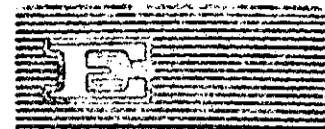


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THE LATIN AMERICAN ECONOMY IN 1971  
(Excerpt from the Economic Survey)

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The estimates for 1971 were prepared on the basis of the data available up to 30 April 1972. They are therefore provisional and subject to revision as new figures are made available by the Governments. The country studies do not include the Cuban economy for want of sufficient data comparable with those on other countries.

## THE LATIN AMERICAN ECONOMY IN 1971

### 1. An overall appraisal

During 1971, the Latin American economy as a whole grew in real terms by 6.1 per cent, which was less than in 1970 (6.8 per cent) but more than the average for the period 1965-1970 (5.7 per cent). It was the fourth year in succession that the growth rate had been 6 per cent or more. There were, however, significant differences between the growth rates achieved by the various countries, and the overall rate was influenced by the outstanding performance of Brazil, which weighed heavily in the regional totals. Excluding Brazil, the growth rate of the region was only 4.3 per cent, owing largely to the mediocre performance of Argentina (3.8 per cent) and Mexico (3.1 per cent). In 1970, the figures were 6.8 per cent for the region as a whole, and 5.9 per cent excluding Brazil. In 1971, eighteen countries did not manage to achieve the 6 per cent growth rate target set in the International Development Strategy adopted by the United Nations General Assembly: only the other six equalled or surpassed this figure.

In 1971, the main growth-promoting sectors were industry and services. Agriculture grew at much the same pace as in 1970, while mining remained stationary and there was a downturn in construction. The growth rates in the main sectors, with the exception of mining, equalled or surpassed 4 per cent. The stagnation of mining is attributable to the drop in petroleum production in Venezuela, for mining in the region as a whole, excluding Venezuela, is estimated to have grown by 2.9 per cent. In contrast, the fact that agriculture was able to keep its growth rate up to the 1970 level was due to the expansion of production in Brazil, since if Brazil were left out of account, the growth rate for agriculture in the region would only be 1.8 per cent.

Imports, at constant prices, grew by 5.9 per cent, which was less than the 10.1 per cent recorded in 1970 and the average of 8.9 per cent during the period 1965-1970, but much more than the annual average of 1.4 per cent in the period 1960-1965.

In view of the fact that the volume of exports grew very little and consumption grew only moderately, the salient feature in total demand was the marked expansion of investment.

/Table 1

Table 1  
LATIN AMERICA: GROWTH OF THE GROSS DOMESTIC PRODUCT AT FACTOR COST  
(Annual growth rates)

Country	1965-1970	1970	1971 <sup>a/</sup>
Argentina	4.0	4.1	3.8
Bolivia	6.0	5.2	3.8
Brazil	7.5	9.5	11.3
Colombia	5.8	6.8	5.5
Costa Rica	6.9	6.6	5.0
Chile	3.7	3.1	8.5
Ecuador	6.2	9.2	7.0
El Salvador	4.7	4.2	3.3
Guatemala	5.0	5.6	4.8
Haiti	1.8	4.7	5.7
Honduras	5.5	3.0	4.3
Mexico	7.1	7.7	3.1
Nicaragua	4.4	5.1	4.0
Panama	7.8	8.2	8.4
Paraguay	4.1	6.3	4.5
Peru	3.3	7.5	6.0
Dominican Republic	6.6	5.5	7.4
Uruguay	1.4	4.5	-1.0
Venezuela	3.9	4.6	5.3
Latin America (excluding Caribbean)	5.7	6.8	6.1
Latin America (excluding Caribbean and Brazil)	5.2	5.9	4.3
Barbados	5.5	9.1	2.2
West Indies Associated States	3.4 <sup>b/</sup>	7.1	9.0
Guyana	5.0 <sup>c/</sup>	2.5	4.6
Jamaica	4.4	4.8	2.3
Trinidad and Tobago	3.2	2.1	3.3

\*Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Figure for period 1967-1970.

<sup>c/</sup> Calculated at current prices.

/Exports were

Exports were affected, inter alia, by the depressive effect of shrinking demand in the principal markets, and they expanded in terms of constant prices by only 1.2 per cent: much less than the annual average of 4.6 per cent achieved during the period 1965-1970.

Gross domestic investment expanded by 10.5 per cent, raising the ratio of total investment to the product to over 20 per cent. This is a significant increase, for the average annual increase during 1965-1970 was 6.6 per cent, and it was only 4.3 per cent during 1960-1965. Total consumption increased by 5.7 per cent: less than in 1970 and less than the average for 1965-1970.

As regards movements in consumer price indexes 1/, in eleven countries the index rose faster than the year before and in eleven it rose more slowly. In four countries the rise was over 20 per cent: Argentina and Uruguay experienced a resurgence of inflationary trends, and the annual rise in the price index increased from 13 to 34 per cent in Argentina and from 17 to 36 per cent in Uruguay. In Chile, in contrast, the rise in the index slackened from 33 to 20 per cent, while in Brazil it remained around the 20 per cent mark. In seven countries, price indexes rose by between 5 and 11 per cent, only two of them - Haiti and Ecuador - showing increases of any magnitude. In eleven countries, price indexes rose by less than 5 per cent: these were all countries that did not have inflation problems during the 1960s.

## 2. The principal sectors of production

Agriculture, which grew at an average annual rate of 2.7 per cent in the period 1965-1970, expanded by 4.6 per cent in 1971, or at the same rate as in 1970. The performance of the countries carrying most weight in regional agriculture was uneven. The agricultural product in Argentina fell by 2.6 per cent, owing to a sharp contraction in beef output, agriculture in Mexico grew by only 3 per cent, owing to the fall in the yield of cereals and oilseeds, and the agricultural product in Colombia increased only by 2.4 per cent, because of bad weather. Agriculture in Brazil, on the other hand, expanded by 11.4 per cent, and the performance of Brazilian agriculture carries so much weight that if it is excluded the total regional increase falls to only 1.8 per cent.

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1/ The figures given, with the exception of Uruguay, represent comparisons of annual averages and may therefore differ from those given in the country studies, which generally refer to differences between the end-of-December figures for each year.

Table 2

LATIN AMERICA: TOTAL SUPPLY AND DEMAND

	Millions of dollars at 1960 prices			Structure (percentages)			Annual growth rates (percentages)		
	1965	1970	1971a/	1965	1970	1971a/	1965- 1970	1970	1971a/
<u>Total supply</u>	<u>120 787.8</u>	<u>161 905.6</u>	<u>171 873.0</u>	<u>108.9</u>	<u>110.3</u>	<u>110.3</u>	<u>6.0</u>	<u>7.1</u>	<u>6.1</u>
Gross domestic product	110 885.8	146 741.6	155 812.2	100.0	100.0	100.0	5.7	6.8	6.1
Imports b/	9 902.0	15 164.0	16 060.8	8.9	10.3	10.3	8.9	10.1	5.9
<u>Total demand</u>	<u>120 787.8</u>	<u>161 905.6</u>	<u>171 873.0</u>	<u>108.9</u>	<u>110.3</u>	<u>110.3</u>	<u>6.0</u>	<u>7.1</u>	<u>6.1</u>
Exports b/	11 950.3	14 969.0	15 145.6	10.8	10.2	9.7	4.6	2.6	1.2
Gross domestic investment	20. 603.5	28 361.4	31 349.9	18.6	19.3	20.1	6.6	7.8	10.5
<u>Total consumption</u>	<u>88 234.0</u>	<u>118 575.2</u>	<u>125 379.5</u>	<u>79.6</u>	<u>80.8</u>	<u>80.5</u>	<u>6.1</u>	<u>7.6</u>	<u>5.7</u>
General government	10 154.8	13 654.8	14 432.1	9.2	9.3	9.3	6.1	7.7	5.5
Private	78 079.2	104 920.4	110 967.4	70.4	71.5	71.2	6.1	6.8	5.8

Source: ECLA, on the basis of official statistics.

Note: 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 1960 prices by deflation, using price indexes calculated by ECLA for the purpose.

a/ Provisional figures.

b/ Goods and services, excluding factor payments.

Table 3  
LATIN AMERICA: MOVEMENTS IN CONSUMER PRICE INDEXES  
(Annual growth rates) <sup>a/</sup>

Country	1960- 1965	1965- 1970	1970	1971b/ /
Argentina	23.2	19.3	13.4	34.2
Barbados	...	5.5	7.8	7.6
Bolivia	5.0	5.9	3.9	3.6
Brazil	62.0	28.2	19.1	21.2
Colombia	12.5	10.0	6.8	9.1
Costa Rica	2.4	2.5	4.7	3.0
Chile	27.0	26.0	32.6	20.1
Ecuador	3.8	4.7	5.2	8.5
El Salvador	0.2	1.1	2.9	1.0
Guatemala	0.2	1.5	2.4	0.6
Guyana	...	2.6	3.4	2.1
Haiti	3.6	1.8	1.3	11.1
Honduras	2.7	2.3	2.4	0.2
Jamaica	2.8	5.3	9.8	7.0
Mexico	1.7	3.5	4.7	3.4
Nicaragua	1.7	2.1 <sup>c/</sup>	...	...
Panama	1.2	1.6	3.0	1.8
Paraguay	5.2	1.3	-0.8	4.9
Peru	9.4	9.8	5.3	6.8
Dominican Republic	2.8	0.7	1.3	5.1
Trinidad and Tobago	2.0	3.9	2.6	3.5
Uruguay	29.3	59.9	17.3	35.7 <sup>d/</sup>
Venezuela	0.2	1.5	2.1	2.6

Source: International Monetary Fund, International Financial Statistics (April 1972), and United Nations, Monthly Bulletin of Statistics, March 1972.

<sup>a/</sup> Differences between annual averages.

<sup>b/</sup> Figures cover 11 months for Argentina, Ecuador, Mexico and Venezuela; 10 months for Bolivia and Brazil; 9 months for Jamaica; 7 months for the Dominican Republic and Haiti, and 3 months for El Salvador.

<sup>c/</sup> Covers the period 1965-1969.

<sup>d/</sup> Variation between end-December figures for each year.

/There was



There was a decline in livestock production during the year, attributable to the fall in Argentine beef production and the stagnation or falling off of production in Brazil, Uruguay, Paraguay and Bolivia. Crop farming, in contrast, did better, especially as regards the production of cereals, - for there were excellent harvests of wheat in Argentina and Brazil - while good crops of pulses (mainly beans), cocoa and coffee were obtained. Brazil's production of coffee, which was virtually double that of the previous year, was the determining factors in the region's coffee production figures, for Colombian production declined.

Mining in the region as a whole grew by only 0.4 per cent, mainly owing to the decline in Venezuelan petroleum production and the stagnation of mining activity in Mexico. Excluding petroleum, the remainder of mining activities grew by approximately 2.5 per cent. Venezuela's petroleum output fell by 4.3 per cent, while output for the rest of the region grew slightly. Petroleum production in Argentina rose appreciably, in Brazil it recovered from the drop recorded in 1970, but in Colombia and Mexico it did not rise above 1970 levels and in Trinidad and Tobago and Peru it dropped. In Chile, owing to the opening up of new wells, output increased after having declined in 1968, 1969 and 1970. Bolivia reopened its traditional markets for petroleum during the year and raised output to close to the 1969 level, after the 40 per cent decline in 1970.

Manufacturing maintained its rapid upward trend with a growth rate of 7.2 per cent. Manufacturing growth in Brazil weighed heavily in the total, and if Brazil is excluded the regional average falls to 5.8 per cent. Up to 1970, the rapid growth of manufacturing was the result of high growth rates in Brazil, Mexico and, to a lesser extent, Colombia and Peru. In 1971, Brazil's manufacturing sector grew by 11.3 per cent, mainly owing to the expansion of the motor vehicle and associated industries and the rise in industrial demand resulting from public investment programmes. The growth of manufacturing in Mexico, however, fell from 9.2 to 3.5 per cent, owing to a slackening in demand, chiefly for foodstuffs, textiles and consumer durables. In Argentina, the third country with an important manufacturing sector in the region, the manufacturing product grew by 6.2 per cent. Among the countries in an intermediate position, Chile stands out with a growth rate of 12.1 per cent achieved as a result of income redistribution policies and policies designed to foster demand, which promoted greater use of spare capacity. Colombia and Peru maintained high rates of industrial growth (8 and 9.2 per cent respectively), while industry in Venezuela grew by 5.1 per cent.

/Table 4

Table 4  
LATIN AMERICA: EVOLUTION OF THE MAIN SECTORS OF ECONOMIC ACTIVITY  
(Annual growth rates)

	Agriculture			Mining			Manufacturing			Construction			Basic services <sup>a/</sup>			Other services <sup>b/</sup>		
	1965- 1970	1970	1971	1965- 1970	1970	1971	1965- 1970	1970	1971	1965- 1970	1970	1971	1965- 1970	1970	1971	1965- 1970	1970	1971
Argentina	0.4	1.5	-2.6	8.9	9.9	7.4	5.0	5.1	6.2	11.7	13.9	0.2	4.3	5.4	4.6	3.3	2.5	4.0
Bolivia	1.4	4.9	5.2	12.9	5.2	4.0	6.0	13.2	2.6	1.5	-4.2	3.9	6.1	3.0	3.6	7.3	5.0	3.7
Brazil	3.2	5.6	11.4	10.6	12.8	...	10.3	11.0	11.3	10.4	14.9	8.4	9.8	13.8	9.7	7.1	9.3	12.0
Colombia	4.8	4.5	2.4	2.6	5.0	-2.5	6.3	8.0	8.0	13.8	11.2	9.9	6.5	9.8	7.3	5.7	6.9	6.6
Costa Rica	5.0	2.0	5.0		0/		9.5	8.4	6.2	4.8	12.8	8.0	8.2	8.5	6.4	7.0	7.6	5.2
Chile	2.5	5.0	6.0	5.0	1.3	5.7	3.3	-0.3	12.1	1.4	6.1	12.2	3.7	3.8	...	4.0	4.4	8.0 <sup>d/</sup>
Ecuador	4.6	8.1	2.0	5.3	1.0	1.7	6.3	11.4	11.8	12.6	25.3	20.0	6.3	9.2	9.7	6.8	7.3	6.9
El Salvador	3.7	6.4	3.4	0.7	7.1	-	5.7	2.1	2.9	1.0	6.0	5.8	7.2	3.7	4.5	4.8	3.6	3.1
Guatemala	3.0	3.8	3.9	-	23.1	-	8.6	8.4	6.1	3.2	0.7	10.7	6.3	6.9	5.1	5.1	5.6	4.4
Haiti	1.3	0.2	6.4	5.0	-12.3	17.8	4.4	18.8	6.0	1.4	14.9	10.3	4.4	3.1	3.8	1.4	7.8	3.7
Honduras	3.9	2.2	4.4	9.9	7.7	1.9	7.1	3.4	6.0	9.3	-4.1	2.9	7.6	5.3	4.6	5.5	4.0	3.6
Mexico	2.8	5.6	3.0	7.1	7.9	0.6	8.9	9.2	3.5	9.7	4.6	-1.0	9.7	10.3	5.3	6.7	7.6	3.3
Nicaragua	2.0	2.5	4.7	-1.5	-16.2	-20.0	9.6	12.0	6.1	5.3	-1.5	1.2	5.6	4.9	3.6	3.8	5.0	3.1
Panama	4.5	1.8	5.5	6.2	-4.2	8.7	9.9	8.7	12.0	11.5	18.0	14.5	9.5	7.1	11.5	7.7	9.7	6.4
Paraguay	1.7	4.0	1.8	-5.8	22.2	8.3	5.6	7.6	8.0	8.3	10.0	17.6	5.8	7.3	5.8	5.4	7.3	4.1
Peru	1.3	7.0	1.0	1.9	4.2	-3.2	5.8	11.0	9.2	-1.2	15.9	14.7	3.4	7.1	7.1	3.6	6.4	6.8
Dominican Republic	4.4	3.6	7.5	6.3	-	-4.1	11.6	8.9	6.6	13.5	3.5	19.2	8.5	8.3	8.6	4.8	5.0	6.4
Uruguay	0.8	3.0	-2.0		0/		2.4	4.8	-2.7	2.0	3.9	-	1.5	5.8	-1.5	1.2	4.6	0.2
Venezuela	4.9	4.6	4.1	1.5	4.3	-4.5	4.4	4.8	5.1	3.7	-5.3	8.0	8.5	8.1	8.9	4.6	6.5	8.5
Latin America	2.7	4.6	4.6	4.6	5.7	0.4	7.3	7.8	7.2	8.7	8.4	4.0	7.1	9.0	7.1	5.6	6.7	6.5
Latin America (excluding Brazil)	2.6	4.2	1.8	4.3	5.4	-0.1	6.3	6.8	5.8	8.6	7.8	3.6	6.1	6.8	5.9	5.2	5.9	4.7

Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Electricity, gas and water, and transport and communications.

<sup>b/</sup> Commerce and finance, ownership of dwellings, public administration and defence, and other services.

<sup>c/</sup> Mining is included in manufacturing.

<sup>d/</sup> Basic services, not including public administration and defence, which grew by 4.6 per cent.

Electricity generation in the region expanded by 10 per cent, one of the most rapid rates of recent years. As a result, total output rose to approximately 165,000 million kWh and per capita consumption to 580 kWh, which is equivalent to 42 per cent of world average consumption. In Brazil, output expanded by the noteworthy figure of 12 per cent. Installed capacity in the region was increased during the year by 3,300 MW, mainly due to entry into operation of the hydroelectric power stations at Paulo Alfonso (412 MW), Jaguará (472 MW) and Jupia and Xavantes (200 MW each) in Brazil, the hydroelectric power station at Guatapé (280 MW) in Colombia, and two thermal power stations (158 MW each) in Mexico.

### 3. External trade and the balance of payments

One index which is not wholly satisfactory for the purpose, but which can nevertheless explain in part why the growth rate of the Latin American economy has fallen, is the level of export earnings. The available statistics indicate the dollar earnings in the region as a whole increased by less than 4 per cent - compared with the 7 per cent target set in the International Development Strategy - which represents a state of stagnation or even a decline in real terms, in view of the inflation that has taken place in the industrialized countries. The figures for individual countries show that many experienced substantial reductions in their export earnings in 1971.

There are a number of factors behind this state of affairs, such as the decline in world commodity prices, inflation and the downturn in economic growth in the industrialized countries, and shortfalls in the supply of a number of items in the Latin American countries.

What is beyond doubt is that this situation, coupled with a steady increase in imports and in outflows for servicing external loans and investment, has either swelled indebtedness or has been a drain on the reserves, depending on the individual circumstances, thus aggravating traditional balance-of-payments problems.

The value of exports for the region as a whole would have fallen had it not been for the rise in petroleum prices obtained by Venezuela and the increase in the value of Mexico's exports. The factor that held down Latin America's exports in 1971 was the contraction of demand in the principal markets. Exports to Japan, the EEC and EFTA fell in absolute terms, and exports to the United States increased only very slightly.

/As a

As a result, Latin America's exports of goods and services grew by only 3.7 per cent in 1971, compared with 9.2 per cent in 1970. While in 1970 the fall in prices mainly affected Chile, with the other countries managing to maintain a high rate of export growth, in 1971 falling prices for a larger number of commodities affected more countries.

In 1971, Latin America's exports had to contend with price problems, as a result of which exports by Bolivia, Chile, Colombia, Peru and Guatemala fell, exports by Ecuador and El Salvador remained stationary, and the growth of exports by Brazil, Costa Rica and Nicaragua slowed down. Added to this, bad weather and rigid exchange policies led to inflexibilities in supply. Either individually or together, these factors caused a drop in exports by Argentina and Uruguay, and held Paraguay's exports stationary.

With respect to imports of goods and services, the 10 per cent increase recorded in 1971, although high, was slightly less than in 1970. While four countries (Colombia, Honduras, Mexico and Uruguay) reduced imports in varying degrees, imports grew markedly in Brazil, Ecuador, the Dominican Republic, Argentina, Venezuela, Costa Rica and El Salvador, and there were also increases in the other countries. As a result of this upsurge in imports, the value of regional imports of goods and services in 1971 amounted to 19,200 million dollars, compared with a value of exports of 17,800 million dollars, so that the trade deficit rose to 1,400 million, compared with 245 million in 1970.

The deterioration of Latin America's trade balance over the past two years has made it even more difficult to meet the rising cost of payments of interest and profits on foreign capital, which in 1971 totalled 2,830 million dollars. As a result, the balance-of-payments deficit amounted to 4,190 million dollars, 52 per cent higher than in 1970. The current account deficit expanded in most of the countries which, despite the fact that their export earnings grew less rapidly in 1971 than in previous years or even contracted in absolute terms, were not able to cut back accordingly on their imports. Notable in this respect was Brazil, whose current account deficit (1,370 million dollars) exceeded for the first time that of Mexico.

Despite the scale of the region's current account deficit in 1971, the overall balance of payments again closed with a surplus, amounting to close to 400 million dollars, although this was much lower than the 1,145 million recorded in 1970. This indicates that the inflow of non-compensatory capital has been maintained at a high level, since the current account deficit was completely covered and there was a surplus

Table 5

## LATIN AMERICA: BALANCE OF PAYMENTS BY COUNTRY AND BY PRINCIPAL ITEMS

(Millions of dollars)

	Exports of goods and services		Percentage variation compared with previous year		Imports of goods and services		Percentage variation compared with previous year		Net remittances of interest and profits		Balance on current account		Balance of payments before complementary financing	
	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971
Argentina	2 021.0	1 979.0	10.0	-2.1	2 015.0	2 233.0	6.3	10.8	141.0	193.0	-136.0	-448.0	279.0	-563.0
Bolivia	210.3	192.6	10.3	-8.4	210.8	223.3	-2.0	5.9	23.8	23.2	-22.7	-52.4	3.4	-4.1
Brazil	3 061.0	3 297.0	18.7	7.7	3 270.0	4 186.0	25.7	28.0	425.0	486.0	-634.0	-1 371.0	635.0	636.0
Colombia	1 003.0	934.0	14.4	-6.9	1 118.0	1 080.0	17.7	-3.4	170.0	195.0	-276.0	-331.0	48.0	-12.4
Chile	1 273.5	1 147.9	-2.3	-9.9	1 209.0	1 269.7	11.0	5.0	161.0	111.7	-89.5	-230.5	112.3	-300.0
Ecuador	249.9	249.9	23.0	-	338.9	442.2	19.5	30.5	33.5	34.6	-117.1	-221.6	0.2	-16.5
Mexico	2 977.0	3 188.0	2.8	7.1	3 347.0	3 345.0	15.9	-0.1	687.0	750.0	-1 035.0	-887.0	75.0	200.0
Paraguay	89.3	90.7	14.5	1.6	101.1	109.6	-7.2	8.4	9.8	8.7	-19.6	-25.4	8.4	3.6
Peru	1 197.0	1 046.8	17.0	-12.5	952.0	1 011.1	7.6	6.2	135.0	136.7	125.0	-91.0	174.0	-73.4
Uruguay	280.5	252.2	6.9	-10.1	287.7	274.6	18.0	-4.6	24.7	24.2	-33.3	-47.1	-29.7	-31.1
Venezuela	2 841.0	3 344.0	4.4	17.7	2 311.0	2 545.0	6.4	10.1	566.0	680.0	-117.0	+26.0	90.0	502.0
Costa Rica	273.1	291.6	20.1	6.8	346.1	391.9	27.7	13.2	20.8	24.0	-89.5	-120.6	-9.6	9.0
Dominican Republic	256.0	290.0	12.6	13.3	352.0	421.0	21.3	19.6	26.0	32.0	-114.0	-154.0	-8.4	12.1
El Salvador	252.4	253.0	12.7	0.2	255.6	284.0	2.9	11.1	9.5	10.5	-0.8	-31.8	11.2	0.2
Guatemala	350.9	346.4	15.7	-1.3	335.5	360.6	12.3	7.5	33.1	38.1	-0.7	-27.3	18.2	17.4
Haiti	53.5	62.1	6.8	16.1	68.9	75.0	13.7	8.8	3.6	3.1	-4.0	-2.1	2.8	7.0
Honduras	196.1	207.2	4.9	5.7	244.4	224.1	18.5	-8.3	22.5	24.2	-67.9	-37.9	-10.9	1.1
Nicaragua	215.2	223.7	13.2	3.9	231.4	250.6	11.3	8.3	29.1	25.8	-42.4	-49.7	10.1	4.6
Panama	370.4	410.0	6.7	10.7	422.7	465.4	16.4	10.1	28.2	29.0	-84.5	-86.2	6.9	3.1
	<u>17 171.1</u>	<u>17 806.1</u>	<u>9.2</u>	<u>3.7</u>	<u>17 417.1</u>	<u>19 192.1</u>	<u>14.0</u>	<u>10.2</u>	<u>2 549.6</u>	<u>2 829.8</u>	<u>-2 759.0</u>	<u>-4 188.6</u>	<u>1 415.9</u>	<u>395.6</u>

Source: 1970: International Monetary Fund, Balance of Payments Yearbook, vol. 23; 1971: ECLA estimates, on the basis of official statistics.

which increased international reserves and improved the net position of the monetary authorities. Leaving out of account the errors and omissions normally present in the balance of payments figures, it is estimated that in 1971 Latin America received a net inflow of approximately 4,585 million dollars in non-compensatory capital. It was observed that the higher the current account deficit, the greater was the tendency to have recourse to short-term financing, owing to lack of access to other sources of credit on more liberal terms. In 1971, out of the total estimated inflow of non-compensatory capital, Brazil absorbed some 2,000 million dollars, Mexico 1,100 million and Venezuela 475 million: i.e., these three countries absorbed almost 80 per cent on the total received by the region. Moreover, there was net desinvestment or capital outflow in Argentina and Chile, while in Peru and Uruguay capital inflow was insignificant.

