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**Preliminary Overview of the Economies**  
of Latin America and the Caribbean



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The *Preliminary Overview of the Economies of Latin America and the Caribbean* is an annual publication prepared by the Economic Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC). This 2010 edition was prepared under the supervision of Oswaldo Kacef, Chief of the Division; Jürgen Weller and Sandra Manuelito were responsible for its overall coordination.

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#### Notes

In this publication, the term "country" is used to refer to territorial entities, whether these are States as understood by international law and practice or simply territories for which statistical data are maintained on a separate and independent basis.

The word "dollars" means United States dollars, unless otherwise specified.

The following symbols have been used in the tables shown in the *Preliminary Overview*: Three dots (...) indicate that data are not available or are not separately reported. A dash (-) indicates that the amount is nil or negligible. A point is used to indicate decimals.

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## Summary

The economy of the Latin American and Caribbean region will, according to estimates of the Economic Commission for Latin America and the Caribbean (ECLAC), have grown by an estimated 6% in 2010. This translates into a rise of 4.5% in per capita gross domestic product (GDP), after a 2.9% contraction in 2009. The upturn has been uneven among the subregions, however.

Growth in 2010 firmed up the recovery that began in most of the region's economies in the second half of 2009, thanks to the countercyclical policies implemented by many of the countries in the region combined with improving conditions in the global economy.

The stronger economic growth boosted demand for labour, thanks to which the region's unemployment rate eased back to around 7.6% and the quality of new jobs improved. Economic growth was coupled with a slight rise in inflation, from 4.7% in 2009 to around 6.2% in 2010, basically reflecting the behaviour of prices for a number of international commodity prices, including foods and fuels.

Labour market performance, more readily available credit and brightening expectations boosted private consumption which, along with a significant increase in investment in machinery and equipment, became the engine of demand in 2010.

For the region overall, the favourable external conditions translated into a rise in export volumes and prices, although imports rose at an even faster pace. The impact of external prices varied depending on the countries' patterns of integration into goods and services

markets. Countries which are exporters of commodities (agricultural, mineral and petroleum goods) benefited from terms-of-trade gains and higher export values.

Most of the Central American and Caribbean countries, meanwhile, once more sustained net losses in terms of trade owing to higher import values, which worsened the current account position. These adverse effects were partially offset by a slight upturn in tourism and in the remittances sent home from developed countries by migrant workers.

In the second half of 2010, however, a number of factors combined to dampen the global economic outlook. Coming as it does at a time when governments are easing off public spending as a stimulus and excess idle capacity has been all but used up, this augurs slower growth in the Latin American and Caribbean economies in 2011. ECLAC projects a slight fall in the region's growth rate to 4.2% in 2011, or around 3% in per capita GDP.

Beyond the short term, a number of questions arise as to the possibility of transitioning from rapid recovery back towards the steady growth track which was interrupted by the outbreak of the international crisis in the second half of 2008.

The external environment is still marked by great uncertainty and doubts over the soundness of the recovery in the advanced economies. At the same time, the relative robustness of the emerging economies, especially a number of countries in the region, in the context of high liquidity and low rates of return in international financial markets, has begun to trigger a significant rise in capital flows into Latin America and the Caribbean. This has,

in turn, generated pressures in the host-country foreign-exchange markets and strong currency appreciation, which is giving some cause for concern, in view of the medium-term effects on resource allocation and these countries' capacity for growth.

On the domestic front, the vigorous countercyclical efforts deployed by most of the governments in the region underpinned a rapid recovery in economic activity which has, generally speaking, already exceeded pre-crisis levels. Now, however, the public policy space will be limited by the need to rebuild countercyclical response capacity, given expectations of slower global growth in 2011 and surplus liquidity on international markets. Both monetary and fiscal policy will come under certain constraints in countries of the region which are potential recipients of short-term capital inflows.

This is not the first time that the region has experienced short-term capital inflows resulting in currency appreciations in real terms. Nevertheless, the effects can be highly negative beyond the short term if growth is accompanied for an extended period of time by unsustainably low real exchange rates caused by excess global liquidity, which also causes high commodity prices.

On the one hand, these inflows tend to encourage intensive specialization in the production and export of primary goods, which leaves the economies more vulnerable to external shocks and makes domestic macroeconomic aggregates more volatile. The economies' capacity to grow, generate productive employment and reduce inequality also tends to be curtailed in this situation.

In addition, economic growth combined with deterioration in the external accounts makes the economies more dependent on external saving to finance growth, contrasting with the pattern observed in 2003-2008.

What can the countries of the region do to address this situation? A number of them have adopted or tightened mechanisms to regulate inflows of short-term capital and thereby ease the pressure on foreign-exchange markets.

This may not be enough, however, given the volume of reserve currencies in circulation. Some central banks have opted to build up reserves and try to avoid or slow the appreciation of their currencies. These measures will have to be complemented by a countercyclical strategy on both the fiscal and financial fronts, aimed at reducing domestic demand pressures and preventing credit market overheating as an additional way to reduce pressure on foreign-exchange markets. It would also be a prudent step to design policy measures aimed at boosting the profitability of tradable goods producing sectors.

In any event, it is unlikely that a lasting solution to this situation can be found without greater international coordination on strategies to redress global imbalances, which still seems a far-off goal today.

From the macroeconomic perspective, the challenge facing the region is to rebuild its countercyclical capabilities while continuing to create the conditions for a pattern of productive development not based exclusively on commodity exports. As ECLAC has noted on a number of occasions, in order to achieve this, the countries must forge a new fiscal covenant which can gradually meet development needs and restructure and increase the tax burden in order to sustain spending programmes.

Apart from the tools the countries adopt to stave off excess capital inflows, national savings rates must be increased over the medium and long terms by, among other things, seeking stronger medium-term fiscal equilibriums, reducing public debt to moderate levels that do not overburden local markets. It will also be crucial to develop financial systems that enable stronger domestic savings generation to sustain investments.

The economies of the region need to invest more if they are to grow more. The challenge here is to underpin increased investment with greater national saving, in order to protect exchange rates and help to build up a pattern of specialization in keeping with the region's development needs.

## Regional panorama





## Chapter I

# Introduction

The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that Latin America and the Caribbean will grow by 6% in 2010, with a 4.8% increase in gross domestic product (GDP) per capita (see figure I.1). This is the highest rate of growth since 2004. While growth prevailed throughout the region, the rate of growth varied somewhat from one subregion to another. GDP growth is expected to be 6.6% in South America, 4.9% in Mexico and Central America and 0.5% in the English- and Dutch-speaking countries of the Caribbean.

Growth in 2010 consolidated the recovery that had begun in most of the economies of the region in the second half of 2009, boosted by the countercyclical measures deployed by many countries. Unlike similar scenarios in the past, the expanded macroeconomic space in many of the countries of the region provided unprecedented scope for implementing policies geared towards weathering the crisis. Measures for counteracting the impact of the global crisis dovetailed with the rapid recovery of the global economy in the first semester of the year to help sustain the improved performance of the economies of Latin America and the Caribbean.

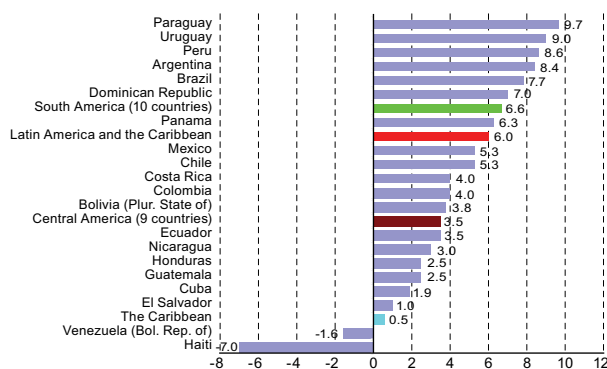
Greater economic growth drove employment demand up (the region-wide unemployment rate is expected to fall to approximately 7.6%) and helped to improve the quality of the jobs created. Rapid growth was accompanied by a slight uptick in inflation, which went from 4.7% in 2009 to an estimated 6.2% in 2010, owing above all to the behaviour of international prices for commodities such as food and fuel.

This evolution of labour market indicators, plus expanding credit and the general improvement in expectations, helped to spur private consumption. These factors, along with a substantial rise in investment in machinery and equipment, were the main drivers of the rise in demand.

For the region as a whole, the favourable external scenario translated into higher export volume and value,

although imports rose even more. The international context resulted in widely differing impacts according to each country's position in the market for goods and services.<sup>1</sup> The terms of trade for the countries that export commodities (agricultural products, minerals and hydrocarbons) improved, and the value of their exports climbed.

Figure 1.1  
LATIN AMERICA AND THE CARIBBEAN: GROWTH RATES, 2010  
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>1</sup> Commodity prices also benefited from the evolution of the global financial markets, in particular the dollar exchange rate and expanding global liquidity.

Most of the countries of Central America and the Caribbean, however, were hit again by the rising value of their imports, leading to net losses and further worsening their external balance. These negative impacts were offset in part by a certain degree of recovery in tourism and in remittances sent from developed countries by emigrant workers. Mexico benefited from a weak recovery in the United States (Mexico's principal export market), which had experienced a severe crisis the year before.

Nevertheless, several factors emerging in the second half of 2010 hinted at a less optimistic scenario for the global economy. Along with slowing demand from public spending and the exhaustion of idle production capacity, these factors are behind the general slowdown of growth that could constrain the economies of Latin America and the Caribbean in 2011.

ECLAC projects that growth in the region will slow to 4.2% in 2011, with an increase in GDP per capita in the area of 3%. In South America, GDP is expected to grow by 4.5%; projections are for 3.6% growth in Mexico and Central America and 2.2% in the Caribbean.

As mentioned in *Preliminary Overview of the Economies of Latin America and the Caribbean 2009* and *Economic Survey of Latin America and the Caribbean 2009-2010*, beyond the short term there are doubts as to whether the rapid recovery will translate into a resumption of the sustained growth that was brought to a halt by the global crisis in the second half of 2008.

All indications are that the external scenario will be one of slow growth in the developed countries and continued high volatility in the debt markets of several European economies; their evolution must be closely monitored to keep their deterioration from spiralling into a systemic crisis that could have dire consequences.

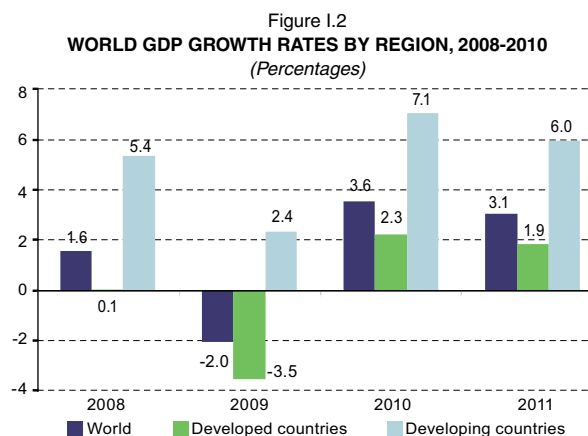
At the same time, the greater relative strength of the emerging economies in general (and of several economies in Latin America and the Caribbean in particular) in a context of high liquidity and low rates of return in the global financial markets has begun to channel a substantially increased flow of capital towards the region and other developing economies. This has put pressure on the foreign-exchange markets in the countries receiving these resources, driving the value of their currencies up sharply and triggering concern as to the medium-term effects on the allocation of resources and the capacity of these countries to grow.

The present chapter looks at the salient features of the economic situation in Latin America and the Caribbean in 2010 and reflects on the scenarios that the region could face in 2011 and in the longer run. Section A discusses the international context; section B reviews recent economic trends, examining aspects of the economic recovery in the region and the impacts on labour and social indicators; and section C takes stock of macroeconomic developments during the year and the challenges ahead. Lastly, section D assesses growth prospects for 2011, the risks that the economic recovery faces and the principal challenges for Latin America and the Caribbean beyond the short term.

## A. The international context

The external context for the region in 2010 showed signs of an incipient global economic recovery but was still marked by turmoil in the wake of the 2008 international financial crisis. Following a 2.0% global contraction of GDP in 2009, the expectation is for growth at a positive 3.6% in 2010. While recovery is coming earlier than expected, developed economies and emerging economies are growing at substantially different rates, giving rise to some uncertainty as to the future sustainability of growth.

Projections show that the global economic recovery is being driven by the burgeoning growth of emerging economies, especially China and India (see figure I.2). Although the developed economies are growing again after contracting in 2009, they are doing so at a much slower pace than the rest. Estimates indicate that this will be the scenario over the medium term.



Source: United Nations, *World Economic Situation and Prospects 2011*, New York, Department of Economic and Social Affairs, December 2010.

## Box I.1

## STRAIN AND UNCERTAIN PROSPECTS FOR EARLY RECOVERY IN THE EURO AREA

While the numerous financial and fiscal measures taken by the developed countries to confront the global financial crisis allowed them to avert the peril of bankruptcy in their financial systems and a recession on the scale of the Great Depression, there were also a number of unwanted consequences. These included deep uncertainty about public-debt sustainability in some European countries and intense debate about the difficulties of making the necessary adjustments—within the framework of a single currency—in the various countries that form the euro area.

Public finances came under strain in part because of the rescue programmes launched and the drop in public-sector revenue resulting from the lower economic growth forecast beginning in 2009.<sup>a</sup> Attention centred on a group of countries (Greece, Ireland, Italy, Portugal and Spain) whose indices reflected a degree of vulnerability, in that their public debt far exceeded both the euro area average and the targets set in the Maastricht Stability and Growth Pact (Spain being an exception where public debt was concerned, although not as regards the public-sector deficit ceiling).

The most recent projections indicate that the situation will worsen (see table). In addition, those countries' private saving rates are lower and current account deficits higher than in the euro area as a whole. Data from the Organization for Economic Cooperation and Development indicate that the long-term trend in private-sector saving has been downward, while household borrowings as a share of GDP have been rising, indicating a deepening of existing vulnerabilities.

## EUROPE (SELECTED COUNTRIES): INDICATORS OF STRENGTH AND VULNERABILITY, 2009-2012

(Percentages of GDP)

	Public debt		Structural public deficit		Private saving		Current account	
	2009-2010	2011-2012	2009-2010	2011-2012	2009-2010	2011-2012	2009-2010	2011-2012
Ireland	81.5	110.7	-21.0	-9.0	19.2	19.0	-2.1	2.1
Greece	133.5	138.1	-11.3	-4.4	13.1	12.3	-12.3	-7.3
Spain	58.7	71.4	-8.3	-4.9	23.1	20.6	-5.2	-3.7
Portugal	79.5	90.6	-7.5	-3.7	15.3	15.1	-10.6	-7.4
Italy	117.5	120.1	-3.6	-3.4	17.9	18.6	-3.2	-2.6
Euro area	81.6	87.2	-4.7	-3.4	20.9	20.8	-0.6	0.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of European Commission, European Economic Forecast, Autumn 2010, November 2010.

While some of this deterioration is attributable to the rescue programmes mentioned, reference is also made to structural factors whose adverse effects on long-term growth mean that public debt is set to expand in several European countries in the absence of drastic reform measures. The European Commission states in a recent report that without far-reaching reforms to health and pension systems, and even tax hikes in certain cases, demographic trends will lead to a growing and unsustainable level of public debt.<sup>b</sup> The situation is further exacerbated by an annual potential growth rate of just 1.5% projected for the coming years.

A number of hurdles stand in the way of achieving successful reforms. For one thing, such reforms would affect some elements of social security that form an essential part of the European model of society. For another, the effects would be slow to materialize inasmuch as existing entitlements are involved; consequently, many of the new arrangements would apply only to new entrants to these systems.

Furthermore, scope for higher taxes is limited because these countries already have high tax burdens.

The potential for speeding up fiscal consolidation in a situation of low growth and high unemployment is also limited, although a number of countries, such as Greece, Spain and the United Kingdom of Great Britain and Northern Ireland, made significant efforts in this direction during 2010.

All this highlights the need for structural reforms in product and factor markets and greater support for innovation to raise productivity. There is also a need to pursue macroeconomic policies that quickly restore growth, although this is bound to remain low in the short run given the slow progression of total factor productivity and the current low levels of investment and workforce utilization, two circumstances born of the recent crisis.<sup>c</sup>

This situation does not prevail in all the euro area countries, however. Differences in national growth rates, with some expanding rapidly while others

languish, have long been a characteristic of Europe, and efforts to reduce this heterogeneity have not borne fruit. In particular, the German economy, the bloc's largest, continues to be more buoyant than the rest, largely because of productivity improvements. Among other things, this heterogeneity means that the scope for reducing the value of the euro in relation to other currencies in order to gain competitiveness relative to the rest of the world is not a shared option, and this underscores the need for internal adjustment in the remaining countries.

In summary, the recent global crisis has had an adverse impact on public-debt sustainability in a number of European countries. As a result, structural reforms would appear to be the way both to contain the expansion of this debt and to increase the rate of factor productivity growth. With some exceptions, the immediate prospects for rapid recovery and control of public-sector deficits are not good, and this is tending to intensify the strains normally associated with single-currency settings.

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

<sup>a</sup> See European Central Bank, *Monthly Bulletin*, July 2009.

<sup>b</sup> See Marco Buti, "The spread of the crisis. Effect of the crisis on public finances", presented to the European Parliament on 14 January 2010 [online] <http://www.europarl.europa.eu/document/activities/cont/201001/20100118ATT67540/20100118ATT67540EN.pdf>.

<sup>c</sup> See European Commission, *European Economic Forecast, Autumn 2010*, November 2010.

The external environment was affected by high uncertainty and persistent doubts as to the robustness of the recovery in the more advanced economies. In the United States of America, despite substantial stimulus programmes, there has been mixed growth in activity, employment and demand, and it is still too early to say whether sustained recovery and expansion are gaining traction. At the same time there seems to be very little space for fiscal stimulus. For this reason, the strategy deployed by that country's economic authorities is designed to expand liquidity significantly. However, as the banks are still cleaning up their loan portfolios and deleveraging in the wake of the crisis that broke out in the sector in 2008, there will be no guarantee that the increased liquidity will spur lending and support an expansion of private spending until the prospects for recovery are improving steadily.

Europe is facing the consequences of the crisis and the impact of financial system rescue programmes on economies that, in some cases, already showed some signs of fiscal weakness. This had two relevant implications for the external environment. First, it heightened uncertainty regarding the sustainability of the sovereign debt of a group of countries whose level of debt and prospects for continued public deficits were pointing to a weakening of their potential capacity to honour their commitments while renewing a significant portion of their public debt (Greece, Ireland, Italy, Portugal and Spain). Indeed, two of the countries in this group (Greece and Ireland) required rescue packages from the European Union and the International Monetary Fund; the sovereign debt risk premiums for the other countries rose sharply. This, plus the subsequent announcement of the quantitative easing programme in the United States, led to high variability in currency and external commodity prices.

Second, several other European countries elected to implement drastic fiscal consolidation plans whose

immediate effect will be to decrease aggregate demand. This will undercut near-term prospects for global growth and the demand for exports to Europe from Latin America and the Caribbean. Outside this general picture is Germany, whose continued strong performance is grounded to a large extent in productivity gains and export expansion.

These two circumstances (uncertain growth in the United States and expected slow recovery in Europe) are likely to persist because high public- and private-sector indebtedness in most of the developed countries augurs sluggish domestic demand in those countries.

As a result, the region's external demand increasingly depends on the emerging countries of Asia—a situation that is not exempt from risks, especially in the light of the need to correct global imbalances. If the advanced economies remain sluggish over the medium term, it does not seem likely that the high growth rates of the emerging countries of Asia can continue to be based on exports to the former. The domestic markets of those emerging economies thus become a significant potential source of demand, given their large demographic size. Such a decline in the external trade surplus of the emerging Asian economies could lead to real appreciation of their currencies against the euro and the dollar, increasing real revenue (in foreign-exchange terms) in the surplus countries and encouraging domestic demand. The exporting sectors in the advanced economies would gain in relative competitiveness, and this would help to decrease their external deficit.

In such a scenario, some countries of Latin America could still benefit from growing demand for commodities and rising nominal prices owing to global depreciation of the dollar and the resulting appreciation of their own currencies. Nevertheless, these countries run the risk of discouraging other exports as it becomes harder for the region's tradable sectors to compete in external and domestic markets. This issue will be further discussed below.

## B. Recent trends in the Latin American and Caribbean economies

### 1. Internal factors

As noted in the *Preliminary Overview for 2009* and the *Economic Survey 2009-2010*, the strong countercyclical measures deployed by the governments of most of the countries of the region enabled economic activity to recover quickly and, in most cases, to exceed pre-crisis levels.<sup>2</sup> These factors were reflected in the evolution of

the macroeconomic aggregates, with public consumption at the forefront of aggregate demand, especially in the first half of 2009 as can be seen in figure I.3.

Investment and private consumption picked up by late 2009 and gained intensity in the first half of 2010. Rising demand led to high growth rates that in many

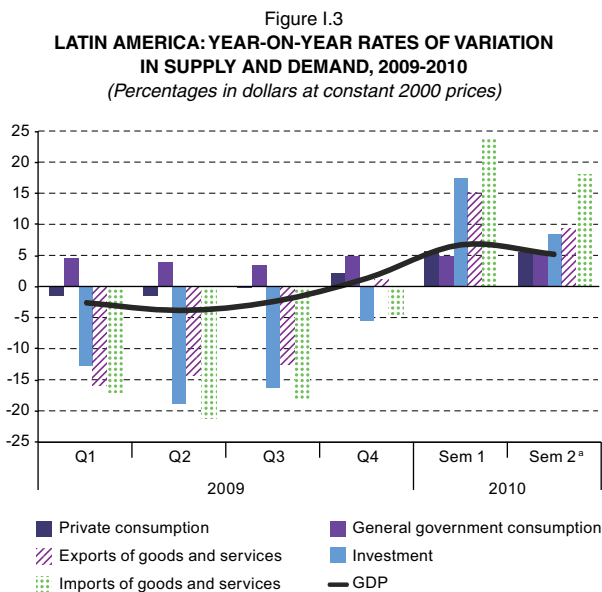
<sup>2</sup> A complete account of the measures put in place by the countries of the region can be found in *The reactions of the Governments of the Americas to the international crisis: an overview of policy*

*measures up to 31 December 2009* (LC/G.3025/Rev.6), Economic Commission for Latin America and the Caribbean (ECLAC), Santiago, Chile.

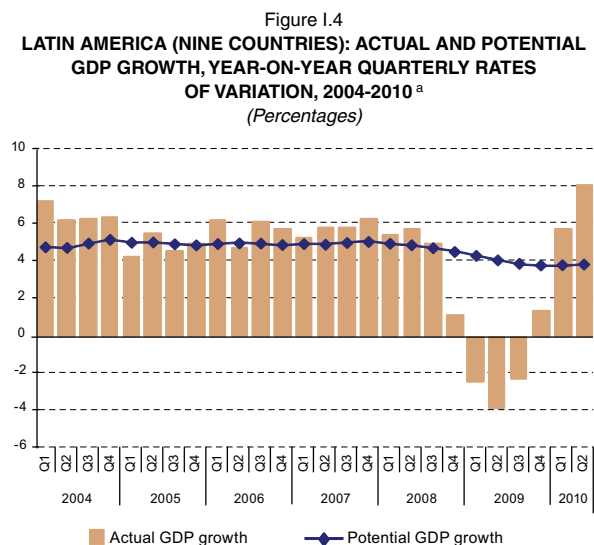


cases topped potential GDP growth, as emerges from figure I.4.

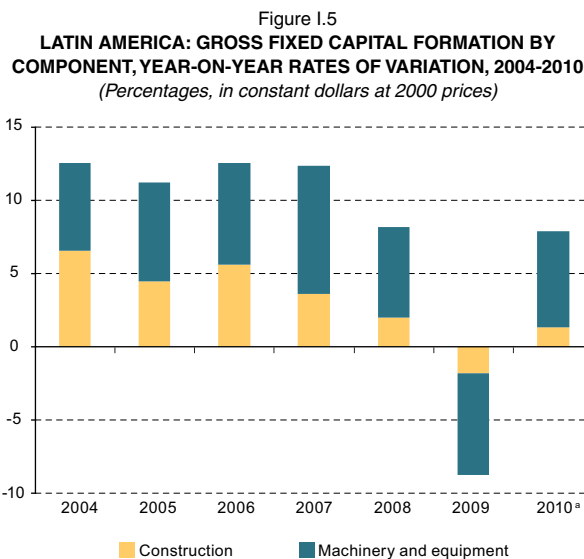
As explained in chapter III.A, the depletion of idle capacity owing to the pick-up in activity amid expanding availability of credit and lessening uncertainty as to the evolution of the economies of the region helped to spur investment (especially in machinery and equipment, as shown in figure I.5) and inventory restocking.



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.  
<sup>a</sup> Estimate.



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.  
<sup>a</sup> Data up to second quarter of 2010.



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.  
<sup>a</sup> Estimate.

Likewise, rising expectations, increasing consumer credit and, in some cases, measures geared towards sustaining spending by the poorest segments of the population drove private consumption up. As the recovery progressed, these impacts began to feed back into improving labour indicators, with falling unemployment and improving job quality and real wages.

As explained in box I.2, this crisis had surprisingly little relative impact on the labour markets of the region compared with past episodes and with what happened, for example, in the United States economy.<sup>3</sup> Indeed, in the four cases reviewed (Brazil, Chile, Mexico and Peru), the impact of specific policies on the labour markets and the effect of monetary and fiscal policies on employment demand not only dampened the initial impact but also allowed a rapid recovery (Mexico might be an exception). This behaviour is consistent with the slight deterioration observed in social indicators, such as the percentage of the population living in poverty, compared with other crises.<sup>4</sup>

Chapter III.C, which focuses on the labour market, shows how job creation during the economic recovery brought the unemployment rate down from 8.2% to 7.6% despite the significant rise in labour participation. Most job creation took place in the formal sector; the resulting improvement in employment quality contributed to the quantitative improvement in labour market indicators.

<sup>3</sup> See Federal Reserve Bank of San Francisco.

<sup>4</sup> See ECLAC, *Social Panorama of Latin America*, Santiago, Chile, November 2010.

## Box 1.2

## FORMAL EMPLOYMENT DURING CRISIS AND RECOVERY

Differences between countries' recent labour-market performance may be attributed, first, to the severity of the blow their labour markets sustained in the crisis and, second, to the rapidity of those markets' recovery. The figures in this box show how formal employment has performed since its pre-crisis peak in four countries and how this performance compares with a previous serious crisis. Prior to the comparison crisis of the mid-1990s, the highest level of employment was recorded in October 1997 for Brazil, in the May-July quarter in 1998 for Chile, in

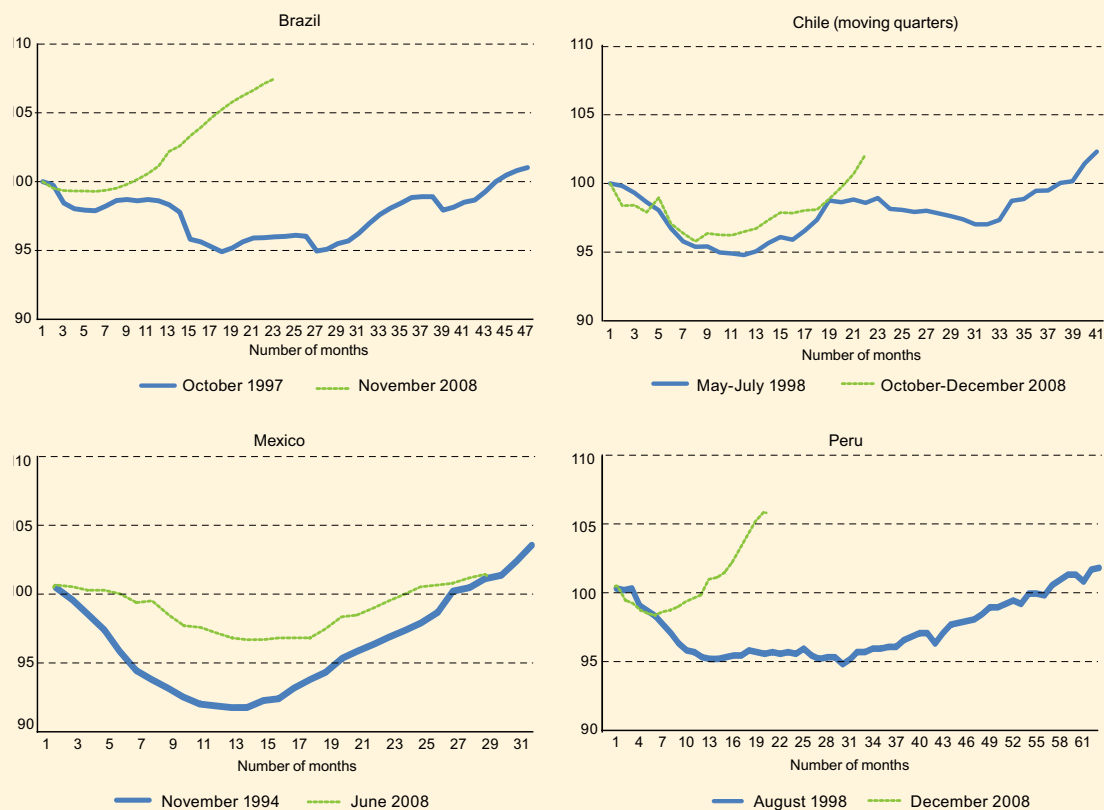
November 1994 for Mexico and in August 1998 for Peru. That crisis dented formal employment more severely in Chile and Mexico than in Brazil and Peru. Formal employment took 12-15 months to return to pre-crisis levels in Brazil and Peru, but 23 months in Chile and 27 months in Mexico.

With the exception of Chile, the 2008 crisis affected formal employment less than the previous crisis did, and in Brazil and Peru job creation has been much quicker to regain momentum this time around. In Mexico, meanwhile, although the impact

was not as strong this time, the recovery has been slower. This reflects differences in the nature of the two recoveries: the recovery from the mid-1990s crisis was driven by robust external demand (especially from the United States) and sharp currency depreciation, which made Mexican exports more competitive and encouraged new hiring. In Chile, the impact of the crisis was similar to that of the Asian crisis of the late 1990s and, initially, employment recovered following a similar pattern, although this time job creation gathered pace from month 20.<sup>a</sup>

## LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): BEHAVIOUR OF FORMAL EMPLOYMENT

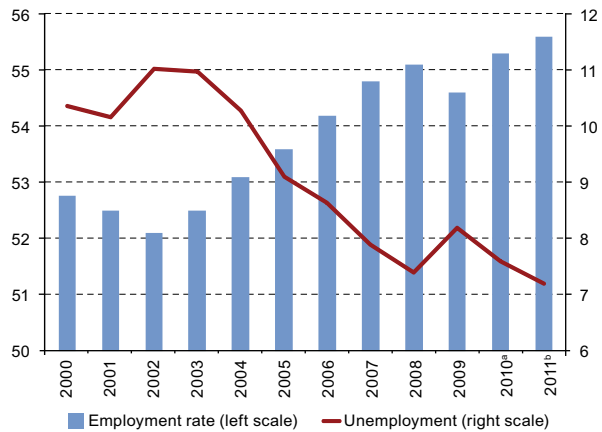
(Index: month with highest level of employment before the crisis=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

<sup>a</sup> In February 2010 (month 17), Chile was hit by a strong earthquake, which had an impact on formal employment.

Figure I.6  
LATIN AMERICA: EMPLOYMENT AND UNEMPLOYMENT, 2000-2011  
(Percentages)

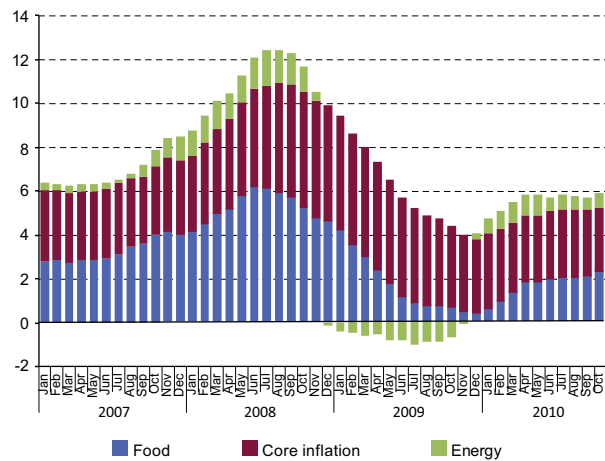


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.  
<sup>a</sup> Estimate.  
<sup>b</sup> Projection.

Falling unemployment and improving employment quality were accompanied by an increase in real wages that was somewhat smaller than in 2009 because inflation rose from 4.7% to 6.2%. The main factor behind the higher inflation rate was the increase in food prices and, to a lesser extent, fuel prices, although, as seen in

figure I.7, these rises did not transfer to core inflation. Overall, this combination of factors led to a decrease in the poverty rate, which it is estimated fell from 33.1% in 2009 to 32.1% in 2010, and a somewhat smaller decline in indigence, from 13.3% in 2009 to 12.9% in 2010, thanks to the behaviour of food prices.

Figure I.7  
LATIN AMERICA (SIMPLE AVERAGE): INFLATION BY COMPONENT, JANUARY 2007-OCTOBER 2010  
(Percentages)



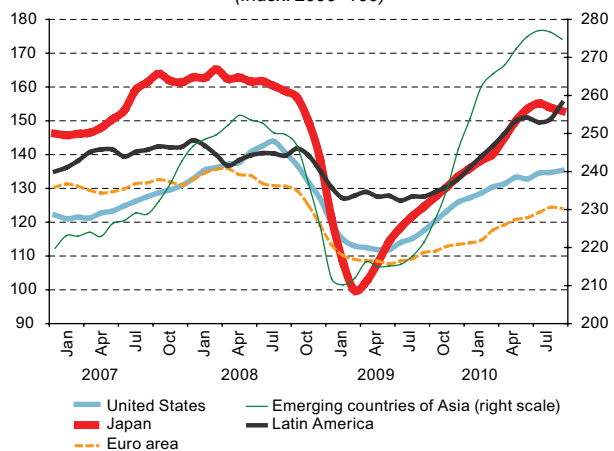
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

## 2. External factors

As figure I.8 shows, the region's trade volumes increased substantially from late 2009 onwards and had exceeded pre-crisis levels by the second quarter of 2010. By subregion, as illustrated in figure I.9, Mexico and the MERCOSUR countries improved their export performance in volume terms, contrasting with the slower export growth in the countries of Central America and those exporting mining products and hydrocarbons.

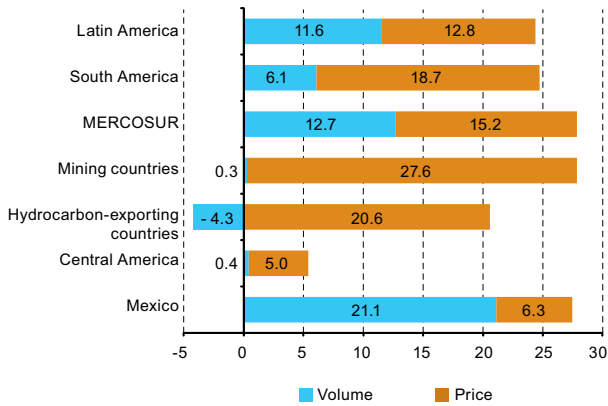
As noted in chapter IV.A, the rise in export volume was accompanied by an increase in the price of commodities (which account for a significant portion of the export basket, especially for the countries of South America). Although commodity prices are highly volatile because of the financial status that these markets have acquired and general asset market turmoil since mid-2007, these prices have resumed their pre-crisis positive trend and, in the case of food, have approached the peaks recorded in mid-2008.

Figure I.8  
WORLD EXPORTS BY REGION (THREE-MONTH MOVING AVERAGE), 2007-2010  
(Index: 2000=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the Netherlands Bureau for Economic Policy Analysis (CPB).

Figure I.9  
**LATIN AMERICA: EXPORT VARIATION BY VOLUME  
 AND PRICE, 2010**  
 (Percentages)



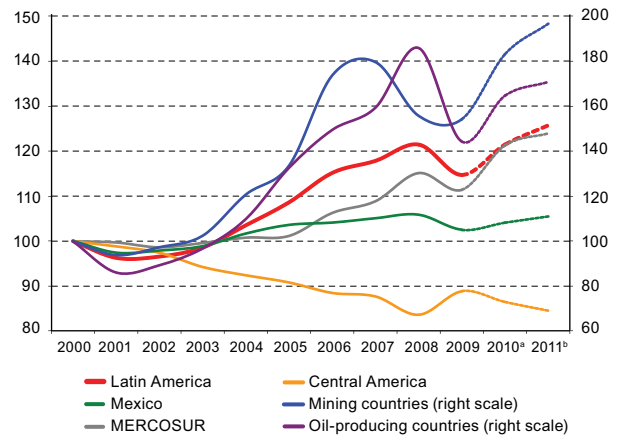
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

As a result, the average terms of trade for the region improved in 2010, although the benefits of this were essentially confined to the countries of South America as net commodity exporters. The opposite happened in Central America, which is a net commodity importer: the pre-crisis downward trend resumed. There were opposing effects on Mexico's terms of trade. The country reaped a terms-of-trade gain as an oil exporter, but a terms-of-trade loss in its exports of manufactured goods to the United States, because of competition from China in that market. As figure I.10 shows, the terms of trade have, generally speaking, returned to their pre-crisis trends.

Chapter IV.A discusses other factors that are evolving positively and are especially important for the countries of Central America and the economies of the Caribbean: tourism and emigrant remittances. Remittances recovered throughout 2010 at a rate that was, in absolute terms, substantially slower than during the sharp contraction that in some cases began in late 2008 and generally extended throughout 2009. For some of the recipient countries, this has meant a substantial loss of revenue compared with the pre-crisis levels, with drops ranging between 0.5% and 2.4% of GDP (see figure I.11).

Despite climbing exports, the rapid recovery of the economies of the region—accompanied in most instances by falling real exchange rates (see chapter II)—has led to an even greater rise in imports, especially in terms of volume. The region's goods trade balance has therefore returned to the downward trend that was interrupted by the crisis.

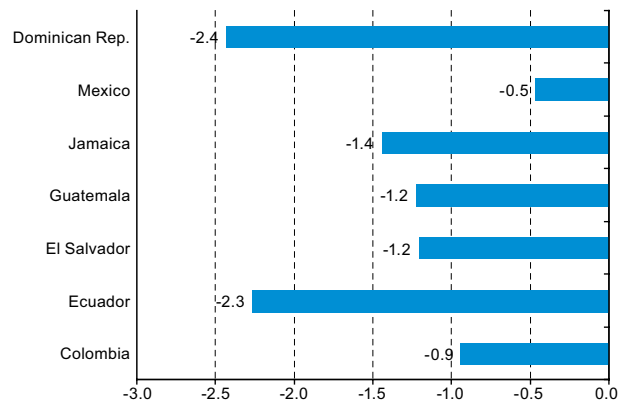
Figure I.10  
**LATIN AMERICA AND THE CARIBBEAN: VARIATION  
 IN TERMS OF TRADE, 2000-2011**  
 (Index 2000=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Estimate.  
<sup>b</sup> Projection.

Figure I.11  
**LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES):  
 VARIATION IN REMITTANCE REVENUE BEFORE  
 AND AFTER THE CRISIS<sup>a</sup>**  
 (Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

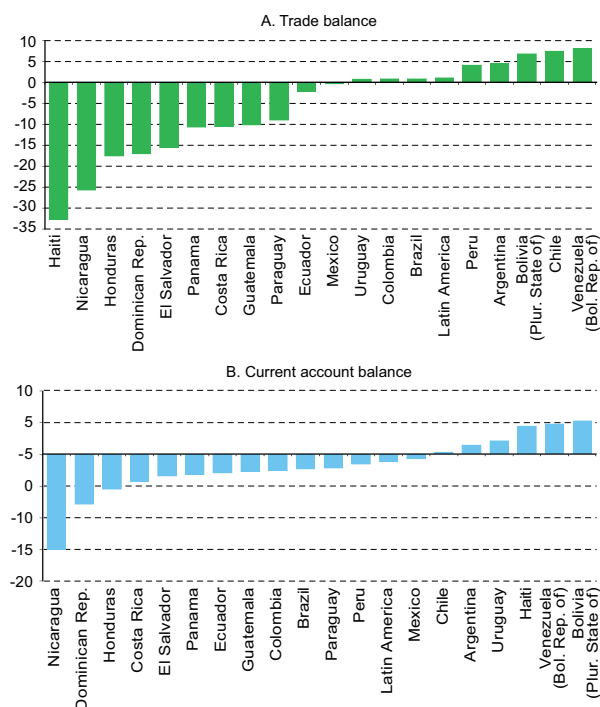
<sup>a</sup> Difference between remittance revenue for 2010 and the average for the period 2004-2007.

The worsening trade balance is exacerbated when real services (which traditionally run a deficit) are also taken into account. According to ECLAC estimates, the goods and services account is likely to post an almost-zero balance—something that has not happened

since 2001. The income balance deficit has grown as well, owing above all to larger profit remittances to companies associated with the exploitation of natural resources. The region would therefore have a current account deficit equivalent to 1.1% of GDP; so even if growth resumed in the region, it would not be accompanied by an external surplus as it had been in the years prior to the crisis. Moreover, some of the components of this trend are expected to deepen. As noted below, ECLAC is therefore projecting a larger current account deficit for 2011.

The current account deficit does not threaten the growth of Latin America and the Caribbean in the short term because financial resources are flowing to the region from a variety of sources in an amount that will not only finance the current account gap but will even allow the accumulation of international reserves. In addition, as shown in chapter IV.B, the region has returned to the international markets. The debt instruments of almost all of the countries have been upgraded and their sovereign risk premiums have improved substantially although these have not yet returned to pre-crisis levels. Nevertheless, as will be discussed below, some of the scenarios that can be projected on the basis of this situation are cause for future concern.

Figure I.12  
LATIN AMERICA AND THE CARIBBEAN: MERCHANDISE TRADE  
BALANCE AND CURRENT ACCOUNT BALANCE, 2010  
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

## C. Macroeconomic policy

After a year like 2009, when countries deployed massive countercyclical policy efforts to address the impacts of the crisis, the strategy for 2010 was a general pullback of public policies targeting demand, albeit with marked differences between countries. To

a certain extent (especially in the second half of the year), macroeconomic policies began to reflect the growing concern about currency appreciation in the region stemming from the sharp increase in liquidity in the global financial markets.

### 1. Fiscal policy

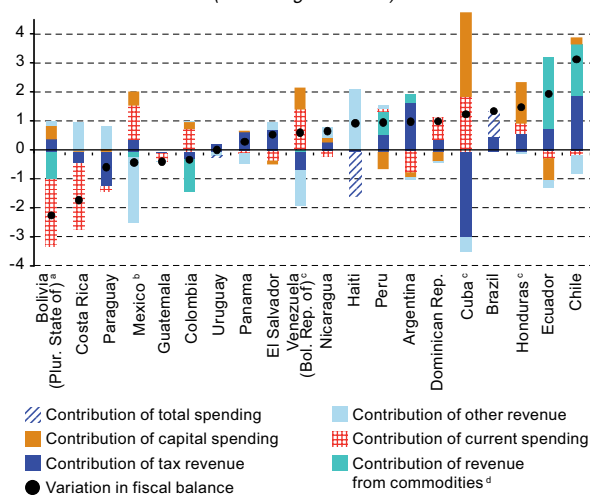
Revenue behaviour was the main determinant of fiscal performance in Latin America and the Caribbean in 2010. The principal contributing factors were the upturn in activity and (in countries specializing in producing and exporting natural-resource-intensive goods) commodity price recovery.<sup>5</sup> In most cases, fiscal stimulus policies remained partially

in place in 2010. As a result, public account balances in all of the countries of the region either improved or held relatively steady; the exceptions were Costa Rica and the Plurinational State of Bolivia (see figure I.13).

Latin America's central governments ended fiscal 2010 with a primary fiscal deficit of 0.6% of GDP, as a simple average, compared with a deficit of 1.1% of GDP in 2009. The overall balance (including public debt service payments) was a deficit that went from 2.9% of GDP to 2.4% of GDP.

<sup>5</sup> But some countries (such as Colombia and the Plurinational State of Bolivia) lagged behind; the price drop of 2009 was still reflected in lower fiscal revenue from hydrocarbons in 2010.

Figure I.13  
**LATIN AMERICA: CONTRIBUTION OF INCOME AND EXPENDITURE VARIATIONS TO FISCAL BALANCE VARIATION, 2009-2010**  
 (Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> General government.

<sup>b</sup> Public sector.

<sup>c</sup> Total expenditure does not include net lending.

<sup>d</sup> Includes both tax and non-tax revenues derived from the exploitation of commodities.

## 2. Monetary and exchange-rate policy

In the first quarter of 2010, some of the countries of the region began to roll out more restrictive monetary policies as the economic recovery gained traction and concerns grew regarding inflation rate evolution. Among the countries setting inflation rate targets, Brazil, Chile and Peru increased their monetary policy rate. Colombia and Mexico did not, focusing instead on stimulating economic growth.

Among the countries with no explicit inflation targets, the Dominican Republic and Uruguay increased rates (albeit later and to a lesser degree), while Paraguay curbed monetary aggregate growth. Argentina and Costa Rica implemented more expansionary policies.

Credit expanded substantially in several countries in 2010. Between August 2009 and August 2010, credit grew in real terms in Brazil (14%), Peru (11.6%) and Colombia (8.5%); it also grew in Chile, but only by 4.5% owing to a progressively more restrictive policy (see figure I.14). Private credit propelled this rise in total credit except in Brazil, where public bank credit was the main driver of growth.

Looking ahead, some countries may deploy measures to slow the rapid expansion of credit that is putting pressure on currency appreciation in the region. Peru did so this year (by raising reserve requirements, among other steps).

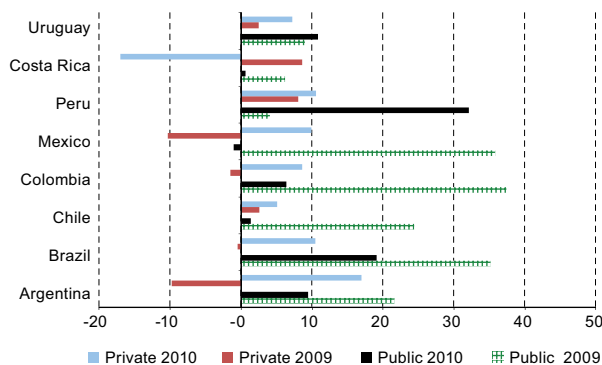
In view of the budgets of the countries of the region, estimates point to continued fiscal account improvement in 2011, with a primary deficit of 0.2% of GDP and a global deficit of 2% of GDP. All in all, the countries of the region are, thanks to rising fiscal revenues, slowly rebuilding their public accounts after the fiscal deterioration in 2009 triggered by the crisis.

Recovering pre-crisis degrees of fiscal space after the ground lost in 2008-2009 will require efforts that will vary in nature and magnitude among the countries of the region because of their differing macroeconomic positions, fiscal revenue products and price elasticities and the measures put in place.

In some cases the effort should centre on increasing fiscal revenues. Others will require a firmer effort to moderate the increase in primary public spending (especially current spending), which in many cases has far outstripped the GDP trend growth rate. In some countries, attention should be paid to the repercussions of quasi-fiscal activities.<sup>6</sup> Countries whose debt position is more fragile could seize the abundant liquidity on the global markets as an opportunity to reduce their vulnerability by means of active debt management (lengthening terms, lowering cost).

This will be discussed below. For now, suffice it to say that excessive global liquidity swelled capital flows to the markets of the region.

Figure I.14  
**LATIN AMERICA (SELECTED COUNTRIES): REAL CREDIT GROWTH, AUGUST 2009-AUGUST 2010**  
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

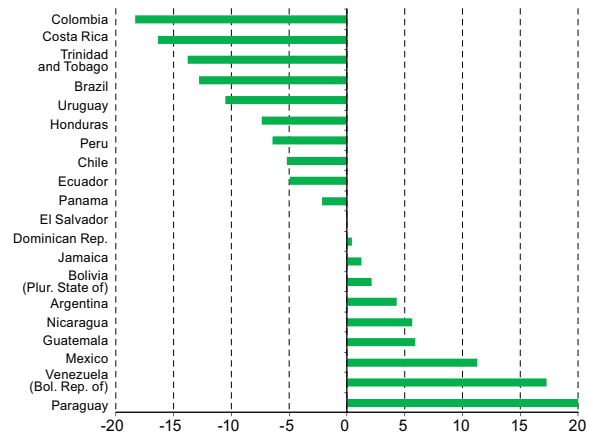
<sup>6</sup> As will be examined below, these repercussions are likely to grow because of the need to resort to open market operations to sterilize the monetary expansion triggered by central bank intervention on the currency markets.

These capital flows contributed to nominal exchange-rate appreciation in many of the countries of the region. For the first nine months of 2010, currency appreciation was highest in Brazil (13.6%), Colombia (13.2%), Uruguay (13.1%), Chile (9.4%) and Costa Rica (8%). To moderate exchange-rate volatility and appreciation, especially in situations of historically low effective rates of exchange, some countries deployed measures that included reserve accumulation (Argentina, Brazil, Colombia, Costa Rica, Guatemala, Mexico and Peru) and sought to stem capital inflows (by means of taxes and restrictions in Brazil, which increased the financial transaction tax on foreign investment in fixed-income instruments—first to 4% and then, in October, to 6%) and increase outflows (Chile and Peru raised the overall limit on pension fund investments abroad).

In real terms, these movements were even more pronounced. As can be seen in figure I.15, real exchange-rate appreciation was fairly widespread and led to real exchange-rate parities below pre-crisis levels. In several countries, real effective exchange rates were therefore substantially below the historical average for the past

20 years. Five countries were more than 20% below their historical averages: Trinidad and Tobago (27.7%), Colombia (27.7%), Brazil (25.3%), Bolivarian Republic of Venezuela (23.5%) and Honduras (20.5%).

Figure I.15  
LATIN AMERICA AND THE CARIBBEAN: VARIATION IN REAL EFFECTIVE EXCHANGE RATE, SEPTEMBER 2008-SEPTEMBER 2010 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

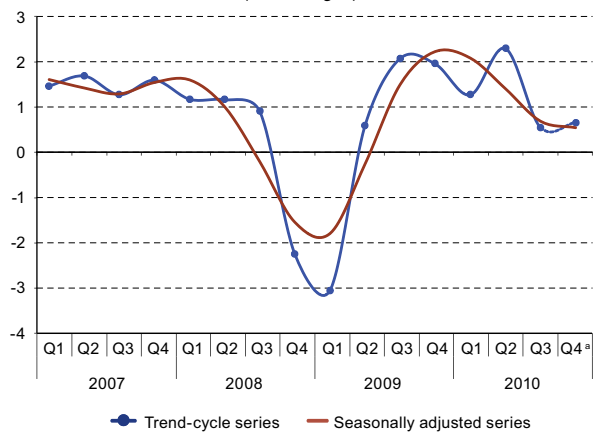
## D. Prospects for 2011 and macroeconomic challenges beyond the short term

ECLAC estimates that the region will continue to grow in 2011, although at a slower pace. With the pull-back of public policy efforts to spur demand, the region’s economic growth is expected to slacken as idle production capacity is exhausted and the global economy slows, with the resulting effect on trade flows. As figure I.16 shows, the pace of growth began to fall off in the third quarter of 2010.

The projected growth rate for Latin America and the Caribbean in 2011 is 4.2%, with per capita GDP rising by 3% (see figure I.17). The pace of growth in South America is expected to be slightly above the regional average, at 4.5%. Slower growth is projected for Mexico and Central America, at 3.6%, and the countries of the Caribbean, at 2.2%.

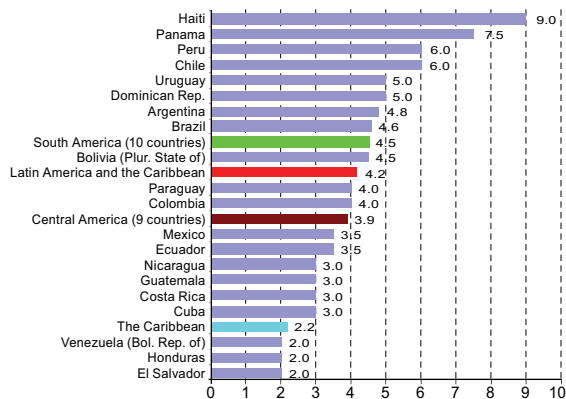
Since job creation will slow as growth slacks off, the unemployment rate will creep down to a projected 7.3% for the year. At the same time, monetary policy issues loom on the horizon as discussed below; they could thwart efforts to control inflation and thus have a negative impact on real wages.

Figure I.16  
LATIN AMERICA (SEVEN COUNTRIES): QUARTER-ON-QUARTER REAL GDP VARIATION, 2007-2010 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.  
<sup>a</sup> Estimate.

Figure I.17  
**LATIN AMERICA AND THE CARIBBEAN: GDP GROWTH, 2011**  
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Concerning the evolution of external-account indicators, as noted in chapter IV.A, the terms of trade should continue to improve despite volatility in the global financial markets that could affect price movements for many of the region's principal export products.

Good prospects for the region's terms of trade could benefit most of the economies of South America, but rising commodity prices could mean lower revenue in real terms for the countries of Central America and the Caribbean (with the exception of Jamaica, Suriname and Trinidad and Tobago). Even though Mexico stands to gain as an oil exporter, its terms of trade will not, in fact, improve a great deal because such a large proportion of its manufacturing exports goes to the United States, where its export prices are suffering the effects of competition from China. Although average prices will improve in the region, the trade balance is expected to deteriorate further in 2011, with the current account deficit rising to 1.5% of regional GDP.

The space for implementation of the public policies that enabled the economies of the region to recover swiftly will be affected not only by the need to rebuild countercyclical response capabilities in certain cases, but also by concerns arising from excess global liquidity that could result from monetary policy in the United States. This will be a key monetary and fiscal policy factor for the countries of the region that are potential receivers of capital inflows over the short term.

Because of the need to rebuild pre-crisis fiscal space and the desire to keep an expansionary strategy from increasing pressure on the financial and currency markets, fiscal efforts are expected to pull back from the levels seen over the past few years.

The search for high returns and low risk that many of the financial assets of Latin America and the Caribbean can offer could channel more short-term capital flows towards the region. This could be

a source of instability that would shape monetary and exchange-rate policy.

First, it could lead to exchange-rate imbalances and currency over-appreciation in the countries of the region if the economic authorities elect not to intervene in their exchange markets. Another possibility is that it could lead to a monetary imbalance that, with narrowing idle production capacity margins, could set off inflationary pressures were central banks to intervene by buying currency to defend nominal and real parity as much as possible. Between the two extreme alternatives for intervening in the foreign exchange markets there exists a range of possibilities combining the two but sterilizing the resulting monetary expansion, at least in part, by raising interest rates to continue to encourage capital inflows, thus rendering less effective the efforts to defend real parity. This is indeed a dilemma with significant implications beyond the short term, as will be discussed below.

Greater global liquidity will most likely help to deepen the trend towards real appreciation of most of the currencies of the region already seen in 2010, regardless of efforts by the monetary authorities of the region to control the channels through which resources flow towards their economies. A drop in the real exchange rate would affect the production of tradable goods, that is, both exportable products and those that compete with imports. This, combined with the projected slowdown of the global economy (especially in the developed countries), would impact the external component of the demand for goods. Central America and Mexico, whose trade is more oriented towards the United States market, would feel the impact the most, although it would likely ripple through all of the economies of the region.

This would have a negative impact on external accounts but would not endanger growth, at least in the short run. The region is expected to continue to grow in 2011, albeit at a pace that is closer to potential GDP growth, helped by internal demand as credit becomes more available. In South America, this could be boosted by external demand from the Asian economies as they continue to grow at a rapid pace.

This is not the first time that the Latin American and Caribbean region has seen a massive inflow of short-term capital towards its asset markets and the resulting appreciation of real exchange rates. As seen in similar situations, capital inflows are expected to support steady growth in domestic demand. The downside could be a gradually worsening trade balance, although currency appreciation could help check inflationary pressures.

This economic scenario could have a positive effect on poverty indicators to the extent that a large proportion of consumption among the poorer strata is in tradable goods whose relative price is expected to fall along with



the real exchange rate. Income distribution might even improve, at least in the short run, provided that the increase in relative income for the poorest strata does not come with deteriorating labour market indicators.

Beyond the short term, though, the impact could be very negative. The region has already been the stage for many stories with unhappy endings when growth came with unsustainably low real exchange rates.

A scenario like the one that could be starting to take shape in the second half of 2010 (with high global liquidity exerting downward pressure on real exchange rates and upward pressure on commodity prices) could lead to (a) increased production of non-tradable goods to the detriment of tradable goods, with the consequent negative impact on external accounts, and (b) overspecialization in the production and export of primary goods. This could be exacerbated if China, as a source of demand for commodities that also competes on the manufactured products markets, were to appreciate its currency more slowly than the countries of Latin America and the Caribbean.

Such specialization would make the economies of the region more vulnerable to external shocks and add to the volatility of domestic macroeconomic aggregates such as investment, thus hobbling the economies' capacity to grow, generate productive employment and reduce inequality. And that would be only the effects on the real sector.

But the impacts generated by the financial markets are usually swifter and more devastating. Economic growth accompanied by further external account deterioration could make the economies of the region more dependent on external savings to fund expansion, unlike what happened in the period 2003-2008.

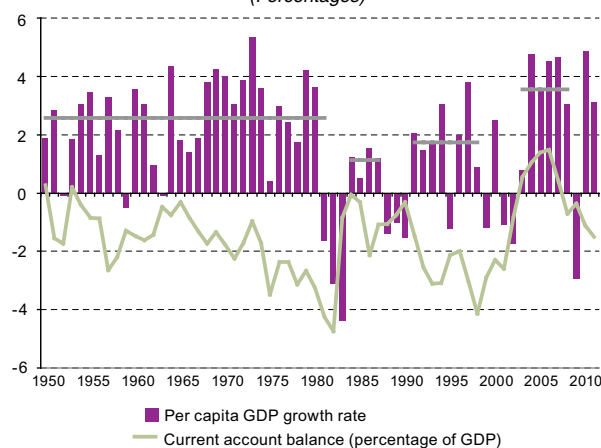
During that period, growth came with rising domestic saving rates and an external account surplus. This enabled the economies of the region to deflect the crisis, because they did not need to turn to the financial markets when these markets had serious problems (to a certain extent, they still do). Quite the opposite: the countries of the region (albeit with differences between them) built up a capacity to act countercyclically that quickly put them back on the road to growth.

The region's economic history over the past 40 years is full of examples of how processes involving excessive capital inflows can lead to growth based on domestic demand, but with a gradual deterioration of external accounts. Such deterioration is due to excess domestic spending in relation to productive capacity and to a relative price shift associated with falling real exchange rates, thus discouraging exports and making imports relatively cheaper.

Initially, the balance-of-payments current account deficit can be financed in part with long-term capital inflows associated with foreign direct investment flows,

as is happening to a large extent at present, or with the reserves that the countries of the region have built up over the years. However, at some point this will drive external indebtedness up, not only making the economies of the region more vulnerable to terms-of-trade shocks because of their increasing specialization in commodities, but also increasing their vulnerability to financial shocks to the extent that growth would become more and more external-finance intensive. In this environment, a sudden reversal of capital flows could set off an external financial crisis that would halt growth and give rise to a painful adjustment period, as the Latin American and Caribbean region, unfortunately, knows all too well.

Figure I.18  
LATIN AMERICA AND THE CARIBBEAN: PER CAPITA GDP  
GROWTH,<sup>a</sup> CURRENT ACCOUNT BALANCE,<sup>b</sup> 1950-2011  
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Annual variation rates, in 2000 dollars.

<sup>b</sup> In percentages of GDP.

So, what can the countries of the region do to defend themselves against this exogenous situation? Several countries have put in place or strengthened mechanisms for regulating the entry of short-term capital in order to ease pressure on the foreign exchange markets (see chapter II.B). This is a step in the right direction, but restrictions like this might not be enough in the face of such potentially large increases in the supply of foreign exchange.

For this reason, the central banks have in many cases elected to make currency purchases to sustain demand and try to prevent or at least slow appreciation. This strategy is not without its problems and limitations, but it could at least ease the transition while reserves are built up to strengthen the external position of the economy.

Such measures should be complemented by a countercyclical strategy encompassing, to the extent possible, both the fiscal and the financial spheres and geared towards easing pressure on domestic demand and preventing an excessive increase in the credit supply, as another way to

relieve pressure on the foreign exchange markets. Another possibility is productive policy measures seeking to make tradable goods-producing sectors more profitable; this might require redirecting some items of public spending or making some changes to the tax structure.

Any lasting solution will most likely call for more coordinated strategies on the international level to narrow global imbalances, although at present this would seem to be a far-off goal. That said, preparations should be made for a long period of low growth and external imbalances in countries that specialize in trade with developed countries and/or are net commodity importers, and for a pick-up in growth for commodity exporters at the price of deteriorating external accounts. This calls for measures to deal with the potential reversal of capital flows in the future with the least possible damage to growth and employment.

To recap, it is no exaggeration to say that in 2010 Latin America and the Caribbean as a whole saw a consolidation of the recovery following the global financial crisis. While there are differences between countries, the economies of the region generally exhibit levels of activity that top pre-crisis levels while maintaining a solid external position. This has been possible because they had earlier built space for countercyclical policy action and benefited from an external environment that, although highly variable and uncertain, was generally favourable for recovery. Recovery was thus swifter than expected and cushioned the social effects of the crisis.

However, the post-crisis situation holds new challenges that the region should prepare for. This task will be harder for those countries that benefited the least from the high commodity price cycle in the period 2003-2008, which is likely to resume this year.

First, a significant portion of countercyclical capacities had to be drawn on to deal with the crisis. Although public finances are relatively balanced and public debt levels are, in general, relatively low, there is little margin for facing any drop in external demand or counteracting the poor external performance that is expected in the light of slow growth in the developed economies. This is even truer for some countries of Central America and the Caribbean with relatively higher levels of public debt and/or very low tax burdens.

The need for sustainable public finance is one of the painful lessons to be drawn from the Latin American experience with instability in decades past. The consequences of a lack of moderation in this sphere were reflected in acute inflation followed by severe adjustments that lowered the standard of living, had a concentrating effect on distribution, exacerbated poverty and did not create conditions conducive to growth.

During the next few years the external environment is likely to be turbulent as some developed countries face the challenge of restoring solvency to their financial systems and redirecting their public finances towards realistically

sustainable paths. Moreover, rebuilding global balances between the developed and emerging economies as needed for post-crisis recovery will also pose substantial macroeconomic challenges for the region, in the form of fluctuating export prices, external demand and real currency parities, along with the danger of even more specialized productive patterns that are not necessarily conducive to high economic growth and a more equitable distribution of the benefits.

In short, the macroeconomic challenge for the region is to rebuild its capacity to act countercyclically while continuing to create conditions for productive development that is not based solely on commodity exports.

Rebuilding the space for countercyclical action as part of a development strategy for dealing with development challenges is a multidimensional public policy exercise that centres on getting back on track to greater public spending that is consistent with social demands, with the expected evolution of the medium- to long-term determinants of public revenues and with debt levels that can be managed without major policy shifts. As ECLAC has noted on several occasions, this calls for a new social accord and new fiscal pact on how to progressively meet development needs and on the level and mix of the tax burden for sustaining spending programmes.

Fiscal policy plays a key role in dealing with the dangers of an external environment characterized by high global liquidity that, while leading to high nominal prices for some of the commodities that the region exports, exerts upward pressure towards real currency appreciation and undermines tradable sector competitiveness. Although the factors behind the trend towards appreciation of the currencies of the region are exogenous, these pressures are magnified by national savings rates that are insufficient in relation to investment and scant financial development.

Beyond the tools that the countries of the region use to discourage excessive capital inflows, over the medium to long term it will be necessary to increase national savings (by, among other things, enhancing the medium-term fiscal balance and bringing public debt down to moderate levels that do not put excessive pressure on the local markets) and to promote financial systems that increase the capacity to generate domestic savings to support investment.

In conclusion, the economies of the region should invest more if they are to increase their capacity to grow. Despite the progress made in the years before the crisis, the countries of Latin America and the Caribbean are, in general, still far from the investment levels of the 1970s. The challenge is to base the needed step-up in investment on an increase in national savings that will make it possible to better defend currency parities and thus shape a pattern of productive specialization that is more in line with the region's development needs.

Box I.3  
SHORT-TERM INDICATORS

As part of its efforts to monitor the economic situation of Latin America and the Caribbean, ECLAC has developed a system of short-term indicators based on the dynamic factor model proposed by Camacho and Pérez Quirós.<sup>a</sup> This methodology makes it possible to extract an indicator of economic activity from a small set of variables with different frequencies and sample sizes. Such indicators can track a country's GDP in real time as new statistical information is released. They may also be used for short-term projections of GDP.

Variables for each country were selected as follows. Depending on the information available, an industrial output indicator, a series for sales and a real wage variable were included to measure economic activity on the supply side, on the demand side and on the income side, respectively. An employment indicator was added to capture any changes in productivity and enhance explanatory

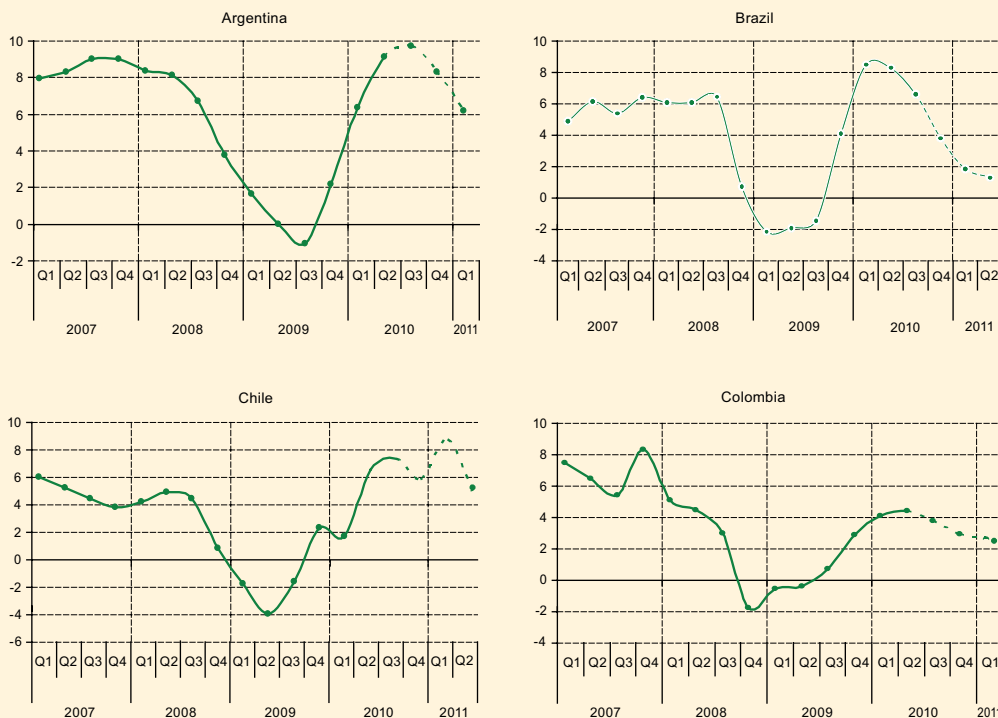
power on the demand side. This set was complemented in two directions: timely available data (chiefly, nominal foreign trade series and measures of consumer and business confidence based on surveys), plus specific series selected in accordance with the individual characteristics of the economy of each country.

