

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

# **ECONOMIC PANORAMA OF LATIN AMERICA 1994**

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BRAZIL  
COLOMBIA  
CHILE  
ECUADOR  
MEXICO  
PERU  
URUGUAY  
VENEZUELA**



**UNITED NATIONS**

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**September 1994  
Santiago, Chile**

LC/G.1837  
16 September 1994

This report was prepared by the ECLAC Economic Development Division.

#### **Notes and explanation of symbols**

The following symbols have been used in the tables in this Survey:

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

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

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

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

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

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

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

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

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

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

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## LATIN AMERICA

In 1994, Latin America is completing the fourth year of what appears to be a new pattern of economic performance. The pattern has three main elements: 1) modest economic growth rates of around 3% in aggregate terms and slightly over 1% on a per capita basis; 2) increased control over inflation, which (excluding Brazil) should fall to around 16% in 1994; and 3) a large and growing current-account deficit, financed by capital inflows that are likely to reach some US\$ 55 billion this year. In achieving these results, the economies have displayed a noteworthy capacity to adapt to both internal and external changes, but their modest growth rates make it difficult for them to generate enough jobs to lower unemployment and underemployment significantly, thus undercutting government efforts to deal adequately with the social deficit that accumulated during the 1980s.

The international environment within which the Latin American economies operate has improved considerably this year. Economic growth in the industrialized countries is predicted to reach 2.5% in 1994, the highest rate since the late 1980s, while import volume in those countries is expected to grow by over 5%. Consequently, non-fuel commodity prices for Latin America's exports have begun to rise after five years of decline; since April, fuel prices have risen as well. On the other hand, faster international growth has also led to higher interest rates—especially in the United States—, which are reflected in a rise in debt service compared to the same period in 1993. None the less, interest rates still remain quite low by recent historical standards.

The main explanation for the relatively moderate rates of growth in the region lies in a problem that haunts Governments of all nations: how to achieve high growth and low inflation at the same time. Lowering inflation has been a top priority for Latin American Governments in the 1990s, and their efforts are enjoying considerable success. The average increase in consumer prices in the region (excluding Brazil) was 49% in 1991, 22% in 1992 and 19% in 1993; as noted above, it could drop as low as 16% this year. Moreover, in view of the promising outlook for the latest Brazilian stabilization plan, inflation in that country could decline sharply during the second half of the year. Lower inflation rates could lead, in turn, to more sustainable growth in the future.

Another reason for slow growth in the short term, which could pave the way for stronger performance in the future, concerns the structural reforms that have been under way in the region for the past decade. These reforms have been implemented slowly, since they involve a substantial reallocation of resources, and the process of learning to make the reforms work properly takes time. In 1994, privatizations continue to take place in Peru, Brazil, Mexico, Colombia and Jamaica, and Argentina has announced its intention to sell a new group of public-sector firms. Tariffs also continue to come down, often in the context of regional integration schemes. The one example that runs counter to the trend towards less government intervention is Venezuela, where price and exchange controls have been temporarily imposed in response to a serious crisis in the banking sector that began early in the year.

A third obstacle to faster long-term growth is the relatively low level of savings and investment rates in the region. Savings and investment as a share of gross domestic product (GDP) are low both in comparison with Latin America itself in the 1970s and early 1980s and in comparison with the high-growth nations in Asia. In 1993, for example, average investment in the region as a whole represented 18.5% of GDP, while the major developing countries in East Asia invested over 30%. Moreover, there has been an entire decade of low investment since the debt crisis began. But investment rates have been rising in Latin America since 1992,

and an increase in imports of capital goods in some countries during the first half of this year shows that this trend is continuing.

The financing of investment is equally important. Without a sufficient volume of domestic savings, a country must rely on capital imports. Indeed, these flows have been an essential factor in the recovery of the Latin American economies, and are expected to continue in 1994 at the same high levels as in the past two years. Although large capital flows stimulate recovery, a number of countries have experienced difficulties in managing them, especially when they are heavily biased towards short-term capital. Consequently, some Governments have adopted policies limiting short-term inflows to check the exchange rate's tendency to appreciate. In addition, Governments have expressed concern about their increased vulnerability to changes in investor preferences; the decline in capital inflows during the first half of this year, owing to political uncertainties in the region, appears to validate this concern to some extent. In order to reduce this vulnerability, the countries must narrow the external gap through higher export volumes or efficient substitution of imports.

Despite these problems, cautious optimism is justified with respect to the new functioning of the majority of the Latin American economies. The return to positive per capita growth rates, together with inflation that is much lower than in recent years, are promising signs. Based on these achievements, it is once again possible to contemplate ways to achieve further progress. To obtain higher growth with increased employment, the region must enhance its international competitiveness by devoting more resources to investment and savings, raising the efficiency of investment, directing more resources towards the export sector and devising productive development policies to complement macroeconomic reforms. These are among the challenges of the coming years.

## **GROWTH CONTINUES AT A MODEST PACE**

Based on the data available for the first half of 1994, it can be expected that aggregate GDP growth for the Latin American region will be just over 3%, or very similar to the rate in 1993. Per capita GDP should increase by slightly more than 1% for the region as a whole (see table 1). The countries with the highest growth rates are likely to be Peru (over 8%) and Argentina (6% to 7%). Four countries (Bolivia, Chile, Colombia and Costa Rica) should have growth rates of between 4% and 5%. Meanwhile, Venezuela, Honduras and Haiti will probably suffer declines in GDP.

Although few major changes are likely compared to last year, it should be noted that Mexico's growth seems to be picking up (to around 2%) after stagnating in 1993. Faster growth is also expected in Nicaragua and the Dominican Republic. The most striking downward movement is found in Venezuela, where confidence was shaken by the financial and banking crisis at the beginning of the year, with a consequent disruption of production and trade. Brazil will also grow more slowly than last year, owing to the effects of the adjustment programme it has implemented to curb galloping inflation and to the political uncertainty caused by its presidential elections.

A review of trends in individual countries reveals a gradual convergence of growth rates in the region over the last several years. Thus, while only three countries are likely to see

declines in GDP in 1994, only two will grow by more than 5%. Five countries grew at this rate in 1993, and nine in 1992. The larger number of high rates in previous years was probably based on recovery from a decade of recession. Further high growth will require more, and more efficient, investment in high-productivity sectors, complemented by the implementation of productive development policies.

It should also be noted that owing to their modest economic performance in 1994 (and in the preceding years), the countries have been unable to overcome their difficulties in generating new jobs, and that the region's unemployment rates have increased. This situation is worse in cases where economic activity has slowed.

## **INFLATION RATES DECLINE FURTHER**

During the first half of 1994, continued progress was made in lowering inflation, which is one of the most important achievements of the past decade in Latin America. Except in Brazil, inflation rates have fallen significantly in the past several years. In 1991, prices rose by an average of 49%; the figure fell to 22% in 1992 and 19% in 1993. Information on the 12-month variation in inflation rates up to August 1994 shows a further drop to 16.5%. Five countries will have single-digit inflation rates in 1994: Argentina, Bolivia, El Salvador, Mexico and Panama (see table 2).

Nicaragua, Peru and Uruguay also made important gains, though at higher levels of inflation. Again excluding Brazil, only four countries showed a deterioration in the behaviour of inflation between December 1993 and August 1994: Costa Rica and Paraguay recorded small increases during this period, while the drought in Honduras led to a larger increase (from 13% to 23%). By far the biggest rise in inflation rates, however, was in Venezuela, whose 12-month rate (which had already reached 46% in December 1993) rose further to 68% at the end of August.

In Brazil, where inflation soared to 2,500% in 1993, a new stabilization plan brought the rate down considerably beginning in July. The plan was carried out in three stages: first, a fiscal adjustment was implemented to balance the budget in 1994; second, the main prices (wages, public charges and the exchange rate) were coordinated and indexed to the unit of real value (URV); and third, a new currency (the real) was introduced, initially equivalent to the dollar (though the plan does not contemplate strict convertibility). Moreover, the plan established new mechanisms for linking money issuance to the level of international reserves, and limited the monetary base and public-sector financing. Only contracts for more than one year could be indexed, and wage adjustments were limited to one per year.

These gains with respect to inflation were obtained through different combinations of policies in different countries. The main ones included restricting monetary growth, raising taxes, cutting spending and using the exchange rate as a nominal anchor. Mexico renegotiated its pact with workers and employers (the Stability, Competitiveness and Employment Pact, or PECE), which continues to serve as the basis for lowering inflation in that country. The new Colombian Government may try a similar approach. As indicated earlier, however, a side effect of these policies has been to restrain growth rates. Thus, having gained greater control over prices, many Governments are beginning to debate the short-term trade-offs between growth and adjustment. In the long run, all believe that the resulting lower inflation will substantially improve prospects for sustained economic growth.

## THE EXTERNAL GAP WIDENS

Although Latin America's fiscal gap is narrowing, its external gap is widening. For the third year in a row, the region's merchandise trade balance will run a deficit. In 1992, the deficit amounted to US\$ 10 billion; in 1993 it rose to US\$ 15 billion; and in 1994 it is projected to reach US\$ 21 billion (see table 3). Only Brazil, Venezuela and Chile are likely to have trade surpluses this year. The 1994 results represent significant improvements over 1993 for Chile and Venezuela, while Brazil's traditional surplus will shrink somewhat. Argentina, Colombia and Mexico, in contrast, have seen their deficits grow substantially.

The value of the region's exports increased its growth rate to 9%, owing mainly to a recovery –the first in six years– in international prices of the main traditional products (see table 4). During the first half of the year, the value of petroleum sales still suffered from the lower worldwide demand observed since the Gulf crisis, which tended to dampen exports from Colombia, Ecuador and Venezuela. The subsequent rise in oil prices has brightened the outlook for the rest of the year. Similar conditions affected coffee exports, whose international price shot up in the second quarter after much of Brazil's coffee crop was destroyed by frosts.

The rise in most international commodity prices increased the value of exports from Brazil, Chile, Peru and Uruguay. In Argentina, this positive effect was observed in some categories (oilseeds and livestock), but was offset by a dip in sales of other products (cereals and fruits). Meanwhile, manufactures exports grew briskly in several countries (Argentina, Chile, Colombia, Ecuador and Mexico), but slowed down in Brazil as domestic demand rose.

The trend towards increased intraregional trade was further consolidated. In 1994, the countries of the region strengthened their trade relations under both integration schemes (such as MERCOSUR and the Andean Pact) and –in Chile's case– bilateral agreements. The exchange controls imposed by Venezuela seem only to have slowed down its booming trade with Colombia.

The recent tendency of imports to grow faster than exports continues in 1994; imports for the region as a whole are likely to increase by around 12% during the year. Only Venezuela is expected to import less than last year, while Argentina, Brazil, Colombia and Mexico will import much more. Data on the structure of imports indicate that capital goods predominated in Brazil and Peru, while such products experienced a slight absolute decline in Uruguay. Consumer goods clearly led imports in Ecuador, and a fairly balanced structure prevailed in Chile and Mexico.

Factor payments will increase by about 10% this year, from US\$ 31 billion in 1993 to around US\$ 34 billion in 1994. Of the latter sum, approximately three quarters is interest payments and the remainder is profit remittance. Thus, the rise in payments is mostly due to higher international interest rates, especially in the United States, whose banks hold a substantive share of Latin America's debt. Mexico and Brazil, the countries with the biggest debts and a large percentage of their loans on floating interest rates, will absorb most of the increase.

The combination of larger trade deficits and higher factor payments will probably push the regional current-account deficit up from last year's US\$ 45 billion to around US\$ 53 billion this year. Mexico's current-account deficit is by far the largest in the region, and is likely to swell from US\$ 22 billion in 1993 to US\$ 27 billion in 1994. Other countries whose deficits

are increasing substantially this year include Argentina (from US\$ 7 to US\$ 11 billion), Colombia and Peru (from US\$ 2 to US\$ 3 billion) and Brazil (from less than US\$ 1 billion to US\$ 3 billion). Chile and Venezuela, in contrast, cut their current-account deficits appreciably with respect to 1993.

The large external gaps must be filled by capital inflows or the use of reserves. At this point, there are indications of a slight rise in reserves, meaning that capital inflows will remain at a very high level. The largest capital inflows will be found in Mexico, Argentina, Colombia, Peru and Chile. Given its banking crisis, and the resulting imposition of price and exchange controls, Venezuela is likely to have a capital outflow this year.

## **ABUNDANT INFLOWS OF CAPITAL**

### **CONTINUE**

In 1994, for the fourth year in a row, the region will receive a large inflow of capital, this time amounting to some US\$ 55 billion. Although events in the initial months of the year presaged a significant reduction in bond placements, this will be largely offset by an increase in other types of capital, including direct investment, equity investment, supplier and export credits and loans from multilateral organizations.

The reduction in capital flows in the first six months of the year was primarily attributable to the behaviour of bonds, whose total worldwide value fell in the first half of 1994 with respect to the same period of the preceding year (-12%). During the same period, Latin America witnessed a steeper drop (-24%) in international bond issues, which in recent years have been one of the most important sources of external funds (see table 5). Bond placements fell from US\$ 10.6 billion in the first half of 1993 to US\$ 8.85 billion in the first half of 1994. The decline in new bond issues in the region was basically related to the effective (and expected) increase in short- and long-term international interest rates beginning in February 1994, and also to political events in Mexico and economic ones in Venezuela in the initial months of the year.

Nine Latin American countries participated in the bond market between January and June 1994. Issues were highly concentrated in two countries: Mexico, with over half of the new issues, and Argentina, with a quarter of them. The remainder came from Brazil, Colombia, Peru and Uruguay, as well as Barbados, Bolivia and Costa Rica, which are relative newcomers to this market. Chile and Venezuela did not offer bonds during this period. Chilean firms are showing an increasing preference for external equity financing, while Venezuela's difficulties in placing bonds were exacerbated by its financial and banking crisis.

Among the characteristics of Latin American bond issues in the first half of 1994 were: significantly shorter maturities, especially in the second quarter, when the regional average fell to less than four years; a higher proportion of bonds with floating interest rates, owing to the upward trend in these rates and market volatility; an increase in the interest spreads at which borrowers could place their bonds, which entailed higher costs; a drop in the proportion of bonds sold by the private sector, from 60% in 1993 to 40% in the first six months of the year; and a higher proportion of small issues.

Since 1991, a new source of foreign financial capital has been portfolio investment in stocks, effected in both local and foreign (primarily United States) stock exchanges. However, dollar profits fell sharply from their healthy 1993 levels, and some countries suffered losses in

the initial months of 1994. Compared to their 1993 year-end levels, stock prices in mid-August 1994 had fallen in Argentina (-8%), Mexico (-8%) and Venezuela (-26%), and had risen in Brazil (47%), Colombia (49%) and Chile (20%); the weighted average for all of Latin America grew by 9%.

Nearly 50 Latin American firms continued to trade American Depositary Receipts (ADRs) in the United States market and, to a lesser degree, global depositary receipts (GDRs) in the world market. In the first half of 1994, the region's international sales of primary securities (which represent capital increases) reached nearly US\$ 2.1 billion, or 19% less than in the same period in 1993. Mexico accounted for close to half of that amount, while most of the remainder was sold by firms in Argentina, Brazil, Chile, Colombia and Peru. Nevertheless, if secondary issues are included as well (which are not considered capital increases), inflows of foreign resources through ADR/GDRs are substantially higher. Thus, between January and July 1994, net ADR inflows reached US\$ 2.62 billion in Mexico and US\$ 680 million in Chile. In addition, more Latin American countries are beginning to tap this source of financial capital: whereas only two countries had participated in these markets in 1991, eight did so in August 1994, including Ecuador, which became a first-time participant when a national firm issued GDRs.

Institutional investors continue to show an interest in this portfolio investment, but pay more attention to the prestige and cash position of the firms. In recent months, some of the Latin American firms that sold ADRs experienced appreciable declines in the price of their stock. In the near future, a number of Latin American firms and banks are likely to issue significant amounts of ADRs and effect large-scale direct sales of stock to foreigners; thus, by the end of 1994, the value of the region's stock sales to foreigners is expected to equal or exceed the 1993 level.

Inflows of direct investment in the region will grow considerably in 1994 in several Latin American countries. In Mexico, these flows reached US\$ 3.3 billion in the first half of the year, representing a 25% increase over the same period in 1993. Peru's intake of external resources was boosted by the privatization of a number of firms, especially the sale of ENTEL-CPT (National Telecommunications Corporation and Peruvian Telephone Company), which brought in estimated revenues of US\$ 1.9 billion. Privatizations in five other Latin American and Caribbean countries (Argentina, Brazil, Colombia, Jamaica and Mexico) during the first half of the year generated revenues of US\$ 1.8 billion.

Net commercial bank lending to the region during the first quarter of 1994 was slightly negative, basically reflecting the problems besetting Venezuela's banking system. However, Mexico continued to receive abundant inflows of foreign capital in the form of investment in local currency- and dollar-denominated public debt paper. Likewise, short-term financing through the placement of Eurocommercial paper has become important in some countries.

The region's total external debt, which amounted to US\$ 497 billion in 1993, will increase by 4% to 5% in nominal terms this year as a result of the countries' bond issues in international markets (even though they were smaller than in 1993) and the increase in commercial credit and loans from multilateral organizations. Moreover, the decline in the value of the United States dollar increased the value of the external debt in other currencies between January and September. However, since the growth rate of interest payments will be similar to that of exports of goods and services, the interest-export ratio should remain at around 20%. The debt-export ratio, however, should fall from 300% to 285%, owing to the higher percentage growth of external sales.

In the first half of 1994, Ecuador was the only Latin American country that participated in negotiations and reached a near-final agreement under the Brady Plan. Peru opted to defer negotiations.

Table 1  
LATIN AMERICA: GROSS DOMESTIC PRODUCT

	Annual growth rates					Cumulative variation			
	1990	1991	1992	1993	1994 <sup>a</sup>	1981-1990		1991-1994 <sup>a</sup>	
						GDP	Per capita GDP	GDP	Per capita GDP
<b>Latin America</b>	<b>0.3</b>	<b>3.8</b>	<b>3.0</b>	<b>3.4</b>	<b>3.2</b>	<b>12.5</b>	<b>-9.0</b>	<b>14.1</b>	<b>5.7</b>
Oil-exporting countries <sup>b</sup>	4.1	4.5	3.3	1.2	1.7	15.6	-8.0	11.2	2.3
Non-oil-exporting countries <sup>c</sup>	-2.4	3.3	2.7	5.1	4.3	10.3	-9.7	16.3	8.3

Source: ECLAC, on the basis of official data.

<sup>a</sup> Preliminary estimates subject to revision.

<sup>b</sup> Bolivia, Colombia, Ecuador, Mexico, Peru and Venezuela.

<sup>c</sup> Argentina, Brazil, Chile, Costa Rica,

Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, and Uruguay.

Table 2  
LATIN AMERICA: CONSUMER PRICES  
(December-to-December variations)

	1990	1991	1992	1993	1994 <sup>a</sup>			
					March	June	July	August
Argentina	1 343.9	84.0	17.6	7.4	5.1	3.0	3.6	3.8
Bolivia	18.0	14.5	10.5	9.4	7.9	7.7	7.5	6.9
Brazil	1 584.6	475.8	1 149.1	2 489.1	3 490.7	4 910.4	3 957.0	3 107.7
Colombia	32.4	26.8	25.2	22.6	23.4	23.0	22.6	22.3
Costa Rica	27.3	25.3	17.0	9.0	11.4	12.1	11.9	13.6
Chile	27.3	18.7	12.7	12.2	13.7	12.7	12.3	11.1
Ecuador	49.5	49.0	60.2	31.0	31.6	26.5	25.8	27.2
El Salvador	18.3	9.8	20.0	12.1	12.9	9.9	8.4	9.7
Guatemala	59.6	10.2	14.2	11.6	14.1	11.8	9.7	10.5
Honduras	35.2	21.4	6.5	13.1	16.3	21.4	21.4	22.5
Mexico	29.9	18.8	11.9	8.0	7.2	7.1	6.8	6.8
Nicaragua	13 490.5	775.4	3.6	19.5	14.1	16.1	15.8	13.3
Panama	0.8	1.1	1.7	0.9	0.9	...	...	...
Paraguay	44.1	11.8	17.8	20.3	22.4	20.9	21.6	22.0
Peru	7 649.6	139.2	56.7	39.5	31.5	24.1	21.9	20.7
Uruguay	128.9	81.3	59.0	52.9	47.9	42.6	42.8	41.6
Venezuela	36.5	31.0	31.9	45.9	47.5	60.2	65.2	68.5

Source: ECLAC, on the basis of official data.

<sup>a</sup> Twelve-month variations.

Table 3  
LATIN AMERICA: BALANCE OF PAYMENTS  
(Billions of dollars)

	Latin America			Oil-exporting countries <sup>a</sup>			Non-oil-exporting countries <sup>b</sup>		
	1992	1993	1994 <sup>c</sup>	1992	1993	1994 <sup>c</sup>	1992	1993	1994 <sup>c</sup>
<b>Balance on current account<sup>d</sup></b>	<b>-35.0</b>	<b>-44.9</b>	<b>-53.2</b>	<b>-28.6</b>	<b>-29.8</b>	<b>-33.3</b>	<b>-6.4</b>	<b>-15.1</b>	<b>-19.9</b>
Merchandise trade balance	-9.8	-15.4	-21.2	-17.8	-17.7	-20.6	8.0	2.3	-0.6
Exports	127.2	133.7	146.3	55.8	58.8	65.1	71.4	74.9	81.2
Imports	137.0	149.0	167.5	73.6	76.5	85.6	63.4	72.6	81.9
Net payments									
Services	5.0	6.0	5.7	1.8	1.5	1.1	3.2	4.5	4.6
Profits and interest	28.3	30.7	33.6	12.7	13.8	15.0	15.6	16.9	18.6
Unrequited private transfer payments	8.1	7.2	7.3	3.7	3.3	3.3	4.4	3.9	3.9
<b>Balance on capital account<sup>e</sup></b>	<b>59.7</b>	<b>64.2</b>	<b>...</b>	<b>31.2</b>	<b>37.0</b>	<b>...</b>	<b>28.5</b>	<b>27.3</b>	<b>...</b>
<b>Global balance<sup>f</sup></b>	<b>24.7</b>	<b>19.3</b>	<b>...</b>	<b>2.6</b>	<b>7.2</b>	<b>...</b>	<b>22.1</b>	<b>12.2</b>	<b>...</b>

Source: ECLAC, on the basis of official data.

<sup>a</sup> Bolivia, Colombia, Ecuador, Mexico, Peru and Venezuela. <sup>b</sup> Argentina, Brazil, Chile, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay and Uruguay. <sup>c</sup> Preliminary estimates subject to revision. <sup>d</sup> Including unrequited private transfer payments. <sup>e</sup> Including unrequited official transfer payments, short- and long-term capital and errors and omissions. <sup>f</sup> Equals variation in international reserves (of opposite sign) plus counterpart items.

Table 4  
LATIN AMERICA: PRICES OF MAIN EXPORT PRODUCTS  
(Prices in current dollars and growth rates)

	Average annual prices					Annual growth rates		
	1980-1984	1985-1989	1990-1992	1993	1994 <sup>a</sup>	1992	1993	1994 <sup>a</sup>
Raw sugar <sup>b</sup>	13.5	8.0	10.2	10.0	11.2	1.0	10.6	11.8
Bananas <sup>b</sup>	19.2	22.4	25.9	31.4	33.6	-8.1	36.6	6.9
Cocoa <sup>b</sup>	99.2	83.1	53.9	50.7	59.6	-8.1	1.9	17.5
Coffee (mild) <sup>b</sup>	139.6	138.5	79.3	69.9	99.8	-25.1	9.9	42.8
Beef <sup>b</sup>	111.9	106.3	115.8	118.7	112.3	-7.9	6.6	-5.4
Fish meal <sup>c</sup>	430.2	387.2	457.3	365.0	359.9	0.8	-24.3	-1.4
Maize <sup>c</sup>	171.6	126.8	132.2	141.7	143.8	-2.4	3.7	1.5
Soya <sup>c</sup>	278.6	245.6	241.0	255.0	270.3	-1.7	8.1	6.0
Wheat <sup>c</sup>	165.4	136.8	139.0	142.0	145.2	17.1	-6.0	2.3
Cotton <sup>b</sup>	83.5	66.0	75.4	62.2	83.3	-23.2	-0.6	33.9
Wool <sup>b</sup>	162.9	174.1	132.6	116.0	157.7	3.6	-6.1	36.0
Copper <sup>b</sup>	73.4	90.9	110.2	86.7	95.4 <sup>f</sup>	-2.4	-16.2	10.0
Tin <sup>d</sup>	6.3	3.7	2.7	2.3	2.4	10.8	-15.3	5.1
Iron ore <sup>c</sup>	24.1	25.5	31.9	28.1	25.5	-4.9	-11.0	-9.5
Lead <sup>b</sup>	27.7	24.7	28.9	18.5	21.7	-2.9	-24.8	17.2
Zinc <sup>b</sup>	42.1	52.6	61.9	46.1	46.0	10.6	-21.1	-0.2
Crude petroleum <sup>e</sup>	32.1	18.0	19.5	16.1	15.2 <sup>f</sup>	-0.5	-11.5	-5.9

Source: UNCTAD, *Monthly Commodity Price Bulletin*, Supplements 1970-1989 (TD/B/C.1/CPB/L.101/Add.1), November 1989; *ibid.* (TD/B/CN.1/CPB/L.16), vol. XIV, No. 6, June 1994; International Monetary Fund, *International Financial Statistics*; and Petroleum Market Intelligence, London, various issues.

Note: Raw sugar, FOB, Caribbean ports, for export to free market. Central American bananas, CIF North Sea ports. Cocoa Beans, average daily prices (future), New York/London. Coffee, mild arabica, ex-dock New York. Beef, frozen and boned, all origins, United States ports. Fish meal, all origins, 64-65% protein, CIF Hamburg. Maize, Argentina, CIF North Sea ports. Soya, United States, # 2, yellow, in bulk, CIF Rotterdam. Wheat, FOB, United States, # 2, Hard Red Winter. Cotton, Mexican M 1-3/32", CIF Northern Europe. Wool, clean combed, 48's quality, United Kingdom. Copper, tin, lead and zinc, spot prices on the London Metal Exchange. Iron ore, Brazil to Europe, C. 64.5 % Fe, FOB. Petroleum, IMF average: average of spot prices of 'Dubai', 'Brent' (United Kingdom) and 'Alaskan North Slope', reflecting relatively equal consumption of medium, light and heavy crude throughout the world.

<sup>a</sup> Average January-June. Growth rates were calculated with respect to the preceding year.

<sup>b</sup> U.S. cents per pound.

<sup>c</sup> Dollar per metric ton.

<sup>d</sup> Dollars per pound.

<sup>e</sup> Dollars per barrel.

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

Table 5  
**LATIN AMERICA: INTERNATIONAL BOND ISSUES<sup>a</sup>**  
*(Millions of dollars)*

	1990	1991	1992	1993	1993		1994
					1 <sup>st</sup> half	2 <sup>nd</sup> half	1 <sup>st</sup> half
<b>Total</b>	<b>2 760</b>	<b>7 242</b>	<b>12 577</b>	<b>27 397</b>	<b>11 577</b>	<b>15 820</b>	<b>8 852</b>
Argentina	21	795	1 570	6 233	941	5 292	2 367
Barbados	-	-	-	-	-	-	20
Bolivia	-	-	-	-	-	-	10
Brazil	-	1 837	3 655	6 679	2 962	3 717	1 195
Colombia	-	-	-	566	325	241	333
Costa Rica	-	-	-	-	-	-	50
Chile	-	200	120	433	333	100	-
Guatemala	-	-	-	60	-	60	-
Mexico	2 477	3 782	6 100	10 783	6 341	4 442	4 697
Panama	-	50	-	-	-	-	-
Peru	-	-	-	30	-	30	80
Trinidad and Tobago	-	-	100	125	-	125	-
Uruguay	-	-	100	140	140	-	100
Venezuela	262	578	932	2 348	535	1 813	-

**Source:** 1990-1992: International Monetary Fund, *Private market financing for developing countries*, Washington, D.C., December 1993; 1993-1994: International Monetary Fund, estimates based on various sources.

<sup>a</sup> Gross financing.



## ARGENTINA

In 1994, Argentina's economy continued to expand vigorously. Output in the first quarter was nearly 8% higher than in the same period of the preceding year; growth in the second quarter also seems to have been considerable. Inflation, for its part, fell to an annualized rate of 4%. The government's fiscal performance again resulted in a surplus and the high rate of domestic spending continued to widen the trade deficit. All the components of demand, without exception, followed an upward trend. Exports increased, driven by sales of manufactures. Domestic demand continued to increase rapidly as consumption grew steadily and investment surged. Bolstered largely by external savings, investment became the most dynamic component, so that the capital formation ratio approached the levels it had attained prior to the crisis of the early 1980s.

During the first quarter, agriculture was once again the only sector whose output contracted, while manufacturing output continued growing below aggregate GDP. The increased dynamism of construction was accompanied by similarly considerable growth in mining—as more petroleum was extracted—and in some services.

The total volume of the 1993-1994 grain harvest was similar to that of the preceding season: declines in the production of cereals, especially maize, were offset by a larger oilseed harvest. Cattle-raising appears to have dipped in terms of both stocks and slaughtering, through a rise in the currently depressed cattle prices was observed towards the middle of the year. Manufacturing activity expanded quickly in the first quarter, but this trend seems to have tapered off afterwards. The continued boom in the motor vehicle industry, which grew by almost 30% in the first half of 1994, contrasted with the decline in the production of other consumer durables. The iron and steel industry and the building supplies industry both grew appreciably. Other sectors, such as the food industry and chemicals, showed divergent results.

Despite the continued resurgence in economic activity, unemployment continued to swell. In May, the unemployment rate approached 11%, which was one percentage point above the already comparatively high rate of the year before. Against this backdrop, wages in manufacturing remained static in real terms.

In the first quarter, the consumer price index (CPI) rose a bare 0.2% and although larger increases were recorded in the following months, the average monthly variation between April and August was less than 0.5%. In the first seven months of the year, prices of goods dropped by 1.5% owing to the significant fall in prices for fresh foods and additional drops in garment prices; meanwhile, service costs continued to rise at above-average rates. For the first time in several years, the growth rate of the CPI fell behind that of wholesale prices.

As a result of the strong growth in imports, the merchandise trade gap in the first seven months of the year rose to US\$ 3.23 billion, or three times the figure for the same period in 1993. The sustained inflow of foreign capital financed the huge imbalance on the current account.

The growth in exports (up 12% during the period) was due primarily to industrial manufactures. Despite the improvement in international prices, changes in the value of sales abroad of primary goods and their by-products were unsatisfactory: exports of oilseeds and livestock products increased in value, while those of cereals, fruits and fish products declined. The value of imports up until July was 35% higher than in the same period in 1993; this increase was led by purchases of capital goods, which nearly doubled. Imports of intermediate goods and consumer goods also grew substantially. Almost a quarter of all foreign trade was conducted with MERCOSUR countries. In August, this subregional grouping concluded negotiations to form

a customs union, which will come into effect in early 1995, by agreeing to design a common external tariff applicable to out-of-area purchases and to draw up lists of "sensitive products", whose tariffs within the union would be cut to zero over a period of four years (five years in the case of Uruguay and Paraguay) as from the beginning of 1995.