This lack of balance in the distribution of the inflow of non-compensatory capital among the various countries led to sizeable disparities in the balance of payments before compensatory financing. In 1971, twelve countries achieved a balance-of-payments surplus totalling 1,395 million dollars, 95 per cent of which was accounted for by Brazil, Venezuela and Mexico. Seven countries had a balance-of-payments deficit totalling 1,000 million dollars, more than half of which was accounted for by Argentina, 30 per cent by Chile, and the rest by Peru, Uruguay, Ecuador, Colombia and Bolivia. In 1970, in contrast, only four countries showed deficits, for a total of 58 million dollars. Since the total surplus achieved in 1971 was much the same as in 1970, the deterioration of the net position of the monetary authorities in the deficit countries was much greater in 1971 (1,000 million dollars) than in 1970 (58 million), and this is why there was a sharp decline in the overall balance-of-payments surplus for the region as a whole.

Incomplete data indicate an increase of 6.9 per cent, in intra-regional trade as against the 7.2 per cent achieved in 1970 and the cumulative annual average of 9.5 per cent for the period 1960-1970.

Despite this slackening in growth, the share of intra-regional exports in total exports reached a high of 13.6 per cent, since Latin America's total exports of goods in 1971 expanded by only 2.6 per cent.

Table 6

LATIN AMERICA: TRADE AMONG THE MEMBER COUNTRIES OF THE LATIN AMERICAN FREE TRADE ASSOCIATION, THE CENTRAL AMERICAN COMMON MARKET AND THE ANDEAN GROUP

Trade among the member countries of:	1968		1969		1970 <sup>a/</sup>		1971 <sup>b/</sup>	
	Millions of dollars CIF	Percentage of intra-regional total	Millions of dollars CIF	Percentage of intra-regional total	Millions of dollars CIF	Percentage of intra-regional total	Millions of dollars CIF	Percentage of intra-regional total
Latin American Free Trade Association	1 083.1	71.2	1 301.4	74.7	1 346.7	72.1	1 473.1	73.7
Central American Common Market	251.0	16.5	249.0	14.3	297.5	15.9	275.3	13.8
Andean Group	71.4	4.7	90.8	5.2	135.4	7.2	158.5	7.9
<u>Total intra-regional trade c/</u>	<u>1 520.9</u>	<u>100.0</u>	<u>1 742.8</u>	<u>100.0</u>	<u>1 869.1</u>	<u>100.0</u>	<u>1 997.8</u>	<u>100.0</u>

Source: Official foreign trade statistics.

a/ Provisional figures.

b/ Estimates.

c/ Trade among the members of the Andean Group is also included under the Latin American Free Trade Association. The intra-regional total includes, in addition to the member countries of the groupings mentioned, Haiti, the Dominican Republic and Panama. Data on the members of the Caribbean Free Trade Association were not included, and data on Cuba were not available.

In trade among the member countries of the Latin American Free Trade Association (LAFTA), the Central American Common Market (CACM) and the Andean Group in 1971, there was a slight increase in the share of LAFTA, partly attributable to the steady increase in trade within the Andean Group. In contrast, the CACM not only lost ground in intra-regional exports but even the value of imports from other CACM countries was 7.5 per cent less than in 1970. In contrast, LAFTA trade increased by 9.4 per cent and that of the Andean Group by 17.1 per cent.

/ARGENTINA



## ARGENTINA

Some of the salient features of Argentina's economy in 1971 were a growth rate of about 3.8 per cent for the overall product, an increase of approximately 40 per cent in prices and a certain discontinuity in the conduct of short-term economic policy.

The factors which stimulated the growth of the product were, above all, the expansionist policy of the public sector and an increase in some types of consumption expenditure; on the other hand, exports decreased in volume and private investment grew at a relatively slow rate owing to the decline in construction. The total supply of goods and services rose by 4.3 per cent as a result of the growth of the total product and the sustained increase (9.9 per cent) in the volume of imports, which reached the highest figure for the past decade.

In the production sectors, the agricultural product declined by 2.6 per cent, with reductions in value added in crop farming (-2.4 per cent) and livestock raising (-5.4 per cent). This was due to a sharp fall in cattle slaughtering, the mediocre results of the cereal harvest, and a drop in some industrial crops, particularly cotton. The mining and quarrying product rose by 7.4 per cent and the manufacturing product by 6.2 per cent (with significant increases in motor vehicles, textiles and agricultural and electrical machinery). Construction continued to stagnate (the decline in the private sector being offset by the expansion of public construction), while the product from services grew by a little over 4 per cent. The monetary position shows a slight reduction in real liquidity between the end of 1970 and the end of 1971, while the Treasury deficit rose from 593 million pesos in 1970 to 2,601 million in 1971 <sup>1/</sup>.

In the external sector, exports of goods amounted to 1,710 million dollars at current prices, which represents a 3.6 per cent drop compared with the previous year. The proportion of non-traditional exports, however, rose from 22 to 25 per cent. Despite the 32 per cent reduction in the amount shipped, the value of beef exports remained at the same level as in 1970, owing to the higher level of processing and the increase in prices. The volume of grain exports diminished by 4 per cent, but prices

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<sup>1/</sup> The values in the text and the tables are expressed in Act 18188 pesos (\$). They are converted to pesos "moneda nacional" (\$m/n) at the rate of 100 \$m/n to the Act 18188 peso (\$).

/improved in

improved in roughly the same proportion. The value of imports of goods FOB was 1,644 million dollars at current prices (12.1 per cent more than in 1970), with substantial increases in capital goods (30 per cent) and fuels and lubricants (47.2 per cent). There was only a moderate rise of 6.4 per cent in imports of raw materials and intermediate goods (which account for nearly two-thirds of total imports) and there was a drop in consumer goods. The small surplus reflected by the trade balance in 1970 was converted into a deficit of about 254 million dollars. This deficit, added to the external factor payments (193 million dollars), raised the current account deficit on the balance of payments to some 448 million dollars, which is comparable only to that registered in 1952. Since there was also a net outflow of capital, the deficit before compensatory financing amounted to 563 million dollars, which meant a considerable loss of international reserves and an increase in the monetary authorities' external liabilities.

The cost-of-living index rose by 39.1 per cent between December 1970 and December 1971, and the basic wage for industrial workers went up by 44.4 per cent over the same period. Taking the annual average rates, the real basic wage of the industrial worker rose by 1.4 per cent but that of workers with families declined by 3.8 per cent. Unemployment increased, the figure for Greater Buenos Aires rising from 4.7 to 6.3 per cent between July 1970 and July 1971.

ARGENTINA: TOTAL SUPPLY AND DEMAND

	Millions of pesos (\$m/n) at 1960 prices			Percentage share			Annual growth rates		
	1965 a/	1970	1971 b/	1965	1970	1971 b/	1965- 1970	1970	1971 b/
<u>Total supply</u>	<u>13 633</u>	<u>16 579</u>	<u>17 298</u>	<u>109.3</u>	<u>109.6</u>	<u>110.2</u>	<u>4.0</u>	<u>2.7</u>	<u>4.3</u>
Gross domestic product	12 469	15 127	15 702	100.0	100.0	100.0	4.0	4.1	3.8
Imports c/	1 164	1 452	1 596	9.3	9.6	10.2	4.5	1.4	9.9
<u>Total demand</u>	<u>13 633</u>	<u>16 579</u>	<u>17 298</u>	<u>109.3</u>	<u>109.6</u>	<u>110.2</u>	<u>4.0</u>	<u>2.7</u>	<u>4.3</u>
Exports c/	1 342	1 707	1 567	10.8	11.3	10.0	4.9	7.8	-9.2
Gross domestic investment	2 432	3 235	3 830	19.5	21.4	24.4	5.8	5.8	18.4
Gross fixed investment	2 168	3 208	3 522	17.4	21.2	22.4	8.2	5.0	9.8
Construction	854	1 387	1 414	6.8	9.2	9.0	10.2	10.4	1.9
Public	286	540	608	2.3	3.6	3.9	13.6	15.4	12.5
Private	568	847	806	4.6	5.6	5.1	8.3	7.5	4.8
Machinery and equipment	1 314	1 821	2 108	10.5	12.0	13.4	6.8	1.3	15.7
Total consumption	9 859	11 637	11 901	79.1	76.9	75.8	3.4	2.6	2.3
General government	911	1 010	1 010	7.3	6.7	6.4	2.1	2.0	-
Private	8 948	10 627	10 891	71.8	70.2	69.4	3.5	2.7	2.5

Sources: For 1965-1970, Central Bank of Argentina; for 1971, ECLA estimates based on data from Ministry of Finance, Anticipo del informe económico de 1971.

a/ Converted to Act 18 188 pesos to make the figures comparable with those for 1970 and 1971.

b/ Provisional figures.

c/ Goods and services, excluding factor payments.

ARGENTINA: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971 <sup>a/</sup>
<u>Current account</u>					
Exports of goods and services	1 238.4	1 656.0	1 836.0	2 021.0	1 979.0
Goods fob	1 079.2	1 493.0	1 612.0	1 773.0	1 710.0
Services	159.2	163.0	224.0	248.0	269.0
Imports of goods and services	-1 379.3	-1 379.0	-1 896.0	-2 015.0	-2 233.0
Goods fob	-1 099.4	-1 043.0	-1 372.0	-1 466.0	-1 644.0
Services	-279.9	-336.0	-524.0	-549.0	-589.0
Net external investment income	-57.0	-53.0	-159.0	-141.0	-193.0
Net private transfer payments	-7.0	-4.0	-1.0	-1.0	-1.0
Balance on current account	-204.9	+220.0	-220.0	-136.0	-448.0
<u>Capital account</u>					
Net external financing (a+b+c+d+e)	204.9	-220.0	220.0	136.0	448.0
(a) Net external non-compensatory capital	564.9	-244.0	305.0	129.0	} -162.0
Direct investment	117.0	43.0	-11.0	5.0	
Long and medium-term loans	472.0	151.0	434.0	493.0	
Amortization payments	-41.3	-443.0	-231.0	-307.0	
Short-term liabilities	16.6	3.0	116.0	-60.0	
Official transfer payments	0.6	2.0	-3.0	-2.0	
(b) Domestic non-compensatory capital or assets	-8.3	20.0	-31.0	-54.0	
(c) Errors and omissions	-176.5	94.0	-145.0	281.0	
(d) Allocation SDRs	-	-	-	59.0	47.0
(e) Net compensatory movements (increase -)	-175.2	-90.0	91.0	-279.0	563.0
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	201.6	107.0	4.0	} -131.0	183.0
Amortization payments	-70.4	-129.0	-144.0		
Movements of gold and foreign exchange reserves (increase -)	-306.4	-68.0	+231.0	-89.0	324.0
SDRs	-	-	-	-59.0	56.0

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.

<sup>a/</sup> Estimates.

/BARBADOS

BARBADOS

After the notable economic growth achieved in 1970, to which the most representative economic activities of Barbados contributed, there was a return in 1971 to the slower rate of development which has prevailed since the mid-1960's.

It is estimated that in 1971 the gross domestic product at current prices increased by around 10 per cent; this compares unfavourably with the increase of 17.6 per cent recorded in 1970. In real terms, using as a deflator the Retail Price Index, which is not completely adequate for the purpose but nevertheless gives a usable approximation, the increase is only slightly over 2 per cent for 1971, whereas it was 9.1 per cent at constant prices in 1970 and 5.5 per cent annually during the previous four years.

The production and refining of sugar, current expenditure and investment in the public sector, together with earnings from tourism are the main factors governing the development of the economy in Barbados. In 1971, sugar production dropped and it is estimated that the value added by the sugar industry fell by 11 per cent. While the other activities did not grow as much as the previous year, they achieved generally satisfactory results. With the exception of agriculture, the other sectors grew on average by 12.6 per cent at current prices.

Government spending increased by approximately 25 per cent during 1971, although this is less than the increase for 1970. While the increase in current expenditure was around 16 per cent, the increase in capital expenditure was more than 40 per cent, again providing an effective stimulus for the construction sector.

The increased public spending not only stimulated demand, but also caused a higher consumption of raw materials and capital goods needed for industry and construction, and because of the high proportion of imports among such goods, this resulted, as it has done consistently since 1968, in a rapid growth of imports (12 per cent). In contrast, exports are estimated to have increased by only 1.6 per cent (both imports and exports are expressed in terms of current East Caribbean dollars).

/The growing

The growing trade deficit, which was close on 200 million East Caribbean dollars, was partly compensated for by higher earnings from tourism, estimated at around 69 million East Caribbean dollars for 1971. The tourist industry (there were about 170,000 tourists in 1971) has grown considerably over the last few years and its total earnings nearly equal the value of exports of goods.

The higher prices of imported products again influenced domestic prices, which increased by an average of 7.7 per cent in 1971 compared with the increase of 9 per cent registered in 1970.

BARBADOS: GROSS DOMESTIC PRODUCT AT CURRENT FACTOR COST, BY SECTOR OF ECONOMIC ACTIVITY

(Millions of East Caribbean dollars at current prices)

	1967	1968	1969	1970	1971a/	Structure (percentages)					Growth rates (percentages)			
											1968	1969	1970	1971
						1967	1968	1969	1970	1971				
Sugar	35.1	28.6	24.0	27.1	24.0	18.6	13.2	10.1	9.7	7.8	-18.5	-16.1	12.9	-11.4
Other agricultural commodities	12.7	13.1	13.3	13.2	14.0	6.7	6.1	5.6	4.7	4.6	3.1	1.5	-0.8	6.1
Manufacturing b/	18.6	21.0	23.9	27.6	31.0	9.8	9.7	10.1	9.9	10.1	12.9	13.8	15.5	12.3
Construction	16.4	20.0	22.3	27.5	31.0	8.7	9.2	9.4	9.9	10.1	22.0	11.5	23.3	12.7
Transport and public utilities	14.6	18.2	20.1	22.9	25.5	7.7	8.4	8.5	8.2	8.3	24.7	10.4	13.9	11.4
Ownership of dwellings	7.3	8.0	9.0	11.1	12.5	3.9	3.7	3.8	4.0	4.1	9.6	12.5	23.3	12.6
Commerce	39.2	50.0	59.2	71.2	80.0	20.7	23.1	25.0	25.5	26.1	27.6	18.4	20.3	12.4
Government	25.8	30.0	35.5	45.9	53.0	13.6	13.8	15.0	16.5	17.3	16.3	17.7	30.0	15.5
Miscellaneous services	19.5	27.8	29.9	32.2	35.5	10.3	12.8	12.6	11.6	11.6	42.6	7.6	7.7	10.2
<u>Total</u>	<u>189.2</u>	<u>216.7</u>	<u>237.0</u>	<u>278.7</u>	<u>306.5</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>14.5</u>	<u>9.4</u>	<u>17.6</u>	<u>10.0</u>

Source: Economic Planning Unit, Barbados.

a/ Estimates.

b/ Includes sugar refining.

BARBADOS: BALANCE OF PAYMENTS  
(Millions of East Caribbean dollars)\*

	1965	1968	1969	1970	1971 <sup>a/</sup>
Exports (fob)	54.7	67.7	65.4	69.9	71.0
Imports (cif)	115.7	167.5	193.8	233.8	263.0
Trade deficit	-61.0	-99.8	-128.4	-163.9	192.0
Services	37.0	59.5	52.9	56.4	65.0
Transfers <sup>b/</sup>	4.5	3.8	3.7	3.8	4.0
Balance on current account	-19.5	-36.5	-71.8	-103.7	-123.0
Net capital inflow <sup>c/</sup>	15.2	44.7	57.6	113.7	120.0
Balance before compensation	-4.3	8.2	-14.2	10.0	-3.0

Source: Economic Planning Unit, Barbados.

<sup>a/</sup> Estimates.

<sup>b/</sup> Includes capital transfers and private transfer payments.

<sup>c/</sup> Includes errors and omissions.

\*/ Until the beginning of December 1971, one United States dollar was equal to two East Caribbean dollars. As a result of the devaluation of the United States dollar, the rate of exchange became 1.84 East Caribbean dollars to one United States dollar.

/BOLIVIA



## BOLIVIA

The salient features of the evolution of the Bolivian economy during 1971 were the moderate growth rate of the gross domestic product (3.6 per cent) and the differences between the economic policies applied before and after the month of August. The most dynamic sector was agriculture, the product from which grew 5.2 per cent, while one of the main negative elements was the drop in the value of metal and ore exports, which aggravated the deterioration in the balance-of-payments position and the reduction in tax revenue, and indirectly affected industry and services. In the sphere of economic policy, the main difference between the two parts of the year mentioned above was in the approach to foreign relations, especially with regard to foreign capital (nationalization of the Matilde mine and the International Metal Processing Company before August, contrasted with the granting of incentives under the law on investment after August).

A rapid review of developments in the production sectors shows that except in the Santa Cruz area agriculture was favoured by good weather conditions and there was an increase in cereal output, while cotton cultivation increased very markedly, partly in substitution for sugar cane. In the mining sector, the metals side remained steady in terms of physical output but suffered a significant drop in prices, whereas petroleum output expanded by nearly 47 per cent. Manufacturing grew by 2.6 per cent, a lower rate than in previous years. There was a 4.8 per cent rise in consumption, including an increase of 4.9 per cent in private consumption. Prices remained relatively stable, and in the first ten months of the year the consumer price index rose by only 3.6 per cent compared with the same period of 1970.

In the external sector, there was a drop in tin prices, an increase in exports of petroleum and livestock products, and a steady rise in exports of cotton fibre. The value of exports of goods and services at current prices fell 8.4 per cent, while that of imports of goods and services went up 5.9 per cent. The trade surplus was 4 million dollars (it had been 29 million dollars in 1970) and the balance-of-payments deficit on current account was 52.4 million dollars. The net inflow of autonomous capital (44.3 million dollars) was not enough to cover this deficit, so that the net position of the monetary authorities deteriorated to the tune of 4.1 million dollars.

BOLIVIA: TOTAL SUPPLY AND DEMAND

	Millions of pesos at 1960 prices			Structure (percentages)			Annual growth rates (percentages)		
	1965	1970	1971 <sup>a/</sup>	1965	1970	1971 <sup>a/</sup>	1965- 1970	1970	1971 <sup>a/</sup>
	<u>Total supply</u>	<u>7 546.2</u>	<u>9 909.0</u>	<u>10 291.9</u>	<u>131.1</u>	<u>128.4</u>	<u>128.5</u>	<u>5.6</u>	<u>2.6</u>
Gross domestic product	5 757.1	7 718.4	8 011.7	100.0	100.0	100.0	6.0	5.2	3.8
Imports <sup>b/</sup>	1 789.1	2 190.6	2 280.2	31.1	28.4	28.5	4.1	-5.5	4.1
<u>Total demand</u>	<u>7 546.2</u>	<u>9 909.0</u>	<u>10 291.9</u>	<u>131.1</u>	<u>128.4</u>	<u>128.5</u>	<u>5.6</u>	<u>2.6</u>	<u>3.9</u>
Exports <sup>b/</sup>	886.8	1 342.7	1 394.2	15.4	17.4	17.4	8.6	-3.6	3.8
Total investment	1 125.4	1 490.9	1 480.5	19.5	19.3	18.5	5.8	4.6	-0.7
Gross fixed investment	970.6	1 347.0	1 465.5	16.9	17.5	18.3	6.8	4.7	8.8
Public	400.6	...	...	7.0	...	...	...	...	...
Private	570.0	...	...	9.9	...	...	...	...	...
Construction	600.5	...	...	10.4	...	...	...	...	...
Machinery and equipment	370.1	...	...	6.4	...	...	...	...	...
Total consumption	5 536.5	7 075.4	7 417.2	96.2	91.7	92.6	5.0	3.5	4.8
General government	649.8	859.5	895.5	11.3	12.4	12.4	5.8	4.9	4.2
Private	4 884.2	6 215.9	6 521.7	84.9	79.3	81.4	4.9	3.4	4.9

Source: 1965-1970: ECLA, on the basis of data supplied by the Ministry of Planning and Co-ordination; 1971, ECLA estimates based on preliminary data from the same source.

<sup>a/</sup> Preliminary.

<sup>b/</sup> Goods and services, excluding factor payments.

BOLIVIA: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971 a/
<u>Current account</u>					
Exports of goods and services	57.8	125.8	190.7	210.3	192.6
Goods fob	54.4	115.5	178.5	195.7	178.5
Services	3.4	10.3	12.2	14.6	14.1
Imports of goods and services	-89.7	-161.7	-215.2	-210.8	-223.3
Goods fob	-68.2	-126.6	-173.4	-166.2	-174.5
Services	-21.5	-35.1	-41.8	-44.6	-48.8
Net external investment income	+1.2	-3.6	-27.4	-23.8	-23.2
Net private transfer payments	+0.2	+1.1	+1.2	+1.6	+1.5
Balance on current account	-30.5	-38.4	-50.7	-22.7	-52.4
<u>Capital account</u>					
Net external financing (a + b + c + d + e)	30.5	38.4	50.7	22.7	52.4
(a) External non-compensatory capital	32.7	53.2	57.5	40.1	} 44.3
Direct investment	16.5	12.5	-69.5	2.1	
Long- and medium-term loans	12.8	25.6	136.6	57.1	
Amortization payments	-11.4	-9.7	-15.1	-24.8	
Short-term liabilities	2.0	9.9	-1.1	3.3	
Official transfer payments	12.8	14.9	6.6	2.4	
(b) Domestic non-compensatory capital or assets	-1.8	-2.2	-2.0	-3.4	
(c) Errors and omissions	-3.1	1.3	-4.4	-15.5	
(d) Allocation of SDRs	-	-	-	4.9	4.0
(e) Compensatory movements (increase -)	2.7	-13.9	-0.4	-3.4	4.1
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	1.1	0.2	11.3	} 2.2	} 4.8
Amortization payments	-9.7	-1.1	-9.2		
Gold and foreign exchanges (increase -)	5.3	-13.0	-2.5	-2.9	-0.8
SDRs	-	-	-	-2.7	0.1

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.

a/ ECLA estimates.

/BRAZIL

## BRAZIL

According to preliminary estimates, Brazil's economy grew by 11.3 per cent in 1971, thus continuing the rapid expansion observed since 1968.

