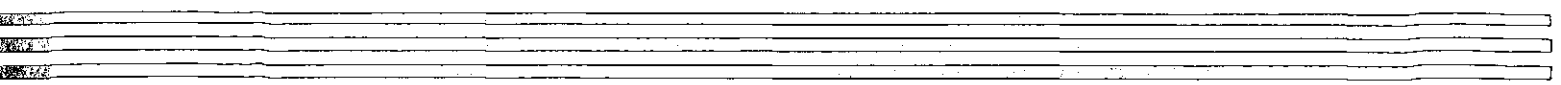


LC/G. 1454

ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN



**PRELIMINARY OVERVIEW OF THE
LATIN AMERICAN ECONOMY
1986**



UNITED NATIONS

ECONOMIC COMMISSION
FOR LATIN AMERICA AND
THE CARIBBEAN - ECLAC



Distr.
GENERAL
LC/G.1454
31 December 1986
ENGLISH
ORIGINAL: SPANISH

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Information furnished by the Executive Secretary of ECLAC, Mr. Norberto González, at the end-of-year press conference held at the headquarters of the Commission on 19 December 1986.

I. INTRODUCTION

The evolution of the Latin American economy in 1986 was singularly complex. To a large extent, this was due to the opposing behaviour of the domestic variables on the one hand and the external sector variables on the other. The main phenomena of external origin during the year were the drop in hydrocarbon prices—which was a negative development for the oil-exporting countries but a positive one for those which import this commodity—; the decline in international interest rates—which particularly benefitted the countries with relatively higher private bank indebtedness—; and the continued sharp depression in the prices of most commodities (the principal exception being coffee). The main phenomena of domestic origin, for their part, were connected with the application in several countries of stabilization programmes with novel features which not only helped to secure a marked slackening in inflation but also had a favourable effect on income distribution and thus also helped to activate domestic demand.

In view of the diversity of the situations observed in the region with regard to the above variables, the individual economies evolved in very different ways. Consequently, an analysis of these variables for Latin America as a whole does not have the same significance in 1986 as it did in past years. Although according to the preliminary data available the gross domestic product of the region as a whole is estimated to have increased by 3.4%, this global growth rate conceals the fact that economic activity grew less than the population in 11 countries, whereas there was very dynamic growth of 5% or more in another six. Similarly, although in 1986 there was a further marked deterioration in the external sector results for the region as a whole, this was the net result of changes which were of different magnitude and even of different directions in the individual countries.

In contrast with previous years, when the

great majority of the countries continued to be sunk in a deep and prolonged recession, in 1986 several of them showed clear signs of recovery. Even so, in all the countries where the product grew significantly (except Brazil and Colombia) this increase basically represented a process of partial recovery of the levels of activity already reached before the crisis. In fact, the higher production was achieved largely through fuller use of the installed production capacity: a fact which raises queries about the possibility of continued recovery and, above all, about the possibility of resuming genuine steady economic growth. This is particularly evident if account is also taken of the abnormally low levels of domestic investment and the continued shortage of foreign exchange due to the external debt servicing requirements and the very depressed levels of commodity prices on international markets.

In short, although 1986 showed some encouraging advances as regards the recovery of production and the correction of some major macroeconomic imbalances, these were not of a widespread nature and only very partially offset the setbacks registered in the previous five years. In these circumstances, it would be over-hasty to assert that the favourable performance of some countries represents or ensures a sustained reversal of the recessionary trends of previous years.

II. MAIN TRENDS

1. Production and employment

In 1986, the Latin American gross domestic product grew by 3.4%: a similar rate of that of 1984 and an improvement on the increase of only 2.7% registered in 1985. As a result, the per capita product expanded by a little over 1% after having risen by only 0.4% last year. For the region as a whole, however, it was still nearly 8% less than in 1980—the year before

the onset of the crisis—and it was only slightly over the level already reached in 1978.

In contrast with what had happened in the previous two years, in 1986 the expansion of economic activity was concentrated in the non-oil-exporting countries, whose product grew by 6.5%: a considerably higher rate than any of those registered in any of the previous ten years, except in 1979 when an increase of the same magnitude was recorded. In contrast, the joint product of the oil-exporting countries went down by almost 2% (mainly because of the 4% drop in economic activity in Mexico), in spite of the 8.5% increase in the global product in Peru (see table 2).

Geographically, such rapid economic growth as was registered took place almost entirely south of Venezuela. Thus, production expanded with noteworthy vigour in Peru and rose by around 8% for the second year running in Brazil, while it increased by between 5 and 6% in Argentina, Chile, Colombia and Uruguay. In contrast, the growth of the economy was not sufficient to offset the increase in population in any of the Central American or Caribbean countries except Costa Rica, Panama and Cuba. Consequently, the per capita product went down in all of them, as it also did in Mexico, Bolivia, Ecuador, Paraguay and Venezuela (see table 3).

As a result of this evolution, the deterioration which had been taking place since the beginning of the present decade in living conditions in most of the relatively poorer economies of Latin America continued to get worse in 1986. Thus, between 1981 and 1986 the per capita product fell by 27% in Bolivia, 21% in Guatemala, almost 17% in El Salvador, and over 13% in Nicaragua, Honduras and Haiti. Over the same period of time, it also went down sharply in countries with considerably higher levels of income and development such as Venezuela (-22%), Costa Rica (-11%) and Mexico (-10%), and in spite of the recovery observed in 1986, there were

also considerable declines over the period in Argentina (-16%), Uruguay (-15%) and Peru (-10%).

In the case of Peru, the fundamental causes of the 8.5% expansion of the gross domestic product were the increase in domestic demand and the better use made of installed capacity. The part played by these elements was particularly significant in manufacturing, where production rose almost 15% and thus completely recovered from the serious decline registered in the two-year period 1982-1983. The recovery in construction—a sector which had been particularly hard hit by the crisis up to 1985—was even more vigorous (20%). The growth in economic activity was accompanied by an exceptionally sharp increase (30%) in the volume of imports (especially of consumer goods and intermediate products), which were partly financed with the foreign exchange saved through the limitation imposed on interest payments on the external debt. As a result of the sharp expansion of industry, construction and commerce, unemployment went down in urban centres and there was a rise in real wages. The latter—which had gone down almost constantly since 1980, registering a cumulative drop of 40% in the following five years—rose by around 7%, while the unemployment rate in non-agricultural activities fell from almost 12% in 1985 to 10.6% in 1986 (see table 4).

In Brazil, the gross domestic product grew by approximately 8%, as it had done in 1985 also. This occurred even though agricultural production dropped by 5% as the result of a prolonged severe drought. Industry, construction and commerce—which had already increased considerably the year before—grew by more than 11%, however. Their expansion was propelled by the extraordinary buoyancy of domestic demand, and this made it possible to absorb most of the installed capacity which was still underutilized at the beginning of 1986. The growth of production was also facilitated by the notable rise for the second year running in non-oil imports and the diversion to the domestic market of part of the intermediate goods which had been exported in previous years. As a result of the sustained expansion in economic activity, the employment situation improved markedly. The average rate of open unemployment in the six main cities of the country—which had gone down between 1984 and 1985 from 7.1% to 5.3%—dropped to only 3.8% in the first ten months of 1986, while in October it went down to 3% or less in Rio de Janeiro, Sao Paulo and Porto Alegre (see figures 2 and 3).

In Argentina, too, the fuller utilization of the existing installed capacity brought about by the increase in domestic demand was the key factor in the 5.5% increase in economic activity, which thus recovered from the 4.4% drop suffered the year before. The recovery was very marked in manufacturing, where production rose by around 12% after having gone down by over 10% in 1985. In 1986 there was also a 6% increase in construction, thus interrupting the sustained sharp downward trend registered in the previous five years, when the sectoral product fell by almost 50%. In contrast, however, the agricultural product declined by more than 3% for the second year running, mainly because of unfavourable weather conditions.

The domestic product also grew at relatively satisfactory rates of around 5% in Chile, Colombia and Uruguay. In contrast with what occurred in Brazil, Peru and Argentina, however, in these three countries the expansion of the economy was accompanied by considerable rises in exports and substantial improvements in the external accounts.

In Chile, global economic activity grew by a little over 5%, thus almost recovering the level reached before the crisis. Because of the increase in population, however, the per capita product was still 8% below that of the period 1980-1981. As in the previous two years, the growth originated mainly in the sectors producing internationally tradeable goods, whose expansion was stimulated by the high effective real exchange rate and the protection given to certain agricultural and industrial activities through the policy of predetermined agricultural price ranges, tariff surcharges, and incentives to non-traditional exports. As a result of the growth in the economy, the employment situation—which had deteriorated to an extraordinary extent in the period 1982-1983—improved perceptibly. At the national level, the rate of open employment went down from 13.4% in the period August-October 1985 to 10.2% in the corresponding period of 1986, while in Greater Santiago it fell from an average of rather more than 17% in 1985 to one of 13.4% in January-October 1986 (see figure 2). As in 1985, the drop in open unemployment coincided with a substantial reduction in the number of persons enrolled in the Government's emergency employment programmes. Thus, after having given employment to rather more than 300 000 persons in the third quarter of 1985, they employed only a little over 200 000 persons one year later.

In Colombia, where the product also expanded by around 5%, the main element in the growth of the economy was the exceptional rise in exports. As a result of the drop in Brazil's output of coffee, the international price of this commodity rose sharply, and Colombia was also able to increase the volume of its coffee sales considerably. At the same time, there was a marked expansion in exports of coal and petroleum, as some of the big investments made in previous years came on stream, while exports of manufactures grew vigorously under the stimulus of the high real level of the exchange rate. Consequently, the value of exports of goods rose by 55% and their volume grew by 30%. The higher income generated in the export sector helped to expand domestic demand, especially in the coffee-growing areas, and it stimulated commerce and industry. Thanks to this, and in spite of the restrictive nature of fiscal policy (especially as regards public investment), towards the end of the year there was an interruption in the steady rise registered since 1982 in the unemployment rate, which had reached unprecedented high levels in the main cities of the country in 1985 and the first half of 1986 (see figures 2 and 3).

In 1986, the recovery which the economy of Uruguay had begun to show in the last quarter of the previous year was further accentuated. Thus, after having fallen steadily since 1982, in 1986 the gross domestic product registered

its first significant increase in the last five years, growing by 5%. As in Colombia, the main cause of the rise in the level of economic activity was the very favourable turnaround which took place in the external sector. After having gone down by a third between 1982 and 1985, the value of exports of goods rose by 25% in 1986 thanks to the increases registered by both traditional and non-traditional exports and the extraordinary growth of sales to the European Economic Community (70%) and, above all, Brazil (135%). The increase in exports made possible a sharp expansion in the volume of imports, which had suffered a very severe drop of 54% in the previous five years and whose very low level had come to be the main constraint on the recovery of the economy. Because of the drop in oil prices, however, the increase in the value of imports was much smaller than that of exports. As a result, at the same time that there was a marked improvement in the main factor limiting the resumption of growth, there was an expansion in the trade surplus. The turnaround which took place in the external accounts—helped also by the smaller payments of interest and profits—likewise favourably influenced the expectations of the economic agents. Thanks to this and to the rise in real wages, there was a tendency to recovery in both private investment and family consumption, thereby helping in turn to bring down unemployment, which, after having fallen slightly in the previous two years from the record level of 15.5% reached in 1983, went down almost continuously during 1986 to stand at 10% in the last months of the year (see table 2 and figure 3).

In contrast with the rapid expansion of economic activity in the South American countries mentioned above, the gross domestic product grew by only between 1 and 2% in Venezuela, Ecuador and Paraguay, while it went down by around 3.5% in Bolivia. In all these cases, the fundamental reasons for the unsatisfactory performance of the economy were exogenous shocks of considerable magnitude. In Paraguay, a severe drought adversely affected agriculture, which is by far the most important sector and whose fluctuations decisively influence the general performance of the economy, while Venezuela and Ecuador had to face the consequences of the extremely severe drop in the price of petroleum (the commodity which in 1985 provided 90% and 64% of their respective total merchandise exports) and Bolivia suffered the effects of the collapse in world tin prices and the drop in the prices received for its sales of natural gas: the two commodities which together generate more than 80% of its export income.

In spite of the enormous impact of the collapse in oil prices, global economic activity in Venezuela grew by around 1.5%, thus interrupting the steady drop which it had been suffering since 1980. Even so, this increase was not sufficient to offset population growth and the per capita product therefore went down for the ninth year running. The recovery in economic activity was helped by the 6% growth (the same as in 1985) in the agricultural sector, the expansion of a little over 2% (likewise for the second year in succession) in manufacturing, and a slight recovery in construction after nine years of severe uninterrupted decline. These advances

were due to the policies applied by the authorities in order to neutralize the effects of the drop in oil prices on domestic activity. Thus, special incentives were maintained for agricultural products, and there was an increase in the disbursements provided for under the special investment plan for the three-year period 1985-1987, which, mainly because of administrative problems, had been implemented only to a very small extent in 1985. The increase in this expenditure particularly favoured the construction sector and, together with various supplementary programmes for the hiring and training of labour, helped to bring down urban unemployment to 11.8% in the first half of 1986, after it had risen steadily between 1978 and 1985 from 5% to 14.3%.

The drop in world oil prices also affected the performance of the economy of Ecuador, which had grown in 1984 and 1985 at an average rate of almost 4.5% but which expanded by only 1.5% in 1986. This marked loss of dynamism was due to the stagnation of the petroleum sector and of manufacturing and the drop in construction, the effects of which were not offset by the satisfactory performance turned in for the third year running by the agricultural sector. As a result of these developments, the unemployment rate rose to the record figure of 12%.

The severe deterioration in external conditions was also the main cause of the drop of around 3.5% suffered by economic activity in Bolivia. Thus, in 1986 the price of tin (which had already gone down in the previous two years) dropped to less than half its previous level as the result of the interruption of the operations of the International Tin Council. Because of this enormous drop, and also in order to reduce the losses on State mining enterprises, many mining establishments were closed down or their activities were reduced. As a result of this, it is estimated that mining production will fall by around 30% in 1986, which, coming on top of the drops recorded in the previous four years, will mean a contraction of rather more than 60% over the period 1982-1986. The consequences of the collapse in tin prices were further compounded by those of the drop in the price of natural gas—a product which has contributed half the country's export income in recent years—and the negative effects on agricultural production of the flooding and adverse weather conditions which prevailed in the first half of the year. Furthermore, the depressed purchasing power of wage-earners and the high level of real interest rates resulting from the application of the stabilization programme, together with the greater competition from imported goods, helped to bring about a further decline in industrial production. As was to be expected, the drop in economic activity brought with it a further increase in the rate of unemployment, which rose for the sixth year running, attaining the record level of 20%.

In 1986 the evolution of economic activity in the Central American countries continued to be very unsatisfactory, and in all of them, except Costa Rica and Panama, there was a further drop in the per capita product. In sharp contrast with what occurred in the oil-exporting countries, however, this setback coincided with a clear improvement in the terms of trade due to the increases in the world

prices of coffee, bananas and sugar and the collapse of oil prices. Most of the countries also benefitted from the reduction of the interest payments on their external debt. These changes did not succeed, however, in offsetting the negative consequences of the uncertainty deriving from the serious social and political tensions prevailing in most of the countries of the subregion, the persistence or accentuation in some of them of inflationary processes, the weakening of intra-regional economic relations, and the sharp drop in the net inflow of capital from the exterior.

In Mexico, the gross domestic product went down by 4%, mainly as a result of the sharp drop in oil exports, the value of which slumped by around 60% as a result of the drop in prices and a decline of approximately 10% in the volume exported. In order to tackle the effects of this radical deterioration in the terms of trade, the economic authorities began an adjustment programme which, as explained below, has unusual features and contains important innovations compared with the plans usually agreed with the International Monetary Fund. At the same time, the authorities adopted a very restrictive monetary and credit policy and made fresh cuts in public sector expenditure. As a result of this and of the further drop in real wages, domestic demand went down, industrial production fell by around 6% (although exports of manufactures grew very rapidly) and construction activity contracted by over 12%.

2. Inflation

In 1986, inflation went down markedly in Latin America: the average population-weighted rate of increase of consumer prices, which had risen steadily in the previous six years and had reached the record level of 275% in 1985, dropped to less than 70% by the end of 1986.

Furthermore, this reduction was quite generalized. Thus, the rate of inflation slackened in 12 of the 22 economies for which information is available, and in most of them the reduction was considerable. The drop in inflation was especially marked in Argentina, Peru, Brazil and, above all, Bolivia—the four countries which, together with Nicaragua, had suffered the most intense inflationary processes in 1985 (see table 5).

In spite of these advances, inflation continued to be a serious problem in most of the countries of the region. Thus, in 1986 the growth rate of consumer prices was below 10% only in Barbados, Haiti, Honduras, Panama, the Dominican Republic and Trinidad and Tobago. In contrast, inflation reached levels a good deal higher than those of the past in Ecuador, El Salvador, Guatemala and Paraguay; it continued to be very high in Uruguay; it accelerated sharply in Mexico, and in Nicaragua it shot up to almost 780%. Furthermore, in the second part of the year there was a reversal of the downward trend which inflation had been showing since the third quarter of 1985 in Argentina and Peru, and in November the Brazilian authorities ordered very considerable increases in the prices of a number of basic goods and services which will probably produce a similar effect in that country.

Among the countries where inflation slowed down, the most spectacular drop was that

registered in Bolivia. In that country—which in 1985 registered the first case of hyperinflation in the history of Latin America—the annual growth rate of consumer prices dropped steadily from the peak of 23 500% registered in September of that year to 93% in November 1986. Furthermore, two-thirds of the 65% increase registered by the consumer price index between January and November 1986 was due to the very considerable increases in the index in the first two months of the year, mainly caused by the payment to public employees of bonuses for which there was no financing. Subsequently, the monthly variations in prices, although erratic, did not amount on average to even 2% (see figure 4). The factors behind this sharp reduction of inflation included the very strict policies applied with regard to fiscal matters and wages and the notable stability displayed as from February by the exchange rate, both in the official sector and on the parallel market.

Inflation also went down markedly in Argentina, from 385% in 1985 to a little under 80% in the twelve months ending in November 1986. This overall drop conceals appreciable differences in the evolution of inflation in the two years, however. Thus, whereas in 1985 inflation accelerated sharply up to June and then fell abruptly in the second half of the year as a result of the application of the Plan Austral, in 1986 the monthly variations in prices were only small in January and February but increased markedly as from March and averaged 6.8% between July and November. As a result, after having dropped to 50% in June—the lowest value registered since December 1974—the annual variation in prices rose steadily in the following months. Even so, in this period inflation continued to be much lower than before the stabilization programme was applied (see figure 5).

The initial factor in this change of trend was the transition from the system of generalized freezing of prices, wages, public sector service charges and the exchange rate laid down by the Plan Austral to a more flexible system of price controls. Thus, in January a wage increase of 5% for the public sector and a maximum of 8.5% for the private sector was granted, valid for a period of three months, and early in April new rules regarding price adjustments were announced. Under these, the exchange rate and the scales of charges of the public services were to be increased periodically by small percentages and price controls would be concentrated on a specific group of large enterprises, through a system of agreements based on the evolution of costs. It was also decided to grant a new three-month wage increase, and the opening of discussions between the trade unions and enterprises was promoted with a view to fixing basic wages which would include the increases that had actually been taking place in those wages in the previous months. Subsequently, these wages would be renegotiated quarterly within ranges fixed by the government.

In practice, however, the wage hikes in many cases exceeded the official guidelines, and this led to a substantial increase in real wages in industry during the second quarter of the year. This rise perceptibly increased the costs of enterprises, which transferred this increase, after a certain length of time, to

prices. This process was facilitated, in turn, by the rapid expansion in the money supply, which grew at a monthly rate of the order of 7% between June 1985 and July 1986. Even though at the beginning this rapid growth in the means of payment did not have inflationary effects (since the demand for money expanded simultaneously, as a result of the abrupt reduction in the rate of price increases) it finally exceeded the increases in the demand for liquid balances and thus became a further inflationary factor. The pressures created by the rise in wages and the expansion of the means of payment were compounded by those due to the rapid growth in the demand for foodstuffs, well in excess of supply, and, in particular, the seasonal rise in meat prices.

In order to control the renewed outbreak of inflation, at the end of August the economic authorities announced a set of measures which, in contrast with those applied in the first phase of the Plan Austral, were designed to bring about a gradual reduction in the growth rate of prices. These measures included:

a) increases of up to 3% in September in the managed industrial prices and the scales of charges of public enterprises, and smaller increases in both these items in subsequent months, until rates of increase of 2% were reached in December; b) an immediate 3% rise in the exchange rate and its subsequent readjustment through a system of small periodic rises; c) a stricter monetary policy aimed at rapidly reducing the growth rate of the means of payment, and d) greater regulatory intervention by the government in wage negotiations between enterprises and trade unions, in order to ensure that the wage increases agreed upon in these were compatible with the gradual stabilization policy. The authorities also announced that these measures would be accompanied by the continuation of the efforts made to reduce the public sector deficit.

Thanks to these measures, the monthly rise in prices, which was close to 9% in August, went down steadily in the following months, albeit less rapidly than had been planned by the authorities (see figure 4).

