

UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



RESTRICTED

E/CEPAL/R.227/Add.13
October 1980

ENGLISH
ORIGINAL: SPANISH

C E P A L

Economic Commission for Latin America

ECONOMIC SURVEY OF LATIN AMERICA

1979

URUGUAY

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.

80-4-611

URUGUAY

1. Recent economic trends: Introduction and summary

In 1979, Uruguayan economic activity registered an exceptionally high growth rate compared with past years. Thus, the gross domestic product increased by 8.4%, mainly as a result of the faster growth of industrial output (10%) and construction (nearly 20%), the increase in the latter being especially due to the boom in private sector building, which grew by more than 44%. Gross income increased somewhat less than the product, however, because the terms of trade deteriorated slightly (see table 1).

During the year, increased spending by tourists, especially Argentinians, and increased exports of non-traditional products which had been of moderate importance up to 1978 played an important role, but both of these factors tended to weaken towards the end of the year.

The successful growth of the product was accompanied by a revival of the inflationary process, and the 83% rise in consumer prices from December 1978 to December 1979 was nearly double that of the preceding period. The growth of money, and especially of quasi-money, was one of the main factors contributing to the increase in inflation. Increased international prices also had an effect, but this was moderate, since the Government raised the exchange rate at a pace considerably lower than that of inflation. The intensification of the inflationary process and the policies used to contain it led to a new drop in real salaries and wages for the sixth consecutive year. Nominal salaries and wages grew by over 53%, whereas the average variation of consumer prices was 67%.

The Government achieved a surplus in the fiscal sphere for the first time in the past six years; this was made possible primarily by a real increase in current income of approximately 16%.

The other noteworthy aspect of the economic evolution in 1979 was the intensification of the process of opening up the economy to the exterior, despite adverse conjunctural factors which prevented growth in "traditional" exports. The current value of exports of goods and services grew by around 30%, mainly as a result of the increase in exports of services (by nearly 80%)

/and in

and in non-traditional exports (30%); the former grew as a result of increased spending by foreign tourists, especially Argentinians.

The current value of imports increased very substantially (by 48%), so that the ratio of imports to the gross domestic product increased from 13% in 1978 to nearly 15% in 1979. The rise in imports of consumer goods, whose value more than doubled (increasing from US\$ 33 to US\$ 73 million), was noteworthy. Despite the 47% increase in petroleum prices, the value of fuel imports grew by only 34% due to a drop in the volumes imported.

The higher level of activity, investment and consumption within the context of the opening up of the economy to the exterior stimulated strong growth (31%) in the volume of imports of goods, while the current value of imports climbed by 59% because prices, impelled by higher petroleum costs, increased by 22%.

The trade deficit reached US\$ 245 million, and despite the fact that services behaved atypically in 1979 and yielded a surplus of US\$ 107 million, mainly due to increased tourism revenue, there was a deficit of US\$ 305 million on the balance-of-payments current account.

The special conditions prevailing in the financial market facilitated the inflow of private capital, which allowed the exchange market to develop smoothly and made possible an overall balance-of-payments surplus of US\$ 68 million.

2. Trends in economic activity

(a) Total supply and demand

In 1979, total supply increased by around 10% in real terms as a result of an 8.4% increase in the gross domestic product and even more vigorous expansion (19%) of the volume of imports of goods and services (see table 2).

Exports of goods and services, however, increased at a lower rate (6.6%) than total demand, whereas domestic demand grew by over 10%. The rapid growth of gross fixed investment (by more than 30%) due to the increased volume of construction (22%) and the strong expansion of real expenditure on machinery and equipment (42%) played an important role in these results. The gross investment coefficient was accordingly nearly 18%:

one of the highest rates recorded in the country since national accounts series have been compiled. The construction increase (44%) was exclusively due to the private sector. In machinery and equipment, there was a significant increase as regards goods used by the agricultural sector and construction enterprises.

Total consumption rose by more than 6%, mainly due to the rapid growth of public consumption (8%), but private consumption again increased less than total demand and consumption.

As a result of the uneven growth of external trade and the product, the ratio of imports to the domestic product increased to nearly 15%, whereas the export coefficient decreased somewhat, to 16.8%.

(b) Growth of the main sectors

The sectors producing goods grew as a whole by nearly 10%, whereas services increased somewhat less (around 8%). Both sectors, however, grew much more rapidly than the year before (see table 3).

Construction was the sector which contributed most to the growth of the product, but manufacturing also grew more than the product as a whole in response to increased demand for inputs for construction and agricultural activities and for investment goods for the livestock subsector. The value added in the construction sector increased by nearly 20%, principally due to the construction of private housing in Punta del Este and Montevideo. There was substantial growth in the fisheries sector (nearly 39%), due both to domestic consumption and exports. Agricultural activity had the lowest growth rate (3.3%) in the group of sectors producing goods, mainly as a result of adverse climatic conditions.

The increased activity in the sectors producing goods had a direct influence on commerce and transport, whose product increased by 14% and 7%, respectively. The other services sectors, which increased less than the average, grew by around 4%.

(i) Agriculture. Altogether, this sector's activity increased by 2.7% (see table 4). The output of the crop-raising subsector declined slightly, due to the decrease of nearly 6% in annual crops which was not offset by the large increase (44%) in investments in permanent plantations and crops, especially pastures. The annual crops were affected by unfavourable

/climatic conditions

climatic conditions during the sowing of winter crops and the harvesting of summer crops. The increase in pastures may be interpreted as a response to the policy of liberalizing markets and prices pursued by the Government as from August 1978.

The summer crops were affected by an intense drought during the pre-harvest and harvest periods, which was reflected in the lower output of maize (-59%), sunflower (-28%) and grain sorghum (-71%). Soya output increased considerably (64%), however, basically due to an increase in the area sown, since as a result of the drought the yield was lower than it had been in recent years.

