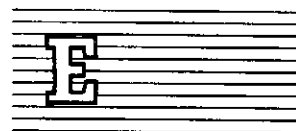


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ECONOMIC SURVEY  
OF LATIN AMERICA

1981

TRENDS IN THE LATIN  
AMERICAN ECONOMY  
IN 1981

This preliminary version of the *Economic Survey of Latin America, 1981* is being distributed in the form of a general introduction, under the symbol E/CEPAL/L.268, and a number of addenda, each containing a study of the economic evolution of a country of the region. These studies will not be published in alphabetical order, but in order of completion.

The final version of the complete *Survey* will be published once the observations regarding this preliminary version have been received.

### Notes and explanation of symbols

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

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

A dash (—) indicates that the amounts is nil or negligible.

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

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

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

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1970.

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

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

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

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

## Part one

# TRENDS IN THE LATIN AMERICAN ECONOMY IN 1981

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## TRENDS IN THE LATIN AMERICAN ECONOMY IN 1981

Despite Latin America's impressive growth since the end of World War II, its development is still strongly conditioned by events outside the region. Indeed, the trade and capital flows which tie it to the industrialized countries have grown in relative importance since the oil crisis of 1973, so that it is difficult for the region to deviate for long from basic trends in the international economy.

Yet, one of the most striking features of the 1970s was that the Latin American economies—even the non-oil-exporting ones—proved able to maintain vigorous growth despite the oil price hikes of 1973 and 1979 and the centre's subsequent recession in 1974/1975 and slowdown in 1980. Somehow the region seemed to be successfully defying its external conditioning. In 1981, however, the force of external events was reaffirmed, and the Latin American economies were brought into line once again, with growth decelerating sharply from 5.9% in 1980 to 1.7%, the region's slowest growth rate in 40 years, and not very much different from that of the OECD countries. Thus, in 1981 the evolution of the Latin American economies was again largely governed by economic events and forces from outside the region and was therefore more closely patterned on the evolution of the centre, to which it is inexplicably tied. In view of this growing interdependence, it seems appropriate to review briefly the major developments in the world economy which, in 1981, conditioned more forcefully than at any time in the recent past the economic evolution of Latin America.

### I. THE INTERNATIONAL SETTING

#### 1. Main trends

Four salient facts stand out in the evolution of the international economy in 1981: (a) the continued slow growth; (b) the decline in the value of world trade for the first time in almost 25 years; (c) the extraordinarily high real rates of interest: the highest since the Great Depression; and (d) the appreciation of over 10% in the US dollar. Each of these can be shown to be a consequence, at least in the short run, of the restrictive demand policies adopted in several of the principal industrial countries, which gave top priority in 1981 to lowering the high, and stubbornly persistent inflation besetting them. Taken together these features account for the poor performance of the international economy in 1981.

#### (a) *The widespread slowdown of economic growth*

The growth of world output decelerated once again in 1981, for the third consecutive year. Preliminary estimates indicate that GDP grew by only 1.2%, a rate well below the 4-5% averaged over the last 20 years. Indeed, this was the second lowest growth rate since 1958, only the recession of 1975 having affected production more adversely during the period.

What made 1981 particularly serious, however, is that unlike what happened in 1974-1975, when the recession especially affected the developed countries, in 1981 the slowdown was widespread, affecting market as well as centrally planned economies, developed as well as

developing countries (see table 1). Slow growth persisted in the market economies, but at a rate above that of the recession of 1974-1975. The centrally planned economies, whose evolution had heretofore been quite unrelated to that of the rest of the world, also experienced markedly low growth. Yet the sharpest deceleration in 1981 took place precisely in the growth rates of the developing countries. Output actually fell 10% in the capital surplus developing countries,<sup>1</sup> though this was largely the result of the war between Iraq and Iran. More significantly, growth in the non-oil-exporting developing countries slowed from an average of over 4% in 1979/1980 to only a over 1% in 1981, implying a sizeable fall in per capita income. Only the developing countries of South and East Asia deviated from these trends, registering a remarkable growth rate of over 6% which far outdistanced not only other developing regions but the developed economies as well (see table 2).

Table 1  
**WORLD: GROSS DOMESTIC PRODUCT**  
 (Growth rates)

	1971- 1973	1976- 1978	1974	1975	1979	1980	1981 <sup>a</sup>
<b>World</b>	5.5	4.8	2.0	0.6	3.8	2.1	1.2
Developed market economies <sup>b</sup>	5.0	4.4	0.2	-1.2	3.7	1.5	1.2
Developing countries <sup>c</sup>	6.2	5.3	5.8	3.6	4.4	2.9	0.6
Capital surplus countries <sup>d</sup>	...	4.3	...	...	4.0	-7.4	-10.1
Other energy exporters	...	5.9	...	...	6.5	6.7	5.4
Energy importers	...	5.4	...	...	4.3	4.1	1.4
Centrally planned economies <sup>e</sup>	6.6	5.5	6.3	5.4	3.	3.5	1.9

Source: United Nations Department of International Economic and Social Affairs, on the basis of official national and international sources.

<sup>a</sup>Preliminary figures.

<sup>b</sup>North America, southern and western Europe (excluding Cyprus, Malta and Yugoslavia), Australia, Japan, New Zealand and South Africa.

<sup>c</sup>Latin America and the Caribbean area, Africa (other than South Africa), Asia (excluding Japan) and Cyprus, Malta and Yugoslavia.

<sup>d</sup>Brunei, Iran, Iraq, Kuwait, Libyan Arab Jamahiriya, Qatar, Saudi Arabia and United Arab Emirates.

<sup>e</sup>Data measured by net material product concept. Countries comprise China, Eastern Europe and Union of Soviet Socialist Republics.

Table 2  
**GROSS DOMESTIC PRODUCT OF DEVELOPING COUNTRIES**  
 (Growth rates)

	1976- 1978	1979	1980	1981 <sup>a</sup>
<b>Africa</b>	6.0	6.0	4.7	1.4
<b>South and East Asia</b>	6.8	3.1	4.8	6.3
<b>Western Asia</b>	2.8	1.5	-6.3	-7.9
<b>Western Hemisphere</b>	5.0	6.5	5.9	1.2
<b>Memorandum items:</b>				
Energy exporter	5.0	4.7	1.4	-0.5
Energy importers	5.4	4.2	4.1	1.4

Source: United Nations, Department of International Economic and social Affairs, on the basis of official national and international sources, and CEPAL, on the basis of official figures.

<sup>a</sup>Preliminary figures.

<sup>1</sup>Brunei, Iran, Iraq, Kuwait, Jamahiriya Arab Libya, Qatar, South Arabia and the United Arab Emirates.

(b) *The decline in world trade*

World trade, which had been playing a dynamic role in growth over the previous 30 years by expanding at a significantly faster rate than overall output, actually declined by 1% in 1981. This was the first such decline in the current value of trade since 1958, and marked an especially sharp deceleration from the previous two years' growth rates of over 20% per year. As in the case of the slower GDP growth, the deceleration of trade was also general, though the value of the developing countries' trade, and especially that of the non-oil-exporting developing economies did nevertheless manage to expand (see table 3).

Table 3

**WORLD: MERCHANDISE TRADE BY AREAS<sup>a</sup>**

	Exports FOB					Imports CIF					Trade balance <sup>b</sup>	
	Billions of dollars		Annual rates of change			Billions of dollars		Annual rates of change			Billions of dollars	
	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>	1980	1981 <sup>a</sup>
World	2 021	1 998	25	21	-1	2 087	2 074	25	21	-1		
Industrialized countries	1 233	1 215	22	18	-1	1 382	1 315	28	20	-5	-149	-100
OPEC <sup>c</sup>	296	270	45	39	-9	135	155	7	35	15	161	115
Other developing countries	271	293	27	25	8	350	374	25	26	7	-79	-81
Centrally planned economies <sup>d</sup>	176	179	21	17	2	173	178	15	15	3	3	1

Source: GATT, Press Release N° 1313, 23 March 1982, and IMF, *International Financial Statistics*, (several issues).

<sup>a</sup> Figures for 1981 are based on incomplete returns and are subject to revision.

<sup>b</sup> The trade balance for the world does not add up to zero, as it should, because of errors and omissions in the different accounts.

<sup>c</sup> Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Jamahiriya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

<sup>d</sup> FOB.

The decline in world trade reflected the stagnation in the volume of exports (down from 1.5% in 1980) and a decline in the dollar value of most export items, with the notable exception of oil. The slowdown in the volume of trade was mainly due to the large (14%) drop in the volume of petroleum exports, which, coming after an earlier decline of 12% in 1980, left the quantum of petroleum exports at its lowest level since 1970. The pronounced downturn in the rate of growth of economic activity in the industrialized countries, coupled with the progressive spread of conservation measures after the second oil price hike, were the main causes of this reduction in the volume of oil exports. If crude oil is excluded, however, the volume of world trade grew by 2.5% in 1981, although this was still markedly lower than the 4.5% increase in 1980.

As for export prices, a combined index for the basic commodities (except petroleum) exported by developing countries registered a decline of nearly 16%, as against increases of the order of 15% in each of the previous two years (see table 4). Moreover, this decline was quite general, covering all basic commodities. Indeed, even the prices of the manufactured exports of developed countries decreased, by some 5%.

This generalized decline in export prices (except those of petroleum, which increased by 10-15% in 1981), was largely due to the 13% appreciation of the US dollar against the world's major currencies. This meant that in the main it was the terms of trade only of the oil-exporting countries and of the United States which improved in the course of 1981. The terms of trade of the rest of the world declined, especially those of the non-oil-exporting developing countries, which

Table 4

**DEVELOPING COUNTRIES: MARKET PRICES OF PRINCIPAL  
COMMODITY EXPORTS<sup>a</sup>**

(Annual rates of change)

	1970- 1977	1978	1979	1980	1981
Food and tropical beverages	19.3	-18.1	8.7	21.2	-19.7
Vegetable oilseeds and oils	10.3	10.3	15.6	-14.9	-3.2
Agricultural raw materials	12.9	11.7	22.6	11.2	-13.0
Minerals, ores and metals	6.4	6.7	28.8	13.3	-12.3
Combined index <sup>b</sup>	14.4	-6.7	15.3	14.8	-15.6

Source: UNCTAD, *Monthly Commodity Price Bulletin*, vol. II, N<sup>o</sup> 1, January 1982, and CEPAL calculations.

<sup>a</sup>Free market prices (excluding sales under long-term contracts or at preferential prices), in current dollars.

<sup>b</sup>Weighted according to the relative importance of each group in the value of exports of developing countries in 1975-1977.

fell by 10-15% in 1981. This decline in the terms of trade of the non-oil-exporting developing economies was comparable in severity only to that experienced in 1974-1975 (see figure 1).

Nevertheless, the export volume of all but the OPEC countries increased in 1981 by 2.5% in the case of the developed countries and 3-4% in that of the non-oil-exporting developing countries, with Latin America proving especially dynamic under the circumstances. This was in marked contrast to the experience of 1974-1975, when not only did the terms of trade of the non-oil-exporting countries worsen but the quantum of their exports stagnated or declined too. Thus, unlike 1974-1975, the severity of the sharp decline in export prices in 1981 was attenuated by this expansion in the volume of the non-petroleum exports.

(c) *High real interest rates*

In 1981 real interest rates in international markets (LIBOR) reached unprecedented levels, of the order of 6% on average for the year. It is true that nominal interest rates had been creeping up systematically over the last years and had consistently exceeded 10% since 1979 (see table 5), but

Table 5

**NOMINAL INTEREST RATES IN SELECTED INDUSTRIALIZED  
COUNTRIES AND LIBOR**

(Annual averages)

	1973	1974	1975	1976	1977	1978	1979	1980	1981
Federal Republic of Germany <sup>a</sup>	10.2	8.9	4.4	3.9	4.1	3.4	4.9	9.1	11.3
France <sup>a</sup>	8.9	12.9	7.9	8.6	9.1	8.0	9.0	11.9	15.3
Japan <sup>a</sup>	7.2	12.5	10.7	7.0	5.7	4.4	5.9	10.9	7.4
United Kingdom <sup>b</sup>	9.3	11.4	10.2	11.1	7.7	8.5	13.0	15.1	13.0
United States <sup>c</sup>	8.7	10.5	5.8	5.1	5.5	7.9	11.2	13.4	16.4
LIBOR <sup>d</sup>	9.2	11.0	7.0	5.6	6.0	8.7	12.0	14.4	17.0

Source: IMF, *International Financial Statistics*, (various issues).

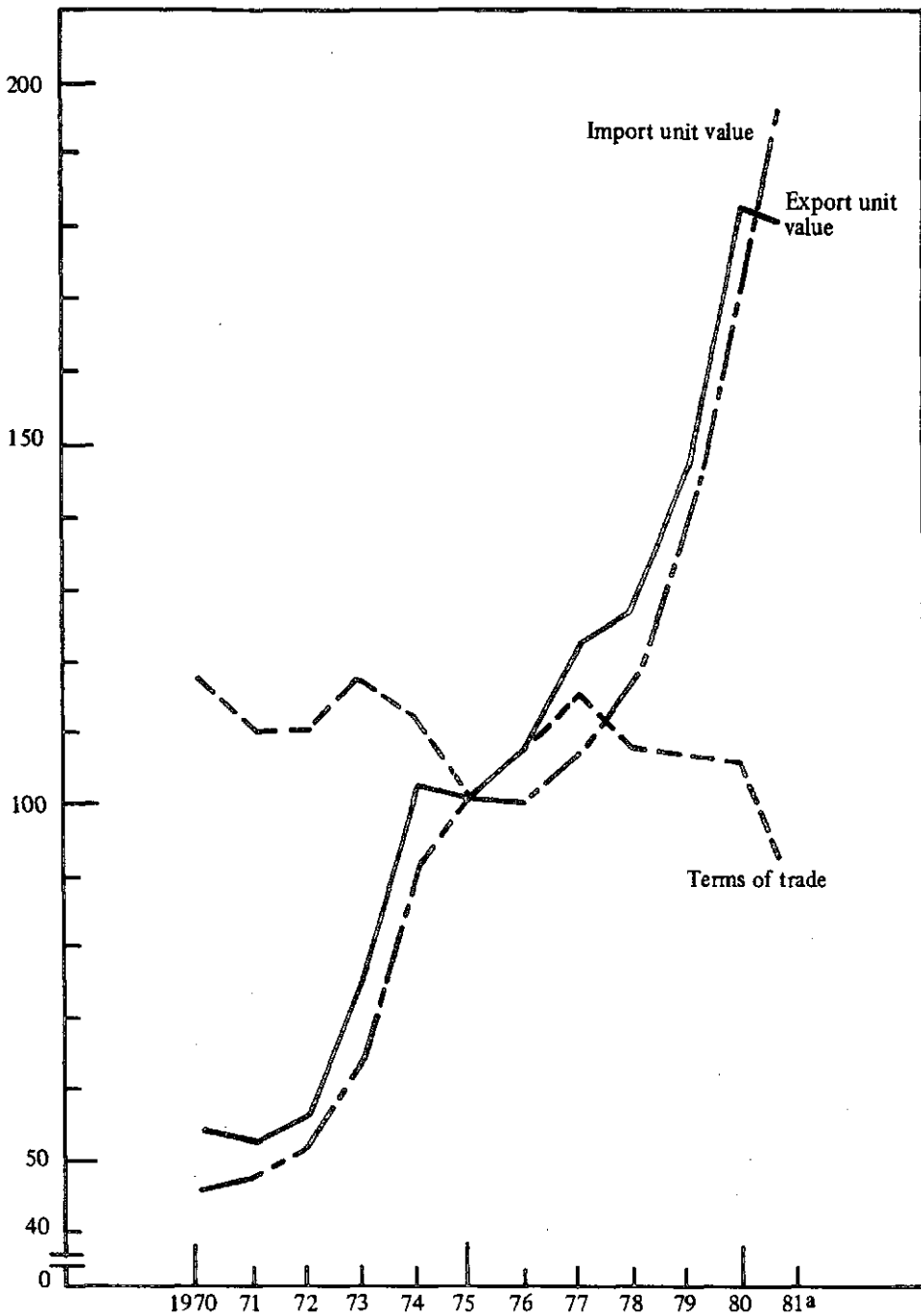
<sup>a</sup>Call money rate.

<sup>b</sup>Treasury funds rate.

<sup>c</sup>Federal funds rate.

<sup>d</sup>London Eurodollar rate for three-month deposits.

Figure 1  
**TERMS OF TRADE OF NON-OIL DEVELOPING COUNTRIES**  
 (1975 = 100)



Source: IMF, *International Financial Statistics* (various issues).

<sup>a</sup>First quarter.

then so had the rate of inflation. Thus, in real terms the interest rate had not been above 1-2% per year during the decade, and indeed, in several of these years it had been zero or negative. In 1981, however, because of the general pursuit in the major industrial countries of restrictive policies aimed at decelerating price increases, the rate of inflation began to decelerate, from 12.9% in 1980 to 10.8% in 1981 (see table 6), whereas LIBOR continued to rise, from 14.4% in 1980 to 17% in 1981. These opposite trends of nominal interest rates and inflation thereby raised real interest rates to double their historical average: a level not experienced in the countries of the OECD (suggestively enough) since the Great Depression.

Table 6

**INDUSTRIALIZED COUNTRIES: CONSUMER PRICES**

(Percentage annual average changes)

	1962- 1972	1976- 1978	1979 1973	1980 1974	1981 <sup>a</sup> 1975
Total OECD	3.7	8.5	9.8 7.8 <sup>b</sup>	12.5 13.4 <sup>b</sup>	10.8 11.3 <sup>b</sup>
Federal Republic of Germany	3.2	3.6	4.1 6.9 <sup>b</sup>	5.5 7.0 <sup>b</sup>	6.5 6.0 <sup>b</sup>
France	4.4	9.4	10.8 7.3 <sup>b</sup>	13.6 13.7 <sup>b</sup>	13.9 11.8 <sup>b</sup>
Japan	5.8	7.0	3.6 11.7 <sup>b</sup>	8.0 24.5 <sup>b</sup>	3.9 11.8 <sup>b</sup>
United Kingdom	4.9	13.5	13.4 9.2 <sup>b</sup>	18.0 16.0 <sup>b</sup>	11.4 24.2 <sup>b</sup>
United States	3.1	6.7	11.3 6.2 <sup>b</sup>	13.5 11.0 <sup>b</sup>	11.0 9.1 <sup>b</sup>

Source: OECD, *Economic Outlook*, N° 30, December, 1981.

<sup>a</sup>Preliminary figures.

<sup>b</sup>Correspond to the years 1973, 1974 and 1975.

The unintentional consequences of these stabilization policies and the resulting high interest rates were stagnation in the central countries, especially in sectors particularly sensitive to the interest rate such as construction and consumer durables, and a consequent slowdown in the centre's demand for the developing countries' exports. These high interest rates hurt the developing countries in three other ways as well; however: (1) the industrial countries' desire to maintain large commodity inventories diminished because of the high interest rates and the decline of inflationary expectations, thus further depressing the prices and volumes of the periphery's exports, especially those (such as lead, copper and rubber) which are important inputs to the interest-sensitive depressed sectors of the centre; (2) greater net capital inflows to the periphery were discouraged; and (3) interest charges on past debt incurred at variable interest rates increased substantially.

Given that in 1981 the developing countries' indebtedness (exclusive of short-run debt) was of the order of US\$ 500 billion (see table 7) and interest payments alone equalled some 80% of their overall trade deficit, it is clear that the developing countries' balance of payments was quite sensitive to interest rate increases. Furthermore, this is all the more serious when, as in 1981, the price of their exports not only did not rise in step with world inflation, but actually declined. Thus, in sharp contrast with 1974-1975, when the terms of trade of the non-oil-exporting developing



Table 7

**DEVELOPING COUNTRIES: MEDIUM-AND LONG-TERM  
DEBT SERVICE PAYMENTS<sup>a</sup>**

(Billions of dollars)

	1973	1975	1976	1977	1978	1979	1980	1981 <sup>b</sup>
Interest payments	5.2	9.0	10.0	12.3	17.2	24.2	34.0	48
Official sources	1.7	2.4	2.8	3.6	4.5	5.1	6.2	7
Private sources	3.5	6.6	7.2	8.7	12.7	19.1	27.8	41
Amortization payments	12.2	16.8	19.3	25.3	37.4	44.0	44.5	
Official sources	2.8	3.5	3.7	4.4	5.2	6.4	7.9	
Private sources	9.4	13.3	15.6	20.9	32.2	37.6	36.6	
Debt service payments	17.4	25.8	29.3	37.6	54.6	68.2	78.5	
Official sources	4.5	5.9	6.5	8.0	9.7	11.5	14.1	
Private sources	12.9	19.9	22.8	2.6	44.9	56.7	64.4	
Memorandum items:								
Disbursed outstanding debt	117.7	174.7	212.0	262.7	327.4	372.8	426.1	520
Official sources	55.7	76.2	88.4	104.7	124.0	137.1	156.7	
Private sources	62.0	97.9	123.6	158.0	203.4	235.7	269.4	

Source: World Bank, *World Debt Tables*, December 1981.

<sup>a</sup> Figures include the public and state-guaranteed debt of 98 developing economies (Afghanistan, Iran and Iraq are excluded), plus estimates of private non-guaranteed debt. No data for the People's Republic of China are available, but data for Taiwan are included.

<sup>b</sup> CEPAL, estimate on the basis of the net capital flow in 1981 over 1980, shown in table 11.

nations fell but real interest rates were low or negative, in 1981 the decline in the terms of trade was exacerbated by the surge in real interest rates.

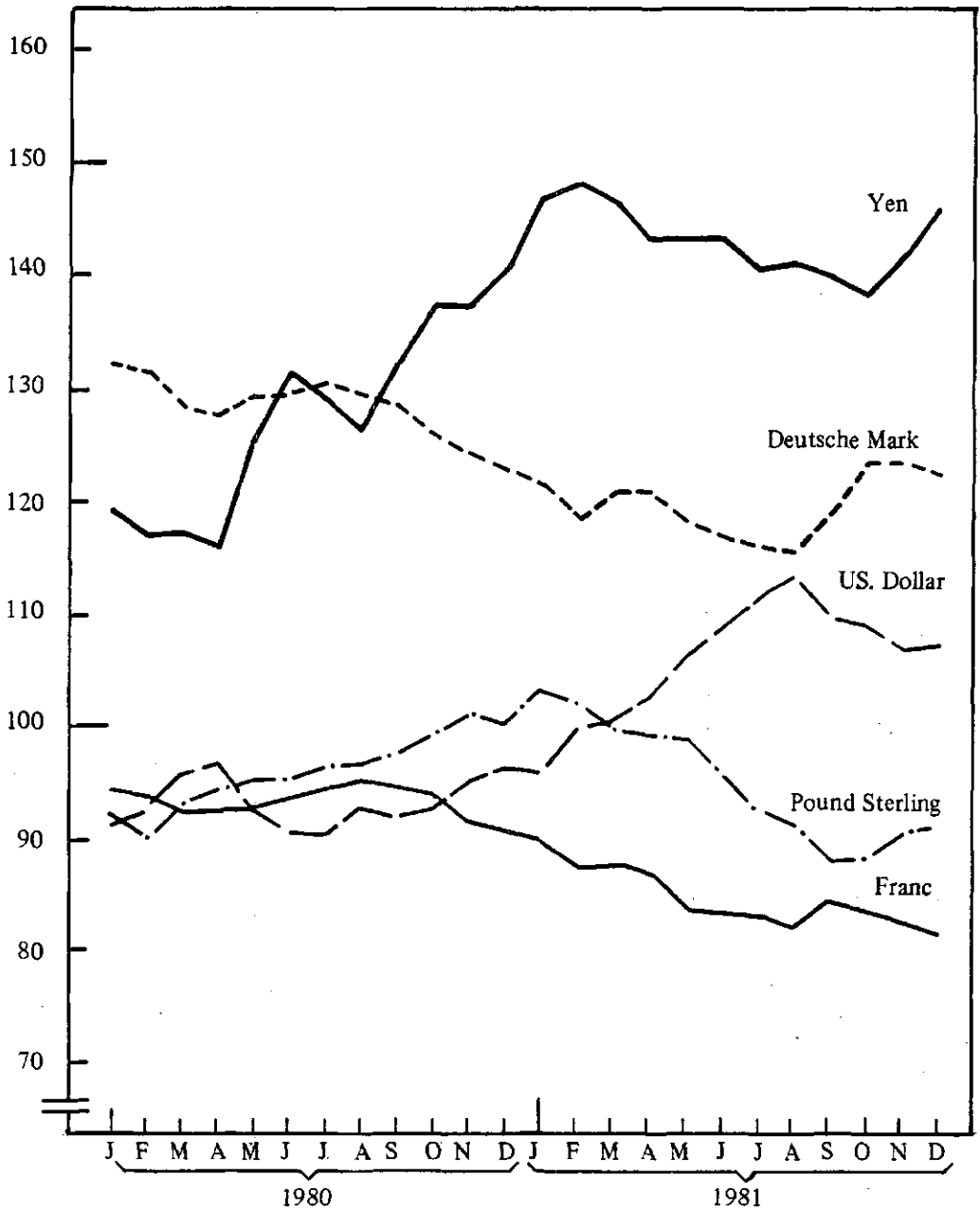
*(d) The appreciation of the dollar*

From its low in the third quarter of 1980 to its peak in the third quarter of 1981, the US dollar appreciated almost 21% (see figure 2). This represented an average appreciation of 12.6% for the whole of 1981 in respect of 1980 against a weighted composite of the 17 major currencies of the world. Thus 1981 saw a dramatic reversal of the previous 10 years' steady depreciation of the dollar, whose value had eroded by over 20% since 1970. This sharp strengthening of the US dollar reflected not so much a sudden improvement in the current account surplus of the United States as the sharp rise in nominal (and real) United States interest rates registered as of mid-1980 (see figure 3). These rates were above those of all other major currencies not only in nominal terms but also after taking into account the likely differences in their inflation rates for the forthcoming year. Consequently, the high interest rates resulting from the United States' relatively tight monetary policy strongly attracted short-term capital and raised the value of the dollar.

A 13% appreciation of the US dollar should have led to a significant increase in the quantum of that country's imports, given the increased competitiveness of foreign goods this implied. This would have served to compensate, at least in part, for the negative effect on the prices of the periphery's exports caused by the dollar appreciation. Unfortunately, the same high interest rates which caused the dollar to appreciate slowed down the United States economy as of the second quarter of 1981, so that any increase in the quantum of imports induced by the lower prices of the periphery's exports was largely offset by the reduced demand for imports due to the recession.

