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ECONOMIC COMMISSION FOR LATIN AMERICA
AND THE CARIBBEAN

**ECONOMIC PANORAMA
OF LATIN AMERICA
1987**

ARGENTINA
BRAZIL
COLOMBIA
CHILE
ECUADOR
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URUGUAY
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United Nations

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This report was prepared by the ECLAC Economic Development Division.

Notes and explanation of symbols

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

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

A dash (-) indicates that the amount is nil or negligible.

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

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

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

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

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

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

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

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

CONTENTS

LATIN AMERICA.....	5
Economic growth.....	5
External balance and the transfer problem.....	6
Inflation.....	8
Statistical tables and figures.....	9
ARGENTINA.....	13
Figures and statistical tables.....	15
BRAZIL.....	21
Figures and statistical tables.....	23
COLOMBIA.....	30
Figures and statistical tables.....	32
CHILE.....	37
Figures and statistical tables.....	39
EQUADOR.....	47
Figures and statistical tables.....	49
MEXICO.....	53
Figures and statistical tables.....	55
PERU.....	62
Figures and statistical tables.....	64
URUGUAY.....	71
Figures and statistical tables.....	73
VENEZUELA.....	79
Statistical tables.....	81

LATIN AMERICA

Economic performance in 1987 seems to be repeating a pattern characteristic of the region since the onset of the debt crisis: the failure to achieve growth, external balance and price stability simultaneously. Thus, the current account deficit is likely to fall over the course of 1987, as the trade surplus rises and interest payments decline. Yet this improvement in external balances will be achieved at the expense of somewhat slower growth and significantly accelerated inflation.

The sequential pursuit of these basic macroeconomic equilibria in recent years, oftentimes at the expense of one another, has tended to render tenuous, if not short lived, what achievements there have been. Thus, inflation (accelerated by heavy devaluations) or stagnation (due to the compression of imports) have often been the price of correcting external imbalances; recession and worsened income distribution (the outgrowth of unduly restrictive demand policies), the price of slowing inflation; and external disadjustment (due to overheated demand), the price of recovery. The cumulative effect of such a see-saw policy response has been to accentuate cycles in the region's economies and so, to preclude solid and sustained growth.

Such instability is a reflection, not so much of policy shortcomings, as of the limited degrees of freedom imposed on policy by the acute scarcity of foreign exchange deriving from a long unfavorable external context and a heavy debt burden. This has made the region's economies more sensitive to demand and supply shocks, be they external or domestic in origin.

In 1987, however, a new element seems to be emerging. Though the available evidence to date is scattered and fragmentary, it would appear that the net transfer of resources out of the region, while still negative, is diminishing markedly. To be sure, this may be no more than a passing episode, the product of the accidental concatenation of several independent developments. Yet it may also be signalling the making of a new trend, whereby debtor countries strive to assure a volume of imports that permits minimum rates of economic growth, and adjust to exchange shortfalls on the basis of largely involuntary capital inflows—be they conciliatory moratoria, unilateral reductions in interest payments, or new money drawn in to avoid moratoria—obtained with the reluctant acquiescence of the banks.

Economic growth

For the region as a whole, growth in output will probably slow in 1987 to somewhat less than 3%, compared with close to 4% in 1986 (table 1). Such an average is misleading, however, for it masks two distinct trends: (i) a significant deceleration in some countries which grew especially fast in 1986; and (ii) a mild recovery in countries where output had fallen or stagnated. Thus, the economies of Brazil and Peru, which closed 1986 beset by accelerating inflation and deteriorating trade balances, will see their growth slow from rates of over 8% to 5% or less; and Argentina and Venezuela, whose output expanded more than 5% in 1986, will suffer a significant fall in growth rates (possibly to 2%) as they attempt to cope with sharply accelerating inflation. On the other hand, whereas in 1986 output actually fell in five countries (Bolivia, El Salvador, Mexico, Nicaragua and Paraguay) and stagnated in a sixth (Guatemala), in 1987 growth rates are expected to turn positive in all of these for diverse reasons, including the recovery in oil prices and the strong expansion of industrial exports (Mexico), especially good agricultural

harvests (Paraguay), aid for earthquake reconstruction (El Salvador), or the upturn in activity after price stabilization (Bolivia). Thus, though the expansion of output will slow in 1987, this signifies a reduction in the wide disparity of growth rates in 1986, rather than a generalized slowdown. And while no country will exhibit exceptional growth, output is expected to fall in only one, Ecuador —and this for exogenous reasons (the earthquake of March which virtually paralyzed oil production for 6 months).

At all events, this convergence is towards modest, if not mediocre, growth rates, with only four countries (Chile, Colombia, Peru and Uruguay) expected to reach 5%. Equally important, and symptomatic of the instability mentioned earlier, is the fact that only five countries (Brazil, Chile, Colombia, Costa Rica and Peru) will have experienced continual growth in the last four years; and of these, only Colombia uninterruptedly so throughout the crisis, thanks in no small measure to the stability of its policies. For Colombia is the only one of the four, whose growth has been achieved together with relative price stability and without incurring an unduly heavy debt burden. By contrast, Brazil and Peru are still grappling with triple digit inflation, while Chile and Costa Rica are able to meet only a fraction of their interest payments (35% and 10% respectively) out of trade surpluses. Thus, growth is not only modest but precarious in most countries, and promises to remain so, at least so long as the transfer problem persists.

External balance and the transfer problem

Though the available data are subject to revision and trends can be reversed, preliminary estimates suggest that the region's current account deficit will be of the order of US\$11 billion, down from last year's US\$16 billion (table 2). This reduction is accounted for by a probable increase of about 20% (some US\$3.5 billion) in the trade balance and, to a lesser extent, a modest reduction (a little over US\$1 billion) in interest payments, since interest rates for the relevant period declined on average. The improved external balance, however, is due primarily to the oil exporting countries, whose combined current account deficit of over US\$5 billion in 1986 will turn into a surplus in excess of US\$1 billion in 1987. Most other countries are expected to have similar or somewhat larger current account deficits in 1987 as compared with 1986.

While the first semester has witnessed a partial recovery in the prices of most export commodities —especially those of oil and metals (to the benefit of Mexico and the Andean countries)—, the prices of coffee and corn have plummeted (to the detriment of Central America, Colombia and Argentina). Thus, overall, the trade balance shows much the same evolution as the current account deficit. Export growth was strong in Mexico and Venezuela because of the recovery in oil prices and also, in the case of Mexico, because of the over 50% expansion in manufactured exports, induced by a favorable exchange rate (especially in terms of wage costs) and by sluggish domestic demand. Brazil's exports began the year at depressed levels, taking a nosedive as of the last quarter of 1986 because of the Plan Cruzado's strong impulse to demand. With the contraction of demand that ensued once the Plan was set aside in February, there followed a remarkable turnaround, exports more than doubling between their November 1986–January 1987 trough and July 1987, thus converting the fourth quarter 1986 trade deficit into a record breaking surplus of over US\$1.4 billion in July 1987.

But even where exports fell, as in Argentina (due to price declines and shortfalls in the production of agricultural exportables) or in Colombia (due to the cyclical decline in coffee prices), imports generally rose. In part

this reflected the depreciation of the US dollar and the resulting higher unit value of imports in dollar terms; in part, however, it also reflects the reluctance of countries to cut import volumes below levels required for minimum growth.

The ability to avoid further import compression in the absence of significantly increased exports, or indeed in the face of their decline is, of course, a function of available reserves or capital inflows. The fact that by and large reserves have not fallen throughout the region --indeed seem to have risen-- suggests that capital inflows have increased in 1987 to fill the gap. This certainly was the case with Argentina, which negotiated with the commercial banks both the restructuring of US\$29.5 billion of its medium and long term debt and the US\$2 billion in new money considered necessary to meet its 1987 growth target. Mexico, too, began to receive the US\$6 billion in new money it negotiated with the banks at the end of 1986. Most spectacular from this angle, however, was the effect of the moratorium imposed by Brazil, which in February suspended service on its US\$70 billion of long and medium term debt with the banks. From a balance of payments standpoint, this is equivalent to a net capital inflow --involuntary to be sure-- of over US\$400 million per month to "cover" suspended interest payments for every month that the moratorium lasts. Ecuador, too, unilaterally suspended debt service payments early in the year, even before the March earthquake, because of the sharp decline in oil prices in 1986. Debt service to commercial banks has also long been suspended in Bolivia, while its servicing of debt with official and multilateral organizations is made possible by the new loans such agencies have made available to it. Costa Rica and Honduras have also been in partial moratorium for some time, and Peru has tightened its policy of devoting only 10% of export earnings to interest payments.

If one considers not only the implicit capital inflows needed to make up for such moratoria, but also the largely involuntary capital inflows negotiated to avoid the possibility of debt service suspension in Mexico, Argentina and Chile; the multilateral lending also committed in such negotiations; the significant return of capital that had flown abroad (at least in Mexico and Bolivia); bilateral lending (especially strong in Central America); and finally voluntary bank lending (only in Colombia), net capital inflows in 1987 can be expected to total some US\$15-20 billion. This compares with US\$29 billion in net interest payments (owed or effected) and profit remittances. Thus, supposing the few remaining flows cancel each other out, the net transfer of resources out of the region should be of the order of US\$12 billion in 1987, down from 1986's US\$22 billion and well below the US\$30 billion it averaged in 1983-85. While the net transfer of resources continues to be negative for the region, nevertheless it will have descended to some 2% of GNP as against the over 4% it averaged between 1983-86. Though this may be but a one time outcome, the result of unplanned moratoria and of negotiations under duress and certainly not of concerted negotiations meant to settle the debt issue, it may also be signalling a turning point in the debt crisis: namely, one in which a change in the region's bargaining power vis a vis the banks appears to be taking place, as the costs of moratoria or partial debt service to maintain minimum growth are perceived to be significantly lower than those incurred by meeting debt service commitments first, and striving to grow with whatever foreign exchange is left over. This, of course, has as its corollary the banks' increasing use of realistic, rather than "creative", accounting and their decision to build up reserves in recognition of their weak LDC portfolio and of the increased discount which that debt sells at in the open market.

Inflation

The sharp reduction in inflation during 1986 was reversed during the first half of 1987, so that the average rise in prices for the region as a whole is likely to surpass 100% by the end of the year. Though this average is largely determined by the triple-digit inflations of Argentina, Brazil, Mexico and Nicaragua, in fact accelerations took place in the majority of the countries of the region for which there are data, including its eight largest economies, whereas decelerations were limited exclusively to small economies. Broadly speaking, the acceleration was the result of overly expansive demand policies (especially in Brazil and Peru) or strong devaluations taken in late 1986 or early 1987 to adjust to deteriorating external accounts (especially in the case of oil exporters).

The fiercest resurgence took place in Brazil. Overheated demand had completely eaten up its heretofore US\$1 billion monthly trade surplus by the end of 1986 (bringing on the moratorium in February 1987) and pushed up inflation from the repressed monthly rates of under 2% through October 1986 to runaway proportions (nearly 20% per month) during the first half of 1987. This surge in inflation began to abate again only after the implementation of the new stabilization programme in June (figure 1). Furthermore, in the last twelve months annual inflation has doubled to almost 130% in Argentina, as the government has been unable to keep prices from rebounding once price freezes are lifted. Thus, the decelerations achieved by temporary freezes in late 1986 and again in early 1987 were followed by hefty price increases in the succeeding months. Strong demand has also been pressuring up prices slowly but steadily in Peru throughout the last year, so that inflation reached an annual rate of nearly 90% in August, up from less than 60% twelve months earlier.

Inflation has also accelerated sharply in Mexico (from 85% to almost 135% per year), Venezuela (from 13% to 33%), and, to a lesser extent in Ecuador (from 27% to 32%), largely as a result of the significant devaluations made by these countries in 1986 in order to adjust to the sharp fall in oil prices that year (figure 2).

Nevertheless, several countries have succeeded in keeping inflation under tight rein (Panama and Honduras), relatively stable (Chile and Colombia) or even sharply lowering it (Guatemala). Yet the most remarkable achievement has been that of Bolivia, where prices have risen but 11% in the last twelve months, down from 66% in December 1986 and over 23 000% in September 1985. While this reduction required draconian fiscal measures which had significant costs in terms of income distribution if not also in output, the gains in combatting inflation have been lasting. By contrast, although the stabilization programmes of Argentina, Brazil and Peru avoided recession, they were unable to turn the initial sharp deceleration in inflation into a lasting result. Hence, a comparison of stabilization programmes in the region suggests that a combination of both demand management policies and price and wage controls would seem to be called for if both recession is to be avoided and inflation brought definitely under rein.

Table 1

LATIN AMERICA: GROSS DOMESTIC PRODUCT

	Annual growth rates			Cumulative variation 1981-1986
	1985	1986	1987 a	
Latin America	2.6	3.8	2.7	9.0
Oil-exporting countries b	1.8	-1.4	1.5	4.4
Non-oil-exporting countries c	3.0	6.7	3.4	11.6
Brazil	8.3	8.2	4.0	22.4
Other non-oil-exporting countries	-1.8	5.2	2.8	0.4

Source: ECLAC, on the basis of official data.

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

Table 2

LATIN AMERICA: BALANCE OF PAYMENTS
(Billions of dollars)

	Latin America			Oil-exporting countries			Non-oil exporting countries		
	1985	1986	1987a	1985	1986	1987a	1985	1986	1987a
Balance on current account b	-4.3	-15.9	-10.7	2.8	-5.4	1.4	-7.1	-10.5	-12.1
Trade balance (goods)	33.3	18.0	21.5	17.6	6.1	12.2	15.7	11.9	9.3
Exports	91.9	77.8	87.7	42.5	30.0	36.9	49.4	47.8	50.8
Imports	58.6	59.8	66.2	24.9	23.9	24.7	33.7	35.9	41.5
Net payments									
Services	2.8	3.3	2.8	1.4	0.5	0.7	1.4	2.8	2.1
Profits and interest	34.8	30.6	29.4	13.4	11.0	10.1	21.4	19.6	19.3
Balance on capital account	2.4	8.6	...	-4.9	2.9	...	7.3	5.7	...
Global balance	-1.9	-7.3	...	-2.1	-2.5	...	0.2	-4.8	...

Source: ECLAC, on the basis of official data.

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

Table 3

LATIN AMERICA: PRICES OF MAIN EXPORT PRODUCTS
(Dollars)

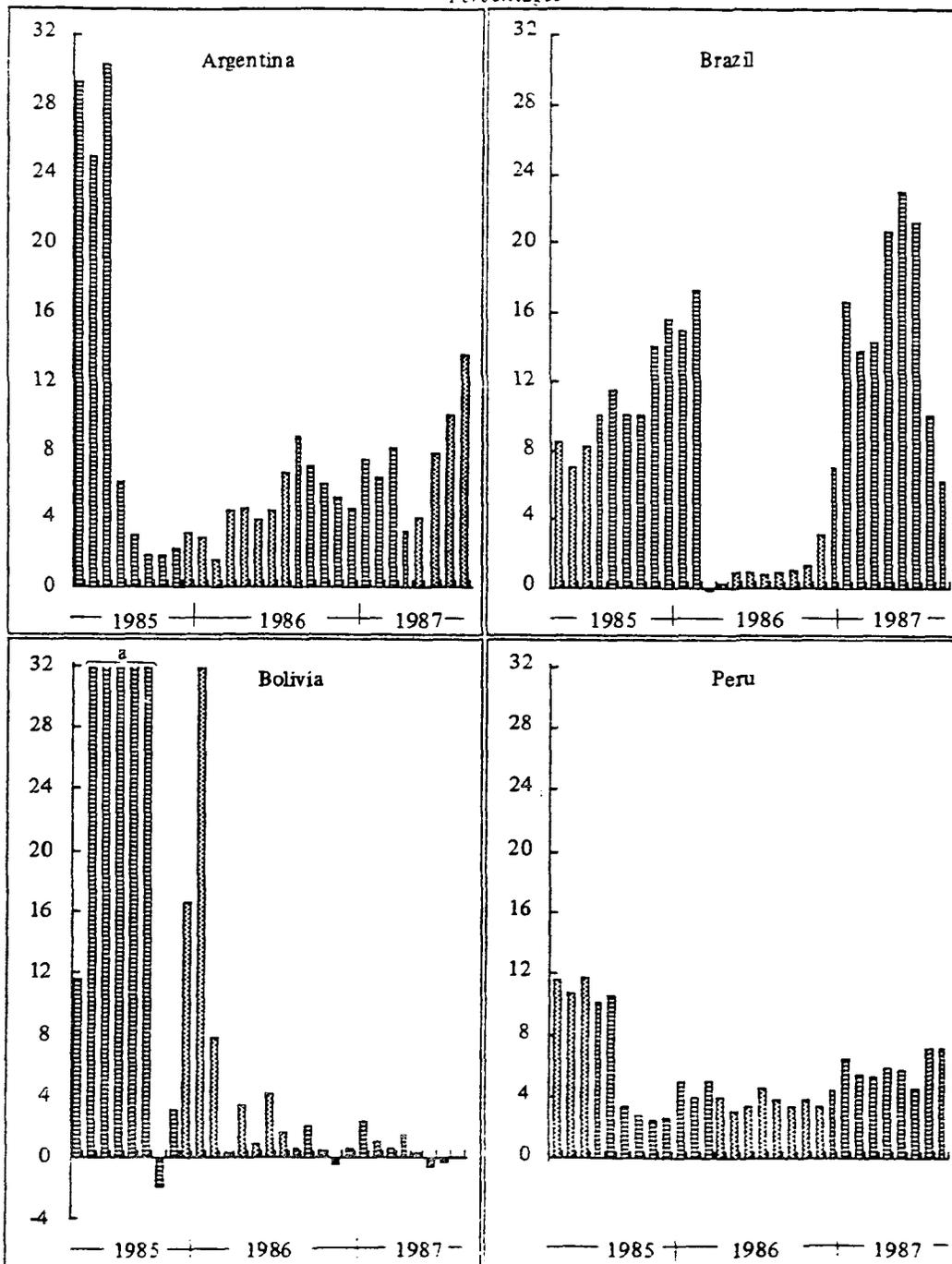
	Annual averages				Growth rates			
	1970-1980	1985	1986	1987a	1984	1985	1986	1987a
Raw sugar b	12.8	4.1	6.1	6.9	-38.8	-21.1	48.8	13.1
Coffee (mild) b	121.8	155.9	220.1	129.2	4.0	5.8	41.2	-41.3
Cocoa b	86.3	102.3	93.8	91.4	13.1	-5.9	-8.3	-2.6
Bananas b	11.8	18.4	22.1	27.6	-6.9	-3.2	20.1	24.9
Wheat c	125.1	138.0	115.0	114.0	-3.2	-9.8	-16.7	-0.9
Maize c	127.5	135.3	112.9	95.7	3.1	-19.1	-16.6	-15.2
Beef b	82.2	97.7	95.0	105.1	-7.3	-4.8	-2.8	10.6
Fish meal c	354.7	280.0	321.0	343.0	-17.7	-24.9	14.6	6.9
Soya c	232.4	225.0	208.0	209.0	—	-20.2	-7.6	0.5
Cotton b	61.2	61.7	52.9	70.8	-5.3	-23.2	-14.3	33.8
Wool b	131.5	140.7	147.7	171.4	-1.7	-0.6	5.0	16.0
Copper b	69.6	64.3	62.3	66.3	-13.4	2.9	-3.1	6.4
Tin d	3.9	5.4	2.6	3.1	-5.1	-3.6	-51.9	19.2
Iron ore c	17.6	22.0	21.6	21.8	-5.5	-1.8	-1.8	0.9
Lead b	25.3	17.7	18.4	24.9	4.1	-11.9	4.0	35.3
Zinc b	29.7	34.3	32.3	35.6	17.0	-15.5	-5.8	10.2
Bauxite c	103.5	164.3	165.2	164.8e	-8.1	-0.4	0.5	-0.2
Crude petroleum f								
Saudi Arabia	10.0	28.0	13.7	16.9	-2.7	-1.8	-51.0	23.4
Venezuela	10.1	25.9	13.2	16.2	-3.9	-3.0	-49.0	22.7

Source: UNCTAD, Monthly Commodity Price Bulletin, Supplements 1960-1980 and July 1987; International Monetary Fund, International Financial Statistics, Yearbooks 1981 and August 1987; Petroleum Intelligence Weekly, 1986, 1987; ECIAC, on the basis of official data.

a: Average January-June. b: US cents per pound. c: Dollars per metric ton.
d: Dollars per pound. e: Average January-May. f: Dollars per barrel.

Figure 1
 MONTHLY VARIATIONS IN THE CONSUMER PRICE INDEX IN
 ARGENTINA, BRAZIL, BOLIVIA AND PERU

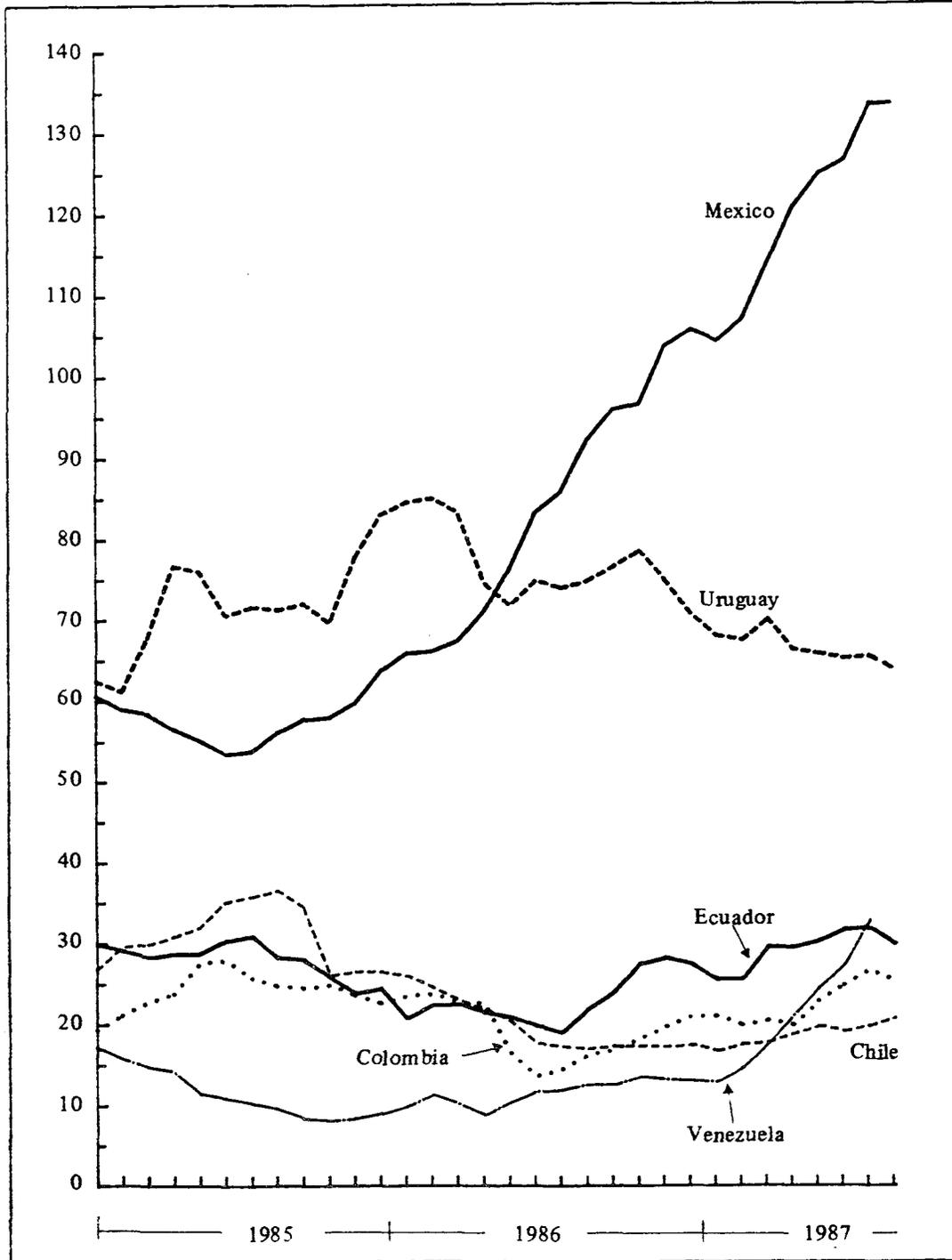
Percentages



Source: ECLAC, on the basis of official data.

^aThe monthly variations in 1985 were 35.7 per cent for May, 78.5 per cent for June, 66.3 per cent for July, 66.5 per cent for August and 56.5 per cent for September.

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



Source: ECLAC, on the basis of official data.

ARGENTINA

The acceleration of the inflationary process --after its sharp drop up to mid-1986 as a result of the Plan Austral-- was the central feature in the evolution of the Argentine economy during the first eight months of 1987. The recovery of both economic activity and investment, which had started the previous year, continued during this period. However, this improvement was accompanied by a decline in real wages and a sizeable reduction of the trade surplus.

The resurgence of inflation began to be keenly felt during the third quarter of 1986, when consumer prices rose at a monthly rate of over 7%. In order to cope with this, the authorities reinforced the incomes policy and tightened monetary policy. These measures helped to reduce the monthly variations in inflation at the end of the year but led to a sharp increase in real interest rates and a decline in the growth rate of output.

Inflation accelerated once again during the first quarter of 1987, whereupon the authorities reinstated a price freeze. This had only a partial effect, however: price increases slackened in April and May, but not inflationary expectations. Indeed, consumer prices already rose by 8% in June, and in the next two months the variations were even greater: 10% and almost 14%, respectively (table 7). Contributory factors in this were the sharp rise in the price of beef cattle (especially in July), the faster pace of readjustment of the exchange rate and public service charges, and higher inflationary expectations.

The acceleration in the rate of consumer price increases brought about a decline in real wages. In manufacturing, the purchasing power of wages was almost 7% lower in the first five months of the year than during the same period in 1986 (table 8) and the decline was apparently greater in the case of central government employees.

During the first half of the year, real public sector revenue also fell, thus maintaining the trend towards a growing fiscal deficit which had begun to be observed from the end of 1986 (table 9). Among the factors responsible for the lower revenue were the decline in foreign trade taxes due to the reduction in export duties decided upon in order to alleviate the impact of the decline in the international prices of agricultural products; the lag in the adjustment of the prices of public sector goods and services; and the delay in instituting the tax regularization scheme.

