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EL SALVADOR

This preliminary version of the Economic Survey of Latin America, 1979 is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.

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EL SALVADOR

1. Recent economic trends: Introduction and summary

The economic results for the year in El Salvador were strongly influenced by factors inherited from the 1978 conjuncture and the socio-political events which disturbed the country during most of 1979 and significantly interfered with the pace of production activity.

During the period 1973-1978, the economy of El Salvador evolved at a fairly satisfactory rate, although in the last of these years it began to show signs of flogging, despite the achievements in the agricultural sector. One of the elements which to some extent determined the situation in 1978 was the decision by the authorities responsible for the marketing of coffee, in the face of a drop in international coffee prices, to suspend exports in the hope that the market would recover. These exports were partially resumed at the end of 1978.

As a consequence of this, considerable stocks of coffee existed at the beginning of 1979, representing a potential injection of foreign currency for the economy. There were also favourable forecasts for the new harvests of other crops and for the continuing expansion of the industrial and construction sectors. These prospects gave grounds for expecting higher economic growth than that recorded in 1978.

However, a series of factors of both economic and non-economic origin affected production, with the result that the preliminary data show drops of around 3% in the global gross domestic product and nearly 6% in the per capita product. A still larger contraction of 6.2% took place in gross income owing to the deterioration of the terms of trade (see table 1).

Among these factors, special mention may be made of the growing conflict between the workers' and employers' sectors and the increasing discontent of the peasants over the gradual loss of real income caused by inadequate wage adjustments, all of this in an increasingly critical context of political upheaval. The resulting instability was reflected in various ways, including heavy loss of human life, the destruction of some installations and crops, work stoppages, and collective demonstrations

/and disorders.

and disorders. At the political level, this led to two changes of government in the course of the year - the replacement of the constitutional authority by a government junta in October and a change in the make-up of this junta in December; at the economic level it led to a severe contraction of private investment, the virtual paralysation of all production activities, a considerable flight of currency, and the breakdown of policy management during the last quarter of the year compared with the preceding months.

As a result of this combination of factors, most of the global supply and demand variables show a very depressed picture both in production and in consumption and investment.

However, there were some positive factors which helped to moderate the adverse results. In the first place, exceptionally, for the second year running the climatic conditions led to a satisfactory harvest, which helped to keep down the rise in food prices and generated a large volume of exportable products.

Secondly, public spending continued to grow thanks to the increase in tax revenue, particularly from duties on external trade. This therefore became one of the few sources of dynamism in the year, although it was unable to alter the declining trends owing to its limited share in global demand.

Thirdly, the evolution of the export sector was not entirely unfavourable, since the international prices of some export products rose, the country (as already noted) possessed considerable stocks of coffee, and the 1979 harvest was good. The combination of these elements led to an increase of 34% in the value of exports of goods, in contrast to the general situation of the economy, and also gave rise to an increase in their purchasing power, despite the deterioration in the terms of trade.

Even so, however, owing to the considerable net outflow of capital the final result of the external transactions was particularly unfavourable, since the large-scale loss of international reserves placed the country in a delicate position in terms of its international liquidity, and the effects of the dynamism of exports were not therefore in evidence at the domestic level.

/Inflationary pressures

Inflationary pressures continued to exist, and prices rose at an increasingly rapid rate in the course of the year, especially in the case of imported products and above all fuels, thus considerably affecting production costs. There was also a series of price increases as a result of the irregular functioning of the markets, supply problems, and the speculation stemming from them.

Owing to the temporary paralysation of some production activities, which worsened towards the end of the year, and the closing down of numerous enterprises - including a large number of subcontracting enterprises (maquiladoras) - the employment situation worsened and family incomes deteriorated, despite the wage readjustments granted between July and October and those authorized in the last few months of the year, which will begin to have their effect in 1980.

Lastly, a substantial increase in the preference of the private sector for liquidity, in addition to the capital outflow already mentioned, led to a reduction of bank deposits and consequently to a lack of liquidity in the intermediation system which was only partially made good by the credit policy of the Central Bank and prevented the system from giving proper support to the apparatus of production. In addition, the traditional sources of short-term external financing available to the entrepreneurial sector became limited, thus exacerbating the problems of the supply of raw materials.

2. Trends in economic activity

(a) Global supply and demand trends

The abnormal situation in which the economy evolved during 1979 means that due account must be taken of the trends which were emerging throughout the period, as well as the global results. Since the end of the previous year the economic system had been beginning to show signs of weakness owing to the stagnation of demand and the decrease in private capital formation. During the first half of the year some slowing down was to be observed, but even so the rate of production was such as to give grounds for expecting better results than in 1978. However, stoppages gradually began to appear and became generalized in numerous activities, accentuating

/the declining

the declining trends towards the beginning of the second half of the year, and aggravating them further during the last quarter. The final result was a 4.3% reduction in the overall supply of goods and services.

The gross domestic product, for its part, fell by approximately 3% - an unprecedented phenomenon, at least during the last thirty years, especially when compared with the satisfactory evolution registered in the 1970s up to 1978. This result is even more unfavourable if it is borne in mind that this is a country with rapid population growth, so that this figure represents a drop of nearly 6% in the per capita product.

The quantum of imports of goods and services fell by nearly 8%, reflecting the decrease in production activity, the weakening of consumption and the contraction of investment on the one hand, and the difficulty in obtaining external financing on the other. At all events, however, a high import coefficient was maintained (34%), which reflects the growing openness of the economy during the decade (see table 2).

As regards demand, most of its components showed similar downward trends, with private investment showing the greatest drop. Gross fixed capital formation in the private sector fell by 16% and its absolute value was lower than that of 1977.

The decline in private investment, which worsened during the last quarter, had already begun in previous years, with the weakening of domestic demand, the loss of dynamism in the traditional lines of import substitution, and the difficulties facing the Central American Common Market.

These elements caused a gradual contraction of the investment sector which turned into a definite process of decapitalization when what started off as uncertainty became widespread fear on the part of the entrepreneurial sector regarding the economic outlook. In view of the serious deterioration of the political situation, in the second half of the year a substantial proportion of investment projects were cancelled, construction was paralysed, various subcontracting enterprises (maquiladoras) emigrated to other countries and others closed down for good, both because of decapitalization and material damage. In keeping with this decapitalization, the private sector substantially reduced its stocks of exportable products (coffee) and raw materials.