Figure 2  
**EFFECTIVE EXCHANGE RATES<sup>a</sup>**  
 (1975 = 100)

Index



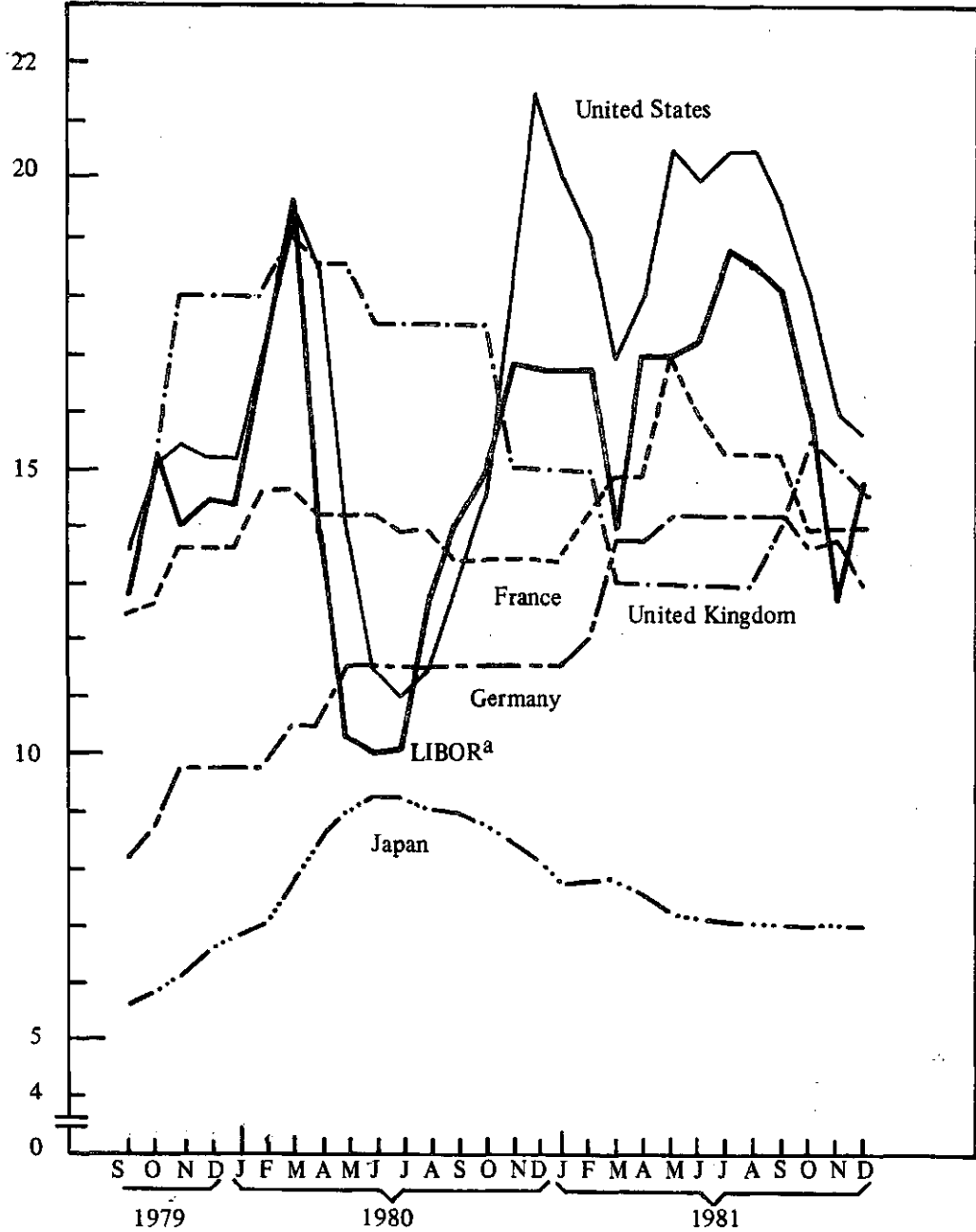
Source: IMF, *International Financial Statistics* (various issues).

<sup>a</sup>Indices calculated by combining the exchange rate of the currency in question with those of 17 other major currencies, using weights derived from the IMF model (MERM).

Figure 3

COMMERCIAL BANK LENDING RATES TO PRIME BORROWERS IN SELECTED INDUSTRIALIZED COUNTRIES AND LIBOR

(Percentages)



Source: Morgan Guaranty Trust Company, *World Financial Markets* (various issues).

<sup>a</sup>Six-month Eurodollar deposit rates at prime banks' bids in London.

## 2. Stabilization policies and the slowdown of the world economy

The widespread emphasis placed on price stabilization policies, notably in several of the major industrial countries, but in many of the developing countries as well, accounted in no small measure for the poor performance of the world economy in 1981. To be sure, stabilization policies were only one of several determinants of this slowdown. Since stagnation, unwanted however, all too frequently accompanies stabilization policies, it would have been very surprising if a widespread move towards restrictive policies had not led to a slowdown, if not a downturn, in the world economy. It is therefore worth considering why the fight against inflation came to acquire top priority in many countries' policies.

The monetary policy followed by the United States in the late 1960s, designed to cover that country's excessive deficits, by consequently expanding money supply well beyond the center's needs of dollar reserves, finally led to the abandonment of the fixed dollar parity with gold and a movement away from the dollar towards other currencies and goods, resulting in the depreciation of the dollar (throughout the 1970s) and the commodity boom of 1972-1973. This sequence of events together with the quadrupling of oil prices late in 1973, raised the rate of inflation throughout the world, and most notably in the OECD countries, to double digit levels (see table 6). Had the surge in inflation been a once and for all phenomenon, it would not have been as serious. The problem, however, was its persistence. Five years after the first hike in oil prices, inflation in the industrial countries had not yet been brought down under 7%, thus leaving it at almost double the rate which prevailed during the 1960s. The fact that inflation persisted at such high levels in spite of the important recession experienced by the OECD countries in 1974-1975 made the situation all the more distressing (see table 8). Another puzzling feature was that although by 1978 the OECD economies had largely recovered their former dynamism, unemployment rates were proving difficult to budge and hovered around 5%, well above their typical pre-recession levels (see table 9).

Table 8

### OECD: GROSS DOMESTIC PRODUCT

(Growth rates)

	1962- 1972	1976- 1978	1979 1973	1980 1974	1981 <sup>a</sup> 1975
Total OECD	5.0	4.1	3.3 6.1 <sup>b</sup>	61.2 0.9 <sup>b</sup>	61.3 -0.4 <sup>b</sup>
Federal Republic of Germany <sup>c</sup>	4.4	3.8	4.5 4.9 <sup>b</sup>	61.8 0.5 <sup>b</sup>	-1.0 -1.8 <sup>b</sup>
France	5.6	4.0	3.3 5.4 <sup>b</sup>	1.2 3.2 <sup>b</sup>	0.5 0.2 <sup>b</sup>
Japan <sup>c</sup>	9.6	5.2	5.9 8.8 <sup>b</sup>	64.2 -1.0 <sup>b</sup>	63.8 2.3 <sup>b</sup>
United Kingdom	2.7	2.7	1.5 7.5 <sup>b</sup>	-1.8 -1.0 <sup>b</sup>	-2.0 -0.6 <sup>b</sup>
United States <sup>c</sup>	4.2	5.1	2.3 5.4 <sup>b</sup>	-0.2 -0.6 <sup>b</sup>	1.8 -0.9 <sup>b</sup>

Source: OECD, *Economic Outlook*, N<sup>o</sup>, December, 1981.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Correspond to the years 1973, 1974 and 1975.

<sup>c</sup> Gross National Product.

Table 9

## UNEMPLOYMENT IN SELECTED OECD COUNTRIES

(Percentage rates)

	1970-1972	1976-1978	1979 1973	1980 1974	1981 <sup>a</sup> 1975
Federal Republic of Germany	0.8	3.6	3.2 0.9 <sup>b</sup>	3.4 1.6 <sup>b</sup>	5.0 3.7 <sup>b</sup>
France	2.6	4.8	5.9 2.6 <sup>b</sup>	6.3 2.8 <sup>b</sup>	7.5 4.1 <sup>b</sup>
Japan	1.2	2.1	2.1 1.3 <sup>b</sup>	2.0 1.4 <sup>b</sup>	2.3 1.9 <sup>b</sup>
United Kingdom	3.6	5.9	5.8 3.0 <sup>b</sup>	7.0 2.9 <sup>b</sup>	10.5 3.9 <sup>b</sup>
United States	5.3	6.7	5.7 4.7 <sup>b</sup>	7.2 5.4 <sup>b</sup>	7.5 8.3 <sup>b</sup>
Seven major countries <sup>c</sup>	3.6	5.3	4.9 3.4 <sup>b</sup>	5.7 3.7 <sup>b</sup>	6.5 5.4 <sup>b</sup>

Source: OECD, *Economic Outlook*, No 30, December, 1981.<sup>a</sup> Preliminary figures.<sup>b</sup> Correspond to the years 1973, 1974 and 1975.<sup>c</sup> Italy and Canada are added to the countries mentioned above.

Then in 1979, even before the second oil price hike, inflation began to accelerate in the OECD, reaching a rate of almost 10% in 1979 and, after the doubling of oil prices, almost 13% in 1980. The fear that high inflation expectations were becoming permanently built into the OECD economies and so could make stabilization policies ever more costly to pursue led several countries to give the fight against inflation their top priority, notwithstanding the unusually high rates of unemployment then present. What is perhaps equally significant is that priorities shifted not only towards stabilization policies, but towards monetary instruments in particular. Especially in the United Kingdom and later in the United States, reliance was placed on restrictive monetary policies as the principal, if not the sole, stabilization instrument.

Exclusive reliance on restrictive monetary policies regardless of the effect on interest rates—the announced intention of the US Federal Reserve Bank as of late 1979—meant that interest rates would rise sharply and be more volatile, as indeed was the case throughout 1980 and 1981. This in turn meant that the brunt of the deceleration in nominal demand would be borne in the first instance by sectors sensitive to interest rates, such as consumer durables and construction, rather than by the economy as a whole. This, together with the disregard of instruments such as income and fiscal policies for guiding expectations and/or spreading the burden of reduced expenditure more widely, made it all the more likely that much of the effect of the stabilization policy would fall on output rather than on prices.

It is true that restrictive monetary growth did succeed in slowing inflation, from 12.9% in 1980 to 10.8% in 1981. But not surprisingly—given the almost exclusive reliance on this one instrument—success was achieved at the cost of stagnation or recession in most of the OECD countries, with growth deceleration from 3.3% in 1979 to little over 1% in both 1980 and 1981 (see table 8). A further result was that unemployment rose to 6.5%: almost double its historical rate and higher than that which prevailed in the recession of 1974-1975. Even countries such as France and Germany, typically characterized by very low unemployment, reached rates of over 5% in 1981.

Thus, while inflation was clearly continuing to give way in several of the OECD countries, especially the United Kingdom, the United States and Japan, output was virtually stagnant in

1981, with hopes for recovery limited so long as real interest rates remained high. How these could be brought down became the subject of much public debate: whether there should be a less restrictive monetary policy, or a smaller United States public deficit, or less volatility in monetary expansion. All schools of thought, however, concurred that recovery would be stymied unless interest rates came down, but these remained high, notwithstanding the significantly lower rates of inflation universally forecast for 1982. The contrasting proposals put forward reflected the quandary in which policymakers found themselves, all of which raised the extra premium to cover the uncertainty which characterized the market at this time, and which did little to overcome the inertia bogging down the economy.

### 3. The developing countries

The developing economies today no longer merely respond to, or simply reflect, events in the developed world. This is certainly the case of the oil-exporting countries, but to a greater or lesser extent it is true of other developing countries as well. As noted earlier, on the positive side, the developing regions of South and East Asia grew rapidly in 1980 and 1981. On the negative side, there were other cases where internal events weighed far more heavily: countries at war (Iran and Iraq) or enduring serious civil strife (e.g. Afghanistan and El Salvador); or countries racked by their own peculiar disequilibria (e.g. the struggle of Brazil and Argentina against triple-digit inflation). Yet, on balance, the evolution of most non-oil-exporting developing nations was heavily conditioned by the sluggish performance of the central economies.

In particular, it was the stagnation induced by the stabilization policies of the central countries which largely accounted for the principal events shaping the performance of the developing economies in 1981. The centre's stagnation slowed down the rise in the value of the periphery's non-oil exports to 8% in 1981 down from 25% or more in 1979 and 1980 (see table 3). Since the periphery's imports grew quite strongly and, even more importantly, interest payments ballooned, the current account deficit of the non-oil-exporting countries grew dramatically for the fourth consecutive year, topping US\$ 100 billion in 1981, or the equivalent of over 30% of their merchandise exports (see table 10). The combination of relatively sluggish demand in the centre, high interest rates and the appreciation of the dollar resulted in a sharp decline in the prices of the periphery's main exports. It is true that the dollar prices of European export manufactures also declined, but this drop was less sharp, so that the non-oil-exporting countries suffered a deterioration of their terms of trade of the order of 10-15%. Thus, the growth in the gross domestic product of the non-oil-exporting countries, once adjusted for the deterioration in their terms of trade, must

Table 10

#### BALANCE OF PAYMENTS CURRENT ACCOUNT SITUATIONS<sup>a</sup>

(Millions of dollars)

	1973	1974	1975	1976	1977	1978	1979	1980	1981
<b>Total<sup>b</sup></b>	14.8	16.9	6.3	5.7	-3.2	-5.6	1.7	-16.7	-37.0
Industrialized countries	19.7	-13.8	17.7	-2.3	-5.7	30.4	-9.3	-46.1	-4.0
Oil-exporting developing countries	6.6	67.8	35.0	40.0	30.8	2.9	69.8	115.0	68.9
Non-oil exporting developing countries <sup>c</sup>	-11.5	-37.1	-46.4	-32.0	-28.3	-38.9	-58.8	-85.6	-102.0

Source: IMF, on the basis of official figures.

<sup>a</sup>On goods, services and private transfers.

<sup>b</sup>Includes errors, omissions and balance of listed groups with other countries mainly centrally-planned economies.

<sup>c</sup>Excludes data for the People's Republic of China prior to 1977.

actually have been negative in 1981. Moreover, complicating matters further, the burden of servicing the developing countries' debt rose sharply in 1981 due to both higher levels of indebtedness and the marked rise in real interest rates.

Even though it is tempting to ascribe the developing countries' marked deceleration in growth in 1981 to the stagnation in the central countries, the deterioration in the terms of trade and the rise in interest rates, this argument is not fully convincing, for however sluggish the centre's economic activity was in 1980-1981, it nevertheless did expand, and certainly far more than during the recession of 1974-1975, when its output actually fell. Yet in the face of that recession, the developing countries grew by nearly 6% and 4% in those two years, well above their 1981 growth of 0.6% or even the 1.4% growth rate of the non-oil-exporting developing economies (see table 1).

Nor was the deterioration in the terms of trade of the periphery in 1981 unique, for it had been equally strong in 1975 (see figure 1). True, real interest rates to the developing countries were low or negative in 1974-1975 whereas in 1981 they were quite high. Yet this latter effect should have been compensated by the fact that the quantum of the non-oil-exporting countries' exports grew significantly in 1981, whereas it actually fell in 1974-1975.

There would seem to be three critical variables which explain how the developing countries—even the non-oil-exporting ones—were able to maintain acceptable growth rates in 1974 and 1975 despite the deterioration of the central economies, whereas in 1981 their economies stagnated notwithstanding the less depressed conditions besetting the centre.

In the first place, and most importantly, capital flows to the periphery were relatively stronger after the oil price hike of 1973 than after 1979. Though the current account deficit of the non-oil-exporting developing countries increased by a substantial 75% between 1979 and 1981, this was far less than the quadrupling in the current account deficit which took place between 1973 and 1975, financed almost in its entirety, in both instances, by external capital (see table 11). Put differently, net capital flows to the periphery (approximately measured by the current account deficit) reached 31% of the value of their exports in 1981, well below the 41% reached in 1975. What is more, this ratio of capital inflows to exports increased by only 7 percentage points from 1979 to 1981, whereas it increased by 27 percentage points in 1973-1975 (from 14% in 1973 to

Table 11  
NON-OIL DEVELOPING COUNTRIES: CURRENT ACCOUNT  
DEFICIT AND ITS FINANCING

	1973	1974	1975	1976	1977	1978	1979	1980	1981 <sup>d</sup>
<b>Current account deficit</b>									
a) Billions of dollars	11.5	37.1	46.4	32.0	28.3	38.9	58.8	85.6	102.0
b) As percentage of exports <sup>b</sup>	14.0	32.0	41.0	24.0	17.0	21.0	24.0	28.0	31.0
<b>Source of financing</b> (Billions of dollars)									
a) Net capital flows	21.4	38.5	43.9	44.5	40.4	54.7	68.9	86.8	97.0
b) Net borrowing <sup>c</sup>	11.0	25.7	32.0	32.6	25.8	39.4	47.4	66.2	...
c) Net direct investment and others <sup>d</sup>	10.4	12.8	11.9	11.9	14.6	15.3	21.5	20.6	...
d) Reduction of reserve assets (- increase)	-9.9	-1.4	2.5	-12.5	-12.1	-15.8	-10.1	-1.2	5.0

Source: IMF, on the basis of official figures, and GATT, Press Release N° 1313, 23 March 1982.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Exports are taken from IMF, *International Financial Statistics*, various issues. These figures are generally larger than those given by GATT, so that there may be divergences with respect to table 3. The series is comparable over time, however, which is what matters most in this case.

<sup>c</sup> Includes residual errors and omissions.

<sup>d</sup> Includes net unrequited transfers, SDR allocations, valuation adjustments, and monetization of gold.

41% in 1975). Thus the voluminous capital flows made available to the developing countries in 1974-1975 provided them with the wherewithal to sustain expansive domestic product policies in the face of a deteriorating external situation and won them time till their exports could grow to close the gap. After 1979, similar capital flows were harder to come by for two reasons:

(1) The level of the non-oil-exporting developing countries' foreign debt (especially of the middle-income ones with greater access to private capital) was much higher. Consequently, interest payments —especially those arising from the fast-growing variable interest loans from private sources— expanded very rapidly (see table 7) and so raised the perceived risk for lenders, discouraging sharp increments in credit availability;

(2) On the debtor's side, high interest rates served to discourage further borrowing. Thus, capital was far less freely available in 1981 to help developing economies tide over the poor international situation, and many developing countries were therefore obliged to pursue restrictive policies of their own, rather than expansive ones as in 1974-1975, in order to adjust to external disequilibria.

Secondly, the expansive policies pursued by many developing nations in the face of the deteriorating external situation in 1974-1975 sustained growth, but at the cost of much higher inflation. Thus, by 1979 rates of inflation in many non-oil-exporting developing areas averaged nearly 25%, easily three times their pre-1973 levels (see table 12). The second oil price hike of 1979 exacerbated inflation further, so that by 1980 many developing countries faced disequilibria on both the external front (balance of payments restrictions) as well as internally (rampant inflation). Thus there was far less scope for expansive policies to cope with external disequilibria in 1980-1981 than in 1974-1975. Indeed, several developing countries had little choice in 1981 but to pursue restrictive policies lest inflation get completely out of hand. Such policies barely managed to hold inflation at its 1980 levels, so that it is to be feared that further emphasis will need be given to price stabilization policies in many developing countries, suggesting that strong economic growth is still off in the future.

Table 12

**DEVELOPING COUNTRIES: CONSUMER PRICES**

(Percentage annual average changes)

	1971- 1972	1973- 1975	1976- 1978	1979	1980	1980 12 months to Sept.	1981 12 months to Sept.
Oil-exporting developing countries <sup>a</sup>	5.2	14.2	13.4	10.4	14.1	14.7	13.0
Non-oil exporting developing countries	...	27.4	26.0	24.5	32.0	36.8	36.6
Africa <sup>b</sup>	4.8	15.2	17.0	17.5	16.4	16.2	21.1
Asia <sup>c</sup>	6.6	17.2	4.2	6.1	11.1	13.0	...
Europe <sup>d</sup>	9.6	16.7	19.9	33.2	50.4	47.4	31.4
Middle East <sup>e</sup>	6.0	16.8	20.8	31.1	53.4	54.9	43.2
Western Hemisphere <sup>f</sup>	19.4	40.0	47.6	46.8	55.4	55.2	66.3

Source: IMF, *International Financial Statistics*, (various issues).

<sup>a</sup>Comprise Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia and Venezuela.

<sup>b</sup>Cameroon, Ethiopia, Gabon, Ghana, Ivory Coast, Kenya, Madagascar, Morocco, Senegal, South Africa, Sudan, Tanzania, Tunisia, Saire and Zambia.

<sup>c</sup>Bangladesh, Burma, People's Republic of China, India, the Republic of Korea, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka and Thailand.

<sup>d</sup>Greece, Portugal, Romania, Turkey and Yugoslavia.

<sup>e</sup>Egypt, Israel, Jordan, Syrian Arab Republic and Yemen Arab Republic.

<sup>f</sup>Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Jamaica, Mexico, Nicaragua, Peru, Trinidad and Tobago and Uruguay.



Finally, While the deterioration in the terms of trade of the non-oil-exporting developing economies in 1981 was no worse than in 1975, still 1981 marked the fourth such fall in a row, representing a decline of over 20% since 1977 (see figure 1).

In contrast, the decline in the terms of trade was only the second consecutive fall and it came after the commodity boom of 1972-1973. Moreover, even at their lowest the terms of trade in 1975 were still 11% above their 1981 level. Thus, 1981 must be distinguished from the 1974-1975 experience in both the severity and the duration of the worsened terms of trade.

The convergence of these three sets of forces in one year—considerably less abundant capital flows, the greater need to pursue domestic anti-inflationary policies, and the severity and duration of the worsened terms of trade— would seem to explain why developing countries' growth was much more severely hampered by the stagnation of the central countries in 1981 than it had been by the centre's harsher recession of 1974-1975.

## II. MAIN TRENDS

Because of the deterioration in the terms of trade and the sharp increase in the service of the external debt, as well as the restrictive policies applied by many countries to reduce the external disequilibrium and the severity of inflationary processes, the evolution of the Latin American economy was much more negative in 1981 than in previous years.

Thus, the economic growth rate, which during the period 1979-1980 had averaged over 6% and had even surpassed the growth rates of the industrialized countries, the centrally planned economies and all the other main regions of the developing world, dropped to only 1.7% in 1981. This was the lowest rate recorded for Latin America over the entire postwar period; in addition, the per capita product declined slightly in 1981, a phenomenon which had not occurred in any of the preceding 21 years.

As a result of this slowdown, and especially because of the stagnation of the manufacturing industry and the decline, for the second year in a row, of construction activity, the unemployment rate rose from 5.9% in 1980 to 6.5% in the main urban centres of the region, thus interrupting the steady reduction of the unemployment rate which had been taking place since 1976.<sup>2</sup>

Despite the loss of vigour of the economy and the rise of unemployment, and also despite the reduction of external inflationary pressures, during 1981 the high rate of increase in consumer prices of the two preceding years was maintained (see table 13 and figure 4).

In the external sector, there was a marked reduction in the rate of increase of the value of exports and imports after the extraordinary growth of the two preceding years, when the value of Latin American foreign trade rose by almost 70%.

The decline in the rate of increase of the value of exports of goods, from almost 30% in 1980 to 7% in 1981, was entirely due, however, to the dramatic change which took place in the unit value of exported goods. In effect, after rising by around 23% in 1980, it dropped by almost 3% in 1981, primarily as a result of the overall drop in prices of the main commodities exported by the region. On the other hand, the volume of external sales of goods expanded at the exceptional rate of 10%, thanks especially to the remarkable growth of such sales in the non-oil-exporting countries, which managed to increase the volume of their exports by 12.5%. This performance was particularly commendable considering that, as a result of the recession affecting the industrialized countries and the resurgence in many of them of protectionist practices, the volume of world trade did not change during 1981, whereas the value declined slightly. Consequently, in 1981, Latin America

<sup>2</sup>These rates refer to the weighted average of the unemployment rates of the four main cities of Argentina and Colombia, the six largest cities of Brazil, the three largest cities of Mexico, and the capitals of Costa Rica, Chile, Paraguay and Uruguay. If the Brazilian cities on which unemployment statistics are available only as from 1980 are excluded, the level of and the increase in unemployment rates will be lower.

Table 13  
LATIN AMERICA: MAIN ECONOMIC INDICATORS<sup>a</sup>

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 <sup>b</sup>
<b>Basic economic indicators</b>										
Domestic product at market prices (billions of dollars at 1970 prices)	219	237	254	264	278	292	307	327	346	351
Population (millions)	280	288	295	303	311	319	327	335	343	352
Per capita gross domestic product (dollars at 1970 prices)	782	825	861	871	896	915	939	975	1 008	998
<b>Growth rates</b>										
<b>Short-term economic indicators</b>										
Gross domestic product	7.0	8.3	7.0	3.8	5.4	4.8	5.1	6.5	5.9	1.7
Per capita gross domestic product	4.3	5.6	4.3	1.2	2.8	2.2	2.5	3.9	3.3	-1.0
Urban unemployment rate <sup>c,d</sup>	...	...	...	...	7.7	7.4	6.8	6.0	5.7	5.9
									5.9 <sup>e</sup>	6.5 <sup>e</sup>
Consumer prices <sup>f</sup>	20.9	36.3	40.0	57.6	61.5	40.4	38.2	53.8	56.2	57.2
Terms of trade (goods and services)	2.2	10.9	14.2	-10.5	2.6	2.8	-7.6	5.0	5.3	-5.1
Current value of exports of goods and services	15.5	38.9	52.1	-4.8	13.7	17.6	10.1	32.8	28.9	7.9
Current value of imports of goods and services	12.5	28.5	61.9	8.6	3.9	14.4	16.6	26.3	31.8	7.9
<b>Billions of dollars</b>										
<b>External sector</b>										
Exports of goods and services	22.0	30.5	46.4	44.2	50.3	59.1	65.1	86.4	111.4	120.2
Imports of goods and services	23.4	30.0	48.6	52.8	54.9	62.8	72.3	92.4	121.8	131.5
Trade balance (goods and services)	-1.4	0.5	-2.2	-8.6	-4.6	-3.7	-8.1	-6.0	-10.4	-11.3
Net payments of profits and interest	-3.3	-4.4	-5.3	-5.7	-7.2	-8.4	-10.7	-14.3	-18.4	27.4
Balance on current account	-4.4	-3.6	-7.3	-14.1	-11.3	-11.6	-18.4	-19.8	-28.7	-38.8
Balance-of-payments position	3.0	4.6	4.4	0.6	4.4	4.7	10.3	6.4	-1.5	0.5
Official international reserves <sup>g</sup>	10.1	15.5	21.6	21.3	24.0	29.5	38.5	48.8	56.7	51.5
Balance of disbursed external debt										
Public external debt <sup>h</sup>	21.1	27.0	36.0	44.1	57.0	71.6	92.9	110.1	123.6	149.8
Gross global external debt <sup>i</sup>	...	42.3 <sup>h</sup>	...	69.1	89.5	104.6	133.4	167.3	205.3	257.0
Net global external debt <sup>i</sup>	...	26.9 <sup>h</sup>	...	47.9	65.6	75.2	95.2	118.8	148.9	205.8

Source: CEPAL, on the basis of official figures.

<sup>a</sup>The figures for the product, population and income relate to the group of 21 countries included in table 14, except Cuba and Jamaica. The figures for prices relate to the group of countries made up of those 19 countries plus Barbados, Guyana, Jamaica and Trinidad and Tobago. The figures for the external sector refer to those 23 countries plus Suriname, except in the case of the data on the global and external debt, which exclude Barbados, Bahamas and Panama.

<sup>b</sup>Preliminary figures.

<sup>c</sup>Percentages.

<sup>d</sup>Weighted average rate for Buenos Aires, Córdoba, Mendoza, Rosario; Bogotá, Barranquilla, Medellín, Cali; Mexico City, Guadalajara, Monterrey; San José, Costa Rica; Santiago, Chile; Asunción, Paraguay; Lima, Peru; Montevideo, Uruguay.

<sup>e</sup>Weighted average rate for the cities mentioned in <sup>d</sup> plus Rio de Janeiro, Sao Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife.

<sup>f</sup>Variation from December to December.

