

ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN

ECLAC

**PRELIMINARY OVERVIEW OF THE
ECONOMIES OF LATIN AMERICA
AND THE CARIBBEAN
2000**



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

Notes and explanation of symbols

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

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

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

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

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

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

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

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

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

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

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

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CONTENTS

	<i>Page</i>
Abstract	7
Regional Panorama	9
1. Introduction	9
2. The external sector	12
3. Macroeconomic policy	17
4. Domestic economic performance	23
South America	29
Argentina	29
Bolivia	32
Brazil	34
Chile	37
Colombia	39
Ecuador	41
Paraguay	43
Peru	45
Uruguay	47
Venezuela	50
Central America and Mexico	53
Costa Rica	53
El Salvador	55
Guatemala	57
Honduras	59
Mexico	61
Nicaragua	64
Panama	66
The Caribbean	69
Barbados	69
Cuba	71
Guyana	73
Haiti	74
Jamaica	76

	<i>Page</i>
Dominican Republic	78
Trinidad and Tobago	80
Statistical Appendix	83
Table A-1 Latin America and the Caribbean: total gross domestic product.	85
Table A-2 Latin America and the Caribbean: per capita gross domestic product.	86
Table A-3 Latin America and the Caribbean: gross fixed capital formation	87
Table A-4 Latin America and the Caribbean: consumer prices	88
Table A-5 Latin America and the Caribbean: urban unemployment	89
Table A-6 Latin America and the Caribbean: average real wages	90
Table A-7 Latin America and the Caribbean: public-sector deficit(-) or surplus	91
Table A-8 Latin America and the Caribbean: indices of the real effective exchange rate for imports	92
Table A-9 Latin America and the Caribbean: exports of goods, FOB	93
Table A-10 Latin America and the Caribbean: imports of goods, FOB	94
Table A-11 Latin America and the Caribbean: terms of trade (goods) FOB/FOB	95
Table A-12 Latin America and the Caribbean: balance of payments.	96
Table A-13 Latin America and the Caribbean: net foreign direct investment	99
Table A-14 Latin America and the Caribbean: international bond issues	100
Table A-15 Latin America and the Caribbean: indices of stock exchange prices in dollars	101
Table A-16 Latin America and the Caribbean: total disbursed external debt.	102
Table A-17 Latin America and the Caribbean: net resource transfers	103
Table A-18 Latin America and the Caribbean: net capital inflows and net resource transfers	104
Table A-19 Latin America and the Caribbean: ratio of total accrued interest to exports of goods and services	105
Table A-20 Latin America and the Caribbean: ratio of profit payments to exports of goods and services	106
Table A-21 Latin America and the Caribbean: ratio of total disbursed debt to exports of goods and services.	107

ABSTRACT



The economic recovery of the Latin American and Caribbean economies that began in the final quarter of 1998 continued during the year 2000, and the region's GDP, after coming to a virtual standstill the year before, grew 4%. The main engine of this recovery was an export boom, while domestic demand was weaker than expected. Partly because of that weakness, the region's brisker growth rate was not reflected in any appreciable decrease in unemployment, which remained at nearly 9%, and real wages rose very little.

Thanks to the export boom, the region was able to narrow the deficit on its balance-of-payments current account from 3.1% to 2.5% of GDP. The external environment was a key factor in this improvement, even though international trends were mixed. On the one hand, the world economy grew swiftly, intraregional trade rebounded and the prices of many (but not all) commodities rose while, on the other, financial markets were highly volatile as they responded to sharp swings on United States exchanges. Nonetheless, capital inflows—especially in the form of foreign direct investment—were plentiful enough to cover the current account deficit.

Inflation remained on the downward trend seen during the preceding four years, declining to just 9%, and four fifths of the countries had single-digit rates despite higher oil prices and the reactivation of production. More flexible monetary policies were reflected in an expansion of the money supply and lower interest rates. Fiscal policy, on the other hand, was stricter than before and the countries' fiscal deficits were considerably smaller.

The regional economy is expected to continue along the same path in 2001, with the significant exception of Mexico. Economic activity in that country may slacken, pulling down the region's projected growth rate to 3.8%.

REGIONAL PANORAMA



1. Introduction

The economic recovery of the Latin American and Caribbean economies that began in the final quarter of 1998 continued during the year 2000. Thanks, in particular, to the performance of the region's two largest economies, its GDP expanded at an average annual rate of 4% in 2000, which compares favourably with the 1998 growth rate of 2.3% and the rate of just 0.3% posted in 1999. This upturn was coupled with inflation rates that were even lower than the already very satisfactory levels registered in recent years. The reactivation was led by an export boom, while domestic demand has been weaker than expected despite the implementation of more flexible macroeconomic policies. Since exports outpaced imports, the current account deficit shrank from the equivalent of 3.1% of GDP in 1999 to 2.5% in 2000. The region was able to cover this shortfall with capital inflows and thus did not have to draw down its reserves. The year's greatest disappointment was that these higher growth rates were not reflected in the region's labour markets, as unemployment remained at nearly 9% and real wages rose very little.

Trends in the international economy, which are always a key factor in determining the performance of Latin America and the Caribbean, were mixed in 2000. High international growth rates boosted the region's exports. In fact, the industrial countries' average annual growth rate is expected to reach a peak level for the decade of over 4% and the expansion of world trade is projected at over 10%. Intraregional trade also picked up. Commodity price trends were uneven, with petroleum soaring by 60% while mineral prices rose 8% and the prices of some agricultural products (especially

coffee) fell. The international financial scene was also quite complex. With the important exception of foreign direct investment (FDI), both liquidity and financing terms for the region were very tight. In addition, both volumes and prices on international financial markets were highly volatile, partly in response to sharp swings on United States exchanges.

Exports of goods and service rose 20% in value while imports climbed 17%. Trends in Venezuela –the region's largest oil exporter– heavily influence the nationwide figures, however. For example, when

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

	1998	1999	2000 ^a
Economic activity and prices	<i>Annual growth rates</i>		
Gross domestic product	2.3	0.3	4.0
Per capita gross domestic product	0.6	-1.3	2.4
Consumer prices	10.3	9.5	8.9
Terms of trade	-5.8	0.4	3.7
	<i>Percentages</i>		
Urban open unemployment	8.1	8.7	8.6
Fiscal balance/GDP ^b	-2.5	-3.1	-2.4
External sector	<i>Billions of dollars</i>		
Exports of goods and services	326	342	410
Imports of goods and services	379	361	422
Balance on goods	-33	-4	5
Balance on services	-19	-15	-17
Balance on income account	-51	-53	-56
Balance on current account	-87	-53	-49
Balance on capital and financial account	70	40	52
Overall balance	-17	-13	2
Net resource transfer	27	-6	-3

Source: Statistical Appendix.

^a Preliminary estimates.

^b Simple average.

Venezuela is included in the regional total, then the figures show the trade deficit narrowing from US\$ 19 billion in 1999 to US\$ 13 billion in 2000, but if Venezuela is factored out of the computations, then the deficit appears to have edged up from US\$ 26 billion to US\$ 28 billion. The current account followed the same pattern, with the deficit shrinking from US\$ 53 billion to US\$ 49 billion if Venezuela is included, but climbing from US\$ 58 billion to US\$ 63 billion if it is not.

Venezuela also had very different results than the rest of the region in terms of capital flows, since large sums of capital flowed out of the country, whereas the other nations (with the exception of Ecuador and Paraguay) continued to register net inflows. The total for the region is projected at around US\$ 52 billion (US\$ 59 billion without Venezuela), compared to US\$ 40 billion in 1999. The regional increase was primarily a reflection of the larger amounts of capital flowing into Brazil, which more than outweighed the decline in Argentina's inflows.

FDI continued to be the chief source of capital inflows. Bond issues were used almost entirely for refinancing maturing debt obligations, while bank loans and investment in local exchanges contributed very little to total capital inflows. The volume of bond issues was quite volatile, with the bulk of such issues being launched in the first quarter or in July. At 11.5%, average interest rates were fairly high for the first eight months and then climbed further, to end the year at 13%. Some countries, notably Argentina, had even higher rates.

Macroeconomic policy was relaxed somewhat as the year progressed, especially in countries that allowed their currencies to float freely. Generally speaking, this new approach tended to result in a more flexible monetary policy rather than in more lenient fiscal policies. In point of fact, the countries' fiscal deficits declined, on average, from 3.1% of GDP in 1999 to 2.4% in 2000 as income grew faster than expenditure. The money supply made a partial recovery from its 1999 downturn and interest rates moved down slightly, but this did not translate into a higher rate of credit expansion because banks had adopted a cautious attitude and domestic demand has thus far not rebounded. Most of the countries' currencies depreciated in real terms, but the decline was generally slight (1.5% on average).

Despite the more accommodative stance of macroeconomic policy, domestic demand did not bounce back as quickly as policy-makers had expected it to at the start of the year. Thus, although the volume of exports rose by nearly 11% for the region as a whole, preliminary estimates indicate that the expansion of investment will have been only slightly higher than GDP growth (most of the increase is accounted for by Mexico and, to a lesser extent, Brazil) and that consumption will turn out to have risen less than GDP. In addition, a portion of domestic demand was diverted towards imports, especially in the fast-growth economies.

Growth trends differed from the pattern seen during the preceding two years, which had been marked by a sharp differentiation between the countries in the northern and southern portions of the region. In 1998-1999, South America had been seriously shaken by the international financial crisis, whereas Mexico, Central America and the Caribbean had benefited from the rapid growth of the United States market. On the other hand, all the countries are expected to post positive growth rates for 2000 except Uruguay, which is likely to have a negative rate, and Argentina, which will probably register zero growth. The highest rates are expected to be in the Dominican Republic, Mexico, Belize, Chile and Cuba.

Consumer prices improved upon the already favourable pattern of the past four years, with the most recent figures showing a regional average of 8.9% for the 12-month period ending in November 2000. What is more, over 80% of the countries for which statistics are available had single-digit inflation rates during this period. Although some countries did see a small increase in inflationary pressures due, among other factors, to rising oil prices, this does not signal a loss of control over the process. Inflation continued to subside in Venezuela and, although prices were rising very steeply early in the year in Ecuador, the dollarization policy that it adopted has been bringing the inflation rate back down since that time.

The region's most serious problems are still to be found in the labour market. Although the upturn in GDP growth in 2000 did raise employment levels slightly, it has not been enough to lower unemployment rates, which have remained at what is nearly a record high for the region (around 9%). One of the possible reasons for this is the continuing efforts being made by businesses to boost their productivity, which has entailed the creation of fewer jobs even though growth has picked up. Another reason may have to do with the sectoral composition of this trend. In a number of countries whose growth rates were considerably higher than the year before, commensurate increases in employment did not occur because growth was concentrated in capital-intensive (and often export) sectors. This situation is also linked to the lag in domestic demand, since small and medium-sized

enterprises serving the domestic market are the ones that create the most jobs.

Despite these exceptions, the link between economic growth and job creation remains strong. In general, in the countries that grew the most an improvement was also seen in the labour market (the Dominican Republic, Mexico and Nicaragua). By the same token, the economies that grew very little or experienced negative growth had declining employment rates and higher unemployment levels (especially Argentina and Uruguay). Meanwhile, wages edged up by 1.5%, on average, in the 10 countries for which information is available.

For 2001, a decline in regional GDP growth to a rate of 3.8% is projected. Of the larger countries, Mexico is likely to grow more slowly than in 2000 as the United States economy continues to cool down, while Brazil may post a slightly higher growth rate. The overall figures indicate that the economic cycle that is now beginning will be weaker than the two cycles of the 1990s, which may usher in a longer-term growth trend of between 3.5% and 4%. The forecast for 2001 is based on the assumptions that the world economy will continue to be fairly buoyant despite what is expected to be a slower growth rate for the United States economy and that external capital flows will, at the least, remain at their current levels. Nevertheless, as noted earlier, the economies' growth rates will probably not be high enough to bring about a significant improvement in the performance of the region's labour markets, and many countries will therefore need to implement special policies to address this problem.

2. The external sector

Regional trade rebounded sharply in 2000. Exports made a stronger recovery than imports did, and the region's deficits in merchandise and services trade and on the current account both narrowed considerably as a result. In fact, the current account deficit was cut from 3.1% of GDP in 1999 to 2.5% in 2000. These aggregate figures fail to reflect the overall patterns seen in the individual countries, however.

The steep rise in oil prices had a very strong influence on this trend. In fact, if Ecuador and, especially, Venezuela –the region's main oil exporters– are factored out of the calculations, then the differences noted with respect to 1999 are actually reversed. Thus, if it were not for those two countries (the only ones to post a surplus on the current account), the region's current account deficit would have increased, as it did in many of the individual countries (see figure 1).

Trends in the hydrocarbons market were also a decisive factor in the changes observed in the real terms of trade. The region's six oil-exporting countries saw an improvement, whereas all the net importers except Chile registered a deterioration in this ratio.

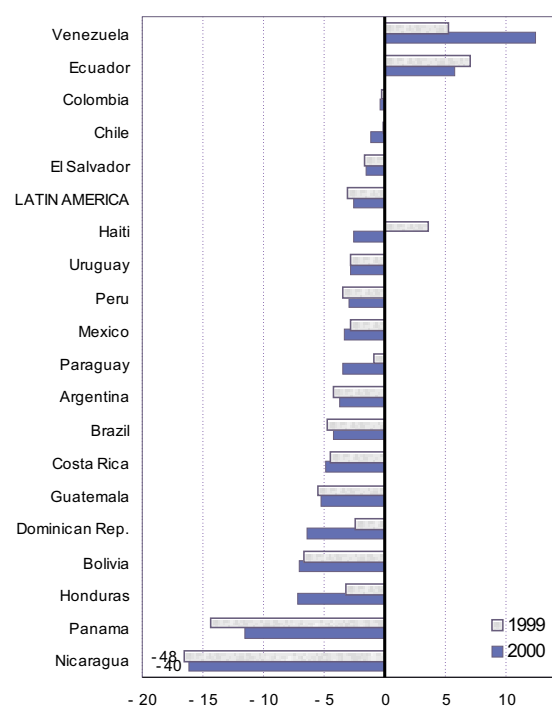
The deficit on the regional factor income account widened, albeit moderately, as interest payments rose in step with international interest rates. Current transfers to the Central American and Caribbean countries, particularly in the form of family remittances, held to the upward trend they have exhibited for most of the 1990s.

Factor income payments outpaced capital inflows, and the region therefore registered a negative transfer of resources for the second year running. It did manage to build up its international reserves somewhat (by almost US\$ 3.5 billion), however. Brazil, which amortized debts owed to the International Monetary Fund (IMF) in April, was one of the countries that drew down its reserves; Argentina and Chile recorded smaller decreases.

External product markets pick up

The value of the region's exports jumped by over 20% (17% not counting Venezuela), the highest growth rate in the last five years. All the countries except Costa Rica,

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



Source: Statistical Appendix.

Haiti and Paraguay posted increases, and in most cases the upswings were in the double-digit range. The most outstanding showings were turned in by Venezuela, with an increase of more than 60%, and Mexico, with more than 20%. These improvements were brought about by a combination of larger volumes (11% for the region as a whole) and higher prices (up by more than 8%), although differences were seen from one country to the next.

These differences reflect the varying factors that affected individual countries. Apart from conditions specific to each country or area (e.g., the reclamation of cropland damaged by Hurricane Mitch in Central

America), the most influential forces were trends in external demand.

First of all, the situation in external product markets, although uneven, was generally favourable. The world economy remained on its upward trend, and in terms of GDP growth, the worldwide rate surpassed the region's rate of increase by a moderate amount. The United States once again outperformed Europe, and this gave a further boost to its NAFTA partner, Mexico, and to the countries of the Caribbean basin. The continued strong showing of the *maquila* industry and of customs-free areas was associated with the robust growth of the United States economy, and this was a major factor in the increase in shipments from Mexico and the Central American and Caribbean countries (including the Dominican Republic, which won improved access for its textile products).

Secondly, export unit values tended to rise, although there were many exceptions to this overall pattern which illustrated the uneven price trends of the individual countries' export products (see figure 2).

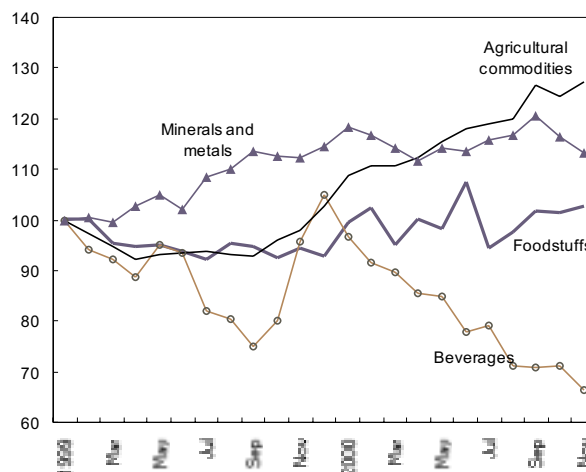
In the first 11 months of the year, heavier demand and the production limits set by the Organization of Petroleum Exporting Countries (OPEC) drove up the mean price of these countries' crude oil exports to levels over 60% higher than the 1999 average. All of the region's oil-exporting countries registered higher unit values for their exports, and these increases were in the double digits in the cases of Colombia, Ecuador and Venezuela.

The aggregate price index for other minerals and metals climbed by 8%, with nickel and copper recording the sharpest upturns. The trend in the latter product, together with higher timber prices, contributed to a 13% jump in the unit value of Chile's exports.

In the farm sector, soybean and sugar prices both climbed. Latin American wheat and beef producers, on the other hand, continued to suffer from low price levels. Coffee prices slipped for the second year in a row and were down by more than 4% from their 1999 mean. Consequently, a downturn was seen in the unit values of a number of Central American and Caribbean coffee-exporting countries, along with Uruguay.

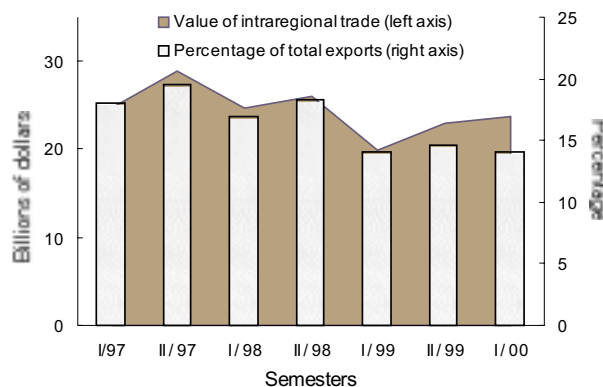
Thirdly, the reactivation of the Latin American and Caribbean economies galvanized intraregional trade, which thus regained the buoyancy it had lost during the two preceding years. In the first semester, intraregional trade expanded by 19%, thanks to increases of 28% in the Andean Community, 18% in Mercosur and 5% in the Central American Common Market (CACM) (see figure 3).

Figure 2
PRICES OF LATIN AMERICAN COMMODITY EXPORTS
(Indices; January 1999 = 100)



Source: ECLAC, on the basis of official figures.

Figure 3
LATIN AMERICA AND THE CARIBBEAN:
INTRAREGIONAL TRADE



Source: ECLAC, on the basis of official figures.

The reactivation spurs imports

Imports were up in almost all of the countries. The growth rate for the region as a whole was 17% thanks to a 12% expansion in the volume of imports and an increase in prices of almost 5%.

The individual countries' import volumes reflect the trends in their levels of economic activity and, in some cases, the strength of their *maquila* industries, which import large amounts of components. Consequently, the largest gains were seen in the Dominican Republic (14%), Mexico (21%) and Venezuela (30%). Imports were lower in Argentina, Costa Rica, Nicaragua, Paraguay and Uruguay. All the other countries registered single-digit increases.

Higher oil prices made purchases more expensive for net importing countries, which are in the majority (see figure 4, which shows the gains and losses associated with the rise in oil prices, expressed as percentages of GDP). On the other hand, the appreciation of the United States dollar lowered the dollar value of the other industrialized countries' products by as much as 5%. Nonetheless, the unit value of imports rose for all the countries, primarily because of their dependence on imported oil. The largest increases were in Chile (11%) and Brazil (9%) and the smallest in Colombia, Argentina, Bolivia and Venezuela.

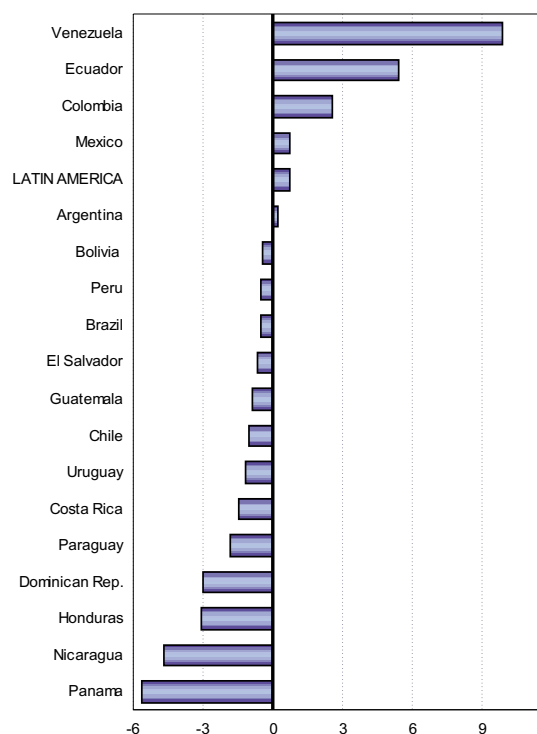
The combination of these unrelated factors had a wide range of implications in terms of import values. With the exception of Nicaragua and Paraguay, the value of imports rose in all the countries, with increases of 20% or more in the cases of Chile, the Dominican Republic, Mexico and Venezuela.

Nevertheless, imports of capital goods were lower in quite a few countries that witnessed reductions or fairly small increases in domestic investment. Most of these countries were in South America (including Argentina, Bolivia, Ecuador, Paraguay, Peru and Uruguay), but a few were in Central America (Nicaragua and Panama).

Capital inflows remain at moderate levels

Following the crisis that began in Asia in 1997 and the Russian moratorium of August 1998, the Latin American and Caribbean region found itself in the downswing of the external financing cycle and continued to experience bouts of volatility. These episodes were closely associated with events on international financial markets, especially in the United States, and this was particularly evident in the bond market. Two complete

Figure 4
LATIN AMERICA AND THE CARIBBEAN: EFFECT OF HIGHER OIL PRICES



Source: ECLAC, on the basis of official figures.

cycles ran their course during the period under review; the first lasted from December 1999 to May 2000 and hit its high point in March, while the second ran from June to November 2000 and peaked in July.

As had also been the case in 1998-1999, Latin American investments were perceived to be high-risk ventures, especially from mid-October on. During that same month, this situation led Argentina to begin negotiating an international financial assistance package with IMF.

During a year of tight liquidity on international markets, the region's capital inflows amounted to US\$ 52 billion. Although this was clearly higher than the US\$ 40 billion received in 1999, it was still far lower than the US\$ 70 billion registered in 1998 and the US\$ 85 billion that entered the region in 1997. The most

dynamic category was once again FDI; in fact, on average, other net capital flows were negative.

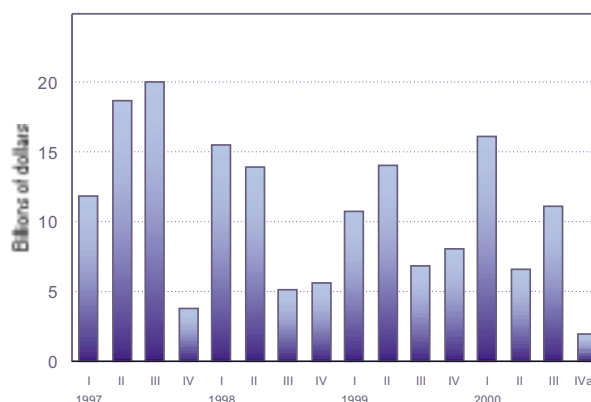
For the fifth year in a row, the region's net inflows of FDI provided much of the financing needed to cover the deficit on the current account of the balance of payments. Although the US\$ 57 billion that entered the region in 2000 was a far cry from the extraordinarily high 1999 figure, it was similar to the average inflow in 1996-1998. A portion of these flows was generated by operations undertaken by international banks that are investing in local banks in Latin America. The largest operation of this sort in 2000 was the Spanish bank Santander Central Hispano's acquisition of Banco do Estado de São Paulo (Banespa). FDI flows to Brazil and Mexico and to some of the smaller economies, such as Bolivia, the Dominican Republic and Ecuador, were particularly plentiful. In contrast, net flows to Argentina and Peru were considerably lower and Chile registered a net outflow.

Between January and November 2000, new bond issues bordered on US\$ 36 billion, thanks to the greater dynamism of the euro market. These types of capital continued to exhibit a high degree of volatility, however, with placements being concentrated in the first three months of the year and July. Operations of this sort were undertaken by Argentina (the region's largest issuer for the third straight year), Brazil, Colombia and Mexico, and smaller issues were floated by seven other Latin American and Caribbean countries. Most of the proceeds continued to be used to amortize maturing debt obligations or to swap Brady bonds. As has been the case since the international crisis that began in Asia in mid-1997, most issues were made by central governments and public enterprises. Private issuers included a number of Brazilian banks, the Mexican cement company Cemex (US\$ 400 million) and the Spanish power company Endesa (400 million euros).

The cost of external finance hovered around an annual rate of 11.5% in the first eight months of 2000. In September the situation began to deteriorate, however, and by late November the cost of financing was nearing 13%. This can be attributed to the higher perceived risk of investing in the region, since yields on United States Treasury bills declined slightly during that time. Maturities for bond placements, which had made a strong recovery in the first quarter, had shrunk to five years by the end of the year (see figures 5a and 5b).

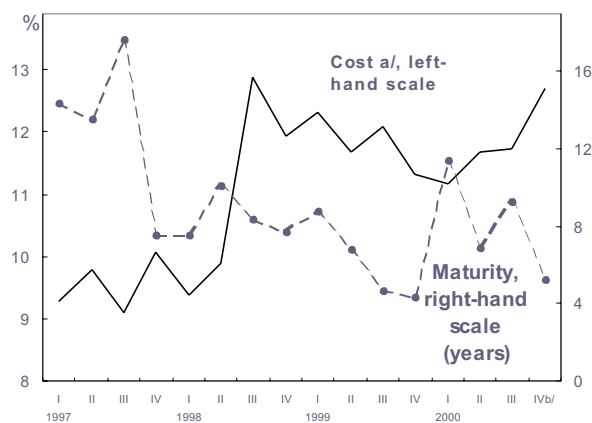
In the first half of 2000, commercial bank credit to the region did not gain back much of the ground that was lost when the international turbulence caused by the Russian moratorium of August 1998 had triggered

Figure 5.a
LATIN AMERICA AND THE CARIBBEAN:
INTERNATIONAL BOND ISSUES



Source: ECLAC, on the basis of official figures.
a October and November.

Figure 5.b
LATIN AMERICA AND THE CARIBBEAN: TERMS OF
INTERNATIONAL BOND ISSUES



Source: ECLAC, on the basis of figures provided by the International Monetary Fund, JPMorgan and Merrill Lynch.

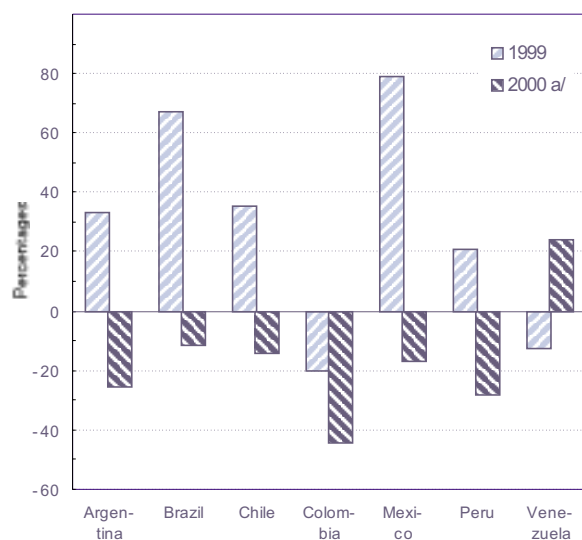
a Sum of the average spread between these bond issues and the yield on long-term United States Treasury bills.

b October-November average.

copious outflows. This was partly attributable to sluggish demand for short-term credit.

The pace of the recovery in equity investment inflows slackened during the first six months of the year. These flows were also quite volatile. Share price indices (in dollars) for the main exchanges (with the exception of Venezuela's) slipped after their 1999 rebound. At the close of 2000, the regional index was still 25% lower than it had been in mid-1997 (see figure 6).

Figure 6
LATIN AMERICA AND THE CARIBBEAN: STOCK EXCHANGE QUOTATIONS
(Annual variations; indices in dollars)



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

^a Mid-December.

The external debt shrinks slightly

The disbursed external debt of Latin America and the Caribbean totalled somewhat more than US\$ 750 billion, which represented a nominal decrease for the first time since 1988. In most of the countries, external debt levels did not vary a great deal. Countries posting a reduction included Brazil, which made a non-scheduled payment to IMF in April, Mexico, which continued to pursue an active policy aimed at improving its debt profile, and Ecuador and Honduras, both of which restructured their debts.

Thanks to this trend and the upturn in exports, an across-the-board improvement was seen in debt/export ratios in 2000, and the regional coefficient fell from 217% in 1999 to near 180% in 2000. A number of countries continue to exhibit high levels of indebtedness, however. The ratio between interest payments and exports diminished slightly.

Bolivia, which had qualified for the Heavily Indebted Poor Countries (HIPC) initiative in 1998, began to apply for the second phase of this scheme early in 2000. If successful, it may secure approximately US\$ 650 million in debt relief. Honduras has also met HIPC eligibility requirements and stands to obtain a reduction equivalent to some US\$ 550 million. In both cases, most of the financing will come from multilateral agencies while the balance will be provided by the governments of industrialized countries.

In Ecuador, which had suspended the servicing of its external debt in October 1999, the government signed an agreement with 98% of its creditors. The US\$ 6.4 billion in eligible debt, which includes Brady bonds and Eurobonds, will be reduced by nearly 40%. In September 2000 the country also concluded a preliminary agreement with the Paris Club to restructure US\$ 880 million in bilateral debt.

3. Macroeconomic policy

Macroeconomic policy in the region has emerged from the two-year crisis with a qualitatively different profile. This is especially true in countries that have allowed their currencies to float, since this type of exchange-rate regime enables them to mount a more pragmatic response to events as they unfold. The causes of these changes have been the regionwide decline in inflation and the greater credibility achieved by macroeconomic policy-makers in the consolidation of domestic (inflation and the fiscal deficit) stability.

Most of the countries that witnessed a sharp slowdown in economic activity in 1999 developed a macroeconomic policy in 2000 that has been shaped by three main forces: (i) a willingness to take the necessary steps to reduce the larger fiscal deficits inherited from the year before; (ii) a desire –the exchange-rate regime permitting– to make monetary policy more flexible so that it can backstop the reactivation of the economy without sacrificing price stability; and (iii) the need to cope with the vagaries of international financial markets. This policy framework, which is quite complex in its own right, was further complicated by the steep increase in fuel prices and their impact on inflation.

The fiscal deficit narrows

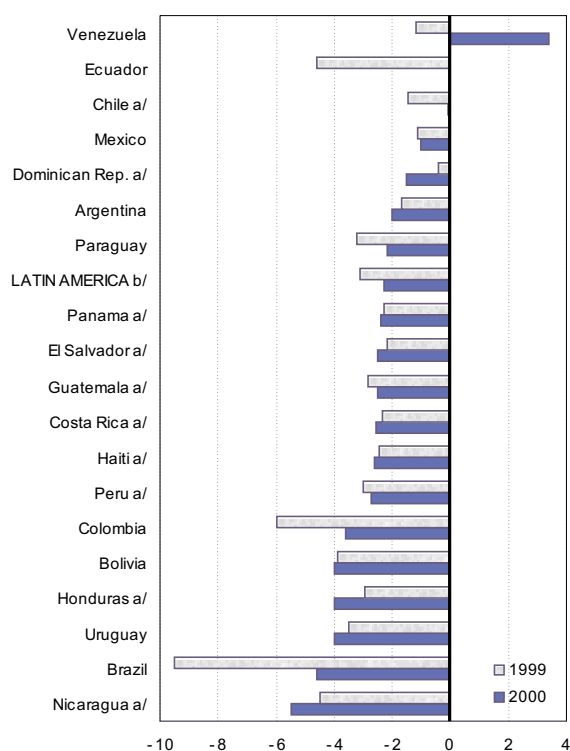
A better economic environment and greater austerity in fiscal policy helped the region to cut its average fiscal deficit to 2.3% of GDP after it had reached a decade-long high of over 3% of GDP in 1999. Exogenous factors, such as higher oil prices, and cyclical elements, such as greater economic buoyancy, helped enhance the impact of adjustment policies aimed at closing the fiscal gap. A number of these adjustment policies were linked to agreements reached with the International Monetary Fund (IMF) or to the fiscal accountability laws passed in the past two years.

This improvement was not seen across the board, however. In fact, more than half the countries' deficits actually widened. The cost of policies specifically designed to reactivate the economy and improve public social services and the lower revenues occasioned by the decline in economic activity in some countries were

the two main reasons for this negative outcome. In the countries where the deficit rose, however, it did so by an average of 0.5% of GDP, whereas the governments that improved their accounts (especially Brazil, Colombia, Ecuador and Venezuela) did so by the equivalent of 2% of GDP, thereby raising the regional average (see figure 7).

The recovery made by public revenues was particularly robust in the main oil exporting countries (Colombia, Ecuador, Mexico and Venezuela), thanks to

Figure 7
LATIN AMERICA AND THE CARIBBEAN: PUBLIC-SECTOR FISCAL BALANCE
(Percentages of GDP)



Source: Statistical Appendix.

^a Central government.

^b Simple average.

the higher international prices of crude oil. In the oil-importing countries, these price increases had varying effects on public-sector income. In most of these cases, the effects were positive and included surpluses for State-run oil refineries and distributors. In cases where tariffs were lowered to offset the rise in crude oil prices and thus soften their impact on domestic prices, however, fiscal receipts were lower due to the decrease in tariff revenues (e.g., the Dominican Republic, Honduras).

The brisker pace of economic activity and, in particular, higher levels of consumption boosted indirect revenues. The economic reactivation also had a positive impact on direct tax receipts, which heightened the effect of tax authorities' efforts to reduce evasion of these taxes. This upward trend at the regional level offset the decline in revenues recorded by some countries (Guatemala, Nicaragua and Uruguay, among others).

Government expenditure slowed, partly because of the explicit spending limits that were introduced through fiscal accountability legislation, deficit reduction timetables or IMF agreements.

For the most part, the governments that did manage to cut spending did so at the expense of capital investment. Among the components of current expenditure, lower domestic interest rates and the relative stability of the region's currencies helped to lighten the debt service burden. Upward pressure on spending came mainly from social sectors (especially health care, social security and education) as a result of either wage hikes or infrastructure and services projects. A number of countries (including Bolivia) also launched reactivation drives in an effort to lift their economies out of the stagnation seen in 1999.