The slackening in the rate of price increases was also very notable in Peru, although it was less marked than in Bolivia and Argentina. As a result of the heterodox stabilization plan which the new government began to apply in August 1985, the annual rate of inflation fell from the record level of 192% registered in that month to 60% in November 1986. This reduction was due largely to the application of a broad price control programme, the lowering of production costs brought about by the drop in interest rates, the reduction of the rate of sales tax, and the maintenance of a fixed exchange rate. In order to offset the negative effect of the exchange policy on the international competitiveness of the sectors producing tradeable goods, the government raised some tariffs, prohibited or limited certain kinds of imports, and authorized producers of non-traditional exports to change a growing proportion of their foreign exchange income at the higher exchange rate prevailing on the financial market. Partly because of these measures and partly because of the inflationary pressures generated by the public

sector deficit and the rise in wages, however, the monthly variations in consumer prices, after falling to an average of 3% in the last four months of 1985, fluctuated around 4% between January and November 1986. As a result, the annual rate of inflation, which had gone down steadily since September 1985, began to pick up somewhat again one year later.

In these circumstances, early in December the authorities announced a series of measures which involved important changes in the stabilization policy applied up to then. Thus, they decided that most imports would have to be paid for in the future at the exchange rate prevailing in the financial area (which was 37% higher than that of the trade area at that time); they raised the proportion of the export income that could be changed at the exchange rate prevailing in the financial area; and they announced that in 1987 the exchange rate would be raised by 2.2% per month. They also announced that in the future the price policy would be based on four groups of products. The first of these would consist of some 200 products—including, *inter alia*, foodstuffs, medicines, gasoline and cement—whose prices would be subject to control; the second covered goods whose prices would be "regulated" and could not initially be increased by more than 6 to 8%; the third group included the prices of public services and housing rents, which would be subject to special arrangements; and the last group covered goods whose prices would be established freely by the market.

Inflation was also reduced very markedly in Brazil. Through the Plan Cruzado—which began to be applied early in March, after an eight-month period when the rate of price increases had risen to an unusually large extent—the monthly variation in consumer prices was brought down from an average of almost 13% between August 1985 and February 1986 to less than 1.5% in the following nine months.

The fundamental assumption underlying the Plan Cruzado was that at the time that it was put into effect inflation in Brazil was essentially due to inertial causes. Thus, it set out from the assumption that, whatever the original causes of price rises might have been in the past, in recent years they had been due mainly to the effect of firmly rooted inflationary expectations and the existence of a generalized system of indexing. In these circumstances, any disturbance in demand or supply (which in theory should bring about only a transitory increase in price levels) led in practice to a permanent rise in the rate of inflation. Furthermore, even in the absence of any exogenous changes, the system of indexing and the play of inflationary expectations meant that price rises in a given period tended to repeat those of the preceding period, this being the basic manifestation of the inertial character of the inflationary process.

Starting from this basic assumption, the plan eliminated the system of indexing and, among other main measures, provided for: a) the creation of a new currency—the cruzado—which would be equivalent to 11 000 cruzeiros and whose value in terms of the latter would increase at a rate of approximately 15% per month for a period of

one year, in order to avoid unjustified gains or losses in term contracts agreed upon before the application of the plan; b) the freezing of all prices at the levels prevailing on 27 February, until the publication of official lists of maximum prices; c) the establishment of a fixed exchange rate of 13.84 cruzados per dollar (although the authorities emphasized that this rate could be revised in the light of possible changes in the external situation); d) the fixing of wages at a level equivalent to their real average during the preceding six months, plus 8%, and the freezing of the minimum wage at a level 15% higher than its average real level in the previous six months; and e) the elimination of indexing of financial assets with a term of less than one year and the freezing for one year of rents and installments owed to the housing finance system.

The initial effects of the Plan Cruzado were notable. Between March and July, consumer prices increased at an average rate of less than 1%, while industrial production continued to grow rapidly and unemployment went down sharply. In fact, the main problem which arose as a result of the application of the plan was not a decline in economic activity, but the scarcity of certain goods (such as meat, milk and automobiles) because of the enormous expansion in demand and the fact that some prices were frozen at very low levels.

In order to tackle this situation, late in July the government decided to reduce consumer credits by 40%, it established a 25% tax on the sale of international travel tickets and dollars to Brazilian tourists, and it introduced compulsory loans in respect of sales of gasoline and alcohol (equivalent to 28% of the consumer price) and purchases of automobiles (30% for new vehicles, 20% for those with two years' use, and 10% for those with up to four years' use).

In spite of these measures, and notwithstanding the considerable increase in production and imports, the monthly rate of inflation rose slowly but steadily. In order to deal with this problem and to correct the most obvious distortions in the system of prices and reduce excess demand, in mid-November the authorities announced a series of measures which together, it was estimated, would bring down the public sector deficit by the equivalent of 3% of the product. These measures included:

a) Increases of 80% in postal charges; of 35% in the price of electricity for residential consumption and 10% in the price of that for use in industry; and of 30% in telephone and drinking water charges.

b) Increases of 80% in the price of new automobiles; 60% in the price of gasoline and alcohol-based fuel; 25% in the price of sugar; 45% to 120% in the price of cigarettes and 100% in that of beverages.

c) The abolition, as from March 1987, of treasury bills readjusted in accordance with inflation, and their replacement by non-readjustable Central Bank bills at floating interest rates.

d) The reintroduction of an exchange policy based on mini-devaluations of the cruzado and the adoption of various tax measures designed to promote exports.

e) The adoption as the new official index of inflation of a consumer price index taking into account the cost of a basket of goods of the type acquired by families with an income equal to five or less minimum wage units, and

f) The immediate elimination of certain State bodies, the prohibition of the hiring of staff for the public service until the end of 1987, and various other measures to reduce the fiscal deficit.

Although the effects of these measures were not reflected in the inflation for November, partly because of the date when they were adopted and partly because of the change in the official index, they should be reflected in a significant rise in the level of prices in December.

In 1986 there was also a decline in inflation in the Dominican Republic, Haiti, Jamaica, Chile and Colombia, although it was less marked than in the countries described above.

In the Dominican Republic, the annual variation in consumer prices went down from over 28% in 1985 to only 6% in mid-1986. This downward trend of inflation was influenced by the stability of the exchange rate—after its sharp increase in January 1985—, the drop in fuel prices, the marked reduction in inflation in the United States, and greater monetary and fiscal discipline. The first three of these factors were also partly responsible for the marked slackening of inflation in Jamaica and Haiti (see figure 6).

The gradual but steady decline in inflation in Chile—from over 26% in 1985 to 17% in November 1986—was due to the very small increase in the local currency prices of imported goods (as a result of the reduction in external inflation and the smaller increase in the nominal exchange rate during 1986); the marked drop in domestic interest rates; the stability of real wages during most of the year; and the better balance of the fiscal accounts.

In Colombia, in contrast, the slight drop in inflation from 22.3% in 1985 to a little less than 20% in November 1986 was due entirely to the results registered in May and June, when consumer prices went down in absolute terms. This drop in prices was due, in turn, to the marked reduction in food prices in those two months as a result both of the increased harvests—which benefited from very favourable weather conditions—and the considerable contraband of agricultural products from Venezuela. As a result, the annual rate of inflation dropped in June to 13.5%, the lowest figure registered for almost 14 years. Subsequently, however, inflation speeded up steadily (see figure 7).

Inflation continued to be very low in 1986 in Honduras, Barbados and Panama, where traditionally the rate of domestic price increases has varied in line with the fluctuations of international inflation and especially that of the United States. Inflation increased slightly in Trinidad and Tobago, however, and more markedly in Venezuela: both countries where the level of prices had risen only moderately in 1985. The acceleration of the inflationary process in Venezuela was due, among other things, to the elimination of the preferential exchange rate for some imports, the 20% increase in the minimum wage granted at the beginning of

the year, and the more expansionary nature of monetary policy. Early in 1986 there was also a reversal in the downward trend which inflation in Costa Rica had been showing since the end of 1984, and the same thing happened as from August in Ecuador, mainly as a consequence of the heavy devaluation of the sucre which took place that month with the adoption of a free exchange rate policy (see table 5 and figure 7).

In El Salvador and Guatemala, inflation reached unusually high levels of 32% and 42% respectively for the second year running. Historically, the variations in prices in these two countries have been among the smallest in the region and their exchange stability has been total, but Guatemala raised its exchange rate very markedly in 1985, as did El Salvador in 1986.

The increase in prices was even more marked in Uruguay—where inflation came to 74%: a figure only exceeded during the previous 10 years in 1979 and 1985—and it was greater still in Mexico. In this latter country, the rate of inflation—which had already begun to rise in mid-1985, largely because of the heavy devaluation of the peso carried out in July of that year—continued to speed up incessantly in 1986, reaching an all-time record of 104% for the 12 months ending in November. This trend of inflation was at once the effect and the main cause of the repeated sharp increases in the exchange rate, the considerable and more frequent readjustments of the current value of minimum wages, the high level of nominal interest rates, and the strengthening of inflationary expectations.

Finally, in 1986 inflation accelerated at an extraordinarily rapid rate for the second year running in Nicaragua. Thus, after having risen from 50% in 1984 to 335% in 1985, the consumer price index increased by nearly 780% in the 12 months ending in November 1986 (see figure 5). The aggravation of the inflationary process was due largely, once again, to the considerable increases in the various exchange rates, the rapid expansion of the means of payment and the very considerable public deficit, the correction of which was made more difficult, *inter alia*, by the rigidity introduced into the fiscal accounts by defence-related needs. The persistence of supply shortages has given rise to parallel markets where goods are sold at prices much higher than the official ones, thereby fueling speculation and inflationary expectations.

3. Wages and salaries

In 1986, generally speaking, real wages evolved in a positive manner in the countries for which data are available. In most of them, however, the increases merely represented a slight recovery from the substantial declines suffered by the incomes of wage-earners in previous years. Moreover, the information available at present covers different periods in different countries and in some cases the results for the year as a whole could therefore eventually be different.

The factors influencing the evolution of wages were naturally different from one country to another. In some countries—Costa Rica, Venezuela, Brazil and Peru—wage policy was explicitly expansionary, with a view to making up for previous losses and stimulating

domestic demand. Thus, general wage increases were decreed in Costa Rica (where they were granted on a sliding scale in order to favour the workers with the smallest incomes); in Peru (where the general readjustment of wages exceeded both past and anticipated inflation); and in Brazil (where, together with the price freeze at the beginning of March, wages were raised by 8% over their average real level in the previous six months). In Venezuela, although no general wage increase was decreed, the minimum wage was readjusted in January by 20% after having been raised by 67% in 1985. The increase in real wages which took place in these countries was also influenced by the moderate level of inflation (Costa Rica and Venezuela) or its sharp decline (Brazil and Peru). In the latter two countries, the rise in wages was also due to the sharp expansion of economic activity. In these circumstances, average real wages rose by around 7% in Brazil and Peru and 10% in Costa Rica, while the purchasing power of the minimum wage increased by over 20% in Venezuela (see table 6).

The decline in the rate of inflation, although this time against the background of rather restrictive wage policies, and the rapid growth of overall production also helped to bring about a moderate increase in wages in Chile and Colombia. In Chile, the increase in average wages was relatively widespread, except in the construction sector (where wages barely maintained their previous level) and in the public sector (where they went down quite markedly). In Colombia, for its part, where the minimum wage was increased by 20% at the beginning of the year, the increase in national income and in domestic demand brought about by the rise in the international price of coffee and the vigorous expansion of industrial and mining exports helped to raise average wages by 4.5%.

The slight increase in the real wages paid in manufacturing in Argentina and the increase of nearly 8% in real wages in Uruguay were largely the result of strong labour pressures which led in practice to bigger adjustments than those provided for in the official guidelines.

As from January, Argentina returned to the system of quarterly readjustments. At the same time, the minimum wage was substantially raised. In spite of this, the purchasing power of average industrial wages rose only slightly, while real wages in construction and public services—sectors with less bargaining power—went down for the second year running, mainly because inflation speeded up once more in the second part of the year.

In 1986 the Uruguayan wage policy was based on readjustments of wages every four months in the light of the expected inflation. The increases granted in practice, however, were considerably greater than those provided for in the official guidelines, which were also overtaken in reality by inflation. Thus, real wages remained stable throughout the year. As they were considerably higher than those registered in the first half of 1985, however, their average annual level was a good deal higher than the year before.

Finally, up to August 1986 the purchasing power of the minimum wage remained stable in Paraguay but fell in Mexico. In Paraguay,

this was due to the fact that the negative effects of the higher rate of inflation were neutralized by the reduction of the periods between readjustments of the minimum wage. In Mexico, in contrast, where the minimum wage was readjusted three times in 1986 instead of twice as had been usual up to the end of 1985, its purchasing power went down by 8.5% because at the same time there was a sharp rise in the rate of inflation.

4. The external sector

The collapse in world oil prices, the continuation (with a very few exceptions) of the persistent downward trend in commodity prices, and the successive drops in international interest rates considerably affected the evolution of the Latin American external sector in 1986. As was to be expected, these changes affected the external accounts of the individual countries of the region in very different ways, with the results also reflecting the similarly marked differences in their exchange and trade policies and their external indebtedness.

a) External trade and the terms of trade

After having fallen by 6% in 1985, the value of exports of goods went down by 15% in 1986 as the result of a drop of almost 13% in the unit value and a contraction of 2.5% in the volume exported (see table 7).

These declines were influenced above all by the sharp drop in the exports of the oil-exporting countries, the total value of which went down by 34% because of the collapse in the world price of hydrocarbons, in spite of the considerable expansion of non-oil exports in Mexico and Ecuador. In 1986, however, there was also a decline of between 10% and 22% in the exports of Paraguay, Nicaragua, Peru, Argentina and Haiti, while those of Brazil and the Dominican Republic dropped by over 4%.

In contrast, the value of exports rose by an unusually large amount (55%) in Colombia, partly as a result of the rise in coffee prices and even more so because of the vigorous growth of the volume of exports of that product and also of petroleum, coal and manufactures. External sales also rose sharply (24%) in Uruguay, which took advantage of the enormous expansion in Brazil's imports and also considerably increased its sales of traditional and non-traditional goods in Europe. Exports grew by over 10% in all the Central American countries except Nicaragua—largely because of the higher world prices of coffee, sugar and bananas—and they went up by over 9% in Chile as a result of the 20% growth in non-copper exports.

In spite of the reduction in exports, 1986 witnessed for the third year running the continued sluggish recovery of imports after the enormous drop of 42% suffered in the two-year period 1982-1983. Thus, their value increased by 2.4% while their volume grew by 7% (see table 8 and figure 8).

Furthermore, the expansion in imports was quite generalized. Indeed, their total amount went down in only six countries and the volume of imports dropped significantly only in Haiti, Mexico, Guatemala and Ecuador. The growth rate of the value of the external purchases of the other economies of the

region was very uneven, but in most of them there was a considerable increase in their volume. This was exceptionally vigorous in Peru (31%), Brazil (26%), Uruguay (25%) and Bolivia (21%), but it was also significant in Honduras, Argentina, Colombia, Nicaragua, Chile, Paraguay and El Salvador, in all of which the volume of imports rose by 9% or more. In all these countries except Bolivia, Colombia, El Salvador, Honduras and Nicaragua, however, the volume of imports continued to be far below that registered before the crisis.

In spite of the decline for the fourth year running in the unit value of imports, the terms of trade of Latin America went down by almost 9%, thus making a cumulative drop of 20% over the last six years.

In contrast with what had happened in 1985, however, this drop was due exclusively to the results registered in the oil-exporting economies (where the external terms of trade suffered a radical deterioration), in Argentina (where the terms of trade went down by 13% because of further drops in the world prices of cereals and meat) and in Paraguay (whose terms of trade were adversely affected by the decline in the prices of cotton and soya beans) (see tables 9 and 10).

In the other economies of the region, the terms of trade improved very markedly. The improvement was particularly noteworthy in the case of Brazil—in whose imports petroleum weighs very heavily—and in the Central American countries—which benefited not only from the drop in the international prices of petroleum but also from the considerable rises in the prices of coffee and bananas and the partial recovery of those of sugar from the very low level registered in 1985 (although sugar prices continued to be far below their historical average).

As a result of the deterioration in the terms of trade and the drop in the volume of exports, the purchasing power of the latter went down by almost 10%. This drop was both more intense and more concentrated than that which took place in 1985. Thus, in contrast with what happened in that year, when the purchasing power of exports went down in 14 of the 19 countries of the region, in 1986 it went down only in the five oil-exporting economies, plus Argentina, Haiti, Nicaragua and Paraguay. In the other countries, in contrast, the increases in the purchasing power of exports were considerable, ranging from 14% in Chile to 58% in Colombia (see table 11).

b) The balance of payments

Because of the sharp drop in the value of exports and the small increase in that of imports, the surplus on the trade in goods went down in 1986 for the second year running. As from 1981 it had followed a steady upward trend, and in 1984 it had reached an all-time record of US\$ 39.4 billion, but it went down in 1985 to US\$ 33.5 billion and in 1986 it slumped to US\$ 18.5 billion (see table 12).

This drop was due mainly to the enormous contraction in the surplus of the oil-exporting countries, which went down by almost 80% from US\$ 17.6 billion in 1985 to less than US\$ 3.8 billion in 1986. As was to be expected, the reduction in the trade surplus was particularly great in Mexico (US\$ -6.3 billion) and Venezuela (US\$ -5.5 billion). It was

also substantial in Argentina and Brazil (in both of which the surplus shrank by US\$ 2 billion); in Peru, where the surplus of almost US\$ 1.1 billion obtained in 1985 completely disappeared in 1986, and in Ecuador, where the surplus was US\$ 700 million smaller than in 1985.

In contrast, in 1986 there was a spectacular turnaround in the external trade of Colombia, which, after turning in a small deficit in 1985, generated a surplus of almost US\$ 1.5 billion. Guatemala and Costa Rica also succeeded in turning their deficits of the previous year into surpluses, while the other countries of Central America (except Nicaragua) markedly reduced their deficits and Chile and Uruguay increased the surpluses they had obtained in 1985.

In contrast with what had occurred in 1984, and as had happened in 1985, the surplus on the trade in goods was not sufficient to cover the net remittances of profits and interests, even though these went down by over US\$ 4.4 billion as a result of the drop in international interest rates.

Because of this, and in spite of the fact that net payments in respect of services went down once again, the current account deficit more than trebled to over US\$ 14 billion. There was thus a further accentuation of the change in the trend as regards the current account deficit, which, after reaching a record level of US\$ 41 billion in 1982, had practically disappeared only two years later but began to increase again in 1985 (see table 13).

As in that year, the increase in the current account deficit was the result of opposing changes in the different economies of the region. Whereas Mexico and Venezuela (which in 1985 had been the only countries to obtain positive balances) registered the biggest deficits in the region in 1986 and the deficit grew sharply in Peru and Ecuador and at a more moderate but nevertheless rapid rate in Argentina, Brazil and Bolivia, it went down spectacularly in Colombia and (for the second year running) in Chile, the two economies which had registered the biggest deficits in 1985. The deficit also went down in the Dominican Republic, Haiti and in all the Central American countries except Nicaragua, while it disappeared completely in Panama and Uruguay, which were thus the only economies where the current account closed with a positive balance.

In 1986 there was an increase in the net inflow of capital, which had dropped to a very low level the year before. This increase was not due, however, to a substantial and widespread expansion in the inflow of loans and investments to the region, but largely reflected the turnaround which took place in the capital account of Mexico. After having turned in a deficit of over US\$ 3 billion in 1985, in 1986 this generated a positive balance of around US\$ 4 billion. This change was due to the substantial bridging loans granted by the governments of the industrialized countries, public financial agencies and the commercial banks, and the very restrictive credit policy applied by the monetary authorities, which in 1986 caused quite a few enterprises to bring back funds kept abroad, in order to finance their activities. The net inflow of loans and investments also rose substantially in Argentina and Ecuador, but it went down sharply in Bolivia and in the

Central American countries (once again, with the exception of Nicaragua) and suffered a moderate decline in Colombia, Chile and Uruguay. At the same time, there was a sharp increase in the net outflow of capital from Brazil and, to a lesser extent, from Venezuela.

The increase in the net inflow of loans and investment was a good deal smaller than that of the current account deficit, however, and in the end, the balance of payments (which had already turned in a deficit of almost US\$ 1.6 billion in 1985) registered a negative balance of over US\$ 5.6 billion in 1986. This was due almost entirely, however, to the enormous deficit of US\$ 4.5 billion registered by Venezuela and the US\$ 2.2 billion deficit of Brazil. The other countries (except for Peru, Bolivia, Paraguay and the Dominican Republic) managed to bring their balance of payments into equilibrium or even obtain small surpluses, while Uruguay and, above all, Colombia, registered quite considerable surpluses.

Because of the bigger inflow of capital and the drop in net payments of interest and profits, the net transfer of resources from Latin America to the exterior went down by almost one-third. Even so, the amount of this transfer—US\$ 22.6 billion—continued to be very large and, because of the simultaneous drop in exports of goods and services, it was still equivalent to nearly 24% of the value of the latter: a proportion only slightly lower than that registered on average in the previous four years (see table 14 and figure 9).