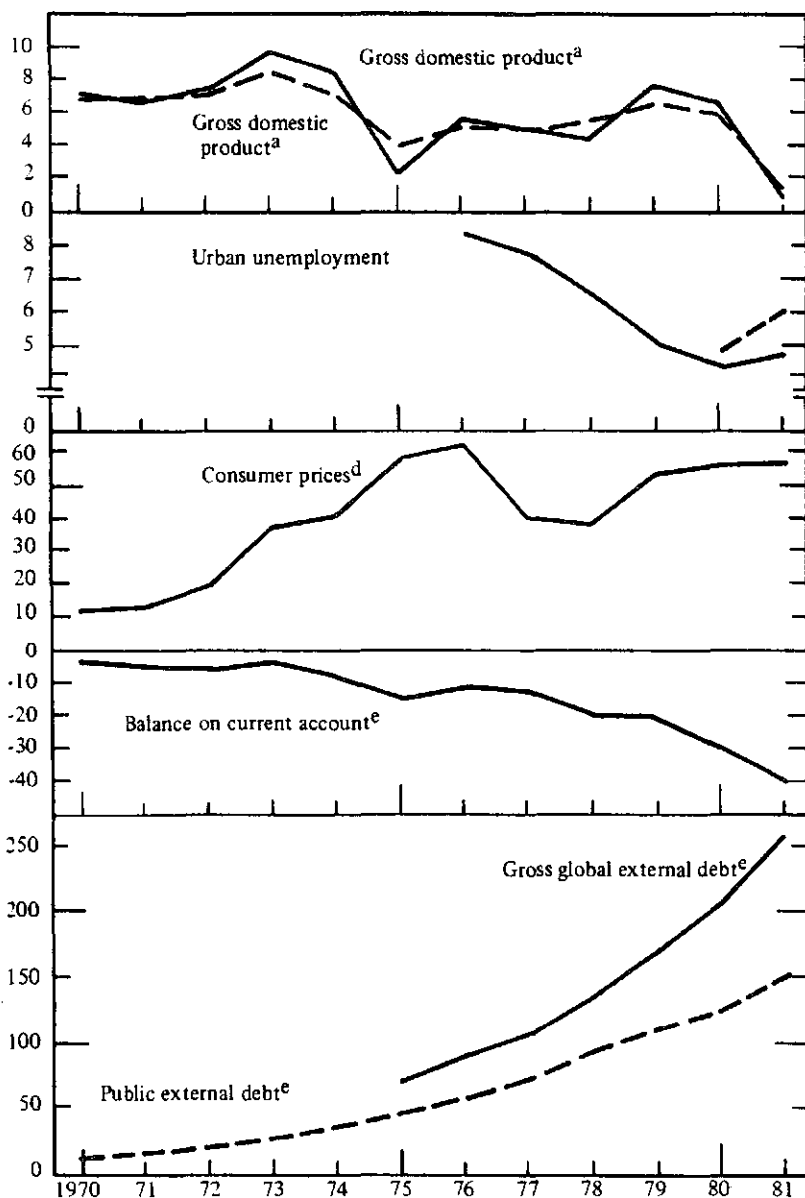
<sup>g</sup>Plus monetary gold valued at fine ounce prices in London less the use of International Monetary Fund credit.

<sup>h</sup>External debt with a term of more than one year corresponding to public bodies or guaranteed by them.

<sup>i</sup>Disbursed public external debt plus non-guaranteed debt with financial institutions reporting data to the Bank for International Settlements.

<sup>j</sup>Gross globalexternal debt less official international reserves.

Figure 4  
LATIN AMERICA: MAIN ECONOMIC INDICATORS



Source: CEPAL, on the basis of official data. <sup>a</sup>Annual growth rates. <sup>b</sup>Annual average weighted rate in Buenos Aires, Córdoba, Mendoza, Rosario; Bogotá, Barranquilla, Medellín, Cali; Mexico City, Guadalajara, Monterrey; San José (Costa Rica); Santiago (Chile); Asunción (Paraguay); Lima (Peru); Montevideo (Uruguay). <sup>c</sup>Average annual weighted rate for cities referred to in footnote <sup>b</sup>, plus Rio de Janeiro, Sao Paulo, Belo Horizonte, Puerto Alegre, Salvador and Recife. <sup>d</sup>Weighted December-December percentage variation. <sup>e</sup>Billions of US dollars.

again increased its share in world trade, as it had already done during the five preceding years, and thus continued to recover part of the ground it had lost during the period 1965-1975.<sup>3</sup>

Despite the above, and also despite the efforts made by many countries to control the growth of imports, the volume of which only rose by a little over 2% after having risen by nearly 13% in 1980, the deficit on the balance-of-payments current account increased by US\$ 10 billion and rose to nearly US\$ 39 billion, thus doubling the amount of only two years before. In such circumstances, there was also a marked rise in the ratio between the current account deficit and the value of exports of goods and services. This ratio, which during the previous five-year period had ranged from 20% to 28%, rose to 33% in 1981, thus slightly exceeding the record set in 1975, at the culmination of the international crisis of the mid-1970s. The coefficient was, of course, much higher (46%) in the non-oil-exporting countries, in which it was equivalent to the average for 1974-1975, when they had had to deal with the effects of the first sharp rise in the international price of hydrocarbons.

The main cause for this accentuation of the external disequilibrium was the enormous increase in net payments for profits and interest, which rose from US\$ 18 to 27 billion, as a result of the increase in the external debt and the increase in the interest rate on the international financial markets.

Nevertheless, contrary to what happened in 1980, when net capital income was lower than the negative current account balance and the balance of payments closed with a deficit, in 1981 the region had a slight surplus of US\$ 450 million on the balance of payments. This turnaround was entirely due to the remarkable increase in the net flow of loans and investments to Latin America, which rose from US\$ 27 billion in 1980 to 39 billion in 1981.

Naturally, this greater attraction of financial resources went hand in hand with a rise in the external indebtedness. The gross global disbursed external debt of Latin America rose from 205 billion dollars at the end of 1980 to 257 billion at the end of 1981. Thus, the debt almost doubled over the last three years, as it had as well during the triennium 1975-1981 (see table 13).

In addition, contrary to what happened in both 1979 and 1980, in 1981 the rate of growth of the external debt was considerably higher than that of the value of exports of goods and services. Hence, the ratio between the debt and exports, after declining in the two previous years, rose sharply in 1981, to an unprecedented figure of nearly 2.2. This rise was particularly serious during a period when the average term of the external debt was shortening and the interest rates were rising considerably on the international market.<sup>4</sup>

### III. ECONOMIC GROWTH

#### 1. The growth rate

As has been mentioned above, in 1981 the economic growth rate of Latin America dropped sharply. After rising from 6.5% in 1979 and almost 6% in 1980, the gross domestic product only rose by 1.7% in 1981 (see table 14). In addition to being the lowest recorded since 1945, this rate was also lower than the population growth rate. Consequently, the per capita gross domestic product declined slightly in 1981; this had not happened since 1959.

<sup>3</sup>During this period, the share of world exports represented by external sales of Latin America declined from 7.4% in 1961 to only 4.2% in 1975. Thanks to the subsequent recovery, this share rose to almost 5.5% in 1981.

<sup>4</sup>Although the value of exports is only one partial indicator of an economy's purchasing power, since, among other things, this is greater in countries where the export coefficient is lower, a debt-export coefficient as high as the one recorded in Latin America in 1981 gives rise to concern. If, for example, it is assumed: (a) that the external debt is twice as high as the value of exports; (b) that the average term of the debt is 10 years, and (c) that the average interest rate is 15%, amortization payments will absorb 20% of exports, whereas interest payments will represent an additional 30% of exports. In other words, given the assumed values - which appear reasonable in the light of recent experience in the region - the service of the external debt alone would absorb half the value of exports.

Table 14

## LATIN AMERICA: EVOLUTION OF THE GLOBAL GROSS DOMESTIC PRODUCT

(Growth rates)

	1970- 1974	1975	1976	1977	1978	1979	1980	1981
Latin America <sup>b</sup>	7.1	3.8	5.4	4.8	5.1	6.5	5.9	1.7
Argentina	4.1	-0.8	-0.5	6.4	-3.4	7.1	1.4	-6.1
Bolivia	5.5	6.6	6.1	4.2	3.4	1.8	0.6	-0.6
Brazil	11.5	5.7	9.0	4.7	6.0	6.4	8.0	-1.9
Colombia	6.9	4.3	4.2	4.8	9.0	4.9	4.2	2.5
Costa Rica	7.1	2.1	5.5	8.9	6.3	4.9	0.6	-3.6
Cuba <sup>c</sup>	8.7 <sup>d</sup>	12.3	3.5	3.1	8.2	1.9	2.4	11.7
Chile	0.9	-12.9	3.5	9.9	8.2	8.3	7.5	5.3
Ecuador	11.5	5.6	9.2	6.5	6.6	5.1	4.8	4.3
El Salvador	4.9	5.6	4.0	5.9	4.4	-1.6	-9.0	-9.5
Guatemala	6.4	1.9	7.4	7.8	5.0	4.7	3.5	1.0
Haiti	4.7	2.2	5.3	1.3	4.4	4.7	5.7	-3.0
Honduras	3.5	-2.0	7.0	5.8	7.3	6.7	1.6	-0.4
Jamaica	4.9	-2.6	-8.3	-2.0	-1.7	-1.5	-5.4	2.0
Mexico	6.8	5.6	4.2	3.4	8.1	9.2	8.3	8.1
Nicaragua	5.3	2.2	5.0	6.3	-7.2	-25.5	10.0	8.9
Panama	5.2	0.6	-1.1	1.6	4.1	5.7	4.9	4.5
Paraguay	6.4	6.3	7.0	12.8	10.9	10.7	11.4	8.5
Peru	4.8	4.5	2.0	-0.1	-0.5	4.1	3.8	3.9
Dominican Republic	10.1	5.2	6.7	5.0	2.2	4.8	5.6	3.5
Uruguay	1.3	4.8	4.2	1.8	6.2	8.7	3.7	-0.7
Venezuela	5.2	5.9	8.4	6.8	3.2	0.9	-1.2	0.6

Source: CEPAL, on the basis of official figures.

<sup>a</sup> Preliminary estimates.<sup>b</sup> Average, excluding Cuba and Jamaica.<sup>c</sup> Growth refers to the growth of the material product, which is equivalent to the gross value of agricultural production, mining, manufacturing, construction and electric power.<sup>d</sup> 1971-1974.

In addition to being pronounced, the loss of economic dynamism was a generalized phenomenon. The growth rate of the gross domestic product dropped in 16 of the 20 countries under consideration, whereas the per capita product dropped in absolute terms in 10 of them (see table 15).

Because of the relative importance of Argentina and even more so of Brazil on the total product of Latin America, the slowdown of economic activity in these two countries had a considerable effect on the decline in the growth rate of the region.

In Brazil, which by itself generates around one-third of the total product of Latin America, economic activity declined by almost 2%, after having increased by 8% in 1980. This decline, the first to occur in Brazil in the last 40 years, was basically a reflection of the drop of around 6.5% in manufacturing, which was in turn affected by the restrictive measures adopted in late 1980 for the twofold purpose of reducing both the heavy deficit on the balance-of-payments current account and the sharp inflationary process recorded during that year. As was to be expected, the decline in economic activity was also particularly evident with respect to gross fixed capital formation, which dropped by 7.5%, and construction, which dropped by over 4%.

The contraction of economic activity was much more pronounced (-6%) in Argentina, where over one-tenth of the overall production of the region originates. As in Brazil, the sectors suffering

Table 15

**LATIN AMERICA: EVOLUTION OF THE PER CAPITA GROSS  
DOMESTIC PRODUCT AT MARKET PRICES**

	Dollars at 1970 prices			Growth rates <sup>a</sup>				
	1970	1975	1981 <sup>a</sup>	1970- 1974	1975- 1978	1979	1980	1981 <sup>a</sup>
Latin America	720	871	998	4.5	2.2	3.9	3.3	-1.0
Argentina	1 256	1 353	1 310	2.7	-0.9	5.8	0.2	-7.2
Bolivia	317	372	370	3.0	2.4	-0.8	-2.0	-3.2
Brazil	528	777	916	8.6	3.7	3.9	5.5	-4.2
Colombia	587	708	833	4.3	3.3	2.9	1.8	0.3
Costa Rica	740	875	943	4.4	3.2	2.5	-1.7	-5.9
Chile	967	794	1 081	-0.8	.	6.5	5.7	3.5
Ecuador	420	622	738	9.3	3.8	1.9	1.6	1.1
El Salvador	422	476	376	1.8	2.4	-4.3	-12.2	-12.1
Guatemala	439	494	549	3.1	2.3	1.6	0.4	-1.9
Haiti	123	135	139	2.4	0.9	2.2	2.7	-5.4
Honduras	313	296	327	0.5	1.8	2.9	-1.0	-3.8
Mexico	977	1 143	1 426	3.4	2.2	6.0	5.2	5.0
Nicaragua	431	480	364	2.1	-1.8	-27.9	6.4	5.4
Panama	940	1 043	1 164	3.3	-0.2	4.5	2.5	1.2
Paraguay	383	452	665	3.2	5.6	7.1	7.9	5.2
Peru	646	707	684	2.0	-1.2	1.3	1.0	1.1
Dominican Republic	378	503	565	6.9	2.0	2.2	3.0	0.9
Uruguay	1 097	1 164	1 443	1.1	4.0	8.1	3.0	-1.3
Venezuela	1 205	1 278	1 243	1.7	2.4	-2.5	-4.5	-2.7

Source: CEPAL, on the basis of official information.

<sup>a</sup>Preliminary estimates.

the most serious declines were construction, which dropped by 6%; trade, which dropped by 9.5%; and, above all, the manufacturing industry, which suffered a decline of 16%. Industrial production thus dropped below the level attained at the beginning of the 1970s. As a result of the decrease in the product in 1981 and of the slow and irregular evolution of the Argentine economy during the second half of the 1970s, the per capita product decreased to a level similar to that of 1972.

During 1981, the rate of economic growth also declined in all the Central American countries, in most of which social conflicts and political tensions continued or increased, with the resulting accentuation of economic uncertainty.

The deterioration was especially marked in El Salvador, where the gross domestic product declined by 9.5%, after having dropped by 9% in 1980. Because of these drops and of the slight decline of overall economic activity in 1979, the per capita product was 25% lower in 1981 than in 1978 and was also lower than it had been 20 years earlier.

Economic activity also declined, although to a much lesser extent, in Costa Rica (-3.6%) and Honduras (-0.4%) and virtually came to a standstill in Guatemala; thus, the per capita product decreased in the three countries. In the case of Costa Rica, the economic contraction was also accompanied by a marked deterioration of the terms of trade, a very violent acceleration of the inflationary process, a considerable drop in real salaries and a large increase in the unemployment rate, all of which worked together to create the most serious crisis suffered by the economy of that country since the Great Depression of the 1930s.

Thus, of the Central American countries, only Nicaragua experienced a considerable increase of economic activity, with the product rising by 9%, after having risen by 10% in 1980. However,

because of the large decline of around 33% in economic activity during the biennium 1978-1979 as a result of the destruction and upset caused by the civil conflict which ended in mid-1979, the level of the gross domestic product was still almost 20% lower in 1981 than in 1977.

Moreover, in 1981 the loss of dynamism which had been noted since 1975 in the Bolivian economy was accentuated, the stagnation of the Venezuelan economy continued for the third year in a row, and the domestic product of Uruguay dropped slightly.

In Uruguay, where economic growth had been very rapid in both 1978 and 1979, but where the growth rate had already slowed down considerably in 1980, the drop in the product in 1981 was due partly to the negative impact of external factors (such as the deterioration in the terms of trade and the slowdown of economic activity in Argentina and Brazil, which play a key role in the foreign trade and tourism income of Uruguay and whose currencies were sharply devalued in 1981), and partly to the effect of the overvaluation of the peso, the real contraction of the amount of money and the high interest rates brought about by the stabilization policy.

The measures taken to reduce the rate of increase of prices also had a decisive influence on the very weak growth of economic activity in Venezuela. Because of the large deficit on the balance-of-payments current account in 1978 and the sharp acceleration of the inflationary process which occurred in 1979, the economic authorities began in 1980 to apply certain restrictive policies, both in the monetary field and in the fiscal sector. While these measures did gradually attenuate the rate of increase of prices, they also contributed to a reduction in the growth rate of the manufacturing industry and caused sharp drops in the construction sector and in commercial activity (see table 16). As a result of this and of the decline in oil production brought about by compliance with OPEC agreements, the gross domestic product, after having stagnated during the biennium 1979-1980, rose by only 0.6% in 1981. This increase was not sufficient, however, to prevent the per capita product from dropping, as it had during the three preceding years; consequently, the per capita product was almost 10% lower in 1981 than in 1977.

Among the countries whose growth rate was higher than the regional average were Colombia, where economic activity increased by 2.5%; Panama and the Dominican Republic, where it rose by about 3.5%; Peru, 4%; and Ecuador, where it was slightly over 4%, and Chile, 5.3%.

In Ecuador and especially in Colombia, the growth rates reached in 1981 represented a continuation of a slowdown which had begun to be evident in 1979. In both countries, the growth of economic activity in 1981 was also the lowest recorded in many years—15 years in the case of Ecuador and a quarter of a century in the case of Colombia. Finally, since in both countries the decline in the growth rate went hand in hand with a deterioration of the terms of trade, per capita income was reduced in absolute terms, after having risen sharply in Colombia during the boom in international coffee prices from 1976 to 1979, and after having risen even more sharply and steadily in Ecuador, as a result of the rapid growth of economic activity and the sharp rises in the international price of oil throughout the 1970s.

The increase of somewhat over 5% in the gross domestic product of Chile in 1981 also represented a considerable reduction with respect to the economic growth rate achieved in previous years. After having recovered in 1977 the level attained before the drastic contraction of 1975, economic activity had grown at an average rate of around 8% during the ensuing three years. This impetus continued, although with less force, up to the first half of 1981, but the trend was drastically reversed during the second half of the year, when industrial production began to drop, construction starts were virtually at a standstill and the unemployment rate rose abruptly.

In Peru, on the other hand, the 4% increase in economic activity represented the continuation of the moderate growth rate which had begun in 1979, after the recession suffered by the economy between 1976 and 1978. This growth was stimulated by the notable rise in fixed capital formation—which increased by 18% in 1981, after having risen by 45% in 1980—and was supported by the heavy expansion (11%) of the agricultural sector and the marked dynamism shown for the second year in a row by the construction industry (see table 16). Nevertheless, because of the effect of the economic contraction of 1976-1978 and the rapid growth of the population, the per capita product did not recover even in 1981 the level achieved in 1975.

Table 16

## LATIN AMERICA: EVOLUTION OF THE MAIN ECONOMIC SECTORS

(Growth rates)

	Agriculture			Mining and quarrying			Manufacturing			Construction		
	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>
Latin America	2.4	2.7	4.8	9.6	7.3	5.0	7.8	5.3	-2.0	4.7	8.0	1.5
Argentina	4.1	-5.9	3.1	6.4	5.6	-	10.2	-3.8	-16.0	2.7	13.2	-6.0
Bolivia	2.9	2.0	2.0	-8.3	-2.0	-1.3	2.8	-1.0	-3.0	-1.1	-5.0	-6.9
Brazil	5.0	6.3	6.8	10.0	12.6	0.2	6.7	7.6	-6.4	3.5	7.8	-4.2
Colombia	4.1	2.5	3.2	-0.6	14.2	4.0	4.2	2.3	-1.0	-9.8	8.0	8.0
Costa Rica	0.5	-0.8	2.3				2.7 <sup>e</sup>	0.8 <sup>e</sup>	-1.1 <sup>c</sup>	19.3	-9.4	-21.5
Chile	6.2	2.2	3.0	5.4	5.9	3.6	7.9	6.2	2.6	23.9	25.7	16.2
Ecuador	3.6	5.2	4.0	7.5	9.0	5.5	7.6	6.4	6.6	-1.1	1.7	1.1
El Salvador	1.5	-5.9	-4.3	2.8	2.7	-2.6	-2.9	-15.5	-17.4	-14.4	-34.1	-7.9
Guatemala	2.8	1.8	1.2	78.3	53.7	-10.3	5.6	6.0	-1.0	6.5	0.2	4.9
Haiti	2.0	5.1	-5.1	-14.4	-15.1	-46.5	14.9	7.2	-1.2	13.4	5.7	4.8
Honduras	7.5	-2.8	1.0	3.9	3.3	-	3.5	5.6	2.5	8.0	-2.9	-9.2
Mexico	-2.1	7.1	6.4	14.7	22.0	16.2	10.6	7.2	7.5	13.0	12.3	11.5
Nicaragua	-14.	-10.0	14.3	-53.3	49.1	5.9	-26.4	22.4	2.7	-74.2	117.2	34.8
Panama	-3.5	1.1	-1.2	7.1	6.7	-3.1	17.0	4.0	-2.3	7.9	12.9	-7.0
Paraguay	6.7	9.2	6.7	42.1	26.0	15.0	7.7	12.6	8.0	30.0	26.0	16.2
Peru	4.5	-5.6	10.7	9.1	0.4	-4.1	4.3	5.7	1.8	4.6	18.8	11.1
Dominican Republic	1.1	-0.9	6.9	28.2	-14.8	6.2	4.6	5.0	2.1	5.2	7.1	0.8
Uruguay	5.9	10.8	-0.2	7.9	2.6	-9.5	10.2	2.6	-2.9	16.3	6.0	-2.4
Venezuela	3.7	3.1	0.4	8.6	-7.0	-3.0	4.2	2.7	0.3	-9.8	-15.3	-2.8

Source: CEPAL, on the basis of official statistics.

<sup>a</sup>Preliminary figures.<sup>b</sup>Includes agriculture, mining and quarrying, manufacturing and construction.<sup>c</sup>Includes electricity, gas and water, and transport and communications.<sup>d</sup>Includes commerce, restaurants and hotels; financial establishments, insurance and real estate, community, social and personal services.<sup>e</sup>Mining and quarrying are included in manufacturing.

Thus, of the 20 countries included in table 14, the economic growth rate was very high only in Cuba, Mexico and Paraguay.

In Mexico, the gross domestic product rose by somewhat over 8%, thus extending for the fourth year in a row the phase of great dynamism which began in 1978. As in the three preceding years, the main cause of the economic growth was the vigorous growth of oil production and exports. Whereas drilling for crude oil rose by 19%, doubling the volume of nearly three years before, physical exports of oil rose by 33%, tripling over the brief period of three years, and the value of exports of hydrocarbons rose by 40%, to a total of around US\$ 14 500 million, a figure which is 700% higher than that recorded in 1978. The remarkable growth of the petroleum sector was accompanied by a considerable expansion of practically all other activities. Nevertheless, as had been the case in previous years, the rise of domestic demand was much higher than that of the product, and thus led to a very sharp increase in the volume of imports, a considerable deficit on the balance-of-payments current account and a sharpening of inflationary pressures.

In Paraguay —which since the mid-1970s has had the most dynamic economy of the region—the domestic product increased by 8.5%. This rate, although much lower than that achieved during the previous four-year period —when the product rose at an exceptional rate of nearly 11.5% per



year— was close to the rate of somewhat over 9% recorded throughout the period of strong growth which began in 1973. As in previous years, the main factor behind this dynamic growth was the construction sector, although the 16% increase in this industry in 1981 was equivalent to only half the average growth rate for the preceding four years. As a result of the rapid growth of the construction sector and despite the fact that in 1981, investment in machinery and equipment declined by 5%, gross fixed capital formation rose by somewhat over 9% and represented almost 35% of the product.

Finally, in 1981 there was a rapid growth of economic activity in Cuba. The material product<sup>3</sup> rose by around 12%, after having increased slowly in 1980. Although practically all sectors grew rapidly, this acceleration of the growth rate was particularly due to the considerable growth of sugar cane agriculture (14%) and construction (16%) —both of which had contracted slightly in 1980— and the considerable growth of the manufacturing industry (12%). The most important general cause of this growth was the notable improvement in the organization and efficiency of many economic activities, which led to a marked increase in productivity.

## 2. Total supply and demand

After having risen at an average rate of nearly 5.5% in 1977 and 1978 and having expanded at a rate of nearly 7% in 1979 and 1980, the total supply increased by less than 2% in 1981. This abrupt decline in the growth rate of the total supply reflected the much slower growth in 1981 of the gross domestic product and the even sharper reduction of the increase in the volume of imports. The latter, which between 1977 and 1978 rose at a very high rate of nearly 10% and in 1980 rose by 13.5%, increased by only a little over 3% in 1981 (see table 17). This slowing of the increase in the volume of imports was due especially to the adjustment policies implemented in 1981 in many non-oil-exporting countries, as a result of which real imports of goods and services declined by almost 6% in such countries. This decline contrasted sharply with the trend as regards the volume of imports in the two preceding years, when they increased at an average rate of over 13%. Nevertheless, since the rate of increase of the volume of imports was once again higher than that

Table 17

### LATIN AMERICA: TOTAL SUPPLY AND DEMAND

(Growth rates)<sup>a</sup>

	1970- 1974	1975	1976	1977	1978	1979	1980	1981 <sup>b</sup>
<b>Total supply</b>	7.6	3.4	4.9	5.2	5.6	6.9	6.7	1.7
Gross domestic product	7.2	3.8	5.5	4.8	5.1	6.5	5.9	1.5
Imports of goods and services	11.3	-0.5	-0.4	9.1	10.0	10.6	13.4	3.1
<b>Total demand</b>	7.6	3.4	4.9	5.2	5.6	6.9	6.7	1.7
Domestic demand	7.9	3.8	4.8	4.9	5.1	6.6	6.8	1.1
Gross fixed investment	8.7	10.2	4.8	4.1	6.3	5.6	8.3	0.6
Total consumption <sup>c</sup>	7.7	2.1	4.7	5.1	4.8	6.9	6.4	1.3
Export of goods and services	4.1	-1.7	7.2	9.4	11.3	10.8	5.3	8.5

Source: CEPAL, on the basis of official statistics.

<sup>a</sup> Estimated on the basis of constant values of 1970 prices.

<sup>b</sup> Preliminary figures.

<sup>c</sup> Includes change in stocks.

<sup>3</sup> This is equivalent to the sum of the values of gross production of the agricultural, mining, manufacturing, construction and electric power sectors.

Table 18

**LATIN AMERICA: RELATIVE SHARES OF THE COMPONENTS  
OF EXPENDITURE AND OF IMPORTS IN THE  
GROSS DOMESTIC PRODUCT**

(Percentages)

	Total consumption <sup>a</sup>	Gross fixed Investment	Exports	Imports
1970	80.3	19.9	9.0	9.2
1971	80.3	20.2	8.6	9.0
1972	80.1	20.3	8.6	9.0
1973	80.1	20.6	8.7	9.4
1974	81.4	21.2	8.2	10.8
1975	80.1	22.6	7.7	10.4
1976	79.5	22.4	7.9	9.8
1977	79.7	22.3	8.2	10.2
1978	79.5	22.5	8.7	10.7
1979	79.7	22.3	9.0	11.1
1980	80.0	22.8	9.0	11.8
1981 <sup>b</sup>	79.8	22.6	9.6	12.0

Source: CEPAL, on the basis of official statistics.

<sup>a</sup>Includes changes in stocks.

<sup>b</sup>Preliminary figures.

of the product, the import coefficient rose for the fifth year in a row, reaching the highest levels since 1960 (see table 18).

By contrast with the much slower increase in 1981 of the volume of imports, the volume of exports rose by 8.5%, thus amply surpassing the growth of the previous year. Thus, the intense and sustained growth of real exports continued for the sixth year in a row and the upward trend in the export coefficient which had begun in 1976 also continued.

As in the case of imports, the acceleration of the growth of exports was heavily influenced by the evolution of external sales of the non-oil-exporting countries. The volume of such sales rose at the unprecedented rate of 11.5%, thanks especially to the particularly sharp growth, for the fourth year in a row, of the volume of exports from Brazil and to their recovery in Argentina, Costa Rica, Nicaragua, and the Dominican Republic.

