

1999



# Preliminary overview of the economies

OF LATIN AMERICA  
AND THE CARIBBEAN



UNITED NATIONS

CEPAL

ECLAC

**ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN**

**ECLAC**

**PRELIMINARY OVERVIEW OF THE  
ECONOMIES OF LATIN AMERICA  
AND THE CARIBBEAN  
1999**



**UNITED NATIONS**



**Santiago, Chile, 1999**

LC/G.2088-P December 1999
------------------------------

The *Preliminary Overview of the Economies of Latin America and the Caribbean* is prepared annually by the Economic Development Division in collaboration with the Statistics and Economic Projections Division, the ECLAC subregional headquarters in Mexico and Port of Spain and ECLAC national offices in Argentina and Brazil.

### Notes and explanation of symbols

The following symbols have been used in the tables in this *Preliminary Overview*:

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

The dash (–) indicates that the amount is nil or negligible.

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

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

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

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1979.

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

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

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

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

UNITED NATIONS PUBLICATION
Sales No. E.99.II.G.58
ISSN 1014-7802 ISBN 92-1-121250-2

Applications for the right to reproduce this work are welcomed and should be sent to the Secretary of the Publications Board, United Nations Headquarters, New York, N.Y. 10017, U.S.A. Member States and their governmental institutions may reproduce this work without prior authorization, but are requested to mention the source and inform the United Nations of such reproduction.

Copyright © United Nations 1999  
All rights reserved  
Printed in Chile


## CONTENTS

	<i>Page</i>
Abstract . . . . .	7
Regional Panorama . . . . .	9
1. Introduction . . . . .	9
2. The external sector . . . . .	11
3. Macroeconomic policy and reforms . . . . .	16
4. Domestic economic performance . . . . .	20
South America . . . . .	25
Argentina . . . . .	25
Bolivia . . . . .	28
Brazil . . . . .	30
Chile . . . . .	32
Colombia . . . . .	35
Ecuador . . . . .	37
Paraguay . . . . .	40
Peru . . . . .	42
Uruguay . . . . .	44
Venezuela . . . . .	46
Central America and Mexico . . . . .	49
Costa Rica . . . . .	49
El Salvador . . . . .	51
Guatemala . . . . .	53
Honduras . . . . .	55
Mexico . . . . .	57
Nicaragua . . . . .	60
Panama . . . . .	62
The Caribbean . . . . .	65
Bahama . . . . .	65
Barbados . . . . .	67
Cuba . . . . .	69
Guyana . . . . .	71
Haiti . . . . .	73
Jamaica . . . . .	75

	<i>Page</i>
Dominican Republic . . . . .	77
Trinidad and Tobago . . . . .	79
Statistical Appendix . . . . .	87
Table A-1 Latin America and the Caribbean: total gross domestic product . . . . .	89
Table A-2 Latin America and the Caribbean: per capita gross domestic product . . . . .	90
Table A-3 Latin America and the Caribbean: consumer prices . . . . .	91
Table A-4 Latin America and the Caribbean: urban unemployment . . . . .	92
Table A-5 Latin America and the Caribbean: average real wages . . . . .	93
Table A-6 Latin America and the Caribbean: public-sector deficit (-) or surplus . . . . .	94
Table A-7 Latin America and the Caribbean: indices of the real effective exchange rate for imports . . . . .	95
Table A-8 Latin America and the Caribbean: exports of goods, fob. . . . .	96
Table A-9 Latin America and the Caribbean: imports of goods, fob. . . . .	97
Table A-10 Latin America and the Caribbean: terms of trade (goods), fob/fob . . . . .	98
Table A-11 Latin America and the Caribbean: balance of payments . . . . .	99
Table A-12 Latin America and the Caribbean: net foreign direct investment . . . . .	102
Table A-13 Latin America and the Caribbean: international bond issues . . . . .	103
Table A-14 Latin America and the Caribbean: indices of stock exchange prices in dollars . . . . .	104
Table A-15 Latin America and the Caribbean: total disbursed external debt . . . . .	105
Table A-16 Latin America and the Caribbean: net resource transfers . . . . .	106
Table A-17 Latin America and the Caribbean: net capital inflows and net resource transfers . . . . .	107
Table A-18 Latin America and the Caribbean: ratio of total accrued interest to exports of goods and services . . . . .	108
Table A-19 Latin America and the Caribbean: ratio of profit payments to exports of goods and services . . . . .	109
Table A-20 Latin America and the Caribbean: ratio of total disbursed debt to exports of goods and services . . . . .	110

## ABSTRACT

---



---

In 1999 Latin America was once again influenced by the adverse international economic environment, which had a decisive impact on the countries' economic policies and performance. As a consequence of the continuing decline in the prices of non-fuel commodities, together with unstable and deteriorating terms and conditions for external financing, the net transfer of resources for the region as a whole was negative for the first time since 1990, and the previous trend towards a widening deficit in the current account of the balance of payments became untenable. The corresponding correction was coupled with a downturn in domestic demand and imports that translated into the virtual stagnation of the region's gross domestic product.

The region also witnessed a further deterioration in the employment situation. Nonetheless, inflation held steady at around 10% for the region as a whole despite more flexible foreign-exchange policies and the resulting devaluation of many countries' currencies. The South American countries were the hardest hit by external problems, and intraregional trade (mainly of manufactures) fell sharply. In contrast, Mexico and the Central American and Caribbean countries were able to take advantage of the burgeoning United States market to boost their exports and their levels of economic activity, thereby counteracting the detrimental effects of the international financial crisis.

As the year proceeded, the growth of the world economy, the progressive normalization of capital flows, improving commodity prices and the adoption of macroeconomic policies that were more conducive to economic reactivation combined to produce the first glimmers of an upswing in economic activity which is expected to take firm hold in the year 2000.

## REGIONAL PANORAMA

---

### 1. Introduction

The international financial crisis continued to dominate economic trends in the Latin American and Caribbean region for the second year in a row. A sharp decrease in capital inflows, together with the high volume of interest and dividend payments abroad, meant that net resource transfers to the region were negative for the first time since 1990. At the same time, low commodity prices (except in the case of oil), in combination with the downturn in intraregional trade experienced by the South American countries, led to a decline in export earnings for many countries. Thus, despite the best efforts of policy-makers to deal with the adverse external scenario, GDP growth stagnated in 1999.

This regional average, however, masks sharp differences across countries. Mexico and much of Central America and the Caribbean –which have close links with the booming United States economy through *maquila* transactions, other manufacturing and agricultural trade, and tourism– grew at moderate or even high rates. The South American countries, by contrast, with their concentration in commodity exports and their significant level of intraregional industrial trade, fared poorly. Nonetheless, even in the latter cases, there were signs of an incipient recovery in the fourth quarter of the year which can be expected to gather momentum in 2000.

Not surprisingly, job creation slowed in most of the South American countries but proved to be more dynamic in Mexico, Central America and much of the Caribbean. For the region as a whole, employment

slipped from 53.7% of the working-age population in 1998 to 52.5% in 1999 while unemployment climbed from 8.0% to 8.7%, the highest rate ever to be registered since records began to be kept for a significant number of countries. Aided by low rates of inflation, real wages performed better than employment did. Indeed, the consolidation of the price stabilization process continues to be one of the principal achievements of the decade. At around 10%, inflation remained under control despite the depreciation of a number of currencies, and 17 of the 22 countries for which information is available had single-digit rates for 1999.

The trade deficit shrank, mainly as a consequence of the slump in imports triggered by the stagnation of income levels, which discouraged purchases in general, and the depreciation of local currencies, which raised the cost of foreign goods. Exports also fell in many

**LATIN AMERICA AND THE CARIBBEAN: MAIN  
ECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
<b>Economic activity and prices</b>	<i>Annual rates of variation</i>		
Gross domestic product	5.4	2.1	0.0
Per capita gross domestic product	3.7	0.4	-1.6
Consumer prices	10.4	10.3	9.6
Terms of trade	2.2	-5.3	0.7
	<i>Percentages</i>		
Urban open unemployment	7.3	8.0	8.7
<b>External sector</b>	<i>Billions of dollars</i>		
Exports of goods and services	326.9	325.4	339.9
Imports of goods and services	356.9	376.5	359.6
Balance on goods	-10.4	-32.6	-5.1
Balance on services	-19.6	-18.6	-14.7
Balance on income account	-47.2	-52.6	-54.5
Balance on current account	-62.6	-87.5	-56.4
Balance on capital and financial account	83.2	68.7	43.5
Over all balance	20.5	-18.7	-12.9
Total disbursed external debt	31.6	24.9	-1.6

Source: See statistical appendix.

<sup>a</sup> Preliminary estimates.

countries; in fact, if Mexico were not included in the figures, then the region would have registered a 3% contraction in external sales. Both export and import prices were lower, and the terms of trade deteriorated for the great majority of the countries. The result was a reduction in the current account deficit, which narrowed from US\$ 87 billion (4.5% of GDP) in 1998 to US\$ 56 billion (3.2%) in 1999.

Autonomous capital inflows were the main source of financing for the current account deficit even though they were down to just US\$ 43.5 billion (from US\$ 69 billion in 1998 and US\$ 89 billion in 1997). Compensatory flows and international reserves covered the remainder. In line with the trend of the past several years, foreign direct investment (FDI) dominated the capital account; in fact, in 1999 this category of investment amounted to US\$ 70 billion and thus far exceeded total inflows, since bank loans, equity purchases, and errors and omissions were all negative. International bond issues amounted to over US\$ 40

billion, but most of this sum went to amortize and re finance debts falling due. Access to the bond market was uneven, and terms on the new issues –both interest rates and maturities– were significantly worse than they had been during the pre-crisis years.

In their attempts to deal with the unexpected length and severity of the international crisis, macroeconomic policy-makers adopted a less contractionary stance than in 1998, especially during the second half of the year. Fiscal spending was not cut to match the decline in revenues, which means that the average deficit in the region is likely to exceed 3% of GDP, the highest level of the decade. Late in the year nominal interest rates were lowered, and in a number of countries monetary policy-makers gained some manoeuvring room with the shift towards flexible exchange rates. The most prominent case of a switch in exchange-rate regime was Brazil, but similar steps were also taken in Chile, Colombia and Ecuador.

Sluggish growth rates, the lagged effects of high interest rates, and exchange-rate depreciation had a negative impact on the financial sector in many countries. The ratio of non-performing loans increased substantially, and this was reflected in banking crises in several instances. Particular difficulties arose in cases where loans had been made in foreign currency, since the local-currency equivalent increased as a result of devaluations. In general, the reform process slowed its pace as privatizations were postponed and, in some cases, tariffs were raised in order to cope with temporary emergencies. Although institutional negotiations at the intraregional level continued to move forward, trade among regional groups contracted sharply, and conflicts arose in some cases as a result of differences in economic policy positions.

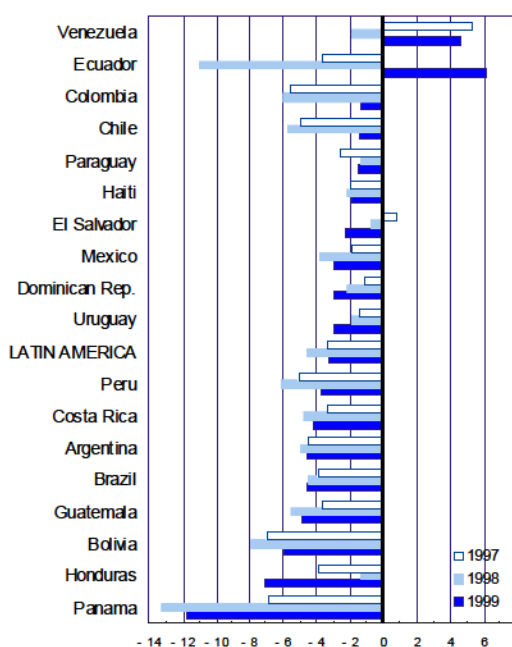
The year closed on a positive note in terms of projections for the near future, with the United States economy continuing to grow at a fairly rapid pace, Europe's economy growing as well, and Japan and the rest of Asia making a recovery. Conditions on international financial markets are becoming more favourable for the countries of the region, and commodity prices are starting to rebound. All these trends indicate that the situation will improve in almost all of the countries during the year 2000. ECLAC projections put the growth rate for the region as a whole at 3.6%; Mexico and Central America are expected to post higher growth rates (4.5% and 4.7%, respectively), followed by Brazil (3.5%), the Southern Cone (2.9%) and the Andean countries (2.8%).



## 2. The external sector

The international crisis left its mark on the region's external sector for the second year in a row, as the region felt the effects of sluggish foreign capital flows and a steady slide in non-fuel commodity prices. In contrast to what had occurred the previous year, however, the sharp adjustment in the region's economies put a stop to the trend towards a widening deficit on the current account of the balance of payments. The short fall therefore narrowed from 4.5% of the region's gross domestic product (GDP) in 1998 to 3.2% in 1999 (see figure 1).

Figure 1  
LATIN AMERICA AND THE CARIBBEAN:  
CURRENT ACCOUNT BALANCE  
(Percentage of GDP)



Source: See table A-11 of the statistical appendix.

The substantial reduction in the deficit was mainly the reflection of a smaller negative balance on the trade account. This, in turn, was the result of a sharp downturn in imports, which more than made up for the slowdown or decrease seen in the exports of most

countries, particularly in South America. The deficit in factor income widened again, albeit moderately. At the same time, current transfers, especially family remittances, continued their upward trend in Central America and the Caribbean, thereby helping to narrow these countries' current account deficits.

This reduction in the region's deficit was offset, however, by the decrease in foreign capital inflows and higher profit remittances; the combination of these factors resulted in a negative net transfer of resources for the first time since 1990. As had also been the case the year before, the region had to draw upon its international reserves and compensatory financing, this time some US\$ 13 billion. The use of international reserve assets was less widespread than in 1998, occurring mainly in Brazil and to a lesser extent in Chile, Colombia, Mexico and Peru.

### The decline in net capital in flows continues

Latin America received autonomous capital flows amounting to US\$ 43.5 billion in 1999, which was down from the 1998 figure and little more than half of the level of inflows in 1997. Only a few countries, mainly in Central America, saw an increase in inbound capital; inflows to most countries were lower, and Ecuador and Venezuela witnessed net withdrawals. This situation stems from the external financial crunch that began in 1998, especially with respect to loans and equity flows, and carried over into the early months of 1999. Since then, these flows have been making a halting recovery.

As had also been the case in the preceding biennium, a large proportion of external finance in 1999 consisted of less volatile types of capital; the main such category was foreign direct investment (FDI), which actually surpassed the exceptionally high levels recorded in 1997-1998. In fact, FDI in flows exceeded total capital in flows for 1999, which indicates that there were net outflows in other categories. The main recipient country was Brazil, but Argentina<sup>1</sup> and the Dominican Republic also posted record levels, and FDI inflows to Mexico remained close to the previous

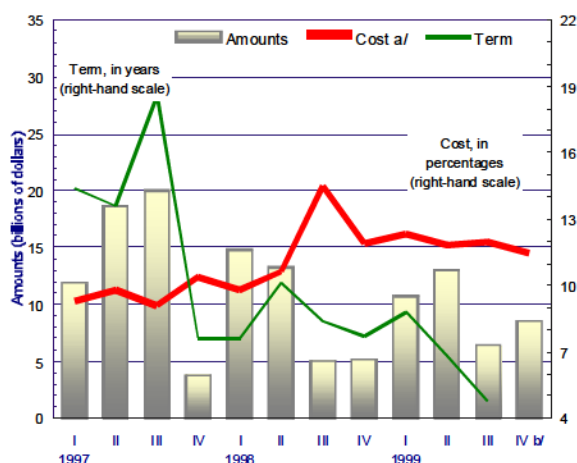
1 In the case of Argentina, US\$ 11.6 billion of the FDI it received in 1999 came from the sale of FYP. Because of the accounting system used for the balance of payments, this operation had as an offsetting entry a reduction of US\$ 10.8 billion in portfolio investment liabilities.

biennium's figure of US\$ 11 billion. In a year when private debt flows were used almost entirely for amortization payments, FDI inflows made important contributions to financing the balance-of-payments current account deficit in over half of the countries of the region.<sup>2</sup> In some cases where there was insufficient access to private external resources, financing from official sources, especially loans from multilateral agencies, also played a key role in covering the deficit.

International bond placements as of November 1999 amounted to some US\$ 40 billion, which was somewhat higher than the figure for 1998. These funds went primarily to Argentina, Brazil and Mexico and, to a lesser extent, Chile, Colombia and Venezuela. The main issuers were central governments and public-sector companies, since private firms had difficulties in obtaining financing. The size of individual issues was smaller, and there were more placements in currencies other than the United States dollar, mainly the euro. It was noteworthy that in April 1999, just three months after the devaluation of the Brazilian *real*, seven of the region's Governments were able to float bond issues on international financial markets amounting to US\$ 10 billion at a premium of 550 basis points (5.5%) over United States Treasury bonds (5% in April), which means that the cost of financing amounted to an annual rate of 10.5% in that month. The US\$ 500 million bond issued by the Government of Chile—the first in over 50 years—was notable for its favourable conditions, since it had a ten-year term and a spread of just 175 basis points. This upturn was followed by a decline in issues between May and September which then gave way to another upswing beginning in October.

Following the Russian moratorium in August 1998, the cost of external financing for the region rose sharply—to an annual rate of nearly 15%—before gradually slipping back to 10.5% by April 1999. Later on it rose again, to 12%, and then hovered around that level for the rest of the year (see figure 2). These rates reflected the fact that investments in the region were perceived as being high-risk operations and, during the last few months, there was a rise in international interest rates as well. The maturity profile for the region's bond issues had deteriorated to an average of five years by the third quarter of 1999.

Figure 2  
LATIN AMERICA AND THE CARIBBEAN:  
INTERNATIONAL BOND ISSUES



Source: ECLAC, on the basis of official figures and data provided by the World Bank and the International Monetary Fund.

a/ The sum of the average spread on the bond issues plus the yields on long-term United States Treasury bonds.

b/ October and November.

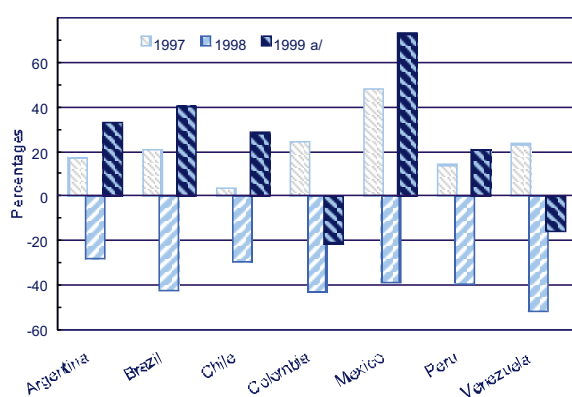
Bank lending was also affected by the turbulence on international financial markets. According to data for the first half of 1999 compiled by the Bank for International Settlements (BIS), the reduction in lending by the international banking system mainly affected Brazil and, to a lesser extent, Chile, Colombia, Ecuador, Guyana, Mexico and Peru. The recovery in international bank lending to the region has been very slow, especially when compared to bond placements.

Among the more volatile forms of capital, those associated with equity investments began to flow back into the region's main stock markets midway through the second half of 1999. However, the available information indicates that this recovery has a long way to go before fully reversing the large withdrawals that took place in the second half of 1998. Thanks to the notable improvement in equity prices in recent months, especially in Mexico, by November 1999 the regional index had climbed back up to the level it had reached before Russia's unilateral declaration of a moratorium in August 1998. Nevertheless, the index was still 15%

2 The acquisition of assets, especially in the private sector, were the predominant form of FDI in 1999, particularly in several South American countries. See ECLAC, *Foreign Investment in Latin America and the Caribbean. 1999 Report* (LC/G.2088-P), Santiago, Chile, 2000.

below the average attained before the outbreak of the Asian crisis (see figure 3). At the same time, some of the region's larger economies are still experiencing outflows of other types of short-term capital, although the amounts involved are quite moderate when compared to the massive withdrawals that had occurred between August and October 1998.

Figure 3  
**LATIN AMERICA AND THE CARIBBEAN: STOCK EXCHANGE PRICES**  
(Variation in indices expressed in dollars)



Source: ECLAC, on the basis of figures from the International Finance Corporation.  
a/ Figures to 10 December.

### A slight expansion in the region's external debt

In 1999 the total gross disbursed external debt of Latin America and the Caribbean edged up to slightly less than US\$ 750 billion; this represented a nominal increase of just 0.5%, the lowest rate for the 1990s. The slowdown in the rate of increase was remarkable when compared to the trend in recent years and reflected the difficulties that the countries have had in obtaining foreign funds, especially from private-sector sources. In nearly half of the region's countries, gross external liabilities increased by negligible amounts, and some countries even saw a reduction in nominal terms (Jamaica, Peru and Venezuela). Another group of countries (Argentina, Costa Rica, Chile and Uruguay) saw their gross external liabilities increase by between 4% and 7%, while Paraguay registered a spectacular increase of nearly 40% due to an unprecedented US\$ 400 million government bond issue.

Indicators of the region's external debt burden for 1999 remained at levels similar to those of 1998, when they had deteriorated for the first time in the 1990s. The ratio of interest due to exports of goods and services held steady at 17%, while the ratio of external debt to exports of goods and services eased slightly to 216%. Over half of the countries continue to display what can be considered satisfactory debt burden indicators, while in the rest, these indicators remain a cause for concern.

Events relating to external debt renegotiations included Ecuador's default on interest payments on its collateralized Brady bonds during the second semester of 1999. Later it also defaulted on interest payments on other government liabilities with private-sector creditors when the holders of those Brady bonds rejected the Government's proposal to resort to the underlying guarantee. The Government of Ecuador hopes to reschedule its Brady and Eurobond commitments in order to bring its debt service to a sustainable level in the coming years. It is important to note that, judging from the behaviour of spreads on Latin American Euro bonds in the secondary market in recent months, the international financial community appears to see these events as being confined to Ecuador. Honduras and Nicaragua, meanwhile, are hoping to qualify for the Highly Indebted Poor Countries (HIPC) initiative, in which Bolivia and Guyana are already participating.

### Lower prices and a slump in intraregional trade squeeze export revenues

Taking the region as a whole, the value of exports rose by nearly 5%, but this result was largely due to the predominance of Mexico in the aggregate figure. If it had not been for Mexico, export growth would have been negative (-3%); approximately half of the countries posted lower export values.

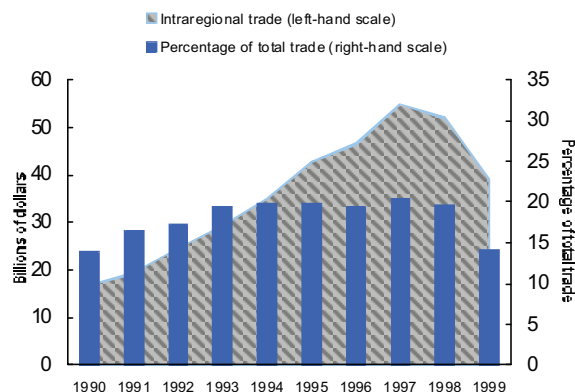
The competitive gains arising from devaluations in Latin America and the countries' declining levels of domestic absorption failed to generate higher export earnings for two reasons. First, the economies of the region, and especially those of the South American countries, continue to be major commodity exporters, and the supply of such products tends to be price inelastic in the short run. Moreover, sales of commodities other than hydrocarbons suffered from steadily weakening prices on world markets, especially in the case of agricultural products, as the downward trend in non-fuel commodity prices persisted.

The main cause of this slump was a persistent oversupply, which continued to depress agricultural prices in particular. It is estimated, for example, that the drop in coffee prices in 1999 was equivalent to one fourth of the previous year's average price level; by the same token, sugar was down by one third, fish meal by 40%, soy beans by 20%, cotton and wheat by 15% each, bananas by 12%, iron ore by 8% and shrimp by 7%. The prices of the industrial commodities exported by the region were down as well (e.g., fertilizer prices were 6% lower and steel prices fell by 10%). As world economic activity strengthened (the growth rate is expected to be 2.6% in 1999 compared to 1.7% in 1998) thanks, in large part, to the recovery of the South-East Asian economies, the prices of various raw materials began to rebound, especially towards the end of the year. This trend was particularly evident in minerals such as aluminium, copper and nickel and in beef prices. The price of oil also shot up as a result of the policy to restrict supply adopted by the Organization of Petroleum Exporting Countries (OPEC). The price of Brent crude topped US\$ 25 per barrel in November to reach its highest level since 1991, after having ended 1998 below US\$ 10, and the average price for 1999 will be over 40% higher than the preceding year's.

Second, in the category of manufactured products (a strategic component of regional exports), the bulk of the South American countries' sales are made in the regional market, where the effects of devaluations largely cancel each other out, but where sales of these products were also hurt by the weakness of economic activity and demand. The volume of products exported by Argentina, Brazil, Colombia and Venezuela, among other countries, all shrank, and in some cases, such as that of Paraguay, the same factors also had a negative effect on commodity sales.

Consequently, the value of intraregional trade, which in 1998 had already suffered its first contraction in 12 years, plummeted by approximately 25% in the first three quarters of 1999 (see table 4). Trade among the countries of the Southern Common Market (Mercosur) fell by this same percentage, while trade in the Andean Community fell even more sharply (35%). This situation generated friction and led to trade disputes within both trading blocs, but their motivation to move towards integration remains strong. The situation was different in the Central American Common Market (CACM) and in the Caribbean Community (Caricom), where the available information indicates that trade among member countries stayed at the same level as the year before.

Figure 4  
LATIN AMERICA AND THE CARIBBEAN:  
INTRAREGIONAL TRADE IN THE 1990s



Source: ECLAC, on the basis of official figures.

A different trend was also seen in exports of manufactures from Mexico and several Central American and Caribbean countries, which are primarily sold on world markets, especially the United States. Sales of these products benefited from the expansion of production capacity in *maquila* industries and from the brisk pace of growth in the United States economy, which is expected to amount to as much as 4% for 1999. Guatemala was the single exception to this strong export performance. At the other extreme, the sharp increase (over 20%) in shipments from Costa Rica, the region's strongest performer, was largely attributable to a single company that had started up operations a year earlier.

While a majority of the countries managed to boost their export volumes, all of them except the main oil exporters saw the unit values of their external sales decline. In some cases, the drop in prices offset the increase in volume (e.g., Brazil and Guatemala), while in others it compounded the effect of a reduction in volume (e.g., Argentina, Bolivia, Honduras, Panama, Paraguay and Uruguay), thereby causing export revenues to actually shrink. In contrast, oil exporting countries and those with a sizeable *maquila* sector saw their export earnings rise, as did Chile and Peru, which managed to regain some of the ground lost in 1998. The best performances, with two-digit growth rates, were turned in by Costa Rica, Haiti, Mexico and Venezuela.

### Imports drop and the terms of trade worsen

The total value of the region's merchandise imports fell for the first time in the last 15 years. The decrease topped 4%, but if it had not been for Mexico, the decline would have amounted to 15%. This was the result of a combination of factors, but the most influential one was the adjustment brought about by slack domestic demand and currency devaluations. As a result of this adjustment, import volumes contracted sharply in nearly all the South American countries; furthermore, in almost every case the decrease was in the double-digit range and was reflected in all product categories (consumer, capital and intermediate goods).

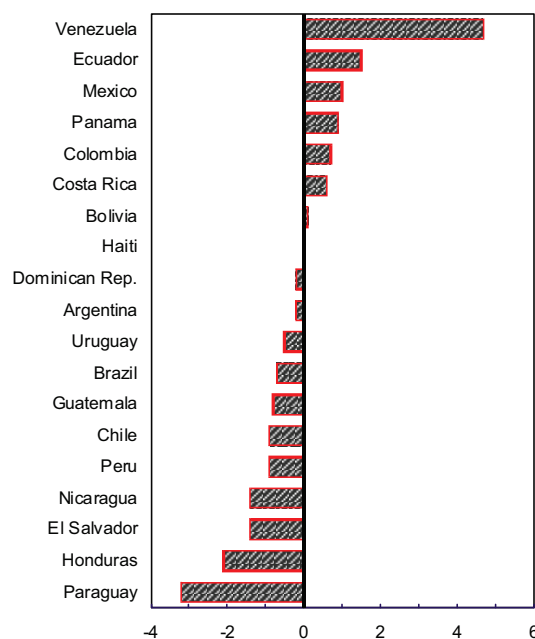
In some cases, however, there were other factors that boosted imports. Countries whose exports expanded as a result of the buoyancy of the *maquila* sector also had to purchase more imports (particularly of intermediate goods), since these assembly industries work almost entirely with foreign components. This was a contributing factor to the increase seen in Mexico's import volumes and was also decisive in several other Central American and Caribbean countries, beginning with Costa Rica. Other factors of a circumstantial nature included foreign direct investments that entailed the purchase of capital goods, as in the case of Bolivia; reconstruction work following natural disasters in Nicaragua and Honduras; and the need to supplement the food supply, as in Haiti. At the same time, decreased sales by Panama and Paraguay in the form of re-exports to other countries in the region also entailed a reduction in foreign purchases.

The import bill was also lightened by the widespread drop in the prices of the products purchased (with the notable exception of oil), as the success achieved in keeping inflation under control worldwide was repeated yet again in 1999. The prices of the manufactures exported by developed countries, which represent the largest share of regional imports, fell by an average of 1.5%. This decline was compounded by the even larger drop in the prices of many industrial commodities (steel, chemicals and fertilizers, for example) and of foodstuffs and other non-fuel commodities. As a result, all the countries in the region recorded lower unit values for their imports.

In most cases these reductions were not large enough to offset the decrease in export prices, however, and the result was a deterioration in the terms of trade. The main exception was Venezuela, whose terms of trade rose by 27%, thereby making up for the previous year's loss. More modest improvements were recorded by the other oil-exporting countries, including Mexico, Costa Rica and Panama. The regional average thus improved slightly following the previous year's downturn.

Given the value of trade registered for the different countries, the change in the terms of trade resulted in losses equivalent to nearly 1% of GDP or more in the Central American countries (except Panama), Chile and Peru. On the other hand, gains were recorded by Venezuela (nearly 5% of GDP), Ecuador (1.5%) and Mexico (1%) (see figure 5).

Figure 5  
LATIN AMERICA AND THE CARIBBEAN: TERMS OF  
TRADE GAINS AND LOSSES, 1999  
(Percentage of GDP)



Source: ECLAC, on the basis of official figures.

### 3. Macroeconomic policy and reforms

Macroeconomic policy was marked by sharp contrasts during the year. The larger fiscal deficit partially offset the fall in private domestic demand, while monetary policy-makers maintained an austere stance until midway through the year. This stance was then relaxed somewhat, and interest rates moved down slightly. Exchange-rate policy also became more flexible. The status of the banking sector remains a cause for concern in several countries; new lending remains depressed and the quality of the banking system's loan portfolio has deteriorated.

#### The fiscal deficit widens

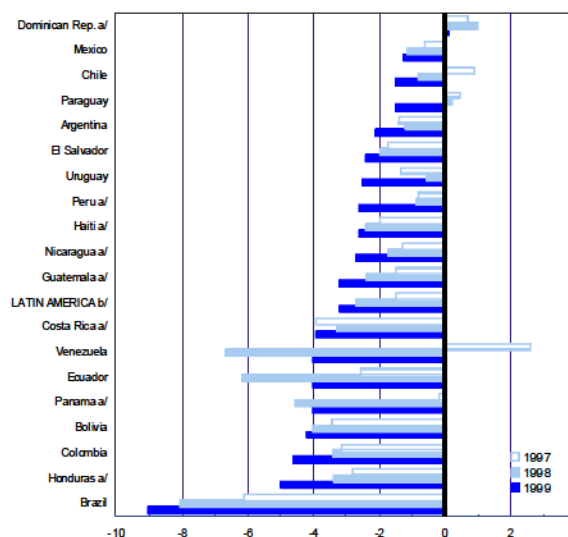
The recessionary conditions existing in the region drove down fiscal revenues at a time when a number of the countries had drawn up budgets for 1999 that allowed for increased public expenditure. The prime objective during the year was to continue, insofar as possible, to execute public investment and expenditure programmes in the social sector at their budgeted levels, even though fiscal revenues were lower than initially expected. Thus, for the first time in the 1990s, fiscal policy in most of the region's countries was not procyclical.<sup>3</sup> As a result, the countries' average non-financial public-sector deficit rose to 3.2% of GDP, its highest level of the decade (see figure 6).

The greater increase seen in spending in the region can be attributed to four factors, the first two of which relate to investment. Apart from addressing infrastructure investment needs that could no longer be put off, several countries that had been hit by natural disasters the year before had to make significant investments in reconstruction work. Hurricanes Georges and Mitch caused extensive damage to infrastructure in Haiti, Honduras, Nicaragua and the Dominican Republic; torrential rainfall hurt the production sectors of Ecuador, Mexico and Peru, among other countries; and Colombia's coffee-growing region was hit by an earthquake early in the year. In addition, many Governments in the region have renewed their efforts to satisfy social needs that they had been postponing as

they strove to maintain fiscal stability. Lastly, the service on the public sector's external debt (expressed in local currency) continued to rise in 1999, both as a natural outcome of a slightly higher level of external indebtedness and because of devaluations. Domestic debt service also led to higher expenditure because of the delayed effect of monetary policy in countries that attempted to use interest-rate hikes to curb the depreciation of their currencies.

The negative trend in income was the other contributing factor behind the larger budgetary shortfall. Weaker economic activity and a slow down in international trade depressed tax revenues for the second year running, and this was compounded by tariff reductions, especially in Central America. However,

Figure 6  
LATIN AMERICA AND THE CARIBBEAN:  
PUBLIC-SECTOR FISCAL BALANCE  
(Percentage of GDP)



Source: See table A-6 of the statistical appendix.  
a Central government. b Simple average.

3 For much of the 1990s, expenditure levels have tended to mirror the slight rises and falls in revenues, which in turn are influenced by the level of economic activity. To contain the deficit, the general practice was to tighten spending during years when the economy was slowing down, thereby creating a procyclical trend in fiscal policy. This could be seen clearly in 1998 when physical investments were postponed in response to a rise in debt service and a reduction in revenues.

an upswing in non-tax revenues –driven by rebounding international oil prices (in Colombia, Ecuador, Mexico and Venezuela) together with other non-recurrent receipts– partly offset these cuts. Tax authorities also reacted by proposing rate hikes and measures to combat evasion.

### Monetary policy-makers adopt a less defensive stance

Monetary policy was largely determined by events in the external sector, particularly with regard to the countries' access to capital markets. The prevailing mood at the beginning of the year was one of strict austerity in most of the region, especially in countries that had lost international reserves when the global crisis deepened in August 1998 and they began to encounter difficulties in the area of external trade.

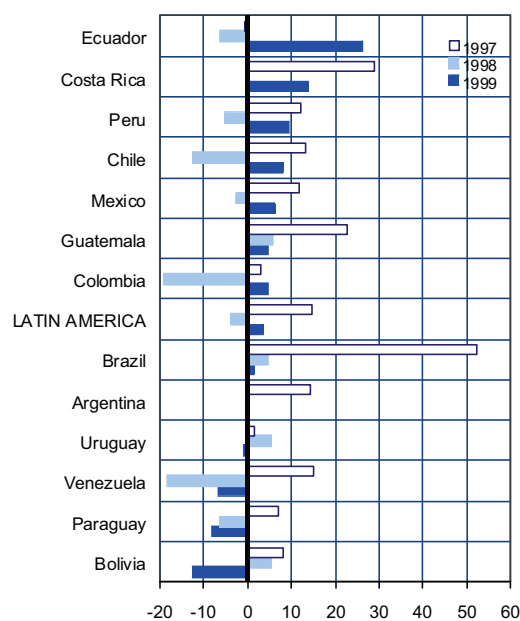
The real rate of interest on deposits in the first quarter of 1999 was one percentage point above its value in the final quarter of 1998 and three points higher than in the first quarter of that year. The intermediation spread (the differential between the deposit and lending rates) also widened during the phases of greatest monetary austerity, which drove up financial costs even further. Austerity policies were maintained for most of the first half of 1999 in response to the uncertainty generated by the turbulence on currency markets that marked this period, as several countries devalued their currencies and Ecuador instituted a partial moratorium on its external debt. This defensive monetary stance was quite wide spread in the region and included a wide range of economies in terms of both size and their management of exchange-rate policy (for example, Argentina, Brazil, Mexico and Costa Rica). Few countries –one being Guatemala– adopted a more expansionary policy from the very start of the year.

