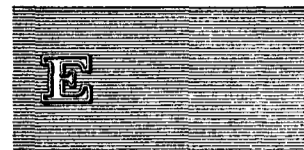


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## **ECONOMIC AND SOCIAL COUNCIL**



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E C L A

Economic Commission for Latin America

ECONOMIC SURVEY OF LATIN AMERICA, 1983:  
ADVANCE SUMMARY\*

\* This document is a preliminary and partial version of the Introduction of  
the Economic Survey of Latin America, 1983

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## I. PRINCIPAL TRENDS

The economic evolution of Latin America in 1983 was basically characterized by three principal features. The first of these was the exacerbation of the crisis which began in 1981 and which by 1982 had already reached dimensions not witnessed since the Great Depression of the 1930s. The second was the notable adjustment effort undertaken by many economies of the region in order to reduce the profound disequilibria that had developed in the external sector over previous years. Lastly, the third feature was an extraordinary contraction, for the second consecutive year, of net capital inflows, with its accompanying dimension of the transfer of resources abroad by Latin American countries.

### 1. The decline in internal economic activity and the acceleration of inflation

As in 1982, the crisis affected almost all of the countries of the region and manifested itself in the deterioration of the principal internal economic indicators for 1983. Thus, during the year gross domestic product fell, the employment situation worsened, and there was a marked acceleration in the rate of inflation.

According to available preliminary data, it is estimated that the gross domestic product of Latin America declined by 2.8% in 1983, after having fallen by 1% in 1982 and having risen by only 1.5% in 1981. Reflecting this new decline in global economic activity, and the growth of population, the per capita product fell by something more than 5% and declined in 17 of the 19 countries of the region for which comparable data are available.

This decline in economic activity, coupled with the falls registered in the two previous years, generated a situation in which 1983 per capita product was almost 9% less than that registered in 1980 and was equivalent to what the region has already reached in 1977. (See table 1.) Indeed, the setback to the real level of living was even greater, because national income per capita declined during the last three years by almost 12%, as a consequence of the continued and marked deterioration over the period of the terms of trade and the considerable rise that took place in net remittances of interest and profits.

The reduction of economic activity was also accompanied by rises in the rates of urban unemployment and falls in real wages in the majority of the countries for which relatively reliable data are available.

In spite of all this, and as occurred in the three previous years, inflation accelerated spectacularly and reached unprecedented levels. Thus, for the region as a whole the simple average rate of increase of consumer prices rose from 48% in 1982 to 66% in 1983; the rate weighted by population rose even more sharply from 86% in 1982 to 130% in 1983. Although these increases reflected relatively generalized trends, they were nevertheless influenced by the particularly high rates of inflation registered in some

/Table 1

Table 1  
LATIN AMERICA: MAIN ECONOMIC INDICATORS<sup>a</sup>

	1975	1977	1978	1979	1980	1981	1982	1983 <sup>b</sup>
Gross domestic product at market prices (billions of 1970 dollars)	263	292	305	326	345	350	347	337
Population (millions of inhabitants)	303	318	326	334	343	351	359	369
Per capita gross domestic product (1970 dollars)	868	916	936	974	1 007	997	964	915
Per capita gross national income (1970 dollars)	867	918	929	972	1 009	985	938	891
<b>Growth rates</b>								
Gross domestic product	3.7	5.0	4.7	6.6	5.9	1.5	-1.0	-2.8
Per capita gross domestic product	1.2	2.4	2.2	4.0	3.4	-0.9	-3.3	-5.1
Per capita gross national income	-0.3	2.5	1.3	4.6	3.8	-2.4	-4.8	-5.0
Consumer prices <sup>c</sup>	57.8	40.0	39.0	54.1	52.8	60.8	85.8	129.9
Terms of trade (goods)	-14.0	6.0	-10.9	4.4	4.2	-7.3	-7.0	-6.1
Current value of exports of goods	-7.1	18.9	7.5	34.3	30.1	7.0	-8.5	-0.9
Current value of imports of goods	-7.0	14.8	13.8	25.8	32.3	7.6	-19.9	-30.2
<b>Billions of dollars</b>								
Exports of goods	35.0	48.2	51.8	69.6	90.5	96.8	88.6	87.8
Imports of goods	40.4	48.3	55.0	69.1	91.5	98.4	78.9	55.0
Trade balance (goods)	-5.4	-0.1	-3.2	0.5	-1.0	-1.6	9.7	32.8
Net payments for profits and interest	5.8	8.6	10.5	14.2	19.0	27.9	36.8	32.7
Balance on current account <sup>d</sup>	-13.7	-11.7	-18.3	-19.6	-27.7	-40.3	-36.3	-6.1
Net capital movement <sup>e</sup>	14.5	17.3	26.4	29.0	29.9	37.9	16.7	3.2
Global balance <sup>f</sup>	0.8	-5.6	8.1	9.4	2.2	-2.4	-19.6	-2.9
Global gross external debt	...	...	151.1	182.8	221.9	275.6	310.4	332.5

Source: ECLA, on the basis of official figures.

<sup>a</sup>Product, population and income figures refer to the group formed by the countries included in table 3, except Cuba. Consumer price figures refer to those 19 countries plus Barbados, Guyana, Jamaica and Trinidad and Tobago, except in the case of 1982, when Guyana is excluded, and in 1983, when Guyana and Haiti are excluded. The figures for the external sector relate to those 19 countries plus Barbados, Guyana and Trinidad and Tobago, except for the figures on the external debt, which relate to the original 19 countries plus Guyana.

<sup>b</sup>Provisional estimates subject to revision.

<sup>c</sup>Variation from December to December.

<sup>d</sup>Includes net unrequited private transfer payments.

<sup>e</sup>Includes long- and short-term capital, unrequited official transfer payments, and errors and omissions.

<sup>f</sup>Variation in international reserves plus counterpart entries.

/countries. During

countries. During 1983, the level of prices more than quintupled in Argentina, more than quadrupled in Bolivia, tripled in Brazil, and more than doubled in Peru. At the same time, in Mexico prices rose by 80%, while in both Ecuador and Uruguay they increased by more than 50%.

## 2. The reduction of the external disequilibrium

The deterioration of the majority of internal economic indicators coincided with a significant reduction, albeit at a very high price, of the external disequilibrium. In effect, due in part to the marked contraction of internal levels of production and expenditure -which reduced the demand for imports and liberated goods for export- and in part due to the adjustment policies applied by numerous countries during 1983, Latin America generated an unprecedented trade surplus. The trade balance which until 1981 had been regularly in deficit, but which by 1982 had already closed with a surplus of more than 9.7 billion dollars in 1983 registered a surplus of almost 33 billion dollars. (See figure 1.)

This surplus was due, however, exclusively to the new and spectacular fall of imports, whose value declined by 30%, after having fallen by 20% in 1982. This unprecedented decline in the purchases of goods abroad was accompanied by, as in 1982, an almost equally intense fall in import volume, which constituted, at the same time, both an effect and a cause of the reduced internal economic activity in the region. At the same time, the value of exports of goods fell by 1% in 1983. This light fall occurred in spite of an increase of almost 7% in export volume, which resulted principally from the considerable increase in many countries of real exchange rates and a significant contraction of internal demand in many of these same countries.

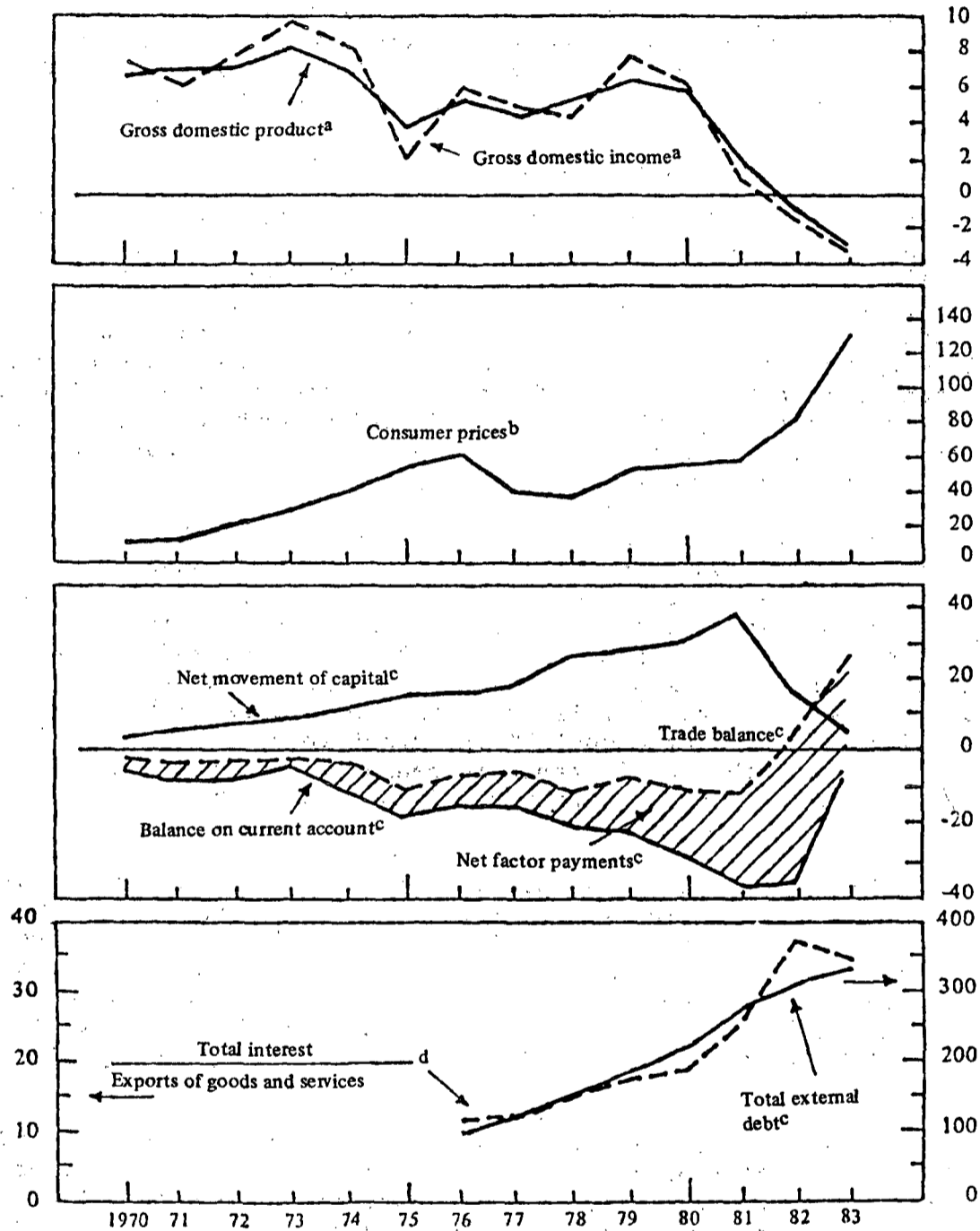
On the other hand, the fall in economic activity and the decline that took place in nominal interest rates in the principal world financial markets contributed in 1983 to reduced net payments of profit and interest, thereby interrupting the continuous and sharp growth of these payments of recent years. Indeed, the amount of these remittances, which between 1977 and 1982 more than quadrupled, rising from 8.6 billion dollars to 36.8 billion dollars, declined to a little less than 33 billion dollars in 1983. (See again table 1.)

As a consequence of the large surplus generated in the trade of goods, the fall in remittances of profit and interest, and the considerable decline that also was experienced in the net payments of services, the current account deficit was sharply reduced, from 36.3 billion dollars in 1982 to 6.1 billion dollars in 1983. This was the lowest deficit registered since 1974.

The exceptional reduction of the current account deficit coincided with, and in a large degree, was caused by a no less drastic contraction of the net flow of capital. The latter, which in 1982 already had fallen by 56%, after having reached a historical maximum of almost 38 billion dollars in 1981, fell again in 1983, barely reaching 3.2 billion dollars.

/Figure 1

Figure 1  
LATIN AMERICA: MAIN ECONOMIC INDICATORS



Source: ECLA, on the basis of official information.

<sup>a</sup>Annual growth rate.

<sup>b</sup>Weighted percentage variation from December to December.

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

<sup>d</sup>Percentage.

/In these

In these circumstances, and notwithstanding the considerable reduction of the current account deficit, the overall balance of payments closed with a deficit of almost 2.9 billion dollars, which although much lower than the 19.6 billion dollar deficit registered in 1982, still induced a new fall in the level of international reserves of Latin America.

Also as a consequence of the decline in net flows of capital the rate of growth of external debt diminished for the second consecutive year. In effect, in 1983 the external debt of Latin America rose by 7%, that is, as a rate well below the 13% corresponding to 1982, and much less than the 23% registered on average in the period 1978-1981. In any event, due to the stagnation of the value of the exports of goods and services and the fall in the level of gross domestic product, both the coefficients debt/exports as well as debt/product reached unprecedented levels in 1983. While there was a slight fall in 1983 in the proportion of export earnings that were absorbed by interest payments, it continued to be very high (34.5%) from a historical point of view. (See again figure 1.)

### 3. The fall-off of net capital inflows and the transfer of real resources

As already mentioned, in 1983 the net flow of capital fell sharply for the second consecutive year. Indeed, the fall was so strong that the inflow of capital was inferior to the payments of interest and profits on foreign capital. Therefore, just as in 1982, Latin America, instead of receiving a net transfer of resources from abroad, actually effected a transfer of resources to the rest of the world.

This transfer also reached considerable amounts: 20 billion dollars in 1982 and almost 30 billion dollars in 1983; that is, magnitudes equivalent to 19% and 28% of the value of export of goods and services, respectively. Considered from another angle, the inversion of the direction of flows of financial payments that occurred between 1981 and 1983 was equivalent in its effect to a fall of approximately 36% in the terms of trade. Indeed, as one can see in table 2, in 1981 the positive difference between the inflow of capital and the payment of profit and interest increased the capacity to import of the region by the equivalent of almost 8.5% of the value of exports of goods and services. In 1983, in contrast, the negative balance between these two financial flows reduced the capacity to import of the region by the equivalent of 28% of the exports of goods and services. 1/

In order to appreciate adequately what these figures mean it is appropriate to remember that the effect of the decline of the terms of trade in this period was around 13%. As a consequence, with respect to the capacity to import, the negative effect of the fall of net capital inflows and of the increase of the payment of profits and interest almost tripled the effects generated by the deterioration of the terms of trade.