The short-term indicators produced by this methodology correlate closely to the monthly indicators of economic activity prepared by the countries. Some examples of these are Chile's monthly economic activity index (IMACEC) and Mexico's overall indicator of economic activity (IGAE). The methodology is therefore useful for measuring economic activity on the basis of just a few variables. For countries lacking monthly indicators of economic activity, the advantage of these indicators as a monitoring tool is obvious.

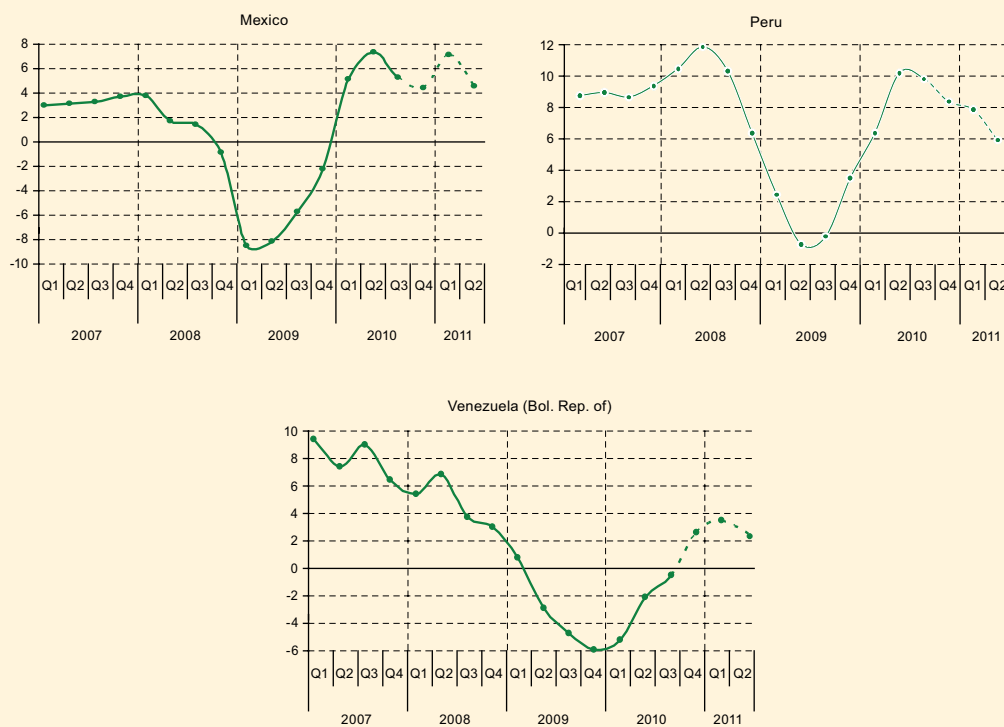
Indicators are now available for seven countries (Argentina, the Bolivarian

Republic of Venezuela, Brazil, Chile, Colombia, Mexico and Peru), and the work agenda calls for designing short-term indicators for other countries of the region. The figures below show the observed year-on-year GDP growth rate and a projection for the next few quarters (dotted line). As can be seen in the figures for Argentina, Brazil, Colombia and Peru, the indicators point to a gradual economic slowdown that is consistent with the short-term scenario projected for the region. Chile and Mexico are expected to continue along the same path as at present, albeit with a partial interruption in the first quarter of 2011 because the basis for comparison with the same period in 2010 is low (owing to the earthquake in Chile and poor economic performance in Mexico). The Bolivarian Republic of Venezuela is shown as exiting the current recession only to level off at a low rate of growth.<sup>b</sup>

LATIN AMERICA (SELECTED COUNTRIES): YEAR-ON-YEAR CHANGE IN GDP, 2007-2011  
(Percentages)



## Box I.3 (concluded)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> M. Camacho and G. Pérez Quirós, "Introducing the Euro-STING: Short-term indicator of euro area growth", *Journal of Applied Econometrics*, vol. 25, No. 4, 2010.

<sup>b</sup> For further details on the methodology and principal results in M. Camacho and G. Pérez Quirós, *Macronomía del desarrollo series*, No.108, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), forthcoming.

## Chapter II

# Macroeconomic policy

## A. Fiscal policy

The fiscal performance of Latin America and the Caribbean in 2010 was driven mainly by the expansion in economic activity. Another factor—for countries specializing in the production of natural resources—was the recovery in the prices of commodities, which had a positive impact on fiscal revenues from these sources. However, tax revenues evolved differently in mining and hydrocarbon-producing countries, because of stronger growth in mineral prices than in oil prices and the lagged impact on tax revenue of the 2010 price rises, which varied from country to country.

Meanwhile, most of the countries that had implemented fiscal stimulus policies maintained them either wholly or in part in 2010. Some legal reforms were also enacted to support the recovery in tax revenues. In combination, these factors underpinned an improvement in public account balances in most (13) of the region's countries.

Regarding fiscal performance, at the central government level Latin America ended 2010 with a primary deficit of 0.6% of GDP (measured as a simple average), compared with a deficit of 1.1% in 2009, while the overall balance (including interest payments on the public debt) eased from a deficit of 2.9% of GDP to one of 2.4%.

The upturn in the average fiscal balance in the region was still insufficient to match those of 2003-

2008, as is apparent in both the averages and the results for each particular country. In 2010, just 6 of the 19 countries of Latin America shown in table II.1 (32% of the total) were running a primary surplus, whereas in the period 2003-2008 an average of 15 countries did so (almost 80% of the total). For 2011, the average primary fiscal deficit is expected to decrease to about 0.2% of GDP.

In the Caribbean countries, fiscal policy during 2010 was constrained by limited fiscal space and a growing public debt, although in most cases austerity measures are being implemented on the expenditure side, in a context of weak fiscal revenues throughout the subregion.

Table II.1  
**LATIN AMERICA AND THE CARIBBEAN: CENTRAL GOVERNMENT FISCAL INDICATORS, 2006-2010**  
 (Percentages of GDP at current prices)

	Overall balance										Public debt <sup>a</sup>									
	Primary balance					Overall balance					Central government					Non-financial public sector				
	2006	2007	2008	2009	2010 <sup>b</sup>	2006	2007	2008	2009	2010 <sup>b</sup>	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
<b>Latin America and the Caribbean<sup>c</sup></b>	1.9	2.1	1.4	-0.6	...	-1.2	-0.5	-1.2	-3.4	...	53.6	47.3	46.1	48.9	...	40.5	...	...	...	...
<b>Latin America<sup>c</sup></b>	2.4	2.3	1.3	-1.1	-0.6	0.1	0.4	-0.4	-2.9	-2.4	35.8	29.9	28.5	29.9	28.5	...	...	...	...	...
<b>The Caribbean<sup>c</sup></b>	1.5	2.1	2.0	0.3	...	-2.9	-1.6	-2.1	-4.0	...	79.7	72.6	71.8	76.5	...	...	...	...	...	...
<b>Latin America</b>																				
Argentina	2.7	2.7	2.8	1.2	2.2	1.0	0.6	0.7	-1.0	0.1	63.6	55.7	48.5	48.5	44.6	76.3	66.7	57.8	57.7	52.5
Bolivia (Plurinational State of) <sup>d</sup>	5.3	3.5	0.8	0.4	-1.9	3.5	2.3	0.0	-1.1	-3.5	49.6	37.1	34.0	34.5	35.0	52.4	40.0	36.8	37.6	37.9
Brazil	2.1	2.2	2.4	1.3	1.2	-2.9	-1.9	-1.2	-3.6	-2.1	31.0	30.7	24.2	29.7	27.0	47.0	45.1	38.4	42.8	39.1
Chile	8.4	9.0	5.3	-3.9	-0.4	7.7	8.4	4.8	-4.4	-1.0	5.3	4.1	5.2	6.1	7.0	10.6	9.1	12.0	12.7	13.6
Colombia	0.2	1.0	0.9	-1.1	-1.2	-3.4	-2.7	-2.3	-4.1	-4.4	37.4	32.9	33.4	35.1	34.5	47.3	43.8	42.8	45.3	41.9
Costa Rica	2.7	3.7	2.4	-1.3	-2.6	-1.1	0.6	0.2	-3.4	-5.2	33.3	27.6	24.9	27.4	27.2	38.4	31.8	29.9	34.1	33.6
Dominican Republic	0.3	1.4	-1.9	-1.5	-0.2	0.1	-1.1	-1.1	-3.4	-2.3	20.4	18.4	24.4	28.0	26.4	...	21.5	25.3	28.6	26.9
Ecuador	2.0	1.9	0.3	4.2	-2.0	-0.2	-0.1	-1.1	-5.1	-2.9	29.5	27.7	22.9	18.2	18.8	32.0	30.2	25.0	19.6	20.0
El Salvador	2.0	2.2	1.7	-1.2	-0.7	-0.4	-0.2	-0.6	-3.7	-3.0	37.3	34.5	33.4	41.7	39.6	39.5	36.5	35.8	44.2	42.0
Guatemala	-0.6	0.0	-0.3	-1.7	-1.9	-1.9	-1.4	-1.6	-3.1	-3.5	21.7	21.3	20.1	23.0	22.9	21.9	21.6	20.4	23.3	23.2
Haiti	1.2	-1.3	-1.0	-0.8	0.3	0.0	-1.6	-1.3	-1.3	-0.2	36.2	33.6	42.3	34.4	31.0	38.7	35.9	44.5	35.0	31.6
Honduras	-0.1	-2.4	-1.9	-5.4	-3.4	-1.1	-3.1	-2.5	-6.2	-4.5	28.7	17.3	19.9	24.3	24.6	30.0	18.2	18.9	22.6	22.4
Mexico <sup>e</sup>	2.1	1.9	1.6	0.4	-0.5	0.1	0.0	-0.1	-2.3	-2.7	20.6	20.9	24.4	28.2	27.4	22.6	22.7	26.9	35.0	33.4
Nicaragua	1.9	2.0	0.0	-0.9	0.0	0.0	0.4	-1.2	-2.3	-1.5	69.5	43.1	39.0	44.1	41.6	70.0	44.0	40.1	45.3	42.7
Panama	4.4	4.6	3.4	1.4	1.8	0.2	1.2	0.3	-1.5	-1.1	60.3	52.3	44.8	44.9	40.8	61.0	52.9	45.4	45.6	41.5
Paraguay	1.5	1.8	3.1	0.7	0.0	0.5	1.0	2.5	0.1	-0.5	23.8	16.9	14.5	15.7	14.4	24.8	19.9	17.3	17.8	16.5
Peru	3.2	3.5	3.5	-0.6	0.4	1.5	1.8	2.2	-1.8	-0.7	30.1	26.2	24.1	23.4	20.8	31.3	27.2	24.5	23.8	21.2
Uruguay	3.2	2.1	1.7	1.3	1.1	-1.0	-1.6	-1.1	-1.5	-1.4	57.8	48.9	47.7	43.3	39.4	61.1	52.1	51.1	47.4	43.0
Venezuela (Bolivarian Republic of)	2.1	4.6	0.1	-3.7	-2.8	0.0	3.1	-1.2	-5.1	-4.4	24.1	19.5	14.2	18.4	18.7	24.1	19.5	14.2	18.4	18.7
<b>The Caribbean<sup>f</sup></b>																				
Antigua and Barbuda	-4.3	-3.1	-3.6	-9.0	...	-7.9	-6.4	-6.8	-10.6	...	94.6	82.0	82.6	90.2	...	...	...	...	...	...
Bahamas	0.2	0.6	-1.1	-0.9	...	-1.6	-1.3	-3.3	-3.2	...	32.8	35.1	36.6	...	...	42.6	44.7	47.9	...	...
Barbados <sup>g</sup>	3.1	2.7	-0.8	-3.2	...	-2.0	-1.8	-6.4	-9.2	...	79.0	84.0	88.0	101.7	...	95.0	101.0	103.0	116.0	...
Belize	3.9	4.1	5.4	0.8	...	-1.9	-1.2	1.5	-2.9	...	75.1	71.4	82.7	86.8	...	76.8	72.9	84.0	88.0	...
Dominica	5.4	4.0	-0.8	-1.3	...	1.4	1.0	-3.2	-2.7	...	92.6	82.0	74.1	72.3	...	...	...	...	...	...
Grenada	-4.5	-4.6	-4.2	-3.5	...	-6.4	-6.6	-6.1	-6.2	...	112.4	107.5	100.0	95.8	...	...	...	...	...	...
Guyana	-5.8	-2.8	-2.1	-2.1	...	-8.2	-4.5	-3.8	-3.7	...	155.3	98.8	103.7	115.2	...	...	...	...	...	...
Jamaica	7.8	7.2	4.9	7.4	...	-4.7	-4.2	-7.4	-7.2	...	117.8	110.9	109.9	118.5	...	...	...	...	...	...
Saint Kitts and Nevis	5.9	6.0	8.1	9.0	...	-2.4	-2.4	-0.3	0.7	...	112.0	109.4	100.7	105.2	...	...	...	...	...	...
Saint Vincent and the Grenadines	-0.7	-0.6	2.2	-0.1	...	-3.9	-3.6	-0.8	-3.1	...	66.3	56.1	54.1	57.8	...	...	...	...	...	...
Saint Lucia	-3.1	0.9	3.0	1.0	...	-6.2	-2.2	0.1	-2.5	...	56.8	61.7	60.7	63.2	...	...	...	...	...	...
Suriname	2.7	5.7	5.8	8.1	...	-0.6	8.0	2.3	3.7	...	24.9	28.5	25.2	25.7	...	...	...	...	...	...
Trinidad and Tobago	8.8	7.1	9.2	-3.0	...	6.7	5.1	7.4	-5.6	...	16.8	16.8	14.5	19.0	...	...	...	...	...	...

<sup>a</sup> Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>b</sup> At 31 December each year, using the average exchange rate in the case of external debt. The figures for 2010 correspond to balances as of June that year.

<sup>c</sup> Official targets as cited in 2011 budgets.

<sup>d</sup> Simple averages.

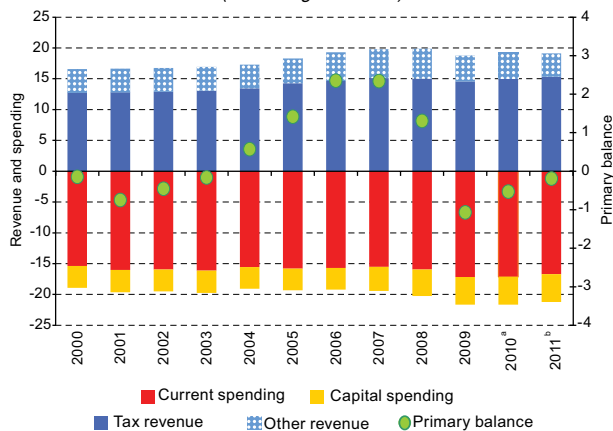
<sup>e</sup> General government.

<sup>f</sup> Public sector.

<sup>g</sup> Fiscal years.

<sup>h</sup> Non-financial public sector.

Figure II.1  
**LATIN AMERICA AND THE CARIBBEAN: CENTRAL GOVERNMENT REVENUES, SPENDING AND FISCAL BALANCES, 2000-2011**  
 (Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Estimate.  
<sup>b</sup> Projection.

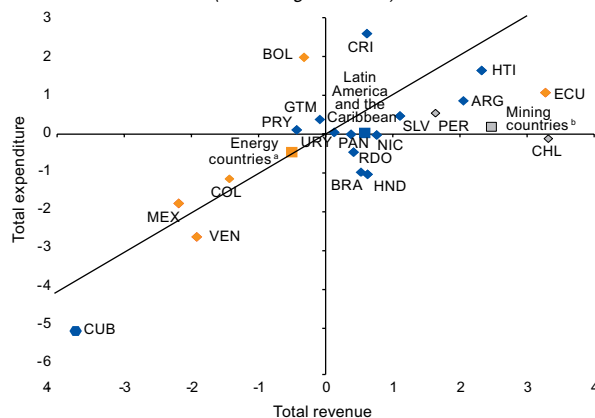
The average performance of the public accounts in Latin America is the outcome of differentiated developments in the region's countries, as can be seen in figure II.2, whose two axes distinguish the variation in 2009-2010 fiscal revenue and expenditure as percentages of GDP. In this period, revenue rose faster than spending in most of the countries, and this was reflected in improved overall balances. The overall deficit widened in just six countries: Colombia, Costa Rica, Guatemala, Mexico, Paraguay and the Plurinational State of Bolivia. Five countries—four of which specialize in energy resources—suffered a decline in revenues: Bolivarian Republic of Venezuela, Colombia, Mexico, Paraguay and the Plurinational State of Bolivia. Where spending is concerned, Bolivarian Republic of Venezuela, Brazil, Colombia, Honduras and Mexico implemented cuts of over one GDP percentage point, while Costa Rica raised spending by over two GDP points. Meanwhile, Brazil, Chile, the Dominican Republic and Honduras succeeded in both increasing revenue and cutting spending.

Fiscal revenues improved on average, but not by enough to offset the large fall sustained in 2009. The great majority of Latin American countries (14 out of 19) saw a rise in these revenues, in some cases exceeding 3% of GDP (Chile and Ecuador).

Quarterly figures for tax revenues in some of the region's countries during 2009-2010 showed these beginning to recover from the 2009 decline in the fourth quarter of that year, then growing more strongly in the first three quarters of 2010.<sup>1</sup> As will be seen below, a number of factors influenced the performance of fiscal revenues.

<sup>1</sup> Fiscal revenues in Paraguay rose in real terms, although they fell as a share of GDP.

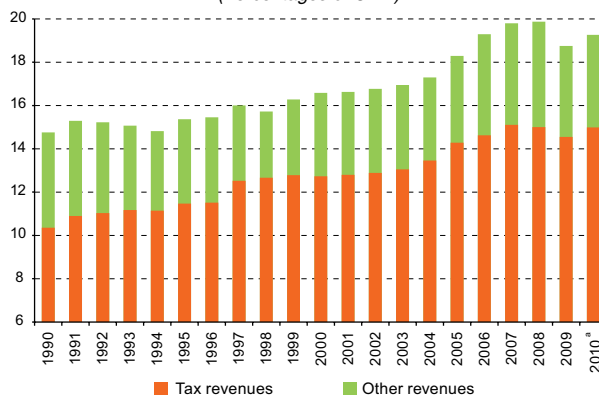
Figure II.2  
**LATIN AMERICA: FISCAL REVENUE AND EXPENDITURE VARIATION, 2009-2010**  
 (Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Bolivarian Republic of Venezuela, Colombia, Ecuador, Mexico and Plurinational State of Bolivia.  
<sup>b</sup> Chile and Peru.

Figure II.3  
**LATIN AMERICA AND THE CARIBBEAN: CENTRAL GOVERNMENT REVENUES, 1990-2010**  
 (Percentages of GDP)



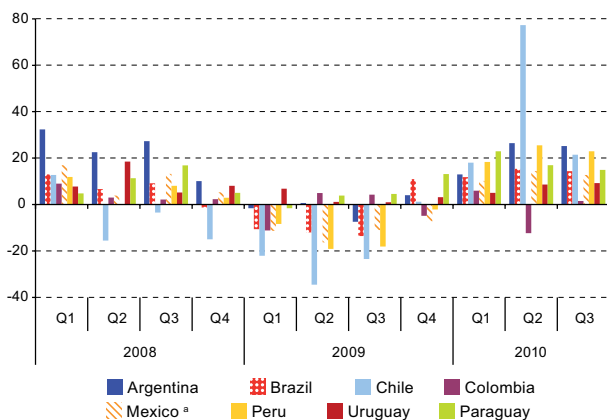
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Estimate.

In Argentina, tax revenues rose by 1.7% of GDP as a result of increases in economic activity, wages, external trade and prices, and owing as well to higher earnings among companies in certain sectors. Resources from social security contributions grew by 0.5%, mainly because of increases in wages and employment combined with a number of legislative changes.

In the case of Chile, the rise in fiscal revenues is attributable to higher copper prices, which boosted revenue in the form of surpluses and taxes paid by Corporación Nacional del Cobre de Chile (CODELCO), the state-owned copper mining and production company, and those paid by private-sector mining companies. Stronger domestic demand also helped to increase the tax take.

Figure II.4  
**LATIN AMERICA (SELECTED COUNTRIES): VARIATION IN REAL TAX RECEIPTS OF CENTRAL GOVERNMENT, EXCLUDING SOCIAL SECURITY, 2008-2010**  
*(Year-on-year quarterly changes, in percentages)*



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Non-oil tax revenues.

In Ecuador and Peru, the largest revenue increases reflected the resources yielded by commodities (oil in the former and income taxes paid by mining companies in the latter) and a higher tax take. The total tax burden in Peru grew by 1.5% of GDP, essentially because of larger payments on account for category three income tax and higher revenues from the import component of the general sales tax. In Ecuador, tax pressure is estimated to have increased by about 1.3% of GDP, owing to rapidly growing value added tax (VAT) revenues during the current year, the new tax on windfall profits (which is levied when selling prices for non-renewable natural resources rise above a certain threshold) and the extension of the tax on outward foreign-exchange transfers.

In Colombia, both tax revenues and capital resources fell as a share of GDP, mainly because the negative effects of the 2009 economic crisis were still reflected in the revenues generated by the oil sector during 2010, particularly lower dividend transfers from the state-owned oil company ECOPETROL to the national treasury and a decline in income tax payments.

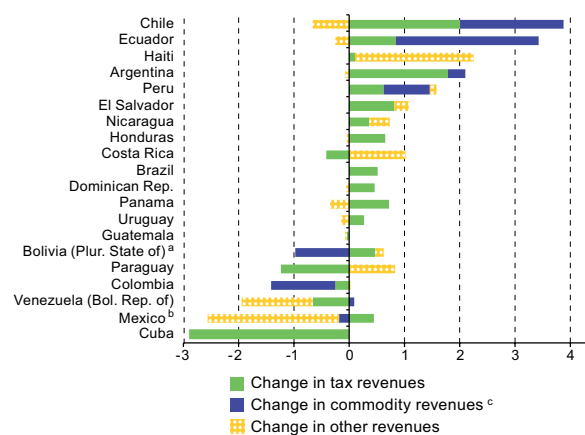
In Mexico, despite growth in non-oil tax revenues thanks to more buoyant economic activity and fiscal reform (which raised the rates for VAT and for personal and corporate income tax in the upper tax brackets, shortened the deferral period for income tax payment and increased rates for excise taxes on certain products and on cash deposits), total fiscal revenues fell by a little over 2 points of GDP. This was the result of a considerable decline in non-tax revenues in 2010, after large non-recurring revenues in 2009, such as the operating surplus of the Bank of Mexico, the return from oil hedging contracts and the use of resources from the

Oil Revenue Stabilization Fund (FEIP). Furthermore, despite the higher oil price, oil revenues fell slightly as a share of GDP (0.2%) because of lower production volumes, exchange-rate appreciation and purchases brought forward to late 2009 by customers of the state oil company Petróleos Mexicanos (PEMEX).

In the Bolivarian Republic of Venezuela, oil revenues edged up in 2010 while tax and other revenues fell by almost 2 points of GDP. This is accounted for by a decline of 0.7% of GDP in the income tax take and by a drop in extraordinary revenues from investment operations, which fell from 1% of GDP in 2009 to 0.1% in 2010.

In the Plurinational State of Bolivia, lower hydrocarbon revenues (1.1% of GDP) were due to a price lag effect.<sup>2</sup> Thus, high oil prices in the third quarter of 2008 fed through into revenue from the direct tax on hydrocarbons and royalties in the first quarter of 2009, accounting for the higher revenues received in that period relative to 2010. In 2010, conversely, while production rose, revenues were held back by the lower prices registered in 2009.

Figure II.5  
**LATIN AMERICA AND THE CARIBBEAN: CHANGES IN TOTAL CENTRAL GOVERNMENT REVENUES, 2009-2010**  
*(Percentages of GDP at current prices)*



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> General government.

<sup>b</sup> Public sector.

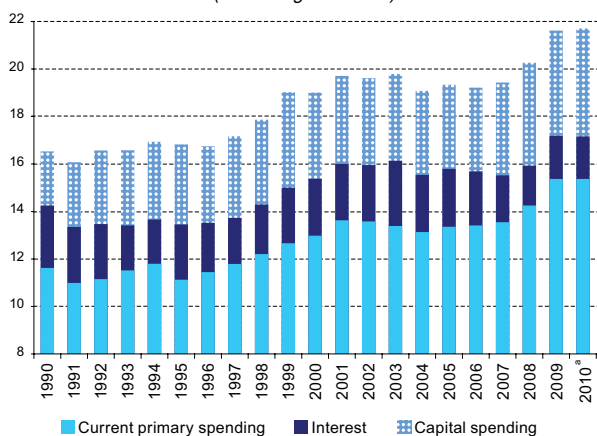
<sup>c</sup> Includes both tax and non-tax revenues derived from the exploitation of commodities.

As figure II.6 shows, spending was barely affected on average, which appears to indicate that the additional crisis spending in 2009 was sustained. Capital spending rose by 0.03 percentage points of GDP, whereas current spending held steady. The figures by country show that the largest rise in spending occurred in Costa Rica, where expenditure was in excess of 2 percentage points of output.

<sup>2</sup> The direct tax on hydrocarbons and hydrocarbon royalties are calculated from the prices of exports to Brazil and Argentina, which lag the West Texas intermediate oil price by between three and six months.



Figure II.6  
**LATIN AMERICA AND THE CARIBBEAN: CENTRAL GOVERNMENT EXPENDITURE, 1990-2010**  
 (Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.  
<sup>a</sup> Estimate.

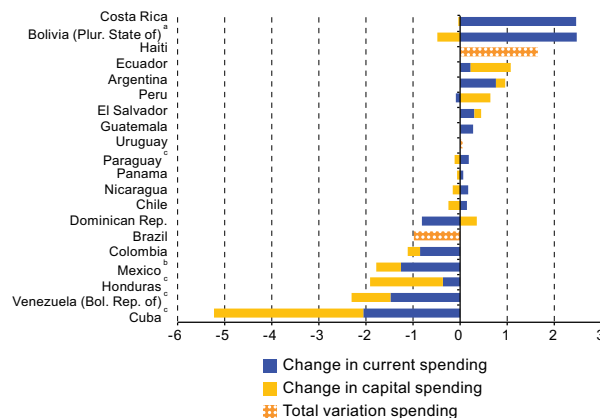
When total spending is broken down into current and capital spending, the picture is fairly mixed. At one extreme are Costa Rica and the Plurinational State of Bolivia (and, to a lesser extent, Argentina), where the rise in spending was due almost exclusively to higher current spending, with the Plurinational State of Bolivia actually reducing capital expenditure. In Costa Rica, spending on wages, domestic debt interest and current transfers to the public sector accounted for much of the increase. Ecuador, meanwhile, increased both current spending (chiefly on wages and interest) and capital spending.

Conversely, the Bolivarian Republic of Venezuela, Colombia and Mexico reduced both types of spending, although current spending fell the furthest. In Mexico, the authorities held down spending on personal services by means of the National Public Expenditure Reduction Programme announced in March 2010. In Colombia, most of the reduction in current spending was associated with a change in accounting procedures for the fuel subsidy (1% of GDP). Lower central government investment spending (0.4% of GDP) was largely explained by lower defence spending.<sup>3</sup> Although both types of spending also fell in Honduras, the largest cutbacks were in capital spending.

In real terms also, total spending increased between 2009 and 2010 almost across the board—except in the Bolivarian Republic of Venezuela, Colombia, Honduras and Mexico—driven by large increases in current spending.

<sup>3</sup> Official reports indicate that this does not signify a fall in total public investment, however, as that will be implemented by regional and local bodies and enterprises elsewhere in the public sector (examples being military equipment and infrastructure and social investment projects).

Figure II.7  
**LATIN AMERICA AND THE CARIBBEAN: CHANGES IN OVERALL CENTRAL GOVERNMENT SPENDING, 2009-2010**  
 (Percentages of GDP at current prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

- <sup>a</sup> General government.
- <sup>b</sup> Public sector.
- <sup>c</sup> Total spending does not include net lending.

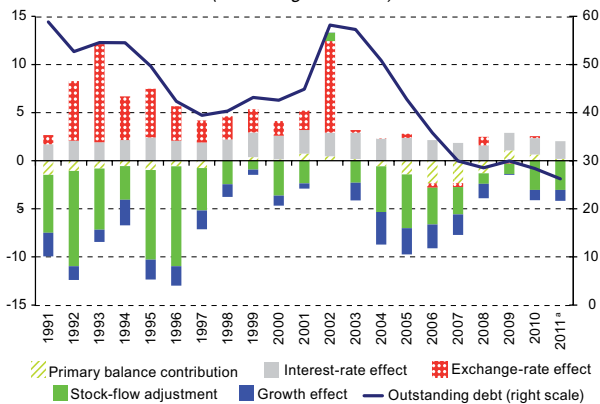
As figure II.8 shows, following the rise occasioned by the crisis in public debt stock in 2009, by June 2010 most of the region’s countries had reduced their public debt as a proportion of GDP, causing regional borrowings to decline. The strong recovery in economic activity and the narrowing of the fiscal deficit were among the main factors driving down the debt/GDP ratio during 2010.

The average debt/GDP ratio masks very diverse situations (see table II.1), with Chile at one extreme having a debt/GDP ratio of under 10%, while Argentina, Nicaragua and Panama have a ratio of over 40% and some Caribbean countries have ratios of over 100% of GDP.

In sum, following the fiscal deterioration seen in 2009, the region’s countries have been slowly regaining fiscal space thanks to improved fiscal revenues and lower debt/GDP ratios, both driven by rising activity levels.

The measures required to create greater fiscal space are going to be different in each of the region’s countries, depending on macroeconomic situations, the output and price elasticities of fiscal revenues and the reforms implemented. This means that while some countries (Mexico and the Central American countries) will need to concentrate on increasing their fiscal revenues, others (certain South American countries) should focus on keeping rises in current public spending to moderate rates. The Caribbean countries will need to confront recurring issues of fiscal policy and public debt sustainability.

Figure II.8  
**LATIN AMERICA AND THE CARIBBEAN (18 COUNTRIES):  
 CHANGES IN CENTRAL GOVERNMENT DEBT, 1991-2011**  
 (Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Estimate.

Accordingly, it would be extremely useful to supplement nominal fiscal data by introducing fiscal measurements that capture the cyclical position of the public accounts (in terms of cycles of GDP or commodity prices where appropriate), as this would enable governments to take proper advantage of favourable situations and prepare for recessions.

It is crucial for the countries to recoup the fiscal space opened up in recent years, because that will enable them not only to cope with traditional public policy challenges (the need to raise investment in physical and social capital) but also to deal with issues created by global liquidity surpluses. Many of the challenges for fiscal policy in the present situation concern the need for sound short-term macro management, whether to prevent economies from overheating or to reduce pressures on real exchange rates.

Box II.1  
**SUBNATIONAL GOVERNMENT PERFORMANCE IN THE GLOBAL CRISIS**

The recent global economic crisis impacted finances at all levels of government and prompted policy responses by the economic authorities. Subnational governments, mainly in the federal or more highly decentralized countries of the region, faced major challenges in 2009 as spending pressures heightened while both their own income and revenue from transfers shrank.<sup>a</sup> As a result, fiscal accounts deteriorated and indebtedness increased broadly during the period. Despite a partial

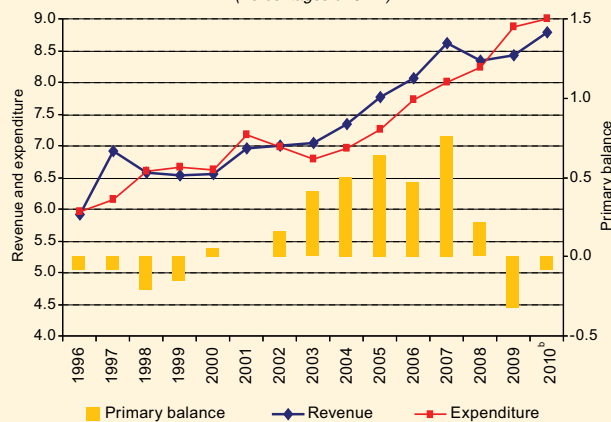
reversal in 2010, fiscal balances have not returned to pre-crisis levels.

As the figure below shows, seven straight years of primary surpluses at the subnational government level were followed by an average primary deficit in 2009, owing to worsening fiscal accounts in the eight countries reviewed (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru and the Plurinational State of Bolivia), in half of which primary expenditure outstripped

total revenue. The deterioration was sharpest in some countries specializing in natural resources (Ecuador and the Plurinational State of Bolivia). This performance drove the public-debt-to-GDP ratio up for subnational governments in some countries (Colombia and Mexico).

Estimates for 2010 point to a contracting primary deficit as revenue at the subnational level recovers and spending in terms of GDP remains virtually unchanged.

Figure 1  
**LATIN AMERICA (EIGHT COUNTRIES): SUBNATIONAL GOVERNMENT REVENUE,  
 EXPENDITURE AND PRIMARY BALANCE, 1996-2010<sup>a</sup>**  
 (Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Simple average for eight countries (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru and the Plurinational State of Bolivia).

<sup>b</sup> Estimate.

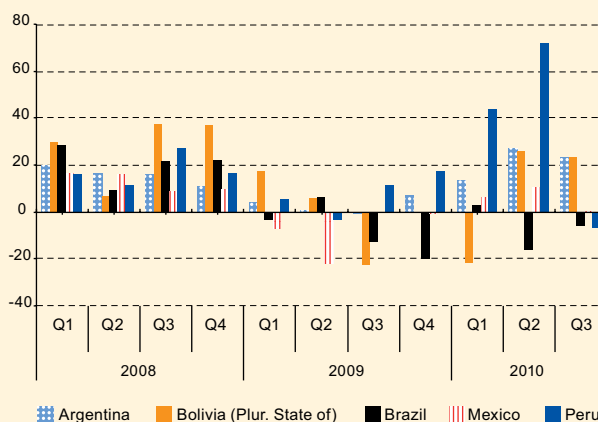
## Box II.1 (concluded)

Subnational government revenue in the region is structured principally on the basis of transfers from central governments, so revenue performance at the central level is reflected in finances at the subnational

level. The figure below illustrates the swift recovery of transfers in Argentina and Peru beginning in the third quarter of 2009 and in Mexico starting in the first quarter of 2010 as central government tax

receipts grew. In the Plurinational State of Bolivia, transfers began to improve during the following quarter. There are still no indications of recovery in Brazil, although the rate of decline has slowed.

Figure 2  
LATIN AMERICA AND THE CARIBBEAN (FIVE COUNTRIES): VARIATION IN INTERGOVERNMENTAL TRANSFERS IN REAL TERMS, 2008-2010  
(Percentage change over year-earlier period)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

In this environment, fiscal measures put in place in 2009 and 2010 (mostly to deal with the repercussions of the recent global economic crisis) had an impact on subnational governments. In Argentina, provinces lacking sufficient resources to pay debt principals at maturity received loans from the national government during 2009 under the Financial Assistance Programme. In April of that year, the national government set up the Federal Solidarity Fund: 30% of effective revenue from the soybean export tax will go to a fund that will be shared with the provinces, the Autonomous City of Buenos Aires and municipalities. In 2010 under the Federal Programme to Reduce Indebtedness of Argentine Provinces, the national treasury made contributions to lower overall provincial debt. Remaining provincial debt was rescheduled in order to improve the short- and long-term financial situation.

In Brazil, subnational government fiscal performance was affected by existing debt restructuring agreements between states and municipalities and the federal

government, restrictions on new lending and caps on subnational indebtedness and wage expenditure under the Fiscal Responsibility Act.

Subnational governments in Peru were authorized by an emergency decree to adopt measures geared towards decreasing current expenditure on goods and services, thus helping to keep the macroeconomy in balance. In Colombia, the royalty reform bill, now before the legislature, aims to establish a general royalty system which would expand the royalty revenues of territorial entities and stabilize spending through a savings and stabilization fund, with a view to greater equity. Among the measures affecting taxes at the subnational level are cigarette and liquor consumption tax hikes.

The tax reform approved in Mexico for 2010 is expected to increase federal revenue sharing by 12% or so for the year, by boosting key taxes at the federal level (such as income tax, value added tax, special excise tax on production and services, flat-rate business tax and tax on cash deposits).

In short, this time the countries responded much more dynamically to the crisis than they had been able to in previous episodes and generally managed to avoid procyclical fiscal policy behaviour. Subnational government finances were certainly impacted by the crisis, but not as severely as on previous occasions, thanks above all to the central governments' more active role in sustaining the subnational levels.

But several issues remain to be addressed if subnational finances are to become less vulnerable to crises. Subnational governments' own revenue must be enhanced in order to ease vertical asymmetries. Intergovernmental transfer systems should be improved in order to make revenue distribution systems less cycle-sensitive. Mechanisms are needed to cushion the impact that non-renewable revenue volatility has at certain subnational levels, and the mechanisms for macroeconomic and sectoral coordination between levels of government need to be improved.

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

<sup>a</sup> For a more extensive analysis of how the crisis impacted systems for intergovernmental relations and subnational finances in the countries of the region, see J.P. Jiménez and A. Podestá (2009), *Las relaciones fiscales intergubernamentales y las finanzas subnacionales ante la crisis* (LC/R.2155), Santiago, Chile, ECLAC, September 2009 and J.P. Jiménez and T. Ter Minassian, "Macroeconomic challenges of fiscal decentralization in Latin America in the aftermath of the global financial crisis", 2010, unpublished. For an analysis of the impact of the crisis on subnational governments in other regions, see T. Ter Minassian and A. Fedelino, "The impact of the global crisis on sub-national governments' finances", *IEB's World Report on Fiscal Federalism*, Barcelona, 2009 and H. Blöchliger and others, "Sub-central governments and the economic crisis: impact and policy responses", *Economic Department Working Papers*, No. 752, OECD, 2010.

## B. Monetary and exchange-rate policy

In 2009 and in 2010 to the close of the first quarter, monetary policy in Latin America and the Caribbean was generally geared towards consolidating the economic recovery in a low inflation rate environment throughout the region. Since then, some countries have been faced with the challenge of implementing more restrictive monetary policies amidst strong nominal currency appreciation pressure in respect of countries having more flexible exchange-rate schemes. This led some countries to start tightening monetary policy and then pause in mid-year. Other countries have continued to focus primarily on consolidating the economic recovery by means of expansionary monetary policy.

As the recovery gained traction, some of the countries using formal inflation-targeting schemes began to harden their monetary policy stance in order to anchor the public's inflation expectations around the inflation targets set by the central banks. Brazil, for example, began to raise its monetary policy rate (the Special System of Clearance and Custody, or SELIC, rate) in April 2010, followed by Peru in May and Chile in June. However, the three countries approached monetary policy rates differently. Chile continued to increase its rate steadily to November 2010, for a total of 250 basis points. Brazil (in July 2010) and Peru (in September 2010) halted policy rate adjustments upon reaching increases of 200 basis points and 150 basis points, respectively, as nominal exchange rate appreciation pressure grew in 2010. Other countries with inflation targets, specifically Colombia and Mexico, have taken a more expansionary monetary stance. Mexico has held its policy rate unchanged since July 2009 because inflationary pressures remained below central bank projections and on target, in the presence of capital inflows from abundant international liquidity. In Colombia, falling inflation that was below the central bank target led the central bank to gradually lower its policy rate to May 2010; as of this writing, it has remained unchanged since then.

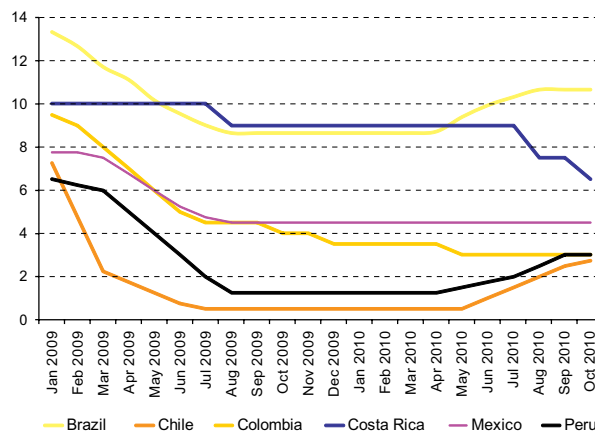
Behaviour was also different among non-dollarized countries having no formal inflation-targeting scheme (which often use monetary aggregates as an instrument).<sup>4</sup> Countries such as the Dominican Republic, Paraguay and Uruguay have also hardened their monetary policy stance, making (minor) increases in policy rates after countries with formal inflation-targeting schemes did.

<sup>4</sup> Ecuador, El Salvador and Panama are de jure dollarized economies.

Uruguay, for example, raised its monetary policy rate by 25 basis points in September 2010. The Dominican Republic did so, by the same number of basis points, in October 2010. Paraguay moderated monetary aggregate growth substantially beginning in December 2009, with M2 growing by only 5.6% (2.6% in real terms) between then and September 2010. On the other hand, countries such as Argentina and Costa Rica took more expansionary policy stances in 2010 and even relaxed some of them during the period. Argentina's monetary aggregates grew at a rapid pace, especially after March 2010. For example, M2 rose by 27.7% (14.9% in real terms) between September 2009 and September 2010 and by 14.7% just between March and September 2010. Costa Rica also relaxed its monetary policy in 2010, taking the monetary policy rate down by 250 basis points between July and October 2010 in order to revitalize growth; this had the additional effect of making colón-denominated assets less attractive and could moderate the nominal appreciation of the colón.<sup>5</sup>

Figure II.9 shows the evolution of and the marked differences between monetary-policy interest rates for selected countries during the period.

Figure II.9  
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES):  
MONETARY POLICY RATES, 2009-2010  
(Percentages)

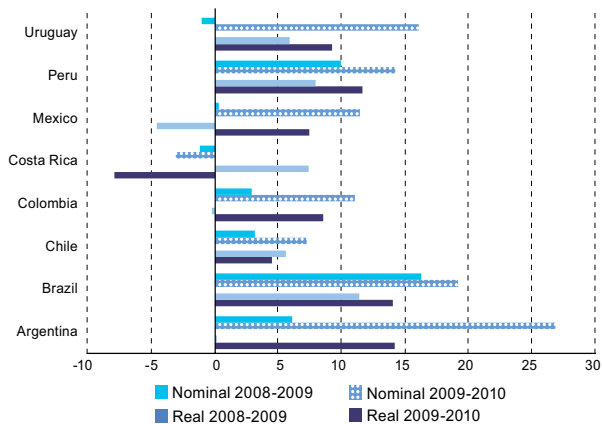


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>5</sup> As it works towards adoption of an inflation-targeting scheme, the Central Bank of Costa Rica is seeking to establish the monetary-policy interest rate as its principal monetary policy tool, stressing the control of monetary aggregates.

Economic recovery in the region in 2010 came with a rapid expansion of credit in several countries that contrasts with the anaemic performance of 2009, as figure II.10 shows. Particularly noteworthy is expanding credit in countries that are growing quickly, such as Argentina, Brazil and Peru. Deflating credit by the inflation rate for the period reveals the magnitude of the credit expansion in real terms in South America, with total real credit growing between August 2009 and August 2010 by 14% in Brazil, by 11.6% in Peru and by 8.5% in Colombia. In Chile, on the other hand, real credit grew by 4.5% during that period, reflecting a progressively more restrictive monetary policy stance.

Figure II.10  
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES):  
NOMINAL AND REAL CREDIT GROWTH, 2008-2010  
(AUGUST TO AUGUST)  
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

As for the origin of credit, after the end of the first quarter of 2010 private credit drove total credit up except in Brazil, where public bank credit was still the main driver of credit expansion in 2010 albeit decreasingly so as private bank credit revived. This is in clear contrast with the situation during a good part of 2009, when public credit was the principal engine of total credit growth in countries such as Argentina, Brazil, Chile (to September 2009), Mexico and Uruguay as part of the countercyclical measures implemented by the countries of the region.

With the rapid expansion of credit, rising profits for this sector in some countries (Brazil, for example) and the growing appreciation pressure on the currencies of the region, the authorities of some countries might roll out measures seeking to slow credit growth. These measures could include raising legal reserve requirements or bank

capital requirements, or both —such as the action taken in Peru starting in June 2010 that included raising the minimum legal reserve to 9%, increasing the minimum current-account requirement for banks, raising the marginal reserve requirement in soles and in foreign currency and increasing the reserve requirement for deposits of non-resident financial entities (up to 120%).

The conduct of monetary and exchange-rate policy in the region has been facing a major challenge since the second half of 2010. The expansionary monetary policies put in place by several countries, notably the United States, have triggered a substantial increase in international liquidity that, starting in the second quarter of the year, has been streaming into various emerging markets via the acquisition of assets (real and financial) and derivatives that increase investor exposure to high growth and positive interest rate differentials in those countries.

Contributing to nominal exchange-rate appreciation in the region were rising international liquidity and the appetite for assets denominated in the currencies of the region in an environment that combines, on the one hand, uncertainty as to the future evolution of the developed economies (for example, European countries such as Greece, Ireland and Portugal) and their dissimilar interest rate differentials and prospects for growth with, on the other hand, recovering commodity prices in the wake of the global financial crisis. Appreciation had a particularly marked impact on currencies of countries with inflation-targeting and flexible exchange-rate regimes. As a result, 11 countries recorded average nominal currency appreciation during the first 10 months of 2010 compared with the same period in 2009, notably the Brazilian real (13.6%), the Colombian peso (13.2%), the Uruguayan peso (13.1%), the Chilean peso (9.4%) and the Costa Rican colón (8%).

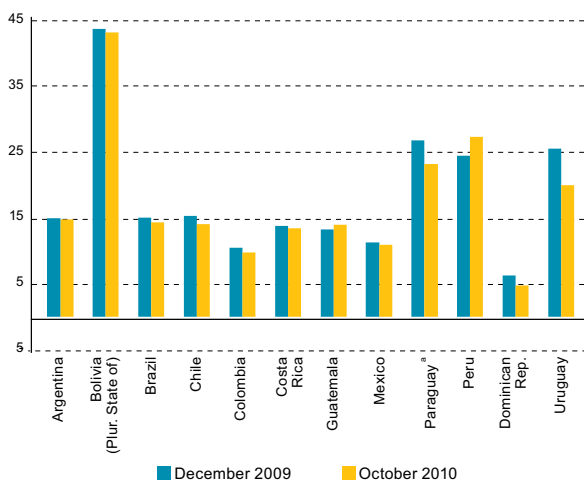
There was nominal currency depreciation in only five countries, particularly in Argentina and the Bolivarian Republic of Venezuela. In 2010 the Bolivarian Republic of Venezuela introduced a three-tier exchange rate system as part of the strict exchange controls monitored by the Foreign Exchange Administration Commission. In January 2010 a dual exchange rate system was put in place, allowing the purchase of dollars at 2.6 bolívars fuertes per dollar for certain goods (mainly food, medicine, and machinery and equipment). Other goods imports must be settled through the central bank at the rate of 4.3 bolívars fuertes per dollar. In June, dollar-denominated securities operations between private parties were replaced with the Transaction System for Foreign Currency-Denominated Securities (SITME) administered by the central bank, which has maintained an implicit exchange rate of approximately 5.3 bolívars fuertes

per dollar. Under SITME, dollars may be purchased for certain transactions authorized by the Government that are not eligible for the other two exchange rates. In Argentina, foreign-exchange market intervention led to an average 5% nominal depreciation of the peso against the dollar during the first 10 months of 2010 compared with the same period in 2009.

Responding to currency appreciation, several countries of the region have taken steps to check exchange-rate volatility and limit appreciation, especially where the authorities perceived a greater risk of exchange rate misalignment resulting from nominal appreciation.

First, several countries have accumulated significant international reserves intervening in the exchange rate market, as seen in figure II.11. Notable among these are Argentina, Brazil, Colombia, Costa Rica, Guatemala, Mexico and Peru. Some countries, such as Paraguay, Peru and the Plurinational State of Bolivia, have higher levels of reserves as a percentage of GDP (approaching or exceeding 25% of GDP) than other countries of the region.

Figure II.11  
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES):  
INTERNATIONAL RESERVES, 2009-2010  
(Percentages of annual GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> The 2010 data for Paraguay refer to September 2010.

Second, some countries have implemented a set of measures directly aimed at reducing capital flows into the country or increasing capital outflows. Chile, for example, gradually raised the foreign investment cap for pension funds and in November 2010 announced that it would allow pension fund companies to invest up to 80% of their

assets abroad.<sup>6</sup> Peru took similar steps in September 2010, announcing that it would allow pension fund management companies to invest up to 30% of their assets abroad. Brazil increased the financial transactions tax on foreign investments in fixed-rate banking instruments, first to 4% and then, in October 2010, to 6%,<sup>7</sup> while raising the tax on margin deposits in the futures markets from 0.38% to 6% and leaving unchanged the 2% tax on investments in shares. However, other administrative measures were implemented to make the tax more effective in curbing speculative capital inflows (which hinders tax arbitrage between investments in shares and in fixed-income instruments).

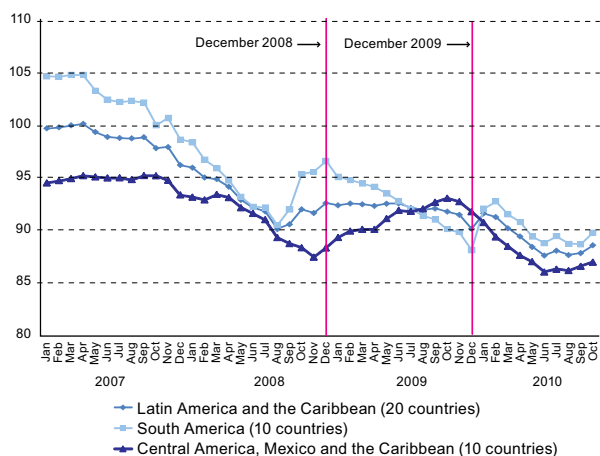
Although accumulating international reserves obviously enables countries to rebuild their future capacity to face any drastic worsening of the terms of trade or sudden stops and to reduce exchange rate volatility, it poses greater monetary policy challenges for the region. Central banks face the dilemma of intervening in the market without sterilizing injections in national currency, thus increasing the risk of feeding the public's inflationary expectations, or sterilizing these interventions (in whole or in part) with the resulting quasi-fiscal cost and risk of impairing their own net worth. To adapt to the conduct of monetary policy in a context of reserve accumulation and to make sterilization more effective, in October 2010 the Central Reserve Bank of Peru created new monetary instruments. These included certificates of deposit in domestic currency with variable interest rates that will readjust according to the monetary policy benchmark interest rate, as well as certificates of deposit settled in dollars with fixed or variable yields according to the monetary policy interest rate and paid in dollars at issue and redemption.

This nominal appreciation of the currencies of several countries led to a 3.5% appreciation of the effective offshore exchange rate for Latin America and the Caribbean during the first 10 months of 2010 compared with the same period in 2009; appreciation was 3% in South America and 4% in Central America, Mexico and the Caribbean (see figure II.12). The January 2010 devaluation in the Bolivarian Republic of Venezuela had a significant effect on currency appreciation throughout the region and in South America: excluding the Bolivarian Republic of Venezuela would place appreciation during the period in South America at 7.4%.

<sup>6</sup> Chile also raised the foreign investment cap according to type of fund: from 80% to 100% for type A; from 70% to 90% for type B; from 60% to 75% for type C; from 30% to 45% for type D; and from 25% to 35% for type E funds.

<sup>7</sup> The tax rate had been 2% since 2009.

Figure II.12  
**LATIN AMERICA AND THE CARIBBEAN: REAL EFFECTIVE EXTRAREGIONAL EXCHANGE RATE, 2007-2010**  
 (Base: January 1990-December 2009=100)



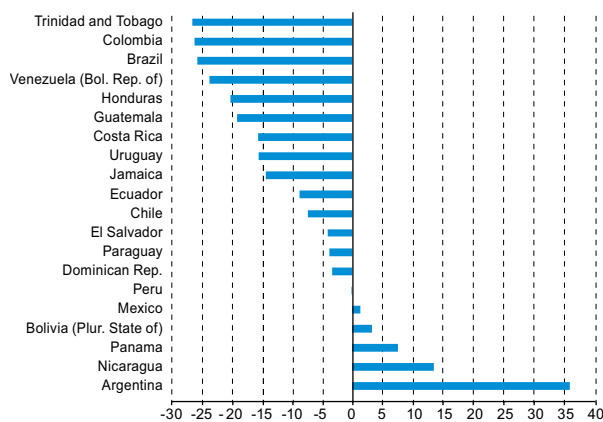
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

A look at the total real effective exchange rates for each country reveals the strength of real exchange-rate appreciation during 2010: 14 countries of the region recorded effective appreciation while only 6 posted depreciation, generally slight, with the exception of the Bolivian Republic of Venezuela and the Plurinational State of Bolivia. Effective real depreciation in the Plurinational State of Bolivia was 7.3%, owing to substantial nominal appreciation in its major trade partners (especially Brazil) compared with the less significant nominal appreciation of the Bolivian peso during the period. In five cases, effective appreciation during the period exceeded 10%, namely in Brazil (15.1%), Colombia (14.9%), Uruguay (14.2%), Costa Rica (10.9%) and Jamaica (10.4%). Other significant effective appreciations were in Mexico (8.1%), Chile (6.1%) and the Dominican Republic (5.7%). Four Central American countries (El Salvador, Panama, Nicaragua and Guatemala) recorded small effective depreciations owing, in the case of the first three, to the exchange rate regime in place.<sup>8</sup>

Lastly, effective real appreciation in 2009 and 2010 meant that several of the countries of the region had total real effective exchange rates significantly below (appreciation) the historical average for the past

20 years, as shown in figure II.13. In three countries, the effective exchange rates were more than 25% below historical averages. They are Trinidad and Tobago (26.5%), Colombia (26.1%) and Brazil (25.7%), closely followed by the Bolivian Republic of Venezuela (23.6%) and Honduras (20.2%). As ECLAC reported earlier, in Brazil and Colombia the nominal rates of exchange have appreciated against the dollar over the past few years (depreciating temporarily during the global financial crisis owing to the flight to quality towards dollar-denominated assets) due, among other things, to the inflow of portfolio capital and foreign direct investment capital spurred in turn by improving prospects for growth, macroeconomic stability and other factors. This explains the low effective exchange rates (appreciation) observed in both countries. In Trinidad and Tobago and the Bolivian Republic of Venezuela, the Dutch disease effect was a significant factor because these economies are specialized in extracting and exporting hydrocarbons (gas and oil, respectively). In the Bolivian Republic of Venezuela, this effect was heightened by a fixed rate of exchange and high inflation. Emigrant remittances enable Honduras to sustain a low effective exchange rate.

Figure II.13  
**LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): TOTAL REAL EFFECTIVE EXCHANGE RATES AT OCTOBER 2010**  
 (Percentages; index: 1990-2009 average=0)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>8</sup> El Salvador and Panama are de jure dollarized. Nicaragua has a crawling peg, so real appreciation of the currencies of its trade partners against the dollar triggered depreciation of its effective exchange rates.

## Box II.2

**TRINIDAD AND TOBAGO: A NEW RESCUE PLAN FOR COLONIAL LIFE INSURANCE COMPANY (CLICO)**

As the largest financial institution in Trinidad and Tobago, CL Financial Group (CLICO) managed more than 100 billion Trinidad and Tobago dollars.<sup>a</sup> In January 2009, CLICO Colonial Life Insurance Group, a subsidiary of CL Financial Group, experienced serious liquidity problems and, following a run on deposits, it requested assistance from the government. On 30 January, the government took control of the company's assets and initiated a financial rescue plan.

In the 2010/2011 budget submitted to the Parliament, the new administration included a fresh rescue plan for CLICO. According to the Finance Minister, the total amount allocated to the bailout by the government and the central bank, excluding compensation and guarantees, had reached TT\$ 7.3 billion by May 2010. In June 2010, the liabilities of CLICO and British American Insurance Company Limited stood at TT\$ 23.8 billion, while their assets totalled only TT\$ 16.6 billion. To date,

the CLICO crisis has affected more than 225,000 people. Furthermore, CLICO had sold short-term investments in the form of fixed-term deposits with maturities of 3-5 years and interest rates well above market rates; those investments are currently in the hands of over 25,000 people. Given the large number of people affected by the collapse of CLICO and the prevailing sentiment that too much has already been spent on trying to save the company, the government has opted for a new strategy involving the purchase of CLICO investments still held by investors. Specifically, the new strategy will entail the following:

- The government will separate the insurance business from the short-term investment business in order to protect insurance policyholders.
- The traditional insurance businesses of CLICO and British American will be restructured and merged in an effort to make divestment more attractive.
- Holders of short-term investments and mutual funds will receive an

initial partial payment of a maximum of TT\$ 75,000.

- Holders of short-term investments and mutual funds worth more than TT\$ 75,000 will be paid through a 20-year promissory note at 0% interest.
- The government will conduct a detailed audit of CL Financial, the parent/holding company of CLICO, and its subsidiaries and will introduce measures, including the divestment of assets, to reduce CL Financial's debt and recover public funds. CL Financial Group will be restructured.
- The national authorities have proposed strengthening the legislative framework governing financial institutions and their investment companies through stricter oversight and enforcement.
- To date, the government's proposal has been rejected by the depositors holding short-term investments and mutual funds but the government still anticipates its eventual approval.

**Source:** Government of Trinidad and Tobago, "Budget Presentation 2010/2011", 2010.

<sup>a</sup> 6.35 Trinidad and Tobago dollars (TT\$) are equivalent to 1 United States dollar.



## Chapter III

# Domestic performance

## A. Economic activity and investment

The GDP of Latin America and the Caribbean grew by some 6% in 2010, nearly matching the pace set in 2004-2008. Growth was driven above all by expanding domestic demand (both private consumption and investment) and, to a lesser extent, by external demand.

However, not all of the countries grew at this same healthy clip.<sup>1</sup> One group of countries (Argentina, Brazil, Paraguay, Peru and Uruguay) expanded at rapid rates ranging between 7.5% and 9.7%. A second group (Chile, Colombia, Costa Rica, the Dominican Republic, Mexico and Panama) posted growth rates of between 4% and 7%. The pace of expansion in Cuba, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua and the Plurinational State of Bolivia ranged from 1% to 4%. GDP fell in Haiti (by 7%) and the Bolivarian Republic of Venezuela (by 1.6%). In Haiti, declining GDP reflected the negative impact of the January 2010 earthquake on economic activity. In the Bolivarian Republic of Venezuela, slower growth was due to a marked downturn in domestic demand (both consumption and investment) as government revenue from oil exports fell sharply (export volume declined as oil production dipped) and to electricity rationing in the first half of the year owing to a severe drought. By

subregion, the growth rates were 6.6% for South America and 3.5% for Central America.

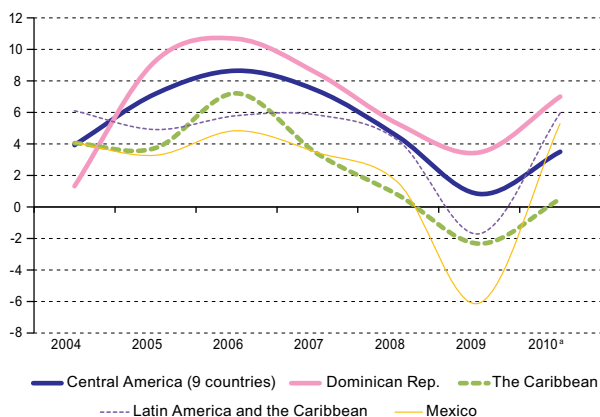
In the English- and Dutch-speaking Caribbean, GDP grew by 0.5%. Although the performance of this subregion in 2010 was better than in 2009, these economies will recover slowly. The pace of growth was highest in Guyana and Suriname. Economic activity in these countries was driven by higher rice and gold production (in Guyana) and improving commodity prices (in Suriname).

The region's brisk growth in 2010 stemmed from a combination of factors that enabled the economies, in general, to recover apace. Private consumption picked up sharply as labour indicators gradually improved, credit for the private sector expanded and, with the exception of the Bolivarian Republic of Venezuela, real wages rose. Another factor was persistently low interest rates that, although they have begun to rise in several countries, are still at historically low levels. Expanding private consumption got a boost from improving expectations among economic agents as to the impact of the crisis on the economies of the region and on employment and family income. The gradual recovery of emigrant remittances also helped

<sup>1</sup> While GDP did expand by 6% for the region as a whole, the growth rate expressed as a simple average was 4.1% and the median was 4.4%.

spur private consumption in countries where they are a significant source of financing for domestic demand. Along with burgeoning demand, the economic recovery speeded up as well by high levels of idle installed capacity that made it possible to step up production levels quickly.

Figure III.1  
LATIN AMERICA AND THE CARIBBEAN: CHANGE IN GROSS DOMESTIC PRODUCT, BY SUBREGION, 2004-2010  
(Percentages, in dollars at constant 2000 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

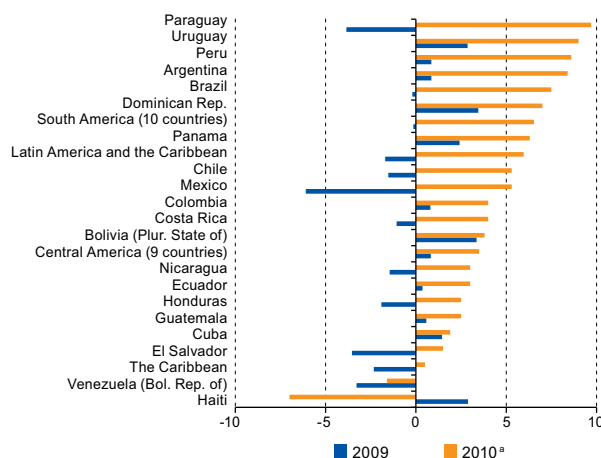
<sup>a</sup> Estimate.

In addition, the first half of 2010 saw a reversal of the negative effects of various events that weighed on the economies of the region in 2009, leading, in some countries, to a significant expansion of economic activity in specific sectors during the first half of 2010. The agricultural sector expanded substantially in Argentina, Brazil and Paraguay with the end of the drought that had severely curtailed agricultural production in these countries in 2009. In Argentina, farm production had also declined during the first half of 2009 as agricultural producers protested taxes imposed on the sector. In Uruguay, power generation fell off sharply because of the drought; the country had to turn to thermal power plants and imports to meet most of its energy supply needs. In other countries, investment projects launched over the past few years entered operation: the Camisea gasfield in Peru began exporting natural gas to Mexico; Brazil's oil extraction increased; Chile started to use more natural gas to generate power as a liquefied natural gas plant came on line; and work began on widening the Panama Canal and building new locks.

The fastest pace of year-on-year GDP growth was in the first half of 2010. In most of the countries, the economies continued to grow during the second half of 2010, but at a slower pace. The exceptions were Chile and the Bolivarian Republic of Venezuela. In Chile, slower growth in the first half of the year was due largely to the

economic effect of the 27 February 2010 earthquake, which paralysed many industries in the affected area and decreased goods export volume. The economy picked up during the second half of the year as some of the affected industries rebuilt and resumed activity; this improvement is expected to extend into 2011. In the Bolivarian Republic of Venezuela, the pace of economic growth stepped up in the second half of the year as the average price for the country's basket of crude oil rose and boosted government revenue, fiscal spending increased and the supply of electricity returned to normal.

Figure III.2  
LATIN AMERICA AND THE CARIBBEAN: CHANGE IN GROSS DOMESTIC PRODUCT, 2009-2010  
(Percentages, in dollars at constant 2000 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Estimate.

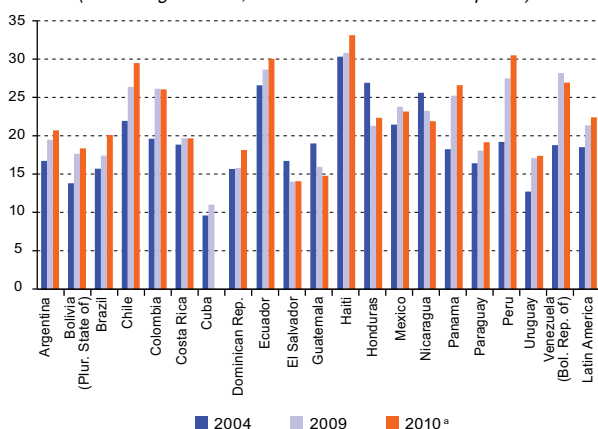
As noted above (and with the exception of the Bolivarian Republic of Venezuela and Haiti), private consumption resumed growth, expanding by 5.6% for the region as a whole. The pace of growth was fairly high in Argentina, Brazil, Chile, Paraguay and Uruguay. Expanding credit and improving labour indicators were reflected in rapidly expanding consumption of durable goods in many countries. The leap in private consumption sparked some concern among economic authorities as to the possibility of overheating in some of the economies that could trigger macroeconomic imbalances and put pressure on inflation rates. In the region as a whole, public consumption grew by slightly less than GDP, at 5.2%. In Argentina, Paraguay and Peru this aggregate posted double-digit growth.