Nonetheless, monetary policy-makers generally began to adopt a more flexible stance towards the end of the first semester, for two main reasons. The first was the international financial markets' return to greater stability, which facilitated access to external financing. This more optimistic outlook was also backed up by the Brazilian economy's positive reaction to the January devaluation, since this kept the spectre of contagion from the crisis at bay. The second contributing factor was of a domestic nature and had to do both with the persistence of underlying recessionary forces in several of the region's countries and with a worsening situation in domestic financial markets.

Monetary authorities were even more inclined than usual to respond to calls from business sectors to make macroeconomic policy more flexible and encourage economic recovery, since inflation rates were generally at or below the targeted rates (in a majority of the countries). Making exchange-rate policy more flexible (for example, in Colombia) also gave them room for a fall in the interest rate. In addition, signs that the recession had bottomed out provided grounds for the supposition that an increase in the demand for money would accompany the expected upturn in production activity. The widening fiscal deficit nonetheless made it necessary to hold to a prudent line of monetary policy.

In a number of countries, the nominal interest rate began to edge down cautiously at the end of the second quarter. This more relaxed monetary policy stance led to an easing of the downward trend in real liquidity that had predominated in Latin America since the fourth quarter of 1998 (the real variation of in the money supply (M1) was -5% in the 12 months to December 1998), and a slight upturn in the real money supply started to be seen in the third quarter of 1999 (3.5% in

Figure 7  
LATIN AMERICA AND THE CARIBBEAN: MONEY SUPPLY (M1)  
(Real 12-month rates of variation)<sup>a</sup>



Source: ECLAC, on the basis of official figures.

<sup>a</sup> Most recent period for which data are available; figures deflated by the consumer price index.

September). The data available for the fourth quarter suggest a continuation of this trend (see figure 7).

The slow down in the rate of inflation partly offset the fall in the nominal interest rate, so the real rate dropped proportionately less than its nominal counterpart. None the less, taking the first three quarters of 1999 as a whole, average real interest rates remained higher than the average for the same period of 1998. This was especially true of Mexico, Paraguay, Peru and Bolivia, while the main exceptions were Chile and Ecuador.

### Banking crisis continues

The recession that overtook many of the region's countries (domestic demand was off by almost 2%) and the high real interest rates that have prevailed since the international crisis of September 1998 reduced new credit demand. The upswing in lending rates further undermined the position of firms that were already in financial distress, and this in turn caused the quality of bank loan portfolios to deteriorate.

In addition, the great majority of countries in the region have been affected to varying degrees by financial disturbances that have made the banking sector more risk-averse than before. The tight money and recessionary conditions that affected many of the economies, especially in South America, until midway through 1999 triggered liquidity problems in small and medium-sized enterprises (SMEs) that produce for the domestic market, just when –given the increasing dollarization of financial portfolios– the depreciation of local currencies was adding further to the debt-service burden of many of these businesses. Large businesses, which are in a better position to obtain credit, have increasingly gone abroad for financing. All of this led to an increase in the proportion of non-performing loans and made banks more cautious.

As a result, a decline in domestic credit activity and a trend towards financial disintermediation have been apparent in many cases. In Mexico, for instance, bank loans to the private sector fell for the fifth year in a row. In Peru, a decrease in lending in terms of both quantity and quality set off a crisis in the banking sector that made it necessary to set up support programmes for the financial sector. In Ecuador, more than half of total bank lending was to the Government, while in Guatemala, the level of non-performing debt climbed sharply. The list of countries experiencing these kinds of trends also included Jamaica, Paraguay and

Colombia. The difficult conditions existing in many of the countries' financial systems prompted a great deal of restructuring and consolidation via mergers and acquisitions, especially in Peru and Colombia, and a similar situation is expected to arise in Ecuador as well. In Mexico, the new Bank Savings Protection Institute began operations in September. Current estimates place the total cost to the Mexican Government of bailing out the banking system and implementing a support programme for debtors at almost 22% of GDP by the end of 1999.

### Exchange-rate policy becomes more flexible

The management of exchange-rate policy exhibited more flexibility in 1999. Four countries (Brazil, Colombia, Chile and Ecuador) abandoned their currency band regimes and let their currencies float, and this latter type of regime is now the most common system in the region. The system of currency bands, which played a very important role in stabilization programmes based on the use of the nominal exchange rate as an anchor, has come under increasing criticism on the grounds that it generates vulnerability to speculative attacks.

The first half of the year saw an intense debate on the strengths and weaknesses of freely floating currencies versus high-credibility fixed rates (based on currency boards or complete dollarization). This controversy then abated, however, as it gave way to a growing consensus that, save in a few specific cases, current regional and international conditions call for more exchange rate flexibility. Only three Latin American countries (Argentina, El Salvador and Panama) and a group of small economies in the Eastern Caribbean still have either *de facto* or *de jure* fixed parity systems. In any event, the floating systems that are in use involve a more than negligible amount of intervention. In Mexico and Brazil, for example, monetary authorities have repeatedly stepped in to smooth out fluctuations in the exchange rate, and monetary policy has continued to be highly dependent on external factors.

Trends in nominal exchange rates were very different in South America from the rest of the region. In South America, the increase in the nominal rate of devaluation, which had begun in late 1997, gained momentum starting in January 1999 because of the Brazilian devaluation. The steepest rates of devaluation were seen in Ecuador (an increase of nearly 100% in the average exchange rate for the year), Brazil (57%) and Colombia (24%).



Mexican and Central American currency markets showed the effects of the disturbances in Brazil during the first quarter, but then quickly returned to normal levels, with average rates of devaluation comparable to those registered before the Russian crisis of 1998. The performance of Mexico (the leading market in the subregion), which quickly restored investor confidence, was instrumental in bringing this about. Exchange rates in Guatemala, however, were a source of tension, as the currency's 16% devaluation was extreme in the context of the country's history.

Continuing a pattern that had become apparent the year before, the Caribbean countries were isolated from the international financial turbulence that affected other countries in the region. Exchange rates there remained on the same trend as before, with average rates of devaluation on the order of 2%.

The exception was the somewhat higher rate of devaluation registered by Jamaica (6.3%), where the effects of an economic crisis are still being felt.

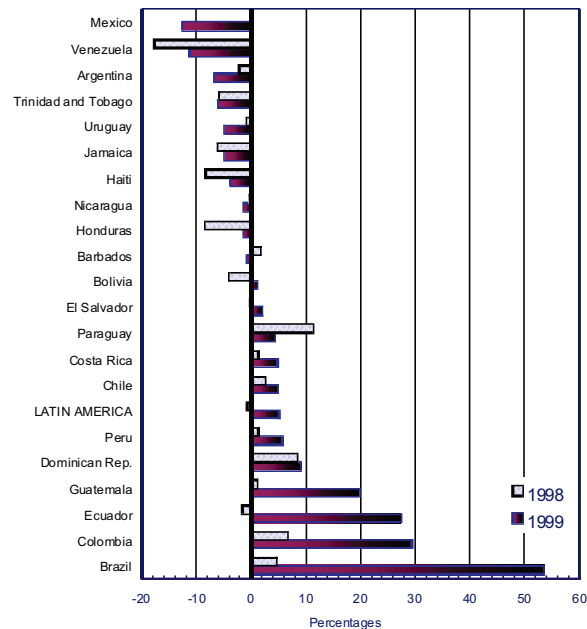
As inflation has been falling throughout the region, real exchange rates have followed the patterns of nominal variation quite closely. In 1999, the simple average of the depreciation rates among Latin American countries was 3.5%. The only case in which an appreciation was observed when rates were measured as subregional aggregates was the Caribbean, and even there the rise was slight (1.7%). This constitutes a continuation of the trend that emerged in 1998 and a departure from the trend of the years before that (1996 and 1997), when the countries of the region saw a significant real appreciation in their currencies (see figure 8).

### Reforms continue at a slower pace

In 1999, the economic crisis put a brake on structural reform in the region, since the authorities had to focus their efforts on dealing with immediate problems. Privatization programmes suffered as scheduled projects were postponed, and proceeds from privatization (slightly over US\$ 12 billion) were far below the previous year's record figure (US\$ 40 billion). Argentina accounted for one third of the total, and Brazil for another third. The sectoral diversification of privatizations and concessions continued, with operations being conducted that involved ports, airports, public water systems, highways, railroads, telecommunications, power generation and distribution, and natural gas.

Deteriorating fiscal balances triggered efforts to find institutional arrangements that could give the authorities tighter control over fiscal accounts (the convertibility law in Argentina, fiscal accountability legislation in Brazil, and a fiscal prudence bill in Peru). Guyana joined the list of countries that have legislatively mandated the independence of their central banks. Against a background of latent or overt crisis in national financial systems, efforts were made to continue strengthening bank supervision and oversight as well, especially in the Caribbean and Central American countries.

Figure 8  
LATIN AMERICA AND THE CARIBBEAN: REAL EXCHANGE RATES  
(Annual rates of variation)



Source: ECLAC, on the basis of official figures.

## 4. Domestic economic performance

With the exception of inflation, which was under control in the great majority of Latin American and Caribbean countries, the region's economic performance was weak in 1999, with zero growth and downturns in both investment and consumption. In view of these trends, it is hardly surprising that job creation was lower than in the previous year and that unemployment was on the rise. Projections for 2000, however, are more encouraging.

### Regional output stalls

Output was stagnant in Latin America and the Caribbean in 1999, with a rate two percentage points under the 1998 figure and more than five percentage points under the 1997 figure, which had been one of the best years in the last quarter century. Per capita output contracted by 1.5%, but even so was still 14% above where it had been at the beginning of the decade (see figure 9).

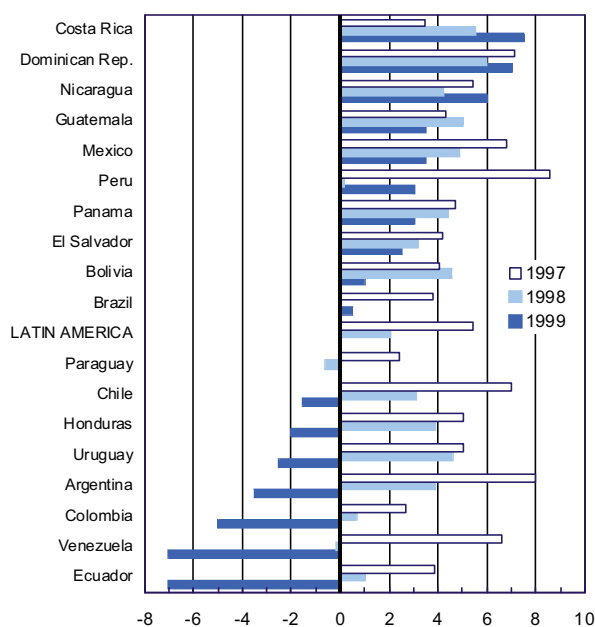
Overall economic performance in 1999 was the outcome of the very different performances turned in by two groups of countries. On the one hand, there were the dynamic economies of Mexico and various Central American and Caribbean countries. Costa Rica, Cuba, Dominican Republic, Nicaragua, and Trinidad and Tobago were particularly notable, with GDP growth of between 6% and 8%, while Mexico had the highest rate of any of the region's medium-sized or large economies. Not all countries in this geographical area grew this briskly, however. The Honduran economy, for example, contracted in the wake of Hurricane Mitch, which had devastated the country at the end of 1998, and the growth rate in Jamaica fell as well.

In South America, economic problems were much more widespread in 1999. Declines of 3% or more were posted in Argentina, Colombia, Ecuador and Venezuela, and there were smaller downturns in Chile, Paraguay and Uruguay. Brazil's modest growth rate of 0.5% was a significant factor in the stagnation of the region's economy, given the size of the Brazilian economy.

The adverse economic conditions that affected the region began to appear in late 1997. The downswing then intensified as the impact of the international financial crisis grew, with abrupt drops in capital flows and steep reductions in the terms of trade. The list of countries in which economic activity was on the rise grew shorter, while the number of countries with declining output climbed. In Brazil, these negative trends were most in tense in 1998 and the first quarter of 1999. Thereafter the economy began to make a halting recovery that was driven by import-substitution industries and the strong performance of the agriculture and mining sectors.

The region's national income was also flat in 1999, though in individual figures varied. In most countries, the deterioration in the terms of trade noticeably affected national income, which fell in a number of cases. In the oil-producing countries, however, and particularly Mexico and Venezuela, national income did better than GDP as a result of the significant rise in oil prices from their 1998 levels, when they had fallen sharply. Deteriorating terms of trade and smaller inflows of foreign capital in most of the countries account for the weakness of consumption and investment. The slower growth of export volumes was also a factor. The negative impact of these elements on output was partially offset, however, by shrinking import volumes.

Figure 9  
LATIN AMERICA AND THE CARIBBEAN: GROSS  
DOMESTIC PRODUCT  
(Annual rates of variation)

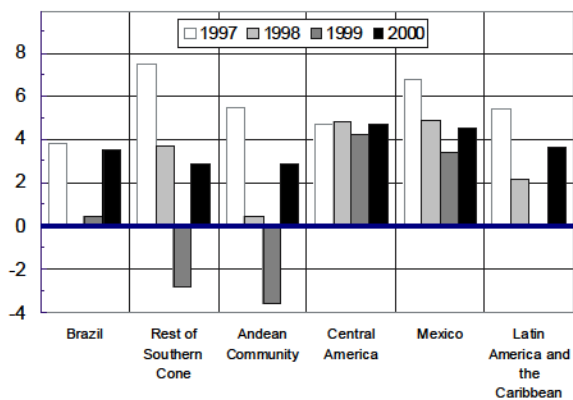


Source: See table A-1 of the statistical appendix.

## A moderate recovery is expected in 2000

In 2000, the Latin American economies are expected to rebound from their 1999 doldrums. ECLAC estimates put the growth rate at 3.6%, which will bring the decade to a close with an average growth rate of 3.2%. This quite encouraging projection is based on the promising outlook for the international economy, with significant growth, very low inflation and low interest rates in the developed countries. At the same time, the external sector is expected to improve in a number of the region's countries as a result of the devaluation of local currencies, which ought to stimulate exports and keep imports down. This scenario is based on the assumption that international capital markets will continue to improve, thereby paving the way for larger capital inflows. Growth rates in Mexico and the Central American and Caribbean countries, which turned in the best performance in the region in 1999, are also likely to rise next year. Meanwhile, the South American countries are expected to make a recovery after their weak 1999 performance. There are already signs of an upturn in Brazil, which will be helpful to neighbouring countries (see figure 10).

Figure 10  
LATIN AMERICA AND THE CARIBBEAN:  
GDP PROJECTIONS FOR 2000  
(Percentages)



Source: ECLAC, Statistics and Economic Projections Division.

## Investment retreats

Investment in 1999 fell sharply as a result of the international crisis, and private investment was especially hard hit. Trends in this variable were also quite uneven, with the Central American and Caribbean countries suffering less than South America. The decreases were the steepest in Chile, Colombia and Ecuador and less so in Argentina, Peru, Uruguay and Venezuela. The best-performing countries were Honduras, Nicaragua, Panama and Cuba. This situation was partly attributable to a marked increase in public investment for rehabilitation and reconstruction following the devastation of Hurricane Mitch (Honduras and Nicaragua) and to increased public and private investment in infrastructure (Panama).

The stagnation of the region's economy in 1999 had a strong impact on private investment, which was also heavily influenced by the adjustment policies implemented in the second half of both 1998 and 1999. Those most affected were the region's SMEs. Reduced foreign investment in some of the countries was also a factor.

Changes in the sources of investment financing included a decrease in external saving amounting to more than two percentage points of GDP,<sup>4</sup> while the contribution of domestic and national saving increased by more than one percentage point. In 14 of the 19 countries for which information is available, however, the latter was weakened by increasingly unfavourable terms of trade. This was a particularly important factor in Chile, El Salvador, Honduras, Nicaragua, Paraguay, Peru and Uruguay.

## Inflation holds steady at low levels

The average inflation rate for the region of approximately 10% in 1999 was very close to what it had been in the two previous years, which saw the lowest figures in half a century. Inflation has dropped rapidly in recent years, plunging from 888% in 1993 to 10% in 1997, whereupon it levelled off. In fact, 17 of the 22 countries with information available were in the single-digit range for the year. In addition, in most countries either the rate of increase slowed or it was low to begin with. There were significant increases in

4 This figure is in constant local currency and hence differs from the balance-of-payments current account, which is measured in current dollars.

only two cases: in Brazil, inflation moved up from 2.5% in 1998 to around 9% in 1999, and in Ecuador it rose from 43% to 53% (see figure 11).

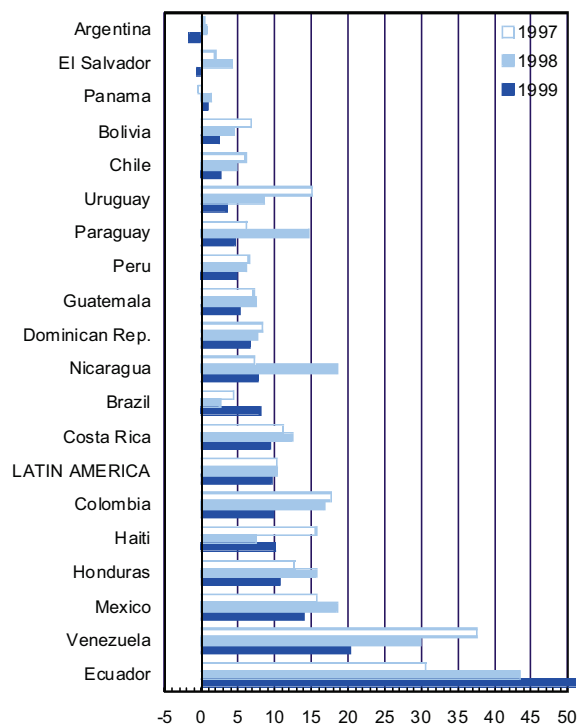
Among the best performers, Argentina again stood out, with a drop of 1.7% in its consumer price index. Other countries with very low inflation (less than 3%) were Bolivia, Chile, El Salvador and Panama. The first three of these countries consolidated their stabilization processes after having achieved very significant advances in recent years. Panama continued to register its usual low rate of inflation.

Uruguay is another noteworthy case. Until very recently, it faced rapidly rising prices, but inflation in 1999 was under 4%, the lowest figure in 50 years. In Colombia the situation was similar, since its inflation rate for 1999 (9.7%) was the lowest in nearly 30 years. An other six countries had single-digit inflation, although some of them had posted increases of more than 10% over the two preceding years. Mexico also

made headway, as its rate of inflation was down by almost 5 percentage points. Venezuela reduced its inflation from 30% to 20%, but this is still high for the region; in fact, it was the second-highest, after Ecuador. Despite the devaluation of various of the countries' currencies, the impact was not passed on to domestic prices thanks to tight monetary policy and the recession that persisted through the first three quarters of the year.

Brazil experienced a setback in its price stabilization process, which in the preceding years had enabled the country to control inflation, after having posted four-digit inflation rates in the late 1980s and early 1990s. The setback was directly related to the steep devaluation of the currency in the early part of the year. However, the effects of economic stagnation and the deindexation process that has been going on in recent years prevented most of the devaluation's impact from being passed on to consumer prices. Inflation did rise slightly towards the end of the year, but this is thought to have been due to specific problems of a limited scope and, given the country's rigorous monetary policy and the support that has been forthcoming from international financial organizations, the possibility of inflation spiralling out of control appears to be fairly remote. Ecuador has been having the most difficult time of any country in the region due to the depth of the economic and financial crisis that has overtaken it. The crisis has triggered an inflationary spike that has pushed rates up to over 50% for the first time since 1995.

Figure 11  
LATIN AMERICA AND THE CARIBBEAN:  
CONSUMER PRICES  
(12-month rates of variation)<sup>a</sup>



Source: See table A.3 of the statistical appendix.

<sup>a</sup> Most recent period for which data are available.

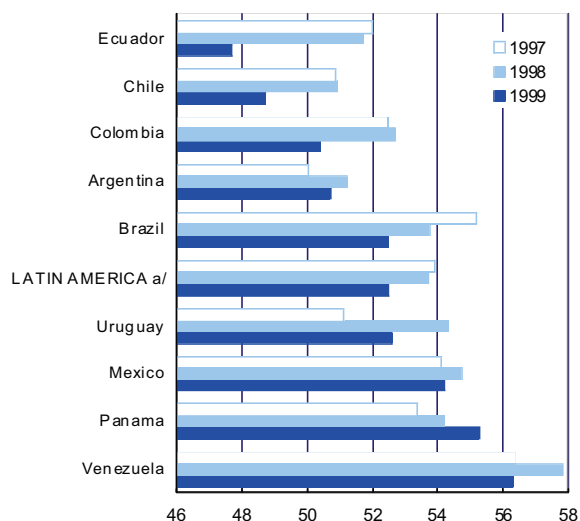
### Labour market problems worsen

The deterioration of the situation in the labour market, which began to become apparent midway through the decade (with a temporary remission in 1997), accelerated in 1999. The economic problems that have arisen in various countries since late 1998, especially in the southern part of the region, were reflected in falling employment rates and sharply rising unemployment.

Sluggish economic growth rates led to a drop in the employment rate in nine countries, taken as a group. Calculated as a weighted average, the decline was from 53.7% to 52.5%, and calculated as a simple average, from 53.5% to 52.1%. It should be emphasized that this is a very significant drop for this indicator. In addition to Brazil, seven other countries registered a decline (Argentina, Chile, Colombia, Ecuador, Mexico, Uruguay and Venezuela); the only country to post an increase was Panama (see figure 12).

Figure 12  
**LATIN AMERICA AND THE CARIBBEAN:  
 EMPLOYMENT RATE**

(Employed persons as a per cent age of the work ing-age population)



Source: ECLAC, on the basis of official figures.

a/ Weighted average.

A slowdown in economic growth –or, more especially, falling output– is generally reflected in a reduction of demand for labour by businesses, which is why the proportion of total employment accounted for by wage earners decreased in many countries, including Argentina, Brazil, Chile, Colombia and Ecuador. The result was a further expansion of the informal segment of the labour market.

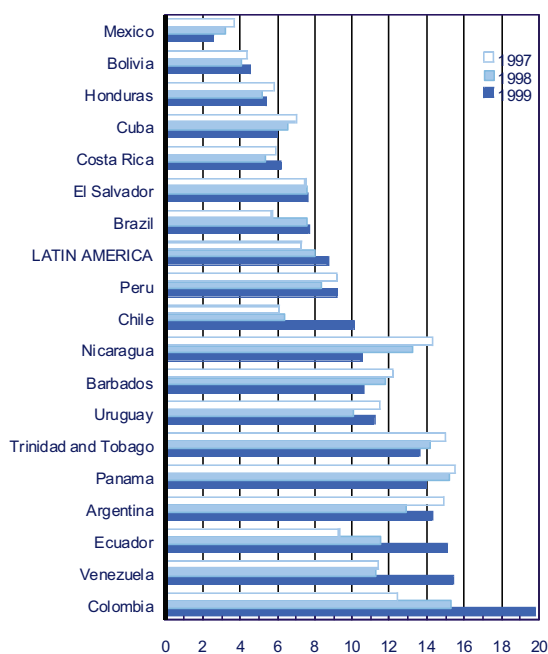
The economic slowdown was particularly hard on employment in construction and manufacturing. In Greater Buenos Aires, for example, the per cent age of total jobs represented by employment in the manufacturing sector fell from 19.2% to 16.9% between August 1998 and August 1999. In Brazil, formal construction jobs fell by 11% between October 1998 and October 1999. In Chile, through the August-October quarter, employment fell by 10.9% in manufacturing and by 25.4% in the construction industry in comparison with the preceding year. In Colombia (seven metropolitan areas), employment in these two sectors for the first half of 1999 was off 13.7% and 16.8%, respectively, from their levels as of the first half of 1998.

In contrast, as had also been the case the year before, employment levels in Mexico and some

Central American and Caribbean countries were boosted by a higher growth rates, thanks to the stimulus provided by these countries’ links with the booming United States economy. Thus, in Mexico the demand for labour was relatively high, and wage labour increased as a proportion of total employment. Contrary to what occurred in the southern part of the region, increases were seen in the percentages of total employment accounted for by both manufacturing and construction.

In keeping with these trends, the unemployment rate for the region as a whole rose from 8.0% to 8.7%, the highest level ever recorded since labour statistics became available for a significant number of the region’s countries. The largest increases in unemployment were in Argentina, Chile, Colombia, Ecuador and Venezuela. By contrast, in Brazil, where unemployment in 1998 had reached levels comparable to those of the early 1980s, the rate remained relatively steady, while in Mexico and a number of Central American and Caribbean countries it fell (see figure 13).

Figure 13  
**LATIN AMERICA AND THE CARIBBEAN:  
 URBAN UNEMPLOYMENT**  
 (Average annual rate)



Source: See table A.4 of the statistical appendix.

The increase in unemployment at the regional level occurred despite the fact that in 1999 the weighted average labour force participation rate for the nine countries with information available departed from its long-term upward trend and fell from 58.5% to 57.9% as many individuals withdrew from the labour market because of a lack of job opportunities. This phenomenon was also a factor in Brazil's relatively good unemployment figures, since it prevented the falling employment

levels in that country from producing a corresponding rise in unemployment.

Real wages in the formal sector performed better than employment, with upswings in Chile, Colombia, Costa Rica, Nicaragua and Uruguay. In all of these countries the increase in wages was due in large part to the decline in inflation, especially in those cases where prices rose less than projected (principally Chile, Colombia and Uruguay). In contrast, real wages stalled in Argentina, Mexico and Paraguay, and fell in Brazil and Peru.

## SOUTH AMERICA

---

### Argentina

---

Argentina's GDP is estimated to have fallen by 3.5% in 1999. A drop in aggregate demand was accompanied by deflation, with consumer prices falling 1.7% in the first 11 months. Price and quantity trends thus reinforced each other, reducing nominal output and spending and hence also leading to diminished tax revenues. The terms of trade fell for the third year in a row, while external factor payments continued on an upward course, with a negative effect on national income. A decline in imports narrowed the trade deficit, more than offsetting the greater outflow for financial services. Thus, the current account shortfall diminished, though it was still of the order of 4.5% of GDP. Although loans from abroad contracted appreciably at some times during the year, financing needs were covered without undue difficulty. As to the public sector accounts, the deficit (not counting income from privatization operations) rose to more than 2% of GDP, so that as the year came to an end the reduction of this imbalance in the year 2000 became a major economic policy priority.

The contraction in the product in 1999 was comparable to that observed in the recession four years earlier, but other features of the situation differed. This time, the recession was less marked, though it lasted longer, having begun in the second half of 1998. Unemployment rose to over 14%, which, although high, is less than the level reached in the prior episode. Although there were moments of

great volatility, tensions in the financial markets never became as intense as in the most acute phase of the mid-1990s crisis. The demand for deposits shrank markedly and loan volume was flat, but the stability of the banking system was not compromised. The low level of international demand for exports also differentiated this recession from the previous one.

**ARGENTINA: MAIN ECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	8.0	3.9	-3.5
Consumer prices	0.3	0.7	-1.7
Real wages	-0.5	-1.1	1.0
Money (M1)	14.7	0.9	-1.8
Real effective exchange rate <sup>b</sup>	-2.9	-2.2	-7.6
Terms of trade	0.4	-4.6	-3.2
<i>Percentages</i>			
Urban unemployment rate	14.9	12.9	14.3
Fiscal balance/GDP	-1.4	-1.2	-2.1
Real deposit rate	6.5	6.9	8.4
Real lending rate	13.5	13.4	18.1
<i>Millions of dollars</i>			
Exports of goods and services	30 940	31 093	27 300
Imports of goods and services	37 241	38 493	32 050
Current account	-12 036	-14 698	-12 600
Capital and financial account	15 342	18 790	14 100
Overall balance	3 306	4 092	1 500

Source: See the statistical appendix.

<sup>a</sup>Preliminary estimates.

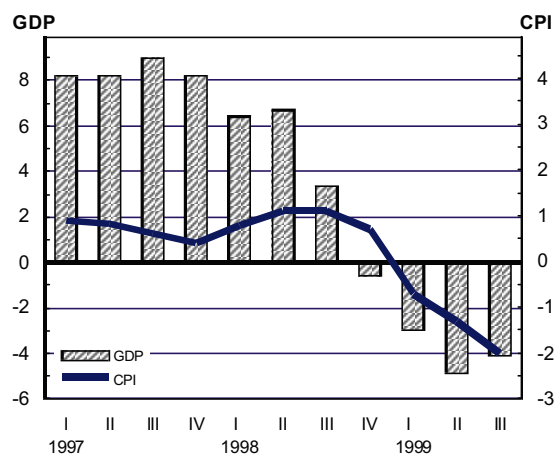
<sup>b</sup>A negative rate signifies an appreciation of the currency in real terms.

Various disturbances were present at the same time in this state of affairs. There was a tightening of international credit, which intensified during the 1998 Russian crisis and following the Brazilian devaluation in early 1999, as well as, to a lesser extent, around the middle of the year. Export prices fell sharply, and demand from Brazil, which is Argentina's main trading partner, diminished. These factors had a direct effect on foreign sales, and also affected domestic demand by making credit tight and restraining the propensity to spend, so that all the main components of aggregate demand diminished. Despite the unfavourable conditions in foreign markets, export volume hardly fell, however. Investment declined more than the product, which was reflected in a considerable reduction in capital goods imports. Consumption decreased somewhat more than GDP in the first six months, and the fall in demand for consumer durables, especially automobiles, was very severe. The reduced output of motor vehicles, also influenced by declining sales to Brazil, contributed to the intense recession in

industry as a whole. By the third quarter, however, manufacturers experienced an upturn in demand, and production indices rose.

The value of exports is estimated to have fallen by approximately 13%, mostly because of lower prices. Prices of commodities, especially grains, fell significantly. The downward trend for manufactures based on agricultural products was less pronounced. Weaker Brazilian demand especially affected exports of other manufactured products, which fell 25% during the period in question. On aggregate, there was a clear change in the composition of exports by target markets. Brazil's 30% share in 1998 fell to 23% in 1999. For its part, the value of imports fell 19%, due to a price decline of 5% and a heavy reduction in volume (14%) resulting from the severe recession. In addition to the poor showing of trade within Mercosur, there were tensions between Argentina and Brazil in connection with trade in various goods (motor vehicles, iron and steel, dairy products, sugar, footwear, textiles). Besides sectoral issues, questions were raised about the functioning of Mercosur in terms of trade policy, investment incentives and –especially in the wake of the Brazilian devaluation– macroeconomic policy. The authorities of the Mercosur countries did, however, reaffirm that they considered continued integration to be a priority.

**ARGENTINA: GROSS DOMESTIC PRODUCT AND INFLATION**  
(Percentage variation)



Source: ECLAC on the basis of official figures.



In 1999 capital inflows were once again high, though not as high as the year before. There were significant changes in the composition of such inflows in the first half of the year. Direct investment was extraordinarily high, due in particular to the acquisition of YPF by a Spanish firm. An appreciable part of this operation represented an outflow in terms of portfolio investment, since much of the company's stock was already owned by non-residents. Not counting income from privatization operations, the non-financial public sector received net foreign credits of the order of US\$ 2.5 billion, equal to almost half the total capital inflow. Government debt placed on foreign markets totalled approximately US\$ 8.4 billion for the first 10 months of 1999.

The spread between the interest rates on Argentine Government paper and rates on United States securities was very wide early in the year but later fluctuated considerably as the year progressed. Immediately following the Brazilian devaluation, risk premiums implicit in the yields of the bonds in circulation rose to their peak for the period but later declined. In mid-year, uncertainty intensified, again widening the spread. Nevertheless, although credit remained tighter than in previous years, there were no major financial disturbances in the weeks around the presidential elections (in late October). This may be attributed to clear signals that the prevailing monetary system would be maintained and that in economic policy special attention would be given to remedying the fiscal imbalance.

When the targets for the 1999 deficit were originally set, some growth in GDP was anticipated. A limit of about 3 billion Argentine pesos (approximately 1% of GDP) was established to cover the financing needs of the public sector (not taking privatization operations into account). However, it soon became clear that this figure was not realistic, as subsequent estimates of the year's cash deficit were approximately twice what had first been projected. Tax receipts of governmental entities fell by

approximately 5% in nominal terms in the first 10 months, while the measures taken in 1998 to boost government income were more than offset by the economic slump and a reduction in the size of social security contributions. Collection of social security taxes fell markedly, as did taxes collected on foreign trade. Income from VAT also went down (by almost 10%), though revenue from taxes on profits and wealth continued to rise. Such growth as was registered in the national government's tax revenues was very significantly influenced by the fact that the proceeds from the granting of a telecommunications concession were included in them, as was the difference between the sale price and market price of the YPF oil company shares which remained in the hands of the State. Current national government outlays rose slightly during the period from January to September, especially for interest payments, which rose more than 20%. Social security payments and transfers to the provinces, on the other hand, went down slightly.

The situation with regard to the public finances and the fiscal regime in general were important subjects of economic debate. The allocative aspects of fiscal policy, especially in terms of its effect on the competitiveness of tradeable goods production, on employment and on the social variables, provoked heated controversy, though the debate was focused especially on how to increase the solvency of the government. There was broad political consensus on a measure designed to set a pattern of decreasing deficits for the coming years. The figure set for the year 2000 (somewhat over 1.5% of GDP) became a key point of reference in the budget debate. The authorities who took office on 10 December warned that the deficit would be substantially higher if corrective action was not taken. They therefore advocated a package of measures involving spending cuts and higher tax revenues, as well as the negotiation of an agreement on the distribution of resources between the national government and the provinces.

---

## Bolivia

---

The Bolivian economy grew by only 1% in 1999: a major slowdown compared with the rate of almost 5% registered in the previous year and the annual average of more than 4% for the decade. This decline was associated with the international crisis, which particularly affected external sector transactions and kept domestic demand flat. While exports fell only slightly, imports dropped more significantly, bringing the current account deficit down by two percentage points, to around 6% of GDP. Inflation for the first 11 months was 2.4%: less than half of the goal set for 1999 and one of the lowest levels in the second half of the century.

Government and Central Bank authorities continued to take a cautious approach, attempting to preserve the essential features of the reigning economic policy of recent years, which is based on price stability, stable and competitive exchange rates and fiscal discipline. The government negotiated an increase in the fiscal deficit agreed upon with the IMF to 4.2% of GDP. The weaker current revenues obtained in 1999 seem to be associated with the effects of an unfavourable economic situation. Current expenditures registered considerable cuts in spending on goods and services as well as in transfers. The fiscal cost of the pension reform process remained very high because of the increase in payments to retirees who opted to remain under the old system.

The Central Bank took pains to adjust the money supply to demand, and there was a substantial contraction of the money supply. The monetary aggregates M1, M2 and M3 declined almost 20% between the end of December 1998 and the end of August 1999 in local currency terms. When foreign currency is included –a very important factor in a country with high rates of dollarization– the declines are somewhat less steep: 15% for M1 and 10% for M2, while M3 rose by 3%. Net international reserves fell from US\$ 1.064 billion the previous December to US\$ 946 million at the end of August.

National-currency interest rates remained stable, though in certain months (especially July) they reached over 40%, with an increase in the interbank rate.

Foreign-currency interest rates were slightly higher than in 1998.

Despite the unfavourable conditions in the external sector, there was no major change in the exchange rate. The rate of devaluation (5.5%) was comparable with the preceding year (4.9%), and there was a moderate rise (1%) in the real exchange rate for imports.

The commitments to the United States with regard to the elimination of coca plantations were completely fulfilled in 1999 in exchange for compensation to the affected communities for each hectare destroyed. No major disturbances occurred in the process. Notable events in the judicial sphere included the appointment of a national “Ombudsman”, adoption of new customs legislation, and progress in the complete reform of the customs system, with IMF support.