/Private consumption

Private consumption also experienced a drop of around 5%, when real incomes weakened and unemployment increased. This was accompanied by the irregular supply and hoarding of some products, such as sugar, meat, salt, oils and poultry products, which occurred at some points in the course of the year.

Public expenditure was one of the few demand variables which grew, thus attenuating the serious economic repercussions of the crisis.

Government consumption exceeded the high level achieved in 1978 by 4%, while public investment grew at a rate of slightly over 4%, recovering from its virtual stagnation of the previous year. The public investment coefficient came to nearly 8% of the gross domestic product, which was even higher than that recorded at the beginning of the decade and shows the great investment effort made since then by the public sector.

Finally, the quantum of exports of goods and services increased by slightly over 29%, thanks to the larger volume of coffee exports caused by the addition of the remainder of the previous year's harvest to the exportable production of 1979. If this item is excluded, however, the value of exports of goods only increased by 2.2% and their volume dropped by 4%. The expansion in exports was not therefore reflected in increased stimuli to production, particularly as a large part of the foreign currency they produced left the country.

(b) Evolution of the main sectors

In keeping with the circumstances described, the majority of activities underwent decreases in production, and even where there were increases (except in mining) these were significantly lower than in the previous year (see table 3).

(i) Agriculture. For the second consecutive year climatic conditions were favourable for agriculture (a situation which is not usual in El Salvador), with the exception of some late rains whose effects were not particularly damaging. The harvest was relatively satisfactory and yielded 3.7% more than the appreciable volume of production recorded the previous year.

/Livestock production,

Livestock production, however, experienced a drop of 4%, the decline in the slaughtering of cattle and pigs being particularly marked. The growth of the overall agricultural product thus only came to 1.7% in 1979 (see table 4).

The production of basic grains (maize, beans, rice and millet) increased by slightly less than 3%, after the noteworthy growth of 28% during the previous harvest. There was therefore an adequate supply of these products during the year, boosted by the large stocks built up the previous year.

Among the most important agricultural products, the increase of 6% in coffee production was noteworthy. This was due to the intensive work carried out in recent years as regards the care and handling of the crop, so as to take advantage of the excellent prices prevailing in the international markets, which contributed to a significant improvement in yields.

The agricultural results would have been more favourable if the cotton-growing area had not been reduced by 18%, owing to problems of the market, costs and financing, and the prevailing uncertainty. This meant that cotton production dropped by approximately 8%, thus interrupting the upward trend observed in the past. Sugar cane production, for its part, fell by slightly over 19% as a result of fires and disturbances in the cane-growing areas and the smaller area planted.

Among the events that took place during the year in connexion with agriculture and land reform policy, mention may be made of the creation of the Corporación Financiera de Tierras Agrícolas (COFINTA), which will be responsible for channelling resources through the financial intermediation system in order to facilitate the purchase of agricultural land and the financing of fixed investments by small farmers and agricultural associations formed for this purpose. In March the land rental law was approved, which will regulate rental arrangements for agricultural purposes.

/In December

In December the government junta forbade the transfer or mortgaging of properties of over 100 hectares until the Agrarian Reform Law came into force; this is clearly aimed at maintaining agricultural units and avoiding the division of land.^{1/} Lastly, also in December, annual rent ceilings for agricultural land were established.

(ii) Manufacturing. According to preliminary estimates, the manufacturing product fell by 7.5% in 1979, thus interrupting the process of expansion of the sector, which had already begun to show signs of weakness in 1978, when its growth rate was only 3% (see table 5).

The general deterioration of the domestic economic situation, added to the serious conflicts and disorders which took place during the year and the prolonged abnormal situation through which the process of integration is passing, led to a gradually worsening decline in the level of industrial activity. The manufacturing sector was one of those most affected - together with construction - by the stoppages, strikes and lockouts which became more frequent and protracted from the second half of the year onwards.

Moreover, in the last months of the year the traditional sources of short-term external financing began to shut down, and difficulties arose in the supply of raw materials for some manufacturing activities.

The drop in production was most marked in the activities connected with the manufacture of soft drinks, footwear, foodstuffs, cardboard products, textiles, synthetic fibre products and construction materials. Among the factories which closed temporarily on account of strikes or other causes were the beer and soft drinks industries, the footwear, food and cardboard factories and the textile mills and cotton co-operatives,

^{1/} In March 1980 the Government issued the Decree-Law on Agrarian Reform which sets up machinery for modifying land tenure and by means of which a rapid start has been made on the expropriation and military occupation of latifundia of more than 500 hectares. The goal is to expropriate over 360 properties covering around 250,000 hectares - nearly 50% of the country's cultivated land - which will be handed over to peasant organizations.

while the factories manufacturing synthetic fibre sacks, rubber footwear and knitwear announced their closure for an indefinite period, and lastly the Acajutla fertilizer company (FERTIMEX) also prepared to close down its plants, although in this case as part of a general Central American policy, based on reasons other than the internal situations of the countries.

In 1979 no new industries of importance were installed, nor did various projects scheduled for that year begin to operate.

Despite this situation, however, the Government went on with the construction of industrial parks and other infrastructural works for the manufacturing sector. It also continued to promote the installation of industries to manufacture products aimed mainly for the external market, and the regulations on obtaining benefits under the Export Promotion Act and the Act on the Industrial Fishing Port of Punta Gorda came into force, as well as the corresponding budgetary allocation for the construction and installation of this port.

(iii) Construction. This was another activity which underwent a considerable decline (just over 11%), and the result would have been even worse if public sector construction had not increased slightly. It is estimated that private construction dropped by nearly 25%, owing to a sharp decrease as from the second half of the year and its virtual paralysation in the last three months of the year. It should be noted that building permits had already declined in 1978 (see table 6).

As a consequence of the boom of the previous five years in residential construction, mainly for the middle and upper income groups, this limited market was rapidly being exhausted. At the same time the financial difficulties for the construction and purchase of low-cost housing continued to worsen. The bodies set up to finance and facilitate these operations, such as the Savings and Loan Association and the Office of Under-Secretary for Housing (set up in May 1979 within the Ministry of Public Works), were affected by the lack of liquidity, which became more serious as the year went on.

Private construction of commercial and industrial installations decreased still more than housing.

