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ECONOMIC SURVEY OF LATIN AMERICA
 1979
 ECUADOR

This preliminary version of the Economic Survey of Latin America, 1979 is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.

ECUADOR

1. Recent economic trends: Introduction and summary

In 1979, Ecuador again showed moderate economic growth, in contrast with its rapid expansion up to 1977. The gross domestic product increased by 5.4%, a rate similar to that of 1978, which meant that the per capita product grew by 2.2% in both years (see table 1).

The meagre performance of agriculture (which was affected by drought for the third consecutive year) and of construction, compounded by a general decline in the growth rate of other sectors, were the most immediate sectoral causes of the relatively slow growth of the total product.

The period of hiatus and uncertainty normally caused by a change of government may have contributed to the loss of dynamism in these sectors.

On the other hand, gross income increased sharply (11%) during the year due to the favourable behaviour of the external terms of trade which, after having declined by 11% in 1978, rose by 26% when the prices of petroleum exports doubled.

The loss of momentum in domestic supply contrasted with the notable recovery made by domestic demand both under the investment heading and in consumer expenditure, which increased by approximately 10% and 9%, respectively.

The volume of imports, which increased more than 14%, did much to help local production to meet the increased requirements of domestic demand. The volume of exports, on the other hand, decreased by 2% because of a drop in the volume of sales of some of the principal export products.

Despite the decline in the volume of exports, their value rose spectacularly (40%), from US\$ 1,720 million in 1978 to nearly US\$ 2,400 million. Of this growth, approximately US\$ 500 million came from increased petroleum sales.

Nevertheless, the notable rise in exports could not prevent the balance of payments current account deficit from reaching some US\$ 320 million - US\$ 130 million more than in 1978. Although imports of goods and services increased less than exports (29%), remittances of profits, and especially interest payments, to other countries increased enormously.

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There was a large net inflow of capital during the year, estimated at approximately US\$ 420 million, which counteracted the substantial current account imbalance and permitted international reserves to increase by US\$ 97 million.

At the close of 1979, the total external debt was calculated at approximately US\$ 3,600 million (27% greater than at the beginning of the year), 80% of which was public debt.

Government revenue increased by approximately 19% in 1979 due to increased resources from petroleum activity. Expenditure, for its part, increased at a slower rate, which helped to reduce the fiscal deficit still further.

As a result of the notable expansion of credit to the private sector, the means of payment increased by nearly 15%, a higher figure than for the previous year.

Contrary to what might have been expected from the increase in the money supply, investment and consumer expenditures (the growth rates of which were all higher than in the previous year) and from the significant readjustment of minimum wages, the inflation rate decreased in 1979, when the increase in prices to the consumer was slightly greater than 10%: lower than in any of the preceding six years. No doubt the higher domestic availability of goods and services (9%) in 1979, which was made possible by the notable increase in imports and the reduction in the volume of exports, helped to moderate the increase in domestic prices.

Minimum legal wages for various groups of workers, which had remained unchanged since the beginning of 1976, were readjusted in January 1979 by percentages ranging from 33% to 40%, which in real terms meant increases of 21% to 27%. Additionally, an increase equal to an extra month's wages per year was granted in April, and a further substantial increase in the minimum wage was approved towards the end of the year, to apply as of January 1980.

Shortly after President Roldós took office, the National Development Council (CONADE) set about the formulation of an economic development plan for the five-year period 1980-1984. CONADE and its Technical Secretariat replaced the National Planning Board. The plan was completed in December,

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and went into effect at the beginning of March 1980 after the nation had been informed of it and various opinions and comments received.

The plan gives special attention to the integral development of agriculture and the expansion of petroleum production, together with that of hydroelectric resources. It also stresses the social aspects of development such as reactivation of the agrarian reform process, correction of the tendency towards concentration of income, and organization and encouragement of the masses.

2. Trends in economic activity

(a) Global supply and demand trends

As already noted, in the last two years the growth rate of the gross domestic product has slackened, declining from 8.7% annually in the period 1973-1977 to 5.4% in 1978 and 1979.

In contrast to the previous year, however, in 1979 domestic production was complemented by a 14% higher volume of imported goods and services, which allowed the global supply to increase by 7.4%. In 1978, although the increase in the gross domestic product equalled that of 1979, the total availability of goods and services increased by barely 1.5% to the reduction in the import element of supply (see table 2).

The significant increase of 9% in domestic demand and the decrease of 2% in the volume of exports were the most outstanding features of the performance of total demand in 1979, in marked contrast to what happened the year before, when exports grew by 11% while domestic demand remained completely stagnant.

Gross domestic investment increased by nearly 9% in 1979, while fixed capital formation grew slightly less (7.6%). General government fixed investment, for its part, grew by nearly 11%, while private investment increased by a little more than 6%. The investments made by some State enterprises, which are now included under private investment, are also assumed to have increased rapidly during the year, taking advantage of the increased resources brought by petroleum and the large capital inflow in the form of long-term loans which the public sector received during the year.

/The growth

The growth rate of nearly 9% recorded by consumption during the year contrasted with the virtual stagnation it had suffered the year before.

When the percentage shares of the total supply and demand components with respect to the product are compared for the years 1970 and 1979, the big increases in the import coefficient (from 19% to 30%) and the investment coefficient (from 15% to 20%) are very notable. The export coefficient, on the other hand, only increased from 15% to 17%, thus accentuating its disparity with the import coefficient. This situation was caused mainly by the significant improvement in the terms of trade and in the growing indebtedness recorded during the decade.

(b) Growth of the main sectors

Excepting agriculture and some services, the growth rates of all productive activities decreased in 1979 (see table 3).

Agriculture recovered somewhat during the year, for although the sector grew by only 2%, in previous years the annual rate had barely exceeded 1%.

In some branches, such as petroleum industry and construction, the growth rate declined sharply in 1979. Although it grew less than in 1977 and 1978, manufacturing continued to be the most dynamic activity, together with electricity, gas and water services.

Among the basic services, transport, storage and communications also reduced their growth rate in the last two years. The same trend was noticeable in commercial activity, and more especially so in finance, insurance and real estate.

(i) Agriculture. The scanty increase in the agricultural product in 1979 was due to a drop of 2.6% in crop-farming production; livestock raising and forestry, on the other hand, grew by 5%, and fishing by 8.2%. This approximately duplicates the trends of the last two years.

For the third consecutive year, many crops were affected by the drought, which decreased their production still further, and major decreases with respect to 1976 were observed in many important products (see table 4).

/In 1979,

In 1979, according to preliminary data, coffee, wheat and cotton production decreased notably, while among the other main crops banana, cocoa, rice and maize production also decreased somewhat.

In most cases this decline was due to the lower yield caused by the drought. Furthermore, diseases such as yellow rust affected the wheat and barley crops in Cañar province.

Other factors connected with marketing and low domestic prices also played a role in the gradual decline which has been noticeable for several years in wheat, maize and rice production.

