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REGIONAL COOPERATION IN THE ECONOMIC, SOCIAL AND RELATED FIELDS

Summary of the economic survey of Latin America and the Caribbean, 1995

SUMMARY

The economic panorama of Latin America and the Caribbean during 1995 was dominated by three features. The first and most significant of all was the Mexican financial crisis that arose at the end of 1994 and produced major after-effects in Argentina. The second was the consolidation of the stabilization programme in Brazil. Both events marked turning points in the evolution of the region's three largest economies. The third noteworthy feature, on the other hand, was the similarity of the other countries' economic performance to that of 1994.

In previous years, the performance of most of the region's economies has relied on external capital inflows, and this continued to be the case in 1995. Although such capital was initially withdrawn from Mexico and Argentina, it remained at the previous year's levels in most of the other countries, and in Brazil it rose considerably.

The countries of the region adopted varying approaches to economic policy depending on the degree to which the financial crisis that had begun in Mexico at the end of 1994 affected their economies. In particular, the net inflow of external financial resources and the greater or lesser uncertainty prevailing in domestic markets were decisive factors in the policies applied in response to the crisis.

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In general, two major types of approaches were seen. On the one hand, Argentina, Mexico and, to some extent, Uruguay had to manage their economic policies in a climate marked by a sharp contraction of external financing. Other countries, on the other hand, once they had recovered from the initial impact, managed to overcome the financial turmoil and to pursue a satisfactory pace of growth.

Despite the diversity of climates in which the region's economies developed, the achievement of domestic price stability remained a priority, reaching the point where a significant increase in the inflation rate occurred only in Mexico. Fiscal equilibrium also remained a concern. In 1995, one group of countries in Latin America and the Caribbean kept the fiscal results within acceptable limits. On the other hand, another group of countries saw public finances deteriorate markedly.

The insistence on achieving stability continued to mean that monetary policies swung between prudence and constraint. Exchange rate policy was changed in Mexico, which allowed the peso to float at the end of 1994, after a period in which it had been subject to a fluctuation band; Brazil and Ecuador, which went over to flotation band systems; and Honduras, which implemented an auction mechanism with intervention by the central bank. The other countries continued with the exchange rate systems that had been in force in the previous year. In general, the rise in the international prices of commodities had a notably positive effect on trade deficits.

A variety of trends were seen in capital-account liberalization processes. Some countries in which the flow of short-term foreign capital was tending to erode real exchange rates sought to restrain the appreciation of local currencies by adopting tax measures or banking reserve requirements. Other countries depended less on short-term capital to finance their current-account deficits.

The solvency of the financial system was jeopardized in several countries (Argentina, Brazil, Ecuador, Mexico, Nicaragua, Paraguay and Venezuela, in the latter case by delayed effects of the previous year's crisis). In some cases, the problems were of domestic origin. In other cases, the abrupt suspension of private external financing in the wake of the Mexican crisis meant massive withdrawals of short-term bank deposits, which led to an acute liquidity shortage.

The gross domestic product (GDP) of Latin America and the Caribbean grew by 0.6 per cent in 1995, marking a pause in the recovery which began in 1991. Thus, per capita GDP fell by 1.1 per cent, by contrast with the increases of the four preceding years. As a result, regional output for 1995 was only 30 per cent higher than that of 1980, before the debt crisis, and per capita GDP was a further 1 per cent lower than in 1980. This negative trend was attributable almost entirely to the sharp contraction of activity in Mexico and, to a lesser extent, Argentina. Without those two countries, trends in regional output were very different, with a gain of slightly over 4 per cent.

The regional inflation rate plummeted in 1995 to 25 per cent, from 890 per cent in 1993 and 340 per cent in 1994. This was, moreover, a generalized trend: in 17 of the 22 countries observed, the consumer price index fell or remained stable. Only in four countries was the trend unfavourable and only in Mexico was there a significant increase in inflation.

As in the previous year, the terms of trade improved in most of the region, thanks above all to higher commodity prices. The value of merchandise exports rose by 23 per cent, which constituted another milestone in this decade's rapid increase. In value, the region's imports expanded by 12 per cent, less than the previous year, and topped US$ 220 billion, a historical high. Excluding Argentina and Mexico, where the crisis caused a substantial drop in imports, however, the growth figure is much higher (33 per cent), although it is also true that much of the region's increase was concentrated in a single country, Brazil. The current account deficit declined significantly in 1995 to US$ 34.5 billion from a 1994 figure of around US$ 50 billion.

Net capital inflows to the region in 1995 amounted to US$ 22.4 billion, lower than in 1994 and much lower than in 1992-1993, when the amount was US$ 65 billion. This figure includes US$ 18 billion in direct investment, US$ 14 billion in other long-term capital and US$ 10 billion in short-term capital and portfolio investment outflows.

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INTRODUCTION

1. The economic panorama of Latin America and the Caribbean during 1995 was dominated by three features. The first and most significant of all was the Mexican financial crisis that arose at the end of 1994 and produced major after-effects in Argentina. The second was the consolidation of the stabilization programme in Brazil. Both events marked turning-points in the evolution of the region's three largest economies. The third noteworthy feature, on the other hand, was the similarity of the other countries' economic performance to that of 1994.

2. Accordingly, most of the countries of the region maintained, and seemed to be consolidating, a pattern of economic performance characterized by moderate growth rates accompanied by moderate and diminishing inflation, large current account deficits covered by external capital, and low domestic savings rates. Despite its vulnerability and its insufficient rate of job creation, this pattern is a significant improvement compared with the stagnation and instability that characterized the regional panorama in the 1980s. Brazil, for example, which in previous years did not conform to this pattern owing to its high rate of inflation and continual current account surplus, was coming close to conforming in 1995.

3. In previous years, the performance of most of the region's economies has relied on external capital inflows, and this continued to be the case in 1995. Although such capital was initially withdrawn from Mexico and Argentina, it remained at the previous year's levels in most of the other countries, and in Brazil it rose considerably. In the cases of Argentina and especially Mexico, the effect of the net outflow of private capital was reduced by a heavy inflow of compensatory financing from the International Monetary Fund and the United States Government and by financing from official multilateral sources. Dependence on external capital was also reduced because the value of exports grew by more than 20 per cent in 1995, owing in large measure to an upward trend in prices for the second consecutive year.

4. The Mexican financial crisis did not actually have such extensive or lasting repercussions in the rest of the region as had at first been feared. Nevertheless, the adjustments that the crisis forced upon some economies amounted to a warning of the dangers of a growing trade deficit and an excessive dependence on short-term foreign capital, and of the need for greater consistency in economic policy.

5. Because the economic performance of the Latin American and Caribbean countries exhibited a far greater diversity in 1995 than in earlier years, it is difficult to make an interpretation based on the regional averages as shown by the economic indicators. Growth in GDP reached barely 0.6 per cent compared with 4.6 per cent in 1994 (a fall of 1.1 per cent in per capita terms following an increase of 2.7 per cent in 1994), but this poor performance was due to a great extent to the setbacks experienced by Mexico and Argentina. On a more positive note, the tendency towards lower inflation seen in prior years became more pronounced; the drop in the inflation rate from three digits to 25 per cent was essentially the result of Brazil's stabilization programme, which more than

offset the effect of Mexico’s price rises following the devaluation of the peso (see table 1).

6. Not only was the performance of the economies mixed; individual groups of countries also had quite different reasons for their unequal performances. In the cases of Mexico and Argentina, internal demand, in terms of both consumption and investment, dropped sharply; only the dynamic performance of the external sectors of both countries prevented even more drastic reductions in GDP. The volume of exports rose considerably (increasing by 17 per cent in Argentina and 25 per cent in Mexico), whereas the volume of imports declined (by 17 per cent and 15 per cent, respectively). On the other hand, in the other countries the opposite situation applied. Internal demand surged, rising by an amount that outstripped the increase in GDP, so that a large portion of this increased demand had to be met with imported products. The volume of imports rose by nearly 37 per cent in Brazil and by an average of 14 per cent in the other countries, while the volume of exports declined in Brazil and grew at a moderate pace (under 6 per cent) in the rest of the countries (see table 2).

7. The disparities in the performances of the individual economies, especially the larger ones, also reduce the relevance of the indicators for the region as a whole in other respects. For example, in 1995 the region reported a surplus in its merchandise trade balance for the first time in this decade. This is an average resulting from large surpluses in Argentina and Mexico plus those of Chile, Ecuador and Venezuela, which all taken together more than offset the deficits reported by the other countries. By extension, the performance of the current account and the capital account balance reflect similar country-to-country differences.

8. Comparing the performance of Argentina and Mexico with that of the other economies does not, however, mean that the latter were free of problems. Most of them continued progressing towards macroeconomic stability with growth, but with notable weak spots, and in many cases their growth was not sufficient to reduce the social deficits accumulated in earlier years. Other sources of concern in 1995 were some countries’ limited growth in exports, the continuation of savings rates that are clearly inadequate, some setbacks in terms of fiscal balance and the weakness that is beginning to appear in the banking system.