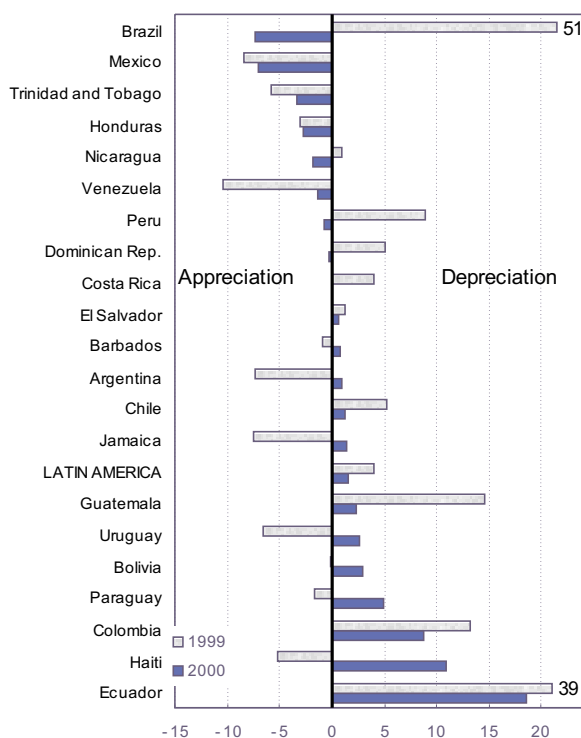
Foreign-exchange markets continue to readapt, but within a calmer environment than before

The region's foreign-exchange markets were less volatile in 2000 following the sometimes violent adjustments made in some currencies and exchange-rate regimes in 1999. The predominant trend in Latin America continued to be one of real devaluation (a country average of 1.5%), but it was much more gradual than in 1999 (4%) as the exchange-rate adjustment began to lose momentum in the first quarter of 2000 and the rate of depreciation steadily decreased until it disappeared altogether late in the year. There were occasions during the year, however, when economic agents grew nervous, mainly as a result of successive increases in international

interest rates and a heightened perception of risk in connection with sovereign debt; in some countries, these circumstances were compounded by domestic (mostly non-economic) factors.

These regional averages mask major differences, however. More specifically, some Caribbean countries (especially Haiti) witnessed fairly sharp devaluations, and in Jamaica the appreciation of the currency—a trend that had lasted for many years—reversed itself. The region's two largest economies—Brazil and Mexico—saw their currencies undergo nominal revaluations that translated into a real appreciation of around 7% (see figure 8). Sharp fluctuations in their rates against major international currencies (the dollar and the euro) or other currencies in the region (the real) reduced the competitiveness of countries such as Argentina and Uruguay, and this hurt their extraregional and intraregional trading activity.

Figure 8
LATIN AMERICA AND THE CARIBBEAN: REAL
EFFECTIVE EXCHANGE RATE
(Annual variation, in percentages)



Source: Statistical Appendix.

While flexible exchange-rate regimes gained ground—in fact, four countries abandoned their currency bands and allowed their currencies to float—during 1999, in the year 2000 two countries opted for dollarization. Ecuador, which was unable to restore confidence in its currency in the wake of the devaluations of 1999, decided to make the move to formal dollarization of its economy early in 2000 (see table 1). El Salvador also took steps in this direction when, late in the year, it legalized the use of the United States dollar in the domestic economy at a fixed parity with the colón (a *de facto* fixed exchange-rate regime had existed in this country since 1993).

Monetary policy relaxes

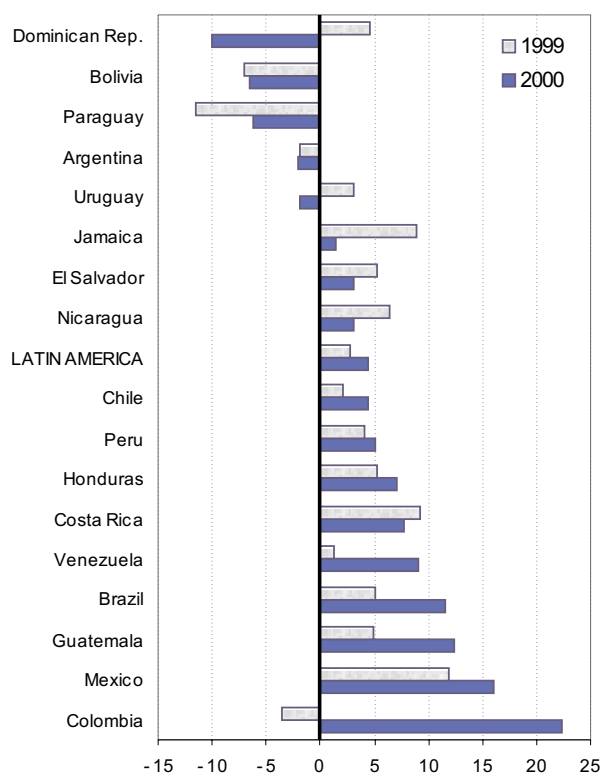
The beginnings of a return to a more normal state of affairs on international financial markets which had first been seen in late 1999 allowed the authorities to adopt a somewhat more relaxed policy stance in countries that had been in a recession the year before and wanted to help their reactivation along by reaching a satisfactory level of liquidity. This situation arose in many countries, including Brazil, where the seven-point increase in the growth rate of real liquidity (M1) was closely related to the economic recovery and to stronger domestic demand (both investment and consumption).

The real annual growth rate for M1, which had slowed, on average, during the 1999 recession, regained some of the ground it had lost. This was entirely attributable to the more rapid expansion of the money supply in the many countries whose economies had grown more slowly in 1999, since in the rest, the real rate of increase in M1 tended to decline (see figure 9).

The possibility of adopting a more flexible stance with respect to the money supply continued to be determined, to a large extent, by external liquidity. In Venezuela, the steep increase in reserves actually made it necessary to take steps to rein in the rapid expansion of liquidity. Mexico was another case in point, as monetary policy had to be tightened in order to prevent the economy from overheating.

In contrast, countries that remained subject to severe external constraints were unable to relax their monetary policy. This was particularly true of Argentina owing to the nature of its exchange-rate regime. In a number of other countries (Bolivia, Peru) whose recoveries were driven by exports while domestic demand remained slack, the larger primary money supply did not translate into a parallel expansion of liquidity because domestic lending either stagnated or actually shrank.

Figure 9
LATIN AMERICA AND THE CARIBBEAN: MONEY SUPPLY (M1)
(Real 12-month rates of variation)^a



Source: ECLAC, on the basis of official figures.

^a Most recent period for which data are available; figures deflated by the consumer price index.

Some of the changes occurring in the external environment (soaring oil prices, a succession of increases in United States interest rates) also hampered macroeconomic policy management and obliged the countries' central banks to adopt more cautious policies than originally planned (Chile, Dominican Republic). The unusually sharp increases seen in the fiscal or quasi-fiscal deficits of several Central American and Caribbean countries had similar effects.

Box 1

ECUADOR: DOLLARIZATION AND MACROECONOMIC PRICES

The macroeconomic sustainability of the dollarization scheme adopted by Ecuador in March will hinge, among other factors, upon its success in stabilizing domestic prices, lowering interest rates and maintaining a competitive real exchange rate. The 272% spike in the exchange rate between December 1998 and January 2000 generated strong inflationary pressure which was reflected in a 293% jump in the producer price index (PPI) during that period. The marked contraction of domestic demand –primarily as a result of the partial freeze on bank deposits introduced in March 1999– helped soften the impact on consumer prices and thus opened up a wide gap between the PPI and the consumer price index (CPI), as the latter rose by only 84%. As was to be expected, the prices of tradables increased the most, while non-tradables lagged behind; trends in administered prices were mixed. The differential between the PPI and the CPI represents a mounting level of repressed inflation. Consequently, although the announcement of the dollarization scheme did boost confidence, as was demonstrated by the immediate stabilization of the exchange rate on the parallel market, it did not rein in price increases. In fact, prices continued to climb by over 2% per month up to the end of 2000, and the CPI is expected to rise by 19% in 2001.

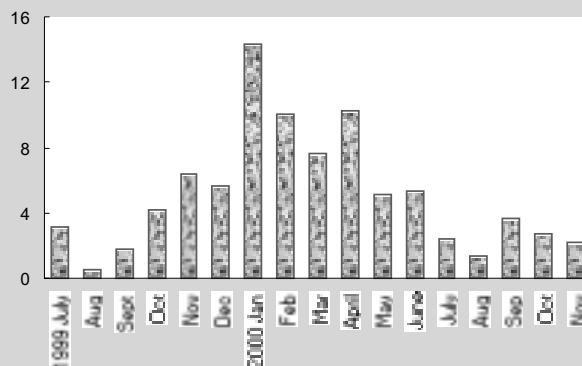
Dollar interest rates edged downward during the year, particularly after an agreement was reached regarding the public sector's external debt. Between January and November 2000 the nominal reference rate declined from 9.1% to 7.2% on

deposits and from 16% to 15.7% on loans. Rates are still fairly high, however, and the spread has widened. These aspects of the situation bear witness to the persistent weakness of the financial system. Meanwhile, although the perceived level of country risk has declined somewhat, it too remains quite high. In a dollarized economy, devaluation can no longer be used as a tool for dealing with external imbalances. The sucre lost almost half of its real value against the currencies of its main trading partners between December 1998 and January 2000; once the exchange rate was fixed, however, rising domestic prices brought about a 39% real appreciation up to November 2000. The expected

inflation rate for 2001 is equivalent to a further appreciation of 16% against the United States dollar. Even if that rate of appreciation does occur, however, it will still not be enough to make up for the preceding depreciation completely, since at the end of November 2000 the real exchange rate (based on the CPI) was still 21% above where it had stood in 1994-1998, a period during which it had been quite stable. In any event, if the Ecuadorian economy is to become more competitive over the long term, the country will have to undergo an institutional consolidation and its businesses will have to embark upon an effort to boost investment, bring about technological changes and launch employee training programmes.

ECUADOR: MONTHLY INFLATION RATE

(Monthly rates of variation)



Source: ECLAC, on the basis of official figures.

Credit supply stagnates despite lower interest rates

Changes in monetary policy caused interest rates to descend in many countries, thereby sustaining a trend that had appeared in the second half of 1999. The median decline for both deposits and loans was slightly less than two percentage points, so the interest-rate spread, which had widened considerably in 1998 and 1999, held steady. Brazil and Colombia were two of the countries where rates fell the most (by 9 and 7 percentage points for deposits, respectively, and a much steeper decrease in lending rates in Brazil). In a number of countries, the authorities helped lower the cost of credit further by reducing the legal reserve requirement (Costa Rica, Peru).

This did not bring about a reactivation of the credit market, however. Two of the reasons for this were the weakening of the public sector's demand for financing (since the fiscal deficit was lower) and the sluggishness of domestic investment by both businesses and households (especially in construction).

Ecuador represents a special case, since dollarization drove nominal interest rates down sharply while inflation remained very high (although it was on the decline), thus pushing real interest rates deep into negative territory. This actually had very little impact, however, given the extremely low level of financial activity in this economy, which has only recently emerged from a severe crisis. Private-sector borrowing contracted by 2%.

Investment and consumption did not respond to the reduction in real rates in other countries either. The slump in private-sector credit can partly be accounted for by gloomy expectations (often due to non-economic factors), but the still fragile state of health of the banking system in many countries of the region was also a factor. As a result, in particular, of the increase in the percentage of non-performing loans after two years of sluggish growth, the banks also adopted an extremely prudent lending policy. The financial sector's cautious approach to lending activity and its flight to quality have also been influenced by tighter bank supervision in almost all the countries of the region.

Renewed efforts to implement economic reforms

As economic activity picked up its pace, privatization programmes began to regain the momentum they had displayed before the crisis. Proceeds from privatizations in the region topped US\$ 15 billion, some US\$ 3 billion more than the year before. The situation differed a great deal from country to country, however, since 80% of that figure corresponded to Brazil alone. European –and particularly Spanish– multinationals again played a preponderant role.

Countries in which the privatization process had remained at a standstill for a number of years now (Ecuador, Paraguay) adopted laws in 2000 that will allow this process to move ahead swiftly in the future. As the stock of privatizable State assets continues to dwindle, increasing use is being made of concessions as a means of meeting the region's hefty infrastructure investment requirements.

In trading activity, the use of protectionist measures subsided somewhat, and the tariff rollbacks called for in subregional agreements moved forward. Mercosur embarked upon a process designed to promote macroeconomic coordination with a view to strengthening regional integration and reducing its member countries' vulnerability to swings in the international market (see box 2). The use of bilateral agreements became more widespread, and Mexico was particularly active in this regard. Another important event during the year was the Meeting of the Presidents of South America, at which the participating States decided to complete negotiations between Mercosur and the Andean Community regarding the creation of a South American free trade area in 2001.

A number of countries continued to work to strengthen their financial systems (Colombia, Ecuador, Mexico), but some nations were still in the grips of financial crises at the end of the year (Nicaragua, Peru). Chile took another step towards the deregulation of its capital market by discontinuing the one-year minimum stay requirement for foreign investment and eliminating the capital gains tax applying to non-residents. Costa Rica and Nicaragua passed laws aimed at modernizing their pension systems and fortifying pension funds' financial position. Argentina and Ecuador, meanwhile, adopted measures designed to streamline their labour markets and cut labour costs.

Box 2

REGIONAL INTEGRATION AND MACROECONOMIC COORDINATION

One of the most striking aspects of the progress made by the region in expanding and diversifying its exports during the 1990s has been the inroads made in the area of intraregional trade. Two of the important features of this type of trade have been its emphasis on non-traditional manufactures and its qualitative effects in terms of growth trends.

The growth of intraregional trade and its increasing specialization are generating a greater degree of interdependence and are heightening the influence that each country has on the other economies of the region. As economies become more fully incorporated into world markets, however, they also become more exposed to external shocks. Recent events in the Mercosur economies in the wake of the 1997-1998 international crisis illustrate this fact. In order to cope with this situation, the countries need to coordinate their macroeconomic policy responses to such fluctuations. During 2000 Mercosur made a number of important strides towards the establishment of an effective policy coordination

system. This new stage in the development of this integration scheme began with the ministerial declaration issued in Buenos Aires on 29 April 2000, in which Mercosur authorities stated in no uncertain terms that macroeconomic coordination and convergence are crucial to the association's future. They also acknowledged the need to make certain that their various exchange-rate regimes were compatible so that they could achieve a genuine form of macroeconomic coordination and convergence and thus ensure fiscal sustainability and price stability.

The ministerial declaration also called for the creation of a macroeconomic oversight group as an informal task force formed by experts from the four Mercosur member States and its associates (Bolivia and Chile). This group has begun working on the harmonization of statistical indicators and recently prepared a coordination proposal based on a set of upper-limit parameters which was approved by the various countries' authorities when they met in Florianopolis, Brazil, from 13 to 15 December.

These targets will enter into effect in 2001 and cover the years up to 2010. The agreed ceiling rate for inflation is 5% per annum between 2002 and 2005; starting in 2006, the countries will define a common core inflation rate of not more than 4%. They have also agreed to try to reduce the public debt to an indicative maximum of 40% of GDP by 2010. With a view to this objective, triennial transitional goals have been established and a ceiling has been set for the consolidated public-sector deficit equivalent to 3% of GDP in 2002, although Brazil is authorized to reach 3.5% in 2002 and 2003.

The recent economic turbulence has taught the countries how important it is to coordinate their macroeconomic policies on both the domestic front -by adopting a broader perspective in terms of fiscal and monetary policy^a- and at the regional level -by fostering dialogue and cooperation among national authorities- so that they can work together to devise the most effective response to external shocks, thereby reinforcing the credibility of their macroeconomic policy frameworks.

^a See chapter 8, "A more stable macroeconomy" in ECLAC, Equity, Development and Citizenship (LC/G.2071), Santiago, Chile, 6 March 2000.

4. Domestic economic performance

Overall, the region turned in a generally favourable economic performance in 2000, after having done quite poorly the year before. In most of the countries, inflation remained at the low levels achieved in the past few years. Job creation was up slightly, but not enough to reduce unemployment. The outlook for 2001 is for slightly slower growth rates than in 2000.

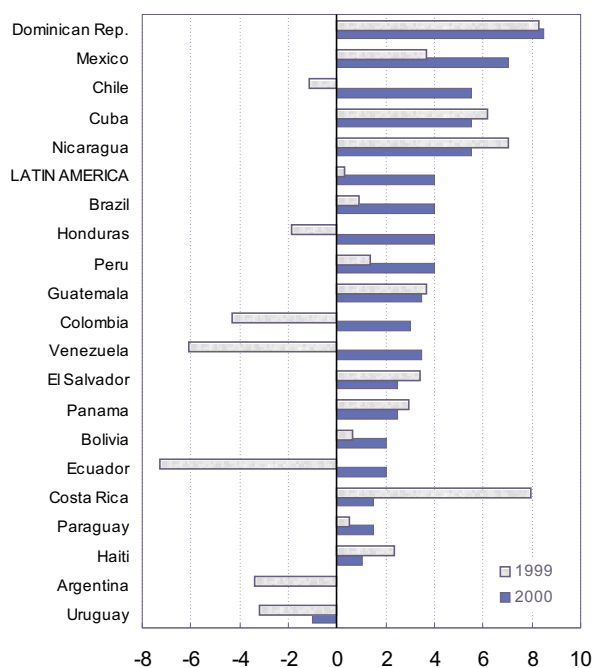
A moderate upswing in regional GDP

In 2000, economic activity is estimated to have risen by 4% in Latin America and the Caribbean, allowing the region to close out the decade with an average annual growth rate of 3.2%. The reactivation seen in 2000 stood in contrast to the region's near zero growth in 1999 and its lackluster rate of expansion in 1998, although the year's results were lower than the 1997 figure, which was one of the region's best showings in the last 25 years. Per capita GDP climbed by an estimated 2.4% in 2000, yielding a cumulative increase of nearly 17% for the 1990s (see figure 10).

The region's growth in 2000 was driven by exports, but consumption and investment also made positive contributions. A portion of the increase in total demand was deflected into the external sector, however, as attested to by the expansion of imports. The adverse economic conditions experienced by the region since late 1997 have not faded away entirely, however, since external financing remains tight for most of the countries. The oil-exporting countries were aided by the steep rise in the prices of hydrocarbons on the international market; this gave a further boost to Mexico's already buoyant economy and, even more importantly, counteracted the recessionary factors that have lately been weighing heavily on the Colombian, Ecuadorian and Venezuelan economies. In contrast, the non-oil-exporting countries witnessed a deterioration in their terms of trade which hampered their recovery.

Because of the size of their economies, Mexico's vigorous growth and Brazil's more moderate expansion accounted for a large part of the region's overall reactivation, as the other countries, taken as a group, grew by only 2.2%. There were fewer differences than

Figure 10
LATIN AMERICA AND THE CARIBBEAN: GROSS
DOMESTIC PRODUCT
(Annual growth rates)



Source: Statistical Appendix.

the year before between the trends seen in the countries in the northern and southern halves of the region, although the two fastest-growing economies were still in the northern portion. The Dominican Republic had the highest growth rate (8.5%) of all and thus remained on the upward path it has followed throughout the 1990s. Mexico also surged ahead (7%), thereby consolidating the growth rate it has exhibited since 1996 thanks to its exports to the North American market. Nicaragua also did very well, and Honduras bounced back from the sharp reduction in its level of economic activity seen in

the wake of Hurricane Mitch. The other Central American and Caribbean countries posted more moderate gains.

In the South American countries the level of economic activity rebounded from its slump of nearly 1% in 1999 to post a 3% increase in 2000. Brazil experienced a 4% upswing, with one of the outstanding developments in this regard being the reactivation of the manufacturing sector, which had lost ground during the preceding two years. In Colombia, Ecuador and Venezuela, GDP recovered from its 1999 downturn but failed to do much more than that, whereas Chile's turnaround was particularly significant. The Argentine economy stalled as a further decrease in investment largely cancelled out the small increases seen in consumption and export volumes, while economic activity in Uruguay flagged under the influence of adverse external conditions.

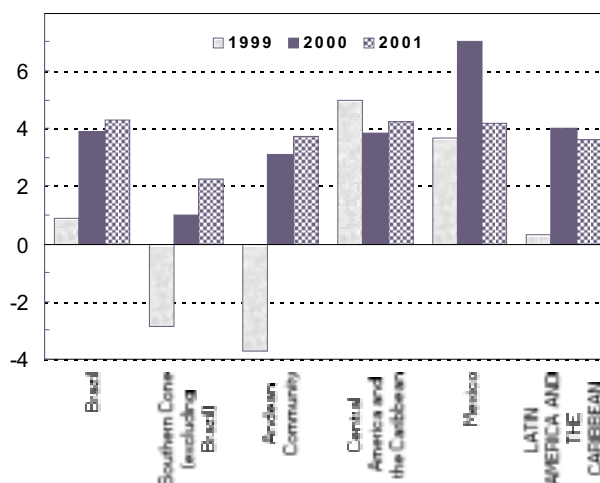
Moderate growth expected in 2001

The Latin American economies are expected to continue their recovery in 2001, although at a somewhat slower pace (3.8%), since, owing to the cooling of the United States economy, the outlook for the international economy is not as bright as it was in 2000. This is likely to have a particularly strong impact on Mexico, but that country's growth rate will still be above the regional average. In South America, Brazil will probably maintain its current export-led growth rate. Colombia, Ecuador, Venezuela and Uruguay ought to improve their economic performance, but the prospects for an increase in the level of economic activity in Argentina and Peru are less promising. GDP growth in the Central American and Caribbean countries is expected to be similar to the rate recorded in 2000 (see figure 11).

Small increases in saving and investment

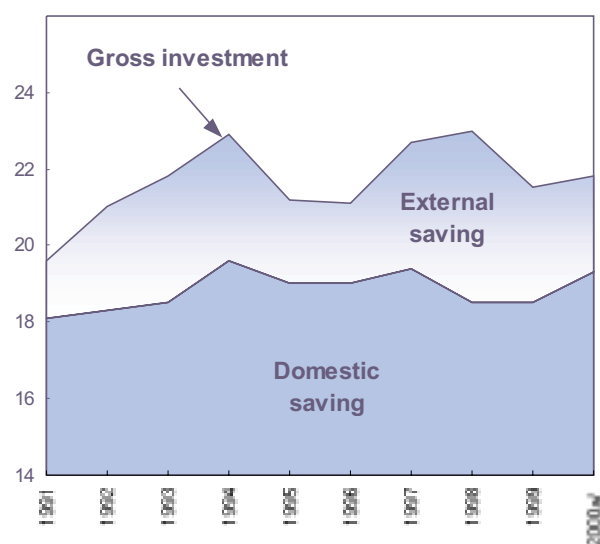
Investment picked up in 2000 after having fallen sharply in 1999. An average growth rate of 4.2% was posted for gross fixed investment (see table A-3 in the appendix), while the mean rate for total investment (gross fixed investment plus changes in stocks) amounted to 5.5%, thus approximating the average growth rate of 5% registered for the 1990s as a whole. Nevertheless, at 21.8% of GDP, the total stock of investment in 2000 was far lower than it had been in 1998 (23.9%). Domestic saving climbed but external saving dipped to 2.5% of regional GDP (see figure 12).

Figure 11
LATIN AMERICA AND THE CARIBBEAN: GDP
PROJECTIONS FOR 2001
(Percentages)



Source: ECLAC, Statistics and Economic Projections Division.

Figure 12
LATIN AMERICA AND THE CARIBBEAN: SAVING/
INVESTMENT RATIO
(Percentages of GDP, in current dollars)



Source: ECLAC, on the basis of official figures.

^a Most recent period for which data are available.

The aggregate figures for investment mask the differences to be observed in the performance of the domestic and external sectors of the individual countries, however. The countries of the region can be grouped into three categories:

Rapid growth in total investment (above the regional average): Colombia, the Dominican Republic, Honduras and Mexico. This group of countries had economic growth rates that averaged over 6% in 2000, and the continuation of their expansion appears to have required an increase in investment.

Moderate investment growth (between 0 and the regional average): Bolivia, Brazil, Chile, Ecuador, El Salvador, Haiti, Peru and Venezuela. This group had flat or low economic growth rates last year and could therefore fuel its growth by making use of idle capacity.

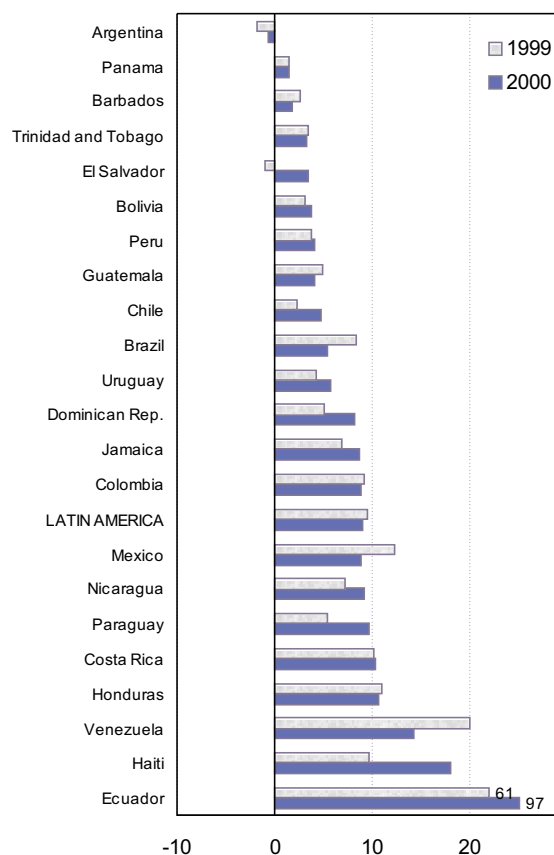
Negative investment growth: Argentina, Costa Rica, Guatemala, Nicaragua, Panama, Paraguay and Uruguay. This category is composed of two subgroups: South American countries whose economic performance has been constrained, and Central American countries whose economies have performed normally. The latter's low levels of investment are associated with specific circumstances, such as the very high levels of investment required in preceding years due to natural disasters (as in the case of Guatemala) and lower FDI (e.g., Costa Rica).

Inflation remains low

In 2000, the region's average rate of inflation is estimated at around 9%, which is slightly lower than it had been during the three preceding years. What is more, 17 of the 22 countries concerned had single-digit inflation, and in most of them the rate either declined or remained low. The only country in which inflation was sharply higher was Ecuador, where surging inflation early in the year drove up the rate from 60% in 1999 to 97% for 2000 as a whole. A number of other countries (Bolivia, Chile, El Salvador, Paraguay and Uruguay) recorded slight increases in their low rates of inflation, mainly as a result of the spike in oil prices (see figure 13). The exchange-rate adjustments made in various countries of the region in the last two years did not have any major impact on inflation despite the reactivation of production in the year 2000.

Argentina, which was once again the top performer, boasted another decline in consumer prices, and Barbados and Panama followed with their customary low rates of between 1% and 2%. Another six countries (Bolivia, Chile, El Salvador, Guatemala, Peru, and Trinidad and Tobago) also posted rates below 5%.

Figure 13
LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES
(Twelve-month variation)^a



Source: Statistical Appendix.

^a Most recent period for which data are available.

Although inflation rose in 2000 in almost all of these countries, they are clearly consolidating their stabilization processes, which have made considerable headway in recent years.

A number of countries achieved striking improvements in this area. Uruguay, which until very recently had experienced high inflation, registered a rate of under 4% in 1999, and the slight increase seen in 2000 did nothing to jeopardize the inroads made by its stabilization process. Colombia's inflation rate in 2000 (8.8%) was the lowest in 30 years. Mexico also made progress, as it recorded single-digit inflation for the first time in five years. Brazil had a low rate of price increases in 2000 despite a sizeable devaluation in 1999 and the

subsequent reactivation of its economy. Venezuela cut its rate of inflation from 20% to 14%, although the latter figure was still high by the region's current standards.

The situation in Ecuador was quite complex. The severe economic and financial crisis being experienced by this country caused inflation to surge in the first quarter of the year, but since that time the decision to dollarize has brought about a marked slowdown in the monthly inflation rate (see box 1).

The upswing in growth fails to boost the labour market

The region's economic recovery did not bring about any major improvement in the labour market. The employment rate climbed slightly (from 52.7% to 53.0%) in a group of 10 countries, but even so was at its second-lowest level of the last 10 years (the preceding year's rate was the lowest of all). What is more, since the reactivation was coupled with an increase in the labour supply, unemployment hardly budged at all but instead held at an estimated 8.6% for the year as a whole, as

compared to 8.7% in 1999, both of which are historically high levels. The failure of economic growth to have much of an impact on unemployment in 2000 is not a new phenomenon, however, as is explained in box 3.

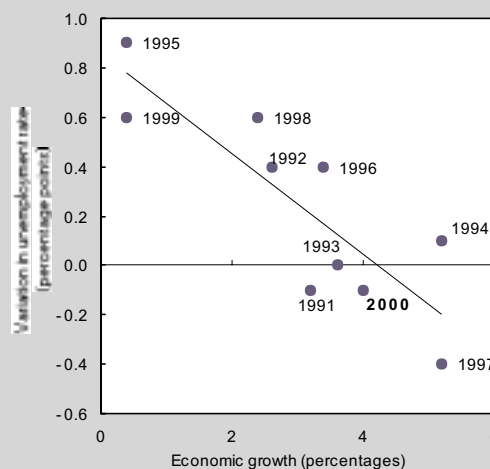
In keeping with the region's sluggish rate of job creation, real average wages showed no significant improvement in most of the countries, although in some cases wage levels were buoyed by reductions in inflation and productivity gains. As a result, the median wage level in 10 countries for which information on real formal-sector wages is available climbed by 1.5%.

The region's listless performance in terms of employment and wages was the net result of widely varying trends in the different economies. The countries can be divided into three groups based on this criterion. The first is composed of countries where fairly high growth rates had a very favourable effect on labour indicators. In Mexico, employment held to the upward trend that had taken shape when it recovered from the 1994-1995 crisis. As a result, open unemployment continued to descend despite an increase in the labour supply. Much of this improvement was attributable to an increase in wage labour as a proportion of total

Box 3
ECONOMIC GROWTH AND UNEMPLOYMENT IN THE 1990s

The relationship between economic growth and unemployment is a key issue in terms of the population's well-being. Since an expanding economy usually creates more new jobs, economic growth generally has a positive impact on unemployment levels. In the case of Latin America and the Caribbean, this relationship was clear to see during the 1990s; slow-growth years triggered sharp increases in unemployment, while years of rapid economic growth saw a reduction in unemployment (see figure). Although the expansion of economic activity has had a positive influence on unemployment during the

1990s, the growth rate has to be fairly high (around 4%, i.e., the point where the trend line in the figure crosses the horizontal axis) before unemployment begins to drop, and this has become a cause for concern. Lower growth rates still had a favourable effect, but only in the sense that they checked the ascent of unemployment levels (by 0.2 points for each percentage point of growth). Hence, the very slight drop in unemployment seen in 2000—a year for which the average economic growth rate was 4%—was in line with the trend observed during the decade as a whole.



Source: ECLAC, on the basis of official figures.

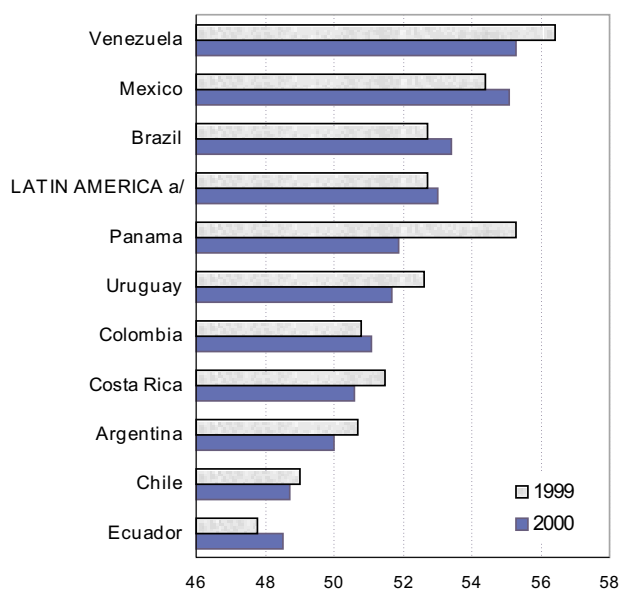
employment, especially in medium-sized and large firms. Stronger labour demand and declining inflation were reflected in a 6% increase in real formal-sector wages (the largest gain since the crisis), but the real minimum wage showed no change. Real average wages are still 15% below their 1994 level, however.

Brazil witnessed its first increase in employment since 1995. As the participation rate also climbed, however, its impact on unemployment levels was limited. The sizeable upturn in employment (4.3% between August 1999 and August 2000) in the country's six major metropolitan areas was concentrated in occupations that are not covered by social or labour laws. Formal wage-based employment also rose, with employment in the formal manufacturing sector climbing by 4.7% between December 1999 and September 2000 after having plunged by nearly 25% between 1990 and 1999. Real average wages dipped slightly for the year as a whole (although less than the year before), but the real minimum wage was boosted by an 11% nominal increase beginning in April.

The Nicaraguan economy expanded rapidly, although less so than the year before, and this helped to lower unemployment and raise wages. In the Dominican Republic, the high rate of GDP growth—stemming in part from the dynamism of labour-intensive activities such as manufacturing, tourism and construction—drove up the employment rate sharply but failed to make a sizeable reduction in unemployment because the country's economic buoyancy encouraged more people to enter the labour market (see figures 14.a and 14.b).

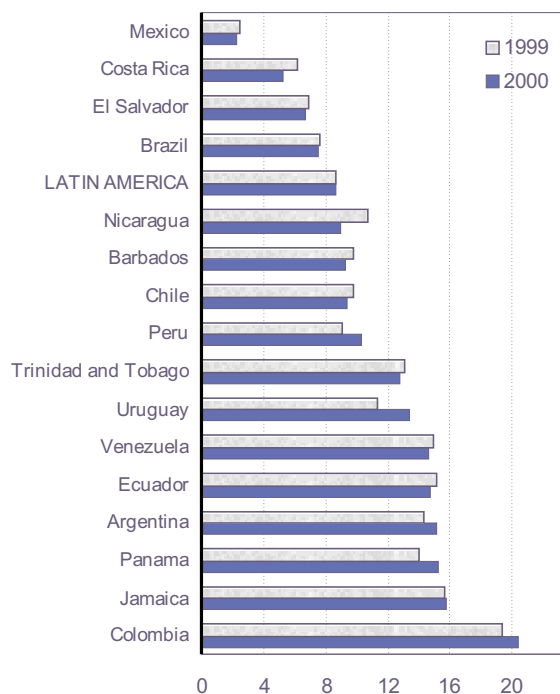
The second group of countries turned in a better macroeconomic performance than they had in 1999 but did not see any marked improvement in employment or unemployment levels. Labour demand remained weak in these countries owing to a combination of factors: the concentration of economic growth in non-labour-intensive activities, the weakness of sectors that usually provide a large number of jobs (such as construction and small business), the lag in hiring typically seen at the end of an economic crisis and the reaction of many firms to

Figure 14a
LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT RATES
(Employed persons as a percentage of the working-age population)



Source: ECLAC, on the basis of official figures.

Figure 14b
LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT RATES
(Annual average rate)



Source: Statistical Appendix.

adverse competitive conditions, which included special efforts to boost productivity by means of staff cuts.