In contrast to crop-farming production, livestock, forestry and fishing activities have shown a fairly brisk rate of development in recent years.

Livestock production increased by 5% in 1979, a rate similar to those recorded for 1977 and 1978 and which has led to an increase (at a rate of 2.7% annually) in the size of the herds and the amount of land devoted to this activity.

Between 1973 and 1978, milk production grew by 3.9% per year, but because this rate could not meet domestic demand, increasing quantities of powdered milk have had to be imported.

Fishing is another activity which has developed greatly in the past six years under the impetus of the speed with which exports of its products have increased. Fishmeal factories, canning and freezing plants and fishing enterprises are in full expansion, supported by the benefits provided for under the 1974 fishery development law.

Finally, forestry, which accounts for approximately 13% of the agricultural product is estimated to have increased by around 5% in 1979, thus maintaining the growth rate of previous years.

The Ecuadorian Institute of Water Resources (INERHI) has pointed out the rapid growth of arid land over the past 25 years and has proposed the creation of a national fund to build irrigation works at a cost of some US\$ 240 million. In the next four years 25 such works are to be built, serving 90,000 hectares and 35,000 families, while feasibility studies for 17 more projects, which would irrigate an additional 94,000 hectares, are to be completed. INERHI has also continued to study the possibility

/of making

of making use of some 800,000 hectares in the Guayas river basin. Other irrigation projects, designed to serve indigenous communities, are at Tabacundo, in Pichincha province, and at Nitihuisa-La Moya.

Up to November 1979, the Central Bank had authorized credits in the amount of some US\$ 340 million for agricultural activity and exports: an increase of 16% over 1978. The National Development Fund also authorized significantly higher allocations to agriculture and livestock raising than in 1978, as well as loans to public institutions connected with this sector. It should also be noted that from June 1978 to August 1979, the Development Fund for Marginal Rural Sectors furnished credits and grants totalling US\$ 46 million to slightly more than 30,000 rural families in 17 provinces.

(ii) Petroleum. In 1979, crude oil production reached the unprecedented amount of nearly 79 million barrels: 7% more than in the preceding year. Almost all of the petroleum was extracted in the Oriente region; production in the coastal region, on the Santa Elena peninsula has gradually been going down. It should be noted that in 1973, when the large-scale exploitation of the Oriente deposits was begun, total production of 76 million barrels of oil was recorded; this had not been topped until 1979. In the period 1974-1977, the average extraction had been 65 million barrels and in 1978 a 10% rise in production had preceded that of 1979 (see table 5).

The bigger output in 1979 was achieved in spite of the fact that at the beginning of May the maximum permitted production was lowered from 210,000 to 204,000 barrels per day, with a margin of 5% which raises this limit to 214,000 barrels per day, or some 78 million barrels per year. This control over production by the Government, which limited extraction in accordance with proven hydrocarbon reserves, corresponds to its policy of safeguarding Ecuador's petroleum resources.

At the end of 1979, the proven resources in the Oriente region were calculated at approximately 1,300 million barrels, which would allow production to proceed at the current rate for 16 or 17 more years.

/Despite the

Despite the increase in petroleum production, the volume of exports declined from 42 to 40 million barrels between 1978 and 1979 1/ because of the rapid increase in domestic consumption due mainly to the low domestic liquid fuel prices, which have remained unchanged since before the first big rises in international petroleum prices.2/ This has contributed to a rapid increase in the number of motor vehicles and greater use of the automobile, and has also given rise to a huge contraband trade in petroleum products, estimated at approximately 20% of national fuel consumption.3/

The current petroleum policy seeks to increase proven hydrocarbon reserves and hence the production and refining of petroleum and the production of natural gas. It also aims at the rationalization of consumption by channeling part of it to other forms of energy, particularly hydroelectricity.

During the final months of 1979 there was an intensification of exploration activities, which had been neglected for several years. Extensive programmes of prospecting for new deposits were begun both in the Oriente region and on the coast, where 9.2 million hectares have been set aside for exploration, and tests have already given positive results in the provinces of Manabí and Esmeraldas. Also in the Oriente region, a secondary recovery and deep drilling programme will be initiated in oilfields already in operation. This programme, in which new injection systems are used, will also be put into effect in the wells on the Santa Elena peninsula, whose production has now sunk to low levels. The participation in these exploration and subsequent operation programmes of other foreign firms as well as those currently operating in the country has not been ruled out.

1/ These figures do not include petroleum exchanged or given in compensation, which accounts for some 5 million barrels more.

2/ The current price of 81-octane gasoline in Ecuador is still only slightly more than 5 US cents per litre.

3/ Statement by the manager of the Ecuadorian State Petroleum Company (CEPE) in the newspaper El Comercio of Quito, published on 7 March 1980.

Some measures have already been adopted, and others will be implemented in due course, in order to rationalize domestic consumption. To this end, it is considered essential to raise the prices of petroleum derivatives on the domestic market gradually and selectively. The prices of fuel for foreign aircraft refuelling in the country and for Ecuadorian international transport companies have already been increased. Moreover, an extensive hydroelectric development programme, hopefully to be financed from petroleum surpluses is being promoted with a view to replacing part of the domestic consumption of liquid fuels.

Together with the search for new petroleum deposits and the corresponding increase in extraction, the large-scale exploitation of the Guayaquil natural gas deposits, whose yield is currently minimal, has been considered. In 1979, the contract of the United States company which has been exploiting the natural gas deposits in the gulf of Guayaquil since 1975 was revoked. The Ecuadorian State Petroleum Corporation (CEPE) took over the installations and equipment, and hopes greatly to increase the production of gas. With an eye to this potential production of natural gas and its use, the feasibility of establishing a fertilizer plant and a steelworks is being considered. There are also plans to set up a plant to refine gasoline through the polymerization of liquified gas.

The hydrocarbons policy also seeks to increase production of petroleum derivatives in order to reduce the growing imports and increase exports of such products. To this end, plans have been made to increase the current refining capacity of slightly more than 100,000 barrels per day.

The Esmeraldas refinery, which has been operating at full capacity since 1978, produces 55,000 barrels per day and its expansion so as to yield 70,000 barrels per day has already been approved. However, priority has been given to the expansion, with CEPE as a minority partner, of the Anglo-Ecuadoriana company's Santa Elena refinery so that the production of light derivatives, of which there is a deficit in Ecuador, may be increased.

The possibility of building another refinery with a capacity of 75,000 barrels per day in Guayaquil is being considered. Additionally a small plant to process 10,000 barrels per day has been planned in Sacha, in the Oriente region.

/In 1979,

In 1979, construction continued on the Shushufindi-Quito pipeline, which should begin operations in 1980.

(iii) Manufacturing. The growth rate of the manufacturing product has gone down over the last two years, but even so, this activity has continued to develop rapidly, and in 1979 it increased by 10%.