Gross capital formation was up 12.9% thanks to rising gross fixed capital investment (9.9%) and inventory restocking. The main factor behind gross fixed capital investment growth was increased investment in machinery and equipment (principally imported), driven by national

currency appreciation, widely available credit and lower idle capacity amidst mushrooming demand.<sup>2</sup> As a result, the gross fixed investment rate, measured in constant dollars as a percentage of GDP, rose to 21.4% —higher than the 20.5% posted in 2009 but lower than the 2008 figure of 22.1%, and still below the levels of the 1970s.

As seen in figure III.3, despite this performance for the region as a whole, investment rates in some of the countries of Latin America topped 25%. A large group is showing investment rates between 20% and 25%. In most of the countries, gross fixed capital formation rose considerably between 2004 and 2010.

Figure III.3  
LATIN AMERICA: GROSS FIXED CAPITAL FORMATION, 2004, 2009 AND 2010  
(Percentage of GDP, in dollars at constant 2000 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Estimate.

Available data on investment by institutional sector (public and private) in the countries of the region are limited. However, for those countries that issue quarterly data (Mexico, Peru and Uruguay), private investment was the component that grew the most during 2010, unlike in 2009.

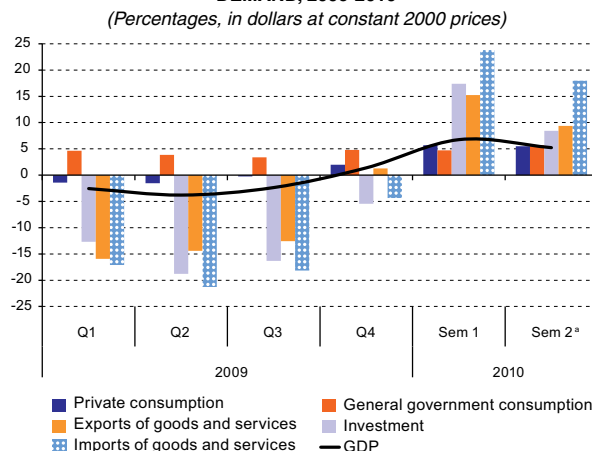
The correlate of growing domestic demand has been a spike in goods and services import volume (20.9%), especially for durable consumer goods and capital goods. Because of the behaviour of goods and services imports and exports, their contribution to net exports turned negative again in 2010. Indeed, although exports are growing briskly in value terms, in the metal- and mineral-exporting countries (and in some hydrocarbon-exporting countries), growth is due principally to higher export prices instead of higher export volumes.

While growing at an overall 12.3%, goods and services export volume behaviour varied from country to country.

<sup>2</sup> Except for the Bolivarian Republic of Venezuela (where it fell), Colombia and El Salvador, the value of capital goods imports recorded double-digit growth in the countries of the region, led by Argentina, Chile, Ecuador, Guatemala, Honduras and Paraguay.

Argentina, Paraguay, Brazil and Mexico saw the largest increases. In Argentina and Paraguay the main contributing factor was rising exports of primary agricultural products plus, for Argentina, a jump in automobile exports, chiefly to Brazil. Exports from Brazil rose because of an increase in the export volume of commodities and manufactured goods. In Mexico, the main factor behind rising external sales was an increase in automobile exports,<sup>3</sup> owing mainly to reorganization and relocation of automobile plants from the United States to Mexico. Export volume fell in Haiti and the Bolivarian Republic of Venezuela due, in the former, to the loss of installed capacity from the January 2010 earthquake and, in the latter, to declining oil production.

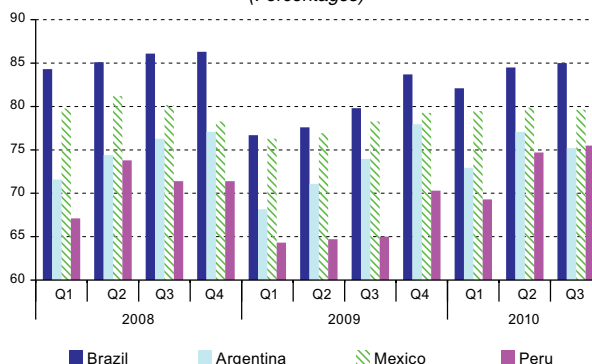
Figure III.4  
LATIN AMERICA: ANNUAL VARIATION IN GROSS DOMESTIC PRODUCT AND IN COMPONENTS OF DOMESTIC DEMAND, 2009-2010  
(Percentages, in dollars at constant 2000 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Estimate.

Figure III.5  
LATIN AMERICA (SELECTED COUNTRIES): INDUSTRIAL INSTALLED CAPACITY UTILIZATION RATES, 2008-2010  
(Percentages)



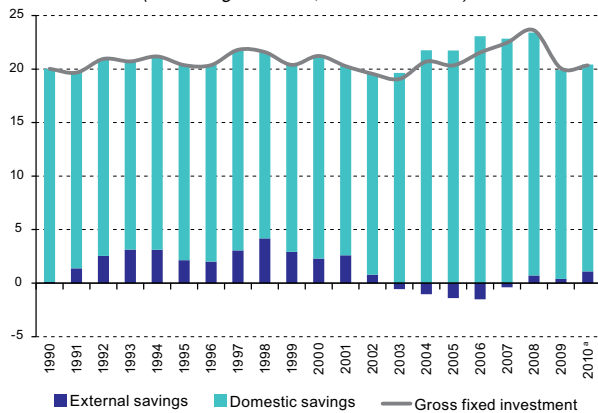
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>3</sup> Cumulative automobile production in Mexico for the first 10 months of 2010 was up 60% over the same period in 2009, with production for export up by 63%.

The jump in domestic demand was also reflected in rising domestic production. The sectors of economic activity posting the best performance were manufacturing, electricity, gas and water (largely owing, in the latter case, to robust growth in Brazil, Chile and Uruguay), as well as transportation, communications and commerce. Industrial activity in Argentina, Brazil and Mexico was boosted as well by rising exports. In countries where automobile production is a major factor (Argentina, Brazil and Mexico), production was up sharply as it returned to prior levels. In Brazil, production during the first 10 months of 2010 even topped historical highs. Activity in the transportation and commerce, restaurant and hotel sectors benefited from growing demand and increasing domestic economic activity, and from recovering tourist activity in the region (particularly in Central and South America and, to a lesser extent, in the English-speaking Caribbean countries). Agricultural performance was mixed. Some countries (Argentina, Brazil, the Dominican Republic, Paraguay and Uruguay) posted significant gains, especially Argentina and Paraguay. In others (Chile, Colombia, Mexico and Panama), agricultural activity fell. Government and personal services grew at a pace similar to 2009. However, while government services were the only sector of activity that grew steadily region-wide throughout 2009, it was one of the sectors that grew the least in 2010 compared with other sectors of the economy.

Measured in current dollars, gross capital investment in Latin America was up 20.3%. As in 2008 and 2009, and unlike in the period 2003-2007, regional investment was financed by both domestic savings and external savings. As a percentage of GDP, both domestic and external savings were higher than in 2009. However, they are still below the levels recorded in the period 2004-2008.

Figure III.6  
LATIN AMERICA: FINANCING OF GROSS DOMESTIC INVESTMENT, 1990-2010  
(Percentages of GDP, in current dollars)

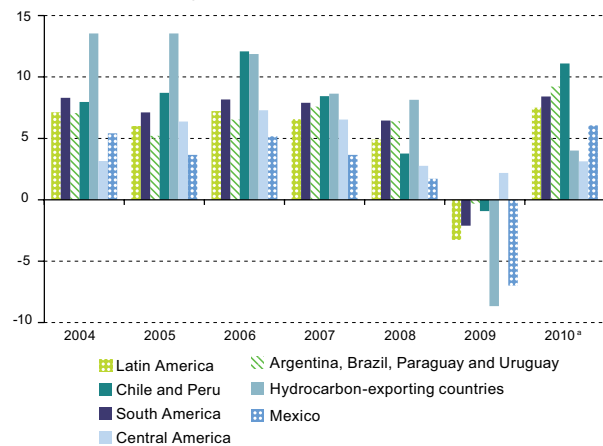


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Estimate.

Rising international prices for raw materials led to a significant increase in national revenue for net commodity-exporting countries compared with 2009, especially in countries that export agricultural raw materials, metals and minerals. This worsened the terms of trade for the countries of Central America as net importers of fuel. Emigrant remittances are recovering in several countries and in some cases (the Dominican Republic and El Salvador) are even up compared with 2009. Nevertheless, this increase was not enough to counteract the deterioration of the terms of trade, so this subregion's gross national disposable income fell again. For Latin America as a whole, gross national disposable income, measured in constant prices, rose by 7.5% compared with 2009.

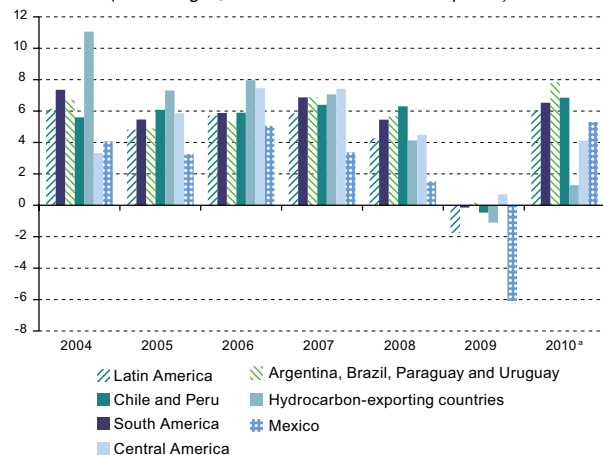
Figure III.7  
LATIN AMERICA: ANNUAL CHANGE IN GROSS NATIONAL DISPOSABLE INCOME, BY COUNTRY GROUPINGS, 2004-2010  
(Percentages, in dollars at constant 2000 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Estimate.

Figure III.8  
LATIN AMERICA: CHANGE IN GROSS DOMESTIC PRODUCT, BY COUNTRY GROUPINGS, 2004-2010  
(Percentages, in dollars at constant 2000 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Estimate.

## Box III.1

## PRELIMINARY OVERVIEW OF THE IMPACT OF NATURAL DISASTERS IN LATIN AMERICA AND THE CARIBBEAN IN 2010

The year 2010 was particularly harsh for the region in terms of natural catastrophes: 98 major disasters were recorded, which caused more than 223,000 deaths and affected almost 14 million people. On the basis of figures available from several sources, the cost of these events is estimated at over US\$ 49.4 billion. Although geophysical events (earthquakes, tsunamis and volcanic eruptions) caused

the highest number of deaths and had major economic implications —the former because of the lives lost in Haiti and the latter because of the value and quality of the infrastructure destroyed in Chile—the majority of events were climatic (tropical storms and large-scale floods), which affected vast expanses of the region from Mexico to South America (in particular the Bolivarian Republic of

Venezuela, Brazil, Colombia, Ecuador and the Plurinational State of Bolivia). In addition, atypical severe droughts were experienced in the Chaco region and elsewhere. These phenomena are, without doubt, a testament to the already tangible effects of climate variability and change, and they make the adoption of adaptation and mitigation measures unavoidable.

## LATIN AMERICA AND THE CARIBBEAN: OVERVIEW OF THE IMPACT OF NATURAL DISASTERS, 2010

	Number of events	Type of disaster	Deaths	Number of persons affected	Economic impact (millions of dollars)
	13	Epidemiological	1 211	334 740	565
	79	Climatic	1 380	9 318 685	9 840
	6	Geophysical	223 093	4 214 934	38 783
<b>Total</b>	<b>98</b>		<b>225 684</b>	<b>13 868 359</b>	<b>49 188</b>

Source: Centre for Research on the Epidemiology of Disasters (CRED), ReliefWeb and official figures.

As shown in the tables below, the impact of natural events, in terms of total damage and losses and number of deaths, varies from country to country. Brazil, Chile and Haiti

suffered the most in the region; nevertheless, the economic impact was also very heavy in absolute terms in Mexico, Guatemala and Colombia (although the total impact in

Colombia cannot be calculated until the end of the rainy season, which will likely continue into early 2011), and in relative terms, given the country's size, in Saint Lucia.

LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES):  
ECONOMIC IMPACT OF NATURAL DISASTERS, 2010  
(Millions of dollars)

Country	Economic impact
Chile	30 000
Haiti	7 754
Mexico	5 300
Brazil	1 030
Guatemala	1 553
Colombia	342
Saint Lucia	281
<b>Total</b>	<b>49 188</b>

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES):  
NUMBER OF DEATHS CAUSED BY  
NATURAL DISASTERS, 2010

Country	Deaths
Haiti (earthquake)	222 570
Haiti (cholera epidemic) <sup>a</sup>	900
Chile	521
Brazil	556
Guatemala	174
<b>Total</b>	<b>225 686</b>

Source: Economic Commission for Latin America and the Caribbean (ECLAC).  
<sup>a</sup> Data up to November 2010.

Of these events, ECLAC has assessed those included in the table below, at the request of the respective countries.

LATIN AMERICA AND THE CARIBBEAN: NATURAL DISASTERS ASSESSED BY THE ECONOMIC COMMISSION  
FOR LATIN AMERICA AND THE CARIBBEAN, 2010

Event		Economic impact	
		(millions of dollars)	(as a percentage of GDP, 2009)
Guatemala: eruption of the Pacaya volcano and tropical storm Agatha	Damage	795.3	
	Losses	381.5	
	<b>Total</b>	<b>1 176.8</b>	3.2
El Salvador: tropical storm Agatha	Damage	44.8	
	Losses	67.2	
	<b>Total</b>	<b>112.0</b>	0.5
Plurinational State of Bolivia: droughts (caused by the El Niño phenomenon)	Damage	93.0	
	Losses	144.1	
	<b>Total</b>	<b>237.1</b>	1.37
Haiti: earthquake	Damage	4 233.6	
	Losses	3 020.9	
	<b>Total</b>	<b>7 254.5</b>	108.4
Saint Lucia: Hurricane Tomás	Damage	189.8	
	Losses	91.5	
	<b>Total</b>	<b>281.3</b>	36.30
Total assessed by ECLAC	Damage	5 448.0	
	Losses	3 705.2	
	<b>Total</b>	<b>9 153.2</b>	

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

## B. Domestic prices

Inflation in Latin America and the Caribbean rose from 4.7% in 2009 to 6.2% in 2010.<sup>4</sup> In all countries of the region, with the exception of Ecuador, the rate in 2010 exceeded or was similar to that recorded in 2009. In all the subregions as well, inflation was up on the previous year, with the highest rates being observed in Central America and the English- and Dutch-speaking Caribbean.

In the last quarter of 2009 and, especially, the first quarter of 2010, the trend observed earlier in 2009 began to shift, as the pace of inflation accelerated in most countries owing mainly to higher international prices for food items (for the most part, cereals, oils, meat and sugar) and fuels.<sup>5</sup> At the same time, subsidies for some food items and fuel were phased out, most notably in the countries of Central America and Mexico. However, appreciation of the national currency in most countries of the region cushioned the effect that higher prices for imported products had on domestic prices.

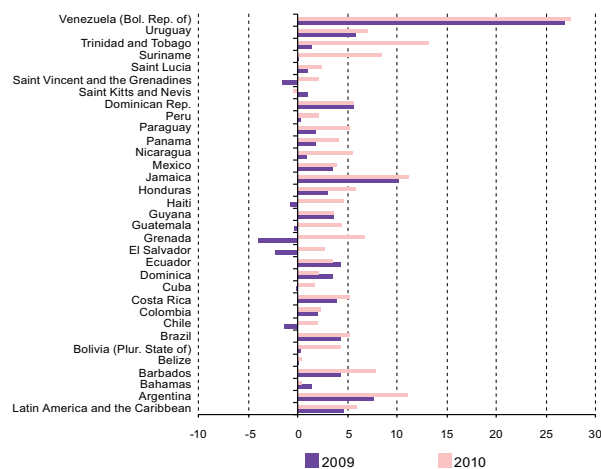
As had been the case since 2006, in 2010 the region's highest inflation rate was found in the Bolivarian Republic of Venezuela, which—together with Argentina, Jamaica and Trinidad and Tobago—posted a rate situated in the double-digit range. Inflation remained high in the Bolivarian Republic of Venezuela mainly because of structural constraints on domestic supply; coupled with a broad expansion of domestic demand between 2003 and 2008, this led to local-market shortages of some products of mass consumption. The situation has persisted despite such measures as the setting of price controls on a large group of consumer goods and services, the establishment of public-sector companies selling goods at subsidized prices and the direct importation of consumer goods by public-sector companies. In Argentina and Trinidad and Tobago, rising inflation was chiefly a reflection of higher food prices, while in Jamaica the upswing in regional inflation was driven by higher prices in the area of

housing and housing-related services and expenditure associated with health and personal care.

In 2010, wholesale price indices for the countries publishing such information, with the exception of the Bolivarian Republic of Venezuela, Ecuador, Mexico and Uruguay, displayed price increases greater than those observed in 2009.

Despite highly buoyant domestic demand, core inflation at the regional level has remained below the variation recorded in the general consumer price index. On average, the region's core inflation rate decreased steadily from December 2008 to April 2010 and then remained stable from April to September 2010, paralleling the trend in the regional consumer price index. The headings contributing the most to the rise in general inflation were foodstuffs and fuels.

Figure III.9  
LATIN AMERICA: CONSUMER PRICE INDEX, 12-MONTH  
VARIATION, 2009-2010  
(Percentages)

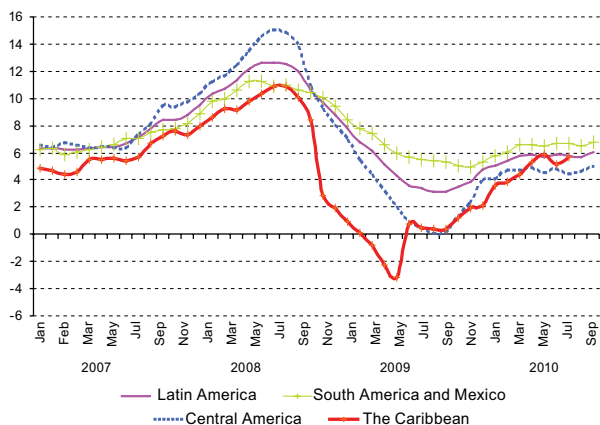


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>4</sup> Expressed as a simple average, regional inflation rose from 3.9% in 2009 to 6.2% in the 12 months ending in November 2010.

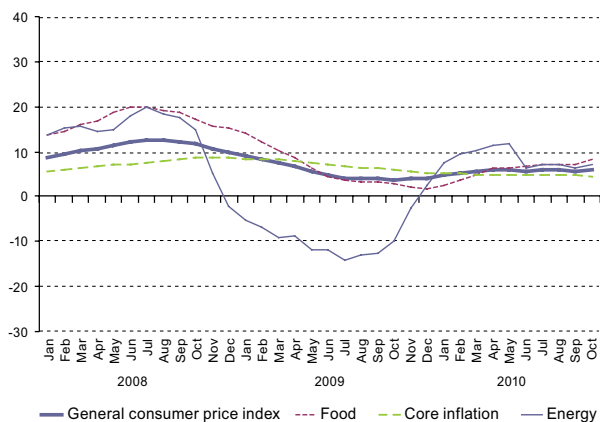
<sup>5</sup> During the first 10 months of 2010, international prices showed an increase over 2009 levels, on average, of 8.0% for maize, 14.0% for soybean oil, 26.8% for beef and 16.9% for sugar.

Figure III.10  
**LATIN AMERICA: CONSUMER PRICE INDEX, 12-MONTH VARIATION, 2007-2010**  
 (Percentages)



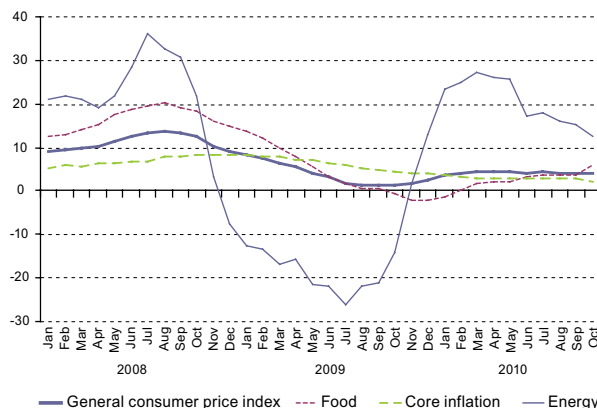
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Figure III.11  
**LATIN AMERICA: CONSUMER PRICE INDEX BY COMPONENT, 12-MONTH VARIATION, SIMPLE AVERAGE, 2008-2010**  
 (Percentages)



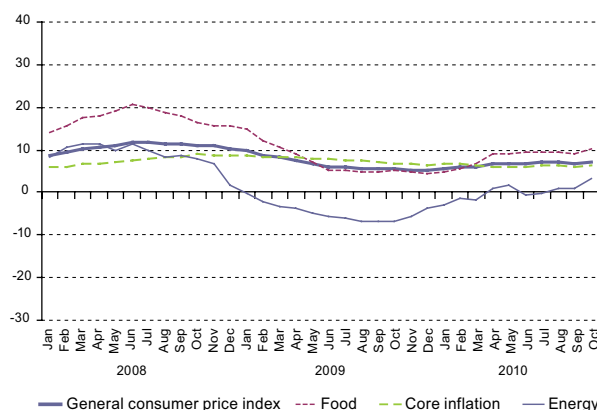
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Figure III.12  
**CENTRAL AMERICA AND MEXICO: CONSUMER PRICE INDEX BY COMPONENT, 12-MONTH VARIATION, SIMPLE AVERAGE, 2008-2010**  
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Figure III.13  
**SOUTH AMERICA: CONSUMER PRICE INDEX BY COMPONENT, 12-MONTH VARIATION, SIMPLE AVERAGE, 2008-2010**  
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

### C. Employment and wages

The global economic and financial crisis had a strong impact on the labour markets in Latin America and the Caribbean.<sup>6</sup> However, the labour situation did not deteriorate as heavily as in other regions, thanks in part

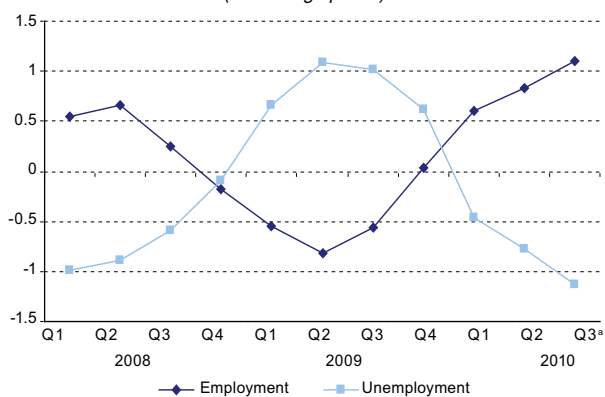
to the adoption of a countercyclical approach to fiscal, monetary and labour policies.<sup>7</sup>

<sup>6</sup> See Economic Commission for Latin America and the Caribbean/ International Labour Organization (ECLAC/ILO), “Crisis, stabilization and reactivation: performance of the labour market in 2009”, *ECLAC/ILO Bulletin: The employment situation in Latin America and the Caribbean*, No. 3, Santiago, Chile, June 2010.

<sup>7</sup> See the different issues of the ECLAC/ILO Bulletin cited above for the labour policies applied in the region in response to the crisis; for a review of the global impact of the crisis, see International Monetary Fund (IMF)/International Labour Organization (ILO), “The challenges of growth, employment and social cohesion. Joint ILO-IMF conference in cooperation with the office of the Prime Minister of Norway”, discussion document, 2010 [online] <http://www.osloconference2010.org/discussionpaper.pdf>.

The unexpectedly strong return to economic growth in 2010 had a favourable impact on the region's labour markets. The employment rate posted positive year-on-year variation as early as the fourth quarter of 2009 and, from the first quarter of 2010, so did the unemployment rate (see figure III.14). The lag between the two may be explained by a surge in labour supply, which, after remaining practically stagnant throughout 2009, began to rise more steeply in response to new employment opportunities.

Figure III.14  
LATIN AMERICA (NINE COUNTRIES): YEAR-ON-YEAR VARIATION IN EMPLOYMENT AND UNEMPLOYMENT RATES, 2008-2010  
(Percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary data.

Over the year as a whole, the regional employment rate rose by an estimated 0.7 percentage points, which compensated for its earlier decline. Although the 0.3 percentage-point increase in the overall participation rate slowed the drop in the unemployment rate, it still fell by 0.6 percentage points, offsetting much of the rise in unemployment during the previous year. However, as discussed below, the characteristics of the labour market recovery varied significantly by country and subregion.

In 2010, Brazil led the recovery of the labour markets: both the increase in its employment rate, which was estimated at 1 percentage point for the year as a whole, and the decrease in its unemployment rate exceeded the regional average.<sup>8</sup> A significant proportion of the new jobs were created in the formal sector, as shown by the fact that during the first three quarters, the number of workers covered by social and labour legislation rose by 6.0% at the national level, compared with the same period in 2009. Furthermore, the real average income of employed persons in the six main metropolitan areas rose by 3.8% between January and August. The Brazilian labour market therefore contributed strongly, through both employment and wages, to the increase in domestic demand and, as a result, to stimulating robust economic growth.

<sup>8</sup> The data are from the six main metropolitan areas.

Other South American countries, such as Chile, Peru and Uruguay, also experienced a surge in formal employment thanks to an overall rise in employment levels and a decline in unemployment rates. Reflecting the contraction of its GDP, the Bolivarian Republic of Venezuela posted the poorest labour-market performance of the South American countries: the employment rate recorded a year-on-year fall, unemployment rose and, as a consequence of relatively high inflation, real wages declined.

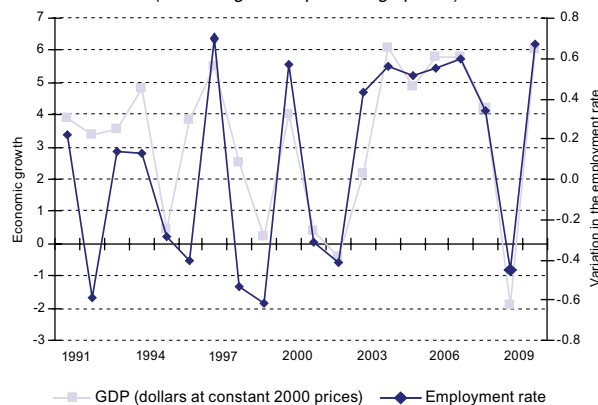
Mexico was affected early on by the international crisis and sustained a worse impact on economic activity levels. Labour indicators in 2010 showed an improvement on 2009, but did not return to pre-crisis levels. A similar state of affairs was seen in the Central American countries, some of which, such as Costa Rica, Nicaragua and Panama, recorded relatively rapid formal job creation, although this was not enough to significantly improve the overall indicators.

According to the limited information available on some Caribbean countries, the subregion's labour markets had yet to regain momentum at least during the first half of 2010. On the contrary, employment rates fell and unemployment rose in Barbados, Jamaica and Trinidad and Tobago. Although relevant data are not available, the devastating earthquake that hit Haiti in January 2010 presumably destroyed a significant proportion of the limited number of formal jobs in that country.

At the regional level, the employment rate rose by 0.7 percentage points, regaining the level recorded before the economic and financial crisis of 2008-2009. This increase reflects the relationship between economic growth and job creation that has been characteristic of the region as a whole over the last few years (see figure III.15).

As shown in figure III.15, the employment rate has been determined quite directly by countries' economic growth.

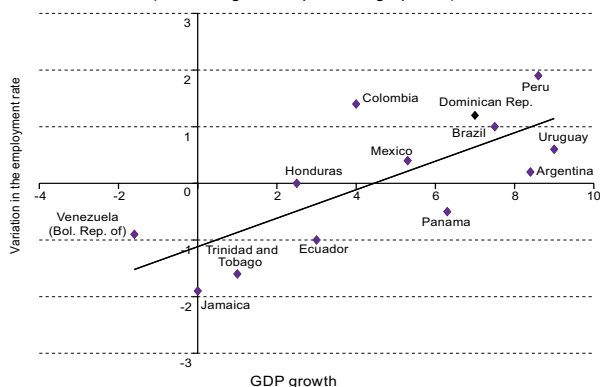
Figure III.15  
LATIN AMERICA AND THE CARIBBEAN: ECONOMIC GROWTH AND EMPLOYMENT RATE, 1991-2009  
(Percentages and percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.



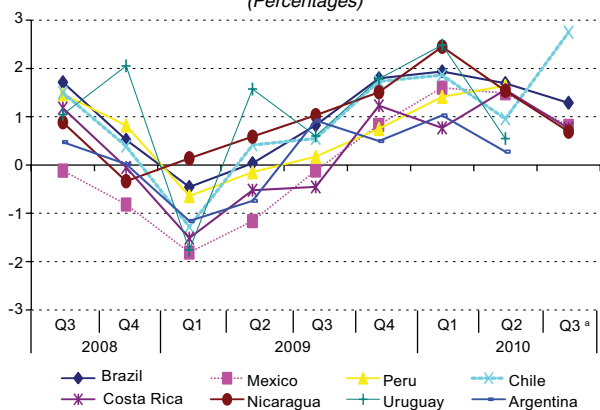
Figure III.16  
**LATIN AMERICA AND THE CARIBBEAN (13 COUNTRIES):  
 ECONOMIC GROWTH AND CHANGE IN THE  
 EMPLOYMENT RATE, 2010**  
 (Percentages and percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The relationship between economic growth and job creation can also be seen in the performance of formal employment. Formal job creation slowed markedly during the crisis, but picked up from the second half of 2009. In 2010, some countries, including Brazil, Chile, Nicaragua and Uruguay, recorded a year-on-year increase of 5% or more in this type of higher-quality employment, while Costa Rica, Mexico and Peru posted growth of between 3% and 4%.<sup>9</sup> From the second half of the year, rates of formal job creation remained positive but, according to seasonally adjusted measurements, slackened as a result of slower economic growth (see figure III.17).

Figure III.17  
**LATIN AMERICA (SELECTED COUNTRIES): QUARTERLY  
 VARIATION IN EMPLOYMENT, SEASONALLY ADJUSTED  
 SERIES, THIRD QUARTER 2008 TO THIRD QUARTER 2010**  
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary data.

<sup>9</sup> In most cases, workers in formal jobs are those who pay contributions to social security systems. The increases seen in the number of formal jobs do not necessarily mean that new posts are being created, as these figures include pre-existing jobs that are formalized.

In addition to the uptrend in the number of jobs, in many cases an increase was seen over the year in the number of hours worked. For example, in the Mexican manufacturing industry, the number of employed persons rose 13.5% year-on-year, while the number of hours worked was up by 17.5%.

Despite rapid formal job creation in many countries, however, wage employment has not always been the most significant area of growth, especially between 2004 and 2007. In some countries (for example, Argentina, Colombia, the Dominican Republic, Honduras and Peru), wage employment fell as a proportion of total employment because of a significant upswing in self-employment, driven both by need during the crisis and by new opportunities for independent income generation in the context of the economic upturn. Brazil was the main exception here: of the 738,000 new jobs created in the country's six main metropolitan areas during the first nine months of the year, 615,000 were wage jobs (excluding posts held by military personnel and statutory civil servants), thus wage employment increased as a proportion of total employment by 0.5 percentage points.

After the damage done by the crisis to manufacturing and construction employment in 2009, these two areas picked up to a certain extent in 2010, although not across the board. The number of manufacturing jobs grew in many of the larger countries, including Argentina, Brazil, Mexico and Peru, which boosted the share of manufacturing in total employment at the regional level, despite relative declines in, for example, Chile, Colombia, Honduras and Panama. Jobs in construction increased as a proportion of total employment in Brazil, Chile, Colombia, the Dominican Republic, Peru and Uruguay, but lost ground in Argentina and Mexico.

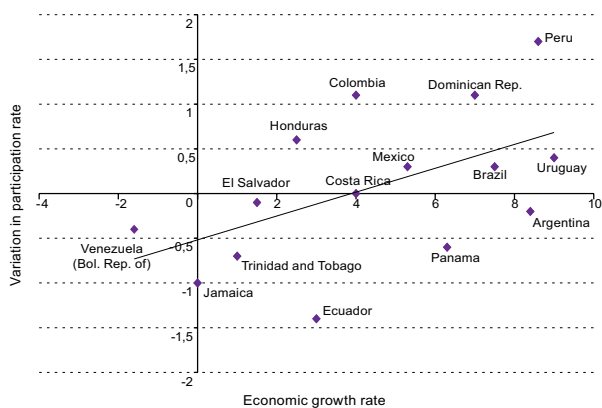
The labour supply rose in the context of the economic upturn, confirming that, amid highly volatile growth, the participation rate tends to behave procyclically. Indeed, the increase of about 0.3 percentage points far surpasses the recent average. Figure III.18 shows that the participation rate rose, especially in the countries with higher rates of economic growth. Nevertheless, there were some exceptions, such as Argentina, where labour market participation slipped despite high economic growth.

In keeping with the long-term trend, the rise in labour market participation chiefly reflects the increasing entry of women into the labour market. Taking an average of the figures for 13 countries, the participation rate for men rose by 0.1 percentage point, while the rate for women grew by 0.5 percentage points.

A look at the differences between age groups reveals a mixed picture. In Argentina, for example, the participation rate among young people is falling more sharply than among adults, while in Brazil this rate is trending down among

young people and up among adults. In these cases, the gap in labour market participation between young people and adults is continuing to widen, probably partly because young people are spending longer in the educational system. By contrast, in the Dominican Republic, Mexico and Peru, for example, the participation rate rose faster among young people than among adults, which suggests that many young people are taking advantage of improved labour market conditions.

Figure III.18  
LATIN AMERICA (SELECTED COUNTRIES): ECONOMIC GROWTH AND LABOUR MARKET PARTICIPATION, 2010  
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Despite a sharp increase in labour market participation, robust job creation has led to a marked drop in the regional unemployment rate, from 8.2% to an estimated 7.6%, which corresponds to a reduction of about 800,000 in the number of urban unemployed.<sup>10</sup> Although this is a significant drop, the urban unemployed still number 1.4 million more than they did before the crisis (2008). Much of the drop in the regional unemployment rate was due to Brazil's rapid job creation, without which the rate would have fallen by only 0.4 percentage points.

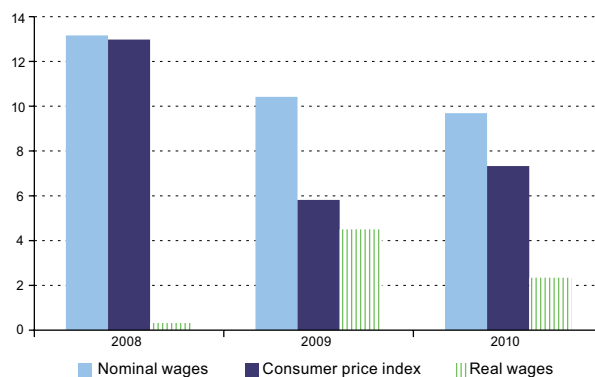
Both men and women have benefited from job creation and reduced unemployment. In fact, in all 13 countries for which information is available, the female employment rate rose more than the male rate and the expansion in the female labour supply did not lead to greater unemployment among women. At the

<sup>10</sup> The weighting mechanisms applied and the coverage of the information used in calculating the regional rate may differ. These differences explain the small discrepancies between the regional data on unemployment cited in this edition of the Preliminary Overview and those presented in Economic Commission for Latin America and the Caribbean/International Labour Organization (ECLAC/ILO), *ECLAC/ILO Bulletin: The employment situation in Latin America and the Caribbean*, No. 4, Santiago, Chile, 2010, forthcoming, in which the unemployment rates for 2009 and 2010 are given as 8.1% and 7.5%, respectively.

regional level, there was a similar decrease in the male and female unemployment rates; however, in the countries where unemployment increased in 2010 (the Bolivarian Republic of Venezuela, Honduras and Jamaica), that increase affected women more than men.

Following a significant improvement in real wages in the formal sector in most countries in 2009 as a result of a sharp fall in inflation, two factors drove real wage behaviour in 2010: first, slightly smaller nominal increases than in 2009 and, second, higher inflation (see figure III.19).

Figure III.19  
LATIN AMERICA (NINE COUNTRIES): NOMINAL WAGES, INFLATION AND REAL WAGES, SIMPLE AVERAGE, 2008-2010



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Consequently, real wages grew more slowly than in 2009, even though, with the exception of that year, the median wage rise (2.3% for 10 countries) exceeded the annual increments of the rest of the decade. Accordingly, the labour market thus contributed significantly through both employment and wages to boosting domestic demand and, therefore, economic growth in 2010. Of the 10 countries for which information is available, only two did not see this wage increase in the formal sector: Mexico, where wages declined slightly, and the Bolivarian Republic of Venezuela, which is suffering from very high inflation.

The wage increase was upheld by minimum wage policy: between January and September, 14 of the 18 countries recorded a real increase in the wage floor.<sup>11</sup>

Employment prospects for 2011 are somewhat shadowed by uncertainty over how global economic conditions will affect the region's economic performance. With growth projected to slow next year, employment creation is expected to tail off somewhat, as well. The regional unemployment rate is expected to continue falling, although not as quickly as in 2010. Given the behaviour of the participation rate, the regional unemployment rate is projected to be between 7.1% and 7.3%.

<sup>11</sup> See *ECLAC/ILO Bulletin: The employment situation in Latin America and the Caribbean*, No. 4.

## Chapter IV

# The external sector

## A. The balance-of-payments current account

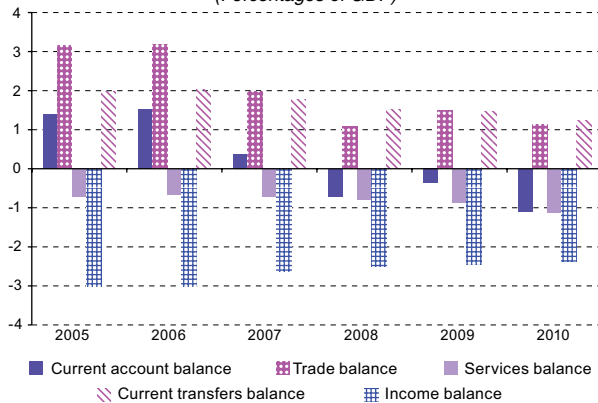
The balance-of-payments current account for the region is expected to close the year with a deficit estimated at 1.1% of GDP. This is larger than the 0.4% registered in 2009, and thus continues the progressive deterioration seen in the external accounts since 2007. As figure IV.1 shows, this outcome is essentially due to a reduction in the trade surplus resulting from buoyant domestic demand, combined with a higher services deficit. The income balance increased substantially but remained virtually unchanged in relative terms owing to strong growth in regional GDP. Lastly, a modest rise in remittances and other current transfers was not enough to prevent this account from shrinking as a percentage of GDP.

Table IV.1 breaks down the evolution of the current account by subregion. The rise in the MERCOSUR countries' deficit from 0.7% of GDP in 2009 to 1.7% in 2010 was mainly due to a lower trade surplus. The mining countries (Chile and Peru) moved from a surplus of 1.5% to a deficit of 0.6% because of strong import growth and rising deficits on their income accounts. In Central America, a larger surplus on the transfers account was not enough to offset a substantial rise in the trade deficit, so that the current account deficit increased from 2.3% to 4.8% of GDP. In Mexico, the current account deficit held relatively steady in relation to GDP. The hydrocarbon-exporting countries (the Bolivarian Republic

of Venezuela, Colombia, Ecuador and the Plurinational State of Bolivia) were the only group to improve their current account balance, as their combined surplus increased from 0.7% to 1.1% of GDP thanks to an improvement in their trade balance driven by higher oil prices and limited import growth; this last factor basically reflected a drop in Venezuelan imports.

Latin America's current account is projected to continue deteriorating in 2011. Although the deficit on the income balance will shrink relative to GDP, and despite the stable surplus on the current transfers balance, the goods and services balance is expected to worsen, bringing the region's overall deficit to 1.5% of GDP in 2011.

Figure IV.1  
LATIN AMERICA: STRUCTURE OF THE CURRENT ACCOUNT,  
2005-2010  
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Table IV.1  
LATIN AMERICA: CURRENT ACCOUNT STRUCTURE  
BY SUBREGION, 2009-2010  
(Percentages of GDP)

	Goods balance		Services balance		Income balance		Transfers balance		Current account	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Latin America	1.5	1.1	-0.9	-1.1	-2.5	-2.4	1.5	1.2	-0.4	-1.1
South America	3.0	2.5	-1.1	-1.4	-2.7	-2.6	0.7	0.5	-0.1	-1.0
MERCOSUR	2.2	1.4	-0.9	-1.3	-2.3	-2.0	0.3	0.2	-0.7	-1.7
Mining countries	6.8	6.1	-0.7	-0.9	-6.0	-7.7	1.5	2.0	1.5	-0.6
Hydrocarbon-exporting countries	3.6	4.4	-1.9	-2.0	-2.3	-2.3	1.3	1.0	0.7	1.1
Central America	-11.9	-14.4	3.9	3.6	-3.6	-3.3	9.2	9.3	-2.3	-4.8
Mexico	-0.5	-0.3	-0.9	-1.0	-1.6	-1.4	2.4	2.1	-0.7	-0.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

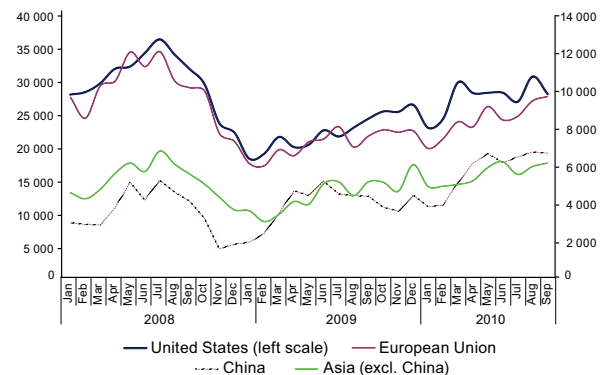
## 1. The goods and services balance

International trade, one of the main channels transmitting the international crisis to the region, has slowly regained buoyancy to become one of the drivers of economic recovery. Trade will have grown by some 25% worldwide and by 26.9% in the region in 2010, after falling by 23% and 23.3%, respectively, in 2009.

External demand bottomed out in the second quarter of 2009 and has recovered steadily since, although not yet to pre-crisis levels. As may be seen in figure IV.2, imports into the United States and European Union markets are still 25% below their July 2008 peak. Conversely, the region's exports to Asia have recovered faster; in China particularly, the pre-crisis peak had already been exceeded by early in the second quarter of 2010.

To judge by the steady recovery of external demand, exports from Latin America as a whole will have risen by about 25.5% in current terms in 2010, equivalent to 12.2% in constant terms. As table IV.2 shows, mining and oil products saw the fastest growth (41.3% in the first three quarters of 2010), with agricultural and manufacturing products expanding a little more slowly (23.5% over the same period). Imports, meanwhile, are estimated to have risen more strongly, at a rate of 28.4% in current terms and 21.7% in constant terms. This substantial climb is mainly due to a strong increase in imports of fuel, followed by consumer goods; between January and September 2010 these were up by 50.5% and 32.6%, respectively, on the year-earlier period. The performance of imports may be attributed to dynamic domestic demand and large currency appreciations in many of the region's countries.

Figure IV.2  
LATIN AMERICA: EXPORTS BY DESTINATION, 2008-2010  
(Millions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

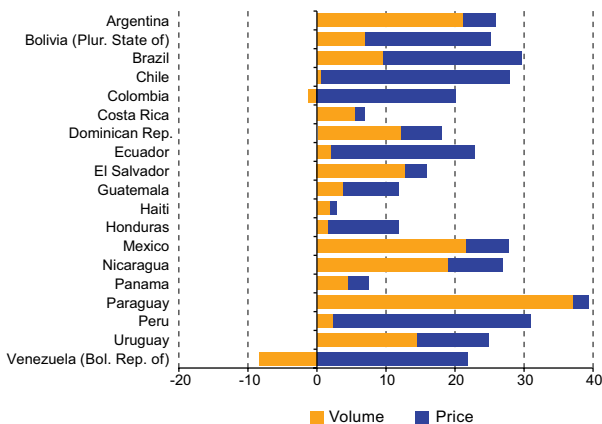
Table IV.2  
LATIN AMERICA: INTERNATIONAL TRADE GROWTH BY MAJOR  
PRODUCT TYPE, 2008-2010  
(Percentages)

	2008	2009	2010	January-September 2009	January-September 2010
<b>Exports</b>					
Agricultural products	20.8	-10.9	24.5	-14.5	23.5
Oil and mining	24.2	-30.3	33.0	-42.3	41.3
Manufactures	11.1	-20.4	22.0	-25.0	23.7
<b>Total</b>	<b>16.1</b>	<b>-22.5</b>	<b>25.5</b>	<b>-29.7</b>	<b>28.6</b>
<b>Imports</b>					
Capital goods	21.7	-16.0	21.0	-17.5	21.5
Intermediate inputs	17.1	-23.1	28.7	-27.0	30.9
Consumer goods	20.8	-20.9	27.7	-25.2	32.6
Fuels	47.8	-42.8	43.1	-49.8	50.5
<b>Total</b>	<b>21.8</b>	<b>-24.1</b>	<b>28.4</b>	<b>-28.2</b>	<b>31.3</b>

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

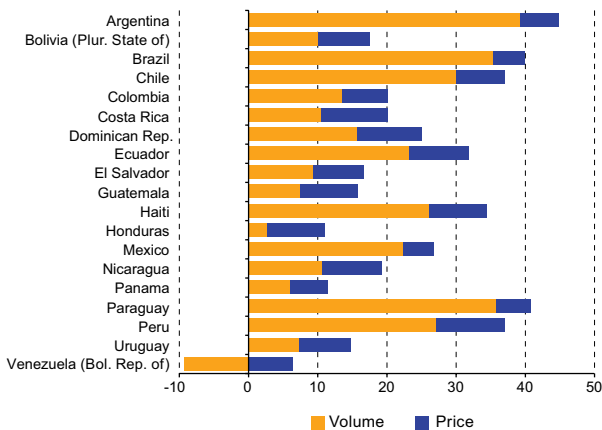
As figures IV.3 and IV.4 show, a country-by-country analysis reveals a clear recovery in the value of exports and imports in the great majority of the countries. The only exception are imports in the Bolivarian Republic of Venezuela, where a decline in economic activity has dented demand for products from abroad. When price and volume changes are distinguished, it transpires that the rise in the value of exports from countries exporting mining and hydrocarbon products is chiefly due to prices, while in most of the countries that export agricultural and manufacturing goods higher volumes are driving the gains in value. In the case of imports, volumes have accounted for most of the increase because the import mix has a larger share of manufactures, whose prices tend to be less sensitive to short-term market situations.

Figure IV.3  
**LATIN AMERICA: EXPORT VALUE GROWTH RATES BY VOLUME AND PRICE, 2010**  
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Figure IV.4  
**LATIN AMERICA: IMPORT VALUE GROWTH RATES BY VOLUME AND PRICE, 2010**  
 (Percentages)

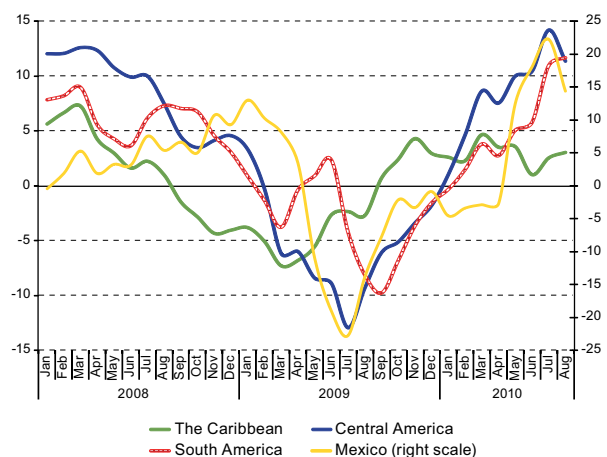


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The region's services trade balance has deteriorated, owing mainly to higher freight and other costs associated with imports. The overall deterioration is largely a reflection of the situation in Brazil, whose deficit increased by 66% to account for 61% of the regional deficit. Even in Central America, the only subregion to run a surplus on its services account, the positive balance declined as a percentage of GDP (from 3.9% in 2009 to 3.6% in 2010), as tourism growth was not sufficient to offset rising imports of services. A negative balance of 1.1% of GDP is projected for the region as a whole, representing an increase on previous years.

Figure IV.5 shows international tourist arrivals up to August 2010. In all subregions, the downtrend began to ease in mid-2009 and positive growth kicked in from early 2010. Whereas growth in tourist arrivals increased steadily in Central and South America, in the Caribbean it tended to stabilize around a modest rate. Year-on-year variation in tourist arrivals in Mexico did not enter positive territory until May 2010 because of the deterioration triggered in May 2009 by the influenza A (H1N1) pandemic. For the period from January to August 2010, international tourist arrivals were up by 8.7% in Central America, 7.4% in South America, 6.8% in Mexico and just 3.4% in the Caribbean on the year-earlier period.

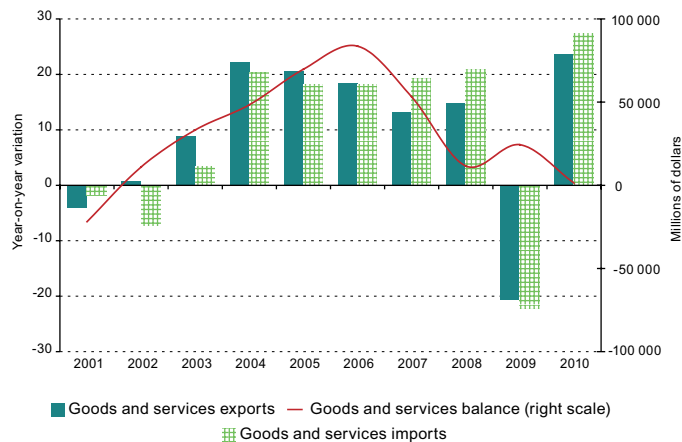
Figure IV.5  
**LATIN AMERICA AND THE CARIBBEAN: YEAR-ON-YEAR VARIATION IN INTERNATIONAL TOURIST ARRIVALS, 2008-2010**  
 (Three-month moving averages, percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the World Tourism Organization (UNWTO).

To sum up, figure IV.6 presents the evolution of the goods and services balance for the region as a whole. It shows a deterioration beginning in 2007 and continuing in 2010 after a small reversal in 2009 reflecting the international crisis. This account will show virtually a zero balance in 2010, in the poorest performance since 2001.

Figure IV.6  
**LATIN AMERICA: EXTERNAL TRADE IN GOODS AND SERVICES, 2001-2010**  
 (Year-on-year percentage change in exports and imports (left scale) and goods and services balance in millions of dollars (right scale))



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

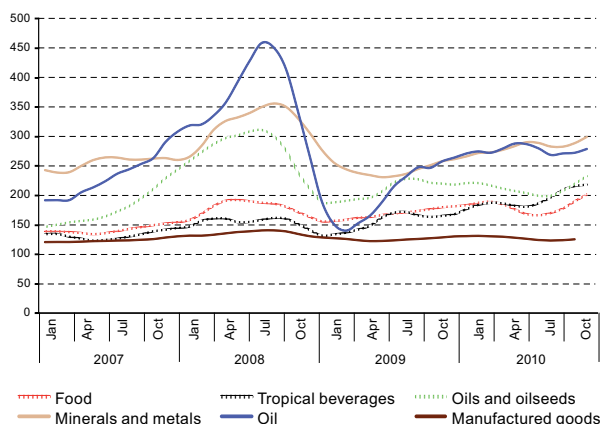
## 2. International prices and the terms of trade

Following an almost uninterrupted rise during 2009, prices for the region's commodities went through two phases during 2010. As figure IV.7 shows, prices for food and other agricultural commodities dipped during the first half of the year before resuming an upward trend. In the cases of food and tropical beverages (coffee, tea and cacao), which are major export and import groups for some of the region's countries, the values seen in recent months have actually exceeded the peak observed during what became known as the "food crisis" of 2008. Wheat is a notable case, as its price dropped sharply in the first half of the year before recovering strongly following the drought and consequent export ban in the Russian Federation, one of the main exporters, and a continuing rise in world demand. This also had an effect on wheat substitutes, particularly maize.

As illustrated in figure IV.7, the uptrend in the metals and minerals price index was cut short in mid year, only to resume a few months later. In general, products in this group have seen larger price rises than agricultural goods. Between January and October 2010, the prices of copper, aluminium and gold grew by a cumulative 52.1%, 35.0% and 27.1%, respectively, over the same period in 2009. A parallel trend was seen in the case of oil, although with a less vigorous renewal of the upward trend; it ended the period 31.8% higher. These price rises, driven at least partly by abundant international market

liquidity, have yielded major growth in fiscal revenues for some of the region's countries. The manufacturing price index, meanwhile, has recorded similar but much more gradual changes.

Figure IV.7  
**LATIN AMERICA AND THE CARIBBEAN: PRICE INDICES FOR COMMODITIES AND MANUFACTURED GOODS, 2007-2010<sup>a</sup>**  
 (2000=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the United Nations Conference on Trade and Development (UNCTAD) and the Netherlands Bureau for Economic Analysis (CPB).

Note: The commodity groups are weighted by their share of Latin American exports.

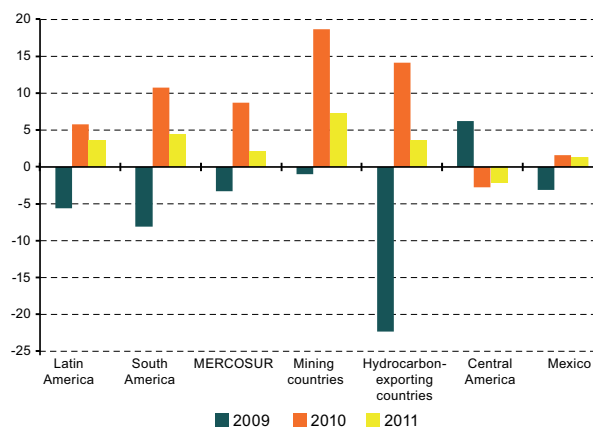
<sup>a</sup> The weighting of commodity groups is calculated using the proportion of Latin America's exports accounted for by commodities.

These price trends underlay the differentiated behaviour seen in the region's terms of trade during 2010. Figure IV.8 shows that exporters of metals (Chile and Peru) and hydrocarbons (the Bolivarian Republic of Venezuela, Colombia, Ecuador and the Plurinational State of Bolivia) have recorded major gains in their terms of trade, amounting to 18.7% for the former and 14.1% for the latter. Unlike South America, the Central American countries, as net commodity importers, have experienced a terms-of-trade downturn. In Mexico, higher oil prices have been partially counteracted by higher import prices, so that the country's terms of trade are calculated to have increased by just 1.6% over the year. The terms of trade for Latin America as a whole rose by 5.9%, more than balancing the fall of 5.6% in 2009.

The expectation for 2011 is that the price trends described above will continue, but with more modest variations. Thus, the terms of trade are projected to climb by 3.6% for the region, breaking down into a rise of 7.3% for the mining countries, 3.6% for hydrocarbon exporters, 2.2% for the MERCOSUR countries and 1.3% for Mexico, and a decline of about 2.2% for Central America. These projections for 2010 and 2011 continue the trend observed

in the 2000s (terms-of-trade gain for South America, a deterioration for Central America and relative stability for Mexico), which was temporarily interrupted in 2009 by the impacts of the international crisis.

Figure IV.8  
LATIN AMERICA (19 COUNTRIES): ESTIMATED CHANGES IN THE TERMS OF TRADE, 2009-2011  
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

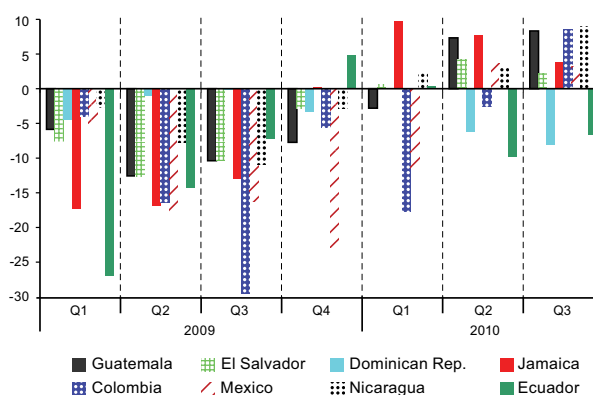
### 3. The income and transfers balance

The factor income deficit will have risen by US\$ 13.2 billion, remaining practically unchanged as a proportion of GDP, however, given strong output growth in 2010. Much of this increase reflects larger outflows of earnings from just three countries: Chile, Peru and Colombia, the first two of which show particularly large balances on this account, at 8.7% and 6.6% of 2010 GDP, respectively.

Migrant workers' remittances, which are included in the current transfers balance, represent a major source of revenue for some of the region's countries, particularly in Central America and the Caribbean. Figure IV.9 shows recent trends in this variable for certain countries for which these flows represent an important income source. After falling sharply everywhere during much of 2009 as a consequence of the international crisis and its effect on the labour markets of the United States and Europe (the main destinations for emigrants from Latin America and the Caribbean), the decline in remittances slowed in the fourth quarter of 2009, after which they began to grow again in most countries, albeit to a limited extent so far. Remittances have yet to regain their pre-crisis levels in any of the countries shown in the figure. In any event, they are unlikely to recover the buoyancy of earlier years, for at least three reasons: developed-country labour markets

remain depressed or are recovering only tentatively; these countries have shown signs of toughening their migration policy in recent times; and remittances seem to follow a natural downtrend, as they are inversely related to the time emigrant workers have spent abroad.

Figure IV.9  
LATIN AMERICA AND THE CARIBBEAN (EIGHT COUNTRIES): YEAR-ON-YEAR GROWTH IN EMIGRANTS' REMITTANCES, 2009-2010  
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The current transfers surplus is expected to have grown by over US\$ 600 million. Besides the dynamic of emigrants' remittances described in the previous paragraph, three exceptional events underlie this outcome. The first is a large increase in transfers to Haiti, since this account includes the official donations received after the January 2010 earthquake and the cholera outbreak late in the year.

A similar situation is observed in Chile in the first semester as a consequence of February's earthquake and increased tax credit for profit remittances. Lastly, in Argentina there was an exceptional jump during the third quarter of 2009 owing to an allocation of special drawing rights by the International Monetary Fund, which was recorded as a credit in the current transfers account.

## B. The capital and financial account

The financial environment beyond the region continued to exhibit the turbulence associated with the after-effects of the global financial crisis and the public programmes designed to confront it. Although the danger of a general fall in global financial markets was averted, there were two sources of uncertainty in these markets which remained in place and in some cases intensified during 2010. First, there was uncertainty over developments in the advanced economies, given the evidence that recovery there was proving weak, and over the possible consequences for global markets of the kind of measures adopted, particularly by the United States. Thus, not only were the signs of recovery in the developed economies volatile and unencouraging, but the unprecedented increase in global liquidity resulting from the crisis containment measures translated into highly volatile commodity prices, exchange rates and inflationary expectations.

Second, uncertainty began to mount early in the year over the sustainability of sovereign debt in certain European Union countries. This sprang from the fiscal consequences of the rescue schemes implemented and from expectations surrounding fiscal situations that were unsustainable and reflected structural imbalances. Initially affected were a group of countries comprising Greece, Ireland, Italy, Portugal and Spain, some of which (Greece and Ireland) required special rescue programmes. Meanwhile, a number of European countries, including France and the United Kingdom, implemented far-reaching fiscal consolidation programmes.

In contrast to the lessened vigour of the developed countries, the situation in emerging countries, including a number in the region, was generally one of stronger recovery and greater solidity in their external and domestic accounts compared with earlier crises, and future growth expectations remained positive. The

likelihood of contagion in the region from the crisis in the European countries seemed slight, since external debt levels were lower and the fiscal position generally sounder in Latin America and the Caribbean than in earlier crises, export prices continued to boom, and remittances sent from those countries by emigrant workers were usually of fairly marginal significance, the exceptions being Ecuador, Jamaica and, to a lesser extent, Colombia and Paraguay.<sup>1</sup> Among other things, this strengthened macroeconomic position gave rise to a general improvement in perceptions of the region's sovereign risk, expressed in numerous upgrades to the credit ratings of sovereign debt and reductions in country risk measures. Despite the improvements, however, and as figure IV.10 illustrates, these measures are still higher than in the run-up to the crisis for both moderate-risk countries and those attracting higher risk premiums, something that can be put down to perceptions of persistently high global risk.

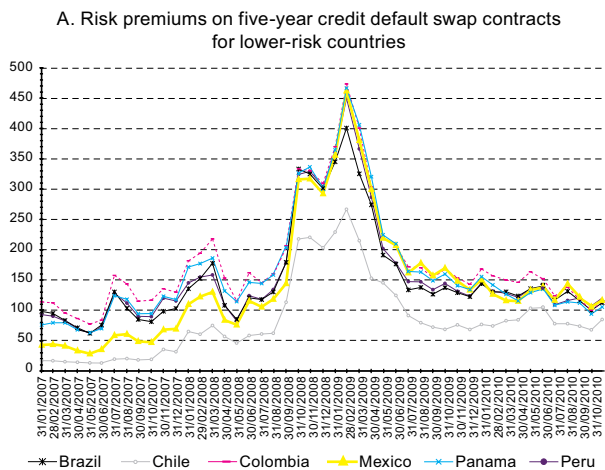
While benign enough, this picture does not capture situations like those of certain countries in Central America and the Caribbean whose external balances have evinced a degree of fragility for some time owing to both external factors and domestic difficulties.

Thus, albeit with some fluctuations due to external shocks, the region was confronted from the beginning of the year with increased global liquidity, driven in part by the programmes adopted in the United States to expand liquidity during the second half of the year, while the improvements in the region's risk levels made it an attractive investment destination.

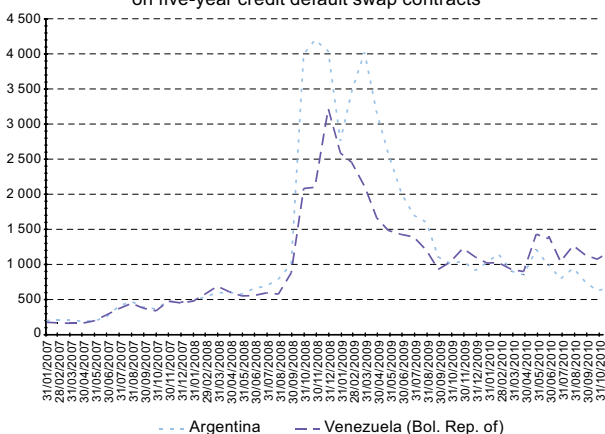
<sup>1</sup> While circumstantial evidence for the Plurinational State of Bolivia also points to substantial emigration to Europe, no information is available on the origin of remittances.



Figure IV.10  
**LATIN AMERICA (SELECTED COUNTRIES): RISK PREMIUMS, 2007-2010**  
 (Percentages)



B. Argentina and the Bolivarian Republic of Venezuela: risk premiums on five-year credit default swap contracts

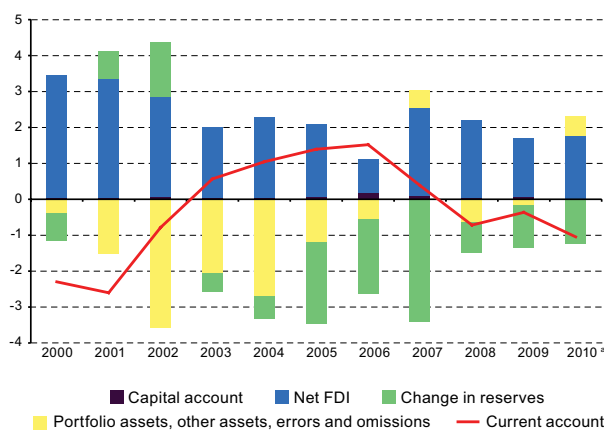


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Bloomberg.

In this context, the region saw an increase in inflows of external financing in the form of both foreign direct investment (FDI) and portfolio investment flows, plus substantial growth in the external resources raised by private-sector corporations via bond issues. As figure IV.11 shows, net FDI recovered somewhat from 1.6% to 1.8% of regional GDP, while net flows of debt and of portfolio and other investment assets changed direction as the net outflows that had been experienced for two years gave way to a net inflow equivalent to 0.5% of regional GDP. Taken together, these two net inflows increased from 1.4% of GDP in 2009 to 2.3% in 2010. Not only does this represent a substantial change in the

scale of financial resources flowing into the region, but continuing external upheavals combined with higher short- and medium-term growth expectations for the region than for developed countries make it reasonable to project a strengthening of the trend. It is important to realize, however, that most of this increased inflow of finance is going to Brazil, Chile, Mexico, Peru and, to a certain extent, Colombia. These are the countries that generally account for the bulk of FDI, are more integrated into external financial markets and are frequent bond issuers. The Central American and Caribbean countries, meanwhile, although they account for a lesser share of the region's inward FDI total, FDI has been the main source of financing for what in some cases have been persistent current account deficits.

Figure IV.11  
**LATIN AMERICA (19 COUNTRIES): CURRENT ACCOUNT BALANCE AND COMPONENTS OF THE FINANCIAL ACCOUNT, 2000-2010**  
 (Percentages of regional GDP)



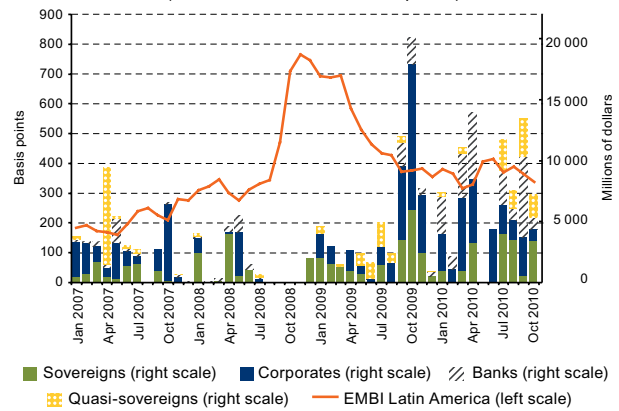
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.  
 a Estimate.