/Table 2

Table 2

LATIN AMERICA: NET CAPITAL INFLOWS AND TRANSFER OF RESOURCES

(Billions of dollars and percentages)

	Net effective capital inflow <sup>a</sup> (1)	Un-registered transactions <sup>b</sup> (2)	Net capital inflow (1 + 2) (3)	2/1 (4)	Net payments of profits and interests (5)	Transfer of resources (1 - 5) (6) (3 - 5) (7)		Exports of goods and services (8)	6/8 (9)	7/8 (10)	Variation in the terms of trade (11)
1970	4.1	0.1	4.2	0.9	3.0	1.1	1.2	17.9	6.5	6.7	3.4
1971	5.2	-0.1	5.1	-2.3	3.2	2.0	1.9	18.8	10.3	9.7	-2.7
1972	5.9	1.3	7.2	22.9	3.3	2.6	3.9	21.8	11.9	18.1	2.8
1973	8.8	-0.7	8.1	-7.5	4.4	4.4	3.7	30.3	14.3	12.1	13.4
1974	13.3	-1.7	11.6	-13.1	5.3	8.0	6.3	46.0	17.5	13.7	15.8
1975	16.4	-1.7	14.7	-10.3	5.7	10.7	9.0	43.7	24.3	20.4	-14.0
1976	18.9	-0.7	18.2	-3.6	7.0	11.9	11.2	50.0	23.9	22.5	4.6
1977	15.8	1.5	17.3	9.8	8.5	7.3	8.8	58.7	12.3	15.0	6.0
1978	24.6	1.7	26.3	7.4	10.5	14.1	15.8	64.5	22.0	24.6	-10.9
1979	27.4	1.6	29.0	5.8	14.1	13.3	14.9	85.8	15.5	17.4	4.4
1980	35.9	-5.7	30.2	-16.1	18.5	17.4	11.7	110.9	15.6	10.5	4.2
1981	48.6	-10.7	37.9	-22.0	27.9	20.7	10.0	119.6	17.3	8.4	-7.3
1982	26.8	-10.1	16.7	-37.7	36.8	-10.0	-20.1	108.9	-9.2	-18.5	-7.0
1983 <sup>c</sup>	9.7	-6.5	3.2	-67.0	32.7	-23.0	-29.5	105.0	-21.9	-28.1	-6.1

Source: 1970-1981: International Monetary Fund, *Balance of Payments Yearbook*; 1982-1983: ECLA, on the basis of official figures.

<sup>a</sup>Equals net capital inflows less unregistered transactions.

<sup>b</sup>Corresponds to error and omissions of the balance of payments.

<sup>c</sup>Preliminary estimates.

/Thus, the



Thus, the spectacular change in the direction of financial flows was a decisive cause in the generalized contraction of economic activity in Latin America and in the difficulties that some countries confronted with respect to the service of their external debt. In effect, as can be appreciated by again viewing table 2, until 1981 the region received inflows of capital in amounts that amply exceeded the sum of payments due to amortization, investments made abroad, and remittances of interest and profits. Indeed, during 1973-1981 this transfer of resources was equivalent, on average, to 16% of the value of exports, which at the same time had risen at an average rate of close to 20% per annum. In these circumstances, Latin America could pay amortization and interest on the external debt and profits on foreign capital with the new loans and investments received annually.

However, the magnitude of this transfer of resources began to diminish in 1979, because the increases in net capital flows were more than offset by the increases that were taking place in the payments of interest and profits. This tendency was accentuated in the period 1982-1983 when the sharp fall of net capital inflows aggravated the negative impact of the international recession; these circumstances forced numerous countries of the region to apply much more drastic adjustment policies than would have otherwise been necessary to confront the situation. Thus, due to the procyclical behavior of capital flows, Latin America had to effect the major part of its payments of interest and profits in 1983 with resources derived from commercial trade surpluses and the drawdown of previously accumulated international reserves. As already explained, as a consequence of the unfavorable external environment, the commercial trade surplus was generated not by an increase in exports, which would have had an expansive effect on the economies, but by an extremely severe contraction in the volume of imports, which constituted the principal cause for the decline in internal economic activity of the region.

## II. PRODUCTION AND EMPLOYMENT

As already mentioned, in 1983 the loss of dynamism that the Latin American economy had been experiencing over the two previous years was sharply accentuated. In fact, after having risen by less than 1.5% in 1981 -the lowest rate of growth registered since 1940- and having fallen by 1% in 1982, the gross domestic product of the region contracted by 2.8% in 1983. (See table 3 and figure 2.)

As a result of this unprecedented reduction of the economic activity and the growth of population, per capita product fell for the third year in a row, but at a much higher rate (-5.1%) than in 1981 (-0.9%) and 1982 (-3.3%). Consequently, the per capita product was 9% lower in 1983 than in 1980.

/Table 3

Table 3  
**LATIN AMERICA: EVOLUTION OF GLOBAL GROSS DOMESTIC PRODUCT**  
*(Annual growth rates)*

Country	1970- 1974	1975- 1978	1979- 1980	1981	1982	1983 <sup>a</sup>	1981- 1983 <sup>ab</sup>
Argentina	4.0	0.5	4.0	-5.9	-5.4	2.8	-8.8
Bolivia	5.6	5.1	1.2	-1.1	-9.1	-7.6	-17.0
Brazil	11.1	6.4	7.3	-1.9	1.1	-3.3	-4.1
Colombia	6.6	4.9	4.7	2.1	1.2	1.0	4.4
Costa Rica	7.1	5.7	2.8	-4.6	-9.0	-0.8	-12.5
Cuba <sup>c</sup>	8.7 <sup>d</sup>	6.0 <sup>e</sup>	1.5	15.6	2.7	5.0	24.6
Chile	0.9	1.7	8.0	5.7	-14.3	-0.8	-10.2
Ecuador	11.5	7.0	5.1	4.5	1.4	-3.3	2.5
El Salvador	4.9	5.5	-5.4	-9.3	-6.4	-	-15.1
Guatemala	6.4	5.5	4.2	0.9	-3.7	-2.0	-4.8
Haiti	4.7	3.3	5.4	0.3	-3.6	0.5	-2.8
Honduras	3.9	5.8	4.8	0.4	-0.6	-0.3	-0.5
Mexico	6.8	5.3	8.8	7.9	-0.5	-4.5	2.5
Nicaragua	5.4	1.5	-9.5	8.7	-1.2	5.3	13.1
Panama	5.8	3.5	8.7	4.2	5.0	0.9	10.4
Paraguay	6.4	9.2	11.0	8.5	-2.0	-3.7	2.3
Peru	4.8	1.5	4.0	3.9	0.4	-11.8	-8.0
Dominican Republic	10.1	4.7	5.3	4.1	1.6	3.9	9.8
Uruguay	1.3	4.1	6.0	-0.1	-8.7	-4.7	-13.1
Venezuela	5.4	6.0	-0.4	0.4	0.6	-3.0	-2.1
<b>Total<sup>f</sup></b>	<b>7.1</b>	<b>4.8</b>	<b>6.2</b>	<b>1.5</b>	<b>-1.0</b>	<b>-2.8</b>	<b>-2.3</b>

Source: ECLA, on the basis of official figures.

<sup>a</sup>Preliminary estimates subject to revision.

<sup>b</sup>Cumulative variation for the period.

<sup>c</sup>Refers to the concept of global social product.

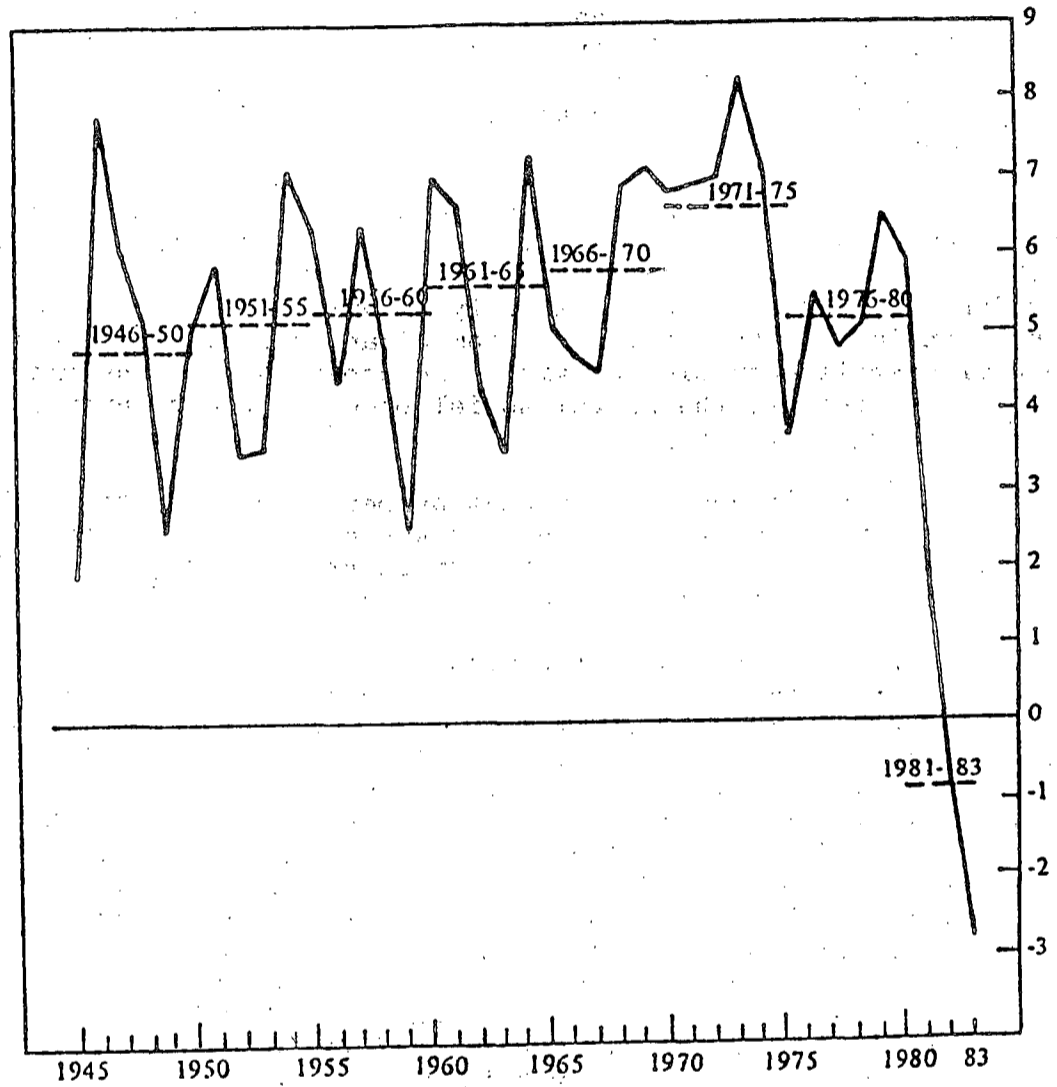
<sup>d</sup>Relates to the period 1971-1974. These figures are not comparable with those of the following period 1976-1983 because of methodological reasons.

<sup>e</sup>Relates to the period 1976-1978.

<sup>f</sup>Average excluding Cuba.

/Figure 2

Figure 2  
LATIN AMERICA: ANNUAL GROWTH RATE OF THE  
GROSS DOMESTIC PRODUCT



Source: ECLA, on the basis of official information.

/The exceptional

The exceptional intensity of the decline in the economic activity over the last three years was also reflected in the large falls in the per capita product of several Latin American countries. During the period, per capita product fell by over 22% in Bolivia and El Salvador; by 19% in Costa Rica; by about 15% in Uruguay, Perú and Chile; by almost 13% in Argentina and Guatemala; 11% in Venezuela, and by approximately 10% in Brazil, Haiti and Honduras. (See table 4.)

As in 1982, the decline of economic activity was widespread. Indeed, the gross domestic product dropped in 11 of the 19 countries for which comparable information is available; remained virtually at a standstill in El Salvador and Haiti; and rose slightly in Colombia, Costa Rica and Panama. Only in Argentina, Nicaragua and the Dominican Republic did the rate of increase of overall economic activity rise above that of the growth rate of population. Meanwhile, the global social product rose by around 5% in Cuba. 2/ (See again table 3.)

Nevertheless, in contrast to what happened in 1982, the decline in the product of the region as a whole in 1983 was due in particular to the highly unfavorable trends in productive activity in Brazil and Mexico, which are by far the two largest economies in Latin America.

In Mexico, the gross domestic product, which had fallen slightly in 1982, declined by 4.5% in 1983, while the industrial output fell by 8.5% and construction was reduced by almost 14.5%. Under these circumstances the rate of unemployment in the principal urban centers rose to 13%, doubling that registered in 1982 and tripling the figure for 1981, which was the year that culminated the economic expansion that was initiated in 1978. (See tables 5 and 6.) The principal causes of the sharp contraction of economic activity and of the deterioration of the labour situation were the drastic falls in internal demand and the volume of imports which were provoked by the restrictive policies applied by the government with a view to strengthening the balance of payments and controlling the intense inflationary process that had been unleashed the year before. This policy, while managing to reduce by half the large deficit of the public sector registered in 1982, and also contributing to the generation of an impressive trade surplus on the balance of payments, induced at the same time sharp reductions in fiscal outlays, private investment and salaries, with the consequent negative effects on internal expenditure and the level of economic activity.

Meanwhile, in Brazil -a country which by itself generates around one-third of the gross domestic product of the region- global economic activity fell by more than 3% after having risen marginally in 1982. Along with Mexico, production cutbacks were very severe in manufacturing (-6%) and, above all, in the construction (-19%), both being sectors which had stagnated totally in 1982 and had contracted in 1981. In this fall of the level of economic activity -without precedent in the last half century- several factors were decisive, among them being the new and strong reduction which took place in the volume of imports and the severe cutbacks introduced in

Table 4  
LATIN AMERICA: EVOLUTION OF PER CAPITA GROSS DOMESTIC PRODUCT<sup>a</sup>

Country	Dollars at 1970 prices					Annual growth rates				
	1970	1980	1981	1982	1983 <sup>b</sup>	1980	1981	1982	1983 <sup>b</sup>	1981-1983 <sup>bc</sup>
Argentina	1 241	1 345	1 245	1 159	1 173	-0.5	-7.4	-6.9	1.2	-12.8
Bolivia	317	382	368	326	293	-2.1	-3.7	-11.5	-10.0	-23.3
Brazil	530	958	919	908	859	5.4	-4.1	-1.2	-5.4	-10.4
Colombia	587	824	823	816	806	1.9	-0.1	-1.0	-1.2	-2.2
Costa Rica	740	974	904	801	787	-2.1	-7.2	-11.4	-1.8	-19.3
Cuba <sup>d</sup>	...	...	...	...	...	-1.9	14.8	2.1	4.4	22.5
Chile	967	1 047	1 088	916	894	6.0	3.9	-15.8	-2.5	-14.6
Ecuador	420	732	742	729	683	1.7	1.3	-1.7	-6.3	-6.7
El Salvador	422	432	380	346	336	-11.6	-11.9	-9.0	-2.9	-22.2
Guatemala	439	561	549	514	489	0.7	-2.1	-6.5	-4.8	-12.8
Haiti	123	148	145	136	134	3.3	-2.2	-5.9	-2.0	-9.8
Honduras	313	357	346	332	320	-0.7	-3.0	-4.0	-3.6	-10.2
Mexico	978	1 366	1 436	1 391	1 294	5.5	5.1	-3.1	-6.9	-5.3
Nicaragua	413	341	359	343	349	6.7	5.3	-4.4	1.8	-2.5
Panama	904	1 154	1 176	1 208	1 193	8.6	2.0	2.7	-1.2	3.4
Paraguay	383	633	665	632	590	7.9	5.1	-4.9	-6.6	-14.4
Peru	659	690	698	683	587	1.2	1.2	-2.2	-14.1	-15.0
Dominican Republic	378	601	611	606	615	3.6	1.7	-0.8	1.5	2.4
Uruguay	1 097	1 423	1 412	1 281	1 212	5.1	-0.8	-9.3	-5.4	-14.8
Venezuela	1 205	1 268	1 230	1 197	1 124	-5.1	-3.0	-2.7	-6.1	-11.4
<b>Total<sup>e</sup></b>	<b>721</b>	<b>1 007</b>	<b>997</b>	<b>964</b>	<b>915</b>	<b>3.4</b>	<b>-0.9</b>	<b>-3.3</b>	<b>-5.1</b>	<b>-9.1</b>

Source: ECLA, on the basis of official figures.