Monetary policy sought to restrict the growth of liquidity. Because of this and of the need to narrow the gap between the official exchange rate and the value of the dollar on the parallel market, nominal interest rates were kept at the high levels observed at the end of the previous year. Due to the acceleration of the inflationary process, however, the regulated rates paid on deposits were negative in real terms, while the unregulated rate paid on deposits, though positive, was very unstable. The average real cost of credit granted at unregulated rates was very high, although it was lower than the exceedingly high rates observed during the last quarter of 1986 (table 10).

Notwithstanding this and the uncertainty caused by the speeding up of the inflation process, economic activity and investment continued to increase. The gross domestic product, whose growth rate had slackened towards the end of the previous year, was 2.7% higher in the first quarter of 1987 than during the same period in 1986 and seems to have grown faster during the second

quarter. In fact, according to provisional data, during those three months industrial sector product increased by almost 5% compared with the second quarter of the previous year, so that during the first half of 1987 it is estimated to have been 3.5% greater than during the corresponding period in 1986 (tables 1 and 3). Growth was concentrated in the metalworking industries and the construction-related sectors and was encouraged by the forceful recovery of fixed investment. This investment—which between 1980 and 1985 had plummeted by more than 50% but which in 1986 had increased by 10%—rose by 17% during the first half of 1987. All the components of fixed capital formation rose at a considerable rate, but the increase was especially marked (27%) in the case of machinery and equipment (table 4).

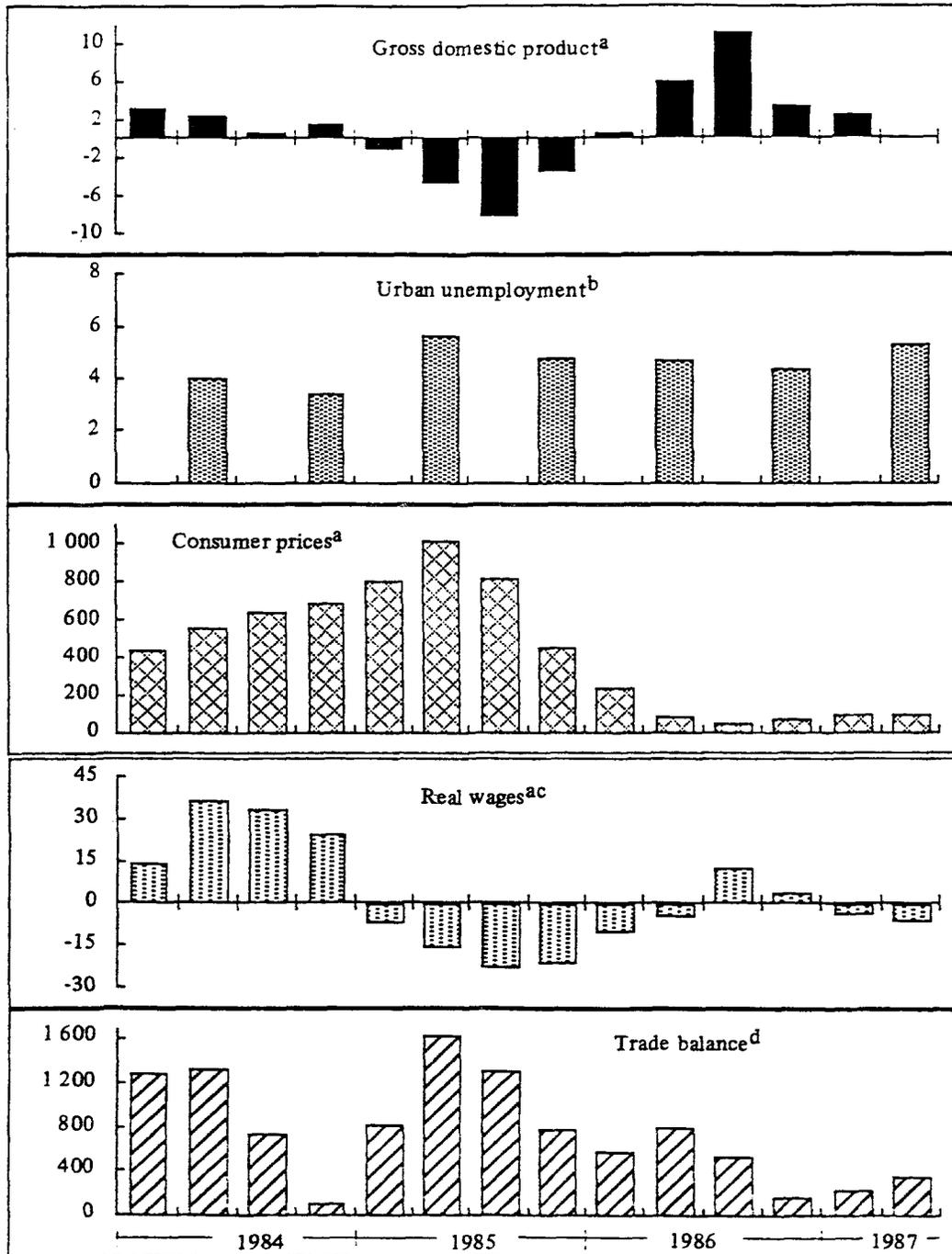
As in 1986, the recovery of economic activity went hand in hand with a much more rapid increase in imports, which continued to grow at the rate of 24% recorded the previous year. In contrast, over the same period the value of exports—which had already dropped by more than 18% in 1986—fell by 9% (table 6). This further decline was considerably influenced both by the persistent weakness of the international prices of agricultural goods—which contributed to reduce the terms of trade in 1987 to their lowest level in the last 30 years—and by the lack of exportable surpluses of agricultural products.

Because of the increase in imports and the decline in exports, the trade balance in the first half of the year barely exceeded US\$600 million: 57% less than in the same period of the previous year and only a quarter of the amount registered in the first half of 1985.

Thus, despite the progress made in refinancing the external debt owed to the private banks (the extension of the maturities to 18 years, the reduction of the spread over LIBOR to 13/16 and the procurement of fresh loans amounting to almost US\$2 billion) and the greater amount of external financing provided by multilateral agencies, external constraints continued to limit the growth prospects of the economy and the leeway for price and income policies.

The fact that these problems, though caused partly by circumstantial factors, also derive from the unfavorable evolution of international markets and from deep-rooted imbalances in the economy led to the design of policies aimed at improving public sector administration, reducing the fiscal deficit, further opening the economy and at giving the private sector a broader area of action. To this end, in July the government announced de-regulation measures in several sectors, (especially in petroleum extraction and marketing), the termination of the pre-assigned use of public funds, the suspension of Treasury contributions to public enterprises (whose external debt was assumed by the national government) and the privatization of a number of state enterprises.

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



Source: ECLAC, on the basis of official data.

^aPercentage variation with respect to the same quarter in the previous year.

^cReal wages in manufacturing.

^bAverage rate in the Federal Capital and Greater Buenos Aires. ^dMillions of dollars.

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

	1986					1987 b
	I	II	III	IV	Year	I
Total	0.7	6.2	11.3	3.6	5.3	2.7
Agriculture, hunting, forestry and fisheries	-5.9	2.2	-0.4	-5.7	-2.8	0.3
Mining	3.7	1.9	-1.3	-6.0	-0.5	-6.6
Manufacturing	5.3	10.4	26.5	9.2	12.8	2.1
Construction	0.2	5.1	8.2	4.6	4.4	6.2
Electricity, gas and water	6.9	6.7	11.5	4.7	7.4	6.2
Trade	-3.0	7.2	19.8	11.2	8.1	7.3
Transport	0.0	5.9	6.5	3.6	3.9	2.7
Financial institutions, insurance, real estate	4.8	8.8	8.7	3.4	6.4	3.0
Community, social and personal services	1.2	1.1	0.7	0.5	0.9	0.8

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	
	1984/1985	1985/1986	1986/1987	(2/1)	(3/2)
	(1)	(2)	(3) a		
Cereals					
Maize	11 900	12 100	9 250	1.7	-23.6
Sorghum	6 200	4 000	3 227	-35.5	-19.3
Wheat	13 600	8 500	9 000	-37.5	5.9
Rice	379	378	390	-0.3	3.2
Oilseeds					
Sunflower	3 250	4 100	2 200	26.2	-46.3
Linseed	550	484	603	-12.0	24.6
Peanuts (peeled)	240	205	235	-14.6	14.6
Soya beans	6 500	7 100	7 200	9.2	1.4
Vegetables and pulses					
Potatoes	2 210	2 022	2 228	-8.5	10.2
Tomatoes	751	824	860	9.7	4.4
Pumpkins	310	330	340	6.5	3.0
Beans	210	230	198	9.5	-13.9
Industrial crops					
Cotton	536	330	273	-38.4	-17.3
Sugar cane	14 105	14 500	15 000	2.8	3.4
Tobacco	60	66	75	10.0	13.6
Tea	200	178	180	-11.0	1.1
Yerba mate	141	138	150	-2.1	8.7
Wine grapes	2 279	2 415	2 400	6.0	-0.6
Fruit					
Peaches	282	209	200	-25.9	-4.3
Lemons	461	430	457	-6.7	6.3
Apples	922	594	1 091	-35.6	83.7
Oranges	621	550	620	-11.4	12.7
Pears	193	165	197	-14.5	19.4
Grapefruit	165	150	180	-9.1	20.0

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
1985				
I	91.1	-17.4	-3.7	-3.7
II	98.8	8.5	-13.2	-8.9
III	93.0	-5.9	-19.0	-12.4
IV	105.3	13.2	-4.5	-10.4
1986				
I	96.9	-8.9	5.3	5.3
II	109.1	13.8	10.4	8.0
III	117.6	7.8	26.5	14.0
IV	115.1	-2.1	9.2	12.8
1987				
I	98.9	-14.0	2.1	2.1
II	114.3	16.8	4.8	3.5

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)

	1986				1987		Percentage variation			
	I	II	III	IV	I	II	1986			
							I	II	I+II	
Total	1 153	1 281	1 432	1 302	1 327	1 527	9.9	15.1	19.2	17.3
Construction	676	738	805	657	727	837	7.3	7.5	13.4	10.6
Public	239	308	370	215	258	342	43.5	7.9	11.0	9.7
Private	438	429	434	442	469	496	-7.8	7.1	15.6	11.3
Equipment	476	544	628	645	600	690	13.3	26.1	26.8	26.5

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

Table 5

ARGENTINA: UNEMPLOYMENT IN MAIN URBAN AREAS
(Percentages)

	1984		1985		1986 a		1987	
	April	October	April	October	April	October	April	October
Total b	4.7	4.5	6.3	5.9	4.8	5.2	6.0	...
Federal Capital and								
Greater Buenos Aires	4.1	3.5	5.7	4.9	4.8	4.4	5.4	...
Córdoba	4.4	5.1	5.3	4.7	6.4	5.1	4.9	...
Mendoza	3.3	3.7	3.6	3.7	4.9	3.4	3.6	...
Rosario	6.8	6.2	10.5	10.2	6.8	7.2	7.3	...
Tucumán c	8.5	10.6	12.1	11.4	13.6	12.5	15.1	...

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, rural areas included. The unemployed who do not search actively for employment, except in the harvest season, have been incorporated in the calculation of the unemployment rate.

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	
1986												
Jan	504	504	333	333	171	171	-19.6	-19.6	-10.9	-10.9	-32.4	
Feb	479	983	279	611	200	371	-9.8	-15.1	5.2	-4.2	-28.3	
Mar	530	1 513	309	921	221	592	-18.0	-16.1	-8.8	-5.8	-28.4	
Apr	589	2 101	395	1 316	194	786	-29.0	-20.2	15.5	-0.3	-40.2	
May	717	2 818	384	1 700	332	1 118	-11.1	-18.0	15.4	2.9	-37.5	
Jun	663	3 480	374	2 074	288	1 406	-29.0	-20.4	47.9	8.9	-43.1	
Jul	723	4 203	449	2 523	274	1 680	-19.7	-20.3	26.8	11.7	-44.3	
Aug	685	4 888	434	2 957	251	1 932	-4.2	-18.3	31.0	14.2	-43.2	
Sep	489	5 377	474	3 431	15	1 947	-29.7	-19.5	60.7	18.9	-48.8	
Oct	480	5 857	445	3 876	35	1 981	-15.1	-19.2	36.9	20.7	-50.9	
Nov	445	6 302	393	4 269	52	2 034	-22.0	-19.4	22.8	20.9	-52.6	
Dec	550	6 852	456	4 724	94	2 128	-4.9	-18.4	60.4	23.9	-53.6	
1987 b												
Jan	451	451	362	362	90	90	-10.3	-10.3	8.8	8.8	-47.5	
Feb	467	918	341	703	125	215	-2.6	-6.6	22.4	15.0	-42.1	
Mar	522	1 440	497	1 200	25	240	-1.5	-4.8	60.7	30.3	-59.5	
Apr	536	1 976	432	1 632	104	344	-8.9	-5.9	9.4	24.1	-56.2	
May	495	2 471	423	2 055	72	416	-30.9	-12.3	10.0	20.9	-62.8	
Jun	707	3 178	513	2 568	194	610	6.6	-8.7	37.2	23.8	-56.6	

Source: National Institute of Statistics and Censuses.

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

Table 7

ARGENTINA: PRICE INDEXES
(Percentage variations)

	Consumer price index						Wholesale price index					
	1986			1987			1986			1987		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	3.0	3.0	299.7	7.6	7.6	89.9	0.0	0.0	282.9	5.3	5.3	66.4
Feb	1.7	4.8	236.8	6.5	14.5	99.0	0.8	0.8	227.5	6.9	12.5	76.4
Mar	4.6	9.6	178.6	8.2	23.9	105.6	1.4	2.2	160.1	7.9	21.4	87.6
Apr	4.7	14.8	125.4	3.4	28.1	103.0	3.0	5.2	103.7	1.9	23.7	85.6
May	4.0	19.7	87.4	4.2	33.5	103.3	2.7	8.1	59.5	4.9	29.8	89.6
Jun	4.5	24.9	50.1	8.0	44.1	110.0	4.6	13.0	17.1	6.7	38.5	93.4
Jul	6.8	33.4	50.9	10.1	58.7	116.6	5.1	18.8	24.3	8.7	50.5	100.2
Aug	8.9	45.0	59.2	13.7	80.5	126.4	9.4	29.9	33.9	...	...	...
Sep	7.2	55.5	67.4				6.8	38.7	42.2			
Oct	6.1	64.9	74.1				5.3	46.0	48.7			
Nov	5.3	73.6	79.2				4.9	53.2	54.7			
Dec	4.7	81.9	81.9				3.0	57.9	57.9			

Source: National Institute of Statistics and Censuses.

Table 8

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

	Index b				Percentage variation 1987/86		
	1984	1985	1986	1987	Month	Year c	12 Ms. d
Jan	112.3	103.0	95.6	89.8	-13.2	-6.1	-6.1
Feb	95.1	87.0	80.1	74.8	-16.7	-6.4	-6.6
Mar	119.1	114.1	98.7	99.5	33.0	-3.8	0.8
Apr	131.3	114.8	113.2	103.6	4.1	-5.2	-8.5
May	136.1	120.3	117.5	102.6	-1.0	-6.8	-12.7
Jun	136.8	105.4	95.2 e				
Jul	136.7	102.0	116.7				
Aug	136.2	102.0	119.7				
Sep	127.0	104.9	112.4				
Oct	143.0	110.9	119.3				
Nov	142.5	105.7	110.6				
Dec	120.9	102.4	103.4				

Source: National Institute of Statistics and Censuses.

a: Real average monthly wage for industrial workers, excluding bonuses.
b: Index of nominal wages deflated by consumer price index. c: Percentage variation in the cumulative average index, with respect to the same period in the 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				Coefficients a			
	Current income	Expenditure		Deficit	Financing by Central Bank	Income Expend.	Interest Expend.	Deficit Expend.
Total		Interest on the external debt						
1986								
Jan	544.0	599.7	56.1	55.7	-0.2	90.7	9.4	9.3
Feb	501.9	658.4	97.5	156.5	-3.7	83.1	12.2	16.9
Mar	496.6	786.8	70.2	290.2	0.0	75.4	10.9	24.6
Apr	726.6	796.9	74.6	70.1	-4.6	79.9	10.5	20.1
May	614.3	539.2	44.7	-75.1	0.0	85.3	10.1	14.7
Jun	777.5	1 151.8	109.2	374.3	0.0	80.8	10.0	19.2
Jul	887.8	959.8	73.2	72.0	-8.3	82.8	9.6	17.2
Aug	881.6	815.2	69.7	-66.4	-0.4	86.1	9.4	13.9
Sep	783.8	1 110.0	80.6	326.2	0.0	83.8	9.1	16.2
Oct	827.6	924.3	81.5	96.7	0.0	84.4	9.1	15.6
Nov	904.1	1 296.7	122.8	392.6	0.0	82.4	9.1	17.6
Dec	729.1	1 429.7	114.6	700.6	0.0	78.4	9.0	21.6
1987								
Jan	1 069.5	1 236.4	76.6	166.9	0.0	86.5	6.2	13.5
Feb	717.7	1 083.0	120.6	365.3	-3.0	77.1	8.5	22.9
Mar	1 072.3	1 304.5	106.2	232.2	0.0	78.9	8.4	21.1
Apr b	971.4	1 494.7	190.0	523.3	0.0	74.8	9.6	25.2
May b	1 033.8	1 220.3	120.0	186.5	0.0	76.7	9.7	23.3
Jun b	1 485.2	2 171.8	160.0	686.6	0.0	74.6	9.1	25.4

Source: Tesorería General de la Nación.

a: Calculated on the basis of cumulative figures. b: Provisional figures.

Table 10

ARGENTINA: INTEREST RATES a

	Nominal			Real		
	Bank		Non-Bank d	Bank		Non-Bank d f
	Regulated b	Free c		Regu. b e	Free c e	
1986						
Jan	3.1	5.1	5.7	0.1	2.0	5.7
Feb	3.1	5.1	5.6	1.4	3.3	4.8
Mar	3.1	4.8	4.3	-1.4	0.2	2.9
Apr	3.1	4.3	4.5	-1.5	-0.4	1.5
May	3.1	4.2	4.4	-0.9	0.2	1.7
Jun	3.3	4.3	4.5	-1.1	-0.2	-0.1
Jul	3.5	4.5	5.1	-3.1	-2.2	0.0
Aug	5.1	6.2	6.6	-3.4	-2.4	-2.6
Sep	4.5	6.9	7.4	-2.5	-0.3	0.6
Oct	5.0	7.6	8.0	-1.0	1.4	2.6
Nov	5.5	7.7	8.3	0.2	2.3	3.2
Dec	5.5	8.1	9.8	0.8	3.2	6.6
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	2.2

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.
 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

	Official exchange rate (Australas per dollar)			Adjusted real exchange rate (Index 1980=100) a		
	1985	1986	1987	1985	1986	1987
Jan	0.200	0.801	1.289	202.4	212.1	199.9
Feb	0.242	0.801	1.389	207.5	207.6	202.7
Mar	0.306	0.801	1.541	205.1	201.8	208.4
Apr	0.396	0.828	1.541	202.2	201.1	206.2
May	0.525	0.849	1.589	204.8	201.4	204.1
Jun	0.749	0.874	1.704	205.0	198.1	206.1
Jul	0.801	0.903	1.892	220.9	193.9	210.8
Aug	0.801	0.965		216.3	189.1	
Sep	0.801	1.050		214.1	193.0	
Oct	0.801	1.094		214.0	191.6	
Nov	0.801	1.152		213.7	192.4	
Dec	0.801	1.217		212.0	197.0	

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

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

BRAZIL

The failure of the Plan Cruzado, the declaration of a temporary moratorium on the country's foreign debt, the announcement of a new stabilization programme in June and the strong recovery of the trade surplus were the highlights of the evolution of the Brazilian economy in the first eight months of 1987. The disappearance in the last quarter of 1986 of the hitherto customary monthly trade surplus of US\$1 billion and the resurgence of inflation to pre-Cruzado levels at the beginning of 1987 led to the jettisoning of the Plan Cruzado and the declaration of a moratorium in February. This was followed by a new stabilization and adjustment programme which, though it has succeeded in slowing down inflation and rapidly reversing external imbalances, has done so at the expense of a sharp cutback in wages and domestic demand. Hence growth, which (except for agriculture) was decelerating at the beginning of the year because of supply constraints arising out of acutely distorted relative prices, continues to be constrained, but now by demand, so that growth of output is expected to slow from over 8% in 1986 to about 4% in 1987.

The fact is that the Plan Cruzado, meant to stabilize prices without provoking recession, resulted in an overheated economy because prices were controlled, whereas demand was stimulated rather than checked. Hence inflation was simply repressed, giving rise to shortages and black markets. That the problem was one of excess aggregate demand, and not simply sector-specific bottlenecks, was clear by mid 1986: real wages and consumer demand were growing by over 20% and urban employment was rising at a rate of 6% per year. But the government failed to take serious corrective measures until late November --at the cost of generating even greater pent-up inflationary pressures. And when it did act, it attempted to constrain demand by selective --and therefore especially large-- hikes in indirect taxes and public service prices. On the one hand, such levies induced a shift of demand to untaxed products that were also scarce because of the generalized excess demand. On the other hand, the public utilities' price hikes further exacerbated pressures on producers to ignore price controls and pass on costs to users. The net effect of this package was to fuel inflationary expectations, and the upshot was that repressed inflation (1.9% in October) exploded into runaway open inflation by January 1987, when consumer prices rose nearly 17% (table 4). Such rates naturally brought on the reindexing or further readjustment of interest rates, of the exchange rate and of public sector prices, and set off the first "trigger readjustment" of wages (which, according to the Plan Cruzado, was to be granted every time accumulated inflation reached 20%).

The Plan Cruzado not only stimulated demand and prices, but it also absorbed foreign exchange. Notwithstanding a US\$2.5 billion saving in imports because of the sharp fall in petroleum prices throughout 1986, total imports grew sharply whereas exports plummeted, so that in the last quarter of 1986 the trade balance turned negative (table 5). This put especially heavy pressure on the balance of payments, for Brazil's earlier decision to negotiate and restructure its foreign debt directly with the banks and forego IMF agreements meant that, until such negotiations were completed, interest payments (of the order of US\$800 million per month) had to be met out of trade surpluses or reserves. Consequently, between September 1986 and February 1987 Brazil drew down virtually half of its international reserves (table 10). Unable to sustain such a loss much longer, in late February the government declared a temporary moratorium on the servicing of its US\$70 billion medium and long term debt with private banks.

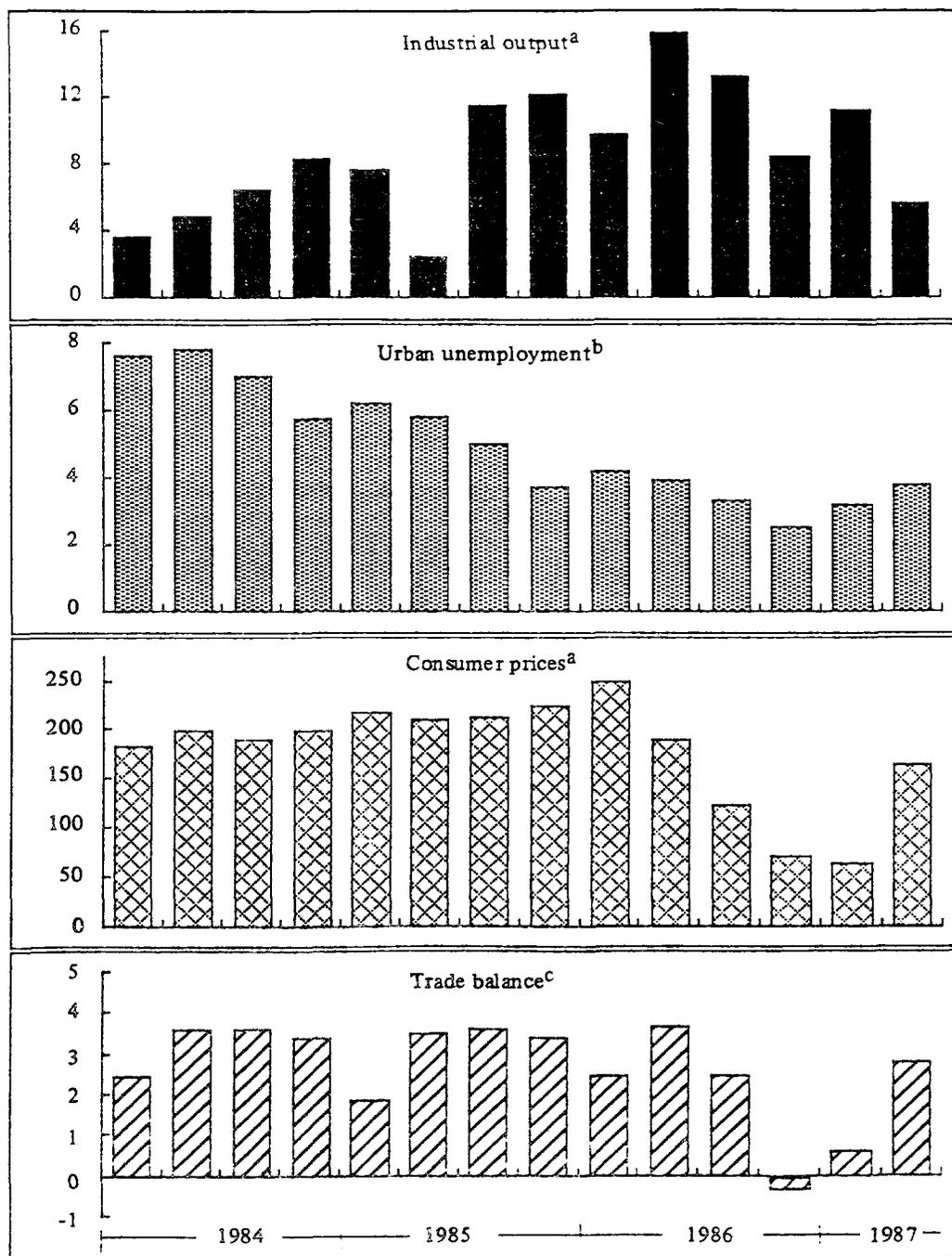
The loss of control over inflation and the external accounts led the government to opt for the abrupt freeing of most prices in February to soak up excess pent-up demand and to permit a hopefully once-and-for-all price increase to realign the by then heavily distorted system of relative prices. As a result, inflation surged. Moreover, by May, before the new stabilization programme had been enacted, unemployment was up to 4% (50% above its 4th quarter 1986 trough) and both industrial output and real wages had fallen 6% with respect to their 4th quarter peak (tables 1, 2 and 3). The increasingly open inflation, together with the multiple indexing mechanisms reintroduced, had now propelled the rate of price rises to over 20% per month, so that by the beginning of June annualized inflation for the preceding three months was nearly 1 000%, almost double the rate when the Plan Cruzado began to be implemented.