As noted above in the section on monetary and exchange-rate policy, this situation resulted in upward pressure on currencies that in turn triggered a variety of measures to discourage speculative and shorter-term inflows and ward off even greater pressure for appreciation. Likewise, for the eighth year running a number of countries resorted to a substantial build-up of international reserves, which once again reached new highs despite three consecutive years of current account deficits.

A second aspect of interest is the composition of the region's bond issues on international markets. For one thing, by contrast with the earlier trend, it was

private-sector banks in the region that substantially increased their funding by this method. Prior to the start of the financial crisis, as figure IV.12 shows, banks made sporadic use of low-volume bond issues on global financial markets. From October 2009, following confirmation that the crisis was starting to ease, and in a context of historically low interest rates in these markets, the banks (and private-sector corporations with them) turned decisively back to this funding source, issuing debt on a scale unprecedented in the present decade. In the second place, there was a renewed upsurge in external bond issues involving instruments denominated in the currencies of the region's countries, reflecting both the latter's improved credit quality and expectations about the strength of local currencies.

Figure IV.12  
**LATIN AMERICA: BOND ISSUES ON INTERNATIONAL MARKETS  
 AND COUNTRY RISK, 2007-2010**  
 (Millions of dollars and basis points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from LatinFinance (bonds database), JP Morgan and Merrill Lynch.

## South America





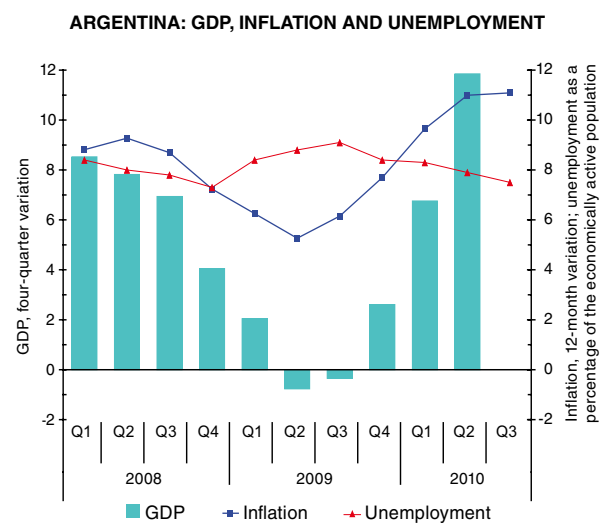
## Argentina

The Argentine economy recovered strongly in 2010, with GDP growth expected to be in the region of 8%, while the unemployment rate fell to about 7.5% in the third quarter. The factors holding back the economy had begun to reverse in the second half of the previous year as a result of both external and local developments. Notwithstanding lingering uncertainties in the international environment, demand for exportable goods recovered as a result of developments in agricultural product markets and the economic performance of major trading partners such as Brazil. The strong recovery in grain harvests, affected by a severe drought in the previous growing season, made a substantial contribution, together with sales of manufactures, to a considerable upsurge in exports (which did not, however, revisit the very high values of 2008). At the same time, domestic spending was stimulated by the behaviour of the private sector and by macroeconomic policies.

The absence of signs of fragility in the country's finances and currency, together with lower returns on external assets, held down demand for foreign exchange. Contrasting with the large outflow of private capital in the first half of 2009, there was a (small) net inflow in the same period of 2010, while the trade surplus remained substantial even though reduced by higher imports. In a context of low international interest rates, a gradual weakening of the nominal exchange rate against the dollar and expectations of rising domestic prices, there was a considerable increase in sales of durable goods, particularly automobiles, as activity recovered and worries about the possibility of falling incomes eased. In addition, demand resulting from transfers to poor families via the child allowance (a mechanism that began to be implemented in 2009) fed through to non-durable consumer goods markets. Taken as a whole, public spending expanded strongly. Investment more than kept pace with aggregate growth and the accumulation rate recovered as a result, although the capital stock probably grew less quickly than output.

Discussions about the inflation trend influenced wage negotiations, which were held under conditions indicative of steady future growth in demand, which in fact materialized over the course of the year. Besides macroeconomic factors, changes in price aggregates were influenced by specific developments in the food sector,

particularly a lower supply of beef resulting from a decline in the size of the cattle herd. At the same time, the rate of depreciation against the dollar slowed. The effect on the multilateral real exchange rate was moderated by the appreciation of other currencies that are important for trade. In November, the government announced a



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

request for technical assistance from the International Monetary Fund (IMF) to prepare a nationwide consumer price index (CPI).

Economic policy was oriented towards strengthening the growth of demand and activity. In the first 10 months, national tax revenues were more than 30% up on the same period the previous year, with growth shared evenly across the main taxes. Public spending increased at a similar rate, with particularly large increases for transfers to the private sector (where the child allowance and assistance for the energy sector were major growth items) and social security benefits. The public sector had a significantly larger volume of funding than the year before, owing to the general growth in tax revenues and funds transferred by the central bank in the form of dividends on stated earnings, which were booked as current income. The primary balance of the national public sector is expected to come in at about 2% of GDP for 2010.

Growth in the monetary aggregates was stronger in 2010. In August, the central bank revised its monetary targets for the second half upward. Monetary policy focused on the use of external and local asset operations to limit fluctuations in the exchange-rate and financial variables. At the beginning of the year, a controversy arose about the use of international reserves for public debt servicing, the operations concerned having been executed following the removal of the central bank president from his post. The government put forward an offer to regularize debt whose bondholders had not taken part in the 2005 restructuring. The ensuing bond swap involved about three quarters of all liabilities in this category. At the same time, some negotiations were undertaken to regularize outstanding debts with the Paris Club. The yield spreads implicit in the prices of public bonds came down appreciably, although they remained higher than those of other countries in the region.

The economic activity indicator rose by 9% in the first nine months by comparison with the same period in 2009, and year-on-year GDP increased by 9.4% in the first half. Output in goods-producing sectors rose particularly strongly from the benchmark levels of the recession. Agricultural output growth was particularly vigorous at 44% in the first half. The grain harvest, comprising cereals, oilseeds and other crops, recovered very strongly to come in at about 93 million tons, a figure more than 50% higher than the previous period's total for a similar sown area and close to the record harvests of the 2006-2007 and 2007-2008 growing seasons, although falling short of these. Soybean production grew by some 70% and accounted for over half the total harvest. Maize output also increased greatly to a record 23 million tons.

#### ARGENTINA: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	6.8	0.9	8.4
Per capita gross domestic product	5.7	-0.2	7.3
Consumer prices	7.2	7.7	11.1 <sup>b</sup>
Average real wage <sup>c</sup>	8.8	11.7	12.6 <sup>d</sup>
Money (M1)	11.1	15.9	29.2 <sup>e</sup>
Real effective exchange rate <sup>f</sup>	-4.1	2.6	-0.2 <sup>g</sup>
Terms of trade	13.3	-4.6	-0.5
<b>Annual average percentages</b>			
Urban unemployment rate	7.9	8.7	7.8 <sup>d</sup>
National public administration overall balance / GDP	0.7	-1.0	0.1
Nominal deposit rate	11.1	11.8	9.3 <sup>h</sup>
Nominal lending rate	19.8	21.3	15.3 <sup>h</sup>
<b>Millions of dollars</b>			
Exports of goods and services	82 040	66 563	82 126
Imports of goods and services	67 931	48 951	67 436
Current account	6 735	11 290	4 785
Capital and financial account <sup>i</sup>	-10 052	-11 667	-1 585
Overall balance	-3 317	-377	3 200

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to October 2010.

<sup>c</sup> Registered workers in the private sector.

<sup>d</sup> Estimate based on data from January to September.

<sup>e</sup> Twelve-month variation to September 2010.

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

<sup>g</sup> Year-on-year variation, January to October average.

<sup>h</sup> Average from January to October, annualized.

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

Conversely, the harvest of wheat, exports of which were restricted, fell to less than 8 million tons, a distinctly low figure by historical standards. Meanwhile, the reversal of the cattle cycle from a phase of stock clearance to one in which the supply of cattle for slaughter was low resulted in a 30% drop in production (year-on-year figures for the first seven months), while bullock prices more than doubled. Oil production remained at levels similar to the previous year's in the first nine months, but natural gas output was slightly down.

The manufacturing index rose by 9.3% in the first 10 months, with considerable diversity of sectoral performance. Automobile output exceeded the peaks of 2008 with a year-on-year rise of over 40%. There was also a considerable (27%) increase in the output of the basic metals industries. Conversely, cold storage plant activity contracted owing to the decline in supplies of raw material, as did the output of paper industries.

The reported year-on-year rise in the Greater Buenos Aires CPI was 11.1% in October. Wage negotiations seem to have been based on perceptions of substantially higher inflation. In any event, the general wages index (covering public- and private-sector workers, both registered and informal) rose by 25.5% in the year to September. Demand for labour mirrored the recovery in

activity. Data to the third quarter show a year-on-year increase in the ratio of employment to population, with the unemployment rate falling to 7.5% (1.6 points lower than a year earlier). Employment in manufacturing and construction grew. Official figures showed substantial falls in the indices of poverty and indigence (to about 12% and 3%, respectively).

Export volumes grew by 20% in the first 10 months of the year, reversing the large falls of 2009. Export prices rose by 3% over the period. Increases in export values were substantial for commodities (69%, with growth in prices and, chiefly, volumes) and industrial manufactures (31%, mainly because of higher volumes), while there was a smaller increase in manufactures of agricultural

origin. Fuel sales declined by 4%. Imports rose by 44% in 10 months (35% by volume), with significant rises in all the main categories (capital goods, intermediate goods, fuels and consumer goods).

Although the trade surplus declined somewhat, the current account once again showed a positive balance. The deficit on the income account in the first half was similar to that in the same period of 2009 (about US\$ 5 billion). The capital account recorded a small positive net balance, as compared to a large outflow the year before. Over the first 11 months of 2010, international reserves rose by some US\$ 4 billion (including currency transfers to the government to meet debt repayments falling due) to approximately US\$ 52 billion.

## Bolivarian Republic of Venezuela

ECLAC estimates that the GDP of the Bolivarian Republic of Venezuela will have contracted by 1.8% in 2010, although it is expected to recover in 2011. A serious energy crisis during the first half of the year was compounded by declining investment and private consumption. GDP contracted in a context of high inflation and rising unemployment.

The central government fiscal account deficit was lower than in 2009 because the decline in revenue, in real terms, was less than the drop in spending.<sup>1</sup> The central government overall deficit went from 5.1% of GDP in 2009 to 4.4% of GDP in 2010, while the central government's primary deficit fell from 3.7% of GDP in 2009 to 2.8% of GDP in 2010. Total central government revenue declined from 21.6% of GDP in 2009 to 19.7% of GDP in 2010. The main reason was lower income tax collections and, to a lesser extent, falling oil revenue. Nevertheless, extraordinary income from the Independence Fund (1.6% of GDP) and from the exchange rate differential (0.6% of GDP) was up. Total central government spending (including net lending) fell from 26.7% of GDP in 2009 to 24.1% of GDP in 2010. Although the proportion of compensation, interest and fees paid increased, current transfers and capital transfers to the public sector were down. The central bank transferred US\$ 6.500 billion to the National Development Fund (FONDEN) during the period

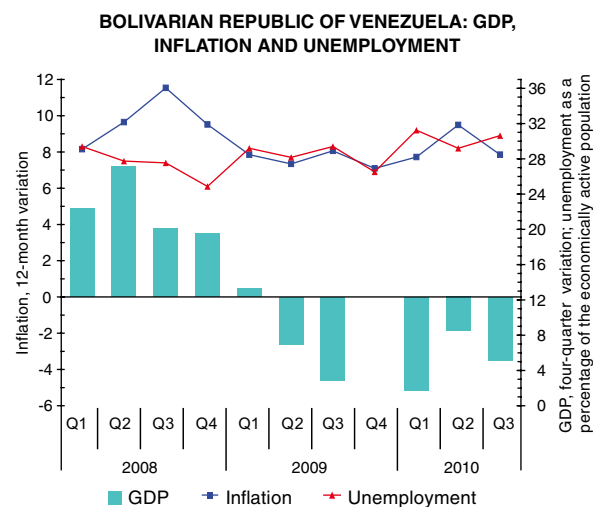
To finance the fiscal deficit and provide dollar-denominated bonds to the Transaction System for Foreign Currency Denominated Securities, it raised the public debt balance in 2010. Late in the third quarter, the external public debt balance was equal to 10.8% of GDP, and the domestic debt balance was 9.3% of GDP.

The nationalization of some companies in various sectors continued in 2010, including food and agricultural inputs (Agroisleña), packaging (Owen Illinois) and textiles (Silka).

The government devalued the bolívar fuerte (BsF) in January 2010 and established two exchange rates: BsF 2.6 and BsF 4.3 per dollar. Following the creation of the Transaction System for Foreign Currency Denominated Securities (SITME) in June 2010, the implicit exchange

rate for this system held at about 5.3 bolívares fuertes per dollar. SITME allows the purchase of dollars for certain operations that are not eligible for the exchange rate of BsF 2.6 (especially for authorized imports of food and medicine) or for the rate of BsF 4.3 per dollar for other imports authorized by the Foreign Exchange Administration Commission (CADIVI). Because of high inflation, the real effective exchange rate as of September 2010 was 23.5% below the average for the past 20 years.

The country's GDP growth began to slow in the second quarter of 2008 and turned negative in the first quarter of 2009, but the rate of decline moderated in the second quarter of 2010. ECLAC therefore estimates that GDP will have contracted by 1.8% in 2010. Sectors like manufacturing, commerce and services were particularly affected by restrictions on electricity consumption (including power rationing) starting in the third quarter



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>1</sup> According to official estimates in the budget bill for 2011.



of 2009, in addition to problems in obtaining dollars to pay for imports and the decline in real worker wages amidst high inflation.<sup>2</sup> On the overall demand side, exports, private consumption and gross fixed capital formation contracted while government consumption rose slightly. The electricity situation began to improve in the second half of 2010 as water levels in the Guri reservoir rose. Nevertheless, power distribution problems have persisted.

According to figures from the Organization of Petroleum Exporting Countries (OPEC), oil production by the Bolivarian Republic of Venezuela has stabilized after falling an average 1.2% during the first nine months of 2010 compared with the same period in 2009. Production is holding at about the same levels as at year-end 2009. After hitting a low in December 2009, investment in upstream petroleum operations will have begun to recover slowly in 2010, as shown by the Baker Hughes drilling count. This rise in investment would be due in part to the 32.2% increase in the price of the country's basket of crude oil during the first three quarters of 2010 compared with the same period in 2009.

Measured by the national consumer price index, the annual rate of inflation was 27.5% in October 2010. Accumulated inflation for the first 10 months of the year was 23%. Inflation has slowed in the second half of 2010 after peaking at an annual rate of 31.3% in June. The broad money supply in the economy increased by 10.9% between September 2009 and September 2010.

Unemployment rose as economic activity fell; the unemployment rate climbed in each of the first three quarters of the year compared with the same period in 2009. The average unemployment rate was 8.9% in the third quarter of 2010 (versus 8.3% in the third quarter of 2009 and 7.2% in the third quarter of 2008). Unemployment rose during the period for both men and women, albeit to a greater extent for men. While worker wages increased by 21.7% in nominal terms between the third quarter of 2009 and the third quarter of 2010, they were down in real terms owing to high inflation, which averaged 31.2% over the same period. This was especially marked in the government sector, where wages rose by 9.9% in nominal terms. Private sector wages rose by 27.4%.

It is estimated that the balance-of-payments current account of the Bolivarian Republic of Venezuela will end 2010 with a surplus, owing principally to improved oil

#### BOLIVARIAN REPUBLIC OF VENEZUELA: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	4.8	-3.3	-1.6
Per capita gross domestic product	3.0	-4.9	-3.2
Consumer prices	31.9	26.9	26.9 <sup>b</sup>
Average real wage	-4.5	-6.6	-21.2 <sup>c</sup>
Money (M1)	26.5	25.2	36.8 <sup>d</sup>
Real effective exchange rate <sup>e</sup>	-18.5	-24.1	52.4 <sup>f</sup>
Terms of trade	23.4	-27.2	19.0
<b>Annual average percentages</b>			
Urban unemployment rate	7.3	7.8	8.6 <sup>g</sup>
Central government			
overall balance / GDP	-1.2	-5.1	-4.4
Nominal deposit rate	16.0	15.6	14.7 <sup>h</sup>
Nominal lending rate	22.8	20.6	18.0 <sup>h</sup>
<b>Millions of dollars</b>			
Exports of goods and services	97 300	59 600	67 034
Imports of goods and services	59 998	48 064	47 257
Current account	37 392	8 561	16 096
Capital and financial account <sup>i</sup>	-27 936	-19 360	-31 096
Overall balance	9 456	-10 799	-15 000

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2010.

<sup>c</sup> Estimate based on data from January to September.

<sup>d</sup> Twelve-month variation to October 2010.

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

<sup>f</sup> Year-on-year variation, January to October average.

<sup>g</sup> Estimate based on data from January to October.

<sup>h</sup> Average from January to October.

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

prices compared with 2009 and a slowdown in imports during the recession that affected the economy during the year. Exports for the first nine months of 2010 were up 17.6% in value terms compared with the same period in 2009, boosted by the rising price of Venezuelan crude. Imports were off by 8.6%, resulting in a current account surplus of US\$ 11.300 billion (3.3% of GDP for the year) during the period.

Unlike the current account, the capital and financial account posted a negative balance of US\$ 15.500 billion (4.5% of GDP). This is a deterioration over the same period in 2009. As in 2009, the foreign direct investment flow was negative in 2010, although foreign divestment in the country slowed and direct investment abroad increased. Portfolio investment in the Bolivarian Republic of Venezuela also fell during the period.

Lastly, the balance of payments was a negative US\$ 7.300 billion for the first nine months of 2010 (2.1% of GDP for the year) and is expected to end the year with a deficit.

<sup>2</sup> This weighed especially on basic industries in Guyana, such as Sidor, Venalum and Alcasa.

## Brazil

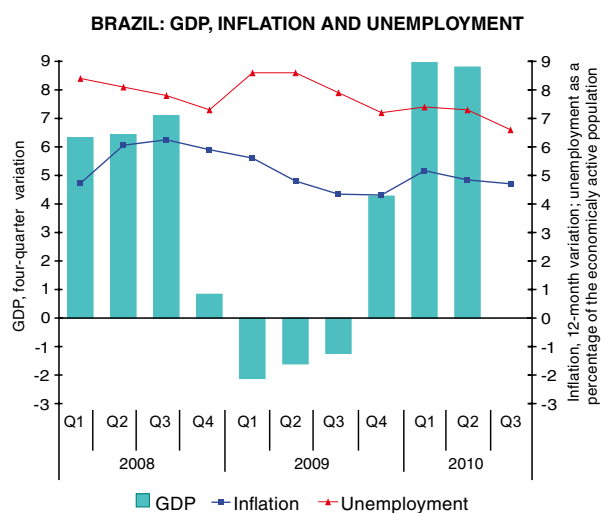
Brazil's economic recovery took firm hold in 2010, with annual growth at 7.7%, booming employment (more than 2.4 million jobs created between January and October) and a low unemployment rate averaging 6.3% between August and October. On average, wages rose by 6.5% in real terms. Personal loans were up 7.7%, also in real terms, supporting a steady expansion of family consumption. Inflation, at 5.2% for the 12 months to October, remained above the 4.5% target. In the external sector, imports rebounded and income from FDI and portfolio investment was up sharply. This macroeconomic performance is due mainly to rising domestic demand spurred above all by public policies aimed at increased spending and financing, especially for investment.

In 2010 the authorities retracted measures implemented to address the crisis in late 2008. Tax reductions targeting specific sectors (such as the automobile industry) were eliminated. Compulsory bank deposits with the central bank returned to pre-crisis levels, and special credit lines to support Brazilian companies with external debts were eliminated. Some investment supports were kept, though, such as tax breaks on inputs for civil construction and more readily available credit for sectors that produce capital goods. The Brazilian Development Bank (BNDES) received another capital injection to enhance its financing capacity. Project execution stepped up under public investment programmes, such as the Growth Acceleration Programme (PAC) and the *Minha casa, minha vida* ("My Home, My Life") housing programme.

Fiscal policy remained expansionary although some countercyclical measures were dropped. Non-recurrent revenue such as dividends from State-owned companies (0.6% of GDP), net revenue from the capitalization of the Petrobras group (1.1% of GDP) and rebounding tax revenue as activity picked up should make it possible to meet fiscal targets with a primary surplus of 3.1% of GDP for 2010. For the 12 months to September, this indicator stood at 2.9% of GDP. Tax revenue, including from payroll taxes, rose by 13% in real terms during the period from January to September 2010 compared with the same period during 2009. Federal government spending increased by 12% in real terms; among the major contributing factors

were social security benefits (up by 8.3%) to September and wages (6% increase), although they rose less than in 2009. Capital expenditure grew by more than 50% in real terms but still accounts for just 6.7% of total primary government outlays (compared with 5% in 2009).

Monetary policy in 2010 held the same expansionary course as in 2009. Although the central bank raised the Special System of Clearance and Custody (SELIC) interest



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

rate from 8.75% to 10.75% between April and July 2010, monetary aggregates and credit recorded significant increases. During the period from December 2009 to October 2010, base money grew by 20.3% and the means of payment rose by 18.6%. Both outpaced the percentage changes posted in 2009 (12.6% and 12%, respectively). Available credit was up substantially (19.6%) as of September compared with September 2009. To October 2010 credit for companies rose by 18% compared with year-end 2009; in 2009 credit expanded less than 6%. Public banks continued to perform well and became firmly established as the main sources of market financing, at 19.6% of total credit. Improved economic performance, revenue and employment kept past-due credit below the 2009 level, at some 3.4% of total credit. Credit reached 46.7% of GDP in October 2010 versus nearly 25% of GDP in 2003.

With an estimated 7.7% increase in GDP, output rose significantly in several sectors. Agriculture posted a gain of 11% over 2009 and 1.9% over the record set in 2008. Mine output again rose substantially, driven by iron mining (production at the largest company rose by 30.4% during the first three quarters of 2010 compared with the same period in 2009). Manufacturing gained 13% during the period, led by the rising production of capital goods (26.5%). Nevertheless, output is still below the levels recorded before the September 2008 crisis, particularly for capital goods and consumer durables. Industrial output during the third quarter of 2010 showed virtually no change over the second quarter of 2010, declining by 0.5%. This slowdown is associated with the impact of countercyclical policies, increased competition from imports and falling idle capacity in some sectors. As for the components of spending, family and government consumption rose considerably, as did investment. Investment during the first three quarters of 2010 increased by 25.6% over the same period in 2009, thanks to BNDES lending (which grew by 19.4% between year-end 2009 and September 2010) and to the rise in home loans. The latter increased by 36% to September 2010 and amounted to 118 billion reais—practically twice the December 2008 level. Several public measures, such as the recapitalization of BNDES and the federal government housing programme, were key to the performance of both sectors. The national indicator of civil construction compiled by the Brazilian Institute of Geography and Statistics (IBGE) rose by 6.3% between January and October 2010, outpacing the 4.9% increase during the same period in 2009. The investment rate for 2010 is expected to recover from the 16.7% of GDP posted in 2009 and return to the levels seen in 2008 when it reached 19.1% of GDP.

The upturn in production also led to a significant expansion of formal employment. The 2.4 million jobs

#### BRAZIL: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	5.2	-0.6	7.7
Per capita gross domestic product	4.1	-1.1	6.7
Consumer prices	5.9	4.3	5.6 <sup>b</sup>
Average real wage <sup>c</sup>	2.1	1.3	2.4 <sup>d</sup>
Money (M1)	-3.5	12.0	18.6 <sup>e</sup>
Real effective exchange rate <sup>f</sup>	-3.3	1.7	-15.2 <sup>g</sup>
Terms of trade	3.6	-2.4	15.0
<b>Annual average percentages</b>			
Urban unemployment rate	7.9	8.1	6.8 <sup>h</sup>
Central government operating balance / GDP	-1.2	-3.6	-2.1
Nominal deposit rate	7.9	6.9	6.8 <sup>i</sup>
Nominal lending rate	38.8	40.4	38.6 <sup>i</sup>
<b>Millions of dollars</b>			
Exports of goods and services	228 393	180 723	230 567
Imports of goods and services	220 247	174 678	242 445
Current account	-28 192	-24 302	-45 296
Capital and financial account <sup>j</sup>	31 161	70 952	91 296
Overall balance	2 969	46 650	46 000

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2010.

<sup>c</sup> Workers covered by social and labour legislation, private sector.

<sup>d</sup> Estimate based on data from January to September.

<sup>e</sup> Twelve-month variation to October 2010.

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

<sup>g</sup> Year-on-year variation, January to October average.

<sup>h</sup> Estimate based on data from January to October.

<sup>i</sup> Average from January to October, annualized.

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

created between January and October 2010 represent a 107% gain over the same period in 2009. Unemployment was 6.1% in October 2010; the national wage bill increased by 11.1% between December 2009 and September 2010. Among the sectors adding the most jobs during the period from January to October 2010 were construction (15.1%) and manufacturing (nearly 9%).

Strong domestic demand and rising commodity prices in the international market will affect inflation. Most of the variations in consumer prices have been due to fluctuating food prices, which rose 7.47% in the 12 months to October versus the 5.2% overall variation in the extended national consumer price index (IPCA) during the same period. Price variations in some other product groups were linked to an increase in available income; notable examples are clothing (6.2%), personal expenses (7.02%) and education (6.2%).

Growing domestic demand fuelled a recovery of productive domestic activities that was reflected in a marked expansion of goods imports (which in value terms rose by 43.8% between January and October 2010 compared with the same period in 2009) in an environment of currency appreciation. Although exports increased by 27%, the trade balance fell to US\$ 14.626 billion in October and was not enough to finance the higher balance of services

and income deficit that, at US\$ 55.750 billion, was 38% more than for the same period in 2009. The current account deficit worsened towards October 2010 and reached US\$ 38.763 billion or nearly 2.37% of GDP. Ample liquidity in the global economy enabled Brazil to finance this deficit mainly with US\$ 21.781 billion in net FDI income and US\$ 61.273 billion in portfolio investments. The foreign currency surplus was absorbed by a US\$ 43.306 billion increase in international reserves, which therefore rose to US\$ 284.900 billion as of the close of October 2010. This is more than Brazil's total external debt, which was US\$ 254.100 billion as of the same date.

These purchases of reserves have not been enough to prevent 6.7% real appreciation against the dollar between year-end 2009 and October 2010. Real effective appreciation, including changes in other currencies, was less marked (5.9%). To check the inflow of short-term capital and lessen its impact on exchange rate movements, in October 2010 the capital inflow tax was reintroduced at a rate of 6%, and the required margins for transactions in the exchange-rate derivatives market were increased.

On the export side, commodity sales rose by 38.7% and those of semi-manufactured goods by 37% on an accumulated basis between January and October 2010 compared with 2009. Exports of manufactured goods increased by 19.3% during the same period. With exports recovering at different paces, commodities accounted for the largest share of Brazil's exports (something that had not happened since the 1970s). They amounted to 44.7% of total exports during the first ten months, versus 39.5% for theretofore first-ranked manufactured goods. Of Brazil's top ten exports between January and October 2010, nine were related to mineral and agricultural products. The number one export is iron ore; at US\$ 22.000 billion, or 13.9% of

total exports, it surpasses second-ranked crude oil by 89% and is proving to be one of the country's main sources of foreign exchange. The only manufactured products among the top ten exports are passenger automobiles, at US\$ 3.612 billion. A significant portion of export growth was due to rising prices during the period from January to October 2010 compared with 2009 (31.6% for semi-manufactured goods, 27.6% for commodities and 9.1% for manufactured goods). Virtually the opposite happened in terms of volume: manufactured goods were up by 9.2%, commodities rose by 8.4% and semi-manufactured goods saw a 4.2% gain. Among export destinations, China—with a 15.85% share—has become the principal buying country. Brazilian sales to Latin America were the fastest growing, expanding by 40.6% (to nearly 21% of total exports) between January and October.

Imports expanded for all product groups and accounted for an accumulated US\$ 148.683 billion for the year to October. Almost half of Brazil's imports were inputs and intermediate goods; these grew by 41.2% during the period from January to October compared with the same period in 2009. Imports of capital goods rose by 37% (22% of the total). Consumer goods imports were up 49% (17% of the total)—particularly automobiles, which rose by 60% and now amount to 4.5% of the total. Higher volume explains the 40.9% increase in import value on an accumulated basis to October 2010. The volume gains were 43.4% for intermediate goods, 42.1% for capital goods and 51.9% for consumer durables. The prices of products imported by Brazil have gone down; the intermediate goods price index fell by 1.5%, and the capital goods price index declined by 4.5%. The consumer goods price index rose by 1.3% for durable goods and 4.3% for non-durables. The only significant price increase (30.9%) was for fuels.

## Chile

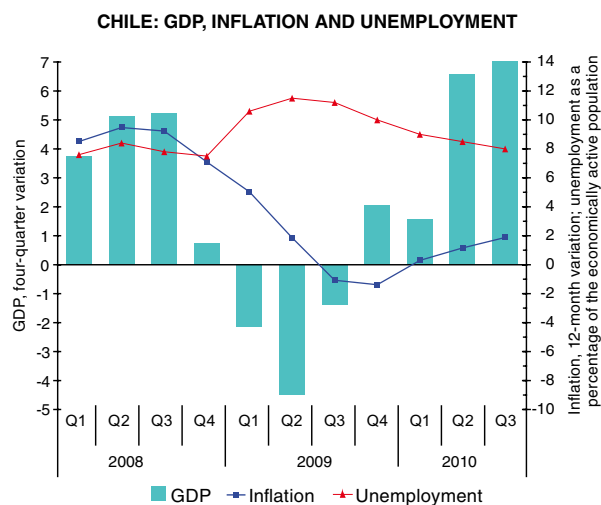
Having been well on the road to recovery since 2009 after suffering the consequences of the global financial crisis, the Chilean economy was confronted with the after-effects of a devastating earthquake in February 2010. Compounded by a degree of uncertainty over the repercussions of the sovereign debt crisis in certain European countries, this initially caused GDP growth estimates to be revised downwards to somewhere in the region of 4.5%, and annualized output growth was 1.6% in the first quarter. However, thanks to a cyclical rebound in consumption, especially of durable goods, and in machinery and equipment investment following the contraction that had occurred amid the uncertainty of 2009, annualized GDP grew by 6.6% in the second quarter and 7% in the third.

Accordingly, with aggregate demand and production activity still buoyant in the fourth quarter, GDP growth for the year overall will be around 5.5%. Meanwhile, a substantial upturn in investment during 2010 is estimated to boosted potential GDP for the coming year by 5%. This, in combination with the continuing strength of domestic and external demand and the stepping up of reconstruction efforts, especially in housing, supports GDP growth projections of between 6% and 6.5% for 2011.

The new government entering office in March 2010 adopted a fiscal policy guided by a medium-term structural balance target. Accordingly, in view of the actual and structural public-sector deficits posted in 2009—of 4.4% and 3.1% of GDP, respectively—as a result of the countercyclical action taken to confront the crisis, government spending in 2010 rose much more modestly. An actual deficit of 1% of GDP is estimated for the year, equating to a structural deficit of 2.3%. This move towards lower deficits will be maintained in 2011, given the slower spending growth stipulated in the budget bill presented by the new government. Consolidated central government spending will expand by 5.5% in real terms in 2011 which, in conjunction with the projected recovery in tax revenues and continuing high copper prices, should give a structural deficit of 1.8%.

Monetary policy continued to be guided by an annual inflation target of 3% with a range of 1% on either side. Amid subdued inflation, the monetary policy rate fell to

a record low of 0.5% per year in July 2009, then began to climb slowly as market conditions returned to normalcy following the global financial crisis. This tendency carried on throughout 2010 as rapidly rising demand brought idle production capacity back into use, and by October the monetary policy rate stood at an annualized rate of 2.75%. Although the outlook for inflation is not expected to change substantially, it is thought that the central bank will continue to raise the reference rate as part of the gradual withdrawal of monetary stimulus.



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Exchange-rate policy has continued to be based on a floating regime. As the dollar weakened against other currencies, terms of trade improved and some foreign-currency holdings were sold to cover the fiscal deficit, the peso posted an average nominal appreciation of 8% over the first 11 months of the year relative to its average level in 2009. This is equivalent to an appreciation of some 6% in the real exchange rate over that period.

The monthly indicator of economic activity (IMACEC) gradually picked up from mid-2009. In April 2010, on a seasonally adjusted basis, the economy regained its output level of June 2008, the peak prior to the global financial crisis. In other words, economic recovery took 22 months.

The fastest-growing sectors were those that are linked to domestic demand and have been driven by the strength of spending, including in the sectors of commerce, transport, communications and other services. The highest growth rates were registered by the electricity, gas and water sector, whose value added was boosted when regasification plants came on stream. Tradable sectors have grown slowly, meanwhile, and some have even declined. A number of factors account for this. In the fisheries sector, the effects of the salmon virus and the scarcity of deep-sea resources have resulted in a negative performance that has long-term causes. The agriculture and forestry sector has suffered the consequences of earthquake damage to export infrastructure, combined with slacker demand for forestry products in destination countries whose residential sector has been hit hard by the crisis. While mining has sustained a slow upturn since mid-2009, manufacturing began to recover gradually in the second quarter following two years of continuous declines. According to the National Statistical Institute (INE), industrial production peaked in March 2008, bottomed out in February 2009 and followed an irregular pattern thereafter, not achieving sustained positive 12-month variations—although still below-peak—until May 2010. This performance reflects the impacts of the financial crisis and the shift in domestic demand towards a larger imported component owing to currency appreciation. The construction sector, which is highly sensitive to the business cycle and to lending conditions, did not begin to show signs of recovery until the second quarter of 2010. Within construction, housing is the most depressed segment, but is expected to show greater vigour in 2011 as reconstruction programmes come on stream.

Inflation has risen steadily from the negative values observed during the crisis, but has remained low and within its target range. As of October, the 12-month variation was 2% and cumulative inflation over the year was 2.8%. A pick-up in inflation during 2011 cannot be ruled out, however, given the rate at which idle capacity has been

#### CHILE: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	3.7	-1.5	5.3
Per capita gross domestic product	2.6	-2.5	4.3
Consumer prices	7.1	-1.4	2.5 <sup>b</sup>
Average real wage <sup>c</sup>	-0.2	4.8	2.1 <sup>d</sup>
Money (M1)	6.8	22.7	22.2 <sup>e</sup>
Real effective exchange rate <sup>f</sup>	-0.4	3.7	-6.1 <sup>g</sup>
Terms of trade	-13.0	1.2	20.8
<b>Annual average percentages</b>			
Urban unemployment rate	7.8	9.7	8.3 <sup>d</sup>
Central government overall balance / GDP	4.8	-4.4	-1.0
Nominal deposit rate <sup>h</sup>	7.8	2.3	2.6 <sup>i</sup>
Nominal lending rate <sup>h</sup>	15.2	12.9	11.9 <sup>i</sup>
<b>Millions of dollars</b>			
Exports of goods and services	77 249	62 242	78 593
Imports of goods and services	69 273	49 335	65 702
Current account	-2 513	4 217	791
Capital and financial account <sup>j</sup>	8 957	-2 569	284
Overall balance	6 444	1 648	1 075

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2010.

<sup>c</sup> General hourly wage index.

<sup>d</sup> Estimate based on data from January to September.

<sup>e</sup> Twelve-month variation to October 2010.

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

<sup>g</sup> Year-on-year variation, January to October average.

<sup>h</sup> Non-adjustable operations rate for 90-360-day periods, annualized.

<sup>i</sup> Average from January to November.

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

brought back into production in response to domestic demand well in excess of output growth.

Nominal wages have reflected the effects of past inflation; with current inflation so low, they rose by an average of 2.4% in real terms over the first three quarters, relative to the average for the previous year.

Broadly speaking, unemployment rates have declined throughout 2010 and were down to 8% in July-September. However, the introduction of a new national employment survey in 2010 has made it harder to compare data on employment and its composition.

In the external sector, exports have been sluggish, with little growth in most of the main categories. Mining exports are at a level similar to that of 2009, while exports of agricultural, forestry and fisheries products have edged up thanks to the buoyancy of fruit exports. Quantum indices for industrial exports, meanwhile, remain below their pre-crisis peaks and are tending downwards. By contrast, consumer and capital goods imports are strongly up in volume terms, thanks to the upturn in consumption, restocking and the replacement of machinery destroyed during the earthquake. Copper prices began to climb in the second quarter in a context of fairly low global copper inventories combined with dollar weakness, and by October were just short of the high posted shortly before the global crisis. Conversely,

with the exception of oil, most imported products did not rise significantly in price relative to 2009.

Against this background, the current account surplus of 2.6% of GDP recorded in 2009 is expected to be followed by a small deficit in 2010 as the positive balances seen in the first part of the year give way to incipient deficits in the second half, driven by the strong import growth resulting from vigorous domestic demand. This situation is expected to carry over into 2011, with a projected deficit of 2.5%.

The balance-of-payments financial account is notable for the rapid growth of foreign direct investment flows into Chile. This has been accompanied by frequent capital outflows in the form of portfolio investment abroad and, on occasions, by outflows of other investments. International reserves have shown only a small variation on last year and stood at US\$ 26.45 billion in September.

Lastly, Chile issued a sovereign bond for US\$ 1 billion and another, denominated in pesos, for the equivalent of US\$ 500 million.

## Colombia

The Colombian economy grew by an estimated 4.0% in 2010, fuelled by domestic demand and a buoyant mining sector (coal and oil). The national currency continued to appreciate, leading the economic authorities to adopt policies designed to check appreciation and mitigate its impact. Inflation remains under control; expectations are that the target of 2-4% will be met. The new administration's economic proposals and the year-end indicators point to 4.0% growth in 2011.

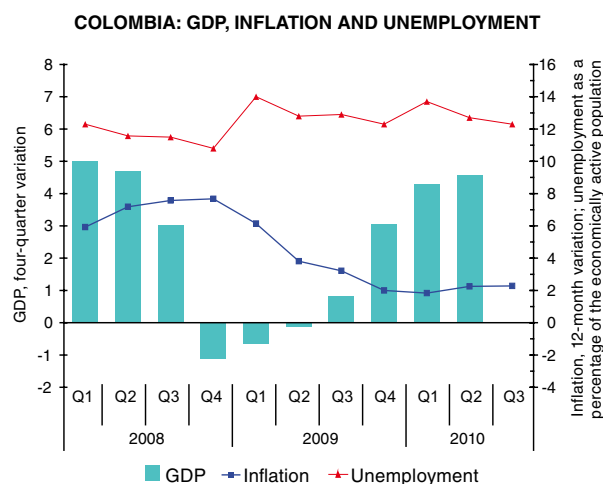
Tax revenue as of September 2010 indicates that the collection target of 12.4% of GDP will be surpassed, thanks above all to burgeoning value added tax collections (up 12% over the same period in 2009) as the economy revived. Other factors were external taxes (15.1% increase compared with the same period in 2009), which exceeded the target despite the global crisis and the suspension of trade with the Bolivarian Republic of Venezuela, and a higher-than-expected income tax take thanks to larger payments by the Colombian Petroleum Company (ECOPETROL).

The public debt is projected to be 35.1% of GDP at year-end (similar to 2009) because the primary deficits are still negative. As of June 2010 the central government debt balance was 34.5% of GDP, 24 points of which correspond to domestic debt. This share remains virtually unchanged. The Ministry of Finance estimates that the consolidated public sector debt stands at 3.6% of GDP and that the central government debt is 4.4% of GDP, which is 0.3 percentage points more than at year-end 2009.

With no major fluctuations in the inflation rate or prospects for higher inflation, the central bank held its monetary policy rate at 3.5% until May and then lowered it to the present 3.0%. Consumer rates fell after the reference rate cut, while lending rates for the construction and purchase of housing rose. Nominal loan interest rates have fallen more than the monetary policy rate since December 2008, except for mortgage loans. In real terms, all of the rates are at historical lows; an expansionary monetary policy has helped keep them stable. The commercial portfolio, which had been trending down on an annual basis, reversed the trend in July to post real annual growth of 8% as of September. Bank consumer and mortgage loan portfolios rose the most, by 10.6% and 19.8%, respectively, owing

to a policy in place since 2009 to subsidize new housing purchase interest rates. The portfolio-at-risk ratio had declined as of September, especially for the consumer portfolio (from 11.9% in 2009 to 8.8%). Mortgage portfolio risk went from 9.7% to 7.3%, and commercial portfolio risk went from 8.6% to 7.9%.

Colombia has seen substantial currency appreciation throughout the year. This trend, which began in 2009 and is hurting the export sector, is mainly due to external factors: monetary expansion in developed countries is weakening their currencies and sending capital flows streaming towards developing economies. To counteract the economic impact of appreciation, the administration eliminated the tax deduction for interest paid on external



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.



debt for certain activities, postponed planned monetizations amounting to US\$ 1.500 billion and lowered tariffs on nearly 4,000 items (raw materials and capital goods), with the nominal tax going from 12.2% to 8.3%. In addition, the Bank of the Republic has been intervening in the foreign exchange market since mid-September. It has been buying US\$ 20 million daily and plans to do so until March 2011. As of October the accumulated intervention amounted to US\$ 2.240 billion. These interventions reversed the appreciation trend, which was a cumulative 8.6% during the year to October and 8.4% for the past 12 months. The monetary aggregates grew throughout the year; M1 expanded at an annual rate of 13.4% (as of October) compared with 9.7% for the same period in 2009. M2 and M3 growth slackened during the period, going from a rate of nearly 15% to some 7%.

Colombia's economy performed well during the first half of the year, expanding by 4.3% in contrast to the 0.3% contraction during the same period in 2009.<sup>1</sup> Colombia's economy is estimated to have grown 4.0% in 2010. Mining and oil were the best performing sectors, expanding by 14.3% during the first half of the year owing mainly to high oil and coal prices. Next were industry (6.5%) and commerce (4.9%), spurred by a rally in durable goods (vehicles and appliances) that applied to the demand side as well. By contrast, the construction sector posted modest growth of just 2.5% (10.3% in the first half of 2009), with a temporary drop-off in building that was offset by a spike in public infrastructure works (19.5%). The only sector that showed negative growth was agriculture (which shrank by 0.1%), due to a 5.9% drop in coffee production and the suspension of bilateral trade by the Bolivarian Republic of Venezuela.

On the demand side, the half-yearly variation in investment was 18.3%. Household consumption, after growing 0.6% during the first half of 2009, was up 3.6% in 2010. The consumer confidence index and business expectations held at above 2009 levels but were starting to fall again during the closing months of 2010.

Accelerating growth of the Colombian economy has not generated inflationary pressures thanks, among other factors, to currency appreciation and the marketing of surpluses that used to be exported. Inflation for the past 12 months to October was 2.3%, with annual variation ranging from 2.7% for core inflation to 1.7% for food. Inflation expectations thus remain in the 2-4% target range. For 2011, the Bank of the Republic once again set target inflation in the same range.

<sup>1</sup> This year, the National Administrative Department of Statistics (DANE) began to issue national accounts results with 2005 as the base year. There are, therefore, changes to the series issued to date.

## COLOMBIA: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	2.7	0.8	4.0
Per capita gross domestic product	1.2	-0.6	2.6
Consumer prices	7.7	2.0	2.6 <sup>b</sup>
Average real wage <sup>c</sup>	-2.0	1.1	2.4 <sup>d</sup>
Money (M1)	8.2	7.5	17.0 <sup>e</sup>
Real effective exchange rate <sup>f</sup>	-4.1	5.7	-14.9 <sup>g</sup>
Terms of trade	11.0	-14.0	12.7
<b>Annual average percentages</b>			
Urban unemployment rate <sup>h</sup>	11.5	13.0	12.4 <sup>i</sup>
National central government overall balance / GDP	-2.3	-4.1	-4.4
Nominal deposit rate <sup>j</sup>	9.7	6.1	3.7 <sup>k</sup>
Nominal lending rate <sup>l</sup>	17.2	13.0	9.5 <sup>k</sup>
<b>Millions of dollars</b>			
Exports of goods and services	42 671	38 222	44 771
Imports of goods and services	44 759	38 390	45 515
Current account	-6 909	-4 991	-7 317
Capital and financial account <sup>m</sup>	9 531	6 338	9 817
Overall balance	2 623	1 347	2 500

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2010.

<sup>c</sup> Manufacturing sector.

<sup>d</sup> Estimate based on data from January to September.

<sup>e</sup> Twelve-month variation to September 2010.

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

<sup>g</sup> Year-on-year variation, January to October average.

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

<sup>i</sup> Estimate based on data from January to October.

<sup>j</sup> 90-day fixed-term certificates of deposit, annualized.

<sup>k</sup> Average from January to October.

<sup>l</sup> Weighted average of all lending rates, annualized.

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

Strong pressure on the labour market will continue, with participation rates rising to 62.6% at the national level and 65.5% for urban areas —the highest in the past six years. Despite job creation, the national unemployment rate held at 11.9% (annual average for the period from October 2009 to September 2010) and was unchanged from the previous period (12.0%). The urban unemployment rate behaved in a similar fashion, going from 13.0% to 12.7% during the same period. Average real manufacturing wages increased slightly compared with 2009.

Colombia's trade balance for the first nine months of 2010 showed a surplus of US\$ 1.32 billion f.o.b., owing above all to the mining sector (along with oil and coal). The largest deficits were with Mexico (US\$ 2.090 billion) and China (US\$ 1.770 billion). Colombia has benefited from high oil and coal prices and rising production volumes, with tonnage growing by 29.3% and 7.8%, respectively, between January and September 2010 compared with the same period in 2009. The trade border with the Bolivarian Republic of Venezuela remained virtually closed until October, driving Colombia's exports to the latter down by an annual 69.2% between January and September 2010 compared with the same period in 2009. Nevertheless, Colombia's total exports expanded by 21.2% during the same period. Traditional exports

(minerals, coffee and hydrocarbons) were up 45.5%; non-traditional exports fell by 5.7%. The destination countries whose share increased the most were the United States (from 37.8% to 42.2%, for oil) and Ecuador (from 3.7% to 4.5%, for fuel and vehicles).

Imports rose by 21.8% between January and September 2010. There were, substantial jumps in imports of consumer goods (31.5%), principally vehicles, as well as raw materials and intermediate products (31.9% and

12.7%, respectively, of the total variation in imports). Imports from China, which accounts for 12.9% of all imports, were up by 43.3%.

The balance of payments still shows a current account deficit, but the healthy volume of foreign direct investment has yielded a financial account surplus. During the first half of the year, nearly 57% of the foreign direct investment flowing into the country was for the oil and mining sector (including coal).

## Ecuador

Following a sharp slowdown in 2009, Ecuador's economy is expected to grow by 3.5% in 2010, on the strength of higher oil prices and an upturn in private consumption and domestic credit. Nevertheless, public-sector accounts and the balance-of-payments current account are running a deficit. Against a backdrop of higher public investment, 3.5% growth is projected for 2011 as well, depending on oil prices and on the availability of financing for those investment projects.

Tax receipts rose significantly in 2010 owing to a reduction in tax evasion and an increase in economic activity. Between January and September 2010, value added tax receipts shot up by 21.5% over the same period in 2009. Other tax receipts were up sharply, too, with the exception of income tax, which is still feeling the effects of the 2009 downturn. Higher international oil prices pushed up petroleum revenues; central government revenues are therefore expected to climb from 22.3% of GDP in 2009 to 25.5% in 2010.

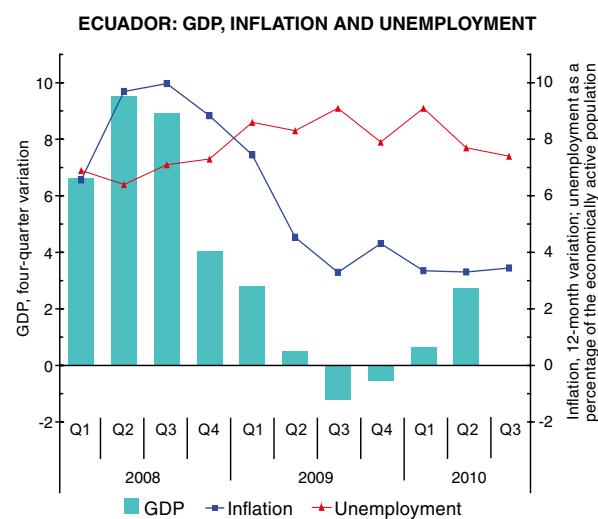
Current and capital expenditure grew at a moderate rate because of the difficulties in securing financing for investment projects, especially in the first half of the year. Therefore, although the central government had budgeted for a larger increase, estimates are that expenditure has only risen from 27.3% of GDP in 2009 to 28.3% of GDP in 2010. With higher revenues and lower-than-expected expenditures, the projected central government deficit of 2.9% of GDP is lower than the budgeted 5.6%.

The limited availability of financing was reflected in the Single Treasury Account in the central bank, which plummeted early in the year. However, the situation began to improve in April, thanks to initial disbursements on a series of loans from the Andean Development Corporation for a total of US\$ 755 million. In addition, the government received a US\$ 1 billion loan from the China Development Bank in August. These loans took external public debt from US\$ 7.393 billion at year-end 2009 (14.2% of GDP) to US\$ 8.589 billion in October 2010 (15.5% of GDP). Furthermore, the Ecuadorian Social Security Institute bought more than US\$ 1 billion in government bonds. These and other operations drove domestic public debt up from US\$ 2.842 billion at the end of 2009 (5.5% of GDP)

to US\$ 4.517 billion in October 2010 (8.1% of GDP). These disbursements kept readily available international reserves steady throughout the year to stand at US\$ 3.451 billion in November 2010.

The Organic Planning and Public Finances Code adopted in October 2010 establishes a multi-year planning system for all public-sector bodies. Among other things, the Code sets a public-debt ceiling of 40% of GDP, maintains the fiscal rule (regular expenditures are financed only with regular revenues, except in exceptional cases) and authorizes the issuance of short-term bonds as instruments for controlling liquidity.

During the first half of 2010, the real exchange rate appreciated moderately. However, the appreciation of



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

the currencies of Ecuador's main trading partners and the general weakness of the dollar led to a period of real depreciation that began in June and continued for the rest of the year.

In the second quarter, the banking sector began to step up lending to the private sector. A series of government measures (such as increasing the tax on outward foreign-currency transfers and broadening the base on which the minimum domestic liquidity ratio is calculated) led the banking system to repatriate some of its assets held abroad. Demand for credit escalated as the economy improved. In October 2010, private bank lending to the private sector was up 18.3% from October 2009. Although public banks account for less than 10% of total credit to the private sector, their share of overall financing has been growing steadily. This larger stance has been bolstered by the decision to channel the stimulus package announced in late 2009 through public banks and by the creation of the Bank of the Ecuadorian Social Security Institute.

Unlike 2009, private consumption and gross fixed capital formation will be the most robust components of aggregate demand in 2010. However, public consumption slackened because of financing problems early in the year. The manufacturing, construction, trade and financial intermediation sectors will post brisk growth this year. By contrast, the electricity and water sector will contract because low water levels in late 2009 and early 2010 cut hydroelectric output. Oil refining was also down during the year, as maintenance work at the Esmeraldas refinery reduced its production capacity.

Petroleum production continues to fall. The 2.4% rise in crude-oil production recorded by PETROECUADOR, the State-owned oil company, in the first three quarters of 2010 compared with the same period in 2009, was not enough to offset the 7.9% decline among private companies. In June 2010, the National Assembly adopted new hydrocarbons legislation establishing provision-of-services agreements. These agreements set a fixed fee for oil production depending on the investments made and production costs; these fees will be the only revenue private companies will receive. The State is guaranteed a minimum level of revenue plus any non-recurring revenue from oil price hikes. Furthermore, companies are required to invest in order to maintain or increase production. Five of the private companies that operate in the main oilfields, accounting for 86% of total private production, signed the new agreements in late November. The operations of the four companies that did not sign the new agreements will be put to bid in the first half of 2011.

During the year, prices grew at a moderate and steady rate, and average inflation of 3.6% is projected for the year. Labour indicators improved in 2010 in line with

#### ECUADOR: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	7.2	0.4	3.5
Per capita gross domestic product	6.1	-0.7	1.9
Consumer prices	8.8	4.3	3.4 <sup>b</sup>
Money (M1)	26.7	3.7	21.6 <sup>c</sup>
Real effective exchange rate <sup>d</sup>	0.4	-4.9	-2.0 <sup>e</sup>
Terms of trade	9.7	-11.5	11.1
<b>Annual average percentages</b>			
Unemployment rate <sup>f</sup>	6.9	8.5	8.0 <sup>g</sup>
Central government overall balance / GDP	-1.1	-5.1	-2.9
Nominal deposit rate	5.5	5.4	4.7 <sup>h</sup>
Nominal lending rate	9.8	9.2	9.1 <sup>h</sup>
<b>Millions of dollars</b>			
Exports of goods and services	20 460	15 574	19 021
Imports of goods and services	20 730	16 873	21 729
Current account	1 086	-330	-1 461
Capital and financial account <sup>i</sup>	-152	-2 448	1 861
Overall balance	934	-2 778	400

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2010.

<sup>c</sup> Twelve-month variation to October 2010.

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

<sup>e</sup> Year-on-year variation, January to October average.

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

<sup>g</sup> Estimate based on data from January to September.

<sup>h</sup> Average from January to September, annualized.

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

the economic recovery. Unemployment fell from 9.1% in the first quarter to 7.4% in the third quarter. Although underemployment has also fallen, it still hovers at about 50% of the economically active population. Thanks to the increase in nominal wages and the low rate of inflation, real wages were up by 6.3% compared with 2009.

Ecuadorian exports are expected to surge by 22.9% in 2010 compared with 2009, owing mainly to petroleum exports (although only because prices have risen) and to some traditional exports (coffee, shrimp and cacao) and non-traditional exports (flowers, wood, mineral products, vehicles and other metals manufactures). Nevertheless, imports rose by a larger margin and were up by 31.9%. Although imports of all types of goods rose, imports of consumer durables, fuels and some intermediate goods stood out, driven by the increase in aggregate demand and the phase-out, in early 2010, of the balance-of-payments safeguards implemented the previous year. These factors together are expected to widen the merchandise trade deficit to 2.1% of GDP.

Compared with the same period in 2009, family remittances fell by 5.6% in the first three quarters, owing in particular to the worsening employment situation in Spain and Italy, two of the main destinations of Ecuadorian migrants. This will have an impact on the current account deficit, which is expected to end the year at 2.9% of GDP.

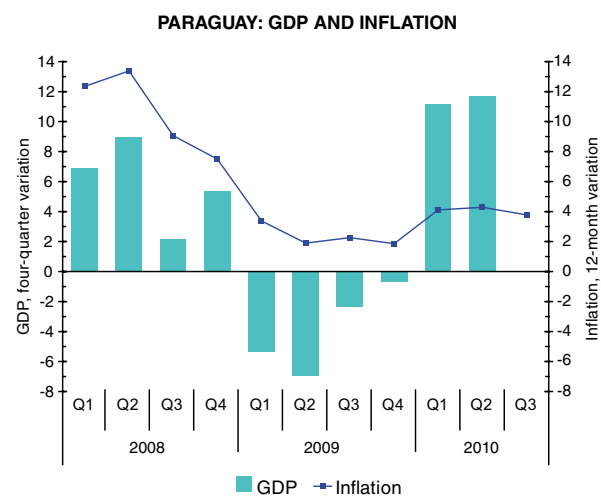
## Paraguay

The economy of Paraguay is expected to record 9.7% growth in 2010, the highest rate in the region. This result was due largely to a strong performance by the agricultural sector, particularly soybean output—thanks to favourable weather conditions during the 2009-2010 harvest—and cattle farming, although other sectors, in particular construction, also made a substantial contribution. Public spending continued to expand in 2010, but a significant increase in fiscal revenue held the central government fiscal deficit down to a moderate 0.5% of GDP. The year-on-year variation in the consumer price index (CPI) to November 2010 was 6.1%, outstripping 2009 (1.9%). The current account deficit widened to 2.2% of GDP, owing to a larger trade deficit. Moderate GDP growth of 4.0% is forecast for 2011.

Thanks to the favourable economic performance in 2010, fiscal revenues were 7% higher, in real terms, than in 2009, exceeding the forecasted levels of the 2010 national budget. This increase was due to the rise in tax revenues (11% in real terms over the preceding year), driven chiefly by value added tax (VAT) and taxes on foreign trade. Receipts for both were up, thanks, respectively, to expanding internal demand and a buoyant external sector. Improvements in tax administration and in collection systems contributed to the greater tax take, as the authorities increased the taxpayer rolls by almost 9% between July 2009 and July 2010. These stronger results were achieved notwithstanding the fact that the National Congress of Paraguay did not pass the personal income tax bill and the National Congress of Brazil did not ratify the proposed increase in royalties and compensation payable by Brazil for the power generated by the Itaipú binational hydropower plant.

Although Paraguay continued to apply an expansionary public spending policy in 2010 (with total expenditure increasing by approximately 10% in real terms compared with the previous year), the negative fiscal balance, equivalent to 0.5% of GDP, is significantly smaller than the deficit approved in the national budget for 2010 (2.1%-2.4% of GDP). This is attributable to the country's robust economic recovery and the resulting higher tax revenues. In 2009, the central government's overall fiscal balance was a small surplus equivalent to 0.1% of GDP.

The rebounding economy and concerns over rising inflation led the Executive Committee for Open Market Operations and Reserves (CEOMA) of the Central Bank of Paraguay to announce in May that it would start to apply a more restrictive monetary policy. Last year, in response to expectations of lower inflation and in order to stimulate the credit market, CEOMA lowered the interest rates of the monetary regulation instruments, or IRM. These rates bottomed out at an average 0.6% in May 2009. After the monetary stimulus, CEOMA raised the IRM rates,



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

which had been edging up and signalling a hardening of monetary policy. Thus, in November 2010, the average rate of return on the IRM was 3.9%.

Despite the increase in the current account deficit, the nominal exchange rate of the guaraní against the United States dollar reflected a year-on-year appreciation of 2.4% as of November 2010. The real effective exchange rate as of September 2010 showed a 2.6% year-on-year appreciation against the dollar and had depreciated 7.4% against the Brazilian real and 2.6% against the Argentine peso. The appreciation of the guaraní with respect to the dollar is in line with the pattern in much of Latin America, where currencies have been boosted by abundant liquidity worldwide, stronger capital inflows and burgeoning international reserves.

After posting one of the slowest rates of growth in Latin America in 2009 (with GDP contracting by 3.8%), Paraguay boasted the sharpest growth rate in the region in 2010: 9.7%. This growth is due above all to the performance of agriculture, and livestock, forestry and fishing, which benefited from rising demand and high international prices for its products. Soybean production accounted for most of this growth. Coming in the wake of the intense drought in 2008-2009, good farming weather in 2009-2010 made for a bumper crop, one of the best in recent years. Paraguay's remarkable economic growth in 2010 was also driven by the increase in cattle production, the expansion of the construction sector and the recovery in industry. On the demand side, Paraguay's economic expansion is due to stronger public and private spending and vibrant foreign trade.

With respect to the labour market, the Continuous Employment Survey recorded open unemployment of 7% (7.2% for men and 6.7% for women) in the third quarter of 2010. The rate is expected to be lower in the fourth quarter. Just as a reference, the open unemployment rate according to the Permanent Household Survey conducted in October to December 2009 was 6.4%. In June 2010, the Central Bank of Paraguay's index for wages and salaries showed a year-on-year variation of 5.3%. By decree, the legal minimum wage for the private sector was raised by 7%, effective July 2010.

Demand-side pressures and higher producer prices fuelled inflation of over 5%<sup>1</sup> towards the end of 2010, topping the 1.9% recorded in 2009. In November 2010, total year-on-year inflation was 6.1%. Year-on-year core

#### PARAGUAY: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	5.8	-3.8	9.7
Per capita gross domestic product	3.9	-5.5	7.8
Consumer prices	7.5	1.9	6.1 <sup>b</sup>
Average real wage	-0.7	4.5	1.0 <sup>c</sup>
Money (M1)	7.5	29.6	24.9 <sup>d</sup>
Real effective exchange rate <sup>e</sup>	-11.3	10.2	-2.0 <sup>f</sup>
Terms of trade	7.3	-2.2	-1.9
<b>Annual average percentages</b>			
Urban unemployment rate	7.4	8.2	7.8 <sup>g</sup>
Central administration overall balance / GDP	2.5	0.1	-0.5
Nominal deposit rate	6.2	3.4	1.8 <sup>h</sup>
Nominal lending rate	14.6	15.6	13.1 <sup>h</sup>
<b>Millions of dollars</b>			
Exports of goods and services	8 948	7 253	9 582
Imports of goods and services	9 436	7 374	10 245
Current account	-298	40	-368
Capital and financial account <sup>i</sup>	693	875	518
Overall balance	395	915	150

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to October 2010.

<sup>c</sup> Figure for June.

<sup>d</sup> Twelve-month variation to September 2010.

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

<sup>f</sup> Year-on-year variation, January to October average.

<sup>g</sup> Average from January to September.

<sup>h</sup> Average from January to October.

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

inflation, an indicator that excludes the most volatile items in the food basket (fruits and vegetables), reached 7.5% in November 2010. Year-on-year X1 core inflation, which excludes not only fruits and vegetables but also regulated services and fuels, stood at 7.9% in November 2010. The level of inflation in Paraguay is due mainly to rising prices for food products, in particular beef (attributable in part to robust sales on international markets).

As regards the external sector, the upturn in the Paraguayan economy was accompanied by a 41% surge in imports with respect to 2009, consisting to a large extent of capital goods. This widened the current account deficit despite a 39% increase in exports over 2009, boosted by external sales of soybean and beef. The trade deficit increased by 48.5% with respect to 2009; the current account is expected to close with a deficit of approximately 2.2% of GDP (1.4% in 2009).

Moderate GDP growth, of the order of 4.0%, is projected for Paraguay in 2011, after contracting by 3.8% in 2009 and expanding by 9.7% in 2010. Agriculture is the most important sector of the economy and 2009 and 2010 were atypical years (severe drought followed by an exceptionally good harvest), so this year of robust growth is expected to be followed by a slowdown next year and a subsequent return to a normal pace of growth.

<sup>1</sup> The inflation target set for 2010 by the Central Bank of Paraguay was 5% with a margin of 2.5 percentage points on either side.

## Peru

The Peruvian economy was strong in 2010, driven by growing domestic demand. GDP growth for the year as a whole is estimated at about 8.5%, in a context of low inflation, a falling fiscal deficit and a balance-of-payments current account surplus. The 2011 outlook is for GDP growth of about 6%.

In view of the dynamism of the domestic economy, the authorities began to withdraw fiscal and monetary stimuli to economic activity in the first half of 2010. In May 2010, the government used an emergency decree to announce measures to rein in fiscal spending, including a cap on 2010 spending growth set at 3% of the 2009 nominal expenditure total, a curb on implementation of public investment projects and limitations on the use of funds from the contingency reserve.

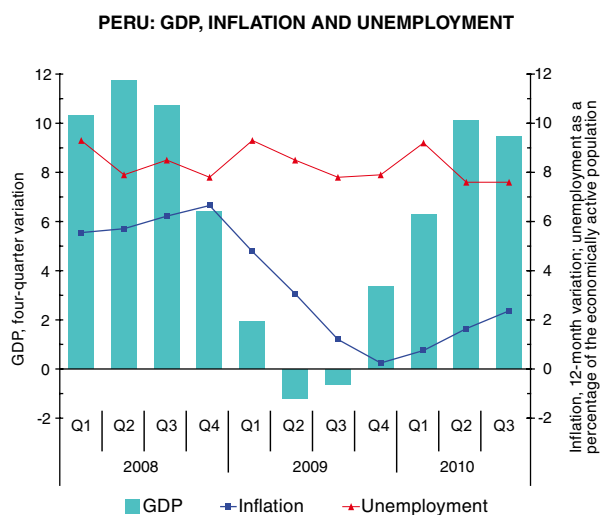
Despite all this, fiscal policy maintained an expansionary stance over the course of 2010. In the first nine months of the year, central government non-financial spending increased by 12.7% (11.1% in real terms) over the same period in 2009, driven by higher capital spending (up 37.8%), particularly on road infrastructure projects. A 3.2% rise in financial expenditure was mainly due to higher domestic debt-related costs. In turn, current revenues rose by 23.5% in the period. Tax revenues were up by 23.9% because of a higher take from the general sales tax (19.7%) and income tax (28.1%), and non-tax revenues increased by 21.1%. For 2010 as a whole, an economic deficit of 0.7% and 1.5% is estimated for central government and the non-financial public sector, respectively (as against 1.8% and 1.9% of GDP in 2009).

In 2010, a cut in the financial transactions tax rate (from 0.06% to 0.05%) came into force, as in the second half did a reduction in the customs duties drawback rate, from 8% to 6.5%.

During 2010, the authorities carried out public debt administration operations with a view to reducing the total and to improving its maturity profile and amortization schedule. In February, the government issued 550 million new soles' worth of 32-year sovereign bonds at a rate of 6.85%. In April it carried out partial buyback or conversion operations on global dollar bonds 2012, 2015 and 2016 and global euro bond 2014 for an amount

of US\$ 1.8 billion. In August it carried out a sovereign bond exchange on the domestic market, swapping global bonds 2011, 2012, 2016 and 2017 for sovereign bonds maturing in 2020 to the amount of US\$ 1.494 billion. Lastly, in November it issued global bond 2050 for an amount of US\$ 1 billion maturing in 2050, at a rate of 5.625%, and sovereign bond 2020 was reopened for an amount of 4.196 billion new soles.

On the monetary policy front in May 2010 the Central Reserve Bank of Peru (BCRP) raised its benchmark rate from 1.25% to 1.5% as a precautionary measure in view of the increased dynamism in the economy. The rate was progressively raised until October, when it stabilized at 3%. In consequence, between December 2009 and October 2010 the local currency-denominated prime corporate lending rate rose from 1.7% to 3.8% (from 1.2% to 2.3% in foreign currency) and 30-day deposit



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

rates from 1.2% to 2.5% (from 0.4% to 1.2% in foreign currency). In the same period, however, deposit rates for terms longer than a year fell, both in local currency (from 6.4% to 5.5%) and in foreign currency (from 3.4% to 2.1%). In the 12 months to September 2010 total financial system credit increased by 17.5%. The dollarization ratio of the financial system maintained its downward trend to stand at 44% in October 2010 (down from 46% in December 2009).