I. MACROECONOMIC POLICY

9. The region’s countries adopted varying approaches to economic policy depending on the degree to which the financial crisis that had begun in Mexico at the end of 1994 affected their economies. In particular, the net inflow of external financial resources and the greater or lesser uncertainty prevailing in domestic markets as a result of foreign or domestic events were decisive factors in the policies applied in response to the crisis.

10. In general, two major types of approaches were seen. On the one hand, Argentina, Mexico and, to some extent, Uruguay had to manage their economic policies in a climate marked by a sharp contraction of external financing, in which they faced severe slumps in domestic demand, with adverse effects on output and fiscal revenues. Other countries, on the other hand, once they had

recovered from the initial impact, managed to overcome the financial turmoil and to pursue a satisfactory pace of growth, although with varying degrees of control over their chief macroeconomic equilibria. By the end of the year the uncertainty had abated in much of the region. This, together with the decline in international interest rates, suggested a positive change in the expectations of domestic and foreign economic agents.

11. Despite the diversity of climates in which the region's economies had developed, the achievement of domestic price stability remained a priority, reaching the point where a significant increase in the inflation rate occurred only in Mexico. Fiscal equilibrium also remained a concern. In 1995, one group of countries in Latin America and the Caribbean kept the fiscal result within acceptable limits, with no pressure on domestic credit. On the other hand, another group of countries saw public finances deteriorate markedly. This problem was observed already in 1994 in Costa Rica, Honduras and Venezuela and, to a lesser extent, in Uruguay. In some of these countries the imbalance was financed chiefly through monetary expansion. In 1995 this situation continued without great change, but it included the marked imbalance in the Brazilian accounts, where a deficit of 4.5 per cent of GDP was recorded, in contrast with the 1 per cent surplus of 1994. Colombia recorded a deficit of 3 per cent in public finances after a relatively balanced situation - even, at times, showing a surplus - in the last five years.

12. Monetary policy in a number of countries has thus been assisted by fiscal management, as well as by the increase in the demand for money against a background of expectations of reduced inflation. In another group of countries, growing fiscal problems have complicated the application of monetary policy. Some economies also experienced continuing large flows of external resources, which has made it difficult to reconcile monetary expansion with growth and inflation targets. Domestic interest rates have thus had to contend with the conflict between the development of competitiveness, monetary targets and the financing of the external current account deficit.

13. The insistence on achieving stability continued to mean that monetary policies swung between prudence and constraint. Real interest rates were generally favourable; in cases where real rates rose significantly, the monetary authorities again faced the dilemma of either allowing capital inflows to exert downward pressure on real exchange rates or seeking to sterilize the monetary impact of the flow of funds at the risk of creating a vicious circle that would stimulate new capital inflows.

14. Exchange rate policy was changed in Mexico, which allowed the peso to float at the end of 1994, after a period in which it had been subject to a fluctuation band; Brazil and Ecuador, which went over to flotation band systems; and Honduras, which implemented an auction mechanism with intervention by the central bank. The other countries continued with the exchange rate systems that had been in force the previous year. Real exchange rates showed varying trends. In some cases, local currencies continued to appreciate, which supported anti-inflationary efforts but undermined the competitiveness of domestic products vis-à-vis imports. On the other hand, the three countries affected by the interruption of foreign financing saw their currencies depreciate against those of their main trading partners. Mexico was significantly affected by

this, while the other countries were affected to lesser degrees as were Bolivia, Paraguay and Peru. In mid-December Venezuela substantially devalued its currency, which had appreciated during the year; the effects of this move on the country's key economic and financial variables will be felt mainly during 1996.

15. In general, the rise in the international prices of commodities, including both primary products and manufactured goods, had a notably positive effect on trade deficits. In the countries most affected by financial turbulence, falling domestic demand and improved external competitiveness helped to expand the physical volume of exports and, at the same time, to slow down the rate and even reduce the volume of imports. On the other hand, current-account deficits widened in Brazil, Colombia and Peru, countries in which domestic demand increased.

16. A variety of trends were seen in capital-account liberalization processes. Some countries in which the flow of short-term foreign capital was tending to erode real exchange rates sought to restrain the appreciation of local currencies by adopting tax measures or banking reserve requirements. Other countries depended less on short-term capital to finance their current-account deficits. In particular, countries which experienced a setback in private external financing resorted to medium- and long-term government debt. In this connection, the financial support provided by the United States Government and by multilateral agencies played an important role.

17. The solvency of the financial system was jeopardized in several countries (Argentina, Brazil, Ecuador, Mexico, Nicaragua, Paraguay and Venezuela, in the latter case by delayed effects of the previous year's crisis). In some cases, the problems were of domestic origin, sparked by the liquidity crisis of large financial institutions; the monetary authorities provided safety nets and financially supported the restructuring of the system. In other cases, the abrupt suspension of private external financing in the wake of the Mexican crisis meant massive withdrawals of short-term bank deposits, which led to an acute liquidity shortage, a significant rise in real interest rates and a growing trend towards default on bank loans. This situation generally led to a reorganization of the financial system through mergers, intrabank acquisitions, branch closings and measures to deal with the increase in default. A third category of banking problems arose from the constraints on the provision of financing by central banks to regional banks. In a context of non-performing portfolios, these banks, which financed local government deficits, could not rediscount the loans granted to public and private institutions; this generated banking problems at the regional level. Lastly, in some countries there were isolated bank failures resulting from poor management decisions.

II. ECONOMIC ACTIVITY

18. The gross domestic product (GDP) of Latin America and the Caribbean grew by 0.6 per cent in 1995, marking a pause in the recovery which began in 1991. Thus, per capita GDP fell by 1.1 per cent, by contrast with the increases of the four preceding years. As a result, regional output for 1995 was only 30 per cent higher than that of 1980, before the debt crisis, and per capita GDP was a further 1 per cent lower than in 1980. This negative trend is

attributable almost entirely to the sharp contraction of activity in Mexico and, to a lesser extent, Argentina (see table 3). Without those two countries, trends in regional output were very different, with a gain of slightly over 4 per cent, nearly equal to that of 1994, the highest in 15 years.

19. This negative trend was provoked by the financial crisis which began in Mexico in December 1994 with a sharp devaluation of the local currency and a reversal of capital inflows, which soon occurred also in Argentina. As a result, both countries underwent a change in total demand, with falling consumption and investment, partially offset by increases in exports.

20. By contrast with the poor performance of Argentina and Mexico, in almost all the other countries of the region trends were favourable, with more even growth rates than those recorded recently. Expansion in both domestic and external demand, and the continued high inflow of financial resources from outside the region were the main contributory factors in this growth in 1995.

21. Four countries (Chile, Colombia, El Salvador and Peru) posted gains of more than 5 per cent, continuations of the favourable results of previous years. Chile grew by 8 per cent, considerably more than in 1994 and completing 12 years of uninterrupted growth. Peru recorded a significant increase of around 7.5 per cent, though this was lower than in 1994, when growth was almost 13 per cent. El Salvador once again showed great buoyancy (6.5 per cent), based on a recovery in agriculture and robust expansion in manufacturing and construction. Colombia, which has posted positive growth rates for many years, recorded a level of somewhat more than 5 per cent in 1995.

22. Meanwhile, output grew moderately in 10 countries - Barbados, Bolivia, Brazil, Costa Rica, Dominican Republic, Ecuador, Guatemala, Panama, Paraguay and Trinidad and Tobago. GDP in Brazil expanded by 4 per cent, less than the previous year. Nevertheless, performance varied widely in the course of 1995, and there were significant changes in short-term trends in Brazil’s level of activity. In the first quarter, the impetus of the last months of 1994 continued, with a remarkable rise of 10 per cent with respect to the same period the previous year, but from the second quarter onwards the economy slowed noticeably. The Bolivian economy grew by 3.5 per cent owing to the mediocre performance of the agricultural sector, which was affected by adverse weather conditions. In Ecuador growth in GDP fell owing to the contraction in capital expenditure and public consumption in the wake of the conflict. However, exports were buoyant. In Paraguay GDP rose by 4 per cent, thanks to the recovery in agriculture, which was fuelled by the two main products, soya beans and cotton. In Costa Rica, constraints on external resources in the first months of 1995, along with the surge in interest rates and the adjustment programme, resulted in a slowing of economic activity, and GDP grew by only 2.5 per cent. Growth in Guatemala was 4.5 per cent, exceeding the population growth rate for the ninth year in succession. Merchandise exports gave impetus to total demand. Panama recorded slightly higher growth (3 per cent) than in 1994, marking the end of three years of decline. In the Dominican Republic GDP recorded a rise of around 5 per cent. This was mainly a product of tourism, family remittances and the free trade zones. Barbados and Trinidad and Tobago grew by 2 per cent and 3 per cent respectively - less than in 1994 - while Jamaica experienced meagre growth.

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23. Four other countries (Haiti, Honduras, Nicaragua and Venezuela) recovered after the poor results of previous years. Output in Venezuela grew, despite the relative stagnation of the non-petroleum sector, which was more than offset by the performance of the petroleum sector. In Honduras, the main obstacles to growth during the previous year lost strength, and the economy expanded by 3.5 per cent. Nicaragua’s growth was satisfactory for the second year in succession. Haiti, too, just recovered from the considerable losses of earlier years, as a result of the lifting of the international embargo.