5. The external debt

a) Main trends

The dramatic slowdown in the accumulation of external debts that has been underway since mid-1982 continued through 1986. The year-end estimated foreign debt balance is US\$ 382 billion, meaning that external obligations rose by only 2% for the second consecutive year (see table 15). Given that prices in the industrialized countries rose by about 2% in 1986, the growth of debt in real terms was in fact nil; this follows on the heels of the slightly negative and zero real rates of growth recorded in 1985 and 1984, respectively. Moreover, if it had not been for the revaluation of non-dollar-denominated debt due to the falling value of the U.S. currency on international markets during the course of the year, the real growth of the debt in 1986 would indeed have been substantially negative.

At the level of individual countries, the nominal growth of indebtedness was generally extremely modest. Indeed, some countries, such as Bolivia, Brazil, Costa Rica, Guatemala and Panama, saw their debt decline absolutely even in nominal terms. Nevertheless, a few countries such as Haiti, Honduras and Nicaragua displayed relatively high rates of growth in their debt, both in nominal and real terms, because of special bilateral aid programmes and/or the accumulation of payment arrears.

Part-year data on international capital transactions in 1986 suggests that the dynamics of debt in Latin America continued to be circumscribed by a collapse of private bank lending to the region and the inability of official lending to significantly offset this

trend. All indications are that bank lending during the year stagnated and most probably contracted in absolute terms, leaving official lenders as the only source of new credit.

According to the Bank for International Settlements, commercial bank claims on Latin America over the first 6 months of 1986 rose by only US\$ 1 billion (i.e., 0.5%) with respect to the end of 1985. Moreover, the rise itself was statistical and related to the revaluation of non-dollar claims; when adjusted for exchange rate changes, commercial bank assets in the region declined by some US\$ 2 billion over the first six months of the year. Indeed, in the first semester Argentina was the only country that experienced a significant expansion of its borrowing from the banking system, as it drew on US\$ 1.2 billion in loans arranged the previous year.

Data on U.S. banking provide a further insight into the nature of the restrictions on external finance. As of June 1986, total exposure of U.S. banks in Latin America was 2% below the levels recorded at the end of 1985 and 3% below the balance registered in June of 1982. While the system's nine largest banks slightly expanded their exposure (6%) over the period June 1982/June 1986, the medium and small-sized institutions reduced their total exposure quite significantly in absolute terms (-17%). This reflects the fact that the biggest banks are the relatively most heavily exposed lenders in Latin America, and have been obliged to participate in the so-called forced lending packages that have been part of IMF-sponsored adjustment programmes and the debt rescheduling exercises. The smaller and medium-sized institutions, which generally are much less heavily exposed in the region, have had less incentive to participate in forced lending and have therefore been reducing their exposure absolutely whenever possible.

Coupled with the slowdown of debt accumulation has been a progressive decline in international interest rates since mid-1984. By the second semester of 1986 the London Interbank Offer Rate (LIBOR) had steadied at around 6%—its lowest level since 1977—and thus compared favourably to the average rate of 8.6% recorded in 1985. It is estimated that lower interest rates saved Latin America about US\$ 5 billion in 1986 with respect to the total interest bill of US\$ 37 billion (excluding Panama) registered in 1985. The savings mostly accrued to debtor countries with a high proportion of variable rate loans from commercial banks: Mexico (85%), Chile and Venezuela (84%), Brazil (75%), Argentina (70%) and Ecuador (68%).

Notwithstanding lower world interest rates, the burden of payments remained considerable in 1986. The lower rates were applied to a large debt, much of which owes its existence to the extraordinarily high rates of interest prevailing internationally over the period 1979-1985 and the willingness (or need) of creditors to capitalize those payments. Thus the interest burden of US\$ 32 billion, though US\$ 5 billion less than 1985, was still considerably more than 3 times the amount paid on the region's debt in 1978. Moreover, for Latin America as a whole the lower interest payments were offset by lower export earnings, so that the interest payments/exports coefficient remained identical to the high level of 35% recorded in 1985, which was itself more than double the

coefficient registered in 1978 (see table 16). The behaviour of the coefficient at the country level was, however, generally differentiated according to whether a borrower was an oil exporter or not. In the case of the former, all but Peru found their export earnings falling by as much as or more than the savings on interest payments, so that the coefficient for this group rose by 4 points with respect to 1985, reaching a burdensome 36.5%. Meanwhile, the coefficient declined by 4 points for the non-oil exporters to the lower but still burdensome level of 34% (see figure 11). For countries such as Uruguay, Costa Rica, Chile, Honduras and El Salvador, the fall in the interest payments/exports ratio was due to a combination of lower interest payments and higher export earnings. In Brazil the fall in the coefficient came about because the savings from reduced interest payments exceeded the slippage in export earnings. The lower coefficient for Colombia, for its part, was due entirely to a very sharp rise in export earnings. Some countries with rising coefficients of interest payments/exports, such as the Dominican Republic, Paraguay, Nicaragua and Haiti, reflect the effects of higher interest payments and lower export earnings, while in others, such as Argentina, the effect of lower interest payments was more than offset by the fall in export earnings.

Although there was a reduced interest rate bill in 1986, an important decline occurred in the ability of the region's trade surplus on goods and services to finance interest payments. For Latin America as a whole (excluding Panama) the trade surplus in 1986 was equivalent to 47% of that year's interest payments, compared to 80% and 89% in 1985 and 1984, respectively. The change is basically explained by the loss of oil revenue in the petroleum-exporting countries, as their average coverage of interest remittances with their trade surplus fell from 100% in 1985 to 27% in 1986. The level of coverage for the non-oil exporters (excluding Panama) declined by five points between 1985 and 1986 to 60%.

However, there were important differences among the countries with surpluses. Argentina's weakening trade performance caused its coverage to drop from 85% in 1985 to 49% in 1986, while Brazil's slipped slightly from 97% to 88%. On the other hand, coverage improved very significantly for Colombia and Uruguay, reaching the equivalent of 77% and 86%, respectively. Chile also increased its coverage slightly to 31%. Excluding Brazil (and Panama) the non-oil exporters' coverage of interest payments with their trade surplus remained steady between 1985 and 1986 at 29%.

Another indicator of the debt burden is the debt/export coefficient. For the region as a whole this rose quite sharply, (by nearly 20%), from 342% in 1985 to 401% in 1986 (see table 17). This figure represents an all-time peak in the coefficient, which was thus nearly twice as high as the 1980 level. As could be expected, falling prices for petroleum made the coefficient rise considerably in all the oil-exporting countries: the 1986 average of 449% is 44% higher than that of 1985 and represents an historical high that is two and one-half times above the corresponding level for 1980. In 1986, Bolivia's coefficient broke through the barrier of 500%, while Mexico and Peru began to approach that level.

The debt/export ratio also rose slightly for the non-oil exporters, to 373%; however, the 1986 level —while uncomfortably high— at least was still below the peak of 381% recorded in 1983 (see table 17). Moreover, the change in the average ratio hides considerable diversity among the countries.

The combination of rising debt and falling exports caused the debt/export ratio to jump up quite sharply in Haiti, Nicaragua and Argentina. In Nicaragua the coefficient rose by 400 points to the very high level of 1 500%, while in Argentina it rose by over 100 points to exceed 600%. For similar reasons, the coefficient also experienced relatively moderate rises in Brazil, Par guay and the Dominican Republic. The sharpest falls in the coefficient were witnessed in Colombia, Uruguay, Costa Rica and Guatemala. In the first two countries it was strong export growth, coupled with moderate debt expansion, that underlay the falling coefficient, while in the last-named it was export growth plus absolute declines in the debt figures that influenced the trends. The coefficient also declined moderately in the cases of Chile and El Salvador as export growth exceeded the rate of increase of the foreign debt.

b) The process of debt renegotiation

As far as debt negotiations were concerned, 1986 proved to be a very eventful year. It began on the heels of growing demands in the debtor countries during 1985 for a more equitable sharing of the costs of the debt crisis, the full sentiment of which is captured in the "Emergency Proposals for Negotiations on the Debt and Growth" ("Propuestas de Emergencia para las Negociaciones sobre Deuda y Crecimiento") presented in the Declaration of Montevideo of the Cartagena Consensus in mid-December of that year.

The already difficult environment for debt negotiations was further complicated by the sharp fall in world petroleum prices in the first quarter of 1986. The sudden drop of spot market quotations eroded the repayment capacity of two of the largest debtors in the region (Mexico and Venezuela) as well as some smaller ones (Peru, Ecuador and Bolivia). This problem in turn gave an impulse to the initiation of a fourth round of debt negotiations in Latin America (see tables 18 and 19).

Many of the developments in the 1986 debt negotiations revolved around the Mexican case. The adjustment programme in that country had begun to show signs of strain in 1985, and towards the end of that year there were discussions on a new financial package for 1986 that would involve additional lending of some US\$ 4 billion, US\$ 2.5 billion of which was to come from private banks. However, with petroleum prices entering into a steep slide in late 1985/early 1986, the Mexican authorities suggested during the first quarter of the year that their needs for new finance might rise to as much as US\$ 9-10 billion.

There was considerable resistance in creditor circles regarding the Mexican proposals for new finance. Negotiations lingered on until mid-year, when the recessionary implications of the creditors' counter-proposals led the Government of Mexico to harden its bargaining stance. Mexico's very firm negotiating position immediately brought a

favourable response from the creditors, as they apparently feared the direct consequences for them of a Mexican moratorium as well as the indirect bad demonstration effects that this and a rupture with the IMF could have on other Latin American debtors.

The new plan offered to Mexico gave concrete form to the stated principles of the Baker Plan. In return for subscribing to an IMF adjustment programme that involves major reforms to liberalize the economy, Mexico received an explicit growth guarantee of 3-4% for 1987. The major novelty is that the financial package will adjust itself to the requirements of economic growth and not vice versa, as had been the case in the adjustment programmes organized by the creditors during the first three rounds of reschedulings.

In effect, financing will adjust itself to the contingencies of the oil market and economic growth; if petroleum prices fall below US\$ 9 a barrel, credit availability will automatically be raised, while if they rise above US\$ 14 that availability will fall. Apart from this, if growth in the first semester of 1987 is not consistent with the target rate, Mexico will be entitled to US\$ 500 million of special additional financing to stimulate public investment and economic activity. Within the band of US\$ 9-14 for petroleum prices, the financing package for the next 18 months totals US\$ 12 billion. Roughly half that amount will be provided by commercial banks; the rest will come from public lenders. In order that the country can meet vital foreign exchange requirements, major creditor banks and their governments also agreed to extend US\$ 1.6 billion in emergency short-term bridging loans which will be repaid once all the creditors are agreed and begin disbursing the US\$ 12 billion.

Another novelty is that the IMF flexibilized its criteria for measuring fiscal deficits: a necessary ingredient for an expansionary adjustment process. In the case of Mexico, for the first time, the Fund excluded from its calculation of the operational deficit the effects of inflation on interest payments for the domestic debt. As a consequence, the then nominal deficit of roughly 13% (relative to GDP) was calculated as a real deficit of 3%. Mexico must gradually reduce the real deficit to zero by the end of 1987, but in nominal terms the reduction of the deficit over 18 months will be from 13% of GDP to 10%.

The Mexican package also followed the pattern of the first three rounds of reschedulings, each of which brought progressively softer conditions regarding the terms of indebtedness. In this round, the banks agreed to reschedule nearly US\$ 44 billion of debts falling due over 1985-1990 at a spread over LIBOR of 0.81%; this compares to a spread of 1.13% in the third round of rescheduling and the spreads of around 0.50% currently being paid by some of the most creditworthy developing country borrowers outside Latin America with autonomous access to the Eurocurrency market. The amortization period offered on the rescheduled maturities is 20 years, with 7 of grace, compared to a total amortization period of 14 years in the third round of these exercises. Furthermore, no commissions are to be paid (a precedent first established in the third round of the debt negotiations). As for the new bank lending of

US\$ 6 billion, it also will bear a spread of 0.81%. The amortization period will be 12 years and there are no commissions (see tables 17 and 18).

While Mexico was certainly the highlight of the debt negotiations in 1986, there were significant developments in other countries as well.

In the first quarter Bolivia signed a standby agreement with the IMF after protracted negotiations. This opened the door for negotiations with creditors to clear up principal and interest arrears of some US\$ 1 billion, which have been accumulating since 1982, mostly with foreign commercial banks. The IMF accord also enabled the government to effect a Paris Club renegotiation of debts with government creditors, involving a stretch-out of 10 years on maturities falling due in 1986 and 1987.

For its part, Brazil signed an agreement in mid-year to reschedule US\$ 6 billion of payments to private banks which fell due in 1985 and US\$ 9.5 billion of payments for 1986; it also provided for short-term lines of trade credit in the amount of US\$ 15.5 billion. The rescheduled credits carried a spread over LIBOR of 1.13% and an amortization period of 12 years, with 5 of grace. No commissions were charged (see tables 17 and 18). These terms compare favourably with the previous Brazilian rescheduling undertaken in the second round, which carried a spread of 2% over LIBOR, an amortization period of 9 years and commissions of 1%.

Brazil achieved this commercial bank debt rescheduling in spite of its refusal to submit to an IMF programme —a traditional prerequisite for initiating a restructuring of obligations. The Paris Club has proved more inflexible, however, and its insistence on a Fund programme has been an obstacle to a systematic reorganization of Brazil's bilateral government-to-government debt. Due to the lack of a rescheduling accord, Brazil began to accumulate arrears with its government creditors during 1986; however, around mid-year, it began to unilaterally deposit funds in creditor accounts as an interim solution to the problem. At end-year there are reports that creditor governments are now considering the granting of a rescheduling agreement without an IMF-sponsored adjustment programme. In August of this year, the government also announced that, in order to sustain investment and growth, it plans to seek a negotiated limit on debt payments with its creditors equivalent to 2.5% of GDP, compared to the current rate of payment which is equivalent to roughly 4% of GDP.

In February, Venezuela signed a rescheduling agreement with the banks that formed part of the region's third round of these exercises. The accord postponed payment of US\$ 21 billion, originally scheduled to be paid over 1983-1988. Nevertheless, with world oil prices falling rapidly, few expected the agreement to last and indeed it did not. In April the government invoked a contingency clause contained in the February agreement which allowed for a renegotiation of terms should economic conditions change adversely, and meetings were held in July with bankers to discuss the problem.

In mid-year the Venezuelan Congress also

passed a new plan to manage registered private sector debt estimated at nearly US\$ 7 billion. The plan eliminated the subsidized exchange rate of 4.3 bolívares per U.S. dollar for private debt service. Moreover, private debtors were required to purchase dollar-denominated bonds, issued by the government, which would unilaterally replace cash payments to the banks. The bonds reportedly were to carry a 15 year amortization period and a below-market interest rate of 5%. The plan met with resistance from the creditors and also from some local private sector debtors, and in August the authorities withdrew the proposal, although the devaluation of the exchange rate for servicing the private external debt was maintained. Corresponding with a devaluation in December, the government announced a new plan. While refusing to guarantee private sector debts, it did offer private debtors a guaranteed subsidized exchange rate of 7.50 bolívares per U.S. dollar (plus a premium paid to the Central Bank) for servicing obligations to foreign bankers over a period of 8 years.

For its part, Cuba—which had been promptly serving the interest on its debt—ran into difficulties during 1986. A shortfall in the sugar harvest and reduced profits from the re-export of petroleum created a severe shortage of foreign exchange, and principal payments were reportedly suspended in mid-year as well as interest outlays. Talks were proceeding with creditors on how best to handle the problem; it was reported that the authorities were seeking fresh credits of US\$ 300 million to refinance part of the interest burden, as well as the rescheduling of amortization commitments. Meanwhile, a rescheduling was undertaken with the Paris Club governments for maturities falling due this year.

In Costa Rica, payments on the debt were suspended in May due to a shortage of foreign exchange. The problem rose partly because the difficulties experienced in complying with an IMF programme led to the interruption of disbursements both from that institution and from the World Bank. Subsequently, new commitments to accept the creditor governments' conditions resulted in the release of loan disbursements and established conditions more favourable to the clearing up of the payment problems. In October the government presented an interesting proposal to its bank creditors. The authorities sought a rescheduling of outstanding debts over a period of 25 years, with 7 years' grace. The interest rate would be 4%, gradually rising to a maximum of 6% by 1993, and no commissions would be paid. The plan envisages limiting total annual debt payments to the banks to roughly 1.5% of GDP. As an expression of good will, the authorities remitted US\$ 5 million to their bank creditors simultaneously with the presentation of the proposal.

As for Peru, through the first half of the year, it continued a policy (first introduced in late July 1985) which has limited payments on the medium and long-term public debt to 10% of the country's export earnings; on the other hand, no limits were imposed on short-term debt and private sector obligations. On the medium/long-term public debt, priority has been given to the servicing of obligations to creditors who were actively lending to the country; those who were not—mostly

commercial banks—faced a unilateral rollover of payments and capitalization of interest. Interest arrears with the banks, which in fact began to accumulate in late 1984 under a previous government, reportedly were around US\$ 500 million towards the end of 1986.

At the end of July, after evaluating the country's capacity to pay, the government decided to keep in force for another year the 10% limit on medium and long-term public debt service. The need to retain scarce foreign exchange for development also caused the authorities to extend the limitation on private sector medium and long-term debt payments; and remittances of profits on foreign investments will be restricted as well for a period of two years. Short-term debt will continue to be serviced normally.

Peru encountered more difficulties with the IMF during 1986. The country was required to pay off US\$ 180-190 million in arrears (interest and principal) with this institution prior to August 15. However, the authorities decided to limit payment to US\$ 35 million. The reaction of the Fund was to declare Peru "ineligible" for new lending. On a practical level it is difficult to assess the impact of this decision. On the one hand, Peru has not had an IMF-sponsored adjustment programme, or loan disbursements from this institution, since early 1984; on the other, as long as Peru is current on payments to other multilateral lenders they are under no legal obligation to stop disbursement or new lending to it on account of the Fund's declaration of ineligibility.

Peru also continued to innovate with plans that allow for payment of debt in goods. In the last two years payments in this form (mostly to governments) have averaged roughly US\$ 100 million annually. A number of banks, however, are now expressing interest in this type of repayment formula as well; indeed, one U.S. bank is reportedly actually negotiating repayment of US\$ 100 million in the form of Peruvian non-traditional exports.

Chile continued to be a pioneer in exploiting the discounted values on its foreign loan paper that is trading on budding secondary markets abroad. In broad terms Chilean residents and non-residents have an opportunity to purchase, with their own available foreign currency balances the country's promissory notes that are trading overseas at a discount (currently 30-35%). The discounted notes can then be traded in Chile for pesos at their nominal value, minus a direct or indirect local discount which is less than that being registered abroad. The pesos are received in the form of financial paper, cash or equity investments, depending on the circumstances of the transaction and the preferences of the note holders. The amount of debt withdrawn in 1986 via this mechanism is close to US\$ 800 million. Some foreign banks have taken advantage of the programme to change debt into equity in the Chilean financial sector. In late 1986 Chile also initiated negotiations for a fourth round of reschedulings. A novelty incorporated into the initial proposal to the creditors is that fresh money for the 1987-1988 financial programme be secured not via new loans but rather by lower interest rate spreads, and annual as opposed to semi-annual interest payment dates.

In 1986, Jamaica's relations with its creditors

became more difficult because of problems in complying with IMF adjustment criteria. During the year arrears (roughly US\$ 60 million) began to accumulate as the authorities fell behind in payments of debts to the Fund.

Finally, during 1986 voluntary private lending to two rescheduled debtor countries in Latin America was resumed for the first time since the outbreak of the crisis in 1982. In October a French bank announced that it had organized a US\$ 220 million pre-export financing facility for Ecuador at a spread over LIBOR of 1.5%. The facility, which is self-liquidating and therefore of low risk, was in fact oversubscribed by international banks. Uruguay also received a voluntary loan of US\$ 45 million from a consortium of banks, although this did have the special feature of being part of a co-financing package with the World Bank.

To sum up, at the end of 1986 the debt situation was characterized by the great diversity of circumstances. Argentina, Chile, Ecuador, Mexico and Uruguay were operating in the conventional negotiating framework for managing a debt problem, in which the debtor reschedules private bank debt through discussions with the banks' Steering Committee and creditor government debt through the Paris Club, only after negotiating a formal IMF adjustment programme and complying with its criteria, which include the avoidance of arrears. For their part, Colombia and Venezuela were partly out of the conventional scheme, since these countries economic programmes and refinancing/rescheduling processes were subject only to Article IV consultations with the IMF rather than full-scale Fund monitoring in a formal adjustment programme. Meanwhile, Brazil was still further out of the conventional framework, as it managed to reschedule private debts without even Article IV consultations and was attempting to do the same with the Paris Club. Nicaragua also has consistently negotiated with creditors without the involvement of the IMF. Still further from the conventional approach is Peru, which has likewise eschewed the IMF but in addition has unilaterally established a limit on debt payments and has sought to pay part of its obligations in goods rather than in direct payments of foreign exchange. Other countries such as Bolivia were out of the conventional framework of debt management but were actively attempting to re-enter it through the establishment of a formal adjustment programme with the IMF and the initiation of negotiations with creditor banks and governments to reschedule debts and eliminate accumulated arrears. Finally Costa Rica, Honduras and Jamaica were in the conventional framework but slipping out—perhaps only for the time being—due to problems in meeting the criteria of the IMF and/or difficulties in meeting scheduled debt service, with a consequent accumulation of arrears.