Between December 2009 and October 2010, the new sol appreciated by 3.8% in nominal terms against the dollar, while the real multilateral exchange rate appreciated to a lesser extent (2.7%). The BCRP intervened in the currency market throughout 2010 to dampen the volatility of the exchange rate. In January and March 2010, the central bank made dollar purchases worth a total of US\$ 2.34 billion, going on to purchase a further US\$ 5.082 billion dollars between June and September. With a view to encouraging greater external financing with long-term funding from financial institutions, in 2010 reserve requirements were brought in for external credits (both new lending and renewals) with maturities of less than two years, as were taxes on profits from non-residents' transactions with financial derivatives.

The free trade agreement with China came into effect on 1 March 2010, and in May a trade accord was signed with the European Union.

Between January and September 2010, cumulative GDP growth from the same period in 2009 was 8.7%, driven by activity in non-primary sectors, particularly non-primary manufacturing industry (14.3%), construction (18.2%) and commerce (9.6%). Activity in primary sectors rose by 1%, spurred by stronger activity in the hydrocarbons sector. The domestic demand indicator registered an expansion of 12.4% during this time compared to the same period in 2009.

Gross fixed investment rose by 22.9% in the first three quarters of 2010, driven by increases in both public and private investment. Total consumption grew by 6.5% thanks to a strong rise in government consumption (19.9%). Strong growth in domestic demand (12.6%) was reflected in the volume of goods and services imports, which expanded by 23.1% over the period. By contrast, the volume of goods and services exports rose by just 2.6%.

The inflation rate as measured by the Lima consumer price index was a cumulative 1.9% in the first 10 months of 2010 (2.1% over twelve months), partly driven by rising food prices (a cumulative 3.4% in the first 10 months of 2010).

#### PERU: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	9.8	0.9	8.6
Per capita gross domestic product	8.5	-0.3	7.4
Consumer prices	6.7	0.2	2.2 <sup>b</sup>
Average real wage	2.2	0.3 <sup>c</sup>	...
Money (M1)	16.5	14.4	28.7 <sup>d</sup>
Real effective exchange rate <sup>e</sup>	-3.7	-1.4	-4.1 <sup>f</sup>
Terms of trade	-13.3	-5.5	17.6
<b>Annual average percentages</b>			
Urban unemployment rate	8.4	8.4	8.0 <sup>g</sup>
Central government			
overall balance / GDP	2.2	-1.8	-0.7
Nominal deposit rate	3.3	2.8	1.8 <sup>h</sup>
Nominal lending rate	16.7	16.0	14.5 <sup>i</sup>
<b>Millions of dollars</b>			
Exports of goods and services	35 179	30 538	39 139
Imports of goods and services	34 050	25 777	34 373
Current account	-4 723	247	-2 351
Capital and financial account <sup>j</sup>	7 836	762	12 351
Overall balance	3 112	1 008	10 000

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2010.

<sup>c</sup> Figure for June.

<sup>d</sup> Twelve-month variation to October 2010.

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

<sup>f</sup> Year-on-year variation, January to October average.

<sup>g</sup> Estimate based on data from January to October.

<sup>h</sup> Average from January to November.

<sup>i</sup> Average from January to June.

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

The average unemployment rate from January to September 2010 was 8.2%, compared to an average of 8.5% in 2009. This decline was due to lower female unemployment, since the male unemployment rate remained constant. The average employment rate registered a value of 64.5% and average occupational incomes remained at levels similar to those of 2009. Urban employment in firms with more than 10 workers increased by 3.3% in the January-July 2010 period compared to the same period in 2009.

Goods exports rose by 35.3% in the first nine months of 2010 (33.2% in price and 1.9% in volume), while goods imports grew by 38% (10.1% in price and 25.3% in volume). The outcome was a trade surplus of US\$ 4.565 billion in this period. Natural gas from the Camisea field began to be exported to Mexico in July 2010.

In the first nine months of the year, the average terms of trade were up by 16.1% on the average 2009 value. In the second half of 2010, the external debt stood at 25.4% of GDP (as compared to 28% in December 2009). Net international reserves were US\$ 42.956 billion in October 2010, up from US\$ 33.135 billion in December 2009.



## Plurinational State of Bolivia

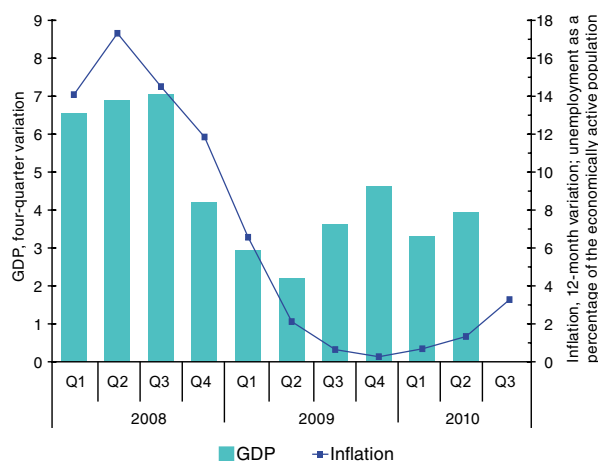
The GDP of the Plurinational State of Bolivia is expected to show growth of 3.8% in 2010 (0.4 percentage points higher than in 2009), while urban unemployment in the second quarter of the year stood at 6.03% (1.70 percentage points lower than in the second quarter of 2009). The annual average inflation rate for December 2010 is projected to surpass the 6% mark, representing an increase of nearly 6 percentage points over the 2009 rate of 0.3%. The balance-of-payments current account will end the year with a larger surplus than in 2009, thanks mainly to a trade balance surplus and higher remittances from abroad. By contrast, the non-financial public sector accounts will close the year with a deficit for the first time since 2005.

During the first two quarters of 2010, the Central Bank of Bolivia relaxed its expansionary monetary policy stance through net bond issues in open market operations. This move was part of the central bank's monetary programme, which set targets for expanding total net domestic credit and net domestic credit to the non-financial public sector and for slightly reducing net foreign reserves. During the first half of the year, these targets were easily met. Despite the pull-back in its expansionary stance, the central bank's repo rate remained unchanged at 4.5%. A decrease in domestic financing and net domestic credit to the non-financial public sector was partially offset by an expansion in net domestic credit to the financial sector through the redemption of bonds. The banking system's lending and deposit rates continued to drop in 2010. Between September 2009 and October 2010, the government's policy of boosting credit to the productive sector pushed average lending rates down from 7.6% to 4.99% and deposit rates from 0.5% to 0.2%. As lower interest rates stimulated borrowing, the gross loan portfolio swelled 24% between December 2009 and October 2010, to reach a total of US\$ 5.108 billion. The process known as "bolivianization" (or de-dollarization) of the banking system continued in 2010, with over 50% of loans and deposits held in bolivianos at year-end.

According to official information available at August 2010, the non-financial public sector was running a surplus of approximately 2.8% of GDP. With respect to the same period in 2009, expenditure as a percentage of GDP was

down by 0.3 percentage points and revenue by 2.1 percentage points. Although the results to September indicate a fall in both revenue and expenditure, the Plurinational State of Bolivia is expected to close 2010 with expenditure as a percentage of GDP at 1 percentage point higher than at year-end 2009 (from 32.4% to 33.4%), while revenue is projected to decrease from 31.3% to 30% of GDP. Although tax revenue overall will likely inch up from 17.1% to 17.3% of GDP, receipts from the hydrocarbon tax are expected to fall from 9.8% to 8.5% of GDP. This

PLURINATIONAL STATE OF BOLIVIA: GDP AND INFLATION



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

fall is due mainly to the fact that it takes two to three quarters for a rise in oil prices to affect sales prices in the oil sector. The higher tax receipts will come principally from increased inflows of customs duties, which rose by an estimated 12.8% in nominal terms in 2010 as a result of a 21.1% increase in imports between September 2009 and September 2010. With regard to fiscal expenditure, in the year to September current expenditure rose by 1 percentage point (from 12.7% to 13.7% of GDP), with a projected increase of 1.8 percentage points by the end of the year. In 2010, the government continued its investment programme, but, as in 2009, it did not manage to invest the total amount allocated. Public investment stood at US\$ 806 million through September 2010, representing an increase of 6.7% compared with the same period in 2009. However, the investment budget for the whole year was a little over US\$ 2 billion (a 51.4% increase on the 2009 budget), indicating that there have been execution delays. The non-financial public sector is expected to end the year with a deficit of 1.5% of GDP. While public enterprises will close the year with a surplus, the national treasury is expected to run a year-end deficit of 3.4% of GDP. In the year to October, the public sector's domestic public debt grew by 6%, while external public debt rose by 5%. As a percentage of GDP, domestic public debt decreased from 24.8% to 23.9% and external public debt went from 15% to 14.3% during this period.

In the first half of 2010, the GDP of the Plurinational State of Bolivia posted year-on-year growth of 3.6%. Construction, which grew by 10.2%, was the most buoyant area of economic activity, thanks mainly to the boom in housing construction. Increased demand for gas in Brazil and Argentina spurred expansion of 6.42% in the crude oil and natural gas sector. Mining, which—with growth of over 14%—had been the most robust sector in 2009, expanded by only 0.72% during the period. In addition, during the second half of 2010, strikes in the mining region of Potosí brought mining operations to a halt for almost an entire month. On the demand side, GDP growth was driven by gross fixed capital formation and final consumption expenditure by households and private non-profit institutions, which grew by 10.79% and 3.77% respectively. Their impact on GDP growth was 1.52 and 2.64 percentage points, respectively. ECLAC estimates economic growth in the Plurinational State of Bolivia at about 3.8% for 2010 and about 4.5% for 2011.

Cumulative inflation between January and November 2010 was 5.3% and is expected to close the year at over 6%, which is substantially higher than the inflation of 0.3% posted in 2009. Inflation was driven up by the rise in commodity prices, as some food items became

**PLURINATIONAL STATE OF BOLIVIA:  
MAIN ECONOMIC INDICATORS**

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	6.1	3.4	3.8
Per capita gross domestic product	4.3	1.6	2.1
Consumer prices	11.8	0.3	5.6 <sup>b</sup>
Average real wage	-7.4	3.8	...
Money (M1)	23.2	19.3	20.8 <sup>c</sup>
Real effective exchange rate <sup>d</sup>	-7.0	-8.7	7.3 <sup>e</sup>
Terms of trade	1.3	-3.2	9.3
<b>Annual average percentages</b>			
Urban unemployment rate	6.7	7.9	6.5
General government overall balance / GDP	0.0	-1.1	-3.5
Nominal deposit rate <sup>f</sup>	3.6	1.5	0.3 <sup>g</sup>
Nominal lending rate <sup>f</sup>	8.9	8.3	5.8 <sup>g</sup>
<b>Millions of dollars</b>			
Exports of goods and services	7 026	5 433	6 683
Imports of goods and services	5 781	5 159	5 924
Current account	1 993	813	959
Capital and financial account <sup>h</sup>	381	-488	-659
Overall balance	2 374	325	300

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2010.

<sup>c</sup> Twelve-month variation to September 2010.

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

<sup>e</sup> Year-on-year variation, January to October average.

<sup>f</sup> Annualized average of monthly rates in dollars.

<sup>g</sup> Average from January to October.

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

costlier due to shortages caused by drought and flooding in various parts of the country. As a result, inflation rose by 1.2% in October and by 1.1% in November, which represented almost one half of the total cumulative inflation to that point. Between June 2009 and June 2010, the unemployment rate fell from 7.73% to 6.03%, owing mainly to a drop in female unemployment from 9.43% to 6.89%. The participation rate rose from 55.95% to 56.75% during the same period.

For 2010, the Plurinational State of Bolivia ran a current account surplus of about US\$ 713 million, which was 12.34% less than in 2009. Goods exports grew by US\$ 788 million (16.02%), owing in part to the surge in hydrocarbon exports (34%) triggered by a recovery in demand from Brazil during the year. Imports rose by 22.32%, leading to a goods balance of US\$ 639.9 million, which was 17.71% lower than in 2009. Workers' remittances were down by US\$ 66 million (9.9%) compared with the first half of 2009. The real effective exchange rate through October 2010 showed year-on-year appreciation of 1.8%. The capital and financial accounts posted a surplus of US\$ 76 million. Through October 2010, the net international reserves held by the central bank increased by US\$ 609 million (7.1%) to reach US\$ 9.208 billion, which is equivalent to 21 months of import cover.

## Uruguay

In 2010, the Uruguayan economy grew by about 9%, driven by private consumption, exports and private investment. Annual inflation is projected to close the year at 7.1%. The overall central government deficit is expected to stand at 1.4% of GDP, with the public-sector deficit at 1% of GDP. GDP is expected to expand by some 6% in 2011 on the strength of sustained growth in both domestic and external demand.

Year-on-year, GDP grew by 8.8% in the first quarter and by 10.4% in the second, representing an average increase of 9.6% compared with the first half of 2009, thus improving economic growth projections for 2010.

In 2010, all sectors of activity posted positive results, in particular the commerce, repair services, restaurant and hotel sector (which accounted for 1.8 percentage points of GDP growth and posted annual growth of 13.5%), the transport, storage and communications sector (1.7 percentage points of GDP growth and annual growth of 14.9%), and the services sector (1.2 percentage points of GDP growth and annual growth of 3.9%). The manufacturing industry grew at a slower rate (0.8 percentage points of GDP growth and annual growth of 5.2%), as did the primary sector (0.2 percentage points of GDP growth and annual growth of 2.6%). The construction sector posted no variation compared with the same period in 2009.

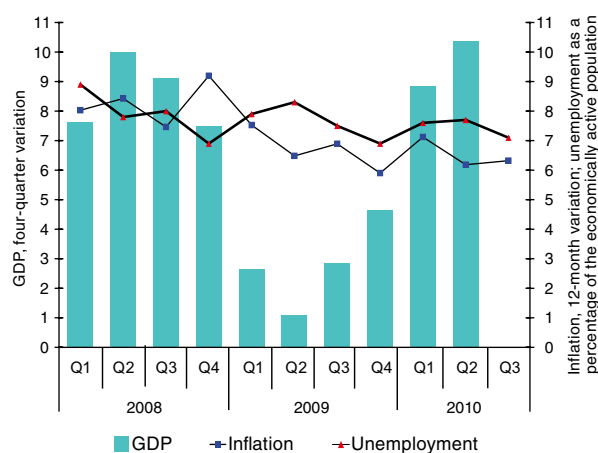
As to expenditure, the first half of 2010 saw an 8.8% increase in final consumption expenditure, which accounted for 7.1 percentage points of GDP growth. This increase reflected a 9.4% rise in private consumption (6.5 percentage points of GDP growth) and a 5.1% increase in government final consumption expenditure. Investment expanded by 11.5% in the same period, representing 2.2 percentage points of GDP growth. Exports of goods and services rose by 10.5% (3.4 percentage points of GDP growth); imports of goods and services rose more (14.1%, representing 4.2 percentage points of GDP growth).

In the rolling 12-month period to September 2010, the public sector recorded an overall deficit of 0.6 percentage points of GDP since the primary surplus of 2.4% was counterbalanced by interest payments equivalent to 3% of GDP. In the same period, non-financial public sector revenues accounted for 29.3 percentage points of GDP, tax receipts reached 17

percentage points of GDP, social security contributions represented 6.4 percentage points of GDP and the primary balance of public enterprises stood at 2.5 percentage points of GDP. With regard to expenditures to September, pensions payments were equivalent to 8.9% of GDP; transfers stood at 6.2% of GDP and wages at 4.8%.

The central government deficit is expected to close the year at 1.4% of GDP, following a positive primary balance of 1.1%. This deficit is attributable to the fact that total revenue was equivalent to 20.5% of GDP, while expenditure stood at 21.9% of GDP. In 2010, the fiscal situation improved and the central government deficit decreased by 0.1 percentage points compared with 2009. Gross external debt fell below US\$ 13.7 billion at the close of the first half of the year. Overall public-sector debt remained at about US\$ 21.9 billion; central bank debt was up by 10% over year-end 2009.

URUGUAY: GDP, INFLATION AND UNEMPLOYMENT



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The monetary policy benchmark rate increased from 6.25% to 6.5% in September in response to the inflationary pressures detected by the central bank's Monetary Policy Committee. Furthermore, an 18-month horizon was set for meeting the 4%-to-6% target inflation range.

In the first 10 months of the year, the balance of deposits in the financial system rose by 14%, measured in dollars, driven by the 16% increase in deposits by residents and the 6% rise in deposits by non-residents. Gross banking system credit to the non-financial sector, estimated in dollars, expanded by 10% during the same period.

Towards the middle of the year, the Ministry of Economic Affairs and Finance announced that it would intervene in the foreign-exchange market in order to contain the fall of the dollar. This drove the price of the dollar up as expectations brightened. However, a few months later those expectations dimmed in view of the volatility of the dollar in the international markets and the heavy inflow of dollars into the market.

In the rolling 12-month period to June 2010 (the latest figures available), the balance-of-payments current account posted a surplus equivalent to 0.4% of GDP, thanks to the positive trade balance. It is expected to show a small surplus of about 0.5 percentage points of GDP at the end of the year.

The labour market remained steady compared with the same period in the previous year, with the average national employment rate at an estimated 58.5% for the first nine months of the year. The participation rate was estimated at 63% for that period, while the average unemployment rate was calculated at 7.1%. The average wage index, which measures the price component of wages, rose by 9.4% in nominal terms in the 12-month period to September. Average household income (not including imputed rental income) increased by 9.7% in the first nine months of the year in relation to the same period the previous year; this boosted domestic demand. Poor households made up 14.7% of all households, with 20.9% of the population living in poor households.

Inflation stood at 7.1% for the period from January to October, slightly above the upper limit of the target range set by the central bank as part of its monetary policy. The upward trend in tradable goods prices in the domestic market was checked by the fiscal adjustment measures taken to contain inflation, based on the non-adjustment of administered prices (fuels, urban transport and health care). To some extent, the depreciation of the dollar in the final months of the year helped to offset the rise in domestic prices.

#### URUGUAY: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	8.5	2.9	9.0
Per capita gross domestic product	8.2	2.5	8.6
Consumer prices	9.2	5.9	6.9 <sup>b</sup>
Average real wage	3.6	7.3	3.2 <sup>c</sup>
Money (M1)	17.5	11.9	29.1 <sup>d</sup>
Real effective exchange rate <sup>e</sup>	-5.5	-2.1	-14.2 <sup>f</sup>
Terms of trade	6.0	3.0	2.8
<b>Annual average percentages</b>			
Urban unemployment rate	7.9	7.7	7.1 <sup>g</sup>
Central government			
overall balance / GDP	-1.1	-1.5	-1.4
Nominal deposit rate	3.2	4.0	3.6 <sup>h</sup>
Nominal lending rate	13.1	16.6	12.2 <sup>h</sup>
<b>Millions of dollars</b>			
Exports of goods and services	9 372	8 557	10 545
Imports of goods and services	10 270	7 794	8 951
Current account	-1 486	215	833
Capital and financial account <sup>i</sup>	3 718	1 374	-797
Overall balance	2 233	1 588	36

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2010.

<sup>c</sup> Estimate based on data from January to September.

<sup>d</sup> Twelve-month variation to October 2010.

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

<sup>f</sup> Year-on-year variation, January to October average.

<sup>g</sup> Estimate based on data from January to October.

<sup>h</sup> Average from January to October.

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

The real exchange rate plummeted early in the year. It rebounded following Ministry of Economic Affairs and Finance announcements on the exchange rate, only to fall again as stakeholder expectations adjusted. By September 2010 the real exchange rate stood at the same level as in December 2009.

The external market for goods produced in Uruguay improved over the year and export applications were up by 23.2% in current dollars in the first 10 months of the year, reaching a value of over US\$ 5.5 billion. The agricultural sector's share of total export value continued to grow during this period. The items that accounted for the largest share of total exports were soybeans (12.7%), frozen beef (12.1%), rice (5.8%), wheat (4.7%) and wood in the rough (3.6%). With regard to technology content, primary products accounted for 56.7% of exports and natural-resource-based manufactures for 17.1%.

The main export destinations remained unchanged. Brazil continued to be the principal buyer of Uruguayan products, accounting for 20.7% of total exports. Other major export destinations included the Nueva Palmira free zone (11.1%), Argentina (7.4%), China (5.8%), the Russian Federation (5.2%) and the Bolivarian

Republic of Venezuela (3.7%).<sup>1</sup> During the period under consideration, exports to certain destinations shot up, especially to China (67.2%), the Russian Federation (55.6%) and Argentina (45.5%). In terms of exports to specific economic blocs, the Southern Common Market (MERCOSUR) was the principal destination, accounting for 30.6% of total exports, followed by the European Union at 14.8%.

Goods imports rose by 4.7% between January and October to reach 5.46 billion current dollars. Uruguay's

main suppliers were Brazil (21%) and Argentina (20%), followed by China, the United States and Germany. Goods in transit that enter Uruguayan customs territory for logistical reasons and onshipment to other destinations reached US\$ 4.940 billion during the period. These goods originate primarily from the free zone in Uruguay (26%), China (17%), the United States (9%), Argentina (5%) and France (5%). During this period, the trade balance grew by US\$ 95 million and is expected to close the year in equilibrium.

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<sup>1</sup> The port in the Nueva Palmira free zone is one of the main points of departure for Uruguayan exports. The main export destinations are the port of Rotterdam in the Netherlands, China and Brazil. The main exports are soybean, wood pulp and wheat.



## Mexico and Central America







## Costa Rica

Having contracted by 1% in 2009, the GDP of Costa Rica is expected to grow by 4% in 2010. This upturn is attributable to the strong performance by exports (8.1%) and a moderate expansion in consumption (3.5%) and gross fixed investment (3.4%). The central government balance continued to deteriorate and will likely close the year at 5.5% of GDP (it was 3.4% in 2009). Inflation is projected to stand at about 5.5%, which is in line with the central bank's target. The balance-of-payments current account deficit will end the year at 3.7% (compared with 2% in 2009), while the employment situation will show a modest improvement, as the unemployment rate eases down from 7.8% in 2009 to 7.3% in 2010.

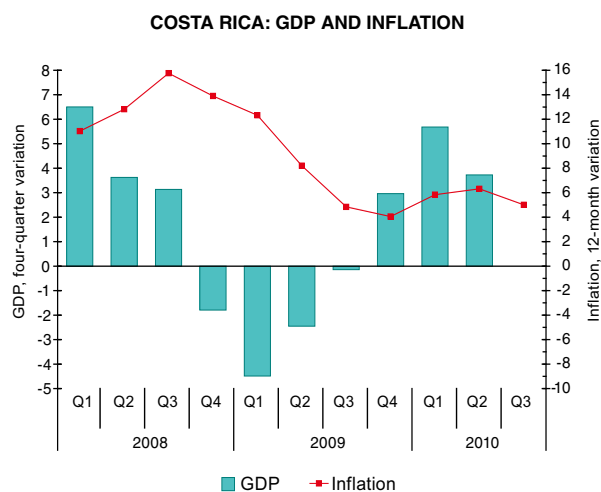
ECLAC forecasts GDP growth of 3.5% for Costa Rica in 2011. Sluggish activity among the main trading partners and weaker trade flows will lead to a slowdown in the Costa Rican economy. Commitments related to transfers and compensation will continue to exert pressure on the fiscal balance, which will surpass the 5% level in the absence of any significant improvement in fiscal revenues. Given that situation, the fiscal reform proposal to be presented by the executive branch is expected to spark lively debate. The central bank predicts that inflation will once again be close to 5%, as long as there are no external shocks.

Fiscal revenue is projected to rise by 5.7% in real terms in 2010, after falling by a marked 8.7% in 2009. Because of the natural lag in the payment of taxes, income tax receipts will increase slightly, but most of the expansion will be in foreign trade and sales tax receipts. The tax burden will stand at 13.4% of GDP.

Central government spending continued to climb rapidly in 2010, as commitments assumed in 2009 were paid out; the overall expected rise will be of 18.5% in real terms. The wage bill will burgeon under a programme to gradually raise public-sector salaries, and transfers will increase following the creation of a special support fund for higher education.

The growing fiscal deficit was financed by issuing domestic debt, which thus increased from 40.9% of GDP in September 2009 to 42.2% of GDP in September 2010. External debt stood at 12.1% of GDP in the same month, compared with 11.8% in 2009. In September, Moody's Investors Service upgraded the country's government bond rating from Ba1 to investment grade of Baa3.

Monetary and exchange-rate policy continued to operate in an environment of transition towards a flexible exchange rate and inflation targeting. The foreign-exchange market was highly volatile throughout the year, trending towards appreciation of the colon. In November, the exchange rate averaged 513 colones to the dollar (close to the 500 colon floor of the band), which represented a 10% appreciation over the beginning of the year. The bilateral real exchange rate with the United States dollar appreciated by 8.5% in the first nine months of 2010, as a result of capital inflows and lower foreign currency holdings in the national banking system. In September, the central bank announced a programme to accumulate,



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

as a precautionary measure, international reserves totalling up to US\$ 600 million between 2 September 2010 and 31 December 2011; by the end of November, the central bank's reserves stood at US\$ 180.6 million.

The central bank relaxed its monetary policy in the second half of 2010 as pressure on prices eased and the exchange rate appreciated. On 19 August, the monetary policy rate, which had remained unchanged since 16 July 2009, was lowered by 150 basis points to 7.5%; on 21 October 2010, it was lowered by a further 100 basis points. Despite this, the central bank continues to face the challenge of how to ensure better pass-through of this benchmark rate to the rates of the financial system. The financial system's average nominal lending rate is expected to close the year at 22.1% (compared with 23.2% in 2009), which translates into a real rate of 14.5%; the average nominal deposit rate is projected to end the year at 7.6%, which is equivalent to a slightly positive real rate of 0.9%. Private sector credit is projected to contract by 3.7% in real terms because of high real interest rates and the need to reduce agents' high leverage. Consumer credit and home loans in particular have felt the impact of this contraction.

In May 2010, the association agreement between Central America and the European Union was signed and the ratification process began. Free trade agreement negotiations with China and Singapore were concluded in April and the resulting agreements are expected to be approved in early 2011. With a view to further widening access to Asian markets, an agreement was reached with the Government of the Republic of Korea to begin discussions on a free trade agreement in 2011.

Economic activity in the first two months of 2010 continued at the strong pace observed in the fourth quarter of 2009. However, since March a gradual slowdown has been seen in the year-on-year growth rate of the monthly index of economic activity, owing to less robust exports. As the areas damaged by adverse weather events in 2009 return to production, annual growth is expected in the agricultural sector (5.7%), as well as in manufactures (5.1%) and in transport and communications (5.7%), driven by an upturn in external and domestic demand. In the face of continued oversupply and sluggish credit growth, the construction sector again shrank (by 6.4%).

The consumer price index saw a slight uptick of 1.5 percentage points over the previous year, on the back of international price hikes for fuels and primary goods and a rally in domestic demand. The upswing in economic

#### COSTA RICA: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	2.8	-1.1	4.0
Per capita gross domestic product	1.5	-2.3	2.6
Consumer prices	13.9	4.0	6.1 <sup>b</sup>
Average real wage <sup>c</sup>	-2.0	7.7	2.5 <sup>d</sup>
Money (M1)	1.5	-0.4	7.3 <sup>e</sup>
Real effective exchange rate <sup>f</sup>	-3.6	-0.1	-10.9 <sup>g</sup>
Terms of trade	-3.8	3.3	-7.3
<b>Annual average percentages</b>			
Urban unemployment rate	4.8	7.6	...
Central government			
overall balance / GDP	0.2	-3.4	-5.2
Nominal deposit rate	5.4	8.6	6.2 <sup>h</sup>
Nominal lending rate	16.7	21.6	19.5 <sup>h</sup>
<b>Millions of dollars</b>			
Imports of goods and services	13 639	12 431	13 661
Current account	16 451	12 280	14 708
Capital and financial account <sup>i</sup>	-2 787	-574	-1 474
Overall balance	2 439	835	2 025
	-348	260	551

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2010.

<sup>c</sup> Average wages reported by workers covered by social security.

<sup>d</sup> Estimate based on data from January to September.

<sup>e</sup> Twelve-month variation to September 2010.

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

<sup>g</sup> Year-on-year variation, January to October average.

<sup>h</sup> Average from January to November.

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

activity led to lower unemployment, which nevertheless remained much higher than before the economic crisis. The employment rate crept down from 55.4% in 2009 to 54.8% in 2010, while real wages increased by 3.8% year-on-year in the first 10 months of 2010.

The wider current account deficit is due primarily to increased imports of intermediate goods (industrial components and inputs, including fuels) at a time when international prices are higher and the manufacturing industry is recovering. Goods exports are projected to grow by an annual rate of 10.1%, particularly on the strength of the increased volume and value of agricultural products. Total exports from free zones slowed towards the end of the year, owing to a drop in sales of high-technology products.

Services exports posted annual growth of 15.5%, with particularly strong growth in business services. Foreign direct investment for the year as a whole is expected to total US\$ 1.450 billion, which is US\$ 100 million more than in 2009. Worthy of particular note were the entry of new competitors in the recently opened insurance sector and investment in business services exports.

## El Salvador

The economy of El Salvador did not perform as well as anticipated, so projected growth for 2010 is 1%. Inflation is expected to approach the 2% mark, owing to food and energy price hikes late in the year. The current account deficit will be 2.8% of GDP because of a rise in the trade deficit and a slowdown in the flow of remittances.

The relative improvement in economic activity, combined with the impact of the 2009 tax reform and the cutback in subsidies for the electricity sector, pushed the non-financial public sector (NFPS) deficit down to the equivalent of 4.8% of GDP.

In view of the lagged impact of the economic recovery in the United States, the effect of public investment and greater availability of credit for the private sector, growth is expected to top 2% in 2011. The 12-month inflation rate is expected to be in the area of 3%, as is the current account deficit. The NFPS deficit is projected to be 3.7%.

For 2010, the goal of fiscal policy was to lower the NFPS deficit to ensure the sustainability of public debt, which estimates put at 50% of GDP. Although the tax reform has had a less-than-expected impact because the modest upturn in economic activity delayed implementation of some measures, total receipts for the first nine months of 2010 were up by 8.7% in real terms.

During the same period total expenditure rose by 1.2% in real terms. Protecting social spending has been a priority, but the combination of real increases in personnel expenses and procurement of goods and services (1.7%) and stagnating real capital expenditure (down by 0.3%) is not sustainable over time.

The NFPS deficit, including pensions and trust funds, is projected to be the equivalent of 4.8% of GDP. Delays in the approval of international loans held up disbursements by international financial institutions, forcing the authorities to turn to domestic sources of financing.

The 2011 budget calls for an NFPS deficit equivalent to 3.5% of GDP, thanks to more efficient collection and a freeze on current expenditure in real terms. With the wage and pension increases announced for the public sector, the deficit is expected to reach 3.7% of GDP.

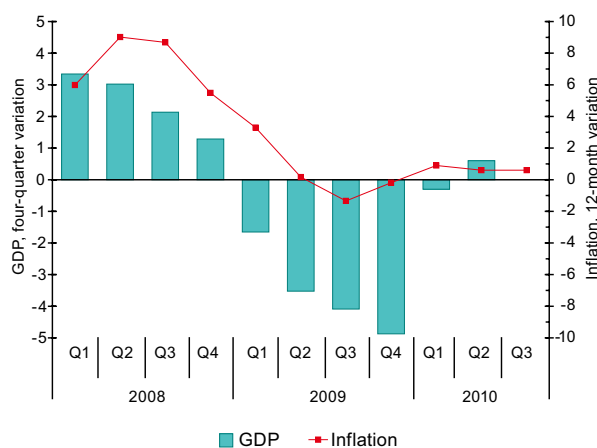
The medium-term fiscal outlook is for total public sector debt as a percentage of GDP to start to fall in 2011.

Although interest rates have not returned to their pre-crisis levels, they are coming down gradually. Despite this decrease, deposits had grown by 2% in real terms up to September. During the same period, lending to the private sector contracted by 4.4% in real terms, although the pace of this decline has slowed.

The private sector credit situation stands in contrast with ample levels of capitalization and liquidity in the banking sector; banks have used the excess liquidity to improve their liabilities profile and become more profitable.

Negotiations on the Association Agreement between the European Union and Central America finalized in May.

EL SALVADOR: GDP AND INFLATION



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The agreement seeks to foster Central American integration and will enable El Salvador to diversify its exports and attract greater flows of foreign direct investment (FDI) from the European Union.

GDP grew by only 0.6% in the second quarter of 2010 after falling for five straight quarters. For the entire year, GDP is projected to expand by 1% (0.5% per capita), spurred by the agricultural sector that, after severe losses in 2009, has grown by more than 3% in 2010. Because of weak domestic demand (which is expected to increase by 3.2% after contracting 12.8% in 2009), the manufacturing and services sectors are expected to grow by less than 1%.

Consumption, which is projected to grow by some 3%, has been affected by the labour situation in El Salvador and in the United States. Persistently high unemployment among the population of Latin American origin in the United States has slowed the growth of remittance flows. The 0.7% decline in the construction sector, combined with the contraction of credit for the private sector, will translate into a 0.3% drop in gross fixed capital formation.

According to official projections, the Salvadoran economy will expand by 2.5% in 2011 owing to the lagged impact of the recovery in the United States and the catalysing effect of public investment projects.

Thanks to the slow growth of domestic demand (due in part to the scarcity of credit for the private sector) and to a lag in some price pass-throughs, accumulated inflation to the third quarter of 2010 was just 1.1%. However, it is estimated that year-on-year inflation will be in the area of 2% because of the effect that rains had on some agricultural prices in October and because of energy price subsidies. Inflation is projected to be nearly 3% in 2011 as domestic demand picks up.

While most of the 18,000 formal jobs lost in 2009 have been recovered, there are still 20,000 fewer workers contributing to the Salvadoran Social Security Institute than before the crisis (580,000). Minimum wages held steady in nominal terms in 2010 (equivalent to a real drop of 0.6%), but a substantial hike in the minimum wage and in public sector employee pensions was announced late in the year and will take effect in 2011.

In the external sector, the expansion of non-traditional exports (benefiting from rising demand in the United States) was not enough to offset the upturn in imports. This upturn was due in part to recovering consumption but was triggered above all by an oil bill increase of more than 40%.

Under the integrated export promotion policy that is part of the Five-Year Development Plan 2010-2014,

#### EL SALVADOR: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	2.4	-3.5	1.0
Per capita gross domestic product	2.0	-4.0	0.5
Consumer prices	5.5	-0.2	3.2 <sup>b</sup>
Real minimum wage	0.2	9.5	...
Money (M1)	1.6	12.4	24.1 <sup>c</sup>
Real effective exchange rate <sup>d</sup>	1.7	-2.5	2.3 <sup>e</sup>
Terms of trade	-2.8	3.2	-3.7
<b>Annual average percentages</b>			
Urban unemployment rate	5.5	7.1	...
Central government overall balance / GDP	-0.6	-3.7	-3.0
Nominal deposit rate	4.2	4.5	3.1 <sup>f</sup>
Nominal lending rate	7.9	9.3	7.8 <sup>f</sup>
<b>Millions of dollars</b>			
Exports of goods and services	5 652	4 696	5 447
Imports of goods and services	10 629	7 966	9 248
Current account	-1 682	-374	-789
Capital and financial account <sup>g</sup>	2 016	802	389
Overall balance	334	429	-400

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2010.

<sup>c</sup> Twelve-month variation to October 2010.

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

<sup>e</sup> Year-on-year variation, January to October average.

<sup>f</sup> Average from January to October, annualized.

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

export credit guarantees have been available from the Multisectoral Investment Bank since October. Taking into account the 2.5% growth in remittances (16% of GDP), projections show a current account deficit equivalent to 2.8% of GDP. Because of the delay in disbursements from international financial institutions, approximately half of that deficit will be financed with international reserves. These reserves will end 2010 at some US\$ 2.700 billion (9.3% less than in 2008), which is equivalent to four months' imports.

The remainder of the deficit will be financed equally from the capital and financial accounts. The approximately 16% drop in FDI flows contrasts with the extraordinary levels posted in 2009, associated with the sale of assets in the financial sector. Nearly half of these assets will go to the commerce and financial sectors.

As of October 2010 the real effective exchange rate had depreciated by 1.6%, owing to the appreciation of the other Central American currencies and of the Mexican peso against the dollar. This should benefit the export sector in the short run. If the economy continues to recover in 2011, the current account deficit is expected to surpass 3%.

## Guatemala

In 2010, Guatemala's real GDP grew by 2.5% (up from 0.5% in 2009), driven by increased exports as the United States economy recovered and by growth, albeit modest, in domestic demand. Remittances and foreign direct investment (FDI) also saw a slight improvement. Inflation reached 5.3%, and the fiscal deficit stood at about 3.5% of GDP (higher than the 3.1% of GDP posted in 2009). The trade deficit reached 11.3% of GDP, and the balance-of-payments current-account deficit stood at 2.7% of GDP.

The economy is projected to grow by 2.5% in 2011. One contributing factor was higher public investment in rebuilding from the damage caused by the 2010 eruption of the Pacaya volcano, tropical storm Agatha and subsequent torrential rains.<sup>1</sup> Another factor was moderate domestic and external demand, which will offset the effects of uncertainty surrounding the September 2011 presidential elections. Inflation will come in at about 5.5%, as a result of stronger domestic demand and higher prices for imported goods. The central government's deficit could exceed its current level owing to an increase in social demands and the possibility of higher spending during the electoral process.

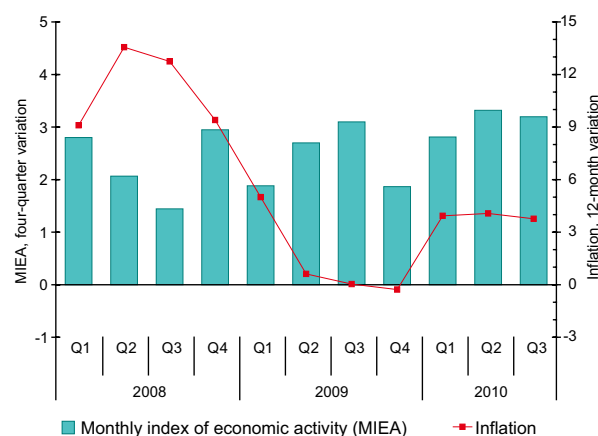
In early 2010, the authorities projected a central-government deficit of close to 2.7% of GDP, but higher social spending and the expenses arising from the natural disasters will very likely push it up to about 3.5% of GDP. Thus, it is estimated that the central government's total public debt was 24% of GDP in 2010, which is one percentage point higher than in 2009. This figure does not take into account the central government's floating debt, the size of which is being calculated by the national authorities.

The government estimates that the rebuilding effort will require an investment of 15.369 billion quetzales over a five-year period (2011-2015), which is equivalent

to 4.6% of GDP in 2010. The funding gap is therefore expected to be close to 12 billion quetzales (equivalent to 3.6% of GDP in 2010). Of that amount, the authorities are expecting some 6.2 billion quetzales in the form of international cooperation.

Total real central government revenue is estimated to have risen by 1.7% in relation to 2009. Real total spending shrank by 0.3%, owing mainly to the 9.4% fall in capital expenditure, which was dragged down by the decline in real investment since current expenditure rose by 3.4% in real terms. The tax burden stood at 10.6% of GDP, which was similar to the level in 2009 but much lower than the target stipulated in the Peace Accords (13.2% of GDP).

**GUATEMALA: MONTHLY INDEX OF ECONOMIC ACTIVITY (MIEA) AND INFLATION**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>1</sup> For further details, see the evaluation of damage and losses, by sector, and needs estimate in the wake of natural disasters in Guatemala between May and September 2010 and the evaluation of damage and losses by sector, and needs estimate in the wake of subsequent weather events between June and September 2010, prepared by the Government of Guatemala with support from the international community, 2010.

The authorities are expecting the tax burden to reach at least 10.8% of GDP in 2011, following the adoption of new tax evasion legislation in late 2010. However, more far-reaching fiscal reform is still needed.

The main monetary-policy interest rate remained at 4.5% but fell by 0.7% in real terms. It is estimated that the bilateral nominal exchange rate against the United States dollar appreciated by 3% (6% in real terms). At the end of December, international reserves will be equivalent to four and a half months of imports of goods and services, which is similar to the level observed in 2009.

On average, real monetary aggregates increased slightly in 2010 (3.2%) in response to the upturn in economic activity. Real interest rates on loans and deposits, which averaged 7.1% and 0.8%, respectively, were lower than in 2009 (11.8% and 3.7%, respectively). At year-end, there are plans to phase in an overnight deposit facility to regulate liquidity and curb the inflationary pressures caused by monetary factors. While credit in foreign currency (25% of the total) fell by 7.1%, credit in quetzales (75% of the total) expanded by 6.6%, resulting in an average increase of 3.2% overall (a 2.4% drop in real terms). This was a reflection of the cautious response to uncertainty and to tougher credit requirements.

In early September 2010, the Executive Board of the International Monetary Fund (IMF) concluded the fourth review under the stand-by arrangement and determined that the country had met the targets of this precautionary arrangement set to expire on 21 October 2010. The monetary authorities are currently assessing the type of programme or line of credit that they might need in the coming months.

GDP grew by 2.5% thanks to the expansion of services (3.5%), manufacturing (2.2%) and agriculture (1.6%). Construction contracted by 12.2% (similar to the figure for 2009), as the sector struggled to overcome financial uncertainty and oversupply. Mining fell by 0.4%. With regard to demand, gross fixed investment declined by 5%, compared with 15% in 2009. Private investment saw a 2.8% reduction, while public investment fell by 13.6%. Total consumption grew by 1.9%. Without the damage caused by the torrential rains, economic growth for 2010 would probably have been higher than 2.5%. Growth of at least 2.5% is expected for 2011, on the strength of domestic demand and public spending on rebuilding after the natural disasters in 2010. It is estimated that between 2.514 billion quetzales (0.8% of GDP in 2010) and 4.155 billion quetzales (1.3% of GDP in 2010) will be allocated to the rebuilding effort.

Despite the sound monetary policy management, the consumer price index rose by an estimated 5.3% between December 2009 and December 2010, owing mainly to the economic recovery and to marked, though temporary, variations caused by the natural disasters. Food

#### GUATEMALA: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	3.3	0.5	2.5
Per capita gross domestic product	0.8	-2.0	0.0
Consumer prices	9.4	-0.3	5.3 <sup>b</sup>
Average real wage	-1.6	-10.2	5.1
Money (M1)	3.2	5.7	9.5 <sup>c</sup>
Real effective exchange rate <sup>d</sup>	-5.1	3.7	0.1 <sup>e</sup>
Terms of trade	-2.7	8.5	-0.3
<b>Annual average percentages</b>			
Central administration overall balance / GDP	-1.6	-3.1	-3.5
Nominal deposit rate	5.2	5.6	5.5 <sup>f</sup>
Nominal lending rate	13.4	13.8	13.4 <sup>f</sup>
<b>Millions of dollars</b>			
Exports of goods and services	9 720	8 843	9 812
Imports of goods and services	15 570	12 514	14 406
Current account	-1 773	-217	-1 095
Capital and financial account <sup>g</sup>	2 106	690	1 389
Overall balance	333	473	294

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2010.

<sup>c</sup> Twelve-month variation to October 2010.

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

<sup>e</sup> Year-on-year variation, January to October average.

<sup>f</sup> Average from January to October, annualized.

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

and beverages alone contributed an additional 0.2% to inflation by year-end. An adjustment setting a uniform minimum wage of 56 quetzales in both agricultural and non-agricultural activities took effect in January 2010. Nominal wages thus rose by 7.7% (2.4% in real terms). Wages in the maquila sector rose from 47.8 quetzales per day to 51.8 quetzales per day—an increase of 8.4% in nominal terms and 3% in real terms. Some analysts estimate that in 2010 the unemployment rate will be 5% (estimated 7% in 2009) because of the upturn in economic activity.

In 2010, goods exports were up by 11.8% in relation to 2009. Traditional exports rose by 13.4%; non-traditional exports increased by 11.2%. Goods imports grew by 15.7%, on the strength of greater demand for intermediate goods (20.3%) that was largely due to rising hydrocarbons prices. Imports of capital goods and consumer goods increased by 10.8% and 9.5%, respectively.

Unlike the previous year, it is estimated that revenues from family remittances increased by 3.7%. Inflows of foreign exchange from tourism grew by approximately 6% as the flow of visits by Guatemalans residing abroad picked up. As a result, the current-account deficit stood at 2.7% of GDP. Foreign direct investment (FDI) inflows were equivalent to 1.8% of GDP, and the balances of the capital and financial accounts were positive. Net capital inflows (including errors and omissions) therefore exceeded the current account deficit, such that the balance of payments was a positive US\$ 294 million.

## Honduras

In 2010, the Honduran economy began to recover slowly from the effects of the international financial crisis and the country's domestic political crisis in 2009. GDP growth of 2.5% in real terms is anticipated (compared with a 1.9% contraction in 2009), as consumption and investment gain strength and the recovery of main external markets (Costa Rica, Europe, Mexico and the United States) boosts exports. The central bank estimates that annual inflation will stand at about 6% at the end of December (compared with 0.9% 12 months earlier), as a result of the economic upturn and higher prices for petroleum and staple foods, especially wheat and rice. In September 2010, Honduras reached an agreement with the International Monetary Fund (IMF), which will expand access to international financial markets and help build a better business climate, thanks to recognition of the country's efforts to achieve fiscal consolidation and stabilize the economy.

In September the monthly index of economic activity showed growth of 3.2%, with a strong performance by transport and communications (8.1%), manufacturing (3.9%), and agriculture, livestock, forestry and fishing (3.2%). In the primary sector, the production of bananas, coffee and farmed shrimp expanded driven, in the latter two cases, by a strong rise in prices. In manufacturing, the highest growth was seen in textiles and clothing (maquila) and the food, beverages and tobacco sector, thanks to recovering external markets and domestic consumption.

The government approved a minimum wage increase of between 3% and 7% for companies with more than 20 workers, which came into effect on 1 September. The minimum wage for micro- and small enterprises with between 1 and 20 workers remained at 5,500 lempiras in urban areas and 4,055 lempiras in rural areas. A decree was published de-indexing the minimum wage established for the professional statutes.

At the end of June the central government deficit had increased by 5.143 billion lempiras (1.8% of GDP compared with 1% 12 months earlier) owing to a 5.5% rise in spending (thanks in particular to the wage increase granted in 2009), leaner donations from abroad and lower revenues from income tax receipts (13.5%). The wider

deficit was financed by domestic market bond issues with 3.904 billion lempiras in central bank financing.

In the first half of the year, the Act for the Enhancement of Revenues, Social Equity and Rationalization of Public Expenditure was adopted with a view to correcting the fiscal imbalance. The Act considerably reformed the tax system, including significant changes to income tax. For example, it provides for the temporary solidarity contribution to be raised to 10% and then reduced annually until it is phased out completely in the 2015 fiscal year. It also reintroduces the dividend tax at a flat rate of 10%, makes changes to the sales tax and introduces a selective tax of between 10% and 60% on imports of vehicles. Lastly, it provides measures to rationalize public expenditure and improve tax collection. The authorities hope the new legislation will help to reduce the central government deficit to 4.4% of GDP by December 2010.

The deterioration of the fiscal position meant that an additional monetary policy effort was needed to maintain price stability and build up reserves. The monetary programme for 2010-2011 set an inflation target of 6% with a one-percentage-point margin on either side, which the central bank managed through open market operations. In September, with year-on-year inflation standing at

5%, the central bank opted to leave the monetary policy rate unchanged. Amid difficult fiscal conditions and the central bank's open market activities, bank interest rates remained high in real terms despite dropping slightly (to 16.17% for the lending rate and 7.91% for the deposit rate). The deterioration of the credit portfolio due to the effects of the financial crisis on the local economy pushed up banking costs, which widened the interest rate spread between January and September 2010. Still-high interest rates, lower country risk and a positive current account performance were reflected in an accumulation of US\$ 90 million in reserves in 2010 and, in the context of a fixed nominal exchange rate, real appreciation of 3.3% between January and September.

Exports expanded thanks to increasing local production and the recovery of external demand, as well as the return to normality of Honduras's external relations as of the first quarter of 2010. To September, exports posted annual growth of 13% (compared with a 20.2% contraction to September 2009), which is attributable to strong growth in agricultural exports (14%), particularly coffee (23.5%) and agro-industrial products (8.8%), especially African palm oil and sugar. Manufacturing exports posted a more moderate upturn of 7% to September, driven by the recovery of maquila firms producing clothing and wiring assemblies for the automotive industry.

Imports to September 2010 also picked up strongly, rising by 13.9% after dropping by 32.7% in 2009, thanks to more buoyant economic activity. Imports of capital goods for the manufacturing industry rose by 11.3% (compared with a 50.2% drop in 2009), while imports of raw materials and intermediate goods went up by 13.9% (compared with a 29.5% fall in 2009). Imports of consumer goods edged up 4.7%. Imports of fuels, lubricants and electrical energy jumped 33.7% (after a 47.6% slump in 2009), on the strength of economic recovery, increased consumption and higher petroleum prices.

The cumulative trade deficit between January and September was US\$ 3.145 billion, which was 14.6% higher than that recorded 12 months earlier. The current account deficit is expected to deteriorate significantly and close the year at 7.2% of GDP, more than double the previous year's figure of 3.2% of GDP, against the

#### HONDURAS: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	4.0	-1.9	2.5
Per capita gross domestic product	1.9	-3.8	0.5
Consumer prices	10.8	3.0	5.8 <sup>b</sup>
Real minimum wage	2.8	0.2	70.4
Money (M1)	3.8	5.0	3.9 <sup>b</sup>
Real effective exchange rate <sup>c</sup>	-2.8	-7.2	-0.7 <sup>d</sup>
Terms of trade	-6.1	6.9	1.9
<b>Annual average percentages</b>			
Urban unemployment rate	4.1	4.9 <sup>e</sup>	6.4 <sup>e</sup>
Central government			
overall balance / GDP	-2.5	-6.2	-4.5
Nominal deposit rate	9.5	10.8	10.2 <sup>f</sup>
Nominal lending rate	17.9	19.4	18.9 <sup>f</sup>
<b>Millions of dollars</b>			
Exports of goods and services	7 334	6 028	6 714
Imports of goods and services	11 696	8 641	9 548
Current account	-1 800	-449	-815
Capital and financial account <sup>g</sup>	1 633	24	811
Overall balance	-167	-424	-4

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to October 2010.

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

<sup>d</sup> Year-on-year variation, January to October average.

<sup>e</sup> Figure for May.

<sup>f</sup> Average from January to September, annualized.

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

backdrop of a partial recovery of family remittances from abroad, which are projected to rally by 4% over 2009. In the first half of the year, foreign exchange inflows in the form of FDI were up by 11%.

In 2010, the country's relations with the various multilateral credit institutions regained a normal footing, enabling the resumption of external loan disbursements, which thus reached US\$ 51.9 million in net terms in June. An IMF programme with resources totalling approximately US\$ 202 million (which the government intends to treat as precautionary) was approved in early October, providing a macroeconomic setting which should be propitious to the restoration of stability and the strengthening of public finances.

Economic growth of close to 2% is projected for 2011, owing to a slowdown in external demand, while inflation is estimated to stand at about 6% and the current account deficit at 7% of GDP.



## Mexico

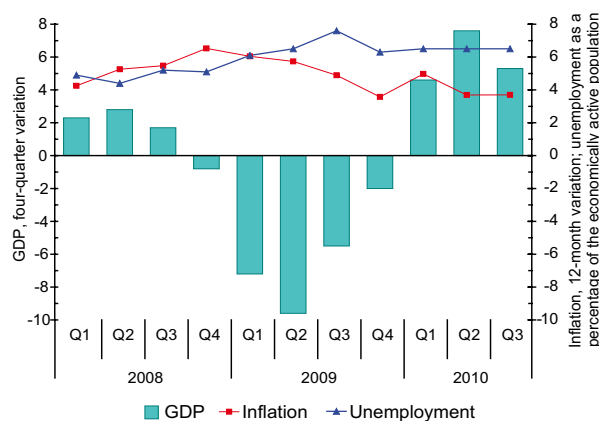
Real GDP in Mexico increased by 5.3% in 2010 after contracting by 6.1% in 2009. This partial recovery in economic activity was mainly sustained by the dynamism of exports. Consumption picked up only moderately owing to a fall in real wages and weakness in the labour market, while gross fixed investment experienced only a slight expansion. Inflation was about 4.2% at year's end, down on the 5.3% of a year earlier. The urban open unemployment rate improved to 6.6% in the third quarter of 2010 from 7.7% in the same quarter of 2009. The current account deficit declined slightly as a percentage of GDP to 0.6% from the 0.7% recorded in 2009, as exports grew strongly. The public-sector fiscal deficit, including investment by Petróleos Mexicanos (PEMEX), will close 2010 at 2.7%, an increase on the 2009 figure of 2.3%.

ECLAC estimates that the economy will expand by 3.5% in 2011, as export growth tails off and domestic demand remains slack. The Bank of Mexico expects its annual inflation target of 3% to be met in late 2011, which is feasible if there are no new external shocks and the trend towards higher international commodity prices seen in late 2010 does not persist. Expectations are for a fiscal deficit of 2.3%, including PEMEX investment. The 2011 revenue act provides for minor changes, most notably an increase in special taxes, leaving for later a comprehensive fiscal reform to make fiscal revenues less heavily dependent on oil. This law assumes an average exchange rate of 12.9 pesos to the dollar in its estimates of fiscal revenue associated with oil exports. If the currency continued to appreciate, there would be additional fiscal pressures.

Public-sector budgetary revenues grew by 0.1% in real terms between January and September 2010 over the year-earlier period. Tax revenues were 10% of GDP and total oil revenues grew by 4.9% in real terms, as lower volumes were offset by higher prices. Value added tax (VAT) revenue increased by 19.9% in real terms thanks to an increase in the VAT rate from 15% to 16% and renewed economic growth. Similarly, an increase from 28% to 30% in the top income tax rate produced real-term growth of 12.5% in the yield from this tax. This is explained by the substantial non-recurring revenues received in 2009 from the Bank of Mexico operating surplus and the recovery of Oil Revenues Stabilization Fund (FEIP) resources, while in 2010 special fiscal benefits were granted to the areas affected by Hurricane Alex.

Budgeted spending increased by 2.2% in real terms between January and September 2010 compared with the same period in 2009, with particularly large rises in social development spending (5.7%) and transfers to the states (14%). Domestic borrowing was the main source of financing for the fiscal deficit (about two thirds of the total). Conversely, physical investment fell by 4% in real terms. At the close of the third quarter, net federal public-sector debt was worth 30.7% of GDP (0.6 percentage points above the closing figure for 2009), which was lower than the average for the member countries of the Organisation

MEXICO: GDP, INFLATION AND UNEMPLOYMENT



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

for Economic Co-operation and Development (OECD) but higher than the Latin American average. Of this total, domestic debt represented 21.1% of GDP and net external debt 9.6% of GDP (0.5 and 0.1 percentage points more than at the close of 2009, respectively).

The federal government carried out two major bond sales on international markets, which should enable it to meet its financing needs for the next two years. In early October it issued US\$ 1 billion worth of 100-year bonds with an annual yield of 6.1%, with Mexico thereby becoming the first country in Latin America to issue debt of this kind with such a long maturity. A few days later it sold about US\$ 1.8 billion of yen-denominated paper, known as samurai bonds.

In an environment of low inflation, the Bank of Mexico kept its reference interest rate, the one-day interbank rate, unchanged at 4.5% for the first 11 months of the year. This contrasts with the rate reduction policy followed in 2009, which brought rates down by 375 basis points between January and July. Nonetheless, in 2010 there was a flattening of the yield curve due to lower inflationary expectations, an improved perception of country risk and a focusing of demand for government paper on long-term issues. Real deposit rates remained positive, and 28-day Federation Treasury Certificates (CETES) were offering a real annual rate of 0.5% at the close of the third quarter.

The nominal exchange rate was highly volatile throughout the year, but with a tendency to appreciate in the last four months because of substantial capital inflows. Some of the factors accounting for massive capital inflows are: improved performance of the Mexican economy, the inclusion of some public securities in the Citibank World Government Bond Index (WGBI) from October and the positive interest-rate spread relative to levels in developed countries. In November, foreign investors were the second-largest cumulative buyers of paper backed by the Mexican federal government, essentially bonds and CETES, ranking behind only the Specialized Retirement Fund Investment Companies (SIEFORES). By the end of the month, the interbank exchange rate was 12.46 pesos to the dollar, which represents an appreciation of 3.7% from the beginning of the year. The real bilateral exchange rate against the dollar showed a 3% appreciation between January and October 2010.

In October 2010, the M1 and M3 monetary aggregates were up by 8.6% and 12.9%, respectively, in nominal terms on the same month the year before, outstripping nominal economic growth. In the first 10 months of the year, financing provided by commercial banks was up by 4.1% on the same period the previous year. Business and housing loans grew by 5.1% and 10.6%, respectively, but consumer credit shrank by 4.3%.

#### MEXICO: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	1.4	-6.1	5.3
Per capita gross domestic product	0.5	-7.0	4.3
Consumer prices	6.5	3.6	4.3 <sup>b</sup>
Average real wage <sup>c</sup>	2.2	0.8	-0.6 <sup>d</sup>
Money (M1)	9.0	7.8	13.5 <sup>e</sup>
Real effective exchange rate <sup>f</sup>	2.8	14.1	-8.1 <sup>g</sup>
Terms of trade	0.8	-3.2	1.9
<b>Annual average percentages</b>			
Urban unemployment rate	4.9	6.7	6.5 <sup>h</sup>
Public sector overall balance / GDP	-0.1	-2.3	-2.7
Nominal deposit interest rate	6.7	5.1	4.2 <sup>i</sup>
Nominal lending interest rate	8.7	7.1	5.3 <sup>j</sup>
<b>Millions of dollars</b>			
Exports of goods and services	309 383	244 550	309 076
Imports of goods and services	334 022	257 557	323 012
Current account	-16 514	-6 228	-6 154
Capital and financial account <sup>k</sup>	24 595	10 755	19 954
Overall balance	8 080	4 527	13 800

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to November 2010.

<sup>c</sup> Manufacturing sector.

<sup>d</sup> Estimate based on data from January to September.

<sup>e</sup> Twelve-month variation to August 2010.

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

<sup>g</sup> Year-on-year variation, January to October average.

<sup>h</sup> Estimate based on data from January to October.

<sup>i</sup> Average from January to November, annualized.

<sup>j</sup> Average from January to September, annualized.

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

With a view to strengthening the economy against possible external shocks, the Foreign Exchange Commission, comprising the Bank of Mexico and the Secretariat of Finance and Public Credit, decided to increase the pace of its international reserves build-up. Accordingly, these reserves grew strongly over the year (from US\$ 91 billion at its start to US\$ 110.544 billion towards its end). A flexible credit line of US\$ 48 billion was renewed with the International Monetary Fund (IMF) in March for the same purpose.

The Mexican Stock Exchange Index of Prices and Quotations (IPyC) rose substantially, particularly towards the end of the year, thanks to the improvement in the Mexican economy and the prospect of low interest rates in the medium term. At the end of November, the main indicator, the IPyC, stood at 36,817 as compared with 32,758 at the start of the year, a rise of 12.4%. Furthermore, 2010 was a record year for share issues.

Regarding Mexico's position in the global economy, November saw the announcement of the formal start of negotiations between Brazil and Mexico on a strategic economic integration agreement. This agreement between the two largest economies of Latin America is expected to include not just tariff reductions but also matters relating to services, investment, government procurement and intellectual property, among other things.

Economic activity expanded strongly in the first three quarters of the year, with average growth of 5.8%. There

was a slowdown in the third quarter (5.3%) because of softer external demand. In the same period, agriculture recorded average growth of 4.4%. Manufacturing industry staged a remarkable recovery, with average growth of 11.2%. Nonetheless, preliminary figures to September reflect the beginnings of a slowdown in manufacturing, associated with the slackening of growth in the United States economy. Among tertiary activities, there was particularly strong growth in commerce (14.8%) and transport (7.6%).

The moderate pace of recovery in domestic demand, large amounts of idle capacity and the appreciation of the exchange rate all helped to keep inflation low. The year-on-year increase in consumer prices was 4.1% in October, and the index will end the year slightly above the official target range of between 2% and 4%.

Formal employment, measured by the number of workers registered with the Mexican Social Security Institute (IMSS), grew steadily in the first 10 months of the year and by 31 October had exceeded its pre-crisis level (14.8 million workers). Nonetheless, the proportion of people who were underemployed or working in the informal economy remained high at 8.4% and 27.3% of the economically active population, respectively. The real minimum wage was down by 1.2% in October on its level at the start of 2010.

Exports recovered strongly. Goods exports totalled US\$ 243 billion between January and October, 32% up on the same period in 2009, while those of manufactures had increased by a substantial 31.9%. In fact, Mexico overtook Canada to become the second-largest exporter of manufactures to the United States after China. Nonetheless, growth began to slow in September, doubtless because of the loss of dynamism in the United States economy. Oil exports grew by 36.5% between January and October thanks to higher international prices.

Imports were 30.4% higher in the first 10 months of the year than in the same period the year before. Imports of consumer goods were up by 27.8% and those of intermediate goods by 36.7%, while capital goods imports were 2% lower. By contrast with earlier upturns, and thanks to the dynamism of exports, recovery was not accompanied on this occasion by any marked deterioration in the current account balance.

Remittances are expected to total about US\$ 22 billion in 2010, just 4% above the previous year's figure and well below their 2007 peak. Foreign direct investment totalled US\$ 14.4 billion between January and September 2010, exceeding the US\$ 11.9 billion received in the same period of 2009.

## Nicaragua

The Nicaraguan economy grew in 2010, with GDP expanding by just over 3.0% compared with a 1.5% contraction in 2009. This recovery was driven by rallying exports, which were up nearly 25% on the strength of sales to new destinations such as the Bolivarian Republic of Venezuela and Canada. The export products posting the largest gains were coffee, bovine meat, gold and sugar. Domestic consumption rose slightly (2.4%) thanks to a 2.1% increase in private consumption. Fuelled by the upswing in economic activity and rising oil and basic grain prices, inflation will be in the area of 8.5% after closing 2009 at 0.9%. Consumer and capital goods imports are expected to be higher, too, driving the current account deficit up to 16.5% of GDP at year-end 2010.

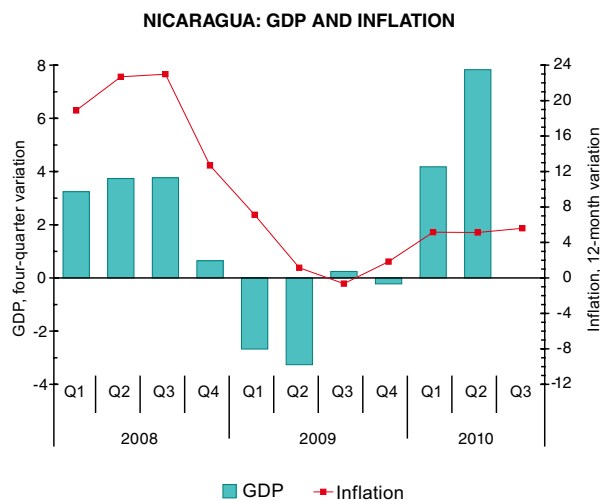
According to ECLAC estimates, economic activity will slacken slightly in 2011 and GDP will grow by some 3% depending on the strength of the economic recovery in the United States, where a slowdown would decrease external demand.

GDP growth by sector in 2010 was marked by a steady rise in manufacturing activity —the 8.9% average annual increase to September stood in sharp contrast to the 2.9% drop as of September 2009. The food and garment sectors contributed the most to this performance, growing by an average 40.3% and 12.1% respectively. The crop sector posted average growth of 3.8% to September, and the livestock industry recorded an average gain of 10.3%. Commercial activity continued to trend up, expanding by an annual average of 5.4%. The financial sector contracted by an average 8.4%, due above all to a decline in the issue of credits.

The nominal wage at the national level posted year-on-year growth of 3.7% to August, while the real wage recorded a slight year-on-year decline of 1.6% for the same period. According to social security figures, the number of employees rose by 4.3% in 2010.

The central government's fiscal account balance continues to improve thanks to higher-than-expected revenues under the amended Fiscal Equity Act that took effect in late 2009. The 1.1% rise in fiscal revenues was a major factor in paring the central government deficit, including grants, which is expected to end 2010 at 1.1% (2.8% in 2009). The reduction in expenditure (from 24.3% of GDP in 2009 to 23.7% in 2010) was also key

in narrowing the deficit and was achieved by holding the wage bill steady and cutting back subsidies for electricity consumption, thus improving macroeconomic expectations and ensuring the continuation of the Extended Credit Facility arrangement from the International Monetary Fund (IMF), which was extended to 4 December 2011. This arrangement provides key guidance, especially in view of the risk of rising expenditure during the 2011 electoral period. Extending the IMF arrangement also ensured the flow of international cooperation resources, especially from multilateral sources. Worthy of note is



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

the contribution of the Bolivarian Republic of Venezuela, which accounted for US\$ 351.0 million (60.2%) of the total US\$ 582.9 million in resources received from official bilateral and multilateral sources as of June 2010; most of that contribution came under the PetroCaribe energy cooperation agreement. As part of the programme to strengthen the fiscal and quasi-fiscal accounts, the administration launched a programme to reform the power sector, clamping down on illegal connections and trimming the subsidy. The social security contribution rate was increased by one percentage point. These measures helped reduce the impact of public sector operations on total aggregate demand by bringing the consolidated public sector debt down to no more than 2.3% of GDP at year-end 2010.

The authorities have proposed a complementary agenda calling for improvements in tax and customs administration and strengthening the institutional structure of the central bank by means of the recently enacted Organic Law of the Central Bank of Nicaragua. The goal is to increase transparency and lay the groundwork for fiscal consolidation. Significant effort is being put into strengthening and simplifying the tax system, focusing on ways to streamline the exemptions and exceptions scheme.

As work on fiscal consolidation and on improving the management of external cooperation continued, transparency got a boost in the form of support from the central bank as it issued detailed reports on external cooperation. Continuing and deepening this disclosure policy will help build confidence among economic stakeholders, especially during the electoral period.