As a result of the increase in the trade deficit, the gap in the current account of the balance of payments surpassed US\$ 3.3 billion in the first quarter; this shortfall was almost 90% higher than the figure for the same period in 1993. Although the rise in interest rates in the United States had an impact on local asset markets, the massive capital inflows continued. In the first quarter of 1994, the pattern of external financing underwent a change with respect to the preceding three-year period. Income derived from privatizations was virtually nil and the sale abroad of private bonds fell sharply in net terms with respect to the average for the preceding year. In contrast, the share of suppliers' credit once again increased, given the spurt in imports, and a significant inflow of resources to the private sector was recorded, under the miscellaneous heading of "other accounts". These operations, which were presumably short-term, amounted to just over US\$ 1.3 billion, or half of the total.

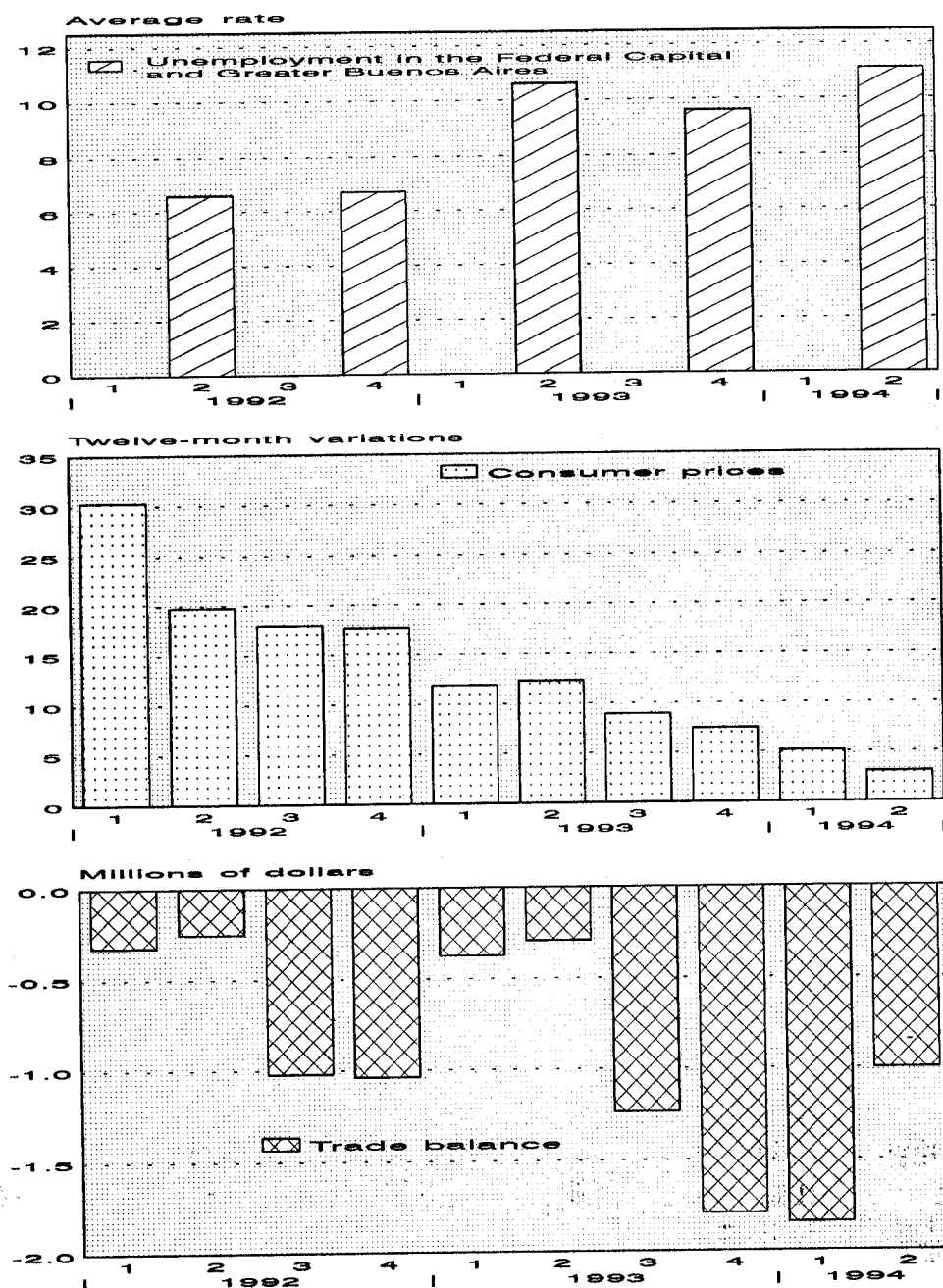
The public sector's cash budget performance generated a primary surplus during the first six months, excluding privatizations, of around US\$ 2.4 billion, which was slightly higher than in the same period in 1993. This easily covered interest payments, resulting in a significant total surplus. This outcome mainly reflected the sustained expansion of current revenues, which offset the increase in expenditure. Current expenditure of the national Government increased by about 16% in relation to the same period in 1993. Personal remunerations and social security benefits increased, as did transfers to the provinces under revenue-sharing arrangements. Receipts from the value-added tax (VAT), the main source of tax revenue, increased in real terms, although these amounts appeared to stagnate in the middle of the year. Improved tax revenues in the first half of 1994 were attributable to the increase of over 75% in the collection of profit taxes and to higher social security receipts, following the reduction of employer contributions in some sectors and regions.

In July, the new retirement scheme came into operation; it comprises both a public component and an individual capitalization component run by private pension funds. In the first half of the year, public debt increased by US\$ 2.4 billion to approach US\$ 70 billion, mainly on account of the exchange of pre-existing liabilities for consolidated bonds offered to retirees and suppliers.

The Central Bank intervened in the exchange market by effecting foreign-exchange sales between February and April and purchases during the other months. The net result between the end of 1993 and July 1994 was a small increase in the monetary base. This year, the change in this aggregate was more influenced by open-market operations with public securities than in 1993. At the end of July, the volume of the narrow money supply was slightly higher than in December, which suggests, in the context of rapid economic expansion, that the process of remonetization is slowing down. Meanwhile, the balance of interest-bearing deposits in local currency rose in real terms, but at a slower rate than in the same period in 1993, while the deposits in dollars continued to increase.

The movements observed beginning in February in United States financial centres resulted in a drop in prices of shares and bonds, although these later recovered somewhat.

**Figure 1**  
**ARGENTINA: QUARTERLY EVOLUTION OF THE MAIN ECONOMIC INDICATORS**



Source: ECLAC, on the basis of official data.

Table 1  
**ARGENTINA: GROSS DOMESTIC PRODUCT**  
(Percentage variations)<sup>a b</sup>

	1990	1991	1992	1993	1994 I
<b>Total</b>	<b>0.1</b>	<b>8.9</b>	<b>8.7</b>	<b>6.0</b>	<b>7.6</b>
Agriculture, hunting, forestry and fishing	11.4	3.9	0.1	-1.0	-1.3
Mining	5.6	-5.8	8.2	6.0	12.3
Manufacturing	2.0	11.9	7.3	4.5	4.1
Construction	-15.7	21.3	21.7	10.9	19.1
Electricity, gas and water	8.7	2.3	5.4	11.0	8.7
Commerce	1.8	16.5	9.2	4.5	6.1
Transport	-4.3	4.4	11.2	6.9	8.2
Financial institutions, insurance and real estate	-2.3	10.0	13.2	10.0	12.2
Community, social and personal services	0.1	-1.4	1.0	7.2	4.9

Source: Central Bank of the Argentine Republic and Ministry of Economic Affairs.

<sup>a</sup> With respect to the same period of the preceding year. <sup>b</sup> Provisional figures.

Table 2  
**ARGENTINA: CROP-FARMING PRODUCTION**  
(Thousands of tons)

	Seasons			Percentage variation	
	1991/1992 (1)	1992/1993 (2)	1993/1994 (3) <sup>a</sup>	(2/1)	(3/2) <sup>a</sup>
<b>Cereals</b>					
Maize	10 700	11 400	10 900	6.5	-4.4
Sorghum	2 770	2 850	2 840	2.9	-0.4
Wheat	9 870	9 700	9 900	-1.7	2.1
Rice	730	560	...	-23.3	...
<b>Oilseeds</b>					
Sunflower	3 400	2 800	3 000	-17.6	7.1
Linseed	340	180	180	-47.1	-
Peanuts (hulled)	220	160	160	-27.3	-
Soya beans	11 300	11 000	11 300	-2.7	2.7

Source: ECLAC, on the basis of official data.

<sup>a</sup> Provisional figures.

Table 3  
ARGENTINA: SOME INDICATORS OF INDUSTRIAL ACTIVITY

	Physical output					Rates of variation <sup>a</sup>				
	Index of industrial output <sup>b</sup>	Crude steel <sup>c</sup>	Finished steel sheets <sup>d</sup>	Auto-mobiles <sup>e</sup>	Cement <sup>c</sup>	Index of industrial output	Crude steel	Finished steel sheets	Auto-mobiles	Cement
<b>1993</b>										
January	102.2	210.4	182.2	26.1	414.9	1.6	107.3	61.0	47.5	5.6
February	97.7	162.4	148.9	4.8	430.6	-8.9	-10.4	7.0	-11.1	11.5
March	112.3	231.6	232.4	26.0	496.4	3.7	-5.8	8.6	43.6	23.1
April	105.6	243.6	245.7	25.9	412.0	-1.9	-0.8	18.1	25.1	4.0
May	104.0	256.2	237.4	27.9	425.9	0.0	6.8	22.7	40.2	14.6
June	108.9	249.0	206.4	30.4	419.4	0.4	-12.0	-6.6	31.0	8.7
July	105.6	242.6	246.0	32.1	483.4	-3.0	-3.1	2.3	30.0	14.8
August	106.9	263.8	250.0	32.7	515.6	5.3	20.0	34.4	30.3	25.2
September	107.2	262.0	243.6	34.4	528.5	0.7	32.3	25.2	32.8	10.4
October	105.8	263.7	266.1	32.4	491.5	5.4	9.6	42.8	24.6	2.1
November	108.9	244.3	243.3	35.2	516.1	10.1	2.1	22.5	31.3	12.2
December	108.3	192.8	241.5	34.3	516.9	8.2	-14.0	11.4	19.9	19.0
<b>1994</b>										
January	114.2	227.8	268.4	34.2	493.1	11.7	8.3	47.3	31.0	18.8
February	103.4	185.8	164.5	8.5	488.6	5.8	14.4	10.5	77.1	13.5
March	116.9	274.4	258.4	33.8	523.9	4.1	18.5	11.2	30.0	5.5
April	112.1	291.9	298.3	35.2	483.1	6.2	19.8	21.4	35.9	17.3
May	113.2			34.3		8.8			22.9	
June	112.3			36.0		3.1			18.4	

Source: ECLAC, on the basis of figures from the Centre for Steel Industrialists, the Association of Automobile Manufacturers, the Association of Metallurgical Industrialists of Argentina, and the Association of Portland Cement Manufacturers.

<sup>a</sup> With respect to the same period of the preceding year. <sup>b</sup> Seasonally adjusted series with base year 1984=100. <sup>c</sup> Thousands of tons.

<sup>d</sup> Thousands of tons of hot-rolled steel. <sup>e</sup> Thousands of units.

Table 4  
ARGENTINA: UNEMPLOYMENT IN THE MAIN URBAN AREAS  
(Percentages)

	1991		1992		1993		1994
	May	October	May	October	May	October	May
Federal Capital and Greater Buenos Aires	6.3	5.3	6.6	6.7	10.6	9.6	11.1
Córdoba	4.1	5.4	4.8	5.3	6.8	6.8	7.8
Mendoza	4.2	4.4	4.1	4.4	4.4	4.6	6.0
Rosario	10.9	9.4	10.1	8.5	10.8	11.8	13.1
Tucumán <sup>a</sup>	11.8	11.4	12.1	12.5	14.2	11.8	14.8

Source: National Institute of Statistics and Censuses.

<sup>a</sup> Province of Tucumán, including rural areas.

Table 5  
ARGENTINA: TRADE BALANCE

	Millions of dollars						Percentage variation			
	Exports		Imports		Trade balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year <sup>a</sup>	Month	Year <sup>a</sup>
<b>1993</b>										
January	902	902	1 039	1 039	-137	-137	24.2	24.2	15.0	15.0
February	910	1 812	900	1 939	10	-126	6.8	14.8	-1.6	6.7
March	1 075	2 887	1 323	3 262	-248	-375	9.1	12.6	23.7	13.0
April	1 079	3 966	1 207	4 469	-128	-503	8.1	11.4	1.8	9.7
May	1 221	5 187	1 253	5 722	-33	-535	7.3	10.4	12.8	10.4
June	1 278	6 465	1 410	7 132	-132	-667	7.1	9.7	9.7	10.2
July	1 159	7 623	1 559	8 691	-400	-1 068	-3.1	7.6	6.8	9.6
August	1 082	8 705	1 539	10 230	-457	-1 525	0.4	6.6	7.6	9.3
September	1 188	9 893	1 563	11 792	-375	-1 900	11.8	7.2	6.7	8.9
October	1 091	10 984	1 570	13 363	-479	-2 379	14.6	7.9	3.5	8.3
November	1 013	11 996	1 758	15 121	-745	-3 124	-2.0	7.0	38.0	11.1
December	1 094	13 090	1 666	16 786	-572	-3 696	6.7	7.0	32.5	12.9
<b>1994<sup>b</sup></b>										
January	962	962	1 577	1 577	-615	-615	-12.1	6.7	-5.3	51.8
February	954	1 916	1 495	3 072	-541	-1 156	4.8	5.7	66.1	58.5
March	1 117	3 033	1 842	4 914	-725	-1 881	3.9	5.0	39.2	50.7
April	1 200	4 233	1 708	6 622	-508	-2 389	11.3	6.7	41.5	48.2
May	1 562	5 795	1 700	8 322	-138	-2 527	27.9	11.7	35.6	45.4
June	1 406	7 201	1 804	10 126	-398	-2 925	10.0	11.4	28.0	42.0
July	1 316	8 517	1 617	11 743	-301	-3 226	13.6	11.7	3.7	35.1

Source: National Institute of Statistics and Censuses.

<sup>a</sup> With respect to the same period of the preceding year. <sup>b</sup> Provisional figures.

Table 6  
ARGENTINA: PRICE INDEXES  
(Percentage variations)

	Consumer price index						Wholesale price index					
	1993			1994			1993			1994		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	0.8	0.8	15.0	0.1	0.1	6.6	0.8	0.8	3.3	0.0	0.0	-0.8
February	0.7	1.5	13.4	-	0.1	5.9	0.8	1.6	3.8	-0.2	-0.2	-1.8
March	0.8	2.3	11.9	0.1	0.2	5.1	-0.6	1.0	1.7	-0.2	-0.4	-1.4
April	1.0	3.3	11.7	0.2	0.4	4.3	0.8	1.8	2.4	0.5	0.1	-1.7
May	1.3	4.7	12.3	0.3	0.7	3.3	0.4	2.2	2.8	0.6	0.7	-1.5
June	0.7	5.4	12.3	0.4	1.1	3.0	-0.1	2.1	1.9	1.5	2.2	0.1
July	0.3	5.7	10.7	0.9	2.0	3.6	-0.1	2.0	0.9	0.7	2.9	0.9
August	-	5.7	9.1	0.2	2.3	3.8	0.5	2.5	0.8			
September	0.8	6.6	8.9				-	2.5	0.1			
October	0.6	7.2	8.1				0.4	2.9	0.4			
November	0.1	7.4	7.7				-1.5	1.4	0.8			
December	-	7.4	7.4				-1.1	0.3	0.3			

Source: National Institute of Statistics and Censuses.

Table 7  
**ARGENTINA: INDEX OF REAL WAGES IN INDUSTRY <sup>a</sup>**  
*(Index 1983=100)*

	Index <sup>b</sup>					Percentage variation 1994/1993		
	1990	1991	1992	1993	1994	Month	Year <sup>c</sup>	12Ms. <sup>d</sup>
January	69.7	85.6	88.5	88.1	87.2	-	-1.0	-1.0
February	58.4	82.8	87.2	87.7	87.3	0.1	-0.7	-0.5
March	73.5	82.7	87.6	86.5	87.1	-0.2	-0.3	0.7
April	89.0	86.8	87.6	85.6	88.1	1.1	0.5	2.9
May	92.3	87.5	87.7	86.0	87.7	-0.5	0.8	2.0
June	93.4	86.2	88.6	86.2	87.2	-0.6	0.9	1.2
July	88.5	87.3	89.3	86.1				
August	89.2	87.9	88.6	86.2				
September	90.0	87.1	88.0	86.4				
October	97.0	89.5	87.7	86.8				
November	94.2	90.1	88.2	87.1				
December	94.7	90.1	88.3	87.2				

Source: National Institute of Statistics and Censuses.

<sup>a</sup> Standard real average monthly wage per industrial worker, excluding bonuses.

<sup>b</sup> Index of nominal wages deflated by consumer price index.

<sup>c</sup> Percentage variation in the cumulative average index, with respect to the same period of the preceding year. <sup>d</sup> Percentage variation with respect to the same month of the preceding year.

Table 8  
**ARGENTINA: NATIONAL TREASURY INCOME AND EXPENDITURE**

	Millions of current pesos						Percentage variation <sup>a</sup>	
	1993				1994		1994	
	I	II	III	IV	I	II	I	II
1. Current income <sup>b</sup>	9 957	10 582	12 155	11 250	11 759	12 119	18.1	14.5
1.1 Tax revenue <sup>c</sup>	9 540	9 715	11 435	10 597	11 227	11 376	17.7	17.1
1.2 Non-tax revenue	417	867	720	653	532	743	27.8	-14.3
2. Current expenditure <sup>b</sup>	9 279	9 946	11 278	10 626	11 291	10 948	21.7	10.1
2.1 Consumption <sup>d</sup>	2 226	2 465	2 630	2 553	2 685	2 485	20.6	0.8
2.2 Social security benefits <sup>e</sup>	3 275	3 556	4 025	3 943	4 317	3 567	31.8	0.3
2.3 Net interest	570	595	1 008	741	605	1 054	6.1	77.2
2.4 Transfers to provinces	3 209	3 330	3 616	3 389	3 684	3 842	14.8	15.4
3. Current saving <sup>b</sup>	678	636	877	624	469	1 171	-30.8	84.2
4. Current saving of public enterprises	373	356	47	-20	-15	-6	-104.1	-101.7
5. Capital expenditure	438	517	294	258	357	546	-18.5	5.7
6. Capital revenues	65	43	188	371	82	473	26.0	997.2
6.1 Privatizations	38	9	154	321	76	464	98.2	4 833.0
6.2 Other	27	34	34	50	6	9	-76.7	-72.7
7. Preliminary results excluding privatizations (4+3+6.2+2.3-5)	1 210	1 103	1 672	1 136	708	1 682	-41.5	52.5
8. Preliminary results (7+6.1)	1 248	1 113	1 826	1 458	784	2 146	-37.2	92.9
9. Financial results (8-2.3)	678	518	818	717	179	1 092	-73.6	110.9

Source: Ministry of Economic Affairs and Public Works and Services, Department of Finance.

<sup>a</sup> With respect to the same period of the preceding year.

<sup>b</sup> National Government: National Administration plus National Social Security System.

<sup>c</sup> Includes revenue-sharing arrangements with the provinces and the Municipality of the City of Buenos Aires.

<sup>d</sup> Wages, goods and services and others.

<sup>e</sup> National Social Security System.

Table 9  
ARGENTINA: INTEREST RATES<sup>a</sup>

	Nominal			Real		
	Bank		Non- bank <sup>d</sup>	Bank		Non- bank <sup>d,f</sup>
	Deposits <sup>b</sup>	Loans <sup>c</sup>		Deposits <sup>b,e</sup>	Loans <sup>c,f</sup>	
<b>1993</b>						
January	1.2	2.0	1.1	0.5	1.1	0.2
February	1.3	2.0	0.5	0.5	2.5	1.0
March	1.0	1.9	0.5	-	1.1	-0.3
April	0.9	1.9	0.6	-0.4	1.5	0.2
May	0.8	1.6	0.5	0.1	1.7	0.6
June	0.8	1.6	0.7	0.5	1.7	0.8
July	0.9	1.6	0.8	0.9	1.2	0.4
August	0.8	1.6	0.5	-	1.6	0.5
September	0.7	1.6	0.6	0.1	1.2	0.2
October	0.7	1.6	0.6	0.6	3.1	2.1
November	0.7	1.6	0.6	0.7	2.9	1.8
December	0.7	1.6	0.7	0.6	1.6	0.7
<b>1994</b>						
January	0.6	1.6	0.5	0.6	1.8	0.7
February	0.5	1.6	0.3	0.4	1.8	0.5
March	0.6	1.6	0.5	0.4	1.1	-
April	0.6	1.6	0.7	0.3	1.0	0.1
May	0.6	1.6	0.7	0.2	0.1	-0.8
June	0.7	1.6	0.6			

Source: ECLAC, on the basis of data from the Central Bank of the Argentine Republic and other sources.

<sup>a</sup> Equivalent monthly rates (percentages). The deflated values correspond to real "ex-post" rates, calculated according to the formula  $(1+r(t)/(1+p(t+1)))$ , where  $r(t)$  is the nominal rate in month  $t$  and  $p(t+1)$  is the growth rate of prices in month  $t+1$ . <sup>b</sup> Up to the end of December 1989, reference rates on time deposits. As from January 1990, reference rates on savings deposits. <sup>c</sup> Rate applied by the Banco de la Nación Argentina for discount of 30-day notes. <sup>d</sup> Present rate for inter-company 7-day transactions with BONEX guarantee. <sup>e</sup> In relation to the general consumer price index corresponding to the month in which deposits were made. <sup>f</sup> In relation to the general wholesale price index corresponding to the month in which loans were granted.

Table 10  
ARGENTINA: EXCHANGE RATE

	Exchange rate (Pesos per dollar)				Adjusted real exchange rate (Index 1985 = 100) <sup>a</sup>			
	1991	1992	1993	1994	1991	1992	1993	1994
January	0.6492	0.9910	0.9994	0.9995	45.6	40.6	36.7	35.4
February	0.9387	0.9913	0.9998	0.9994	52.0	39.9	36.6	35.5
March	0.9479	0.9921	0.9998	0.9999	47.4	39.3	36.5	35.5
April	0.9793	0.9910	0.9993	0.9998	46.5	38.8	36.2	35.5
May	0.9870	0.9910	0.9994	0.9992	45.7	38.6	35.8	35.4
June	0.9940	0.9914	0.9992	0.9990	44.8	38.5	35.6	35.4
July	0.9939	0.9912	0.9990	0.9991	43.7	37.9	35.5	35.2
August	0.9940	0.9911	0.9996		43.3	37.4	35.6	
September	0.9916	0.9911	1.0000		42.6	37.2	35.4	
October	0.9915	0.9910	0.9997		42.1	36.8	35.4	
November	0.9911	0.9941	0.9992		42.0	36.8	35.3	
December	0.9918	0.9921	0.9990		41.8	36.6	35.3	

Source: ECLAC, on the basis of data from the Central Bank and the International Monetary Fund, *International Financial Statistics*.

<sup>a</sup> Index of nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index.

## BRAZIL

After approaching 5,000% in mid-1994, the annual rate of price increases fell abruptly starting in July, thanks to the introduction of a new stabilization plan, the eighth in almost a decade. The rate of economic growth fell from 5% in 1993 to 4% in the first half of 1994. Exports rose by 7% in this period, while the import boom continued and further eroded the trade surplus. Conversely, net capital inflows increased substantially, swelling international reserves by US\$ 10 billion. Fiscal accounts, for their part, again ran a small operating surplus (not counting the effect of inflation on interest rates in local currency).

In contrast with previous stabilization initiatives, the new plan was notable for the transparency and sequence of the measures it proposed; price freezes, intervention in labour contracts or any other type of drastic or unexpected action were explicitly ruled out. The plan comprises three stages, which were announced and described ahead of time in December 1993. The first stage involved fiscal adjustment to balance the budget in 1994. This required the introduction of a constitutional amendment to reduce compulsory allocations of taxes and social contributions, in order to provide greater flexibility in the use of fiscal resources.

Once these measures were adopted, the second stage was launched in March, with the aim of coordinating the economy's prices. To that end, it created a basic index, the unit of real value (URV), whose level would be adjusted daily. The URV was calculated retrospectively, in order to determine the true historical values of various prices. The first category to which this mechanism was applied was wages, whose URV value was made equivalent to the average value actually paid in the preceding four months. This value would be converted into cruzeiros reais, the local currency in use, according to the price of the URV at the time of payment, so that wages would maintain their purchasing power. Moreover, the Central Bank began to use the daily value of the URV as a reference for the exchange rate (US\$ 1 was equivalent to 1 URV). During the second quarter, the same procedure was applied to public rates and charges. However, the conversion of housing rents (given the wide variety of leases) and of monthly fees for private schooling—two major items in many household budgets—encountered particular difficulties, with the result that it was not possible to align them with the URV during the transition period; i.e., before the appearance of the new currency.

At the same time, the Government promoted the gradual conversion of private-sector prices and contracts to URV values to make them equivalent to the average value attained in the period from September to December 1993. Any business that charged higher prices could be accused of excessive increases and would be liable to penalties. In order to avoid the traumatic situations caused by previous plans, the authorities refrained from using this legal instrument, opting instead, and only in the case of highly sensitive items in the family budget, for negotiation and persuasion. Thus, many prices did not follow the criteria laid down by the authorities, but were converted according to their current value or even increased.

The third stage of the plan was initiated in July, with the introduction of a new currency—the real—the sixth since 1986. This change was intended to replace a currency that was widely discredited and to eliminate generalized indexation, the main obstacle to the success of any stabilization process. A new monetary regime was established; the currency formerly in circulation was replaced at the rate of one real for one URV, or 2,750 cruzeiros reais, the value as of 30 June. Furthermore, the plan specified mechanisms for the issuance of the new currency, under which the Central Bank would be required to maintain international reserves in an amount equivalent to the value of reais in circulation, at the selling rate of one real per dollar. Legal provisions placed quarterly limits on the monetary base: 7.5 billion reais by September, 8.5 billion by December and 9.5 billion by March 1995, although the monetary authorities could

be allowed to exceed these limits by up to 20%. In addition, indexed financial contracts were prohibited; only reference rates of interest (average rates on time deposits, less a factor of subtraction established by the Central Bank) could be used. Only commercial contracts for more than one year would be subject to indexation, based solely on the behaviour of the consumer price index in reales (CPI-r), for which data would be collected from the fifteenth of the previous month to the fifteenth of the month in progress. Finally, wages would be adjusted only once a year according to the variation in the CPI-r on the date each category's adjustment was negotiated. Thus, wages due for an annual revision in September will be increased by 12%, or the rate of inflation accumulated since July according to the CPI-r. The Government has announced that it will not allow these wage increases to be shifted onto prices, nor will it allow wages in the remaining categories to be adjusted ahead of schedule.

Since the plan does not call for strict convertibility, the Central Bank will not make any commitment to purchase foreign exchange. In addition, the plan limits public-sector financing. With regard to monetary policy, the Central Bank has replaced the automatic buyback of public securities with standard rediscount operations. The reserve requirement for time and savings deposits was raised by 5%; in the case of demand deposits, a marginal cash reserve of 100% was imposed for any amount exceeding the position recorded on 30 June.

Monthly inflation had averaged 31% in 1993 but rose considerably in the first half of 1994; after rising to 43% between March and May, it approached 50% in June in response to the uncertainty surrounding the announcement of a new currency. The trend reversed abruptly when the plan came into force. Inflation fell to 6% in July and to 5.5% in August, according to the variations in the CPI-r. These increases were strongly influenced by the "pull" exerted by the marked rises observed at the end of June, which had not been taken into account in URV calculations, as well as by rent increases, which far exceeded the conversion guidelines. In contrast, other price indexes based on more recent data (from the first to the thirtieth of each month) revealed smaller variations. Thus, the index of the University of São Paulo's Economic Research Institute showed increases of 7% in July and less than 2% in August. The cost of the "basic basket" of consumer items in the city of São Paulo fell from 106 to 97 reales between 1 July and the end of August, but remained considerably higher than in April.

The Central Bank's withdrawal from the foreign exchange market caused the nominal exchange rate to plunge to less than 0.90 reales per dollar. Although this phenomenon did not affect the trade balance, it did have a major impact on the capital account by moderating the inflow of capital, thus preventing the accumulation of reserves. In the first half of the year, in view of the implicit rule of keeping the exchange rate equal to the value of the URV and maintaining high domestic interest rates (2% per month in real terms), international reserves expanded by more than US\$ 10 billion, reaching some US\$ 40 billion at the end of June. Portfolio investment reached considerable amounts, but bond issues abroad contracted, reversing their pattern of previous years, in the face of uncertainty about external interest rates and about the economic policy of the new administration to be elected in October. In 1993, the value of the loans taken out and the securities placed had reached US\$ 10 billion; the figure for the first half of 1994 was barely US\$ 3 billion, apart from the fact that amortization payments increased, given the generally short-term nature of these operations between 1991 and 1993. Capital inflows through the stock market amounted to more than US\$ 10 billion in the first half of 1994, but there were outflows of some US\$ 6 billion over the same period. This volatility reflects share price fluctuations on Brazilian stock markets. Since July, share prices have risen steadily, to the point where their dollar value shows an accumulated increase of more than 60%.