Consequently, employment levels declined in a number of countries, including Chile and Venezuela, despite their achievement of clearly higher rates of economic growth than in 1999. In both of the above countries annual average unemployment levels were down slightly, however, as members of the economically active population withdrew from the labour market, thereby lowering the participation rate.

In contrast, employment levels in Colombia edged upward, although here again the demand for labour was slack and new jobs were concentrated in the informal sector. In addition, since the labour supply also expanded, no improvement was seen in the unemployment rate. Few statistics are available for Peru, but what data there are suggest that urban job creation was lethargic despite an upswing in growth. This, in turn, had an impact on both unemployment levels and real wages. Ecuador also belongs to this group, since although employment and unemployment levels

improved slightly, its economy's moderate recovery was not forceful enough to boost labour demand, and new jobs were therefore concentrated in the informal sector, while real wages slipped once again.

The third group is made up of countries where slack economic growth was reflected in lower employment and higher unemployment along with flat wages. The countries in this group are Argentina and Uruguay, together with Bolivia and Paraguay (countries that as yet have little information on labour trends in 2000), and Costa Rica. In Argentina, as of the third quarter formal-sector employment had declined –especially in construction, commerce, agriculture and some areas of the manufacturing sector– but had risen somewhat in the financial sector and the real estate industry. In Costa Rica, the sharp slowdown in economic growth translated into lower employment levels and, specifically, into the stagnation of formal employment. As a result, the contraction in open unemployment was entirely attributable to a lower labour-force participation rate.

SOUTH AMERICA

Argentina

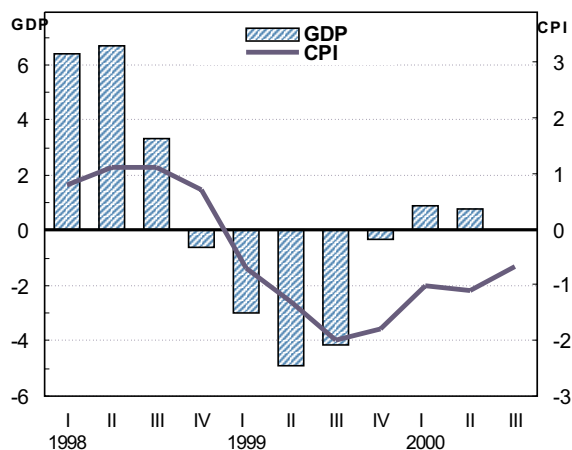
The year 2000 saw the Argentine economy still beleaguered by the crisis that overtook it in mid-1998, as the terms and conditions of external financing remained adverse and the authorities continued to encounter difficulties in reducing the fiscal deficit. GDP stagnated after the slump of the preceding year, while fixed investment decreased again. The consumer price index slipped further against a backdrop of slack demand, and unemployment rose above 15%. Average export prices were driven up by higher oil prices while aggregate export volumes increased slightly, and the year consequently closed with a merchandise trade surplus of US\$ 1.8 billion, f.o.b. The current account deficit narrowed in spite of increased payments for financial services.

Although economic policy-makers addressed a variety of issues, such as the tax regime for investments in physical capital, labour market regulations, public utility regulation and regional integration, their main focus was on public finances. The authorities implemented several measures to increase income and reduce expenditure, and the government thus appears to have achieved an increase (albeit smaller than hoped) in the primary surplus during the year. The financial deficit, on the other hand, widened further. External credit performed erratically, as it was fairly fluid at the start of the year, but contracted sharply later. Against the background of a complex political situation, demand for Argentine instruments fell back drastically in October

and November, generating severe tension on asset markets. In response to these circumstances, the government negotiated a substantial credit package, mainly with multilateral agencies, and announced measures designed to achieve fiscal solvency in the medium term, although this was not enough to avoid an upward revision of the projected deficit figure for the coming year.

The Administration that took office in December 1999 confirmed that the existing monetary regime would remain in place, but expressed concern about existing fiscal trends. New tax measures were announced, including changes in the profits tax and a temporary levy on high-income brackets. The tax base for the VAT was

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



Source: ECLAC, on the basis of official figures.

also enlarged, the sales tax was raised for several products and the cuts that had been programmed in social security contributions were cancelled. The government also negotiated resource-transfer mechanisms with the nation's provinces as part of a revenue-sharing scheme. An agreement was concluded with the International Monetary Fund (IMF) in January which envisaged a deficit of 1.7% of GDP (2.7% if the projections for the provincial deficits are taken into account).

The tax measures that were adopted were directed at reducing Argentina's country-risk premiums and improving private-sector credit terms. Interest rates were reduced initially, but economic activity did not pick up and tax revenues were consequently lower than expected. The deficit targets for the first quarter were met, but the April figures gave cause for concern and the prices of securities plunged. The government took measures to cut spending, including wage cuts for senior posts within the Administration, and created easy-payment terms for tax debts.

Although the tension in financial markets eased, rates of return continued to be higher than in previous months. From a fiscal perspective, the first-semester financial deficit was in line with the target figure, thanks to the nominal reduction of primary expenditure. The increase in tax receipts was attributable to their performance in the second quarter, when the effect of the moratorium began to be felt. Revenues from social

security and foreign trade taxes were lower than they had been in the same period of 1999, while a slight upturn was recorded in VAT receipts. Receipts from excise taxes and from taxes on income and net worth were all higher.

The long period of slack activity, the feebleness of signs of a recovery and, probably, the perception that economic policy was focussed on adjustment measures created a pessimistic climate marked by precautionary behaviour and a contraction in private spending. In October, the government announced measures to boost investment, such as a reduction in the tax on interest payments, changes in the fiscal treatment of amortizations and VAT rebates. At the same time, the Administration extended fuel-production concessions and stepped up the negotiation of investment contracts for roads and railways.

These announcements came at a time of political turbulence which was marked by the resignation of the Vice President and tensions within the governing coalition. Analysts and financial agents also expressed doubts about the public sector's possibilities of gaining access to credit. The lack of confidence was reflected in the demand for bonds, whose yields soared to levels typical of situations of extreme tension. The government negotiated a standby credit package in an effort to instil some calm amid the financial turmoil. The associated policy programme calls for a commitment on the part of the provinces to freeze nominal levels of primary expenditure and for social security reforms. The authorities intend to use the resources from the IMF agreement to change the legislation on fiscal solvency. This would entail a higher public deficit in the short term, but the deficit would then be phased out altogether over a five-year period with the help of further spending cuts.

The immediate aims of these measures were to restore liquidity, and at first the demand for instruments did show some recovery. With conditions remaining uncertain and exceedingly short decision-making horizons, however, the need remained for a growth outlook that would serve as a foundation for spending and financing decisions feasible and alleviate pressure on public finances in a sustainable manner.

Output showed some signs of an upswing at the end of 1999, as fiscal policy was relaxed and the credit supply become relatively fluid, but the seasonally adjusted GDP declined in the first semester of 2000. An analysis by sector shows that construction and agricultural activity slackened, despite a larger grain harvest. Mining output rose and industrial activity increased slightly. Output of various intermediate goods and the manufacture of motor vehicles improved upon their previously very low

ARGENTINA: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	3.9	-3.4	0.0
Consumer prices	0.7	-1.8	-0.7
Real wages	-0.3	0.3	1.5
Money (M1)	0.9	-2.1	-1.9
Real effective exchange rate ^b	-3.0	-7.4	0.9
Terms of trade	-4.6	-5.2	6.4
<i>Percentages</i>			
Urban unemployment rate	12.9	14.3	15.1
Fiscal balance/GDP	-1.4	-1.7	-2.0
Real deposit rate	6.6	9.4	8.9
Real lending rate	9.6	12.4	11.7
<i>Millions of dollars</i>			
Exports of goods and services	31 093	27 757	31 100
Imports of goods and services	38 493	32 557	33 700
Current account	-14 698	-12 155	-10 400
Capital and financial account	18 790	13 355	8 400
Overall balance	4 092	1 200	-2 000

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

levels. In contrast, the production of inputs for construction and household articles decreased. Services posted a modest gain, however. In general, economic activity exhibited a weak expansion until well into the second semester, and aggregate output for the year is therefore thought to be similar to the 1999 figure.

The falling rate of employment pushed the annual average rate of unemployment up to 15.1%, which was the highest figure for three years, while wages in the manufacturing sector held steady in real terms.

Consumer prices decreased by 0.7% over the first 11 months of the year. The fall was steeper in services, which are traditionally supplied by the private sector, while goods prices varied only slightly. Tax shifts and

rise in oil prices affected fuel prices, and electricity rates also rose.

Domestic inflation was once again lower than international inflation, and the real exchange rate for imports thus continued its gradual climb against the dollar. The appreciation of the dollar against other currencies eroded Argentina's competitiveness in several markets.

The current account deficit decreased again, but is nevertheless set to be above 3.5% of GDP for the year as a whole. Net factor payments rose to some US\$ 8.3 billion, which is 85% more than five years earlier and the equivalent of over 30% of the value of merchandise exports. Net capital income fell to about US\$ 8.4 billion and this, together with weaker demand for base money, brought about a fall in reserves.

Merchandise export values regained much of the ground they had lost in 1999, thanks to a considerable increase in export prices. If fuels are excluded from the calculations, however, then average export prices in the first semester were much the same as they had been in the same period of the preceding year.

Analysis of the data for the first eight months of the year reveals an increase in the value of fuel exports, despite a decrease in volume. Non-agricultural manufacturing sales were also higher, but the rise -although close to 15%- was too patchy to fully compensate for the fall in 1999. Positive trends in cereals and oilseeds were partly responsible for a slight increase in the value of commodity exports. Exports of agriculturally-based manufactures decreased, with steep declines being recorded for fats and oils due to weaker external demand. In contrast, sales of meat and food by-products increased.

Overall, imports recorded a slight upswing in the first eight months, although capital goods were lower while consumer and intermediate goods rose strongly.

Exports to other Mercosur countries increased as a percentage of overall exports, but still came in well below the pre-1999 figures. The interruption of the expansionary trend in intraregional exports prompted tense and lengthy negotiations on trade in such products as motor vehicles, while at the macroeconomic level the relevant governments agreed to establish guidelines for fiscal and price indicators.

Bolivia

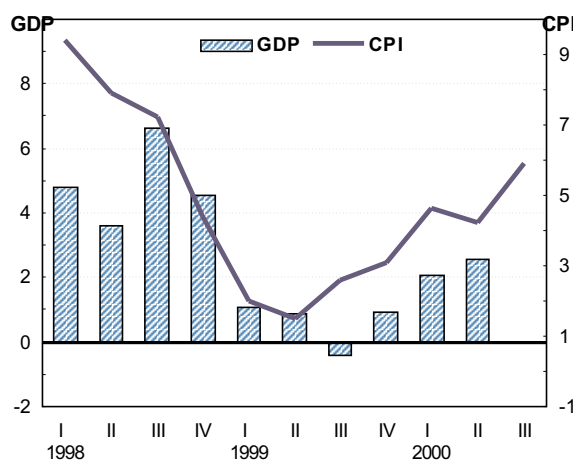
Thanks to a buoyant export sector, particularly in the case of sales of natural gas to Brazil, the Bolivian economy grew by 2% in 2000, up from 0.6% in 1999. This was still far short of the target rate of 4.0%-4.5%, however, due to weak domestic demand and protests by rural workers during the last four months of the year that brought the country to a virtual standstill. The annualized rate of inflation was close to 4% as of November. Estimates indicate that the fiscal deficit will remain at around 4% of GDP. Foreign direct investment (FDI) fell, as the bulk of the privatization programme was completed, as was the construction of the gas pipeline to Brazil.

In April, the government launched an Economic Reactivation Programme aimed at improving companies' access to bank financing, speeding up infrastructure works and implementing emergency employment plans. The response from the private sector, however, was weak, and Congress' delay in approving the necessary legislation thwarted some of these initiatives.

Monetary policy continued to be tight. A comparison of monetary aggregates between September 1999 and September 2000 reveals an increase of barely 3% in M1-M4. The monetary base expanded by 8% and money creation increased by 3% over the same period. During the first nine months of 2000, however, most of the main monetary aggregates followed a more contractionary trend, and the monetary base shrank by 15%. Local-currency M1- M4 posted falls of around 10%, whereas foreign-currency monetary aggregates turned in modest increases. This tight monetary environment was associated with a weak demand for money, which was attributable to poor expectations on the part of agents and to the forced eradication of coca plantations and the implementation of the Customs Act, both of which siphoned off liquidity from the informal sector. Local- and foreign-currency interest rates remained stable, and international reserves decreased from US\$ 1.1 billion at the beginning of the year to under US\$ 1 billion at the end of September.

As in 1999, the government was obliged to negotiate an increase in the fiscal deficit from 3.7% to 4% of GDP with the International Monetary Fund (IMF) in order to finance the Economic Reactivation Programme and deal with the social conflicts that broke out in the latter part of the year. Most of the deficit –3.7% of GDP– derived from the cost of reforming the pension system.

BOLIVIA: GROSS DOMESTIC PRODUCT AND INFLATION
(Percentage variation)



Source: ECLAC, on the basis of official figures.

BOLIVIA: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	5.5	0.6	2.0
Consumer prices	4.4	3.1	3.8
Real wages	3.9	6.3	...
Money (M1)	10.0	-3.7	3.1
Real effective exchange rate ^b	-2.6	-0.2	2.9
Terms of trade	-4.9	-0.1	2.0
<i>Percentages</i>			
Urban unemployment rate	4.1	6.1	...
Fiscal balance/GDP	-4.0	-3.9	-4.0
Real deposit rate	4.8	9.9	6.0
Real lending rate	30.7	32.5	30.1
<i>Millions of dollars</i>			
Exports of goods and services	1 355	1 310	1 445
Imports of goods and services	2 200	1 989	2 095
Current account	-677	-557	-600
Capital and financial account	778	515	365
Overall balance	-101	-42	-235

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

The central bank continued to use the sliding parity exchange-rate regime, under which the rate of devaluation is determined by macroeconomic variables. The monthly rate of devaluation of approximately 0.5%, which was established in March 1999, was maintained in 2000. By the end of November, the cumulative nominal depreciation thus stood at nearly 6%, which translated into a small devaluation in the real exchange rate with the country's major trading partners.

Early in the year Bolivia was declared eligible for a new external debt reduction initiative. The country was granted, in principle, an additional US\$ 854 million in debt relief in net present-value terms, which is equivalent to a nominal value of US\$ 1.3 billion. Around two thirds of this sum will come from multilateral creditors (Inter-American Development Bank, World Bank, International Monetary Fund and the Andean Development Corporation) and the rest from bilateral creditors. The allocation of these relief funds was analysed by representatives of civil society through the mechanism known as "National Dialogue 2000".

Primary-sector activities and communications were the best performers, while construction slumped, particularly in the private sector. The agricultural sector benefited from increases in the wheat and soybean harvests. Substantial increases in the prices and sales volumes of the country's main export minerals –zinc, gold and tin– backed up the recovery of this sector, which had been hurt particularly badly by the international crisis in 1999. The hydrocarbons sector saw considerable improvements as several large investment projects matured, with a 22% increase in natural gas production being registered thanks to increased exports to Brazil.

Cumulative inflation amounted to 3.2% from January to November and to just under 4% for the last 12 months, with sharp increases in September and October (1.8% and 1.3%, respectively) that were associated with the outbreak of social conflicts. In November, however, there was a major drop in the rate of inflation (-2.5%). The rise in international oil prices and the increase in excise taxes early in the year also had an impact on the overall upward trend of inflation.

The little information that is available on the labour market indicates that the rate of unemployment worsened again, after having already risen from 4.1% in 1998 to 6.1% in 1999.

The current account deficit is estimated to have ended the year at around 7% of GDP, which is similar to the 1999 figure. Goods exports increased by 15%, which was double the rate of imports (7%). There was also a major increase in factor payments, which was associated with the privatization (capitalization) of State enterprises in earlier years. Current transfers remained at a level similar to those of recent years.

Imports of consumer goods, raw materials and intermediate products grew particularly strongly. Purchases of capital goods, in contrast, declined, largely owing to the drop in FDI.

The increase in exports was led by sales of natural gas to Brazil, followed by soybeans and soy products. Minerals and manufactures also performed well.

The balance on the capital account fell considerably, with a drop of US\$ 165 million recorded in international reserves for the first time in several years.

At the end of September the country's outstanding medium- and long-term external debt stood at US\$ 4.426 billion, which was 3% lower than the figure as of 31 December 1999. The reduction was attributable to exchange-rate variations and debt write-offs arranged for within the framework of the first external debt reduction initiative. Japan's forgiveness of Bolivia's bilateral debt with that country had a particularly important impact.

Brazil

After two years of recession, escalating inflation, steep devaluation, a decline in reserves and a high fiscal deficit, the Brazilian economy recorded 4% growth in 2000, the current account deficit narrowed to 4.1% of GDP (from 4.5% in 1999) and prices rose by just 5.5%. Foreign direct investment (FDI) increased further and thus was sufficient to cover the bulk of the current account deficit and net expenditure under other items of the capital account. As a result, the fiscal deficit declined to less than 5% of GDP (down from almost 10% in 1999).

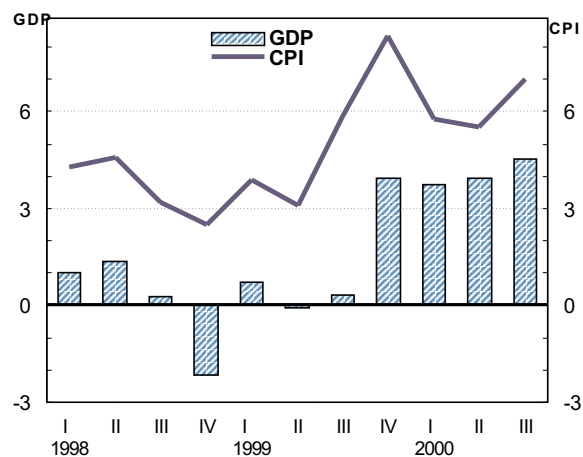
Monetary policy was based on the use of inflation targets, which were set at 6% for 2000 and 4% for 2001. The central bank lowered the annual benchmark rate from 19% at the end of 1999 to 16.5% in the following July, or by just over 10% in real terms. This rate was then maintained until nearly the end of the year, however, owing to the level of external uncertainty, and it was not until December that it was finally lowered to 15.75%. In addition, the central bank reduced legal reserve requirements, triggering a 25% expansion in the money supply. This increased liquidity and the lower cost of money contributed to an increase in credit to the private sector.

Federal government revenues were down by 2.6% in real terms. Factors underlying this decrease included a sharp drop from the very high levels of non-recurrent revenues recorded the previous year, which had included the proceeds from the tendering of concessions, and the disappearance of what had been a surplus on the oil account, since the rise in crude oil prices was not passed on in full to consumers. In order to rectify this situation, the government raised fuel prices in July. Receipts from most regular taxes were higher thanks to the economic upturn, the increase in tax rates and improved tax administration. Total expenditure was down more sharply than revenue as a result of a decrease in public debt service payments from 9.9% of GDP in 1999 to 4.7% in 2000 in nominal terms. Other outlays, however, remained essentially stable. Thus, the federal

government deficit contracted from 6.9% of GDP to just 2.2% of GDP.

State and municipal governments, along with State-owned enterprises, posted more favourable results. The increase in state and municipal revenues was a reflection of the more dynamic pace of activity. In

BRAZIL: GROSS DOMESTIC PRODUCT AND INFLATION
(Percentage variation)



Source: ECLAC, on the basis of official figures.

BRAZIL: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	0.2	0.9	4.0
Consumer prices	2.5	8.4	5.5
Real wages	0.0	-4.4	-1.3
Money (M1)	7.1	22.7	22.8
Real effective exchange rate ^b	5.2	50.6	-7.4
Terms of trade	-2.1	-9.7	-7.4
<i>Percentages</i>			
Urban unemployment rate	7.6	7.6	7.5
Fiscal balance/GDP	-8.0	-9.5	-4.6
Real deposit rate	24.1	19.8	10.7
Real lending rate	88.5	75.2	36.6
<i>Millions of dollars</i>			
Exports of goods and services	59 570	55 813	64 200
Imports of goods and services	75 835	63 472	71 200
Current account	-33 616	-24 996	-24 500
Capital and financial account	17 314	8 230	21 300
Overall balance	-16 302	-16 766	-3 200

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

addition, agreements were reached with the federal government which require subnational governments to pay interest on their debts and reduce their level of indebtedness. Petrobras was one of the State-owned enterprises reporting the largest increase in earnings.

At the start of the year, the Fiscal Responsibility Act entered into force. This act limits the scope of action open to public administrators in creating new items of expenditure and calls for the establishment of annual and pluriannual fiscal targets for each level of government's performance and level of indebtedness.

Structural adjustment of the financial system proceeded with the transfer of ownership of two major state banks. The sale of these banks and of a number of state electricity distribution companies demonstrated the authorities' desire to proceed with the privatization programme. Meanwhile, further efforts were made to amend the relevant legislation in order to allow the sale of federal power generators and sanitation facilities.

The currency float did not give rise to any major fluctuations in the exchange rate, thanks to strong inflows of FDI, and the exchange rate actually

strengthened in real terms against a basket of currencies. However, the persistence of a high external deficit leaves Brazil vulnerable to shocks on international financial markets, which, under the new foreign-exchange regime, take the form of sharp fluctuations. In the last few months of the year, the exchange rate, which had stabilized at around 1.85 reals to the dollar, increased to almost 2 reals as a result of the worsening situation in Argentina, the upsurge of oil prices, expectations of interest rate hikes on the international market, increased volatility on United States stock exchanges and the persistent trade deficit.

The inflation target agreed upon with the International Monetary Fund (IMF) for the year 2000 was met, since the annualized variation in the consumer price index (CPI) was on the order of 6%, but it was doubtful that this performance could be repeated in July and August, when the monthly rise averaged 1.5%. This was due to the adverse effect of poor weather conditions on the prices of agricultural products, higher utility rates and the steep rise in fuel prices, which amounted to an increase of 20% in July and August.

The financial market reacted with unease to the government's conclusion that this was a temporary phenomenon and its decision to continue to lower interest rates; however, these fears were allayed when the CPI posted a low figure in September within a context of reasonable rates of growth and devaluation.

The reactivation was driven by the strength of the export sector and especially by the sustained decline in interest rates and the expansion in consumer credit. Manufacturing made a robust recovery (6%), with the most dynamic performances coming from consumer durables (17%) and capital goods (10%). Unfavourable weather conditions hurt agricultural output, which increased by only 2.5%, while construction picked up (3.5%) after its decline of the previous year. With the stagnation of government activities as a result of the steps taken to curtail expenditure, services expanded only moderately.

The brisker pace of activity was a contributing factor in the creation of almost one million jobs, which was reflected in a marked decline in unemployment starting in June that brought the rate down to less than 7% by September. Many job-seekers then began to re-enter the market, however, and the resulting expansion of the labour force slowed the decline in unemployment. Nonetheless, a sharp increase in formal-sector hiring was observed. Real wages fell in the first semester but rose moderately later on.

There is no guarantee that this growth trend will prove to be sustainable, in view of the economy's high

degree of external vulnerability. Despite the devaluation, no substantial trade surplus has yet been generated. Exports swelled, but imports remained high owing to increased oil prices and the country's reliance on imports of industrial inputs and capital goods.

In addition, the weakening of the euro against the dollar eroded the competitiveness of Brazilian products on the prized European market, which absorbs 27% of Brazil's exports, although it also contributed to a decline in the price of imports from that source. At the beginning of the year, a US\$ 6 billion merchandise trade surplus had been projected, but the actual outturn was a US\$ 500 million deficit, which brought the current account deficit to an estimated US\$ 24.5 billion; even so, this was somewhat lower than the 1999 deficit.

Export volumes expanded by 12%, but prices, dragged down by commodities, rose by only 1% and were 18% below the decade's peak 1997 figure. The rise in oil prices drove up the cost of oil imports by 73% and the cost of total imports by 5%. The deficit on the services balance widened slightly, partly as a result of increases in travel and transport expenses. The deficit on the factors account showed almost no change, and net interest payments held at US\$ 16 billion.

Net capital inflows totalled US\$ 21.3 billion. Since this was less than the current account deficit, the result was an overall balance-of-payments deficit of US\$ 3.2

billion. Long-term capital inflows were in excess of US\$ 30 billion, but a net outflow of US\$ 9 billion was recorded under the other capital-account headings. At approximately US\$ 30 billion for the year –total net inflows of US\$ 90 billion in the last three years–FDI was once again a major source of long-term inflows. Although a portion of these funds came from privatizations, the bulk was used for corporate mergers and acquisitions. Inflows of medium- and long-term loans, bonds and notes rebounded but were still lower than they had been in 1997, prior to the outbreak of the crisis. This cautious approach on the part of the international financial system was clearly reflected in the maintenance of short maturities and wide spreads for the non-financial private sector.

The public sector sought to strengthen the country's linkages with international financial markets. In an attempt to improve its international rating, the Treasury issued 30-year securities to replace older debts. In October, one of the main international rating agencies announced a favourable reassessment of Brazil's position. The government has also been working with multilateral agencies (the Inter-American Development Bank and the World Bank) to maintain a positive flow of finance. To boost investor confidence, Brazil prepaid almost all of the loans that had been included in the aid package it received in late 1998.

Chile

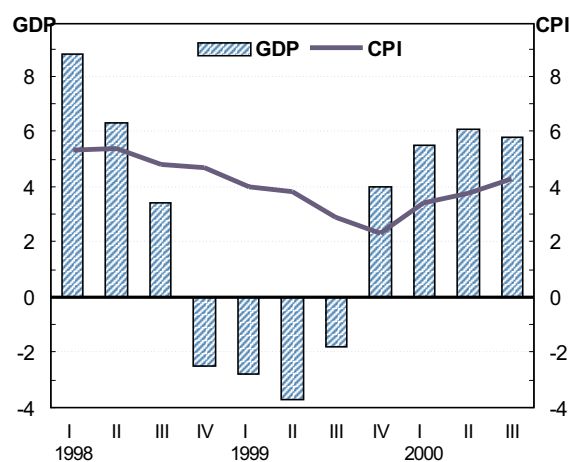
The Chilean economy registered an estimated growth rate of 5.5% for 2000 -slightly short of the target set by the new Administration that took office in March, which is part of the same coalition that has been in power since 1990- as the authorities continued to pursue their policy of reverting the fiscal deficit and generating a structural surplus. Exports continued to fuel growth, thanks to rising prices for the country's main exports on world markets. In contrast, higher oil prices drained about US\$ 800 million from national income and drove down personal spending. In combination with dwindling capital flows and a contractionary monetary policy, this undermined the measures aimed at supporting the economic reactivation and fighting unemployment. Domestic demand trended upward, but was insufficient to compensate for the fall of the previous year. The primary and basic services sectors recorded the highest growth rates, while manufacturing and commerce expanded at approximately the same rate as GDP and the construction industry contracted once again.

The value of merchandise exports increased by 17% to about US\$ 18.5 billion, as the upturn in Asian demand pushed up the prices of forestry products and copper. Thanks to the increase in the real exchange rate, Chile's exports became more competitive; this was especially true of non-traditional exports, which showed an increase in volume of 9%.

The construction sector, however, which is closely associated with investment and labour absorption, remained severely depressed until well into the year. In combination with reduced inflows of foreign capital and the completion of major projects, this meant that investment, which had already shrunk by 17% in 1999, continued to post negative growth rates in the first semester. This trend was not broken until the third quarter.

Together, the objectives of the central bank and the Finance Ministry -to keep inflation in check and to balance fiscal accounts, respectively- conspired against a more vigorous reactivation of expenditure and of the labour market. Consequently, between January and September the rate of unemployment rose from 8.7% to

CHILE: GROSS DOMESTIC PRODUCT AND INFLATION
(Percentage variation)



Source: ECLAC, on the basis of official figures.

CHILE: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	3.9	-1.1	5.5
Consumer prices	4.7	2.3	4.7
Real wages	2.7	2.4	1.5
Money (M1)	-8.3	20.2	3.0
Real effective exchange rate ^b	3.5	5.2	1.2
Terms of trade	-11.8	0.4	1.8
<i>Percentages</i>			
Unemployment rate	6.4	9.8	9.4
Fiscal balance/GDP	0.4	-1.5	-0.1
Real deposit rate	9.5	5.1	5.6
Real lending rate	14.5	9.0	10.5
<i>Millions of dollars</i>			
Exports of goods and services	18 949	19 406	22 150
Imports of goods and services	21 580	18 056	21 180
Current account	-4 143	-78	-865
Capital and financial account	2 004	-670	365
Overall balance	-2 139	-748	-500

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

10.7% nationwide, although it fell back to 10% in November.

The interest rate was raised twice during the first quarter, with a total increase of 50 basis points. Monetary policy was targeted at containing inflation in the face of upward cost pressures, generated by rising oil prices, and the expected demand pressures resulting from the encouraging trend in economic activity in the last quarter of 1999. The central bank went ahead with this policy even though credit was growing at a slower rate than during the preceding four-month period. Nor did the authorities consider the fact that inflows of external capital might be significantly smaller than in previous years. In a move to boost investment, in May the central bank eliminated the one-year minimum stay requirement for foreign investments. Other major measures were later adopted, such as the abolition of capital gains tax for non-residents and the introduction of a greater degree of flexibility in the percentage of borrowings that could be entered as foreign investment.

In combination with the cautious monetary policy, reduced public spending made it possible to balance the accounts, after a non-financial public-sector deficit of 1.5% of GDP had been posted in 1999. The ratio of fiscal expenditure to GDP remained stable in the first semester and then took a slight downturn in the third quarter, while income climbed sharply in line with the upswing in the rate of activity. Budget performance remained within the stringent limits imposed by the new authorities, despite the adoption of extraordinary to expand the coverage of emergency employment programmes.

In the third quarter the upturn showed some signs of weakening. The annualized growth rate for broad money in the private sector, which had reached 17.7% in January, fell back to 6.7% in July, while unemployment continued to rise. The central bank responded by reducing the interest rate by 50 basis points and the Finance Ministry announced measures intended to improve access to credit, deepen financial integration and make sectoral regulation more flexible. In a bid to boost demand, a one-off extra payment of 10,000 pesos was allocated to beneficiaries of the consolidated household allowance, an advance reimbursement of income tax overages was made to almost a million private individuals, and tax debts were renegotiated.

In an effort to soften the impact of the external shocks which have periodically affected the Chilean economy, the authorities have devised a new macroeconomic policy approach. From 2001 onward, the authorities will attempt to generate a structural fiscal surplus equivalent to 1% of GDP. In the area of monetary management, the central bank proposes to keep inflation between 2% and 4% while focusing its attention on the underlying inflation rate over a 1- to 12-month time horizon and on the CPI over a 13- to 24-month time frame. In addition, a fund for implementing emergency employment plans will be activated whenever the rate of unemployment passes a certain threshold.

The underlying or trend inflation rate, which excludes the impact of variations in external prices, remained stable at around 3% in line with central bank projections. The effective inflation rate, which in annualized terms stood at 4.7% in November, was influenced particularly by fuel price hikes and the rise in the nominal exchange rate, which had an impact on import prices. The increase in real wages tapered off in the course of the year for an overall average of 1.5%.

The exchange market was more flexible in 2000, following the elimination of the exchange rate band in September 1999. The rate of devaluation of the peso increased in the second semester and at the beginning of

the fourth quarter the annualized figures showed a 3% rise in the real exchange rate.

Imports enjoyed a significant upturn (20%) from the low level observed in 1999 but, even so, the performance of exports was vigorous enough to generate a surplus of US\$ 1.5 billion on the merchandise trade balance. The balance-of-payments capital account showed little movement (US\$ 370 million), and US\$ 500 million in international reserves therefore had to be used to finance

the current account deficit of US\$ 870 million. Capital transfers resulted in a net outflow of US\$ 780 million in foreign investment as of the end of the third quarter, in contrast to a net inflow of US\$ 4.5 billion in 1999, while foreign equity investments (US\$ 2.8 billion) easily outstripped capital inflows under Chile's Foreign Investment Statute (better known as Decree Law 600) and Chapter XIV of the country's foreign-exchange regulations.

Colombia

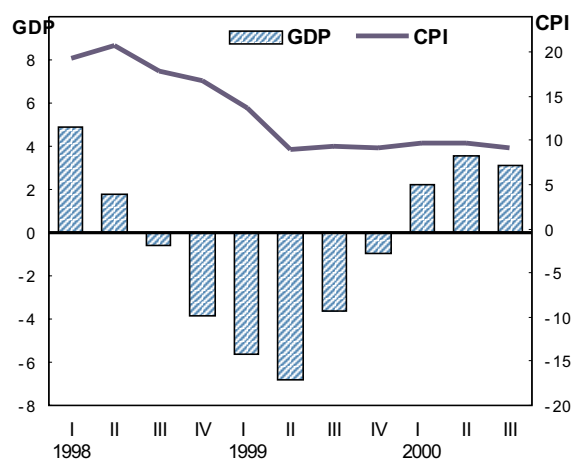
Following its plunge into the deepest depression of the twentieth century, when output fell by 4.3%, the Colombian economy made a modest recovery (3%) in 2000 that was led by exports, particularly of petroleum. The upswing was insufficient to combat unemployment, however, which remained at a high 20% in the country's seven major metropolitan areas.

Other macroeconomic indicators reflected positive trends. Inflation continued to move downward and was expected to end the year at below 9%, which was lower than the authorities' targeted figure. Fiscal accounts also appear to have complied with the International Monetary Fund (IMF) agreement signed in December 1999, partly thanks to high international oil prices and the domestic economy's reactivation, which was reflected in an increase in imports.

With the help of soaring international oil prices and a highly competitive exchange rate, the external sector posted a trade surplus for the second year running and a slight deficit (0.4% of GDP) on the current account. Owing to the country's internal security situation, however, Colombia's country-risk rating worsened again, and financing on international markets became considerably more costly as a result.

Fiscal management was directed at achieving an appreciable decrease in the deficit, within the framework of the country's IMF programme. As in 1999, cyclical factors were instrumental in determining the final result.

COLOMBIA: GROSS DOMESTIC PRODUCT AND INFLATION
(Percentage variation)



Source: ECLAC, on the basis of official figures.

COLOMBIA: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	0.5	-4.3	3.0
Consumer prices	16.7	9.2	8.8
Real wages	-1.3	3.0	3.1
Money (M1)	-5.4	22.1	35.3
Real effective exchange rate ^b	10.0	13.2	8.7
Terms of trade	-8.3	7.1	15.9
<i>Percentages</i>			
Urban unemployment rate	15.3	19.4	20.4
Fiscal balance/GDP	-3.4	-6.0	-3.6
Real deposit rate	11.7	9.2	2.5
Real lending rate	19.8	17.4	13.1
<i>Millions of dollars</i>			
Exports of goods and services	13 408	13 866	15 775
Imports of goods and services	17 298	13 408	14 510
Current account	-5 162	-179	-320
Capital and financial account	3 772	-140	1 035
Overall balance	-1 390	-319	715

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

After reaching a high of 6% of GDP, the non-financial public-sector deficit decreased on target to around 3.6%, aided by windfall profits from oil exports and a reduction in contraband.