/(iv) Electricity

(iv) Electricity generation. Despite the decrease in economic activity observed during the year, sales of energy increased both for residential use and for the public service, commerce and industry, although in the case of the latter at much lower rates than in previous years. The expansion of the distribution network no doubt played a part in this.

As from the oil crisis of 1973, which signified a considerable increase in electricity production costs, El Salvador began to make substantial efforts to replace imported oil by other sources of energy. The results have been extremely satisfactory, since it has proved possible to reduce the generation of thermal energy to a minimum,^{2/} while hydroelectric and geothermal energy have increased rapidly. In particular, in 1979 the installed capacity of the geothermal power station of Ahuachapán was successfully increased and a start was made on a new hydroelectric project on the San Lorenzo river.

The average increase of 58% in the prices of the crude oil imported in 1979 had sharp repercussions on the production costs of the sectors using oil-derived fuels, and this was, of course, eventually transmitted to the retail sales prices of a wide range of products and services, especially transport. Owing to the continually rising price of imported oil, it was necessary to authorize several increases in the consumer prices of petroleum products in the course of the year, fluctuating between 20% and 60% depending on the type of product in question.

(c) Employment and unemployment

One of the most deeply-rooted problems in El Salvador's economy has been unemployment. In the face of a rapidly increasing population both the structure and the growth of production have shown their incapacity to generate sufficient jobs, and a significant proportion of the labour force has been drifting into numerous low productivity activities - mainly urban services - or positions of underemployment. This has also been the case in rural areas.

^{2/} According to figures of the Comisión Ejecutiva Hidroeléctrica del Río Lempa (CEL), the share of energy generated from oil in total power production has been as follows: 55.7% in 1975, 39.1% in 1976, 28.8% in 1977, 11.3% in 1978 and 0.4% in 1979.

The unfavourable development of the economy in 1979 further exacerbated the employment situation, particularly in such activities as construction and manufacturing. Official estimates indicate that the drop in industrial activity meant a reduction of 4% in the sector's employment figures, while the contraction in services must have had a far greater effect.

3. The external sector

(a) Merchandise trade

Owing to the high level of openness of the economy of El Salvador, the variables of the external sector - particularly exports - reflect to some extent the pace of production, but, exceptionally, during 1979 this correlation was not maintained. The volume of coffee exports - which is one of the activities with greatest repercussions on the rest of the economy - did not faithfully reflect production, since sales included stocks accumulated the previous year. Furthermore, the effects on the domestic economy of the higher earnings resulting from coffee exports were partially countered by the substantial flight of foreign exchange from the country. For these reasons it can be concluded that in 1979 the external sector did not have the determining influence on domestic economic developments which it showed on other occasions.

Export of goods increased by slightly over 34% in 1979 to a value of US\$ 1,130 million - double the value of exports in 1975 (see table 7).

Coffee exports increased by 61% thanks to the very large amount available for export in 1979, when the satisfactory coffee harvest of that year was added to the substantial surplus not exported in 1978. Owing to the downward trend in world coffee prices since mid-1977, Mexico and the Central American countries had decided to withhold the sale of 4 million bags until mid-1978, but in El Salvador the former Coffee Company and private exporters, with the aim of continuing to push up the market price of "other milds", continued to withhold part of their coffee for some time longer, thus accumulating stocks estimated at around 750,000 quintals.

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In the course of 1979 prices began to rise - although without reaching the average price of the previous year - and advantage was taken of this to liquidate a large part of these stocks, the final result being that during the year a volume of coffee 80% greater than in 1978 was exported, at an average price of around 12% less.

Cotton, which is the second most important export product, suffered a drop of 5% owing to a decline of nearly 20% in the volume exported, partly offset by a rise in price of approximately 16%.

Despite the decrease recorded in the production of sugar cane, the volume exported increased by 6%, probably because of the use of surpluses from previous years and certain restrictions on the satisfaction of domestic demand in view of the upward trend of international prices. In fact, the average price increased by 22% compared with the previous year, so that the total value of sugar exports rose by 37%.

An outstanding event was the decision by the Government Junta in December to nationalize the machinery and institutions responsible for exports of coffee and sugar. For coffee, the Instituto Nacional del Café (INCAFE) was set up on the basis of the former Coffee Company. This institution will purchase all the coffee supplied by private producers and will act as sole exporter. Such production as is not sold to INCAFE may only be used for domestic consumption or for the manufacture of soluble coffee. In the case of sugar, it was announced that an Act would be passed setting up the Instituto Nacional del Azúcar, which will be the only body authorized to export sugar and distribute it wholesale on the domestic market. It is expected that these measures will have important effects on the external sector in the short term.

The value of exports of the remaining products evolved much more slowly, the most notable item being exports of manufactures outside the region, which grew at a rate similar to that of total exports.

Exports (mainly of manufactures) to the Central American countries have traditionally constituted one of the main stimuli for the manufacturing sector. However, in recent years the demand for these products in the region has been declining owing to the many problems facing integration,

/and furthermore

and furthermore in 1979 the intensification of political conflicts gave rise to operational problems which hampered interregional trade. In this connexion, the civil conflict which took place in Nicaragua led to a decline of 25% compared with the previous year, in El Salvador's exports to this country, and also impeded trade with Costa Rica.

With the aim of facilitating and increasing the flow of trade, the Government took steps in June to reduce by 50% the tariffs for port services in Acajutla and Cutuco in respect of trade between El Salvador and Guatemala and Costa Rica, Nicaragua and Panama. Later, in September, the authorities approved the granting of a loan of approximately US\$ 25 million to Nicaragua to finance imports from El Salvador.

To sum up, despite the drop in exports to Nicaragua the value of exports to the Central American Common Market increased by 13%, mainly as a result of the growth of exports to Guatemala by more than 22%. For the first time in several years a slight surplus was obtained in intraregional trade.

(i) Imports. The performance of imports was in line with the global trends of the economy. The total value of imports amounted to US\$ 957 million, a very similar figure to that observed in 1978, but their volume was nearly 12% less.

As regards their structure, the information available for the period January to November also reflects the effects of the domestic conjuncture. As a result of the weakening of global demand, purchases of consumer goods increased very slowly, in contrast with the dynamism observed during the previous two years, and there was in fact an appreciable drop in imports of non-durable consumer goods (see table 8).