Monetary policy has been geared towards moderating inflationary pressures. At 31 October 2010, inflation stood at 7.26%. The banking system lending rate was relatively high in real terms (6.7%); this contributed to the stagnation of credit for the private sector, which posted a 6% net decline to September. At year-end 2010 inflation could be slightly above the central bank's target owing to rising prices for oil and for crops such as wheat, rice and beans. The central bank will hold its nominal crawling peg policy at an annual 5%, thereby helping ease pressure on reserves and checking the loss of competitiveness due to the foreign exchange situation.

Brightening expectations in view of the performance of the external sector, coupled with efforts on the monetary and fiscal policy front and the extension of the IMF

## NICARAGUA: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	2.8	-1.5	3.0
Per capita gross domestic product	1.4	-2.7	1.7
Consumer prices	12.7	1.8	7.7 <sup>b</sup>
Average real wage	-4.0	5.8	1.6 <sup>c</sup>
Money (M1)	2.8	10.8	25.3 <sup>d</sup>
Real effective exchange rate <sup>e</sup>	-3.7	2.0	1.1 <sup>f</sup>
Terms of trade	-4.4	9.7	-0.9
<b>Annual average percentages</b>			
Urban unemployment rate	8.0	10.5	...
Central government			
overall balance / GDP	-1.2	-2.3	-1.5
Nominal deposit rate	6.6	6.0	3.3 <sup>g</sup>
Nominal lending rate	13.2	14.0	13.9 <sup>g</sup>
<b>Millions of dollars</b>			
Exports of goods and services	2 937	2 857	3 539
Imports of goods and services	5 357	4 482	5 311
Current account	-1 513	-841	-969
Capital and financial account <sup>h</sup>	1 499	1 049	895
Overall balance	-14	208	-74

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to October 2010.

<sup>c</sup> Estimate based on data from January to September.

<sup>d</sup> Twelve-month variation to September 2010.

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

<sup>f</sup> Year-on-year variation, January to October average.

<sup>g</sup> Average from January to August, annualized.

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

arrangement, helped drive the demand for money up. This took pressure off international monetary reserves, which could end 2010 with a gain of approximately US\$ 20 million.

The external sector was boosted by surging exports (up 30% to September), thanks especially to the doubling of sales to the Bolivarian Republic of Venezuela and Canada between 2009 and 2010. Sales to the United States market rallied as well, posting a 40% increase on the strength of rising exports from maquila firms producing textiles and wiring assemblies for the automotive industry and a 10% gain in tourism. But the economic recovery drove imports up as well (by 21%), especially imported consumer goods such as food and pharmaceutical products (up 22%) and capital goods for the manufacturing industry (16% increase). Import value is expected to rise again in the final quarter, driven by rising international prices for oil and foodstuffs such as wheat combined with slower export growth. Remittances to September 2010 stood at US\$ 598 million (13% of GDP); estimates are that they could close the year with a 6.5% gain over 2009.

## Panama

Panama's economy will have grown by 6.3% in 2010, spurred above all by domestic activity. This strong performance has been the trend over the past few years and was interrupted only briefly in 2009, when the international financial crisis held growth at 2.4% for the year. The non-financial public sector is expected to post a small surplus equivalent to 1.0% of GDP, compared with a 1.0% deficit in 2009. The current account deficit for 2010 is expected to come in at 3.5% of GDP. Estimates are that inflation for 2010 will be 3.5%, versus 2.4% in 2009. Unemployment, at 6.5%, should be slightly lower (by 0.1 percentage points) than in 2009.

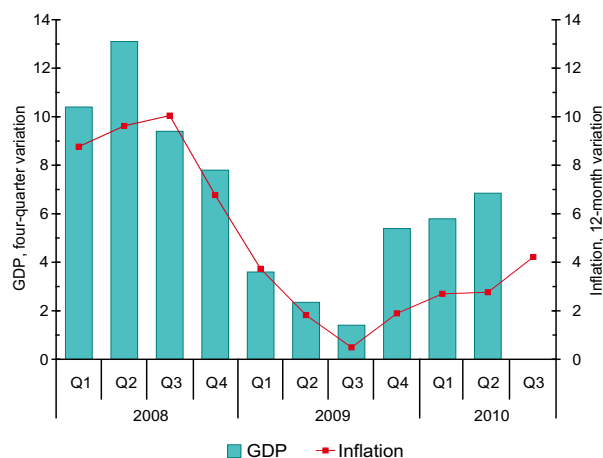
In 2011 Panama's economy is expected to grow by 7.5%, boosted by massive public and private projects under way. These include widening the Panama Canal, building the first subway system, upgrading the metropolitan transport system, building a copper mine in the Donoso district, continuing work on hydropower plant projects and investing in numerous infrastructure projects. Among them are hotels, social housing, city sanitation, cleaning up the Bay of Panama and building the government city. These projects are expected to translate into high rates of the growth for the country in the coming years.

Preliminary figures indicate that most of the growth in 2010 will have been in three sectors. Transportation and telecommunications, the primary sector of economic activity, expanded by 14.0% during the first half of the year, driven by telecommunications, port and airport services and road freight. Commerce rose by 10.2% as both wholesale and retail operations increased. The hotel and restaurant sector expanded by 9.6% thanks to increasing visitor arrivals and rising domestic demand. The fishing sector did not perform as well; it contracted by 18.1% as captures of commercial species and shrimp larvae declined. Industrial fishery and shrimp exports were also down sharply.

The fiscal balance of the non-financial public sector posted a deficit of 0.3% of GDP for the first half of 2010, completely in line with the fiscal responsibility act that went into effect in January 2009. The act caps the fiscal deficit at 2% of GDP in 2010, barring exceptional circumstances

provided for in Act No. 32.<sup>1</sup> The fiscal accounts as of December 2010 are expected to show a slight surplus in the area of 1.0% of GDP. These projections are based on measures that led to an increase of approximately 12.7% in central government nominal current revenue in 2010—outpacing the 4.0% rise forecast for total spending during the same period. Among the factors behind the

PANAMA: GDP AND INFLATION



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>1</sup> The deficit ceiling for 2010 was set at 2% of GDP; it will decrease by 0.5 percentage points each year until reaching 1% in 2012. There are exceptions for sluggish growth domestically and in the United States.

rise in central government current revenue were the increase in the tax rate on transfers of goods and services (ITBMS) from 5% to 7% as of July 2010, more efficient tax collections, better tax collector staffing and training and a higher level of taxation thanks to greater economic activity. Under a tax reform act taking effect in March 2011, expenses will be deductible for corporate income tax purposes only in proportion to the income generated in Panama, giving a further boost to the tax take.

Increased tax revenues will help fund the many public projects planned for the next few years. Along with the expected high rates of growth, this should push the debt down to below 40% of GDP in 2011 compared with 42.4% in 2010.

Inflation measured by the consumer price index was 4.1% higher in October 2010 than in October 2009, driven by food and fuel prices. The largest increases were in transportation, tobacco, recreation, health and clothing. The current rate of inflation is expected to hold both at year-end 2010 and over the next two years as oil and international food prices rise.

Unemployment, at 7.7% for 2010, was similar to the 7.9% recorded in 2009. Many of the factors that will fuel economic growth in Panama from 2011 are linked to investment and capital-intensive activities (like infrastructure and widening the Panama Canal), so the underemployment and unemployment rates will lag behind the pick-up in economic growth. These indicators are therefore not expected to improve in 2011.

The national banking system rallied in 2010 and should perform even better in 2011. Domestic credit to the private sector totalled US\$ 23.258 billion as of July 2010—a nominal 8.0% year-on-year increase. Credit to the mortgage sector, which had the largest share at 28.8% of the total, jumped by a nominal 13.6% as of July 2010. Credit to the construction sector also picked up, expanding by 16.9% as of July 2010. Consumer and automobile loans accounted for 9.7% and 7.9%, respectively, as of July 2010—down by 1.26 percentage points and 0.67 percentage points compared with the same period in 2009. The credit card interest rate fell to 16.1% as of July 2010, representing a year-on-year decrease of 0.56 percentage points.

#### PANAMA: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	10.1	3.2	6.3
Per capita gross domestic product	8.3	1.6	4.7
Consumer prices	6.8	1.9	4.1 <sup>b</sup>
Real minimum wage	-0.6	-0.4	2.2 <sup>c</sup>
Money (M1)	23.2	5.0 <sup>d</sup>	...
Real effective exchange rate <sup>e</sup>	-0.9	-4.2	1.2 <sup>f</sup>
Terms of trade	-4.5	4.8	-2.9
<b>Annual average percentages</b>			
Unemployment rate <sup>g</sup>	6.5	7.9	7.7
Central government			
overall balance / GDP	0.3	-1.5	-1.1
Nominal deposit rate <sup>h</sup>	3.5	3.5	3.1 <sup>i</sup>
Nominal lending rate <sup>j</sup>	8.2	8.3	7.9 <sup>i</sup>
<b>Millions of dollars</b>			
Exports of goods and services	16 111	16 652	17 874
Imports of goods and services	17 502	15 446	17 439
Current account	-2 722	- 44	- 866
Capital and financial account <sup>k</sup>	3 307	659	- 134
Overall balance	585	616	-1 000

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to October 2010.

<sup>c</sup> Estimate based on data from January to June.

<sup>d</sup> Twelve-month variation to August 2009.

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

<sup>f</sup> Year-on-year variation, January to October average.

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

<sup>h</sup> Six-month deposits in the local banking system, annualized.

<sup>i</sup> Average from January to October.

<sup>j</sup> One-year loans for commercial activities, annualized.

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

The current account ended the first half of 2010 with a deficit of US\$ 1.336 billion (5.0% of GDP). This is approximately twice the deficit recorded for the same period in 2009. The reason is two-fold. The balance of goods deficit of US\$ 2.077 billion (7.8% of GDP) was some US\$ 446 million higher than for the first half of 2009 as total imports of goods rose by 11.4% and total exports increased by only 6.1% owing, above all, to an 8.2% drop in domestic exports. And the income balance deficit rose by some US\$ 183 million.

Both effects were offset by an increase in the financial account surplus, due mainly to a US\$ 236.4 million rise in foreign direct investment for a total of US\$ 1.144 billion as of June 2010.





## The Caribbean





## Bahamas

The Bahamian economy is slowly edging out of the recession of 2009 with growth of 0.5% expected in 2010. A slow but steady recovery in the United States, its major market, has bolstered tourism demand, and internal demand has picked up slightly owing to government spending on some key projects. Activity in the offshore financial services sector has remained stable despite increased tax compliance pressure from the United States. Fiscal policy has started to shift towards consolidation in an effort to achieve sustainable deficit and debt levels. Continued import compression and higher exports led to a narrowing of the current account deficit. The economy is expected to grow by 2.3% in 2011, but this prediction may be undermined by lower growth in the United States.

Fiscal policy has sought to achieve a balance between maintaining activity and employment in the wake of tepid private sector investment and starting consolidation to contain the growing deficit and widening public debt. However, only modest consolidation has been achieved in fiscal year 2009/2010.<sup>1</sup> Although the overall fiscal deficit widened marginally from 3.2% to 3.3% of GDP, this increase was due to a fall in revenue, as total expenditure contracted by 0.6% to 20.8% of GDP. Current spending declined by 1.9%, as the government moved to restrict goods procurement. Capital spending expanded by 12% as the government prioritized infrastructure development to build capacity for future growth. Revenues declined by 1.6%, reflecting weak domestic private activity and sluggish tourism demand, which led to a 4% fall in receipts from the hotel occupancy tax.

During the first quarter of fiscal year 2010/2011, the overall fiscal deficit expanded by 11%, year-on-year, to B\$ 112 million. Total revenue plus grants declined by 1%, as the revenue-generating measures outlined in the latest budget have not yet started to have an impact. Following a 6% rise in current spending, linked to higher outlays on goods and services and interest payments, total

expenditure expanded by 4%, leading to sharp growth in the debt. A fiscal deficit of 3.0% of GDP is projected for 2010/2011, but this target may not be achieved owing to continued outlays on infrastructure projects. Stimulus measures adopted by the government to counter weak private demand have pushed up central government debt from 44% of GDP in September 2009 to 47.4% of GDP in September 2010.

In view of the fixed exchange rate and the need to maintain reserves in order to protect the peg, monetary policy did not provide any stimulus to activity in spite of lukewarm demand. Year on year to September 2010, the benchmark discount rate (5.25%) and the commercial banks' prime rate (5.50%) remained unchanged. Lacklustre private demand and high unemployment led to slow growth in private sector credit. The rise in non-performing loans is a concern and expectations of higher losses have prompted banks to increase their loan loss provisions. Growth in credit to the government also slowed as the latter sought to tighten fiscal operations.

Real GDP is expected to grow by 0.5% in 2010, reversing the decline of 4.3% in 2009. This mild recovery has been fuelled by a modest upturn in tourism and buoyancy in the financial services sector, which offset continued weakness in construction activity. For the

<sup>1</sup> In the Bahamas, the fiscal year runs from July 1 to June 30.

first seven months of 2010, arrivals of higher-spending stopover visitors rose by 3.2%, while cruise passenger arrivals were up by 14%, reflecting the recovery in demand in the United States. Stopover arrivals were expected to increase by 3% for the whole year. Hotel revenues were also bolstered by a 3.1-percentage-point increase in occupancy rates and a 2.8% rise in average daily room rates. Construction activity remained weak in the face of sluggish foreign direct investment (FDI) inflows, as investor confidence continued to waver. Activity in the offshore financial services sector remained stable, but the costs will increase as the industry begins to comply with United States tax laws.

Inflation continued to ease (September-September), falling from 3.6% in 2009 to 1% in 2010. Price reductions were experienced in food and beverages, in stark contrast to the substantial increases in the rest of the region. Costs for housing, and transport and communications were also down. However, in spite of lower oil prices, fuel and electricity costs escalated. Unemployment was expected to register a marginal improvement with the rebound in tourism.

The balance-of-payments current account deficit narrowed from 8.5% of GDP in January-June 2009 to 7.7% of GDP in January-June 2010. Tepid private-sector demand led to a continued scaling back of imports (-2.9%), while exports of goods and services exhibited modest growth. Travel receipts picked up by 5.6%, reflecting the modest improvement in tourism demand. The capital and financial account surplus contracted, owing to a decline in the foreign liabilities of commercial banks,

#### BAHAMAS: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	-1.7	-4.3	0.5
Per capita gross domestic product	-2.8	-5.4	-0.7
Consumer prices	4.6	1.3	0.5 <sup>b</sup>
Money (M1)	-1.7	0.3	6.5 <sup>c</sup>
<b>Annual average percentages</b>			
Unemployment rate <sup>d</sup>	8.7	14.2	...
Central government overall balance / GDP <sup>e</sup>	-3.3	-3.2	-3.3
Nominal deposit rate <sup>f</sup>	3.9	3.8	3.5 <sup>g</sup>
Nominal lending rate <sup>h</sup>	11.0	10.6	10.9 <sup>g</sup>
<b>Millions of dollars</b>			
Exports of goods and services	3 499	2 985	3 096
Imports of goods and services	4 602	3 731	3 688
Current account	-1 165	-860	-766
Capital and financial account <sup>i</sup>	1 274	1 113	812
Overall balance	109	253	46

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to July 2010.

<sup>c</sup> Twelve-month variation to September 2010.

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

<sup>e</sup> Fiscal year.

<sup>f</sup> Deposit rate, annualized weighted average.

<sup>g</sup> Average from January to September, annualized.

<sup>h</sup> Lending and overdraft rate, annualized weighted average.

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

but, in a welcome development, foreign direct investment rallied by 13.6%, partly as a result of the sale of a local company to a foreign conglomerate. International reserves increased by 0.4% to US\$ 819 million between December 2009 and June 2010. This amounts to nearly 3 months' cover of imports.

## Barbados

The Barbadian economy is expected to contract by 1% in 2010, a much slighter decline than the 4% contraction in real GDP recorded in 2009. Tourism showed some signs of recovery, picking up by 3% in the January-September period, largely as a result of an increase in stopover tourists from the United States and Canada. Compared with the level of arrivals before the financial crisis, this performance remains weak and continues to hold back the turnaround in the rest of the economy. Nevertheless, foreign exchange reserves stood at US\$ 1.4 billion at the end of September, sufficient to finance imports at current levels for five months. The fiscal deficit remained relatively high at 9.3% of GDP and the public debt is estimated at 97% of GDP. Meanwhile, sluggish credit conditions continued to exist in the local economy, as consumer and business confidence remained low and domestic demand subdued. As a result, the outlook for growth in 2011 is uncertain.

The fiscal deficit for the first eight months of 2010 represented 9.3% of GDP, compared with 10.4% for the corresponding period in 2009. Although direct tax revenue collections fell by 8.6% and current expenditure by 3.5%, interest payments rose by 11%, reflecting the additional borrowing needed to finance the crisis-related fiscal deficit. The deficit was financed mainly from domestic sources, especially the National Insurance Scheme and private and public entities, so that, by the end of August 2010, the public debt-to-GDP ratio had risen to 97%. Of this debt, 74% was domestic and 26% was foreign. Even though the government is committed to reducing this debt over the medium term, preliminary estimates suggest that the debt-to-GDP ratio could increase to 110% by the end of 2010. The government's commitment is demonstrated by the austerity measures outlined in the budgetary proposals presented in parliament on 22 November 2010. These include higher customs duties and taxes on gasoline and prescription drugs, as well as a rise in bus fares from BD\$ 1.50 to BD\$ 2.00. In addition, the value added tax (VAT) has been increased from 15% to 17.5% for the next 18 months. The budget offered significant support to

several business sectors in an effort to stimulate economic growth and create jobs. At the same time, the authorities sought to achieve fiscal consolidation, the aim being to reduce the fiscal deficit and the overall public debt within the shortest possible time.

Responding to weak economic growth, the Central Bank maintained the loose monetary policy that it had adopted at the start of the crisis. The banking system continues to be highly liquid and credit demand remains weak, although interest rates on loans softened during the year. The average loan rate declined from 9.8% at the end of September 2009 to 9.0% at the end of September 2010. Moreover, the treasury bill rate, a policy instrument used by the government to mop up excess liquidity, also declined to 3.3% at the end of September 2010. However, domestic credit demand remained unresponsive to these changes.

Stopover tourist arrivals expanded by 3% between January and September 2010. This expansion was driven by arrivals from the United States and Canadian markets, which compensated for the decline in visitor arrivals from the United Kingdom. However, the overall increase remains weak and has not stimulated economic activity in related

services. Growth in output in the transport, storage and communications sectors did not vary from the year before nor was there any increase in the production of electricity, gas and water. Performance in the construction sector declined by 15%. Companies operating in the offshore financial services sector also performed poorly, as new licences issued to companies remained flat.

Inflation for the 12 months to September averaged 5%, up from 4% in June. It is projected to ease back down to 4% at the end of 2011. The unemployment rate rose marginally to 10.7% at the end of June, up by 0.1 of a percentage point on the preceding quarter and 0.8 of a percentage point above the rate recorded one year earlier. During the second quarter, the number of people employed in the construction and distribution sectors slumped by approximately 35%, as a number of construction projects came to an end and many new projects did not start, owing to the slow pace of economic activity. These delays have undermined sales in the distribution sector as well as employment levels.

The balance-of-payments current account recorded a deficit estimated at 6.9% of GDP in January-August 2010. Imports are estimated to have grown by 140 million Barbados dollars (BDS\$) (8%), owing primarily to a 37% escalation in the average price of oil relative to the first three quarters of 2009. Private capital inflows were up moderately during the period January-August. Real estate inflows totalled BDS\$ 86 million compared with BDS\$ 53 million in the corresponding period of 2009. Other significant private transactions included inflows of BDS\$ 100 million to finance the construction of a new beef factory as well as the Limegrove project, a luxury housing and shopping complex. The sale of a United States dollar bond series issued by the Barbados National Oil Company resulted in an additional inflow of BDS\$ 40 million.

The decline in the Barbadian economy is expected to continue into early 2011. The construction sector may record some improvements at the end of 2010, as

#### BARBADOS: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	0.5	-3.6	-1.0
Per capita gross domestic product	0.5	-4.0	-1.4
Consumer prices	7.3	4.4	7.8 <sup>b</sup>
Money (M1)	-3.4	1.8	7.1 <sup>c</sup>
Real effective exchange rate <sup>d</sup>	-0.3	-4.5	-0.9 <sup>e</sup>
<b>Annual average percentages</b>			
Open unemployment rate <sup>f</sup>	8.1	10.0	10.7 <sup>g</sup>
Non-financial public-sector overall balance / GDP <sup>h</sup>	-6.4	-9.2	...
Nominal deposit rate <sup>i</sup>	4.9	3.4	2.8 <sup>j</sup>
Nominal lending rate <sup>k</sup>	9.7	8.7	8.6 <sup>j</sup>
<b>Millions of dollars</b>			
Exports of goods and services	2 089	1 810	1 839
Imports of goods and services	2 436	1 930	1 875
Current account	-421	-218	-151
Capital and financial account <sup>l</sup>	326	243	126
Overall balance	-96	25	-25

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to September 2010.

<sup>c</sup> Twelve-month variation to June 2010.

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

<sup>e</sup> Year-on-year variation, January to October average.

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

<sup>g</sup> Figure for the second quarter.

<sup>h</sup> Fiscal year.

<sup>i</sup> Interest rate for savings, annualized.

<sup>j</sup> Average from January to September.

<sup>k</sup> Prime lending rate, annualized.

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

the financing for some major projects is scheduled to come on stream. The government believes that foreign exchange reserves (estimated at 5 months' import cover) will be sufficient to fund most imports for the rest of the year. The government will continue to focus on tourism competitiveness and market diversification within tourism and other sectors, as well as on fiscal consolidation. This effort is necessary in order to attain the medium-term fiscal strategy (MTFS) objectives. These objectives include containing the external debt and protecting the foreign-exchange reserves, maintaining jobs, returning the country to fiscal balance and achieving some degree of sustainable economic growth.

## Belize

The Belizean economy staged a modest recovery in 2010 with growth expected to reach 2.0%, following 0% growth in 2009. The fledgling recovery in the United States had a positive contagion on Belize, leading to a 7% increase in tourism value added in the first half of 2010. Inflation rose marginally, owing in part to higher energy and transport costs. Even with the spike in tax receipts due to tax measures adopted in April 2010, the central government still recorded an overall deficit of 0.6% GDP in the first half of fiscal year 2010/2011. Monetary policy was neutral and focused on the accumulation of reserves to maintain the peg and incentives for commercial banks to lower lending rates for productive activity. Stronger goods exports, tourism earnings and remittances underpinned a turnaround of the current account deficit to a small surplus, the first in the past three years.

Economic policy in 2010 focused on facilitating the recovery, in the context of an improved fiscal position. Thus, fiscal policy was aimed at consolidation, the target being to achieve a primary surplus of 3% of GDP over the medium term. However, the outturn for fiscal year 2009/2010 was a smaller primary surplus of 1.9% of GDP and an overall fiscal deficit of 1.6% of GDP. These were attributable to a substantial shortfall in revenue, related to lower petroleum tax receipts, and reduced customs receipts, due to fewer imports, together with modest growth in spending. Although the tax increases in April 2010 bolstered revenues, higher spending fuelled a rise in the overall fiscal deficit, which stood at 0.6% of GDP in the first half of fiscal year 2010/2011.

Public-sector debt remains a challenge with the ratcheting-up of interest payments under the terms of the restructured debt. Total public debt increased from 80.2% of GDP at the end of 2009 to 85% of GDP in September 2010. However, with the new revenue measures and contained growth in spending, public debt is expected to increase marginally for the rest of 2010.

Monetary policy was largely non-interventionist as the central bank continued to build up reserves to defend the fixed exchange rate. Nevertheless, with private-sector credit demand and investment at a low ebb, the central bank lowered the floor rate on savings deposits from 4.5%

to 3.5%, in an attempt to induce commercial banks to lower their lending rates and boost private-sector credit demand, business activity and employment. However, credit declined as commercial banks have been more risk-averse and have screened out high-risk customers in order to reduce their non-performing loans ratios. As a result, credit to the private sector contracted by 3.9% between December 2009 and June 2010.

The economy is expected to grow by 2.0% in 2010, driven by an upturn in tourism, electricity generation and construction. During the first half of the year, the economy grew by 2.7%, but will slow in the second half in line with the usual reduction in activity. Buoyed by increased stayover and cruise passenger arrivals, tourism grew by 7%. However, a strategic product-development programme is required, including the upgrading of attractions and a commitment to offering better value for money, in order to maintain growth in stayover arrivals in the medium term. Government services were up by 11%, mainly due to the census that was conducted this year. Growth is expected to strengthen marginally to 2.3% in 2011, owing to continued growth in tourism, electricity generation, and wholesale and retail trade.

Year-on-year inflation (to August) increased by 0.5%, in a reversal of the 3.6% decline recorded for the same period in 2009. The increase was triggered by transport

and communications, and fuel and power (up 5.4% and 2.0%, respectively), both of which reflect higher energy costs. Another contributing factor was the 25% hike in the general sales tax (GST). The renewed activity was expected to lead to growth in employment in tourism, wholesale and retail trade, and construction, resulting in a modest decrease in unemployment.

With the firming of exports and containment of imports, the current account registered its first half-year surplus in three years, moving from a deficit of 0.03% of GDP to a minute surplus of 0.002% of GDP. The trade deficit narrowed sharply, owing to a 25.6% increase in exports and a 0.3% fall in imports. Exports were driven mainly by the increase in petroleum receipts and citrus receipts, attributable to higher prices. Conversely, sugar exports plummeted owing to lower volumes and the impact of the final European Union price cut. The services account improved thanks to a 6.1% rise in travel receipts, which reflected the stronger tourism demand. Meanwhile, the capital and financial account worsened with a sharp decline of the surplus, associated with reduced grants and debt relief and a significant decline in foreign direct investment, as investments in condominiums and vacation homes tapered off. International reserves stood at US\$ 212.3 million. This reflects a 1.7% decline year on year to September and amounts to 4.2 months' cover of goods imports.

#### BELIZE: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	3.8	-0.0	2.0
Per capita gross domestic product	1.7	-2.0	0.0
Consumer prices	4.4	-0.4	0.5 <sup>b</sup>
Money (M1)	0.3	1.0	-3.0 <sup>c</sup>
<b>Annual average percentages</b>			
Open unemployment rate <sup>d</sup>	8.2	13.1	...
Central government overall balance / GDP <sup>e</sup>	1.5	-2.9	...
Nominal deposit rate <sup>f</sup>	6.2	6.3	5.8 <sup>g</sup>
Nominal lending rate <sup>f</sup>	14.2	14.1	14.0 <sup>g</sup>
<b>Millions of dollars</b>			
Exports of goods and services	867	727	811
Imports of goods and services	958	782	785
Current account	-132	-113	-40
Capital and financial account <sup>h</sup>	190	161	48
Overall balance	58	47	9

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to August 2010.

<sup>c</sup> Twelve-month variation to October 2010.

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

<sup>e</sup> Fiscal year.

<sup>f</sup> Weighted annualized average of the system rates.

<sup>g</sup> Figure for March.

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



## Cuba

The Cuban economy registered GDP growth of 1.9% in 2010 (1.4% in 2009), fuelled by goods and services exports and tourism services; at the same time, investment levels fell once again and consumption remained virtually unchanged. Inflation is expected to close the year at 1.4% (-0.1% in 2009), with the fiscal deficit at 3.4% of GDP (4.8% in 2009). The trade deficit narrowed in 2010 and the current account deficit will be equivalent to 0.3% of GDP, attributable to the external constraints that continue to stymie the country's economic growth.

The update of the Cuban economic model announced in the fourth quarter of 2010 includes several measures designed to ease those constraints. The early results in 2011 are expected to emerge amid a strong rally in investment and improvements in the domestic market, albeit with some deterioration (only temporary) in the labour market due to the reassignment of approximately 500,000 State-employed workers. Against this backdrop, the Cuban economy should record growth of 3% in 2011, and the fiscal deficit should not vary significantly from the 2010 level (3.5% of GDP).

With total public sector revenue down by 1.9% in 2010, the government had to cut back even more on its total expenditure (3.5%) in order to achieve a fiscal deficit of 3.5% of GDP.<sup>1</sup> The drop in revenue was due mainly to the diminished intake from the circulation and sales taxes (-11.2%), which was in turn the result of a slow-down in retail activity as foreign currency became scarce.

The reduction in government spending took the form of sharp cut-backs in capital expenditure (-36.7%), transfers to the production sector (-62.1%) and, to a lesser extent, financial operations (-17.5%) and transfers to the business and cooperative sector (-6%). Spending on education, social security, culture and art, and science and technology picked up to some degree, while expenditure on health diminished slightly. As part of the adjustment process, the government decided that all allocations not used by the end of each quarter would be reassigned from the respective unit and set aside as a

budgetary reserve. Consequently, total public expenditure as a percentage of GDP is expected to decline from 75.3% in 2009 to 70.6% in 2010.

In 2010, the dual exchange-rate system remained unchanged; it consists of a convertible peso and a non-convertible peso, the latter being used only for domestic transactions. The forecast for the year as a whole is for a contraction of the monetary aggregates measured as a percentage of GDP. The central bank has thus been able to maintain a supply/demand balance for both currencies and to avoid exchange rate fluctuations. Meanwhile, the government continued to renegotiate the external debt in order to stem the outflow of foreign exchange, seeking more flexible repayment terms than in 2009.

The lacklustre performance of the Cuban economy can be traced to downswings in construction (almost 10%), agricultural production (2.4%) and mining and quarrying (1.5%) and to a stagnant manufacturing sector. Services (commerce, restaurants and hotels, and community, social and personal services) showed slight growth. The decline in the construction sector was a reflection of the housing slump, while agricultural performance reflected the impact of the drought and missed targets under the sugar production plan. Difficult access to inputs, associated with the scarcity of foreign exchange, had repercussions for both agriculture and industry.

In 2010, the external adjustment continued, albeit with less intensity than in 2009, thanks to a 28.7% rebound in goods exports (-21.8% in 2009) and a slight decrease in goods imports (1%, compared with 37.5% in 2009). Although the trade deficit diminished as a proportion of GDP, in 2010 the serious external constraints persisted

<sup>1</sup> The public sector includes the central government as well as local governments.

with limited access to foreign exchange and international resources. In addition, the year 2010 saw more robust demand for imported food items, which accounted for 20% of total imports.

The higher value of goods exports recorded in 2010 stems mainly from the increase in nickel prices, which more than compensated for the lower export volumes (nickel exports rose in value by 50%, to US\$ 1.5 billion, but were not as high as the record earnings of US\$ 2.7 billion registered in 2007). Another factor was the value of medical and biotechnological exports, which recovered to levels similar to those of previous years. Supply-side difficulties hampered attempts to expand sugar production, which remained at approximately 1 million tons; the industry was thus unable to make the most of the strong international prices. Other minor exports, such as marine products, showed only a partial recovery.

Tourist arrivals were higher than in 2009 and are expected to top the 2 million mark, contributing to a 5.5% rise in revenue under this heading. This points to the possibility of a slight improvement in the balance of trade in goods and services, which, together with the favourable pattern of remittance flows, should yield a current account deficit equivalent to 0.3% of GDP.

The 2008-2009 crisis underscored the magnitude of certain structural constraints that are holding back economic growth in Cuba. At the end of the third quarter of 2010, after recognizing these constraints and in an attempt to overcome them, the government announced the discussion and launching of an unprecedented process for the gradual restructuring of the economy. The process would comprise the following main components:

- Labour reform aimed at boosting productivity, whereby workers would be reassigned and authorized to work independently, coupled with an adjustment to the tax system so as to capture part of the income generated;
- Expansion of non-State production arrangements (such as semi-public enterprises and cooperatives) in the agro-industry, tourism and housing sectors, and a parallel push for greater efficiency in State

#### CUBA: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	4.1	1.4	1.9
Per capita gross domestic product	4.1	1.4	1.9
Consumer prices <sup>b</sup>	-0.1	-0.1	1.7 <sup>c</sup>
Average real wage	0.1	4.1	...
Money (M1)	9.9	-5.9	...
Real effective exchange rate <sup>d</sup>	9.5	-0.0	...
Terms of trade	-34.5	-8.8	-3.3
<b>Annual average percentages</b>			
Urban unemployment rate	1.6	1.7	...
Central government overall balance / GDP	-6.9	-4.8	-3.4
Nominal lending interest rate <sup>e</sup>	9.0	9.3	...

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the National Statistics Office.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Local-currency markets.

<sup>c</sup> Twelve-month variation to September 2010.

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

<sup>e</sup> Average of minimum and maximum rates on loans to enterprises, annualized.

enterprises by granting them more financial and management autonomy and winding up companies running regularly at a loss;

- Creation of special development zones to stimulate exports and import substitution, together with a process to gradually unify the two exchange rates and a complete recasting of the pricing system. Consideration is also being given to eliminating company subsidies and giving State-run firms more leeway in the area of pricing;
- Changes in State planning and control of economic activity, including progressive decentralization of the investment plan to provincial bodies and to enterprises and the transfer of a greater degree of control to the local level, e.g., allowing municipal councils to levy local taxes on firms operating in their area without intervening in business management.

In general, economic policy will be based on the principle that socialism is the only way of overcoming difficulties and consolidating the achievements of the Revolution, with emphasis placed on planning.

## Dominican Republic

Fuelled by stimulus measures, the economy of the Dominican Republic is projected to expand by 7% (5.6% per capita) in 2010. The impact of growing domestic demand on imports and the rising oil bill have pushed the current account deficit up; it is expected to end the year in the area of 7%.

Thanks to ample productive capacity, this strong performance has not generated inflationary pressures. Year-on-year inflation is therefore projected at some 6% (5.8% in 2009). The economic slowdown of 2009 had a lagged impact on tax collections, and the planned scale-back of subsidies for the electricity sector was delayed. The authorities therefore cut spending in order to meet the central government's deficit target, equivalent to 2.6% of GDP.

Sparked by resources allocated to the countercyclical measures in place since late 2009, total central government spending during the first half of 2010 was 20% higher in real terms than during the same period in 2009. Most of the increase was channelled to investments in infrastructure. Although the focus on generalized subsidies involved trimming real transfers to the electricity sector, these transfers were higher than projected. The cost of maintaining the original plan for recapitalizing the central bank (0.8% of GDP in 2010) was another factor.

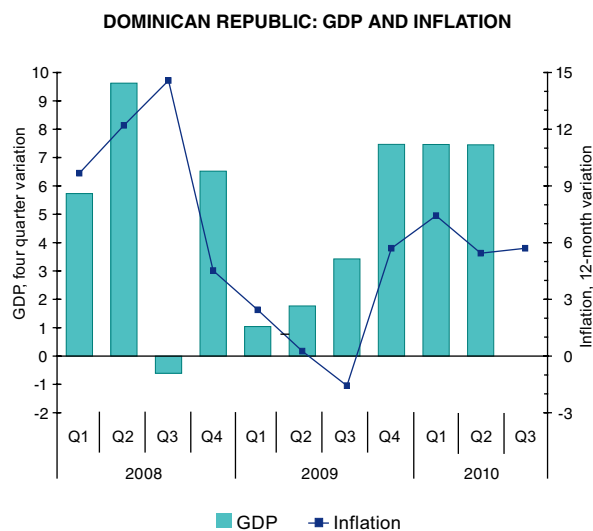
The economic upswing did boost property and consumption tax collections, but relatively slow growth during 2009 had a lagged impact on direct collections and thus led to poor current revenue performance. As a result, during the first half of the year the central government deficit neared the 30 billion peso mark (3.3% of GDP for the period) agreed with the International Monetary Fund (IMF) for the entire year. To address the situation, the administration amended the budget to hold the central government deficit to no more than 2.6% of GDP.

The deficit will be financed virtually entirely with external resources, but monthly auctions of government bonds with maturities of up to 10 years were conducted during the year in order to foster the development of a national debt market. Total non-financial public sector debt is projected to end the year at a level equivalent to 29% of GDP (36.7% for the consolidated public sector). This is half of a GDP point above the 2009 level.

Projected tax revenues for 2011 have been revised downward from the targets agreed with the IMF in late 2009. The tax pressure is expected to be 13.3% instead of the original 15%. The administration announced its intention to make current spending cuts a priority, highlighting cutbacks in transfers to the electricity sector. In view of the above, the 2011 budget provides for a central government deficit equivalent to 1.6% of GDP.

After holding the benchmark rate at a historically low 4%, the central bank raised the overnight rate by 100 basis points between October and November in an effort to check the growth of credit to the private sector, which as of October had expanded by more than 16% in nominal terms (11% in real terms).

Nominal rates began to rise in mid-year in anticipation of this adjustment. Although borrowing rates are still



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

negative in real terms, deposits posted a real increase of 3.7% during the period from January to October. The return of lending rates to pre-crisis levels boosted lending to the private sector, which rose nearly 11% in real terms during the same period.

Although lending has reduced financial sector liquidity slightly, capitalization levels are adequate (13.7%), delinquencies remain low (3.3%) and the return on capital is improving (35.8%).

GDP growth (accumulated 7.6% as of the third quarter) is due to buoyant domestic demand. Improving labour conditions and easier access to credit supported consumption. Investment (which is projected to expand by nearly 20% after contracting 14.7% in 2009) has benefited from credit to the private sector and from the flows of foreign direct investment and public investment in infrastructure.

During the first nine months of the year, growing domestic demand lifted the construction sector (15%) and commerce (12.6%). The communications sector also performed well (9.7%). Local manufacturing rose in line with GDP for the first time since 2005, owing to rebounding consumption and to demand from Haiti for finished goods. After contracting for five years, manufacturing in free zones showed signs of recovery in the third quarter, with 3.4% year-on-year growth as operations shifted from textiles to medical equipment manufacturing, jewellery and footwear.

In view of the fiscal consolidation plans and the use of more idle capacity, projections are for a slowdown starting in the fourth quarter. Growth is therefore expected to be 7% for the entire year. The 5% projected growth for 2011 reflects the impact of less expansionary public policies and falling demand from the United States.

With core inflation stable, the behaviour of fuel prices lessened the impact of indexing the gasoline and diesel fuel taxes. Inflation for the 12 months to December is projected to be 6%. The shift in monetary policy and the slowdown in activity are expected to keep inflation below 6% for 2011.

Owing to the recovery, the labour participation rate was 54.9% during the first half of 2010. But employment is still 1.4 percentage points below the level recorded in 2007. The broad unemployment rate (which includes persons who did not look for work but are willing to work) fell by half a percentage point to 14.4%.

Goods exports expanded by 17.3% to the third quarter of 2010 thanks to an upturn in demand from the United States and, to a lesser degree, to greater demand from Haiti for finished goods. Nevertheless, buoyant domestic demand and the increase of more than 40% in the oil bill drove imports up by 27.7% during the period. The result is a projected trade deficit of nearly 11% of GDP. The surplus in the services trade balance

#### DOMINICAN REPUBLIC: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	5.3	3.5	7.0
Per capita gross domestic product	3.8	2.1	5.6
Consumer prices	4.5	5.7	6.2 <sup>b</sup>
Real minimum wage	-6.5	7.0	...
Money (M1)	-9.1	15.9	17.6 <sup>c</sup>
Real effective exchange rate <sup>d</sup>	2.4	3.9	-5.7 <sup>e</sup>
Terms of trade	-4.5	8.1	-2.8
<b>Annual average percentages</b>			
Urban unemployment rate <sup>f</sup>	14.1	14.9	14.4 <sup>g</sup>
Central government			
overall balance / GDP	-3.5	-3.4	-2.3
Nominal deposit rate <sup>h</sup>	10.3	7.8	4.7 <sup>i</sup>
Nominal lending rate <sup>j</sup>	16.0	12.9	8.3 <sup>i</sup>
<b>Millions of dollars</b>			
Exports of goods and services	11 670	10 437	11 823
Imports of goods and services	17 953	14 132	17 384
Current account	-4 519	-2 159	-4 138
Capital and financial account <sup>k</sup>	4 193	2 565	3 738
Overall balance	-326	406	-400

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to October 2010.

<sup>c</sup> Twelve-month variation to September 2010.

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

<sup>e</sup> Year-on-year variation, January to October average.

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

<sup>g</sup> Figure for April.

<sup>h</sup> 90-day certificates of deposit, annualized.

<sup>i</sup> Average from January to November.

<sup>j</sup> Prime rate, annualized.

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

shrank as the nearly 3% increase in tourist arrivals did not offset the rise in freight costs.

With the slight decrease in the income balance deficit and the slowing pace of decline in remittance flows, it is estimated that the current account deficit will end 2010 at a level equivalent to 8% of GDP (5% in 2009). Most of this deficit will be financed through the capital account and the financial account, whose balances rose by more than US\$ 2.700 billion during the first nine months of 2010. The remainder will be financed with international reserves, which will amount to US\$ 2.400 billion (two months of imports) as of year-end —some US\$ 400 million less than at year-end 2009.

Despite slackening external demand, exports in 2011 are expected to benefit from the resumption of nickel exports and the start-up of gold exports from the Pueblo Viejo mine. Along with slower growth and greater energy product price stability, the current account is projected to show a deficit equivalent to 6% of GDP.

Thanks to robust growth and the resources streaming into the country, the nominal rate of exchange against the dollar has held relatively stable, with a slight nominal depreciation of 2.4% during the 12 months to October. The real exchange rate against the dollar appreciated 1.7% during the same period.

## Guyana

As global demand recovered, the economy of Guyana continued to grow in 2010, albeit at a slower pace (2.8%) than the rate projected in the budget (4.4%). Growth is also expected to be positive in 2011, with a real growth rate of around 3%. The main drivers of economic growth in 2010 were the services, manufacturing and agriculture sectors. Fuelled by rising food prices, inflation will nevertheless remain moderate at 4.5%, and the exchange rate will be relatively stable thanks to the net supply of foreign exchange in the system. The current account deficit will widen in 2010 as global energy prices rise, before narrowing in 2011 as exports pick up. The medium-term prospects for Guyana are very good thanks, in part, to the closer ties being forged with Brazil, of which the completion of the Takutu Bridge and the energy project at Amaila Falls are just two examples. In addition, expected transfers under its low-carbon development strategy, which commits Guyana to reducing emissions from deforestation in return for up to US\$ 250 million in compensation over time,<sup>1</sup> will boost foreign exchange inflows.

Guyana has benefited from high revenues, attributable to expanding output. The overall deficit-to-GDP ratio was 4.3% in 2009, with the revised estimates for 2010 being slightly higher at 4.6%. The revenue increase was due to improvements in all categories of revenue including income taxes, taxes on trade and consumption taxes. Revenue is projected to grow from G\$ 94.8 million to G\$ 107.9 million (12.18%) between fiscal years 2008/2009 and 2010/2011. Meanwhile expenditure was projected to increase from G\$ 127.4 million to G\$ 136.8 million (6.8%), with recurrent and capital expenditure expected to grow by 7.5% and 5.6%, respectively, in fiscal year 2010/2011. The debt-to-GDP ratio was 76.1% in 2009, which is quite high, especially given the fact that Guyana was until recently part of the Heavily Indebted Poor Countries (HIPC) Debt Initiative. Despite graduating from this arrangement, Guyana benefits from the Multilateral Debt Relief Initiative (MDRI) and received assistance totalling US\$ 730 million in the first half of 2010. These inflows, in addition to revenue increases, have given Guyana considerable fiscal space despite the recession abroad.

Broad money expanded by 2.3% in 2010. This reflects an 8.4% increase in the banking system's net foreign assets and counteracts a 1.2% decline in net domestic credit. Private-sector credit, composed of loans and advances, grew by 7.1% and this growth resulted from increased lending to agriculture (34.7%), other manufacturing (21.8%), mining and quarrying (18%), and real estate mortgages (10.8%). This expansion may be linked to increased returns in these sectors, since the commercial banks' weighted average lending rate only declined marginally from 12.17% to 12.03% by midyear. The non-bank financial institutions were active in mobilizing resources, which translated into a 6.5% increase in net deposits.

By midyear, foreign-exchange-market transactions grew by 18.4% to reach US\$ 2.401 billion due to increases in foreign trade and capital flows. Bank and non-bank foreign-exchange transactions were up by 10.5%. Bank of Guyana transactions expanded by 25.8% and other

<sup>1</sup> An initial deposit of US\$ 30 million was made to this fund by the Government of Norway in October 2010.

foreign-currency-account transactions were up by 30.0%. The Guyanan dollar maintained its stability vis-à-vis the United States dollar, depreciating only marginally (by 0.25%). The exchange rate is expected to remain relatively stable in 2010 in view of the positive economic performance of the economy and additional foreign exchange inflows from grants and multilateral sources.

Real economic growth for the first half of 2010 was 2.8% and overall growth for the year is projected to remain stable at 2.8% as well. The main drivers of economic growth in 2010 will be the service, manufacturing, and construction sectors, while the agricultural sector experienced some setbacks. In the agricultural sector, rice output is expected to decline by 0.9%, while sugar is projected to grow by 11.2%. Such a sharp increase in sugar output would be a remarkable turnaround in view of the 1.8% decline in sugar production recorded at midyear. Given that agriculture accounts for some 20% of GDP, the performance of sugar will sharply impact overall growth. Livestock, which declined by 14.2% at midyear, is expected to end the year with a 13.2% contraction in output. Manufacturing, largely driven by sugar manufacturing, is expected to grow by 3.5% in 2010. Meanwhile the services sector benefited from increased activity in information and communications (5.7%) and wholesale and retail trade (7.0%) and should exhibit continued growth in 2010. The construction sector recorded a 9.5% expansion to midyear and an improvement of 3% is anticipated for the year as a whole. The mining sector, on the other hand, has continued to struggle owing to faltering demand for bauxite: output declined by 4.1% at midyear and the overall contraction for the year is predicted to be 2.8%.

The Georgetown Urban Consumer Price Index (CPI) experienced a 2.0% rise in the first half of 2010, driven by rising food prices. Average annual inflation will be about 4.5% in 2010 (up from 2.9% in 2009). Inflation will ease marginally in 2011, subsiding, as commodity prices stabilize, to 3.5% at the end of the year.

The current account of the balance of payments showed a deficit of US\$ 219.7 million in 2009 and

#### GUYANA: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	2.0	3.3	2.8
Per capita gross domestic product	2.1	3.5	2.9
Consumer prices	6.4	3.6	3.7 <sup>b</sup>
Money (M1)	12.5	8.7	9.9 <sup>c</sup>
<b>Annual average percentages</b>			
Central government			
overall balance / GDP	-3.8	-3.7	...
Nominal deposit rate <sup>d</sup>	3.1	2.8	2.8 <sup>e</sup>
Nominal lending rate <sup>f</sup>	13.9	14.0	15.2 <sup>e</sup>
<b>Millions of dollars</b>			
Exports of goods and services	1 014	938	446 <sup>g</sup>
Imports of goods and services	1 649	1 441	1 265 <sup>g</sup>
Current account	-321	-220	-256
Capital and financial account <sup>h</sup>	327	454	247
Overall balance	6	234	-9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to March 2010.

<sup>c</sup> Twelve-month variation to August 2010.

<sup>d</sup> Small savings annualized rate.

<sup>e</sup> Average from January to June.

<sup>f</sup> Prime rate, annualized.

<sup>g</sup> Refers to goods only.

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

an increase to US\$ 255.9 million is forecast for 2010. Although merchandise exports are expected to increase, imports will also expand. Net imports, which recorded a deficit of US\$ 1.169 billion in 2009, should reach an estimated US\$ 1.265 billion in 2010. The balance of payments surplus of US\$ 234.4 million in 2009 is expected to give way to a deficit of US\$ 9.3 million in 2010. The capital account recorded a surplus of US\$ 454 million in 2009 and a smaller surplus of US\$ 247 million is anticipated for 2010. Guyana will continue to run relatively large current-account deficits, backed by strong multilateral debt and investment inflows. For example, project grants increased in the first half of 2010 by 7.5% to US\$ 2 billion. The current transfers surplus of US\$ 300 million should increase to US\$ 310 million in 2010 with only a marginal improvement in remittance inflows since incomes in the industrialized countries are still depressed.

## Haiti

The earthquake that struck Haiti on 12 January 2010 had disastrous human, social and economic consequences for the country and caused output to fall by 7% of GDP in real terms. Before the country had a chance to recover from the devastation wrought by the earthquake, an outbreak of cholera later in the year claimed some 2,000 lives, with tens of thousands of others falling ill. The outcome of the presidential and legislative elections held on 28 November 2010 may reveal either continuity or a total break with the outgoing government. In either case, the challenges for the next government will largely be defined by the need to deal with the social and economic effects of the earthquake.

Before the cholera epidemic, the economic prospects for 2011 looked good: GDP growth expected at 9%; strong recovery in the farming, construction and maquila sectors; and larger disbursements of external aid. However, the public health challenge now facing the country may necessitate a reallocation of resources and thus affect the previous outlook.

The main macroeconomic indicators yielded less gloomy results for 2010 than had initially been expected. The public sector deficit, calculated on an accrual basis, stood at 2.9% of GDP (0.3% in 2009), and cumulative inflation in the 12 months to September was 4.7%. A moderate increase in exports (3.2%) was offset by a surge in imports (33%), considerably widening the trade deficit (by 48%, to 43% of GDP). However, current transfers in the form of remittances and grants (US\$ 3.178 billion) yielded a surplus equivalent to 4.3% of GDP on the balance-of-payments current account. The capital account benefited from external debt forgiveness programmes aimed at assisting the country's reconstruction effort.

Temporary adjustments aside, the main lines of economic policy are consistent with the general framework of the new programme signed by the authorities with the International Monetary Fund (IMF) to secure approval of a three-year renewal of the Extended Credit Facility arrangement.

On a cash basis, the fiscal deficit remained fairly small at 2.2% of GDP (1.4% in 2009). This fiscal result, which was somewhat unexpected, was due to the performance

of both revenue and spending. Fiscal revenues covered 80% of the budgetary total targeted before the earthquake, thanks to real-term increases in customs revenue (21.3%) and direct taxation (5.1%). As was to be expected, the largest drops were in items directly related to the level of activity in the economy, with value added tax receipts, for example, falling by 11%.

Government spending fell short of its mark owing in part to a deliberate cost-containment effort, but mainly because of administrative, physical and personnel constraints throughout the public sector. Start-up delays at some key bodies, among them the Interim Haiti Recovery Commission and the Multi-Donor Trust Fund, hindered programme and project implementation in a few instances. Another crucial factor was the relatively slow disbursement of international funds for the reconstruction work (just US\$ 900 million, or 42% of the amount agreed on for the 2010 fiscal year).

Positive fiscal results in the third quarter of the fiscal year (April-June) and the signing in July of the IMF Extended Credit Facility arrangement gave the authorities greater room for manoeuvre during the budget year. Particularly noteworthy was the use of resources from the PetroCaribe programme (US\$ 163 million) for social and infrastructure projects.

A prudent monetary policy sought to restrain potential inflationary risks from the increased liquidity in the economy. In real terms, base money and broad money (M3) grew by 37% and 17%, respectively, with the post-earthquake

situation triggering sharp drops in both credit supply and demand. Likewise in real terms, net domestic lending fell by 31% (61.2% in the public sector and 9.8% in the private sector) and the arrears rate increased to 12%. The authorities, banks and international organizations such as the Inter-American Development Bank and the World Bank launched a series of initiatives providing partial credit guarantee funds to support the restructuring of the hardest-hit or potentially most vulnerable firms. Some bilateral donors, including the United States Agency for International Development, rolled out similar activities oriented towards more informal segments.

In September, the Ministry of Economic Affairs and Finance and the Bank of the Republic of Haiti (BRH) released a first issue of treasury bonds worth 300 million gourdes with a maturity of 36 days at 1%, with a view to gradually replacing BRH bonds and reducing monetary financing of the public sector.

The ample supply of foreign currency caused the gourde to appreciate against the dollar in nominal and real terms during the 2010 fiscal year by an average of 1% and 3.7%, respectively. To stabilize the exchange rate and have dollars available to cover further increases in imports, BRH intervened repeatedly to buy currency (US\$ 143 million), thereby pushing net international reserves up to US\$ 1.14 billion (US\$ 700 million more than at the close of 2009).

Public-sector initiatives, involving funds from the PetroCaribe programme and the government's own resources, prioritized the areas of agriculture, education and health care, with programmes totalling US\$ 212 million. The education sector received two thirds of this amount, in the form of direct spending and subsidies that were used to reopen some schools in April, rebuild classrooms and set up alternative facilities. As many people had to relocate to provincial towns and rural areas, the government pursued a strategy of building capacity in the farm sector to prevent further deterioration of living conditions in these areas.

International humanitarian aid totalling US\$ 2.1 billion flowed into the country during the period and was channelled to different sectors according to each donor agency's area of specialization. In general, food, health, housing and education were the areas receiving the most assistance.

The positive performance of the agricultural sector (which had suffered little direct impact from the earthquake and benefited from recovery measures in 2008 and 2009), the rapid recovery of the maquila export industry and incipient debris removal, rehabilitation and reconstruction activities helped to avert a greater decline in GDP.

The international prices of greatest significance to the Haitian economy, i.e., those of hydrocarbons and food, rose by 19% and 8%, respectively, but those increases

#### HAITI: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	0.8	2.9	-7.0
Per capita gross domestic product	-0.8	1.2	-8.5
Consumer prices	10.1	2.0	4.6 <sup>b</sup>
Real minimum wage	-12.9	28.0	...
Money (M1)	17.9	6.6	28.4 <sup>c</sup>
Terms of trade	-28.1	29.4	-3.1
<b>Annual average percentages</b>			
Central government			
overall balance / GDP <sup>d</sup>	-1.3	-1.3	-0.2
Nominal deposit rate <sup>e</sup>	2.4	1.7	0.9 <sup>f</sup>
Nominal lending rate <sup>g</sup>	23.3	21.6	20.7 <sup>f</sup>
<b>Millions of dollars</b>			
Exports of goods and services	833	930	960
Imports of goods and services	2 854	2 804	3 733
Current account	- 289	- 227	273
Capital and financial account <sup>h</sup>	387	383	196
Overall balance	98	156	469

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to October 2010.

<sup>c</sup> Twelve-month variation to September 2010.

<sup>d</sup> Fiscal year.

<sup>e</sup> Average of minimum and maximum rates on time deposits, annualized.

<sup>f</sup> Average from January to November.

<sup>g</sup> Average of minimum and maximum lending rates, annualized.

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

were not passed through in full to local consumers and were offset by the international humanitarian assistance received and the stronger exchange rate. Consequently, general inflation (September to September) stood at only 4.7%, while food price inflation was 5%.

Employment policy was oriented towards labour-intensive programmes having a humanitarian slant (such as the cash-for-work programme). These programmes, which were implemented by various international cooperation agencies, were designed to restore a minimum level of consumption in the most vulnerable households; they focused on low-skill activities and ensured a rotation of beneficiaries. Temporary jobs of a more formal nature were created in service provision areas associated with the activities financed by the international community. Nonetheless, it is quite likely that the earthquake has led to a net loss of skilled jobs as professional and technical workers emigrated abroad taking advantage of the facilities provided by different countries.

External debt relief (US\$ 1.325 billion) reduced the outstanding balance of the debt by 36% (to US\$ 794 million, as against US\$ 1.248 billion in 2009) and lowered debt service payments. This freed up additional resources that the authorities were able to reallocate to a number of particularly urgent budget items. At the close of the 2010 fiscal year, external debt was equivalent to 12% of GDP (compared to 19% in 2009).

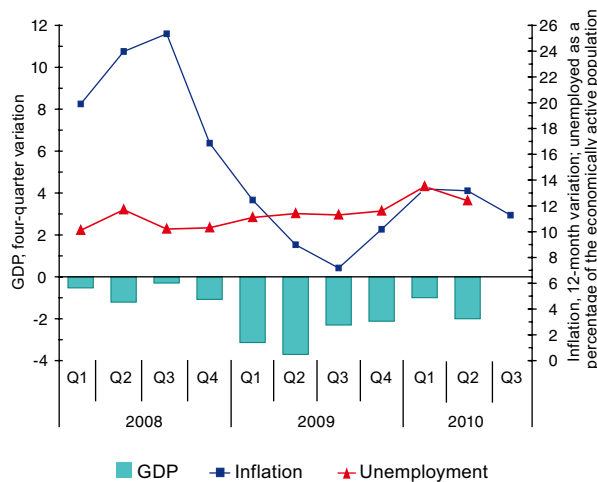


## Jamaica

Despite substantial inflows under a 27-month stand-by agreement with the International Monetary Fund (IMF), Jamaica’s economic performance will remain lacklustre in fiscal year 2010/2011. Growth is expected to stand at between -0.5% and 0.5% in 2010. The budget for fiscal year 2010/2011 was crafted during one of the most challenging periods in recent years due to the unfavourable international economic and financial climate generated by the lower levels of economic activity in the world’s major economies. The IMF agreement will formalize a commitment to fiscal austerity measures aimed at forestalling any increase in the country’s massive debt burden and enabling the government to avoid default. The passage of a fiscal responsibility law and any future amendments should in time help to reduce the overall public-sector deficit. While investor sentiment has improved significantly since the approval of the agreement, the situation remains delicate given the additional demand generated by tropical storm Nicole and the impact of the austerity measures applied to the social sector. Extraordinary expenditure of US\$ 80 million for flood damage, recently approved by IMF, will provide much-needed relief, given the extensive damage to infrastructure in various areas of the country.

The budget presented for fiscal year 2010/2011 provided for a deficit equivalent to 6.5% of GDP, which was smaller than the central government deficit of 10.9% of GDP, recorded in 2009/2010 (April-March). Over the period April to August, revenues and grants surpassed budget estimates by 4.2%, although there were declines in non-tax revenue, capital revenue and the bauxite levy. Expenditure was 3.6% below budget estimates for the period April to August, with the biggest decline occurring in capital expenditure. It appears that the government will meet its overall fiscal target for fiscal year 2010/2011, since the IMF programme does not allow for much flexibility. In fact, the primary surplus for April to August was larger than budgeted, with an increase of 49.6%. Meanwhile, the public debt, which represented 130% of GDP in 2009/2010, is expected to decline only slightly by the end of the fiscal year because of sluggish GDP growth.

**JAMAICA: GDP, INFLATION AND UNEMPLOYMENT**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

During the quarter ending September 2010, the Bank of Jamaica continued to ease its monetary policy stance in the face of weak domestic demand: it reduced the cash reserve requirement of deposit-taking institutions by 2% to 12%. This reduction occurred in a context of improved inflation prospects, a continued reduction in market-determined rates and a generally weak economy. During the quarter, the Bank slashed the interest rate applicable to its 30-day certificates of deposit (CD) by 100 basis points to 8.0%. The stock of private-sector credit extended by commercial banks for the September quarter grew by 1.0% to J\$ 220 billion, its highest level since December 2009. Most of this was personal lending (90%) with the rest going to the production sector.

The foreign-exchange market was relatively stable during the third quarter of 2010 and this reflected continued investor preference for Jamaican-dollar-denominated assets, particularly during the first two months of the quarter. Although inflows from new IMF lending will support the currency in the outlook period, a widening current-account deficit will lead to some weakening over the course of the coming months. Following an appreciation to around J\$ 85=US\$ 1 in the months leading up to October, reflecting an improvement in the current account, policy interventions and improved investor confidence, the exchange rate is expected to stabilize given the confidence springing from the IMF programme. At worst, with the increase in imports and other sources of currency demand, the currency could sustain a modest nominal depreciation to stand at J\$ 87.06=US\$ 1 by the end of 2010 and J\$ 88.09=US\$ 1 by the end of 2011.

Jamaica's output growth is projected to be between -0.5% and 0.5% for 2010. Real GDP contractions of 0.4% in the first quarter of 2010 and 0.1% in the second quarter resulted in a 0.8% decline in the first half of 2010. The September quarter saw weak growth of between 0.0 and 1.0%, due to the continued contraction in the non-tradable industries, in particular, construction, finance and insurance services, and electricity and water supply. On the other hand, the tradable industries recorded marginal growth supported primarily by the significant expansion in mining and quarrying, which saw bauxite and alumina production increase by 34.1% and 32.3%, respectively. The tourism sector, an important source of employment and foreign exchange, will fare better than the goods-producing sectors in 2010/2011, but it will not return to the robust growth of recent years, owing to weaker demand and delayed investment in new hotels and tourism infrastructure. For example, there was only a 3.1% increase in stopover visitors and a 1.9% rise in visitor expenditure for the first six months of 2010. Aggregate demand continued to decline, albeit, at a

#### JAMAICA: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	-0.9	-2.7	0.0
Per capita gross domestic product	-1.4	-3.1	-0.4
Consumer prices	16.9	10.2	11.2 <sup>b</sup>
Money (M1)	2.2	7.2	8.9 <sup>c</sup>
Real effective exchange rate <sup>d</sup>	-6.2	11.2	-10.4 <sup>e</sup>
<b>Annual average percentages</b>			
Urban unemployment rate <sup>f</sup>	10.6	11.4	13.0 <sup>g</sup>
Central government overall balance / GDP <sup>h</sup>	-7.4	-7.2	...
Nominal deposit rate <sup>i</sup>	5.1	5.8	3.7 <sup>j</sup>
Nominal lending rate <sup>i</sup>	22.3	22.6	20.6 <sup>j</sup>
<b>Millions of dollars</b>			
Exports of goods and services	5 538	4 038	4 420
Imports of goods and services	10 164	6 356	6 500
Current account	-3 223	-1 128	-580
Capital and financial account <sup>k</sup>	3 118	1 084	420
Overall balance	-105	-44	-160

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the International Monetary Fund and national sources.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to October 2010.

<sup>c</sup> Twelve-month variation to September 2010.

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

<sup>e</sup> Year-on-year variation, January to October average.

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

<sup>g</sup> Average of the figures of January and April.

<sup>h</sup> Fiscal year.

<sup>i</sup> Annualized averages.

<sup>j</sup> Average from January to October.

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

slower rate than in the comparable period of 2009. This performance reflected decreases in private and public consumption spending and gross fixed capital formation, which cancelled out the effect of the improvement in net external demand.

From January to September 2010, headline inflation was 6.7%. The largest price increase over the period was a 6.8% escalation in the prices of food items over the period. Within this category, vegetables and starchy foods rose by 13.6% and 9.1% respectively. This was due to prolonged drought conditions in the early part of the year and, later, to the effects of tropical storm Nicole. Some other subcomponents of the index also saw significant price increases over this period. For example, although electricity, housing and water rose by just 2.3%, housing rents increased by as much as 12.3%. In addition, transport rose by 19.5% due to increases in fuel taxes and higher fares for public transport.

The current account deficit will widen gradually to 11.9% of GDP by 2011, since import spending will inevitably increase in line with rising global energy prices. Although aluminium prices are forecast to recover in 2010 and 2011, export earnings in the remainder of 2010 will be undermined by weak production levels. Tourism earnings will register minimal growth but will remain steady, underpinning the small services surplus. Although

inflows of remittances in 2010/2011 will remain below 2008 levels, the current transfers surplus will continue to contribute around US\$ 1.9 billion to the current account, a slight increase over 2009. As private capital inflows from international bond issues and foreign direct investment (FDI) remain historically weak, the government will make up the shortfall with capital inflows from multilateral finance institutions. The net international reserves

target under the stand-by agreement for the September quarter was US\$ 1.353 billion, but the actual figure was US\$ 1.693 billion, an increase of US\$ 609.7 million. This was partly due to inflows of US\$ 200 million from the Inter-American Development Bank, despite some decline in private capital inflows. Gross reserves at the end of September stood at US\$ 2.790 billion, or five months of projected goods and services imports.

## Suriname

A robust performance in the gold and oil sectors is expected to fuel 3% growth in the Surinamese economy in 2010. Credit expansion slowed considerably despite virtually unchanged lending rates. Inflation increased considerably in 2010 (8.4% for October-October). The current account showed a surplus over the period January-June and is expected to end the year in surplus, thanks to buoyant exports. The fiscal balance will remain in deficit, however. Real GDP growth is expected to slow to 1.1% in 2011.

A second consecutive fiscal deficit is expected in 2010, with data for the first semester showing a deficit of 2.3% of GDP. The deficit is attributable mainly to increased expenditure on public-sector wage reform and to election spending early in 2010. Boosted by taxes on gold and oil, revenue should range between 29-30% of GDP. The performance of these two sectors compensated, in fiscal terms, for the revenue losses from the aluminium sector. Expenditure may reach around 32% of GDP. Wages and salaries were up by 1.6% of GDP in 2010 following a 3% increase in 2009. However, concerns about government liquidity and inflation are forcing the State to reconsider the next scheduled wage adjustment, due in January 2011.

The higher wage bill, coupled with election spending by the State, pushed up domestic debt. During 2010, public-sector debt grew by 2.2% of GDP, its first rise since 2005, to stand at 27.2% of GDP. Debt management authorities feel this level of debt is sustainable but fear that further expected increases in State spending could jeopardize Suriname's sound debt position. Negotiations for new loans are underway with multilateral agencies, and a US\$ 500 million credit line was opened with India for construction equipment, although the quality of accessible goods and services is being questioned by industry specialists. The long-standing debt with the United States has not yet been cleared and Suriname may seek debt forgiveness.

The central bank's policy instruments remained essentially unchanged in 2010. The reserve requirement was maintained at 25%, and lending rates dipped marginally from 11.6% in December 2009 to 11.5% in November 2010, while deposit rates edged up by 0.1% to 6.1%. By the end of 2010, net domestic credit will have expanded more slowly (by 6.7%, down from more than 20% in the two previous years) and will be equivalent to 27% of GDP. This is the result of a decline in private-sector credit corresponding to

2.6% of GDP. Public-sector credit grew to 6.1% of GDP after the State borrowed substantial amounts to finance wage reform and election spending. Private sector credit fell by 2.6% of GDP to reach 32.7% of GDP. M1 should increase by 3% to reach 22.1% of GDP by year end. Pressure on the exchange rate mounted in 2010 with demand for foreign exchange fuelled by uncertainty about the economy, election results and high domestic demand. On the parallel market, these factors resulted in trading at 3.40 Suriname dollars (SRD) to the United States dollar. The central bank, which in 2009 had widened the official trading band for the United States dollar to SRD 2.71-SRD 2.85 without substantial results, is reluctant to take additional action to decrease pressure on the exchange rate. The United States dollar traded officially at SRD 2.78 in 2010.

