

ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN

**ECONOMIC PANORAMA
OF LATIN AMERICA
1988**

ARGENTINA

BRAZIL

COLOMBIA

CHILE

ECUADOR

MEXICO

PERU

URUGUAY

VENEZUELA



United Nations

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Notes and explanation of symbols

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

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

A dash (—) indicates that the amounts is nil or negligible.

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

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

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

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1970.

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

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

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

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

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LATIN AMERICA

One central fact which distinguished the first half of 1988 from other years was the considerable rise in the international prices of many primary commodities exported by the region. This development was reflected in a somewhat easier external payments situation, but even so Latin America and the Caribbean are still suffering, for the second year running, from a reduction in their already low growth rate and a resurgence of inflation. Thus, it is estimated that in 1988 the region's output will probably increase by only 0.6%, which would mean a decline of 1.5% in the per capita output (see table 1).

The improvement in the international prices of temperate-zone agricultural products and, above all, of metals enabled the non-oil-exporting countries of the region to reduce their current account deficits significantly. In contrast, the drop in the price of hydrocarbons adversely affected the exports of the oil-exporting countries. Furthermore, the unfavourable effects of the rise in international interest rates on debt-servicing commitments will absorb part of the benefit which the non-oil-exporting countries of Latin America and the Caribbean are obtaining this year from the recovery in their terms of trade; as for the oil-exporting countries these effects come on top of the decline in their terms of trade, so that there will be a marked increase in their current account deficit (see table 2).

The fact that the easing of external constraints has been reflected in higher levels of economic expansion in only a limited number of countries reflects, *inter alia*, the accumulated effect of adjustment policies and of factors associated with the heavy external debt burden. In 1988 the interplay of these factors contributed in particular to the worsening of inflationary processes, which in turn sharply restricted growth. Thus, either because the rate of inflation speeded up or got completely out of hand in some cases and because even more intensive efforts were made to control it, the struggle against inflation became the issue of highest priority in most countries and decisively influenced the economic results obtained. In many cases, the potential benefits due to the greater availability of foreign exchange have been wiped out by the disruptive effects of the upsurge in inflation or by the restrictive effects of the stabilization policies applied. Indeed, it is only those countries with moderate rates of inflation --Chile, Colombia, Costa Rica and Paraguay-- which avoided this syndrome and succeeded in growing significantly in the period under review.

The difficulty in simultaneously achieving growth, external equilibrium and a reasonable degree of price stability is largely a consequence of the burden of the external debt and of the enormous transfer of resources to the exterior its servicing entails. This transfer has represented a reversal of the order of 6.5% compared with the gross domestic product: instead of receiving net resources equivalent to 2.6% of GDP, as was usual before the crisis, since 1982 the region has been transferring to the exterior resources equivalent to 3.9% of its GDP (see table 4). The consequent shortage of foreign exchange has put a lasting brake on growth.

What the experience of 1988 brings out most clearly in most of the countries, however, is the way in which the difficulty in making these transfers and the problems involved in trying to cope with high or growing inflation combined to hinder growth. Thus, as the bulk of the external debt corresponds to the public sector (either because it was this sector which originally contracted the debt or because it subsequently took over

responsibility for most private sector debt), the transfer of resources to the exterior also usually entails a domestic transfer of resources from the private sector to the public sector. Since the transfer typically is out of proportion with the capacity to raise tax revenues, much of it has had to be paid for through inflationary financing. This, in turn, has contributed to the sharp increase in prices throughout most of the region since the outbreak of the debt crisis.

In 1988 the interaction between the problems connected with the domestic transfer of resources from the private to the public sector and those created by the external constraints was particularly complex and was reflected in a variety of situations. One obvious manifestation of such diversity of situations is that between the oil-exporting countries and the other economies of the region. As already noted, the relaxation of external constraints occurred mainly in the non-oil-exporting countries, which benefited both by substantial rises in the prices and volumes of their exports and by the reduction in the price of imported petroleum. The oil-exporting countries, in contrast, have been facing the classic problem of the 1980s of having to simultaneously struggle with weak external demand, high debt servicing and scanty access to net external financing.

A second significant difference derives from certain institutional characteristics of the export sector. On the one hand, there are the countries where the public sector owns the main export activities. In these countries there is a direct link between the capacity to transfer resources to the exterior and the financial situation of the public sector. Thus, when the value of their exports falls (as generally occurred in 1988 in the oil-exporting countries) there is a tendency for the fiscal deficit to grow and the external imbalance to worsen, thereby generating inflationary pressures and recessionary effects. Conversely, the rise in the value of the exports produced by State enterprises tends to bring about a direct and simultaneous improvement in the balance-of-payments and the fiscal accounts, thus permitting greater growth and lower inflation. This is exactly the case, for example, with copper in Chile.

The situation of such countries is structurally different from that of others (such as Argentina, Brazil, Paraguay and Uruguay) where the main exports are produced by the private sector. In these latter countries, the improvement in exports naturally strengthens the balance of payments. As the additional foreign exchange is received by the private sector, however, unless mechanisms exist or are established for enabling the State to share in a substantial part of the export earnings, the easing of external constraints will not necessarily be reflected in an appreciable reduction in the public deficit. Indeed, if this relaxing of the foreign exchange constraint results from an expansion in the volume of exports brought about by a higher real exchange rate, this may even lead to an increase in the public deficit because of the greater domestic-currency cost of servicing the external public debt in such circumstances.

Finally, it should be noted that there are substantial differences between the countries, depending on whether one focuses on the external situation in the short or in the long term. Thus, the relatively easier external situation enjoyed this year by some economies of the region depends heavily on the stability of both the current prices of their exports and the levels of international interest rates; elements which have been notoriously volatile in recent years. Moreover, the degree of the external constraint also depends on the ratio of the debt to output, which is, in contrast, relatively constant in the short and even the medium term. Thus, for example, two of the countries (Chile and

Uruguay) which are enjoying a relatively easier, short-term external situation at present --partly because of the marked improvement in their terms of trade in 1988-- are among those where the relative burden of the external debt is highest: 90% of gross domestic product, compared with an average of the order of 60% for the rest of the region (see table 5). Only Colombia and Brazil meet the criteria of having both a diversified export structure and a lower ratio of debt to output, which tends to make the degree of external imbalance in the short term more similar to the long-term imbalance.

In short, in recent years the debt crisis has meant that in practice priority has been given to achieving external equilibrium at the expense of growth and price stability. As may be gathered from the preliminary results for the first half of 1988, however, even if such an effort were successful and the external imbalance was reduced, this need not necessarily be reflected in the resumption of sustained growth and a slowing of inflation. In order for these to take place, it is necessary to reduce the external transfer and at the same time to increase the domestic transfers, for the reduction of the first-named of these elements is a necessary but not sufficient condition for achieving steady growth and controlling inflation. Such an objective calls also for other measures, including control of the fiscal deficit, since very high rates of inflation lead to a weakening of public management, loss of confidence and credibility, and even to the danger of eroding the bases of democracy.

Inflation

With few, albeit noteworthy, exceptions (above all Mexico), the resurgence of inflation observed in 1987 continued during the first half of 1988. In Nicaragua, where price increases over the last 12 months exceed 4000%, this process is well on the way to hyperinflation, while in Brazil and Peru it is reflected in rates of inflation considerably greater than the previous recorded levels. In Argentina, the monthly rates of price increases came close in mid-1988 to the record levels reached in 1985 (see figure 1) and led to the adoption of a new stabilization programme in August. Much less dramatic, but nevertheless significant --in view of the rates of price increases to which these countries were accustomed-- were the cases of renewed inflation in Ecuador, the Dominican Republic and some Central American countries. Although inflation in Bolivia was still quite moderate, it nevertheless registered an annual rate (20%) which was double that observed in 1987.

A number of factors were responsible for this acceleration of inflation: exchange rate increases; freeing of controlled prices; adjustment of the public sector's service charges; reduction in State subsidies; wage pressures, and, in particular, the element of inertia represented by indexation. In some countries, an additional factor which interlinked with these and was difficult to regulate was the loss of credibility of the economic policy and the consequent volatility and acceleration of inflationary expectations. As already noted, however, in all cases the resurgence of inflation was also associated with difficulty in controlling the fiscal accounts. Generally speaking, most countries have made efforts to check public spending (although these have all too often been centered on the reduction of investment, which compromises future growth) and to expand tax revenue, but the results of these efforts have been insufficient.

Thus, in quite a few cases revenue has tended to fall in real terms because of the inevitable difference between nominal taxation and real tax revenue caused by

acceleration of inflation, as well as the greater possibilities of evasion when inflation reaches very high levels. Likewise, the deficit of the public sector as a whole has tended to rise, in widely differing situations and despite greater control of the central government deficit, due to increases in the deficits of State enterprises, Central Bank losses because of exchange rate or interest rate differentials, subsidies to State banks (in order to purchase the portfolios of bad debts of private banks), or grants made to finance the deficits of State and provincial governments.

Not all the developments in this field have been negative, however. Inflation went down in Venezuela and declined even more in Chile (see figure 2), while in Mexico it has gone down from rates of 15% per month at the beginning of the year to 2% or less since May. In this respect it is significant that although the Mexican stabilization programme includes a policy of price and wage controls (expressed in a joint agreement between entrepreneurs, workers and the government), this programme was begun when the public sector operational deficit had already been turned into a surplus. In other words, as well as using price controls to eliminate inertial inflation and to co-ordinate and guide the expectations of the economic agents, thus minimizing the risk of recession involved in an anti-inflation policy, policies have also been applied in order to exercise strict control over aggregate demand.

The external sector and the transfer of resources

If the trends of the first half of the year are maintained, the current account deficit of the region is likely to be reduced from the US\$12 billion registered in 1987 to some US\$7 billion in 1988 (see table 2). As factor service payments will probably be higher, because of the rise in international interest rates, all of this reduction will be due to the expansion (by about one-third) of the trade surplus. This improvement in the merchandise trade balance is concentrated in the non-oil-exporting countries, and especially in Brazil (whose merchandise trade surplus will go up from US\$11 billion to almost US\$17 billion); Argentina (from US\$900 million to some US\$3 billion) and Chile (from US\$1.2 billion to nearly US\$2 billion). In contrast, the trade surpluses of the oil-exporting countries will go down, except in the case of Ecuador, which had registered a trade deficit in 1987 because of the prolonged interruption in its petroleum exports caused by the earthquake in March of that year.

The expansion in the trade surplus will take place because the increase in the value of exports (13%) will be greater than the growth of imports (7%) and because the level of exports was already much higher than that of imports (see table 2). The rise in the value of exports reflects the increases (of the order of 10%-30%) in the prices of metals and almost all foodstuffs and agricultural raw materials, except for some tropical products and petroleum, where prices fell by 15% (see table 3). Factors contributing to the rise in raw material prices have been the drought in the United States, the changes being made in the agricultural policies of the European Economic Community, the low stocks of metals, and the expansion of economic activity in Asia and Europe (which are net importers of raw materials). How long this increase lasts will depend on how permanent these changes are: obviously, drought is only a temporary phenomenon, and the effects of the subsequent rains in agricultural areas of the United States have already begun to be felt in the recent declines in the international prices of some agricultural products.

Not only has there been an improvement in many export prices, but there has also been a continued increase in the volume of exports, especially of manufactures. The value of such exports has increased by 54% in Brazil, 35% in Chile, 30% in Ecuador and 22% in Mexico. A noteworthy feature, in this respect, is that this year both Mexico and Brazil will export probably US\$3 billion of transport equipment alone. There will also be an increase in the volume of agricultural exports (soya beans and wheat in Argentina, Brazil and Paraguay and fruit in Chile). Among the reasons for the favourable response of the exportable supply in these areas to the better international market conditions are the elimination of export taxes (Argentina) and the improvement in the domestic relative prices of foodstuffs. Much of the growth in the volume of exports of manufactures is due to the high level of real exchange rates, together with the increase in the exportable surpluses brought about by the decline in domestic demand (in Brazil and Mexico).

It is estimated that there will also be a rise in imports, of approximately 7% in value and some 3% in volume. With the exception of Mexico --where imports have increased by around 50%-- however, the value of imports of other countries have not grown significantly. The few increases registered (apart from the case of Mexico) are concentrated in the countries with greatest economic growth. The very marked increase in Mexico's imports is due to the drastic tariff liberalization policy of that country and also to the gradual erosion of the real exchange rate brought about by the current stabilization programme, and it has also been facilitated by the large supply of international reserves.

The greater trade surplus that the region will obtain will not necessarily be reflected in an equivalent increase in the transfer of resources to the exterior. Such a situation would be consistent with the greater priority which the countries have been giving to the use or accumulation of their available foreign exchange to back up economic recovery or a more sustained growth in the future. In this respect, it is worth noting that although Brazil has raised its moratorium, it has insisted on securing additional net financing amounting to US\$5.2 billion, even though it has registered the biggest trade surplus in its history. With this surplus, it could pay the whole of the interest on the debt, but only at the cost of the stagnation of economic activity, which is unacceptable to the country. Similarly, although Argentina could finance a larger proportion of its interest commitments with the surplus it will obtain this year, it has insisted on paying only half of them from its own resources and financing the rest with new loans. In the case of Mexico, although this country has an adequate external balance, this is very sensitive to fluctuations in oil prices, and it seems improbable that, in the face of a further fall in such prices, the country would choose to cut down imports of goods which are essential for growth rather than reduce the transfer of resources to the exterior. When faced with similar options in 1987, Ecuador and the Dominican Republic partially suspended their servicing of the debt, as Bolivia, Costa Rica, Peru and other countries had done before them.

Thus, in spite of the somewhat easier external situation of some countries in 1988, many of them would appear to be arriving at the conclusion that the cost of complying strictly with their debt servicing commitments and trying to grow on the basis of the remaining foreign exchange may be greater than the cost of only partial debt servicing. Indeed, half of them have already felt constrained to reduce their debt servicing unilaterally. As a counterpart of the foregoing, and in clear recognition by the market of the difficulty of collecting the debt in its totality, the average quotation of Latin American debt paper has fallen to 44% on its nominal value in the secondary market.

In conclusion, if there is a continuation of the tendencies shown in the first half of the year towards dynamic growth of exports, modest growth of imports, and little variation in the total amount of transfers to the exterior, the region as a whole should close the year with a higher level of international monetary reserves. This suggests that the viability of the reactivation and stabilization efforts may be enhanced in 1989.

The debt burden

The trends noted in the first half of the year indicate that the region's external debt --of the order of US\$410 billion-- will probably grow very little this year. This would be the result of five factors. Firstly, if the revaluation of the dollar which has taken place so far this year is maintained, the debt denominated in other currencies would fall in dollar terms (by some US\$7 billion to US\$10 billion). The second factor is the reluctance of the commercial banks to increase their exposure in the region. Only Brazil (US\$5.2 billion) and Colombia (US\$1 billion) are likely to receive significant contributions. The third factor is that the net credits provided by multilateral financial agencies to the region are currently very low. Fourthly, apart from modest increases in indebtedness with the commercial banking system, the debt could only increase through suppliers' credits, and, because of the slow growth of the region, it is not likely to increase very much in this way. Finally, some countries (Bolivia, Chile and Mexico) have repurchased part of their debt at a discount, and a larger number of countries have converted external commitments into domestic assets.

Furthermore, as the nominal debt will grow only slightly and dollar inflation will be of the order of 4%, the external debt will probably go down both in real terms and as a proportion of output. Because of the sharp growth in non-oil exports, the debt/exports ratio should go down from approximately 4 to 1 in 1987 to less than 3.5 to 1 in 1988 in the case of the non-oil-exporting countries, while the ratio will remain virtually unchanged (around 3.6 to 1) in the case of the oil-exporting countries.

Despite the relative improvement in these indicators of indebtedness, however, their levels are still very high. As already noted, between 1982 and 1987 the external commitments of the region were equivalent to more than 5% of GDP, and indeed, 3.9% of GDP was transferred to the exterior (see table 4). Thus, the problem of the transfer of resources to the exterior involved in servicing the debt continues to be a central factor which severely limits the long-term development of the region, although of course it is not the only limiting factor. As stated earlier, if it does not prove possible to finance the domestic transfer properly, the positive effects of a reduction in the external transfer may rapidly evaporate. Nevertheless, however, if the transfer to the exterior is not reduced, this is bound to have an adverse effect on growth, and the already enormous social problems faced by the region will continue to increase and become more serious.

Indeed, the reversal which has taken place in the direction of resource transfers has not only limited current output (causing a drop in per capita income), but has fallen almost entirely on domestic investment, thus compromising future growth. As may be seen from table 5, the drop in investment as a proportion of GDP during the crisis is almost equal to the net reversal in transfers in relation to output (six percentage points). Moreover, during the prolonged crisis there has been a fall in real wages (and hence in consumption) in various countries (above all in Mexico, and to a lesser extent in Chile

and Uruguay). This reduction has not had any major effect on saving, however, as was expected in many cases, but seems rather to have affected income distribution by making it even more inequitable. Consequently, unless there is a substantial and lasting improvement in the external environment, servicing the external debt at present in strict accordance with its original terms means hindering the recovery of investment, wages and employment.

Table 1

LATIN AMERICA: GROSS DOMESTIC PRODUCT

| | Annual growth rates | | | | Cumulative variation 1981-1988 |
|-------------------------------|---------------------|------|------|--------|--------------------------------|
| | 1985 | 1986 | 1987 | 1988 a | |
| Latin America | 3.8 | 3.9 | 2.7 | 0.6 | 12.0 |
| Oil-exporting countries b | 2.4 | -0.9 | 1.7 | 0.0 | 6.5 |
| Non-oil-exporting countries c | 4.5 | 6.8 | 3.1 | 0.9 | 15.2 |

Source: ECLAC, on the basis of official data.

a: Preliminary estimates subject to revision. b: Oil-exporting countries: Bolivia, Ecuador, Mexico, Peru, and Venezuela. c: Non-oil-exporting countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, and Uruguay.

Table 2

LATINA AMERICA: BALANCE OF PAYMENTS
(Billions of dollars)

| | Latin America | | | Oil-exporting countries | | | Non-oil-exporting countries | | |
|------------------------------|---------------|-------|-------------------|-------------------------|------|-------------------|-----------------------------|-------|-------------------|
| | 1986 | 1987 | 1988 ^a | 1986 | 1987 | 1988 ^a | 1986 | 1987 | 1988 ^a |
| Balance on current account b | -17.0 | -12.0 | -7.3 | -5.9 | -1.3 | -5.6 | -11.1 | -10.6 | -1.7 |
| Trade balance (goods) | 18.3 | 21.6 | 28.9 | 5.9 | 9.5 | 6.2 | 12.4 | 12.1 | 22.7 |
| Exports | 77.8 | 88.5 | 100.4 | 29.9 | 36.3 | 37.1 | 47.9 | 52.2 | 63.3 |
| Imports | 59.5 | 66.9 | 71.5 | 24.0 | 26.8 | 30.9 | 35.5 | 40.1 | 40.6 |
| Net payments | | | | | | | | | |
| Services | 3.8 | 3.5 | 3.4 | 0.7 | 0.1 | 0.1 | 3.1 | 3.3 | 3.3 |
| Profits and interest | 31.5 | 30.1 | 32.8 | 11.1 | 10.7 | 11.7 | 20.4 | 19.4 | 21.1 |
| Balance on capital account | 8.4 | 10.0 | ... | 1.4 | 5.0 | ... | 7.0 | 5.0 | ... |
| Global balance | -8.6 | -2.0 | ... | -4.5 | 3.7 | ... | -4.1 | -5.6 | ... |

Source: ECLAC, on the basis of official data.

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

Table 3

LATIN AMERICA: PRICES OF MAIN EXPORT PRODUCTS
(Dollars)

| | Annual averages | | | | | Growth rates | | | Cumulative variation | |
|-------------------|-----------------|-------|-------|-------|---------|--------------|-------|-------|----------------------|--------------|
| | 1970-1980 | 1985 | 1986 | 1987 | 1988 | 1985 | 1986 | 1987 | 1988 | 1988/1970-80 |
| | | | | | a | | | | b | |
| Raw sugar c | 12.8 | 4.1 | 6.1 | 6.8 | 9.1 | -21.2 | 48.8 | 11.5 | 33.8 | -28.9 |
| Coffee (mild) c | 121.8 | 146.0 | 195.0 | 114.0 | 137.0 * | 5.8 | 33.6 | -41.5 | 20.2 | 12.5 |
| Cocoa c | 86.3 | 102.3 | 93.8 | 90.6 | 78.8 | -5.9 | -8.3 | -3.4 | -13.0 | -8.7 |
| Bananas c | 11.8 | 18.4 | 22.1 | 26.5 | 29.6 | -3.2 | 20.1 | 19.9 | 11.7 | 150.8 |
| Wheat d | 125.1 | 138.0 | 115.0 | 115.0 | 133.0 | -9.8 | -16.7 | 0.0 | 15.7 | 6.3 |
| Maize d | 127.5 | 135.3 | 112.9 | 109.4 | 120.6 | -19.1 | -16.6 | -3.1 | 10.2 | -5.4 |
| Beef c | 82.2 | 97.7 | 95.0 | 108.2 | 113.7 | -4.8 | -2.8 | 13.9 | 5.1 | 38.3 |
| Fish meal c | 354.7 | 280.0 | 321.0 | 383.0 | 517.0 | -24.9 | 14.6 | 19.3 | 35.0 | 45.8 |
| Soya d | 232.4 | 225.0 | 208.0 | 216.0 | 279.0 | -20.2 | -7.6 | 3.8 | 29.2 | 20.1 |
| Cotton c | 61.2 | 61.7 | 52.9 | 76.1 | 68.3 * | -23.2 | -14.3 | 43.9 | -10.2 | 11.6 |
| Wool c | 131.5 | 140.7 | 147.7 | 185.1 | 209.0 | -0.6 | 5.0 | 25.3 | 12.9 | 58.9 |
| Copper c | 69.6 | 64.3 | 62.3 | 80.8 | 110.5 | 2.9 | -3.1 | 29.7 | 36.8 | 58.8 |
| Tin e | 3.9 | 5.4 | 2.6 | 3.1 | 3.2 | -3.6 | -51.9 | 19.2 | 3.2 | -17.9 |
| Iron ore d | 17.6 | 22.0 | 21.6 | 22.1 | 22.8 | -1.8 | -1.8 | 2.3 | 3.2 | 29.5 |
| Lead c | 25.3 | 17.7 | 18.4 | 27.1 | 30.0 | -11.9 | 4.0 | 47.3 | 10.7 | 18.6 |
| Zinc c | 29.7 | 34.3 | 32.3 | 36.2 | 48.0 | -15.5 | -5.8 | 12.1 | 32.6 | 61.6 |
| Bauxite d | 103.5 | 164.3 | 165.2 | 164.8 | 164.8 * | -0.4 | 0.5 | -0.2 | 0.0 | 59.2 |
| Crude petroleum f | | | | | | | | | | |
| Saudi Arabia | 10.0 | 28.0 | 13.7 | 17.5 | 14.8 * | -1.8 | -51.1 | 27.7 | -15.4 | 48.0 |
| Venezuela | 10.1 | 25.9 | 12.8 | 16.4 | 14.2 * | -2.2 | -50.6 | 28.1 | -13.4 | 40.6 |

Source: UNCTAD, *Monthly Commodity Price Bulletin*, Supplements 1960-1984 and July 1988; International Monetary Fund, *International Financial Statistics*, Yearbooks 1981 and September 1988; Petroleum Intelligence Weekly, 1986-1988; ECLAC, on the basis of official data.

a: Average January-June. b: Average January-June with respect to 1987 average.
c: Dollar cents per pound. d: Dollars per metric ton. e: Dollars per pound.
f: Dollars per barrel. *: Average January-May.

Table 4

LATIN AMERICA: DEBT, TRANSFER AND IMPACT

| | Debt | | Transfer | | Impact | |
|---------|-----------------|-------------------|-------------------|-----------------|-----------------|--------------|
| | $\frac{D}{GDP}$ | $\frac{i+u}{GDP}$ | $\frac{INK}{GDP}$ | $\frac{T}{GDP}$ | $\frac{I}{GDP}$ | Growth GDP/H |
| 1973-81 | 38% | -2.8% | 5.4% | 2.6% | 22.6% | 2.1%/Year |
| 1982-87 | 56 | -5.2 | 1.3 | -3.9 | 16.6 | -0.8 |
| 1987 | 57 | -4.3 | 1.4 | -2.9 | 16.6 | 0.3 |
| 1988 a | 55 | -4.4 | ... | ... | ... | -1.5 |

Source: ECLAC, estimates on the basis of official information.

These estimates are but orders of magnitude, since they are quite sensitive to how peso output is valued in dollars.

Symbols: D = total external disbursed debt; i + u = net payment of interests and profits; INK = net capital inflow; T = net transfer of resources; I = gross domestic investment; GDP = gross domestic product; GDP/H = gross domestic product per capita.

a: Preliminary estimates.

Table 5

LATIN AMERICA: EFFECT OF DEBT ON INVESTMENT,
SALARIES, AND OUTPUT
(Crisis and pre-crisis) a

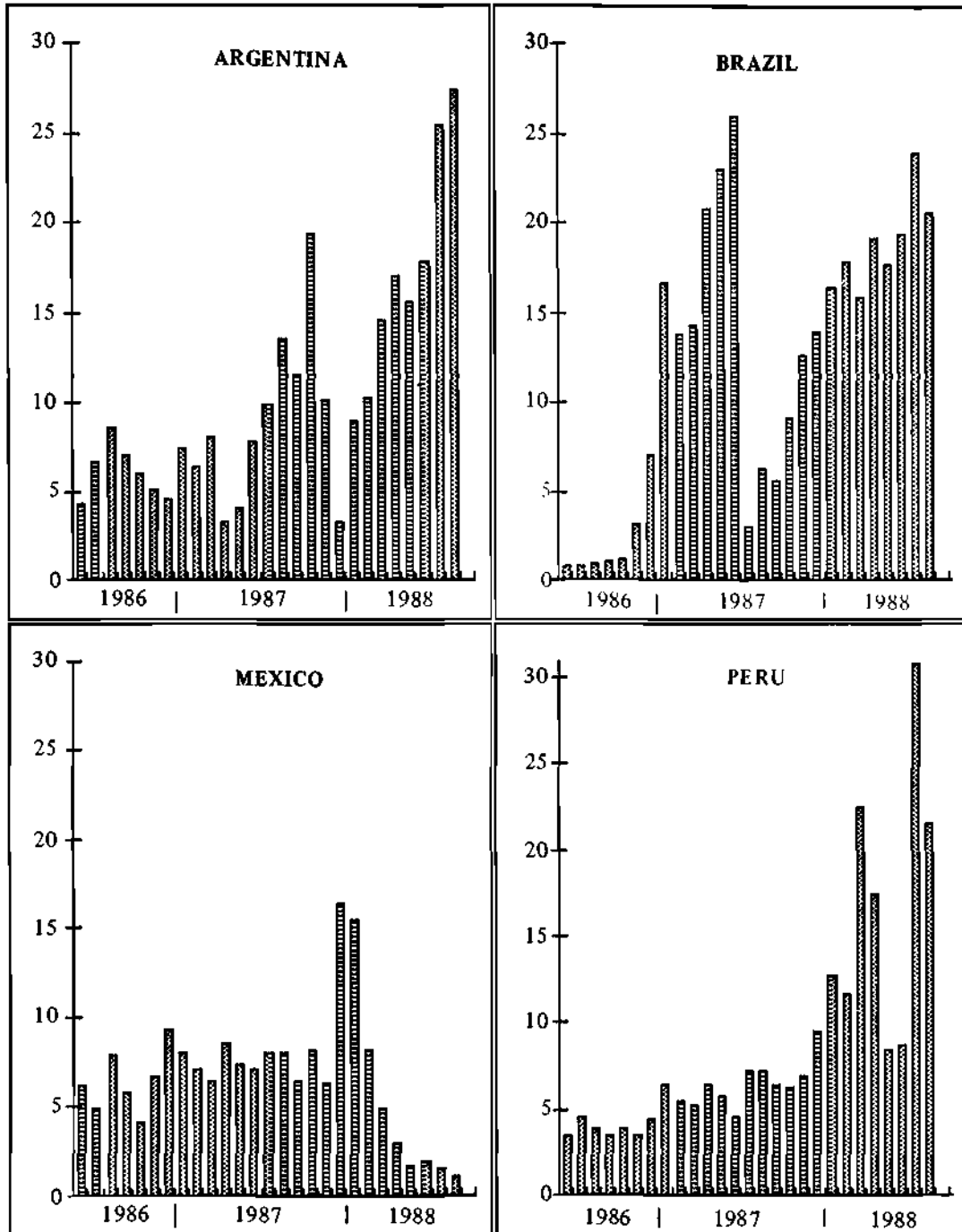
| Crisis: 1982-87 (Pre-crisis: 1970-81) a | | | | |
|---|--------------------|--------------------------|---|---|
| | <u>Debt</u> GDP | <u>Investment</u> GDP | Cumulative variation of real salary b | Cumulative variation of output per capita b |
| | 82-87(70-81) | 82-87(70-81) | 82-87(70-81) | 82-87(70-81) |
| Latin America | 56%(38%) | 16.6%(22.6%) | ... | -3.3%(32.9%) |
| Argentina | 73 (40) | 12.7 (20.8) | 16% (-7%) | -14.5 (9.5) |
| Brazil | 45 (32) | 16.3 (23.3) | 3 (56) | 3.9 (81.5) |
| Colombia | 25 (20) | 18.3 (18.4) | 18 (-1) | 9.0 (36.7) |
| Costa Rica | 110 (82) | 18.2 (22.5) | -2 (32) | -9.7 (29.2) |
| Chile | 90 (60) | 12.0 (16.7) | -13 (-3) | -5.7 (12.9) |
| Ecuador | 61 (35) | 17.8 (24.2) | ... | -10.5 (87.3) |
| Mexico | 65 (35) | 17.8 (23.2) | -30 (15) | -14.4 (49.2) |
| Peru | 61 (42) | 21.2 (23.4) | 3 (-14) | -5.7 (13.5) |
| Uruguay | 88 (41) | 9.7 (12.3) | -8 (-35) | -9.7 (35.8) |
| Venezuela | 58 (40) | 19.0 (25.9) | ... | -13.1 (5.7) |

Source: ECLAC, estimates on the basis of official information.

Symbols: Debt = total external disbursed debt; Investment = gross domestic investment; GDP = gross domestic product.

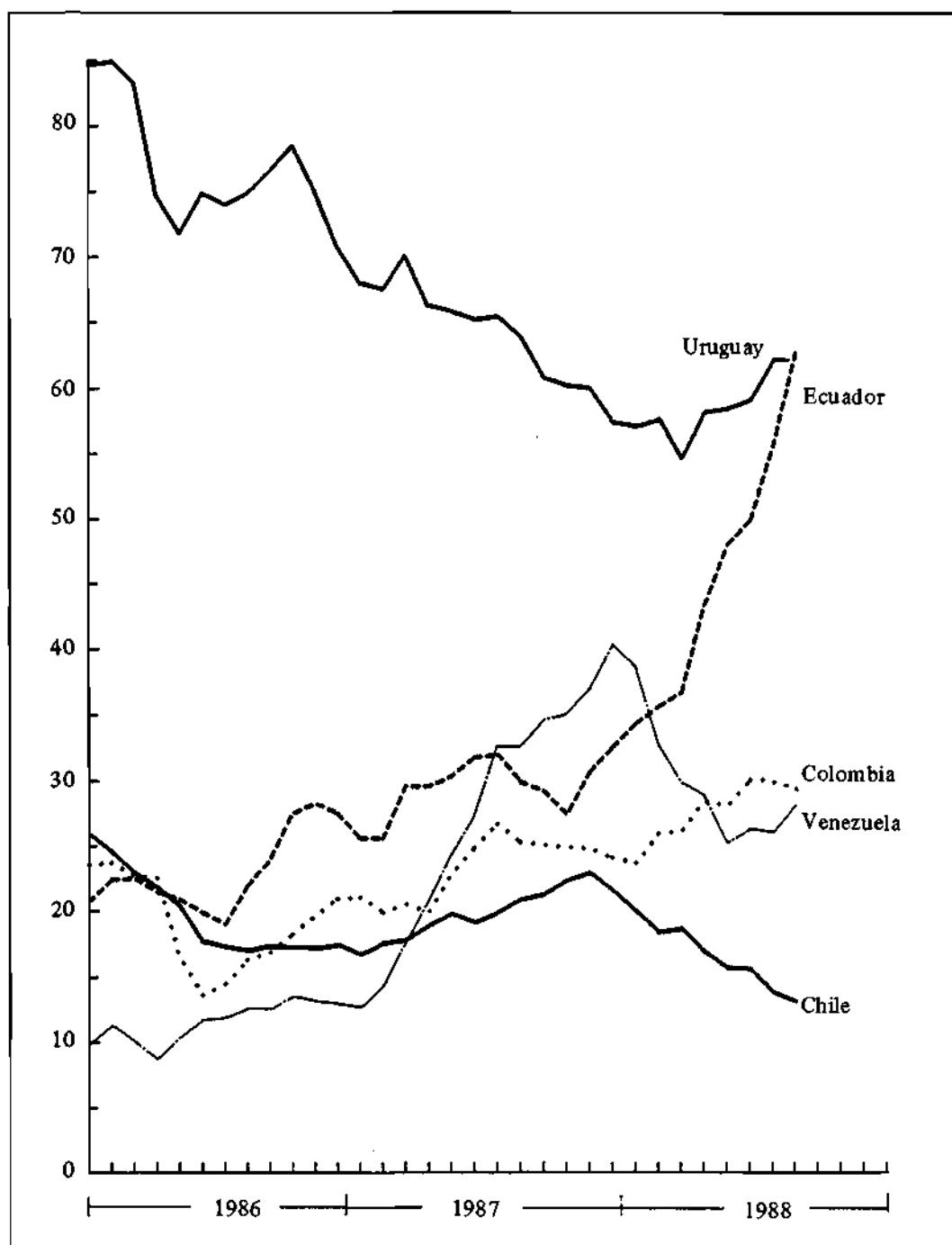
a: Information in parenthesis refers to the pre-crisis period; the other data refer to the crisis. b: Since the crisis did not start simultaneously in all the countries, cumulative variations have been included for the relevant periods in each country, so as to show the effect of adjustment on real salaries. Therefore, the figures in the last two columns refer to the variation registered between 1981 and 1987 in Argentina, Brazil, Costa Rica, and Ecuador; and, between 1982 and 1987, in the rest of the countries.

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



Source: ECLAC, on the basis of official data.

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



Source: ECLAC, on the basis of official data.

ARGENTINA

During the first half of 1988 there was an increase in the already high rate of inflation affecting the economy of Argentina and the fiscal problems grew worse, even though there was a reversal of the unfavourable trends in external trade and the overall level of activity tended to be maintained. Early in August, the authorities launched a new stabilization programme on whose results the course of future economic evolution will depend.

The trade surplus increased once again, after two years of setbacks, thanks to the rise in the international prices of certain types of grains, the expansion in the volume of agricultural exports, the growing sales of manufactures, and a slight reduction in imports (see table 6). In this connection, it is estimated that the merchandise trade balance in 1988 could be as much as six times that of the previous year, which was US\$500 million. On the other hand, it should be noted that the trade surplus normally covers only part of the interest on the external debt, and moreover the level of external reserves is very low, while it is considered that the negotiations for obtaining new financing will continue to be difficult.

