	347.2	-30.8	-7.3	38.7	25.0
Aug	16.5	190.5			47.8	325.8			-31.2	-9.4		
Sep	17.6	208.1			62.2	387.8			-28.0	-7.1		
Oct	18.7	226.8			56.9	444.7			-25.4	-4.8		
Nov	21.1	247.9			47.6	492.3			-21.3	-4.2		
Dec	45.4	293.3			67.9	560.2			-13.4	-4.4		

Source: Central Bank.

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

a: Variation in cumulative values with respect to the same period of the preceding year.

Table 7

URUGUAY: NET INTERNATIONAL RESERVES  
(Millions of dollars)

	Amount				Variation in total reserves			
	Total		CBU		Month		Year (a)	
	1985(b)	1986	1985(b)	1986	1985(b)	1986	1985(b)	1986
Jan	368.6	611.7	486.5	468.4	88.2	171.3	88.2	171.3
Feb	368.9	657.2	451.4	506.9	0.3	45.5	88.5	216.8
Mar	398.6	696.4	448.9	538.8	29.7	39.2	118.2	256.0
Apr	429.2	712.7	444.8	539.0	30.6	16.3	148.8	272.3
May	395.5	738.8	443.3	555.4	-33.7	26.1	115.1	298.4
Jun	357.6	...	434.3	567.5	-37.9	...	77.2	...
Jul	304.5		416.7		-53.1		24.1	
Aug	343.2		409.2		38.7		62.8	
Sep	372.7		429.0		29.5		92.3	
Oct	421.8		429.1		49.1		141.4	
Nov	409.4		399.4		-12.0		129.4	
Dec	440.4		426.8		31.0		160.0	

Source: Central Bank. (CBU)

a: With respect to December of the preceding year. b: Gold valued at US\$ 247 troy ounce.

Table 8

URUGUAY: EXCHANGE RATES

	Official exchange rate (Pesos per dolar)		Adjusted real exchange rate (a) (Index: 1980=100)	
	1985	1986	1985	1986
Jan	76.4	127.1	168.8	159.6
Feb	84.4	131.9	181.5	161.3
Mar	92.2	135.5	183.2	155.9
Apr	94.4	139.9	168.4	153.5
May	93.0	144.7	161.9	156.2
Jun	94.3	149.2	163.4	153.1
Jul	99.8	152.9	161.8	147.7
Aug	107.1	158.2	168.5	143.7
Sep	111.4		168.8	
Oct	115.5		171.3	
Nov	120.8		167.3	
Dec	124.7		165.5	

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

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

Table 9

## URUGUAY: MONETARY AGGREGATES, 1986

	M1	TD	M2	FD	M3	INC	LFC
(Billions of new pesos) (a)							
Jan	39.8	68.0	107.8	220.9	328.8	66.4	228.0
Feb	41.4	71.5	112.9	234.9	347.9	68.0	237.8
Mar	44.3	75.1	119.4	244.0	363.4	69.1	247.4
Apr	40.7	79.1	119.8	260.0	379.8	72.4	255.1
May	42.2	81.3	123.5	270.2	393.7	74.2	264.9
Jun	46.0	85.5	131.5	276.9	408.4	...	...
Jul	47.5	88.1	135.6	288.2	423.8	...	...
(Percentage variations(b))							
Jan	-1.2	9.1	5.1	7.5	6.8	2.8	3.2
Feb	2.7	14.8	10.0	14.4	13.0	5.3	7.7
Mar	9.9	20.5	16.4	18.8	18.0	7.0	12.0
Apr	0.1	27.0	16.8	26.6	23.4	12.1	15.5
May	4.7	30.5	20.4	31.5	27.9	14.9	19.9
Jun	14.1	37.2	28.2	34.8	32.6	...	...
Jul	17.9	41.4	32.2	40.3	37.6	...	...

Source: Central Bank.

Note: M1= Money (supply currency outside banks plus deposits on current account).

TD= Time deposits in national currency. M2 = M1 + TD.

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

INC= Banking system loans in national currency (does not include the Banco Hipotecario del Uruguay).

LFC= Banking system loans in foreign currency (does not include the Banco Hipotecario del Uruguay).

a: Balances at end of period. b: With respect to December of the preceding year.