Since 1972, when the Industrial Development Law was enacted, the manufacturing product has grown by 11% per year. This rapid development was stimulated mainly by the manufacturing sector proper, which employs nearly 30% of the industrial labour force 4/ and has made good use of the tariff facilities and other benefits authorized by the Development Law to import capital goods and raw materials, while it has also taken advantage of other opportunities, such as credit facilities and the fixed exchange rate, which the sector has had access to for its development.

The manufacturing production index showed an increase of 8% in 1979 (see table 6), which is also lower than that of the two preceding years. This lower production growth rate was generally representative of the situation in the various branches of manufacturing, except for the basic metal industries and the metal products, machinery and equipment industries, which increased their levels of production in 1979 by 28% and 18%, respectively. (See table 6.)

In contrast, production of non-metallic minerals showed practically no variation in 1979 after having grown by nearly 30% in 1978.

In 1979, investments in manufacturing were equivalent to approximately US\$ 300 million, 8% higher than in 1978. Various industrial investment projects are being studied or carried out. General Motors signed an agreement with the Government to build two factories in accordance with the provisions of the Andean Group motor-vehicle programme: one is to assemble approximately 16,000 light trucks per year and the other is to produce gearboxes for the domestic market and for export to the Andean Group countries. These two projects involve an investment of nearly US\$ 100 million.

4/ Estimates by the Ecuadorian Industrial Development Centre indicate that in 1977 manufacturing generated 79% of the industrial product and employed 87,000 persons out of a total of 304,000 employed in industry as a whole. Artisanal-type industry, employing 71% of the total, generated only 21% of the industrial product.

Volkswagen has signed a contract to establish a plant in Riobamba, using German and Ecuadorian capital, to produce automobiles with 1,050 and 1,500 c.c. motors. Approximately US\$ 85 million will be invested in this project, of which Volkswagen will contribute 26%.

(iv) Construction. Over the past three years, the fast growth rate maintained by this activity since the beginning of the decade has declined to less than 4%, and in 1979 the product of the construction sector increased by only 2.4% (see table 3).

The periodic checks carried out jointly by CONADE, the Central Bank and the Superintendent of Companies show that the project execution rate up to September had declined as a consequence of some decrease in demand. This was reflected in a drop in the number of project contracts, especially with the private sector, which may be attributed to the uncertain atmosphere reigning throughout the year due to the change of administration and the new directions economic policy might take.

Other construction indicators (permits granted by the municipalities of Quito, Guayaquil and Cuenca) show that up to November 1979, the amount of square metres authorized had decreased by 22% with respect to the same period in the preceding year; the drop in residential construction was smaller (18%). The decrease in constructed area was more noticeable in non-residential construction in Quito (-27%) and in residential construction in Guayaquil (-29%).

The information available on construction investment, for its part, which unfortunately does not include most investments made by the public sector, indicates a decline of 5% in 1978 and a real increase of 2% in 1979. Public investment, which does not include that of some public enterprises but largely corresponds to construction activities, increased by slightly more than 4% in 1978 and 11% in 1979.

In 1979, this activity seems to have faced some problems caused by the scarcity of skilled manpower and of some building materials. Cement production decreased by 2%, but cement imports are estimated to have increased by around 18%. The production of iron bars and sections increased by 28%, and imports of these items decreased proportionately.

/(v) Electrical

(v) Electrical energy. In 1979, 3,142 gWh were produced, 19% more than in 1978, in spite of the difficulties in providing electricity in Quito and in various other areas caused by the drought, which affected the functioning of the hydroelectrical stations. In the period up to September, the amount of electricity provided by the Quito Electrical Company increased by only 5% with respect to the same period in the preceding year.

No information is available on the new capacity which came into operation in 1979. In 1978, the total installed capacity was 924 MW, of which 700 MW corresponded to thermal plants. Of the total capacity, 772 MW belonged to public service enterprises and the remaining 152 MW to consumers generating their own electricity.

In order to combat the energy shortage in 1979, the Quito Electrical Company bought a 34-MW thermal power station, while the Ecuadorian Electrification Institute (INECEL) obtained external financing for the purchase of 17 2.5-MW thermal generator units, 12 2-MW units and 2 gas turbines.

Evaluations made by the Ministry of Natural Resources and Energy in 1978 show that hydroelectrical potential represents 78% of the country's entire energy resources, while hydrocarbons constitute 21% of them. However, only 4% of the energy consumed is hydroelectricity while 54% comes from petroleum derivatives.

These extremely eloquent figures, together with the admittedly inappropriate economic use being made of the petroleum reserves,^{5/} have been taken into account in the assignment of high priority to the generation of hydroelectricity in the investment programmes for the period 1980-1984.

Four major power stations, some of which are currently under construction, are scheduled to enter into operation in the next three years; in all, they will provide 720 MW of extra capacity, 500 MW of which will be hydroelectric.

^{5/} Domestic consumption of liquid fuels is expanding at increasingly high rates (it grew by around 20% in 1979) because of the extremely low prices, which means that there is less and less left over for export.

In 1979, construction continued on the 73 MW Estero Salado thermal power station, which is part of the Salitre II project due to begin operating in 1980. Construction was also continued on the 500 MW Paute I hydroelectric station: it is hoped that phase A of this project, with a capacity of 300 MW, will begin operating in 1982, and phase B, of 200 MW, in 1983.

During the year, the programme for construction of the Quito-Ibarra electrical transmission lines, which link the provinces of Imbabura and Carchi to the national grid, was continued, the Quito-Guayaquil line was finished, and construction was begun on the line to connect Paute with Guayaquil. Furthermore, construction of 11 electricity substations was continued in Quito and neighbouring areas.

Among the hydroelectric projects planned for the next few years, special mention may be made of phase C of Paute I, which will provide an additional 500 MW for this project; Toachi, with a capacity of 300 MW; Daule-Peripá, the first stage of which will have a capacity of 130 MW; Paute-Mazar, and several others.

3. The external sector

(a) Merchandise trade

One of the most outstanding economic developments in 1979 was the 40% growth of exports, which meant an increase of US\$ 600 million in total exports to US\$ 2,140 million - more than double the exports of goods of four years before. This notable increase in exports, despite a decrease in volume of 3.5%, was due to an increase of 45% in the unit value (see table 7).

The doubling of the sales price of petroleum accounts for US\$ 500 million of the US\$ 600 million by which the value of exports increased during the year. Prices of coffee, bananas and some other products also increased, although less dramatically. The volume of exports decreased in the case of coffee, cocoa, petroleum and petroleum products and, to a slight extent, bananas.

Imports of goods increased by 25% as a result of the 9% increase in the volume imported and the 15% increase in prices.

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The relationship between export and import prices was thus relatively favourable and improved by 26% with respect to 1978, when it had declined by 11%. The purchasing power of exports of goods increased by 21% because of this favourable price situation.

(i) Exports of goods. In 1979, 40 million barrels of crude petroleum were exported,^{6/} 4% less than in 1978. However, the value of these sales nearly doubled with respect to the preceding year due to the notable price increase (see table 8). The average sales price in 1979 was US\$ 25.55 per barrel, more than double the 1978 price of US\$ 12.46.