In mid-1987, another stage of rising inflation began. The freeze in prices and wages decreed in October had only temporary effect, and the year closed with a 175% increase in the level of prices. In January, inflation flared up once again, and continued to accelerate in the following months until it amounted to over 25% in July, at which date the cumulative annual increase came to 381% (see table 7).

During the early months of the year, the policy of freeing prices and incomes was accentuated. Collective meetings of the labour force were called to negotiate wages, and price controls were gradually relaxed until they were totally eliminated. At the same time, the trade exchange rate was devalued in line with inflation and an effort was made to raise public service rates faster. The evolution of agricultural prices followed international market trends, thus helping to aggravate inflation. Industrial prices, for their part, rose more than the average because, *inter alia*, of attempts to recover profit margins and the policy, followed by many firms, of over-adjusting list prices to forestall the possible re-application of controls. Most of the wage negotiations were reflected in adjustments every two months, which do not seem to have ensured full indexation of remunerations (see table 8).

In the early months of the year, the priority assigned to the reduction of the fiscal deficit ran into problems caused by the rapid deterioration in real fiscal income, mainly because of the drop in the revenue from the value added tax and the decline in export duties. This made necessary severe cuts in real expenditure, in spite of the greater commitments due to the granting of wage increases and the larger expenditure on debt servicing. Thus, the magnitude of the Treasury deficit, which was of the order of 25% of total expenditure at the end of 1987, exceeded 45% in the early months of 1988 (see table 9). The restoration of the system of compulsory saving, the introduction of a new system of federal sharing in taxes and the suspension of contributions by the Treasury to State enterprises made it possible to reduce this gap to 30% of expenditure, but even so the management of the fiscal accounts continued to encounter considerable difficulties.

The evolution of the public finances and the increases in the external surplus

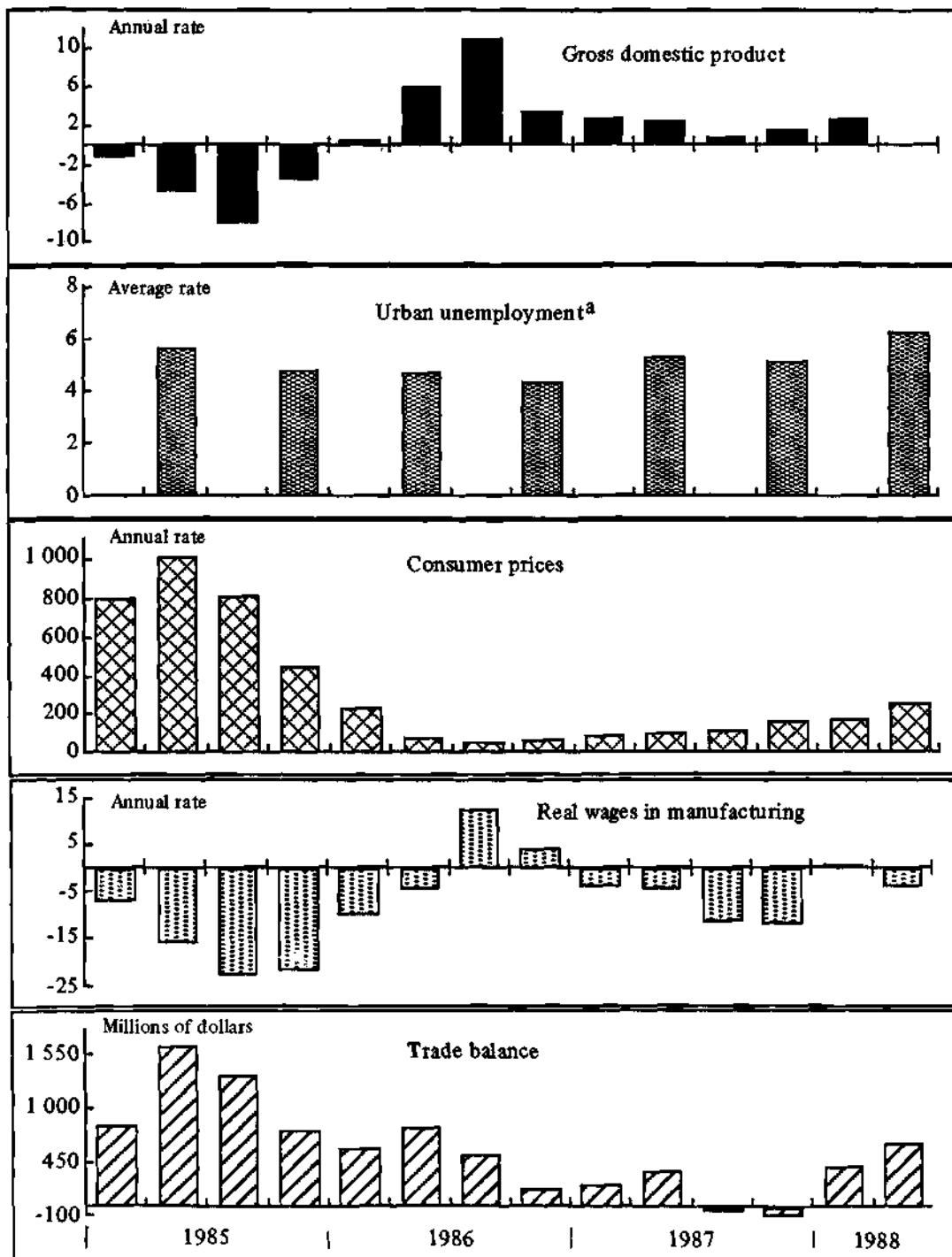
strongly influenced monetary policy, which sought to moderate the expansion in liquidity. To this end, the reserve requirements of the financial system were raised, which tended to increase the quasi-fiscal deficit and to reduce the availability of credit. On the other hand, the demand for money contracted in view of the resurgence of inflation. Nominal interest rates increased steadily up to July, but in real terms they tended to decline (see table 10).

The decline in real wages and the contraction in public expenditure had an adverse effect on domestic demand. Nevertheless, the recessionary trends observed at the end of 1987 seem to have faded. In the first quarter of the year, the GDP was 3% higher than in the same period of the previous year, largely because of the recovery in agricultural production and the temporary reactivation of public works (see table 4), while manufacturing activity remained virtually unchanged in annual terms (see tables 1 and 3). In the second quarter of the year, there seems to have been a decline in industrial sales and an increase in stocks, with a slight decline in the sectoral output.

Early in August, the authorities announced a new stabilization programme designed to reduce the inertial inflation caused by the indexation mechanisms and to secure for the fiscal accounts (which suffer from a continuous deficit) part of the additional income deriving from the increase in international grain prices. An agreement was signed with industrial entrepreneurs (subject to revision early in October) whereby prices were to be frozen and subsequently adjusted in a concerted manner, a reduction of three percentage points in the value added tax being granted in compensation for these measures. The fixing of wages was to continue to be subject to collective negotiation between the parties, except in the case of the civil service, where the staff were to be given an average increase of 25%. Under the terms of the changes made in the foreign exchange system, receipts from exports of primary commodities will be converted at the trade or official exchange rate, which, after being increased by 11.4%, will remain fixed until 30 September. Most of the imports, will be paid for at the financial exchange rate --which floats at higher levels than the trade rate (see table 11)--, while industrial exports will be transacted at a combined exchange rate, the fiscal incentives that they enjoy being maintained. The Central Bank will use part of the foreign exchange purchased on the commercial market to intervene on the financial market, benefiting from the differential between the two exchange rates. It is estimated that the benefit obtained will be between 1% and 1.5% of the GDP, thus making up for part of the quasi-fiscal deficit. At the same time, the restrictions on a broad range of imports were abolished, and new measures were adopted to restrict expansion of the money supply and to limit public spending. Public service rates, which were initially increased by 30%, are scheduled to remain fixed until the end of September.

The immediate impact of the measures adopted and the weight of the price increases that took place at the end of July was that in August the price index increased by almost 26%, but it is expected that in September there will be a significant slowing in the rate of inflation. By its very characteristics, the effectiveness of the programme will depend essentially on the immediate results that it is capable of achieving, since these will modify or intensify the behaviour of the various economic agents. These results will also have a significant influence on the level of economic activity as a whole, which in any case will probably be within a range slightly above or below the level of the year before.

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



Source: ECLAC, on the basis of official data.
^aFederal Capital and Greater Buenos Aires.

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

| | 1987 b | | | | 1988 b | |
|---|--------|------|------|------|--------|------|
| | I | II | III | IV | Año | I |
| Total | 2.8 | 2.7 | 1.0 | 1.6 | 2.0 | 3.0 |
| Agriculture, hunting, forestry and fisheries | -1.1 | -1.7 | 1.6 | 13.1 | 3.5 | 11.0 |
| Mining | -6.3 | -1.5 | 3.4 | 5.4 | 0.2 | 9.4 |
| Manufacturing | 2.8 | 4.6 | -3.0 | -6.2 | -0.7 | 0.3 |
| Construction | 8.8 | 25.6 | 16.8 | 6.5 | 14.7 | 14.8 |
| Electricity, gas and water | 6.8 | 5.5 | 5.6 | 6.4 | 6.1 | 3.9 |
| Trade | 7.1 | 1.5 | -0.8 | -1.5 | 1.6 | -0.5 |
| Transport | 2.8 | 1.1 | 2.5 | 4.2 | 2.7 | 4.8 |
| Financial institutions, insurance, real estate | 4.4 | 4.3 | 3.2 | -0.6 | 2.8 | -0.3 |
| Community, social and personal services | 0.9 | 0.7 | 0.8 | 0.7 | 0.8 | 0.2 |

Source: Central Bank.

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

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

| | Seasons | | | Percentage variation | |
|-----------------------|------------------|------------------|--------------------|----------------------|-------|
| | 1985/1986 (1) | 1986/1987 (2) | 1987/1988 (3) a | (2/1) | (3/2) |
| Cereals | | | | | |
| Maize | 12100 | 9250 | 9200 | -23.6 | -0.5 |
| Sorghum | 4000 | 3000 | 3200 | -25.0 | 6.7 |
| Wheat | 8700 | 8700 | 9900 | 0.0 | 13.8 |
| Rice | 378 | 352 | 383 | -6.9 | 8.8 |
| Oilseeds | | | | | |
| Sunflower | 4100 | 2200 | 2860 | -46.3 | 30.0 |
| Linseed | 460 | 622 | 652 | 35.2 | 4.8 |
| Peanuts (peeled) | 259 | 350 | 310 | 35.1 | -11.4 |
| Soya beans | 7100 | 7000 | 8300 | -1.4 | 18.6 |
| Vegetables and pulses | | | | | |
| Potatoes | 2058 | 1911 | 2500 | -7.1 | 30.8 |
| Tomatoes | 840 | 657 | 696 | -21.8 | 5.9 |
| Pumpkins | 396 | 404 | 420 | 2.0 | 4.0 |
| Beans | 311 | 134 | 172 | -56.9 | 28.4 |
| Industrial crops | | | | | |
| Cotton | 377 | 323 | 812 | -14.3 | 151.4 |
| Sugar cane | 14465 | 14479 | 14868 | 0.1 | 2.7 |
| Tobacco | 66 | 71 | 63 | 7.6 | -11.3 |
| Tea | 178 | 195 | 137 | 9.6 | -29.7 |
| Yerba mate | 431 | 366 | 390 | -15.1 | 6.6 |
| Wine grapes | 2411 | 3689 | 3304 | 53.0 | -10.4 |
| Fruit | | | | | |
| Peaches | 209 | 181 | 254 | -13.4 | 40.3 |
| Lemons | 481 | 533 | 327 | 10.8 | -38.6 |
| Apples | 597 | 1074 | 925 | 79.9 | -13.9 |
| Oranges | 623 | 643 | 658 | 3.2 | 2.3 |
| Pears | 165 | 251 | 201 | 52.1 | -19.9 |
| Grapefruit | 178 | 175 | 170 | -1.7 | -2.9 |

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

Table 3

ARGENTINA: INDUSTRIAL GROSS PRODUCT a

| | Index 1970=100 | Percentage variation | | |
|------|-------------------|----------------------|-------------|--------|
| | | Quarter b | 12 Months c | Year d |
| 1986 | | | | |
| I | 94.9 | -9.3 | 5.2 | 5.2 |
| II | 108.4 | 14.2 | 10.5 | 8.0 |
| III | 116.6 | 7.6 | 26.6 | 14.1 |
| IV | 114.7 | -1.6 | 9.7 | 12.9 |
| 1987 | | | | |
| I | 97.6 | -14.9 | 2.8 | 2.8 |
| II | 113.4 | 16.2 | 4.6 | 3.8 |
| III | 113.1 | -0.3 | -3.0 | 1.3 |
| IV | 107.6 | -4.9 | -6.2 | -0.7 |
| 1988 | | | | |
| I | 97.8 | -9.1 | 0.3 | 0.3 |

Source: Central Bank.

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

Table 4

ARGENTINA: GROSS FIXED INVESTMENT
(1970 value Australes)

| | 1987 | | | | 1988 | | Percentage variation | |
|-------------------------|------|------|------|------|------|------|----------------------|--|
| | I | II | III | IV | I | 1988 | | |
| | | | | | | 1987 | I | |
| Total | 1197 | 1597 | 1614 | 1414 | 1285 | 14.9 | 7.4 | |
| Construction | 687 | 890 | 928 | 769 | 765 | 13.7 | 11.4 | |
| Public | 223 | 393 | 434 | 274 | 301 | 16.6 | 35.0 | |
| Private | 464 | 497 | 494 | 495 | 463 | 11.9 | -0.1 | |
| Machinery and equipment | 510 | 707 | 686 | 646 | 520 | 16.4 | 2.1 | |

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

Table 5

ARGENTINA: UNEMPLOYMENT IN MAIN URBAN AREAS
(Percentages)

| | 1985 | | 1986 a | | 1987 | | 1988 |
|--|-------|---------|--------|---------|-------|---------|-------|
| | April | October | April | October | April | October | April |
| | | | | | | | |
| Total b | 6.3 | 5.9 | 4.8 | 5.2 | 6.0 | 5.8 | ... |
| Federal Capital and Greater Buenos Aires | 5.7 | 4.9 | 4.8 | 4.4 | 5.4 | 5.2 | 6.3 |
| Córdoba | 5.3 | 4.7 | 6.4 | 5.1 | 4.9 | 5.5 | ... |
| Mendoza | 3.6 | 3.7 | 4.9 | 3.3 | 3.6 | 3.1 | ... |
| Rosario | 10.5 | 10.2 | 6.8 | 7.2 | 7.3 | 8.3 | ... |
| Tucumán c | 12.1 | 11.4 | 13.6 | 12.5 | 15.1 | 9.8 | ... |

Source: National Institute of Statistics and Censuses.

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

Table 6

ARGENTINA: TRADE BALANCE

| | Millions of dollars | | | | | | Percentage variation a | | | | | |
|------|---------------------|------|---------|------|---------------|------|------------------------|-------|---------|------|---------------|--|
| | Exports | | Imports | | Trade balance | | Exports | | Imports | | Trade balance | |
| | Month | Year | Month | Year | Month | Year | Month | Year | Month | Year | Year | |
| 1987 | | | | | | | | | | | | |
| Jan | 451 | 451 | 362 | 362 | 89 | 89 | -10.5 | -10.5 | 8.7 | 8.7 | -48.0 | |
| Feb | 467 | 918 | 341 | 703 | 126 | 215 | -2.5 | -6.6 | 22.2 | 14.9 | -42.0 | |
| Mar | 523 | 1441 | 497 | 1200 | 26 | 241 | -1.3 | -4.8 | 60.8 | 30.3 | -59.3 | |
| Apr | 538 | 1979 | 433 | 1633 | 105 | 346 | -8.7 | -5.9 | 9.6 | 24.1 | -56.0 | |
| May | 496 | 2475 | 423 | 2056 | 73 | 419 | -30.8 | -12.2 | 10.2 | 20.9 | -62.6 | |
| Jun | 707 | 3182 | 524 | 2580 | 183 | 602 | 6.6 | -8.6 | 40.1 | 24.4 | -57.2 | |
| Jul | 616 | 3798 | 592 | 3172 | 24 | 626 | -14.8 | -9.7 | 31.8 | 25.7 | -62.8 | |
| Aug | 547 | 4345 | 520 | 3692 | 27 | 653 | -20.1 | -11.1 | 19.8 | 24.9 | -66.2 | |
| Sep | 455 | 4800 | 523 | 4215 | -68 | 585 | -7.0 | -10.8 | 10.3 | 22.9 | -70.0 | |
| Oct | 503 | 5303 | 540 | 4755 | -37 | 548 | 4.8 | -9.5 | 21.3 | 22.7 | -72.4 | |
| Nov | 519 | 5822 | 494 | 5249 | 25 | 573 | 16.6 | -7.6 | 25.7 | 23.0 | -71.8 | |
| Dec | 378 | 6200 | 451 | 5700 | -73 | 500 | -31.3 | -9.5 | -1.1 | 20.6 | -76.5 | |
| 1988 | | | | | | | | | | | | |
| Jan | 527 | 527 | 429 | 429 | 98 | 98 | 16.9 | 16.9 | 18.5 | 18.5 | 10.1 | |
| Feb | 527 | 1054 | 317 | 746 | 210 | 308 | 12.8 | 14.8 | -7.0 | 6.1 | 43.3 | |
| Mar | 560 | 1614 | 417 | 1163 | 143 | 451 | 7.1 | 12.0 | -16.1 | -3.1 | 87.1 | |
| Apr | 557 | 2171 | 409 | 1572 | 148 | 599 | 3.5 | 9.7 | -5.5 | -3.7 | 73.1 | |
| May | 746 | 2917 | 467 | 2039 | 279 | 878 | 50.4 | 17.9 | 10.4 | -0.8 | 109.5 | |

Source: National Institute of Statistics and Censuses.

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

Table 7

ARGENTINA: PRICE INDEXES
(Percentage variations)

| | Consumer price index | | | | | | Wholesale price index | | | | | |
|-----|----------------------|-------|-------|-------|-------|-------|-----------------------|-------|-------|-------|-------|-------|
| | 1987 | | 1988 | | 1987 | | 1988 | | 1987 | | 1988 | |
| | Month | Year | 12Ms. | Month | Year | 12Ms. | Month | Year | 12Ms. | Month | Year | 12Ms. |
| Jan | 7.6 | 7.6 | 89.9 | 9.1 | 9.1 | 178.7 | 5.3 | 5.3 | 66.4 | 12.1 | 12.1 | 199.9 |
| Feb | 6.5 | 14.5 | 99.0 | 10.4 | 20.5 | 189.0 | 6.9 | 12.5 | 76.4 | 13.3 | 27.1 | 218.1 |
| Mar | 8.2 | 23.9 | 105.6 | 14.7 | 38.2 | 206.5 | 7.9 | 21.4 | 87.6 | 16.2 | 47.7 | 242.9 |
| Apr | 3.4 | 28.1 | 103.0 | 17.2 | 62.0 | 247.6 | 1.9 | 23.7 | 85.6 | 16.8 | 72.6 | 293.0 |
| May | 4.2 | 33.5 | 103.3 | 15.7 | 87.5 | 286.1 | 4.9 | 29.8 | 89.6 | 23.3 | 112.6 | 362.0 |
| Jun | 8.0 | 44.1 | 110.0 | 18.0 | 121.2 | 321.7 | 6.7 | 38.5 | 93.4 | 24.0 | 160.1 | 437.1 |
| Jul | 10.1 | 58.7 | 116.6 | 25.6 | 177.9 | 381.2 | 9.4 | 51.6 | 101.5 | 25.0 | 229.9 | 513.7 |
| Aug | 13.7 | 80.5 | 126.4 | 27.6 | 255.3 | 439.6 | 14.6 | 73.6 | 111.0 | 31.9 | 334.7 | 605.6 |
| Sep | 11.7 | 101.6 | 135.8 | | | | 16.6 | 102.5 | 130.5 | | | |
| Oct | 19.5 | 141.0 | 165.8 | | | | 30.4 | 164.3 | 185.6 | | | |
| Nov | 10.3 | 165.8 | 178.3 | | | | 4.3 | 175.6 | 183.9 | | | |
| Dec | 3.4 | 174.7 | 174.7 | | | | 2.2 | 181.6 | 181.6 | | | |

Source: National Institute of Statistics and Censuses.

Table 8

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

| | Index b | | | | Percentage variation 1988/87 | | |
|-----|---------|--------|-------|-------|------------------------------|--------|--------|
| | 1985 | 1986 | 1987 | 1988 | Month | Year c | 12Ms d |
| Jan | 103.0 | 95.6 | 89.8 | 86.7 | -6.3 | -3.5 | -3.5 |
| Feb | 87.0 | 80.1 | 74.8 | 75.2 | -13.3 | -1.6 | 0.5 |
| Mar | 114.1 | 98.7 | 99.5 | 102.5 | 36.3 | 0.1 | 3.0 |
| Apr | 114.8 | 113.2 | 103.6 | 94.9 | -7.4 | -2.3 | -8.4 |
| May | 120.3 | 117.5 | 102.6 | 103.3 | 8.9 | -1.6 | 0.7 |
| Jun | 105.4 | 95.2 e | 104.6 | 93.6 | -9.4 | -3.3 | -10.6 |
| Jul | 102.0 | 116.7 | 104.4 | | | | |
| Aug | 102.0 | 119.7 | 97.3 | | | | |
| Sep | 104.9 | 112.4 | 107.5 | | | | |
| Oct | 110.9 | 119.3 | 105.2 | | | | |
| Nov | 105.7 | 110.6 | 96.8 | | | | |
| Dec | 102.4 | 103.4 | 92.5 | | | | |

Source: National Institute of Statistics and Censuses.

a: Real average monthly wage for industrial workers, excluding bonuses. b: Index of nominal wages deflated by consumer price index. c: Percentage variation in the cumulative average index, with respect to the same period in the preceding year. d: Variation with respect to the same month in the preceding year. e: Figure affected by a strong decrease of working hours, caused by strikes.

Table 9

ARGENTINA: NATIONAL TREASURY INCOME AND EXPENDITURE

| | Millions of Australes a | | | | Percentage variation b | | | |
|------|-------------------------|-------------|-------------------------------|-----------------------------------|------------------------|-------------|-----------|-------|
| | Current income | Expenditure | | Deficit Financing by Central Bank | Current income | Expenditure | | |
| | | Total | Interest on the external debt | | | Total | Interests | |
| 1987 | | | | | | | | |
| Jan | 1069.5 | 1236.4 | 76.6 | 166.9 | 0.0 | 96.6 | 106.2 | 36.5 |
| Feb | 1787.2 | 2319.4 | 197.2 | 532.2 | -3.0 | 70.9 | 84.4 | 28.4 |
| Mar | 2859.5 | 3623.9 | 303.4 | 764.4 | -3.0 | 85.4 | 77.2 | 35.6 |
| Apr | 3830.7 | 5118.4 | 453.2 | 1287.7 | -3.0 | 68.8 | 80.1 | 51.9 |
| May | 4862.4 | 6336.6 | 580.4 | 1474.2 | -3.0 | 68.6 | 87.4 | 69.2 |
| Jun | 6331.3 | 8492.1 | 747.7 | 2160.8 | -3.0 | 72.9 | 87.3 | 65.3 |
| Jul | 8208.0 | 10629.6 | 871.6 | 2421.6 | -3.0 | 80.4 | 93.5 | 65.9 |
| Aug | 9607.3 | 12437.8 | 1059.1 | 2830.5 | -3.0 | 76.9 | 97.2 | 77.9 |
| Sep | 11430.6 | 14832.7 | 1153.4 | 3402.1 | -3.0 | 83.9 | 100.0 | 70.7 |
| Oct | 13320.1 | 17243.8 | 1340.7 | 3923.7 | -3.0 | 89.2 | 106.7 | 77.0 |
| Nov | 15093.5 | 20036.4 | 1382.5 | 4942.9 | -3.0 | 90.0 | 107.9 | 57.1 |
| Dec | 17339.8 | 23622.0 | 1459.3 | 6282.2 | -3.0 | 99.9 | 113.4 | 46.7 |
| 1988 | | | | | | | | |
| Jan | 1361.2 | 2564.8 | 428.8 | 1203.6 | 0.0 | 27.3 | 107.4 | 459.8 |
| Feb | 2567.3 | 4665.0 | 799.8 | 2097.7 | 0.0 | 43.6 | 101.1 | 305.6 |
| Mar | 4489.9 | 7585.4 | 910.4 | 3095.5 | 0.0 | 57.0 | 109.3 | 200.1 |
| Apr | 6939.9 | 10708.8 | ... | 3768.9 | 0.0 | 81.2 | 109.2 | ... |
| May | 10219.9 | 14537.7 | ... | 4317.8 | 0.0 | 110.2 | 129.4 | ... |

Source: Tesorería General de la Nación.

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

Table 10

ARGENTINA: INTEREST RATES a

| | Nominal | | | Real | | |
|------|-------------|--------|---------------|--------------|---------|----------------|
| | Bank | | Non-Bank d | Bank | | Non-Bank df |
| | Regulated b | Free c | | Regulated be | Free ce | |
| 1987 | | | | | | |
| Jan | 5.5 | 8.0 | 9.1 | -2.0 | 0.4 | 3.6 |
| Feb | 5.8 | 7.4 | 8.7 | -0.7 | 0.8 | 1.7 |
| Mar | 3.0 | 3.9 | 4.4 | -4.8 | -4.0 | -3.2 |
| Apr | 4.2 | 7.2 | 8.2 | 0.8 | 3.7 | 6.2 |
| May | 4.7 | 7.6 | 8.2 | 0.5 | 3.3 | 3.1 |
| Jun | 6.5 | 8.3 | 8.5 | -1.4 | 0.3 | 1.7 |
| Jul | 7.5 | 10.6 | 11.1 | -2.4 | 0.5 | 1.6 |
| Aug | 9.8 | 12.3 | 13.0 | -3.4 | -1.2 | -1.4 |
| Sep | 11.0 | 15.5 | 16.5 | -0.6 | 3.4 | -0.1 |
| Oct | ... | 10.8 | 12.5 | ... | -7.3 | -13.7 |
| Nov | ... | 8.9 | 9.4 | ... | -1.3 | 4.9 |
| Dec | ... | 12.4 | 14.5 | ... | 8.7 | 11.9 |
| 1988 | | | | | | |
| Jan | ... | 13.7 | 13.8 | ... | 4.2 | 1.5 |
| Feb | ... | 13.3 | 14.0 | ... | 2.6 | 0.5 |
| Mar | ... | 15.7 | 16.1 | ... | 0.9 | -0.2 |
| Apr | ... | 16.2 | 17.1 | ... | -0.9 | 0.3 |
| May | ... | 17.3 | 16.9 | ... | 1.4 | -5.2 |
| Jun | ... | 19.6 | 18.8 | ... | 1.4 | -4.2 |
| Jul | ... | 22.9 | 23.9 | ... | -2.1 | -0.9 |
| Aug | ... | 12.2 | 12.4 | ... | -12.1 | -14.8 |

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

a: Effective monthly rates (monthly average). b: Rates for 30-day deposits. On October 15, 1987, regulated rate deposits were eliminated. c: Weighted average of rates paid for 7-day, 15-day, and 30-day deposits. d: Rates for 7-day loans. e: Related to the consumer price index (general level) corresponding to the month of the effective date of the deposits. f: Related to the wholesale price index (general level) corresponding to the month of the execution of the loans.

Table 11

ARGENTINA: EXCHANGE RATE

| | Exchange rate (Australas per dollar) | | | | Adjusted real exchange rate (Index 1980=100) a | | | |
|-----|---|-------|-----------|-------|---|-------|-----------|-------|
| | Commercial b | | Financial | | Commercial b | | Financial | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 |
| Jan | 1.29 | 3.89 | ... | 5.47 | 200.1 | 208.8 | ... | 325.6 |
| Feb | 1.39 | 4.33 | ... | 5.83 | 202.7 | 205.0 | ... | 275.8 |
| Mar | 1.54 | 4.94 | ... | 6.39 | 208.4 | 201.5 | ... | 260.7 |
| Apr | 1.54 | 5.70 | ... | 6.97 | 206.2 | 200.9 | ... | 245.5 |
| May | 1.59 | 6.75 | ... | 8.32 | 204.1 | 194.4 | ... | 239.3 |
| Jun | 1.70 | 8.07 | ... | 10.31 | 205.6 | 187.7 | ... | 239.9 |
| Jul | 1.89 | 9.65 | ... | 12.30 | 209.8 | 179.9 | ... | 229.3 |
| Aug | 2.12 | 12.00 | ... | 14.04 | 204.8 | ... | ... | ... |
| Sep | 2.46 | ... | ... | ... | 204.0 | ... | ... | ... |
| Oct | 3.23 | ... | 3.96 | ... | 206.0 | ... | 252.5 | ... |
| Nov | 3.51 | ... | 4.07 | ... | 215.1 | ... | 249.5 | ... |
| Dec | 3.52 | ... | 4.54 | ... | 210.9 | ... | 271.9 | ... |

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

a: Index of nominal exchange rate deflated by the wholesale price index and adjusted by the United States wholesale price index. b: Uniformed exchange rate, up to October 15, 1987.

BRAZIL

A sharp upsurge in inflation, the worsening of the recessionary situation which had arisen in the middle of the previous year and an excellent performance by the external sector were the most striking features of the Brazilian economy in the first half of 1988 (see figure 1). Economic policy concentrated on reducing the public sector deficit and restoring links with the international financial system, and in August an agreement was signed with the International Monetary Fund (IMF) which laid down quantitative goals as regards public financing and provided for the resumption of payment of Brazil's commitments to the creditor banks.

The gross domestic product may stagnate or even go down in 1988, after having expanded by over 8% in 1986 and almost 3% in 1987. Manufacturing --which shrank by 5% in the first half of the year-- and construction have been the activities most affected by the recession (see table 1). The decline in these sectors --due to the declines in consumption and investment-- contributed in turn to the fact that unemployment rates in the main urban centres were slightly higher in the first half of the year than in the corresponding period of the year before and that in the same period industrial employment in São Paulo went down by rather more than 3% (see tables 2 and 3). In contrast, the situation was more favourable in rural areas, which benefitted from record harvests and the considerable rises in the international prices of such commodities as soya beans and sugar.

In August, annual inflation was close to 500% --the highest in the country's history (see table 4). In view of the worsening inflation, there was a reversal late in 1987 in the economic policy approach which had prevailed since the introduction of the Plan Cruzado. The Government's efforts were now concentrated on reducing the fiscal deficit, which had become the main disturbing element in previous stabilization programmes. At the same time, controls on prices and public service charges were slackened, but the machinery for indexing wages, the exchange rate and financial assets, which had been reintroduced in mid-1987, was left unchanged. An effort was thus made to reverse the loss of credibility caused by the failure of the previous two stabilization schemes, which had been based mainly on a price freeze.

In order to reduce the imbalance in the government accounts, substantial public spending cuts were ordered; the wages of officials of the central government administration and federal enterprises were frozen for 60 days; the prices and charges for the goods and services provided by public enterprises were raised; the subsidies on agricultural credit and on the marketing of wheat were eliminated; the procedures and time limits for the collection of the main taxes were changed, and financial assistance to State and municipal governments was reduced. In addition, in order to control liquidity, a severe monetary policy was applied which caused a rise in real interest rates.

Wage correction continued to be carried out monthly in accordance with the evolution of the Price Reference Unit, which is calculated on the basis of the average variation in prices during the preceding three months, thus tending to bring about a deterioration in real wages when inflation is accelerating. Unionized workers with greater bargaining power managed to secure additional adjustments, however, and thus maintained the purchasing power of their wages. In contrast, the measures taken to contain expenditure at the federal, State and municipal levels have resulted in a

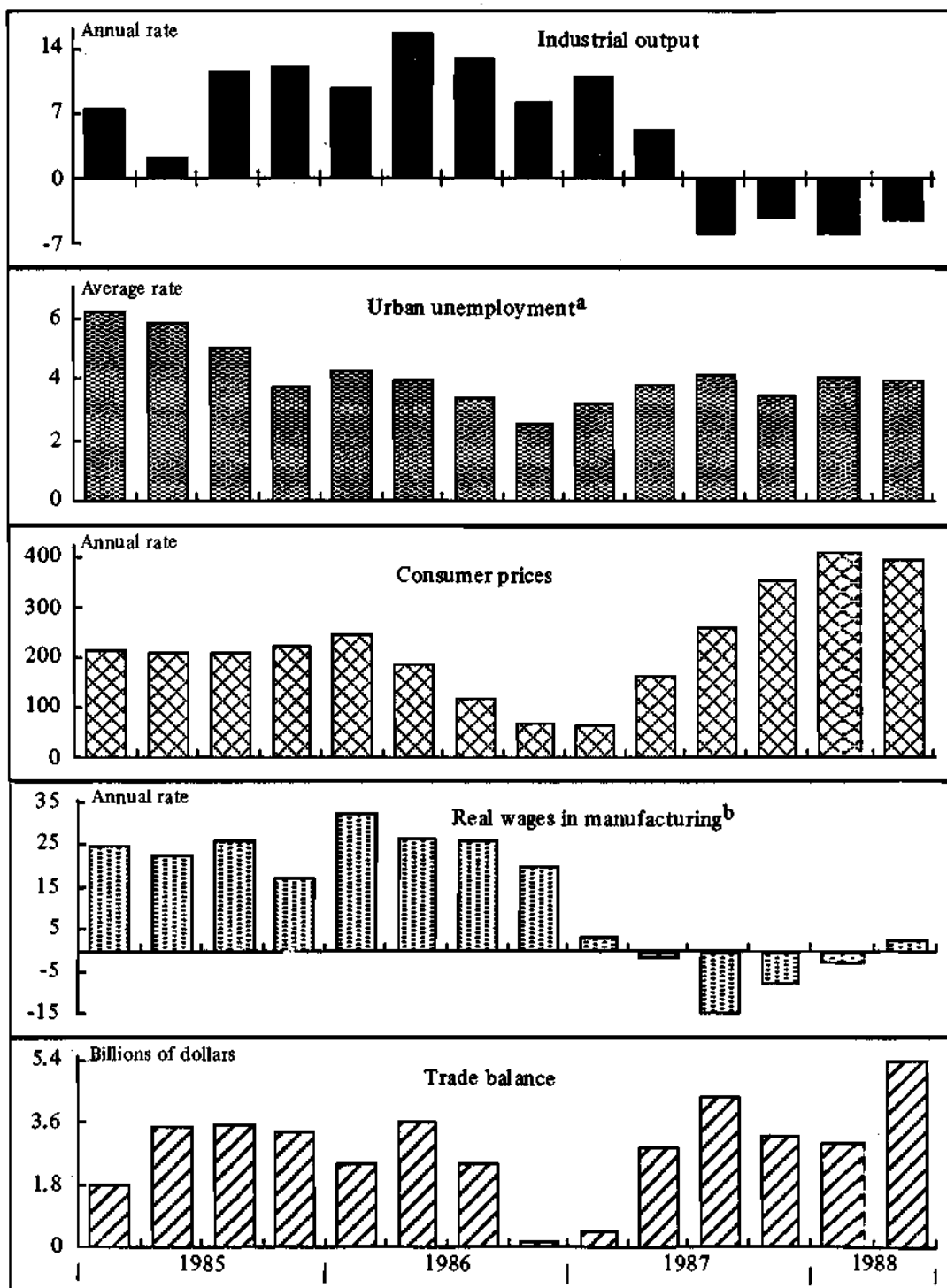
significant drop in real wages in the public sector. Thus, the overall index of real wages went down, and this had a negative influence on private consumption.