Although the rate of economic activity has slowed, it is still satisfactory, and has been bolstered by an unprecedented grain harvest (76 million tons) and robust growth in consumption. In contrast, the industrial sector's activity has slackened after its marked upturn

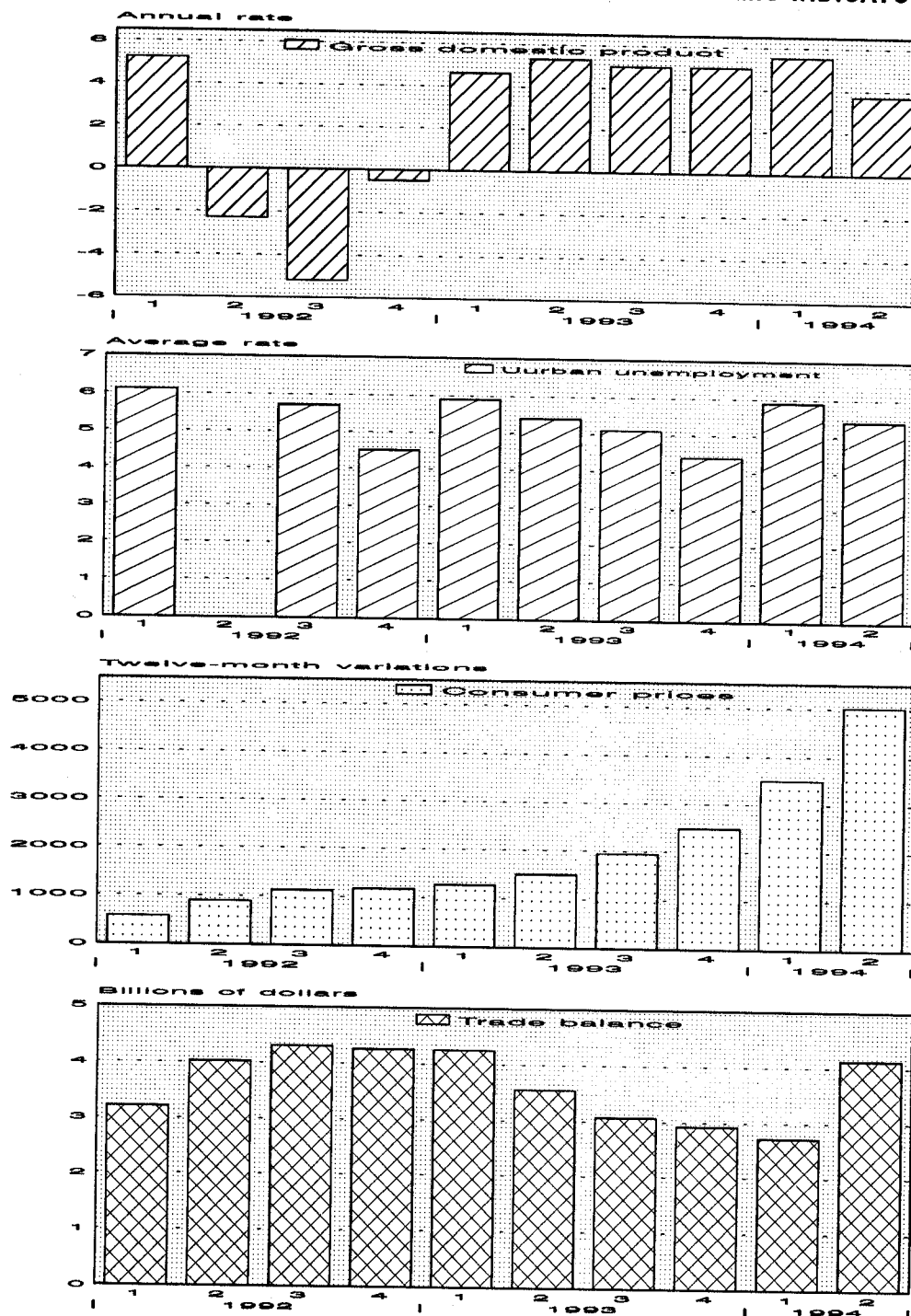
in 1993, although high production levels have been maintained in some sectors, such as the motor vehicle industry, whose output is predicted to reach a record 1.5 million units. This performance was strengthened by the Real Plan, which has also stimulated the consumption of other durable goods, such as household appliances. The rate of investment, in turn, has risen to more than 16% of output, up from the 14% recorded in the preceding biennium. The unemployment rate remains at a standstill, although employment in industry has dropped. Meanwhile, real wages increased and the average income of people who are employed was 10% higher in real terms than in 1993.

Despite the deteriorating real exchange rate, accumulated exports up to July were nearly 7% higher than in the same period in 1993, owing mainly to Brazil's robust futures market and to the ability of exporters to bring forward their foreign-exchange transactions in the financial market, taking advantage of the differential between domestic and foreign interest rates.

The Real Plan has speeded up remonetization. The monetary base, which stood at only US\$ 3.7 billion (less than 1% of GDP) at the end of June, is growing rapidly. The demand for money has been higher than planned, forcing the Central Bank to admit that it will make use of the 20% margin of expansion authorized by the new arrangements. Furthermore, at the beginning of July, the issuing authority fixed the nominal monthly interest rate at 8%, which fell in subsequent weeks.

Tax receipts increased by nearly 10% in the first half of the year, owing almost exclusively to the tax on current-account debits, which went into effect at the beginning of the year, since receipts from most other taxes either stagnated or declined. In July and August, these revenues showed no major changes in real terms, despite the rapid drop in the rate of price increases, because numerous measures had been taken in prior years to address the problem of tax collection that lagged behind high inflation. Federal government spending on public employee salaries rose markedly. None the less, the Government once again posted a small operating surplus, thanks to the contraction of financial expenditure in real terms as a result of accelerating inflation in the first six months of the year.

**Figure 1**  
**BRAZIL: QUARTERLY EVOLUTION OF THE MAIN ECONOMIC INDICATORS**



Source: ECLAC, on the basis of official figures.

Table 1  
**BRAZIL: GROSS DOMESTIC PRODUCT AND GROSS FIXED CAPITAL FORMATION**  
(Percentage variation)<sup>a</sup>

	1993 <sup>b</sup>				1994 <sup>b</sup>	
	I	II	III	IV	I	II
<b>Total GDP</b>	<b>4.6</b>	<b>5.3</b>	<b>5.0</b>	<b>5.0</b>	<b>5.5</b>	<b>3.7</b>
Agriculture	4.6	0.5	-1.4	-1.8	10.8	10.0
Industry <sup>c</sup>	7.1	11.2	10.8	10.1	7.6	4.1
Services	2.6	3.5	3.4	3.5	4.4	2.6
<b>Gross fixed capital formation</b>	<b>7.3</b>	<b>11.0</b>	<b>11.4</b>	<b>15.3</b>	<b>7.9</b>	<b>8.1</b>

Source: IPEA, *Boletim de Conjuntura*, July 1994.

<sup>a</sup> With respect to the same period of the preceding year.

<sup>b</sup> Preliminary figures.

<sup>c</sup> Includes construction and mining.

Table 2  
**BRAZIL: INDUSTRIAL PRODUCTION**

	National index (IBGE)				Index for the State of São Paulo (FIESP)			
	Index 1981=100	Percentage variation			Index 1978=100	Percentage variation		
		Month <sup>a</sup>	12Ms. <sup>b</sup>	Year <sup>c</sup>		Month <sup>a</sup>	12Ms. <sup>b</sup>	Year <sup>c</sup>
<b>1992</b>								
December	95.5	-13.9	7.5	-5.1	131.7	-0.5	17.7	6.3
<b>1993</b>								
January	95.8	0.3	7.6	7.6	125.3	-4.9	8.0	8.0
February	94.7	-1.2	2.0	4.7	131.4	4.9	11.2	9.6
March	111.7	18.0	16.7	8.9	152.6	16.1	27.3	15.6
April	106.2	-4.9	12.5	9.8	143.8	-5.8	15.7	15.6
May	116.8	10.0	17.8	11.5	146.0	1.5	16.9	15.9
June	119.1	2.0	11.4	11.5	144.0	-1.4	14.8	15.7
July	125.1	5.1	9.9	11.2	152.9	6.2	14.4	15.5
August	126.1	0.8	12.2	11.3	154.5	1.0	19.6	16.0
September	122.0	-3.3	8.6	11.0	148.2	-4.1	11.9	15.6
October	122.8	0.6	6.6	10.5	142.1	-4.1	5.4	14.5
November	119.7	-2.5	7.9	10.3	136.2	-4.1	4.6	13.5
December	105.0	-12.3	9.9	10.2	149.0	9.4	13.1	13.5
<b>1994<sup>d</sup></b>								
January	104.3	-0.6	8.9	8.9	147.9	-0.7	18.1	18.1
February	97.8	-6.3	3.3	6.1	146.2	-1.1	11.2	14.6
March	117.2	19.8	4.9	5.7	171.7	17.4	12.5	13.8
April	106.9	-8.7	0.7	4.4	153.6	-10.5	6.8	12.0
May	122.7	14.8	5.1	4.5	174.4	13.5	19.5	13.5
June	123.9	1.0	4.1	4.5	143.9	-17.5	-0.1	11.2
July					154.3	7.2	0.9	9.6

Source: ECLAC, on the basis of figures from the Brazilian Geographical and Statistical Institute (IBGE) and the Industrial Federation of the State of São Paulo (FIESP).

<sup>a</sup> Variation with respect to the previous month.

<sup>b</sup> Variation with respect to the same month of the preceding year.

<sup>c</sup> Cumulative variation with respect to the same period of the preceding year.

<sup>d</sup> Preliminary figures subject to revision.

Table 3  
**BRAZIL: MANUFACTURING SECTOR EMPLOYMENT AND REAL WAGE  
LEVELS IN THE STATE OF SÃO PAULO**

	Index 1978=100				Percentage variation									
	Employment		Real wages <sup>a</sup>		Employment				Real wages					
					Month		12 Ms.		Month		Year <sup>b</sup>		12 Ms.	
	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994
January	85.7	83.8	161.7	168.7	-0.3	-1.3	-7.6	-2.2	-5.5	-0.6	7.5	4.3	7.5	4.3
February	85.8	82.4	160.2	166.8	0.1	-1.7	-6.4	-4.0	-0.9	-1.1	8.4	4.2	9.3	4.1
March	85.9	80.6	173.6	180.9	0.1	-2.2	-5.9	-6.2	8.4	8.5	10.0	4.2	13.1	4.2
April	86.0	80.2	170.8	182.6	0.1	-0.5	-4.8	-6.7	-1.6	0.9	10.2	4.9	10.8	6.9
May	86.2	79.8	171.7	187.8	0.2	-0.5	-3.9	-7.4	0.5	2.8	10.1	5.8	9.6	9.4
June	86.3	79.7	167.9		0.1	-0.1	-3.3	-7.6	-2.2		9.1		4.6	
July	86.3		171.9		0.0		-2.9		2.4		8.4		4.3	
August	86.2		166.2		-0.1		-2.4		-3.3		7.6		2.3	
September	85.8		160.2		-0.5		-1.9		-3.6		7.0		2.6	
October	85.6		164.7		-0.2		-1.7		2.8		7.0		6.4	
November	85.2		177.7		-0.5		-1.7		7.9		6.2		-0.1	
December	84.9		169.8		-0.4		-1.3		-4.4		5.6		-0.8	

Source: ECLAC, on the basis of figures from the Industrial Federation of the State of São Paulo (FIESP).

<sup>a</sup> Nominal wages deflated by the cost-of-living index of São Paulo (ICV-SP). <sup>b</sup> Percentage variation of the cumulative average index with respect to the same period of the preceding year.

Table 4  
**BRAZIL: RATES OF OPEN UNEMPLOYMENT**  
(Percentages)

	Total <sup>a</sup>	Rio de Janeiro	São Paulo	Belo Horizonte	Porto Alegre	Salvador	Recife
<b>1993</b>							
January	6.0	4.5	6.7	5.2	4.2	7.9	9.1
February	5.8	3.9	6.6	5.3	4.5	7.7	8.6
March	5.9	4.5	6.2	5.2	4.8	7.6	9.9
April	6.1	4.5	6.8	5.3	4.8	6.6	9.9
May	5.9	3.7	6.0	4.2	4.8	6.5	10.0
June	5.4	3.7	5.4	3.8	4.8	5.6	9.1
July	5.2	4.1	5.5	4.2	4.1	6.1	9.6
August	5.3	4.4	5.4	4.2	4.0	7.0	9.9
September	5.1	4.2	4.9	4.6	4.0	7.3	8.8
October	4.9	3.9	5.5	3.8	3.6	5.4	7.9
November	4.7	3.8	5.1	3.9	2.9	6.1	8.2
December	4.4	3.9	4.6	3.6	3.3	6.1	6.0
<b>1994</b>							
January	5.5	4.6	5.9	5.1	4.2	7.3	7.5
February	5.4	4.3	5.9	4.9	4.2	6.8	7.2
March	5.9	4.7	6.4	5.0	4.4	7.8	8.5
April	5.4	4.4	5.5	4.3	4.5	7.5	8.7
May	5.2	3.9	5.5	4.1	4.2	8.1	7.8
June	5.4	4.2	5.9	4.8	4.7	7.1	7.1

Source: Geographical and Statistical Institute (IBGE).

<sup>a</sup> Weighted by the labour force of each metropolitan area.

Table 5  
**BRAZIL: PRICE INDEXES**  
(Percentage variations)

	Domestic availability						Consumer price index					
	1993			1994			1993			1994		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	28.8	28.8	1 177.0	42.2	42.2	3 001.8	28.8	28.8	1 200.8	41.3	41.3	2 750.7
February	26.5	62.9	1 194.6	42.4	102.5	3 391.6	24.8	60.7	1 204.1	40.6	98.7	3 111.2
March	27.8	108.2	1 270.8	44.8	193.3	3 856.6	27.6	105.0	1 268.0	43.1	184.2	3 501.3
April	28.2	167.0	1 382.7	42.5	317.8	4 296.4	28.8	164.0	1 357.5	42.9	306.1	3 896.0
May	32.3	253.1	1 501.6	41.0	488.9	4 584.9	26.8	234.6	1 384.2	42.7	479.6	4 398.7
June	30.7	361.6	1 624.2	46.6	763.2	5 153.3	30.4	336.3	1 501.1	48.2	759.1	5 015.4
July	32.0	509.1	1 769.8	5.5 <sup>a</sup>	810.7	4 099.9	31.0	471.6	1 618.2	6.1 <sup>a</sup>	811.6	4 042.8
August	33.5	713.4	1 888.8				33.4	662.3	1 772.7	5.5	861.3	3 175.6
September	37.0	1 014.3	2 039.0				35.6	934.0	1 948.7			
October	35.1	1 405.8	2 213.6				34.1	1 286.7	2 079.5			
November	37.0	1 962.4	2 450.9				36.0	1 786.0	2 312.0			
December	36.2	2 709.4	2 709.1				37.7	2 497.6	2 497.6			

Source: ECLAC, on the basis of figures from the Getulio Vargas Foundation and IBGE.

<sup>a</sup> Month when the Real Plan was launched. Figures correspond to the consumer price index in reales (CPI-r).

Table 6  
**BRAZIL: TRADE BALANCE**

	Millions of dollars						Percentage variation <sup>a</sup>				
	Exports		Imports		Trade balance		Exports		Imports		Trade balance
	Month	Cumulative figures (year)	Month	Cumulative figures (year)	Month	Cumulative figures (year)	Month	Cumulative figures (year)	Month	Cumulative figures (year)	Cumulative figures (year)
<b>1993</b>											
January	2 868	2 868	1 787	1 787	1 081	1 081	-18.3	11.6	7.5	7.5	19.1
February	2 947	5 815	1 422	3 209	1 525	2 606	2.8	17.2	-7.0	0.6	47.2
March	3 638	9 453	1 997	5 206	1 641	4 247	23.4	20.2	36.5	11.9	32.4
April	3 110	12 563	2 169	7 375	941	5 188	-14.5	18.4	44.2	19.8	16.5
May	3 043	15 606	1 587	8 962	1 456	6 644	-2.2	14.6	1.4	16.0	12.8
June	3 297	18 903	2 142	11 104	1 155	7 799	8.3	14.0	31.2	18.7	7.9
July	3 444	22 347	2 745	13 849	699	8 498	4.5	11.5	42.2	22.7	-3.0
August	3 532	25 879	2 375	16 224	1 157	9 655	2.6	12.1	42.6	25.3	-4.7
September	3 445	29 324	2 230	18 454	1 215	10 870	-2.5	12.3	36.8	26.5	-5.7
October	3 248	32 572	2 135	20 589	1 113	11 983	-5.7	10.8	10.3	24.6	-7.0
November	3 212	35 784	2 010	22 599	1 202	13 185	-1.1	9.3	14.1	23.6	-8.8
December	3 413	39 197	2 809	25 408	604	13 789	6.3	8.1	29.0	24.2	-12.7
<b>1994<sup>b</sup></b>											
January	2 749	2 749	1 788	1 788	961	961	-19.5	-4.1	-36.3	0.1	-11.1
February	2 778	5 527	2 052	3 840	726	1 687	1.1	-5.0	14.8	19.7	-35.3
March	3 351	8 878	2 321	6 161	1 030	2 717	20.6	-6.1	13.1	18.3	-36.0
April	3 635	12 513	2 219	8 380	1 416	4 133	32.2	-0.4	24.1	13.6	-20.3
May	3 862	16 375	2 432	10 812	1 430	5 563	39.0	4.9	18.5	20.6	-16.3
June	3 751	20 126	2 474	13 286	1 277	6 840	11.9	6.5	6.6	19.7	-12.3
July	3 730	23 856	2 520	15 806	1 210	8 050	2.6	6.8	13.6	14.1	-5.3

Source: Foreign Trade Portfolio (CACEX) and Foreign Trade Studies Centre (FUNCEX).

<sup>a</sup> With respect to same period of the preceding year. <sup>b</sup> Provisional figures.

Table 7  
BRAZIL: STRUCTURE OF IMPORTS, F.O.B.

	Millions of dollars			Percentage breakdown		Percentage variation
	1993	January-April		January-April		1994 <sup>a</sup>
		1993	1994	1993	1994	
<b>Total</b>	<b>25 467</b>	<b>7 375</b>	<b>8 380</b>	<b>100.0</b>	<b>100.0</b>	<b>13.6</b>
Fuels and lubricants	5 166	1 475	1 338	20.0	16.0	-9.3
Other	20 301	5 900	7 042	80.0	84.0	19.4
Consumer goods	2 746	885	925	12.0	11.0	4.5
Intermediate goods	14 534	4 280	4 397	58.0	52.5	2.7
Capital goods	8 187	2 210	3 058	26.4	36.5	38.4

Source: ECLAC, on the basis of figures from the Foreign Trade Studies Centre.

<sup>a</sup> Variation with respect to the same period of the preceding year.

Table 8  
BRAZIL: STRUCTURE OF EXPORTS, F.O.B.

	Millions of dollars			Percentage breakdown		Percentage variation
	1993	January-July		January-July		
		1993	1994	1993	1994	
<b>Total</b>	<b>38 782</b>	<b>22 347</b>	<b>23 856</b>	<b>100.0</b>	<b>100.0</b>	<b>6.8</b>
<b>Commodities</b>	<b>9 409</b>	<b>5 421</b>	<b>5 943</b>	<b>24.3</b>	<b>24.9</b>	<b>9.6</b>
Iron ore	2 256	1 269	1 258	5.7	5.3	-0.9
Soya meal	1 815	987	1 161	4.4	4.9	17.6
Coffee beans	1 064	465	710	2.1	3.0	52.7
Soya beans	945	726	1 086	3.2	4.6	49.6
Leaf tobacco	697	474	331	2.1	1.4	-30.2
Frozen poultry	568	335	345	1.5	1.4	3.0
Frozen beef	271	183	191	0.8	0.8	4.4
Other	1 793	982	861	4.4	3.6	-12.3
<b>Industrial products</b>	<b>29 067</b>	<b>16 267</b>	<b>17 547</b>	<b>72.8</b>	<b>73.6</b>	<b>7.9</b>
<b>Semi-manufactures</b>	<b>5 454</b>	<b>3 151</b>	<b>3 612</b>	<b>14.1</b>	<b>15.2</b>	<b>14.6</b>
Raw aluminium	899	599	556	2.7	2.3	-7.2
Semi-manufactures of iron and steel	1 122	629	610	2.8	2.6	-3.0
Wood pulp	711	453	394	2.0	1.7	-13.0
Iron alloys	384	228	212	1.0	0.9	-7.0
Hides and skins	403	241	291	1.1	1.2	20.7
Other	1 935 <sup>b</sup>	1 001	1 549	4.5	6.5	54.7
<b>Manufactures</b>	<b>23 613</b>	<b>13 116</b>	<b>13 935</b>	<b>58.7</b>	<b>58.5</b>	<b>6.2</b>
Motor vehicles, tractors and parts	2 847	1 637	1 669	7.3	7.0	2.0
Boilers and mechanical equipment	2 483	1 867	2 073	8.4	8.7	11.0
Chemicals	1 876	1 072	1 074	4.8	4.5	0.2
Textiles	1 382	829	835	3.7	3.5	0.7
Iron and steel flat products	1 377	814	651	3.6	2.7	-20.0
Footwear	1 945	1 137	995	5.1	4.2	-12.5
Electrical equipment	1 229	746	804	3.3	3.4	7.8
Orange juice	826	317	491	1.4	2.1	54.9
Plastics and rubber	1 239	699	772	3.1	3.2	10.4
Paper	618	462	496	2.1	2.1	7.4
Other	7 791 <sup>c</sup>	3 536	4 075	15.8	17.1	15.2
<b>Other products</b>	<b>306</b>	<b>659</b>	<b>366</b>	<b>2.9</b>	<b>1.5</b>	<b>-44.5</b>

Source: Central Bank of Brazil.

<sup>a</sup> January-July 1994 with respect to the same period of the preceding year.  
textiles, iron and steel flat products, and plastics and rubber.

<sup>b</sup> Includes wood pulp and hides and skins.

<sup>c</sup> Includes chemicals.

Table 9  
BRAZIL: EXCHANGE RATE

	Official exchange rate (Cruzeiros reales per dollar) <sup>b</sup>				Adjusted real exchange rate <sup>a</sup> (Index 1985=100)			
	1991	1992	1993	1994	1991	1992	1993	1994
January	180.2	1 197.4	14.1	390.9	66.63	74.58	69.49	69.54
February	221.9	1 478.7	17.9	535.5	68.49	74.25	71.05	67.96
March	230.0	1 814.5	22.5	768.1	63.59	75.30	70.29	68.32
April	252.2	2 197.8	28.7	1 109.6	66.49	75.55	69.96	69.14
May	273.0	2 628.6	37.0	1 585.5	67.67	72.70	71.25	69.30
June	297.9	3 149.7	48.1	2 296.3	66.82	72.36	71.09	67.93
July	328.9	3 829.2	62.8	0.89	64.74	72.22	70.80	...
August	371.3	4 672.2	82.7	0.89	63.40	72.17	70.18	...
September	429.0	5 771.5	111.2		63.64	72.13	69.68	
October	583.9	7 214.9	151.2		71.65	71.79	71.20	
November	740.4	9 046.8	205.8		71.93	73.37	71.03	
December	957.9	11 150.9	279.4		75.01	70.66	70.03	

Source: ECLAC, on the basis of figures from the International Monetary Fund, *International Financial Statistics*.

<sup>a</sup> Index of nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index. <sup>b</sup> Up to 1992 figures are expressed in cruzeiros; beginning in 1993, in cruzeiros reales; and beginning in July 1994, in reales.

Table 10  
BRAZIL: INTERNATIONAL RESERVES OF THE CENTRAL BANK  
(Millions of dollars)

	Cash <sup>a</sup>			Liquidity <sup>b</sup>		
	1992	1993	1994	1992	1993	1994
January	9 682	18 779	29 138	11 866	23 313	35 390
February	11 081	18 493	30 525	14 378	22 890	36 542
March	13 741	17 960	32 395	17 062	22 309	38 282
April	15 162	17 816	35 082	18 518	22 737	38 289
May	16 919	18 661	38 270	20 512	23 981	41 408
June	18 109	18 814		21 703	24 476	
July	18 941	19 619		22 705	25 973	
August	18 932	20 277		23 109	27 088	
September	17 682	20 116		21 964	26 948	
October	19 366	22 229		24 124	29 019	
November	19 883	...		24 124	31 011	
December	19 008	25 878		23 754	32 211	

Source: Central Bank of Brazil.

<sup>a</sup> Central Bank assets. <sup>b</sup> Includes foreign currency assets, IMF reserve position and special drawing rights.

Table 11  
**BRAZIL: MONEY SUPPLY AND MONETARY BASE**  
(Percentage variations)

	Money supply				Monetary base <sup>a</sup>			
	Year <sup>b</sup>		12 months <sup>c</sup>		Year <sup>b</sup>		12 months <sup>c</sup>	
	1993	1994	1993	1994	1993	1994	1993	1994
January	-4.2	15.3	885.8	2 525.4	-8.4	9.9	1 008.4	2 362.1
February	32.6	79.0	990.8	2 845.9	11.3	49.8	846.2	2 661.8
March	48.0	120.5	1 073.7	3 152.0	35.2	100.2	1 018.1	2 938.0
April	101.0	228.2	1 146.8	3 462.2	69.3	202.4	962.3	3 563.2
May	151.8	388.3	1 229.1	4 132.5	112.7	342.0	1 117.9	4 162.1
June	216.0	784.1	1 199.1	6 005.8	154.0	514.4	1 165.7	4 861.8
July	313.3		1 414.2		249.5		1 346.2	
August	416.4		1 362.6		338.3		1 388.0	
September	560.6		1 452.8		452.0		1 401.8	
October	778.8		1 585.4		707.6		1 645.8	
November	1 266.2		1 755.9		1 038.4		1 755.6	
December	2 082.1		2 082.1		1 951.3		1 951.3	

Source: Central Bank of Brazil.

<sup>a</sup> Monetary liabilities of the monetary authority; currency in circulation, commercial bank deposits and demand deposits. The monetary authority consists of both the Central Bank and the Banco do Brasil, which carries out related activities as a development bank. <sup>b</sup> With respect to December of the preceding year. <sup>c</sup> With respect to the same month of the preceding year.

Table 12  
**BRAZIL: MONTHLY INTEREST RATES**  
(Percentages)

	Deposits						Loans			
	Open-market operations		Certificates of deposit		Savings deposits		Working capital		Consumer credit	
	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994
January	29.1	41.8	28.5	42.6	27.4	42.2	35.0	49.0	35.4	66.1
February	28.8	47.0	28.9	54.0	27.0	40.6	35.0	51.0	36.1	65.0
March	28.9	48.0	28.4	50.2	26.4	42.6	36.0	53.0	37.2	70.0
April	30.7	46.0	30.5	45.2	28.9	46.7	37.1	56.0	39.8	68.0
May	31.2	54.3	30.9	54.4	29.3	47.2	38.2	55.0	40.2	63.0
June	32.1	50.8	31.9	50.5	30.7	47.6	38.9	51.0	42.2	64.5
July	33.9	8.9	32.9	9.1	31.0	5.6	40.0	8.6	39.1	12.5
August	34.6	5.4	34.5	5.3	34.0	2.6	40.0	5.0	42.5	5.4
September	37.2		35.7		35.3		40.5		40.5	
October	38.4		36.9		37.2		40.0		40.0	
November	38.4		36.6		36.8		42.0		40.0	
December	40.4		39.5		37.5		46.5		70.2	

Source: ECLAC, on the basis of official figures.

## COLOMBIA

Colombia's economy was on track during the first half of the year to reach its growth target of 5%, which was similar to the performance of the year before and had been set for 1994 by the Government that left office in August. In a context of abundant credit for consumption and investment, domestic demand continued its rapid expansion, which pushed inflation up during the first quarter and eventually led to a rise in interest rates. By August, inflation over 12 months had come back down to just over 22%. On the other hand, the exchange rate remained in a pattern of slow nominal devaluation (or none at all) and strong real revaluation.

During the first quarter, taking the same quarter of 1993 as a base, industrial output grew by more than 5% if coffee milling is excluded –2% if it is included– in line with the growth projected for 1994. In spite of stagnation in the production of motor vehicles after the previous year's upsurge, and a decline in mining, other sectors expanded; for example, the iron and steel industry grew by 14%.

The strong recovery of coffee prices during the first half of the year bodes well for the severely depressed coffee industry, although the authorities are expected to try to prevent excess production, which would drive prices down again. The recent performance of agriculture in general prompted the new Government to draw up a stimulus plan for the sector.

At the end of the first half of the year, the unemployment rate in Colombia's four main metropolitan areas was close to 10%, up from 8% in December. Urban job creation was insufficient to absorb the growth of the labour force in the cities, which may have been enlarged *inter alia* by emigration from rural areas in response to the problems in the agricultural sector.

Monetary policy continued to face the challenge of achieving equilibrium in the money market and the exchange market at the same time. Demand, fuelled primarily by bank credit, exerted strong pressures –particularly on the supply capacity of non-tradables sectors– which gave impetus to inflation and jeopardized the government's target of reducing the 22% rise in consumer prices in 1993 to 19% in 1994. In an attempt to contain the inflationary pressures exerted by demand without raising interest rates, in March the Banco de la República imposed a limit of 2.2% a month on the expansion of the loan portfolios of credit institutions; this measure remained in effect until the end of July. In order to avoid an excessive revaluation of the peso, it established high cash reserve requirements on external credits granted for less than 36 months. Also in response to the increase in bank loans, the Government tightened the banks' own resources requirements.

The monetary authority's measures did not produce the desired effect of reducing the annual growth of peso portfolios from 50% to 30%. The increase in the narrow money supply of nearly 35%, though higher than targeted, was lower than the rate of expansion of demand for bank credit. This imbalance in the money market pushed interest rates up in mid-year. Deposit rates, which had hovered around 25% during the first quarter, went well beyond 30% in June. Combined with the real effective and expected revaluation of the peso, these rates made placements of foreign capital in pesos more attractive.

Thus, by the end of July, the financial intermediaries' local currency portfolio increased at an annual rate of 45%, while savings and time deposits (quasi-money) grew by more than 40%. The exchange rate fell from 840 pesos per dollar in May to less than 820 pesos in June, and was still falling when the new Government took office in August.

Beginning in June, the increase in interest rates and the revaluation of the peso combined to bring the rise in the consumer price index down to less than 1% per month. Thus, accumulated

inflation in the first eight months of the year was less than the 17% recorded in the same period in 1993.

In January, the Banco de la República eliminated the certificates of exchange that had been used to delay the monetization of incoming foreign exchange. In their place, it established a system of intervention bands of 7% above and below a reference price announced in advance. In order to keep the exchange rate within that band, the Banco de la República buys and sells foreign exchange as needed, intervening within the band as it sees fit. During the first part of the year, the market exchange rate continued in the previous months' pattern of slow devaluation. Thereafter, the nominal revaluation of the peso heightened the real revaluation, raising concerns about the performance of the export sector and the success of the liberalization policy.

Public expenditure during the first half of the year was 70% higher than during the same period in 1993. However, in June the Government projected that the year would close with a fiscal surplus equivalent to 3% of GDP, based on an increase in revenues from 14% to 17% of GDP. Much of that increase would be accounted for by resources from privatizations, which began in January with the sale of the Bank of Colombia. These revenues, equivalent to 4% of GDP, would easily offset the projected decline in income from the value added tax (VAT) and customs duties as a result of lower import growth.

Actual imports during the first five months of 1994 were almost 10% higher than in the same period in 1993. Registered imports, especially of consumer goods, grew at an even faster rate of 30% in the first half of the year. Exports, on the contrary, fell slightly during the first five months, mostly because of the sharp drop (-27%) in petroleum exports, in contrast to the upswing (8%) in non-traditional exports. This export performance was far from meeting the official goal of a 22% increase in 1994. In particular, non-traditional exports were hurt by the considerable revaluation of the peso and the contraction of the Venezuelan market. Traditional exports are expected to perform much better in the second half of the year, given the rise in prices of oil and, especially, coffee. In July, coffee prices reached their highest levels since 1985, owing to the decline in supply prompted by previous low prices and the frosts that struck the coffee plantations in Brazil.

At the end of July, the foreign exchange balance was running a current-account deficit of close to US\$ 1.6 billion, compared to US\$ 300 million the year before. On the other hand, the inflow of foreign capital surpassed US\$ 1.6 billion, doubling the figure for the same period in 1993. This enabled the Banco de la República to accumulate US\$ 90 million in net reserves. The revaluation of the peso and attractive interest rates promised to intensify capital inflows. These resources would join those expected for the development of the Cusiana oil field, external credits to finance the cellular telephone system, additional revenues from the privatization of banks and higher returns on coffee and petroleum exports. In order to ease the pressure on the exchange rate, the new Government raised to five years the term of external credits with cash reserve requirements. It also adopted measures to combat money laundering and the inflow of illegal money, in particular by prohibiting the investment of foreign capital in real estate and real estate companies.