As for the winter crops, they were harmed by excessive rainfall which forced the sowing to be delayed until August and September and made it necessary to use late-sown seeds (whose yields are more uncertain) and to reduce the areas sown. The same was true for flax, output of which declined by 22%, and for wheat, the harvest of which, although similar to that for 1978, was much lower than those of previous years. Rice production continued to increase, and was nearly 50% greater than the average level of the past decade.

The output of the livestock subsector increased by 5%, a rate which extended through nearly all the livestock categories. As already noted, decisions adopted by the Government as from August 1978 which were aimed at increasing the productive capacity, principally through liberalization of the markets and price systems, and at using it more efficiently undoubtedly contributed to this performance.

The principal measures which stimulated livestock output were the decision to free the supply of meat, the abolition of the surcharge on fertilizer imports and the fixing of a single 10% surcharge on imports of agricultural machinery and assembled tractors. These conditions led to an expansive trend in livestock breeding, although in the short term supply to the markets was limited and exports of beef decreased by 32% while domestic consumption declined by 9%.

In the other categories of greatest weight in the livestock subsector, the increased output of wool (7%) and milk (4%) were noteworthy. Poultry and pork production increased significantly (31% and 20%, respectively)

/under the

under the stimulus of increased domestic demand due to the use of these products as beef substitutes. In the case of poultry meat, there were also increased exports.

(ii) Manufacturing. The manufacturing output grew by 10%, one of the highest rates recorded in the entire time that statistics have been compiled on this sector. A number of factors contributed to this expansion (see table 5).

Firstly, the rate of investment in new private building accelerated, as did that of purchases of durable manufactured goods, which were stimulated by the lower rates of return on financial assets and the intensification of inflationary expectations. These factors contributed to the increased output of non-metallic minerals (14%), metal products (nearly 24%), electrical machinery (37%) and transport equipment (39%), which together accounted for more than 40% of the growth of the manufacturing sector.

Secondly, buying by Argentinian tourists increased due to the favourable evolution of prices in Uruguay with respect to Argentina. The increased demand was mainly concentrated on articles made from textiles, whose output increased by around 18%. Sales of manufactured goods to Argentina increased as well, for similar reasons.

In contrast, the growth in activities producing food, beverages, tobacco, and paper and plastic products was principally due to an increase in domestic demand. The improvement of the outlook for the livestock sector had a favourable effect on the output of the fertilizer industry, which grew by 46%, and the wire industry, which expanded by 57%. Due to the inelasticity of the sector's short-term supply, this improvement of the outlook made livestock sales decline, which influenced the activity of meat-packing plants and the leather industry. The leather industry, which previously had been one of the principal sources of dynamism in the manufacturing sector, was also harmed by restricted access to its principal market, the United States, and by obstacles against expanding its sales into markets where selling is more difficult, such as the European and Canadian markets. Consequently, the activity of tanneries decreased by 27%, the manufacturing of fancy leather articles declined by nearly 30% and leather clothing production dropped by 60%.

/(iii) Construction.

(iii) Construction. Construction activity increased by nearly 20% in 1979, this growth being due to the 44% increase in private construction, since public construction remained at nearly the same level as in 1978.

The new buildings were concentrated in Montevideo and especially the seaside area of Punta del Este, where there was a big expansion in the tourism infrastructure, and particularly tourist accommodation, largely due to direct foreign private investment.

Projects financed by the Mortgage Bank of Uruguay through the Private Housing Promotion System, principally in Montevideo, also increased (by 47% in real terms), but their weight in the sector was smaller.

3. The external sector

(a) Merchandise trade and the terms of trade

(i) Exports. The current value of exports of goods rose by 15% to total nearly US\$ 790 million; this increase was entirely due to the 21% rise in the unit value, since the volume of exports decreased by 5% (see table 6).

The value of traditional exports decreased by 10% in dollars at current prices (see table 7), mainly because of the lower volume of meat (-30%) and wool and wool products (-33%) exported. The decline in meat exports was due to the decreased availability of exportable amounts because the initiation of a period of expanding herds in the early months of the year meant that the livestock was retained. In the case of wool, stocks were accumulated while waiting for international prices to improve.

Non-traditional exports, in contrast, increased by over 29% as a result of an 8% increase in their physical volume and a 20% growth in average prices. The two principal groups of products (processed hides and skins and leather goods and textiles, which make up nearly half of the non-traditional exports) grew less than the average (14%) for the reasons discussed in the section on trends in economic activity.

The largest increase was in non-traditional items which had been of smaller importance up to 1978, mainly iron, steel, machinery, and electrical and transport equipment, exports of which increased from US\$ 27 million to US\$ 57 million (111%), and in chemical, plastic and leather products, which

/grew from

grew from US\$ 30 million to US\$ 45 million (50%). In both cases, the most important factor was the significant increase in exports, principally to Argentina, effected as a counterpart of imports of unassembled motor vehicles (kits). This factor was also important in the increased sales of paper and paper products.

Exports of fishery products continued to rise fast (57%), while rice exports grew by nearly 75%, mainly due to the increased volume of sales (66%).

It should be noted that the rapid and relatively general increase in non-traditional exports took place despite the fact that the exchange rate rose much more slowly than wholesale prices. Thus, the exchange rate increased by 20% or 30% (depending upon whether the variation between annual averages or the December to December variation is used), whereas wholesale prices climbed by around 80%.

(ii) Imports. In 1979, the value of imports of goods rose by around 60% to a total of US\$ 1,230 million as a result of a 30% volume increase and a 23% rise in unit value (see table 6).

An important role was played in this growth by the higher level of activity and the policy of opening up to the exterior pursued by the Government as a means of changing the productive structure and, in the short term, as part of the anti-inflation programme. Finally, the policy of reducing the exchange rate in real terms would also seem to have contributed to accelerating the growth of imports.

Imports of all types of goods increased greatly, but growth was especially vigorous in the case of consumer goods, whose value more than doubled. The greatest absolute increase, however, was in imports of intermediate goods (excluding petroleum), which amounted to US\$ 715 million, 70% more than the figure for 1978 (see table 8). The bigger volumes imported accounted for around 46% of this increase, while higher average prices were responsible for 17% of it. Among the various items in this group, the sharpest increase was in purchases of components and spare parts for transport equipment and particularly imports of kits for assembling cars and trucks, which grew by nearly 120%.