In the first five months of the year, inflation remained within the range of 18% per month laid down as a target in the agreements with the International Monetary Fund, but afterwards it accelerated significantly to 24% in July and nearly 21% in August. This aggravation of the inflationary process is partly attributable to factors beyond the control of the authorities, such as the rise in the international prices of agricultural products and seasonal variations in the domestic prices of certain foodstuffs. A considerable influence has also been exerted, however, by the unfavourable evolution of inflationary expectations. In addition, the anti-inflation policy was hindered by the accumulation of a substantial surplus on the trade account which made it more difficult to control domestic liquidity. Furthermore, there are no clear signs of any significant reduction in the fiscal deficit, despite the various corrective measures adopted. In view of the size and complexity of the Brazilian public sector, it is difficult for the federal authorities to maintain effective control over expenditure. Moreover, the dizzy rise in prices has encouraged the replacement of currency by indexed assets, specially federal securities, which makes the public sector financing problems worse by reducing the inflationary tax on real monetary balances and increasing the cost of the domestic public debt.

In contrast with the setbacks as regards inflation and growth, the external accounts evolved very favourably. In July, the trade surplus accumulated over the last 12 months was close on US\$17 billion: an unprecedented figure, equivalent to almost 5% of the gross domestic product (see table 5). The factors responsible for this result were the decline in imports caused by the recession and the drop in petroleum prices, and, above all, the increase in exports. In the first half of the year, the latter rose by 36%, due largely to a spectacular increase of 54% in exports of industrial products, especially transport equipment and metal products and machinery (see table 7).

With regard to the normalization of Brazil's relations with the international financial system, which had been affected by the unilateral moratorium declared in respect of external debt servicing, negotiations were resumed with the International Monetary Fund and the creditor banks, and these culminated in a stand-by credit agreement for US\$1.4 billion, the rescheduling of US\$63 billion of debt owed to the commercial banks, and the granting of new loans for US\$5.2 billion. In addition, negotiations with the Paris Club permitted the refinancing for a period of 10 years of the outstanding commitments in respect of both principal and interest, including those falling due up to March 1990. Thanks to these agreements and to the conversion of some US\$3 billion of debt into direct investment, the transfer of resources to the exterior this year will be the lowest since 1982.

Figure 1
BRAZIL: QUARTERLY EVOLUTION OF THE MAIN
ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

^aRio de Janeiro, São Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife.
the State of São Paulo.

^bManufacturing in

Table 1

BRAZIL: INDUSTRIAL PRODUCTION

| | IBGE (National Index) | | | | FIESP (Index for the State of Sao Paulo) | | | |
|------|-----------------------|----------------------|-------------|-----------|--|----------------------|-------------|-----------|
| | Index 1981=100 | Percentage variation | | | Index 1979=100 | Percentage variation | | |
| | | Month a | 12 Mo. b | Year c | | Month a | 12 Mo. b | Year c |
| 1986 | | | | | | | | |
| Dec | 113.9 | -9.8 | 5.1 | 11.3 | 139.5 | -0.7 | 14.6 | 12.0 |
| 1987 | | | | | | | | |
| Jan | 115.8 | 1.7 | 6.2 | 6.2 | 134.3 | -3.7 | 9.9 | 9.9 |
| Feb | 116.0 | 0.2 | 13.1 | 9.5 | 131.7 | -1.9 | 13.7 | 11.8 |
| Mar | 120.2 | 3.6 | 14.6 | 11.2 | 140.3 | 6.5 | 16.0 | 13.2 |
| Apr | 119.2 | -0.8 | 9.0 | 10.6 | 135.7 | -3.3 | 5.2 | 11.1 |
| May | 120.7 | 1.3 | 5.6 | 9.6 | 135.6 | -0.1 | 0.7 | 8.8 |
| Jun | 124.0 | 2.7 | 2.3 | 8.2 | 129.9 | -4.2 | -2.8 | 6.8 |
| Jul | 122.9 | -0.9 | -6.6 | 5.8 | 132.1 | 1.7 | -8.2 | 4.4 |
| Aug | 123.8 | 0.7 | -5.3 | 4.2 | 134.9 | 2.1 | -6.5 | 2.9 |
| Sep | 130.2 | 5.2 | -5.4 | 3.0 | 136.1 | 0.9 | -7.3 | 1.6 |
| Oct | 132.9 | 2.1 | -7.1 | 1.8 | 139.6 | 2.6 | -7.9 | 0.5 |
| Nov | 123.8 | -6.8 | -2.0 | 1.4 | 135.6 | -2.9 | -3.5 | 0.2 |
| Dec | 109.5 | -11.6 | -3.9 | 1.0 | 127.7 | -5.8 | -8.5 | -0.6 |
| 1988 | | | | | | | | |
| Jan | 105.3 | -3.8 | -9.1 | -9.1 | 126.9 | -0.6 | -5.5 | -5.5 |
| Feb | 105.0 | -0.3 | -9.5 | -9.3 | 127.2 | 0.2 | -3.4 | -4.5 |
| Mar | 119.9 | 14.2 | -0.2 | -6.2 | 139.4 | 9.6 | -0.6 | -3.2 |
| Apr | 109.2 | -8.9 | -8.4 | -6.7 | 131.6 | -5.6 | -3.0 | -3.1 |
| May | 113.4 | 3.8 | -6.0 | -6.6 | 135.6 | 3.0 | 0.0 | -2.5 |
| Jun | 125.4 | 10.6 | 1.1 | -5.3 | 138.5 | 2.1 | 6.6 | -1.0 |

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

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

Table 2

BRAZIL: MANUFACTURING SECTOR EMPLOYMENT AND REAL WAGE LEVELS IN THE STATE OF SAO PAULO

| | Index 1978=100 | | | | Percentage variations | | | | | | | | | |
|-----|-------------------|-------|-------|-------|-----------------------|------|-------------|------|-------------|------|-----------|------|------------|------|
| | | | | | Year | | | | 12 months a | | | | | |
| | | | | | Employment | | Real wage b | | Employment | | Real wage | | Employment | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 |
| Jan | 107.7 | 104.7 | 165.6 | 161.1 | 8.0 | -2.8 | 4.6 | -2.7 | 8.0 | -2.8 | 4.6 | -2.7 | | |
| Feb | 108.7 | 104.8 | 165.3 | 168.4 | 7.8 | -3.2 | 3.5 | -0.4 | 7.6 | -3.6 | 2.5 | 1.9 | | |
| Mar | 108.6 | 104.8 | 182.7 | 167.7 | 7.4 | -3.3 | 3.4 | -3.2 | 6.7 | -3.5 | 3.0 | -8.2 | | |
| Apr | 108.5 | 104.6 | 182.7 | 176.8 | 7.2 | -3.4 | 3.7 | -3.2 | 6.4 | -3.6 | 4.6 | -3.2 | | |
| May | 108.2 | 104.5 | 175.4 | 184.7 | 6.9 | -3.4 | 2.9 | -1.5 | 5.6 | -3.4 | -0.1 | 5.3 | | |
| Jun | 106.9 | 104.3 | 167.3 | 179.0 | 6.3 | -3.2 | 1.5 | -0.1 | 3.4 | -2.4 | -5.0 | 7.0 | | |
| Jul | 105.6 | | 153.1 | | 5.5 | | -0.9 | | 0.8 | | -15.0 | | | |
| Aug | 104.6 | | 151.7 | | 4.7 | | -2.9 | | -0.7 | | -16.4 | | | |
| Sep | 104.5 | | 157.2 | | 3.9 | | -4.1 | | -1.9 | | -12.7 | | | |
| Oct | 104.8 | | 158.3 | | 3.3 | | -5.1 | | -2.2 | | -14.1 | | | |
| Nov | 105.1 | | 175.0 | | 2.9 | | -5.2 | | -0.7 | | -5.9 | | | |
| Dec | 104.7 | | 170.3 | | 2.5 | | -5.1 | | -2.3 | | -3.9 | | | |

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

a: With respect to the same month of the preceding year. b: Nominal wages deflated by the consumer price index of Sao Paulo (ICV-SP).

Table 3
BRAZIL: RATES OF OPEN UNEMPLOYMENT
(Percentages)

| | Total a | Río de Janeiro | Sao Paulo | Belo Horizonte | Porto Alegre | Salvador | Recife |
|------|------------|-------------------|--------------|-------------------|-----------------|----------|--------|
| 1987 | | | | | | | |
| Jan | 3.2 | 2.9 | 3.3 | 3.5 | 3.2 | 3.7 | 3.6 |
| Feb | 3.4 | 3.3 | 3.1 | 4.0 | 3.6 | 3.4 | 4.3 |
| Mar | 3.3 | 3.1 | 3.1 | 3.0 | 4.0 | 3.9 | 4.5 |
| Apr | 3.4 | 2.8 | 3.5 | 3.8 | 3.9 | 3.9 | 4.4 |
| May | 4.0 | 3.7 | 3.8 | 4.5 | 3.6 | 4.1 | 6.4 |
| Jun | 4.4 | 3.9 | 4.5 | 4.9 | 4.3 | 4.8 | 6.1 |
| Jul | 4.5 | 3.8 | 4.6 | 4.7 | 5.0 | 4.4 | 6.1 |
| Aug | 4.2 | 3.2 | 4.6 | 4.1 | 4.7 | 4.1 | 5.8 |
| Sep | 4.0 | 3.5 | 4.0 | 4.1 | 4.5 | 4.6 | 6.2 |
| Oct | 4.0 | 3.4 | 4.2 | 3.5 | 4.0 | 4.2 | 5.7 |
| Nov | 3.6 | 3.1 | 3.8 | 3.7 | 3.4 | 4.0 | 5.2 |
| Dec | 2.9 | 2.3 | 2.8 | 3.3 | 3.0 | 4.1 | 4.2 |
| 1988 | | | | | | | |
| Jan | 3.8 | 2.8 | 4.0 | 4.3 | 3.4 | 4.9 | 6.2 |
| Feb | 4.3 | 3.4 | 4.7 | 4.3 | 4.2 | 4.8 | 6.0 |
| Mar | 4.3 | 3.4 | 4.6 | 4.1 | 4.3 | 4.9 | 6.3 |
| Apr | 4.1 | 3.3 | 4.2 | 4.4 | 3.9 | 5.1 | 5.9 |
| May | 4.0 | 3.2 | 4.4 | 4.6 | 3.7 | 4.8 | 5.1 |
| Jun | 3.9 | 3.0 | 4.0 | 4.6 | 4.1 | 5.2 | 5.0 |

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

Table 4
BRAZIL: PRICE INDEXES
(Percentage variations)

| | Domestic availability | | | | | | National Consumer Price Index | | | | | |
|-----|-----------------------|-------|--------|-------|-------|--------|-------------------------------|-------|--------|-------|-------|--------|
| | 1987 | | | 1988 | | | 1987 | | | 1988 | | |
| | Month | Year | 12 Ms. | Month | Year | 12 Ms. | Month | Year | 12 Ms. | Month | Year | 12 Ms. |
| Jan | 12.0 | 12.0 | 57.0 | 19.1 | 19.1 | 448.5 | 16.8 | 16.8 | 61.1 | 16.5 | 16.5 | 364.8 |
| Feb | 14.1 | 27.8 | 46.4 | 17.7 | 40.2 | 465.6 | 13.9 | 33.1 | 63.2 | 18.0 | 37.4 | 380.9 |
| Mar | 15.0 | 47.0 | 69.8 | 17.2 | 65.6 | 481.1 | 14.4 | 52.3 | 81.0 | 16.0 | 59.4 | 387.9 |
| Apr | 20.1 | 76.5 | 105.1 | 20.3 | 99.3 | 482.4 | 21.0 | 84.2 | 118.0 | 19.3 | 90.2 | 381.1 |
| May | 27.6 | 125.2 | 160.8 | 19.5 | 138.2 | 445.5 | 23.2 | 126.9 | 165.7 | 17.8 | 124.0 | 359.9 |
| Jun | 25.9 | 183.5 | 226.5 | 20.8 | 187.7 | 423.4 | 26.1 | 186.1 | 231.7 | 19.5 | 167.7 | 336.1 |
| Jul | 9.3 | 210.0 | 254.8 | 21.5 | 249.8 | 482.0 | 3.1 | 194.8 | 239.0 | 24.0 | 232.2 | 424.9 |
| Aug | 4.5 | 223.9 | 265.8 | ... | ... | ... | 6.4 | 213.6 | 256.6 | 20.7 | 300.7 | 495.5 |
| Sep | 8.0 | 249.9 | 290.9 | | | | 5.7 | 231.4 | 272.4 | | | |
| Oct | 11.2 | 288.9 | 328.5 | | | | 9.2 | 261.8 | 300.9 | | | |
| Nov | 14.5 | 345.1 | 378.8 | | | | 12.8 | 308.2 | 337.9 | | | |
| Dec | 15.9 | 415.8 | 415.8 | | | | 14.1 | 366.0 | 366.0 | | | |

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

Table 5

BRAZIL: TRADE BALANCE
(Millions of dollars)

| | Exports fob | | | Imports fob | | | Trade balance | | |
|--------------------|-------------|--------|------------------------|-------------|-------|------------------------|---------------|--------|------------------------|
| | 1987 | 1988 | Percentage variation a | 1987 | 1988 | Percentage variation a | 1987 | 1988 | Percentage variation a |
| Monthly data | | | | | | | | | |
| Jan | 1 259 | 2 144 | 70.3 | 1 321 | 1 111 | -15.9 | -62 | 1 033 | — |
| Feb | 1 451 | 2 062 | 42.1 | 1 141 | 1 164 | 2.0 | 310 | 898 | 189.7 |
| Mar | 1 428 | 2 469 | 72.9 | 1 139 | 1 241 | 9.0 | 289 | 1 228 | 324.9 |
| Apr | 1 668 | 2 794 | 67.5 | 1 180 | 916 | -22.4 | 488 | 1 878 | 284.8 |
| May | 2 184 | 2 901 | 32.8 | 1 188 | 1 155 | -2.8 | 996 | 1 746 | 75.3 |
| Jun | 2 641 | 3 097 | 17.3 | 1 209 | 1 257 | 4.0 | 1 432 | 1 840 | 28.5 |
| Jul | 2 892 | 2 972 | 2.8 | 1 470 | 1 095 | -25.5 | 1 422 | 1 877 | 32.0 |
| Aug | 2 769 | 3 465 | 25.1 | 1 320 | 1 378 | 4.4 | 1 449 | 2 087 | 44.0 |
| Sep | 2 733 | | | 1 196 | | | 1 537 | | |
| Oct | 2 506 | | | 1 312 | | | 1 194 | | |
| Nov | 2 285 | | | 1 245 | | | 1 040 | | |
| Dec | 2 409 | | | 1 340 | | | 1 069 | | |
| Cumulative figures | | | | | | | | | |
| Jan | 1 259 | 2 144 | 70.3 | 1 321 | 1 111 | -15.9 | -62 | 1 033 | — |
| Feb | 2 710 | 4 206 | 55.2 | 2 462 | 2 275 | -7.6 | 248 | 1 931 | 678.6 |
| Mar | 4 138 | 6 675 | 61.3 | 3 601 | 3 516 | -2.4 | 537 | 3 159 | 488.3 |
| Apr | 5 806 | 9 469 | 63.1 | 4 781 | 4 432 | -7.3 | 1 025 | 5 037 | 391.4 |
| May | 7 990 | 12 370 | 54.8 | 5 969 | 5 587 | -6.4 | 2 021 | 6 783 | 235.6 |
| Jun | 10 631 | 15 467 | 45.5 | 7 178 | 6 844 | -4.7 | 3 453 | 8 623 | 149.7 |
| Jul | 13 523 | 18 439 | 36.4 | 8 648 | 7 939 | -8.2 | 4 875 | 10 500 | 115.4 |
| Aug | 16 292 | 21 904 | 34.4 | 9 968 | 9 317 | -6.5 | 6 324 | 12 587 | 99.0 |
| Sep | 19 025 | | | 11 164 | | | 7 861 | | |
| Oct | 21 531 | | | 12 476 | | | 9 055 | | |
| Nov | 23 816 | | | 13 721 | | | 10 095 | | |
| Dec | 26 225 | | | 15 061 | | | 11 164 | | |

Source: CACEX and FUNCEX.

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

Table 6

BRAZIL: STRUCTURE OF IMPORTS, FOB

| | Millions of dollars | | | Percentage breakdown | | Growth rates | |
|--------------------|---------------------|-------|-----------|----------------------|-----------|--------------|--------|
| | 1987 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 a |
| | | | (Jan-May) | | (Jan-May) | | |
| Total | 15 052 | 5 969 | 5 605 | 100.0 | 100.0 | 7.2 | -6.1 |
| Petroleum | 3 859 | 1 606 | 1 405 | 26.9 | 25.1 | 38.5 | -12.5 |
| Others | 11 193 | 4 363 | 4 200 | 73.1 | 74.9 | -0.6 | -3.7 |
| Consumer goods | 1 517 | 703 | 473 | 11.8 | 8.4 | -24.0 | -32.7 |
| Intermediate goods | 5 718 | 2 282 | 2 136 | 38.2 | 38.1 | -3.5 | -6.4 |
| Capital goods | 3 958 | 1 377 | 1 592 | 23.1 | 28.4 | 14.3 | 15.6 |

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

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

Table 7

BRAZIL: STRUCTURE OF EXPORTS, FOB

| | Millions of dollars | | | Percentage breakdown | | Growth rates | |
|------------------------------------|---------------------|------------------------|------------------------|------------------------|------------------------|--------------|--------|
| | 1987 | 1987 (January-June) | 1988 (January-June) | 1987 (January-June) | 1988 (January-June) | 1987 | 1988 a |
| Total | 26 213 | 106 531 | 15 4965 | 100.0 | 100.0 | 17.1 | 45.5 |
| Basic products | 8 020 | 3 516 | 4 097 | 3.3 | 2.6 | 10.1 | 16.5 |
| Coffee beans | ... | ... | ... | ... | ... | ... | ... |
| Iron ore | 1 563 | 668 | 891 | 0.6 | 0.6 | 2.5 | 33.4 |
| Soya meal and cake | 1 450 | 598 | 727 | 0.6 | 0.5 | 15.6 | 21.6 |
| Soya beans | 570 | 384 | 254 | 0.4 | 0.2 | 134.6 | -33.9 |
| Others | 4 437 | 1 866 | 2 225 | 1.8 | 1.4 | 4.0 | 19.2 |
| Industrial products | 18 008 | 7 049 | 11 259 | 6.6 | 7.3 | 20.7 | 59.7 |
| Semimanufacturers | 3 177 | 1 210 | 2 258 | 1.1 | 1.5 | 27.4 | 86.6 |
| Manufactures | 14 831 | 5 839 | 9 001 | 5.5 | 5.8 | 19.3 | 54.2 |
| Transport equipment | 2 780 | 1 110 | 1 516 | 1.0 | 1.0 | 77.0 | 36.6 |
| Mach., boilers and mechanical app. | 1 634 | 655 | 1 034 | 0.6 | 0.7 | 10.9 | 57.9 |
| Mach., and elec. app. | 888 | 337 | 457 | 0.3 | 0.3 | 14.4 | 35.6 |
| Footwear | 1 169 | 495 | 615 | 0.5 | 0.4 | 13.7 | 24.2 |
| Orange juice | 832 | 304 | 432 | 0.3 | 0.3 | 22.0 | 42.1 |
| Steel manufactures | 501 | 154 | 598 | 0.1 | 0.4 | -5.5 | 288.3 |
| Others | 7 027 | 2 784 | 4 349 | 2.6 | 2.8 | 10.4 | 56.2 |
| Other products | 185 | 66 | 109 | 0.1 | 0.1 | 6.9 | 65.2 |

Source: Bank of Brazil.

a: January-June 1988 with respect to the same period of the preceding year.

Table 8

BRAZIL: EXCHANGE RATE

| | Official exchange rate (Cruzados per dollar) | | | Adjusted real exchange rate a Index March 1986=100 | | | Effective real exchange rate Index March 1986=100 | |
|-----|---|------|-------|---|------|--------|--|------|
| | 1986 | 1987 | 1988 | 1986 | 1987 | 1988 * | 1987 | 1988 |
| Jan | 12.2 | 15.7 | 77.6 | 109.3 | 91.0 | 86.1 | 99.5 | 96.4 |
| Feb | 13.8 | 18.2 | 91.4 | 100.0 | 96.0 | 85.2 | 104.8 | 94.9 |
| Mar | 13.8 | 20.9 | 107.6 | 100.0 | 96.3 | 85.5 | 107.0 | 96.1 |
| Apr | 13.8 | 23.7 | 125.2 | 100.8 | 91.7 | 82.8 | 100.5 | 93.7 |
| May | 13.8 | 30.8 | 151.4 | 101.0 | 91.7 | 83.1 | 100.7 | 94.1 |
| Jun | 13.8 | 39.4 | 178.3 | 100.6 | 93.3 | 81.7 | 101.8 | ... |
| Jul | 13.8 | 44.9 | 215.8 | 99.5 | 97.2 | 81.6 | 105.5 | ... |
| Aug | 13.8 | 47.1 | | 98.1 | 98.4 | | 106.6 | |
| Sep | 13.8 | 49.8 | | 97.6 | 96.8 | | 105.7 | |
| Oct | 14.1 | 53.4 | | 98.5 | 93.2 | | 101.8 | |
| Nov | 14.2 | 59.3 | | 97.3 | 90.1 | | 100.3 | |
| Dec | 14.9 | 67.5 | | 95.3 | 88.3 | | 99.6 | |

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

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

*: Had the nominal exchange rate been deflated by the Consumer Price Index (CPI), as is done by the Brazilian authorities, the adjusted real exchange rate would have remain constant during 1988.

Table 9

BRAZIL: MONEY SUPPLY AND MONETARY BASE
(Percentage variations)

| | Money supply | | | | Monetary base a | | | |
|-----|--------------|-------|--------------|-------|-----------------|------|--------------|-------|
| | Year b | | 12 Monthes c | | Year b | | 12 Monthes c | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 |
| Jan | -23.2 | -10.3 | 239.9 | 161.0 | -3.6 | 0.4 | 275.4 | 193.1 |
| Feb | -17.7 | -0.9 | 219.1 | 171.9 | -8.2 | -6.8 | 218.8 | 185.8 |
| Mar | -8.8 | 13.6 | 96.6 | 176.8 | -5.4 | 34.1 | 141.6 | 299.1 |
| Apr | -19.6 | 28.6 | 45.0 | 272.3 | 4.5 | 44.2 | 97.3 | 288.3 |
| May | -20.0 | 50.2 | 25.5 | 330.8 | 3.2 | 66.3 | 69.3 | 353.8 |
| Jun | 5.3 | 82.2 | 42.4 | 297.1 | -4.9 | 80.9 | 41.1 | 435.7 |
| Jul | 15.3 | ... | 56.8 | ... | 22.4 | 99.4 | 59.2 | 358.4 |
| Aug | 26.3 | | 60.7 | | 49.8 | | 83.8 | |
| Sep | 39.7 | | 69.5 | | 79.5 | | 114.2 | |
| Oct | 50.7 | | 71.5 | | 106.2 | | 134.0 | |
| Nov | 73.2 | | 89.4 | | 112.0 | | 119.9 | |
| Dec | 135.2 | | 135.2 | | 195.1 | | 185.1 | |

Source: Central Bank.

a: Defines as the sum of the monetary liabilities of the monetary authorities: currency outside banks, deposits of commercial banks and current account deposits. The monetary authorities include not only the Central Bank but also the Banco do Brasil, which plays an important role as a development bank. b: With respect to December of the preceding year. c: With respect to the same month of the preceding year.

Table 10

BRAZIL: MONTHLY INTEREST RATES
(Percentages)

| | Deposits | | | | | | Loans | | | |
|-----|------------------------|------|----------------|------|------------------|------|-----------------|------|-----------------|------|
| | Open market operations | | Deposits bonds | | Savings deposits | | Working capital | | Consumer credit | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 |
| Jan | 11.0 | 17.1 | 14.2 | 21.9 | 17.4 | 17.1 | 15.0 | 25.5 | 16.3 | 21.7 |
| Feb | 19.6 | 18.6 | 16.9 | 24.5 | 20.2 | 18.6 | 18.8 | 27.5 | 19.8 | 21.9 |
| Mar | 12.0 | 16.6 | 15.5 | 22.4 | 16.1 | 16.6 | 20.3 | 26.3 | 21.7 | 23.5 |
| Apr | 15.3 | 19.9 | 16.1 | 27.3 | 21.6 | 19.9 | 19.7 | 25.1 | 20.6 | 23.3 |
| May | 24.6 | 18.6 | 26.4 | 18.7 | 24.0 | 18.3 | 27.3 | 19.2 | 22.9 | 24.0 |
| Jun | 18.0 | 19.6 | 19.4 | 20.4 | 18.6 | 20.1 | 20.5 | 20.9 | 20.0 | 23.0 |
| Jul | 8.9 | 24.7 | 9.9 | 25.7 | 8.9 | 24.7 | 11.0 | 26.2 | 15.9 | 27.5 |
| Aug | 8.1 | | 8.8 | | 8.1 | | 9.8 | | 16.1 | |
| Sep | 8.0 | | 8.9 | | 8.0 | | 10.0 | | 17.4 | |
| Oct | 9.7 | | 9.8 | | 9.7 | | 10.8 | | 17.9 | |
| Nov | 13.4 | | 15.1 | | 13.4 | | 15.8 | | 20.1 | |
| Dec | 14.7 | | 15.7 | | 14.7 | | 16.7 | | 21.9 | |

Source: ECLAC, on the basis of official data.

COLOMBIA

The performance of the Colombian economy during the first part of this year was characterized mainly by the continued growth of production, a considerable increase in the inflow of capital --which offset the deterioration in the current account balance--, a slight increase in the rate of inflation, and expansion of the fiscal deficit.

Production continued to expand, although somewhat more slowly than in the first half of 1987. The decline in the growth rate of coffee production will reduce agricultural growth, although it is expected that output from the rest of this sector will increase. Petroleum production fell by over 4% because of guerrilla attacks on the oil pipelines, but other mining production continued to expand (see table 2). Construction was adversely affected by the stagnation in public investment, which was used as an element in the control of inflation, by difficulties with financing and with the supply of materials. These latter particularly affected the construction of dwellings. In contrast, manufacturing continued to grow at a rapid rate, as in the previous two years (see table 1), despite the rise in financial costs and credit restrictions. The unemployment rate in the four main cities rose during the first quarter, but declined again in the second quarter (see table 3).

During the first half of the year, inflation rose moderately but persistently (see table 4), due mainly to shortages in food supplies on account of climatic conditions. Despite the larger imports of food and the restrictive monetary policy which was applied, it is estimated that the cumulative rise in consumer prices up to December will be somewhat greater than in 1987. The resurgence of inflation and the fact that, as is usual, the adjustment to the legal minimum wage made in January 1988 was the only one scheduled for the entire year meant that the minimum wage suffered a marked deterioration in real terms. Real average wages also went down, although only slightly (see table 6).

The exchange rate policy sought to maintain the real exchange rate, although the rise in the rate of inflation during the first half of the year caused the exchange rate to fall slightly below the levels reached in 1987 (see table 5).

Because of the rapid increase in imports, the merchandise trade surplus contracted substantially (see table 7). External sales continued to grow, thanks to the dynamism of non-coffee exports, and especially exports of mining sector products, which increased in volume and were also favoured by price rises. This expansion was offset to some extent, however, by the drop in the volume and prices of petroleum exports and the decline in coffee sales. Although coffee prices rose, the volume of exports had to be limited under the terms of the *International Coffee Agreement*. The considerable increase in imports, for its part, was due to the larger purchases of foodstuffs and capital goods, which were stimulated by the relaxation of quantitative controls.

During the first seven months of the year there was a deficit in the services and other transfers account, which was almost double that registered in the same period of 1987. The basic reason for this was the decline in net transfers. Furthermore, there was a moderate increase in payments of profits and interest.

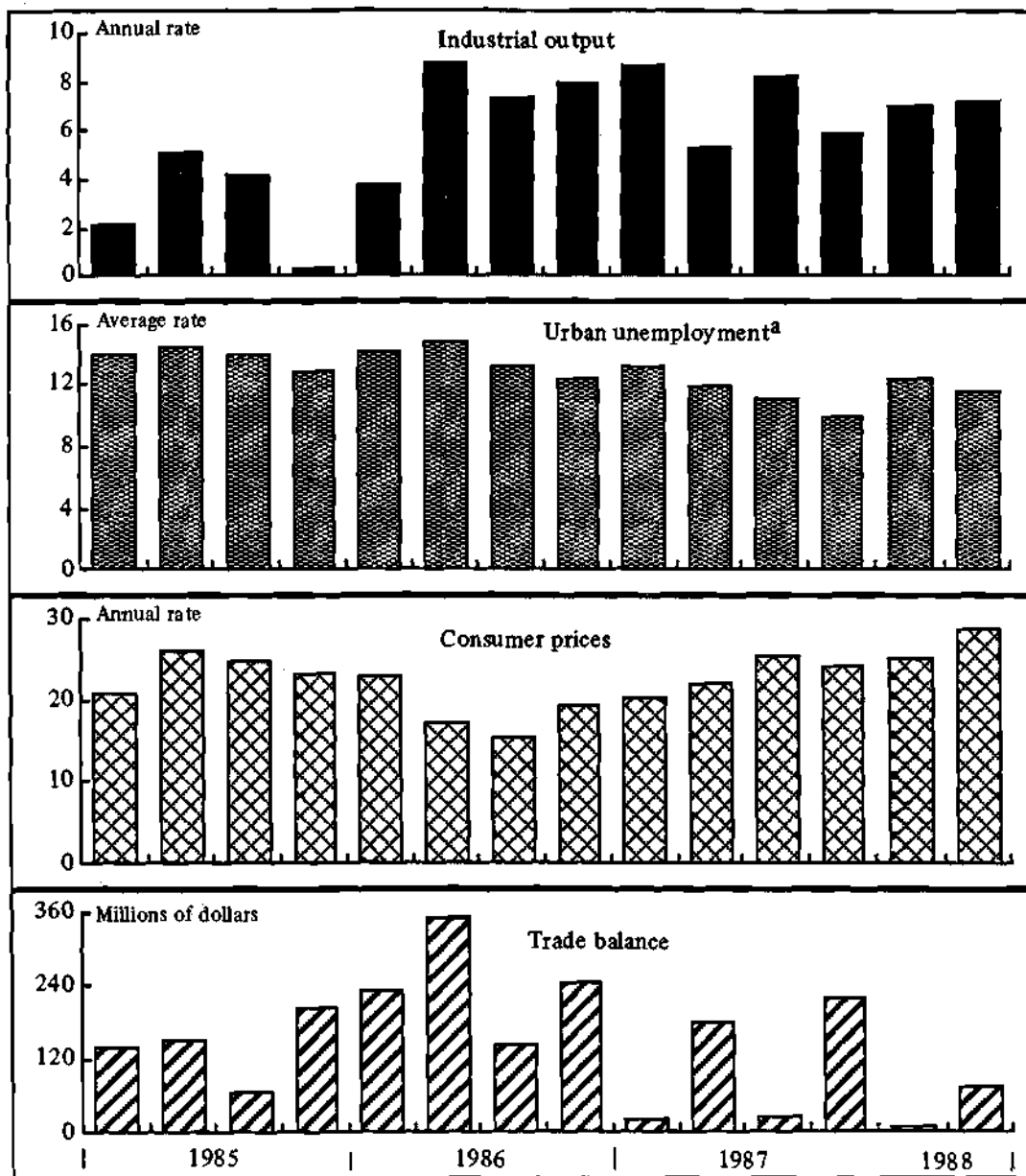
The balance-of-payments current account for the seven-month period thus showed a small deficit, in contrast with the large surplus registered the year before. This deficit was more than offset, however, by the radical turnabout in the capital account; the large deficit of almost US\$465 million in the period January-July 1987 was turned into a surplus of over US\$430 million. The bulk of the external financing obtained by the country included the approximately US\$1 billion provided by the international private banking system under the "Concorde" credit arrangements. These resources also made possible an increase in the level of international reserves, which stood in July 1988 at a level equivalent to nearly one year's imports (see table 8).

In contrast, there was a deterioration in the fiscal situation in the first half of the year. Even though central government income grew satisfactorily and there was thus an apparent consolidation of the achievements of the 1986 tax reform, the big increase in current expenditure (including debt servicing) caused current saving to drop to only half its previous level, and although investment expenditure grew only very slightly in nominal terms, the overall deficit in the first half of the year was almost four times that for the same period of 1987. The necessary financing came from a reduction in the Treasury balances, since the net amortization of the external public debt continued (see table 9). In the rest of the public sector, the State enterprises continued to have recourse to the External Debt Servicing Fund, causing consequent pressure on the global deficit and on the money supply. Thus, it is estimated that this year the public sector deficit will be double that of 1987, which was equivalent to 1.6% of the gross domestic product.

Restriction of liquidity was one of the main instruments used to contain the growing inflation, but it brought with it a rise in interest rates. Because of the checks imposed on deposits in the financial system for tax purposes, the public began to use cash for its transactions, resulting in a drop in the volume of financial intermediation in the first quarter of 1988. The phenomenon was heightened by a restrictive monetary policy and was reflected in an increase in the effective interest rate on deposits to more than 35% (see table 10), while the rate on loans was close to 45%. Although the tax checks were ended in April, liquidity and interest rates continued to be pressured by the restrictive nature of the monetary policy.

At the end of August, when it appeared that the upward trend in inflation was under control, the Central Bank intervened in the financial market and fixed maximum interest rates of 31.6% on deposits and 41.9% on loans, as well as announced that there would be a review of interest rates on official securities. At the same time, it reduced the compulsory bank reserve rate in order to relieve the lack of liquidity, since up to July the growth in the money supply over the past 12 months had been only 24%, compared with the 30% rise in prices.

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



Source: ECLAC, on the basis of official data.
^aBogotá, Barranquilla, Cali and Medellín.

Table 1

COLOMBIA: INDUSTRIAL PRODUCTION a

| | Index 1980=100 | | | Percentage variations | | | | | |
|-----|----------------|-------|-------|-----------------------|---------|--------|-------|---------|--------|
| | | | | 1987 | | | 1988 | | |
| | 1986 | 1987 | 1988 | Month | 12Ms. b | Year c | Month | 12Ms. b | Year c |
| Jan | 93.2 | 100.7 | 105.9 | -8.4 | 8.0 | 8.0 | -9.3 | 5.2 | 5.2 |
| Feb | 107.4 | 111.9 | 125.3 | 11.1 | 4.2 | 6.0 | 18.3 | 12.0 | 8.7 |
| Mar | 107.7 | 123.1 | 128.5 | 10.0 | 14.3 | 8.9 | 2.6 | 4.4 | 7.1 |
| Apr | 118.8 | 114.3 | 123.5 | -7.1 | -3.8 | 5.4 | -3.9 | 8.0 | 7.4 |
| May | 116.9 | 123.6 | 132.2 | 8.1 | 5.7 | 5.4 | 7.0 | 7.0 | 7.3 |
| Jun | 107.3 | 122.6 | | -0.8 | 14.3 | 6.9 | | | |
| Jul | 118.2 | 126.4 | | 3.1 | 6.9 | 6.9 | | | |
| Aug | 114.2 | 124.3 | | -1.7 | 8.8 | 7.2 | | | |
| Sep | 121.5 | 133.1 | | 7.1 | 9.5 | 7.4 | | | |
| Oct | 123.2 | 128.0 | | -3.8 | 3.9 | 7.1 | | | |
| Nov | 119.3 | 128.6 | | 0.5 | 7.8 | 7.1 | | | |
| Dec | 109.9 | 116.8 | | -9.2 | 6.3 | 7.1 | | | |

Source: National Bureau of Statistics (DANE).

a: Except coffee thrash. b: With respect to the same month of the preceding year. c: With respect to the same period of the preceding year.