In this context, on 12 June a new shock stabilization programme was announced. It combined the heterodox price freeze of the Plan Cruzado with relative price readjustments (in the exchange rate, in public sector prices and in certain key commodities) and orthodox controls over aggregate demand. Public sector investment was postponed or reduced and important subsidies (especially on wheat) eliminated. Moreover, institutional reforms were announced to assure greater control over government expenditures and credit. Finally, whereas the Plan Cruzado directly raised real wages 8% at its onset, the new programme froze wages near their May troughs, so that real wages returned to their pre Cruzado levels.

Even though this emphasis on demand constraint runs a risk of inducing recession, it is hoped that the fall in domestic demand can be made up in large part by exports. And to date the results on this score are impressive. The trade balance closed in July with its greatest surplus in history. Equally important, this extraordinary turnaround in the trade balance, from deficits in October-December 1986 to a US\$1.4 billion surplus in June-July 1987, was due exclusively to the growth of exports, which more than doubled from US\$1.3 billion in December 1986 to US\$2.9 billion in July (table 5). This increase was made possible by the sharp contraction in domestic demand and, to a lesser extent, the rise in the exchange rate (especially in terms of wage costs). Moreover, it bears witness to the remarkable flexibility and competitiveness of the Brazilian economy, which is able to shift production rapidly from domestic markets to exports. A prime example of this is given by automobile exports, which have increased 68% in the course of the year (157 000 vehicles were sold in the first six months alone), largely offsetting the 40% fall in domestic demand and doubling the share of exports in total automobile production to 34%.

So far, the programme has also succeeded in lowering inflation, from 21% per month in June to 10% in July and 6.4% in August. Nevertheless, it remains to be seen whether these gains can be maintained and inflation held at levels of 5-6% per month as the authorities hope, once the freeze is lifted in September. For the freeze was imposed before relative prices were fully realigned, so that many prices will need readjustment once it is lifted. Moreover, in October wage readjustments are scheduled to take place by law to cover both inflation during the 90 day freeze and that part of second quarter inflation which was not fully offset by the wage readjustment of June and whose settlement was put off until October.

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



Source: ECLAC, on the basis of official data.

^aPercentage variation with respect to the same quarter of the previous year.
 Rio de Janeiro, Sao Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife.

^bAverage rate in
^cBillions of dollars.

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 Ms. b	Year c		Month a	12 Ms. b	Year c
1984								
Dec	95.3	-9.9	5.5	6.0	110.8	-4.7	12.6	7.5
1985								
Dec	108.4	-6.5	13.7	8.4	121.7	-5.4	9.8	11.3
1986								
Jan	109.0	0.6	11.9	11.9	122.2	0.4	8.2	8.2
Feb	102.6	-5.9	13.7	13.1	115.8	-5.2	6.9	7.9
Mar	104.9	2.2	4.2	9.3	121.0	4.5	1.9	5.8
Apr	109.4	4.3	21.4	11.8	129.0	6.6	20.7	8.9
May	114.3	4.5	12.2	11.9	134.7	4.4	15.7	10.3
Jun	121.2	6.0	14.9	12.3	133.6	-0.8	13.4	10.9
Jul	131.6	8.6	12.7	12.2	143.9	7.7	13.8	11.5
Aug	130.7	-0.7	9.6	11.7	144.3	0.3	12.3	11.6
Sep	137.6	5.3	17.5	12.0	146.8	1.7	14.7	11.9
Oct	143.1	4.0	11.4	11.9	151.6	3.3	12.7	12.1
Nov	126.3	-11.7	9.0	11.7	140.5	-7.3	9.2	12.1
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	13.1
Apr	119.2	-0.8	9.0	10.6	135.5	-3.4	5.0	11.1
May	120.9	1.4	5.8	9.6	135.4	-0.1	0.5	8.8
Jun	124.0	2.6	2.3	8.3	129.7	-4.2	-2.9	6.6

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

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

Table 2

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

	Index (1978=100)				Percentage variations							
	Employment		Real Wage b		Month				12 months a			
					Employment		Real Wage		Employment		Real Wage	
	1986	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986	1987
Jan	99.7	107.7	156.6	163.8	1.3	0.5	5.0	-7.0	9.1	8.0	22.8	4.6
Feb	101.0	108.7	159.5	163.5	1.3	0.9	1.9	-0.2	9.4	7.6	28.3	2.5
Mar	101.8	108.6	175.3	180.6	0.8	-0.1	9.9	10.5	9.3	6.7	46.9	3.0
Apr	102.2	108.5	175.5	182.7	0.4	-0.1	0.1	1.2	9.3	6.2	39.2	4.1
May	102.7	108.2	176.5	170.4	0.5	-0.3	0.6	-6.7	9.6	5.4	21.8	-3.5
Jun	103.8	107.0	173.2	166.3	1.1	-1.1	-1.9	-2.4	10.5	3.1	19.0	-4.0
Jul	104.9		177.5		1.1		2.5		10.9		20.9	
Aug	105.8		179.6		0.9		1.2		10.9		26.1	
Sep	106.9		181.3		1.0		0.9		10.9		32.2	
Oct	107.4		182.2		0.5		0.5		10.3		24.7	
Nov	107.7		185.9		0.3		2.0		9.9		18.6	
Dec	107.2		176.1		-0.5		-5.3		8.9		18.1	

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	Rio de Janeiro	Sao Paulo	Belo Horizonte	Porto Alegre	Salvador	Recife
1985							
Dec	3.2	3.1	2.7	3.8	3.5	4.5	4.1
1986							
Jan	4.2	3.9	4.1	4.4	3.9	5.1	5.3
Feb	4.4	3.9	4.4	5.4	4.8	4.6	4.8
Mar	4.4	4.3	4.2	4.8	5.3	4.7	4.5
Apr	4.2	3.7	4.1	4.3	5.0	5.0	5.2
May	4.1	4.2	3.7	4.4	4.4	4.8	4.6
Jun	3.8	3.7	3.4	3.9	4.2	4.7	5.2
Jul	3.6	3.6	3.1	3.8	4.0	4.9	4.9
Aug	3.5	3.5	3.2	3.5	3.5	5.1	4.3
Sep	3.2	3.3	2.9	3.0	3.6	4.3	4.0
Oct	3.0	3.0	2.9	2.4	2.8	3.9	3.5
Nov	2.6	2.6	2.4	2.5	2.5	3.8	3.3
Dec	2.2	2.3	1.8	2.2	2.3	3.7	3.0
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

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					
	1986			1987			1986			1987		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	17.8	17.8	250.4	12.0	12.0	57.0	14.4	14.4	250.2	16.8	16.8	61.1
Feb	22.4	44.2	289.3	14.1	27.8	55.8	12.7	28.9	256.1	13.9	33.1	63.2
Mar	-0.9	42.9	242.4	15.0	47.0	69.8	4.8	35.1	238.7	14.4	52.3	81.0
Apr	-0.6	42.1	217.5	20.1	76.5	105.1	0.8	36.1	215.4	21.0	84.2	117.9
May	0.3	42.6	195.6	27.6	125.3	160.8	1.4	38.0	198.4	23.2	126.9	165.7
Jun	0.5	43.2	175.5	25.9	183.6	226.7	1.3	39.8	178.5	21.4	175.5	219.4
Jul	0.6	44.2	154.6	9.3	210.0	254.7	1.2	41.4	155.5	10.1	203.3	248.7
Aug	1.3	46.1	126.3	...	...	...	1.7	43.8	131.9	6.4	222.6	266.8
Sep	1.1	47.7	109.6				1.7	46.3	112.2			
Oct	1.4	49.8	94.9				1.9	49.1	95.5			
Nov	2.5	53.4	73.7				3.3	54.0	77.1			
Dec	7.6	65.0	65.0				7.3	65.2	65.2			

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		
	1986	1987	Percentage variation a	1986	1987	Percentage variation a	1986	1987	Percentage variation a
Monthly data									
Jan	1 910	1 259	-34.1	1 209	1 131	-6.5	701	128	-81.7
Feb	1 751	1 451	-17.1	1 123	1 149	2.3	628	302	-51.9
Mar	2 157	1 427	-33.9	1 021	1 221	19.6	1 137	206	-81.9
Apr	2 172	1 668	-23.2	880	1 163	32.2	1 292	505	-60.9
May	2 291	2 170	-5.3	951	1 224	28.7	1 340	946	-29.4
Jun	2 001	2 641	32.0	929	1 254	35.0	1 072	1 387	29.4
Jul	2 209	2 892	30.9	1 199	1 457	21.5	1 010	1 435	42.1
Aug	2 099			1 149			950		
Sep	1 857			1 313			544		
Oct	1 341			1 420			-79		
Nov	1 276			1 308			-32		
Dec	1 329			1 542			-213		
Cumulative figures									
Jan	1 910	1 259	-34.1	1 209	1 131	-6.5	701	128	-81.7
Feb	3 661	2 710	-26.0	2 332	2 280	-2.2	1 329	430	-67.6
Mar	5 818	4 137	-28.9	3 353	3 501	4.4	2 466	636	-74.2
Apr	7 990	5 805	-27.3	4 233	4 664	10.2	3 758	1 141	-69.6
May	10 281	7 975	-22.4	5 184	5 888	13.6	5 098	2 087	-59.1
Jun	12 282	10 616	-13.6	6 113	7 142	16.8	6 169	3 474	-43.7
Jul	14 491	13 508	-6.8	7 312	8 599	17.6	7 179	4 909	-31.6
Aug	16 590			8 461			8 129		
Sep	18 447			9 774			8 673		
Oct	19 788			11 194			8 594		
Nov	21 064			12 502			8 562		
Dec	22 393			14 044			8 349		

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	
	January-May			1986	1987 a	1986	1987 b
	1986	1986	1987				
Total	14 044	5 184	5 888	100.0	100.0	6.8	13.6
Petroleum	2 787	1 376	1 607	19.8	27.2	-45.9	16.8
Others	11 257	3 808	4 281	80.2	72.8	40.6	12.4
Consumer goods	1 995	444	701	14.2	11.9	151.6	57.9
Intermediate goods	8 585	3 422	3 835	61.1	65.1	-13.1	12.1
Capital goods	3 464	1 318	1 352	24.7	23.0	39.7	2.6

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

a: January-May. b: January-May 1987 with respect to the same period of the preceding year.

Table 7

BRAZIL: STRUCTURE OF EXPORTS, FOB

	Millions of dollars			Percentage breakdown		Growth rates	
	January-July			1986	1987 b	1986	1987 c
	1986	1986	1987 a				
Total	23 393	14 491	13 508	100	100	-12.7	-6.8
Basic products	7 349	4 936	4 500	32.8	33.3	-13.9	-8.8
Coffee beans	2 063	1 351	1 066	9.2	7.9	-12.9	-21.1
Iron ore	1 234	1 034	847	5.5	6.3	-12.0	-18.1
Soya meal and cake	1 181	836	856	5.3	6.3	0.5	2.4
Soya beans	243	216	491	1.1	3.6	-68.2	127.3
Others	2 628	1 499	1 240	11.7	9.2	-6.6	-17.3
Industrial products	14 867	9 444	8 916	66.4	66.0	-11.6	-5.6
Semimanufactures	2 481	1 582	1 550	11.1	11.5	-10.0	-2.0
Manufactures	12 386	7 862	7 366	55.3	54.5	-11.9	-6.3
Transport equipment	1 568	870	1 444	7.0	10.7	-7.4	66.0
Mach., boilers and mech. app.	1 443	885	810	6.4	6.0	-9.2	-8.5
Mach. and electrical app.	794	...	...	3.5	...	36.7	...
Footwear	1 017	632	610	4.5	4.5	5.1	-3.5
Orange juice	636	426	389	2.8	2.9	-15.1	-8.7
Processed coffee	297	...	...	1.3	...	12.9	...
Manufactured iron and steel products	999	356	190	4.5	1.4	-17.2	-46.6
Others d	5 632	4 693	3 923	25.2	29.0	-19.7	-16.4
Other products e	177	109	107	0.8	0.8	-12.8	-1.8

Source: Banco do Brasil.

a: Preliminary figures. b: January-July. c: January-July 1987 with respect to the same period of the preceding year. d: Figures of the period January-July include machinery, electrical apparatus and processed coffee exports. e: Includes consumption of aircraft and ships and special transactions.

Table 8

BRAZIL: EXCHANGE RATE

	Official exchange rate (Cruzados per dollar)			Adjusted real exchange rate (a) (Index February 1986=100)			Effective real exchange rate. (Index February 1986=100)	
	1985	1986	1987	1985	1986	1987	1986	1987
Jan	3.59	12.16	15.67	110.7	109.3	90.5	106.4	99.0
Feb	3.95	13.84	18.16	111.3	100.0	95.6	100.0	104.0
Mar	4.45	13.84	20.93	110.3	100.1	96.7	107.2	106.1
Apr	4.98	13.84	23.74	115.2	100.7	91.4	108.4	99.5
May	5.48	13.84	30.33	119.4	101.0	89.9	108.8	...
Jun	5.98	13.84	39.45	121.5	100.5	93.0	107.8	...
Jul	6.44	13.84	44.90	121.3	99.4	96.5	107.4	...
Aug	6.97	13.84	...	114.0	98.0	...	106.2	...
Sep	7.83	13.84	...	116.9	97.3	...	105.5	...
Oct	8.56	14.09	...	117.4	98.4	...	105.0	...
Nov	9.35	14.20	...	112.0	97.2	...	103.6	...
Dec	10.49	14.90	...	112.2	94.6	...	99.4	...

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

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

Table 9

BRAZIL: BALANCE OF PAYMENTS
(Millions of dollars)

	1985	1986	1987 a
Balance on current account	302	-4 028	-3 700
Trade balance	10 867	6 216	6 600
Exports of goods and services	27 725	24 300	25 040
Goods FOB	25 639	22 393	23 100
Real services b	2 086	1 907	1 940
Imports of goods and services	16 858	18 084	18 440
Goods FOB	13 153	14 044	14 500
Real services b	3 705	4 040	3 940
Factor services	-10 715	-10 330	-10 400
Profits	-1 056	-1 237	-1 400
Net interest	-9 659	-9 093	-9 000
Unreq. private transfer payments	150	86	100
Balance on capital account	117	939	4 370 c
Long-term capital	2 522	679	5 667 c
Net short-term capital	-1 880	428	-997
Other capital	-525	-168	-300
Errors and omissions	-405	-540	...
Global balance	14	-3 629	670
Total variation in reserves (- sign indicates an increase)	84	3 515	970

Source: Central Bank.

a: June 1987 official projection. b: Real services also include other private and official transactions. c: Include US\$6 097 million of additional resources obtained from international banks.

Table 10

BRAZIL: INTERNATIONAL RESERVES ^a
(Millions of dollars)

	1984	1985	1986	1987
March	5 936	11 454	10 073	4 859
June	7 950	11 647	10 391	5 169 b
September	9 639	11 861	9 025	
December	11 995	10 482	6 760	

Source: Central Bank.

a: Balance at end of period. b: April.

Table 11

BRAZIL: MONEY SUPPLY AND MONETARY BASE
(Percentage variations)

	Money supply				Monetary base a			
	Year b		12 Ms. c		Year b		12 Ms. c	
	1986	1987	1986	1987	1986	1987	1986	1987
Jan	-8.8	-23.2	309.5	239.9	1.0	-3.6	246.3	275.4
Feb	4.1	-17.7	314.3	219.1	13.3	-8.2	242.0	218.8
Mar	87.4	-8.8	577.0	96.6	54.0	-5.4	385.4	141.6
Apr	123.8	-19.6	630.1	45.0	108.5	4.5	549.1	97.3
May	157.6	-20.0	675.4	25.5	139.8	3.2	559.5	69.3
Jun	198.6	5.3	655.3	42.4	165.1	-4.9	576.2	41.1
Jul	197.1	15.3	577.5	56.7	202.5	22.4	600.9	59.2
Aug	217.4		534.4		220.7		551.6	
Sep	232.7		473.0		229.6		481.7	
Oct	255.0		488.7		246.6		487.7	
Nov	269.3		392.8		279.3		437.2	
Dec	303.8		303.8		293.5		293.5	

Source: Central Bank.

a: Defined as the sum of the monetary liabilities of the monetary authorities: currency outside banks, deposits of commercial banks and current account deposits. The monetary authorities include not only the Central Bank but also the Banco do Brasil, which plays an important role as a development bank.

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

Table 12

BRAZIL: MONTHLY INTEREST RATES
(Percentages of average monthly rates)

	Deposits						Loans			
	Open market operations		Deposit bonds		Savings deposits		Working capital		Consumer credit	
	1986	1987	1986	1987	1986	1987	1986	1987	1986	1987
Jan	16.2	11.0	14.1	14.2	15.0	17.4	14.9	15.0	15.7	16.3
Feb	16.0	19.6	14.3	16.9	13.2	20.2	15.5	18.8	16.4	19.8
Mar	1.2	12.0	2.2	15.5	0.5	16.1	2.9	20.3	3.4	21.7
Apr	1.3	15.3	1.5	16.1	1.3	21.6	2.3	19.7	3.1	20.6
May	1.2	24.6	1.7	26.4	1.9	24.0	2.4	27.3	3.1	22.9
Jun	1.4	18.0	1.8	19.4	1.8	18.6	2.6	20.5	3.1	20.0
Jul	1.9	8.9	2.1	9.9	1.7	8.9	2.8	11.0	3.3	15.9
Aug	2.5		2.7		2.1		3.2		4.0	
Sep	2.9		3.0		2.2		4.0		5.1	
Oct	1.9		3.3		2.4		4.3		5.4	
Nov	2.4		4.4		3.8		5.4		6.4	
Dec	5.5		8.0		7.8		9.1		9.6	

Source: ECLAC, on the basis of official data.

COLOMBIA

The Colombian economy, which benefitted in 1986 from a huge and unexpected increase in the international price of coffee, had to face the consequences of an equally sharp drop in the price of its principal export product in 1987. After climbing to US\$2 per ounce during the previous year, the average price of Colombian coffee fell by almost half during the first seven months of 1987, reaching its lowest level since 1975.

Despite this tremendous drop, which will reduce the value of coffee exports by an estimated US\$1.3 billion, the performance of the economy during the first half of 1987 was relatively favorable: overall economic activity continued to expand at a rate of approximately 5%, as it had already done during the previous year; the employment situation improved; the fiscal deficit was reduced and, mainly on account of the dynamic growth in mining and industrial exports, the loss of net international reserves up to July was only US\$133 million, i.e., less than one-tenth of the US\$1.4 billion accumulated during the previous year.

Economic growth was broadly based. Following a 7% increase in 1986, industrial production went up by 5% during the period January-May 1987, while the outputs of petroleum and iron ore during the first six months surpassed by 40% and 47%, respectively, the levels achieved during the same period of 1986. At the same time, building construction increased by more than 46% in comparison with the previous year and real retail sales increased by over 7% (tables 1 and 2).

The expansion of economic activity also showed up in employment indicators. Indeed, the average open unemployment rate in the four largest cities of the country, which in June 1986 had reached a record level of 15%, subsequently declined almost uninterruptedly and stood at 12% at mid-year: the lowest level recorded since March 1983 (table 3). Not only was this drop in the unemployment rate observed in all the main urban centres, but it was also accompanied by a significant and similarly widespread increase in participation rates.

In the external sector, the sharp drop in the international price of coffee led to a 40% fall in the value of coffee exports during the first seven months of 1987 with respect to the same period of 1986. In contrast, during this same period other exports increased by more than 30%, as a result of the rapid growth of sales of manufactures and mining products (coal and nickel) and the dynamic expansion in exports of petroleum. As a result of the increase in international oil prices and, above all, the substantial rise in output, it is estimated that the value of petroleum exports will increase from its 1986 level of US\$600 million to almost US\$1.3 billion in 1987, thus approaching the value of coffee exports.

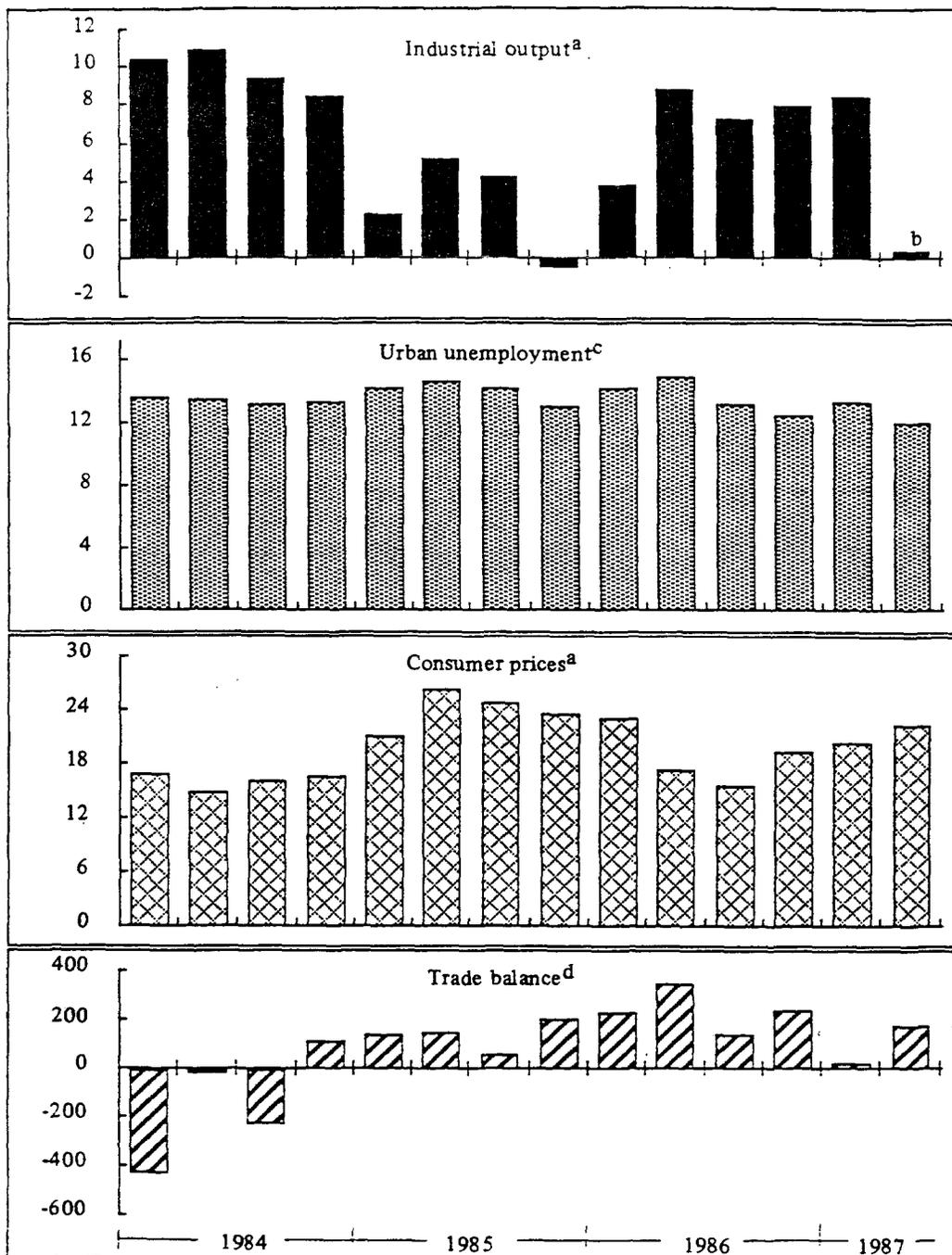
Even so, up to July total exports of goods were 15% lower than in the same period of 1986. Because of this drop and the moderate increase in imports, the current account surplus registered during this period was only half that recorded the year before. This decrease, together with an enlarged capital account deficit, contributed to a decline of somewhat more than US\$130 million in net international reserves, an amount compatible with the loss of US\$320 million envisaged for the entire year and the government's goal of maintaining reserves equivalent to four months' imports of goods and services (tables 5 and 6).

Nevertheless, in view of the current account deficits projected for the next few years and the considerable increase in the amortization payments on the external public debt to be made during the period 1987-1990 (the annual total of which will be twice the average amount recorded during the period 1984-1986), the authorities took steps to secure financing from international private banks. These efforts bore fruit in August when a loan of US\$1.06 billion was obtained. This loan —the only one that has been voluntarily and unconditionally granted by commercial banks to a Latin American country since the start of the debt crisis— will carry an interest rate 15/16 above LIBOR and is repayable over ten and a half years with a grace period of five and a half years.

In their efforts to keep the external imbalance under control, the authorities also continued to apply a policy of mini-devaluations in order to gradually raise the real exchange rate (table 7) and adopted measures to reduce the fiscal deficit. These measures, together with the expansion of economic activity, contributed to a new increase of more than 20% in real terms in the national government's current income during the first seven months of 1987. This rise, which was due mainly to the tax reform approved in December 1986 and to the increase in transfers by ECOPEPETROL to the central government, was much greater than the increase in operating expenses and at the same time enabled the government to vigorously expand its investment programme and to eliminate the fiscal deficit (table 8).

Owing to a relatively expansionary monetary policy and the reduction of under-utilized capacity in certain branches of manufacturing, the annual rate of variation in consumer prices increased from 21% in December 1986 to 27% in July (table 4). However, this acceleration of inflation, which was much less pronounced in the case of wholesale prices, also partly reflected the unusual pattern of inflation in mid-1986, when consumer prices declined in absolute terms as a result of the considerable influx of smuggled Venezuelan agricultural products. It is therefore likely that the annual rate of inflation will decline gradually during the remainder of the year, as it did in August.

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



Source: ECLAC, on the basis of official data.