The petroleum companies directly exported 29 million barrels at an average price of US\$ 22.50 per barrel. The rest of the exports, equalling slightly more than 11 million barrels, corresponded to royalties paid to the Government by the petroleum companies. Since 1979 these royalties have been paid in the form of petroleum, which the Ecuadorian State Petroleum Corporation (CEPE) sold abroad at an average price of US\$ 33.30 per barrel.

Coffee exports, which had increased by 79% the preceding year, decreased by 12% in 1979 due to the smaller volume exported, which declined to 82,000 tons from the 103,000 tons exported in 1978. Coffee prices, however, increased by approximately 10%.

Banana sales increased for the second consecutive year (14% in 1978 and 16% in 1979) due to the higher prices on external markets.

Exports of processed cocoa products also increased greatly in the last three years, rising from a value of US\$ 62 million in 1976 to US\$ 234 million in 1979, so that they have become one of the country's most important export products and now account for 11% of total exports. Cocoa bean exports, on the other hand, have declined in relative importance. In 1978, they decreased by 15% and they went down by a further 18% in 1979 due both to the smaller volume sold and the deterioration of their prices.

^{6/} As in previous years, this figure does not include the amount of oil furnished in exchange and compensation, which came to 4.9 million barrels.

Sales of marine products have also increased rapidly in recent years. Exports of fish and crustacea (principally shrimp) increased by 20% in 1978 and 45% in 1979. In the latter year, rather more than 25,000 tons of non-processed marine products were exported for a value of US\$ 61 million, while the value of processed marine products sold trebled between 1976 and 1979, totalling US\$ 60 million in the latter year.

The value of exports of other manufactured products has also increased greatly in recent years, from US\$ 84 million in 1975 to US\$ 495 million in 1979 (see table 8).

Since 1977, fuel oil exports have become important, and in 1979 their value exceeded US\$ 100 million, due to higher prices, since the volume exported declined by 30% from the preceding year. Among manufactured products, exports of soluble coffee, sugar and electrical home appliances also increased considerably.

(ii) Imports of goods. With the 25% increase they recorded in 1979, the value of imports came to some US\$ 1,650 million, thus increasing the merchandise trade surplus to US\$ 500 million.

The composition of imports has not changed greatly in recent years: around two-thirds continue to be capital goods and raw materials. In 1979, the value of imports of industrial raw materials increased by around 38%, while that of agricultural raw materials imports grew by 33%. Purchases of capital goods for industry increased by around 30%, those of transport equipment by nearly 18% and those of consumer goods by only 5%.

(b) The current account position and its financing

Although the merchandise trade surplus increased from US\$ 217 million to US\$ 500 million in 1979, the net outflow in respect of services simultaneously increased by US\$ 114 million, so that a final positive trade balance of around US\$ 180 million was recorded at the end of the year.

Remittances of profits on foreign investment and interest payments also increased spectacularly during the year, however, especially the latter, which increased by a factor of 3.4 (see table 9). The result was a current account deficit of US\$ 325 million, 67% greater than that recorded in 1978 and extremely high in the light of the magnitude of export income.

/In 1979

In 1979 there was also a large net inflow of non-compensatory capital, estimated at US\$ 420 million compared with the 1978 figure of US\$ 186 million. During the year, inflows in the form of long-term loans, especially those granted to the public sector, increased greatly, but even so the inflow from foreign investment continued to be of only secondary importance.

In short, the net inflow of non-compensatory capital in 1979 exceeded the large current account deficit and augmented the country's international reserves by US\$ 97 million.

(c) External indebtedness

Preliminary information from the Central Bank of Ecuador indicates that in 1979 there was a strong inflow of medium- and long-term loans (US\$ 1,640 million), of which a high proportion (72%) were for the public sector.7/

The external debt increased by US\$ 750 million (27%) to stand at nearly US\$ 3,600 million at the end of the year, 80% of this being public debt. Between 1976 and 1978, external indebtedness has quadrupled.

Of the total resources that came in during the year, US\$ 520 million were from a loan made in February by a group of private banks for the partial renegotiation of the public debt on advantageous terms for the country.8/

Although smaller in absolute terms, the external debt of the private sector increased much faster than the public debt, since it grew by 61%.

In 1979, the public sector contracted long-term loans in the amount of US\$ 1,420 million, US\$ 250 million more than the loans disbursed during the year and 2.6 times greater than the sum contracted in 1978.

For several years, the proportion of loans contracted with foreign private banks has increased at the expense of credits from international organizations and suppliers. In 1979, loans contracted by the public

7/ This information does not correspond with the capital movements in the balance of payments.

8/ This loan was contracted for a period of 10 years, including 3.5 years' grace, at interest rates of 0.75% over LIBOR for the grace period and 1% over LIBOR for the rest of the term.

sector with banks grew by 71%, whereas those with international organizations and suppliers increased by only 13%.

Amortization payments of US\$ 890 million and interest payments of US\$ 325 million were made during 1979 in servicing the long-term external debt. Together, these figures represent one-half of the income from exports of goods and services.

4. Prices and wages

(a) Domestic prices

In 1979, the growth rate of domestic prices declined. The average variation in consumer prices was 10.3% in Quito, and the December-to-December variation was even lower (9%). These increases are the lowest recorded for many years (see table 10).

Comparison of the annual variations shows that food prices increased slightly less than the general price index, and if the December-to-December variations are compared their growth rate was two percentage points less. Price increases intensified between April and July, but they slackened appreciably in subsequent months.

It may seem curious that in the past two years the food price index has grown less than the general index, although agricultural production, especially for domestic consumption, was most heavily affected by the drought. However, it should be recalled that during this period large quantities of some basic food products were imported to supplement the smaller domestic production.

In the first six months of 1979 (no information is available for the second half of the year) the wholesale price index rose by 12% with respect to the first half of 1978. Only the prices of imported goods increased more than the general index did; the prices of manufactured products increased by 11%, while agricultural products increased by only 3.7%. During the year, the prices of meat, milk, wheat and rice continued to be fixed by the Government.

(b) Wages and salaries

The minimum legal wages for various types of workers were readjusted in January 1979. The percentage rises varied from 33% for workers in general

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(whose minimum legal wage increased from 1,500 to 2,000 sucres per month) to 41% for agricultural workers in the Sierra (whose minimum legal wage increased from 960 to 1,350 sucres) (see table 11).

These wages had not been readjusted for the past three years and had accordingly suffered a real decline of 20% in 1977 and 1978. The increases decreed in 1979 meant real rises in these minimum wages ranging from 21% for workers in general to 27% for agricultural workers in the Sierra.

In April, an additional remuneration of a fifteenth month's wages was established according to the following scale: 100% of the monthly remuneration for workers and employees with wages of up to 6,000 sucres, or, for those earning more, a base figure of 6,000 sucres plus 40% of the amount above 6,000 sucres up to a maximum of 10,000 sucres.