<sup>a</sup> At market prices.

<sup>b</sup> Preliminary estimates subject to revision.

<sup>c</sup> Cumulative variations for the period.

<sup>d</sup> Refers to the concept of global social product.

<sup>e</sup> Average excluding Cuba.

/Table 5

Table 5  
**LATIN AMERICA: EVOLUTION OF THE MAIN SECTORS  
 OF ECONOMIC ACTIVITY**  
*(Growth rates)*

	Agriculture				Manufacturing industry				Construction			
	1981	1982	1983 <sup>a</sup>	1981-1983 <sup>ab</sup>	1981	1982	1983 <sup>a</sup>	1981-1983 <sup>ab</sup>	1981	1982	1983 <sup>a</sup>	1981-1983 <sup>ab</sup>
Argentina	2.4	7.1	0.8	10.5	-16.0	-4.8	9.9	-12.1	-7.9	-19.4	-6.5	-30.5
Bolivia	7.0	-2.2	-22.0	-18.4	-3.8	-15.3	-7.5	-24.6	-34.9	-40.0	-	-60.9
Brazil	6.9	-2.5	2.2	6.4	-6.4	0.1	-6.3	-12.3	-4.3	0.4	-19.0	-22.8
Colombia	3.0	-0.2	2.1	4.9	3.2	-2.0	-0.2	0.9	9.4	5.0	3.1	18.5
Costa Rica	1.2	-4.9	4.4	0.5	-3.7 <sup>c</sup>	-14.9 <sup>c</sup>	-1.8 <sup>c</sup>	-19.5 <sup>c</sup>	-11.6	-32.6	-6.0	-44.0
Cuba <sup>d</sup>	13.1	-4.1	0.7	9.2	17.4	3.0	4.7	26.6	19.3	0.4	10.7	32.6
Chile	5.3	-2.3	-1.0	1.9	2.6	-21.6	3.0	-17.2	21.1	-29.0	0.2	-13.9
Ecuador	5.7	2.8	-14.9	-7.6	6.1	4.0	-5.6	4.1	1.4	-0.7	-15.4	-14.8
El Salvador	-9.2	-7.7	3.2	-13.5	-16.2	-8.4	-4.3	-26.6	-1.3	-2.0	7.3	3.7
Guatemala	1.4	-2.2	-1.9	-2.7	-2.5	-5.8	-2.1	-10.0	16.0	-9.5	-10.6	-6.1
Haiti	-1.8	-4.2	3.3	-2.8	3.9	-3.3	-	0.4	4.1	-5.6	0.7	-1.4
Honduras	0.9	1.1	0.9	2.9	1.7	-1.3	0.6	1.0	-7.8	-4.2	-3.0	-14.2
Mexico	6.1	-0.6	3.2	8.8	7.0	-2.9	-8.5	-4.9	11.8	-5.0	-14.4	-9.1
Nicaragua	9.7	2.9	9.6	24.5	2.8	-1.7	4.6	5.7	34.9	-25.5	7.7	8.4
Panama	2.9	4.4	2.0	9.6	-2.7	5.6	-2.5	1.0	11.6	18.0	-20.0	5.4
Paraguay	6.7	-3.0	-4.8	-1.5	8.0	-4.5	-4.2	-1.2	16.7	-6.0	-5.4	3.8
Peru	10.7	2.1	-11.4	0.1	-0.2	-2.5	-17.2	-19.4	11.1	2.3	-21.4	-10.7
Dominican Republic	5.5	3.6	3.8	13.4	2.7	5.2	1.7	9.9	0.6	-4.9	14.5	-18.2
Uruguay	1.0	-6.8	2.1	-3.9	-4.6	-17.1	-7.0	-26.2	0.3	-12.8	-26.5	-35.7
Venezuela	-1.9	3.6	0.7	2.3	-1.8	2.1	-2.7	-2.4	-2.8	-4.8	-10.8	-17.5
Latin America <sup>e</sup>	4.6	0.1	0.8	5.5	-2.0	-2.5	-4.9	-9.2	2.0	-5.5	-13.8	-16.9

Source: ECLA, on the basis of official statistics.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Accumulated variations during the period.

<sup>c</sup> Includes mining.

<sup>d</sup> It refers to the concept of social product.

<sup>e</sup> Average excludes Cuba.

/Table 6

Table 6  
LATIN AMERICA: EVOLUTION OF URBAN UNEMPLOYMENT  
(Average annual rates)

Country	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Argentina <sup>a</sup>	5.4	3.4	2.6	4.5	2.8	2.8	2.0	2.3	4.5	4.7	4.0
Bolivia <sup>b</sup>	...	...	...	...	7.9	4.5	7.6	7.5	9.7	9.4	12.1
Brazil <sup>c</sup>	...	...	...	...	...	6.8	6.4	6.2	7.9	6.3	6.8
Colombia <sup>d</sup>	...	12.7	11.0	10.6	9.0	9.0	8.9	9.7	8.2	9.3	11.8
Costa Rica <sup>e</sup>	...	...	...	5.4	5.1	5.8	5.3	6.0	9.1	9.9	8.7
Chile <sup>f</sup>	4.8	8.3	15.0	16.3	13.9	13.3	13.4	11.7	9.0	20.0	18.9
Mexico <sup>g</sup>	7.5	7.4	7.2	6.8	8.3	6.9	5.7	4.5	4.2	6.8	13.0
Nicaragua <sup>h</sup>	...	...	...	...	...	...	21.4	11.1	11.5	18.6	17.5
Panama <sup>i</sup>	...	7.5	8.6	9.0	...	9.6	11.9	9.8	11.8	10.4	9.5
Paraguay <sup>j</sup>	...	...	...	6.7	5.4	4.1	5.9	3.9	2.2	...	9.4
Peru <sup>k</sup>	5.0	4.1	7.5	6.9	8.7	8.0	6.5	7.1	6.8	7.0	8.8
Uruguay <sup>l</sup>	8.9	8.1	...	12.7	11.8	10.1	8.3	7.4	6.7	11.9	15.5
Venezuela <sup>m</sup>	...	7.6	8.3	6.8	5.5	5.1	5.8	6.6	6.8	7.8	9.8

Source: ECLA and PREALC, on the basis of official figures.

<sup>a</sup>Federal Capital and Greater Buenos Aires. Average from April to October.

<sup>b</sup>La Paz. 1977 and 1978 second semester; 1979 annual average; 1980 May-October; 1981 nacional urban; 1982 and 1983 average April-October.

<sup>c</sup>Metropolitan areas of Rio de Janeiro, São Paulo, Belo Horizonte, Porto alegre, Salvador and Recife. Twelve-month average; 1980 average June to December.

<sup>d</sup>Bogotá, Barranquilla, Medellín and Cali. Average for March, June, September and December; 1983: average for March, June and September.

<sup>e</sup>National Urban. Average for March, July and November.

<sup>f</sup>Greater Santiago. Average for four quarters. As of August 1983, the information refers to the metropolitan area of Santiago.

<sup>g</sup>Metropolitan areas of México City, Guadalajara and Monterrey. Average for four quarters; 1982 and 1983: estimated annual average for the country as a whole.

<sup>h</sup>1979-1982 non-agricultural activities, 1983 estimates.

<sup>i</sup>National non-agricultural, except for 1978 and 1979, which refer to the urban sector. The figure for 1980 refers to unemployment in the urban area recorded by the population census and the figures for 1981 and 1982, to the metropolitan area. 1983 estimate of the annual average for the whole country.

<sup>j</sup>Asunción, Fernando de la Mora, Lambaré, urban areas of Luque and San Lorenzo. 1983: oficial estimate.

<sup>k</sup>Metropolitan Lima. 1978: average July to August; 1979: August to September; 1980: April; 1981: June; 1982 and 1983: official estimates for the whole country.

<sup>l</sup>Montevideo. Average for two semesters.

<sup>m</sup>National urban. Average for two semesters, 1983 first semester.

the public sector investment program as well as the growing uncertainty that was generated by the acceleration of inflation and the prolonged and laborious negotiations began by authorities in order to restructure the external debt and subscribe to a stand-by agreement with the IMF.

The declines in product were even more severe in Bolivia (-7.6%) and, above all, in Peru (-11.8%), countries which suffered in 1983 a combination of unusual natural disasters, characterized by torrential floods in certain regions and prolonged and intense droughts in others. These calamities particularly prejudiced agricultural production, which fell by 10% in Peru and 22% in Bolivia. To this one must add in the case of Peru a change of ocean currents which caused a sharp fall in the output of the fishing sector. Economic activity in both countries was also adversely affected by unusually strong inflationary pressures and, in Peru, by a dramatic fall in the volume of imports.

The situation was similar, although less serious in Ecuador, where domestic product fell by 3.3% because fishing, agriculture and manufacturing in the coastal region suffered the destructive effects of unusually heavy rains, flooding and tidal waves; because inflation reached an unprecedented level (52%), and because the volume of imports dropped dramatically (-35%).

The trends in production and unemployment continued to be very unfavorable in Uruguay. After having stagnated in 1981 and fallen by nearly 9% in 1982, gross domestic product declined by 4.7% in 1983. As in the previous year, this new decline was caused, in particular, by unfavorable trends in industrial production and construction -which suffered contractions of 7% and 27%, respectively, after having registered falls of 17% and 13% in 1982- and the extremely strong cutback in the volume of imports, which fell by 27% after having fallen by 30% in 1982 and 14% in 1981. Also, as in 1982, the decline in the economy was accompanied by a considerable increase in unemployment. In effect, the rate of unemployment in Montevideo, which almost doubled between 1981 and 1982, continued rising through the middle of 1983. In spite of the fact that the rate of unemployment began to decline in the second half of the year, its annual average was 15.5% and exceeded amply all figures registered in previous years. (See tables 6 and 7 and figures 3 and 4.)

During 1983 there also was a fall in the level of economic activity in Venezuela, whose gross domestic product contracted by around 3%. Given that product has remained almost totally stagnant since 1978, income per capita declined for the fifth consecutive year, while the rate of urban unemployment rose for the fifth consecutive year and reached the unprecedented level of almost 10%. As in the case of other countries, the two most important causes of the fall in the economic activity were the enormous decline in imports -whose volume was reduced by 60%- and the greater uncertainties generated by the devaluation of the bolivar and the profound modifications introduced in the exchange system, after a prolonged period in which there reigned a fixed exchange rate and virtually no restrictions on foreign currency transactions.



Table 7  
LATIN AMERICA: EVOLUTION OF UNEMPLOYMENT RATES IN MAIN CITIES

	1978	1979	1980	1981	1982	1983	1982				1983			
							I	II	III	IV	I	II	III	IV
<b>Argentina<sup>a</sup></b>														
Federal Capital and Greater Buenos Aires	2.8	2.0	2.3	4.5	4.7	4.4	...	5.7	...	3.7	...	4.9	...	3.1
Córdoba	3.9	2.2	2.4	3.8	4.4	...	...	4.8	...	3.9	...	4.3	...	...
Gran Mendoza	3.2	3.1	2.3	4.8	4.1	...	...	4.8	...	3.3	...	4.5	...	...
Rosario	3.9	2.9	3.4	5.8	8.4	...	...	8.3	...	8.1	...	6.3	...	...
<b>Brazil<sup>b</sup></b>														
Rio de Janeiro	...	...	7.5	8.6	6.6	6.3	9.3	6.8	5.6	4.5	6.0	6.5	6.5	6.2
São Paulo	...	...	5.7	7.3	6.0	6.9	8.3	5.7	5.6	4.3	6.7	7.2	7.0	6.6
Recife	...	...	6.9	8.6	7.5	8.1	9.1	7.9	7.3	5.7	7.5	8.5	7.4	8.0
Porto Alegre	...	...	4.5	5.8	5.3	6.8	6.4	5.3	5.2	4.1	6.1	7.1	8.5	6.7
<b>Colombia<sup>c</sup></b>														
Bogotá	7.3	6.6	7.9	5.5	7.4	8.7	8.5	7.0	6.8	7.1	7.9	9.4	8.9	...
Barranquilla	7.4	6.3	8.1	11.1	10.4	13.9	9.6	11.3	10.3	10.3	12.0	15.3	14.4	...
Medellín	12.7	14.3	14.7	13.1	13.3	17.1	12.6	12.4	15.0	13.1	17.1	18.2	16.1	...
Cali	9.8	10.7	10.0	9.0	9.6	11.7	9.7	9.6	9.9	9.0	11.6	11.8	11.8	...
La Paz (Bolivia) <sup>d</sup>	4.5	7.6	7.5	9.7	9.4	12.1	...	7.0	...	11.8	...	12.7	...	11.4
San José (Costa Rica) <sup>e</sup>	5.8	4.5	5.6	8.8	10.0	8.7	10.4	10.6	...	8.9	9.9	9.3	...	6.4
Santiago (Chile) <sup>f</sup>	13.8	13.4	11.8	10.0	20.0	18.9	15.0	19.1	23.9	21.9	21.7	19.5	18.0	16.5
Lima (Peru) <sup>g</sup>	8.0	6.5	7.1	6.8	7.0	8.8	...	7.0	...	...	...	8.8	...	...
Montevideo (Uruguay) <sup>h</sup>	10.1	8.4	7.4	6.6	11.9	15.5	10.7	11.3	11.7	13.8	15.9	16.1	15.2	14.6

Source: ECLA, on the basis of official figures.

<sup>a</sup> Figures for April and October.

<sup>b</sup> Trimesters averages. 1983 only up to november.

<sup>c</sup> Figures for March, June, September and December 1983 only up to September.

<sup>d</sup> 1978 second semester; 1979 average of two semesters; 1980 May-October; 1981 National rate; 1982 and 1983 June and September.

<sup>e</sup> Figures for March, July and November.