Table 10

URUGUAY: CENTRAL GOVERNMENT FINANCIAL OPERATIONS  
(In billions of new pesos at values of the first six months of 1986)

	First six months of 1985 (1)	Second six months of 1985 (2)	First six months of 1986 (3)	Percentage variation (3)/(1)
A. Income	55.9	60.5	65.2	16.8
Tax revenue	41.3	47.2	48.8	18.2
Foreign trade	7.8	7.8	9.3	20.7
Other	6.8	5.4	7.1	3.6
B. Expenditure	67.5	71.3	64.3	-4.8
Remunerations and social security	40.2	41.6	37.5	-6.6
Non-personal expend.	7.3	9.8	—	—
Transfer payments	6.7	5.4	—	—
Interest payments on the public debt	7.8	8.2	7.9	0.8
Investment	5.5	6.3	—	—
C. Balance	-11.7	-10.8	0.9	—
D. Financing	11.7	10.8	-0.9	—
CBU/BROU credit	5.9	-2.5	-8.4	—
Letters and bonds	9.4	-14.4	7.7	-17.9
Other	-3.5	-1.1	-0.2	-94.1
E. Coefficients				
Balance/expenditure	-17.3	-15.1	1.5	—
Interest payments /expenditure	11.6	11.4	12.3	6.0

Source: ECLAC, on the basis of official figures.

Note: CBU = Central Bank of Uruguay.

BROU = Banco de la República Oriental del Uruguay.



## VENEZUELA

As was to be expected, the most important event for the Venezuelan economy during the first half of 1986 was the abrupt fall in the international price of petroleum. The average price of the oil exported by Venezuela went down by almost 50%, from US\$ 26.50 per barrel in 1985 to only US\$ 14 in the first half of 1986. As a result, however, of the decision taken by OPEC at the end of July to reduce its production with a view to strengthening the oil market, the average price of Venezuela's hydrocarbon exports increased slightly, reaching US\$ 16.50 in August. Nevertheless, this price was far below the US\$ 24 per barrel foreseen by the authorities at the beginning of the year.

The maintenance of an excessively rigid price policy led to a sharp drop in foreign sales of hydrocarbons in January. This situation was reversed as from February, however, when Petróleos de Venezuela (PDVSA) was authorized to fix its sale prices freely, whereupon exports recovered markedly. This recovery also was influenced by the intensification of the policy of "internationalization" of the enterprise, which enabled it to make sales through joint ventures with refining and/or distributing enterprises in the consumer countries. Thus, in the first half of 1986 PDVSA negotiated the purchase of shares in three foreign enterprises (two in the United States and one in Sweden) and secured the expansion of the agreement signed in 1983 with a German enterprise. It is estimated that these measures made it possible to guarantee the sale of 500 000 barrels per day, or almost one-third of the country's exports of hydrocarbons.

Under the agreement reached by OPEC in July, Venezuelan crude production must be reduced from an average of 1.7 million barrels per day in the first half of the year to 1.5 million barrels per day in the second half. The average annual production will thus be curtailed by around 5% compared with that of 1985. Exports, however, should be maintained at a volume similar to that registered in the early months of the year (950 000 barrels per day of crude and 600 000 barrels per day of petroleum products): figures which are slightly above those of 1985 (table 1).

The main effect of the drop in the international price of petroleum was a 40% contraction in export income, which, it is estimated, will amount in 1986 to a little under US\$ 8 billion compared with over US\$ 13 billion in 1985. In these circumstances, the authorities adopted various measures to reduce the outflow of foreign exchange. In April and June the imports that can be effected at the official exchange rate were restricted and greater administrative control was instituted over such operations, obliging importers in many cases to have recourse to suppliers' credits. As a result of these and other measures, imports of goods and services --which had fallen between 1982 and 1985 from US\$ 19.6 billion to US\$ 9 billion-- should go down once again in 1986. Even so, it is estimated that the trade surplus will fall to less than US\$ 1 billion, which is equivalent to only a sixth of the 1985 figure. Outflows in respect of financial services, for their part, should diminish by approximately US\$ 1 billion in 1986, due to the drop in international interest rates. Indeed, in the first half of the year interest payments on the external public debt were US\$ 2.3 billion, which was US\$ 400 million less than in the same period of 1985. If these trends persist, at year's end the current account could show a relatively important deficit. This, together with an expected capital account outflow will mean a considerable balance of payments deficit for the first time since 1982. International reserves began to drop markedly as from February, and in the first six months of the year they went down by over US\$ 1.1 billion (table 5).

The unfavourable evolution of the petroleum market and the uncertainty existing as regards the servicing of the external debt (especially the private debt) led to a sharp increase in the exchange rate on the free market, which rose by almost 30% in the first quarter and subsequently stabilized at around 19-20 bolívares per dollar (table 6). During the first half of the year, however, the trade exchange rate was not changed, although the petroleum exchange rate was raised on 1 January 1986 from 6 to 7.50 bolívares per dollar.