The government appears to have met its fiscal targets despite an adverse ruling by the Constitutional Court which obliged the Administration to unfreeze wages and pay a retroactive wage adjustment equivalent to the previous year's inflation rate to all public-sector employees. In December, Congress was expected to approve a tax reform bill intended to boost fiscal revenues by about 3.8 billion pesos per year (2% of GDP).

A substantive change was made in monetary policy in 2000, as the Banco de la República replaced its intermediate-target strategy with an inflation-based system. This step was made possible by the decision to abandon the use of the currency band as the main tool of exchange-rate policy, the significant decrease in inflation and the moderation of inflationary expectations. The central bank was generally able to maintain enough liquidity in the financial system

throughout the year by means of open market ("repo") operations backed by public debt or other instruments. After falling to 10% in February as a result of the liquidity temporarily injected into the economy at the end of 1999, the financial system reference rate, or DTF rate (the average rate paid on fixed-term deposits in the financial system), rose gradually, reaching 13% by November. At the same time, the "two per thousand" tax on financial transactions and the drop in interest rates triggered a shift in agents' preferences, as M1 grew by 35% in the 12-month period up to the beginning of November, while broad money (M3 plus bonds) increased by just 4.2%.

Although it was gradually recovering from the most recent crisis, the financial sector continued to show signs of fragility. Given the weakness of domestic demand, the banks were reluctant to grant credit to the real sector, preferring to invest excess liquidity in public securities. By November total credit had marked up an annualized fall of 8%, as a result of portfolio write-downs and a decrease in mortgage placements. Non-mortgage credits, however, showed faint signs of an upturn.

After playing a major part in economic policy over the two previous years, exchange-rate policy played a less prominent role in 2000. There were two episodes of instability, first in April and May, when the President threatened to dissolve Congress, and then in September, as a result of seasonal trends and of fears that the scheduled privatizations might not go ahead. The nominal devaluation rate as of the end of November stood at 15.8%.

The moderate upswing that had begun in the second semester of 1999 continued into 2000, which made it quite feasible for the government to meet its inflation target of 3% of GDP by year's end. Preliminary projections point to a modest upturn in total consumption that would be led by private consumption, since public-sector spending was restricted in order to keep the fiscal deficit in check. Investments have followed a similar pattern, but have not yet become an engine for job creation on a large scale. The driving force behind the economic upturn was exports, which grew at a rate of around 15%. In a sector-by-sector analysis, manufacturing stands out with a growth rate of 10%, while agriculture and commerce each expanded by over 4%. The financial sector turned in a negative figure for the third year running, while construction posted zero growth after several years' of declines.

Urban unemployment in the seven metropolitan areas levelled off at a high of around 20%, peaking at an all-time record of 20.5% in September despite a slight increase in total employment. Real wages increased in

line with productivity gains, thus contributing to the decline in inflation.

Consumer prices were favoured by an abundant food supply and slack domestic demand. The effects of the real devaluation had a modest impact on the producer price index (PPI), which as of November was 3 percentage points above the consumer price index (CPI).

The real devaluation of the currency and very robust external demand (mostly from the United States and Venezuela) brought about a considerable increase in

non-traditional exports, especially those of industrial origin. Added to the substantial increase in oil revenues, this easily explains the 14% upswing in the value of exports, which thus outdistanced imports (up by less than 9%) chiefly because of the results turned in by the intermediate goods sector. The deficit on the factor account offset the trade surplus, and the current account therefore posted a slight deficit (0.4% of GDP). The surplus on the financial account continued to shrink as a consequence of outflows of private capital, external debt payments and lower levels of external borrowing.

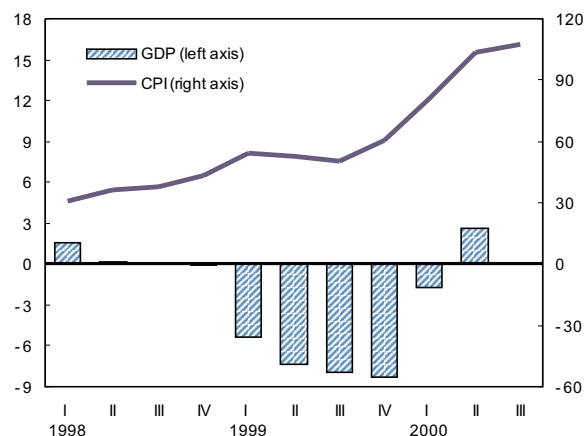
Ecuador

In January 2000 in the wake of serious financial and exchange rate disturbances during the preceding year, the authorities announced their decision to substitute the United States dollar for the sucre. This proposal withstood even the political crisis which culminated with the deposition of the President of the Republic and, after a six-month transition period, the dollar became Ecuador's sole legal tender. Inflation remained very high, however. In fact, by the end of December it stood at around 90%, although it was showing signs of relenting. The downward trend of GDP was broken in the second quarter, and a growth rate of 2% is projected for the year overall. Despite an upturn in imports, the current account of the balance of payments posted a surplus of approximately US\$ 750 million; this was attributable to a substantial improvement in oil prices, which was also instrumental in eliminating the non-financial public-sector (NFPS) deficit. The country's public external debt with private creditors was restructured in August on the basis of a special drawing rights agreement with the International Monetary Fund (IMF).

The Economic Transformation Act, which was passed in March, provided the legislative basis for the transition to the new monetary and exchange regime, and the Investment Promotion and Citizen Participation Act, passed in August, contributed to the consolidation of the process. Within the framework of this legislation, the authorities created a stabilization fund to soften the

impact of oil price fluctuations on fiscal income and began setting up a liquidity fund to serve as a lender of last resort. Limits were also established on the State guarantee for deposits and the banking reserve requirement was reduced to 9% early in the year and to 8% by its end.

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



Source: ECLAC, on the basis of official figures.

Seeking to make the labour market more flexible, the government introduced contracts based on the number of hours worked and began a process of wage consolidation. The proportion of privately-held stock permitted in electricity and telecommunications companies was increased in order to encourage foreign direct investment. The Constitutional Tribunal ruled that some of the other proposed reforms were unconstitutional.

The VAT was raised from 10% to 12%, and income tax from 15% to 25%. The capital circulation tax, on the other hand, was reduced from 1% to 0.8%, and in the case of natural persons, it was converted into an advance payment on income tax. The rise in oil prices had a more significant impact on fiscal income, however, making it possible to eliminate the NFPS deficit, which was a far better result than the target of 3.9% stipulated in the IMF agreement.

The bank deposits that had been frozen in March 1999 were released. Most of the funds freed up by this procedure remained in the financial system, and quasi-money expanded by 12% between the end of 1999 and October 2000. In contrast, credit to the private sector contracted by 2%, which was a reflection of the low level of activity. Real interest rates remained deeply negative, especially when they are deflated by the existing rate of inflation, but they appear to be much less so if they are instead deflated by projected inflation. The financial system remained fragile, with the bulk of its assets being

held by the Deposits Guarantee Agency and a high percentage of the portfolio in arrears (over 50% in the third quarter of 2000).

Following a 7% fall in GDP in 1999, the economy continued to shrink during the first quarter of 2000 but subsequently began to show signs of an upturn. The first semester closed with a growth rate of 0.5% and the year as a whole ended with an estimated rate of 2%. The upswing was led by household and government consumption, thanks to the unfreezing of bank deposits, the payment of deposit guarantees and increased fiscal revenues. Capital formation and exports performed sluggishly, however. During the first semester, government services, manufacturing and transport were the most vigorous sectors, although in the course of the year oil production also increased, thanks to the extension of the trans-Ecuadorian pipeline. The agricultural sector contracted, mainly as a result of a crisis in the shrimp-farming industry.

The consumer price index (CPI) rose at an average monthly rate of 10.7% the first quarter, largely as a consequence of the considerable depreciation of the sucre and the high rate of money creation, whose effects

ECUADOR: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	0.4	-7.3	2.0
Consumer prices	43.4	60.7	96.6
Real wages	-7.2	-10.7	-4.0
Money (M1)	34.8	88.6	...
Real effective exchange rate ^b	3.8	38.7	18.6
Terms of trade	-11.0	6.7	14.3
<i>Percentages</i>			
Urban unemployment rate	11.5	15.1	14.7
Fiscal balance/GDP	-5.6	-4.6	0.0
Real deposit rate	2.6	-2.0	-43.0
Real lending rate	10.3	7.9	-38.6
<i>Millions of dollars</i>			
Exports of goods and services	5 007	5 264	5 845
Imports of goods and services	6 409	3 761	4 165
Current account	-2 169	956	750
Capital and financial account	1 335	-1 847	-950
Overall balance	-834	-891	-200

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

were carried over from the previous year. This trend then began to weaken, however, and by the third quarter the average monthly rate of inflation had dropped to 2.5%. By November the annualized increase was 97%, with a downward trend clearly visible.

The slight upturn in the level of activity was reflected in a moderate decrease in unemployment from the second quarter on, and the average rate of unemployment for the first 10 months of the year was consequently 14.7%, which was slightly less than the equivalent figure for 1999. Corporate demand for labour did not increase significantly, however, and the share of formal employment in the structure of urban employment shrank once again. The real minimum wage fell at the beginning of the year as inflation surged. A wage hike at the end of the first semester partially restored buying power, but the overall annual average showed a loss of 4%.

Up to October, exports recorded an increase of 11% with respect to the first 10 months of 1999. This expansion was the result of improved prices and, to a lesser extent, increased volumes of shipments of oil and petroleum products. Other export products did not benefit from the sharp exchange-rate depreciation of 1999, and their sales slumped drastically. Imports—led by fuels, consumer goods and raw materials—grew at a

similar rate to overall exports. Purchases of capital goods decreased again, however, as a reflection of the lag in investment, and this trend was not turned around until June.

As a result of the voluminous surplus on the trade balance, the balance-of-payments current account recorded a surplus of US\$ 750 million, which was equivalent to 6% of GDP. The deficit on the financial account (including errors and omissions) widened, since government loans and foreign investment in the oil industry were not enough to compensate for outflows of private capital. Owing to the large amount of special financing that was made available, however, the central bank's unencumbered international reserves climbed from US\$ 873 million at the end of 1999 to US\$ 1.25 billion by the end of November 2000.

In August an agreement was reached with holders of Brady bonds and eurobonds, which the authorities had ceased to service in October 1999. These bonds were exchanged for new ones maturing in 2012 and 2030 and carrying interest rates of 12% and step-down, step-up rates of 4%-10%, respectively. As a result, the public external debt fell from US\$ 13.8 billion at the beginning of the year to US\$ 11.2 billion by the end of October. A preliminary debt workout agreement was reached in September with the Paris Club.

Paraguay

The Paraguayan economy enjoyed a slight upturn in 2000, with a growth rate of 1.5%, which was again fuelled by the performance of the agricultural sector: the increase in the cotton harvest, in particular, was more than enough to compensate for a decrease in soya production. Weakening exports, however, prevented the improvement in agriculture and the reactivation policies applied from having more impact on output. The high level of reserves early in the year enabled the authorities to intervene in the exchange rate, thus keeping the guaraní stable and preventing inflation—which posted an annualized rate of 9.6% in November—from rising faster as a result of hikes in utility rates, oil prices and the minimum wage.

PARAGUAY: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	-0.4	0.5	1.5
Consumer prices	14.6	5.4	9.6
Real wages	-1.9	-2.1	2.1
Money (M1)	7.4	9.4	33.5
Real effective exchange rate ^b	12.1	-1.7	4.9
Terms of trade	-7.5	-5.1	-4.8
<i>Percentages</i>			
Urban unemployment rate	6.6	9.4	...
Fiscal balance/GDP	0.2	-3.2	-2.2
Real deposit rate	5.8	12.6	6.0
Real lending rate	17.1	21.9	16.5
<i>Millions of dollars</i>			
Exports of goods and services	4 278	3 267	2 915
Imports of goods and services	4 517	3 534	3 325
Current account	-56	-65	-270
Capital and financial account	73	-250	-75
Overall balance	17	-315	-345

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

From the second semester of 1999 on, which coincided with the changeover to a new Administration, the monetary and fiscal authorities assigned priority to the objective of reactivating the economy, which had been practically stagnant since 1998.

Aided by inflows of external financing during the second half of 1999 and the first half of 2000, the public sector —particularly State-owned enterprises— undertook large capital investments and expanded current spending. Total income shrank in real terms owing to a decrease in domestic tax receipts. Tariff income, however, rose slightly, thanks to improved customs administration and an increase in imports. The central government is expected to close the year with a deficit of around 4% of GDP, and the deficit of the non-financial public sector will be 2.2%, one percentage point lower than the previous year, thanks to the improvement of the operating balance of public enterprises.

Monetary policy was also clearly expansionary in 2000, with open market operations being used to lower interest rates. In the first semester, the central bank kept the average rate on monetary regulation notes below 15%. During the third quarter, the average dropped below 8%, the lowest figure of the decade. In addition,

the average balance outstanding on these notes was barely two thirds of the 1999 level. The increase in net lending to the public sector, in line with the widening of the fiscal deficit, also had an expansionary effect.

Money-desk interventions were aimed at preserving the stability of the guaraní. Net currency sales in the first nine months of the year outstripped those of the same period in 1999 by a third, with the highest concentration of these transactions occurring in early 2000 and during the third quarter when the real and nominal exchange rates trended upward in relation to the dollar. It was only in the second quarter that official intervention consisted of buying foreign exchange. The nominal exchange rate thus remained relatively stable, after an initial rise of 4% in February. The real exchange rate, which includes the currencies of Paraguay's main trading partners, also held steady, increasing by less than 5% during the first three quarters.

At the end of September, the annualized increase of monetary aggregates overall was greater than in 1999, while the monetary base grew by 6.5%. M1 showed considerable growth (33%), reflecting the introduction of interest-bearing current accounts in July. Broader aggregates displayed increases of around 10%, while real lending and deposit rates fell to 16.5% and 6% respectively.

Progress in the different sectors of production was modest. In agriculture, there was an improvement in the harvest, especially of cotton, which grew by close to 20%, after the fallback of the previous season caused by bad weather and crop diseases. In contrast, soya output declined for the first time in ten years. Other agricultural products (maize, wheat and sugar cane) are expected to show increases of between 10% and 30%. The livestock sector is also likely to grow, albeit moderately. Construction will probably turn in a rate of expansion of around 4%. Services should display a slight upturn, thanks to improvements in cotton output and marketing and the upswing in the Brazilian economy, which has a positive impact on formal trade.

Cumulative inflation to November was 9.1%, with an annualized rate of 9.6%. The largest variations were reported in the first semester, after the rises in both transport and fuel prices and the minimum wage. The producer price index (PPI) increased by 10.9% to September, which was more than the variation in the consumer price index (CPI), owing to the influence of petroleum products. In February, the official minimum wage was raised by 15%, which meant a real improvement of around 5%. The real average wage increased by 2%, after having deteriorated in 1999.

The current account gap widened owing to the increase in the merchandise trade deficit. The value of total exports decreased by 13% in response to lower demand for exports linked to the informal border trade with Brazil and Argentina. These transactions, referred to as “unregistered and re-export trade”, represent around three quarters of total exports and are facing increasingly stringent customs restrictions in Paraguay’s neighbouring countries. Among registered exports, the value of cotton exports increased thanks to a rise in international prices. The value of soya exports dropped slightly, since the upturn in prices was not enough to offset the fall in production.

Likewise, total imports fell by 6%, since the increase in registered imports was not sufficient to compensate for decreased inflows of products destined for re-export (which account for a third of the total). The increase in registered imports was largely due to significant growth in purchases of intermediate goods, the values of which were affected by the rise in the price

of oil and petroleum products. Imports of consumer goods particularly non-durables, also increased. Purchases of capital goods, however, fell by around 10%.

Capital flows declined in 2000, since in 1999 Paraguay had received an extraordinary inflow of US\$ 400 million through bond issues on the international market, which were underwritten by the Government of the Chinese Province of Taiwan. This reduction in capital flows was partially offset by the inflow of foreign exchange from the bi-national hydroelectric dams of Itaipú and Yacyretá, in the form of royalties and compensation for flooded land and preferential assignment of electric power. It is therefore expected that the deficit on the balance of payments will be close to US\$ 350 million.

The balance on the external public debt increased by about US\$ 100 million as a result of the disbursement for that amount that was made at the beginning of the year by the Export Import Bank of the Chinese Province of Taiwan.

Peru

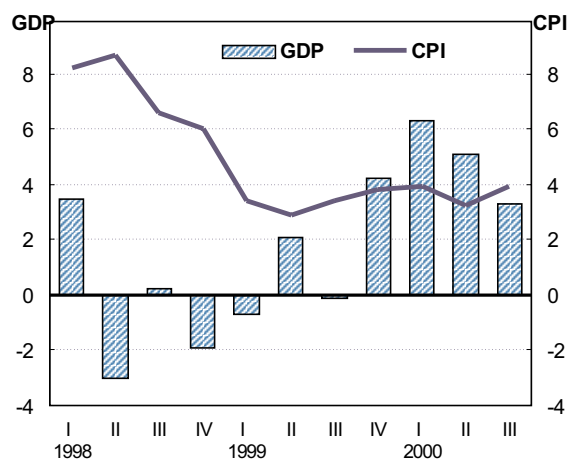
The complex political situation in Peru in early 2000 discouraged domestic and foreign investment and caused economic activity to slow down during the second half of the year. Growth was higher than in 1999, but does not seem to have brought about improvements in urban employment or in real wages. Although the fiscal target was not met, inflation remained under control, and the external gap was narrowed once again. The authorities found it necessary to implement a third rescue programme to help enterprises deal with their financial difficulties, and lending to the private sector again shrank. The prevailing uncertainty made it difficult to move ahead with plans for privatization and concessions; nevertheless, some significant transactions were carried out at the beginning and the end of the year.

Current expenditures expanded substantially during the election campaign in the first half of the year. Tax revenues were lower than anticipated, since direct collections dropped owing to the weakness of the upturn in domestic demand. Moreover, revenues from the

excise tax increased only as much as the product did, making it impossible to achieve the original goal of reducing the deficit to 2.1% of GDP.

In order to keep imbalances within an acceptable range, during the second half of the year the authorities

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



Source: ECLAC, on the basis of official figures.

tried to control expenditures, especially by cutting public investment. Tax measures were also adopted with a view to establishing an *ad valorem* scale for calculating excise taxes and cutting certain exemptions. Despite these measures, the current balance of central government was slightly negative. The resulting overall deficit of 2.7% was partly financed with resources from privatization (35%) and financial-sector deposits (20%); the remainder had to be covered with external resources. It is estimated that the non-financial public-sector deficit amounted to 2.8%, owing to the difficulties faced by public enterprises.

The money creation and excessive fiscal spending that had taken place in anticipation of potential computer problems relating to the year 2000 led the authorities, early in the year, to adjust the liquidity of national currency and adopt a policy based on their growth and inflation goals. In August, the legal reserve requirement in national and foreign currency was lowered from 7% to 6%, and the foreign-currency reserve requirement was lowered by an amount equivalent to 3 percentage points of deposits, in order to offset the fiscal adjustment of the second half of the year and provide greater liquidity. Nevertheless, money creation continued to decline during the second half of the year; thus, circulation of money in soles for the year as a whole decreased in nominal terms as demand fell. Growth occurred mainly as a result of an increase in net lending to the public

sector (decrease in deposits) and an increase in external assets, given that lending to the private sector fell.

Interest rates continued to fall, despite sporadic rises in the inter-bank rate caused by occasional tensions in the exchange market, which recovered at the end of the year, closing with a negligible nominal devaluation that was reflected in a slight real appreciation (1%).

To alleviate the financial difficulties experienced by local companies and improve the quality of bank assets, at midyear the authorities put underway a third debt-rescheduling programme for businesses for a total amount of US\$ 500 million, US\$ 100 million of which was earmarked for agriculture. Nevertheless, as delinquency indicators deteriorated once again, banks maintained a cautious lending policy. The banking sector itself continued to experience difficulties.

After two years of contraction, overall demand rose by 4%, thanks mainly to the impetus provided by exports—which grew by 9% in real terms—and a rebound in consumption (4.4%), especially in the public sector. Instead of responding to this more encouraging panorama, fixed investment stagnated (0.5%), and reactivation lost impetus throughout the year, owing to the prevailing political unrest and the weak financial

PERU: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	-0.4	1.4	4.0
Consumer prices	6.0	3.7	4.0
Real wages	-1.9	-2.2	-0.7
Money (M1)	0.5	12.8	-1.0
Real effective exchange rate ^b	2.1	8.8	-0.8
Terms of trade	-13.1	-7.1	-0.9
<i>Percentages</i>			
Urban unemployment rate	8.4	9.1	10.3
Fiscal balance/GDP	-1.0	-3.0	-2.7
Real deposit rate	3.4	7.9	5.3
Real lending rate	23.6	30.3	24.9
<i>Millions of dollars</i>			
Exports of goods and services	7 505	7 635	8 630
Imports of goods and services	10 563	8 851	9 525
Current account	-3 634	-1 817	-1 580
Capital and financial account	2 264	1 024	1 695
Overall balance	-1 370	-793	115

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

position of both private business and the public sector. Thus, even though the product grew to 6% during the first quarter, the figure for the year as a whole is expected to be around 4%.

The primary sector continued to be the most dynamic one, particularly in the case of agriculture (6%) and fisheries (11%), although mining slowed down (3.7%) as sectoral investment projects matured. Manufacturing grew by 7.5%, thanks to a boom in processing of primary resources (10%) and a recovery in the rest of the sector (6.7%) after two years of recession. Commerce followed a similar trend (5.5%), as domestic consumption recovered. Construction had another bad year (-1%), having been affected both by the weakness of private investment and by cuts in spending on public works.

Despite the rise in prices of energy products, the authorities continued to project an annual inflation rate of 4%. An increase in the supply of foodstuffs and the sluggishness of domestic markets helped contain price increases. Wage demands were moderate, owing to the difficult situation of labour in the urban sector (10% unemployment in Lima) and the critical financial state of many companies. Nevertheless, the minimum wage rose by 19% in March.

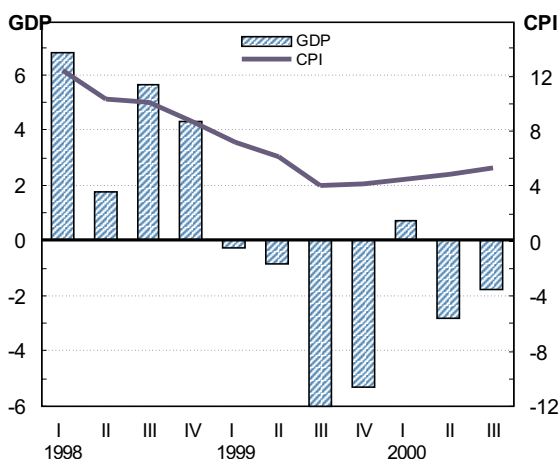
The value of imports of goods rose by somewhat over 8%. Purchases of consumer and capital goods stagnated as a result of moderate domestic demand and an increase in agricultural production. At the same time, purchases of intermediate goods rose by 18%. Traditional exports again showed great impetus, as they increased by 15%, thanks mainly to the considerable growth of fishery production (60%). Non-traditional exports rose by more than 9%, easily recovering from the previous year's slump. The increase in sales made it possible to halve the merchandise trade deficit; this explains the overall reduction of the current-account shortfall, which represented around 2.9% of GDP.

The balance on the financial account improved as a net effect of two opposite trends. Long-term capital inflows fell considerably, owing to the sharp decline of direct investment. Even greater, however, was the reduction in net short-term capital outflows (mostly from banks), which had caused the financial crisis of 1999. By the end of the year, after constant fluctuations, international reserves had risen slightly, by US\$ 100 million. The external debt declined by nearly US\$ 400 million, thanks to the nearly 30% reduction in short-term obligations of the financial sector, while long-term debts rose by somewhat over US\$ 300 million.

Uruguay

Recession continued to dog the Uruguayan economy in 2000. Output shrank by close to 1%, after falling by over 3% in 1999, and a new downturn in the terms of trade reduced disposable national income by another percentage point. The close relationship between fiscal income and activity levels, in combination with the difficulty in cutting public spending, made it impossible to reduce the deficit to less than 4% of GDP. Although exports enjoyed a slight rebound after the heavy fall of the previous year, the impact of a steeply climbing oil price was instrumental in keeping the deficit on the current account of the balance of payments at around 3%, which was amply covered by external borrowing. The annual rate of inflation increased to almost 6% and unemployment rose above 13%.

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



Source: ECLAC, on the basis of official figures.

The financial programme launched by the Administration that took office in March projected GDP growth of around 2.5% and prescribed public spending cuts, in the hope that this would bring the fiscal deficit in check. Contrary to expectations, however, the external environment, which had been highly favourable to Uruguay during most of the 1990s, continued to deteriorate. Despite the growth of the Brazilian economy, Uruguayan sales to Brazil continued to shrink; exports to Argentina also failed to recover the levels attained two years before. The rise of the dollar against the euro also reduced the competitiveness of the Uruguayan currency in the important European market, as the peso was devaluing only slowly in relation to the dollar. The interest rate hike announced by the United States Federal Reserve increased public spending on debt service, while poor terms of trade continued to undercut national income, as a result of falling export prices in combination with the high price of oil. Agricultural supply was hurt by persistently bad weather during the first semester and a new outbreak of foot-and-mouth disease.

The slow upturn in exports was not enough to compensate for the weakness of the domestic market. Private consumption continued to suffer as a result of falling income, rising unemployment, poor expectations and a slowdown in lending for consumption, which had remained virtually stagnant since the end of 1999, after

recording a real expansion of 30% in mid-1998. The persistent recession also had an impact on private investment, which posted a sharp fall, while the fiscal adjustment focussed on curtailing spending in general and capital expenditure in particular.

Goods production fell by more than 4%. To add to the setbacks in agriculture, there was a new fallback in industry, and construction plummeted. Commerce was seriously affected by shrinking demand but, together, communications, electric energy and other services expanded output by around 0.5%.

Against this recessionary background, unemployment climbed by more than two percentage points from the previous year's figure, as a decrease in the employment coefficient coincided with an increase in the activity rate. Real wages also deteriorated, falling by more than one percentage point. Real household income indicators point to an even greater squeeze than the sum of these two effects.

In May 2000, the anticyclical policy of the previous year and some items of extraordinary expenditure brought the consolidated public-sector deficit to 4.7% of GDP. The new Administration reduced capital and

URUGUAY: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	4.6	-3.2	-1.0
Consumer prices	8.6	4.2	5.8
Real wages	1.8	1.6	-1.2
Money (M1)	14.4	9.2	3.0
Real effective exchange rate ^b	1.9	-6.6	2.7
Terms of trade	7.0	-7.9	-8.4
<i>Percentages</i>			
Urban unemployment rate	10.1	11.3	13.4
Fiscal balance/GDP	-0.5	-3.5	-4.0
Real deposit rate	3.8	8.1	7.3
Real lending rate	42.4	45.8	43.1
<i>Millions of dollars</i>			
Exports of goods and services	4 136	3 587	3 710
Imports of goods and services	4 471	4 069	4 120
Current account	-475	-603	-580
Capital and financial account	836	616	655
Overall balance	361	13	75

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

non-personnel expenditure, and the deficit eased over the following months as a result, albeit less than anticipated. Real income decreased by more than 1%, in line with the trend in GDP and imports. Interest payments on public debt shot up by 16% in real terms to September, in the wake of the international interest rate hike and increased borrowing. Finally, lower tax receipts and higher payments for unemployment benefits resulted in an expansion of social security expenditure. By September, the deficit stood at over 4% of GDP, but was expected to drop somewhat in the final quarter.

Similarly to previous years, the fiscal deficit was financed through increased external borrowing, rather than credit from the monetary authority, which increased central bank international reserves by US\$ 180 million to October. Bank lending to the private sector remained stable in nominal terms.

The contraction of the money supply made it possible to persevere with the policy of a sliding exchange-rate band, which was fixed at 3% between floor and ceiling, with a monthly devaluation of 0.6% (7% per year) in relation to the dollar. In this context, despite the fact that the rise in fuel prices had a direct impact on the annual inflation rate around 1%, domestic prices followed a more moderate trend. Purchases of oil in 2000 cost half as much again as the previous year, and 150% the amount spent in 1998. As only part of the international oil price hike was transferred to the public,

the transfer of earnings from state enterprises to central government was much reduced.

To October, the increase in the oil bill corresponded almost entirely to the increase in merchandise imports (6%). The purchase of other intermediate goods increased by 7%, which was offset by the reduction in purchases of capital and consumer goods, which decreased by 11% and 3%, respectively. As prices deteriorated slightly, the growth of exports, which was similar to that of imports, was largely due to an increase in shipments. The buoyancy of the export market was generated by demand in the North American Free Trade Agreement countries and in Asia. Mercosur exports saw a slow upturn, while sales to Europe declined. The outbreak of foot-and-mouth disease was expected to bring down meat exports for the final quarter, so that the year overall should see growth of 4-5% in the goods trade.

The external deficit continued to be financed by means of increased borrowing. Uruguayan debt has retained a good investment grade rating, which enabled the authorities to place official notes at interest rates affording a moderate spread, of around 250-300 basis points over United States instruments. In November, Uruguay issued debt denominated in Chilean pesos with a spread equivalent to 330 basis points over United States instruments, which was acquired mainly by Chilean social security agencies.

Venezuela



In 2000 the price of oil rose to levels that enabled the Venezuelan economy to pull out of the deep recession that had overtaken it the year before. GDP grew by close to 3.5%, partly recouping the drop of over 6% suffered in 1999. This upswing was mainly attributable to an expansionary fiscal policy, which the Administration was able to finance thanks to increased revenues from the sale of hydrocarbons. The average price of Venezuelan oil in 2000 was about two thirds higher than it had been in 1999 and two and one-half times higher than in 1998. In this context of increased inflows from abroad, the current account recorded a substantial surplus, while the crawling peg exchange-rate policy helped to contain pressure on domestic prices. Inflation decreased for the fourth year running, coming to stand at around 14%.

A portion of oil revenues was allocated to the recently established Macroeconomic Stabilization Fund, which amounted to US\$ 3.6 billion by year's end. Some of the extra income was also used to finance an increase in public spending. Overall, the public sector achieved a surplus of more than 3% of GDP thanks to the surplus recorded by the State-owned oil company PDVSA.

Within the public sector, the central government recorded the largest increase in expenditure. Both capital and, especially, current expenditure rose as a result of a 20% increase in wages and pensions. This hike was approved on 1 May and entailed an increase in transfers to administrative and social security agencies.

Consequently, the central government's accounts ended the year with a deficit of slightly over 1% of GDP. The Administration covered most of its financing requirements through domestic borrowing in the form of public debt bonds (DPNs), especially early in the year. Overall, however, the level of domestic borrowing was much lower than the previous year. The government also borrowed on external capital markets for the first time since 1998. Even so, the external public debt, which had reached 57% of GDP in 1995, continued to follow a downward trend, falling to around 19% of GDP by mid-year. In contrast, the domestic public debt grew for

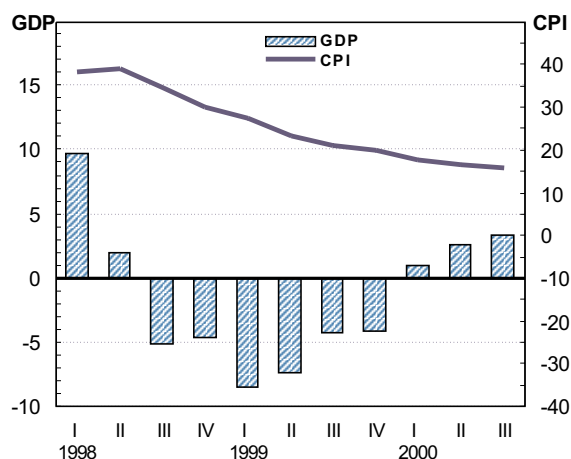
the second consecutive year, reaching over 6% of GDP during the same period.

The public-sector surplus was reflected in a considerable increase in deposits held by the central bank (BCV). In a move that coincided with the elections held in the second quarter, PDVSA transferred a large part of its deposits from private banks to the BCV; this drained liquidity from the financial system and offset pressure on the bolívar. The increased deposits in the central bank had a contractionary effect on the monetary base, which partially compensated for the expansionary influence of the build-up in international reserves and, particularly, of the amortization of monetary stabilization bonds (MSBs) issued previously by the BCV.

The disappearance of these instruments marked a change in the tools being employed by monetary policy-makers as they shifted towards the use of government bond operations. These securities were also used to regulate short-term liquidity through repo operations with private banks.

At the end of October 2000, the monetary base registered a year-on-year increase of around 25%, which was similar to the increase in narrow money (M1) and broad money (M2). Interest rates, which were also affected by the decrease in inflation, continued to drop. Lending rates fell by 4.5 percentage points over the first

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



Source: ECLAC, on the basis of official figures.

three quarters to 23.7%, while deposit rates decreased by 3.25 points to 14%. The spread between the cost and yield of money therefore narrowed.

The bolívar stayed within the exchange-rate band set by the central bank throughout the year and even spent a considerable amount of time below the central parity rate, expressed in bolívares per United States dollar. This was a reflection of the strength of the Venezuelan currency, which was bolstered by abundant oil revenues. The price of the dollar thus increased from 648 to slightly less than 700 bolívares over the year, and the bolívar thus appreciated again in real terms.

Buoyed by public-sector consumption expenditure -which increased by over 11% in real terms in the first semester- GDP gradually picked up in response to aggregate domestic demand and exports. The public works programme suffered some delays, but the second semester saw a gradual upturn in investment and in the rate of economic activity, which was also favoured by the stabilization of the political situation after the elections. Oil output dropped slightly in the first quarter but rose later when the Organization of Petroleum Exporting Countries agreed to increase supply. Thus, in the first three quarters GDP grew by 1%, 2.8% and 3.3%, respectively, and turned in a growth rate of close to 3.5% of GDP for the year as a whole.

The nominal depreciation of the bolívar was similar in magnitude to the increase in the cost of imported products. This moderate drop was reflected in a decrease

in the rate of inflation, which stood at 14% at the end of November. The prices of tradable goods and producer prices (which do not include services) both rose at considerably lower rates. This marked the fourth consecutive year in which inflation had declined after having hit a three-digit high of 103% in 1996.

Labour conditions also improved, as the increase in nominal wages was higher than the rate of inflation. Also, economic reactivation made it possible to lower the rate of unemployment to 13% by the third quarter, down from 15% in the first quarter. This result was also partly attributable to higher income and consumption, which acted as a stimulus for informal employment.

External accounts were marked by an abundance of foreign exchange from oil sales, which reached an all-time high. Non-oil external sales grew at a rate of almost 30% during most of the year. The total value of goods exports thus reached almost US\$ 34 billion.

