

Argentina

1. General trends

The Argentine economy slowed sharply in 2009. Towards the end of the year, however, signs of a pick-up in activity could be observed, and a strong macroeconomic upturn is accordingly expected in 2010. According to official statistics, aggregate GDP rose slightly in 2009. Goods-producing sectors contracted significantly, however (3.5%). This result was mainly due to a decline in agricultural output and a contraction in demand, affecting exports, durable goods consumption and investment. The gross domestic investment rate was about 21.2% of GDP and this, while a lower figure than in 2008, translated into a substantial increase in real assets. Exports fell considerably and imports by even more, the result being an increase in the trade surplus. Declining external trade flows and weakened domestic economic activity affected tax revenues, even though public resources were boosted by the unification of the pensions system under the unfunded State pay-as-you-go scheme. In consequence of this and of strong growth in government spending, the country's fiscal performance worsened. The national public sector registered a financial deficit of 0.8% of GDP and provincial governments one of 0.4%, with some of the latter struggling to meet their spending commitments. Average inflation for the year was lower in 2009 than 2008. According to national statistics, real wages rose considerably and poverty indices declined substantially despite weaker demand for labour, especially in manufacturing. Towards the end of the year, provision was made for families not covered by the formal benefits regime to receive a subsidy for each of their children provided these attended school. This measure will have a large impact on groups in extreme poverty.

The rapid rate of economic growth seen in earlier years was affected by the external shocks that came with the international financial crisis. The terms of trade deteriorated as a result, although they were still high by the standards of the past. The economic and political uncertainties in the country, meanwhile, were reflected in large outflows of private capital and in the higher interest rates required to make Argentine bonds attractive relative to the values

observed in other emerging economies. There were no severe shocks in the banking system or currency market, however. The central bank retained its ability to control movements in the currency market, and in fact there was only a moderate build-up of reserves over the year. Meanwhile, the exchange rate against the dollar rose by about 10%. Economic policy was geared towards sustaining activity and demand.

In the second half of the year, the absence of severe financial strains and the signs of improvement in the international situation translated into a slower build-up of private-sector external assets. The risk premiums implicit in bond prices fell back from their high levels of earlier years. At the same time, exports showed signs of recovery. These conditions contributed to an upturn in aggregate spending, which translated into a recovery in activity levels. Higher demand and lower supply, as seen in the meat market following a period in which beef cattle stocks were run down, led to a rise in prices in the first quarter of 2010. Wage negotiations reflected expectations of inflation considerably in excess of that recorded by the consumer price index (CPI), approximating to 10% a year.

Public-sector financing, the use of international reserves and the institutional framework for monetary

policy were the subject of intensive debate between late 2009 and early 2010. The government focused on restoring access to external credit, which had been very restricted. Accordingly, it made a swap offer to bondholders who had declined to participate in the 2005 restructuring. The result of the swap was a take-up rate of about 70% of eligible bonds. As a signal that obligations close to maturity would be honoured, furthermore, in late 2009 the government decreed the creation of a fund to which the central bank was to transfer some of its international reserves. This measure was controversial because of its economic and legal ramifications and led to the dismissal of the central bank president. The new monetary authorities expressed their intention of aligning the actions of the central bank with those of the central government macroeconomic authorities and promoting lending to stimulate economic activity and investment.

2. Economic policy

Government spending rose strongly in 2009. The government was concerned to mobilize the resources transferred to the public sector by the pension system reform and use them for lending, especially to producers of consumer durables and the construction sector. Firms were also given assistance to facilitate payment of wages, subject to personnel numbers being maintained. Payroll taxes were reduced and a moratorium was introduced for social security and tax obligations, including disclosure of undeclared assets. The monetary base expanded by about 12%, while interest rates fell considerably over the year. The appreciation of a number of trading partners' currencies translated into a significant increase in the multilateral exchange rate. The authorities continued to apply domestic price regulation measures in the form of agreements with producers of certain goods and services and restrictions on food exports. At the same time, import regulation instruments were employed with the aim of channelling spending towards local producers.

(a) Fiscal policy

Because the primary surplus fell from 3.1% of GDP in 2008 to 1.5% in 2009, the national public sector recorded an overall deficit of 0.6% of GDP in 2009, the

first since 2002. This development reflected a substantial rise in primary spending from 18.1% to 21.2% of GDP that was not offset by higher revenues, even though the total tax burden reached a record high, exceeding 30% of GDP. In absolute terms, total spending increased by 30.7% from 2008. There were rises across the board, but particularly in capital spending, pay, goods and services purchases, interest payments and social security benefits. Current transfers grew by less, owing to a reduction in subsidies to the private sector.