Imports of intermediate goods evolved at a more dynamic pace, but this is explained to a large extent by the increase in oil imports, since imports of other inputs only rose by 4.7%. During 1979 around 5.2 million barrels of crude oil were imported - nearly 6% less than in 1978 - but their total cost of approximately US\$ 77 million was 41% more than the previous year, and the share of this product in total imports rose from 7% to 10% between 1978 and 1979.

/The value

The value of imports of capital goods fell by a little over 13%, and in terms of volume the drop must have been much larger thus interrupting the dynamic evolution of these imports and reflecting the sharp contraction suffered by capital formation, especially in the private sector, during the year.

(ii) The terms of trade and the purchasing power of exports. Following the rapid growth of the unit value of exports in 1976 and 1977, which was due solely to the increase in coffee prices, this index fell by 15% in 1978, likewise as a result of a change - this time in a downward direction - in the international prices of this product, which accounts for 61% of total exports.

Although the spot prices of mild and robusta coffees tended to rise during 1979, the average price of El Salvador's exports recorded another drop which it was not possible to offset with the increase in the prices of other products, the result being that the unit value of exports experienced a drop of 3% (see table 9).

The prices of imports increased by 14%. This was particularly influenced by a 58% upward leap in oil prices.

As a result of the growth of the unit value of imports and the further drop in that of exports, the terms of trade deteriorated for the second consecutive year, this time by 15%; however, the substantial growth registered at the same time in the volume of exports meant that the purchasing power of exports of goods increased by nearly 18%, while that of exports of goods and services rose by 15%.

(b) The balance-of-payments current and capital accounts position

Trade left an exceptional surplus of US\$ 177 million in 1979, contrasting with the deficit of slightly over US\$ 100 million recorded the previous year. This net income was, however, almost entirely neutralized by the imbalance which continued to appear in the balance of services, which in 1979 amounted to US\$ 168 million, 31% higher than the previous year. The final result was that the very high trade deficit of US\$ 234 million recorded in 1978 was converted into a surplus of US\$ 9 million in 1979 (see table 10).

/Remittances abroad

Remittances abroad in respect of payments of interest and profits on foreign capital dropped in the case of interest, although their total in each of the last three years is still considerably higher than interest payments up to 1976. On the other hand, net income from private and official transfer payments increased in comparison with 1978, reaching a level similar to that of net factor payments abroad.

The current account of the balance of payments in 1979 thus showed a surplus of US\$ 10 million - a far remove from the enormous deficit of the previous year. Unfortunately, this result was not sufficient to strengthen the country's international reserve position, since a very sizeable flight of capital, already observed in 1978, led to a drastic reduction of US\$ 108 million in the net international reserves.

During the year the sources of external credit began to close both for the private sector (in connexion with import activities) and for the banking system itself, and there was furthermore practically no income from direct foreign investments: indeed, a process of disinvestment took place instead.

In the face of these trends, which became more acute in the second half of the year, the monetary authorities took measures as from September to restrict the use of foreign exchange. They established a prior deposit of 10% for imports worth over US\$ 2,000, established a travel quota, increased the administrative measures to secure stricter control of foreign exchange, and in November further reduced the quotas established for travel.

At all events, preliminary estimates indicate that the net movement of private capital in the short and long term resulted in a deficit of US\$ 211 million.

The public sector obtained a net US\$ 60 million in external financing, an improvement over 1978, while the monetary authorities were obliged to resort to short-term financing (US\$ 33 million), to alleviate the limited international financial liquidity and strengthen the position of the currency.

Lastly, the external debt increased moderately in the course of the year and its servicing in relation to exports of goods and services dropped to slightly over 2% (see table 11).

4. Prices and wages

(a) Prices

Inflationary pressures were intensified during 1979. The annual average variation in the consumer price index went up to nearly 16%, the highest rate registered since 1976, from which time the rate of increase has been growing (see table 12).

The higher prices of imports and particularly the rapid increase in oil prices have played an important role in the rise in domestic prices, mainly through their repercussions on the costs of industry, electricity generation, transport, etc., which in turn influence the prices of the entire economy. The smaller domestic availability of goods and services (which dropped by 12% in constant terms), the temporary scarcity of some products, and other problems relating to supply also helped to fuel inflation. In response, the Government took some measures to moderate the rise in prices. For example, in June it prohibited the export of meat for two months, so as to prevent this foodstuff from becoming scarce on the domestic market, and in November, in the face of the ever-increasing generalized protests at the deterioration in the purchasing power of earnings, the Government junta decreed reductions of between 10% and 20% in the prices of a number of basic foodstuffs, including maize, beans, rice, meat, poultry and eggs. Simultaneously, maximum wholesale prices were established for the same products and the Marketing and Price Regulation Act was reformed so as to permit better control of these prices.

In December, an emergency Rent Act was brought out in order to keep rents at their 1978 levels, while a substantial increase was announced in the number of agencies of the Instituto Regulador de Abastos (IRA), to be responsible for maintaining unchanged the purchase prices of the basic grains established in April.

The measures taken in November were successful in slowing the increase in prices in the last months of the year and for this reason the average variation for the year was more moderate than the December-December figures.

/(b) Wages

(b) Wages

The information on taxable wages and salaries from the Instituto Salvadoreño del Seguro Social, which is the only information available on the evolution of wages, indicates that in the last three years the average real wage has suffered a continual decline (see table 13). Although this is only partial information, since the geographical and sectoral coverage is very limited (for example it does not include the agricultural sector), it is considered to reflect the general trend, particularly because it corresponds to the country's most organized labour sector.

The minimum wage for the majority of activities remained unchanged during 1978, except in the agricultural sector, where a small increase was observed. In the face of the generalized demand for wage improvements, between July and October 1979 the Government readjusted the minimum wages for all economic activities in varying proportions ranging from approximately 10% for the wages reviewed in 1978 to 30% for those which had remained unchanged since 1977. The monthly wage of public sector employees was increased by 75 colones as from the beginning of July. However, in view of the evidence that these readjustments did not restore the purchasing power of wages - especially in the agricultural sector - the new authorities decreed another readjustment in November and December giving supplementary increases of between 30% and 75%.

5. Monetary and fiscal policy

(a) Monetary policy

The monetary policy was aimed at promoting the most favourable financial and credit conditions for economic growth with price stability; however, as certain phenomena emerged which threatened to alter significantly the monetary scene, the authorities found themselves obliged to make adjustments in the scope and orientation of the policy, without succeeding in fully countering the trends already initiated, which were the result of the general atmosphere in which production activity developed.