The modification of this exchange rate partly offset the negative effect caused by the drop in the international price of petroleum on tax revenues. The central government generated a surplus of 6.2 billion bolívares during the first quarter of 1986, thanks in part to that modification. Non-oil income also increased, because of greater revenues from indirect taxes, especially those on domestic sales of hydrocarbons. In contrast, expenditure went down slightly in the first quarter, partly because of a drop in interest payment on the external public debt and partly because of certain delays in the execution of the investment programme. Nevertheless, it is estimated that if the programmed investments are carried out, the fiscal deficit in 1986 will be equivalent to approximately 7% of the gross domestic product. This would be financed mainly with funds accumulated in 1984 and 1985, when the public sector achieved considerable surpluses.

Despite the fact that since the end of 1985 the annualized growth rates of M1 and M2 rose to such an extent that they were the highest registered in the last two years (table 4), inflation remained at a moderate level: 9.5% between May 1985 and May 1986 (table 3). This occurred even though on 1 January 1986 increases were authorized in the prices of gasoline and various food products. The rises which took place in January and February, however, were offset in the following two months by drops attributable to particularly pronounced seasonal factors and also to the marked increase in agricultural production. Finally, in order to counteract the inflationary effect expected from the restrictions on the imports that could be brought in at the official exchange rate, the authorities decided in July to freeze the prices of 30 essential products.

In the real sector of the economy, the moderate reactivation that non-petroleum production had been showing since mid-1985 continued. As in the previous year, agriculture had a very positive performance, with a 20% increase in the sugar cane harvest and a 25% expansion in the area sown with cereals. Iron ore production expanded by 18%, due mainly to the greater exploitation of the more recent deposits. The increase in deliveries of cement, for its part, reflected the higher level of activity in non-residential construction due to the execution of projects included in the Government's special investment programmes. Housing construction, in contrast, continued to face adverse conditions, as witnessed by the stagnation in mortgage loans in real terms. In the manufacturing sector, production increased slightly in the first quarter in most branches, the most significant recovery being in the transport equipment industry. The basic industries --steel, aluminium and petrochemicals-- continued to turn in a favourable performance (table 2). Nevertheless, the rate of utilization of production capacity in the manufacturing sector remained at the same low level as in 1985 (65%).

Table 1

VENEZUELA: PETROLEUM PRODUCTION AND EXPORTS  
(Thousands of barrels per day)

	Production		Exports	
	Crude oil (a)	Petroleum products	Crude oil(a)	Petroleum products
1980	2 168	893	1 283	581
1981	2 107	834	1 267	492
1982	1 893	849	1 062	492
1983	1 796	832	985	515
1984	1 799	831	1 007	510
1985	1 680	889	829	542
1986(b)	1 700	899	826	600
1985(c)				
I	1 678	847	857	532
II	1 677	832	806	328
III	1 677	961	847	675
IV	1 687	917	892	633
1986 Jan	1 692	864	582	508
Feb	1 694	942	807	563
Mar	1 701	896	969	723
Apr	1 711	893	946	606

Source: Petróleos de Venezuela.

a: Includes condensates, but does not include liquid petroleum gas.

b: January-April. c: Quarterly average.

Table 2

VENEZUELA: INDICATORS OF ECONOMIC ACTIVITY  
(Thousands of tons)

Averages	Iron ore	Steel	Aluminium	Petro-chemicals	Cement shipments	Consumption of electricity	Automobile sales (b)
						(a)	
1984	1 088	231	32	147	303	1 481	8 714
1985	1 233	255	33	134	297	1 710	10 282
1985							
I	1 002	258	33	110	281	1 672	9 057
II	1 055	259	33	127	287	1 768	8 963
III	1 594	272	34	149	309	1 626	10 600
IV	1 283	231	32	150	310	1 773	12 507
1986							
I	1 459	245	34	167 c	318	1 819	10 554

Source: Central Bank of Venezuela, Ministry of Energy and Mines, Petróleos de Venezuela, Banco Mercantil.

a: Thousands of kWh. b: Thousands of units. c: Data for April 153 and for May 172.

