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PRELIMINARY OVERVIEW OF THE LATIN AMERICAN ECONOMY 1987

Information furnished by the Executive Secretary of ECLAC, Mr. Norberto González, at the end-of-year press conference held at the headquarters of the Commission on 22 December 1987.

I. INTRODUCTION AND SUMMARY

In 1987 there was a worsening of the acute economic crisis which Latin America has been experiencing since the beginning of this decade. Not only did the economic growth rate decline but inflation again accelerated markedly, and although the external sector results were more favourable, they were concentrated in a very small number of countries (see table 1 and figure 1).

According to preliminary figures available to ECLAC, the region's gross domestic product increased by 2.6% —a rate which was less than that recorded in the three preceding years and which made possible a rise of only 0.5% in the per capita product. This consequently stood at a level 5.5% lower than in 1980 (the year before the crisis) and was only equivalent to that achieved in 1978.

In addition, the growth of economic activity, although more evenly distributed than in the preceding year, was very feeble in the majority of the countries and in nine of them the per capita product fell. Indeed, it increased satisfactorily only in the Dominican Republic, Uruguay, Peru, Chile, Jamaica and Colombia. Even in those countries, however (except for Colombia) the per capita product continued to be less than that achieved at the beginning of the decade.

The loss of economic dynamism was accompanied by a considerable resurgence of inflation. The average growth rate of consumer prices weighted by the population, which had dropped from 275% in 1985 to 65% in 1986, rose to over 185% at the end of 1987.

In addition, the acceleration of inflation was quite widespread. Consumer prices rose more rapidly than in the preceding year in 13 of the 21 economies for which data are available, and in the majority of them, the increase was considerable. In particular, inflation was extraordinarily intense in Nicaragua (1 225%), as well as in Brazil (340%), Argentina (180%) and Peru (105%): three countries where in 1986, although the rate of price rises had declined, strong inflationary pressure had built up. At the same time, inflation worsened for the fourth year running in Mexico (146%), while it intensified considerably —although starting from very much lower levels— in Venezuela, with the result that in both these countries price rises reached unprecedented heights. Inflation continued to be very high in Uruguay (60%), although it showed a slight downward trend, while it rose somewhat in Ecuador, Colombia and Chile and increased more pronouncedly in the Dominican Republic. In contrast, it slackened markedly for the second consecutive year in Bolivia (a country which in 1985 had recorded the first case of hyperinflation in the history of Latin America), it remained stable in Paraguay, declined in El Salvador, Costa Rica, Guatemala and Jamaica, and continued very low in Barbados, Honduras and Panama.

The lower dynamism of economic growth and the acceleration of inflation coincided with an improvement in the external accounts. Because of the recovery of the international price of petroleum, the upturn in the prices of minerals and other basic commodities, and the rapid growth of exports of manufactures in some countries, and in spite of the abrupt drop in the international price of coffee, the total value of Latin America's external sales of goods rose by 13%.

This increase was greater than the 10% rise recorded in the value of imports, with the result that the surplus on merchandise trade rose from US$18.2 billion in 1986 to US$22.7 billion in 1987, thereby halting the downward trend followed during the previous two years. This increase was, however, almost entirely attributable to the very considerable expansion in the trade surpluses of Mexico, Brazil and Venezuela.

The increase in the trade surplus and the slight drop in payments of interest and profits helped to bring the balance-of-payments current account deficit down to US$9 billion. However, with the exception of the negative balance of US$14.6 billion recorded in 1986, the 1987 deficit was still well above those recorded between 1983 and 1985 and was indicative of the limited progress achieved by the adjustment programmes.

The lower current account deficit was accompanied by a rise in the net inflow of capital, which had fallen to an extraordinarily low level in 1985. The nominal amount of net loans and investments received was, however, equivalent to less than half that received by the region prior to the onset of the debt crisis, and in real terms it was equivalent to much less.

As a result of the expansion of net external financing and the simultaneous reduction in the deficit on current account, there was a significant reversal in the overall balance-of-payments situation. While in 1986 this had closed with a negative balance of nearly US$5.9 billion, in 1987 it turned in a surplus of US$5.3 billion.

Likewise due to the higher inflow of capital and the slight drop in payments of interest and profits, the transfer of resources abroad fell to US$15.7 billion —28% less than in 1986 and equivalent to only a little over half the average figure recorded in the period 1983-1985. Nevertheless, the transfer of resources abroad continued to absorb a considerable fraction (15%) of the value of exports of goods and services and still constituted a basic impediment to the resumption of dynamic, sustained economic growth.

In 1987 the slow growth of Latin America's external debt continued for the fourth consecutive year, bringing the total to nearly US$410 billion at the end of the year. It is estimated to have grown by slightly over 4%: a very similar rate to that recorded in 1986. Nevertheless, since the rate of inflation in the industrialized countries was approximately 3%, the real expansion of the debt was only 1%, compared with 2% the preceding year. In actual fact, however, the effective growth of the debt was even lower, since the value of the US dollar, in which the external debt is traditionally measured, fell sharply against that of the currencies of other creditor countries, so that the dollar amount of the liabilities contracted in yen and in the leading European currencies rose in statistical terms.

Owing to the slow growth of the debt, the lower level of international interest rates prevailing from mid-1986 to mid-1987, and the recovery in the value of Latin America's exports, the indicators of the external debt burden showed an improvement by comparison with 1986, although they still stood at critical levels. Thus, the fact that the growth rate of the value of exports was three times as high as that of the debt meant that the regional debt/exports coefficient dropped from 416% in 1986 to 387% in 1987. The drop was considerably greater in the petroleum-exporting countries (from 422% to 370%) than in the other economies of the region (from 412% to 400%). Even so, the coefficients for both groupings were still significantly higher than the very high coefficients recorded during the period 1982- 1985 and were close to 50% higher than those normally recorded prior to the onset of the debt crisis.

In 1987 the ratio between interest payments and exports also improved significantly. For the region as a whole, this coefficient dropped from 36% in 1986 to 30% in 1987. Once again, this drop was more marked in the petroleum-exporting countries (from 35% to 25%) than in the other economies of the region (from 36% to 33%). Nevertheless, although these coefficients were the lowest observed since the onset of the debt crisis, they were still nearly twice as high as those recorded in the period 1978-1979. Furthermore, the reversal of the downward trend displayed by international interest rates since early in 1987 means that in 1988 interest payments are likely to rise, and the ratio of interest payments to exports will therefore also tend to rise (see figure 10).

II. MAIN TRENDS

1. Production and employment

In 1987 the gross domestic product of Latin America rose by 2.6% —a rate one percentage point lower than the average recorded during the preceding three years. As a result, the per capita product increased by a mere 0.5%, so that it stood at a level 5.5% lower than that of 1980 (the year preceding the crisis) and was similar to that achieved in 1978 (see table 2).

The loss of dynamism in the region as a whole was primarily due to the marked drop in the economic growth rates of Brazil, which went down from over 8% in 1986 to 3% in 1987, and Argentina, where the rate fell from 6% to 2%. However, it was also due to the slow growth of most of the economies of the region, in nine of which the per capita product again declined. In fact, the economic growth rate was appreciably higher than the rate of population growth only in the Dominican Republic, Uruguay, Peru, Chile, Jamaica and Colombia (see table 3).

As a result of these developments, the deterioration in living conditions suffered by most of the relatively poorer economies of Latin America continued in 1987. Thus, between 1980 and 1987 the per capita product has gone down by 27% in Bolivia, by 20% in Guatemala, by 17% in Nicaragua and by over 13% in El Salvador and Honduras. During this same period, however, it has also declined sharply in countries with considerably higher levels of income and development, such as Venezuela (-20%), Argentina (-15%) and Mexico (-10%).

The economic growth of Peru was one of the two highest in the region for the second year running. After rising by 8% in 1986, the gross domestic product grew by 7% in 1987, thanks to the fact that, just as in the preceding year, construction and manufacturing grew very vigorously (25% and 15% respectively). As in 1986, the increase in economic activity was propelled by the very rapid expansion of private consumption —which rose by over 10% owing to the rise in real wages, the increase in employment and the resurgence of inflationary expectations— and by the growth of private investment, especially in housing. In contrast, public sector capital formation fell very sharply, so that the overall investment coefficient remained at the low levels recorded in previous years. Again for the second successive year, the rapid recovery of economic activity caused a sharp rise in the demand for imports, which was also encouraged by the low level of the real exchange rate. Owing to the sharp increase in external purchases and the very slight increase in the value of exports, the trade deficit expanded considerably and the international reserves experienced a further drop. The increase in domestic demand and the exhaustion of the margins of underutilized capacity in a growing number of branches of industry also helped to accelerate inflation, whose annual rate exceeded 100% in November. Because of these developments, and in order to reduce the external imbalance, the authorities raised the exchange rates for exports and imports by between 20% and 80% in mid-December.

The increase in domestic demand (although in this case led by an extraordinary expansion in public investment) was also the main reason for the rapid economic growth in the Dominican Republic. In fact, the major part of the 7% increase in the gross domestic product was directly or indirectly attributable to the increase of close to 45% recorded by the construction sector. This growth in construction, for its part, was primarily attributable to the doubling of government investment, 80% of which was spent on public works and hydroelectric projects. As in Peru, however, the rapid expansion of economic activity accentuated the imbalance in the external sector and strengthened inflationary pressures, causing the economic authorities to effect a sharp devaluation of the peso towards the end of year.

The gross domestic product grew for the second year running at satisfactory rates of about 5.5% in Colombia, Chile and Uruguay —countries where the economic expansion was also accompanied by the maintenance of a suitable external balance and of relatively moderate rates of inflation in the first two cases, and of a high but declining rate in Uruguay.

The economic growth achieved by Colombia was particularly significant in that not only did it exceed the rate of 5% recorded the preceding year but was achieved in a year in which the international price of coffee fell by over 40%. The increase in economic activity was based on the relatively even expansion of industry, construction, agriculture and commerce and the continuation of the vigorous growth of mining, which expanded by 14% after having risen at an average rate of over 20% in the preceding four years. The dynamic growth of the mining sector, due primarily to the considerable growth of the extraction not only of petroleum and gas but also of gold, coal and nickel, made it possible to offset most of the contraction in the value of coffee exports and was therefore decisive in maintaining the external balance. As a result of the growth of economic activity, the rate of open unemployment in the main cities continued to fall, and after the unprecedented high rate of nearly 15% reached in mid-1986 it subsequently fell uninterruptedly to 10% in December (see figures 2 and 3).

The gross domestic product also increased by close to 5.5% for the second consecutive year in Chile, thus completing the economic recovery begun at the end of 1983, with economic activity exceeding for the first time the level reached in 1981 before the onset of the economic crisis. Growth was particularly vigorous in the first quarter, when overall production expanded by 8%, domestic demand rose even more rapidly and the value of imports was 40% greater than in the same period of the preceding year. The notable acceleration of domestic expenditure —brought about largely by the excessive expansion of the means of payment during the final months of 1986— and the danger which the massive increase in imports represented for the maintenance of the external balance achieved in the preceding two years moved the authorities to apply a stricter monetary policy and to raise interest rates in March. Primarily because of this "mini-adjustment", the growth of economic activity slackened as from the second quarter. Imports nevertheless continued to increase rapidly, but, the intense expansion of industrial exports and the unexpected and considerable recovery in the price of copper made it possible to compensate for the increase in external purchases, so that the trade surplus achieved in 1986 was maintained. As in the preceding two years, the growth of economic activity was accompanied by a substantial expansion (15%) in investment and by an increase in productive employment. The latter, however, was only partially reflected in a drop in the annual average rate of unemployment, since at the same time the number of people enrolled in the government's emergency employment programmes was cut almost by half.

During 1987 there was also a continuation of the recovery, (although at a slower rate) which had begun in the last quarter of 1985 in Uruguay. Thus, the gross domestic product, which had risen by 6.6% the preceding year, grew by around 5.5%. As in 1986, the sector which expanded most rapidly was manufacturing, which once again grew by close to 12%. At the same time there was a recovery in construction, which had slumped by nearly 60% in the five preceding years, and the decline in the rate of unemployment in Montevideo continued, so that from the high point of 16% registered early in 1983 it fell persistently to an average of only a little over 8% in the quarter August-October 1987 (see figure 2).

In contrast with what happened in Colombia, Chile and Uruguay, the rate of economic growth dropped markedly in Brazil and Argentina, where the rapid expansion of economic activity in 1986 had coincided with a deterioration in external trade and the accumulation of strong inflationary pressures.

In Brazil, the overall growth rate fell from a little over 8% in 1986 to approximately 3% in 1987, even though at the same time there was a major turnaround in the agricultural sector, which after having contracted by 7% the preceding year, rose by more than 13%. The loss of economic dynamism was consequently attributable to the sudden breakdown in the growth of urban activities, including manufacturing, which in 1986 had expanded by over 11% but which rose by only 1% in 1987, and construction, whose increase of 17% in 1986 was followed by a drop of over 2% in 1987. The interruption in the upward trend of the economy was primarily a consequence both of the outbreak of inflation which began in December 1986 and intensified in the first half of 1987 and of the policies applied with the aim of controlling inflation and reversing the sharp deterioration in the external accounts. The severe drop in real wages caused by the flaring-up of inflation, the postponement and reduction of public investment and the unfavourable change in the expectations of the economic agents all helped to depress domestic demand, the drop in which was only partly offset by the strong expansion of exports. As a result of all this, the rate of urban unemployment, which had dropped to very low levels at the end of 1986, rose appreciably in the leading cities of the country during the first nine months of 1987.

Economic activity also evolved less dynamically in 1987 in Argentina. The gross domestic product, which had increased by 6% the preceding year, thereby compensating for the drop experienced in 1985, increased by only 2%. The decline in the growth rate of manufacturing was particularly marked, since after expanding by nearly 13% in 1986, it virtually stagnated in 1987. The progress of the economy was also impeded by the drop in agricultural production due to unfavourable weather conditions and by the depressive effect exerted on the demand for mass consumption goods by the deterioration in real wages due to the sudden acceleration of inflation.

In spite of the recovery in the international price of petroleum and for a variety of reasons, economic growth was less than that of the population in Venezuela, Mexico, Ecuador and Bolivia, which are the Latin American countries most dependent on exports of hydrocarbons.

In Venezuela economic growth fell from 5.5% in 1986 to only 1.5%, causing per capita output to drop for the ninth time in the past ten years. The main cause of the reduction in the economic growth rate was the cutback which had to be made in the extraction and refining of petroleum in compliance with decisions taken by OPEC. For this reason, the product of the petroleum industry fell by 4.5%, totally neutralizing the rise of equal magnitude registered the preceding year. On the other hand, in most of the sectors geared to the domestic market (except for construction, whose growth rate fell from 16% to 3%), production increased at rates similar to those recorded in 1986. Thus, agricultural production grew satisfactorily for the third consecutive year under the stimulus of the preferential credit policy and the readjustments in the prices paid to producers, while industry and mining grew by 3% and 5%, respectively. As a result of the higher level of activity in these sectors, the rate of unemployment again declined, falling below 10% in the first half of the year for the first time since 1982.

The growth of economic activity was very feeble in Mexico, where the gross domestic product rose by only 1% after having fallen by 4% in 1986. This insufficient recovery of overall production occurred in spite of the spectacular upturn in the external accounts. As a result of the increase in the international price of petroleum, and especially of the extremely rapid growth of exports of manufactures, the value of external sales of goods rose by over 30% and the trade surplus increased from US$4.6 billion to US$9 billion. The disbursement of the loans arranged with international private banks the year before and the repatriation of Mexican capital also helped to increase the international reserves, which in October attained the record figure of close to US$15 billion. However, these changes did not produce any significant growth in economic activity, which began to recover perceptibly only in the middle of the year and whose progress was impeded by the scant dynamism of domestic demand. The behaviour of the latter was attributable both to a further and considerable drop in the minimum wage in real terms and to the cautious fiscal and monetary policy adopted by the authorities with a view to keeping inflation from accelerating still further.

Economic growth was likewise very slow in Bolivia. Even so, the increase of about 1.5% registered by the gross domestic product represented a break in its uninterrupted decline since 1982. This change was due to the recovery of close to 5% in both manufacturing and construction largely as a result of the situation of less uncertainty brought about by the abrupt reduction in the inflationary process. Nevertheless, because of the persistent crisis in the mining sector, which resulted in the closure of an appreciable number of mines, and the continuation of the process of reducing the size of the public sector, which had been initiated by the authorities the preceding year in order to eliminate the fiscal deficit, the rate of unemployment rose once again and stood at more than 21% in the first four months of the year (see table 4).

In Ecuador —the only country in the region in which the gross domestic product fell in 1987— the unfavourable evolution of economic activity was primarily due to the effects of the earthquakes which took place in the north-eastern part of the country early in March. Up to then, it had been estimated that the domestic product would grow by close to 3% and that the recovery taking place in the international price of petroleum would help to alleviate the difficult balance-of-payments situation and to strengthen the public finances. These expectations changed radically, however, following the earthquakes and the floods and frosts which hit other parts of the country. In addition to destroying dwellings and highways and other infrastructure works, the earthquakes caused a 33-kilometre break in the pipeline which conveys crude oil from the deposits in the east to the refinery at Esmeraldas on the Pacific coast, and they also destroyed a similar length of the gas pipeline which runs from the eastern region to Quito. This made it necessary to halt the production of hydrocarbons completely until May and to build a connection between the oil deposits in Ecuador and the Colombian trans-Andean pipeline which terminates at the port of Tumaco. Thanks to this connection, in the following three months it was possible to transport between 30 000 and 50 000 barrels of petroleum a day through Colombia, thereby partially meeting the domestic demand for petroleum products. Even so, it is estimated that in 1987 the production of hydrocarbons fell by nearly 40%, and the effects of this drop could not be offset by the considerable progress made in the fishery sector and the increases in the neighbourhood of 3% in both manufacturing and construction.

Although in 1987 economic activity grew somewhat more rapidly in Central America than it had the preceding year, per capita product fell once again in Guatemala, Panama and Nicaragua and virtually stagnated in Costa Rica and El Salvador. Part of the blame for this unsatisfactory performance can again be laid on the uncertainty caused by the great social and political tensions which exist in the majority of the countries of the subregion and the weakening of intra-regional economic relations, which caused a further contraction in trade among the Central American countries. The negative effects of these factors were compounded by the marked deterioration of the terms of trade in all the countries of the Isthmus in 1987, primarily as a result of the drop in the international price of coffee and the rise in the price of petroleum.

2. Prices and wages

In 1987 there was a sharp resurgence of inflation in Latin America. The average population-weighted growth rate of consumer prices, which had dropped from 275% in 1985 to 65% in 1986, rose to nearly 190% by the end of 1987.

Furthermore, the acceleration of the inflationary process was quite widespread, for consumer prices rose more rapidly than the year before in 13 of the 21 economies for which data are available, and in most of them the increase was considerable (see table 5). In particular, inflation was extraordinarily severe in Nicaragua, which already in 1986 had been the country of the region where prices increased most rapidly, and also in Brazil, Argentina and Peru, where, in contrast, inflation had diminished markedly the preceding year. Furthermore, inflation worsened in Mexico for the fourth consecutive year, and it became much more severe in Venezuela (although starting from a much lower level), the result being that in both these countries price rises reached record levels. Inflation continued to be very high in Uruguay, although it displayed a slight but sustained downward trend, and it increased slightly in Ecuador, Colombia, Chile and —more markedly— in the Dominican Republic.

In contrast, inflation slackened notably for the second year running in Bolivia, which in 1985 had been the scene of the first case of hyperinflation in the history of Latin America, while it remained stable in Paraguay, diminished in El Salvador, Costa Rica, Guatemala and Jamaica and continued very low in Barbados, Honduras and Panama.

As in the previous two years, inflation accelerated markedly in Nicaragua. After rising from 50% in 1984 to 343% in 1985 and 747% in 1986, consumer prices rose by more than 1 200% in the twelve-month period ending in November 1987. The worsening of the inflationary process was attributable to the substantial rises in the exchange rate which, along with the new import taxes, caused the price of imports to rise sharply, the repeated substantial readjustments in the price of gasoline, which rose from 180 córdobas a gallon in June to 4 000 córdobas in November, and the rapid growth of the currency issues needed to finance the public sector deficit, which continued to be difficult to bring down because, inter alia, of the rigidity imposed on fiscal expenditure by defence-related needs.

Inflation also intensified markedly in Brazil, where the annual growth rate of consumer prices increased six-fold, from 59% in 1986 to nearly 340% in November 1987, the latter rate being the highest yet recorded in the country. The acceleration in inflation was particularly marked during the first half of the year, when the monthly price variations increased almost continually, culminating with a rise of 26% in June. This trend was interrupted in the third quarter, when consumer prices increased at an average monthly rate of around 5%, but the trend resumed in the final months of the year (see figure 4).

The acceleration of inflation in the first half of the year occurred because it was no longer possible to restrain the effects of the enormous expansion of demand generated by the Plan Cruzado in 1986. In fact, the price controls laid down in this Plan were accompanied by a sharp increase rather than by the containment of domestic expenditure, thus helping to cause almost generalized shortages and giving producers strong incentives to sidestep the official price controls. Because of this, the inflation which had been repressed up to November 1986 suddenly exploded into runaway open inflation in December and in the early months of 1987. The sudden intensification of the inflationary process forced the authorities to readjust interest rates, the exchange rate and the rates charged by public enterprises, as well as to reintroduce the indexing machinery which had been eliminated under the Plan Cruzado. It also set off for the first time the automatic mechanism for wage readjustment, which, as provided for in the Plan, was to be put into effect whenever the accumulated inflation reached 20%.

Owing to the loss of control over the inflationary process and the serious deterioration in the external accounts which took place at the same time, the authorities abandoned the Plan Cruzado in February and freed nearly all prices with a view to absorbing the excess demand and correcting the serious imbalances in the price system. However, the reactivation of inflationary expectations to which these measures gave rise and the effects of the proliferation of the indexing mechanisms raised the monthly growth rate of consumer prices to 23% in the second quarter —a much higher rate than those prevailing before the Plan Cruzado came into effect in March 1986.

