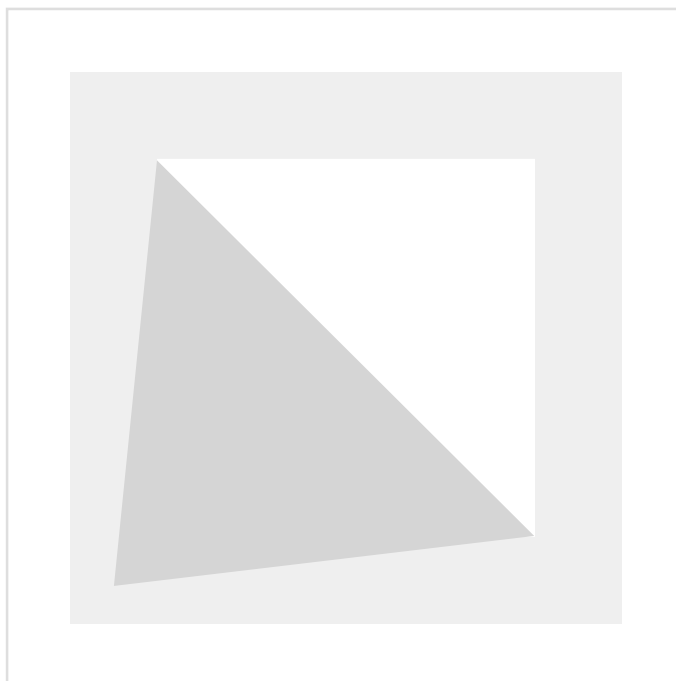


**2002**



# **Current conditions and outlook**

**ECONOMIC SURVEY OF LATIN AMERICA  
AND THE CARIBBEAN 2001-2002**



UNITED NATIONS



### **Notes**

The following symbols have been used in the tables shown in this publication:

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

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

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

The word “dollars” refers to United States dollars, unless otherwise specified.

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## Foreword



This publication corresponds to the first chapter of the *Economic Survey of Latin America and the Caribbean, 2001-2002* and is being published simultaneously in English and Spanish. It provides an assessment of the region's economic performance during the first half of 2002 and of its prospects for the remainder of the year. An analysis is presented of the main aspects of the regional economy, including its external sector, macroeconomic policies, levels of economic activity, inflation, employment, saving and investment. A statistical appendix consisting of 13 tables with data series up to 2001 is also furnished.

This document has been prepared by the Economic Development Division with the collaboration of the Statistics and Economic Projections Division, the ECLAC subregional headquarters in Mexico City and Port of Spain, and the ECLAC national offices in Argentina, Brazil and Colombia.



## CURRENT CONDITIONS AND OUTLOOK, 2002

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### Introduction

Against the backdrop of a very sluggish international economic environment, the reactivation that began in Latin America and the Caribbean in 2000 was short lived. After having stalled in 2001, economic growth is expected to be negative (-0.8%) for 2002, and unemployment is projected to reach a record of over 9%. The severe crisis in Argentina accounts for a great deal of this downturn, however; the growth rates of the rest of the economies in the region have also slackened, but will nonetheless be positive in most cases. In fact, if Argentina is factored out of the totals, then a modest expansion (slightly over 1%) of the region's GDP is projected. Inflation has remained low in most of the countries, with the rise in the regional indicator being attributable to the effects of major devaluations in Argentina and Venezuela.

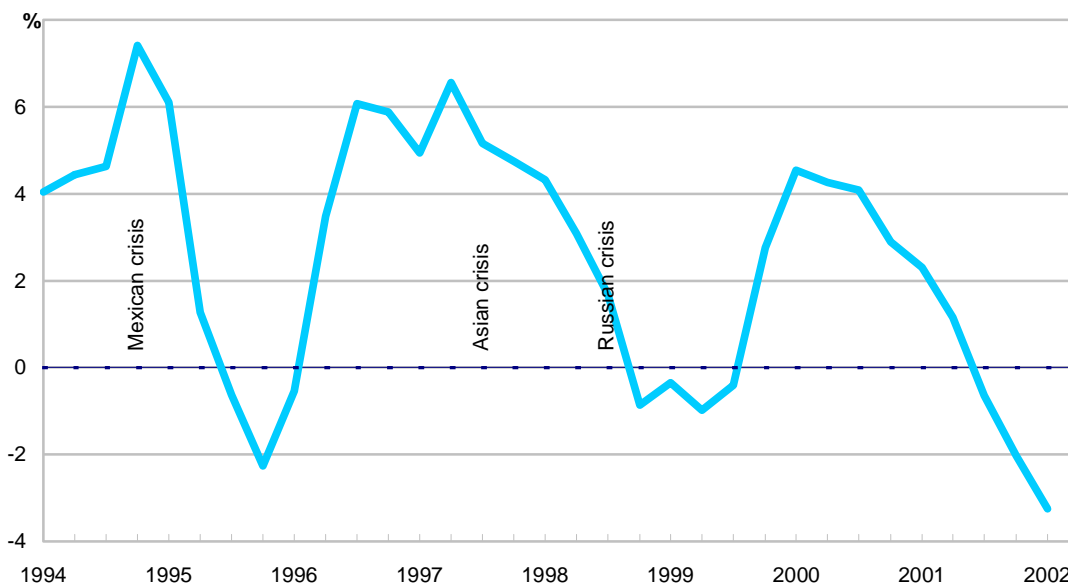
Given the slow pace of the industrialized economies' recovery and the still low prices being brought by the region's main commodity exports, its external sales of goods are likely to decline by a further 1.5% in 2002. The improvement in the regional trade balance is primarily a reflection of plummeting import demand in Argentina. Flows of direct investment, which have been the largest component in the region's inflows of external capital since the mid-1990s, will continue to dwindle, and financial capital will remain scarce. The terms and conditions for external financing continue to be less favourable than they were prior to the Asian crisis and,

as a result, the region is expected to register a net outward transfer of resources for the fourth year running.

Unlike the crises that occurred in the 1990s, which affected a limited group of countries, in 2001 the recession engulfed all of the region's economies. This contractionary climate remained in evidence during the first quarter of 2002, as is shown by the fact that regional GDP was 3% lower than it had been in the first quarter of 2001 (see figure 1). Thanks to a more flexible management of fiscal, exchange and monetary policies in 2001 and 2002, however, most of the countries have managed to avert a full-blown crisis. These measures have, however, revealed just how little manoeuvring room is available for domestic economic policy. Unlike the situation in the industrialized economies, where a more expansionary monetary and fiscal policy stance has been adopted in order to counter the recession, the region's governmental authorities have come under increasing pressure to cut back spending in order to control a public debt that has been inflated by a five-year-long uptrend in the fiscal deficit. Private firms also have less breathing space, as several years of sagging profits have undermined their capital base. Despite the monetary authorities' efforts to expand the money supply and lower interest rates, however, in most of the countries the private sector's supply and demand for domestic credit continues to shrink. The banking system in several of the MERCOSUR countries has also become quite fragile as a result of the crisis.



Figure 1  
**LATIN AMERICA AND THE CARIBBEAN: GROSS DOMESTIC PRODUCT<sup>a</sup>**  
 (Percentage variation with respect to the same quarter of previous year)



Source: ECLAC, on the basis of official figures.

<sup>a</sup> Includes Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.

Looking beyond the immediate situation, there is concern about the possibility that the prevailing economic climate in the region may become one of low growth, worsening domestic conditions and bleak prospects for the future. Within this context, the words “adverse expectations” reappear as a *leitmotiv* in economic analyses, and the fixed investment coefficient has dropped to a 10-year low. The economic situation in 2002 clearly reveals the disparity between the expectations awakened by the new economic model that took hold in the region during the 1990s and current growth prospects, thus revealing the existence of a gap that is raising a series of questions as to the economic and social sustainability of existing development patterns. As has been seen in a number of cases, the protracted economic recession, high unemployment and the limitation of social expenditure are creating social tensions that undermine domestic governance and make it harder for national authorities to implement needed economic reforms and policies.

Hopes for the start of an economic reactivation in the region in the second half of 2002 are based on projections of a definite upturn in the United States economy and better economic conditions in Europe. Any improvement in the international environment ought to

be reflected first in the Mexican, Central American and Caribbean economies, which have close trade relations with the United States. However, as of June 2002, a deterioration in the international financial situation and market speculation against the Brazilian economy, together with continuing uncertainty in neighbouring Argentina, had again raised the spectre of financial contagion of the entire region as well as of other emerging economies. Within this context, no more than a moderate recovery of regional GDP is likely in 2003, with projected growth of between 2.5% and 3% –enough for a slight rise in per capita GDP, but not enough to boost employment indicators.

The economy’s weak performance in 2002 fits in with the stage of slow growth that began with the Asian crisis. Although the different countries’ experiences cover a wide spectrum, the ensuing economic slowdown has been widespread, and per capita GDP has declined in a large number of them. As a result, 2002 will mark the fifth “lost year” in a row, with per capita output slipping to a level nearly 2% below where it stood in 1997. Within this context, the increasingly evident conflicts arising between the external economic environment, domestic macroeconomic policy, and economic and social development processes pose a series of challenges for the Latin American and Caribbean countries.

Thanks to more flexible exchange-rate regimes and the adoption of macroeconomic policies based on inflation targets, a number of the countries have improved their macroeconomic policies since the mid-1990s. In the realm of fiscal policy, however, further progress needs to be made in correcting procyclical biases, increasing tax revenues, improving taxation structures and raising the quality of public expenditure. Moreover, little headway has been made in implementing reforms to promote more dynamic changes in production patterns, whose materialization depends on a number of other factors in addition to a strong macroeconomic performance. Even though public social spending has been increased and steps have been taken to improve the design of social policy, much remains to be done before new patterns of development benefit the population as a whole.

This situation underscores the importance of building a new consensus based on global initiatives to improve the developing countries' position within the world order and facilitate more active sorts of national and regional development policies than most of those

implemented over the past decade.<sup>1</sup> The decision taken by the member countries of the World Trade Organization when they met in Doha in November 2001 to launch a new "development round" and the United Nations International Conference on Financing for Development that was held in March 2002 in Monterrey, Mexico, attest to the international community's political will to take more energetic steps to promote a development agenda and reduce the asymmetries spawned by globalization. The fact remains, however, that the deterioration in the international situation has sparked a resurgence of protectionist trends in the industrialized countries, and there is a disturbing tendency to adopt a relatively passive attitude towards severe financial crises such as the one currently affecting Argentina. Action at the regional level should play a more central and strategic role in this respect, not only because of the growing importance of intraregional trade in recent years, but also because the regional arena appears to be the most promising forum for dialogue and consensus-building regarding national policies to meet the challenges posed by the external environment.

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## External conditions continue to trouble the region

In 2002, trends in international trade, the regionwide effects of the serious economic crisis in Argentina and the volatility of financial markets have combined to generate an adverse external environment. The current account deficit on the regional balance of payments is estimated at some US\$ 40 billion for 2002 (2.2% of GDP), and this comes on the heels of a US\$ 51 billion deficit in 2001 (see figure 2). The decrease is chiefly accounted for by a sharp reduction in the trade deficit, which is in turn primarily attributable to the larger trade surplus that will be posted by Argentina as a result of its devaluation and recession. The other economies will run trade deficits once again, although they will be smaller than before. All in all, the trade deficit for goods and non-factor services is expected to total some US\$ 5 billion.

In addition to this shortfall, net payments of profits and interest will amount to approximately US\$ 55 billion, which is quite similar to the figure for 2001. As in the past few years, the region's deficits on the trade and capital

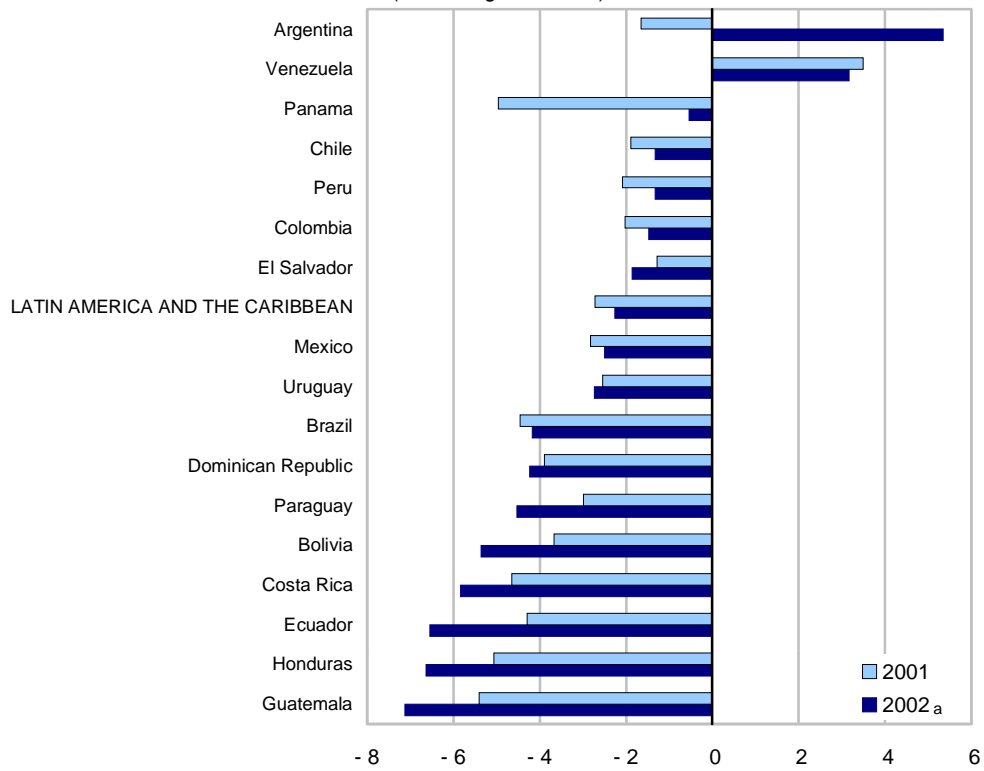
income accounts will be partially offset by current transfers, which in large part are made up of family remittances. Such remittances are expected to total around US\$ 20 billion in 2002, or 15% less than in 2001.

For the fourth consecutive year, total capital inflows are unlikely to be enough to balance out the region's payments of profits and interest, and it will consequently register a net outward transfer of resources once again. A fundamental change has been observed in recent years in the composition of private resource transfers, since positive transfers to Latin America and the Caribbean have consisted entirely of foreign direct investment (FDI), whereas transfers of financial resources have been markedly negative since 1999 (see figure 3). The downturn in net FDI flows that appears to be in the making for 2002 is therefore a cause of concern, since these funds, together with emergency loans from international financial institutions, were the only factor that prevented net resource transfers from being starkly negative in 1999-2001.

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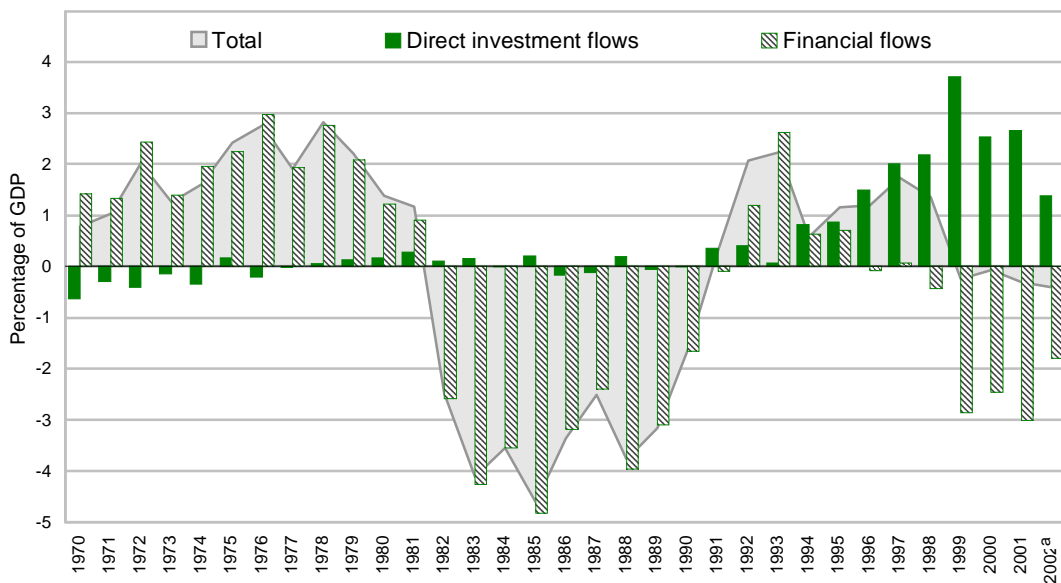
1 For further information on the global development agenda proposed by ECLAC, see *Globalization and development*, which was presented at the twenty-ninth session of the Economic Commission for Latin America and the Caribbean (Brasilia, Brazil, 6-10 May 2002) (LC/G.2157(SES.29/3)), Santiago, Chile, April 2002.

Figure 2  
**LATIN AMERICA AND THE CARIBBEAN: CURRENT ACCOUNT BALANCE**  
*(Percentages of GDP)*



Source: ECLAC, on the basis of figures from official sources and from the International Monetary Fund.  
<sup>a</sup> Projections.