The current revenues of the national public sector grew by 19% in 2009, thanks to an allocation of US\$ 10 billion in International Monetary Fund (IMF) Special Drawing Rights (SDRs) and to US\$ 7.7 billion of revenues from the financial assets of the National Social Security Administrator (ANSES). Domestic fiscal receipts (which include revenue-sharing resources and transfers to provinces) increased by 13.2%, or slightly more than nominal GDP. Tax revenues rose by 5%, while social security contributions increased by over 40% in consequence of the abolition of the funded regime. Revenues from the major domestic earnings and business taxes, i.e., value added tax (VAT) and income tax, increased by less than GDP. Meanwhile, revenue from taxes on international trade (export and import

duties) declined in nominal terms because of lower trade volumes and export prices.

The strong recovery of the economy in the first quarter of 2010 resulted in a general improvement in revenues (almost 24%) compared to the year before. Thus, taxes on external trade (chiefly import duties) and VAT and income tax revenues increased by over 20% on the previous year. Meanwhile, revenues from social security contributions rose by approximately 25%. Primary spending maintained a year-on-year growth rate of over 30% across almost all expenditure items (pay, goods and services, social security benefits). Universal child benefit payments drove growth in current transfers to the private sector (40.3% year on year), although spending on subsidies was moderate.

The public debt increased slightly over the previous year's level to US\$ 147,119 million by the end of 2009 (about 50% of GDP). The restructuring of public debt not included in the 2005 swap is not expected to affect the stock of liabilities greatly.

(b) Monetary and exchange-rate policies

During the first half of 2009, monetary and exchange-rate policies were designed to counteract the adverse effects of international economic uncertainty and pre-electoral caution on local business activity and lending. The central bank sought to maintain greater stability by participating actively in market operations with a view to a reduction of interest rates, using the managed currency float regime to prevent excessive fluctuations and deploying mechanisms to shore up bank liquidity

and balance sheets. This stability only really began to be achieved in the third quarter of the year. The recovery in the monetary and credit market consolidated in late 2009 and early 2010.

In 2009, there was a rise of some 15% in monetary aggregates held by the private sector. Issues of securities by the monetary authority rose by about 18% in nominal terms. Those of longer-term paper fell by more than half, while those of shorter-term paper virtually tripled during the year. Lending to the private sector (up by about 10%) expanded by less than deposits (15%). Nominal deposit and lending values maintained their upward trend in the early months of 2010.

Interest rates showed a declining trend over the course of 2009, albeit with fluctuations, and this continued into the early months of 2010. By April 2010, yields on fixed-term deposits were around 9%, some three percentage points below the figure of a year earlier. Lending interest rates presented a similar pattern, but at higher levels. In the securities markets, the share price index more than doubled over the course of 2009, and the upward tendency continued during the first four months of 2010. The interest rate spread between sovereign bonds and similar instruments in the United States was 660 basis points as of late 2009, a large reduction from the spread of more than 3,000 basis points in late 2008.

The monetary authority intervened actively to reduce exchange-rate volatility, the outcome being a movement of about 11% in the dollar exchange rate in 2009. The multilateral real exchange rate was considerably higher in early 2010 than at the beginning of the decade, but it has been reduced significantly since then.

3. The main variables

(a) Economic activity

GDP increased by an average of 0.9% in 2009. It declined somewhat in the fourth quarter of 2008 and the first quarter of 2009 with respect to the previous quarter, but picked up substantially in the last three months of 2009. Economic activity in Argentina contracted sharply from 2008 before bottoming out in mid-2009, after which there was a substantial recovery. The contraction in aggregate demand (-1.6%) was concentrated in exports and fixed investment, with the latter falling by 10%.

Public-sector consumption, on the other hand, rose substantially (7%), while private-sector consumption also experienced a small increase despite declining sales volumes for a number of consumer durables. The investment to GDP ratio fell, although it remained above 20%. Investment in durable production equipment fell by most (-19%), with imports particularly affected. Investment in construction fell by 3.6%.