In this situation, a new shock stabilization programme was announced in mid-June. This programme combined a price freeze with adjustments in relative prices (exchange rate, public sector rates and the prices of a number of key products) and with tighter management of aggregate demand. At the same time, in order to bring the projected public sector operating budget deficit for 1987 down from more than 6% of the gross domestic product to 3.5%, public investments were postponed or reduced, important subsidies were eliminated, and institutional reforms designed to promote greater control over government expenditure and credit were announced. Finally, unlike the Plan Cruzado, which had begun by increasing real wages by 8%, the new programme froze them at the low levels to which they had fallen in May.

As a result of these measures, inflation diminished significantly during the third quarter. However, it accelerated markedly once again when the freeze was lifted, so that consumer prices rose by over 9% in October and nearly 13% in November. This resurgence of inflation was caused by the rises in the prices of many goods and services which took place when the price policy was made more flexible; the increase in the relative price of energy and some foodstuffs brought about by the reduction in State subsidies; the readjustment of the salaries of military personnel and of some categories of civil servants, which were well above the ceilings compatible with the stabilization programme; the drop in government income due to the tax exemptions granted in an attempt to slow down or reduce the rises in certain prices, and the expansion of the deficit on the public sector operating budget beyond what had been envisaged.

As a result of the increase in inflation and, to a lesser extent, the loss of dynamism of industry, average real wages fell sharply in the manufacturing sector, so much so that in the third quarter they dropped to the level at which they had stood before the Plan Cruzado went into effect. At the same time, the purchasing power of the minimum wage fell by 18%, bringing it to its lowest level for the last ten years (see table 6 and 7).

Inflation also accelerated sharply in Argentina, marking a reversal of its marked decline between mid-1985 and the early part of 1986 as a result of the application of the Plan Austral. In fact, the increase of nearly 180% in consumer prices in 1987 was twice that of the preceding year (82%). However, in contrast with what happened in Brazil, inflation was considerably less severe in 1987 than in the period 1982-1985 (see table 5 and figure 5).

The resurgence of inflation had already begun to make itself felt quite forcibly in the third quarter of 1986, when consumer prices rose at a monthly rate of over 7%. To cope with the situation, the authorities strengthened the incomes policy and applied a stricter monetary policy. These measures helped to reduce the monthly price variations at the end of the year but caused the real interest rate to rise sharply and the growth rate of output to drop.

Early in 1987, the considerable rises in the prices of some goods such as meat, vegetables and fruit, which have a substantial impact on the overall consumer price index, and the growing gap between the official price of the dollar and its price on the parallel market caused by the deterioration of the external accounts had the effect of strengthening inflationary expectations. As a result, the monthly variations in consumer prices began to rise again, hovering around 7% in the first quarter.

To keep these rises from constantly increasing the rate of inflation as a result of the indexing mechanisms and inflationary expectations, at the end of February the authorities decided to freeze prices and wages again, for three months. At the same time the exchange rate was raised and the regulated interest rate was lowered. Although price rises were more moderate in April and May as a result of the application of these measures, inflation speeded up again in June. This forced the authorities with a difficult situation, since the fiscal and external disequilibria were making it necessary to effect adjustments in the exchange rate and public sector rates at a time when the mechanisms which promote inflation appeared to have begun to operate intensively again and the real price of meat was at a seasonal high. Thus, in July the increase in the consumer price index amounted to two digits for the first time in two years (see figure 4).

This resurgence of inflation intensified in subsequent months. Although the price of meat ceased to rise, efforts to increase the rates of public services and the rate of exchange led to heavy cost pressures and further rises in prices. This generated the impression that inflation was getting out of control —a sensation which was to a certain extent aggravated by the uncertainty linked to the elections which took place early in September. This situation, together with the expectations of a further freeze, sparked off pre-emptive price rises. Simultaneously, the authorities considerably speeded up the rate of devaluation of the Austral and the increases in the rates for public services. Thus, in October the rise in consumer prices was almost 20%, while wholesale prices increased by over 30%.

In these circumstances, in October the government announced a set of measures to bring down inflation and to reduce the disequilibrium of the external sector. These measures included an initial readjustment of 12% in salaries and of 15% in the rates for public services, together with a subsequent freeze of both for a period of 90 days; a sharp devaluation of the Austral and the splitting up of the exchange market, involving the liberalization of the sector corresponding to financial operations; and tax reform measures designed to increase fiscal revenue by the equivalent of 4% of the gross domestic product through the introduction of additional taxes of 5% on imports and 45% on cigarettes, together with rises in taxes on property and income, a heavy increase in gasoline prices, and the elimination of controlled interest rates in order to reduce the subsidies granted by the Central Bank.

As a result of the resurgence of inflation and the stagnation of industrial production, the real wage in manufacturing fell by over 8%.

In 1987 a turnaround also occurred in the downward trend which inflation had followed during the previous year in Peru. After having fallen from almost 160% in 1985 to slightly more than 60% in 1986, the annual variation in the consumer price index again rose to over 100% at the end of 1987.

The systematic acceleration of inflation mainly reflected the impact of the further considerable expansion of domestic demand brought about by the growing fiscal deficit, the rapid increase in the money supply and the rise in wages. Consequently, official price controls gradually became ineffective, especially in the case of the ever-growing number of industries which faced difficulties in increasing their production on account of the gradual exhaustion of their margins of under-utilized capacity. Price rises were also spurred by the readjustments in wages; by the increase in the average rate of exchange resulting from the mini-devaluations carried out during the first half of the year, the 25% devaluation decreed in September, and the gradual transfer of certain exports and imports to those sectors of the exchange market where higher rates prevailed; by increases in the selective consumption tax and the customs surcharges applied to certain imports; and by the resurgence of inflationary expectations.

In spite of the rise in inflation, the growth in economic activity and the more frequent and substantial readjustments in wages and salaries caused the purchasing power of private-sector remunerations in Lima to increase by almost 7%, after having grown by nearly 27% during the previous year. Even so, however, because of the huge drops suffered in the 1983-1985 period, this purchasing power was still 20% lower than at the beginning of the decade (see table 6).

In Mexico inflation attained an unprecedented level in 1987. Despite the intention of the authorities to bring it down from the 106% recorded in 1986 to 80% in 1987, the annual rate of increase of consumer prices rose rapidly and continuously, exceeding 140% in November (see figure 5).

This speeding-up of inflation was due both to the vigorous policy on prices and scales of charges adopted for budgetary reasons in the public sector —which led to a sharp rise in the prices of the goods and services supplied by that sector, especially gasoline— and to the delayed effects of the exchange rate policy, which until March devalued the peso faster than the rate of inflation, with the consequent impact on the prices of tradeable goods. Other factors in the increase in inflation were the rises in nominal wages —which were readjusted more frequently than in previous years— and the strengthening of inflationary expectations, which increased especially after the collapse of the stock market in October and the sharp devaluation of the peso on the parallel market in November.

Because of the acceleration of inflation, even though the minimum wage was readjusted more frequently than in previous years its purchasing power underwent a further sharp decline, thus accumulating a 44% fall in this decade.

In view of these circumstances, in mid-December the government undertook a further stabilization programme designed to bring inflation under control by means of an 'economic solidarity pact' involving workers, peasants and entrepreneurs. The plan included a rise in the exchange rate on the regulated market from 1 800 to 2 200 pesos per dollar, a 15% rise in wages, measures to liberalize foreign trade, a reduction in the maximum duties on imports from 40% to 20%, and considerable readjustments of the prices and tariffs for goods and services produced by State enterprises in order to bring down the public sector deficit. Thus, the prices of gasoline, other fuels, liquid gas and electricity rose by 85%, those of sugar and fertilizers increased by approximately 80%, and the cost of air and railway transport went up by approximately 20%. In addition to decreeing these rises, the government froze prices in January and February and announced that wages would be raised again by 25% in January and readjusted on a monthly basis as from March.

Although it was far lower than in the countries mentioned above, inflation reached unaccustomed levels in Venezuela. Thus, the 36% rise in consumer prices over the 12 months up to November was not only three times that recorded in 1986, but was also the highest in the country's history.

The sudden rise in inflation was largely due to the maxi-devaluation of the bolívar decreed in December 1986, which meant a 93% rise in the official rate of exchange. As a result and also because of the readjustments in the prices of essential goods such as food, transport and electricity and the inflationary impact of the suppression of the preferential exchange rate previously applied to imports of a variety of basic inputs and certain consumer goods, inflation gradually gathered speed, until consumer prices rose by more than 4% in May, June and July.

In order to halt this trend, after an unsuccessful attempt to freeze prices, a system of price controls was introduced in September, covering three groups of products. The first was made up of 43 items defined as 'essential', whose prices were strictly controlled and could only be increased with the permission of a tripartite commission made up of representatives of the government, entrepreneurs and trade unions. The second group covered a considerable proportion of inputs and consumer goods, whose prices could only be increased with the permission of the Ministry of Finance, provided the rise in question had been requested at least 60 days in advance. Finally, the prices of the remaining goods which were subject to control could initially be set "freely", but any change required prior notice of at least 30 days.

As a result of these measures and of the application of a restrictive monetary policy as of May, monthly price variations declined from August onwards. Nevertheless, they remained higher than those recorded in the same months of the previous year, and the annual rate of inflation continued to rise —although less sharply— during the last four months of the year (see figure 6).

In 1987 there was a moderate change in the rate of consumer price increases in Ecuador and Colombia, where inflation had followed a similar trend in the previous two years (see figure 6).

In Ecuador, the rise of inflation from 27% in 1986 to almost 31% at the end of 1987 was mainly due to the impact of the earthquakes which struck the north-east of the country at the beginning of March. As a result of this and of the floods and frosts which affected other regions, the supply of certain foods shrank, leading to a rise in their prices. In addition, in order to offset the loss of public sector income caused by the stoppage of oil exports, the government raised the price of gasoline by 80% and also increased the rates for public transport. The temporary suspension of external sales of hydrocarbons also helped to bring about an increase in the exchange rate, leading to a rise in the domestic prices of tradeable goods. The inflationary impact of these changes was partly cancelled out, however, by the restrictive wage policy adopted —which led to a 5% drop in minimum wages in real terms— and by the Central Bank control over the growth of the monetary base.

Inflation also rose slightly —from 21% to 25%— in Colombia. A decisive factor in this was the much less favourable evolution of the prices of agricultural products in 1987. While these had fallen in absolute terms towards the middle of the previous year as a result of both the increased harvests and the considerable contraband in agricultural products from Venezuela, they rose sharply during the first half of 1987 on account of the drop in agricultural production caused by the low rainfall during the first four months of the year. This factor was the main reason for the rapid rise in the annual rate of inflation up to July. However, the rate of inflation subsequently slackened as the supply of agricultural products returned to normal and also as a result of the slower pace at which the authorities increased the exchange rate.

Because of the moderate increase in inflation, the minimum wage —which is readjusted annually on the basis of the previous year's inflation— fell slightly in real terms. In the industrial sector, however, this drop was cancelled out by the rapid growth of production and employment, which caused real average wages to increase by a little over 1% (see tables 6 and 7).

In 1987 the steady downward trend displayed by inflation since the middle of 1985 in both Chile and the Dominican Republic was interrupted.

In Chile, the annual rate of increase of consumer prices which had fallen to less than 17% in January, subsequently rose steadily and verged on 23% in November. This intensification of inflation was due, especially at the beginning of the year, to the pronounced increase in domestic expenditure caused by the excessive expansion of the means of payment in the closing months of 1986. The inflationary pressures stemming from the sharp increase in demand were intensified by the impact of the recovery in the international price of oil and by the drop in the supply of agricultural products as a result of the storms and floods which affected the central region of the country in July and August. These factors, together with the normal lag with which changes in the monetary variables produce their effects, account for the fact that the rate of inflation continued to rise gradually in spite of the restrictive monetary policy which the economic authorities began to apply as of April, the improvement in the fiscal position, the almost total stability of real average remunerations and the pronounced drop in the real value of minimum wages which took place for the fifth year running.

The interruption in the downward trend shown by inflation was more marked in the Dominican Republic, where the annual rate of increase in consumer prices, after having fallen from 48% to less than 5% between March 1985 and January 1987, rose in subsequent months and hovered around 19% during the third quarter. One of the main causes of the intensification of inflation was the delayed impact of the sharp growth in the money supply at the end of the previous year. The inflationary impact of this was compounded by the effects of the huge expansion in construction, the increase in the international price of oil, and the rise in the prices of imports as a result of the exchange controls introduced towards the middle of the year and the rise in exchange rates.

Among the seven countries where inflation fell in 1987, the most remarkable achievement was that of Bolivia, where prices rose by only 10% in the twelve months up to November, in contrast with annual rates of 66% at the end of 1986 and over 23 000% in September 1985 (see figure 4). As in the previous year, decisive factors in this progress were the austerity of fiscal policy and the stability which was maintained on the exchange market. Indeed, during the first half of 1987 the government accounts actually turned in a surplus. This was achieved by tight control over public expenditure and the increased revenue obtained as a result of the entry into force of the tax reform adopted the previous year (which included the application of a value added tax), as well as the favourable impact of the slowdown in inflation itself on the real value of the taxes collected. The equilibrium achieved in the fiscal sphere freed the Central Bank from the need to finance the government deficit and restored the autonomy of monetary policy. Consequently, the authorities were able to drastically reduce the rates of growth of the monetary base and of the money supply, to such an extent that during the first half of the year these grew by only 4% and 7% respectively. This in turn helped to preserve the stability of exchange rates both on the official and parallel markets, thereby weakening inflationary expectations.

Inflation also fell for the second year running in Uruguay. Nevertheless, on account of the extremely gradual nature of the decline, inflation still stood at 60% towards the end of 1987 (see figure 6). In contrast, in El Salvador and above all in Guatemala —countries whose price rises have historically been among the lowest in the region, but which had experienced uncharacteristically high levels of inflation in both 1985 and 1986— inflation fell off sharply. In Jamaica, too, the rate of inflation fell for the third consecutive year, and the annual increase in consumer prices was below 6% in August (see figure 7). Finally, inflation remained extremely low in Barbados, Honduras and Panama, where increases in domestic prices have traditionally been in line with fluctuations in international inflation, especially that of the United States (see table 5).

3. The external sector

a) *External trade and the terms of trade*

Following the sharp drops suffered during the previous two years, the value of exports of goods rose by 13% as the result of a rise of almost 7% in their unit value and a 5% increase in their volume (see table 8).

The increase in exports was particularly influenced by the bigger external sales of Mexico —which climbed by 31% on account of the recovery of the international price of petroleum and the vigorous growth of exports of manufactured goods for the second year running; those of Chile —which augmented by 20% on account of the sharp increase in the sales of industrial goods and the rise in the price of copper; those of Venezuela —which rose by 19% thanks to the increase in the price of petroleum, despite the 8% shrinkage in the volume exported; those of Brazil —which increased by 16% in spite of the drop in the price of coffee and thereby recovered from their sharp declines of the previous two years; and those of Paraguay —which expanded vigorously on account of both the increase in the volume exported and the recovery in the average prices of cotton and soya beans.

In contrast, the value of exports fell for the second year running in Argentina and Ecuador and for the third year running in Bolivia, while they also dropped in most of the coffee-exporting countries.

The increase in exports went hand in hand with an almost 10% rise in the value of imports, which thus continued to recover from the enormous slump of almost 40% suffered in the 1982-1983 biennium.

Moreover, the expansion of imports was quite widespread. In fact, the volume of imports only fell in El Salvador, Haiti, Honduras and Nicaragua, and it was only in the last-named country that the shrinkage was considerable (-22%). In contrast, the volume of imports rose by 10% or more in nine countries, and in three of them —Ecuador, Chile and Paraguay— the real increase in external purchases was in excess of 20% (see table 9). Nevertheless, in all the countries of Latin America, except Bolivia, Ecuador, Paraguay and Peru, the volume of imports remained lower than that recorded prior to the crisis.

Thanks to the somewhat greater increase in the unit value of exports than in that of imports, the terms of trade rose slightly, after having gone down during the previous two years. Even so, the accumulated deterioration during the decade so far was considerable (-14%). Furthermore, the improvement in the terms of trade was almost exclusively concentrated in the petroleum-exporting countries, which benefited from the almost 30% recovery in the international price of oil. In almost all the remaining economies of the region, and especially in the coffee-exporting countries, the terms of trade worsened considerably (see table 10). The only countries not affected by this trend were Chile —where the rises in the prices of copper, fish meal, wood pulp and other exports offset the impact of the increase in the prices of petroleum and in the dollar prices of manufactured goods from Europe and Japan; Paraguay —which benefited from the strong recovery in the international price of cotton—, and Argentina, which is self-sufficient in petroleum and where rises in the international prices of meat, wool and oilseeds more than offset the falls in cereal prices (see table 11).

Thanks to the rise in the terms of trade and the increased volume of exports, the purchasing power of exports rose by 7%, thus partly recovering from the fall suffered during the previous year. Nevertheless, it was only in Paraguay, Mexico, Chile, Venezuela and Brazil that the purchasing power of exports evolved in a clearly favourable manner; in contrast, it underwent a marked deterioration in El Salvador, Bolivia, Guatemala, Ecuador and Argentina (see table 12).

b) *The merchandise trade balance*

Because of the sharper rise in the value of exports than in that of imports, 1987 saw a halt in the downward trend displayed by the merchandise trade surplus since 1984. While in 1984 the surplus on merchandise trade had attained a record high of US$39.4 billion, only to fall to half that level in the following two years, it recovered to almost US$23 billion in 1987 (see table 13).

This increase, however, far from constituting a generalized trend, sprang almost exclusively from the very large rises in the trade surpluses of Mexico —which almost doubled from US$4.6 billion in 1986 to US$9 billion in 1987; of Venezuela —which rose from US$1 billion to almost US$2.2 billion; and of Brazil —which increased from US$8.3 to US$10.8 billion.

In the remaining countries —with the exception of Chile (which earned a similar surplus to that of 1986) and Nicaragua, Paraguay and Haiti (which managed to reduce their deficits)— the result of the trade in goods was less satisfactory than in the previous year. The deterioration was particularly pronounced in Argentina —whose trade surplus fell by more than US$1 billion and amounted to less than one-third of that recorded two years previously; in Ecuador —where a US$100 million deficit replaced the US$550 million surplus achieved in 1986; in Guatemala —which experienced a similar turnaround— and in

Peru, El Salvador, Panama and the Dominican Republic, where the trade deficit grew considerably.

For the region as a whole, the 1987 surplus on the trade in goods covered a greater percentage (75%) of net payments of profits and interest than in the previous year (60%), although this proportion was considerably below the 96% recorded in 1985.

Thanks to this, and to the diminution in net service payments, the current account deficit fell from US$14.6 billion in 1986 to US$9 billion in 1987. Nevertheless, this reduction was almost exclusively accounted for by the changes which took place in three countries: Mexico —which earned a huge surplus of US$4 billion in 1987 after having registered a US$1.45 billion deficit in 1986; Brazil—which reduced its deficit from US$4 billion to US$1.5 billion, and Venezuela —whose deficit fell from over US$1.6 billion to less than US$200 million. In contrast, in all the remaining countries (except Chile, Costa Rica, Paraguay and Haiti, which achieved moderate reductions in their deficits) the current account imbalance got worse (see table 14).

In 1987 the net capital inflow, which had fallen to an extremely low level in 1985, rose for the second year running. In nominal terms it came to rather more than US$14 billion, but this was equivalent to less than half that received by the region before the onset of the debt crisis and to an even smaller percentage in real terms.

The increase in external financing was partly the result of the disbursement of the considerable loans negotiated by Mexico and Argentina with private international banks in order to refinance their external debt servicing commitments, while it also partly reflected the credit granted by bilateral and multilateral public financial institutions. In some countries, however, the increased capital inflow also reflected the repatriation of funds kept abroad by nationals, and above all the implicit capital inflow figuring in the balance of payments of those countries which ceased to effectively pay interest after declaring a moratorium on their external debt servicing.

As a result of the expansion of net external financing and the simultaneous reduction in the current account deficit, a pronounced turnaround occurred in the global balance-of-payments position, which, after having closed with a deficit of almost US$5.9 billion in 1986, turned in a surplus of US$5.3 billion. Most of this change was due to the improvement in the balance-of-payments results of Mexico —which increased its international reserves by approximately US$7 billion; Brazil — where a surplus of almost US$1.3 billion replaced the deficit of over US$3.6 billion registered the year before; Venezuela —which brought its balance-of-payments deficit down from US$3.8 to US$1 billion, and Chile —which earned a US$50 million surplus in 1987 after having recorded a US$250 million deficit in the previous year. On the other hand, the balance-of-payments results worsened considerably for the second year running in Argentina and Peru.

As a consequence of the increased capital inflow and the slight drop in payments of interest and profits, the transfer of resources abroad fell to US$15.7 billion, which was 28% less than the 1986 figure and only a little over half that recorded on average during the 1983-1985 triennium (see table 15 and figure 9).

Nevertheless, the transfer of resources abroad continued to absorb a considerable proportion (15%) of the value of exports of goods and services, and represented a major handicap to restoring a process of sustained economic growth. From this angle, it is possible that the drop in these transfers which took place in 1987 —which partly reflected the impact of the moratoriums declared by a number of countries and of the involuntary loans granted by banks largely in order to avoid a situation where other countries might adopt the same solution— may have constituted a turning point in the debt crisis: namely, one in which a change in the bargaining power of the region vis-a-vis the banks appears to be taking place, as the costs of moratoria or of partial debt servicing to achieve at least a minimum of economic growth are perceived to be significantly lower than those incurred by meeting debt service commitments first and striving to grow with whatever foreign exchange is left over.