Figure 3  
**LATIN AMERICA: NET TRANSFERS OF EXTERNAL RESOURCES, 1970-2002**



Source: ECLAC, on the basis of figures from the International Monetary Fund.  
<sup>a</sup> Preliminary estimates.

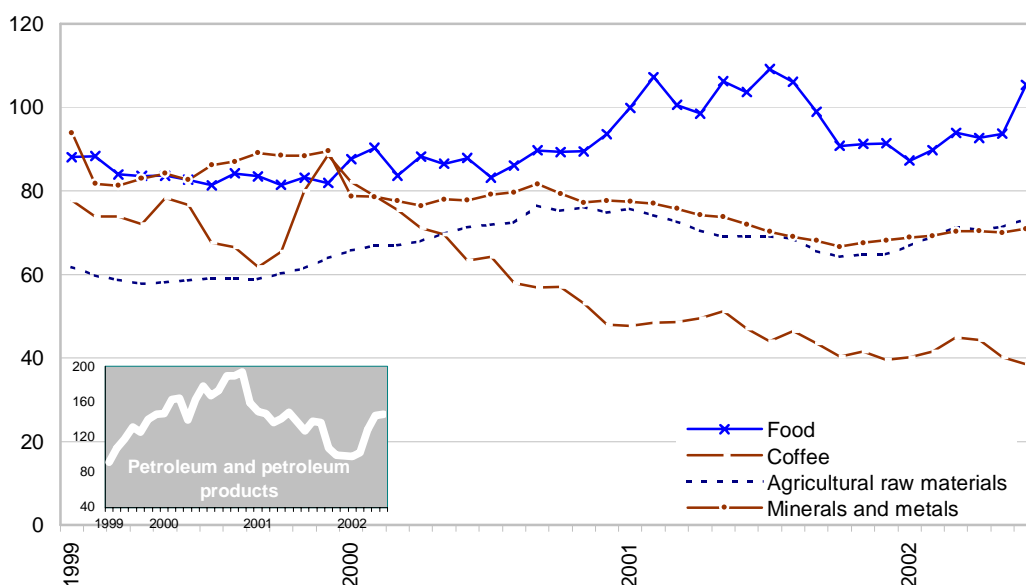
## The contractionary trend in foreign trade strengthens

In 2002, the impact on the region’s external trade flows generated by the performance of the world economy –whose slowdown in 2001 led to a contraction in the region’s external trade– was compounded by the deep economic crisis in Argentina. These two determining factors have thus combined to prolong the downward trend in foreign trade. In fact, if the region’s trade performance for the first few months carries over into the rest of the year, 2002 could end up being one of the region’s worst years in decades. If this occurs, both sluggish export volumes and weak prices will be to blame.

The downward trend in commodity prices appeared to bottom out, in most instances, in late 2001, but no clear turnaround has yet been seen that would permit prices to regain the ground lost the year before. In fact,

in the case of coffee, the upswing seen in the first quarter of 2002 stalled in the second, and prices returned to the weakening trend that had begun in late 1999 (see figure 4). As a result, a comparison between the average prices brought by the region’s main commodity exports in 2002 and 2001 reveals a general decline. The categories of products whose mean prices have fallen in the past year –such as minerals and metals, petroleum and coffee– continued to post declines in the first half of 2002, although the decreases were smaller. Average food prices were down, after having risen in 2001, with the exception of meat, whose international prices have continued to climb, albeit more slowly. Overall, the price index for Latin American and Caribbean commodity exports was 15% lower in the first semester of 2002 than the average for 2001 (5% if petroleum is not included).

Figure 4  
**PRICE INDEXES OF LATIN AMERICAN AND CARIBBEAN  
 NON-FUEL COMMODITY EXPORTS <sup>a</sup>**  
*(Indices 1995=100)*



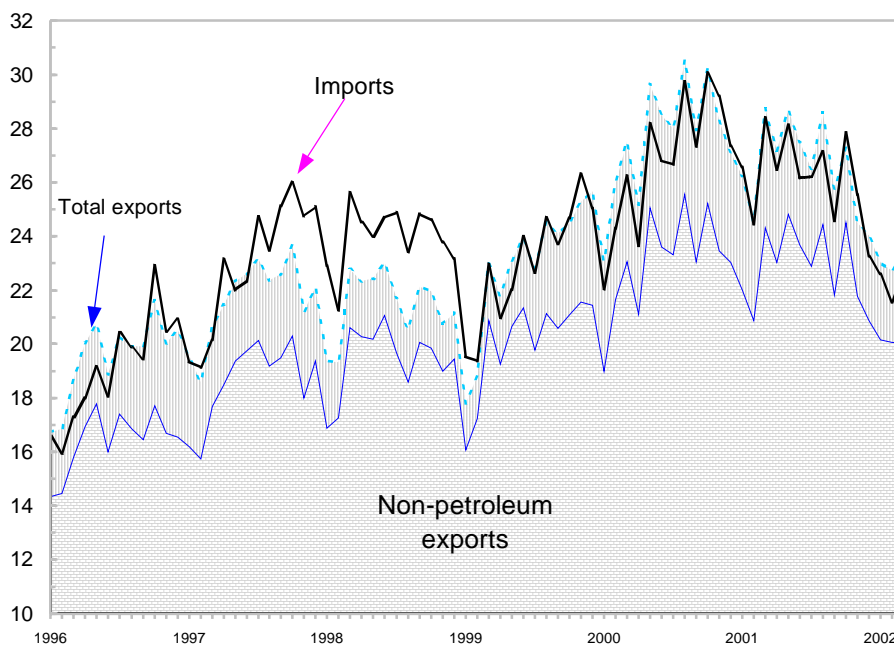
Source: ECLAC, on the basis of official figures

<sup>a</sup> Indices weighted by the proportion of the region’s exports represented by each product.

This price trend is in keeping with the overall decline in export values seen in the first quarter of 2002, which reflects even sharper decreases (including double-digit reductions in many cases) than those of 2001 (see figure 5). Costa Rica was the only country that succeeded in halting the downturn in its exports, which for the last two years had been hurt by lower coffee prices and the critical

situation in the United States technology market. In the services sector, the picture in the tourism industry, which is of such great importance for many Caribbean countries, was quite similar to that of merchandise exports. Tourist arrivals continued to dwindle in the early months of 2002, with the reduction amounting, for example, to 8% in Barbados.

Figure 5  
LATIN AMERICA AND THE CARIBBEAN: MONTHLY GOODS TRADE <sup>a</sup>  
(Billions of dollars)



Source: ECLAC, on the basis of official figures.

<sup>a</sup> Includes Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela, which together account for 93% of the region's trade.

Trends in raw material prices and, to a great extent, in the value of Latin American and Caribbean exports throughout the rest of the year will be strongly influenced by the situation in the world economy and, in particular, the United States. This country's economy exhibited a strong upturn in the first quarter of 2002, but there is a great deal of uncertainty as to how it and the other developed economies will fare during the remainder of the year. A reactivation in the United States would be of particularly crucial importance in reversing the downward trend seen in Mexico's, Central America's and the Caribbean countries' exports in the first quarter.

Although it is reasonable to hope for an improvement in the case of Mexico, the prospects for the Southern Cone have been dimmed by the effects of the

Argentine crisis. The largest losses of export earnings in the first quarter of 2002 were sustained by the MERCOSUR countries, Chile and Ecuador. In Argentina, the decrease in external sales caused by lower international prices and the turmoil in the country's financial system was checked by the steep devaluation of the peso.

The situation with respect to Argentina's imports was much more dramatic. The contraction of this country's imports to around one third of their former level was largely to blame for the downswing in the exports of its neighbouring MERCOSUR partners. This was especially true of the smaller members (i.e., Paraguay and Uruguay), but Brazil, which sells almost one fourth of its total merchandise exports to Argentina, was also affected.

The striking drop in Argentine imports overshadowed the overall trend in the region, which has also been moving downward, in some cases quite sharply. Bearing in mind the results for the first quarter and the unfavourable trend of economic activity in the countries of the region, the descent of the region's imports appears to be on its way towards doubling the 2.5% drop posted in 2001.

Apart from Argentina, the steepest decreases have been registered by Uruguay (in keeping with the economic recession in that country), Paraguay (where both the economy in general and transit trade, in particular, have exhibited a slight contraction) and Brazil (where domestic economic activity has also been flagging). In all of these countries, the reductions have amounted to 25% or more. Smaller but still quite sizeable declines have been recorded by all the Andean countries except Ecuador. In Mexico, the drop in imports has been smaller (8% in the first quarter). As was also true the year before, in every case a portion of the decrease in the value of imports has been due to lower import prices. As in 2001, the conspicuous exception in

this regionwide import picture is Ecuador, where a real appreciation of the currency has continued to help boost imports, which jumped by 30% in the first four months of the year.

Two major determinants of foreign trade activity accounted for the mixed performance of intraregional trade in the first quarter of 2002. In the Central American Common Market (CACM), the slowdown in the United States economy caused exports to destinations outside the subregion to fall much more steeply than exports within the zone (26% versus 2%). Just the opposite occurred in MERCOSUR, where intra-zone exports plummeted by 41% as compared to a decline of just 11% in exports to other countries. As a result, trade among the CACM countries continued to account for an increasing share of the total, posting a record figure of 35%, whereas in MERCOSUR this indicator slumped to a low (12%) not seen since the start of the 1990s. The Andean Community's intra-zone trade expanded by 18%, but sales to other countries were dragged down sharply by the slump in oil prices.

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## Capital flows remain limited and unstable

Total capital inflows to Latin America and the Caribbean in 2002 are estimated at around US\$ 50 billion, which is a far cry from the US\$ 74 billion per year that the region averaged in 1996-1998. For 2002, autonomous capital inflows are expected to amount to about US\$ 38 billion, in addition to the US\$ 11.5 billion in compensatory financing that has already entered the region. The main component of private inflows will continue to be FDI, as has been the case throughout the last decade. In contrast, net flows of debt and other private capital will be negligible.

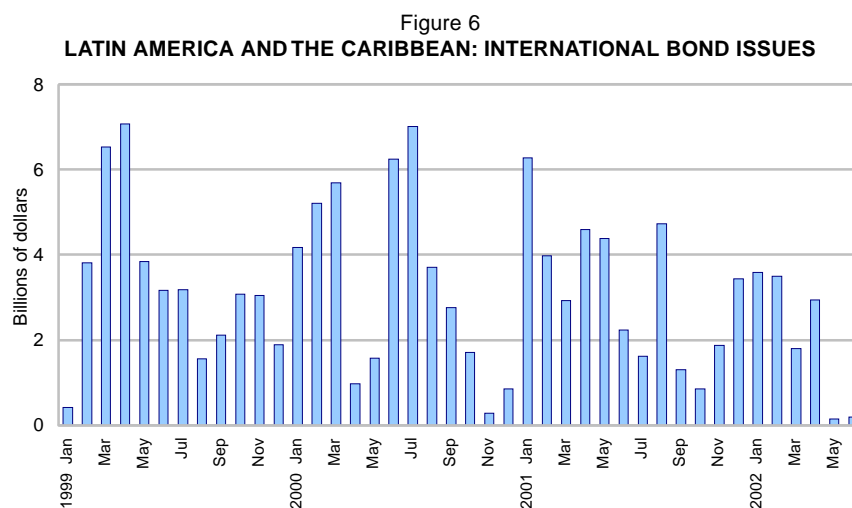
External finance has continued to be unstable and volatile (see figure 6) as international investors become increasingly risk-averse. This is partly due to fallout from the Argentine crisis, but it is also attributable to political uncertainty in the region. From mid-2002 on, an additional factor has been the heightened volatility of the world's stock markets caused by the discovery that large-scale frauds have been perpetrated in many major United States firms.

Problems in obtaining external financing on the market during the first semester are reflected in recent trends in international reserves. As of May, reserve assets totalled some US\$ 150 billion, one of the lowest levels

to be recorded since the Russian moratorium. During the early months of the year, significant reductions in the reserves of Argentina, Brazil, Uruguay and Venezuela were too large to be outweighed by the increases posted in Chile, Colombia, Mexico and Peru.

Following the external debt swap conducted by Argentina in June 2001 and given the deep discount at which Argentine debt has been selling on the secondary market since then, the restructuring plan offered in late 2001 proved to be unviable, and the Argentine Government proceeded to suspend payments on its public debt. As of mid-2002, attempts to reinstate its agreement with the International Monetary Fund (IMF) have not borne fruit, although the Fund did agree to the deferral of amortization and interest payments falling due during the first semester. Once Argentina succeeds in putting its agreement with IMF back on track, it will be able to obtain further disbursements, begin negotiations on the restructuring of its external public debt and embark upon the task of rebuilding its economy's monetary and financial foundations.

For the time being, however, the Argentine crisis has had a contagion effect on the other economies in the region (see the section on this topic below). In June, a



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

US\$ 1.5 billion credit was approved to help Uruguay recoup the international reserves it had to use during the recent banking crisis. In addition, volatility in Brazil's markets prompted it to make use of US\$ 10 billion in IMF disbursements in order to build up its international reserves.

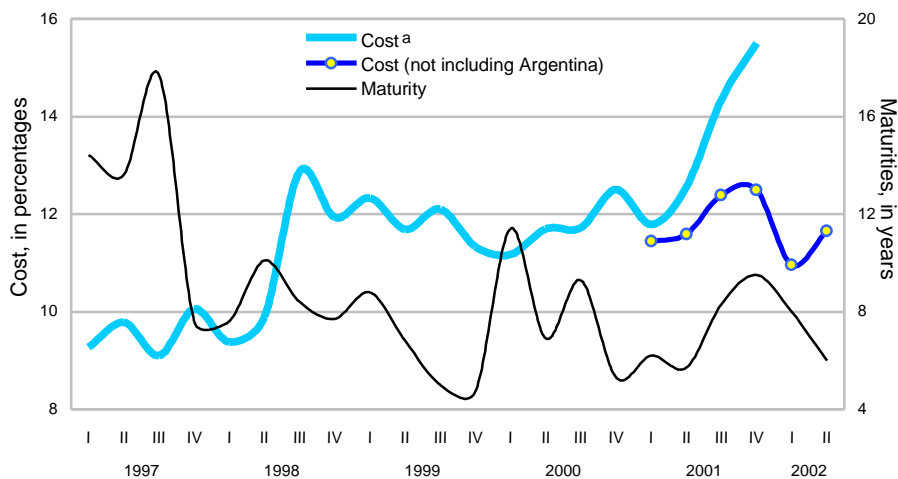
The region's FDI inflows are expected to shrink significantly in 2002, falling to around US\$ 40 billion. This is far from the yearly average of nearly US\$ 73 billion received in 1997-1999, a period when FDI inflows were growing year by year. Meanwhile, as in 2001, direct investment abroad will be virtually nil. This marks a sharp contrast with the situation in 1997-1999, when an average of US\$ 7 billion was invested abroad each year, almost all of it by residents of Argentina, Brazil and Chile. The slump in FDI in 2002 is partially accounted for by the sharp reduction in purchases of existing assets. Some of the hardest-hit countries are Argentina, Brazil and Mexico, which posted record levels in 1999, 2000 and 2001, respectively, thanks to large-scale corporate acquisitions in those countries.

Placements on international bond markets in the first semester amounted to just US\$ 12 billion; this was only half as much as in the first semester of 2001, and almost all of the proceeds have been used to amortize matured debt. The bulk of these operations involved sovereign bond issues placed by the region's traditional lenders (Brazil, Colombia, Mexico, Panama, Uruguay and Venezuela), but they were joined by the Governments of Chile, El Salvador, Jamaica and Peru (the latter for the first time since 1928). PEMEX and PETROBRAS

were among the few corporations in the region to float bond issues.

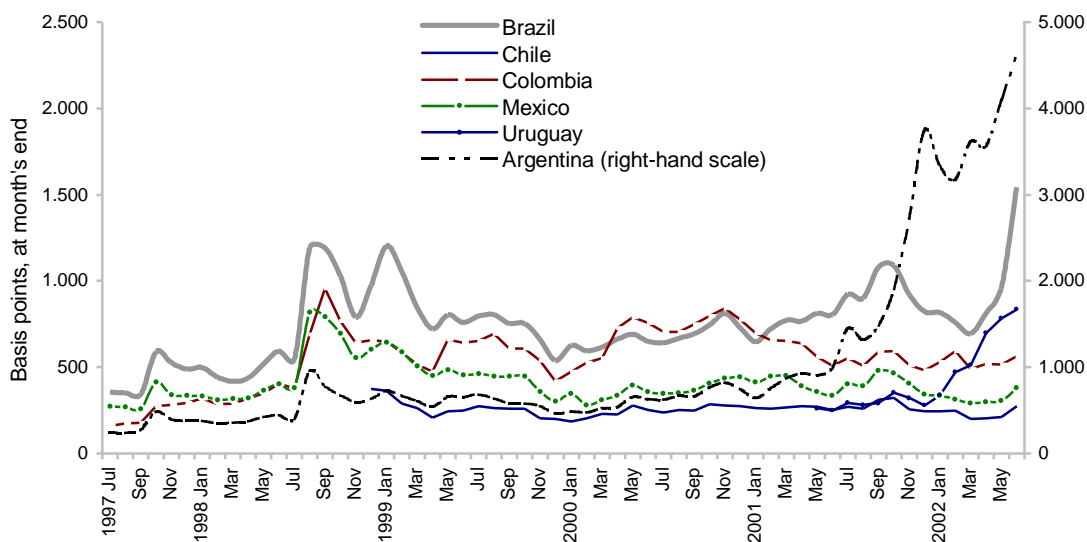
The terms and conditions for external finance had shown an improvement in January-April 2002 over the situation in late 2001 (with the exception of those available to Uruguay), but they took a sharp turn for the worse starting in May (see figure 7). In the first four months of the year, the cost of external financing fluctuated around 12%, which was also the mean rate applied to new issues by countries of the region. In May and June, however, conditions deteriorated, and by late June the cost was approaching 14%, which was close to the rate seen at the time of the Russian moratorium in August 1998. In this instance, the main factors underlying the increase were the deep discounts applying to Argentine and Brazilian paper on the secondary market. If these two countries' securities are not taken into account, then the cost of external financing for 10 countries of the region amounted to an annual rate of 11% in June (between 7% and 8% for Chile, Costa Rica and the Dominican Republic; between 9 and 10.5% for Colombia, Mexico, Panama and Peru; and from 14% to 16% for Ecuador, Uruguay and Venezuela). The rise in the cost of financing for the region was attributable to a heightened perception of risk, as measured by the variation in spreads, since the yield on United States Treasury bonds held steady in the first semester at around 5% per annum. The average spread for the region as of late June was 900 basis points. Argentina, Brazil and Uruguay witnessed the steepest increases, with their spreads widening to almost twice as much as they had been in late 2001 (see figure 8).