III. REFLECTIONS ON THE PRESENT SITUATION

As we have seen, three facts stand out in the evolution of the economies of Latin America and the Caribbean in 1986.

The first is the efforts that are being made in

the region to establish policies which simultaneously take account of the objectives of growth and stabilization. The endeavours made by countries of the region have clearly revealed the persistence of attitudes which have become deeply rooted in social behaviour through many years of sharp increases in price levels. This makes the task of overcoming inflation more difficult and complex.

In 1985 and 1986 there have been novel economic policy approaches to the problems of how to tackle inflation and handle external problems, the aim being to combine the achievement of stabilization and adjustment objectives with that of economic growth and equitable sharing of the efforts involved. The policies applied in various countries for tackling the crisis have been more wide-ranging in their economic and social aspects than the traditional ones and have used a more diversified range of economic policy instruments in their efforts to reduce the recessionary effects registered in the past when applying conventional policies. It is worth noting that in the cases where these new economic policy approaches were applied in 1986, they generally brought about quite notable increases in economic activity and in some cases improved income distribution. On the other hand, recent price increases—even though it is true that they have not approached the levels prevailing before the application of the new policies—and some problems of supply have made it clear that the challenges still to be faced in seeking to reconcile adjustment and stabilization with economic growth and social progress must not be underestimated.

The second outstanding fact was the very uneven performance of the economies of the region as regards growth. During the past year, economic expansion was greater than in 1985 in a group of large and medium-sized countries, almost all of which were non-oil-exporters. Most of the countries, however, registered declines in their per capita product, and even in the cases where there was growth, the per capita product attained in 1986 was still far below that of 1980, with very few exceptions.

In the particular case of the Central American countries, the evolution of economic activity was unfavourable. Although some of the basic commodities exported by them show some recovery in their prices, the latter remain quite low. The social and political tensions prevailing and the reduction in capital flows from the exterior were also factors not unconnected with the unfavourable performance of these economies.

The third significant factor is the confirmation of the decisive weight exerted by external factors in the economies of the region. This is particularly relevant when the prevailing international economic situation is one of slow growth, with substantial elements of uncertainty and sharp fluctuations in commodity prices, in international interest rates and in financial flows. The economies of the region must therefore make great efforts to adapt to changing conditions which are difficult to forecast.

1. The influence of external factors

The sensitivity of the economies of the region

to external factors was clearly illustrated during the past year, both by the countries which suffered severe deterioration in the prices of their main export products and by those where international developments brought some relief of their external situation.

With regard to the external sector factors which had the greatest influence on the economies of Latin America and the Caribbean, particular mention must be made of four important changes:

- i) the drop in international petroleum prices;
- ii) the further fall in the prices of most other basic commodities, which were already at extremely depressed levels;
- iii) the decline in international commercial interest rates;
- iv) the progress made by some countries in increasing their non-traditional exports.

These factors affected the countries of the region in an unequal manner and gave rise to very dissimilar performances by their economies.

The sharp drop in petroleum prices helped to ease the situation of countries which import this product, but at the same time it had a very severe adverse effect on the economies of the oil-exporting countries.

With very few exceptions, the prices of the other basic commodities suffered a further fall, causing an unfavourable effect which was quite widespread in the region. This brings out very clearly the great vulnerability of the economies that depend heavily on the export of primary commodities whose prices fluctuate markedly and demand for which is very sluggish.

The reduction in international commercial interest rates has had a positive impact on the economies of the region, although this effect has been concentrated in the large countries and in some medium-sized nations which have heavy debts taken out with private sources at floating rates.

In spite of the reduction in rates, the amount of interest paid continued to represent a very high proportion of exports, thus making it clear that the possibility of reducing the recessionary consequences of interest payments will depend both on further reductions in international interest rates (in order to bring them closer to their historical levels) and on more dynamic growth of the value of exports.

Non-traditional exports have shown substantial progress in some countries, but in others, in contrast, they have grown very sluggishly. It would appear that in some of the latter countries a cause of this has been the very intensive growth of domestic demand, which has reduced the exportable surpluses, while in others it has been the delicate balance that must be pursued in fixing exchange rates that serve both to combat inflation and to promote exports. Furthermore, protectionism on the most important external markets continues to limit the growth rate of these exports and makes it difficult to define an industrialization and external trade strategy.

2. Future prospects

The prospects of the economies of the region

continue to be uncertain.

Although it is probable that commodity prices will recover in the years to come, it would appear that this will be a slow process, for the growth of the OECD countries, which influences this recovery, is only moderate and the most reasonable assumption is that in the next few years those countries are unlikely to attain the relatively high growth rates which they enjoyed for a long period after the end of the Second World War.

Furthermore, there are some indications that the drop in commodity prices and their very low present level are not just the result of conjunctural factors but also reflect unfavourable structural changes in demand. For some commodities, the change in market preferences has brought with it a reduction in demand: this is so, for example, in the case of sugar. Other commodities are influenced by changes which have reduced the consumption of such products per unit of final production: thus, with the reduction in weight and size of automobiles, their content of intermediate goods has gone down very appreciably. In addition, there have been technical changes which have led to the replacement of some commodities with manufactured goods. A further effect is that of computer technologies, which reduce the need to keep large stocks to cover demand. Finally, as long as international interest rates remain high, they will continue to make it more expensive to maintain such stocks.

With regard to international commercial interest rates, although it may be hoped that in 1987 some of the effects of the decline registered by them in 1986 will begin to be felt and that at some time in the future they will converge towards their historical levels, they do not seem to show any tendency to drop rapidly, since some of the fundamental causes which made them rise in past years are still present.

With regard to protectionism, praiseworthy efforts are being made to prevent it from spreading, but resistance to its reduction or elimination is also clearly visible. The policies of the countries of the region aimed at increasing their non-traditional exports, especially of manufactures, will make it possible to continue with the expansion and diversification of exports, but their application in this protectionist context will call for a massive and sustained effort whose effect can only partly compensate for the unfavourable impact of the other variables mentioned above.

It should also be borne in mind that not only are the prospects as regards commodity prices, interest rates and access to markets rather discouraging, but they also have as their starting point an unfavourable existing situation.

Finally, it should be noted that as the point is reached at which the existing production capacity is fully utilized, it will be necessary to make new investments in order to continue growth, and this will bring additional needs for imports which will further increase the already acute external constraints. The present level of domestic saving is significantly lower than in the past, and a substantial part of this saving is devoted to paying the interest on the external debt.

Likewise, the proportion of total output allocated to investment in the last five years has been significantly less than it was before the crisis, thus further reducing the growth potential and making more difficult the modernization of the production apparatus which is absolutely necessary in order to remain competitive.

Meanwhile, domestic social tensions are building up, and this may not only militate against the social and political stability of the countries but may also be a negative factor as regards keeping up the adjustment and stabilization efforts for a long period of time.

In view of these prospects, it would not be wise to believe that spontaneous solutions deriving from the spill-over effect of the international economy on the Latin American ones will be sufficient. The favourable performance of some of the large and medium-sized economies during 1986 is a positive factor of great importance and shows that there is a capacity for recovery to the extent that the external restrictions are relieved, but it would be over-hasty to deduce from this that a dynamic and sustained recovery has begun and that the crisis is now over. A firm and generalized recovery can only be the result of the combination of a properly oriented

domestic effort, stronger and more appropriate international co-operation, and more dynamic regional co-operation. There are possibilities of making advances on all three of these fronts.

At the domestic level, it will be necessary to continue to make efforts which involve the participation of all the social sectors on an equitable basis and which are designed to have positive effects on production and employment. The improvement of economic policies on which various governments of the region are working includes structural reforms whose results will be perceived only gradually.

At the international level, some significant conceptual advances have been made in dealing with the subject of the debt, and although their effects are very insufficient compared with the magnitude of the problems, they nevertheless point out a path which should be followed more actively and firmly through a dialogue between debtors and creditors which takes into account the enormous complexity of the topic. At present, the problem of the debt limits the manoeuvring space of both the debtor and the creditor countries. International treatment of this topic with the participation of all the parties involved would make it possible to expand this room for

manoeuvre and achieve more dynamic growth of production and employment, both in Latin America and the Caribbean and in the developed countries.

At the regional level, the agreements recently reached among some of the Latin American countries are of much greater scope than any of those achieved at any previous time in recent years. These agreements reflect the favourable attitude to regional co-operation which has been spreading among both governments and businessmen of the region in the last few years.

In view of the prolonged state of crisis affecting the region (the recent evolution of which is described in this Preliminary Overview), the need for due account to be taken of the time and social horizons of development in the economic strategies and policies designed to solve this situation, and the central role assigned to the longer term and to social aspects in ECLAC's thinking, the member governments of the Commission have decided to hold a special conference in Mexico City in January 1987. Through the dialogue which will take place there it is hoped to achieve concrete conceptual progress in tackling the challenges which the countries of Latin America and the Caribbean will have to face in the years to come.

Table 1

LATIN AMERICA: MAIN ECONOMIC INDICATORS^a

Indicators	1980	1981	1982	1983	1984	1985	1986 ^b
Gross domestic product at market prices (index base year 1980 = 100)	100.0	100.5	99.0	96.6	99.7	102.4	105.9
Population (millions of inhabitants)	355	363	372	380	389	398	406
Per capita gross domestic product (index base year 1980 = 100)	100.0	98.1	94.5	90.1	90.9	91.3	92.4
Growth rates							
Gross domestic product	5.3	0.5	-1.4	-2.4	3.2	2.7	3.4
Per capita gross domestic product	2.8	-1.9	-3.7	-4.7	0.9	0.4	1.2
Consumer prices ^c	56.1	57.6	84.8	131.1	185.2	275.3	69.1
Terms of trade (goods)	4.3	-5.8	-9.0	1.1	6.5	-5.0	-8.7
Purchasing power of exports of goods	10.3	1.9	-7.6	10.1	13.3	-4.8	-9.7
Current value of exports of goods	32.3	7.6	-8.8	0.1	11.7	-5.9	-14.8
Current value of imports of goods	34.9	8.1	-19.8	-28.5	4.0	0.3	2.4
Billions of dollars							
Exports of goods	89.1	95.9	87.4	87.5	97.7	92.0	78.3
Imports of goods	90.4	97.6	78.3	56.0	58.3	58.5	59.9
Trade balance (goods)	-1.3	-1.9	9.1	31.5	39.4	33.5	18.4
Net payments of profits and interest	17.9	27.2	38.7	34.3	36.2	35.3	30.7
Balance on current account ^d	-28.3	-40.3	-41.0	-7.6	-0.2	-4.0	-14.2
Net movement of capital ^e	29.4	37.5	20.0	3.2	9.2	2.4	8.6
Global balance ^f	1.4	-2.8	-21.0	-4.4	9.0	-1.6	-5.6
Total gross external debt ^g	230.4	287.8	330.7	350.8	366.9	373.2	382.1

Source: ECLAC, on the basis of official data.

^aThe figures for the gross domestic product and consumer prices refer to the group formed by the countries included in table 2, except Cuba (23 countries) and in table 4, respectively. The data on the external sector relate to the 19 countries mentioned in the table "Latin America: Balance of Payments". ^bProvisional estimates subject to revision. ^cVariation from December to December. ^dIncludes net unrequited private transfer payments. ^eIncludes long and short-term capital, official unrequited transfer payments and errors and omissions. ^fRelates to the variation in international reserves (of reverse sign) plus counterpart items. ^gSee notes to table "Latin America: Total disbursed external debt" included in the text.

Table 2

LATIN AMERICA: EVOLUTION OF TOTAL GROSS DOMESTIC PRODUCT

Country	Annual growth rates					Cumulative variation	
	1981	1982	1983	1984	1985	1986 ^a	1981-1986 ^a
Latin America (excluding Cuba)	0.5	-1.4	-2.4	3.2	2.7	3.4	5.9
Oil-exporting countries	5.6	-0.3	-5.6	2.5	1.8	-1.9	1.6
Bolivia	0.3	-2.8	-6.6	-0.9	-1.7	-3.5	-14.5
Ecuador	3.8	1.1	-1.2	4.5	4.3	1.5	14.8
Mexico	8.3	0.0	-5.2	3.5	2.7	-4.0	4.6
Peru	4.0	0.1	-11.9	3.8	1.6	8.5	5.0
Trinidad and Tobago	-0.2	0.3	-9.7	-6.6	-3.1	...	...
Venezuela	-1.0	-1.3	-5.6	-1.1	-0.6	1.5	-7.6
Non-oil-exporting countries	-2.4	-2.1	-0.5	3.7	3.2	6.5	8.3
Argentina	-6.7	-6.3	3.0	2.2	-4.4	5.5	-7.2
Barbados	-2.0	-5.2	0.4	3.6	0.2	...	...
Brazil	-2.0	1.4	-2.7	4.8	8.2	8.0	18.7
Colombia	2.3	1.0	1.9	3.6	2.6	5.0	17.7
Costa Rica	-2.4	-7.3	2.7	7.9	0.9	3.0	4.0
Cuba ^b	16.0	3.8	4.9	7.3	4.8	2.5	45.7
Chile	5.2	-13.1	-0.5	6.0	2.4	5.0	3.7
El Salvador	-8.4	-5.7	0.6	1.4	1.4	-0.5	-11.1
Guatemala	1.0	-3.4	-2.7	0.0	-0.9	0.0	-6.0
Guyana	-0.7	-10.8	-10.3	5.8	1.8	...	...
Haiti	-2.7	-3.5	0.6	0.4	3.5	-1.5	-3.2
Honduras	1.0	-1.6	-0.6	3.1	1.4	2.0	5.5
Jamaica	2.4	-0.2	1.2	0.0	-5.4	...	...
Nicaragua	5.4	-0.8	4.4	-1.4	-2.6	0.0	5.0
Panama	4.0	4.9	-0.1	-0.4	3.3	3.0	15.4
Paraguay	8.7	-0.7	-3.0	3.3	4.0	1.0	13.8
Dominican Republic	4.0	1.4	4.4	0.5	-2.0	0.5	9.0
Uruguay	1.5	-9.7	-6.4	-2.4	0.5	5.0	-11.7

Source: ECLAC, on the basis of official data.

^aProvisional estimates subject to revision.^bRefers to total social product.

Table 3

LATIN AMERICA: EVOLUTION OF PER CAPITA GROSS DOMESTIC PRODUCT

Country	Annual growth rates					Cumulative variation	
	1981	1982	1983	1984	1985	1986 ^a	1981-1986 ^a
Latin America (excluding Cuba)	-1.9	-3.7	-4.7	0.9	0.4	1.2	-7.6
Oil-exporting countries	2.8	-2.9	-8.1	-0.2	-0.8	-4.4	-13.1
Bolivia	-2.3	-5.4	-9.0	-3.5	-4.4	-6.3	-27.3
Ecuador	0.8	-1.8	-4.0	1.5	1.4	-1.2	-3.3
Mexico	5.4	-2.6	-7.6	0.9	0.1	-6.3	-10.4
Peru	1.3	-2.5	-14.2	1.2	-1.0	5.9	-10.1
Trinidad and Tobago	-0.8	-0.5	-10.6	-7.6	-4.2	...	...
Venezuela	-3.9	-4.1	-8.2	-3.7	-3.2	-1.0	-21.9
Non-oil-exporting countries	-4.5	-4.2	-2.6	1.5	1.1	4.3	-4.6
Argentina	-8.2	-7.8	1.4	0.6	-5.9	3.9	-15.5
Barbados	-2.7	-5.9	-0.4	2.4	-0.6	...	...
Brazil	-4.2	-0.8	-4.8	2.6	5.9	5.7	4.0
Colombia	0.1	-1.1	-0.3	1.4	0.4	3.0	3.6
Costa Rica	-5.0	-9.7	0.0	5.1	-1.7	0.4	-11.0
Cuba ^b	15.3	3.0	3.9	6.3	3.7	1.5	38.1
Chile	3.5	-14.5	-2.2	4.3	0.7	3.2	-6.2
El Salvador	-9.6	-6.5	-0.2	0.5	0.1	-1.8	-16.7
Guatemala	-1.8	-6.1	-5.4	-2.8	-3.7	-2.8	-20.7
Guyana	-2.6	-12.6	-12.0	3.9	-0.1	...	...
Haiti	-4.4	-5.2	-1.1	-1.4	1.6	-3.2	-13.1
Honduras	-2.4	-4.9	-3.9	-0.3	-1.8	-1.2	-13.8
Jamaica	1.1	-1.5	-0.2	-1.4	-6.7	...	...
Nicaragua	2.0	-4.4	1.3	-4.8	-5.9	-3.1	-14.1
Panama	1.7	2.7	-2.2	-2.5	1.1	0.6	1.3
Paraguay	5.3	-4.0	-6.0	0.0	0.9	-1.9	-6.0
Dominican Republic	1.5	-1.1	1.9	-1.9	-4.3	-1.6	-5.4
Uruguay	0.9	-10.3	-7.0	-3.2	-0.2	4.2	-15.3

Source: ECLAC, on the basis of official figures for the gross domestic product. The population figures are taken from CELADE estimates published in *Boletín Demográfico Vol. XIX*, No. 38, July 1986.

^a Provisional estimates subject to revision.

^b Refers to total social product.

Table 4

LATIN AMERICA: URBAN UNEMPLOYMENT

(Average annual rates)

Country	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986 ^g
Argentina ^b	2.8	2.8	2.0	2.3	4.5	4.7	4.2	3.8	5.3	4.8
Bolivia ^c	...	...	...	5.8	9.7	10.9	13.0	15.5	18.0	20.0
Brazil ^d	...	6.8	6.4	6.3	7.9	6.3	6.7	7.1	5.3	3.8
Colombia ^e	9.0	9.0	8.9	9.7	8.2	9.3	11.8	13.5	14.1	14.2
Costa Rica ^f	5.1	5.8	5.3	6.0	9.1	9.9	8.6	6.6	6.7	6.7
Chile ^g	13.9	13.7	13.4	11.8	9.0	20.0	18.9	18.5	17.2	13.4
Ecuador ^h	...	...	5.4	5.7	6.0	6.3	6.7	10.6	10.4	12.0
Guatemala ^h	...	...	...	2.2	2.7	4.7	7.6	9.7	12.9	...
Honduras ^h	...	...	...	8.8	9.0	9.2	9.5	10.7	11.7	...
Mexico ⁱ	8.3	6.9	5.7	4.5	4.2	4.1	6.7	6.0	4.8	...
Nicaragua ^j	...	...	...	22.4	19.0	19.9	18.9	21.1	22.3	21.7
Panama ^k	...	9.6	11.6	9.8	11.8	10.3	11.5	11.0	11.8	9.0
Paraguay ^j	3.7	3.1	2.6	2.1	4.6	9.4	15.0	12.5	8.0	8.0
Peru ^j	9.4	10.4	11.2	10.9	10.4	10.6	9.2	10.9	11.8	10.6
Trinidad and Tobago ^m	...	11.8	11.0	9.9	10.4	9.9	11.1	13.4	15.3	...
Uruguay ⁿ	11.8	10.1	8.3	7.4	6.7	11.9	15.5	14.0	13.1	11.0
Venezuela ^o	5.5	5.1	5.8	6.6	6.8	7.8	10.5	14.3	14.3	11.8

Source: ECLAC and PREALC, on the basis of official data.

^aPreliminary figures. ^bFederal Capital and Greater Buenos Aires. Average for April and October; 1986, June. ^cWhole country. ^dMetropolitan areas of Rio de Janeiro, Sao Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife: average for 12 months; 1980, average June-December; 1986 average January-October. ^eBogotá, Barranquilla, Medellín and Cali: average for March, June, September and December; 1986 average for April, June and September. ^fNational urban. Average for March, July and November; 1984, average March and November; 1986 average March and July. ^gGreater Santiago. Average for four quarters. As from August 1983 data relate to the Metropolitan Region of Santiago. ^hWhole country. Official estimates. ⁱMetropolitan areas of Mexico City, Guadalajara and Monterrey, average for twelve months. 1986: average January-August. ^jNational average. ^kNational urban, August of each year. 1980 corresponds to unemployment in urban area registered by national census taken in February of that year; 1981 corresponds to metropolitan area. ^lNon-agricultural activities. ^mWhole country, average for two half-years; 1978, average for July and December; 1980, average for August and December, and 1985, average for January and June. ⁿMontevideo, average for two half-years. As from 1981, average for four quarters; 1986, average January-November. ^oNational urban, average for two semesters; 1986, first semester (official estimate).