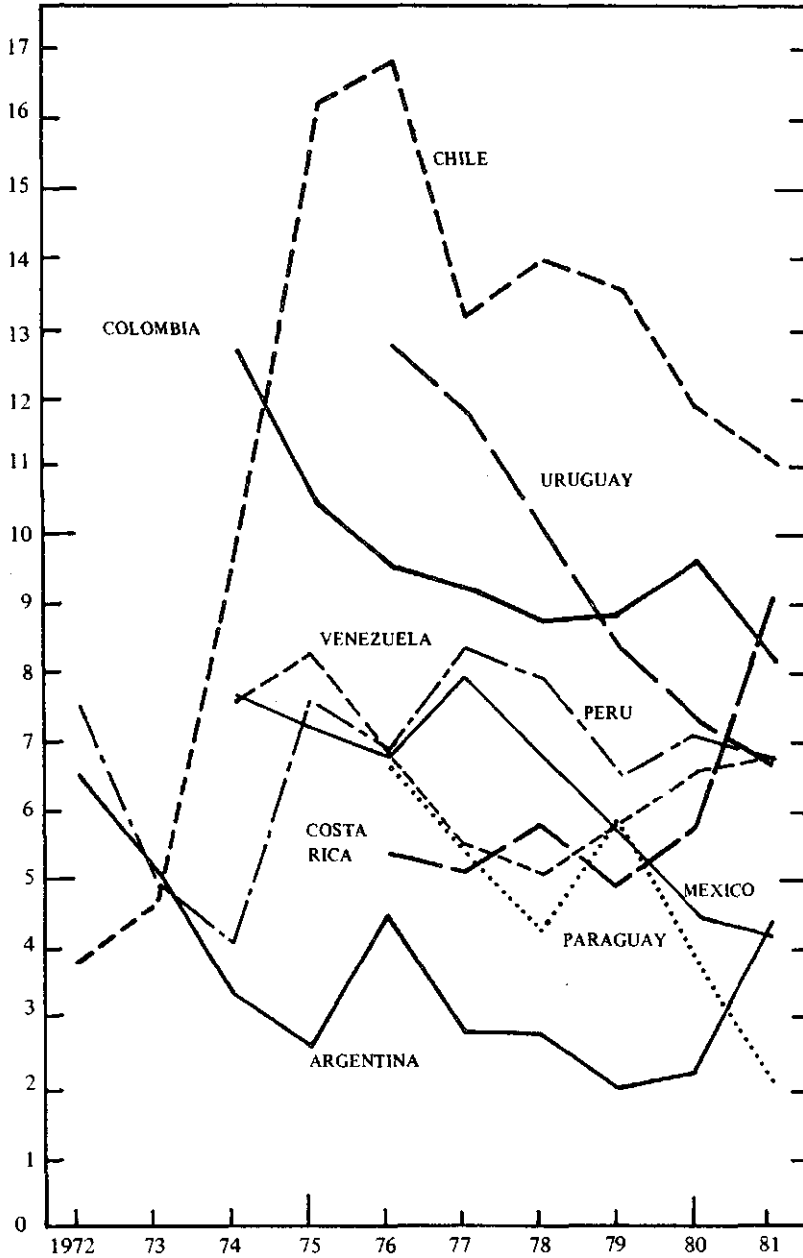
On the other hand, there was an almost total stagnation of gross fixed capital formation in 1981, after three years of satisfactory growth. The same thing happened, although more moderately, with respect to consumption, which after having grown at an average rate of over 6.5% during the two preceding years, rose barely over 1% in 1981. Thus, per capita consumption dropped for the first time since 1975.

#### IV. EMPLOYMENT AND UNEMPLOYMENT

In general, the unfavourable evolution of the majority of Latin American economies in 1981 had a negative impact on the employment situation. However, owing to the substantial differences in the structure and growth rate of the labour force and in the facilities of the labour markets, the effects on the employment situation varied considerably in the different countries.<sup>6</sup>

<sup>6</sup>Before analysing the evolution of the employment situation in 1981, it is necessary to bear in mind some structural aspects which, in spite of the differences, are to a greater or lesser extent, characteristic of the employment situation in the region. In the first place, it is important to note that although manpower in Latin America has grown during the past decade at an unprecedented rate, enough jobs have been created in the various sectors to avoid sizeable increases in the rate of open unemployment (see figure 5). On the other hand, this has been possible partly because labour has been absorbed—to a significant degree in many cases—by both the urban and the rural informal sectors, one of the dominant

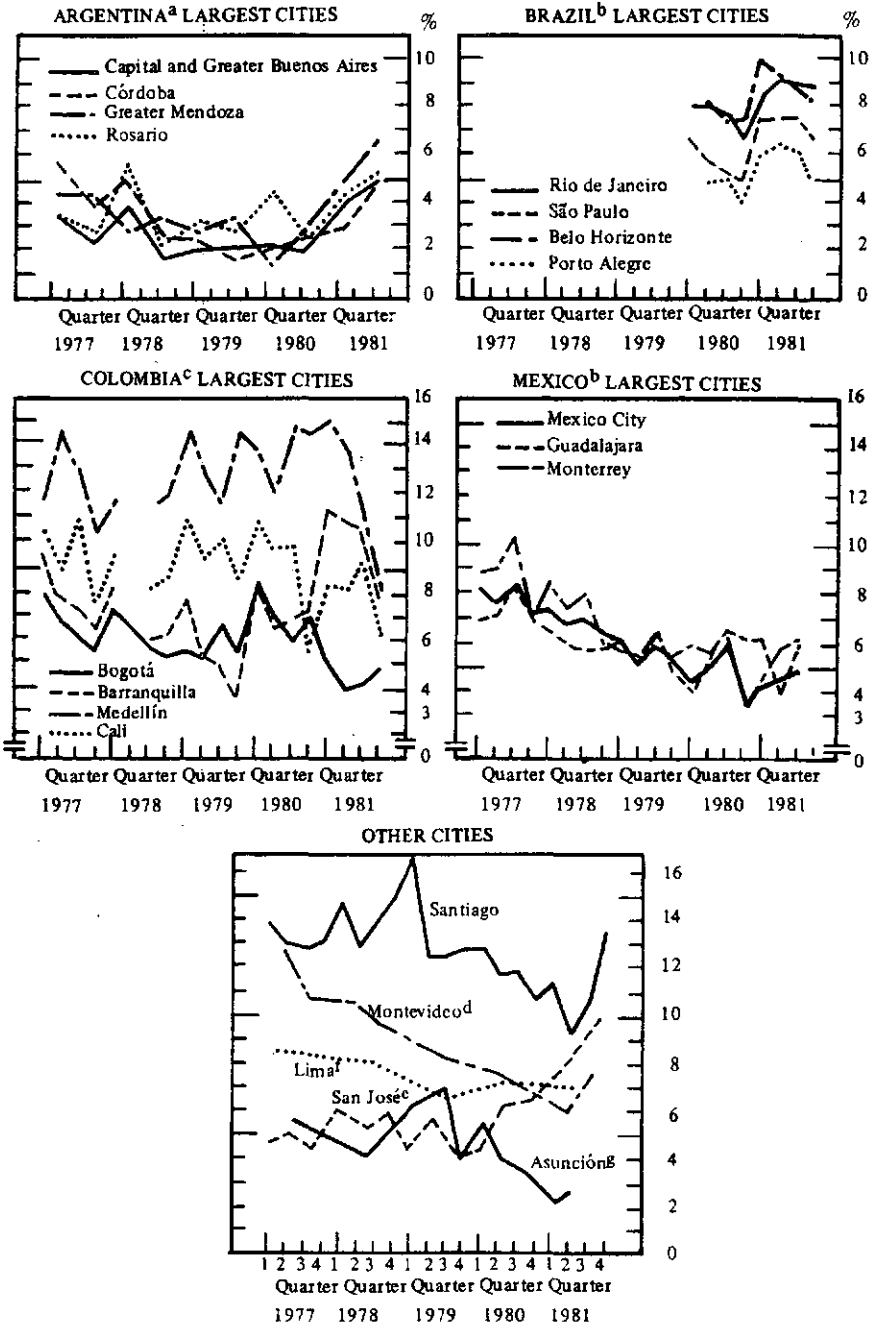
Figure 5  
**LATIN AMERICA: EVOLUTION OF THE RATE OR URBAN UNEMPLOYMENT**  
*(Annual averages)*



Source: Table 19.

Figure 6

LATIN AMERICA: EVOLUTION OF UNEMPLOYMENT IN LARGEST CITIES (1977-1981)  
(Rates of unemployment)



<sup>a</sup>Figures for April and October. <sup>b</sup>Quarterly averages. <sup>c</sup>Figures for March, June, September and December. <sup>d</sup>Biannual averages. <sup>e</sup>Figures from March, July and November. <sup>f</sup>1977, average for March and June; 1978, average for July and August; 1979, September; 1980, April; 1981, June. <sup>g</sup>1977 and 1978, annual averages; 1979, 1980 and 1981, quarterly figures.

Of the ten countries for which statistical series on urban development are available,<sup>7</sup> four—Argentina, Brazil, Costa Rica and Venezuela— showed deterioration in 1981 to judge by the increase in their respective rates of unemployment. Moreover, although on average unemployment was lower in Chile and Uruguay in 1981 than in 1980, the curve followed by the rate of unemployment during the year showed a decline in both countries in the first half of the year and a sharp rise in the second. The rate of unemployment also fell slightly in Peru and more markedly in Colombia, dropping to very low levels in Mexico and, especially, in Paraguay (see table 19).

Table 19

LATIN AMERICA: EVOLUTION OF URBAN UNEMPLOYMENT

(Average annual rates)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Argentina <sup>a</sup>	6.6	5.3	3.4	2.6	4.5	2.8	2.8	2.0	2.2	4.4
Brazil <sup>b</sup>	...	...	...	...	...	...	...	...	6.3	7.9
Colombia <sup>c</sup>	...	...	12.7	10.6	9.6	9.3	8.8	8.9	9.7	8.2
Costa Rica <sup>d</sup>	...	6.7	...	...	5.4	5.1	5.8	4.9	5.8	9.1
Chile <sup>e</sup>	3.8	4.6	9.7	16.2	16.8	13.2	14.0	13.6	11.8	11.1
Mexico <sup>f</sup>	...	...	7.7	7.2	6.8	8.0	6.9	5.7	4.5	4.2
Paraguay <sup>g</sup>	...	12.0	...	...	6.7	5.4	4.1	5.9	3.9	2.2 <sup>h</sup>
Peru <sup>i</sup>	7.6	5.0	4.1	7.6	6.9	8.4	8.0	6.5	7.1	6.8
Uruguay <sup>j</sup>	7.7 <sup>l</sup>	8.9 <sup>l</sup>	8.1	...	12.8	11.8	10.1	8.4	7.4	6.7
Venezuela <sup>k</sup>	...	...	7.6	8.3	6.8	5.5	5.1	5.8	6.6	6.8

Source: CEPAL, on the basis of official data.

<sup>a</sup>Capital and Greater Buenos Aires.

<sup>b</sup>Average rate for Rio de Janeiro, Sao Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife.

<sup>c</sup>Average for Bogotá, Barranquilla, Medellín and Cali.

<sup>d</sup>Urban total.

<sup>e</sup>Greater Santiago.

<sup>f</sup>Average rate in the metropolitan areas and Mexico City, Guadalajara and Monterrey.

<sup>g</sup>Rate for Asunción, Luque, San Lorenzo and neighbouring towns.

<sup>h</sup>First semester.

<sup>i</sup>Metropolitan Lima, annual averages according to data available each year.

<sup>j</sup>Montevideo.

<sup>k</sup>Urban Total.

In comparative terms, the employment situation deteriorated very markedly in Argentina in that the rate of open unemployment in the Federal Capital and Greater Buenos Aires doubled, rising from an average of 2.2% in 1980 to one of 4.4% in 1981, the rate rising to nearly 5% at the end of the year. The increase in unemployment was even more intense in the main cities in the interior, especially Rosario and Mendoza (see figure 6). Nevertheless, the percentage of the

characteristics of which is the low productivity and small income of the employed labour force. Consequently, in order to evaluate the magnitude of the total under-utilization of labour, consideration must be given not only to open unemployment but also to the existence of significant degrees of underemployment in many Latin American economies. Thus, according to studies made by PREALC, at the beginning of this decade, the under-utilized labour in the region amounted to 23 million integrally under-utilized labourers, 80% of whom fell into the various categories of underemployment while only 20% were in the open-unemployment category.

<sup>7</sup>Unfortunately, in the majority of the countries of the region, no statistical records are kept on unemployment and underemployment in the rural areas or even in the different cities, and, in general, there are no reliable series on the short-term evolution of the absolute level of employment either. These drawbacks are of course extremely prejudicial to the analysis of changes in the employment situation.

unemployed in the labour force was still very low by comparison with that in the other Latin American countries (for which the rate of unemployment was lower in 1981 only in Paraguay), and also in the seven leading OECD economies, in which the rate of open unemployment was, in all cases save Japan, higher than in Argentina.

The unfavourable evolution of the Argentine employment situation reflected to a large extent the negative progress made in 1981 by the basic urban sectors, such as manufacturing, trade and construction, whose levels of activity fell by 16%, 9.5% and 6%, respectively. The substantial drop in industrial production (which came on the heels of a decline of nearly 4% in 1980) resulted in a decrease of nearly 13% in the number of workers employed in the manufacturing sector in 1981 by comparison with the average for 1980. In addition, since industrial employment had already declined appreciably in past years, its average level in 1981 was nearly 23% lower than in 1970 and 35% lower than in 1975.

In Brazil, a country where, as has already been pointed out, the gross domestic product suffered from a moderate decrease, unemployment rose very slightly, but starting from much higher levels. According to the monthly survey of employment carried out in the six main metropolitan regions of the country,<sup>8</sup> the rate of open unemployment rose from an average of 6.3% in 1980 to 7.9% in 1981, bringing the total number of unemployed in those six regions to over 800 000. Very high rates of unemployment were recorded in Belo Horizonte and Salvador (for which the average annual rate of unemployment was 9%) and in Rio de Janeiro and Recife, where it reached 8.6%. On the other hand, the rate of unemployment was much lower (5.8%) in Porto Alegre and less than 8% in Sao Paulo (see table 20). As in Argentina, the increase in unemployment in Brazil was related to the unfavourable performance of urban activities in 1981. Thus, the drop of over 6% in the product of the manufacturing sector was accompanied by a somewhat larger decrease in industrial employment, whose level during the last quarter of the year was nearly 13% lower than during the same period in 1980 and 10% lower than for the final quarter in 1979.

The evolution of the employment situation was even more negative during 1981 in Costa Rica, a country which up to 1979 had managed to absorb the very rapid expansion of its labour force thanks to vigorous and sustained economic growth and to the extraordinary increase in employment in the public sector.<sup>9</sup> However, when economic activity stagnated in 1980 and fell by nearly 4% in 1981, the average rate of unemployment rose sharply from somewhat less than 5% in 1979 to slightly over 9% in 1981. This increase was even more pronounced in San José, a city where the rate of unemployment, after falling to a historic minimum of 2.8% in November 1979, rose persistently in the following two years, attaining the unprecedented figure of 11.7% in November 1981 (see tables 19 and 20 and figure 6).

During 1981 the employment situation in Venezuela also continued to deteriorate although much more gently. Actually, owing to the nearly total stagnation of the gross domestic product since 1979 and the drop of over 25% in the construction sector during the past three years, the rate of open unemployment in the urban centres rose from 5.1% in 1978 to 6.8% in 1981, the highest rate recorded in the past five years.

The evolution of the employment situation was in Chile and Uruguay only seemingly more favourable than in the countries mentioned above; actually, in both countries, the average rate of unemployment continued to decline in 1981, as it had already done in the two preceding years in Chile and since 1977 in Uruguay, but this downward trend was unusually vigorous during the second half of the year (see figure 6).

This downturn was particularly notable in Chile. During the first half of the year the rate of open unemployment in Greater Santiago continued on the downward trend begun at the begin-

<sup>8</sup>The monthly survey of employment carried out by the Brazilian Geographical and Statistical Institute provides data only after 1980.

<sup>9</sup>During the 1970s, the growth rate of the labour force was close to 4% while the gross domestic product grew at an average annual rate of 6.2%. As for employment in the public sector, between 1973 and 1979 it grew at the exceptionally high average annual rate of 13%.

Table 20

**LATIN AMERICA: EVOLUTION OF THE UNEMPLOYMENT RATE  
IN MAJOR CITIES**

	1977	1978	1979	1980	1981	1980				1981			
						I	II	III	IV	I	II	III	IV
<b>Argentina<sup>a</sup></b>													
Capital and Greater Buenos Aires	2.8	2.8	2.0	2.2	4.2	-	2.3	-	2.0	-	3.9	-	4.9
Córdoba	5.0	3.9	2.2	3.5	3.8	-	2.1	-	2.7	-	2.9	-	4.6
Greater Mendoza	4.4	3.2	3.1	2.2	5.8	-	1.4	-	2.9	-	4.8	-	6.7
Rosario	3.1	4.2	2.9	3.4	4.6	-	4.3	-	2.4	-	4.1	-	5.1
<b>Brazil<sup>b</sup></b>													
Río de Janeiro	-	-	-	7.5	8.6	7.9	7.9	7.6	6.6	8.3	8.9	8.8	8.7
Sao Paulo	-	-	-	5.6	7.7	6.7	5.7	5.3	4.9	7.4	7.4	7.5	6.7
elo Horizonte	-	-	-	7.6	9.0	-	8.0	7.4	7.4	9.9	9.4	8.7	7.9
Porto Alegre	-	-	-	4.6	5.8	-	4.7	4.8	4.1	5.9	6.3	6.1	4.9
<b>Colombia<sup>c</sup></b>													
Bogotá	7.6	7.2	6.6	8.0	5.5	9.5	7.8	6.8	8.0	5.9	4.9	5.2	5.8
Barranquilla	8.8	7.7	6.3	8.2	11.2	9.2	7.5	7.8	8.2	12.3	11.8	11.6	9.0
Medellín	13.3	12.7	14.4	14.7	13.1	14.7	12.9	15.7	15.4	15.9	14.9	12.2	9.2
Cali	10.5	9.8	10.7	10.0	8.9	11.7	10.8	10.8	6.6	9.2	9.1	10.1	7.3
<b>Mexico<sup>b</sup></b>													
Mexico City	7.9	6.9	5.7	4.7	4.5 <sup>d</sup>	4.3	5.1	6.0	3.5	4.2	4.5	4.9	-
Guadalajara	7.4	6.0	5.7	5.5	5.4 <sup>d</sup>	4.0	5.4	6.5	6.2	6.2	4.0	5.9	-
Monterrey	9.0	7.8	5.9	5.4	5.5 <sup>d</sup>	6.0	5.6	6.6	3.4	4.5	5.8	6.3	-
San José (Costa Rica) <sup>e</sup>	4.7	5.8	4.6	5.6	8.8	4.3	6.2	-	6.4	7.3	8.4	-	10.7
Santiago (Chile) <sup>f</sup>	13.2	14.0	13.6	11.8	11.1	12.8	11.7	11.8	10.7	11.3	9.0	10.5	13.5
Asunción (Paraguay)	5.4	4.1	5.9	3.9	2.2 <sup>i</sup>	5.3	4.0	3.6	2.8	2.0	2.3	-	-
Lima (Peru) <sup>g</sup>	8.4	8.0	6.5	7.1	6.8	7.1	-	-	-	-	6.8	-	-
Montevideo (Uruguay) <sup>h</sup>	11.8	10.1	8.4	7.3	6.7	-	7.7	-	7.0	-	5.8	-	7.5

Source: CEPAL, on the basis of official data.

<sup>a</sup> Figures for April and October.

<sup>b</sup> Quarterly averages.

<sup>c</sup> Figures for March, June, September and December.

<sup>d</sup> Average for the first three quarters.

<sup>e</sup> Figures for March, July and November.

<sup>f</sup> Figures for March, June, September and December.

<sup>g</sup> 1977, March-June average. 1978, July-August average. 1979, September. 1980, April. 1981, June.

<sup>h</sup> Half-yearly averages.

<sup>i</sup> Average for the first two quarters.

ning of 1979 when economic activity reached the peak of the recovery from its dramatic slump in 1975 and embarked on a stage of strong growth, especially in the construction sector. Because of this, the rate of unemployment in the capital fell from 16.5% in March 1979 to 9% in June 1981, the lowest figure recorded since the beginning of 1974. During the first half of the year there was also a decline in the number of people enrolled in the minimum employment plan, the programme created in 1975 to soften some of the effects of the massive unemployment which the depression of that year had generated. However, when the growth of the economy fell markedly in the middle of 1981 and especially when the construction of nearly all the new buildings begun in the second half of the year was paralyzed, the rate of unemployment in Greater Santiago rose to 10.5% in September and to 13.5% in December. The downturn was even more marked in the cities located immediately south of the capital, where open unemployment was already close to 15% in September, and especially in the urban centres of the central provinces, where 19% of the labour force was out of work that same month.

Although the break in the downward trend of unemployment during the second half of the year was less violent in Uruguay than in Chile, it was noteworthy. Thus, in Montevideo, a city where close to 45% of the country's population is concentrated, the rate of unemployment fell in the first half of 1981 to 5.8%, which is the lowest average since reliable statistical registers began to be kept and represents less than half the rate of nearly 13% recorded at the beginning of 1977. Nevertheless, the downward trend which the rate of unemployment had followed since then was reversed in the second half of the year, during which economic activity and especially the production of manufactures and construction, began to decline.<sup>10</sup> As a result of this, the rate of unemployment rose to 7.5% in the second half of the year, thereby exceeding both the figure recorded in the first half of 1981 and the rate of 7% shown a year previously.

During 1981 the average rates of urban unemployment in Colombia and Peru also fell. In Colombia, the rate of unemployment for all four of the largest cities in the country, which had shown a persistent decline between 1974 and 1978 but a slight rise in the following two years, fell to 8.2% —the lowest rate recorded in the past eight years— in 1981. Although unemployment also fell in Medellín and Cali, it decreased especially markedly in Bogotá, where it dropped from 8% in 1980 to 5.5% in 1981. Barranquilla, on the contrary, was the only main urban centre where the percentage of the labour force which was out of work rose (see table 20). To some extent, the decline in the rates of unemployment was surprising, in that during 1981 the growth rate of the economy fell and industrial production declined slightly. It is, however, possible that the effects of this decline on unemployment were partially outweighed by the impact of the sharp growth in construction for the second year running, by the probable increase in civil service personnel and, above all, by the drop in the rates of participation, which fell markedly in Bogotá, Cali and Medellín —the very three cities in which the drop in unemployment was concentrated, whereas the rate of participation rose in Barranquilla, which, as has been pointed out above, was the only main urban centre in which unemployment was higher.

The decline in open unemployment was considerably less substantial in Peru, for which data are available only for Lima. In this city, the rate of unemployment fell slightly —from 7.1% in the first half of 1980 to 6.8% in the corresponding period of 1981. This advance, which is to some extent attributable to the rapid growth which the construction sector showed, as it had in 1980, was partly counterbalanced by a marginal increase in underemployment. Thus, the share of Lima's labour force which was adequately employed in 1981 remained without variation, at about two-thirds of that shown the preceding year.

Thus, during 1981 the employment situation improved notably only in Mexico and Paraguay, the two economies of the region which achieved the highest and most sustained economic growth in Latin America in the past four years.

It is estimated that in 1981 employment increased by over 5% in Mexico, after having risen by somewhat more than 6% during the preceding year. This meant that in 1981 about one million new jobs were created, of which close to one third were generated in the services; 24%, in agriculture; 20%, in construction and close to 13%, in manufacturing. As a result of the notable expansion of employment, the average rate of open unemployment in the metropolitan areas of Mexico City, Guadalajara and Monterrey, which had fallen persistently from a figure of 8% in 1977 to 4.5% in 1980, dropped to 4.2% in 1981. The rapid growth of employment generated by the vigorous expansion of virtually all the sectors was also reflected in an increase in the imbalances which have occurred in past years between the labour supply and demand structures at various levels of skills. Thus, during 1981 the more pressing need for certain types of specialized labour resulting from the rapid expansion of some modern sector activities could not be easily met with adequately skilled manpower.

However, the most significant advance in employment during 1981 occurred in Paraguay. The rate of open unemployment in Greater Asunción<sup>11</sup> fell from 4.6% in the first half of 1980 to

<sup>10</sup>They fell by 7% and 5%, respectively, in the second half of 1981.

<sup>11</sup>Including, in addition to Asunción, the cities of Luque and San Lorenzo and the towns of Fernando de la Mora and Lambaré.



2.2% in the same period of 1981. The nearly full employment which prevailed in 1981 was reflected in particular in the very low level (0.6%) to which the rate of unemployment of people over 25 years of age fell and also in the shortage of labour in the rural sector during the harvest seasons. This employment situation was due to the continuation of the persistent downward trend shown by the rate of unemployment during the second half of the past decade, as a result primarily of the sustained growth rate shown during this period by all the economic activities and in particular by the construction sector.<sup>12</sup>

## V. THE EXTERNAL SECTOR

### 1. Foreign trade

After showing extraordinary growth in the previous two years, during which it rose at an average rate of 30%, the value of the foreign trade of Latin America increased by 8% in 1981. This meant that for the first time it exceeded US\$ 250 billion, more than doubling the value recorded four years previously, which, in turn, had been double the figure shown in 1973.

#### (a) *Exports of goods*

In 1981 the external sales of goods of Latin America amounted to somewhat more than US\$ 98 billion, exceeding the figure recorded in 1980 by nearly 7% (see table 21). This growth rate, although very much lower than the average rate of close to 32% achieved during the preceding two years, was again much higher than the growth rate of world trade, whose value, as already indicated, fell by 1% in 1980. This came as a continuation of the upward trend in the share of Latin American exports in world exports begun in the middle of the past decade.

However, by contrast with what had happened in 1980, when the increase in exports reflected the widespread progress they made in the large majority of the countries of the region, in 1981 their growth was due primarily to the very rapid expansion of the external sales of Mexico (22%), Brazil (16%) and Argentina (14%), countries which together generated close to half the Latin American exports of goods. During 1981, the exports of the Dominican Republic also continued to grow intensively, their value rising by 23.5% after having increased by over 40% in the preceding two years, and the same was true of the external sales of Uruguay, which rose by 15% after having increased by close to 55% in the period 1979 and 1980 (see table 22).

Conversely, the value of the exports of 13 of the 24 countries considered here declined, which had happened only in El Salvador and Nicaragua the preceding year. The drop in external sales was also particularly marked in Colombia (-24%), Haiti (-20%), El Salvador and Peru (-18%), Chile (-16%), Guatemala (-14%) and Guyana (-11%).

Moreover, the decline in the growth rate of the value of exports occurred in spite of the fact that in 1981 their volume increased sharply. In actual fact, the 10% increase in this variable was not only much higher than the increase in 1980 but was the highest recorded in the past 44 years, with the exception of the slightly higher volumes attained in 1959 and in the 1978-1979 biennium.

This increase (which is all the more striking in that it occurred during a year of total stagnation in the volume of world trade in merchandise) was, however, partially offset by the unfavourable growth in the unit value of exports, which declined by close to 3%, after having risen at a very high average rate of close to 21% during the two preceding years (see table 21).

As has already happened in 1980, although to a lesser extent, both the intensity of the growth of external sales and the factors determining their growth were different in the group made up of the six petroleum-exporting countries and in the other economies of the region. While the value of exports in the former countries rose by 8.6%, thanks to equal rises in their volume and unit value,

<sup>12</sup>Between 1975 and 1980, the gross domestic product increased at an average annual rate of somewhat more than 10%, while the construction sector grew at the phenomenal rate of 28% per annum. This latter figure means that in barely five years, the construction product increased by a coefficient of 3.4.