Table 3

VENEZUELA: DOMESTIC PRICE INDEX (a)  
(Percentage variations)

	1984			1985			1986		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	-0.3	-0.3	6.7	1.0	1.0	17.1	1.5	1.5	9.6
Feb	0.8	0.5	7.4	-0.4	0.6	15.7	0.9	2.4	11.0
Mar	1.2	1.7	7.7	0.4	1.0	14.7	-0.9	1.5	9.6
Apr	2.1	3.8	9.1	1.4	2.4	14.1	-0.2	1.3	7.9
May	2.1	6.0	11.8	-0.2	2.2	11.4	1.3	2.6	9.5
Jun	1.0	7.1	11.4	0.5	2.7	10.8			
Jul	1.3	8.5	12.3	0.7	3.5	10.2			
Aug	0.9	9.4	12.7	0.2	3.6	9.5			
Sep	1.9	11.5	13.4	0.8	4.5	8.3			
Oct	1.4	13.1	14.1	1.2	5.7	8.0			
Nov	1.4	14.7	15.4	1.7	7.5	8.4			
Dec	0.8	15.6	15.6	1.4	9.0	9.0			

Source: Central Bank of Venezuela.

a: In the Caracas metropolitan area.

Table 4

VENEZUELA: MONETARY AGGREGATES  
(Percentage variations)

	Monetary base				M1				M2			
	1985		1986		1985		1986		1985		1986	
	Month	12Ms.	Month	12Ms.	Month	12Ms.	Month	12Ms.	Month	12Ms.	Month	12Ms.
Jan	-4.5	-1.5	-3.5	23.3	-6.8	8.7	-3.4	16.4	-1.4	7.7	-0.6	9.6
Feb	1.6	1.1	-4.6	15.8	-0.6	7.3	0.2	17.4	0.7	7.7	-0.1	8.7
Mar	5.4	9.9	-0.4	9.4	1.3	7.1	1.2	17.3	0.6	7.5	-0.5	7.5
Apr	3.9	14.6	12.2	18.3	3.1	8.2	5.0	19.4	1.2	8.8	3.5	9.9
May	0.9	25.8	1.3	18.8	0.6	13.8	-0.1	18.7	0.8	10.7	1.8	11.0
Jun	5.9	29.1			1.2	11.5			-0.2	9.8		
Jul	0.2	31.6			3.1	16.6			1.3	10.7		
Aug	-0.5	28.5			-1.8	14.5			-0.4	10.3		
Sep	-4.5	24.2			1.6	16.1			0.3	9.9		
Oct	8.3	38.7			2.5	20.1			1.5	11.2		
Nov	2.5	36.7			5.0	20.0			1.6	10.7		
Dec	1.7	22.1			3.0	12.5			2.5	8.7		

Source: Central Bank of Venezuela.

Table 5

VENEZUELA: NET INTERNATIONAL RESERVES  
(Millions of dollars)

At the end of:	1984	1985	1986
Mar	11 071	13 027	13 442
Jun	11 874	13 465	12 611
Sep	12 381	13 287	
Dec	12 469	13 746	

Source: Central Bank of Venezuela.

Table 6

VENEZUELA: FREE EXCHANGE RATE  
(Bolivares per dollar)

	1983	1984	1985	1986
Jan	4.3	13.8	13.5	17.3
Feb	4.3	13.0	13.3	17.8
Mar	8.1	14.2	13.1	19.2
Apr	9.3	15.7	12.9	19.3
May	10.0	16.2	13.2	19.3
Jun	11.3	14.0	14.0	19.9
Jul	14.5	13.0	14.2	19.8
Aug	14.3	12.7	14.4	19.7 (a)
Sep	12.9	12.0	14.6	
Oct	12.5	12.3	14.6	
Nov	13.0	12.6	15.1	
Dec	12.8	12.7	14.9	

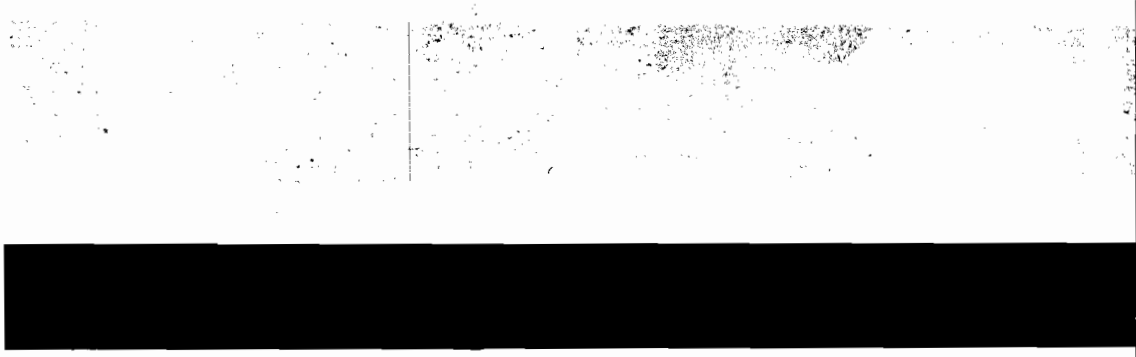
Source: Central Bank of Venezuela.

a: Up to 21 August.









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