Where individual sectors are concerned, agriculture experienced the largest contraction (about 16%). The area sown during the 2008-2009 agricultural cycle fell

Table 1
ARGENTINA: MAIN ECONOMIC INDICATORS

	2001	2002	2003	2004	2005	2006	2007	2008	2009 ^a
Annual growth rates^b									
Gross domestic product	-4.4	-10.9	8.8	9.0	9.2	8.5	8.7	6.8	0.9
Per capita gross domestic product	-5.4	-11.8	7.8	8.0	8.1	7.4	7.6	5.7	-0.2
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	1.1	-2.3	6.9	-1.5	11.1	2.6	9.8	-2.5	-15.7
Mining and quarrying	4.7	-3.7	3.7	-0.4	-0.2	3.0	-0.5	1.1	-1.1
Manufacturing	-7.4	-11.0	16.0	12.0	7.5	8.9	7.6	4.5	-0.5
Electricity, gas and water	1.1	-3.0	6.9	6.5	5.0	5.0	5.7	3.4	0.9
Construction	-11.6	-33.4	34.4	29.4	20.4	17.9	9.9	3.7	-3.8
Wholesale and retail commerce, restaurants and hotels	-7.8	-16.8	11.7	12.4	9.5	7.9	10.7	7.9	-0.1
Transport, storage and communications	-4.6	-7.9	8.2	13.4	14.8	13.5	13.7	12.1	6.5
Financial institutions, insurance, real estate and business services	-4.4	-9.6	-1.1	2.2	7.1	8.2	8.1	9.3	3.1
Community, social and personal services	-0.1	-3.3	2.8	4.4	5.6	5.4	5.0	4.9	4.3
Gross domestic product, by type of expenditure									
Final consumption expenditure	-5.2	-12.8	7.0	8.3	8.5	7.4	8.8	6.6	1.5
Government consumption	-2.1	-5.1	1.5	2.7	6.1	5.2	7.6	6.9	7.2
Private consumption	-5.7	-14.4	8.2	9.5	8.9	7.8	9.0	6.5	0.5
Gross capital formation ^c	-15.7	-36.4	38.2	34.4	22.7	18.2	13.6	9.1	-10.2
Exports (goods and services)	2.7	3.1	6.0	8.1	13.5	7.3	9.1	1.2	-6.4
Imports (goods and services)	-13.9	-50.1	37.6	40.1	20.1	15.4	20.5	14.1	-19.0
Percentages of GDP									
Investment and saving^d									
Gross capital formation ^c	15.6	10.9	14.1	18.7	20.9	23.0	24.2	25.1	21.2
National saving	14.2	19.4	20.4	20.8	23.8	26.7	27.0	27.3	24.9
External saving	1.4	-8.6	-6.3	-2.1	-2.9	-3.6	-2.8	-2.2	-3.7
Millions of dollars									
Balance of payments									
Current account balance	-3 780	8 767	8 140	3 211	5 275	7 768	7 383	7 090	11 292
Goods balance	7 385	17 178	16 805	13 265	13 087	13 958	13 456	15 464	18 621
Exports, f.o.b.	26 543	25 651	29 939	34 576	40 387	46 546	55 980	70 021	55 750
Imports, f.o.b.	19 158	8 473	13 134	21 311	27 300	32 588	42 525	54 557	37 130
Services trade balance	-3 863	-1 460	-1 193	-1 331	-992	-501	-459	-943	-758
Income balance	-7 727	-7 491	-7 976	-9 284	-7 304	-6 150	-5 941	-7 550	-9 272
Net current transfers	424	540	504	561	484	459	328	119	2 701
Capital and financial balance ^e	-17 625	-22 158	-17 177	-10 163	2 144	6 441	4 216	-10 389	-14 793
Net foreign direct investment	2 005	2 776	878	3 449	3 954	3 099	4 969	8 335	4 216
Other capital movements	-19 630	-24 934	-18 055	-13 612	-1 811	3 342	-753	-18 723	-19 009
Overall balance	-21 405	-13 391	-9 037	-6 952	7 418	14 208	11 600	-3 299	-3 501
Variation in reserve assets ^f	12 070	4 516	-3 581	-5 319	-8 857	-3 529	-13 098	-9	-1 346
Other financing	9 335	8 876	12 618	12 271	1 439	-10 679	1 499	3 309	4 848
Other external-sector indicators									
Real effective exchange rate (index: 2000=100) ^g	96.0	228.3	208.3	214.0	213.7	218.0	213.8	201.6	210.0
Terms of trade for goods (index: 2000=100)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net resource transfer (millions of dollars)	-16 016	-20 773	-12 535	-7 175	-3 722	-10 388	-226	-14 630	-19 218
Total gross external debt (millions of dollars)	166 272	156 748	164 645	171 205	113 799	108 864	124 560	124 923	117 808
Average annual rates									
Employment									
Labour force participation rate ^h	56.0	55.8	60.1	60.3	59.9	60.3	59.5	58.8	59.3
Open unemployment rate ⁱ	17.4	19.7	17.3	13.6	11.6	10.2	8.5	7.9	8.7
Visible underemployment rate ^j	18.9	24.0	20.7	17.5	14.2	12.5	10.4	9.5	11.1
Annual percentages									
Prices									
Variation in consumer prices (December-December)	-1.5	41.0	3.7	6.1	12.3	9.8	8.5	7.2	7.7
Variation in wholesale prices (December-December)	-3.4	113.7	2.0	7.9	10.6	7.2	14.6	8.8	10.3
Variation in nominal exchange rate (annual average)	-0.0	209.9	-4.9	-0.2	-0.6	5.2	1.3	1.5	17.9
Variation in average real wage	-1.2	-19.4	12.2	9.2	7.4	8.9	9.1	8.8	11.7
Nominal deposit rate ^k	16.3	39.3	10.5	2.7	3.9	6.5	7.9	11.1	12.0
Nominal lending rate ^l	28.6	40.7	16.8	10.8	10.5	12.9	14.0	19.8	21.3