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In the first place, during 1979 the growing preference for liquidity - a trend which had been observed for the past four years - was considerably accentuated, to such an extent that currency outside the banks increased by nearly 49%, while current account deposits dropped by 1.4% and savings deposits by 2.5%. This circumstance caused a lack of liquidity in the banking system which threatened to exacerbate the depressive situation caused by the incapacity to finance production, and for this reason the monetary authorities opened up new lines of credit (one to finance urban and inter-urban transport, a special one for tourism, and others), expanded advance and rediscounting operations, and in November announced differential rates for the coffee harvest, according to the volume of production. At this time, too, other flexible measures were taken to support the banking system. All this meant an increase of approximately 70% in the credit from the Central Bank to the commercial banks, but this was still inadequate to remedy the lack of liquidity in the system, so that total credit to the private sector only grew by 12% (see table 14).

Secondly, the tendency of private persons to maintain liquid assets was reflected in a growing demand for foreign currency. When the flight of capital began to assume alarming proportions during the second half of the year, the Central Bank decided - before the situation became even more critical - to increase exchange controls and adopt a group of measures to check the flight of funds abroad, but even so there was a sharp drop in net international assets (46.1%).

As regards the domestic factors of monetary expansion, credit increased by 25% exclusively as a result of the action of the Central Bank, since that of the commercial and mortgage banks was sharply restricted. In fact, there was a decline in the capacity of the intermediation system both to expand credit and to generate secondary money, since the bank multiplier was reduced. In order to offset this situation, the Central Reserve Bank took an active role in increasing advances and rediscounts to the banking system by nearly 90%, and this was finally reflected in an expansion of credit to the private sector in line with the general level of economic activity, especially that connected with exports.

/In addition,

In addition, the monetary authorities were obliged to assist the government sector with increasingly large sums of money. In the face of a drastic cut in holdings of public securities by the private sector, the Central Bank rapidly increased its investment in these securities from 22 million colones in December 1978 to 120 million in December 1979, while the central government's deposits declined by around 25%.^{3/}

Lastly, the same trend was observed in securities issued by autonomous official institutions and in the credit granted by the Central Bank to development institutions, which increased their indebtedness by around 50%.

In brief, despite the efforts made by the monetary authorities, it was not possible to counter the downward trends emerging in the monetary variables because their origin was not financial and they arose rather from the problems faced by the economy and the speculative activities engaged in by the private sector, particularly as regards the flight of capital and a lack of confidence in the country's financial and monetary system.

(b) Fiscal policy

Public spending was one of the few variables which helped to give impetus to economic activity during the year, and although it did not succeed in changing the downward trends, it did help to some extent to moderate them. Current expenditure increased by around 10% (see table 15).

Current income, for its part, increased by slightly over 18% and tax revenue by nearly 20%, i.e., by a very satisfactory amount in view of the abnormal conditions in which economic activity was evolving. However, this was due exclusively to the exceptional yield from coffee exports.

The relative movement of income and expenditure resulted in the growth of current savings, which allowed the Government, without noticeably increasing its external indebtedness, to implement a broader programme of investment. In fact, it is estimated that there was an increase of close to 30% in direct investment.

^{3/} The movement of securities only meant a shift of creditors from the private sector to the Central Bank, so that the net increase in domestic financing for the central government was much smaller (see table 15 below).

Despite the satisfactory growth recorded by investment during the year, the implementation of public works was attended with many difficulties. For example, the private construction enterprises carrying out work for the Government faced labour problems and operational difficulties. The levels of implementation were particularly low in the areas of education, health, highways and some items such as the fisheries project and the project aimed at promoting the development of basic industries.

The fiscal deficit was 30% lower than the previous year and was covered in a proportion similar to that of 1978 with external credit (around 85%) and domestic credit (15%). However, in the evolution of the domestic debt the Central Bank played a much more preponderant role than in the past, since it was obliged to take over a large quantity of liabilities issued by the Government which had been liquidated by the private sector owing to the lack of resources in the banks and the preference on the part of private persons for liquid money assets.

Table 1

EL SALVADOR: MAIN ECONOMIC INDICATORS

	1974	1975	1976	1977	1978	1979(a)
A. Basic economic indicators						
Gross domestic product at factor cost (millions of dollars at 1970 prices)	1 727	1 823	1 895	2 006	2 094	2 030
Population (millions of inhabitants)	4.02	4.14	4.27	4.39	4.52	4.66
Per capita gross domestic product (dollars at 1970 prices)	429	440	444	457	463	436
<u>Growth rates</u>						
B. Short-run economic indicators						
Gross domestic product	6.4	5.6	4.0	5.9	4.4	-3.1
Per capita gross domestic product	3.5	2.5	1.0	2.8	1.4	-5.9
Gross income (b)	3.7	3.9	11.7	11.2	-1.0	-6.2
Terms of trade	-12.6	-6.9	36.9	20.5	-19.1	-14.9
Current value of exports of goods and services	29.1	15.5	38.0	34.1	-10.2	29.0
Current value of imports of goods and services	45.8	6.2	23.0	28.1	13.1	3.6
Consumer prices						
December - December Variation between annual averages	21.0	15.1	5.2	14.9	14.6	14.8
Money	16.9	19.1	7.0	11.8	13.3	15.9
Wages and salaries (c)	19.4	16.4	41.4	7.8	9.9	21.6
Nominal	...	...	...	8.1	9.4	9.6
Real	...	...	...	-3.2	-3.4	-5.4
Current income of government	20.9	19.3	40.2	45.8	-13.1	18.4
Total expenditure of government	18.0	19.5	33.9	17.5	12.2	12.9
Surplus or deficit/total expenditure of government (d)	-17.4	-11.9	-7.7	14.5	11.3	-7.0
<u>Millions of dollars</u>						
C. External sector						
Trade balance (goods and services)	-131	-91	-23	20	-234	9
Balance on current account	-135	-95	-10	8	-249	10
Variation in net international reserves	12	32	84	44	35	-108
Disbursed public external debt	176	242	280	280	333	379

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Gross domestic product plus terms-of-trade effect.

(c) On the basis of the persons affiliated to the Instituto Salvadoreño del Seguro Social.

(d) Percentage.