Table 1  
COLOMBIA: INDUSTRIAL PRODUCTION  
(Percentage variation)<sup>a</sup>

	Total industry	Coffee milling	Total industry excluding coffee milling	Consumer goods	Intermediate goods	Capital goods <sup>b</sup>	Vehicles
<b>1991</b>							
I	-6.7	-27.2	-4.6	-44.1	-1.2	-14.9	-23.4
II	-1.6	-20.2	0.1	-0.5	3.9	-2.3	-16.7
III	-0.6	3.3	-0.8	-2.1	3.4	-8.5	-9.6
IV	0.9	9.9	0.2	0.2	3.3	-1.8	-17.0
<b>1992</b>							
I	7.7	30.8	5.9	3.8	5.7	12.2	14.5
II	1.9	37.8	-0.8	-3.1	-0.8	13.7	3.3
III	7.2	40.3	5.0	0.3	5.6	25.5	17.4
IV	6.1	30.9	3.9	-0.1	1.8	15.0	43.1
<b>1993</b>							
I	4.9	4.6	4.9	...	...	...	...
II	4.6	-11.7	6.2	...	...	...	...
III	4.1	-15.6	6.0	...	...	...	...
IV	3.1	-18.0	5.3	...	...	...	...
<b>1994</b>							
I	2.2	-28.2	5.1	...	...	...	...

Source: National Bureau of Statistics (DANE).

<sup>a</sup> Variation with respect to the same period of the preceding year.

<sup>b</sup> Excluding vehicles.

Table 2  
COLOMBIA: INDICATORS OF ECONOMIC ACTIVITY

	January-June		Percentage variations			
	1993			January-June		
		1993	1994	1993	1993	1994
Mining						
Crude oil <sup>a</sup>	165	84	79	3.9	15.3	-5.9
Gold <sup>b</sup>	881	448	401	-14.7	5.1	-10.4
Silver <sup>b</sup>	236	120	117	-35.9	11.3	-2.9
Iron ore <sup>c</sup>	494	273	184	-27.2	-2.2	-32.6
Manufacturing						
Sugar <sup>c</sup>	1 719	833	888	-5.2	16.3	6.7
Cement <sup>c</sup>	7 786	3 360	...	14.7	-14.8	...
Steel ingots <sup>c</sup>	271	80	92	-10.7	-3.2	14.3
Assembled vehicles <sup>d</sup>	77	38	38	53.0	-1.2	0.3

Source: Banco de la República and National Bureau of Statistics (DANE).

Note: Annual totals may not include updated figures.

<sup>a</sup> Millions of barrels.

<sup>b</sup> Thousands of troy ounces.

<sup>c</sup> Thousands of tons.

<sup>d</sup> Thousands of units.

Table 3  
COLOMBIA: UNEMPLOYMENT RATE

	1992				1993				1994	
	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June
<b>Total</b>	<b>10.8</b>	<b>11.1</b>	<b>9.1</b>	<b>9.8</b>	<b>9.8</b>	<b>9.2</b>	<b>7.9</b>	<b>7.9</b>	<b>10.3</b>	<b>9.9</b>
Bogotá	8.4	9.1	7.3	8.5	7.5	7.2	5.3	5.8	8.2	7.7
Barranquilla	12.5	10.5	10.7	10.0	11.4	9.5	9.1	10.1	11.5	12.0
Cali	9.5	11.4	8.9	8.7	9.0	10.9	9.2	7.7	10.9	10.5
Medellín	15.2	15.3	12.2	12.5	13.3	12.2	11.4	10.6	13.3	12.1

Source: Banco de la República and National Bureau of Statistics (DANE).

Table 4  
COLOMBIA: PRICE INDEXES  
(Percentage variations)

	Consumer price index						Wholesale price index					
	1993			1994			1993			1994		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	3.2	3.2	24.8	3.2	3.2	22.5	3.5	3.5	18.2	2.8	2.8	12.4
February	3.3	6.6	24.6	3.7	6.9	23.0	1.3	4.8	17.3	2.8	5.7	14.1
March	1.9	8.6	24.1	2.2	9.3	23.4	1.1	6.0	16.9	2.4	8.1	15.5
April	1.9	10.7	23.0	2.4	11.9	24.0	1.5	7.6	16.6	1.8	9.9	15.8
May	1.6	12.5	22.1	1.5	13.6	23.8	0.7	8.3	14.4	1.1	11.0	16.0
June	1.5	14.2	21.3	0.9	14.6	23.1	0.5	8.9	13.0	0.2	11.3	15.7
July	1.2	15.6	20.4	0.9	15.7	22.7	0.8	9.8	11.9	2.2	13.7	17.3
August	1.3	17.0	20.9	1.0	16.8	22.3	0.4	10.2	12.5			
September	1.1	18.4	21.3				0.8	11.1	12.8			
October	1.1	19.6	21.5				0.5	11.6	12.5			
November	1.3	21.2	22.2				0.7	12.4	12.7			
December	1.1	22.5	22.5				0.7	13.2	13.2			

Source: ECLAC, on the basis of figures from the National Bureau of Statistics (DANE).

Table 5  
COLOMBIA: EXCHANGE RATE

	Market exchange rate (pesos per dollar)				Adjusted real exchange rate <sup>a</sup> (Index 1985=100)			
	1991	1992	1993	1994	1991	1992	1993	1994
January	574.1	644.3	746.1	818.4	143.4	119.5	114.6	105.2
February	584.1	638.5	758.0	819.7	141.3	115.1	113.1	101.9
March	593.8	641.6	766.4	819.5	140.3	113.6	112.7	100.0
April	603.7	653.8	774.9	836.9	139.0	112.6	112.0	99.8
May	613.8	664.4	779.6	841.1	138.7	112.1	111.1	98.9
June	624.2	697.6	787.1	819.8	139.2	115.5	110.7	95.8
July	606.5	705.1	801.4	815.6	133.1	114.8	111.3	94.8
August	600.5	691.7	806.9		130.5	111.9	111.0	
September	636.5	702.8	810.8		132.9	113.2	110.5	
October	650.4	716.9	817.0		131.8	114.8	110.6	
November	639.3	725.5	811.7		127.4	115.6	108.6	
December	630.3	738.0	804.3		120.9	116.4	106.4	

Source: ECLAC, on the basis of figures from the Banco de la República and the International Monetary Fund.

<sup>a</sup> Index of the nominal exchange rate, deflated by the consumer price index and adjusted by the United States consumer price index.

Table 6  
COLOMBIA: FOREIGN EXCHANGE BALANCE  
(Millions of dollars)

	1993	January-July <sup>a</sup>			Percentage variation <sup>b</sup>	
		1992	1993	1994	1993	1994
Balance on current account	-905	1 015	-302	-1 589		
Merchandise trade balance	-2 824	-62	-1 337	-2 515		
Exports F.O.B.	4 238	2 891	2 358	2 110	-18.4	-10.5
Coffee	835	710	528	204	-25.7	-61.4
Other	3 403	2 180	1 830	1 906	-16.0	4.1
Imports	7 062	2 953	3 696	4 625	25.2	25.2
Purchase of gold	315	218	178	178	-18.6	0.3
Special exchange account and other	318	-	255	-		
Balance of services and other transfers	802	835	389	119	-53.5	-69.4
Net interest	46	-287	-233	-51		
Other	756	1 122	622	170	-44.6	-72.6
Oil and mineral prospecting	485	24	214	629	795.4	193.8
Balance on capital account <sup>c</sup>	1 109	-70	856	1 662		94.2
Global balance	205	945	554	73	-41.4	

Source: ECLAC, on the basis of official data.

<sup>a</sup> As of 22 July. <sup>b</sup> With respect to the same period of the preceding year. <sup>c</sup> Includes accrual, valuation and reserves.

Table 7  
**COLOMBIA: NET INTERNATIONAL RESERVES**  
(Millions of dollars)

	Amount			Absolute variation					
				Quarter <sup>a</sup>			Year <sup>b</sup>		
	1992	1993	1994	1992	1993	1994	1992	1993	1994
March	6 938	8 002	7 989	518	289	120	518	289	120
June	7 423	8 222	7 989	485	220	-1	1 003	509	120
September	7 492	8 413		69	191		1 072	700	
December	7 713	7 869		221	-544		1 293	156	

Source: Banco de la República.

<sup>a</sup> With respect to the preceding quarter.

<sup>b</sup> With respect to December of the preceding year.

Table 8  
**COLOMBIA: VARIATION IN MONETARY AGGREGATES**  
(Percentage variation) <sup>a</sup>

	Monetary base	M1 <sup>b</sup>	M2 <sup>c</sup>
<b>1993</b>			
March	30.6	34.6	30.8
June	37.4	32.8	34.4
September	40.2	37.4	40.6
December	34.0	29.9	40.6
<b>1994</b>			
March	40.7	38.9	44.0
July	34.9	34.6	39.3

Source: Banco de la República.

<sup>a</sup> With respect to the same period of the preceding year.

<sup>b</sup> Money.

<sup>c</sup> M1 + quasi-money.

Table 9  
**COLOMBIA: INTEREST RATES ON 90-DAY CERTIFICATES OF DEPOSIT**  
(Annualized percentages)

	Nominal rate				Weighted effective rate <sup>a</sup>			
	1991	1992	1993	1994	1991	1992	1993	1994
March	30.1	23.4	22.6	21.7	36.7	27.2	26.2	25.0
June	30.1	19.0	22.5	26.3	36.7	21.5	26.1	31.2
September	31.2	23.3	21.4		38.3	27.7	24.6	
December	29.7	23.3	23.0		36.2	27.1	26.7	

Source: Banco de la República.

<sup>a</sup> Based on the value of new deposits in banks and financial corporations in Bogotá.

## CHILE

With a more favourable external context, the Chilean economy grew by 4% in the first half of 1994. Inflation, affected by widely used indexation mechanisms, declined to 11% per annum in August, thereby overcoming resistance to dropping below the plateau where it had been since mid-1992.

There was virtually no rise in domestic spending during the first quarter of 1994, in marked contrast with the situation the previous year, which had led to the adoption of a restrictive policy for the rest of 1993 to avoid negative impacts on inflation or external accounts. The gap between the growth rates of spending and output disappeared towards the end of 1993, and there was a reversal in the trends at the beginning of this year, which stalled GDP at the level of the previous quarter, with the economy growing at less than 4%. That led to a loss of dynamism in job creation and a rise in unemployment.

Upon taking office in March the new economic authorities announced that they would maintain the policy of slowing down spending, seeking to bring it into line with potential revenues and a possible slow-down in foreign trade, while also supporting the outgoing Administration's targets of GDP growth of 4.0%-4.5% and a decline in inflation to 11% per annum. However, more vigorous international recovery than predicted had a favourable effect on export prices and volumes, which began to operate as a factor of expansion from the second quarter onwards. According to preliminary estimates, public expenditures rose by some 2% during the first half of the year, showing the commitment of fiscal policy to adjustment.

The more than 4% growth rate of GDP during the second quarter suggests a turning-point in the cooling down trend in the rate of activity present since the beginning of the adjustment. A key element in this shift was a speed-up in the growth rate of tradables, which now led overall growth, with rates of 6% in industry and 20% in fisheries. Construction and commerce, in turn, expanded slowly, owing to high interest rates and the virtual stagnation of imports during the first few months of the year.

The sharp drop in spending helped weaken inflation's resistance to decline evident in recent years. After remaining in the 12%-14% range since mid-1992, last August the 12-month variation in the consumer price index declined to 11%. This result was due to the three-point drop during the first seven months of the year in the annual increase in non-tradables prices, which had been the group most resistant to decline. Tradables, in contrast, rose by two points, mostly as a reflection of the reactivation of the international economy.

To the extent that the adjustment was based on the cooling-off of the activity rate of non-tradables, which are more labour intensive, the labour market lost dynamism. The unemployment rate, which had fallen below 5% during the last quarter of 1993, rose above 6% in the quarter ending the following July. Job creation, which had risen at annualized rates of 6% during the second half of 1993, decelerated to 4% during the first quarter and 2% in the second. By mid-year, lower expectations for finding employment brought previously vigorous labour force growth rates (5.2% in 1993) down to around 3.5%.

Nominal wages rose by 17% in the 12 months ending in May, a figure somewhat higher than the increase foreseen in nominal GDP. That led to a rise in wages of more than 4% per annum during the first seven months of the year, which exceeded the estimated rise in productivity.

The international trade balance for goods up till July showed a surplus of nearly US\$ 290 million, owing to a 12% rise in exports and only 1% in imports, this latter mostly in the second

quarter. This behaviour is substantially more favourable than what was projected at the beginning of the year, when a trade deficit of close to US\$ 1 billion was predicted.

The growing strength of the yen and the mark over the dollar in international markets and an abundant supply of foreign exchange led to a decline of almost 3% since last December in the real effective exchange rate measured against a basket of currencies of the main trading partners. Nevertheless, the recovery in exports has been widespread, based on rises in international prices for copper and cellulose, productivity increases, and a large jump in shipments. The price of copper in mid-August was 23% higher than 12 months earlier and 47% higher than last November, the lowest point in 1993. The price of cellulose climbed by 49% in 12 months and by 57% in relation to its lowest point in 1993, which was in December.

Non-traditional exports showed significant dynamism, a 12-month growth of 16% during the first quarter and rising to 23% during the second. Among these exports, manufactures expanded by 16% during the first half of the year, while the value of exports, excluding copper, rose by 13% during the first quarter and 20% during the second. In the January-June period, the most dynamic exports were those going to Asian markets, which increased by 14% in relation to the same period of the previous year. Exports to Latin American countries also grew at a vigorous rate (7%).

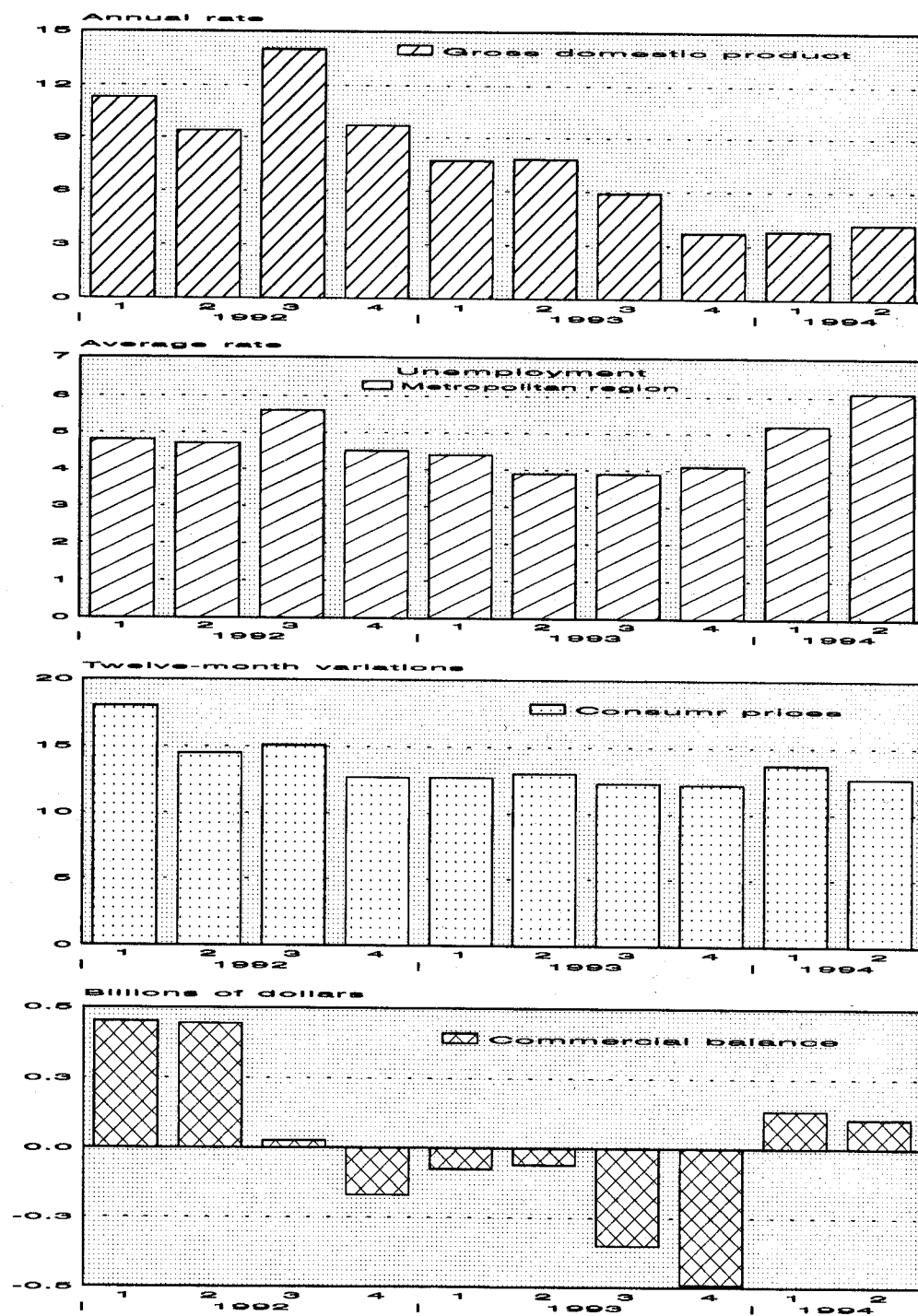
Despite slow growth in the first half of the year, from May onwards imports showed clear signs of recovery. In particular, capital acquisitions increased by 10% during the second quarter, after a fall of almost 4% during the first quarter, which showed that investments were on the rise. Imports of consumer goods also rose.

By the end of July, the total surplus on the balance of payments was close to US\$ 690 million, more than 30% higher than in the corresponding period the year before. Net reserves accumulated to that date were around US\$ 11 billion, enough to cover slightly more than a year's worth of imports.

During the first half of the year the mid- and long-term external debt behaved in much the same way as in 1993, with net private debt increasing (by US\$ 760 million) and public sector debt declining (by US\$ 202 million). By the end of the first half of the year, total external debt was more than US\$ 19.9 billion, a nominal increase of almost 4% with respect to last December, slightly reducing the real external debt burden on GDP.

Monetary policy continued to give high priority to bringing down inflation. Thus, the monetary authority maintained the short-term real interest rates (6.5% per annum) it pays on the paper it issues. However, long-term interest rates dropped by a half-point in relation to the last quarter of 1993, which points to declining expectations of inflation. In this context, monetary aggregates tended to decelerate. Thus, the 12-month variation in private money (M1A) declined from 22% to 17% between the end of 1993 and July 1994. The broad money aggregate (M2A) behaved in a similar fashion, with an annual growth rate in July of less than 23%.

**Figure 1**  
**CHILE: QUARTERLY EVOLUTION OF THE MAIN ECONOMIC INDICATORS**



Source: ECLAC, on the basis of official figures.

Table 1  
CHILE: GROSS DOMESTIC PRODUCT <sup>a</sup>  
(Percentage variation) <sup>b</sup>

	1993					1994 <sup>c</sup>	
	I	II	III	IV	Year	I	II
Agriculture and forestry	-0.4	2.7	5.5	2.0	1.6	2.1	3.8
Fishing	-4.1	-4.9	-3.3	24.8	0.8	21.3	20.2
Mining	2.3	2.6	1.2	-2.1	0.9	-0.3	1.1
Industry	6.6	6.0	3.8	4.0	5.1	5.7	5.5
Electricity, gas and water	5.8	4.0	3.2	4.2	4.3	4.0	2.7
Construction	16.1	19.4	18.3	4.1	14.0	2.7	2.7
Commerce, restaurants and hotels	12.5	12.0	6.9	3.4	8.6	2.9	2.4
Transport and communications	8.6	8.1	7.5	7.3	7.9	8.7	9.0
Financial services	7.9	7.9	6.0	5.7	6.8	5.2	3.9
Residential property	2.2	2.4	2.6	2.8	2.5	2.7	2.8
Personal services <sup>d</sup>	4.3	3.9	4.3	3.6	4.0	3.4	3.2
Public administration	2.5	2.3	1.5	0.7	1.8	0.4	1.8
<b>Subtotal</b>	<b>6.6</b>	<b>7.0</b>	<b>5.4</b>	<b>3.7</b>	<b>5.6</b>	<b>4.0</b>	<b>4.0</b>
Less bank charges	6.8	6.8	5.0	4.4	5.7	4.7	3.3
VAT	10.6	10.3	7.3	5.5	8.3	4.5	3.1
Import duties	23.6	18.4	11.1	1.9	13.1	0.9	8.4
<b>Total</b>	<b>7.7</b>	<b>7.8</b>	<b>5.9</b>	<b>3.7</b>	<b>6.3</b>	<b>3.8</b>	<b>4.2</b>

Source: Central Bank of Chile.

<sup>a</sup> At 1986 prices.

<sup>b</sup> With respect to the same period of the preceding year.

<sup>c</sup> Provisional figures.

<sup>d</sup> Includes education and public

and private health services.

Table 2  
CHILE: CROP-FARMING PRODUCTION  
(Crop years)

	Thousands of metric quintals <sup>a</sup>				Percentage variation			
	1991	1992	1993	1994	1991	1992	1993	1994
Wheat	15 887	15 566	13 223	12 712	-7.5	-2.0	-15.0	-3.9
Oats	2 067	1 827	2 024	1 764	0.6	-11.6	10.8	-12.8
Barley	1 070	1 091	840	1 003	16.8	2.0	-23.0	19.4
Rice	1 171	1 335	1 306	1 331	-13.9	14.0	-2.2	1.9
Maize	8 357	9 111	8 995	9 373	1.5	9.0	-1.3	4.2
Beans	1 170	907	546	540	34.3	-22.5	-39.8	-1.1
Lentils	119	158	98	89	43.2	32.8	-37.9	-9.0
Chickpeas	88	186	108	101	46.3	112.3	-42.2	-6.3
Potatoes	8 439	10 232	9 260	8 996	1.8	21.2	-9.5	-2.9
Sunflower	324	263	132	124	18.7	-18.9	-49.7	-6.5
Raps	577	617	209	227	8.4	7.0	-66.2	8.9
Sugar beet	21 498	29 779	29 947	31 250	-7.6	38.5	0.6	4.4
Tobacco	154	152	180	159	7.0	-1.4	18.6	-11.6

Source: National Statistical Institute (INE).

<sup>a</sup> Metric quintal = 100 kg.

Table 3  
**CHILE: INDUSTRIAL OUTPUT AND SALES**  
(Percentage variation)

	SOFOFA <sup>a</sup>						INE <sup>b</sup>		
	Output			Sales			Output		
	Month <sup>c</sup>	12 Ms. <sup>d</sup>	Year <sup>e</sup>	Month <sup>c</sup>	12 Ms. <sup>d</sup>	Year <sup>e</sup>	Month <sup>c</sup>	12 Ms. <sup>d</sup>	Year <sup>e</sup>
<b>1993</b>									
January	-6.0	6.2	6.2	-9.1	3.2	3.2	-4.8	0.7	0.7
February	-7.8	12.7	9.2	-0.9	10.5	6.7	-9.9	7.7	3.9
March	21.4	5.3	7.7	19.0	12.9	8.9	27.6	9.8	6.1
April	-0.1	4.8	6.9	-5.1	6.5	8.3	-3.3	6.2	6.1
May	-2.6	1.4	5.7	-4.2	5.1	7.6	-2.3	2.0	5.2
June	1.5	5.4	5.6	-0.9	-0.9	6.1	0.8	3.5	4.9
July	4.9	-0.2	4.7	1.7	-0.1	5.2	5.7	-0.6	4.0
August	-0.1	5.3	4.8	0.2	0.8	4.6	-1.6	2.9	3.9
September	-4.3	5.6	4.9	5.4	9.8	5.2	-4.3	1.8	3.6
October	-0.1	1.9	4.6	-4.0	1.0	4.7	-1.1	1.0	3.4
November	0.2	6.5	4.7	3.4	7.0	5.0	-0.7	1.3	3.2
December	0.3	4.7	4.7	4.8	7.8	5.2	-	1.7	3.1
<b>1994</b>									
January	-6.7	4.0	4.0	-11.4	5.1	5.1	-3.3	4.5	4.5
February	-6.4	5.7	4.8	-5.3	0.5	2.8	-7.5	1.4	3.0
March	24.9	8.7	6.2	20.7	1.9	2.5	21.8	1.8	2.6
April	-3.4	5.1	6.0	-6.1	0.9	2.1	-5.8	1.6	2.3
May	3.3	11.5	7.2	2.1	7.6	3.2	4.6	9.1	3.7
June	-3.5	5.9	6.9	-5.1	2.9	3.1	-6.2	1.7	3.3

Source: National Statistical Institute (INE); Sociedad de Fomento Fabril (SOFOFA).

<sup>a</sup> Figures represent variations with respect to the index 1980=100. <sup>b</sup> Figures represent variations with respect to the index 1979=100.

<sup>c</sup> Variation with respect to the preceding month.

<sup>d</sup> Variation with respect to the same month of the preceding year.

<sup>e</sup> Cumulative variation

with respect to the same period of the preceding year.

Table 4  
**CHILE: UNEMPLOYMENT RATE**  
(Quarterly averages)

Quarters ending in:	1992		1993		1994	
	Metropolitan Region	Nation-wide	Metropolitan Region	Nation-wide	Metropolitan Region	Nation-wide
January	5.1	5.0	4.4	4.4	4.9	4.8
February	4.5	4.8	4.0	4.3	5.6	5.1
March	4.8	5.0	4.4	4.5	5.7	5.2
April	4.4	4.6	4.2	4.4	5.9	5.3
May	4.6	4.6	4.2	4.6	6.0	5.7
June	4.7	4.9	3.9	4.7	6.3	6.1
July	5.1	5.1	3.9	4.9	6.7	6.5
August	5.4	5.3	4.0	5.1		
September	5.6	5.3	3.9	5.0		
October	5.5	5.1	3.5	4.8		
November	5.2	4.8	3.3	4.4		
December	4.5	4.4	4.1	4.5		

Source: National Statistical Institute (INE).

Table 5  
CHILE: PRICE INDEXES  
(Percentage variations)

	Consumer price index						Wholesale price index					
	1993			1994			1993			1994		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	0.2	0.2	11.7	1.0	1.0	13.2	-0.9	-0.9	7.3	0.1	0.1	7.8
February	0.4	0.6	12.8	0.3	1.4	13.1	-0.3	-1.2	7.5	0.2	0.3	8.3
March	0.6	1.1	12.7	1.1	2.5	13.7	1.0	-0.2	8.8	1.2	1.5	8.5
April	1.4	2.6	12.8	0.5	3.0	12.7	1.2	1.0	9.6	0.1	1.6	7.3
May	1.5	4.1	13.2	1.4	4.5	12.7	1.5	2.5	10.5	0.9	2.5	6.8
June	0.5	4.6	13.0	0.5	5.0	12.7	0.3	2.8	9.9	1.1	3.6	7.6
July	1.0	5.6	12.8	0.6	5.7	12.3	0.6	3.4	8.8	0.6	4.2	7.6
August	2.1	7.9	13.6	1.1	6.8	11.1	1.4	4.8	8.9	1.5	5.8	7.8
September	1.2	9.1	12.3				0.7	5.5	8.0			
October	2.6	11.9	13.6				1.3	6.8	8.9			
November	0.1	12.0	12.2				-0.2	6.6	8.0			
December	0.2	12.2	12.2				0.1	6.7	6.7			

Source: National Statistical Institute (INE).

Table 6  
CHILE: INDEX OF REAL WAGES AND SALARIES

	Index of real wages and salaries <sup>a</sup> (January 1990=100)			Percentage variations					
				1993			1994		
	1992	1993	1994	Month	Year <sup>b</sup>	12 months <sup>c</sup>	Month	Year <sup>b</sup>	12 months <sup>c</sup>
January	108.3	114.1	118.5	2.3	5.4	5.4	5.7	3.9	3.9
February	109.9	113.8	118.9	-0.3	4.4	3.5	0.3	4.2	4.5
March	110.1	113.5	118.6	-0.3	4.0	3.1	-0.3	4.3	4.5
April	110.8	113.2	119.1 <sup>d</sup>	-0.3	3.5	2.2	0.4	4.5	5.2
May	110.4	112.5	117.3	-0.6	3.2	1.9	-1.5	4.5	4.3
June	110.4	114.0	118.6	1.3	3.2	3.3	1.1	4.4	4.0
July	110.8	113.1	118.7	-0.8	3.0	2.1	0.1	4.5	5.0
August	110.0	111.6		-1.3	2.9	1.5			
September	108.5	112.9		1.2	3.0	4.1			
October	108.3	111.4		-1.3	3.0	2.9			
November	107.9	114.1		2.4	3.2	5.7			
December	111.5	112.1		-1.8	3.0	0.5			

Source: ECLAC, on the basis of figures from the National Statistical Institute (INE).

<sup>a</sup> Index of nominal wages and salaries deflated by the consumer price index. <sup>b</sup> Percentage variation in the cumulative average index with respect to the same period of the preceding year. <sup>c</sup> With respect to the same month of the preceding year. <sup>d</sup> Beginning in April, figures show the evolution of the general index of real hourly wages.

Table 7  
CHILE: EXCHANGE RATE

	Nominal bank market exchange rate (pesos per dollar)				Adjusted real exchange rate (index 1985=100) <sup>a</sup>			
	1991	1992	1993	1994	1991	1992	1993	1994
January	327.23	369.75	383.93	430.45	93.81	91.17	87.54	86.48
February	337.53	347.86	387.91	428.69	96.81	86.60	88.42	86.13
March	340.24	348.34	397.22	430.45	96.58	86.55	90.34	85.80
April	340.28	346.30	401.19	424.47	95.02	85.03	90.19	84.27
May	339.95	346.56	404.98	424.70	92.89	84.30	89.83	83.23
June	344.89	355.00	403.30	420.68	92.84	86.09	89.14	82.28
July	348.72	361.25	404.79	420.49	92.35	86.85	88.59	82.00
August	350.89	368.86	407.66		92.09	87.65	87.64	
September	355.61	376.04	408.19		92.54	87.62	86.91	
October	359.10	373.10	412.59		90.94	86.06	85.94	
November	364.26	377.63	412.50		91.69	86.03	85.13	
December	371.90	380.22	425.73		92.58	86.47	86.14	

Source: ECLAC, on the basis of figures supplied by the Central Bank of Chile and the International Monetary Fund.

<sup>a</sup> Index of the nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index.