There was also a considerable upswing in merchandise imports, which climbed by over 30% to about US\$ 15.5 billion by the end of the year. The resulting current account surplus stood at close to US\$ 14 billion, which was equivalent to almost 13% of GDP. The financial balance closed with a deficit of US\$ 7.5

**VENEZUELA: MAIN ECONOMIC
INDICATORS**

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	0.2	-6.1	3.5
Consumer prices	29.9	20.0	14.2
Money (M1)	6.6	23.4	25.0
Real effective exchange rate ^b	-11.3	-10.4	-1.3
Terms of trade	-27.9	33.3	44.1
<i>Percentages</i>			
Unemployment rate	11.3	14.9	14.6
Fiscal balance/GDP	-6.6	-1.2	3.4
Real deposit rate	0.2	-2.7	-1.5
Real lending rate	6.8	6.0	7.0
<i>Millions of dollars</i>			
Exports of goods and services	19 021	22 155	36 050
Imports of goods and services	19 870	15 445	20 855
Current account	-2 562	5 358	13 895
Capital and financial account	-370	-4 324	-7 515
Overall balance	-2 932	1 034	6 380

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

billion, largely as a consequence of the level of external debt payments and, particularly in the first quarter, of outflows of private capital. Foreign direct investment flows were relatively voluminous, amounting to almost US\$ 3.5 billion, but were still not sufficient to compensate for outflows under other headings. The

overall balance of payments turned in a surplus of close to US\$ 6.4 billion. In December, the central bank held over US\$ 17 billion in international reserves, which was equivalent to 10 months' worth of imports; this was in addition to the resources held in the Macroeconomic Stabilization Fund.

CENTRAL AMERICA AND MEXICO

Costa Rica

In 2000, GDP rose by around 1.5%, after having grown at a rate of 8% for two years. This was mainly due to the 11% decline in the value of exports and a production lag in the high-technology electronic industry which affected Intel exports. High interest rates and rather adverse expectations discouraged investment and consumption. Real wages in the formal sector remained stagnant and per capita income fell. The urban unemployment rate dropped to 5.3%.

Monetary policy, a smaller nominal devaluation of the exchange rate and a slowdown in production activity helped keep inflation at 10%, despite pressures from rising fuel prices.

The deterioration of the terms of trade, the 7% drop in the value of exports of goods and services, and payments abroad created a current account deficit of 5.1% of GDP. Reduced capital inflows, especially from foreign direct investment (FDI), were insufficient to finance this disequilibrium, and the resulting loss of reserves amounted to US\$ 100 million.

The legislature did not pass the structural reforms bill submitted by the executive branch, which provided for improvements in the electrical power and telecommunications utilities and defined the role of the State in that area. The Supreme Court had raised objections to the bill.

Public finance continued to hinder stabilization efforts. The consolidated public-sector deficit, including that of the central bank, amounted to nearly 4%, and the central government deficit totalled 2.6% of GDP.

Current revenues of the central government grew by 8% in real terms, thanks mainly to the application of the Tax Rules and Procedures Code, the elimination of Tax Credit Certificates (CATs) and collections of customs duties. Current expenditures rose by 9%, with transfers to the rest of the public sector, and salaries and wages for teachers and public security employees, playing a major role in this increase. Interest payments, amounting to 26% of current expenditure, represented a heavy burden. Investments by the central government fell by around 20% in real terms.

COSTA RICA: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	8.0	8.0	1.5
Consumer prices	12.4	10.1	10.4
Real wages	5.6	4.7	0.7
Money (M1)	12.3	20.6	7.6
Real effective exchange rate ^b	2.7	4.0	0.0
Terms of trade	3.2	-1.1	-7.2
<i>Percentages</i>			
Urban unemployment rate	5.4	6.2	5.3
Fiscal balance/GDP	-2.5	-2.3	-2.6
Real deposit rate	0.9	3.9	2.2
Real lending rate	9.6	14.3	12.5
<i>Millions of dollars</i>			
Exports of goods and services	6 884	8 221	7 640
Imports of goods and services	7 047	7 242	7 385
Current account	-495	-692	-775
Capital and financial account	345	1 174	675
Overall balance	-150	480	-100

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

Monetary policy was based on transactions in the open market involving the placement of monetary stabilization bonds (BEM). During the first half-year, steps were taken to control the increased liquidity generated by greater international reserves, central bank losses and the use of deposits by the central government.

In March, in order to bring down the cost of credit, the legal reserve requirement was reduced by 2 points and was set at 12%. The 27% ceiling on increases in lending by State banks was eliminated, and incentives were implemented to bring down interest rates, which were reduced by 1.75%. By late September, loans to the private sector had risen by 20%.

As of September, the money supply (M1) had grown more than nominal GDP. Liquidity in local currency (M2) rose by 24%, owing to the growth of quasi-money and of savings and time deposits. The central bank's quasi-fiscal losses drove up its deficit to 2.1% of GDP.

The crawling-peg exchange-rate regime led to an annual nominal devaluation of 7.9%. In real terms, the exchange rate remained stable and did not affect competitiveness. Trade policy relied heavily on a unilateral opening up to the external market; negotiations on trade agreements with Chile, Canada and

Panama; regional and hemispheric integration efforts; and negotiations on specific products.

The public-debt policy entailed exchanging high-interest domestic debt for lower-interest external debt. The government placed US\$ 250 million worth of bonds on the international market. The central government's domestic bonded debt rose to 23% of GDP. The government made a US\$ 257 million payment on its debt with the central bank.

External demand fell as a result of the decline in the volume of exports of Intel products, bananas and sugar. This was partly offset by an increase in tourism-related activities, coffee exports and sales of manufactured products in the country's free zones. Domestic demand fell, as consumption rose by only 1%. Fixed investment was down by 3.3%.

GDP grew by only 1.5%, primary-sector activities and manufacturing declined, and construction stagnated. Other sectors grew on average by 4.3%. Agricultural production fell by 3%, owing to a drop in international prices, financial difficulties experienced by growers and bad weather.

Manufacturing output decreased by 3.1%, especially because of weaker demand for personal computers and production delays in the manufacture of new high-technology electronic products.

Inflation (10.4%) was slightly higher than planned; this was mainly due to factors such as rising fuel prices, problems with the supply of foodstuffs and increases in telephone rates, public transport and alcoholic beverages. Monetary and exchange policy, sluggish growth in consumption and declining investment helped slow down increases in the consumer price index.

Real average wages rose slightly. Urban unemployment fell by 0.9 points, to 5.3%, as the supply of labour fell somewhat; female unemployment in urban areas was 6.4%. The Legislative Assembly enacted the Worker Protection Act, which provides for modernization of the pension system and strengthening of the financial position of pension funds.

The deficit on the balance-of-payments current account rose to 5.1% of GDP. After a decade of growth (18% per year), exports of goods fell in 2000 (-11%) because of poor international prices for coffee and sugar and the drop in sales of Intel semiconductors. Exports of services, particularly in the tourism sector, rose by 10%. Imports of goods rose slightly, as economic activity slowed down and fuel prices rose (41%). Imports of capital goods declined by 2.2%.

Returns on FDI, which had been significant during the last two years, were lower owing to the drop in the profits of high-technology industries. Interest payments

continued to rise and contributed to the increase in the current account deficit.

As regards the capital account, bond placements caused net lending to the public sector to rise by 7%. The policy of attracting FDI, along with favourable conditions in terms of infrastructure, legal provisions, the labour market, fiscal variables and the

macroeconomic framework, had led to a substantial increase in investment from the mid-1990s onward, bringing it to an average of US\$ 610 million in 1998 and 1999, but in 2000 it fell to a little over US\$ 400 million.

Capital inflows were lower than the deficit on current account, and international reserves consequently fell by US\$ 100 million.

El Salvador

Economic growth slowed to 2.5% compared with 3.4% in 1999, owing in large part to the adoption of restrictive monetary policies, a less vibrant performance by exports (due to the fall in international prices for coffee and sugar), the rise in fuel prices and the slowdown in construction, agriculture and commerce. Inflation will be slightly above 3%, in contrast with the 1% deflation recorded in 1999. Nominal interest rates on deposits in colones declined; the exchange rate remained stable; the current account balance again showed a deficit, similar to the 1999 figure; and the fiscal deficit widened.

Towards the end of November, the Legislative Assembly adopted the monetary integration act, which, with effect from 1 January 2001, establishes the dollar as the unit of account in the financial system, fixes the exchange rate at 8.75 colones to the dollar and allows the circulation of other currencies.

The most vulnerable sectors were the public financial sector, which deteriorated in comparison with 1999, and the external sector. The authorities maintained a conservative fiscal policy, but tax revenues were at a low ebb. The deficit of the non-financial public sector (NFPS) widened and real public investment grew by just 1%. External public debt was equivalent to 22% of GDP.

Central government finances recorded a deficit equal to 2.5% of GDP. Tax revenues expanded by 7.6% in nominal terms, and the tax burden was 10.5% of GDP, a similar percentage to that of 1999. Exemptions on some agricultural products and medicines were removed. Thus, the tax structure did not vary significantly, the

heavy reliance on value-added tax accentuating the procyclical nature of tax revenue.

If receipts remain stagnant, as may be expected from current trends, there is likely to be increased pressure on the fiscal deficit, above all because of the over US\$ 1 billion in pensions which the government will have to pay out during the next five years.

Monetary policy was restrictive and was designed to regulate and reduce the excess liquidity on the money market, above all through placement of securities of the Central Reserve Bank.

This measure proved less effective in controlling inflation. Although open-market transactions did function effectively as a contractionary factor, reducing the monetary base in the context of an expansionary fiscal policy, they generated quasi-fiscal costs.

Nominal interest rates on loans and deposits in national currency fell. Real deposit and lending rates also declined as a result of the higher levels of inflation.

EL SALVADOR: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	3.5	3.4	2.5
Consumer prices	4.2	-1.0	3.4
Money (M1)	8.6	13.5	-0.8
Real effective exchange rate ^b	-1.5	1.2	0.6
Terms of trade	-2.5	-5.3	-5.6
<i>Percentages</i>			
Urban unemployment rate	7.6	6.9	6.7
Fiscal balance/GDP	-2.0	-2.2	-2.5
Real deposit rate	7.6	10.2	7.4
Real lending rate	12.2	14.9	11.9
<i>Millions of dollars</i>			
Exports of goods and services	2 742	3 090	3 490
Imports of goods and services	4 269	4 599	5 170
Current account	-85	-204	-205
Capital and financial account	387	409	210
Overall balance	302	205	5

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

Foreign exchange policy since 1993 has been geared towards the fixed rate of exchange; from the mid-1990s, a higher rate of inflation than that of the United States, combined with inflows of remittances, has contributed to a real revaluation of the colón of almost 20%. This has helped to stabilize the economy.

It is hoped that establishment of the nominal exchange rate from January 2001 will reduce the country's vulnerability to speculative attacks and bring interest rates down. This new exchange rate regime will, however, limit the degree of freedom enjoyed by the central bank, as it forfeits its role as lender of last resort and ceases to use monetary policy as a policy tool for dealing with external shocks.

The foreign trade policy focused on international trade negotiations, while maintaining the tariff reduction

programme. The free trade treaty between Mexico and the Northern Triangle (El Salvador, Guatemala, Honduras) was signed, and negotiations on the treaty on free trade and protocol with Chile were concluded. In addition, negotiations are continuing with the Andean Community and with Canada. A free trade agreement is being negotiated with Panama on maritime transport services and financial services.

The economy's slow growth since 1996 is attributable to the contractionary monetary policies adopted and to a sluggish performance by the external sector. In 2000, the strongest growth sector was transport, storage and communications (4.6%); this was followed by manufacturing (4.1%), mining and electricity, water and gas (3%); agriculture (2.7%) and construction (2.1%).

Inflation, which had been negative in 1999, rose over 3%, when the removal of government subsidies and the rise in fuel prices resulted in an increase in electricity rates.

Minimum wages remained unchanged between September 1999 and September 2000. In industry, commerce and services, the minimum wage has been maintained at 42 colones per day and in the agricultural sector, at 28.2 colones per day. In construction, the only sector where wages increased, they were raised from 64.02 colones to 71.03 colones per day for skilled workers, and from 52.15 to 57.86 colones per day for less skilled workers. The urban unemployment rate stood at 6.7%, slightly lower than the average for the period 1994-1999 (7.2%).

Performance in the external sector was less favourable than in 1999. The trade balance showed a deficit of US\$ 1.7 billion, 11% higher than in the previous year. The current-account deficit was maintained at a manageable level (1.6% of GDP), thanks largely to remittances from family members living abroad, which amounted to US\$ 1.58 billion.

The value of merchandise exports strengthened by 13%, owing mainly to exports from the maquila sector (20%). Exports to other Central American countries grew by 10%. Imports were up 14%, with the highest increases being recorded in the maquila industry (20%) and consumer goods (14%). Imports of raw materials also expanded (9%) as did capital goods (9%).

Guatemala

In the first year of the new Administration, Guatemala made progress towards restoration of domestic and external equilibria, which had been threatened by the expansionary fiscal policy applied in the preceding year and by the worsening terms of trade. According to estimates, inflation will have been in the order of 4%, international reserves will be higher, the nominal exchange rate will stabilize, and gross domestic product (GDP) will be up by 3.5%. In May, the Fiscal Covenant was signed, reflecting national consensus on tax reform and rationalization of public resources. In practice, the results have been limited. Lending by banks to the private sector remained sluggish.

In March, the authorities cut back the public budget for 2000 by 10%. Subsequently, the maximum rate of taxation on personal income and profits was raised to 31%, restrictions were placed on deductions for grants and reinvested earnings, the exit tax was increased, and new tax rates were established for alcoholic beverages. The tax burden is likely to have increased by 0.3 percentage point, exceeding, for the first time, 10% of GDP. From the second quarter onward, public expenditure increased, bringing the fiscal deficit to 2.5% of GDP. There were major distortions in the composition of public expenditure, and investment dropped 5% in real terms; nevertheless, consumption is expected to have kept pace with GDP (3.6%). In view of the limited progress made with fiscal reform, the meeting of the consultative group of international donors scheduled for November was postponed, tentatively to 2001.

Monetary policy sought to place the country on a low-inflation path; to that end, an attempt was made to control liquidity through intense participation by the Bank of Guatemala in open-market operations. From January to November, certificates of deposit totalling more than 6 billion quetzales were issued, triple the value obtained in 1999. This resulted in a change in the maturity profile and rates of such certificates. While in January, placements had a maturity of less than 180 days, in October, more than 50% had a maturity of over 336 days. The weighted average nominal interest rate fell six points, bringing the annualized rate to 18% in November.

These operations were a means of absorbing excessive increases in the money supply arising from public spending and to the rally in external capital flows. According to official estimates for 2000, liquidity (M2) is estimated to have expanded from 11% to 13%, a percentage that is consistent with established goals.

The high real lending rates (close to 15%) and the persistent problem of non-performing loans, continued to restrict credit to the private sector. The intense placement of bank paper by the Bank of Guatemala may have had the same effect, insofar as the private banking system tended to prefer such certificates. In November, bank lending to the private sector was scarcely 4.9% above the level of 12 months earlier in nominal terms. In 2000, unlike the previous year, the Bank of Guatemala did not grant loans for restructuring to alleviate the problem of non-performing portfolios. It should be noted that such loans did not provide for effective sanctions for non-fulfilment of restructuring goals.

The rate of the quetzal against the dollar fluctuated sharply at the start of the year, reflecting uncertainty about the elections, the worsening terms of trade and the relaxation of fiscal policy in late 1999. Subsequently, the restrictive monetary policy brought stability to the foreign exchange market. The quetzal is estimated to have depreciated by 3% in real terms in the course of the year, as a result of the wide gap in inflation levels between Guatemala and its trading partners.

GUATEMALA: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	5.0	3.6	3.5
Consumer prices	7.5	4.9	4.2
Money (M1)	13.5	14.2	29.2
Real effective exchange rate ^b	1.2	14.5	2.3
Terms of trade	-0.6	-7.5	-3.8
<i>Percentages</i>			
Unemployment rate	3.8	...	...
Fiscal balance/GDP	-2.2	-2.8	-2.5
Real deposit rate	-1.3	2.6	3.7
Real lending rate	9.1	13.6	13.9
<i>Millions of dollars</i>			
Exports of goods and services	3 467	3 435	3 745
Imports of goods and services	5 030	4 984	5 425
Current account	-998	-1 015	-1 025
Capital and financial account	1 241	890	1 700
Overall balance	243	-125	675

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

The authorities pressed forward with structural reforms after signing the free trade treaty between Mexico, El Salvador and Honduras. With effect from 1 January 2001, tariffs and other barriers to trade and intraregional investment were to be gradually dismantled. Sugar, coffee and bananas are not included under this treaty.

With respect to overall demand, the volume of goods and services exports, which expanded by 4.2%, showed the strongest growth, followed by consumption, which increased 3.6%, a similar percentage to GDP growth; conversely, investment declined. The volume of imports rose slightly (1.7%). A 9% contraction in public

investment was attributable to efforts to correct the fiscal deficit and, to some extent, to the typical delay in the start-up of new projects in the first year of any administration. The decrease in private investment was attributable to the uncertainty associated with the transition to a new government and to the credit squeeze. Questions in certain political circles as to the legitimacy of the privatization processes also perturbed the investment climate. At the sectoral level, the following sectors recorded a sharp fall in their contribution to GDP: construction (-12%) and mining (-5.1%); on the other hand, both manufacturing and agriculture recorded a moderate expansion (2.3% and 3%, respectively).

Inflation rose in the first quarter of the year, reflecting the increase in oil prices, telecommunications rates and wages, and the 5% depreciation in the quetzal against the dollar in the first half of January. However, thanks to a stringent monetary policy and some degree of recovery in the exchange rate, annual inflation estimated to have been 4% in 2000. The downturn in construction (-12%) and the slowdown in manufacturing activity (2.3%) had an adverse effect on formal employment. Moreover, a 10% rise in the minimum wage was approved in February, and an agreement was reached on the adoption of a scheme in the private sector for tying wage increases to productivity.

As in 1999, the balance of payments current account showed a deficit of over 5% of GDP. By contrast, there was a substantial inflow of short-term capital, including repatriation of funds by residents, which brought the international reserve balance to US\$ 1.8 billion, an increase of 50%.

A fall in coffee prices resulted in a decline in export earnings from this commodity despite a bumper crop. Sugar exports fell in both value and volume. On the other hand, non-traditional exports strengthened by 19.1%. Maquila exports expanded by 22.4%, despite the lack of new investments. Fuel imports increased by close to 50%. With respect to other imports, intermediate goods were up by 12%, and machinery, by 5.8%, while imports of consumer goods fell. The external public debt was reduced by 2% compared with 1999, and the debt servicing payment was equivalent to 4.7% of exports, a lower percentage than in 1999 (6.9%).

Honduras

The Honduran economy staged a strong reactivation, with GDP growing by close to 4% after having declined the year before. Per capita GDP increased by around 1%. The upturn in activity was led by the agricultural export and manufacturing sectors. In view of the economic significance of these activities, employment in the agricultural, manufacturing and maquila sectors was expected to improve somewhat upon its 1999 levels.

Economic policy was directed towards keeping major macroeconomic variables in balance, promoting the recovery and implementing the poverty reduction strategy that was required in order for Honduras to qualify for the Heavily Indebted Poor Countries (HIPC) debt relief initiative.

At 10.6%, inflation was close to its 1999 level. The fiscal deficit was equivalent to 4% of GDP and was financed mainly through loans and grants from abroad, which, by enabling the central government to avoid using domestic credit, reduced the inflationary impact of the deficit.

Tax revenues grew at a slightly slower rate than inflation. If non-tax income (11% of all public-sector revenues) is included, the central government recorded total income equivalent to almost 18% of GDP (1.5 percentage points less than in 1999). Total government expenditure declined slightly (from 22.5% to 21.9%). The most significant component was capital expenditure, much of which was associated with reconstruction work and the poverty reduction strategy called for in the country's 1999 agreement with the International Monetary Fund (IMF) (revised in early 2000). The reconstruction work carried out since Hurricane Mitch has proceeded more slowly than planned owing to implementation-related problems.

In view of the relatively abundant inflow of foreign exchange, the lempira tended to strengthen, and its annual rate of depreciation was approximately 5%.

As anticipated, the average tariff on final consumer goods remained fixed at 15% from January on. The northern triangle countries (El Salvador, Guatemala and Honduras) signed a free trade agreement with Mexico. The text was awaiting ratification by the respective congresses and was to enter into force in January 2001. The agreement negotiated with Chile in 1999 has been placed on hold, pending definition of tax reductions for sensitive products and details relating to rules of origin. Negotiations have been initiated or are being pursued with Panama, Colombia and the Andean Community, as well. Honduras has joined the customs union that was originally promoted by El Salvador and Guatemala.

Open-market operations have continued to serve as the authorities' main monetary policy instrument. By year's end government issues outstanding were almost double the December 1999 figure.

The annual variation in the broad money supply was 12.4%, the lowest in six years and scarcely more than half the rate recorded in 1999. The momentum behind net domestic borrowing came almost entirely from the use of public-sector resources to cover reconstruction expenses. Bank credit to the private sector is estimated to have increased by close to 10%, which is equivalent to a slight decline in real terms.

Lending rates trended downward but were still high, and spreads remained wide. Bank supervision was also strengthened and, as a result, an improvement was seen in bank capitalization and compliance with legal reserve requirements.

HONDURAS: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	2.9	-1.9	4.0
Consumer prices	15.6	10.9	10.6
Money (M1)	12.7	21.8	14.7
Real effective exchange rate ^b	-6.7	-3.1	-2.7
Terms of trade	2.3	-6.6	-5.8
<i>Percentages</i>			
Urban unemployment rate	5.2	5.3	...
Fiscal balance/GDP	-1.1	-2.9	-4.0
Real deposit rate	4.5	6.9	4.7
Real lending rate	15.0	16.6	14.6
<i>Millions of dollars</i>			
Exports of goods and services	2 476	2 312	2 625
Imports of goods and services	2 797	3 056	3 465
Current account	-42	-176	-430
Capital and financial account	184	474	270
Overall balance	142	297	-160

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

In December 1999, Honduras applied for the Heavily Indebted Poor Countries (HIPC) debt relief initiative. In June 2000, IMF and the World Bank determined that the country was eligible for the initiative, which is expected to provide US\$ 556 million in external debt relief at net present value, which is equivalent to close to 14% of the balance at year-end (estimated at approximately US\$ 4 billion). Two fifths of the reduction will be provided by bilateral creditors and the rest by multilateral agencies. The agreement includes an interim debt relief arrangement funded by IMF, the World Bank and the Inter-American Development Bank. The HIPC initiative requires Honduras to comply with a broad range of macroeconomic, social and institutional conditions.

Competitive bidding for the telecommunications firm, Hondutel, was declared void and privatization of the company was once again postponed, which will make it necessary to redesign the process. The agreement with IMF called for privatization of energy distribution, but the adoption of a framework law for the electrical power sector remains pending. As planned, operating concessions for the country's four international airports were awarded.

Domestic demand reacted moderately to higher consumer spending, which was fuelled by a wage increase in the early part of the year and, in subsequent months, by investment.

Agriculture was the fastest-growing sector and nearly doubled the overall GDP growth rate. This improvement is largely attributable to an upturn in export crops (bananas, coffee and African palm).

Manufactures also performed well. In both this sector and agriculture, however, financing problems continue to limit both the rate and the scale of the recovery. Transport, services and commerce all expanded, but the construction industry grew more slowly than expected. *Maquila* operations also continued to strengthen.

Inflation was in the double digits as a result of the rise in fuel prices, the increase in electricity rates and the effect of the 8% minimum wage hike.

The balance-of-payments current account deficit stood at US\$ 430 million, which represented an increase from 3.2% of GDP in 1999 to 7.2% in 2000. The imbalance was attributable to the country's US\$ 840 million trade deficit.

Merchandise exports were up by almost 20%. This improvement was based on the recovery of banana-producing zones, whose export volumes were two and one half times their 1999 level (although still 40% lower than in 1998) and to a more plentiful coffee harvest, which made up for the erosion of prices on the international market. Exports from the *maquila* industry expanded by 20%. Merchandise imports were 12% higher.

The current account deficit was offset by remittances from Honduran nationals residing in the United States (estimated at some US\$ 450 million) and direct investment flows (US\$ 170 million). The net balance of international reserves is estimated at US\$ 1.5 billion, or the equivalent of five months' worth of imports.

Mexico

The Mexican economy grew by 7%, thus outdistancing the target figure (4.5%) and the expectations formed early in the year (3.5%). Exports were buoyed by the United States economy and oil sales; imports matched their growth rate thanks to the strength of domestic demand and despite an increasingly restrictive monetary policy and tight bank credit. Rebounding real wages and rising employment drove up consumption by 8% and fixed investment by 11%.

The real appreciation of the peso helped to bring inflation down to 8.9%. High oil prices generated a surplus that bolstered the economy and paved the way for the achievement of the target figure for the fiscal deficit (1% of GDP). FDI continued to flow into the country and helped to cover the deficit on the current account of the balance of payments (3% of GDP). The banking system remained depressed, as it continued to be affected by the fallout from the 1994-1995 banking crisis.

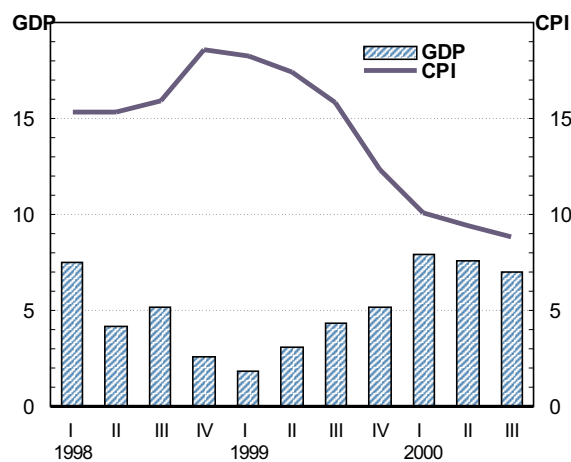
In 2001, the economy's growth rate is expected to slow to around 4.5%.

Economic policy focused on reducing inflation and keeping the external sector free from disequilibria, and this orientation took the form of tight monetary and fiscal policy measures. The financial armor put together in 1999 was reinforced by expanding the country's line of credit with international financial agencies and extending the North American framework agreement to December 2001, thus boosting the total from US\$ 23.7 billion to US\$ 26.44 billion.

Fiscal discipline and larger-than-expected inflows made it easier to finance public expenditure, which rose by 13.6% between January and September and was concentrated in education, health and social security (62%). Driven by the 28% jump in oil revenues, total public-sector income climbed by 15% to 35% of the total.

The net external public debt shrank by nearly US\$ 10 billion, falling to US\$ 73.4 billion, or 12.5% of GDP (as compared to 13% of GDP in the case of the

MEXICO: GROSS DOMESTIC PRODUCT AND INFLATION
(Percentage variation)



Source: ECLAC, on the basis of official figures.

private-sector debt). Part of the reduction in the public debt was made possible by the retirement of US\$ 6 billion in Brady bonds, which enabled the country to

pre-pay external obligations and thus realize savings in debt-servicing costs; US\$ 3 billion in debts owed to the International Monetary Fund were also paid off early.

The peso appreciated in real terms, as oil sales and abundant FDI inflows generated a plentiful supply of foreign exchange, as well as helping to build up international reserves. As an annual average, the peso was worth 7% more in real terms than it was in 1999 and 15% more than in 1998. This means that the Mexican peso's real value in 2000 was more or less the same as it had been before the 1994 currency crisis.

Monetary policy was tightened as the year progressed in order to contain inflationary pressures and prevent the economy from overheating. As a result of this policy stance, real interest rates on loans remained high, which did nothing to buttress the recovery of lending activity; net commercial bank credit to the private sector thus declined for the sixth year running in real terms, falling to just one fourth its 1994 level. The sluggishness of domestic financing for production was partly offset by non-bank mechanisms such as supplier credit and foreign loans.

Primarily through medium- and long-term issues, the public domestic debt rose to 11% of GDP. The liabilities of the Bank Savings Protection Institute (IPAB) were reduced to 14% of GDP as part of the strategy of using budget transfers, the proceeds from the sale of assets and bank dues to cover the real debt service. Taken together, the domestic debt and IPAB liabilities amounted to 25% of GDP.

Although economic activity slowed as the year wore on, GDP growth was the highest in 19 years (comparable to the 1997 rate), with transport and communications, commerce and restaurants, and manufacturing exhibiting particular buoyancy. The investment-output ratio climbed to over 20% and the domestic savings rate reached 21.7% of GDP, which was seven points higher than the 1994 figure.

The recovery of real wages, higher employment and non-bank credit mechanisms (mainly for the purchase of consumer durables) all contributed to a strong upturn in private spending. Retail sales were up by 10% in real terms and sales of motor vehicles had climbed by 33% as of October.

The primary sector picked up its pace of activity, and particularly strong showings were turned in by producers of wheat, rice, soybeans, tomatoes, sesame, beans, lemons and marine products. The manufacturing sector posted an average growth rate of over 7%, but trends in the various activities within the sector remained extremely uneven, since the smaller firms suffer from

MEXICO: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	4.9	3.7	7.0
Consumer prices	18.6	12.3	8.9
Real wages	2.8	0.9	6.1
Money (M1)	16.2	28.5	21.0
Real effective exchange rate ^b	3.3	-8.4	-7.0
Terms of trade	-3.5	1.9	2.5
<i>Percentages</i>			
Urban unemployment rate	3.2	2.5	2.3
Fiscal balance/GDP	-1.2	-1.1	-1.0
Real deposit rate	4.5	2.6	3.6
Real lending rate	11.1	7.9	7.6
<i>Millions of dollars</i>			
Exports of goods and services	129 387	148 601	182 275
Imports of goods and services	137 859	155 581	193 550
Current account	-15 726	-14 013	-18 960
Capital and financial account	18 936	18 290	20 760
Overall balance	3 210	4 277	1 800

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

chronic shortcomings. The fastest-growing activities were metal products, machinery and equipment. The automotive industry's total output amounted to 1.6 million units for the period January-October (28% more than in the same period of 1999); the production of vehicles for export was especially dynamic, rising by 35% to account for over three fourths of total production.

The number of persons employed in the formal sector exceeded 15 million (6% more than in 1999); in the *maquila* industry, a 14% increase in employment brought the total number of employees up to 1.3 million (30% of total manufacturing employment). Meanwhile, open unemployment crept towards the 2% mark. Underemployment was high, however, and this was reflected in the expansion of the informal economy, which provides 29% of all jobs in the country.

The increase in consumer prices (8.9%) was lower than the official target (10%). International

hydrocarbons prices did not carry over to domestic gasoline prices because of the policy of instituting gradual, pre-announced increases. In contrast, the price of natural gas (which is determined by international prices) nearly doubled, thereby impacting a number of industries.

In the second half of the year, there were signs that the downward trend in inflation could be bottoming out. Contractual wage hikes outstripped expectations; the increase in real wages was greater than the gain in labour productivity; aggregate demand grew faster than supply; and government-administered prices outpaced the targeted rate of inflation.

In October the Banco de México announced that the inflation target for the coming year would be 6.5% and proposed that this figure should be used as a benchmark for wage negotiations. Economic agents felt that it was unlikely that this target would be achieved, however, and contractual wage increases were set at around 11% instead. This suggests that inflation in 2001 may exceed the Banco de México target figure, but it would not prevent a further rebound in real wages, which were raised by 6% in the manufacturing sector and 7% in commerce.

The balance-of-payments current account ran a deficit of almost US\$ 19 billion (35% more than in 1999) which was covered primarily by long-term private-sector resources. This shortfall was the net outcome of a combination of deficits on the trade and services accounts and a surplus on the transfers account.

The merchandise trade deficit was around US\$ 8.2 billion (a 50% increase over the 1999 figure). The non-oil trade deficit is estimated to be about US\$ 20 billion, versus a negative balance of US\$ 12 billion in 1999. Total (goods and services) trade represented nearly two thirds of GDP.

Exports and imports grew at nearly the same rate (24%). Oil sales almost doubled due to the increase in prices (62%), since the volume of shipments rose by just 5%. Exports of manufactures climbed 20% and represented 87% of the total. Within this category, *maquila* exports jumped by 26% (47% of the total).

The expansion of domestic demand contributed to the 40% increase in imports of consumer goods (versus 9.6% in 1999), although these products represented a scant 9% of total imports. Imports of intermediate goods were up by 24% and continued to account for the largest share of the total. The United States was the country's main trading partner.

Foreign investment shrank from US\$ 22.75 billion to under US\$ 20 billion; this decrease was attributable to the decline in inbound portfolio investment, since direct investment amounted to an all-time record of US\$ 13 billion. The end result was a US\$ 21 billion surplus on the capital and financial account.

The free trade agreement with the European Union entered into force, and similar accords were signed with the Northern Triangle countries (El Salvador, Guatemala and Honduras) and the European Free Trade Association (EFTA) that will enter into effect in 2001.

Nicaragua

GDP grew by 5.5%, which was lower than the 1999 figure. Domestic demand contracted because private investment shrank in response to tight credit and high financial costs. The uncertainty typically observed during an election year was also a factor, as were the fiscal and monetary stabilization policies implemented early in the year. Domestic demand would have receded even further had it not been for the increase in public-sector consumption and the continuing high level of public investment. The country's financial system experienced solvency problems that led banks to raise their interest rates, and this had an impact on business activity.

Public accounts worsened and inflation climbed at a fairly moderate pace to 9.2%. The currency's rate of devaluation held steady, and this translated into an appreciation of the córdoba in real terms. Open unemployment shrank to 9% and the external sector's current account deficit was reduced by 10%, which helped the country to build up its net international reserves.

No headway was made in reducing the external debt—even though the country had been declared eligible for the Heavily Indebted Poor Countries (HIPC) debt relief initiative a year ago—owing to the existence of macroeconomic disequilibria that made it necessary to revise the targets agreed upon with the International Monetary Fund.

Progress was made, on the other hand, in the implementation of structural reforms, especially legislative or regulatory provisions for dealing with the pension system, social security, customs administration and the promotion of foreign investment. The two distributors for Enel, the country's electricity company, were sold, but the authorities were unable to transfer ownership of the generating companies, and the privatization of the telephone company, Enitel, fell behind schedule.

Despite corrective measures and improved management, the central government's deficit (after grants and donations) rose from 4.5% of GDP in 1999 to 5.5% in 2000. This increase was attributable to higher

expenditure on the reconstruction of roads and bridges washed away by heavy rains in the third quarter of 1999 and to the cost of introducing pension system reforms, holding municipal elections and implementing constitutional reforms that increased the size of the Supreme Court, the Supreme Electoral Council and the Office of the Comptroller-General.

The excise tax on goods produced by State-run industries was raised again, and rate hikes for basic utilities were adjusted.

The central bank made net placements of negotiable certificates of investment (CENIs) and foreign-exchange bonds (BOMEX bonds). These issues, together with higher reserve requirements, counteracted those factors that tended to bring about an increase in net domestic assets. These measures and foreign-exchange earnings from privatization operations reinforced the country's international reserves.

The year-on-year growth of monetary aggregates slowed. At the same time, net domestic credit expanded, mainly due to the combined effect of the withdrawal of deposits from the non-financial public sector's accounts with the central bank and the opening of a special line of credit which, upon the closure of the Banco Popular, permitted that bank's customers to withdraw their funds.

Inflationary pressure made it impossible for the authorities to continue with the reduction in the córdoba's rate of depreciation, and the real effective exchange rate consequently declined slightly.

Duties on imports of powdered milk, polished and unpolished rice, sorghum and yellow corn were raised above the ceiling rate (10%). At the same time, a guaranteed domestic floor price was established for soybean producers. In addition, the sector's tariff exemptions for imports of inputs and of intermediate and capital goods were extended up to December 2002.