Table 2

EL SALVADOR: TOTAL SUPPLY AND DEMAND

	Millions of colones at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
<u>Total supply</u>	<u>4 959</u>	<u>5 223</u>	<u>4 997</u>	<u>124.5</u>	<u>133.8</u>	<u>8.3</u>	<u>5.3</u>	<u>-4.3</u>
Gross domestic product at market prices	3 692	3 855	3 735	100.0	100.0	5.9	4.4	-3.1
Imports of goods and services (b)	1 267	1 368	1 262	24.5	33.8	16.1	7.9	-7.8
<u>Total demand</u>	<u>4 959</u>	<u>5 223</u>	<u>4 997</u>	<u>124.5</u>	<u>133.8</u>	<u>8.3</u>	<u>5.3</u>	<u>-4.3</u>
Domestic demand	4 000	4 248	3 735	99.7	100.0	9.5	6.2	-12.1
Gross domestic investment	905	940	552	13.3	14.8	43.7	3.9	-41.3
Gross fixed investment	807	890	804	12.0	21.5	27.5	10.4	-9.7
Public	281	280	292	2.8	7.8	37.1	-0.2	4.3
Private	526	610	512	9.2	13.7	22.9	16.0	-16.1
Changes in stocks	98	50	-252	1.3	-6.7			
Total consumption	3 095	3 308	3 183	86.4	85.2	2.3	6.8	-3.8
General government	432	474	493	10.7	13.2	5.0	9.6	4.1
Private	2 663	2 834	2 690	75.7	72.0	1.9	6.4	-5.1
Exports of goods and services (b)	959	975	1 262	24.8	33.8	3.7	1.7	29.4

Source: CEPAL estimates, on the basis of figures supplied by the Banco de Reserva de El Salvador.

(a) Preliminary figures.

(b) The figures for exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were converted to constant 1970 values by deflation, using price indexes calculated by CEPAL for the purpose.

Table 3

EL SALVADOR: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of colones at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Agriculture	871	932	948	30.6	27.5	3.6	6.9	1.7
Mining	4	4	4	0.2	0.1	-8.4	-11.5	3.0
Manufacturing	633	652	603	17.6	17.5	5.5	3.0	-7.5
Construction	178	189	168	3.0	4.9	35.6	6.2	-11.2
<u>Subtotal goods</u>	<u>1 686</u>	<u>1 777</u>	<u>1 723</u>	<u>51.4</u>	<u>50.0</u>	<u>7.0</u>	<u>5.3</u>	<u>-3.0</u>
Electricity, gas and water	76	82	87	1.6	2.5	12.7	8.1	6.6
Transport, storage and communications	207	215	209	5.4	6.1	7.3	3.9	-3.0
<u>Subtotal basic services</u>	<u>283</u>	<u>297</u>	<u>296</u>	<u>7.0</u>	<u>8.6</u>	<u>8.7</u>	<u>5.0</u>	<u>-0.4</u>
Commerce, financial insti- tutions and insurance	706	731	686	20.4	19.9	4.9	3.6	-6.1
Real estate (b)	124	129	132	4.0	3.8	3.4	3.6	2.7
Community, social and personal services (c)	608	606	606	17.2	17.7	3.4	3.4	-0.3
<u>Subtotal other services</u>	<u>1 418</u>	<u>1 468</u>	<u>1 424</u>	<u>41.6</u>	<u>41.4</u>	<u>4.1</u>	<u>3.5</u>	<u>-2.9</u>
<u>Total gross domestic product (d)</u>	<u>3 410</u>	<u>3 561</u>	<u>3 450</u>	<u>100.0</u>	<u>100.0</u>	<u>5.9</u>	<u>4.4</u>	<u>-3.1</u>

Source: CEPAL, calculations, on the basis of figures supplied by the Banco de Reserva de El Salvador.

(a) Preliminary figures.

(b) Refers to ownership of dwellings only.

(c) Also includes restaurants, hotels and business services.

(d) As the individual activities and the totals were calculated independently, the sum of the former does not correspond exactly with the latter.

Table 4

EL SALVADOR: INDICATORS OF AGRICULTURAL PRODUCTION

	1976	1977	1978	1979(a)	Growth rates		
					1977	1978	1979(a)
Index of agricultural production (1968 = 100)	136.8	126.9	144.6	147.0	-7.2	13.9	1.7
Crop farming	130.0	117.7	136.1	141.2	-9.5	15.6	3.7
Stock-raising	160.1	158.6	173.9	167.0	-0.9	9.6	-4.0
Production of the main crops (b)							
Coffee	3 082	3 277	3 456	3 660	6.3	5.5	5.9
Ginned cotton	1 402	1 522	1 713	1 574	8.6	12.6	-8.1
Grains (c)	12 163	12 702	16 262	16 710	4.4	28.0	2.8
Sugar cane	3 177	3 550	3 692	2 984	11.7	4.0	-19.2
Indicators of stock-raising production							
Number of animals slaughtered (thousands)							
Cattle	184	164	170	150	10.9	3.7	-11.8
Pigs	124	155	168	154	25.0	8.4	-8.3

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) In thousands of quintals, with the exception of sugar cane which is expressed in thousands of tons.

(c) Including maize, beans, milled rice and millet.

Table 5

EL SALVADOR: INDICATORS OF MANUFACTURING PRODUCTION

	1976	1977	1978	1979(a)	Growth rates (b)		
					1977	1978(a)	1979(a)
<u>Index of manufacturing production</u> (1975 = 100)							
Value added at constant prices	108.7	114.7	118.2	109.1	5.5	3.0	-7.5
<u>Gross value of production at</u> <u>current prices</u>	112.0	126.7	144.7	157.0	10.4	12.5	8.5
Foods	108.1	117.3	130.8	138.5	8.5	11.5	5.9
Beverages	112.3	129.4	141.0	158.5	15.2	9.0	8.9
Textiles	116.0	129.1	156.0	168.8	11.3	20.8	8.2
Footwear and clothing	119.1	131.7	151.4	165.8	10.6	15.0	9.5
Chemicals	114.2	125.0	145.3	161.8	9.5	16.2	11.4
Petroleum products	110.8	127.3	139.1	156.2	14.9	9.3	12.3
Other	113.2	138.2	161.6	176.2	22.1	16.9	9.0
<u>Other indicators of manufacturing</u> <u>production</u>							
Consumption of electricity by industry (millions of KWH)	458	531	575	611	15.9	8.3	6.3(c)
Employment (thousands) (d)	120	142	164	157	18.6	15.7	-4.6

Source: CEPAL, on the basis of data supplied by the Banco de Reserva de El Salvador.