GDP is expected to grow by 3% in 2010, driven primarily by growth in refining, metal manufacturing and services. In response to rising commodity prices, the aluminum sector increased its capacity utilization from 60% to 67% (2008 capacity) in 2010. The medium-term outlook for the sector remains gloomy, however, as new investment in the sector is yet to materialize. Gold production remained steady throughout the first half of 2010 and is expected to continue at the same pace to the end of the year. Oil production was maintained at 16,000 barrels a day and exploration activity in coastal and shallow water blocks intensified. Rising prices for both commodities meant that manufacturing, which includes gold and refined oil products, expanded by 7%. Wholesale and retail trade grew by 7.9% as service sector activity gained momentum following the recent wage increases. The agriculture sector, especially rice and bananas, continued to attract efficiency-seeking investments, but this has yet to translate into stronger growth.

Higher domestic liquidity fuelled consumer spending and exerted additional downward pressure on the value of

the currency, both of which contributed to inflation. The year-on-year inflation rate in October was 8.4%, a marked increase from the rate of -2.7% a year earlier. Inflation is expected to end the year at 11%. Unemployment is unofficially estimated to be in the range of 10%-12%. The rate may be lower in reality, as a large informal economy exists around gold mining and underemployment continues to be high.

The mid-year current account surplus stood at 17.8% of GDP. The year-end figure should continue to be a surplus. Unprecedented price rises in 2010 for gold and buoyant oil prices generated higher export earnings. The merchandise trade surplus consequently improved and the service account surplus increased more than tenfold although it remained below 1% of GDP. New investment was attracted, mainly towards acquisitions in the gold sector, although more intense oil exploration may result in further inflows over 2011. The mid-year capital and financial balance (including errors and omissions) moved to 19% of GDP, after ending 2009 at less than 1% of GDP. However, the overall balance is expected to show a deficit for the first time since 2003, lowering international reserves to US\$ 640 million, which represents 23% of GDP and 6 months of import cover.

## SURINAME: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	4.3	2.2	3.0
Per capita gross domestic product	3.3	1.2	2.2
Consumer prices	9.4	1.3	9.2 <sup>b</sup>
Money (M1)	15.7	24.0	30.8 <sup>c</sup>
<b>Annual average percentages</b>			
Central government			
overall balance / GDP	2.3	3.7	...
Nominal deposit rate <sup>d</sup>	6.3	6.4	6.2 <sup>e</sup>
Nominal lending rate <sup>d</sup>	12.2	11.7	11.5 <sup>e</sup>
<b>Millions of dollars</b>			
Exports of goods and services	1993	1691	1887
Imports of goods and services	1757	1581	1570
Current account	344	210	425
Capital and financial account <sup>f</sup>	-292	16	-445
Overall balance	52	226	-20

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to October 2010.

<sup>c</sup> Twelve-month variation to August 2010.

<sup>d</sup> Deposit and loan rates published by International Monetary Fund.

<sup>e</sup> Average from January to September.

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

## Trinidad and Tobago

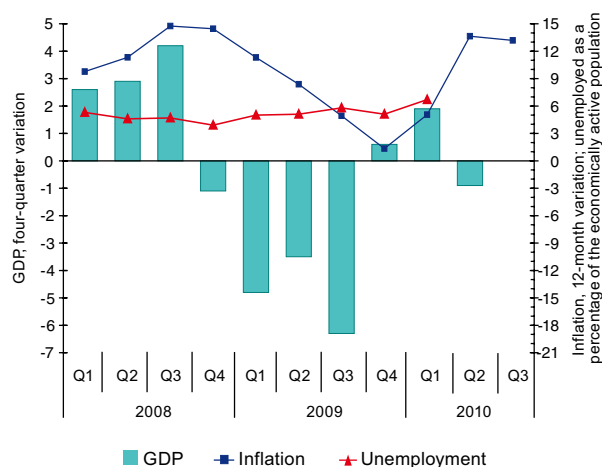
According to preliminary estimates, the Trinidad and Tobago economy is expected to grow by 1% in 2010. This performance is linked to the energy sector as the non-energy sector's performance continued to decline. Credit demand remained unresponsive to persistent reductions in lending rates during the year. Annual average inflation soared to 16.8% in August after falling to 1.3% in 2009, and the unemployment rate is expected to climb to 7%. On the external front, the current account surplus increased to US\$ 1.8 billion or 15.6% of GDP in January-June 2010.

The central government ran a lower-than-budgeted fiscal deficit for the 2009/2010 fiscal year. The overall deficit (excluding the cost of the government's intervention to bail out CLICO) is recorded at 3.807 billion Trinidad and Tobago dollars (TT\$) or 3% of GDP. This outturn reflects the recovery in energy sector revenues and lower-than-planned expenditures (due to election-related delays in capital spending). However, the government still owes large amounts to contractors and other suppliers and this may increase the size of the final fiscal deficit. Of particular concern is the non-energy fiscal deficit, estimated at 18% of GDP. Receipts from the non-energy sector were lower than projected, since the lacklustre economic performance resulted in a shortfall in revenues from customs duties and other taxes. The central government's budget for 2010/2011 is based on a growth rate of 2.5%, an average oil price of US\$ 65 per barrel (West Texas Intermediate (WTI)) and a gas price (netback value) of US\$ 2.75 per mmbtu. The objective of this public budget was to encourage growth and job creation through fiscal incentives that would result in a deficit of 5.1% of GDP, to be financed by local and foreign borrowing. The 2010/2011 budget seeks to ensure that capital expenditure will stimulate economic recovery and pay attention to fiscal consolidation and the social sectors. Nevertheless, capital expenditures are projected at TT\$ 7.209 billion, which represents a decline of 4.9% from the previous year due to severe revenue constraints. However, the fiscal deficit could be larger than budgeted because of the impact of slower growth rates, wage settlements and a 39% increase in the minimum wage to TT\$ 12.50 per hour. The budget deficit of 2010/2011 is

projected to push public debt up further to 43% of GDP (from its current level of 37% of GDP).

Against the background of a weak economy and inflationary pressures that were largely supply-induced, the central bank's policy stance sought to reduce market interest rates and stimulate credit growth. Between April and October 2010, the monetary authorities lowered the policy repo rate by 100 basis points from 5% to 4%. In response, commercial banks also reduced their average prime lending rate from 9.5% to 8.9% during the year. Nevertheless, the policy action did not yield the expected results and credit demand remained weak. Consumer credit recorded a year-on-year decline of 2.8%, while business

TRINIDAD AND TOBAGO: GDP, INFLATION AND UNEMPLOYMENT



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

credit declined by 10.1%. In contrast, mortgage loans outstanding grew by 7.1% in August, compared with the corresponding period a year earlier.

The further deterioration in credit demand and reductions in the repo rate may be attributed to uncertainty about growth in the economy and employment prospects. Many would-be borrowers have preferred to avoid new or increased indebtedness. Furthermore, interest-rate reductions appear to have benefited mortgage loans rather than consumer and business loans and the increase in non-performing loans has led some banks to tighten prudential lending standards. As a result of large increases in bank deposits and flagging credit demand, excess liquidity in the banking system swelled to unprecedented levels, amounting to TT\$ 3.3 billion in October 2010 compared with TT\$ 2.5 billion in 2009. This in turn drove treasury bill rates down to record lows. The three-month treasury-bill discount rate stood at a historic low of 0.34% in September 2010, down from 1.85% a year earlier. This development, combined with the narrowing of the spread between domestic and foreign interest rates, has fuelled an increase in demand for foreign exchange for financing asset purchases abroad.

On a year-on-year basis, the real effective exchange rate appreciated by 14.9% to August 2010. The main contributing factor to this appreciation of the exchange rate was the increase in inflation, which greatly exceeded the 3.3% weighted average inflation rate of Trinidad and Tobago's major trading partners. Additionally, an appreciation of the United States dollar against the Euro and pound also caused an indirect appreciation of the Trinidad and Tobago dollar against these currencies.

The new government proposed a new bail-out plan for CLICO. The new plan proposed that depositors with short-term investments and mutual funds will receive an initial partial payment of a maximum of TT\$ 75,000 from the government. Investors and mutual fund depositors whose principal balances exceed TT\$ 75,000 will be paid through government bonds amortized over 20 years at zero interest. This plan was rejected by investors but the government insists that it will be implemented by the end of 2010.

There is still no evidence of a resurgence in economic activity. Real GDP is expected to grow by 1% in 2010, with a potential increase to 2.5% in 2011 if the global economic recovery continues and if consumer and business confidence is restored and helps to boost investment and job creation. Economic activity in the non-energy sector is expected to decline by 1.7% in 2010. Available data to the end of the second quarter show that value added continued to decline in the following sectors: distribution (5.1%), construction (8.9%), manufacturing (0.6%) and agriculture (15%).

#### TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS

	2008	2009	2010 <sup>a</sup>
<b>Annual percentage growth rates</b>			
Gross domestic product	2.3	-0.9	1.0
Per capita gross domestic product	1.9	-1.3	0.6
Consumer prices	14.5	1.3	12.5 <sup>b</sup>
Money (M1)	10.1	38.9	20.7 <sup>c</sup>
Real effective exchange rate <sup>d</sup>	-5.1	-7.6	-5.3 <sup>e</sup>
<b>Annual average percentages</b>			
Rate of urban unemployment <sup>f</sup>	4.6	5.3	6.7 <sup>g</sup>
Central government			
overall balance / GDP <sup>h</sup>	7.4	-5.6	...
Nominal deposit rate <sup>i</sup>	2.4	1.9	0.4 <sup>j</sup>
Nominal lending rate <sup>k</sup>	12.3	11.9	9.4 <sup>j</sup>
<b>Millions of dollars</b>			
Exports of goods	18 686	9 175	8 823
Imports of goods	9 622	6 973	6 729
Current account	8 519	1 759	1 228
Capital and financial account <sup>l</sup>	-5 813	-2 472	-778
Overall balance	2 706	-713	450

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

<sup>b</sup> Twelve-month variation to October 2010.

<sup>c</sup> Twelve-month variation to September 2010.

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

<sup>e</sup> Year-on-year variation, January to October average.

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

<sup>g</sup> Figure for March.

<sup>h</sup> Fiscal year.

<sup>i</sup> Average of savings rates.

<sup>j</sup> Average from January to October.

<sup>k</sup> Prime rate, annualized.

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

The inflation rate is expected to rise to 10% in 2010 and to average 8% in 2011, while the unemployment rate may reach 7.8% in 2010 and fall back to 7% in 2011. Headline inflation, which measured 1.3% at the end of 2009, spiralled to 16.2% at the end of August 2010, before falling back to 13.2% at the end of September 2010. This outcome was largely due to food prices, which recorded an average increase of 12% over the 12 months to August 2010. However, core inflation remained sticky at 4%. The unemployment rate increased to 6.7% in the first quarter of 2010, up from 5.1% in the previous quarter, although the participation rate declined from 63.6% to 61.9%.

The current account surplus of the balance of payments showed some improvements, increasing from 8.3% of GDP in 2009 to 15.6% of GDP in the first half of 2010. This improvement in the current account was linked to the recovery in energy and petroleum prices. The capital and financial account continued to be in deficit as private-sector outflows reached US\$ 1.8 billion and foreign direct investment remained minuscule. At the end of September 2010, gross official reserves amounted to US\$ 9.085 billion or 13.1 months of prospective imports. Developments in the current account in the last two years once more underscore the point that in economies like Trinidad and Tobago, medium-term growth depends on a strategy which seeks to improve competitiveness and productivity in the non-energy sector.

## Eastern Caribbean Currency Union

During the first half of 2010, economic activity in the Eastern Caribbean Currency Union (ECCU) is estimated to have contracted, albeit at a slower pace (2.8%) than in the same period of 2009 (when it fell by 6.2%). The main factor in this fall was the continued decline in construction activity.

Inflation edged up slightly and is expected to end the year at about 3%. The fiscal deficit rose to nearly 3% of GDP during the period January to June 2010, compared with 2% for the same period in 2009, as tax revenue continued to slide. The current account deficit remained relatively unchanged at approximately 27% of GDP in June 2010, while the debt-to-GDP ratio increased to 103%. The authorities project a 2% contraction in economic activity in 2010, with a slow recovery of 1% in 2011. However, the damage caused by Hurricane Tomas in October 2010 to agriculture and infrastructural capital in Saint Lucia and Saint Vincent and the Grenadines may result in a sharper contraction in 2010. Conversely, reconstruction efforts may contribute to a better growth performance in 2011.

Given the tight fiscal position and high debt levels of central governments, the countercyclical policies implemented in order to cushion the impact of the crisis were limited. Stemming from the Eight-Point Stabilization and Growth Programme agreed upon by member countries in June 2009, country-specific fiscal targets, established in October 2010, included debt service ratios no greater than 15% of current revenue, a primary surplus of at least 3% of GDP, and the previously agreed objective of reducing the debt-to-GDP ratio to 60% by 2020.

Total government revenue dipped by 4% in the first half of 2010, while total expenditure was up by 3%, mainly due to an increase in current expenditure. This resulted in a rise in the overall fiscal deficit to 3% of GDP (compared with 2% of GDP in June 2009) and a fall in the primary surplus to 0.7% of GDP (1.6% of GDP in 2009). On the revenue side, Saint Kitts and Nevis introduced a 17% value added tax in November 2010, while Antigua and Barbuda initiated fiscal consolidation and Saint Lucia opted for overall tax reform. With the loans received from the International Monetary Fund

(IMF) and domestic financial institutions, the aggregate public-sector debt stock swelled from 96% of GDP at the end of December 2009 to 103% of GDP in June 2010<sup>1</sup>. Total external debt grew marginally to 50% of GDP from 48% of GDP, while domestic debt expanded to 53% of GDP from 51% of GDP. Debt service payments increased by 18% to 7.5% of GDP.

In 2010, the focus of monetary policy was on protecting the stability of the financial system and maintaining the credibility of the currency peg. At the monetary policy level, little was done to stimulate economic activity. The central-bank-administered discount rate remained at 6.5% and the average lending and deposit rates of commercial banks remained unchanged at 11.3% and 4.5% respectively. Domestic credit to the private sector remained sluggish, rising by a mere 2% in August 2010 relative to December 2009, while net credit to the central government declined by approximately 28%, owing to an increase in deposits and cutbacks in capital expenditure. In keeping with the slowdown in economic activity, the money supply (M1) decreased by 0.5%.

Real output contracted in the first half of 2010 by 2.8% and an overall contraction of 2% has been projected for 2010. However, with the loss of agricultural crops and infrastructural capital caused by the passage of Hurricane Tomas in Saint Lucia and Saint Vincent and the Grenadines, growth in 2010 may actually worsen. The main sources of the contraction in the first half of 2010

<sup>1</sup> In June 2010, IMF approved a three-year US\$ 117.8 million Stand-by Arrangement with Antigua and Barbuda (US\$ 31.8 million received to date) to support recovery from mounting debt and cope with the impact of the global crisis. In April 2010, the Fund approved US\$ 13.3 million under an Extended Credit Facility (ECF) with Grenada; US\$ 1.9 million was disbursed under this facility in April 2010, while US\$ 2.6 million was disbursed under a previous ECF arrangement.



were the declines in the construction sector (20%), in wholesale and retail trade (6%) and in banks and insurance (3%). The tourism sector, which contributed about 8% to real GDP and is the mainstay of many ECCU economies, saw some improvement during that period thanks to a 5% increase in the higher-end stay-over visitors; cruise passengers were also up by 3% compared with the same period of 2009. Arrivals of stay-over visitors from the United States and Canada increased by about 14% and 17% respectively, while figures for stay-over visitors from the United Kingdom were down by about 9%. A number of challenges remain as the tourism sector is highly dependent on the recovery in the United States and United Kingdom. In addition, the increase in the Air Passenger Duty in the United Kingdom (from £50 to £75 in November 2010) could have an impact on travel demand from that country. The agricultural sector, which contributed 6% to GDP, contracted by 3% in the first half of 2010 on account of the fall in crop production and fishing. Output of bananas, the main crop in the ECCU declined due to drought and leaf spot disease.

Year-on-year inflation was 2.2% in June 2010, up from -0.2% in June 2009. By year end, the rate may inch up above 3%, owing to the impact of Hurricane Tomas and the introduction of the value added tax in Saint Kitts and Nevis. Although unemployment statistics are difficult to come by, the slowdown in construction and the tourism sector points to a rise in this indicator in 2010. In Nevis (one of the few places for which data are available), the number of employed persons fell to 4,321 in the first quarter of 2010 (from 4,844 in 2009), as the construction and tourism sectors shed jobs.

**EASTERN CARIBBEAN CURRENCY UNION:  
MAIN ECONOMIC INDICATORS**

	2008	2009	2010 <sup>a</sup>
<b>Annual average percentages</b>			
Central government overall balance / GDP	-3.9	-3.5	-1.1
Nominal deposit rate	3.3	3.3	...
<b>Millions of dollars</b>			
Exports of goods and services	2 135	1 903	1 833
Imports of goods and services	3 906	3 235	3 139
Current account	-1 861	-1 404	-1 411
Capital and financial account <sup>b</sup>	1 902	1 395	1 550
Overall balance	40	-9	141

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimates.

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

Estimates for the first half of 2010 indicated that the current account deficit remained largely unchanged, compared with December 2009, at approximately 27% of GDP. The merchandise trade deficit widened by 5% on account of falling export receipts (11%), combined with a slight increase in the import bill (2%). The services account surplus grew by 5% owing to a 3% increase in travel receipts, the main component of the services account, as stay-over tourist arrivals rallied. Meanwhile, the capital and financial account surplus diminished by nearly 11% as FDI inflows, especially to the tourism sector, remained at a low ebb. A reduction in commercial bank transactions led to weaker inflows, notwithstanding the stronger inflows received by the government. The reserve position of the central bank improved by approximately 4.4% over the previous 12 months ending June 2010 to stand at US\$ 834 million, or nearly 3 months' imports.



## Statistical annex





Table A-1  
LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>a</sup>
<b>Annual growth rates</b>										
Gross domestic product <sup>b</sup>	0.3	-0.4	2.2	6.1	4.9	5.8	5.8	4.2	-1.8	6.0
Per capita gross domestic product <sup>b</sup>	-1.1	-1.7	0.8	4.7	3.6	4.6	4.6	3.0	-2.8	4.8
Consumer prices <sup>c</sup>	6.1	12.2	8.5	7.4	6.1	5.0	6.5	8.2	4.7	6.2
<b>Percentages</b>										
Urban open unemployment <sup>d</sup>	10.2	11.1	11.0	10.3	9.1	8.6	7.9	7.3	8.2	7.6
Total gross external debt/GDP <sup>e</sup>	36.4	20.6	20.6	17.9	13.0	10.9	10.2	9.1	10.6	9.1
Total gross external debt/ exports of goods and services <sup>e</sup>	181	177	169	138	102	84	83	73	100	103
<b>Balance of payments<sup>f</sup></b>										
<b>Millions of dollars</b>										
Current account balance	-54 582	-16 790	9 197	22 339	36 777	49 642	14 906	-28 429	-16 997	-50 580
Merchandise trade balance	-10 255	17 722	38 833	54 026	73 822	90 908	61 990	43 420	52 044	48 160
Exports of goods f.o.b.	356 257	359 489	392 480	483 868	582 921	697 488	783 058	906 441	701 469	876 675
Imports of goods f.o.b.	366 512	341 767	353 647	429 841	509 099	606 579	721 068	863 021	649 425	828 887
Services trade balance	-15 964	-11 134	-9 094	-9 164	-8 242	-9 405	-14 758	-30 301	-29 810	-46 606
Income balance	-55 663	-54 125	-59 473	-68 854	-81 851	-96 297	-99 208	-108 671	-99 584	-112 734
Net current transfers	27 300	30 747	38 931	46 330	53 047	64 435	66 890	67 123	60 353	60 972
Capital and financial balance <sup>g</sup>	40 902	-10 286	820	-6 651	24 265	14 767	110 716	66 938	63 303	112 749
Net foreign direct investment	68 495	51 109	38 136	50 407	55 205	31 979	92 137	96 303	66 442	66 000
Other capital movements	-27 593	-61 395	-37 316	-57 058	-30 941	-17 212	18 579	-29 365	-3 139	46 749
Overall balance	-13 680	-27 077	10 017	15 688	60 901	64 624	125 134	38 510	46 307	62 169
Variation in reserve assets <sup>h</sup>	-2 505	4 708	-28 609	-24 507	-39 492	-51 919	-127 078	-42 147	-50 549	-62 303
Other financing	16 186	22 368	18 592	8 819	-21 409	-12 705	1 945	3 638	4 242	134
Net transfer of resources	1 333	-41 743	-39 611	-66 836	-78 362	-93 616	14 412	-38 094	-32 039	149
Gross international reserves <sup>f</sup>	163 177	164 784	197 615	225 668	262 168	319 045	459 152	512 240	566 961	614 639
<b>Fiscal sector<sup>i</sup></b>										
<b>Percentages of GDP</b>										
Overall balance	-3.1	-2.8	-2.9	-1.8	-1.0	0.1	0.4	-0.4	-2.9	-2.4
Primary balance	-0.7	-0.5	-0.2	0.6	1.4	2.4	2.3	1.3	-1.1	-0.6
Total revenue	16.6	16.8	17.0	17.3	18.3	19.3	19.8	19.9	18.7	19.3
Tax revenue	12.8	12.9	13.1	13.5	14.3	14.6	15.1	15.0	14.6	15.0
Total expenditure	19.7	19.6	19.8	19.1	19.3	19.2	19.4	20.3	21.6	21.7
Central-government public debt	44.9	58.2	57.3	50.9	42.8	35.8	29.9	28.5	29.9	28.5
Public debt of the non-financial public sector	50.1	65.0	62.7	55.8	47.6	40.5	33.5	31.9	33.5	31.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Based on official figures expressed in constant 2000 dollars.

<sup>c</sup> December - December variation.

<sup>d</sup> The data for Argentina and Brazil have been adjusted to allow for changes in methodology in 2003 and 2002, respectively.

<sup>e</sup> Estimates based on figures denominated in dollars at current prices.

<sup>f</sup> From 2008 on, does not include Cuba.

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

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

<sup>i</sup> Central government, except for the Plurinational State of Bolivia and Mexico, whose coverage corresponds to general government and public sector, respectively. Includes information from 19 Latin American and Caribbean countries: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay. Simple averages.

Table A-2  
**LATIN AMERICA AND THE CARIBBEAN: GROSS DOMESTIC PRODUCT**  
*(Annual growth rates)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>a</sup>
<b>Latin America and the Caribbean<sup>b</sup></b>	<b>0.3</b>	<b>-0.4</b>	<b>2.2</b>	<b>6.1</b>	<b>4.9</b>	<b>5.8</b>	<b>5.8</b>	<b>4.2</b>	<b>-1.8</b>	<b>6.0</b>
Antigua and Barbuda	2.0	2.5	5.2	7.0	4.2	13.3	9.1	0.2	-10.9	-4.1
Argentina	-4.4	-10.9	8.8	9.0	9.2	8.5	8.7	6.8	0.9	8.4
Bahamas	-0.6	2.2	0.7	1.6	5.0	3.5	1.9	-1.7	-4.3	0.5
Barbados	-4.6	0.7	1.9	4.8	3.9	3.2	3.4	0.5	-3.6	-1.0
Belize	5.0	5.1	9.3	4.6	3.0	4.7	1.2	3.8	-0.0	2.0
Bolivia (Plurinational State of)	1.7	2.5	2.7	4.2	4.4	4.8	4.6	6.1	3.4	3.8
Brazil	1.3	2.7	1.1	5.7	3.2	4.0	6.1	5.2	-0.6	7.7
Chile	3.4	2.2	3.9	6.0	5.6	4.6	4.6	3.7	-1.5	5.3
Colombia <sup>c</sup>	1.7	2.5	3.9	5.3	4.7	6.7	6.9	2.7	0.8	4.0
Costa Rica	1.1	2.9	6.4	4.3	5.9	8.8	7.9	2.8	-1.1	4.0
Cuba	3.2	1.4	3.8	5.8	11.2	12.1	7.3	4.1	1.4	1.9
Dominica	-3.8	-4.0	2.2	6.3	3.4	6.3	4.9	3.5	-0.9	1.4
Dominican Republic	1.8	5.8	-0.3	1.3	9.3	10.7	8.5	5.3	3.5	7.0
Ecuador	4.8	3.4	3.3	8.8	5.7	4.8	2.0	7.2	0.4	3.5
El Salvador	1.7	2.3	2.3	1.9	3.3	4.2	4.3	2.4	-3.5	1.0
Grenada	-3.9	2.1	8.4	-6.5	12.0	-1.9	4.5	0.9	-8.3	0.8
Guatemala	2.3	3.9	2.5	3.2	3.3	5.4	6.3	3.3	0.5	2.5
Guyana	1.6	1.1	-0.6	1.6	-2.0	5.1	7.0	2.0	3.3	2.8
Haiti	-1.0	-0.3	0.4	-3.5	1.8	2.3	3.3	0.8	2.9	-7.0
Honduras	2.7	3.8	4.5	6.2	6.1	6.6	6.3	4.0	-1.9	2.5
Jamaica	1.3	1.0	3.5	1.4	1.0	2.7	1.5	-0.9	-2.7	0.0
Mexico	-0.0	0.8	1.4	4.1	3.3	5.1	3.4	1.4	-6.1	5.3
Nicaragua	3.0	0.8	2.5	5.3	4.3	4.2	3.1	2.8	-1.5	3.0
Panama	0.6	2.2	4.2	7.5	7.2	8.5	12.1	10.1	3.2	6.3
Paraguay	2.1	-0.0	3.8	4.1	2.9	4.3	6.8	5.8	-3.8	9.7
Peru	0.2	5.0	4.0	5.0	6.8	7.7	8.9	9.8	0.9	8.6
Saint Kitts and Nevis	2.0	1.0	0.5	7.6	5.6	5.5	2.0	4.6	-11.1	-1.5
Saint Lucia	-5.9	2.0	4.1	5.6	4.3	5.9	2.2	0.8	-4.6	1.1
Saint Vincent and the Grenadines	2.2	3.8	3.1	6.6	2.1	9.5	8.6	1.3	-2.8	0.5
Suriname	5.7	2.7	6.8	0.5	7.2	3.9	5.1	4.3	2.2	3.0
Trinidad and Tobago	4.2	7.9	14.4	8.0	5.4	14.4	4.6	2.3	-0.9	1.0
Uruguay	-3.4	-11.0	2.2	11.8	6.6	7.0	7.5	8.5	2.9	9.0
Venezuela (Bolivarian Republic of)	3.4	-8.9	-7.8	18.3	10.3	9.9	8.2	4.8	-3.3	-1.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Based on official figures expressed in 2000 dollars.

<sup>c</sup> Based on the new quarterly national accounts figures published by the country, base year 2005.

Table A-3  
**LATIN AMERICA AND THE CARIBBEAN: PER CAPITA GROSS DOMESTIC PRODUCT**  
*(Annual growth rates)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>a</sup>
<b>Latin America and the Caribbean<sup>b</sup></b>	<b>-1.1</b>	<b>-1.7</b>	<b>0.8</b>	<b>4.7</b>	<b>3.6</b>	<b>4.6</b>	<b>4.6</b>	<b>3.0</b>	<b>-2.9</b>	<b>4.8</b>
Antigua and Barbuda	-0.5	1.3	3.9	5.7	1.7	11.9	7.8	-1.0	-11.9	-5.2
Argentina	-5.4	-11.8	7.8	8.0	8.1	7.4	7.6	5.7	-0.2	7.3
Bahamas	-1.9	0.9	-0.6	0.3	3.8	1.9	0.7	-2.8	-5.4	-0.7
Barbados	-4.2	0.7	1.5	4.4	3.9	2.8	3.0	0.5	-4.0	-1.4
Belize	2.5	2.7	6.9	2.3	0.8	2.5	-1.2	1.7	-2.0	0.0
Bolivia (Plurinational State of)	-0.4	0.4	0.7	2.2	2.5	2.9	2.7	4.3	1.6	2.1
Brazil	-0.1	1.2	-0.2	4.4	1.9	2.8	5.0	4.2	-1.5	6.7
Chile	2.2	1.0	2.8	4.9	4.5	3.5	3.5	2.6	-2.5	4.3
Colombia <sup>c</sup>	0.0	0.9	2.3	3.7	3.1	5.1	5.3	1.2	-0.6	2.6
Costa Rica	-1.0	0.8	4.3	2.4	4.1	7.1	6.4	1.5	-2.3	2.6
Cuba	2.9	1.2	3.6	5.6	11.1	12.0	7.2	4.1	1.4	1.9
Dominica	-3.8	-4.0	2.2	6.3	4.9	6.3	4.9	3.5	-0.9	1.4
Dominican Republic	0.2	4.2	-1.8	-0.2	7.7	9.1	6.9	3.8	2.1	5.6
Ecuador	3.4	2.2	2.1	7.6	4.6	3.6	1.0	6.1	-0.7	1.9
El Salvador	1.2	1.9	2.0	1.5	2.9	3.8	3.9	2.0	-4.0	0.5
Grenada	-3.9	1.1	8.4	-6.5	11.0	-1.9	4.5	-0.1	-8.3	0.8
Guatemala	-0.1	1.3	0.0	0.6	0.7	2.8	3.7	0.8	-2.0	0.0
Guyana	1.5	0.9	-0.9	1.3	-2.1	5.1	7.0	2.1	3.5	2.9
Haiti	-2.7	-1.8	-1.2	-5.0	0.2	0.6	1.7	-0.8	1.2	-8.5
Honduras	0.6	1.7	2.5	4.1	3.9	4.4	4.2	1.9	-3.8	0.5
Jamaica	0.5	0.2	2.7	0.7	0.3	2.1	1.0	-1.4	-3.1	-0.4
Mexico	-1.3	-0.5	0.2	2.9	2.1	3.9	2.2	0.5	-7.0	4.3
Nicaragua	1.4	-0.6	1.2	4.0	2.9	2.8	1.7	1.4	-2.7	1.7
Panama	-1.3	0.4	2.3	5.6	5.3	6.7	10.2	8.3	1.6	4.7
Paraguay	-0.0	-2.0	1.8	2.1	0.9	2.4	4.8	3.9	-5.5	7.8
Peru	-1.2	3.6	2.6	3.6	5.5	6.4	7.6	8.5	-0.3	7.4
Saint Kitts and Nevis	-0.1	1.0	-1.6	5.4	5.6	3.4	2.0	2.6	-12.8	-1.5
Saint Lucia	-7.1	1.4	2.8	4.3	3.7	4.6	0.9	0.3	-5.8	-0.1
Saint Vincent and the Grenadines	2.2	3.8	3.1	5.6	2.1	9.5	8.6	1.3	-2.8	0.5
Suriname	4.2	1.2	5.5	-0.9	5.9	2.8	4.1	3.3	1.2	2.2
Trinidad and Tobago	3.8	7.5	14.1	7.5	5.1	14.0	4.2	1.9	-1.3	0.6
Uruguay	-3.6	-11.0	2.2	11.9	6.6	6.8	7.2	8.2	2.5	8.6
Venezuela (Bolivarian Republic of)	1.5	-10.5	-9.4	16.2	8.4	8.0	6.3	3.0	-4.9	-3.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Based on official figures expressed in 2000 dollars.

<sup>c</sup> Based on the new quarterly national accounts figures published by the country, base year 2005.

Table A-4  
**LATIN AMERICA AND THE CARIBBEAN: GROSS FIXED CAPITAL FORMATION<sup>a</sup>**  
*(Percentages of GDP)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>b</sup>
<b>Latin America and the Caribbean</b>	<b>18.0</b>	<b>16.9</b>	<b>16.6</b>	<b>17.6</b>	<b>18.6</b>	<b>19.8</b>	<b>21.0</b>	<b>22.0</b>	<b>20.6</b>	<b>21.3</b>
Argentina	14.3	10.2	12.9	15.9	17.9	19.5	20.4	20.9	18.6	19.7
Bahamas	28.4	26.5	26.9	24.8	30.0	35.8	35.8	30.6	30.0	...
Belize	25.6	23.1	18.1	16.4	17.2	16.7	17.4	22.9	...	...
Bolivia (Plurinational State of)	13.8	16.0	13.9	13.2	13.4	14.0	15.1	16.9	16.8	17.5
Brazil	16.6	15.4	14.5	15.0	15.0	15.9	17.0	18.4	16.6	19.1
Chile	19.9	19.8	20.2	20.9	24.5	24.0	25.5	29.2	25.1	28.1
Colombia	15.2	16.5	17.7	18.7	20.2	22.4	24.0	24.5	24.9	24.8
Costa Rica	18.0	18.7	18.8	18.0	17.7	18.0	19.7	21.1	18.7	18.7
Cuba	11.2	10.0	9.0	9.2	9.9	12.8	12.2	12.6	10.5	...
Dominican Republic	19.3	19.1	15.3	14.8	15.4	16.9	17.5	18.2	14.9	17.2
Ecuador	23.6	27.2	26.3	25.3	26.6	26.3	26.4	28.6	27.3	28.6
El Salvador	16.9	17.1	17.1	15.9	15.7	17.0	16.8	15.6	13.3	13.4
Guatemala	19.0	20.0	18.9	18.1	18.3	20.1	19.8	18.0	15.2	14.1
Haiti	27.3	28.0	28.8	28.9	28.8	28.8	28.7	29.3	29.4	31.6
Honduras	24.3	21.7	22.1	25.7	23.8	25.4	29.4	29.5	20.3	21.3
Mexico	20.2	19.9	19.7	20.5	21.3	22.3	23.0	24.0	22.7	22.1
Nicaragua	26.4	24.5	24.1	24.4	25.7	25.2	25.3	26.0	22.2	20.9
Panama	15.7	14.4	17.1	17.4	17.3	18.6	23.3	26.5	24.1	25.3
Paraguay	16.1	15.0	15.5	15.6	16.4	16.2	17.3	18.9	17.2	18.2
Peru	18.5	17.5	17.8	18.3	19.2	21.2	24.0	28.8	26.2	29.1
Trinidad and Tobago	23.0	18.7	26.2	21.8	31.8	16.6	15.5	16.5	...	...
Uruguay	15.8	12.0	10.4	12.1	13.4	15.7	15.9	17.4	16.3	16.6
Venezuela (Bolivarian Republic of)	23.1	20.7	14.1	17.9	22.4	26.4	30.6	28.3	26.9	25.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Based on official figures expressed in 2000 dollars.

<sup>b</sup> Preliminary figures.

Table A-5a  
**LATIN AMERICA AND THE CARIBBEAN: FINANCING OF GROSS DOMESTIC INVESTMENT<sup>a</sup>**  
*(Percentages of GDP)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>b</sup>
1. Domestic saving	18.9	19.8	20.5	22.6	22.7	23.9	23.5	23.3	20.2	20.2
2. Net factor income	-2.7	-2.9	-3.0	-3.1	-3.0	-3.0	-2.6	-2.5	-2.4	-2.3
3. Net transfers	1.3	1.6	2.0	2.0	1.9	2.0	1.7	1.5	1.5	1.2
4. Gross national saving	17.5	18.6	19.4	21.5	21.6	22.9	22.7	22.4	19.2	19.0
5. External saving	2.6	0.8	-0.6	-1.0	-1.4	-1.5	-0.4	0.7	0.4	1.1
6. Gross domestic investment	20.1	19.4	18.9	20.5	20.2	21.4	22.3	23.3	19.8	20.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Based on values calculated in national currency and expressed in current dollars.

<sup>b</sup> Preliminary figures. Does not include Cuba.

Table A-5b  
**LATIN AMERICA AND THE CARIBBEAN: GROSS DOMESTIC INVESTMENT, NATIONAL INCOME AND SAVING**  
*(Annual growth rates)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>a</sup>
Gross domestic investment	1.0	-9.0	-5.1	12.9	8.3	12.2	11.5	10.8	-14.4	12.9
Gross national disposable income	-0.3	-0.3	2.5	7.1	6.1	7.4	6.5	3.0	-3.4	7.5
National saving	-4.9	0.5	6.4	14.8	7.7	13.1	6.6	-2.2	-16.1	15.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures expressed in 2000 dollars.

<sup>a</sup> Preliminary figures.



Table A-6  
**LATIN AMERICA AND THE CARIBBEAN: BALANCE OF PAYMENTS**  
*(Millions of dollars)*

	Exports of goods f.o.b.			Exports of services			Imports of goods f.o.b.			Imports of services		
	2008	2009	2010 <sup>c</sup>	2008	2009	2010 <sup>c</sup>	2008	2009	2010 <sup>c</sup>	2008	2009	2010 <sup>c</sup>
<b>Latin America and the Caribbean</b>	<b>906 441</b>	<b>701 469</b>	<b>876 675</b>	<b>115 114</b>	<b>103 827</b>	<b>113 391</b>	<b>863 021</b>	<b>649 425</b>	<b>828 887</b>	<b>146 024</b>	<b>134 358</b>	<b>160 710</b>
Antigua and Barbuda	78	35	33	564	514	514	671	528	501	271	239	232
Argentina	70 019	55 669	70 143	12 021	10 894	11 983	54 596	37 141	53 854	13 335	11 810	13 582
Bahamas	956	711	731	2 543	2 275	2 364	3 199	2 535	2 462	1 403	1 196	1 226
Barbados	488	379	372	1 601	1 432	1 467	1 730	1 295	1 240	705	635	635
Belize	480	382	454	386	344	356	788	621	627	170	162	157
Bolivia (Plurinational State of)	6 527	4 918	6 147	500	515	536	4 764	4 144	4 848	1 017	1 015	1 076
Brazil	197 942	152 995	198 893	30 451	27 728	31 673	173 107	127 705	178 706	47 140	46 973	63 739
Chile	66 464	53 735	68 781	10 785	8 507	9 811	57 617	39 754	54 463	11 656	9 581	11 239
Colombia	38 534	34 026	40 490	4 137	4 196	4 280	37 563	31 479	37 775	7 196	6 911	7 740
Costa Rica	9 555	8 838	9 457	4 083	3 593	4 204	14 569	10 875	13 050	1 882	1 405	1 658
Cuba	...	...	...	...	...	...	...	...	...	...	...	...
Dominica	44	37	38	108	118	119	217	198	214	70	64	65
Dominican Republic	6 748	5 519	6 512	4 922	4 918	5 311	15 993	12 260	15 325	1 960	1 872	2 059
Ecuador	19 147	14 347	17 646	1 313	1 227	1 375	17 776	14 269	18 835	2 954	2 604	2 894
El Salvador	4 611	3 861	4 479	1 041	835	969	9 004	6 706	7 846	1 625	1 260	1 401
Grenada	41	35	30	153	140	139	339	263	302	113	98	107
Guatemala	7 847	7 330	8 193	1 873	1 513	1 619	13 421	10 632	12 301	2 149	1 883	2 105
Guyana	802	768	446	212	170	...	1 324	1 169	1 265	325	272	...
Haiti	490	551	567	343	379	393	2 108	2 032	2 731	746	772	1 002
Honduras	6 458	5 090	5 700	877	938	1 013	10 509	7 560	8 392	1 187	1 081	1 156
Jamaica	2 761	1 388	1 720	2 777	2 651	2 700	7 742	4 476	5 200	2 421	1 881	1 300
Mexico	291 343	229 783	293 571	18 040	14 767	15 506	308 603	234 385	297 060	25 419	23 172	25 953
Nicaragua	2 538	2 387	3 031	399	470	508	4 749	3 927	4 673	608	555	638
Panama	10 323	11 133	11 968	5 788	5 519	5 906	14 869	13 256	14 767	2 633	2 191	2 673
Paraguay	7 798	5 805	8 069	1 150	1 448	1 513	8 844	6 837	9 606	592	537	639
Peru	31 529	26 885	35 219	3 649	3 653	3 920	28 439	21 011	28 785	5 611	4 765	5 588
Saint Kitts and Nevis	69	54	51	160	132	123	286	251	253	123	100	101
Saint Lucia	166	191	175	364	353	380	605	451	468	216	190	180
Saint Vincent and the Grenadines	57	55	39	153	139	139	329	294	302	110	94	91
Suriname	1 708	1 404	1 600	285	287	287	1 350	1 296	1 300	407	285	270
Trinidad and Tobago	18 686	9 175	8 823	...	...	...	9 622	6 973	6 729	...	...	...
Uruguay	7 095	6 389	7 986	2 276	2 168	2 559	8 807	6 660	7 659	1 463	1 134	1 292
Venezuela (Bolivarian Republic of)	95 138	57 595	65 309	2 162	2 005	1 725	49 482	38 442	37 346	10 516	9 622	9 911

Table A-6 (continued)

	Trade balance			Income balance			Current transfers balance			Current account balance		
	2008	2009	2010 <sup>c</sup>	2008	2009	2010 <sup>c</sup>	2008	2009	2010 <sup>c</sup>	2008	2009	2010 <sup>c</sup>
<b>Latin America and the Caribbean</b>	<b>13 119</b>	<b>22 235</b>	<b>1 183</b>	<b>-108 671</b>	<b>-99 584</b>	<b>-112 734</b>	<b>67 123</b>	<b>60 353</b>	<b>60 972</b>	<b>-28 429</b>	<b>-16 997</b>	<b>-50 580</b>
Antigua and Barbuda	-301	-218	-187	-69	-61	-31	15	27	29	-354	-252	-190
Argentina	14 109	17 612	14 690	-7 553	-9 013	-10 084	179	2 691	179	6 735	11 290	4 785
Bahamas	-1 103	-746	-592	-118	-197	-252	56	83	78	-1 165	-860	-766
Barbados	-347	-120	-36	-121	-140	-180	47	42	65	-421	-218	-151
Belize	-91	-56	26	-153	-137	-150	112	79	84	-132	-113	-40
Bolivia (Plurinational State of)	1 245	274	759	-536	-674	-900	1 284	1 213	1 100	1 993	813	959
Brazil	8 146	6 044	-11 879	-40 562	-33 684	-35 966	4 224	3 338	2 549	-28 192	-24 302	-45 296
Chile	7 976	12 907	12 891	-13 423	-10 306	-16 000	2 934	1 616	3 900	-2 513	4 217	791
Colombia	-2 087	-168	-745	-10 333	-9 435	-11 000	5 512	4 612	4 428	-6 909	-4 991	-7 317
Costa Rica	-2 812	151	-1 047	-417	-1 084	-800	442	359	373	-2 787	-574	-1 474
Cuba	...	...	...	...	...	...	...	...	...	...	...	...
Dominica	-135	-107	-123	-20	-14	-14	19	19	20	-136	-102	-118
Dominican Republic	-6 284	-3 695	-5 560	-1 748	-1 769	-1 794	3 513	3 305	3 216	-4 519	-2 159	-4 138
Ecuador	-270	-1 299	-2 708	-1 590	-1 463	-1 200	2 946	2 432	2 447	1 086	-330	-1 461
El Salvador	-4 978	-3 270	-3 800	-536	-664	-621	3 832	3 561	3 632	-1 682	-374	-789
Grenada	-259	-186	-241	-47	-66	-47	37	38	38	-269	-214	-250
Guatemala	-5 851	-3 671	-4 595	-927	-948	-1 054	5 004	4 402	4 553	-1 773	-217	-1 095
Guyana	-635	-502	-566	-15	-17	...	329	300	310	-321	-220	-256
Haiti	-2 021	-1 875	-2 774	6	13	24	1 726	1 635	3 023	-289	-227	273
Honduras	-4 362	-2 613	-2 835	-420	-487	-680	2 982	2 652	2 700	-1 800	-449	-815
Jamaica	-4 626	-2 318	-2 080	-680	-668	-400	2 083	1 858	1 900	-3 223	-1 128	-580
Mexico	-24 640	-13 007	-13 936	-17 332	-14 689	-13 900	25 457	21 468	21 682	-16 514	-6 228	-6 154
Nicaragua	-2 420	-1 625	-1 772	-161	-235	-267	1 068	1 018	1 070	-1 513	-841	-969
Panama	-1 391	1 206	434	-1 570	-1 460	-1 500	238	210	200	-2 722	-44	-866
Paraguay	-488	-121	-663	-225	-358	-261	414	519	555	-298	40	-368
Peru	1 128	4 761	4 766	-8 774	-7 371	-10 086	2 923	2 856	2 969	-4 723	247	-2 351
Saint Kitts and Nevis	-179	-165	-180	-35	-35	-21	33	29	29	-181	-171	-172
Saint Lucia	-291	-98	-94	-72	-53	-61	16	12	15	-347	-138	-140
Saint Vincent and the Grenadines	-230	-193	-214	-23	-14	-12	24	11	12	-228	-197	-213
Suriname	236	110	317	21	5	18	87	94	90	344	210	425
Trinidad and Tobago	9 674	2 923	2 556	-1 202	-1 220	-1 400	47	55	72	8 519	1 759	1 228
Uruguay	-898	764	1 593	-736	-689	-900	148	140	140	-1 486	215	833
Venezuela (Bolivarian Republic of)	37 302	11 536	19 777	698	-2 652	-3 195	-608	-323	-486	37 392	8 561	16 096

Table A-6 (concluded)

	Capital and financial balance <sup>a</sup>			Overall balance			Reserve assets (variation) <sup>b</sup>			Other financing		
	2008	2009	2010 <sup>c</sup>	2008	2009	2010 <sup>c</sup>	2008	2009	2010 <sup>c</sup>	2008	2009	2010 <sup>c</sup>
<b>Latin America and the Caribbean</b>	<b>66 938</b>	<b>63 303</b>	<b>112 749</b>	<b>38 510</b>	<b>46 307</b>	<b>62 169</b>	<b>-42 147</b>	<b>-50 549</b>	<b>-62 303</b>	<b>3 638</b>	<b>4 242</b>	<b>134</b>
Antigua and Barbuda	348	241	174	-6	-10	-16	6	30	16	0	-20	0
Argentina	-10 052	-11 667	-1 585	-3 317	-377	3 200	9	-1 346	-3 200	3 309	1 723	0
Bahamas	1 274	1 113	812	109	253	46	-109	-253	-46	0	0	0
Barbados	326	243	126	-96	25	-25	96	-25	25	0	0	0
Belize	190	161	48	58	47	9	-58	-47	-9	0	0	0
Bolivia (Plurinational State of)	381	-488	-659	2 374	325	300	-2 374	-325	-300	0	0	0
Brazil	31 161	70 952	91 296	2 969	46 650	46 000	-2 969	-46 650	-46 000	0	0	0
Chile	8 957	-2 569	284	6 444	1 648	1 075	-6 444	-1 648	-1 075	0	0	0
Colombia	9 531	6 338	9 817	2 623	1 347	2 500	-2 623	-1 347	-2 500	0	0	0
Costa Rica	2 439	835	2 025	-348	260	551	348	-260	-551	0	0	0
Cuba	...	...	...	...	...	...	...	...	...	...	...	...
Dominica	133	123	115	-3	21	-2	3	-8	2	0	-12	0
Dominican Republic	4 193	2 565	3 738	-326	406	-400	309	-638	400	17	232	0
Ecuador	-152	-2 448	1 861	934	-2 778	400	-952	681	-400	18	2 097	0
El Salvador	2 016	802	389	334	429	-400	-334	-429	400	0	0	0
Grenada	261	240	243	-8	26	-7	8	-8	7	0	-18	0
Guatemala	2 106	690	1 389	333	473	294	-333	-473	-294	0	0	0
Guyana	327	454	247	6	234	-9	-43	-271	9	38	37	0
Haiti	387	383	196	98	156	469	-171	-246	-583	73	90	114
Honduras	1 633	24	811	-167	-424	-4	78	354	4	89	71	0
Jamaica	3 118	1 084	420	-105	-44	-160	105	44	160	0	0	0
Mexico	24 595	10 755	19 954	8 080	4 527	13 800	-8 080	-4 527	-13 800	0	0	0
Nicaragua	1 499	1 049	895	-14	208	-74	-30	-262	54	45	54	20
Panama	3 307	659	-134	585	616	-1 000	-579	-616	1 000	-5	0	0
Paraguay	693	875	518	395	915	150	-394	-915	-150	0	0	0
Peru	7 836	762	12 351	3 112	1 008	10 000	-3 169	-1 045	-10 000	57	36	0
Saint Kitts and Nevis	196	197	171	15	26	-1	-15	-13	1	0	-13	0
Saint Lucia	336	171	158	-11	33	18	11	-10	-18	0	-23	0
Saint Vincent and the Grenadines	225	201	203	-3	5	-10	3	8	10	0	-12	0
Suriname	-292	16	-445	52	226	-20	-52	-226	20	0	0	0
Trinidad and Tobago	-5 813	-2 472	-778	2 706	-713	450	-2 706	713	-450	0	0	0
Uruguay	3 718	1 374	-797	2 233	1 588	36	-2 232	-1 588	-36	0	0	0
Venezuela (Bolivarian Republic of)	-27 936	-19 360	-31 096	9 456	-10 799	-15 000	-9 456	10 799	15 000	0	0	0

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the International Monetary Fund (IMF) and national sources.

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

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

<sup>c</sup> Preliminary figures.

Table A-7a  
**LATIN AMERICA AND THE CARIBBEAN: EXPORTS OF GOODS, f.o.b.**  
*(Indices 2000=100)*

	Value			Volume			Unit value		
	2008	2009	2010 <sup>a</sup>	2008	2009	2010 <sup>a</sup>	2008	2009	2010 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>243.6</b>	<b>190.1</b>	<b>238.6</b>	<b>142.3</b>	<b>129.0</b>	<b>144.8</b>	<b>171.1</b>	<b>147.4</b>	<b>164.8</b>
Argentina	265.8	211.3	266.3	155.8	148.9	179.5	170.6	142.0	148.3
Bolivia (Plurinational State of)	523.8	394.6	493.3	245.6	201.1	214.9	213.3	196.2	229.6
Brazil	359.3	277.7	361.1	190.2	169.7	185.4	189.0	163.6	194.7
Chile	346.0	279.7	358.0	153.8	146.3	146.3	224.9	191.2	244.7
Colombia	280.1	247.3	294.3	149.3	164.7	164.1	187.6	150.1	179.4
Costa Rica	164.4	152.0	162.7	168.5	165.8	175.7	97.5	91.7	92.6
Cuba	...	...	...	...	...	...	...	...	...
Dominican Republic	117.6	96.2	113.5	91.8	80.7	90.7	128.1	119.2	125.1
Ecuador	378.6	283.7	349.0	200.0	194.6	199.5	189.3	145.8	174.9
El Salvador	155.6	130.3	151.1	133.0	116.0	130.6	117.0	112.3	115.7
Guatemala	198.1	185.1	206.8	151.1	146.2	151.7	131.1	126.6	136.4
Haiti	147.8	166.1	170.9	124.0	126.7	131.1	119.2	131.1	130.3
Honduras	193.1	152.2	170.5	180.2	152.7	155.5	107.2	99.7	109.6
Mexico	175.0	138.0	176.3	126.6	108.6	130.8	138.2	127.1	134.8
Nicaragua	288.2	271.0	344.2	250.8	244.4	290.1	114.9	110.9	118.7
Panama	176.8	190.7	205.0	153.0	168.3	177.4	115.6	113.3	115.5
Paraguay	334.8	249.3	346.5	236.7	200.2	272.8	141.5	124.5	127.0
Peru	453.3	386.6	506.4	193.1	188.2	192.6	234.7	205.4	262.9
Uruguay	297.7	268.0	335.0	182.3	196.8	223.6	163.3	136.2	149.8
Venezuela (Bolivarian Republic of)	283.7	171.8	194.8	85.0	77.2	70.0	333.8	222.6	278.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the International Monetary Fund (IMF) and national sources.  
<sup>a</sup> Preliminary figures.

Table A-7b  
**LATIN AMERICA AND THE CARIBBEAN: IMPORTS OF GOODS, f.o.b.**  
*(Indices 2000=100)*

	Value			Volume			Unit value		
	2008	2009	2010 <sup>a</sup>	2008	2009	2010 <sup>a</sup>	2008	2009	2010 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>233.2</b>	<b>175.7</b>	<b>225.7</b>	<b>165.6</b>	<b>136.7</b>	<b>167.0</b>	<b>140.9</b>	<b>128.5</b>	<b>135.1</b>
Argentina	228.5	155.5	225.4	178.4	139.1	192.2	128.1	111.7	117.3
Bolivia (Plurinational State of)	295.9	257.3	301.1	199.7	182.8	199.9	148.2	140.8	150.6
Brazil	310.3	228.9	320.4	181.3	150.8	203.9	171.2	151.8	157.1
Chile	337.1	232.6	318.7	247.0	202.8	262.2	136.5	114.7	121.5
Colombia	338.7	283.9	340.6	249.3	224.7	254.3	135.9	126.3	133.9
Costa Rica	241.9	180.5	216.6	202.6	166.2	183.0	119.4	108.6	118.4
Cuba	...	...	...	...	...	...	...	...	...
Dominican Republic	168.7	129.3	161.7	123.3	109.9	127.2	136.9	117.7	127.1
Ecuador	486.0	390.1	515.0	318.3	293.7	358.9	152.7	132.8	143.5
El Salvador	191.5	142.6	166.8	150.4	120.4	131.7	127.3	118.4	126.7
Guatemala	241.4	191.2	221.2	157.6	140.3	150.3	153.1	136.3	147.2
Haiti	194.0	187.0	251.3	101.1	114.7	150.2	191.9	163.1	167.3
Honduras	263.5	189.6	210.4	188.5	155.8	160.2	139.8	121.7	131.4
Mexico	176.5	134.1	169.9	135.2	108.1	131.8	130.5	124.0	129.0
Nicaragua	263.6	218.0	259.4	172.4	162.0	178.5	152.9	134.5	145.3
Panama	213.0	189.9	211.5	158.3	150.9	160.1	134.6	125.8	132.1
Paraguay	308.6	238.5	335.1	234.1	201.1	271.7	131.8	118.6	123.4
Peru	386.5	285.6	391.2	225.0	179.5	226.1	171.8	159.1	173.1
Uruguay	266.0	201.1	231.3	153.2	143.1	153.8	173.6	140.6	150.4
Venezuela (Bolivarian Republic of)	293.4	227.9	221.4	219.3	186.0	172.1	133.8	122.6	128.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the International Monetary Fund (IMF) and national sources.  
<sup>a</sup> Preliminary figures.

Table A-8  
**LATIN AMERICA AND THE CARIBBEAN: TERMS OF TRADE FOR GOODS f.o.b. / f.o.b.**  
*(Indices 2000=100 )*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>96.3</b>	<b>96.6</b>	<b>98.6</b>	<b>103.6</b>	<b>108.7</b>	<b>115.3</b>	<b>118.0</b>	<b>121.5<sup>b</sup></b>	<b>114.7<sup>b</sup></b>	<b>122.0<sup>b</sup></b>
Argentina	99.3	98.7	107.2	109.2	106.9	113.4	117.5	133.2	127.1	126.4
Bolivia (Plurinational State of)	95.8	96.2	98.5	104.1	111.8	139.8	142.1	143.9	139.4	152.4
Brazil	99.6	98.4	97.0	97.9	99.2	104.4	106.6	110.4	107.8	123.9
Chile	93.3	97.2	102.8	124.9	139.8	183.2	189.5	164.8	166.7	201.4
Colombia	94.2	92.5	95.2	102.3	111.0	115.2	124.4	138.1	118.8	133.9
Costa Rica	98.4	96.9	95.5	91.9	88.3	85.8	84.9	81.7	84.4	78.2
Cuba	114.0	105.1	121.0	133.3	129.8	164.0	172.6	...	...	...
Dominican Republic	100.9	101.5	97.9	96.7	95.8	94.9	98.0	93.6	101.3	98.4
Ecuador	84.6	86.8	89.8	91.5	102.4	109.9	113.0	124.0	109.7	121.9
El Salvador	102.5	101.6	97.7	96.8	96.8	95.5	94.6	91.9	94.9	91.3
Guatemala	96.7	95.8	93.0	92.1	91.3	89.6	87.9	85.6	92.9	92.6
Haiti	101.2	100.2	98.7	96.0	92.4	88.9	86.4	62.1	80.4	77.9
Honduras	94.8	92.0	88.0	87.2	87.2	83.2	81.6	76.6	81.9	83.4
Mexico	97.4	97.9	98.8	101.6	103.6	104.1	105.1	105.9	102.5	104.5
Nicaragua	88.4	87.0	84.1	82.5	81.4	79.4	78.6	75.2	82.4	81.7
Panama	102.7	101.6	97.2	95.3	93.5	90.8	90.0	85.9	90.0	87.5
Paraguay	100.2	96.7	101.4	104.3	97.4	95.5	100.1	107.3	105.0	102.9
Peru	95.6	98.4	102.2	111.3	119.4	152.1	157.6	136.6	129.1	151.9
Uruguay	104.0	102.6	103.5	99.9	90.7	88.6	88.7	94.1	96.9	99.6
Venezuela (Bolivarian Republic of)	82.2	87.6	98.7	118.1	154.4	184.4	202.1	249.5	181.7	216.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the International Monetary Fund (IMF) and national sources.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Not including Cuba.

Table A-9  
**LATIN AMERICA AND THE CARIBBEAN: NET RESOURCE TRANSFERS <sup>a</sup>**  
*(Millions of dollars)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>b</sup>
<b>Latin America and the Caribbean</b>	<b>1 425</b>	<b>-42 043</b>	<b>-40 061</b>	<b>-66 686</b>	<b>-78 995</b>	<b>-94 234</b>	<b>13 452</b>	<b>-38 094<sup>c</sup></b>	<b>-32 039<sup>c</sup></b>	<b>149<sup>c</sup></b>
Antigua and Barbuda	48	49	85	56	136	260	316	280	161	143
Argentina	-16 016	-20 773	-12 535	-7 175	-3 722	-10 388	-198	-14 297	-18 956	-11 669
Bahamas	366	175	279	213	358	1 077	1 037	1 156	916	560
Barbados	241	42	131	58	263	89	293	204	102	-54
Belize	121	91	61	8	25	-50	-84	38	24	-101
Bolivia (Plurinational State of)	30	-156	-235	-565	-535	-428	-143	-155	-1 162	-1 559
Brazil	6 778	-10 252	-14 234	-29 955	-35 633	-10 553	56 642	-9 401	37 268	55 330
Chile	-2 022	-2 068	-4 076	-10 102	-10 220	-23 558	-29 297	-4 466	-12 876	-15 716
Colombia	-323	-1 440	-2 609	-849	-1 846	-2 924	2 687	-802	-3 097	-1 183
Costa Rica	-63	580	443	432	1 166	2 058	1 929	2 022	-249	1 225
Cuba	92	-300	-450	150	-633	-618	-960	...	...	...
Dominica	39	36	32	23	64	49	68	113	97	101
Dominican Republic	168	-881	-2 787	-2 324	-321	-221	666	2 462	1 028	1 944
Ecuador	-816	-100	-953	-1 084	-1 580	-3 691	-2 138	-1 723	-1 814	661
El Salvador	-293	-42	595	132	-28	324	925	1 480	138	-232
Grenada	67	109	83	30	131	170	237	214	156	196
Guatemala	1 618	993	1 251	1 359	995	1 096	1 160	1 179	-258	335
Guyana	-3	20	-6	-10	143	242	215	350	474	247
Haiti	129	26	5	94	-20	201	296	465	486	334
Honduras	322	86	94	743	177	149	612	1 303	-392	131
Jamaica	1 168	208	-246	612	561	797	937	2 438	416	20
Mexico	14 039	8 179	4 226	1 039	66	-11 874	839	7 263	-3 934	6 054
Nicaragua	455	607	520	616	590	768	1 039	1 383	868	648
Panama	202	-39	-539	-414	418	-648	709	1 732	-801	-1 634
Paraguay	237	-134	168	-98	72	168	405	468	517	257
Peru	378	505	-680	-1 263	-4 752	-7 225	-67	-882	-6 573	2 265
Saint Kitts and Nevis	84	95	71	43	23	74	85	161	149	150
Saint Lucia	73	75	115	45	62	261	277	264	95	97
Saint Vincent and the Grenadines	30	18	55	99	70	108	167	202	174	191
Suriname	54	70	118	112	83	-179	-152	-271	22	-427
Trinidad and Tobago	-453	-441	-1 344	-1 539	-2 966	-7 111	-4 807	-7 016	-3 691	-2 178
Uruguay	707	-2 601	979	-137	84	-52	710	2 982	685	-1 697
Venezuela (Bolivarian Republic of)	-6 030	-14 783	-8 679	-17 037	-22 225	-22 603	-20 953	-27 238	-22 012	-34 291

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the International Monetary Fund (IMF) and national sources.

<sup>a</sup> The net resource transfer is calculated as total net capital income minus the income balance (net payments of profits and interest). Total net capital income is the balance on the capital and financial accounts plus errors and omissions, plus loans and the use of IMF credit plus exceptional financing. Negative figures indicate resources transferred outside the country.

<sup>b</sup> Preliminary figures.

<sup>c</sup> Not including Cuba.

Table A-10  
**LATIN AMERICA AND THE CARIBBEAN: NET FOREIGN DIRECT INVESTMENT<sup>a</sup>**  
*(Millions of dollars)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>b</sup>
<b>Latin America and the Caribbean</b>	<b>68 495</b>	<b>51 109</b>	<b>38 136</b>	<b>50 407</b>	<b>55 205</b>	<b>31 979</b>	<b>92 137</b>	<b>96 303</b>	<b>66 442</b>	<b>66 000</b>
Antigua and Barbuda	98	66	166	80	214	374	356	173	118	105
Argentina	2 005	2 776	878	3 449	3 954	3 099	4 969	8 335	3 299	...
Bahamas	192	209	247	443	563	706	746	839	655	...
Barbados	17	17	58	-16	119	200	256	223	...	...
Belize	61	25	-11	111	126	108	142	188	106	83
Bolivia (Plurinational State of)	703	674	195	83	-291	284	362	508	426	...
Brazil	24 715	14 108	9 894	8 339	12 550	-9 380	27 518	24 601	36 032	...
Chile	2 590	2 207	2 701	5 610	4 801	4 556	9 961	7 194	4 719	...
Colombia	2 526	1 277	783	2 873	5 590	5 558	8 136	8 342	4 144	...
Costa Rica	451	625	548	733	904	1 371	1 634	2 072	1 339	...
Dominica	17	20	31	26	33	27	53	57	41	31
Dominican Republic	1 079	917	613	909	1 123	1 085	1 563	2 870	2 067	...
Ecuador	539	783	872	837	493	271	194	1 005	318	...
El Salvador	289	496	123	366	398	268	1 408	719	562	...
Grenada	59	54	89	65	70	85	174	142	103	89
Guatemala	488	183	218	255	470	552	720	737	543	715
Guyana	56	44	26	30	77	102	110	178	164	...
Haiti	4	6	14	6	26	161	75	30	38	...
Honduras	301	269	391	553	599	669	926	901	500	...
Jamaica	525	407	604	542	582	797	800	1 361	480	...
Mexico	25 418	22 763	15 513	19 912	15 951	14 345	20 827	23 756	6 864	...
Nicaragua	150	204	201	250	241	287	382	626	434	...
Panama	467	99	818	1 019	918	2 557	1 899	2 196	1 773	...
Paraguay	78	12	22	32	47	167	178	264	171	...
Peru	1 070	2 156	1 275	1 599	2 579	3 467	5 425	6 188	4 364	...
Saint Kitts and Nevis	88	80	76	46	93	110	158	178	104	141
Saint Lucia	59	52	106	77	78	234	253	161	146	99
Saint Vincent and the Grenadines	21	34	55	66	40	109	110	159	106	92
Suriname	-27	-74	-76	-37	28	-163	-247	-234	...	...
Trinidad and Tobago	685	684	583	973	599	513	830	1 638	509	510
Uruguay	291	180	401	315	811	1 495	1 240	1 820	1 257	...
Venezuela (Bolivarian Republic of)	3 479	-244	722	864	1 422	-2 032	978	-924	-4 939	...

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the International Monetary Fund (IMF) and national sources.

<sup>a</sup> Corresponds to direct investment in the reporting economy after deduction of outward direct investment by residents of that country. Includes reinvestment of profits.

<sup>b</sup> Preliminary estimates.

Table A-11  
**LATIN AMERICA AND THE CARIBBEAN: TOTAL GROSS EXTERNAL DEBT <sup>a</sup>**  
*(Millions of dollars)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>b</sup>
<b>Latin America and the Caribbean</b>	<b>750 588</b>	<b>739 504</b>	<b>768 438</b>	<b>764 248</b>	<b>674 574</b>	<b>665 232</b>	<b>735 382</b>	<b>744 126<sup>c</sup></b>	<b>807 118<sup>c</sup></b>	<b>829 215<sup>c</sup></b>
Antigua and Barbuda	388	434	497	532	317	321	481	436	444	465
Argentina	166 272	156 748	164 645	171 205	113 799	108 864	124 560	124 923	117 014	118 205 <sup>d</sup>
Bahamas <sup>e</sup>	328	310	364	345	338	334	337	443	767	...
Barbados	2 267	2 321	2 475	2 435	2 695	2 991	3 130	3 050	3 294	...
Belize <sup>e</sup>	495	652	822	913	970	985	973	958	1 016	...
Bolivia (Plurinational State of)	6 861	6 970	7 734	7 562	7 666	6 278	5 403	5 930	5 779	5 698
Brazil	209 935	210 711	214 929	201 373	169 451	172 589	193 219	198 340	198 192	225 172
Chile	38 527	40 504	43 067	43 515	46 211	49 497	55 733	64 318	74 041	77 187
Colombia	39 163	37 382	38 065	39 497	38 507	40 103	44 553	46 369	53 746	55 592
Costa Rica	5 265	5 310	5 575	5 710	6 485	6 994	8 341	8 857	8 313	8 472
Cuba <sup>e,f</sup>	10 893	10 900	11 300	5 806	5 898	7 794	8 908	...	...	...
Dominica	178	205	223	209	221	225	241	234	222	218
Dominican Republic <sup>e</sup>	4 176	4 536	5 987	6 380	5 847	6 295	6 556	7 226	8 222	8 964
Ecuador	14 376	16 236	16 756	17 211	17 237	17 099	17 445	16 848	13 397	13 604
El Salvador <sup>g</sup>	3 148	3 987	7 917	8 211	8 761	9 586	9 075	9 711	9 710	9 285
Grenada	154	262	279	331	401	481	502	513	512	508
Guatemala <sup>e</sup>	2 925	3 119	3 467	3 844	3 723	3 958	4 226	4 382	4 928	5 420
Guyana <sup>e</sup>	1 197	1 247	1 085	1 071	1 215	1 043	718	834	933	...
Haiti <sup>e</sup>	1 189	1 229	1 316	1 376	1 335	1 484	1 628	1 917	1 272	987
Honduras	4 757	5 025	5 343	6 023	5 135	3 935	3 190	3 464	3 345	3 262
Jamaica <sup>e</sup>	4 146	4 348	4 192	5 120	5 376	5 796	6 123	6 344	6 594	...
Mexico	144 526	134 980	132 524	130 925	128 248	116 792	124 433	125 233	162 795	170 181
Nicaragua <sup>e</sup>	6 374	6 363	6 596	5 391	5 348	4 527	3 385	3 512	3 661	3 660
Panama <sup>e</sup>	6 263	6 349	6 504	7 219	7 580	7 788	8 276	8 477	10 150	10 152
Paraguay	2 654	2 900	2 951	2 901	2 700	2 739	2 868	3 191	3 178	3 296
Peru	27 195	27 872	29 587	31 244	28 657	28 897	32 894	34 838	35 629	35 985
Saint Kitts and Nevis	214	265	317	317	311	306	299	314	305	296
Saint Lucia <sup>e</sup>	204	246	324	344	350	365	398	364	373	377
Saint Vincent and the Grenadines	168	168	195	219	231	220	219	232	254	259
Suriname <sup>e</sup>	350	371	382	384	390	391	299	316	238	...
Trinidad and Tobago <sup>e</sup>	1 666	1 549	1 553	1 364	1 329	1 261	1 392	1 445	1 281	...
Uruguay	8 937	10 548	11 013	11 593	11 418	10 560	12 218	12 021	13 935	13 694
Venezuela (Bolivarian Republic of)	35 398	35 460	40 456	43 679	46 427	44 735	53 361	49 087	63 580	58 274

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the International Monetary Fund (IMF) and national sources.