Nicaragua joined with El Salvador and Guatemala in signing a tri-national declaration calling for the establishment of a regional system for ensuring economic and social justice and well-being, the formation of a customs union, the consolidation of the financial system, the strengthening of the Central American subregion and sustainable development. The creation of an interoceanic intermodal shipping corridor is also planned.

The public sector's total outstanding external debt is estimated at US\$ 6.65 billion, which is around US\$ 150 million more than the year before. In order to cover its external borrowing requirements, the government has relied primarily on loans that are extended on highly concessional terms.

On the supply side, the country's economic growth was based on the sustained pace of reconstruction work and the recovery of farm production, together with these activities' spillover effects on manufacturing, commerce and transport. On the demand side, the main contributing factors were public expenditure (on consumption and, to a lesser degree, investment) and rebounding exports, especially of traditional products.

Although the construction industry has remained buoyant, its pace of activity has gradually been declining because government allocations for the special reconstruction programme launched in the wake of Hurricane Mitch in 1998 are being scaled back and because private investment in non-residential construction is decreasing as a number of major hotel projects have reached their final stages.

Inflation is estimated to have reached 9.2%, or two percentage points more than in 1999. Higher utility rates, shipping charges, and prices for petroleum products and building materials were part of the reason for this rise.

Despite some wage hikes in the public sector and higher wage levels in a number of economic sectors, average real wages remained virtually constant. The country's economic growth is thought to have brought about a reduction in unemployment from 10.7% to 9%, but underemployment climbed once again.

The current account deficit was cut to US\$ 990 million thanks to a smaller trade deficit and a higher level of unrequited private transfers from abroad. The deficits

NICARAGUA: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	4.1	7.0	5.5
Consumer prices	18.5	7.2	9.2
Real wages	7.4	4.3	1.6
Money (M1)	17.1	20.7	16.0
Real effective exchange rate ^b	0.7	1.0	-1.9
Terms of trade	4.2	-7.2	-3.8
<i>Percentages</i>			
Unemployment rate	13.2	10.7	9.0
Fiscal balance/GDP	-1.8	-4.5	-5.5
Real deposit rate	-1.9	-0.9	-2.4
Real lending rate	7.8	9.8	8.3
<i>Millions of dollars</i>			
Exports of goods and services	830	840	925
Imports of goods and services	1 658	2 028	2 030
Current account	-813	-1 086	-990
Capital and financial account	583	995	1 000
Overall balance	-230	-91	10

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

on the services and income accounts were, for all intents and purposes, unchanged. Despite the decreases posted on the capital and financial account, at year's end it appears that the overall balance of payments generated a surplus and that the country managed to consolidate its net international reserves position.

The merchandise trade deficit (42% of GDP) narrowed by 7.5% as the value of imports held more or less steady and exports rebounded. Total exports of goods, including net exports of firms operating in the free zone, amounted to US\$ 690 million. This increase was led by higher sales of traditional products (coffee, sugar, bananas, lobster and shrimp) as well as of some non-traditional exports (including peanuts, cheese and cattle).

The higher value of imports of oil, fuels and lubricants played an important role in shaping the trend in the value of imports, since, owing to the slowdown in economic activity, imports of other raw materials and capital goods were sharply lower and imports of consumer goods were virtually flat.

Panama

For the third consecutive year, there was a slowdown in the Panamanian economy, with GDP growth coming to just 2.5%. The contraction in capital formation that followed the completion of large-scale infrastructure works and slackening consumption reduced domestic demand. External demand increased moderately, mainly as a result of an upsurge in sales in the Colón Free Zone, which had declined in the two previous years. Unemployment tended to rise, and the minimum wage was raised by 10% in August. Although the rise in international fuel prices drove up wholesale prices, consumer price inflation was less strongly affected. Cutbacks in public investment expenditure helped to reduce the fiscal deficit, and measures were taken to curb the country's large deficit on the balance-of-payments current account.

The main focuses of macroeconomic policy were to strengthen the financial position of the public sector, reduce the foreign debt and rein in the country's large deficit on the balance-of-payments current account. In support of the government programme, a precautionary special drawing rights (SDRs) arrangement was signed midway through the year with the International Monetary Fund.

In the first nine months of the year, the public sector's operations yielded a surplus equivalent to 0.9% of GDP, thereby ensuring its achievement of the goal set with the Fund, despite the central government deficit. One of the factors that made this possible was the reduction in capital expenditure, particularly by the central government, since there was a slight increase in current expenditure. Central government revenues grew by 2.1% owing to an increase in non-tax income (mainly the contributions to the Treasury made by public-sector companies), as tax receipts were 3.4% lower because of a reduction in indirect taxes.

The public-sector debt remained practically unchanged, with outstanding external liabilities standing at US\$ 5.445 billion. A US\$ 350 million global bond was placed on international markets, and the proceeds were allocated to the public investment programme. In addition, significant repayments were made, including a buy-back of US\$ 153.5 million in Brady bonds. The

issue of Treasury bills made it possible to amortize a number of domestic debts.

At the close of the third quarter, the assets of the international banking centre had increased by 2.4%. This was the net outcome of a decrease in international credit operations (-7.6%) due to continuing problems with the centre's main Latin American clients, and an increase in domestic lending (6.9%), although its expansion was slower than in 1999.

On the domestic front, there was a slowdown in the high rate of expansion of personal consumer loans, while other types of credit maintained their rate of increase (residential construction, commerce, industry and the primary sector).

Interest rates on loans slipped back to the level reached in August 1999, after a short period of marginal increases. The policy of providing preferential credit for low-income housing remained in force following a decision taken in September 1999 to continue its implementation.

The country's largest privatization operations were carried out in previous years, and in 2000 no progress was made in the plans to transfer ownership of the public radio and television services, the international airport, the Atlapa Convention Centre or the water and sewerage utility, IDAAN. On another front, negotiations with Chile and Mexico on a trade and investment agreement

PANAMA: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	4.4	3.0	2.5
Consumer prices	1.4	1.5	1.4
Terms of trade	-0.1	2.5	-5.7
<i>Percentages</i>			
Urban unemployment rate	15.2	14.0	15.2
Fiscal balance/GDP	-5.4	-2.3	-2.4
<i>Millions of dollars</i>			
Exports of goods and services	8 078	7 015	7 510
Imports of goods and services	8 857	7 814	8 340
Current account	-1 175	-1 376	-1 240
Capital and financial account	712	1 228	840
Overall balance	-463	-148	-400

Source: Statistical Appendix.

^a Preliminary estimates.

did not prosper, but talks with the Central American countries on market access for goods, trade in services and investment continued.

Although there was an upturn in activity within the Colón Free Zone –after two years of declining activity that had triggered a 22% drop in re-exports– the momentum of international services waned, particularly in banking. The main areas of activity serving the domestic market turned in a very uneven performance, but the general trend was downward. In the third quarter, however, there were signs of a reactivation.

The net cargo shipped through the Panama Canal rose by 2.4% and toll receipts increased by 2.6% in the first nine months of the year. The moderate expansion of port services marked a contrast with the growth rate recorded for 1999.

The construction industry's growth rate slowed to 2% following a 16% increase in 1999. The agricultural

sector grew by a scant 0.7% after having declined by a slight amount in 1999; the improvement was the result of the combined effects of rebounding banana production and a smaller basic grain harvest owing to the drought, which had a particularly severe effect on the rice crop.

With domestic demand weakening, domestic commerce slumped by 5.8%. For the second year in a row, manufacturing production contracted by about 5% as the sector continued to adjust to the new conditions created by of trade liberalization.

Consumer prices climbed by about 1.5%. Wholesale prices were up by 9% owing to the frequent adjustments made in fuel prices in line with international price trends. These adjustments made it possible to maintain the traditional differential between the two indices.

Owing to the decrease in production activity, especially in the wake of the downturn in investment, the unemployment rate for the metropolitan region increased from 14% to 15.2% between August 1999 and August 2000.

The current account deficit amounted to US\$ 1.24 billion, a figure equivalent to 12% of GDP and slightly less than the US\$ 1.376 billion recorded in 1999. This was mainly due to the results for merchandise trade, as services continued to show a significant surplus. Financing for the current account came mainly from FDI inflows amounting to about US\$ 400 million.

Exports of goods, which grew by 6.7% in terms of value to US\$ 5.665 billion, were led by the recovery of re-exports from the Colón Free Zone. Exports of domestically-produced goods, which represent 13% of the total, climbed by 6% thanks to higher sales of products such as flour and fish oil, shrimp larvae, coffee and sugar. On the other hand, sales of bananas, shrimp, cattle and petroleum products fell.

Imports of goods were up by 6.3%, particularly because of the 11.3% increase in purchases by the Colón Free Zone. National imports, representing one half of the total, were virtually flat, even though oil imports increased by 53%. There were significant reductions in imports of capital goods (-8%) and of transport and communications equipment (10%).

The services account posted a surplus on the order of US\$ 650 million. This result was associated with Panama Canal operations and a 23% increase in earnings from tourism.

THE CARIBBEAN

Barbados

In the first nine months of 2000, the Barbadian economy recorded growth of approximately 3%, maintaining a performance similar to that of the previous five years. Inflation, measured by the consumer price index, remained low despite the rise in international oil prices at a time when unemployment was falling. The government fiscal deficit was slightly lower than that recorded at the end of the same period of 1999.

Domestic liquidity expanded, since deposits exceeded loan disbursements and assets abroad increased. Net international reserves grew significantly thanks to an excellent performance by the tourism sector, strong capital inflows, both in the public and the private sector, and the lower demand for imports. At the end of September, accumulated reserves stood at US\$ 1,018 billion, equivalent to 24 weeks' worth of imports, which was significantly higher than the 15-week average recorded for the last three years.

Tourist activity was the main growth factor and the largest foreign-exchange earner. This meant a qualitative change with respect to 1999, when non-tradables, especially construction, had been the most robust sector of the economy. In the first nine months of 2000, real production in the tourism sector grew by approximately 7%. This meant a reversal of the decline recorded for the same period of 1999. Long-stay tourist arrivals increased by 5% as a result of activities on the United Kingdom and

BARBADOS: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	4.8	2.5	3.0
Consumer prices	2.1	2.6	1.8
Real effective exchange rate ^b	-0.1	-0.9	0.9
<i>Percentages</i>			
Unemployment rate	12.3	9.8	9.3

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

United States markets. Cruise ship passenger arrivals shot up by 23%, as new cruise lines arrived. In the same period of 1999, this category of passengers had declined by 20%.

The manufacturing sector, which had to face greater regional and international competition, saw its production dip by 0.5% in the first nine months of the year. Growth in the garments, electronic components, beverages and non-metal products subsectors was countered by a decline in chemicals, wood furniture and food processing.

The vibrancy of tourist activity had a positive influence on growth in wholesale and retail trade (3.6%), transport, storage and communications (3.6%), and corporate and other services (2.8%). Construction, which had already suffered a slowdown in the first half of the year, picked up in the third quarter and attained a cumulative growth of approximately 1%, compared with 5.4% in the same period of 1999.

According to data available at the end of March, the unemployment rate was estimated at 9.3%, which represented an improvement over the previous year's figure of 11.1%. Hiring of women in manufacturing, wholesale and retail establishments reduced the female unemployment rate, while jobs for men were to be found mainly in the services sector.

The build-up of reserves and a slight expansion in lending to the private sector (1.2%) resulted in an increase in domestic liquidity. At the end of September 2000, the liquidity overhang was 9.6% compared with 3.6% at the end of December 1999. The increase in domestic liquidity was reflected in a 5.4% expansion in domestic deposits. The excess liquidity contributed to a decline in the interest rate on treasury bonds from 6.05% at the end of December 1999 to 4.46% at the end of September 2000. In view of this situation, on 1 September 2000, the central bank lowered the interest rate on securities by one percentage point and the minimum rate on deposits from 5% to 4.5%. The lower

cost of credit was also designed to help the manufacturing and agricultural sectors.

The fiscal deficit stood at US\$ 57.9 million by the end of the third quarter, some US\$ 3.5 million below the corresponding figure for the same period in 1999. The improved system of tax collection helped to raise total revenues by 9.5%, thanks to substantial inflows from direct and indirect taxes. Higher direct tax revenue reflected the increase in personal income tax (12%), corporate tax (14%) and property tax (14%). In the case of indirect taxation, the increase was due to a 13% expansion in the value-added tax (VAT) thanks to more efficient recovery of delinquent taxes. Moreover, non-tax revenues expanded by 14%.

Total expenditure grew by 8.8%, mainly as a result of a 9% increase in current expenditure, which included the payment of wage and salary increments. For the full year 2000, the government fiscal deficit was projected to reach 2% of GDP.

The greater vibrancy in the tourism sector, especially in the first half of the year, was one of the main factors in the build-up of reserves in the first nine months of 2000. International reserves were projected to expand by around US\$ 400 million. Income from tourism was up approximately 10% compared with a 3.3% decline in the corresponding period of 1999. Imports for the national economy contracted by 4%, compared with an increase of more than 8% in 1999; a decline in imports of consumer goods reflected lower automobile imports. The reduction in foreign purchases of capital and intermediate goods was due to a slowdown in construction and the use of stocks imported in 1999.

The capital and financial accounts recorded income of some US\$ 450 million, consisting mainly of long-term capital inflows in the public and private sectors. In the case of the former, total net inflows amounted to almost US\$ 235 million, while in the latter case, they amounted to US\$ 216 million, and were intended mainly for tourism and public service projects.

Cuba

Buoyed by the tourism sector and a considerably larger sugar-cane harvest, the Cuban economy expanded again (5.5%) in 2000, and per capita GDP consequently rose (by slightly over 5%) for the seventh year in a row. Despite all the ground gained since the crash of 1990-1993, however, per capita GDP was still 17% lower than it had been in 1989. The current account deficit deepened further, primarily because of the deterioration in the country's terms of trade brought about by soaring international oil prices. Domestic prices declined by 3% while the parallel exchange rate held at 21 pesos to the dollar and the official rate remained at the same level as it has for decades (one peso to the dollar).

The fiscal gap widened from 2.2% to 2.6% of GDP as expenditure rose more sharply than revenues. Direct tax receipts climbed but revenue from indirect taxes fell, and the income from these two types of levies consequently came to represent 15% and 21% of GDP, respectively. Profit and labour taxes rose, but personal income tax receipts were flat due to a decline in the number of own-account workers (private transport operators, artists, landlords, small-scale sugar-cane producers and middlemen in the free market for surplus farm produce). The decrease in receipts from the circulation and sales taxes was chiefly due to lower sales of cigarettes and rum.

Current expenditure rose but capital expenditure fell. Increases were seen in current outlays on social welfare, education, health, housing, community services and defence and public order. At the equivalent of over 23% of GDP, social expenditure continued to represent a very large share of total spending.

Efficiency gains and the reactivation of production accounted for both the reduction in subsidies for loss-making State enterprises and the lower level of economic assistance provided to basic cooperative production units. Nonetheless, budgeted price-differential and product subsidies were raised for the third year running (6.4% of GDP). Monetary liquidity outside banks (cash in circulation and regular savings accounts) expanded, but because of the economy's growth, the cumulative liquidity coefficient slipped from 35.9% of GDP in 1999 to 34.3% in 2000.

CUBA: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	1.2	6.2	5.5
Consumer prices	2.9	-2.9	-3.0
Nominal parallel exchange rate	-8.7	-4.8	5.0
<i>Percentages</i>			
Unemployment rate	6.6	6.0	5.8
Fiscal balance/GDP	-2.2	-2.2	-2.6
<i>Millions of dollars</i>			
Exports of goods and services	4 132	4 309	4 842
Imports of goods and services	4 889	5 024	5 766
Current account	-393	-456	-674
Capital account	409	486	700

Source: Statistical Appendix.

^a Preliminary estimates.

Fixed-term deposits climbed to 700 million pesos (2.4% of GDP).

Thanks to the depreciation of the euro and other currencies, the external public debt shrank by 0.7% to

US\$ 11 billion, which is the equivalent of 38% of GDP or 2.3 times the value of the country's exports of goods and services. Cuba's main creditors are Japan, Argentina, Spain and France. Cuba paid off the short-term debt it owed to France during the year.

The economic reform process proceeded gradually and selectively within a tight external financing environment. Accordingly, the authorities placed priority on managing the immediate economic situation and dealing with the difficulties created by the more severe shortage of foreign exchange.

The most progress of all was made by the management training and upgrading programme, whose coverage was extended to 35 public-sector agencies. This resulted in more decentralized management structures and a decrease in budgeted subsidies. In addition, 370 joint ventures have been launched that involve investments totalling US\$ 4.3 billion.

Total supply grew in step with output and imports of goods and services, but the growth of external demand (11%) continued to outpace domestic demand (3.2%). The increase in exports of goods and services was associated with larger sales volumes for both traditional (sugar and nickel) and non-traditional products, as well as with the country's buoyant tourism industry.

Unlike the year before, investment rose more sharply than consumption (9% versus 2.5%). Priority was assigned to capital formation in the tourism, energy and agricultural sectors and to the production of goods and services destined for the domestic dollar market. Private consumption continued to grow thanks to higher sales on the State-controlled market, in State-run public food centres and on the open market for farm produce.

Growth was seen across the board, but was particularly strong in tourism and financial services, mining (10%) and construction (7.6%). Slower growth was registered for electricity, gas and water (6.9%), commerce (6.8%), transport, storage and communications (6.4%), manufacturing (4.9%), agriculture (3.1%) and government services (2.9%).

The expansion of international tourism slowed from 13% the year before to 10% as the euro depreciated sharply and international air travel thus became more expensive. Gross earnings were up by 10% and the imported component of tourism activity dropped to 46%

(from 50% in 1999). Net foreign-exchange earnings thus climbed by 19%.

The 1999/2000 sugar-cane harvest produced 10% more raw sugar than the year before, but estimates for the coming year point to no more than a small increase owing to the damage caused by the drought that recently hit the country's cane plantations.

In the energy sector, a significant increase was recorded in the production of oil and natural gas (32% and 30%, respectively), and oil refining capacity was expanded by a factor of 2.5. By year's end, the country was producing enough crude oil to cover 70% of its electricity generation needs, as compared to 41% the year before.

The price control policy was maintained, and product and price-differential subsidies were raised. The consumer price index (CPI) declined once again (-3%) as government-regulated prices remained stable and prices on the open market moved downward in response to greater supply. The higher value of sales on agricultural markets was the net effect of a larger volume and lower prices.

The average nominal monthly wage climbed by 6%, with 70% of the employees on the budgeted payroll receiving wage hikes of between 15% and 50%. The system of foreign-exchange and local-currency incentives was also expanded (11%; 1.2 million workers). Given these circumstances, labour productivity rose by 6% and unemployment dropped to 5.8%.

The current account deficit swelled from 1.6% to 2.3% of GDP as a result of the wider gap in merchandise trade. The increase in the latter deficit was chiefly attributable to higher oil prices, since the volume of merchandise exports grew more rapidly than the volume of imports. A larger surplus was recorded on the services balance as a result of increases in international tourism and in income from telecommunications services. Transfers in the form of remittances were up, while net factor payments remained at virtually the same level as the year before. A larger surplus on the capital account provided enough funds to cover the current account deficit and add a small amount to the country's meagre international reserves.

Guyana

As a result of the strong performance of the mining and services sectors in 2000, it is estimated that GDP grew by approximately 3%, a similar rate to the 1999 figure. Production fell in the agricultural and manufacturing sectors. Both labour productivity and the number of hours worked increased, owing to capital investments in the diamond and bauxite industries. In spite of wage increases, inflation declined in keeping with the relative stability of the exchange rate and the controlled expansion of the monetary base.

In the first half of 2000, higher net capital inflows kept the exchange rate relatively stable. In fact, the depreciation against the United States dollar was less than 1%. Monetary policy continued to focus on price stability and prudent management of domestic liquidity, and this resulted in a slowdown in expansion of the monetary base. This, combined with the slow increase in credit to the private sector, curbed expansion of broad money. In order to cope with the excess liquidity in the system, authorities resorted to issuing treasury bills, and this increased the government's domestic debt.

The balance of payments moved from a deficit position to a surplus, thanks to the substantial inflows of private investment capital, which was more than enough to offset the increase in the current account deficit. The latter was due in part to the worsening terms of trade caused by the rise in fuel prices and to the continuing weakness of the euro vis-à-vis the United States dollar.

In spite of poor weather conditions, GDP growth was 2.9% in the first half of 2000, compared with 2.1% in the same period of the preceding year. In services and in the bauxite, diamond, gold and a few other manufacturing industries, output surpassed the 1999 level, but bad weather contributed to a fall in the production of sugar, rice and most other agricultural products. Value added in agriculture and forestry declined by 8%, in contrast to an expansion of 24% in 1999. Sugar production dipped 15% in comparison with the preceding year to stand at 106,247 tons, but this was still 4% higher than the target figure. Unfavourable weather conditions reduced the harvest, diminishing the sugar yield per ton of cane from 0.11 in 1999 to 0.09 tons.

GUYANA: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
	<i>Annual growth rates</i>		
Gross domestic product	-1.7	3.0	3.0
Consumer prices	4.3	8.6	4.8

Source: ECLAC, on the basis of official figures.

^a Preliminary estimates and projections.

Sugar exports declined by 5% to 115,330 tons, while domestic sales dropped by 4%, as a result of a fall in demand from beverage manufacturers and food processors.

Rice production totalled 187,000 tons; this was 3% less than in the preceding year and 15% short of the target. This was partly due to a reduction in the area under cultivation (-6%) and in the harvested area (-7%) in 1999. Exports contracted by 3%, to 107,483 tons. In the fisheries industry, catches fell from 22,155 tons in 1999 to 15,870 tons in 2000. Cattle production was up in the first half of 2000, while the forestry sector showed a 5% decrease, to 212,455 cubic metres of logs and other products. Log production itself declined by 9,833 cubic metres.

Value added in the mining sector increased by almost 7%, as a result of the increase in the production of

bauxite and gold. In the case of bauxite, production expanded by 25%, to 1,382,600 tons, owing to improvements in mining operations. Declared gold production increased by 5%, to 227,000 ounces, which contrasts with the 6% decline recorded in the first half of 1999. Diamond production rose by 84.8%, to 35,506 metric carats; this may be compared with 14% growth in the first half of 1999. As in the case of gold, this increase is attributable to the stronger prices on international markets.

Unlike its performance in the first half of 1999, the services sector recorded significant real growth. The strongest growth occurred in the transport and communications subsector (24%), which was followed by engineering and construction (16%) and government services (12%). Distribution and other services showed an increase of 9.9% and 6%, respectively, while financial services suffered a 0.7% contraction.

In the first half of 2000, the consumer price index was up 1.8%, compared with 5.8% in the same period of the previous year. This index showed an annual variation of 4.6%, compared with 8.6% in 1999. The increase in prices in 2000 was due basically to imported inflation, the most important factor in which was the rise in international fuel prices.

Nominal income rose in 2000 as a result of the wage increases approved in the second half of 1999 and the first half of 2000. Wages in the public sector were raised in accordance with a ruling from the arbitration tribunal for across-the-board increases. In addition, pensions of civil servants were adjusted. Labour relations were more harmonious, compared with the conflictual situation observed in 1999. Employment was down slightly in the first half of 2000, as a result of the freeze on hiring in the public sector, which had its staff cut by 3.2%.

Central government revenues increased considerably, bringing the current account position from a deficit of 630 million Guyana dollars (G\$) at the end of June 1999 to a surplus of G\$ 1.3 billion at the end of June 2000, thus reducing the overall deficit from G\$ 4.6 billion in 1999 to G\$ 2.7 billion in 2000.

The overall balance of payments position moved from a deficit of US\$ 12 million at the end of June 1999 to a surplus of US\$ 11 million at the end of June 2000, thanks to a substantial increase in capital inflows, especially from foreign investment. The current account showed a decline, which was due largely to the sharp drop in the merchandise trade balance, while the surplus on the balance of payments contributed to an increase in net external assets of the Bank of Guyana.

Haiti

According to the preliminary indicators for the Haitian economy for the year 2000, the gross domestic product (GDP) expanded by a little over 1%, and macroeconomic stability was weakened. Inflation increased to 18%, the fiscal deficit rose to 2.6% of GDP, the current-account deficit of the balance of payments reached 2.5% of GDP, and the exchange rate depreciated sharply (44%). The significant fall in the terms of trade and the rise in the oil bill were particularly damaging for the national economy. The real sector of the economy has been chronically sluggish, except in the case of construction, where public-sector infrastructure activities have been fundamental.

External restrictions continued as the major political events that occurred (legislative and municipal elections in May 2000 and presidential and senatorial elections on

26 November) did not bring the country out of its standstill.

In addition to the deficit, public accounts deteriorated. Income declined by 15% in real terms, while outlays contracted by 11% despite the significant growth in earnings (9%), special expenditure (37%)—especially in connection with the elections—and capital expenditure (8%). In response to the accelerated rise in the fiscal deficit, in the second quarter, the authorities tried to bring government spending in line with receipts, based on a joint cash-management plan devised by the Ministry of Economic and Financial Affairs and the Bank of the Republic of Haiti (BRH). Nevertheless, the gap between the aims set with the International Monetary Fund and the progress made became more obvious every day, and owing to the lack of external resources, the Bank of the Republic took over practically all central government financing.

The monetary authorities increased the restrictive measures aimed at controlling liquidity in the economy, in particular by increasing the returns on BRH bonds from 10.3% to 26.7%, raising the reserve requirement (from 12.5% to 21% on dollar deposits, and from 26.5% to 31% on gourde deposits) and shortening the time limits for achieving those levels to 15 days.

In July 2000, the average monetary base had grown by 21%, while broad money (M3) had increased by 25%, which represented an expansion of 10% in real terms. The dollarization process continued to deepen, given that in the context of a highly volatile exchange market, 44% of deposits were made in dollars, as were 41% of loans. In 1999, both indicators stood at around 32%. Bank lending to the government was up by 27%, while credit to the private sector grew by 20%.

The national currency depreciated by over 40% against the dollar. To compensate for this phenomenon, the Bank of the Republic sold foreign currencies up till March, to a cumulative value of approximately US\$ 17 million, but failed to achieve its objective. In view of the reserve losses suffered and the limited impact of the measures taken, the Bank ceased to intervene during the second half of the year.

The restructuring of public enterprises does not seem to have made great progress. In fact, the privatization of TELECO (telephone services), as well as APN (ports), AAN (airports) and EDH (electricity) has been suspended owing to the deadlock in the legislature in recent years. Of the two companies that have been restructured—Les Moulins d'Haïti S.A. and Ciment d'Haïti—only the former (with 30% of shares owned by the State) is in the operating stage.

The limited growth in production was due to both the low level of consumption (0.8%) and the modest performance of exports (1.5%). The rise in domestic

investment (1.3%) was largely due to government infrastructure projects. Imports scarcely changed.

The most dynamic sectors were construction (4.6%) and manufacturing (2%), but this growth did not compensate for the decline in agricultural activity (-1.3%), which accounts for almost one-third of production. This drop was caused by the fall in international coffee and cacao prices (-8% and -20% respectively), the lag in production for domestic consumption and the shortage of credit.

The construction sector developed exceptionally well, to a large extent because of public works. The maquila industry continued to show the highest level of growth. Nevertheless, textiles, which account for most maquila activity, declined in terms of both value exported (-2.3%) and volume (-5.1%). In the electricity sector, gross generation was reduced by 1.8%.

The rate of inflation was 18%, and there were sharp increases in March and September which were associated with the general rise in fuel prices. After four years of stability, the government decided to increase fuel prices by 45% in response to the increase in the oil bill, the growing loss in related tax income (about 1 billion gourdes) and the adjustments made to put prices

HAITI: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	3.1	2.3	1.0
Consumer prices	7.4	9.7	18.0
Real effective exchange rate ^b	-5.3	-5.2	10.9
Terms of trade	2.0	-1.4	-7.5
<i>Percentages</i>			
Fiscal balance/GDP	-2.4	-2.5	-2.6
<i>Millions of dollars</i>			
Exports of goods and services	479	524	520
Imports of goods and services	1 022	1 170	1 270
Current account	52	143	-100
Capital and financial account	-18	-122	50
Overall balance	34	21	-50

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

on the same level as those in the Dominican Republic, in order to avoid differences which could lead to an increase in smuggling of those products.

The balance of payments posted a negative current-account balance of the order of US\$ 100 million, and was associated with the low level of foreign aid resources, net disbursements of which scarcely reached US\$ 9.2 million during the fiscal year, and especially to the US\$ 55 million net loss of reserves. The commercial

balance showed a growing deficit in the trade of goods (18%), owing to a fall in exports (-2%) and an increase in imports (8%). The oil bill, in particular, doubled during the fiscal year.

In view of the persistent external restrictions, there was only a marginal variation (2.7%) in the net balance of public foreign debt (US\$ 1.2 billion). New disbursements rose slightly to US\$ 49.8 million, while payments for debt service and amortization (US\$ 40 million) were similar to those of previous years.

Jamaica

Current trends point to zero growth in GDP and a consolidation of macroeconomic stability. The rate of inflation increased, but remained in single digits. The price escalation was due largely to the rise in oil prices, devaluation and weather conditions. The increase in the international price for oil products continued to have a negative impact on the current account position, although the higher capital inflows were more than sufficient to offset borrowing requirements. For the first nine months of 2000, the exchange rate increased by 7.6% (3.6% in September).

The fiscal position was favourable, as the central government deficit declined to 3.93 billion Jamaican dollars in the first six months of fiscal 2000-2001, thanks to an increase in current revenues resulting from a more efficient collection system and an increase in non-tax income deriving from higher revenues from loan interest payments. Current expenditure increased by 5.7%, compared with an increase of 3.4% between April and September 1999, while capital expenditure increased by 7%.

Performance improved in construction and installation, manufacturing, transport, storage and communications, and financial services. The utilities sector and tourism continued to show a positive performance. Agriculture and mining contracted, while activities in the distribution sector remained sluggish.

In January 2000, the total labour force participation ratio was 2.8% lower than in October 1999. Most of the job losses occurred in the manufacturing and financial

JAMAICA: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	-0.7	-0.2	0.5
Consumer prices	7.9	6.8	8.7
Real effective exchange rate ^b	-4.6	-7.5	1.4
<i>Percentages</i>			
Unemployment rate	15.5	15.7	15.8

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

sectors as a result of the slowdown in activities in these areas. Nevertheless, these losses were partially offset by new jobs in the distribution, hotel-and-restaurant and construction sectors.

The drought which affected the agricultural sector and the high cost of planting materials cast doubts as to the sector's chances of recording growth in the year 2000.

Between January and August 2000, performance indicators in the construction sector showed positive changes, prolonging the trend observed in the second half of 1999. Housing starts and completions increased by 69% and 148% respectively. The 7.9% expansion in cement sales, the 6.3% increase in the value of imports of construction materials and the financial resources made available to the sector by some mortgage institutions were other positive indicators.

In the first half of 2000, the manufacturing sector showed a 1.8% expansion. The main factors contributing to growth were the stronger domestic demand for a variety of products, including beverages, and the improved efficiency of several companies. In the energy sector, the oil refining industry resumed production, albeit at relatively low levels. Output by the local refinery for the first half of 2000 totalled 2.8 million barrels or twice the amount produced in the same period of 1999. Hence, the volume of crude oil imports increased by 172.5%. The value of imports of crude and refined products in the first half of the year increased by 131.3% over the previous year. Electricity consumption was up 6.9%. The increase in overall sales reflected higher sales to a wide range of consumers.

The transport and communications sector recorded increased activity. Total visitor arrivals went up by 12% in the first six months of 2000, while cruise ship passenger arrivals were up 18%. Tourist spending is

estimated to have improved by 9% compared with the corresponding period for 1999.

In the communications subsector, total net installations between January and June 2000 comprised 29,203 master stations, or 40% more than those recorded in the same period of the preceding year.

Total bauxite output declined by 8.2% between January and August 2000, compared with a 1.3% increase in the corresponding period of 1999. This was due essentially to a 37.7% fall in value added in the crude ore subsector. Alumina production was up 1%, reflecting a slower rate of increase than in 1999.

In the first half of 2000, the profitability of some of the main commercial banks improved, while credit unions and building societies recorded a higher gearing ratio, as they continued to practice prudential management of existing asset portfolios and loan performance supervision. Nevertheless, the commercial lending market remained sluggish. By the end of June 2000, loans and advances had grown by 2.4% in comparison with June 1999.

The twelve-month rate of inflation to June 2000 was 8.7%, compared with 6.8% in 1999. This increase stems mainly from factors such as the prevailing drought and the rise in oil prices. Nevertheless, core inflation remained low, with the monthly average between January and July 2000 at 0.22%.

The balance of payments current account deficit widened by US\$ 19 million between January and May 2000, as a result of the deterioration in the merchandise trade account. This deterioration was due largely to the increase in the total cost of oil imports. Moreover, there were higher levels of remitted earnings especially in the case of mining companies, which benefited from stronger prices. Private investment flows and the official debt enabled authorities to build up US\$ 326 million in international reserves over the period.

Dominican Republic

Notwithstanding the rise in oil prices, which placed a considerable burden on macroeconomic policy management, economic activity in the Dominican Republic grew by 8.5%, buoyed up by communications (14%), manufacturing (12%) and tourism (11%). The fiscal deficit widened to 1.5% of GDP, while the rate of inflation, at over 8%, was higher than in 1999. Capital inflows were not sufficient to offset the deficit on the current account (6% of GDP and 3 percentage points above the projected level), resulting in a negative overall balance-of-payments position.

The new administration, which took office in August, proposed State reform based on decentralization, institution-building and rationalization of public finances through a heavier tax burden and higher social spending.

The central government fiscal deficit was equivalent to 1.5% of GDP, one percentage point more than in 1999. Revenues expanded by almost 10% in real terms, while expenditure increased by more than 16%. Almost all tax and non-tax revenues increased in accordance with the rate of economic activity. The exception was revenue from the oil price differential (the margin that government takes on the sale of fuels). This revenue declined in 2000 (-47% in January-October), since the full impact of the rise in international oil prices was not reflected in domestic prices. In view of this situation, authorities introduced a fixed tax per gallon of fuel and introduced a bill on taxation of fossil fuels and oil products, with a view to regulating the market in that area.

Current expenditure received a boost in the early part of the year, only to be reduced later by the incoming authorities, who sought to curb aggregate demand and check potential inflationary pressures. The increase in capital expenditure in the first few months of the year was due to efforts to maintain productive infrastructure and work on projects already underway (communications, buildings and urban construction works). Subsequently, the new authorities decided to reduce the rate of government investment as a part of their austerity programme.

The fiscal reform project contained in the Tariff Reform and Fiscal Compensation Act envisages raising the tax on the transfer of goods and services from 8% to

DOMINICAN REPUBLIC: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	8.2	8.3	8.5
Consumer prices	7.8	5.1	8.1
Real effective exchange rate ^b	6.4	5.1	-0.1
Terms of trade	1.1	0.8	-6.5
<i>Percentages</i>			
Unemployment rate	14.3	13.8	13.9
Fiscal balance/GDP	0.6	-0.4	-1.5
<i>Millions of dollars</i>			
Exports of goods and services	7 483	7 987	8 975
Imports of goods and services	8 917	9 289	11 125
Current account	-337	-429	-1 270
Capital and financial account	351	592	1 015
Overall balance	14	163	-255

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

12% and expanding its scope, changing the excise tax rate and levying new taxes on luxury dwellings and corporate earnings.