Table 5

LATIN AMERICA: EVOLUTION OF CONSUMER PRICES

(Variations from December to December)

Country	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986 ^g
Latin America ^b	40.0	39.0	54.1	56.1	57.6	84.8	131.1	185.2	275.3	69.1
Argentina	150.4	169.8	139.7	87.6	131.2	208.7	433.7	688.0	385.4	79.2 ^c
Barbados	9.9	11.3	16.8	16.1	12.3	6.9	5.5	5.1	2.4	1.5 ^d
Bolivia	10.5	13.5	45.5	23.9	25.2	296.5	328.5	2 177.2	8 170.5	92.6 ^e
Brazil	43.1	38.1	76.0	95.3	91.2	97.9	179.2	203.2	228.0	70.5 ^e
Colombia	29.3	17.8	29.8	26.5	27.5	24.1	16.5	18.3	22.3	19.6 ^e
Costa Rica	5.3	8.1	13.2	17.8	65.1	81.7	10.7	17.3	11.1	13.8 ^e
Chile	63.5	30.3	38.9	31.2	9.5	20.7	23.6	23.0	26.4	17.1 ^c
Ecuador	9.8	11.8	9.0	14.5	17.9	24.3	52.5	25.1	24.4	27.5 ^e
El Salvador	14.9	14.6	14.8	18.6	11.6	13.8	15.5	9.8	30.8	32.4 ^d
Guatemala	7.4	9.1	13.7	9.1	8.7	-2.0	15.4	5.2	31.5	41.7 ^d
Guyana	9.0	20.0	19.4	8.5	29.0	19.3	9.6	...	...	...
Haiti	5.5	5.5	15.4	15.3	16.4	4.9	11.2	5.4	17.4	3.8 ^d
Honduras	7.7	5.4	22.5	11.5	9.2	8.8	7.2	3.7	4.2	4.1 ^d
Jamaica	14.1	49.4	19.8	28.6	4.8	7.0	16.7	31.2	23.9	11.9 ^f
Mexico	20.7	16.2	20.0	29.8	28.7	98.8	80.8	59.2	63.7	103.7 ^e
Nicaragua	10.2	4.3	70.3	24.8	23.2	22.2	32.9	50.2	334.3	777.6 ^e
Panama	4.8	5.0	10.0	14.4	4.8	3.7	2.0	0.9	0.4	0.1 ^g
Paraguay	9.4	16.8	35.7	8.9	15.0	4.2	14.1	29.8	23.1	26.9 ^f
Peru	32.4	73.7	66.7	59.7	72.7	72.9	125.1	111.5	158.3	60.2 ^e
Dominican Republic	8.5	1.8	25.6	4.6	7.3	7.2	7.7	38.1	28.4	6.2 ^h
Trinidad and Tobago	11.4	8.8	19.5	16.6	11.6	10.8	15.4	14.1	6.6	8.7 ^d
Uruguay	57.3	46.0	83.1	42.8	29.4	20.5	51.5	66.1	83.0	74.9 ^e
Venezuela	8.1	7.1	20.5	19.6	11.0	7.3	7.0	18.3	5.7	12.0 ^e

Source: ECLAC, on the basis of official price indexes supplied by the countries, supplemented in some cases by figures published in International Monetary Fund, *International Financial Statistics*, November 1986.

^aPreliminary figures. ^bThe totals for Latin America correspond to the variations for the individual countries, weighted by the respective population in each year. ^cCorresponds to variation between November 1985 and November 1986. ^dCorresponds to variation between July 1985 and July 1986. ^eCorresponds to variation between October 1985 and October 1986. ^fCorresponds to variation between August 1985 and August 1986. ^gCorresponds to variation between September 1985 and September 1986. ^hCorresponds to variation between June 1985 and June 1986.

Table 6

LATIN AMERICA AND THE CARIBBEAN: EVOLUTION OF REAL WAGES

Country	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986 ^e
Annual average indexes (1980 = 100)										
Average wages										
Argentina ^b	79.3	77.9	89.5	100.0	89.4	80.1	100.5	127.1	107.8	109.4
Brazil ^c	89.1	93.9	95.1	100.0	108.5	121.6	112.7	105.1	112.6	117.0
Colombia ^d	83.5	93.2	99.3	100.0	101.4	104.8	110.3	118.5	115.0	118.1
Costa Rica ^e	87.0	94.7	99.2	100.0	88.3	70.8	78.5	84.7	92.2	97.4
Chile ^f	79.6	84.7	91.8	100.0	109.1	108.7	97.1	97.4	93.0	94.7
Peru ^g	108.7	94.9	88.9	100.0	98.3	100.5	83.7	71.0	60.1	64.0
Uruguay ^h	113.2	109.1	100.4	100.0	107.5	107.1	84.9	77.1	88.0	93.2
Urban minimum wages										
Ecuador ⁱ	53.8	48.1	60.4	100.0	86.2	75.9	63.6	62.8	60.8	61.8
Mexico ^j	112.5	108.6	107.2	100.0	101.9	92.7	76.6	72.3	71.7	68.5
Paraguay ^k	92.0	94.8	92.4	100.0	103.6	101.4	93.9	93.7	100.1	101.2
Venezuela ^l	74.4	69.3	61.6	100.0	86.8	80.1	75.1	66.7	91.4	109.7
Percentage variations^m										
Argentina	-1.5	-1.8	14.3	11.8	-10.6	-10.4	25.5	26.4	-15.2	0.9
Brazil	4.0	5.4	1.3	5.2	8.5	12.1	-7.3	-6.7	7.1	6.4
Colombia	-5.6	11.5	6.5	0.8	1.4	3.4	5.2	7.4	-2.9	4.5
Costa Rica	9.4	8.8	4.8	0.8	-11.7	-19.8	10.9	7.8	8.9	10.1
Chile	12.9	6.5	8.3	9.0	9.1	-0.4	-10.6	0.3	-4.5	1.7
Peru	-16.6	-12.7	-6.3	12.4	-1.7	2.3	-16.8	-15.2	-15.3	7.3
Uruguay	-11.9	-3.6	-8.1	-0.4	7.5	-0.3	-20.7	-9.2	14.1	7.6
Ecuador	-11.2	-10.6	25.7	65.5	-13.8	-11.9	-16.2	-1.3	-3.2	1.2
Mexico	-0.9	-3.4	-1.3	-6.7	1.9	-9.0	-17.4	-5.6	-0.9	-8.5
Paraguay	-8.3	3.1	-2.5	8.0	3.6	-2.0	-7.5	-0.2	6.9	0.6
Venezuela	-7.2	-6.8	-11.1	62.3	-13.2	-7.7	-6.2	-11.2	37.2	21.1

Source: ECLAC, on the basis of official data.

^aPreliminary figures. ^bAverage total monthly wages in manufacturing. Average for twelve months. 1986 average January-October. ^cAverage wages in basic industry, deflated by the CPI for Rio de Janeiro. Average for twelve months. 1986: average January-June. ^dWages of manual workers in manufacturing (except coffee processing). Average for twelve months. 1986: average January-June. ^eAverage wages declared for social security members. 1986: first half-year. ^fAverage remuneration of wage-earners in non-agricultural sectors. Average for twelve months. 1986: average January-September. ^gWages of private-sector workers in Metropolitan Lima. Average for February, May, August and November. 1986: average for February and May. ^hIndex of average real wages. Average for twelve months. 1986: average January-October. ⁱGeneral minimum wage. 1986: average January-October. ^jMinimum wage for Mexico City, deflated by the corresponding CPI. 1986: average January-October. ^kMinimum wage in Asunción and Puerto Stroessner. 1986: average January-August. ^lNational minimum wage for non-agricultural activities. 1986: average January-October. ^mCompared with the same period in the previous year.

Table 7
LATIN AMERICA: EXPORTS OF GOODS
(Indexes 1980 = 100 and growth rates)

Country	Value				Unit value				Volume			
	1986 ^a	1984	1985	1986 ^a	1986 ^a	1984	1985	1986 ^a	1986 ^a	1984	1985	1986 ^a
Latin America	88	11.7	-5.9	-14.8	69	2.6	-6.0	-12.7	127	9.0	0.0	-2.5
Oil-exporting countries	66	8.5	-8.9	-34.1	55	0.1	-4.8	-31.4	120	8.4	-4.4	-3.8
Bolivia	53	-4.1	-13.9	-19.1	77	4.7	-4.6	-20.0	70	-8.4	-9.8	1.0
Ecuador	81	11.7	9.5	-29.3	54	-3.3	-3.4	-32.0	149	15.5	13.3	4.0
Mexico	88	8.4	-9.6	-35.5	56	-0.4	-5.0	-25.0	157	8.8	-4.9	-14.1
Peru	64	4.3	-5.8	-16.0	67	-10.2	-8.5	-11.0	95	16.2	3.0	-5.3
Venezuela	47	9.6	-11.2	-37.4	50	4.0	-3.3	-45.0	93	5.4	-8.2	13.9
Non-oil-exporting countries	108	14.8	-3.2	1.8	80	4.8	-6.9	3.2	134	9.6	4.0	-1.4
Argentina	87	3.4	3.7	-16.6	67	13.0	-10.1	-11.5	130	-8.5	15.3	-5.9
Brazil	122	23.3	-5.1	-4.4	81	3.2	-6.1	3.5	150	19.4	1.1	-7.6
Colombia	145	43.9	-13.1	55.3	105	3.5	-5.9	18.5	138	39.0	-7.7	30.9
Costa Rica	106	17.0	-6.7	14.4	96	2.1	-1.0	15.0	111	14.6	-5.8	-0.1
Chile	88	-4.7	4.2	9.4	64	-5.5	-7.9	3.5	138	-0.8	13.1	5.4
El Salvador	74	-1.3	-0.4	10.8	86	7.4	-4.5	18.0	87	6.6	4.2	-6.1
Guatemala	78	3.7	-6.4	12.4	89	2.8	-7.0	12.0	88	0.9	0.7	0.6
Haiti	81	7.1	12.2	-21.5	99	20.1	2.7	18.0	82	10.9	9.3	-33.5
Honduras	114	6.7	12.0	16.0	101	7.1	-8.9	12.5	113	-0.3	23.0	3.0
Nicaragua	55	-10.1	-23.9	-15.0	104	16.8	-6.0	17.0	53	-23.1	-19.0	-27.3
Panama	107	0.7	15.6	24.2	96	5.1	-1.0	6.0	111	-4.1	16.8	17.2
Paraguay	72	10.8	-10.2	-10.5	94	26.5	-6.9	-6.5	77	-12.4	3.6	-4.4
Dominican Republic	74	10.6	-14.9	-4.2	71	8.2	-15.5	-2.0	103	2.2	0.8	-2.2
Uruguay	100	-20.1	-7.7	24.1	74	2.3	-4.9	-7.5	136	-21.9	-2.9	34.4

Source: ECLAC.

^aPreliminary estimates subject to revision.

Table 8
LATIN AMERICA: IMPORTS OF GOODS, FOB
(Indexes 1980 = 100 and growth rates)

Country	Value				Unit value				Volume			
	1986 ^a	1984	1985	1986 ^a	1986 ^a	1984	1985	1986 ^a	1986 ^a	1984	1985	1986 ^a
Latin America	66	4.0	0.3	2.4	86	-3.7	-1.1	-4.3	77	8.0	1.4	7.1
Oil-exporting countries	68	15.5	10.0	-2.7	87	-1.8	-1.3	1.2	78	17.6	11.6	-3.9
Bolivia	99	-16.9	12.3	23.1	89	-10.0	-2.4	2.0	111	-7.7	15.0	20.8
Ecuador	70	11.3	10.0	-8.3	93	-17.4	8.2	0.0	76	34.7	1.7	-8.3
Mexico	64	31.6	19.6	-10.8	90	7.4	-2.7	2.0	70	22.6	23.0	-12.6
Peru	72	-21.4	-12.7	33.0	87	-7.7	-3.6	2.0	94	-14.8	-9.5	30.7
Venezuela	70	13.3	1.7	2.9	81	-7.3	-1.4	1.0	86	22.2	3.2	1.8
Non-oil-exporting countries	65	-2.2	-5.8	6.1	86	-4.4	-0.3	-8.5	76	2.3	-5.5	15.9
Argentina	44	0.0	-14.6	16.5	89	-6.5	2.3	2.0	49	6.9	-16.4	14.3
Brazil	61	-9.8	-5.4	6.3	80	-6.3	-2.7	-15.5	76	-3.8	-2.7	26.0
Colombia	100	-9.8	-7.3	15.1	92	-3.2	-2.0	1.0	109	-6.8	-5.4	14.3
Costa Rica	74	11.0	0.8	1.1	90	-3.0	1.9	-5.0	82	14.4	-1.0	6.3
Chile	56	18.0	-12.0	5.9	82	0.9	0.1	-5.0	70	17.0	-12.1	11.6
El Salvador	108	10.1	4.3	1.5	99	5.2	0.8	-7.0	109	4.6	3.5	8.9
Guatemala	66	11.9	-8.9	-10.4	94	-0.7	-1.0	-2.0	70	12.7	-8.0	-8.5
Haiti	78	0.3	6.2	-27.5	95	-4.8	0.0	-4.0	83	5.3	6.1	-24.7
Honduras	104	16.3	8.5	4.3	107	3.7	15.1	-10.0	113	12.1	-5.7	15.5
Nicaragua	102	-2.2	0.3	7.7	87	-7.9	1.9	-5.0	118	6.2	-1.6	13.4
Panama	84	8.1	3.7	-3.2	91	0.4	-3.1	-2.0	92	7.6	7.1	-1.1
Paraguay	86	17.7	-20.5	12.4	92	-15.6	13.3	1.0	94	39.4	-29.9	11.5
Dominican Republic	79	-1.7	2.3	-6.3	86	-1.5	-0.9	-15.0	93	-0.2	3.2	10.6
Uruguay	46	-1.0	-7.8	12.6	77	2.0	0.8	-10.0	59	-2.9	-8.5	25.4

Source: ECLAC.

^aPreliminary estimates subject to revision.

Table 9
LATIN AMERICA: TERMS OF TRADE (GOODS)
(Indexes 1980 = 100, growth rates and percentage variations)

Country	Indexes				Growth rates					Cumulative variation
	1983	1984	1985	1986 ^a	1982	1983	1984	1985	1986 ^a	1981-1986 ^a
Latin America	87	92	88	80	-9.0	1.1	6.5	-5.0	-8.7	-20.0
Oil exporting countries	95	97	93	63	-10.3	5.0	2.0	-3.4	-32.2	-36.9
Bolivia	97	112	110	86	4.0	2.7	16.4	-2.2	-21.5	-13.8
Ecuador	82	96	85	58	-1.3	-17.7	17.0	-10.8	-31.9	-41.9
Mexico	93	86	84	62	-13.9	6.7	-7.2	-2.3	-26.4	-38.1
Peru	96	94	89	77	-9.5	19.7	-2.8	-5.1	-12.8	-22.6
Venezuela	104	116	114	62	-7.9	8.9	12.1	-1.9	-45.5	-38.0
Non-oil exporting countries	82	89	83	94	-8.3	-0.1	9.4	-6.6	12.8	-6.0
Argentina	82	99	87	75	-11.7	-4.6	21.0	-12.1	-13.3	-24.9
Brazil	78	86	83	102	-6.0	-2.5	10.1	-3.4	22.6	1.6
Colombia	94	101	97	114	2.2	8.3	6.9	-3.9	17.6	13.9
Costa Rica	86	90	88	107	-2.0	2.8	5.2	-2.8	21.2	6.5
Chile	84	78	72	79	-13.2	9.6	-6.3	-8.0	9.3	-21.3
El Salvador	83	73	69	87	2.2	-11.8	-12.0	-5.0	26.6	-12.9
Guatemala	85	88	83	95	-5.5	3.4	3.4	-6.0	14.3	-5.5
Haiti	66	83	85	104	3.8	-10.7	26.1	2.7	22.5	4.4
Honduras	93	96	76	95	3.6	0.9	3.2	-20.9	24.8	-5.4
Nicaragua	83	105	97	119	-5.3	-3.3	26.9	-7.8	23.1	19.4
Panama	91	95	97	105	-10.3	9.7	4.6	2.2	8.2	5.0
Paraguay	90	134	110	102	-12.6	-3.9	49.8	-17.9	-7.2	2.3
Dominican Republic	77	85	72	83	-31.3	-5.5	9.7	-14.8	15.2	-16.9
Uruguay	99	99	93	96	6.9	6.9	0.4	-5.6	2.6	-4.0

Source: ECLAC.

^aPreliminary estimates subject to revision.

Table 10
LATIN AMERICA: PRICES OF MAIN EXPORT COMMODITIES
(Dollars at current prices)

Product	Annual averages					Growth rates				
	1970-1980	1983	1984	1985	1986 ^a	1982	1983	1984	1985	1986 ^a
Unrefined sugar ^b	12.8	8.5	5.2	4.1	6.4	-50.3	1.2	-38.8	-21.1	56.1
Coffee (mild) ^b	121.8	141.6	147.3	155.9	230.7	2.3	-4.7	4.0	5.8	48.0
Cocoa ^b	86.3	96.1	108.7	102.3	93.8	-16.1	21.6	13.1	-5.9	-8.3
Bananas ^b	11.8	20.4	19.0	18.4	23.2	-4.2	10.9	-6.9	-3.2	26.1
Wheat ^c	125.1	158.0	153.0	138.0	119.0	-9.0	-2.5	-3.2	-9.8	-13.8
Maize ^c	127.5	162.2	167.3	135.3	108.4	-24.1	18.0	3.1	-19.1	-19.9
Beef ^b	82.2	110.7	102.6	97.7	94.2	-3.4	2.1	-7.3	-4.8	-3.6
Fish meal ^c	354.7	453.0	373.0	280.0	315.0	-24.6	28.3	-17.7	-24.9	12.5
Soy beans ^c	232.4	282.0	282.0	225.0	213.0	-14.9	15.1	0.0	-20.2	-5.3
Cotton ^b	61.2	84.8	80.3	61.7	51.5	-14.7	16.5	-5.3	-23.2	-16.5
Wool ^b	131.5	144.0	141.6	140.7	146.1	-13.2	-6.9	-1.7	-0.6	3.8
Copper ^b	69.6	72.2	62.5	64.3	63.4	-14.9	7.4	-13.4	2.9	-1.4
Tin ^d	3.9	5.9	5.6	5.4	2.5	-9.4	1.7	-5.1	-3.6	-53.7
Iron ore ^c	17.6	23.7	22.4	22.0	21.4	4.6	-3.3	-5.5	-1.8	-2.7
Lead ^b	25.3	19.3	20.1	17.7	17.2	-24.8	-22.2	4.1	-11.9	-2.8
Zinc ^b	29.7	34.7	40.6	34.3	30.1	-12.0	2.7	17.0	-15.5	-12.2
Bauxite ^c	103.5	179.5	165.0	164.3	166.3 ^e	-3.7	-13.8	-8.1	-0.4	1.2
Crude petroleum ^f										
Saudi Arabia	10.0	29.3	28.5	27.5	14.5 ^g	3.1	-12.5	-2.7	-3.5	-47.2
Venezuela	10.1	28.1	27.0	26.5	15.0 ^g	0.0	-12.2	-3.9	-1.9	-43.3

Source: UNCTAD, *Monthly Bulletin of Basic Commodity Prices*, 1960-1980 supplements, September 1986; International Monetary Fund, *International Financial Statistics Yearbook* 1981, and November 1986; *Petroleum Intelligence Weekly*, various issues; ECLAC, on the basis of official data.

Note: Unrefined sugar, FOB Caribbean ports, for export to the free market. Coffee, mild Colombian arabica, *ex-dock* New York. Cocoa beans, average of daily prices (futures), New York/London. Central American bananas, CIF Hamburg. Cotton, Mexican M 1/3/32, CIF, Northern Europe. Wool, clean, combed, United Kingdom, grade 30's. Beef, frozen and deboned, all sources, United States ports. Fish meal, all sources, 64-65% protein, CIF Hamburg. Wheat, United States No. 2, Hard Red Winter, FOB. Maize, Argentine, CIF North Sea ports. Soybeans, United States, No. 2, yellow bulk, CIF Rotterdam. Copper, tin, lead and zinc spot cash prices on the London Metal Exchange. Iron ore, Canada, C 61% Fe, CIF North Sea ports. Bauxite, Guyana (Baltimore). Petroleum, Venezuela (Áia Juana).

^aAverage January-August.

^bCents per pound.

^cDDollars per metric ton.

^dDollars per pound.

^eAverage January-April.

^fDollars per barrel.

^gAverage January-September.