/Purchases of

Purchases of metals and metal products increased at a similar rate as a result of the increased volume of imports of iron and steel ingots, wire rods, and iron and steel sheet, mainly for the construction industry and the manufacture of components for the agricultural sector. Imports of plastics, rubber and rubber products also increased at a very brisk pace (83%) due to increased purchases of rubber, polyethylene, PVC and other synthetics mostly used in manufacturing parts for the automobile industry and household appliances.

Imports of chemical products increased by nearly 59% as a result of larger purchases of fertilizers (connected with the investment in pastures in the agricultural sector) and of livestock medicines, insecticides and herbicides, which are also used by this sector. Lastly, lower crop yields made it necessary to increase imports of wheat, other cereals and oils by US\$ 26 million.

The volume of imports of petroleum and petroleum products decreased by 9% in 1979, however, mainly due to the use of stocks accumulated the year before. Nevertheless, their value increased by 34% as a result of the 47% rise in average prices, thus adding nearly US\$ 100 million to the petroleum account in 1979.

Purchases of capital goods grew by 44% to reach a total of US\$ 151 million as a result of the nearly 33% increase in volume and a price rise of over 8%. The increase in purchases of tractors and other agricultural machinery and of machinery for the construction industry, whose total value more than trebled, was noteworthy in this group.

Because of the changes in the values of exports and imports of merchandise, trade in goods registered a deficit of US\$ 350 million. Trade in services (real and financial), on the other hand, generated a surplus of around US\$ 40 million, to which the positive balance generated by tourism services, which is estimated to have reached US\$ 165 million, contributed greatly.

The unit value of imports grew by around 23%, a somewhat higher rate than that of the growth in the unit value of exports. Consequently, the terms of trade deteriorated somewhat; however, the purchasing power of exports, both of goods and services, continued to grow for the fourth consecutive year (see table 7).

(b) The balance of payments and its financing

In 1979, the financial opening up of the economy was consolidated through a set of fiscal, exchange and monetary measures which during most of the year allowed transactions to be made on terms similar to those in the world financial market place. Within this framework, a large amount of direct private investment to finance new construction was made and there was a large inflow of foreign private capital in the form of bank deposits.

Thus, the deficit on the balance-of-payments current account (US\$ 305 million) was easily financed by the inflow of non-compensatory capital, the increase of suppliers' credits to the private sector (US\$ 120 million) and the Government's use of loans, mainly from banks, to finance public works, and especially the construction of the Palmar hydroelectric dam (US\$ 90 million). As a result of these movements, the net international reserves grew by US\$ 68 million (see table 9).

4. Prices and wages

(a) Prices and anti-inflationary policy

In 1979, containing the growth rate of prices continued to be a priority target of the economic policy, but during this period the anti-inflationary strategy was changed significantly, since the authorities believed that in view of the degree of financial openness which the economy had achieved, the most appropriate way of halting inflation would be to fix the exchange rate and increase commercial openness. The monetary policy, on the other hand, was to play a neutral role.

Of the principal measures regarding the exchange rate and tariffs, the most important was the Central Bank's decision to announce in advance, through a table of daily prices, the exchange rates at which it was prepared to sell and buy foreign currency. The purpose of this measure was to prevent expectations from being generated regarding the evolution of this variable, which was considered to be central to price formation. The announcement of devaluation rates was also aimed at bringing down interest rates in national currency by removing the risk of error in forecasting the exchange rate. This was expected to facilitate the convergence of interest rates in national

/currency with

currency with those in international markets, after correcting for the devaluation rate. In practice, from December 1978 to December 1979 the exchange rate climbed by 20.8% and the public was informed of the monetary adjustments at least three months in advance (see table 10).

Secondly, during the year the Government took various steps connected with the reduction of tariffs which, in addition to their long-term goals, had the immediate aim of decreasing prices, especially those of some agricultural inputs and consumer goods which were over-protected. These measures included tax exemptions on imports of wheat for the milling industry; decreasing surcharges and tariffs on imports of beef and beef substitutes, milk products, potatoes, pumpkins, fresh vegetables, edible oils, cereals and oilseeds and, more generally, the reduction of maximum surcharges from 110% to 90%, as announced during the third quarter. During that quarter, the global tariff rate for articles such as textiles and clothing, soap, iron, footwear and other leather products was reduced to between 36% and 76%.

Furthermore, at the start of the year a programme of wage increases, effective from May onwards, was announced, and increases in the cost of public services were made public in advance; it was felt that this would complement the policy of prior announcements of devaluations in moderating expectations. However, the wage and public service tariff increases were not in fact in keeping with this programme, and in the first months it was applied the increases scheduled in it proved to be lower than the increases in the general levels of prices. Accordingly, the growth rate of prices did decrease as had been planned, and inflation actually accelerated (see table 11).

The price increases were primarily stimulated by international inflation, and especially by the increase in petroleum prices. Generally, the cost of imported goods in dollars at current prices increased by around 24%, while crude oil had an average increase of over 47%. A second factor in the acceleration of inflation was the increase in the international price of beef and the decline in the supply of cattle, as well as the effect of having liberalized the marketing of the product. The average price of meat exported by Uruguay in 1979 was 58% greater than the previous year. Finally, the price increases were also influenced by the large and rapid expansion of

/demand, which

demand, which was partly due to the strong growth of spending by Argentinian tourists who profited from the uneven evolution of the real exchange rate in the two countries. This spending is estimated to have increased by around 120% to nearly US\$ 300 million, and it particularly affected the prices of clothing, food and services.

Furthermore, domestic demand increased as a result of the large growth of foreign investment in new buildings, especially in Punta del Este, where the area constructed in 1979 was 90% greater than the year before.