A restrictive monetary policy was applied for most of the year in an attempt to correct fiscal and external disequilibria; thus, interest rates were raised and the commission on foreign-exchange transactions was maintained so as to meet foreign debt obligations. The new authorities adopted a foreign-exchange policy based on progressive depreciation. Towards the end of the year, monetary policy was partially relaxed to avoid an abrupt slowdown in productive activity.

Existing international reserves were sufficient to keep the official exchange rate at a constant level from February to September; thereafter, the currency started to slide, proving more attractive to sectors that were obliged to exchange foreign currency. Meanwhile, there was no substantial variation in the open market rate.

In the area of trade policy, export-reactivation and promotion regulations were adopted, and negotiations were concluded on the protocol relating to the establishment of the free trade agreement between the Dominican Republic and the Caribbean Community.

As part of the reform process, the authorities decided to review contracts for capitalization of the Dominican Electricity Corporation (CDE). It was also established that sales or lease operations or the transfer of assets or property of public-sector companies were subject to approval by the Public Enterprise Reform Committee.

The growth in aggregate demand (9%) was led by consumption (11%), which reflected higher levels of economic activity, unrequited transfers and imports. Meanwhile, exports expanded by 8%. Investment declined as a result of the decrease in government investment and the increase in real interest rates.

Agriculture (up 6.9%) benefited from increases in production capacity, rehabilitation of plantations and favourable weather conditions. Mining picked up (18%), following the rise in nickel prices in the early months of the year.

Manufacturing was strong (12%), thanks to the ready availability of raw materials, the efficiency of production processes and the expansion in production capacity. The free zones (up 8%) lived up to expectations generated by the entry into force in October of the expanded benefits granted under the Caribbean Basin

Initiative (CBI). Approval was granted for the incorporation of 85 companies, resulting in the creation of 30,000 new jobs.

The slowdown in the construction sector was due to the stringent policy on public spending. Private construction was affected by the tight monetary policy. Performance in the tourism sector (10%) reflected the increase in visitor arrivals and in average tourist spending, while growth in communications (14%) was attributable to the expansion in service to residential consumers.

The rise in the rate of inflation from 5% in 1999 to 8.1% in 2000 was due to the adjustment in oil prices and the entry into force of legislation on hydrocarbons. The restrictive monetary policy and stable exchange rate curbed the spread of inflationary impulses. The unemployment rate remained constant (13.9%).

The overall balance showed a negative result owing to the current account deficit, which was 6% of GDP (almost double that recorded in 1999). Merchandise exports (12%) were boosted by the strong performance of the free zones (10%). The expansion of traditional exports (25%) was based on higher sales of ferronickel and coffee, since production of cocoa, tobacco, sugar and sugar products contracted following the decline in international prices for those products. Imports expanded by 21% owing to the higher bill for fuel purchases (23% of total).

The balance of non-factor services posted a surplus of US\$ 1.850 billion, thanks to the buoyancy of the tourism sector. The increase in remittances (4%) was a direct result of the growth of the United States economy.

The financial and capital account figure (US\$ 1.015 billion) reflected lower foreign direct investment inflows than in the previous year (US\$ 1.005 billion in 2000, compared with US\$ 1.338 billion in 1999), which were insufficient to offset the current account deficit. The strong boost from foreign capitalization funds invested in 1999 in the Dominican Electricity Corporation brought foreign investment flows back up to levels more consistent with overall economic performance.

Total external public-sector debt stood at US\$ 3.720 billion (19% of GDP) and debt servicing was 13% higher than in the previous year, following the resumption of external debt repayments that had been deferred by members of the Paris Club in 1998 in the aftermath of Hurricane Georges.

Trinidad and Tobago

In the first half of the year 2000, the economy expanded by 5%, and it is thought to have continued to grow for the rest of the year. Non-energy industries showed positive growth which more than compensated for the contraction in the oil and petrochemical industries. The central bank applied a policy of monetary restriction and support to the exchange rate in the second quarter. Thus, inflation was only 3.2% in the twelve-month period ending in August 2000.

At the beginning of the second quarter, there was abundant liquidity, as commercial bank lending increased; however, the central bank, adhering strictly to its policy of checking inflation, withdrew the excess liquidity from the system by means of two bond issues. Owing to this, and the (seasonal) demand for foreign exchange in the second quarter, the money supply in the strict sense (M1A) contracted.

In the second quarter of 2000, the financial position of central government improved, as the substantial increases in income from the oil sector and the collection of value-added tax and income tax exceeded the significant increase in government expenses. Trinidad and Tobago's surplus of US\$ 363.5 million for the period from November 1999 to January 2000 was its first quarterly surplus in over two years, and led to a reduction in the country's accumulated deficit at the end of March to US\$ 562.9 million. This deficit was financed in part with account balances in the central bank and with borrowing in the local and international markets during the second quarter.

The government raised the tax on oil companies, as the price of oil rose from the agreed estimated price of US\$ 22.45 per barrel in the first quarter of 2000 to US\$ 25.67 per barrel in the second quarter. As a result, oil revenues increased to the point that they represented 28% of total income. In the same period in 1999, receipts from the oil sector had amounted to 15% of total income.

Economic growth continued in the second quarter of 2000. The energy sectors contracted for the second quarter in a row, and this affected crude oil production, the total volume of refined oil, and contracts for services. In non-energy sectors, real activity increased as a result of good performance in the finance, insurance and real

estate, distribution and transport, storage and communications sectors.

Oil production contracted in the second quarter of 2000, as it had also in the first quarter, owing to the reduced demand for gas in the fertilizer subsector. Shipments of crude oil declined to some 4.3 million barrels in the second quarter, which was a drop of 2.5% from the volume exported one year earlier. Export prices for crude oil remained relatively stable at US\$ 28 per barrel in the second quarter.

The total volume of refined oil was 12% higher than the total volume refined in the second quarter of 1999. Production and shipment of liquid natural gas also increased in a similar proportion.

In the petrochemical subsector, the production of nitrogen fertilizer went up, following the settlement of the industrial disputes which had caused two plants to

TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS

	1998	1999	2000 ^a
<i>Annual growth rates</i>			
Gross domestic product	4.4	6.9	5.0
Consumer prices	5.6	3.4	3.2
Real effective exchange rate ^b	-5.9	-5.7	-3.4
<i>Percentages</i>			
Unemployment rate	14.2	13.1	12.8

Source: Statistical Appendix.

^a Preliminary estimates.

^b A negative rate indicates an appreciation of the currency in real terms.

close down. Exports increased along with production, and it is estimated that both continued their upward trend in the second half of the year. On the other hand, the production of methanol continued to decline. In the second half of 2000, it fell by 17% compared to the same period of the previous year. Shipments during January-June of 2000 were 6% lower than in the same months of 1999.

Sugar production recovered strongly during the sugar cane harvest of 2000, increasing to 105,000 tons. This was the highest level reached since 1995 and represented an increase of 54% over production in 1999. The upturn was due to the high quality of the sugar cane harvested and to improved performance by the refineries.

Between August 1999 and August 2000, retail prices rose by 3.2%, just slightly less than in all of 1999. The increase in prices of foodstuffs, health care,

beverages and tobacco contributed to the rise in the index. There were no significant variations in wholesale prices.

The balance of payments went from a deficit of US\$ 60 million in the first quarter of 2000 to a surplus of US\$ 400 million in the second. The current account posted a deficit of 0.9% of GDP in the first quarter after showing a surplus of 1.5% of GDP in the fourth quarter of 1999. Despite price increases for the main export products in the first quarter of 2000, total merchandise exports fell by about US\$ 200 million. This reflected the decline in the value of exports of mineral, fuel and lubricants; the volumes exported were lower in the first quarter owing to problems in the national energy industry. The capital and financial accounts were strengthened in the second quarter, but did not compensate for the deficit in the current account.

STATISTICAL APPENDIX

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

	Annual growth rates										Average annual rate	
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^a	1981-1990 ^b	1991-2000
Latin America and the Caribbean^c	3.8	3.2	4.0	5.2	1.1	3.7	5.2	2.3	0.3	4.0	1.2	3.3
Subtotal (19 countries)^c	3.9	3.2	4.1	5.2	1.1	3.7	5.3	2.3	0.3	4.0	1.2	3.3
Argentina	10.6	9.6	5.7	5.8	-2.8	5.5	8.1	3.9	-3.4	0.0	-0.7	4.2
Bolivia	5.3	1.6	4.3	4.7	4.7	4.4	5.0	5.5	0.6	2.0	0.2	3.8
Brazil	1.0	-0.5	4.9	5.9	4.2	2.7	3.3	0.2	0.9	4.0	1.6	2.6
Chile	8.0	12.3	7.0	5.7	10.6	7.4	7.4	3.9	-1.1	5.5	3.0	6.6
Colombia	1.9	3.7	4.6	6.1	5.2	2.1	3.4	0.5	-4.3	3.0	3.7	2.6
Costa Rica	2.3	9.0	6.3	4.9	4.0	0.3	5.8	8.0	8.0	1.5	2.2	5.0
Cuba	-10.9	-11.2	-14.7	0.6	2.4	7.8	2.5	1.2	6.2	5.5	3.7	-1.4
Ecuador	5.0	3.6	2.0	4.3	2.3	2.0	3.4	0.4	-7.3	2.0	1.7	1.7
El Salvador	3.6	7.5	7.4	6.1	6.4	1.7	4.2	3.5	3.4	2.5	-0.4	4.6
Guatemala	3.7	4.8	3.9	4.0	4.9	3.0	4.4	5.0	3.6	3.5	0.9	4.1
Haiti	0.3	-13.2	-2.4	-8.3	4.4	2.7	1.4	3.1	2.3	1.0	-0.5	-1.0
Honduras	3.3	5.6	6.2	-1.3	4.1	3.6	5.1	2.9	-1.9	4.0	2.4	3.1
Mexico	4.2	3.6	2.0	4.4	-6.2	5.2	6.8	4.9	3.7	7.0	1.9	3.5
Nicaragua	-0.2	0.4	-0.4	3.3	4.3	4.8	5.1	4.1	7.0	5.5	-1.5	3.3
Panama	9.4	8.2	5.5	2.9	1.8	2.8	4.5	4.4	3.0	2.5	1.4	4.4
Paraguay	2.5	1.8	4.1	3.1	4.7	1.3	2.6	-0.4	0.5	1.5	3.0	2.2
Peru	2.8	-0.4	4.8	12.8	8.6	2.5	6.7	-0.4	1.4	4.0	-1.2	4.2
Dominican Republic	1.1	9.0	3.4	4.0	5.0	7.1	8.9	8.2	8.3	8.5	2.4	6.3
Uruguay	3.5	7.9	2.7	7.3	-1.4	5.6	4.9	4.6	-3.2	-1.0	0.0	3.0
Venezuela	9.7	6.1	0.3	-2.3	4.0	-0.2	6.4	0.2	-6.1	3.5	-0.7	2.0
Subtotal Caribbean	1.3	0.1	0.2	2.6	2.3	2.4	1.6	2.7	3.4	3.1	0.1	1.9
Antigua and Barbuda	2.7	0.8	5.1	6.2	-5.0	6.1	5.6	3.9	4.6	3.5	6.1	3.3
Barbados	-4.1	-5.7	1.0	3.8	2.9	4.1	2.6	4.8	2.5	3.0	1.1	1.4
Belize	3.1	9.5	4.3	1.5	3.9	1.5	4.0	1.3	6.4	6.0	4.5	4.1
Dominica	2.2	2.7	1.8	2.2	1.6	3.0	2.2	2.3	0.9	...	4.4	2.1 ^d
Grenada	3.6	1.1	-1.3	3.3	3.2	2.9	4.2	7.3	7.8	...	4.9	3.5 ^d
Guyana	6.0	7.8	8.2	8.5	5.0	7.9	6.2	-1.7	3.0	3.0	-2.9	5.3
Jamaica	0.7	1.5	1.5	1.0	0.7	-1.4	-2.1	-0.7	-0.2	0.5	2.2	0.1
Saint Kitts and Nevis	2.3	3.1	5.4	5.4	3.5	5.9	7.3	1.0	2.8	...	5.8	4.1 ^d
Saint Vincent and the Grenadines	1.4	6.9	1.8	-2.9	8.3	1.2	3.1	5.7	4.0	...	6.5	3.2 ^d
Saint Lucia	0.0	7.4	-1.6	4.6	1.7	1.4	0.6	2.7	3.5	...	6.8	2.2 ^d
Suriname	3.2	-1.8	-11.6	-0.7	0.7	13.0	5.7	10.7	-1.3	...	0.5	1.7 ^d
Trinidad and Tobago	2.7	-1.6	-1.5	3.6	4.0	3.8	3.1	4.4	6.9	5.0	-2.6	3.0

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

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

^a Preliminary estimates.

^b Calculated on the basis of figures at constant 1990 prices.

^c Does not include Cuba.

^d Refers to 1991-1999.

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

	Annual growth rates										Average annual rate	
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^a	1981-1990 ^b	1991-2000
Latin America and the Caribbean^c	2.0	1.3	2.2	3.4	-0.6	2.0	3.5	0.6	-1.3	2.4	-0.9	1.5
Subtotal (19 countries)^c	2.0	1.3	2.3	3.4	-0.6	2.0	3.5	0.6	-1.3	2.4	-0.9	1.5
Argentina	9.1	8.1	4.3	4.5	-4.1	4.2	6.7	2.5	-4.6	-1.2	-2.1	2.9
Bolivia	2.8	-0.8	1.8	2.2	2.2	1.9	2.5	3.1	-1.7	-0.1	-1.9	1.4
Brazil	-0.6	-2.1	3.4	4.3	2.7	1.2	1.9	-1.1	-0.4	2.6	-0.4	1.2
Chile	6.2	10.4	5.2	4.0	8.9	5.9	5.9	2.5	-2.4	4.3	1.4	5.0
Colombia	-0.1	1.6	2.6	4.0	3.2	0.1	1.5	-1.4	-6.0	1.2	1.6	0.6
Costa Rica	-0.8	5.6	3.0	1.8	1.1	-2.3	3.1	5.3	5.4	-0.9	-0.7	2.1
Cuba	-11.6	-11.8	-15.2	0.0	1.8	7.3	2.0	0.8	5.8	5.1	2.8	-1.9
Ecuador	2.6	1.3	-0.2	2.1	0.2	-0.1	1.3	-1.6	-9.0	0.1	-0.9	-0.4
El Salvador	1.6	5.4	5.1	3.8	4.2	-0.4	2.1	1.4	1.3	0.5	-1.5	2.5
Guatemala	1.0	2.1	1.2	1.3	2.2	0.3	1.6	2.2	0.9	0.8	-1.6	1.4
Haiti	-1.8	-14.8	-4.2	-9.9	2.6	0.8	-0.5	1.3	0.5	-0.6	-2.9	-2.8
Honduras	0.2	2.5	3.1	-4.1	1.2	0.7	2.2	0.1	-4.5	1.1	-0.8	0.2
Mexico	2.3	1.7	0.1	2.6	-7.8	3.4	5.0	3.2	2.0	5.5	-0.2	1.7
Nicaragua	-2.9	-2.5	-3.3	0.3	1.4	1.9	2.3	1.3	4.2	2.5	-4.1	0.5
Panama	7.3	6.2	3.5	1.0	0.0	1.1	2.7	2.7	1.3	0.9	-0.7	2.6
Paraguay	-0.4	-0.9	1.4	0.4	2.0	-1.4	-0.1	-3.0	-2.1	-1.0	0.0	-0.5
Peru	0.9	-2.2	3.0	10.9	6.7	0.7	4.9	-2.1	-0.3	2.3	-3.3	2.4
Dominican Republic	-0.9	6.9	1.4	2.0	3.1	5.2	7.1	6.5	6.5	6.8	0.2	4.4
Uruguay	2.8	7.2	1.9	6.5	-2.2	4.8	4.1	3.8	-3.9	-1.7	-0.6	2.3
Venezuela	7.1	3.6	-2.0	-4.5	1.7	-2.3	4.2	-1.8	-7.9	1.4	-3.2	-0.1
Subtotal Caribbean	0.5	-0.7	-0.7	1.7	1.5	1.5	0.8	1.8	2.6	2.2	-0.9	1.0
Antigua and Barbuda	2.1	0.2	4.4	5.5	-5.5	6.1	4.0	3.9	3.0	3.4	5.6	2.7
Barbados	-4.4	-6.5	0.6	3.0	2.5	3.7	2.2	4.1	2.1	2.5	0.7	0.9
Belize	0.4	6.7	1.8	-1.4	1.4	-1.2	1.6	-1.3	4.2	3.3	1.9	1.5
Dominica	2.2	2.7	1.8	2.2	1.6	3.1	2.2	2.3	0.9	...	4.8	2.1 ^d
Grenada	3.4	0.9	-1.5	3.0	2.9	2.5	3.8	6.8	7.3	...	4.7	3.2 ^d
Guyana	5.4	7.0	7.1	7.5	4.0	6.9	5.1	-2.7	1.9	1.8	-3.4	4.3
Jamaica	-0.1	0.6	0.5	0.1	-0.2	-2.3	-2.9	-1.6	-1.1	-0.4	1.1	-0.7
Saint Kitts and Nevis	2.8	3.6	5.9	5.9	4.0	5.9	7.3	1.0	2.8	...	7.0	4.3 ^d
Saint Vincent and the Grenadines	0.4	6.0	0.9	-3.8	7.3	0.3	2.2	4.8	3.1	...	5.5	2.3 ^d
Saint Lucia	-1.3	6.0	-2.9	3.2	0.4	0.0	-0.8	1.3	2.1	...	5.3	0.9 ^d
Suriname	2.6	-2.0	-11.9	-1.0	0.2	12.4	5.2	9.9	-1.8	...	-0.7	1.3 ^d
Trinidad and Tobago	1.9	-2.4	-2.2	2.7	3.2	3.2	2.5	3.9	6.3	4.4	-3.7	2.3

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

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

^a Preliminary estimates.

^b Calculated on the basis of figures at constant 1990 prices.

^c Does not include Cuba.

^d Refers to 1991-1999.

Table A - 3
LATIN AMERICA AND THE CARIBBEAN: GROSS FIXED CAPITAL FORMATION
(Annual growth rates based on constant 1995 dollars)

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^a
Latin America and the Caribbean	4.4	7.0	5.5	10.9	-4.7	4.8	13.5	3.1	-6.1	4.2
Argentina	29.9	32.2	15.1	13.5	-13.0	8.8	17.5	6.7	-12.8	-6.0
Bolivia	19.7	12.1	2.5	-8.4	14.1	11.7	26.8	28.1	-13.6	0.0
Brazil	-5.1	-6.6	4.1	14.2	7.3	1.2	9.4	-1.1	-5.9	4.0
Chile	-1.1	22.5	18.3	4.8	20.4	9.5	10.9	4.1	-17.4	1.0
Colombia ^b	-6.2	12.4	35.8	21.8	0.9	-1.4	-2.0	-4.9	-31.3	12.5
Costa Rica	-12.8	23.2	12.1	2.5	3.1	-8.3	15.2	25.1	1.2	-3.0
Ecuador	9.9	5.1	0.7	3.6	3.3	1.8	4.0	6.3	-35.5	3.5
El Salvador	15.5	16.6	15.4	12.4	13.3	-11.1	7.9	8.3	-0.2	3.0
Guatemala	3.9	29.7	8.3	-2.4	8.3	-2.9	23.9	19.6	5.8	-5.0
Haiti ^c	-3.6	-40.1	-7.4	-7.1	88.8	-1.6	-1.5	7.4	6.7	1.5
Honduras	0.3	26.8	35.8	-0.2	-14.3	3.2	16.5	17.6	3.5	6.5
Mexico	11.8	11.4	-3.2	8.5	-29.8	17.0	22.3	8.5	5.8	11.0
Nicaragua	-6.9	15.5	-5.3	33.8	0.0	23.7	8.3	6.2	42.3	-3.0
Panama	90.8	42.2	41.5	5.5	7.8	-3.0	5.1	15.5	26.4	-8.0
Paraguay	6.0	-5.9	3.7	4.5	7.5	0.1	-1.4	-4.7	-3.9	-5.0
Peru	2.7	0.9	11.4	33.6	21.6	-2.9	15.3	-0.9	-10.3	0.5
Dominican Republic	-7.0	25.0	6.7	-2.9	2.5	7.8	19.0	28.9	16.8	7.0
Uruguay	20.6	17.0	14.9	6.4	-5.6	8.7	9.2	7.3	-7.3	-9.0
Venezuela	36.7	29.5	-6.1	-18.7	2.3	-7.6	26.6	-3.3	-16.4	5.0

Source: ECLAC, on the basis of official figures.

^a Preliminary estimates.

^b For 1999, preliminary estimate.

^c Refers to gross domestic investment.

Table A - 4
LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES
(December-December variations)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^a
Latin America and the Caribbean	199.0	414.4	876.6	111.1	25.8	18.4	10.4	10.3	9.5	8.9
Argentina	84.0	17.6	7.4	3.9	1.6	0.1	0.3	0.7	-1.8	-0.7
Barbados	8.1	3.3	-1.0	0.5	2.8	1.8	3.6	2.1	2.6	1.8 ^b
Bolivia	14.5	10.5	9.3	8.5	12.6	7.9	6.7	4.4	3.1	3.8
Brazil	475.1	1 149.1	2 489.1	929.3	22.0	9.1	4.3	2.5	8.4	5.5
Chile	18.7	12.7	12.2	8.9	8.2	6.6	6.0	4.7	2.3	4.7
Colombia	26.8	25.1	22.6	22.6	19.5	21.6	17.7	16.7	9.2	8.8
Costa Rica	25.3	17.0	9.0	19.9	22.6	13.9	11.2	12.4	10.1	10.4
Ecuador	49.0	60.2	31.0	25.4	22.8	25.6	30.6	43.4	60.7	96.6
El Salvador	9.8	20.0	12.1	8.9	11.4	7.4	1.9	4.2	-1.0	3.4
Guatemala	10.2	14.2	11.6	11.6	8.6	10.9	7.1	7.5	4.9	4.2
Haiti	14.5	16.1	44.4	32.2	24.8	14.5	15.7	7.4	9.7	18.0 ^c
Honduras	21.4	6.5	13.0	28.9	26.8	25.3	12.7	15.6	10.9	10.6
Jamaica	80.2	40.2	30.1	26.9	25.5	15.8	9.2	7.9	6.8	8.7 ^d
Mexico	18.8	11.9	8.0	7.1	52.1	27.7	15.7	18.6	12.3	8.9
Nicaragua	865.6	3.5	19.5	14.4	11.1	12.1	7.3	18.5	7.2	9.2
Panama	1.6	1.6	0.9	1.3	0.8	2.3	-0.5	1.4	1.5	1.4
Paraguay	11.8	17.8	20.4	18.3	10.5	8.2	6.2	14.6	5.4	9.6
Peru	139.2	56.7	39.5	15.4	10.2	11.8	6.5	6.0	3.7	4.0
Dominican Republic	7.9	5.2	2.8	14.3	9.2	4.0	8.4	7.8	5.1	8.1
Trinidad and Tobago	2.3	8.5	13.4	5.5	3.8	4.3	3.5	5.6	3.4	3.2 ^b
Uruguay	81.3	59.0	52.9	44.1	35.4	24.3	15.2	8.6	4.2	5.8
Venezuela	31.0	31.9	45.9	70.8	56.6	103.2	37.6	29.9	20.0	14.2

Source: ECLAC, on the basis of information provided by official sources in the countries. Figures correspond to the variation in prices during the 12-month period indicated.

^a November 1999-November 2000.

^b August 1999-August 2000.

^c October 1999-October 2000.

^d June 1999-June 2000.

Table A - 5
LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT
(Average annual rates)

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^a
Latin America and the Caribbean^b		5.7	6.5	6.5	6.6	7.5	7.9	7.5	8.1	8.7	8.6
Argentina	Urban areas ^c	6.5	7.0	9.6	11.5	17.5	17.2	14.9	12.9	14.3	15.1
Barbados ^d	Total national	17.3	23.0	24.3	21.9	19.7	15.6	14.5	12.3	9.8	9.3 ^e
Bolivia	Departmental capitals	5.8	5.4	5.8	3.1	3.6	3.8	4.4	4.1	6.1	...
Brazil	Six metropolitan areas	4.8	5.8	5.4	5.1	4.6	5.4	5.7	7.6	7.6	7.5 ^f
Chile	Total national	8.2	6.7	6.5	7.8	7.4	6.4	6.1	6.4	9.8	9.4 ^g
Colombia ^d	Seven metropolitan areas	10.2	10.2	8.6	8.9	8.8	11.2	12.4	15.3	19.4	20.4 ^g
Costa Rica	Total urban	6.0	4.3	4.0	4.3	5.7	6.6	5.9	5.4	6.2	5.3
Cuba	Total national	7.7	6.1	6.2	6.7	7.9	7.6	7.0	6.6	6.0	5.8
Ecuador ^d	Total urban ^h	7.7	8.9	8.9	7.8	7.7	10.4	9.3	11.5	15.1	14.7 ^f
El Salvador	Total urban	7.9	8.2	8.1	7.0	7.0	7.5	7.5	7.6	6.9	6.7 ^g
Guatemala ⁱ	Total national	4.2	1.6	2.6	3.5	3.9	5.2	5.1	3.8	...	...
Honduras	Total urban	7.4	6.0	7.0	4.0	5.6	6.5	5.8	5.2	5.3	...
Jamaica ^d	Total national	15.4	15.7	16.3	15.4	16.2	16.0	16.5	15.5	15.7	15.8
Mexico	Urban areas ^c	2.7	2.8	3.4	3.7	6.2	5.5	3.7	3.2	2.5	2.3 ^f
Nicaragua ⁱ	Total national	11.5	14.4	17.8	17.1	16.9	16.0	14.3	13.2	10.7	9.0
Panama ^d	Metropolitan region	19.3	17.5	15.6	16.0	16.6	16.9	15.5	15.2	14.0	15.2 ^j
Paraguay	Total urban ^k	5.1	5.3	5.1	4.4	5.3	8.2	7.1	6.6	9.4	...
Peru	Metropolitan Lima	5.9	9.4	9.9	8.8	8.2	8.0	9.2	8.4	9.1	10.3 ^e
Dominican Republic ^d	Total national	19.6	20.3	19.9	16.0	15.8	16.5	15.9	14.3	13.8	13.9
Trinidad and Tobago ^d	Total national	18.5	19.6	19.8	18.4	17.2	16.2	15.0	14.2	13.1	12.8
Uruguay	Total urban	8.9	9.0	8.3	9.2	10.3	11.9	11.5	10.1	11.3	13.4 ^g
Venezuela	Total national	9.5	7.8	6.6	8.7	10.3	11.8	11.4	11.3	14.9	14.6 ^g

Source: ECLAC, on the basis of official figures.

^a Preliminary figures.

^b In 1991, does not include the Caribbean countries.

^c Covers a large an increasing number of urban areas.

^d Includes hidden unemployment.

^e March.

^f Average January-October.

^g First three quarters.

^h 1999 and 2000: Quito, Guayaquil and Cuenca.

ⁱ Official estimates.

^j August.

^k Up to 1993, figures correspond to the metropolitan area of Asunción.

Table A - 6
LATIN AMERICA AND THE CARIBBEAN: AVERAGE REAL WAGES
(Average annual indices: 1995 = 100)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^a
Argentina ^b	100.4	101.7	100.4	101.1	100.0	99.9	99.3	99.0	99.3	100.8 ^c
Bolivia ^d	82.1	85.5	91.2	98.5	100.0	100.4	107.3	111.5	118.5	...
Brazil ^e	89.0	87.0	95.6	96.3	100.0	107.9	110.8	110.8	105.9	104.5 ^f
Chile ^g	84.9	88.7	91.8	96.1	100.0	104.1	106.6	109.5	112.1	113.8 ^h
Colombia ⁱ	92.4	93.5	97.9	98.8	100.0	101.5	104.2	102.8	105.9	109.2 ^f
Costa Rica ^j	85.6	89.2	98.3	102.0	100.0	97.9	98.7	104.3	109.2	110.0 ^f
Mexico ^b	93.8	100.7	109.7	114.9	100.0	90.1	89.1	91.5	92.4	98.0 ^f
Nicaragua	84.5	100.5	93.3	98.2	100.0	97.9	97.7	104.9	109.4	111.1 ^k
Paraguay ^l	91.8	90.9	91.7	93.0	100.0	103.1	102.6	100.7	98.6	100.7 ^c
Peru ^m	98.7	95.2	94.4	109.2	100.0	95.2	94.5	92.7	90.7	90.1 ⁿ
Uruguay	95.2	97.3	102.0	102.9	100.0	100.6	100.8	102.7	104.3	103.1 ^h

Source: ECLAC, on the basis of official figures.

^a Preliminary figures.

^b Manufacturing.

^c First semester.

^d Private sector in La Paz.

^e Workers covered by social and labour legislation.

^f Estimate based on average January-September.

^g Until April 1993, non-agricultural wage earners; from May 1993 on, general index of hourly wages.

^h Estimate based on average January-October.

ⁱ Manual workers in manufacturing.

^j Average wages declared by workers covered by social security.

^k Average January-May.

^l Asunción.

^m Private-sector manual workers in the Lima metropolitan area.

ⁿ March.

Table A - 7
LATIN AMERICA AND THE CARIBBEAN: PUBLIC-SECTOR DEFICIT (-) OR SURPLUS^a
(Percentages of GDP)

Country	Coverage	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^b
Latin America and the Caribbean^c		-0.5	-1.4	-1.2	-2.1	-1.6	-1.1	-1.3	-2.5	-3.1	-2.4
Argentina	NNFPS	-1.6	-0.1	1.5	-0.3	-0.6	-1.9	-1.5	-1.4	-1.7	-2.0
Bolivia	NFPS	-4.2	-4.4	-6.0	-3.0	-1.8	-1.9	-3.3	-4.0	-3.9	-4.0
Brazil	NFPS ^d	-0.2	-1.8	-0.8	1.1	-7.2	-5.9	-6.1	-8.0	-9.5	-4.6
Chile	CG	1.5	2.3	2.0	1.7	2.6	2.3	2.0	0.4	-1.5	-0.1
Colombia	NFPS	0.2	-0.2	0.1	1.0	-0.6	-2.0	-3.1	-3.4	-6.0	-3.6
Costa Rica	CG	-2.4	-1.5	-1.5	-5.5	-3.5	-4.0	-3.0	-2.5	-2.3	-2.6
Ecuador	NFPS	-0.6	-1.2	-0.1	0.6	-1.1	-3.0	-2.6	-5.6	-4.6	-1.0
El Salvador	CG	-3.2	-2.1	-1.5	-0.8	-0.5	-2.0	-1.1	-2.0	-2.2	-2.5
Guatemala	CG	-0.1	-0.5	-1.5	-1.4	-0.5	0.0	-0.8	-2.2	-2.8	-2.5
Haiti	CG	-3.1	-4.7	-3.2	-3.3	-4.8	-1.6	-2.0	-2.4	-2.5	-2.6
Honduras	CG	-3.3	-4.9	-9.9	-7.0	-4.2	-3.8	-2.9	-1.1	-2.9	-4.0
Mexico	NFPS	3.3	1.6	0.7	-0.3	-0.2	-0.1	-0.6	-1.2	-1.1	-1.0
Nicaragua	CG	4.1	-3.4	0.0	-5.2	-0.5	-1.5	-1.3	-1.8	-4.5	-5.5
Panama	CG	-2.5	-1.3	0.5	-0.8	0.9	-1.3	-0.9	-5.4	-2.3	-2.4
Paraguay	NFPS	2.9	0.1	1.2	2.4	2.5	1.7	0.4	0.2	-3.2	-2.2
Peru	CG	-2.0	-3.3	-3.1	-2.8	-3.1	-1.3	-0.8	-1.0	-3.0	-2.7
Dominican Republic	CG	3.4	3.4	0.3	-0.6	1.1	0.0	0.9	0.6	-0.4	-1.5
Uruguay	NFPS	1.4	1.4	-0.8	-2.4	-1.3	-1.1	-1.3	-0.5	-3.5	-4.0
Venezuela	NFPS	-2.2	-5.9	-1.3	-13.8	-6.8	7.2	2.6	-6.6	-1.2	3.4

Source: ECLAC, on the basis of official figures.

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

^a Calculated on the basis of figures in local currency at current prices.

^b Preliminary estimates.

^c Simple average.

^d To 1994, refers to the operational financial balance; thereafter, refers to the nominal financial balance.

Table A - 8

LATIN AMERICA AND THE CARIBBEAN: INDICES OF THE REAL EFFECTIVE EXCHANGE RATE FOR IMPORTS^a*(Indices: 1985 = 100, CPI used in the calculations)*

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^b
Latin America and the Caribbean^c	105.1	105.3	104.5	102.6	100.0	96.8	93.0	93.6	98.0	99.7
Argentina	116.4	102.1	94.3	93.8	100.0	101.8	98.5	95.6	88.5	89.3
Barbados	92.6	93.2	95.0	98.3	100.0	99.4	99.5	99.4	98.5	99.4
Bolivia	83.8	87.5	92.7	97.6	100.0	93.4	89.5	87.1	86.9	89.5
Brazil	108.5	117.2	112.7	112.8	100.0	94.2	93.9	98.8	148.8	137.8
Chile	111.8	108.1	110.0	106.4	100.0	96.4	89.9	93.1	98.0	99.1
Colombia	134.9	133.9	125.6	102.2	100.0	92.7	86.9	95.7	108.2	117.7
Costa Rica	108.4	103.2	103.1	103.6	100.0	99.0	102.0	104.9	109.0	109.0
Ecuador	114.8	114.6	102.6	97.9	100.0	100.4	100.1	103.9	144.0	170.8
El Salvador	125.4	123.6	112.6	105.6	100.0	92.2	92.7	91.3	92.4	93.0
Guatemala	110.0	109.1	110.2	104.6	100.0	95.2	91.5	92.6	106.0	108.4
Haiti	117.9	129.8	142.1	120.8	100.0	85.9	73.9	69.9	66.3	73.5
Honduras	98.8	93.5	102.8	113.1	100.0	102.3	98.6	92.0	89.2	86.8
Jamaica	92.8	108.4	101.1	103.8	100.0	84.2	72.0	68.7	63.5	64.4
Mexico	74.8	69.1	65.8	67.6	100.0	89.0	79.4	82.1	75.2	69.9
Nicaragua	84.5	85.3	82.2	95.1	100.0	101.9	104.4	105.1	106.1	104.1
Paraguay	96.8	102.8	106.8	100.7	100.0	95.7	95.1	106.6	104.8	110.0
Peru	94.8	93.6	105.1	100.0	100.0	98.6	99.0	101.1	110.0	109.1
Dominican Republic	104.5	108.8	106.5	103.0	100.0	93.5	97.5	103.7	108.9	108.8
Trinidad and Tobago	75.3	75.6	89.0	96.8	100.0	98.7	99.1	93.3	87.9	85.0
Uruguay	130.2	127.6	113.8	104.2	100.0	99.1	98.2	100.1	93.4	95.9
Venezuela	130.6	124.3	121.2	126.2	100.0	119.0	92.1	81.6	73.1	72.1

Source: ECLAC, on the basis of figures provided by the International Monetary Fund.^a The average of the indices for the real (main official) exchange rate for the currency of each country against the currencies of its main trading partners, weighted according to the relative magnitude of imports from these countries. The weightings reflect the average for 1994-1998 period.^b Average January-September.^c Simple average.