24. In 1995 only three countries recorded a drop in the level of activity. Apart from Argentina and Mexico, Uruguay’s output also fell, though to a lesser extent. The level of activity in the Argentine economy fell in 1995 for the first time since the beginning of the decade, breaking the phase of dynamic expansion which had lasted for a number of years. The decline in domestic demand and in aggregate output in 1995 were associated with the collapse in capital inflows. The emergency economic programme implemented in Mexico as a result of the financial crisis led to a severe contraction in domestic demand, alleviated by the buoyancy of exports, which prevented GDP from falling even more than 7 per cent in 1995. In Uruguay, the abrupt downturn in domestic demand as a result of the fiscal adjustment and of the steep decline in demand from Argentina led to a drop in Uruguay’s GDP of around 1.5 per cent during 1995.

25. Economic activity in Cuba increased, but at the same time there was no end to the deep crisis which has persisted for some years. The growth of GDP in 1995 is attributable to increases in manufacturing, tourist and electricity services, mining, non-sugar agriculture and construction.

26. Despite the still relatively high population growth rates of many of the countries, the results in terms of per capita GDP were mainly positive. This indicator of well-being grew by 3 per cent or more in four countries - Chile, Colombia, El Salvador and Peru - and in a further nine - Barbados, Bolivia, Brazil, Dominican Republic, Guatemala, Haiti, Panama, Paraguay and Trinidad and Tobago it increased by between 1 per cent and slightly under 3 per cent. In four other economies - Costa Rica, Ecuador, Honduras and Nicaragua - it expanded slightly, and in Venezuela it was practically unchanged. In the four remaining countries (Argentina, Jamaica, Mexico and Uruguay) per capita GDP fell.

27. After the unfavourable performance of the region’s economies during the previous decade, in 1995 only eight countries recorded per capita GDP in excess of the 1980 figure: Chile (45 per cent), Colombia (34 per cent), Jamaica (24 per cent), Uruguay (13 per cent), Panama (12 per cent), Dominican Republic (11 per cent), Costa Rica (4 per cent) and Barbados (1 per cent). Brazil, Ecuador and Paraguay recorded levels similar to those of 1980, and in Argentina the figure dropped slightly (2.5 per cent). At the other extreme, the greatest falls in per capita GDP occurred in Haiti (-47 per cent), Nicaragua (-41 per cent), Peru (-15 per cent), Guatemala (-13 per cent), Bolivia (-12 per cent), Mexico (-10 per cent), Honduras (-7 per cent) and El Salvador (-6 per cent) (see table 4).

III. INFLATION

28. The regional inflation rate plummeted in 1995 to 25 per cent, from 890 per cent in 1993 and 340 per cent in 1994. This was, moreover, a generalized trend: in 17 of the 22 countries observed the consumer price index fell or remained stable. Only in four countries was the trend unfavourable and only in Mexico was there a significant increase in inflation, though this did not attain the same levels as in the 1980s and the early 1990s (see table 5). By contrast, inflation was almost zero (less than 2 per cent annually) in three countries (Argentina, Barbados and Panama), and another three experienced single-digit rises (Chile, Guatemala and Trinidad and Tobago). A large group of countries (Bolivia, Dominican Republic, El Salvador, Jamaica, Nicaragua, Paraguay and Peru) posted increases of between 11 per cent and 16 per cent. Six others (Brazil, Colombia, Costa Rica, Ecuador, Haiti and Honduras) had price rises of between 20 per cent and 30 per cent. Lastly, only three countries (Mexico, Uruguay and Venezuela) recorded annual rises in inflation of 40 per cent to 50 per cent.

29. With the marked drop in Brazilian inflation, all the near hyperinflationary situations of the last 15 years in the region have disappeared. Bolivia has had moderate price increases since 1986, and Argentina has made great progress in controlling inflation since 1992, so that in November 1995 the annual rate was less than 2 per cent - a record for that country. In Peru, inflation continued to fall, dropping from 15 per cent in 1994 to 10 per cent in 1995 and consolidating a rate of low price increases after the very high rates recorded between 1988 and 1990. Nicaragua’s annual inflation has fallen considerably since 1992, to 11 per cent in 1995. This is in sharp contrast to the rates noted up to 1991, with a peak of nearly 34,000 per cent in 1988.

30. Other countries which in the past have experienced high inflation - though not nearly as high as in the countries just referred to - also saw a drop in prices in the course of 1995. Examples are Ecuador and Uruguay: in Ecuador the downward trend continued in moderate fashion - from 25 per cent in 1994 to 22 per cent in 1995; and in Uruguay inflation was below 40 per cent for the first time since 1983.

IV. EMPLOYMENT AND WAGES

31. At the regional level, the drop in economic growth had a considerable impact on labour markets, which aggravated employment problems. Because of the steep rise in unemployment in some countries, the regional open unemployment rate, weighted to take account of the population of the countries, rose from 6.4 per cent to 7.4 per cent, a jump which has not been seen since the beginning of the 1980s. The trend towards higher wages based on steep rises in productivity, which was prevalent in the region as a whole in the early 1990s, also came to a halt.

32. In particular, in some of the largest countries of the region, the poor performance led to a steep rise in open unemployment (Argentina, Mexico, Venezuela). In other countries such as Ecuador, Panama and Uruguay, moderate or negative growth also affected employment levels, though, generally speaking, not

as seriously. In some countries, the impact of the crisis in 1995 was felt in those labour markets which were already facing difficulties owing to restructuring of production and in the public sector. By contrast, in countries with higher growth rates, such as Brazil, Chile, Colombia, Guatemala, Honduras, Nicaragua and Peru, unemployment rates dropped. The reductions were generally modest, since growth rates were moderate or because growth was based on higher productivity rather than a greater absorption of labour.

33. The varied behaviour of unemployment levels affected wages. While in 1994 real average wages in the formal sector rose, in 1995 wages rose significantly only in a few countries.

34. Thus, in Mexico real wages fell by 13 per cent up to July. In Argentina, low inflation will not allow a large wage adjustment downwards through nominal adjustments which are less than the increases in the consumer price index: here, the chief measures used to reduce labour costs, apart from dismissals, were the suspension of overtime and a reduction in working hours. Average real industrial wages went down only 1 per cent. In Costa Rica and Uruguay, too, real wages went down. By contrast, in Chile average wages and minimum wages went up in real terms by approximately 4 per cent, against a background of favourable development of labour productivity. Over the course of the year in Brazil, real wages recovered from their fall in the second half of 1994. Thus in July the cumulative average reached the annual average for 1994, and by the end of the year the annual average may well exceed it. In Colombia, industrial wages maintained their levels in real terms.

V. THE EXTERNAL SECTOR

A. Foreign trade and the terms of trade

35. Given the preponderance that the main economies have in the regional aggregate, the overall results of the external sector reflect the atypical performance of Mexico and Argentina, on the one hand, and Brazil, on the other. These countries’ performances had opposing effects.

36. In the first place, the Mexican crisis had a decisive influence on the region’s aggregate external sector performance, although this influence was clearly concentrated in Argentina and Mexico, whose external accounts reflected, as did those of Uruguay, the adjustments in their economies. Confronted with a sharp drop in capital inflows, these countries had to mount a drastic effort to reduce their current account deficits, which had risen spectacularly during the present decade, by reducing spending and increasing external sales. In the rest of the countries, the process of adjusting to reduced capital inflow was aided by the international economic situation, as shown in the improvement of the terms of trade, which contributed significantly to a widespread increase in export revenues and to the maintenance of a rising trend in imports.

37. The other important factor that helps explain the region’s overall performance was the jump in demand that occurred in Brazil as a result of the success of its stabilization plan. This increased demand gave rise to a

spectacular surge in imports, which in turn caused a deterioration in the current account balance, only to be offset by a trebling of net capital inflows.

38. In addition, the boom in intraregional trade continued to be a driving force for the region's external trade. In 1995, trade among the Latin American Integration Association (LAIA) member countries continued to increase more than their trade with the rest of the world. The subregional groups of countries made an active contribution to this growth. An example is the evolution of trade within MERCOSUR, where, in spite of the difficulties that affected the external accounts of its two principal members, trade within the group came to represent 22 per cent of their members' total trade, compared with 19 per cent in 1994. In the Andean Group, this percentage rose from 10 per cent to nearly 12 per cent thanks to the rapid growth (42 per cent) of trade among its members.

39. As in the previous year, the terms of trade improved in most of the region, thanks above all to higher commodity prices (since commodities are major export items). Among South American countries, the ones that benefited the most from this situation were Chile, Colombia and Peru, whose good economic performance in 1995 was due in part to these higher prices. El Salvador, Honduras and the Dominican Republic also saw improvements of more than 10 per cent in 1995 (see table 8). On the other hand, the terms of trade of the region's two main economies, which mostly export manufactures, either stagnated (Brazil) or declined (Mexico). The same happened in Bolivia, Ecuador, Panama and Uruguay.