The negative impact of the international crisis had already been felt by the end of 1998 and became more pronounced in the course of 1999. In the final months of the year, however, an upturn in some of Bolivia’s important export products was perceived, especially in the case of soya, minerals and petroleum.

In terms of overall demand, exports fell while consumption was flat. Investment grew moderately, driven by public investment. On the overall supply side, a small increase in GDP (1%) was accompanied by a significant decline in imports. Foreign direct investment was somewhat lower than in the preceding year and continued to be associated with the process of the privatization or “capitalization” of public enterprises

**BOLIVIA: MAIN ECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	4.1	4.6	1.0
Consumer prices	6.7	4.4	2.4
Real wages	8.1	0.1	...
Money (M1)	15.6	10.0	-10.2
Real effective exchange rate <sup>b</sup>	-2.5	-4.0	-0.6
Terms of trade	3.5	-4.9	-0.5
<i>Percentages</i>			
Urban unemployment rate	4.4	4.1	4.5
Fiscal balance/GDP	-3.4	-4.0	-4.2
Real deposit rate	9.6	4.8	10.0
Real lending rate	43.4	30.7	32.3
<i>Millions of dollars</i>			
Exports of goods and services	1 414	1 355	1 270
Imports of goods and services	2 062	2 200	1 880
Current account	-552	-675	-535
Capital and financial account	667	777	360
Overall balance	115	102	-175

**Source:** See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

begun under the previous Government. This process requires the purchasers of the privatized entities to make substantial investments, which are now in progress.

Mining was the sector most affected by the international crisis, the impact of which intensified in 1999. The sector shrank 19% in the first half of the year, though in the second half some signs of recovery began to show themselves, with an upturn in some metals prices.

Activity in the hydrocarbons sector fell as the contract for the export of natural gas to Argentina ended and natural gas sales to Brazil were postponed. These gas sales only began towards the end of the year, after a prolonged period needed to make the recently

built pipeline fully operational. The lower oil production is connected with depressed domestic demand.

The agricultural sector recovered from its 1998 setback thanks to a good harvest in the uplands. The Santa Cruz area, however, felt the impact of lower prices, especially for soya, though the price was rising again, albeit timidly, by the end of the year.

The electricity, gas and water sector remained fairly strong, thanks to a substantial increase in investments targeted both at the domestic and the export markets. On the other hand, the buoyancy of the construction sector failed to hold up, as work on the natural gas pipeline to Brazil came to an end and private construction failed to take up the slack. The leading growth sectors were transport and communications and financial services, both of which posted gains of more than 10% during the first half of 1999.

Inflation continued to fall. At mid-year it was only 0.4%, following negative rates in March and April. In subsequent months there was some resurgence of inflation, but the cumulative figure up to November was still only 2.4%.

Since imports fell more than exports, the trade deficit up to July 1999 was US\$ 350 million, which was less than the figure posted 12 months earlier. In the decline in external sales, the reduction in mineral exports, especially gold and silver, was especially large. Exports of oil and gas and agricultural commodities also declined. These reductions were the result of a combination of factors: falling prices for Bolivia's exports and weaker foreign demand for raw materials.

The reduction in imports was across the board. In the case of raw materials and capital goods, especially for industry, it seems to be associated with the end of construction work on the natural gas pipeline to Brazil. Imports of consumer durables and non-durables also shrank. According to Central Bank estimates, imports for the year will amount to around US\$ 1.8 billion, compared with US\$ 2.2 billion in 1998.

The Central Bank's net international reserves, which had increased in previous years, fell by more than US\$ 100 million in 1999. Foreign indebtedness went down slightly, with increased service on the outstanding debt offset by fewer new commitments.

---

## Brazil

---

Serious problems due to high fiscal and external deficits, which made the Brazilian economy highly vulnerable to international turbulence, worsened in January 1999. The policy of gradual change in the exchange rate became unsustainable, and the currency-band system had to be replaced by a free float, which produced a sharp devaluation. Since the exchange rate was intended to serve as an anchor for domestic prices, this meant the collapse of one of the pillars of the Plano Real. Instability persisted until March, as there was fear that the government would not be able to meet its debt commitments and the Central Bank lacked resources to contain the rise of the dollar. The volatility began to abate in March with the IMF accord, the sharp rise in interest rates and the passage of new fiscal measures in Congress.

Because of the magnitude of the devaluation, there were predictions during the following weeks of a substantial drop in economic activity for 1999 (-4%), high levels of inflation (over 20%) and an increase in unemployment (to over 10%). The feasibility of achieving a primary fiscal surplus of more than 3% of GDP (not counting interest payments) was also called into question, as was the likelihood of meeting the goal of 27 billion reals in revenue from privatization operations (an amount comparable to the 1998 figure). There were some bright spots, however. After a slight drop in 1998, GDP should grow, albeit only by 0.5%, inflation should not exceed 9%, and unemployment should remain under 8%. On the other hand, the fiscal deficit remains very high, since devaluation has increased the public debt, the bulk of which is denominated in foreign currency or is indexed to the exchange rate. There was a primary surplus of 3% of GDP, but the nominal deficit was 9%, which brings public indebtedness close to 50% of GDP. The slowdown of the privatization process was also a factor, since it generated proceeds of only 7.6 billion reals: a mere third of the amount projected. The external accounts were also discouraging. The current

account deficit fell from US\$ 33.8 billion to US\$ 25.3 billion, but there was a merchandise trade deficit of US\$ 1.9 billion, which, though only 29% of the preceding year's figure, is far from the US\$ 11 billion surplus that had been set as a target.

Interest rates increased sharply in late February and fell gradually thereafter, so that the financial and credit markets exerted a restraining effect on domestic demand. The Central Bank's action on the currency market was the crucial factor, however. With the receipt of a significant portion of the foreign support package (close to US\$ 18 billion) provided by multilateral organizations and the agreement with the IMF on intervening in the currency market, the exchange rate fell 17% between March and May, after which it stabilized. In August, however, it began to rise again in response to uncertainty about external liquidity for emerging countries and questions about the sustainability of the fiscal adjustment. Towards the end of the year, the exchange rate settled down again as some of the fears about the future of the economy dissipated.

Federal Government revenue rose by almost 1% of GDP and spending fell, producing an improvement in

**BRAZIL: MAIN ECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	3.8	0.0	0.5
Consumer prices	4.3	2.5	8.0
Real wages	2.6	0.1	-3.5
Money (M1)	58.9	7.1	7.4
Real effective exchange rate <sup>b</sup>	-1.1	4.8	49.5
Terms of trade	5.8	-2.1	-8.2
<i>Percentages</i>			
Urban unemployment rate	5.7	7.6	7.7
Fiscal balance/GDP	-6.1	-8.0	-9.0
Real deposit rate	17.8	24.1	22.2
Real lending rate	41.9	88.5	84.8
<i>Millions of dollars</i>			
Exports of goods and services	59 176	58 770	54 400
Imports of goods and services	75 139	74 412	62 580
Current account	-30 493	-33 825	-25 260
Capital and financial account	22 586	16 532	12 110
Overall balance	-7 907	-17 293	-13 150

Source: See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

the public sector's primary results. However, this was due to very specific alterations in the situation, such as revenue from concessions, profits of State enterprises and fuel taxes, which represented approximately 10% of total receipts. In contrast, revenue from new taxes rose more moderately.

The sustainability of the new levels of spending is in question, in view of social and political pressures. In 1999, nominal expenditure (excluding that related to wages and interest payments) fell more than 10%. Another source of concern is the growing deficit in the social security system. The government has attempted to turn this situation around by adjusting retirement pensions according to the length of time during which a worker has made contributions and the age at which he retires.

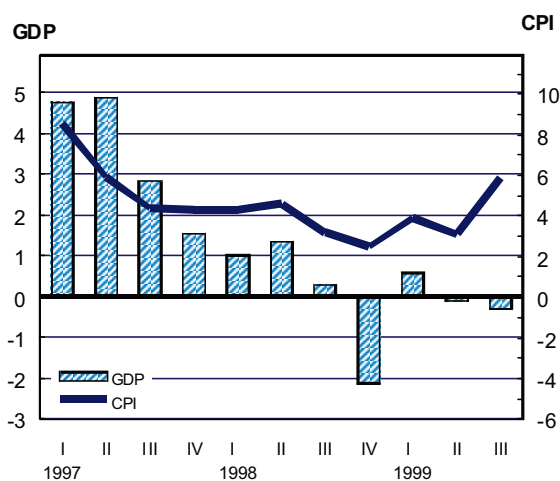
The Central Bank has tried to simplify its intervention in the financial market by substantially reducing its basic annual interest rate –from 40% in March to 19% in September. It has also introduced inflation goals (8% for 1999, 6% for 2000 and 4% for 2001) as guideposts for monetary policy and has begun to reduce the compulsory reserve requirements for bank deposits.

Legal and operational problems have limited the privatization process, which has been concentrated at the level of the individual states, with the sale of electricity distribution firms, which has brought in 6.9 billion reals. At the federal level, the sale of enterprises in the field of information processing and shares of companies already privatized generated revenue of almost 800 million reals.

Some fiscal reforms have begun to be implemented, while others are in the legislative pipeline. However, problems have arisen in introducing VAT and reforming the social security system for public employees, especially after a ruling by the Federal Supreme Court limiting the collection of contributions in respect of retired employees.

The level of economic activity, which suffered a severe downturn in the last quarter of 1998, began a gradual recovery in 1999, defying the most pessimistic expectations provoked by the currency crisis. Manufacturing, which had declined by 3.9% in the first quarter, will probably finish the year with a decline of only 2%, thanks to the success of intermediate goods and non-durable consumer goods, which benefited from improvements in competitiveness resulting from devaluation. Better credit conditions led to a mild upturn in sales of consumer durables, though these will still be the worst performers of the year, followed by capital goods. Mining and agriculture, however, had a

**BRAZIL: GROSS DOMESTIC PRODUCT  
AND INFLATION**  
(Percentage variation)



Source: ECLAC, on the basis of official figures.

good year and are both estimated to have grown more than 6%. The services sector is expected to show virtually no change.

As in 1998, unemployment remained in the vicinity of 7.5%. The second half of the year saw a slight improvement, due in particular to a recovery in the demand for labour by the construction sector and industry. Real per capita income fell 4%. Employers and own-account workers were most heavily affected, and wage-earners felt the impact more than informal workers.

Cumulative inflation as of November was around 8%, which is undoubtedly a good result in view of the January devaluation and the subsequent speculative attack. A slight upsurge began in August as a result of the increase in publicly controlled prices, food supply problems, rising international prices for primary products and higher profit margins in the oligopolistic industrial goods markets. At year's end, there were still fears that profit margins may continue widening and that the rise in wholesale prices (over 20%) will be passed on to consumers.

Because of the unfavourable conditions in the international market, the rise in the exchange rate in 1999 did not translate into a substantial improvement in the trade balance. The 11% drop in the value of exports during the first 11 months compared with the corresponding period in the previous year was due entirely to a decline in prices (-10%) from the already

very depressed 1998 level, since physical sales actually increased by 2.9%. Commodities prices fell 16.5%, for a rise in volume of 4.2%. Prices of semi-manufactured goods dropped 19%, while the volume sold rose by 14%. Prices of manufactured products fell (-8.9%), as did the volume (-3.5%), due to shrinking Latin American markets. Imports fell 15% after the sharp devaluation, principally as a result of the reduction in their volume, as prices went down by only 2%.

The deficit on the services account fell by 31%, while factor income went down by 2.2%, so that the current account deficit shrank by 25%. In the capital account, although direct investment went down it nevertheless remained at an extremely high level, with a net inflow of US\$ 26.5 billion. During the seven months following the devaluation, the international market was practically closed to new securities from Brazilian companies. The situation began to improve somewhat in September, but the overall balance for 1999 showed a deficit of US\$ 13.15 billion, which was covered by a reduction of US\$ 4.65 billion in the international reserves and a special one-time finance package from the IMF (US\$ 8.5 billion).

Negotiations within Mercosur were affected by the imposition of trade barriers by trading partners in 1999. In July, Brazil signed a preferential tariff agreement for 3,000 products with the members of the Andean Community.

---

## Chile

---

After 15 years of uninterrupted strong growth, in late 1998 Chile entered on a recessive cycle that lasted almost 12 months. This led to a 1.5% decline in GDP in 1999 as a consequence of sharp drops in the prices and demand for Chile's main exports attributable to the Asian crisis, which hit the Chilean economy at a time when it was suffering from a pronounced exchange-rate lag and a high external deficit. The policies adopted in order to reduce the deficit intensified the recession, which became deeper and longer than had been expected.

## CHILE: MAIN ECONOMIC INDICATORS

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	7.0	3.1	-1.5
Consumer prices	6.0	4.7	2.6
Real wages	2.4	2.7	2.4
Money (M1)	20.0	-8.3	15.9
Real effective exchange rate <sup>b</sup>	-6.7	2.7	2.8
Terms of trade	3.8	-13.6	-4.6
<i>Percentages</i>			
Unemployment rate	6.1	6.4	10.1
Fiscal balance/GDP	0.9	-0.8	-1.5
Real deposit rate	5.6	9.5	4.8
Real lending rate	9.0	14.5	8.7
<i>Millions of dollars</i>			
Exports of goods and services	20 772	18 949	19 250
Imports of goods and services	22 281	21 580	18 850
Current account	-3 728	-4 143	-1 000
Capital and financial account	6 913	2 003	700
Overall balance	3 185	-2 140	-300

Source: See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

At the end of June, the Central Bank and fiscal authorities announced a coordinated programme to stimulate economic reactivation. The Central Bank adjusted its growth projections from 2% to 0.5% and announced a cut in the base interest rate to 5%. It also lowered its projections of the trade and current account deficits and estimated that growth in the year 2000 would be between 4.5% and 5.5%.

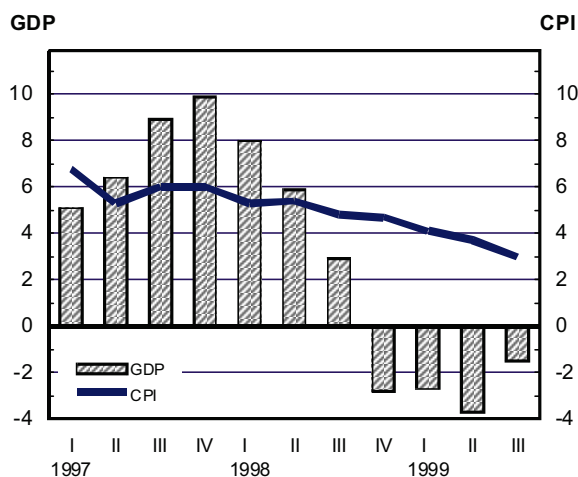
Reactivation measures included expanding programmes of public investment in labour-intensive activities, bringing forward investment programmes in State-owned enterprises and copper mining, tax incentives to stimulate housing purchases, and rescheduling debtors' obligations with the State-owned Banco del Estado and the public sector, including the condonation of interest due and penalties incurred on debts between 1 January 1998 and 31 May 1999.

The external outlook pushed up the value of the dollar in the second half of the year. There was also a private-sector portfolio adjustment as a result of changes in anticipated real returns compared with those on dollar-denominated assets. This was accentuated in early September when the Central Bank floated the currency. This move to a more flexible system was facilitated by the fact that inflation was under control, by the implementation of hedging operations, by the fact that the external situation had calmed down, and by

The economy had to make an abrupt adjustment in order to absorb the effects of unfavourable terms of trade and the after-effects of the tight money policy applied since the previous year. Thus, a moderately severe external crisis turned into a recession, with unemployment around 10%.

At the end of the first nine months, the public sector had a deficit of 0.6% of GDP, suggesting that for the first time in 12 years the sector would post a temporary deficit of the order of 1.5% of GDP. Initial budget estimates presented to the National Congress in October 1998 had been based on 3% growth in GDP and on higher copper prices than those that actually prevailed on the international market. Consequently, the 2.3% increase in spending that had been set as an upper limit in the context of GDP growth projections was considerably exceeded. On top of this circumstance came the need for an accelerated programme of public investment to foster the generation of jobs and compensate for the drop in private-sector expenditure.

CHILE: GROSS DOMESTIC PRODUCT AND INFLATION  
(Percentage variation)



Source: ECLAC, on the basis of official figures.

the reduction of exchange-rate mismatch problems in business. Moderate devaluation resulted, with the value of the dollar expected to be around 530 Chilean pesos at year's end.

The recessionary cycle began in November 1998 and only eased in September, after 11 consecutive months of diminishing economic activity. The first half of the year saw a drastic 14.2% cut in expenditure, due basically to a reduction of almost 15% in the gross fixed capital formation and an 18% drop in imports. By the end of the third quarter, GDP had fallen 2.6% and domestic spending 12.3%. The most heavily affected sectors were construction (-10.7%), commerce (-4.4%) and industry (-2.7%). The high rate of growth in mining during this period (14.5%) moderated the total decline in GDP.

A number of sectoral difficulties combined to amplify the impact of macroeconomic conditions on the levels of economic activity and employment, especially in the first half of the year. The electricity rationing which had to be applied in April affected industry and commerce, the fishery catch was sharply reduced by the meteorological phenomena of El and La Niña, and a shortage of foreign financing led to the cancellation or postponement of important road infrastructure projects.

On the policy side, the emphasis placed on meeting inflation goals and neglect of the current account deficit in 1997 and 1998 created conditions that turned a moderate external crisis into a prolonged recessionary cycle.

Inflation in 1999 will be around 2.6%, which is 40% less than the original Central Bank projections. This difference is consistent with the adjustment in expenditure and was facilitated by external deflation. In annualized terms, inflation was 2.2% for tradeables and 3% for non-tradeables. The annualized increase in the wholesale price index was of the order of 13%,

however, driven by the roughly 9% increase in the nominal value of the dollar. A gradual transfer of these cost pressures to consumer prices can be expected.

Unemployment rose from 6.8% in August 1998 to 11.5% in August 1999. It fell by half a percentage point in October, however, opening up the possibility that the year will end with single-digit unemployment. Average unemployment for the first three quarters was 10.1%.

Nominal wages responded, with some lag, to higher unemployment. After having ended 1998 with an annualized increase of 6.9%, they rose 5.6% by September 1999, while the real increase dropped from 3.2% to 2.5%.

The balance of payments deficit went down spectacularly compared with the previous year, falling from US\$ 4 billion to US\$ 1 billion. The current account deficit (1.5% of GDP) represented a drop of 4% from the previous year.

The foreign trade figures reflect both the severity of the adjustment and also the fact that it was based on a drop in expenditure and hence in imports. Thus, the US\$ 400 million trade surplus compares with the deficit of US\$ 2.6 billion in 1998.

The capital account registered a net inflow of US\$ 700 million in 1999 as against US\$ 2 billion the previous year. A significant share of capital outflows are accounted for by changes in the composition of bank portfolios. Bank assets rose by US\$ 3.5 billion, in large measure to cover foreign currency futures sales and through withdrawal of deposits from the Central Bank.

Foreign direct investment totalled US\$ 3.5 billion. Direct investment rose significantly, both in terms of flows from abroad and with respect to investments made by Chileans in the rest of the world. The former amounted to US\$ 9.4 billion, the latter to US\$ 5.4 billion.



---

## Colombia

---

The recession which the Colombian economy began to experience in the second half of 1998 worsened considerably in 1999. As a result, GDP fell approximately 5% and unemployment reached 20%. Consequent lower tax receipts, combined with the need to support the financial sector and the country's coffee-growing area, hard hit early in the year by an earthquake, brought the fiscal deficit to 4.6% of GDP.

Falling demand and the devaluation of the peso in real terms contributed to the sharp reduction in the current account deficit (from 5.9% to 1.3% of GDP). Thanks to reduced domestic demand and the abundant supply of foodstuffs, inflation fell considerably despite the drop in the exchange rate, so that the rise in the consumer price index (CPI) was less than 10%, as against 16.7% the previous year.

Continued uncertainty about the peace process aggravated the economic situation, but by the end of the year lower interest rates and inflation as well as a more competitive exchange rate made a moderate upturn seem likely.

In the course of the year, economic policy became more expansionary. Interest rates fell very sharply in the first half of the year, but their decline was checked by the measures taken to defend the exchange-rate band. In the last quarter, the establishment of a floating exchange rate and the conclusion of financing agreements for US\$ 6.9 billion with multilateral agencies allowed for a more aggressive policy to stimulate the economy and mitigate the effects of tighter credit.

The currency crises in Brazil and Ecuador early in the year had little impact on Colombia. However, as the domestic recession intensified, the cost of defending the exchange-rate band rose in terms of falling GDP and rising unemployment. Faced with new speculative attacks, the Bank of the Republic decided in June to modify the band for the second time in nine months, resulting in a 9% devaluation but renewed doubts about

the credibility of the currency band approach. Colombia's loss of its "investment-grade" rating in the third quarter intensified the speculative attacks, forcing the Bank to sell US\$ 400 million of its international reserves (5%) in a single week. On 25 September, the Bank of the Republic finally abandoned the currency band system. By that time, the peso had lost 30% of its nominal value, paving the way for the real exchange rate to become competitive again. There was no massive devaluation after this, but rather a gradual revaluation.

Monetary policy was aimed at bringing interest rates down, within the limits of the exchange rate regime. In the first half of the year, the average rate on deposits in the financial system fell from 34% to 18%, where it remained with some fluctuations until November, when it again began to fall. Given the low level of inflation, however, rates remained high in real terms. This was especially true for lending rates, because of the simultaneous increase in the intermediation spread. In early November, the annualized growth rate of the money supply was 11%, while broad money (M3+bonds) grew 5.6%: much less than domestic inflation. This is closely linked with the decline in lending (-2.1%) resulting from low liquidity and increased perception of financial and economic risk.

The Government's capitalization programme and the efforts of the private financial institutions prevented a general crisis, but were not enough to cure the sector's ills. Continued weakness in the financial sector, where losses in the first 10 months amounted to 1.77 billion

## COLOMBIA: MAIN ECONOMIC INDICATORS

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	2.7	0.7	-5.0
Consumer prices	17.7	16.7	9.7
Real wages	2.6	-1.3	1.6
Money (M1)	21.5	-5.4	8.1
Real effective exchange rate <sup>b</sup>	-6.4	6.7	10.3
Terms of trade	9.8	-7.9	5.1
<i>Percentages</i>			
Urban unemployment rate	12.4	15.3	19.8
Fiscal balance/GDP	-3.1	-3.4	-4.6
Real deposit rate	4.8	11.7	9.7
Real lending rate	13.4	19.8	17.8
<i>Millions of dollars</i>			
Exports of goods and services	14 220	13 477	14 315
Imports of goods and services	18 400	17 514	13 400
Current account	-5 896	-5 907	-1 155
Capital and financial account	6 122	4 531	405
Overall balance	226	-1 376	-750

Source: See the statistical appendix.

<sup>a</sup>Preliminary estimates.

<sup>b</sup>A negative rate signifies an appreciation of the currency in real terms.

pesos (1.2% of GDP) and the indicator of portfolio quality moved from 10% in December 1998 to 14%, prevented economic recovery by reducing lending.

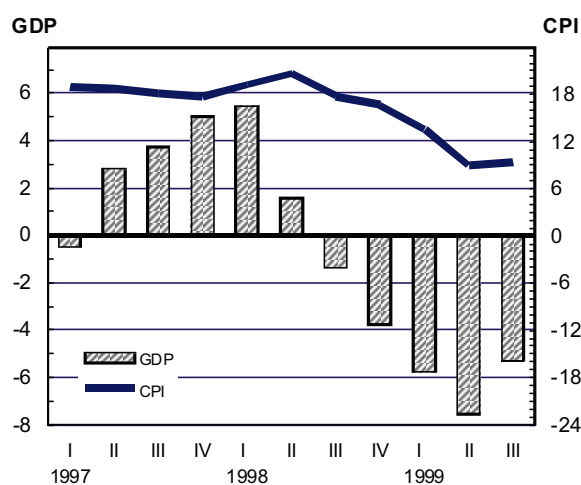
The goal of fiscal policy was to reduce the fiscal deficit from 3.4% to 2.1% of GDP, using revenue generated by the tax reform of December 1998. However, lower tax receipts, together with the financial sector emergency and the January 1999 earthquake, brought the deficit to 4.6% of GDP for the public sector and 5.1% for the central government. The surplus of 0.5% of GDP for the rest of the public sector is due to surpluses in Ecopetrol and the social security system.

For the year as a whole, a 7.8% increase in nominal current revenue is projected for the central government, though the increase is only 2.1% if non-recurrent revenue from the tax on financial transactions is excluded from the calculation. The situation was eased by the exceptional increase in capital revenue (124%), which included the transfer of the profits of the Bank of the Republic. Total revenue is projected to rise by 19.3%, slightly more than total expenditure (19.1%). Investment expenditure fell 10.4%, while outlays for interest and operating expenses rose more than 20%.

In the area of structural reforms, the Government's efforts were focussed on the public finances. The various projects in the legislative pipeline include reforming the transfer system, establishing the decentralized pension fund and implementing measures to keep reasonable limits on spending in both the decentralized system and the central government.

The economic slowdown worsened in 1999, with a drop of 6.6% in economic activity in the first half of the year. In view of the incipient signs of recovery, for the year can be expected to register a decline of 5%. Since public spending rose slightly, the adjustment was concentrated in the private sector. Private investment was particularly affected, falling by more than 50% and dragging domestic demand with it. The only growth sectors were mining and quarrying and social/community/personal services. Manufacturing and construction performed poorly, with declines of the order of 13%. As a result, unemployment in the seven main cities rose five points, reaching the vicinity of 20% in March and remaining there for the rest of the year. Real wages, on the other hand, benefited from the falling CPI, since many collective contracts were based on past inflation.

In contrast to the producer price index (PPI), the CPI did not reflect the effects of the real devaluation,

COLOMBIA: GROSS DOMESTIC PRODUCT AND INFLATION  
(Percentage variation)

Source: ECLAC, on the basis of official figures.

since it registered the smallest increase for almost three decades, thanks to depressed domestic demand and an abundant food supply.

Aided by the recovery in oil prices and the devaluation in the real exchange rate, and despite deep recessions in Venezuela and Ecuador, exports of goods showed an upturn, while imports, seriously affected by the drop in private-sector demand, went down by one-third of their previous year's value. The goods and services trade balance is expected to move from the

4% deficit registered in 1998 to a surplus equivalent to 1% of GDP, while the current account deficit will drop from 5.9% to 1.3%.

The fall in the current deficit was accompanied by only a very small net inflow of capital, attributable to the sharp drop in foreign direct investment (from 3% of GDP in 1998 to 0.4% in 1999) and to increased short-term financial outflows. Net international reserves fell by US\$ 560 million, to close the year at US\$ 8.1 billion.

---

## Ecuador

---

With its financial and currency systems in deep crisis, the Ecuadorian economy contracted by about 7% in 1999. Imports declined drastically, and the previous current account deficit became a surplus equivalent to 6% of GDP. Thanks to weak demand, although inflation rose to over 50% it did not get out of control, despite the rapid depreciation of the currency and vigorous expansion of the money supply. The recovery in oil prices and the fiscal reforms put into effect in May made it possible to bring the non-financial public-sector debt down to 4% of GDP, but the depreciation of the sucre made servicing the heavy foreign debt even more difficult, and late in the year the government defaulted on interest payments to private creditors.

The financial system showed itself to be highly vulnerable as a result of the fact that, in a context of deregulation and with a stabilization programme based on an exchange rate anchor (in place since 1994), it had expanded considerably on the basis of foreign financing, while there were also cases of mismanagement (loans to related companies, unregulated external operations). The climatic phenomenon of El Niño reduced the ability of broad sectors of the economy to service their debts, and this,

along with the difficulty in gaining access to foreign lending as a result of the international financial crisis and the disintermediation caused by the 1% capital circulation tax, forced a large number of banking institutions to close their doors or made necessary public intervention to prevent their collapse.

In the midst of an acute shortage of dollars, early in the year the exchange rate shot through the ceiling of the currency band, which had last been adjusted in September 1998. The authorities tried to defend the

## ECUADOR: MAIN ECONOMIC INDICATORS

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	3.9	1.0	-7.0
Consumer prices	30.6	43.4	53.5
Real wages	-3.5	-7.2	-9.6
Money (M1)	29.7	34.8	105.2
Real effective exchange rate <sup>b</sup>	-4.2	-1.5	23.5
Terms of trade	2.1	-11.0	4.6
<i>Percentages</i>			
Urban unemployment rate	9.3	11.5	15.1
Fiscal balance/GDP	-2.6	-6.2	-4.0
Real deposit rate	-2.3	2.6	-1.1
Real lending rate	9.6	10.3	8.5
<i>Millions of dollars</i>			
Exports of goods and services	6 087	5 007	5 080
Imports of goods and services	5 841	6 409	3 425
Current account	-714	-2 169	885
Capital and financial account	745	1 378	-1 485
Overall balance	31	-791	-600

Source: See the statistical appendix.

<sup>a</sup>Preliminary estimates.

<sup>b</sup>A negative rate signifies an appreciation of the currency in real terms.

sucre by selling international reserves and raising interest rates, but in February the situation became untenable and a dirty float was initiated. In the course of the year there were successive phases of high volatility and heavy pressure on the exchange rate, and over the first nine months of the year the sucre lost 23.5% of its real value. The depreciation continued in the final quarter and put dollar-denominated debtors in a difficult situation, aggravating the financial crisis still further.

In the course of the year, more than half of the assets of the banking system passed over to the Deposits Guarantee Agency, which had been created the previous year to clean up the operations of banking institutions that were unable to honour their commitments and to return their savings to depositors in those institutions. Some institutions were closed down, while there are plans for others to be merged and privatized. The Central Bank granted special rescue loans against bonds issued by the Ministry of Finance and Public Credit in order to stabilize some of the institutions, and it provided the funds to pay off depositors at banks that had been closed. As a result, the nominal money supply increased 119% in the 12-month period from November 1998, despite the

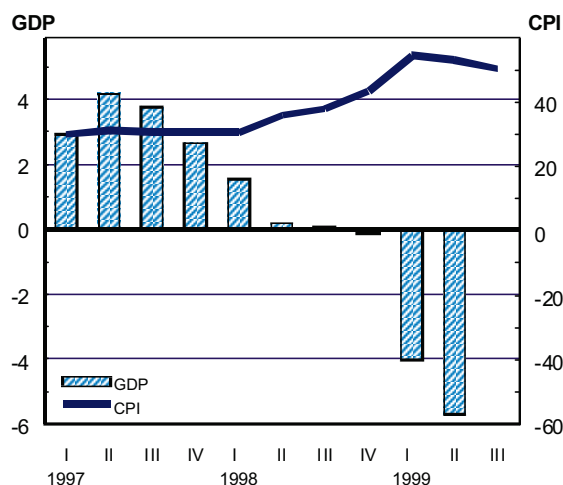
issue of stabilization bonds at a growing pace, while the M1 money supply increased by 105%. In order to try to check this expansion, the compulsory reserve requirements in respect of deposits in sucres were increased from 16% to 19% in December.

To prevent even greater depreciation, protect the financial system and contain inflation, a portion of financial deposits was frozen in March. Some of these funds were released gradually in the course of the year. Because of loss of confidence in the financial system, nominal quasi-money grew only 11%.

Interest rates eased somewhat with the elimination of the currency band, but they still remained high as a result of continuing uncertainty and pressure on the exchange rate. Late in the year, authorities raised interest rates sharply to contain the depreciation of the sucre.

A fiscal package was agreed on in April under which income tax (which had been replaced by the capital circulation tax in 1998) was restored, VAT exemptions were eliminated, and for 1999 only, taxes on corporate assets and expensive automobiles were instituted. Even so, proceeds from VAT, special excise taxes and customs tariffs declined in real terms because of the economic slowdown. The upturn in international oil prices provided a significant degree of relief, and the non-financial public sector deficit (6.2% in 1998) was brought down to 4%. The budget for the year 2000 was approved in November and includes an

ECUADOR: GROSS DOMESTIC PRODUCT AND INFLATION  
(Percentage variation)



Source: ECLAC, on the basis of official figures.

increase in the rate of VAT from 10% to 12%, which is considered crucial for reaching an agreement with the IMF in order to be able to renegotiate the external debt.

The financial crisis and the government's stabilization policies aggravated the situation of the productive sector, which was already suffering the consequences of El Niño. The freezing of deposits put a brake on demand and limited the availability of financing for businesses. Between November 1998 and November 1999, the nominal volume of private bank lending fell 8.6%, while the private banks' portfolio of non-performing debts rose from 9.2% at the end of 1998 to 51.8% in November 1999.

The product fell by 4.9% during the first half of the year, and it is estimated that the decline for the year as a whole will be 7%. On the demand side, there were sharp contractions in real terms in the first half of the year in household consumption (-5%), public administration expenditure (-9%) and, most importantly, investment (-19%). Exports fell by 1% and aggregate demand by 10%. As regards supply, real imports went down by 32%.

Predictions for the year as a whole anticipate declines of 7% in manufacturing, 9% in construction and 12% in commerce. Of the main sectors, only agriculture grew during the first half of the year (by 2%), because in spite of some specific problems and a scarcity of formal financing, some areas of agricultural activity succeeded in recovering from the adverse effects of El Niño in the previous year.

The downturn in economic activity prevented inflation from getting out of control (the annual rise was 53.5% in November) despite the rapid depreciation of the sucre and the big increase in the money supply.

Unemployment in the country's main cities stood at 16% in September (as against 10.7% twelve months earlier), while the share of the informal sector, including domestic service, in total employment rose from 36.8% to 41.4%. For its part, the minimum wage fell by almost 10% in real terms between January and November.

Banana and shrimp exports went down considerably. Oil exports, on the other hand, increased 36% in value in the first ten months of the year thanks to the rise in prices, thus regaining first place among exports. Exports of goods fell 1% during this period, but a slight rise is projected for the year as a whole. As imports slumped, a large trade surplus was created, so that the previous year's current account deficit of over 10% of GDP became a surplus of approximately 6%.

Foreign credit was tight, and foreign direct investment declined slightly. Consequently, by November the international monetary reserves had fallen to US\$ 1.22 billion: US\$ 480 million less than at the end of the previous year.

Despite the restructuring of the public sector's private external debt in 1994, public external indebtedness as a whole rose to US\$ 13.7 billion, which, at 1999 prices, represented 95% of GDP. Already in 1996 Ecuador had stopped payment on its bilateral debt (to Paris Club countries), and in September 1999 it suspended payment on some of the external public debt (Brady bonds with collateral). After the holders of these bonds rejected a proposal to resort to their guarantee, the suspension of payments was extended to all public debt in foreign currency owed to private lenders (Brady bonds, Eurobonds, domestic dollar debt).

---

## Paraguay

---

Paraguay's gross domestic product will not register any growth in 1999, after the slight drop suffered in 1998, so per capita GDP will fall for the fourth consecutive year. The economic crisis affecting the members of Mercosur led to a slump in Paraguayan exports, while negative expectations caused the value of the guaraní against the dollar to fall by 14%, against a background of scarce international reserves. These reserves were built up again through the issue of State bonds on foreign markets, and there was also a significant inflow of foreign direct investment. The government was thus able to increase its consumption and investment. The stagnation of production activities was a contributory factor in the substantial decline in inflation, so that as of the end of November the rise in prices compared with the previous year was approximately 5%: only about one-third of the 1998 figure.

In the first half of the year and during part of the second, monetary policy attempted to counter the pressures of currency depreciation and the inflationary tendencies that had been in evidence since the previous year. Later, fiscal and monetary policy was aimed at fostering recovery, but it did not succeed fully in this, although it is claimed that it will bring results in the year 2000.

The central government deficit is expected to double to at least 2% of GDP. The widening of this gap, which will be covered by foreign funds, is due more than anything to increased capital investment designed to promote recovery. To a lesser extent it may be attributed to the stagnation of tax revenues, which, unlike the non-tax revenues of the binational dams, were highly affected by the weakness of economic activity. The non-financial public sector as a whole will close the year with a deficit equivalent to 1.5% of the product, which is less than the central government deficit because public enterprises reduced current spending more than they

increased capital investment, thus improving their operating results.