The expansion of manufacturing, which is estimated to be 11.3 per cent (slightly more than in 1970), was mainly due, as in previous years, to the dynamism of the motor industry, which increased its production by 17.6 per cent, sweeping along the associated metal-transforming sectors in its wake. Similarly, the demand stemming from public investment programmes in energy, transport and communications continued to influence the evolution of the metal-transforming, electrical equipment and communications equipment industries. The textile industry, which had virtually stagnated in 1969 and 1970, showed a high growth rate in 1971. The chemical and rubber industries also flourished, but the production of foodstuffs, beverages and tobacco increased at a much lower rate than in 1970 and the growth rate of the construction sector dropped by nearly one-half, although it remained relatively high (8.4 per cent).

Agriculture grew by 11.4 per cent: there were large increases compared with the previous year in coffee production (around 120 per cent), soya beans, cotton and wheat, but a drop in the production of onions, rice and pineapples.

Exports did not increase as dynamically as in previous years; preliminary estimates show an increase in value of 7.7 per cent. Imports, on the other hand, increased by 28 per cent, i.e., more than in 1970. The net inflow of non-compensatory capital again seems to have been very considerable (of the order of 2,000 million dollars), giving a positive balance in the capital account, more than covering the deficit on current transactions (1,371 million dollars), and resulting in an increase of 536 million dollars in the country's international reserves.

Loans from commercial banks to the private sector increased by more than 34 per cent in the first nine months of 1971 compared with the same period in 1970, while finance company credit increased by 73 per cent in this period. There was a rise of 19.5 per cent in the general price index.

Salary readjustments were practically on a par with the rise in the cost of living: readjustments of the minimum wage were around 20 per cent, compared with a rise in the cost of living in Guanabara during the year of around 19 per cent and a rise in the cost of living of workers in the city of São Paulo up to October 1971, according to some estimates, of 20.1 per cent. Thus, generally speaking, wages do not seem to have kept pace with the considerable increase in the gross domestic product referred to above.

BRAZIL: TOTAL SUPPLY AND DEMAND

	Millions of new cruzeiros at 1960 prices			Structure (percentages)			Annual growth rate (percentages)		
	1965	1970	1971 a/	1965	1970	1971 a/	1965- 1970	1970	1971 a/
	<u>Total supply</u>	<u>3 577.2</u>	<u>5 262.0</u>	<u>5 890.2</u>	<u>104.1</u>	<u>106.6</u>	<u>107.2</u>	<u>8.0</u>	<u>9.8</u>
Gross domestic product	3 434.7	4 936.3	5 494.1	100.0	100.0	100.0	7.5	9.5	11.3
Imports b/	142.5	325.7	396.1	4.1	6.6	7.2	18.0	14.6	21.6
<u>Total demand</u>	<u>3 577.2</u>	<u>5 262.0</u>	<u>5 890.2</u>	<u>104.1</u>	<u>106.6</u>	<u>107.2</u>	<u>8.0</u>	<u>9.8</u>	<u>11.9</u>
Exports b/	196.0	311.0	395.9	5.7	6.3	6.3	9.7	6.7	11.2
Gross domestic investment	621.5	892.2	1 061.7	18.1	18.1	19.3	7.5	10.4	18.9
Gross fixed investment	488.4	912.2	1 041.7	14.2	18.5	19.0	13.3	17.2	14.2
Public	146.7	...	...	4.3	...	...	...	...	...
Private	341.7	...	...	9.9	...	...	...	...	...
Construction	...	...	...	...	...	...	...	...	...
Machinery and equipment	...	...	...	...	...	...	...	...	...
Total consumption	2 759.7	4 058.8	4 482.6	80.3	82.2	81.6	8.0	9.9	10.4
General government	394.3	579.7	623.2	11.5	11.7	11.3	8.0	10.7	7.5
Private	2 365.4	3 479.1	3 859.4	68.8	70.5	70.3	8.0	9.8	10.9

Source: 1965-1969; ECLA, on the basis of figures supplied by the National Centre Accounts of the Fundação Getúlio Vargas; 1970-1971; ECLA estimates based on data supplied by the Fundação Getúlio Vargas, the Banco Central do Brasil and the Fundação IBGE.

a/ Provisional figures.

b/ Goods and services, excluding factor payments.

BRAZIL: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971 <sup>a/</sup>
<u>Current account</u>					
Exports of goods and services	1 459.0	1 747.0	2 579.0	3 061.0	3 297.0
Goods fob	1 270.0	1 596.0	2 311.0	2 739.0	2 900.0
Services	189.0	151.0	268.0	322.0	397.0
Imports of goods and services	-1 786.0	-1 280.0	-2 602.0	-3 270.0	-4 186.0
Goods fob	-1 293.0	-941.0	-1 993.0	-2 507.0	-3 225.0
Services	-493.0	-339.0	-609.0	-763.0	-961.0
Net external investment income	-194.0	-258.0	-344.0	-425.0	-486.0
Net private transfer payments	-13.0	+39.0	+14.0	0.0	+4.0
Balance on current account	-534.0	+248.0	-353.0	-634.0	-1 371.0
<u>Capital account</u>					
Net external financing (a + b + c + d + e)	534.0	-248.0	353.0	634.0	1 371.0
a) Net non-compensatory external financing	233.0	135.0	1 034.0	1 299.0	1 959.9
Direct investment	138.0	154.0	207.0	174.0	
Long and medium-term loans	351.0	266.0	904.0	901.0	
Amortization payments	-370.0	-274.0	-425.0	-499.0	
Short-term liabilities	97.0	-47.0	331.0	713.0	
Official transfer payments	17.0	36.0	17.0	10.0	
b) Non-compensatory domestic capital and assets	-38.0	-8.0	-14.0	-35.0	
c) Errors and omissions	10.0	-31.0	-20.0	-54.0	
d) Allocation of S.D.R.s	-	-	-	59.0	47.1
e) Net compensatory movements (- increase)	329.0	-344.0	-647.0	-635.0	-636.0
Balance-of-payments loans, trade arrears, deferred payments, IMF position, and other liabilities of the monetary authorities	403.0	454.0	63.0	-206.0	100.0
Amortization payments	-50.0	-576.0	-188.0		
Gold and foreign exchange (- increase)	-24.0	-222.0	-522.0	-367.0	-478.0
S.D.R.s	-	-	-	-62.0	-58.0

Sources: International Monetary Fund, Balance of Payments Yearbook, volumes 17, 22 and 23.

<sup>a/</sup> Estimates.

/BRITISH HONDURAS (BELIZE)

### BRITISH HONDURAS (BELIZE)

British Honduras (Belize), an associated member of ECLA, has also formed part of the Caribbean Free Trade Association since 1 May 1971. Although there are no recent data on the gross domestic product, it is estimated that the growth rate of the economy as a whole during the period 1968-1971 averaged about 8 per cent, at current prices, which is somewhat higher than the average for the period 1962-1967. Agriculture revived during the two years 1970-1971, while activity in the construction sector tapered off somewhat in 1971 following the boom generated by the building work at the new capital. The incipient manufacturing sector maintained the high level of activity begun in 1969, when some industrial enterprises were established.

Available data for 1971 show that sugar-cane production fell by 6 per cent, but because the cane was of higher sucrose content, sugar output was only 3 per cent lower than the previous year. The production of citrus fruit increased by about 4 per cent, and production of timber is also estimated to have increased. Likewise, agricultural production for the home market seems to have had a good year, with increased output of maize, rice, beans, honey, vegetables, and livestock products.

Manufacturing is a relatively small sector, the main items produced being sugar, alcoholic beverages, clothing, food, timber and tobacco. New industries established recently, however, include a brewery, a plant for the manufacture of bars and rods, a fertilizer plant, a meat packing plant, and facilities for producing industrial gases.

Construction activity has been at a high level since 1968, because of the work involved in the transfer of the capital to Belmopan in the interior, the rehabilitation of the Belize airport and the provision of the necessary related infrastructure. Both government and private building activity have increased at an accelerated pace, but this activity seems to have lost some of its impetus in 1971, following the completion of many projects in the new capital, although several important projects are still in progress, including the highway linking the city of Belize with Belmopan. The upsurge in construction acted as an incentive to the building materials industry.

In the external sector, imports rose from 44.2 million British Honduras dollars in 1968 to 49.3 million in 1969 and 55.9 million in 1970. Preliminary estimates for 1971 indicate a rise to around 60 million

/dollars, or

dollars, or more than 7 per cent higher than in 1970. Food imports account for one-quarter of the total. Exports have also continued to grow, despite the virtual cessation of banana sales. This increase is mainly attributable to the considerable rise in sugar exports and the growing importance of marine products. The value of exports, which was 25 million British Honduras dollars at current prices in 1968 and 28 million in 1969, rose to 31 million in 1970. Exports seem to have continued to grow in 1971, although not as fast as imports. As a result, Honduras has been showing a deficit on the merchandise account of 21.3 million British Honduras dollars in 1969 and 24.5 million in 1970. Although this deficit has been growing, the rate of increase has declined as imports of foodstuffs have been replaced by locally-produced items.



BRITISH HONDURAS (BELIZE): OUTPUT OF SELECTED COMMODITIES, 1967-1971

Commodity	Unit	1967	1968	1969	1970	1971
Sugar-cane	Tons	411 353	642 515	528 720	676 175	632 629
Bananas <u>a/</u>	Bunches	152 231	205 000	79 689	...	...
Cucumbers <u>b/</u>	Tons	8 500	4 000	5 980	...	...
Corn	Thousands of pounds	14 800	15 400	15 000	...	35 000
Rice	Thousands of pounds	5 000	7 000	6 338	7 650	...
Timber	Cubic feet	...	517 612	612 451	742 603	...
Red Kidney Beans <u>b/</u>	Thousands of pounds	1 667	2 809	3 419	5 174	...
Honey	Pounds	425 006	468 158	112 964	107 447	206 174
Oranges <u>b/</u>	Thousands of pounds	62 955	66 042	76 428	52 965	53 703
Grapefruits <u>b/</u>	Thousands of pounds	18 782	18 672	22 604	20 536	22 856
Sugar	Tons	43 453	63 588	52 138	66 785	64 851
Molasses <u>b/</u>	Tons	...	...	18 686	26 397	22 960
Rum	Gallons	18 076	22 697	21 356	...	...
Cigarettes	Thousands	64 494	71 617	70 405	76 650	...
Clothing (outerwear) <u>a/</u>	Thousands of British Honduras dollars	...	1 096	1 520	1 569	...

Sources: Central Planning Unit, Economic Survey 1970, and data supplied to ECLA.

a/ Export data; the figures for clothing are in terms of value.

b/ Crop year ending in year shown.

BRITISH HONDURAS (BELIZE): MAIN EXPORTS, 1967-1970

(Thousands of British Honduras dollars) \*/

Commodity	1967	1968	1969	1970
Sugar (unrefined)	8 019.0	9 941.3	9 588.8	11 142.3
Molasses	646.0	1 004.4	455.5	759.2
Lobster	406.0	676.8	1 458.4	1 555.1
Shrimp	...	141.8	223.9	4.4
Conch	...	149.5	395.5	421.0
Fish, fresh or dried	75.0	99.0	102.4	119.2
Bananas	152.0	241.1	81.0	3.9
Citrus juices	2 013.0	2 822.9	2 834.4	2 487.6
Grapefruit segments	1 457.0	1 433.3	1 459.2	1 706.3
Grapefruit and orange oil	74.0	110.0	99.0	81.4
Cucumber (fresh)	...	122.4	176.5	186.1
Live animals for food	193.0	152.1	125.4	193.1
Logs and lumber	1 416.0	1 397.0	1 543.0	2 032.0
Clothing (outerwear)	...	1 096.2	1 520.3	1 327.3
<u>Total</u>	<u>20 469.9</u>	<u>25 194.4</u>	<u>28 080.1</u>	<u>31 334.7</u>

Source: Trade reports and data supplied to ECLA.

\*/ Values are given in British Honduras dollars, 1.67 of which equalled one United States dollar prior to devaluation on the latter currency in December 1971.

/CHILE

CHILE

In 1971, profound changes took place in development policy and in the economic process in Chile. Ownership or control of important sectors of production was transferred to the State and agrarian reform was accelerated, while at the same time expansionist and redistributionist policies led to an increase of 8.5 per cent in the gross domestic product, a marked rise in the real remuneration of wage-earners, a reduction of about 200,000 in the unemployment figures, an increase in consumption, a downturn in investment and a sizeable balance-of-payments deficit.

The main structural changes were the expansion of the public or semi-public area of the economy - especially the nationalization of basic resources - and the acceleration of agrarian reform. The following activities or enterprises became part of the public or semi-public area of the economy during the year: (a) large-scale copper mining, under a constitutional reform nationalizing the semi-public enterprises operating the Chuquibambilla, El Salvador, El Teniente, Exótica and Andina copper mines; (b) iron, nitrate and coal mining; (c) fourteen private banks, in which the Production Development Corporation (CORFO) acquired a majority shareholding; (d) the National Distribution Enterprise (DINAC) and the National Poultry Enterprise (ENAVI) were set up, and the National Fuel Distribution Enterprise (ENADI) was organized; (e) ten industrial enterprises became public, and twelve became semi-public. In addition, the State took over control, but not actual ownership, of fifty industrial enterprises which were put under State management or requisitioned owing to supply problems, labour disputes or abandonment by the owners. Under the agrarian reform policy, a total of 1,379 estates covering an area of 2.5 million hectares, were expropriated between 4 November 1970 and 31 December 1971. As regards the operation of the areas expropriated, a start was made on replacing the system of rural settlements with agrarian reform centres.

In the short term, these changes in the structure of ownership were accompanied by an expansionist policy based on a substantial redistribution of income in favour of wage-earners, whose share in total income rose from 53.7 per cent in 1970 to 56.6 per cent in 1971. This improvement in the position of the lower income groups was achieved by increasing real wages (which rose by 28 per cent between October 1970 and July 1971) and by reducing unemployment (which fell from 7.2 per cent in December 1970 to 3.9 per cent at the end of 1971). The increase in purchasing power thus generated was covered on the supply side by an increase in the

/product of

product of 8.5 per cent in real terms and by imports of consumer goods and fuels (which at current dollar, prices rose by 22 per cent). The increase in production was based on the use of idle capacity, for private investment shrank and was not counterbalanced by an increase in public investment (which went mainly to construction and public works). Net gross domestic investment, in constant prices, fell by 7.7 per cent, while total consumption rose by 10.8 per cent (private consumption by 11.7 per cent).

Monetary issues by the Central Bank (for both the public sector and the private and banking sectors) expanded by 173 per cent. Consumer prices, which were strictly controlled, rose by 22.1 per cent between December 1970 and December 1971 (in 1970 the increase was 34.9 per cent). In the external sector, there was a deficit on current account of 230 million dollars. This is attributable to the fact that although the volume of exports rose by 4 per cent the value of exports of goods, in current dollar prices, fell by 7.4 per cent owing to the drop in copper prices, while imports of goods, in current dollar prices, rose by 10 per cent. As regards the structure of imports, the share of consumer goods rose by 22 per cent and that of fuels by 59 per cent, while the shares of spare parts and capital goods fell by 12.4 and 17.8 per cent, respectively. Since there was also a net outflow of capital during the year, the balance-of-payments deficit before compensatory financing rose to about 300 million dollars, which meant a decrease in international reserves.

CHILE: TOTAL SUPPLY AND DEMAND

	Millions of escudos at 1960 prices			Structure (percentages)			Annual growth rate (percentages)		
	1965	1970	1971 <sup>a/</sup>	1965	1970	1971 <sup>a/</sup>	1965-1970	1970	1971 <sup>a/</sup>
<u>Total supply</u>	6 037.6	7 538.2	8 096.2	113.6	118.1	116.9	4.5	3.3	7.4
Gross domestic product	5 313.1	6 383.1	6 925.7	100.0	100.0	100.0	3.7	3.1	8.5
Imports <sup>b/</sup>	724.5	1 155.1	1 170.5	3.6	18.1	16.9	9.8	4.0	1.3
<u>Total demand</u>	6 037.6	7 538.2	8 096.2	113.6	118.1	116.9	4.5	3.3	7.4
Exports <sup>b/</sup>	751.3	817.0	852.7	14.1	12.8	12.3	1.7	-7.0	4.4
Gross domestic investment	978.5	1 113.8	1 028.0	18.4	17.4	14.9	2.6	-0.7	-7.7
Gross fixed investment	855.6	1 065.6	...	16.1	16.7	...	4.5	7.5	...
Public	...	...	...	...	...	...	...	...	...
Private	...	...	...	...	...	...	...	...	...
Construction	510.7	556.6	626.2	9.6	8.7	...	1.7	5.8	12.5
Machinery and equipment	344.9	509.0	401.8	6.5	8.0	...	8.1	9.4	-21.1
Total consumption	4 307.8	5 607.4	6 215.5	81.1	87.8	89.7	5.4	5.8	10.8
General government	538.0	703.4	735.8	10.1	11.0	10.6	5.5	7.2	4.6
Private	3 769.8	4 904.0	5 479.7	71.0	76.8	79.1	5.4	5.6	11.7

Sources: 1965-1970: ECLA, on the basis of official figures supplied by ODEPLAN; 1971: ECLA estimates on the basis of official figures supplied by the same source.

Note: 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 values by deflation, using price indexes calculated by ECLA for the purpose.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Goods and services, excluding factor payments.

CHILE: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971 <sup>a/</sup>
<u>Current account</u>					
Exports of goods and services	550.5	793.0	1 304.0	1 273.5	1 147.9
Goods fob	480.0	693.0	1 175.0	1 130.5	1 046.5
Services	570.5	100.0	129.0	143.0	101.4
Imports of goods and services	663.2	717.0	1 089.0	1 209.0	1 269.7
Goods fob	507.4	570.0	845.0	928.0	1 021.4
Services	155.8	147.0	244.0	281.0	248.3
Net foreign investment income	-64.6	-128.0	-228.0	-161.0	-111.7
Net private transfer payments	12.7	10.0	3.0	7.0	3.0
Balance on current account	-164.6	-42.0	-10.0	-89.5	-230.5
<u>Capital account</u>					
Net external financing (a + b + c + d + e)	164.6	42.0	10.0	89.5	230.5
a) Net non-compensatory external capital	82.6	109.0	236.0	214.8	-86.4
Direct investment	29.0	-38.0	90.0	-3.2	
Long and medium-term loans	50.5	212.0	200.0	310.0	
Amortization payments	-41.5	-90.0	-101.0	-125.0	
Short-term liabilities	10.2	26.0	29.0	30.0	
Official transfer payments	34.4	-1.0	18.0	3.0	
b) Non compensatory domestic capital and assets	-8.7	-36.0	-13.0	1.0	
c) Errors and omissions	45.6	8.0	1.0	-35.0	
d) Allocation of SDRs	-	-	-	21.0	16.9
e) Net compensatory movements (increase-)	45.1	-39.0	-214.0	-112.3	300.0
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	59.9	133.0	40.0	-67.3	38.0
Amortization payments	-31.4	-123.0	-119.0		
Movements of gold and foreign exchange reserves (increase-)	16.6	-49.0	-135.0	-23.2	281.8
SDRs	-	-	-	-21.8	-19.8

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.

a/ Estimates.

/COLOMBIA

COLOMBIA

The Colombian economy has followed a pattern of sustained growth in recent years, the growth rate in 1970 being 6.8 per cent. In 1971, however, the fall in world coffee prices and the sluggish growth of agricultural production were factors in the decline of the growth rate of the gross domestic product to around 5.3 per cent.

During 1971, storms and floods caused large-scale losses in agriculture, particularly in the production of foodstuffs, and damaged communications facilities, with the result that agriculture recorded only a negligible increase and the transport sector grew less than in previous years. Manufacturing and construction, however, maintained their customary dynamism, as did the electric power sector. Services maintained their growth rate of around 6 per cent.

The evolution of the Colombian economy is closely bound up with the country's export performance, particularly as regards coffee exports. Coffee prices were remarkably high in 1970 and exports went up 17 per cent, representing an increase of 116 million dollars in income from this item. In 1971, however, coffee prices fell by an average of about 13 per cent, and although the prices of other exports improved and the volume of coffee exports was maintained at the level of the previous years, the value of total exports fell by around 9 per cent. At the same time, imports of goods declined by slightly more than 5 per cent, owing to a 12 per cent reduction in external purchasing power caused by the deterioration in the country's terms of trade.

In addition to the adverse trade situation in 1971, the net outflow of profits and interest payments increased, causing the deficit on the current account to go up to 330 million dollars, whereas inflows of non-compensatory capital remained at the previous year's level. In consequence, there was a balance-of-payments deficit of around 12 million dollars, which was financed from the country's international reserves, from stand-by loans from the International Monetary Fund, and by increasing other foreign liabilities.

Domestic demand went up by only 4.5 per cent in 1971 as against 8.7 per cent in 1970, and this was reflected in an increase of less than 2 per cent in fixed investment. Capital expenditure on machinery and equipment declined particularly sharply, but the flow of capital into the construction

/industry continued

industry continued to rise rapidly. The increase in consumption was less than in 1970, mainly owing to the smaller increase in private consumption, since general government consumption continued to expand rapidly.

Up to November 1971, general government consumption expenditure had gone up by 22 per cent at current prices, while investment by the government had risen by 9 per cent. However, there was also a large increase in current income, which reduced the deficit to less than 400 million pesos, without considering debt service payments.

The consumer price index (for workers) rose by slightly about 12 per cent during 1971, largely owing to the decline in agricultural production and the increase in transport costs, which gave rise to a substantial increase in food prices, at the consumer rather than the producer level.



COLOMBIA: TOTAL SUPPLY AND DEMAND

	Millions of pesos at 1960 prices			Structure (percentages)			Annual growth rate (percentages)		
	1965	1970	1971 <sup>a/</sup>	1965	1970	1971 <sup>a/</sup>	1965-1970	1970	1971 <sup>a/</sup>
<b>Total supply</b>	<b>37 738.4</b>	<b>51 152.9</b>	<b>53 160</b>	<b>112.1</b>	<b>114.8</b>	<b>113.1</b>	<b>6.3</b>	<b>7.7</b>	<b>3.9</b>
Gross domestic product	33 659.8	44 547.4	47 000	100.0	100.0	100.0	5.8	6.8	5.5
Imports <sup>b/</sup>	4 078.6	6 605.5	6 160	12.1	14.8	13.1	10.2	14.5	-6.7
<b>Total demand</b>	<b>37 738.4</b>	<b>51 152.9</b>	<b>53 160</b>	<b>112.1</b>	<b>114.8</b>	<b>113.1</b>	<b>6.3</b>	<b>7.7</b>	<b>3.9</b>
Exports <sup>b/</sup>	4 802.2	6 307.1	6 287	14.3	14.2	13.4	6.2	1.1	-0.3
Gross domestic investment	6 005.8	9 026.0	8 929	17.8	20.3	19.0	8.5	14.2	-2.1
Gross fixed investment	5 158.3	7 919.0	8 070	15.3	17.8	17.2	8.9	13.1	1.9
Public	883.2	2 455.0	...	2.6	5.5	...	22.6	14.7	...
Private	5 122.6	6 571.0	...	15.2	14.7	...	5.1	14.0	...
Construction	3 034.0	5 107.8	...	9.0	11.5	...	11.0	8.7	...
Machinery and equipment	2 124.3	2 811.2	...	6.3	6.3	...	5.8	22.1	...
Total Consumption	26 930.4	35 819.8	37 950	80.0	80.4	80.7	5.8	7.5	5.9
General government	2 161.2	2 870.7	3 110	6.4	6.4	6.6	5.8	8.3	8.3
Private	24 769.2	32 949.1	34 840.	73.6	74.0	74.1	5.8	7.4	5.7

Source: 1965-1970: ECLA, on the basis of official figures supplied by the Central Bank of Colombia; 1971: ECLA estimates.

Note: 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 values by deflation, using price indexes calculated by ECLA for the purpose.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Goods and services, excluding factor payments.