Table 11
LATIN AMERICA: PURCHASING POWER OF EXPORTS OF GOODS
(Indexes 1980 = 100, growth rates and percentage variations)

Country	Indexes				Growth rates					Cumulative variation
	1983	1984	1985	1986 ^a	1982	1983	1984	1985	1986 ^a	1981-1986 ^a
Latin America	105	119	113	102	-7.6	10.1	13.3	-4.8	-9.7	1.8
Oil-exporting countries	113	123	114	76	-5.1	13.4	8.4	-7.6	-33.3	-24.3
Bolivia	78	80	71	60	-7.5	-5.1	2.6	-12.3	-14.8	-39.9
Ecuador	89	117	119	87	-3.5	-10.0	31.3	2.4	-27.3	-13.3
Mexico	161	162	151	97	9.0	26.0	0.7	-7.0	-35.7	-3.0
Peru	80	89	87	74	5.6	-5.8	11.7	-2.6	-14.2	-26.2
Venezuela	85	99	89	57	-20.6	5.3	17.2	-10.7	-35.3	-42.6
Non-oil-exporting countries	97	115	112	126	-10.1	8.7	18.6	-2.1	12.3	26.0
Argentina	106	115	118	98	-13.7	8.0	8.8	2.5	-17.1	-2.3
Brazil	104	136	133	152	-12.6	14.0	30.9	-2.7	14.6	51.9
Colombia	77	113	100	157	-3.0	4.4	47.3	-11.5	57.7	57.4
Costa Rica	87	104	95	118	-11.7	3.3	18.7	-8.5	24.8	18.3
Chile	94	88	91	106	0.5	14.5	-6.2	4.6	14.3	5.5
El Salvador	68	63	62	95	-11.9	10.3	6.9	-1.4	53.2	-5.0
Guatemala	73	75	70	83	-7.0	-0.5	2.9	-5.9	18.7	-16.7
Haiti	82	89	99	86	15.5	5.4	8.9	11.8	-13.2	-13.7
Honduras	82	83	81	107	-8.9	5.4	1.8	-2.2	31.0	6.6
Nicaragua	96	93	69	64	-19.3	10.7	-3.5	-25.4	-8.5	-36.5
Panama	75	74	88	117	-1.3	-24.6	-1.7	19.8	32.1	16.8
Paraguay	84	108	87	79	-0.1	-13.5	28.1	-19.8	-8.8	-20.9
Dominican Republic	78	80	73	86	-25.9	-5.1	-0.5	-7.9	16.0	-14.3
Uruguay	130	101	93	130	19.2	9.5	-22.0	-8.3	40.2	30.1

Source: ECLAC.

^aPreliminary estimates subject to revision.

Table 12
LATIN AMERICA: TRADE BALANCE (GOODS)
(Millions of dollars)

Country	Exports of goods FOB			Imports of goods FOB			Trade balance (goods)		
	1984	1985	1986 ^a	1984	1985	1986 ^a	1984	1985	1986 ^a
Latin America	97 706	91 981	78 300	58 263	58 457	59 850	39 443	33 524	18 450
Oil-exporting countries	46 656	42 503	28 000	22 638	24 903	24 240	24 018	17 600	3 760
Bolivia	724	623	500	412	463	570	312	160	-70
Ecuador	2 622	2 870	2 030	1 567	1 723	1 580	1 055	1 147	450
Mexico	24 196	21 867	14 100	11 256	13 460	12 000	12 940	8 407	2 100
Peru	3 147	2 965	2 490	2 141	1 869	2 490	1 006	1 096	0
Venezuela	15 967	14 178	8 880	7 262	7 388	7 600	8 705	6 790	1 280
Non-oil-exporting countries	51 050	49 478	50 300	35 625	33 554	35 610	15 425	15 924	14 690
Argentina	8 101	8 397	7 000	4 119	3 520	4 100	3 982	4 877	2 900
Brazil	27 001	25 634	24 500	13 915	13 168	14 000	13 086	12 466	10 500
Colombia	4 273	3 713	5 770	4 027	3 734	4 300	246	-21	1 470
Costa Rica	977	930	1 070	997	1 005	1 020	0	-75	50
Chile	3 650	3 804	4 160	3 357	2 954	3 130	293	850	1 030
El Salvador	726	723	800	915	954	970	-189	-231	-170
Guatemala	1 132	1 060	1 120	1 182	1 077	970	-50	-17	150
Haiti	199	223	180	325	345	250	-126	-122	-70
Honduras	746	835	970	880	954	990	-134	-119	-20
Nicaragua	385	293	250	761	763	820	-376	-470	-570
Panama	1 686	1 949	2 420	2 509	2 603	2 520	-823	-654	-100
Paraguay	361	324	290	649	516	580	-288	-192	-290
Dominican Republic	868	739	710	1 257	1 286	1 200	-389	-547	-490
Uruguay	925	854	1 060	732	675	760	193	179	300

Source: 1984, 1985: ECLAC, on the basis of figures supplied by the International Monetary Fund; the 1985 figures for El Salvador, Haiti, Nicaragua and the Dominican Republic and the 1984 figures for Nicaragua are ECLAC estimates. 1986: ECLAC, on the basis of official data.

^aPreliminary estimates subject to revision. Figures rounded to the nearest tenth.

Table 13
LATIN AMERICA: BALANCE OF PAYMENTS
(Millions of dollars)

Country	Net services payments ^a			Net payments of profits and interest			Balance on current account ^c			Net movements of capital ^d			Global balance ^e		
	1984	1985	1986 ^b	1984	1985	1986 ^b	1984	1985	1986 ^b	1984	1985	1986 ^b	1984	1985	1986 ^b
Latin America	4 438	3 581	3 160	36 163	35 262	30 740	-191	-4 025	-14 200	9 190	2 432	8 550	8 999	-1 593	-5 650
Oil-exporting countries	1 570	1 451	390	13 925	13 553	10 950	8 618	2 803	-7 440	-4 588	-4 819	2 860	4 030	-2 016	-4 580
Bolivia	160	149	40	415	373	310	-241	-342	-390	357	299	150	116	-43	-240
Ecuador	441	291	300	882	966	850	-268	-110	-700	187	136	750	-81	26	50
Mexico	-1 048	-537	-1 430	10 160	8 853	7 230	4 059	379	-3 500	-1 902	-3 108	4 000	2 157	-2 729	500
Peru	219	147	170	1 116	1 023	820	-379	-73	-990	628	427	620	249	354	-370
Venezuela	1 798	1 401	1 310	1 352	2 338	1 740	5 447	2 949	-1 860	-3 858	-2 573	-2 660	1 589	376	-4 520
Non-oil-exporting countries	2 868	2 130	2 770	22 238	21 709	19 790	-8 809	-6 828	-6 760	13 778	7 251	5 690	4 969	423	-1 070
Argentina	769	527	800	5 711	5 303	4 500	-2 495	-955	-2 400	2 660	1 992	2 400	165	1 037	0
Brazil	1 743	1 703	1 700	11 471	11 192	10 100	33	-289	-1 200	5 342	-222	-1 020	5 375	-511	-2 220
Colombia	437	307	500	1 510	1 527	1 580	-1 411	-1 412	-190	886	1 337	1 190	-525	-75	1 000
Costa Rica	-17	-20	-30	314	320	280	-265	-338	-160	209	411	210	-56	73	50
Chile	434	340	450	2 018	1 901	1 810	-2 118	-1 342	-1 150	2 209	1 240	1 220	91	-102	70
El Salvador	39	106	70	134	150	130	-243	-341	-200	250	388	270	7	47	70
Guatemala	153	84	20	203	165	210	-378	-247	-40	389	358	40	11	111	0
Haiti	81	86	100	18	20	20	-183	-179	-140	154	155	160	-29	-24	20
Honduras	70	79	70	178	188	190	-372	-374	-270	382	385	270	10	11	0
Nicaragua	88	57	40	46	44	70	-508	-569	-690	518	592	690	10	23	0
Panama	-679	-792	-500	-25	201	210	-182	-115	140	94	-13	-100	-88	-128	40
Paraguay	-18	-18	-40	57	60	30	-325	-231	-280	311	103	120	-14	-128	-160
Dominican Republic	-202	-274	-350	241	286	370	-223	-317	-250	320	342	110	97	25	-140
Uruguay	-30	-55	-60	362	352	290	-139	-119	70	54	183	130	-85	64	200

Source: 1984, 1985: ECLAC, on the basis of figures supplied by the International Monetary Fund; the 1985 figures for El Salvador, Haiti, Nicaragua and the Dominican Republic and the 1984 figures for Nicaragua are ECLAC estimates. 1986: ECLAC, on the basis of official data.

^aExcluding net payments of profits and interest. ^bPreliminary estimates subject to revision. Figures rounded to the nearest tenth. ^cIncluding net private unrequited transfer payments. ^dIncluding long- and short-term capital, official unrequited transfer payments and errors and omissions. ^eCorresponds to variation in international reserves (with inverse sign) plus counterpart entries.

Table 14

LATIN AMERICA: NET INFLOW OF CAPITAL AND TRANSFERS OF RESOURCES

(Billions of dollars and percentages)

Year	Net inflow of capital	Net payments of profits and interest	Transfers of resources (3)=(1)-(2)	Exports of goods and services	Transfers of resources/ exports of goods and services ^a (5)=(3)/(4)
	(1)	(2)	(3)	(4)	(5)
1973	7.9	4.2	3.7	28.9	12.8
1974	11.4	5.0	6.4	43.6	14.7
1975	14.3	5.6	8.7	41.1	21.2
1976	17.9	6.8	11.1	47.3	23.5
1977	17.2	8.2	9.0	55.9	16.1
1978	26.2	10.2	16.0	61.3	26.1
1979	29.1	13.6	15.5	82.0	18.9
1980	29.4	17.9	11.5	107.6	10.7
1981	37.5	27.1	10.4	116.1	9.0
1982	20.0	38.7	-18.7	103.2	-18.1
1983	3.2	34.3	-31.2	102.4	-30.5
1984	9.2	36.2	-27.0	114.1	-23.7
1985	2.4	35.3	-32.9	109.0	-30.2
1986 ^b	8.6	30.7	-22.1	95.2	-23.2

Source: 1973-1985: ECLAC, on the basis of data supplied by the IMF. ECLAC, on the basis of official figures
^aPercentages. ^bPreliminary estimates subject to revision.

Table 15

LATIN AMERICA: TOTAL DISBURSED EXTERNAL DEBT^a

Country	End-of-year balance in millions of dollars						Annual growth rates				
	1981	1982	1983	1984	1985	1986 ^b	1979-1981	1982-1983	1984	1985	1986 ^b
Latin America	287 758	330 708	350 806	366 892	373 200	382 080	22.9	10.4	4.6	1.7	2.4
Oil-exporting countries	126 489	142 690	152 185	155 154	156 289	161 060	25.0	9.7	2.0	0.7	3.1
Bolivia ^c	2 622	2 502	3 156	3 281	3 355	3 340	12.9	9.7	4.0	2.3	-0.4
Ecuador	5 868	6 187	6 790	6 949	7 440	7 540	25.4	7.6	2.3	7.1	1.3
Mexico	74 900	87 600	93 800	96 700	97 800	100 000	30.2	11.9	3.1	1.1	2.2
Peru	9 688	11 340	12 442	13 389	13 794	14 300	1.3	13.3	7.6	3.0	3.7
Venezuela ^d	33 411	35 061	35 997	34 835	33 900	35 880	25.9	3.8	-3.2	-2.7	5.8
Non-oil-exporting countries	161 269	188 018	198 621	211 738	216 911	221 020	21.3	11.0	6.6	2.4	1.9
Argentina	35 671	43 634	45 087	46 903	48 312	50 300	41.9	12.4	4.0	3.0	4.1
Brazil ^c	79 946	91 035	95 520	102 039	101 920	101 750	14.4	9.3	6.8	-0.1	-0.2
Colombia	7 885	9 410	10 405	11 551	12 831	13 430	25.0	14.9	11.0	11.1	4.7
Costa Rica	3 360	3 497	3 848	3 955	4 084	4 000	21.6	7.0	2.8	3.3	-2.1
Chile	15 591	17 159	18 037	19 669	20 413	20 690	30.5	7.6	9.0	3.8	1.4
El Salvador	1 471	1 710	1 891	1 949	2 003	2 120	14.3	13.4	3.1	2.8	5.8
Guatemala	1 305	1 560	2 130	2 463	2 644	2 530	16.7	27.8	15.6	7.3	-4.3
Haiti ^f	372	410	551	607	599	680	22.8	21.7	10.2	-1.3	13.5
Honduras	1 708	1 986	2 162	2 392	2 615	2 880	20.7	12.5	10.6	9.3	10.1
Nicaragua	2 566	3 139	3 788	3 901	4 616	5 260	20.5	21.5	3.0	18.3	14.0
Panama	5 047	5 960	5 924	6 537	6 500	6 450	9.0	8.3	10.3	-0.6	-0.1
Paraguay	949	1 204	1 469	1 654	1 773	1 890	12.4	24.4	12.6	7.2	6.6
Dominican Republic	2 286	3 076	3 237	3 447	3 701	4 050	19.8	19.0	6.5	7.4	9.4
Uruguay	3 112	4 238	4 572	4 671	4 900	4 990 ^g	35.9	21.2	2.2	4.9	2.7 ^h

Source: ECLAC, on the basis of official data.

^aIncluding debts with IMF.^bPreliminary figures.^cTotal medium- and long-term debt.^dPublic debt, plus non-guaranteed

long- and short-term debt with financial institutions reporting to the Bank for International Settlements.

^eTotal medium- and long-

term debt, plus short-term debt according to World Bank data. As from 1984, corresponds to total debt according to official data.

^fPublicdebt. ^gFigures at 30.6.86. Rate corresponds to period 30.6.85/30.6.86.

Table 16
LATIN AMERICA: RATIO OF TOTAL INTEREST PAYMENTS TO
EXPORTS OF GOODS AND SERVICES^a

(Percentages)

Country	1978	1979	1980	1981	1982	1983	1984	1985	1986 ^b
Latin America	15.7	17.6	20.2	28.0	41.0	36.0	35.6	35.2	35.1
Oil-exporting countries	16.1	15.7	16.6	22.6	35.6	31.4	32.5	32.3	36.5
Bolivia	13.7	18.6	25.0	34.5	43.4	39.8	49.8	46.8	46.7
Ecuador	10.4	13.6	18.3	24.3	30.0	27.4	30.7	27.0	32.2
Mexico	24.0	24.5	23.3	29.0	47.3	37.5	39.0	36.0	40.0
Peru	21.2	15.5	16.0	24.1	25.1	29.8	33.2	30.0	27.3
Venezuela	7.2	6.9	8.1	12.7	21.0	21.6	20.1	26.3	33.3
Non-oil-exporting countries	15.5	19.3	23.7	33.6	46.7	40.7	38.7	37.9	34.2
Argentina	9.6	12.8	22.0	35.5	53.6	58.4	57.6	51.1	51.8
Brazil	24.5	31.5	34.1	40.4	57.1	43.5	39.7	40.0	37.7
Colombia	7.5	9.9	11.8	21.9	25.9	26.7	22.8	26.3	18.6
Costa Rica	9.9	12.8	18.0	28.0	36.1	33.0	26.6	27.3	22.7
Chile	16.9	16.5	19.3	38.8	49.5	38.9	48.0	43.5	39.2
El Salvador	5.3	5.7	5.9	7.8	11.9	12.2	12.3	12.6	10.3
Guatemala	3.7	3.2	5.3	7.6	7.8	8.7	12.3	14.9	14.9
Haiti	2.8	3.2	2.1	2.7	2.4	2.4	5.3	4.2	5.7
Honduras	8.2	8.6	10.6	14.4	22.4	16.4	15.8	15.3	12.7
Nicaragua	9.3	9.7	17.8	21.9	32.1	14.3	12.1	13.0	25.8
Paraguay	8.4	10.7	13.4	14.8	13.5	14.3	10.1	8.3	10.1
Dominican Republic	14.0	14.3	14.8	19.1	22.7	24.5	18.1	22.2	27.1
Uruguay	10.4	9.0	11.0	12.9	22.4	24.8	34.8	34.2	23.8

Source: 1978-1986: ECLAC, on the basis of official data.
^aInterest payments include those on the short-term debt.

^bPreliminary estimates subject to revision.

Table 17
LATIN AMERICA: TOTAL DISBURSED EXTERNAL DEBT AS A
PERCENTAGE OF EXPORTS OF GOODS AND SERVICES^a

(Percentages)

Country	1978	1979	1980	1981	1982	1983	1984	1985	1986 ^b
Latin America	253	230	214	248	321	343	322	342	401
Oil-exporting countries	256	214	186	219	278	303	215	311	447
Bolivia	259	235	227	261	275	368	401	466	538
Ecuador	175	147	162	201	230	257	240	230	324
Mexico	316	262	216	259	335	345	321	353	479
Peru	388	229	206	241	278	334	351	386	449
Venezuela	171	170	148	160	200	227	207	227	383
Non-oil-exporting countries	251	243	240	276	363	381	355	369	374
Argentina	167	207	275	329	475	485	488	481	606
Brazil	391	359	320	313	414	404	353	368	383
Colombia	102	115	118	184	213	275	224	273	197
Costa Rica	186	204	266	286	313	340	310	335	339
Chile	238	188	188	311	370	390	438	454	426
El Salvador	107	74	80	159	208	217	218	231	218
Guatemala	64	64	56	90	122	182	201	228	199
Haiti	95	116	95	155	152	191	203	180	260
Honduras	141	141	160	193	259	270	279	275	262
Nicaragua	203	194	369	464	703	818	924	1 094	1 490
Panama	...	...	141	137	166	199	221	197	189
Paraguay	154	143	152	171	195	317	214	163	173
Dominican Republic	161	144	162	151	269	261	252	281	300
Uruguay	136	141	140	183	276	324	362	392	330

Source: ECLAC, on the basis of official data.

^aCalculated on the basis of the external debt figures given in table 15 and exports of goods and services.

^bPreliminary figures.

Table 18

**LATIN AMERICA: RESCHEDULING OF EXTERNAL DEBT
WITH PRIVATE BANKS**

(Millions of dollars)

Country	Third round 1984/1985			Fourth round 1986/1987		
	Maturities ^b		New credits	Maturities ^b		New credits 1987
	Amount	Years		Amount	Years	
Argentina	13 500	82-85	4 200	...	86-...	...
Brazil	15 500	85-86	-	...	87-...	...
Bolivia	-	-	-	...	82-...	...
Costa Rica	280	85-86	75	...	86-...	...
Cuba	82	85	-	...	86-87	-
Chile	5 700	85-87	714; 371 ^c	...	88-...	...
Ecuador	4 800	85-89	-	...	-	-
Honduras	220	85-86	-	...	85-...	...
Mexico	48 700	85-90	-	43 700 ^d	85-90	6 000 ^e ; 1 700 ^f
Panama	603	85-86	60	-	-	-
Dominican Republic	790	82-85	-	-	-	-
Uruguay	2 130	85-89	45 ^g	-	-	-
Venezuela	21 200	83-88	-	...	86-...	...

Source: ECLAC, on the basis of official data and various national and international sources.

^aFor each round the first column refers to the total amortization commitments rescheduled, the second to the maturity years restructured, and the third to the additional credits granted by the private banks as an integral part of that restructuring process. The table does not include information on the maintenance of lines of short-term credit and bridging loans authorized by the United States Department of the Treasury, the Bank for International Settlements, etc.

^bIn some cases, these include maturities already rescheduled in previous rounds. ^cThe values correspond to 1985 and 1986, respectively. They include US\$ 150 million underwritten by the World Bank.

^dPreliminary agreement was also reached on the restructuring of US\$ 11.2 billion of private sector debts which had been refinanced earlier under the FIGORCA programme.

^eThe financial package includes US\$ 750 million underwritten by the World Bank through a co-financing agreement with the banking system. ^fStand-by credit provided by private creditors. ^gVoluntary loan, but forming part of a co-financing plan with the World Bank.