^aPercentage variation with respect to the same quarter of the previous year.

^bVariation of April-May

1987 with respect to the same period of the previous year.

^cAverage rate in Bogotá, Barranquilla, Cali and Medellín.

^dMillions of dollars.

Table 1

COLOMBIA: INDUSTRIAL PRODUCTION a

	Index 1980=100			Percentage variations					
				1986			1987		
	1985	1986	1987	Month	12Ms. b	Year b	Month	12Ms. b	Year b
Jan	90.0	93.2	100.4	-7.0	3.6	3.6	-8.6	7.7	7.7
Feb	99.3	107.4	111.7	15.2	8.2	5.9	11.3	4.0	5.7
Mar	107.8	107.7	122.6	0.3	-0.1	3.8	9.8	13.8	8.6
Apr	102.7	118.8	113.9	10.3	15.7	6.8	-7.1	-4.1	5.0
May	111.3	116.9	122.9	-1.6	5.0	6.5	7.9	5.1	5.1
Jun	101.3	107.3		-8.2	5.9	6.4			
Jul	108.9	118.2		10.2	8.5	6.7			
Aug	110.6	114.2		-3.4	3.3	6.3			
Sep	110.1	121.5		6.4	10.4	7.0			
Oct	113.1	123.2		1.4	8.9	7.0			
Nov	112.7	119.3		-3.2	5.9	6.8			
Dec	100.2	109.9		-7.9	9.6	7.0			

Source: National Bureau of Statistics (DANE).

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

Table 2

COLOMBIA: INDICATORS OF ECONOMIC ACTIVITY
(January-June)

	1985	1986	1987	Growth rates	
				1986	1987
Mining					
Crude oil a	31.0	47.0	65.6	51.6	39.6
Gold b	512.4	728.0	408.1	42.1	-43.9
Silver b	76.4	96.3	78.9	26.0	-18.1
Iron ore c	204.5	197.1	290.6	-3.6	47.4
Manufacturing					
Sugar c d	377.8	276.8	336.9	-26.7	21.7
Cement c e	1 712.4	1 862.6	1 815.0	8.8	-2.6
Steel ingots c	105.7	155.6	175.0	47.2	12.5
Assembled vehicles e f	10.2	15.2	12.0	49.5	-20.7
Construction g	3 269.8	2 976.5	4 357.6	-9.0	46.4

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

	1985				1986				1987	
	March	July	Sept.	Dec.	April	June	Sep.	Dec.	March	June
Total	14.2	14.7	14.2	13.1	14.3	15.0	13.3	12.5	13.4	12.1
Bogotá	13.7	13.2	12.6	11.7	14.3	14.2	12.6	11.5	13.0	12.0
Barranquilla	14.3	17.9	17.5	13.1	16.0	18.1	15.8	15.6	16.1	11.9
Cali	13.4	15.4	15.2	13.7	12.4	13.5	12.6	12.1	13.8	12.4
Medellín	16.1	16.5	15.6	15.7	15.1	17.2	14.6	14.0	12.4	12.5

Source: National Bureau of Statistics (DANE).

Table 4

COLOMBIA: PRICE INDEX
(Percentage variations)

	Consumer price index						Wholesale price index a					
	1986			1987			1986			1987		
	Month	Year	12Ms.	Month	Year	12Ms.	Month	Year	12Ms.	Month	Year	12Ms.
Jan	3.2	3.2	23.5	3.3	3.3	21.1	3.5	3.5	24.0	4.1	4.1	25.1
Feb	3.2	6.4	23.7	2.0	5.4	19.8	2.5	6.1	23.5	2.7	7.0	25.4
Mar	2.2	8.8	22.6	2.7	8.2	20.4	2.1	8.3	23.0	1.7	8.8	24.9
Apr	2.7	11.7	22.5	2.3	10.7	19.8	2.6	11.1	23.0	2.2	11.1	24.4
May	-0.7	10.9	16.4	1.7	12.5	22.7	0.8	12.0	20.4	1.5	12.7	25.2
Jun	-0.7	10.1	13.5	1.0	13.6	24.8	0.7	12.8	18.4	1.0	13.9	25.5
Jul	0.0	10.1	14.1	1.5	15.3	26.6	1.7	14.7	19.5	1.7	15.8	25.6
Aug	1.4	11.6	16.2	0.2	15.7	25.2	1.6	16.5	20.7	...	...	...
Sep	1.4	13.2	16.8				1.6	18.4	21.6			
Oct	2.1	15.5	18.2				2.0	20.7	22.8			
Nov	2.2	18.1	19.5				1.5	22.5	23.3			
Dec	2.5	20.9	20.9				1.5	24.4	24.4			

Source: National Bureau of Statistics (DANE).

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

Table 5

COLOMBIA: EXCHANGE RATE

	Official exchange rate (Pesos per dollar)			Adjusted real exchange rate (Index 1980=100) a		
	1985	1986	1987	1985	1986	1987
Mar	123.2	179.5	229.0	113.5	130.7	134.6
Jun	140.8	192.4	241.4	120.2	133.9	138.1
Sep	155.3	203.2	245.0 b	128.1	134.1	138.0 b
Dec	169.2	216.9		137.9	136.5	

Source: ECLAC, on the basis of figures supplied by 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. b: July.

Table 6

COLOMBIA: BALANCE OF PAYMENTS
(Millions of dollars)

	January-July		Percentage variations
	1986	1987	
Balance on current account	568	270	-52.5
Trade balance (goods)	641	221	-65.5
Exports FOB	2 269	1 937	-14.6
Coffee	1 460	875	-40.1
Others	809	1 062	31.3
Imports	1 628	1 716	5.4
Purchases of gold	372	263	-29.3
Balance on services and other current transactions	-445	-214	-51.9
Net interest	-564	-517	-8.3
Others	119	303	154.6
Balance on capital account	-101	-403	...
Global balance	467	-133	...

Fuente: ECLAC, on the basis of official data.

Table 7

COLOMBIA: NET INTERNATIONAL RESERVES
(Millions of dollars)

	Amount		Variation			
			Month		Year a	
	1986	1987	1986	1987	1986	1987
Jan	2 101	3 341	34	-137	34	-137
Feb	2 140	3 374	39	33	73	-104
Mar	2 217	3 257	77	-117	150	-221
Apr	2 151	3 343	-66	86	84	-135
May	2 219	3 295	68	-48	152	-183
Jun	2 469	3 315	250	20	402	-163
Jul	2 534	3 345	65	31	467	-133
Aug	2 507		-27		440	
Sep	2 587		80		520	
Oct	2 924		337		856	
Nov	3 022		98		954	
Dec	3 478		456		1 410	

Source: Banco de la República.

a: With respect to December of the preceding year.

Table 8

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

	Billions of pesos			Percentage variation	
	1985	1986	1987	1986	1987
Current income (net)	210.2	318.1	480.4	51.4	51.0
Total payments	247.1	350.4	477.8	41.8	36.4
Operating expenditure	179.2	248.7	319.7	38.8	28.5
Interest payments on the debt	18.9	31.6	43.6	67.0	38.1
Investment	47.7	67.8	112.5	42.1	66.0
Other payments	1.3	2.3	1.9	81.3	-15.1
Deficit	36.9	32.3	-2.6	-12.5	—
Financing	36.9	32.3	-2.6	—	—
Net external credit	-12.3	-11.1	-56.3	—	—
Net domestic credit	44.4	38.6	0.5	—	—
Reduction in cash holdings	4.9	4.8	53.2	—	—

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

a: Effective transactions.

Table 9

COLOMBIA: MONETARY AGGREGATES
(Percentage variations) a

	Monetary base	Private money supply M1	Loans	M2 b	Quasimoney c
1986					
Jun	33.3	37.2	39.1	38.5	39.1
Dec	28.3	22.8	30.1	28.8	32.8
1987					
Jan	18.4	27.9	25.6	29.0	27.9
Feb	28.9	26.5	23.5	27.9	27.2
Mar	27.6	26.5	23.5	27.6	27.7
Apr	29.8	28.8	25.7	29.6	29.5
May	34.9	28.0	27.2	28.6	28.5
Jun	38.1	27.2	26.6	28.0	28.0
Jul	33.7	29.5	26.8	29.1	28.5

Source: Banco de la República.

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

Table 10

COLOMBIA: INTEREST RATES ON 90-DAY DEPOSIT CERTIFICATES

	Projected nominal rate a				Effective weighted rate b ✓			
	1984	1985	1986	1987	1984	1985	1986	1987
Mar	28.6	28.6	25.4	25.7	34.5	34.5	30.1	30.4
Jun	28.8	28.7	25.9	26.0	34.9	34.8	30.7	30.8
Sep	28.7	29.6	25.9		34.7	36.1	30.7	
Dec	28.5	29.5	26.9		34.4	35.9	32.1	

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 first half of 1987 witnessed the culmination of the recovery of the Chilean economy which had begun late in 1983, after the severe fall suffered the year before. Thus, gross domestic product grew by 6% and hence exceeded for the first time the level which it had achieved in the second quarter of 1981, before the onset of the debt crisis.

Growth was particularly vigorous in the first three months of the year, when industry, commerce and transport climbed by almost 11% and overall economic activity expanded by over 8% (table 1). The increase in domestic demand was even greater during this period, and this was reflected in the massive growth of imports, which rose 40% compared with the same period the year before (table 10).

This notable acceleration in domestic spending --brought about largely by the rapid expansion in the means of payment during the last quarter of 1986-- and the risk that such a rapid increase in imports represented for the maintenance of the control over the external imbalance laboriously won in the previous two years, led the authorities to apply a stricter monetary policy and to raise interest rates in March in order to moderate the growth of the economy and reduce the amount of imports.

Partly because of this "mini-adjustment" and also because of the declines suffered by fisheries and mining due to exogenous factors, economic growth went down to 4% in the second quarter. Nevertheless, although in this period the manufacturing product increased by only a little over 2%, in June and July industrial output and, above all, sales grew again vigorously (table 4). Furthermore, the growth rate of building construction rose from 25% in the first quarter to 60% in the second (table 5).

The evolution of imports followed a similar trend. Although they stopped increasing in the second quarter, their total amount nevertheless continued to be greater than that envisaged at the beginning of the year, and in July they underwent a further considerable rise, particularly because of the very sharp increase in purchases of capital goods. Thus, between January and July the total value of imports of goods was one third greater than in the same period in 1986 (table 10).

The negative effect which this might have had on the trade surplus was partly offset by the growth of exports, which also exceeded the levels initially foreseen. Up to June, this was due entirely to the vigorous expansion of non-copper exports, especially of industrial products. The latter, which had already increased by 22% in 1986, grew by almost 30% under the stimulus of the high real effective exchange rate and the new tax incentives granted to non-traditional exports. Thus, during the first half of the year the value of industrial exports was only 7% below that of copper sales (table 11).

Subsequently, the marked and unforeseen rise in the international price of the latter commodity became a second dynamic factor for exports. Thus, the price of copper --which averaged only 66.3 US cents per pound during the first half of the year and was thus barely higher than that registered in the first half of 1986-- rose to 76.9 US cents in July and 79.6 US cents in August. Thanks to this increase, already in July the value of copper exports was 29% higher than that obtained in the same month of the previous year, and it is likely that in the second half of the year it will be at least 20% higher than

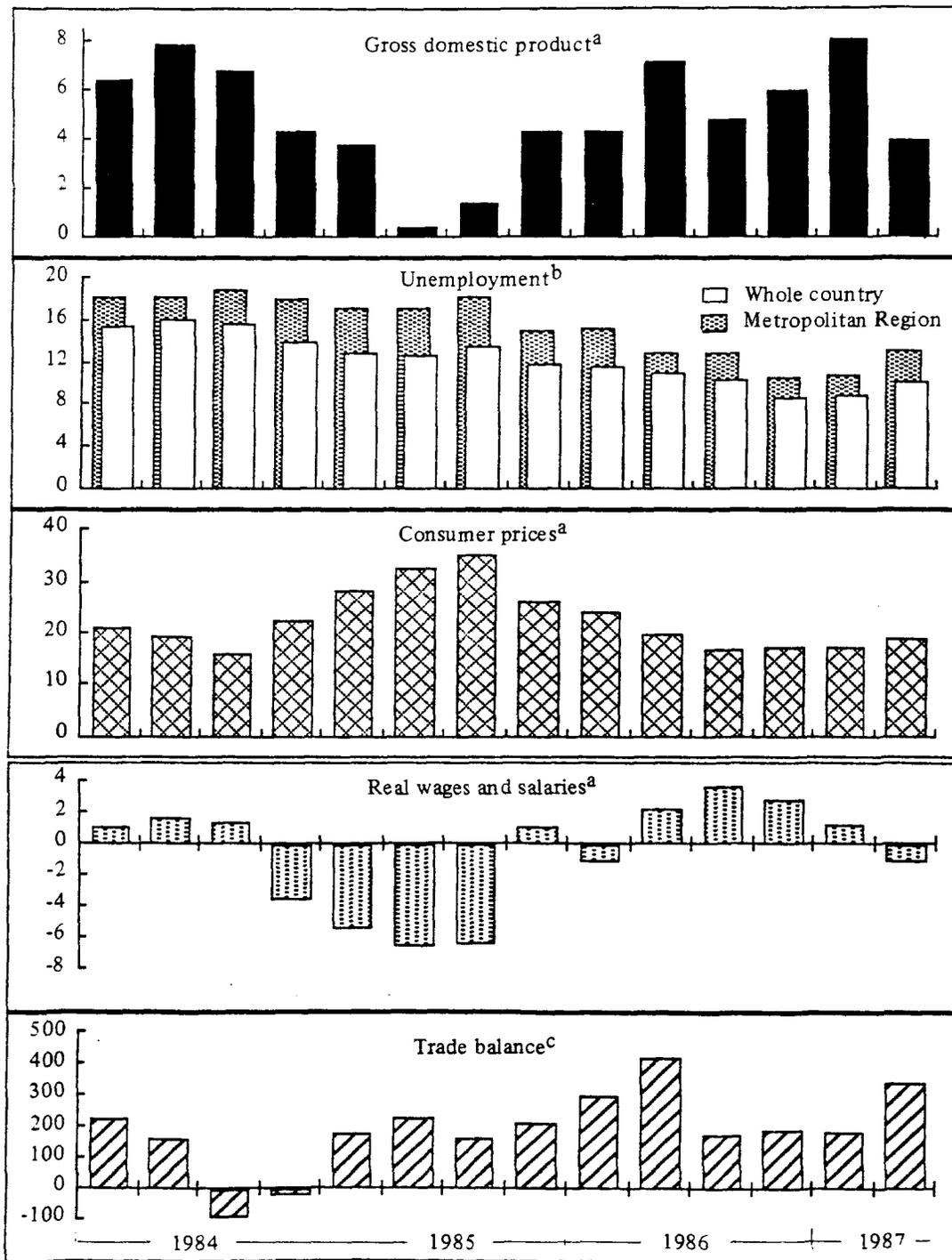
in the last six months of 1986. If so, the reduction in the trade surplus— which registered a 23% decline up to July— will be much smaller for the whole of 1987 and it is probable that the surplus will not be significantly different from that forecast at the beginning of the year, even though imports will be considerably greater than those estimated at that time. Since interest payments will also drop, partly because of the decline in the relevant international rates and partly because of the effect of the reduction in the external debt due to debt equity swaps and other conversion schemes, the current account deficit will decline for the third year running. Even so, however, in 1987 the surplus on the trade in goods and services will only finance around 35% of the net payments of interest and profits.

The favorable evolution of economic activity and of the balance of payments was accompanied, however, by an interruption of the downward trends that unemployment and inflation had been displaying, as well as by a slight decline in real wages. In spite of the rapid increase in total output, the unemployment rate (which had gone down steadily and substantially in 1986) rose persistently from February onwards both in Santiago and in the country as a whole (table 6). This increase, although connected to some extent with seasonal factors, was also due to a slight increase in the rate of participation and, above all, to the sharp drop in the number of participants in the government's emergency programmes (which was equivalent between December and July to 80% of the total increase in the number of unemployed over the same period).

During 1987 there was also an interruption in the sustained downward trend which inflation had been showing since mid-1985. Thus, after having gone down to less than 17% in January, the annual growth rate of consumer prices rose to almost 21% in August (table 7). This accentuation of the inflationary process was influenced at the beginning of the year by the excessive growth in domestic spending; subsequently, by the sharp recovery in international oil prices; and later, by the drop in the supply of agricultural products caused by the storms and flooding which affected the central regions of the country in July and again in August.

The fact that inflation was higher than expected was also the main cause of the slight drop (-0.8%) in real wages in the first seven months of the year (table 8). In order to offset this decline in the case of the poorest wage earners and government employees, the minimum wage was raised by 12% and public sector employees' wages were increased by between 12% and 16% as from 1 September.

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



Source: ECLAC, on the basis of official data.

^aPercentage variation with respect to the same quarter of the previous year.

^bAverage rate.

^cMillions of dollars.

Table 1

CHILE: GROSS DOMESTIC PRODUCT
(Percentage variations) a

	1986					1987 b		
	I	II	III	IV	Year	I	II	I+II
Total	4.5	7.3	4.8	6.0	5.7	8.1	4.0	6.0
Agriculture	13.9	6.1	6.8	6.5	8.7	6.2	3.2	4.8
Fishing	-18.7	55.9	-6.8	18.7	10.0	27.9	-23.1	-2.8
Mining	4.6	10.5	-2.4	-5.6	1.5	0.3	-4.4	-2.1
Industry	2.2	8.6	8.4	12.3	8.0	10.8	2.2	6.2
Electricity, gas and water	6.4	8.3	5.9	5.4	6.5	5.1	4.2	4.6
Construction	7.4	3.5	-5.3	-0.1	1.3	2.7	9.4	6.1
Commerce	3.5	7.3	4.3	6.7	5.5	10.8	6.7	8.6
Transport	6.3	7.7	10.0	8.2	8.1	10.5	9.5	10.0
Others	2.9	5.3	5.6	5.1	4.7	8.1	5.5	6.8

Source: Central Bank.

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

Table 2

CHILE: CROP-FARMING PRODUCTION
(Crop years)

	Thousands of metric quintals			Percentage variation		
	1985	1986	1987	1985	1986	1987
Wheat	11 647	16 258	18 741	17.8	39.6	15.3
Oats	1 704	1 244	1 275	4.5	-27.0	2.5
Barley	850	881	483	15.6	3.6	-45.2
Rye	115	86	48	161.9	-25.0	-44.2
Rice	1 566	1 267	1 470	-5.1	-19.1	16.0
Maize	7 718	7 213	6 172	7.0	-6.5	-14.4
Beans	1 007	892	812	7.0	-11.4	-9.0
Lentils	247	290	247	54.1	17.6	-14.8
Chickpeas	92	89	148	32.6	-3.3	66.3
Peas	63	48	52	—	-24.9	8.3
Potatoes	9 086	7 911	7 269	-12.3	-12.9	-8.1
Field peas	23	30	24	—	33.2	-20.0
Sunflower	325	544	396	336.4	67.3	-27.2
Rape	319	971	951	678.0	204.3	-2.1
Sugar beet	21 244	26 384	26 495	-3.3	24.2	0.4
Lupin	164	97	133	—	-41.0	37.1
Tobacco	78	79	83	27.9	1.0	5.1

Source: National Statistics Institute (INE).

Table 3

CHILE: MINING PRODUCTION
(January-May)

	Copper a	Molybdenum b	Silver b	Gold c	Iron ore a d	Iron ore a e	Coal a	Petroleum f	Natural gas g
1986	580	7 159	216	7 883	2 500	1 152	620	852	1 865
1987	563	6 787	192	6 130	2 413	1 358	531	770	1 824
	Percentage variation								
Ja-May	-2.9	-5.2	-11.1	-22.2	-3.5	17.9	-14.4	-9.6	-2.2

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	12 Months	Year	Month	12 Months	Year	Month	12 Months	Year
	b	c	d	b	c	d	b	c	d
1986									
Jan	-5.1	6.2	...	-9.1	12.4	...	-5.5	6.4	6.4
Feb	-10.2	4.5	...	-10.8	5.6	...	-12.9	-0.8	3.0
Mar	15.1	3.1	...	14.8	4.2	...	21.6	1.1	2.3
Apr	20.5	17.0	...	3.5	6.7	...	13.4	14.5	5.5
May	-4.6	5.1	...	-1.1	2.9	...	-3.4	9.1	6.3
Jun	-0.1	6.5	...	-3.4	7.8	...	-1.1	7.7	6.6
Jul	1.8	6.8	...	3.4	4.2	...	4.5	4.2	6.2
Aug	-1.4	6.7	...	0.7	8.3	...	-1.8	7.0	6.3
Sep	-5.2	14.6	...	3.2	15.8	...	-3.9	15.4	7.3
Oct	9.0	11.7	...	6.2	10.8	...	11.0	13.0	7.9
Nov	-7.6	9.5	...	-4.8	4.0	...	-8.4	11.0	8.2
Dec	-0.5	7.4	...	5.4	5.4	...	1.1	9.8	8.3
1987									
Jan	-6.7	5.5	5.5	-9.8	4.6	4.6	-8.5	6.3	6.3
Feb	-8.0	8.2	6.7	-1.6	15.4	9.7	-10.6	9.1	7.6
Mar	26.7	19.2	11.2	8.4	8.9	9.4	27.4	14.3	9.9
Apr	1.2	0.1	7.8	0.4	5.6	8.5	-0.3	0.4	7.2
May	2.8	7.9	7.8	-1.2	5.5	7.8	0.0	4.0	6.5
Jun	-1.0	5.1	7.7	3.6	13.1	8.6	0.6	5.8	6.3
Jul	0.6	5.6	7.4	1.8	11.1	9.0	...	...	...

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

a: Figures represent variations of the new indexes, 1980=100. 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	
	1986	1987	1986	1987	1986	1987	1986	1987	Number	
									Surface area	
Jan	296.9	301.6	-26.2	1.6	3 300	3 758	203.4	212.5	13.9	4.5
Feb	208.9	229.7	-13.9	5.0	2 702	3 139	153.8	173.2	14.9	8.0
Mar	241.2	406.9	-5.7	25.6	3 105	4 464	184.3	307.7	24.8	28.1
Apr	247.5	306.5	-2.3	25.2	3 024	3 631	178.0	235.9	23.6	29.2
May	153.1	369.7	-3.2	40.7	1 671	5 313	102.7	304.3	47.1	50.0
Jun	309.2	463.6	2.8	42.6	4 517	7 521	253.7	394.5	51.9	51.3
Jul	270.2		2.8		3 463		197.6			
Aug	259.9		7.1		3 312		185.1			
Sep	315.6		7.0		4 428		252.5			
Oct	261.3		2.8		3 069		187.3			
Nov	293.4		1.6		4 169		222.5			
Dec	389.6		0.2		5 572		291.7			

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:	1985		1986		1987	
	Metropolitan region	Nation- wide	Metropolitan region	Nation- wide	Metropolitan region	Nation- wide
Jan	16.9	13.0	15.2 b	12.2	10.2	8.4
Feb	16.9	12.8	15.1	12.0	10.6	8.6
Mar	17.3	13.0	15.4	11.8	10.9	8.9
Apr	17.6	13.0	14.5	11.1	11.5	9.1
May	17.0	12.8	13.8	11.0	12.1	9.7
Jun	17.2	12.9	13.0	11.0	13.3	10.3
Jul	17.1	13.1	12.4	10.8	13.8	10.5
Aug	18.1	13.4	12.7	10.6		
Sep	18.4	13.6	13.1	10.5		
Oct	17.8 a	13.6 a	12.6	10.2		
Nov	16.3	13.0	12.0	9.7		
Dec	15.1	11.9	10.7	8.8		

Source: National Statistics Institute (INE).