Thirdly, domestic spending also increased, particularly on purchases of durable goods, and was stimulated by the fact that interest rates were negative in real terms. Finally, the monetary expansion, especially that of quasi-money, also contributed to increasing domestic demand and consequently accelerating the inflationary process.

(b) Wage and price trends

From December 1978 to December 1979, the prices of consumer goods increased by 83%: nearly double the figure for the preceding year. The growth of consumer prices in terms of annual averages was 67%. The rate of inflation increased from the first to the third quarter of 1979 (from 10.5% to 18.5%), decreasing only in the fourth quarter (to 16.7%) (see table 11).

Prices increased most for clothing (95%) and the food category (86%). On the other hand, rents and the cost of the other items in the basket grew on average less than the global index.

Among the components of the food category, the items which increased most were meats and sausages (123%) and meals in restaurants (115%). The prices of fruit and vegetables served as a moderating factor, however, since they grew by 50%.

(c) Wages and salaries

In 1979, the general level of nominal wages increased by nearly 53% as the result of a nearly 51% rise in the wages of the private sector (according to the minimum increases set by the Executive) and a 54.5% increase in the wages of public employees (see table 12).

/This meant

This meant that for the sixth consecutive year, real wages decreased in real terms, declining more in 1979 (8.5%) than in 1978 (3.5%), despite the fact that in 1979 the increase in gross income was more than double that of the previous year.

According to a special survey carried out in Montevideo by the Statistics and Census Office, however, during the first 11 months of 1979 nominal wages actually paid in the private sector increased by 65.3%. Consequently, it would seem that again in 1979 the private sector actually rose (by around 13 points) above the wages set by the Executive. Thus, the wages of the private sector in real terms would seem to have remained nearly constant.

5. Monetary and fiscal policy

The anti-inflationary strategy established at the end of 1978 gave greater prominence to the use of exchange machinery and reduced the role of the monetary authorities to the management of domestic credit.

According to this strategy the use of other monetary policy instruments tends to generate distortions in the financial market without achieving control over the supply of money; thus, for example, a system of high cash reserves decreases the local financial system's ability to compete, a system of pre-financing exports varies the money supply in a way that bears no relation to the changes in international assets, and a sustained open market policy affects interest rates and the inflow of capital alike.

On this basis, in 1979 the Central Bank proposed to eliminate all monetary policy measures which might tend to create the situations described above and sought, through the neutrality of the domestic credit policy, also to influence the expectations of economic agents. In accordance with this notion, the principal measures adopted were the following: (i) at the end of the first quarter, the system of advance payments in foreign currency was abolished, so that exports will be financed in the future through the credit machinery available in the market; (ii) in the second quarter, the system of cash reserves on deposits in national and foreign currency was revoked, and the single tax on banking activity was eliminated, which greatly decreased the cost of credit; (iii) open market transactions ceased to be

/used, because

used, because their effect on interest rates stimulated the accumulation of international reserves, thus nullifying the initial effect of restricting the monetary supply.

The objective of changing the way that domestic credit was managed by the monetary authority from active to passive or neutral led at first, even when adequate fiscal management was available, to an expansion of this credit. Thus, the abolition of cash reserves on deposits in national currency had a once-only expansive effect on the money multiplier, since the composition of the monetary base changed, and the abolition of cash reserves in foreign currency led to a greater expansion in domestic credit than might have been expected from the reduction in obligatory cash reserve rates.

A result of this measure was that the deposits making up the cash reserve ceased to be profitable, thus leading to an additional expansion of credit because of the withdrawal of the large surplus cash reserves. A similar phenomenon occurred in the case of the open market transactions, which involved the purchase of commercial paper floated in the past, while no new paper was issued, thus leading to the growth of domestic credit.

As a result of the measures mentioned above, the monetary base grew by 57% and the quantity of money climbed even more (88.5%) due to the increase in the multiplier. Nearly two-thirds of this growth was due to the expansion of the net domestic credit of the Central Bank, and the rest was the result of the increase in international reserves (see table 13).

In the banking system, however, money in the form of demand deposits and quasi-money increased much more rapidly, the former growing by 106% while the latter rose by 130%, both rates being much higher than the growth rate of domestic prices. It should also be noted that the great expansion of quasi-money in 1979 came on top of the considerable growth (nearly 170%) of this variable in 1978, which greatly influenced the revival of the inflationary process. Because of its vigorous and steady expansion, in 1979 the amount of quasi-money exceeded that of money, whereas barely two years ago it had represented only slightly more than half of this variable.

(a) Fiscal policy

In 1979, the Government's financial performance was compatible with the monetary authority's goal of neutrality as regards the management of its credit. Thus, the central government achieved a surplus on its financial budget equivalent to 1.5% of its expenditure, which represented the reversal of a trend begun many years before (see table 14).

At the end of 1979, a tax reform law was promulgated which introduced important changes in the domestic tax spectrum. Firstly, it simplified the taxation system (particularly as regards taxes on the agricultural sector), aiming at neutrality; second, it generalized the value added tax; third, it eliminated the single tax on banking activity, which had burdened credits; and finally, it decreased by half the social security contributions payable by employers, leaving it to the Executive to determine the moment when this latter provision would enter into effect.

In 1979, fiscal revenue represented around 15% of the gross domestic product (in 1978 it had been around 14%). The ratio of Government spending to the gross domestic product declined slightly, from a little less than 16% in 1978 to 15% in 1979.

The surplus of fiscal revenue was used mainly for amortization payments on securities. At the same time, the external financing of public spending was considerably reduced, while domestic financing through the Central Bank and the Bank of the Republic grew only moderately in nominal terms, thus decreasing in real terms.