Table 19

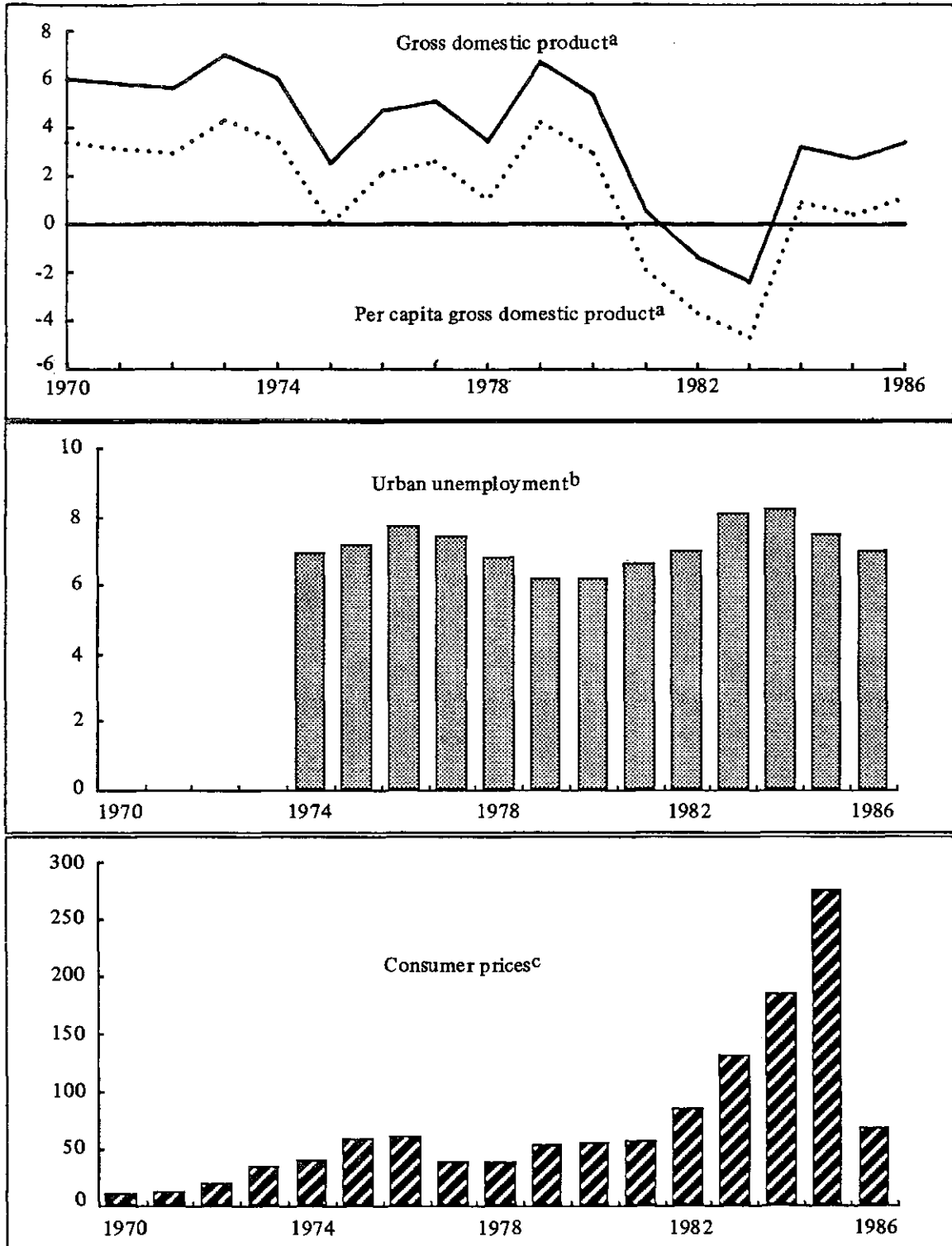
**LATIN AMERICA: TERMS OF RESCHEDULING OF EXTERNAL
DEBT WITH PRIVATE BANKS^a**

Country	Third round 1984/1985			Fourth round 1986/1987		
	Spread over LIBOR (%)	Term (years)	Com-mission ^b	Spread over LIBOR (%)	Term (years)	Com-mission ^b
Brazil	1.13	12.0	-	...	...	...
Bolivia	-	-	-	...	...	...
Costa Rica	1.66	9.4	1.00	...	...	...
Cuba	1.5	10.0	0.38	...	...	...
Chile	1.42	12.0	0.08	...	...	...
Ecuador	1.38	12.0	-	...	...	...
Honduras	1.58	11.0	0.88	...	...	...
Mexico	1.13	14.0	-	0.81	19.0	-
Panama	1.40	11.7	0.05	-	-	-
Dominican Republic	1.38	13.0	-	-	-	-
Uruguay	1.38	12.0	-	-	-	-
Venezuela	1.13	12.5	-	...	...	...

Source: ECLAC, on the basis of official data from the countries and various national and international sources.

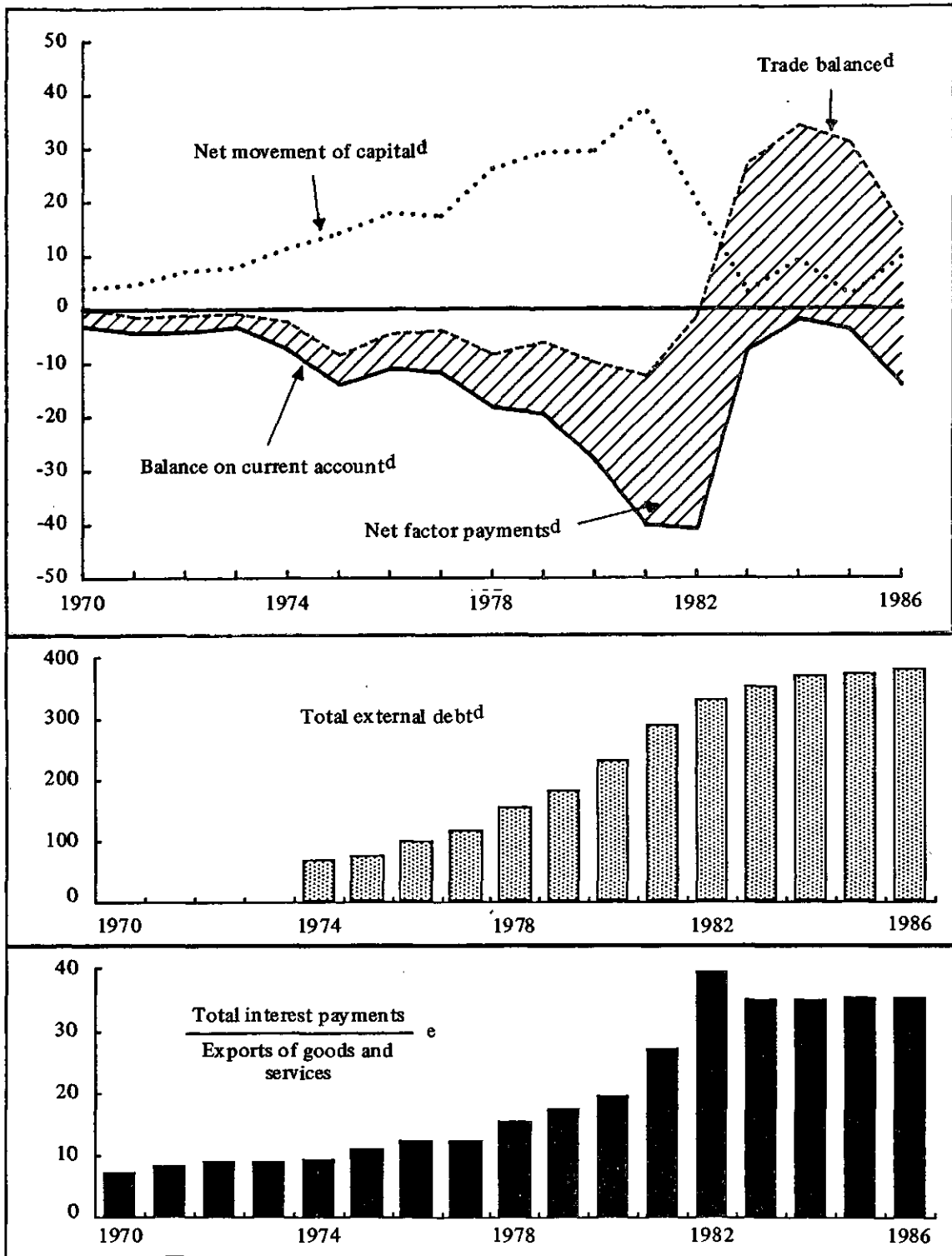
^aEach column represents the terms agreed with the banks for rescheduled maturities and/or fresh loans. When the country negotiated both the rescheduling of maturities and the granting of fresh loans, the figures given represents a weighted mean of the two elements. ^bCalculated as a percentage of the total amount of the transaction and paid once only, on signing the credit contracts.

Figure 1
LATIN AMERICA: MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official data.
^aAnnual growth rate. ^bWeighted average annual rate for 18 of the 25 most populous cities of Latin America.
^cPercentage variation from December to December.

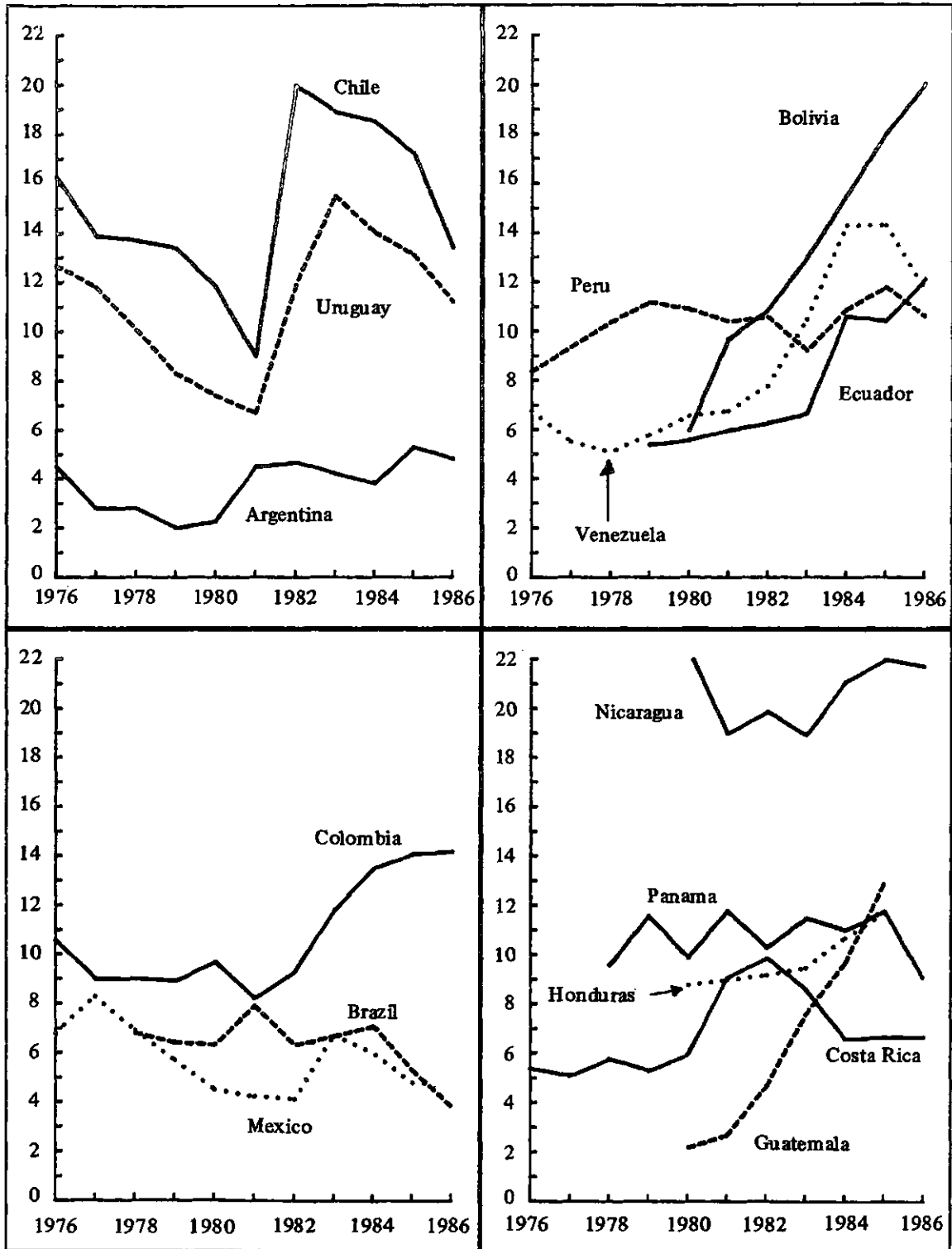
Figure 1 (concluded)



^dBillions of dollars.

^ePercentages.

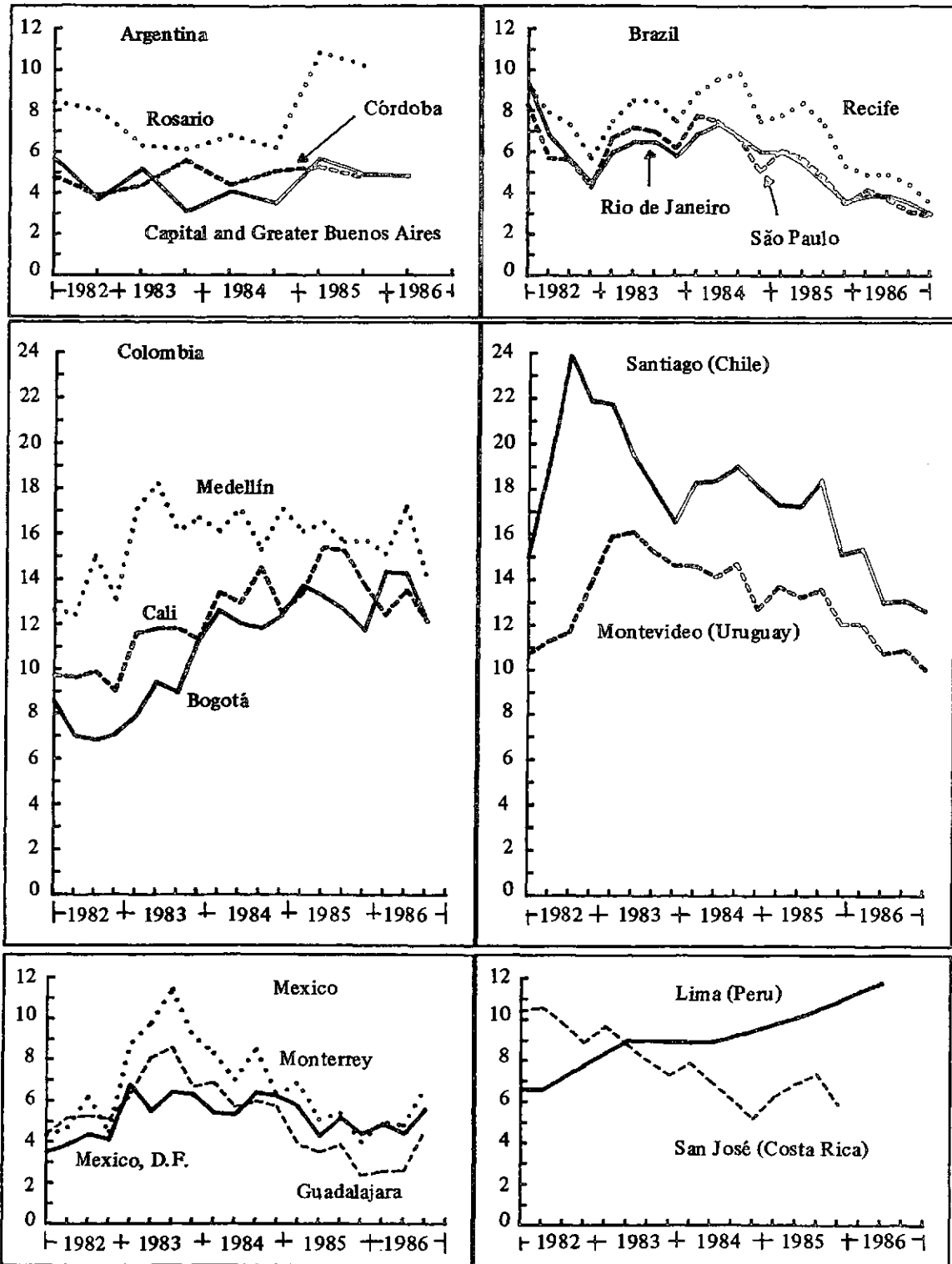
Figure 2
LATIN AMERICA (SELECTED COUNTRIES): EVOLUTION OF URBAN UNEMPLOYMENT
(Annual average rates)



Source: ECLAC, on the basis of official data.

Figure 3

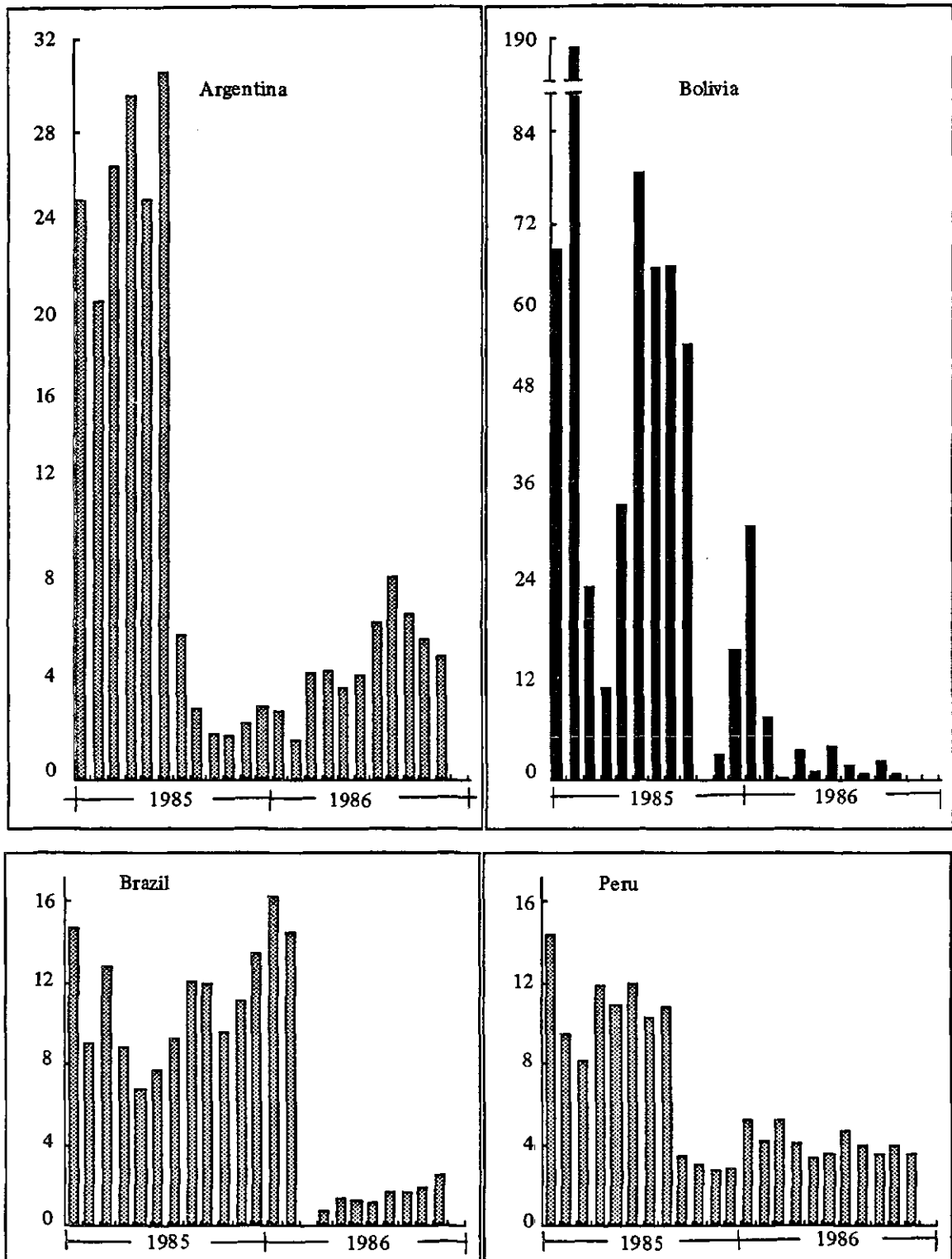
LATIN AMERICA: EVOLUTION OF UNEMPLOYMENT IN SOME PRINCIPAL CITIES



Source: ECLAC, on the basis of official data.