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

Table 7

CHILE: PRICE INDEX
(Percentage variations)

	Consumer price index						Wholesale price index					
	1986			1987			1986			1987		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	2.7	2.7	25.9	2.0	2.0	16.6	2.1	2.1	26.5	-0.8	-0.8	14.8
Feb	0.9	3.6	24.5	1.7	3.8	17.5	1.7	3.9	24.9	0.9	0.0	13.9
Mar	1.5	5.2	22.9	1.6	5.5	17.7	1.2	5.1	24.0	2.8	2.9	15.7
Apr	1.4	6.6	21.8	2.4	7.9	18.8	1.1	6.3	21.4	3.2	6.2	18.1
May	0.7	7.4	20.3	1.5	9.6	19.7	-0.8	5.5	17.3	1.8	8.1	21.2
Jun	1.3	8.8	17.6	0.7	10.3	19.0	1.9	7.5	15.1	1.4	9.6	20.6
Jul	1.0	9.9	17.2	1.7	12.2	19.8	3.5	11.2	16.4	3.5	13.5	20.6
Aug	0.6	10.6	16.9	1.4	13.8	20.8	2.9	14.5	18.9	2.7	16.5	20.3
Sep	1.5	12.3	17.3				1.2	15.8	18.2			
Oct	1.5	14.0	17.3				2.9	19.2	19.9			
Nov	1.4	15.6	17.1				-0.3	18.8	18.8			
Dec	1.5	17.4	17.4				-0.5	18.2	18.2			

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					
				1986			1987		
	1985	1986	1987	Month	Year b	12 Ms.c	Month	Year b	12 Ms.c
Jan	95.6	93.9	95.5	-0.1	-1.8	-1.8	-0.4	1.8	1.8
Feb	95.1	93.5	94.8	-0.4	-1.7	-1.7	-0.8	1.6	1.4
Mar	93.1	93.3	93.9	-0.2	-1.1	0.2	-1.0	1.3	0.7
Apr	93.5	93.9	93.2	0.6	-0.7	0.3	-0.7	0.8	-0.7
May	93.2	95.4	93.2	1.6	-0.1	2.3	-0.1	0.2	-2.3
Jun	90.4	94.6	94.4	-0.8	0.6	4.7	1.2	0.1	-0.3
Jul	91.1	95.0	94.3	0.5	1.2	4.3	-0.1	-0.8	-0.7
Aug	91.4	95.2		0.2	1.5	4.2			
Sep	92.0	94.6		-0.6	1.7	2.8			
Oct	91.8	94.2		-0.4	1.8	2.7			
Nov	91.9	95.4		1.3	1.9	3.8			
Dec	93.9	95.9		0.5	2.0	2.1			

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	1985	1986	1987
Jan	129.0	184.8	204.5	153.6	170.5	155.4
Feb	131.8	186.7	206.0	151.3	166.8	156.2
Mar	145.7	189.2	207.8	163.9	164.9	153.1
Apr	148.8	189.2	211.5	162.4	159.6	151.0
May	152.2	187.9	212.5	162.6	160.6	149.3
Jun	155.1	188.8	218.2	157.7	155.3	151.7
Jul	170.8	190.4	224.1	167.9	150.2	150.6
Aug	176.5	194.5	224.5	171.8	147.4	146.7
Sep	178.2	198.4		169.5	149.1	
Oct	179.2	199.7		169.5	146.2	
Nov	180.7	202.0		170.3	149.1	
Dec	182.5	203.7		172.2	151.2	

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

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

Table 10

CHILE: TRADE BALANCE

	Millions of dollars						Percentage variation a					
	Exports FOB		Imports FOB		Trade balance		Exports		Imports		Trade balance	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year	Year	
1985												
Dec	338	3 804	244	2 955	93	849	17.0	4.2	16.2	-12.0	189.8	
1986												
Jan	287	287	260	260	27	27	7.1	7.1	-3.7	-3.7	—	
Feb	314	601	209	469	105	132	15.4	11.3	-2.8	-3.3	140.0	
Mar	371	972	204	673	166	298	-5.4	4.2	-23.9	-10.6	67.4	
Apr	460	1 432	252	925	208	506	26.4	10.4	6.3	-6.6	64.8	
May	363	1 795	235	1 160	128	634	8.0	9.9	-8.9	-7.1	64.7	
Jun	321	2 116	233	1 393	89	723	19.8	11.4	2.2	-5.6	70.5	
Jul	373	2 489	299	1 692	73	796	19.6	12.5	31.1	-0.7	56.7	
Aug	351	2 840	278	1 970	73	869	9.7	12.2	2.2	-0.4	56.3	
Sep	320	3 160	285	2 255	35	904	17.2	12.7	27.8	2.5	49.2	
Oct	366	3 526	289	2 544	78	982	2.8	11.5	16.1	3.9	37.7	
Nov	314	3 840	291	2 835	23	1 005	3.0	10.8	11.1	4.6	32.9	
Dec	359	4 199	265	3 100	94	1 099	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	1 125	339	941	84	184	14.0	15.7	66.2	39.8	-38.3	
Apr	497	1 622	298	1 239	199	383	8.0	13.3	18.3	33.9	-24.3	
May	408	2 030	329	1 568	79	462	12.4	13.1	40.0	35.2	-27.1	
Jun	385	2 415	317	1 885	68	530	19.9	14.1	36.1	35.3	-26.7	
Jul	451	2 866	367	2 252	84	615	21.0	15.2	22.5	33.1	-22.7	

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		1986	1987	1986	1987	Min.	Agr.	Ind.
	1986	1987	1986	1987							
Jan	158	163	123	142	47	55	83	118	3.2	17.0	42.2
Feb	306	318	247	260	123	147	173	237	3.9	19.5	37.0
Mar	481	476	397	396	236	295	255	353	-1.0	25.0	38.4
Apr	677	675	562	553	353	429	402	517	-0.3	21.5	28.6
May	856	851	718	701	412	506	527	673	-0.6	22.8	27.7
Jun	1 028	1 058	867	877	456	541	632	816	2.9	18.6	28.9
Jul	1 207	1 310	1 009	1 060	525	576	757	980	8.5	9.7	29.5
Aug	1 378		1 150		571		890				
Sep	1 549		1 299		602		1 010				
Oct	1 733		1 461		626		1 158				
Nov	1 907		1 605		643		1 281				
Dec	2 096		1 757		683		1 420				

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		Percentage variation b			
Total		Foodstuffs		Total		Fuels and lubricants							
1986	1987	1986	1987	1986	1987	1986	1987	1986	1987	Con.	Int.	Cap.	
Jan	52	67	10	17	169	176	28	32	66	90	28.8	4.1	36.4
Feb	94	131	15	30	312	378	91	52	112	154	39.4	21.2	37.5
Mar	145	205	28	43	444	587	113	81	156	245	41.4	32.2	57.1
Apr	202	278	39	58	598	766	132	133	226	323	37.6	28.1	42.9
May	255	350	47	74	753	947	159	164	278	431	37.3	25.8	55.0
Jun	309	423	57	94	899	1 140	204	...	336	513	36.9	26.8	52.7
Jul	370	474	68	116	1 094	1 367	226	...	412	618	28.1	25.0	50.0
Aug	440		86		1 266		260			477			
Sep	512		102		1 455		290			534			
Oct	603		130		1 622		310			596			
Nov	685		153		1 793		343			666			
Dec	754		169		1 950		383			732			

Source: Central Bank.

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

Table 13

CHILE: BALANCE OF PAYMENTS
(Millions of dollars)

	1984	1985	1986	I Sem.1987 a
Balance on current account	-2 118	-1 342	-1 135	-523
Trade balance (goods)	-102	547	750	329
Exports of goods and services	4 493	4 468	5 030	2 893
Goods, FOB	3 650	3 804	4 199	2 407
Real services	843	664	831	486
Imports of goods and services	-4 595	-3 921	-4 280	-2 564
Goods, FOB	-3 357	-2 954	-3 099	-1 886
Real services	-1 238	-967	-1 181	-678
Factor services	-2 057	-1 936	-1 925	-883
Profits	-176	-155	-168	-106
Net interest	-1 842	-1 746	-1 719	-760
Unrequited transfer payments	41	47	40	31
Balance on capital account	2 209	1 240	883	419
Unrequited transfer payments	58	14	44	43
Long-term capital	3 553	1 014	836	407
Direct investment (net)	67	62	57	87
Portfolio investment (net)	—	50	262	637
Other long-term capital	3 486	902	517	-317
Official sector	1 504	1 210	682	275
Commercial banks	1 557	-69	-165	-343
Other sectors	425	-239	—	-249
Short-term capital (net)	-1 501	215	52	67
Errors and omissions (net)	99	-3	-49	-98
Global balance	91	-102	-252	-104
Total variation in reserves (-sign indicates an increase)	-107	190	113	48

Source: Central Bank.

a: Provisional figures.

Table 14

CHILE: MONETARY AGGREGATES

	E	D1	M1	Dg	Dp	M2	CN	CE
Percentage variations a								
1986								
Mar	31.0	22.8	20.4	28.4	35.9	32.1	27.0	-27.0
Jun	34.9	35.4	27.1	52.6	18.1	20.1	16.7	-25.7
Sep	35.0	32.4	34.5	27.8	16.6	20.4	14.0	-9.5
Dec	37.4	51.4	44.1	65.6	18.2	23.6	14.6	-4.6
1987								
Jan	33.4	56.1	45.3	79.0	17.0	23.1	15.5	-1.8
Feb	30.0	46.1	39.9	59.6	19.1	23.6	14.3	-0.7
Mar	28.6	33.9	34.1	33.4	28.9	30.1	16.8	—
Apr	30.6	37.5	32.1	50.4	33.3	33.0	20.9	0.8
May	24.0	37.3	35.5	40.0	38.4	37.8	21.0	2.5
Jun	28.0	33.1	25.8	45.6	44.4	40.1	22.9	7.0

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						
Jan	1.73	2.22	-0.94	-0.47	5.92	9.01
Feb	2.00	2.74	1.09	1.82	5.37	8.63
Mar	1.31	1.92	-0.19	0.41	5.11	8.46
Apr	1.59	2.10	0.19	0.69	4.60	8.31
May	1.49	1.99	0.78	1.28	4.44	7.94
Jun	1.04	1.57	-0.26	0.27	3.91	7.58
Jul	1.41	1.84	0.41	0.83	3.61	7.56
Aug	1.18	1.68	0.58	1.07	3.40	7.24
Sep	0.90	1.46	-0.59	-0.04	3.28	6.86
Oct	1.57	1.92	0.07	0.41	3.14	6.84
Nov	1.63	2.02	0.23	0.61	3.28	6.96
Dec	1.61	2.03	0.11	0.53	3.47	6.61
1987						
Jan	1.73	2.15	-0.26	0.15	3.57	6.88
Feb	2.10	2.54	0.39	0.83	3.51	6.87
Mar	1.87	2.36	0.27	0.75	3.76	6.77
Apr	1.82	2.32	-0.57	-0.08	3.94	6.98
May	2.22	2.77	0.71	1.25	4.04	7.13
Jun	1.72	2.26	1.01	1.55	4.37	6.96
Jul	1.11	1.68	-0.58	-0.02	4.32	6.65

Source: Central Bank.

a: Average monthly rates. b: Annual rates.

ECUADOR

Ecuador's economic evolution in the first half of 1987 was adversely affected by the earthquakes that devastated the north-eastern region of the country early in March. Until then, it had been anticipated that the domestic product would increase by around 3% and that the recovery being observed in international oil prices would help to alleviate the difficult balance-of-payments situation and strengthen public finances. These expectations were, however, drastically changed in the wake of the earthquakes and of the floods and frosts which scourged other areas of the country. The earthquakes not only destroyed dwellings, highways and other infrastructure works but also wrecked 33 kilometers of the pipeline bringing crude oil from the deposits in the eastern region of the country to the Esmeraldas refinery on the Pacific coast and put out of action an equal length of the gas pipeline running from that area to Quito. As a result, hydrocarbon production had to be suspended completely until May and a link had to be built between the Ecuadorian deposits and the trans-Andean Colombian pipeline which leads to the port of Tumaco. Thanks to this link, during the following three months between 30 000 and 50 000 barrels of oil per day could be transported across Colombian territory from the Lago Agrio area, thus partially meeting domestic demand for petroleum products. Nevertheless, it is estimated that in 1987 hydrocarbon production will fall by about 40%, which will push down the gross domestic product by about 4%.

The virtual paralyzation of petroleum activity was particularly damaging to the external sector, which had already suffered a serious set back in 1986 because of the slump in international oil prices. Indeed, oil exports --which in the previous year had generated more than two fifths of the external sales of goods-- virtually disappeared between March and June and registered an overall fall of 46% in the first half of the year. Because of this, and despite the increase in international oil prices the value of oil exports will barely exceed US\$700 million in 1987, compared with more than US\$900 million in 1986 and over US\$1.8 billion in 1985.

The increase in the exports of the other primary commodities failed to compensate for the drop in external oil sales. Although during the first six months of the year the value of non-oil commodity exports increased by 15% --thanks primarily to the extraordinary 115% expansion in sales of shrimps, of which Ecuador has become the leading world exporter-- total external sales of goods fell by 20% in the first semester. The negative impact of the contraction of exports on the trade balance was aggravated by the considerable increase in imports, prompted initially by the foreign trade liberalization measures adopted in August 1986 and subsequently by the unfavorable expectations as to the probable evolution of the balance of payments and the exchange rate. Consequently, during the first six months of 1987 the overall value of imports climbed by 18%, as a result primarily of the vigorous expansion in the purchases of consumer goods, raw materials and fuels. Because of these opposing export and import trends, the trade surplus --which in 1986 had already fallen by 55%-- completely disappeared during the first half of 1987 (tables 1, 2 and 3).

In these circumstances, in February the economic authorities suspended the servicing of the US\$5.2 billion external debt with the commercial banks. At the same time, they opened negotiations with the Paris Club for the refinancing of debts of around US\$1.4 billion with official credit agencies.

Notwithstanding the suspension of the debt service and the inflow of approximately US\$200 million in loans obtained from the Inter-American Development Bank, the World Bank and the Andean Development Corporation to repair the damage caused by the earthquake, the country continued to lose reserves. Thus, despite the revaluation of the Central Bank gold holdings from US\$250 to US\$400 per ounce, the net international reserves declined to only US\$58 million in May: not even enough to finance half a month of imports of goods (table 4).

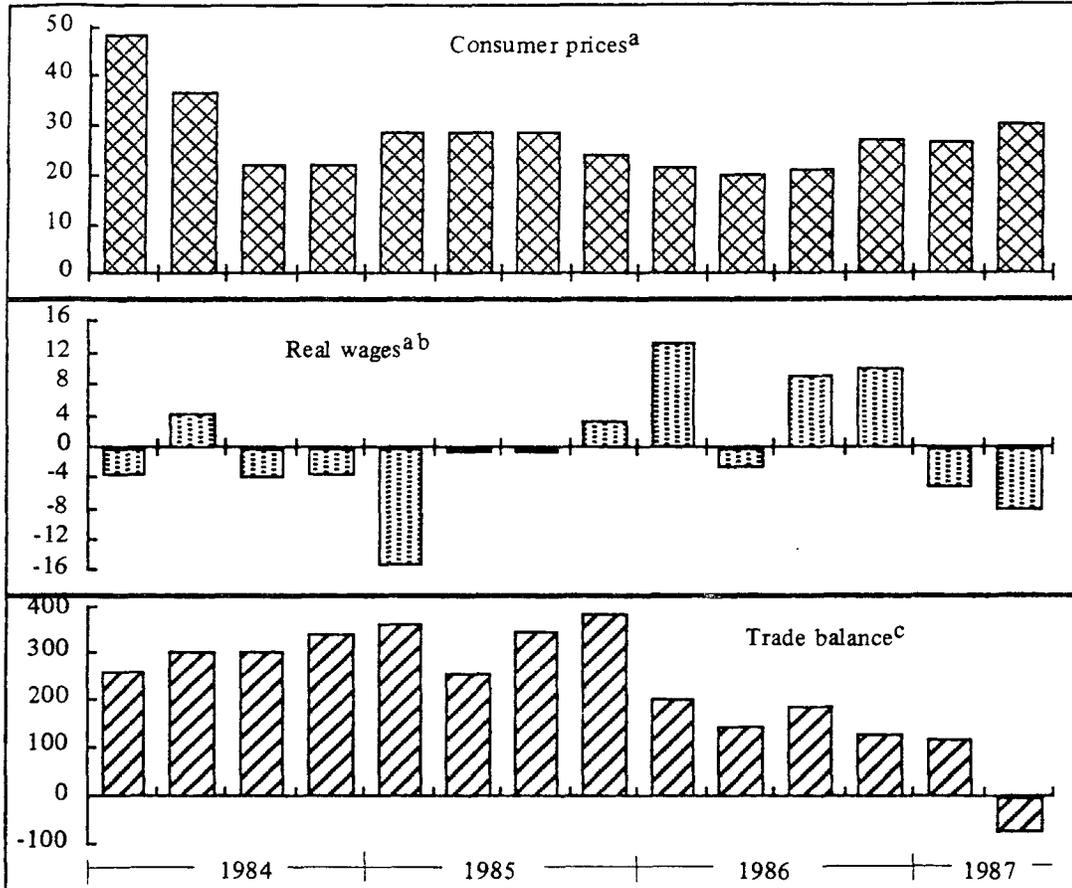
In order to halt the loss of reserves, the authorities reduced the periods for the changing of foreign currency received for exports, delayed granting import licenses, adopted a restrictive monetary policy, allowed the exchange rate on the free market (which governs all private sector operations) to rise rapidly as from March, and sharply raised the domestic prices of fuels and public transport rates.

However, these measures, plus the negative impact of the paralyzation of petroleum activity on government income and the contraction of the supply of some agricultural products caused by the earthquake and flood heightened inflationary pressure. Consequently, beginning in March, the annual growth rate of consumer prices speeded up, reaching almost 30% in August: the highest rate in the last 20 years except for those registered between the beginning of 1983 and mid-1984 (table 6).

Because of the acceleration of the inflationary process, the purchasing power of wages fell sharply. The real minimum wage --which had already dropped by 35% between 1980 and 1986-- fell by a further 6.5% during the first half of 1987 compared with the same period of the previous year. In view of this further decline, the authorities readjusted the minimum wage by almost 21% in July (table 7).

Figure 1

ECUADOR: QUARTERLY EVOLUTION OF SELECTED ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

^aPercentage variation with respect to the same quarter of the previous year.

^bBasic real minimum wages.

^cMillions of dollars.

Table 1

ECUADOR: TRADE BALANCE

	Millions of dollars						Percentage variation a					
	Exports FOB		Imports CIF		Trade balance		Exports		Imports		Trade balance	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year	Year	
1986												
Jan	249	249	147	147	101	101	15.8	15.8	14.0	14.0	17.4	
Feb	175	424	122	269	53	154	-34.7	-12.2	50.6	28.1	-43.9	
Mar	159	583	106	375	53	207	-28.1	-17.2	-17.8	10.6	-43.5	
Apr	189	772	124	499	65	272	-14.5	-16.5	1.6	8.2	-41.6	
May	200	972	144	643	56	328	-5.7	-14.5	6.7	7.9	-39.5	
Jun	148	1 120	122	765	26	354	-33.0	-17.5	-11.6	4.2	-43.4	
Jul	155	1 275	131	896	24	378	-37.5	-20.6	-5.8	2.6	-48.6	
Aug	195	1 470	104	1 000	91	469	-29.6	-21.9	-25.7	-1.3	-46.2	
Sep	199	1 669	127	1 127	72	541	-17.8	-21.5	-9.3	-2.3	-44.3	
Oct	156	1 825	187	1 314	-31	510	-42.6	-23.9	35.5	1.8	-53.9	
Nov	175	2 000	135	1 449	40	550	-40.3	-25.7	11.5	2.7	-56.9	
Dec	187	2 187	126	1 575	61	611	-13.4	-24.7	-5.3	2.0	-55.1	
1987												
Jan	215	215	153	153	62	62	-13.7	-13.7	4.1	4.1	-38.6	
Feb	191	406	158	311	33	95	9.1	-4.2	29.5	15.6	-38.3	
Mar	118	524	145	456	-27	68	-25.8	-10.1	36.8	21.6	-67.2	
Apr	116	640	172	628	-56	12	-38.6	-17.1	38.7	25.9	-95.6	
May	152	792	115	743	37	49	-24.0	-18.5	-20.1	15.5	-85.1	
Jun	100	892	157	900	-57	-8	-32.4	-20.4	28.7	17.6	—	

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						Industria- lized		Percentage variation b			
	Total		Oil		Non-oil		1986	1987	Pr	Oil	Non-oil	In
	1986	1987	1986	1987	1986	1987						
Jan	212	195	151	122	61	73	36	20	-8.0	-19.2	19.7	-44.4
Feb	360	358	236	209	124	149	64	48	-0.6	-11.4	20.2	-25.0
Mar	498	449	311	215	187	234	85	74	-9.8	-30.9	25.1	-12.9
Apr	655	546	376	229	279	317	116	93	-16.6	-39.1	13.6	-19.8
May	819	675	464	271	355	404	152	116	-17.6	-41.6	13.8	-23.7
Jun	944	762	530	286	414	476	175	129	-19.3	-46.0	15.0	-26.3
Jul	1 080		585		495		194					
Aug	1 254		653		601		215					
Sep	1 432		720		712		236					
Oct	1 567		784		783		258					
Nov	1 719		855		864		281					
Dec	1 878		912		966		308					

Source: Central Bank of Ecuador.

Note: Pr = Primary. In = Industrialized.

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

Table 3

ECUADOR: IMPORTS STRUCTURE a
(Millions of dollars) b

	Consumer goods		Fuels and lubricants		Raw materials		Capital goods		Percentage variation c			
	1986	1987	1986	1987	1986	1987	1986	1987	Cy	Fl	Rm	Cap.g
Jan	9	19	23	12	76	71	58	71	111.1	-47.8	-6.6	22.4
Feb	24	36	33	27	139	160	111	132	50.0	-18.2	15.1	18.9
Mar	34	54	42	43	191	235	160	190	58.8	2.4	23.0	18.8
Apr	45	72	51	51	265	335	211	258	60.0	—	26.4	22.3
May	62	88	59	57	350	402	267	300	41.9	-3.4	14.9	12.4
Jun	78	108	66	81	409	476	325	359	38.4	22.7	16.4	10.4
Jul	98		73		480		374					
Aug	112		82		536		415					
Sep	123		90		608		469					
Oct	144		101		720		544					
Nov	155		106		787		614					
Dec	170		113		851		672					

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

ECUADOR: NET INTERNATIONAL RESERVES

	Millions of dollars a			Percentage variations			
	1985	1986	1987	1986		1987	
				Month b	Year c	Month b	Year c
March	153	165	128	-15.8	7.8	-11.1	-22.4
June	154	145	58	-26.0	-5.8	-59.7	-59.7
September	159	147		-25.0	-7.5		
December	196	144		-26.5	-26.5		

Source: Central Bank of Ecuador.

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

Table 5

ECUADOR: EXCHANGE RATES

	Average exchange rate (Sucre per dollar) a				Adjusted real exchange rate (Index 1980=100) a			
	Free		Controlled		Free		Controlled	
	1986	1987	1986	1987	1986	1987	1986	1987
Mar	109.3	146.5	141.3	153.1	116.6	121.8	145.5	122.7
Jun	109.3	159.1	170.1	179.5 b	111.7	127.6	167.8	141.4b
Sep	150.3		145.7		144.2		134.8	
Dec	146.5		145.6		131.7		126.2	

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

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

Table 6

ECUADOR: CONSUMER PRICE INDEX
(Percentage variations)

	1986			1987		
	Month	Year	12 months	Month	Year	12 months
Jan	3.3	3.3	20.7	1.8	1.8	25.5
Feb	2.5	5.9	22.4	2.5	4.4	25.5
Mar	1.9	8.0	22.5	5.2	9.8	29.5
Apr	1.9	10.0	21.3	2.0	11.9	29.5
May	0.8	10.9	20.8	1.4	13.5	30.3
Jun	1.2	12.2	19.8	2.3	16.1	31.7
Jul	0.8	13.0	18.9	0.9	17.1	31.9
Aug	2.8	16.2	21.9	1.1	18.4	29.8
Sep	2.5	19.1	23.9			
Oct	3.5	23.2	27.5			
Nov	1.9	25.5	28.3			
Dec	1.4	27.3	27.3			

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	
	1986	1987	1986	1987	1986	1987	1986	1987
March	-2.4	-4.5	34.7	17.7	-3.2	-8.9	33.8	20.4
June	-3.2	1.5	24.5	26.0	-0.4	-2.1	26.9	25.8
September	2.2		17.9		14.6		29.2	
December	20.1		20.1		28.0		28.0	

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.

Table 8

ECUADOR: GENERAL MINIMUM MONTHLY WAGES
(Index December 1985=100)

	Nominal minimum wages				Real minimum wages			
	Sucres		Index		Index		Percentage variation	
	1986	1987	1986	1987	1986	1987	Quart. a	Year b
I	10 000	12 000	118	141	111	105	-5.3	-5.3
II	10 000	12 000	118	141	106	98	-8.0	-6.6
III	11 333	14 500 c	133	171	115	113	0.8 d	-5.5 e
IV	12 000		141		113			

Source: ECLAC, on the basis of official data.

a: With respect to the same quarter of the preceding year. b: With respect to cumulative average of the same period of the preceding year. c: Private sector workers received the new minimum salary of 14 500 Sucres beginning July, while public sector workers will receive this salary as from August. d: Variation July-August with respect to the same period of the preceding year. e: Variation January-August with respect to the same period of the preceding year.

MEXICO

The spectacular turnabout in the balance of payments position was the most salient feature of the evolution of the Mexican economy in the first half of 1987. However, the increase in the trade surplus and the strong growth of international reserves were accompanied by a persistent and marked acceleration in the inflationary process, a further drop in real wages and the stagnation or only slight recovery of the leading productive activities.

The magnitude and nature of the changes which occurred in the external sector were notable. In the first seven months, the merchandise trade surplus was over three times that recorded in the same period in 1986 and was already nearly 20% higher than the surplus registered in the entire preceding year. This rise, together with the disbursement of the loans negotiated in 1986 with international public and private banks and the return of flight capital allowed the international reserves of the Central Bank to reach a record high of US\$14.6 billion at the end of August, enough to finance imports of goods and services for nearly one year.

Although due in part to the drop in external purchases, the increase in the trade surplus was primarily the result of the expansion of exports (table 6). In the period January-July, exports rose by 39% thanks to the recovery of the international price of petroleum and, above all, to the healthy growth shown by manufactured exports which, having risen 35% in 1986, grew 57% in the first seven months of 1987. As a result, their value during this period nearly doubled that recorded only two years before and considerably outweighed the value of external sales of petroleum (table 7). The expansion of non-oil exports was stimulated by the persistent rise in the real exchange rate (which increased by around 45% between mid-1985 and the first quarter of 1986), the liberalization of foreign trade, the weakness of domestic demand, and the drop in real wages.

The comfortable external sector position meant that the authorities could initiate a policy of moderate reactivation of the economy which, it is estimated, will allow the gross domestic product to increase by nearly 2% in 1987, thus partially recovering from its drop of 3.8% the previous year. Even though the combined output of the mining, petroleum, manufacturing, construction and electricity sectors in the first half of the year was still 1.5% lower than that recorded in the same period in 1986, it was slightly higher than the figure for the second half of 1986. These variations reflected the different growth patterns followed by mining and the petroleum sector on the one hand and manufacturing and construction on the other. While the former grew by 6% and 7%, respectively, thereby reversing their downward trend in the preceding year, construction decreased by 5.5% (after having fallen by close to 13% in 1986), and manufacturing dropped by 2%. The latter, however, began to recover as of the middle of the year (tables 1 and 2).

The sluggishness of production was also reflected in employment indicators. During the first four months, employment in the industrial sector was 7% lower than in the same period of the preceding year, and up to May the rates of unemployment in the main cities of the country were somewhat higher than those recorded at the beginning of 1986 (table 3).