Table 1

URUGUAY: 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)	2 658	2 776	2 849	2 945	3 051	3 318
Population (millions)	2.84	2.84	2.85	2.87	2.89	2.91
Per capita gross domestic product (dollars at 1970 prices)	937	977	998	1 026	1 061	1 142
B. Short-run economic indicators						
	<u>Growth rates</u>					
Gross domestic product	3.1	4.4	2.6	3.4	3.9	8.4
Per capita gross domestic product	3.1	4.2	2.2	2.8	3.3	7.7
Gross income (b)	-1.7	2.0	1.1	3.0	4.7	8.1
Terms of trade	-47.2	-19.6	-4.5	-0.8	3.2	-1.7
Current value of exports of goods and services	15.9	16.0	26.3	25.1	2.3	29.6
Current value of imports of goods and services	59.9	15.2	4.3	28.7	4.5	47.7
Consumer prices						
December - December	107.2	66.8	39.9	57.3	46.0	83.1
Variation between annual averages	77.2	81.4	50.6	58.2	44.5	66.8
Money	62.9	53.5	61.2	40.4	65.5	88.5
Wages and salaries (c)	74.6	66.4	42.0	39.0	39.6	52.6
Current income of government	58.8	67.6	74.7	70.6	48.1	93.7
Total expenditure of government	94.2	70.8	51.8	55.2	49.5	74.7
Fiscal deficit/total expenditure of government (d)	-25.5	-26.9	-15.9	-7.6	-8.4	1.5(e)
C. External sector						
	<u>Millions of dollars</u>					
Trade balance (goods and services)	-112	-125	-9	-36	-57	-245
Balance on current account	-155	-198	-82	-102	-127	-305
Variation in net international reserves	-52	-66	94	178	135	68

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

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

(c) Variation of average nominal wage between annual averages.

(d) Percentage.

(e) Surplus.

Table 2

URUGUAY: TOTAL SUPPLY AND DEMAND

	Billions of pesos at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
<u>Total supply</u>	<u>766.7</u>	<u>793.4</u>	<u>870.0</u>	<u>113.2</u>	<u>114.7</u>	<u>5.1</u>	<u>3.5</u>	<u>9.6</u>
Gross domestic product at market prices	673.5	699.8	758.5	100.0	100.0	3.4	3.9	8.4
Imports of goods and services (b)	93.3	93.7	111.5	13.2	14.7	19.3	0.5	19.0
<u>Total demand</u>	<u>766.7</u>	<u>793.4</u>	<u>870.0</u>	<u>113.2</u>	<u>114.7</u>	<u>5.1</u>	<u>3.5</u>	<u>9.6</u>
Domestic demand	641.6	674.2	742.8	101.4	97.9	3.5	5.1	10.2
Gross domestic investment	103.5	103.3	135.9	11.3	17.9	13.5	-0.2	31.6
Gross fixed investment	102.5	101.9	131.0	11.2	17.3	7.8	-0.6	28.5
Construction	61.1	67.0	81.5	6.6	10.8	4.8	9.6	21.6
Machinery	41.4	34.9	49.6	4.6	6.5	12.5	-15.7	41.9
Changes in stocks	0.9	1.4	4.9	0.1	0.6	...	...	...
Total consumption	538.1	570.9	606.9	90.1	80.0	1.8	6.1	6.3
General government	94.5	105.0	113.4	15.0	15.0	-2.6	11.1	8.0
Private	443.6	465.9	493.5	75.1	65.0	2.8	5.0	5.9
Exports of goods and services (b)	125.1	119.3	127.2	11.8	16.8	14.0	-4.7	6.6

Source: CEPAL calculations on the basis of figures supplied by the Central Bank of Uruguay.

(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 using price indexes calculated by CEPAL for the purpose.

Table 3

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

	Billions of pesos at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Agriculture	65.5	63.1	65.2	12.6	9.9	-1.6	-3.6	3.3
Mining				1.2				
	150.7	159.8	175.9		26.7	6.3	6.0	10.1
Manufacturing				23.0				
Construction	27.3	30.2	36.3	3.8	5.5	14.6	10.8	19.9
Subtotal goods	<u>243.5</u>	<u>253.1</u>	<u>277.4</u>	<u>40.6</u>	<u>42.1</u>	<u>4.9</u>	<u>4.0</u>	<u>9.6</u>
Electricity, gas and water	9.8	10.4	10.5	1.5	1.6	5.6	6.5	0.6
Transport, storage and communications	54.8	57.1	61.1	8.6	9.3	4.1	4.1	7.1
Subtotal basic services	<u>64.6</u>	<u>67.5</u>	<u>71.6</u>	<u>10.0</u>	<u>10.9</u>	<u>4.3</u>	<u>4.5</u>	<u>6.1</u>
Commerce, financial institutions and insurance	98.9	102.1	116.4	17.2	17.7	3.8	3.2	14.0
Real estate (b)	27.1			5.2		-		
Community, social and personal services (c)	149.4	183.8	193.4		29.3		4.1	5.2
Subtotal other services	<u>275.5</u>	<u>285.9</u>	<u>309.8</u>	<u>49.3</u>	<u>47.0</u>	<u>2.0</u>	<u>3.8</u>	<u>8.3</u>
<u>Total gross domestic product (d)</u>	<u>585.1</u>	<u>608.1</u>	<u>659.2</u>	<u>100.0</u>	<u>100.0</u>	<u>3.4</u>	<u>3.9</u>	<u>8.4</u>

Source: 1970-1979: CEPAL calculations on the basis of figures supplied by the Central Bank of Uruguay.

(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

URUGUAY: INDICATORS OF AGRICULTURAL PRODUCTION

	1976	1977	1978	1979(a)	Growth rates			
					1976	1977	1978	1979(a)
<u>Index of agricultural production (1961 = 100)</u>	106.4	106.8	99.4	102.1	-1.8	0.4	-6.8	2.7
Crop farming (b)	147.7	138.0	120.5	119.2	5.3	-6.5	-12.7	-1.2
Stock raising	87.5	92.5	89.7	94.3	-6.7	5.7	-3.1	5.1
<u>Production of main crops (thousands of tons) (c)</u>								
Wheat	456	505	173	174	-13.5	10.8	-65.7	0.6
Maize	210	121	172	71	33.9	-42.5	41.9	-58.7
Rice	217	228	226	248	14.8	5.4	-1.2	9.9
Linseed	62	46	40	31	56.9	-24.7	-14.1	-21.6
Sunflower	77	34	72	51	49.9	-55.4	108.2	-28.2
Sugar beet	833	597	376	357	45.3	-28.4	-37.0	-5.1
<u>Indicators of stock raising production</u>								
Number of cattle (millions of head) (d)	10.7	10.1	10.0	10.2	-5.8	-5.4	-1.2	2.3
Wool output (thousands of tons)	60.4	62.2	58.3	62.5	9.3	3.1	-6.3	7.3

Source: Central Bank of Uruguay.