In November, a new minimum wage scale was approved which went into force in January 1980, and increased the basic minimum wage from 2,000 to 4,000 sucres, as well as raising the minimum wages for various types of workers by varying amounts (see table 11). Furthermore, remunerations ranging from 3,500 to 12,000 sucres per month were increased by 1,000 sucres. Teachers were given a basic salary of 5,000 sucres per month, and the salaries of primary and secondary school teachers were levelled.

5. Monetary and fiscal policy

(a) Monetary policy

A major concern of fiscal, monetary and credit policy in recent years has been to contain inflation: a goal which to some extent has been reached.

The money supply grew by 15% in 1979 (from December to December), thus representing a slight increase over the 12% registered in 1978 (see table 12).

The growth of the means of payment during the year was uneven. There was only a small increase in the early months, and the lack of liquidity that this caused led the monetary authorities to reduce the bank reserve requirements first from 33% to 32% in March, then to 31% in July and next to 29% in October. The money supply which at the end of March had increased

by 14% with respect to the same month in the preceding year, showed increases of 25% and 22% at the end of the second and third quarters, but in December the reserve requirement was raised to 30% and at the end of the month, as already stated, the increase in the money supply had dropped to 15% with respect to December of the preceding year.

The growth of the money supply during the year was stimulated principally by the increased amount of domestic credit, at least until September. This credit was directed towards the private sector, as the Government maintained a positive balance in its account with the Central Bank for the second year running.

The 13% increase registered by the international reserves at the end of December (6.5% in 1978) did not have a decisive influence on the increased issue, in contrast with the situation in the period 1973-1977, when, except in 1975, these resources increased at a rate of 55% per year and it was extremely difficult to check their influence on the expansion of the means of payment.

With regard to absorption factors, the increases up to September in savings and time deposits (19%) and bonds (17%) helped to reduce the effects of the expansion factors mentioned earlier.

(b) Fiscal income and expenditure

According to estimates based on information up to September, the Government's budgetary income increased by approximately 19% in 1979, while total expenditures rose by around 15%, so that the fiscal deficit declined slightly (see table 13).

Revenue from taxes on the income of petroleum companies and other duties on that activity, which had declined since 1974, rose notably (approximately 64%) during the year. Income from other sources, however, grew much more slowly.

The policy of limiting public expenditure to reduce inflation has been yielding results, since the annual increases dropped from 47% in 1975 to only 5% in 1978, when the expenditures were actually lower than those originally budgeted due to the limited execution of some programmes and activities. Notable reductions in expenditures on general services, agricultural programmes and transport and communications were recorded.

In recent years, the central government's current resources have financed around 80% of the total budgeted expenditure, the remainder being provided by resources from institutions participating in the National Treasury's Single Account, the placing of bonds, funds from deposits in the Central Bank, and transfers from the National Development Fund (FONADE).

Income from petroleum activities increased by approximately 49% in 1979 and represented 37% and 31% of the global income and expenditure, respectively, of the consolidated public sector. These percentages are much higher than in the previous three-year period (see table 14).

The notable expansion of public income from the petroleum industry was due to the high prices obtained by exports of petroleum and its derivatives. In 1979, the petroleum companies began to pay royalties in the form of petroleum (CEPE - 17% of production, TEXACO - 18.5% and CEPE-CITY - 12.5%). The State enterprise, CEPE, was responsible for exporting these oil royalties which totalled 11.4 million barrels and were worth US\$ 38 million. The other important item in public income from petroleum was the income tax, which was levied at the rate of 87.3% in the case of the private petroleum companies.

An important participant in petroleum income is FONADE, which was created at the end of 1973 to receive part of these resources and channel them towards priority projects of greatest benefit to the country's economic and social development. In August 1979, FONADE was replaced by the Ecuadorian Development Bank (BEDE), which had been created in 1976 but had not functioned for lack of the necessary statutory legislation.

In 1979, until its activities ended in August, FONADE received resources from petroleum activity amounting to approximately US\$ 100 million and external credits of around US\$ 190 million, while it granted loans equivalent to US\$ 330 million, principally to the National Defence Board and the Ministry of Public Works, as well as making an important contribution to the National Treasury's Single Account and allocations mainly directed towards education, health and economic development.

Table 1

ECUADOR: MAIN ECONOMIC INDICATORS

	1973	1974	1975	1976	1977	1978	1979(a)
A. Basic economic indicators							
Gross domestic product at factor cost (millions of dollars at 1970 prices)	2 899	3 015	3 241	3 503	3 727	3 929	4 141
Population (millions of inhabitants)	6.50	6.69	6.89	7.10	7.32	7.54	7.78
Per capita gross domestic product (dollars at 1970 prices)	446	451	470	493	509	521	532
<u>Growth rates</u>							
B. Short-run economic indicators							
Gross domestic product	17.9	4.0	7.5	8.1	6.4	5.4	5.4
Per capita gross domestic product	14.5	1.0	4.4	4.9	3.2	2.3	2.2
Gross income (b)	19.9	23.1	0.3	11.5	6.8	3.6	11.0
Terms of trade	12.7	107.8	-17.2	12.7	8.7	-11.3	26.0
Current value of exports of goods and services	71.4	109.0	-15.2	27.9	13.0	7.0	39.7
Current value of imports of goods and services	29.9	116.1	17.7	3.5	35.1	-5.6	29.0
Consumer price index							
December - December	20.4	21.2	13.2	13.1	9.8	11.8	9.0
Variation between annual averages	12.9	23.4	15.3	10.7	13.0	11.9	10.3
Money	34.9	50.8	10.8	31.1	23.1	11.6	15.0
Current income of government	44.7	42.8	7.7	18.5	12.3	5.8	19.1
Total expenditure of government	28.1	39.0	4.9	43.0	30.2	5.0	15.3
Fiscal deficit/total expenditure of government (c)	-2.8	-0.1	5.2	-12.8	-24.8	-17.1	-14.3
<u>Millions of dollars</u>							
C. External sector							
Trade balance (goods and services)	116	208	-185	79	-208	7	175
Balance on current account	-14	23	-240	-27	-371	-195	-325
Variation in net international reserves	90	108	-65	174	121	-9	37
External debt (d)	380	410	513	693	1 263	2 819	3 567

(a) Preliminary figures.

(b) Gross domestic product plus terms-of-trade effect.

(c) Percentage.

(d) Long- and medium- term disbursed public and private debt.