The most negative aspect of the evolution of the economy, however, was the acceleration of inflation. In spite of the authorities' aim to bring the growth rate of consumer prices down from the 106% recorded at the end of 1986

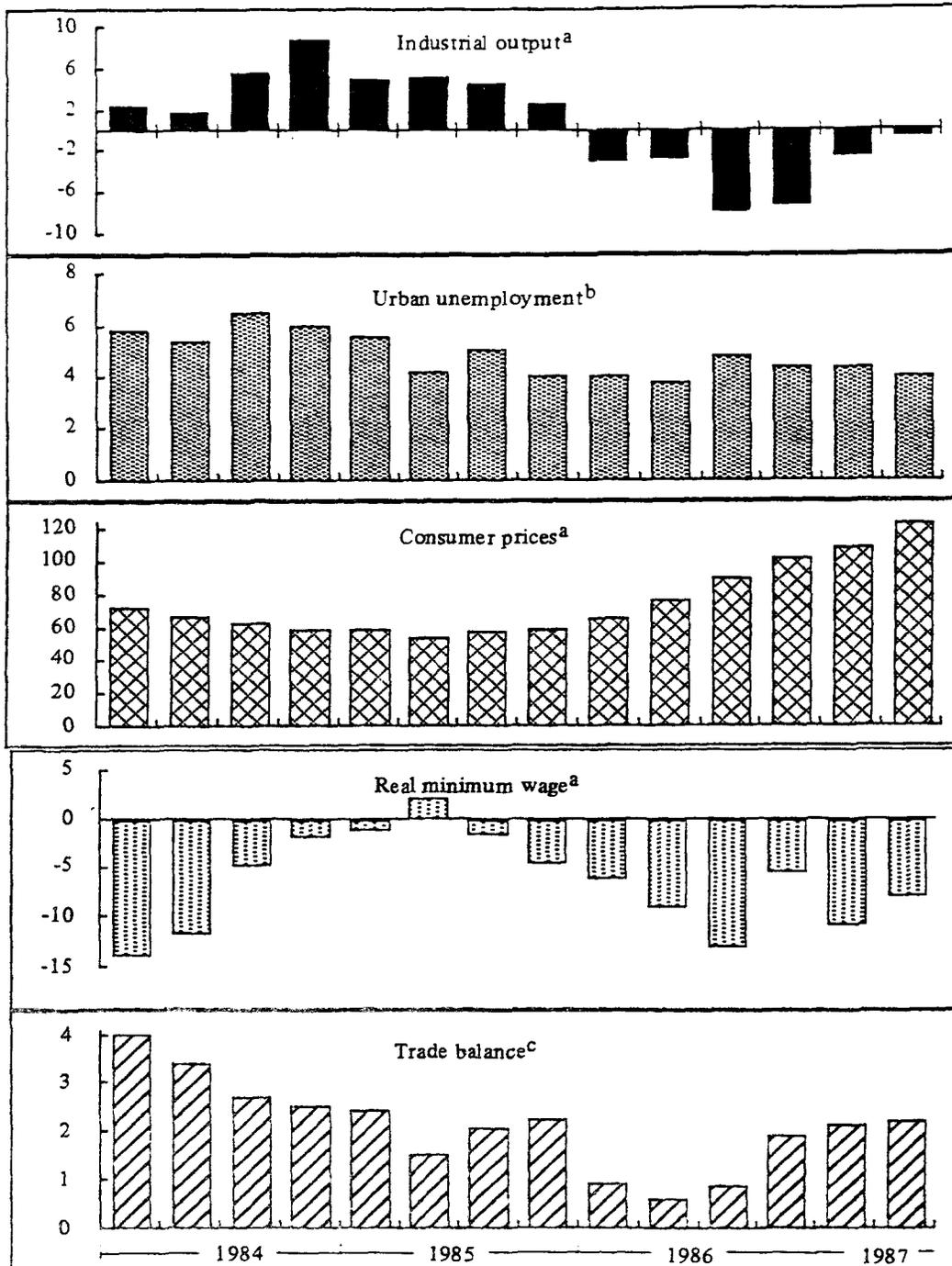
to 80% in 1987, inflation speeded up markedly so that in August it reached the unprecedented annual rate of almost 134% (table 4).

The increase in inflation was attributable in part to the hikes in the prices of public sector goods and services, especially that of gasoline. Other factors contributing to the higher inflation included the exchange policy (under which, up to March, the peso was devalued more rapidly than the rate of inflation, with its consequent effects on the domestic prices of tradeables) and the exacerbation of inflationary expectations, which brought about another rise in the velocity of circulation of money. In effect, as in the previous two years, during the first half of 1987 the money supply rose considerably less than prices. In contrast, quasi-money grew very rapidly, as did non-banking instruments such as Treasury Certificates (table 11).

The acceleration of inflation brought on another drop in real wages. In spite of the fact that since October 1986 minimum wages were readjusted on a quarterly basis instead of every four months as had previously been the case, their purchasing power during the period January-July 1987 was 9% lower than in the same period of the preceding year. This meant that the real level of the minimum wage in mid-1987 was only half that of its historic peak of 1976. In order to relieve this deterioration somewhat, in 1987 some of the subsidies which had been reduced or eliminated in previous years were increased or restored, although on a more selective basis.

Thanks to the partial recovery of the international price of petroleum, to recently enacted tax reforms, and to the real increase in the prices charged by state enterprises, public sector revenues sharply expanded, resulting in an operational surplus equivalent to approximately 4% of gross domestic product in the first half of the year. Nevertheless, because of the soaring growth in the current value of interest payments, the financial deficit recorded in that period continued to be very high.

Figure 1
 MEXICO: QUARTERLY EVOLUTION OF MAIN
 ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

^aPercentage variation with respect to the same quarter of the previous year.

^bAverage rate of 16 main cities.

^cBillions of dollars.

Table 1

MEXICO: PRODUCTION BY SECTORS
(Percentage variations) a

	Total	Mining	Petroleum	Manufactures			Con- struc- tion	Elec- trici- ty	
				Total	Consump.	Intern. Capital			
1986									
Jan	-1.2	-2.2	-6.2	-0.9	-0.7	-0.9	-1.7	-4.6	7.2
Feb	-1.6	-5.0	-7.5	-1.0	-1.1	-0.5	-3.2	-5.7	8.2
Mar	-3.1	-7.2	-5.6	-2.6	-2.5	-2.1	-6.9	-6.6	7.2
Apr	-2.0	-5.9	-3.9	-0.9	-0.7	-0.6	-4.7	-7.7	7.0
May	-2.5	-5.6	-3.6	-1.4	-0.9	-1.1	-6.1	-9.1	6.8
Jun	-3.0	-4.5	-2.0	-2.1	-1.3	-2.0	-7.8	-9.8	6.8
Jul	-3.7	-4.2	-1.1	-2.9	-1.7	-3.1	-8.8	-11.1	6.3
Aug	-4.3	-4.1	-1.1	-3.5	-2.2	-3.8	-9.4	-12.5	6.0
Sep	-4.7	-4.3	-0.9	-3.8	-2.4	-4.1	-10.6	-13.0	5.5
Oct	-8.0	-4.7	-1.5	-4.3	-2.6	-4.6	-11.8	-12.9	5.5
Nov	-5.3	-5.2	-1.9	-4.6	-2.9	-4.9	-12.5	-12.8	5.3
Dec	-5.3	-5.1	-2.0	-4.6	-3.0	-4.9	-12.8	-12.7	4.8
1987									
Jan	-4.5	6.3	6.4	-5.7	-5.3	-4.8	-17.0	-10.7	3.8
Feb	-4.5	6.6	9.4	-5.5	-5.2	-4.8	-15.7	-10.5	2.1
Mar	-2.5	6.8	8.9	-3.1	-3.0	-2.4	-10.8	-8.9	3.7
Apr	-3.3	5.9	8.0	-4.3	-4.3	-3.5	-12.6	-8.1	3.4
May	-2.6	5.9	7.7	-3.5	-3.8	-2.7	-10.9	-6.7	3.3
Jun	-1.5	...	6.8	-2.2	...	...	...	-5.6	...
Jul	...	...	...	-0.8	...	...	...	...	...

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

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

Table 2

MEXICO: INDUSTRIAL PRODUCTION a

	Index 1970=100			Percentage variations					
	1985	1986	1987	1986			1987		
				Month	12 Ms. b	Year c	Month	12 Ms. b	Year c
Jan	212.6	210.1	200.6	-1.3	-1.2	-1.2	-0.2	-4.5	-4.5
Feb	216.7	212.5	202.8	1.1	-1.9	-1.6	1.1	-4.6	-4.5
Mar	225.7	211.9	215.3	-0.3	-6.1	-3.1	6.2	1.6	-2.5
Apr	216.0	219.3	206.8	3.5	1.5	-2.0	-3.9	-5.7	-3.3
May	226.5	216.9	217.2	-1.1	-4.2	-2.4	5.0	0.1	-2.6
Jun	219.3	207.0	215.9	-4.5	-5.6	-3.0	-0.6	4.3	-1.5
Jul	227.2	209.3		1.1	-7.9	-3.7			
Aug	223.0	203.6		-2.7	-8.7	-4.3			
Sep	214.8	198.9		-2.3	-7.4	-4.7			
Oct	222.4	204.7		-2.9	-8.0	-5.0			
Nov	219.9	202.4		-1.1	-8.0	-5.3			
Dec	212.6	201.0		-0.7	-5.5	-5.2			

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

a: Includes mining, petroleum, manufacturing, construction and electricity.
b: With respect to the same month of the preceding year. c: 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	Guadala-jara	Mon-te-rrey	Thou-sands	Annual varia-tion b	Index 1970=100		Percentage variation a	
							Month	Year	Month	Year
1985	4.4	4.9	3.4	5.4	7 956	8.5	144.1	144.1	2.3	2.3
1986	4.3	5.1	5.2	5.4	7 997	0.5	138.3	138.3	-4.0	-4.0
Jan					8 086	6.4	141.9	141.9	1.2	1.2
Feb)	4.1	4.9	2.6	5.0	8 052	5.0	143.4	142.7	0.6	0.9
Mar					8 010	3.0	143.5	142.9	-0.3	0.4
Apr					8 014	1.1	143.9	143.2	-0.4	0.3
May)	3.8	4.4	2.6	4.8	8 026	1.0	143.1	143.2	-1.5	-0.1
Jun					8 046	0.7	138.4	142.4	-5.0	-0.9
Jul					7 969	-0.6	137.0	141.7	-5.8	-1.6
Aug)	4.9	5.8	4.2	6.0	7 927	-1.6	135.8	141.0	-6.5	-2.2
Sep					7 914	-2.4	134.2	140.2	-7.9	-2.8
Oct					7 944	-1.9	133.5	139.5	-7.9	-3.4
Nov)	4.4	5.1	3.4	5.6	7 985	-1.9	133.0	138.9	-7.3	-3.9
Dec					7 989	-2.0	132.1	138.3	-6.7	-4.0
1987										
Jan	4.5	5.2	3.8	5.2	7 901	-2.3	131.9	131.9	-7.0	-7.0
Feb	4.7	6.4	3.3	6.4	7 988	-0.8	132.4	132.2	-7.7	-7.4
Mar	4.0	4.5	3.5	6.4	8 095	1.1	133.0	132.4	-7.3	-7.3
Apr	4.4	5.5	2.0	5.0	8 137	1.5	133.3	132.7	-7.4	-7.3
May	3.7	4.2	3.1	5.6	8 352	3.9	...	...	...	...

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

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

Table 4
MEXICO: PRICE INDEX
(Percentage variations)

	Consumer price index						Wholesale price index					
	1986			1987			1986			1987		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
	a	b	c	a	b	c	a	b	c	a	b	c
Jan	8.8	8.8	65.9	8.1	8.1	104.3	8.7	8.7	67.2	7.5	7.5	101.6
Feb	4.4	13.6	66.4	7.2	15.9	109.7	2.6	11.6	66.5	5.9	13.8	108.1
Mar	4.6	18.9	67.6	6.6	23.6	113.7	4.7	16.9	68.1	7.3	22.2	113.2
Apr	5.2	25.2	71.1	8.7	34.4	120.9	4.9	22.6	67.4	13.3	38.4	130.2
May	5.6	32.1	76.4	7.5	44.5	125.0	6.7	30.8	74.2	6.8	47.8	130.5
Jun	6.4	40.6	83.2	7.2	54.9	126.7	5.1	37.4	78.9	6.5	57.4	133.6
Jul	5.0	47.6	85.8	8.1	67.5	133.4	6.3	46.1	84.1	...	...	...
Aug	8.0	59.4	92.2	8.2	81.2	133.9	9.3	59.7	95.8	...	...	...
Sep	6.0	68.9	96.0				7.8	72.1	107.2			
Oct	5.7	78.6	99.6				6.2	82.9	110.0			
Nov	6.8	90.6	103.7				5.7	93.2	114.0			
Dec	7.9	105.7	105.7				5.6	104.0	104.0			

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 wages			
	Pesos		Index 1978=100		Index 1978=100		Percentage variation	
	1986	1987	1986	1987	1986	1987	Mes a	Año b
Jan	1 650	3 050	1 375	2 542	66.4	60.3	-9.2	-9.3
Feb	1 650	3 050	1 375	2 542	63.4	56.5	-10.9	-10.0
Mar	1 650	3 050	1 375	2 542	60.7	53.2	-12.3	-10.7
Apr	1 650	3 660	1 375	3 050	57.9	58.8	1.6	-7.9
May	1 650	3 660	1 375	3 050	54.9	54.4	-0.9	-6.8
Jun	2 065	3 660	1 721	3 050	64.7	50.5	-21.9	-9.3
Jul	2 065	4 500	1 721	3 752	61.7	57.3	-7.1	-9.0
Aug	2 065		1 721		56.7			
Sep	2 065		1 721		53.6			
Oct	2 199		1 833		54.3			
Nov	2 480		2 067		57.3			
Dec	2 480		2 067		52.9			

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	Year	
1986												
Jan	1 521	1 521	1 052	1 052	469	469	-16.1	-16.1	-8.0	-8.0	-30.0	
Feb	1 251	2 772	1 003	2 055	248	717	-32.2	-24.2	-1.0	-4.7	-52.2	
Mar	1 167	3 939	923	2 978	244	961	-43.7	-31.3	-17.5	-9.1	-60.8	
Apr	1 246	5 185	1 087	4 065	159	1 120	-35.4	-32.3	-2.6	-7.4	-65.7	
May	1 288	6 473	1 041	5 106	247	1 367	-27.7	-31.4	-14.7	-9.0	-64.3	
Jun	1 176	7 649	958	6 064	218	1 585	-6.9	-28.5	-12.4	-9.6	-60.4	
Jul	1 123	8 772	1 050	7 114	73	1 658	-37.6	-29.9	-7.6	-9.3	-64.4	
Aug	1 216	9 988	859	7 973	357	2 015	-25.8	-30.6	-26.3	-11.5	-62.6	
Sep	1 296	11 284	821	8 794	475	2 490	-24.9	-30.0	-18.6	-12.2	-59.2	
Oct	1 390	12 674	922	9 716	468	2 958	-21.8	-29.2	-20.7	-13.1	-56.0	
Nov	1 393	14 067	815	10 531	579	3 537	-29.8	-29.3	-27.2	-14.4	-53.4	
Dec	1 964	16 031	901	11 432	1 063	4 599	-0.8	-26.7	-22.5	-15.1	-45.3	
1987												
Jan	1 645	1 645	815	815	830	830	8.2	8.2	-22.5	-22.5	77.0	
Feb	1 557	3 202	800	1 615	757	1 587	24.5	15.5	-20.2	-21.4	121.3	
Mar	1 771	4 973	999	2 614	772	2 359	51.8	26.3	8.2	-12.3	145.4	
Apr	1 695	6 668	1 012	3 626	682	3 041	36.0	28.6	-6.9	-10.8	171.5	
May	1 839	8 507	951	4 577	888	3 929	42.8	31.4	-8.6	-10.4	187.4	
Jun	1 861	10 368	995	5 572	865	4 794	58.2	35.5	3.9	-8.1	202.5	
Jul	1 811	12 179	1 136	6 708	675	5 469	61.3	38.8	8.2	-5.7	229.9	

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

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

Table 7

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

	Petroleum		Non-petroleum						Percentage variation a			
			Total		Agricul- tural		Extract. industries		Manufactures			
	1986	1987	1986	1987	1986	1987	1986	1987	1986	1987	Petro- leum	Non- petr.
Jan	735	701	786	944	272	162	29	51	486	732	-4.6	20.1
Feb	1 273	1 349	1 499	1 853	487	349	64	86	948	1 418	6.0	23.6
Mar	1 677	2 030	2 262	2 942	756	574	102	122	1 404	2 246	21.0	30.1
Apr	2 099	2 740	3 087	3 928	978	733	154	161	1 955	3 035	30.5	27.2
May	2 603	3 496	3 870	5 011	1 166	874	196	232	2 508	3 905	34.3	29.5
Jun	3 084	4 258	4 565	6 060	1 271	1 011	232	285	3 061	4 814	38.1	32.7
Jul	3 492	5 088	5 281	7 041	1 393	1 090	284	327	3 603	5 673	45.7	33.3
Aug	4 022		5 967		1 517		322		4 128			
Sep	4 530		6 754		1 644		366		4 744			
Oct	5 077		7 597		1 740		424		5 433			
Nov	5 604		8 463		1 882		462		6 119			
Dec	6 307		9 723		2 098		510		7 116			

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

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

Table 8

MEXICO: STRUCTURE OF IMPORTS
(Cumulative values)

	Millions of dollars						Percentage variation a		
	Consumer goods		Intermediate goods		Capital goods		Con- sum- er goods	Inter- mediate goods	Cap- ital goods
	1986	1987	1986	1987	1986	1987			
Jan	85	52	700	572	268	191	-38.8	-18.3	-28.7
Feb	166	101	1 368	1 160	520	354	-39.2	-15.2	-31.9
Mar	226	160	1 970	1 902	782	553	-29.2	-3.5	-29.3
Apr	290	220	2 740	2 675	1 035	731	-24.1	-2.4	-29.4
May	347	268	3 441	3 383	1 319	927	-22.8	-1.7	-29.7
Jun	412	327	4 106	4 091	1 546	1 155	-20.6	-0.4	-25.3
Jul	491	382	4 809	4 933	1 815	1 394	-22.2	2.6	-23.2
Aug	553		5 385		2 035				
Sep	609		5 950		2 236				
Oct	683		6 581		2 452				
Nov	766		7 126		2 638				
Dec	847		7 632		2 954				

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

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

Table 9

MEXICO: EXCHANGE RATE

	Official exchange rate (Pesos per dollar)				Adjusted real exchange rate (Index 1980=100) a			
	Free		Controlled		Free		Controlled	
	1986	1987	1986	1987	1986	1987	1986	1987
Jan	445	952	388	948	153.9	158.8	133.9	158.2
Feb	469	1 018	421	1 014	155.8	161.2	139.7	160.7
Mar	475	1 086	459	1 084	148.5	160.4	143.4	160.0
Apr	502	1 154	489	1 151	148.3	151.6	144.6	151.3
May	535	1 232	520	1 226	148.8	152.6	144.5	151.9
Jun	625	1 309	556	1 308	165.5	152.9	147.1	152.8
Jul	634		602		156.8		149.0	
Aug	682		665		154.2		150.4	
Sep	744		724		156.3		152.1	
Oct	798		780		158.3		154.6	
Nov	848		834		159.3		156.8	
Dec	893		893		158.9		159.0	

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	
1986							
Mar	4.8	2.8	1.6	6.0	3.8	1.6	1.2
Jun	10.1	5.7	3.0	13.8	8.6	3.3	3.7
Sep	16.5	9.0	4.9	24.0	15.8	5.1	7.5
Dec	24.0	12.6	7.1	35.3	22.9	8.9	11.8
1987							
Jan	3.0	1.6	0.9	4.4	3.4	0.8	1.3
Feb	6.0	3.2	1.9	8.8	6.3	1.7	2.9
Mar	9.9	5.3	3.0	13.9	9.5	2.8	4.0
Apr	13.8	8.2	4.4	19.7	13.7	4.8	5.9
Percentage variations a							
1986							
Mar	58.1	74.9	39.5	62.4	64.0	58.2	82.1
Jun	50.7	60.4	21.6	73.1	75.4	48.4	187.6
Sep	59.1	61.0	29.6	87.6	101.0	45.0	210.6
Dec	62.2	57.0	30.6	89.9	97.8	76.3	209.9
1987							
Jan	71.6	48.2	40.7	133.9	177.2	12.0	—
Feb	85.3	68.6	62.3	143.0	170.9	47.4	552.4
Mar	104.5	85.1	95.2	130.3	148.0	72.7	233.3
Apr	114.1	118.8	124.5	126.7	153.2	119.5	142.2

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

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

Table 11

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

Month	Billions of pesos						Percentage variation a					
	Monetary base	M1	M2	M3	M4	M5	Monetary base	M1	M2	M3	M4	M5
1985												
Dec	5.7	3.4	3.6	8.3	12.8	14.8	17.5	50.8	53.5	33.4	44.1	48.0
1986												
Jan	5.7	3.1	3.3	8.3	13.1	15.1	24.7	46.4	50.6	30.4	44.3	48.4
Feb	5.7	3.2	3.3	8.2	13.4	15.5	22.2	45.0	49.6	25.0	46.3	49.1
Mar	6.0	3.4	3.6	8.2	14.0	16.2	25.9	53.9	58.8	17.0	49.3	50.9
Apr	5.9	3.3	3.5	7.9	14.6	17.3	22.2	48.5	54.6	5.8	51.2	57.1
May	6.0	3.4	3.6	7.9	15.2	18.2	24.3	48.3	56.1	2.2	53.1	59.0
Jun	6.3	3.6	3.9	8.2	15.9	18.9	27.5	50.7	58.6	10.1	57.8	60.3
Jul	6.3	3.6	3.9	8.4	16.7	20.1	29.7	49.2	56.6	17.3	61.7	64.7
Aug	6.3	3.7	4.0	8.8	17.5	21.2	25.9	49.3	57.3	28.2	66.1	64.6
Sep	6.4	3.8	4.1	9.2	18.3	22.7	27.9	42.7	49.7	31.8	66.4	70.5
Oct	6.9	4.0	4.3	10.0	19.3	24.6	33.3	50.0	57.4	38.5	69.6	82.0
Nov	7.4	4.6	4.9	11.3	20.8	26.6	40.0	56.8	64.2	49.1	74.2	90.7
Dec	8.4	5.7	6.2	13.5	23.5	29.6	47.7	64.7	72.6	62.4	83.2	100.4
1987												
Jan	7.9	5.3	5.8	13.5	24.4	31.5	38.6	69.7	77.3	63.4	86.5	108.7
Feb	8.4	5.5	6.0	14.3	26.1	34.1	47.7	74.2	81.0	75.2	94.7	120.4
Mar	8.9	5.9	6.5	15.5	29.0	37.2	47.1	71.5	81.1	89.0	106.5	129.4
Apr	9.4	6.2	6.8	16.8	31.3	40.5	59.0	87.3	95.5	112.5	115.2	134.5
May	9.9	6.6	7.3	18.9	34.1	43.3	64.4	93.3	99.4	138.9	123.7	132.4
Jun	9.8	7.1	7.8	20.9	36.1	46.7	56.8	94.6	99.7	155.8	126.4	147.4

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

Note: M1 = Money (supply currency outside banks plus deposits on current account). M2 = M1 plus current account deposits in foreign currency. M3 = M2 plus net savings instruments (up to three months). M4 = M3 plus term savings instruments (from three months over). M5 = M4 plus Treasury Certificates, Petrobonds, commercial documents, etc.

a: With respect to the same month of 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	1986	1987	1986	1986
Jan	68.6	95.9	66.4	90.2	73.8	104.8
Feb	70.3	96.2	66.1	90.2	75.7	105.0
Mar	71.8	96.3	66.1	90.2	78.5	101.8
Apr	73.5	95.8	66.1	90.2	80.5	99.6
May	75.0	94.8	66.1	90.2	80.5	98.5
Jun	77.0	93.8	70.3	90.2	84.0	98.4
Jul	81.4	92.9	77.3	90.2 a	91.1	97.7 b
Aug	84.4		78.8		(c)	
Sep	87.7		83.7		(c)	
Oct	91.5		89.7		106.9	
Nov	94.2		90.2		104.1	
Dec	95.3		90.2		105.6	

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

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

PERU

The main features of the evolution of the Peruvian economy in the first eight months of 1987 were the maintenance of the high level of economic activity achieved at the end of the previous year, a further increase in real wages, the acceleration of inflation, the worsening of the fiscal imbalance, and the persistence of problems in the external sector.

Under the stimulus of the expansion of domestic demand (especially of the wage earning sector), and thanks to fuller utilization of installed capacity, the gross domestic product rose by almost 11% during the first half of the year compared with the same period in 1986 (table 1). As in that year, growth was particularly strong in the construction sector (23%), manufacturing (16%) and commerce (15%). Agricultural production also increased at a very high rate (10%), owing to the favorable financing and marketing conditions and the high guaranteed prices set by the government.

However, except for the construction and electricity sectors, the seasonally adjusted indexes of activity in the other major sectors of the economy in the first half of 1987 were somewhat below those of the last quarter of the previous year. On the other hand, in Metropolitan Lima --where the majority of urban jobs are concentrated-- there was a steady increase in employment during the first half of the year, especially in manufacturing (table 6). The gains which this represented for wage earners were strengthened by the increase in real wages, which, after rising almost 15% in 1986, increased by 7.5% during the first eight months of 1987 (table 8).

The favorable evolution of production, employment and wages was accompanied, however, by the acceleration of inflation and a deterioration of the external balance. Thus, despite the controls imposed by the government on the prices of basic products and the positive performance of the agricultural sector, the annual inflation rate rose rapidly and persistently from 60% at the end of 1986 to almost 90% in August (table 7). This was due not only to the periodic readjustments of wages and salaries but also the greater fiscal imbalance, the rapid expansion of the money supply and the accentuation of inflationary expectations.

Despite the fact that during the first half of the year the central government's current expenditure, valued at constant prices, remained virtually unchanged while capital expenditure was reduced by nearly 8% in real terms, the fiscal accounts turned in a global deficit equivalent to 24% of total expenditure. The sole reason for this negative balance was the very sharp contraction of current income which, despite the vigorous growth of economic activity, declined by more than 25% in real terms and was not sufficient to finance current expenditure (table 15).

Moreover, due to the lack of external financing, the bulk of the fiscal deficit had to be covered by loans from the Central Bank, so that the imbalance of the government accounts came to be the main factor of monetary expansion. As a matter of fact, during the first half of the year, total liquidity --made up of the sum of money (in national and foreign currency) and quasi money-- rose by 52%, or only a little less than its growth during the whole of the previous year (table 14).