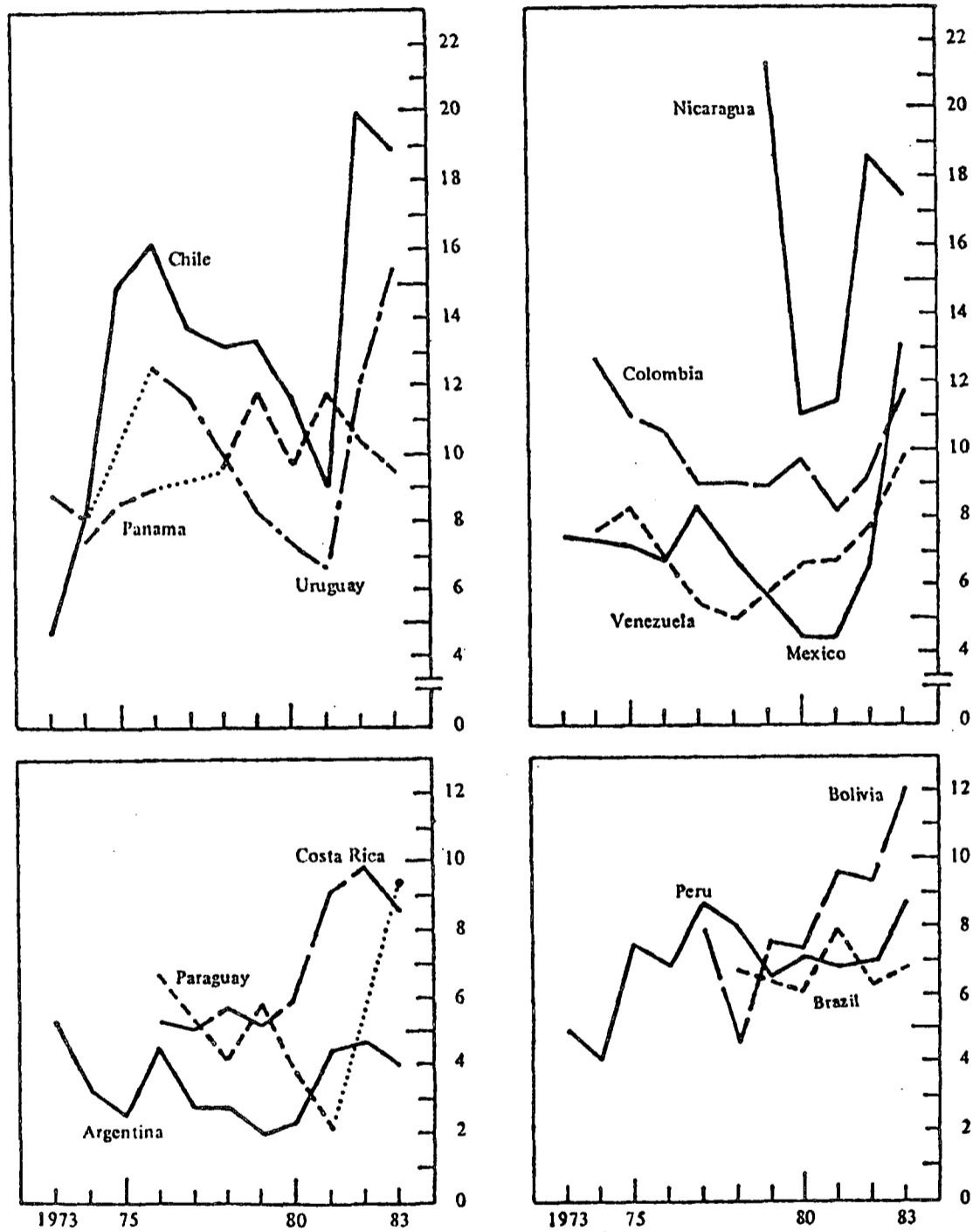
<sup>f</sup> Trimesters averages. Until August 1983, data refers to Greater Santiago and then to metropolitan area.

<sup>g</sup> 1978, average for July-August; 1979, September; 1980 April; 1981, June; 1982 and 1983 official estimates.

<sup>h</sup> Semesters averages for 1978, 1979 and 1980. Trimesters averages for 1981 and 1982.

/Figure 3

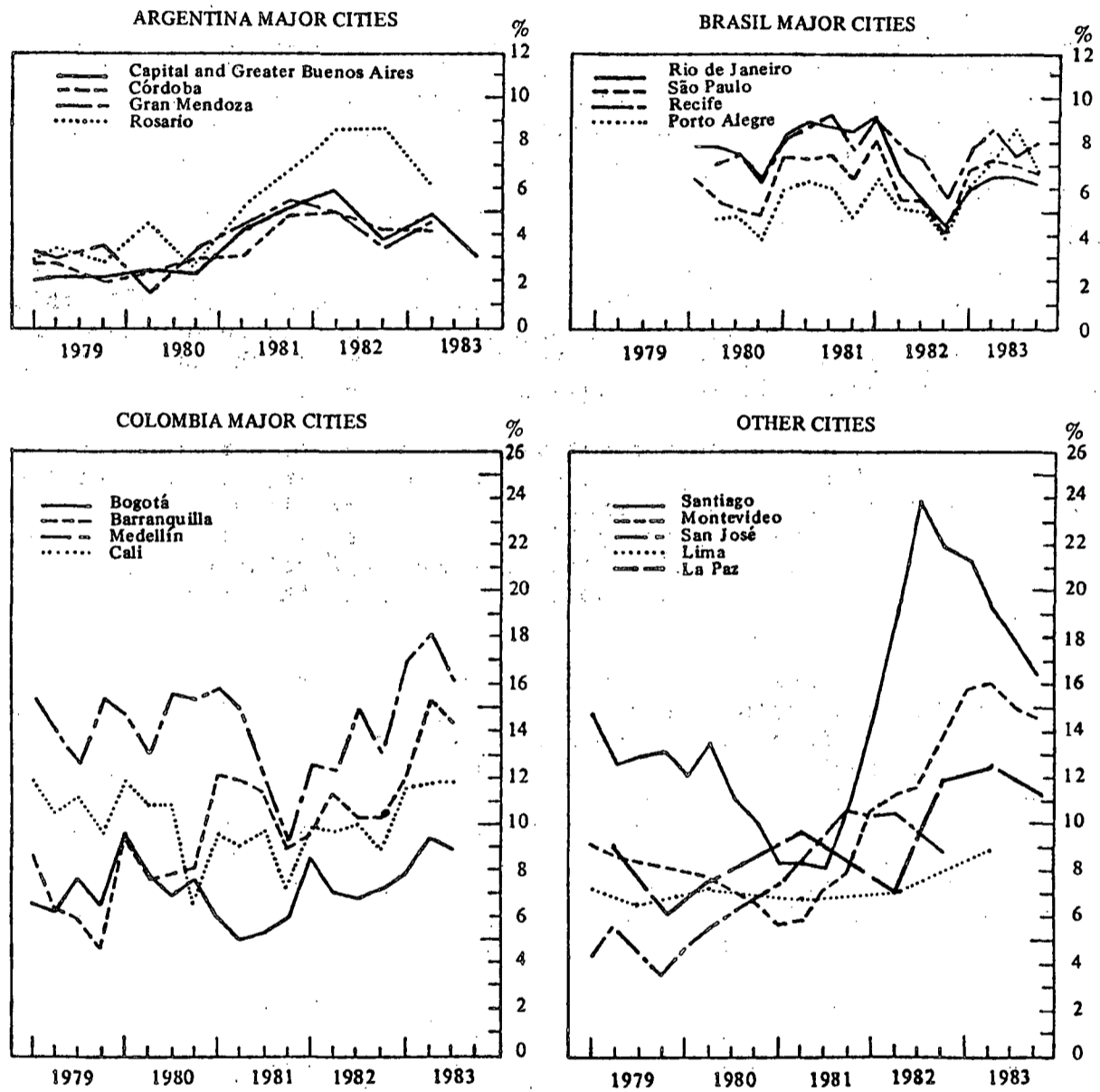
Figure 3  
LATIN AMERICA: EVOLUTION OF URBAN UNEMPLOYMENT



Source: ECLA, on the basis of official information.

/Figure 4

Figure 4  
LATIN AMERICA: EVOLUTION OF UNEMPLOYMENT  
IN SOME MAJOR CITIES



Source: ECLA, on the basis of official information.

/In Chile

In Chile, the sharp decline of economic activity, which had began in mid-1981 and which in 1982 had caused the gross domestic product to fall by over 14% and unemployment to rise just as sharply, was attenuated in 1983. (See again table 3 and figure 3.) Although economic activity continued to fall during the first half of 1983, it tended to recover slowly after that, as a result of increased public expenditure, lower real interest rates, and the increased protection of activities competing with imports that was provided by the maintenance of a higher real exchange rate, the raising of the general tariff from 10% to 20% and the imposition of higher special tariffs on imports of certain agricultural and industrial goods. Nevertheless, this recovery did not compensate for the fall of economic activity during the first half of the year and consequently, the gross domestic product dropped by almost 1% over the year as a whole. In addition, although open unemployment in Greater Santiago fell almost constantly, from the maximum historical rate of 25.2% during August-October 1982 to 16.5% in the last quarter of 1983, this was mainly due to the enormous expansion, during that period of the emergency employment programmes carried out by the government, the productivity of which is generally low and in which wages are also very low.

The recovery of economic activity was much greater in Argentina. In this country, product rose by 2.8%, thanks, in particular, to the fact that industrial production rose by around 10%. Nevertheless, inasmuch as overall economic activity had dropped by 11% over the previous two years, while manufacturing production had fallen by almost 23% between 1979 and 1982, neither sector came close, in 1983, to recovering the levels they had reached in 1977.

The gross domestic product of Colombia was only slightly higher (1%) in 1983 and that country's rate of economic growth declined for the fifth year in a row. The main cause of the slowdown of the economy was the decline of industrial production, which was affected by the slow growth of domestic demand and the reduction of exports to Venezuela and Ecuador, where Colombian manufactures ceased to be competitive after the devaluation of the bolivar and the sucre. As a result of the decline of industrial production, and despite the moderate growth of construction, unemployment rose for the second year in a row in the main cities of the country, reaching an average of almost 12%, the highest figure for the last nine years. (See again table 6 and figure 3.)

Trends in economic activity also were unsatisfactory in most Central American economies, although the slowdown was much less serious than it had been previously in some of these countries. Thus, gross domestic product rose slightly in Costa Rica, after having fallen considerably in the two previous years. The fall in economic activity also was detained in El Salvador, where domestic product, which had declined continuously and markedly since 1979, was completely stabilized in 1983. Nor did product vary in Honduras, marking the third consecutive year of stagnation of economic activity. Economic trends were more unfavorable in Guatemala where product fell by 2% after having fallen by nearly 4% in 1982. In contrast, product rose by around 5% in Nicaragua -more than compensating the slight fall the year before- and by 1% in Panama, where global output has expanded persistently, at a somewhat rapid pace, since 1978.

/Finally, in

Finally, in 1983, economic activity rose by 4% in the Dominican Republic and by 5% in Cuba, the only two countries of the region which, along with Colombia and Panama, were able to raise their overall levels of production steadily over the last three years.

### III. INFLATION

Despite the decline of economic activity and the rise of unemployment, and despite the weakening of inflationary pressures abroad, the rate of increase of prices continued to rise in most of the Latin American economies, reaching a new record for the region as a whole in 1983. Indeed, the simple average rate of increase of consumer prices rose from 48% to 66% in 1983, and the rate weighted by the population rose even more sharply, from somewhat under 86% in 1982 to 130% in 1983.

Inflation rose at a particularly virulent rate in Argentina, Bolivia, Brazil, Peru, Ecuador and Uruguay, while the rate of increase of prices continued to be very high in Mexico. Inflation also was on the rise in most of the Central American economies, especially Nicaragua and Guatemala, and appreciable inflation was also recorded in Jamaica and Trinidad and Tabago. On the other hand, inflation dropped dramatically in Costa Rica, fell moderately but steadily, in Colombia and was very low in Barbados, the Dominican Republic and Panama. (See table 8.)

Consumer prices continued to rise sharply in Argentina, reaching 430%, more than double that of the previous year and much higher than the rates recorded between 1975 and 1976. As in previous years, this phenomenon was related to the existence of a considerable fiscal deficit and the spreading of increasingly negative expectations about future trends in prices. Thus, for the eighth time in the last nine years, inflation in Argentina reached a three-digit level.

Inflation also registered unprecedented levels in Bolivia, where consumer prices rose by almost 330%, after having already tripled in 1982. As can be seen in figure 5, the acceleration of inflation was especially marked beginning in November, the month in which the exchange rate was re-adjusted by 150% -after a year of being fixed by authorities- and in which a 70% rise in the minimum salary was decreed.

Inflation also rose sharply in Brazil. As a result of the high public sector deficit, the maxidevaluation of the cruzeiro in February, the continuous subsequent adjustments of the exchange rate, the deterioration of expectations and the complex and generalized indexing system that was in force, consumer prices, which had risen at a rate of around 100% in 1980 and 1982, rose by almost 180% in 1983, while the general price index more than tripled.

/Table 8

Table 8  
**LATIN AMERICA: EVOLUTION OF CONSUMER PRICES**  
*(Variations from December to December)*

Country	1975	1976	1977	1978	1979	1980	1981	1982	1983
<b>Latin America<sup>a</sup></b>	<b>57.8</b>	<b>62.2</b>	<b>40.0</b>	<b>39.0</b>	<b>54.1</b>	<b>52.8</b>	<b>60.8</b>	<b>85.8</b>	<b>129.9</b>
<b>Countries with tradition- ally high inflation</b>	<b>68.9</b>	<b>74.5</b>	<b>47.1</b>	<b>45.7</b>	<b>61.9</b>	<b>61.5</b>	<b>71.7</b>	<b>102.8</b>	<b>156.6</b>
Argentina	334.9	347.5	150.4	169.8	139.7	87.6	131.2	209.7	433.7
Bolivia	6.6	5.5	10.5	13.5	45.5	23.9	25.2	296.5	328.5
Brazil	31.2	44.8	43.1	38.1	76.0	86.3	100.6	101.8	177.9
Colombia <sup>b</sup>	17.9	25.9	29.3	17.8	29.8	26.5	27.5	24.1	16.5
Chile	340.7	174.3	63.5	30.3	38.9	31.2	9.5	20.7	23.6
Mexico	11.3	27.2	20.7	16.2	20.0	29.8	28.7	98.8	80.8
Peru	24.0	44.7	32.4	73.7	66.7	59.7	72.7	72.9	125.1
Uruguay	66.8	39.9	57.3	46.0	83.1	42.8	29.4	20.5	51.5
<b>Countries with tradition- ally moderate inflation</b>	<b>8.7</b>	<b>7.9</b>	<b>8.8</b>	<b>9.8</b>	<b>20.1</b>	<b>15.4</b>	<b>14.1</b>	<b>12.6</b>	<b>15.6</b>
Barbados	12.3	3.9	9.9	11.3	16.8	16.1	12.3	6.9	5.0 <sup>c</sup>
Costa Rica	20.5	4.4	5.3	8.1	13.2	17.8	65.1	81.7	10.7
Ecuador <sup>d</sup>	13.2	13.1	9.8	11.8	9.0	14.5	17.9	24.3	52.5
El Salvador	15.1	5.2	14.9	14.6	14.8	18.6	11.6	13.8	15.5
Guatemala	0.8	18.9	7.4	9.1	13.7	9.1	8.7	-2.0	8.1 <sup>e</sup>
Guyana	5.5	9.2	9.0	20.0	19.4	8.5	29.1	...	...
Haiti	-0.1	-1.4	5.5	5.5	15.4	15.3	16.4	8.0 <sup>e</sup>	7.1
Honduras	7.8	5.6	7.7	5.4	18.9	15.0	9.2	9.4	10.2
Jamaica	15.7	8.3	14.1	49.4	19.8	28.6	4.8	7.0	14.5
Nicaragua	1.9	6.2	10.2	4.3	70.3	24.8	23.2	22.2	37.3 <sup>f</sup>
Panama	1.4	4.8	4.8	5.0	10.0	14.4	4.8	3.7	2.0
Paraguay	8.7	3.4	9.4	16.8	35.7	8.9	15.0	4.2	14.1
Dominican Republic	16.5	7.0	8.5	1.8	26.2	4.2	7.4	7.1	6.0
Trinidad and Tobago	13.4	12.0	11.4	8.8	19.5	16.6	11.6	10.8	16.1 <sup>f</sup>
Venezuela	8.0	6.9	8.1	7.1	20.5	19.6	10.8	7.9	7.0

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

<sup>a</sup>Totals for Latin America and partial figures for groups of countries represent average price variations by countries, weighted by the population in each year.