Table 21

## LATIN AMERICA: VARIATION IN EXPORTS AND IMPORTS OF GOODS

(Growth rates)

	Export			Import		
	Value	Volume	Unit value	Value	Volume	Unit value
<b>Latin America</b>						
1970	9.1	1.1	7.9	14.3	9.6	4.4
1971	3.1	0.9	2.2	11.1	5.9	4.9
1972	16.0	6.5	8.9	13.5	7.2	6.0
1973	42.3	8.0	31.8	31.0	12.0	17.0
1974	57.1	-1.2	59.1	69.7	22.8	38.2
1975	-6.8	-2.9	-4.0	7.4	-1.9	9.5
1976	15.0	7.1	7.4	3.6	0.2	3.4
1977	18.6	7.1	10.7	14.3	10.0	4.0
1978	7.7	11.6	-3.5	13.7	6.0	7.2
1979	33.6	10.6	20.7	25.6	8.2	16.0
1980	29.7	5.7	22.7	32.5	12.6	17.6
1981 <sup>a</sup>	6.9	10.0	-2.7	6.2	2.2	3.9
<b>Oil-exporting countries<sup>b</sup></b>						
1970	8.0	5.0	2.9	10.2	5.3	4.7
1971	15.0	-2.2	17.5	13.8	9.5	3.9
1972	5.1	0.3	4.8	12.6	5.1	7.2
1973	50.1	8.3	38.6	17.9	7.6	9.6
1974	133.8	-8.8	156.2	54.9	34.2	15.4
1975	-18.1	-21.4	4.2	37.0	21.9	12.4
1976	9.5	3.3	6.0	7.8	3.5	4.2
1977	11.9	5.5	6.0	18.6	12.9	5.0
1978	8.1	14.5	-5.6	16.7	9.2	6.9
1979	52.9	14.1	34.0	16.6	5.3	10.7
1980	43.2	5.5	35.7	32.6	14.5	15.8
1981 <sup>a</sup>	8.6	4.2	4.2	17.1	11.3	5.2
<b>Non-oil-exporting countries<sup>c</sup></b>						
1970	9.3	1.2	8.0	15.2	11.6	3.2
1971	-0.4	1.7	-2.1	10.5	5.1	5.2
1972	19.7	8.3	10.5	13.7	7.6	5.7
1973	40.0	7.9	29.8	33.7	12.9	18.5
1974	33.0	0.7	32.0	72.5	20.5	43.1
1975	-0.5	1.4	-1.9	2.4	-7.2	10.4
1976	19.2	8.8	9.6	0.9	-2.5	3.5
1977	23.4	7.8	14.4	11.4	7.4	3.7
1978	7.5	10.5	-2.7	11.5	3.2	8.1
1979	21.3	9.2	11.1	32.4	11.1	19.2
1980	18.9	5.8	12.4	32.4	10.9	19.4
1981 <sup>a</sup>	5.2	12.5	-6.5	-1.2	-6.5	5.6

Source: CEPAL, on the basis of official data.

<sup>a</sup> Preliminary figures.<sup>b</sup> Up to 1975, includes Bolivia, Ecuador, Trinidad and Tobago and Venezuela; from 1976 on, Mexico and Peru are also included.<sup>c</sup> From 1976 on, Mexico and Peru are excluded.

Table 22

## LATIN AMERICA: VARIATIONS IN EXPORTS OF GOODS

(Growth rates)

	Value			Volume			Unit value			Purchasing power		
	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>
<b>Latin America</b>	33.6	29.7	6.9	10.6	5.7	10.0	20.7	22.7	-2.7	19.6	13.2	-0.1
<b>Oil-exporting countries</b>	52.9	43.2	8.6	14.1	5.5	4.2	34.0	35.7	4.2	39.4	25.7	0.8
Bolivia	21.4	23.6	-3.5	2.2	-2.2	-1.5	18.8	26.4	-2.0	3.4	11.6	-6.9
Ecuador	41.9	15.7	2.3	0.9	-7.9	2.9	40.6	25.6	-0.6	24.1	3.3	-4.8
Mexico	48.9	74.6	22.1	17.7	24.7	11.9	26.5	40.0	9.1	33.9	52.6	17.4
Peru	81.3	10.8	-17.5	20.8	-14.8	-3.1	50.1	30.1	-14.8	68.9	-0.1	-24.8
Trinidad and Tobago	35.4	53.7	-8.5	-5.6	-1.6	-19.6	43.5	56.2	13.8	31.8	36.7	-12.7
Venezuela	55.9	34.6	5.4	11.8	-8.4	-6.3	39.5	46.9	12.5	44.7	17.2	-5.2
<b>Non-oil-exporting countries</b>	21.3	18.9	5.2	9.2	5.8	12.5	11.1	12.4	-6.5	4.7	0.6	-2.2
Argentina	22.0	2.7	14.0	-1.2	-12.6	16.9	23.6	17.5	-2.4	5.0	-3.5	8.5
Barbados	18.6	43.3	-7.1	18.6	19.0	-9.6	-	20.4	2.7	3.9	25.6	-14.0
Brazil	22.2	32.1	15.6	12.0	22.3	25.0	9.1	8.0	-7.5	4.2	6.6	5.5
Colombia	9.4	16.7	-23.6	21.4	-5.2	-14.7	9.9	23.1	-10.4	-0.8	5.2	-28.4
Costa Rica	9.0	6.2	2.9	0.1	-3.5	16.9	8.9	10.1	-12.0	-4.0	-10.3	-3.2
Chile	55.9	22.7	-1.8	19.1	9.2	-1.3	30.9	12.4	-14.8	30.5	3.4	-17.3
EL Salvador	44.2	-20.9	-18.2	37.8	-22.8	-9.1	4.6	2.5	-10.0	28.2	-32.2	-22.7
Guatemala	11.8	24.4	-14.2	9.6	22.7	-6.8	2.0	1.4	-8.0	-3.7	7.1	-19.3
Guyana	-1.0	32.8	-11.0	-8.3	-1.9	-17.3	8.0	35.5	7.6	-10.4	8.4	-16.5
Haiti	-8.0	53.4	-19.7	-3.9	33.0	-5.5	-4.2	15.4	-15.0	-16.5	35.4	-24.0
Honduras	19.8	11.3	-1.7	22.8	-7.6	4.0	-2.4	20.4	-5.5	11.5	-4.7	7.5
Jamaica	-1.5	17.9	1.6	-2.1	-10.4	1.4	0.6	31.6	0.2	-11.0	-4.1	22.4
Nicaragua	-4.7	-26.8	10.9	-11.9	-37.9	14.8	8.2	17.9	-3.4	-14.1	-40.1	5.9
Panama	10.6	11.8	-9.1	-8.5	-7.8	-0.9	20.9	21.3	-8.4	-7.9	-5.6	13.1
Paraguay	8.0	4.1	-0.1	1.1	0.3	-6.8	6.8	3.8	7.2	-7.8	-10.8	5.1
Dominican Republic	28.6	10.7	23.5	15.0	-23.3	12.8	11.8	44.3	9.4	16.2	-8.0	16.9
Sriname	8.0	15.8	-7.9	1.6	-3.3	-16.5	6.3	19.7	10.4	-7.7	-0.2	-14.3
Uruguay	14.9	34.3	14.8	-11.8	19.6	15.0	30.2	12.3	-0.2	-4.3	9.4	6.8

Source: CEPAL, on the basis of official data.

<sup>a</sup>Preliminary figures.

in the latter countries the value of exports rose by only slightly more than 5% in spite of the fact that their volume grew at an unprecedented rate of 12.5%.

The main cause of the reduction in the growth rate of the value of external sales of the non-oil-exporting countries was, in the last analysis, the drop in the unit value of their exports, which fell by 6.5% after having shown rapid growth in four of the five preceding years. This decline was, in turn, the result of the marked decreases shown in 1981 in the international quotations on nearly all the main commodities exported by this group of countries. As may be seen in table 23 and in figure 7, in 1981 the international prices of the majority of these goods declined throughout practically all of the year, after rising significantly in 1979 and 1980. Although the declines were particularly marked in the prices of sugar (41%), coffee, cocoa and copper (close to 20%) and wheat, maize, beef, iron ore, tin and wool (between 10% and 16%), the prices of fish meal, cotton and soybeans also fell.

**(b) Imports of goods**

As in the case of exports, in 1981 the growth rate of the value of imports declined; however, the drop in the value of imports was more marked. Thus, after rising at an average rate of close to

Table 23

**LATIN AMERICA: PRICES OF THE MAIN EXPORT COMMODITIES**  
(Dollars at current prices)

	Annual averages						Growth rates				
	1976	1977	1978	1979	1980	1981	1977	1978	1979	1980	1981
Unrefined sugar <sup>a</sup>	11.6	8.1	7.8	9.7	28.7	16.9	-30.2	-3.7	24.4	195.9	-41.1
Coffee (mild) <sup>a</sup>	157.7	240.2	185.2	183.4	178.8	145.3	52.3	-22.9	-1.0	-2.5	-18.7
Cocoa <sup>a</sup>	92.8	172.0	154.4	149.4	118.1	94.2	85.3	-10.2	-3.2	-21.0	-20.2
Bananas <sup>a</sup>	12.4	14.0	13.7	15.6	18.9	19.2	12.9	-2.1	13.9	21.2	1.6
Wheat <sup>b</sup>	135.6	105.6	131.9	164.4	177.4	178.5	-22.1	24.9	24.6	7.9	0.6
Maize <sup>b</sup>	138.9	114.4	132.5	154.8	210.3	181.0	-17.6	15.8	16.8	35.9	-13.9
Beef <sup>a</sup>	71.7	68.4	97.1	130.9	125.9	112.2	-4.6	42.0	34.8	-3.8	-10.9
Fish meal <sup>b</sup>	376.0	454.0	410.0	395.0	504.0	468.0	20.7	-9.7	-3.7	27.6	-7.1
Soy beans <sup>b</sup>	231.0	280.0	268.0	298.0	296.0	288.0	21.2	-4.3	11.2	-0.7	-2.7
Cotton <sup>a</sup>	79.3	73.9	72	77.4	94.2	85.8	-6.8	-1.4	6.2	21.7	-8.9
Wool <sup>a</sup>	145.3	153.6	157.4	190.5	194.5	178.2	5.7	2.5	21.0	2.1	-8.4
Copper <sup>a</sup>	63.5	59.3	61.9	90.0	98.6	79.0	-6.6	4.4	45.4	9.6	-19.9
Tin <sup>a</sup>	3.4	4.9	5.8	7.0	7.6	6.4	44.1	18.4	20.7	8.6	-15.8
Iron ore <sup>b</sup>	20.2	20.2	19.7	24.0	28.9	25.9	-	-2.5	21.8	20.4	-10.4
Lead <sup>a</sup>	20.3	28.0	29.9	54.6	41.1	33.0	37.9	6.8	82.6	-24.7	-19.7
Zinc <sup>a</sup>	32.3	26.7	26.9	33.6	34.6	38.4	17.3	0.7	24.9	3.0	11.0
Bauxite <sup>b</sup>	117.3	134.8	138.4	152.6	212.5	216.3	14.9	2.7	10.3	39.3	1.8
Crude oil <sup>d</sup>											
Saudi Arabia	11.5	12.4	12.7	17.0	28.7	32.5	7.8	2.4	33.9	68.8	13.2
Venezuela	11.3	12.4	12.4	16.8	27.6	32.0	9.7	-	35.5	64.3	15.9

Source: UNCTAD, *Monthly bulletin of basic commodity prices, 1960-1980 supplement and July 1982*. International Monetary Fund, *International Financial Statistics, 1981 and 1982 Yearbooks*.

<sup>a</sup>US cents per pound.

<sup>b</sup>Dollars per metric ton.

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

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

29% in the two preceding years, the value of imports of merchandise rose by little more than 6% in 1981. One of the factors responsible for this more gradual growth was the much lower rise in the unit value of imports in 1981 and, above all, the dramatic decline in the growth rate of their volume—from 12.6% in 1980 to somewhat more than 2% in 1981 (see table 21). Similarly, unlike what happened in 1980, when the growth of imports was very similar in the oil-exporting and non-oil-exporting countries, in 1981 it differed widely in the two groups of countries.

The growth rate of the value of imports remained very high (17%) in the oil-exporting countries, although it was much lower than in 1980, when purchases abroad rose by nearly 33%. In addition, this deceleration was almost totally due to the considerable moderation in the unit value of their imports in 1981. Conversely, the volume of external purchases rose at a very high rate of over 11%—only slightly lower than the exceptionally high rate achieved in 1980. The marked and persistent dynamism of the imports of these countries was also shown in the fact that during the past few years their value rose by 150% while their volume rose by 65%.

However, this vigorous expansion in the volume of imports of the petroleum-exporting economies in 1981 was entirely due to the growth in external purchases of merchandise by Mexico and Peru, in both of which the volume of imports rose by close to 24%. In the case of Mexico, this meant that in just four years the imports of goods trebled in real terms while their value more than quadrupled (see table 24).

The growth of the volume of imports during this period was much less dynamic in Peru, in spite of the fact that in 1981 the external purchases of that country expanded much more rapidly

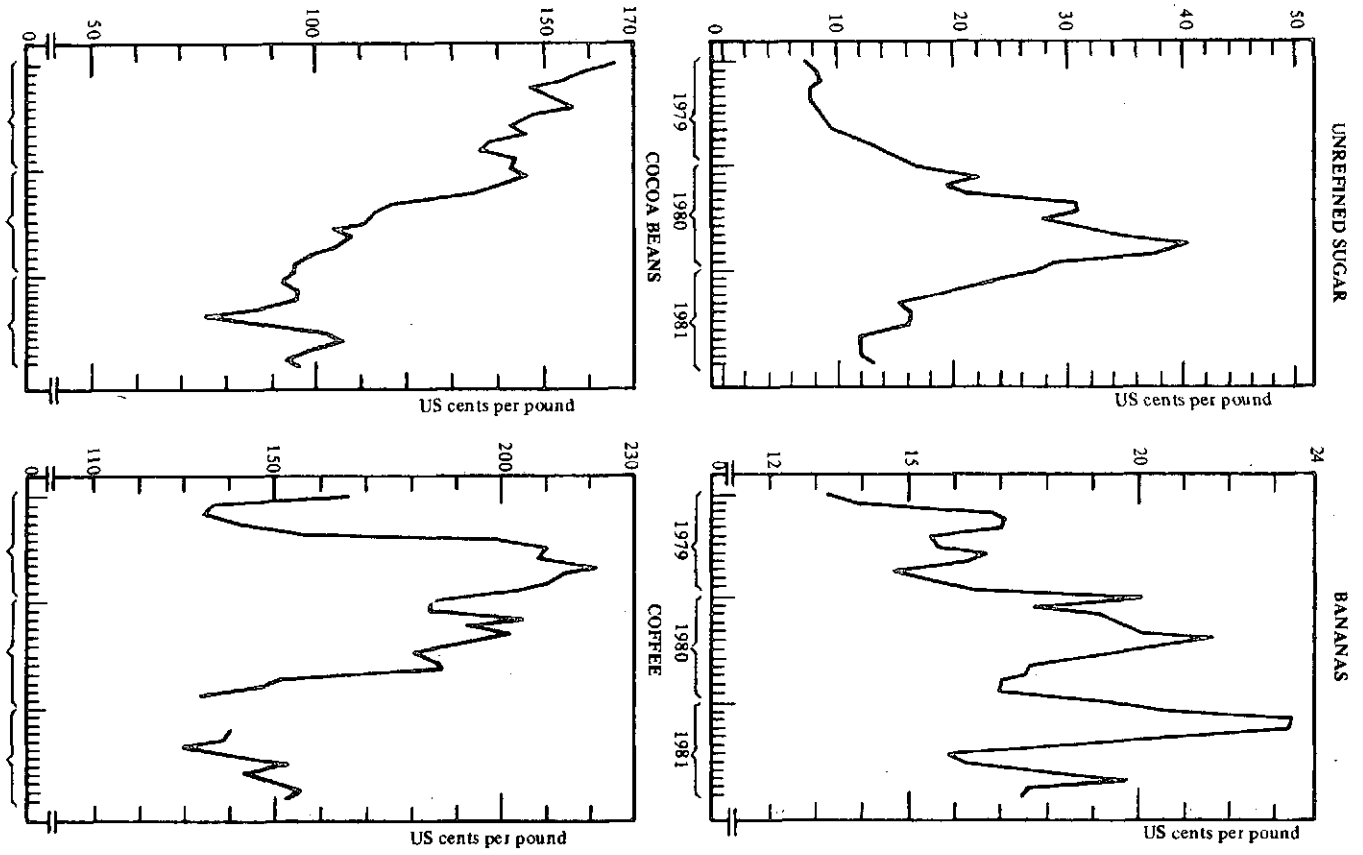
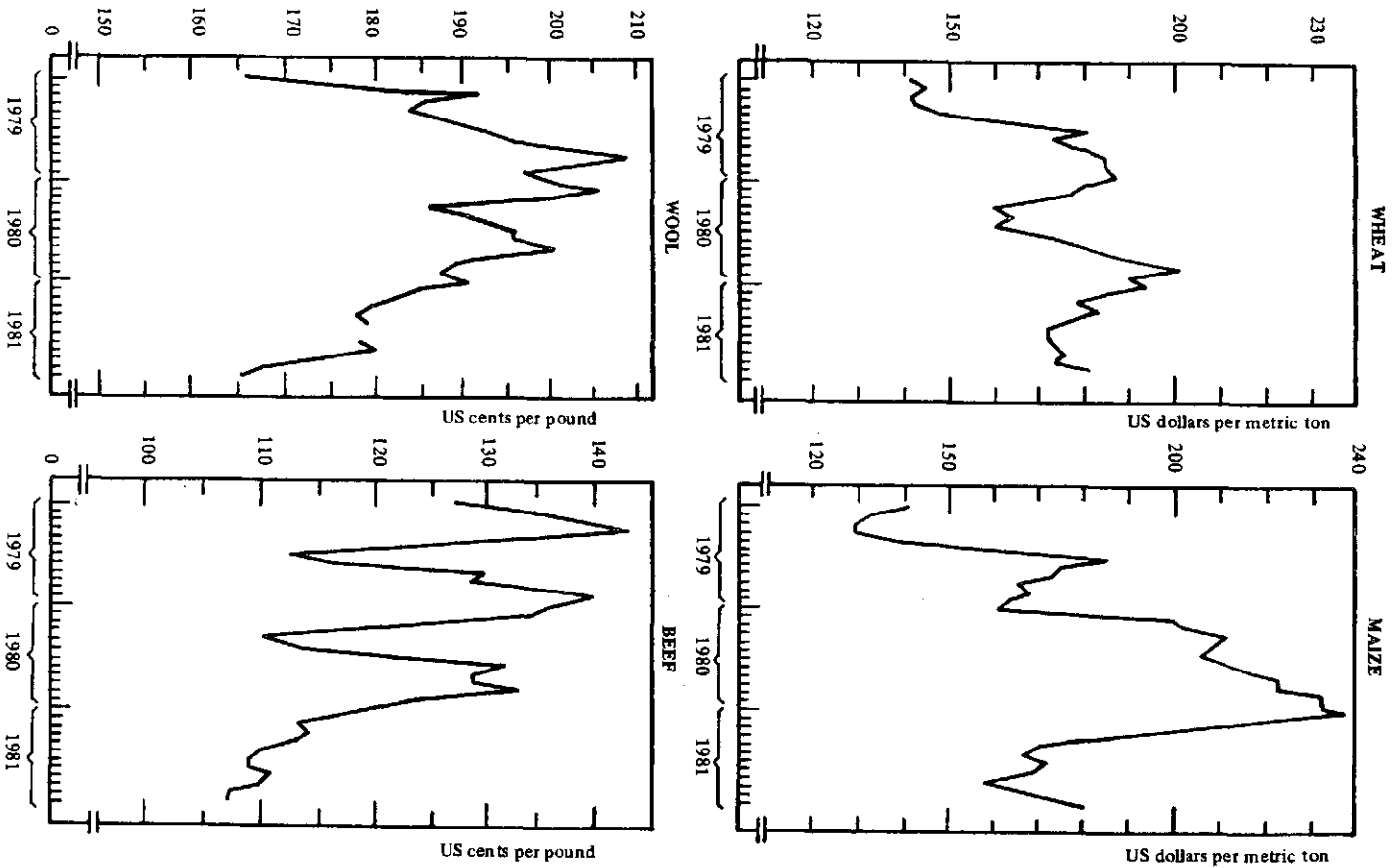


Figure 7

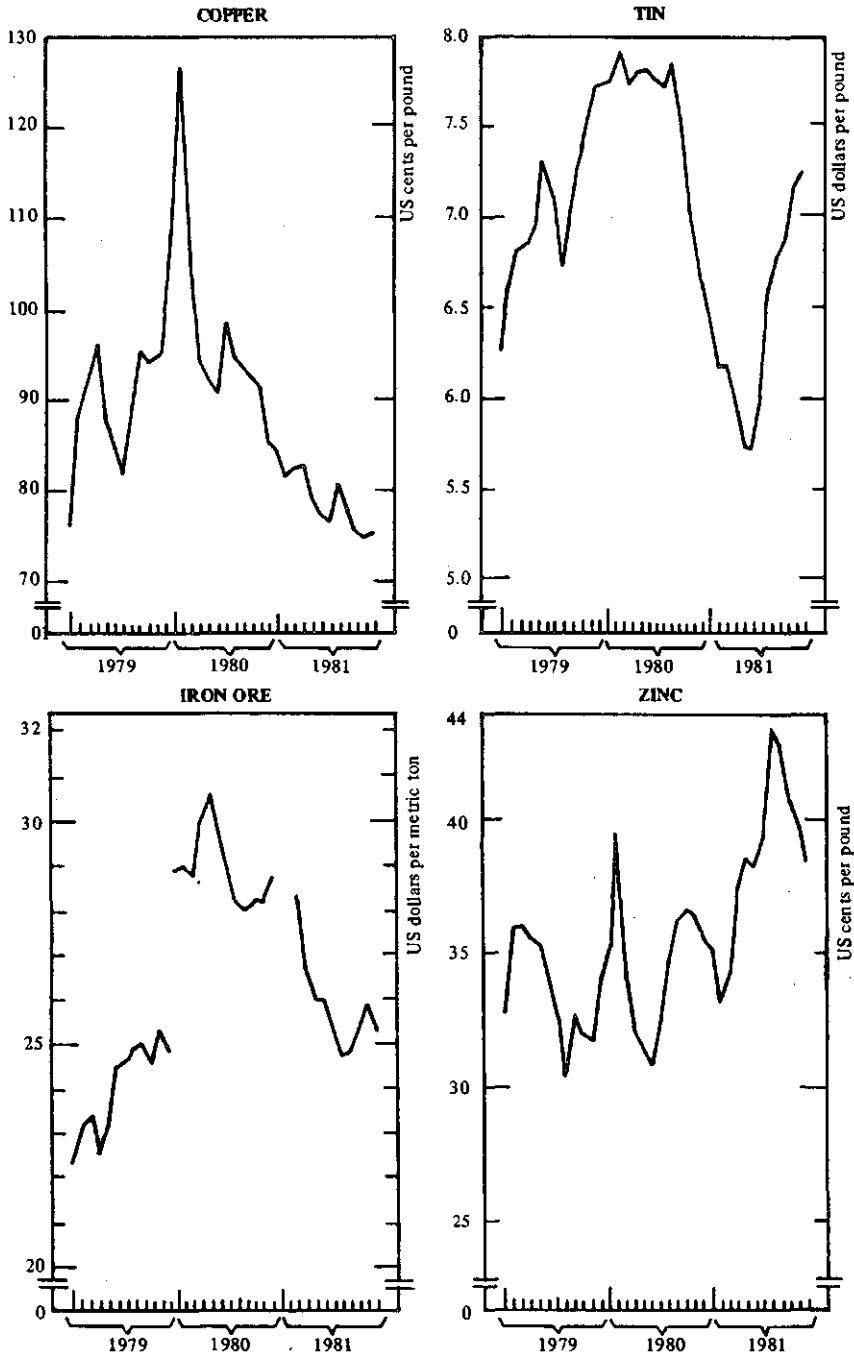
Source: UNCTAD, *Monthly commodity price bulletin*, November 1981.

Figure 7 (continued 1)



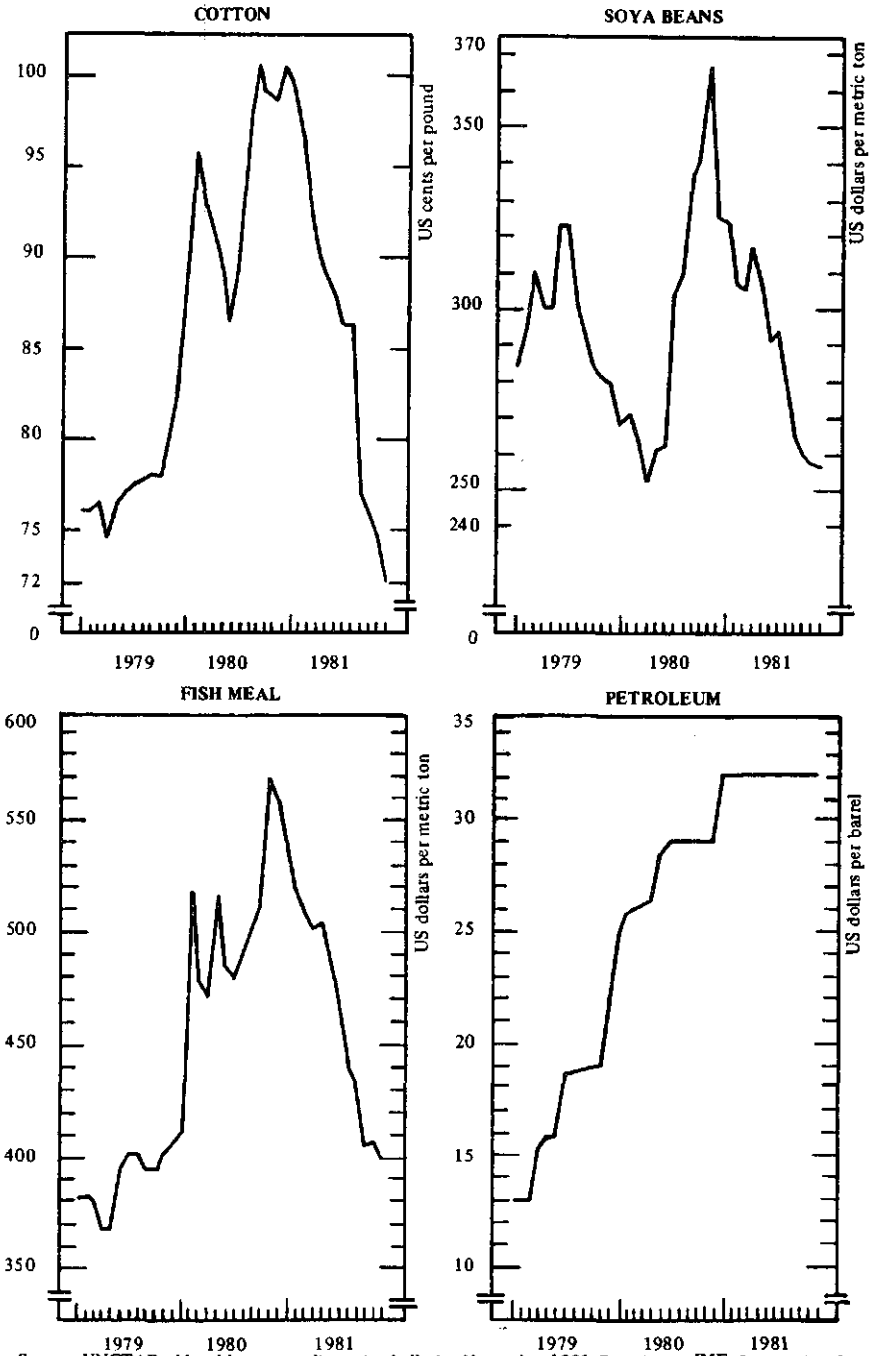
Source: UNCTAD, *Monthly commodity price bulletin*, November 1981.