4. The external debt

a) *Main trends*

In 1987 the external debt of Latin America continued to grow slowly for the fourth consecutive year. It is estimated that at the end of the year the debt came to almost US$410 billion. This represents an increase of slightly more than 4%, which is very similar to the rate recorded in 1986 (see table 16). However, as inflation in the industrialized countries was approximately 3%, the expansion of the debt in real terms was only 1%, compared with 2% the previous year. Indeed, in practice the effective growth of indebtedness was even smaller, because the value of the dollar —the currency in which the external debt is traditionally measured— fell sharply against the currencies of the other creditor countries. Naturally, the relative size of the increase in the nominal value of the debt brought about by the devaluation of the United States currency varied depending on the currency mix of the external commitments of the countries of the region. One of the countries most affected by this change in 1987 was Brazil, whose debt "rose" by at least US$3 billion on account of the rise in the value of the yen and the principal European currencies with respect to the dollar.

As in the previous three years, the scant expansion of the debt reflected a generalized phenomenon. The rate of increase of the debt was above average only in Ecuador, while in Venezuela and Chile external indebtedness underwent a slight fall in absolute terms. In Venezuela, where the debt fell for the third year running, the decrease in 1987 partly reflected the impact of a deliberate policy of gradually paying off external commitments. In Chile, the reduction was accounted for by the programme for converting debt into investments and by other operations involving debt promissory notes, which reduced the debt owed to commercial banks by US$2.3 billion between June 1985 and September 1987 and thereby almost completely offset the new loans obtained from multilateral institutions. The conversion of debt into equity also considerably limited the increase in Mexico's debt, and it has been estimated that this mechanism allowed the country to reduce its external commitments by almost US$1 billion in 1987.

In those countries where the external debt grew more significantly in 1987, this was principally due to the procurement of further loans or the accumulation of commitments as a result of falling behind in interest payments. This latter phenomenon was of importance in Bolivia, Brazil, Ecuador, Peru, Costa Rica, Honduras, Nicaragua, Paraguay and the Dominican Republic.

Because of the slow rate of growth of the debt, the lower level of international interest rates between mid-1986 and mid-1987, and the recovery in the value of Latin American exports, the indicators of the external debt burden for the region as a whole improved in comparison with 1986. Even so, they still remained at critical levels and in most Latin American countries debt servicing continued to constitute the main obstacle to resuming economic growth.

As the rate of growth of the value of exports was three times that of the debt, the regional debt/exports coefficient fell from 416% in 1986 to 387% in 1987. The drop was considerably more pronounced in the petroleum-exporting countries (from 422% to 370%) than in the remaining economies of the region (from 412% to 400%). Nevertheless, the coefficients for both groups of countries remained significantly above the already extremely high figures recorded in 1982-1985 and were approximately 50% above those which had been customary prior to the onset of the debt crisis (see table 18).

Moreover, this reduction in the debt/exports coefficient was not a generalized phenomenon. Thus, the decline in the global coefficient for the petroleum-exporting countries was exclusively accounted for by the sharp drop which occurred in Venezuela and, above all, in Mexico, whereas the coefficient continued to rise in Bolivia, Ecuador and Peru. Likewise, in the case of the non- petroleum-exporting countries, the slight drop in the debt/exports coefficient mainly reflected the falls which occurred in Brazil, Costa Rica, Chile, Haiti and the Dominican Republic, whereas the coefficient rose in Uruguay and in most of the countries of Central America and reached exceptionally high levels in Argentina (712%) and Nicaragua (1 968%).

In 1987 there was also a significant improvement in the ratio of interest to exports, which constitutes another of the main indicators of the debt burden. For the region as a whole the coefficient fell from 36% in 1986 to 30% in 1987 (see table 17). The drop was more pronounced in the petroleum-exporting countries (from 35% to 25%) than in the remaining economies in the region (36% to 33%). While these coefficients were the lowest recorded since the onset of the debt crisis, they nevertheless almost doubled those recorded in 1978/1979 (see figure 11). Moreover, the reversal in the downward trend displayed by international interest rates up to the beginning of 1987 means that interest payments are likely to increase in 1988, so that the interest/exports coefficient will also tend to rise (see figure 10).

Among the petroleum-exporting countries, the interest/exports coefficient fell markedly in Mexico (from 38% to 28%), Venezuela (from 33% to 26%) and Peru (from 27% to 22%). Among the non-petroleum-exporting countries, the most pronounced drops occurred in Chile (from 39% to 27%), Brazil (41% to 34%) and Paraguay (from 19% to 15%). The only marked increase in the coefficient was in Colombia (from 20% to 25%), while among the countries which actually paid the interest on their debt, the coefficient for Argentina (56%) remained well above the regional average.

b) *The debt renegotiation process*

Whereas Mexico's debt problems and negotiations with its creditors were those which attracted most attention in 1986, in 1987 it was Brazil which was at centre stage. At the beginning of the year, Brazil's request to the Paris Club to allow it to renegotiate its debt without signing a previous agreement for an adjustment programme with the IMF was accepted. Thus, in January the creditor governments agreed to grant relief as regards the terms for the repayment of US$3.3 billion of arrears of payment, of which US$2.5 billion corresponded to principal and US$780 million to interest. These arrears had built up in 1985 and 1986 on its US$9 billion government-to-government debts. The repayment periods were extended both in respect of this debt and in respect of the US$840 million in payments due to be made during the first half of 1987. The new conditions specified a repayment period of eight years, with five years' grace.

However, the significance of the new agreement with the Paris Club lay rather in the precedent it established than in the relief it provided, since the official bilateral debt represents less than 10% of the US$117 billion which Brazil owes to external creditors. The bulk of this debt —some US$80 billion— is owed to private banks, and as of the second half of 1986 Brazil's capacity to service these commitments began to decline rapidly. The country's enormous monthly trade surplus, which had been financing all interest payments, was gradually shrinking until in the last quarter of the year it became a deficit. This factor, together with the absence of fresh loans from the banks, meant that interest payments were mainly made by drawing down international reserves. Thus, in February 1987 the Central Bank's cash reserves had fallen to US$3.3 billion, equivalent to barely three months' import requirements.

The picture was further complicated by the fact that the private banks were proving increasingly reluctant to grant further involuntary loans. Thus, Mexico had encountered considerable difficulty in securing the participation of all its creditor banks in a global loan of US$7.7 billion which had been agreed in principle in the middle of the previous year. Moreover, the banks and the governments of their respective home countries sought to give the impression that the innovative financial package granted to Mexico in 1986 —in which for the first time financing was linked to a target economic growth rate of 3%— had been a "special case", and that it should not be construed as a precedent by other borrowers. All this, together with Brazil's decision to bypass the IMF, pointed to the impossibility of achieving a rapid agreement on reprogramming with the banks in order to halt the country's loss of international reserves. In these circumstances, at the end of February 1987 Brazil temporarily and unilaterally suspended the servicing of its medium and long-term debt owed to private creditors.

The moratorium thus became the main negotiating tool for overcoming the growing inertia of the international banking system regarding relief for the Third World debt. Brazil endeavoured in this way to force the signing of a rescheduling agreement which would include sufficient fresh financing to support the country's growth targets and to avoid exhausting its international reserves. Nevertheless, the strategy adopted by Brazil sought conciliation rather than confrontation, and the government categorically disavowed any interest to set up a debtors' cartel. Thus, instead of requesting a meeting of the Cartagena Consensus, Brazil expressed its willingness to begin negotiations with the private banks in order to reschedule its debt. Furthermore, with the exception of a certain ambivalence regarding a direct role for the IMF in its economy, the government's initial objectives fell within the conventional framework of the Baker Plan: a multiyear rescheduling, with a low spread over commercial rates and fresh credit to refinance part of the external debt interest burden. Towards the middle of 1987 the Brazilian authorities were considering new money requirements of approximately US$6 billion, of which US$4 billion would be contributed by the private banks.

The Brazilian declaration of a moratorium, together with a previous unilateral suspension of payments by Ecuador in January on account of the fall in petroleum income, sparked off an interesting chain reaction. Its most immediate consequence was that it put an end to the growing inertia in negotiations over the debt. Several Latin American countries had been endeavouring to obtain from the banks concessions similar to those provided for in the package granted to Mexico in 1986. However, the negotiations had ground to a standstill because the private banks resolutely refused to make a general rule of the conditions granted in that particular rescheduling. At least one of the main United States banks had publicly declared that it was against granting further concessions to debtors. However, there was a turnaround in this situation with the declaration of a moratorium by Brazil. In an attempt to minimize the possible "demonstration effect" of this action, the banks abandoned most of their objections to the claims of Brazil's neighbours and signed new rescheduling agreements with several countries in Latin America and in other regions. This in turn helped to provide a clearer definition for the fourth round of rescheduling, which had begun with the global financing package granted to Mexico in 1986 (see table 19).

Argentina's negotiations with banks had been stalled by, among other things, its insistence on obtaining a similar spread to that granted to Mexico, as well as involuntary loans to achieve a projected rate of growth of 4% in 1987. The negotiations became tense at the beginning of 1987 when the authorities hinted that they might follow Brazil and suspend payment if the banks did not prove more flexible. The agreement finally reached in April was, undoubtedly, similar in many respects to the Mexican package. The total medium and long-term outstanding debt owed to international banks (US$29.5 billion) was rescheduled and fresh funds worth approximately US$2 billion (US$500 million of which was conditional upon co-financing by the World Bank) were provided in order to support the rate of growth projected by the government. The average spread of 0.81% over LIBOR was identical to that granted to Mexico, while the weighted period of amortization of the package was 18 years. No flat commissions were charged on the rescheduled maturities nor on the fresh funds. However, in order to overcome the delays which Mexico had experienced in getting the banks to adhere to the global financing agreement, private creditors were offered a special commission of 0.38% if they subscribed to the fresh involuntary loan in good time. On the whole, the conditions of the agreement with Argentina represented a considerable softening of the terms agreed upon in the third round (see table 20).

The Argentine agreement involved a number of other interesting features, the most noteworthy of which was the creation of exit bonds for small banks, which had proved reluctant to grant fresh funds. These institutions were offered, as an alternative to new loans, the purchase of Argentine government bonds, maturing after 25 years and offering a below market interest of 3%. This arrangement constituted a major innovation as it took into account one of the realities of the private credit market —the fact that the smaller banks wanted to get right out of the rescheduling business— and it fostered a more flexible context for achieving agreement on restructuring. Unfortunately, only a few financial institutions purchased the new financial instrument, thereby casting doubt on the importance of this type of innovation.

Chile, too, had encountered difficulties in respect of its negotiations over 'retiming'. One major bank in the Steering Committee resolutely refused to accept this formula for financing Chile's economic programme, thereby holding up any agreement on definitive rescheduling. However, a few days before Brazil declared its moratorium this bank suddenly set aside its objection to the proposed retiming clause, and in February an agreement was reached in principle.

The Chilean programme envisaged the rescheduling of a little over US$12 billion in public and private sector payments falling due during the period 1988-1991. The average spread of 1% and the 15-year repayment period represented more favourable terms than the spread of 1.42% and the 12-year repayment period provided for at the third round of negotiations. As in the third round, no flat commissions were charged on the rescheduled maturities. Of course, the novel feature of the Chilean agreement is that the financing will not be obtained from new involuntary loans but rather through the retiming of interest payments from a semi-annual to an annual basis beginning in 1988. It is estimated that this modification will result in savings of approximately US$450 million in 1988. Partly because the banks were not required to provide new money, the definitive agreement was concluded very rapidly with the participation of all the creditor banks.

Venezuela, on the other hand, had been meeting stiff opposition to its proposal to amend the agreement concluded with the banks in February 1986 (during the third round of negotiations), so as to obtain terms more similar to those granted shortly before to Mexico. This resistance yielded when Brazil declared its moratorium, and the conclusion of the sought-for agreement was announced shortly afterwards. Under this agreement, the spread on maturities rescheduled in 1986 was reduced from 1.13% to 0.88% over LIBOR. The repayment period was extended from 12 to 14 years, thus delaying payments in an amount of approximately US$6 billion which should have been made during the 1987-1989 period; in 1987 repayments therefore totalled only US$250 million instead of the US$1 billion provided for in the 1986 agreement.

The banks' strategy in responding to the Brazilian moratorium with a series of new rescheduling agreements with other debtor countries was predictable: it constituted a kind of "damage control" aimed at minimizing the possibility of the Brazilian action being copied. It also served to partially isolate the economic authorities of Brazil, who were facing severe difficulties with domestic problems related to the management of the "Plan Cruzado".

Less predictable, however, was the strategy adopted by the banking community to deal with the Brazilian moratorium. During the previous rounds, and even up to the financial agreement with Mexico in 1986, the adoption of a stiffer bargaining position by a major debtor had usually shaken confidence in the international banking system and brought forth new initiatives (often of a multilateral nature) to avoid a situation where the debtors might fail to comply with their obligations. On this occasion, however, the banks took a more active position. Instead of trying to keep the problem debtor current in its interest payments through an agreement to refinance these payments with fresh loans, the principal United States banks promptly adopted measures to reclassify their Brazilian loans as non-performing, although 90 days still remained before such a measure —which reduces their profits— was legally necessary. This decision of the creditors was all that more dramatic because Brazil —the largest debtor in the region— accounts for almost a fifth of the annual profits of a number of major United States banks. The new attitude of the banks was underlined in May, when the largest bank in the United States decided to increase its loan loss reserves by US$3 billion, that is to say, by 150%. This measure was imitated by other United States banks, which accelerated the process of building general reserves to cover possible losses on their Latin American loan portfolios.

In this way, the banks attempted to strengthen their negotiating position, since they could now wait until better conditions for rescheduling were created. This represented a significant potential advantage, particularly in those cases where no domestic consensus existed in the debtor country as regards the advisability of declaring a moratorium. In such circumstances, the irregular fulfilment of obligations to the international financial market could give rise to increasing domestic pressure on the local authorities of the debtor country to come to an agreement with their creditors. In any case, the trend towards accelerating the building-up of reserves in the international banking system introduced the danger that a more inflexible negotiating environment for the debtors might develop and that additional difficulties might be encountered in negotiating new involuntary loans with the banks. Furthermore, the downward trend of the spread over LIBOR could be checked and the banks would have the capacity to exert greater pressure on the debtor countries to observe the conditions advocated by the IMF and the World Bank. The accelerated building-up of reserves to cover possible losses also increases the banks' capacity to resist public pressures from their own governments to satisfy the requirements of the Baker Plan.

For some time afterwards, the evolution of the negotiations supported such views. Thus, Brazil's irregular status as regards its payments to the banks dragged on without any new moves being made by the private creditors, who insisted as a prior condition for a debt renegotiation agreement that the country must sign an agreement with the IMF and make a nominal payment of US$400 million on arrears of interest as a demonstration of good will. Meanwhile, the Brazilian position evolved rapidly towards more innovative proposals as regards the management of the debt problem. As far back as July, the government submitted a new estimate of its requirements for financing from the banks: approximately US$7 billion over the next 18 months. It also expressed its interest in benefiting from the discount on Brazilian promissory notes traded in secondary markets as well as from a zero spread over the interest rate applicable to the debt owed the commercial banks. Subsequently, in August, it was announced that in order to avoid the uncertainty created by multiple rescheduling, Brazil would be interested in converting approximately half of its medium-term bank debt into bonds, on terms that would permit the country to benefit from a part of the above-mentioned discount. This latter idea took concrete form in September, when the Brazilian authorities made formal proposals to their creditors, one of which was that a part of the debt should be converted to long-term bonds.

The Brazilian proposal, however, was not well received in financial circles. Even if it were willing to reformulate its proposal, Brazil faced the prospect of a protracted moratorium, partly because of the insistence of the banks that any agreement must be preceded by an agreement with the IMF. The stalemate was finally broken in November by two factors. Firstly, the moratorium had lasted more than six months, which created expectations that the United States monetary authorities would have to comply with the banking regulations and declare the Brazilian loans to be value impaired, which would require the banks to set aside specific reserves against the risk of loss equivalent to 10% of their loan portfolios to this country. Secondly, the meeting of the United States banking authorities to determine the value of the Brazilian debt was held on 20 October, the day after "Black Monday" when the United States stock exchange collapsed. The need to prevent more bad news and to stabilize the markets led to direct intervention by the United States Government to secure an agreement between Brazil and the banks. The official effort bore fruit, since in early November it was announced that an interim agreement had been reached between the two parties. In fact the principal banks with claims against Brazil agreed to grant a short-term loan of US$3 billion as their contribution to a fund of US$4.5 billion which was intended to liquidate a part of the arrears of interest payments accumulated during 1987. The other US$1.5 billion would come from Brazil's international reserves. This loan from the banks —which is tied to a later and more definitive rescheduling agreement that still has to be negotiated— carries a spread of 0.875% over LIBOR and a participation commission of 0.25%. It is not, however, tied to a prior agreement with the IMF.

Also in November, Uruguay secured a further rescheduling of US$1.8 billion, covering payments falling due between 1986 and 1991. The spread of 0.88% is a good deal less than the 1.38% that had been agreed upon during the third round; moreover, the total repayment period of 17 years is five years longer than the period agreed upon during the previous round. No commissions were charged as had been the case during the third round of debt renegotiations (see tables 19 and 20).

Some days before the announcement of the Uruguayan rescheduling, a new rescheduling agreement was announced in Ecuador. The plan provided for the rescheduling of maturities totalling US$5 billion, together with a new involuntary loan of US$350 million. The whole of the latter would be used to pay off the interest arrears that had accumulated since the beginning of the Ecuadorian moratorium in January 1987. However, the survival of the agreement came into question when, in December, the authorities of the country declared their intention to prolong the moratorium on payments to the banks.

Costa Rica also succeeded in establishing a significant precedent as regards debt renegotiations. Since 1982, there had usually been insistence on a direct tie between IMF adjustment programmes and the rescheduling of the bank debt. Costa Rica, however, signed a US$65 million stand-by loan agreement with the Fund which did not contain the hitherto customary requirement that the borrower country should reach prior agreement with the private banks on its arrears of interest payments. In practice, then, the adjustment programme agreed upon with the IMF was separated from the problem of the debt owed to the private banks.

For its part, Peru —a country which since July 1985 has been operating outside of the conventional framework as regards the handling of debt servicing problems— succeeded in extending to the international private banks the application of its novel principle of payment of the debt in kind. Thus, in the last quarter of 1987, it concluded an agreement with the Midland Bank and the First Interstate Bank to repay US$14 million of its debt with Peruvian exports. Under this plan, the banks are required to purchase in foreign currency additional Peruvian products for each dollar repaid in kind; the ratio for Midland Bank was set at 2.5 and that for First Interstate at 3. During the last quarter Peru also announced its intention of submitting a new repayment plan to the creditor banks under which it would offer to convert the debt into long-term bonds. The new financial instruments would not provide for the remittance of interest payments and would be amortized over a 25-year period and in kind.

Another important development in 1987 was the marked decline in the prices at which promissory notes on the Latin American debt were traded in the secondary market. As early as October the promissory notes of the majority of the debtor countries were traded at 50% or less of their face value. This drop in value was partly due to the greater supply resulting from the decision of the principal United States banks to build up their reserves against the risk of losses, for with these increased reserves, the banking institutions were in a better position to adjust their portfolios by selling their claims or by converting them into direct investments in the debtor country.

As regards this latter phenomenon, in 1987 a considerable number of countries established programmes to facilitate the conversion of debt into equity. During the year, for example, *Argentina, Brazil, Honduras, Jamaica* and Venezuela introduced new schemes. For its part, Mexico resumed a programme which it had suspended while waiting for the banks to sign the new loan package agreed upon in 1986. Chile, a pioneer in this field, also established a new mutual fund to provide the banks with indirect access to the local equity market. This mechanism supplements existing legislation, which permits banks to capitalize directly the promissory notes they hold. Repurchase and capitalization programmes were also established in Costa Rica and Ecuador, although towards the end of the year Ecuador suspended conversions because doubts had been raised concerning the benefits to be derived from certain transactions. For its part, Bolivia established a special fund to receive external donations for financing the repurchase of its external debt. At the end of the year, the instruments representing this debt were being traded at a mere 8% of their nominal value.

III. REFLECTIONS ON THE PRESENT SITUATION

The overview presented above highlights three aspects of the evolution of the economies of Latin America and the Caribbean in 1987.

Firstly, for the sixth year running, the sluggish growth of economic activity in most of the countries of the region was clearly inadequate to check the accumulated economic and social decline. Thus, most economies continued to function in a manner characterized by structural stagnation. Few countries were able to achieve sustained growth, and most had to deal with renewed outbreaks of inflation and growing external imbalances, which repeatedly forced them to adopt measures that produce recessionary effects. Moreover, the low level of investment means that this sluggish state of economic activity will extend into the future. The relative position of the region continues to decline in comparison with the developed economies and with other developing economies, not only in terms of global and per capita product, but also in terms of competitiveness.

Secondly, the rate of inflation has again shot up almost everywhere. There has been a significant increase in the fiscal deficit in a number of Latin American countries, and the problem of income distribution, reflected in the race between prices and wages, has become more acute. The deterioration in domestic social conditions augments the challenges to the processes of strengthening democracy in the region.

Thirdly, the decisive weight exerted by external factors on the evolution of the region's economies has once again been confirmed. These external factors include the instability of export prices, since most primary commodities, despite their partial recovery in 1987, register the lowest real average prices since the Second World War.

1. The external debt

While the evolution of the economy is influenced by various factors, in the present circumstances the key role played by the external debt must be highlighted. Unless there is a considerable improvement in the evolution of world trade, which does not seem very likely, a significant change in the approach to the debt question appears to be an essential requirement if the economies of Latin America and the Caribbean are to resume their growth and normal functioning.

The determining effect of the external debt may be seen in the severe restrictions which its servicing imposes on the countries' capacity to import intermediate and capital goods, on which the level of economic activity and investment depends to a large extent. Interest payments on the debt also represent a very severe burden on the fiscal sector, since the State currently shoulders most of the responsibility for the payment of such interest, in some cases because a large part of the external debt was originally contracted by the government itself or by public corporations, and in other cases because the government has assumed responsibility for debts contracted by the private sector. In practice, this drastically reduces the capacity of the public sector to fulfil its role of promoting development and thus helping to overcome the crisis. In addition, however, these interest payments lead to a heavy increase in the fiscal deficit and thus constitute one of the principal causes of inflation. Thus, debt and inflation are closely linked.