Figure 7  
**LATIN AMERICA AND THE CARIBBEAN: COST AND MATURITIES OF INTERNATIONAL BOND ISSUES**



Source: ECLAC, on the basis of figures from the International Monetary Fund, J.P. Morgan and Merrill Lynch.  
 a Sum of the average spread for bond issues and yields of long-term United States Treasury bonds.

Figure 8  
**SPREADS ON EUROBONDS**  
 (Over yields of United States Treasury bonds)



Source: ECLAC, on the basis of figures from J.P. Morgan.



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## A shift in macroeconomic policy

Within this complex external context, the available information for the early months of 2002 points towards a change for the better in the contractionary monetary and financial conditions observed in 2001. This more expansionary monetary policy stance has not yet, however, sparked a recovery in domestic credit.

Meanwhile, a change in the more expansion-oriented fiscal policy implemented in 2001 is expected. On more than a few occasions, pressure generated by the external environment and dwindling net financing have obliged the authorities to take steps to scale back public expenditure.

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## A more cautious fiscal policy

The dilemma facing fiscal authorities in choosing between the objectives of maintaining the sustainability of public finances by adopting a more austere policy stance and of using fiscal instruments to soften the impact of recessionary trends has become all the more difficult in 2002. This has been especially true from May onward because of the uncertainty generated by the possibility of contagion from the troubled situation in Argentina. Following a moderate expansion the year before, expenditure is expected to either remain constant or increase only slightly in 2002.

In the first few months of the year, fiscal indicators continued to worsen as revenues declined in most of the countries. Income was down very sharply in Argentina and Venezuela and was somewhat lower in Barbados, Jamaica, Mexico, Peru and Colombia. In Brazil, Ecuador and the Dominican Republic, fiscal revenues were higher; this resulted in a larger primary surplus in the first of these countries, but spending increased even more sharply in the other two. Fiscal receipts in the Caribbean countries were also hurt by the slump in tourist arrivals, which have made no more than a partial recovery in the wake of the events of 11 September 2001.

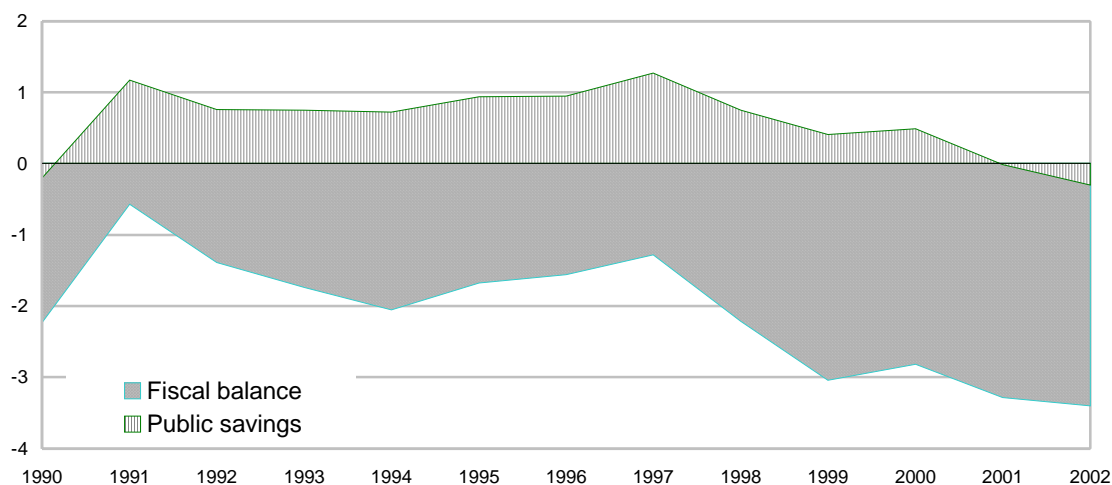
The management of monetary and exchange-rate policies has also had an effect on public finances. Lower interest rates have reduced the cost of domestic borrowing, but devaluations have complicated the situation for national treasuries by increasing the relevant countries' external debt burdens. In fact, in the case of Brazil, the rate of devaluation actually increased, while interest rate hikes and the indexation of government paper drove up the cost of domestic borrowing.

As a result, the objectives of keeping the fiscal deficit in check and controlling the size of the public debt have prevailed over the pressing need to reactivate the economies of the region. One of the factors that has

exacerbated the situation in 2002 is the fact that the economic authorities had already made use of fiscal policy to smooth out the business cycle the year before, and the degrees of freedom available to the countries' governments are thus more limited than ever due to the deterioration of the fiscal situation in 2001. In fact, the deficits of the countries' non-financial public sectors and central governments are, on average, in the range of 3%-4% of GDP (see figure 9). Even in Chile, which is in a sounder fiscal position than most of the countries in the region, the discussion regarding the role that macroeconomic policy should play in reactivating the economy has, at least for the time being, led to the advocacy of a cautious fiscal stance and a more active role for monetary policy.

Another source of pressure will be the problem of how to finance those fiscal deficits and refinance the existing public debt, especially in countries where the debt is equivalent to a high percentage of GDP. Given the conditions prevailing on international financial markets, the funds to cover the countries' fiscal deficits are going to have to be obtained from domestic creditors or multilateral agencies. Consequently, many countries in the region have announced policy changes or even more specific measures aimed at maintaining fiscal discipline. Some of the measures that have been unveiled so far are a reduction in capital expenditure equivalent to one point of GDP in Colombia, widespread spending cuts in a number of countries, tax hikes in Uruguay and plans for further tax reforms in Colombia and Nicaragua. The postponement or suspension of planned privatizations in Ecuador, Paraguay and Peru has also obliged the authorities in these countries to seek alternative sources of fiscal revenue or, failing that, to scale back expenditure.

Figure 9  
**LATIN AMERICA AND THE CARIBBEAN: SAVINGS AND FISCAL BALANCE  
 OF CENTRAL GOVERNMENTS**  
*(Percentages of GDP)*



Source: ECLAC, on the basis of official figures.

All of these measures will have a recessionary impact on the countries' already low levels of economic activity. In addition, political factors are also generating uncertainty, thereby making the job of managing fiscal policy

even more difficult in 2002, since presidential elections are to be held this year in various countries (Bolivia, Brazil, Colombia and Ecuador) and, in others, a heated debate has arisen regarding the direction of economic policy.

## Monetary variables reflect a more expansionary stance, but the supply and demand for credit are unresponsive

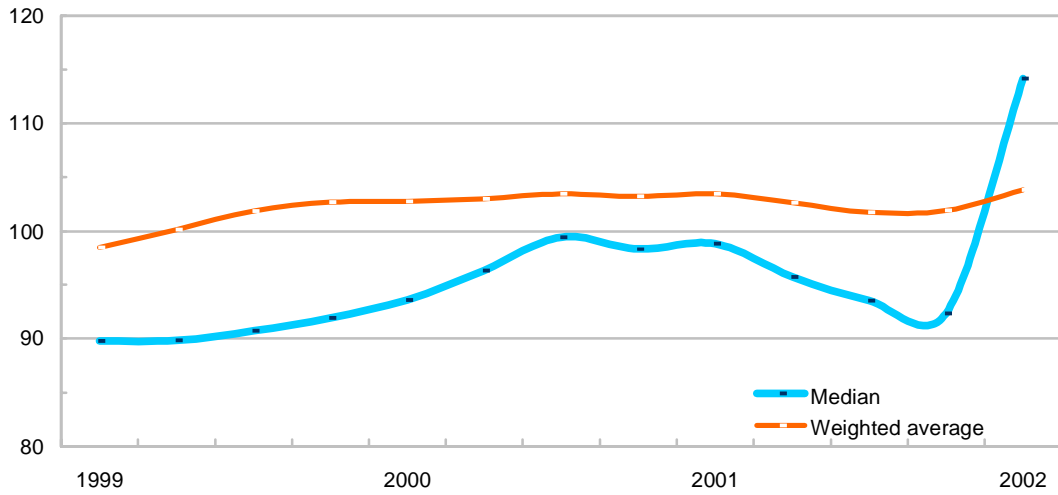
The monetary authorities made a determined effort to increase the monetary base and lower interest rates during the first half of 2002 in an attempt to counteract the contractionary influence of the external economic environment. In countries with more flexible exchange-rate systems, these measures were also aimed at taking advantage of the greater autonomy in the sphere of monetary policy afforded by those regimes. These efforts succeeded in reversing the contractionary trend of monetary and financial variables seen in 2001. The median value of the summary indicator used by ECLAC to track these trends rose considerably, reflecting a more expansionary monetary policy orientation (see figure 10).

In fact, the information available for most of the countries as of May 2002 indicates that eight of them increased their monetary bases by between 18% and 58% in

a 12-month period (Argentina, Colombia, Costa Rica, Guatemala, Haiti, Jamaica, Mexico and Paraguay). In contrast, only four countries' monetary bases showed negative variations for the same 12-month period (-20% in Uruguay, -17% in Venezuela, -1.7% in Chile and -0.1% in Ecuador).

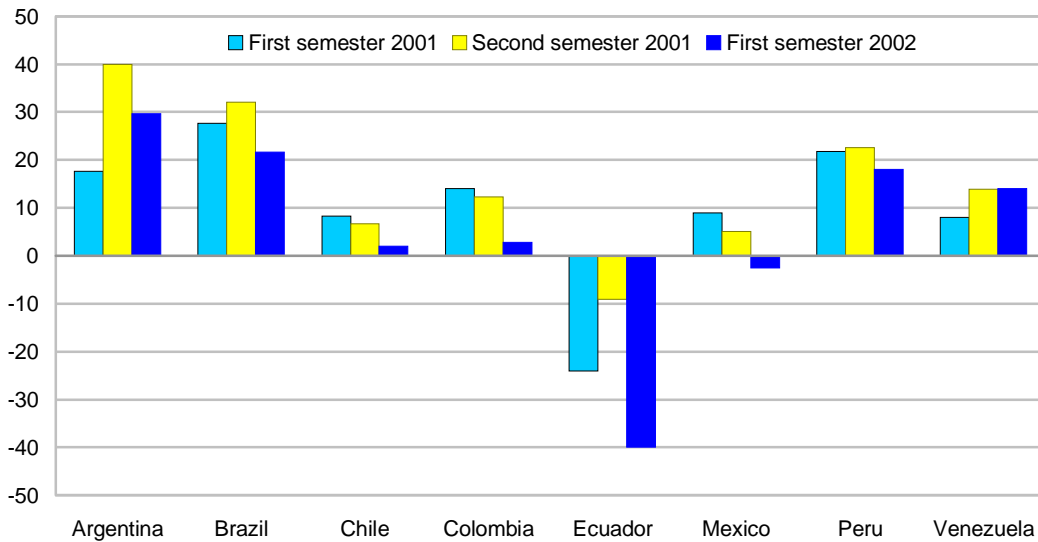
Chile and Colombia posted very steep decreases in their central bank intervention rates, which were near or slightly lower than their rates of inflation at mid-year (see figure 11). In Brazil, on the other hand, the overnight rate (the Selic rate) stayed at 18%, despite the central bank's repeated announcements regarding its intention to lower it. This level is similar to what it was in mid-2001, which, given the country's annual inflation rate, is quite high. In Mexico the downward trend in the benchmark Cetes rate was reversed in May, and the Cetes rose from around 5.3% to 7%.

Figure 10  
**LATIN AMERICA AND THE CARIBBEAN: INDEX OF MONETARY CONDITIONS, 1999-2002<sup>a</sup>**  
*(Index 1995=100)*



**Source:** ECLAC, on the basis of figures from official sources and the International Monetary Fund.  
<sup>a</sup> An increase in the index reflects more expansionary conditions

Figure 11  
**LATIN AMERICA AND THE CARIBBEAN: ANNUALIZED REAL INTEREST RATES<sup>a</sup>**  
*(Percentages, semester averages)*



**Source:** ECLAC, on the basis of figures from the International Monetary Fund.  
<sup>a</sup> Short-term lending rates, deflated by the consumer price index

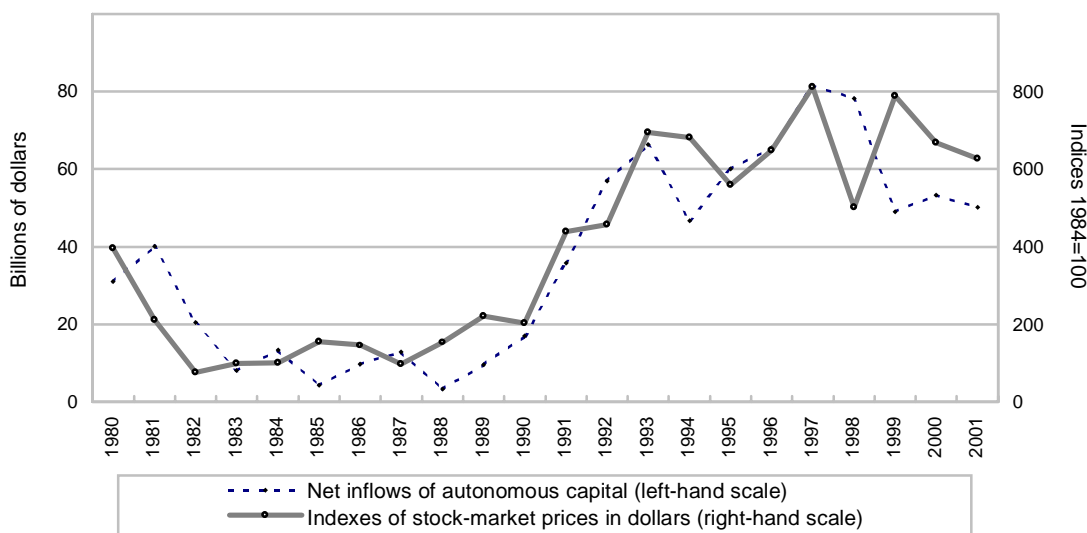
The move towards a more expansionary monetary policy has not had the hoped-for effect in most of the countries because of slack demand for money and credit. Credit growth rates lagged behind increases in the monetary base in Colombia, Mexico, Costa Rica, Guatemala, Honduras, Jamaica and Peru. This reflects a conservative lending policy on the part of the banking system and a cautious attitude on the part of investors, both of which were in evidence the year before as well.

In 2002, these tendencies have been even stronger in many of the Latin American countries' financial sectors. Due to these economies' degree of integration in the international financial system and their great vulnerability to external shocks, the main factors that have aggravated the situation have to do with the behaviour of the international financial market

(especially in the United States) and the depth of the crisis in Argentina. Smaller bank capital flows for many countries and the losses sustained by Argentina have also led to the adoption of a very conservative position by foreign banks, many of which have begun to take local contingent liabilities into consideration when calculating their exposure.

Investor caution has also hurt financial flows to local capital markets, which has in turn depressed local stock indexes (see figure 12). In fact, equity prices, as measured by the International Finance Corporation Global (IFCG) index, dropped by 7.2% in the first half of 2002. Some countries have witnessed even sharper decreases (e.g., Brazil, Chile and Venezuela), and the steep downward trend that began in the second quarter of 2000 in Argentina has continued.

Figure 12  
**LATIN AMERICA AND THE CARIBBEAN: STOCK-MARKET PRICES AND CAPITAL INFLOWS**



Source: ECLAC, on the basis of figures from the International Monetary Fund and the International Finance Corporation.