Table 8  
CHILE: TRADE BALANCE

	Millions of dollars						Percentage variation <sup>a</sup>			
	Exports F.O.B.		Imports F.O.B.		Trade balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
<b>1991</b>										
December	725	8 929	662	7 353	63	1 576	23.4	7.4	15.9	4.5
<b>1992</b>										
January	792	792	747	747	45	45	11.3	11.3	20.0	20.0
February	705	1 497	606	1 353	99	145	7.1	9.3	22.9	21.3
March	955	2 452	649	2 002	306	450	18.0	12.5	12.9	18.4
April	929	3 381	718	2 720	211	662	3.3	9.8	43.6	24.2
May	852	4 234	657	3 377	195	857	7.8	9.4	9.8	21.1
June	785	5 019	749	4 126	36	893	6.5	9.0	36.5	23.6
July	937	5 956	903	5 030	33	926	30.3	11.8	41.0	26.4
August	835	6 790	805	5 834	30	956	21.0	12.9	29.8	26.9
September	802	7 593	840	6 674	-37	919	7.8	12.3	34.9	27.8
October	875	8 467	876	7 550	-2	917	9.2	12.0	11.2	25.7
November	698	9 165	899	8 449	-200	717	8.3	11.7	31.8	26.3
December	821	9 986	788	9 237	33	749	13.2	11.8	19.0	25.6
<b>1993</b>										
January	671	671	836	836	-165	-165	-15.3	-15.3	11.9	11.9
February	713	1 384	769	1 605	-56	-221	1.2	-7.6	27.0	18.6
March	1 019	2 403	874	2 479	145	-76	6.7	-2.0	34.6	23.8
April	930	3 333	823	3 302	107	32	0.1	-1.4	14.7	21.4
May	696	4 029	789	4 091	-94	-62	-18.4	-4.8	20.1	21.2
June	787	4 816	861	4 952	-73	-136	0.2	-4.0	14.8	20.0
July	768	5 584	927	5 878	-158	-294	-18.0	-6.2	2.6	16.9
August	809	6 393	879	6 757	-70	-364	-3.1	-5.8	9.2	15.8
September	732	7 125	855	7 613	-124	-488	-8.8	-6.2	1.8	14.1
October	689	7 814	837	8 450	-148	-636	-21.2	-7.7	-4.4	11.9
November	681	8 495	857	9 307	-176	-811	-2.4	-7.3	-4.7	10.2
December	707	9 202	874	10 181	-167	-979	-13.9	-7.8	11.0	10.2
<b>1994</b>										
January	765	765	798	798	-33	-33	14.0	14.0	-4.5	-4.5
February	737	1 502	636	1 434	101	68	3.4	8.5	-17.3	-10.6
March	1 023	2 525	958	2 392	65	134	0.4	5.1	9.6	-3.5
April	899	3 424	793	3 185	106	239	-3.4	2.7	-3.7	-3.5
May	997	4 421	938	4 122	60	299	43.3	9.7	18.8	0.8
June	846	5 267	904	5 027	-59	240	7.5	9.4	5.1	1.5
July	987	6 254	939	5 966	48	288	28.4	12.0	1.3	1.5

Source: Central Bank of Chile.

<sup>a</sup> With respect to the same period of the preceding year.

Table 9  
CHILE: EXPORT STRUCTURE, F.O.B.  
(Millions of dollars) <sup>a</sup>

	Mining products				Agricultural and marine products		Industrial goods		Percentage variation <sup>b</sup>		
	Total		Copper		1993	1994	1993	1994	Mining	Agricultural	Industrial
	1993	1994	1993	1994							
January	300	351	239	263	97	100	274	314	17.2	3.2	14.5
February	625	637	525	485	227	234	533	631	2.0	3.3	18.5
March	1 043	1 009	865	795	457	467	903	1 050	-3.3	2.2	16.2
April	1 447	1 335	1 210	1 040	640	655	1 246	1 435	-7.8	2.3	15.2
May	1 735	1 763	1 438	1 382	743	783	1 552	1 875	1.6	5.5	20.9
June	2 085	2 129	1 716	1 670	846	867	1 886	2 272	2.1	2.5	20.4
July	2 393	2 611	1 953	2 064	931	944	2 260	2 698	9.1	1.4	19.4
August	2 723		2 237		1 014		2 656				
September	3 052		2 518		1 051		3 022				
October	3 359		2 759		1 086		3 370				
November	3 674		3 017		1 112		3 710				
December	3 976		3 248		1 170		4 056				

Source: Central Bank of Chile.

<sup>a</sup> Cumulative figures. <sup>b</sup> Variation in cumulative value in 1994 with respect to the same period of the preceding year.

Table 10  
CHILE: MERCHANDISE IMPORT STRUCTURE, C.I.F.  
(Millions of dollars) <sup>a</sup>

	Consumer goods		Intermediate goods				Capital goods		Percentage variation <sup>b</sup>		
	1993	1994	Total		Fuels and lubricants		1993	1994	Con-sumer	Inter-mediate	Capital goods
			1993	1994	1993	1994					
January	167	151	460	446	107	76	286	270	-9.4	-2.9	-5.6
February	314	286	898	812	188	136	541	465	-9.0	-9.6	-13.9
March	488	476	1 379	1 318	280	238	840	809	-2.3	-4.5	-3.7
April	648	633	1 861	1 767	397	320	1 095	1 066	-2.3	-5.0	-2.6
May	788	805	2 306	2 306	492	438	1 369	1 370	2.1	-	0.1
June	951	978	2 814	2 795	591	520	1 640	1 691	2.8	-0.7	3.1
July	1 137	1 162	3 360	3 367	667	640	1 922	1 957	2.2	0.2	1.8
August	1 328		3 884		769		2 169				
September	1 508		4 376		868		2 432				
October	1 700		4 852		939		2 679				
November	1 893		5 348		1 018		2 929				
December	2 068		5 829		1 109		3 228				

Source: Central Bank of Chile.

<sup>a</sup> Cumulative figures. <sup>b</sup> Percentage variation in cumulative value in 1994 with respect to the same period of the preceding year.

Table 11  
CHILE: NET INTERNATIONAL RESERVES <sup>a</sup>  
(Millions of dollars)

	Amount			Absolute variation			
				1993		1994	
	1992	1993	1994	Month	Year <sup>b</sup>	Month	Year <sup>b</sup>
January	6 753	9 594	10 101	585	585	343	343
February	6 651	9 720	10 282	127	712	181	523
March	6 875	9 598	10 431	-122	590	149	673
April	7 045	9 753	10 388	155	744	-43	630
May	7 549	9 975	10 487	222	966	98	728
June	8 037	9 880	11 004	-95	871	518	1 246
July	8 186	9 979	10 967	99	971	-37	1 208
August	8 361	10 060		81	1 051		
September	8 702	10 021		-39	1 013		
October	8 728	9 889		-133	880		
November	8 716	9 909		20	900		
December	9 009	9 759		-150	750		

Source: Central Bank of Chile.

<sup>a</sup> Foreign exchange holdings (including monetary gold, SDRs, IMF reserve position, foreign exchange assets, net balance on reciprocal credit agreements) less liabilities arising from use of IMF credits and short-term liabilities. <sup>b</sup> With respect to December of the preceding year.

Table 12  
CHILE: MONETARY AGGREGATES

	E	D1	M1A	Dg	Dp	M2A	CN	CE
Percentage variation <sup>a</sup>								
<b>1993</b>								
January	14.1	25.5	35.1	39.3	30.0	31.5	32.5	26.9
February	31.2	45.8	35.8	43.3	25.9	28.8	30.5	24.9
March	-29.0	-35.8	6.9	41.3	32.4	23.5	35.7	23.9
April	-18.4	-31.8	10.1	34.9	34.8	26.3	37.3	19.0
May	17.2	-18.2	18.1	23.7	35.4	29.9	38.3	14.4
June	16.7	-19.0	17.2	31.3	36.1	30.4	40.0	10.9
July	20.5	-14.7	18.1	29.5	35.6	30.4	41.3	8.2
August	19.8	-13.9	16.6	28.4	34.6	29.4	37.5	8.9
September	6.2	-29.2	14.7	17.1	33.4	28.1	36.7	7.3
October	12.9	-12.4	21.1	13.8	29.6	27.3	35.5	6.3
November	21.5	-28.6	19.6	9.4	28.3	26.0	33.8	4.0
December	17.4	-25.3	22.2	12.1	28.1	26.5	32.6	1.4
<b>1994</b>								
January	16.5	5.4	17.3	26.7	25.0	22.7	32.5	-1.9
February	7.4	-14.5	13.9	22.1	30.0	25.1	32.9	-2.6
March	13.2	-13.9	13.9	14.3	30.4	25.4	31.1	-4.2
April	13.1	-30.7	10.9	33.9	29.6	24.0	30.0	-5.4
May	11.6	-4.0	13.8	22.6	27.0	23.2	29.6	-4.8
June	12.7	-4.0	16.7	11.2	23.6	21.7	26.5	-5.3
July	12.3		17.4		24.7	22.7		

Source: Central Bank of Chile.

Note: E = Money issue; D1 = Private sector near-money; M1A = M1 + demand deposits other than current accounts + demand deposits in savings accounts; Dg = Public sector money supply; Dp = Time deposits; M2A = M1A + Dp; CN = Local currency loans; CE = Foreign currency loans.

<sup>a</sup> With respect to the same month of the preceding year.

Table 13  
CHILE: BANK INTEREST RATES  
(Percentages)

	Nominal rates <sup>a</sup>		Real rates			
	Short-term deposits	Short-term loans	Non-readjustable operations <sup>a</sup>		Readjustable operations <sup>b</sup>	
			Short-term deposits	Short-term loans	Deposits	Loans
<b>1993</b>						
January	0.59	1.08	0.39	0.88	6.18	8.95
February	0.61	1.14	0.21	0.74	6.30	9.14
March	0.91	1.21	0.31	0.61	6.41	9.00
April	1.24	1.54	-0.16	0.14	6.43	9.07
May	1.83	2.18	0.33	0.67	6.57	9.29
June	1.68	2.09	1.17	1.58	6.41	9.12
July	1.18	1.67	0.18	0.66	6.74	9.59
August	1.66	2.02	-0.43	-0.08	6.52	9.28
September	2.18	2.63	0.97	1.41	6.38	9.30
October	1.90	2.40	-0.68	-0.19	6.25	9.29
November	2.25	2.66	2.15	2.56	6.34	9.41
December	0.62	1.16	0.42	0.96	6.41	9.31
<b>1994</b>						
January	0.89	1.24	-0.11	0.24	6.55	9.36
February	1.31	1.69	1.01	1.39	6.65	9.65
March	1.05	1.50	-0.05	0.40	6.63	9.55
April	1.45	1.80	0.95	1.29	6.60	9.42
May	1.25	1.63	-0.15	0.23	6.62	9.47
June	1.60	1.94	1.09	1.43	6.53	9.49
July	1.01	1.44			6.35	9.24

Source: Central Bank of Chile.

<sup>a</sup> Average monthly rates.

<sup>b</sup> Annual rates.

## ECUADOR

During the first half of 1994, the main variables of Ecuador's economy improved slightly with respect to the same period of 1993. GDP rebounded to a 3% annual growth rate, although it remained below the 1991-1992 rate. At the same time, the 12-month inflation rate continued to decelerate, although at a slower pace, reaching 27% per annum in August. The non-financial public sector generated a slight surplus. On the other hand, the favourable trade balance contracted, eroded by a surge in imports, although international reserves continued to increase.

Stabilization policy remained the pillar of government policy. The new economic and financial programme agreed on with the International Monetary Fund, in the framework of a stand-by credit agreement for US\$ 184 million, took as its main goals for 1994 to reduce inflation to an annual rate of 20%, to advance the fiscal adjustment, and to increase international reserves by US\$ 275 million.

The results obtained during the first half of the year show that fiscal management has followed the guidelines of the programme, to the point where the non-financial public sector shows a slight surplus, while para-fiscal spending has been noticeably reduced.

Although this performance exerted no pressure on monetary creation, the expansion rate of the narrow money supply, although fluctuating, has been high. Indeed, the 12-month variation of this aggregate was over 50% up to March, then contracted to less than 40% during the second quarter, but climbed to 60% in August. The rate of acquisition of foreign exchange and the net sale of stabilization bonds by the Central Bank were the main factors in this behaviour. At mid-year, the monetary authority raised the interest rate on stabilization bonds in order to absorb excess liquidity. At the same time, it set the bank reserve requirement at 10% for all deposits and authorized the payment of interest on checking accounts.

In the exchange market, under a floating exchange rate system with intervention by the Central Bank, a ready supply of foreign exchange during the first half of the year kept the rate of increase of the nominal exchange rate at around 17% per annum. Since domestic prices rose faster than predicted, the sucre appreciated by 5% during that same period. As the third quarter began, the increase in the price of the dollar was showing signs of accelerating, after climbing slowly during the second quarter.

Even though this behaviour helped bring down inflation, the rapid expansion of the money supply pushed in the opposite direction, by financing a surge in nominal domestic demand. Given this situation, consumer prices rose by almost 18% during the first eight months of the year, a variation close to the expected change for the whole year. A 19% increase in nominal minimum wages, including additional remuneration, decreed in January raised the purchasing power of wage-earners by 6% in the first half of the year.

The strengthening of domestic demand, which was seen in fixed capital formation and in private consumption, stimulated the level of activity and imports. Thus, after declining in 1993, GDP expanded at an annual rate of 3%. The rise in output was due mostly to an increase in activity in mining and petroleum extraction, construction, electricity, transport and communications.

During the first half of the year, the law governing hydrocarbons was amended to allow private enterprises to participate in exploration for and production and transport of petroleum; the seventh round of awarding new petroleum contracts took place; and progress was made in contracting for the construction and operation of a pipeline alongside the existing one, leading to an increase in the capacity to transport hydrocarbons, which reached its limit during the first half of 1994.

Greater demand and the rise in the value of the local currency led to a sharp upturn in imports, which reached a level during the first five months of the year 34% higher than during the same period of 1993, more than compensating for the decline the year before. Since the value of exports fell during those same five months, the surplus on the trade balance declined noticeably.

The increase in imports was particularly marked in the case of consumer goods (58%), but also in the case of raw materials (30%) and capital goods (25%). A rise in import licences (60%) points to even higher growth rates for imports during the rest of the year. The slight decline in the value of exports was produced by petroleum sales, mainly as a result of depressed international prices of crude oil during the first months of the year. In contrast, exports of non-petroleum raw materials and particularly manufactured goods increased, especially of processed seafood, metal manufactures and automobiles. The upswing in the international price of petroleum to US\$ 17 a barrel in July should improve hydrocarbon exports and, at the same time, fiscal accounts, given the weight of those revenues in government finances.

The flow of foreign trade by origin and destination shows that the percentage of trade with Latin America is increasing significantly. In the case of exports, this is due to a major decline in sales to the United States and Asian countries. Imports from the region doubled, and those from Andean Pact partners trebled.

Despite the erosion of the positive trade balance, international reserves increased by US\$ 200 million during the first six months, reaching a total of US\$ 1,450 million, enough to finance six months of imports. There was also a large flow of foreign direct investment during that same period.

At the end of last year, Ecuador's foreign debt was near US\$ 13 billion. During the first months of 1994, the Government and the creditor banks' steering committee agreed in principle to restructure the external bank debt. This is around US\$ 7.5 billion, of which US\$ 4.5 billion corresponds to principle and the rest to moratory and default interest. Such an agreement presupposes a restructuring of the principle through two alternative instruments: a 30-year bond that trades at a 45% discount, and a par bond, with low fixed interest rates. The agreement includes a recalculation of late interest, at lower than the contracted rates, which could reduce the total amount by 20%. Sixty percent of the creditors have accepted payments in discount bonds and the rest in par bonds.

Table 1  
ECUADOR: TRADE BALANCE  
(Millions of dollars)

	Exports F.O.B.		Imports C.I.F.		Trade balance		Percentage variation <sup>a</sup>			
							Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
<b>1993</b>										
January	232	232	138	138	95	95	-8.9	-8.9	-35.6	-35.6
February	216	448	126	264	89	184	-10.3	-9.6	-24.1	-30.6
March	274	722	230	494	44	228	32.6	2.9	-2.4	-19.8
April	256	978	148	642	108	336	-3.5	1.1	-23.6	-20.7
May	268	1 247	183	825	86	422	-1.0	0.6	-15.3	-19.6
June	229	1 475	194	1 019	35	457	-9.3	-1.0	-9.7	-17.9
July	230	1 706	224	1 243	6	463	-0.3	-0.9	-26.0	-19.5
August	261	1 967	222	1 465	39	502	12.5	0.7	25.1	-14.9
September	246	2 213	293	1 758	-47	455	-8.9	-0.5	24.6	-10.1
October	236	2 449	260	2 018	-24	431	-25.0	-3.5	110.0	-3.0
November	234	2 683	292	2 310	-58	373	2.8	-3.0	70.5	2.6
December	221	2 904	252	2 562	-31	342	-9.1	-3.5	1.1	2.5
<b>1994</b>										
January	211	211	246	246	-35	-35	-9.1	-9.1	78.6	78.6
February	227	439	200	445	28	-7	5.4	-2.1	57.8	68.7
March	250	689	159	604	92	85	-8.8	-4.7	-31.0	22.3
April	255	944	210	814	45	130	-0.2	-3.5	42.4	26.9
May	270	1 214	292	1 106	-22	108	0.6	-2.6	59.8	34.2

Source: Central Bank of Ecuador.

<sup>a</sup> With respect to the same period of the preceding year.

Table 2  
ECUADOR: EXPORT STRUCTURE <sup>a</sup>  
(Millions of dollars)

	Primary products						Manufactured goods		Percentage variation <sup>b</sup>			
	Total		Oil		Non-oil				1994			
	1993	1994	1993	1994	1993	1994	1993	1994	Pri.	Oil	Non-oil	Manu.
January	198	171	101	74	97	96	34	41	13.9	6.4	1.0	18.7
February	383	348	184	145	199	203	65	91	9.2	21.1	1.8	39.7
March	618	547	297	236	320	311	105	142	11.4	0.5	3.0	35.2
April	830	756	394	326	435	430	149	188	8.9	17.4	1.1	26.4
May	1 062	974	515	426	547	548	185	240	8.2	17.3	0.3	29.6
June	1 253	1 196	608	516	645	680	222	295	-4.6	15.2	5.4	32.8
July	1 448		704	642	744		258			8.8		
August	1 655		811		844		313					
September	1 852		904		949		361					
October	2 037		984		1 053		412					
November	2 225		1 076		1 149		458					
December	2 397		1 149		1 248		507					

Source: Central Bank of Ecuador.

Note: Pri. = Primary. Manu. = Manufactured goods.

<sup>a</sup> Cumulative figures. <sup>b</sup> With respect to the same period of the preceding year.

Table 3  
ECUADOR: IMPORT STRUCTURE, C.I.F. <sup>a</sup>  
(Millions of dollars) <sup>b</sup>

	Consumer goods		Fuels and lubricants		Raw materials		Capital goods		Percentage variation <sup>c</sup>			
									1994			
	1993	1994	1993	1994	1993	1994	1993	1994	CG	FL	RM	CAP
January	37.7	54.4	3.8	6.3	41.6	83.5	53.8	101.6	44.6	65.4	100.7	88.7
February	62.2	96.7	8.5	13.1	95.6	168.3	97.0	167.3	55.5	53.5	76.1	72.4
March	105.8	126.5	13.3	21.5	184.7	232.8	188.5	223.2	19.6	61.0	26.0	18.4
April	129.7	175.3	20.9	25.7	246.8	314.6	242.5	298.5	35.1	23.2	27.5	23.1
May	153.8	243.1	24.3	41.0	309.2	403.4	335.3	418.8	58.0	69.0	30.4	24.9
June	197.4		31.3		387.2		400.8					
July	246.1		37.7		466.1		490.7					
August	294.4		43.9		558.6		565.9					
September	366.8		52.3		664.0		673.1					
October	440.3		60.2		757.7		757.6					
November	523.7		81.4		845.1		857.8					
December	584.9		87.9		940.9		945.9					

Source: Central Bank of Ecuador.

Note: CG = Capital goods. FL = Fuels and lubricants. RM = Raw materials. CAP = Capital goods.

<sup>a</sup> Classified by economic use or purpose.

<sup>b</sup> Cumulative figures.

<sup>c</sup> With respect to the same period of the preceding year.

Table 4  
ECUADOR: NET INTERNATIONAL RESERVES

	Millions of dollars <sup>a</sup>			Absolute variation			
				1993		1994	
	1992	1993	1994	Month <sup>b</sup>	Year <sup>c</sup>	Month <sup>b</sup>	Year <sup>c</sup>
March	697	851	1 332	154	69	481	78
June	453	968	1 446	515	186	478	192
September	489	1 122		633	340		
December	782	1 254		472	472		

Source: Central Bank of Ecuador.

<sup>a</sup> Month-end balances.

<sup>b</sup> With respect to the same month of the preceding year.

<sup>c</sup> With respect to December of the preceding year.

Table 5  
ECUADOR: EXCHANGE RATES

	Average exchange rate (sucres per dollar)				Adjusted real exchange rate (index 1985=100) <sup>a</sup>			
	Managed floating rate		Floating rate		Managed floating rate		Floating rate	
	1993	1994	1993	1994	1993	1994	1993	1994
January	1 850.0	1 944.8	1 856.2	2 081.7	134.2	111.1	111.2	98.2
February	1 850.0	1 947.3	1 844.8	2 067.8	132.4	107.3	109.1	94.1
March	1 850.0	1 982.0	1 862.3	2 119.8	129.0	106.7	107.3	94.3
April	1 850.0	2 031.6	1 880.8	2 161.0	124.8	106.3	104.8	93.4
May	1 850.0	2 043.9	1 912.3	2 169.4	119.6	105.6	102.1	92.6
June	1 850.0	2 052.2	1 907.4	2 179.9	117.6	104.8	100.2	91.9
July	1 850.0	2 066.1	1 927.2	2 198.6	115.3	105.2	99.2	92.4
August	1 850.0	2 109.4	1 946.4		115.2	...	100.1	
September	1 827.4		1 951.1		111.2		98.1	
October	1 818.5		1 947.1		107.7		95.2	
November	1 850.1		1 977.5		107.9		95.2	
December	1 876.2		2 014.5		108.8		96.5	

Source: ECLAC, on the basis of figures from the Central Bank of Ecuador.

<sup>a</sup> Index of the nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index.

Table 6  
ECUADOR: CONSUMER PRICE INDEX  
(Percentage variation)

	1993			1994		
	Month	Year	12 Ms.	Month	Year	12 Ms.
January	3.2	3.2	58.4	1.8	1.8	29.1
February	1.7	5.0	55.8	4.0	5.8	32.0
March	3.0	8.1	56.1	2.6	8.6	31.6
April	3.6	12.0	53.6	3.0	11.9	30.8
May	4.5	17.1	54.8	1.4	13.4	26.9
June	1.8	19.2	52.2	1.5	15.1	26.5
July	1.2	20.7	50.0	0.6	15.8	25.7
August	0.4	21.2	46.2	1.5	17.6	27.1
September	2.6	24.3	35.6			
October	3.1	28.2	31.6			
November	1.6	30.3	32.3			
December	0.6	31.0	31.0			

Source: National Institute of Statistics and Censuses, INEC.

Table 7  
ECUADOR: MONETARY AGGREGATES  
(Percentage variation)<sup>a</sup>

	Money supply (M1)				Money issue			
	Year <sup>b</sup>		12 months <sup>c</sup>		Year <sup>b</sup>		12 months <sup>c</sup>	
	1993	1994	1993	1994	1993	1994	1993	1994
January	-12.6	-11.8	42.8	50.4	-11.6	-8.3	51.2	46.4
February	-7.6	-5.5	42.6	52.5	-6.6	-7.8	43.2	39.3
March	-5.0	-2.9	44.0	52.1	-9.3	0.3	44.0	56.0
April	1.6	-2.0	46.1	43.6	1.6	0.4	46.5	39.5
May	-0.7	-10.5	43.7	34.3	0.5	-2.1	45.9	37.5
June	6.3	2.6	41.4	43.8	-1.9	0.7	39.7	44.9
July	4.3	11.8	49.4	59.8	7.6	12.2	41.3	47.2
August	8.6		60.0		8.8		44.2	
September	12.2		52.2		14.0		49.4	
October	18.3		37.6		20.7		38.8	
November	23.4		42.7		18.7		38.8	
December	49.0		49.0		41.2		41.2	

Source: Central Bank of Ecuador.

<sup>a</sup> Percentage variation calculated with respect to month-end balances.

<sup>b</sup> With respect to December of the preceding year.

<sup>c</sup> With respect to the same month of the preceding year.

Table 8  
ECUADOR: MINIMUM LIVING WAGE AND EXTRA ALLOWANCES<sup>a</sup>  
(Index January 1990=100)

	Nominal minimum wage				Real minimum wage				
	Suces		Index		Index		Percentage variation		
	1993	1994	1993	1994	1993	1994	1994		
							Month	Year <sup>b</sup>	12 Ms. <sup>c</sup>
January	153 167	210 667	327.7	450.8	92.3	98.3	16.5	6.5	6.5
February	153 167	210 667	327.7	450.8	90.7	94.5	-3.9	5.4	4.2
March	153 167	210 667	327.7	450.8	88.1	92.1	-2.5	5.1	4.5
April	153 167	210 667	327.7	450.8	85.0	89.4	-2.9	5.1	5.2
May	153 167	210 667	327.7	450.8	81.4	88.2	-1.3	5.7	8.4
June	153 167	210 667	327.7	450.8	79.9	87.0	-1.4	6.2	8.9
July	173 667	277 334	371.6	593.4	89.5	113.1	30.0	9.2	26.4
August	173 667		371.6		89.2				
September	177 667		380.2		88.9				
October	177 667		380.2		86.2				
November	177 667		380.2		84.9				
December	177 667		380.2		84.4				

Source: ECLAC, on the basis of official figures.

<sup>a</sup> Private sector.

<sup>b</sup> Percentage variation of the cumulative average index with respect to the same period of the preceding year.

<sup>c</sup> With respect to the same month of the preceding year.

## MEXICO

The Mexican economy in 1994 was marked by the North American Free Trade Agreement (NAFTA) taking effect and by political factors which, although they introduced instability into financial markets, did not block a moderate recovery of output and a decline in inflation. GDP rose by 2% during the first half of the year in relation to the same period of the year before, after declining during the second half of 1993, while inflation over 12 months dropped in July to below 7%, its lowest level in more than 20 years. These advances were in contrast to the persistence of high costs for credit, a worsening of the problem of overdue portfolios, persistent high unemployment and underemployment rates, and a rapid widening of the trade gap.

The modest economic recovery was based on non-petroleum exports, driven by NAFTA entering into force, the reactivation of the United States economy, and the depreciation of the peso on the exchange market. Government spending ahead of schedule was also a favourable factor, in a context in which there was a fiscal surplus during the first half of the year.

Prudent management of public finances and efforts made through monetary policy to strengthen the inflow of capital from abroad in order to finance the growing deficit on the current account, along with the explicit contingent support of the Treasury of the United States for the Banco de México avoided, despite the huge outflow of capital during the February-July period, a critical weakening of Mexico's foreign currency position in the midst of a difficult pre-electoral scene. However, that strategy led to a notable rise in interest rates on deposits to around 10% in real terms, several points higher than they were at the end of 1993.

Weak domestic saving continued to result in a large deficit on the current account, which was financed largely with short-term foreign capital, attracted mainly by high domestic interest rates. It is predicted that the balance on current account will remain strongly negative, around 7% of GDP, owing to the substantial increase in the trade deficit and to higher foreign-debt servicing, as a result of the rise in interest rates in the United States.

Productive activity strengthened noticeably after a rather weak first quarter, but the results by sector were heterogeneous. The production of goods increased by 3% (as opposed to a 1% decline during the same period of 1993), under the impetus of a dynamic construction sector (6%).

Agricultural output rose sharply (12%) during the second quarter, in contrast to the considerable drop (-5%) during the same period of the previous year, but many producers continued to face problems, leading to a considerable rise in overdue portfolios, despite the various support measures adopted during the first half of the year, such as rescheduling overdue loans, lowering the prices of certain inputs, and tax breaks.

Manufacturing grew slightly, mostly during the second quarter. There were growth disparities between sectors, between large and small enterprises, and between enterprises oriented towards the domestic market and those producing rapid-growth export products. Metal products and machinery and equipment were high-growth sectors, mostly due to the upswing in automotive production for export. The basic metallurgical industry also showed extraordinary growth, largely as a result of greater demand from construction. Chemicals expanded mainly because of the recovery in the production of fertilizers. On the other hand, declines were recorded in the production of food, beverages and tobacco, textiles and clothing, wood and wood products, and printing and publishing, branches affected by weak domestic demand and a difficult adjustment to competition from imported products.

Basic services and finances performed well. Commerce, hotels and restaurants, and community, social and personal services all grew slightly.

The moderate recovery in production was not reflected in employment, to the point where open urban unemployment rose somewhat, to 3.6%. The manufacturing sector cut back jobs by 3% during the first five months of the year, while the inbond assembly industry (*maquila*) increased the number of jobs by 5%.

A rigorous monetary policy and the extension of the Stability, Competitiveness and Employment Pact (PECE) contributed to further progress in reducing inflation. However, a larger nominal depreciation of the interbank exchange rate, almost 8% between January and August, and the huge expansion of the monetary base would indicate that such progress is difficult to sustain. Once again, prices for tradables rose more moderately, by 3% (as opposed to 5% for non-tradables).

During the first half of the year, exports, including those from the *maquila* industry, increased by 16%, while imports rose by 19%, rates substantially higher than those of the same period the year before (12% and 7%, respectively). Thus, the trade deficit climbed to close to US\$ 8.9 billion.

The value of non-petroleum exports was especially dynamic (21%), particularly in the extractive industries (16%) and manufactures (26%). *Maquila* operations also showed strong growth (21%). Petroleum sales dropped by 12% during the first half of the year, mainly owing to the fall (-8%) in the average price for the different kinds of Mexican oil.

All the three large categories of imports accelerated considerably: both consumer goods and intermediate goods rose by 20%, while capital goods increased by 15%.

Foreign investment continued to increase during the first half of 1994. Direct investment (US\$ 3.3 billion) was 25% higher than in the same period of 1993, while over US\$ 3.7 billion were invested in the stock market, 44% more than the year before, despite the fact that the inflow weakened noticeably during the second quarter. Considerable amounts also continued to flow into the money market, usually through the purchase of government securities. Other long-term capital inflows, especially official indebtedness by PEMEX and development banks through the sale of bonds and direct credits, continued to rise. In turn, private enterprises' investments in international capital markets were led to adopt a wait-and-see attitude, given the uncertainty about the domestic situation.

Political upheavals, fluctuations of the dollar in relation to the currencies of Europe and Japan, the rise in interest rates in the United States, and uncertainty connected with the Presidential election all contributed to a highly volatile domestic financial market. Even so, the active participation of the Central Bank in open market operations, the nominal depreciation of the peso, the announcement of reciprocal credit agreements for US\$ 6 billion with the United States and Canada, and the renewal of the Stability, Competitiveness and Employment Pact prevented a critical weakening of the position of the country's balance of payments. International reserves eroded by several billion dollars, a loss that has already been mostly recovered, according to official statements.

Since March, the downward trend in the annualized nominal yield on 28-day treasury certificates (CETES) turned around and the yield almost doubled in less than a month, remaining around 17% up to mid-August. Thus, the annualized yield was more than 10% in real terms, trebling the average during the first quarter of the year.