During 1987 the prospects of a change in the approach to the payment of interest on the debt, which had begun to appear in previous years, emerged with greater clarity. Of course, it is still too early to affirm that this prospect will be realized in the future. However, a number of developments point in the direction of change. One of them is the reduction, in various ways, of the net transfer of financial resources abroad. There has been a noticeable trend towards more generalized recourse to temporary moratoriums, in spite of the explicit desire of the debtors to fulfil their obligations in respect of interest payments; there have also been cases of fresh loans being granted by creditors through the force of circumstances when faced with the possibility that failure to do so would lead to the adoption by the debtors of more unfavourable attitudes towards them; and the practice of limiting interest payments to a certain proportion of exports has also continued in some cases, while the payment of interest in kind, with additional exports, has increased. Nonetheless, the net transfer of resources has continued. From 1982 through 1987, the total net amount transferred abroad was US$145 billion. Moreover, the negotiations carried out during the last round by various debtor countries continue to be, in essence, a postponement of the problem rather than a lasting solution to it.

The second noteworthy development is that an increasingly large number of lender banks have established reserves to cover the portion of their loans which they consider to be most at risk. More than one interpretation exists as regards the significance of these reserves. According to one interpretation, they are likely to lead to less flexibility on the part of the banks, which will not now be so constrained by the repayment dates for their loans. Another interpretation —which seems more plausible and which would certainly be more favourable to the debtor countries— is that the establishment of these reserves will increase the likelihood of the banks becoming amenable to new modalities and approaches to the debt problem, which would offer them the advantage of clarifying the prospects for the fulfilment of future obligations.

One of the modalities being applied to reduce the debt burden is the conversion of the debt into risk capital. This is a positive form of action, within certain limits and conditions. It might be a solution that could be used to complement others, although it is difficult to see it being used to an extent that would represent a high proportion of the total debt.

2. Prospects

Great uncertainty continues to prevail as regards the future evolution of the economies of Latin America and the Caribbean.

Mention has already been made of the unfavourable effect of the reduced level of investment on the expansion of productive capacity and its modernization: an essential requirement in order to compete in a world economy that is undergoing profound and rapid technological change. Reference has also been made to the burden of servicing the external debt, in respect of which the improvements achieved during the latest negotiations do not significantly change its negative impact on the debtor countries.

Another comment which should be made concerns the evolution of other external variables which are critical to the behaviour of the balance of payments and of the economies.

The prospects of the developed economies are not very favourable. While over the last five years the major industrial economies have enjoyed relatively stable growth, this has never been very dynamic and has slowed down recently. Severe trade and fiscal imbalances also persist in a number of the major developed economies, and there is no clear prospect of these imbalances being corrected with the speed and co-ordination that would be desirable. The recent fluctuations on the principal stock exchanges of the world are a further manifestation of the uncertainties that affect the international economy, and they may have a negative impact that will compound the impact of other factors which influence aggregate demand and help determine the level of economic activity. There may be a recurrence of inflation in the largest economy in the world, which would once again modify the general situation of the international economy and of the economic policies of the industrialized countries. The recent huge fluctuations in the exchange rates of the principal currencies, added to the disturbing trend towards increased protectionism in the developed economies, also help to promote greater uncertainty and create the possibility of a change in the size and direction of world trade flows.

The prices of some commodities, especially minerals, picked up somewhat during 1987, and in a number of cases this trend grew more pronounced after the stock exchange collapse. Despite this improvement, however, prices continued to be considerably lower in real terms than their historical levels. Moreover, the prices of certain basic commodities which are vital to Latin America's trade, such as coffee and cereals, have declined, while the price of petroleum has recently shown signs of slackness following its earlier recovery. Apart from short-term factors, structural trends unfavourable to demand for a large number of commodities seem to be developing on account of changes in consumer tastes and changes in technology, which are reducing the utilization of these goods.

For its part, the downward trend in international interest rates which prevailed in 1986 was reversed during the present year, so that interest rates now stand at higher levels than at the end of 1985. Until such time as certain macroeconomic imbalances in the developed countries are corrected and these countries further improve the co-ordination of their policies —an area in which some progress has recently been made— international interest rates are not likely to fall systematically. Meanwhile their current level, both in nominal and in real terms, is substantially higher than the historical level.

The effects of high international interest rates and of the instability of the international financial situation are transmitted to key variables of the domestic economies of Latin America and the Caribbean, such as the level of economic activity and investment, on account of the close links of these countries with the exterior.

The uncertainties of the present time do not mean that it is impossible to find appropriate courses of action for successfully tackling the challenges currently facing the countries of Latin America and the Caribbean. To do so, however, requires committed and innovative international co-operation on such questions as the external debt, financing and trade. Such co-operation, however, while indispensable, is not in itself sufficient. As the Secretariat has pointed out on other occasions, it must be accompanied by improvements in development strategies and in domestic economic policies and by renewed regional co-operation. This therefore requires co-ordination of the efforts of the international community and of the countries of the region in particular.

The twenty-second session of ECLAC, which will be held in Brazil in April 1988, provides an opportunity to conduct a constructive dialogue on this subject. This forum will enable the existing options to be examined in order to contribute to the adoption of decisions aimed at preventing the continued economic and social decline of many of the countries of the region and at laying the foundations for dynamic and equitable development.

TABLES AND FIGURES

Table 1

LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS[a]

Indicators	1981	1982	1983	1984	1985	1986	1987[b]
Gross domestic product at market prices (index, base year 1980 = 100)	100.7	99.5	96.9	100.6	104.0	107.8	110.7
Population (millions of inhabitants)	366	374	382	391	399	408	416
Per capita gross domestic product (index, base year 1980 = 100)	98.4	95.0	90.4	91.7	92.7	94.0	94.5
			Growth rates				
Gross domestic product	0.7	-1.2	-2.6	3.7	3.4	3.7	2.6
Per capita gross domestic product	-1.6	-3.4	-4.8	1.4	1.1	1.4	0.5
Consumer prices[c]	57.6	84.8	131.1	185.2	275.3	64.6	187.1
Terms of trade (goods)	-5.6	-9.2	1.3	6.7	-2.1	-7.9	2.4
Purchasing power of exports of goods	2.1	-7.7	11.0	13.5	-1.5	-12.1	7.1
Current value of exports of goods	7.6	-8.8	0.1	11.7	-6.0	-15.2	13.3
Current value of imports of goods	8.1	-19.8	-28.5	4.1	0.3	2.1	9.8
			Billions of dollars				
Exports of goods	95.9	87.5	87.5	97.7	91.9	77.9	88.3
Imports of goods	97.8	78.4	56.0	58.3	58.5	59.7	65.5
Trade balance (goods)	-1.9	9.1	31.5	39.4	33.4	18.2	22.7
Net payments of profits and interest	27.2	38.8	34.4	36.2	34.8	30.5	30.1
Balance on current account[d]	-40.4	-41.1	-7.4	-0.1	-3.5	-14.6	-9.1
Net movement of capital[e]	37.6	20.4	3.0	9.3	3.3	8.7	14.3
Global balance[f]	-2.8	-20.8	-4.4	9.2	-0.2	-5.9	5.3
Total gross external debt[g]	287.8	331.0	353.3	366.5	376.6	392.9	409.8

Source: ECLAC, on the basis of official data.
[a] The figures for the gross domestic product and consumer prices refer to the group formed by the countries included in table 2, except Cuba (23 countries) and in table 5 respectively. The data on the external sector relate to the 19 countries mentioned in the table "Latin America: Balance of Payments". [b] Preliminary estimates. [c] Variation from December to December. [d] Includes net unrequited private transfer payments. [e] Includes long and short-term capital, unrequited official transfer payments and errors and omissions. [f] Relates to the variation in international reserves (of reverse sign) plus counterpart items. [g] See notes to table "Latin America: Total disbursed external debt" included in the text.

Table 2

LATIN AMERICA AND THE CARIBBEAN: EVOLUTION OF TOTAL GROSS DOMESTIC PRODUCT

	Annual growth rates						Cumulative variation
	1982	1983	1984	1985	1986	1987[a]	1980-1987[a]
Latin America (excluding Cuba)	-1.2	-2.6	3.7	3.4	3.7	2.6	10.7
Oil-exporting countries	-0.6	-5.0	2.7	2.0	-1.2	1.4	5.1
Bolivia	-2.8	-6.6	-0.9	-1.7	-2.9	1.5	-12.4
Ecuador	1.1	-1.2	4.8	4.9	3.0	-3.0	13.7
Mexico	-0.6	-4.2	3.6	2.6	-4.0	1.0	6.8
Peru	0.3	-11.8	4.7	2.5	8.0	7.0	14.7
Trinidad and Tobago	0.3	-9.7	-6.6	-3.1	...	...	...
Venezuela	-1.3	-5.6	-1.0	-0.6	5.5	1.5	-2.6
Non-oil-exporting countries	-1.6	-0.9	4.4	4.3	6.8	3.3	14.2
Argentina	-5.3	2.4	2.3	-4.7	6.0	2.0	-5.1
Barbados	-5.2	0.4	3.6	0.9	5.6	0.0	3.1
Brazil	0.9	-2.4	5.7	8.3	8.2	3.0	21.4
Colombia	1.0	1.9	3.8	3.1	5.1	5.5	24.7
Costa Rica	-7.3	2.7	7.9	0.9	4.4	3.0	8.7
Cuba[b]	3.9	4.9	7.2	4.6	1.2	...	...
Chile	-13.1	-0.5	6.0	2.4	5.4	5.5	9.8
El Salvador	-5.7	0.6	2.3	1.8	0.9	2.0	-6.8
Guatemala	-3.4	-2.7	0.0	-0.6	0.2	2.5	-3.1
Guyana	-10.8	-10.3	5.8	1.8	...	...	...
Haiti	-3.5	0.6	0.4	0.5	0.6	1.0	-2.9
Honduras	-1.8	-0.2	2.3	1.8	1.8	4.5	9.6
Jamaica	-0.2	1.2	0.0	-5.4	2.2	5.0	5.0
Nicaragua	-0.8	4.6	-1.6	-4.1	-0.4	1.5	4.5
Panama	4.9	-0.1	-0.4	4.1	3.0	1.5	18.2
Paraguay	-0.8	-3.0	3.3	4.0	-0.3	4.5	17.0
Dominican Republic	1.3	5.0	0.3	-2.3	1.9	7.0	18.1
Uruguay	-10.1	-6.1	-1.2	-0.2	6.6	5.5	-4.8

Source: ECLAC, on the basis of official data.
[a] Preliminary estimates. [b] Refers to total social product.

Table 3

LATIN AMERICA AND THE CARIBBEAN: EVOLUTION OF PER CAPITA GROSS DOMESTIC PRODUCT

	Annual growth rates						Cumulative variation
	1982	1983	1984	1985	1986	1987[a]	1980-1987[a]
Latin America (excluding Cuba)	-3.4	-4.8	1.4	1.1	1.4	0.5	-5.5
Oil-exporting countries	-3.2	-7.5	0.1	-0.6	-1.6	-1.0	-10.5
Bolivia	-5.4	-9.0	-3.5	-4.4	-5.5	-1.1	-27.5
Ecuador	-1.8	-4.0	1.8	2.0	0.2	-5.8	-6.9
Mexico	-3.2	-6.6	1.0	0.0	-6.3	-1.2	-10.5
Peru	-2.3	-14.1	2.1	-0.1	5.3	4.5	-4.3
Trinidad and Tobago	-0.5	-10.6	-7.6	-4.2	...	...	...
Venezuela	-4.1	-8.2	-3.7	-3.2	2.6	-1.1	-20.0
Non-oil-exporting countries	-3.6	-3.0	2.3	2.2	4.6	1.2	-1.6
Argentina	-6.8	0.7	0.7	-6.1	4.4	0.7	-14.7
Barbados	-5.9	-0.4	2.5	0.1	4.9	-1.1	-3.0
Brazil	-1.4	-4.5	3.4	5.9	5.9	1.0	4.1
Colombia	-1.1	-0.3	1.6	0.7	3.7	3.1	7.3
Costa Rica	-9.7	0.0	5.1	-1.7	1.8	0.2	-9.5
Cuba[b]	3.3	4.3	6.6	3.8	0.3	...	...
Chile	-14.5	-2.2	4.3	0.7	3.7	3.6	-2.5
El Salvador	-6.5	-0.3	1.3	0.5	-0.8	0.4	-14.5
Guatemala	-6.1	-5.4	-2.8	-3.3	-2.7	-0.4	-20.5
Guyana	-12.6	-12.0	3.9	-0.1	...	...	...
Haiti	-5.2	-1.2	-1.4	-1.3	-1.3	-0.7	-14.5
Honduras	-5.1	-3.5	-1.0	-1.4	-1.4	1.1	-13.2
Jamaica	-1.5	-0.2	-1.4	-6.7	0.7	3.5	-4.7
Nicaragua	-4.0	1.2	-4.8	-7.3	-3.7	-1.7	-17.2
Panama	2.7	-2.2	-2.6	1.9	0.8	-0.5	1.6
Paraguay	-4.0	-6.0	0.0	0.9	-3.4	1.2	-6.3
Dominican Republic	-1.1	2.5	-2.0	-4.6	-0.5	4.6	0.2
Uruguay	-10.7	-6.7	-1.9	-0.9	5.9	4.9	-9.4

Source: ECLAC, on the basis of official figures for the gross domestic product. The population figures are taken from CELADE estimates.

[a]Preliminary figures. [b]Refers to total social product.

Table 4

LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT

(Average annual rates)

Country	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Argentina[a]	2.8	2.0	2.3	4.5	4.7	4.2	3.8	5.3	4.6	5.4
Bolivia[b]	...	...	5.8	9.7	10.9	13.0	15.5	18.2	20.0	21.5
Brazil[c]	6.8	6.4	6.3	7.9	6.3	6.7	7.1	5.3	3.6	3.8
Colombia[d]	9.0	8.9	9.7	8.2	9.3	11.8	13.5	14.1	13.8	11.8
Costa Rica[e]	5.8	5.3	6.0	9.1	9.9	8.6	6.6	6.7	6.7	5.6
Chile[f]	13.7	13.4	11.8	9.0	20.0	18.9	18.5	17.2	13.1	12.4
Ecuador[g]	...	5.4	5.7	6.0	6.3	6.7	10.6	10.4	12.0	...
Guatemala[h]	...	...	...	...	6.0	9.9	9.1	12.0	14.2	12.6
Honduras[i]	...	...	8.8	9.0	9.2	9.5	10.7	11.7	12.1	12.1
Mexico[j]	6.9	5.7	4.5	4.2	4.1	6.7	6.0	4.8	4.3	4.2
Panama[k]	10.4	11.9	10.4	10.7	10.1	11.7	12.4	15.6	12.1	14.0
Paraguay[l]	4.1	5.9	3.9	2.2	5.6	8.3	7.3	5.2	6.1	10.0
Peru[m]	8.0	6.5	7.1	6.8	6.6	9.0	8.9	10.1	5.3	...
Uruguay[n]	10.1	8.3	7.4	6.7	11.9	15.5	14.0	13.1	10.7	9.3
Venezuela[o]	5.1	5.8	6.6	6.8	7.8	10.5	14.3	14.3	11.8	9.8

Source: ECLAC and PREALC, on the basis of official data.

[a]Greater Buenos Aires. Average for April-October; 1986, October; 1987, April. [b]Whole country, official estimates, 1987: estimate for first four months. [c]Metropolitan Areas of Rio de Janeiro, São Paulo, Bello Horizonte, Porto Alegre, Salvador and Recife: average for 12 months; 1980, average June-December; 1986 and 1987, average January-September. [d]Bogotá, Barranquilla, Medellín and Cali: average for March, June, September and December; 1978: average for March, June and December; 1985: average for March, July and September; 1986: average for April, June, September and December; 1987: average for March, July, September and December. [e]National urban. Average for March, July and November; 1984, average March and November; 1986 average March and July; 1987: July. These figures are not strictly comparable with the preceding ones as they correspond to the new Multi-Purpose Household Survey, in which there have been changes in the methodology. [f]Greater Santiago. Average for four quarters. As from August 1983 data relate to the Metropolitan Region of Santiago. Since October 1985 the figures are not strictly comparable with the preceding ones due to changes in the design and size of the sample. [g]Whole country. Official estimates. [h]Whole country, official estimates (SEGEPLAN); 1987 March. [i]National average. Official estimates. 1986: National Urban Labour Force Survey, March, Central District. [j]Metropolitan areas of México City, Guadalajara and Monterrey, average for four quarters; 1987 July. [k]Metropolitan Region, August of each year; 1980: data from population census of that year; 1981: 1981 MIPPE survey of metropolitan area. [l]Asunción, Fernando de la Mora, Lambaré and urban areas of Luque and San Lorenzo, annual averages; 1981: first half of year; 1983: average for September, October and November; 1984: average for August, September and October; 1985: average for November and December. [m]Metropolitan Lima; 1985: official estimate. [n]Montevideo, average of the two half-years. 1981-1985: average of the four quarters; 1986: average of the first three quarters; 1987: average of three quarters. [o]Country-wide urban rate, average for the two half-years; 1985 and 1986, country-wide rate; 1987: first half of year.

Table 5

LATIN AMERICA AND THE CARIBBEAN: EVOLUTION OF CONSUMER PRICES

(Variations from December to December)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987[a]
Latin America	39.0	54.1	56.1	57.6	84.8	131.1	185.2	275.3	64.6	187.1
Argentina	169.8	139.7	87.6	131.2	209.7	433.7	688.0	385.4	81.9	178.3[g]
Barbados	11.3	16.8	16.1	12.3	6.9	5.5	5.1	2.4	-0.5	3.7[b]
Bolivia	13.5	45.5	23.9	25.2	296.5	328.5	2 177.2	8 170.5	66.0	10.5[c]
Brazil[d]	38.1	76.0	95.3	91.2	97.9	179.2	203.3	228.0	58.4	337.9[c]
Colombia[e]	17.8	29.8	26.5	27.5	24.1	16.5	18.3	22.3	21.0	24.7[c]
Costa Rica	8.1	13.2	17.8	65.1	81.7	10.7	17.3	11.1	15.4	13.6[c]
Chile	30.3	38.9	31.2	9.5	20.7	23.6	23.0	26.4	17.4	22.9[c]
Ecuador[f]	11.8	9.0	14.5	17.9	24.3	52.5	25.1	24.4	27.3	30.6[c]
El Salvador	14.6	14.8	18.6	11.6	13.8	15.5	9.8	30.8	30.3	21.2[g]
Guatemala	9.1	13.7	9.1	8.7	-2.0	15.4	5.2	31.5	25.7	8.5[c]
Guyana	20.0	19.4	8.5	29.0	19.3	9.6	...	...	...	...
Haiti	5.5	15.4	15.6	16.4	4.9	11.2	5.4	17.4	-11.4	...
Honduras	5.4	22.5	11.5	9.2	8.8	7.2	3.7	4.2	3.2	1.8[h]
Jamaica	49.4	19.8	28.6	4.8	7.0	16.7	31.2	23.9	10.4	5.6[b]
Mexico	16.2	20.0	29.8	28.7	98.8	80.8	59.2	63.7	105.7	143.6[c]
Nicaragua	4.3	70.3	24.8	23.2	22.2	32.9	50.2	334.3	747.4	1 225.7[c]
Panama	5.0	10.0	14.4	4.8	3.7	2.0	0.9	0.4	0.4	1.0[g]
Paraguay	16.8	35.7	8.9	15.0	4.2	14.1	29.8	23.1	24.1	23.5[h]
Peru	73.7	66.7	59.7	72.7	72.9	125.1	111.5	158.3	62.9	104.8[c]
Dominican Republic[i]	1.8	25.6	4.6	7.3	7.2	7.7	38.1	28.4	6.5	17.4[g]
Trinidad and Tobago	8.8	19.5	16.6	11.6	10.8	15.4	14.1	6.6	9.9	11.4[j]
Uruguay	46.0	83.1	42.8	29.4	20.5	51.5	66.1	83.0	76.4	59.9[c]
Venezuela	7.1	20.5	19.6	11.0	7.3	7.0	18.3	5.7	12.3	36.1[c]

Source: International Monetary Fund, *International Financial Statistics*, November 1987, and information supplied by the countries.

[a] Preliminary figures. [b] Corresponds to variation between July 1986 and July 1987. [c] Corresponds to variation between November 1986 and November 1987. [d] Up to 1979, corresponds to variation in the Consumer Price Index for the city of Rio de Janeiro; from 1980 onwards, corresponds to variations in the nation-wide index. [e] Up to 1980, corresponds to variation in the Consumer Price Index for manual workers; from 1981 onwards, corresponds to the variation in the nation-wide index for both manual and non-manual workers. [f] Up to 1982, corresponds to the variation in the Consumer Price Index for the city of Quito; from 1983 onwards, corresponds to the variation in the nation-wide index. [g] Corresponds to variation between September 1986 and September 1987. [h] Corresponds to variation between October 1986 and October 1987. [i] Up to 1982, corresponds to the variation in the Consumer Price Index for the city of Santo Domingo; from 1983 onwards, corresponds to variation in the nation-wide index. [j] Corresponds to variation between August 1986 and August 1987.