In the early part of the year, the monetary authorities attempted to persist in a policy of selling international reserves to defend the guaraní, which was continuing to fall in nominal terms. However, the Central Bank subsequently pulled back from this type of intervention because the reserves were scarce and the guaraní was appreciating against the Brazilian real. At the same time, it sold "monetary regulation bonds" at interest rates higher than the 1998 average. These operations were reduced toward the end of the year, as average yields decreased. Until the second quarter, the international reserves were low –only slightly more than two months of imports. Late in the year, there was a large inflow of foreign exchange thanks to the issue of international bonds, and the reserves rose to the equivalent of four months of imports. The sterilizing effect of the monetary regulation bonds counterbalanced the effect of the rise in reserves, reducing the money supply somewhat. Consequently, lending and deposit rates rose only 1%

## PARAGUAY: MAINECONOMIC INDICATORS

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	2.4	-0.6	0.0
Consumer prices	6.2	14.6	4.6
Real wages	-0.6	-2.8	-0.3
Money (M1)	13.9	7.4	-3.5
Real effective exchange rate <sup>b</sup>	-1.7	11.4	-2.7
Terms of trade	6.8	-4.7	-6.6
<i>Percentages</i>			
Urban unemployment rate	6.9	7.2	...
Fiscal balance/GDP	0.5	0.2	-1.5
Real deposit rate	6.8	6.4	14.0
Real lending rate	19.4	17.1	22.0
<i>Millions of dollars</i>			
Exports of goods and services	4 505	4 313	3 115
Imports of goods and services	4 831	4 500	3 270
Current account	-238	-106	-115
Capital and financial account	54	181	250
Overall balance	-184	75	135

Source: See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

and 2%, respectively, although if the low rate of inflation is taken into account the rises in real terms were around 5% and 7%.

Lack of confidence in the guaraní was reflected in a pronounced preference for deposits in foreign currency, which grew 23% (expressed in local currency) as well as a reduction in quasi-money, since the decline in savings deposits was not counterbalanced by the upturn in longer-term deposits and savings certificates. Since December 1998, the guaraní has fallen 14% against the dollar in nominal terms. Against the currencies of Paraguay's main trading partners, however, it has appreciated 3%, due to the strength of the guaraní against the Brazilian real.

The performance of the productive sectors was uneven. The agricultural sector led the way in terms of growth, with soya maintaining its strength and being produced at unprecedented levels, compensating for the serious drop (-21%) in the cotton harvest because of bad weather and a reduction in the amount of land planted this year.

Growth in the output of other goods slowed. In the services sector, commerce and finance were most seriously affected by the low level of commercial activity and the political instability associated with a surprise change of government in the second quarter.

The monthly variations in consumer prices were slight or non-existent as a result of the stagnation of production activity, so that the rise through November was only 4.9%. Only in July was there a significant variation (2.6%). This was due to higher prices for imports, which resulted from a sharp drop in the value of the in June (-5%) and July (-7%). Average wages at the year's halfway point registered a nominal increase of slightly more than 2%, which was equivalent to a slight drop in real terms. In construction, commerce and services, the nominal increase in wages was less than 1%. The largest increases were in basic services (4%), transport (3%) and industry (2%). The minimum wage remained frozen at the level set in March 1998 (approximately US\$ 180), representing a loss in purchasing power of around 4%.

The current account deficit measured in current dollars stayed in the same range as the previous year and was financed without difficulty by capital flows from two main sources: credit received in return for international bonds issued by the National Treasury, and inflows of foreign direct investment. This left an overall balance-of-payments surplus of US\$ 135 million. The trade deficit also remained relatively unchanged as a result of comparable declines of foreign purchases and sales of goods. Officially registered imports fell by approximately one-third from their 1998 level because of weak demand for consumer goods not only for re-export but also for domestic consumption, which was down because of the sluggish economic activity. Registered exports declined by 30%, putting them at their lowest level in five years, due largely to a 20% drop in the international prices of soya beans, which account for half of Paraguay's exports—a drop only partially offset by a 10% increase in volume. A smaller harvest and lower prices on international markets also brought the value of cotton exports down to two-thirds of its previous level. The decline in registered exports was concentrated in Mercosur, where they fell by half because of the devaluation of the Brazilian currency (Brazil being Paraguay's largest trading partner) and because of increased production of soya beans in both Brazil and Argentina.

The public external debt at the end of the third quarter was US\$ 2.1 billion, some US\$ 600 million

more than 12 months earlier. The increase is

attributable largely to the sale of roughly this amount of Treasury bonds on international markets.

---

## Peru

---

The 3% growth of the Peruvian economy in 1999 was concentrated in the primary sector. The other sectors of activity were affected by the decline in domestic private-sector demand, which caused tax revenue to go down and raised the fiscal deficit to 2.6% of GDP. Inflation, at 4.8%, was the lowest since 1970, despite a nominal 12% devaluation and an increase in fuel prices. The current account deficit fell significantly, to 3.7% of GDP. Outflows of short-term bank capital made it necessary to utilize some of the large stock of international reserves and caused some disturbances in the financial sector.

Economic policy was close to the lines of the agreement with the International Monetary Fund. Fiscal revenue and privatization targets were not met, however, and for the first time in the 1990s there was a primary deficit (0.9% of GDP). Tax revenue was eroded by the mediocre performance of the sectors other than the primary sector and lower private-sector demand. Current income fell to an estimated 12.8% of GDP (compared to 14.3% in 1998). In order to maintain domestic demand, the authorities refrained from cutting spending, which indeed increased 2.9% in real terms to 15.6% of GDP (as against 15.2% in 1998).

To avoid further widening of the fiscal deficit (which may amount to as much as 2.6% of GDP for the central government, compared with a target of 1.2%), the authorities raised the excise tax on fuels and tobacco in the second half of the year. To cover the deficit, the public sector's current deposits were drawn on and foreign indebtedness was increased. Work began on the implementation of a Fiscal Prudence and Transparency Law that would limit the public sector deficit to a maximum of 1% of GDP and formally regulate the administration of a stabilization fund to be established mainly with the proceeds from privatization operations.

With the withdrawal of foreign short-term capital and the rise in the exchange rate after the international crisis intensified in September 1998, the financial system was plunged into a liquidity crisis. The national currency depreciated 20% in the first quarter of 1999 in annualized terms after suffering a number of speculative attacks in reaction to the Brazilian devaluation and the Ecuadorian moratorium. The situation returned to normal in April, and by the end of November the exchange rate had stabilized at 3.47 soles to the dollar, representing a real depreciation of 8.4%.

These developments caused a large rise in the interbank rate in the first quarter (55%) and a reduction in the international reserves. The lending rate in local currency, which had reached a peak of 37.1% in April-May, fell to 32.1% in November, while the deposit rate fell to 10.3% after having reached 13.6% in April.

Liquidity ratios rose slightly with the increase in currency outside banks (+19%) and higher deposits in local currency (+13%). The vigorous expansion of loans based on foreign credit lines had led to 75% of the loan portfolio being in foreign currency, but this situation changed in the last quarter of 1998. This, along



## PERU: MAIN ECONOMIC INDICATORS

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	8.6	0.1	3.0
Consumer prices	6.5	6.0	4.8
Real wages	-0.7	-1.9	-2.1
Money (M1)	19.3	0.5	10.8
Real effective exchange rate <sup>b</sup>	0.6	1.4	8.4
Terms of trade	6.9	-13.1	-9.1
<i>Percentages</i>			
Urban unemployment rate	9.2	8.4	9.2
Fiscal balance/GDP	-0.8	-0.9	-2.6
Real deposit rate	1.6	3.4	8.4
Real lending rate	20.5	23.6	31.2
<i>Millions of dollars</i>			
Exports of goods and services	8 370	7 487	7 750
Imports of goods and services	10 858	10 492	8 855
Current account	-3 279	-3 791	-2 095
Capital and financial account	5 841	2 420	1 565
Overall balance	2 562	-1 371	-530

Source: See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

with the recession in the domestic market, led to a decline in bank lending (-2.6% in dollars and -0.6% in local currency in the first three quarters of 1999). The quality of the loan portfolio also fell, and the arrears rate rose to 11% in August. A number of banks were adversely affected as the crisis forced mergers, takeovers and, in two cases, closures. The authorities designed a rescue package that moved some of the portfolio of bad debts to public institutions at a quasi-fiscal cost estimated at 1% of GDP, thus bringing the arrears rate down to 8.5% by the end of the year.

The economic situation and some administrative and regulatory problems slowed down plans for privatization operations and concessions amounting to some US\$ 800 million, so that progress in this respect was only a little over 50% of the planned level.

After the stagnation registered in 1998, the product increased by approximately 3%, with growth concentrated in primary products, physical exports of which rose more than 17%. On the other hand, private-sector domestic demand went down, especially in the case of gross investment, which dropped 24% in the first three quarters. The anticyclical effect of greater public spending was not enough to prevent a 4% drop in domestic demand and stagnation in the other sectors of

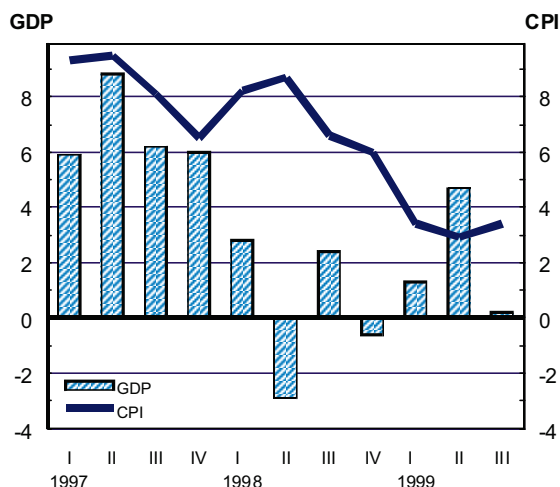
the economy, though there was a prospect of recovery in the last quarter. Private saving rose to 2% of GDP, but public saving fell. External saving went down by almost 3% of GDP.

The agricultural and mining sectors grew more than 10%. However, domestic and foreign commodities prices remained low. The recession in the construction industry worsened as a result of constraints on bank lending, and it is expected that the sector will shrink by 12%. Manufacturing is expected to grow slightly more than 4% (the 1998 figure was -3%) thanks to processing of primary products, while the services sector will remain virtually unchanged with a growth rate of 0.9% after the decline of 0.3% the previous year.

Declining agricultural prices and weak demand counterbalanced the effects of devaluation and the consequently higher prices of imported goods (especially fuels), so that inflation in 1999 was only 4%: the lowest figure in the last 30 years.

Open unemployment increased during the first six months, standing at 9.2% in the metropolitan area, against a background of widespread underemployment. In October, the minimum wage was raised 3% over the January level, and public sector wages were raised by 16% in April.

PERU: GROSS DOMESTIC PRODUCT AND INFLATION  
(Percentage variation)



Source: ECLAC, on the basis of official figures.

The positive evolution of trade in goods brought the current account deficit down to 3.7% of GDP. The value of sales of goods rose 5.6% thanks to a 17% increase in traditional exports. The volume of fishery exports recovered from the slump of the previous year, but international prices were low. Mineral prices were also depressed (especially gold and copper). Non-traditional exports fell by 6%, with metal products and machinery and iron and steel suffering most (-20%). Imports declined by 18%, the items most strongly affected by weak domestic demand and by the currency devaluation being consumer goods (-22.5%), inputs (-14%) and capital goods (-15%). The

merchandise trade deficit thus registered an improvement of US\$ 1.9 billion, despite the 6.2% decline in the terms of trade.

Net capital inflows were 35% less than in the previous year, reflecting a US\$ 1.807 billion outflow of short-term capital and a number of postponements in the privatization programme. Total indebtedness fell to US\$ 28.7 billion as a result of net amortization of banking-sector debt. Service on the external public debt was US\$ 1.8 billion (US\$ 1 billion in interest and US\$ 800 million in principal). The international reserves went down by more than US\$ 500 million, but they still remained high at US\$ 8.58 billion, or one year of imports.

---

## Uruguay

---

In 1999 the Uruguayan economy was hard hit by the deterioration in the international environment, especially in the form of weak prices for its main exports and reduced demand from its Mercosur trading partners. Domestic demand also fell under the influence of tighter domestic credit and rising unemployment. Estimates for the year foresee a decline of 2.5% in the gross domestic product, while inflation should go down to less than 4% annually: the lowest figure in half a century. The recession caused a further deterioration in the fiscal situation, while the considerable decline in exports increased the balance-of-payments current account deficit.

The elements of the international scene that are most important to the Uruguayan economy worsened significantly in 1999. After a very 1998, the terms of trade went down because of lower international prices for raw materials, together with rising oil prices. Domestic demand also fell, especially among Uruguay's Mercosur trading partners, who account for half of Uruguay's export sales, because of the effect that the Brazilian devaluation had on bilateral competitiveness.

In view of all these factors, plus the fact that general elections were to be held in the course of the year, economic policy makers opted for the same general course as in the past, attempting to reduce inflation in two ways by managing fiscal outlays in such a way as not to create pressure on the money supply and by maintaining the annual devaluation rate around 7.5%. In the face of the new external conditions, GDP was expected to fall roughly 2.5%, with a consolidated public-sector deficit of 2.5% of GDP: a gap that would

## URUGUAY: MAIN ECONOMIC INDICATORS

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	5.0	4.6	-2.5
Consumer prices	15.2	8.6	3.4
Real wages	0.2	1.8	1.6
Money (M1)	16.9	14.4	6.9
Real effective exchange rate <sup>b</sup>	-2.0	-0.8	-6.7
Terms of trade	-0.4	7.0	-4.1
<i>Percentages</i>			
Urban unemployment rate	11.5	10.1	11.2
Fiscal balance/GDP	-1.3	-0.5	-2.5
Real deposit rate	-0.3	3.8	7.1
Real lending rate	42.9	42.4	45.3
<i>Millions of dollars</i>			
Exports of goods and services	4 217	4 225	3 765
Imports of goods and services	4 387	4 507	4 155
Current account	-289	-400	-565
Capital and financial account	688	760	485
Overall balance	399	360	-80

Source: See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

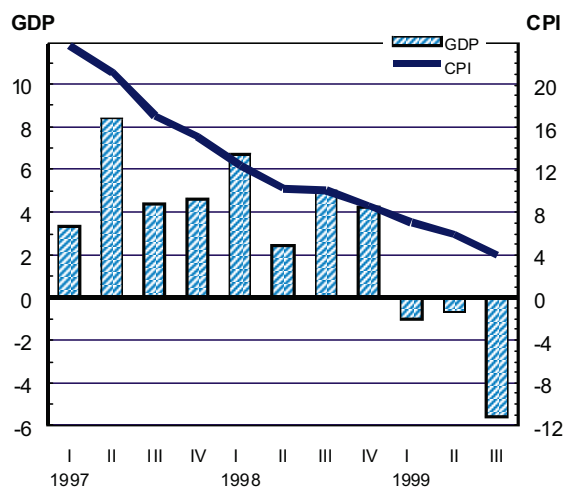
The deterioration in the international situation had a heavy impact on exports. Falling revenue and tight domestic credit also reduced private investment and consumption. Sectoral performance was uneven, with agriculture, construction and communication services continuing to grow while other sectors fell markedly. Cattle-raising activity continued to grow due to more births, although levels of slaughtering and exports fell, and dairy and poultry production also rose. However, drought affected production in the second half of the year. Since domestic demand was weak, a large part of farm production went to increasing stocks. Construction activity continued to expand, albeit more slowly due to the slowdown in public investment and the weakening of private demand. Finally, communications continued to advance vigorously, with cellular telephony playing a leading role.

Other sectors, however, suffered significant setbacks. The manufacturing sector declined by 8% in the first three quarters, with lower levels of activity throughout the sector; mining of non-metallic minerals fell by one-fifth, textiles, clothing and footwear by a quarter, and machinery and equipment by almost one-third. Manufacture of foodstuffs, beverages and tobacco and activity in the paper and printing sector suffered least (-2% and -4% respectively). Commercial

be covered by foreign loans and by using some of the international reserves accumulated the previous year.

In general, the principal macroeconomic variables followed the expected course. Thus, the consolidated public-sector deficit for the year is within the planned range, though private analysts estimate that it could slightly exceed the target originally set. The decline in economic activity affected fiscal revenues, which are highly dependent on the economic cycle. Real central government revenue fell 6% during the first half of the year, with a sharp drop in revenue from taxes on foreign trade (-15% in nominal terms) and lower revenue (in real terms) from those domestic taxes which are strongly dependent on the level of economic activity. Central government spending, in contrast, continued to grow (6% in real terms) even though there was a reduction in real outlays on wages, since interest payments on the public debt rose almost one third and social security expenditure, as well as investment and operating outlays, increased. The surplus produced by State-owned enterprises declined, as did Central Bank para-fiscal expenditure.

URUGUAY: GROSS DOMESTIC PRODUCT AND INFLATION  
(Percentage variation)



Source: ECLAC, on the basis of official figures.

intermediation went down in line with industrial production and imports.


In this recessionary environment, unemployment was around 11% of the work force, approximately one point above the previous year's average. The increase in unemployment was concentrated in Montevideo, where the employment rate declined. The purchasing power of wages increased 1.6%, primarily because of the real salary increase for public employees (3%), though private-sector wages also rose (0.7%).

The drop in domestic demand and the lower cost of some imported goods continued to limit the rise of consumer prices, which increased less than 4% during the year –the lowest figure since 1950. For the first time in several years, the value of the dollar rose more than did domestic prices. The financial programme agreed on with the IMF anticipated a devaluation in the floor of the Uruguayan peso's currency band in line with the expected level of inflation, and although prices rose less than predicted, the monetary authorities maintained the annual devaluation rate of 7.5%, which represented a depreciation in real terms. This was more than counterbalanced, however, by the sharp devaluation in the Brazilian real, so that the Uruguayan

peso again appreciated against the currencies of its main trading partners.


Trade suffered heavily. The value of exports of goods fell 27% in the first half of the year, since there was a decline of more than 15% in physical volume as well as a price drop of roughly 10%. The 40% decline in sales to Mercosur explains the bulk of this. There was also a drop of 11% in income from tourism. Although the lower overall demand reduced imports of goods by 14%, this was considerably less than the decline in exports, so the balance-of-payments current account deficit grew to close to 3% of GDP. As anticipated, the gap was covered by drawing on the international reserves and increasing foreign indebtedness. The fact that the country's debt has an "investment-grade" rating made it possible to issue international obligations at moderate interest rates. In April, the government put a US\$ 250 million ten-year global bond issue on the market, paying 212.5 base points more than United States bonds with the same maturity term. In October, there was a swap of US\$ 95 million of Brady bonds for US\$ 85 million of bonds maturing in 2021, with an intermediation spread of 195 base points. This operation freed up US\$ 25 million in United States zero-coupon bonds that had served as collateral.

---



## Venezuela

---



The recession that had begun in 1998 intensified in the first half of 1999, and although it eased somewhat later, GDP went down by 7% for the year as a whole, further aggravating the unemployment situation. This decline in the product was due to cuts in oil production agreed on in OPEC and the weakness of overall demand on account of the contraction in disposable income, lower levels of public spending because of lack of financing, and a climate of political uncertainty connected with the change of government and the drafting of a new Constitution. The rise in oil prices as from the end of the first quarter (along with the decline in imports) helped to generate a large surplus on the balance-of-payments current account, to maintain a high level of international

## VENEZUELA: MAIN ECONOMIC INDICATORS

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	6.6	-0.2	-7.0
Consumer prices	37.6	29.9	20.2
Money (M1)	58.4	6.6	13.9
Real effective exchange rate <sup>b</sup>	-22.3	-17.7	-6.5
Terms of trade	-3.1	-25.9	27.2
<i>Percentages</i>			
Unemployment rate	11.4	11.3	15.4
Fiscal balance/GDP	2.6	-6.6	-4.0
Real deposit rate	-24.4	0.2	-2.6
Real lending rate	-19.4	6.8	5.7
<i>Millions of dollars</i>			
Exports of goods and services	25 120	18 941	22 450
Imports of goods and services	18 282	18 927	16 500
Current account	4 684	-1 698	4 500
Capital and financial account	-1 434	-1 794	-3 310
Overall balance	3 250	-3 492	1 190

Source: See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

Fiscal policy was once more shaped by changes in oil prices. With prices extremely low at the beginning of the year, the new government took measures to limit spending, and in order to boost revenues it put a tax on financial transactions, increased the tax on luxury goods and wholesale transactions to make it a true value-added tax, and reformed income tax was.

However, the recession in which the Venezuelan economy was mired affected tax collection and this, combined with difficulties in obtaining foreign financing and the postponement of privatization operations that had been planned in the electricity and aluminium sectors, caused delays in budget execution. As from April, however, the sustained improvement in oil prices, which more than trebled in the course of the year, made possible a substantial increase in spending.

For the year as a whole, the apparent public-sector deficit was 4% of GDP, part of which was financed by having the national oil company PDVSA issue debt paper. The central government also had a deficit, but its size is unknown because information is lacking on the allocation of a portion of regular oil revenues to the new Macroeconomic Stabilization Fund. This deficit was financed mostly through non-recurrent transfers of

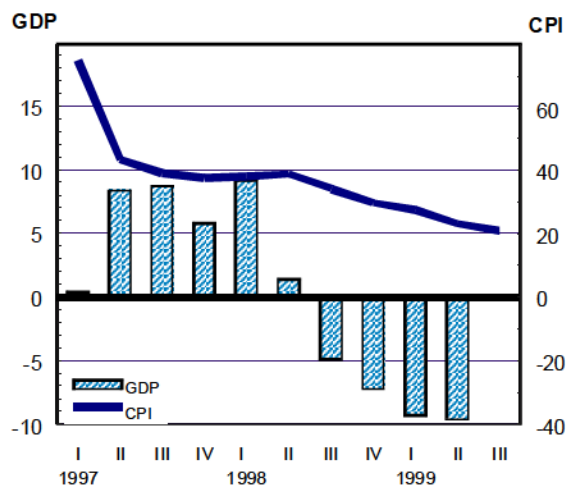
reserves, and to push up the real price of the bolívar. This latter development, combined with low demand, made it possible to continue bringing down inflation, which was around 20%.

PDVSA profits to the central government and the issue of National Public Debt Certificates and Treasury Bills on the domestic market to a much larger extent than in the previous year.

Monetary policy continued to be subordinated to the aim of maintaining the exchange rate within a flotation band of 7.5% around a central parity devalued monthly by 1.28%. The spectacular recovery in oil prices made it possible to keep the exchange rate in the lower part of the band, moving up from 564 bolívars to the dollar at the end of 1998 to 635 by the end of November 1999, which represented a real appreciation in the value of the currency.

Except in the first quarter, the increase of international reserves expressed in continued to give the monetary aggregates an expansionary character. The amount of Monetary Stabilization Securities (TEMs) issued was less than the outlays in respect of the amortization of securities reaching maturity, so the Central Bank had some leeway for issuing other types of public debt paper to finance the budget deficit. Thus, the contraction of the money supply was checked by the end of the first quarter, though its later growth, as well

VENEZUELA: GROSS DOMESTIC PRODUCT AND INFLATION  
(Percentage variation)



Source: ECLAC, on the basis of official figures.

as the increase in money in circulation and in liquidity, was less than the change in the nominal GDP.

In the prevailing recessionary climate, interest rates went down, while the spread between lending and deposit rates widened against the backdrop of the banking sector's deteriorating results. The annual average deposit rate went down from 35% in December 1998 to 17% in November 1999, while the lending rate moved from 44% to 28%. As a result, the yield on money became negative as from June.

The decline in economic activity was due to the cuts in oil production and in investment following the decisions taken by OPEC in March; to the uncertainty provoked by the process of drafting a new Constitution, which affected private-sector investment decisions; to the drop in public expenditure; to problems in the non-oil export sector, and to the fact that interest rates were still high, especially in the first part of the year. The decline in activity was more pronounced in the first six months (over 9%), but it then eased considerably, and by year's end there were signs of improvement as oil prices rose and public spending increased.

The recession further aggravated unemployment, which had stood at around 11% since 1997. In the third quarter of 1999 it was already 15.4%, and there were fears that it would continue worsening despite the possibility that government investment in infrastructure and housing construction could provide some relief in the final months of the year. Government employees were given a 20% wage increase in May, in line with anticipated inflation, and this served as a benchmark for wage adjustments in the private sector.

Weak demand and sluggish economic activity moderated the upward movement of prices, as did the limited depreciation of the and seasonal factors that held back price rises of agricultural products in the first

half of the year. The monthly inflation rate fell to under 1% in September for the first time since March 1988 and also for the first time since price controls were abolished in 1989. As of November, year-on-year inflation was only a little over 20%, which was in line with the government's goals. This is the lowest figure for the decade, though still high if the deflationary factors that were present are taken into account.

Foreign trade slackened, with only oil exports increasing in value, due to the rise in oil prices, which more than compensated for the reduced shipments. In December, the average price of the mix of fuels exported by Venezuela during the year was more than 50% above the previous year's average. On the other hand, non-oil exports fell by one-third, affected by the evolution of the exchange rate, especially against the currency of Colombia (Venezuela's main market), as well as by the recession in Colombia. Imports also fell (-14%), due to weak domestic demand in spite of the appreciation of the bolívar in real terms. As a consequence, the current account balance became positive again, after the previous year's deficit, and totalled US\$ 4.5 billion, or roughly 5% of GDP.

This served to offset the net outflow of capital registered in the balance-of-payments financial account. In addition to the large outflow of private capital, there was also an outflow of public capital, since in spite of the inflow resulting from PDVSA borrowing and the collateral freed up in the swap of Brady bonds from the previous year, amortization payments on the debt were more than the disbursements received. The inflow of direct investment was close to US\$ 2 billion. The balance of payments thus showed a surplus, so that the international reserves, which began to recover as from the second quarter, passed the US\$ 15 billion mark (11 months of imports), which is somewhat higher than the figure at the end of 1998.

## CENTRAL AMERICA AND MEXICO

---

### Costa Rica

---

The Costa Rican economy grew rapidly (7.5%) in 1999, thanks largely to the operations of a single large maquila firm that accounted for four percentage points of this growth. This duality of the economy was reflected in the unequal trends of the gross domestic product and gross national income, since the latter only grew by 2.1%, as a result of factor payments abroad. Tight monetary policy and weak domestic demand caused price increases, at 9%, to be less than those of the previous year. The smaller price rises and a larger supply of foreign currency allowed for a slower daily rate of devaluation, and the average exchange rate rose by 11%, as programmed.

The imbalance in the public finances remained one of the priority problems: the central government deficit expanded once more, as revenue growth slowed (16%) and expenditure accelerated (21%), causing the deficit in relation to the gross domestic product (GDP) to widen from 3.3% in 1998 to 3.9% in 1999. Although domestic debt has been replacing external borrowing since 1998, interest payments remain a heavy burden, absorbing more than 30% of total revenue.

The slowdown in demand basically affected taxes on consumption and income, with the former declining by 12%, and income tax revenue slowing from a growth rate of over 40% in 1998 to a rate of only 29%. Taxes in the customs category (including taxes on the sale and

consumption of imported goods) expanded by only 6%, compared to 27% in 1998; as these taxes account for 45% of total revenue, the impact on government income was considerable.

The growth in expenditure was the result of higher interest payments on the domestic debt (36%), whose repayment had had to be postponed to the current year as a result of the zero-coupon bond issues which had begun in June 1998, and higher wage and salary payments stemming from the creation of new posts in the areas of education and security. Up to 1997 the deficit had been covered exclusively with domestic borrowing, but this year 60% was covered with external resources.

## COSTARICA: MAIN ECONOMIC INDICATORS

	1997	1998	1999 <sup>a</sup>
	<i>Annual rate of variation</i>		
Gross domestic product	3.5	5.5	7.5
Consumer prices	11.2	12.4	9.4
Real wages	0.8	4.6	4.5
Money (M1)	43.2	12.3	21.4
Real effective exchange rate <sup>b</sup>	2.2	1.4	2.9
Terms of trade	6.0	3.2	1.1
	<i>Percentages</i>		
Urban unemployment rate	5.9	5.4	6.2
Fiscal balance/GDP	-3.9	-3.3	-3.9
Real deposit rate	-0.1	0.9	3.8
Real lending rate	8.2	9.6	14.1
	<i>Millions of dollars</i>		
Exports of goods and services	5 478	6 884	8 150
Imports of goods and services	5 690	7 047	7 540
Current account	-330	-495	-475
Capital and financial account	556	346	860
Overall balance	226	-149	385

Source: See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

The tight monetary policy adopted in September 1998 was maintained during the first half of 1999. To absorb liquidity, open-market operations were intensified, and the gradual increase in the reserve requirement on new financial intermediaries and instruments was continued. Monetary policy was reviewed in mid-year, and although it was eased somewhat it remained restrictive. The upper limit for annual growth in credit for the private sector was raised from 26% to 30%, and open-market operations were carried out less frequently than in the first semester.

The money supply (M1) grew by 11.8% during the year, and local currency liquidity (M2) expanded by 12.8%, both percentages being below the growth rate of nominal GDP (18.3%). Foreign currency deposits, which had expanded by 41% in 1998, slowed to 17.1% in 1999; nonetheless, foreign currency liabilities still accounted for 40% of total liquidity.

Domestic credit grew by only 7.3% (compared with 39.8% in 1998), as a result of reduced net lending to the public sector and a slower growth of finance for private individuals. The net reserves expanded by 35% thanks to bond sales amounting to US\$ 300 million and slow import growth.

The exchange rate, which operates under a crawling-peg regime, rose by 11% from an average of 257.42 colones per dollar in 1998 to 285.91 in 1999. To bring it in line with the slow rate of price increases, the rate of devaluation was reduced from 12 to 10 centavos per day as from July.

External demand, with a growth rate of 6.7%, was the most buoyant component of the economy, while domestic demand shrank slightly. The small 3% increase in gross fixed investment, which was due to a rise in public investment, since private investment stagnated, was insufficient to make up for the 0.5% drop in consumption. On the supply side, the GDP expanded by 7.5%, while imports of goods and services shrank by 5%. Apart from the maquila sector, the rest of the economy grew at 4.3%, down from 5.5% in 1998. This was the result of the tight monetary policy and credit restrictions, especially in the first half of the year.

The growth rate of agriculture slowed owing to a decline in export production, especially of coffee and bananas, while output for the domestic market strengthened. The expansion of manufacturing industry gathered pace and exceeded the previous year's figure of 10.4% by 14 points. This result is due to manufacturing operations located in free zones, especially those of the Intel Corporation. "Componentes Intel de Costa Rica" is a big new assembly enterprise, 70% of whose production is computers and 30% microchips; its first plant came on stream in 1998, and was followed by a second in 1999. Growth in other industrial segments weakened, and those producing for the domestic market actually contracted. Construction expanded, however, thanks to demand from the public sector, since private-sector construction was inhibited by higher materials prices and a shortage of credit.

The slowdown in demand and the tight monetary policy helped to limit price rises to 9%, compared with 12% in 1998. Other factors in this result were higher fuel prices and a fall in the price of certain agricultural products. Private-sector wages rose by 6.5% in the first half of the year and by a further 4.6% in the second, resulting in an increase of 11.1% for the year in nominal terms (2% in real terms).

Exports of goods and services grew by 18% and imports by 7%, giving a trade surplus of US\$ 610 million. This highly satisfactory result was diluted by higher factor service payments which surged up from US\$ 445 million to nearly US\$ 1.2 billion, as profit and dividend remittances trebled. The current account deficit came to US\$ 475 million: 4% lower than in 1998.



The performance of the external sector was strongly influenced by the expansion of Intel, which accounted for nearly 30% of total exports of goods, a significant percentage of imports, and about 70% of the profits and dividends remitted abroad. The remainder of export activity (apart from the free zones) declined by nearly 20% because export values were lower for all products except a few of minor importance. Imports of goods grew by only 8%, due mainly to bigger external

purchases of intermediate goods, as consumer and capital goods imports both declined in the wake of sluggish domestic demand. Capital inflows from abroad increased significantly (63%) thanks to bond placements on the international market and direct investment. Public external indebtedness grew by 7% to US\$ 3.790 billion, equivalent to 33% of GDP, and the cost of servicing it rose slightly to the equivalent of 12.5% of export earnings.

---

## El Salvador

---

GDP growth in El Salvador slowed to 2.5% in 1999 from 3.2% the year before, as a result of tight monetary policies and the less buoyant performance of the external sector, construction and commerce. In general, however, the country continued to display significant macroeconomic stability, with very low inflation, a steady exchange rate and lower interest rates. The central government deficit rose slightly to 2.4% of GDP, and the balance-of-payments current account deficit widened.

The basic objectives of economic policy in 1999 were essentially the same as in 1998, with priority given to preserving macroeconomic stability, and particularly to maintaining low inflation and a steady exchange rate.

Fiscal policy continued to focus on broadening the tax base and reducing evasion. Between January and August the overall non-financial public sector deficit (including donations) grew by 3.3%, financed largely with external resources. Current and capital expenditure were generally below the budgeted levels, the lower capital expenditure being the result of a cutback of more than 18% in gross investment, due in turn to the five-month delay in approving the general budget. Up to October 1999, total tax revenue grew by 5.6%, with income-tax revenue increasing by 11.3% and but the income from the value added tax (VAT) slipping back by 0.4%. An increase in the fiscal deficit by four-tenths of a percentage point to 2.4% is projected for the end of 1999.

The central government deficit was financed with external resources, and a set of reforms to VAT and income-tax legislation were approved in mid-September to compensate for lower collection rates and increase tax revenue.

The monetary policy of the Central Reserve Bank was in line with the restrictive measures applied in recent years and continued to be aimed at controlling and absorbing excess money-market liquidity. Open-market operations were used as the main tool for short-term liquidity adjustment. An additional 3% reserve requirement had been introduced in 1998, but this was gradually phased out by the end of 1999, and open-market operations were increased to make up for this.

Nominal interest rates on loans averaged 15.5%, while deposit rates averaged 10% for local-currency operations. Following the pattern of the last two years, exchange-rate stability was maintained in 1999 through intervention by the Central Bank and the sterilization of excess dollars.

## EL SALVADOR: MAIN ECONOMIC INDICATORS

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	4.2	3.2	2.5
Consumer prices	1.9	4.2	-0.6
Money (M1)	-1.9	8.6	7.1
Real effective exchange rate <sup>b</sup>	-0.3	-0.3	0.6
Terms of trade	11.5	-0.9	-8.1
<i>Percentages</i>			
Urban unemployment rate	7.5	7.6	7.6
Fiscal balance/GDP	-1.7	-2.0	-2.4
Real deposit rate	6.9	7.6	10.3
Real lending rate	11.0	12.2	14.9
<i>Millions of dollars</i>			
Exports of goods and services	2 708	2 742	2 860
Imports of goods and services	3 888	4 268	4 515
Current account	97	-84	-290
Capital and financial account	266	387	390
Overall balance	363	303	100

**Source:** See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

Trade policy pressed ahead with the tariff reduction programme to reach a floor of 5%, with a 10% ceiling for intermediate goods and 15% for final goods, in July 1999. Tariffs on raw materials and capital goods had been lowered to zero as from December 1996.

Significant progress has been made in the trade negotiations between the Northern Triangle (El Salvador, Guatemala and Honduras) and Mexico, but there are differences over certain safeguard clauses that still have to be overcome.

Lastly, in order to give a boost to the external sector an Investment Law was approved in October which seeks to increase the level of foreign investment in the country and establish an appropriate legal framework for its operation. An important element in the Law is the creation of a National Investment Office.

The structural reform process continued in 1999 with the adoption of financial supervision and oversight mechanisms such as the Banking Law, which provides for the creation of a Deposit Guarantee Institute. The privatization process concluded with the sale of the National Telecommunications

Administration (ANTEL), electric power distributors and thermal power generating plants.

Economic activity was affected by the sluggishness of the external sector, especially of traditional exports, slower growth of non-traditional exports, and a reduction in levels of public investment and in family remittances, which nevertheless continued to be substantial and in October amounted to US\$ 1,111 billion. The overall result for the year is that public investment is expected to decline by 3.6%, gross fixed investment to increase by 4.1%, and domestic demand to rise modestly by 1.8%.