COLOMBIA: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971a/
<u>Current account</u>					
Exports of goods and services	589.1	709.0	877.0	1 003.0	994.0
Goods fob	495.3	581.0	672.0	788.0	716.0
Services	93.8	118.0	205.0	215.0	218.0
Imports of goods and services	634.4	653.0	950.0	1 118.0	1 080.0
Goods fob	496.4	430.0	648.0	802.0	760.0
Services	138.0	223.0	302.0	316.0	320.0
Net external investment income	-39.6	-79.0	-144.0	-170.0	-195.0
Net private transfer payments	0.4	4.0	7.0	9.0	10.0
Balance on current account	-84.5	-19.0	-210.0	-276.0	-331.0
<u>Capital account</u>					
Net external financing (a + b + c + d + e)	84.5	19.0	210.0	276.0	331.0
a) Net external non-compensatory capital	30.5	12.0	319.0	366.0	} 301.8
Direct investment	2.5	10.0	54.0	44.0	
Long and medium-term loans	34.9	116.0	208.0	281.0	
Amortization payments	-26.4	-41.0	-100.0	-121.0	
Short-term liabilities	14.2	-81.0	42.0	125.0	
Official transfer payments	5.3	8.0	35.0	37.0	
b) Domestic non-compensatory capital or assets	14.1	-17.0	-14.0	-37.0	
c) Errors and omissions	44.0	67.0	-45.0	-26.0	
d) Allocation of SDRs	-	-	-	21.0	16.8
e) Net compensatory movements (increase -)	-4.1	-43.0	-50.0	-48.0	12.4
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	-	26.0	45.0	} -63.0	} 9.4
Amortization payments	-60.1	-71.0	-55.0		
Movements of gold and foreign exchange reserves (increase -)	56.0	2.0	-40.0	15.0	12.0
SDRs	-	-	-	-	-9.0

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.

a/ Estimates.

/COSTA RICA

COSTA RICA

The gross domestic product rose by 5 per cent in 1971, as against an average annual increase of 7 per cent in the past three years. The reason for this modest increase is to be found in both domestic and external factors. Public investment soared (23 per cent in real terms) despite the fact that fiscal revenue reflected the slowing down of foreign trade; foreign investment, in contrast, increased by 4 per cent. The tendency to encourage capital formation in stock-raising, tourism and housing construction failed to compensate for the lack of investment in other sectors.

Consumption grew at a similar rate to the product. The ready availability of credit helped to maintain a high level of consumer spending while general Government consumption expenditure also rose fairly rapidly.

The increased demand was not, however, matched to any appreciable extent by increased production, and it was mostly satisfied from imports. With the exception of agriculture, where the growth rate rose to 5 per cent following the poor results of the year before, the growth rate for the productive sectors, especially the services sector, was lower than before.

The relative inflexibility of supply pointed towards the likelihood of an accentuation of inflationary pressures, but the increase in production of certain agricultural commodities for domestic consumption and the restrictions imposed on purchases from outside the area helped to reduce those pressures, with the result that domestic prices rose even less than in 1970.

With regard to external factors, 1971 saw a decline in the buoyancy of external demand (expressed in terms of current prices) compared with previous years, not only because of the cyclical variations to which traditional export commodities are subject but also because of the current crisis within the Central American Common Market which has caused a reduction in Costa Rica's exports to the rest of the area. Exports of goods went up by a mere 4 per cent (compared with 21 per cent in 1970). Despite the increase of over 7 per cent in the volume of bananas exported, their value rose by less than 4 per cent, while coffee sales slumped by nearly 20 per cent, thus bringing in 13.5 million dollars less than in 1970; this was due partly to a 12 per cent drop in prices and partly to

/the smaller

the smaller volume sold owing to the lower export quota allocated to Costa Rica, whose stock of coffee increased, with the rise in coffee production in 1971, to about 500,000 bags. Meat exports went up by 12 per cent thanks to larger sales and better world prices, but cocoa exports fell by over 20 per cent.

Imports of goods, on the other hand, went up by 13 per cent (as against 30 per cent in 1970) and combined with increased remittances of profits and interest to push the deficit on current account up to 120 million dollars. For all that, the exceptional rise in short-term liabilities, particularly supplier credits, made it possible to close the 1971 balance of payments with a surplus of 9 million dollars.

COSTA RICA: TOTAL SUPPLY AND DEMAND

	Millions of colones at 1960 prices				Structure (percentages)				Annual growth rate (percentages)			
	1968	1969	1970 <sup>a/</sup>	1971 <sup>a/</sup>	1968	1969	1970 <sup>a/</sup>	1971 <sup>a/</sup>	1968	1969	1970 <sup>a/</sup>	1971 <sup>a/</sup>
<b>Total supply</b>	<u>6 134.8</u>	<u>6 603.0</u>	<u>7 322.5</u>	<u>7 791.6</u>	<u>131.1</u>	<u>132.3</u>	<u>137.7</u>	<u>139.5</u>	8.5	7.6	10.9	6.4
Gross domestic product	4 678.1	4 989.6	5 318.9	5 584.8	100.0	100.0	100.0	100.0	7.7	6.7	6.6	5.0
Imports <sup>b/</sup>	1 456.7	1 613.4	2 003.6	2 206.8	31.1	32.3	37.7	39.5	11.3	10.8	24.2	10.1
<b>Total demand</b>	<u>6 134.8</u>	<u>6 603.0</u>	<u>7 322.5</u>	<u>7 791.6</u>	<u>131.1</u>	<u>132.3</u>	<u>137.7</u>	<u>139.5</u>	8.5	7.6	10.9	6.4
Exports <sup>b/</sup>	1 228.7	1 332.5	1 392.3	1 558.2	26.3	26.7	26.2	27.9	22.4	8.4	4.5	11.9
Gross domestic investment	992.4	1 080.8	1 418.7	1 499.1	21.2	21.7	26.7	26.8	3.8	8.9	31.3	5.7
Gross fixed investment	910.0	990.8	1 118.7	1 209.1	19.5	19.9	21.0	21.6	8.1	8.9	12.9	8.1
Public	163.6	226.9	238.2	293.4	3.5	4.5	4.5	5.3	5.1	38.7	5.0	23.2
Private	746.4	763.9	880.5	915.7	16.0	15.3	16.5	16.4	8.8	2.3	15.3	4.0
Construction	...	...	...	...	...	...	...	...	...	...	...	...
Machinery and equipment	...	...	...	...	...	...	...	...	...	...	...	...
Total consumption	3 913.7	4 189.7	4 511.5	4 734.3	85.4	83.9	90.5	90.0	6.0	7.0	7.7	4.9
General government	608.8	665.5	718.7	777.6	13.0	13.3	13.5	13.9	5.1	9.3	8.0	8.2
Private	3 304.9	3 524.2	3 792.8	3 956.7	72.4	70.6	77.0	76.1	6.2	6.6	7.6	4.3

Sources: 1968-1970: ECLA, on the basis of official figures; 1971: ECLA estimates on the basis of official figures.

Note: 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 values by deflation, using price indexes calculated by ECLA for the purpose.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Goods and services, excluding factor payments.

COSTA RICA: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971 <sup>a/</sup>
<u>Current account</u>					
Exports of goods and services	104.5	136.8	227.3	273.1	291.6
Goods feb	87.0	111.7	189.6	228.9	237.9
Services	17.5	25.1	37.7	44.2	53.7
Imports of goods and services	120.9	199.6	271.0	346.1	391.9
Goods feb	98.9	160.9	221.5	287.4	324.2
Services	22.0	38.7	49.5	58.7	67.7
Net foreign investment income	-3.7	-13.4	-16.4	-20.8	-24.0
Net private transfer payments	0.8	4.9	3.8	4.3	3.7
Balance on current account	-19.3	-71.3	-56.3	-89.5	-120.6
<u>Capital account</u>					
Net external financing (a + b + c + d + e)	19.3	71.3	56.3	89.5	120.6
a) Net non-compensatory external capital	10.9	56.9	73.4	74.6	} 126.2
Direct investment	2.4	0.1	24.1	26.1	
Long and medium-term loans	6.1	54.6	37.7	38.7	
Amortization payments	-5.4	-20.1	-22.3	-21.2	
Short-term liabilities	4.5	18.8	29.3	27.4	
Official transfer payments	3.3	3.5	4.6	3.6	
b) Non compensatory domestic capital and assets	-1.7	-7.5	-8.5	-1.3	
c) Errors and omissions	-1.1	15.5	12.5	2.4	
d) Allocation of SDRs	-	-	-	4.2	3.4
e) Net compensatory movements (increase-)	11.2	6.4	-21.1	9.6	-9.0
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	10.0	32.5	2.5	} -5.9	} 8.7
Amortization payments	-	-23.7	-16.9		
Movements of gold and foreign exchange reserves (increase-)	1.2	-2.4	-6.7	15.7	-17.8
SDRs	-	-	-	-0.2	0.1

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.

<sup>a/</sup> Estimates.

DOMINICAN REPUBLIC

During 1971, the economy of the Dominican Republic continued its upward trend with an increase in the gross domestic product of 7.4 per cent in real terms.

As in previous years, the increase in available goods and services was largely channelled into gross domestic investment, which went up 24 per cent in 1971. The public sector played an increasingly important role in this process of increased investment, thanks to the increase in Central Government income, which in 1971 was around 18 per cent higher than in the previous year. There were only moderate increases in both public and private consumption.

The agricultural sector grew by 7.5 per cent, thanks to favourable weather conditions and the implementation of several government programmes. This expansion was due to increases in the output of tobacco, cocoa, sugar cane, maize, and fruit and vegetables, which more than made up for the decline in the coffee crop. Production of meat rose 4 per cent and that of poultry by 49 per cent. Mining production fell by 4.1 per cent, but the manufacturing sector continued to expand, although at a lower rate (6.6 per cent) than in the period 1965-1970. The construction sector showed a rapid increase in growth (19.2 per cent), as a result of the boom in housing construction, increased hotel building, expansion of the highway system and execution of irrigation schemes. Basic services also continued to expand, largely because of increased efforts by the Government. Thus, the energy sector recorded an increase of 11.1 per cent, and transport and communications expanded by 7.9 per cent.

In the external sector, the 15 per cent increase in the value of exports of goods, which was due primarily to the 30 per cent rise in sales of sugar, is worthy of note. In addition, there were moderate increases in exports of bauxite, fruit and vegetables, and tobacco, which amply compensated for the decline in revenue from the sale of coffee and cocoa. Income from services went up 5 per cent, reflecting the growth of tourism. Imports of goods increased 22 per cent, a lower rate than in 1970. In contrast, there was a more rapid increase in service payments, especially net payments of interest on foreign capital. The deficit on current account in the balance of payments amounted to 154 million dollars. Despite this, however, the balance of payments closed showing an increase of 12 million dollars in international reserves, owing to the increased inflow of non-compensatory external funds.

DOMINICAN REPUBLIC: TOTAL SUPPLY AND DEMAND

	Millions of pesos at 1960 prices			Structure (percentages)			Annual growth rates		
	1965	1970 <sub>a</sub> /	1971 <sub>a</sub> /	1965	1970 <sub>a</sub> /	1971 <sub>a</sub> /	1965- 1970	1970 <sub>a</sub> /	1971 <sub>a</sub> /
<b>Total supply:</b>	<u>914.5</u>	<u>1 366.5</u>	<u>1 493.2</u>	<u>120.4</u>	<u>130.6</u>	<u>132.9</u>	<u>8.4</u>	<u>8.2</u>	<u>9.3</u>
Gross domestic product	759.8	1 046.5	1 123.9	100.0	100.0	100.0	6.6	5.5	7.4
Imports b/	154.7	320.0	369.3	20.4	30.6	32.9	15.6	18.0	15.4
<b>Total demand</b>	<u>914.5</u>	<u>1 366.5</u>	<u>1 493.2</u>	<u>120.4</u>	<u>130.6</u>	<u>132.9</u>	<u>8.4</u>	<u>8.2</u>	<u>9.3</u>
Exports b/	121.7	178.9	193.7	16.0	17.1	17.2	8.0	15.9	8.3
Gross internal investment	94.6	254.8	315.7	12.5	24.3	28.1	22.0	28.6	23.9
Gross fixed investment	94.2	...	...	12.4	...	...	...	...	...
Public	29.1	...	...	3.8	...	...	...	...	...
Private	65.1	...	...	8.6	...	...	...	...	...
Construction	61.7	...	...	8.1	...	...	...	...	...
Machinery and equipment	32.5	...	...	4.3	...	...	...	...	...
Total consumption	698.2	932.8	983.8	91.9	89.1	87.5	6.0	2.4	5.5
General government	106.5	98.1	101.8	14.0	9.4	9.1	-2.1	3.4	3.8
Private	591.7	834.7	882.0	77.9	79.8	78.4	7.1	2.3	5.7

Source: For 1965 to 1968 ECLA estimates on the basis of official statistics supplied by the Central Bank of the Dominican Republic; for 1969 to 1971, ECLA estimates on the basis of preliminary statistics from the Central Bank.

Note: The export and import figures for goods and services were taken from the balance of payments tables in dollars at current prices converted into constant 1960 prices by deflation in accordance with the prices indexes calculated by ECLA for this purpose.

a/ Preliminary.

b/ Goods and services, excluding factors.



DOMINICAN REPUBLIC: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971 <sup>a/</sup>
<b>A. Current account</b>					
Exports of goods and services	172.1	143.1	227.4	256.0	290.0
Goods (fob)	157.4	125.5	184.1	213.0	245.0
Services	14.7	17.6	43.3	43.0	45.0
Imports of goods and services	-116.9	-163.9	-290.2	-352.0	-421.0
Goods (fob)	-90.3	-120.7	-210.4	-267.0	-325.0
Services	-26.6	-43.2	-79.8	-85.0	-96.0
Net external investment income	-9.6	-12.0	-23.4	-26.0	-32.0
Net private transfer payments	-3.0	12.4	9.5	8.0	9.0
Balance on current account	42.6	-20.4	-76.7	-114.0	-154.0
<b>B. Capital account</b>					
Net external financing (a+b+c+d+e)	-42.6	20.4	76.7	114.0	154.0
(a) Non-compensatory external financing	-18.2	45.8	75.9	118.0	161.5
Direct investment	1.0	6.0	24.1	69.0	
Long- and medium-term loans	-	19.2	54.6	33.0	
Amortization payments	-0.5	-5.7	-10.2	-9.0	
Short-term liabilities	-18.6	-38.9	5.8	24.0	
Official transfer payments	-0.1	65.2	1.6	1.0	
(b) Non-compensatory domestic capital or assets	3.3	-3.9	14.4	-21.0	
(c) Errors and omissions	-28.1	-12.7	-0.2	3.2	
(d) Allocation of SDR's	-	-	-	5.4	4.6
(e) Compensatory movements (- increase)	0.4	-8.8	-13.4	8.4	-12.1
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	9.0	5.0	35.4	0.7	9.8
Amortization payments	-20.7	-4.4	-43.0		
Gold and foreign exchange (- increase)	12.1	-9.4	-5.1	7.7	-21.9
SDR's	-	-	-	0.0	0.0

Source: International Monetary Fund, Balance of Payments Yearbook, Vols. 17 and 22.

<sup>a/</sup> Estimates.

/ECUADOR

EQUADOR

In 1971, the gross domestic product increased by some 7 per cent, a fairly high rate which is nevertheless below the growth rate of 8.7 per cent achieved in 1970. Real income also grew less rapidly, owing to a further deterioration in the terms of trade attributable to the drop in world prices for Ecuador's principal exports (bananas and coffee).

Taking the different sectors of production separately, agriculture grew only slightly, while manufacturing expanded steadily for the second year in succession. Agricultural production is estimated to have increased by 2 per cent, with a reduction in the area of crops planted for domestic consumption and an increase in production for export (the banana harvest is estimated at nearly 3 million tons, the highest volume yet achieved). Industry grew by almost 12 per cent, stimulated, *inter alia*, by industrial promotion legislation. Transport and construction grew by 20 and 9.7 per cent respectively, as a result of investment in petroleum activities which reached a peak in 1971 (construction of a pipeline, opening up of roads, and other infrastructural works). Commerce, in contrast, grew less rapidly.

Investment expenditure remained the most dynamic component of domestic demand, which grew at about the same rate as in 1970. Total gross investment grew by some 22 per cent, reflecting the appreciable increase in petroleum investment. Total consumption increased by 7.8 per cent (private consumption by 8.2 per cent and general government consumption by 5.8 per cent).

The budgetary position of the Central Government showed a substantial improvement in tax revenue, principally from indirect taxation. Actual expenditure increased less rapidly than current income, and there was only a moderate increase in the gross deficit, which rose to somewhat over 1,600 million sucres.

The current situation of the external sector was characterized by stagnation in the value of exports of goods and services and a sizeable increase in the value of total imports, resulting in a sharp increase in the current account deficit to around 222 million dollars. Consequently, although the net inflow of non-compensatory capital was considerably above the 1970 level, the balance-of-payments deficit amounted to close to 17 million dollars.

As regards prices, the consumer price index for the city of Quito rose by 9.4 per cent between January-September 1970 and the same period in 1971.

ECUADOR: TOTAL SUPPLY AND DEMAND

	Millions of sucres at 1960 prices			Structure (percentages)			Annual growth rates (percentages)		
	1965	1970 <sup>a/</sup>	1971 <sup>a/</sup>	1965	1970 <sup>a/</sup>	1971 <sup>a/</sup>	1965- 1970	1970 <sup>a/</sup>	1971 <sup>a/</sup>
	<b>Total supply</b>	<b>20 619</b>	<b>28 761</b>	<b>31 697</b>	<b>118.8</b>	<b>122.0</b>	<b>125.7</b>	<b>6.9</b>	<b>10.2</b>
Gross domestic product	17 351	23 565	25 220	100.0	100.0	100.0	6.3	8.7	7.0
Imports <sup>b/</sup>	3 268	5 196	6 477	18.8	22.0	25.7	9.7	17.2	24.7
<b>Total demand</b>	<b>20 619</b>	<b>28 761</b>	<b>31 697</b>	<b>118.8</b>	<b>122.0</b>	<b>125.7</b>	<b>6.9</b>	<b>10.2</b>	<b>10.2</b>
Exports <sup>b/</sup>	3 659	3 972	4 371	21.1	16.9	17.3	-0.4	11.9	10.0
Gross domestic investment	2 328	4 355	5 300	13.4	18.5	21.0	13.4	16.3	21.7
Gross fixed investment	2 008	...	...	11.6	...	...	...	...	...
Public	778	...	...	4.5	...	...	...	...	...
Private	1 230	...	...	7.1	...	...	...	...	...
Construction	1 431	...	...	8.2	...	...	...	...	...
Machinery and equipment	577	...	...	3.3	...	...	...	...	...
Total consumption	14 632	20 434	22 026	84.3	86.7	87.3	6.9	8.6	7.8
General government	2 369	3 355	3 550	13.6	14.2	14.1	7.2	4.7	5.8
Private	12 263	17 079	18 476	70.7	72.5	73.2	6.9	9.4	8.2

Source: 1965-1970: ECLA, on the basis of official figures supplied by the Central Bank; 1971: ECLA estimates.

Note: 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 values by deflation, using price indexes calculated by ECLA for the purpose.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Goods and services, excluding factor payments.

ECUADOR: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971 a/
<u>Current account</u>					
Exports of goods and services	154.9	196.6	203.1	249.9	249.9
Goods fob	146.3	180.7	188.1	232.8	232.1
Services	8.6	15.9	15.0	17.1	17.8
Imports of goods and services	152.3	201.0	283.7	338.9	442.2
Goods fob	109.8	155.2	220.0	262.3	350.3
Services	42.5	45.8	63.7	76.6	91.9
Net foreign investment income	-22.8	-25.0	-26.9	-33.5	-34.6
Net private transfer payments	1.4	2.2	4.8	5.4	5.3
Balance on current account	-18.8	-27.2	-102.7	-117.1	-221.6
<u>Capital account</u>					
Net external financing (a + b + c + d + e)	18.8	27.2	102.7	117.1	221.6
a) Net non-compensatory external capital	28.0	30.4	79.2	124.9	} 201.6
Direct investment	8.0	7.4	50.0	90.0	
Long-and medium-term loans	24.6	22.9	37.9	41.6	
Amortization payments	-9.4	-9.7	-18.6	-19.7	
Short-term liabilities	-1.0	2.7	0.7	3.0	
Official transfer payments	5.8	7.1	9.2	10.0	
b) Non-compensatory domestic capital and assets	-10.5	-1.7	-1.7	-2.2	
c) Errors and omissions	-2.3	-13.8	29.4	-9.6	
d) Allocation of SDRs	-	-	-	4.2	3.5
e) Net compensatory movements (increase -)	3.6	12.3	-4.2	-0.2	16.5
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	0.8	11.8	18.0	} 18.0	-2.0
Amortization payments	-	-2.2	-14.0		
Movements of gold and foreign exchange reserves (increase -)	2.8	2.7	-8.2	-18.1	22.0
SDRs	-	-	-	-0.1	-3.5

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.

a/ Estimates.

/EL SALVADOR

EL SALVADOR

Although the gentle upward trend of the past four years was maintained, there was something of a lull in El Salvador's economic growth in 1971. The gross domestic product rose by only 3.3 per cent, compared with the 4.2 per cent of 1970 and the average of 4.7 per cent for the period 1965-1970.

It is apparent from the evolution of the main production sectors that the growth of agriculture and construction slackened and manufacturing improved over the 1970 level, although its growth rate remained fairly low. Electricity, gas and water and financial services maintained almost the same growth rates as the previous year.

The growth rate for the agricultural sector fell somewhat in 1971, owing to the decline in coffee production. Agricultural production for export dropped by almost 1 per cent, since the increased output of cotton (12 per cent) was insufficient to offset the drop in that of coffee. As a result of the policy of agricultural self-sufficiency which was introduced when hostilities began with Honduras, production for domestic consumption went up by 13 per cent.

Industrial production increased by about 3 per cent as against the 2.1 per cent of the year before, but this does not alter the fact that manufacturing production has been sluggish for the past three years - a reflection both of the difficulties which have affected the area's trade relations and of the slow growth of domestic consumption.

Construction maintained a fairly rapid rate of expansion (about 5.8 per cent) thanks in part to the trend towards heavier investment, particularly of public funds. The remaining sectors developed more sluggishly, in keeping with the slowing down of the economy as a whole.

Public investment rose by around 20 per cent. This was due to a number of factors, including the initiation of major projects financed by international agencies, the improvement of the Government's financial position because of the increase in savings on the current account, and better credit support from the monetary authorities. Private investment continued to grow only slowly (3.4 per cent) in the face of the poor prospects afforded by the problem-plagued Central American Common Market. Consumption expenditure, private and public alike, maintained the same low rate of growth as in 1970.

There was a sharp increase in current central Government saving in 1971, owing to the reduction of current expenditure, the return to a normal situation after the period of hostilities and the 8 per cent increase in current income.

/The virtual

The virtual levelling off of the value of exports in 1971 contrasts with the 11.1 per cent increase in imports of goods and services and was responsible for a deficit on current account of almost 32 million dollars, which compares unfavourably with the state of equilibrium that was achieved in 1970. Despite a substantially larger net inflow of non-compensatory capital, it failed to cover this deficit, with the result that the Government was obliged to draw on the gold and foreign exchange reserves, make use of 1.3 million of the 3.7 million dollars' worth of Special Drawing Rights allocated to El Salvador, and resort to IMF stand-by loans.