Table 6

LATIN AMERICA AND THE CARIBBEAN: EVOLUTION OF REAL AVERAGE WAGES

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987[a]
					Annual average indexes (1980 = 100)					
Argentina[b]	77.9	89.5	100.0	89.4	80.1	100.5	127.1	107.8	109.5	100.3
Brazil										
Rio de Janeiro[c]	93.9	95.1	100.0	108.5	121.6	112.7	105.1	112.7	121.8	105.8
São Paulo[d]	85.7	92.3	100.0	104.7	107.2	94.0	96.7	118.9	149.8	142.0
Colombia[e]	93.2	99.3	100.0	101.4	104.8	110.3	118.5	114.9	120.2	121.9
Costa Rica[f]	94.7	99.2	100.0	88.3	70.8	78.5	84.7	92.2	97.8	...
Chile[g]	84.7	91.8	100.0	108.9	108.6	97.1	97.2	93.5	95.1	93.7
Mexico[h]	104.4	102.9	100.0	103.5	104.4	80.7	75.4	76.6	72.8	...
Peru[i]	94.9	88.9	100.0	98.3	100.5	83.7	70.1	59.6	75.5	80.6
Uruguay[j]	109.1	100.4	100.0	107.5	107.1	84.9	77.1	88.1	94.0	97.5
					Percentage variation[k]					
Argentina	-1.8	14.3	11.8	-10.6	-10.4	25.5	26.4	-15.2	1.6	-8.4
Brazil										
Rio de Janeiro	5.4	1.3	5.2	8.5	12.1	-7.3	-6.7	7.2	8.1	-11.3
Sao Paulo	12.2	7.7	8.4	4.7	2.4	-12.3	2.9	22.9	26.0	-4.1
Colombia	11.5	6.5	0.8	1.4	3.7	5.0	7.3	-3.0	4.9	1.4
Costa Rica	8.8	4.8	0.8	-11.7	-19.8	10.9	7.8	8.9	6.1	...
Chile	6.5	8.3	9.0	8.9	-0.2	-10.7	0.1	-3.8	1.7	-0.3
Mexico	-2.1	-1.4	-2.9	3.5	0.9	-22.7	-6.6	1.6	-4.9	...
Peru	-12.7	-6.3	12.4	-1.7	2.3	-16.7	-15.5	-15.0	26.7	6.7
Uruguay	-3.6	-8.1	-0.4	7.5	-0.3	-20.7	-9.2	14.1	6.7	4.2

Source: ECLAC, on the basis of official data.

[a] Preliminary figures. [b] Average total monthly wages in manufacturing. Average for twelve months. 1987, average January-September. [c] Average wages in basis industry, deflated by the CPI for Rio de Janeiro. Average for twelve months. 1987, average January-August. [d] Average wages in manufacturing in the State of São Paulo, deflated by the Cost-of-living index for the city of São Paulo. Average for twelve months. 1987: average January-September. [e] Wages of manual workers in manufacturing (except coffee processing). Average for twelve months. 1987: average January-September. [f] Average wages declared for social security members. [g] Average remuneration of wage-earners in non-agricultural sectors. Average for twelve months. 1987: average January-October. [h] Average wages in manufacturing. Average for twelve months. [i] Wages of private-sector workers in Metropolitan Lima. Average for February, May August and November. 1987: average for February, April, June and August. [j] Index of average real wages. Average for twelve months. 1987: average January-September. [k] Compared with the same period in the previous year.

Table 7

LATIN AMERICA AND THE CARIBBEAN: EVOLUTION OF URBAN REAL MINIMUM WAGES

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987[a]
				Annual average indexes (1980 = 100)						
Argentina[b]	81.0	85.3	100.0	95.8	97.6	137.7	173.5	117.1	111.1	122.6
Brazil[c]	97.7	97.5	100.0	104.4	104.6	93.8	85.6	87.0	87.1	72.2
Colombia[d]	89.5	97.5	100.0	98.9	103.6	107.9	113.5	109.4	114.2	116.3
Costa Rica[e]	96.0	98.5	100.0	90.4	85.9	99.3	104.4	112.2	119.0	120.3
Chile[f]	100.7	99.8	100.0	115.7	117.2	94.2	80.7	76.4	73.6	69.2
Ecuador[g]	48.1	60.4	100.0	86.2	75.9	63.6	62.8	60.8	65.4	61.8
Mexico[h]	108.6	107.2	100.0	101.9	92.7	76.6	72.3	71.1	64.9	55.9
Paraguay[i]	94.8	92.4	100.0	103.6	101.4	93.9	93.7	99.5	110.4	120.4
Peru[j]	72.3	80.8	100.0	84.2	77.8	89.2	69.0	60.3	62.5	63.4
Uruguay[k]	113.6	104.8	100.0	103.4	104.6	89.6	89.9	94.1	89.2	84.6
Venezuela[l]	69.3	61.6	100.0	86.8	80.1	75.1	66.7	91.4	85.5	101.0
				Percentage variation[m]						
Argentina	-18.8	13.7	17.3	-4.8	1.8	41.1	26.0	-32.5	-5.1	9.6
Brazil	...	-0.2	2.6	6.1	0.7	-10.2	-8.8	1.7	0.1	-18.0
Colombia	13.1	10.7	2.5	-1.1	4.3	4.1	5.2	-3.6	4.4	-0.4
Costa Rica	11.4	2.6	1.4	-9.6	-5.1	15.7	5.2	7.4	6.1	1.1
Chile	26.5	-0.8	0.2	15.9	0.6	-19.5	-14.5	-5.2	-3.3	-6.0
Ecuador	-10.6	25.7	65.5	-13.8	-11.9	-16.2	-1.3	-3.2	7.5	-5.3
Mexico	-3.4	-1.3	-6.7	1.9	-9.0	-17.4	-5.6	-1.7	-8.8	-14.9
Paraguay	3.1	-2.5	8.0	3.6	-2.0	-7.5	-0.2	6.2	11.0	13.8
Peru	-23.2	11.7	27.5	-15.8	-7.6	2.4	-22.7	-12.6	3.7	1.4
Uruguay	-0.5	-7.7	-4.6	3.4	1.2	-14.3	0.3	4.7	-5.2	-5.2
Venezuela	-6.8	-11.1	62.3	-16.3	-9.2	-6.6	-13.0	30.0	-6.6	8.0

Source: ECLAC, on the basis of official data.
[a] Preliminary figures. [b] National minimum wage. 1987: average January-November. [c] Minimum wage for the city of Rio de Janeiro, deflated by the corresponding CPI. 1987: average January-September. [d] Minimum wage for upper urban sectors, 1987: average January-August. [e] National minimum wage. 1987: first half of year. [f] Minimum income. 1987: average January-November. [g] General minimum official living wage. 1987: average January-November. [h] Minimum wage in México City, deflated by the corresponding CPI. 1987: January-November. [i] Minimum wage in Asunción and Puerto Stroessner. 1987: average January-Sepember. [j] Minimum wage in Metropolitan Lima for non-agricultural activities. 1987: January-November. [k] National minimum wage for persons over 18 years of age. 1987: average January-November. [l] National minimum wage for non-agricultural activities. 1987: average January-November. [m] Compared with the same period in the previous year.

Table 8

LATIN AMERICA AND THE CARIBBEAN: EXPORTS OF GOODS, FOB

(Indexes 1980 = 100 and growth rates)

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1987[a]	1985	1986	1987[a]	1987[a]	1985	1986	1987[a]	1987[a]	1985	1986	1987[a]
Latin America	99	-6.0	-15.2	13.3	74	-6.3	-12.1	6.9	132	0.4	-3.7	4.9
Oil-exporting countries	86	-8.9	-29.5	21.4	66	-3.7	-30.9	17.9	127	-5.3	2.0	1.1
Bolivia	48	-13.9	-12.8	-17.2	80	-0.3	-22.8	4.0	60	-13.7	12.8	-20.1
Ecuador	80	9.5	-23.8	-8.1	63	-3.7	-29.1	12.0	127	13.6	7.5	-17.7
Mexico	131	-9.6	-26.7	31.0	66	-1.4	-27.4	18.0	197	-8.3	1.0	11.0
Peru	66	-5.8	-15.4	2.4	61	-1.7	-14.8	14.0	83	-4.1	-0.7	-10.1
Venezuela	54	-11.2	-38.7	18.9	67	-8.0	-40.4	29.0	81	-3.5	2.8	-8.0
Non-oil-exporting countries	111	-3.2	-2.9	8.3	81	-8.5	6.0	0.5	137	5.7	-8.4	8.3
Argentina	80	3.7	-18.4	-6.5	72	-13.5	-11.5	6.5	116	19.9	-7.8	-12.1
Brazil	129	-5.1	-12.6	15.7	84	-6.8	6.8	0.5	154	1.9	-18.2	15.1
Colombia	137	-13.1	49.3	-1.4	82	-5.8	18.7	-22.0	168	-7.8	25.8	26.5
Costa Rica	117	-6.7	16.4	8.5	85	-1.0	14.1	-10.0	138	-5.8	2.1	20.9
Chile	132	4.2	10.4	20.2	73	-11.8	7.6	14.0	148	18.1	2.6	5.5
El Salvador	54	-6.5	7.1	-20.2	76	-4.2	21.9	-15.5	72	-2.4	-12.1	-5.7
Guatemala	64	-6.4	-0.2	-10.7	82	-7.0	19.6	-14.0	76	0.7	-16.5	3.8
Haiti	95	8.6	-14.8	7.3	87	2.7	19.0	-13.0	109	5.7	-28.3	23.3
Honduras	100	4.3	12.9	-3.2	86	-8.9	10.8	-13.5	116	14.6	1.9	11.8
Nicaragua	60	-21.8	-19.3	11.2	83	-6.0	9.6	-15.0	73	-16.8	-26.3	30.7
Panama	105	16.2	23.1	-1.7	105	-0.4	15.5	-3.5	100	16.7	6.6	1.7
Paraguay[b]	200	-10.2	76.8	39.5	86	-20.6	-6.1	7.5	232	13.0	88.2	29.8
Dominican Republic	78	-15.0	-2.2	3.9	71	-15.5	1.4	-4.0	110	0.7	-3.5	8.3
Uruguay	109	-7.7	27.4	5.7	72	-7.1	1.5	7.5	152	-0.6	25.5	-0.2

Source: ECLAC.
[a] *Preliminary estimates.* [b] *As from 1986 "Goods" includes the trade in energy, which was previously included under "Services".*

Table 9

LATIN AMERICA AND THE CARIBBEAN: IMPORTS OF GOODS, FOB

(Indexes 1980 = 100 and growth rates)

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1987[a]	1985	1986	1987[a]	1987[a]	1985	1986	1987[a]	1987[a]	1985	1986	1987[a]
Latin America	73	0.3	2.1	9.8	86	-4.4	-4.0	3.8	84	5.0	6.2	5.6
Oil-exporting countries	72	10.0	-4.2	8.2	81	-7.9	-2.2	3.1	89	19.5	-1.9	4.8
Bolivia	115	12.3	25.3	13.8	92	3.7	-4.9	3.5	126	8.2	31.7	9.9
Ecuador	94	10.0	-5.3	29.4	78	-4.6	-8.3	3.5	121	15.3	3.2	25.1
Mexico	64	19.6	-15.1	5.0	79	-13.0	-2.5	2.5	80	37.4	-12.9	2.4
Peru	93	-12.7	35.1	13.7	83	-6.8	-2.0	3.5	112	-6.4	37.9	10.0
Venezuela	75	1.7	4.2	6.1	83	-1.5	-1.0	4.0	91	3.2	5.3	2.2
Non-oil-exporting countries	73	-5.7	6.7	10.9	91	-1.0	-5.7	4.3	80	-4.8	13.1	6.3
Argentina	53	-14.6	22.2	15.1	96	5.0	4.2	3.0	55	-18.6	17.3	11.8
Brazil	66	-5.4	6.7	7.5	91	-4.1	-7.3	5.0	72	-1.3	15.1	2.7
Colombia	92	-7.3	-0.7	6.0	96	2.9	-3.6	3.5	96	-9.9	3.0	2.5
Costa Rica	87	0.8	3.8	15.1	94	1.7	-5.3	5.0	93	-0.9	9.6	9.9
Chile	61	-12.0	4.9	28.0	80	-5.5	-8.8	4.5	91	-6.8	15.0	22.3
El Salvador	110	-1.7	4.4	4.9	106	0.7	-5.0	5.0	104	-2.4	10.0	-0.2
Guatemala	71	-8.9	-14.6	22.8	91	-1.6	-7.8	3.5	84	-7.5	-7.4	18.8
Haiti	94	0.9	-13.3	-1.0	103	-3.0	3.7	3.5	92	3.9	-16.3	-4.3
Honduras	97	-0.6	3.0	2.8	111	6.3	-2.7	4.5	87	-6.5	5.9	-1.6
Nicaragua	87	8.1	0.7	-16.2	96	1.9	-2.0	7.0	91	6.1	2.8	-21.8
Panama[b]	104	8.4	8.9	4.9	90	-2.0	-6.8	3.5	115	10.6	16.9	1.3
Paraguay	138	-20.5	42.6	27.0	71	-6.0	-3.5	5.0	194	-15.5	47.9	21.0
Dominican Republic	97	2.3	-1.5	16.5	91	2.1	-8.7	9.0	107	0.2	7.8	6.8
Uruguay	61	-7.8	17.1	29.0	87	2.6	-13.0	13.0	71	-10.1	34.3	14.2

Source: ECLAC.
[a]Preliminary estimates. [b]As from 1986 "Goods" includes the trade in energy, which was previously included under "Services".

Table 10

LATIN AMERICA AND THE CARIBBEAN: TERMS OF TRADE (GOODS), FOB/FOB

(Indexes 1980 = 100, growth rates and percentage variations)

	Indexes				Growth rates					Cumulative variation
	1984	1985	1986	1987[a]	1983	1984	1985	1986	1987[a]	1981-1987[a]
Latin America	93	91	84	86	1.3	6.7	-2.1	-7.9	2.4	-14.5
Oil-exporting countries	97	101	71	82	5.0	2.0	4.6	-29.4	14.4	-18.4
Bolivia	102	108	88	88	2.7	16.4	-3.9	-18.7	0.1	-12.2
Ecuador	95	96	75	81	-17.7	16.6	1.0	-22.6	8.1	-19.5
Mexico	86	98	73	84	6.6	-7.2	13.2	-25.5	15.1	-16.4
Peru	94	99	86	95	19.7	-3.3	5.5	-13.1	10.2	-5.5
Venezuela	116	108	65	81	8.9	12.1	-6.6	-39.8	24.4	-18.9
Non-oil-exporting countries	90	83	94	89	0.1	9.9	-7.6	13.2	-5.2	-10.7
Argentina	99	81	69	71	-4.6	21.0	-17.6	-15.0	3.4	-28.7
Brazil	86	84	96	92	-3.6	10.1	-2.7	15.0	-4.1	-7.8
Colombia	101	92	114	86	8.3	6.9	-8.3	23.1	-24.7	-14.5
Costa Rica	90	89	106	91	2.8	5.2	-2.7	20.5	-14.2	-9.0
Chile	78	73	86	91	9.6	-9.6	-6.6	18.1	5.5	-9.0
El Salvador	73	69	89	71	-11.8	-12.0	-5.0	28.4	-19.4	-28.6
Guatemala	88	83	108	90	3.4	3.4	-5.6	29.7	-16.9	-10.4
Haiti	83	88	101	84	-10.7	26.0	5.8	14.7	-16.0	-15.6
Honduras	96	82	94	78	0.9	3.2	-14.3	13.8	-17.0	-22.4
Nicaragua	105	97	109	86	-3.3	26.9	-7.8	11.8	-20.6	-13.9
Panama	99	101	125	116	12.7	4.2	1.5	24.0	-6.6	16.3
Paraguay[b]	144	121	118	121	-3.9	60.4	-15.5	-2.6	2.5	21.1
Dominican Republic	97	80	89	78	6.6	11.0	-18.2	11.3	-12.0	-21.9
Uruguay	98	89	103	98	-5.5	7.5	-9.4	0.0	-4.7	-1.6

Source: ECLAC.
[a]Preliminary estimates. [b]As from 1986 "Goods" includes the trade in energy, which was previously included under "Services".

Table 11

LATIN AMERICA AND THE CARIBBEAN: PRICES OF MAIN EXPORT COMMODITIES

(Dollars at current prices)

	Annual averages					Growth rates				Cumulative variation
	1970-1980	1984	1985	1986	1987[a]	1984	1985	1986	1987[a]	1987/1970-1980
Unrefined sugar[b]	12.8	5.2	4.1	6.1	6.6	-38.8	-21.1	48.8	8.2	-48.4
Coffee (mild)[b]	121.8	147.3	155.9	220.1	123.5	4.0	5.8	41.2	-43.9	1.4
Cocoa[b]	86.3	108.7	102.3	93.8	91.3	13.1	-5.9	-8.3	-2.7	5.8
Bananas[e]	11.8	19.0	18.4	22.1	28.2[c]	-6.9	-3.2	20.1	27.6	139.0
Wheat[d]	125.1	153.0	138.0	115.0	113.0	-3.2	-9.8	-16.7	-1.7	-9.7
Maize[d]	127.5	167.3	135.3	112.9	105.7	3.1	-19.1	-16.6	-6.4	-17.1
Beef[b]	82.2	102.6	97.7	95.0	106.8	-7.3	-4.8	-2.8	12.4	29.9
Fish meal[d]	354.7	373.0	280.0	321.0	368.0	-17.7	-24.9	14.6	14.6	3.7
Soya beans[d]	232.4	282.0	225.0	208.0	212.0	-	-20.2	-7.6	1.9	-8.8
Cotton[b]	61.2	80.3	61.7	52.9	76.1	-5.3	-23.2	-14.3	43.9	24.3
Wool[b]	131.5	141.6	140.7	147.7	181.5	-1.7	-0.6	5.0	22.9	38.0
Copper[b]	69.6	62.5	64.3	62.3	72.5	-13.4	2.9	-3.1	16.4	4.2
Tin[e]	3.9	5.6	5.4	2.6	3.1	-5.1	-3.6	-51.9	19.2	-20.5
Iron ore[d]	17.6	22.4	22.0	21.6	21.9	-5.5	-1.8	-1.8	1.4	24.4
Lead[b]	25.3	20.1	17.7	18.4	26.6	4.1	-11.9	4.0	44.6	5.1
Zinc[b]	29.7	40.6	34.3	32.3	35.7	17.0	-15.5	-5.8	10.5	20.2
Bauxite[d]	103.5	165.0	164.3	165.2	164.8[c]	-8.1	-0.4	0.5	-0.2	59.2
Crude petroleum[f]										
Saudi Arabia	10.0	28.5	28.0	13.7	17.9[g]	-2.7	-1.8	-51.0	30.7	79.0
Venezuela	10.1	27.0	26.4	13.2	17.3[g]	-3.9	-2.2	-50.0	31.0	71.3

Source: UNCTAD, Monthly Commodity Prices Bulletin, supplements 1960-1984, and September 1987: International Monetary Fund, *International Financial Statistics*, Yearbooks 1981 and November 1987; *Petroleum Intelligence Weekly*, 1986, 1987: various issues; ECLAC, on the basis of official data.

Note: Unrefined sugar, FOB Caribbean ports, for export to the free market. Coffee, mild Colombian arabiga, *ex-dock* New York. Cocoa Beans, average of daily prices (futures), New York/London. Central American bananas, CIF Hamburg. Cotton, Mexican M 1-3/32", CIF Northern Europe. Wool, clean, combed, grade 50's United Kingdom. Beef, frozen and deboned, all sources, United States ports. Fish meal, all sources, 64-65% protein, CIF Hamburg. Wheat, United States No 2, Hard Red Winter, FOB. Maize, Argentine, CIF North Sea ports. Soya beans, United States, No 2, yellow, bulk, CIF Rotterdam. Copper, tin, lead and zinc's, pot cash prices on the London Metal Exchange. Iron ore, Liberia, C 61% Fe, CIF North Sea ports. Bauxite, Guyana (Baltimore). Petroleum, Venezuela (Tia Juana).

[a] Average January-October. [b] US cents per pound. [c] Average January-September. [d] Dollars per metric ton. [e] Dollar per pound. [f] Dollars per barrel. [g] January-August.

Table 12

LATIN AMERICA AND THE CARIBBEAN: PURCHASING POWER OF EXPORTS OF GOODS

(Indexes 1980 = 100, growth rates and percentage variations)

	Indexes				Growth rates					Cumulative variation
	1984	1985	1986	1987[a]	1983	1984	1985	1986	1987[a]	1981-1987[a]
Latin America	119	117	103	110	11.0	13.5	-1.5	-12.1	7.1	10.1
Oil-exporting countries	123	121	87	101	13.4	8.3	-1.4	-27.9	15.2	0.6
Bolivia	80	67	61	49	-5.0	2.6	-17.0	-8.8	-20.1	-51.4
Ecuador	117	135	112	99	-10.0	31.3	15.5	-17.2	-11.0	-0.8
Mexico	162	168	126	161	26.0	0.7	3.6	-25.0	27.9	61.3
Peru	89	89	76	75	-5.6	11.5	0.6	-14.6	-1.2	-24.6
Venezuela	99	89	55	63	5.3	17.2	-10.6	-38.1	14.3	-37.2
Non-oil-exporting countries	115	113	117	120	8.7	19.0	-1.6	3.1	2.4	19.7
Argentina	115	115	90	82	8.0	8.8	0.0	-21.0	-9.1	-18.1
Brazil	136	135	127	140	14.0	30.9	-1.3	-5.9	10.3	39.7
Colombia	113	95	147	140	4.3	47.2	-15.6	54.8	-4.7	40.4
Costa Rica	104	95	116	120	3.3	18.7	-8.4	22.5	3.5	20.4
Chile	88	97	117	134	14.5	-6.2	9.8	20.7	14.8	34.3
El Salvador	63	58	66	50	10.3	-6.9	-7.2	12.3	-24.0	-50.2
Guatemala	75	71	76	66	-0.5	2.9	-5.4	7.8	-13.7	-34.3
Haiti	92	101	84	87	5.3	13.2	9.7	-17.5	3.7	-13.3
Honduras	83	81	95	88	5.4	1.8	1.7	15.6	-7.2	-12.2
Nicaragua	93	71	59	61	10.9	-3.7	-23.3	-17.7	3.4	-39.3
Panama	76	90	119	113	-24.5	0.0	18.9	31.7	-5.0	13.1
Paraguay[b]	115	111	195	260	-13.5	36.7	-4.0	76.3	32.8	159.5
Dominican Republic	98	84	87	83	15.6	12.2	-14.2	3.9	-4.6	-16.9
Uruguay	100	90	132	126	1.9	-16.6	-10.0	46.3	-4.8	25.5

Source: ECLAC.