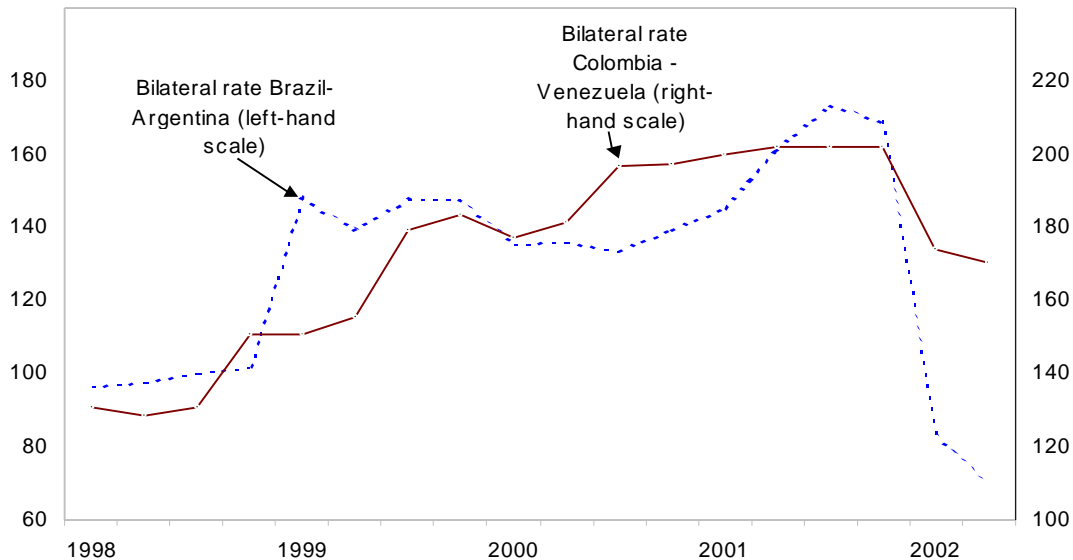
## Real exchange rates move in opposite directions

When two more countries (Argentina and Venezuela) decided to float their currencies early in the year, dirty floats (with the frequency of central bank intervention varying from case to case) became the predominant exchange-rate regime in Latin America and the Caribbean, at least among the larger countries. This has given the region's economies greater flexibility in dealing with external shocks and in devising more active monetary policy responses.

The scale of the devaluations of some of the larger Southern Cone countries' currencies against the dollar has

adversely affected their trading partners. In what amounts to a zero-sum game for the region's countries as a group, these devaluations have enabled some economies to improve their competitive positions, but at the cost of a reduction in the competitiveness of their neighbours' real effective exchange rates (see box 1). The outcome has been a very slight depreciation in real effective exchange rates and, in contrast, a very steep depreciation in real bilateral exchange rates against the dollar (see figure 13). The latter has eroded the capital base of private and public agents holding dollar-denominated debt.

Figure 13  
**REAL BILATERAL EXCHANGE RATES**  
*Brazil-Argentina and Colombia-Venezuela (Base year 1995=100)*



Source: ECLAC, on the basis of figures from official sources and from the International Monetary Fund.

In Mexico, on the other hand, the strength of the peso –which has been fortified by the abundant capital inflows received by the country in recent years– drove

down the real exchange rate to very low levels. The peso did begin to reduce this exchange-rate lag towards the end of the first semester of 2002, however.

**Box 1**  
**A WIDENING GAP BETWEEN EFFECTIVE EXCHANGE RATES**  
**AND BILATERAL EXCHANGE RATES AGAINST THE DOLLAR**

In 2001-2002, a number of countries in the region witnessed an atypical widening of the differential between the real effective exchange rate and their real bilateral exchange rate against the United States dollar. This was particularly true of the MERCOSUR countries and their associates (Chile and Bolivia). As is shown in figure 14, bilateral exchange rates depreciated quite sharply against the United States dollar, but this was not reflected in those same countries' effective exchange rates, which appreciated or changed very little. This phenomenon serves to illustrate the undesirable effects that devaluations or depreciation have had on trading partners within the region.

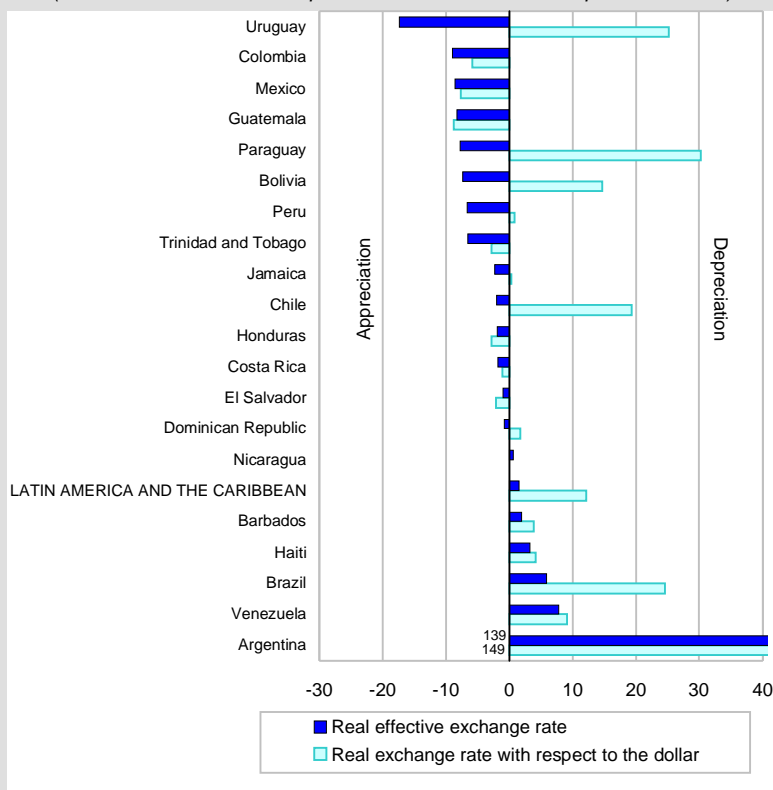
Although a real devaluation does increase the external competitiveness of tradeable goods and services produced by the

devaluing country, when intraregional trading activity is quite active—as it typically is in the case of trade in manufactures among all the members of the various subregional integration schemes in Latin America—then a devaluation will reduce the competitiveness of trading partners in the region. Moreover, if the variations are sizeable, then the resulting gains are usually short lived. Since the affected trading partners can also devalue *their* currencies, the end result may be that the export capacity for manufactured products of *all* the countries in the region may be damaged, inasmuch as—unlike commodity exports—these exports can not readily be diverted to other markets. Since the presence of small and medium-sized enterprises in international trade flows is generally significant only in terms of sales to neighbouring countries, these firms

are the most vulnerable to sudden changes in exchange rates within any given subregion.

This situation illustrates just how complicated it is to manage national macroeconomic policies within a context of increasing globalization and regional integration. Another example is provided by the events that took place in Europe in the 1970s, when the destabilizing effects of a series of competitive devaluations drew attention to the need to coordinate foreign-exchange policies and ultimately led to the formation of a monetary union. For today's emerging economies, these trade-transmitted direct costs are augmented by the effects of financial contagion. Thus, as a group, the countries of the region would be better off if they succeeded in coordinating their macroeconomic policies (and exchange-rate policies, in particular) more closely.

Figure 14  
**LATIN AMERICA AND THE CARIBBEAN: REAL EFFECTIVE AND BILATERAL EXCHANGE RATES**  
*(Variation between fourth quarter of 2000 and second quarter of 2002)<sup>a</sup>*



Source: ECLAC, on the basis of official figures.

<sup>a</sup> An increase denotes a real devaluation.

## The reform process continues to lose momentum

The economic slowdown has taken its toll on reform programmes in the region, which have also been affected by the run-up to elections in several countries and political troubles in others.

Privatizations have taken the brunt of the downswing's impact. In Ecuador, Paraguay and Peru, scheduled projects have been suspended altogether, while in other countries auctions have aroused less and less interest among investors. As part of the effort to modernize the State apparatus, bills designed to strengthen the tax base have been introduced in Colombia, Guyana, Mexico and Nicaragua, and the Government of Ecuador has passed a law establishing a petroleum stabilization fund. The efforts of the Governments of Antigua and Barbuda, Grenada and Saint Vincent and the Grenadines were rewarded in March 2002, when these countries were removed from

the Organisation for Economic Co-operation and Development's list of uncooperative tax havens.

The institutional development of regional integration processes has been patchy in 2002. The greatest difficulties have arisen in MERCOSUR, whose members are all experiencing economic problems. It is noteworthy, however, that in view of the limited scope of national responses to regional and international disturbances, a number of subregional groupings have taken steps to increase the coordination of their macroeconomic policies (e.g., the Andean Community) or have carried forward plans for monetary union (e.g., CARICOM) (see box 2). In June 2002, Chile completed its negotiations with the European Union and signed a political and economic association agreement under which 85% of Chilean exports to the European Union will enjoy tariff-free treatment.

### Box 2

#### REGIONAL INTEGRATION PROCESSES IN THE FIRST SEMESTER OF 2002

**MERCOSUR** has undertaken a number of joint initiatives in order to tackle the problems facing some of its members. At the group's latest biannual summit meeting, held in Buenos Aires on 7 July 2002, discussions revolved around the crisis in the host country, and Argentina and Brazil signed a letter of intent to conclude an agreement on the automotive industry.

In 2002 the **Andean Community** established a basic set of regulations and standards for its common external tariff. The members have already submitted proposed lists of goods to be included under each of the agreed tariff levels, and those lists are now under review. The Advisory Council of Ministers of Economic Affairs has continued to make headway in the sphere of macroeconomic coordination and has adopted new convergence criteria regarding fiscal matters and public debt.

In March the countries of the **Central American Common Market (CACM)** signed a plan of action for economic integration and an agreement on investment and trade in services. The aim of the agreement is to establish a legal framework with clear, transparent and mutually beneficial rules on the promotion and protection of investments and trade in services in order to facilitate the participation of different economic agents.

The most significant advances made by the **Caribbean Community (CARICOM)** were reflected in additional protocols to the Revised Treaty of Chaguaramas which provide for the free movement of people, capital and services and which safeguard the right of establishment. A deadline of July 2002 was set for the entry into force of the provision on the free movement of persons. At the twenty-third Meeting of the Conference of

Heads of Government, which took place in Georgetown, Guyana in July 2002, the countries examined the status of the integration process and reaffirmed their commitment to make joint preparations for future negotiations in connection with the Free Trade Area of the Americas, the World Trade Organization and the European Union.

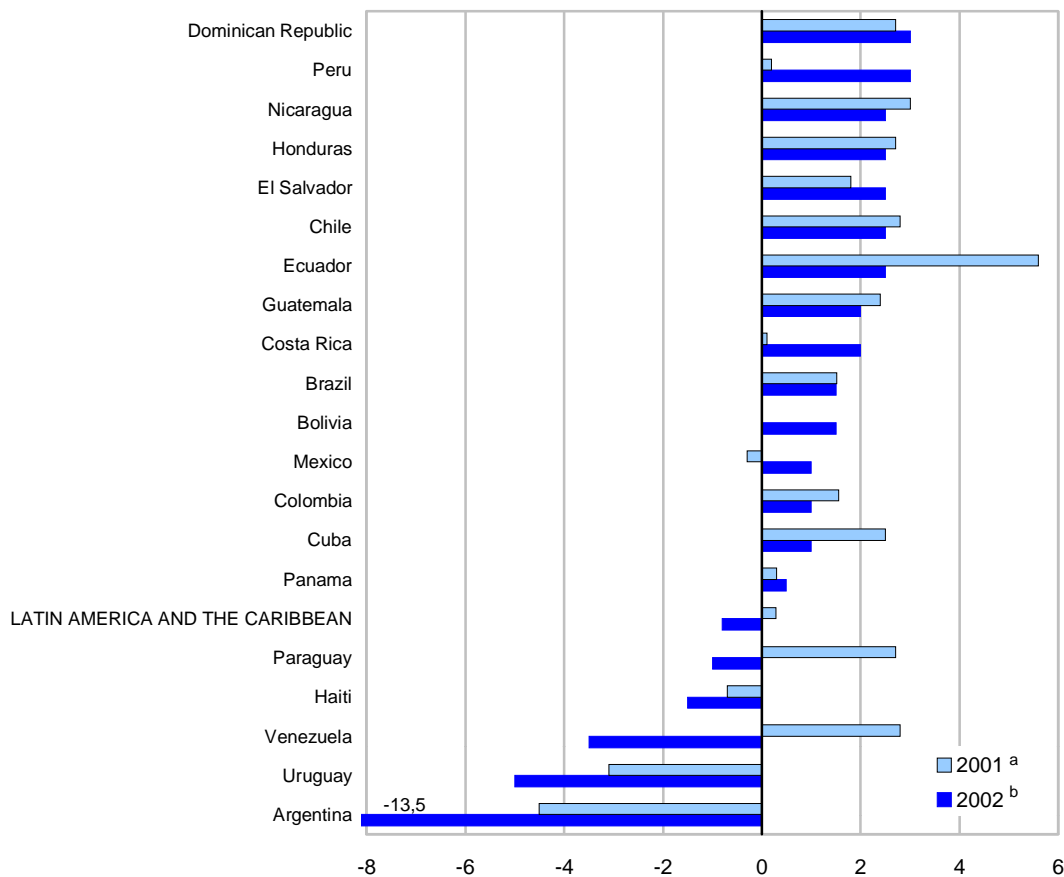
In early July 2002 **Mexico** took a step towards developing closer relations with the MERCOSUR countries by signing a trade agreement with Brazil in which the two countries agree to lower agricultural and industrial tariffs on some 800 products. Within the framework of the North American Free Trade Agreement, in January 2002 it also began to reduce tariffs on some US\$ 5 billion worth of products, including footwear and motor vehicles.

### The anticipated upturn in growth is delayed

The economic growth outlook in Latin America and the Caribbean for 2002 is not promising. After expanding by a mere 0.3% in 2001, regional GDP is expected to contract by 0.8%, while per capita GDP will slip by 2.4%. The recession that began in the third quarter of 2001 was deepened by a decrease of over 3% in output in the first quarter of 2002 (see figure 15), and six of the region's countries –Argentina,

Brazil, Haiti, Mexico, Uruguay and Venezuela– posted negative growth rates for that period. The situation brightened somewhat in the following months, however, and it is expected that the economy will see a more solid improvement in the second semester. Even if an upswing does occur, however, it will not be strong enough to make up for the ground lost during the first half of the year.

Figure 15  
LATIN AMERICA AND THE CARIBBEAN: GROSS DOMESTIC PRODUCT



Source: ECLAC, on the basis of official figures  
<sup>a</sup> Preliminary estimates.  
<sup>b</sup> Projections



The weakness of economic growth in 2002 is largely attributable to the collapse of production activity in Argentina and its implications for the region. The other countries will grow by around 1%, which is lower than the estimated world average for 2002 of just under 2%, and well below the 3.2% forecast for developing economies. What is more, the great majority of the countries will turn in a worse performance than in 2001, with Belize, Costa Rica and Peru being the main exceptions to this rule.

This means that in 2002 the region will have lost a full half-decade of growth. In that time per capita GDP will have fallen to a point nearly 2% below its 1997 level. All of this is compounded by extreme volatility. The region has not experienced such an adverse situation since the debt crisis during the first half of the 1980s, when output grew by less than 3% in five years and per capita GDP contracted by more than 7%, also under highly volatile conditions.

The Latin American countries fall into two groups in terms of their growth prospects for 2002. In the first group, composed of Argentina, Paraguay, Uruguay and Venezuela, output is expected to decline. In Argentina, the recession that has gripped the country since 1999 has taken a turn for the worse, and the level of activity is forecast to fall by about 13.5% in 2002. The sharpest contraction occurred in the second semester of 2001 and the first quarter of 2002, however, when GDP shrank by 16.3% with respect to the same period of the preceding year. Since then, there have been signs that the sharp downward trend in production activity is beginning to ease. The Paraguayan economy will witness a severe slowdown in GDP growth, which is expected to slide from its 2001 mark of 2.7% to -1% in 2002, chiefly because of the Argentine crisis. Uruguay is in a similar position, as the decline in activity has intensified in 2002 (see the section on the transmission of the Argentine crisis to neighboring countries). Venezuela is also expected to post a negative growth rate (-3.5%) amid political problems compounded by the impact of adjustment measures adopted to deal with the macroeconomic disequilibria that had built up in previous years. In the first quarter, economic activity slid by 4.2%, with activity down by 7.6% in the petroleum industry and by 2.6% in the non-petroleum sector.

The Latin American countries in the second group are expected to turn in moderate growth rates of between 0% and 3% of GDP. Brazil's GDP decreased by just under 1% in the first quarter, and any prospect of an upturn in the second semester will be limited by strong pressures from financial markets. In Chile, growth projections point to a 2.5% rate owing to slack domestic

demand and a downturn in investments that have been exacerbated by the adverse international and regional environments. Mexico's output shrank by 2% in the first quarter, thus completing nine consecutive months of declining production activity. This performance is attributable to sagging domestic demand. The second quarter of 2002 brought some signs of an upturn; whether or not this trend holds up will depend on the duration and magnitude of the recovery of the United States economy.

Peru is expected to perform well in 2002, with a growth rate of 3%, thanks to an upsurge in primary activities and construction together with an increase in the volume of exports. Economic activity in Colombia has continued to be constrained by sluggish domestic demand and slackening industrial activity in the first quarter of 2002, all of which has been exacerbated by a loss of momentum in export activity. On the basis of the first-quarter results, when GDP grew by a scant 0.5%, analysts agree that the economy will perform poorly for the year overall, with a growth rate of around 1%. In Ecuador, economic activity has been trending sharply downward, and the high growth rate of 5.6% posted in 2001 will drop to around 2.5% in 2002. The boost provided by investment in a new oil pipeline will mainly benefit the construction industry. The Bolivian economy appears to be headed for a growth rate of around 1.5%, which would fall within the lower range of official estimates.