40. The value of merchandise exports rose by 23 per cent, which constituted another milestone in this decade's rapid increase. There has not been a similar increase since 1980. The only greater increase in the past several decades was when the price of petroleum rose abruptly during the 1970s. The region's external sales in 1995 thus easily surpassed US$ 220 billion (see table 6). The Mexican crisis had a decisive influence on this exceptional result. In fact, 60 per cent of the increase came from the two countries (Mexico and Argentina) that had to take the most drastic recessionary adjustment measures as a result of the crisis.

41. With the exception of Argentina and Mexico, the generally good performance was due in large measure to the favourable international economic situation, since for most of the countries the principal cause of their improved results was the higher prices they received for their export goods.

42. In all the countries in the region the dollar value of merchandise exports rose, and they all experienced unit value increases. The average pattern of export performance was exhibited by a group of countries (Colombia, Costa Rica, Dominican Republic, Ecuador, Honduras, Peru and Venezuela). This pattern was characterized by increases in the value of exports of more than 10 per cent and less than 30 per cent, with positive and generally moderate variations in volume and predominant contribution of unit value increases to value increases.

43. Two groups of countries with very different characteristics deviated from this pattern. One group was made up of countries with export growth in excess of 30 per cent, and the other of countries with growth not higher than 10 per cent.

44. The first group, whose exports grew far more than the average, was made up of countries that occupy both ends of the Latin American spectrum as regards GDP growth, together with a number of Central American and Caribbean countries. These are Argentina, Chile, El Salvador, Guatemala, Haiti, Mexico and Nicaragua. Almost all these countries achieved export volumes that were substantially higher than the average. But in Chile, whose outstanding trade results were accompanied by equally outstanding results for its economy as a whole, the increase in unit value contributed the major part of its export income, as also occurred in the Central American countries mentioned. Argentina, Mexico and Haiti, on the other hand, owe their excellent export performance above all to increased shipments. In the first two of these countries, this performance was the result of drastic adjustment programmes, while in Haiti it was due to the recovery of trade following several years of political emergency, trade embargo and disruption of the economy.

45. In the other group are the five countries with lower export growth (Bolivia, Brazil, Panama, Paraguay and Uruguay). There were various reasons for this performance. In Brazil's case it was due to the sharp appreciation of the local currency; in Panama's case it was due to shrinking demand for manufactures exported from the Colón Free Zone; in the case of Paraguay, it was due to the expanded production of soya beans in Brazil, which resulted in a drop in demand in Brazil for Paraguayan soya beans and in difficulties in transporting them across that country; in the case of Uruguay, it was due to the effects of the Argentine recession. This factor also contributed to the weakness of Bolivian export sales.

46. Consequently, the positive evolution of prices and export quantities allowed the region to increase its imports, thereby mitigating somewhat the negative impact of the economic slow-down and the decline in capital inflows that limited the availability of foreign exchange. In value, the region's imports expanded by 12 per cent, less than the previous year, and topped US$ 220 billion, a record high. Excluding Argentina and Mexico, where the crisis caused a substantial drop in imports, however, the growth figure is much higher (33 per cent), although it is also true that much of the region's increase was concentrated in a single country: Brazil (see table 7).

47. The value of imports varied widely from country to country because of the diversity of factors influencing quantities imported. Increases in the prices of imports, for their part, varied little; these increases were due primarily to higher prices of manufactures.

48. Hence, the wide spread in import figures was due chiefly to differences in quantities imported. A middle ground was found in some countries where the increase in imports was associated with a moderate expansion of domestic demand that resulted in output growth and extended to foreign suppliers. In none of these cases did the increase in imports significantly exceed 10 per cent in quantity and 20 per cent in value.

49. In contrast to this median situation, at one extreme were countries with fast-growing domestic demand and good access to foreign currency, which expanded both their output and their external purchases, or countries which experienced real appreciation of their currencies. Both those conditions prevailed in Chile

and Peru. In the Dominican Republic, a strong increase in imports was associated with a surge in industrial activity in the free zones. In Brazil, imports were stimulated by exchange rate appreciation, and the same happened in Venezuela, where import growth occurred in the context of a controlled fixed exchange rate and expectations of devaluation, despite a low level of domestic activity and problems in obtaining foreign currency. All the countries mentioned recorded increases of 30 per cent or more in the value of their imports. Haiti's experience was atypical in that imports rose drastically as political and economic life began to return to normal.

50. At the other extreme were the countries in which declining demand eventually led to a reduction in the components of aggregate supply; this was particularly the case in Argentina, Mexico and Uruguay. In these countries, the drop in the volume of imports more than offset the higher prices of the products purchased. Import volume also declined or stayed the same in Bolivia, Costa Rica, Nicaragua, Panama and Paraguay.

51. Substantial growth in exports of goods caused them to outstrip slower-growing imports. For the first time since 1991, the region's balance of merchandise trade changed signs and showed a modest surplus of US$ 2.3 billion. Decisive in this turnaround were the big merchandise trade surpluses accumulated by Argentina and Mexico, a radical shift from their heavy deficits the year before. Their combined surpluses more than offset the shift in the opposite direction in the other dominant economy in the region, Brazil, which swung from a surplus of over US$ 10 billion the previous year to a deficit of US$ 3 billion in 1995. It was also significant that Chile more than doubled its surplus. The other countries were fairly equally divided between those that improved their balance of merchandise trade and those that saw it deteriorate.

52. In addition to improving its balance of merchandise trade, the region also managed a substantial reduction in its deficit of net service payments. This result was due largely to the drastic improvement in Argentina's and Mexico's balance of net service payments, associated with the drop in foreign purchases by these two countries; this improvement more than made up for the deterioration in the balance of this account experienced by all other South American and some Central American countries. Thus, the deficit in the goods and services trade balance shrank drastically from nearly US$ 27 billion in 1994 to around US$ 6 billion in 1995.

B. The current account and external financing

53. The current account deficit declined significantly in 1995 to US$ 34.5 billion from a 1994 figure of around US$ 50 billion. This reduction resulted entirely from the improved balance of goods and services, since the profits and interest account rose nearly 20 per cent. All the countries in the region posted a deficit, with the exception of the Dominican Republic and Venezuela (see table 9).

54. The most significant changes were similar to those noted in the balance of goods and services: disappearance of Mexico's large deficit, a significant

reduction in Argentina's, and a ballooning of Brazil's deficit. Meanwhile, Venezuela's considerable surplus of the previous year was cut by more than half.

55. Net capital inflows to the region in 1995 amounted to US$ 22.4 billion, lower than in 1994 and much lower than in 1992-1993, when the amount was US$ 65 billion (see table 9). This figure includes US$ 18 billion in direct investment, US$ 14 billion in other long-term capital, and US$ 10 billion in short-term capital and portfolio investment outflows. It should be pointed out that in 1995, capital flows to the region were particularly affected by net outflows from Mexico and Venezuela. Excluding those, the capital account balance for the remaining countries was US$ 43 billion.

56. The 1995 result was influenced by the events of 1994 in Mexico; after its devaluation that December, financial turbulence affected the major economies of the region to varying degrees. In the early months of 1995, short-term capital outflows occurred in a number of Latin American countries and private financing virtually came to a halt. The International Monetary Fund and other multilateral institutions played a vital role in this situation by supplying compensatory capital, thanks to which Mexico was able to fulfil many short-term commitments and, along with Argentina, regain access to the international financial markets.

C. External debt

57. In 1995, the total external debt of the countries of Latin America approached US$ 574 billion, a nominal increase of 8 per cent over the 1994 figure (see table 10). The region's ratio of external debt to exports of goods and services declined once again, thanks to strong external sales and moderate growth in its debt. The ratio thus fell from 250 per cent to 220 per cent, the lowest percentage since 1980. The ratio between interest paid and exports of goods and services also fell, although only slightly.

58. Significant progress was made during 1995 in renegotiating the external debt of the majority of the region's most indebted countries. In October 1995, under the Brady Plan, Panama signed an agreement to restructure its commercial external debt that included US$ 3.5 billion for payment of debt and overdue interest. Peru announced that it had come to a provisional agreement to restructure its debt with the commercial banking sector, also under the Brady Plan, that would involve US$ 4.4 billion in principal and US$ 3.5 billion in overdue interest payments. Similarly, Nicaragua repurchased its debt of US$ 1.37 billion with the commercial banking sector at 7 per cent of its face value; for this purpose it made use of funds from the Inter-American Development Bank, the World Bank and a number of European Governments. During 1995, Bolivia, Nicaragua and Haiti signed agreements to restructure their bilateral debt with the countries that make up the Paris Club, and Honduras is also negotiating a restructuring. These negotiations have brought some relief to the majority of the region's most indebted countries, but their debt levels remain high.