Table 2

COLOMBIA: INDICATORS OF ECONOMIC ACTIVITY
(January-June)

| | 1986 | 1987 | 1988 | Growth Rates | |
|------------------------|--------|--------|--------|--------------|------|
| | | | | 1987 | 1988 |
| Mining | | | | | |
| Crude oil a | 47.0 | 65.7 | 62.8 | 39.6 | -4.4 |
| Gold b | 728.0 | 408.1 | 454.7 | -43.9 | 11.4 |
| Silver b | 96.3 | 76.0 | 99.4 | -18.1 | 30.8 |
| Iron ore c | 197.1 | 290.7 | 317.7 | 47.4 | 9.3 |
| Manufacturing | | | | | |
| Sugar c d | 276.8 | 336.9 | 357.0 | 21.7 | 6.0 |
| Cement c e | 1862.6 | 1887.1 | 1977.2 | -2.6 | 4.8 |
| Steel ingots c | 155.6 | 175.0 | 166.3 | 12.5 | -5.0 |
| Assembled vehicles e f | 15.2 | 15.5 | 18.3 | -20.7 | 18.1 |
| Construction g | 2976.5 | 4370.5 | 4279.6 | 46.4 | -2.1 |

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

a: Millions of barrels. b: Thousands of troy ounces.
c: Thousands of tons. d: January-March. e: January-April.
f: Thousands of units. g: Thousands of square metres.

Table 3

COLOMBIA: RATE OF UNEMPLOYMENT

| | 1986 | | | | 1987 | | | | 1988 | |
|--------------|-------|------|-------|------|-------|------|-------|------|-------|------|
| | March | June | Sept. | Dec. | March | June | Sept. | Dec. | March | June |
| Total | 14.3 | 15.0 | 13.3 | 12.5 | 13.4 | 12.1 | 11.3 | 10.1 | 12.6 | 11.7 |
| Bogotá | 14.3 | 14.2 | 12.6 | 11.5 | 13.0 | 12.0 | 10.5 | 8.9 | 12.2 | 11.0 |
| Barranquilla | 16.0 | 18.1 | 15.8 | 15.6 | 16.1 | 11.9 | 13.6 | 10.2 | 13.2 | 11.0 |
| Cali | 12.4 | 13.5 | 12.6 | 12.1 | 13.8 | 12.4 | 12.7 | 10.6 | 11.9 | 12.4 |
| Medellín | 15.1 | 17.2 | 14.6 | 14.0 | 12.4 | 12.5 | 11.1 | 12.9 | 14.4 | 13.5 |

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

Table 4

COLOMBIA: PRICE INDEX
(Percentage variations)

| | Consumer price index | | | | | | Wholesale price index | | | | | |
|-----|----------------------|------|-------|-------|------|-------|-----------------------|------|-------|-------|------|-------|
| | 1987 | | | 1988 | | | 1987 | | | 1988 | | |
| | Month | Year | 12Ms. | Month | Year | 12Ms. | Month | Year | 12Ms. | Month | Year | 12Ms. |
| Jan | 3.3 | 3.3 | 21.1 | 3.0 | 3.0 | 23.7 | 4.1 | 4.1 | 25.1 | 3.8 | 3.8 | 24.8 |
| Feb | 2.0 | 5.4 | 19.8 | 4.0 | 7.2 | 26.1 | 2.7 | 7.0 | 25.4 | 2.9 | 6.8 | 25.0 |
| Mar | 2.7 | 8.2 | 20.4 | 2.9 | 10.3 | 26.4 | 1.7 | 8.8 | 24.9 | 2.8 | 9.8 | 26.4 |
| Apr | 2.3 | 10.7 | 19.8 | 3.9 | 14.6 | 28.4 | 2.2 | 11.1 | 24.4 | 2.7 | 12.8 | 27.1 |
| May | 1.7 | 12.5 | 22.7 | 1.7 | 16.8 | 28.4 | 1.5 | 12.7 | 25.2 | 1.6 | 14.6 | 27.3 |
| Jun | 1.0 | 13.6 | 24.8 | 2.4 | 19.3 | 30.3 | 1.0 | 13.9 | 25.5 | 2.5 | 17.5 | 29.2 |
| Jul | 1.5 | 15.3 | 26.7 | 1.4 | 21.1 | 30.3 | 1.7 | 15.8 | 25.6 | 2.0 | 19.8 | 29.5 |
| Aug | 0.3 | 15.6 | 25.3 | -0.2 | 20.9 | 29.5 | 0.6 | 16.5 | 24.3 | ... | ... | ... |
| Sep | 1.2 | 17.0 | 25.0 | | | | 1.7 | 18.4 | 24.4 | | | |
| Oct | 1.9 | 19.2 | 24.8 | | | | 1.8 | 20.5 | 24.1 | | | |
| Nov | 2.1 | 21.7 | 24.7 | | | | 1.8 | 22.6 | 24.5 | | | |
| Dec | 1.9 | 24.0 | 24.0 | | | | 2.1 | 25.2 | 25.2 | | | |

Source: National Institute of Statistics (INE).

Table 5

COLOMBIA: EXCHANGE RATE

| | Official exchange rate (Pesos per dollar) | | | | Adjusted real exchange rate a (Index 1980=100) | | | |
|-----|--|-------|-------|-------|---|-------|-------|-------|
| | 1985 | 1986 | 1987 | 1988 | 1985 | 1986 | 1987 | 1988 |
| Mar | 123.2 | 179.5 | 229.0 | 276.9 | 113.5 | 130.7 | 134.6 | 133.2 |
| Jun | 140.8 | 192.4 | 241.4 | 296.4 | 120.2 | 133.9 | 137.9 | 135.6 |
| Sep | 155.3 | 203.2 | 252.8 | | 128.1 | 134.1 | 140.0 | |
| Dec | 169.2 | 216.9 | 262.1 | | 137.9 | 136.5 | 137.8 | |

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

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

Table 6

COLOMBIA: INDEX OF AVERAGE REAL SALARIES
(Percentage variations)

| | 1987 | | | 1988 | | |
|-----|---------|--------|---------|---------|--------|--------|
| | Month a | Year b | 12Ms. c | Month a | Year b | 12Ms.c |
| Jan | 0.9 | 0.9 | 1.9 | 0.9 | 0.9 | 0.6 |
| Feb | -0.5 | 0.4 | 1.8 | -0.8 | 0.1 | 0.3 |
| Mar | 0.2 | 0.6 | 2.1 | -0.5 | -0.4 | -0.4 |
| Apr | -1.5 | -0.9 | 1.0 | -1.0 | -1.4 | 0.1 |
| May | -0.8 | -1.7 | -2.0 | -1.1 | -2.5 | -0.3 |
| Jun | 1.2 | -0.5 | -2.4 | | | |
| Jul | 0.7 | 0.2 | -2.9 | | | |
| Aug | 1.2 | 1.4 | -0.7 | | | |
| Sep | -1.1 | 0.3 | -0.9 | | | |
| Oct | -0.7 | -0.4 | -1.9 | | | |
| Nov | 0.8 | 0.4 | -0.7 | | | |
| Dec | 0.3 | 0.7 | 0.6 | | | |

Source: National Bureau of Statistics (DANE).

a: Monthly variation. b: Accumulated year. c: With respect to the same period of the preceding year.

Note: Total industrial sector, except coffee thrash.

Table 7

COLOMBIA: BALANCE OF PAYMENTS
(Millions of dollars)

| | January-July | | | Percentage variation | |
|--|----------------------------|------|------|----------------------|------|
| | 1986 | 1987 | 1988 | 1987 | 1988 |
| | Balance on current account | 568 | 273 | -10 | -52 |
| Trade balance (goods) | 641 | 275 | 159 | -57 | -42 |
| Exports (FOB) | 2269 | 1990 | 2188 | -12 | 10 |
| Coffee | 1460 | 875 | 816 | -40 | -7 |
| Others | 809 | 1115 | 1372 | 38 | 23 |
| Imports | 1628 | 1715 | 2028 | 5 | 18 |
| Purchases of gold | 372 | 209 | 239 | -44 | 14 |
| Balance on services and other transactions | -445 | -211 | -408 | -53 | 93 |
| Net interest | -564 | -590 | -629 | 5 | 7 |
| Others | 119 | 379 | 221 | 218 | -42 |
| Balance on capital account | -101 | -464 | 431 | 359 | -- |
| Valuation adjustments | -- | 58 | 9 | -- | -- |
| Global balance | 467 | -133 | 430 | -- | -- |

Source: ECLAC, on the basis of official information.

Table 8

COLOMBIA: NET INTERNATIONAL RESERVES
(Millions of dollars)

| | Amount | | | Absolute variation | | | | | |
|-------|--------|------|------|--------------------|------|------|--------|------|------|
| | | | | Month | | | Year a | | |
| | 1986 | 1987 | 1988 | 1986 | 1987 | 1988 | 1986 | 1987 | 1988 |
| Mar | 2217 | 3257 | 3227 | 77 | -117 | -160 | 150 | -221 | -223 |
| Jun | 2469 | 3315 | 3970 | 250 | 20 | 238 | 402 | -163 | 520 |
| Sep * | 2587 | 3262 | 3883 | 80 | -138 | -87 | 520 | -216 | 433 |
| Dec | 3478 | 3450 | | 456 | 137 | | 1410 | -28 | |

Source: Banco de la República.

a: With respect to December of the preceding year. *: 1988 data correspond to July.

Table 9

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

| | Billions of pesos | | | Percentage variation | |
|----------------------------|------------------------|-------|-------|----------------------|-------|
| | 1986 | 1987 | 1988 | 1987 | 1988 |
| | Current income (net) a | 251.5 | 388.1 | 485.5 | 54.3 |
| Total payments | 290.6 | 403.7 | 543.7 | 38.9 | 34.7 |
| Operating expenditure | 204.3 | 267.4 | 388.4 | 30.9 | 45.3 |
| Interest payments on debt | 25.9 | 40.3 | 55.9 | 55.6 | 38.7 |
| Investment | 58.5 | 94.6 | 97.3 | 61.7 | 2.9 |
| Other payments | 1.9 | 1.4 | 2.1 | -26.3 | 50.0 |
| Deficit | -39.1 | -15.6 | -58.3 | -60.1 | 273.7 |
| Financing | 39.1 | 15.6 | 58.3 | -60.1 | 273.7 |
| Net external credit b | -14.2 | -53.5 | -17.9 | 276.8 | -66.5 |
| Net domestic credit b | 36.9 | 2.1 | -0.1 | — | — |
| Reduction in cash holdings | 16.4 | 67.0 | 76.3 | 308.5 | 13.9 |

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

a: Tax resources of the special exchange account are not included.

b: Includes amortization of public debt.

Table 10

COLOMBIA: INTEREST RATES ON 90-DAY DEPOSIT CERTIFICATES

| | Projected nominal rate a | | | | Effective weighted rate b | | | |
|-----|--------------------------|------|------|------|---------------------------|------|------|------|
| | 1985 | 1986 | 1987 | 1988 | 1985 | 1986 | 1987 | 1988 |
| Mar | 28.6 | 25.4 | 25.7 | 29.1 | 34.5 | 30.1 | 30.4 | 35.3 |
| Jun | 28.7 | 25.9 | 26.0 | 29.9 | 34.8 | 30.7 | 30.8 | 36.5 |
| Sep | 29.6 | 25.9 | 25.9 | | 36.1 | 30.7 | 30.7 | |
| Dec | 29.5 | 26.9 | 28.3 | | 35.9 | 32.1 | 34.2 | |

Source: Banco de la República.

a: Comparable with the corresponding weighted effective rate.

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

CHILE

The Chilean economy, helped by a very substantial rise in the terms of trade, performed favourably during the first half of 1988. Exports reached record levels, the balance-of-payments current account closed with a surplus for the first time since 1976, the international reserves increased, and the external debt declined. In this context, a more expansive economic policy than in previous years was applied, possibly influenced by the plebiscite scheduled for the last quarter of the year. The gross domestic product and employment increased, while there was a significant decline in inflation and a partial recovery in real remunerations (see figure 1).

The value of exports increased by 44% in the first half of the year compared with the same period in the previous year (see table 10). This situation was particularly favoured by the sharp rise in the international price of copper --a commodity which accounts for 40% of total exports-- and in the prices of such industrial exports as timber, paper, wood pulp and fish meal. This increase in the value of exports was also due to the continued expansion in the volume of external sales, encouraged by the consistently export-oriented nature of economic policy, including the maintenance of a high real exchange rate (see table 11). At the same time, imports continued to rise (18%), albeit more slowly than exports. As in the previous year, the most dynamic categories in this field were capital goods and intermediate goods (see table 12).

As a result of these developments there was a marked increase in the trade surplus. By the first half of 1988, it had already surpassed the level reached in the previous year, and it had also exceeded the net remittances of interest and profits and payments for non-financial services. Consequently, the current account results displayed a turnaround from a deficit of nearly US\$580 million in the first half of 1987 to a surplus of US\$100 million in the first half of 1988. In turn, this change permitted the international reserves to rise by more than US\$200 million although during the same period the net inflow of capital declined by over US\$400 million (see table 13).

If the terms of trade registered in the first half of the year are maintained for the rest of 1988, the extra income from this alone could amount to US\$1.3 billion. In addition, it should be noted that the payment of US\$400 million of interest commitments was postponed from this year as a result of the renegotiation of the debt agreed upon in 1987. When both these factors are taken into account the total of US\$1.7 billion amounts approximately to 8% of the GDP, an amount equivalent to the country's normal commitments in respect of interest payments.

The improved external situation and the coherent manner in which macroeconomic factors have been handled have made possible a solid expansion in economic activity. After having exceeded in 1987 the previous record level which it had reached in 1981, the gross domestic product grew by 5.8% in the first half of 1988, this fact notwithstanding, the per capita product was still 2% below that of 1981. The expansion was particularly marked in commerce, manufacturing and basic services (see table 1). Owing to the expansion of economic activity, employment rose by 4%. This was reflected in the decline in the rate of open unemployment from an average of 9.6% in the first half of 1987 to 8.8% in the same period of 1988 (see table 6) and in the drastic reduction in the number of persons enrolled in the Government's emergency employment plans to less than 1% of the labour force by mid-year.

The expansion of economic activity, the boom in external trade and especially the considerable increase in the value of exports of copper (a commodity which is produced mostly by State enterprises) sharply increased government income. This slack in the fiscal situation led the economic authorities to implement reductions in various taxes, in line with the strategy of limiting the size of the State sector and favouring the private sector as the basic engine of development. Thus, late in 1987 the special tax on colour television sets and other consumer durables was eliminated and the tax on the dividends of open joint stock companies was reduced by half. So far in 1988, there have been reductions in maximum customs tariffs (from 20% to 15%), in the tax on credit (from 2.4% to 1.2%), in the special duty on fuels, and in the rate of value added tax (IVA) (from 20% to 16%). Altogether, these measures represent an annual sacrifice of fiscal resources equivalent to more than 3% of the gross domestic product, which in view of the above-mentioned increases in income will not endanger the fiscal balance during the present year.

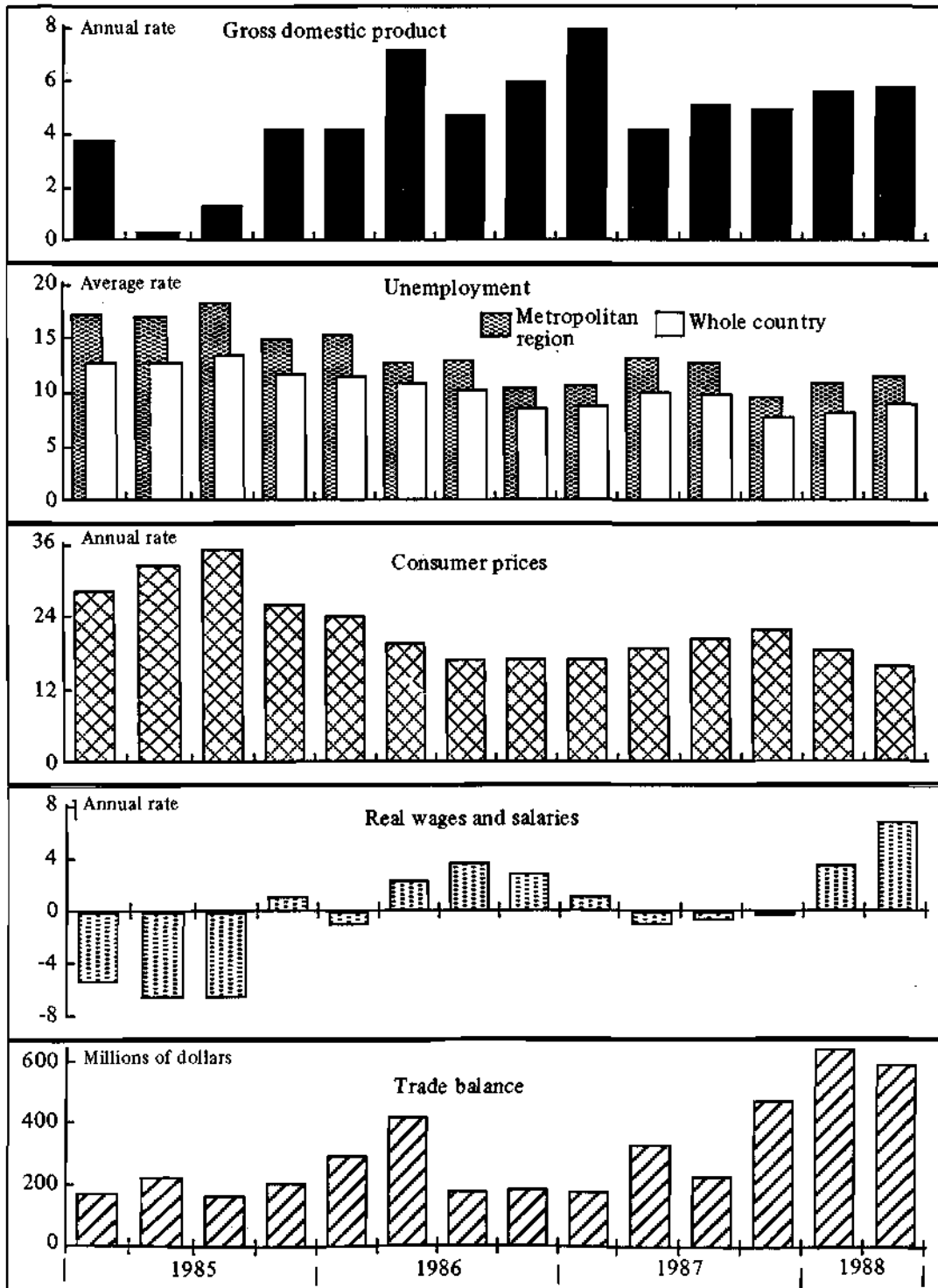
The reductions in taxes and tariffs, together with the lowering of the domestic prices of petroleum and wheat, against the background of balanced public sector accounts, contributed to a decline in inflation. The latter had increased slightly but consistently between January and November 1987 (when it reached 23% per year), but it subsequently went down steadily in 1988 to an annual rate of 13% in August, when consumer prices rose by only 0.8% (see table 7).

The slackening in the rate of inflation and the growth of employment helped in turn to significantly raise real wages for the first time since 1981. In the first seven months of the year, average real remunerations were 6.8% higher than those registered in the corresponding period of 1987 (see table 8). Although, given the sharp drop suffered in 1983, they were still 7% lower than in the period 1981-1982. The gap was even greater in the case of the minimum wage, which, despite having been adjusted in September 1987 and again in June 1988, was still 30% lower in real terms in mid-1988 than in 1981-1982.

In contrast with 1987, monetary policy was expansive. The annual growth rate of the private sector money supply, which had gone down from 45% to 8% between January and December of the previous year, rose to 26% in June 1988 (see table 14). Up to mid-year, however, the potential effect of this increase on the growth rate of prices was apparently neutralized by the greater demand for money due to the decline in inflationary expectations and the growth of economic activity.

Finally, the external debt swaps expanded once again during 1988. In the first seven months of the year, these operations amounted to US\$1 290 million, so that their cumulative total since they were initiated in mid-1985 amounted to almost US\$4.6 billion. This more than offset the additional indebtedness contracted so far this year; and as a result, the external debt declined by almost US\$700 million, although it still amounts to almost US\$20 billion.

Figure 1
CHILE: QUARTERLY EVOLUTION OF THE MAIN
ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

Table 1

CHILE: GROSS DOMESTIC PRODUCT
(Percentage variations) a

| | 1987 | | | | | 1988 b | | |
|-------------------------------|------|-------|-------|-------|------|--------|------|--------|
| | I | II | III | IV | Year | I | II | I Sem. |
| Total | 8.5 | 4.3 | 5.2 | 5.0 | 5.7 | 5.7 | 5.9 | 5.8 |
| Agriculture | 5.9 | 2.8 | 5.0 | 4.4 | 4.5 | 4.6 | 5.7 | 5.1 |
| Fishing | 28.4 | -17.9 | -28.1 | -10.6 | -8.0 | -5.8 | -0.6 | -3.2 |
| Mining | 0.2 | -3.3 | -1.2 | 4.5 | 0.0 | -2.9 | -1.7 | -2.3 |
| Industry | 10.8 | 2.5 | 5.6 | 3.8 | 5.5 | 9.3 | 7.5 | 8.4 |
| Electricity, gas and water | 5.3 | 4.2 | 3.5 | 2.4 | 3.8 | 9.1 | 8.1 | 8.6 |
| Construction | 4.1 | 11.2 | 19.2 | 8.5 | 10.6 | 7.4 | 4.3 | 5.8 |
| Commerce | 11.1 | 5.6 | 6.6 | 7.1 | 7.5 | 8.2 | 8.7 | 8.5 |
| Transport | 12.6 | 11.3 | 7.1 | 9.7 | 10.1 | 10.9 | 6.8 | 8.9 |
| Others | 8.8 | 6.1 | 4.3 | 4.0 | 5.8 | 3.6 | 5.5 | 4.5 |

Source: Central Bank.

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

b: Provisional figures.

Table 2

CHILE: CROP-FARMING PRODUCTION
(Crop years)

| | Thousands of metric quintals a | | | | Percentage variation | | | |
|------------|--------------------------------|-------|-------|-------|----------------------|-------|-------|-------|
| | 1985 | 1986 | 1987 | 1988 | 1985 | 1986 | 1987 | 1988 |
| Wheat | 11647 | 16258 | 18741 | 17342 | 17.8 | 39.6 | 15.3 | -7.5 |
| Oats | 1704 | 1244 | 1275 | 1569 | 4.5 | -27.0 | 2.5 | 23.1 |
| Barley | 850 | 881 | 483 | 816 | 15.6 | 3.6 | -45.2 | 68.9 |
| Rye | 115 | 86 | 48 | ... | 161.9 | -25.2 | -44.2 | ... |
| Rice | 1566 | 1267 | 1470 | 1623 | -5.1 | -19.1 | 16.0 | 10.4 |
| Maize | 7718 | 7213 | 6172 | 6609 | 7.0 | -6.5 | -14.4 | 7.1 |
| Beans | 1007 | 892 | 812 | 998 | 7.0 | -11.4 | -9.0 | 22.9 |
| Lentils | 247 | 290 | 247 | 201 | 54.1 | 17.4 | -14.8 | -18.6 |
| Chickpeas | 92 | 89 | 148 | 76 | 32.6 | -3.3 | 66.3 | -48.6 |
| Peas | 63 | 48 | 52 | ... | ... | -23.8 | 8.3 | ... |
| Potatoes | 9086 | 7911 | 7269 | 9282 | -12.3 | -12.9 | -8.1 | 27.7 |
| Field peas | 23 | 30 | 24 | ... | ... | 30.4 | -20.0 | ... |
| Sunflower | 325 | 544 | 396 | 489 | 336.4 | 67.4 | -27.2 | 23.5 |
| Rape | 319 | 971 | 951 | 1226 | 678.0 | 204.4 | -2.1 | 28.9 |
| Sugar beet | 21244 | 26384 | 26495 | 24872 | -3.3 | 24.2 | 0.4 | -6.1 |
| Lupin | 164 | 97 | 133 | ... | ... | -40.9 | 37.1 | ... |
| Tobacco | 78 | 79 | 83 | 104 | 27.9 | 1.3 | 5.1 | 25.3 |

Source: National Statistics Institute (INE).

a: Metric quintal = 100 kgs.

Table 3

CHILE: MINING PRODUCTION

| | Copper | Molybdenum | Silver | Gold | Iron Ore | Iron Ore | Coal | Petroleum | Natural |
|------|--------|------------|--------|-------|----------|----------|------|-----------|---------|
| | a | b | b | c | a d | a e | a | f | gas g |
| 1987 | | | | | | | | | |
| Jan | 103 | 994 | 40 | 1 609 | --- | 17 | 116 | 160 | 375 |
| Feb | 110 | 1 415 | 40 | 1 237 | 609 | 321 | 115 | 149 | 331 |
| Mar | 122 | 1 295 | 43 | 1 709 | 652 | 337 | 131 | 158 | 377 |
| Apr | 117 | 1 523 | 39 | 1 373 | 521 | 337 | 112 | 147 | 365 |
| May | 111 | 1 560 | 37 | 1 230 | 584 | 342 | 109 | 157 | 376 |
| 1988 | | | | | | | | | |
| Jan | 100 | 1 238 | 39 | 1 247 | 721 | 321 | 169 | 122 | 350 |
| Feb | 101 | 1 397 | 39 | 1 338 | 397 | 360 | 169 | 114 | 329 |
| Mar | 120 | 1 625 | 44 | 1 551 | 792 | 357 | 193 | 112 | 346 |
| Apr | 106 | 1 502 | 30 | 1 380 | 632 | 356 | 191 | 105 | 344 |
| May | 118 | 1 393 | 44 | 1 404 | 666 | 343 | 169 | 116 | 371 |

Percentage variation January-May

| | | | | | | | | | |
|---------|------|-----|------|------|------|------|------|-------|------|
| 1988/87 | -3.2 | 5.4 | -1.5 | -3.3 | 35.6 | 28.3 | 52.8 | -26.2 | -4.6 |
|---------|------|-----|------|------|------|------|------|-------|------|

Source: National Statistics Institute (INE).

a: Thousands of metric tons. b: Metric tons. c: Kilogrammes.

d: Crude iron ore. e: Pellets. f: Thousands of cubic metres.

g: Millions of cubic metres.

Table 4

CHILE: INDUSTRIAL OUTPUT
(Percentage variations)

| | SOFOFA a | | | | | | INE | | |
|------|------------|-------------|-----------|------------|-------------|-----------|------------|-------------|-----------|
| | Production | | | Sales | | | Production | | |
| | Month b | 12 Ms. c | Year d | Month b | 12 Ms. c | Year d | Month b | 12 Ms. c | Year d |
| 1987 | | | | | | | | | |
| Jan | -6.7 | 5.5 | 5.5 | -9.8 | 4.6 | 4.6 | -8.2 | 6.7 | 6.7 |
| Feb | -8.0 | 8.2 | 6.8 | -1.6 | 15.4 | 9.7 | -11.1 | 9.0 | 7.7 |
| Mar | 26.7 | 19.2 | 11.1 | 8.4 | 8.9 | 9.4 | 27.8 | 14.5 | 10.2 |
| Apr | 1.2 | 0.1 | 7.8 | 0.4 | 5.6 | 8.4 | -0.5 | 0.5 | 7.4 |
| May | 2.8 | 7.9 | 7.9 | -1.2 | 5.5 | 7.8 | 0.2 | 4.3 | 6.7 |
| Jun | -1.0 | 6.9 | 7.7 | 3.6 | 13.1 | 8.7 | 0.2 | 5.8 | 6.5 |
| Jul | 0.6 | 5.6 | 7.4 | 1.5 | 11.1 | 9.0 | 3.1 | 4.3 | 6.2 |
| Aug | -2.3 | 4.6 | 7.0 | -4.0 | 5.9 | 8.6 | -4.9 | 1.0 | 5.5 |
| Sep | -5.1 | 4.7 | 6.7 | -0.7 | 2.0 | 7.9 | -3.5 | 1.4 | 5.0 |
| Oct | 4.1 | 0.0 | 6.0 | 1.2 | -2.8 | 6.7 | 8.2 | -1.1 | 4.3 |
| Nov | 0.4 | 8.7 | 6.3 | 4.6 | 6.9 | 6.7 | -2.7 | 5.1 | 4.4 |
| Dec | -1.3 | 7.8 | 6.4 | 3.1 | 4.5 | 6.5 | -2.2 | 1.7 | 4.2 |
| 1988 | | | | | | | | | |
| Jan | -10.6 | 3.3 | 3.3 | -11.3 | 2.7 | 2.7 | -2.6 | 7.9 | 7.9 |
| Feb | -4.7 | 7.0 | 5.1 | -4.4 | -0.2 | 1.3 | -10.6 | 8.4 | 8.1 |
| Mar | 21.6 | 2.7 | 4.2 | 20.1 | 10.6 | 4.5 | 21.7 | 3.2 | 6.3 |
| Apr | 0.3 | 1.7 | 3.5 | -5.6 | 4.0 | 4.4 | -2.1 | 1.6 | 5.0 |
| May | 4.6 | 3.5 | 3.5 | -1.1 | 4.2 | 4.4 | 5.0 | 6.4 | 5.3 |
| Jun | 0.4 | 4.9 | 3.8 | 1.2 | 1.7 | 3.9 | -1.2 | 4.8 | 4.8 |
| Jul | 2.1 | 6.5 | 4.2 | 2.9 | 3.1 | 3.6 | 4.7 | 6.5 | 4.8 |

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

a: Figures represent variations of 1980=100 index. b: Variation with respect to the preceding month. c: Variation with respect to the same month of the preceding year. d: Cumulative variation with respect to the same period of the preceding year.

Table 5

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

| | Total construction | | | | Housing | | | | | |
|-----|--------------------|-------|-------------|------|---------|------|----------------|-------|-------------|------|
| | Surface area b | | Variation c | | Number | | Surface area b | | Variation c | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1988 | 1988 |
| Jan | 374.8 | 541.0 | 1.6 | 44.3 | 4580 | 5837 | 254.9 | 354.1 | 27.4 | 38.9 |
| Feb | 285.4 | 265.3 | 5.0 | 22.1 | 3803 | 3689 | 204.6 | 189.2 | 13.6 | 18.2 |
| Mar | 475.9 | 537.1 | 25.6 | 18.2 | 5411 | 6732 | 355.1 | 395.9 | 17.9 | 15.3 |
| Apr | 362.0 | 337.4 | 25.2 | 12.2 | 4525 | 5269 | 277.8 | 268.5 | 17.5 | 10.6 |
| May | 443.2 | 399.3 | 40.7 | 7.1 | 6269 | 4658 | 354.4 | 261.4 | 6.5 | 1.5 |
| Jun | 528.8 | | 42.6 | | 8389 | | 443.7 | | | |
| Jul | 407.7 | | 41.2 | | 4897 | | 271.1 | | | |
| Aug | 333.4 | | 36.5 | | 3137 | | 208.4 | | | |
| Sep | 361.6 | | 29.4 | | 4541 | | 270.6 | | | |
| Oct | 328.4 | | 24.0 | | 3748 | | 257.8 | | | |
| Nov | 355.2 | | 20.8 | | 4181 | | 244.6 | | | |
| Dec | 554.7 | | 18.3 | | 6779 | | 439.6 | | | |

Source: National Statistics Institute (INE).

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

Table 6

CHILE: UNEMPLOYMENT RATE
(Quarterly averages)

| Quarters ending in: | 1986 | | 1987 | | 1988 | |
|---------------------------|------------------------|-----------------|------------------------|-----------------|------------------------|-----------------|
| | Metropolitan Region | Nation- wide | Metropolitan Region | Nation- wide | Metropolitan Region | Nation- wide |
| Jan | 15.2 | 12.2 | 10.2 | 8.4 | 9.8 | 7.7 |
| Feb | 15.1 | 12.0 | 10.6 | 8.6 | 10.8 | 8.3 |
| Mar | 15.4 | 11.8 | 10.9 | 8.9 | 11.1 | 8.4 |
| Apr | 14.5 | 11.1 | 11.5 | 9.1 | 11.5 | 8.6 |
| May | 13.8 | 11.0 | 12.1 | 9.7 | 11.7 | 8.7 |
| Jun | 13.0 | 11.0 | 13.3 | 10.3 | 11.8 | 9.1 |
| Jul | 12.4 | 10.8 | 13.8 | 10.5 | 11.2 | 9.1 |
| Aug | 12.7 | 10.6 | 13.6 | 10.3 | | |
| Sep | 13.1 | 10.5 | 12.9 | 10.0 | | |
| Oct | 12.6 | 10.2 | 12.3 | 9.6 | | |
| Nov | 12.0 | 9.7 | 10.4 | 8.5 | | |
| Dec | 10.7 | 8.8 | 9.9 | 7.9 | | |

Source: National Statistics Institute (INE).

Table 7

CHILE: PRICE INDEX
(Percentage variations)

| | Consumer price index | | | | | | Wholesale price index | | | | | |
|-----|----------------------|------|--------|-------|------|--------|-----------------------|------|--------|-------|------|--------|
| | 1987 | | 1988 | | 1987 | | 1988 | | 1987 | | 1988 | |
| | Month | Year | 12 Ms. | Month | Year | 12 Ms. | Month | Year | 12 Ms. | Month | Year | 12 Ms. |
| Jan | 2.0 | 2.0 | 16.6 | 0.7 | 0.7 | 19.9 | -0.8 | -0.8 | 14.8 | -1.7 | -1.7 | 16.1 |
| Feb | 1.7 | 3.8 | 17.5 | 0.4 | 1.1 | 18.3 | 0.9 | 0.0 | 13.9 | -0.6 | -2.2 | 14.4 |
| Mar | 1.6 | 5.5 | 17.7 | 1.9 | 3.0 | 18.6 | 2.8 | 2.9 | 15.7 | 0.7 | -1.5 | 12.1 |
| Apr | 2.4 | 7.9 | 18.8 | 0.8 | 3.8 | 16.8 | 3.2 | 6.2 | 18.1 | 1.1 | -0.5 | 9.8 |
| May | 1.5 | 9.6 | 19.7 | 0.5 | 4.3 | 15.6 | 1.8 | 8.1 | 21.2 | 0.8 | 0.3 | 8.6 |
| Jun | 0.7 | 10.3 | 19.0 | 0.6 | 4.9 | 15.5 | 1.4 | 9.6 | 20.6 | 1.3 | 1.7 | 8.6 |
| Jul | 1.7 | 12.2 | 19.8 | 0.1 | 5.1 | 13.7 | 3.5 | 13.5 | 20.6 | 0.5 | 2.2 | 5.4 |
| Aug | 1.4 | 13.8 | 20.8 | 0.8 | 5.9 | 13.0 | 2.7 | 16.5 | 20.3 | -0.5 | 1.6 | 2.1 |
| Sep | 1.9 | 16.0 | 21.2 | | | | 2.4 | 19.3 | 21.8 | | | |
| Oct | 2.4 | 18.8 | 22.3 | | | | 3.1 | 23.0 | 22.0 | | | |
| Nov | 1.9 | 21.1 | 22.9 | | | | 0.8 | 24.0 | 23.4 | | | |
| Dec | 0.3 | 21.5 | 21.5 | | | | -5.6 | 17.1 | 17.1 | | | |

Source: National Statistics Institute (INE).