EL SALVADOR: TOTAL SUPPLY AND DEMAND

	Millions of colones at 1960 prices				Structure percentages				Annual growth rate (percentages)			
	1968	1969	1970	1971 <sup>a/</sup>	1968	1969	1970	1971 <sup>a/</sup>	1968	1969	1970	1971 <sup>a/</sup>
<u>Total supply</u>	<u>2 912.7</u>	<u>2 989.5</u>	<u>3 094.2</u>	<u>3 230.9</u>	<u>126.3</u>	<u>125.3</u>	<u>124.5</u>	<u>125.8</u>	<u>2.9</u>	<u>2.6</u>	<u>3.5</u>	<u>4.4</u>
Gross domestic product	2 306.5	2 386.8	2 486.0	2 568.0	100.0	100.0	100.0	100.0	3.2	3.4	4.2	3.3
Imports b/	606.2	602.7	608.2	662.9	26.3	25.3	24.5	25.8	1.6	-0.6	0.9	9.0
<u>Total demand</u>	<u>2 912.7</u>	<u>2 989.5</u>	<u>3 094.2</u>	<u>3 230.9</u>	<u>126.3</u>	<u>125.3</u>	<u>124.5</u>	<u>125.8</u>	<u>2.9</u>	<u>2.6</u>	<u>3.5</u>	<u>4.4</u>
Exports b/	617.4	595.1	593.2	598.6	26.8	24.9	23.9	23.3	4.4	-3.6	-0.3	0.9
Gross domestic investment	271.9	283.7	302.8	338.8	11.8	12.0	12.2	13.2	-18.1	4.3	6.7	11.9
Gross fixed investment	265.0	269.4	277.8	298.8	11.5	11.3	11.2	11.6	-19.5	1.7	3.1	7.6
Public	63.8	67.4	68.7	82.4	2.8	2.8	2.8	3.2	-13.0	5.6	1.9	19.9
Private	201.2	202.0	209.1	216.4	8.7	8.5	8.4	8.4	-21.3	0.4	3.5	3.4
Construction	...	...	...	...	...	...	...	...	...	...	...	...
Machinery and equipment	...	...	...	...	...	...	...	...	...	...	...	...
Total consumption	2 023.4	2 110.7	2 198.2	2 293.5	87.7	88.4	88.4	89.3	6.1	4.3	4.1	4.3
General government	206.5	224.7	228.1	232.0	9.0	9.4	9.2	9.0	4.6	8.8	1.5	1.7
Private	1 816.9	1 886.0	1 970.1	2 061.5	78.8	79.0	79.2	80.3	6.3	3.8	4.5	4.6

Source: 1968-1970: ECLA, on the basis of data supplied by the Banco Central de Reserva de El Salvador; 1971: ECLA estimates.

Note: The figures for exports and imports of goods and services, which were taken from balance-of-payments tables in dollars at current prices, were converted to constant 1960 values by deflating the figures using price indexes specially calculated by ECLA for the purpose.

a/ Preliminary figures.

b/ Goods and services, excluding factor payments.

EL SALVADOR: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971 <sup>a/</sup>
<u>Current account</u>					
Exports of goods and services	116.9	212.8	223.9	252.4	253.0
Goods fob	102.6	190.0	202.2	229.3	228.1
Services	14.3	22.8	21.7	23.1	24.9
Imports of goods and services	141.6	290.9	248.4	255.6	284.0
Goods fob	113.4	187.3	192.8	197.3	221.0
Services	28.2	43.6	55.6	58.3	63.0
Net external investment income	-3.9	-7.8	-8.3	-9.5	-10.5
Net private transfer payments	0.2	9.7	9.8	11.9	9.7
Balance on current account	-28.4	-16.2	-23.0	-0.8	-31.8
<u>Capital account</u>					
Net external financing (a + b + c + d + e)	28.4	16.2	23.0	0.8	31.8
(a) External non-compensatory capital	16.3	25.1	30.2	20.1	} 28.3
Direct investment	4.5	7.2	7.0	5.7	
Long-and medium-term loans	2.3	20.2	10.4	10.6	
Amortization payments	-2.1	-4.3	-4.0	-5.1	
Short-term liabilities	10.7	-1.6	13.1	7.3	
Official transfer payments	0.9	3.6	3.7	1.6	
(b) Domestic non-compensatory capital or assets	1.5	-4.2	-1.2	-7.7	
(c) Errors and omissions	-2.5	-3.1	-14.7	-4.6	
(d) Allocation of SDRs	-	-	-	4.2	3.7
(e) Compensatory movements (increase -)	13.1	-1.6	8.7	-11.2	-0.2
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	16.2	3.1	27.3	} -12.3	} 2.0
Amortization payments	-7.7	-1.9	-16.8		
Movements of gold and foreign exchange reserves (increase -)	4.6	-2.8	-1.8	1.1	0.2
SDRs	-	-	-	-	-2.4

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.

<sup>a/</sup> Estimates.

/GUATEMALA



## GUATEMALA

A decline in exports had the effect of reducing activity in the principal sectors of production, and as a result Guatemala's gross domestic product grew by only 4.8 per cent in 1971, as opposed to 5.6 per cent in 1970.

Agricultural activities experienced favourable climatic conditions and received a greater measure of institutional support. As a result, the agricultural product grew by 3.9 per cent, even though some areas were affected by showers of volcanic ash. Agricultural production for domestic consumption was stimulated by the programme to expand the cultivation of cereals in the highlands. Export crops also showed substantial improvement. Output of coffee was up by 3 per cent and that of cotton by 2 per cent, but banana production grew only moderately compared with previous years, owing to the fact that the plantations relocated in the north some five years ago have now stabilized. Worthy of note is the initiation of new agricultural activities, as yet on a small scale, such as market gardening and the growing of fruit and tropical flowers. Livestock production continued its rapid upward trend, and there was a 40 per cent increase in the current value of exports of meat to the United States market.

Manufacturing was affected by the contraction of exports to the Central American market, and grew by only 6.1 per cent, compared with 8.4 per cent in 1970. The most dynamic branches were the traditional industries, metal-transforming and the paper industry. Construction was stimulated by the rapid expansion of public investment and raised its growth rate to 10.7 per cent. The other sectors of production, particularly services, grew more slowly than in 1970.

Through a 16 per cent increase in investment expenditure, the public sector endeavoured to make up for the weakness of private investment (up by only 3.7 per cent) and to promote economic activity within the context of the national development plan. The fact that public resources were channelled towards capital formation curbed the growth of government consumption, which rose by less than 3 per cent. Private consumption grew by 3.9 per cent, compared with 4.2 per cent in 1970.

The 7.7 per cent decline in the value of coffee exports, which was caused by a large drop in prices and a 13 per cent decrease in exports to the Central American market, was not offset by the increases recorded in exports of other important products, such as cotton (9.8 per cent), bananas (4.4 per cent), meat (40.2 per cent) and sugar (16.3 per cent). Merchandise exports as a whole fell by 2.5 per cent.

Imports of goods and services increased by 7.5 per cent, which led to a sizeable deficit on the current account, after the relative equilibrium achieved in 1970. Preliminary information indicates, however, that there was a large inflow of non-compensatory capital during the year which helped to offset the current account deficit and to create an overall balance of payments surplus of 17 million dollars.

As a result of all these movements, in particular the increase in the supply of agricultural products for domestic consumption, price rises were held down and according to incomplete information the consumer price index rose by less than 1 per cent, compared with 2.4 per cent in 1970.

GUATEMALA: TOTAL SUPPLY AND DEMAND, 1968-1971

	Millions of quetzales at 1960 prices				Structure (percentages)				Annual growth rates (percentages)			
	1968	1969	1970	1971 a/	1968	1969	1970	1971 a/	1968	1969	1970	1971 a/
<u>Total supply</u>	<u>1 849.8</u>	<u>1 910.0</u>	<u>2 026.5</u>	<u>2 120.5</u>	<u>118.1</u>	<u>116.9</u>	<u>117.5</u>	<u>117.3</u>	<u>6.1</u>	<u>3.3</u>	<u>6.1</u>	<u>4.6</u>
Gross domestic product	1 565.7	1 634.2	1 725.0	1 807.7	100.0	100.0	100.0	100.0	5.7	4.4	5.6	4.8
Imports b/	284.1	275.8	301.5	312.8	18.1	16.9	17.5	17.3	8.3	-2.9	9.3	3.7
<u>Total demand</u>	<u>1 849.8</u>	<u>1 910.0</u>	<u>2 026.5</u>	<u>2 120.5</u>	<u>118.1</u>	<u>116.9</u>	<u>117.5</u>	<u>117.3</u>	<u>6.1</u>	<u>3.3</u>	<u>6.1</u>	<u>4.6</u>
Exports b/	282.7	317.2	319.3	321.3	18.1	19.4	18.5	17.8	17.8	12.2	0.6	0.6
Gross domestic investment	201.8	156.1	202.0	237.1	12.9	9.6	11.7	13.1	8.7	-22.6	29.4	17.4
Gross fixed investment	198.1	201.2	209.3	221.9	12.7	12.3	12.1	12.3	13.5	1.6	4.0	6.0
Public	40.6	39.4	39.3	45.6	2.6	2.4	2.3	2.5	0.7	-2.9	-0.3	16.0
Private	157.5	161.8	170.0	176.3	10.1	9.9	9.9	9.8	17.3	2.7	5.1	3.7
Construction	...	...	...	...	...	...	...	...	...	...	...	...
Machinery and equipment	...	...	...	...	...	...	...	...	...	...	...	...
Total consumption	1 365.3	1 436.7	1 505.2	1 562.1	87.2	87.9	87.3	86.4	3.6	5.2	4.8	3.8
General government	97.6	113.1	125.4	128.9	6.2	6.9	7.3	7.1	8.4	15.9	10.9	2.8
Private	1 267.7	1 323.6	1 379.8	1 433.2	81.0	81.0	80.0	79.3	3.9	4.4	4.2	3.9

Source: ECLA, on the basis of official statistics.

Note: The figures for exports and imports of goods and services were taken from the balance-of-payments figures at current prices and deflated to constant 1960 prices using price indexes specially calculated by ECLA for this purpose.

a/ Preliminary figures.

b/ Goods and services, excluding factor payments.

GUAYMALA: BALANCE OF PAYMENTS, 1960-1971  
(Millions of dollars)

	1960	1965	1969	1970	1971 e/
<u>Current account</u>					
Exports of goods and services	131.5	226.1	303.2	350.9	346.4
Goods fob	115.9	192.1	262.5	298.3	290.8
Services	15.6	34.0	40.7	52.6	55.6
Imports of goods and services	152.1	256.7	298.6	335.5	360.6
Goods fob	124.8	205.1	240.9	266.6	280.7
Services	27.3	50.6	57.7	68.9	79.9
Net external investment income	-5.0	-11.5	-30.9	-33.1	-38.1
Net private transfer payments	0.1	3.5	12.5	17.0	25.0
Balance on current account	-25.5	-38.6	-13.8	-0.7	-27.3
<u>Capital account</u>					
Net external financing (a + b + c + d + e)	25.5	38.5	13.8	0.7	27.3
(a) External non-compensatory capital	40.2	63.6	29.4	49.2	
Direct investment	16.8	14.1	24.4	22.5	
Long- and medium-term loans	11.1	49.7	71.0	77.8	40.8
Amortization payments	-7.0	-24.1	-50.6	-44.4	
Short-term liabilities	4.8	19.9	-16.9	-7.6	
Official transfer payments	14.5	4.0	1.5	0.9	
(b) Domestic non-compensatory capital or assets	-0.8	-0.3	-0.6	-20.9	
(c) Errors and omissions	-6.2	-20.9	-7.2	-13.6	
(d) Allocation of SDRs	-	-	-	4.2	3.9
(e) Compensatory financing (increase -)	-7.7	-3.8	-7.8	-18.2	-17.4
Balance-of-payments loans, trade arrears, deferred payments, IMF position, and other liabilities of the monetary authorities	2.7	8.9	11.8	-11.6	-5.4
Amortization payments	-0.4	-3.9	-13.5		
Movements of gold and foreign exchange reserves (increase -)	-10.0	-8.8	-6.1	-4.6	-5.5
SDRs	-	-	-	-2.0	-6.5

Source: International Monetary Fund, Balance of Payments Yearbook, vols. 17 and 22.  
e/ Estimates.

GUYANA

Guyana's gross domestic product, valued at current factor cost, increased in 1971 by 6.8 per cent, which is higher than the rate for 1970 but lower than the average annual rate of 7.6 per cent for the period 1965-1970. Using the level of consumer prices as a guide to overall price changes, the real growth of the economy in 1971 appears to have been around 4 per cent. All sectors except forestry shared in the increase, with agriculture, construction and mining growing at higher rates than the economy as a whole.

Agriculture has recovered from the depressed level of 1970, achieving an estimated 12 per cent growth rate, at current prices, due mainly to a substantial increase in sugar-cane output. Construction grew by more than 9 per cent, but this increase was significantly lower than that recorded over the past five years. The mining sector maintained its position as the largest contributor, increasing its product by 7.6 per cent. Manufacturing grew by 7 per cent, or roughly the same rate as the overall economy, and its contribution to the gross domestic product continued to be just over 12 per cent.

Gross fixed capital formation which had increased by 13 per cent in 1970, fell by about 11 per cent in 1971, mainly because of a reduction in investment in the mining sector. Consumption expenditure increased by 7.2 per cent, so that total domestic expenditure rose by 3.3 per cent.

In the external sector, exports seem to have increased significantly, while imports have remained at the same level. Full-year projections based on the incomplete statistics available indicate that there was a surplus on the merchandise account, with consequent favourable effects on the balance of payments.

Two major economic decisions were adopted in the course of the year. The first and perhaps the more important of the two was the acquisition by the Government of a majority share in the bauxite industry. The second was the devaluation of the Guyana dollar to the same extent as the United States dollar, in order to maintain the pre-devaluation parity with that currency.

GYANA: GROSS DOMESTIC PRODUCT AT FACTOR COST, BY SECTOR OF ECONOMIC ACTIVITY

	Millions of Guyana dollars			Structure (percentages)			Annual growth rates (percentages)		
	1965	1970 <sup>a/</sup>	1971 <sup>a/</sup>	1965	1970	1971	1965-70	1970	1971
Agriculture	68.5	79.6	89.4	20.9	16.8	17.7	3.1	-0.6	12.3
Forestry and fishing	13.0	17.5	17.6	4.0	3.7	3.5	6.1	10.1	0.6
Mining and quarrying	54.0	89.8	96.6	16.4	19.0	19.1	10.7	4.4	7.6
Manufacturing	42.7	57.2	61.2	13.0	12.1	12.1	6.0	7.7	7.0
Transport and communications	21.3	27.7	28.8	6.5	5.9	5.7	5.4	1.5	4.0
Construction	17.1	40.3	44.0	5.2	8.5	8.7	18.6	13.8	9.2
Commerce	39.4	55.5	56.6	12.0	11.6	11.2	6.9	5.2	2.9
Ownership of dwellings, financial and other services	32.1	44.1	45.8	9.7	9.3	9.1	6.6	8.6	3.9
Government	40.2	61.6	64.9	12.2	13.0	12.9	8.9	11.6	5.4
<u>Total</u>	<u>328.3</u>	<u>472.8</u>	<u>504.9</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>7.6</u>	<u>6.0</u>	<u>6.8</u>

Source: ECLA, on the basis of information supplied by the Statistical Bureau.

<sup>a/</sup> Provisional figures.

GUYANA: BALANCE OF PAYMENTS, 1969-1970

(Thousands of Guyana dollars) <sup>a/</sup>

	1969	1970
<u>Current account</u>		
<u>Goods</u>		
Imports	-234 448	-266 338
Exports <sup>a/</sup>	+247 567	+258 070
<u>Net balance on goods account</u>	<u>+13 119</u>	<u>-8 268</u>
<u>Services</u>		
Transport	53	-700
Freight and insurance: on international maritime transport	891	1 300
Foreign travel	-1 187	800
Investment income	-36 052	-29 791
Government transactions	53	-763
Other services	-2 211	-709
<u>Net balance on services account</u>	<u>-38 453</u>	<u>-31 463</u>
<u>Net balance on goods and services account</u>	<u>-25 334</u>	<u>-39 731</u>
<u>Unilateral transfer payments</u>	<u>823</u>	<u>98</u>
<u>Net balance on current account</u>	<u>-24 511</u>	<u>-39 633</u>
<u>Capital account</u>		
<u>Net capital movements</u>	<u>17 616</u>	<u>34 473</u>
Private	7 362	12 300
Official	13 334	24 564 <sup>b/</sup>
Unidentified	-3 080	-2 391
<u>Balance (increase -)</u>	<u>+6 895</u>	<u>5 160</u>

Source: Data supplied by the statistical Bureau.

<sup>a/</sup> Adjusted for Balance of Payments purposes.

<sup>b/</sup> Includes allocation of Special Drawing Rights.

<sup>#/</sup> Guyana dollars are equal to 0.50 United States dollars.

/HAITI

## HAITI

The Haitian economy appears to have begun a process of recovery in recent years. The annual rate of growth of the gross domestic product, which averaged 1.8 per cent during the five-year period 1965-1970, rose to 4.7 and 5.7 per cent in the years 1970 and 1971, respectively. In spite of this, however, per capita income in 1971 stood at roughly 14 per cent below the 1962 level, because of the steady decline which it had undergone practically throughout the 1960's.

The annual growth rate of total supply, which had averaged 1.7 per cent during the period 1965-1970, rose to 5.8 per cent in 1970 and remained at that level in 1971. Unlike the previous year's increase however, this was basically a reflection of the growth of the gross domestic product, since the real increase in imports in 1971 was only 6.1 per cent, compared with 12.5 per cent in 1970.

Despite the upturn in the domestic supply of goods and services, the growth rate of gross domestic investment was less than in the previous year (7.9 per cent compared with 24.4 per cent in 1970). In particular, government investment went up 15 per cent, some of the most important investment projects being the harbour improvements and the expansion of the airport at Port-au-Prince, the completion of the country's first hydroelectric power station, and improvement of the water supply system and the highway system. This increase in the allotment of public investment funds was accompanied by curbs on government consumption expenditure, which rose by only 3 per cent. In spite of this and the sharp upswing in government income, however, the government deficit was more than three times higher than the previous year's level.

The main factors responsible for the improved economic situation of 1971 were the recovery of the agricultural and mining sectors and the continued expansion of the construction and manufacturing sectors.

Favourable weather conditions, combined with the effects of public sector investment, resulted in a 6.4 per cent increase in the agricultural product: a notable improvement over the increase of 0.2 per cent recorded in 1970. The increase in production for export was particularly significant: coffee production increased by around 21 per cent and cotton production by 71.4 per cent. Crops grown for domestic consumption showed moderate increases.

/Mining production



Mining production which had declined 12.3 per cent in 1970, went up by 17.8 per cent in 1971. This increase reflected the expansion of bauxite and copper output, which grew by 16 and 38 per cent, respectively.

Manufacturing also grew at a faster pace than the total product, while construction increased by 10.3 per cent, thanks to the implementation of government projects for the improvement of the infrastructure.

The external sector showed increased dynamism, and the net reserve position was strengthened, for there was a sharp upturn in exports of coffee, bauxite, sugar and light manufactures, tourism continued to develop satisfactorily, and there was an increase in non-compensatory capital inflows, while imports grew only to a moderate extent.

HAITI: TOTAL SUPPLY AND DEMAND

	Millions of gourdes at 1960 prices			Percentage structure			Annual growth rates		
	1965	1970	1971	1965	1970	1971	1965-1970	1970	1971
<u>Total supply</u>	<u>1 891.5</u>	<u>2 056.5</u>	<u>2 175.5</u>	<u>118.6</u>	<u>117.8</u>	<u>117.9</u>	<u>1.7</u>	<u>5.8</u>	<u>5.8</u>
Gross domestic product	1 594.5	1 745.5	1 845.5	100.0	100.0	100.0	1.8	4.7	5.7
Imports	297.0	311.0	330.0	18.6	17.8	17.9	0.9	12.5	6.1
<u>Total demand</u>	<u>1 891.5</u>	<u>2 056.5</u>	<u>2 175.5</u>	<u>118.6</u>	<u>117.8</u>	<u>117.9</u>	<u>1.7</u>	<u>5.8</u>	<u>5.8</u>
Exports	206.5	220.0	265.0	13.0	12.6	14.4	1.3	-11.6	20.5
Gross domestic investment	97.2	119.8	129.3	6.1	6.9	7.0	4.3	24.4	7.9
Gross fixed investment	...	...	...	...	...	...	...	...	...
Public	...	...	...	...	...	...	...	...	...
Private	...	...	...	...	...	...	...	...	...
Construction	50.6	54.4	60.1	3.2	3.1	3.2	1.5	15.0	10.5
Machinery and equipment	46.6	65.4	69.2	2.9	3.8	3.8	7.0	33.5	5.8
Total consumption	1 587.8	1 716.7	1 781.2	99.6	98.3	96.5	1.6	7.4	3.8
General government	129.4	137.6	141.7	8.1	7.9	7.7	1.2	13.3	3.0
Private	1 458.4	1 579.1	1 639.5	91.5	90.4	88.8	1.6	6.9	3.8

Source: 1965-1969: ECLA, on the basis of data supplied by the National Planning and Development Council (CONADEP); 1970 and 1971: ECLA estimates based on data from the same source and data from the Haitian Statistical Institute quoted in El esfuerzo interno y las necesidades de financiamiento externo para el desarrollo de Haití (CIAP/528).

HAITI: BALANCE OF PAYMENTS, 1960-1971  
(Millions of dollars at current prices)

	1960	1965	1969	1970	1971 <sup>a/</sup>
<b>(a) Current account</b>					
Exports of goods and services	54.4	44.9	50.1	53.5	62.1
Goods FOB	38.1	37.8	37.6	39.0	46.7
Services	16.3	7.1	12.5	14.5	15.4
Travel	8.1	1.4	5.4	6.6	9.1
Other	8.2	5.7	7.1	7.9	6.3
Imports of goods and services	-58.1	-62.2	-60.6	-68.9	-75.0
Goods FOB	-43.4	-42.6	-42.0	-47.7	-52.5
Services	-14.7	-19.6	-18.6	-21.2	-22.5
Travel	-3.8	-5.6	-3.8	-4.3	-4.4
Other	-10.9	-14.0	-14.8	-16.9	-18.1
Net external investment income	-4.1	-5.2	-3.6	-3.6	-3.1
Net private transfer payments	2.6	4.7	10.8	15.0	13.9
Balance on current account	-5.2	-17.8	-3.3	-4.0	-2.1
<b>(b) Capital account</b>					
Net external financing (a + b + c + d + e)	5.2	17.8	3.3	4.0	2.1
a) External non-compensatory capital	8.2	8.2	7.8	9.0	7.1
Direct investment	0.1	1.0	2.2	2.8	
Long- and medium- term loans	1.5	2.4	1.7	0.5	
Amortization payments	-0.3	-0.8	-0.6	-1.1	
Short-term liabilities	0.3	1.5	-0.4	-0.1	
Official transfer payments	6.6	4.1	4.9	6.9	
b) Domestic non-compensatory capital or assets	-2.2	3.2	-1.0	-2.6	
c) Errors and omissions	2.1	5.2	-2.2	-2.1	
d) Allocation of SDRs	-	-	-	2.5	2.0
e) Compensatory movements (increase-)	-2.9	1.2	-1.3	-2.8	-7.0
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	-	2.6	1.6	-1.8	-3.7
Amortization payments	-2.0	-2.3	-2.3		
Movements of gold and foreign exchange reserves (increase-)	-0.9	0.9	-0.9	-0.6	-2.2
SDRs	-	-	-	-0.1	-1.1

Source: IMF, Balance of Payments Yearbook, vols.17, 22 and 23.  
<sup>a/</sup> Estimates.

## HONDURAS

The slow rate of growth that has characterized the economy of Honduras since 1969 persisted in 1971. Nevertheless, preliminary estimates indicate a slight improvement in the growth rate of the overall product (4.3 per cent compared with 3 per cent in 1970).

On the whole, the sectors producing goods made an appreciable recovery compared with 1970 (4.6 per cent as against 2.1 per cent). In contrast, both basic and other services grew at slightly lower rates than the year before. There was a fairly considerable increase in the growth rate of agriculture (from 2.2 per cent in 1970 to 4.4 per cent in 1971); this reflects the more vigorous expansion of agricultural production for export, which more than offset the weakness of domestic agriculture. Manufacturing, stimulated by decreased competition from the sub-region and re-orientation towards the home market, grew by 6 per cent, which compares favourably with the previous year's rate of 3.4 per cent. Construction, which had declined by 4.1 per cent in 1970, expanded by 2.9 per cent.