Table 1

Latin America and the Caribbean: main economic indicators

	1991	1992	1993	1994	1995 a/
	Annual rates of variation				
Economic activity and prices					
Gross domestic product	3.3	2.8	3.0	4.6	0.6
Per capita gross domestic product	1.4	0.9	1.1	2.7	-1.1
Consumer prices	199.7	418.9	887.6	337.3	25.0
Terms of trade (goods), free on board/free on board	-6.5	-3.9	-0.3	2.7	1.8
	Billions of dollars				
External sector					
Exports of goods	136.8	146.0	156.4	182.0	223.4
Imports of goods	124.0	151.6	166.5	197.2	221.1
Trade balance (goods)	12.8	-5.6	-10.1	-15.2	2.3
Balance on current account	18.8	-36.9	-46.1	-50.0	-34.5
Balance on capital account	37.9	61.6	66.9	44.9	22.4
Total disbursed external debt	449.1	466.0	507.4	533.4	573.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

Table 2

Diversity of economic performance in Latin America and the Caribbean in 1996

(Percentages)

	1994	1995 a/				
	Latin America	Latin America	Argentina	Mexico	Brazil	Other countries
Gross domestic product	4.6	0.6	-2.5	-7.0	4.0	4.5
Consumption	4.0	0.2	-5.5	-17.6	10.0	6.6
Gross capital formation	9.7	-5.8	-14.0	-30.0	10.9	7.0
Domestic demand	5.0	-1.0	-7.4	-20.3	10.2	6.7
Exports of goods and services (volume)	9.2	10.5	17.1	24.5	-2.8	5.6
Imports of goods and services (volume)	14.3	2.8	-17.4	-14.9	36.7	14.4
Net inflow of capital (billions of dollars)	44.9	22.4 b/	-0.4 b/	-16.9 b/	28.0	10.7

Source: ECLAC, on the basis of official figures converted into dollars at 1980 prices.

a/ Preliminary estimates.

b/ Not including "exceptional financing" of the balance of payments.

Table 3

Latin America and the Caribbean: total gross domestic product

(Percentages on the basis of values at 1980 prices)

	Annual rates of variation							Cumulative variation	
	1989	1990	1991	1992	1993	1994	1995 a/	1981-1990	1991-1995 a/
Latin America and the Caribbean	0.9	0.3	3.3	2.8	3.0	4.6	0.6	13.0	14.9
South American countries	-0.1	-1.1	3.7	3.0	4.2	5.1	2.9	10.9	20.3
Argentina	-6.2	-0.1	8.9	8.7	6.1	7.4	-2.5	-8.7	31.4
Bolivia	3.5	4.7	5.1	1.2	4.1	4.2	3.5	1.4	19.7
Brazil	3.1	-4.4	0.3	-0.9	4.2	5.8	4.0	16.8	14.1
Chile	9.7	3.3	6.8	10.6	5.9	4.1	8.0	32.1	40.7
Colombia	3.5	4.0	1.8	3.8	4.7	5.6	5.5	43.6	23.0
Ecuador	0.2	2.0	4.9	3.4	2.2	4.2	2.5	20.4	18.4
Guyana	-4.5	-2.8	5.4	7.5	7.6	8.4	3.5	-24.4	36.8
Paraguay	5.9	3.1	2.3	1.7	3.9	3.0	4.0	36.6	15.9
Peru	-11.5	-5.6	2.6	-1.2	5.8	12.8	7.5	-11.4	30.1
Suriname	4.4	0.1	3.5	5.8	-4.5	-0.8	...	5.0	3.7 b/
Uruguay	1.3	0.9	3.2	7.9	2.5	5.1	-1.5	4.7	18.2
Venezuela	-7.8	6.8	9.7	5.8	-0.2	-2.9	2.0	4.2	14.8
Mexico	3.3	4.4	3.6	2.8	0.6	3.5	-7.0	17.9	3.2
Central American and Caribbean countries	2.4	0.3	-1.3	0.2	-0.8	2.5	3.4	17.6	3.9
Bahamas	2.0	4.8	-3.2	1.0	2.4	0.0	1.5	31.2	1.6
Barbados	3.7	-3.2	-4.2	-5.8	1.1	4.2	2.0	9.5	-3.1
Belize	13.1	10.3	3.0	11.3	3.5	1.6	...	56.0	20.5 b/
Costa Rica	5.5	3.4	2.1	7.3	6.1	4.3	2.5	25.1	24.2
Cuba	0.7	-3.0	-10.7	-11.6	-14.9	0.7	2.5	39.5	-30.6
Dominican Republic	4.8	-5.3	0.5	6.8	2.3	4.3	5.0	27.5	20.1
El Salvador	0.4	4.4	2.3	7.2	6.3	4.3	6.5	-7.2	29.4
Guatemala	3.7	2.9	3.5	4.9	3.8	3.8	4.5	8.8	22.2
Haiti	1.0	-0.2	-0.8	-14.3	-5.1	-12.2	3.5	-3.8	-26.7
Honduras	4.7	-0.4	2.3	6.1	6.7	-2.0	3.5	25.5	17.7
Jamaica	6.3	6.2	1.2	2.0	1.6	2.5	0.5	31.8	7.9
Nicaragua	-1.7	0.0	-0.2	0.4	-0.4	3.2	4.0	-12.7	7.2

	Annual rates of variation							Cumulative variation	
	1989	1990	1991	1992	1993	1994	1995 a/	1981-1990	1991-1995 a/
Panama	-0.1	6.3	8.6	6.1	4.2	1.8	3.0	20.1	25.7
Trinidad and Tobago	-0.4	1.9	1.7	-2.3	-2.8	5.1	3.5	-19.9	5.0
OECS c/ countries	6.1	4.7	3.3	3.9	2.1	3.0	2.8	78.7	16.3
Antigua and Barbuda	6.3	3.5	4.3	1.7	3.4	5.3	...	86.5	15.4 b/
Dominica	-1.1	6.4	2.3	2.9	2.6	1.9	-2.0	53.6	8.0
Grenada	5.8	5.2	3.6	1.1	-1.3	2.3	...	61.8	5.8 b/
Saint Kitts and Nevis	6.7	3.0	3.8	3.6	4.0	4.1	...	75.0	16.4 b/
Saint Lucia	8.5	4.4	2.3	7.1	2.3	2.8	4.0	93.5	19.8
Saint Vincent and the Grenadines	7.2	7.0	3.1	6.5	1.4	0.4	4.0	87.0	16.3

Source: ECLAC, on the basis of official figures converted into dollars at constant 1980 prices.

Note: Totals and subtotals exclude, where applicable, countries for which no information is provided.

a/ Preliminary estimates, subject to revision. Figures for 1995 were rounded off to the nearest whole or half per cent.

b/ For the period 1991-1994.

c/ Organization of Eastern Caribbean States.

Table 4

Latin America and the Caribbean: per capita gross domestic product

(Percentages on the basis of values at 1980 prices)

	Annual rates of variation							Cumulative variation	
	1989	1990	1991	1992	1993	1994	1995 a/	1981-1990	1991-1995 a/
Latin America and the Caribbean	1.0	-1.6	1.4	0.9	1.1	2.7	-1.1	-7.5	5.1
South American countries	1.9	-2.9	1.8	1.2	2.4	3.3	1.2	-9.1	10.4
Argentina	-7.5	-1.4	7.5	7.3	4.8	6.1	-3.6	-21.1	23.6
Bolivia	1.3	2.4	2.7	-1.2	1.6	1.7	1.2	-17.4	6.1
Brazil	1.2	-6.1	-1.4	-2.6	2.4	4.0	2.4	-4.6	4.8
Chile	7.8	1.6	5.0	8.8	4.2	2.4	6.4	12.4	29.7
Colombia	1.7	2.2	0.1	2.0	3.0	3.9	3.6	17.9	13.2
Ecuador	-2.2	-0.3	2.5	1.1	0.0	2.0	0.4	-6.6	6.0
Guyana	-4.8	-2.9	4.4	6.3	6.6	7.2	2.5	-27.7	30.0
Paraguay	2.7	0.1	-0.6	-1.1	1.1	0.2	1.3	-0.8	0.9
Peru	-13.2	-7.4	0.7	-2.9	4.0	10.9	5.7	-28.9	19.3
Suriname	3.2	-1.2	2.3	4.6	-5.6	-1.9	...	-6.8	-0.8 b/
Uruguay	0.7	0.3	2.6	7.2	1.9	4.5	-2.1	-1.4	14.8
Venezuela	-10.2	4.2	7.1	3.4	-2.4	-5.1	-0.1	-19.4	2.5
Mexico	1.4	2.5	1.7	0.9	-1.2	1.7	-8.6	-4.3	-5.8
Central American and Caribbean countries	0.4	-1.7	-3.3	-1.9	-2.9	0.4	1.4	-3.4	-6.3
Bahamas	0.4	2.8	-4.8	-0.4	0.9	-1.5	0.0	7.7	-5.7
Barbados	3.0	-3.2	-4.6	-6.2	0.7	3.8	1.6	6.1	-4.9
Belize	10.3	7.4	0.4	8.5	0.9	-1.0	...	20.5	8.7 b/
Costa Rica	2.6	0.7	-0.4	4.6	3.5	1.9	0.2	-5.8	10.1
Cuba	-0.3	-3.8	-11.5	-12.3	-15.6	-0.1	1.7	27.8	-33.4
Dominican Republic	2.5	-7.2	-1.5	4.7	0.4	2.4	2.9	2.1	9.2
El Salvador	-1.5	2.4	0.3	4.9	4.0	2.0	4.0	-18.8	16.0
Guatemala	0.8	0.0	0.6	1.9	0.8	0.9	1.6	-18.2	5.8
Haiti	-1.0	-2.2	-2.8	-16.0	-7.0	-14.0	1.4	-20.6	-33.7
Honduras	1.6	-3.4	-0.7	3.0	3.6	-4.8	0.7	-8.2	1.6
Jamaica	5.8	5.7	0.5	1.3	0.9	1.8	-0.4	18.9	4.3
Nicaragua	-4.3	-3.0	-3.6	-3.4	-4.3	-0.7	0.4	-33.5	-11.1