The rapid expansion of domestic demand and the acceleration of the inflationary process also influenced the trade balance, stimulating imports and discouraging exports. Consequently, after having already increased by more

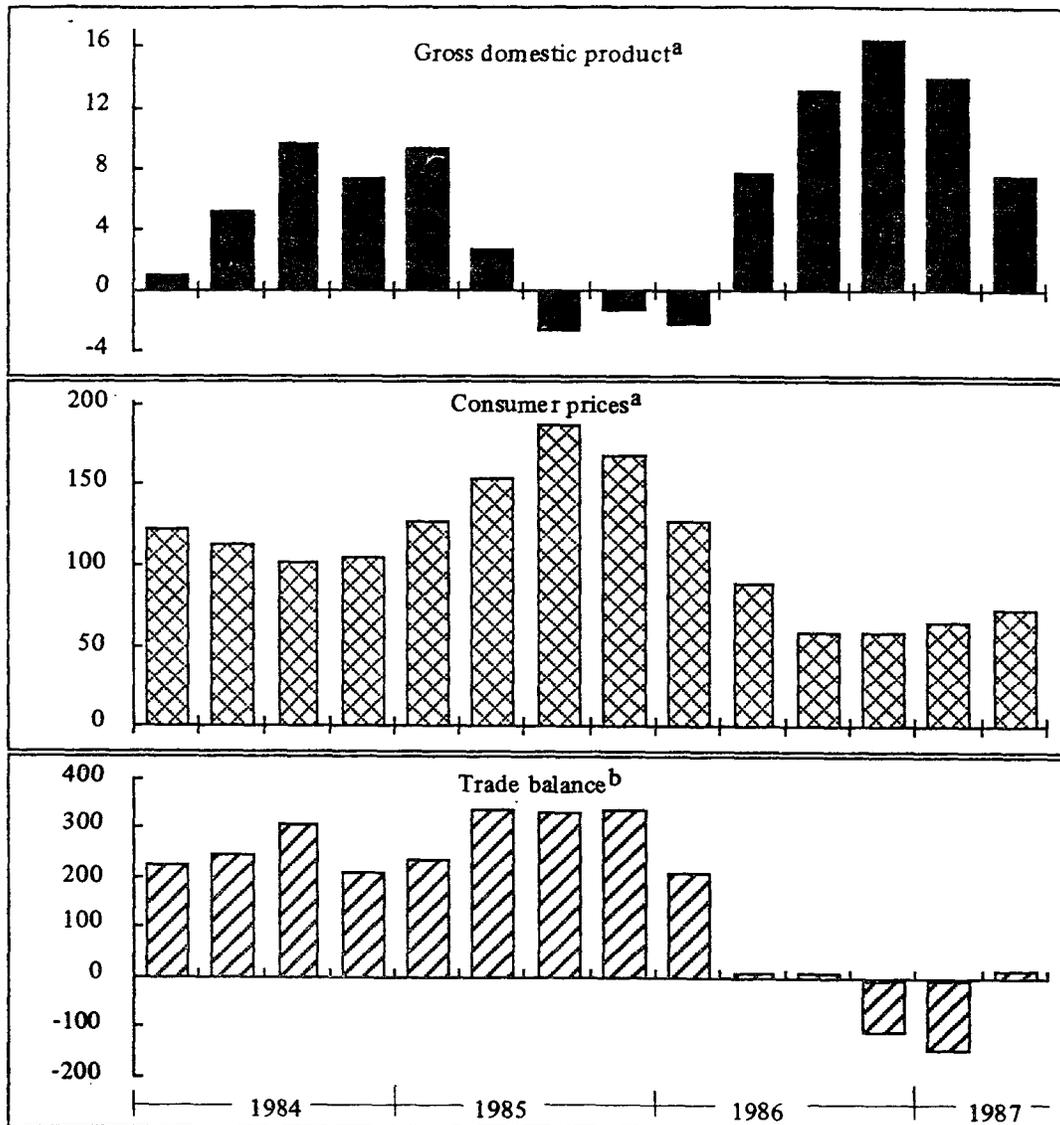
than 40% in 1986, imports grew by 70% in the first quarter of 1987, while exports, which had declined by 14% the previous year, contracted by a further 9% in the first three months of 1987. The result was that trade in goods, which in the last half of 1986 had already yielded a deficit of US\$110 million, turned in a negative balance of more than US\$140 million during the first three months of 1987 (table 10). Primarily for this reason, the net international reserves of the Central Bank suffered a decline of similar magnitude over the same period, while its holdings of foreign exchange, gold and silver declined even more (table 13).

Given this situation, and in order to give priority to essential imports, in February the authorities established a foreign currency allocation system (exchange permits) to complement the import controls (prior import licenses) already in force. For the same purpose, and also with a view to stimulating exports (especially non-traditional ones), the authorities expanded the multiple exchange system by establishing three exchange rates for imports and seven for exports, whose levels were initially fixed at between 20% and 82% above the basic rate. This rate, which had been frozen from mid 1985 to the end of 1986 but had gradually been raised between January and June, was again frozen from July to the end of 1987. Thus, in August its real level was equivalent to less than half of that prevailing in January 1986 (table 9).

These measures and the recovery of the international prices of some export products helped to change the trends of both exports and imports during the second quarter of the year: whereas exports increased by almost 12%, the growth rate of imports declined to less than 3%. Thanks to these changes, the foreign trade in goods during this period yielded a small surplus and net international reserves declined more slowly. Even so, however, at the beginning of August net foreign reserves were less than half of those held in March of the previous year (table 12).

Finally, at the end of July, the government announced its intention of nationalizing the private banks, insurance companies and financial intermediaries and sent a bill to Congress to this effect. A few days later the authorities made known their intention to partially privatize various state enterprises.

Figure 1
**PERU: QUARTERLY EVOLUTION OF SELECTED
 ECONOMIC INDICATORS**



Source: ECLAC, on the basis of official data.

^aPercentage variation with respect to the same quarter of the previous year.

^bMillions of dollars.

Table 1

PERU: GROSS DOMESTIC PRODUCT
(Percentage variation) a

	Index 1979=100 a						Percentage variation b			
	1986				1987		1986	1987		
	I	II	III	IV	I	II		I	II	I+II
Total	103.3	108.7	112.6	118.1	117.8	117.0	8.8	14.0	7.6	10.8
Agriculture	109.2	108.7	112.0	123.1	122.7	117.4	4.3	12.4	8.0	10.2
Fishing	117.7	142.6	129.4	149.2	117.9	127.2	25.2	0.2	-10.8	-5.8
Mining	101.3	102.2	102.9	104.8	106.4	101.3	-3.7	5.0	-0.9	2.1
Manufactures	99.4	109.7	115.3	122.6	119.5	122.0	16.5	20.2	11.2	15.5
Construction	107.7	113.6	125.5	131.0	137.1	135.6	24.1	27.3	19.4	23.2
Commerce	101.0	108.5	114.4	122.2	121.0	119.8	12.4	19.8	10.4	14.9
Electricity	145.0	152.0	160.9	153.6	165.5	159.3	9.2	14.1	4.8	9.4
Others	103.2	107.7	110.1	113.7	113.7	113.9	6.6	10.2	5.8	7.9

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

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

Table 2

PERU: AGRICULTURAL PRODUCTION
(Thousands of metric tons)

	1986				1987		Percentage variation a			
	I	II	III	IV	I	II	1986	1987		
								I	II	I+II
Crop-farming production										
Potatoes	285	950	158	270	344	871	4.5	20.7	-8.3	-1.6
Rice	74	323	287	62	93	613	-18.8	25.7	89.8	77.8
Cotton	11	141	138	14	15	110	4.5	36.4	-22.0	-17.8
Maize	171	112	234	128	188	175	30.3	9.9	56.2	28.3
Sugar	1 396	1 412	1 685	1 780	1 355	1 238	-14.4	-3.0	-12.3	-7.7
Coffee	4	61	31	2	8	64	7.7	100.0	4.9	10.8
Wheat	1	28	82	10	2	28	30.1	100.0	—	3.4
Stock-raising production										
Poultry	53	54	56	67	69	64	13.9	30.2	18.5	24.3
Beef	20	23	25	23	22	28	-10.8	10.0	21.7	16.3
Pork	13	15	16	16	16	16	11.1	23.1	6.7	14.3
Mutton	4	4	5	4	5	5	-10.5	25.0	25.0	25.0
Milk	206	209	195	209	209	213	1.2	1.5	1.9	1.7
Eggs	23	23	24	25	25	23	21.8	8.7	—	4.3

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

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

Table 3

PERU: MINING PRODUCTION

	1986				1987		Percentage variation a			
	I	II	III	IV	I	II	1986	1987		
								I	II	I+II
Copper b	89	102	100	106	100	105	-1.0	12.4	2.9	7.3
Lead b	43	47	53	51	49	51	-7.6	14.0	8.5	11.1
Silver c	425	472	510	519	500	513	0.7	17.6	8.8	12.9
Zinc b	132	145	161	160	157	154	-4.2	18.9	6.2	12.3
Iron ore b	846	845	845	817	749	840	2.8	-11.5	-0.6	-6.0
Petroleum d	16.1	16.4	16.1	16.3	15.8	15.3	-5.8	-1.9	-6.7	-4.3

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

a: With respect to the same period of the preceding year. b: Thousands of metric tons fine. c: Thousands of kilogrammes fine. d: Millions of barrels.

Table 4

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

	1986				1987		Percentage variation b			
	I	II	III	IV	I	II	1986	1987		
								I	II	I+II
By species	1 121	1 300	938	1 637	1 122	1 033	27.5	0.1	-20.5	-11.0
Anchoveta	577	1 110	716	1 078	779	621	314.2	35.0	-44.1	-17.0
Others	544	190	222	559	343	412	-46.8	-36.9	116.8	2.9
For human consumption	116	130	138	151	112	126	2.5	-3.4	-3.1	-3.3
Fresh	53	51	56	59	50	59	24.1	-5.7	15.7	4.8
Frozen	20	15	19	17	12	10	-65.0	-40.0	-33.3	-37.1
Canned	34	57	55	66	41	48	62.4	20.6	-15.8	-2.2
Dried and salted	9	7	8	9	9	9	23.1	—	28.6	12.5
Fish meal and oil	1 116	1 187	862	1 551	1 121	1 033	31.0	0.4	-13.0	-6.5

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

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

Table 5

PERU: INDUSTRIAL PRODUCTION

	Index 1979=100		Percentage variations					
	1986	1987	1986			1987		
			Month	12 Ms. a	Year b	Month	12 Ms. a	Year b
Jan	98.9	117.8	0.3	-1.1	-1.1	-7.0	19.1	19.1
Feb	100.1	119.5	1.3	1.0	-0.1	1.5	19.4	19.3
Mar	95.1	116.4	-5.0	-5.7	-2.0	-2.6	22.4	20.3
Apr	107.6	126.9	13.2	17.0	2.5	9.0	17.9	19.6
May	110.2	117.2	2.4	15.8	5.1	-7.6	6.3	16.8
Jun	111.0	121.8	0.7	21.7	7.7	3.9	9.7	15.5
Jul	114.5		3.2	13.3	8.5			
Aug	116.0		1.3	29.1	10.9			
Sep	114.9		-1.0	30.7	13.0			
Oct	125.2		9.0	34.6	15.1			
Nov	123.2		-1.6	26.8	16.2			
Dec	126.7		2.9	28.6	17.2			

Source: ECLAC, on the basis of figures supplied by the Ministry of Economics and Finance.

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 6

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

	Manufacturing			Commerce			Services		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
I	85.3	87.4	95.1	90.2	91.7	94.2	106.0	107.1	109.8
II	85.1	88.7	97.0	88.6	91.6	95.3	105.3	107.7	110.8
III	84.4	90.6		89.6	93.1		105.8	108.7	
IV	86.5	93.8		94.3	96.8		107.6	109.1	

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

Table 7

PERU: CONSUMER PRICE INDEX
(Percentage variations)

	1986			1987		
	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	5.2	5.2	138.4	6.6	6.6	65.1
Feb	4.2	9.6	126.9	5.6	12.5	67.3
Mar	5.3	15.4	120.8	5.3	18.5	67.4
Apr	4.1	20.0	104.8	6.6	26.3	71.5
May	3.3	24.1	90.8	5.9	33.8	75.7
Jun	3.6	28.5	76.8	4.7	40.1	77.6
Jul	4.6	34.4	67.6	7.3	50.3	82.2
Aug	4.0	39.7	57.2	7.4	61.5	88.5
Sep	3.6	44.7	57.3			
Oct	4.0	50.4	58.8			
Nov	3.6	55.8	60.1			
Dec	4.6	62.9	62.9			

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

Table 8

PERU: REAL REMUNERATIONS AT NATIONAL LEVEL
(Index July 1985=100)

	Private sector		Government		Minimum real income		National average		Percentage variations a		
	1986	1987	1986	1987	1986	1987	1986	1987	Month b	Year c	12 Ms.d
Jan	116	131	92	123	114	115	110	129	-3.7	17.3	17.3
Feb	129	130	120	116	142	109	127	126	-2.3	7.6	-0.8
Mar	128	129	114	111	135	104	125	125	-0.8	5.1	0.0
Apr	129	139	110	136	130	136	124	139	11.2	6.8	12.1
May	128	134	106	128	126	129	129	133	-4.3	6.0	3.1
Jun	127	131	127	122	121	128	127	129	-3.0	5.3	1.6
Jul	126	144 e	121	150 e	116	156 e	125	146 e	13.2	6.9	16.8
Aug	128	139 e	118	140 e	112	145 e	126	140 e	-4.1	7.5	11.1
Sep	128		115		108		125				
Oct	140		141		133		140				
Nov	138		136		129		138				
Dec	135		130		123		134				

Source: ECLAC, on the basis of figures supplied by the Ministry of Economics and Finance.

a: National average. b: With respect to the preceding month. c: Percentage variation in average cumulative index with respect to the same period of the preceding year. d: With respect to the same month of the preceding year. e: Estimate.

Table 9

PERU: EXCHANGE RATE

	Intis per dollar				Adjusted real rate (Index 1980=100) a			
	Basic (MUC) b		FCBC c		Basic (MUC) b		FCBC c	
	1986	1987	1986	1987	1986	1987	1986	1987
Jan	13.9	14.1	17.4	20.0	116.1	69.1	139.9	94.9
Feb	13.9	14.3	17.4	20.1	109.9	67.0	132.4	90.8
Mar	13.9	14.8	17.4	20.3	102.9	65.5	124.0	87.3
Apr	13.9	15.1	17.4	22.0	98.2	63.3	118.2	89.4
May	13.9	15.4	17.4	24.0	95.3	61.6	115.0	92.7
Jun	13.9	15.8	17.4	25.9	92.0	60.6	111.0	95.9
Jul	13.9	15.9	17.4	34.8	87.5	56.8	105.5	120.2
Aug	13.9	15.9	17.5	37.0	84.1	53.1	101.7	119.5
Sep	13.9		17.6		81.3		99.2	
Oct	13.9		17.5		78.4		94.8	
Nov	13.9		17.5		75.8		91.7	
Dec	13.9		19.5		72.3		97.9	

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) are issued to the bearer upon the surrender of foreign exchange, in the amount of US\$1 000 as a minimum, for a freely-negotiated term of no less than 30 days.

Table 10

PERU: TRADE BALANCE

Millions of dollars							Percentage variation a				
Exports FOB		Imports FOB		Trade balance		Exports		Imports		Trade balance	
Quart.	Year	Quart.	Year	Quart.	Year	Quart.	Year	Quart.	Year	Year	
1985											
I	686	685	443	443	243	243	-5.6	-5.6	-11.0	-11.0	6.1
II	793	1 479	449	892	344	587	-1.2	-3.3	-19.0	-15.2	22.8
III	744	2 223	404	1 296	340	927	-11.3	-6.2	-23.0	-17.8	17.0
IV	749	2 972	405	1 701	344	1 271	-3.7	-5.6	-28.1	-20.5	26.2
1986											
I	642	642	427	427	215	215	-6.3	-6.3	-3.6	-3.6	-11.5
II	592	1 234	588	1 015	4	219	-25.3	-16.6	31.0	13.8	-62.7
III	671	1 905	662	1 677	9	228	-9.8	-14.3	63.9	29.4	-75.4
IV	636	2 541	747	2 424	-111	117	-15.1	-14.5	84.4	42.5	-90.8
1987											
I	584	584	727	727	-143	-143	-9.0	-9.0	70.3	70.3	—
II	661	1 245	603	1 330	58	-85	11.7	0.9	2.6	31.0	—

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru and estimates for June 1987 of the Ministry of Economics and Finance.

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

Table 11

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

	1986				1987		Percentage variation a			
	I	II	III	IV	I	II	1987			
							1986	I	II	I+II
Total	642	592	671	636	584	661	-14.2	-9.0	11.7	0.9
Traditional exports	476	438	497	459	416	478	-16.2	-12.6	9.1	-2.2
Mining products	242	244	266	255	226	262	-13.9	-6.6	7.4	0.4
Petroleum and petroleum by-products	82	56	48	60	72	86	-61.9	-12.2	53.6	14.5
Agricultural prod.	90	75	87	63	33	51	47.2	-63.3	-32.0	-49.1
Fishery products	41	37	72	54	70	63	74.4	70.7	70.3	70.5
Others	21	26	24	27	15	16	15.3	-28.6	-38.5	-34.0
Non-traditional exports	166	154	174	177	168	183	-8.1	1.2	18.8	9.7

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru and estimates for June 1987 of the Ministry of Economics and Finance.

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

Table 12

PERU: IMPORTS STRUCTURE, FOB
(Millions of dollars) a

	1986				1987		Percentage variation b			
	I	II	III	IV	I	II	1987			
							1986	I	II	I+II
Total	427	588	662	747	727	603	42.5	70.3	2.6	31.0
Consumer goods	65	95	94	132	128	101	145.9	96.9	6.3	43.1
Inputs	217	298	372	396	298	294	78.9	37.3	-1.3	15.0
Capital goods	145	195	196	219	254	224	8.3	75.2	14.9	40.6
Miscellaneous and adjustments	—	—	—	—	47	-16	—	—	—	—

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru and estimates for June 1987 of the Ministry of Economics and Finance.

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

Table 13

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

	Net international reserves			Available reserves a		
	1985	1986	1987	1985	1986	1987
Mar	1 048	1 541	820	1 847	2 585	1 681
Jun	971	1 278	790	1 638	2 275	1 591
Sep	1 144	1 239	760 b	1 832	2 275	1 601 b
Dec	1 493	958		2 300	1 925	

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.

b: August 7.

Table 14

PERU: MONETARY AGGREGATES
(Billions of intis) a

	1986				1987		Percentage variation b		
	I	II	III	IV	I	II	1987		
							1986	I	II
Total	49.2	53.2	58.5	64.0	75.1	97.0	56.9	17.3	51.6
Local									
currency	38.7	43.7	50.0	56.1	67.4	88.9	101.8	20.1	58.5
Money	19.6	22.1	24.0	28.4	32.1	43.0	105.8	13.0	51.4
Quasi-money	19.1	21.6	26.0	27.7	35.3	45.9	97.9	27.4	65.7
Foreign									
currency c	10.5	9.5	8.5	8.0	7.7	8.0	-38.0	-3.8	—

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

a: Seasonally adjusted figures at the end of the period. b: With respect to December of the preceding year. c: Equivalent in intis.

Table 15

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

	First Semester		
	1986	1987	1987/1986
Current income	22 648	28 613	26.3
Current expenditure	17 902	30 263	69.0
Savings on current account	4 746	-1 650	—
Capital expenditure	4 605	7 178	55.9
Surplus or deficit (-)	141	-8 828	—
Financing	-141	8 828	—
External	160	276	72.5
Disbursements	1 450	1 362	-6.1
Amortization payments	-1 290	-1 086	-15.8
Domestic	-301	8 552	—
Credits	496	9 602	—
Amortization payments	-797	-1 050	31.7

Source: Central Reserve Bank of Peru.

URUGUAY

During the first half of 1987 the economy of Uruguay performed in a generally satisfactory manner, consolidating the recovery that had begun in mid-1986. The gross domestic product, which in 1986 grew by more than 6%, increased at the rate of 7% in the first quarter and average growth of about 5% is expected for the year as a whole. At the same time, unemployment continued to diminish gradually, real salaries increased further and the rate of inflation dropped slightly, although it continued to be very high. However, the recovery of production, employment and wages was accompanied by a substantial deterioration in the first quarter external trade balance, a change which was partially reversed during the following quarter (figure 1).

This performance was achieved despite an unstable and largely unfavorable external situation. Thus, in 1987 the downward trends in the price of petroleum and in international interest rates were reversed, and the powerful stimulus which the huge expansion in imports by Brazil had represented for Uruguayan exports in 1986 ceased to operate. The effects of these changes on the external balance were only partially offset by the recovery of export prices and particularly of the international price of wool.

The continued growth of the economy and the maintenance of the level of international reserves also reflected the important role played by economic policy. In 1986, the authorities took advantage of the low international prices of hydrocarbons to increase petroleum imports and augment the country's stocks of this commodity. Thanks to this measure, during the first half of 1987 it was possible to reduce the value of imports of petroleum and its derivatives by 34%, despite the significant recovery of oil prices on the world market and the fact that the expansion of domestic economic activity increased the demand for fuels. The government also created special export incentives (across-the-board tax and tariffs exemptions and additional reimbursements for non-traditional exports). These measures mitigated the effects of the sharp drop in sales to Brazil—whose increase in 1986 had accounted for half of the growth in Uruguayan exports during that year—through increased exports to the United States and the countries of the European Economic Community and, to a lesser extent, Argentina. In addition, new external capital was attracted through the issue of dollar-denominated Treasury bills. In this way, the negative consequences of the changes in the external situation were attenuated and the recovery of economic activity could be continued without generating an unmanageable balance-of-payments deficit on the current account.

Partly as a result of the changes in the external situation, the sources of growth in the economy also changed during 1987. Whereas the year before exports (whose volume grew by more than 25%) constituted the main dynamic factor, in 1987 the growth in economic activity has been stimulated primarily by the increase in investment (reflected in the doubling of imports of capital goods and in the approximately 25% growth in cement production) and the rise in private consumption made possible by the 4% increase in real wages and the growth of employment by a similar percentage. The latter changes also meant that, as in the preceding two years, the distribution of income improved during the first half of 1987, since the increase in the wage bill (8% to 10%) was larger than the increase in output (approximately 5%). On the other hand, the upturn in investments only partially compensated for its huge decline (-60%) between 1981 and 1985. As a result, gross capital formation continued to represent a very low proportion (11%) of the gross domestic product.

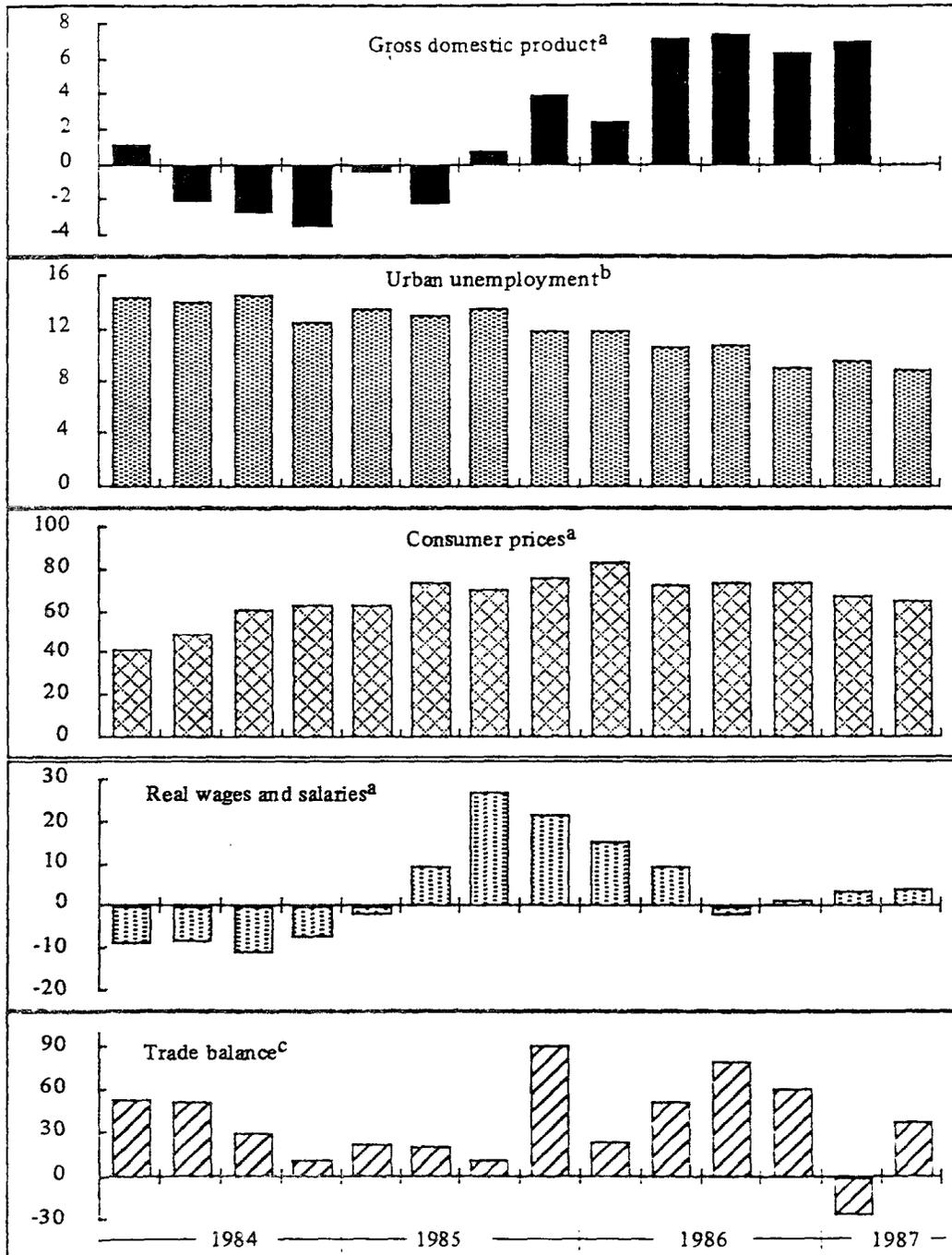
The fight against inflation met with less success than initially expected. Thus, the annual variation in consumer prices declined only slowly --from 70% at the end of 1986 to 64% in August 1987-- while the variation in wholesale prices remained at around 65%, making it clear that the official target of reducing inflation to 50% by the end of 1987 would not be met (table 3). Among the factors that contributed to the persistence of inflation were the increases in nominal wages as well as the expansion of the principal monetary aggregates, which, although less marked than in 1986, continued to be very rapid up to mid-year (table 10).