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

	Value			Unit value			Volume		
	1998	1999	2000 ^a	1998	1999	2000 ^a	1998	1999	2000 ^a
Latin America and the Caribbean	122.7	130.0	156.7	91.1	90.1	97.7	134.7	144.3	160.4
Argentina	124.9	110.2	122.9	91.1	82.9	89.9	137.1	132.9	136.6
Bolivia	106.0	100.9	115.7	98.8	95.3	99.1	107.3	105.9	116.8
Brazil	110.0	103.2	117.2	96.2	84.7	85.5	114.3	121.9	137.0
Chile	92.5	97.5	113.9	66.6	64.5	72.9	139.0	151.1	156.2
Colombia	109.1	114.3	131.6	93.0	95.6	111.9	117.3	119.5	117.6
Costa Rica	159.1	191.5	170.2	96.4	92.5	88.8	165.1	207.1	191.6
Ecuador	95.3	100.9	114.1	92.7	95.9	115.1	102.8	105.2	99.2
El Salvador	148.4	152.7	172.5	100.1	92.9	92.0	148.3	164.3	187.5
Guatemala	132.0	128.9	141.1	85.8	78.9	79.7	153.9	163.4	177.1
Haiti	195.7	231.7	225.8	103.5	99.0	97.0	189.1	234.0	232.8
Honduras	143.3	126.6	151.3	104.4	96.1	95.1	137.3	131.7	159.1
Mexico	147.7	171.9	212.3	95.5	96.9	102.2	154.6	177.4	207.6
Nicaragua	133.1	128.7	143.0	93.0	84.6	85.5	143.1	152.1	167.3
Panama	104.3	87.0	92.8	103.8	104.8	103.8	100.4	83.0	89.4
Paraguay	86.6	64.2	55.8	99.2	91.8	90.0	87.3	69.9	62.0
Peru	103.0	109.4	124.8	82.3	74.1	77.8	125.2	147.6	160.4
Dominican Republic	131.8	135.9	151.6	95.0	93.9	93.0	138.7	144.7	163.0
Uruguay	131.7	107.3	112.2	96.1	84.5	82.8	137.1	127.0	135.5
Venezuela	92.0	109.6	177.4	72.7	95.4	140.2	126.6	114.9	126.5

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

^a Preliminary figures.

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

	Value			Unit value			Volume		
	1998	1999	2000 ^a	1998	1999	2000 ^a	1998	1999	2000 ^a
Latin America and the Caribbean	139.5	133.9	157.3	93.5	92.1	96.3	149.2	145.4	163.3
Argentina	156.6	128.4	128.7	87.7	84.2	85.9	178.6	152.5	149.8
Bolivia	143.7	125.8	135.2	89.9	86.8	88.5	159.9	144.9	152.8
Brazil	116.2	99.1	110.7	92.0	89.7	97.8	126.4	110.5	113.2
Chile	118.5	95.3	114.3	90.9	87.7	97.3	130.3	108.6	117.4
Colombia	105.8	77.9	84.9	97.1	93.2	94.1	109.0	83.6	90.2
Costa Rica	156.1	159.1	161.0	92.8	90.0	93.2	168.2	176.8	172.8
Ecuador	128.1	68.7	76.8	93.1	90.3	94.8	137.6	76.0	81.0
El Salvador	119.4	122.8	140.0	109.1	106.9	112.2	109.5	114.9	124.7
Guatemala	140.3	137.9	151.0	91.0	90.5	95.0	154.2	152.3	159.0
Haiti	123.9	141.7	152.7	107.1	103.9	110.1	115.7	136.4	138.7
Honduras	148.8	162.8	182.7	88.5	87.2	91.6	168.2	186.7	199.4
Mexico	173.0	196.1	244.4	95.1	94.7	97.5	182.0	207.1	250.6
Nicaragua	155.7	189.5	187.8	106.4	104.3	109.5	146.4	181.7	171.5
Panama	115.4	100.5	106.9	100.5	99.0	104.0	114.9	101.5	102.8
Paraguay	87.8	67.8	63.4	107.4	104.7	107.8	81.7	64.7	58.8
Peru	106.0	86.8	94.1	91.8	89.0	94.3	115.5	97.5	99.8
Dominican Republic	146.9	155.5	188.2	92.1	90.3	95.7	159.5	172.2	196.6
Uruguay	132.8	117.0	121.9	93.2	89.0	95.2	142.5	131.5	128.1
Venezuela	122.8	97.4	128.6	91.0	89.6	91.4	134.9	108.7	140.7

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

^a Preliminary figures.

Table A - 11
LATIN AMERICA AND THE CARIBBEAN: TERMS OF TRADE (GOODS), FOB/FOB
(Indices: 1995 = 100)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^a
Latin America and the Caribbean	94.5	94.6	94.3	98.9	100.0	101.4	103.5	97.5	97.8	101.5
Argentina	103.9	100.7	104.8	105.6	100.0	108.5	108.9	103.9	98.5	104.7
Bolivia	112.4	92.0	88.3	102.5	100.0	111.7	115.6	109.9	109.8	112.0
Brazil	71.2	74.2	79.9	91.5	100.0	101.0	106.8	104.6	94.4	87.5
Chile	83.5	81.2	74.2	84.1	100.0	80.7	83.0	73.3	73.5	74.9
Colombia	99.1	87.4	91.0	104.9	100.0	103.7	104.4	95.8	102.6	118.9
Costa Rica	76.6	81.0	84.5	93.9	100.0	94.9	100.6	103.9	102.8	95.3
Ecuador	121.7	116.3	106.4	108.9	100.0	109.6	111.9	99.6	106.2	121.4
El Salvador	70.6	61.1	63.7	81.0	100.0	93.6	94.1	91.8	86.9	82.0
Guatemala	77.2	81.6	84.3	89.9	100.0	87.7	94.8	94.3	87.2	83.9
Haiti	97.8	92.9	94.1	96.8	100.0	90.6	94.8	96.6	95.3	88.1
Honduras	86.9	82.2	90.3	92.1	100.0	92.8	115.4	118.0	110.2	103.8
Mexico	102.4	105.0	104.9	103.3	100.0	102.8	104.0	100.4	102.3	104.9
Nicaragua	98.3	71.9	81.3	95.5	100.0	88.1	83.9	87.4	81.1	78.0
Panama	82.2	104.0	106.8	110.1	100.0	101.3	103.4	103.3	105.9	99.9
Paraguay	86.7	79.4	87.2	105.1	100.0	100.0	99.9	92.4	87.7	83.5
Peru	86.8	95.0	89.1	95.7	100.0	96.5	103.2	89.7	83.3	82.5
Dominican Republic	106.6	96.2	90.7	95.6	100.0	97.7	102.0	103.1	104.0	97.2
Uruguay	98.2	96.2	94.6	94.7	100.0	96.7	96.4	103.1	94.9	87.0
Venezuela	116.0	108.0	101.9	101.0	100.0	115.6	110.8	79.9	106.5	153.4

Source: ECLAC.

^a Preliminary figures.

Table A - 12
LATIN AMERICA AND THE CARIBBEAN: BALANCE OF PAYMENTS
(Millions of dollars)

	Exports of goods (f.o.b.) and services			Imports of goods (f.o.b.) and services			Balance on goods			Balance on services		
	1998	1999	2000 ^a	1998	1999	2000 ^a	1998	1999	2000 ^a	1998	1999	2000 ^a
Latin America and the Caribbean	326 148	342 085	409 525	378 692	360 905	422 435	-33 305	-4 014	4 525	-19 239	-14 806	-17 435
Argentina	31 093	27 757	31 100	38 493	32 557	33 700	-3 014	-829	1 800	-4 386	-3 971	-4 400
Bolivia	1 355	1 310	1 445	2 200	1 989	2 095	-655	-488	-450	-190	-191	-200
Brazil	59 570	55 813	64 200	75 835	63 472	71 200	-6 593	-1 213	-500	-9 672	-6 446	-6 500
Chile	18 949	19 406	22 150	21 580	18 056	21 180	-2 516	1 665	1 520	-115	-315	-550
Colombia	13 408	13 866	15 775	17 298	13 408	14 510	-2 450	1 775	2 670	-1 440	-1 317	-1 405
Costa Rica	6 884	8 221	7 640	7 047	7 242	7 385	-396	616	-200	233	363	455
Ecuador	5 007	5 264	5 845	6 409	3 761	4 165	-995	1 665	1 920	-407	-162	-240
El Salvador	2 742	3 090	3 490	4 269	4 599	5 170	-1 268	-1 304	-1 510	-259	-205	-170
Guatemala	3 467	3 435	3 745	5 030	4 984	5 425	-1 408	-1 400	-1 535	-155	-149	-145
Haiti	479	524	520	1 022	1 170	1 270	-342	-379	-445	-201	-267	-305
Honduras	2 476	2 312	2 625	2 797	3 056	3 465	-245	-709	-660	-76	-35	-180
Mexico	129 387	148 601	182 275	137 859	155 581	193 550	-7 913	-5 361	-8 220	-559	-1 619	-3 055
Nicaragua	830	840	925	1 658	2 028	2 030	-755	-1 079	-995	-73	-109	-110
Panama	8 078	7 015	7 510	8 857	7 814	8 340	-1 361	-1 415	-1 485	582	616	655
Paraguay	4 278	3 267	2 915	4 517	3 534	3 325	-289	-335	-490	50	68	80
Peru	7 505	7 635	8 630	10 563	8 851	9 525	-2 465	-616	-325	-593	-600	-570
Dominican Republic	7 483	7 987	8 975	8 917	9 289	11 125	-2 616	-2 904	-4 000	1 182	1 602	1 850
Uruguay	4 136	3 587	3 710	4 471	4 069	4 120	-772	-867	-895	437	385	485
Venezuela	19 021	22 155	36 050	19 870	15 445	20 855	2 748	9 164	18 325	-3 597	-2 454	-3 130

Table A - 12 (continued)

	Trade balance			Current transfers			Balance on the income accounts			Balance on the current account		
	1998	1999	2000 ^a	1998	1999	2000 ^a	1998	1999	2000 ^a	1998	1999	2000 ^a
Latin America and the Caribbean	-52 544	-18 820	-12 910	16 954	18 930	19 355	-51 221	-53 094	-55 910	-86 811	-52 984	-49 465
Argentina	-7 400	-4 800	-2 600	389	492	500	-7 687	-7 847	-8 300	-14 698	-12 155	-10 400
Bolivia	-845	-679	-650	330	323	310	-162	-201	-260	-677	-557	-600
Brazil	-16 265	-7 659	-7 000	1 778	2 032	2 000	-19 129	-19 369	-19 500	-33 616	-24 996	-24 500
Chile	-2 631	1 350	970	463	453	500	-1 975	-1 881	-2 335	-4 143	-78	-865
Colombia	-3 890	458	1 265	445	785	770	-1 717	-1 422	-2 355	-5 162	-179	-320
Costa Rica	-163	979	255	113	102	100	-445	-1 773	-1 130	-495	-692	-775
Ecuador	-1 402	1 503	1 680	776	1 101	1 200	-1 543	-1 648	-2 130	-2 169	956	750
El Salvador	-1 527	-1 509	-1 680	1 508	1 552	1 785	-66	-247	-310	-85	-204	-205
Guatemala	-1 563	-1 549	-1 680	705	715	830	-140	-181	-175	-998	-1 015	-1 025
Haiti	-543	-646	-750	607	802	665	-12	-13	-15	52	143	-100
Honduras	-321	-744	-840	488	726	545	-209	-158	-135	-42	-176	-430
Mexico	-8 472	-6 980	-11 275	6 012	6 315	6 600	-13 266	-13 348	-14 285	-15 726	-14 013	-18 960
Nicaragua	-828	-1 188	-1 105	200	300	320	-185	-198	-205	-813	-1 086	-990
Panama	-779	-799	-830	159	164	165	-555	-741	-575	-1 175	-1 376	-1 240
Paraguay	-239	-267	-410	177	171	185	6	31	-45	-56	-65	-270
Peru	-3 058	-1 216	-895	912	944	985	-1 488	-1 545	-1 670	-3 634	-1 817	-1 580
Dominican Republic	-1 434	-1 302	-2 150	1 987	1 848	1 910	-890	-975	-1 030	-337	-429	-1 270
Uruguay	-335	-482	-410	59	70	65	-199	-191	-235	-475	-603	-580
Venezuela	-849	6 710	15 195	-154	35	-80	-1 559	-1 387	-1 220	-2 562	5 358	13 895

Table A - 12 (concluded)

	Balance on the capital and financial account ^b			Overall balance			Reserve assets ^c (variation)			IMF loans and credit and exceptional financing		
	1998	1999	2000 ^a	1998	1999	2000 ^a	1998	1999	2000 ^a	1998	1999	2000 ^a
Latin America and the Caribbean	69 517	40 439	51 795	-17 496	-12 548	2 330	8 425	5 916	-3 485	8 869	6 629	1 155
Argentina	18 790	13 355	8 400	4 092	1 200	-2 000	-3 438	-1 200	2 000	-654	...	...
Bolivia	778	515	365	-101	-42	-235	-133	-32	165	32	74	70
Brazil	17 314	8 230	21 300	-16 302	-16 766	-3 200	6 990	7 783	3 200	9 312	8 983	...
Chile	2 004	-670	365	-2 139	-748	-500	2 139	748	500	...	...	...
Colombia	3 772	-140	1 035	-1 390	-319	715	1 390	319	-715	...	...	...
Costa Rica	345	1 174	675	-150	480	-100	150	-482	100	...	...	...
Ecuador	1 335	-1 847	-950	-834	-891	-200	395	422	-360	439	469	560
El Salvador	387	409	210	302	205	5	-302	-205	-5	...	...	...
Guatemala	1 241	890	1 700	243	-125	675	-243	125	-675	...	...	...
Haiti	-18	-122	50	34	21	-50	-29	-34	55	-5	13	-5
Honduras	184	474	270	142	297	-160	-231	-474	35	89	176	125
Mexico	18 936	18 290	20 760	3 210	4 277	1 800	-2 139	-592	-1 800	-1 071	-3 685	...
Nicaragua	583	995	1 000	-230	-91	10	31	-156	-110	199	247	100
Panama	712	1 228	840	-463	-148	-400	103	-185	100	360	333	300
Paraguay	73	-250	-75	17	-315	-345	-23	-105	240	6	420	105
Peru	2 264	1 024	1 695	-1 370	-793	115	1 005	775	-105	365	18	-10
Dominican Republic	351	592	1 015	14	163	-255	-98	-194	345	84	31	-90
Uruguay	836	616	655	361	13	75	-522	-13	-75	161	...	...
Venezuela	-370	-4 324	-7 515	-2 932	1 034	6 380	3 380	-584	-6 380	-448	-450	...

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

^a Preliminary estimates.

^b Includes errors and omissions.

^c A minus sign (-) indicates an increase in reserve assets.

Table A - 13
LATIN AMERICA AND THE CARIBBEAN: NET FOREIGN DIRECT INVESTMENT^{a b}
(Millions of dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^c
Latin America and the Caribbean	11 066	12 506	10 363	23 706	24 799	39 387	55 580	61 596	77 047	57 410
Argentina ^d	2 439	3 218	2 059	2 480	3 756	4 937	4 924	4 175	21 958	5 000
Bolivia	50	91	125	147	391	472	728	955	1 015	730
Brazil	89	1 924	801	2 035	3 475	11 666	18 608	29 192	28 612	30 000
Chile ^e	697	538	600	1 672	2 204	3 445	3 353	1 842	4 366	-1 130
Colombia	433	679	719	1 297	712	2 795	4 894	2 432	1 135	985
Costa Rica	173	222	243	292	331	421	400	604	615	420
Ecuador	160	178	469	531	470	491	695	831	636	735
El Salvador ^f	25	15	16	...	38	...	...	873	214	70
Guatemala	91	94	143	65	75	77	85	673	155	245
Haiti	14	-2	-2	-3	7	4	4	11	30	5
Honduras	52	48	52	42	69	90	128	99	230	170
Mexico	4 742	4 393	4 389	10 973	9 526	9 186	12 830	11 311	11 568	13 500
Nicaragua	42	42	40	40	75	97	173	184	300	335
Panama	109	145	170	393	267	410	1 256	1 218	617	400
Paraguay	84	118	75	137	98	144	230	313	66	95
Peru	-7	150	687	3 108	2 048	3 242	1 702	1 860	1 969	1 185
Dominican Republic	145	180	189	207	414	97	421	700	1 338	1 005
Uruguay	...	...	102	155	157	137	113	155	225	180
Venezuela	1 728	473	-514	136	686	1 676	5 036	4 168	1 998	3 480

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

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

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

^c Preliminary figures.

^d In 1999, includes the value of the investment by REPSOL in Yacimientos Petrolíferos Fiscales. Part of this amount corresponds to the purchase of shares in the company held by non-residents. In the balance of payments, the value of those shares is reflected in a debit under the portfolio investment item.

^e From 1995 on, includes two movements of significant value. In 1999 it includes an inflow of US\$ 9.216 billion and an investment abroad worth US\$ 4.850 billion. In 2000 it includes an inflow of US\$ 3.87 billion and an investment abroad with US\$ 5 billion.

^f The Central Reserve Bank of El Salvador has kept systematic records of foreign direct investment since 1998.

Table A - 14
LATIN AMERICA AND THE CARIBBEAN: INTERNATIONAL BOND ISSUES^a
(Millions of dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^b
Latin America	7 192	12 577	28 794	17 941	23 071	46 915	52 003	39 511	38 707	35 816
Argentina	795	1 570	6 308	5 319	6 354	14 070	14 662	15 615	14 183	13 045
Bolivia	-	-	-	10	-	-	-	-	-	-
Brazil	1 837	3 655	6 465	3 998	7 041	11 545	14 940	9 190	8 586	10 955
Chile	200	120	322	155	300	2 020	1 800	1 063	1 764	680
Colombia	-	-	567	955	1 083	1 867	1 000	1 389	1 676	1 451
Costa Rica	-	-	-	50	-	-	-	200	300	250
Ecuador	-	-	-	-	10	-	625	-	-	-
El Salvador	-	-	-	-	-	-	-	-	150	50
Guatemala	-	-	60	-	-	-	150	-	-	-
Jamaica	-	-	-	55	-	-	225	250	-	421
Mexico	3 782	6 100	11 339	6 949	7 646	16 353	15 657	8 444	9 854	7 547
Paraguay ^c	-	-	-	-	-	-	-	-	400	-
Peru	-	-	30	100	-	-	250	150	-	-
Dominican Republic	-	-	-	-	-	-	200	-	-	-
Trinidad and Tobago	-	100	125	150	71	150	-	-	230	250
Uruguay	-	100	140	200	211	145	479	550	350	679
Venezuela	578	932	3 438	-	356	765	2 015	2 660	1 215	489

Source: International Monetary Fund, Research Department, Emerging Markets Studies Division.

^a Gross issues. Includes medium-term euronotes.

^b Up to September, data from IMF; October and November, data from Merrill Lynch.

^c Official information.

Table A - 15

LATIN AMERICA AND THE CARIBBEAN: INDICES OF STOCK EXCHANGE PRICES IN DOLLARS^a*(Indices: June 1997 = 100)*

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^b
Latin America	49.0	51.0	77.4	76.2	62.5	72.5	90.6	56.0	81.0	74.7
Argentina	70.0	50.7	84.9	63.6	69.1	82.1	96.3	68.9	91.3	68.6
Brazil	20.2	20.0	38.2	64.0	49.8	64.9	78.3	44.9	63.0	66.5
Chile	46.7	52.4	67.8	95.8	93.0	77.0	79.6	55.7	71.4	64.8
Colombia	45.5	62.0	81.6	103.5	77.1	80.5	99.9	56.4	44.3	25.1
Mexico	88.5	106.2	156.0	91.1	66.5	77.3	114.1	69.5	120.3	104.1
Peru	-	32.6	43.9	66.8	73.1	73.6	83.8	50.5	61.1	43.9
Venezuela	128.0	73.3	65.6	47.8	32.7	75.7	93.3	44.9	37.8	48.6

Source: ECLAC, on the basis of figures provided by the International Finance Corporation.^a Figures at end of month, general index.^b At mid-December.

Table A - 16
LATIN AMERICA AND THE CARIBBEAN: TOTAL DISBURSED EXTERNAL DEBT^a
(Millions of dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^b
Latin America and the Caribbean	460 952	479 014	527 303	562 830	616 919	638 519	663 090	745 360	759 085	750 855
Argentina	61 334	62 766	72 209	85 656	98 547	109 756	124 696	140 489	144 657	147 000
Bolivia ^c	3 582	3 784	3 777	4 216	4 523	4 366	4 234	4 655	4 574	4 400
Brazil ^d	123 811	135 949	145 726	148 295	159 256	179 935	199 998	241 644	241 468	235 000
Chile	17 319	18 964	19 665	21 768	22 026	22 979	26 701	31 691	34 167	36 000
Colombia	17 335	17 277	18 908	21 855	24 928	29 513	32 036	35 696	35 972	36 000
Costa Rica	3 992	4 056	4 011	3 818	3 889	3 376	3 290	3 500	3 700	4 000
Cuba	6 500	6 400	8 785	9 083	10 504	10 465	10 146	11 200	11 040	11 100
Ecuador	12 802	12 795	13 631	14 589	13 934	14 586	15 099	16 400	16 282	14 255
El Salvador ^c	2 200	2 343	1 976	2 056	2 168	2 517	2 689	2 631	2 810	2 750
Guatemala	2 614	2 520	2 323	2 644	2 936	3 033	3 210	3 619	3 945	3 900
Guyana	1 873	2 054	2 062	2 004	2 058	1 537	1 514	1 500	1 196	1 250
Haiti ^c	809	872	866	875	902	914	1 025	1 100	1 165	1 200
Honduras	3 441	3 590	3 850	4 040	4 242	4 121	4 062	4 404	4 728	4 000
Jamaica	3 874	3 678	3 687	3 652	3 452	3 232	3 278	3 300	3 050	3 200
Mexico ^d	117 000	116 501	130 524	139 818	165 600	157 200	149 000	161 300	167 500	163 200
Nicaragua ^c	10 313	10 792	11 987	11 695	10 248	6 094	6 001	6 287	6 499	6 650
Panama ^c	3 699	3 548	3 494	3 663	3 938	5 069	5 051	5 180	5 412	5 550
Paraguay	1 666	1 249	1 254	1 271	1 439	1 434	1 473	1 599	2 108	2 200
Peru	20 787	21 409	27 489	30 392	33 515	33 805	28 508	29 477	27 966	27 600
Dominican Republic	4 614	4 413	4 563	3 946	3 999	3 807	3 572	3 537	3 536	3 700
Trinidad and Tobago	2 438	2 215	2 102	2 064	1 905	1 876	1 541	1 430	1 511	1 550
Uruguay ^d	2 949	3 392	3 578	4 251	4 426	4 682	4 754	5 195	5 180	5 550
Venezuela	36 000	38 447	40 836	41 179	38 484	34 222	31 212	29 526	30 619	30 800

Source: ECLAC, on the basis of official figures.

^a Includes debt owed to the International Monetary Fund.

^b Preliminary figures.

^c External public debt.

^d Public debt does not include investment by non-residents in government securities.

Table A - 17
LATIN AMERICA AND THE CARIBBEAN: NET RESOURCE TRANSFERS^a
(Millions of dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^b
Latin America and the Caribbean	4 210	26 548	31 490	10 054	19 235	22 635	32 322	27 165	-6 026	-2 960
Argentina	-1 573	6 402	9 349	8 107	354	5 072	9 138	10 449	5 508	100
Bolivia	24	377	200	46	251	459	433	648	388	175
Brazil	-8 570	584	-1 633	-723	19 951	19 743	6 242	7 497	-2 156	1 800
Chile	-780	1 421	1 071	2 004	-625	1 952	4 176	29	-2 551	-1 970
Colombia	-2 675	-1 648	784	2 369	3 028	4 408	3 767	2 055	-1 562	-1 320
Costa Rica	341	330	464	273	355	27	301	-100	-599	-455
Ecuador	-527	-1 002	-89	116	-685	-1 185	-375	231	-3 026	-2 520
El Salvador	22	190	118	36	338	243	179	321	162	-100
Guatemala	632	513	704	599	210	356	716	1 101	709	1 525
Haiti	12	38	54	-15	168	-14	114	-35	-122	30
Honduras	35	108	-4	151	50	110	260	64	492	260
Mexico	14 777	16 406	18 427	-1 748	-2 065	-9 336	5 174	4 599	1 257	6 475
Nicaragua	515	611	359	511	426	598	835	597	1 044	895
Panama	-42	-250	-97	-132	81	282	802	517	820	565
Paraguay	616	-335	84	735	262	423	-75	85	201	-15
Peru	931	1 186	1 343	3 827	3 236	3 916	3 540	1 141	-503	15
Dominican Republic	322	451	-9	-785	-455	-528	-593	-455	-352	-105
Uruguay	-161	8	231	293	203	185	485	798	425	420
Venezuela	311	1 158	134	-5 610	-5 848	-4 076	-2 797	-2 377	-6 161	-8 735

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

^a The net transfer of resources is equal to net capital inflows (including non-autonomous flows and errors and omissions) minus the balance on the income account (net payments of profits and interest). Negative figures indicate net outward resource transfers.

^b Preliminary figures.

Table A - 18

LATIN AMERICA AND THE CARIBBEAN: NET CAPITAL INFLOWS AND NET RESOURCE TRANSFERS*(Billions of dollars and percentages)*

	Net capital inflows			Net payments of profits and interest (4)	Net resource transfers 5 = (3) - (4) (5)	Exports of goods and services (6)	Resource transfers as a percentage of exports of goods and services (7) = (5) / (6) (7)
	Autonomous ^a (1)	Non-autonomous ^b (2)	Total (3)				
1980	29.2	1.7	30.9	18.9	12.0	106.9	11.2
1981	38.4	1.8	40.2	29.1	11.1	115.6	9.6
1982	3.3	17.2	20.5	38.9	-18.4	105.2	-17.5
1983	-22.1	30.1	8.0	34.5	-26.5	105.4	-25.1
1984	-10.6	23.9	13.3	37.5	-24.2	117.5	-20.6
1985	-16.0	20.3	4.3	35.5	-31.2	112.8	-27.7
1986	-12.1	21.8	9.7	32.7	-23.0	99.2	-23.1
1987	-13.7	26.5	12.8	30.9	-18.1	113.3	-16.0
1988	-19.4	22.8	3.4	34.6	-31.2	130.6	-23.9
1989	-19.7	29.3	9.6	39.1	-29.5	145.8	-20.2
1990	-7.3	24.3	17.0	34.4	-17.4	161.4	-10.8
1991	23.0	12.8	35.8	31.6	4.2	164.0	2.6
1992	49.1	7.8	56.9	30.4	26.5	177.6	14.9
1993	61.3	4.9	66.2	34.7	31.5	194.1	16.2
1994	42.3	4.4	46.7	36.6	10.1	223.3	4.5
1995	30.2	30.0	60.2	40.9	19.4	266.0	7.3
1996	66.8	-1.4	65.4	42.8	22.7	294.3	7.7
1997	84.6	-4.0	80.6	48.2	32.3	326.7	9.9
1998	69.5	8.9	78.4	51.2	27.2	326.1	8.3
1999	40.4	6.6	47.0	53.1	-6.0	342.1	-1.8
2000 ^c	51.8	1.2	53.0	55.9	-3.0	409.5	-0.7

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

^a Includes errors and omissions.

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

^c Preliminary figures.

Table A - 19
**LATIN AMERICA AND THE CARIBBEAN: RATIO OF TOTAL ACCRUED INTEREST
 TO EXPORTS OF GOODS AND SERVICES^a**
 (Percentages)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^b
Latin America and the Caribbean	21.7	18.6	18.2	17.3	17.5	16.0	15.8	16.4	16.4	14.7
Argentina	36.1	23.4	23.3	26.8	28.2	28.1	29.9	35.3	42.0	38.3
Bolivia	29.2	24.3	21.2	14.3	16.6	12.1	14.8	15.1	16.0	14.9
Brazil	27.2	20.8	21.8	17.9	21.9	25.3	26.0	26.6	31.4	28.0
Chile	14.7	11.4	10.3	8.2	7.2	7.0	6.8	8.0	7.8	8.3
Colombia	16.4	14.6	12.3	14.9	15.3	15.9	18.2	18.4	15.1	16.8
Costa Rica	10.1	7.3	6.7	5.5	5.7	4.8	4.5	3.6	5.8	6.5
Ecuador	29.9	22.8	21.7	19.0	15.7	15.9	15.9	21.2	21.5	26.0
El Salvador	12.6	10.5	10.3	6.3	5.9	6.1	6.0	6.5	9.0	8.6
Guatemala	7.1	8.9	6.2	5.8	4.7	6.1	5.4	4.3	4.3	4.3
Haiti	7.6	5.4	8.0	6.5	12.1	3.2	3.2	1.9	2.1	2.9
Honduras	21.1	25.9	15.5	15.6	13.1	11.3	8.9	7.8	8.2	5.9
Mexico	18.0	17.5	18.3	17.9	16.1	12.5	10.9	10.1	9.2	8.0
Nicaragua	106.6	158.6	119.4	97.1	58.4	44.0	28.3	18.4	19.6	17.8
Panama	23.1	19.2	15.5	15.5	22.5	17.1	15.9	19.7	21.4	19.6
Paraguay	4.7	6.9	3.0	2.5	2.1	2.1	2.1	1.9	2.8	4.8
Peru	36.7	37.3	38.9	34.5	33.1	25.1	19.4	23.7	22.6	21.3
Dominican Republic	8.6	9.1	5.8	4.1	4.6	3.9	3.1	2.8	2.6	13.8
Uruguay	21.2	15.7	14.4	14.9	16.5	15.9	17.0	18.1	21.6	21.0
Venezuela	15.4	18.3	17.0	17.0	16.1	11.2	13.8	15.3	12.5	8.0

Source: ECLAC, on the basis of official figures.

^a Includes interest paid and interest due and not paid.

^b Preliminary figures.

Table A - 20
**LATIN AMERICA AND THE CARIBBEAN: RATIO OF PROFIT PAYMENTS
 TO EXPORTS OF GOODS AND SERVICES^a**
 (Percentages)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^b
Latin America and the Caribbean	4.4	4.5	5.2	5.5	4.7	5.2	5.9	6.6	5.6	4.9
Argentina	5.6	7.3	10.2	9.4	7.6	6.2	7.6	8.4	8.3	8.4
Bolivia	0.4	2.6	1.9	2.2	3.1	5.4	5.7	6.0	10.9	14.9
Brazil	3.0	2.1	4.5	4.7	5.3	7.6	10.3	12.9	10.0	6.9
Chile	7.9	8.4	8.1	12.9	11.2	11.2	11.6	8.4	7.6	9.0
Colombia	9.7	11.3	10.4	5.4	3.3	5.3	4.6	1.1	1.1	3.9
Costa Rica	3.0	3.0	2.9	1.7	2.4	1.8	3.2	5.3	17.8	10.3
Ecuador	3.8	3.5	4.0	3.9	3.7	3.4	3.3	4.8	4.4	4.4
El Salvador	4.0	2.7	2.2	1.6	...	...	...	...	2.3	2.3
Guatemala	2.6	1.9	2.6	2.6	2.6	3.7	4.4	3.8	3.9	3.7
Haiti	2.6	...	...	...	...	...	0.5	0.2	0.4	...
Honduras	7.1	7.1	4.5	1.8	3.6	3.7	2.8	2.8	1.7	1.9
Mexico	4.8	4.2	4.1	5.1	3.1	3.9	3.4	4.1	3.1	3.1
Nicaragua	3.4	3.9	2.8	2.1	4.8	6.8	6.6	7.0	7.5	7.6
Panama	4.9	5.1	4.5	3.6	3.9	6.5	6.4	8.6	11.3	8.7
Paraguay	1.0	0.9	1.3	1.0	1.3	1.8	3.3	4.2	2.8	4.1
Peru	0.9	3.5	3.0	3.3	5.3	5.7	6.8	6.5	6.2	6.5
Dominican Republic	6.5	10.6	10.8	10.7	10.9	9.8	10.1	11.1	12.1	11.7
Uruguay	...	...	1.7	1.3	1.5	0.9	0.6	1.4	1.8	2.6
Venezuela	1.4	3.3	3.6	2.9	2.1	1.7	4.1	5.5	2.8	2.5

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

^a Includes reinvestment of earnings.

^b Preliminary figures.

Table A - 21
**LATIN AMERICA AND THE CARIBBEAN: RATIO OF TOTAL DISBURSED
 DEBT TO EXPORTS OF GOODS AND SERVICES**
 (Percentages)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^a
Latin America and the Caribbean	272.2	261.7	263.1	244.5	225.2	211.1	197.9	223.2	217.0	179.2
Argentina	426.3	407.1	438.8	440.4	393.9	385.5	403.0	451.8	521.2	472.7
Bolivia	390.6	489.5	421.1	346.7	365.1	331.5	299.4	343.5	349.2	304.5
Brazil	354.4	340.9	334.3	302.6	302.5	342.7	338.0	405.6	432.6	366.0
Chile	156.5	153.4	167.9	150.7	113.8	120.5	128.5	167.2	176.1	162.5
Colombia	190.5	186.9	190.0	204.9	203.2	224.0	225.3	266.2	259.4	228.2
Costa Rica ^b	182.4	132.5	115.2	100.1	87.2	69.8	60.1	50.8	45.0	52.4
Ecuador	375.8	344.1	367.2	318.5	265.1	253.8	248.1	327.5	309.3	243.9
El Salvador	245.0	240.3	173.6	125.4	106.1	114.3	99.3	96.0	90.9	78.8
Guatemala	154.8	132.8	114.8	115.6	104.8	109.6	100.9	104.4	114.8	104.1
Haiti	237.2	589.2	531.3	629.5	351.0	277.0	269.7	229.6	222.3	230.8
Honduras	338.7	344.9	317.9	294.9	244.5	215.2	186.8	177.9	204.5	152.4
Mexico	226.9	210.0	212.6	196.4	185.6	147.1	122.4	124.7	112.7	89.5
Nicaragua	2 946.6	3 492.6	3 367.1	2 456.9	1 704.6	924.7	751.1	757.5	773.7	718.9
Panama	68.4	56.1	52.0	49.2	51.7	68.7	60.8	64.1	77.1	73.9
Paraguay	82.3	52.9	38.0	33.6	30.0	32.6	32.5	37.4	64.5	75.5
Peru	491.2	476.1	631.5	536.8	498.7	462.3	340.6	392.8	366.3	319.8
Dominican Republic ^c	248.5	230.9	96.1	75.3	69.8	61.5	50.6	47.3	44.3	41.2
Uruguay	134.0	128.9	129.6	130.8	126.2	121.7	112.7	125.6	144.4	149.6
Venezuela	219.7	247.8	253.3	232.9	185.4	135.4	123.9	155.2	138.2	85.4

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

^a Preliminary figures.

^b From 1992 on, "Goods" includes *maquila* industry exports.

^c From 1993 on, "Goods" includes *maquila* industry exports.