(a) Preliminary figures.

(b) The growth rates correspond to real and not to rounded figures.

(c) Estimate based on available data for the period January-October.

(d) Only including persons who work 35 hours or more per week.

Table 6

EL SALVADOR: INDICATORS OF CONSTRUCTION ACTIVITY

	1976	1977	1978	1978(a)	1979(a)	Growth rates		
						1977	1978	1979(a)
<u>Area constructed (b)</u> (thousands of m ²)								
Total	1 818	1 247	1 177	652	392	-31.4	-5.7	-56.8
Dwellings	718	1 044	745	365	234	45.5	-28.6	-36.1
<u>Production of certain</u> <u>building materials</u>								
Structural steel (c)	30	58	56	...	...	94.9	-2.8	...
Cement (d)	323	376	530	264	320	16.5	41.4	21.1

Source: CEPAL, on the basis of official data.

(a) Refers to the period January-June of each year.

(b) Refers to private building permits.

(c) Apparent consumption in thousands of tons.

(d) National production in thousands of tons.

Table 7

EL SALVADOR: EXPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates (b)		
	1976	1977	1978	1979(a)	1970	1979	1977	1978	1979(a)
Main traditional exports	519	718	560	827	66.1	72.9	38.3	-22.0	47.7
Coffee	404	606	432	696	51.1	61.3	50.0	-28.7	61.1
Cotton	62	76	98	93	9.8	8.2	22.6	28.9	-5.1
Sugar	41	26	19	26	3.0	2.3	-36.6	-26.9	36.8
Shrimps	12	10	11	12	2.2	1.1	-16.7	10.0	9.1
Rest	225	254	286	307	33.9	27.1	12.9	12.2	7.7
<u>Total</u>	<u>744</u>	<u>972</u>	<u>846</u>	<u>1 134</u>	<u>100.0</u>	<u>100.0</u>	<u>30.7</u>	<u>-13.1</u>	<u>34.0</u>

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Calculated on the basis of unrounded figures.

Table 8

EL SALVADOR: IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown		Growth rates (b)		
	1976	1977	1978	1979(a)	1970	1979	1977	1978	1979(a)
<u>Total</u>	<u>739</u>	<u>929</u>	<u>1 030</u>	<u>956</u>	<u>100.0</u>	<u>100.0</u>	<u>25.7</u>	<u>10.9</u>	<u>1.7</u>
<u>Consumer goods</u>	<u>168</u>	<u>238</u>	<u>266</u>	<u>249</u>	<u>33.4</u>	<u>26.0</u>	<u>41.7</u>	<u>11.8</u>	<u>3.3</u>
Durable	37	58	62	52	...	5.4	56.8	6.9	-7.1
Non-durable	131	180	204	197	...	20.6	37.4	13.3	6.5
<u>Intermediate goods</u>	<u>360</u>	<u>483</u>	<u>489</u>	<u>500</u>	<u>48.9</u>	<u>52.3</u>	<u>34.2</u>	<u>1.2</u>	<u>10.1</u>
Petroleum and fuels	72	73	77	96	1.2	10.0	1.4	5.5	41.2
Others	288	410	412	404	47.7	42.3	42.4	0.5	4.7
<u>Capital goods</u>	<u>185</u>	<u>235</u>	<u>265</u>	<u>205</u>	<u>17.7</u>	<u>21.4</u>	<u>27.0</u>	<u>12.8</u>	<u>-13.5</u>
<u>Discrepancy</u>	<u>26</u>	<u>-27</u>	<u>10</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>...</u>	<u>...</u>	<u>...</u>

Source: CEPAL, on the basis of official data.

(a) Corresponds to the period January-November. The rates were calculated with respect to the same period of the previous year.

(b) Calculated on the basis of unrounded figures.

Table 9

EL SALVADOR: MAIN FOREIGN TRADE INDICATORS

	1974	1975	1976	1977	1978	1979(a)
	<u>Growth rates (b)</u>					
Exports of goods						
Value	29.2	15.0	39.7	30.7	-13.1	34.0
Volume	4.0	11.9	1.6	-3.2	2.3	38.2
Unit value	24.2	2.8	37.6	35.0	-15.0	-3.0
Imports of goods						
Value	53.6	5.4	23.7	26.3	10.7	0.5
Volume	8.0	-4.5	23.1	12.8	5.4	-11.8
Unit value	42.2	10.4	0.5	12.0	5.0	14.0
Terms of trade	-12.6	-6.9	36.9	20.5	-19.1	-14.9
	<u>Indexes (1970 = 100)</u>					
Terms of trade	90.5	84.3	115.4	139.1	112.6	95.8
Purchasing power of exports of goods	110.0	114.5	159.3	185.8	153.9	95.8
Purchasing power of exports of goods and services	117.1	122.5	165.5	202.4	173.4	108.6

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Calculated on the basis of unrounded figures.

Table 10

EL SALVADOR: BALANCE OF PAYMENTS
(Millions of US dollars)

	1974	1975	1976	1977	1978	1979(a)
<u>Current account</u>						
Exports of goods and services	515	595	821	1 101	989	1 276
Goods FOB (b)	464	533	744	972	846	1 134
Services	51	62	77	129	143	142
Transport	12	13	13	19	23	8
Travel	16	19	21	32	37	15
Imports of goods and services	646	686	844	1 081	1 223	1 267
Goods FOB (b)	522	551	684	860	952	957
Services	124	135	160	221	271	310
Transport	53	61	72	88	99	115
Travel	37	34	43	58	103	120
Net payments of profits and interest on foreign capital	-21	-29	-14	-43	-61	-55
Profits	-11	-11	-6	-13	-12	-14
Interest	-10	-18	-8	-30	-49	-41
Net private transfer payments	17	25	27	31	46	56
Balance on current account	-135	-95	-10	8	-249	10
<u>Capital account</u>						
Net external financing (a+b+c+d+e)	135	95	10	-8	249	-10
a) Long-term capital	143	93	69	16	161	-118
Direct investment (net)	20	13	13	19	23	
Private sector	19	4	28	13	26	
Loans	33	21	44	36	48	
Amortization payments	-13	-16	-16	-22	-21	
Other liabilities and assets (net)	-1	-1	-	-1	-1	
Official sector	44	71	40	-1	47	
Loans	49	90	49	54	64	
Amortizations payments	-8	-17	-8	-53	-15	
Other liabilities and assets (net)	3	-2	-1	-2	-2	
Monetary authorities (net)	60	5	-12	-15	65	
b) Short-term capital (net)	3	32	22	12	117	
Private sector	5	38	16	-14	167	
Official sector	-	2	1	2	2	
Other liabilities and assets	3	-16	14	20	3	
Errors and omissions	-5	8	9	4	-55	
c) Allocation of special Drawing Rights (SDRs)	-	-	-	-	-	
d) Official transfer payments	1	2	3	8	6	
e) International reserves (minus sign indicates and increase)	-12	-32	-84	-44	-35	108
Use made of IMF credit	22	-	-6	-15	-	-
Other liabilities	2	-2	-	-3	21	-19
Monetary gold	-	-	-	-	-	-
Special Drawing Rights	-	-1	-	-4	-	-8
IMF reserve position	-	-	-	-6	-5	-
Foreign exchange and other assets	-36	-29	-78	-16	-51	135