Between February and April, the exchange rate depreciated by around 8%, reaching the top of the floatation band. Likewise, the strong upsurge in the nominal stock index of the Mexican stock market came to a halt in April and its subsequent stagnation left it in mid-July at a level 25% below its historical high reached in February. During this process, the composition of government securities shifted towards TESOBONOS, the only ones denominated in dollars and which obligate the Federal government to pay them at the free exchange rate

when they come due; their annualized nominal yield doubled, settling in a range of 7% to 8%. By June 1994, TESOBONOS already comprised more than a third of all government securities, whereas 12 months earlier they represented less than 1%. Preliminary information indicates that, excluding the holdings of the Banco de México, close to 66% of all government securities are in the hands of non-residents, as are more than 75% of the TESOBONOS.

The strength and flexibility shown by the institutional system in the face of political disturbances produced by the general elections improved the financial and stock-market climate at the end of the first half of the year. The nominal stock index began to climb sharply in the third week of July and by the end of August was 10% above its level at the beginning of the year. At that time, the rate on CETES was 13.5%, and the exchange rate was declining from its maximum limit, which led the Banco de México to raise the floor of its floatation band from 3.05 to 3.25 new pesos to the dollar, in order to limit the revaluation of the local currency.

In June, the monetary base recorded a real annualized increase of 11% (versus a 6% decline during the same period of 1993), a reflection of the substantial rise in the holdings of government securities by the Banco de México. From December 1993 to June 1994, private deposits were virtually stagnant. Only the money market was able to maintain its dynamism, increasing deposits by 13% in real terms.

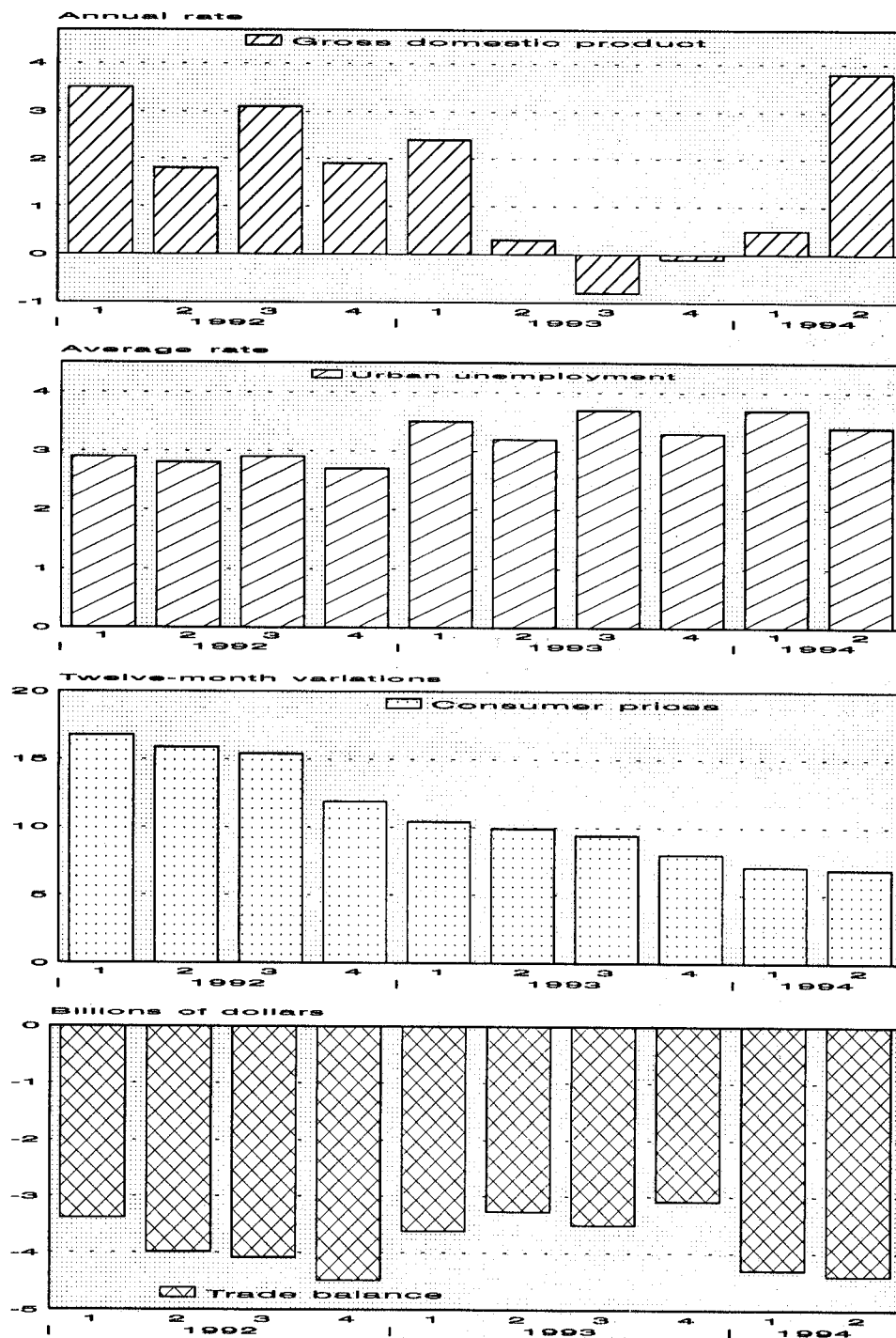
Commercial bank loans grew by 14%, a rate substantially below that of the corresponding period of the previous year. Overdue commercial bank loans in June amounted to 35% more than a year before, which led to a contraction of more than 15% in real terms in bank profits during the first half of 1994. In September, intervention was required in respect of two financial institutions owing to an undue concentration of credit.

In accordance with the Stability, Competitiveness and Employment Pact, fiscal policy sought to stimulate economic growth in the framework of a balanced budget. Thus, the public sector's financial surplus during the first half of the year fell to less than half a point of GDP.

Federal physical investment almost doubled during the first half of the year with respect to the same period of 1993. Current spending also rose in real terms (17%), owing to a raise above the inflation rate in the salaries of schoolteachers and the wages and salaries of all other civil servants.

The Federal government's real income rose by 2%, owing to a rise in tax revenues (5%), although non-tax revenues fell by 8%. Income from the value added tax (VAT) increased by 7%, thanks in part to VAT owed payments made by PEMEX. Income from special taxes on production and services also increased substantially. The jump in imports produced a 9% increase in real terms in duties. On the other hand, income tax revenues declined by 1%, mainly owing to measures adopted at the end of 1993.

**Figure 1**  
**MEXICO: QUARTERLY EVOLUTION OF THE MAIN ECONOMIC INDICATORS**



Source: ECLAC, on the basis of official data.

Table 1  
**MEXICO: QUARTERLY GROSS DOMESTIC PRODUCT <sup>a</sup>**  
(1980 = 100)

	1993					1994 <sup>b</sup>	
	I	II	III	IV	Year	I	II
<b>Total</b>	<b>2.4</b>	<b>0.3</b>	<b>-0.8</b>	<b>-0.1</b>	<b>0.4</b>	<b>0.5</b>	<b>3.8</b>
Agriculture, forestry and fishing	3.5	-5.2	10.5	-0.3	1.8	-3.7	12.0
Mining	-1.6	2.0	-0.6	4.7	1.1	3.8	1.1
Manufacturing	1.3	-0.9	-4.7	-1.6	-1.5	-1.9	4.4
Construction	7.4	2.0	-0.6	3.5	3.1	3.9	8.0
Electricity, gas and water	3.3	5.4	4.4	2.4	3.9	4.5	7.3
Transport, storage and communications	4.2	2.0	1.6	1.5	2.4	4.1	9.0
Commerce, restaurants and hotels	2.2	-0.2	-4.1	-2.4	-1.2	-0.3	1.4
Financial services, insurance and real estate	4.3	5.2	5.4	4.7	4.9	4.2	4.4
Community, social and personal services	1.6	1.1	0.7	0.8	1.1	1.1	0.5

Source: ECLAC, on the basis of official data.

<sup>a</sup> Percentage variation with respect to the same period of the preceding year. <sup>b</sup> Preliminary figures.

Table 2  
**MEXICO: PRODUCTION BY SECTORS**  
(Percentage variations) <sup>a</sup>

	Total	Mining	Manufactures				Construction	Electricity
			Total	Consumer goods	Intermediate goods	Capital goods		
<b>1993</b>								
January	2.9	-0.6	1.2	2.0	1.0	-12.0	12.8	2.2
February	1.8	-1.8	1.1	2.2	0.0	-3.8	7.5	2.6
March	2.0	-1.6	1.3	3.1	0.1	-3.3	7.4	3.3
April	2.1	-0.8	1.3	3.3	0.3	-1.9	6.7	4.0
May	1.7	-0.1	0.9	2.0	0.6	-2.7	5.5	4.5
June	1.1	0.2	0.2	1.3	0.2	-3.8	4.7	4.4
July	0.1	-0.1	-1.0	-0.4	-0.7	-4.7	4.0	4.7
August	-0.1	-0.5	-1.1	-0.5	-1.3	-4.6	3.4	4.4
September	-0.4	-0.1	-1.4	-0.9	-1.6	-4.4	2.9	4.4
October	-0.7	0.1	-1.9	-1.3	-2.1	-4.2	2.6	4.1
November	-0.6	0.7	-1.8	-1.2	-2.2	-2.6	2.8	3.9
December	-0.2	1.1	-1.4	-1.3	-1.9	0.2	3.1	3.9
<b>1994</b>								
January	0.9	6.9	-0.9	-1.2	1.3	7.2	3.6	3.8
February	1.1	5.2	-0.4	-1.0	0.9	4.3	4.1	3.6
March	0.2	4.2	-1.6	-1.8	-0.1	0.5	4.1	4.6
April	1.7	3.6	0.5	0.2	1.6	2.3	5.1	5.3
May	2.0	2.9	0.8	0.3	1.8	2.2	5.6	5.6

Source: ECLAC, on the basis of figures supplied by the National Institute of Statistics, Geography and Information Sciences.

<sup>a</sup> Of the cumulative average index with respect to the same period of the preceding year.

Table 3  
MEXICO: EMPLOYMENT AND UNEMPLOYMENT

	1992				1993				1994 <sup>a</sup>	
	I	II	III	IV	I	II	III	IV	I	II
<b>Percentages of the EAP of 37 urban areas<sup>b</sup></b>										
Total open unemployment (TOU) <sup>c</sup>	2.9	2.8	2.9	2.7	3.5	3.2	3.7	3.3	3.7	3.4
Part-time employment and unemployment (PTEU1) <sup>d</sup>	6.8	6.7	6.2	6.3	7.6	7.4	7.8	8.0	8.1	7.9
Insufficient income and unemployment (IIU) <sup>e</sup>	12.0	11.2	10.4	9.8	13.0	12.4	12.3	11.8	11.4	11.5
Part-time employment of less than 35 hrs/week and unemployment (PTEU2) <sup>f</sup>	22.3	23.6	18.6	21.8	23.5	23.5	21.4	23.7	22.4	23.9

Source: ECLAC, on the basis of figures supplied by the National Institute of Statistics, Geography and Information Sciences (INEGI) and the Mexican Social Security Institute.

<sup>a</sup> Preliminary figures. <sup>b</sup> The economically active population (EAP), as defined by INEGI, includes all persons aged 12 and over who carried out some type of economic activity (employed population) or actively sought to do so (openly unemployed population) in the two months prior to the reference week of the urban employment survey conducted in 37 urban areas. In 1992, INEGI began to publish the results of the urban employment survey for 34 urban areas. <sup>c</sup> TOU = The percentage of unemployed out of the total EAP, with or without work experience, that were not earning wages or self-employed during the reference week; i.e., that were working between zero and less than one hour a week, were available for employment and had taken steps to seek employment in the eight weeks prior to the reference period. <sup>d</sup> PTEU1 = TOU plus the percentage of the EAP working less than 15 hours a week during the reference week. <sup>e</sup> IIU = TOU plus the percentage of the employed EAP with income of less than the minimum wage. <sup>f</sup> PTEU2 = TOU plus the percentage of the employed EAP working less than 35 hours a week.

Table 4  
MEXICO: PRICE INDEXES  
(Percentage variations)

	Consumer price index						Wholesale price index <sup>a</sup>					
	1993			1994			1993			1994		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	1.3	1.3	11.3	0.8	0.8	7.5	1.2	1.2	10.3	0.8	0.8	7.0
February	0.8	2.1	10.9	0.5	1.3	7.2	0.9	2.1	10.0	0.4	1.2	6.4
March	0.6	2.7	10.4	0.5	1.8	7.1	0.6	2.7	9.5	0.6	1.8	6.4
April	0.6	3.3	10.1	0.5	2.3	7.0	0.6	3.3	9.3	0.6	2.5	6.4
May	0.6	3.9	10.0	0.5	2.8	6.9	0.7	4.1	9.4	0.6	3.1	6.4
June	0.6	4.4	9.9	0.5	3.3	6.9	0.6	4.7	9.3	0.5	3.7	6.3
July	0.5	4.9	9.7	0.4	3.8	6.8	0.4	5.1	8.8	0.6	4.3	6.5
August	0.5	5.5	9.6	0.5	4.3	6.8	0.5	5.6	8.6			
September	0.7	6.3	9.4				0.5	6.2	8.6			
October	0.4	6.7	9.1				0.2	6.4	8.1			
November	0.4	7.2	8.7				0.4	6.8	7.7			
December	0.8	8.0	8.0				0.7	7.5	7.5			

Source: ECLAC, on the basis of figures supplied by the Banco de México.

<sup>a</sup> In Mexico City.

**Table 5**  
**MEXICO: NOMINAL AND REAL WAGE INDEXES**

	Indexes <sup>a</sup>				Percentage variation in real wages <sup>b</sup>	
	Nominal		Real		Minimum wage <sup>c</sup>	Manufacturing sector wage
	Minimum wage <sup>c</sup>	Manufacturing sector wage	Minimum wage <sup>c</sup>	Manufacturing sector wage		
<b>1993</b>						
January	12 620	223.1	36.6	117.6	-2.1	10.7
February	12 620	226.1	36.3	118.4	-1.9	10.1
March	12 620	239.3	36.1	124.8	-1.6	12.6
April	12 620	237.3	36.0	123.1	-0.8	7.9
May	12 620	238.0	35.7	122.7	-1.4	6.0
June	12 620	243.0	35.5	124.5	-1.4	7.8
July	12 620	244.3	35.3	124.5	-1.4	5.3
August	12 620	245.9	35.2	124.7	-1.1	6.8
September	12 620	250.1	35.0	126.1	-1.1	6.7
October	12 620	250.8	34.9	126.1	-0.6	6.0
November	12 620	257.9	34.7	128.9	0.0	8.4
December	12 620	362.7	34.4	179.5	0.6	7.2
<b>1994</b>						
January	13 499	256.3	36.4	126.0	-0.5	7.1
February	13 499	253.0	36.3	123.8	-	4.6
March	13 499	269.5	36.2	131.1	0.3	5.0
April	13 499	262.8	36.0	127.2	-	3.3
May	13 499		35.8		0.3	
June	13 499		35.5		-	

Source: ECLAC, on the basis of figures supplied by the Banco de México and the National Institute of Statistics, Geography and Information Sciences (INEGI).

<sup>a</sup> Base for minimum index is 1978=100; base for manufacturing sector wage index is 1989=100. <sup>b</sup> Variation with respect to the same month of the preceding year. <sup>c</sup> Minimum wage excludes benefits.

**Table 6**  
**MEXICO: TRADE BALANCE <sup>a</sup>**

	Millions of dollars						Percentage variation <sup>b</sup>			
	Exports F.O.B.		Imports F.O.B.		Balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
<b>1993</b>										
January	3 491	3 491	4 616	4 616	-1 125	-1 125	10.1	10.1	8.3	8.3
February	3 824	7 315	5 052	9 668	-1 228	-2 353	13.9	12.1	13.0	10.7
March	4 454	11 769	5 717	15 385	-1 263	-3 615	10.2	11.3	9.6	10.3
April	4 131	15 900	5 190	20 575	-1 059	-4 674	11.6	11.4	4.9	8.9
May	4 125	20 026	5 200	25 775	-1 075	-5 749	9.8	11.1	2.6	7.6
June	4 790	24 816	5 929	31 704	-1 139	-6 888	16.3	12.0	6.9	7.4
July	4 152	28 968	5 537	37 242	-1 385	-8 274	7.6	11.4	1.1	6.4
August	4 219	33 187	5 286	42 528	-1 067	-9 341	9.4	11.1	5.9	6.4
September	4 447	37 634	5 503	48 030	-1 056	-10 396	11.1	11.1	3.2	6.0
October	4 924	42 558	5 705	53 736	-782	-11 178	14.1	11.5	-1.1	5.2
November	4 649	47 207	5 732	59 468	-1 083	-12 261	18.8	12.1	6.8	5.4
December	4 679	51 886	5 899	65 367	-1 220	-13 481	14.2	12.3	3.8	5.2
<b>1994</b>										
January	4 090	4 090	5 552	5 552	-1 462	-1 462	17.2	17.2	20.3	20.3
February	4 531	8 621	6 036	11 588	-1 505	-2 967	18.5	17.9	19.5	19.9
March	5 155	13 776	6 485	18 073	-1 330	-4 297	15.7	17.1	13.4	17.5
April	4 646	18 422	6 074	24 147	-1 428	-5 725	12.5	15.9	17.0	17.4
May	5 083	23 505	6 607	30 754	-1 524	-7 249	23.2	17.4	27.0	19.3
June	5 328	28 833	6 937	37 691	-1 609	-8 858	11.2	16.2	17.0	18.9

Source: ECLAC, on the basis of figures from the Banco de México.

<sup>a</sup> Includes inbound assembly industry (*maquila*). <sup>b</sup> With respect to the same period of the preceding year.

Table 7  
MEXICO: EXPORT STRUCTURE <sup>a</sup>  
(Cumulative figures)

	Millions of dollars										Percentage variation <sup>b</sup>	
	Oil		Non-oil								Oil	Non-oil
			Total		Agricultural		Mining		Manufacturing			
	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994		
	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994		
January	604	511	2 887	3 579	292	250	23	38	2 572	3 291	-15.4	24.0
February	1 183	987	6 132	7 634	617	644	46	61	5 469	6 930	-16.6	24.5
March	1 868	1 503	9 902	12 272	976	1 046	76	91	8 860	11 135	-19.5	23.9
April	2 527	2 090	13 374	16 331	1 240	1 302	101	116	12 043	14 913	-17.3	22.1
May	3 191	2 745	16 835	20 759	1 460	1 521	128	143	15 264	19 095	-14.0	23.3
June	3 838	3 408	20 978	25 423	1 620	1 682	147	171	19 228	23 570	-11.2	21.2
July	4 466		24 501		1 744		175		22 600			
August	5 091		28 097		1 862		196		26 056			
September	5 696		31 938		1 958		220		29 778			
October	6 345		36 212		2 095		244		33 891			
November	6 912		40 295		2 279		270		37 764			
December	7 418		44 468		2 504		295		41 685			

Source: ECLAC, on the basis of figures from the Banco de México.

<sup>a</sup> Includes inbond assembly industry (*maquila*). <sup>b</sup> Cumulative 1994 variation with respect to the same period of the preceding year.

Table 8  
MEXICO: EXPORT STRUCTURE <sup>a</sup>  
(Cumulative figures)

	Millions of dollars						Percentage variation <sup>b</sup>		
	Consumer goods		Intermediate goods		Capital goods		Con- sumer goods	Inter- mediate goods	Ca- pital goods
	1993	1994	1993	1994	1993	1994			
January	521	616	3 255	3 981	839	955	18.1	22.3	13.8
February	1 115	1 290	6 824	8 352	1 728	1 946	15.6	22.4	12.6
March	1 799	2 067	10 915	12 964	2 671	3 041	14.9	18.8	13.9
April	2 457	2 831	14 528	17 218	3 589	4 098	15.2	18.5	14.2
May	3 010	3 615	18 241	21 966	4 523	5 174	20.1	20.4	14.4
June	3 678	4 418	22 531	26 949	5 495	6 325	20.1	19.6	15.1
July	4 334		26 466		6 441				
August	4 976		30 221		7 331				
September	5 617		34 202		8 212				
October	6 323		38 281		9 132				
November	7 077		42 373		10 018				
December	7 842		46 468		11 056				

Source: ECLAC, on the basis of figures from the Banco de México.

<sup>a</sup> Includes inbond assembly industry (*maquila*). <sup>b</sup> Cumulative 1994 variation with respect to the same period of the preceding year.

**Table 9**  
**MEXICO: EXCHANGE RATE**

	Inter-bank exchange rate <sup>a</sup> (new pesos per dollar)			Adjusted real exchange rate (index 1985=100) <sup>b</sup>		
	1992	1993	1994 <sup>c</sup>	1992	1993	1994
January	3.07	3.10	3.10	67.0	62.7	59.8
February	3.06	3.09	3.12	66.2	62.3	60.0
March	3.06	3.10	3.29	65.8	62.3	63.1
April	3.07	3.09	3.35	65.5	61.9	64.0
May	3.10	3.12	3.30	65.8	62.1	62.9
June	3.12	3.12	3.36	66.0	61.8	63.9
July	3.11	3.12	3.40	65.6	61.6	64.5
August	3.08	3.11		64.8	61.2	
September	3.08	3.11		64.4	61.0	
October	3.12	3.11		65.0	61.0	
November	3.11	3.14		64.4	61.3	
December	3.11	3.10		63.4	60.2	

Source: ECLAC, on the basis of figures supplied by the Banco de México and the International Monetary Fund, *International Financial Statistics*.

<sup>a</sup> Exchange rate used in wholesale transactions between banks, exchanges, private money-exchange offices and important firms or clients. <sup>b</sup> Index of nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index. <sup>c</sup> As of 1993, 1 new peso equals 1,000 pesos. For the sake of consistency, the figures for 1992 are expressed in new pesos.

**Table 10**  
**MEXICO: MAIN OPERATIONS OF THE CONSOLIDATED PUBLIC SECTOR <sup>a</sup>**  
(Cumulative figures in millions of new pesos)

	Income			Expenditure			Result <sup>c</sup>
	Total	Federal government	PEMEX <sup>b</sup>	Total	Federal government	PEMEX <sup>b</sup>	
<b>1993</b>							
March	70 835	47 337	6 348	64 655	42 679	6 294	6 180
June	143 854	96 612	12 865	130 915	87 874	11 595	12 939
September	218 701	142 360	21 666	204 484	135 122	19 388	14 217
December	298 211	192 827	28 508	289 968	188 671	27 650	8 243
<b>1994</b>							
March	77 551	52 002	6 041	77 029	53 610	6 360	522
June	159 014	105 314	14 440	153 589	107 082	12 599	5 425
<b>Percentage variations <sup>d</sup></b>							
<b>1993</b>							
March	13.4	15.0	12.3	15.2	18.3	-5.8	
June	12.8	13.5	8.7	15.7	21.9	-13.1	
September	8.6	5.9	13.4	14.7	18.4	-3.6	
December	8.6	6.9	8.0	12.2	14.8	-2.9	
<b>1994</b>							
March	9.5	9.9	-4.8	19.1	25.6	1.0	
June	10.5	9.0	12.2	17.3	21.9	8.7	

Source: ECLAC, on the basis of figures from the National Institute of Statistics, Geography and Information Sciences (INEGI) and the Ministry of Finance and Public Credit.

<sup>a</sup> Excludes extraordinary income from the sale of Teléfonos de México (TELMEX) and State banks. <sup>b</sup> Net income and expenditure from payments of taxes and charges. <sup>c</sup> Includes differences in sources of financing; therefore, it does not always reflect the difference between income and expenditure. <sup>d</sup> With respect to the same period of the preceding year.

Table 11  
MEXICO: MONETARY AGGREGATES  
(Balance at end of period)

	Billions of new pesos					Percentage variation <sup>a</sup>				
	Monetary base	M1	M2	M3	M4	Monetary base	M1	M2	M3	M4
<b>1992</b>										
December	45.5	126.5	324.1	375.6	465.0	14.4	15.1	20.4	18.0	19.9
<b>1993</b>										
January	39.3	121.2	325.7	385.6	478.3	12.2	14.4	23.0	22.7	23.5
February	37.9	122.1	326.5	387.2	481.1	10.6	17.2	23.1	22.7	23.2
March	36.4	119.8	327.1	392.8	489.3	5.2	16.7	21.0	25.3	24.8
April	36.9	119.6	336.8	405.7	502.9	1.8	14.5	23.2	27.1	26.0
May	38.2	123.2	344.4	412.7	512.3	5.6	14.2	26.1	28.4	26.5
June	37.7	126.3	346.9	420.2	522.8	3.2	16.0	25.3	32.8	28.5
July	38.5	126.8	349.0	425.1	529.8	2.8	17.8	27.3	31.0	27.8
August	37.1	125.9	344.5	423.0	534.0	4.7	17.5	23.5	27.6	29.5
September	37.1	125.9	348.0	430.7	541.9	9.6	19.6	22.7	27.8	29.8
October	39.0	130.0	352.4	437.9	553.4	6.9	12.9	17.4	25.0	28.4
November	40.1	132.6	364.9	436.3	557.0	6.4	11.9	18.8	21.9	26.1
December	49.5	148.9	370.9	463.9	591.8	8.6	17.7	14.4	23.5	27.3
<b>1994</b>										
January	44.4	144.8	366.3	463.7	596.3	12.9	19.4	12.5	20.3	24.7
February	43.8	144.7	366.1	474.9	609.5	15.4	18.5	12.2	22.6	26.7
March	47.1	144.0	380.4	479.9	614.8	29.2	20.3	16.3	22.1	25.6
April	43.1	136.9	390.4	471.3	602.2	16.7	14.5	15.9	16.2	19.8
May	44.9	138.4	392.2	482.1	613.6	17.5	12.4	13.9	16.8	19.8
June	45.3	139.7	399.4	492.6	624.6	20.1	10.6	15.1	17.2	19.5

Source: ECLAC, on the basis of figures supplied by the Banco de México.

Note: M1 = Currency plus local and foreign currency demand deposit accounts. M2 = M1 plus negotiable bank paper with a term of up to one year and banker's acceptances. M3 = M2 plus negotiable non-bank paper with a term of up to one year (Treasury certificates, federal government bonds, development bonds and commercial paper), M4 = M3 plus long-term financial instruments (over one year), PEMEX bonds, etc.

<sup>a</sup> With respect to the same month of the preceding year.

Table 12  
MEXICO: ANNUAL INTEREST RATES ON DEPOSITS  
(Percentages)

	Average cost of procuring funds			Time deposits 30 to 85 days			Treasury certificates 90 days		
	1992	1993	1994	1992	1993	1994	1992	1993	1994
January	19.0	22.8	13.2	13.8	17.9	9.3	15.8	18.3	10.8
February	18.2	22.7	12.0	13.4	18.2	8.4	15.1	18.8	9.8
March	16.6	21.3	11.5	10.7	17.7	8.5	11.7	18.0	10.3
April	15.8	20.2	14.2	10.5	16.6	13.9	11.9	16.7	15.9
May	15.6	19.8	17.0	11.8	16.4	16.2	13.1	16.3	17.4
June	16.0	18.7	17.2	13.1	15.6	15.8	14.8	15.9	16.7
July	18.1	17.4	17.8	15.0	14.4	17.0	14.7	17.4	17.4
August	19.5	16.9		15.2	13.6		17.3	14.1	
September	20.2	16.2		16.6	13.3		18.6	14.1	
October	21.9	15.6		18.2	13.0		19.5	13.6	
November	21.8	16.6		17.9	13.0		18.2	13.7	
December	22.8	14.7		17.8	11.0		17.5	11.7	

Source: ECLAC, on the basis of figures from the Banco de México.

## PERU

During the first half of 1994, Peru's economy continued to recover from its long recession, in a context of greater social stability and a considerable inflow of foreign capital, mainly via the privatization of public enterprises. Inflation once again declined substantially, owing to tight monetary management and persistence in applying fiscal adjustment measures.

The seasonally-adjusted output index expanded during the first two quarters by nearly 12% in relation to the same period of the preceding year, driven mainly by construction and the upsurge in the fisheries sector, both of which grew by around 30%. Agriculture, manufacturing and commerce also grew rapidly, by about 15%. Formal employment, however, did not keep pace with the vigorous recovery of GDP; only the services sector showed a significant increase (4%) in employment.

Construction boomed in the first quarter, while the tremendous expansion of the fisheries sector was due to the anchovy catch, enlarged by the presence of huge schools along the coast. Also influential in this expansion were the modernization of fishing fleets and the improvement and enlargement of processing plants, with investments from Norway, Denmark and Chile. Good weather conditions provided enough water to increase plantings of potatoes, rice, sugar cane, coffee and cotton, all key crops for the agricultural sector. Producers of intermediate goods performed well in the manufacturing sector. The decline in mining in relation to its output at the end of 1993 reflected a drop in metal and crude oil production, but the surge in foreign investment promises to help the sector recover during the second half of the year.

The annualized rate of increase in consumer prices, which had reached 40% last December, dropped to 21% in August. During the first months of the year, the index was pushed upward by some short-term factors, especially the seasonal rise in food prices and the adjustment of electricity rates, which were raised by 22% during the first half of the year in order to cover, by the end of 1994, the long-term marginal cost involved in providing this service.

These pressures were largely offset by the maintenance of monetary and exchange-rate policies. In the framework of a floating rate with intervention by the Central Bank, the average monthly devaluation rate during the first seven months was less than 0.5%. Thus, the real exchange rate (deflated by the CPI and adjusted by inflation in the United States) in July was 6% lower than in December, prolonging the downward trend observed since the second half of 1993. Money issuance increased by 33% during the 12 months ending in July, closely following the pattern of nominal output, although it will have to contract during the second half of the year in order to ensure compliance with the target of an overall expansion of 20% in 1994.

The result was that the average monthly inflation rate declined from 2% during the first quarter to only 1% during the second. This raised the expectations of economic agents and facilitated the remonetization of the economy, pushing up the M1/GDP coefficient by one percentage point, thereby preventing the 36% increase in the money supply during the first two quarters (83% annualized) from generating inflationary pressure. The annualized rate of expansion of quasi-money in local currency, which had fallen far behind the rate of expansion of foreign-currency deposits, rose to nearly 80%, while foreign-currency deposits levelled off; this points to greater confidence in the local currency and in the stability of prices.

The increase in monetary creation was much less than that of international reserves resulting from the massive inflow of external resources through privatizations. A considerable proportion of the monetary expansion derived from foreign-exchange purchases was sterilized by the sale of Central Bank bonds and an increase in public-sector deposits in the Banco de la

Nación; this contracted domestic credit by the equivalent of 960 million new soles. In this context, although the real domestic interest rate on loans continued to fall, it was still very high (38% a year) during the second quarter. Conversely, the real rate on deposits remained at 9%, having reached that level in the last quarter of 1993. As for the interest rate on foreign-currency loans, which comprise 80% of all loans, the commercial bank average during the first half of the year remained at 16%, or 10% higher than the rate on deposits. These onerous differentials reveal the high operational costs of Peruvian banks.