Figure 7 (continued 2)



Source: UNCTAD, *Monthly commodity price bulletin*, November 1981.

Figure 7 (concluded)



Source: UNCTAD, *Monthly commodity price bulletin*, November 1981. Petroleum, IMF, *International Financial Statistics*, December 1981.



Table 24

## LATIN AMERICA: VARIATION IN IMPORTS OF GOODS FOB

(Growth rates)

	Value			Volume			Unit value		
	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>
Latin America	25.6	32.5	6.2	8.2	12.6	2.2	16.0	17.6	3.9
Oil-exporting-countries	16.6	32.6	17.1	5.3	14.5	11.3	10.7	15.8	5.2
Bolivia	12.6	-16.5	-0.7	-6.9	-26.3	-2.3	21.0	13.2	1.6
Ecuador	23.1	5.3	6.9	5.9	-6.0	-0.1	16.2	12.0	7.0
Mexico	51.8	52.9	24.9	35.8	32.5	22.3	11.8	15.4	2.1
Peru	22.2	56.6	25.7	9.9	39.7	24.7	11.2	12.1	0.8
Trinidad and Tobago	26.8	32.3	2.7	18.1	17.3	-0.4	7.4	12.7	3.2
Venezuela	-11.0	13.1	9.4	-17.0	-2.9	-2.2	7.3	16.6	11.9
Non-oil exporting countries	32.4	32.4	-1.2	11.1	10.9	-6.5	19.2	19.4	5.6
Argentina	72.7	55.9	-12.4	40.8	55.2	-14.8	22.7	0.5	2.9
Barbados	31.4	26.6	8.5	13.9	10.4	1.5	15.4	14.7	6.9
Brazil	31.8	27.8	-3.8	9.9	-0.8	-13.3	19.9	28.8	10.9
Colombia	16.9	47.5	8.3	5.9	34.4	2.1	10.3	9.8	6.1
Costa Rica	19.8	9.4	-20.6	4.7	-9.2	-24.7	14.4	20.5	5.5
Chile	45.2	30.5	19.9	18.2	4.7	18.1	22.8	24.6	1.5
El Salvador	-1.3	-3.4	-5.4	-13.7	-18.7	-9.5	14.3	18.8	4.6
Guatemala	9.7	5.1	4.6	-8.0	-11.9	-	18.6	19.2	4.6
Guyana	13.9	33.8	11.0	2.6	4.0	6.9	11.0	28.6	3.8
Haiti	12.8	25.9	8.6	1.1	11.0	5.0	11.6	13.5	3.4
Honduras	19.7	22.0	-7.8	11.8	3.4	-12.9	7.0	18.0	5.8
Jamaica	17.7	17.7	25.9	6.5	-9.0	20.1	10.5	29.4	4.8
Nicaragua	-29.7	132.2	-0.7	-38.7	93.4	-4.6	14.6	20.1	4.1
Panama	28.2	21.7	2.2	5.2	-2.1	-1.7	21.8	24.3	3.9
Paraguay	33.6	17.0	7.3	11.2	-1.3	3.2	20.1	18.5	4.0
Dominican Republic	31.9	33.6	-5.3	19.5	8.7	-8.8	10.4	22.9	3.8
Suriname	7.7	22.8	12.6	-11.8	0.6	8.4	22.0	22.0	3.8
Uruguay	64.3	43.0	-11.9	33.3	12.4	-20.5	23.3	27.3	10.9

Source: CEPAL, on the basis of official data.

<sup>a</sup>Preliminary figures.

than those of Mexico for the second year running. Because of the sharp contraction in the volume of Peruvian imports in the period 1976-1978, their rapid growth in the following three years basically represented a return to the real levels already achieved in the middle of the past decade, which were not exceeded until as recently as 1981.

By contrast with the intense expansion of the real imports of Mexico and the recuperation of those of Peru, real imports stagnated or declined slightly in the other eight petroleum-exporting economies.

However, the most profound change occurred in the non-oil-exporting countries, where the evolution of imports slowed down markedly in 1981 when, after two years in which their value increased at an annual rate of nearly 32.5%, it decreased slightly in absolute terms. This downturn was partly attributable to the considerably smaller rise in the unit value of their exports in 1981 as a consequence of the drop in the inflation in the industrialized countries and the much more moderate rise in the international price of petroleum. Its main cause, however, was the sudden reversal in the evolution of the volume of imports, which fell by 6.5% in 1981 after having grown at an average rate of 11% in the two preceding years (see table 21).

This downward trend in the volume of imports was due in particular to their evolution in Argentina and Brazil, which together were responsible for nearly 60% of the total imports of

goods by non-petroleum-exporting countries in 1980. In Argentina, where the volume of imports had more than doubled during the two preceding years alone, it fell by 15% in 1981 as a result primarily of the contraction of domestic economic activity and of the sharp and continuous devaluations of the peso. The decline in the national product and all the measures adopted to alleviate the external imbalance were also important causes for the drop of 13% shown in 1981 in the volume of imports of Brazil, which had already fallen slightly in 1980.

In relative terms, however, the most marked drops in the volume of external purchases occurred in Costa Rica and Uruguay; in Costa Rica this variable fell by nearly 25% owing to the decline in domestic economic activity and to the fact that the effective real exchange rate nearly doubled in 1981. In Uruguay, imports of goods fell by 21% in real terms as a consequence of the decline in the domestic demand and of the sizeable inventories of imported merchandise which had accumulated over the two preceding years. Slower economic growth and difficulties in making external payments were also responsible for the decrease in the volume of imports in the other Central American countries, while slackness in economic activity caused a drastic decline in the growth rate of the volume of imports in Colombia.

Thus, in 1981, the volume of imports of goods grew rapidly only in Chile (18%) and in Jamaica. In the former country, their expansion was stimulated primarily by the maintenance of an extraordinarily low exchange rate and to a lesser extent by the rapid expansion of economic activity during the first half of the year. Jamaica, for its part, managed to increase the volume of its external purchases by 20% because it was able to rely in a much more abundant supply of external financing than in previous years.

In addition, because of the much smaller rise in the international price of hydrocarbons in 1981 and also as a result of the measures adopted in many non-oil-exporting countries to contain the increase in imports and of the loss of economic dynamism felt in the majority of them, the growth rate of imports of crude oil and petroleum products also plunged. Their value, which had more than doubled in the two preceding years, grew by barely 8.5% in 1981. Moreover, in seven of the 17 countries considered here, the value of purchases of hydrocarbons declined. However, the share of hydrocarbons in the total value of imports continued to increase in 11 of these countries, reaching extraordinarily high levels of between 20% and 25% in Nicaragua, Guatemala and Panama; close to 33% in Guyana, Jamaica, and the Dominican Republic and Uruguay and almost 50% in Brazil (see table 25).

### *(c) The purchasing power of exports and the terms of trade*

After demonstrating notable and persistent growth between 1976 and 1980, a period during which the purchasing power of exports of goods and services rose by 62%, this variable showed almost total stagnation in 1981 (see table 26). This happened in spite of the fact that during this year, as noted above, the volume of exports of goods grew by 10% thereby greatly surpassing their growth the preceding year. Thus, the sole cause for the unsatisfactory growth of the purchasing power of exports in 1981 was the deterioration of 7% in the terms of trade.

Unlike what had occurred in the two preceding years (during which the terms of trade improved markedly in the petroleum-exporting countries while deteriorating in the other economies of the region), in 1981 they deteriorated in both groups of countries.

However, the drop was much less substantial in the petroleum-exporting economies (-1%) than in the others (-12%) (see table 27).

In the latter group, the terms of trade deteriorated in all the countries with the sole exceptions of Guyana, Paraguay, Dominican Republic and Suriname, and this deterioration came on the heels of the drops already recorded in the three preceding years. This meant that the total deterioration in the terms of trade since 1977 amounted to 30%, bringing this index down to the lowest level ever recorded. In actual fact, the terms of trade of this group of countries was such that the average performance of this indicator during the 3-year period 1979-1981 was the same as that recorded during the 1931-1933 triennium, at the height of the Great Depression.

Table 25

**LATIN AMERICA OIL IMPORTING COUNTRIES: IMPORTS  
OF CRUDE PETROLEUM AND PETROLEUM PRODUCTS<sup>a</sup>**

	Million of dollars CIF							As a percentage of total imports CIF						
	1970	1973	1974	1978	1979	1980	1981 <sup>b</sup>	1970	1973	1974	1978	1979	1980	1981 <sup>b</sup>
Total	650	1 610	5 065	7 161	11 235	15 560	16 894	6.9	10.2	18.1	19.8	24.4	25.0	27.0
Argentina	59	116	385	247	818	654	496	3.5	5.2	10.5	6.4	12.2	6.2	5.4
Barbados	6	11	31	34	46	54	72	5.1	6.5	15.2	10.9	10.5	10.4	12.8
Brazil	286	984	3 226	4 631	6 932	10 286	11 470	10.0	14.1	22.8	30.8	35.0	41.2	47.6
Colombia	9	4	14	206	349	532	620	1.1	0.4	0.3	7.3	10.8	11.2	11.9
Costa Rica	12	30	63	116	186	199	170	3.8	6.6	8.8	9.8	12.9	13.0	14.0
Chile	54	69	246	479	889	960	930	5.8	6.3	12.9	16.0	21.1	15.7	12.6
El Salvador	5	21	52	80	95	159	155	2.3	5.6	9.3	7.8	9.4	16.3	15.1
Guatemala	16	30	92	152	234	322	390	5.4	7.0	13.1	12.1	15.6	19.9	22.7
Guyana	11	22	45	65	90	130	138	8.2	12.6	17.7	23.3	28.3	32.8	34.1
Haiti	3	4	12	26	33	34	58	5.6	4.8	9.6	12.2	14.0	10.1	16.0
Honduras	15	26	63	74	113	170	160	6.8	9.9	16.1	10.6	13.6	16.8	17.1
Jamaica	33	71	194	197	311	440	490	6.3	10.7	20.7	22.4	31.4	37.4	33.0
Nicaragua	12	24	61	89	76	174	202	6.1	7.3	10.9	14.9	21.4	19.6	20.4
Panama	66	89	274	228	334	421	382	18.5	18.2	34.3	24.2	27.8	28.0	25.2
Paraguay	11	13	50	84	125	154	111	14.4	10.7	25.3	21.9	24.0	25.6	18.5
Dominican Republic	19	48	116	223	322	416	547	6.2	9.8	15.0	22.6	26.5	25.8	32.8
Uruguay	33	48	151	230	282	455	503	14.2	16.1	30.3	32.1	24.0	27.0	31.5

Source: 1970 to 1979: United Nations, *Yearbook of International Trade Statistics*, 1980 and 1981: International Monetary Fund, *International Financial Statistics*; Latin American Integration Association (ALADI) and CEPAL, on the basis of official data.  
<sup>a</sup>The series comprises the items coming under SITC (Rev. 1) and therefore excludes natural gas (Division 34).

Table 26

**LATIN AMERICA: PURCHASING POWER OF EXPORTS  
OF GOODS AND SERVICES**

(1970 = 100)

Year	Latin America		Oil-exporting countries <sup>a</sup>		Non-oil-exporting countries <sup>b</sup>	
	Index	Variation	Index	Variation	Index	Variation
1970	100.0		100.0	-1.8	100.0	5.7
1971	99.6	-0.4	110.4	10.4	97.0	-3.0
1972	109.0	9.5	109.7	-0.6	108.8	12.2
1973	132.4	21.5	150.0	36.7	128.1	17.7
1974	156.9	18.5	289.5	93.0	124.8	-2.6
1975	133.6	-14.8	213.7	-26.2	114.3	-8.4
1976	144.3	8.0	219.5	2.7	129.4	13.2
1977	159.1	10.2	226.5	3.2	150.7	16.5
1978	163.7	2.8	238.3	5.2	152.2	1.0
1979	193.4	18.1	317.1	33.1	161.1	5.8
1980	216.4	11.9	386.9	22.0	163.5	1.5
1981 <sup>c</sup>	218.1	0.8	395.8	2.3	161.7	-1.1

Source: CEPAL, on the basis of official data.

<sup>a</sup>From 1970 to 1975, includes Bolivia, Ecuador, Trinidad and Tobago and Venezuela; from 1976 on, includes also Mexico and Peru.

<sup>b</sup>From 1976 on, excludes Mexico and Peru.

<sup>c</sup>Preliminary figures.

On the other hand, in the oil-exporting countries, the terms-of-trade index reached a very high level (only in 1980 was it slightly higher), which was five times as high as the level reached by the other economies of the region (see table 27).

Table 27  
LATIN AMERICA: TERMS OF TRADE (GOODS)

(1970 = 100)

Year	Latin America		Oil-exporting countries <sup>a</sup>		Non-oil-exporting countries <sup>b</sup>	
	Index	Variation	Index	Variation	Index	Variation
1970	100.0	3.3	100.0	-1.7	100.0	4.6
1971	97.0	-3.0	112.4	12.4	92.8	-7.2
1972	99.8	2.9	110.3	-1.9	97.1	4.7
1973	113.2	13.4	139.9	26.9	107.2	10.3
1974	130.7	15.4	306.3	119.0	99.3	-7.3
1975	114.7	-12.2	284.1	-7.3	88.4	-11.0
1976	118.9	3.7	288.9	1.7	93.4	5.6
1977	126.4	6.3	291.2	0.8	102.9	10.2
1978	113.9	-9.9	257.5	-11.6	92.7	-9.9
1979	118.9	4.4	311.8	21.1	86.7	-6.5
1980	124.8	4.9	367.6	17.9	82.1	-5.3
1981 <sup>c</sup>	116.0	-7.0	363.2	-1.2	72.5	-11.6

Source: CEPAL, on the basis of official data.

<sup>a</sup>From 1970 to 1975, includes, Bolivia, Ecuador, Trinidad and Tobago and Venezuela; from 1976 on, includes also Mexico and Peru.

<sup>b</sup>From 1976 on, excludes Mexico and Peru.

<sup>c</sup>Preliminary figures.

As a consequence of the drop in the terms of trade and in spite of the impressive growth in the volume of their exports, the purchasing power of the exports of the non-petroleum-exporting countries fell for the first time since 1975. In the petroleum-exporting countries, on the other hand, the purchasing power of external purchases increased slightly. However, not only was this the smaller increase in the past six years but it was due primarily to the substantial growth shown by the purchasing power of exports of Mexico. In the other five countries in this group, this variable fell by between 5% in Ecuador and Venezuela and 25% in Peru.

## 2. The balance of payments

### (a) *The current account*

As a result of the slightly bigger increase in the value of exports of goods (6.9%) than in the value of imports (6.2%), the deficit in merchandise trade showed a moderate drop in 1980. However, since at the same time net payments for non-factor services rose by close to 20%, Latin America's trade deficit rose again, from US\$ 10 750 million in 1980 to US\$ 11 900 million in 1981 (see table 28).

As in past years, these global changes were due to the conflicting trends in the growth of the foreign trade of the six petroleum-exporting countries and that of the other economies of the region.

In the non-petroleum-exporting countries, the negative balance of trade in goods was reduced by 35% because of the determined efforts they made to contain the growth of their imports (which declined by 1% in value and 6.5% in volume) and to increase their exports, whose value rose by 5% thanks to the exceptional expansion of 12% in their volume and in spite of the decline in the prices of nearly all the export commodities. Since at the same time the non-petroleum-exporting

Table 28

## LATIN AMERICA: TRADE BALANCE

(Millions of dollars)

	Export of goods FOB			Import of goods FOB			Merchandise trade balance			Net services payments <sup>b</sup>			Trade balance		
	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>
<b>Latin America</b>	70 910	91 973	98 322	70 411	93 285	99 033	499	-1 312	-712	6 453	9 441	11 172	-5 950	-10 752	-11 877
<b>Oil-exporting countries</b>	31 561	45 185	49 081	28 328	37 572	44 010	3 233	7 613	5 071	2 680	4 181	6 124	553	3 432	-1 056
Bolivia	762	942	909	815	680	675	-53	262	234	176	175	184	-229	87	50
Ecuador	2 170	2 510	2 568	2 097	2 207	2 359	73	303	209	353	540	493	-280	-237	-283
Mexico	9 302	16 241	19 837	12 132	18 551	23 166	-2 831	-2 310	-3 329	-1 102	-194	1 093	-1 729	-2 116	-4 422
Peru	3 519	3 899	3 218	1 955	3 062	3 849	1 564	837	-631	-35	74	304	1 599	763	-937
Trinidad and Tobago	1 649	2 536	2 468	1 325	1 753	1 581	324	783	887	67	120	90	258	663	797
Venezuela	14 159	19 057	20 080	10 004	11 318	12 380	4 155	7 739	7 700	3 221	3 466	3 960	934	4 273	3 740
<b>Non-oil-exporting countries</b>	39 349	46 788	49 241	42 083	55 713	55 023	-2 34	-8 925	-5 782	3 773	5 260	5 048	-6 503	-14 184	-10 821
Argentina	7 810	8 022	9 145	6 026	9 395	8 232	1 784	-1 373	913	1 431	1 894	1 667	353	-3 267	-751
Barbados	132	189	175	379	479	520	-247	-291	-345	-203	-251	-250	-45	-40	-95
Brazil	15 244	20 132	23 276	17 961	22 955	22 080	-2 717	-2 823	1 196	2 316	3 121	2 839	-5 036	-5 944	-1 641
Colombia	3 507	4 092	3 127	2 996	4 420	4 789	510	-328	-1 661	-136	154	64	646	-482	-1 725
Costa Rica	942	1 001	1 030	1 257	1 375	1 092	-315	-374	-62	109	88	37	-425	-461	-98
Chile	3 835	4 705	3 960	4 190	5 469	6 559	-355	-764	-2 599	264	391	888	-619	-1 155	-3 486
El Salvador	1 224	969	792	939	907	858	286	62	-66	130	102	103	156	-40	-169
Guatemala	1 221	1 520	1 304	1 402	1 473	1 540	-180	47	-236	139	262	312	-320	-214	-548
Guyana	293	389	346	289	386	429	4	3	-83	53	87	76	-49	-84	-159
Haiti	138	212	170	234	295	320	-96	-83	-150	39	62	65	-135	-145	-215
Honduras	750	83	820	783	956	881	-33	-121	-61	65	76	75	-92	-198	-136
Jamaica	818	965	980	883	1 039	1 308	-65	-74	-328	-48	-72	-40	-17	-2	-288
Nicaragua	616	451	500	389	903	897	227	-452	-397	67	71	82	160	-523	-479
Panama	334	373	339	1 105	1 345	1 374	-771	-971	-1 035	-532	-884	-857	-239	-88	-178
Paraguay	385	400	400	577	675	725	-193	-275	-325	-8	-47	-21	185	-228	-304
Dominican Republic	869	962	1 188	1 138	1 520	1 439	-269	-558	-251	81	90	21	-349	-647	-272
Suriname	444	514	474	370	454	511	74	60	-37	77	109	100	-3	-49	-137
Uruguay	788	1 059	1 215	1 166	1 668	1 470	-378	-610	-255	-72	8	-113	-306	-618	-142

Source: CEPAL, on the basis of official data.

<sup>a</sup>Preliminary figures.<sup>b</sup>Excluding net payments of profits and interest.

Table 29  
LATIN AMERICA: BALANCE OF PAYMENTS

(Millions of dollars)

	Trade balance			Net payments of profits and interest			Balance on current account <sup>b</sup>			Balance on capital account <sup>c</sup>			Overall balance <sup>d</sup>		
	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>
<b>Latin America</b>	-5 950	-10 752	-11 877	14 275	18 374	27 358	-19 797	-28 699	-38 786	26 203	27 158	39 233	6 406	-1 542	447
<b>Oil-exporting countries</b>	553	3 432	-1 056	5 874	7 159	10 091	-5 594	-4 035	-11 458	8 370	6 302	14 495	2 776	2 267	3 037
Bolivia	-229	87	50	181	261	320	-399	-166	-257	418	19	268	19	-147	11
Ecuador	-280	-237	-283	356	535	833	-635	-772	-1 116	679	1 042	746	44	270	-371
Mexico	-1 729	-2 116	-4 422	3 973	5 736	8 699	-5 570	-7 721	-12 997	5 886	8 627	14 083	316	906	1 086
Peru	1 599	763	-937	936	835	850	663	-72	-1 786	414	726	1 097	1 076	653	-689
Trinidad and Tobago	258	663	797	251	200	130	-24	433	637	368	200	-83	344	633	555
Venezuela	934	4 273	3 740	177	-407	-740	371	4 263	4 060	606	-4 311	-1 615	977	-48	2 445
<b>Non-oil-exporting countries</b>	-6 503	-14 184	-10 821	8 401	11 215	17 267	-14 203	-24 664	-27 328	17 834	20 855	24 738	3 630	-3 809	-2 590
Argentina	353	-3 267	-751	923	1 531	3 303	-535	-4 774	-4 057	4 760	2 176	864	4 225	-2 598	-3 193
Barbados	-45	-40	-95	11	8	10	-39	-27	-84	52	46	105	13	19	21
Brazil	-5 036	-5 944	-1 641	5 461	7 032	10 290	-10 482	-12 848	-11 739	7 583	9 379	12 360	-2 900	-3 469	621
Colombia	646	-482	-1 725	256	260	334	490	-644	-1 969	969	1 702	2 393	1 459	1 058	423
Costa Rica	-425	-461	-98	146	216	303	-554	-658	-374	436	749	325	-119	92	-50
Chile	-619	-1 155	-3 486	676	929	1 428	-1 205	-2 024	-4 869	2 261	3 344	5 008	1 056	1 320	139
El Salvador	156	-40	-169	78	94	86	123	-117	-239	-257	43	197	-134	-75	-43
Guatemala	-320	-214	-548	13	59	103	-209	-165	-562	172	-86	146	-37	-251	-416
Guyana	-49	-84	-159	34	43	57	-83	-126	-214	26	84	204	-57	-43	-10
Haiti	-135	-145	-215	13	14	13	-117	-133	-185	132	103	135	15	-29	-50
Honduras	-92	-198	-136	120	144	17	-205	-334	-295	225	256	219	20	-78	-77
Jamaica	-17	-2	-288	-203	265	245	-150	-186	-438	-16	225	248	-165	39	-190
Nicaragua	160	-523	-479	72	89	93	90	-611	-571	-85	499	682	5	-112	111
Panama	-239	-88	-178	81	145	181	-357	-286	-422	330	297	441	-27	11	20
Paraguay	-185	-228	-304	28	59	85	-210	-284	-387	372	436	427	162	152	40
Dominican Republic	-349	-647	-272	188	210	295	-360	-675	-378	358	708	416	-3	33	38
Suriname	-3	-49	-137	41	16	-14	-37	-58	-119	64	84	109	27	26	-10
Uruguay	-306	-618	-142	58	100	286	-363	-716	-427	453	811	462	91	95	35

Source: CEPAL, on the basis of official data.

<sup>a</sup>Preliminary figures.

<sup>b</sup>Including net private transfers payments.

<sup>c</sup>Including long- and short-term capital, official transfer payments and errors or omissions.

<sup>d</sup>Corresponds to variation in international reserves, including counterpart items.

countries managed to reduce their net payments for services slightly, their trade deficit was reduced from nearly US\$ 14.2 billion in 1980 to US\$ 10.8 billion in 1981.

In the petroleum-exporting countries, the balance of trade showed a very different pattern of growth in that the surplus of US\$ 3.4 billion generated in 1980 was replaced in 1981 by a negative balance of somewhat more than US\$ 1 billion. This downturn was due partly to the much more rapid expansion in this group of countries in the value of imports of merchandise (17%) than in exports (9%) and also to the considerable increase also shown in net payments for services.

As in 1980, the increase in Latin America's trade deficit was accompanied by the very intensive growth of net payments of profits and interests. Mainly as a consequence of the appreciable rise in the interest rates in the international financial markets for the fourth year running and the increase in the external debt of Latin America, these disbursements, which had already risen by US\$ 4 billion in 1980, increased by US\$ 9 billion in 1981. Thus, they reached the unprecedented amount of US\$ 27.3 billion, nearly double the amount recorded only two years previously and well over double the value of the deficit in trade in goods and services recorded in 1981 (see table 29).

In the non-oil-exporting countries, where these financial remittances grew with particular intensity, their total more than offset the effects of the adjustment made in the real sphere by expanding exports and containing imports. Because of this, the deficit in the balance of payments on current account rose from close to US\$ 24.7 billion in 1980 to US\$ 27.3 billion in 1981.

As for the petroleum-exporting economies, the fact that their payments of profits and interests were higher reinforced the consequences of the downturn shown in trade in goods and services, with the result that the negative balance on current account nearly trebled, rising from US\$ 4 billion in 1980 to US\$ 11.5 billion in 1981.

As a result of these changes and in spite of the big efforts made by many of the non-oil-exporting countries to reduce the imbalance in their foreign trade, Latin America's deficit on current account showed an unprecedented increase, which brought it to a historic maximum of US\$ 39 billion —45% higher than the negative balance in 1980.

Because of this enormous growth in the deficit on current account, in 1981 there was also a marked increase in the difference between this deficit and the value of exports of goods and services. This coefficient, which fluctuated between 20% and 28% between 1976 and 1978, rose to nearly 33% in 1981 thereby slightly exceeding the level recorded in 1975 at the end of the international recession in the middle of the past decade (see table 30).

In absolute terms the largest deficit was that of Mexico. This deficit, which was caused by the doubling of the negative external trade balance and by the marked increase in net payments of interests and profits, rose to US\$ 13 billion, thereby exceeding the deficit recorded in 1980 by 68%. On the other hand, the negative balance of Brazil's transactions, which had been the highest in Latin America the preceding year, fell from US\$ 12.8 billion in 1980 to US\$ 11.7 billion in 1981. This change came as a result, primarily, of the upturn in the balance of trade in goods, which, after showing a deficit of US\$ 2.8 billion in 1980, generated a surplus of US\$ 1.2 billion in 1981. The same thing happened in Argentina, where the replacement of a negative balance of trade in merchandise of close to US\$ 1.4 billion in 1980 by a surplus of over US\$ 950 million in 1981 reduced the deficit on current account by US\$ 700 million, in spite of the fact that at the same time net payments of interests and profits more than doubled (see table 29).

By comparison with the value of exports of goods and services, the most negative results were, however, recorded by Nicaragua, Chile, Haiti and Paraguay. In the first of these countries, the deficit on current account exceeded the total value of exports for the second year running, while in Chile it amounted to nearly 90% of the external sales of goods and services and was over twice as high as the deficit recorded the preceding year.

The relative magnitude of the deficit on current account was also high, although considerably lower, in Brazil, Mexico, Colombia and Peru, countries in all of which it was the equivalent of close to 46% of the value of exports. However, whereas in Brazil this figure was much lower than that recorded the preceding year, in Mexico and, above all, in Colombia and Peru, it was considerably higher (see table 30).