	Annual rates of variation							Cumulative variation	
	1989	1990	1991	1992	1993	1994	1995 a/	1981-1990	1991-1995 a/
Panama	-2.1	4.3	6.6	4.1	2.2	0.0	1.0	-2.4	14.6
Trinidad and Tobago	-1.2	0.2	0.6	-3.4	-3.8	3.9	2.4	-29.9	-0.6
OECS c/ countries	5.3	4.3	2.6	3.2	1.6	2.4	1.9	70.2	11.2
Antigua and Barbuda	5.6	2.8	3.7	1.0	2.8	4.7	...	77.8	12.6 b/
Dominica	-2.0	7.9	2.3	2.9	2.6	1.9	-1.8	60.0	8.0
Grenada	4.9	5.7	3.4	0.9	-1.5	2.1	...	58.3	4.9 b/
Saint Kitts and Nevis	8.7	3.5	3.8	3.6	6.5	4.1	...	95.8	19.2 b/
Saint Lucia	7.1	2.9	1.0	5.7	0.9	1.5	2.6	67.3	12.2
Saint Vincent and the Grenadines	6.2	5.9	2.2	5.6	0.4	-0.5	3.1	71.3	11.1

Source: ECLAC, on the basis of official figures converted into dollars at constant 1980 prices.

Note: Totals and subtotals exclude, where applicable, countries for which no information is provided.

a/ Preliminary estimates, subject to revision.

b/ For the period 1991-1994.

c/ Organization of Eastern Caribbean States.

Table 5

Latin America and the Caribbean: variations in consumer price indexes

(December-December variations)

	1987	1988	1989	1990	1991	1992	1993	1994	1995 a/
Latin America and the Caribbean	209.2	776.8	1 212.5	1 191.3	199.7	418.9	887.6	337.3	25.0
Argentina	174.8	387.7	4 923.3	1 343.9	84.0	17.6	7.4	3.9	1.8 b/
Barbados	6.3	4.4	6.6	3.4	8.1	3.4	-1.0	0.5	0.4 c/
Bolivia	10.7	21.5	16.6	18.0	14.5	10.5	9.3	8.5	10.7 b/
Brazil	394.6	993.3	1 863.6	1 584.6	475.8	1 149.1	2 489.1	929.3	22.0 b/
Chile	21.4	12.7	21.4	27.3	18.7	12.7	12.2	8.9	8.3 b/
Colombia	24.0	28.2	26.1	32.4	26.8	25.2	22.6	22.6	20.0 b/
Costa Rica	16.4	25.3	10.0	27.3	25.3	17.0	9.0	19.9	24.9 b/
Dominican Republic	22.7	55.8	34.6	79.9	7.9	5.2	2.8	14.3	12.1 b/
Ecuador	32.5	85.7	54.3	49.5	49.0	60.2	31.0	25.4	22.2 b/
El Salvador	19.6	18.2	23.5	19.3	9.8	20.0	12.1	8.9	11.4 b/
Guatemala	9.3	12.3	20.2	59.6	10.2	14.2	11.6	11.6	8.6 b/
Haiti	-4.1	8.6	10.9	26.1	6.6	18.0	39.3	52.1 d/	25.0 d/
Honduras	2.9	6.6	11.4	36.4	21.4	6.5	13.1	28.8	28.6 e/
Jamaica	8.4	8.9	17.2	29.7	80.2	40.2	30.1	26.9	15.8 f/
Mexico	159.2	51.7	19.7	29.9	18.9	11.9	8.0	7.1	48.5 b/
Nicaragua	1 347.2	33 547.6	1 689.1	13 490.2	775.4	3.5	19.5	12.5	10.8 e/
Panama	0.9	0.3	-0.2	0.8	1.1	1.6	0.9	1.4	0.8 e/
Paraguay	32.0	16.9	28.5	44.1	11.8	17.8	20.4	18.3	10.4 b/
Peru	114.5	1 722.6	2 775.3	7 649.6	139.2	56.7	39.5	15.4	10.4 b/
Trinidad and Tobago	8.3	12.1	9.3	9.5	2.3	8.5	13.5	5.5	5.6 f/
Uruguay	57.3	69.0	89.2	129.0	81.3	59.0	52.9	44.1	36.8 b/
Venezuela	40.3	35.5	81.0	36.5	31.0	31.9	45.9	70.8	52.9 b/

Source: Information provided by countries.

a/ Figures corresponding to the price variation in the 12-month period ending in the month indicated for each country.

b/ Corresponding to the variation between November 1994 and November 1995.

c/ Corresponding to the variation between June 1994 and June 1995.

d/ Fiscal year, ending in September.

e/ Corresponding to the variation between October 1994 and October 1995.

f/ Corresponding to the variation between July 1994 and July 1995.

Table 6

Latin America and the Caribbean: exports of goods, free on board

(Indexes 1980 = 100 and annual rates of variation)

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1995 a/	1993	1994	1995 a/	1995 a/	1993	1994	1995 a/	1995 a/	1993	1994	1995 a/
Latin America	252	7.0	16.4	22.7	88	-0.2	6.6	11.1	286	7.3	9.2	10.5
South American countries	197	4.3	16.0	17.5	92	-3.7	7.5	13.4	214	8.1	7.9	3.6
Argentina	257	7.2	20.8	30.1	94	2.0	2.0	11.0	274	5.1	18.4	17.1
Bolivia	109	17.6	37.7	4.6	63	-6.6	13.2	6.0	175	25.9	21.6	-1.3
Brazil	233	8.4	12.3	7.9	89	-2.0	6.4	11.0	261	10.6	5.5	-2.8
Chile	338	-8.1	25.4	37.8	113	-10.7	15.5	22.5	300	2.9	8.6	12.5
Colombia	269	2.3	17.9	22.5	115	-4.4	17.0	21.5	233	7.0	0.7	0.8
Ecuador	170	1.8	21.4	15.4	61	-3.9	11.0	5.5	280	5.9	9.3	9.4
Paraguay	489	52.8	7.7	9.8	135	4.0	9.0	11.5	363	47.0	-1.0	-1.5
Peru	140	-0.6	31.5	20.3	119	-8.0	14.0	20.0	117	8.0	15.4	0.3
Uruguay	195	-3.9	10.5	8.2	106	-5.1	7.5	11.0	185	1.3	2.8	-2.6
Venezuela	96	0.1	10.4	16.5	65	-6.2	1.5	10.5	149	6.7	8.8	5.4
Mexico	523	12.3	17.3	33.2	82	6.2	5.0	7.0	639	5.8	11.8	24.5
Central American and Caribbean countries	179	6.8	14.8	17.0	131	-0.2	6.4	13.7	137	7.1	7.9	2.9
Costa Rica	247	11.8	7.7	18.1	98	1.2	8.0	14.5	253	10.5	-0.3	3.2
Dominican Republic	85	-9.1	25.9	27.3	88	-5.3	11.7	23.5	97	-3.9	12.6	3.2
El Salvador	157	22.4	70.7	35.3	123	2.5	21.0	25.0	128	19.4	41.4	8.2
Guatemala	137	6.2	13.7	34.8	112	2.5	10.0	17.5	122	3.6	3.4	14.7
Haiti	46	7.9	-36.3	92.3	75	2.1	10.0	10.5	61	5.7	-42.1	73.7
Honduras	134	1.7	8.1	23.6	117	2.3	8.0	18.5	115	-0.5	0.1	4.4
Nicaragua	109	19.7	31.5	39.6	88	15.0	21.0	18.5	123	4.1	8.7	17.9
Panama	271	5.5	10.0	3.9	161	-3.0	0.0	6.5	168	8.8	9.8	-2.4

Source: ECLAC, on the basis of official information.

a/ Preliminary estimates.