<sup>b</sup>Up to 1980, figures represent the variation in the consumer price index for manual workers; from 1981 on, figures represent the variation in the total national CPI, including manual workers and employees.

<sup>c</sup>Variation between October 1983 and October 1982.

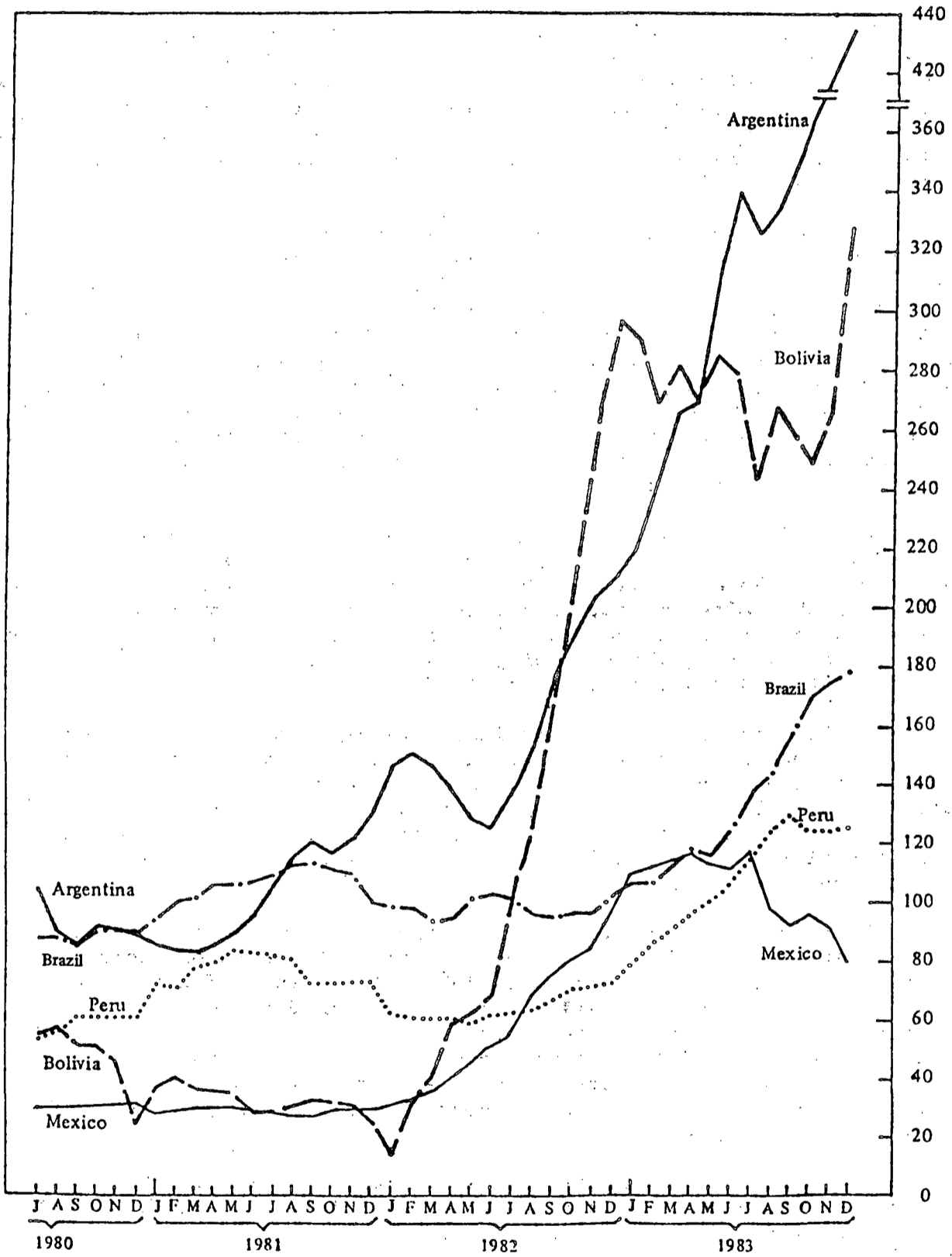
<sup>d</sup>Up to 1982, figures represent the variation in the consumer price index for the city of Quito; in 1983, the national total.

<sup>e</sup>Variation between September 1982 and September 1981.

<sup>f</sup>Variation between November 1983 and November 1982.

/Figure 5

Figure 5  
LATIN AMERICA: VARIATIONS IN CONSUMER PRICE INDEX  
OVER TWELVE MONTHS IN SELECTED COUNTRIES



Source: ECLA, on the basis of official information.

/The acceleration

The acceleration of inflation was also extraordinarily serious in Peru, where the annual rate of increase of consumer prices, after having fluctuated around the rate of 70% in 1981 and 1982, rose to almost 125% in 1983. This notable increase was the result, in particular, of the much more rapid devaluation policy followed by the economic authorities up to August, as well as the strong increase in food prices which resulted from bad harvest caused by the drought and floods.

Although it was much lower in absolute terms than that in the four aforementioned countries, inflation rose more sharply in relative terms in Ecuador: from 24% in 1982 to 52% in 1983. As in other countries, the acceleration of the inflationary process was largely due to the devaluations of the sucre that were enacted beginning in 1982, after a long period of stability in the exchange rate. In this case, however, the rise of inflation was also due, to a large extent, to the decrease in the supply of agricultural products caused by the floods. However, as supply conditions tended to normalize towards the end of the year, the index of consumer prices registered small falls in November and December, and the rising inflationary tendency was abruptly halted. (See figure 6.)

During 1983, inflationary trends were very similar in Uruguay, where the rate of increase of prices, after having shown a steady downward trend between early 1980 and November 1982, rebounded after the devaluation of the peso at the end of the latter month. Thus, the rate of inflation rose continuously and sharply during the major part of 1983, but slowed down markedly in December. Notwithstanding this, the rise of 51% in consumer prices in 1983 more than doubled that of 1982. (See again table 8.)

In 1983, inflation also remained very high in Mexico, although it slowed down after the middle of the year. As shown in figure 5, the annual rate of increase of consumer prices reached a record high of almost 120% in July, but subsequently fell almost steadily, so that it was 81% in December. This reversal of the inflationary trend was mainly due to the considerable reduction of the fiscal deficit and the more restrictive wage policy applied by the economic authorities.

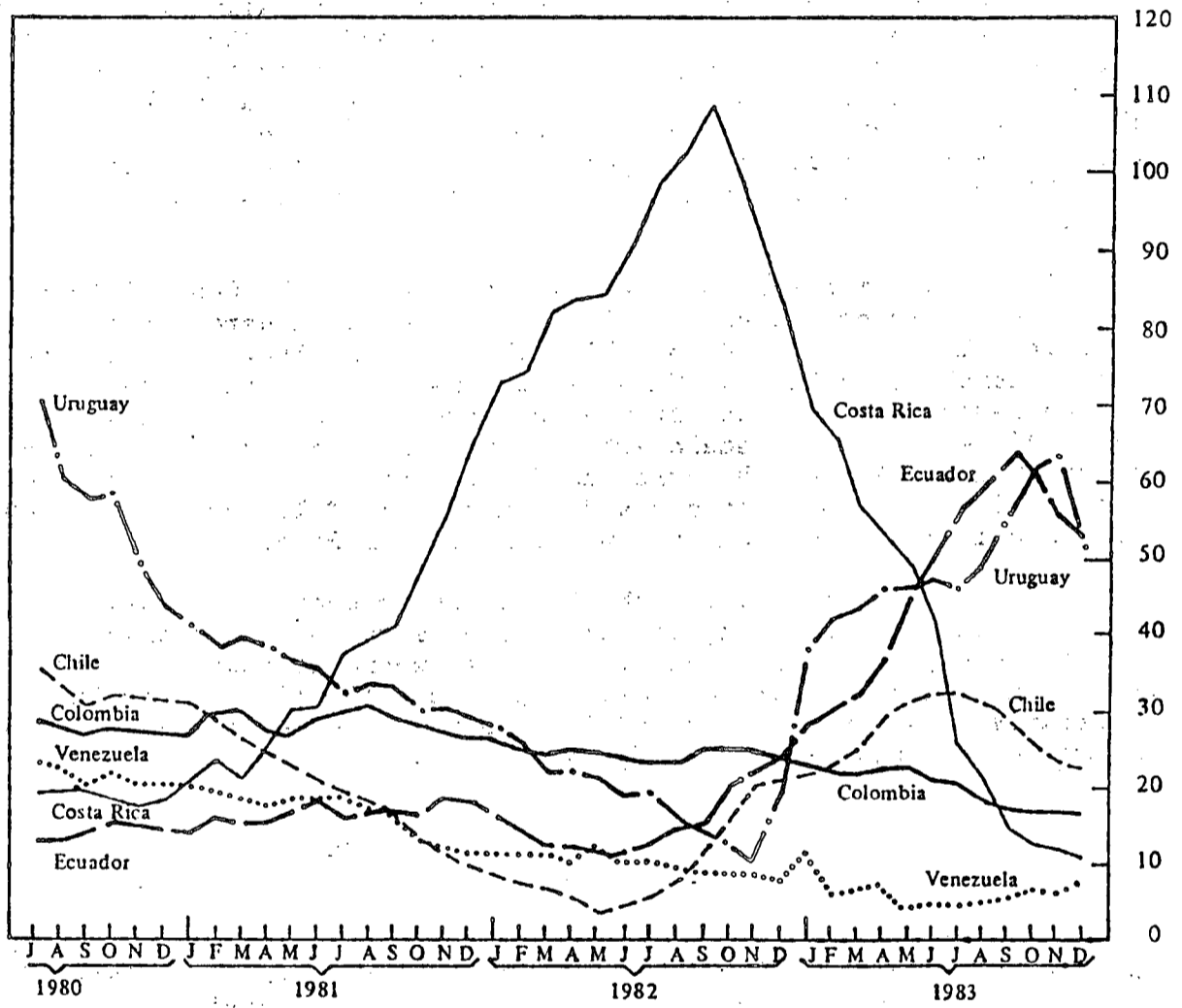
The reversal of the inflationary trend was even more definite and spectacular in Costa Rica where, as in Mexico, the rate of increase of prices had risen with exceptional force in 1982. As shown in figure 6, after having reached an unprecedented level of around 110% in September 1982, the rate of increase of consumer prices fell dramatically and steadily over the following months: by the end of 1983 it was below 11%. In fact, as a result principally of stabilization of the exchange rate, a restrictive wage policy, and an increase in the volume of imports, consumer prices were almost completely stabilized by mid-year.

The trajectory of inflation was much more complex in Chile in 1983. Indeed, between June 1982 -the month when authorities decided to devalue the peso after almost three years of exchange rate stability- and June 1983, the annual rate of increase of consumer prices rose steadily from 4% to somewhat over 32%. Nevertheless, as the effect on the cost of tradable goods of the sh

/Figure 6



Figure 6  
LATIN AMERICA: VARIATIONS IN CONSUMER PRICE INDEX  
OVER TWELVE MONTHS IN SELECTED COUNTRIES



Source: ECLA, on the basis of official information.

/rises in

rises in the exchange rate which occurred during the second half of 1982 began to wane, and as real wages continued to fall, the inflationary process began to slow down gradually after August 1983 and fell to under 23% by end-year.

During 1983, inflation continued to fall gradually, but continuously, in Colombia, the Latin American country that had had the most stable price structure over the last ten years. This reduction in the intensity of the inflationary process occurred despite the fact that the authorities had stepped up the rate of increase of the minidevaluations of the peso in order to strengthen the balance of payments. The increased inflationary pressure that this might have brought to bear was neutralized by the slow growth of domestic demand.

Finally, price trends were quite varied for the Central American and Caribbean countries, which traditionally have had moderate rates of inflation and which also have tended to follow the general fluctuation of the international price level. Thus, in Central America the rate of inflation rose markedly in Nicaragua -from an average of around 23% in 1980-1982 to 37% in 1983- and in Guatemala -where consumer prices rose 8%, after having fallen 2% in 1982. On the other hand, the rate of inflation did not show major variation in El Salvador and Honduras; it fell, as already mentioned, dramatically in Costa Rica, and was very low in Panama.

At the same time, among the Caribbean economies, inflation rebounded with certain force in Trinidad and Tabago -after 3 straight years in which the rate had been falling- and in Jamaica, where it doubled, from 7 to 14%. In contrast, the rate of increase of prices fell slightly for the fourth consecutive year in Barbados and for the third successive year in Haiti and the Dominican Republic. (See again table 8.)

#### IV. THE EXTERNAL SECTOR

In 1983, Latin America made a tremendous effort to reduce the disequilibria that had been accumulating in the external sector since the late 1970s. Thus, to the higher exchange rates adopted by numerous countries of the region in 1982 were added, in 1983, new devaluations, various other measures aimed at controlling imports and encouraging exports, and strict fiscal, monetary and wage policies aimed at reducing domestic expenditure.

As a result of these adjustment policies, and despite the unfavorable trends in world trade and external financing, in 1983 the region achieved a large surplus in its merchandise trade, notably reduced its current-account deficit and also considerably reduced the negative global balance on the balance of payments.

##### /1. Foreign

1. Foreign commerce and the terms of trade

As mentioned above, however, the 1983 commercial trade surplus of almost 33 billion dollars was achieved only through a drastic reduction of imports, whose value fell by almost 30%, after having fallen by 20% in 1982. Since the unit value of imports declined slightly in 1983, and also in 1982, the reductions of the volume of imports were almost as drastic as the fall in their value. (See table 9.)

The extremely sharp reduction in both the value and the volume of external purchases was, moreover, a widespread phenomenon. Indeed, in 1983 the volume of imports fell by more than 10% in 11 countries, declined moderately in another 5, and rose only in Bolivia, Costa Rica, Haiti, Nicaragua, and the Dominican Republic. But even in these latter countries the rise in the volume of imports did not manage to compensate the sharp contractions experienced in 1982.

The reduced volume of imports was especially intense in the petroleum importing countries. Thus, import volume fell by 60% in Venezuela, by more than 40% for the second consecutive year in Mexico and by around 33% in Ecuador and Peru. The reduction was also enormous in Uruguay -where the volume of imports, which had already plummeted by more than 40% in the two previous years, dropped by 27% in 1983- and in Guyana, Guatemala and Chile, countries in which imports declined by about 18% in real terms, after having experienced serious falls in 1982. (See again table 9.)