Table 2

ECUADOR: TOTAL SUPPLY AND DEMAND

	Millions of sucres at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Total supply	78 093	79 292	85 123	119.2	130.0	10.0	1.5	7.4
Gross domestic product at market prices	58 948	62 131	65 487	100.0	100.0	6.4	5.4	5.4
Imports of goods and services (b)	19 145	17 161	19 636	19.2	30.0	23.4	-10.4	14.4
Total demand	78 093	79 292	85 123	119.2	130.0	10.0	1.5	7.4
Domestic demand	67 799	67 880	73 954	104.4	112.9	12.1	0.1	8.9
Gross domestic investment	14 096	13 550	14 873	19.7	22.7	19.2	-3.9	9.8
Gross fixed investment	12 435	12 186	13 112	15.6	20.0	19.9	-2.0	7.6
Construction	6 827	...	...	8.8	...	6.3	...	...
Machinery and equipment	5 608	...	...	6.8	...	41.9	...	...
Public	3 484	3 630	4 026	5.2	...	21.0	4.2	10.9
Private (c)	8 951	8 556	9 086	10.4	...	3.7	-4.4	6.2
Changes in stocks	1 661	1 364	1 761	4.1	2.7	...	...	...
Total consumption	53 703	54 330	59 081	84.7	90.2	10.4	1.2	8.7
General government	6 232	6 313	6 470	12.0	9.9	-2.1	1.3	2.5
Private	47 471	48 017	52 611	72.7	80.3	12.3	1.2	9.6
Exports of goods and services (b)	10 294	11 412	11 169	14.8	17.1	-1.6	10.9	-2.1

Source: CEPAL estimates, on the basis of figures supplied by the Central Bank of Ecuador.

(a) Preliminary figures.

(b) The figures for exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were converted to constant 1970 values, using price indexes calculated by CEPAL for the purpose.

(c) Includes public enterprises.

Table 3

ECUADOR: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of sucres at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Agriculture	13 087	13 218	13 482	30.4	22.8	1.4	1.0	2.0
Mining	509	554	586	0.8	1.0	1.5	8.8	5.8
Petroleum (b)	2 792	3 071	3 246	0.1	5.5	-8.2	10.0	5.7
Manufacturing	10 390	11 647	12 812	17.1	21.7	14.0	12.1	10.0
Construction	3 393	3 563	3 648	4.5	6.2	4.1	5.0	2.4
<u>Subtotal goods</u>	<u>30 171</u>	<u>32 053</u>	<u>33 774</u>	<u>53.0</u>	<u>57.2</u>	<u>4.7</u>	<u>6.2</u>	<u>5.4</u>
Electricity, gas and water	920	1 042	1 170	1.3	2.0	17.5	13.3	12.2
Transport, storage and communications	2 872	3 059	3 251	7.3	5.5	9.6	6.5	6.3
<u>Subtotal basic services</u>	<u>3 792</u>	<u>4 101</u>	<u>4 421</u>	<u>8.6</u>	<u>7.5</u>	<u>11.4</u>	<u>8.1</u>	<u>7.8</u>
Commerce, restaurants and hotels	5 279	5 622	5 976	11.4	10.1	12.7	6.5	6.3
Financial institutions, insurance and real estate	5 473	5 877	6 227	8.7	10.6	10.8	7.4	6.0
Community, social and personal services	8 171	8 322	8 616	18.3	14.6	0.7	1.8	3.5
<u>Subtotal other services</u>	<u>18 923</u>	<u>19 821</u>	<u>20 819</u>	<u>38.4</u>	<u>35.3</u>	<u>6.7</u>	<u>4.7</u>	<u>5.0</u>
<u>Total gross domestic product (c)</u>	<u>52 181</u>	<u>54 999</u>	<u>57 969</u>	<u>100.0</u>	<u>100.0</u>	<u>6.4</u>	<u>5.4</u>	<u>5.4</u>

Source: CEPAL estimates on the basis of figures supplied by the Central Bank of Ecuador.

(a) Preliminary figures.

(b) Includes the extraction of crude oil and natural gas, transport by oil pipeline and marketing of petroleum. The original figure for the marketing of petroleum has been extrapolated from 1972 onwards on the basis of the trend of petroleum extraction.

(c) As the individual activities and the totals were calculated independently the sum of the former does not correspond exactly with the latter.

Table 4

ECUADOR: PRODUCTION OF MAIN AGRICULTURAL ITEMS

	Thousands of tons				Growth rates		
	1976	1977	1978(a)	1979(a)	1977	1978	1979(a)
Bananas	2 570.9	2 450.7	1 980.0	1 940.0	-4.7	-19.2	-2.0
Cocoa	65.2	70.0	72.1	71.4	7.4	3.0	-1.0
Coffee	87.1	82.7	75.4	65.2	-5.1	-8.8	-13.5
Sugar cane	3 765.6	3 760.0	3 925.0	3 950.0	-0.1	4.4	0.6
Rice	198.7	327.6	225.3	221.9	64.9	-31.2	-1.5
Wheat	65.0	39.8	34.8	32.4	-38.8	-12.6	-6.9
Maize	275.0	218.5	175.7	174.1	-20.5	-19.5	-0.9
Barley	62.9	40.5	21.8	22.0	-35.6	-46.2	0.9
Potatoes	532.8	417.0	343.2	353.5	-21.7	-17.7	3.0
Cotton	27.0	26.9	26.6	23.9	-0.4	-1.1	-10.2
African palm	111.6	124.8	...	...	11.8	...	...
Soybeans and sesame seeds	18.5	20.0	...	...	8.1	...	...
Peanuts	21.2	8.4	...	...	-60.4	...	...

Source: Central Bank of Ecuador, *Boletín-Anuario*, No. 2, 1979, and unpublished forecasts for 1979.

(a) Preliminary estimates and information.

Table 5

ECUADOR: INDICATORS OF PETROLEUM PRODUCTION
(Thousands of barrels)

	1973	1974	1975	1976	1977	1978	1979
Crude oil production	76 221	64 616	58 752	68 362	66 954	73 655	78 800
Coastal region	1 022	938	831	768	688	632	546
Oriente region	75 199	63 678	57 921	67 594	66 266	73 023	78 254
Exports (a)	59 033	38 445	42 627	47 139	37 392	42 005	40 275
Domestic consumption	17 188	26 171	16 125	21 223	29 562	31 650	38 524
Petroleum processed in refineries							
Volume	11 246	12 754	14 545	15 455	14 466	30 063	31 760
Percentage of total production	14.8	19.7	24.8	22.6	21.6	40.8	40.3
Production of principal derivatives							
Gasoline	4 102	4 838	5 680	6 080	4 939	7 293	8 145
Fuel oil	3 161	3 378	3 582	3 776	4 954	13 018	13 881
Diesel oil	2 730	3 113	3 155	2 886	2 064	4 518	5 143
Turbo fuel	920	961	466	467	375	985	1 134
Kerosene	400	594	1 429	1 915	1 900	2 716	2 498
Imports of derivatives						748	2 640
Exports of derivatives						7 580	7 400
Apparent consumption of derivatives						21 698	26 041

Source: Central Bank of Ecuador.

(a) This series is based on export records and differs from that of the Foreign Trade Yearbooks. It does not include petroleum exported in compensation or exchange for imported crude oil or derivatives.