<sup>a</sup> Includes debt owed to the International Monetary Fund.

<sup>b</sup> Figures for the first semester.

<sup>c</sup> Not including Cuba.

<sup>d</sup> Figure for March.

<sup>e</sup> Refers to external public debt.

<sup>f</sup> From 2004 on refers only to active external debt; excludes other external debt, 60.2% of which is official debt owed to the Paris Club.

<sup>g</sup> Up to 2002 corresponds to public external debt.



Table A-12  
**LATIN AMERICA AND THE CARIBBEAN: GROSS INTERNATIONAL RESERVES**  
*(Millions of dollars)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010			
										Q1	Q2	Q3	Q4
<b>Latin America and the Caribbean</b>	<b>163 177</b>	<b>164 784</b>	<b>197 615</b>	<b>225 668</b>	<b>262 168</b>	<b>319 045</b>	<b>459 152</b>	<b>512 240</b>	<b>566 961</b>	<b>569 673</b>	<b>582 961</b>	<b>614 639</b>	...
Antigua and Barbuda <sup>a</sup>	80	88	114	120	127	143	144	138	108	89	...	...	...
Argentina	15 318	10 420	13 820	19 299	27 262	31 167	45 711	46 198	47 967	47 460	49 240	51 125	...
Bahamas	312	373	484	668	579	500	454	563	816	819	862	...	...
Barbados	571	518	555	389	418	444	622	523	563	574	540 <sup>b</sup>	...	...
Belize	...	...	...	...	...	95	99	156	210	203	218	215	...
Bolivia (Plurinational State of)	1 129	897	1 096	1 272	1 798	3 193	5 319	7 722	8 580	8 449	8 537	9 058	...
Brazil	35 866	37 823	49 296	52 935	53 799	85 839	180 334	193 783	238 520	243 762	253 114	275 206	284 930 <sup>c</sup>
Chile	14 400	15 351	15 851	16 016	16 963	19 429	16 910	23 162	25 371	25 631	25 175	26 446	...
Colombia	9 956	10 540	10 608	13 220	14 634	15 109	20 607	23 672	24 992	25 140	26 026	26 911	...
Costa Rica	1 384	1 502	1 839	1 922	2 313	3 115	4 114	3 799	4 066	4 155	4 065	4 571	4 617 <sup>c</sup>
Dominica <sup>a</sup>	31	45	48	42	49	63	60	55	64	65	...	...	...
Dominican Republic	...	829	279	825	1 929	2 251	2 946	2 662	3 307	2 738	2 979	2 722	...
Ecuador <sup>d</sup>	1 712	...	...	...	2 147	2 023	3 521	4 473	3 792	4 007	4 104	4 353	3 669 <sup>c</sup>
El Salvador	64	1 591	1 910	1 893	1 833	1 908	2 198	2 545	2 987	2 608	2 684	2 533	...
Grenada <sup>a</sup>	2 359	88	83	122	94	100	110	104	112	98	...	...	...
Guatemala	285	2 381	2 932	3 529	3 783	4 061	4 310	4 659	5 213	5 547	5 848	5 659	5 651 <sup>c</sup>
Guyana	191	280	272	225	251	277	313	356	628	608	677	...	...
Haiti	1 578	139	112	166	187	305	494	587	733	920	1 063	1 126 <sup>e</sup>	...
Honduras	1 903	1 687	1 609	2 159	2 526	2 824	2 733	2 690	2 174	2 250	2 264	2 169 <sup>f</sup>	...
Jamaica	44 814	1 643	1 196	1 882	2 169	2 399	1 906	1 795	1 752	2 414	2 527	2 790	...
Mexico	383	50 674	59 028	64 198	74 110	76 330	87 211	95 302	99 893	101 606	105 560	113 688	...
Nicaragua	1 092	454	504	670	730	924	1 103	1 141	1 573	1 485	1 553	1 567	...
Panama <sup>g</sup>	723	1 183	1 011	631	1 211	1 335	1 935	2 424	3 028	2 803 <sup>h</sup>	...	...	...
Paraguay	8 838	641	983	1 168	1 293	1 703	2 462	2 864	3 861	3 855	3 908	3 996	...
Peru	1 341	9 690	10 206	12 649	14 120	17 329	27 720	31 233	33 175	35 305	35 382	42 502	...
Saint Kitts and Nevis <sup>a</sup>	57	66	65	78	71	89	96	110	123	143	...	...	...
Saint Lucia <sup>a</sup>	61	92	105	130	114	132	151	140	151	167	...	...	...
Saint Vincent and the Grenadines <sup>a</sup>	87	52	50	74	69	78	86	83	75	84	...	...	...
Suriname <sup>g</sup>	119	106	106	129	126	215	401	433	659	650	665	639	...
Trinidad and Tobago	...	...	...	2 539	4 015	5 134	6 674	9 380	8 652	8 788	9 111	...	...
Uruguay	...	772	2 087	2 512	3 078	3 091	4 121	6 360	7 987	8 061	7 509	7 914	8 023 <sup>c</sup>
Venezuela (Bolivarian Republic of)	18 523	14 860	21 366	24 208	30 368	37 440	34 286	43 127	35 830	29 186	29 351	29 449	29 865 <sup>c</sup>

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the International Monetary Fund (IMF) and national sources.

<sup>a</sup> Net international reserves.

<sup>b</sup> Balance as of May.

<sup>c</sup> Balance as of October.

<sup>d</sup> Freely available international reserves.

<sup>e</sup> Balance as of July.

<sup>f</sup> Balance as of August.

<sup>g</sup> Not including gold.

<sup>h</sup> Balance as of February.

Table A-13  
**LATIN AMERICA AND THE CARIBBEAN: STOCK EXCHANGE INDICES**  
*(National indices to end of period, 31 December 2000=100)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010			
										Q1	Q2	Q3	Q4
Argentina	71	126	257	330	370	502	516	259	557	570	524	634	797
Brazil	89	74	146	172	219	291	419	246	449	461	399	399	399
Chile	109	92	137	166	181	248	281	219	330	347	375	375	375
Colombia	134	206	291	542	1 187	1 393	1 335	944	1 448	1 513	1 554	1 554	1 554
Costa Rica	113	117	104	88	96	169	193	177	139	137	135	...	...
Ecuador	130	195	178	216	272	353	329	349	292	297	304	333	339
Jamaica	117	157	234	390	362	348	374	277	288	298	299	289	290
Mexico	113	108	156	229	315	468	523	396	568	589	551	590	654
Peru	97	115	202	307	397	1 066	1 450	583	1 172	1 252	1 157	1 479	1 719
Trinidad and Tobago	98	124	157	243	242	220	222	191	173	185	187	186	188
Venezuela (Bolivarian Republic of)	96	117	325	439	299	765	555	514	807	855	955	956	970

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Bloomberg.

<sup>a</sup> Figures at 25 November.

Table A-14  
**LATIN AMERICA AND THE CARIBBEAN: OVERALL REAL EFFECTIVE EXCHANGE RATES <sup>a</sup>**  
*(Indices 2000=100, deflated by CPI)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009 <sup>b</sup>	2010 <sup>b c</sup>
<b>Latin America and the Caribbean <sup>d</sup></b>	<b>99.2</b>	<b>111.1</b>	<b>120.6</b>	<b>119.6</b>	<b>111.9</b>	<b>108.8</b>	<b>105.3</b>	<b>98.9</b>	<b>98.1</b>	<b>94.9</b>
Argentina	96.0	228.3	208.3	214.0	213.7	218.0	216.0	207.1	212.4	209.7
Barbados	98.6	100.4	104.9	107.8	106.0	104.1	105.0	104.7	100.0	99.1
Bolivia (Plurinational State of)	101.2	95.4	104.0	109.5	116.8	119.5	118.4	110.1	100.5	106.1
Brazil	120.1	132.6	131.1	123.8	100.5	88.9	82.6	79.9	81.3	70.5
Chile	111.8	109.4	114.5	108.5	103.1	100.9	102.7	102.3	106.1	100.6
Colombia	104.1	105.8	119.5	107.0	94.7	96.1	85.7	82.1	86.8	74.3
Costa Rica	97.9	98.9	104.8	106.5	107.6	106.5	103.9	100.1	100.0	89.0
Cuba <sup>e</sup>	90.6	94.2	99.8	106.2	105.1	112.2	115.1	126.1	126.0	...
Dominica	99.7	102.1	104.8	108.4	111.1	113.3	116.8	118.0	117.2	117.9
Dominican Republic <sup>f</sup>	96.5	98.6	131.4	125.6	90.4	96.3	96.5	98.8	102.7	96.6
Ecuador	70.8	61.9	60.3	61.7	64.7	65.4	68.1	68.3	65.0	63.3
El Salvador	99.8	99.6	100.2	98.9	100.8	101.4	102.7	104.4	101.8	103.6
Guatemala	96.1	88.7	88.6	85.8	79.3	76.9	76.3	72.4	75.1	74.6
Honduras	97.2	97.0	98.5	101.0	100.6	98.1	97.9	95.1	88.2	87.5
Jamaica	101.8	101.9	116.7	113.5	104.4	105.6	109.1	102.3	113.8	102.0
Mexico	94.3	94.1	104.5	108.3	104.5	104.6	105.8	108.8	124.1	114.8
Nicaragua	101.1	103.3	106.9	107.7	110.2	108.2	110.8	106.8	108.9	109.1
Panama	103.1	101.3	103.3	108.4	110.9	112.7	114.3	113.3	108.5	109.3
Paraguay	102.7	106.3	113.0	106.2	118.4	106.3	95.7	84.8	93.5	91.6
Peru	98.2	95.9	99.9	100.0	101.1	104.0	104.1	100.3	98.9	94.8
Trinidad and Tobago	94.5	90.2	90.9	93.1	92.0	90.2	88.6	84.1	77.7	73.1
Uruguay	101.3	117.6	149.9	152.3	134.0	128.4	127.5	120.4	117.9	102.7
Venezuela (Bolivarian Republic of)	95.3	125.1	141.2	139.0	142.2	132.5	118.7	96.8	73.4	113.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the International Monetary Fund (IMF) and national sources.

<sup>a</sup> Annual averages. A country's overall real effective exchange rate index is calculated by weighting its real bilateral exchange rate indices with each of its trading partners by each partner's share in the country's total trade flows in terms of exports and imports. The extraregional real effective exchange rate index excludes trade with other Latin American and Caribbean countries. A currency depreciates in real effective terms when this index rises and appreciates when it falls.

<sup>b</sup> Preliminary figures, weighted by trade in 2008.

<sup>c</sup> January-October average.

<sup>d</sup> Simple average of the extraregional real effective exchange rate for 20 countries.

<sup>e</sup> Preliminary figures. Yearly calculation by ECLAC, based on consumer price data and nominal exchange rates provided by the National Statistical Office of Cuba.

<sup>f</sup> The period 2002-2010 has been weighted using trade figures for 2001.

Table A-15  
**LATIN AMERICA AND THE CARIBBEAN: PARTICIPATION RATE**  
*(Average annual rates)*

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2009 January to September average	2010 <sup>a</sup>
Argentina <sup>b</sup>	Urban areas	57.3	57.2	60.1	60.3	59.9	60.3	59.5	58.8	59.3	59.2	59.0
Barbados	National total	69.5	68.4	69.3	69.4	69.6	67.9	67.8	67.6	67.0	67.0	67.2 <sup>c</sup>
Bolivia (Plurinational State of)	Departmental capitals <sup>d</sup>	60.6	58.0	60.4	58.6	55.7	58.7	57.1	...	56.9	56.3	57.3 <sup>c</sup>
Brazil <sup>b</sup>	Six metropolitan areas	56.4	55.1	57.1	57.2	56.6	56.9	56.9	57.0	56.7	56.6	57.1 <sup>e</sup>
Chile <sup>f</sup>	National total	53.9	53.7	54.4	55.0	55.6	54.8	54.9	56.0	55.9	...	58.2
Colombia	Thirteen metropolitan areas	64.4	64.8	65.1	63.6	63.4	62.0	61.8	62.6	64.6	64.4	65.6 <sup>e</sup>
Costa Rica <sup>g</sup>	National total	55.8	55.4	55.5	54.4	56.8	56.6	57.0	56.7	60.4	60.4	59.1
Cuba <sup>h</sup>	National total	70.9	71.0	70.9	71.0	72.1	72.1	73.7	74.7	75.4	...	...
Dominican Republic	National total	54.3	55.1	54.7	56.3	55.9	56.0	56.1	55.6	53.8	53.6	54.9 <sup>i</sup>
Ecuador <sup>j</sup>	Urban total	63.1	58.3	58.2	59.1	59.5	59.1	61.2	60.1	58.9	59.4	57.6
Honduras	National total	52.5	51.7	50.0	50.6	50.9	50.7	50.7	51.0	53.1	53.1	53.6 <sup>k</sup>
Jamaica <sup>l</sup>	National total	63.0	63.6	64.4	64.3	64.2	64.7	64.9	65.4	63.5	63.8	62.5 <sup>m</sup>
Mexico	Urban areas	58.1	57.8	58.3	58.9	59.5	60.7	60.7	60.4	60.2	60.3	60.4 <sup>e</sup>
Panama	National total	60.5	62.6	62.8	63.5	63.5	62.6	62.7	63.9	64.1	64.1	63.5 <sup>n</sup>
Peru	Metropolitan Lima	66.7	68.4	67.4	68.1	67.1	67.4	68.9	68.1	68.4	67.9	70.2
Trinidad and Tobago	National total	60.7	60.9	61.6	63.0	63.7	63.9	63.5	63.5	62.7	63.6	62.0 <sup>o</sup>
Uruguay	Urban total	60.6	59.1	58.1	58.5	58.5	60.9	62.7	62.6	63.4	63.4	63.5 <sup>e</sup>
Venezuela (Bolivarian Republic of)	National total	66.5	68.7	69.2	68.5	66.3	65.4	64.9	64.9	65.3	65.1	64.7 <sup>e</sup>

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary figures.

<sup>b</sup> New measurements have been used since 2003; the data are not comparable with the previous series.

<sup>c</sup> The figures in the last two columns refer to the period January-June.

<sup>d</sup> Up to 2008, urban areas.

<sup>e</sup> The figures in the last two columns refer to the average January-October.

<sup>f</sup> New measurements have been used since 2010; the data are not comparable with the previous series.

<sup>g</sup> New measurements have been used since 2009; the data are not comparable with the previous series.

<sup>h</sup> In Cuba, the working-age population is measured as follows: for males, 17 to 59 years and for females, 15 to 54 years.

<sup>i</sup> The figures in the last two columns refer to the measurement of April.

<sup>j</sup> New measurements have been used since 2007; the data are not comparable with the previous series.

<sup>k</sup> The figures in the last two columns refer to the measurement of May.

<sup>l</sup> New measurements have been used since 2002; the data are not comparable with the previous series.

<sup>m</sup> The figures in the last two columns refer to the average of the January and April data.

<sup>n</sup> The figures in the last two columns refer to the measurement of August.

<sup>o</sup> The figures in the last two columns refer to the measurement of March.

Table A-16  
**LATIN AMERICA AND THE CARIBBEAN: OPEN URBAN UNEMPLOYMENT**  
*(Average annual rates)*

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>a</sup>
<b>Latin America and the Caribbean<sup>b</sup></b>		<b>10.2</b>	<b>11.1</b>	<b>11.0</b>	<b>10.3</b>	<b>9.1</b>	<b>8.6</b>	<b>7.9</b>	<b>7.3</b>	<b>8.2</b>	<b>7.6</b>
Argentina <sup>c</sup>	Urban areas	17.4	19.7	17.3	13.6	11.6	10.2	8.5	7.9	8.7	7.8 <sup>d</sup>
Bahamas <sup>e</sup>	National total	6.9	9.1	10.8	10.2	10.2	7.6	7.9	8.7	14.2	...
Barbados <sup>e</sup>	National total	9.9	10.3	11.0	9.8	9.1	8.7	7.4	8.1	10.0	10.7 <sup>f</sup>
Belize <sup>e</sup>	National total	9.1	10.0	12.9	11.6	11.0	9.4	8.5	8.2	13.1	...
Bolivia (Plurinational State of)	Departmental capitals <sup>g</sup>	8.5	8.7	9.2	6.2	8.1	8.0	7.7	6.7	7.9	6.5 <sup>h</sup>
Brazil <sup>i</sup>	Six metropolitan areas	6.2	11.7	12.3	11.5	9.8	10.0	9.3	7.9	8.1	6.8
Chile <sup>j</sup>	National total	9.9	9.8	9.5	10.0	9.2	7.7	7.1	7.8	9.7	8.3 <sup>d</sup>
Colombia <sup>e</sup>	Thirteen metropolitan areas	18.2	18.1	17.1	15.8	14.3	13.1	11.4	11.5	13.0	12.4 <sup>k</sup>
Costa Rica <sup>l</sup>	Urban total	5.8	6.8	6.7	6.7	6.9	6.0	4.8	4.8	8.4	7.1
Cuba	National total	4.1	3.3	2.3	1.9	1.9	1.9	1.8	1.6	1.7	...
Dominican Republic <sup>e</sup>	National total	15.6	16.1	16.7	18.4	17.9	16.2	15.6	14.1	14.9	14.4 <sup>e</sup>
Ecuador <sup>e</sup>	Urban total <sup>m</sup>	10.4	8.6	9.8	9.7	8.5	8.1	7.4	6.9	8.5	8.0 <sup>d</sup>
El Salvador <sup>n</sup>	Urban total	7.0	6.2	6.2	6.5	7.3	5.7	5.8	5.5	7.1	...
Guatemala	Urban total	...	5.4	5.2	4.4	...	...	...	...	...	...
Honduras	Urban total	5.9	6.1	7.6	8.0	6.5	4.9	4.0	4.1	4.9 <sup>o</sup>	6.4 <sup>o</sup>
Jamaica <sup>e,i</sup>	National total	15.0	14.2	11.4	11.7	11.3	10.3	9.8	10.6	11.4	13.0 <sup>p</sup>
Mexico	Urban areas	3.6	3.9	4.6	5.3	4.7	4.6	4.8	4.9	6.7	6.5 <sup>k</sup>
Nicaragua	Urban total	11.3	11.6	10.2	9.3	7.0	7.0	6.9	8.0	10.5	...
Panama <sup>e</sup>	Urban total	17.0	16.5	15.9	14.1	12.1	10.4	7.8	6.5	7.9	7.7
Paraguay	Metropolitan Asunción <sup>q</sup>	10.8	14.7	11.2	10.0	7.6	8.9	7.2	7.4	8.2	7.8 <sup>r</sup>
Peru	Metropolitan Lima	9.3	9.4	9.4	9.4	9.6	8.5	8.4	8.4	8.4	8.0 <sup>k</sup>
Suriname	National total	14.0	10.0	7.0	8.4	11.2	12.1	...	...	...	...
Trinidad and Tobago <sup>e</sup>	National total	10.8	10.4	10.5	8.4	8.0	6.2	5.6	4.6	5.3	6.7 <sup>t</sup>
Uruguay	Urban total	15.3	17.0	16.9	13.1	12.2	11.4	9.6	7.9	7.7	7.1 <sup>k</sup>
Venezuela (Bolivarian Republic of)	National total	13.3	15.8	18.0	15.3	12.4	10.0	8.4	7.3	7.8	8.6 <sup>k</sup>

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary figures.

<sup>b</sup> The data for Argentina and Brazil have been adjusted to reflect changes in methodology in 2003 and 2002, respectively.

<sup>c</sup> New measurements have been used since 2003; the data are not comparable with the previous series.

<sup>d</sup> Estimate based on data from January to September.

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

<sup>f</sup> First semester.

<sup>g</sup> Up to 2008, urban areas.

<sup>h</sup> January to June average.

<sup>i</sup> New measurements have been used since 2002; the data are not comparable with the previous series.

<sup>j</sup> New measurements have been used since 2010; the data are not comparable with the previous series.

<sup>k</sup> Estimate based on data from January to October.

<sup>l</sup> New measurements have been used since 2009; the data are not comparable with the previous series.

<sup>m</sup> Up to 2003, the figures relate to Cuenca, Guayaquil and Quito.

<sup>n</sup> New measurements have been used since 2007; the data are not comparable with the previous series.

<sup>o</sup> Figure for May.

<sup>p</sup> Average of the January and April data.

<sup>q</sup> Up to 2008, urban total.

<sup>r</sup> January to September average.

<sup>s</sup> Figure for April.

<sup>t</sup> Figure for March.

Table A-17  
**LATIN AMERICA AND THE CARIBBEAN: EMPLOYMENT RATE <sup>a</sup>**  
*(Average annual rates)*

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2009	2010 <sup>b</sup>	
												January to September	average
<b>Latin America and the Caribbean <sup>c</sup></b>		<b>52.5</b>	<b>52.1</b>	<b>52.5</b>	<b>53.1</b>	<b>53.6</b>	<b>54.2</b>	<b>54.8</b>	<b>55.1</b>	<b>54.6</b>	...	...	
Argentina <sup>d</sup>	Urban areas	47.4	45.9	49.8	52.0	52.9	54.1	54.5	54.2	54.2	54.0	54.3	
Barbados	National total	62.7	61.4	61.6	62.7	63.2	61.9	62.7	62.1	60.3	60.2	60.1 <sup>e</sup>	
Bolivia (Plurinational State of)	Departmental capitals <sup>f</sup>	55.4	53.0	54.9	55.0	51.2	54.0	52.7	...	52.4	51.4	53.6 <sup>g</sup>	
Brazil <sup>d</sup>	Six metropolitan areas	52.9	48.7	50.1	50.6	51.0	51.2	51.6	52.5	52.1	51.9	53.1 <sup>h</sup>	
Chile <sup>i</sup>	National total	48.6	48.4	49.3	49.5	50.4	50.5	51.0	51.7	50.5	...	53.3	
Colombia	Thirteen metropolitan areas	52.7	53.2	54.1	53.7	54.3	53.9	54.8	55.3	56.2	55.9	57.2 <sup>h</sup>	
Costa Rica <sup>j</sup>	National total	52.4	51.8	51.8	50.9	53.0	53.3	54.4	53.9	55.4	55.4	54.8	
Cuba	National total	68.0	68.6	69.2	69.7	70.7	70.7	72.4	73.6	74.2	...	...	
Dominican Republic	National total	45.8	46.2	45.4	46.0	45.9	46.9	47.4	47.7	45.8	45.6	47.0 <sup>p</sup>	
Ecuador	Urban total	56.2	52.9	51.5	53.5	54.4	54.3	56.8	56.0	53.9	54.3	53.0	
El Salvador <sup>k</sup>	National total	49.8	48.0	49.7	48.2	48.3	49.2	58.1	59.0	58.2	...	...	
Honduras	National total	50.3	49.7	47.4	48.6	48.6	49.0	49.2	49.4	51.5	51.5	51.5 <sup>l</sup>	
Jamaica <sup>m</sup>	National total	53.5	56.4	57.1	56.8	57.0	58.0	58.6	58.5	56.3	56.6	54.4 <sup>n</sup>	
Mexico	Urban areas	56.0	55.5	55.6	55.8	56.7	57.9	57.8	57.5	60.3	56.2	56.4 <sup>h</sup>	
Nicaragua	National total	51.0	...	49.5	49.6	50.8	48.8	48.6	50.1	47.6	...	...	
Panama	National total	52.0	54.1	54.6	55.9	57.3	57.2	58.7	60.3	59.9	59.9	59.4 <sup>o</sup>	
Paraguay	National total	54.7	54.6	55.0	58.8	58.2	55.4	57.4	58.2	58.9	...	...	
Peru	Metropolitan Lima	60.5	62.0	61.1	61.6	60.7	61.8	63.0	62.4	62.7	62.1	64.5	
Trinidad and Tobago	National total	53.8	54.6	55.2	57.8	58.6	59.9	59.9	60.6	59.4	60.4	57.8 <sup>q</sup>	
Uruguay	Urban total	51.4	49.1	48.3	50.9	51.4	53.9	56.7	57.7	58.6	58.4	58.9 <sup>h</sup>	
Venezuela (Bolivarian Republic of)	National total	57.6	57.8	56.8	58.1	58.1	58.9	59.5	60.2	60.2	59.9	59.1 <sup>h</sup>	

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Employed population as a percentage of the working-age population.

<sup>b</sup> Preliminary figures.

<sup>c</sup> Weighted average adjusted for lack of information and changes in methodology.

<sup>d</sup> New measurements have been used since 2003; the data are not comparable with the previous series.

<sup>e</sup> The figures of the last two columns refer to the period January-March.

<sup>f</sup> Up to 2008, urban areas.

<sup>g</sup> The figures in the last two columns refer to the period January-June.

<sup>h</sup> The figures in the last two columns refer to the period January-October.

<sup>i</sup> New measurements have been used since 2010; the data are not comparable with the previous series.

<sup>j</sup> New measurements have been used since 2009; the data are not comparable with the previous series.

<sup>k</sup> New measurements have been used since 2002; the data are not comparable with the previous series.

<sup>l</sup> The figures in the last two columns refer to the measurement of May.

<sup>m</sup> New measurements have been used since 2007; the data are not comparable with the previous series.

<sup>n</sup> The figures in the last two columns refer to the average of the January and April measurements.

<sup>o</sup> The figures in the last two columns refer to the measurement of August.

<sup>p</sup> The figures in the last two columns refer to the measurement of April.

<sup>q</sup> The figures in the last two columns refer to the measurement of March.

Table A-18  
**LATIN AMERICA AND THE CARIBBEAN: REAL AVERAGE WAGES**  
*(Average annual index, 2000=100)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>a</sup>
Argentina <sup>b</sup>	98.8	79.6	89.3	97.5	104.8	114.1	124.5	135.4	151.3	170.3
Bolivia (Plurinational State of) <sup>c</sup>	105.8	109.3	111.1	114.1	110.0	101.2	95.5	88.4	91.8	...
Brazil <sup>d</sup>	95.1	93.1	84.9	85.5	85.2	88.2	89.5	91.4	92.6	94.8
Chile <sup>e</sup>	101.7	103.7	104.6	106.5	108.5	110.6	113.7	113.5	118.9	121.4
Colombia <sup>f</sup>	99.7	102.7	102.0	103.7	105.3	109.3	109.0	106.9	108.0	110.6
Costa Rica <sup>g</sup>	101.0	105.1	105.5	102.8	100.8	102.4	103.8	101.7	109.5	112.2
Cuba	96.2	105.1	107.8	114.6	129.5	144.5	142.3	142.5	148.3	...
El Salvador <sup>h</sup>	95.1	94.4	93.5	90.3	88.2	88.5	86.4	83.7	86.6	...
Guatemala <sup>g</sup>	100.5	99.6	100.0	97.8	93.9	92.9	91.4	89.0	89.1	...
Mexico <sup>f</sup>	106.7	108.7	110.1	110.4	110.7	112.3	113.4	115.9	116.8	116.1
Nicaragua <sup>g</sup>	101.0	104.5	106.7	104.3	104.4	106.7	104.4	100.2	106.0	107.7
Panama <sup>i</sup>	98.8	95.8	95.3	94.5	93.4	95.3	96.5	95.9	95.5	97.6 <sup>j</sup>
Paraguay	101.4	96.3	95.6	97.2	98.2	98.8	101.1	100.4	104.9	106.0 <sup>k</sup>
Peru <sup>l</sup>	99.1	103.7	105.3	106.5	104.4	105.7	103.8	106.1	106.4 <sup>m</sup>	...
Uruguay	99.7	89.0	77.9	77.9	81.5	85.0	89.0	92.2	98.9	102.1
Venezuela (Bolivarian Republic of)	106.9	95.1	78.4	78.6	80.7	84.8	85.8	81.9	76.5	60.3

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary estimate based on data from January to September.

<sup>b</sup> Registered private-sector workers.

<sup>c</sup> Private-sector average wage index.

<sup>d</sup> Workers covered by social and labour legislation. Since 2003, only the private sector.

<sup>e</sup> General index of hourly wages.

<sup>f</sup> Manufacturing.

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

<sup>h</sup> Gross salary.

<sup>i</sup> Average wages declared by workers of small, medium-sized and large businesses in manufacturing, commerce and services. Up to 2007, average wages declared by workers covered by social security.

<sup>j</sup> Estimate based on data from January to June.

<sup>k</sup> Figure for June.

<sup>l</sup> Private sector workers in the Lima metropolitan area.

<sup>m</sup> Estimate based on June data.

Table A-19  
**LATIN AMERICA AND THE CARIBBEAN: MONETARY INDICATORS**  
*(Percentages of GDP, end-of-year balances)*

	Monetary base				Money supply (M3) <sup>a</sup>				Foreign-currency deposits			
	2007	2008	2009	2010 <sup>b</sup>	2007	2008	2009	2010 <sup>b</sup>	2007	2008	2009	2010 <sup>b</sup>
Antigua and Barbuda	13.2	12.1	13.2	...	94.7	93.0	101.1	104.2 <sup>c</sup>	10.8	8.3	13.7	14.3 <sup>c</sup>
Argentina	12.2	10.6	10.4	10.3	26.1	22.4	24.1	22.6 <sup>d</sup>	2.6	2.7	3.4	3.2 <sup>d</sup>
Bahamas	9.1	8.8	9.4	9.5 <sup>d</sup>	75.9	80.7	81.3	82.3 <sup>d</sup>	2.7	2.8	3.1	2.8 <sup>d</sup>
Barbados	16.1	16.0	15.8	13.7 <sup>e</sup>	118.6	118.9	120.2	113.3 <sup>f</sup>	19.8	14.8	11.3	11.8 <sup>f</sup>
Belize	13.2	14.1	16.0	14.6	68.0	72.4	78.3	74.7	...	...	...	...
Bolivia (Plurinational State of)	16.9	18.5	24.3	21.7	47.8	46.5	58.7	58.2 <sup>d</sup>	23.9	20.3	24.4	23.0 <sup>d</sup>
Brazil <sup>g</sup>	5.5	4.9	5.3	5.0	29.4	35.7	37.1	35.6	...	...	...	...
Chile	4.3	4.8	5.2	5.1	58.1	69.0	61.2	58.9	4.8	9.0	5.9	7.4
Colombia <sup>h</sup>	7.5	7.7	7.9	6.8 <sup>d</sup>	33.4	35.3	35.3	34.2	...	...	...	...
Costa Rica	7.6	7.3	7.2	6.8 <sup>d</sup>	43.8	46.8	49.6	44.6 <sup>d</sup>	18.1	22.0	23.9	21.1 <sup>d</sup>
Cuba <sup>i</sup>	23.6	31.1	...	...	37.2	41.9	41.5	...	...	...	...	...
Dominica	16.8	13.1	14.8	...	91.4	87.5	95.9	90.8 <sup>c</sup>	1.1	1.5	1.4	1.7 <sup>c</sup>
Dominican Republic <sup>j</sup>	9.0	8.5	8.2	6.8	34.5	31.4	33.4	31.2 <sup>d</sup>	6.5	6.1	6.3	6.4 <sup>d</sup>
Ecuador	10.0	11.3	13.3	13.3	26.1	32.2	36.2	37.7	...	...	...	...
El Salvador	10.2	10.4	10.8	10.8	40.9	42.4	45.0	43.8	...	...	...	...
Grenada	18.4	15.7	16.4	...	103.4	96.5	109.6	103.2 <sup>c</sup>	7.8	6.9	8.1	6.6 <sup>c</sup>
Guatemala	10.9	9.7	10.3	9.6	37.0	35.2	37.3	37.2	4.7	4.8	5.9	6.5
Guyana	15.5	14.9	17.5	17.3 <sup>c</sup>	46.4	47.0	48.9	46.8 <sup>c</sup>	...	...	...	...
Haiti	20.3	21.0	22.2	31.1 <sup>d</sup>	37.3	38.1	39.2	48.3 <sup>d</sup>	15.8	16.7	18.2	23.0 <sup>d</sup>
Honduras	11.3	11.4	10.5	8.1	56.6	52.6	51.7	48.8	14.0	13.9	13.9	12.9
Jamaica	7.3	7.0	7.4	6.0 <sup>d</sup>	33.6	30.8	29.6	26.7 <sup>d</sup>	10.9	10.1	9.8	8.7 <sup>d</sup>
Mexico	4.4	4.8	5.3	4.5 <sup>d</sup>	49.7	54.2	59.1	58.1 <sup>c</sup>	1.2	1.4	1.6	1.4 <sup>c</sup>
Nicaragua	9.5	8.6	9.9	8.7 <sup>d</sup>	41.9	38.2	43.1	46.0 <sup>d</sup>	27.4	26.1	30.2	33.9 <sup>d</sup>
Panama	5.1	4.5	5.2	4.2 <sup>c</sup>	87.5	85.2	86.7	...	...	...	...	...
Paraguay	10.5	10.3	14.4	11.0	30.0	31.3	39.8	41.0	10.7	12.1	14.1	16.8
Peru	5.3	5.9	6.0	5.9 <sup>d</sup>	26.8	29.9	30.4	31.9	12.4	14.0	13.4	12.6
Saint Kitts and Nevis	18.7	17.8	24.3	...	118.1	108.4	123.8	129.1 <sup>c</sup>	32.9	25.9	26.4	26.7 <sup>c</sup>
Saint Lucia	14.1	14.4	15.7	...	89.8	93.1	97.5	93.3 <sup>c</sup>	5.8	6.0	5.6	5.0 <sup>c</sup>
Saint Vincent and the Grenadines	15.5	14.5	11.7	...	71.1	68.9	68.7	67.6 <sup>c</sup>	2.7	2.3	1.9	1.8 <sup>c</sup>
Suriname	19.5	17.6	24.4	25.9 <sup>d</sup>	68.2	61.3	80.2	83.5 <sup>c</sup>	32.6	28.4	36.8	36.0 <sup>c</sup>
Trinidad and Tobago	7.0	8.6	13.8	13.5 <sup>d</sup>	37.2	35.7	57.2	50.2 <sup>c</sup>	9.0	9.9	17.2	13.9 <sup>c</sup>
Uruguay	5.6	5.5	5.5	5.3	49.5	56.2	49.6	49.1	36.9	43.6	36.3	35.9
Venezuela (Bolivarian Republic of) <sup>k</sup>	13.2	12.5	14.1	11.3	31.5	29.1	33.6	29.5	...	...	...	...

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> According to the ECLAC definition, this corresponds to M1 plus savings and time deposits in national currency plus foreign currency deposits.

<sup>b</sup> Balance as of October.

<sup>c</sup> Balance as of August.

<sup>d</sup> Balance as of September.

<sup>e</sup> Balance as of July.

<sup>f</sup> Balance as of June.

<sup>g</sup> According to the country's definition, money supply corresponds to M1 plus special interest-bearing deposits, savings deposits and securities issued by deposit institutions.

<sup>h</sup> According to the country's definition, money supply also includes deposits of entities in liquidation and term deposit certificates of special entities and demand deposits of non-bank entities.

<sup>i</sup> According to the country's definition, money supply corresponds to M1 plus fixed-term deposits.

<sup>j</sup> Series corresponding to harmonized monetary indicators.

<sup>k</sup> Money supply figures of do not include foreign-currency deposits.

Table A-20  
**LATIN AMERICA AND THE CARIBBEAN: REPRESENTATIVE LENDING RATES**  
*(Annual average of monthly annualized rates)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>a</sup>
Antigua and Barbuda <sup>b</sup>	...	...	13.4	11.5	11.2	10.7	10.3	10.1	9.5	...
Argentina <sup>c</sup>	28.6	40.7	16.8	10.8	10.5	12.9	14.0	19.8	21.3	15.3
Bahamas <sup>d</sup>	...	...	12.0	11.2	10.3	10.0	10.6	11.0	10.6	10.9 <sup>e</sup>
Barbados <sup>f</sup>	...	...	7.6	7.4	8.5	10.0	10.4	9.7	8.7	8.6 <sup>e</sup>
Belize <sup>g</sup>	15.5	14.8	14.4	13.9	14.2	14.2	14.3	14.2	14.1	14.0 <sup>h</sup>
Bolivia (Plurinational State of) <sup>i</sup>	13.7	10.9	9.1	8.2	8.2	7.8	8.2	8.9	8.3	5.7
Brazil <sup>j</sup>	41.1	44.4	49.8	41.1	43.7	40.0	34.5	38.8	40.4	38.4
Chile <sup>k</sup>	16.7	14.4	13.0	11.0	13.5	14.4	13.6	15.2	12.9	12.0
Colombia <sup>b</sup>	20.7	16.3	15.2	15.1	14.6	12.9	15.4	17.2	13.0	9.5
Costa Rica <sup>l</sup>	26.7	26.8	26.2	23.4	24.0	22.7	17.3	16.7	21.6	19.7
Cuba <sup>m</sup>	...	...	9.6	9.7	9.8	9.4	9.1	9.0	9.3	...
Dominica <sup>b</sup>	11.0	11.0	11.8	8.9	9.9	9.5	9.2	9.1	10.0	...
Dominican Republic <sup>f</sup>	20.0	21.3	27.8	30.3	21.4	15.7	11.7	16.0	12.9	8.2
Ecuador <sup>n</sup>	15.5	14.1	12.6	10.2	8.7	8.9	10.1	9.8	9.2	9.1 <sup>e</sup>
El Salvador <sup>o</sup>	9.6	7.1	6.6	6.3	6.9	7.5	7.8	7.9	9.3	7.9
Grenada <sup>b</sup>	...	...	...	10.3	10.0	9.8	9.7	9.4	10.7	...
Guatemala <sup>b</sup>	19.0	16.9	15.0	13.8	13.0	12.8	12.8	13.4	13.8	13.4
Guyana <sup>f</sup>	17.3	17.3	16.6	16.6	15.1	14.9	14.1	13.9	14.0	15.2 <sup>p</sup>
Haiti <sup>q</sup>	28.6	25.5	30.7	34.1	27.1	29.5	31.2	23.3	21.6	20.5
Honduras <sup>b</sup>	23.8	22.7	20.8	19.9	18.8	17.4	16.6	17.9	19.4	18.9 <sup>e</sup>
Jamaica <sup>f</sup>	29.4	26.1	25.1	25.1	23.2	22.0	22.0	22.3	22.6	20.8
Mexico <sup>s</sup>	12.8	8.2	6.9	7.2	9.9	7.5	7.6	8.7	7.1	5.3 <sup>e</sup>
Nicaragua <sup>t</sup>	18.6	18.3	15.5	13.5	12.1	11.6	13.0	13.2	14.0	13.9 <sup>u</sup>
Panama <sup>v</sup>	10.6	9.2	8.9	8.2	8.2	8.1	8.3	8.2	8.3	8.0
Paraguay <sup>w</sup>	28.3	34.3	30.5	21.2	15.3	16.6	14.6	14.6	15.6	13.1
Peru <sup>x</sup>	26.1	23.3	20.2	18.7	17.9	17.1	16.5	16.7	16.0	14.5 <sup>p</sup>
Saint Kitts and Nevis <sup>b</sup>	...	...	...	10.0	9.9	9.2	9.3	8.6	8.6	...
Saint Lucia <sup>b</sup>	...	...	...	10.8	10.4	10.5	9.9	9.3	9.0	...
Saint Vincent and the Grenadines <sup>b</sup>	...	...	...	9.7	9.6	9.7	9.6	9.5	9.1	...
Suriname <sup>s</sup>	25.7	22.2	21.0	20.4	18.1	15.7	13.8	12.2	11.7	11.5 <sup>e</sup>
Trinidad and Tobago <sup>f</sup>	15.6	13.4	11.0	9.4	9.1	10.2	10.5	12.3	11.9	9.5
Uruguay <sup>y</sup>	38.1	116.4	56.6	26.0	15.3	10.7	10.0	13.1	16.6	12.3
Venezuela (Bolivarian Republic of) <sup>z</sup>	24.8	38.4	25.7	17.3	15.6	14.6	16.7	22.8	20.6	18.1

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Average from January to October.

<sup>b</sup> Weighted average of the system lending rates.

<sup>c</sup> Local-currency loans at fixed or renegotiable rates, signature loans of up to 89 days.

<sup>d</sup> Interest rate on loans and overdrafts, weighted average.

<sup>e</sup> Average from January to September.

<sup>f</sup> Prime lending rate.

<sup>g</sup> Rate for personal and business loans, residential and other construction loans; weighted average.

<sup>h</sup> Average from January to March.

<sup>i</sup> Nominal dollar rate for 60-91-day banking operations.

<sup>j</sup> Preset lending rates for legal persons.

<sup>k</sup> Lending rates for periods of 90-360 days, non-adjustable operations.

<sup>l</sup> Average lending rate of the financial system.

<sup>m</sup> Corporate lending rate in convertible pesos.

<sup>n</sup> Benchmark dollar lending rate.

<sup>o</sup> Basic lending rate for up to 1 year.

<sup>p</sup> Average from January to June.

<sup>q</sup> Average of minimum and maximum lending rates.

<sup>r</sup> Average interest rate on loans.

<sup>s</sup> Lending rate published by the International Monetary Fund.

<sup>t</sup> Average from January to August.

<sup>u</sup> Weighted average of the weekly lending rate for loans in national currency in the system.

<sup>v</sup> Interest rate on 1-year trade credit.

<sup>w</sup> Weighted average of effective lending rates in national currency, not including overdrafts or credit cards.

<sup>x</sup> Average lending rate, constant structure.

<sup>y</sup> Business credit, 30-367 days.

<sup>z</sup> Average rate for loan operations for the six major commercial banks.



Table A-21  
**LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES**  
*(Percentage variation December–December)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>a</sup>
<b>Latin America and the Caribbean<sup>b</sup></b>	<b>6.1</b>	<b>12.2</b>	<b>8.5</b>	<b>7.4</b>	<b>6.1</b>	<b>5.0</b>	<b>6.5</b>	<b>8.2</b>	<b>4.7</b>	<b>6.2</b>
Antigua and Barbuda	...	...	...	2.8	0.0	5.2	1.9	...	2.4	3.1 <sup>c</sup>
Argentina	-1.5	41.0	3.7	6.1	12.3	9.8	8.5	7.2	7.7	11.1 <sup>d</sup>
Bahamas	2.9	1.9	2.4	1.9	1.2	2.3	2.8	4.6	1.3	0.5 <sup>e</sup>
Barbados	-0.3	0.9	0.3	4.3	7.4	5.6	7.8	7.3	4.4	7.8 <sup>f</sup>
Belize	...	3.2	2.3	3.1	4.2	2.9	4.1	4.4	-0.4	0.5 <sup>c</sup>
Bolivia (Plurinational State of)	0.9	2.4	3.9	4.6	4.9	4.9	11.7	11.8	0.3	5.6
Brazil	7.7	12.5	9.3	7.6	5.7	3.1	4.5	5.9	4.3	5.6
Chile	2.6	2.8	1.1	2.4	3.7	2.6	7.8	7.1	-1.4	2.5
Colombia	7.6	7.0	6.5	5.5	4.9	4.5	5.7	7.7	2.0	2.6
Costa Rica	11.0	9.7	9.9	13.1	14.1	9.4	10.8	13.9	4.0	6.1
Cuba <sup>g</sup>	-1.4	7.3	-3.8	2.9	3.7	5.7	10.6	-0.1	-0.1	1.7 <sup>h</sup>
Dominica	1.1	0.5	2.8	-7.2	2.7	1.8	6.0	2.0	3.3	2.2 <sup>c</sup>
Dominican Republic	4.4	10.5	42.7	28.7	7.4	5.0	8.9	4.5	5.7	6.2 <sup>d</sup>
Ecuador	22.4	9.3	6.1	1.9	3.1	2.9	3.3	8.8	4.3	3.4
El Salvador	1.4	2.8	2.5	5.4	4.3	4.9	4.9	5.5	-0.2	3.2
Grenada	-0.7	2.3	-7.1	2.5	6.2	1.7	7.4	5.2	-2.4	6.8 <sup>c</sup>
Guatemala	8.9	6.3	5.9	9.2	8.6	5.8	8.7	9.4	-0.3	5.3
Guyana	1.5	6.0	...	...	8.2	4.2	14.1	6.4	3.6	3.7 <sup>i</sup>
Haiti	8.5	16.5	35.8	19.1	15.3	10.3	10.0	10.1	2.0	4.6 <sup>d</sup>
Honduras	8.8	8.1	6.8	9.2	7.7	5.3	8.9	10.8	3.0	5.8 <sup>d</sup>
Jamaica	8.6	7.3	13.8	13.6	12.6	5.6	16.8	16.9	10.2	11.2 <sup>d</sup>
Mexico	4.4	5.7	4.0	5.2	3.3	4.1	3.8	6.5	3.6	4.3
Nicaragua	...	...	6.6	8.9	9.7	10.2	16.2	12.7	1.8	7.7 <sup>d</sup>
Panama	0.0	1.9	1.4	-0.2	3.4	2.2	6.4	6.8	1.9	4.1 <sup>d</sup>
Paraguay	8.4	14.6	9.3	2.8	9.9	12.5	6.0	7.5	1.9	6.1
Peru	-0.1	1.5	2.5	3.5	1.5	1.1	3.9	6.7	0.2	2.2
Saint Kitts and Nevis	...	...	...	...	...	7.9	2.1	7.6	1.0	-0.5 <sup>c</sup>
Saint Lucia	-0.2	0.4	2.7	...	...	4.8	8.3	8.7	-1.6	2.1 <sup>c</sup>
Saint Vincent and the Grenadines	5.5	-0.7	0.5	3.5	5.2	9.6	0.0	3.8	1.0	2.4 <sup>c</sup>
Suriname	...	...	...	...	15.8	4.7	8.3	9.4	1.3	9.2 <sup>d</sup>
Trinidad and Tobago	3.2	4.3	3.0	5.6	7.2	9.1	7.6	14.5	1.3	12.5 <sup>d</sup>
Uruguay	3.6	25.9	10.2	7.6	4.9	6.4	8.5	9.2	5.9	6.9
Venezuela (Bolivarian Republic of)	12.3	31.2	27.1	19.2	14.4	17.0	22.5	31.9	26.9	26.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Twelve-month variation to November 2010.

<sup>b</sup> The only English-speaking Caribbean countries included are Barbados, Jamaica and Trinidad and Tobago.

<sup>c</sup> Twelve-month variation to August 2010.

<sup>d</sup> Twelve-month variation to October 2010.

<sup>e</sup> Twelve-month variation to July 2010.

<sup>f</sup> Twelve-month variation to April 2010.

<sup>g</sup> Refers to national-currency markets.

<sup>h</sup> Twelve-month variation to September 2010.

<sup>i</sup> Twelve-month variation to March 2010.

Table A-22  
**LATIN AMERICA AND THE CARIBBEAN: CENTRAL GOVERNMENT BALANCE**  
*(Percentages of GDP)*

	Primary balance					Overall balance				
	2006	2007	2008	2009	2010 <sup>a</sup>	2006	2007	2008	2009	2010 <sup>a</sup>
<b>Latin America and the Caribbean (33 countries)<sup>b</sup></b>	<b>1.9</b>	<b>2.1</b>	<b>1.4</b>	<b>-0.6</b>	...	<b>-1.2</b>	<b>-0.5</b>	<b>-1.2</b>	<b>-3.4</b>	...
<b>Latin America (19 countries)<sup>c</sup></b>	<b>2.4</b>	<b>2.3</b>	<b>1.3</b>	<b>-1.1</b>	<b>-0.6</b>	<b>0.1</b>	<b>0.4</b>	<b>-0.4</b>	<b>-2.9</b>	<b>-2.4</b>
<b>The Caribbean (13 countries)<sup>d</sup></b>	<b>1.5</b>	<b>2.1</b>	<b>2.0</b>	<b>0.3</b>	...	<b>-2.9</b>	<b>-1.6</b>	<b>-2.1</b>	<b>-4.0</b>	...
Antigua and Barbuda	-4.3	-3.1	-3.6	-9.0	...	-7.9	-6.4	-6.8	-10.6	...
Argentina <sup>e</sup>	2.7	2.7	2.8	1.2	2.2	1.0	0.6	0.7	-1.0	0.1
Bahamas	0.2	0.6	-1.1	-0.9	...	-1.6	-1.3	-3.3	-3.2	...
Barbados <sup>f</sup>	3.1	2.7	-0.8	-3.2	...	-2.0	-1.8	-6.4	-9.2	...
Belize	3.9	4.1	5.4	0.8	...	-1.9	-1.2	1.5	-2.9	...
Bolivia (Plurinational State of) <sup>g</sup>	5.3	3.5	0.8	0.4	-1.9	3.5	2.3	0.0	-1.1	-3.5
Brazil <sup>h</sup>	2.1	2.2	2.4	1.3	1.2	-2.9	-1.9	-1.2	-3.6	-2.1
Chile	8.4	9.0	5.3	-3.9	-0.4	7.7	8.4	4.8	-4.4	-1.0
Colombia <sup>i</sup>	0.2	1.0	0.9	-1.1	-1.2	-3.4	-2.7	-2.3	-4.1	-4.4
Costa Rica	2.7	3.7	2.4	-1.3	-2.6	-1.1	0.6	0.2	-3.4	-5.2
Cuba	-2.0	-1.8	-5.5	-3.8	-2.1	-3.2	-3.2	-6.9	-4.8	-3.4
Dominica	5.4	4.0	-0.8	-1.3	...	1.4	1.0	-3.2	-2.7	...
Dominican Republic <sup>j</sup>	0.3	1.4	-1.9	-1.5	-0.2	-1.1	0.1	-3.5	-3.4	-2.3
Ecuador	2.0	1.9	0.3	-4.2	-2.0	-0.2	-0.1	-1.1	-5.1	-2.9
El Salvador	2.0	2.2	1.7	-1.2	-0.7	-0.4	-0.2	-0.6	-3.7	-3.0
Grenada	-4.5	-4.6	-4.2	-3.5	...	-6.4	-6.6	-6.1	-6.2	...
Guatemala	-0.6	0.0	-0.3	-1.7	-1.9	-1.9	-1.4	-1.6	-3.1	-3.5
Guyana	-5.8	-2.8	-2.1	-2.1	...	-8.2	-4.5	-3.8	-3.7	...
Haiti	1.2	-1.3	-1.0	-0.8	0.3	0.0	-1.6	-1.3	-1.3	-0.2
Honduras <sup>k</sup>	-0.1	-2.4	-1.9	-5.4	-3.4	-1.1	-3.1	-2.5	-6.2	-4.5
Jamaica	7.8	7.2	4.9	7.4	...	-4.7	-4.2	-7.4	-7.2	...
Mexico <sup>l</sup>	2.1	1.9	1.6	-0.4	-0.5	0.1	0.0	-0.1	-2.3	-2.7
Nicaragua	1.9	2.0	0.0	-0.9	0.0	0.0	0.4	-1.2	-2.3	-1.5
Panama	4.4	4.6	3.4	1.4	1.8	0.2	1.2	0.3	-1.5	-1.1
Paraguay	1.5	1.8	3.1	0.7	0.0	0.5	1.0	2.5	0.1	-0.5
Peru	3.2	3.5	3.5	-0.6	0.4	1.5	1.8	2.2	-1.8	-0.7
Saint Kitts and Nevis <sup>l</sup>	5.9	6.0	8.1	9.0	...	-2.4	-2.4	-0.3	0.7	...
Saint Lucia	-3.1	0.9	3.0	1.0	...	-6.2	-2.2	0.1	-2.5	...
Saint Vincent and the Grenadines	-0.7	-0.6	2.2	-0.1	...	-3.9	-3.6	-0.8	-3.1	...
Suriname	2.7	5.7	5.8	8.1	...	-0.6	8.0	2.3	3.7	...
Trinidad and Tobago	8.8	7.1	9.2	-3.0	...	6.7	5.1	7.4	-5.6	...
Uruguay	3.2	2.1	1.7	1.3	1.1	-1.0	-1.6	-1.1	-1.5	-1.4
Venezuela (Bolivarian Republic of)	2.1	4.6	0.1	-3.7	-2.8	0.0	3.1	-1.2	-5.1	-4.4

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Simple averages of the figures for 33 countries.

<sup>c</sup> Simple averages. Includes information on 19 countries of Latin America and the Caribbean: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

<sup>d</sup> Simple averages. Includes information on 13 Caribbean countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago.

<sup>e</sup> National public administration.

<sup>f</sup> Non-financial public sector.

<sup>g</sup> General government.

<sup>h</sup> The figures are derived from the primary balance based on the below-the-line criterion and nominal interest.

<sup>i</sup> Central national government. Does not include the cost of financial restructuring.

<sup>j</sup> The overall balance includes the residue.

<sup>k</sup> Central administration.

<sup>l</sup> Public sector.

Table A-23  
**LATIN AMERICA AND THE CARIBBEAN: CENTRAL GOVERNMENT REVENUE AND EXPENDITURE**  
*(Percentages of GDP)*

	Total revenue			Tax revenue			Total expenditure		
	2008	2009	2010 <sup>a</sup>	2008	2009	2010 <sup>a</sup>	2008	2009	2010 <sup>a</sup>
<b>Latin America and the Caribbean (33 countries)<sup>b</sup></b>	<b>25.2</b>	<b>24.6</b>	...	<b>19.4</b>	<b>19.0</b>	<b>15.2</b>	<b>26.5</b>	<b>28.0</b>	...
<b>Latin America (19 countries)<sup>c</sup></b>	<b>19.9</b>	<b>18.7</b>	<b>19.3</b>	<b>15.0</b>	<b>14.6</b>	<b>15.0</b>	<b>20.3</b>	<b>21.6</b>	<b>21.7</b>
<b>The Caribbean (13 countries)<sup>d</sup></b>	<b>31.3</b>	<b>31.4</b>	...	<b>25.6</b>	<b>25.4</b>	...	<b>33.3</b>	<b>35.4</b>	...
Antigua and Barbuda	23.8	20.2	...	21.3	19.3	...	30.5	30.8	...
Argentina <sup>e</sup>	19.4	20.9	23.0	18.1	18.2	20.4	18.7	22.0	22.9
Bahamas	18.1	19.0	...	15.5	16.8	...	21.4	22.2	...
Barbados <sup>f</sup>	34.9	35.5	...	32.9	32.3	...	41.3	44.7	...
Belize	29.5	26.3	...	22.7	21.7	...	27.9	29.1	...
Bolivia (Plurinational State of) <sup>e,g</sup>	32.7	31.3	30.9	19.5	18.1	18.4	32.7	32.4	34.4
Brazil <sup>e,h</sup>	23.8	23.5	24.0	23.8	23.5	24.0	25.0	27.0	26.1
Chile <sup>e,i</sup>	25.7	20.1	23.4	19.9	16.1	18.9	20.9	24.5	24.4
Colombia <sup>e,j</sup>	15.7	15.3	13.9	13.4	13.0	12.4	18.0	19.4	18.3
Costa Rica <sup>e</sup>	15.9	14.1	14.7	15.6	13.8	13.4	15.7	17.5	19.9
Cuba <sup>e</sup>	49.1	48.9	45.0	23.3	21.3	18.0	56.0	53.8	48.4
Dominica	41.2	40.6	...	30.4	31.6	...	44.4	43.3	...
Dominican Republic <sup>e</sup>	15.9	13.7	14.1	15.0	13.1	13.6	19.5	16.9	16.4
Ecuador <sup>e</sup>	25.5	22.3	25.5	12.1	13.9	15.3	26.6	27.3	28.4
El Salvador <sup>e</sup>	14.7	13.5	14.6	13.1	12.4	13.2	15.3	17.2	17.7
Grenada	28.2	26.0	...	23.7	22.9	...	34.3	32.2	...
Guatemala <sup>e</sup>	12.0	11.1	11.0	11.5	10.6	10.6	13.6	14.2	14.5
Guyana	25.4	27.2	...	20.2	21.6	...	29.2	30.8	...
Haiti	10.8	12.1	14.4	10.6	11.7	11.8	12.1	13.3	15.0
Honduras <sup>e</sup>	19.7	17.4	18.0	16.0	14.4	15.1	22.2	23.5	22.5
Jamaica	27.1	29.9	...	24.2	26.7	...	34.5	37.1	...
Mexico <sup>e,k</sup>	<b>23.5</b>	<b>23.8</b>	<b>21.6</b>	<b>8.2</b>	<b>9.5</b>	<b>10.0</b>	<b>23.6</b>	<b>26.1</b>	<b>24.3</b>
Nicaragua <sup>e</sup>	22.3	21.5	22.3	18.0	17.7	18.1	23.5	23.8	23.8
Panama <sup>e</sup>	19.8	18.5	18.9	10.6	11.0	11.7	19.5	20.0	20.0
Paraguay <sup>e</sup>	17.3	19.6	19.2	13.0	14.5	13.2	14.8	19.6	19.7
Peru <sup>e</sup>	18.1	15.6	17.2	15.4	13.4	14.9	15.9	17.4	17.9
Saint Kitts and Nevis <sup>l</sup>	41.1	42.7	...	27.3	26.8	...	41.4	42.0	...
Saint Lucia	30.0	30.3	...	27.2	28.1	...	29.8	32.8	...
Saint Vincent and the Grenadines	35.0	33.1	...	28.5	27.1	...	35.8	36.2	...
Suriname	37.2	49.1	...	27.1	31.1	...	34.9	45.4	...
Trinidad and Tobago <sup>l</sup>	34.8	28.5	...	31.9	24.7	...	27.4	34.1	...
Uruguay <sup>e</sup>	20.0	20.4	20.5	17.8	18.0	18.3	21.1	21.8	21.9
Venezuela (Bolivarian Republic of) <sup>e,m</sup>	24.9	21.6	19.7	13.6	13.5	12.0	26.1	26.7	24.1

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Simple averages of the figures for 33 countries.

<sup>c</sup> Simple averages. Includes information on 19 countries of Latin America and the Caribbean: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

<sup>d</sup> Simple averages. Includes information on 13 Caribbean countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago.

<sup>e</sup> Tax revenue includes social security contributions.

<sup>f</sup> Non-financial public sector.

<sup>g</sup> General government.

<sup>h</sup> Tax revenue corresponds to federal government.

<sup>i</sup> Total revenue corresponds to revenue plus sales of physical assets. Total expenditure refers to expenditure plus investment, capital transfers and fixed capital consumption.

<sup>j</sup> Total revenue includes special funds and incorporates accrued revenues. Total expenditure includes accrued expenditure and floating debt.

<sup>k</sup> Federal government.

<sup>l</sup> Tax revenue refers to non-petroleum sector.

<sup>m</sup> Total expenditure includes extrabudgetary expenditure.

Table A-24  
**LATIN AMERICA AND THE CARIBBEAN: PUBLIC DEBT**  
*(Percentages of GDP)*

	Central government debt					Non-financial public sector debt				
	2006	2007	2008	2009	2010 <sup>a</sup>	2006	2007	2008	2009	2010 <sup>a</sup>
<b>Latin America and the Caribbean<sup>b</sup></b>	<b>53.6</b>	<b>47.3</b>	<b>46.1</b>	<b>49.0</b>	...	<b>44.9</b>	<b>38.9</b>	<b>38.3</b>	<b>40.0</b>	...
<b>Latin America<sup>c</sup></b>	<b>35.8</b>	<b>29.9</b>	<b>28.5</b>	<b>29.9</b>	<b>28.5</b>	<b>40.5</b>	<b>33.5</b>	<b>31.9</b>	<b>33.5</b>	<b>31.7</b>
<b>The Caribbean<sup>d</sup></b>	<b>79.7</b>	<b>72.6</b>	<b>71.8</b>	<b>79.3</b>	...	<b>71.5</b>	<b>72.9</b>	<b>78.3</b>	<b>102.0</b>	...
Antigua and Barbuda	94.6	82.0	82.6	90.2	...	...	...	...	...	...
Argentina <sup>e,f</sup>	63.6	55.7	48.5	48.5	44.6	76.3	66.7	57.8	57.7	52.5
Bahamas	32.8	35.1	36.6	...	...	42.6	44.7	47.9	...	...
Barbados	79.0	84.0	88.0	101.7	...	95.0	101.0	103.0	116.0	...
Belize	75.1	71.4	82.7	86.8	...	76.8	72.9	84.0	88.0	...
Bolivia (Plurinational State of) <sup>g,h</sup>	49.6	37.1	34.0	34.5	35.0	52.4	40.0	36.8	37.6	37.9
Brazil <sup>i,j</sup>	31.0	30.7	24.2	29.7	27.0	47.0	45.1	38.4	42.8	39.1
Chile <sup>f</sup>	5.3	4.1	5.2	6.1	7.0	10.6	9.1	12.0	12.7	13.6
Colombia <sup>k,l</sup>	37.5	32.9	33.4	35.1	34.5	47.4	43.8	42.8	45.3	41.9
Costa Rica	33.3	27.6	24.9	27.4	27.2	38.4	31.8	29.9	34.1	33.6
Dominica	92.6	82.0	74.1	72.3	...	...	...	...	...	...
Dominican Republic <sup>m</sup>	20.4	18.4	24.4	28.0	26.4	...	19.0	25.3	28.6	26.9
Ecuador <sup>h</sup>	29.5	27.7	22.9	18.2	18.8	32.0	30.2	25.0	19.6	20.0
El Salvador <sup>g,h</sup>	37.3	34.5	33.4	41.7	39.6	39.5	36.5	35.8	44.2	42.0
Grenada	112.4	107.5	100.0	95.8	...	...	...	...	...	...
Guatemala <sup>g,h</sup>	21.7	21.3	20.1	23.0	22.9	21.9	21.6	20.4	23.3	23.2
Guyana	155.3	98.8	103.7	115.2	...	...	...	...	...	...
Haiti <sup>n</sup>	36.2	33.6	42.3	34.4	31.0	38.7	35.9	44.5	35.0	31.6
Honduras	28.7	17.3	19.9	24.3	24.6	30.0	18.2	18.9	22.6	22.4
Jamaica	117.8	110.9	109.9	118.5	...	...	...	...	...	...
Mexico <sup>o,p</sup>	20.6	20.9	24.4	28.2	27.4	22.6	22.7	26.9	35.0	33.4
Nicaragua	69.5	43.1	39.0	44.1	41.6	70.0	44.0	40.1	45.3	42.7
Panama <sup>q</sup>	60.3	52.3	44.8	44.9	40.8	61.0	52.9	45.4	45.6	41.5
Paraguay	23.8	16.9	14.5	15.7	14.4	24.8	19.9	17.3	17.8	16.5
Peru <sup>r</sup>	30.1	26.2	24.1	23.4	20.8	31.3	27.2	24.5	23.8	21.2
Saint Kitts and Nevis	112.0	109.4	100.7	105.2	...	...	...	...	...	...
Saint Lucia	56.8	61.7	60.7	63.2	...	...	...	...	...	...
Saint Vincent and the Grenadines	66.3	56.1	54.1	57.8	...	...	...	...	...	...
Suriname	24.9	28.5	25.2	25.7	...	...	...	...	...	...
Trinidad and Tobago	16.8	16.8	14.5	19.0	...	...	...	...	...	...
Uruguay	57.8	48.9	47.7	43.3	39.4	61.1	52.1	51.1	47.4	43.0
Venezuela (Bolivarian Republic of) <sup>s</sup>	24.1	19.5	14.2	18.4	18.7	24.1	19.5	14.2	18.4	18.7

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary figures, first semester.

<sup>b</sup> Simple averages of the figures for 33 countries.

<sup>c</sup> Simple averages. Includes information on 19 countries of Latin America and the Caribbean: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

<sup>d</sup> Simple averages. Includes information on 13 Caribbean countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago.

<sup>e</sup> Central government debt corresponds to the national public administration. Does not include debt not presented for swap.

<sup>f</sup> Consolidated gross public debt.

<sup>g</sup> Central government debt does not include publicly guaranteed private debt.

<sup>h</sup> The non-financial public sector debt includes external debt of the non-financial public sector and domestic debt of the central government.

<sup>i</sup> Central government debt corresponds to net public debt of the federal government and central bank.

<sup>j</sup> The non-financial public sector debt corresponds to net public debt of the public sector.

<sup>k</sup> Central government debt corresponds to the central national government debt.

<sup>l</sup> Non-financial public sector debt corresponds to consolidated non-financial public sector debt.

<sup>m</sup> Non-financial public sector debt refers to the public sector.

<sup>n</sup> Does not include public sector commitments to commercial banks.

<sup>o</sup> Central government debt corresponds to federal government.

<sup>p</sup> Non-financial public sector debt includes external debt of the public sector and domestic debt of the federal government.

<sup>q</sup> Central government debt does not include domestic floating debt.

<sup>r</sup> Central government debt includes local and regional government debt with Banco de la Nación.

<sup>s</sup> Central government debt refers to the non-financial public sector.



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