The sectors registering the highest growth rates included manufacturing industry (4%), agriculture (3.7%), and electricity, gas and water (3.5%). The year's least dynamic sectors were construction (2.2%) and commerce (1.7%). Foreign direct investment has been one of the key factors in economic activity, especially the US\$ 250 million invested in the thermal power generating plants.

Inflation, as measured by the variation in the consumer price index (CPI), posted an average for the year close to 0%, with negative monthly rates being recorded between February and June and again in November (-0.6%).

Minimum wages were raised as from 30 September. A 6% rise was awarded to construction workers as from 21 July and an additional increase of 5.6% was scheduled for 21 December. Minimum wages in agriculture have not changed since April 1998, and those in industry, commerce and services have remained unchanged since May of that year. Unemployment nationally stood at 7.6%, similar to the average for the period 1996-1998.

The external sector turned in a less favourable performance than in 1998. The current account deficit is expected to end up at US\$ 290 million –significantly higher than the previous year– but the overall balance of payments is expected to show a surplus of US\$ 100 million by year's end thanks to net capital inflows. Against this background, the Central Reserve Bank has been able to accumulate over US\$ 1.9 billion in net international reserves, equivalent to more than five months' imports.

As a result of the foregoing, the trade deficit widened by 8% to US\$ 1.65 billion. The value of exports increased by 0.7%, thanks mainly to non-traditional products and the maquila sector, while imports are estimated to have risen by 4%, despite reduced purchases of agricultural raw materials. In trade with Central America, exports grew by half a percentage point and imports by just 0.3%.

---

## Guatemala

---

The gross domestic product grew by 3.5% during the year, which was less than in 1998. The slowdown was caused by a downturn in the external trade variables, weaker domestic demand, a more cautious credit policy, the aftermath of Hurricane Mitch, solvency problems affecting certain entities in the financial and brokerage sector, and the typical concerns of an election year. Inflation stayed low, held down by the falloff in consumption, restraints on price increases in a variety of articles due to competition, and lower prices among other items.

The fall in the nominal exchange-rate up to mid-August forced the authorities to tighten their monetary and fiscal policies. For this reason the last two months of the election campaign unfolded in a context of greater fiscal and monetary discipline aimed at restraining an increase in the fiscal deficit, checking the loss of reserves and halting the slide of the exchange rate in pursuit of more stable macroeconomic conditions.

The central government deficit reached 3.2% of GDP in 1999, with expenditure growing significantly, mainly because of the momentum of public-sector investment. Direct investment was up by 70% from its 1998 level, largely as a result of reconstruction work on basic infrastructure and the expansion of social projects. Tax revenue registered positive results thanks to the greater efficiency of the responsible authorities, and the tax burden rose from 9.5% to 10%. March saw the formal establishment of the preparatory commission for the Fiscal Pact— a commission designed to coordinate the efforts to reach social consensus on a long-term fiscal policy based on clear and stable rules.

Monetary policy was relatively expansionary until July 1999, and the bank reserve rate was lowered four times. Open market operations were effected from May onwards, however, and there was frequent participation in the money-market desks of the banking sector in order to absorb liquidity and ease pressures in the foreign-exchange market. This led to interest rate hikes in the short-term money market.

Lending to the private sector ended the year with a cumulative increase of 10%, but the volume of bad loans as a percentage of the total portfolio grew considerably. These circumstances forced the authorities to take measures such as granting emergency advances to underpin banks' financial positions and promote reforms to the banking laws aimed at strengthening the sector's institutional framework.

The nominal exchange went down by a total of 13.7% up to mid-August. Subsequently the Central Bank reduced its net sales of dollars and raised the rates on its open market operations, so that the global liquidity of the economy registered a downward trend, causing the exchange rate to stabilize.

As regards trade policy, early in 1999 Guatemala signed a partial-scope agreement with Cuba giving tariff preferences to 386 Guatemalan and 260 Cuban products; in August it signed an agreement with El Salvador for a customs union to come into effect in 2000, and in October, together with the other Central American countries, it signed a framework agreement on a free-trade treaty with Chile.

In order to protect small-scale producers, customs tariffs were raised on imports of several dairy products, while import duties on petroleum products were lifted in order to ease their selling prices.

In 1999 action was taken on certain complementary aspects of the privatization process which had ended in 1998, such as opening up the international telephone service to competition and the

**GUATEMALA: MAIN ECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
	<i>Annual rate of variation</i>		
Gross domestic product	4.3	5.0	3.5
Consumer prices	7.1	7.5	5.2
Money (M1)	31.3	13.5	...
Real effective exchange rate <sup>b</sup>	-5.0	1.1	13.3
Terms of trade	8.2	-0.6	-6.1
	<i>Percentages</i>		
Unemployment rate	5.0	5.9	...
Fiscal balance/GDP	-1.5	-2.4	-3.2
Real deposit rate	-3.5	-1.3	2.3
Real lending rate	8.7	9.1	13.5
	<i>Millions of dollars</i>		
Exports of goods and services	3 180	3 466	3 395
Imports of goods and services	4 188	5 038	4 735
Current account	-634	-1 036	-870
Capital and financial account	863	1 272	740
Overall balance	229	236	-130

**Source:** See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

of the shares of the electric power distribution companies that was still in government hands.

GDP growth for 1999 is estimated at a little over 3.5%, which is significantly below the previous year's 5%. Domestic demand slowed because of the lower growth of gross capital formation and consumption, both public and private, while international trade in goods and services also grew more slowly, especially on the import side. The only aggregate demand variable which grew more than in 1998 was gross fixed investment by the public sector.

Agricultural production suffered from decreases in important categories such as sugar and bananas. Manufacturing industry was also less buoyant, as domestic consumption retreated and exports to the Central American market grew more slowly. Mining activity expanded by only 1% because of the fall in oil

production. The construction sector, for its part, grew at half the rate recorded in the two previous years, because of the slower activity in private-sector construction, especially in housing projects.

Average inflation for the year is estimated to have fallen from 6.6% in 1998 to 5.5% in 1999 (5.2% up to November), helped by lower price rises in the foodstuffs and beverages sector (0.5%) and a cut in electricity charges. A new Family Income and Expenditure Survey was carried out between March 1998 and April 1999 and reported an open unemployment rate of 1.9%. Minimum wages in agricultural, commercial and industrial activities were raised by 10% as from February 1999.

The balance of payments registered a smaller deficit on the current account in 1999, but also a significantly reduced surplus on the financial account, so that the international monetary reserves decreased. External trade contracted in terms of both exports (-2.1%) and imports (-6.1%), and the trade deficit narrowed to US\$ 1.34 billion. Apart from oil exports, which were higher in value because of the rise in international prices, other exports (including sugar and bananas) fell significantly, while coffee managed to offset the fall in its average price with an increase in exportable output. Exports of non-traditional products declined, especially to the Central America market, and there was also a significant loss of buoyancy in the maquila sector. Imports of consumer goods, raw materials and capital goods all shrank because of weaker domestic demand and exchange-rate slippage.

Public external indebtedness increased, while the net inflow of capital declined. Disbursements of official capital practically trebled between 1995 and 1999, rising from US\$ 161 to US\$ 476 million, the latter being the highest level since 1991. On the other hand, the cost of servicing the public external debt has decreased and is now equivalent to only 6% of goods and services exports. The combination of larger disbursements and lower debt service has led to a sustained increase in the public external debt, which is estimated at US\$ 2,733 billion.

---

## Honduras

---

The devastation caused by Hurricane Mitch in October 1998 affected the overall performance of the Honduran economy in 1999. Economic activity declined by 2%, although the contraction was mainly concentrated in agriculture –especially banana production, which was the worst affected sector– while the other productive sectors suffered relatively less damage. The maquila sector kept up its momentum, and both mining and construction grew strongly. The public finances posted a large fiscal deficit as a result of increased expenditure on reconstruction programmes, and the current account balance also widened significantly. On the other hand, macroeconomic management restrained price rises, so inflation was slightly lower than in 1998. The supply of foreign exchange expanded thanks to an exceptional increase in family remittances, the inflow of funds for reconstruction and a reduction in debt payments negotiated in the framework of programmes to relieve the foreign debt burden.

Macroeconomic management was concentrated on containing the effects of the severe economic upheaval caused by Hurricane Mitch, but progress was also made in the privatization of State entities and the tariff reduction programme continued.

The fiscal deficit amounted to 5% of GDP and was covered basically with external financing. Taxation followed the course set by the reforms of June 1998, with the marginal rate of income tax dropping to 25%. Tax revenue amounted to 13 billion lempiras, and with the inclusion of non-tax revenues total fiscal income came to 14.3 billion lempiras (18.5% of GDP).

Central government outlays accounted for nearly 24% of GDP. Current expenditure was only slightly higher in real terms than in 1998, but capital expenditure grew significantly as a result of public investment to repair the damage caused by Hurricane Mitch.

There were upward pressures on the exchange rate, but these were counteracted through the foreign

exchange auction mechanism, and the lempira was devalued by 6% in nominal terms.

At the same time, the tariff reduction process continued. Trade negotiations with Chile were concluded at the Central American level and proceeded to the bilateral stage. Conclusion of an agreement with Mexico, however, remains pending.

The legal reserve requirement was unchanged during the year, and the supply of money balances grew by 10% up to the third quarter –less than the year before. Over the same period, domestic credit contracted in nominal terms to 6% below its December 1998 level, as a result of the restriction on the use of domestic resources to finance government spending. The aggregate behaviour of domestic credit was entirely due to reduced lending to the public sector (whose outstanding balance in the first half-year went down by 146%); credit to the private sector was unaffected by this and expanded by nearly 14% between January and September. There were no significant movements in

**HONDURAS: MAIN ECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	5.0	3.9	-2.0
Consumer prices	12.7	15.6	10.6
Money (M1)	33.6	12.7	21.1
Real effective exchange rate <sup>b</sup>	-5.3	-8.4	-3.3
Terms of trade	24.3	2.3	-5.6
<i>Percentages</i>			
Urban unemployment rate	5.8	5.2	5.4
Fiscal balance/GDP	-2.8	-3.4	-5.0
Real deposit rate	0.9	4.5	6.4
Real lending rate	9.9	15.0	16.4
<i>Millions of dollars</i>			
Exports of goods and services	2 176	2 463	2 245
Imports of goods and services	2 453	2 796	3 155
Current account	-183	-66	-380
Capital and financial account	370	207	455
Overall balance	187	141	75

**Source:** See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

domestic interest rates, which remained steady at their high end-1998 levels.

During the year, certain companies suspended loan repayments and one commercial bank was forced into liquidation. These events were precipitated by a weakening of payment capacity, but this had developed as a result of shortcomings in the supervision of non-bank financial intermediation. Swift intervention by the financial authorities managed to isolate the potentially disruptive effects of both episodes, but the need to speed up reorganization of the financial sector became clear.

The privatization of both HONDUTEL and airport services entered their final phase, and concessions should be awarded in March 2000. The task of reading electricity meters was also transferred to the private sector, while reform of the social security system remains pending.

Aggregate demand was influenced by the expansion of over 16% in public-sector investment and the slowdown in private investment spending. Consumption expenditure, however, followed a moderate course.

Agriculture suffered its most drastic fall in activity in recent years (9%), with the biggest losses concentrated in export crops, especially bananas, where production slumped by four-fifths. There were losses among livestock, and a significant proportion of shrimp larva production for export was also lost. There was also a decline in the electricity, gas and water and financial sectors. Other sectors registered a general slowdown, except for mining and construction, which grew strongly as a result of reconstruction work. Maquila activity also remained buoyant.

Inflation up to November amounted to 10.6%, which was less than in 1998. Inflationary pressures were kept under control thanks partly to food donations from abroad and the fact that fuel prices were unchanged until July. The minimum wage rose by 25%, while doctors' salaries increased by 30% and those of teachers by 20%. A programme was put into effect in the public sector to make wages in similar jobs more uniform.

March 1999 saw one of the sharpest falls in economic activity, and 26% of the economically active population suffered some degree of unemployment. The information available for the rest of 1999 suggests that the overall situation has not changed substantially.

The balance-of-payments current account deficit widened from US\$ 66 million in 1998 to US\$ 380 million in 1999, as merchandise exports shrank by 13% and imports grew by 14%. Exports to Central America increased by 5%, while imports rose by 8.5%. The overall trade deficit with the four Central American countries grew by 13%.

The external deficit was covered by an exceptional inflow of private transfers and a significant flow of funds from multilateral agencies and other sources of cooperation. International reserves grew to nearly US\$ 150 million (sufficient to cover five months' imports) rather than the US\$ 45 million anticipated in the monetary programme.

Total outstanding external indebtedness increased by 3%. Contributions amounting to US\$ 72 million were obtained from the Trust Fund for Central America to cover multilateral liabilities. The Paris Club condoned debt repayment obligations amounting to US\$ 225 million at current values and postponed liabilities of US\$ 439 million due in the period 1999-2002. The Highly Indebted Poor Countries (HIPC) initiative will provide a further US\$ 750 million in debt relief.

---

## Mexico

---

The growth of the Mexican economy slowed to around 3.5% in 1999, compared with 4.9% the previous year, so that the per capita product rose by 1.8%. This was better than anticipated at beginning of the year, thanks to a steady improvement in the external situation. Employment expanded and there was a slight recovery in real incomes, but domestic demand slackened. Inflation showed a downward trend (13.9%) and, following a few episodes of volatility early in the year, interest rates and the exchange rate both steadied and then displayed a downward trend. Budget cuts and higher oil revenues helped to achieve fiscal targets, and the external gap was smaller than in the previous year. Despite this overall situation, the local banking system remained in a weakened state.

Economic policy was aimed at bringing inflation down and accommodating economic growth to external constraints, using tight fiscal and monetary measures and keeping the existing exchange-rate regime in place. As an insurance against possible financial shocks, the authorities took out loans with international financial organizations (IMF, World Bank, IDB, and Eximbank of the United States) for a total of US\$ 16.9 billion and secured contingent funds from the North American Financial Agreement to a value of US\$ 6.8 billion.

The public-sector deficit came to 1.25% of GDP (in line with the target set at the beginning of the year) as fiscal and monetary policies pulled together in the pursuit of stabilization and growth. Budgetary outlays were cut back to keep financing needs in line with smaller oil revenues. Tax collection was strengthened, and revenues from taxation and public-sector enterprises and agencies grew, but other non-tax income showed a downward trend.

The effect of the recovery in oil prices only began to be felt in the second half of the year. Total public expenditure in the first nine months of the year grew by 5.2% as a result of the substantial increase in financial costs, though primary expenditure fell slightly. The

social development category absorbed 62% of total expenditure.

Public external indebtedness did not vary significantly in 1999, and as a proportion of GDP (19%) it was at its lowest level since 1993. The government bought back Brady bonds amounting to US\$ 1.035 billion from the market and issued US\$ 825 million of new debt in their place. In addition, the issue of government paper on international markets was resumed, and by late November total placements amounted to US\$ 7.455 billion.

In view of the volatile international financial situation, monetary policy was tightened early in the year. Quarterly limits were set on variations in the monetary base, and these were generally complied with apart from small deviations in the first part of the year, but as from the third quarter there was an expansion in the money supply in response to the stronger demand generated by the upturn in economic activity.

The key interest rate for deposits (the 28-day CETES rate) was still high in January (32%), but it went down during the year to reach 20% by April and 18% by October. The rigid monetary stance and the fragility of the banking system prevented further interest-rate

**MEXICO: MAIN ECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	6.8	4.9	3.5
Consumer prices	15.7	18.6	13.9
Real wages	-1.2	2.8	0.5
Money (M1)	29.4	15.6	23.1
Real effective exchange rate <sup>b</sup>	-13.3	0.1	-7.3
Terms of trade	-0.8	-2.4	4.1
<i>Percentages</i>			
Urban unemployment rate	3.7	3.2	2.6
Fiscal balance/GDP	-0.6	-1.2	-1.3
Real deposit rate	-5.1	-0.8	10.6
<i>Millions of dollars</i>			
Exports of goods and services	121 831	129 387	148 300
Imports of goods and services	122 424	137 859	154 620
Current account	-7 454	-15 957	-13 750
Capital and financial account	21 452	19 167	13 310
Over all balance	13 997	3 210	-440

**Source:** See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

During the year, the index of share prices on the Mexican Stock Exchange rose strongly, albeit with some volatility, and by early December it was 60% above its end-1998 level, which represented a gain of nearly 70% in dollar terms.

In 1999, restrictions on foreign investment in the financial sector were lifted, and the Institute for the Protection of Bank Deposits (IPAB) was set up in place of FOBAPROA, to take over the liabilities generated by the bailout of the banking system and administer the corresponding assets. Congressional debate delayed privatization in the electric power sector, and approval for other important initiatives also remains pending.

The economic slowdown that began in the latter part of 1998 lasted until the first quarter of 1999, but as from the second quarter the economy began to regain momentum thanks to more buoyant external demand and a revival in domestic demand. Private capital formation recovered steadily during the year, and its growth for the year is estimated at 6.7%.

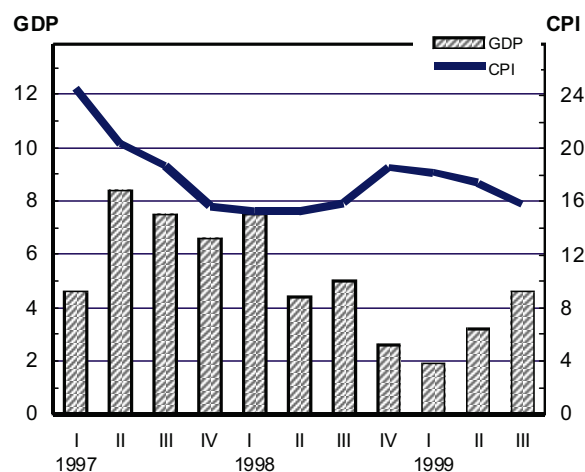
The agricultural GDP recovered from the virtual stagnation it had displayed in 1998. Manufacturing industry slowed, but areas of activity linked to exports (mainly metal products, machinery and equipment, and the maquila industry) turned in a better performance than in 1998. The automotive industry produced 1.25

cuts. The deposit rate gave yields of about 10% in real terms, and nominal lending rates remained high.

The financial authorities issued new rules on capitalization and loan-portfolio rating, as part of its programme to rehabilitate the commercial banking sector. The index of arrears (the ratio of overdue loans to the total loan portfolio) stood at 22.7% in September 1999 compared with 21.1% in December 1998, and this partly explains why financing decreased in real terms for the fifth year running.

Following the episodes of marked instability registered in the previous year, the foreign exchange market steadied in 1999, and the peso actually appreciated substantially (11% in real terms up to November). The total fiscal cost of the bank bailout and the support programme for borrowers is calculated at 21.7% of estimated GDP for 1999. The operation of the exchange rate flotation regime allowed the peso to adjust to sporadic market volatility. The inflow of resources from abroad -mainly from foreign direct investment, investments in the stock market and the placement of public and private debt abroad- acted to strengthen the local currency.

**MEXICO: GROSS DOMESTIC PRODUCT AND INFLATION**  
(Percentage variation)



**Source:** ECLAC, on the basis of official figures.



million vehicles in January-October (4.2% more than in the same period in 1998); exports grew by 11% and domestic sales expanded by 2.8%. Construction grew satisfactorily despite the 5.7% drop in public-sector investment, but there was a downturn in mining, partly as a result of unfavorable prices on international markets. In the services sector, an upturn in domestic demand generated growth in commerce and the communications subsector remained extremely buoyant.

Inflation showed a firm downward trend in 1999 and came close to meeting the official target of 13% for the year. The strength of the peso was a factor in this trend, which was also influenced by moderate price hikes in products such as fruit and vegetables, though tortilla prices and telephone charges rose more substantially.

The purchasing power of wages recovered very slightly in 1999. Average real wages in manufacturing increased by 0.5% between January and September, and there was a similar rise in contract wages. On the other hand, the 14% nominal increase in the minimum wage was insufficient to compensate for inflation, and real incomes are still below their 1994 levels in all sectors.

In late October there were 12.1 million permanent workers registered in the Mexican Social Security Institute (6.7% more than in December 1998) and open unemployment stood at 2.6%: the lowest level in 14 years. The most dynamic sector for job creation continued to be the maquila industry, where employment grew by 15% to stand at 1.2 million in 1999. In contrast, however, high levels of underemployment and informality persisted.


The balance-of-payments current account deficit came to US\$ 13.75 billion, equivalent to nearly 2.9% of GDP (3.8% in 1998). This result was helped in particular by the recovery in oil exports (23.8% in January-October), although non-oil exports also grew considerably (9.8% in the same period). On the capital account, there were increases in equity investment (US\$ 3 billion up to the third quarter) and in securities issued abroad by the public and private sectors (US\$ 8.5 billion in the same period), while foreign direct investment continued to flow into the country at an undiminished rate (estimated at nearly US\$ 11 billion for the year as a whole).

The merchandise trade gap narrowed from US\$ 8 billion to less than US\$ 5 billion, while total trade in goods was estimated at US\$ 277 billion (49% corresponding to exports), equivalent to nearly 60% of GDP.

The slower pace of economic growth, the buoyancy of external demand and the recovery in oil prices were decisive in reducing the current account deficit. The value of oil exports rose by 24% in the first 10 months of the year, while foreign sales of non-oil products also grew (14.5%), with exports of manufactures accounting for 90% of the total. Of total merchandise exports, 46% came from the maquila industry.

Imports grew by nearly 12% during the first 10 months of the year, with a similar increase predicted for the year as a whole. Capital goods imports grew most strongly (17%), although intermediate goods still accounted for the major share (77%). Imports by the maquila industry rose by 18%.


---



---

## Nicaragua

---



The Nicaraguan economy recovered strongly in 1999, growing by 6%. In the face of slack external demand, growth was largely based on a substantial increase in investment, mainly relating to public expenditure on rehabilitation and reconstruction work to repair the damage caused by hurricane Mitch at the end of October 1998, and an expansion of social projects. This vigorous economic performance was only possible thanks to the increase in financial resources from abroad, which helped to maintain macroeconomic stability, provide financing for the reconstruction programme and meet external debt commitments. Inflation slowed to 8%, and the open unemployment rate dropped to 10.5%. With the basic aim of reducing inflation, the annual rate of nominal exchange-rate devaluation was cut from 12% to 6%. The wider trade gap caused the current account deficit to increase still further, but it was possible to finance nearly all of this thanks to increased donations and investment from abroad, and there was also a considerable improvement in the net international reserves.

Economic policy focused on implementing the emergency rehabilitation and reconstruction programme, supported by a supply of international financial aid amounting to US\$ 2.5 billion over the next four years. Economic policy outcomes are generally expected to fulfill the targets and performance criteria agreed with the International Monetary Fund (IMF) in the Enhanced Structural Adjustment Facility, which, in September 1999, made Nicaragua eligible to participate in the Highly Indebted Poor Countries (HIPC) debt reduction initiative of the IMF and the World Bank. The government must also fulfill a series of requirements, however.

Thanks to corrective measures adopted during the year and improved tax administration, the central government deficit is expected to grow to only 2.7% of GDP, despite the significant increase in expenditure on reconstruction work and higher social spending.

In order to keep the deficit down despite the decline in revenues resulting from the tariff reduction programme, the specific tax on cigarettes, carbonated

beverages and alcoholic drinks was increased, and the prices of petroleum products were freed. In addition, charges for basic services (especially electricity) were raised, and steps were taken to restrain the growth of expenditure by cutting back on unproductive outlays.

The main goals of monetary policy in 1999 were to reduce net domestic assets held by the Central Bank -consistent with the target of increasing the net international reserves- and to bring down inflation.

In March the Central Bank lowered the legal reserve rate, thereby providing additional financing during the initial stage of economic recovery, after which it adopted a neutral policy in open-market operations. Real demand for money expanded significantly, and the growth of deposits in the banking system gathered pace; bank lending to the private sector also increased rapidly.

With the basic aim of lowering inflation, the annual rate of nominal exchange-rate devaluation was cut from 12% to 9% in July, and then again to 6% in November.

**NICARAGUA: MAIN ECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
	<i>Annual rate of variation</i>		
Gross domestic product	5.5	4.2	6.0
Consumer prices	7.3	18.5	7.7
Real wages	-0.2	7.4	3.0
Money (M1)	30.7	17.1	7.4
Real effective exchange rate <sup>b</sup>	5.7	-0.4	-0.8
Terms of trade	5.4	4.8	-6.5
	<i>Percentages</i>		
Unemployment rate	14.3	13.2	10.5
Fiscal balance/GDP	-1.3	-1.7	-2.7
Real deposit rate	-1.3	-1.9	1.1
Real lending rate	9.7	7.7	12.2
	<i>Millions of dollars</i>		
Exports of goods and services	927	830	830
Imports of goods and services	1 608	1 656	1 930
Current account	-783	-812	-995
Capital and financial account	856	582	980
Overall balance	73	-230	-15

**Source:** See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

The structural reform programme moved ahead in 1999, with 700 jobs being cut from the government payroll. Progress was also made in drafting and approving legislative bills relating to State procurement and hiring, the civil service, and administrative disputes. Proposals were also made to the National Assembly for reform of the Customs Law and the General Revenue Directorate.

Management of the petroleum products distribution company PETRONIC was handed over to an international concern, and the process of divestiture of the electric power company ENEL began; privatization of the State telephone company, ENITEL, however, suffered a fresh setback. Sale of the Banco Nicaragüense de Industria y Comercio (BANIC) was completed, while prudential standards and supervision arrangements for the banking system were strengthened, as was its legal framework. Tariff

reduction proceeded in accordance with the timetable established in 1997, so that there is now a ceiling of 10% (except for certain agricultural products), a floor of 0% and an average effective tariff of 7%.

GDP growth is estimated at about 6%. Weaker external demand was more than offset by the buoyancy of the domestic market (mainly gross fixed capital investment arising from higher public expenditure on reconstruction); employment and real wages were also higher. The overall growth figure was helped by the trend in construction, with its spillover effects on industry, commerce and transport, and the expansion of primary activities, due mainly to the recovery in agriculture.

Cumulative inflation for the year is estimated at 7.7%, taking into account the effects of higher charges for basic services, and price hikes in transport, petroleum products and building materials. A rise was approved in the minimum wage for the country's different productive sectors. The economic growth achieved has brought unemployment down to 10.5%.

The wider trade gap led to a larger current account deficit than in 1998, which will be financed by the expected substantial increase in foreign investment and donations from abroad. The net international reserves are also expected to expand considerably thanks to additional financing obtained under the programme agreed with the IMF and an increase in arrears on current payments.

The merchandise trade gap widened as exports declined by 7% and imports grew significantly (17%). The reduction in exports was mainly due to lower sales of coffee, sugar and bananas, as a result of the ravages of hurricane Mitch and lower international prices. On the other hand, non-traditional exports grew, while imports increased considerably, largely because of the reconstruction effort, though the value of consumer goods imports also continued to rise, largely due to explosive growth in durable goods imports, since purchases of non-durable consumer goods noticeably diminished.

Public external debt outstanding at the end of 1999 is estimated at US\$ 6,685.8 million. In covering its external financing requirements, government policy has concentrated on obtaining loans under highly concessional terms.

---

## Panama

---

Economic activity in Panama grew by 3% in 1999 – a slowdown from the 4.4% achieved in 1998, and less than the 3.5%-4.0% expected by the authorities when the year began. This result was influenced by the evolution of consumption and investment, but also by the fact that 1999 was an election year and a new administration took office four months from the year-end. Foreign trade in goods weakened, but other international services, such as the Panama Canal, the International Banking Center and trans-shipment operations, all posted good results. Inflation was very low, and the consolidated public-sector deficit moderated somewhat.

The objectives of economic policy continued to include adapting the economy to the definitive closure of military bases and the final handover of the Panama Canal assets. In the last four months of the year, tariffs were raised on certain agricultural products, within the limits established by the World Trade Organization (WTO).

Fiscal policy was marked by an increase in capital expenditure, mainly on infrastructure works, and by ongoing efforts to restructure the external debt. The central government deficit reached a high level for the second year in a row, although better results from public-sector enterprises enabled the consolidated public-sector deficit to be brought within the limits agreed with the International Monetary Fund (IMF). At the end of the first six months it stood at 0.9% of the gross domestic product (GDP).

Central government current income grew by 12.7% in the first nine months of the year. Direct tax revenues rose by 8.4% and non-tax income increased as a result of interest earned on the fund set up with privatization proceeds. Indirect tax revenues stalled as imports declined, with revenues from taxes on domestic sales increasing by 13.7% during the period. Public-sector outlays grew by 4.7% in the first half of the year, with capital expenditure up by 16%, and current expenditure rising by 3%.

In the first half of the year, the government placed Global Bonds to a value of US\$ 500 million on

international markets in an operation to buy back Brady Bonds (US\$ 200 million) and obtain budgetary financing. External debt service for the year as a whole amounted to US\$ 748 million: up by 55% from the 1998 figure as a result of increased payments of both interest and principal. Early in the year the sale of 50% of the electric power company assets was completed in an operation that produced a US\$ 603 million capital inflow deposited in the Development Trust Fund, which now stands at US\$ 1.3 billion. Privatization of the water and sewerage company, however, was delayed.

Three banking regulations were put into effect, relating to: (i) private economic groups; (ii) loans to related parties; and (iii) banking conglomerates. The process of reducing the number of banks continued. The activities of the national banking system continued to expand in 1999, with deposits growing by 4.3% and loans granted rising by 2.3%, according to the August figures. Lending to the domestic market increased by 16.4%, while external lending declined by 12.8%. External loan and deposit operations of the banking system contracted. Interest rates were substantially unchanged, and preferential rates on loans for middle- and low-income housing construction were maintained.

Apart from the Colón Free Zone, international services posted positive results in 1999. Revenues from Panama Canal operations grew by 4.3%, partly because

**PANAMA: MAIN ECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
<i>An nual rate of variation</i>			
Gross do mes tic product	4.7	4.4	3.0
Con sumer prices	-0.5	1.4	0.8
Terms of trade	8.5	0.0	1.0
<i>Percentages</i>			
Urban un employment rate	15.5	15.2	14.0
Fis cal balance/GDP	-0.2	-4.5	-4.0
<i>Mil lions of dollars</i>			
Ex ports of goods and services	8 316	8 023	6 750
Im ports of goods and services	8 650	8 869	7 320
Cur rent account	-593	-1 212	-1 095
Cap ital and fi nan cial account	934	749	895
Over all balance	341	-463	-200

**Source:** See the statistical appendix.

<sup>a</sup>Preliminary estimates.

of a larger number of vessels passing through and partly due to toll increases. The Canal pressed ahead with its modernization programme, investment for which will be completed in 2002. Port services grew strongly, as containerized cargo handling increased by 32% in the first six months.

Agricultural output rose by 3%, thanks to a recovery in banana production. Electric power generation grew by 8.7% in the first nine months of the year, but manufacturing industry stagnated (0.2%), while the construction industry expanded by 15% (compared to 6.7% the previous year), thanks to the greater buoyancy of private construction. Public-sector works in progress, such as the Southern Corridor, the Pan-American Highway and hospitals, were finished. The number of tourists decreased by 10.4% in the first nine months of the year, and their spending was down by 3.2%.

Inflation slowed late in the year (0.8%), but it registered a slight increase -estimated at 1.6%- for 1999 as a whole, as a result of higher international oil prices. Nevertheless, the country continues to have one of the lowest inflation rates in Latin America. There were increases in the prices of health care (6.2%), rent, fuel and electric power (4.2%), and recreational activities (3.3%), but food prices were unchanged and footwear and clothing rose by only 0.6%.

The minimum wage remained unchanged, although there was an increase in the first half of the year in the average wages in manufacturing and wholesale and retail trade. In August, employment was 4.9% higher than a year earlier, while unemployment fell from 15.2% to 14% in the same period.

Merchandise trade weakened considerably, while external services payments increased, giving a smaller current account deficit than in 1998. The financial account registered a significant inflow of capital, however, related particularly to the reinvestment of profits by foreign companies.

Up to September, total exports had fallen by 19.6% because of a drop in re-exports from the Colón Free Zone (-21.9%), while exports from the domestic economy practically stagnated (-0.2%). Sales from the Colón Free Zone were hit by lower demand from Ecuador, Colombia and Venezuela, while exports from the domestic economy were affected by a fall in the sale of marine products, though other categories turned in good export results, including petroleum products (56%), bananas (40%) and meat (39%)

Total imports shrank by 19%, as a result of a 32.5% reduction in those of the Colón Free Zone; purchases by the domestic economy grew by just 1%. There were substantial increases in imports of crude oil (89.9%) and foodstuffs (5%), while purchases of capital goods for agriculture and industry were also higher.

Financial inflows are estimated at US\$ 880 million, with a significant increase in foreign direct investment. For its part, total outstanding external indebtedness rose by 4.5% from the 1998 figure, to reach US\$ 5.59 billion.


## THE CARIBBEAN

---



### Bahamas

---



The Bahamian economy is estimated to have grown modestly during the second quarter of 1999, in a climate of mild inflation. Renewed growth of tourism, together with significantly higher fishery exports and a more active construction sector, helped to underpin economic activity, with tighter consumer credit remaining a major policy thrust. Monetary expansion (4.8%) remained steady in 1999 and there were improvements in nearly all the main components of the balance of payments.

Government economic policy in 1999 was focused on a programme of social spending and tax reforms, with expenditures directed at health and education, the criminal justice system, social services, youth and the environment. At the end of the second quarter, the overall public-sector deficit had grown, as revenues were hit by the tighter consumer credit regime implemented since 1998. A number of tax measures were taken in order to meet the budgetary commitments, including a rise in real-estate stamp duties and higher taxes on luxury automobiles and hotel accommodation. Steps were also taken to improve tax administration.

The money stock expanded by 4.8% to US\$ 144.2 million. All components of the money supply grew except foreign currency deposits, which declined by 2.0%. In line with the increased money supply, domestic credit expanded by 2.9% compared with its

level in the first quarter of 1998, but this was less than the 3.2% growth registered for the same period a year earlier. The Central Bank lowered the official interest rate by 75 base points in the second quarter of 1999, in order to boost mortgage lending. Lending to the private sector grew by 2.6%, compared with 3.0% in the first quarter of 1999, and bank lending to the public sector was estimated to be up by 14.7% at the end of the second quarter of the year.

Economic activity was underpinned by a strong recovery in tourism. The total number of tourists arriving in the Bahamas rose by 11.5% in the second quarter, to 944,960 visitors, following a 4.7% drop in the same period in 1998. Increased cruise line traffic to New Providence in 1999 pushed seaborne arrivals up by 8.7% to 527,115 passengers, compared with a 5.1% decline a year earlier. Tourist expenditure estimates for the second quarter of 1999 point to a significant

increase over the same period in 1998, as a result of higher-quality hotel accommodation, higher hotel prices and an increase in tourists' average length of stay. Although the average hotel occupancy rate fell slightly to 76.4%, estimated revenues grew by 45.2%, to US\$ 78.3 million. This upward trend is expected to continue for the rest of 1999. However, delays in hotel modernization and fewer cruise ship arrivals depressed activity in Grand Bahama, where the slump in tourist arrivals deepened to 17.9% in the second quarter of 1999, compared to 0.2% in 1998, with 3.8% fewer visitors arriving by air and a 24% drop in cruise ship traffic.

First quarter data for 1999 show that construction activity remained buoyant, partly thanks to projects begun in late 1998. Construction starts in the first quarter of the year fell by 16.1% to 298 units valued at US\$ 37.6 million. Building completions in 1999 were up by 3.3% on the previous year's figure, but their value (US\$ 58.3 million) was 59.7% higher.

The value of fishery exports grew by 12.0% to US\$ 24.8 million in the first half of the year, thanks to an 18.9% increase in volume (1,100 tons), even though average prices fell by 5.8% to US\$ 10.03 per pound. The value of crawfish exports grew by 12.9% to US\$ 22.7 million (equivalent to 91.6% of total export earnings), with the volume increasing by 28.0% to approximately 1,000 tons.