Table 6

ECUADOR: INDEX OF MANUFACTURING PRODUCTION
(1970 = 100)

	1975	1976	1977	1978	1979(a)	Growth rates		
						1977	1978	1979(a)
<u>General index</u>	<u>162</u>	<u>177</u>	<u>199</u>	<u>217</u>	<u>234</u>	<u>11.9</u>	<u>9.3</u>	<u>7.9</u>
Food, beverages and tobacco	151	169	170	180	189	0.8	5.9	5.0
Textiles, clothing and footwear	161	167	194	210	221	16.0	8.3	5.4
Wood and wood products	175	182	257	291	323	41.0	13.6	10.9
Paper and paper products	109	110	121	135	146	9.8	11.9	8.3
Chemicals, petroleum derivatives, coal, rubber and plastic products	166	185	223	250	276	20.4	12.3	10.3
Non-metallic minerals	196	211	233	303	304	10.7	29.8	0.3
Basic metal products	173	211	284	315	402	35.0	10.8	27.8
Machinery and equipment	325	369	487	522	614	32.0	7.2	17.6
Other manufactured products	225	264	308	361	423	17.0	17.0	17.1

Source: Central Bank of Ecuador.

(a) Preliminary figures.

Table 7

ECUADOR: MAIN FOREIGN TRADE INDICATORS

	1974	1975	1976	1977	1978	1979(a)
	<u>Growth rates</u>					
Exports of goods (FOB)						
Value	110.1	-17.3	29.1	7.2	9.4	40.0
Volume	-8.0	-9.5	12.6	-10.3	17.4	-3.5
Unit value	128.3	-8.6	14.6	19.5	-6.9	45.0
Imports of goods (FOB)						
Value	120.2	15.0	4.1	29.8	-3.3	25.1
Volume	100.4	4.2	2.4	18.1	-8.0	8.8
Unit value	9.9	10.3	1.7	10.0	5.0	15.0
Terms of trade	107.8	-17.2	12.7	8.7	-11.3	26.0
	<u>Indexes (1970 = 100)</u>					
Terms of trade	192.0	159.0	179.2	194.8	172.8	217.8
Purchasing power of exports of goods	374.2	280.3	355.7	346.7	361.2	437.3
Purchasing power of exports of goods and services	360.8	275.6	342.8	353.8	359.4	438.7

Source: CEPAL, on the basis of official figures.

(a) Preliminary figures.

Table 8

ECUADOR: EXPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates		
	1976	1977	1978	1979	1973	1979	1977	1978	1979
<u>Total (a)</u>	<u>1 163</u>	<u>1 224</u>	<u>1 516</u>	<u>2 134</u>	<u>100.0</u>	<u>100.0</u>	<u>5.2</u>	<u>23.9</u>	<u>40.8</u>
<u>Primary products</u>	<u>1 042</u>	<u>930</u>	<u>1 115</u>	<u>1 639</u>	<u>89.4</u>	<u>76.8</u>	<u>-10.7</u>	<u>19.8</u>	<u>47.0</u>
Petroleum	565	484	523	1 029	38.2	48.2	-14.3	8.1	96.7
Coffee	205	157	281	247	13.3	11.6	-23.4	79.0	-12.1
Bananas	172	170	194	225	24.9	10.5	-1.2	14.1	16.0
Cocoa	33	59	50	41	5.3	1.9	78.8	-15.3	-18.0
Marine products	34	35	42	61	3.4	2.9	2.9	20.0	45.2
Others	33	25	25	36	4.3	1.7	-24.2	-	44.0
<u>Manufactured products</u>	<u>121</u>	<u>294</u>	<u>401</u>	<u>495</u>	<u>10.6</u>	<u>23.2</u>	<u>143.0</u>	<u>36.3</u>	<u>23.4</u>
Cocoa-based	62	186	207	234	1.8	11.0	200.0	11.3	13.0
Petroleum-derived	-	18	83	104	0.4	4.9	-	361.1	25.0
Fish and shellfish	20	38	47	60	1.5	2.8	90.0	23.7	27.7
Others	39	52	64	97	6.9	4.5	33.3	23.1	51.6

Source: Central Bank of Ecuador and International Monetary Fund.

(a) The data is based generally on exports permits, except for certain products. For this reason, the totals do not match the ones in table 7 or in the Balance of Payments.

Table 9

ECUADOR: BALANCE OF PAYMENTS
(Millions of dollars)

	1974	1975	1976	1977	1978	1979
Current account						
Exports of goods and services	1 308	1 110	1 419	1 603	1 716	2 380
Goods FOB (a)	1 225	1 013	1 307	1 401	1 532	2 144
Services	83	97	112	202	184	236
Transport	35	41	45	93	95	110
Travel	21	29	31	49	51	86
Imports of goods and services	1 100	1 295	1 340	1 811	1 709	2 205
Goods FOB (a)	875	1 006	1 048	1 361	1 315	1 645
Services	225	289	292	450	394	560
Transport	131	161	172	257	251	330
Travel	23	36	50	82	82	145
Net payments of profits and interest on foreign capital	-201	-68	-116	-170	-202	-500
Profits	-203	-58	-91	-119	-97	-140
Interest	2	-10	-25	-51	-105	-360
Net private transfer payments	16	13	10	7	-	...
Balance on current account	23	-240	-27	-371	-195	-325
Capital account						
Net external financing (a+b+c+d+e)	-23	240	27	371	195	325
a) Long-term capital	105	199	158	591	307	
Direct investment	77	95	-20	34	40	
Private sector	20	41	8	65	127	
Loans	35	59	59	123	259	
Amortization payments	-15	-18	-51	-58	-132	
Official sector	8	63	170	492	140	
Loans	90	90	207	539	255	
Amortization payments	-81	-26	-34	-42	-108	
Other liabilities and assets	-1	-1	-3	-5	-7	
b) Short-term capital	-35	-44	22	-129	-165	
Private sector	-	-45	-23	19	-100	
Official sector	-4	48	59	-92	4	
Errors and omissions	-31	-47	-14	-56	-69	
c) Allocation of SDRs						
d) Official transfer payments	15	20	21	30	44	...
e) International reserves	-108	65	-174	-121	9	-97
Use made of IMF credit	-	-	-	-	-	-
Other liabilities	-	-	30	-9	15	-
Monetary gold	-	-	-	-1	-	-
Special Drawing Rights	1	-	-	-2	-3	-11
IMF reserve position	-4	-5	15	-	-10	-2
Foreign exchange and other assets	-105	70	-219	-109	7	-84

Source: 1974-1978, International Monetary Fund, Balance of Payments Yearbooks, vol.30;
1979, CEPAL, on the basis of official data.

(a) Including non-monetary gold.

Table 10

ECUADOR: CONSUMER PRICE INDEX

	1974	1975	1976	1977	1978	1979
	<u>Variation from December to December</u>					
Consumer price index	21.2	13.2	13.1	9.8	11.8	9.0
Food	28.0	16.1	14.3	9.0	10.6	7.0
	<u>Variation between annual averages</u>					
Consumer price index	23.4	15.3	10.7	13.0	11.9	10.3
Food	32.4	18.6	9.5	15.6	10.2	10.0

Source: Central Bank of Ecuador, Boletín, May-August 1979.