Table 8

CHILE: INDEX OF REAL WAGES AND SALARIES

| | Index of real wages and salaries a (December 1982=100) | | | Percentage variations | | | | | |
|-----|---|------|-------|-----------------------|--------|----------|-------|--------|----------|
| | | | | 1987 | | | 1988 | | |
| | 1986 | 1987 | 1988 | Month | Year b | 12 Ms. c | Month | Year b | 12 Ms. c |
| Jan | 93.9 | 95.5 | 98.0 | -0.4 | 1.8 | 1.8 | 1.6 | 2.6 | 2.6 |
| Feb | 93.5 | 94.8 | 98.6 | -0.8 | 1.6 | 1.4 | 0.7 | 3.3 | 4.0 |
| Mar | 93.3 | 93.9 | 98.2 | -1.0 | 1.3 | 0.7 | -0.5 | 3.7 | 4.5 |
| Apr | 93.9 | 93.2 | 98.7 | -0.7 | 0.8 | -0.7 | 0.5 | 4.3 | 5.9 |
| May | 95.4 | 93.2 | 99.8 | -0.1 | 0.2 | -2.3 | 1.1 | 4.8 | 7.1 |
| Jun | 94.6 | 94.4 | 101.8 | 1.2 | 0.1 | -0.3 | 2.0 | 5.3 | 7.8 |
| Jul | 95.0 | 94.3 | 102.9 | -0.1 | 0.0 | -0.8 | 1.1 | 6.8 | 9.2 |
| Aug | 95.2 | 93.9 | | -0.4 | -0.2 | -1.3 | | | |
| Sep | 94.6 | 94.9 | | 1.0 | -1.0 | 0.3 | | | |
| Oct | 94.2 | 94.4 | | -0.5 | -0.1 | 0.1 | | | |
| Nov | 95.4 | 93.9 | | -0.5 | -0.2 | -1.6 | | | |
| Dec | 95.9 | 96.4 | | 2.7 | -0.2 | 0.5 | | | |

Source: National Statistics Institute (INE).

a: Index of nominal wages and salaries deflated by the consumer price index. b: Percentage variation in the cumulative average index with respect to the same period of the preceding year. c: With respect to the same month of the preceding year.

Table 9

CHILE: EXCHANGE RATE

| | Nominal exchange rate on the banking market (Pesos per dollar) | | | | Adjusted real exchange rate (Index 1980 = 100) a | | | |
|-----|--|-------|-------|-------|--|-------|-------|-------|
| | 1985 | 1986 | 1987 | 1988 | 1985 | 1986 | 1987 | 1988 |
| Jan | 129.0 | 184.8 | 204.5 | 243.7 | 184.6 | 209.4 | 193.6 | 200.1 |
| Feb | 131.8 | 186.7 | 206.0 | 240.0 | 184.6 | 206.8 | 192.6 | 196.0 |
| Mar | 145.7 | 189.2 | 207.8 | 243.3 | 198.1 | 203.5 | 191.5 | 195.5 |
| Apr | 148.8 | 189.2 | 211.5 | 241.9 | 198.1 | 199.3 | 191.7 | 194.6 |
| May | 152.2 | 187.9 | 212.5 | 245.2 | 199.1 | 197.2 | 191.3 | 197.6 |
| Jun | 155.1 | 188.8 | 218.2 | 248.3 | 195.4 | 195.4 | 195.6 | 199.3 |
| Jul | 170.8 | 190.4 | 224.1 | 248.3 | 212.1 | 194.0 | 198.9 | 199.4 |
| Aug | 176.5 | 194.5 | 224.6 | 245.6 | 215.9 | 196.8 | 196.7 | ... |
| Sep | 178.2 | 198.4 | 225.2 | | 214.5 | 198.1 | 193.5 | |
| Oct | 179.2 | 199.7 | 229.3 | | 214.0 | 197.1 | 192.9 | |
| Nov | 180.7 | 202.0 | 233.8 | | 213.6 | 196.6 | 193.3 | |
| Dec | 182.5 | 203.7 | 235.3 | | 213.4 | 194.9 | 193.8 | |

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

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

Table 10

CHILE: TRADE BALANCE

| | Millions of dollars | | | | | | Percentage variation a | | | | | |
|------|---------------------|------|----------------|------|------------------|------|------------------------|------|---------|------|------------------|--|
| | Exports FOB | | Imports FOB | | Trade balance | | Exports | | Imports | | Trade balance | |
| | Month | Year | Month | Year | Month | Year | Month | Year | Month | Year | Year | |
| 1986 | | | | | | | | | | | | |
| Dec | 359 | 4199 | 265 | 3100 | 94 | 1099 | 6.2 | 10.4 | 8.6 | 4.9 | 29.4 | |
| 1987 | | | | | | | | | | | | |
| Jan | 335 | 335 | 301 | 301 | 34 | 34 | 16.7 | 16.7 | 15.8 | 15.8 | 25.9 | |
| Feb | 367 | 702 | 301 | 602 | 66 | 100 | 16.9 | 16.8 | 44.0 | 28.4 | -24.2 | |
| Mar | 423 | 1125 | 339 | 941 | 84 | 184 | 14.0 | 15.7 | 66.2 | 39.8 | -38.3 | |
| Apr | 497 | 1622 | 298 | 1239 | 199 | 383 | 8.0 | 13.3 | 18.3 | 33.9 | -24.3 | |
| May | 408 | 2030 | 329 | 1568 | 79 | 462 | 12.4 | 13.1 | 40.0 | 35.2 | -27.1 | |
| Jun | 378 | 2408 | 318 | 1886 | 59 | 521 | 17.8 | 13.8 | 36.5 | 35.4 | -27.9 | |
| Jul | 479 | 2887 | 367 | 2253 | 113 | 634 | 28.4 | 16.0 | 22.7 | 33.2 | -20.4 | |
| Aug | 411 | 3298 | 377 | 2630 | 35 | 669 | 17.1 | 16.1 | 35.6 | 33.5 | -23.0 | |
| Sep | 417 | 3715 | 329 | 2959 | 87 | 756 | 30.3 | 17.6 | 15.4 | 31.2 | -16.4 | |
| Oct | 438 | 4153 | 348 | 3307 | 90 | 846 | 19.7 | 17.8 | 20.4 | 30.0 | -13.8 | |
| Nov | 434 | 4587 | 372 | 3679 | 62 | 908 | 38.2 | 19.5 | 27.8 | 29.8 | -9.7 | |
| Dec | 637 | 5224 | 315 | 3994 | 322 | 1230 | 77.4 | 24.4 | 18.9 | 28.8 | 11.9 | |
| 1988 | | | | | | | | | | | | |
| Jan | 550 | 550 | 389 | 389 | 161 | 161 | 64.2 | 64.2 | 29.2 | 29.2 | 373.5 | |
| Feb | 537 | 1087 | 305 | 694 | 232 | 393 | 46.3 | 54.8 | 1.3 | 15.3 | 293.0 | |
| Mar | 639 | 1726 | 392 | 1086 | 247 | 640 | 51.1 | 53.4 | 15.6 | 15.4 | 247.8 | |
| Apr | 641 | 2367 | 334 | 1420 | 307 | 947 | 29.0 | 45.9 | 12.1 | 14.6 | 147.3 | |
| May | 567 | 2934 | 416 | 1836 | 152 | 1099 | 39.0 | 44.5 | 26.4 | 17.1 | 137.9 | |
| Jun | 545 | 3479 | 387 | 2223 | 158 | 1257 | 44.2 | 44.4 | 21.7 | 17.9 | 141.3 | |

Source: Central Bank.

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

Table 11

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

| | Mining products | | | | Agricultural and marine products | | Industrial goods | | Percentage variation b | | |
|-----|-----------------|------|--------|------|--|------|---------------------|------|---------------------------|------|------|
| | Total | | Copper | | 1987 | 1988 | 1987 | 1988 | Min. | Agr. | Ind. |
| | 1987 | 1988 | 1987 | 1988 | | | | | | | |
| Jan | 163 | 297 | 142 | 274 | 55 | 74 | 118 | 179 | 82.2 | 34.5 | 51.7 |
| Feb | 319 | 561 | 260 | 498 | 147 | 195 | 237 | 331 | 75.9 | 32.7 | 39.7 |
| Mar | 477 | 824 | 397 | 716 | 296 | 386 | 353 | 515 | 72.7 | 30.4 | 45.9 |
| Apr | 676 | 1108 | 554 | 962 | 430 | 554 | 517 | 704 | 63.9 | 28.8 | 36.2 |
| May | 851 | 1410 | 702 | 1227 | 507 | 627 | 673 | 896 | 65.7 | 23.7 | 33.1 |
| Jun | 1047 | 1709 | 866 | 1495 | 543 | 666 | 818 | 1102 | 63.2 | 22.7 | 34.7 |
| Jul | 1276 | | 1060 | | 602 | | 1009 | | | | |
| Aug | 1490 | | 1238 | | 651 | | 1158 | | | | |
| Sep | 1710 | | 1427 | | 691 | | 1316 | | | | |
| Oct | 1948 | | 1639 | | 719 | | 1488 | | | | |
| Nov | 2204 | | 1867 | | 746 | | 1639 | | | | |
| Dec | 2605 | | 2235 | | 797 | | 1825 | | | | |

Source: Central Bank.

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

Table 12

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

| | Goods | | | | | | | | | | | | |
|-----|-------------------|------|------------|------|--------------------|------|----------------------|------|---------------|------|------------------------|------|------|
| | Consumer products | | | | Intermediate goods | | | | Capital goods | | | | |
| | Total | | Foodstuffs | | Total | | Fuels and lubricants | | | | Percentage variation b | | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | Con. | Int. | Cap. |
| Jan | 67 | 70 | 17 | 17 | 176 | 248 | 32 | 29 | 90 | 110 | 4.5 | 40.9 | 22.2 |
| Feb | 131 | 135 | 29 | 30 | 378 | 434 | 52 | 105 | 154 | 193 | 3.1 | 14.8 | 25.3 |
| Mar | 206 | 222 | 42 | 51 | 587 | 645 | 109 | 153 | 244 | 326 | 7.8 | 9.9 | 33.6 |
| Apr | 278 | 285 | 57 | 61 | 766 | 850 | 133 | 190 | 323 | 426 | 2.5 | 11.0 | 31.9 |
| May | 350 | 371 | 74 | 84 | 946 | 1117 | 164 | 246 | 431 | 526 | 6.0 | 18.1 | 22.0 |
| Jun | 424 | 458 | 94 | 105 | 1141 | 1359 | 202 | — | 513 | 624 | 8.0 | 19.1 | 21.6 |
| Jul | 497 | | 108 | | 1375 | | 243 | | 613 | | | | |
| Aug | 574 | | 125 | | 1612 | | 305 | | 710 | | | | |
| Sep | 652 | | 146 | | 1800 | | 343 | | 808 | | | | |
| Oct | 738 | | 170 | | 2009 | | 371 | | 894 | | | | |
| Nov | 829 | | 196 | | 2214 | | 420 | | 1006 | | | | |
| Dec | 901 | | 210 | | 2395 | | | | 1101 | | | | |

Source: Central Bank.

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

Table 13

CHILE: BALANCE OF PAYMENTS
(Millions of dollars) a

| | 1987 | | | 1988 | | |
|----------------------------|-----------------|------------|-------|-----------|------------|-------|
| | I Quarter | II Quarter | I Sem | I Quarter | II Quarter | I Sem |
| | Current account | -476 | -100 | -576 | -58 | 159 |
| Trade balance (goods) | 184 | 337 | 521 | 637 | 620 | 1257 |
| Exports | 1124 | 1283 | 2407 | 1723 | 1756 | 3479 |
| Copper | 396 | 469 | 865 | 716 | 779 | 1495 |
| Other | 728 | 814 | 1542 | 1007 | 977 | 1984 |
| Imports | -940 | -946 | -1886 | -1086 | -1136 | -2222 |
| Non-financial services | -115 | -163 | -278 | -127 | -165 | -292 |
| Financial services | -569 | -320 | -889 | -600 | -346 | -946 |
| Unrequited transfers | 24 | 46 | 70 | 32 | 50 | 82 |
| Capital account | 279 | 332 | 611 | 196 | -2 | 194 |
| Foreign investment | 245 | 183 | 428 | 154 | 148 | 302 |
| Other capital | 34 | 149 | 183 | 42 | -150 | -108 |
| Errors and omissions (net) | -38 | -35 | -73 | -76 | 5 | -71 |
| Global balance | -235 | 197 | -38 | 62 | 162 | 224 |

Source: Central Bank.

a: Rounded-off figures.

Table 14

CHILE: MONETARY AGGREGATES

| | E | D1 | M1 | Dg | Dp | M2 | CN | CE |
|-------------------------|------|------|------|------|------|------|------|------|
| Percentage variations a | | | | | | | | |
| 1987 | | | | | | | | |
| Mar | 28.6 | 33.9 | 34.1 | 33.4 | 28.9 | 30.1 | 16.8 | -0.4 |
| Jun | 28.0 | 33.1 | 25.8 | 45.6 | 44.4 | 40.1 | 22.7 | 7.0 |
| Sep | 20.7 | 23.8 | 10.2 | 55.2 | 39.7 | 32.8 | 24.5 | 4.9 |
| Dec | 23.8 | 11.5 | 7.6 | 18.1 | 50.1 | 39.7 | 25.7 | 2.1 |
| 1988 | | | | | | | | |
| Jan | 27.5 | 26.1 | 16.6 | 42.4 | 48.4 | 40.2 | 29.6 | 1.8 |
| Feb | 28.4 | 41.1 | 26.2 | 69.7 | 42.0 | 38.2 | 30.2 | -1.0 |
| Mar | 27.3 | 48.7 | 31.0 | 88.5 | 32.2 | 31.9 | 27.9 | -0.5 |
| Apr | 28.8 | 18.0 | 24.2 | 5.2 | 28.9 | 27.8 | 28.2 | -3.5 |
| May | 31.3 | 15.2 | 28.1 | -4.4 | 27.8 | 27.8 | 27.2 | -2.6 |
| Jun | 23.7 | 13.5 | 26.3 | -5.5 | 21.0 | 22.1 | 26.7 | -3.4 |

Source: Central Bank.

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

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

Table 15

CHILE: BANK INTEREST RATES
(Percentages)

| | Nominal rates a | | Real rates | | | |
|------|---------------------|------------------|-------------------------------|------------------|---------------------------|-------|
| | Short-term deposits | Short-term loans | Non-readjustable operations a | | Readjustable operations b | |
| | | | Short-term deposits | Short-term loans | De-posits | Loans |
| 1986 | | | | | | |
| Feb | 2.00 | 2.74 | 1.09 | 1.82 | 5.37 | 8.63 |
| Apr | 1.59 | 2.10 | 0.19 | 0.69 | 4.60 | 8.31 |
| Jun | 1.04 | 1.57 | -0.26 | 0.27 | 3.91 | 7.58 |
| Aug | 1.18 | 1.68 | 0.58 | 1.07 | 3.40 | 7.24 |
| Oct | 1.57 | 1.92 | 0.07 | 0.41 | 3.14 | 6.84 |
| Dec | 1.61 | 2.03 | 0.11 | 0.53 | 3.47 | 6.61 |
| 1987 | | | | | | |
| Feb | 2.10 | 2.54 | 0.39 | 0.83 | 3.51 | 6.87 |
| Apr | 1.82 | 2.32 | -0.57 | -0.08 | 3.94 | 6.98 |
| Jun | 1.72 | 2.26 | 1.01 | 1.55 | 4.37 | 6.95 |
| Aug | 1.85 | 2.25 | 0.44 | 0.84 | 4.29 | 7.44 |
| Oct | 2.13 | 2.63 | -0.26 | 0.22 | 5.12 | 7.95 |
| Dec | 1.88 | 2.47 | 1.58 | 2.16 | 4.47 | 7.51 |
| 1988 | | | | | | |
| Jan | 0.77 | 1.34 | 0.07 | 0.64 | 4.33 | 7.33 |
| Feb | 0.93 | 1.50 | 0.53 | 1.10 | 4.25 | 7.38 |
| Mar | 1.04 | 1.41 | -0.84 | -0.48 | 4.18 | 7.33 |
| Apr | 1.83 | 2.19 | 1.02 | 1.38 | 4.05 | 7.01 |
| May | 1.03 | 1.56 | 0.53 | 1.05 | 4.11 | 7.46 |
| Jun | 0.78 | 1.28 | 0.18 | 0.68 | 4.53 | 7.54 |
| Jul | 0.64 | 1.16 | 0.54 | 1.06 | ... | ... |
| Aug | 0.68 | 1.10 | -0.12 | 0.30 | ... | ... |

Source: Central Bank.

a: Average monthly rates. b: Annual rates.

ECUADOR

The most outstanding features of the Ecuadorian economy in the first half of 1988 were the recovery of production from the abnormally low level of the preceding year, with a consequent improvement in the trade balance (although not in the overall external sector balance), the violent acceleration of inflation, and a sharp rise in the exchange rates.

It is estimated that the growth in output will be between 5% and 6.5%, due almost entirely to the recovery in the production of hydrocarbons after the prolonged interruption in oil supplies in 1987 as a result of the damage done by the earthquake which ravaged the country in March of that year. In contrast, non-petroleum activities are expected to grow by only 1% or 2%. The slight expansion in export agricultural activities will probably be offset by the decline in crops for domestic consumption. It is also likely that there will be a slackening in the very rapid growth rate observed in the fisheries sector in the previous two years, and a similar reduction in the pace of stock-raising and forestry activities. During the first part of 1988, manufacturing displayed an erratic performance because of the weakness of domestic demand, the shortage of foreign exchange and the rising inflation.

The resumption of the production and export of hydrocarbons was a decisive factor in the improvement in the external accounts. Thus, during the first half of the year exports exceeded US\$1.2 billion: 30% more than in the same period of the previous year. Furthermore, the recovery in the production of hydrocarbons meant that it was no longer necessary to import this commodity, resulting in a saving of foreign exchange of over US\$250 million. As a result, the trade deficit registered in mid-1987 was turned into a surplus of almost US\$470 million (see table 1).

During the first half of the year, exports of primary commodities grew by 30%, compared with a decline of 16% in the same period of 1987. This increase was mainly due to the 72% rise in sales of crude petroleum, even though the average price per barrel (US\$13.7) was lower than the US\$17 initially expected. There were also increases in the sales of shrimp and coffee (15% in each case) and bananas (7%), despite the 20% decline in the unit value of shrimps in the period January-May. Exports of manufactures, for their part, grew by nearly 30% (see table 2).

The resumption of petroleum operations in 1988 caused imports of fuels and lubricants to return to their traditional low levels. At the same time, the sharp rise in the real exchange rate contributed to the marked decline in imports of consumer goods (-27%), while imports of raw materials fell by 19% to more normal levels and purchases of capital goods remained practically unchanged (see table 3).

Despite the trade surplus and the continuation of the moratorium on the servicing of the debt owed to the international banking system (which constitutes only a minor part of the external debt), the servicing of the debt owed to official agencies, together with speculative transactions, caused a decline in the net international reserves, which by mid-year had shrunk almost to zero.

The gap between the exchange rates on the two markets (the free market and that subject to government intervention) continued to grow wider, clearly reflecting the prevailing climate of uncertainty. In July, the price of the dollar on the free market was

over 500 sucres, more than double the rate corresponding to official transactions (see table 5). The increases in the exchange rate, which were substantially greater than those observed in the first half of 1987, were due largely to speculative operations partly associated with uncertainty over the outcome of the elections and the acceleration of inflation. As the position with regard to the country's international reserves got worse, some changes were made in the operation of the foreign exchange market in order to limit the exchange rate rises and in June prior deposits of between 60% and 160% were established for imports.

The external debt situation remained substantially unchanged. The servicing of the debt owed to the private banking system was not resumed after petroleum production was restarted, while efforts to negotiate the rescheduling of the payments still outstanding to private creditors continued, without reaching any definite agreement. Early in the year, a credit of US\$157 million was received from the IMF, US\$57 million of which was compensatory financing for the drop in export prices, while the remaining US\$100 million was provided under a stand-by credit agreement for a period of 14 months. Only US\$15 million of this latter amount was disbursed, however, due to the failure to fulfil the targets laid down in the agreement for the first quarter. Finally, commitments of some US\$300 million were renegotiated in the Paris Club. These corresponded to payments of principal and interest due in 1987, 1988 and the first two months of 1989.

The annual rate of change in the consumer price index speeded up, and in August amounted to 63%: the highest ever in the country's history. This acceleration of inflationary pressures was linked to the rise in the exchange rate and the repercussions on the expectations of the economic agents. Another factor which exerted a strong influence was the doubling of the growth rate of the money supply (see table 7). In addition to these factors, there was the impact of the decrease in the supply of food and the increase in public transport charges.

As a result of the speeding-up of inflation, the purchasing power of wages went down. Thus, despite the 31% rise in minimum wages approved in mid-year, in real terms these wages were 11% lower in January-July 1988 than in the same period of the year before (see table 8).

At the end of August, the new government instituted a series of measures designed to restore the main macroeconomic balances. These included the raising of the intervention exchange rate to 390 sucres per dollar and the establishment of a system of weekly mini-devaluations designed to raise this exchange rate by a further 30% over the space of one year. At the same time, minimum wages were raised by almost 16%. In order to reduce the fiscal imbalance, and in keeping with current energy policy, electricity charges were increased and the price of gasoline was doubled to the equivalent of US\$0.36 per gallon. Finally, the prices of some foodstuffs were frozen and it was decided not to expand Central Bank credit to the government until December.

Table 1

ECUADOR: TRADE BALANCE

| | Millions of dollars | | | | | | Percentage variation a | | | | |
|------|---------------------|-------|----------------|-------|------------------|------|------------------------|-------|---------|-------|--|
| | Exports FOB | | Imports CIF | | Trade balance | | Exports | | Imports | | |
| | Month | Year | Month | Year | Month | Year | Month | Year | Month | Year | |
| | | | | | | | | | | | |
| 1987 | | | | | | | | | | | |
| Jan | 290 | 290 | 153 | 153 | 137 | 137 | 16.5 | 16.5 | 4.1 | 4.1 | |
| Feb | 188 | 478 | 158 | 311 | 30 | 167 | 7.4 | 12.7 | 29.5 | 15.6 | |
| Mar | 66 | 544 | 160 | 471 | -94 | 73 | -58.5 | -6.7 | 50.9 | 25.6 | |
| Apr | 124 | 668 | 229 | 700 | -105 | -32 | -34.4 | -13.5 | 84.7 | 40.3 | |
| May | 132 | 800 | 195 | 895 | -63 | -95 | -34.0 | -17.7 | 35.4 | 39.2 | |
| Jun | 137 | 937 | 171 | 1 066 | -34 | -129 | -7.4 | -16.3 | 40.2 | 39.3 | |
| Jul | 74 | 1 011 | 173 | 1 239 | -99 | -228 | -52.3 | -20.7 | 32.1 | 38.3 | |
| Aug | 138 | 1 149 | 157 | 1 396 | -19 | -247 | -29.2 | -21.8 | 51.0 | 39.6 | |
| Sep | 212 | 1 361 | 173 | 1 569 | 39 | -208 | 6.5 | -18.5 | 36.2 | 39.2 | |
| Oct | 242 | 1 603 | 122 | 1 691 | 120 | -88 | 55.1 | -12.2 | -34.8 | 28.7 | |
| Nov | 211 | 1 814 | 128 | 1 819 | 83 | -5 | 20.6 | -9.3 | -5.2 | 25.5 | |
| Dec | 207 | 2 021 | 163 | 1 982 | 44 | 39 | 10.7 | -7.6 | 29.4 | 25.8 | |
| 1988 | | | | | | | | | | | |
| Jan | 178 | 178 | 137 | 137 | 41 | 41 | -38.6 | -38.6 | -10.5 | -10.5 | |
| Feb | 211 | 389 | 117 | 254 | 94 | 135 | 12.2 | -18.6 | -25.9 | -18.3 | |
| Mar | 236 | 625 | 127 | 381 | 109 | 244 | 257.6 | 14.9 | -20.6 | -19.1 | |
| Apr | 160 | 785 | 106 | 487 | 54 | 298 | 29.0 | 17.5 | -53.7 | -30.4 | |
| May | 206 | 991 | 106 | 593 | 100 | 398 | 56.1 | 23.9 | -45.6 | -33.7 | |
| Jun | 225 | 1 216 | 156 | 749 | 69 | 467 | 64.2 | 29.8 | -8.8 | -29.7 | |

Source: Central Bank of Ecuador.

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

Table 2

ECUADOR: STRUCTURE OF EXPORTS
(Millions of dollars) a

| | Primary | | | | | | Industrialized | | Percentage variation b | | | |
|-----|---------|-------|------|------|---------|------|----------------|------|------------------------|-------|----------------|-------|
| | Total | | Oil | | Non-oil | | | | Pr | | Oil Non-oil In | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | | | | |
| Jan | 252 | 147 | 122 | 75 | 130 | 72 | 38 | 31 | -41.7 | -38.5 | -44.6 | -18.4 |
| Feb | 414 | 324 | 210 | 164 | 204 | 160 | 65 | 65 | -21.7 | -21.9 | -21.6 | 0.0 |
| Mar | 462 | 525 | 216 | 247 | 246 | 278 | 83 | 100 | 13.6 | 14.4 | 13.0 | 20.5 |
| Apr | 568 | 658 | 230 | 322 | 338 | 336 | 101 | 126 | 15.8 | 40.0 | -0.6 | 24.8 |
| May | 677 | 834 | 272 | 411 | 405 | 423 | 123 | 156 | 23.2 | 51.1 | 4.4 | 26.8 |
| Jun | 791 | 1 036 | 286 | 491 | 505 | 545 | 146 | 188 | 31.0 | 71.7 | 7.9 | 28.8 |
| Jul | 854 | | 301 | | 553 | | 157 | | | | | |
| Aug | 971 | | 339 | | 632 | | 178 | | | | | |
| Sep | 1 162 | | 430 | | 732 | | 199 | | | | | |
| Oct | 1 372 | | 553 | | 819 | | 231 | | | | | |
| Nov | 1 549 | | 646 | | 903 | | 266 | | | | | |
| Dec | 1 729 | | 739 | | 990 | | 292 | | | | | |

Source: Central Bank of Ecuador.

Note: Pr = Primary. In = Industrialized.

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

Table 3

EQUADOR: IMPORTS STRUCTURE a
(Millions of dollars) b

| | Consumer goods | | Fuels and lubricants | | Raw materials | | Capital goods | | Percentage variation c | | | |
|-----|----------------|------|----------------------|------|---------------|------|---------------|------|------------------------|-------|-------|-------|
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | Cg | F1 | Rm | Cap.g |
| Jan | 19 | 9 | 12 | 4 | 71 | 57 | 71 | 86 | -52.6 | -66.7 | -19.7 | 21.1 |
| Feb | 37 | 22 | 27 | 10 | 160 | 116 | 140 | 140 | -40.5 | -63.3 | -27.5 | 0.0 |
| Mar | 54 | 33 | 59 | 15 | 235 | 188 | 198 | 196 | -38.9 | -74.6 | -20.0 | -1.1 |
| Apr | 72 | 51 | 126 | 19 | 335 | 241 | 266 | 244 | -29.2 | -84.9 | -28.1 | -8.0 |
| May | 88 | 65 | 215 | 24 | 402 | 302 | 308 | 284 | -26.1 | -88.8 | -24.9 | -7.8 |
| Jun | 109 | 81 | 253 | 29 | 476 | 384 | 367 | 357 | -25.7 | -88.5 | 19.3 | -2.7 |
| Jul | 128 | 93 | 297 | 35 | 552 | 448 | 421 | 416 | -27.3 | -88.2 | -18.8 | -1.2 |
| Aug | 140 | | 341 | | 618 | | 477 | | | | | |
| Sep | 158 | | 353 | | 716 | | 545 | | | | | |
| Oct | 173 | | 374 | | 774 | | 589 | | | | | |
| Nov | 196 | | 378 | | 847 | | 646 | | | | | |
| Dec | 209 | | 387 | | 919 | | 738 | | | | | |

Source: Central Bank of Ecuador.

a: Classified by economic purpose. b: Cumulative figures. c: With respect to the same cumulative period of the preceding year.

Table 4

EQUADOR: NET INTERNATIONAL RESERVES

| | Millions of dollars a | | | Absolute variations | | | |
|-----|-----------------------|------|------|---------------------|--------|---------|--------|
| | 1986 | 1987 | 1988 | 1987 | | 1988 | |
| | | | | Month b | Year c | Month b | Year c |
| Mar | 165 | 128 | 46 | -37.0 | -16.0 | -82.0 | -18.0 |
| Jun | 145 | 58 | 53 | -87.0 | -86.0 | -5.0 | -11.0 |
| Sep | 147 | 57 | | -90.0 | -87.0 | | |
| Dec | 144 | 64 | | -80.0 | -80.0 | | |

Source: Central Bank of Ecuador.

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

Table 5

EQUADOR: EXCHANGE RATES

| | Average exchange rate (Sucres per dollar) | | | | Adjusted real exchange rate (Index 1980=100) a | | | |
|-----|---|-------|--------------|-------|--|-------|------------|-------|
| | Free | | Controlled * | | Free | | Controlled | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 |
| Jan | 146.5 | 224.5 | 146.2 | 262.3 | 135.6 | 160.8 | 130.5 | 181.2 |
| Feb | 146.5 | 243.5 | 147.6 | 340.9 | 133.0 | 165.8 | 129.3 | 224.0 |
| Mar | 146.5 | 249.1 | 153.1 | 371.4 | 126.5 | 162.8 | 127.5 | 234.1 |
| Apr | 150.2 | 249.5 | 165.5 | 435.0 | 128.2 | 153.8 | 136.2 | 258.7 |
| May | 155.1 | 249.5 | 179.1 | 444.0 | 131.5 | 147.9 | 146.4 | 253.9 |
| Jun | 159.0 | 249.5 | 188.5 | 481.0 | 132.4 | 143.1 | 151.4 | 266.6 |
| Jul | 163.0 | 249.5 | 192.6 | 505.0 | 135.2 | 136.9 | 154.0 | 267.3 |
| Aug | 169.5 | | 199.4 | | 139.2 | | 156.0 | |
| Sep | 185.1 | | 204.9 | | 148.9 | | 159.1 | |
| Oct | 198.5 | | 238.2 | | 157.1 | | 181.9 | |
| Nov | 211.2 | | 261.8 | | 160.2 | | 191.5 | |
| Dec | 214.6 | | 245.4 | | 158.0 | | 174.3 | |

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

a: Index of the nominal exchange rate deflated by the consumer price index and adjusted by the United States wholesale price index. *: Figures of April-July, 1988 are not official data.

Table 6

ECUADOR: CONSUMER PRICE INDEX
(Percentage variations)

| | 1987 | | | 1988 | | |
|-----|-------|------|-----------|-------|------|-----------|
| | Month | Year | 12 months | Month | Year | 12 months |
| Jan | 1.8 | 1.8 | 25.5 | 3.2 | 3.2 | 34.3 |
| Feb | 2.5 | 4.4 | 25.5 | 5.0 | 8.4 | 37.6 |
| Mar | 5.2 | 9.8 | 29.5 | 4.5 | 13.3 | 36.7 |
| Apr | 2.0 | 11.9 | 29.5 | 6.9 | 21.1 | 43.3 |
| May | 1.4 | 13.5 | 30.3 | 4.7 | 26.8 | 48.0 |
| Jun | 2.3 | 16.1 | 31.7 | 3.6 | 31.3 | 49.9 |
| Jul | 0.9 | 17.1 | 31.9 | 4.9 | 37.7 | 55.7 |
| Aug | 1.1 | 18.4 | 29.8 | 5.8 | 45.6 | 63.0 |
| Sep | 2.1 | 20.8 | 29.2 | | | |
| Oct | 1.9 | 23.1 | 27.2 | | | |
| Nov | 4.6 | 28.7 | 30.6 | | | |
| Dec | 2.9 | 32.5 | 32.5 | | | |

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

Table 7

ECUADOR: MONETARY AGGREGATES
(Percentage variations) a

| | Money supply (M1) | | | | Monetary base | | | |
|-------|-------------------|------|-------------|------|---------------|------|-------------|------|
| | Year b | | 12 Months c | | Year b | | 12 Months c | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 |
| Mar | -4.6 | 3.1 | 17.6 | 42.9 | -9.0 | 6.4 | 20.4 | 57.5 |
| Jun | 1.8 | 19.1 | 26.3 | 54.8 | -2.1 | 15.0 | 25.8 | 58.3 |
| Sep * | 10.8 | 23.2 | 30.3 | 55.9 | 12.0 | | 25.1 | |
| Dec | 32.3 | | 32.3 | | 34.7 | | 34.7 | |

Source: Central Bank of Ecuador.

a: Percentage variations calculated with respect to balances at the end of each month. b: With respect to December of the preceding year. c: With respect to the same month of the preceding year. *: 1988, July.

Table 8

ECUADOR: GENERAL MINIMUM MONTHLY WAGES
(Index December 1986=100)

| | Nominal minimum wages | | | | Real minimum wages | | | |
|-----|-----------------------|--------|-------|-------|--------------------|------|----------------------|--------|
| | Sucre | | Index | | Index | | Percentage variation | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 12 Ms. a | Year b |
| Feb | 12 000 | 14 500 | 100.0 | 120.8 | 95.8 | 84.1 | -12.2 | -11.1 |
| Apr | 12 000 | 14 500 | 100.0 | 120.8 | 89.4 | 75.3 | -15.7 | -12.3 |
| Jun | 12 000 | 19 000 | 100.0 | 158.3 | 86.2 | 91.0 | 5.6 | -10.5 |
| Aug | 14 500 | 19 000 | 120.8 | 158.3 | 102.1 | 82.1 | -19.5 | -12.4 |
| Oct | 14 500 | | 120.8 | | 98.2 | | | |
| Dec | 14 500 | | 120.8 | | 91.2 | | | |

Source: ECLAC, on the basis of official data.

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

MEXICO

The evolution of the Mexican economy in the first months of 1988 has been largely determined by the strong anti-inflationary stance of economic policy and by the evolution of external conditions. Especially significant as concerns the latter, were the weakening of petroleum prices and the heavier debt servicing burden arising from higher interest rates. The success achieved in the effort to secure a rapid reduction in inflation has had as its counterpart a partial reversal in the recovery of the output, a drop in wages and a notable increase in imports.

Up to the end of 1987, the objectives pursued by the authorities were basically stabilization and structural adjustment. On the one hand, the aim was to reduce inflationary pressures, while on the other it was desired to reduce the weight of the public sector in the economy, to further the process of opening-up to the exterior, and to promote changes in relative prices that would favour tradeable goods. The persistence and even worsening of inflationary pressures (at the end of 1987, prices were rising at the rate of over 140% per year) led to the replanning of the economic strategies, however.

Indeed, in the last quarter of the previous year a number of measures had already begun to be adopted in order to correct price distortions. In the fiscal field, a system of indexing taxes was established in order to correct the cumulative lag observed in the evolution of tax revenue. In addition, the tariff reduction process was intensified (the maximum tariff went down from 40% to 20%) and the removal of quantitative controls on imports was speeded up (only about 6% of imports are still subject to prior licenses). Likewise, in December 1987 the prices and rates for the goods and services of State enterprises were adjusted and nominal wages were raised by 15%, although even so they registered substantial real losses during the year. Furthermore, the controlled exchange rate was devalued by 22%, after the 30% devaluation of the free exchange rate which had taken place in the previous month, and this made it possible to correct the, by then, considerable overvaluation of the peso in real terms.