During this period the fiscal deficit also expanded significantly (table 11). While the real salaries of government employees did not change, other outlays increased considerably. As a result, the rise in total government expenditure during the first seven months of the year was not only very high (90%), but also considerably exceeded the increase in revenue (73%). In these circumstances, the deficit accumulated during the first seven months of the year was equivalent to almost 10% of expenditure, compared with only 0.5% for the corresponding period of 1986. However, the government deficit did not necessitate an increase in base money since it was more than fully financed by the sale of short-term Treasury bills, enabling the government to reduce its indebtedness to the Central Bank and the Bank of the Republic.

The sharp increase in domestic demand, apart from constituting an obstacle to a more rapid decline in inflation, affected the external trade surplus, which was 84% lower during the first seven months of 1987 than during the same period of 1986. This contraction occurred despite the fact that the value of exports rose by 10%, (the increase in their prices more than offsetting the almost 5% reduction in their volume). The sole cause of the deterioration in the trade balance was therefore the trend of imports, which, following a 23% rise in 1986, increased by more than 28% between January and July 1987. Apart from purchases of petroleum, the value of which fell by one-third for the reasons already mentioned, the other components of imports--and particularly imports of capital goods and consumer goods-- grew at rates that were not only very high but also well above that of domestic demand (table 7). The marked difference between the increase in domestic expenditure and the growth in non-petroleum imports suggests that the drop in the real exchange rate also played a part. Although the exchange rate did not vary significantly during the first seven months of 1987, its average level during this period was 9% lower than during the equivalent period of 1986 and 18% lower than that of January-July 1985 (table 9).

Notwithstanding the substantial decline in the external trade surplus, total net international reserves increased slightly during the first half of the year and their level in July was equivalent to the value of ten months' imports of goods and services (table 8).

Figure 1
 URUGUAY: QUARTERLY EVOLUTION OF THE MAIN
 ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.

^aPercentage variation with respect to the same quarter of the previous year.
 Monteideo.

^cMillions of dollars.

^bAverage rate in

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

	1986 b					1987 b
	I	II	III	IV	Year	I
Total GDP	2.5	7.3	7.5	6.5	6.3	7.1
Agriculture	9.2	2.8	-4.2	8.0	3.4	-3.9
Fishing	-27.2	70.7	-33.7	11.5	-2.0	5.2
Manufacturing	2.9	13.1	16.7	14.7	12.1	18.1
Electricity, gas and water	4.4	7.9	10.5	6.1	7.3	5.9
Construction	-14.2	1.7	9.0	0.7	-1.4	8.7
Commerce	4.2	11.6	20.0	10.9	11.4	13.5
Transport c	3.8	1.6	17.9	15.1	9.4	9.8
Others	2.3	4.5	2.5	1.6	2.7	1.4

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
Jan	14.0	14.8	13.2	10.8	9.0
Feb	14.4	14.9	13.3	11.2	8.9
Mar	15.9	14.6	13.7	12.0	9.8
Apr	16.1	14.0	13.4	12.3	10.2
May	16.5	14.2	13.2	12.0	9.9
Jun	16.1	14.1	13.2	10.7	9.1
Jul	15.8	14.3	13.7	11.2	
Aug	15.3	14.7	13.3	11.3	
Sep	15.2	14.7	13.6	10.9	
Oct	15.3	14.0	13.0	10.0	
Nov	14.9	13.4	12.7	9.6	
Dec	14.6	12.7	12.0	9.2	

Source: Department of Statistics and Censuses.

Table 3

URUGUAY: PRICE INDEX
(Percentage variations)

	Consumer price index						Wholesale price index					
	1986			1987			1986			1987		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	5.6	5.6	84.4	3.9	3.9	67.9	5.1	5.1	75.2	3.2	3.2	64.0
Feb	3.6	9.5	85.1	3.4	7.4	67.4	1.3	6.4	73.1	2.6	5.9	66.1
Mar	5.4	15.4	83.1	7.0	15.0	70.0	4.8	11.5	67.9	5.7	11.9	67.5
Apr	4.9	21.0	74.6	2.5	17.9	66.3	4.0	16.0	56.6	2.6	14.8	65.2
May	2.4	23.9	71.7	2.0	20.3	65.6	2.1	18.4	55.5	2.3	17.5	65.6
Jun	4.9	29.9	74.8	4.5	25.7	65.2	5.2	24.6	63.1	3.2	21.2	70.8
Jul	6.3	38.1	73.9	6.4	33.8	65.4	6.2	32.3	62.5	7.9	30.8	65.0
Aug	4.3	44.0	74.8	3.4	38.3	63.8	5.9	40.1	67.9	5.7	38.3	64.7
Sep	4.5	50.5	76.5				6.0	48.5	72.3			
Oct	5.2	58.3	78.5				10.9	55.5	75.2			
Nov	4.5	65.5	74.9				4.5	62.5	70.0			
Dec	3.1	70.7	70.7				2.8	66.9	66.9			

Source: Department of Statistics and Censuses.

Table 4

URUGUAY: INDEX OF REAL WAGES AND SALARIES

	Index: Dec. 1982=100 a			Percentage variations					
	1985	1986	1987	1986			1987		
				Month	Year b	12 Ms. c	Month	Year b	12 Ms. c
Jan	88.0	97.9	102.1	-3.3	11.3	11.3	-3.1	4.3	4.3
Feb	87.3	101.4	106.3	3.6	13.7	16.2	4.1	4.5	4.8
Mar	87.2	105.2	107.7	3.7	16.0	20.6	1.3	3.8	2.4
Apr	89.1	102.2	105.7	-2.9	15.7	14.7	-1.9	3.7	3.4
May	90.6	100.8	104.1	-1.4	14.8	11.3	-1.5	3.6	3.3
Jun	95.5	99.7	106.7	-1.1	12.9	4.4	2.5	4.2	7.0
Jul	101.0	103.0	107.3	3.3	11.3	2.0	5.6	4.1	4.2
Aug	101.1	97.3		-5.5	9.1	-3.8			
Sep	99.5	99.1		1.8	7.9	-0.4			
Oct	98.4	98.7		-0.4	7.1	0.3			
Nov	104.2	105.7		7.1	6.7	1.4			
Dec	101.2	105.4		-0.3	6.4	4.2			

Source: Department of Statistics and Censuses.

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

Table 5

URUGUAY: TRADE BALANCE

	Millions of dollars						Percentage variation ^a					
	Exports FOB		Imports CIF		Trade balance		Exports		Imports		Trade balance	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year	Year	
1986												
Jan	66.5	66.5	81.3	81.3	-14.8	-14.8	-3.6	-3.6	75.2	75.2	—	
Feb	80.5	147.0	43.1	124.4	37.4	22.6	16.8	6.6	-44.0	0.6	54.8	
Mar	72.2	219.1	70.9	195.3	1.3	23.9	32.2	13.8	52.5	15.0	5.3	
Apr	87.0	306.1	57.4	252.7	29.5	53.4	79.7	27.1	0.2	11.3	286.9	
May	82.2	388.3	61.2	313.9	21.1	74.5	14.8	24.3	4.1	6.1	180.1	
Jun	74.2	462.5	72.8	386.7	1.4	75.8	12.4	22.2	48.6	15.5	73.5	
Jul	125.8	588.3	67.5	454.2	58.3	134.2	71.6	30.2	-12.0	10.3	233.0	
Aug	88.5	676.8	85.5	539.7	3.0	137.2	37.6	31.1	89.2	18.1	152.7	
Sep	111.0	787.8	91.1	630.8	19.9	157.1	39.1	32.2	8.5	16.6	185.1	
Oct	88.5	876.3	69.4	700.2	19.1	176.2	17.1	30.5	19.2	16.9	143.0	
Nov	80.3	956.6	70.9	771.1	9.4	185.6	16.9	29.2	75.1	20.6	84.3	
Dec	131.2	1 087.8	99.0	870.1	32.2	217.8	15.7	27.4	45.2	22.9	49.4	
1987												
Jan	45.7	45.7	81.1	81.1	-35.4	-35.4	-31.3	-31.3	-0.2	-0.2	—	
Feb	86.2	131.9	64.2	145.3	21.9	-13.5	7.1	-10.3	49.0	16.8	—	
Mar	88.3	220.2	101.5	246.8	-13.2	-26.7	22.2	0.5	43.2	26.4	—	
Apr	78.9	299.1	69.7	316.5	9.3	-17.4	-9.3	-2.3	21.4	25.2	—	
May	102.7	401.8	87.3	403.8	15.4	-2.1	24.9	3.5	42.6	28.6	—	
Jun	106.9	508.7	92.8	496.6	14.2	12.1	44.1	10.0	27.5	28.4	-84.2	

Source: Central Bank.

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

Table 6

URUGUAY: STRUCTURE OF EXPORTS
(Millions of dollars)

	Traditional exports				Non-traditional exports				Percentage variation ^a			
	1986		1987		1986		1987		1986		1987	
	Month	Year	Month	Year	Month	Year	Month	Year	T	NT	T	NT
Jan	38.7	38.7	26.3	26.3	27.8	27.8	19.4	19.4	1.8	-10.3	-32.0	-30.2
Feb	35.7	74.4	34.4	60.7	44.9	72.7	51.8	71.2	10.5	3.0	-18.4	-2.1
Mar	34.8	109.2	39.4	100.1	37.4	110.1	48.9	120.1	20.5	8.2	-8.3	9.1
Apr	34.5	143.7	33.0	133.1	52.5	162.6	45.8	165.9	34.2	21.6	-7.4	2.0
May	26.6	170.3	39.1	172.2	55.6	218.2	63.6	229.5	21.0	27.1	1.1	5.2
Jun	31.3	201.6	39.1	211.3	42.9	261.1	67.8	297.3	29.1	17.4	4.8	13.9
Jul	39.7	241.3			86.1	347.2			38.7	25.0		
Aug	28.9	270.2			59.6	406.8			41.8	24.9		
Sep	26.3	296.5			84.7	491.5			42.5	26.7		
Oct	25.7	322.2			62.7	554.2			42.1	24.6		
Nov	30.6	352.8			49.7	603.9			42.3	22.7		
Dec	50.0	402.8			81.2	685.1			37.1	21.4		

Source: Central Bank.

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

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

Table 7

URUGUAY: STRUCTURE OF IMPORTS
(Millions of dollars) a

	Consumer goods	Capital goods	Intermediate goods			Percentage variation b				
			Total	Petroleum	Other	CG	CaG	InG	Pet.	Other
1985										
I	19.6	20.8	129.5	43.2	86.3	71.9	-5.9	-5.4	-26.0	9.9
II	32.7	30.7	271.6	99.2	172.4	47.3	-19.6	-7.8	-14.5	-3.5
III	44.2	46.2	450.5	185.7	264.8	29.2	-13.8	-6.5	-8.1	-5.4
IV	61.3	65.4	581.1	223.5	357.6	20.9	-6.4	-12.3	-17.4	-7.0
1986										
I	16.9	17.8	160.6	53.4	107.2	-13.8	-14.4	24.0	23.6	24.2
II	34.1	36.5	316.1	92.7	223.4	4.3	18.9	16.4	-6.6	29.6
III	53.8	61.1	515.9	140.8	375.1	21.7	32.3	14.5	-24.2	41.7
IV	82.5	101.7	685.8	158.2	527.6	34.6	55.5	18.1	-29.2	47.5
1987										
I	26.2	43.3	177.4	26.6	150.8	55.0	143.3	10.5	-50.2	40.7
II	54.9	73.7	368.0	60.9	307.1	61.0	101.9	16.4	-34.3	37.5

Source: Central Bank.

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

Table 8

URUGUAY: NET INTERNATIONAL RESERVES
(Millions of dollars)

	Amount				Variation in total reserves			
	Total a		Central Bank		Quarter		Year b	
	1986 c	1987 d	1986 c	1987 d	1986 c	1987 d	1986 c	1987 d
	Mar	809	1 169	539	845	120	58	120	58
Jun	835	1 139	568	828	26	-30	146	28
Sep	916		635		81		227	
Dec	946		683		30		257	
Dec d	1 111		820					

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\$260.37 troy ounce. d: Gold valued at US\$ 313.00 troy ounce.

Table 9

URUGUAY: EXCHANGE RATE

	Official exchange rate (Pesos per dollar)			Adjusted real exchange rate (Index: 1980=100) a		
	1985	1986	1987	1985	1986	1987
Jan	76.4	127.1	184.2	168.8	159.6	137.5
Feb	84.3	131.9	191.1	181.5	161.3	139.9
Mar	92.2	135.5	197.9	183.2	155.9	137.0
Apr	94.3	139.9	205.1	168.4	153.6	139.5
May	93.0	144.7	212.4	161.9	156.2	142.2
Jun	94.2	149.2	218.6	163.4	152.9	142.5
Jul	99.7	152.9	226.2	161.8	146.8	137.0
Aug	107.1	158.2		168.5	143.3	
Sep	111.3	162.3		168.8	139.0	
Oct	115.4	165.9		171.3	136.1	
Nov	120.7	172.4		167.3	135.5	
Dec	124.7	177.4		165.5	135.4	

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 10

URUGUAY: MONETARY AGGREGATES

	M1	DP	M2	DE	M3
(Billions of New Uruguayan \$) a					
1987					
Feb	79.6	104.6	184.1	415.2	599.4
Apr	77.5	111.8	189.3	442.7	632.0
Jun	83.5	118.6	202.1	495.7	677.8
Jul	82.8	123.0	205.8	493.0	698.8
(Percentage variations) b					
1986					
Dec	77.4	49.9	60.6	81.1	74.4
1987					
Feb	92.3	46.3	63.1	76.8	72.3
Apr	90.4	41.3	58.0	70.3	66.4
Jun	81.5	38.7	53.7	79.0	66.0
Jul	74.3	39.6	51.8	71.1	64.9

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

Table 11

URUGUAY: CENTRAL GOVERNMENT FINANCIAL OPERATIONS

	Billions of New Uruguayan \$ a						Percentage variation b		
	1986			1987			1987/1986		
	I	E	B	I	E	B	I	E	B
Mar	29.4	29.4	—	54.9	57.8	-2.9	86.7	96.6	—
Jun	65.2	64.3	0.9	114.3	123.4	-9.1	75.3	91.9	—
Sep	106.1	109.2	-3.1	136.8	151.5	-14.8	73.2	90.8	—
Dec	149.9	161.2	-11.3						

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. c: July.

VENEZUELA

Following its 5% growth in 1986 —the highest in the last ten years— the Venezuelan economy grew at a much slower rate during the first part of 1987. Although some sectors —particularly construction— continued to benefit from the maintenance of an expansionary fiscal policy, others were affected by the slowdown in private domestic demand, which was influenced by the devaluation of late 1986 and by the subsequent acceleration of inflation. At the same time, despite the recovery in the international price of petroleum, total foreign exchange receipts increased only moderately, while the uncertainty as regards effective access to external financing generated increasing pressures on the free foreign exchange market.

Economic policy continued to be markedly expansionary. Fiscal expenditure rose sharply during the first three months, mainly in the form of investments in roads, the expansion of the Caracas "metro", the construction of dwellings and sewage and drinking water supply systems in marginal housing areas, as well as in mining projects. In addition, in January and again in May a general increase in wages was decreed, graduated in such a way as to favor the poorest groups most. On the other hand, in order to reduce both the external imbalance and the fiscal deficit, in December 1986 the authorities heavily devalued the bolivar, raising the commercial exchange rate from 7.50 to 14.50 bolivares to the dollar. At the same time, they decided that this exchange rate should apply to earnings from non-traditional private sector exports (which were previously changed at the free market rate), increased the control of the Central Bank over movements of foreign exchange, and limited access to the preferential exchange rate of 7.50 bolivares to the dollar, which was maintained only for a few essential imports, certain external debt payments and for exports and imports related to the petroleum industry. On account of the severe financial constraints of Petróleos de Venezuela, however, the petroleum exchange rate was unified with the commercial rate as of 1 July.

The high fiscal expenditure had a positive effect on construction, causing total sales of cement to rise during the first half of the year to their highest level for the last five years. The performance of the other industrial branches was less satisfactory, however, owing to difficulties of access for certain exports to external markets, the modifications in exchange rate policies and the weakness of private domestic demand. The heavy protection encountered by the main non-traditional exports (steel, aluminum, petrochemical products) was reflected in Venezuela's decision to limit "voluntarily" its exports of steel to the United States and the European Economic Community. Moreover, the application of the commercial exchange rate to private sector non-traditional exports entailed a major revaluation of the bolivar for them, since up to December 1986 income from such exports had been changed at the much higher rate prevailing in the free market. Consequently, during the first quarter of 1987 output of both petrochemicals and steel dropped slightly, while during the first six months automobile sales declined sharply (table 2).

At the same time, there was a pronounced spurt in the rate of inflation. During the first seven months of the year consumer prices went up by almost 25% and their annual rate of increase in July was more than 32%: the highest ever recorded in Venezuela (table 3). Among the main contributory factors to this increased inflation was the devaluation of the bolivar, which was followed by a readjustment of the prices paid to producers of agricultural goods, of the sale prices of a wide range of inputs and finished products, and

of the rates for transport and other public services. Furthermore, the large fiscal deficit required an increasing monetization of the Treasury reserves, which fell to their lowest level of the last three years and thus contributed to the substantial increase in domestic liquidity.

Despite the increase in inflation, the authorities did not raise nominal interest rates. These rates therefore became highly negative in real terms, which increased both the domestic demand for credit and the pressures on the free market for foreign exchange. In fact, during the second quarter the quotation for the dollar on the free market increased by 20%, bringing it to almost twice the commercial exchange rate (table 6). In order to curb this trend, in March the Central Bank adopted a more restrictive monetary policy which included the payment of an interest rate of more than 30% on short-term deposits maintained by the commercial banks with the monetary authority. This measure caused the growth rate of liquidity to show signs of slowing down during the second quarter, although it continued to be much higher than the rate recorded up to the middle of the previous year (table 7).

In contrast with the unfavorable evolution of the domestic variables, exports benefited from the increase in the international price of petroleum following the OPEC meeting in December 1986, at which member countries agreed to restore the system of individual production quotas. In fulfillment of this agreement, Venezuela slightly reduced its production and exports of crude. However, on account of the recovery in the average price of oil, the monthly foreign exchange earnings from fuel exports increased by 18% during the first four months in comparison with the 1986 average. Even so, this income continued to be one-third lower than the level recorded two years previously (table 1). The total value of exports increased more moderately owing to the slower growth of non-traditional exports. As a result of the loss of dynamism in economic activity and, particularly, of the sharp increase in the exchange rate, imports fell by almost 20% during the first six months in comparison with the same period of 1986 (table 4).

The balance on capital movements continued to be highly negative, since the amortization payments on the external debt once again exceeded the gross amount of loans received. Consequently, in February the authorities signed an agreement with the international commercial banks, which provides for a new restructuring of the external public debt, the extension of its amortization periods to fourteen and a half years and the reduction of the spread over LIBOR to 7/8. However, the agreement does not modify the maturity dates on the bilateral public debt or those of the external private debt. Moreover, the negotiations conducted with the banks with a view to obtaining additional net financing through an expansion of the commercial lines of credit, the issue of bonds or the granting of credits for specific projects did not succeed in increasing the volume of effectively available resources. Consequently, international reserves continued to decline, dropping in May to their lowest level of the last five years (table 5).

Table 1

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

	Production		Exports		
	Crude Oil a	Petroleum products a	Volume a	Prices b	Income c
1985	1 680	889	1 571	25.89	1 065
1986	1 784	899	1 535	13.89	602
1987 d	1 710	812 e	1 469	16.15	711
1986					
I	1 696	901	1 384	17.60	731
II	1 721	906	1 562	11.91	558
III	1 954	854	1 670	11.38	570
IV	1 765	896	1 522	12.09	552
1987 Jan	1 705	864	1 424	16.30	720
Feb	1 708	760	1 541	15.40	665
Mar	1 771	...	1 445	16.10	723
Apr	1 657	...	1 466	16.75	737

Source: ECLAC, on the basis of figures supplied by Petr6leos 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-April average. e: January-February average.

Table 2

VENEZUELA: INDICATORS OF ECONOMIC ACTIVITY
(Monthly averages)

Averages	Steel products a	Petrochemicals a	Cement shipments b	Automobile sales c
1985	255	134	7 036	10 252
1986	288	172	8 704	12 492
I	245	167	7 479	10 564
II	280	171	9 196	12 428
III	291	163	9 322	13 320
IV	337	187	8 820	13 653
1987				
I	310	159	9 079	8 538
II	...	...	9 920	7 071

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

Table 3

VENEZUELA: CONSUMER PRICE INDEX a
(Percentage variations)

	1985			1986			1987		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
Jan	1.0	1.0	17.1	1.8	1.8	9.9	1.7	1.7	12.8
Feb	-0.4	0.6	15.7	0.9	2.7	11.3	2.5	4.1	14.5
Mar	0.4	1.0	14.7	-0.7	2.0	10.1	2.0	6.2	17.5
Apr	1.4	2.4	14.1	0.1	2.1	8.7	2.8	9.4	21.0
May	-0.2	2.2	11.4	1.3	3.4	10.4	4.3	14.0	24.4
Jun	0.5	2.7	10.8	1.7	5.2	11.7	4.1	18.7	27.3
Jul	0.7	3.5	10.2	1.0	6.2	11.9	5.2	24.9	32.8
Aug	0.2	3.6	9.5	0.9	7.1	12.6			
Sep	0.8	4.5	8.3	0.6	7.8	12.5			
Oct	1.2	5.7	8.0	2.1	10.1	13.5			
Nov	1.7	7.5	8.4	1.4	11.6	13.1			
Dec	1.4	9.0	9.0	1.1	12.9	12.9			

Source: 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		Other ^c		
					Publ.	Priv.			
1984	15 227	2 054	17 281	7 664	5 218	382	2 707	15 971	1 310
1985	13 314	2 265	15 579	7 197	4 231	751	2 169	14 348	1 233
1986	8 023	2 529	10 552	6 716	3 996	1 087	2 717	14 516	-3 964
I	2 595	552	3 147	1 845	801	197	636	3 479	-332
II	1 796	638	2 434	1 409	1 003	411	470	3 293	-859
III	1 968	657	2 625	1 879	801	237	967	3 884	-1 259
IV	1 664	682	2 346	1 583	1 391	242	644	3 860	-1 514
1987									
I	2 033	442	2 475	1 061	814	320	664	2 859	-384
II d	2 471	652	3 123	1 580	561	468	800	3 409	-286

Source: ECLAC, on the basis of data supplied by the Central Bank of Venezuela and Venecconomía, S.A.

a: Includes receipts from the Venezuelan Investment Fund. b: Imports of goods and services. Includes 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.

d: Preliminary figures.

Table 5

VENEZUELA: NET INTERNATIONAL RESERVES
(Millions of dollars)

At the end of:	1984	1985	1986	1987
Mar	11 071	13 027	13 442	9 607
Jun	11 874	13 465	12 611	9 267
Sep	12 381	13 287	11 375	
Dec	12 469	13 750	9 858	

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
(Bolívares per dollar)

	1983	1984	1985	1986	1987
Jan	4.3	13.8	13.5	17.3	23.2
Feb	4.3	13.0	13.3	18.9	22.9
Mar	8.1	14.2	13.1	19.1	23.1
Apr	9.3	15.7	12.9	19.3	24.7
May	10.0	16.2	13.2	19.3	28.5
Jun	11.3	14.0	14.0	17.6	27.9
Jul	14.5	13.0	14.2	19.8	29.1 a
Aug	14.3	12.7	14.4	19.8	
Sep	12.9	12.0	14.6	20.5	
Oct	12.5	12.3	14.6	23.6	
Nov	13.0	12.6	15.1	23.8	
Dec	12.8	12.7	14.9	23.6	

Source: ECLAC, on the basis of data supplied by the Central Bank of Venezuela and Venecconomía, S.A.

a: Up to July 23.

Table 7

VENEZUELA: MONETARY AGGREGATES
(Percentage variations)

	Monetary base						M2					
	1985		1986		1987		1985		1986		1987	
	Month	12Ms.	Month	12Ms.	Month	12Ms.	Month	12Ms.	Month	12Ms.	Month	12Ms.
Jan	-4.5	-1.5	-3.7	24.1	-5.3	8.2	-1.4	7.7	-0.7	9.7	-0.7	16.6
Feb	1.6	1.1	-4.6	15.8	-1.3	12.0	0.7	7.7	-0.1	8.7	1.5	18.5
Mar	5.4	9.9	-0.4	9.4			0.6	7.5	-0.5	7.5	0.8	20.0
Apr	3.9	14.6	12.3	18.7			1.2	8.8	3.5	10.0	2.1	18.5
May	0.9	25.8	1.6	19.0			0.8	10.7	1.8	11.0	1.6	18.3
Jun	5.9	29.1	3.8	16.6			-0.2	9.8	1.4	12.7		
Jul	0.2	31.6	-1.3	15.2			1.3	10.7	2.1	13.6		
Aug	-0.5	28.5	1.8	17.4			-0.4	10.3	2.3	16.5		
Sep	-4.5	24.2	-2.5	20.3			0.3	9.9	0.8	17.2		
Oct	8.3	38.7	-4.2	6.7			1.5	11.2	1.3	17.2		
Nov	2.5	36.7	4.6	8.2			1.6	10.7	1.3	16.7		
Dec	1.7	22.1	3.5	10.1			2.5	8.7	2.4	16.6		

Source: ECIAC, 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 a
				Domestic credit	Variation in reserves	
1985						
I	29.8	20.9	8.9	-2.3	-6.6	18.5
II	28.8	26.4	2.4	-0.4	-2.0	20.6
III	23.1	23.3	-0.1	3.2	-3.1	23.7
IV	26.1	30.1	-4.0	-0.2	4.2	19.4
1986						
I	27.3	21.2	6.1	-3.2	-2.9	22.3
II	26.6	32.7	-6.1	5.9	0.2	22.1
III	21.5	26.4	-4.9	-1.4	6.3	15.6
IV	25.6	25.9	-0.4	2.2	-1.8	17.5
1987						
I	25.7	28.8	-3.0	0.7	3.7	13.8

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

a: Balance at end of period.



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