Table 7

Latin America and the Caribbean: imports of goods, free on board

(Indexes 1980 = 100 and annual rates of variation)

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1995 a/	1993	1994	1995 a/	1995 a/	1993	1994	1995 a/	1995 a/	1993	1994	1995 a/
Latin America and the Caribbean	243	9.7	18.5	12.1	120	-0.1	3.6	9.1	201	9.9	14.3	2.8
South American countries	200	14.7	17.3	27.3	112	-2.8	3.3	9.7	183	18.0	13.5	16.0
Argentina	191	13.6	27.9	-10.0	146	-1.5	3.0	9.0	129	15.3	24.1	-17.4
Bolivia	211	6.8	0.9	7.8	115	1.2	4.4	7.0	183	5.5	-3.3	0.8
Brazil	218	25.1	28.8	51.0	100	-3.7	3.0	10.5	218	29.9	24.9	36.7
Chile	264	10.2	6.8	32.7	120	-2.2	3.6	9.5	220	12.7	3.1	21.1
Colombia	309	50.7	21.5	20.0	111	-1.2	3.0	9.5	273	52.4	18.0	9.7
Ecuador	175	18.8	32.3	19.7	86	-1.5	4.3	9.0	202	20.7	26.7	9.8
Paraguay	490	37.0	31.0	-5.6	85	-1.0	2.9	7.0	574	38.3	27.5	-11.8
Peru	246	-0.2	40.0	34.3	143	-0.1	2.3	9.0	172	-0.1	36.9	23.1
Uruguay	153	10.1	22.0	-1.5	106	-6.9	2.8	10.5	144	18.3	18.7	-10.9
Venezuela	106	-12.6	-31.5	49.3	105	-1.6	4.1	9.0	100	-11.1	-34.1	37.0
Mexico	379	5.2	21.3	-7.7	132	4.5	3.5	8.5	287	0.7	17.3	-14.9
Central American and Caribbean countries	214	4.7	13.1	15.9	131	0.5	4.7	8.0	164	4.1	8.1	7.4
Costa Rica	221	18.1	6.9	9.0	99	-0.7	4.2	9.0	223	18.9	2.5	0.0
Dominican Republic	195	-2.6	7.4	30.1	136	-1.1	3.8	8.0	143	-1.5	3.6	20.4
El Salvador	341	13.3	36.3	26.9	162	-2.1	4.4	8.0	210	15.8	30.5	17.5
Guatemala	208	2.4	6.8	20.3	113	0.4	4.5	9.0	185	2.0	2.2	10.4
Haiti	125	24.5	-47.1	183.7	117	-0.8	8.4	6.5	107	25.6	-51.2	166.0
Honduras	157	-4.6	43.1	11.1	93	1.7	4.3	6.5	169	-6.3	37.2	4.3
Nicaragua	107	-14.5	19.0	9.6	135	5.6	3.4	10.5	80	-19.0	15.1	-0.8
Panama	243	4.5	10.9	6.6	164	2.7	5.0	8.0	148	1.7	5.7	-1.3

Source: ECLAC, on the basis of official information.

a/ Preliminary estimates.

Table 8

Latin America and the Caribbean: terms of trade (goods), free on board/free on board

(Indexes: 1980 = 100 and rates of variation)

	Indexes				Annual rates of variation				Cumulative variation	
	1992	1993	1994	1995 a/	1992	1993	1994	1995 a/	1981-1992	1993-1995 a/
Latin America and the Caribbean	70	70	71	73	-3.9	-0.3	2.7	1.8	-30.2	4.5
South American countries	75	74	79	82	-5.4	-1.0	7.0	3.4	-25.3	10.6
Argentina	61	63	63	64	-0.3	3.4	-0.1	1.4	-39.2	1.2
Bolivia	55	51	55	54	-20.5	-7.7	8.3	-0.8	-45.2	7.4
Brazil	85	86	89	90	-2.3	1.8	3.7	0.4	-15.2	4.1
Chile	82	76	84	94	-6.5	-8.7	11.6	11.8	-17.6	24.7
Colombia	83	81	92	102	-11.4	-3.2	13.5	11.1	-16.6	26.1
Ecuador	70	69	73	71	-1.1	-2.4	6.4	-3.2	-29.8	3.1
Paraguay	136	143	152	158	-3.8	5.0	5.9	4.2	36.3	10.4
Peru	74	68	76	84	-1.6	-7.8	11.3	10.1	-26.1	22.6
Uruguay	93	95	99	100	-0.5	1.9	4.6	0.4	-6.8	5.0
Venezuela	65	62	60	61	-4.0	-4.8	-2.4	1.5	-35.0	-1.0
Mexico	61	62	63	62	-1.5	1.8	1.5	-1.4	-39.1	0.0
Central American and Caribbean countries	90	90	95	100	-1.1	-0.8	5.9	5.3	-9.7	11.5
Costa Rica	89	91	94	99	-1.7	1.8	3.8	5.0	-11.0	9.0
Dominican Republic	55	52	56	65	-8.7	-4.3	7.6	14.4	-45.2	23.2
El Salvador	54	57	66	76	-5.4	4.8	15.9	15.7	-46.0	34.1
Guatemala	86	88	93	100	-7.1	2.2	5.2	7.8	-13.8	13.4
Haiti	59	61	62	64	-6.0	3.0	1.5	3.7	-40.6	5.2
Honduras	108	109	113	125	-2.6	0.6	3.5	11.2	8.1	15.1
Nicaragua	48	52	61	66	-30.9	8.8	17.0	7.3	-51.9	25.6
Panama	111	105	100	98	-0.5	-5.6	-4.7	-1.5	10.8	-6.1

Source: ECLAC, on the basis of official information.

a/ Preliminary estimates.

Table 9

Latin America and the Caribbean: balance of payments

(Millions of dollars)

	Exports of goods			Imports of goods			Balance of goods			Balance of services a/			Balance of goods and services		
	1993	1994	1995 b/	1993	1994	1995 b/	1993	1994	1995 b/	1993	1994	1995 b/	1993	1994	1995
Latin America and the Caribbean	156 393	181 988	223 375	166 468	197 222	221 095	-10 075	-15 234	2 280	-11 479	-11 421	-8 140	-21 554	-26 655	-5 860
South American countries	93 369	108 322	127 330	84 199	98 752	125 665	9 170	9 570	1 665	-11 132	-11 331	-12 370	-1 962	-1 761	-10 705
Argentina	13 117	15 839	20 600	15 545	19 880	17 900	-2 428	-4 041	2 700	-2 481	-2 891	-1 800	-4 909	-6 932	900
Bolivia	716	985	1 030	1 112	1 122	1 210	-396	-137	-180	-145	-113	-175	-541	-250	-355
Brazil	38 783	43 545	47 000	25 711	33 105	50 000	13 072	10 440	-3 000	-5 004	-5 922	-6 100	8 068	4 518	-9 100
Chile	9 199	11 537	15 900	10 181	10 878	14 430	-982	659	1 470	5	19	-25	-977	678	1 445
Colombia	7 429	8 756	10 725	9 086	11 040	13 250	-1 657	-2 284	-2 525	-21	-323	-370	-1 678	-2 607	-2 895
Ecuador	3 062	3 717	4 290	2 474	3 272	3 915	588	445	375	-340	-387	-475	248	58	-100
Paraguay	1 653	1 780	1 955	2 672	3 500	3 305	-1 019	-1 720	-1 350	458	550	500	-561	-1 170	-850
Peru	3 463	4 555	5 480	4 043	5 661	7 600	-580	-1 106	-2 120	-656	-519	-810	-1 236	-1 625	-2 930
Uruguay	1 732	1 913	2 070	2 118	2 585	2 545	-386	-672	-475	282	429	315	-104	-243	-160
Venezuela	14 215	15 695	18 280	11 257	7 709	11 510	2 958	7 986	6 770	-3 230	-2 174	-3 430	-272	5 812	3 340
Mexico	51 885	60 882	81 090	65 366	79 347	73 275	-13 481	-18 465	7 815	-2 529	-2 589	1 050	-16 010	-21 054	8 865
Central American and Caribbean countries	11 139	12 784	14 955	16 903	19 123	22 155	-5 764	-6 339	-7 200	2 182	2 499	3 180	-3 582	-3 840	-4 020
Costa Rica c/	1 945	2 094	2 475	2 610	2 789	3 040	-665	-695	-565	244	274	295	-421	-421	-270
Dominican Republic c/, d/	511	644	820	2 118	2 276	2 960	-1 607	-1 632	-2 140	1 262	1 587	1 970	-345	-45	-170
El Salvador c/	732	1 249	1 690	1 766	2 407	3 055	-1 034	-1 158	-1 365	26	-53	-110	-1 008	-1 211	-1 475
Guatemala c/	1 363	1 550	2 090	2 384	2 547	3 065	-1 021	-997	-975	108	-61	95	-913	-1 058	-880
Haiti	82	52	100	267	141	400	-185	-89	-300	-56	-38	-175	-241	-127	-475
Honduras c/	853	922	1 140	944	1 351	1 500	-91	-429	-360	17	83	100	-74	-346	-260
Nicaragua	267	351	490	659	785	860	-392	-434	-370	-56	-71	-55	-448	-505	-425
Panama	5 386	5 922	6 150	6 155	6 827	7 275	-769	-905	-1 125	637	778	1 060	-132	-127	-65