The above-mentioned events formed the background to the launching of the "Economic Solidarity Pact", which is fundamentally aimed at combatting inflationary pressures and which uses as its main instrument the adoption of mechanisms to co-ordinate the actions of private enterprise, labour and government. The Pact includes highly restrictive domestic credit policies (the marginal reserve requirement has been raised to over 100%) and strict fiscal discipline. The adjustment in the public finances is expected to permit the primary surplus --i.e., excluding interest on the public debt-- to increase to over 8% of the gross domestic product (that is to say, 3.3 percentage points more than in 1987). Consequently, programmable expenditure (especially that connected with investment) should continue going down. The Economic Solidarity Pact thus makes stabilization the main goal of economic policy, and in pursuing this it combines elements designed to reverse inflationary expectations (price and wage controls) with more orthodox policies to restrict aggregate demand.

The immediate impact of the correction of relative prices carried out at the end of 1987 was to double the monthly rate of inflation, which rose to 16% in December and January. In April, however, as the measures to freeze wages, the exchange rate, prices of public goods and services and many industrial goods came into full effect, inflation began to slow down sharply. As from May, the monthly rates of price increases were below 2%,

and in August the increase was only 0.9% (see table 2). Moreover, the fiscal adjustment was facilitated by the reduction of nominal interest rates (see table 12) and the indexing of taxes and the sustained real reduction in programmable expenditure (see table 10).

The adoption of a virtually fixed exchange rate has led to gradual erosion of the margin of undervaluation of the peso. However, the enormous foreign exchange reserves built up in 1987 have made it possible to maintain the confidence of exchange market operators and to finance a noteworthy increase in imports, in line with the measures to increase the openness of the economy. Thus, imports increased by 50% in the first few months of 1988, after they had remained at depressed levels for several years (see table 6). The contraction in petroleum exports, however, has been having a considerable effect on foreign exchange income (see table 7). Up to May, external sales of non-traditional products continued to rise at a very considerable rate (20%), but this growth later slackened. In view of the foregoing, the merchandise trade surplus has already gone down by 42% in the first five months of the year, compared with the same period in 1987 (see table 6), and it is estimated that by the end of the year the trade surplus could well be only a small fraction of that registered the year before, while there might even be a deficit on the current account.

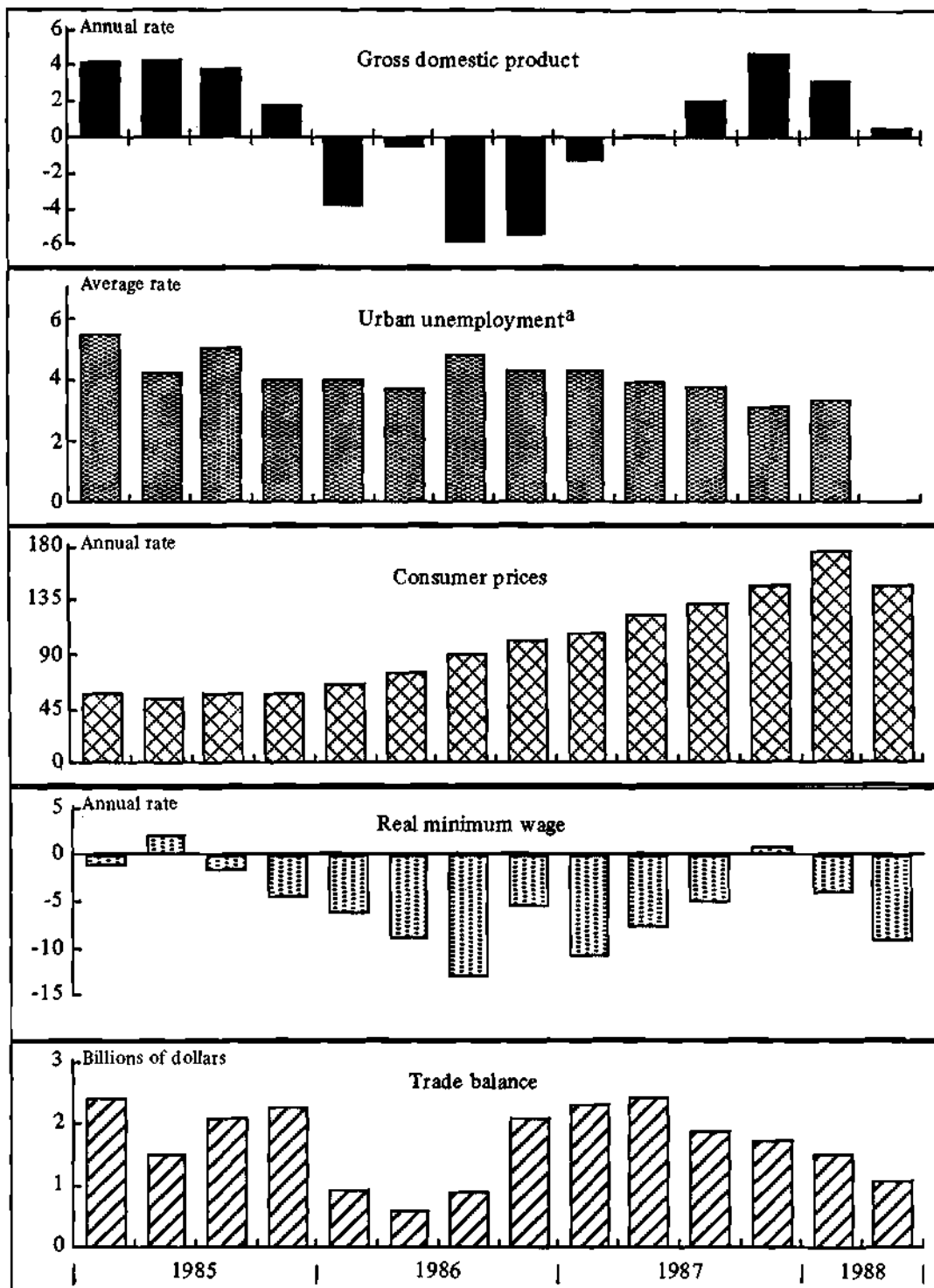
The purchasing power of wages has continued to go down, although its rate of decline slackened as the rate of inflation fell (see table 5). Since the adjustment was carried out fundamentally by this means, unemployment is still low. It seems likely, however, that there will be an increase in unemployment rates in the second half of the year, as the trends in the construction and manufacturing sectors already seem to indicate (see table 3).

The recovery in economic activity observed in the second half of 1987 slackened in the early months of the present year and came to an almost complete halt in the second quarter. Indeed, the growth rate of manufacturing production, which had been almost 9% in the last quarter of 1987 and had been over 5% in the period January-March 1988, stagnated completely in April-June (see table 1) and has since begun to go down.

The contraction in public investment and in domestic financing for the private sector adversely affected construction activity --which began to go down in March-- and the manufacture of capital goods (see table 1). The production of consumer and intermediate goods virtually stagnated, but in contrast there was a further rise in the growth rate of the assembly industries (*maquiladoras*), which grew at rates equivalent to 25% per year. On the other hand, the opening-up of trade and the drop in the real exchange rate led to a shift in purchasing power to imports of both consumer goods and of inputs and equipment (see table 8).

In the other sectors of the economy, agricultural production was affected to some extent by the delay in the arrival of the rainy season; mining activities stagnated; and the tourist sector suffered the adverse effects of the suspension of operations by one of the two national airlines. In short, overall economic activity registered growth of only 2% in the first half of the year compared with the same period of the year before, while there was a significant increase in recessionary trends which could even cause a drop in the product for the year as a whole.

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



Source: ECLAC, on the basis of official data.

^aIncludes 16 cities.

Table 1

MEXICO: QUARTERLY GROSS DOMESTIC PRODUCT a
1980 = 100

| | 1987 | | | | | 1988 b | |
|--|------|------|------|-----|-----|--------|------|
| | I | II | III | IV | Año | I | II |
| Total | -1.3 | 0.3 | 2.1 | 4.8 | 1.4 | 3.3 | 0.7 |
| Agriculture, forestry, and fishing | -0.5 | 3.1 | 0.3 | 2.0 | 1.3 | 0.8 | -0.4 |
| Mining | 4.9 | 3.1 | 2.3 | 8.7 | 4.7 | 3.8 | 0.7 |
| Manufacturing | -4.5 | -1.4 | 6.2 | 8.9 | 2.0 | 5.3 | 0.2 |
| Construction | -8.2 | 1.1 | 8.3 | 6.5 | 1.7 | 4.8 | 2.7 |
| Electricity, gas, and water | 2.6 | 1.5 | 4.3 | 7.8 | 4.1 | 5.0 | 6.6 |
| Trade (restaurants and hotels) | -1.7 | -1.0 | -1.8 | 4.6 | 0.1 | 3.7 | 0.9 |
| Transport, storing, and communications | 0.6 | 0.7 | 3.0 | 5.3 | 2.4 | 5.6 | 1.6 |
| Financial services, in- surance and real estate | 3.6 | 2.9 | 3.2 | 3.4 | 3.3 | 3.2 | 3.1 |
| Community services, social and private | -0.2 | 0.4 | 1.1 | 1.3 | 0.6 | 0.6 | 0.8 |

Source: ECLAC, on the basis of official information.

a: Percentage variation with respect to the same period of the preceding year. b: Provisional.

Table 2

MEXICO: PRODUCTION BY SECTORS
(Percentage variations) a

| | Total | Mining | Petro- leum | Manufactures | | | Con- struc- tion | Elec- tricity | |
|------|-------|--------|----------------|--------------|----------|----------------|------------------------|------------------|-----|
| | | | | Total | Consump. | Interm.Capital | | | |
| 1987 | | | | | | | | | |
| Jan | -5.6 | 5.3 | 6.4 | -4.8 | -5.3 | -5.5 | -11.1 | -19.3 | 5.2 |
| Feb | -6.0 | 5.0 | 9.4 | -5.2 | -4.7 | -5.7 | -15.6 | -19.2 | 3.0 |
| Mar | -2.8 | 5.8 | 8.9 | -2.6 | -2.6 | -3.1 | -11.7 | -12.3 | 4.5 |
| Apr | -3.5 | 4.6 | 8.0 | -3.7 | -4.2 | -3.6 | -12.6 | -10.2 | 4.1 |
| May | -2.7 | 4.1 | 7.6 | -2.9 | -3.8 | -2.4 | -10.5 | -8.4 | 3.8 |
| Jun | -1.4 | 3.3 | 6.8 | -1.5 | -3.2 | -0.9 | -6.1 | -6.1 | 3.9 |
| Jul | -0.6 | 2.7 | 5.8 | -0.8 | -2.8 | 0.1 | -5.2 | -3.8 | 4.4 |
| Aug | 0.4 | 2.0 | 5.8 | 0.3 | -2.4 | 1.6 | -1.4 | -1.5 | 4.6 |
| Sep | 1.7 | 2.8 | 5.7 | 1.5 | -1.4 | 2.7 | 2.5 | 0.7 | 4.7 |
| Oct | 2.5 | 3.3 | 5.9 | 2.2 | -0.7 | 3.4 | 4.1 | 2.3 | 5.1 |
| Nov | 3.4 | 3.5 | ... | 3.1 | -0.1 | 4.3 | 6.6 | 3.9 | 5.5 |
| Dec | 4.1 | 3.8 | ... | 3.9 | 0.5 | 5.0 | 9.7 | 4.7 | 5.7 |
| 1988 | | | | | | | | | |
| Jan | 6.8 | -0.5 | ... | 7.7 | 3.1 | 10.3 | 12.7 | 9.5 | 5.1 |
| Feb | 7.3 | 3.5 | ... | 7.7 | 3.1 | 10.1 | 13.8 | 9.0 | 5.5 |
| Mar | 5.2 | 3.2 | ... | 5.5 | 1.4 | 7.3 | 8.9 | 5.6 | 4.6 |
| Apr | 4.5 | 2.8 | ... | 5.2 | 1.8 | 6.3 | 7.7 | 2.7 | 5.5 |
| May | 3.7 | 2.5 | ... | 4.3 | ... | ... | ... | 1.1 | 5.5 |
| Jun | | | | 4.2 | | | | | |
| Jul | | | | 4.5 | | | | | |

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

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

Table 3

MEXICO: EMPLOYMENT INDICATORS
(Quarterly averages)

| | Rate of open unemployment | | | | Number of workers enrolled in social security scheme | | Employment in manufacturing | | | |
|------|---------------------------|------------------|-----------|-----------|--|--------------------|-----------------------------|-------|------------------------|------|
| | Average of 16 cities | Ciudad de Mexico | Guadajara | Monterrey | Thousands | Annual variation b | Index 1970=100 | | Percentage variation a | |
| | | | | | | | Month | Year | Month | Year |
| 1986 | 4.3 | 5.1 | 3.2 | 5.4 | 7997 | 0.5 | 138.3 | 138.3 | -4.0 | -4.0 |
| 1987 | 3.9 | 4.5 | 3.1 | 5.5 | 8362 | 4.6 | 133.6 | 133.6 | -3.4 | -3.4 |
| Jan | 4.5 | 5.2 | 3.8 | 5.2 | 7901 | -2.3 | 131.9 | 131.9 | -7.0 | -7.0 |
| Feb | 4.7 | 6.4 | 3.3 | 6.4 | 7988 | -0.8 | 132.4 | 132.2 | -7.7 | -7.4 |
| Mar | 4.0 | 4.5 | 3.5 | 6.4 | 8095 | 1.1 | 133.0 | 132.4 | -7.3 | -7.3 |
| Apr | 4.4 | 5.5 | 2.0 | 5.0 | 8137 | 1.5 | 133.3 | 132.7 | -7.4 | -7.4 |
| May | 3.7 | 4.2 | 3.1 | 5.6 | 8184 | 2.0 | 134.2 | 133.0 | -6.2 | -7.1 |
| Jun | 3.8 | 4.1 | 3.5 | 6.4 | 8296 | 3.1 | 133.9 | 133.1 | -3.3 | -6.5 |
| Jul | 4.1 | 4.6 | 3.3 | 5.1 | 8391 | 5.3 | 135.2 | 133.4 | -1.3 | -5.8 |
| Aug | 3.6 | 3.9 | 2.7 | 5.7 | 8254 | 7.5 | 134.7 | 133.6 | -0.8 | -5.2 |
| Sep | 4.1 | 4.5 | 3.6 | 6.6 | 8592 | 8.6 | 134.0 | 133.6 | -0.1 | -4.6 |
| Oct | 3.9 | 4.8 | 2.9 | 4.4 | 8673 | 9.2 | 134.3 | 133.7 | 0.6 | -4.1 |
| Nov | 3.2 | 3.5 | 2.8 | 4.7 | 8814 | 10.4 | 133.6 | 133.7 | 0.5 | -3.7 |
| Dec | 2.6 | 2.7 | 2.3 | 4.4 | 8757 | 9.7 | 132.7 | 133.6 | 0.5 | -3.4 |
| 1988 | | | | | | | | | | |
| Jan | 3.6 | 4.2 | 3.1 | 3.8 | 8734 | 10.5 | ... | ... | ... | ... |
| Feb | 3.3 | 3.6 | 3.4 | 4.2 | ... | ... | ... | ... | ... | ... |
| Mar | 3.5 | 4.3 | 2.3 | 4.5 | ... | ... | ... | ... | ... | ... |

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

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

Table 4

MEXICO: PRICE INDEX
(Percentage variations)

| | Consumer price index | | | | Wholesale price index | | | | | | | |
|-----|----------------------|-------|--------|-------|-----------------------|--------|-------|-------|--------|------|------|-------|
| | 1987 | | 1988 | | 1987 | | 1988 | | | | | |
| | Month | Year | 12 Ms. | Month | Year | 12 Ms. | Month | Year | 12 Ms. | | | |
| Jan | 8.1 | 8.1 | 104.3 | 15.5 | 15.5 | 176.9 | 7.5 | 7.5 | 101.6 | 19.2 | 19.2 | 193.4 |
| Feb | 7.2 | 15.9 | 109.8 | 6.3 | 25.0 | 179.8 | 5.9 | 13.8 | 108.1 | 5.8 | 26.1 | 193.0 |
| Mar | 6.6 | 23.6 | 113.7 | 5.1 | 31.5 | 175.7 | 7.3 | 22.2 | 113.2 | 1.8 | 28.4 | 178.0 |
| Apr | 8.7 | 34.3 | 120.9 | 3.1 | 35.5 | 161.4 | 13.3 | 38.4 | 130.2 | 2.6 | 31.7 | 151.9 |
| May | 7.5 | 44.5 | 125.0 | 1.9 | 38.1 | 148.0 | 6.8 | 47.8 | 130.5 | 2.2 | 34.7 | 141.1 |
| Jun | 7.2 | 54.8 | 126.7 | 2.0 | 40.9 | 136.0 | 6.5 | 57.4 | 133.6 | 1.4 | 36.6 | 129.6 |
| Jul | 8.1 | 67.2 | 133.4 | 1.7 | 43.0 | 121.5 | 11.8 | 75.9 | 145.6 | ... | ... | ... |
| Aug | 8.2 | 81.0 | 133.9 | 0.9 | 44.7 | 106.6 | 8.5 | 90.9 | 143.8 | ... | ... | ... |
| Sep | 6.6 | 93.1 | 135.2 | | | | 5.2 | 100.9 | 138.0 | | | |
| Oct | 8.3 | 109.2 | 144.3 | | | | 7.2 | 115.3 | 140.1 | | | |
| Nov | 6.5 | 122.6 | 143.6 | | | | 6.2 | 128.7 | 141.4 | | | |
| Dec | 16.5 | 159.2 | 159.2 | | | | 15.7 | 164.6 | 164.6 | | | |

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

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

Table 5

MEXICO: NOMINAL AND REAL WAGES IN MEXICO CITY

| | Minimum wage | | | | Real minimum wages | | | |
|-----|--------------|------|-------------------|------|--------------------|------|-------------------------|--------|
| | Pesos | | Index 1978=100 | | Index 1978=100 | | Percentage variation | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | Month a | Year b |
| Jan | 2761 | 7041 | 2668 | 6803 | 60.7 | 57.6 | -5.1 | -4.5 |
| Feb | 2761 | 7041 | 2668 | 6803 | 56.5 | 53.2 | -5.8 | -5.1 |
| Mar | 2761 | 7253 | 2668 | 7008 | 53.0 | 52.4 | -1.1 | -4.0 |
| Apr | 3315 | 7253 | 3203 | 7008 | 58.6 | 50.8 | -13.3 | -6.5 |
| May | 3315 | 7253 | 3203 | 7008 | 54.6 | 49.8 | -8.8 | -6.9 |
| Jun | 3315 | 7253 | 3203 | 7008 | 51.0 | 48.8 | -4.3 | -6.4 |
| Jul | 4081 | | 3943 | | 58.2 | | | |
| Aug | 4081 | | 3943 | | 54.1 | | | |
| Sep | 4081 | | 3943 | | 51.0 | | | |
| Oct | 5103 | | 4930 | | 58.9 | | | |
| Nov | 5103 | | 4930 | | 55.1 | | | |
| Dec | 5498 | | 5312 | | 52.2 | | | |

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

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

Table 6

MEXICO: TRADE BALANCE

| | Millions of dollars | | | | | | Percentage variation a | | | | | |
|------|---------------------|-------|----------------|-------|-----------------------------|------|------------------------|------|---------|-------|-----------------------------|------|
| | Exports FOB | | Imports FOB | | Trade balance (goods) | | Exports | | Imports | | Trade balance (goods) | |
| | Month | Year | Month | Year | Month | Year | Month | Year | Month | Year | Month | Year |
| 1987 | | | | | | | | | | | | |
| Jan | 1600 | 1600 | 788 | 788 | 812 | 812 | 5.2 | 5.2 | -25.1 | -25.1 | 73.1 | |
| Feb | 1479 | 3079 | 765 | 1553 | 714 | 1526 | 18.2 | 11.1 | -23.7 | -24.4 | 112.8 | |
| Mar | 1749 | 4828 | 959 | 2512 | 790 | 2316 | 49.9 | 22.6 | 3.9 | -15.6 | 141.0 | |
| Apr | 1688 | 6516 | 971 | 3483 | 717 | 3033 | 35.5 | 25.7 | -10.7 | -14.3 | 170.8 | |
| May | 1811 | 8327 | 949 | 4432 | 862 | 3895 | 40.6 | 28.6 | -8.8 | -13.2 | 184.9 | |
| Jun | 1860 | 10187 | 995 | 5427 | 865 | 4760 | 58.2 | 33.2 | 3.9 | -10.5 | 200.3 | |
| Jul | 1811 | 11998 | 1134 | 6561 | 677 | 5437 | 61.3 | 36.8 | 8.0 | -7.8 | 227.9 | |
| Aug | 1630 | 13628 | 1080 | 7641 | 550 | 5987 | 34.0 | 36.4 | 25.7 | -4.2 | 197.1 | |
| Sep | 1770 | 15398 | 1095 | 8736 | 675 | 6662 | 36.6 | 36.5 | 33.4 | -0.7 | 167.6 | |
| Oct | 1807 | 17205 | 1206 | 9942 | 601 | 7263 | 30.0 | 35.8 | 30.8 | 2.3 | 145.5 | |
| Nov | 1661 | 18866 | 1144 | 11086 | 517 | 7780 | 19.2 | 34.1 | 40.4 | 5.3 | 120.0 | |
| Dec | 1790 | 20656 | 1137 | 12223 | 653 | 8433 | -8.9 | 28.9 | 26.2 | 6.9 | 83.4 | |
| 1988 | | | | | | | | | | | | |
| Jan | 1672 | 1672 | 1117 | 1117 | 555 | 555 | 4.5 | 4.5 | 41.8 | 41.8 | -31.7 | |
| Feb | 1771 | 3443 | 1201 | 2318 | 570 | 1125 | 19.7 | 11.8 | 57.0 | 49.3 | -26.3 | |
| Mar | 1835 | 5278 | 1421 | 3739 | 414 | 1539 | 4.9 | 9.3 | 48.2 | 48.8 | -33.5 | |
| Apr | 1784 | 7062 | 1396 | 5135 | 388 | 1927 | 5.7 | 8.4 | 43.8 | 47.4 | -36.5 | |
| May | 1874 | 8936 | 1557 | 6692 | 317 | 2244 | 3.5 | 7.3 | 64.1 | 51.0 | -42.4 | |

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

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

Table 7

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

| | Petroleum | | Non-petroleum | | | | | | | | Percentage variation | |
|-----|-----------|------|---------------|------|-------------------|------|------------------------|------|----------|------|----------------------|---------------|
| | | | Total | | Agricul- tural | | Extract. industries | | Manufac. | | Petro- leum | Non- petr. |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | | |
| Jan | 701 | 628 | 899 | 1044 | 162 | 219 | 51 | 46 | 691 | 779 | -10.4 | 16.1 |
| Feb | 1316 | 1194 | 1763 | 2249 | 331 | 488 | 86 | 103 | 1346 | 1658 | -9.3 | 27.6 |
| Mar | 2030 | 1801 | 2798 | 3477 | 540 | 696 | 122 | 165 | 2136 | 2616 | -11.3 | 24.3 |
| Apr | 2746 | 2403 | 3769 | 4659 | 695 | 868 | 161 | 217 | 2914 | 3574 | -12.5 | 23.6 |
| May | 3496 | 3061 | 4831 | 5875 | 846 | 1030 | 232 | 268 | 3753 | 4576 | -12.4 | 21.6 |
| Jun | 4258 | | 5930 | | 983 | | 285 | | 4662 | | | |
| Jul | 5087 | | 6911 | | 1062 | | 327 | | 5522 | | | |
| Aug | 5855 | | 7772 | | 1128 | | 374 | | 6270 | | | |
| Sep | 6599 | | 8799 | | 1225 | | 424 | | 7151 | | | |
| Oct | 7347 | | 9859 | | 1266 | | 477 | | 8115 | | | |
| Nov | 8018 | | 10868 | | 1347 | | 525 | | 8997 | | | |
| Dec | 8630 | | 12026 | | 1543 | | 576 | | 9907 | | | |

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

Table 8

MEXICO: STRUCTURE OF IMPORTS
(Cumulative figures)

| | Millions of dollars | | | | | | Percentage variation a | | |
|-----|---------------------|------|--------------------|------|---------------|------|-----------------------------|----------------------------|-----------------------|
| | Consumer goods | | Intermediate goods | | Capital goods | | Con- sum- er goods | Inter- mediate goods | Cap- ital goods |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | | | |
| Jan | 52 | 64 | 549 | 817 | 188 | 237 | 23.1 | 48.8 | 26.1 |
| Feb | 100 | 149 | 1106 | 1668 | 347 | 501 | 49.0 | 50.8 | 44.4 |
| Mar | 157 | 242 | 1815 | 2703 | 540 | 794 | 54.1 | 48.9 | 47.0 |
| Apr | 216 | 355 | 2554 | 3721 | 713 | 1059 | 64.4 | 45.7 | 48.5 |
| May | 263 | 486 | 3260 | 4840 | 909 | 1366 | 84.8 | 48.5 | 50.3 |
| Jun | 322 | | 3968 | | 1137 | | | | |
| Jul | 377 | | 4808 | | 1376 | | | | |
| Aug | 433 | | 5608 | | 1600 | | | | |
| Sep | 495 | | 6419 | | 1822 | | | | |
| Oct | 570 | | 7294 | | 2077 | | | | |
| Nov | 653 | | 8087 | | 2347 | | | | |
| Dec | 768 | | 8825 | | 2631 | | | | |

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

Table 9

MEXICO: EXCHANGE RATE

| | Official exchange rate (Pesos per dollar) | | | | Adjusted real exchange rate (Index 1980=100) a | | | |
|-----|--|------|------------|------|---|-------|------------|-------|
| | Free | | Controlled | | Free | | Controlled | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 |
| Jan | 953 | 2231 | 949 | 2202 | 159.0 | 131.8 | 158.3 | 130.1 |
| Feb | 1018 | 2269 | 1015 | 2231 | 161.2 | 126.6 | 160.7 | 124.5 |
| Mar | 1087 | 2298 | 1084 | 2257 | 160.4 | 126.2 | 160.0 | 123.9 |
| Apr | 1155 | 2298 | 1152 | 2257 | 151.6 | 124.0 | 151.3 | 121.8 |
| May | 1233 | 2298 | 1227 | 2257 | 152.6 | 122.1 | 151.9 | 120.0 |
| Jun | 1310 | 2298 | 1309 | 2257 | 153.0 | 120.7 | 152.8 | 118.5 |
| Jul | 1382 | 2298 | 1379 | 2257 | 145.2 | ... | 144.9 | ... |
| Aug | 1452 | | 1449 | | 140.7 | | 140.4 | |
| Sep | 1528 | | 1524 | | 140.7 | | 140.3 | |
| Oct | 1603 | | 1599 | | 138.0 | | 137.7 | |
| Nov | 1909 | | 1692 | | 155.0 | | 137.4 | |
| Dec | 2241 | | 2023 | | 157.2 | | 141.9 | |

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

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

Table 10

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

| | Income | | | Expenditure | | | Deficit |
|------|--------|----------|-------|-------------|----------|-------|---------|
| | Total | Fed.Gov. | PEMEX | Total | Fed.Gov. | PEMEX | |
| 1987 | | | | | | | |
| Mar | 9.9 | 5.3 | 3.0 | 13.9 | 9.5 | 2.8 | 4.0 |
| Jun | 22.4 | 12.4 | 7.3 | 31.1 | 21.5 | 7.1 | 8.7 |
| Sep | 38.1 | 20.8 | 12.4 | 52.5 | 35.7 | 11.8 | 14.4 |
| Dec | 58.7 | 32.6 | 19.5 | 86.5 | 60.0 | 19.1 | 27.8 |
| 1988 | | | | | | | |
| Mar | 27.4 | 15.5 | 7.7 | 37.1 | 26.4 | 7.3 | 12.1 |
| Apr | 37.1 | 20.7 | 10.5 | 51.6 | 36.6 | 9.8 | 17.3 |

Percentage variations a

| | | | | | | | |
|------|-------|-------|-------|-------|-------|-------|-------|
| 1987 | | | | | | | |
| Mar | 106.3 | 82.8 | 100.0 | 131.7 | 206.5 | 75.0 | 233.3 |
| Jun | 121.8 | 117.5 | 143.3 | 128.7 | 147.1 | 115.2 | 148.6 |
| Sep | 130.9 | 131.1 | 153.1 | 119.7 | 130.3 | 131.4 | 94.6 |
| Dec | 143.6 | 156.7 | 174.6 | 143.0 | 160.9 | 165.3 | 141.7 |
| 1988 | | | | | | | |
| Mar | 176.8 | 192.5 | 156.7 | 166.9 | 177.9 | 160.7 | 202.5 |
| Apr | 166.9 | 149.4 | 138.6 | 156.7 | 165.2 | 104.2 | 162.1 |

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

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

Table 11

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

| | Billions of pesos | | | | | Percentage variation a | | | | |
|------|-------------------|------|------|-------|-------|------------------------|-------|-------|-------|-------|
| | Monetary base | M1 | M2 | M3 | M4 | Monetary base | M1 | M2 | M3 | M4 |
| 1986 | | | | | | | | | | |
| Jan | 8.4 | 6.1 | 25.5 | 28.5 | 31.8 | 47.7 | 72.1 | 94.4 | 100.2 | 104.4 |
| 1987 | | | | | | | | | | |
| Jan | 7.9 | 5.8 | 26.1 | 30.2 | 33.8 | 38.6 | 77.3 | 95.8 | 108.3 | 112.7 |
| Feb | 8.4 | 6.0 | 27.9 | 32.6 | 36.5 | 47.7 | 80.7 | 102.5 | 120.7 | 123.5 |
| Mar | 8.9 | 6.5 | 30.9 | 35.7 | 40.0 | 47.1 | 81.0 | 112.4 | 129.9 | 131.4 |
| Apr | 9.4 | 5.8 | 32.2 | 38.6 | 43.2 | 59.0 | 95.5 | 108.9 | 134.0 | 135.1 |
| May | 9.9 | 7.2 | 35.4 | 41.7 | 46.4 | 64.5 | 97.8 | 117.3 | 140.2 | 141.6 |
| Jun | 9.5 | 7.8 | 38.3 | 45.7 | 50.8 | 51.1 | 99.6 | 125.8 | 153.1 | 153.5 |
| Jul | 10.7 | 7.9 | 40.8 | 49.4 | 55.0 | 68.6 | 104.5 | 128.2 | 158.9 | 158.5 |
| Aug | 10.0 | 8.9 | 42.3 | 53.2 | 59.2 | 59.5 | 122.9 | 126.6 | 164.2 | 161.3 |
| Sep | 10.8 | 9.1 | 45.3 | 57.0 | 63.3 | 67.6 | 122.3 | 133.5 | 164.5 | 161.9 |
| Oct | 11.9 | 10.1 | 48.5 | 61.5 | 68.5 | 72.7 | 131.5 | 134.8 | 164.3 | 161.2 |
| Nov | 12.2 | 11.9 | 51.6 | 65.1 | 72.0 | 65.3 | 140.9 | 131.2 | 157.3 | 154.5 |
| Dec | 14.3 | 14.1 | 61.5 | 73.9 | 82.1 | 70.3 | 129.7 | 141.0 | 159.4 | 158.0 |
| 1988 | | | | | | | | | | |
| Jan | 15.1 | 13.4 | 60.4 | 76.2 | 84.7 | 92.4 | 131.9 | 131.3 | 152.9 | 150.8 |
| Feb | 15.2 | 14.6 | 64.5 | 83.7 | 92.7 | 80.1 | 143.0 | 131.4 | 156.9 | 153.7 |
| Mar | 15.5 | 15.6 | 70.0 | 91.7 | 101.4 | 75.1 | 140.3 | 126.6 | 156.7 | 154.7 |
| Apr | 18.4 | 16.8 | 71.3 | 98.0 | 108.1 | 95.6 | 145.7 | 121.6 | 153.7 | 150.3 |
| May | 19.1 | 16.8 | 74.1 | 101.2 | 111.4 | 92.8 | 134.1 | 109.3 | 142.5 | 139.9 |
| Jun | ... | 18.1 | 74.9 | 102.5 | 112.8 | ... | 133.1 | 95.6 | 124.7 | 121.9 |

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

Note: M1 = Money plus national and foreign currency checking accounts. M2 = M1 plus negotiable bank paper with a term of up to one year and bank loans. M3 = M2 plus non-negotiable bank paper with a term of up to one year (Treasury Certificates, Federal Government Bonds, Development Bonds and commercial paper). M4 = M3 plus long-term financial instruments (over one year), Petroleum Bonds, etc.

a: Compared with the same month in the preceding year.

Table 12

MEXICO: INTEREST RATES ON DEPOSITS
(Percentages)

| | Average cost of procuring funds | | | Time deposits (30 to 85 days) | | | Treasury Certificates (90 days) | | |
|-----|---------------------------------|-------|-------|-------------------------------|-------|--------|---------------------------------|-------|--------|
| | 1986 | 1987 | 1988 | 1986 | 1987 | 1988 | 1986 | 1987 | 1988 |
| Jan | 68.6 | 95.9 | 122.5 | 66.4 | 90.2 | 123.4 | 73.8 | 104.8 | 155.7 |
| Feb | 70.3 | 96.2 | 135.9 | 66.1 | 90.2 | 123.5 | 75.7 | 105.0 | 153.9 |
| Mar | 71.8 | 96.3 | 117.2 | 66.1 | 90.2 | 72.5 | 78.5 | 101.8 | 75.2 |
| Apr | 73.5 | 95.8 | 81.0 | 66.1 | 90.2 | 51.2 | 80.5 | 99.6 | 54.5 |
| May | 75.0 | 94.8 | 60.6 | 66.1 | 90.2 | 43.8 | 80.5 | 98.5 | 44.8 |
| Jun | 77.0 | 93.8 | 46.8 | 70.3 | 90.2 | 31.9 a | 84.0 | 98.4 | 33.3 b |
| Jul | 81.4 | 92.9 | 40.7 | 77.3 | 90.1 | 31.1 a | 91.1 | 97.3 | 32.0 b |
| Aug | 84.4 | 92.2 | | 78.8 | 89.0 | | (c) | 96.0 | |
| Sep | 87.7 | 91.0 | | 83.7 | 88.1 | | (c) | 95.5 | |
| Oct | 91.5 | 90.3 | | 89.7 | 87.8 | | 106.9 | 96.4 | |
| Nov | 94.2 | 92.4 | | 90.2 | 97.3 | | 104.1 | 110.7 | |
| Dec | 95.3 | 104.3 | | 90.2 | 115.1 | | 105.6 | 133.0 | |

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

a: From 1 to 26 July. b: From 1 to 19 July. c: Unquoted rates.

PERU

The Peruvian economy was characterized up to August by the persistence of dual imbalances, in the public sector accounts and in the balance of payments, and by the limited scope of the efforts to overcome these problems. This had two clear consequences: a rapid rise in inflation and the appearance of recessionary symptoms in production, employment and wages.

In view of the growing lag of the various exchange rates, and especially of those applicable to imports, measures were taken in March to check the external sector deterioration. Noteworthy among these measures were the restoration of the practice of foreign exchange budgeting, the legalization of the parallel market and, in the following month, the unification of the exchange rate for exports. At the domestic level, nominal interest rates were raised, as were the general sales tax and the fuel consumption tax. At the same time, the prices of goods produced by some public enterprises were raised and frozen at the new level for 120 days, as was the import exchange rate. In compensation, a general wage increase was granted.