Source: 1974-1978: International Monetary Fund, Balance of Payments Yearbook, vol. 30;
1979: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Including non-monetary gold.

Table 11

EL SALVADOR: EXTERNAL INDEBTEDNESS
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
Total external indebtedness (b)	176	242	280	280	333	379
Central government	62	69	86	102	121	143
Official institutions	113	172	194	178	212	236
Guaranteed	93	109	120	149	187	213
Non-guaranteed	20	63	74	29	25	23
Servicing of external debt	13	21	19	65	32	28
Amortization payments	8	16	8	54	15	14
Interest payments	5	5	11	11	17	14
Servicing of external debt, as a percentage of total exports	2.5	3.5	2.3	5.9	3.2	2.2

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Disbursed.

Table 12

EL SALVADOR: EVOLUTION OF DOMESTIC PRICES

	1974	1975	1976	1977	1978	1979(a)
<u>Variation from December to December</u>						
Consumer price index	21.0	15.1	5.2	14.9	14.6	14.8
Food	20.1	16.9	5.8	8.9	12.7	13.7
Wholesale price index	27.4	1.1	15.3	6.9	4.7	22.9
Agricultural products	19.9	7.0	90.8	-0.5	3.0	4.3
Manufactures	43.4	0.5	13.4	0.8	-1.0	20.4
Construction materials	18.5	6.0	7.8	15.4	7.6	17.8
<u>Variation between annual averages</u>						
Consumer price index	16.9	19.1	7.0	11.8	13.3	15.9
Food	17.3	20.5	7.0	8.7	10.7	14.8
Wholesale price index	30.6	7.1	11.2	11.7	4.8	14.5
Agricultural products	17.6	15.4	75.5	4.3	1.7	4.6
Manufactures	39.9	4.5	13.7	8.2	-1.6	9.6
Construction materials	32.3	6.1	8.6	16.7	6.5	13.2

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

Table 13

EL SALVADOR: EVOLUTION OF WAGES AND SALARIES (a)

	1977	1978	1979
<u>Growth rates</u>			
Wages and salaries			
Nominal	8.1	9.4	9.6
Real	-3.2	-3.4	5.4

Source: CEPAL, on the basis of official data.

(a) On the basis of figures for wages subject to contributions to the Instituto Salvadoreño de Seguro Social.

Table 14

EL SALVADOR: MONETARY BALANCE

	Balance at end of (millions of colones)				Growth rates (b)		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
	<u>Money</u>	917	988	1 086	1 321	7.8	9.9	21.6
Currency outside banks	380	432	500	743	13.8	15.9	48.6
Demand deposits	537	556	586	578	3.6	5.4	-1.4
<u>Factors of expansion</u>	2 269	2 603	3 003	3 343	14.7	15.4	11.3
Foreign assets (net)	514	514	586	316	0.1	13.9	-46.1
Domestic credit	1 755	2 089	2 417	3 027	19.0	15.7	25.2
Government (net)	-21	-127	-98	21			
Official entities	195	294	295	518	50.9	0.3	75.6
Private sector	1 581	1 922	2 220	2 488	21.5	15.5	12.1
<u>Factors of absorption</u>	1 352	1 615	1 917	2 022	19.5	18.7	5.5
Quasi-money (savings and time deposits)	854	1 015	1 154	1 125	18.9	13.7	-2.5
Bonds	123	220	230	243	78.8	4.4	5.7
Long-term foreign borrowing	268	232	394	482	-13.6	69.8	22.3
Other items (net)	107	148	139	172	37.2	-6.1	23.7

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Calculated on the basis of unrounded figures.

Table 15

EL SALVADOR: CENTRAL GOVERNMENT INCOME AND EXPENDITURE
(Millions of colones)

	1976	1977	1978	1979(a)	Growth rates (b)		
					1977	1978	1979(a)
<u>Current income</u>	810	1 182	1 027	1 215	45.8	-13.1	18.4
Tax revenue	768	1 131	972	1 162	47.3	-14.1	19.5
Direct	187	237	286	277	26.7	20.7	-3.1
Indirect	581	894	687	885	53.9	-23.2	28.8
On foreign trade	355	624	402	571	75.8	-35.9	42.0
<u>Current expenditure</u>	560	680	783	862	21.4	15.1	10.1
Wages and salaries	299	349	411	475	16.7	17.8	15.6
Other current expenditure	261	331	372	387	26.8	12.4	4.0
Saving on current account	250	502	244	353	100.8	-51.4	44.7
<u>Capital expenditure</u>	318	352	375	445	10.7	6.5	18.7
Real investment	162	214	217	283	32.1	1.4	30.4
Debt amortization payments	23	29	33	30	26.1	13.8	-9.1
Other capital expenditure	133	109	125	132	-18.0	14.7	5.6
<u>Total expenditure</u>	878	1 032	1 158	1 307	17.5	12.2	12.9
<u>Fiscal deficit (or surplus)</u>	-68	150	-131	-92			
<u>Financing of deficit</u>							
Domestic financing	19	-199	24	11			
External financing	49	49	107	81			

Source: CEPAL, on the basis of official data supplied by the Banco Central de Reserva.

(a) Preliminary figures.

(b) Calculated on the basis of unrounded figures.