Table 1 (concluded)

	2001	2002	2003	2004	2005	2006	2007	2008	2009 ^a
	Percentages of GDP								
Central national administration									
Total revenue	14.3	14.2	16.1	16.3	16.7	17.2	18.2	19.4	20.9
Current revenue	14.2	14.1	16.1	16.2	16.5	17.0	18.1	19.3	20.8
Tax revenue	12.9	12.1	14.5	15.4	15.8	16.0	17.2	18.1	18.2
Capital revenue	0.1	0.0	0.1	0.1	0.2	0.2	0.1	0.1	0.2
Total expenditure	18.3	14.8	15.9	14.4	16.3	16.2	17.5	18.7	22.0
Current expenditure	17.4	14.1	15.1	12.9	14.3	13.6	15.3	16.4	19.3
Interest	4.0	2.1	1.9	1.3	1.9	1.7	2.1	2.1	2.3
Capital expenditure	0.9	0.7	0.8	1.5	2.0	2.6	2.2	2.2	2.7
Primary balance	0.0	1.5	2.1	3.2	2.3	2.7	2.7	2.8	1.2
Overall balance	-4.0	-0.6	0.2	2.0	0.4	1.0	0.6	0.7	-1.0
National administration debt^m									
Domestic	22.3	52.8	59.4	52.7	38.3	37.4	31.8	30.0	30.4
External	31.5	93.0	78.8	73.8	34.5	26.1	23.9	18.5	18.2
Money and creditⁿ									
Domestic credit	32.6	43.2	37.9	32.7	24.9	20.7	17.1	15.8	16.0
To the public sector	18.8	48.8	42.2	38.0	29.5	22.0	17.4	15.3	17.5
To the private sector	20.8	15.3	10.8	10.5	11.7	13.0	14.5	13.7	13.5
Others	-7.1	-20.9	-15.1	-15.8	-16.2	-14.3	-14.7	-13.2	-15.0
Liquidity (M3)	24.9	21.9	24.9	24.7	25.8	25.8	26.1	22.4	24.1
Currency outside banks and local-currency deposits (M2)	8.5	21.2	23.5	23.0	23.8	23.5	23.5	19.7	20.7
Foreign-currency deposits	16.5	0.7	1.4	1.7	2.0	2.3	2.6	2.7	3.4

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

^a Preliminary figures.

^b Based on figures in local currency at constant 1993 prices.

^c Gross capital formation does not include changes in stocks.

^d Based on figures in local currency expressed in dollars at current prices.

^e Includes errors and omissions.

^f A minus sign (-) denotes an increase in reserves.

^g Annual average, weighted by the value of goods exports and imports.

^h Economically active population as a percentage of the working-age population, urban areas.

ⁱ Percentage of the economically active population, urban areas.

^j Percentage of the working population, urban areas.

^k Fixed-term deposits, all maturities.

^l Local-currency loans at fixed or renegotiable rates, signature loans of up to 89 days.