As the adjustments made were not sufficient, measures had to be taken which were severer, although still in line with a gradual approach. In June, nominal interest rates were adjusted once again, while the number of import exchange rates was reduced to four, and in the following month to three. In July, the factor used for adjusting the export exchange rate was raised from 85% to 100% of the CPI. At the same time, the level of the controlled prices was raised (including fuel prices and the charges for water, energy and telecommunications) but even so these prices still lagged behind the level of inflation. Wages were raised again in order to preserve their purchasing power. At the end of August, the import exchange rates were modified yet again and interest rates and the general sales tax were also increased.

Finally, in early September the gradual approach was replaced by a more radical programme. The exchange rate was unified at a level 90% higher than the highest previous official rate; the minimum legal wage was raised by 150%, and the controlled prices were more than doubled, while the private sector was given a short time in which to make changes in other prices before the beginning of a 120-day price and wage freeze.

In these circumstances, inflation continued to accelerate at an extraordinary rate. Thus, up to August consumer prices had risen by 240%, while their growth rate in annual terms was 355% --by far the highest rate in Peru's history (see table 5). Among the main reasons for this spiral of price increases were the considerable adjustments to the exchange rate (especially that applicable to intermediate goods), the greater shortage of inputs, the high degree of utilization of installed capacity, and the distortion caused by controlled prices, the lag in which also led to speculation and cross-border smuggling. At the same time, demand pressures were made worse by the growing money issue deriving from the need to finance both the public deficit and the losses caused by the differential between the import and export exchange rates.

Real wages consequently deteriorated (see table 6), thus eroding the main element responsible for economic growth in the previous two years. In the first four months of the year, the average level of wages and salaries in Lima went down by 9% in real terms

compared with the same period of the year before. Even so, however, in April salaries continued to be 16% higher and wages 24% higher than in July 1985.

The Government's intention to keep up levels of production was reflected in an increase in imports, especially of intermediate goods (see table 10), but even so some difficulties in supply were observed. The rise in international commodity prices helped the recovery in exports, despite the drop in sales of petroleum, cotton and coffee (see table 9). Thus, between January and May the deficit on the trade in goods was US\$63 million, which was slightly less than the figure for the same period of 1987 (see table 8). In spite of this and of the maintenance of the restrictions on external debt servicing, however, the drop in the inflow of fresh capital caused the balance-of-payments deficit to increase. This in turn caused a loss of US\$230 million up to mid-August in the net reserves of the Central Bank. At the same date, the available international liquidity had gone down by US\$380 million (see table 11).

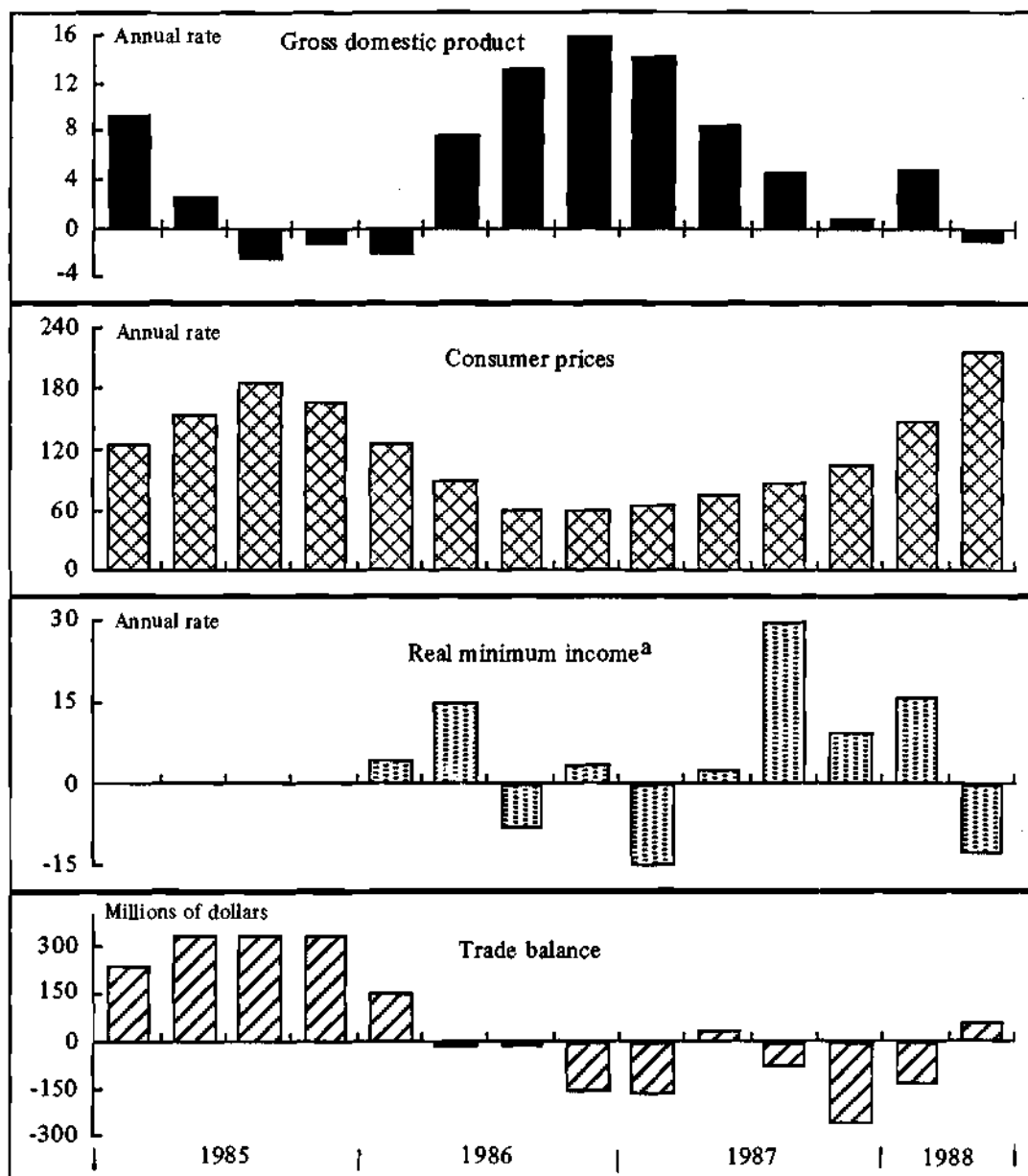
Together with the speeding-up of inflation and the worsening of the balance-of-payments deficit, there was a decline in the growth rate of the economy. Indeed, after slackening in the first quarter of the year the growth rate of the product actually became negative in the second quarter (see table 1). Although this tendency was generalized, it was most evident in mining (because of the decline in the production of petroleum and most metals); in fisheries (because of the diminution in fishery resources), and in manufacturing (because of difficulties in the supply of inputs and the declining domestic demand). An exception to this trend was the agricultural sector, which continued to expand for the third year running in spite of a slight reduction in the area cultivated (see tables 2 and 3).

At the same time, the index of employment in Metropolitan Lima began to go down after having risen steadily since mid-1985. This phenomenon, which was largely concealed by the increase in informal activities in commerce and services, was most marked in manufacturing (see table 4).

The public sector deficit increased in real terms. At the level of the central government, revenue stagnated, as did investments, while current expenditure increased in spite of the reduction in interest payments on the debt (see table 13). The deterioration in the public finances was so serious that income covered only 85% of current expenditure. At the same time, the lag in adjustment of the prices charged and in exchange policy led to an increase in the overall deficit of public enterprises.

Because of the insufficient supply of external credit, most of the public deficit once again had to be covered with resources from the Central Bank. The main factor of expansion in primary issue, however, was the "other items" account (which includes exchange losses), although this was partially offset by the drawing-down of reserves. Money issue increased less than prices, and this, together with a restrictive credit policy, caused a drop of 36% in real liquidity over the twelve months ending in August. Moreover, the deterioration in real yields led to a decline in financial saving, despite the higher nominal interest rates. This gave rise to a process of decline in financial intermediation which was reflected in a 52% drop in real national currency quasi-money and in the "dollarization" of the economy and the flourishing of the parallel banking system.

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



Source: ECLAC, on the basis of official data.
^a1985: Data not available.

Table 1

PERU: GROSS DOMESTIC PRODUCT
(Index 1979=100) a

| | Index 1979=100 a | | | | Percentage variation | | | | | |
|--------------|------------------|-------|-------|-------|----------------------|-------|-------|------|-------|-------|
| | 1987 | | | | 1988 | | 1987 | 1988 | | |
| | I | II | III | IV | I | II | | I | II | I+II |
| Total | 115.7 | 117.0 | 117.0 | 117.1 | 121.5 | 115.6 | 6.9 | 5.0 | -1.2 | 1.9 |
| Agriculture | 128.0 | 126.7 | 122.0 | 133.1 | 137.9 | 135.8 | 7.8 | 7.7 | 7.2 | 7.5 |
| Fishing | 90.7 | 101.3 | 112.2 | 88.3 | 124.0 | 98.7 | -10.1 | 36.7 | -2.6 | 16.0 |
| Mining | 104.9 | 101.8 | 98.2 | 97.2 | 97.4 | 85.8 | 0.1 | -7.1 | -15.7 | -11.4 |
| Manufactures | 115.7 | 117.3 | 121.6 | 119.6 | 124.9 | 113.5 | 11.0 | 8.0 | -3.2 | 2.3 |
| Construction | 127.5 | 130.4 | 135.9 | 122.5 | 140.1 | 137.8 | 13.6 | 9.9 | 5.7 | 7.8 |
| Government | 108.9 | 111.7 | 106.1 | 102.9 | 107.8 | 105.0 | -2.3 | -1.0 | -6.0 | -3.5 |
| Others | 115.4 | 117.7 | 117.5 | 118.7 | 120.9 | 118.2 | 7.3 | 4.8 | 0.4 | 2.6 |

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

a: Adjusted for seasonal variations. Quarterly averages.

Table 2

PERU: AGRICULTURAL PRODUCTION
(Thousands of metric tons)

| | 1987 | | | | 1988 | | Percentage variation a | | | |
|--------------------------|------|------|------|------|------|------|------------------------|-------|-------|-------|
| | | | | | | | 1987 | 1988 | | |
| | I | II | III | IV | I | II | | I | II | I+II |
| Crop-farming production | | | | | | | | | | |
| Potatoes | 344 | 880 | 163 | 315 | 406 | 1133 | 2.7 | 18.0 | 28.8 | 25.7 |
| Rice | 93 | 615 | 405 | 56 | 105 | 472 | 60.8 | 12.9 | -23.3 | -18.5 |
| Cotton | 15 | 110 | 75 | 4 | 23 | 127 | -32.9 | 53.3 | 15.5 | 20.0 |
| Maize | 188 | 173 | 229 | 113 | 153 | 152 | 9.1 | -18.6 | -12.6 | -15.7 |
| Sugar | 1355 | 1234 | 1769 | 1741 | 1459 | 1232 | -2.8 | 7.7 | -0.2 | 3.9 |
| Coffee | 8 | 64 | 21 | 5 | 7 | 63 | 1.0 | -12.5 | -1.6 | -2.8 |
| Wheat | 2 | 29 | 77 | 26 | 1 | 42 | 9.8 | -50.0 | 44.8 | 38.7 |
| Stock-raising production | | | | | | | | | | |
| Poultry | 69 | 64 | 67 | 80 | 77 | 83 | 21.7 | 11.6 | 29.7 | 20.3 |
| Beef | 22 | 28 | 30 | 28 | 26 | 31 | 18.7 | 18.2 | 10.7 | 14.0 |
| Pork | 16 | 16 | 17 | 16 | 17 | 18 | 10.2 | 6.3 | 12.5 | 9.4 |
| Mutton | 5 | 5 | 5 | 4 | 5 | 5 | 11.8 | 0.0 | 0.0 | 0.0 |
| Milk | 209 | 213 | 199 | 209 | 213 | 213 | 1.5 | 1.9 | 0.0 | 0.9 |
| Eggs | 25 | 23 | 24 | 25 | 29 | 31 | 2.1 | 16.0 | 34.8 | 25.0 |

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

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

Table 3

PERU: INDUSTRIAL PRODUCTION

| | Index 1979=100 | | | Percentage variations | | | | | |
|-----|----------------|-------|-------|-----------------------|--------|--------|-------|--------|--------|
| | 1986 | 1987 | 1988 | 1987 | | | 1988 | | |
| | | | | Month | 12 Ms. | Year b | Month | 12 Ms. | Year b |
| Jan | 97.6 | 117.4 | 119.7 | -10.3 | 20.3 | 20.3 | -9.6 | 2.0 | 2.0 |
| Feb | 94.6 | 115.8 | 129.5 | -1.4 | 22.4 | 21.3 | 8.2 | 11.8 | 6.9 |
| Mar | 95.1 | 119.2 | 130.7 | 2.9 | 25.3 | 22.7 | 0.9 | 9.6 | 7.8 |
| Apr | 105.0 | 123.6 | 118.2 | 3.7 | 17.7 | 21.3 | -9.6 | -4.4 | 4.6 |
| May | 112.7 | 119.3 | 118.0 | -3.5 | 5.9 | 17.9 | -0.2 | -1.1 | 3.5 |
| Jun | 114.8 | 128.2 | 124.7 | 7.5 | 11.7 | 16.7 | 5.7 | -2.7 | 2.4 |
| Jul | 117.7 | 127.0 | | -0.9 | 7.9 | 15.3 | | | |
| Aug | 115.7 | 134.0 | | 5.5 | 15.8 | 15.4 | | | |
| Sep | 115.3 | 136.3 | | 1.7 | 18.2 | 15.7 | | | |
| Oct | 129.2 | 138.4 | | 1.5 | 7.1 | 14.7 | | | |
| Nov | 129.1 | 138.1 | | -0.2 | 7.0 | 13.9 | | | |
| Dec | 130.9 | 132.4 | | -4.1 | 1.1 | 12.7 | | | |

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

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

Table 4

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

| | Total | | | Manufacturing | | | Commerce | | | Services | | |
|-----|-------|-------|-------|---------------|-------|------|----------|------|------|----------|-------|-------|
| | 1986 | 1987 | 1988 | 1986 | 1987 | 1988 | 1986 | 1987 | 1988 | 1986 | 1987 | 1988 |
| I | 93.9 | 99.5 | 101.9 | 87.4 | 95.1 | 98.0 | 91.7 | 94.2 | 97.3 | 107.1 | 109.8 | 111.0 |
| II | 94.8 | 101.1 | 101.6 | 88.7 | 97.0 | 97.2 | 91.6 | 95.3 | 97.5 | 107.7 | 110.8 | 111.4 |
| III | 96.3 | 101.7 | | 90.6 | 98.0 | | 93.1 | 95.3 | | 108.7 | 110.9 | |
| IV | 98.8 | 103.6 | | 93.8 | 100.7 | | 96.8 | 98.6 | | 109.1 | 111.1 | |

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

a: Quarterly averages.

Table 5

PERU: CONSUMER PRICE INDEX
(Percentage variations)

| | 1986 | | | 1987 | | | 1988 | | |
|-----|-------|------|--------|-------|-------|--------|-------|-------|--------|
| | Month | Year | 12 Ms. | Month | Year | 12 Ms. | Month | Year | 12 Ms. |
| Jan | 5.2 | 5.2 | 138.4 | 6.6 | 6.6 | 65.1 | 12.8 | 12.8 | 127.0 |
| Feb | 4.2 | 9.6 | 126.9 | 5.6 | 12.5 | 67.3 | 11.8 | 26.1 | 140.4 |
| Mar | 5.3 | 15.4 | 120.8 | 5.3 | 18.5 | 67.4 | 22.6 | 54.6 | 179.8 |
| Apr | 4.1 | 20.0 | 104.8 | 6.6 | 26.3 | 71.5 | 17.6 | 82.3 | 209.5 |
| May | 3.3 | 24.1 | 90.8 | 5.9 | 33.8 | 75.7 | 8.5 | 97.8 | 217.2 |
| Jun | 3.6 | 28.5 | 76.8 | 4.7 | 40.1 | 77.6 | 8.8 | 115.3 | 229.7 |
| Jul | 4.6 | 34.4 | 67.6 | 7.3 | 50.3 | 82.2 | 30.9 | 181.8 | 302.1 |
| Aug | 4.0 | 39.7 | 57.2 | 7.4 | 61.4 | 88.2 | 21.7 | 243.0 | 355.8 |
| Sep | 3.6 | 44.7 | 57.3 | 6.5 | 71.8 | 93.5 | | | |
| Oct | 4.0 | 50.4 | 58.8 | 6.4 | 82.8 | 98.0 | | | |
| Nov | 3.6 | 55.8 | 60.1 | 7.1 | 95.8 | 104.8 | | | |
| Dec | 4.6 | 62.9 | 62.9 | 9.6 | 114.5 | 114.5 | | | |

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

Table 6

PERU: REAL REMUNERATIONS
(Index July 1985=100)

| | Private sector a | | Government | | Minimum wage (real) | | Percentage variations b | | |
|-----|------------------|------|------------|------|---------------------|------|-------------------------|--------|--------|
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | Month c | Year d | 12Ms e |
| Jan | | | 116 | 150 | 115 | 124 | -11.4 | 7.8 | 7.8 |
| Feb | 141 | 143 | 109 | 134 | 109 | 111 | -10.5 | 4.9 | 1.8 |
| Mar | | | 104 | 153 | 104 | 145 | 30.6 | 15.9 | 39.4 |
| Apr | 143 | 124 | 125 | 130 | 136 | 123 | -15.2 | 8.4 | -9.6 |
| May | | | 118 | 120 | 129 | 113 | -8.1 | 3.9 | -12.4 |
| Jun | 150 | | 113 | 110 | 123 | 104 | -8.0 | 0.6 | -15.4 |
| Jul | | | 137 | | 156 | | | | |
| Aug | 157 | | 127 | | 145 | | | | |
| Sep | | | 120 | | 136 | | | | |
| Oct | 155 | | 199 | | 128 | | | | |
| Nov | | | 186 | | 154 | | | | |
| Dec | 148 | | 170 | | 140 | | | | |

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

a: Wage index, average basis of May and August 1985. b: Of legal minimum wage. c: With respect to the preceding month. d: Percentage variation in average cumulative index with respect to the same period of the preceding year. e: With respect to the same month of the preceding year.

Table 7

PERU: EXCHANGE RATE

| | Intis per dollar | | | | Adjusted real rate a (Index 1980=100) | | | |
|-------|------------------|------|--------|-------|--|------|--------|-------|
| | Basic (MUC) b | | FCBC c | | Basic (MUC) b | | FCBC c | |
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 |
| Jan | 14.1 | 33.0 | 20.0 | 63.0 | 69.2 | 74.3 | 95.0 | 136.9 |
| Feb | 14.3 | 33.0 | 20.1 | 67.9 | 67.0 | 66.3 | 90.8 | 131.8 |
| Mar | 14.8 | 33.0 | 20.3 | 74.3 | 65.5 | 54.2 | 87.3 | 118.0 |
| Apr | 15.1 | 33.0 | 22.0 | 75.0 | 63.3 | 46.4 | 89.4 | 101.9 |
| May | 15.4 | 33.0 | 24.0 | 75.0 | 61.6 | 43.0 | 92.7 | 94.5 |
| Jun | 15.8 | 33.0 | 25.9 | 75.0 | 60.6 | 39.6 | 95.9 | 87.0 |
| Jul | 15.9 | 33.0 | 34.8 | 114.5 | 57.0 | 30.3 | 120.6 | 102.0 |
| Aug * | 15.9 | 33.0 | 37.0 | 125.0 | 53.2 | ... | 119.7 | ... |
| Sep | 15.9 | | 37.4 | | 49.9 | | 113.6 | |
| Oct | 16.9 | | 40.5 | | 50.0 | | 116.1 | |
| Nov | 20.0 | | 41.7 | | 55.4 | | 111.6 | |
| Dec | 28.1 | | 54.9 | | 70.9 | | 134.0 | |

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

a: Index of the nominal exchange rate deflated by the consumer price index and adjusted by the United States wholesale price index. b: Mercado Unico de Cambios (Single Exchange Rate Market) index on which quotations for the rest of the exchange rates for imports and exports are based.

c: Foreign-currency bank certificates (FCBC). The free market exchange rate for financial transactions has been considered, up to July 1987.

*: From August 1 to August 22.

Table 8

PERU: TRADE BALANCE

| | Millions of dollars | | | | | | Percentage variation a | | | | | |
|------|---------------------|------|----------------|------|------------------|------|------------------------|-------|---------|------|------------------|--|
| | Exports FOB | | Imports FOB | | Trade Balance | | Exports | | Imports | | Trade balance | |
| | Quart | Year | Quart | Year | Quart | Year | Quart | Year | Quart | Year | Year | |
| 1986 | | | | | | | | | | | | |
| I | 609 | 609 | 449 | 449 | 160 | 160 | -10.3 | -10.3 | -0.7 | -0.7 | -29.5 | |
| II | 601 | 1210 | 602 | 1051 | -1 | 159 | -22.2 | -16.6 | 26.7 | 13.4 | -69.7 | |
| III | 665 | 1875 | 686 | 1737 | -21 | 138 | -13.1 | -15.4 | 57.7 | 27.5 | -83.8 | |
| IV | 634 | 2509 | 788 | 2525 | -154 | -16 | -16.8 | -15.7 | 77.5 | 39.8 | -- | |
| 1987 | | | | | | | | | | | | |
| I | 578 | 578 | 746 | 746 | -168 | -168 | -5.1 | -5.1 | 66.1 | 66.1 | -- | |
| II | 679 | 1257 | 640 | 1386 | 39 | -129 | 13.0 | 3.9 | 6.3 | 31.9 | -- | |
| III | 713 | 1970 | 790 | 2176 | -77 | -206 | 7.2 | 5.1 | 15.2 | 25.3 | -- | |
| IV | 635 | 2605 | 892 | 3068 | -257 | -463 | 0.2 | 3.8 | 13.2 | 21.5 | -- | |
| 1988 | | | | | | | | | | | | |
| I | 657 | 657 | 788 | 788 | -131 | -131 | 13.7 | 13.7 | 5.6 | 5.6 | -- | |
| II * | ... | 1141 | ... | 1204 | ... | -63 | ... | 11.3 | ... | 8.9 | -- | |

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

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

*: Total January-May.

Table 9

PERU: STRUCTURE OF EXPORTS, FOB
(Millions of dollars)

| | 1987 | | | | 1988 | | Percentage variation a | | | |
|---|------|-----|-----|-----|------|-----|------------------------|-------|--------|-------|
| | I | II | III | IV | I | II* | 1988 | | | |
| | | | | | | | I | II* | I+II** | |
| Total | 582 | 680 | 715 | 639 | 651 | 490 | 2.9 | 11.9 | 10.6 | 11.3 |
| Traditional | 417 | 506 | 517 | 449 | 476 | 361 | 0.2 | 14.1 | 10.1 | 12.4 |
| Mining | 249 | 301 | 325 | 332 | 330 | 237 | 11.4 | 32.5 | 26.1 | 29.6 |
| Petroleum and petroleum by-products | 69 | 88 | 58 | 58 | 45 | 27 | 18.1 | -34.8 | -55.0 | -44.4 |
| Agricultural | 32 | 56 | 78 | 13 | 18 | 11 | -53.3 | -43.8 | -70.3 | -57.2 |
| Fishery prod. | 67 | 60 | 56 | 46 | 84 | 86 | 7.5 | 25.4 | 100.0 | 53.7 |
| Non-traditional | 165 | 174 | 198 | 190 | 175 | 129 | 11.0 | 6.1 | 12.3 | 8.5 |

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

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

*: April-May. **: January-May.

Table 10

PERU: IMPORTS STRUCTURE, FOB
(Millions of dollars)

| | 1987 | | | | 1988 | | Percentage variation a | | | |
|----------------------------------|------|-----|-----|-----|------|-----|------------------------|-------|--------|-------|
| | I | II | III | IV | I | II* | 1988 | | | |
| | | | | | | | I | II* | I+II** | |
| Total | 680 | 663 | 720 | 757 | 758 | 446 | 18.2 | 11.5 | 4.7 | 8.9 |
| Consumer goods | 120 | 89 | 91 | 99 | 94 | 44 | 7.1 | -21.7 | -33.3 | -25.5 |
| Inputs | 323 | 294 | 378 | 413 | 413 | 257 | 16.7 | 27.9 | 41.2 | 32.6 |
| Capital goods | 237 | 280 | 250 | 243 | 251 | 144 | 21.3 | 5.9 | -19.1 | -4.9 |
| Miscellaneous and adjustments | 0 | 1 | 1 | 2 | 0 | 1 | 34.9 | -- | -- | -- |

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

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

*: April-May. **: January-May.

Table 11

PERU: CENTRAL BANK NET INTERNATIONAL RESERVES
(Millions of dollars)

| | Net international reserves | | | | Available reserves a | | | |
|-----|----------------------------|------|------|--------|----------------------|------|------|-------|
| | 1985 | 1986 | 1987 | 1988 | 1985 | 1986 | 1987 | 1988 |
| Mar | 1048 | 1541 | 820 | -194 | 1890 | 2637 | 1848 | 867 |
| Jun | 971 | 1278 | 790 | -180 | 1682 | 2363 | 1769 | 854 |
| Sep | 1144 | 1239 | 533 | -232 * | 1884 | 2360 | 1480 | 804 * |
| Dec | 1493 | 958 | 43 | | 2354 | 2051 | 1183 | |

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

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

*: As of August 19.

Table 12

PERU: MONETARY AGGREGATES
(Billions of intis) a

| | 1987 | | | | 1988 | | Percentage variation b | | |
|--------------------|------|------|-------|-------|-------|-------|------------------------|-------|-------|
| | I | II | III | IV | I | II | 1988 | | |
| | | | | | | | 1987 | 1988 | |
| Monetary base | 39.8 | 48.6 | 61.9 | 78.7 | 94.3 | 117.6 | 111.0 | 136.9 | 142.0 |
| Liquidity | 78.9 | 94.1 | 114.5 | 149.2 | 180.3 | 219.1 | 112.8 | 128.5 | 132.8 |
| Local currency | 70.9 | 86.2 | 107.7 | 134.3 | 164.2 | 200.9 | 116.4 | 131.6 | 133.1 |
| Money | 33.0 | 39.8 | 54.3 | 75.5 | 93.6 | 118.1 | 143.5 | 183.6 | 196.7 |
| Quasi-money | 37.9 | 46.4 | 53.4 | 58.8 | 70.6 | 82.8 | 69.1 | 86.3 | 78.4 |
| Foreign currency c | 8.0 | 7.9 | 6.8 | 14.9 | 16.1 | 18.2 | 86.3 | 101.3 | 130.4 |

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

a: Figures at end of period. b: With respect to the same period of the preceding year. c: Intis equivalent.

Table 13

PERU: CENTRAL GOVERNMENT INCOME AND EXPENDITURE
(Billions of 1988 Intis)

| | January-May | | |
|-----------------------------------|-------------|-------|-------------|
| | 1987 | 1988 | 1988/1987 a |
| Current income | 64.2 | 63.7 | -0.8 |
| Current expenditure | 72.0 | 74.8 | 3.9 |
| Savings on current account | -7.8 | -11.1 | 42.3 |
| Capital expenditure | 12.1 | 12.2 | 0.8 |
| Surplus or deficit (-) | -19.9 | -23.3 | 17.1 |
| Financing | 19.9 | 23.3 | 17.1 |
| External | 3.9 | 4.7 | 20.5 |
| Disbursements | 23.6 | 21.7 | -8.1 |
| Amortization payments | 19.7 | 16.9 | -14.2 |
| Domestic | 16.0 | 18.5 | 15.6 |
| Credits (Central Reserve Bank) | 9.4 | 11.2 | 19.1 |
| Credits (others - banking system) | 11.6 | 0.7 | -94.0 |
| Bonds | -0.8 | — | — |
| Others and residual | -4.2 | 6.7 | — |

Source: Central Reserve Bank of Peru.

a: Percentage variation.

URUGUAY

The Uruguayan economy continued to grow during the first half of 1988 (although more slowly than in 1987) and reduced its current account deficit somewhat thanks to a significant increase in exports. The gradual decline in the rate of inflation levelled off towards the middle of the year at about 60%, while the public sector deficit increased slightly after two years of intensive fiscal adjustment.

After having grown at the rate of 6% in the first half of 1987, the gross domestic product increased by only about 2% between that period and the first half of 1988, thus marking the continuation of the slackening of growth observed as from the second quarter of 1987. This evolution was largely due to the very sharp fall in the growth rate of manufacturing (see table 1). The unemployment rate, for its part, after having risen in the first quarter, went down steadily thereafter and in July reached its lowest level in the last six years (see table 2).

The rate of inflation, which had begun to slacken in 1986, continued to go down up to the end of the first quarter of 1988, when the annual variation in the consumer price index was the lowest since May 1984, but in April it began to rise again (see table 3). This upward trend was mainly due to the evolution of the exchange rate, wages and agricultural prices. Whereas the first two variables helped to keep the annual rate of price increases within the vicinity of 60%, the variations in agricultural prices led to oscillations around that general level. Thus, in wholesale transactions, the rate of increase of agricultural prices rose to 57% in July after having stood at only 30% in the twelve months ending in March.

Nominal remunerations rose at a rate of around 60% per year, in a context of passive indexation of private sector work contracts and slower corrections in the public sector. In real terms, remunerations rose by less than 4%, and even then at a decreasing monthly rate (see table 4). At the end of the first half of the year, the authorities proposed a new mechanism for private sector wage agreements under which the four-monthly adjustments would be made on the basis of 90% of the variation in prices in the preceding period.

Adjustment of the price of the U.S. dollar was carried out under a policy aimed at keeping the real exchange rate at a competitive level. Thus, after having deteriorated up to September 1987, the exchange rate increased by a total of 14% in the following nine months, so that in June it was 6% higher than the rate prevailing in the middle of the previous year (see table 5). The slackening in the growth rate of real wages was thus accompanied by rises in the real exchange rate.

The terms of trade improved substantially as a result of the drop in oil prices and the increase in the unit value of exports. This was particularly the case of wool and rice, but the prices of industrial exports also rose. The drop in beef prices was an exception to this situation, although income from beef exports was kept up thanks to an increase in the volume exported.

As a result of these developments, the value of exports of goods in the first half of the year was 23% higher than in the corresponding period of the year before, whereas the value of imports increased by only 3%. There was thus a turnaround in the trade

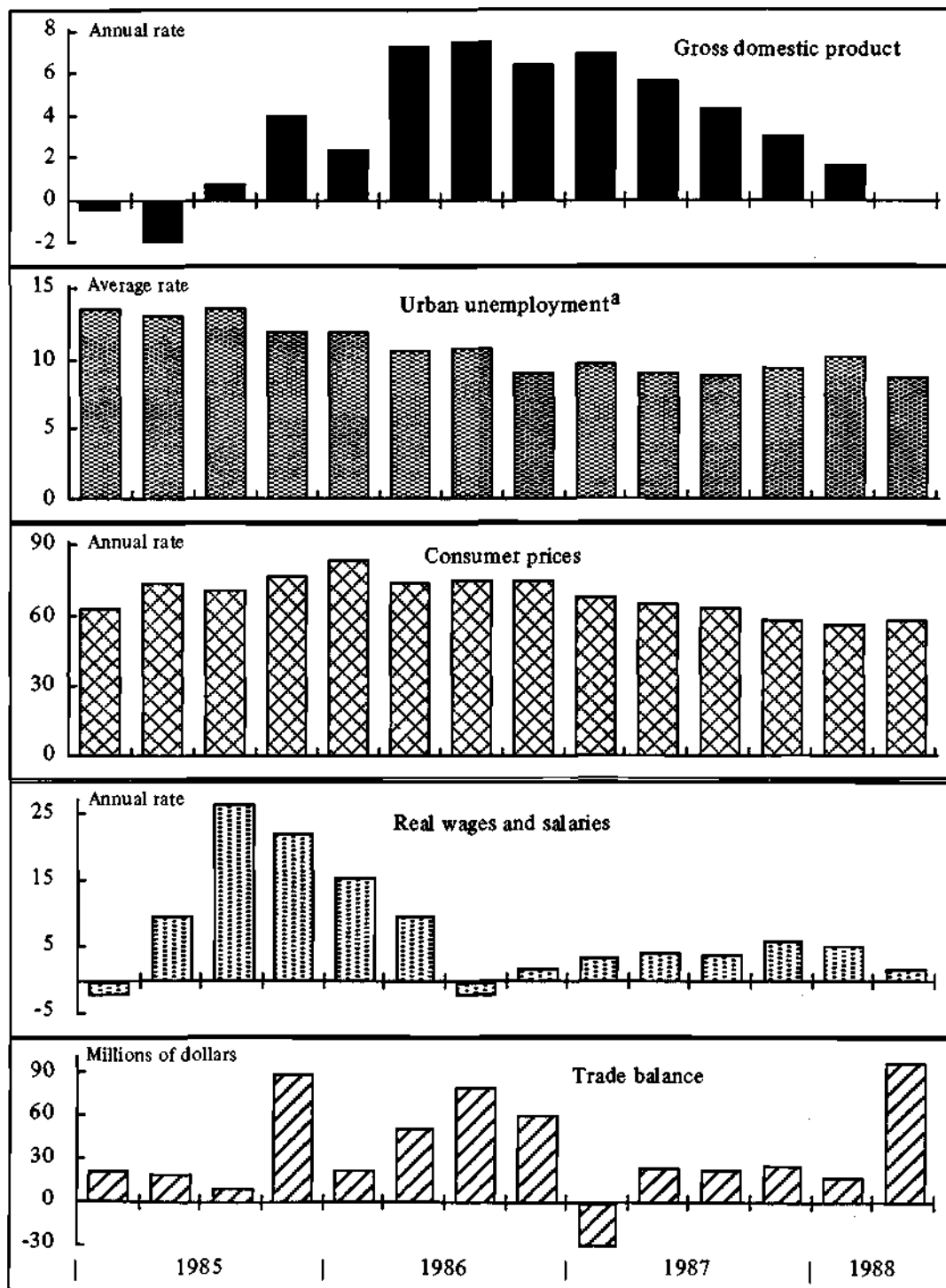
balance situation, which went from a deficit of US\$4 million in January-June 1987 to a surplus of almost US\$120 million (see table 6). This made up for the poor results of the tourist season (first quarter of the year), which brought in only a small amount of foreign exchange because of the smaller flow of visitors from Argentina.

Exports grew as a result of increases in sales of both traditional products (31%) and non-traditional products (18%). With regard to imports, petroleum purchases increased by 7% and those of capital goods by 4%, but the value of imports of raw materials and consumer goods went down (see tables 7 and 8). The importance of markets outside the region for Uruguayan exports continued to increase. The weight of Argentina and Brazil in total exports went down from 25% to 20%, while the weight of these two countries in total imports rose from 38% to 43%.

It would appear that the current account position continued to be negative. Nevertheless, the inflow of capital was sufficiently great to permit the international reserves of the Central Bank to grow by some US\$60 million in the first half of the year (see table 9), thus exceeding the initial projections, which had forecast no variation of reserves in 1988 as a whole, with an actual loss of reserves in the first half of the year. The monetary aggregates expanded by about 60% during the first half of the year, with money and quasi-money showing faster growth rates than this at the end of that period (see table 10). The interest rate on deposits in local currency remained positive in real terms, while interest rates on loans registered positive real values of over 15% per year. Foreign currency deposits increased by almost US\$400 million (20%) over the December 1987 figure, thus totalling nearly US\$2.5 billion, equivalent to one-third of the gross domestic product.