Despite the recovery observed in domestic production, total supply remained stationary in 1971 (in contrast with the 6.7 per cent increase in 1970), owing to the sharp contraction in the volume of imports, whose rate of growth fell from +17.4 per cent in 1970 to -9.1 per cent in 1971.

Exports constituted the most dynamic component of overall demand, growing at a rate of 6.3 per cent at constant prices. Gross fixed investment dropped by 2 per cent as the result of a substantial contraction in public investment (-10.7 per cent). Private investment, with an estimated growth of 1.6 per cent, continued its slow upward trend, while total consumption expanded at the rate of 3.7 per cent.

Prices rose by just over 1 per cent in 1971, which represented an improvement over the 3 per cent increase in 1970.

External sector trends were more favourable than in 1970, since the current account deficit was reduced from 68 million to 38 million dollars. This relative recovery is mainly attributable to the vigorous growth of banana exports, increases in customs tariffs imposed by the Honduran Government, and the various import restrictions and controls imposed in 1971. The inflow of non-compensatory capital, while much smaller than in 1970, was sufficient to cover the deficit on current account, and the balance of payments showed a small surplus of around 1 million dollars.

HONDURAS: TOTAL SUPPLY AND DEMAND, 1968-1971

	Millions of lempiras at 1960 prices				Structure (percentages)				Annual growth rates (percentages)			
	1968	1969	1970	1971 <sup>a/</sup>	1968	1969	1970	1971 <sup>a/</sup>	1968	1969	1970	1971 <sup>a/</sup>
<b>Total supply</b>	<u>1 523.9</u>	<u>1 540.8</u>	<u>1 644.3</u>	<u>1 651.1</u>	<u>136.4</u>	<u>134.9</u>	<u>139.8</u>	<u>134.7</u>	<u>8.9</u>	<u>1.1</u>	<u>6.7</u>	<u>0.4</u>
Gross domestic product	1 117.0	1 142.2	1 176.5	1 225.9	100.0	100.0	100.0	100.0	8.2	2.3	3.0	4.3
Import <sup>b/</sup>	406.9	398.6	467.8	425.2	36.4	34.9	39.8	34.7	10.9	-2.0	17.4	-9.1
<b>Total demand</b>	<u>1 523.9</u>	<u>1 540.8</u>	<u>1 644.3</u>	<u>1 651.1</u>	<u>136.4</u>	<u>134.9</u>	<u>139.8</u>	<u>134.7</u>	<u>8.9</u>	<u>1.1</u>	<u>6.7</u>	<u>0.4</u>
Exports <sup>b/</sup>	312.3	296.1	305.3	324.6	28.0	25.9	25.9	26.5	14.1	-5.2	3.1	6.3
Gross domestic investment	196.6	211.9	251.9	199.3	17.6	18.6	21.4	16.3	3.4	7.8	18.9	-20.9
Gross fixed investment	180.6	201.7	212.0	207.8	16.2	17.7	18.0	16.9	7.0	11.7	5.1	-2.0
Public	35.1	57.0	61.5	54.9	3.1	5.0	5.2	4.5	15.0	62.5	7.9	-10.7
Private	145.5	144.7	150.5	152.9	13.0	12.7	12.8	12.5	5.2	-0.6	4.0	1.6
Construction												
Machinery and equipment												
Total consumption	1 015.0	1 032.8	1 087.1	1 127.2	90.9	90.4	92.4	91.9	8.5	1.8	5.3	3.7
General government	101.3	113.5	123.3	130.7	9.1	9.9	10.5	10.7	7.2	12.0	8.6	6.0
Private	913.7	919.3	963.8	996.5	81.8	80.5	81.9	81.3	8.7	0.6	4.8	3.4

Sources: 1968-1970: ECLA on the basis of official statistics; 1971: ECLA estimates.

Note: The figures for exports and imports of goods and services which were taken from balance of payments tables in dollars at current prices, were converted to constant 1960 values by deflating the figures using price indexes specially calculated by ECLA for the purpose.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Goods and services, excluding factor payments.

HONDURAS: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971 a/
<u>Current account</u>					
Exports of goods and services	71.9	138.7	186.9	196.1	207.2
Goods fob	64.4	128.2	170.9	177.8	190.1
Services	7.5	10.5	16.0	18.3	17.1
Imports of goods and services	77.9	136.4	206.2	244.4	224.1
Goods fob	65.4	113.2	169.7	203.4	184.9
Services	12.5	23.2	36.5	41.0	39.2
Net external investment income	9.1	-13.0	-18.6	-22.5	-24.2
Net private transfer payments	-0.6	0.4	3.5	2.9	3.2
Balance on current account	2.5	-10.3	-34.4	-67.9	-37.9
<u>Capital account</u>					
Net external financing (a + b + c + d + e)	-2.5	10.3	34.4	67.9	37.9
(a) Net external non-compensatory capital	0.1	21.0	38.2	55.4	} 36.3
Direct investment	-7.6	6.3	8.8	8.4	
Long- and medium-term loans	5.2	8.5	25.5	37.7	
Amortization payments	-1.6	-3.2	-4.7	-5.0	
Short-term liabilities	0.9	6.1	4.8	10.6	
Official transfer payments	3.2	3.3	3.8	3.7	
(b) Domestic non-compensatory capital or assets	-1.6	-1.3	-2.4	-1.1	
(c) Errors and omissions	-0.7	-3.9	-3.3	-0.5	
(d) Allocations of SDRs	-	-	-	3.2	2.7
(e) Net compensatory movements (increase -)	-0.3	-5.5	1.9	10.9	-1.1
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	4.6	0.7	1.3	} 4.5	0.5
Amortization payments	-2.5	-2.5	-		
Movements of gold and foreign exchange reserves (increase -)	-2.4	-3.7	0.6	6.6	1.3
SDRs (increase -)	-	-	-	-0.2	-2.9

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.

a/ Estimates.

/JAMAICA

## JAMAICA

The rate of growth of the Jamaican economy showed signs of slowing down during 1971. Preliminary estimates indicate that the gross domestic product at current factor cost increased from 951 million Jamaican dollars in 1970 to just over 1,026 million in 1971. This is equivalent to a growth rate of 7.8 per cent, and falls short of the rates of 9.5 per cent in 1969 and 10.8 per cent in 1970.

Retail prices increased by more than 5 per cent during 1971, but this was less than in 1969 and 1970. Using this rate as a deflator, growth in real terms is estimated to have been rather more than 2 per cent.

Despite this improvement, retail prices pursued the upward trend noted in previous years. The movements are shown in the consumer price index for the Kingston area which, for the period January 1967 to November 1971, indicates an annual average increase of 6.4 per cent, considerably higher than the average for the period 1961-1966 which was 2.1 per cent. These inflationary pressures are particularly marked in the category of food and beverages, which could lead to wage claims and a subsequent aggravation of inflationary pressures. For this reason the Government has announced a policy aimed at preventing unjustified price increases.

The growth rate of mining, which became the most important of the goods producing sectors in 1969, fell sharply to 6.3 per cent in 1971, and this is the main reason for the sluggishness of the economy as a whole. Of the other sectors of production, manufacturing and agriculture grew at a relatively slow pace, but construction expanded by 8.5 per cent. The figures for the Government increased significantly during the year by an estimated 18 per cent, while financial institutions increased their product by just over 8 per cent (at current prices in every case).

It is estimated that merchandise imports grew more rapidly than exports, which helped to increase the trade deficit over the high 1970 level. Even though earnings from tourism and migrants' remittances are estimated to have increased, the current account deficit would again have been considerable. The overall balance of payments position, however, may have improved if the substantial inflow of capital noted during the first half of the year was maintained.

JAMAICA: GROSS DOMESTIC PRODUCT AT CURRENT FACTOR COST, BY SECTOR OF ECONOMIC ACTIVITY, 1968-1971

Sector	Millions of Jamaica dollars				Percentage share				Annual growth rates		
	1968	1969 <sup>a/</sup>	1970 <sup>a/</sup>	1971 <sup>b/</sup>	1968	1969	1970	1971	1969	1970	1971
Agriculture <sup>a/</sup>	77.5	74.4	79.0	81.8	9.9	8.7	8.3	8.0	-0.4	6.2	3.5
Export	31.6	26.7	27.3	...	4.0	3.1	2.9	...	-16.0	2.2	...
Domestic	45.9	47.7	51.7	...	5.9	5.6	5.4	...	3.9	8.4	...
Mining <sup>d/</sup>	100.1	124.7	159.9	170.0	12.8	14.5	16.8	16.8	24.6	28.2	6.3
Manufacturing	115.3	120.5	128.1	136.5	14.7	14.0	13.5	13.3	4.5	6.3	6.6
Construction	94.9	105.3	115.1	124.9	12.1	12.3	12.1	12.2	11.0	9.3	8.5
Transport and communications	57.8	62.5	67.7	73.5	7.4	7.3	7.1	7.2	8.1	8.3	8.6
Electricity, gas and water	10.1	11.1	11.4	12.1	1.3	1.3	1.2	1.2	9.9	2.7	6.1
Ownership of dwellings	22.8	24.5	25.1	25.9	2.9	2.9	2.6	2.5	7.5	2.4	3.2
Commerce and finance	137.3	153.5	163.7	176.0	17.5	17.9	17.2	17.2	11.8	6.6	7.5
Government	69.7	77.5	90.6	107.1	8.9	9.0	9.5	10.4	11.2	16.9	18.2
Miscellaneous services	99.1	104.4	110.6	117.9	12.6	12.2	11.6	11.5	5.3	5.9	6.6
<u>Total</u>	<u>784.6</u>	<u>858.7</u>	<u>951.1</u>	<u>1 025.7</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>9.5</u>	<u>10.8</u>	<u>7.8</u>

Source: Central Planning Unit, Economic Survey Jamaica 1970.

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Estimates.

<sup>c/</sup> Including livestock production, forestry, fishing and hunting.

<sup>d/</sup> Including petroleum refining.



JAMAICA: BALANCE OF PAYMENTS, 1967-1971

(Millions of Jamaica dollars) <sup>a/</sup>

	1967	1968	1969	1970	January- June 1970	January- June 1971
<u>Current account</u>						
<u>Merchandise</u>						
Exports fob	199.2	209.2	243.2	285.1	144.5	158.9
Imports fob	217.2	276.9	317.6	374.3	180.2	212.9
<u>Net balance on merchandise</u>	-18.0	-67.7	-74.4	-89.2	-35.7	-54.0
<u>Services (net)</u>						
Transport (including freight)	-23.8	-31.3	-37.5	-45.7	...	...
Merchandise insurance	-2.6	-3.2	-3.7	-4.3	...	...
Foreign travel	+49.2	+62.8	+65.4	+66.7	+39.0	+43.3
Investment income	-67.2	-61.0	-72.5	-81.8	-34.0	-35.3
Government transactions	+7.2	+7.7	+8.6	+9.5	...	...
Non-merchandise insurance	-10.8	-11.5	-10.8	-10.4	...	...
Other services	+5.4	+7.8	+10.0	+9.8	-21.9	-20.5
<u>Net balance on services</u>	-42.6	-28.7	-40.5	-56.2	-16.9	-12.5
<u>Net balance in goods and services</u>	-60.6	-96.4	-114.9	-145.4	-52.6	-66.5
<u>Transfer payments (net)</u>	+10.0	+10.2	+11.9	+17.1	+7.5	+8.6
Private	+12.8	+13.3	+14.7	+21.8	...	...
Government	-2.8	-3.1	-2.8	-4.7	...	...
<u>Balance on current account</u>	-50.6	-86.2	-103.0	-128.3	-45.1	-57.9
<u>Capital movements (net)</u>	+64.9	+114.4	+91.8	+149.1	+84.8	+105.1
Government external borrowing	+5.0	+12.6	+12.2	+10.5	+2.9	-2.9
Retroactive claims <sup>a/</sup>	-2.0 <sup>a/</sup>	-2.3 <sup>a/</sup>	-1.8 <sup>a/</sup>	...	-5.3 <sup>b/</sup>	+4.7 <sup>b/</sup>
Identified private capital	+80.2	+107.6	+90.2	+138.6	+76.6	+103.3
Unidentified flows	-18.3	-3.5	-8.8	...		
<u>Surplus (+) or deficit (-)</u>	+14.3	+28.2	-11.2	+20.8	+39.7	+47.2

Source: Economic Survey 1970, Central Planning Unit, Bank of Jamaica Bulletin, June 1971, Vol. X No 2.

<sup>a/</sup> The revenue due Government consequent on the revaluation of bauxite and alumina exports.

<sup>b/</sup> Includes holdings of SDRs and IMF gold subscription.

<sup>c/</sup> Values are given in Jamaica dollars, which were equal to 0.20 United States dollars prior to the devaluation of the latter currency in December 1971.

/MEXICO

MEXICO

In 1971, the Mexican economy was subjected to severe internal and external strains which adversely affected its traditional rate of growth. According to preliminary data, the gross domestic product increased by 3.1 per cent, compared with an average annual increase of 7 per cent during the 1960's.

The market vulnerability of the balance of payments and the deliberate decision to maintain stable prices and exchange rates were the determining factors in short-term economic policy. Thus, export incentives were introduced, some taxes were raised and, in particular, curbs were placed on government investment. At the same time, stricter controls were introduced as part of credit and monetary policy. The results obtained were encouraging as far as improving the balance of payments and reducing inflationary pressures were concerned, but the rates of expansion of income and employment could not be sustained, and both private investment and effective demand showed a decline.

Agricultural output went up 3 per cent, with a higher-than-average increase in production of exportable goods and a considerable reduction in the rate of expansion of crops grown for domestic consumption. Thus, the supply of coffee and cotton for export went up, while that of wheat and sorghum, which are grown mainly to supply the domestic market, showed a decrease. Maize output rose more slowly than in 1970, and production of sugar cane began to recover. After two years of steady decline, the livestock sector showed an upturn of 3 per cent. Mining, which has only achieved low growth rates in recent years, declined by 0.4 per cent. Growth rates for petroleum and coke production fell off considerably, from 9.9 per cent in 1970 to 0.9 per cent in 1971.

Manufacturing expanded by 3.5 per cent, which is much less than the 9.2 per cent increase recorded in 1970 and reflects a slackening in the growth of final demand. Industries producing for local consumption or for the construction sector were those most severely affected by the weak market. The situation was better in those industries concerned with the manufacture of capital goods and intermediate goods. Electricity output went up by 9.4 per cent. The construction sector, whose growth rate had already deteriorated to 4.6 per cent in 1970, showed a decline of 1 per cent in 1971 as a result of the entry into force of the measures designed to reduce public expenditure. The services sector recorded a modest growth rate of 3.3 per cent.

/The balance

The balance of payments responded favourably to the short-term economic policies followed. The deficit on current account fell from 1,035 million dollars in 1970 to 887 million in 1971. Exports of goods and services, which amounted to 3,188 million dollars in 1971 (an increase of around 200 million) contributed to this result. Imports of goods and services remained at the high level of the previous year, amounting to 3,345 million dollars. On capital account, there was a large influx of short-term and repatriated capital, attracted by the high interest rates which were, however, reduced during the year. Net inflows of non-compensatory capital amounted to 1,047.4 million dollars. To this should be added the allocation of Special Drawing Rights to the value of 39.6 million dollars. In consequence, the level of international reserves had risen by 200 million dollars by the end of the year.

MEXICO: TOTAL SUPPLY AND DEMAND

	Thousands of millions of pesos at 1960 prices				Structure (percentages)				Annual growth rates (percentages)			
	1968	1969	1970	1971 <u>a/</u>	1968	1969	1970	1971 <u>a/</u>	1968	1969	1970	1971 <u>a/</u>
<u>Total supply</u>	<u>287.8</u>	<u>306.5</u>	<u>333.2</u>	<u>341.4</u>	<u>110.3</u>	<u>110.5</u>	<u>111.5</u>	<u>110.8</u>	<u>8.7</u>	<u>6.5</u>	<u>8.7</u>	<u>2.5</u>
Gross domestic product	260.9	277.4	298.7	308.0	100.0	100.0	100.0	100.0	8.1	6.3	7.7	3.1
Imports <u>b/</u>	26.9	29.1	34.5	33.4	10.3	10.5	11.5	10.8	15.0	8.2	18.6	-3.2
<u>Total demand</u>	<u>287.8</u>	<u>306.5</u>	<u>333.2</u>	<u>341.4</u>	<u>110.3</u>	<u>110.5</u>	<u>111.5</u>	<u>110.8</u>	<u>8.7</u>	<u>6.5</u>	<u>8.7</u>	<u>2.5</u>
Exports <u>b/</u>	25.1	29.3	28.4	29.9	9.6	10.6	9.6	9.7	9.6	16.7	-3.1	5.3
Gross domestic investment	53.0	58.4	62.6	...	20.3	21.1	21.0	...	7.5	10.2	7.2	...
Gross fixed investment	50.5	53.1	57.0	57.3	19.4	19.1	19.1	18.6	7.7	5.1	7.3	0.5
Public	15.7	18.9	19.4	17.7	6.0	6.8	6.5	5.7	15.4	20.4	2.6	-8.8
Private	34.8	34.2	37.6	39.6	13.3	12.3	12.6	12.9	4.5	-1.7	9.9	5.3
Construction	...	...	...	...	...	...	...	...	...	...	...	...
Machinery and equipment	...	...	...	...	...	...	...	...	...	...	...	...
Total consumption	209.7	218.8	242.2	254.2 <u>c/</u>	80.4	78.9	81.1	82.5 <u>c/</u>	8.9	4.3	10.7	5.0 <u>c/</u>
General government	...	...	...	...	...	...	...	...	...	...	...	...
Private	...	...	...	...	...	...	...	...	...	...	...	...

Source: 1968-1970: ECLA, on the basis of official figures; 1971: ECLA estimates, on the basis of official figures.

Note: 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 values by deflation, using price indexes calculated by ECLA for the purpose.

a/ Provisional figures.

b/ Goods and services, excluding factor payments.

c/ Including variation in stocks.

MEXICO: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971 a/
<u>Current account</u>					
Exports of goods and services	1 340.0	1 965.0	2 697.0	2 977.0	3 188.0
Goods fob	764.0	1 146.0	1 454.0	1 399.0	1 456.0
Services	576.0	819.0	1 443.0	1 578.0	1 732.0
Imports of goods and services	1 481.9	2 024.0	2 889.0	3 347.0	3 345.0
Goods fob	1 150.2	1 522.0	2 014.0	2 392.0	2 428.0
Services	331.7	502.0	875.0	955.0	917.0
Net foreign investment income	-190.5	-339.0	-617.0	-687.0	-750.0
Net private transfer payments	-6.9	-5.0	17.0	22.0	20.0
Balance on current account	-339.3	-403.0	-592.0	-1 035.0	-887.0
<u>Capital account</u>					
Net external financing (a + b + c + d + e)	339.3	403.0	592.0	1 035.0	887.0
a) Net non-compensatory external capital	189.6	222.0	590.0	779.0	1 047.4
Direct investment	-38.1	214.0	297.0	353.0	
Long- and medium-term loans	363.2	372.0	974.0	837.0	
Amortization payments	-189.5	-368.0	-524.0	-550.0	
Short-term liabilities	52.2	4.0	-157.0	90.0	
Official transfer payments	1.8	-	-	-1.0	
b) Non-compensatory domestic capital and assets	-2.1	-98.0	208.0	30.0	
c) Errors and omissions	131.5	218.0	-259.0	256.0	
d) Allocation of SDRs	-	-	-	45.0	39.6
e) Net compensatory movements (increase -)	20.3	61.0	53.0	-75.0	-200.0
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	4.8	-	-	-23.0	29.0
Amortization payments	-	-	-17.0		
Movements of gold and foreign exchange reserves (increase -)	15.5	61.0	70.0	4.0	-181.0
SDRs	-	-	-	-48.0	-48.0

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.

a/ Estimates.

/NICARAGUA

NICARAGUA

In 1971, Nicaragua's gross domestic product increased by 4 per cent as against 5.4 per cent in the previous two years.

Despite continued Government efforts to maintain high levels of public investment for the third year in succession, the slow growth of exports and the lack of suitable conditions for stimulating private investment - mainly because of the decline in the Central American Common Market - curbed the growth of total demand, which expanded by close to 4.5 per cent, compared with the 6.5 per cent increase in 1970. On the supply side, the increase in agricultural production was not sufficient to generate any stimuli capable of offsetting the generally unfavourable performance of the economy as a whole. As a result, growth slackened in most of the other branches of production.

Looking at the sectors individually, agriculture expanded by 4.7 per cent, mainly owing to the favourable performance (6.3 per cent increase) of export crops, especially cotton (6 per cent increase) and coffee (7 per cent increase). Livestock production increased by 6 per cent owing to high export prices and the substantial increase in United States demand. Crops for domestic consumption increased slightly more rapidly in 1971 than in 1970 (by 3.4 per cent as opposed to 2 per cent), but rice production remained stationary after having gone up by 26 per cent in 1970 and maize output went up only slightly.

Industry grew appreciably less than in 1970 (6.1 per cent as opposed to 12 per cent), mainly owing to the reduction in exports to the Central American Common Market. Some branches showed substantial progress, however, for example chemicals, consumer goods (foodstuffs, clothing and printing), and intermediate goods for industry and agriculture. The energy and drinking-water sector expanded by 5 per cent, and transport and communications by 3 per cent.

The measures taken by the Government to increase public saving, together with the fact that greater use was made of external resources, enabled public investment to continue its recovery after the big drop in 1968.

Private investment, which had fallen in 1970, generally grew moderately (by about 1 per cent), owing to the improved performance of agriculture.

/The value

The value of merchandise exports rose by only 2.8 per cent, the substantial increase in exports of cotton (24 per cent) and meat (13 per cent) being offset by the decline in coffee exports and exports to the Central American Common Market.

Imports of goods and services increased by 8.3 per cent and swelled the deficit on current account, although remittances of profits and interest payments decreased. The increase in the net inflow of non-compensatory capital led to a surplus in the balance of payments of 4.6 million dollars which increased the country's international reserves.

NICARAGUA: TOTAL SUPPLY AND DEMAND, 1968-1971

	Millions of cordobas at 1960 prices				Structure (percentages)				Annual growth rate (percentages)			
	1968	1969	1970	1971 a/	1968	1969	1970	1971 a/	1968	1969	1970	1971 a/
<u>Total supply</u>	<u>6 091.2</u>	<u>6 277.5</u>	<u>6 687.8</u>	<u>6 989.3</u>	<u>133.3</u>	<u>129.9</u>	<u>131.7</u>	<u>132.3</u>	<u>0.2</u>	<u>3.1</u>	<u>6.5</u>	<u>4.5</u>
Gross domestic product	4 570.6	4 832.4	5 079.5	5 281.9	100.0	100.0	100.0	100.0	1.5	5.7	5.1	4.0
Imports b/	1 520.6	1 445.1	1 608.3	1 707.4	33.3	29.9	31.7	32.3	-3.5	-5.0	11.3	6.2
<u>Total demand</u>	<u>6 091.2</u>	<u>6 277.5</u>	<u>6 687.8</u>	<u>6 989.3</u>	<u>133.3</u>	<u>129.9</u>	<u>131.7</u>	<u>132.3</u>	<u>0.2</u>	<u>3.1</u>	<u>6.5</u>	<u>4.5</u>
Exports b/	1 219.3	1 229.5	1 312.8	1 324.3	26.7	25.4	25.8	25.1	0.6	0.8	6.8	0.9
Gross domestic investment	820.9	955.9	979.5	1 065.8	18.0	19.8	19.2	20.1	-14.6	16.4	1.8	9.5
Gross fixed investment	712.2	840.2	853.6	885.8	15.6	17.4	16.8	16.8	-16.7	18.0	1.6	3.8
Public	168.0	187.5	215.4	241.2	3.7	3.9	4.2	4.6	-26.0	11.6	14.9	12.0
Private	544.2	652.7	638.2	644.6	11.9	13.5	12.6	12.2	-13.3	19.9	-2.2	1.0
Construction												
Machinery and equipment												
Total consumption	4 051.0	4 092.1	4 401.5	4 599.2	88.6	84.7	86.7	87.1	3.7	1.0	7.6	4.5
General government	398.0	432.7	443.7	459.2	8.7	9.0	8.8	8.7	2.8	8.7	2.5	3.5
Private	3 653.0	3 659.4	3 957.8	4 140.0	79.9	75.7	77.9	78.4	3.8	0.2	8.2	4.6

Source: 1968-1970: ECLA, on the basis of official data; 1971: ECLA estimates.