The 12-month inflation rate rose to 1.4% in June 1999, compared to 0.8% the previous year. This increase was attributable to a substantial rise in prices during the first quarter of 1999 which affected most consumer goods, including education expenses, recreation and entertainment. Inflation, as measured by changes in the retail price index, eased back to 0.1% in the second quarter, compared to 0.6% for the same period in 1998.

According to preliminary second quarter estimates, the balance-of-payments current account deficit narrowed significantly to US\$ 75.4 million, compared with US\$ 174.9 million a year earlier. This result reflected a decline in the demand for foreign goods and services as a large-scale investment project came to completion, together with a considerable boom in estimated net earnings from tourism.

The merchandise trade deficit is estimated to have narrowed by 7.4% to US\$ 306.3 million – a reduction of US\$ 24.6 million – with non-oil imports falling back by 8.2% to US\$ 371.4 million. This reduction in imports comfortably offsets the estimated 7.3% drop in export earnings, which in mid-1999 amounted to US\$ 65.1 million. The value of oil imports for domestic use increased by 1.0%, to US\$ 39.3 million.

The surplus on the services account is estimated to have increased by US\$ 76.6 million to US\$ 269.3 million in the second quarter of 1999. Net income from tourism grew by about 8.5%, to US\$ 362.0 million, thanks to a recovery in stopover (non-cruise) traffic. Furthermore, with the completion of a large tourist project, net payments for foreign construction services dropped by 50.6% to US\$ 22.2 million, leading in turn to a 43.4% fall in net outflows corresponding to "other services", which went down to US\$ 70.7 million.

On the current transfers account, net outflows relating to private-sector investment rose to US\$ 1.3 million. Net transfers to general government increased, with inflows amounting to US\$ 10.1 million. The capital and financial accounts, excluding reserves, decreased by US\$ 60 million in the second quarter to an estimated US\$ 67.8 million. These transactions had significant repercussions on the overall balance of payments, which stood at US\$ 64.4 million at the end of June 1999.

---

## Barbados

---

Following six years of uninterrupted growth, economic activity lost some of its momentum, and growth is estimated at 2.5% for the first nine months of 1999 compared with 4.7% for the same period a year earlier. Growth was led by the non-tradeable sectors, especially construction and wholesale and retail trade, whereas there was a slight contraction among tradeables. Slower real growth of exports and higher import expenditures resulted in a larger current-account deficit at the end of the third quarter. Exports are expected to recover in the final quarter to register growth of about 2% in 1999 as a whole. Inflation remained low, but the monetary authorities nevertheless applied a tighter policy in view of the increased trade and fiscal deficits.

Economic policies were aimed at preserving the prevailing growth climate and keeping inflation and unemployment at low levels. The main thrust of official strategy, as set out in the 1999/2000 budget, was to improve the country's competitive position. Total fiscal revenues increased by 4.5% in the first nine months of 1999, thanks to higher tax revenues, while expenditure rose by 4.6% in the wake of higher capital spending, mainly related to a wide-ranging programme of highway rehabilitation and extensive airport reforms, and transfers to the Barbados Agricultural Development and Management Corporation. As a result, there was a fiscal deficit of 44.6 million Barbados dollars (BDS\$) (US\$ 22.3 million), which was BDS\$ 3.5 million (US\$ 1.8 million) higher than in 1998.

Commercial bank lending to the private sector increased, and this may have been a factor in the strong import growth. Net new lending to the private sector grew by BDS\$ 180.2 million (US\$ 90.1 million), compared with the BDS\$ 126 million (US\$ 63 million) recorded in the first three quarters of 1998 and the average of BDS\$ 113 million (US\$ 56.5 million) over the period from 1994 to 1998. In order to control this surge in domestic demand, the Central Bank of Barbados tightened monetary policy for the

commercial banks by raising its discount rate from 9% to 10% and increasing the reserve requirement on deposits from 5% to 6% as from 31 May 1999. It also withdrew approximately BDS\$ 20 million (US\$ 10 million) in deposits it was holding in the banking system, and invested the proceeds in foreign stocks. A further BDS\$ 20 million (US\$ 10 million) was withdrawn from circulation through net placements of new State securities.

Domestic deposits declined by an estimated BDS\$ 78.2 million (US\$ 39.1 million) during the third quarter, but grew by some BDS\$ 162.2 million (US\$ 81.1 million) in the first nine months as a whole, compared with growth of BDS\$ 195 million (US\$ 97.5 million) a year earlier. Excess liquidity stood at 5.8% of domestic deposits at the end of September 1999. Interest rates on Treasury bonds rose to 5.9% at the end of that month, compared to 5.7% at the end of December 1998, reflecting the tighter liquidity conditions; other interest rates remained relatively stable.

The first three quarters of 1999 saw a sharp downturn in cruise liner tourism and slower growth in the manufacturing sector. The figures show that tourism shrank by 1.4% during the period, in contrast to the average growth rate of 3.8% recorded over the six



**BARBADOS: MAIN ECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	2.6	4.8	2.5
Consumer prices	3.6	1.7	2.0
Real effective exchange rate <sup>b</sup>	-5.8	1.8	-0.1
<i>Percentages</i>			
Unemployment rate	12.2	11.8	10.6

**Source:** See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

previous years. Long-stay arrivals increased by 1.3%, even though two large hotels closed down, but cruise-ship visits were down by 21.2%. Manufacturing output dropped by 1.5% in the first nine months of 1999, with all subsectors down except non-metallic mineral products and food processing, which grew by 5.7% and 1% respectively. Data for the first half of 1999 indicate that sugar production expanded by 10.4%, with a yield of 53,000 tons, in contrast with its sharp 25.7% downturn in 1998.

Construction output grew by approximately 5.3%, as projects under way in the public and private sectors began to reach completion. The wholesale and retail trade sectors grew briskly by 4.3%, although not quite as fast as the previous year owing to the weaker demand resulting from the downturn in tourism and official policies designed to forestall overheating of the economy. Oil production was up by an estimated 80.5% in the first half of 1999, about twice the previous year's growth rate, as the enhanced secondary

recovery program resumed in April, following its suspension two months earlier.

Unemployment stood at 10.6% at the end of the second quarter of 1999 – 1.5 percentage points lower than a year earlier. The services sector was the main creator of new jobs. Insufficient data is available to determine wage movements in 1999 with any precision, but these were clearly favoured by collective bargaining agreements concluded in 1998, which produced increases of between 3.0% and 5.0%.

Inflation remained low, although the retail price index edged up by 1.2% at the end of September, compared with its 0.7% fall during the first three quarters of 1998. The rise in inflation was mainly due to price hikes for foodstuffs and housing, while the withdrawal of excess liquidity from the economy helped to ease demand pressures.

The balance-of-payments current account deficit widened during the first nine months of the year, compared to the same period in 1998. Imports that were not re-exported grew by about 7.5%, up from 4.6% in 1998. Total imports of consumer and capital goods grew by 11.3% and 17.4% respectively, while imports of intermediate goods fell by 2.6%. Income from locally produced exports grew by 1.7%, while earnings from tourism declined by 1.5% after having risen by 8% in the same period a year earlier. Private-sector capital inflows totalled US\$ 103 million (US\$ 51.5 million), most of which was invested in tourism projects and public-service companies. Net international reserves held by the monetary authorities increased by US\$ 78.3 million, partly due to loans totalling US\$ 75 million raised on regional capital markets. The reserves stood at US\$ 336 million at the end of the third quarter, which was sufficient to cover 15.7 weeks of imports, compared with 13 weeks' coverage in the same period in 1998.

---

## Cuba

---

Productive activity recovered strongly with growth of 6% in 1999. The balance-of-payments current account deficit narrowed to 1.3% of GDP, and the fiscal deficit remained under control (2.6% of GDP), all of which helped to keep the exchange rate and prices stable (0.7% inflation). On the other hand, accumulated monetary liquidity, which was virtually unchanged from the previous year, remained high as a proportion of GDP (35%). Economic growth was boosted by a recovery in the sugar industry, together with a marked increase in international tourism, a better performance in the energy sector and a further increase in nickel output. Weather conditions were favourable to agriculture, and certain restrictions on external and domestic financing were eased.

Although increased flows of foreign direct investment and family remittances were reported, the scarcity of foreign currency continued to restrict leeway in economic policy. The fiscal deficit is estimated to have widened to 2.6% of GDP (2.2% in 1998), as expenditure (7.2%) grew faster than revenue (6.8%). Current spending rose significantly, but capital expenditure was unchanged from 1998. There were wage increases in sectors such as education and public health. The recovery of the agricultural sector and the sugar industry made it possible to reduce subsidies for covering losses by public sector companies and to cut back on budgetary assistance to Basic Cooperative Production Units (UBPCs), which are cooperatives set up on former State land. Social security expenditure continues to weigh heavily on the country's fiscal balance. On the revenue side, there were higher receipts from the taxes on profits, labour-force use, circulation and sales.

The amount of currency outside banks was virtually unchanged and the price control policy was maintained; the parallel exchange rate went down to 20 pesos per dollar, while the official rate remained unchanged at one peso per dollar. In 1999 the national banking system lent more than US\$ 1.3 billion to productive entities, compared with US\$ 1 billion in

1998. In the three-year period 1997-1999, medium- and long-term external loans amounting to US\$ 500 million were obtained and used for the purchase of equipment for the sugar industry, airport construction, and development of the telecommunications system.

Although private sector self-employment declined, the process of opening up to foreign investment continued in the real estate and energy sectors, and the restructuring of the banking system was continued. As many as 370 mixed enterprises have now been set up, and bilateral agreements for investment protection have been signed with 44 countries.

The recovery in production made it possible to make up some of the shortfalls accumulated since the beginning of the decade. Global supply increased substantially, thanks mainly to the 6% growth in output, as goods and services imports grew more slowly (3%). On the demand side, external sales were more buoyant (10%) than domestic demand (3.6%); investment expenditure was up by 18%, while consumption grew more modestly (2%). Domestic sales in foreign currency rose strongly, since over 60% of the population had access to them. Priority continues to be given to capital formation in foreign-currency-generating activities, such as tourism and telecommunications, and in import-substituting

## CUBA: MAIN ECONOMIC INDICATORS

	1997	1998 <sup>a</sup>	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	2.5	1.5	6.0
Consumer prices	1.9	2.9	0.7
Nominal parallel exchange rate	19.8	-8.7	4.8
<i>Percentages</i>			
Unemployment rate	7.0	6.6	6.0
Fiscal balance/DP	-1.9	-2.2	-2.6
<i>Millions of dollars</i>			
Exports of goods and services	3 882	4 182	4 340
Imports of goods and services	4 628	4 800	4 940
Current account	-437	-396	-350
Capital account	458	413	380

Source: See the statistical appendix.

<sup>a</sup> Preliminary estimates.

sectors (energy). In contrast, activities not related to the foreign currency circuit, such as housing and transport (including the highway infrastructure), continue to suffer from a scarcity of funds for investment.

Widespread growth was reported in all productive activities, especially tourism (15%), agriculture (11.1%), manufacturing industry (9.1%), construction (8%), and commerce (6.2%). Financial services (5.1%) and mining (3.2%) expanded less rapidly.

Tourist activity continues to grow rapidly, but it still has a high imported component (50%). Gross income from this source increased by 20% as a larger number of visitors entered the country (1.7 million); there were increases in both the number of rooms available for international tourism and their occupancy rate (67%).

In the agricultural sector non-sugar activities grew faster (18%) than the sugar segment (13%). The sugar industry registered a 23% recovery as the 1998-1999 sugarcane harvest produced 3.8 million tons, 19% more than in the previous season. However, 25% of the sugar mills had to be shut down because of technical obsolescence, more intensive use of the best centres, or the rescheduling of supplies. The 1999-2000 sugarcane harvest is expected to be over four million tons, which should help to improve the island's financial situation, since sugar output serves as collateral on foreign loans.

National oil production increased by 12% to 2 million tons, and associated gas extraction was 3.2 times higher than the previous year's figure, thanks to production incentives and opening up to foreign investment. This covers one-third of the country's energy consumption, including 50% of its electric power requirements, so interruptions to electricity services decreased.

Nickel output rose for the fifth year running (by 3%), to 70,000 tons, thanks to factors such as technological modernization, the execution of investments, higher international prices and the establishment of a mixed enterprise with Canadian capital.

Consumer prices remained virtually unchanged, rising by only 0.7%, and no price changes were reported in the controlled market except in the State-run restaurant network. Prices fell in both the agricultural market and in the informal economy.


The average monthly wage increased by 6%, benefiting 60% of the public sector, although real purchasing power is still below that of 10 years ago. Labour productivity increased by 8%, and unemployment fell to 6%, with the highest unemployment indices being recorded in the country's eastern provinces.

The balance-of-payments current account deficit narrowed to US\$ 350 million, thanks to a smaller trade deficit and a larger inflow of current transfers, while net factor payments were practically unchanged. The capital account surplus is estimated at US\$ 380 million, making possible a slight rise in the meagre level of international reserves.

Exports of goods and services grew faster (3.8%) than imports (2.9%), despite a deterioration in the terms of trade. Higher external merchandise sales (1.8%) were due to the larger volumes exported (6%), since prices fell (4%), especially in the case of sugar, although international nickel prices rose somewhat. The higher value of imports of goods (2.8%) was due to the larger volume of goods imported (2%) and higher prices (0.8%).

The outstanding external debt balance eased back slightly (-1.9%) to around US\$ 11 billion, and conversations began with the Paris Club to negotiate multilateral restructuring of the official debt. Between 1998 and 1999 renegotiation agreements were signed with supplier companies from Japan and the official export credit guarantee agencies of Italy, the United Kingdom and Belgium; negotiations are still under way with other countries.


---



---

## Guyana<sup>5</sup>

---



The economy of Guyana began to grow again (6.8%) in the second quarter of 1999, following a 2.4% contraction in GDP in the first quarter. This resulted in growth of 2.1% for the first half of the year as a whole, which represents a recovery compared with the same period in 1998, when there was a downturn of -2.4%. Real growth for the calendar year is projected at 2%, led by recovery in the agriculture sector. Consumer prices have risen by 5.8% in the year to date, while the local currency has depreciated by 7.1% against the United States dollar. The Government has embarked on a series of reforms designed to open up the economy and improve the economic and regulatory environment.

The economic policy framework in 1999 included measures aimed at reversing the contraction of output and reducing poverty, through sound macroeconomic social and public-sector reforms and ongoing support for the private sector. The key macroeconomic objectives for 1999 are the following: real GDP growth of 1.8%, based on a recovery in agriculture; inflation of 5.5%; and a sustained improvement in the balance of payments current account, where larger export volumes should help improve the foreign trade surplus. External budgetary financing from bilateral and multilateral sources is also projected to remain at a high level.

In fiscal policy, efforts are being made to increase public expenditure on development projects and to improve tax administration (the authorities are concluding a study aimed at introducing Value Added

Tax). Monetary policy was adjusted in order to achieve the targets set for international reserves and inflation.

The government embarked on a series of reforms to open up the economy and improve the economic and regulatory environment in terms of its impact on financial activities, the public sector and the business environment. Trade policy continued to move in the direction of a freer market economy, and steps are being taken to reduce maximum import tariffs, in accordance with commitments made by the Government in the common external tariff agreement. During the year, several programmes were implemented to stimulate employment, with emphasis on micro-enterprise development, the promotion of labour-intensive investment projects in the public sector, and training activities.

A new Bank of Guyana Act was passed to ensure the autonomy, capitalization and reorganization of the

---

5 Guyana is included in the Caribbean section of this report for institutional, not geographical, reasons.

**GUYANA: MAIN ECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
	<i>Annual rate of variation</i>		
Gross domestic product	6.2	-1.3	2.0
Consumer prices (yearly average)	3.6	4.6	5.3
Real exchange rate	-2.5	1.7	10.5 <sup>b</sup>
	<i>Percentages</i>		
Deposit rate	8.6	8.1	9.3 <sup>c</sup>
Lending rate	16.9	16.9	17.1 <sup>c</sup>
	<i>Millions of dollars</i>		
Exports of goods and services	593	549	578
Imports of goods and services	642	601	620
Current account	-105	-97	-83

**Source:** ECLAC, on the basis of official figures.

<sup>a</sup> Preliminary estimates and projections.

<sup>b</sup> Average for January-March.

<sup>c</sup> At end of June.

Bank. From now on, the Bank will not be obliged to lend to the Government if doing so would be incompatible with the established inflation and reserves targets. The Government pressed ahead with its privatization programme aimed at streamlining its operations, and progress was also made in the reform of the civil service, with the finalization of plans for the reorganization and restructuring of the Ministries of Finance, Education and Health. Income tax legislation was amended to reintroduce tax holidays as an incentive to investment.

Economic activity was bolstered up by agriculture. The rice harvest at the end of the first half of 1999 came to 193,608 tons - some 20,000 tons above the target set and a 38% improvement on the harvest at the same point in the previous year. These results were helped by the good weather which prevailed, despite the threat from "La Niña". Yields and paddy quality were both very high. Although sugar production declined by 5.7% in the first quarter of 1999, the first crop of the year came in at 125,226 tons: the best first harvest for

13 years and a 39% improvement on the 1998 figure. In the first half of 1999, timber production was up by 3.1% compared with the same period of the previous year, totalling 231,537 cubic metres.

Mining and quarrying shrank by 8%, partly as a result of reduced gold and bauxite production. The volume of bauxite mined was down by 13% compared with the same period a year earlier, reflecting shrinking markets, since production is linked to actual and expected sales. The total value of declared gold production declined by 6% because of a fall in prices. The manufacturing sector appears to have grown by 1.6% in the first half of 1999, with significant increases in paints, animal feed and laundry soap.

Inflation showed an upward trend. The consumer price index (CPI) for the capital, Georgetown, was up by 2.1% at the end of the first quarter, but by the end of June 1999 it had increased by 5.8%. Price hikes in foodstuffs and gasoline were mainly responsible for this increase.

The overall balance of payments deficit narrowed to US\$ 12 million in the first half of 1999, compared with US\$ 18.3 million a year earlier. This was the result of a significant turnaround in the current account, which went from a deficit of US\$ 48.4 million to a surplus of US\$ 13.6 million. This was due to exceptional circumstances, however, as it was connected with a strike in the public sector that held up the clearance of merchandise imports for a lengthy period, thereby causing an apparent surplus on visible trade.

Earnings from exports of goods remained relatively stable, amounting to US\$ 238.5 million, with increases in timber and sugar exports being offset by lower sales in other export categories. Net service payments increased significantly, while there was a slight drop in the net inflow of transfers.

The first half of 1999 saw a net inflow of US\$ 11 million on the capital account (the corresponding figure for 1998 was US\$ 16 million). This reduction is explained by a lower level of private-sector investment - mainly aimed at the telecommunications and mining sectors - and smaller inflows to the public sector, which dropped to US\$ 3 million compared with US\$ 8 million in 1998. Disbursements from multilateral and bilateral sources fell by 34% to US\$ 14 million. The negative balance on short-term capital flows improved during the first half-year from -US\$ 8 million at the end of June 1998 to -US\$ 4.5 million for the same period in 1999. The overall balance of payments deficit was financed by drawing down net foreign currency assets held by the Bank of Guyana.

---

## Haiti

---

The performance of the Haitian economy in 1999<sup>6</sup> was rather modest (2.5%) in view of the amount of catching up that the country needs to do after several years of little growth. The shortage of foreign financing due to the political problems that still cloud the national scene has been an important factor in the economy's poor performance. In general, the macroeconomic indicators are favourable, with inflation at 10% and a fiscal deficit equivalent to 2.6% of the product. The sectors that have been strongest in recent years —construction, maquila activities and commerce— posted very small gains, in some cases well below the previous year's. The conditions attached to disbursements of foreign aid, contingent on the effective action of a new legislative body, have held up projects dependent on the major international funding sources.

As of the third quarter, fiscal policy had succeeded in meeting the targets agreed with the IMF, resulting in 2.5% more revenue than projected. In the last quarter, however, investment spending was almost twice the target amounts, bringing overall expenditure to a level 7.5% above the target for the fiscal year. Additional outlays connected with hurricane Georges and the funding of the electoral process represented close to 6% of total spending. The positive results in terms of public-sector income were due in large measure to revenue from customs tariffs (18%), direct taxes (35%) and indirect taxes (13%). The fiscal deficit came to 2.6% of GDP, slightly more than the preceding year's 2.4%, and was financed almost entirely by the Central Bank, since net external financing was negative. Budget aid promised by the European Union (US\$ 21 million) was not forthcoming because the political objectives on which it was contingent were not met as scheduled.

In order to keep inflation under control, the authorities applied a tight, restrictive monetary policy. Financial indicators with respect to both the public sector and credit were generally beyond the figures agreed with the IMF. Credit was limited by the compulsory reserve requirements (26.5% and 12.5% respectively on local-currency and dollar deposits), while lending rates were stable (22.5% and 12.5% respectively for local currency and dollars). Deposit rates fell from 14.8% to 6.8% for gourdes and from 7% to 6.5% for dollars. This represented an increasing intermediation spread and a net preference for government securities (BRH bonds, the amount of which more than doubled), with yields that stood at the end of the fiscal year at attractive levels between 6.8% and 10.3%.

The dollarization of the economy seems to have increased. Dollar deposits gradually increased to almost 32% of total deposits (compared with 29% in

---

6 The period analysed here is the fiscal year 1998-1999, which began in October 1998 and ended in September 1999.

## HAITI: MAIN ECONOMIC INDICATORS

	1997	1998	1999 <sup>a</sup>
	<i>Annual rate of variation</i>		
Gross domestic product	1.5	3.2	2.5
Consumer prices	15.6	7.5	10.1
Real effective exchange rate <sup>b</sup>	-14.1	-8.3	-5.4
Terms of trade	8.3	4.1	-2.0
	<i>Percentages</i>		
Fiscal balance/GDP	-2.0	-2.4	-2.6
	<i>Millions of dollars</i>		
Exports of goods and services	364	462	515
Imports of goods and services	859	994	1 190
Current account	-60	-75	-75
Capital and financial account	90	110	95
Overall balance	30	35	20

Source: See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

1998), while dollar loans, which represented less than one-third of all loans in 1998, rose to 40% by September 1999.

Gourde-dollar parity remained generally stable at an average of 16.7 to 1 throughout 1999, with slight rises in November 1998, and February and September 1999. This is remarkable, considering that practically no foreign exchange entered the country in the form of foreign aid, while export activity was very modest. The average monthly decline of the currency was 0.4%, and the Central Bank made routine interventions in the exchange market.

In the area of structural reform, the cement firm "Ciment d'Haiti" was privatized in May, with the transfer of 65% of the equity to a mixed Haitian-Swiss-Colombian private-sector consortium. The downsizing of the public sector (a 12% reduction in posts) concluded in December 1998 with a total of 6,360 employees opting for voluntary or early retirement or other arrangements. Work began on rehabilitating the National Credit Bank, the Government's main banking agent. Privatization in the areas of telephone services (TELECO), electricity (EDH) and ports and airports is still pending. Other reforms were held up by the legislative standstill.

Notwithstanding the notable indications of macroeconomic stability, the weak growth of investment (4%) and consumption (1.6%) is a source of concern, not only because the low levels are insufficient to meet the country's urgent needs, but also because they are even lower than the levels registered in recent years. Sectoral performance followed a similar pattern, as with the exception of agriculture (2.3%) and mining (6.5%) all sectors reported smaller gains than in the previous year. In particular, growth in construction (4.6%) was down by one half. Since the level of investment (closely associated with public-sector infrastructure activity) changed little, it would appear that private construction went down even more sharply.

The advances made in agrarian reform still seem quite fragile. Domestic agricultural production was also adversely affected by the heavy penetration of the market by imports in the wake of the indiscriminate dismantling of trade barriers in 1995. Sectoral studies indicate that the flow of imports, rather than being a source of substantial reductions in consumer prices, primarily represented an opportunity for the import-sector monopoly to reap the benefit of larger profit margins.

Inflation projections were exceeded, and at the end of the year inflation was running at a 10% annualized rate, though the 12-month average (8.1%) was less than the previous year's figure of 12.7%. Foodstuffs, beverages and tobacco prices rose least (3.9%), probably because of the large proportion of consumer products imported at very low or zero tariffs. This did not, however, prevent a 7.5% reduction in the real minimum because of lower labour demand.

Despite the unfavourable environment, the country's external accounts turned in a relatively good performance, keeping the current account at -US\$ 75 million (1.8% of GDP), not far from the previous year's figure. The merchandise trade deficit rose to US\$ 405 million as a result of a 15% increase in exports and a 16% rise in imports. The strongest sector was the maquila industry (29%), while, on the down side, coffee fell close to 40%. The food import bill grew 26%, representing close to one-third of total imports. Higher unilateral transfers, however, partially compensated for the increased trade deficit.

The net reserves increased by US\$ 30.7 million thanks to increased financing in dollars from both multilateral (close to 65% came from IDB, USAID and IMF) and bilateral sources (20% came from France and Italy).

---

## Jamaica

---

According to estimates, the decline in GDP for the year (1%) will be higher than in 1998. This negative performance must be viewed against the background of a fragile financial sector and a delicate macroeconomic balancing act aimed at maintaining the country's economic stability, keeping the exchange rate stable and reducing the fiscal deficit. Inflation was kept under control, standing at 5% at midyear. This welcome development made it possible to take a more flexible approach to monetary policy.

Economic policy was aimed at consolidating previous progress towards stable conditions (namely, low inflation and a stable exchange rate), fostering growth of the product and reducing the fiscal gap in order to achieve a balanced budget for the fiscal year 2000-2001. In keeping with the government's fiscal objectives, new tax measures were introduced to correct the deficit, which was 7.5% of GDP for the 1998-99 fiscal year. The most important changes were increases in the special consumption tax on certain petroleum products, higher taxes on cigarettes (+10%) and alcoholic beverages (+33.3%), and higher motor vehicle license charges (+33.3%). Taxes were also raised on gambling and betting as well as on customs processing fees. Following a series of general strikes early in 1999, the government eased tax increases in various areas. It is estimated that the new tax structure will provide around J\$ 4.4 billion more tax revenue.

Monetary policy, aimed at reducing inflation by controlling the money supply, led to a 39.8% drop in net domestic assets, offsetting a 1.5% increase in the Bank of Jamaica's net international reserves. During the first six months of 1999, lower core inflation projections made it possible to lower reserve requirements. Thus, the Bank of Jamaica reduced the cash reserve ratio for commercial banks to 17% as well as easing the non-cash reserve ratio, which had not been

changed since June 1995, from 22% to 18%. Though M2 increased in April and May 1999, the total amount of loans and advances outstanding at the end of May 1999 was 7.2% down from its December 1998 level, reflecting a decline in lending.

The high level of real interest rates and the low level of effective demand continued to limit credit growth. In the non-banking sector, credit unions continued to grow strongly, with their consolidated balance increasing from J\$ 9.4 billion at the end of December 1998 to approximately J\$ 10.4 billion by the end of March 1999. With the real estate market remaining fairly quiet, consolidated data for construction firms as of the end of April 1999 showed a drop to J\$ 41.3 billion from the level of J\$ 45.1 billion registered at the end of December 1998.

Still feeling the impact of the 1998 recession, the economy remained sluggish, and it is estimated that the rate of change of GDP was lower during the period from April to June 1999 than during the previous quarter and the corresponding months of 1998. This situation must be understood in the context of interest rates which, though beginning to fall, were still high and may therefore explain the low level of investment activity.

One factor that contributed to the economic slowdown during the second quarter of 1999 was the relatively poor performance of the goods-producing sectors. Agricultural output was only 0.7% higher than



**JAMAICA: MAINECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
	<i>Annual rate of variation</i>		
Gross domestic product	-2.1	-0.7	-1.0
Consumer prices	9.2	7.9	5.2
Real effective exchange rate <sup>b</sup>	-14.1	-6.1	-7.7

**Source:** See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

in the second quarter of 1998 (production for domestic consumption rose 2.2%, but exports fell 6.0%). Mining posted a 1.1% gain despite a drop in exports, with the 7.1% increase in the production of alumina more than offsetting the drop in aluminium production. Construction declined in the first half of 1999 as a result of credit restrictions and weakness in other sectors, particularly financial services and manufacturing. The manufacturing sector continued to perform feebly in the second quarter despite some improvements in chemicals and chemical products and in some food-processing subsectors.

The main services subsectors showed sustained growth, enjoying the ongoing benefit of earlier investment in public services and infrastructure. Electricity sales rose 6.3% in the second quarter, thanks to increased consumption in all categories, but particularly in large systems. The performance of the tourism sector in the second quarter was uneven, as

visitor arrivals registered a small gain but the sector's earnings declined. Growth in the distributive sector continued to slacken, reflecting a significant slowdown in the growth of consumer demand.

With a net loss of jobs in manufacturing and construction, whose performance continued to be weak, the unemployment rate rose slightly in April to 15.8% (as against 15.4% in April 1998).

Core inflation remained relatively low, rising by 0.9% for the second quarter, compared with an increase of 1.1% for the same period of 1998. As a result of seasonally higher prices in the food and beverages category and new tax measures announced in the 1999-2000 fiscal budget, overall inflation for the second quarter was 2%. Consequently, inflation for the first half of the year was 1.7%, with an annualized rate of 5%.

During the first half of 1999, the current account balance improved in comparison with the corresponding period in 1998, moving from a US\$ 1.4 million deficit to a US\$ 15.4 million surplus. This was due to higher income from tourism, lower repatriation of profits by bauxite companies, lower outflows on the transportation services account and increased remittances. Foreign debt is expected to decline from its 1998 figure of US\$ 3,306.4 million to an estimated US\$ 3,030 million by December 1999.

Available information for the period from January to August 1999 indicates that the merchandise trade deficit fell 4% from its level of a year earlier, standing at US\$ 999 million. This reduction is largely a result of the 7% drop in imports, which affected all three types of goods: consumer goods (-2.1%), raw materials (-9.5%) and capital goods (-7.0%). The value of exports of goods also diminished (-10%). In absolute terms, however, the net effect on the visible trade balance continued to be

positive. In the first eight months of 1999, exports covered only 45% of the import bill.

---

## Dominican Republic

---

For the fourth year in a row, the Dominican Republic enjoyed a high rate of growth (7%). This was primarily because of strong domestic demand and sustained flows of funds into the country in the form of foreign direct investment, tourism and family remittances.

Economic policy focused on the one hand on avoiding overheating of the economy due to the sustained rapid growth since 1996, and on the other on preventing an increase of imports that could create balance-of-payments constraints. On other fronts, trade liberalization and privatization moved forward slowly.

The central government virtually balanced the fiscal accounts, with a deficit of only 0.1% of GDP. Revenue increased 6%, less than the year before, as receipts from the oil price differential fell, though in order to counteract this the price of oil was raised and the commission on currency exchange transactions was increased from 1.75% to 5%.

Reversing the pattern of preceding years, total expenditure increased by 13% due to increased capital expenditure related in part with reconstruction work. The growth rate of current spending fell despite higher current transfers (17%). The effects of the reform of State-owned enterprises are expected to be felt next year.

A raise in doctors' pay had some effect on total expenditure, though it will be offset by increases in

taxes on motor vehicle licenses, gun permits and forms for medical certificates.

Lastly, the government began to take measures to put the domestic debt on a sounder footing by issuing six-year fixed-interest bonds and debt recognition certificates.

At the beginning of the year, the government kept liquidity under control by limiting net domestic public borrowing, deferring the redemption of participation certificates held by commercial banks and freezing some of their excess reserves. Between June and October, the stability of prices and the exchange rate opened the door to more flexible monetary policy which allowed interest rates to fall and brought loan money into the private sector. In October, the authorities imposed restrictions on commercial banks' loan portfolios to ensure that lending increased at a pace consistent with inflation and growth targets.

Thus, the money supply and narrow money (M1) grew less than 10%. Broad money (M3) grew 26% between January and October, reflecting a significant increase (99%) in dollar deposits. Financial regulations

**DOMINICAN REPUBLIC: MAIN ECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
	<i>Annual rate of variation</i>		
Gross domestic product	7.1	6.0	7.0
Consumer prices	8.4	7.6	6.6
Real effective exchange rate <sup>b</sup>	2.4	8.6	6.9
Terms of trade	4.4	2.7	-0.9
	<i>Percentages</i>		
Unemployment rate	15.9	14.3	...
Fiscal balance/GDP	0.7	1.0	0.1
	<i>Millions of dollars</i>		
Exports of goods and services	7 061	7 481	8 110
Imports of goods and services	7 780	8 917	9 580
Current account	-162	-338	-500
Capital and financial account	258	351	585
Overall balance	96	13	85

**Source:** See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

were implemented to prevent short-term manipulation of speculative positions in foreign currency.

On the reform front, the authorities privatized the Dominican Electricity Corporation, leased the sugar refineries of the State Sugar Corporation for a period of 30 years and granted a private-sector concession for ports and airports.

Overall demand increased 13%, driven by gross domestic investment (up 19.4%), consumption and, to a lesser extent, exports of goods and services. Public and private investment benefited from an increased inflow of foreign exchange, the good position in which the commercial banks found themselves (with consequent greater availability of loan funds) and the promising economic growth expectations.

Public and private consumption increased by 7%, largely due to the effects of remittances from abroad and higher real balances.

Exports of goods and services rose only slightly, because of a decline in traditional exports and slower growth in the activities of the free zones.

The agricultural sector grew 4% thanks to the recovery in seasonal and traditional crops despite the after-effects of hurricane Georges. The manufacturing sector was up 5% due to increases in non-sugar activities. In-bond processing (maquila) activities slowed (-5.3%) because of lower demand for textile products in the United States.

Construction was the strongest sector (+19.5%), benefiting from the increased liquidity in the commercial banks. Private-sector activity was focused on residential building, malls and hotels, while public-sector construction was mainly in infrastructure, social projects and reconstruction work.

The hotel/bar/restaurant sector grew 11% thanks to the rise in hotel occupancy rates, while communications posted a 16% gain due to the good results in the telephone services subsector.

The electricity and water sector grew 8.3% (January-September) due to more power generation by gas turbine plants and high water levels in dams.

Cumulative inflation was close to 7% as a result of the recovery of food supply after the effects of the hurricane, the tight monetary policy and the stable exchange rate. Higher commissions on currency exchange transactions and higher domestic fuel prices also played a role in this respect as from October.

Wages grew only slightly (2.8%), under the policy providing for a nominal payroll freeze. There was an increase in health professionals' pay, however (a 65% rise between 1999 and 2000).

The overall balance of payments position was positive (+US\$ 78 million) as the current account deficit (2.8% of GDP) was covered by foreign direct investment (US\$ 1.4 billion).

Exports of goods (+5%) continued to be driven by activity in the free zones, although this grew less rapidly than before due to lower demand for textile products. The value of the country's exports of domestically produced goods dropped because of lower international prices and a decline in the exportable supply.

Imports (+8%) were stimulated by increased consumption, the need for machinery and equipment for an expanding economy, and higher fuel prices on the international market. Oil imports grew 13% between the January-September 1998 and the same period of 1999. Towards the end of the year, import

activity also began to reflect the increase in the commission on currency exchange transactions.

The services balance was positive as a result of the increase in the number of tourists entering the country. Net transfers from abroad fell slightly from their 1998 level.

The capital and financial account ended the year with a surplus of US\$ 585 million thanks to foreign direct investment of US\$ 1.4 billion. Net reserves in September were US\$ 478 million, a 37% increase over the 1998 figure. Total foreign debt was US\$ 3.5 billion. Service payments on the foreign debt went down as a result of arrangements for deferred payment made with the Paris Club and Venezuela in the light of the effects of hurricane Georges.

---

## Trinidad and Tobago

---

With the boost given as from the second quarter of 1999 by the initiation of liquefied natural gas production, the economy is estimated to have grown by 7% in real terms in the first half of the year. Thanks to strong performance in the oil and manufacturing sectors, similar growth is expected for the remainder of the year. These positive results were accompanied by an increase in the employment rate and lower inflation, though there continued to be a fiscal deficit. Despite the surplus registered in the current account, the overall balance of payments posted a deficit of US\$ 71.4 million in the first quarter of 1999, due to net capital outflows.