One of the traits shared by the Central American countries is the continuation of a relatively slow-growth scenario. In the first quarter of 2002, economic expansion was moderate in Costa Rica and Panama, and the outlook for the year as a whole is muted. In Guatemala, an upturn that began in June 2001 carried over into early 2002; in February, the gain was fairly limited, however, with a year-on-year rate of 0.3%. This lacklustre performance reflects a downturn in exports together with sluggish private investment, with the latter being a reflection of a controversy between the government and the private sector that remains unresolved. In El Salvador, an upsurge in construction—boosted by increased government spending and reconstruction projects—could spur activity in the wider economy, reactivate employment and rekindle the *maquila* sector by attracting new investments to it.

The situation in the Caribbean countries is very mixed. In the Dominican Republic, the economic policy adopted in 2001 continued to fuel domestic demand in the early months of 2002. The economy grew by a robust 4.3% in the first quarter, though this was far short of the high growth rates (7.2%) recorded in the second half of the 1990s. Sustained flows of FDI and of remittances

from Dominican nationals living abroad shored up growth. External demand remained lethargic, however, and this was reflected in a downturn in exports from both the export processing zones and domestic sources, as well as in a decline in tourism revenues. Cuba's growth rate is expected to stall, while in Haiti, where the situation continues to give cause for concern due to adverse domestic conditions, a contraction in GDP is projected.

The CARICOM economies will see GDP grow by a projected 1% in 2002. This net result will be a reflection of a decline in output in Barbados, Dominica and Saint Kitts and Nevis, together with positive growth

rates in the other economies. Jamaica's growth rate is expected to be around 2.5%, while the economy of Trinidad and Tobago is likely to post a 3% growth rate. The countries whose economies depend on tourism were hit hard by the drop-off in this activity that came in the wake of the 11 September attacks in the United States. This phenomenon carried over into the first semester of 2002, and any improvement in the following months will largely depend on the performance of the United States economy. The external environment exerted a negative influence on both output and exports of such agricultural products as sugar and bananas.

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## Investment and saving take a turn for the worse

Investment and saving have failed to show any sign of improving upon the mediocre figures posted in 2001. National saving will remain low, in keeping with the trend of recent years, while external saving is expected to drop to just over 2% of GDP. Given the existence of idle production capacity and the absence of any clear signs of an upturn, regional investment is likely to remain slack.

Most of the countries for which data are available recorded hefty decreases in investment in the early months of 2002 (-4.4%). In fact, seven of the nine reporting countries posted sharp downswings: Argentina (-46.1%), Brazil (-8.4%), Chile (-2%), Colombia (-6%), Mexico (-1%), Peru (-3.5%) and Uruguay (-34%). This group includes the region's three largest domestic markets, which indicates that the generalized downturn in the external environment has engulfed the whole of the region's internal economy.

In Argentina, investment has fallen to nearly half its former level due to outflows of private capital and the continued erosion of international reserves. In Bolivia, private investment –the main factor underlying

the slackening of domestic demand– has failed to recover despite the downward trend in interest rates seen throughout the preceding year and abundant liquidity. Domestic investment in Brazil has faltered in an atmosphere marked by uncertainty and high interest rates. After a small upswing in January, investment in Mexico receded again in February and March. In Peru, domestic demand remains weak, especially in the case of investment, which in the first quarter exhibited a year-on-year decrease in both the public and private sectors. Uruguay has seen investment figures fall sharply.

Costa Rica and Ecuador are the only countries to have seen a significant increase in investment in the first half of 2002. In Costa Rica, investment will probably weaken as the year goes on and will be concentrated in high-technology and energy projects. Public investment will remain low after dropping sharply in 2001. In Ecuador, the upturn in investment has carried over into 2002 thanks to the construction of a new pipeline for heavy crude oil and to exploratory and drilling activities, especially in the petroleum sector.

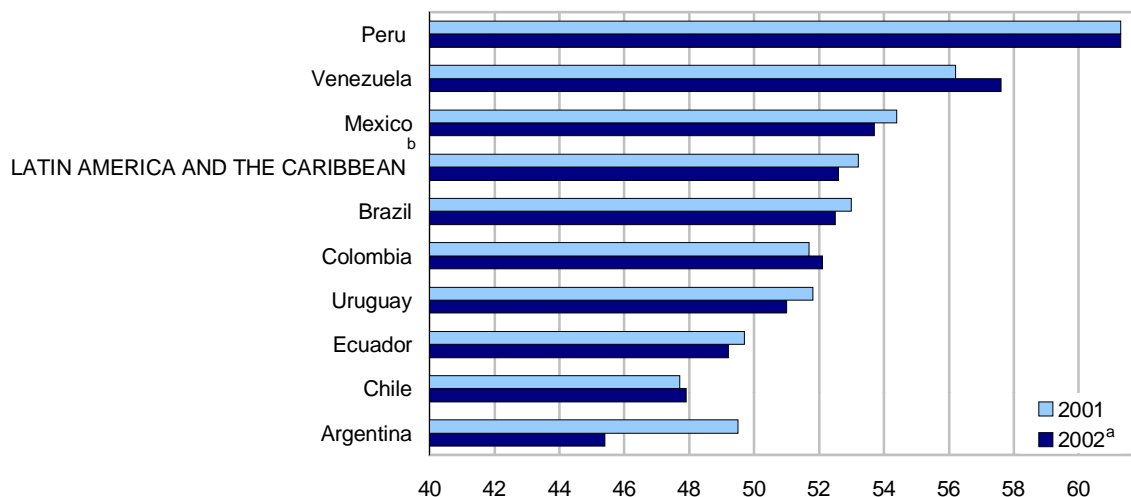
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## The labour situation continues to deteriorate

With economic activity weak, labour demand remained sluggish in the first semester of 2002, and in most of the countries for which data are available –Argentina, Brazil, Ecuador, Mexico and Uruguay– the rate of employment was lower than it had been a year earlier (see figure 16).

The rate remained stable in Chile and Peru, and Colombia and Venezuela posted increases. The regional employment rate (the weighted average for these nine countries) therefore declined once again (from 53.2% to 52.6%).

Figure 16  
**LATIN AMERICA AND THE CARIBBEAN: EMPLOYMENT**  
 (Employed persons as a percentage of the working-age population, first semester of each year)



Source: ECLAC, on the basis of official figures.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Weighted average.

Private formal-sector employment fell back sharply in Argentina, dropping by around 5% between January and May of 2002, and by around 10% with respect to the same period of 2001, with data from Greater Buenos Aires showing heavy job losses in construction and commerce. In Mexico, formal employment fell by 2.5% in the period January-April 2002 with respect to the same four months of 2001. The number of formal-sector wage earners is bouncing back, however, as the April figure was 1.5% higher than in January. The downward trend in *maquila* employment levelled off at the beginning of 2002, but losses remained very heavy by comparison with the year before, since the rate was down by 17.5% in the first quarter of this year as compared to the same period of 2001. The outlook is brighter in Brazil, where formal employment in the first five months of the year was 2.3% higher than in the same period a year earlier, and in Chile, where the number of workers in the formal sector rose by 2.5% between March 2001 and March 2002.

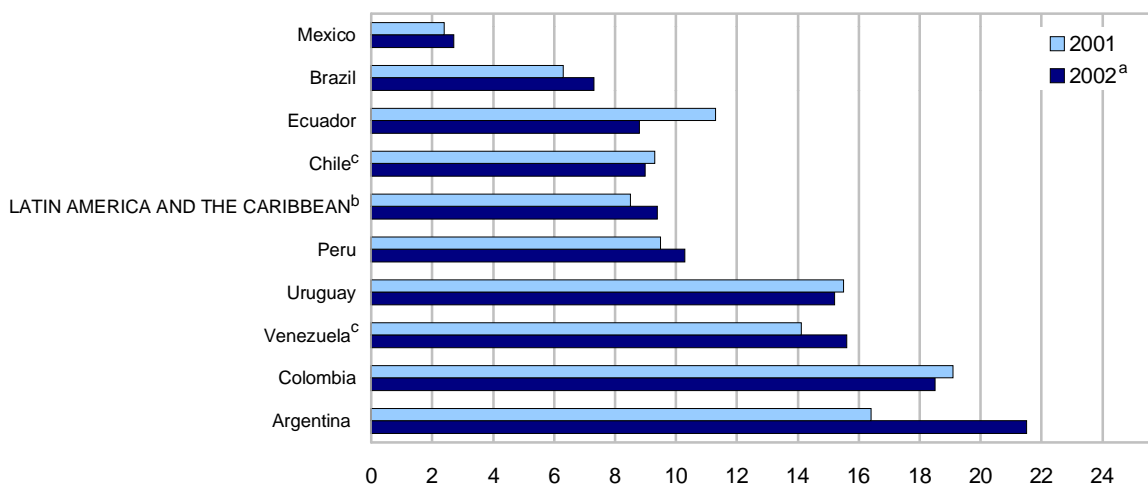
After an abrupt drop in the labour force participation rate in 2001, in line with the general economic situation, the two variables continued to move in tandem in seven of the nine countries for which information is available. In Peru, for example, output and labour force participation increased, while both variables trended downward in Argentina and Uruguay. Exceptions were Venezuela, where the rate of participation increased despite a downturn in output, and Ecuador, where the

employed labour force shrank even through economic growth was relatively strong.

At the regional level, the mixed performance of the various countries combined to hold the labour force participation rate relatively steady and this, together with the marked downtrend in employment, pushed the rate of unemployment up sharply (from 8.5% in the first semester of 2001 to 9.4% a year later). A rate of 9.3% is expected for the year 2002 overall. If this projection is borne out, this alarmingly high annual rate will set a new record for the region (see figure 17).

Wages were affected by the depressed level of economic activity in several countries in the early months of 2002. In Brazil, the year-on-year decrease in real wages for the period from January to April amounted to 6%, although this decline is now easing off. In Mexico, the strong upward trend in real wages that took shape in 2001 as inflation subsided has come to an end. Although wages in the first quarter of 2002 were up by 3.4% on the rate recorded for the same period of 2001, the data for early 2002 already show a decrease with respect to the second semester of 2001. In Argentina and Uruguay, rising inflation has cut into real wages, which declined by between 3% and 4% in the early months of the year. The downtrend in real wages grew steeper thereafter, especially in Argentina. In contrast, reductions in what were already low inflation rates helped to drive up real wages by 2.5% in Chile and by 3.3% in Colombia in the period January-April 2002 as compared to the same period of 2001.

Figure 17  
**LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT**  
*(Percentage of the economically active population, first semester of each year)*



Source: ECLAC, on the basis of official figures.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Weighted average

<sup>c</sup> Nationwide.

## Inflation remains low in most of the countries of the region

In the first half of 2002, at an annualized rate of just over 8%, the rate of inflation for the region as a whole was up by two percentage points over its 2001 level. Wholesale prices increased more sharply, with the 12-month rate rising to 14.4%, which was nine points higher than the year before. The higher regional rate masks large differences, however, as it is attributable almost entirely to the steep hike in Argentina, where inflation soared by 30% in the first semester owing to the steep devaluation that followed the demise of the convertibility regime early in the year. Inflation was also up in Uruguay and Venezuela, with increases of between five and seven percentage points on the figures posted in 2001. In these cases, too, substantial devaluations were to blame for the rise. The other countries continued to register the moderate rates of inflation observed in past years (see figure 18).

Apart from these inflationary surges in particular countries, the regional inflation picture was therefore quite favourable, as shown by the fact that only three economies posted double-digit rates. This was attributable to virtually the same factors as in 2001. These primarily structural factors, such as economic

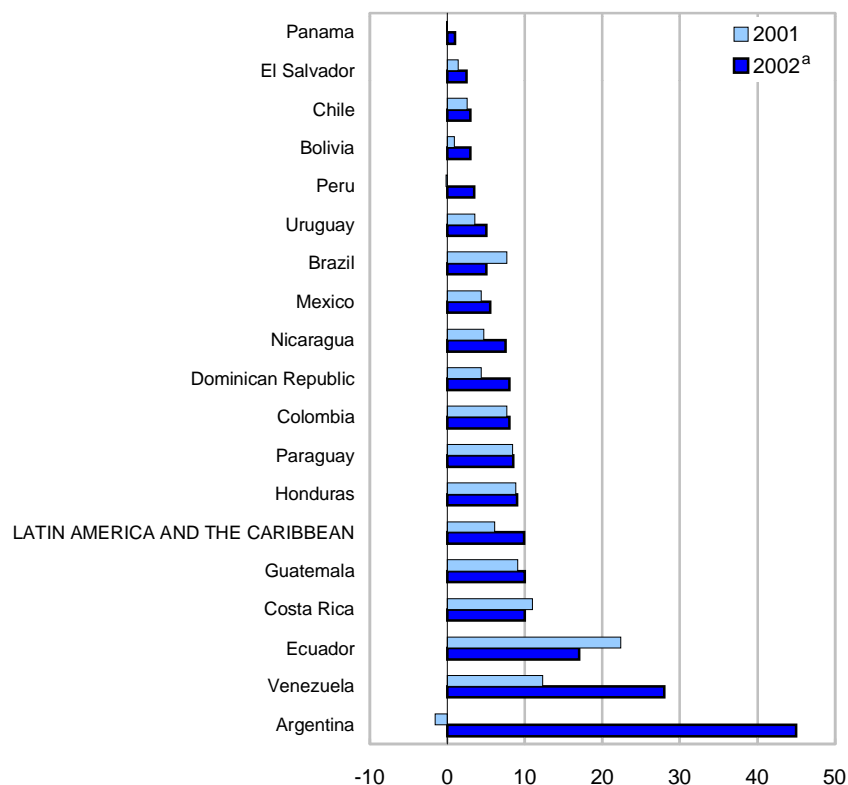
liberalization and the sound management of monetary policy, continued to contribute to regional inflation's convergence towards the rates seen in developed countries. Other aspects of current economic conditions also played a role, however, particularly the recession now troubling the Latin American and Caribbean economies. The stability of the exchange rate in a number of countries has also helped to keep inflation low. In countries that have witnessed larger devaluations, inflation is higher, but still well below the rise in the exchange rate.

The outlook in terms of inflation in the second semester of 2002 is uncertain in several countries –including Argentina, Brazil, Paraguay, Uruguay and Venezuela– given their rising exchange rates and the upswing in wholesale prices. Nevertheless, in the first semester of 2002, as in 2001, the impact of devaluations was mitigated by the severe recession that has engulfed the region. In a number of countries, including Argentina, most of this impact was absorbed in the first semester, and the direct inflationary pressures generated by devaluations began to ease midway through the year.

In the other countries, the prospects for the second part of the year are bright. The country in the best position is Ecuador, which has recorded another substantial decrease in inflation thanks to the dollarization of its economy, although it will be hard-pushed to achieve a single-digit figure. Producer prices display a smaller increase than consumer prices, making it likely that Ecuador's inflation will soon be nearly on a par with the regional average. The fact remains, however, that the competitiveness of its economy has been eroded by the steep hikes in domestic prices seen in 1999 and early 2000. Costa Rica has also turned in a good performance, as inflation is down to less than 8% after several years of double-

digit rates, and this may be taken as a signal that its stabilization process may be well on its way towards consolidation. Inflation is also considerably lower in Colombia and Nicaragua. Colombia has managed to consolidate the ongoing stabilization process it began several years ago, this time thanks to a lower rate of devaluation. Barbados and Panama have continued to post their traditionally low rates of inflation. The fact that Bolivia, Chile, the Dominican Republic, El Salvador, Guatemala and Peru have again recorded very low rates clearly signals the consolidation of these countries' stabilization processes. The same can be said of Mexico, although a slight upswing in inflation is expected for 2002.

Figure 18  
**LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES**  
*(Twelve-month variation)*



Source: ECLAC, on the basis of official figures.

<sup>a</sup> Projections.

## REGIONAL REPERCUSSIONS OF THE ARGENTINE CRISIS

The severe crisis in the Argentine economy has not only affected all domestic economic activity in that country but has also shaken neighbouring economies. Argentina's imports from its neighbours are expected to tumble from US\$ 6.5 billion in 2001 to slightly more than US\$ 2.2 billion in 2002. The reduction is likely to be somewhat steeper for Paraguay and Uruguay.<sup>2</sup>

The magnitude of the crisis is a cause of serious concern in Latin America and the Caribbean. In addition to its direct effects on the region's economies, it is also exacerbating the difficulties that the countries were already facing as a result of their own domestic problems and the series of shocks they have sustained in recent years. The greatest danger of all, however, is that these disturbances could be transmitted to other economies. Contagion of this sort could trigger a systemic crisis in the region and perhaps even in other emerging economies. This threat is particularly serious because of the current fragility of the world's financial system. The problems that have beset the Brazilian economy (including, in particular, the marked volatility of its foreign-exchange market) since May 2002 have provided further grounds for these concerns. Brazil served as an anchor for the region in 2001 and following the breakdown of Argentina's convertibility scheme, but its performance of that role now appears to be faltering. It should be noted, however, that the principal indicator of perceived risk in emerging markets (the JP Morgan Emerging Market Bond Index, or EMBI), which had reached its lowest point since the August 1998 Russian crisis at the end of the first quarter of 2002, is now beginning to rebound.