Fiscal expenditure grew by 10% in real terms, exceeding the expansion in income and thus increasing the fiscal deficit. However, the form of financing of the deficit used by the central administration did not bring additional pressures to bear on the money issue. Thus, although the fiscal imbalance increased, only a small part of this deficit was financed with credit from the Central Bank, 80% of the resources being obtained by the sale of public debt securities denominated in foreign currency.

Figure 1
URUGUAY: QUARTERLY EVOLUTION OF THE MAIN
ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.
^aMontevideo.

Table 1

URUGUAY: GROSS DOMESTIC PRODUCT
(Percentage variations) a

| | 1987 b | | | | | 1988 b |
|---------------|--------|------|------|-------|------|--------|
| | I | II | III | IV | Year | I |
| Total | 7.0 | 5.7 | 4.4 | 3.1 | 4.9 | 1.7 |
| Agriculture | 3.6 | 0.4 | -0.7 | 1.4 | 0.8 | 4.2 |
| Fishing | 8.8 | -2.4 | 34.0 | -29.4 | -1.1 | -12.9 |
| Manufacturing | 18.1 | 11.8 | 9.0 | 6.7 | 11. | 0.3 |
| Electricity | | | | | | |
| gas and water | 4.6 | 10.1 | 7.6 | 10.8 | 8.3 | 26.9 |
| Construction | 8.3 | 9.9 | 11.5 | 11.5 | 10.4 | 3.1 |
| Commerce | 10.5 | 10.8 | 6.1 | 1.9 | 7.1 | 0.1 |
| Transport c | 6.3 | 7.6 | 4.6 | 3.6 | 5.5 | -1.6 |
| Others | 1.5 | 1.2 | 2.1 | 1.9 | 1.6 | 2.1 |

Source: Central Bank.

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

Table 2

URUGUAY: UNEMPLOYMENT RATE
(Quarterly averages)

| Quarter ending in: | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|--------------------|------|------|------|------|------|------|
| Jan | 14.0 | 14.8 | 13.2 | 10.8 | 9.0 | 9.9 |
| Feb | 14.4 | 14.9 | 13.3 | 11.2 | 8.9 | 10.3 |
| Mar | 15.9 | 14.6 | 13.7 | 12.0 | 9.8 | 10.2 |
| Apr | 16.1 | 14.0 | 13.4 | 12.3 | 10.2 | 9.8 |
| May | 16.5 | 14.2 | 13.2 | 12.0 | 9.9 | 9.4 |
| Jun | 16.1 | 14.1 | 13.2 | 10.7 | 9.1 | 8.8 |
| Jul | 15.8 | 14.3 | 13.7 | 11.2 | 9.1 | 8.3 |
| Aug | 15.3 | 14.7 | 13.3 | 11.3 | 8.7 | |
| Sep | 15.2 | 14.7 | 13.6 | 10.9 | 8.9 | |
| Oct | 15.3 | 14.0 | 13.0 | 10.0 | 8.3 | |
| Nov | 14.9 | 13.4 | 12.7 | 9.6 | 8.8 | |
| Dec | 14.6 | 12.7 | 12.0 | 9.2 | 9.4 | |

Source: Department of Statistics and Censuses.

Table 3

URUGUAY: PRICE INDEX
(Percentage variations)

| | Consumer price index | | | | | | Wholesale price index | | | | | |
|-----|----------------------|------|--------|-------|------|--------|-----------------------|------|--------|-------|------|--------|
| | 1987 | | | 1988 | | | 1987 | | | 1988 | | |
| | Month | Year | 12 Ms. | Month | Year | 12 Ms. | Month | Year | 12 Ms. | Month | Year | 12 Ms. |
| Jan | 3.9 | 3.9 | 67.9 | 3.8 | 3.8 | 57.0 | 3.2 | 3.2 | 64.1 | 2.5 | 2.5 | 56.0 |
| Feb | 3.4 | 7.5 | 67.4 | 3.8 | 7.7 | 57.6 | 2.6 | 5.9 | 66.1 | 2.3 | 4.8 | 55.6 |
| Mar | 7.0 | 15.0 | 70.0 | 4.8 | 12.8 | 54.3 | 5.7 | 12.0 | 67.5 | 4.7 | 9.7 | 54.0 |
| Apr | 2.5 | 17.9 | 66.2 | 4.9 | 18.3 | 57.8 | 2.5 | 14.8 | 65.1 | 3.2 | 13.2 | 55.1 |
| May | 2.1 | 20.3 | 65.7 | 2.3 | 21.2 | 58.4 | 2.3 | 17.5 | 65.6 | 2.4 | 15.9 | 55.1 |
| Jun | 4.5 | 25.7 | 65.1 | 5.0 | 27.1 | 59.1 | 3.2 | 21.3 | 62.4 | 3.5 | 19.9 | 55.5 |
| Jul | 6.4 | 33.8 | 65.3 | 8.5 | 37.9 | 62.1 | 7.9 | 30.9 | 65.1 | 9.9 | 31.7 | 58.3 |
| Aug | 3.4 | 38.3 | 63.8 | 3.4 | 42.5 | 62.1 | 5.7 | 38.4 | 64.9 | 4.0 | 37.0 | 55.7 |
| Sep | 2.5 | 41.7 | 60.7 | | | | 5.8 | 46.3 | 64.4 | | | |
| Oct | 4.8 | 48.5 | 60.1 | | | | 1.8 | 49.0 | 60.0 | | | |
| Nov | 4.4 | 55.1 | 59.9 | | | | 4.9 | 56.3 | 60.6 | | | |
| Dec | 1.4 | 57.3 | 57.3 | | | | 0.6 | 57.2 | 57.2 | | | |

Source: Department of Statistics and Censuses.

Table 4

URUGUAY: INDEX OF REAL WAGES AND SALARIES

| | Index: Dec. 1985=100 a | | | Percentage variations | | | | | |
|-----|------------------------|-------|-------|-----------------------|--------|----------|-------|--------|----------|
| | 1986 | 1987 | 1988 | 1987 | | | 1988 | | |
| | | | | Month | Year b | 12 Ms. c | Month | Year b | 12 Ms. c |
| Jan | 96.6 | 100.7 | 107.5 | -3.3 | 4.2 | 4.2 | -2.7 | 6.8 | 6.8 |
| Feb | 100.3 | 105.0 | 109.8 | 4.3 | 4.5 | 4.7 | 2.1 | 5.6 | 4.6 |
| Mar | 103.9 | 106.3 | 111.3 | 1.2 | 3.7 | 2.3 | 1.4 | 5.3 | 4.7 |
| Apr | 101.0 | 104.3 | 107.3 | -1.9 | 3.6 | 3.3 | -3.6 | 4.7 | 2.9 |
| May | 99.6 | 102.8 | 105.8 | -1.4 | 3.5 | 3.2 | -1.4 | 4.4 | 2.9 |
| Jun | 98.2 | 105.4 | 106.1 | 2.5 | 4.2 | 7.3 | 0.3 | 3.7 | 0.7 |
| Jul | 101.7 | 106.0 | 105.8 | 0.6 | 4.2 | 4.2 | -0.3 | 3.2 | -0.2 |
| Aug | 100.4 | 104.0 | | -1.9 | 4.1 | 3.6 | | | |
| Sep | 97.9 | 102.7 | | -1.2 | 4.2 | 4.9 | | | |
| Oct | 97.5 | 104.5 | | 1.8 | 4.5 | 7.2 | | | |
| Nov | 104.3 | 109.5 | | 4.8 | 4.5 | 5.0 | | | |
| Dec | 104.1 | 110.5 | | 0.9 | 4.7 | 6.1 | | | |

Source: Department of Statistics and Censuses.

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

b: Variations in average cumulative index as compared to the same period the preceding year. c: With respect to the same month of the preceding year.

Table 5

URUGUAY: EXCHANGE RATE

| | Official exchange rate medio (Pesos per dollar) | | | | Adjusted real exchange rate a (Index 1980=100) | | | |
|-----|--|-------|-------|-------|---|-------|-------|-------|
| | 1985 | 1986 | 1987 | 1988 | 1985 | 1986 | 1987 | 1988 |
| Jan | 76.4 | 127.1 | 184.2 | 286.4 | 168.8 | 159.6 | 137.5 | 142.4 |
| Feb | 84.3 | 131.9 | 191.1 | 297.6 | 181.5 | 161.3 | 139.8 | 144.4 |
| Mar | 92.2 | 135.5 | 197.9 | 310.1 | 193.2 | 155.9 | 137.0 | 144.2 |
| Apr | 94.3 | 139.9 | 205.1 | 322.8 | 168.4 | 153.6 | 139.6 | 146.7 |
| May | 93.0 | 144.7 | 212.4 | 335.1 | 161.9 | 156.2 | 142.2 | 149.7 |
| Jun | 94.2 | 149.2 | 218.6 | 348.4 | 163.4 | 152.9 | 142.6 | 150.6 |
| Jul | 99.7 | 152.9 | 226.2 | 360.8 | 161.8 | 146.8 | 137.3 | 142.2 |
| Aug | 107.1 | 158.2 | 234.0 | 375.9 | 168.5 | 143.3 | 134.4 | 142.7 |
| Sep | 111.3 | 162.3 | 244.0 | | 168.8 | 139.0 | 132.6 | |
| Oct | 115.4 | 165.9 | 253.9 | | 171.3 | 136.1 | 135.8 | |
| Nov | 120.7 | 172.4 | 264.2 | | 167.3 | 135.5 | 134.9 | |
| Dec | 124.7 | 177.4 | 274.6 | | 165.5 | 135.4 | 139.3 | |

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

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

Table 6

URUGUAY: TRADE BALANCE

| | Millions of dollars | | | | | | Percentage variation a | | | |
|------|---------------------|--------|----------------|--------|------------------|-------|------------------------|-------|---------|------|
| | Exports FOB | | Imports CIF | | Trade balance | | Exports | | Imports | |
| | Month | Year | Month | Year | Month | Year | Month | Year | Month | Year |
| 1987 | | | | | | | | | | |
| Jan | 45.7 | 45.7 | 82.4 | 82.4 | -36.7 | -36.7 | -31.3 | -31.3 | 1.4 | 1.4 |
| Feb | 86.2 | 131.9 | 64.9 | 147.3 | 21.3 | -15.4 | 7.1 | -10.3 | 50.6 | 18.4 |
| Mar | 88.3 | 220.2 | 102.9 | 250.2 | -14.6 | -30.0 | 22.3 | 0.5 | 45.1 | 28.1 |
| Apr | 78.9 | 299.1 | 72.3 | 322.5 | 6.6 | -23.4 | -9.3 | -2.3 | 26.0 | 27.6 |
| May | 102.7 | 401.8 | 89.9 | 412.4 | 12.8 | -10.6 | 24.9 | 3.5 | 46.9 | 31.4 |
| Jun | 106.9 | 508.7 | 100.2 | 512.6 | 6.7 | -3.9 | 44.1 | 10.0 | 37.6 | 32.6 |
| Jul | 118.1 | 626.8 | 118.6 | 631.2 | -0.5 | -4.4 | -6.1 | 6.5 | 75.7 | 39.0 |
| Aug | 107.4 | 734.2 | 85.1 | 716.3 | 22.3 | 17.9 | 21.4 | 8.5 | -0.5 | 32.7 |
| Sep | 110.3 | 844.5 | 107.7 | 824.0 | 2.6 | 20.5 | -0.6 | 7.2 | 18.2 | 30.6 |
| Oct | 82.6 | 927.1 | 109.3 | 933.3 | -26.7 | -6.2 | -6.7 | 5.8 | 57.5 | 33.3 |
| Nov | 107.7 | 1034.8 | 89.9 | 1023.2 | 17.8 | 11.6 | 34.1 | 8.2 | 26.8 | 32.7 |
| Dec | 154.3 | 1189.1 | 118.7 | 1141.9 | 35.6 | 47.2 | 17.6 | 9.3 | 19.9 | 31.2 |
| 1988 | | | | | | | | | | |
| Jan | 50.5 | 50.5 | 84.1 | 84.1 | -33.6 | -33.6 | 10.5 | 10.5 | 2.1 | 2.1 |
| Feb | 108.8 | 159.3 | 63.6 | 147.7 | 45.2 | 11.6 | 26.2 | 20.8 | -2.0 | 0.3 |
| Mar | 93.4 | 252.7 | 86.4 | 234.1 | 7.0 | 18.6 | 5.8 | 14.8 | -16.0 | -6.4 |
| Apr | 122.8 | 375.5 | 68.2 | 302.3 | 54.6 | 73.2 | 55.6 | 25.5 | -5.7 | -6.3 |
| May | 134.8 | 510.3 | 121.5 | 423.8 | 13.3 | 86.5 | 31.3 | 27.0 | 35.2 | 2.8 |
| Jun | 115.9 | 626.2 | 85.5 | 509.3 | 30.4 | 116.9 | 8.4 | 23.1 | -14.7 | -0.6 |

Source: Central Bank.

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

Table 7

URUGUAY: STRUCTURE OF EXPORTS
(Millions of dollars)

| | Traditional exports | | Non-traditional exports | | | | Percentage variation a | | | | | |
|---|---------------------|-------|-------------------------|-------|-------|-------|------------------------|-------|-------|-------|------|------|
| | 1987 | | 1988 | | 1987 | | 1988 | | 1987 | | 1988 | |
| | Month | Year | Month | Year | Month | Year | Month | Year | T | NT | T | NT |
| J | 26.3 | 26.3 | 28.5 | 28.5 | 19.4 | 19.4 | 22.1 | 22.1 | -32.0 | -30.2 | 8.4 | 13.9 |
| F | 34.4 | 60.7 | 48.5 | 77.0 | 51.8 | 71.2 | 60.2 | 82.3 | -18.4 | -2.1 | 26.9 | 15.6 |
| M | 39.4 | 100.1 | 43.6 | 120.6 | 48.9 | 120.1 | 49.9 | 132.2 | -8.3 | 9.1 | 20.5 | 10.1 |
| A | 33.0 | 133.1 | 52.0 | 172.6 | 45.9 | 166.0 | 70.7 | 202.9 | -7.4 | 2.1 | 29.7 | 22.2 |
| M | 39.1 | 172.2 | 58.4 | 231.0 | 63.6 | 229.6 | 76.4 | 279.3 | 1.1 | 5.2 | 34.1 | 21.6 |
| J | 39.1 | 211.3 | 45.4 | 276.4 | 67.8 | 297.4 | 70.6 | 349.9 | 4.8 | 13.9 | 30.8 | 17.7 |
| J | 41.1 | 252.4 | | | 77.0 | 374.4 | | | 4.6 | 7.8 | | |
| A | 31.1 | 283.5 | | | 76.3 | 450.7 | | | 4.9 | 10.8 | | |
| S | 15.4 | 298.9 | | | 94.9 | 545.6 | | | 0.8 | 11.0 | | |
| O | 11.0 | 309.9 | | | 71.6 | 617.2 | | | -3.8 | 11.4 | | |
| N | 33.8 | 343.7 | | | 73.9 | 691.1 | | | -2.6 | 14.4 | | |
| D | 48.7 | 392.4 | | | 105.6 | 796.7 | | | -2.6 | 16.3 | | |

Source: Central Bank.

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

a: Of cumulative figures with respect to the same period of the preceding year.

Table 8

URUGUAY: STRUCTURE OF IMPORTS

| | Millions of dollars a | | | Percentage variations b | | |
|------|-----------------------|---------------|-------|-------------------------|---------------|-------|
| | Petroleum | Capital goods | Other | Petroleum | Capital goods | Other |
| 1987 | | | | | | |
| I | 16.1 | 84.7 | 149.4 | -64.9 | 104.1 | 38.5 |
| II | 50.4 | 164.1 | 298.1 | -38.7 | 99.6 | 34.2 |
| III | 77.2 | 242.7 | 504.1 | -39.7 | 79.0 | 37.3 |
| IV | 134.7 | 341.1 | 666.2 | -4.0 | 57.5 | 29.9 |
| 1988 | | | | | | |
| I | 19.0 | 85.7 | 129.5 | 18.0 | 1.2 | -13.3 |
| II | 53.9 | 171.4 | 284.0 | 6.9 | 4.4 | -4.7 |

Source: Central Bank.

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

Table 9

URUGUAY: NET INTERNATIONAL RESERVES
(Millions of dollars)

| | Amount | | | | Variation in total reserves | | | |
|-----|---------|---------|--------------|--------|-----------------------------|--------|--------|--------|
| | Total a | | Central Bank | | Quarter | | Year b | |
| | 1987 c | 1988 d | 1987 c | 1988 d | 1987 c | 1988 d | 1987 c | 1988 d |
| Mar | 1 168 | 1 362 | 845 | 1 031 | 120 | 24 | 120 | 24 |
| Jun | 1 139 | 1 340 * | 828 | 1 079 | 26 | -22 | 146 | 2 |
| Sep | 1 149 | | 867 | | 81 | | 227 | |
| Dec | 1 154 | | 865 | | 30 | | 257 | |
| Dec | 1 338 d | | 1 018 d | | | | | |

Source: Central Bank.

a: Includes reserves of the Central Bank of Uruguay and of the Banco de la República Oriental del Uruguay. b: With respect to December of the preceding year. c: Gold valued at US\$ 313.00. d: Gold valued at US\$ 371.78 troy ounces. *: May.

Table 10

URUGUAY: MONETARY AGGREGATES

| | M1 | DP | M2 | DE | M3 |
|-------------------------------------|-------|-------|-------|-------|--------|
| (Millions of New Uruguayan Pesos) a | | | | | |
| 1988 | | | | | |
| Feb | 116.3 | 156.9 | 273.2 | ... | ... |
| Apr | 122.3 | 171.2 | 293.6 | 705.2 | 998.8 |
| Jun | 139.5 | 180.5 | 320.0 | 887.5 | 1207.5 |
| (Percentage variations) b | | | | | |
| 1987 | | | | | |
| Dec | 67.2 | 51.1 | 58.0 | 70.9 | 66.9 |
| 1988 | | | | | |
| Feb | 50.3 | 50.4 | 50.4 | ... | ... |
| Apr | 57.8 | 53.0 | 55.0 | 64.2 | 61.4 |
| Jun | 66.8 | 52.3 | 58.3 | 89.9 | 80.4 |

Source: Central Bank.

Note: M1 = Money (supply currency outside banks plus deposits on current account. DP = Time deposits in local currency. M2 = M1 + DP. DE = Deposits in foreign currency. M3 = M2 + DE.

a: Balance at the end of period. b: With respect to the same month in the preceding year.

Table 11

URUGUAY: INDICADORES FISCALES

| | Billions of New Uruguayan pesos a | | | | | | Percentage variation b | | |
|-----|-----------------------------------|-------|-------|-------|-------|-------|------------------------|------|----|
| | 1987 | | | 1988 | | | 1988/1987 | | |
| | I | E | B | I | E | B | I | E | B |
| Mar | 54.9 | 57.8 | -2.9 | 88.3 | 101.3 | -12.9 | 60.8 | 75.3 | -- |
| Jun | 114.3 | 123.4 | -9.1 | 189.5 | 216.8 | -27.3 | 65.8 | 75.7 | -- |
| Sep | 183.5 | 197.8 | -14.3 | | | | | | |
| Dec | 270.9 | 292.9 | -22.0 | | | | | | |

Source: Department of Statistics and Censuses.

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

a: Cumulative figures. b: With respect to the same month of the preceding year.

VENEZUELA

The economic policy followed in the first half of 1988 maintained the expansionary approach which has characterized it since the end of 1985. Consequently, domestic activity has continued to grow in spite of the deterioration in the external accounts, thanks to its drawing down of reserves. After having reached the unprecedented figure of 40% in 1987, the rate of inflation went down markedly in the first quarter of 1988, but speeded up again in June and July. The external accounts were affected by the weakening in the international price of petroleum and the scanty results of efforts to obtain additional external financing. As a result, the international reserves of the Central Bank went down by almost US\$1 billion in the first half of the year, generating strong upward pressure on the free exchange rate in mid-year.

Although the expansion in the current expenditure of the government was moderated by the freezing of the wages of public employees, total expenditure still maintained its upward trend because of the persistent increase in the investment expenditure of public enterprises, especially those in the mining sector. There were substantial increases in the production of gold, bauxite, coal and iron ore, as well as in basic industries (steel, aluminium and petrochemicals) (see table 2). Progress was more erratic in the private sector, but the volume of domestic sales nevertheless recovered from the low levels registered at the beginning of the previous year, due both to the replacement of stocks and to advance purchases prompted by the growing expectations of devaluation. As a result of these changes, open unemployment went down to 7.7% in the first half of the year: the lowest rate since 1982.

During the early months of the year, the recovery in economic activity was accompanied by a marked decline in inflation. Thus, consumer prices went down in February and March, mainly because of the seasonal drop in the prices of some agricultural products, the application of stricter controls over the prices of basic goods, and also the freezing of public sector prices and wages. Subsequently, however, inflation accelerated so much that both in June and July consumer prices rose by 5%. The main cause of this change of trend was the renewed rise in the prices of foodstuffs, which increased by almost 40% in June alone. Even so, however, the rise in the consumer price index between July 1987 and July 1988 was only 26% --much less than the figure registered at the end of the previous year (see table 3).

Monetary policy did not undergo any significant changes. Indeed, nominal interest rates remained at the same level fixed in October 1985. Thus, in spite of the decline in the rate of inflation in the first quarter, real interest rates continued to be strongly negative. At the same time, the monetary authorities stepped up their efforts to absorb excess bank liquidity through the "money bureau" of the Central Bank, which offers interest rates on short-term interbank deposits much higher than the maximum rates authorized for loans by commercial banks to the public. Consequently, the annual growth rate of the monetary aggregates, which had risen rapidly in 1987, tended to settle down at around 20% (see table 7).

After partially recovering in the first half of 1987, the price of petroleum once again deteriorated as from August of that year, due to the generalized over-supply of crude. The negative effects of this change in the international situation were aggravated by technical problems in the country's main refinery, so that petroleum products --which

are sold at higher relative prices-- accounted for a smaller share of total external sales of hydrocarbons. Thus, the average price of petroleum exports fell below US\$14 per barrel during the first quarter, representing a decline of 15% with respect to the average for the previous year. Although the price of crude recovered slightly in the following two months as a result of the rise in world demand, the average sale price was almost 10% lower than that registered in 1987 (see table 1).

In order to check the effect of this decline on foreign exchange income, an effort was made to increase sales of products not covered by the OPEP quota system, especially condensates (extra-light petroleum obtained from natural gas) and extra-heavy products. Thanks to this, export volumes expanded by 5% in the first quarter, but even so petroleum income went down by over 12% compared with the same period in the previous year (see tables 1 and 4).

The drop in petroleum income was partially offset by the increased value of exports of aluminium (the price of which rose by 37% in the first seven months of the year) and by the increase of more than 100% in sales of non-monetary gold. This was not enough, however, to compensate for the increase in the cost of servicing the external debt caused by the rise in international interest rates and the higher amortization payments, which it is estimated will increase from US\$1.9 billion in 1987 to US\$2.2 billion in 1988. In these circumstances, the authorities decided --after having eased restrictions on the supply of foreign exchange at the preferential rate in the first quarter of the year-- to re-impose controls in this respect. At the same time, they intensified their efforts to obtain additional external financing and managed to reach agreements with multilateral, bilateral and private creditors for the financing of industrial and mining projects, although the actual disbursements registered during the first half of the year were rather modest. In addition, bonds worth a total of US\$200 million were sold on international markets. Nevertheless, the total amount of external financing mobilized was far below the outlays on external debt servicing, so that the decline in the international reserves, which had been checked in 1987, began again in the early months of 1988. Indeed, the international reserves of the Central Bank went down by US\$970 million in the first half of the year, despite the transfer of US\$800 million to the issuing institute by the Venezuelan Investment Fund. All in all, the total loss of reserves in this period of time came to nearly US\$1.8 billion.

The deterioration in the external accounts and the greater restrictions on the supply of foreign exchange at the preferential exchange rate generated strong upward pressures on the price of the dollar on the free market, which, after having remained relatively stable during the first five months of the year, went up by over 20% in June and July and by the beginning of August reached a level more than 30% above that registered in 1987 (see table 6).

Table 1

VENEZUELA: PETROLEUM PRODUCTION AND EXPORTS

| | Production | | Exports | | |
|------|--------------------|----------------------|--------------------|--------------------|------------------|
| | Crude oil a | Petroleum products a | Volume a | Prices b | Income c |
| 1986 | 1 784 | 899 | 1 535 | 12.82 | 635 |
| 1987 | 1 704 | 798 | 1 519 | 16.41 | 749 |
| 1988 | 1 744 ^d | ... | 1 475 ^e | 14.17 ^f | 617 ^e |
| 1987 | | | | | |
| I | 1 658 | 810 | 1 470 | 16.40 | 725 |
| II | 1 659 | 796 | 1 473 | 16.40 | 725 |
| III | 1 763 | 786 | 1 594 | 16.80 | 803 |
| IV | 1 735 | 802 | 1 540 | 16.00 | 739 |
| 1988 | | | | | |
| I | 1 738 | ... | 1 475 | 13.95 | 617 |
| II | 1 750 | ... | ... | 14.50 ^g | ... |

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

a: Thousands of barrels per day. b: Dollars per barrel. Average price for total exports (crude oil and petroleum products). c: Millions of dollars. Monthly average. d: January-June average. e: January-March average. f: January-May average. g: April-May average.

Table 2

VENEZUELA: INDICATORS OF ECONOMIC ACTIVITY
(Monthly averages)

| | Steel products ^a | Petrochemicals ^a | Cement shipments ^b | Automobile sales ^c |
|------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| 1986 | 288 | 172 | 8 704 | 12 492 |
| 1987 | 311 | 184 | 9 583 | 9 250 |
| 1988 | 325 d | 208 e | 9 661 e | 10 311 e |
| 1987 | | | | |
| I | 311 | 157 | 9 079 | 8 538 |
| II | 304 | 184 | 9 920 | 7 071 |
| III | 306 | 212 | 10 142 | 9 896 |
| IV | 323 | 183 | 9 190 | 11 495 |
| 1988 | | | | |
| I | 332 | 208 | 9 661 | 10 311 |
| II | 314 f | ... | ... | ... |

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

a: Thousands of tons. b: Thousands of 60 kilogramme bags. c: Units. d: January-May average. e: January-March average. f: April-May average.

Table 3

VENEZUELA: CONSUMER PRICE INDEX
(Percentage variations)

| | 1986 | | | 1987 | | | 1988 | | |
|-----|-------|------|-------|-------|------|-------|-------|------|-------|
| | Month | Year | 12Ms. | Month | Year | 12Ms. | Month | Year | 12Ms. |
| Jan | 1.8 | 1.8 | 9.9 | 1.7 | 1.7 | 12.6 | 0.4 | 0.4 | 38.6 |
| Feb | 0.9 | 2.7 | 11.3 | 2.5 | 4.2 | 14.3 | -1.9 | -1.5 | 32.6 |
| Mar | -0.7 | 2.0 | 10.1 | 2.0 | 6.3 | 17.5 | -0.1 | -1.6 | 29.8 |
| Apr | 0.1 | 2.1 | 8.7 | 2.8 | 9.3 | 20.7 | 2.0 | 0.4 | 28.8 |
| May | 1.3 | 3.4 | 10.4 | 4.3 | 14.0 | 24.3 | 1.4 | 1.8 | 25.2 |
| Jun | 1.7 | 5.2 | 11.7 | 4.1 | 18.7 | 27.3 | 5.0 | 6.9 | 26.3 |
| Jul | 1.0 | 6.2 | 11.9 | 5.2 | 24.9 | 32.6 | 5.0 | 12.2 | 26.0 |
| Aug | 0.9 | 7.1 | 12.6 | 0.8 | 26.0 | 32.6 | 2.4 | 14.9 | 28.1 |
| Sep | 0.6 | 7.8 | 12.5 | 2.1 | 28.6 | 34.6 | | | |
| Oct | 2.1 | 10.1 | 13.5 | 2.5 | 31.8 | 35.1 | | | |
| Nov | 1.4 | 11.6 | 13.1 | 2.9 | 35.6 | 37.0 | | | |
| Dec | 1.1 | 12.9 | 12.9 | 3.5 | 40.3 | 40.3 | | | |

Source: ECLAC, on the basis of figures from the Central Bank of Venezuela. a: In the Caracas metropolitan area.

Table 4

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

| | Receipts | | | Outlays | | | | Balance | |
|------|-----------|--------------------|--------|-------------------|---------------|-------|--------------------|---------|--------|
| | Petroleum | Other ^a | Total | Imp. ^b | External debt | | Total | | |
| | | | | | Publ. | Priv. | Other ^c | | |
| 1985 | 12 404 | 3 180 | 15 584 | 6 725 | 4 258 | 809 | 2 559 | 14 351 | 1 233 |
| 1986 | 7 625 | 2 927 | 10 552 | 5 951 | 3 996 | 1 087 | 3 481 | 14 515 | -3 963 |
| 1987 | 8 984 | 3 957 | 12 941 | 6 308 | 3 367 | 1 481 | 2 462 | 13 618 | -677 |
| 1987 | | | | | | | | | |
| I | 2 033 | 442 | 2 475 | 1 141 | 814 | 320 | 584 | 2 859 | -384 |
| II | 2 481 | 658 | 3 139 | 1 751 | 625 | 410 | 634 | 3 420 | -281 |
| III | 2 561 | 1 104 | 3 665 | 1 513 | 735 | 407 | 811 | 3 466 | -199 |
| IV | 1 909 | 1 753 | 3 662 | 1 903 | 1 193 | 344 | 433 | 3 873 | -211 |
| 1988 | | | | | | | | | |
| I | 1 750 | 1 070 | 2 820 | 1 685 | 845 | 450 | 675 | 3 655 | -825 |

Source: ECLAC, on the basis of data supplied by the Central Bank of Venezuela.
a: Includes receipts from the Venezuelan Investment Fund. b: Imports of goods and services. Including expenditure in foreign exchange of Petróleos de Venezuela and agreements. Excluding free market exchange rate imports.
c: Includes Central Bank sales of foreign exchange on the free market.

Table 5

VENEZUELA: NET INTERNATIONAL RESERVES
(Millions of dollars)

| At the end of: | 1984 | 1985 | 1986 | 1987 | 1988 |
|----------------|--------|--------|--------|-------|-------|
| Mar | 11 071 | 13 027 | 13 443 | 9 536 | 8 605 |
| Jun | 11 874 | 13 465 | 12 612 | 9 270 | 8 404 |
| Sep | 12 381 | 13 287 | 11 367 | 9 469 | ... |
| Dec | 12 469 | 13 750 | 9 858 | 9 376 | ... |

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

Table 6

VENEZUELA: FREE EXCHANGE RATE
(Bolivares per dollar)

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|-----|------|------|------|------|------|-------|
| Jan | 4.3 | 13.8 | 13.5 | 17.3 | 23.2 | 30.0 |
| Feb | 4.3 | 13.0 | 13.3 | 18.9 | 22.9 | 29.7 |
| Mar | 8.1 | 14.2 | 13.1 | 19.1 | 23.1 | 29.7 |
| Apr | 9.3 | 15.7 | 12.9 | 19.3 | 24.7 | 29.5 |
| May | 10.0 | 16.2 | 13.2 | 20.1 | 28.5 | 30.8 |
| Jun | 11.3 | 14.0 | 14.0 | 17.6 | 27.9 | 32.5 |
| Jul | 14.5 | 13.0 | 14.2 | 19.7 | 29.1 | 35.4 |
| Aug | 14.3 | 12.7 | 14.4 | 19.8 | 31.4 | 38.2a |
| Sep | 12.9 | 12.0 | 14.6 | 20.5 | 31.7 | |
| Oct | 12.5 | 12.3 | 14.6 | 23.6 | 31.9 | |
| Nov | 13.0 | 12.6 | 15.1 | 23.8 | 29.5 | |
| Dec | 12.8 | 12.7 | 14.9 | 23.6 | 30.5 | |

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

a: Up to August 10, 1988.

Table 7

VENEZUELA: MONETARY AGGREGATES
(Percentage variations)

| | Monetary base | | | | | | M2 | | | | | |
|-----|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1986 | | 1987 | | 1988 | | 1986 | | 1987 | | 1988 | |
| | Month | 12Ms. | Month | 12Ms. | Month | 12Ms. | Month | 12Ms. | Month | 12Ms. | Month | 12Ms. |
| Jan | -3.7 | 24.1 | -5.3 | 8.2 | -4.9 | 23.7 | -0.7 | 9.7 | -0.7 | 16.6 | -1.3 | 23.6 |
| Feb | -4.6 | 15.8 | -1.3 | 12.0 | 1.6 | 27.3 | -0.1 | 8.7 | 1.5 | 18.4 | 1.0 | 23.0 |
| Mar | -0.4 | 9.4 | 2.5 | 15.2 | 1.9 | 26.6 | -0.5 | 7.5 | 0.9 | 20.0 | 1.8 | 24.2 |
| Apr | 12.3 | 18.7 | 4.3 | 7.0 | -1.2 | 19.9 | 3.5 | 10.0 | 2.2 | 18.5 | 0.3 | 21.9 |
| May | 1.6 | 19.0 | -2.9 | 2.3 | | | 1.8 | 11.0 | 1.5 | 18.3 | | |
| Jun | 3.8 | 16.6 | 2.9 | 1.4 | | | 1.4 | 12.7 | 2.0 | 19.0 | | |
| Jul | -1.3 | 15.2 | -0.7 | 1.9 | | | 2.1 | 13.6 | 0.9 | 17.6 | | |
| Aug | 1.8 | 17.4 | 3.4 | 3.5 | | | 2.3 | 16.5 | 1.3 | 16.4 | | |
| Sep | -2.5 | 20.3 | 0.4 | 6.6 | | | 0.8 | 17.2 | 1.0 | 16.6 | | |
| Oct | -4.2 | 4.7 | 4.4 | 16.2 | | | 1.3 | 17.2 | 3.4 | 19.1 | | |
| Nov | 4.6 | 8.2 | 4.4 | 15.9 | | | 1.3 | 16.7 | 3.7 | 21.8 | | |
| Dec | 3.5 | 10.1 | 10.0 | 23.2 | | | 2.4 | 16.6 | 4.5 | 24.3 | | |

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

Table 8

VENEZUELA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE
(Billions of bolivares)

| | Income | Expenditure | Balance | Financing | | Reserves |
|------|--------|-------------|---------|-----------------|-----------------------|----------------------|
| | | | | Domestic credit | Variation in reserves | Balance ^b |
| 1986 | | | | | | |
| I | 27.3 | 20.8 | 6.4 | -3.6 | -2.9 | 22.3 |
| II | 26.6 | 31.6 | -4.9 | 4.7 | 0.2 | 22.1 |
| III | 21.5 | 26.3 | -4.8 | -1.4 | 6.2 | 15.6 |
| IV | 25.6 | 25.9 | -0.4 | 2.1 | -1.8 | 17.5 |
| 1987 | | | | | | |
| I | 27.0 | 28.1 | -1.1 | -0.7 | 1.7 | 13.8 |
| II | 32.9 | 34.1 | -1.2 | 0.2 | 1.0 | 12.8 |
| III | 44.2 | 38.6 | 5.6 | 1.9 | -7.5 | 20.5 |
| IV | 46.6 | 51.5 | -4.9 | 10.2 | -5.2 | 27.7 |
| 1988 | | | | | | |
| I | 43.7 | 42.5 | 1.1 | 2.2 | -3.3 | ... |

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

a: (-) means increase. b: Balance at end of period.