(a) Preliminary figures.

(b) Including plantations and permanent pastures.

(c) Crop year.

(d) At 30 June of each year.

Table 5

URUGUAY: INDICATORS OF MANUFACTURING PRODUCTION

	1976	1977	1978	1979(a)	Growth rates			
					1976	1977	1978	1979(a)
<u>Total</u>	134.0	142.1	150.7	165.9	4.0	6.1	6.0	10.1
<u>Food</u>	157.6	151.9	152.3	153.4	11.0	-3.6	0.2	0.7
Beverages	121.2	126.2	138.0	158.4	-9.7	4.1	9.4	14.8
Tobacco	148.2	130.7	131.4	155.5	-	-11.8	0.6	18.3
Textiles	107.1	122.1	136.3	160.5	-1.6	14.0	11.7	17.8
Footwear and clothing (b)	86.7	94.0	108.3	108.3	5.0	8.5	15.1	-
Paper and paper products	210.6	239.4	284.8	325.8	5.3	13.7	19.0	14.4
Printing and publishing	109.8	131.7	136.6	153.7	0.7	20.0	3.7	12.5
Tanneries and fancy leather-working	...	...	...	...	30.0	28.4	-2.9	-27.7
Rubber products	88.0	102.8	113.9	125.0	-20.2	16.8	10.8	9.8
Chemical products	128.8	138.0	150.2	187.5	0.6	7.2	8.8	24.8
Petroleum products	124.2	116.9	125.6	120.3	-4.5	-5.8	7.4	-4.2
Non-metallic mineral products	212.7	256.0	266.7	305.2	3.5	20.3	4.2	14.4
Metal products	65.5	80.7	82.4	101.7	13.0	23.1	2.1	23.5
Electrical machinery	64.4	74.1	70.8	97.2	20.9	15.1	-4.4	37.3
Transport equipment	...	...	...	...	1.9	16.3	6.3	38.3
Other manufacturing industries	...	...	...	...	1.5	15.9	17.3	32.6

Source: Central Bank of Uruguay.

(a) Preliminary figures.

(b) Includes leather clothing.

Table 6

URUGUAY: MAIN INDICATORS OF FOREIGN TRADE

	1974	1975	1976	1977	1978	1979(a)
<u>Growth rates</u>						
Exports of goods, FOB						
Value	16.4	0.9	46.8	8.2	12.2	14.9
Volume	19.0	16.8	45.0	-0.9	5.5	-5.2
Unit value	-2.2	-13.6	1.2	9.2	6.4	21.2
Imports of goods, FOB						
Value	75.7	13.1	8.6	26.7	4.4	60.6
Volume	-5.2	5.2	2.5	15.2	1.4	30.2
Unit value	85.3	7.5	5.9	10.0	3.0	23.3
Terms of trade	-47.2	-19.6	-4.5	-0.8	3.2	-1.7
<u>Indexes (1970 = 100)</u>						
Terms of trade	80.8	65.0	62.1	61.6	63.6	62.5
Purchasing power of exports of goods	137.4	111.7	156.6	168.1	194.7	219.8
Purchasing power of exports of goods and services	85.7	93.3	109.4	125.6	123.3	128.4

Source: CEPAL, on the basis of official figures.

(a) Preliminary figures.

Table 7

URUGUAY: EXPORTS OF GOODS, FOB

	<u>Millions of dollars</u>				<u>Percentage breakdown</u>		<u>Growth rates</u>			
	1976	1977	1978	1979(a)	1976	1979(a)	1976	1977	1978	1979(a)
<u>Total</u>	<u>546</u>	<u>607</u>	<u>686</u>	<u>788</u>	<u>100.0</u>	<u>100.0</u>	<u>42.2</u>	<u>11.2</u>	<u>13.0</u>	<u>14.9</u>
<u>Main traditional export products</u>										
Meat, dried hides, wool and traditional crop-raising products	252	261	249	223	46.2	28.3	29.2	3.6	-4.6	-10.4
<u>Other exports (mainly non-traditional)</u>	<u>294</u>	<u>346</u>	<u>437</u>	<u>565</u>	<u>53.8</u>	<u>71.1</u>	<u>55.6</u>	<u>17.3</u>	<u>26.3</u>	<u>29.3</u>
Fishery products	5	10	23	36	0.9	4.6	66.7	10.0	13.0	56.5
Rice	26	32	35	61	4.8	7.7	-21.2	23.1	9.4	74.3
Food, beverage and tobacco products	38	23	28	25	7.0	3.2	28.0	-39.5	21.7	-10.7
Minerals, ceramics and glass	28	28	29	32	5.1	4.1	40.0	-	3.6	10.3
Products of the chemical and related industries	6	9	16	25	1.1	3.2	20.0	50.0	77.8	56.3
Plastic materials and rubber products	6	11	14	20	1.1	2.5	-	83.3	27.3	42.9
Manufactured leather and leather products, including footwear	109	135	160	177	19.9	22.5	78.7	23.9	18.5	10.6
Textile products	27	42	57	71	4.9	9.0	68.8	55.6	35.7	24.6
Transport equipment	10	7	8	20	1.8	2.5	150.0	-30.0	14.3	150.0
Paper, paperboard and paper products	1	3	5	9	0.2	1.1	-	200.0	66.7	80.0
Iron, steel, machinery and electrical equipment	6	11	14	28	1.1	3.6	-14.3	83.3	27.3	100.0
Miscellaneous	32	35	48	61	5.9	7.7	39.1	9.4	37.1	27.1

Source: Central Bank of Uruguay.