The Argentine crisis' regional repercussions have taken various forms. Firstly, it has had a strong impact on trade in both goods and services with Argentina, and this in turn has driven down the level of economic activity and employment. Secondly, its effects on the financial market have had an adverse influence on the flow of external resources to the region, the countries' banking systems and the profits of foreign firms that have invested in Argentina and in the rest of the region, thus unsettling stock markets outside the region as well. In addition, the crisis has heightened the volatility of foreign-

exchange markets and has influenced economic policy, as some governments have been obliged to take action to address its implications for their countries. Uruguay, in particular, has had to adopt drastic adjustment measures in order to counteract its impacts; these steps have included a steeper rate of devaluation and the introduction of fiscal provisions designed to shrink the public deficit.

Events in Argentina and the other MERCOSUR countries have rekindled the debate as to what types of exchange-rate regimes are most suitable for emerging economies. They have also, in particular, laid bare the practical limitations of the two "corner solutions" of dollarization or a pure float in a context of macroeconomic and institutional fragility combined with commercial and financial interdependence. The need to align and coordinate macroeconomic policies within the region has also become evident.

### (a) *The impact on trade*

The striking drop in Argentina's imports, which are estimated to have plunged by approximately two-thirds their former level during the first four months of 2002, has left them at around the same levels as in the 1970s. The sharp devaluation of the currency and the weakness of domestic demand have both been important factors in this regard and have been reflected in a steep decrease in shipments to Argentina from its MERCOSUR partners and Chile. In some of these countries, exports to Argentina represent an appreciable percentage of their total foreign sales. Thus, the already very tense situation in MERCOSUR caused by the January 1999 devaluation of Brazil's currency has been aggravated by the sharp depreciation of the Argentine peso. The economies of the region have also had to deal with a considerable decline in services trade, much of which is attributable to the abrupt decrease in the number of Argentine tourists.

Uruguay has unquestionably been hit the hardest by the Argentine crisis and its impact in compounding the negative fallout from Brazil's 1999 devaluation. Trade flows with Argentina have been cut back considerably in 2002, with Uruguay's merchandise

2 For further information on the situation in Argentina, see the section on that country in the second part of the ECLAC *Economic Survey of Latin America and the Caribbean, 2001-2002* (LC/G.2179-P), Santiago, Chile, 2002.

exports to that market in the first four months of the year plunging to a level 70% below the figure posted for the same period the year before. The situation is even more serious than it might first appear, given the fact that exports had already fallen sharply in 2001. In addition, Argentine importers have had great difficulty in paying for the products that Uruguay has exported to them, due to the blockage of their funds and their loss of access to credit of any sort whatsoever. Meanwhile, tourism from Argentina to Uruguay has slumped to almost half its former level. The direct impact of the Argentine crisis is calculated at somewhat more than two percentage points of GDP, with a decrease in exports amounting to nearly US\$ 500 million.

Brazil has also been hurt by the Argentine crisis, even though its economy is three times as large as its neighbour's and its markets are considerably more diversified. The steep slide in Brazil's exports to Argentina has caused its total merchandise exports to shrink by almost 6% (in 2001 Argentina bought 8.6% of Brazil's exports, and the figure rises to nearly 25% in the case of exports of manufactured goods). This has led to a substantial downturn in sales, especially of motor vehicles and parts, iron and steel products, petrochemicals and electronics, many of which are difficult to divert to other markets in the short run. Brazilian exporters, like their Uruguayan counterparts, also have had difficulty in obtaining payment for what they do manage to sell. In fact, as of early 2002, payment was outstanding on US\$ 1.4 billion in exports. Tourism has also been stifled, especially in the southern part of the country, which had been a popular destination for Argentine visitors in recent years.

Paraguay, too, has been shaken by the turmoil in Argentina, which has magnified the country's pre-existing domestic problems. The suspension of the sale of the telecommunications firm *Compañía Paraguaya de Comunicaciones* has generated a great deal of uncertainty, since that operation would have brought in around US\$ 200 million in one-off foreign-exchange revenues. Paraguayan exports to Argentina sank by almost two thirds in early 2002 owing to the devaluation of the peso, thereby paring down Paraguay's total merchandise sales by nearly 12% from the preceding year's level.

The Argentine crisis also had an impact on the real sector of the Chilean economy. Bilateral merchandise trade, tourism and the profits of Chilean firms with branches in Argentina are the areas in which its effects have been the most conspicuous. Although exports to Argentina represented just 3.2% of Chile's total exports in 2001, the impact of the downswing seen in the first

quarter of 2002 was quite appreciable (-61.5%). Three fourths of the decrease corresponded to industrial products. The impact on industrial value added is estimated at a reduction equivalent to fourth tenths of a point of its growth rate; in terms of GDP, the direct impact is calculated at one tenth of a point and the indirect effect of purchases of intermediate goods from the rest of the economy is estimated at another three tenths. Tourism in Chile was down sharply in early 2002, and the contraction in tourism revenues is calculated at US\$ 50 million (equivalent to a decrease of one-tenth point of GDP growth, which could rise to two tenths when indirect effects are taken into account).

Despite its magnitude, the devaluation's effect in boosting the price competitiveness of Argentine goods has not yet served as a stimulus. On the contrary, in the period January-April, total Argentine exports declined by 5% and those destined for neighbouring countries (MERCOSUR and Chile) were off by 17%. The financial crisis has seriously disturbed trade flows, and the lack of credit, the need to pay cash for raw materials and the higher cost of inputs have, at least for now, offset the effects of the devaluation.

Remittances from emigrants working in Argentina have also been hurt by the sheer drop in wages and the sharp devaluation of the currency. The countries that have been the most seriously affected by these trends have been Bolivia and Paraguay, where current transfers represent around 5% and 2% of GDP, respectively, and a considerable portion of those sums (as much as one half in Paraguay's case) comes from Argentina. This situation has a much more severe impact on low-income sectors of the population in these countries.

#### *(b) The financial impact*

The Argentine crisis has affected the financial market in many different ways. It is difficult to identify individual effects and still more difficult to measure the incidence of each, however, as the scenario is clouded by the systemic volatility that has been an endemic feature of emerging markets since the Asian crisis.

Firstly, the crisis in Argentina has affected capital flows to Latin America from international financial markets. This was beginning to occur even before the collapse of the convertibility regime due to mounting expectations of a default on debt servicing and to greater risk aversion in general, as reflected by trends in sovereign bond spreads. Bond issues on international markets have borne the brunt of this contraction in capital flows. At the same time, FDI, which had been flooding into the region in recent years, declined significantly in 2002.

The shrinkage of external capital flows raised the cost of borrowing for Brazil and Uruguay, though not for Chile. Brazil's country risk rating rose by over 100 basis points in the second semester of 2001. This was probably due, in large part, to growing fears of a default by Argentina. Towards the end of the year, however, the risk rating began to drop back again. It then continued to decrease even when Argentina abandoned the convertibility scheme and announced that it was suspending payment on its public debt, which shows that the impact of the situation had already been absorbed. Brazil's country-risk rating began to climb again in May 2002, but little of this can be attributed to contagion from Argentina, as it was mainly the result of domestic problems stemming from political uncertainty in the run-up to the October elections and higher risk aversion.

Uruguay's difficulties in reducing its fiscal deficit in the midst of a contraction in international credit undermined its sovereign debt rating, and it eventually lost its investment grade status. This made it more difficult to refinance its external debt and led lenders to raise their interest rates. Late in April, contagion from the profound crisis in Argentina combined with the withdrawal of the country's investment-grade status to undercut the value of official debt instruments on the secondary market. This pushed up Uruguay's country risk rating to around 800 basis points, which was more than three times higher than in late 2001. The situation worsened further when the government abandoned its system of exchange-rate bands and allowed the currency to float, and the country risk rating therefore continues to climb.

Chile's country risk rating has remained very low, but flows have decreased nonetheless. Up to October 2001, this trend was reflected in a devaluation of the currency on foreign-exchange markets. At that point, short-term movements began to become partially delinked from the disturbances in Argentina, and the currency's value began to rise again. In June 2002, however, the worsening financial situation in Brazil generated further currency instability in Chile, and the exchange rate for the peso began to shadow the value of the Brazilian real.

The loss of momentum in FDI flows to the region in 2000 interrupted the steady upward trend that had begun in 1993. This was largely due to the completion of the countries' privatization of their saleable assets, although the effects of the Argentine crisis were also beginning to be felt to some extent. In 2002 the situation has continued to deteriorate as foreign firms operating in Argentina struggle to shake off the effects of the sharp devaluation of the currency and to deal with the problems

caused by the readjustment of prices and public utility rates and by restrictions on the exportation of petroleum. This has discouraged investment not only in Argentina but also in other countries of the region. While foreign investment has plunged in Argentina in 2002, in Brazil an existing downward trend has sharpened and Chile has recorded a downturn. The cooling of investor interest stems both from fears that other countries of the region will be pulled into a downward spiral by contagion from Argentina and from the asset losses sustained by international and regional investors in the Argentine market.

A second area in which the impact of the Argentine crisis has been felt is in the solvency of the financial market. The exposure of banks in Argentina has had a considerable impact, but this has not greatly affected financial institutions in the rest of the region, except through specific channels in Paraguay and Uruguay. Large foreign banks operating in Argentina—with parent companies in North America, Spain and other European countries—have been badly hit by the crisis. Some of the Brazilian banks with branches in Argentina have also been affected, but the volume of their operations is small in relation to their assets, so they have been able to absorb the losses without too much difficulty.

By contrast, three Uruguayan banks that were heavily exposed in Argentina are now experiencing serious problems. Its inability to access its deposits in Argentina led to the temporary closure of one Uruguayan bank, most of whose clients were Argentine, when the parent bank cut off its flow of funds. As a result, in early 2002 most of the foreign-currency deposits that had been made in 2001 were withdrawn; consequently, the country's international reserves declined substantially. In Paraguay, the authorities had to intervene in one of the country's major banks to deal with problems generated by its losses in Argentina and the loss of confidence on the part of savers, who shifted their funds into dollar deposits.

The deterioration of the financial system has also been exacerbated by the fact that, contrary to the expectations of savers, foreign-owned banks in Argentina have not always been willing to bring in resources in order to pay out deposits. In fact, several institutions have openly expressed doubts about remaining in the market, and two banks—one Canadian and one French institution—have withdrawn altogether, thereby adding to the atmosphere of uncertainty. In addition, the restrictions placed on the withdrawal of deposits in Argentina have generated serious disturbances in some neighbouring countries due to fears that they may resort to similar measures.



In some cases, investors' misgivings have to do with the sustainability of the countries' macroeconomic policies, since domestic economic growth remains sluggish and it is becoming increasingly difficult for them to finance their fiscal and current account deficits or to refinance existing debts.

Lastly, the effects of the losses sustained by transnational corporations operating in Argentina in terms of those corporations' capital assets could have repercussions for FDI throughout the region. The impact on the capital base of European firms that are heavily involved in Argentina has been very severe, especially in the case of utilities, the oil industry, manufacturing and the financial sector. The sharp downswing in the Madrid stock exchange is partly attributable to the capital losses registered by firms belonging to the large Spanish conglomerates that have invested in Argentina, and this may well represent one of the most extensive forms of

contagion. In other European countries, large transnational groups—especially in telecommunications, financial services and the automotive industry—have had to set aside massive reserves to cover the losses of their Argentine subsidiaries. In the region, apart from the repercussions in the banking sector that have already been discussed, the greatest impact has been seen in Chile, whose firms' investments in Argentina amount to some US\$ 3.2 billion. These investments have been seriously undermined, with their equity values dropping by 12% in the weeks following the devaluation. Corporate profits plunged from US\$ 208 million in 2000 to US\$ 114 million in 2001, and returns are expected to fall to zero for 2002. As a result, national income is calculated to have fallen by 0.15% in 2001, and in 2002 a similar decrease is projected. Brazil has fairly large investments in Argentina, but the impact on its domestic economy has been relatively slight.

## **Statistical appendix**



Table A - 1  
**LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS**

	1993	1994	1995	1996	1997	1998	1999	2000	2001 <sup>a</sup>
<b>Annual growth rates</b>									
<b>Economic activity and prices</b>									
Gross domestic product	3.3	5.2	1.1	3.7	5.2	2.3	0.5	3.9	0.4
Per capita gross domestic product	1.6	3.4	-0.5	2.1	3.5	0.7	-1.1	2.3	-1.1
Consumer prices <sup>b</sup>	872.4	328.7	26.0	18.6	10.7	10.0	9.7	9.0	6.1
<b>Percentages</b>									
Urban open unemployment	6.6	6.6	7.5	8.0	7.6	8.1	8.9	8.4	8.4
Fiscal balance / GDP <sup>c</sup>	-1.7	-2.0	-1.7	-1.6	-1.3	-2.2	-3.0	-2.8	-3.3
Total disbursed external debt / GDP <sup>c</sup>	37.5	35.0	36.4	34.8	33.1	37.0	43.0	37.6	39.0
External debt / exports of goods and services	263.5	245.3	226.1	211.8	198.5	223.6	218.3	177.7	178.0
<b>Billions of dollars</b>									
<b>External sector</b>									
Exports of goods and services	194	223	266	295	328	327	342	407	392
Imports of goods and services	215	251	278	305	361	381	364	420	412
Trade balance (goods and services)	-21	-27	-12	-10	-33	-54	-22	-13	-20
Balance on current account	-45	-52	-37	-38	-65	-88	-55	-46	-51
Balance on capital and financial account <sup>d</sup>	70	42	29	68	85	69	49	61	33
Overall balance	17	-15	-20	30	20	-18	-6	15	-18

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

<sup>a</sup> Preliminary estimates. <sup>b</sup> December-to-December variation. <sup>c</sup> Estimates based on figures expressed in dollars at current prices. <sup>d</sup> Includes errors and omissions.

Table A - 2  
**LATIN AMERICA AND THE CARIBBEAN: GROSS DOMESTIC PRODUCT**  
*(Annual growth rates)*

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 <sup>a</sup>	1992-2001
<b>Latin America and the Caribbean<sup>b</sup></b>	<b>2.8</b>	<b>3.3</b>	<b>5.2</b>	<b>1.1</b>	<b>3.7</b>	<b>5.2</b>	<b>2.3</b>	<b>0.5</b>	<b>3.9</b>	<b>0.4</b>	<b>2.8</b>
<b>Subtotal (20 countries)</b>	<b>2.8</b>	<b>3.4</b>	<b>5.2</b>	<b>1.1</b>	<b>3.8</b>	<b>5.2</b>	<b>2.3</b>	<b>0.5</b>	<b>3.8</b>	<b>0.3</b>	<b>2.8</b>
Argentina	9.6	5.9	5.8	-2.9	5.5	8.0	3.8	-3.4	-0.8	-4.5	2.6
Bolivia	1.7	4.3	4.8	4.7	4.5	4.9	5.0	0.3	2.3	1.3	3.4
Brazil	-0.3	4.5	6.2	4.2	2.5	3.1	0.3	0.9	4.2	1.5	2.7
Chile	10.8	6.9	5.0	9.0	6.9	6.8	3.3	-0.7	4.4	2.8	5.5
Colombia	3.6	4.4	5.9	4.9	1.9	3.3	0.8	-3.8	2.2	1.5	2.5
Costa Rica	8.8	7.1	4.6	3.9	0.8	5.4	8.3	8.0	2.2	1.0	5.0
Cuba	-13.8	-16.0	2.0	3.4	8.7	3.3	1.3	6.8	5.3	2.5	0.0
Ecuador	3.0	2.2	4.4	3.0	2.3	3.9	1.0	-7.9	2.3	6.0	1.9
El Salvador	7.3	6.4	6.0	6.2	1.8	4.2	3.8	3.4	2.1	1.9	4.3
Guatemala	4.9	4.0	4.1	5.0	3.0	4.4	5.1	3.9	3.4	1.8	4.0
Haiti	-5.5	-8.0	-17.6	9.5	5.6	3.2	2.9	2.9	1.9	-0.7	-0.9
Honduras	5.8	7.1	-1.9	3.7	3.7	4.9	3.3	-1.5	4.8	2.7	3.2
Mexico	3.7	1.8	4.5	-6.2	5.4	6.8	5.0	3.7	6.8	-0.4	3.0
Nicaragua	0.8	-0.4	4.0	4.4	5.1	5.4	4.1	7.4	6.0	3.1	4.0
Panama	8.2	5.3	3.1	1.9	2.7	4.7	4.6	3.5	2.6	0.4	3.7
Paraguay	1.7	4.0	3.0	4.5	1.1	2.4	-0.6	-0.1	-0.6	2.4	1.8
Peru	-0.4	4.8	12.7	8.6	2.5	6.8	-0.5	0.9	3.0	0.2	3.8
Dominican Republic	8.0	3.0	4.3	4.7	7.2	8.3	7.3	8.0	7.8	2.7	6.1
Uruguay	8.3	3.5	7.0	-2.3	5.0	5.4	4.4	-2.9	-1.8	-2.9	2.3
Venezuela	7.0	-0.4	-3.7	5.9	-0.4	7.4	0.7	-5.8	3.8	2.8	1.6
<b>Subtotal - Caribbean<sup>b</sup></b>	<b>0.7</b>	<b>0.9</b>	<b>3.0</b>	<b>2.7</b>	<b>2.6</b>	<b>2.0</b>	<b>2.7</b>	<b>4.1</b>	<b>4.7</b>	<b>2.3</b>	<b>2.1</b>
Antigua and Barbuda <sup>c</sup>	0.9	5.0	6.2	-4.8	6.0	5.5	5.0	4.9	2.6	4.3	3.5
Barbados	-5.6	1.1	3.1	1.9	2.5	2.6	4.0	3.0	3.1	-2.2	1.3
Belize	9.0	4.3	1.5	3.7	1.3	4.4	2.0	6.0	10.5	4.7	4.7
Dominica	2.3	1.9	1.9	1.2	2.9	2.2	3.1	1.3	0.7	-5.2	1.2
Grenada	1.0	-1.1	3.4	3.1	3.0	4.3	7.6	7.5	6.5	-3.3	3.1
Guyana	9.1	11.4	9.4	3.8	7.4	6.8	-2.2	5.0	-2.3	2.3	5.0
Jamaica	2.7	2.2	1.6	2.2	-0.1	-1.8	-0.8	0.6	1.0	1.8	0.9
Saint Kitts and Nevis	3.2	5.2	5.5	3.2	5.8	7.2	1.1	3.5	5.0	2.0	4.2
Saint Vincent and the Grenadines	6.9	2.0	-2.3	7.8	1.2	3.5	5.8	3.6	1.8	...	3.3 <sup>c</sup>
Saint Lucia	7.5	-1.3	4.6	2.1	0.8	-0.3	3.0	2.8	0.3	-5.0	1.4
Suriname	-2.0	-4.1	-0.1	0.0	5.3	3.3	2.9	-3.5	-1.2	...	0.0 <sup>c</sup>
Trinidad and Tobago	-1.0	-1.2	4.2	4.2	4.4	4.0	5.3	7.8	9.2	4.3	4.1

Source: ECLAC, based on official figures converted into dollars at constant 1995 prices.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Refers only to those countries that provide data.