	Balance of profits and interest e/			Unrequited private transfer payments			Balance on current account			Balance on capital account f/			Global balance*		
	1993	1994	1995 b/	1993	1994	1995 b/	1993	1994	1995 b/	1993	1994	1995 b/	1993	1994	1995 b/
Latin America and the Caribbean	-32 951	-33 419	-39 850	8 395	10 052	11 220	-46 110	-50 022	-34 490	66 928	44 891	22 435	20 818	-5 131	-12 055
South American countries	-20 363	-20 259	-25 340	3 140	4 074	4 860	-19 185	-17 946	-31 185	32 652	30 722	35 705	13 467	12 776	4 520
Argentina g/	-2 989	-3 626	-4 500	535	315	300	-7 363	-10 243	-3 300	9 911	10 867	-400	2 548	624	-3 700
Bolivia	-201	-193	-210	26	24	20	-716	-419	-545	646	414	425	-70	-5	-120
Brazil	-10 358	-8 821	-12 000	1 682	2 588	3 200	-608	-1 715	-17 900	9 821	9 001	28 000	9 213	7 286	10 100
Chile	-1 505	-1 775	-1 770	61	52	55	-2 421	-1 045	-270	2 841	4 177	310	420	3 132	40
Colombia	-1 541	-1 296	-2 030	1 138	1 055	1 110	-2 081	-2 848	-3 815	2 062	3 015	4 180	-19	167	365
Ecuador	-908	-1 000	-965	0	0	0	-660	-942	-1 065	1 188	1 410	970	528	468	-95
Paraguay	-84	-80	-80	5	0	0	-640	-1 250	-930	727	1 580	930	87	330	0
Peru	-981	-1 575	-1 855 h/	0	0	0	-2 217	-3 200	-4 785	2 662	4 668	4 610	445	1 468	-175
Uruguay	-192	-206	-170	32	33	30	-264	-416	-300	458	506	340	194	90	40
Venezuela	-1 604	-1 687	-1 760	-339	7	145	-2 215	4 132	1 725	2 336	-4 916	-3 660	121	-784	-1 935
Mexico	-11 030	-11 745	-13 030	3 544	3 921	3 950	-23 496	-28 878	-215	30 728	11 212	-16 900	7 232	-17 666	-17 115
Central American and Caribbean countries	-1 558	-1 415	-1 480	1 711	2 057	2 410	-3 429	-3 198	-3 090	3 548	2 957	3 630	119	-241	540
Costa Rica	-201	-183	-215	86	89	95	-536	-515	-390	478	489	465	-58	-26	75
Dominican Republic	-258	-351	-220	362	439	450	-241	43	60	330	-508	40	89	-465	100
El Salvador	-114	-92	-80	790	1 001	1 150	-332	-302	-405	444	446	545	112	144	140
Guatemala	-152	-104	-120	362	384	480	-703	-778	-520	855	777	430	152	-1	-90
Haiti	-11	-9	-25	73	43	80	-178	-93	-420	197	56	600	19	-37	180
Honduras	-316	-263	-270	29	93	105	-361	-516	-425	255	533	480	-106	17	55
Nicaragua	-429	-466	-500	25	30	75	-853	-941	-850	774	994	890	-79	53	40
Panama	-77	53	-50	-16	-22	-25	-225	-96	-140	215	170	180	-10	74	40

Source: ECLAC, on the basis of information provided by the International Monetary Fund and by official national institutions.

* Transactions that adjust or finance the global balance include reserve assets, use of IMF credit and loans and exceptional financing, especially significant in 1995 in the case of Mexico and Argentina, where such financing amounted to nearly US$ 25 billion and US$ 2 billion, respectively.

(Footnotes on following page)

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a/ Excluding net payments of profits and interest.

b/ Preliminary ECLAC estimates. The figures were rounded to the nearest 10 or 5.

c/ The balance of services includes the balance of *maquila* exports and imports.

d/ Preliminary estimates of *maquila*-produced goods in 1995 indicate US$ 1,873,000,000 in exports and US$ 1,539,000,000 in imports.

e/ Including interest due.

f/ Including short- and long-term autonomous capital, unrequited official transfer payments and errors and omissions, and excluding exceptional financing.

g/ Two different versions of official balance-of-payments data are currently provided. The one included here for reasons of continuity, referred to as "under revision", uses the same methodological criteria as those previously followed by the Central Bank in its estimates. The second (which follows the methodology used in the *Argentina en crecimiento* publications) modifies, in particular, the estimate of earned income and the imputation of portfolio operations according to residence of agents. These modifications have not yet been incorporated into the series elaborated by IMF.

h/ The balance of profits and interest for 1994 and 1995 includes short- and long-term public- and private-sector interest, whether paid or outstanding.

Table 10

Latin America and the Caribbean: total disbursed external debt a/

(Millions of dollars and rates of variation)

	Year-end balance								Annual rates of variation				
	1988	1989	1990	1991	1992	1993	1994	1995 b/	1979-1981	1982-1983	1984-1993	1994	1995 b/
Latin America	413 446	417 936	439 775	449 090	465 991	507 373	533 436	573 690	22.9	11.3	3.8	5.1	7.5
South American countries	278 511	285 523	299 511	296 904	314 340	342 056	359 409	383 295	20.9	10.6	3.9	5.1	6.6
Argentina	58 473	63 314	60 973	63 700	65 000	74 500	82 000	84 000	41.9	12.4	5.2	10.1	2.4
Bolivia c/	4 043	3 492	3 768	3 582	3 784	3 777	4 216	4 425	14.3	9.4	1.7	11.6	5.0
Brazil	113 469	115 096	123 439	123 811	135 949	145 660	148 295	169 000	14.4	10.6	4.0	1.8	14.0
Chile	18 960	17 520	18 576	17 319	18 964	19 665	21 888	20 900	30.5	7.6	0.9	11.3	-4.5
Colombia	17 960	17 604	17 848	17 312	16 862	18 867	21 813	23 200	28.0	16.0	4.8	15.6	6.4
Ecuador	10 581	11 322	11 856	12 271	12 212	13 630	14 589	13 910	21.0	18.3	6.3	7.0	-4.7
Guyana	1 778	1 801	1 812	1 856	1 871	1 906	1 950	2 020	28.1	17.8	7.1	2.3	3.6
Paraguay	2 002	2 027	1 695	1 666	1 279	1 254	1 272	1 335	12.3	24.5	-1.6	1.4	5.0
Peru	16 493	18 536	19 996	20 787	21 409	23 998	25 460	26 555	1.0	13.8	6.8	6.1	4.3
Uruguay	3 166	3 245	2 933	2 437	2 426	2 395	2 741	2 750 d/	35.9	38.5	-0.5	14.4	0.3
Venezuela e/	31 586	31 566	36 615	32 163	34 674	36 404	35 185	35 200	24.7	4.0	1.4	-3.3	-
Mexico f/	100 900	95 100	101 900	114 900	114 000	127 600	135 500	152 700	30.2	11.9	3.1	6.2	12.7
Central American and Caribbean countries	34 055	37 313	38 364	37 286	37 651	37 717	38 527	37 695	18.8	15.3	4.4	2.1	-2.2
Costa Rica	4 470	4 488	3 930	4 015	4 050	4 046	4 200	4 450	12.8	14.7	1.4	3.8	6.0
Dominican Republic	3 883	4 181	4 500	4 614	4 413	4 559	3 922	3 500	24.2	14.0	3.2	-14.0	-10.8
El Salvador c/	1 769	2 017	2 076	2 102	2 338	1 988	2 027	2 145	17.7	3.0	1.5	2.0	5.8
Guatemala c/	2 340	2 457	2 387	2 254	2 246	2 086	2 157	2 150	19.0	20.4	0.4	3.4	-0.3
Haiti c/	778	803	841	809	819	864	884	900	21.0	21.7	4.6	2.3	1.8
Honduras	3 810	3 374	3 547	3 174	3 538	3 948	4 069	4 200	17.5	16.7	6.2	3.1	3.2
Jamaica	4 002	4 038	4 152	3 874	3 678	3 647	3 660	3 700	22.6	14.9	2.2	0.4	1.1
Nicaragua c/	7 220	9 741	10 616	10 312	10 806	10 987	11 695	10 400	27.1	21.5	11.2	6.4	-11.1
Panama c/	3 771	3 814	3 795	3 699	3 548	3 494	3 663	3 850	9.0	13.8	1.1	4.8	5.1
Trinidad and Tobago	2 012	2 400	2 520	2 433	2 215	2 098	2 250	2 400	29.3	16.3	4.0	7.2	6.7

Source: ECLAC, on the basis of official information.

(Footnotes on following page)

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a/ Including debt owed to the International Monetary Fund.

b/ Preliminary figures.

c/ Public-sector debt.

d/ The figure for 1995 was estimated using data for the period up to September. The figures for the whole series take into account the financial cost of outstanding public-sector debt servicing owed to the Paris Club and Japan-Peru Oil Company (JAPECO).

e/ Figures provided by the Central Bank of Venezuela.

f/ Public-sector debt excludes investment in government securities by non-residents. Private-sector debt figures from 1991 to 1993 have been adjusted to take into account the privatization process and the elimination of the exchange-control system.