[a] Preliminary estimates. [b] As from 1986 "Goods" includes the trade in energy, which was previously included under "Services".

Table 13

LATIN AMERICA AND THE CARIBBEAN: TRADE BALANCE (GOODS)

(Millions of dollars)

	Exports of goods FOB			Imports of goods FOB			Trade balance (goods)		
	1985	1986	1987[a]	1985	1986	1987[a]	1985	1986	1987[a]
Latin America	91 898	77 914	88 270	58 502	59 708	65 530	33 399	18 206	22 740
Oil-exporting countries	42 503	29 955	36 360	24 903	23 868	25 810	17 603	6 087	10 550
Bolivia	623	543	450	463	580	660	161	-36	-210
Ecuador	2 870	2 186	2 010[b]	1 723	1 631	2 110[b]	1 147	555	-100
Mexico	21 867	16 031	21 000	13 460	11 432	12 000	8 407	4 599	9 000
Peru	2 965	2 509	2 570	1 869	2 525	2 870	1 097	-16	-300
Venezuela	14 178	8 686	10 330	7 388	7 700	8 170	6 791	986	2 160
Non-oil-exporting countries	49 395	47 959	51 910	33 599	35 840	39 720	15 796	12 119	12 190
Argentina	8 397	6 849	6 400	3 520	4 300	4 950	4 877	2 549	1 450
Brazil	25 634	22 393	25 900	13 168	14 044	15 100	12 466	8 349	10 800
Colombia	3 713	5 543	5 465	3 734	3 709	3 930	-21	1 834	1 535
Costa Rica	930	1 083	1 175	1 005	1 043	1 200	-75	40	-25
Chile	3 804	4 199	5 050	2 954	3 099	3 970	850	1 100	1 080
El Salvador	679	727	580	899	939	985	-220	-212	-405
Guatemala	1 060	1 058	945	1 077	920	1 130	-17	138	-185
Haiti	224	191	205	349	303	300	-125	-112	-95
Honduras	778	878	850	874	900	925	-96	-22	-75
Nicaragua	301	243	270	830	836	700	-529	-593	-430
Panama	1 959	2 412	2 370	2 712	2 955	3 100	-753	-543	-730
Paraguay[c]	324	573	800	516	735	935	-191	-162	-135
Dominican Republic	738	722	750	1 286	1 266	1 475	-548	-544	-725
Uruguay	854	1 088	1 150	675	791	1 020	178	297	130

Source: 1985, 1986: ECLAC, on the basis of figures supplied by the International Monetary Fund; the 1986 figures for Argentina, Bolivia, Brazil, El Salvador Guatemala and Nicaragua are ECLAC estimates. 1987: ECLAC, on the basis of official data.

[a] ECLAC, preliminary estimates. Figures rounded to zero or five. [b] Including loans and return of petroleum.

[c] As from 1986 "Goods" includes the trade in energy, which was previously included under "Services".

Table 14

LATIN AMERICA AND THE CARIBBEAN: BALANCE OF PAYMENTS

(Millions of dollars)

	Net services payments[a]			Net payments of profits and interest[c]			Balance on current account[d]			Net movements of capital[e]			Global balance[f]		
	1985	1986	1987[b]	1985	1986	1987[b]	1985	1986	1987[b]	1985	1986	1987[b]	1985	1986	1987[b]
Latin America	3 345	3 850	3 100	34 773	30 543	30 070	-3 455	-14 573	-9 020	3 306	8 690	14 345	-200	-5 883	5 325
Oil-exporting countries	1 436	752	-195	13 405	10 981	10 175	2 966	-5 394	555	-3 648	2 061	4 745	-683	-3 333	5 300
Bolivia	149	164	175	373	309	255	-342	-484	-610	299	682	510	-44	198	-100
Ecuador	291	416	355	966	826	845	-110	-687	-1 300	136	635	1 220	26	-52	-80
Mexico	-537	-1 192	-2 000	8 853	7 550	7 000	379	-1 444	4 000	-3 108	2 227	3 000	-2 729	783	7 000
Peru	147	304	340	1 023	831	720	-73	-1 151	-1 360	427	692	860	354	-459	-500
Venezuela	1 386	1 060	935	2 190	1 465	1 345	3 112	-1 628	-175	-1 402	-2 175	-845	1 710	-3 803	-1 020
Non-oil-exporting countries	1 909	3 098	3 295	21 368	19 562	19 895	-6 421	-9 179	-9 575	6 954	6 629	9 600	483	-2 550	25
Argentina	527	956	750	5 303	4 416	4 600	-955	-2 821	-3 900	1 992	2 121	2 700	1 037	-700	-1 200
Brazil	1 703	2 133	2 200	11 192	10 330	10 200	-289	-4 037	-1 510	-222	408	2 780	-511	-3 629	1 270
Colombia	307	608	690	1 527	1 503	1 860	-1 412	458	-395	1 567	958	435	154	1 416	40
Costa Rica	-20	8	-35	319	276	220	-338	-209	-175	410	266	185	73	57	10
Chile	338	388	475	1 901	1 887	1 600	-1 342	-1 135	-950	1 240	883	1 005	-102	-252	55
El Salvador	-28	-31	-100	133	135	140	-199	-173	-300	246	158	360	47	-15	60
Guatemala	84	67	65	165	178	170	-247	-32	-220	358	55	170	111	23	-50
Haiti	99	69	105	20	15	20	-195	-144	-140	171	170	195	-74	26	55
Honduras	70	71	75	168	191	200	-322	-271	-335	336	269	330	14	-2	-5
Nicaragua	106	70	220	48	25	220	-681	-685	-865	562	805	780	-119	120	-85
Panama	-894	-830	-820	-46	-90	-100	131	321	120	-256	-100	-220	-125	221	-100
Paraguay	-18	40	30	60	167	190	-231	-369	-355	103	241	330	-128	-128	-25
Dominican Republic	-310	-404	-420	226	250	305	-222	-148	-350	264	208	320	42	59	-30
Uruguay	-55	-47	60	352	278	270	-119	66	-200	183	187	230	64	253	30

Source: 1985, 1986: ECLAC, on the basis of figures supplied by the International Monetary Fund; the 1985 figures for Argentina, Bolivia, Brazil, El Salvador, Guatemala and Nicaragua are ECLAC estimates. 1987: ECLAC, on the basis of official data.

[a] Excluding net payments of profits and interest. [b] Preliminary estimates. Figures rounded to zero or five. [c] Including interest earned. [d] Including net private unrequited transfer payments, which were of significant magnitude in 1987 in the case of Colombia, El Salvador, Guatemala, Haiti, and the Dominican Republic. [e] Including long- and short-term capital, official unrequited transfer payments and errors and omissions. [f] Corresponds to variation in international reserves (of opposite sign) plus counterpart entries.

Table 15

LATIN AMERICA AND THE CARIBBEAN: NET INFLOW OF CAPITAL AND TRANSFER OF RESOURCES

(Billions of dollars and percentages)

Year	Net inflow of capital (1)	Net payments of profits and interest (2)	Transfer of resources (3)=(1)-(2) (3)	Exports of goods and services (4)	Transfer of resources/ exports of goods and services[a] (5)=(3)/(4) (5)
1973	7.9	4.2	3.7	28.9	12.8
1974	11.4	5.0	6.4	43.6	14.7
1975	14.3	5.6	8.7	41.1	21.2
1976	17.9	6.8	11.1	47.3	23.5
1977	17.2	8.2	9.0	55.9	16.1
1978	26.2	10.2	16.0	61.3	26.1
1979	29.1	13.6	15.5	82.0	18.9
1980	29.7	18.2	11.5	107.6	10.7
1981	37.6	27.2	10.4	116.1	9.0
1982	20.4	38.8	-18.4	103.2	-17.8
1983	3.0	34.4	-31.4	102.4	-30.7
1984	9.3	36.3	-27.0	114.1	-23.7
1985	3.3	34.8	-31.5	108.9	-28.9
1986	8.7	30.5	-21.8	94.2	-23.1
1987[b]	14.4	30.1	-15.7	105.9	-14.8

Source: 1973-1986: ECLAC, on the basis of data supplied by the IMF. 1987: ECLAC, on the basis of official figures.
[a]Percentages. [b]Preliminary estimates.

Table 16

LATIN AMERICA AND THE CARIBBEAN: TOTAL DISBURSED EXTERNAL DEBT[a]

	End-of-year balance in millions of dollars						Annual growth rates				
	1982	1983	1984	1985	1986	1987[b]	1979-1981	1982-1983	1984-1985	1986	1987[b]
Latin America	330 962	353 259	366 541	376 627	392 893	409 815	23.4	11.0	3.3	4.3	4.3
Oil-exporting countries	143 883	152 933	155 688	156 967	161 222	167 150	25.5	10.0	1.3	2.7	3.7
Bolivia	3 571	3 783	3 752	3 800	4 267	4 450	24.3	4.0	0.2	12.3	4.3
Ecuador	6 186	6 908	7 198	7 800	8 646	9 600	25.4	8.5	6.3	10.8	11.0
Mexico	87 600	93 800	96 700	97 800	101 500	105 600	30.2	11.9	2.1	3.8	4.0
Peru	11 465	12 445	13 338	13 721	14 468	15 300	1.0	13.8	5.0	5.4	5.8
Venezuela[c]	35 061	35 997	34 700	33 846	32 341	32 200	26.8	3.8	-3.0	-4.4	-0.1
Non-oil-exporting countries	187 079	200 366	210 835	219 660	231 671	242 665	21.8	12.1	4.7	5.8	4.7
Argentina	43 634	45 087	46 903	48 312	51 500	54 500	41.9	12.4	3.5	6.6	5.8
Brazil	91 304[e]	97 855[e]	102 039	105 126	111 045	116 900	14.4	10.6	3.6	5.6	5.3
Colombia	10 269	11 408	12 265	13 834	14 990	15 700	25.6	19.1	10.1	8.4	6.4
Costa Rica	3 188	3 532	3 752	3 742	3 739	3 800	12.8	14.7	2.9	-0.1	1.6
Chile	17 159	18 037	19 659	20 403	20 670	20 510	30.5	7.6	6.4	1.3	-0.1
El Salvador	1 808	2 023	2 095	2 162	2 200	2 250	17.7	12.2	3.4	1.8	2.3
Guatemala	1 841	2 149	2 505	2 624	2 641	2 720	19.0	24.6	10.5	0.6	3.0
Haiti[d]	410	551	607	600	700	740	26.2	21.7	4.5	16.7	5.7
Honduras	1 986	2 162	2 392	2 803	2 931	3 145	17.5	16.7	13.9	4.6	7.3
Nicaragua[d]	3 139	3 789	4 362	4 936	5 773	6 200	27.1	21.5	14.1	17.0	7.4
Panama[e]	3 933	4 389	4 413	4 755	4 802	4 900	14.0	14.0	4.1	1.0	2.0
Paraguay	1 204	1 469	1 654	1 773	1 841	2 000	12.4	24.4	9.9	3.8	8.6
Dominican Republic	2 966	3 313	3 536	3 690	3 646	3 700	24.2	14.0	5.5	-1.2	1.5
Uruguay	4 238	4 572	4 671	4 900	5 193	5 600	35.9	21.2	3.5	6.0	7.8

Source: ECLAC, on the basis of official data.
[a]Including debts with IMF. [b]Preliminary figures. [c]Total debt according to information from official sources and international financial agencies. [d]Public debt. [e]Total debt according to World Bank data.

Table 17

LATIN AMERICA AND THE CARIBBEAN: RATIO OF TOTAL INTEREST PAYMENTS TO EXPORTS OF GOODS AND SERVICES[a]

(Percentages)

	1979	1980	1981	1982	1983	1984	1985	1986	1987[b]
Latin America	17.6	20.4	28.0	41.0	36.2	35.7	35.2	36.0	30.5
Oil-exporting countries	15.7	16.8	22.6	35.6	31.4	32.5	32.2	35.3	25.2
Bolivia	18.6	25.0	34.6	43.4	39.9	50.0	46.8	42.6	40.0
Ecuador	13.6	18.3	22.8	30.3	27.4	30.7	27.0	30.9	31.1
Mexico	24.5	23.3	29.0	47.2	37.5	39.0	36.0	37.9	27.9
Peru	15.5	18.4	24.1	25.1	29.8	33.2	30.0	26.7	22.4
Venezuela	6.9	8.1	12.7	21.0	21.7	20.1	26.2	32.8	26.3
Non-oil-exporting countries	19.3	23.9	33.8	46.8	41.0	38.7	37.8	36.3	33.0
Argentina	12.8	22.0	35.5	53.6	58.4	57.6	51.1	53.0	56.2
Brazil	31.5	34.1	40.4	57.1	43.5	39.6	40.0	41.4	34.5
Colombia	9.9	11.8	21.9	25.9	26.7	22.8	26.3	19.7	25.2
Costa Rica	12.8	18.0	28.0	36.1	33.1	26.7	27.3	21.2	19.3
Chile	16.5	19.3	38.8	49.5	38.9	48.0	43.5	38.6	26.7
El Salvador	5.7	5.9	7.8	11.9	12.2	12.3	12.9	12.5	13.2
Guatemala	3.2	5.3	7.6	7.8	8.7	12.3	14.9	16.5	16.3
Haiti	3.2	2.1	2.7	2.4	2.4	5.2	7.4	3.4	4.6
Honduras	8.6	10.6	14.4	22.4	16.4	15.8	16.2	15.5	16.5
Nicaragua	9.7	24.3	37.4	41.8	45.3	11.9	13.3	8.9	69.9
Paraguay	10.7	13.5	14.8	13.5	14.3	10.2	8.3	18.5	14.8
Dominican Republic	14.3	19.9	19.1	22.7	24.5	18.1	15.4	19.0	19.6
Uruguay	9.0	11.0	12.9	22.4	24.8	34.8	34.3	24.7	24.0

Source: 1979-1987: ECLAC, on the basis of official data.
[a]Includes interest earned, as well as interest payments on short-term debt. Services exclude factor services. [b]Preliminary estimates.

Table 18

LATIN AMERICA AND THE CARIBBEAN: TOTAL DISBURSED EXTERNAL DEBT AS A PERCENTAGE OF EXPORTS OF GOODS AND SERVICES[a]

(Percentages)

	1979	1980	1981	1982	1983	1984	1985	1986	1987[b]
Latin America	230	212	247	321	345	321	346	416	387
Oil-exporting countries	214	187	220	280	304	286	312	422	370
Bolivia	235	262	348	392	441	459	528	647	767
Ecuador	147	162	202	231	261	249	241	344	398
Mexico	262	216	259	335	345	321	353	457	377
Peru	229	207	239	281	334	349	375	438	445
Venezuela	170	148	160	200	227	206	226	341	300
Non-oil-exporting countries	243	236	273	361	384	354	375	412	400
Argentina	207	275	329	475	485	488	481	636	712
Brazil	359	321	313	416	414	353	379	454	420
Colombia	115	128	199	232	302	237	295	232	246
Costa Rica	204	184	229	286	312	294	307	269	245
Chile	188	188	311	370	390	438	457	411	343
El Salvador	74	97	174	220	232	234	253	247	269
Guatemala	64	61	96	144	183	204	226	225	240
Haiti	116	87	155	152	191	198	177	240	228
Honduras	141	147	180	259	270	279	314	294	324
Nicaragua	194	369	464	703	804	1 014	1 460	1 977	1 968
Panama	...	89	92	110	149	151	145	131	136
Paraguay	143	152	171	195	317	214	163	233	185
Dominican Republic	144	171	168	260	267	258	279	259	242
Uruguay	141	141	183	276	324	362	392	346	373

Source: ECLAC, on the basis of official data.
[a]Calculated on the basis of the external debt figures given in table 16 and exports of goods and services [b]Preliminary figures.

Table 19

LATIN AMERICA AND THE CARIBBEAN: RESCHEDULING OF EXTERNAL DEBT WITH PRIVATE BANKS[a,b]

(Millions of dollars)

	Third round 1984/1985			Fourth round 1986/1987		
	Maturities rescheduled[c]		New credits	Maturities rescheduled[c]		New credits 1987
	Amount	Years	Amount	Amount	Years	Amount
Argentina	13 500	82-85	4 200	29 500	86-90	1 950
Brazil	15 500	85-86	-	...	87-...	...
Bolivia	-	-	-	...	82-...	...
Costa Rica	280	85-86	75	...	86-89	...
Cuba	82	85	-	...	86-87	...
Chile	5 700	85-87	714; 371[d]	12 490	88-91	-
Ecuador	4 800	85-89	-	4 930[e]	87-...	350
Honduras	220	85-86	-	...	85-...	...
Mexico	48 700	85-90	-	43 700[f]	85-90	6 000[g]; 1 700[h]
Panama	603	85-86	60	...	...	...
Dominican Republic	790	82-85	-	...	...	...
Uruguay	2 130	85-89	45[i]	1 780	86-91	-
Venezuela	21 200	83-88	-	26 450	86-88	-

Source: ECLAC, on the basis of official data and various national and international sources.
[a] Although four renegotiation rounds have been carried out, some of the agreements reached in the second round (in which six countries took part) did not materialize. Reference is therefore sometimes made to three rather than four rounds. [b] For each round the first column refers to the total amortization commitments rescheduled, the second to the maturity years restructured, and the third to the additional credits granted by the private banks as an integral part of that restructuring process. The table does not include information on the maintenance of lines of short-term credit and bridging loans authorized by the United States Department of the Treasury, the Bank for International Settlements, etc. [c] In some cases, these include maturities already rescheduled in previous rounds. [d] The values correspond to 1985 and 1986, respectively. They include US$150 million underwritten by the World Bank under a co-financing agreement. [e] The fresh money is intended to pay off the arrears of interest due to a moratorium begin in January 1987. After the announcement of a refinancing agreement, however, the government indicated that it would mantain the moratorium. [f] Preliminary agreement was also reached on the restructuring of US$11.2 billion of private sector debts which had been refinanced earlier under the FICORCA programme. [g] The financial package includes US$750 million underwritten by the World Bank through a co-financing agreement with the international banking system. [h] Stand-by credit provided by private banks. [i] Voluntary loan, but forming part of a co-financing plan with the World Bank.

Table 20

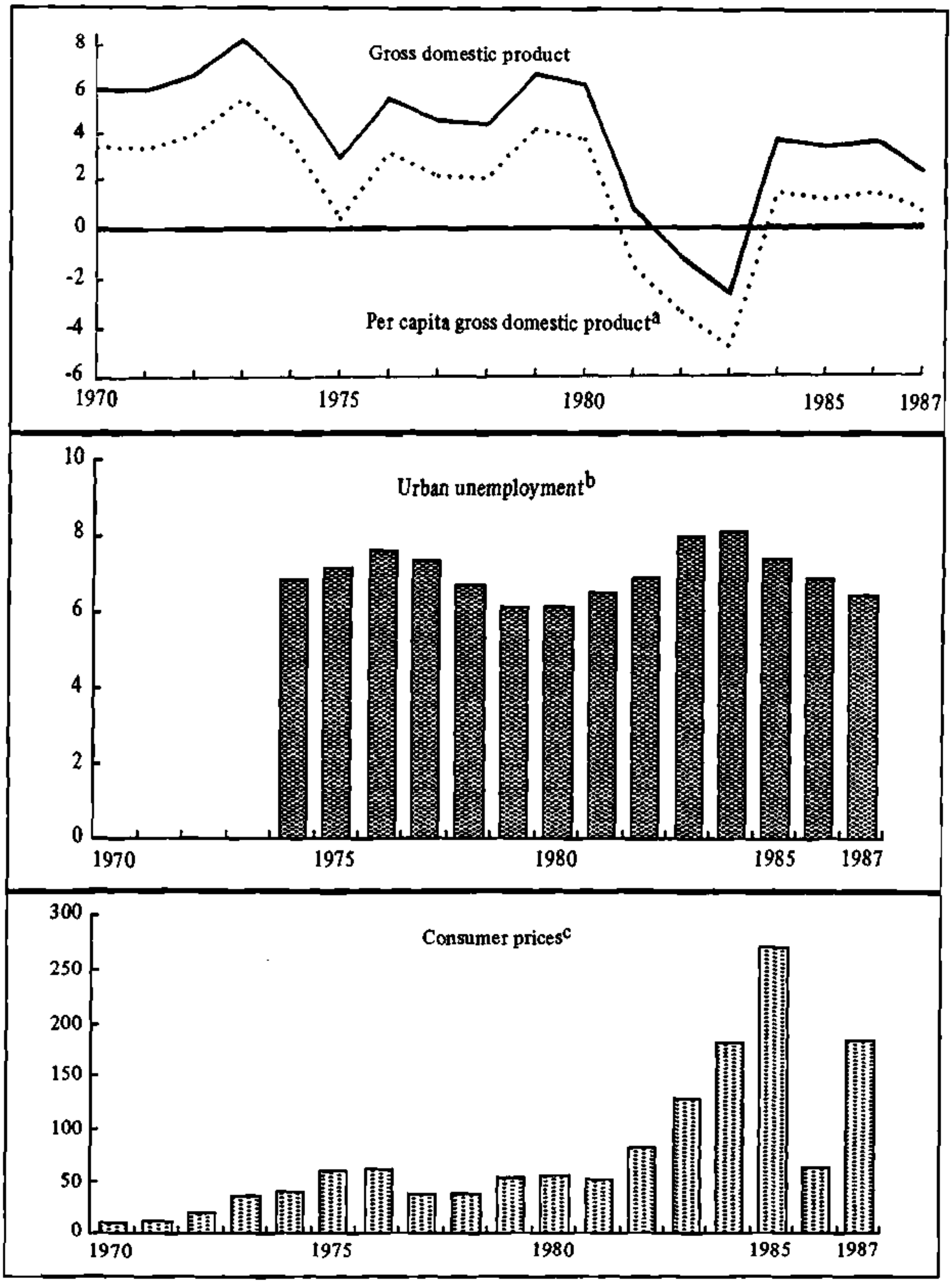
LATIN AMERICA AND THE CARIBBEAN: TERMS OF RESCHEDULING OF EXTERNAL DEBT WITH PRIVATE BANKS[a,b]

	Third round 1984/1985			Fourth round 1986/1987		
	Spread over LIBOR (%)	Term (years)	Commission[c]	Spread over LIBOR (%)	Term (year)	Commission[c]
Argentina	1.44	11.5	0.15	0.81	17.6	-
Brazil	1.13	12.0	-	...	...	...
Costa Rica	1.66	9.4	1.00	...	...	...
Cuba	1.50	10.0	0.38	...	...	...
Chile	1.42	12.0	0.08	1.00	15.0	-
Ecuador	1.38	12.0	-	0.95	18.0	-
Honduras	1.58	11.0	0.88	...	...	...
Mexico	1.13	14.0	-	0.81	19.0	-
Panama	1.40	11.7	0.05	...	...	...
Dominican Republic	1.38	13.0	-	...	...	...
Uruguay	1.38	12.0	-	0.88	17.0	-
Venezuela	1.13	12.5	-	0.88	14.0	-

Source: ECLAC, on the basis of official data from the countries and various national and international sources.
[a] Although four renegotiation rounds have been carried out, some of the agreements reached in the second round (in which six countries took part) did not materialize. Reference is therefore sometimes made to three rather than four rounds. [b] Each column represents the terms agreed with the banks for rescheduled maturities and/or fresh loans. When the country negotiated both the rescheduling of maturities and the granting of fresh loans, the figures given represent a weighted mean of the two elements. [c] Calculated as a percentage of the total amount of the transaction and paid once only, on signing the credit contracts.