In contrast with the unusual reduction in the volume of imports, the volume of exports rose by nearly 7% in the region as a whole. As was the case with respect to the real decline of imports, the increases in the volume of exports mainly reflected the adjustment effort made by the Latin American economies through measures oriented at modifying the relative prices of tradable and non-tradable goods and reducing domestic expenditure.<sup>1</sup>

Nevertheless, unfavorable trends, for the fourth year in a row, in world trade and the considerable drop in the international prices of oil and other commodities prevented this relatively satisfactory increase in the volume of exports from bringing about a similar increase in their value. Indeed, as may be seen in table 10, the value of exports fell slightly in the region as a whole and by more than 5% in the group of oil-exporting countries.

Although the drop in the international price of oil had much to do with the drop in the unit value of exports in 1983, it was also due to the decline in the international prices of the region's major export commodities, such as coffee, meat, wool, iron ore, bauxite and other minerals. Moreover, the substantial increases in the international prices of bananas, cocoa, maize, fishmeal, soybeans, cotton and copper did not in anyway, except in the case of bananas, offset the tremendous reductions in the prices of these commodities in previous years. (See table 11.)

/Table 9

Table 9  
**LATIN AMERICA: IMPORTS OF GOODS**  
*(Indexes: 1970 = 100 and annual growth rates)*

Country	Value			Unit value				Quantum				
	Index	Growth rates			Index	Growth rates			Index	Growth rates		
	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>
<b>Latin America</b>	418	7.6	-19.9	-30.2	313	5.7	-2.6	-1.7	133	1.9	-17.8	-29.0
<b>Oil-exporting countries</b>	365	19.3	-19.5	-46.3	266	7.7	-2.0	-1.3	137	10.8	-17.9	-45.6
Bolivia	370	0.0	-37.0	16.6	295	1.9	-2.6	-3.0	124	-1.9	-35.3	20.2
Ecuador	565	5.3	-7.6	-32.6	246	6.7	-0.3	-1.0	232	-1.3	-7.4	-34.7
Mexico	344	27.2	-39.7	-46.8	262	5.7	1.3	-6.3	132	20.3	-40.5	-43.3
Peru	376	24.1	-0.4	-30.6	305	7.8	2.0	3.0	123	15.1	-2.3	-32.6
Trinidad and Tobago	655	0.0	11.8	-7.4	253	3.2	-4.6	-3.0	261	-3.1	17.2	-4.5
Venezuela	307	11.5	8.6	-60.0	263	11.9	-5.7	2.0	117	-0.4	15.2	-60.8
<b>Non-oil-exporting countries</b>	454	-0.5	-20.3	-16.8	353	6.8	-3.2	-6.6	129	-6.9	-17.7	-10.9
Argentina	267	-10.2	-42.2	-17.9	304	2.4	-5.1	-5.0	88	-12.4	-39.1	-13.6
Barbados	...	8.9	-3.9	...	...	6.8	-4.5	...	...	2.0	0.6	...
Brazil	614	-3.8	-12.2	-20.6	415	10.9	-3.6	-5.8	146	-13.2	-8.9	-15.7
Colombia	589	10.8	8.7	-8.8	255	6.2	-4.3	-6.0	231	4.3	13.6	-3.0
Costa Rica	312	-20.7	-28.4	14.7	347	5.0	5.2	2.4	88	-24.5	-32.0	12.0
Chile	328	19.1	-44.1	-22.0	369	7.2	-7.9	-5.0	87	11.1	-39.3	-17.8
El Salvador	411	0.2	-8.5	-2.7	318	4.9	5.7	-2.1	128	-4.5	-13.4	-1.0
Guatemala	405	4.6	-16.6	-15.9	341	4.6	6.3	2.9	117	0.0	-21.5	-18.3
Guyana	209	3.4	-19.9	-21.9	320	3.8	-5.3	-4.0	64	-0.4	-15.4	-18.6
Haiti	649	12.3	-22.3	11.3	323	3.2	5.1	1.7	200	8.8	-26.1	9.4
Honduras	324	-5.8	-24.2	-3.0	309	5.8	1.0	-1.0	104	-10.9	-25.0	-2.1
Nicaragua	426	11.7	-28.0	17.6	349	3.9	5.0	3.5	121	7.5	-31.4	13.5
Panama	378	9.4	0.0	-13.3	400	2.9	4.8	-1.0	89	6.4	-4.6	-12.4
Paraguay	914	14.4	-7.9	-1.6	327	3.2	3.7	0.0	274	10.8	-11.2	-1.6
Dominican Republic	468	-4.5	-13.4	3.4	315	3.6	2.2	-1.6	147	-7.8	-15.3	5.1
Uruguay	347	-4.6	-34.8	-32.1	326	10.9	-7.1	-7.0	105	-13.9	-29.8	-27.0

Source: ECLA, on the basis of official figures.  
<sup>a</sup>Preliminary estimates subject to revision.

/Table 10

Table 10  
**LATIN AMERICA: EXPORTS OF GOODS**  
*(Indexes: 1970 = 100 and annual growth rates)*

Country	Value				Unit value				Quantum			
	Index	Growth rates			Index	Growth rates			Index	Growth rates		
	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>	1983 <sup>a</sup>	1981	1982	1983 <sup>a</sup>
<b>Latin America</b>	629	7.0	-8.5	-0.9	318	-2.1	-8.6	-6.8	199	9.5	0.3	6.7
<b>Oil-exporting countries</b>	792	9.0	-5.3	-4.1	534	7.8	-14.2	-8.1	148	1.2	10.4	4.2
Bolivia	415	-3.5	-9.0	-4.6	386	-0.1	-12.8	3.0	108	-3.4	4.4	-7.3
Ecuador	1 009	0.0	-8.3	1.5	461	-1.0	-7.6	-9.0	219	1.0	-0.7	11.6
Mexico	1 595	24.1	7.2	0.6	411	15.8	-9.3	-8.5	389	7.2	18.2	9.9
Peru	287	-16.7	-0.6	-8.1	293	-12.1	-11.1	6.0	98	-5.2	11.8	-13.3
Trinidad and Tobago	1 034	-2.1	-4.5	-9.8	1 461	13.8	-3.0	-7.0	71	-13.9	-1.5	3.7
Venezuela	563	4.8	-18.0	-10.5	1 195	12.5	-6.0	-9.0	47	-6.9	-12.8	-1.7
<b>Non-oil-exporting countries</b>	518	5.3	-9.6	2.7	223	-7.0	-6.7	-5.1	233	13.2	-3.3	7.7
Argentina	434	14.0	-16.9	4.3	256	-2.4	-12.0	-2.6	170	16.8	-5.6	4.0
Barbados	...	-10.0	28.0	...	...	2.7	-15.0	...	...	-12.4	50.5	...
Brazil	800	15.6	-13.3	8.6	224	-7.5	-7.2	-6.0	357	25.0	-6.6	15.5
Colombia	404	-20.8	0.3	-1.5	289	-17.7	8.9	-4.0	140	-3.8	-7.9	2.6
Costa Rica	368	0.2	-13.1	-2.3	242	-10.0	-5.5	-2.8	152	11.3	-8.1	0.5
Chile	346	-18.4	-3.4	4.2	135	-15.3	-17.2	1.1	256	-3.7	16.6	2.7
El Salvador	309	-25.8	-7.5	-1.1	294	-8.3	7.1	-1.3	105	-19.1	-13.7	0.2
Guatemala	367	-14.5	-7.6	-9.1	263	-4.0	-4.0	2.5	139	-11.0	-3.8	-11.3
Guyana	155	-10.9	-20.3	-27.6	371	7.6	-5.9	-4.0	42	-17.2	-15.3	-24.4
Haiti	486	-30.3	15.5	9.3	254	-15.0	13.7	-8.6	191	-18.0	1.6	19.5
Honduras	387	-7.8	-13.7	2.0	277	-9.1	0.4	-1.7	140	1.4	-14.0	3.8
Nicaragua	230	10.9	-14.2	-4.4	237	-1.9	-5.0	-8.8	97	13.0	-9.7	4.8
Panama	261	-8.3	0.4	-1.4	277	1.3	-4.4	1.0	94	-9.5	5.1	-2.3
Paraguay	413	-0.4	-0.6	-31.8	251	10.6	-12.7	-13.0	165	-10.0	13.9	-21.7
Dominican Republic	360	23.5	-35.4	0.3	256	9.1	-22.6	-2.1	141	13.2	-16.5	2.4
Uruguay	453	16.2	2.2	-19.2	250	1.3	-4.4	-6.0	181	14.6	6.9	-14.0

Source: ECLA, on the basis of official figures.  
<sup>a</sup>Preliminary estimates subject to revision.

Table 11  
PRICES OF MAIN EXPORT PRODUCTS

	Annual averages (dollars at current prices)				Growth rates			
	1970- 1980	1981	1982	1983	1980	1981	1982	1983
Unrefined sugar <sup>a</sup>	12.8	16.9	8.4	8.5	95.9	-41.1	-50.3	1.2
Coffee (mild) <sup>a</sup>	121.8	145.3	148.6	141.6	-2.5	-18.7	2.3	-4.7
Cocoa <sup>a</sup>	86.3	94.2	79.0	96.1	21.0	-20.2	-16.1	21.6
Bananas <sup>a</sup>	11.8	19.2	18.4	20.4	21.2	1.6	-4.2	10.9
Wheat <sup>b</sup>	125.1	178.5	163.0	160.0	7.9	0.6	-8.7	-1.8
Maize <sup>b</sup>	127.5	181.0	137.4	160.3	35.9	-13.9	-24.1	16.7
Beef <sup>a</sup>	82.2	112.2	108.4	110.7	-3.8	-10.9	3.4	2.1
Fishmeal <sup>b</sup>	354.7	468.0	353.0	453.0	27.6	-7.1	-24.6	28.3
Soya <sup>b</sup>	232.4	288.0	245.0	282.0	-0.7	-2.7	-14.9	15.1
Cotton <sup>a</sup>	61.2	85.8	72.8	84.8	21.7	-8.9	-15.2	16.5
Wool <sup>a</sup>	131.5	178.2	154.6	144.0	2.1	-8.4	-13.2	-6.9
Copper <sup>a</sup>	69.6	79.0	67.2	72.2	9.6	-19.9	-14.9	7.4
Tin <sup>c</sup>	3.9	6.4	5.8	5.9	8.6	-15.8	-7.8	1.7
Iron ore <sup>b</sup>	18.3	25.9	27.1	25.2	20.4	-10.4	4.6	-7.0
Lead <sup>a</sup>	25.3	33.0	24.8	19.3	24.7	-19.7	-24.8	-22.2
Zinc <sup>a</sup>	29.7	38.4	33.8	34.7	3.0	11.0	-12.0	2.7
Bauxite <sup>b</sup>	103.5	216.3	208.3	182.6 <sup>d</sup>	39.3	1.8	-3.7	-12.3
Crude oil <sup>e</sup>								
Saudi Arabia	10.0	32.5	33.5	29.3	68.8	13.2	3.4	-12.5
Venezuela	10.1	32.0	32.0	28.1	64.3	15.9	0.0	-12.2

Source: UNCTAD, *Monthly Commodity Price Bulletin*, Supplements 1960-1980 and September 1983; International Monetary Fund, *International Financial Statistics*, *Yearbook* 1981 and February 1984.

<sup>a</sup>Dollar cents per pound.

<sup>b</sup>Dollars per metric ton.

<sup>c</sup>Dollars per pound.

<sup>d</sup>Average January to September.

<sup>e</sup>Dollars per barrel.

/Since the

Since the unit value of exports fell much more than that of imports, Latin America's terms of trade declined by about 6%, after having fallen by 7% in 1982 and in 1981. However, in contrast to what occurred with the 2 latter years, the decline in the terms of trade had its origin exclusively in the petroleum exporting countries. In the rest of the Latin American economies the terms of trade rose slightly. (See table 12.) Nevertheless, since the terms of trade had strongly deteriorated for the non-oil exporting countries during the 5 preceding years, the index in 1983 was not only 28% less than its level of 1978, but also was at its lowest point in the last half century. Indeed, its average value in 1980-1983 was considerably less than that registered in 1931-1933, which was the most critical period of the Great Depression.

In contrast, for the petroleum importers, the deterioration of the terms of trade during the last 2 years did not offset the gains experienced in 1979-1980. Thus, in all these economies, except Peru, the index in 1983 was much higher than that for any non-petroleum exporting country, and for the petroleum exporters as a group the terms of trade was 17% better than that recorded in 1978, the year which preceded the second major hike of international petroleum prices. (See again table 12.)

The new decline in the terms of trade meant that in 1983, the purchasing power of Latin American exports declined slightly, even though the volume of exports had increased by around 7%.

As noted above, in 1983 the volume of exports grew even more than this in the non-oil-exporting countries, thus marking the resumption of the vigorous growth which had taken place since the beginning of the 1970s and which had been interrupted in 1982. (See figure 7.) Also as a result of this increase in the volume of exports, the purchasing power of the exports of this group of countries rose by 9.5% in 1983. However, this did not come near to compensating for the decline of previous years.

The volume of exports grew much less (42%) in the oil-exporting countries and did not offset the impact of the deterioration of their terms of trade, which fell by almost 7%. Consequently, the purchasing power of their exports fell for the second year in a row, although at a rate which was more moderate than 1982. (See table 13.)

Table 12  
**LATIN AMERICA: TERMS OF TRADE**  
*(Indexes: 1970 = 100 and annual growth rates)*

Country	Indexes					Annual growth rates				
	1975	1977	1979	1981	1983 <sup>a</sup>	1980	1981	1982	1983 <sup>a</sup>	1979/ 1983 <sup>ab</sup>
<b>Latin America</b>	114	128	119	115	101	4.2	-7.3	-7.0	-6.1	-12
<b>Oil-exporting countries</b>	194	197	207	244	201	17.9	0.0	-11.5	-6.8	17
Bolivia	111	120	121	139	131	19.1	-3.0	-11.4	6.2	8
Ecuador	159	195	211	220	187	12.3	-7.4	-7.5	-8.1	9
Mexico	106	123	133	180	157	24.0	9.3	-10.5	-2.3	32
Peru	104	102	117	107	96	11.9	-18.6	-12.8	2.9	10
Trinidad and Tobago	323	318	391	596	577	39.4	9.4	0.9	-4.1	96
Venezuela	335	345	401	513	454	27.1	0.7	-0.9	-10.8	47
<b>Non-oil-exporting countries</b>	81	98	83	67	63	-7.2	-13.0	-7.6	1.6	-28
Argentina	101	86	81	89	84	16.1	-5.4	-7.8	2.4	5
Barbados	165	103	96	97	...	5.6	-4.0	-11.5	...	...
Brazil	85	101	80	56	54	-15.7	-16.7	-3.8	-0.2	-38
Colombia	82	190	130	98	114	-2.5	-22.6	13.5	2.3	-24
Costa Rica	78	122	99	82	70	-2.8	-14.8	-10.1	-5.2	-31
Chile	53	51	53	39	37	-8.3	-21.2	-10.8	6.4	-26
El Salvador	87	180	122	91	93	-14.8	-12.7	1.4	0.8	-30
Guatemala	70	120	96	86	77	-2.7	-8.7	-9.5	-0.3	-32
Guyana	140	118	106	118	116	7.5	3.5	-2.0	0	6
Haiti	93	125	98	82	79	2.4	-18.6	7.0	-10.1	-31
Honduras	91	114	103	91	90	2.9	-14.4	-0.7	-0.8	-21
Nicaragua	79	113	92	85	68	-1.4	-5.8	-9.5	-11.8	-30
Panama	111	82	75	74	69	1.2	-2.6	-8.5	1.9	-8
Paraguay	106	140	111	105	77	-11.3	6.1	-15.8	-13.0	-38
Dominican Republic	149	90	87	108	81	19.2	4.4	-24.2	0.1	-5
Uruguay	75	81	90	75	77	-9.6	-8.4	1.7	1.1	-10

Source: ECLA, on the basis of official figures.  
<sup>a</sup>Preliminary estimates subject to revision.  
<sup>b</sup>Cumulative percentage variations for the period.