(a) Preliminary figures.

Table 8

URUGUAY: IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown		Growth rates			
	1976	1977	1978	1979(a)	1973	1979(a)	1976	1977	1978	1979(a)
Consumer goods	25	29	33	73	9.2	5.9	-3.8	16.0	13.8	121.2
Intermediate goods	454	553	637	1 006	83.0	81.8	-0.6	21.8	15.2	57.9
Crude petroleum and petroleum products	181	208	217	291	19.2	23.7	-1.1	14.9	4.3	34.1
Others (b)	273	345	420	715	63.8	58.1	-0.4	26.4	21.7	70.2
Capital goods	108	148	105	151	7.8	12.3	47.9	37.0	-29.0	43.8
<u>Total</u>	<u>587</u>	<u>730</u>	<u>775</u>	<u>1 230</u>	<u>100.0</u>	<u>100.0</u>	<u>5.6</u>	<u>24.4</u>	<u>6.2</u>	<u>58.9</u>

Source: Central Bank of Uruguay.

(a) Preliminary figures.

(b) Includes imports of unassembled motor vehicles.

Table 9

URUGUAY: BALANCE OF PAYMENTS
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
Current account						
Exports of goods and services	475	551	696	871	891	1 155
Goods FOB (b)	381	385	565	611	686	788
Services	94	166	131	260	205	367
Transport	19	27	28	36	38	70
Travel	45	98	68	180	122	200
Imports of goods and services	587	676	705	907	948	1 400
Goods FOB (b)	437	494	537	680	710	1 140
Services	150	182	168	227	238	260
Transport	76	82	78	80	83	130
Travel	44	62	60	96	100	70
Net payments of profits and interest on foreign capital	-42	-71	-72	-68	-77	-66
Profits	-4	-4	-4	-3	-4	-5
Interest	-38	-67	-68	-65	-73	-61
Net private transfer payments	-1	-2	-1	2	7	6
Balance on current account	-155	-198	-82	-102	-127	-305
Capital account						
Net external financing (a+b+c+d+e)	155	198	82	102	127	305
a) Long-term capital	33	148	63	22	262	373
Direct investment (net)	-	-	-	-		
Private sector	4	22	36	14		
Loans	14	29	45	37		
Amortization payments	-10	-7	-9	-23		
Other liabilities and assets (net)	-	-	-	-		
Official sector	16	130	43	17		
Loans	25	141	58	31		
Amortization payments	-8	-10	-11	-12		
Other liabilities and assets (net)	-1	-1	-4	-2		
Monetary authorities	13	-4	-16	-9		
b) Short-term capital (net)	57	-8	106	254		
Private sector	98	10	81	185		
Official sector	2	-6	36	-14		
Monetary authorities	23	31	5	35		
Errors and omissions	-66	-43	-16	48		
c) Extraordinary financing	-9	-16	-2	-1		
d) Allocation of Special Drawing Rights (SDRs)						
e) Official transfer payments (net)	22	8	9	5	...	...
f) International reserves						
(minus sign indicates an increase)	52	66	-94	-178	-135	-68
Use made of IMF credit	38	44	29	-31	...	...
Other liabilities	4	17	-22	2	...	...
Monetary gold				-3	...	...
Special Drawing Rights	-2	13	-2	-6	...	...
IMF reserve position	-	-	-	-	...	...
Foreign exchange and other assets	12	-8	-99	-140	...	...

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

(a) Preliminary figures.

(b) Including non-monetary gold.

Table 10

URUGUAY: EVOLUTION OF EXCHANGE RATE AND PRICES

	Exchange rate (a) (pesos per US dollar)	Index of exchange rate	Wholesale price index	Index of real exchange rate 2 (4) = --- 3	United States wholesale price index	Adjusted real exchange rate index (6) = 4:5
	(1)	(2)	(3)		(5)	
1973	0.87	100.0	100.0	100.0	100.0	100.0
1974	1.20	137.9	178.7	77.2	118.8	91.7
1975	2.26	259.8	308.0	84.4	129.9	109.6
1976						
Average	3.34	383.9	463.8	82.8	135.8	112.4
December	3.98	457.5	563.3	81.2	139.0	112.9
1977						
Average	4.67	536.8	697.2	77.0	144.1	111.0
June	4.62	531.0	674.9	78.7	144.3	113.6
December	5.39	619.5	815.8	75.9	147.1	111.6
1978						
Average	6.06	696.6	1 035.8	67.3	155.5	104.7
June	5.84	671.3	980.8	68.4	155.5	106.4
December	6.98	802.3	1 301.7	61.6	161.4	99.4
1979						
Average	7.86	903.4	1 868.9	48.3	174.9	84.5
June	7.86	903.4	1 811.1	49.9	173.4	86.5
December	8.43	969.0	2 305.0	42.1	185.5	78.1

Source: Central Bank of Uruguay.

(a) Annual or monthly average on the commercial market, selling rate; from 28 November 1979 onwards, exchange market.

Table 11

URUGUAY: EVOLUTION OF DOMESTIC PRICES
(Percentages)