<sup>c</sup> The last column refers to the period 1991-2000.

Table A - 3  
**LATIN AMERICA AND THE CARIBBEAN: PER CAPITA GROSS DOMESTIC PRODUCT**  
*(Annual growth rates)*

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 <sup>a</sup>	1992-2001
<b>Latin America and the Caribbean<sup>b</sup></b>	<b>1.0</b>	<b>1.6</b>	<b>3.4</b>	<b>-0.5</b>	<b>2.1</b>	<b>3.5</b>	<b>0.7</b>	<b>-1.1</b>	<b>2.3</b>	<b>-1.1</b>	<b>1.2</b>
<b>Subtotal (20 countries)<sup>b</sup></b>	<b>1.0</b>	<b>1.6</b>	<b>3.4</b>	<b>-0.6</b>	<b>2.0</b>	<b>3.5</b>	<b>0.7</b>	<b>-1.1</b>	<b>2.3</b>	<b>-1.2</b>	<b>1.2</b>
Argentina	8.2	4.5	4.4	-4.1	4.1	6.6	2.5	-4.6	-2.0	-5.6	1.3
Bolivia	-0.7	1.7	2.3	2.2	2.0	2.4	2.6	-2.0	0.1	-0.9	1.0
Brazil	-1.8	3.0	4.7	2.7	1.1	1.7	-1.0	-0.4	2.8	0.2	1.3
Chile	9.0	5.1	3.3	7.3	5.4	5.3	1.9	-2.0	3.1	1.6	4.0
Colombia	1.6	2.4	3.8	2.9	0.0	1.4	-1.1	-5.5	0.4	-0.2	0.5
Costa Rica	5.4	3.8	1.5	1.0	-1.9	2.7	5.6	5.4	0.0	-1.2	2.2
Cuba <sup>c</sup>	-14.4	-16.5	1.4	2.8	8.1	2.9	0.8	6.4	4.9	2.1	-0.5
Ecuador	0.7	-0.1	2.1	0.8	0.2	1.8	-0.9	-9.7	0.4	4.1	-0.1
El Salvador	5.1	4.2	3.7	4.0	-0.3	2.1	1.6	1.3	0.1	0.0	2.2
Guatemala	2.2	1.3	1.4	2.2	0.3	1.7	2.4	1.2	0.7	-0.8	1.3
Haiti	-7.2	-9.6	-19.0	7.5	3.7	1.3	1.0	1.1	0.1	-2.5	-2.7
Honduras	2.7	4.0	-4.7	0.7	0.8	2.1	0.5	-4.1	2.1	0.1	0.4
Mexico	1.8	-0.1	2.6	-7.8	3.6	5.1	3.3	2.1	5.2	-1.9	1.3
Nicaragua	-2.1	-3.4	0.9	1.5	2.1	2.6	1.4	4.5	3.2	0.4	1.1
Panama	6.2	3.4	1.2	0.1	0.9	3.0	2.9	1.9	1.0	-1.1	1.9
Paraguay	-1.1	1.3	0.3	1.8	-1.6	-0.2	-3.2	-2.6	-3.1	-0.1	-0.9
Peru	-2.2	2.9	10.8	6.7	0.7	4.9	-2.2	-0.8	1.4	-1.4	2.0
Dominican Republic	6.1	1.2	2.6	2.9	5.3	6.4	5.4	6.1	6.0	1.1	4.3
Uruguay	7.5	2.8	6.2	-3.0	4.2	4.6	3.6	-3.6	-2.5	-3.6	1.6
Venezuela	4.6	-2.7	-5.8	3.7	-2.5	5.2	-1.3	-7.7	1.8	0.9	-0.5
<b>Subtotal - Caribbean<sup>b</sup></b>	<b>0.0</b>	<b>0.2</b>	<b>2.2</b>	<b>2.0</b>	<b>1.9</b>	<b>1.2</b>	<b>2.0</b>	<b>3.4</b>	<b>4.0</b>	<b>1.5</b>	<b>2.3</b>
Antigua and Barbuda	0.9	5.0	4.5	-4.8	6.0	5.5	5.0	3.2	2.6	3.7	3.1
Barbados	-5.9	0.7	2.3	1.5	2.2	2.2	3.7	2.6	3.1	-2.6	0.9
Belize	6.8	2.7	0.0	1.7	-0.6	1.9	-0.3	3.6	8.5	2.5	2.6
Dominica	2.5	2.0	2.0	1.3	3.0	2.3	3.2	1.4	0.8	-5.2	1.3
Grenada	0.7	-1.4	3.0	2.8	2.7	4.0	7.2	7.2	6.2	-3.7	2.8
Guyana	8.8	11.1	8.8	3.3	7.0	6.2	-2.8	4.6	-2.8	1.8	4.5
Jamaica	1.8	1.3	0.7	1.2	-0.9	-2.5	-1.6	-0.2	0.2	1.0	0.1
Saint Kitts and Nevis	4.1	6.2	6.4	4.1	6.7	8.1	1.9	4.3	5.8	2.0	4.9
Saint Vincent and the Grenadines	6.2	1.3	-3.0	7.1	0.5	2.8	5.1	2.9	1.2	...	2.6 <sup>c</sup>
Saint Lucia	5.9	-2.8	3.9	0.6	0.1	-1.7	2.3	1.4	-1.1	-6.4	0.2
Suriname	-2.2	-4.6	-0.4	-0.3	5.0	2.8	2.4	-3.8	-1.7	...	-0.3 <sup>c</sup>
Trinidad and Tobago	-1.8	-2.1	3.3	3.5	3.8	3.4	4.8	7.3	8.8	3.8	3.4

Source: ECLAC, based on official figures converted into dollars at constant 1995 prices.

<sup>a</sup> Preliminary figures. <sup>b</sup> Refers only to those countries that provide data. <sup>c</sup> The last column refers to the period 1991-2000.

Table A - 4  
**LATIN AMERICA AND THE CARIBBEAN: FINANCING OF GROSS FIXED CAPITAL FORMATION**  
*(As percentages of GDP)*

	1993	1994	1995	1996	1997	1998	1999	2000	2001 <sup>a</sup>
1. Domestic saving	19.3	19.9	20.6	20.5	20.7	19.4	19.4	20.2	18.6
2. Factor income	-2.6	-2.4	-2.4	-2.4	-2.4	-2.5	-3.0	-2.8	-2.9
3. Transfers	0.8	0.8	0.9	0.8	0.8	0.9	1.1	1.1	1.3
4. Gross national saving (1+2+3)	17.5	18.4	19.1	19.0	19.1	17.8	17.5	18.6	17.0
5. External saving	3.3	3.3	2.3	2.1	3.3	4.4	3.1	2.4	2.7
6. Gross fixed capital formation (4+5)	20.8	21.7	21.4	21.1	22.4	22.2	20.7	21.0	19.7

Source: ECLAC, based on official figures converted into dollars at current prices.

<sup>a</sup> Preliminary figures.

Table A - 5  
**LATIN AMERICA AND THE CARIBBEAN: GROSS FIXED CAPITAL FORMATION**  
*(As percentages of GDP)*

	1993	1994	1995	1996	1997	1998	1999	2000	2001 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>19.2</b>	<b>20.2</b>	<b>19.1</b>	<b>19.3</b>	<b>20.8</b>	<b>21.0</b>	<b>19.7</b>	<b>19.1</b>	<b>18.5</b>
Argentina	18.6	20.0	17.9	18.5	20.1	20.7	18.7	17.6	15.5
Bolivia	16.3	14.3	15.5	16.6	20.2	24.7	20.9	18.7	14.6
Brazil	18.6	20.0	20.5	20.3	21.5	21.2	19.9	18.1	18.1
Chile	21.9	22.2	25.2	25.6	26.6	26.2	21.5	22.3	22.1
Colombia	20.2	23.3	22.4	21.7	20.5	19.9	12.7	13.9	15.0
Costa Rica	19.6	19.2	19.0	17.3	18.8	21.7	19.3	18.4	18.9
Cuba	10.8	7.5	7.8	9.7	9.7	10.0	9.9	9.6	9.5
Ecuador	18.6	18.5	18.6	18.4	18.4	19.4	13.8	14.8	19.2
El Salvador	16.6	17.6	18.7	16.3	16.9	17.9	17.1	17.5	17.3
Guatemala	15.0	14.1	14.5	13.7	16.2	18.5	18.8	17.0	16.9
Haiti	16.2	12.8	26.1	27.6	28.8	27.1	32.6	37.9	35.6
Honduras	28.5	29.0	24.0	24.6	27.1	29.0	31.5	27.9	25.3
Mexico	20.8	21.6	16.2	17.9	20.5	21.2	22.0	23.0	21.7
Nicaragua	19.9	22.1	23.9	24.7	28.0	30.1	39.0	32.9	30.9
Panama	24.0	24.6	26.0	24.6	24.7	27.3	32.2	29.0	...
Paraguay	22.1	22.4	23.1	22.8	22.0	21.1	20.3	20.3	15.9
Peru	18.1	21.5	24.1	22.8	24.6	24.4	21.5	19.9	18.1
Dominican Republic	25.9	24.1	21.7	21.6	23.9	29.1	30.0	29.9	29.6
Uruguay	14.1	14.0	13.5	14.0	14.5	15.0	14.5	13.1	11.8
Venezuela	20.2	17.1	16.5	15.3	18.0	17.3	15.4	15.0	16.3

Source: ECLAC, based on official figures converted into dollars at constant 1995 prices.

<sup>a</sup> Preliminary figures.

Table A - 6  
**LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT**  
*(Average annual rates)*

	1980	1985	1990	1993	1994	1995	1996	1997	1998	1999	2000	2001 <sup>a</sup>
<b>Latin America and the Caribbean<sup>b</sup></b>	<b>6.1</b>	<b>7.3</b>	<b>5.8</b>	<b>6.6</b>	<b>6.6</b>	<b>7.5</b>	<b>8.0</b>	<b>7.6</b>	<b>8.1</b>	<b>8.9</b>	<b>8.4</b>	<b>8.4</b>
<b>Simple average (22 countries)</b>	...	...	...	<b>10.0</b>	<b>9.5</b>	<b>10.1</b>	<b>10.5</b>	<b>9.9</b>	<b>9.7</b>	<b>10.3<sup>c</sup></b>	<b>10.1<sup>c</sup></b>	<b>10.3<sup>c</sup></b>
Argentina												
Urban areas <sup>d</sup>	2.6	6.1	7.4	9.6	11.5	17.5	17.2	14.9	12.9	14.3	15.1	17.4
Barbados												
Nationwide total <sup>e</sup>	...	...	14.7	24.3	21.9	19.7	15.6	14.5	12.3	10.4	9.2	9.9
Bolivia												
Departmental capitals <sup>f</sup>	...	5.8	7.3	5.8	3.1	3.6	3.8	4.4	6.1	8.0	7.5	8.5
Brazil												
Six metropolitan areas	6.3	5.3	4.3	5.4	5.1	4.6	5.4	5.7	7.6	7.6	7.1	6.2
Chile												
Nationwide total <sup>g</sup>	10.4	15.3	7.8	6.5	7.8	7.4	6.4	6.1	6.4	9.8	9.2	9.1
Colombia <sup>e</sup>												
Seven metropolitan areas <sup>h</sup>	10.0	13.9	10.5	8.6	8.9	8.8	11.2	12.4	15.3	19.4	17.2	18.2
Costa Rica												
Total urban areas	6.0	6.7	5.4	4.0	4.3	5.7	6.6	5.9	5.4	6.2	5.3	5.8
Cuba												
Nationwide total	...	...	...	6.2	6.7	7.9	7.6	7.0	6.6	6.0	5.5	4.1
Ecuador <sup>e</sup>												
Total urban areas <sup>i</sup>	5.7	10.4	6.1	8.9	7.8	7.7	10.4	9.3	11.5	15.1	14.1	10.4
El Salvador												
Total urban areas	...	...	10.0	8.1	7.0	7.0	7.5	7.5	7.6	6.9	6.5	7.0
Guatemala <sup>j</sup>												
Nationwide total	2.2	12.1	6.3	2.6	3.5	3.9	5.2	5.1	3.8	...	...	...
Honduras												
Total urban areas	8.8	11.7	7.8	7.0	4.0	5.6	6.5	5.8	5.2	5.3	...	6.3
Jamaica <sup>e</sup>												
Nationwide total	...	...	15.3	16.3	15.4	16.2	16.0	16.5	15.5	15.7	15.5	15.0
Mexico												
Urban areas <sup>d</sup>	4.5	4.4	2.7	3.4	3.7	6.2	5.5	3.7	3.2	2.5	2.2	2.5
Nicaragua <sup>j</sup>												
Nationwide total	...	3.2	7.6	17.8	17.1	16.9	16.0	14.3	13.2	10.7	9.8	10.7
Panama <sup>e</sup>												
Metropolitan region <sup>f</sup>	9.9	15.6	20.0	15.6	16.0	16.6	16.9	15.5	15.2	14.0	15.2	16.9
Paraguay												
Total urban areas <sup>k</sup>	4.1	5.2	6.6	5.1	4.4	5.3	8.2	7.1	6.6	9.4	10.0	10.8
Peru												
Lima metropolitan area	7.1	10.1	8.3	9.9	8.8	8.2	8.0	9.2	8.5	9.2	8.5	9.3
Dominican Republic <sup>e</sup>												
Nationwide total	...	...	...	19.9	16.0	15.8	16.5	15.9	14.3	13.8	13.9	15.6
Trinidad and Tobago												
Nationwide total <sup>e</sup>	...	...	20.1	19.8	18.4	17.2	16.2	15.0	14.2	13.1	12.8	11.1
Uruguay												
Total urban areas <sup>l</sup>	7.4	13.1	8.5	8.3	9.2	10.3	11.9	11.5	10.1	11.3	13.6	15.3
Venezuela												
Nationwide total	6.0	13.1	10.4	6.6	8.7	10.3	11.8	11.4	11.3	14.9	14.0	13.4

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

<sup>a</sup> Preliminary figures. <sup>b</sup> Does not include the Caribbean until 1990. <sup>c</sup> Figures adjusted to compensate for lack of data. <sup>d</sup> Represents a large and growing number of urban areas. <sup>e</sup> Includes hidden unemployment. <sup>f</sup> From 2000 on, total urban areas. <sup>g</sup> The figure shown for 1985 actually corresponds to 1984. <sup>h</sup> From 2000 on, 13 cities. <sup>i</sup> From 1999 on, Cuenca, Guayaquil and Quito. <sup>j</sup> Official estimates. <sup>k</sup> Until 1993, the figures given correspond to the Asunción metropolitan area. <sup>l</sup> The figure shown for 1980 and 1985 correspond to Montevideo.