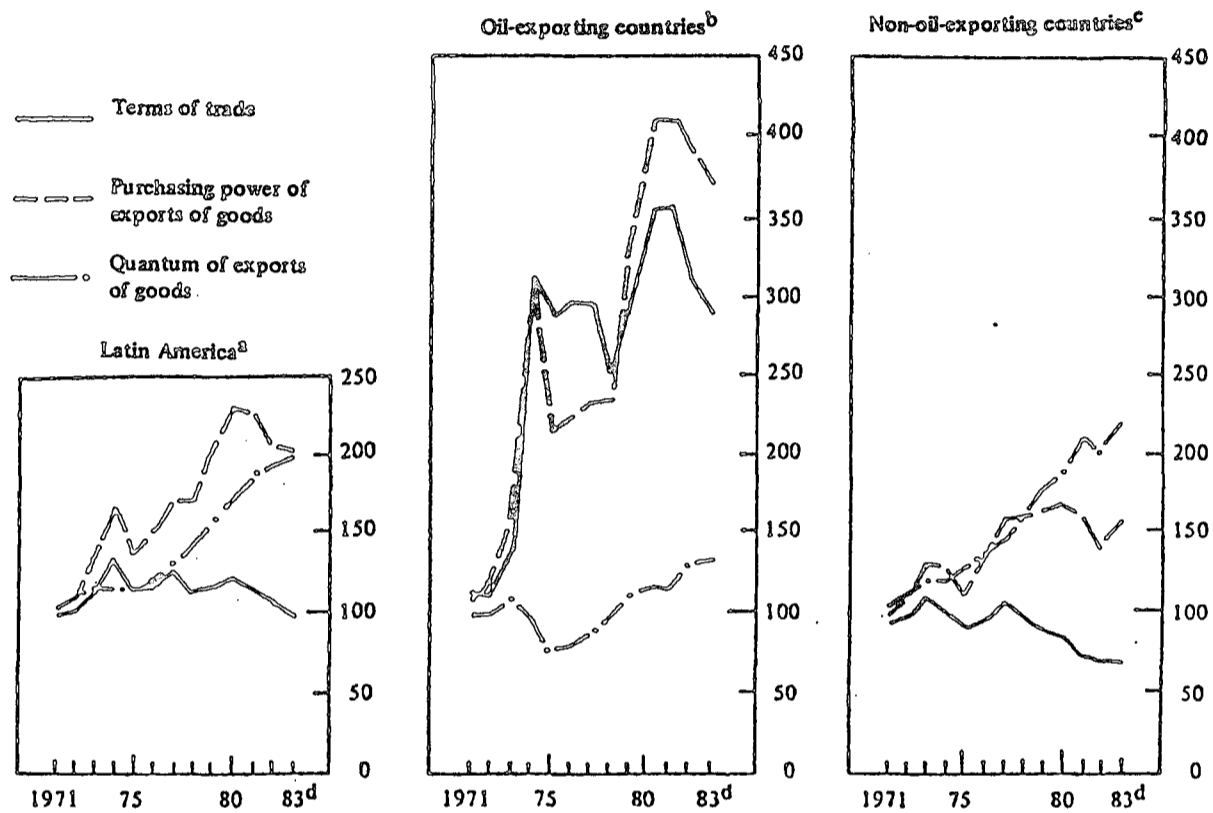
/Figure 7



Figure 7

LATIN AMERICA: TRENDS OF SOME FOREIGN TRADE INDICATORS

(Indexes: 1970 = 100)



Source: ECLA, on the basis of official information.

<sup>a</sup>19 countries.

<sup>b</sup>From 1970 to 1975, includes Bolivia, Ecuador and Venezuela; from 1976 on, also includes Mexico and Peru.

<sup>c</sup>From 1970 to 1975, includes 16 countries. From 1976 on, Mexico and Peru are no longer included.

<sup>d</sup>Provisional estimate.

Table 13  
**LATIN AMERICA: PURCHASING POWER OF EXPORTS**  
*(Indexes: 1970 = 100 and annual growth rates)*

Country	Indexes					Annual growth rates				
	1975	1977	1979	1981	1983 <sup>a</sup>	1980	1981	1982	1983 <sup>a</sup>	1979/ 1983 <sup>ab</sup>
<b>Latin America</b>	133	164	194	217	198	12.9	-0.9	-6.0	-0.7	17
<b>Oil-exporting countries</b>	169	183	253	318	298	25.3	0.3	-3.8	-2.8	58
Bolivia	133	164	150	155	141	10.0	-6.1	-7.1	-1.6	-4
Ecuador	280	347	441	435	410	5.4	-6.5	-8.3	2.5	14
Mexico	127	181	299	537	610	53.2	17.2	5.8	7.4	168
Peru	74	88	141	108	94	-0.7	-22.9	-2.3	-10.8	9
Trinidad and Tobago	249	265	314	414	409	39.8	-5.7	-0.7	-0.1	63
Venezuela	214	201	258	282	214	16.6	-6.3	-13.5	-12.3	20
<b>Non-oil-exporting countries</b>	110	159	155	148	147	-0.6	-3.9	-8.8	9.6	-7
Argentina	78	135	137	154	143	1.5	10.8	-13.0	6.6	4
Barbados	147	121	153	155	...	20.3	15.8	32.9	...	...
Brazil	135	173	173	186	193	3.4	3.9	-10.2	15.3	14
Colombia	124	177	201	145	158	-3.5	-25.3	4.1	4.7	-19
Costa Rica	107	173	155	135	106	-8.3	-4.9	-17.8	-4.8	-30
Chile	67	82	109	85	94	0.0	-22.0	3.5	9.3	10
El Salvador	121	209	194	110	97	-19.6	-29.5	-12.7	0.9	-38
Guatemala	101	195	163	140	108	5.5	-18.6	-12.9	-11.7	-38
Guyana	130	88	86	78	49	4.7	-13.3	-17.9	-24.4	-49
Haiti	99	165	139	129	150	38.8	-33.2	8.5	7.4	-11
Honduras	94	135	171	142	125	-4.1	-13.4	-14.1	3.0	-18
Nicaragua	113	174	133	87	66	-38.3	6.1	-18.4	-7.7	-59
Panama	118	92	89	68	65	-13.5	-11.7	-2.9	-0.5	-28
Paraguay	139	237	228	194	127	-11.4	-4.0	-4.1	-31.9	-50
Dominican Republic	224	176	164	177	114	-8.5	18.0	-36.7	2.0	-19
Uruguay	83	127	131	147	139	6.9	5.0	8.8	-13.1	1

Source: ECLA, on the basis of official figures.  
<sup>a</sup>Preliminary estimates subject to revision.  
<sup>b</sup>Cumulative percentage variations for the period.

## 2. The balance of payments

Because the value of imports fell much more than that of exports, the merchandise trade balance underwent another significant change in 1983. After the radical turnabout of 1982, when the US\$ 1.6 billion deficit of 1981 had been replaced by a surplus of over US\$ 9.7 billion, 1983 brought an extraordinary growth in the commercial trade surplus, which amounted to over US\$ 33 billion, more than three times that of the previous year.

This was, in particular, due to the enormous increase in the trade surpluses of Venezuela, Brazil and Mexico, and of the considerable changes in the merchandise trade of Argentina, Chile, Peru, Ecuador and Uruguay. (See table 14).

In Venezuela, the trade surplus of about US\$ 9.4 billion was almost triple that of 1982, despite the fact that, as in 1982, the value of exports fell significantly.

In Brazil -where there was there was an 8-fold increase in the trade surplus between 1982 and 1983, from US\$ 780 million to US\$ 6.5 billion- the improvement was due both to an increase in exports and to a decrease in imports.

Mexico, which in 1982 had already managed to transform its US\$ 4.1 billion deficit of 1981 into a surplus of almost US\$ 6.9 billion, the positive trade balance rose to US\$ 12 billion, thanks to the fact that imports again fell substantially and that exports rose slightly.

The evolution of the trade balances of Chile and Uruguay was similar to that of Mexico although, of course, the absolute amounts of the changes were much lower. Thus, after having had an enormous deficit of nearly US\$ 2.7 billion in 1981 and having achieved a small surplus in 1982, Chile recorded a surplus of around US\$ 1 billion in 1983, basically due to a new and significant fall in imports and moderate growth of the value of exports. During that same period, Uruguay transformed a deficit of US\$ 360 million into a surplus of US\$ 310 million; however, in this case, the cause was exclusively a radical contraction of exports of 56% between 1981 and 1983.

A drastic contraction of imports was also the main factor behind the new increase in the trade surplus achieved by Argentina, the dramatic rise in the surplus recorded by Ecuador and the substitution by Peru surplus of US\$ 300 million in 1983 for its deficit of US\$ 560 registered the year before.

By contrast with that happened in 1982, when the impact of the change in the trade balance on the current account was neutralized, to a large extent, but the sharp increase in payments for interest and profits, in 1983 the part played by the increased trade surplus in reducing the disequilibrium on the current account was reinforced by a decline in foreign remittances.

/Such payments,

Table 14  
**LATIN AMERICA: TRADE BALANCE**  
*(Millions of dollars)*

Country	Exports of goods FOB			Imports of goods FOB			Balance of goods		
	1981	1982	1983	1981	1982	1983	1981	1982	1983
<b>Latin America</b>	96 811	88 592	87 800	98 412	78 852	55 010	-1 601	9 740	32 790
<b>Oil-exporting countries</b>	49 134	46 549	44 620	44 753	36 006	19 350	4 381	10 543	25 270
Bolivia	909	828	790	680	429	500	229	399	290
Ecuador	2 544	2 334	2 370	2 362	2 181	1 410	182	153	960
Mexico	19 938	21 374	21 500	24 038	14 489	7 700	-4 100	6 885	13 800
Peru	3 249	3 230	2 970	3 802	3 787	2 670	-553	-557	300
Trinidad and Tobago	2 531	2 418	2 330	1 748	1 954	1 810	783	464	520
Venezuela	19 963	16 365	14 660	12 123	13 166	5 260	7 840	3 199	9 400
<b>Non-oil-exporting countries</b>	47 677	42 043	43 180	53 659	42 846	35 660	-5 982	-803	7 520
Argentina	9 142	7 598	7 700	8 432	4 873	4 000	710	2 725	3 700
Barbados	163	208	...	521	501	...	-358	-293	...
Brazil	23 276	20 172	21 900	22 091	19 395	15 400	1 185	777	6 500
Colombia	3 219	3 230	3 180	4 763	5 176	4 720	-1 544	-1 946	-1 540
Costa Rica	1 003	871	850	1 090	780	890	-87	91	-40
Chile	3 837	3 706	3 850	6 513	3 643	2 840	-2 676	63	1 010
El Salvador	798	738	730	898	822	880	-100	-84	-70
Guatemala	1 299	1 200	1 090	1 540	1 284	1 080	-241	-84	10
Guyana	346	276	200	400	320	250	-54	-44	-50
Haiti	150	174	190	358	278	310	-208	-104	-120
Honduras	784	676	690	899	681	660	-115	-5	30
Nicaragua	500	429	410	897	646	760	-397	-217	-350
Panama	343	345	340	1 441	1 441	1 250	-1 098	-1 096	-910
Paraguay	399	396	270	772	711	700	-373	-315	-430
Dominican Republic	1 188	768	770	1 452	1 257	1 300	-264	-489	-530
Uruguay	1 230	1 256	1 010	1 592	1 038	700	-362	218	310

Source: 1981, 1982: International Monetary Fund; figures for Ecuador (1982), El Salvador (1982), Guyana (1982), Nicaragua (1981, 1982) and Trinidad and Tobago (1982), are ECLA estimates. Figures for Chile for 1981, 1982 and 1983: Central Bank of Chile, 1983: ECLA, preliminary estimates subject to revision.

/such payments

Such payments, which had more than quadrupled over the previous five years, rising from US\$ 8.6 billion in 1977 to almost US\$ 36.8 billion in 1982, fell to a little under US\$ 33 billion in 1983. This was a result of the limitation on the payment of profits caused by the sharp contraction of domestic economic activity and the slight decline of interest payments brought about by the reduction of nominal interest rates in international financial markets.

Under these circumstances, the deficit on current account -which in 1982 had already dropped by 10%, after having reached a record high of US\$ 40 billion in 1981- fell spectacularly to US\$ billion in 1983. (See table 15.) The deficit also was equivalent to a much lower percentage of export earnings. In effect, the coefficient deficit/exports, which had reached the unprecedented figure of 35% in 1981-1982, fell to only 6% in 1983 and was much less than that recorded in any of the preceding 10 years. (See table 16.)

Almost all the countries of the region contributed to this outcome, either by sharply reducing their current-account deficits; or, as in the case of Mexico and Venezuela, by replacing deficits by large surpluses; or as in the case of Trinidad and Tobago, by increasing their surpluses. The only exceptions to this general trend were Argentina, Bolivia, Costa Rica, Haiti, Nicaragua and Paraguay, which showed greater current-account deficits than in the previous year.

Nevertheless, the drastic reduction of the deficit on current account which took place in 1983 was also due, to a very large extent, to a no less radical reduction, for the second year in a row, of the net inflow of capital. Between 1981 and 1982, capital flows had already fallen from US\$ 38 billion to US\$ 16.1 billion and in 1983 they fell to a little more than US\$ 3.2 billion.

In 1983 the net flow of capital was thus less than the current account deficit, repeating the situation that presented itself in 1981 and 1982. As a consequence, in spite of the enormous reduction of the current account deficit, the global balance of payments closed with a deficit for the third consecutive year. Although the overall deficit of a little less than US\$ 2.9 billion was one seventh of that recorded in 1982, it exceeded by 20% the deficit of 1981. (See again table 15.)

### 3. The external debt

According to very preliminary estimates, by the end of 1983 the total external debt of Latin America amounted to approximately US\$ 333 billion. It is estimated to have grown by 7% during the year, a rate that was much lower than the 13% of 1982 and far below the growth rate of around 23% which was the average during the period 1978-1981. (See table 17.)