Note: 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 values by deflation, using price indexes calculated by ECLA for the purpose.

a/ Provisional figures.

b/ Goods and services, excluding factor payments.



NICARAGUA: BALANCE OF PAYMENTS FOR SELECTED YEARS, 1960-1971

(Millions of dollars)

	1960	1965	1969	1970	1971a/
<b>Current account</b>					
Exports of goods and services	79.2	171.8	190.1	215.2	223.7
Goods fob	63.9	149.2	157.5	177.8	182.8
Services	15.3	22.6	32.6	37.4	40.9
Imports of goods and services	87.7	188.7	207.9	231.4	250.6
Goods fob	56.4	133.9	158.4	177.7	190.1
Services	31.3	54.8	49.5	53.7	60.5
Net external investment income	-2.8	-12.8	-25.0	-29.1	-25.8
Net private transfer payments	0.2	2.5	2.9	2.9	3.0
Balance on current account	-11.1	-27.2	-39.9	-42.4	-49.7
<b>Capital account</b>					
Net internal financing (a + b + c + d + e)	11.1	27.2	39.9	42.4	49.7
a) Net non-compensatory external financing	7.7	51.4	37.3	53.0	} 51.4
Direct investment	1.7	8.2	12.0	15.0	
Long and medium-term loans	2.3	14.9	26.9	41.4	
Amortization payments	-2.9	-4.2	-9.3	-10.2	
Short-term liabilities	3.9	23.5	4.1	3.6	
Official transfer payments	2.7	4.0	3.6	3.2	
b) Non-compensatory domestic capital and assets	-0.9	2.2	-0.9	-2.7	
c) Errors and omissions	0.2	-6.9	-2.2	-1.0	
d) Allocation of SDRs	-	-	-	3.2	2.9
e) Net compensatory movements (-increase)	4.1	-19.5	5.7	-10.1	-4.6
Balances-of-payments, loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	4.0	0.4	14.6	} -5.1	} 5.0
Amortization payments	-	-1.7	-14.2		
Gold and foreign exchange (-increase)	0.1	-18.2	5.3	-4.0	-6.6
SDRs	-	-	-	-1.0	-3.0

Source: International Monetary Fund, *Balance of Payments Yearbook*, vols. 17 and 22.

a/ Estimates.

/PANAMA

PANAMA

In 1971, with the expansion of the gross domestic product by 8.4 per cent, the Panamanian economy completed twelve years of sustained growth, at an average annual rate of 8 per cent. Recent economic development has been influenced by the very dynamic growth of the industrial, construction and electrical energy sectors and the recovery of the agricultural sector, which had been hit by adverse weather conditions in 1970.

The value added in agriculture went up by 5.5 per cent, which reflects significant increases in the output of bananas and crops grown mainly to supply the domestic market, such as rice, tomatoes, root crops and fruit. Similar trends were observed in the catch of prawns and other species for industrial processing. In contrast, the partial figures available indicate only moderate increases in livestock production, and even smaller increases - or slight decreases - in production of maize, sugar cane, plantains, beans and vegetables.

Manufacturing grew by 12 per cent as a result of substantial increases in the output of beverages, footwear, timber and furniture, paper, leather, metal products and non-metallic minerals. A somewhat lower growth rate was recorded in respect of food, printing and publishing, chemicals and petroleum products.

Domestic demand showed a marked upswing (7.7 per cent) under the impetus of considerable increases in investment and consumption (10.2 and 7.6 per cent, respectively).

Central government current income rose sharply (by 13 per cent) in 1971 and tax revenue amounted to 181 million dollars (50 per cent more than in 1968). The policy governing public expenditure has been a decisive factor in the rapid growth of the last three years. Between 1968 and 1971, total government expenditure went up 80 per cent and real investment by the Government increased more than fourfold between 1968 and 1970, from 14 to 60 million dollars.

In the external sector, there was again a pronounced deficit on current account, which amounted to 86 million dollars (20 per cent of gross foreign exchange earnings). This may be attributed to the deterioration of the merchandise account, which was not entirely offset by the improved situation as regards service payments and income from

/investment. Among

investment. Among the economic factors that influenced the performance of the external sector, mention should be made of the slackening of the initial impetus provided by exports of petroleum products, the falling off of exports of bananas and prawns, and the drop in sales of goods and services to the Canal Zone. These drawbacks were partly offset by the marked upswing in tourism and other services, especially transactions in the Colon Free Zone and the sale of fuel to vessels in transit. The value of imports grew 10.1 per cent at current dollar prices, the growth in imports of equipment, machinery and transport equipment being below this figure, which the growth in imports of crude petroleum, lubricants and food products was above it. However, net inflows of non-compensatory capital were sufficient to cover this deficit and even permitted an increase in international reserves of around 3 million dollars.

PANAMA: TOTAL SUPPLY AND DEMAND

	Millions of balboas at 1960 prices				Structure (percentages)				Annual growth rates (percentages)			
	1968	1969	1970	1971 <sup>a/</sup>	1968	1969	1970	1971 <sup>a/</sup>	1968	1969	1970	1971 <sup>a/</sup>
<b>Total supply</b>	<b>1 087.8</b>	<b>1 188.8</b>	<b>1 300.0</b>	<b>1 399.9</b>	<b>141.1</b>	<b>143.1</b>	<b>144.6</b>	<b>143.7</b>	<b>6.8</b>	<b>9.3</b>	<b>9.4</b>	<b>7.7</b>
Gross domestic products	771.2	831.0	899.0	974.1	100.0	100.0	100.0	100.0	7.0	7.8	8.2	8.4
Imports b/	316.6	357.8	424.3	449.9	41.1	43.1	44.6	43.7	6.4	13.0	12.1	6.2
<b>Total demand</b>	<b>1 087.8</b>	<b>1 188.8</b>	<b>1 300.0</b>	<b>1 399.9</b>	<b>141.1</b>	<b>143.1</b>	<b>144.6</b>	<b>143.7</b>	<b>6.8</b>	<b>9.3</b>	<b>9.4</b>	<b>7.7</b>
Exports b/	293.7	310.4	334.7	359.5	38.1	37.4	37.2	36.9	6.8	5.7	7.8	7.4
Gross domestic investment	164.4	196.3	228.0	246.7	21.3	23.6	25.4	25.3	3.7	19.4	16.1	8.2
Gross fixed investment	149.2	171.3	202.0	222.7	19.3	20.6	22.5	22.9	4.6	14.8	17.9	10.2
Public	30.8	45.0	52.5	56.5	4.0	5.4	5.8	5.8	15.8	46.1	16.7	7.6
Private	118.4	126.3	149.5	166.2	15.4	15.2	16.6	17.1	2.0	6.7	18.4	11.2
Construction	...	...	...	...	...	...	...	...	...	...	...	...
Machinery and equipment	...	...	...	...	...	...	...	...	...	...	...	...
Total consumption	629.7	682.1	737.3	793.7	81.7	82.1	82.0	81.5	7.7	8.3	8.1	7.6
General government	88.7	93.1	104.3	114.7	11.5	11.2	11.6	11.8	7.8	5.0	12.0	10.0
Private	541.0	589.0	633.0	679.0	70.2	70.9	70.4	69.7	7.6	8.9	7.5	7.3

Source: 1968: Dirección de Estadística y Censo, Contraloría General de la República; 1969-1971: ECLA estimates, on the basis of official figures.

Note: 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 values by deflation, using price indexes calculated by ECLA for the purpose.

a/ Provisional figures.

b/ Goods and services, excluding factor payments.

PANAMA: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971a/
<u>Current account</u>					
Exports of goods and services	122.2	228.6	347.1	370.4	410.0
Goods fob	39.0	92.5	131.3	129.9	134.0
Services	83.2	136.1	215.8	240.5	276.0
Imports of goods and services	144.2	241.9	363.3	422.7	465.4
Goods fob	108.7	192.4	285.0	332.0	355.1
Services	35.5	49.5	78.3	90.7	110.3
Net foreign investment income	-10.4	-20.4	-24.3	-28.2	-29.0
Net private transfer payments	-5.3	-5.8	-5.3	-4.0	-1.8
Balance on current account	-37.7	-39.5	-45.8	-84.5	-86.2
<u>Capital account</u>					
Net external financing (a+b+c+d+e)	37.7	39.5	45.8	84.5	86.2
(a) Net non-compensatory external capital	30.0	54.0	107.7	216.3	
Direct investment	17.3	8.9	18.4	19.0	
Long- and medium-term loans	7.8	18.5	45.3	61.4	
Amortization payments	-2.5	-2.9	-5.2	-23.6	85.4
Short-term liabilities	1.3	19.8	43.1	152.9	
Official transfer payments	6.1	9.7	6.1	6.6	
(b) Non-compensatory domestic capital or assets	5.4	-18.4	-36.7	-124.0	
(c) Errors and omissions	2.3	+3.9	-25.6	-5.6	
(d) Allocation of SDRs	-	-	-	4.7	3.9
(e) Net compensatory movements (increase -)	-	-	0.4	-6.9	-3.1
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	-	2.7	6.4	-3.7	-3.4
Amortization payments	-	-	-1.8		
Movements of gold and foreign exchange reserves (increase -)	-	-2.7	-4.2	-	-
SDRs	-	-	-	-3.2	0.3

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.

a/ Estimates.

/PARAGUAY

PARAGUAY

Paraguay's gross domestic product grew by 4.5 per cent in 1971, that is to say, at a somewhat slower rate than in 1970. This decline was mainly due to the sluggish development of agriculture. Weather conditions in the first part of the year had an unfavourable impact on the production of some agricultural commodities, and there were decreases in cotton (-55 per cent), tobacco (-5 per cent), rice (-15 per cent) and maize (-1.4 per cent), although soya, tung, wheat, sugar-cane, beans and potatoes showed substantial increases. Forestry production was affected by some problems in the export of timber. In the livestock sector, the volume of beef cattle slaughtered declined by 0.9 per cent.

Manufacturing and construction developed satisfactorily at rates of 8 and 17.6 per cent, respectively. Increases were recorded in the production of frozen meat, industrial oils, sugar and cement, but there was a contraction in the textile industry owing to the shortage of cotton.

As regards total supply, both the product and imports grew at the same rate. The expansion of total demand was checked by the virtual stagnation of exports, but investment was a dynamic factor which reflected, in particular, the greater investment effort of the public sector. Total consumption went up by 4.6 per cent, in spite of the reduction in general government consumption.

The slow growth of current government income resulted in a sharp increase in the deficit. The financing provided by the Central Bank to cover this deficit was the main factor in expansion of the money supply, which, however, increased more slowly than the previous year.

In the external sector, the smallness of the increase in exports of goods and services was due in particular to difficulties in connexion with cotton, where production was down, and timber, where foreign importers showed a preference for roundwood, so that exports of sawnwood declined. These reductions were offset by the larger income resulting from the higher world price of meat. The faster expansion of imports, especially of some capital goods and certain steel products, resulted in a current account deficit of a little over 25 million dollars. Nevertheless, the level of net external financing was such that it proved possible to achieve a small increase in international reserves.

The cost of living increased by 5 per cent during the year, while wages rose by an average of 3.7 per cent in the first six months.

PARAGUAY: TOTAL SUPPLY AND DEMAND

	Millions of guaraníes at 1960 prices			Percentage share			Annual growth rates		
	1965	1970	1971 a/	1965	1970	1971a/	1965- 1970	1970	1971 a/
<u>Total supply</u>	<u>59 933.2</u>	<u>66 892.4</u>	<u>69 872.5</u>	<u>119.0</u>	<u>117.9</u>	<u>117.9</u>	<u>4.4</u>	<u>3.0</u>	<u>4.5</u>
Gross domestic product (at market prices)	45 298.6	56 697.6	59 249.0	100.0	100.0	100.0	4.6	6.1	4.5
Imports b/	8 634.6	10 194.8	10 623.5	19.0	18.0	17.9	3.3	-11.2	4.2
<u>Total demand</u>	<u>59 933.2</u>	<u>66 892.4</u>	<u>69 872.5</u>	<u>119.0</u>	<u>117.9</u>	<u>117.9</u>	<u>4.4</u>	<u>3.0</u>	<u>4.5</u>
Exports b/	6 785.6	8 851.3	8 875.3	15.8	15.6	15.0	5.5	6.2	0.3
Gross domestic investment	6 676.8	8 261.7	8 947.4	14.7	14.6	15.1	4.4	0.4	8.3
Gross fixed investment	6 251.0	8 045.9	8 713.7	13.8	14.2	14.7	5.2	3.0	8.3
Public	939.1	...	...	2.1	...	...	...	...	...
Private	5 737.7	...	...	12.7	...	...	...	...	...
Construction	2 807.0	4 131.0	...	6.2	7.3	...	8.1	7.2	...
Machinery and equipment	3 444.0	3 914.9	...	7.6	6.9	...	2.6	-0.9	...
Total consumption	40 470.8	49 779.4	52 049.8	89.3	87.8	87.8	4.2	3.0	4.6
General government	2 814.1	5 005.5	4 945.4	6.2	8.8	8.3	12.2	6.6	-1.3
Private	37 656.7	44 773.9	47 104.4	83.1	78.9	79.5	3.6	3.0	5.2

Source: ECLA estimates based on official data supplied by the Central Bank of Paraguay.

Note: The figures for exports and imports of goods and services were taken from the balance of payments table in dollars at current prices, converted to constant 1960 values by deflating the actual figures by price indexes calculated by ECLA for the purpose.

a/ Provisional figures.

b/ Goods and services, excluding factors payments.

PARAGUAY: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971 a/
<u>Current account</u>					
Exports of goods and services	43.6	66.4	78.0	89.3	90.7
Goods fob	37.3	60.8	55.2	65.3	66.5
Services	6.3	5.6	22.8	24.0	24.2
Imports of goods and services	55.3	76.9	109.0	101.1	109.6
Goods fob	44.7	56.7	81.2	76.6	81.5
Services	10.6	20.2	27.8	24.5	28.1
Net external investment income	-1.5	-3.0	-7.0	-9.8	-8.7
Net private transfer payments	0.8	1.1	2.7	2.0	2.2
Balance on current account	-12.4	-12.4	-35.3	-19.6	-25.4
<u>Capital account</u>					
Net external financing (a+b+c+d+e)	12.4	12.4	35.3	19.6	25.4
(a) Net external non-compensatory capital	10.4	17.7	46.7	24.7	} 27.0
Direct investment	2.4	3.3	4.6	3.2	
Long- and medium-term loans	5.7	11.0	32.7	17.2	
Amortization payments	-1.8	-3.4	-5.7	-5.8	
Short-term liabilities	1.4	3.7	12.3	6.9	
Official transfer payments	2.7	3.1	2.8	3.2	
(b) Domestic non-compensatory capital or assets	-0.6	-3.3	-5.5	1.9	
(c) Errors and omissions	-0.2	5.8	-7.3	-1.1	
(d) Allocation SDRs	-	-	-	2.5	2.0
(e) Net compensatory movements (increase -)	2.8	-7.8	1.4	-8.4	-3.6
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	1.1	-	-	} -1.6	} -0.4
Amortization payments	-0.9	-2.8	-0.5		
Movements of gold and foreign exchange reserves (increase -)	2.6	-5.0	1.9	-4.3	-0.8
SDRs	-	-	-	-2.5	-2.4

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.

a/ Estimates.

/PERU



PERU

The gross domestic product of Peru grew by 6 per cent in 1971, i.e., more slowly than in the previous year. The decisive factor in this growth was a general expansion of production for consumption and investment, since the export sectors which had pushed up the growth rate in 1970 suffered substantial drops in sales.

The results achieved were the result of favourable evolution of the factors that influence effective demand. The high rate of liquidity in the traditional financial sector and the creation of machinery to finance the purchase of goods combined with the increase in disposable personal income to push up private consumption demand by 7.4 per cent. Central government consumption showed a moderate increase, so that government savings on current account maintained a satisfactory level (5,592 million soles at 1971 prices) which covered more than half the central government's capital expenditure.

It is estimated that gross domestic investment went up 13.4 per cent, mainly as a result of the 23 per cent increase in public sector investment. The growth rate of private investment was less (8.4 per cent), but this nevertheless indicates a rapid recovery from the levels of previous years.

The increase of 6 per cent in the gross domestic product reflects disparate trends in its various components. Agricultural output went up by only 1 per cent on average, but the livestock sector, to which a large part of urban demand for foodstuffs is directed, expanded by 3.8 per cent. Fisheries, the most dynamic sector in the 1970 product growth, declined by 5.5 per cent in 1971. Mining, which had to contend simultaneously with a general decline in prices and the adverse effects of protracted strikes, recorded a decrease of 3.2 per cent. In particular, petroleum output fell 9.5 per cent, although probable reserves increased considerably with the discovery of new deposits.

A pattern of steady growth was recorded in the major branches of manufacturing, the overall increase being 9.2 per cent. Construction grew by 14.7 per cent, and the demand from this sector sustained the output of various branches of manufacturing and led to an increase in employment. The services sector also expanded, the greatest increases being recorded in electricity, gas and water (9.5 per cent) and government services (2.5 per cent).

/The value

The value of exports of goods FOB fell to 883.9 million dollars, while imports rose to a level of 743.8 million dollars. This difference was not sufficient to prevent a current account deficit of around 91 million dollars, but movements on the capital amount, particularly the resurgence of direct investment, mitigated the effect of that deficit. The level of international reserves fell from 329 million dollars in 1970 to 250 million in 1971.

Long-term economic policy continued to be characterized by the introduction of structural reforms. Land reform was speeded up with the introduction of new patterns of rural organization. Laws were passed governing the organization of and participation of workers in the manufacturing, fishing and mining sectors. As regards hydrocarbons, the contracts signed with foreign enterprises during the year established new patterns of State ownership and participation in this type of operation.

PERU: TOTAL SUPPLY AND DEMAND

	Millions of soles at 1960 prices			Structure (percentages)			Annual growth rates (percentages)		
	1965	1970	1971 <sup>a/</sup>	1965	1970	1971 <sup>a/</sup>	1965- 1970	1970	1971 <sup>a/</sup>
<u>Total supply</u>	<u>98 282</u>	<u>115 385</u>	<u>121 307</u>	<u>126.1</u>	<u>125.6</u>	<u>124.6</u>	<u>3.3</u>	<u>7.3</u>	<u>5.1</u>
Gross domestic product	77 914	91 833	97 343	100.0	100.0	100.0	3.4	7.5	6.0
Imports <sup>b/</sup>	20 368	23 552	23 964	26.1	25.6	24.6	2.9	6.6	1.7
<u>Total demand</u>	<u>98 282</u>	<u>115 385</u>	<u>121 307</u>	<u>126.1</u>	<u>125.6</u>	<u>124.6</u>	<u>3.3</u>	<u>7.3</u>	<u>5.1</u>
Exports <sup>b/</sup>	17 009	20 015	17 930	21.8	21.8	18.4	3.3	7.6	-10.4
Gross domestic investment	17 452	15 787	17 902	22.4	17.2	18.4	-1.9	6.1	13.4
Gross fixed investment	15 636	14 820	16 909	20.1	16.1	17.4	-1.1	5.9	14.1
Public	5 381	...	...	6.9	...	...	...	...	...
Private	10 255	...	...	13.2	...	...	...	...	...
Construction	6 151	...	...	7.9	...	...	...	...	...
Machinery and equipment	9 485	...	...	12.2	...	...	...	...	...
Total consumption	63 821	79 583	85 475	81.9	86.6	87.8	4.5	7.5	7.4
General government	7 569	9 016	9 710	9.7	9.8	10.0	3.6	8.6	7.7
Private	56 252	70 567	75 765	72.2	76.8	77.8	4.6	7.4	7.4

Source: 1965-1969: ECLA, on the basis of data supplied by the Ministry of the Economy and Finance, prepared from basic data supplied by the Banco Central de Reserva del Perú; 1970 and 1971: ECLA estimates based on preliminary data supplied by the National Planning Institute and the Ministry of the Economy and Finance.

Note: Figures in respect of exports and imports of goods and services which were taken from balance-of-payments tables where they are expressed in dollars at current values were deflated to constant 1960 values, using price indexes calculated by ECLA for the purpose.

<sup>a/</sup> Preliminary figures.

<sup>b/</sup> Goods and services, excluding factor payments.

PERU: BALANCE OF PAYMENTS

(Millions of dollars)

	1960	1965	1969	1970	1971 <sup>a/</sup>
<u>Current account</u>					
Exports of goods and services	494.1	772.0	1 023.0	1 197.0	1 046.8
Goods fob	444.4	685.0	881.0	1 032.0	883.9
Services	49.7	87.0	142.0	165.0	162.9
Imports of goods and services	426.5	845.0	885.0	952.0	1 011.1
Goods fob	326.6	653.0	674.0	695.0	743.8
Services	99.9	192.0	211.0	257.0	267.3
Net external investment income	-54.9	-91.0	-146.0	-135.0	-136.7
Net private transfer payments	2.5	5.0	3.0	15.0	10.0
Balance on current account	15.2	-359.0	-5.0	125.0	-91.0
<u>Capital account</u>					
Net external financing (a+b+c+d+e)	-15.2	159.0	5.0	-125.0	91.0
a) Net external non-compensatory capital	12.2	228.0	90.0	14.0	40.6
Direct investment	11.1	38.0	-17.0	-71.0	16.1
Long- and medium-term loans	29.3	196.0	254.0	173.0	4.5
Amortization payments	-35.8	-47.0	-149.0	-161.0	
Short-term liabilities	3.9	30.0	-26.0	-2.0	-
Official transfer payments	3.7	11.0	28.0	75.0	20.0
b) Domestic non-compensatory capital or assets	0.9	-16.0	13.0	63.0	-10.0
c) Errors and omissions	4.4	-38.0	-60.0	-42.0	-26.2
d) Allocation of Special Drawing Rights	-	-	-	14.0	13.2
e) Net compensatory movements (increase -)	32.7	-15.0	-38.0	174.0	73.4
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	-	-	30.0	-8.0	-6.6
Amortization payments	-15.5	-	-10.0		
Movements of gold and foreign exchange reserves (increase -)	-17.2	-15.0	-58.0	-152.0	96.6
Special Drawing Rights	-	-	-	-14.0	-16.6

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.

<sup>a/</sup> Estimates.

/TRINIDAD AND TOBAGO

## TRINIDAD AND TOBAGO

Provisional estimates indicate that in 1971 the gross domestic product at current factor cost increased by about 6.9 per cent, compared with 4.8 per cent in 1970. If these rates are deflated by the retail price index - which rose by approximately 3.5 per cent - the real growth of the product would have been about 3.3 per cent in 1971 and 2.1 per cent in 1970.

The main economic sectors showed uneven growth. The decline in mining production (which includes petroleum refining) continued, but at a slower pace than the previous year (0.5 per cent as against 6 per cent in 1970); and the decline in output was partly offset by the improvement in prices. The agricultural sector grew by 1 per cent, in terms of current prices, which reflects reductions in the output of sugar, cocoa, and citrus fruit, offset by increases in the production of coffee, beef and milk. The boom in the construction sector continued, with an increase of 21 per cent at current prices, as a result of the construction of housing, roads, hotels, schools and a new desulphurization plant in the oil refinery. Manufacturing was up 6 per cent at current prices. The main increases were in building materials and the assembly of motor vehicles and electrical household appliances. There were also increases in the production of beverages, textiles and clothing, but the fertilizer industry suffered a severe setback and there was also a slight contraction in the sugar industry.