According to the information available for the first half of the year, the fiscal deficit remained close to its 1998 level of -1.1%. The gap was covered by an overdraft on the Central Bank. There was consequently an expansion of the money supply, without backing from inflows of foreign currency. Indeed, there was a fall in the international reserves in the first quarter. The monetary authorities responded with open market operations to reduce the excess liquidity in the economy.

The government continued with its policy of reforms aimed at increasing factor productivity and creating markets for certain goods. To this end, a free

trade agreement was signed in 1999 between the Dominican Republic and the Caribbean Community (CARICOM) countries. Provisional agreements were also made for the entry on preferential terms of certain Colombian products. In addition, bilateral trade and investment accords were negotiated with Mexico and the MERCOSUR countries.

The positive results of the first half of 1999 suggest that the sustained growth pattern displayed by the economy during the last five years will persist this year also. Nevertheless, agricultural exports were disappointing. Cacao production fell from 1.1 million tons in the first quarter of 1998 to 286,000 tons in the

**TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS**

	1997	1998	1999 <sup>a</sup>
<i>Annual rate of variation</i>			
Gross domestic product	3.2	3.3	7.0
Consumer prices	3.5	5.6	2.6
Real effective exchange rate <sup>b</sup>	1.0	-5.9	-5.7
<i>Percentages</i>			
Unemployment rate	15.0	14.2	13.6

**Source:** See the statistical appendix.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> A negative rate signifies an appreciation of the currency in real terms.

first quarter of 1999 due to unfavourable weather conditions in 1998 and the decision of some large producers not to harvest because of increased labour costs. Coffee production fell 37.4% to 220,500 tons in the January-March 1999 period (production for the corresponding period in 1998 was 352,100 tons).

Raw sugar production from the harvest ending in June 1999 was 68,300 tons (3,600 tons less than for the same period in the previous year). Various factors contributed to this decline: adverse weather conditions, deterioration of milling facilities, fires in the canefields and delays in the payment of growers. The result was a worse cane-to-sugar conversion factor this year (13.7). Sugar exports came to 64,300 tons in the first half of the year, an increase of 11% over the same period in 1998.

The petroleum sector improved, thanks to the recovery in oil prices and the entry into production of a large refinery. The result was a 3.1% increase over the first quarter of 1999. Production of crude rose slightly in the second quarter, reaching 11.4 million barrels, compared with 11.3 million barrels in the first quarter. The outlook is positive, since two companies announced the discovery of new reserves. A liquefied natural gas plant with an annual capacity of 3 million tons went on line this year. Exports of liquefied gas from the plant began in April 1999, and by 19 July approximately 750,000 tons had been shipped. There was also a large increase in the production of natural gas liquids.

Methanol production kept on its strong upward course in the second quarter despite falling international prices. By the end of 1999, the country's fifth world-class methanol plant should be in production, providing additional installed capacity of 82,500 tons a year. The growth rate of production fell to 1.8% in the second quarter, but this was nevertheless enough to leave production for the first two quarters 27.2% higher than the year before. The fertilizer sector felt the negative effects of excess supply and falling international prices.

Inflation, measured as a function of the retail price index, remained moderate in the second quarter, increasing 0.1% over the previous quarter. This translated into a projected annual rate of 2.6%: considerably less than the 6.5% increase registered in 1998. As in the first quarter, wholesale prices increased more than retail prices, but consumer prices do not seem to have been affected.

In the period from November 1998 to May 1999, the minimum wage index for all economic activities rose 1.8% in comparison with the same period a year earlier, reflecting the entry into operation of the Minimum Wage Act. Employment rose 2.8% between October 1998 and March 1999, the largest increases in the employment rate being registered in manufacturing, finance, insurance, real estate and business services. Unemployment, which was 15.1% in the last quarter of 1998, dropped to 14.1% in the first quarter of 1999.

In the same period there was a current account surplus of US\$ 47.9 million: the first surplus in two years. In particular, the merchandise trade balance showed a surplus of US\$ 20.5 million in the first quarter of the year as a result of some expansion of exports and three consecutive quarters of declining imports.

There was a change of trend in the capital account, however, with a first-quarter deficit of US\$ 119.3 million following on a year in which surpluses averaging US\$ 181.4 million had been registered in several quarters. The change was due both to a decline in direct investment, which slid to US\$ 97.4 million per quarter from a 1998 average of US\$ 182.9 million, and to increased repatriation of capital by foreign investors. The overall balance of payments showed a deficit of US\$ 71.4 million for the first quarter, so that the external assets position deteriorated. Net foreign assets, which had begun the year at US\$ 984.8 million, were down to US\$ 892.5 million at the end of June 1999.

## **STATISTICAL APPENDIX**



Table A - 1  
**LATIN AMERICA AND THE CARIBBEAN: TOTAL GROSS DOMESTIC PRODUCT**  
*(Percentages based on values at 1995 prices)*

	Annual growth rates									Average annual rate	
	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>a</sup>	1981-1990 <sup>b</sup>	1991-1999
<b>Latin America and the Caribbean<sup>c</sup></b>	<b>3.8</b>	<b>3.2</b>	<b>3.9</b>	<b>5.3</b>	<b>1.1</b>	<b>3.7</b>	<b>5.4</b>	<b>2.1</b>	<b>0.0</b>	<b>1.0</b>	<b>3.2</b>
<b>Latin America and the Caribbean (excl. Brazil)<sup>c</sup></b>	<b>5.8</b>	<b>5.5</b>	<b>3.5</b>	<b>4.8</b>	<b>-0.8</b>	<b>4.3</b>	<b>6.5</b>	<b>3.4</b>	<b>-0.2</b>	...	<b>3.6</b>
<b>Subtotal (19 countries)<sup>c</sup></b>	<b>3.9</b>	<b>3.3</b>	<b>3.9</b>	<b>5.4</b>	<b>1.1</b>	<b>3.7</b>	<b>5.5</b>	<b>2.1</b>	<b>0.0</b>	<b>1.0</b>	<b>3.2</b>
<b>Subtotal (19 countries, excl. Brazil)<sup>c</sup></b>	<b>5.8</b>	<b>5.6</b>	<b>3.5</b>	<b>4.8</b>	<b>-0.9</b>	<b>4.3</b>	<b>6.6</b>	<b>3.4</b>	<b>-0.3</b>	...	<b>3.6</b>
Argentina	10.6	9.6	5.9	5.8	-2.9	5.5	8.0	3.9	-3.5	-0.7	4.7
Bolivia	5.4	1.7	4.2	4.8	4.7	4.5	4.1	4.6	1.0	0.2	3.9
Brazil	1.0	-0.3	4.5	6.2	4.2	2.9	3.8	0.0	0.5	1.3	2.5
Chile	7.3	11.0	6.6	5.1	9.1	6.9	7.0	3.1	-1.5	3.0	6.0
Colombia <sup>d</sup>	2.0	4.1	5.2	6.1	5.2	2.1	2.7	0.7	-5.0	3.7	2.5
Costa Rica	2.2	7.1	5.8	4.3	2.2	-0.5	3.5	5.5	7.5	2.2	4.1
Cuba <sup>e</sup>	-10.9	-11.2	-14.7	0.6	2.4	7.8	2.5	1.5	6.0	3.7	-2.1
Ecuador	5.0	3.0	2.2	4.4	3.0	2.3	3.9	1.0	-7.0	1.7	1.9
El Salvador	2.8	7.3	6.4	6.0	6.2	1.8	4.2	3.2	2.5	-0.4	4.4
Guatemala	3.7	4.9	4.0	4.1	5.0	3.0	4.3	5.0	3.5	0.9	4.2
Haiti	0.1	-13.8	-2.2	-8.3	5.0	2.8	1.5	3.2	2.5	-0.5	-1.2
Honduras	2.7	5.8	7.1	-1.9	3.7	3.8	5.0	3.9	-2.0	2.4	3.1
Mexico	4.2	3.7	1.7	4.6	-6.2	5.2	6.8	4.9	3.5	1.8	3.1
Nicaragua	-0.4	0.8	-0.4	4.0	4.4	5.0	5.5	4.2	6.0	-1.5	3.2
Panama	9.0	8.2	5.3	3.1	1.9	2.7	4.7	4.4	3.0	1.4	4.7
Paraguay	2.5	1.7	4.0	3.0	4.5	1.1	2.4	-0.6	0.0	3.0	2.1
Peru	2.5	-0.9	5.7	13.6	8.6	2.3	8.6	0.1	3.0	-1.2	4.7
Dominican Republic	0.8	6.4	2.0	4.3	4.5	6.8	7.1	6.0	7.0	2.4	5.0
Uruguay	2.9	7.4	3.1	5.5	-2.0	5.0	5.0	4.6	-2.5	0.0	3.2
Venezuela	10.5	7.0	-0.4	-3.7	5.9	-0.4	6.6	-0.2	-7.0	-0.7	1.9
<b>Subtotal Caribbean<sup>f</sup></b>	<b>1.7</b>	<b>0.9</b>	<b>0.5</b>	<b>3.4</b>	<b>2.5</b>	<b>3.3</b>	<b>1.8</b>	<b>1.8</b>	<b>3.1</b>	<b>0.1</b>	<b>2.0</b>
Antigua and Barbuda	2.7	0.9	5.0	6.2	-4.8	5.2	5.7	...	...	6.1	2.9 <sup>g</sup>
Barbados	-3.5	-5.4	1.0	3.6	2.5	5.1	2.6	4.8	2.5	1.1	1.4
Belize	3.4	8.9	4.0	1.7	3.5	1.0	4.0	1.3	...	4.5	3.5 <sup>h</sup>
Dominica	2.6	3.0	2.2	2.1	2.3	2.9	2.6	3.5	...	4.4	2.6 <sup>h</sup>
Grenada	3.7	1.0	-1.1	3.4	3.0	3.2	4.7	5.0	...	4.9	2.9 <sup>h</sup>
Guyana	10.2	11.2	3.1	17.7	2.4	9.2	6.2	-1.3	2.0	-2.9	6.6
Jamaica	0.3	2.5	1.8	1.7	1.8	-0.3	-2.1	-0.7	-1.0	2.2	0.4
Saint Kitts and Nevis	2.5	3.2	5.2	5.6	3.2	5.8	7.2	1.7	...	5.8	4.3 <sup>h</sup>
Saint Vincent and the Grenadines	1.6	6.7	2.4	-2.6	7.8	1.7	3.2	5.5	...	6.5	3.2 <sup>h</sup>
Saint Lucia	-2.0	7.3	0.4	1.9	0.7	0.5	2.9	1.9	4.0	6.8	1.9
Suriname	4.4	-1.9	-8.5	-4.0	-1.7	20.7	3.6	...	...	0.5	1.4 <sup>g</sup>
Trinidad and Tobago	3.5	-1.1	-1.2	4.2	4.1	4.0	3.2	3.3	7.0	-2.6	3.0

**Source:** ECLAC, on the basis of official figures converted into dollars at constant 1995 prices.

**Note:** Totals and subtotals do not include those countries for which no information is given.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Calculated on the basis of figures at constant 1990 prices.

<sup>c</sup> Does not include Cuba.

<sup>d</sup> Values for the period 1997-1999 were estimated by ECLAC on the basis of provisional figures from the National Bureau of Statistics (DANE).

<sup>e</sup> Calculated on the basis of constant prices in the local currency.

<sup>f</sup> Based on figures at factor cost.

<sup>g</sup> Refers to 1991-1997.

<sup>h</sup> Refers to 1991-1998.



Table A - 2  
**LATIN AMERICA AND THE CARIBBEAN: PER CAPITA GROSS DOMESTIC PRODUCT**  
*(Percentages based on values at 1995 prices)*

	Annual growth rates								Average annual rate		
	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>a</sup>	1981-1990 <sup>b</sup>	1991-1999
<b>Latin America and the Caribbean<sup>c</sup></b>	<b>2.0</b>	<b>1.4</b>	<b>2.1</b>	<b>3.5</b>	<b>-0.6</b>	<b>2.0</b>	<b>3.7</b>	<b>0.4</b>	<b>-1.6</b>	<b>-1.0</b>	<b>1.4</b>
<b>Latin America and the Caribbean (excl. Brazil)<sup>c</sup></b>	<b>3.7</b>	<b>3.5</b>	<b>1.5</b>	<b>2.8</b>	<b>-2.6</b>	<b>2.4</b>	<b>4.6</b>	<b>1.6</b>	<b>-2.0</b>	...	<b>1.7</b>
<b>Subtotal (19 countries)<sup>c</sup></b>	<b>2.0</b>	<b>1.4</b>	<b>2.1</b>	<b>3.5</b>	<b>-0.6</b>	<b>2.0</b>	<b>3.7</b>	<b>0.4</b>	<b>-1.6</b>	<b>-1.0</b>	<b>1.4</b>
<b>Subtotal (19 countries, excl. Brazil)<sup>c</sup></b>	3.8	3.5	1.6	2.8	-2.7	2.4	4.7	1.6	-2.0	...	1.7
Argentina	9.2	8.2	4.5	4.4	-4.1	4.1	6.6	2.6	-4.5	-2.1	3.3
Bolivia	2.9	-0.8	1.7	2.2	2.2	2.0	1.7	2.1	-1.3	-1.9	1.4
Brazil	-0.6	-1.8	3.0	4.7	2.7	1.4	2.4	-1.4	-0.9	-0.7	1.0
Chile	5.6	9.1	4.8	3.5	7.4	5.3	5.5	1.7	-2.7	1.3	4.4
Colombia <sup>d</sup>	0.0	2.1	3.2	4.0	3.2	0.1	0.7	-1.2	-6.9	1.6	0.5
Costa Rica	-0.9	3.7	2.5	1.1	-0.6	-3.2	0.8	3.0	5.0	-0.6	1.2
Cuba <sup>e</sup>	-11.6	-11.8	-15.2	0.0	1.8	7.3	2.0	1.1	5.6	2.8	-2.6
Ecuador	2.7	0.7	-0.1	2.1	0.8	0.2	1.8	-0.9	-9.0	-0.9	-0.2
El Salvador	0.9	5.1	4.2	3.7	4.0	-0.3	2.0	1.1	0.3	-1.4	2.3
Guatemala	1.1	2.2	1.3	1.4	2.2	0.3	1.6	2.3	0.9	-1.6	1.5
Haiti	-2.0	-15.4	-4.0	-9.9	3.1	0.9	-0.4	1.3	0.4	-2.4	-3.1
Honduras	-0.4	2.7	4.0	-4.7	0.7	0.9	2.1	1.1	-4.5	-0.8	0.2
Mexico	2.2	1.8	-0.1	2.8	-7.8	3.4	5.1	3.2	1.8	-0.3	1.3
Nicaragua	-3.1	-2.1	-3.3	0.9	1.5	2.1	2.6	1.4	3.2	-3.9	0.3
Panama	6.9	6.2	3.4	1.3	0.1	0.9	2.9	2.7	1.2	-0.7	2.8
Paraguay	-0.4	-1.1	1.3	0.4	1.7	-1.6	-0.2	-3.2	-2.5	0.0	-0.6
Peru	0.6	-2.6	4.0	11.6	6.8	0.5	6.7	-1.6	1.0	-3.3	2.9
Dominican Republic	-1.2	4.3	0.0	2.4	2.7	4.9	5.3	4.2	5.3	0.2	3.1
Uruguay	2.2	6.6	2.4	4.7	-2.7	4.3	4.3	3.8	-3.2	-0.6	2.4
Venezuela	7.9	4.6	-2.7	-5.8	3.7	-2.5	4.4	-2.2	-8.8	-3.2	-0.3
<b>Subtotal Caribbean<sup>f</sup></b>	<b>0.9</b>	<b>0.1</b>	<b>-0.3</b>	<b>2.4</b>	<b>1.7</b>	<b>2.4</b>	<b>1.0</b>	<b>0.9</b>	<b>2.3</b>	<b>-0.9</b>	<b>1.1</b>
Antigua and Barbuda	2.1	0.3	4.3	5.5	-5.4	5.2	4.2	...	...	5.6	2.3 <sup>g</sup>
Barbados	-3.8	-6.2	0.7	2.8	2.1	4.7	2.2	4.0	2.1	0.7	0.9
Belize	0.7	6.2	1.5	-1.3	1.1	-1.8	1.7	-1.3	...	1.9	0.8 <sup>h</sup>
Dominica	2.6	3.0	2.2	2.1	2.3	2.9	2.7	3.5	...	4.8	2.7 <sup>h</sup>
Grenada	3.5	0.8	-1.3	3.2	2.8	2.8	4.3	4.5	...	4.7	2.6 <sup>h</sup>
Guyana	9.5	10.4	2.1	16.5	1.5	8.2	5.1	-2.3	0.7	-3.4	5.6
Jamaica	-0.5	1.6	0.9	0.8	0.8	-1.2	-3.0	-1.6	-1.9	1.1	-0.5
Saint Kitts and Nevis	3.0	3.7	5.7	6.1	3.7	5.8	7.2	1.7	...	7.0	4.6 <sup>h</sup>
Saint Vincent and the Grenadines	0.7	5.8	1.5	-3.5	6.8	0.8	2.3	4.5	...	5.5	2.3 <sup>h</sup>
Saint Lucia	-3.3	5.9	-0.9	0.6	-0.6	-0.8	1.5	0.5	2.5	5.3	0.6
Suriname	3.8	-2.0	-8.7	-4.3	-2.2	20.1	3.1	...	...	-0.7	1.1 <sup>g</sup>
Trinidad and Tobago	2.7	-1.9	-1.9	3.3	3.4	3.4	2.6	2.7	6.3	-3.9	2.3

**Source:** ECLAC, on the basis of official figures converted into dollars at constant 1995 prices.

**Note:** Totals and subtotals do not include those countries for which no information is given.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Calculated on the basis of figures at constant 1990 prices.

<sup>c</sup> Does not include Cuba.

<sup>d</sup> Values for the period 1997-1999 were estimated by ECLAC on the basis of provisional figures from the National Bureau of Statistics (DANE).

<sup>e</sup> Calculated on the basis of constant prices in the local currency.

<sup>f</sup> Based on figures at factor cost.

<sup>g</sup> Refers to 1991-1997.

<sup>h</sup> Refers to 1991-1998.

Table A - 3  
**LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES**  
*(December-December variations)*

	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>198.9</b>	<b>414.4</b>	<b>876.6</b>	<b>333.1</b>	<b>25.8</b>	<b>18.2</b>	<b>10.4</b>	<b>10.3</b>	<b>9.6</b>
Argentina	84.0	17.6	7.4	3.9	1.6	0.1	0.3	0.7	-1.7 <sup>b</sup>
Barbados	8.1	3.4	-1.0	0.5	3.4	1.8	3.6	1.7	2.0 <sup>c</sup>
Bolivia	14.5	10.5	9.3	8.5	12.6	7.9	6.7	4.4	2.4 <sup>b</sup>
Brazil	475.8	1 149.1	2 489.1	929.3	22.0	9.1	4.3	2.5	8.0 <sup>b</sup>
Chile	18.7	12.7	12.2	8.9	8.2	6.6	6.0	4.7	2.6 <sup>b</sup>
Colombia	26.8	25.1	22.6	22.6	19.7	21.6	17.7	16.7	9.7 <sup>b</sup>
Costa Rica	25.3	17.0	9.0	19.9	22.6	13.9	11.2	12.4	9.4 <sup>b</sup>
Ecuador	49.0	60.2	31.0	25.4	22.8	25.6	30.6	43.4	53.5 <sup>b</sup>
El Salvador	9.8	20.0	12.1	8.9	11.4	7.4	1.9	4.2	-0.6 <sup>b</sup>
Guatemala	10.2	14.2	11.6	11.6	8.6	10.9	7.1	7.5	5.2 <sup>d</sup>
Haiti	6.6	16.1	44.4	32.2	24.8	14.6	15.6	7.5	10.1 <sup>d</sup>
Honduras	21.4	6.5	13.0	28.9	26.8	25.3	12.7	15.6	10.6 <sup>b</sup>
Jamaica	80.2	40.2	30.1	26.9	25.5	15.8	9.2	7.9	5.2 <sup>e</sup>
Mexico	18.9	11.9	8.0	7.1	52.1	27.7	15.7	18.6	13.9 <sup>b</sup>
Nicaragua	865.6	3.5	19.5	14.4	11.1	12.1	7.3	18.5	7.7 <sup>b</sup>
Panama	1.6	1.6	1.0	1.3	0.8	2.3	-0.5	1.4	0.8 <sup>d</sup>
Paraguay	11.8	17.8	20.3	18.3	10.5	8.2	6.2	14.6	4.6 <sup>b</sup>
Peru	139.2	56.7	39.5	15.4	10.2	11.8	6.5	6.0	4.8 <sup>b</sup>
Dominican Republic	7.9	5.2	2.8	14.3	9.2	4.0	8.4	7.6	6.6 <sup>d</sup>
Trinidad and Tobago	2.3	8.5	13.4	5.5	3.8	4.3	3.5	5.6	2.6 <sup>f</sup>
Uruguay	81.3	59.0	52.9	44.1	35.4	24.3	15.2	8.6	3.4 <sup>b</sup>
Venezuela	31.0	31.9	45.9	70.8	56.6	103.2	37.6	29.9	20.2 <sup>b</sup>

**Source:** ECLAC, on the basis of information provided by official sources in the countries.

<sup>a</sup> Figures correspond to the variation in prices during the 12-month period ending in the month indicated.

<sup>b</sup> November 1998-November 1999.

<sup>c</sup> July 1998-July 1999.

<sup>d</sup> October 1998-October 1999.

<sup>e</sup> August 1998-August 1999.

<sup>f</sup> June 1998-June 1999.

Table A - 4  
**LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT**  
*(Average annual rates)*

		1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>a</sup>
<b>Latin America<sup>b</sup></b>		<b>5.8</b>	<b>6.2</b>	<b>6.2</b>	<b>6.3</b>	<b>7.2</b>	<b>7.7</b>	<b>7.3</b>	<b>8.0</b>	<b>8.7</b>
Argentina	Urban areas <sup>c</sup>	6.5	7.0	9.6	11.5	17.5	17.2	14.9	12.9	14.3
Barbados <sup>d</sup>	Total national	17.2	23.0	24.3	21.9	19.7	14.3	12.2	11.8	10.6 <sup>e</sup>
Bolivia	Departmental capitals	5.8	5.4	5.8	3.1	3.6	3.8	4.4	4.1	4.5
Brazil	Six metropolitan areas	4.8	5.8	5.4	5.1	4.6	5.4	5.7	7.6	7.7 <sup>f</sup>
Chile	Total national	8.2	6.7	6.5	7.8	7.4	6.4	6.1	6.4	10.1 <sup>g</sup>
Colombia <sup>d</sup>	Seven metropolitan areas	10.2	10.2	8.6	8.9	8.8	11.2	12.4	15.3	19.8 <sup>g</sup>
Costa Rica	Total urban	6.0	4.3	4.0	4.3	5.7	6.6	5.9	5.4	6.2
Cuba	Total national	7.7	6.1	6.2	6.7	7.9	7.6	7.0	6.6	6.0
Ecuador <sup>d</sup>	Total urban <sup>h</sup>	8.5	8.9	8.9	7.8	7.7	10.4	9.3	11.5	15.1 <sup>f</sup>
El Salvador	Total urban	7.9	8.2	8.1	7.0	7.0	7.5	7.5	7.6	7.6 <sup>i</sup>
Guatemala <sup>j</sup>	Total national	4.0	1.5	2.5	3.3	3.7	3.7	5.0	5.9	...
Honduras	Total urban	7.4	6.0	7.0	4.0	5.6	6.5	5.8	5.2	5.4 <sup>k</sup>
Jamaica <sup>d</sup>	Total national	15.4	15.7	16.3	15.4	16.2	16.0	16.5	15.5	15.8 <sup>e</sup>
Mexico	Urban areas <sup>c</sup>	2.7	2.8	3.4	3.7	6.2	5.5	3.7	3.2	2.6 <sup>f</sup>
Nicaragua <sup>j</sup>	Total national	11.5	14.4	17.8	17.1	16.9	16.0	14.3	13.2	10.5
Panama <sup>d</sup>	Metropolitan region	19.3	17.5	15.6	16.0	16.6	16.9	15.5	15.2	14.0 <sup>g</sup>
Paraguay	Metropolitan Asunción <sup>l</sup>	5.1	5.3	5.1	4.4	5.3	8.2	6.9	7.2	...
Peru	Metropolitan Lima	5.9	9.4	9.9	8.8	8.2	8.0	9.2	8.4	9.2 <sup>m</sup>
Dominican Republic <sup>d</sup>	Total national	19.6	20.3	19.9	16.0	15.8	16.5	15.9	14.3	...
Trinidad and Tobago <sup>d</sup>	Total national	18.5	19.7	19.8	18.4	17.2	16.3	15.0	14.2	13.6 <sup>k</sup>
Uruguay	Total urban	8.9	9.0	8.3	9.2	10.3	11.9	11.5	10.1	11.2 <sup>g</sup>
Venezuela	Total national	9.5	7.8	6.6	8.7	10.3	11.8	11.4	11.3	15.4 <sup>g</sup>

**Source:** ECLAC, on the basis of official figures.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Does not include the Caribbean countries.

<sup>c</sup> Covers a large and increasing number of urban areas.

<sup>d</sup> Includes hidden unemployment.

<sup>e</sup> Second half.

<sup>f</sup> Average January-October.

<sup>g</sup> First three quarters.

<sup>h</sup> 1999: Quito, Guayaquil and Cuenca.

<sup>i</sup> Estimate based on April figures.

<sup>j</sup> Official estimates.

<sup>k</sup> First quarter.

<sup>l</sup> Beginning 1994, figures are for total urban unemployment.

<sup>m</sup> First half.

Table A - 5  
**LATIN AMERICA AND THE CARIBBEAN: AVERAGE REAL WAGES**  
*(Average annual indices: 1995 = 100)*

	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>a</sup>
Argentina <sup>b</sup>	100.4	101.7	100.4	101.1	100.0	99.8	99.3	98.2	99.2 <sup>c</sup>
Bolivia <sup>d</sup>	82.9	86.2	92.0	99.3	100.0	101.1	109.3	113.2	...
Brazil <sup>e</sup>	89.0	87.0	95.6	96.3	100.0	107.9	110.8	110.9	107.0 <sup>c</sup>
Chile <sup>f</sup>	84.9	88.7	91.8	96.1	100.0	104.1	106.6	109.5	112.1 <sup>g</sup>
Colombia <sup>h</sup>	92.4	93.5	97.9	98.8	100.0	101.5	104.2	102.8	104.4 <sup>c</sup>
Costa Rica <sup>i</sup>	85.6	89.2	98.3	102.0	100.0	97.9	98.7	103.3	107.9 <sup>j</sup>
Mexico <sup>b</sup>	93.8	100.7	109.7	114.9	100.0	90.1	89.1	91.5	92.0 <sup>c</sup>
Nicaragua	84.5	100.5	93.3	98.2	100.0	97.9	97.7	104.9	108.1 <sup>j</sup>
Paraguay <sup>k</sup>	91.8	90.9	91.7	93.0	100.0	103.1	102.6	100.7	100.5 <sup>l</sup>
Peru <sup>m</sup>	98.7	95.2	94.4	109.2	100.0	95.2	94.5	92.7	90.8 <sup>l</sup>
Uruguay	95.2	97.3	102.0	102.9	100.0	100.6	100.8	102.7	104.3 <sup>g</sup>

**Source:** ECLAC, on the basis of official figures.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Manufacturing.

<sup>c</sup> Estimate based on average January-September.

<sup>d</sup> Private sector in La Paz.

<sup>e</sup> Workers covered by social and labour legislation.

<sup>f</sup> Until April 1993, non-agricultural workers; from May 1993 on, general index of hourly wages.

<sup>g</sup> Estimate based on average January-October.

<sup>h</sup> Manual workers in manufacturing.

<sup>i</sup> Average wages declared by workers covered by social security.

<sup>j</sup> Estimate based on average January-July.

<sup>k</sup> Asunción.

<sup>l</sup> First half.

<sup>m</sup> Private-sector manual workers in the Lima metropolitan area.

Table A - 6  
**LATIN AMERICA AND THE CARIBBEAN: PUBLIC-SECTOR DEFICIT (-) OR SURPLUS<sup>a</sup>**  
*(Percentages of GDP)*

Country	Coverage	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>b</sup>
Argentina	NNFPS	-1.6	-0.1	1.4	-0.2	-0.6	-1.8	-1.4	-1.2	-2.1
Bolivia	NFPS	-4.3	-4.4	-6.1	-3.0	-1.8	-2.0	-3.4	-4.0	-4.2
Brazil	NFPS <sup>c</sup>	-0.2	-1.8	-0.8	1.1	-7.2	-5.9	-6.1	-8.0	-9.0
Chile	NFPS	1.7	2.7	2.1	2.0	2.5	1.8	0.9	-0.8	-1.5
Colombia	NFPS	0.2	-0.2	0.1	1.0	-0.6	-2.0	-3.1	-3.4	-4.6
Costa Rica	CG	-3.1	-1.9	-1.9	-6.9	-4.5	-5.2	-3.9	-3.3	-3.9
Ecuador	NFPS	-0.6	-1.2	-0.1	-0.2	-1.4	-3.1	-2.6	-6.2	-4.0
El Salvador	NFPS	-2.8	-3.4	-1.6	-0.6	-0.1	-2.5	-1.7	-2.0	-2.4
Guatemala	CG	-0.1	-0.5	-1.5	-1.4	-0.7	-0.1	-1.5	-2.4	-3.2
Haiti	CG	-0.3	-4.4	-3.2	-3.3	-4.8	-1.6	-2.0	-2.4	-2.6
Honduras	CG	-3.3	-4.9	-9.9	-7.1	-4.2	-3.8	-2.8	-3.4	-5.0
Mexico	NFPS	3.3	1.6	0.7	-0.3	-0.2	-0.1	-0.6	-1.2	-1.3
Nicaragua	CG	4.1	-3.4	0.0	-5.2	-0.5	-1.5	-1.3	-1.7	-2.7
Panama	CG	-2.5	-0.6	0.8	-0.8	0.9	-1.3	-0.2	-4.5	-4.0
Paraguay	NFPS	2.9	0.1	1.2	2.4	2.5	1.7	0.5	0.2	-1.5
Peru	CG	-1.5	-1.5	-1.5	2.9	-0.6	-1.5	-0.8	-0.9	-2.6
Dominican Republic	CG	3.2	3.6	0.2	-0.8	0.7	-0.3	0.7	1.0	0.1
Uruguay	NFPS	1.3	1.4	-0.8	-2.4	-1.3	-1.1	-1.3	-0.5	-2.5
Venezuela	NFPS	-2.2	-5.9	-1.3	-13.8	-6.8	7.2	2.6	-6.6	-4.0
<b>Average</b>		<b>-0.3</b>	<b>-1.3</b>	<b>-1.2</b>	<b>-1.9</b>	<b>-1.5</b>	<b>-1.2</b>	<b>-1.5</b>	<b>-2.7</b>	<b>-3.2</b>

**Source:** ECLAC, on the basis of official figures.

**Note:** Abbreviations used: CG= Central government. NFPS= Non-financial public sector. NNFPS= National non-financial public sector (does not include provinces or municipalities).

<sup>a</sup> Calculated on the basis of figures in local currency at current prices.

<sup>b</sup> Preliminary estimates.

<sup>c</sup> To 1994, refers to the operational financial balance; thereafter, refers to the nominal financial balance.

Table A - 7  
**LATIN AMERICA AND THE CARIBBEAN: INDICES OF THE REAL EFFECTIVE  
 EXCHANGE RATE FOR IMPORTS<sup>a</sup>**

(Indices: 1995 = 100)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>b</sup>
Argentina	116.3	103.0	94.4	93.8	100.0	101.9	98.9	96.8	89.4
Barbados	92.6	93.2	95.0	98.3	100.0	99.4	93.6	95.2	95.1
Bolivia	83.8	87.3	92.7	97.7	100.0	93.4	91.1	87.4	86.8
Brazil	108.5	117.3	112.6	113.6	100.0	94.2	93.2	97.6	146.0
Chile	111.8	108.1	110.1	106.3	100.0	96.4	90.0	92.4	95.0
Colombia	134.9	120.0	114.5	99.9	100.0	92.7	86.8	92.6	102.2
Costa Rica	108.3	103.1	103.1	103.6	100.0	99.0	101.2	102.6	105.5
Ecuador	114.8	116.0	103.4	98.1	100.0	100.4	96.2	94.7	116.9
El Salvador	125.4	124.7	112.5	105.7	100.0	92.2	91.9	91.7	92.2
Guatemala	110.0	109.0	110.2	104.6	100.0	95.2	90.4	91.5	103.6
Haiti	116.3	117.5	141.3	113.4	100.0	85.0	73.0	67.0	63.3
Honduras	98.1	92.9	103.9	115.4	100.0	101.6	96.2	88.1	85.2
Jamaica	92.8	108.0	101.1	103.6	100.0	84.2	72.3	67.9	62.7
Mexico	74.8	69.1	65.8	67.6	100.0	89.0	77.2	77.3	71.7
Nicaragua	84.7	85.6	89.7	95.4	100.0	102.2	108.0	107.6	106.7
Paraguay	96.5	102.0	106.4	100.5	100.0	95.7	94.0	104.7	101.8
Peru	94.8	94.7	106.2	100.2	100.0	98.6	99.1	100.5	109.0
Dominican Republic	104.5	108.8	106.5	103.0	100.0	93.5	95.7	103.9	111.0
Trinidad and Tobago	75.3	76.5	89.9	97.0	100.0	98.7	99.6	93.8	88.5
Uruguay	130.2	127.2	113.9	104.3	100.0	99.1	97.1	96.3	89.9
Venezuela	130.6	124.4	121.3	126.4	100.0	119.2	92.6	76.3	71.3

**Source:** ECLAC, on the basis of figures provided by the International Monetary Fund.

<sup>a</sup> The average of the indices for the real (main official) exchange rate for the currency of each country against the currencies of its main trading partners, weighted according to the relative magnitude of imports from the countries. The weightings reflect the average for 1992-1996. Consumer price indices were used in the calculations for each country. For information on the methodology and sources used, see ECLAC, *Economic Survey of Latin America, 1981* (E/CEPAL/G.1248), Santiago, Chile, 1983. United Nations publication, Sales No. E.83.II.G.2.

<sup>b</sup> Average January-September.

Table A - 8  
**LATIN AMERICA AND THE CARIBBEAN: EXPORTS OF GOODS, FOB**  
*(Indices: 1995 = 100)*

	Value			Unit value			Volume		
	1997	1998	1999 <sup>a</sup>	1997	1998	1999 <sup>a</sup>	1997	1998	1999 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>124.5</b>	<b>122.6</b>	<b>129.0</b>	<b>99.7</b>	<b>91.1</b>	<b>90.3</b>	<b>124.9</b>	<b>134.6</b>	<b>142.9</b>
Argentina	124.9	124.9	109.2	100.1	91.1	83.8	124.8	137.1	130.3
Bolivia	112.1	106.1	97.5	108.9	98.8	95.8	102.9	107.3	101.8
Brazil	114.4	110.0	101.8	104.6	96.2	86.6	109.3	114.3	117.6
Chile	104.0	92.5	95.8	83.0	68.4	63.6	125.3	135.3	150.6
Colombia	114.5	107.9	117.6	102.1	89.8	92.0	112.2	120.2	127.8
Costa Rica	124.9	159.1	190.8	98.3	96.4	94.5	127.1	165.1	201.9
Ecuador	119.3	95.3	97.6	109.7	92.7	94.6	108.8	102.8	103.2
El Salvador	146.2	148.4	149.5	101.2	95.2	86.6	144.5	155.9	172.7
Guatemala	120.7	132.0	125.6	96.5	94.0	86.5	125.1	140.4	145.2
Haiti	134.6	195.4	222.2	101.8	99.7	95.7	132.3	196.0	232.2
Honduras	126.0	143.2	124.7	107.4	104.4	97.1	117.3	137.2	128.4
Mexico	138.8	147.7	171.3	98.5	94.6	97.0	140.9	156.1	176.6
Nicaragua	133.8	108.9	101.7	95.5	94.6	88.0	140.1	115.2	115.6
Panama	109.7	104.0	83.6	100.1	100.1	99.6	109.6	103.9	83.9
Paraguay	92.6	89.0	62.8	112.4	101.2	92.6	82.4	88.0	67.9
Peru	122.2	102.6	108.3	99.3	82.3	74.1	123.1	124.7	146.2
Dominican Republic	122.1	131.7	137.7	100.5	96.5	95.1	121.5	136.5	144.8
Uruguay	130.0	131.8	115.5	95.9	96.1	89.4	135.6	137.2	129.1
Venezuela	124.2	91.9	107.4	103.5	75.5	93.6	120.0	121.7	114.8

**Source:** ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.

<sup>a</sup> Preliminary figures.