Table 30

**LATIN AMERICA: RELATION BETWEEN THE BALANCE OF  
PAYMENTS DEFICIT ON CURRENT ACCOUNT AND THE VALUE  
OF EXPORTS OF GOODS AND SERVICES<sup>a</sup>**

(Percentages)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 <sup>b</sup>
<b>Latin America</b>	25.2	20.1	11.9	15.7	31.9	22.5	19.7	28.2	22.9	25.8	32.7
<b>Oil-exporting countries</b>	15.3	14.2	7.0	-11.5	17.7	19.7	26.0	38.0	14.2	7.3	19.7
Bolivia	3.7	5.5	-0.7	-21.3	28.8	10.3	18.8	50.2	46.6	15.9	25.2
Ecuador	61.9	23.3	1.9	-1.7	21.5	2.1	23.7	42.9	26.1	27.2	38.5
Mexico	28.1	25.7	30.9	47.8	67.1	50.2	24.0	30.3	36.9	32.9	45.5
Peru	6.5	5.6	22.4	40.8	93.2	71.5	45.8	10.2	-16.2	1.6	44.9
Trinidad and Tobago	42.2	26.6	5.1	-23.9	-23.0	-15.7	-19.5	-3.3	1.2	-14.5	-7.5
Venezuela	0.3	2.8	-17.5	-50.1	-23.5	-3.3	30.8	58.1	-2.5	-21.3	-19.4
<b>Non-oil-exporting countries</b>	29.9	23.4	18.7	42.7	50.7	31.6	18.3	22.7	28.9	38.4	45.6
Argentina	18.4	9.6	-18.9	-2.6	36.8	-14.2	-19.6	-24.6	5.8	48.3	37.4
Barbados	34.9	38.2	38.3	27.0	20.1	33.0	21.6	10.5	9.1	4.9	15.4
Brazil	50.4	39.2	32.4	87.4	74.3	60.4	39.3	51.5	62.6	58.8	46.0
Colombia	49.5	17.7	5.0	20.6	5.9	-6.9	-12.6	-7.4	-10.8	12.8	46.8
Costa Rica	41.2	29.9	26.9	49.9	36.5	28.9	23.4	36.1	50.5	54.9	30.7
Chile	17.8	48.3	19.7	12.9	27.1	-5.5	21.8	37.8	26.1	33.9	88.4
El Salvador	5.7	-2.7	11.5	26.3	16.0	-2.2	-1.9	25.2	-9.1	10.6	25.6
Guatemala	14.2	2.6	-1.6	14.5	8.3	8.1	2.8	20.9	14.2	9.5	38.5
Guyana	4.7	9.3	41.4	3.3	6.2	48.1	32.2	7.3	26.7	30.8	58.3
Haiti	2.7	1.7	13.2	36.3	38.1	37.1	40.3	39.7	52.8	45.7	72.5
Honduras	12.3	6.8	12.9	37.0	36.3	25.2	24.0	24.7	24.5	35.9	32.2
Jamaica	32.2	32.6	40.6	8.4	27.4	34.9	4.9	5.5	12.8	13.6	31.0
Nicaragua	21.3	-6.0	30.3	61.6	44.2	7.7	26.7	4.7	-13.4	121.4	104.3
Panama	25.9	30.9	29.7	37.2	25.1	27.8	23.0	29.4	36.2	17.9	26.6
Paraguay	28.8	8.7	13.0	26.3	38.3	29.7	15.2	27.2	40.9	50.1	68.9
Dominican Republic	45.0	11.8	19.2	33.2	7.7	15.8	14.2	38.1	31.7	53.1	24.9
Suriname	10.9	9.0	14.2	7.3	14.7	7.2	20.4	5.9	7.2	9.5	21.1
Uruguay	28.7	-13.5	-4.4	27.3	35.9	11.8	21.2	14.5	30.4	46.9	22.5

Source: CEPAL, on the basis of official figures.

<sup>a</sup>Negative figures indicate balance-of-payments surplus on current account.<sup>b</sup>Preliminary figures.

The general trend in the direction of a greater external imbalance was also reflected in the fact that in 1981 the deficit on current account was not lower than 20% of the value of the exports of any economy of the region, with the sole exception of Barbados (15%) and Venezuela and Trinidad and Tobago, which, as in 1980, were the only countries which achieved surpluses in their current transactions.

**(b) The capital account**

In 1980 the net inflow of capital in Latin America stepped up vigorously. Having increased strongly and persistently throughout the 1970s but having risen by only somewhat more than 3% in 1980, it grew by 45% in 1981, reaching the unprecedented amount of over US\$ 39.2 billion. Not only was the increase in the inflow of loans and investments intense, it was also generalized, occurring in two-thirds of the countries under consideration and in the petroleum-exporting economies as well as in the other countries of the region (see table 29).

The largest amount of net external resources was received by Mexico, which in 1981 captured funds valued at nearly US\$ 14.1 billion. Not only was this 63% more than the amount received the



preceding year, it was also higher than the close to US\$ 12.4 billion received in 1981 by Brazil, which up to the preceding year, had been the economy towards which the heaviest flow of loans and investments had normally been directed. The net inflow of capital also increased very intensively in Chile, Colombia and Peru. In the first of those countries, capital resources rose for the second year running by 50%, amounting to over US\$ 5 billion. The relative increase in the net inflow of capital was similar in Peru, although its absolute value (US\$ 1.1 billion) was much lower than in Chile. Although the inflow showed somewhat slower growth in Colombia, it was still very high (40%), the net amount of the loans and investments received coming close to US\$ 2.4 billion.

On the other hand, the flow of external resources declined by nearly 30% in Ecuador, by over 40% in Uruguay and by close to 60% in Costa Rica and Argentina, the latter two countries having suffered large-scale recessions in 1981.

As a consequence of the much greater volume of external financing received and in spite of the marked increase recorded in the deficit on current account, the balance of payments for the region as a whole experienced a downturn of US\$ 2 billion. After having closed in 1980 with a deficit of close to US\$ 1 550 million, a small surplus of US\$ 450 million was generated in 1981. This surplus was, however, much smaller than the surpluses yielded throughout the 1970s and was even smaller than the surplus of US\$ 600 million achieved in 1975 at the end of the previous recession in the world economy.

Moreover, the transition from a deficit situation in 1980 to a surplus in 1981 was first and foremost due to the profound changes in the results of the balance of payments in Venezuela and Brazil. In the latter country, the negative balance of close to US\$ 3.5 billion recorded in 1980 was converted into a surplus of somewhat more than US\$ 600 million in 1981 as a result of the aforementioned reversal in trade in goods and of the fact that many more foreign resources were captured. Venezuela, whose balance of payments had closed with a small deficit in 1980 because of a very substantial net outflow of capital, achieved a surplus in 1981 amounting to close to US\$2.5 billion. During 1981, Bolivia and Nicaragua also managed to effect a reversal in their negative balances of the previous year, and Mexico, Barbados, Panama and the Dominican Republic increased their surpluses slightly (see table 29).

However, in the majority of the economies of the region, the year 1981 was one in which the balance-of-payments situation deteriorated. This deterioration was especially marked in Peru, Chile, Colombia, Ecuador and Argentina. In the first of these countries, the surplus of US\$ 650 million achieved in 1980 was converted into a deficit of nearly US\$ 700 million, owing to the combined effect of the sharp drop in the value of exports (-18%) and of another and even greater increase in the value of imports (26%). For its part, Chile, which in 1980 had obtained the highest surplus in the balance of payments in the region, saw that surplus decline from over US\$ 1.3 billion in that year to only US\$ 140 million in 1981, owing primarily to the sharp rise in imports and to the marked growth of net payments of interest. For its part, Colombia, whose balance-of-payments surplus of over US\$ 1 billion was the second highest in the region in 1980, achieved a surplus of little more than US\$ 400 million in 1981. As in Chile, this reduction occurred in spite of the fact that in 1981 the net inflow of capital rose considerably and was due primarily to the marked drop in the value of exports (-24%). The worsening in the balance-of-payments situation was even more notable in Ecuador, whose international transactions resulted in a deficit for the first time since 1975, in an amount which, moreover, was very high, and in Argentina, where the dramatic fall in the net intake of external resources resulted in an increase in the balance-of-payments deficit, which rose from US\$ 2.6 billion in 1980 to nearly US\$ 3.2 billion in 1981.

During 1981, large balance-of-payments deficits in addition to those recorded in Argentina, Peru and Ecuador, were reported by Guatemala (in the unprecedented amount of over US\$ 400 million), Jamaica, which had obtained a small surplus in 1980, and Honduras, which for the second year running had a negative balance of close to US\$ 80 million.

(c) *International reserves*

Despite the fact that, as has been mentioned above, the year closed with a small surplus on Latin America's balance of payments, the value of official international reserves dropped by 9% in 1981. This decline, which may be attributed mainly to the decline that year of the international price of gold, also affected the great majority of the economies of the region. Only the Bahamas, Barbados, Brazil, Mexico, Paraguay, the Dominican Republic, Suriname and Trinidad and Tobago managed to increase their reserves in 1981, whereas reserves declined in all the other Latin American countries (see table 31).

Table 31

**LATIN AMERICA: EVOLUTION OF OFFICIAL INTERNATIONAL RESERVES<sup>a</sup>**

(Millions of dollars)

	End-year balances					Growth rates		
	1973	1975	1979	1980	1981	1979	1980	1981
<b>Latin America</b>	15 544	21 321	48 772	56 653	51 454	26.8	16.2	-9.2
<b>Oil-exporting countries</b>	5 613	14 018	18 133	24 703	24 641	37.4	36.2	-0.3
Bolivia	73	190	367	487	410	33.5	32.7	-15.8
Ecuador	248	314	849	1 265	852	18.7	49.0	-32.6
Mexico	1 611	1 973	2 544	4 213	5 111	33.3	65.6	21.3
Peru	607	587	1 384	2 355	1 465	453.6	70.2	-37.8
Trinidad and Tobago	47	751	2 155	2 813	3 370	18.9	30.5	19.8
Venezuela	3 027	10 203	10 834	13 570	13 433	31.5	25.3	-1.0
<b>Non-oil-exporting countries</b>	9 931	7 303	30 639	31 950	26 813	21.2	4.3	-16.1
Argentina	1 328	638	10 728	9 375	5 276	85.2	-12.6	-43.7
Bahamas	43	53	83	92	100	38.3	10.8	8.7
Barbados	32	40	55	76	100	5.8	38.2	31.6
Brazil	6 489	4 194	9 487	6 912	7 613	-21.8	-27.1	10.1
Colombia	558	656	4 555	6 525	6 289	65.9	43.2	-3.6
Costa Rica	54	24	88	142	41	-50.3	61.4	-71.1
Chile	161	-121	2 226	4 036	3 947	120.0	81.3	-2.2
El Salvador	88	164	296	385	265	-18.9	30.1	-31.2
Guatemala	239	363	856	762	279	1.7	-11.0	-63.4
Guyana	9	101	-35	-73	-79			
Haiti	17	-1	16	2	-5	68.0	-87.5	
Honduras	42	78	213	145	70	13.9	-31.9	51.7
Jamaica	111	111	-288	-204	-385			
Nicaragua	103	107	7	...	...	-86.9	...	...
Panama	42	13	81	98	26	-16.5	21.0	-73.5
Paraguay	57	115	620	783	822	12.5	26.3	5.0
Dominican Republic	92	127	150	233	262	19.0	55.3	12.4
Suriname	70	115	186	222	232	31.0	19.4	4.5
Uruguay	396	526	1 315	2 439	1 960 <sup>b</sup>	32.8	85.5	-12.8 <sup>c</sup>

Source: International Monetary Fund, *International Financial Statistics*, August 1982.

<sup>a</sup> Plus monetary golds valued at London prices per refined ounce minus the use of IMF credit.

<sup>b</sup> Prices at end of June.

<sup>c</sup> Variation from June 1980.

The decline especially marked in the Central American countries, in most of which official reserves at the end of 1981 were not sufficient to finance even one month's worth of imports of goods and services. The decline was also very sharp in Argentina —where reserves dropped for the second year in a row— and in Peru and Ecuador. Nevertheless, because Argentina had accumulated a substantial amount of reserves between 1977 and 1979, at the end of 1981 it had enough to pay for almost six months' worth of imports. This ratio was surpassed only by Trinidad and Tobago.

which had sufficient reserves to finance almost 17 months' worth of imports: Colombia and Uruguay, which had reserves equivalent to one year's worth of imports; and Paraguay and Venezuela, whose monetary authorities had international assets enough to cover 90% and 80% respectively of their imports (see table 32).

Table 32

**LATIN AMERICA: RELATION BETWEEN OFFICIAL INTERNATIONAL RESERVES AND IMPORTS OF GOODS AND SERVICES**

	1973	1975	1976	1977	1978	1979	1980	1981 <sup>a</sup>
<b>Latin America</b>	<b>0.51</b>	<b>0.40</b>	<b>0.43</b>	<b>0.46</b>	<b>0.52</b>	<b>0.52</b>	<b>0.46</b>	<b>0.38</b>
<b>Oil-exporting countries</b>	<b>0.49</b>	<b>0.65</b>	<b>0.54</b>	<b>0.50</b>	<b>0.40</b>	<b>0.46</b>	<b>0.48</b>	<b>0.40</b>
Bolivia	0.27	0.31	0.31	0.39	0.29	0.34	0.51	0.42
Ecuador	0.49	0.24	0.39	0.38	0.33	0.32	0.43	0.27
Mexico	0.31	0.23	0.12	0.18	0.17	0.15	0.16	0.15
Peru	0.41	0.19	0.09	0.11	0.12	0.55	0.61	0.30
Trinidad and Tobago	0.09	0.88	1.01	1.28	1.28	1.18	1.21	1.39
Venezuela	0.90	1.44	1.03	0.72	0.55	0.77	0.86	0.78
<b>Non-oil-exporting countries</b>	<b>0.51</b>	<b>0.23</b>	<b>0.35</b>	<b>0.43</b>	<b>0.61</b>	<b>0.56</b>	<b>0.44</b>	<b>0.37</b>
Argentina	0.51	0.15	0.40	0.70	1.15	1.21	0.71	0.45
Bahamas	0.08	0.11	0.09	0.12	0.09	0.10	0.09	0.09
Barbados	0.16	0.16	0.10	0.09	0.14	0.12	0.13	0.15
Brazil	0.83	0.29	0.44	0.50	0.73	0.44	0.25	0.28
Colombia	0.39	0.32	0.55	0.73	0.80	1.16	1.18	1.02
Costa Rica	0.11	0.03	0.08	0.16	0.14	0.06	0.09	0.03
Chile	0.10	-0.06	0.05	0.09	0.28	0.42	0.57	0.44
El Salvador	0.20	0.24	0.27	0.26	0.30	0.24	0.32	0.23
Guatemala	0.46	0.42	0.46	0.52	0.51	0.48	0.39	0.13
Guyana	0.04	0.27	0.02	0.01	0.06	-0.10	-0.15	-0.15
Haiti	0.18	-0.01	0.06	0.05	0.16	0.04	-	-0.01
Honduras	0.14	0.17	0.22	0.27	0.24	0.23	0.13	0.07
Jamaica	0.14	0.08	-0.04	-0.06	-0.12	-0.23	-0.14	-0.22
Nicaragua	0.26	0.18	0.23	0.18	0.08	0.01	...	...
Panama	0.07	0.01	0.03	0.02	0.09	0.06	0.06	0.01
Paraguay	0.36	0.41	0.52	0.62	1.04	0.84	0.93	0.89
Dominican Republic	0.16	0.13	0.11	0.14	0.11	0.10	0.12	0.15
Suriname	0.35	0.32	0.36	0.26	0.30	0.36	0.34	0.32
Uruguay	1.08	0.78	0.66	0.78	1.02	0.87	1.14	0.96

Source: CEPAL, on the basis of table 29 and official data.

<sup>a</sup>Preliminary figures.

For the region as a whole, the ratio between total international reserves and the value of imports decreased for the second year in a row and dropped in 1981 to 38%, a figure which is even lower than the one recorded in 1975, when the international crisis of the mid-1970s reached its peak. The coefficient was even lower in the two largest economies of the region: in Brazil it was only 28%, whereas in Mexico it was only 15%, which meant that at the end of 1981 Mexico's reserves would not finance two months' worth of imports.

### 3. The external debt<sup>13</sup>

In 1981, the increased disequilibrium in the balance-of-payments current account was accompanied by an acceleration of the rate of external indebtedness. Indeed, the public external debt<sup>14</sup> increased by somewhat over 21%, after its growth rate had declined from 30% in 1978 to 18% in 1979 and 12% in 1980. Thus, the total public external debt was almost US\$ 150 billion at the end of the year (see table 33).

Table 33

#### LATIN AMERICA: DISBURSED EXTERNAL PUBLIC DEBT<sup>a</sup>

	end-year balance in millions of dollars					Growth rates		
	1973	1975	1979	1980	1981 <sup>b</sup>	1979	1980	1981
<b>Latin America</b>	26 974	44 051	110 079	123 580	49 830	18.3	12.3	21.2
<b>Oil-exporting countries</b>	9 683	17 239	49 255	55 850	73 340	10.5	13.4	31.3
Bolivia	632	799	1 828	2 124	2 540	10.9	16.2	19.6
Ecuador	332	458	2 104	2 671	4 200	32.5	26.9	57.2
Mexico	5 585	11 540	29 174	33 490	48 000	13.8	14.8	43.3
Peru	1 442	3 021	5 922	6 204	6 450	9.6	4.8	4.0
Trinidad and Tabago	151	159	422	494	550	1.0	17.1	11.3
Venezuela	1 541	1 262	9 805	10 867	11 600	42.2	10.8	6.7
<b>Non-oil-exporting countries</b>	17 291	26 812	60 824	67 738	76 490	25.1	11.4	12.9
Argentina	2 783	3 121	8 742	10 285	13 900	28.5	17.7	35.1
Brazil	7 484	13 706	35 478	38 260	41 000	17.2	7.8	7.2
Colombia	1 914	2 348	3 425	4 294	4 950	22.2	25.4	15.3
Costa Rica	249	421	1 274	1 585	2 070	34.8	24.4	30.6
Chile	2 812	3 731	4 977	4 885	4 580	9.2	-1.8	-6.2
El Salvador	107	196	405	509	680	21.3	25.7	33.6
Guatemala	112	164	482	541	710	29.6	12.2	31.2
Guyana	165	291	468	519	620	9.3	10.9	19.5
Haiti	41	57	208	249	280	20.9	19.7	12.4
Honduras	134	264	751	892	1 020	26.2	18.8	14.3
Jamaica	349	690	1 143	1 299	1 160	8.2	13.6	-10.7
Nicaragua	334	598	1 106	1 496	2 040	15.1	35.3	36.4
Paraguay	146	189	561	667	770	22.8	18.9	15.4
Dominican Republic	314	411	864	1 186	1 260	18.2	37.3	6.2
Suriname	-	7	30 <sup>b</sup>	30 <sup>b</sup>	30	-3.2	-	-
Uruguay	347	618	910	1 041	1 420	14.6	14.4	36.4

Source: CEPAL, on the basis of World Bank, *External medium- and long-term public debt: Past and projected amounts outstanding, transactions and payments, 1956-1976*, 4 December 1967; *World debt tables*, 20 October 1978, Vol. I; "External public debt of developing countries and territories", *World debt tables*, December 1981; Inter-American Development Bank, *External public debt of the Latin American countries*, July 1981.

<sup>a</sup>The disbursed external public debt consists of all the commitments actually drawn by public entities or guaranteed by them, payable to non-residents in foreign currency and having an original or subsequently extended term of more than one year.

<sup>b</sup>CEPAL, provisional estimates.

<sup>13</sup>Because of the diversity of sources of information used, the figures on external indebtedness considered in this section will not necessarily coincide with those appearing in the chapters on the economic evolution of individual countries in the second part of this *Survey*.

<sup>14</sup>This includes the public external debt itself and State-guaranteed private debt.

As in the two preceding years, the relative increase in the non-guaranteed debt was even sharper, so that the gross global external debt disbursed increased more rapidly (25%) than the public external debt. Thus, for the fourth year in a row, gross indebtedness increased by more than 20% and, by the end of 1981, amounted to approximately US\$ 257 billion, almost double the total recorded only three years before (see table 34).

Table 34

**LATIN AMERICA<sup>a</sup>: GROSS GLOBAL DISBURSED EXTERNAL DEBT<sup>b</sup>**

	End year balance, in millions of dollars					Growth rates		
	1973 <sup>c</sup>	1975 <sup>d</sup>	1979	1980	1981 <sup>c</sup>	1979	1980	1981 <sup>c</sup>
<b>Latin America<sup>c</sup></b>	42 300	69 093	167 321	205 275	257 000	25.4	22.7	25.2
<b>Oil-exporting countries</b>	14 410	26 385	74 804	92 496	121 150	27.4	23.7	31.0
Bolivia	630	784	2 585	2 442	2 800	24.8	-5.5	14.7
Ecuador	420	585	3 754	4 798	6 400	14.8	27.8	33.4
Mexico	8 200	17 014	37 746	50 216	73 700	26.8	33.0	46.8
Peru	1 900	3 924	7 116	7 901	8 500	4.2	11.0	7.6
Trinidad and Tobago	160	170	525	645	850	30.0	22.9	31.8
Venezuela	3 100	3 908	23 078	26 494	28 900	40.9	14.8	9.1
<b>Non-oil-exporting countries</b>	24 640	37 576	91 877	111 746	134 840	24.2	21.6	20.7
Argentina	5 100	5 760	18 299	24 543	30 800	63.7	34.1	25.5
Brazil	11 000	20 091	48 991	57 262	68 000	13.7	16.9	18.8
Colombia	2 900	3 593	5 935	7 310	8 200	33.3	23.2	12.2
Costa Rica	270	462	1 690	2 124	2 600	34.4	25.7	22.4
Chile	3 100	4 072	7 491	9 544	12 400	26.9	27.4	29.9
El Salvador	130	247	798	846	1 000	0.9	6.0	18.2
Guatemala	190	277	983	1 120	1 150	26.0	13.9	2.7
Guyana	170	263	527	565	650	9.1	7.2	15.0
Haiti	50	66	226	269	300	24.9	19.0	11.5
Honduras	170	341	1 130	1 303	1 450	23.1	15.3	11.3
Jamaica	350	657	1 320	1 388	1 200	11.0	5.2	-13.5
Nicaragua	340	493	1 453	1 660	2 200	2.3	14.2	32.5
Paraguay	160	207	727	919	1 150	41.2	26.4	25.1
Dominican Republic	320	398	1 170	1 548	1 800	23.3	32.3	16.3
Suriname	-	17	110	34	40	57.1	-69.1	17.6
Uruguay	390	686	1 027	1 311	1 900	24.8	27.7	44.9

Source: CEPAL, on the basis of World Bank, "External public debt of developing countries", *World Debt Tables*, 15 de November 1980, Vol. 1 and *World Debt Tables*, December 1981; Bank for International Settlements, *Press review*, N° 39, July 1976 and N° 79, April 1977; *The maturity distribution of international bank lending*, July 1978, July 1979, July 1980 (revised versions), July 1981 and July 1982.

<sup>a</sup> Excludes Bahamas, Barbados and Panama because they are international financial centres.

<sup>b</sup> In addition to public and State-guaranteed private external debt, includes unguaranteed long- and short-term debt with financial institutions supplying data to the Bank for International Settlements. Does not include suppliers' credit without official guarantees or the debt with the International Monetary Fund.

<sup>c</sup> Provisional estimates by CEPAL.

<sup>d</sup> Data From the Bank for International Settlements for 1975, is not covered as fully as for 1978, 1980 and 1981

<sup>e</sup> Outstanding claims by commercial banks against the region which cannot be classified by country

Moreover, and contrary to what happened in 1979 and 1980, in 1981 the rate of growth of gross indebtedness was considerably higher than the value of exports of goods and services. Consequently, the ratio between debts and exports rose heavily, to a record of almost 2.2, a coefficient that is 50% higher than it was in 1973, the year preceding the first oil crisis<sup>15</sup> (see table 35). Moreover, since Latin America's international reserves dropped in 1981, the net global

<sup>15</sup>This refers to gross global external debt less official international reserves.

Table 35

**LATIN AMERICA<sup>a</sup>: RELATION BETWEEN GROSS GLOBAL DISBURSED EXTERNAL DEBT AND EXPORTS OF GOODS AND SERVICES**

	1973 <sup>b</sup>	1975	1976	1977	1978	1979	1980	1981 <sup>b</sup>
Latin America <sup>c</sup>	1.4	1.58	1.80	1.79	2.07	1.96	1.87	2.18
Oil-exporting countries <sup>d</sup>			1.64	1.95	2.16	1.88	1.68	2.02
Bolivia	2.2	1.61	1.59	2.34	2.95	3.02	2.34	2.79
Ecuador	0.7	0.53	0.62	1.35	1.92	1.54	1.69	2.19
Mexico	1.7	2.73	3.11	3.24	2.70	2.46	2.12	2.56
Peru	1.4	2.32	2.70	2.84	2.85	1.74	1.70	2.14
Trinidad and Tobago	0.3	0.14	0.09	0.19	0.26	0.25	0.22	0.43
Venezuela	0.6	0.42	0.73	1.06	1.67	1.54	1.33	1.38
Non-oil-exporting countries <sup>e</sup>			1.67	1.67	1.98	2.01	2.05	2.34
Argentina	1.4	1.63	1.32	1.19	1.49	1.98	2.47	2.83
Brazil	1.6	2.10	2.49	2.50	3.11	2.93	2.62	2.66
Colombia	1.9	1.66	1.33	1.14	1.13	1.31	1.45	1.96
Costa Rica	0.7	0.78	0.82	1.03	1.25	1.54	1.78	2.17
Chile	2.1	2.22	1.82	1.78	2.01	1.62	1.60	2.26
El Salvador	0.3	0.42	0.36	0.49	0.80	0.57	0.74	1.04
Guatemala	0.4	0.35	0.38	0.45	0.60	0.67	0.64	0.78
Guyana	1.1	0.71	1.13	1.48	1.54	1.69	1.38	1.81
Haiti	0.7	0.62	0.65	0.74	0.86	1.02	0.93	1.26
Honduras	0.6	0.99	1.02	1.24	1.33	1.36	1.40	1.56
Jamaica	0.6	0.60	0.96	1.15	1.03	1.09	0.98	0.80
Nicaragua	1.1	1.10	1.09	1.80	1.96	2.15	3.25	3.94
Paraguay	1.1	0.91	1.09	0.81	1.09	1.32	1.49	1.87
Dominican Republic	0.6	0.39	0.59	0.88	1.15	1.03	1.22	1.17
Suriname	-	0.05	0.03	0.03	0.15	0.21	0.06	0.07
Uruguay	1.0	1.25	1.04	1.06	0.90	0.86	0.86	1.10

Source: CEPAL, on the basis of official data.

<sup>a</sup> Excludes Bahamas, Barbados and Panama because they are international financial centres.

<sup>b</sup> Provisional estimates by CEPAL.

<sup>c</sup> The total debt includes unclaimed settlements of commercial banks against the region which cannot be classified by country, especially for the period 1973-1976.

<sup>d</sup> The indexes prior to 1976 are not given since Mexico and Peru did not become petroleum exporters until 1976.

external debt disbursed increased at the exceptionally high rate of over 38%, which is well over the already high rate of the two preceding years (see table 36).

In 1981, on the other hand, the growth of short-term indebtedness with commercial banks slowed down somewhat after having increased at an unusually high rate of around 50% in both 1979 and 1980. In relative terms, however, the increase (26%) was even higher; as a result of this and of the sharp increase in both 1979 and 1980, such indebtedness almost tripled over the last three-year period (see table 37).

Naturally, these overall trends in the indebtedness of the region as a whole were the result of the widely varying trends in the value and structure of the debt in the different countries. Thus, while the rate of growth of gross external indebtedness of the oil-exporting countries was quite high, that of the remaining economies of the region declined slightly, as had been the case in 1980. The difference between the two groups of countries was particularly evident in the area of short-term indebtedness with commercial banks, which rose by almost 35% in the six oil-exporting countries and by only 15% in the other economies taken together.