A. Annual variations								
	December to December variation				Variation between annual averages			
	1976	1977	1978	1979	1976	1977	1978	1979
Consumer price index	39.9	57.3	46.0	83.1	50.6	58.2	44.5	66.8
Food	38.5	59.5	48.4	86.0	47.7	64.0	44.5	70.9
Clothing	36.4	46.6	39.5	95.2	47.7	46.8	39.6	72.5
Housing	43.5	66.5	45.6	78.8	56.8	59.3	54.7	58.9
Miscellaneous	41.1	50.1	44.9	76.9	52.0	52.4	37.6	64.5
Wholesale price index (domestic)	45.1	44.8	59.6	77.1	50.6	50.3	48.6	80.4
Agricultural products	45.4	55.8	92.0	63.4	37.8	52.1	78.0	102.6
Crop-farming products	10.8	51.0	86.2	39.3	24.7	35.5	81.5	58.8
Livestock products	84.1	59.1	95.6	78.0	51.2	65.9	75.7	133.5
Manufactured products	45.0	41.7	49.3	82.7	54.6	49.8	40.2	72.4
B. Quarterly variations								
	1978		1979					
	III	IV	I	II	III	IV		
Consumer price index	11.3	10.5	13.5	16.7	18.5	16.7		
Food	11.9	10.5	15.6	16.2	19.0	16.3		
Clothing	5.6	13.5	13.2	27.4	14.2	18.4		
Housing	12.4	7.0	13.0	11.9	20.3	17.6		
Miscellaneous	11.5	12.6	10.0	18.1	17.8	15.6		
Wholesale price index (domestic)	16.0	14.4	15.1	20.9	18.4	7.5		
Agricultural products	31.2	18.1	21.2	17.8	24.0	-7.7		
Crop-farming products	7.8	16.2	26.5	-10.6	21.9	1.1		
Livestock products	51.8	19.2	17.9	36.4	24.9	-11.4		
Manufactured products	11.0	13.0	12.6	22.3	16.0	14.4		

Source: Central Bank of Uruguay and Statistics and Census Office.

Table 12

URUGUAY: EVOLUTION OF WAGES

	Annual variation (December - December)			Variation between annual averages			
	1977	1978	1979	1976	1977	1978	1979
Nominal wages (a)							
All wage earners	45.6	41.0	56.8	42.0	39.0	39.6	52.6
Wage earners in public sector	45.9	41.6	61.2	45.1	40.6	40.4	54.5
Wage earners in private sector	45.4	40.5	52.8	39.4	37.6	38.9	50.8
Wage earners in private sector (b)	...	47.5(d)	65.3(e)	...	...	...	...
Real wages (c)							
All wage earners	-7.4	-3.4	-14.4	-5.7	-12.1	-3.5	-8.5
Wage earners in public sector	-7.2	-3.1	-12.0	-4.0	-10.9	-2.9	-7.3
Wage earners in private sector	-7.6	-3.8	-16.6	-7.4	-12.9	-3.9	-9.6

(a) Calculated on the basis of the minimum increases decreed by the Executive. Does not include rural workers and harvesters.

(b) Special survey in Montevideo of wages actually paid by enterprises.

(c) Nominal minimum wages deflated by consumer price index.

(d) December 1978 versus February 1978.

(e) November 1979 versus December 1978.

Table 13

URUGUAY: MONETARY POSITION

	Millions of pesos at end of year			Growth rates		
	1977	1978	1979(a)	1977	1978	1979(a)
<u>Money</u>	1 860	3 078	5 801	40.4	65.5	88.5
Currency outside banks	1 115	1 812	3 187	42.5	62.5	75.9
Demand deposits	745	1 266	2 614	37.3	69.9	106.5
<u>Factors of expansion</u>	7 867	15 674	24 375	56.5	99.2	55.5
Foreign assets (net)	2 366	6 103	6 464	47.6	157.9	5.9
Domestic credit	5 502	9 571	17 911	59.1	74.0	87.1
Government (net)	1 152	1 171	577	59.5	1.7	-50.7
Official entities	-521	-435	-759	144.6	-16.5	74.5
Private sector	4 871	8 835	18 093	65.2	81.4	104.8
<u>Factors of absorption</u>	6 008	12 596	18 574	64.2	70.0	47.5
<u>Quasi-money</u>	1 017	2 734	6 295	51.0	168.7	130.3
Deposits in foreign currency	2 694	4 626	6 681	91.4	34.6	44.4
Long-term foreign borrowing	178	240	328	20.3	34.8	36.7
Other items (net)	2 119	4 996	5 270	48.3	71.9	5.5

Source: Central Bank of Uruguay.

(a) Preliminary figures.

Table 14

URUGUAY: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of pesos				Growth rates			
	1976	1977	1978	1979(a)	1976	1977	1978	1979(a)
1. <u>Current income</u>	1 722	2 938	4 350	8 424	74.7	70.6	48.1	93.7
Tax revenue	1 633	2 771	4 140	8 038	75.7	69.7	49.4	94.2
Non-tax revenue	89	167	210	386	57.7	87.5	25.7	83.8
2. <u>Current expenditure</u>	1 808	2 796	4 043	7 260	50.2	54.6	44.6	79.6
Wages and salaries and social security contributions	1 264	1 826	2 613	4 399	45.2	44.4	43.1	68.4
Other current expenditure	544	970	1 430	2 861	63.1	78.5	47.4	100.1
3. <u>Savings on current account</u>	-86	142	307	1 164			116.2	279.2
4. <u>Real investment (b)</u>	240	383	708	1 041	65.2	59.6	85.2	47.0
5. <u>Total expenditure</u>	2 048	3 179	4 751	8 301	51.8	55.2	49.5	74.7
6. <u>Fiscal deficit or surplus (1-5)</u>	-326	-241	-401	123	-10.3	-26.1	66.5	
7. <u>Financing of deficit</u>	326	241	401	-123	-10.3	-26.1	66.5	
<u>Domestic financing</u>	308	226	238	-166	-15.3	-26.5	5.4	
Central Bank and Banco de la República	173	287	159	206	81.7	65.7	-45.4	29.6
Issue of securities (net of amortization payments)	127	29	91	-363	-52.0	-77.0	213.8	
Other	8	-90	-12	-9				
<u>External financing (b)</u>	18	15	163(c)	43				
8. <u>Fiscal deficit (or surplus) as a percentage:</u>								
-of total expenditure	-15.9	-7.6	-8.4	1.5				
-of the gross domestic product	-2.5	-1.2	-1.3	0.2				

Source: Contaduría General de la Nación.

(a) Preliminary figures.

(b) Excluding investment with external resources in the Salto Grande and Palmar projects which has not yet been recorded.

(c) Including 134 million pesos in the form of loans from Citicorp to the Palmar Joint Commission.