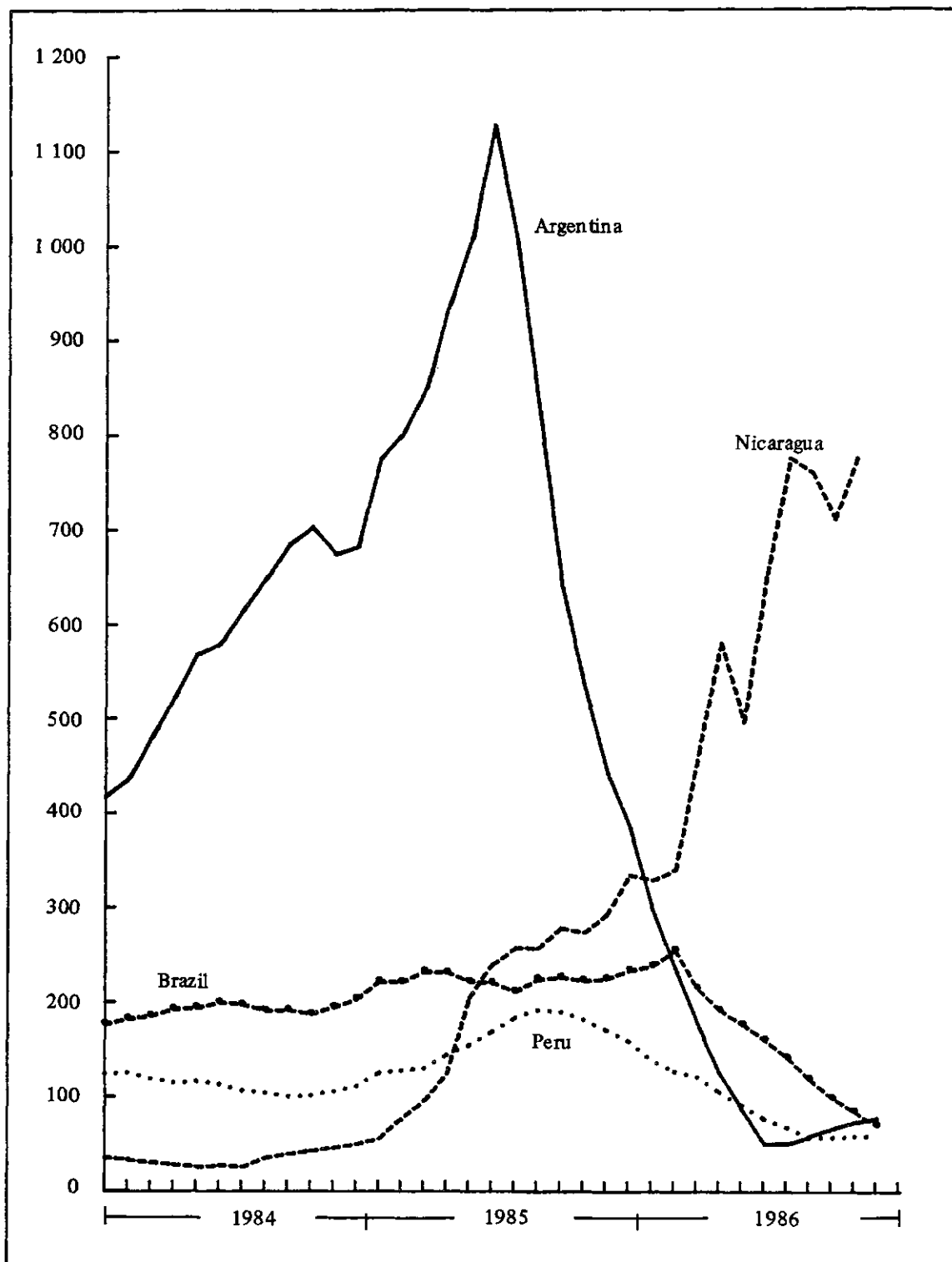
Figure 4
**MONTHLY VARIATIONS IN THE CONSUMER PRICE INDEX IN
 ARGENTINA, BOLIVIA, BRAZIL AND PERU**

(Percentages)



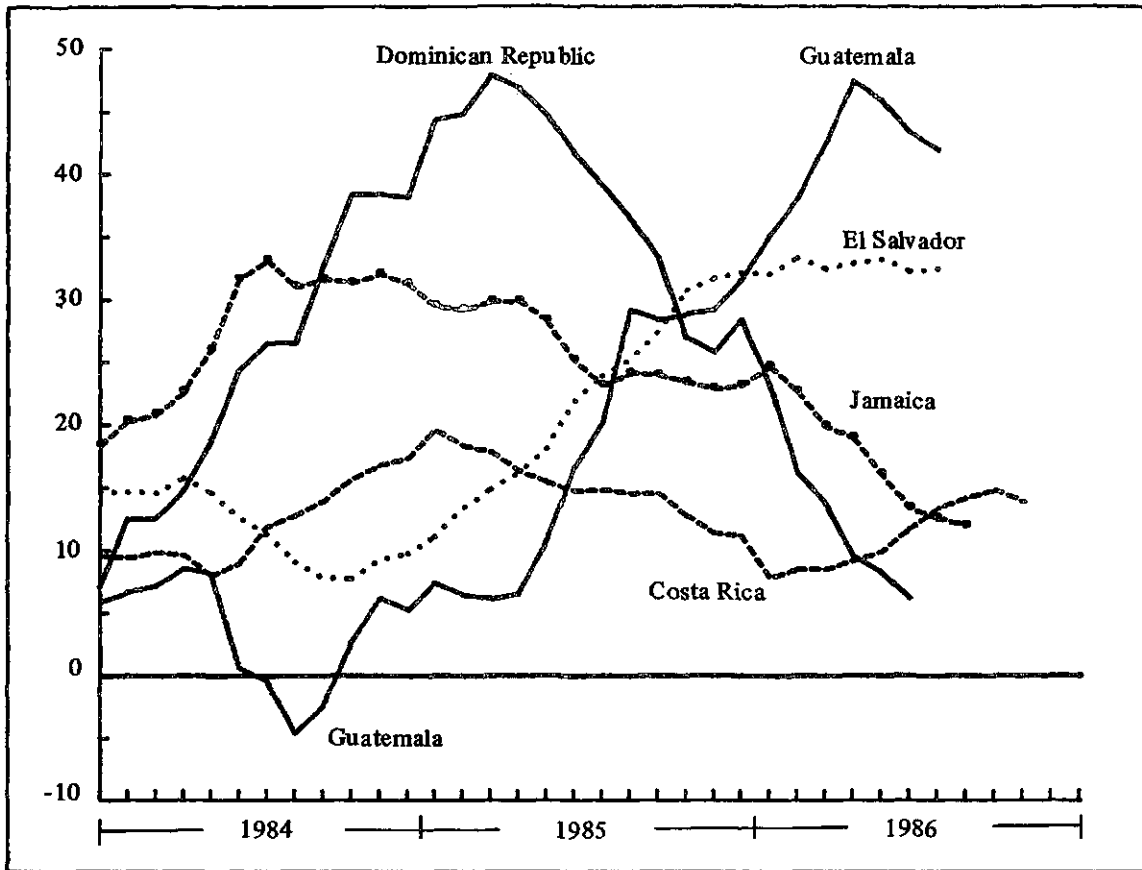
Source: ECLAC, on the basis of official data.

Figure 5
**LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTHLY
 VARIATION IN THE CONSUMER PRICE INDEX**
(Percentages)



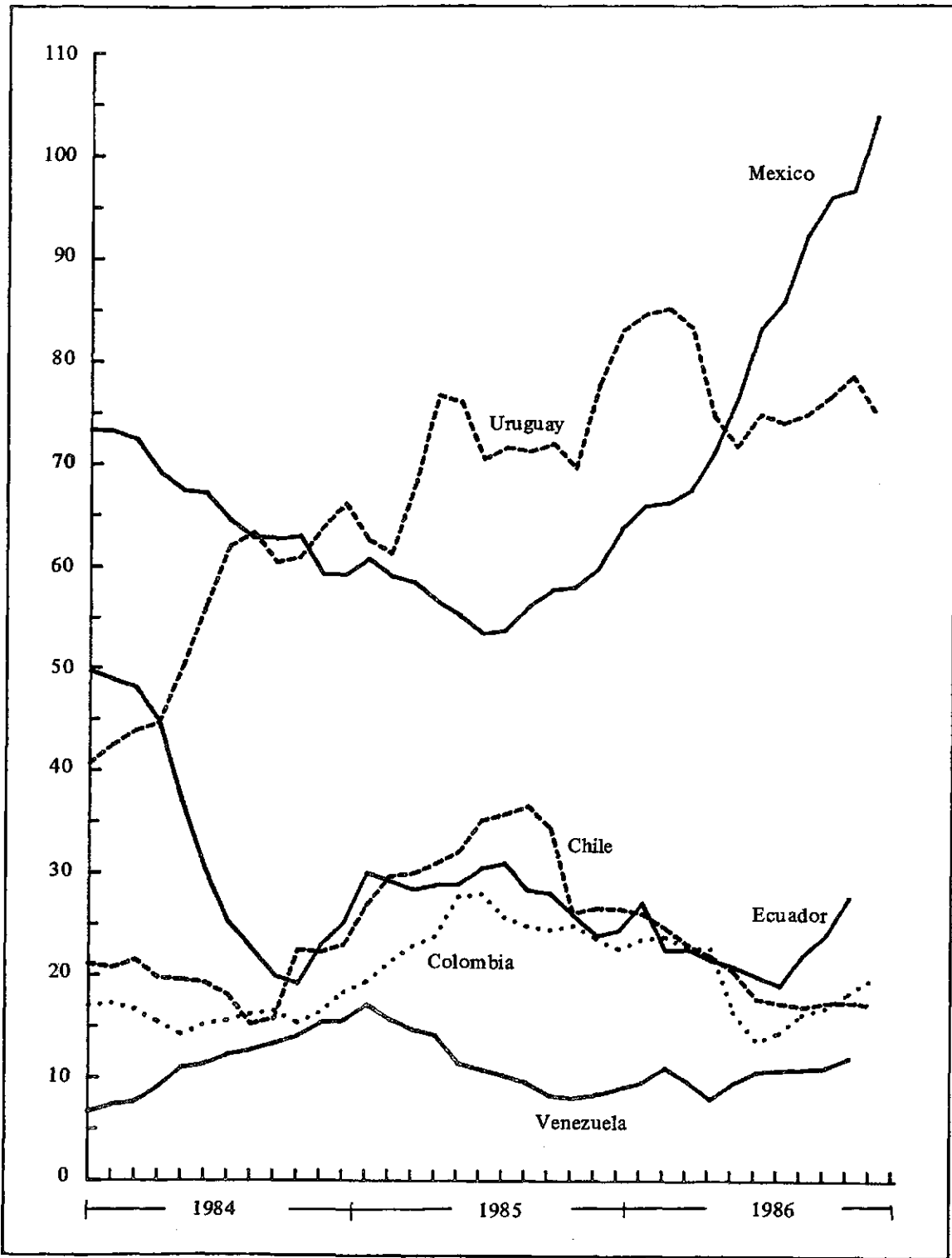
Source: ECLAC, on the basis of official data.

Figure 6
 LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTHLY VARIATIONS
 IN THE CONSUMER PRICE INDEX
 (Percentages)



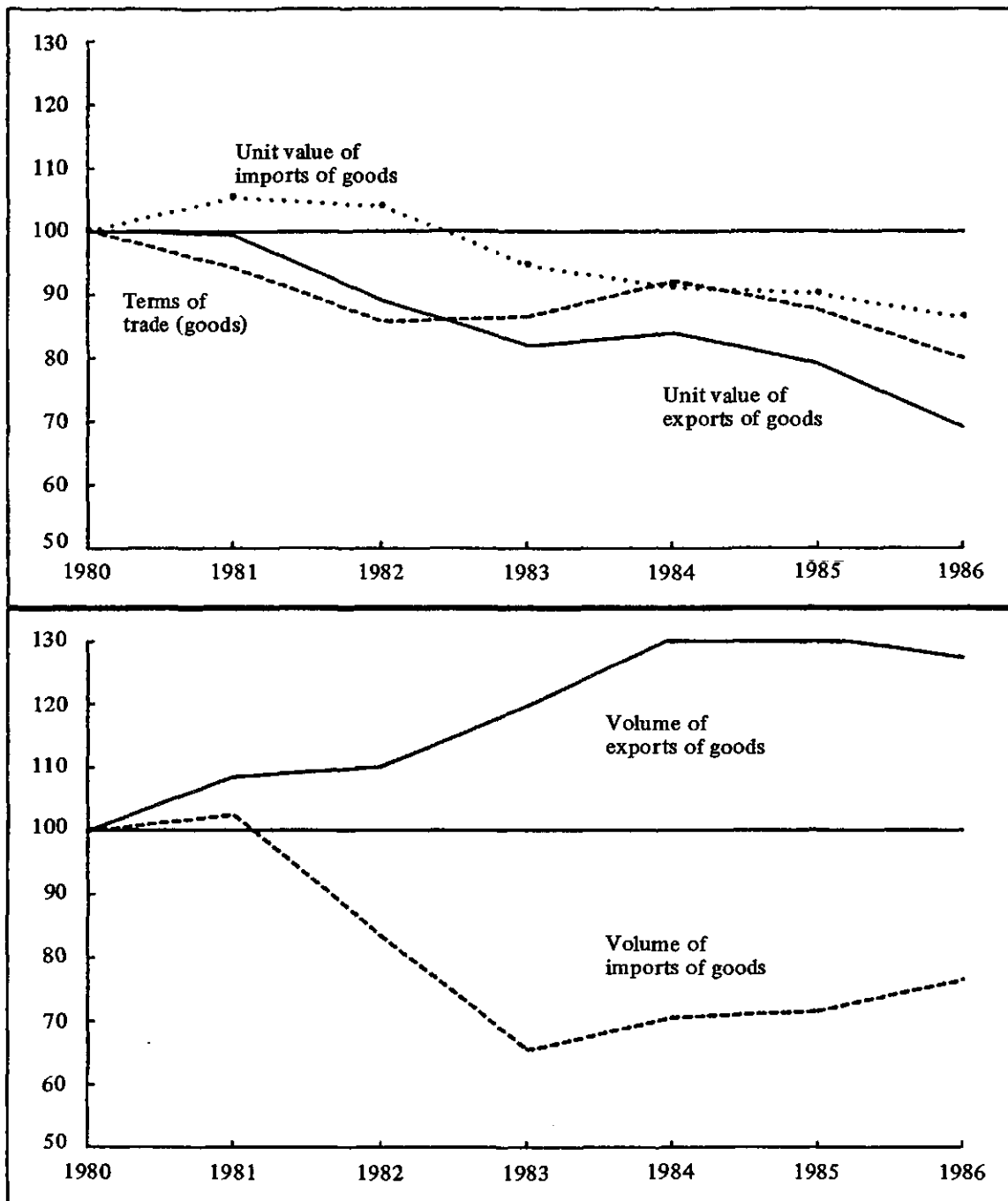
Source: ECLAC, on the basis of official data.

Figure 7
**LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTHLY
 VARIATIONS IN THE CONSUMER PRICE INDEX**
(Percentages)



Source: ECLAC, on the basis of official data.

Figure 8
**LATIN AMERICA: INDEXES OF UNIT VALUE AND VOLUME OF EXPORTS
 AND IMPORTS OF GOODS, AND TERMS-OF-TRADE INDEX (GOODS)**
 (1980 = 100)



Source: ECLAC, on the basis of official data.

Figure 9
LATIN AMERICA: NET INFLOW OF CAPITAL AND NET TRANSFER OF RESOURCES
(Billions of dollars)

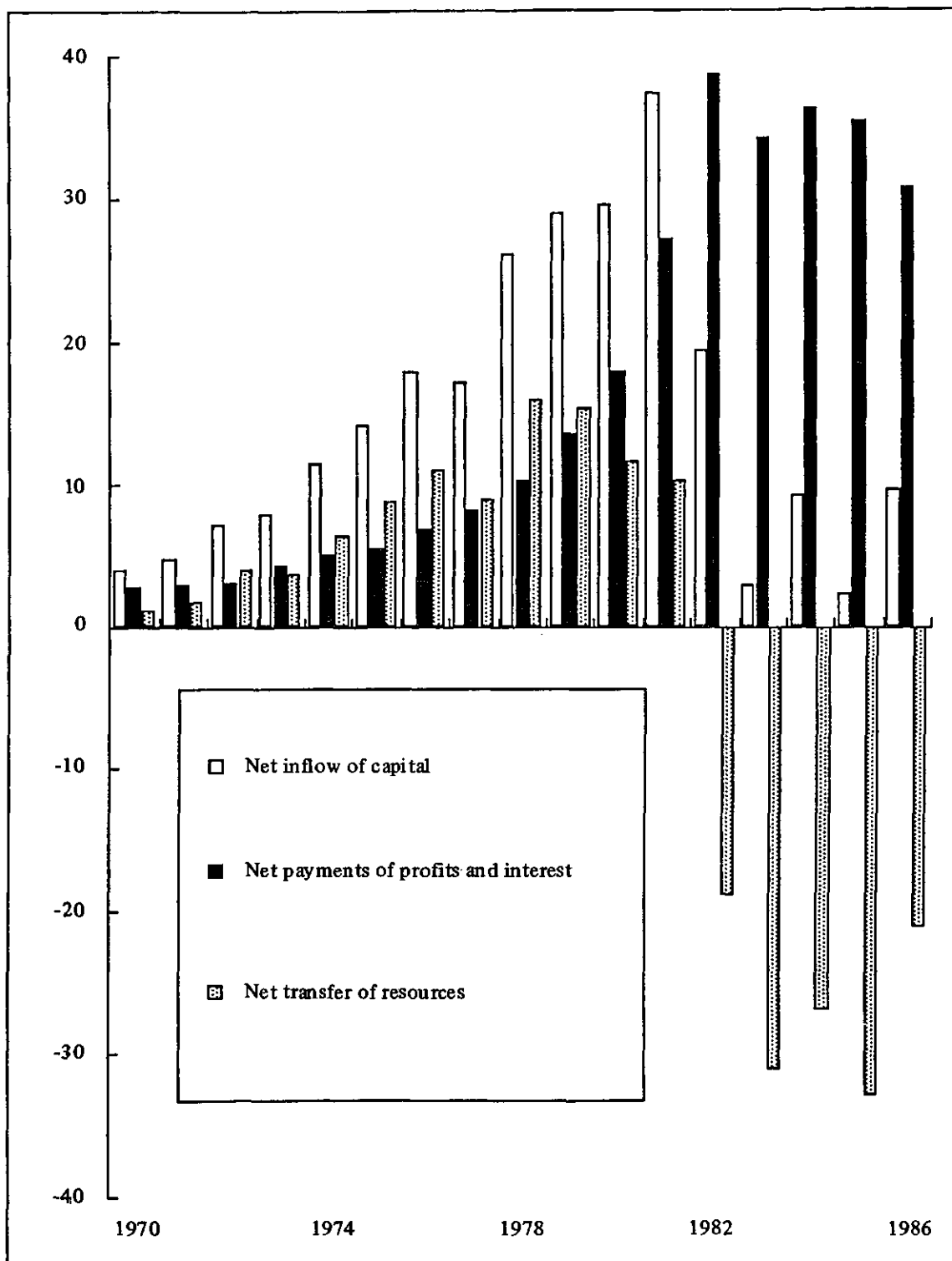
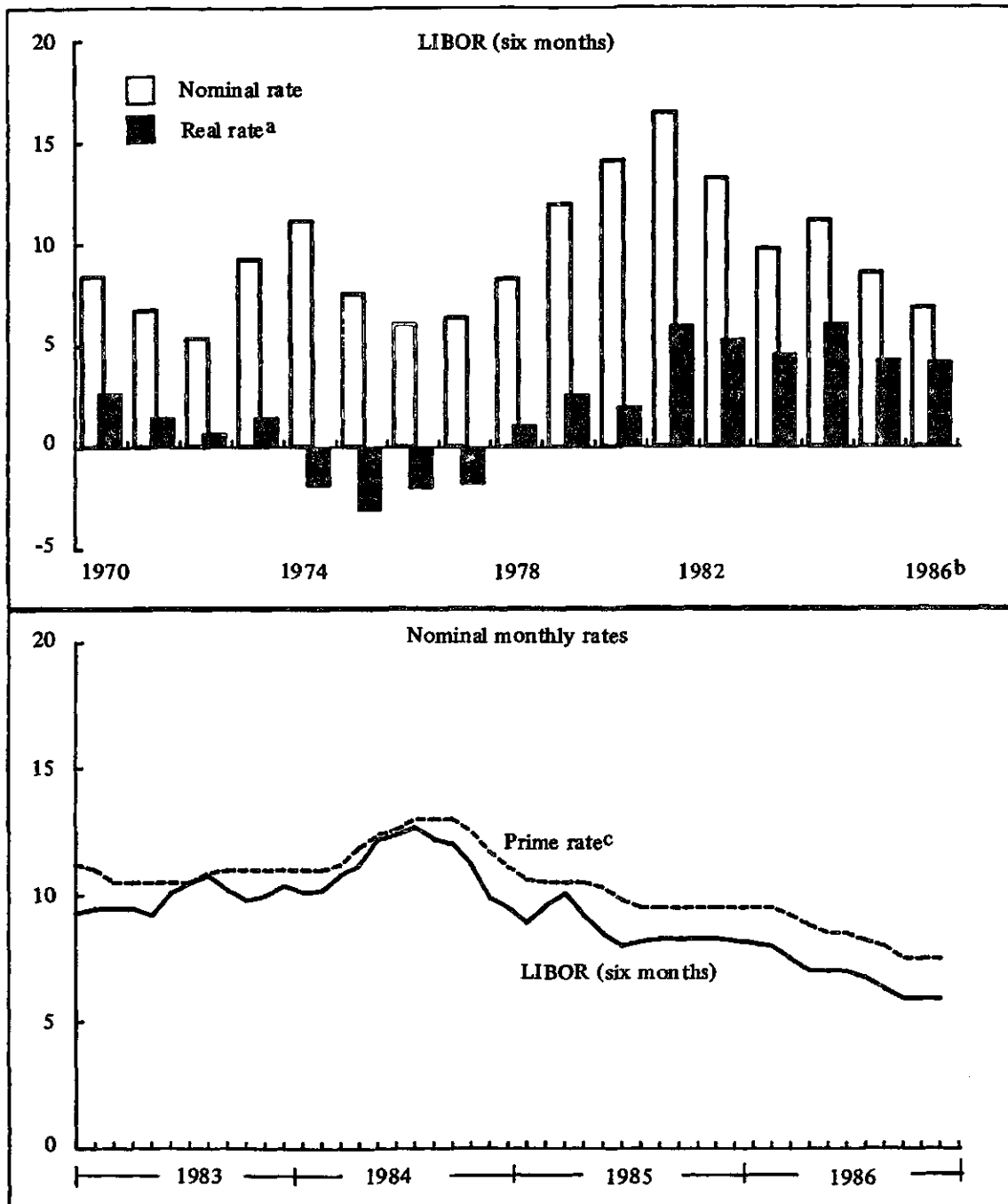


Figure 10
INTERNATIONAL INTEREST RATES
(Percentages)



Source: ECLAC, on the basis of data from the International Monetary Fund, *International Financial Statistics*.
^aNominal rate deflated by the consumer price index of the industrialized countries. ^bAverage January-November. ^cPreferential rate granted by United States banks to their best clients.

Figure 11
LATIN AMERICA: RATIO OF INTEREST PAID TO EXPORTS OF GOODS AND SERVICES
(Percentages)