Table A - 9  
**LATIN AMERICA AND THE CARIBBEAN: IMPORTS OF GOODS, FOB**  
*(Indices: 1995 = 100)*

	Value			Unit value			Volume		
	1997	1998	1999 <sup>a</sup>	1997	1998	1999 <sup>a</sup>	1997	1998	1999 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>131.2</b>	<b>139.1</b>	<b>133.4</b>	<b>95.7</b>	<b>92.4</b>	<b>90.9</b>	<b>137.1</b>	<b>150.5</b>	<b>146.8</b>
Argentina	151.9	156.6	127.4	91.9	87.7	83.3	165.2	178.6	152.9
Bolivia	134.4	143.7	115.2	94.2	89.9	87.7	142.7	159.9	131.4
Brazil	120.5	116.3	99.2	97.9	92.0	90.2	123.1	126.4	110.0
Chile	124.4	118.5	100.4	95.8	91.4	89.1	129.9	129.6	112.7
Colombia	112.2	106.4	74.7	89.6	85.6	83.5	125.2	124.3	89.5
Costa Rica	123.6	156.1	168.1	97.7	92.8	90.0	126.5	168.2	186.8
Ecuador	115.0	128.1	61.7	98.0	93.1	90.8	117.4	137.6	68.0
El Salvador	113.1	119.4	124.4	95.4	90.6	89.7	118.6	131.8	138.7
Guatemala	116.8	140.3	130.1	99.8	97.8	95.8	117.0	143.5	135.8
Haiti	99.0	124.0	144.1	100.7	94.7	92.8	98.3	130.9	155.3
Honduras	129.8	148.8	169.0	93.1	88.5	87.2	139.4	168.2	193.8
Mexico	151.6	173.0	194.8	96.6	95.1	93.7	156.9	182.0	207.9
Nicaragua	152.8	154.3	180.6	98.6	93.2	92.7	155.0	165.5	194.8
Panama	110.4	115.3	93.4	92.2	92.2	90.8	119.7	125.0	102.9
Paraguay	93.3	87.7	62.4	95.2	89.9	88.1	98.0	97.6	70.8
Peru	110.3	105.8	86.5	96.2	91.8	90.9	114.7	115.2	95.1
Dominican Republic	127.8	146.9	158.7	98.5	92.1	91.6	129.8	159.5	173.3
Uruguay	129.0	132.6	121.9	99.5	93.2	90.4	129.7	142.2	134.9
Venezuela	107.2	115.6	99.4	92.4	91.0	88.7	116.0	127.0	112.1

**Source:** ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.

<sup>a</sup> Preliminary figures.



Table A - 10  
**LATIN AMERICA AND THE CARIBBEAN: TERMS OF TRADE (GOODS), FOB/FOB**  
*(Indices: 1995 = 100)*

	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>96.6</b>	<b>95.1</b>	<b>95.0</b>	<b>99.2</b>	<b>100.0</b>	<b>101.9</b>	<b>104.1</b>	<b>98.6</b>	<b>99.3</b>
Argentina	103.9	102.6	106.0	106.1	100.0	108.5	108.9	103.9	100.6
Bolivia	112.4	92.0	88.3	102.5	100.0	111.7	115.6	109.9	109.3
Brazil	71.2	74.2	79.9	91.5	100.0	101.0	106.8	104.6	96.0
Chile	83.2	82.1	75.3	87.1	100.0	83.4	86.6	74.8	71.4
Colombia	99.1	87.9	91.0	104.9	100.0	103.8	114.0	104.9	110.2
Costa Rica	76.6	81.0	84.5	93.9	100.0	94.9	100.6	103.9	105.0
Ecuador	121.7	116.3	106.4	108.9	100.0	109.6	111.9	99.6	104.1
El Salvador	70.6	61.1	63.7	81.0	100.0	95.1	106.1	105.1	96.5
Guatemala	84.2	83.8	87.6	94.9	100.0	89.4	96.7	96.1	90.3
Haiti	97.8	92.9	94.1	96.8	100.0	93.4	101.1	105.3	103.1
Honduras	86.9	82.2	90.3	92.1	100.0	92.8	115.4	118.0	111.4
Mexico	107.0	104.1	104.9	102.9	100.0	102.8	102.0	99.5	103.5
Nicaragua	98.3	71.9	81.3	95.5	100.0	91.9	96.9	101.5	94.9
Panama	82.2	104.0	106.8	110.1	100.0	100.1	108.6	108.6	109.7
Paraguay	86.7	79.4	87.2	105.1	100.0	110.5	118.1	112.6	105.1
Peru	86.8	95.0	89.1	95.7	100.0	96.5	103.2	89.7	81.5
Dominican Republic	102.8	96.2	87.6	92.3	100.0	97.7	102.0	104.8	103.8
Uruguay	98.2	96.2	94.6	94.7	100.0	96.7	96.4	103.1	98.9
Venezuela	119.3	110.4	104.2	103.1	100.0	115.6	112.0	83.0	105.5

Source: ECLAC.

<sup>a</sup> Preliminary figures.

Table A - 11  
**LATIN AMERICA AND THE CARIBBEAN: BALANCE OF PAYMENTS**  
*(Millions of dollars)*

	Exports of goods (f.o.b.) and services			Imports of goods (f.o.b.) and services			Balance on goods			Balance on services		
	1997	1998	1999 <sup>a</sup>	1997	1998	1999 <sup>a</sup>	1997	1998	1999 <sup>a</sup>	1997	1998	1999 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>326 862</b>	<b>325 355</b>	<b>339 850</b>	<b>356 862</b>	<b>376 478</b>	<b>359 550</b>	<b>-10 429</b>	<b>-32 562</b>	<b>-5 050</b>	<b>-19 571</b>	<b>-18 561</b>	<b>-14 650</b>
Argentina	30 940	31 093	27 300	37 241	38 493	32 050	-2 123	-3 014	-850	-4 178	-4 386	-3 900
Bolivia	1 414	1 355	1 270	2 062	2 200	1 880	-478	-655	-395	-170	-190	-215
Brazil	59 176	58 770	54 400	75 139	74 412	62 580	-6 655	-6 604	-1 940	-9 308	-9 038	-6 240
Chile	20 772	18 949	19 250	22 281	21 580	18 850	-1 557	-2 516	650	48	-115	-250
Colombia	14 220	13 477	14 315	18 400	17 514	13 400	-2 714	-2 644	2 545	-1 466	-1 393	-1 630
Costa Rica	5 478	6 884	8 150	5 690	7 047	7 540	-353	-396	250	141	233	360
Ecuador	6 087	5 007	5 080	5 841	6 409	3 425	598	-995	1 800	-352	-407	-145
El Salvador	2 708	2 742	2 860	3 888	4 268	4 515	-1 107	-1 268	-1 405	-73	-258	-250
Guatemala	3 180	3 466	3 395	4 188	5 038	4 735	-940	-1 409	-1 235	-68	-163	-105
Haiti	364	462	515	859	994	1 190	-306	-342	-405	-189	-190	-270
Honduras	2 176	2 463	2 245	2 453	2 796	3 155	-199	-247	-835	-78	-86	-75
Mexico	121 831	129 387	148 300	122 424	137 859	154 620	623	-7 913	-4 920	-1 216	-559	-1 400
Nicaragua	927	830	830	1 608	1 656	1 930	-667	-811	-1 085	-14	-15	-15
Panama	8 316	8 023	6 750	8 650	8 869	7 320	-696	-1 371	-1 150	362	525	580
Paraguay	4 505	4 313	3 115	4 831	4 500	3 270	-207	-114	-100	-119	-73	-55
Peru	8 370	7 487	7 750	10 858	10 492	8 855	-1 721	-2 465	-650	-767	-540	-455
Dominican Republic	7 061	7 481	8 110	7 780	8 917	9 580	-1 995	-2 617	-3 000	1 276	1 181	1 530
Uruguay	4 217	4 225	3 765	4 387	4 507	4 155	-705	-762	-825	535	480	435
Venezuela	25 120	18 941	22 450	18 282	18 927	16 500	10 773	3 581	8 500	-3 935	-3 567	-2 550

Table A -11 (continued)

	Trade balance			Current transfers			Balance on the income account			Balance on the current account		
	1997	1998	1999 <sup>a</sup>	1997	1998	1999 <sup>a</sup>	1997	1998	1999 <sup>a</sup>	1997	1998	1999 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>-30 000</b>	<b>-51 123</b>	<b>-19 700</b>	<b>14 530</b>	<b>16 264</b>	<b>17 785</b>	<b>-47 173</b>	<b>-52 628</b>	<b>-54 455</b>	<b>-62 643</b>	<b>-87 487</b>	<b>-56 370</b>
Argentina	-6 301	-7 400	-4 750	436	389	350	-6 171	-7 687	-8 200	-12 036	-14 698	-12 600
Bolivia	-648	-845	-610	292	330	295	-196	-160	-220	-552	-675	-535
Brazil	-15 963	-15 642	-8 180	1 814	1 434	2 100	-16 344	-19 617	-19 180	-30 493	-33 825	-25 260
Chile	-1 509	-2 631	400	519	463	400	-2 738	-1 975	-1 800	-3 728	-4 143	-1 000
Colombia	-4 180	-4 037	915	639	480	545	-2 355	-2 350	-2 615	-5 896	-5 907	-1 155
Costa Rica	-212	-163	610	126	113	110	-244	-445	-1 195	-330	-495	-475
Ecuador	246	-1 402	1 655	391	776	955	-1 351	-1 543	-1 725	-714	-2 169	885
El Salvador	-1 180	-1 526	-1 655	1 364	1 508	1 565	-87	-66	-200	97	-84	-290
Guatemala	-1 008	-1 572	-1 340	607	705	660	-233	-169	-190	-634	-1 036	-870
Haiti	-495	-532	-675	449	469	615	-14	-12	-15	-60	-75	-75
Honduras	-277	-333	-910	312	476	690	-218	-209	-160	-183	-66	-380
Mexico	-593	-8 472	-6 320	5 247	6 012	6 420	-12 108	-13 497	-13 850	-7 454	-15 957	-13 750
Nicaragua	-681	-826	-1 100	150	200	290	-252	-186	-185	-783	-812	-995
Panama	-334	-846	-570	160	159	160	-419	-525	-685	-593	-1 212	-1 095
Paraguay	-326	-187	-155	40	35	45	48	46	-5	-238	-106	-115
Peru	-2 488	-3 005	-1 105	681	698	665	-1 472	-1 484	-1 655	-3 279	-3 791	-2 095
Dominican Republic	-719	-1 436	-1 470	1 352	1 986	1 920	-795	-888	-950	-162	-338	-500
Uruguay	-170	-282	-390	74	67	50	-193	-185	-225	-289	-400	-565
Venezuela	6 838	14	5 950	-123	-36	-50	-2 031	-1 676	-1 400	4 684	-1 698	4 500

Table A -11 (concluded)

	Balance on the capital and financial account <sup>a</sup>			Overall balance			Reserve assets <sup>b</sup> (variation)			IMF loans and credit and exceptional financing		
	1997	1998	1999 <sup>c</sup>	1997	1998	1999 <sup>c</sup>	1997	1998	1999 <sup>c</sup>	1997	1998	1999 <sup>c</sup>
<b>Latin America and the Caribbean</b>	<b>83 169</b>	<b>68 749</b>	<b>43 490</b>	<b>20 525</b>	<b>-18 738</b>	<b>-12 880</b>	<b>-16 161</b>	<b>9 999</b>	<b>3 480</b>	<b>-4 365</b>	<b>8 739</b>	<b>9 400</b>
Argentina	15 342	18 790	14 100	3 306	4 092	1 500	-3 273	-3 438	-1 500	-33	-654	...
Bolivia	667	777	360	115	102	-175	-88	-133	85	-27	31	90
Brazil	22 586	16 532	12 110	-7 907	-17 293	-13 150	7 907	7 970	4 650	...	9 323	8 500
Chile	6 913	2 003	700	3 185	-2 140	-300	-3 185	2 140	300	...	...	...
Colombia	6 122	4 531	405	226	-1 376	-750	-226	1 376	750	...	...	...
Costa Rica	556	346	860	226	-149	385	-226	149	-385	...	...	...
Ecuador	745	1 378	-1 485	31	-791	-600	-237	476	215	206	315	385
El Salvador	266	387	390	363	303	100	-363	-303	-100	...	...	...
Guatemala	863	1 272	740	229	236	-130	-257	-264	130	28	28	...
Haiti	90	110	95	30	35	20	-50	-29	-30	20	-6	10
Honduras	370	207	455	187	141	75	-295	-230	-215	108	89	140
Mexico	21 452	19 167	13 310	13 997	3 210	-440	-10 513	-2 138	440	-3 485	-1 072	...
Nicaragua	856	582	980	73	-230	-15	-173	31	-220	100	199	235
Panama	934	749	895	341	-463	-200	-610	103	200	269	360	...
Paraguay	54	181	250	-184	75	135	216	-29	-150	-32	-46	15
Peru	5 841	2 420	1 565	2 562	-1 371	-530	-1 733	1 006	510	-829	365	20
Dominican Republic	258	351	585	96	13	85	-40	-98	-90	-56	85	5
Uruguay	688	760	485	399	360	-80	-390	-521	80	-9	161	...
Venezuela	-1 434	-1 794	-3 310	3 250	-3 492	1 190	-2 625	3 931	-1 190	-625	-439	...

**Source:** ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.

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

<sup>b</sup> A minus sign (-) indicates an increase in reserve assets.

<sup>c</sup> Preliminary estimates.

Table A - 12  
**LATIN AMERICA AND THE CARIBBEAN: NET FOREIGN DIRECT INVESTMENT**<sup>a,b</sup>  
 (Millions of dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>c</sup>
<b>Latin America and the Caribbean</b>	<b>11 065</b>	<b>12 506</b>	<b>10 359</b>	<b>23 706</b>	<b>24 878</b>	<b>39 329</b>	<b>55 222</b>	<b>59 934</b>	<b>70 275</b>
Argentina	2 439	3 218	2 059	2 480	3 756	4 937	4 924	4 175	20 000 <sup>d</sup>
Bolivia	50	91	121	147	391	472	728	870	745
Brazil	89	1 924	801	2 035	3 475	11 666	18 608	29 192	26 500
Chile	697	538	600	1 672	2 204	3 445	3 353	1 842	3 500 <sup>e</sup>
Colombia	433	679	719	1 297	712	2 795	4 894	2 509	250
Costa Rica	172	222	243	292	331	422	407	604	550
Ecuador	160	178	469	531	470	491	695	831	655
El Salvador <sup>f</sup>	25	15	16	...	38	...	...	875	250
Guatemala	91	94	143	65	75	77	85	673	90
Haiti	14	-2	-2	-3	7	4	4	11	5
Honduras	52	48	52	42	69	90	128	99	175
Mexico	4 742	4 393	4 389	10 973	9 526	9 186	12 831	10 238	11 000
Nicaragua	42	42	40	40	75	97	173	184	250
Panama	109	145	170	393	289	330	1 275	1 206	500
Paraguay	84	118	75	137	155	246	270	235	350
Peru	-7	150	687	3 108	2 048	3 242	1 702	1 930	2 030
Dominican Republic	145	180	189	207	414	97	421	700	1 420
Uruguay	...	...	102	155	157	137	113	164	145
Venezuela	1 728	473	-514	136	686	1 595	4 611	3 597	1 860

**Source:** ECLAC, on the basis of balance-of-payments figures provided by the International Monetary Fund and national agencies.

<sup>a</sup> Refers to direct investment in the reporting economy minus direct investment abroad by residents. For some countries this information is not available. Includes reinvested earnings.

<sup>b</sup> In accordance with the fifth edition of the *IMF Balance of Payments Manual*, all transactions between non-financial direct investment enterprises and their parent companies and affiliates are included in direct investment.

<sup>c</sup> Preliminary figures.

<sup>d</sup> Includes the value of the investment by REPSOL in Yacimientos Petrolíferos Fiscales. A significant part of this amount corresponds to the purchase of shares in the company held by non-residents. In the balance of payments, the value of those shares is reflected in a debit under the portfolio investment item.

<sup>e</sup> Includes two movements of significant value: an inflow of US\$ 9.4 billion, and an investment abroad worth US\$ 5.4 billion.

<sup>f</sup> Beginning 1998, the Central Reserve Bank of El Salvador systematically records foreign direct investment.

Table A - 13  
**LATIN AMERICA AND THE CARIBBEAN: INTERNATIONAL BOND ISSUES<sup>a</sup>**  
*(Millions of dollars)*

	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>b</sup>
<b>Latin America and the Caribbean</b>	<b>7 242</b>	<b>12 577</b>	<b>28 794</b>	<b>18 241</b>	<b>23 395</b>	<b>47 158</b>	<b>59 003</b>	<b>39 511</b>	<b>39 600</b>
Argentina	795	1 570	6 308	5 319	6 354	13 738	16 412	15 615	13 700
Bolivia	-	-	-	10	-	-	-	-	-
Brazil	1 837	3 655	6 465	3 998	7 041	11 194	16 690	9 190	10 135
Chile	200	120	322	155	300	1 750	1 800	1 063	1 765
Colombia	-	-	567	955	1 083	1 751	1 000	1 389	1 675
Costa Rica	-	-	-	50	-	-	-	200	300
Ecuador	-	-	-	-	10	-	625	-	-
El Salvador	-	-	-	-	-	-	-	-	150
Guatemala	-	-	60	-	-	-	150	-	-
Jamaica	-	-	-	55	-	-	225	250	-
Mexico	3 782	6 100	11 339	6 949	7 646	17 823	15 657	8 444	9 680
Paraguay	-	-	-	-	-	-	-	-	400 <sup>c</sup>
Peru	-	-	30	100	-	-	250	150	-
Dominican Republic	-	-	-	-	-	-	200	-	-
Trinidad and Tobago	-	100	125	150	71	150	-	-	230
Uruguay	-	100	140	200	211	145	479	550	350
Venezuela	578	932	3 438	-	356	532	5 515	2 660	1 215

**Source:** International Monetary Fund, Research Department, Emerging Markets Studies Division and Central Bank of Paraguay.

<sup>a</sup> Gross issues. Includes medium-term euro notes.

<sup>b</sup> January-November 1999.

<sup>c</sup> Official information.

Table A - 14  
**LATIN AMERICA AND THE CARIBBEAN: INDICES OF STOCK EXCHANGE  
 PRICES IN DOLLARS <sup>a</sup>**

(Indices: June 1997 = 100)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>b</sup>
<b>Latin America</b>	<b>49.0</b>	<b>51.0</b>	<b>77.4</b>	<b>76.2</b>	<b>62.5</b>	<b>72.5</b>	<b>90.6</b>	<b>56.0</b>	<b>81.0</b>
Argentina	70.0	50.7	84.9	63.6	69.1	82.1	96.3	68.9	91.3
Brazil	20.2	20.0	38.2	64.0	49.8	64.9	78.3	44.9	63.0
Chile	46.7	52.4	67.8	95.8	93.0	77.0	79.6	55.7	71.4
Colombia	45.5	62.0	81.6	103.5	77.1	80.5	99.9	56.4	44.3
Mexico	88.5	106.2	156.0	91.1	66.5	77.3	114.1	69.5	120.3
Peru	-	32.6	43.9	66.8	73.1	73.6	83.8	50.5	61.1
Venezuela	128.0	73.3	65.6	47.8	32.7	75.7	93.3	44.9	37.8

**Source:** ECLAC, on the basis of figures provided by the International Finance Corporation.

<sup>a</sup> Figures at end of month, general index.

<sup>b</sup> As of 10 December.

Table A - 15  
**LATIN AMERICA AND THE CARIBBEAN: TOTAL DISBURSED EXTERNAL DEBT<sup>a</sup>**  
*(Millions of dollars)*

	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>b</sup>
<b>Latin America and the Caribbean</b>	<b>458 777</b>	<b>478 798</b>	<b>528 683</b>	<b>565 145</b>	<b>620 329</b>	<b>646 048</b>	<b>668 150</b>	<b>746 020</b>	<b>749 310</b>
Argentina	61 334	62 766	72 509	85 656	98 547	109 756	124 315	139 738	145 000
Bolivia <sup>c</sup>	3 628	3 785	3 763	4 216	4 523	4 366	4 482	4 656	4 570
Brazil <sup>d</sup>	123 910	135 946	145 726	148 295	159 256	179 934	199 998	243 163	240 000
Chile	17 319	18 965	19 665	21 968	21 736	22 979	26 701	31 691	33 975
Colombia	17 335	17 278	18 888	21 840	24 912	29 512	32 018	33 896	34 350
Costa Rica	3 992	4 055	4 011	3 818	3 889	3 376	3 290	3 537	3 790
Cuba	...	...	8 785	9 083	10 504	10 465	10 146	11 200	11 040
Ecuador	12 802	12 795	13 631	14 589	13 934	14 586	15 099	16 400	16 100
El Salvador <sup>c</sup>	2 200	2 343	1 976	2 056	2 168	2 517	2 679	2 640	2 705
Guatemala	2 614	2 520	2 323	2 644	2 936	3 033	3 210	3 488	3 950
Guyana	1 873	2 054	2 062	2 004	2 058	1 537	1 514	1 550	1 500
Haiti <sup>c</sup>	809	873	866	875	898	914	1 025	1 104	1 195
Honduras	3 441	3 538	3 850	4 040	4 243	4 121	4 073	4 408	4 545
Jamaica	3 874	3 678	3 687	3 652	3 452	3 232	3 278	3 300	3 030
Mexico <sup>e</sup>	116 552	117 534	131 717	142 199	169 699	163 499	152 976	161 213	161 500
Nicaragua <sup>c</sup>	10 313	10 792	11 987	11 695	10 248	6 094	6 001	6 287	6 685
Panama <sup>c</sup>	3 699	3 548	3 494	3 663	3 715	5 018	5 051	5 350	5 590
Paraguay	1 637	1 249	1 218	1 240	1 405	1 398	1 444	1 507	2 100
Peru	25 444	26 612	27 447	30 191	33 378	33 805	28 635	30 014	28 715
Dominican Republic	4 614	4 413	4 562	3 946	3 999	3 807	3 509	3 507	3 505 <sup>f</sup>
Trinidad and Tobago	2 438	2 215	2 102	2 064	1 905	1 876	1 527	1 407	1 330
Uruguay <sup>c</sup>	2 949	3 392	3 578	4 251	4 426	4 682	4 753	5 275	5 535
Venezuela	36 000	38 447	40 836	41 160	38 498	35 541	32 426	30 689	28 600

**Source:** ECLAC, on the basis of official figures.

<sup>a</sup> Includes public- and private-sector external debt and debt owed to the International Monetary Fund.

<sup>b</sup> Preliminary figures.

<sup>c</sup> External public debt.

<sup>d</sup> The increase in debt between 1997 and 1998 recorded official figures from the Central Bank of Brazil, and its breakdown between long-term and short-term debt, led to some changes in entries under certain items of the balance of payments published by the Central Bank. As a result, the ECLAC secretariat has not yet been able to fully reconcile the figures for external debt with those for the balance of payments.

<sup>e</sup> Public debt does not include investment by non-residents in government securities.

<sup>f</sup> To September.



Table A - 16  
**LATIN AMERICA AND THE CARIBBEAN: NET RESOURCE TRANSFERS**<sup>a b</sup>  
*(Millions of dollars)*

	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>c</sup>
<b>Latin America and the Caribbean</b>	<b>4 208</b>	<b>26 508</b>	<b>31 518</b>	<b>10 068</b>	<b>19 266</b>	<b>22 417</b>	<b>31 631</b>	<b>24 860</b>	<b>-1 565</b>
Argentina	-1 573	6 402	9 349	8 107	354	5 072	9 138	10 449	5 900
Bolivia	24	377	200	45	250	457	444	648	230
Brazil	-8 570	584	-1 633	-723	19 951	19 743	6 242	6 238	1 430
Chile	-782	1 421	1 069	2 005	-625	1 952	4 175	28	-1 100
Colombia	-2 675	-1 649	784	2 369	3 027	4 408	3 767	2 181	-2 210
Costa Rica	342	330	465	273	354	27	312	-99	-335
Ecuador	-527	-1 003	-89	116	-700	-1 172	-400	150	-2 825
El Salvador	21	190	118	36	338	243	179	321	190
Guatemala	631	513	704	598	211	356	658	1 131	550
Haiti	12	37	55	-15	168	-12	96	92	90
Honduras	35	108	-3	152	51	106	260	87	435
Mexico	14 777	16 406	18 427	-1 741	-2 122	-9 336	5 859	4 598	-540
Nicaragua	516	611	360	512	354	406	704	595	1 030
Panama	-43	-250	-97	-133	90	299	784	584	210
Paraguay	617	-370	109	741	429	557	70	181	260
Peru	931	1 186	1 344	3 827	3 236	3 916	3 540	1 301	-70
Dominican Republic	321	449	-8	-786	-455	-527	-593	-452	-360
Uruguay	-160	8	230	295	203	185	486	736	260
Venezuela	311	1 158	134	-5 610	-5 848	-4 263	-4 090	-3 909	-4 710

**Source:** ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.

<sup>a</sup> The net transfer of resources is equal to net autonomous capital inflows (including errors and omissions) and non-autonomous inflows (IMF loans and credit and exceptional financing) minus the balance on the income account (net payments of profits and interest).

<sup>b</sup> Negative figures indicate net outward resource transfers.

<sup>c</sup> Preliminary figures.

Table A - 17  
**LATIN AMERICA AND THE CARIBBEAN: NET CAPITAL INFLOWS AND  
NET RESOURCE TRANSFERS**

(Billions of dollars and percentages)

	Net capital inflows			Net payments of profits and interest	Resource transfers	Exports of goods and services	Resource transfers as a percentage of exports of goods and services
	Autonomous <sup>a</sup>	Non-autonomous <sup>b</sup>	Total				
	(1)	(2)	(3)	(4)	(5) = (3) - (4) (5)	(6)	(7) = (5) / (6) (7)
1980	29.2	1.7	30.9	18.9	12.0	106.9	11.2
1981	38.4	1.8	40.2	29.1	11.1	115.6	9.6
1982	3.3	17.2	20.5	38.9	-18.4	105.2	-17.5
1983	-22.1	30.1	8.0	34.5	-26.5	105.4	-25.1
1984	-10.6	23.9	13.3	37.5	-24.2	117.5	-20.6
1985	-16.0	20.3	4.3	35.5	-31.2	112.8	-27.7
1986	-12.1	21.8	9.7	32.7	-23.0	99.2	-23.1
1987	-13.7	26.5	12.8	30.9	-18.1	113.3	-16.0
1988	-19.4	22.8	3.4	34.6	-31.2	130.6	-23.9
1989	-19.7	29.3	9.6	39.1	-29.5	145.8	-20.2
1990	-7.3	24.3	17.0	34.4	-17.4	161.4	-10.8
1991	23.0	12.8	35.8	31.6	4.2	163.9	2.6
1992	49.1	7.8	56.9	30.4	26.5	177.6	14.9
1993	61.3	4.9	66.2	34.7	31.5	194.1	16.2
1994	42.3	4.4	46.7	36.6	10.1	223.3	4.5
1995	31.0	29.2	60.2	40.9	19.3	266.1	7.3
1996	67.4	-2.2	65.2	42.8	22.4	294.4	7.6
1997	83.2	-4.4	78.8	47.2	31.6	326.9	9.7
1998	68.8	8.7	77.5	52.6	24.9	325.4	7.7
1999 <sup>c</sup>	43.5	9.4	52.9	54.5	-1.6	339.9	-0.5

**Source:** ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.

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

<sup>b</sup> Includes IMF loans and credit and exceptional financing (among other transactions, includes debt forgiveness and accumulation of arrears).

<sup>c</sup> Preliminary figures.

Table A - 18  
**LATIN AMERICA AND THE CARIBBEAN: RATIO OF TOTAL ACCRUED INTEREST  
 TO EXPORTS OF GOODS AND SERVICES<sup>a</sup>**

(Percentages)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>b</sup>
<b>Latin America and the Caribbean</b>	<b>21.7</b>	<b>18.6</b>	<b>18.2</b>	<b>17.3</b>	<b>17.5</b>	<b>16.0</b>	<b>15.5</b>	<b>17.1</b>	<b>16.8</b>
Argentina	36.1	23.4	23.3	26.8	28.2	28.1	29.9	35.3	40.3
Bolivia	29.2	24.3	21.2	14.3	16.6	12.1	14.8	15.0	16.5
Brazil	27.2	20.8	21.8	17.9	21.9	25.3	26.0	30.5	34.6
Chile	14.7	11.4	10.3	8.2	7.2	7.0	6.8	8.0	8.3
Colombia	16.4	14.6	12.3	14.9	15.3	15.9	18.2	18.6	18.0
Costa Rica	10.1	7.3	6.8	5.5	5.7	4.8	4.5	3.6	3.4
Ecuador	29.9	22.8	21.7	19.0	15.7	15.9	15.9	21.2	23.5
El Salvador	12.6	10.5	10.3	6.3	5.9	6.1	6.0	6.5	10.1
Guatemala	7.1	8.9	6.2	5.8	4.7	6.1	4.4	3.1	4.9
Haiti	7.6	5.4	8.0	6.4	12.1	3.3	3.7	2.6	2.5
Honduras	21.1	25.9	15.5	15.6	13.1	11.3	8.9	7.9	7.8
Mexico	18.0	17.5	18.3	17.9	16.1	12.5	10.2	10.3	8.8
Nicaragua	106.6	158.6	119.4	97.1	52.2	34.1	23.1	17.7	17.5
Panama	23.1	19.2	15.5	15.5	22.6	17.2	15.9	19.8	25.9
Paraguay	4.7	7.0	3.0	2.5	3.1	2.9	3.3	3.2	4.5
Peru	36.7	37.3	38.9	34.5	33.1	25.1	19.4	24.0	23.0
Dominican Republic	8.6	9.1	5.8	4.2	4.6	3.9	3.1	2.7	2.6
Uruguay	21.2	15.7	14.4	14.9	16.5	15.9	17.0	17.6	20.1
Venezuela	15.4	18.3	17.0	17.0	16.1	11.2	13.6	15.3	12.9

**Source:** ECLAC, on the basis of official figures.

<sup>a</sup> Includes interest paid and interest due and not paid.

<sup>b</sup> Preliminary figures.

Table A - 19  
**LATIN AMERICA AND THE CARIBBEAN: RATIO OF PROFIT PAYMENTS  
 TO EXPORTS OF GOODS AND SERVICES<sup>a</sup>**

(Percentages)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>b</sup>
<b>Latin America and the Caribbean</b>	<b>4.4</b>	<b>4.5</b>	<b>5.2</b>	<b>5.5</b>	<b>4.7</b>	<b>5.2</b>	<b>5.8</b>	<b>6.3</b>	<b>6.2</b>
Argentina	5.6	7.3	10.2	9.4	7.6	6.2	7.6	8.4	10.6
Bolivia	0.4	2.6	1.9	2.2	3.1	5.4	5.7	6.0	8.7
Brazil	3.0	2.1	4.5	4.7	5.3	7.6	10.3	11.0	9.4
Chile	7.9	8.4	8.1	12.9	11.2	11.2	11.6	8.4	8.3
Colombia	9.7	11.3	10.4	5.4	3.3	5.3	4.6	5.2	6.3
Costa Rica	3.0	3.0	2.9	1.7	2.4	1.8	3.2	5.3	13.2
Ecuador	3.8	3.5	4.0	3.9	3.7	3.4	3.3	4.8	4.6
El Salvador	4.0	2.7	2.2	1.6	...	...	...	...	1.9
Guatemala	2.6	1.9	2.6	2.6	2.6	3.7	5.4	3.1	3.8
Haiti	2.6	...	...	...	...	...	...	...	...
Honduras	7.1	7.1	4.5	1.8	3.6	3.9	2.8	2.8	1.8
Mexico	4.8	4.2	4.1	5.1	3.1	3.9	3.4	4.1	4.0
Nicaragua	3.4	3.9	2.8	2.1	4.3	5.3	5.7	7.0	7.8
Panama	4.9	5.1	4.5	3.6	4.0	6.6	6.4	8.2	10.1
Paraguay	1.0	0.9	1.3	1.0	1.3	1.6	2.1	1.7	2.2
Peru	0.9	3.5	3.0	3.3	5.3	5.7	6.8	6.3	6.5
Dominican Republic	6.5	10.6	10.8	10.7	10.9	9.8	10.1	12.5	11.6
Uruguay	...	...	1.7	1.3	1.5	0.9	0.6	1.1	1.2
Venezuela	1.4	3.3	3.6	2.9	2.1	1.7	2.4	3.5	3.1

**Source:** ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.

<sup>a</sup> Includes reinvested profits.

<sup>b</sup> Preliminary figures.

Table A - 20  
**LATIN AMERICA AND THE CARIBBEAN: RATIO OF TOTAL DISBURSED  
 DEBT TO EXPORTS OF GOODS AND SERVICES**  
 (Percentages)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>274.8</b>	<b>265.2</b>	<b>263.8</b>	<b>245.5</b>	<b>226.4</b>	<b>213.6</b>	<b>199.4</b>	<b>223.9</b>	<b>215.5</b>
Argentina	426.3	407.1	440.6	440.4	393.9	385.5	401.8	449.4	531.1
Bolivia	395.6	489.7	419.5	346.7	365.1	331.5	317.0	343.6	359.8
Brazil	354.7	340.9	334.3	302.6	302.5	342.7	338.0	413.8	441.2
Chile	156.5	153.4	167.9	152.1	112.3	120.5	128.5	167.2	176.5
Colombia	190.5	186.9	189.8	204.7	203.1	224.0	225.2	251.5	240.0
Costa Rica <sup>b</sup>	182.4	132.5	115.2	100.1	87.1	69.8	60.1	51.4	46.5
Ecuador	375.8	344.1	367.2	318.5	265.1	253.8	248.1	327.5	316.9
El Salvador	245.0	240.3	173.6	125.4	106.1	114.3	98.9	96.3	94.6
Guatemala	154.8	132.8	114.8	115.6	104.8	109.6	100.9	100.6	116.3
Haiti	237.2	589.9	531.3	625.0	349.4	277.8	281.6	239.0	232.0
Honduras	338.7	339.9	317.9	295.1	244.7	214.6	187.2	179.0	202.4
Mexico	226.1	211.9	214.5	199.8	190.2	152.9	125.6	124.6	108.9
Nicaragua	2 946.6	3 492.6	3 367.1	2 456.9	1 522.7	716.1	647.4	757.5	805.4
Panama	68.4	56.1	52.0	49.2	48.9	68.2	60.7	66.7	82.8
Paraguay	80.8	52.5	37.1	32.8	29.3	31.9	32.1	34.9	67.4
Peru	601.2	591.8	630.5	533.2	496.7	462.3	342.1	400.9	370.5
Dominican Republic <sup>c</sup>	248.5	230.8	96.1	75.3	69.8	61.5	49.7	46.9	43.2
Uruguay	134.0	128.9	129.6	130.8	126.2	121.7	112.7	124.9	147.0
Venezuela	219.7	247.8	253.3	232.8	185.5	140.7	129.1	162.0	127.4

**Source:** ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.

<sup>a</sup> Preliminary figures.

<sup>b</sup> From 1992 "Goods" includes *maquila* industry exports.

<sup>c</sup> From 1993 "Goods" includes *maquila* industry exports.