Figure 1

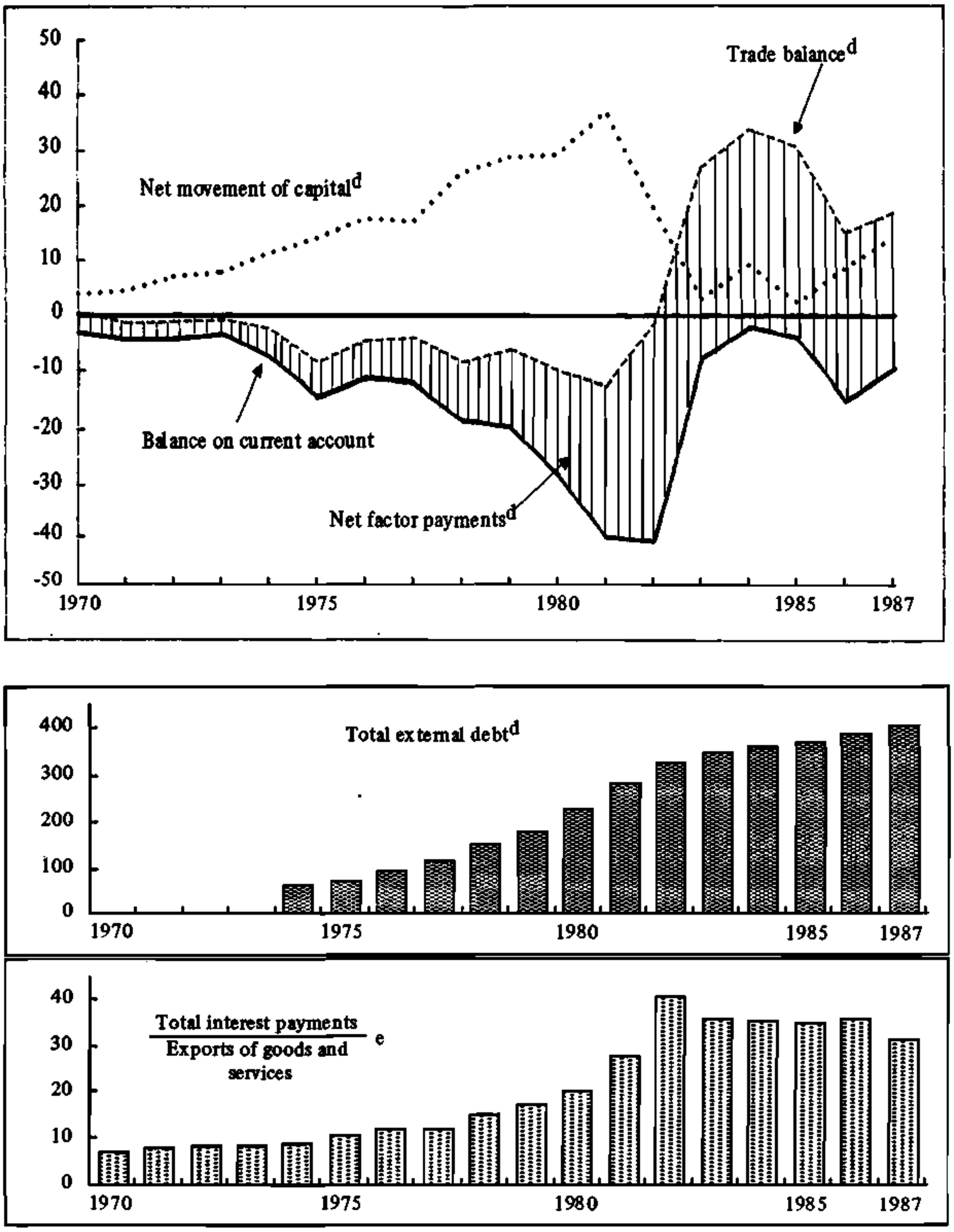
LATIN AMERICA: MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of officiao data.

[a]Annual growth rate. [b]Weighted annual average rate for 18 of the 25 most populous cities of Latin America. [c]Percentage variation from December to December.

Figure 1 (conclusion)

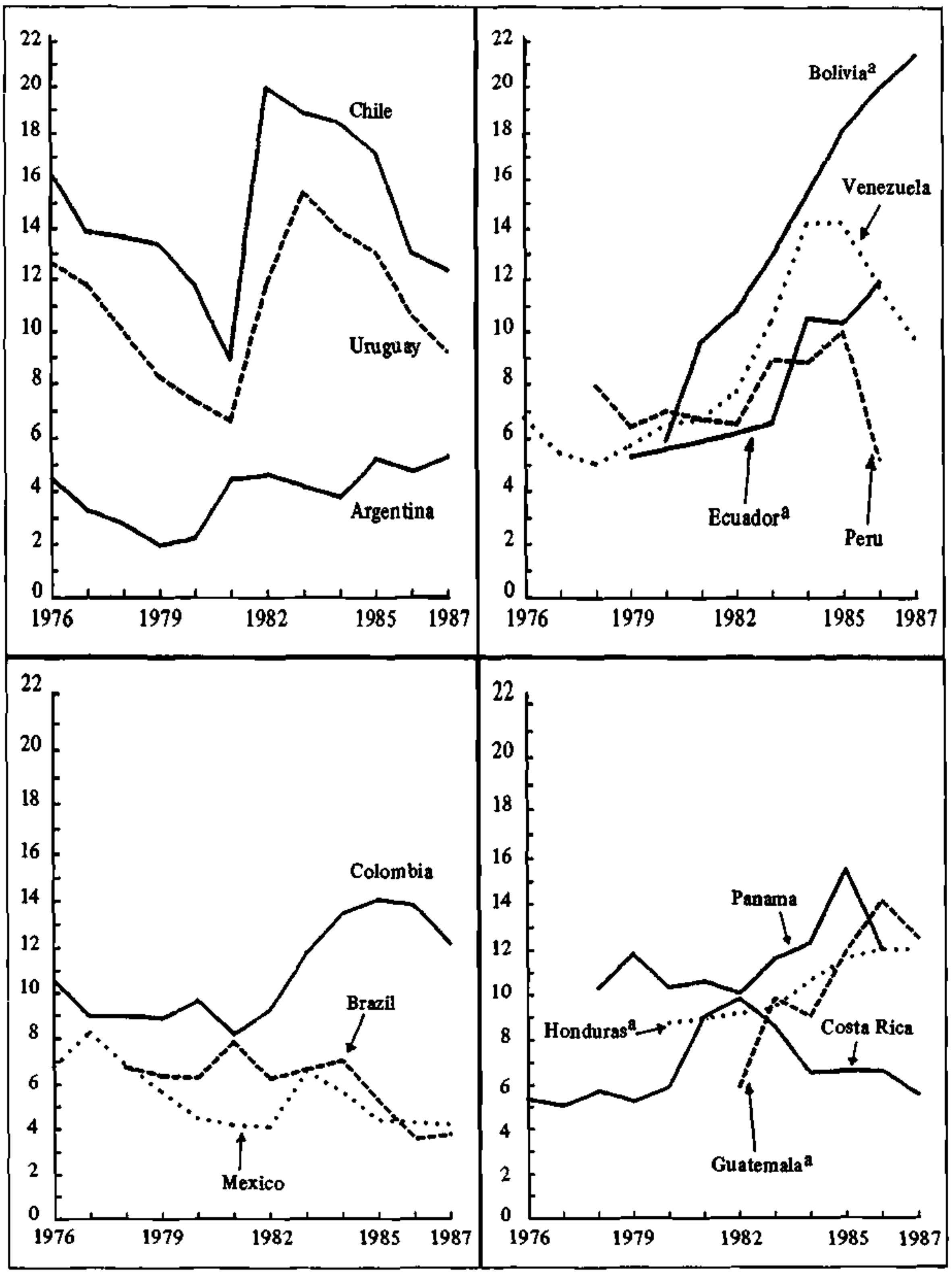


[d]Billions of dollars. [e]Percentages.

Figure 2

LATIN AMERICA (SELECTED COUNTRIES): EVOLUTION OF URBAN UNEMPLOYMENT

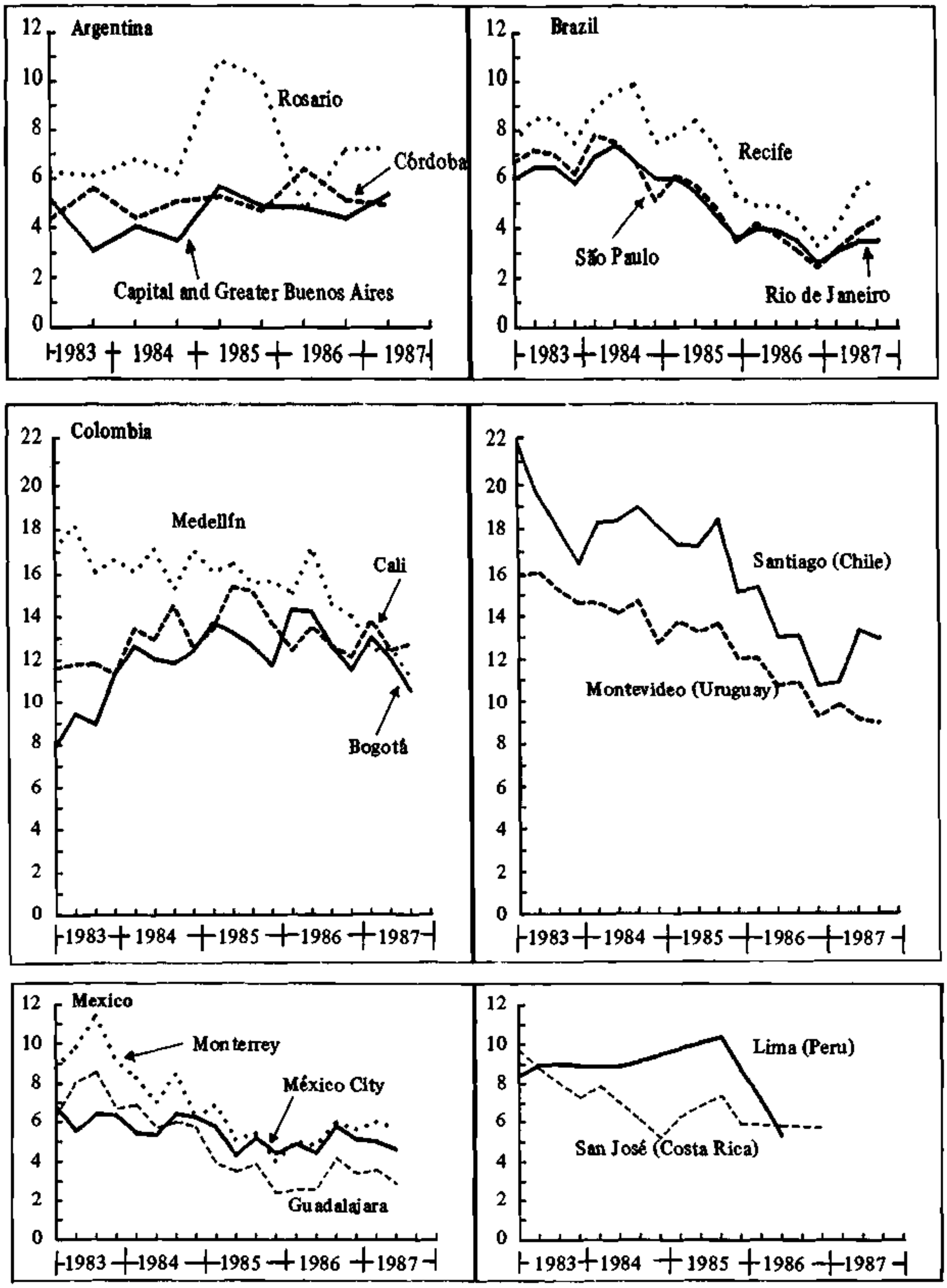
(Annual average rates)



Source: ECLAC, on the basis of official data.
[a]Estimates for whole country.

Figure 3

LATIN AMERICA: EVOLUTION OF UNEMPLOYMENT IN SOME PRINCIPAL CITIES

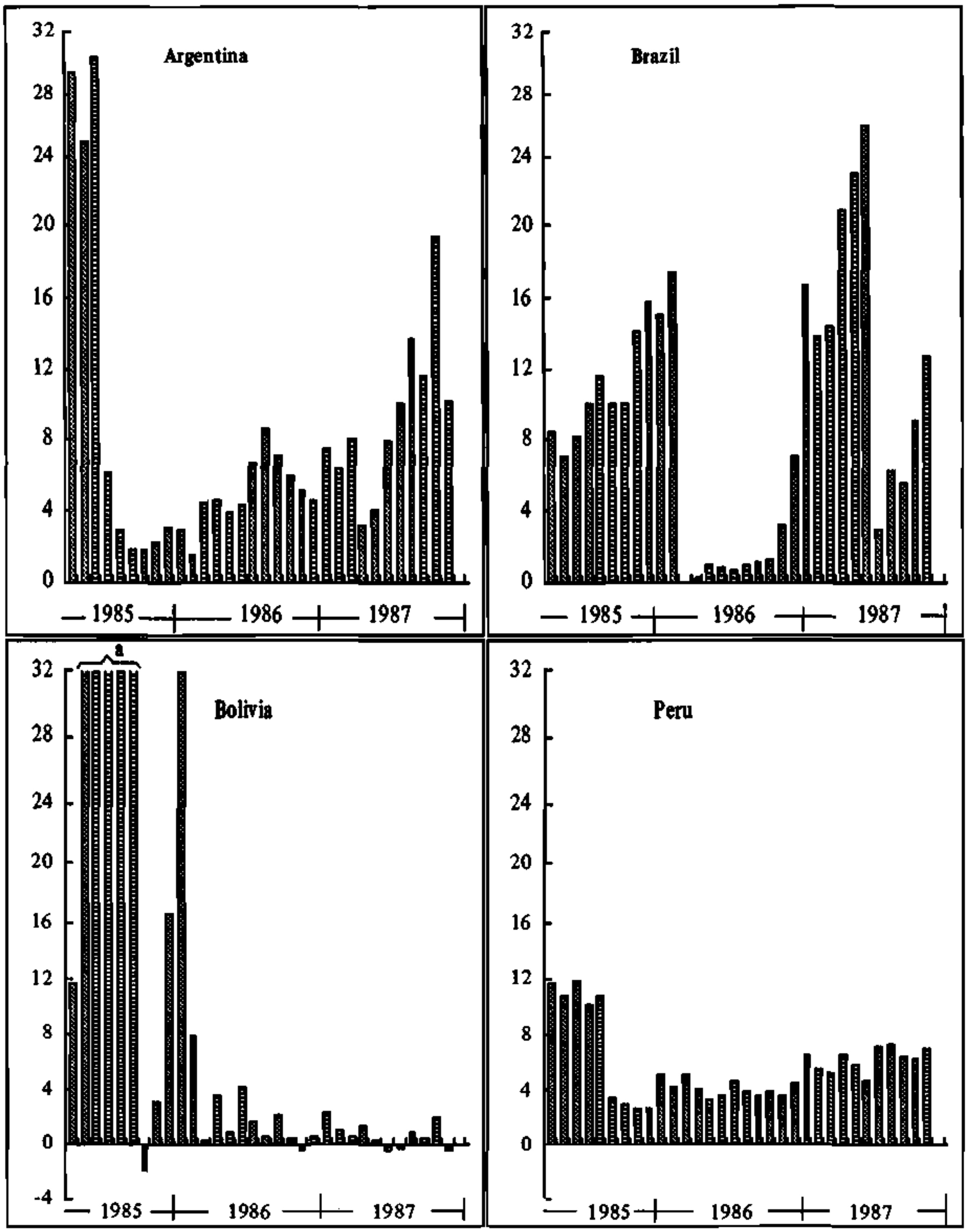


Source: ECLAC, on the basis of official data.

Figure 4

MONTHLY VARIATIONS IN THE CONSUMER PRICE INDEX IN ARGENTINA, BOLIVIA, BRAZIL AND PERU

(Percentages)



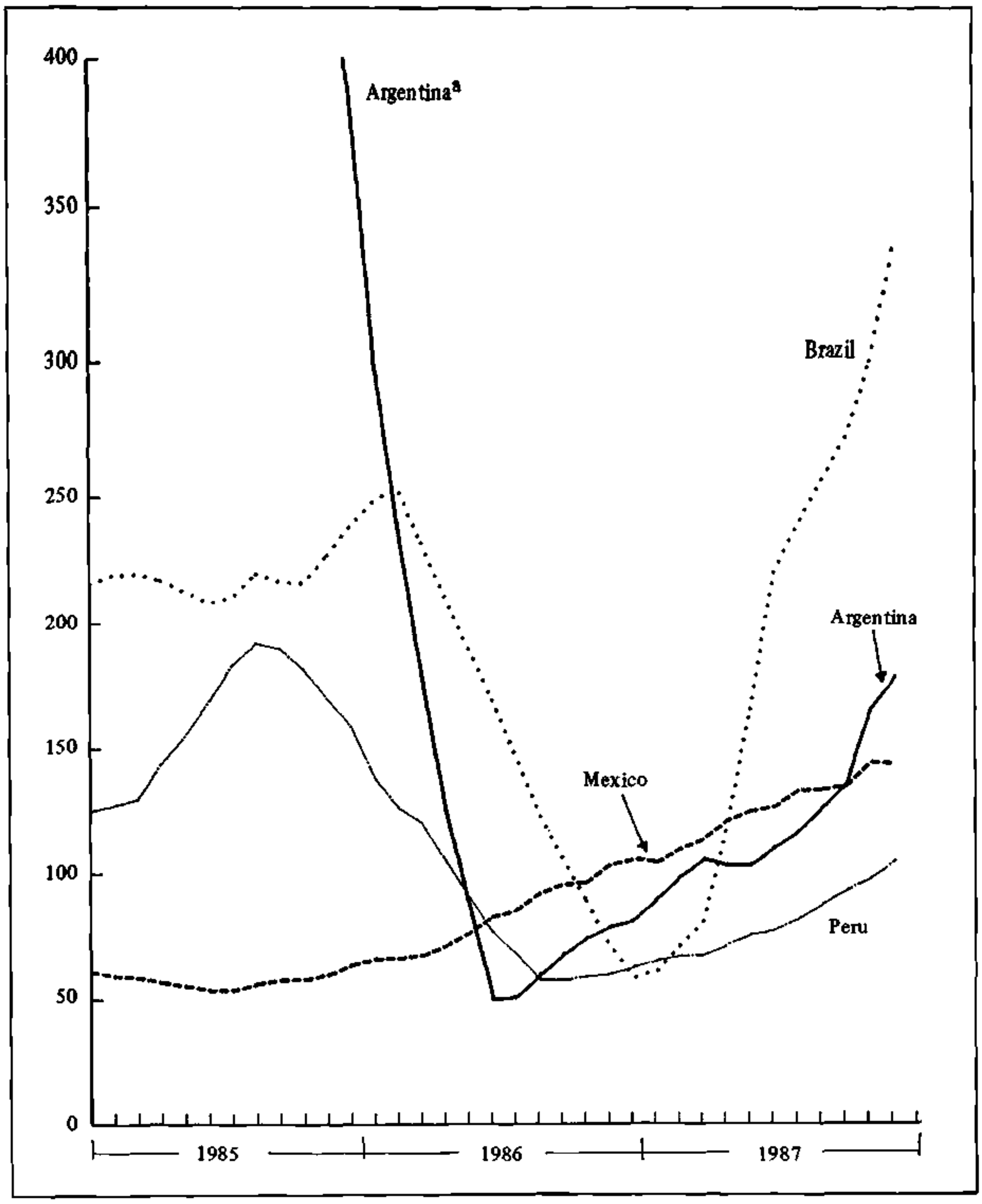
Source: ECLAC, on the basis of official data.

[a] In 1985 the monthly variations were 35.7 per cent in May, 78.5 per cent in June, 66.3 per cent in July, 66.5 per cent in August and 56.5 per cent in September.