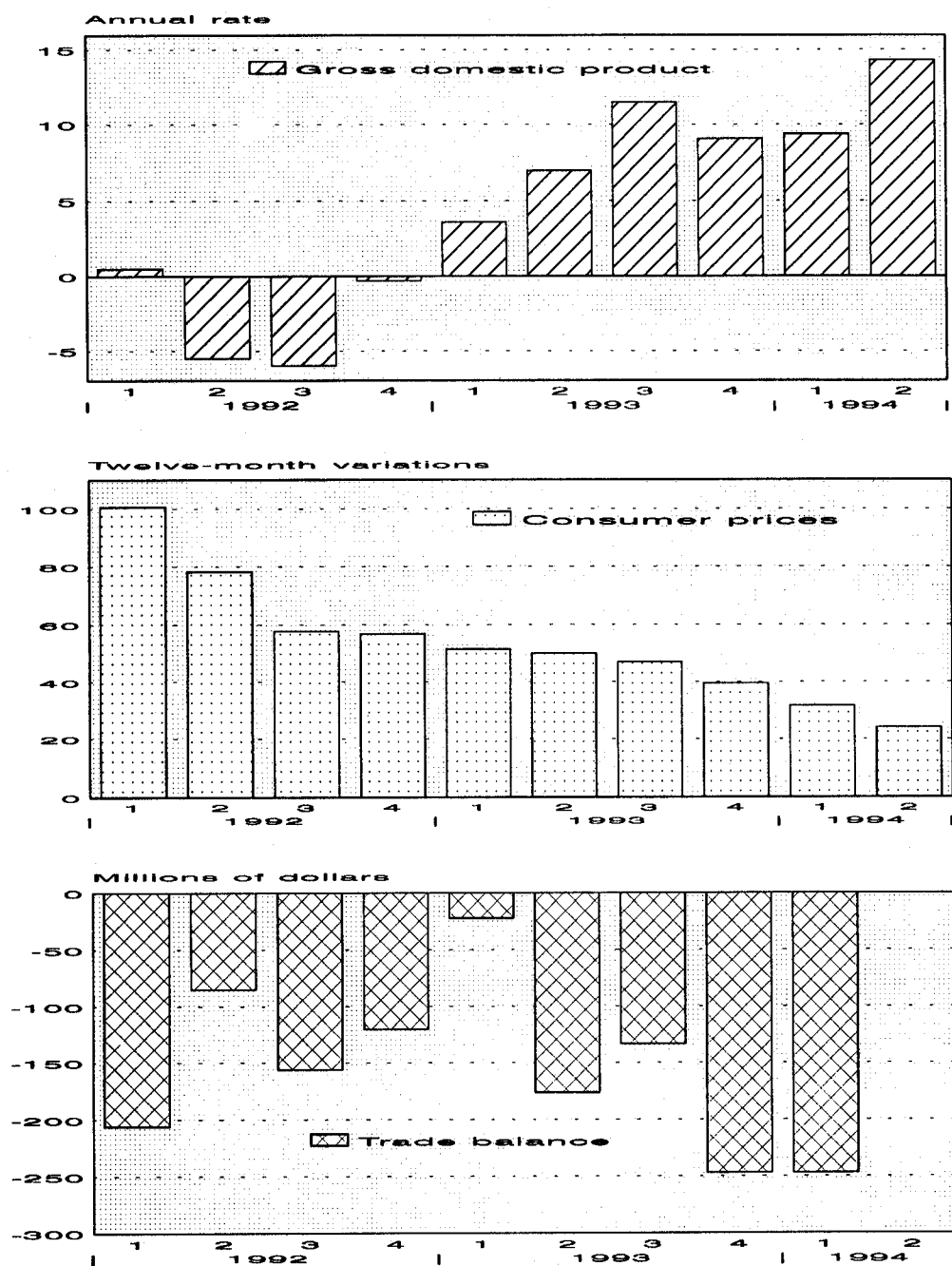
Monetary management was supported by a tight fiscal policy. The non-financial public sector ended the first six months of 1994 with a surplus, even if revenues from privatizations are excluded. The central Government had agreed with the International Monetary Fund to raise its current revenues from 10.5% to 11.4% of GDP by broadening the tax base and improving administration and management. The sum of US\$ 250 million out of the revenues from privatizations is earmarked for government social investments and structural reforms.

Payments in 1994 for privatizations carried out during the second half of 1993 and the first part of this year have substantially increased the public sector's external resources. The sale of the National Telecommunications Corporation (ENTEL) and the Peruvian Telephone Company (CPT) alone brought the Government US\$ 1.3 billion in the second quarter, while another US\$ 600 million will be subscribed as additional capital of CPT. That kind of income carries the risk of increasing public spending, which would endanger monetary expansion targets and lead to further deterioration of the exchange rate. In order to avoid that threat, the Government agreed with the IMF in June to allocate any income over US\$ 626 million to payments on the external debt, which are subject to high interest rates, and to the implementation of the projects with high social impact (highway construction and maintenance and infrastructure in rural areas) agreed upon with the World Bank and the Inter-American Development Bank (IDB), whose loans to Peru will not be used this year. The Government plans to privatize 37 public enterprises by the end of the year, including four cement producers, mining and metallurgical complexes (Mineroperú and Centromín), fishing (Pescaperú) and electric (Electrolima and Electroperú) companies, as well as ports, airports, railroads and banks.

The trade balance at the end of the first quarter showed a deficit of some US\$ 250 million. Imports rose to US\$ 1,170 million, or 30% higher than in the first quarter of 1993, led by capital goods. Sales abroad increased much more slowly (5%), reaching just over US\$ 920 million, based on an upswing in international prices for mineral and petroleum exports and on an increase in the volume of fish-meal exports.

Peru's external debt at the end of the first quarter remained in the US\$ 22 billion range. The scheduled payment of part of the country's debt with international commercial banks will enable Peru to renegotiate its external debt with these banks towards the end of the year. During the first quarter, a bilateral agreement to restructure debts with Canada's Export Development Corporation was concluded, and the Swiss Government's cancellation of US\$ 133 million in debt was formalized. Regulations were issued on the use of external public debt paper in the privatization of public enterprises; the former can be used to pay up to 90% of the base price set in auction sales of these enterprises.

**Figure 1**  
**PERU: QUARTERLY EVOLUTION OF THE MAIN ECONOMIC INDICATORS**



Source: ECLAC, on the basis of official figures.

Table 1  
**PERU: GROSS DOMESTIC PRODUCT**  
(Percentage variations)

	Index August 1990=100 <sup>a</sup>						1994			
	1993				1994		12 months <sup>b</sup>		Year <sup>c</sup>	
	I	II	III	IV	I	II	I	II	I	II
<b>Total</b>	<b>116.8</b>	<b>119.1</b>	<b>121.4</b>	<b>127.8</b>	<b>127.8</b>	<b>136.1</b>	<b>9.4</b>	<b>14.3</b>	<b>-</b>	<b>6.5</b>
Agriculture	101.4	99.4	109.0	114.3	110.4	124.6	8.8	25.3	-3.5	9.0
Fishing	142.7	171.0	85.4	157.6	181.7	236.6	27.3	38.4	15.3	50.1
Mining	96.1	98.4	105.6	106.1	100.3	104.8	4.3	6.5	-5.5	-1.3
Manufacturing	128.5	132.4	129.5	143.0	144.3	155.2	12.3	17.2	0.9	8.6
Construction	199.7	159.0	210.0	215.7	254.4	208.3	27.4	31.0	17.9	-3.4
Commerce	137.8	149.9	139.8	147.5	156.9	174.1	13.8	16.1	6.4	18.0
Other	118.7	126.2	125.4	130.0	126.8	139.4	6.8	10.5	-2.5	7.3

Source: ECLAC, on the basis of figures supplied by the National Institute of Statistics and Informatics and the Central Reserve Bank of Peru.

<sup>a</sup> Quarterly averages seasonally adjusted. <sup>b</sup> Variation with respect to the same period of the preceding year. <sup>c</sup> Variation with respect to the final quarter of 1993.

Table 2  
**PERU: AGRICULTURAL PRODUCTION**

	Thousands of metric tons						Percentage variation <sup>a</sup>		
	1993				1994		1993	1994	
	I	II	III	IV	I	II		I	II
<b>Crop-farming</b>									
Potatoes	244	808	234	188	290	985	49.1	18.9	21.9
Rice	126	281	404	139	149	758	14.8	18.4	170.1
Cotton	9	43	40	5	23	95	-10.2	150.0	120.8
Maize	83	223	283	196	112	259	53.9	34.3	16.1
Sugar	979	703	1 229	1 496	1 212	1 074	-7.0	23.8	52.8
Coffee	10	55	19	2	5	66	0.6	-52.5	19.6
Wheat	1	38	52	17	2	38	47.1	50.0	1.6
<b>Stock-raising</b>									
Poultry	70	70	80	83	84	81	-5.5	20.0	15.5
Beef	25	26	27	26	25	26	-5.4	-1.2	-1.9
Pork	19	19	19	19	19	19	4.0	1.6	1.6
Mutton	5	5	5	5	4	5	-4.6	-4.4	-2.1
Milk	206	204	191	203	207	207	4.5	-0.4	1.9
Eggs	26	27	27	27	27	28	0.3	2.3	3.7

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru.

<sup>a</sup> With respect to the same period of the preceding year.

**Table 3**  
**PERU: INDUSTRIAL PRODUCTION**  
(Percentage variations)

	Index August 1990=100			1993			1994		
	1992	1993	1994	Month	12 Ms. <sup>a</sup>	Year <sup>b</sup>	Month	12 Ms. <sup>a</sup>	Year <sup>b</sup>
January	134.3	129.4	146.9	-9.6	-3.6	-3.6	-3.6	13.5	13.5
February	120.3	114.3	125.9	-11.7	-5.0	-4.3	-14.3	10.1	11.9
March	129.0	141.8	160.1	24.0	9.9	0.5	27.2	12.9	12.3
April	119.3	133.6	162.8	-5.8	12.0	3.2	1.7	21.9	14.8
May	125.6	130.1	154.5	-2.6	3.6	3.3	-5.1	18.8	15.6
June	121.6	133.5	148.5	2.6	9.7	4.3	-3.9	11.3	14.8
July	115.3	131.2		-1.7	13.8	5.6			
August	117.1	129.9		-1.1	10.9	6.2			
September	116.4	127.5		-1.8	9.5	6.6			
October	124.8	127.6		0.0	2.2	6.1			
November	132.9	144.8		13.5	9.0	6.4			
December	143.1	152.4		5.2	6.5	6.4			

Source: ECLAC, on the basis of figures supplied by the Ministry of Industry, National Commerce, Tourism and Integration, Office of Sectoral Statistics.

<sup>a</sup> With respect to the same month of the preceding year. <sup>b</sup> Variation of the average cumulative index with respect to the same period of the preceding year.

**Table 4**  
**PERU: EMPLOYMENT IN THE LIMA METROPOLITAN AREA**  
(Index August 1990=100)<sup>a</sup>

	Manufacturing			Commerce			Services		
	1992	1993	1994	1992	1993	1994	1992	1993	1994
I	89.6	80.0	77.9	80.7	67.4	57.9	85.9	80.7	83.8
II	87.4	79.2	77.8	78.9	65.6	59.0	84.0	79.0	84.8
III	84.3	78.5		74.2	61.8		82.1	79.6	
IV	81.7	77.5		69.6	60.5		81.0	81.3	

Source: ECLAC, on the basis of figures supplied by the Ministry of Labour and Social Welfare, Department of Employment.

<sup>a</sup> Quarterly averages.

**Table 5**  
**PERU: CONSUMER PRICE INDEX**  
(Percentage variations)

	1992			1993			1994		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	3.5	3.5	110.2	4.8	4.8	58.7	1.8	1.8	35.5
February	4.7	8.4	101.2	2.9	7.9	56.0	1.8	3.7	34.0
March	7.4	16.5	100.7	4.2	12.5	51.3	2.3	6.1	31.6
April	3.2	20.2	95.7	4.4	17.5	53.2	1.5	7.7	27.9
May	3.4	24.4	88.0	3.0	21.0	52.6	0.7	8.5	25.0
June	3.6	28.8	78.3	1.8	23.2	50.0	1.1	9.7	24.2
July	3.5	33.3	69.2	2.7	26.6	48.9	0.9	10.7	22.0
August	2.8	37.1	62.2	2.5	29.8	48.5	1.5	12.3	20.7
September	2.6	40.6	57.7	1.6	31.9	47.0			
October	3.6	45.8	57.2	1.5	33.9	44.0			
November	3.5	50.9	56.6	1.6	36.1	41.3			
December	3.8	56.7	56.7	2.5	39.5	39.5			

Source: ECLAC, on the basis of figures supplied by the National Institute of Statistics and Informatics of Peru.

Table 6  
PERU: REAL WAGES AND SALARIES  
(Index August 1990=100)

	Private sector <sup>a</sup>				Legal minimum wage				
	Salaries		Wages		Indexes		Percentage variations		
							1994		
	1993 <sup>b</sup>	1994	1993 <sup>b</sup>	1994	1993	1994	Month <sup>c</sup>	Year <sup>d</sup>	12 Ms <sup>e</sup>
January					70.1	51.7	-1.7	-26.2	-26.2
February	235.5	280.2	220.4	244.4	68.1	50.8	-1.8	-25.8	-25.4
March					65.3	49.6	-2.4	-25.3	-24.0
April	224.2		203.3		62.6	89.6	80.6	-9.2	43.1
May					60.7	88.9	-0.8	1.2	46.5
June	224.4		210.2		59.6	87.9	-1.1	8.3	47.5
July					58.0	87.2	-0.8	13.8	50.3
August	240.5		210.5		56.6				
September					55.7				
October	255.2		203.0		54.8				
November					54.0				
December	268.4		242.1		52.6				

Source: ECLAC, on the basis of figures supplied by the National Institute of Statistics and Informatics of Peru.

<sup>a</sup> February 1986 was taken as the base since the new methodology for the Survey of Salaries and Wages began to be used at that time. <sup>b</sup> Includes a 10% increase enacted by Decree-Law 25 921, which offsets the increase in employee contributions to the National Housing Fund (FONAVI). <sup>c</sup> With respect to the preceding month. <sup>d</sup> Percentage variation in average cumulative index with respect to the same period of the preceding year. <sup>e</sup> With respect to the same month of the preceding year.

Table 7  
PERU: EXCHANGE RATE

	Nominal free-market exchange rate (new soles per dollar)			Adjusted real exchange rate <sup>a</sup> (index 1985=100)		
	1992	1993	1994	1992	1993	1994
January	0.99	1.69	2.17	21.8	24.2	23.6
February	0.97	1.75	2.17	20.5	24.5	23.3
March	0.96	1.83	2.17	18.8	24.7	22.8
April	1.03	1.91	2.18	19.7	24.7	22.6
May	1.14	1.96	2.18	21.0	24.7	22.5
June	1.18	2.00	2.19	21.1	24.7	22.4
July	1.24	2.05	2.20	21.5	24.7	22.3
August	1.29	2.07		21.8	24.4	
September	1.37	2.09		22.7	24.3	
October	1.55	2.14		24.9	24.6	
November	1.62	2.17		25.1	24.5	
December	1.63	2.16		24.4	23.9	

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru and the International Monetary Fund.

<sup>a</sup> Index of the nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index.

Table 8  
PERU: INTERNATIONAL RESERVES OF THE CENTRAL RESERVE BANK  
(Millions of dollars)

	Net international reserves			Absolute variation in reserves					
				Quarter <sup>a</sup>			Year <sup>b</sup>		
	1992	1993	1994	1992	1993	1994	1992	1993	1994
March	1 415	2 163	3 079	111	162	378	111	162	378
July	1 578	2 469	4 809	163	306	1 730	274	468	2 108
September	1 846	2 521		268	52		542	520	
December	2 001	2 701		155	180		697	700	

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru.

<sup>a</sup> With respect to the preceding quarter. <sup>b</sup> With respect to December of the preceding year.

Table 9  
PERU: TRADE BALANCE

	Millions of dollars						Percentage variations <sup>a</sup>			
	Exports F.O.B.		Imports F.O.B.		Trade balance		Exports		Imports	
	Quarter	Year	Quarter	Year	Quarter	Year	Quarter	Year	Quarter	Year
<b>1992</b>										
I	854	854	1 059	1 059	-206	-205	2.5	2.5	45.5	45.5
II	867	1 720	951	2 011	-85	-290	-3.0	-0.4	11.8	27.3
III	853	2 573	1 009	3 019	-156	-446	3.2	0.8	9.6	20.8
IV	911	3 484	1 031	4 051	-120	-566	17.3	4.7	3.6	15.9
<b>1993</b>										
I	880	880	903	903	-22	-22	3.1	3.1	-14.8	-14.8
II	799	1 680	975	1 878	-176	-198	-7.8	-2.4	2.5	-6.6
III	887	2 567	1 021	2 899	-133	-331	4.1	-0.2	1.2	-4.0
IV	897	3 464	1 144	4 043	-247	-578	-1.6	-0.6	10.9	-0.2
<b>1994</b>										
I	923	923	1 170	1 170	-247	-247	4.8	4.8	29.6	29.6

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru and the Institute of Foreign Trade.

<sup>a</sup> With respect to the same period of the preceding year.

Table 10  
PERU: EXPORTS STRUCTURE, F.O.B.

	Millions of dollars					Percentage variations <sup>a</sup>	
	1993				1994 <sup>b</sup>	1993	1994 <sup>b</sup>
	I	II	III	IV	I		I
<b>Total</b>	<b>880</b>	<b>799</b>	<b>887</b>	<b>897</b>	<b>923</b>	<b>-0.6</b>	<b>4.8</b>
Traditional	605	563	571	596	661	-5.6	9.4
Mining	366	335	366	366	382	-13.1	4.5
Petroleum and petroleum products	46	49	46	41	49	-7.5	6.3
Agricultural	11	10	23	33	26	-32.8	123.7
Fishery products	145	141	115	140	172	23.0	18.0
Other	36	28	21	17	33	42.6	-8.0
Non-traditional	276	237	316	302	261	11.5	-5.3

Source: ECLAC, on the basis of figures supplied by the Ministry of Economic Affairs, Finance and Trade, Department of Informatics and Statistics, and the Institute of Foreign Trade.

<sup>a</sup> With respect to the same period of the preceding year.

<sup>b</sup> Preliminary figures.

Table 11  
PERU: IMPORT STRUCTURE, F.O.B.

	Millions of dollars					Percentage variations <sup>a</sup>	
	1993				1994 <sup>b</sup>	1993	1994 <sup>b</sup>
	I	II	III	IV	I		I
<b>Total</b>	<b>903</b>	<b>975</b>	<b>1 021</b>	<b>1 144</b>	<b>1 170</b>	<b>-0.2</b>	<b>29.6</b>
Consumer goods	195	206	225	281	260	7.9	33.8
Inputs	443	450	488	467	522	3.7	17.9
Capital goods	236	269	282	349	337	1.5	42.9
Miscellaneous and adjustments	25	46	51	-51.0	72.0		

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru and the Institute of Foreign Trade.

<sup>a</sup> With respect to the same period of the preceding year.

<sup>b</sup> Preliminary figures.

Table 12  
PERU: MONETARY AGGREGATES

	Millions of new soles <sup>a</sup>						Percentage variations <sup>b</sup>	
	1993				1994		1994	
	I	II	III	IV	I	II	I	II
Monetary base	1 464	1 525	1 585	1 803	1 816	2 004	24.0	31.4
Liquidity	9 202	10 389	11 623	12 846	13 980	15 459	51.9	48.8
Local currency	2 989	3 110	3 389	3 988	4 512	5 298	51.0	70.4
Money	1 648	1 666	1 808	2 312	2 461	2 712	49.4	62.8
Quasi-money	1 341	1 444	1 581	1 676	2 051	2 586	53.0	79.1
Foreign currency	6 213	7 279	8 234	8 859	9 467	10 161	52.4	39.6

Source: ECLAC, on the basis of figures supplied by the Central Reserve Bank of Peru.

<sup>a</sup> Figures at end of period. <sup>b</sup> With respect to the same period of the preceding year.

Table 13  
PERU: CENTRAL GOVERNMENT AND NON-FINANCIAL  
PUBLIC-SECTOR ECONOMIC RESULTS  
(Percentages of GDP)

	1992					1993					1994	
	I	II	III	IV	Year	I	II	III	IV	Year	I	II
I. Central Government result	1.0	-0.4	-1.8	-4.0	-1.5	2.0	-2.2	-1.8	-3.1	-1.5	2.4	10.5
1. Current income	10.8	10.4	11.1	11.5	11.0	11.9	10.5	9.9	11.3	10.8	12.7	12.6
2. Current expenditure	8.7	8.9	10.2	11.8	10.0	8.8	10.4	8.6	11.1	9.8	8.1	11.1
3. Capital-account result	-1.1	-1.8	-2.8	-3.7	-2.5	-1.2	-2.3	-3.1	-3.3	-2.5	-2.3 <sup>a</sup>	9.1 <sup>a</sup>
II. Financing	-1.0	0.4	1.8	4.0	1.5	-2.0	-2.2	1.8	3.1	1.5	-2.4	-10.5
1. Foreign	0.9	0.9	1.4	0.6	0.9	1.5	1.4	0.5	2.5	1.5	-0.5	1.2
2. Domestic	-1.9	-0.6	0.5	3.4	0.6	-3.5	0.8	1.3	0.6	0.1	-1.8	-11.7
III. Non-financial public sector result	1.3	0.1	-2.1	-4.0	-1.4	2.1	-1.7	-0.6	-3.5	-1.2	3.0	11.0
1. Central Government	1.0	-0.4	-1.8	-4.0	-1.5	2.0	2.2	-1.8	-3.1	-1.5	2.4	10.5
2. Public enterprises	-0.3	0.2	-0.4	0.3	-	-0.2	0.2	1.0	0.2	0.3	-	0.2
3. Rest of Central Government	0.6	0.3	0.1	-0.3	0.1	0.3	0.3	0.2	-0.6	-	0.6	0.2
IV. Financing	-1.3	-0.1	2.1	4.0	1.4	-2.1	1.7	0.6	3.5	1.2	-3.0	-11.0
1. Foreign	0.9	0.9	1.4	0.6	0.9	1.5	1.4	0.5	2.5	1.5	-0.5	1.2
2. Domestic	-2.2	-1.0	0.7	3.4	0.5	-3.6	0.3	0.1	1.0	-0.3	-2.5	-12.2

Source: Central Reserve Bank of Peru.

<sup>a</sup> Includes privatizations.

Table 14  
PERU: INTEREST RATES <sup>a</sup>

	1993				1994	
	I	II	III	IV	I	II
Real interest rate on loans <sup>b</sup>	37.1	39.0	44.2	44.3	36.0	38.1
Real interest rate on deposits <sup>c</sup>	-5.5	1.4	8.7	9.2	3.8	9.2
Dollar equivalent rate on deposits <sup>d</sup>	-6.8	4.6	17.4	21.9	28.9	20.5
Rate on deposits in foreign currency	7.9	7.9	7.7	7.1	6.8	6.6
Rate on loans in foreign currency <sup>e</sup>	17.4	17.0	16.7	16.4	16.2	16.1

Source: Central Reserve Bank of Peru.

<sup>a</sup> Annualized quarterly rates. <sup>b</sup> Average interest rate weighted according to commercial bank loan balances. <sup>c</sup> Rate on 31- to 179-day time deposits. <sup>d</sup> Interest rate on deposits deflated by the free-market devaluation rate. <sup>e</sup> Rate on loans of up to 360 days.

## URUGUAY

Uruguay's annualized inflation rate in the first half of the year declined to 42%, the lowest in more than a decade, while GDP maintained its moderate growth of around 1% a year. The disequilibrium of the public sector rose slightly, to nearly 2% of GDP, and the external gap continued to widen.

In an election year, economic policy continued to give priority to price stabilization, after inflation passed the 50% mark in 1993. The financial programme, which seeks to bring the annual increase in consumer prices down to 35% in a context of 2% growth in GDP, maintained the main policy thrust of the recent past. Thus, under the programme, the floor of the floatation band of the local currency in relation to the dollar, at which the Central Bank is committed to buy the total supply of foreign currency, continued to be raised by 2% each month; measures to increase fiscal revenues in order to reduce the overall deficit of the public sector were adopted; and a moderate increase in domestic credit from the monetary authority and in international reserves was projected.

During the first half of the year, the adjustment of public sector wages to the programme's objectives reduced the pressure that this factor had exerted the year before on fiscal expenditure and inflationary expectations. However, the ever-widening financial gap of the social security system, the increase in transfers, and the rise in public investment led to an expansion of 12% in the central Government's real expenditures. Revenues once again began to rise, but only by 7%. This produced a small deficit in the non-financial public sector, an unfavourable result with respect to the same period of 1993. The total imbalance of the first half of the year, which includes para-fiscal expenditures of the official financial system, rose to the equivalent of 1% of GDP.

The fiscal imbalance exerted no pressure on monetary creation, since it was financed with external resources. During the first seven months of the year, net domestic credit from the Central Bank was reduced in nominal terms, which made it possible to absorb most of the monetary creation generated by the acquisition of international reserves. In any case, money grew by 53% during the 12 months ending in June, thereby continuing the gradual remonetization of the economy. Quasi-money continued to contract in real terms, owing to the fact that interest rates on deposits tended to be below inflation, while still offering yields of between 5% and 6% per annum in dollar equivalents. Consequently, broad liquidity in local currency increased at a rate similar to that of nominal output (M2 grew by 47%); there were also slight increases in dollar deposits, which were more than four times quasi-money, since Uruguay is a regional financial centre.

During the first half of the year, the price of the dollar increased as predicted (27% per annum), in a foreign exchange market with enough supply to keep the exchange rate on the floor of the floatation band, forcing the monetary authority to acquire international reserves. The price of the dollar rose above the floor of the band at the beginning of the third quarter, and the Central Bank adopted an active monetary policy by raising the interest rate on treasury bills denominated in local currency to around 50%.

The monetary slow-down and the stability of the rate of devaluation helped to reduce the variation rate in prices, bringing the mid-year inflation rate closer to target. After slowly declining during the first half of the year, the 12-month variation of the consumer price index (CPI) fell below 42% in August, the lowest since 1983. Inflation at the wholesale level, which had reached a 12-month low of 27% in October 1993, has settled in a range of 30% to 32% since December.

The difference between the two indicators reflects the appreciation of the local currency, since the prices of tradable goods kept pace with changes in the price of the dollar, while the prices of non-tradables, mainly services, continued to rise more quickly than the CPI. The further decline in the real exchange rate is clearly seen in the 11% rise in domestic prices in dollar terms over the 12 months ending in August. The recent appreciation of Brazil's currency, one of Uruguay's main trading partners, and the depreciation of the dollar in relation to other strong currencies softened the consequent deterioration of Uruguay's competitiveness.

In this context, greater domestic demand was once again met basically by means of imports, and the growth rate of economic activity tended to stagnate. Official estimates of the level of GDP during the first quarter show a decline of half a percentage point with respect to the same period of the previous year. This performance, however, is affected by the shut-down of the oil refinery for remodelling; without the impact of the shut-down, GDP would have grown by 1%.

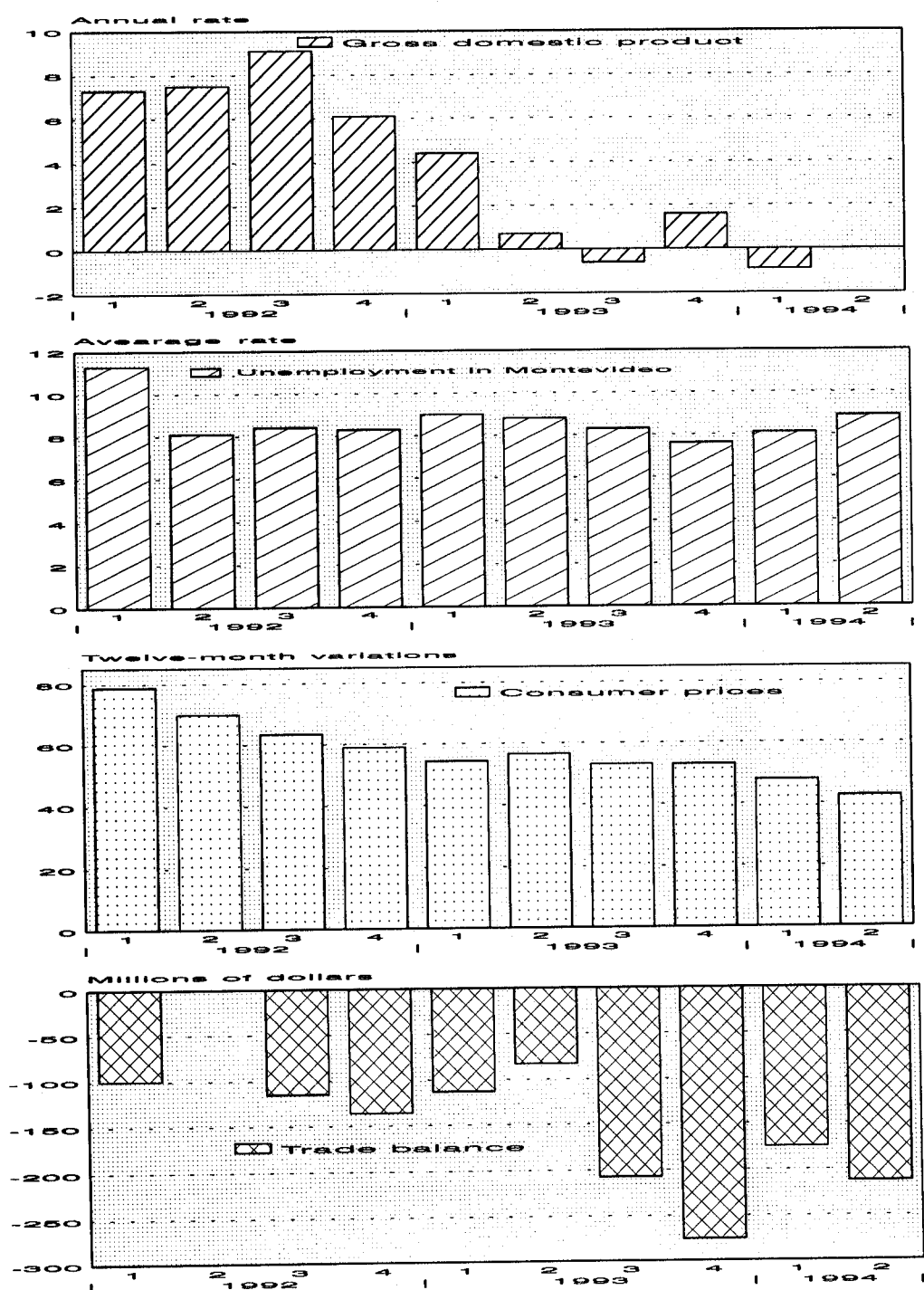
The performance of the services sector compensated for the downturn in the production of goods. Industrial decline worsened, even apart from the effects of the shut-down of the oil refinery. Construction, one of the most dynamic activities during the previous biennium, suddenly slowed during the first months of the year, although it later picked up again. Agriculture also declined. Only fisheries, still recovering, showed an increase in catches. Services, in contrast, continued to expand vigorously. The grouping of commerce, restaurants and hotels maintained its rapid upswing, under the impetus of a massive inflow of tourists from the neighbouring countries. Transport and communications also grew rapidly. The other services, together with import duties, once again had a huge impact on the overall growth rate. Only electricity generation contracted, owing to a drop in demand from Argentina.