Table 11

ECUADOR: EVOLUTION OF MINIMUM LEGAL WAGES

	Suces (at current prices [nominal] and at constant 1975 prices [real])					Growth rates			
	1975	1976	1977	1978	1979	1976	1977	1978	1979
General workers									
Nominal	1 250	1 500	1 500	1 500	2 000	20.0	-	-	33.3
Real (a)	1 250	1 355	1 200	1 071	1 295	8.4	-11.4	-10.7	20.9
Agricultural workers, Sierra region									
Nominal	750	960	960	960	1 350	28.0	-	-	40.6
Real	750	867	767	686	874	15.6	-11.5	-10.6	27.4
Agricultural workers, Coastal region									
Nominal	900	1 080	1 080	1 080	1 500	20.0	-	-	38.9
Real	900	976	863	771	972	8.4	-11.6	-10.7	26.1
Agricultural workers, Oriente region									
Nominal	900	1 080	1 080	1 080	1 500	20.0	-	-	38.9
Real	900	976	863	771	972	8.4	-11.6	-10.7	26.1
Artisan-type workers									
Nominal	950	1 140	1 140	1 140	1 550	20.0	-	-	36.0
Real	950	1 030	911	814	1 004	8.4	-11.6	-10.6	23.3
Domestic servants									
Nominal	550	660	660	660	900	20.0	-	-	36.4
Real	550	596	528	471	583	8.4	-11.4	-10.8	23.8

Source: CEPAL, on the basis of official data.

(a) The real wages for the different categories of workers are expressed in sucres at 1975 prices. Nominal wages were deflated by the consumer price index for Quito.

Table 12

ECUADOR: MONETARY BALANCE

	End-year balance (millions of sucres)					Growth rates			
	1976	1977	1978	1979(a)	1979(b)	1977	1978	1979(c)	1979(b)
Money	24 757	30 468	34 001	38 642	39 101	23.1	11.6	22.0	15.0
Currency outside banks	7 570	9 127	10 275	11 530	12 433	20.6	12.6	21.5	21.0
Demand deposits (d)	7 187	21 341	23 726	27 112	26 768	24.2	11.2	22.2	12.9
Factors of expansion	35 069	43 949	49 035	57 510		25.3	11.6	22.9	
Foreign assets (net)	9 424	13 944	14 849	14 456		48.0	6.5	8.5	
Domestic credit	25 645	30 005	34 186	43 054		17.0	13.9	28.6	
Government (net)	1 968	180	-2 095	-1 151		-90.9	-	-	
Private sector	23 677	29 825	36 281	44 205		26.0	21.6	26.6	
Factors of absorption	10 313	13 481	15 034	18 867		30.7	11.5	24.7	
Quasi-money (savings and time deposits)	5 226	5 550	6 034	7 458		6.2	8.7	18.8	
Bonds	4 577	6 388	7 009	8 300		39.6	9.7	16.8	
Other items (net)	510	1 543	1 991	3 109		202.5	29.0	78.2	

Source: International Monetary Fund, International Financial Statistics, March 1980.

(a) Data at the end of September.

(b) Preliminary figures.

(c) Variation from September to September.

(d) Includes deposits in the Central Bank made by the private sector.

Table 13

ECUADOR: CENTRAL GOVERNMENT INCOME AND EXPENDITURE(a)
(Millions of sucres)

	1976	1977	1978	1979(b)	Growth rates		
					1977	1978	1979(b)
<u>Total income</u>	<u>14 653</u>	<u>16 452</u>	<u>19 057</u>	<u>22 700</u>	<u>12.3</u>	<u>15.8</u>	<u>19.1</u>
Current income	14 108	17 440	19 659	...	23.6	12.7	...
Tax revenue	13 314	16 701	18 895	23 033	25.4	13.1	21.9
Direct	4 739	4 907	4 992	...	3.5	1.7	...
Indirect	3 240	4 217	5 650	...	30.2	34.0	...
On foreign trade	5 335	7 577	8 253	...	42.0	8.9	...
Traditional	10 278	14 047	16 729	19 478	36.7	19.1	16.4
From petroleum	3 036	2 654	2 166	3 555	-12.6	-18.4	64.1
Other income	794	739	764	...	-6.9	3.4	...
Transfers	1 002	155	1	...	-84.5	-99.4	...
<u>Total expenditure</u>	<u>16 813</u>	<u>21 889</u>	<u>22 986</u>	<u>26 500</u>	<u>30.2</u>	<u>5.0</u>	<u>15.3</u>
<u>Deficit</u>	<u>-2 160</u>	<u>-5 436</u>	<u>-3 930</u>	<u>-3 800</u>			
Financing of the deficit							
Net indebtedness							
Foreign	386	1 081	-97	-1 130			
Domestic	-698	3 494	3 434	1 244			
Special resources	1 547	444	704	1 978			
Cash and bank balances	925	417	-111	464			
Unfinanced	-	-	-	1 244			

Source: Ministry of Finance, Memoria, 1976-1979; Central Bank, Boletín-Anuario No. 2, 1979, and unpublished preliminary data.

(a) Budgeted cash transactions of the Government.

(b) Estimate based on data up to September.

Table 14

ECUADOR: CONSOLIDATED INCOME AND EXPENDITURE OF THE PUBLIC SECTOR
(Billions of sucres)

	1973	1974	1975	1976	1977	1978(a)	1979(a)
<u>Total income</u>	13.3	21.8	24.3	28.8	29.7	40.0	47.1
Traditional	10.6	14.0	15.4	19.2	22.2	28.2	29.5
From petroleum	2.7	7.8	8.9	9.6	7.5	11.8(b)	17.6(b)
<u>Total expenditure</u>	13.4	22.4	25.2	31.8	35.9	49.6	57.7
Current	8.5	13.1	12.6	15.0	18.2	30.2	36.4
Capital	4.9	9.3	12.6	16.8	17.7	19.4	21.3
Real investment	4.6	7.6	10.9	14.4	16.8	16.6	20.7
Petroleum income expressed as a percentage of:							
Total income	20.5	35.8	36.6	33.4	25.1	29.5	37.4
Total expenditure	20.1	34.9	35.3	30.3	20.8	23.8	30.6
			<u>Growth rates</u>				
Total income	35.5	64.0	11.3	18.7	3.1	34.7	17.7
Petroleum income	190.2	186.8	13.7	8.4	-22.4	58.2	49.3
Total expenditure	40.3	64.8	12.4	26.6	12.8	38.2	16.3
Real investment	66.3	65.6	44.5	31.5	16.7	-0.8	24.2

Source: 1973-1979, Ministry of Finance, Memoria 1976-1979; 1978 and 1979, National Development Council, unpublished data.

(a) Preliminary data.

(b) Income of 2 230 million sucres in 1978 and 2 134 million in 1979 in respect of exports of petroleum derivatives appearing in the original data have not been taken into account.