This sharp drop in the growth rate of the debt was mainly the result of the restrictive policy adopted by the international commercial banks with respect to Latin America. In 1983, these banks granted virtually no new

Table 15  
LATIN AMERICA: BALANCE OF PAYMENTS  
(Millions of dollars)

	Net service payments <sup>a</sup>			Net payments for profits and interest			Balance on current account <sup>b</sup>			Net movement of capital <sup>c</sup>			Global balance <sup>d</sup>		
	1981	1982	1983	1981	1982	1983	1981	1982	1983	1981	1982	1983	1981	1982	1983
<b>Latin America</b>	11 380	9 645	6 590	27 920	36 810	32 680	-40 298	-36 328	-6 100	37 896	16 681	3 240	-2 402	-19 647	-2 860
<b>Oil-exporting countries</b>	6 254	5 148	3 000	10 594	14 391	12 760	-12 791	-9 506	9 320	12 888	-1 635	-6 730	97	-11 141	2 590
Bolivia	215	122	120	340	415	380	-312	-121	-190	319	153	-250	7	32	-440
Ecuador	487	450	400	722	773	680	-1 027	-1 070	-100	656	742	40	-371	-328	-60
Mexico	1 192	-316	-700	8 896	10 429	9 000	-14 075	-3 122	5 600	14 531	237	-2 000	456	-2 885	3 600
Peru	237	213	250	1 020	1 053	1 150	-1 810	-1 823	-1 100	1 138	1 753	1 050	-672	-70	50
Trinidad and Tobago	119	-22	50	190	409	350	407	44	90	291	232	-790	698	276	-700
Venezuela	4 004	4 701	2 880	-574	-1 312	1 200	4 026	-3 414	5 020	-4 047	-4 752	-4 780	-21	-8 166	-240
<b>Non-oil-exporting countries</b>	5 126	4 317	3 590	17 326	22 419	19 920	-27 507	-26 822	-15 420	25 008	18 316	9 970	-2 499	-8 506	-5 450
Argentina	1 702	478	800	3 701	4 755	5 400	-4 712	-2 477	-2 500	1 519	1 807	2 500	-3 193	-670	0
Barbados	-239	-253	...	17	19	...	-113	-42	...	101	49	...	-12	7	...
Brazil	2 862	3 589	2 500	10 274	13 494	10 500	-11 760	-16 314	-6 500	12 381	11 121	3 200	621	-5 193	-3 300
Colombia	169	-11	-40	426	580	500	-1 895	-2 291	-1 780	2 328	1 647	-20	433	-644	-1 800
Costa Rica	44	-20	-10	304	345	420	-407	-206	-380	358	331	400	-49	125	20
Chile	701	555	470	1 464	1 921	1 700	-4 733	-2 304	-1 070	4 800	1 139	530	67	-1 165	-540
El Salvador	110	122	80	100	85	30	-266	-240	-240	217	170	420	-49	-70	180
Guatemala	312	231	180	103	122	110	-567	-376	-240	265	338	290	-302	-38	50
Guyana	76	66	50	54	55	50	-179	-166	-160	153	160	150	-26	-6	-10
Haiti	69	73	70	13	14	20	-225	-142	-160	168	97	140	-57	-45	-20
Honduras	62	52	60	153	202	190	-321	-249	-210	249	204	190	-72	-45	-20
Nicaragua	82	23	80	93	154	90	-571	-393	-520	677	270	590	106	-123	70
Panama	-879	-849	-880	228	236	300	-496	-539	-390	423	525	440	-73	-14	50
Paraguay	-22	92	220	29	-14	-10	-378	-391	-630	421	329	590	43	-62	-40
Dominican Republic	42	-97	-160	293	254	300	-416	-457	-470	454	311	330	38	-146	-140
Uruguay	35	266	170	74	197	320	-468	-235	-170	494	-182	220	26	-417	50

Source: 1981, 1982: International Monetary Fund; the figures for Ecuador (1982), El Salvador (1982), Guyana (1982), Nicaragua (1981, 1982) and Trinidad and Tobago (1982) are preliminary estimates prepared by ECLA and are subject to revision. Figures for Chile (1981, 1982 and 1983): Central Bank, 1983; ECLA, preliminary estimates subject to revision.  
<sup>a</sup> Excluding net payments for profits and interest.  
<sup>b</sup> Including net unrequited private transfer payments.  
<sup>c</sup> Including long- and short-term capital, unrequited official transfer payments and errors and omissions.  
<sup>d</sup> Variation in international reserves (with inverted sign) plus counterpart entries.

Table 16

Table 16  
**LATIN AMERICA: RATIO BETWEEN THE DEFICIT IN THE CURRENT  
ACCOUNT OF THE BALANCE OF PAYMENTS AND THE VALUE OF  
EXPORTS OF GOODS AND SERVICES**

(Percentages)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 <sup>a</sup>
<b>Latin America</b>	19.7	11.1	17.0	34.2	23.3	21.1	29.8	23.7	26.6	35.2	35.0	6.0
<b>Oil-exporting countries</b>	13.6	7.1	-10.9	20.4	22.0	29.0	40.6	14.9	7.4	22.8	17.7	-18.3
Bolivia	5.5	-0.7	-21.3	28.8	10.3	18.8	50.2	46.6	15.9	30.9	13.3	21.8
Ecuador	23.3	1.9	-1.7	21.5	2.1	23.7	42.9	27.1	23.4	35.2	40.2	3.7
Mexico	25.7	30.9	47.8	67.1	50.2	24.0	30.3	36.9	32.7	48.7	10.8	-20.1
Peru	5.6	22.4	40.8	93.2	71.5	45.8	10.2	-16.2	1.6	44.6	44.9	29.5
Venezuela	2.8	-17.5	-50.1	-23.5	-3.3	30.8	58.1	-2.5	-23.8	-19.2	19.6	-32.1
<b>Non-oil-exporting countries</b>	24.3	14.0	44.1	45.7	24.3	15.9	22.2	31.1	45.4	47.9	53.0	29.9
Argentina	9.6	-18.9	-2.6	36.8	-14.2	-17.1	-24.5	5.8	48.3	43.4	27.5	27.3
Brazil	39.3	32.5	87.5	74.3	60.4	39.3	51.5	62.7	58.8	46.1	74.3	27.9
Colombia	18.0	5.0	20.6	5.9	-6.9	-12.8	-7.4	-10.8	12.8	44.2	51.4	40.5
Costa Rica	29.9	26.9	49.9	36.5	28.9	23.6	36.1	50.5	54.9	34.6	19.3	37.0
Chile	48.1	19.7	12.9	27.1	-5.5	21.8	37.8	26.1	33.9	87.9	46.7	21.0
El Salvador	-2.7	11.5	26.3	16.0	-2.2	-2.0	25.3	-9.1	10.6	27.9	26.3	25.9
Guatemala	2.6	-1.6	14.5	8.3	8.1	2.8	20.9	14.2	9.5	39.0	28.8	20.5
Haiti	1.7	13.2	36.3	38.1	37.1	40.3	39.7	45.4	46.3	93.8	52.6	55.2
Honduras	6.8	12.9	37.0	36.3	25.3	23.9	24.7	24.4	35.1	36.4	32.5	27.0
Nicaragua	-6.1	30.3	61.7	44.2	7.7	26.7	4.8	-13.4	101.8	104.4	82.6	116.9
Panama	30.9	29.7	37.2	25.1	27.8	23.0	29.4	34.6	24.2	30.9	33.6	24.5
Paraguay	8.7	13.0	26.4	38.3	29.7	15.2	27.2	40.9	50.1	66.7	63.4	64.9
Dominican Republic	11.8	19.2	33.3	7.8	15.8	14.2	38.1	31.7	53.1	27.5	40.0	38.9
Uruguay	-13.5	-4.4	27.3	35.9	11.8	21.2	14.5	30.4	46.9	27.5	15.3	13.8

Source: ECLA, on the basis of official figures.

<sup>a</sup>Negative figures indicate surplus in the current account of the balance of payments.

<sup>b</sup>Preliminary figures.

/Table 17

Table 17  
**LATIN AMERICA: TOTAL EXTERNAL DEBT**  
*(End-of-year balance in millions of dollars)*

	1978	1979	1980	1981	1982	1983 <sup>a</sup>
<b>Latin America</b>	<b>151 107</b>	<b>182 795</b>	<b>221 880</b>	<b>275 588</b>	<b>310 402</b>	<b>332 460</b>
<b>Oil-exporting countries</b>	<b>64 390</b>	<b>77 585</b>	<b>92 339</b>	<b>118 435</b>	<b>130 162</b>	<b>137 400</b>
Bolivia <sup>b</sup>	1 762	1 941	2 220	2 542	2 522	3 000
Ecuador <sup>c</sup>	2 975	3 554	4 667	5 871	6 314	6 800
Mexico <sup>c</sup>	33 946	39 685	49 349	72 007	79 750	83 000
Peru <sup>c</sup>	9 324	9 334	9 594	9 638	11 097	12 600
Venezuela <sup>d</sup>	16 383	23 071	26 509	28 377	30 479	32 000
<b>Non-oil-exporting countries</b>	<b>86 717</b>	<b>105 210</b>	<b>129 541</b>	<b>157 153</b>	<b>180 240</b>	<b>195 060</b>
Argentina <sup>c</sup>	12 496	19 034	27 162	35 671	43 600	45 500
Brazil <sup>e</sup>	52 285	58 907	68 354	78 580	87 580	96 500
Colombia <sup>c</sup>	4 247	5 486	6 718	8 285	9 798	10 600
Costa Rica <sup>c</sup>	1 870	2 333	3 183	3 360	3 497	3 850
Chile <sup>c</sup>	6 664	8 484	11 084	15 542	17 153	17 600
El Salvador <sup>d</sup>	791	798	846	980	1 064	1 350
Guatemala <sup>c</sup>	821	934	1 093	1 409	1 504	1 750
Guyana <sup>d</sup>	491	536	594	687	689	800
Haiti <sup>d</sup>	185	232	266	326	470	510
Honduras <sup>c</sup>	971	1 280	1 510	1 708	1 800 <sup>a</sup>	2 000
Nicaragua <sup>b</sup>	961	1 131	1 579	2 163	2 797	3 400
Panama <sup>b</sup>	1 777	2 009	2 211	2 333	2 820	3 300
Paraguay <sup>c</sup>	609	799	949	1 143	1 292	1 400
Dominican Republic <sup>c</sup>	1 309	1 565	1 839	1 837	1 921	2 000
Uruguay <sup>c</sup>	1 240	1 682	2 153	3 129	4 255	4 500

Source: ECLA, on the basis of official figures and publications of international financial agencies.

<sup>a</sup>Preliminary estimates subject to revision.

<sup>b</sup>Public debt.

<sup>c</sup>Total public and private external debt.

<sup>d</sup>Includes officially guaranteed public and private external debt, plus non-guaranteed long- and short-term debt with financial institutions reporting to the Bank for International Settlements.

<sup>e</sup>Includes total medium and long- term debt plus short-term debt with financial institutions reporting to the Bank for International Settlements.

/autonomous loans



autonomous loans to the region, channeling their credit through the renegotiations of the external debt initiated by several Latin American countries. <sup>3/</sup> Under such circumstances, a substantial part of the increase in the debt was accounted for by the fact that the banks capitalized interest payments. This was partly due to the pressure brought to bear by the International Monetary Fund to induce the banks to refinance part (usually around 50%) of the interest earned, as a contribution to the adjustment programmes sponsored by the Fund.

The need to refinance a considerable portion of the interest payments becomes obvious when one takes into account the tremendous burden which they represent for most of the countries of the region. Indeed, despite the fact that in 1983 interest payments fell, mainly as a result of the decline in the prevailing rates on the main international financial markets, they still amounted to the equivalent of almost 35% of the value of exports of goods and services for the region as a whole. (See table 18.) Although this is somewhat lower than the 38% which they represented in 1982, it was higher than the amounts recorded between 1977 and 1981 and much higher than the 20% which is usually considered an acceptable ceiling. The percentage of exports which had to be devoted to interest payments in 1983 was considerably more than the average in Argentina (51%), Brazil (44%) and Costa Rica (42%). On the other hand, it was much lower than the average in El Salvador (10%), Guatemala (7.5%) and Haiti (3.5%).

/Table 18

Table 18  
**LATIN AMERICA: RATIO OF TOTAL INTEREST PAYMENTS  
 TO EXPORTS OF GOODS AND SERVICES<sup>a</sup>**

(Percentages)

	1977	1978	1979	1980	1981	1982	1983 <sup>b</sup>
<b>Latin America</b>	12.4	15.5	17.4	19.9	26.4	38.3	34.5
<b>Oil-exporting countries</b>	13.0	16.0	15.7	16.5	22.3	31.1	31.5
Bolivia	9.9	13.7	18.1	24.5	35.5	43.5	37.0
Ecuador	4.8	10.3	13.6	18.2	24.3	29.3	25.0
Mexico	25.4	24.0	24.8	23.1	28.7	37.6	39.0
Peru	17.9	21.2	14.7	16.0	21.8	24.7	31.0
Venezuela	4.0	7.2	6.9	8.1	12.7	21.4	19.0
<b>Non-oil-exporting countries</b>	11.9	15.1	18.8	23.3	31.3	46.2	38.0
Argentina	7.6	9.6	12.8	22.0	31.7	54.6	51.5
Brazil	18.9	24.5	31.5	34.1	40.4	57.0	44.5
Colombia	7.4	7.7	10.1	13.3	21.6	22.7	19.5
Costa Rica	7.1	9.9	12.8	18.0	25.5	33.4	42.0
Chile	13.7	17.0	16.5	19.3	34.6	47.2	34.5
El Salvador	2.9	5.1	5.3	6.5	7.5	11.1	10.0
Guatemala	2.4	3.6	3.1	5.3	7.5	7.6	7.5
Haiti	2.3	2.8	3.3	2.0	3.2	2.3	3.5
Honduras	7.2	8.2	8.6	10.6	14.5	22.5	16.0
Nicaragua	7.0	9.3	9.7	15.7	15.5	31.7	38.0
Paraguay	6.7	8.5	10.7	14.3	15.9	14.9	10.0
Dominican Republic	8.8	14.0	14.4	14.7	10.5	22.6	24.0
Uruguay	9.8	10.4	9.0	11.0	13.1	22.4	34.0

Source: 1977-1982: International Monetary Fund, *Balance of Payments Yearbook*; 1983: ECLA, on the basis of official information.

<sup>a</sup>Interest includes interest payment on short-term debt.

<sup>b</sup>Preliminary estimates subject to revision.

/Footnotes

Footnotes

1/ As can be seen in table 2, the absolute amount of the transfer of resources is smaller if one considers the errors and omissions item in the balance of payments, the largest part of which was probably constituted, especially in 1982, by unregistered outflows of capital. Nevertheless, if that procedure is followed, the magnitude of the shift in the transfer of resources that took place between 1981 and 1983 becomes even larger.

2/ The concept of global social product used in Cuban statistics corresponds to the sum of gross production in agriculture, industry, mining, energy, transport, communications and commerce.

3/ Between August 1982 and the end of 1983, all the countries shown in table 14, except Colombia, El Salvador, Guatemala, Haiti, Panama and Paraguay, requested a rescheduling of their external debt payments. Cuba and Jamaica did so likewise, but are not shown in the table because the necessary information was not available. For a detailed analysis of the renegotiation of the external debt, see CEPAL, Adjustment policies and renegotiation of the external debt, E/CEPAL/SES.20/G.17, Lima, Peru, April, 1984.