^m As from 2005, this does not include unswapped debt.

ⁿ The monetary figures are end-of-year stocks.

by 6.5% because of poor weather and lower expected returns. There was a particularly sharp decline in the areas sown with wheat and maize (exports of which were subject to major restrictions) and with sunflower. Conversely, there was a small increase in the area of soy planted. Nonetheless, a sharp decline in yields was reflected in a large reduction (28%) in the soy harvest. This came in at just 33 million tons, the smallest volume since the 2003-2004 agricultural cycle. In the case of wheat, output was down to 8.3 million tons, half the harvest of the 2007-2008 agricultural cycle and the lowest volume since the late 1980s. The volume of maize produced was the lowest of the decade. Because of the more favourable weather conditions, the 2009-2010 agricultural cycle showed a significant recovery for almost all crops (wheat was the exception). The maize harvest is expected to come in at over 20 million tons again, a rise of over 50%. A record soy crop of over 52 million tons is also expected.

Stockbreeding in 2009 was marked by a substantial rise in the number of beef cattle slaughtered (11%), outstripping replacement with new animals. Consequently,

the national stock of cattle fell to just over 50 million head (6 million fewer than two years before). This development was due both to unfavourable weather conditions and to policies aimed at reducing prices to favour the domestic market. Meat consumption was in excess of 70 kilograms per capita. However, the reduction in stocks and better weather conditions led to an upturn in the stockbreeding cycle from the fourth quarter of 2009 and to large price rises. The steer price per kilogram was almost 60% higher in May 2010 than six months earlier, while beef production in the first quarter of the year was 17% down on the same period of 2009.

Manufacturing output contracted in 2009. This was mainly due to a slump in activity in late 2008, with the industrial cycle apparently bottoming out in early 2009. Averaged over the period, the downturn was deepest in the metallurgical sectors (iron and steel, the automotive industry and capital goods). By contrast, there were some increases in production volumes for food, paper and chemicals. Over 2009 and the early months of 2010, however, there was a strong upturn in industrial activity. In February, manufacturing output indices signalled

Table 2
ARGENTINA: MAIN QUARTERLY INDICATORS

	2008				2009 ^a				2010 ^a	
	I	II	III	IV	I	II	III	IV	I	II
Gross domestic product (variation from same quarter of preceding year) ^b	8.5	7.8	6.9	4.1	2.0	-0.8	-0.3	2.6	6.8	...
Goods exports, f.o.b. (millions of dollars)	16 008	17 464	21 308	15 264	11 916	15 462	13 799	14 491	13 197	12 701 ^c
Goods imports, c.i.f. (millions of dollars)	12 849	15 327	16 502	12 736	8 311	9 056	10 507	10 906	11 065	8 675 ^c
Gross international reserves (millions of dollars)	50 039	47 918	47 072	46 198	46 933	46 026	45 348	47 967	47 460	49 000
Real effective exchange rate (index: 2000=100) ^d	211	208	200	187	195	209	217	220	208	205 ^c
Open unemployment rate	8.4	8.0	7.8	7.3	8.4	8.8	9.1	8.4	8.3	...
Consumer prices (12-month percentage variation)	8.8	9.3	8.7	7.2	6.3	5.3	6.2	7.7	9.7	10.7 ^c
Wholesale prices (12-month percentage variation)	15.7	13.8	11.7	8.8	7.1	5.6	6.8	10.3	13.8	15.2 ^c
Average nominal exchange rate (pesos per dollar)	3.15	3.12	3.05	3.33	3.54	3.73	3.83	3.81	3.84	3.90
Average real wage (variation from same quarter of preceding year)	6.4	8.2	9.8	10.4	15.1	12.5	10.5	9.2	9.6	...
Nominal interest rates (annualized percentages)										
Deposit rate ^e	8.4	10.2	11.0	14.9	12.5	12.1	11.9	10.6	9.5	9.1 ^f
Lending rate ^g	14.5	18.2	19.5	27.1	24.5	21.9	20.8	17.9	15.9	15.4 ^f
Interbank rate ^h	8.1	8.9	9.0	11.7	10.9	10.8	10.2	9.3	9.1	9.1 ^c
Sovereign bond spread (basis points) ⁱ	581	614	953	1 704	1 894	1 062	784	660	646	821
Stock price index (national index to end of period, 31 December 2000 = 100)	505	506	383	259	270	381	498	557	570	524
Domestic credit (variation from same quarter of preceding year)	12.9	34.2	33.3	17.0	3.2	-0.7	-3.5	12.7	43.5	43.6 ^f
Non-performing loans as a percentage of total credit	2.2	2.0	1.7	1.9	2.0	2.1	2.1	2.1	2.0	1.9 ^c

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

^a Preliminary figures.