Table A - 7  
**LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES**  
*(December-to-December percentage variations)*

	1993	1994	1995	1996	1997	1998	1999	2000	2001 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>872.4</b>	<b>328.7</b>	<b>26.0</b>	<b>18.6</b>	<b>10.7</b>	<b>10.0</b>	<b>9.7</b>	<b>9.0</b>	<b>6.1</b>
Argentina	7.4	3.9	1.6	0.1	0.3	0.7	- 1.8	- 0.7	- 1.5
Barbados	- 1.0	2.1	2.8	1.8	3.6	1.7	2.9	3.8	- 1.2
Bolivia	9.3	8.5	10.6	9.9	6.7	4.4	3.1	3.4	0.9
Brazil	2 477.2	916.5	22.4	9.6	5.2	1.7	8.9	6.0	7.7
Chile	12.2	8.9	8.2	6.6	6.0	4.7	2.3	4.5	2.6
Colombia	22.6	22.6	19.5	21.6	17.7	16.7	9.1	8.8	7.7
Costa Rica	9.0	19.9	22.6	13.9	11.2	12.4	10.0	10.3	11.0
Ecuador	31.0	25.3	22.8	25.6	30.6	43.4	60.7	91.0	22.4
El Salvador	12.1	8.9	11.4	7.4	1.9	4.2	- 1.0	4.3	1.4
Guatemala	11.6	11.6	8.6	10.9	7.1	7.5	4.9	5.1	9.1 <sup>b</sup>
Haiti	44.4	32.2	24.8	14.7	15.6	7.4	9.7	19.0	8.2 <sup>c</sup>
Honduras	13.0	28.9	26.8	25.3	12.8	15.7	10.9	10.0	8.8
Jamaica	30.1	26.9	25.5	15.8	9.2	7.9	7.0	6.1	8.7 <sup>c</sup>
Mexico	8.0	7.1	52.1	27.7	15.7	18.6	12.3	9.0	4.4
Nicaragua	19.5	12.4	10.9	12.1	7.3	18.5	7.2	9.9	4.7 <sup>b</sup>
Panama	0.9	1.4	0.8	2.3	- 0.5	1.4	1.5	0.7	- 0.1 <sup>b</sup>
Paraguay	20.4	18.3	10.5	8.2	6.2	14.6	5.4	8.6	8.4
Peru	39.5	15.4	10.2	11.8	6.5	6.0	3.8	3.8	- 0.1
Dominican Republic	2.8	14.3	9.2	4.0	8.4	7.8	5.1	9.1	4.4
Trinidad and Tobago	13.4	5.5	3.8	4.3	3.5	5.6	3.4	5.6	3.2 <sup>c</sup>
Uruguay	52.9	44.1	35.4	24.3	15.2	8.7	4.2	5.1	3.6
Venezuela	45.9	70.8	56.6	103.2	37.6	29.9	20.1	13.4	12.3

**Source:** ECLAC, on the basis of figures provided by public institutions in the respective countries.

<sup>a</sup> Variation between July 2001 and June 2002.

<sup>b</sup> Variation between June 2001 and May 2002.

<sup>c</sup> Variation between May 2001 and April 2002.

Table A - 8  
**LATIN AMERICA AND THE CARIBBEAN: EXPORTS AND IMPORTS OF GOODS, FOB <sup>a</sup>**  
*(Rate of variation in index, 1995=100)*

	Exports <sup>b</sup>			Imports <sup>b</sup>		
	Value	Unit value	Volume	Value	Unit value	Volume
1990	10.2	4.4	5.5	12.9	3.7	9.0
1991	0.7	-3.2	4.0	17.7	-4.0	22.6
1992	8.0	0.6	7.4	22.8	1.3	21.2
1993	10.1	-2.3	12.7	11.8	-1.8	13.9
1994	16.0	6.6	8.9	18.7	1.5	16.9
1995	21.2	8.3	11.8	12.2	7.1	4.8
1996	12.1	0.4	11.7	11.4	-0.4	11.8
1997	11.2	-0.9	12.2	18.4	-2.8	21.9
1998	-1.1	-8.7	8.4	6.2	-3.4	9.9
1999	5.7	-1.1	6.9	-3.8	-1.5	-2.4
2000	19.8	8.1	10.8	16.1	2.1	13.7
2001 <sup>c</sup>	-3.9	-7.3	3.7	-2.5	-3.2	0.8

**Source:** ECLAC, on the basis of figures from official sources and the International Monetary Fund.

<sup>a</sup> Includes 17 Spanish-speaking countries, plus Brazil and Haiti. <sup>b</sup> The indices shown here for value, unit value and volume do not necessarily coincide with indices for these variables calculated on the basis of national accounts, due to differences in methodologies and coverage. <sup>c</sup> Preliminary figures.

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

	Value			Unit value			Volume		
	1999	2000	2001 <sup>a</sup>	1999	2000	2001 <sup>a</sup>	1999	2000	2001 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>130.3</b>	<b>156.1</b>	<b>150.0</b>	<b>89.8</b>	<b>97.1</b>	<b>90.0</b>	<b>145.1</b>	<b>160.7</b>	<b>166.6</b>
Argentina	110.1	124.8	126.0	82.9	91.6	88.4	132.9	136.2	142.5
Bolivia	100.9	119.7	123.4	95.3	99.1	94.5	105.9	120.7	130.6
Brazil	103.2	118.4	125.2	84.0	85.6	83.0	122.9	138.4	150.8
Chile	107.3	120.1	115.5	64.5	71.0	63.5	166.4	169.2	181.9
Colombia	113.6	128.6	120.4	95.6	109.0	99.7	118.9	117.9	120.8
Costa Rica	189.9	166.9	141.7	92.5	87.9	83.4	205.3	189.9	169.9
Ecuador	102.7	114.7	106.6	95.9	115.1	102.8	107.1	99.7	103.7
El Salvador	153.4	179.4	175.6	92.9	92.0	86.5	165.1	195.0	203.0
Guatemala	128.9	142.9	138.1	78.9	79.7	73.3	163.4	179.2	188.4
Haiti	222.1	207.0	192.0	99.0	97.0	94.6	224.4	213.5	203.0
Honduras	120.3	137.0	136.5	96.1	95.1	89.9	125.2	144.1	151.9
Mexico	171.5	209.3	199.3	96.9	101.7	95.0	177.0	205.8	209.8
Nicaragua	125.7	147.5	137.6	84.6	86.3	76.7	148.6	171.0	179.4
Panama	87.1	95.8	97.1	104.8	103.8	100.7	83.1	92.3	96.5
Paraguay	54.8	55.4	55.8	91.8	90.8	87.7	59.7	61.0	63.6
Peru	109.4	125.8	127.0	74.1	75.6	69.6	147.6	166.3	182.5
Dominican Republic	135.9	151.8	141.1	93.9	94.6	92.7	144.7	160.4	152.2
Uruguay	106.7	111.0	99.8	84.5	82.1	79.6	126.2	135.2	125.4
Venezuela	109.1	173.1	141.8	95.9	141.0	114.8	113.8	122.8	123.5

Source: ECLAC, on the basis of figures from the International Monetary Fund and national sources.

<sup>a</sup> Preliminary figures.

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

	Value			Unit value			Volume		
	1999	2000	2000 <sup>a</sup>	1999	2000	2000 <sup>a</sup>	1999	2000	2001 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>134.6</b>	<b>156.3</b>	<b>152.4</b>	<b>92.1</b>	<b>94.0</b>	<b>91.0</b>	<b>146.2</b>	<b>166.2</b>	<b>167.6</b>
Argentina	128.2	126.8	101.8	84.2	84.2	81.7	152.2	150.6	124.6
Bolivia	125.8	129.5	122.1	86.8	88.5	85.5	144.9	146.4	142.8
Brazil	99.3	112.4	111.9	89.7	94.2	91.5	110.7	119.3	122.3
Chile	100.6	116.7	112.1	87.7	96.5	92.7	114.7	121.0	120.9
Colombia	78.1	84.4	93.4	93.2	94.1	91.3	83.8	89.7	102.3
Costa Rica	157.6	158.3	149.7	90.0	91.8	88.3	175.1	172.5	169.5
Ecuador	65.6	81.7	117.3	90.3	93.0	90.0	72.7	87.9	130.3
El Salvador	124.9	151.0	154.5	106.9	111.2	107.9	116.8	135.8	143.2
Guatemala	137.9	156.4	160.3	90.5	94.1	90.3	152.3	166.2	177.5
Haiti	143.9	155.8	151.5	103.9	110.1	105.7	138.5	141.5	143.3
Honduras	159.7	169.9	179.1	87.2	91.6	87.2	183.2	185.5	205.4
Mexico	196.0	240.8	232.3	94.7	94.7	91.4	206.9	254.3	254.1
Nicaragua	192.7	186.9	184.8	104.3	111.6	108.2	184.8	167.5	170.8
Panama	100.1	105.2	100.9	99.0	104.0	100.4	101.2	101.1	100.5
Paraguay	61.3	64.7	64.2	104.7	107.8	104.2	58.6	60.0	61.7
Peru	86.8	94.8	92.9	89.0	93.5	89.8	97.5	101.4	103.4
Dominican Republic	155.5	183.3	169.9	90.3	92.7	89.5	172.2	197.8	189.8
Uruguay	117.5	122.2	107.4	89.0	95.2	91.4	132.1	128.3	117.5
Venezuela	109.5	128.4	143.2	89.6	89.6	87.1	122.2	143.3	164.4

Source: ECLAC, on the basis of figures from the International Monetary Fund and national sources.

<sup>a</sup> Preliminary figures.

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

	1993	1994	1995	1996	1997	1998	1999	2000	2001 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>94.1</b>	<b>98.8</b>	<b>100.0</b>	<b>100.8</b>	<b>102.8</b>	<b>97.1</b>	<b>97.5</b>	<b>103.3</b>	<b>99.0</b>
Argentina	104.8	105.6	100.0	108.5	108.9	103.9	98.5	108.8	108.2
Bolivia	88.3	102.5	100.0	111.7	115.6	109.9	109.8	112.0	110.5
Brazil	79.9	91.5	100.0	98.0	103.8	103.8	93.6	90.9	90.7
Chile	74.2	84.1	100.0	80.7	83.0	73.3	73.5	73.6	68.5
Colombia	91.0	104.9	100.0	103.8	104.4	95.8	102.6	115.8	109.2
Costa Rica	84.5	93.9	100.0	94.9	100.6	103.9	102.8	95.8	94.5
Ecuador	106.4	108.9	100.0	109.6	111.9	99.6	106.2	123.8	114.2
El Salvador	63.7	81.0	100.0	93.6	94.1	91.7	86.9	82.7	80.2
Guatemala	84.3	89.9	100.0	87.7	94.8	94.3	87.2	84.7	81.2
Haiti	94.1	96.8	100.0	90.6	94.8	96.7	95.3	88.1	89.5
Honduras	90.3	92.1	100.0	92.8	115.4	118.0	110.2	103.8	103.1
Mexico	104.9	103.3	100.0	102.8	104.0	100.4	102.3	107.4	103.9
Nicaragua	81.3	95.5	100.0	88.1	83.9	87.4	81.1	77.3	70.9
Panama	106.8	110.1	100.0	101.3	103.4	103.3	105.9	99.8	100.3
Paraguay	87.2	105.1	100.0	100.0	99.9	92.4	87.7	84.2	84.2
Peru	89.1	95.7	100.0	96.5	103.2	89.7	83.3	80.9	77.5
Dominican Republic	90.7	95.6	100.0	97.7	102.0	103.1	104.0	102.0	103.6
Uruguay	94.6	94.7	100.0	96.7	96.4	103.1	94.9	86.2	87.1
Venezuela	100.9	100.0	100.0	115.6	110.8	79.9	107.0	157.4	131.8

**Source:** ECLAC, on the basis of figures from the International Monetary Fund and national sources.

<sup>a</sup> Preliminary figures.

Table A - 12  
**LATIN AMERICA AND THE CARIBBEAN: BALANCE OF PAYMENTS**  
*(Percentages of GDP) <sup>a</sup>*

	Trade balance (goods and services)		Balance on current account		Balance on capital and financial account <sup>b</sup>		Overall balance	
	2000	2001 <sup>c</sup>	2000	2001 <sup>c</sup>	2000	2001 <sup>c</sup>	2000	2001 <sup>c</sup>
<b>Latin America and the Caribbean</b>	<b>-0.7</b>	<b>-1.0</b>	<b>-2.4</b>	<b>-2.7</b>	<b>3.5</b>	<b>1.7</b>	<b>0.8</b>	<b>-1.0</b>
Argentina	-0.6	1.2	-3.1	-1.6	2.7	-6.0	-0.4	-7.5
Bolivia	-7.3	-5.7	-5.4	-3.5	4.9	3.1	-0.5	-0.4
Brazil	-1.4	-0.9	-4.1	-3.9	6.2	3.7	1.4	-0.6
Chile	1.8	1.6	-1.5	-1.8	2.1	1.0	0.5	-0.8
Colombia	1.5	-1.0	0.4	-2.0	0.6	3.4	1.0	1.5
Costa Rica	2.6	-0.4	-4.8	-4.7	3.8	4.9	-1.0	0.1
Ecuador	7.3	-8.0	6.8	-5.7	-48.5	4.0	-41.9	-1.7
El Salvador	-15.3	-14.8	-3.3	-1.4	3.1	0.0	-0.4	-1.4
Guatemala	-9.0	-10.2	-5.5	-5.8	9.3	8.7	3.4	2.5
Haiti	-20.0	-20.1	-2.1	-1.4	1.0	1.4	-1.2	0.0
Honduras	-14.4	-17.7	-4.3	-5.5	3.5	6.3	-1.1	0.3
Mexico	-1.8	-2.3	-3.1	-3.0	5.2	5.2	1.2	1.3
Nicaragua	-43.2	-44.7	-38.3	-40.9	32.4	32.3	-8.3	-11.1
Panama	-5.0	-1.5	-9.4	-5.0	6.3	2.1	-3.3	-3.0
Paraguay	-5.4	-4.9	-2.5	-2.9	-1.9	2.1	-4.5	-0.8
Peru	-2.0	-1.5	-3.0	-2.0	2.9	2.9	-0.2	0.8
Dominican Republic	-9.5	-8.8	-5.2	-4.2	5.6	7.8	-0.2	2.6
Uruguay	-2.6	-2.0	-2.7	-2.4	3.4	3.7	0.8	1.5
Venezuela	12.1	5.4	10.9	3.6	-7.1	-6.2	4.8	-1.7

**Source:** ECLAC, on the basis of figures from the International Monetary Fund and official sources.

<sup>a</sup> Estimates based on figures expressed in dollars at current prices.

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

<sup>c</sup> Preliminary figures.

Table A - 13  
**LATIN AMERICA AND THE CARIBBEAN: GROSS DISBURSED EXTERNAL DEBT<sup>a</sup>**  
*(Millions of dollars)*

	1993	1994	1995	1996	1997	1998	1999	2000	2001 <sup>b</sup>
<b>Latin America and the Caribbean</b>	<b>528 037</b>	<b>564 399</b>	<b>619 233</b>	<b>641 305</b>	<b>666 482</b>	<b>747 583</b>	<b>763 197</b>	<b>740 202</b>	<b>725 671</b>
Argentina	72 209	85 656	98 547	110 613	125 052	141 929	145 289	146 338	139 783
Bolivia <sup>c</sup>	3 784	3 777	4 216	4 523	4 366	4 234	4 390	4 327	4 240
Brazil	145 726	148 295	159 256	179 935	199 998	241 644	241 468	236 157	226 036
Chile	19 665	21 768	21 736	22 979	26 701	31 691	34 167	36 849	37 790
Colombia	18 908	21 855	26 341	31 116	34 412	36 606	36 662	36 394	39 885
Costa Rica	4 011	4 133	4 209	3 289	3 086	3 402	3 641	3 748	3 800
Cuba	8 785	9 083	10 504	10 465	10 146	11 209	11 078	10 961	11 100
Ecuador	13 631	14 589	13 934	14 586	15 099	16 400	16 282	13 564	14 411
El Salvador <sup>c</sup>	1 976	2 056	2 168	2 517	2 689	2 632	2 789	2 832	3 148
Guatemala	2 347	2 895	2 947	3 026	3 197	3 618	3 831	3 929	4 100
Guyana	2 062	2 004	2 058	1 537	1 514	1 500	1 196	1 250	1 250
Haiti <sup>c</sup>	866	875	898	914	1 025	1 100	1 166	1 180	1 189
Honduras	3 850	4 040	4 243	4 121	4 073	4 404	4 729	4 721	4 802
Jamaica	3 687	3 652	3 452	3 232	3 278	3 300	3 050	3 200	3 200
Mexico <sup>d</sup>	130 500	139 800	165 600	157 200	149 028	160 258	166 381	148 652	144 534
Nicaragua <sup>c</sup>	10 987	11 695	10 248	6 094	6 001	6 287	6 549	6 660	6 374
Panama <sup>c</sup>	5 264	5 505	5 891	5 070	5 051	5 349	5 568	5 604	6 263
Paraguay	1 254	1 271	1 741	1 801	1 927	2 133	2 697	2 701	2 586
Peru	27 447	30 191	33 378	33 805	28 642	29 477	28 704	28 353	27 653
Dominican Republic	4 562	3 946	3 999	3 807	3 572	3 537	3 636	3 685	4 137
Trinidad and Tobago	2 102	2 064	1 905	1 876	1 541	1 430	1 511	1 550	1 550
Uruguay <sup>c</sup>	3 578	4 251	4 426	4 682	4 754	5 195	5 178	5 492	5 611
Venezuela	40 836	40 998	37 537	34 117	31 328	30 248	33 235	32 056	32 229

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

<sup>a</sup> Includes debt owed to the International Monetary Fund.

<sup>b</sup> Preliminary figures.

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

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