The upsurge in the services sector helped to lower the unemployment rate, whose average during the first half of the year (8.4%) was half a point below the average rate in the same period of 1993. Real wages rose by 1%, keeping pace with the rise in GDP.

The rise in domestic spending was once again substantially higher than growth in output, as has been the case since 1990. That situation continued to encourage imports of goods, whose dollar value is growing by more than 20% a year, with strong increases in purchases of consumer and intermediate goods and a slight decline in capital goods acquisitions. However, the sharp rise during the first half of the year may include purchases made in advance for fear of tax changes. In an international scenario of recovering industrialized economies, Uruguayan exports increased by 5%, driven by traditional exports, since non-traditional exports declined.

The gap on the balance of goods rose to a new high, bringing the 12-month cumulative imbalance ending in June to the equivalent of nearly 6% of GDP. During that period, the concentration of trade with other Southern Common Market (MERCOSUR) partners intensified. A larger contribution from tourism partially made up for the worsening trade gap in goods and made it possible, together with the inflow of external capital, to increase the international reserves of the Central Bank slightly. Progress was made in defining the scope of MERCOSUR, which beginning in 1995 will function as a free-trade zone and imperfect customs union, since temporary restrictions will be accepted in respect of a number of products. The surge in demand in neighbouring Brazil, attributed to the recent launching of the "Real plan", has generated favourable expectations in Uruguay, which should lead to an increase in exports.

**Figure 1**  
**URUGUAY: QUARTERLY EVOLUTION OF THE MAIN ECONOMIC INDICATORS**



Source: ECLAC, on the basis of official figures.

Table 1  
URUGUAY: GROSS DOMESTIC PRODUCT  
(Percentage variations)<sup>a</sup>

	1993				1994 <sup>b</sup>
	I	II	III	IV	I
<b>Total</b>	<b>4.4</b>	<b>0.7</b>	<b>-0.6</b>	<b>1.6</b>	<b>-0.5</b>
Agriculture	5.7	0.9	-5.6	0.9	-1.8
Fishing	18.5	-1.2	-5.3	-2.8	10.0
Manufacturing	-1.7	-11.2	-12.5	-10.2	-13.3
Electricity, gas and water	0.1	-5.3	-13.4	3.1	-5.6
Construction	31.7	13.4	3.5	8.4	1.8
Commerce, restaurants and hotels	9.6	3.9	6.5	6.9	7.9
Transport and communications <sup>c</sup>	4.3	11.7	16.7	4.8	5.4
Other <sup>d</sup>	4.8	4.5	3.7	5.9	3.1

Source: Central Bank of Uruguay.

<sup>a</sup> With respect to the same period of the preceding year.

<sup>b</sup> Preliminary figures.

<sup>c</sup> Includes storage.

<sup>d</sup> Includes charges paid to financial institutions and import duties.

Table 2  
URUGUAY: UNEMPLOYMENT RATE  
(Quarterly averages)

Quarter ending in:	1990	1991	1992	1993	1994
January	7.7	8.4	8.6	8.7	8.0
February	8.3	9.0	9.7	8.6	8.1
March	9.3	9.9	11.3	9.0	8.1
April	9.4	10.3	10.6	8.8	8.7
May	9.6	9.5	9.8	9.0	8.7
June	8.6	9.4	8.1	8.8	8.9
July	8.5	9.1	8.2	8.7	
August	9.7	8.9	8.4	8.1	
September	9.6	8.2	8.4	8.3	
October	10.7	8.5	8.5	7.4	
November	9.9	8.5	8.3	7.9	
December	9.7	8.3	8.3	7.6	

Source: National Institute of Statistics.

Table 3  
URUGUAY: PRICE INDEXES  
(Percentage variations)

	Consumer price index						Wholesale price index					
	1993			1994			1993			1994		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	4.0	4.0	57.1	3.4	3.4	52.0	2.1	2.1	43.7	2.7	2.7	31.8
February	3.5	7.6	58.7	1.4	4.9	49.0	2.4	4.6	42.8	1.3	4.0	30.3
March	3.6	11.5	54.3	2.8	7.8	47.8	1.7	6.3	36.4	3.0	7.2	32.0
April	4.1	16.1	54.3	3.5	11.6	46.9	1.0	7.4	35.7	1.0	8.2	32.0
May	4.7	21.6	54.4	2.8	14.7	44.3	3.5	11.2	34.1	2.6	11.1	30.9
June	4.0	26.4	56.4	2.8	17.9	42.6	2.4	13.8	32.6	2.7	14.0	31.4
July	3.0	30.3	54.2	3.2	21.7	42.8	3.9	18.3	31.9	4.0	18.6	31.5
August	4.0	35.5	53.7	3.1	25.5	41.6	3.1	22.0	31.5	2.8	21.9	31.5
September	3.7	40.5	53.0				2.6	25.2	29.5			
October	2.2	43.5	50.7				0.9	26.3	27.2			
November	2.7	47.5	52.3				2.0	28.8	30.0			
December	3.7	52.9	52.9				1.8	31.1	31.1			

Source: National Institute of Statistics.

Table 4  
URUGUAY: INDEX OF REAL SALARIES AND WAGES

	Index 1985=100 <sup>a</sup>			Percentage variations					
	1992	1993	1994	1993			1994		
				Month	Year <sup>b</sup>	12 Ms. <sup>c</sup>	Month	Year <sup>b</sup>	12 Ms. <sup>c</sup>
January	114.6	119.6	116.2	9.3	4.4	4.4	0.2	-2.8	-2.8
February	113.4	116.9	117.7	-2.3	3.7	3.1	1.3	-1.1	0.7
March	109.0	116.2	118.8	-0.6	4.7	6.6	0.9	-	2.2
April	112.2	114.8	116.4	-1.2	4.1	2.4	-2.0	0.3	1.4
May	113.2	117.0	120.0	1.9	3.9	3.4	3.1	0.8	2.6
June	112.5	115.1	119.0	-1.6	3.7	2.3	-0.8	1.2	3.4
July	108.2	113.7		-1.2	3.9	5.1			
August	108.8	113.7		-	3.9	4.5			
September	111.4	117.6		3.4	4.1	5.6			
October	109.4	118.2		0.5	4.5	8.1			
November	110.7	117.9		-0.3	4.7	6.5			
December	109.5	116.0		-1.6	4.8	6.0			

Source: National Institute of Statistics.

<sup>a</sup> Index of nominal salaries and wages deflated by the consumer price index. <sup>b</sup> Variation in average cumulative index with respect to the same period of the preceding year. <sup>c</sup> With respect to the same month of the preceding year.

Table 5  
URUGUAY: EXCHANGE RATE

	Average official exchange rate (pesos per dollar) <sup>a</sup>				Adjusted real exchange rate <sup>b</sup> (index 1985=100)			
	1991	1992	1993	1994	1991	1992	1993	1994
January	1.63	2.55	3.52	4.47	73.3	66.0	60.1	51.4
February	1.71	2.62	3.59	4.55	74.3	66.6	59.4	51.8
March	1.76	2.73	3.67	4.66	73.1	65.4	58.8	51.7
April	1.84	2.83	3.74	4.76	73.8	65.3	57.6	51.1
May	1.89	2.93	3.81	4.84	70.0	64.6	56.2	50.6
June	1.96	3.01	3.95	4.94	69.7	64.8	56.1	50.4
July	2.03	3.09	4.05	5.04	69.2	63.9	55.8	50.0
August	2.11	3.16	4.05		67.9	62.9	53.9	
September	2.19	3.24	4.13		66.6	62.1	53.0	
October	2.28	3.32	4.21		66.9	61.5	53.1	
November	2.37	3.38	4.29		66.6	61.7	52.8	
December	2.45	3.46	4.38		66.7	61.0	51.9	

Source: BCLAC, on the basis of figures supplied by the Central Bank of Uruguay and the International Monetary Fund, *International Financial Statistics*.  
<sup>a</sup> One peso equals 1,000 new pesos. <sup>b</sup> Index of the nominal exchange rate deflated by the consumer price index and adjusted by the United States consumer price index.

Table 6  
URUGUAY: TRADE BALANCE

	Millions of dollars						Percentage variations <sup>a</sup>			
	Exports F.O.B.		Imports C.I.F.		Trade balance		Exports		Imports	
	Month	Year	Month	Year	Month	Year	Month	Year	Month	Year
<b>1993</b>										
January	107	107	167	167	-60	-60	40.5	40.5	36.8	36.8
February	122	229	147	313	-24	-84	5.4	19.3	-5.7	13.0
March	150	379	178	491	-28	-113	13.2	16.8	20.9	15.7
April	139	518	146	637	-7	-120	-1.3	11.3	16.9	16.0
May	149	667	183	820	-34	-154	0.5	8.7	14.0	15.5
June	148	814	190	1 011	-43	-196	1.2	7.2	27.5	17.6
July	151	965	185	1 195	-34	-230	-16.9	2.6	0.2	14.6
August	132	1 098	233	1 428	-101	-331	-14.0	0.3	26.7	16.4
September	146	1 243	218	1 646	-73	-403	-4.2	-0.3	-6.8	12.7
October	131	1 374	240	1 886	-109	-512	-15.2	-1.9	16.9	13.2
November	133	1 508	215	2 102	-82	-594	1.3	-1.7	13.4	13.2
December	138	1 645	223	2 324	-85	-679	-20.9	-3.6	10.1	12.9
<b>1994</b>										
January	121	121	189	189	-68	-68	13.7	13.7	13.7	13.7
February	127	248	179	368	-52	-120	3.8	8.4	22.1	17.6
March	142	390	197	565	-55	-175	-5.1	3.1	10.6	15.1
April	145	535	205	770	-60	-235	4.1	3.4	40.2	20.8
May	165	700	224	994	-59	-294	11.0	5.1	22.5	21.2
June	165	865	238	1 232	-73	-367	11.7	6.3	25.1	21.9

Source: Central Bank of Uruguay.

<sup>a</sup> With respect to the same period of the preceding year.

**Table 7**  
**URUGUAY: EXPORTS STRUCTURE**  
(Millions of dollars)

	Traditional exports				Non-traditional exports				Percentage variations <sup>a</sup>			
	1993		1994		1993		1994		1993		1994	
	Month	Year	Month	Year	Month	Year	Month	Year	T	NT	T	NT
January	35.6	35.6	40.3	40.3	70.9	70.9	80.8	80.8	13.0	60.0	13.2	14.0
February	40.7	76.3	47.1	87.4	81.7	152.6	80.1	160.9	0.3	31.8	14.5	5.4
March	42.3	118.6	49.7	137.1	107.4	260.0	92.3	253.2	-8.2	33.3	15.6	-2.6
April	39.7	158.3	47.9	185.0	99.6	359.6	96.5	349.7	-7.8	22.4	16.9	-2.8
May	34.6	192.9	50.5	235.5	114.1	473.7	115.1	464.8	-11.4	19.7	22.1	-1.9
June	34.3	227.2	47.9	283.4	113.1	586.8	117.3	582.1	-13.8	18.3	24.7	-0.8
July	38.6	265.8			112.4	699.2			-14.1	10.7		
August	27.9	293.7			104.5	803.7			-17.4	9.0		
September	24.6	318.3			120.9	924.6			-20.0	9.3		
October	27.6	345.9			103.4	1028.0			-19.8	6.5		
November	40.1	386.0			93.2	1121.2			-16.9	5.6		
December	46.6	432.6			91.3	1212.5			-15.9	2.0		

Source: Central Bank of Uruguay.

Nota: T = Traditional exports. NT = Non-traditional exports.

<sup>a</sup> Cumulative figures with respect to the same period of the preceding year.

**Table 8**  
**URUGUAY: IMPORT STRUCTURE**

	Millions of dollars <sup>a</sup>			Percentage variations <sup>b</sup>		
	Intermediate goods	Capital goods	Consumer goods	Intermediate goods	Capital goods	Consumer goods
<b>1993</b>						
I	276	87	129	-4.7	37.9	78.3
II	566	172	272	0.6	38.1	58.0
III	934	273	440	-1.3	27.5	45.1
IV	1 295	383	646	3.4	12.9	42.6
<b>1994</b>						
I	334	80	151	21.2	-7.6	17.1
II	706	169	357	24.8	-1.9	31.0

Source: Central Bank of Uruguay.

<sup>a</sup> Cumulative figures for the year.

<sup>b</sup> With respect to the same period of the preceding year.

**Table 9**  
**URUGUAY: NET INTERNATIONAL RESERVES**  
(Millions of dollars)

	Amount <sup>a</sup>				Variation in reserves <sup>d</sup>			
	Total		Central Bank		Total		Central Bank	
	1993 <sup>b</sup>	1994 <sup>c</sup>	1993 <sup>b</sup>	1994 <sup>c</sup>	1993 <sup>b</sup>	1994 <sup>c</sup>	1993 <sup>b</sup>	1994 <sup>c</sup>
March	3 142	2 876	1 154	1 256	329	88	208	54
June	3 150	2 950 <sup>e</sup>	1 077	1 275	337	162	131	73
September	3 099		1 144		286		168	
December	2 734		1 202 <sup>c</sup>		-25		226	
December <sup>c</sup>	2 788							

Source: Central Bank of Uruguay.

<sup>a</sup> Balance at end of period.

<sup>b</sup> Gold valued at US\$ 266.80 per troy ounce.

<sup>c</sup> Gold valued at US\$ 291.89 per troy ounce.

<sup>d</sup> With respect to

December of the preceding year.

<sup>e</sup> Preliminary.

Table 10  
URUGUAY: FISCAL INDICATORS

	Billions of new pesos <sup>a</sup>						Nominal percentage variation <sup>b</sup>	
	1993			1994			1994/1993	
	Income	Expenditure	Balance	Income	Expenditure	Balance	Income	Expenditure
March	2 313	2 036	277	3 526	3 394	133	52.4	66.7
June	4 617	4 536	81	7 288	7 454	-165	57.9	64.3
September	7 217	7 257	-40					
December	10 110	10 705	-595					

Source: Central Bank of Uruguay.

<sup>a</sup> Cumulative figures. <sup>b</sup> With respect to the same month of the preceding year.

Table 11  
URUGUAY: MONETARY AGGREGATES

	M1	TP	M2	FD	M3
(Millions of new pesos) <sup>a</sup>					
<b>1992</b>					
December	2 172	1 370	3 541	18 039	21 580
<b>1993</b>					
February	2 343	1 424	3 767	18 991	22 758
April	2 368	1 514	3 882	19 751	23 633
June	2 573	1 513	4 087	21 191	25 278
August	2 473	1 574	4 047	21 905	25 951
October	2 946	1 758	4 703	22 343	27 046
December	3 497	1 804	5 300	23 358	28 658
<b>1994</b>					
February	3 489	1 979	5 467	24 302	29 769
April	3 588	2 047	5 635	25 248	30 883
June	3 926	2 084	6 010	26 770	32 780
(Percentage variations) <sup>b</sup>					
<b>1992</b>					
December	61.0	45.1	54.6	46.2	47.6
<b>1993</b>					
February	64.5	35.4	52.1	43.6	44.9
April	61.5	34.1	49.6	37.0	39.0
June	47.1	22.4	36.9	37.2	37.1
August	44.2	22.2	34.8	36.4	36.1
October	58.8	30.9	47.1	30.0	32.6
December	61.0	31.7	49.7	29.5	32.8
<b>1994</b>					
February	48.9	39.0	45.2	28.0	30.8
April	51.5	35.2	45.2	27.8	30.7
June	52.6	37.7	47.1	26.3	29.7

Source: Central Bank of Uruguay.

Note: M1 = Money supply (currency in circulation plus current-account deposits); TD = Time deposits in local currency; M2 = M1 + TD; FD = Deposits in foreign currency; M3 = M2 + FD.

<sup>a</sup> Balance at end of period. <sup>b</sup> With respect to the same month of the preceding year.

## VENEZUELA

Following a 1% drop in GDP the previous year, the recession in Venezuela deepened in 1994, fuelled by a crisis in the banking system, which steadily worsened. This crisis hampered efforts by the new Government, which had taken office in February, to reduce the fiscal deficit. The imbalances in the exchange and money markets caused by the crisis led to accelerating inflation, as well as to the imposition of exchange and price controls; this signalled a partial reversal of the liberalization policy adopted in 1989.

The difficulties experienced in production activities led to a fall in output of near 5% in the first quarter. The recession continued into the second quarter, as macroeconomic imbalances worsened. The drop in production affected non-petroleum sectors, especially steel and fertilizers. The various industrial groupings' sales on the local market also declined, although some sectors –such as aluminium and cement– were able to somewhat compensate for this through an increase in exports. The unemployment rate, which had been below 7% at the end of 1993, rose to 9% half a year later.

Faced with a fiscal deficit that in 1993 had represented 3.5% of GDP, the new Government abolished the value added tax introduced the previous year, and adopted a set of measures to increase revenues. These included income tax reform; new taxes on wholesale sales, consumption of luxury goods and bank debits; and legislative and institutional reforms to reduce tax evasion and improve the tax yield.

These measures, combined with a cut in spending, were expected to bring the fiscal deficit down to the equivalent of two percentage points of GDP. However, the major banking crisis that was unfolding led to the use of large volume of public funds. Liquidity and solvency problems linked to a loss of confidence among depositors forced many banks to request official financial support through the Guarantee Fund for Deposits (FOGADE). In order to prevent the crisis from spreading, strict controls were placed on Venezuelan financial institutions at the end of June. By August, the Fund's outlay on financial support represented more than 10% of GDP. The Government decided to revise upwards to 7% its projections concerning the size of the fiscal deficit for 1994.

Aid to financial institutions was financed almost entirely by means of credits granted by the Central Bank of Venezuela, and this resulted in a massive surge in liquidity. This situation led the Bank to persevere in its restrictive monetary policy, as it attempted to absorb excess liquidity through weekly sales of zero coupon bonds. In spite of this, the narrow money supply (M1) grew by 60% in the first seven months of the year, compared to an increase of barely 11% throughout 1993. In contrast, savings and time deposits rose by only 22%, as a result of which the rate of expansion of the broad money supply (M2) rose to 32%.

The monetary overhang had an impact on the foreign exchange market. Up until the end of April, the Central Bank maintained its policy of steady mini-devaluation of the bolívar, supplying the market with the necessary foreign exchange; this resulted in a real revaluation of the currency and led, in a context of active demand for foreign currency caused by economic uncertainty and fuelled by abundant liquidity, to a reduction in international reserves held by the Central Bank. After approaching US\$ 12.7 billion at the end of December 1993, these reserves fell by some US\$ 1.7 billion in the first quarter.

The demand for foreign exchange intensified at the end of April, following the resignation of the President of the Central Bank, and the devaluation of the bolívar gathered speed. At that stage, the monetary authority attempted to gain some control over price or volume in its foreign currency sales. At the end of May, a bidding procedure was set up, in which the market

determined the price, in accordance with demand and the quantity supplied by the Central Bank. At the end of June, demand intensified once again, prompting the Government to impose exchange and price controls. The value of the dollar was fixed at 170 bolívares, which represented a 60% devaluation since the beginning of the year. According to available information, international reserves, which had fallen to a low of US\$ 8.9 billion before the imposition of exchange controls, began to recover.

The Central Bank's contractionary operations kept interest rates high. Yields from zero coupon bonds, which serve as a yardstick in the determination of bank interest rates, rose from around 50% at the beginning of the year to a high of 72% at the end of June, implying considerably higher annualized effective rates. Following the imposition of controls, the Central Bank was able to reduce the yield on its bonds, which halfway through August had tumbled to below 30%.

This last level resulted in highly negative yields in real terms, given that –against a backdrop of continuing economic uncertainty, the substantial increase in the means of payment and the drastic devaluation of the bolívar– the inflation rate had risen sharply. Cumulative price increases during the first eight months of 1994 stood at about 45%, substantially higher than the initial objective of 35% set by the Government for the entire year, and almost 20 percentage points above the corresponding level for the same period the year before. By mid-year, the inflation rate appeared headed towards unprecedented levels, but the imposition of price controls caused the monthly variation of the consumer price index to fall from 9% in June to 6% in July and again to 5% in August.

In mid-September, the Government announced an Economic Stabilization and Recovery Plan, involving steps to control growth of the money supply and reduce the fiscal gap, as well as other measures of a structural nature.

The recession led to an improvement in the trade balance. The dollar value of imports fell by more than 30% during the first five months of the year, owing to weak demand and the rise in price of imported products as a result of the substantial devaluation of the bolívar. The category of non-traditional exports, which excludes petroleum and iron, grew, owing in part to the weakness of domestic absorption. The value of exports for the first half of the year was 20% up in relation to the same period in 1993. The importance of the Colombian market for this category of products continued to grow, and Colombia drew even with the United States as Venezuela's chief customer. Prices for crude oil remained depressed during the first quarter. Income from petroleum exports dropped by more than 13% in relation to the same period in 1993, despite an increase in shipments. However, results may be better in the latter half of 1994, because prices embarked on an upward trend beginning in April.

Despite the shortage of data concerning the impact of the financial crisis on international capital movements, official reports revealed an increase in foreign investment in the first four months in sectors other than hydrocarbons, mining, insurance and banking. In addition, major volumes of Colombian credit were recorded; these were used to finance Venezuelan imports in view of the difficulties caused by the scarcity of foreign exchange. However, Venezuela's country risk increased in the eyes of foreign investors, as was apparent in the worsening of the rating of Venezuelan debt bonds.

Table 1  
VENEZUELA: REAL GROSS DOMESTIC PRODUCT  
(Percentage variations)<sup>a</sup>

	1993					1994
	I	II	III	IV	Year	I
Gross domestic product	-0.5	-2.7	2.9	-3.5	-1.0	-4.5

Source: Central Bank of Venezuela.

<sup>a</sup> On the basis of figures at constant 1984 prices, with respect to the same period of the preceding year.

Table 2  
VENEZUELA: PETROLEUM PRODUCTION AND EXPORTS

	Thousands of barrels per day						Rates of variation <sup>a</sup>			
	Production <sup>b</sup>			Exports <sup>c</sup>			Production		Exports	
	1992	1993	1994	1992	1993	1994	1993	1994	1993	1994
January	2 487	2 560	2 598	1 971	1 959	2 067	2.9	1.5	-0.6	5.5
February	2 398	2 536	2 632	2 054	2 251	2 056	5.8	3.8	9.6	-8.7
March	2 289	2 557	2 640	2 071	1 974	2 321	11.7	3.2	-4.7	17.6
April	2 308	2 542	2 666	1 907	1 991	1 999	10.1	4.9	4.4	0.4
May	2 548	2 542	2 707	1 868	1 981	2 400	-0.2	6.5	6.0	21.2
June	2 435	2 541	2 698	1 970	2 038	2 408	4.4	6.2	3.5	18.2
July	2 694	2 542		2 087	2 125		-5.6		1.8	
August	2 516	2 572		2 194	2 089		2.2		-4.8	
September	2 525	2 572		2 070	2 954		1.9		42.7	
October	2 483	2 578		2 262	2 197		3.8		-2.9	
November	2 502	2 629		2 037	2 316		5.1		13.7	
December	2 541	2 592		2 058	2 188		2.0		6.3	

Source: ECLAC, on the basis of figures supplied by the Central Bank of Venezuela.

<sup>a</sup> With respect to the same period of the preceding year. <sup>b</sup> Includes condensates and liquefied petroleum gas (LPG). <sup>c</sup> Includes raffinates.

Table 3  
VENEZUELA: INDICATORS OF ECONOMIC ACTIVITY  
(Monthly averages)

	1993				1994	
	I	II	III	IV	I	II
Iron ore production <sup>a</sup>	1 317	1 426	1 410	1 448	1 309	1 509
Aluminium production <sup>a</sup>	48	48	48	48	48	50
Steel production <sup>a</sup>	205	209	212	203	201	187 <sup>c</sup>
Petrochemical production <sup>a</sup>	208	223	261	245	235	230
Fertilizer production <sup>a</sup>	148	169	166	146	145	122
Cement shipments <sup>b</sup>	10 648	10 400	11 014	9 632	8 858	9 922

Source: ECLAC, on the basis of figures from official sources, industrial associations and Veneconomía, S.A.

<sup>a</sup> Thousands of tons. <sup>b</sup> Thousands of 60-kg bags (sold in the domestic market). <sup>c</sup> Up to April.

Table 4  
**VENEZUELA: CONSUMER PRICE INDEX**  
(Percentage variations)<sup>a</sup>

	1992			1993			1994		
	Month	Year	12 Ms.	Month	Year	12 Ms.	Month	Year	12 Ms.
January	1.3	1.3	29.7	3.0	3.0	34.1	4.3	4.3	47.8
February	2.6	4.0	30.9	2.6	5.7	34.0	1.9	6.3	46.8
March	2.2	6.3	31.5	2.3	8.1	34.2	2.8	9.3	47.5
April	2.2	8.6	30.8	2.8	11.1	34.9	3.3	12.9	48.1
May	2.5	11.3	30.9	2.8	14.2	35.3	5.2	18.7	51.6
June	2.7	14.3	31.9	3.2	17.9	36.0	9.0	29.4	60.3
July	2.9	17.6	31.7	3.1	21.6	36.3	6.3	37.6	65.3
August	2.3	20.3	31.6	3.1	25.3	37.4	5.2	44.7	68.6
September	2.0	22.7	31.8	3.3	29.5	39.1			
October	2.4	25.7	32.1	5.0	35.9	42.6			
November	2.5	28.9	32.0	3.6	40.8	44.1			
December	2.3	31.9	31.9	3.6	45.9	45.9			

Source: BCLAC, on the basis of figures from the Central Bank of Venezuela.

<sup>a</sup> In the Caracas metropolitan area.

Table 5  
**VENEZUELA: CENTRAL BANK FOREIGN EXCHANGE INFLOWS AND OUTFLOWS**  
(Millions of dollars)

	Inflows			Outflows				Balance
	Petróleos de Venezuela S.A.	Other <sup>a</sup>	Total	External debt		Other <sup>bc</sup>	Total	
				Public	Private			
1991	18 760	6 182	24 942	2 382	641	19 625	22 648	2 294
1992	19 745	4 074	23 819	2 148	119	22 531	24 798	-979
1993	18 763	5 724	24 487	1 824	150	22 811	24 785	-298
1994								
I	4 013	1 368	5 381	214	1	6 887	7 102	-1 721

Source: Central Bank of Venezuela.

<sup>a</sup> Includes receipts from the Venezuelan Investment Fund and short-term financing received by the Central Bank. <sup>b</sup> Includes imports of goods and services, foreign exchange expenditure of Petróleos de Venezuela S.A. and agreements. Excludes imports at the free exchange rate. <sup>c</sup> Includes Central Bank sales of foreign exchange on the free market and, beginning in 1989, amortization of bridge loans received by the Central Bank.

Table 6  
**VENEZUELA: GROSS INTERNATIONAL RESERVES <sup>a</sup>**  
(Millions of dollars)

At the end of:	1990	1991	1992	1993	1994
March	7 481	12 316	13 409	12 020	10 970
June	7 959	12 253	13 490	12 667	
September	8 483	12 777	13 230	12 689	
December	11 759	14 105	13 001	12 656	

Source: Central Bank of Venezuela.

<sup>a</sup> Central Bank reserves. Does not include reserves of the Venezuelan Investment Fund.

Table 7  
VENEZUELA: EXCHANGE RATE

	Bolívars per dollar				Adjusted real exchange rate (index 1985=100) <sup>a</sup>			
	1991	1992	1993	1994	1991	1992	1993	1994
January	51.8	62.0	80.3	104.1	151.6	143.6	143.2	128.9
February	53.6	63.8	81.9	109.5	154.5	144.5	142.8	133.4
March	54.2	65.4	83.9	112.8	153.8	145.6	143.6	134.1
April	54.7	64.9	85.3	115.6	151.2	141.6	142.3	133.2
May	55.2	65.3	86.9	133.9	149.5	139.0	141.3	146.8
June	55.5	65.8	87.6	170.2	148.0	137.1	138.2	171.7
July	57.9	66.5	90.9	176.3	149.9	134.9	139.1	167.8
August	59.5	67.7	93.2	170.0	151.0	134.6	138.7	
September	59.4	68.9	95.9		148.6	134.7	138.5	
October	60.0	73.9	98.1		147.1	141.7	135.4	
November	60.2	77.4	101.8		144.3	144.8	135.8	
December	61.2	78.9	104.2		143.3	144.2	134.1	

Source: ECLAC, on the basis of data supplied by the Central Bank of Venezuela and the International Monetary Fund.

<sup>a</sup> Index of the nominal exchange rate deflated by the consumer price in the Caracas metropolitan area and adjusted by the United States consumer price index.

Table 8  
VENEZUELA: MONETARY AGGREGATES  
(Percentage variations)

	M1						M2					
	1992		1993		1994		1992		1993		1994	
	Month	12 Ms.	Month	12 Ms.	Month	12 Ms.	Month	12 Ms.	Month	12 Ms.	Month	12 Ms.
January	-5.6	44.7	-9.3	4.1	0.6	22.6	-2.5	47.9	-2.4	18.5	1.9	31.3
February	-3.1	39.2	4.6	12.4	15.6	35.4	-1.7	41.5	2.5	23.5	4.3	33.6
March	3.0	39.2	-6.0	2.6	4.1	49.9	0.6	37.1	-0.8	21.7	7.5	44.9
April	2.5	38.2	-3.5	-3.4	6.5	65.5	0.5	33.6	2.9	24.7	1.3	42.6
May	5.1	47.5	5.5	-3.0	3.9	63.0	2.9	31.2	1.9	23.4	1.7	42.4
June	-1.4	24.5	0.7	-0.9	8.4	75.5	1.6	25.8	4.3	26.7	1.1	38.0
July	5.6	33.3	0.1	-6.0	10.6	93.9	3.7	27.6	3.1	26.0	11.3	49.0
August	-1.8	21.9	-10.5	-14.4			3.0	25.8	-1.8	20.1		
September	-0.6	14.5	7.7	-7.3			0.2	23.0	0.7	20.7		
October	-3.9	12.2	10.0	6.0			3.5	25.3	3.6	20.8		
November	10.9	14.1	3.2	-1.3			3.0	21.0	0.9	18.4		
December	-1.4	8.3	10.4	10.6			2.5	18.4	8.8	25.7		

Source: ECLAC, on the basis of data supplied by the Central Bank of Venezuela.

Table 9  
VENEZUELA: EFFECTIVE INTEREST RATES  
(Annualized percentages)

Monthly averages	Nominal		Real <sup>a</sup>		Dollar equivalents <sup>b</sup>	
	Deposits	Loans	Deposits	Loans	Deposits	Loans
<b>1993</b>						
March	62.4	72.4	23.7	31.3	21.2	28.7
June	79.0	85.6	23.3	27.9	64.8	70.9
September	77.9	84.4	20.4	24.8	26.7	31.3
December	95.9	100.9	28.1	31.4	47.0	50.8
<b>1994</b>						
March	55.8	84.2	11.8	32.2	9.9	30.0
June	65.1	90.8	-41.3	-32.2	-88.4	-86.6

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

<sup>a</sup> Nominal rates deflated by the variation in consumer prices during the same period.

<sup>b</sup> Relation between nominal rates and devaluation during the same period.