^b Based on figures in local currency at constant 1993 prices.

^c Data to May.

^d Quarterly average, weighted by the value of goods exports and imports.

^e Fixed-term deposits, all maturities.

^f Data to April.

^g Local-currency loans at fixed or renegotiable rates, signature loans of up to 89 days.

^h Buenos Aires interbank offered rate (BAIBOR).

ⁱ Measured by JP Morgan's EMBI+ index to end of period.

year-on-year growth of some 11%, with strong increases in the metallurgical sectors and most particularly the automotive industry, as a result of higher sales in the local market and increased external demand, especially from Brazil.

(b) Prices, wages and employment

The pace of price increases moderated in 2009. According to national statistics, the CPI as measured in Greater Buenos Aires was up by 7.7% in December. According to the National Institute of Statistics and Censuses (INDEC), the economic upturn in the early part of 2010 resulted in a cumulative rise of 4.3% in the first four months of the year.

Taking the average for the year, the employment rate was a little over 42% while the unemployment rate averaged 8.7% (less than one percentage point above the rate of a year before), peaking at 9.1% in the third quarter. Manufacturing industry registered a large drop in the number of workers employed (3.6% for the year as a whole) and hours worked (6.1%). During the first quarter of 2010, the hours worked indicator registered a year-on-year increase of 3%.

Cumulative wage growth in 2009 was some 17%. The pay of workers in the informal sector grew by more than the average (21.5%). Meanwhile, the wage per worker in manufacturing industry rose by nearly 21% between the fourth quarter of 2008 and the same period in 2009. In the first three months of 2010, wages for

formal and informal private-sector workers and public-sector workers rose by an average of 5.3%.

(c) The external sector

The balance-of-payments current account registered a surplus of US\$ 11.3 billion in 2009. The figure includes (under the current transfers item) an allocation of IMF Special Drawing Rights worth approximately US\$ 2.5 billion. Leaving out this operation, the surplus would still have been greater (by some US\$ 1.5 billion) than the previous year's. In 2009, the trade surplus increased to over US\$ 18 billion owing to a sharp contraction in external trade flows, although there were clear signs of recovery by the end of the year. Meanwhile, capital flows generated a large outflow of funds. The outflow of non-financial private-sector funds was large again, although smaller than the year before (US\$ 7.5 billion in 2009 as compared to US\$ 9.5 billion in 2008). Thus, by early May 2010 international reserves had increased by US\$ 1.35 billion to US\$ 48 billion.

The value of goods exports fell in 2009, owing to both lower prices (-20.4%) and lower volumes (-4.3%). The reduction in unit values was seen right across the major product categories. The export price index was 10% in early 2010, down on the 2008 figure but higher than the 11.5% seen in 2007. Export volumes also fell in 2009, with commodities worst affected (-32%), while in the case of manufactured goods (both agricultural and

industrial in origin) they held up fairly well. As regards geographical distribution, sales to the rest of the Latin America region fell by proportionately less than the average. Exports expanded by 10% (7% in price and 3% in volume) in the first quarter of 2010, with industrial manufactures seeing a large increase (36% in price and 46% in volume).

Average import prices fell by 12%, and in general imports responded very flexibly to the downturn in economic activity. At the same time, administrative measures were applied to channel demand towards local products. The reduction in imports by value in 2009 (a cumulative 32%) was led by intermediate goods (38%) and vehicles (35%). Capital goods purchases dropped by 30%. Year-on-year changes were positive from November, with the rate of increase picking up in the early part of 2010 (33% in the first quarter and 52% in March).

The services account of the balance of payments posted a deficit of some US\$ 750 million (smaller than in 2008), while investment income was in deficit by US\$ 9.2 billion. The non-financial public sector recorded a small capital outflow. There was a particularly substantial build-up of external assets by the private sector in early 2009. In the second half of the year, the sector's net financial outflows fell back to low levels. Foreign direct investment inflows fell to US\$ 3.3 billion in the first nine months of 2009, as compared to US\$ 7.6 billion in the same period the year before.