Figure 5

LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTH VARIATIONS IN THE CONSUMER PRICE INDEX

(Percentages)



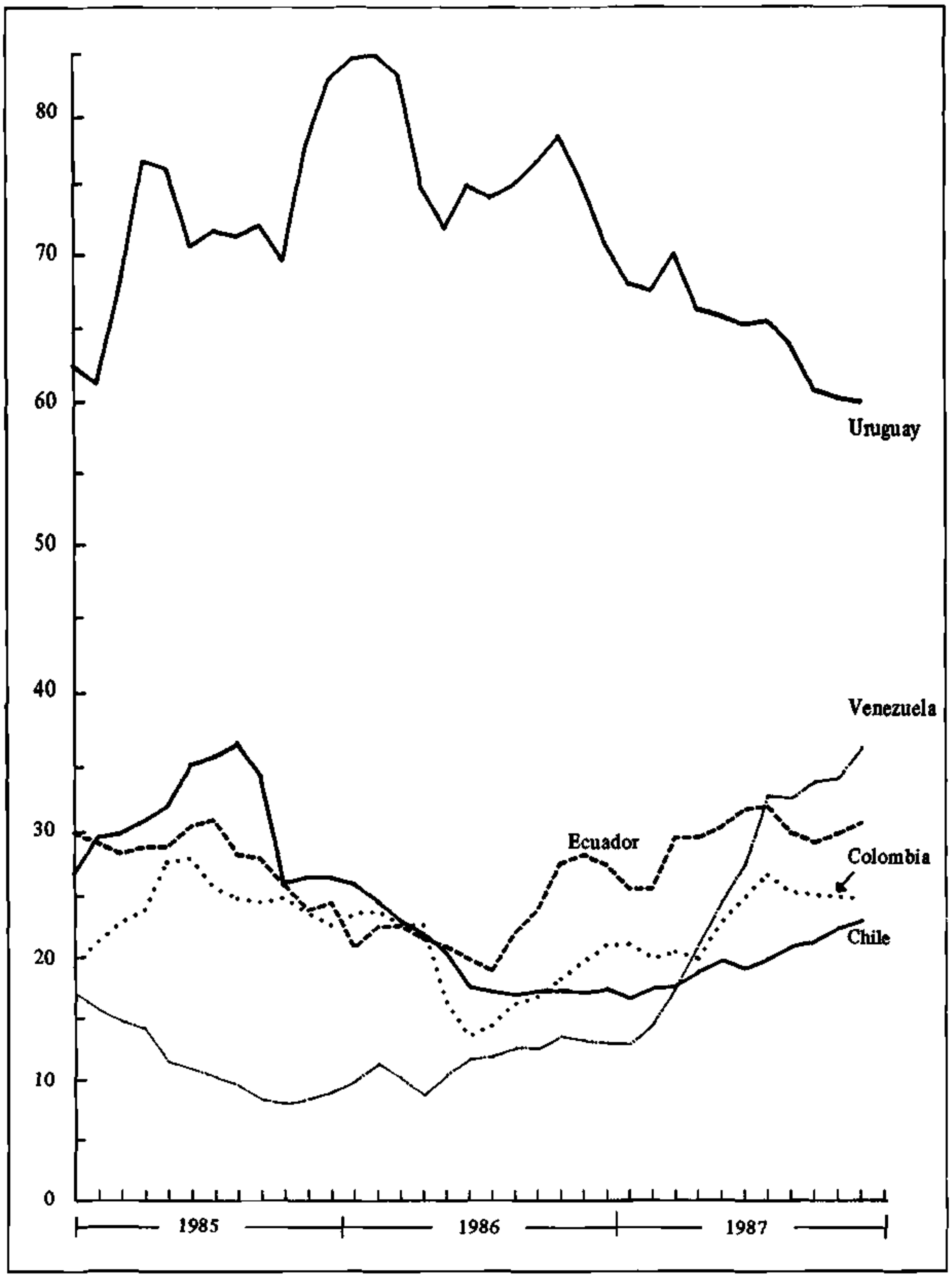
Source: ECLAC, on the basis of official data.

[a]These data exclude the period January-October 1985, when inflation rose from 776.3 per cent in January to an all-time record of 1 129 per cent in June, subsequently declining steadily as from that month.

Figure 6

LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTH VARIATIONS IN THE CONSUMER PRICE INDEX

(Percentages)

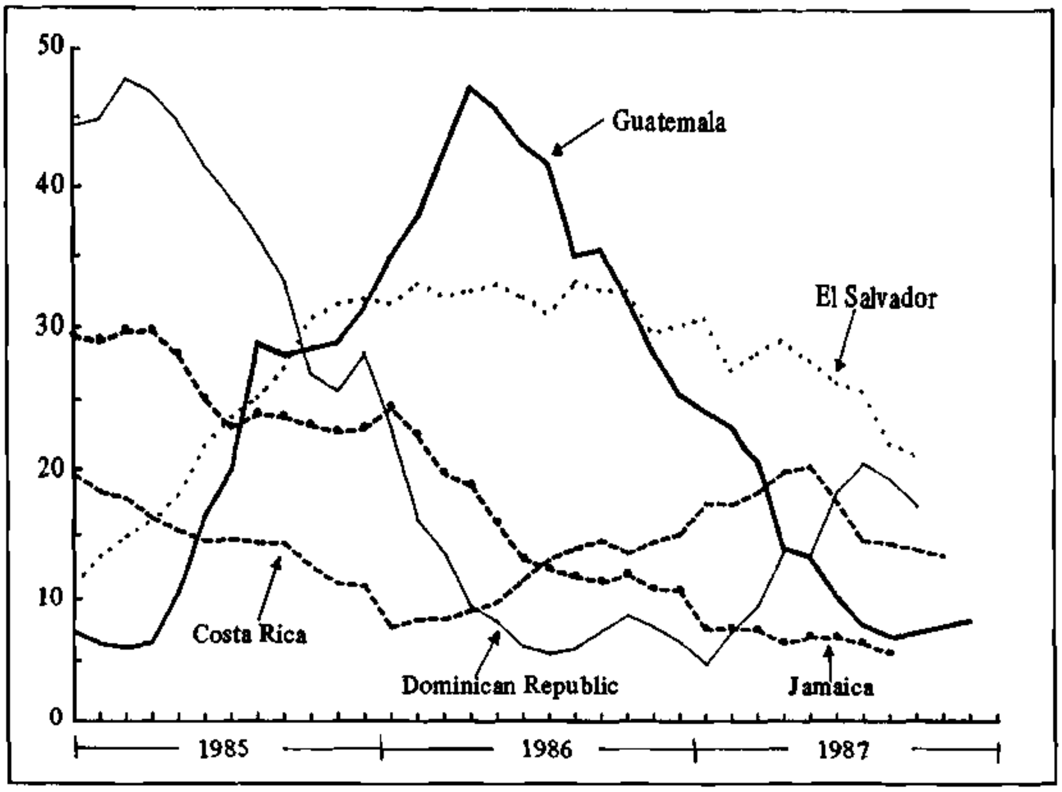


Source: ECLAC, on the basis of official data.

Figure 7

LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTH VARIATIONS IN THE CONSUMER PRICE INDEX

(Percentages)

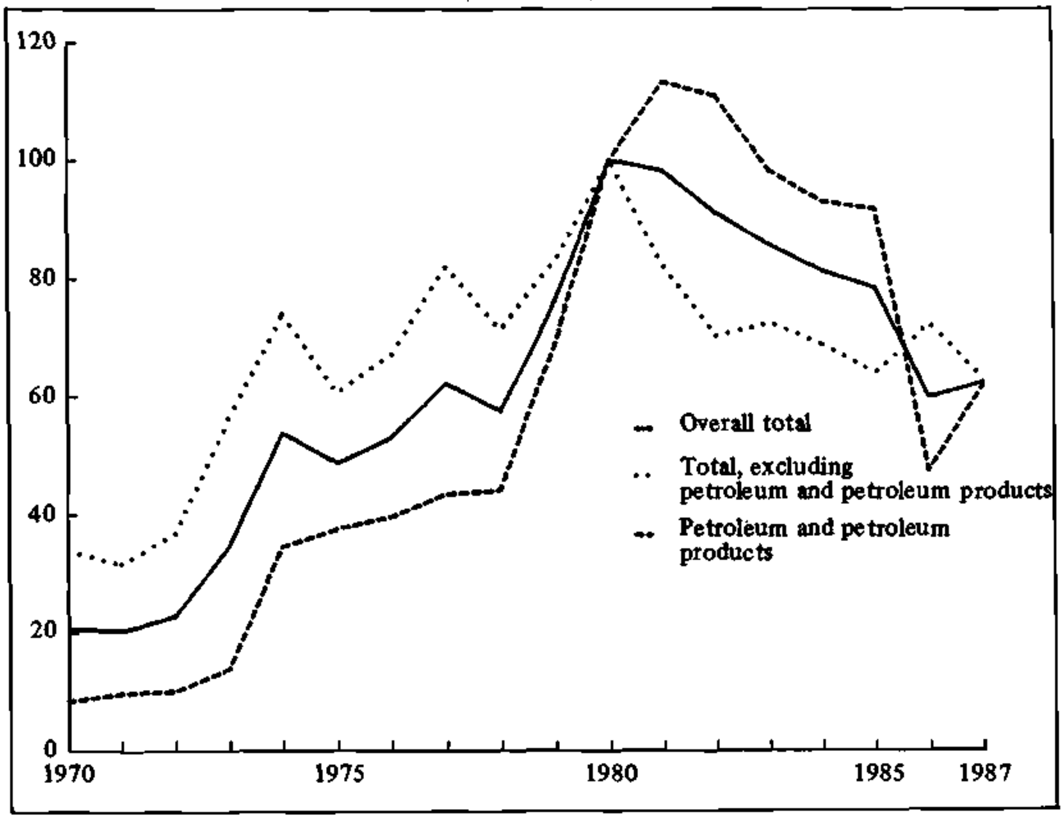


Source: ECLAC, on the basis of official data.

Figure 8

LATIN AMERICA: PRICE INDEXES OF MAIN EXPORT PRODUCTS

(1980 = 100)

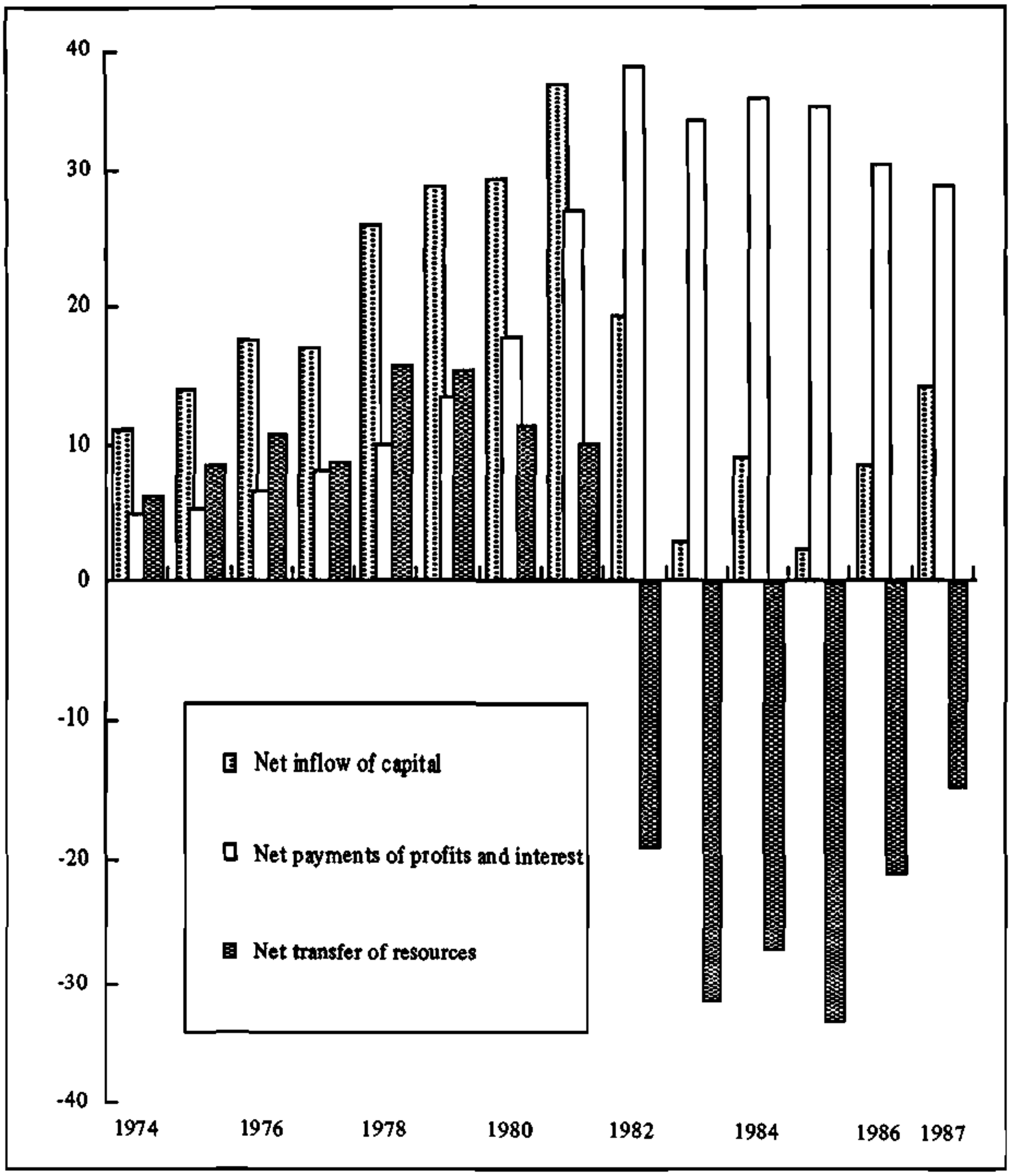


Source: ECLAC, on the basis of UNCTAD data.

Figure 9

LATIN AMERICA: NET INFLOW OF CAPITAL AND NET TRANSFER OF RESOURCES

(Billions of dollars)

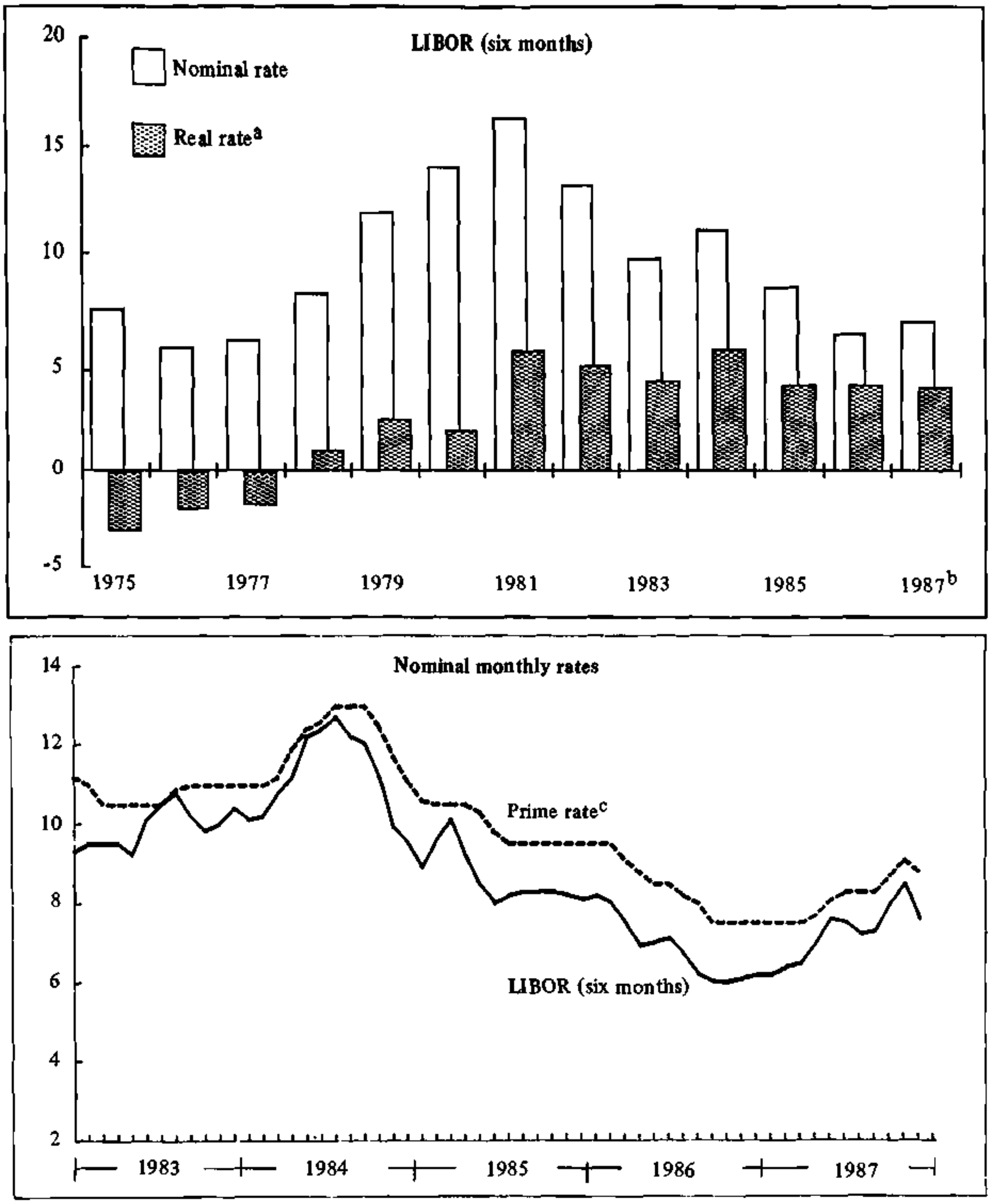


Source: ECLAC, on the basis of data from the International Monetary Fund.

Figure 10

INTERNATIONAL INTEREST RATES

(Percentages)

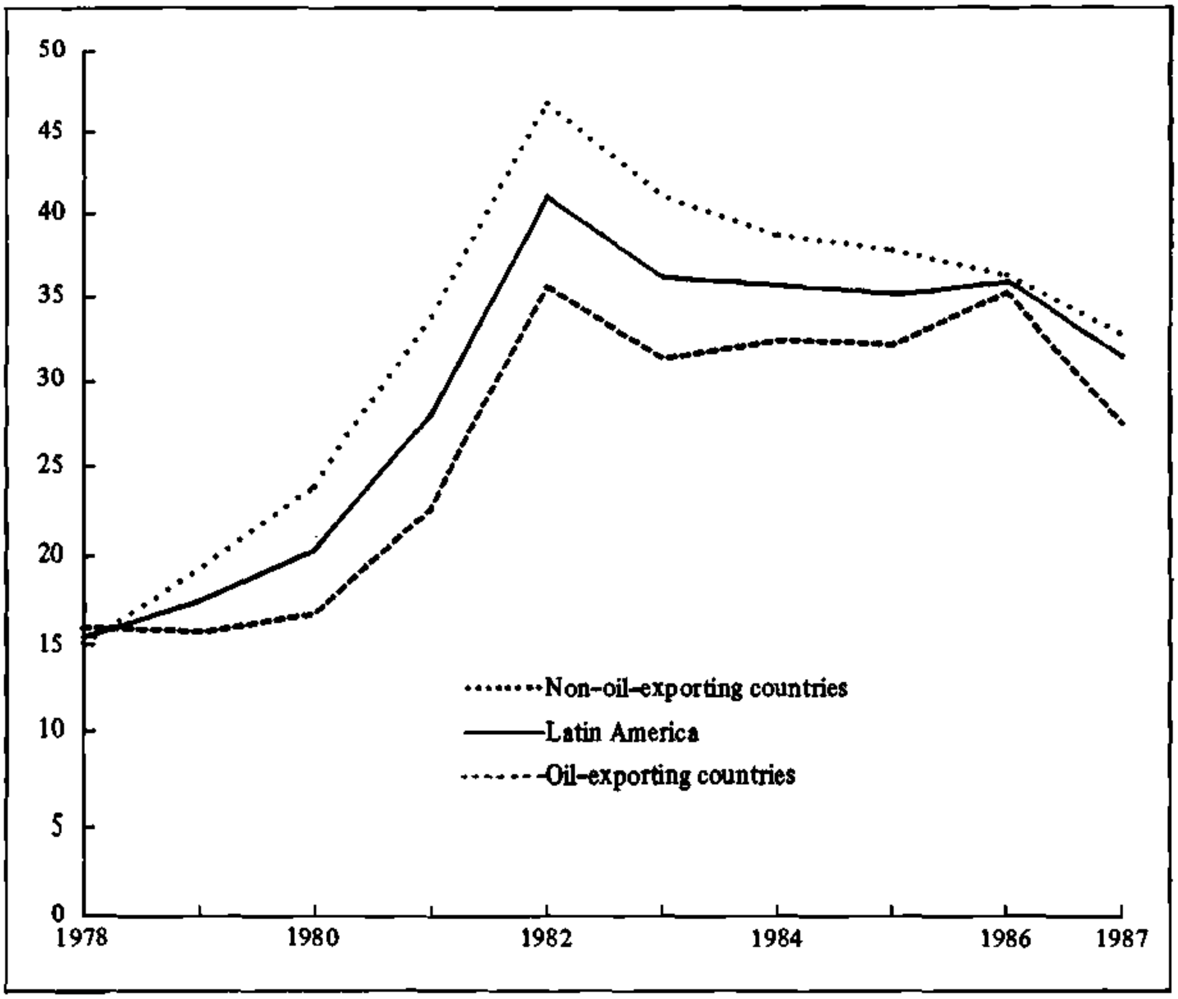


Source: ECLAC, on the basis of data from the International Monetary Fund, *International Financial Statistics*.
[a] Nominal rate deflated bvy the consumer price index of the industrialized countries. [b] Average January-November. [c] Preferential rate granted by United States banks to their best clients.

Figure 11

LATIN AMERICA: RATIO OF INTEREST PAID TO EXPORTS OF GOODS AND SERVICES

(Percentages)



Source: ECLAC, on the basis of official data.