In the external sector, imports continued to rise faster than exports: available data up to October show increases of 23 and 8 per cent, respectively. On this basis, imports for the full year are estimated at 1,300 million Trinidad and Tobago dollars and exports at around 1,030 million <sup>\*/</sup>. This situation is mainly attributable to the decreasing domestic output of crude petroleum, which makes it necessary to import a larger proportion to meet the domestic demand for petroleum products. The trade deficit, estimated at over 270 million Trinidad and Tobago dollars, was due not only to the drop in agricultural exports but also to the rise in imports. The current account deficit seems to have increased, but it was probably offset by new capital inflows, particularly in the petroleum sector.

The Government maintained the principal economic measures that were put into effect in 1970 with the object of reducing unemployment and increasing the degree of State control over the economy. As regards the

<sup>\*/</sup> Up to November 1971, one United States dollar equalled 2 Trinidad and Tobago dollars. With the United States currency realignment, the exchange rate dropped to 1.83 Trinidad and Tobago dollars.

/employment problem,

employment problem, new techniques more compatible with the country's requirements are being explored, fiscal incentives have been offered to industry, an increase in the number of shift worked is being encouraged. The policy governing foreign enterprises seeks, among other objectives, to diversify the source of private investment and to accelerate the transfer of ownership to local shareholders. Such transfers gained momentum in 1971, primarily in the case of some banks and manufacturing firms (a meat processing plant, a packaging plant and an electronic equipment assembly plant).

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TRINIDAD AND TOBAGO: GROSS DOMESTIC PRODUCT, BY SECTOR OF ECONOMIC ACTIVITY  
(At factor cost)

Sector	1965	1970 <sup>a/</sup>	1971 <sup>a/</sup>	Percentage share			Annual growth rates		
	Billions of Trinidad and Tobago dollars at 1960 prices			1965	1970	1971	1965-1970	1970	1971
Agriculture	105.5	128.5	130.0	9.0	7.7	7.3	4.0	1.3	1.2
Extraction and refining of petroleum, asphalt and gas	284.1	350.6	349.0	24.2	21.1	19.6	4.3	-6.0	-0.5
Manufacturing	179.2	313.8	333.0	15.2	18.9	18.7	11.9	7.1	6.1
Construction	58.6	73.5	89.0	5.0	4.4	5.0	4.6	15.7	21.1
Commerce and transport	211.7	304.8	321.0	18.0	18.3	18.1	7.6	9.8	5.3
Public utilities	64.9	87.2	93.5	5.5	5.2	5.3	6.1	7.7	7.2
Government	118.6	188.2	218.0	10.1	11.3	12.3	9.7	8.8	15.8
Ownership of dwellings	47.3	60.5	64.5	4.0	3.6	3.6	5.0	3.1	6.6
Banking and finance	39.4	56.2	67.0	3.4	3.4	3.8	7.4	10.6	19.2
Other services	66.6	98.5	111.5	5.6	5.9	6.3	8.1	10.7	13.2
<b>Total</b>	<b>1 175.2</b>	<b>1 661.8</b>	<b>1 776.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>7.2</b>	<b>4.8</b>	<b>6.9</b>

Source: Draft Third Five-Year Plan, 1969-1973, and ECLA estimates.

a/ Provisional figures.

TRINIDAD AND TOBAGO: BALANCE OF PAYMENTS

(Millions of Trinidad and Tobago dollars)

	1965	1969 <sup>a/</sup>	1970 <sup>a/</sup>	1971 <sup>b/</sup>
<u>Current account</u>				
<b>Goods and services</b>				
Exports <sup>c/</sup>	710.5	1 001.9	1 004.1	1 094
Imports <sup>d/</sup>	816.9	962.8	1 081.9	1 305
Balance on visible trade	-106.4	39.1	-77.8	-271
<b>Services</b>				
Transport	57.8	56.5	76.4	
Foreign travel	0.2	16.3	-2.6	
Investment income	-103.3	-167.8	-151.1	
Other	8.5	-25.4	-28.4	
Balance on services	-36.8	-120.4	-105.7	
Balance on goods and services	-143.2	-81.3	-183.5	
Transfer payments	21.3	-2.1	-3.8	
Private	0.6	4.2	4.7	
Official	20.7	-6.5	-8.5	
<u>Capital account</u>				
Net capital inflows	119.3	71.7	131.9	
Private sector	102.0	76.0 <sup>e/</sup>	150.0	
Public sector	17.3	-4.3	-18.1	
Net errors and omissions	9.9	...	25.7	
Surplus or deficit	7.3	11.7	29.7	
<u>Financing the deficit</u>				
Net movements of foreign exchange reserves (increase -)	7.3	11.7	29.7	

Sources: Balance of payments, 1956-1966; balance of payments, latest estimates, 1969 and 1970 (unpublished).

<sup>a/</sup> Provisional figures.

<sup>b/</sup> Estimates.

<sup>c/</sup> Adjustments in exports comprise addition of coverage adjustment and valuation and subtraction of ships' stores and bunkers.

<sup>d/</sup> Adjustments in imports comprise addition of coverage adjustment and subtraction of freight paid to national flag carriers.

<sup>e/</sup> Residual estimate; includes net errors and omissions.

/URUGUAY



URUGUAY

Provisional figures for 1971 indicate that Uruguay's gross domestic product declined by about 1 per cent, as the result of a drop in the agricultural product and decreases in manufacturing and commerce. In contrast, there was increased activity in the services sector.

The agricultural product fell by 2 per cent, mainly owing to adverse weather conditions. Slaughtering dropped by 2 per cent and the production of milk and wool by 6 per cent. In crop farming, there were decreases in the output of wheat (3.7 per cent), linseed (48.4 per cent), rice (14.1 per cent) and sunflower seed (25 per cent); only oats and maize showed increases (31 and 19 per cent, respectively). Manufacturing is estimated to have declined by about 3 per cent. The meat packing, clothing, footwear and metal industries were particularly affected. In contrast, the chemical industry and the sectors producing inputs for construction pursued their upward trend. While the level of activity in commerce declined, there were increases in government services, communications (which maintained a steady rate of growth under the national telephone plan), electricity (7 per cent), gas and water, financial intermediation, housing and other services.

Gross fixed investment fell by 4.9 per cent, while total consumption rose by 0.1 per cent (4 per cent increase in government consumption and a drop of 0.5 per cent in private consumption).

The Central Government accounts reflected a deficit of 43.7 million pesos, which represents nearly 30 per cent of total expenditure. The deficit is mainly attributable to the Operational and Subsidy Fund; the National Investment Fund's deficit was reduced.

Between December 1970 and December 1971, the wholesale and consumer price indexes rose by 39.9 and 35.7 per cent, respectively, and the average wage index rose by 34.1 per cent.

On the whole, the performance of the external sector was one of the main depressive factors in the economy. Exports of goods and services, in dollars at current prices, declined by 10 per cent. Meat was once again the main export item. Although sales abroad were 40 per cent lower than in 1970, export earnings fell by only 20 per cent, thanks to the increase in world prices. In contrast, although exports of greasy wool increased slightly in physical volume, export earnings were down owing to a drop of

/nearly 10

nearly 10 per cent in international prices. The value of imports - in dollars at current prices - dropped by about 5 per cent compared with 1970 as a result of the policy of reducing duty-free quotas, temporarily suspending imports of capital goods, and setting limits on external financing. The final result was a trade deficit of over 20 million dollars and a balance of payments deficit of some 30 million dollars.

URUGUAY: TOTAL SUPPLY AND DEMAND

	Millions of pesos at 1960 prices			Structure (percentages)			Annual growth rates (percentages)		
	1965	1970	1971 a/	1965	1970	1971a/	1965-1970	1970	1971 a/
<b>Total supply</b>	15 998.9	18 196.7	17 716.0	112.8	119.4	117.5	2.6	6.4	-3.7
Gross domestic product	14 184.5	15 233.8	15 081.5	100.0	100.0	100.0	1.4	4.5	-1.0
Imports b/	1 814.4	2 962.9	2 634.5	12.8	19.4	17.5	9.9	17.0	-11.1
<b>Total demand</b>	15 998.9	18 196.7	17 726.0	112.8	119.4	117.5	2.6	6.4	-3.7
Exports b/	3 071.7	2 775.2	2 391.0	21.7	18.2	15.8	-1.3	-8.2	-13.9
Gross domestic investment	1 496.2	2 331.0	2 217.6	10.5	15.3	14.7	9.3	2.9	-4.9
Gross fixed investment	1 566.7	2 344.2	2 217.6	11.0	15.4	14.7	8.4	2.0	-5.4
Public	...	...	...	...	...	...	...	...	...
Private	...	...	...	...	...	...	...	...	...
Construction	927.9	...	...	6.5	...	...	...	...	...
Machinery and equipment	638.8	...	...	4.5	...	...	...	...	...
Total consumption	11 431.0	13 090.5	13 107.4	80.6	85.9	86.9	2.5	10.7	0.1
General government	1 446.4	1 705.1	1 773.3	10.2	11.2	11.8	3.3	12.3	4.0
Private	9 984.6	11 385.4	11 334.1	70.4	74.7	75.1	2.4	10.5	-0.5

Sources: 1965-1970: ECLA, on the basis of data supplied by the Central Bank of Uruguay; 1971: ECLA estimates based on provisional data from the same source.

Note: The figures for exports and imports of goods and services were taken from the balance-of-payments tables in dollars at current prices, converted to constant 1960 values by deflating the figures by price indexes which were calculated by ECLA for the purpose.

a/ Provisional figures.

b/ Goods and services, excluding factor payments.

URUGUAY: BALANCE OF PAYMENTS  
(Millions of dollars)

	1960	1965	1969	1970	1971 <sup>a/</sup>
<u>Current account</u>					
Exports of goods and services	171.2	252.5	262.3	280.5	252.2
Goods fob	129.4	196.3	200.3	224.1	195.7
Services	41.8	56.2	62.0	56.4	56.5
Imports of goods and services	239.8	168.3	243.8	287.7	274.6
Goods fob	187.9	123.1	170.2	196.7	189.2
Services	51.9	45.2	73.6	91.0	85.4
Net external investment income	-6.6	-15.4	-25.2	-24.7	-24.2
Net private transfer payments	-0.3	-0.6	-0.4	-1.4	-0.5
Balance on current account	-75.5	68.2	-7.1	-33.3	-47.1
<u>Capital account</u>					
Net external financing (a + b + c + d + e)	75.5	-68.2	7.1	33.3	47.1
a) Net external non-compensatory capital	25.7	-1.5	58.2	15.2	} 8.7
Direct investment	5.8	...	...	...	
Long- and medium-term loans	11.9	11.7	31.4	40.0	
Amortization payments	-5.5	-24.0	-15.7	-18.3	
Short-term liabilities	12.4	7.0	35.0	-13.1	
Official transfer payments	1.1	3.8	7.5	6.6	
b) Domestic non-compensatory capital or assets	10.4	-0.5	-14.7	16.8	
c) Errors and omissions	11.5	-80.4	-23.0	-37.6	
d) Allocation of SDR <sub>2</sub>	-	-	-	9.2	7.4
e) Net compensatory movements (increase -)	27.9	14.2	-13.4	29.7	31.0
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	32.1	58.0	40.8	} 12.0	} 22.0
Amortization payments	-0.5	-47.5	-37.0		
Movements of gold and foreign exchange reserves (increase -)	-3.7	3.7	-17.2	17.8	9.0
SDR <sub>3</sub>	-	-	-	-0.1	-

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.  
<sup>a/</sup> Estimates.

/VENEZUELA

## VENEZUELA

The increased financial resources made available by the rise in prices of hydrocarbons from March onwards led to a substantial improvement in the balance of payments and a spectacular inflow of tax revenue, which in turn tended to boost domestic demand. These events do not appear to have been fully reflected in the production of goods, however. Thus, the gross domestic product grew by approximately 5.3 per cent in real terms, which is higher than the rate of 4.6 per cent for 1970 and is better than the average annual rate of 3.9 per cent for the period 1965-1970. The average increase of 33 per cent in the reference prices of petroleum and petroleum products led to a significant recovery in the terms of trade and, as a result, to an increase in gross income (10.2 per cent) which was twice as big as the increase in the product. Naturally, this provided a stimulus for the rapid growth of consumption and investment.

Government expenditure at current prices rose by around 14 per cent during 1971, and it is estimated that investment expenditure increased by more than 30 per cent. There was also a notable increase in the supply of money and credit in the private sector. Money in circulation expanded by 7 per cent on average, and time and savings deposits increased by about 15 per cent, equalling the rate of expansion of loans by financial institutions. The above figures indicate the extent of the increase in domestic demand.

It is estimated that production of goods increased by only 2 per cent. This meagre increase was the result of both the fall in the output of petroleum (4.3 per cent) and iron ore, and the sluggish growth of agriculture (4.1 per cent). The growth rate of the manufacturing sector was around 5 per cent, and construction showed a significant recovery (3 per cent), following the recession it had suffered in the previous two years. Basic services were up by just under 2 per cent. The other services sectors grew by 8.5 per cent, commercial activity in particular showing a dynamic upswing.

The fact that the domestic supply of goods (particularly in the field of agriculture) did not grow fast enough to cope with the increase in demand and did not give rise to an immoderate rise in domestic prices, thanks no doubt to the 12 per cent increase in imports of goods. Consumer prices in Caracas rose by 2.6 per cent up to November 1971 (2.1 per cent in 1970).

As regards external demand, although exports of petroleum and petroleum products fell off in volume, their value rose by 20 per cent, representing an additional income of 480 million dollars. This fact accounted for an

/increase of

increase of 18 per cent in the value of exports of goods and, in conjunction with a considerable rise in the inflow of capital, helped to give a balance of payments surplus of around 500 million dollars. This brought the country's international reserves up to 1,500 million dollars at the end of the year.

The most important economic policy measures introduced during the year were the raising of the rate of tax on hydrocarbons from 52 to 60 per cent, and the fixing of higher reference prices for crude petroleum, petroleum products and iron ore. In addition, a law was passed regulating the reversion of goods and assets to the State upon the expiry of petroleum concessions, and another law gave the Venezuelan Development Corporation exclusive rights to exploit natural gas.

The exchange rate structure of the bolívar was modified during the last days of the year. The exchange rate for sales to private individuals was reduced to a revalued rate of 4.40 bolívares to the dollar instead of 4.50, a rate of 4.30 was fixed for the proceeds of exports of hydrocarbons and mining products, and a rate of 4.385 was set for other transactions. The rate for the sale of foreign exchange to the Government and the commercial banks was also fixed at 4.385 bolívares to the dollar.

VENEZUELA: TOTAL SUPPLY AND DEMAND

	Millions of bolivares at 1960 prices			Structure (percentages)			Annual growth rates (percentages)		
	1965	1970	1971a/	1965	1970	1971a/	1965- 1970	1970	1971a/
<u>Total supply</u>	<u>41 522.5</u>	<u>50 199.9</u>	<u>52 820</u>	<u>113.6</u>	<u>113.6</u>	<u>113.5</u>	<u>3.9</u>	<u>4.2</u>	<u>5.2</u>
Gross domestic product	36 547.8	44 174.7	46 520	100.0	100.0	100.0	3.9	4.6	5.3
Imports b/	4 974.7	6 025.2	6 300	13.6	13.6	13.5	4.4	1.5	4.6
<u>Total demand</u>	<u>41 522.5</u>	<u>50 199.9</u>	<u>52 820</u>	<u>113.6</u>	<u>113.6</u>	<u>113.5</u>	<u>3.9</u>	<u>4.2</u>	<u>5.2</u>
Exports b/	9 926.8	11 085.5	10 550	27.2	25.1	22.7	2.2	3.1	-4.8
Gross domestic investment	6 386.1	7 252.0	8 350	17.5	16.4	17.9	2.6	-1.6	15.1
Gross fixed investment	5 432.6	6 503.5	7 250	14.9	14.7	15.6	3.7	-4.0	11.5
Public	1 616.8	2 310.8	2 650	4.4	5.2	5.7	7.4	-7.1	14.7
Private	3 815.8	4 192.7	4 600	10.4	9.5	9.9	1.9	-2.2	9.7
Construction	3 657.0	...	...	10.0	...	...	...	...	...
Machinery and equipment	1 775.6	...	...	4.9	...	...	...	...	...
Total consumption	25 209.6	31 861.4	33 920	69.0	72.1	72.9	4.9	6.0	6.5
General government	4 577.9	6 145.9	6 440	12.5	13.9	13.8	6.1	1.3	4.0
Private	20 631.7	25 715.5	27 480	56.5	58.2	59.1	4.6	7.2	6.9

Sources: 1965-1970: ECLA, on the basis of official figures supplied by the Central Bank; 1971: ECLA estimates.

Note: 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 values by deflation, using price indexes calculated by ECLA for the purpose.

a/ Provisional figures.

b/ Goods and services, excluding factor payments.

VENEZUELA: BALANCE OF PAYMENTS FOR SELECTED YEARS, 1960-1971

(Millions of dollars)

	1960	1965	1969	1970	1971a/
<u>Current account</u>					
Exports of goods and services	2 509.2	2 587.0	2 720.0	2 841.0	3 344.0
Goods fob	2 383.9	2 482.0	2 523.0	2 656.0	3 147.0
Services	125.3	105.0	197.0	185.0	197.0
Imports of goods and services	1 505.0	1 777.0	2 173.0	2 311.0	2 545.0
Goods fob	1 145.4	1 354.0	1 624.0	1 780.0	1 994.0
Services	359.6	423.0	549.0	531.0	551.0
Net external investment income	-522.0	-705.0	-663.0	-566.0	-680.0
Net private transfer payments	-87.6	-69.0	-91.0	-81.0	-93.0
Balance on current account	394.6	36.0	-207.0	-117.0	26.0
<u>Capital account</u>					
Net external financing (a+b+c+d+e)	-394.6	-36.0	207.0	117.0	-26.0
(a) Net external non-compensatory capital	-333.2	113.0	354.0	232.0	
Direct investment	-126.0	-12.0	224.0	59.0	
Long- and medium-term loans	17.6	101.0	154.0	169.0	
Amortization payments	-212.9	-21.0	-33.0	-36.0	
Short-term liabilities	-12.0	46.0	15.0	45.0	441.0
Official transfer payments	0.1	-1.0	-6.0	-5.0	
(b) Domestic non-compensatory capital or assets	-18.1	-72.0	131.0	-72.0	
(c) Errors and omissions	-353.9	-83.0	-262.0	5.0	
(d) Allocation SDRs	-	-	-	42.0	35.0
(e) Net compensatory movements (increase -)	310.6	6.0	-16.0	-90.0	-502.0
Balance-of-payments loans, trade arrears, deferred payments, IMF position and other liabilities of the monetary authorities	300.4	32.0	-	-31.0	-4.0
Amortization payments	-104.9	-15.0	-5.0		
Movements of gold and foreign exchange reserves (increase -)	-115.1	-11.0	-11.0	-12.0	-455.0
SDRs	-	-	-	-47.0	-43.0

Source: IMF, Balance of Payments Yearbook, vols. 17 and 22.

a/ Estimates.



WEST INDIES ASSOCIATED STATES

The gross domestic product of the West Indies Associated States in 1971 was 280 million East Caribbean dollars, which represents an increase of 9 per cent in current values over 1970. The annual increases have averaged over 8 per cent for the last three years.

In 1969, the gross domestic product at current values increased by 10 per cent, owing to the strong performance of export agriculture, construction and tourism. In 1970, however, despite the dynamism shown by government spending and the latter two sectors, the growth rate of the product was about 7 per cent, a contributory factor in this deterioration being the 22 per cent decline in export agriculture. Incomplete data indicate that agriculture declined by a further 2 per cent or so in 1971, but continued strong performances in other sectors helped to keep up the overall growth rate.

Economic policy is aimed at diversifying productive activities in order to reduce the relative importance of agriculture and increasing attention is being paid to tourism in this connexion. Governments have also increased their share in the economy, particularly as regards construction. The activity along these lines has had favourable effects on commerce, transport and other services.

As regards price movements during 1971, the only data available cover St. Lucia and indicate an increase of 8.4 per cent over 1970.

In the external sector, the main feature is the unfavourable position of the trade in goods, where the deficit amounted to 97 million East Caribbean dollars in 1967 and 176 million in 1970. In view of the downturn in some major export crops and the continuing increase in imports, it is estimated that this deficit is likely to be close to 200 million East Caribbean dollars in 1971. The deficit has been offset in the past by inflows of investment funds for hotel building, foreign loans and grants to Governments, and net earnings on tourism. The net foreign asset position of the commercial banking system has shown a positive balance in recent years, although the position is believed to have deteriorated in 1970 and 1971.

WEST INDIES ASSOCIATED STATES: GROSS DOMESTIC PRODUCT AT CURRENT FACTOR COST, BY SECTOR OF ECONOMIC ACTIVITY, 1967-1971

Sector	Millions of East Caribbean dollars					Percentage share		Annual growth rates			
	1967	1968	1969 <sup>a/</sup>	1970 <sup>a/</sup>	1971 <sup>b/</sup>	1967	1970	1968	1969	1970	1971
Agriculture	54.5	56.5	63.3	55.3	...	27.0	21.5	3.7	12.0	-12.6	...
Export	32.0	33.3	39.6	30.7	30.1	15.9	11.9	4.1	18.9	-22.5	-2.0
Domestic	22.5	23.2	23.7	24.6	...	11.1	9.6	3.1	2.2	3.8	...
Manufacturing	7.8	8.9	9.1	9.9	...	3.9	3.9	14.1	2.2	8.8	...
Construction	25.6	26.8	31.5	38.7	...	12.7	15.1	4.7	17.5	22.9	...
Transport	6.4	7.0	8.0	7.8	...	3.2	3.0	9.4	14.3	-2.5	...
Commerce	27.1	29.3	31.6	35.8	...	13.4	13.9	8.1	7.8	13.3	...
Ownership of dwellings	16.1	17.0	17.7	18.5	...	8.0	7.2	5.6	4.1	4.5	...
Government <sup>c/</sup>	38.5	42.4	45.2	53.3	...	19.1	20.7	10.1	6.6	17.9	...
Other services	25.8	29.6	33.5	37.9	...	12.8	14.7	14.7	13.2	13.1	...
Hotels	8.0	10.2	13.0	15.9	...	4.0	6.1	27.5	27.5	22.3	...
<u>Total</u>	<u>201.8</u>	<u>217.5</u>	<u>239.2</u>	<u>257.0</u>	<u>280.2</u>	<u>100.0</u>	<u>100.0</u>	<u>7.8</u>	<u>10.3</u>	<u>7.1</u>	<u>9.0</u>

Source: Official statistics.

a/ Subject to revision.

b/ Estimates.

c/ Including public utilities.

WEST INDIES ASSOCIATED STATES: VALUE OF TOTAL TRADE, SELECTED YEARS <sup>a/</sup>  
(Thousands of East Caribbean dollars)

Year	Imports	Exports	Balance
1960	78 649	39 257	39 392
1961	87 676	41 415	46 261
1963	94 432	45 701	48 731
1964	109 647	46 887	62 760
1965	125 029	53 400	71 629
1967	149 011	51 662	97 349
1968	160 203	55 243	104 960
1969	190 262 <sup>a/</sup>	68 554 <sup>a/</sup>	121 708
1970 <sup>b/</sup>	234 265	57 842	176 423

Source: Official trade reports of member territories.

<sup>a/</sup> The 1968 figures for Antigua and Montserrat are used, as 1969 figures are not yet available.

<sup>b/</sup> Provisional ECLA estimates.

<sup>\*</sup> Antigua, Dominica, Grenada, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia and St. Vincent.

Unless otherwise stated, values are given in East Caribbean dollars, at current prices. At the exchange rate prevailing before the United States currency devaluation in December 1971, one East Caribbean dollar equalled 0.50 United States dollars.

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