Table 36

LATIN AMERICA<sup>a</sup>: NET GLOBAL DISBURSED EXTERNAL DEBT<sup>b</sup>

	End-year balance, in million of dollars					Growth rates		
	1973 <sup>c</sup>	1975	1979	1980	1981 <sup>c</sup>	1979	1980	1981 <sup>c</sup>
<b>Latin America<sup>d</sup></b>	26 873	47 878	118 768	148 888	205 772	24.8	25.4	38.2
<b>Oil-exporting countries</b>	8 797	12 367	56 671	67 793	96 509	24.4	19.6	42.4
Bolivia	557	594	2 218	1 955	2 390	23.4	-11.9	22.3
Ecuador	172	271	2 905	3 533	5 548	13.7	21.6	57.0
Mexico	6 589	15 041	35 202	46 003	68 589	26.3	30.7	49.1
Peru	1 293	3 337	5 732	5 546	7 035	-12.9	-3.2	26.8
Trinidad and Tobago	113	-581	-1 630	-2 168	-2 520			
Venezuela	73	-6 295	12 244	12 924	15 467	50.3	5.6	19.7
<b>Non-oil-exporting countries</b>	14 826	30 379	61 457	80 062	108 253	25.6	30.3	35.2
Argentina	3 772	5 122	7 571	15 168	25 524	40.6	100.3	68.3
Brazil	4 511	15 897	39 504	50 350	60 387	27.7	27.5	19.9
Colombia	2 342	2 883	1 380	785	1 911	-19.3	-43.1	143.4
Costa Rica	216	438	1 602	1 982	2 559	48.3	23.7	29.1
Chile	2 939	4 193	5 265	5 508	8 453	7.7	4.6	53.5
El Salvador	42	83	502	461	735	17.8	-8.2	59.4
Guatemala	-49	-86	127	358	871		181.9	143.3
Guyana	161	162	562	638	729	21.1	13.5	14.3
Haiti	33	67	10	267	305	60.3	27.1	14.2
Honduras	128	263	917	1 158	1 380	25.4	26.3	19.2
Jamaica	239	546	1 608	1 592	1 585	22.7	-1.0	-0.4
Nicaragua	237	386	1 446	1 660	2 200	5.7	14.8	32.5
Paraguay	103	92	107	136	328		27.1	141.2
Dominican Republic	228	271	1 020	1 315	1 538	23.9	28.9	17.0
Suriname	-70	-98	-76	-188	-192			
Uruguay	-6	160	-288	-1 128	-60			

Source: International Monetary Fund, *International financial statistics*, August 1982; CEPAL, on the basis of World Bank, "External public debt of developing countries", *World Debt Tables*, Vol. I November 1980, and *World Debt Tables*, December 1981.

<sup>a</sup> Excludes Bahamas, Barbados and Panama, because they are international financial centres.

<sup>b</sup> Gross global disbursed external debt minus official international reserves.

<sup>c</sup> Provisional estimates by CEPAL.

<sup>d</sup> Includes unclaimed settlements by commercial banks against the region which cannot be classified by country.

Thus, contrary to what happened during the biennium 1974-1975, when the gross global indebtedness of the non-oil-exporting countries rose at a much higher rate (68%) than that of the oil-exporting countries (26%), during the period 1980-1981, the debt of the latter grew more rapidly (62%) than that of the former (47%).<sup>16</sup> This meant that, as an adjustment mechanism, indebtedness was much more available to the non-oil-exporting countries during the international crisis of the mid-1970s than at present, a fact which helps in part to explain the slower growth of these countries during this recent period.

Nevertheless, even within the two groups, there were marked differences in the evolution of indebtedness. For example, the considerable increase in the debt of the oil-exporting countries during the last two years was to a large extent due to the increased credit granted to Ecuador and, especially, to Mexico. In Mexico, the gross global external debt rose by 47% in 1981, after having risen by 33% during 1980; consequently, it almost doubled in only two years. The most important

<sup>16</sup>This pattern confirms the fact that external indebtedness is a process which depends on the financial needs of the debtor as well as on his payment capacity and, above all, on the opinion of creditor agencies regarding such payment capacity.

cause for this exceptional increase was the increase in short-term indebtedness with commercial banks, which rose very sharply, increasing more than fivefold between 1978 and 1981 (see tables 34 and 37).

Table 37  
LATIN AMERICA<sup>a</sup>: SHORT-TERM EXTERNAL DEBT  
WITH COMMERCIAL BANKS<sup>b</sup>

	End-year balances in millions of dollars				Growth rates		
	1978	1979	1980	1981 <sup>c</sup>	1979	1980	1981 <sup>c</sup>
<b>Latin America</b>	27 627	41 310	60 776	76 331	49.5	47.1	-25.6
<b>Oil-exporting countries</b>	14 465	22 133	32 069	43 205	53.0	44.9	34.7
Bolivia	357	522	295	284	46.2	-43.5	-3.7
Ecuador	1 135	1 071	1 492	1 941	-5.6	39.3	30.1
Mexico	4 636	7 583	15 488	24 024	63.6	104.2	55.1
Peru	1 288	1 483	1 961	2 313	15.1	32.2	18.0
Trinidad and Tobago	82	121	56	197	47.6	-53.7	251.8
Venezuela	6 967	11 353	12 777	14 446	63.0	12.5	13.1
<b>Non-oil-exporting countries</b>	13 162	19 177	28 707	33 126	45.7	49.7	15.4
Argentina	2 938	5 972	9 296	9 964	103.3	55.7	7.2
Brazil	6 093	7 536	12 226	14 275	23.7	62.2	16.8
Colombia	1 140	1 916	2 217	2 285	68.1	15.7	3.1
Costa Rica	276	344	565	527	24.6	64.2	-6.7
Chile	981	1 477	2 334	3 642	50.6	58.0	56.0
El Salvador	327	276	218	210	-15.6	-21.0	-3.7
Guatemala	199	236	263	209	18.6	11.4	-20.5
Guyana	57	41	43	40	-28.1	4.9	-7.0
Haiti	3	16	10	20		-37.5	100.0
Honduras	162	251	257	226	54.9	2.4	-12.1
Jamaica	72	98	90	58	36.1	-8.2	-35.6
Nicaragua	468	337	292	283	-28.0	-13.4	-3.1
Paraguay	78	137	165	301	75.6	20.4	82.4
Dominican Republic	243	301	452	610	23.9	50.2	35.0
Suriname	12	67	5	10			
Uruguay	113	172	274	466	52.2	59.3	70.1

Source: CEPAL, on the basis of Bank for International settlements, *The maturity distribution of international bank lending*, July 1978, July 1979, July 1980 (revised versions), July 1981 and July 1982.

<sup>a</sup>Excludes, Bahamas, Barbados and Panama, because they are international financial centres.

<sup>b</sup>Refers to the debt having an original term of less than one year with commercial banks supplying data to the Bank for International settlements. Does not therefore include the short-term debt with suppliers or the debt with other commercial banks.

<sup>c</sup>Provisional estimates by CEPAL.

In Ecuador —the Latin American country whose external indebtedness increased most rapidly between 1973 and 1981— the gross global debt rose by one-third in 1981 alone. As a result of this increase and of the meagre 3% increase in 1981 in the value of external sales, the debt-export coefficient rose sharply, from 1.7 in 1980 to 2.2 in 1981.

The gross external debt also grew rapidly, for the third year in a row, in Trinidad and Tobago. Consequently, the debt-export coefficient doubled in only one year; even so, it continued to be the lowest of the region, with the sole exception of that of Suriname.

This was in sharp contrast to the situation of Bolivia, where the gross debt rose by 15% in 1981, but where the debt-export coefficient rose to 2.8, a ratio exceeded only by those of Nicaragua and Argentina.



In Venezuela and Peru, on the other hand, global external indebtedness rose very slowly, as it had in Peru during the previous two years and in Venezuela in 1980. Nevertheless, as a result of the sharp drop in the value of Peruvian exports, the debt-export coefficient rose sharply in that country, after having dropped considerably for two years (see table 33).

With regard to the non-oil-exporting countries, external indebtedness grew substantially in Chile, Nicaragua and Uruguay.

In 1981, the growth rate of the gross external debt in Uruguay (45%) was exceeded only by that of Mexico, which was slightly higher (47%). Nevertheless, partly as a result of the relatively moderate growth of Uruguay's external indebtedness during the second half of the 1970s and partly because of the steady and marked increase in its exports, the countries' debt-export coefficient remained one of the lowest in the region. This relatively favourable position was also reflected in the fact that, along with Trinidad and Tobago and Suriname, Uruguay was one of the few Latin American countries which had a negative external debt in 1981.

Nicaragua, on the other hand, had the highest debt-export ratio of Latin America (3.94). This country's gross external debt rose by one-third in 1981, while its exports declined sharply over the last two years.

Gross external indebtedness also rose by nearly 30% in Chile, more than doubling over the last three years. Moreover, contrary to the case in 1979 and 1980, when exports grew more rapidly than the debt, in 1981 the increase in the debt was accompanied by a considerable decrease in the value of exports. Consequently, after having dropped sharply in 1979 and slightly in 1980, the debt-export coefficient rose substantially in 1981, to 2.3, and was exceeded only by those of Nicaragua, Argentina, Bolivia, Brazil and Mexico. The contrast with the evolution with regard to the two preceding years was even more marked in the case of the net external debt, which rose very slowly between 1975 and 1980, but increased by 53% in 1981 (see tables 34, 35 and 37).

By contrast with the three economies just discussed, Brazil, which up to 1980 had had the highest external debt of the region, increased its external indebtedness at a fairly low rate (19%), which was only slightly higher than the growth rate of its exports. Because of this, the country's debt-export coefficient remained almost stable, after having declined sharply during the two preceding years. Nevertheless, it is still one of the highest in the region.

Argentina, whose external debt rose extraordinarily between 1975 and 1980, from under US\$ 5 billion to over 24.5 billion, saw its gross external indebtedness rise by 25% in 1981; although this rate is much lower than those of the two preceding years, it was still one of the highest recorded in Latin America. Since this increase was much higher than the increase in exports, the debt-export coefficient rose sharply for the fourth year in a row and was exceeded only by that of Nicaragua. Moreover, since during 1981 its official international reserves dropped by almost 44%, its net external debt, which had already doubled in 1980, rose by more than 68% in 1981, thus tripling over the last two years.

## VI. PRICES AND WAGES

### 1. Prices

In 1981, Latin America's inflation rate rose for the fourth year in a row. For the region as a whole, the weighted average variation in consumer prices was somewhat over 57%, thus exceeding slightly the increases recorded in the two preceding years.<sup>17</sup> Moreover, and although to a lesser extent than in 1980 and especially than in 1979, the inflationary process was widespread, inasmuch as of the 23 countries for which data were available, only 6 succeeded in limiting their rates of price increases to less than 10%.<sup>18</sup> (see table 38).

<sup>17</sup>Because, on the one hand, the weighting factor used to calculate the regional average is the population of each country, and, on the other, the rate at which prices increased was generally much higher in the larger countries, the simple average of regional inflation was equivalent to half (28.8%) the weighted average (56.2%). Nevertheless, like the weighted average, the simple average was also slightly higher in 1981 than in 1980 (27.5%).

<sup>18</sup>In 1980, four countries were in this position and in 1979, only one.

Table 38

## LATIN AMERICA: EVOLUTION OF CONSUMER PRICES

(December-December variations)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
<b>Latin America<sup>a</sup></b>	12.2	13.5	20.9	36.3	40.0	57.6	61.5	40.4	38.2	53.8	56.2	57.2
<b>Countries with tradition of high inflation<sup>a</sup></b>	14.4	15.6	24.1	41.5	44.9	69.3	74.8	48.4	45.9	61.9	66.3	68.1
Argentina	21.6	39.1	64.2	43.9	40.1	334.9	347.5	150.4	169.8	139.7	87.6	131.2
Brazil <sup>b</sup>	17.7	18.1	14.0	13.7	33.8	31.2	44.8	43.1	38.1	76.0	95.3	91.2
Colombia	3.5	14.1	14.0	25.0	26.9	17.9	25.9	29.3	17.8	29.8	26.5	26.7
Chile	34.9	22.1	163.4	508.1	375.9	340.7	174.3	63.5	30.3	38.9	31.2	9.5
Mexico	7.8	-0.8	5.6	21.3	20.6	11.3	27.2	20.7	16.2	20.0	29.8	28.7
Peru	5.7	7.7	4.3	13.8	19.2	24.0	44.7	32.4	73.7	66.7	60.8	72.6
Uruguay	19.3	35.6	94.7	77.5	107.2	66.8	39.9	57.3	46.0	83.1	42.8	29.5
<b>Countries with tradition of moderate inflation<sup>a</sup></b>	2.8	4.6	7.2	15.0	19.8	10.2	7.8	8.3	9.7	22.1	17.0	15.0
Barbados	9.2	10.1	10.4	26.0	36.6	12.3	3.9	9.9	11.3	16.8	16.1	12.3
Bolivia	3.8	3.3	23.6	34.8	39.0	6.0	5.5	10.5	13.5	45.5	23.9	25.1
Costa Rica	4.3	1.9	6.9	15.9	30.6	20.5	4.4	5.3	8.1	13.2	17.8	65.1
Ecuador	8.0	6.8	6.9	20.6	21.2	13.2	13.1	9.8	11.8	9.0	14.5	17.8
El Salvador	1.0	-0.6	5.2	7.9	21.0	15.1	5.2	14.9	14.6	14.8	18.6	11.6
Guatemala	1.0	0.3	1.1	17.5	27.5	0.8	18.9	7.4	9.1	13.7	9.1	8.8
Guyana	2.4	1.4	7.1	15.2	11.6	5.5	9.2	9.0	20.0	19.4	8.5	29.1
Haiti	-0.7	13.3	7.3	20.8	19.5	19.9	-0.1	-1.4	5.5	15.4	15.3	17.8 <sup>c</sup>
Honduras	1.4	1.5	6.8	5.1	13.0	7.8	5.6	7.7	5.4	18.9	15.0	9.6 <sup>d</sup>
Jamaica	7.5	5.2	9.3	9.6	20.6	15.7	8.3	14.1	49.4	19.8	28.6	4.8
Nicaragua						1.9	6.2	10.2	4.3	70.3	24.8	23.2
Panama	2.5	1.0	6.7	9.7	16.7	1.4	4.8	4.8	5.0	10.0	14.4	4.8
Paraguay	2.3	6.3	9.5	14.1	22.0	8.7	3.4	9.4	16.8	39.7	8.9	14.9
Dominican Republic	-1.3	10.6	8.0	17.2	10.5	16.5	7.0	8.5	1.8	26.2	4.2	7.4
Trinidad and Tobago	3.3	5.0	8.0	24.4	18.6	13.4	12.0	11.4	8.8	19.5	16.6	11.0
Venezuela	3.4	3.0	3.5	5.1	11.6	8.0	6.9	8.1	7.0	20.7	21.6	10.8

Source: International Monetary Fund, International Financial Statistics and official data supplied by the countries.

<sup>a</sup>The totals for Latin America and the partial figures for the two groups of countries shown correspond to the price variations for the countries weighted by their respective population in each year.

<sup>b</sup>For the period 1970-1979, the rates correspond to Rio de Janeiro. For 1980 and 1981 they correspond to the whole country.

<sup>c</sup>Variation between September 1980 and September 1981.

<sup>d</sup>Variation between November 1980 and November 1981.

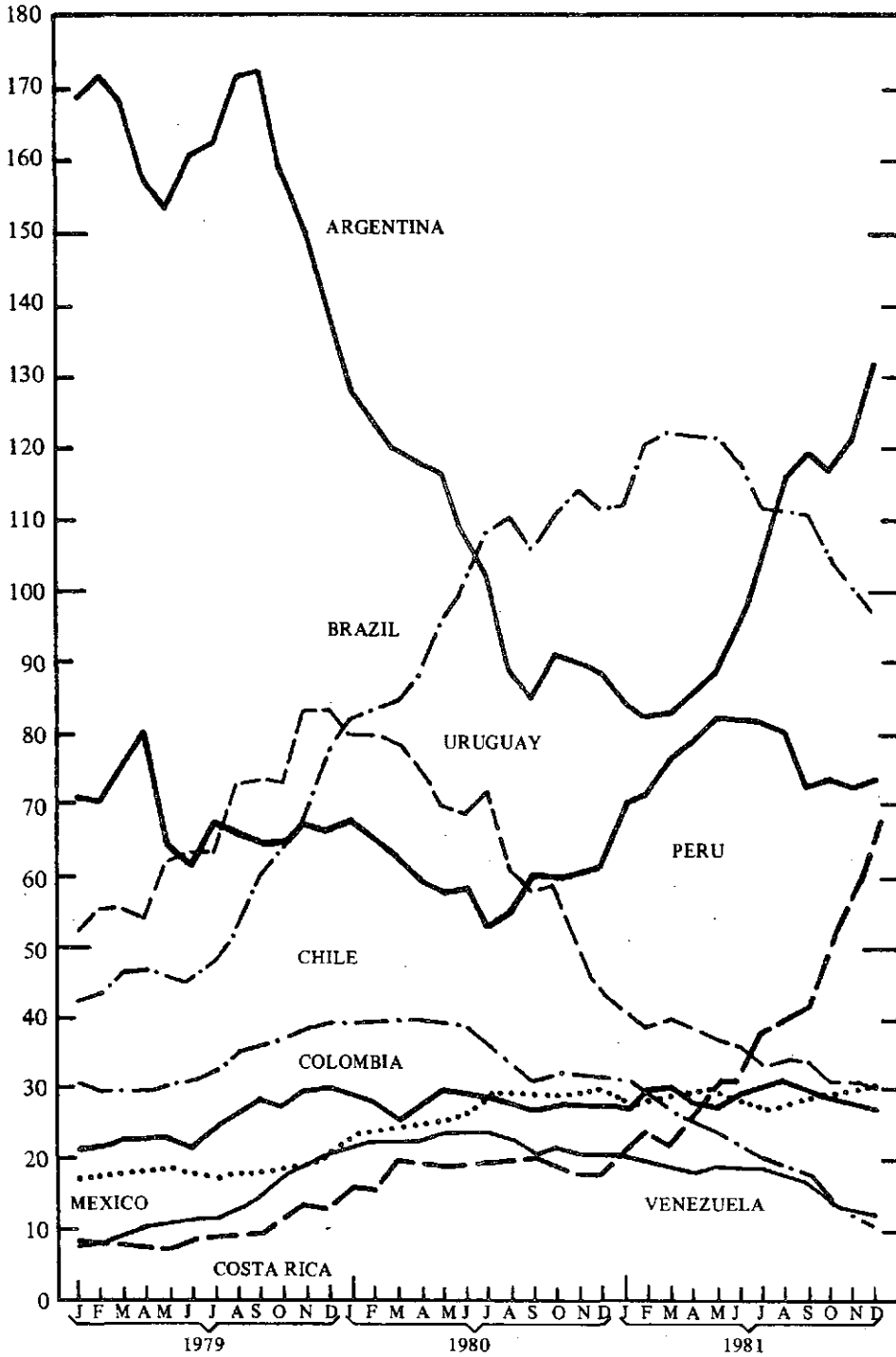
Moreover, during 1981 there were greater differences among the inflationary processes in the different countries and, for the second year in a row, there was a widening of the gap between the average rates of price increase of the group of countries which have traditionally had high inflation rates and of the group of economies in which price increases have usually been more moderate. Whereas in the former, the average rate of inflation rose from 62% in 1979 to 68% in 1981, in the latter it declined from 22% to 15% between those two years.

In the first group of countries, which include most of the larger and more diversified economies of the region, inflation was particularly sharp in Brazil and Peru, and especially so in Argentina.

In Argentina, the annual rate of increase in consumer prices, after having dropped almost steadily during 1980, began to rise sharply in April 1981 and by the end of the year was 130%. This change, which is clearly evident in figure 8, was principally due to the sharp rises in the exchange rate which had been introduced in February in an effort to correct both the serious disequilibrium in the balance-of-payments current account and the considerable distortions of the price system.

Figure 8

TWELVE-MONTH VARIATIONS IN THE CONSUMER PRICE INDEX IN SELECTED LATIN AMERICAN COUNTRIES



As a result of this phenomenon, the growth of inflation in 1981 went hand in hand with marked changes in the relative prices of tradeable and non-tradeable goods. Thus, the increases in the prices of imported goods (238%) and of agricultural commodities (213%) were way over the variation in the prices of domestically produced industrial goods (167%) and especially of the services component of the consumer price index (109%).

Inflation followed a different course in Brazil, although it remained higher than 96% for the second year in a row. After having followed an upward trend during the first months of the year, reaching a record 120% in March, the rate of inflation declined systematically after that. This trend was to a large extent brought about by the changes introduced in the price policy and the more restrictive nature of the monetary and fiscal policy in 1981. During the early months of the year, there was a significant increase in prices and rates of public enterprises and in prices of petroleum by-products and controls on the prices of numerous commodities were relaxed. As a result of these measures, the inflation rate accelerated initially, but the improvement in the financial position of the public enterprises thus achieved made it possible to reduce the transfers and subsidies which these enterprises were receiving from the Central Bank, thus attenuating one source of monetary expansion. At the same time, the Government exercised stricter control over public expenditure. As a result of this, as well as of the gradual slowdown of economic activity, the inflation rate was more moderate throughout the year. It was still very high, however, mostly because of the widespread practice of indexing key variables, such as wages, exchange rates and the assets and liabilities of the financial system.

Although it was somewhat lower than in Brazil, the rate of inflation was similar in Peru. As may be seen in figure 8, the average annual rate of increase in consumer prices in Peru accelerated markedly during the early part of the year, mainly as a result of the elimination or reduction of subsidies and controls which had up to then influenced the prices of a series of basic goods and services. Nevertheless, after the initial increases brought about by the liberalization policy, the intensity of the inflationary process declined gradually, although, as in the case of Brazil, it was still very high because of the effect on costs of a mixture of quarterly wage adjustments, the frequently rising exchange rate and higher interest rates.

The strong fluctuations and the extraordinarily high level of inflation in Argentina, Brazil and Peru were in contrast with the evolution of prices in Colombia and Mexico. In these two countries, consumer prices rose by 27% and 29% respectively, i.e., at rates practically equal to those of the preceding year. Moreover, the fluctuations in the rates of inflation throughout the year were minimal in both countries. Nevertheless, in 1981 Mexico's inflation was the second highest of the last 30 years and did not fully reflect the accentuation of certain basic macroeconomic disequilibria such as the finances of the central government, whose deficit tripled because of an almost 100% increase in total expenditures. The inflationary pressures implicit in the unusual growth of both public outlay and total demand were partly offset by the also exceptional increase in the trade deficit, which more than doubled, and by the marked overvaluation of the peso.

The rate of inflation fell markedly, however, in Uruguay and Chile in 1981. In Uruguay, the rate of increase in consumer prices, which had already dropped from 83% to 43% between 1979 and 1980, continued to drop systematically in 1981, to less than 30% by the end of the year, thus reaching its lowest level since 1971. The slowdown in the growth rate of the wholesale price index, in which tradeable goods have the highest weight, was even more marked, inasmuch as it dropped from 77% in 1979 to 29% in 1980 and to only 15% in 1981.

The trend and the factors influencing the inflationary process were very similar in Chile, where the rate of increase of consumer prices, after having dropped from 39% in 1979 to 31% in 1980, fell to 9.5% in 1981, while wholesale prices underwent an absolute reduction of 4%, after having risen by 58% in 1979 and 28% in 1980. As in the case of Uruguay, but in a more definite way, the principal causes of this abrupt and steady deceleration of the inflationary process with regard to prices were the exchange policy and the liberalization of imports. During 1981, the exchange parity was maintained at the level of 39 pesos per dollar, a rate which had been fixed in June 1979; thus, the real effective exchange rate continued to decline so that it was approximately

10% lower than in 1980. Under such circumstances, and because of the total openness of the commercial account, there was a new and substantial increase in imports, which meant that the rate of increase of domestic prices converged with that of external inflation. This trend was reinforced, moreover, by the substantial drop in the unit value of exports and by the abrupt reduction of domestic demand which occurred during the second half of the year, as a result of which both the unemployment rate and the level of inventory rose sharply.

In the countries that have traditionally had a moderate inflation, where the rate of price increase tends to follow the trend of international inflation, the intensity of the inflationary process declined slightly in 1981 for the second year in a row. Even so, the weighted average increase of consumer prices (15%) was still high in historic terms as it was lower only than the figures recorded during the biennia 1972-1974 and 1979-1980—the two periods of increases in the international price of oil and of acceleration of inflation in the industrialized countries (see table 38).

The attenuation of the inflation rate was accompanied, however, by greater disparities in the rates of price increases in the different economies. These ranged from a minimum of somewhat under 5% in Jamaica and Panama to a maximum of 65% in Costa Rica.

In Costa Rica, where the inflationary process had been accelerating slowly but steadily over the preceding four years, there was a virtual inflationary explosion in 1981. As a result mainly of the abrupt devaluation of the colón in late 1980,<sup>19</sup> the rate of increase of consumer prices accelerated sharply from under 18% in December 1980 to 65% in late 1981, while wholesale prices increased even more pronouncedly, from 19% in 1980 to 117% in 1981.

Inflation also increased heavily, although to a much lesser extent than in Costa Rica, in Guyana, where consumer prices, after having risen only 8.5% in 1980, rose by more than 29% in 1981. As in the case of Costa Rica, this acceleration of the inflationary process was largely due to the 18% increase in the exchange rate decreed in early June.

The rate of increase of prices dropped noticeably in 1981 in Venezuela and, particularly, in Jamaica. In Venezuela, inflation decreased to a little under 11%, after two years during which it had reached rates of somewhat over 20%. This attenuation of the inflationary process was basically a result of restrictive monetary and fiscal policies adopted by the economic authorities. In 1981, these policies were reflected in a drastic reduction of the deficit of the central government and a very moderate increase in the quantity of money. However, the reduction of inflation was also influenced by direct price controls introduced in April and by the stagnation of real wages.

The even more marked fall in the inflation rate in Jamaica, from 27% in 1980 to less than 5% in 1981, was also due to a variety of causes. In this respect, special note should be taken of the rigid policies adopted in the fiscal and monetary field, which contributed to a substantial reduction of inflationary pressures from the demand side, and the strict controls adopted as regards wages and prices, which helped to mitigate rises on the cost side. These rises were also weakened by the marked reduction in the rate of increase of prices of imported goods, which rose by less than 5% in 1981, after having increased by around 30% in 1980, and by the greater supply of basic consumer goods.

## 2. Wages and salaries

In 1981 the evolution of average real wages and salaries was very diverse in the Latin American countries for which statistical information is available. As may be seen in table 39 and figure 9, while real wages increased sharply in Brazil, Chile, Guatemala, Paraguay and Uruguay, they decreased considerably in Argentina, Bolivia and Costa Rica, dropped slightly in Peru and remained stable in Colombia.<sup>20</sup>

<sup>19</sup>During the last days of 1980, the exchange rate rose from 8.1 to almost 40 colones per dollar.

<sup>20</sup>The statistics on wages and salaries were gathered from the payrolls of sample establishments or from social security statistics. The coverage of information may refer to various sectors of production or to all activities. Table 39 includes the indicators of greatest coverage for urban activities; when this information is not available, the average wages and salaries from manufacturing have been incorporated.

Table 39

**LATIN AMERICA: EVOLUTION OF THE REAL VALUE  
OF AVERAGE WAGES AND SALARIES**

(1976 = 100)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Argentina <sup>a</sup>	133.8	138.3	131.5	139.7	157.7	148.6	100.0	98.5	96.7	111.1	124.2	111.0
Bolivia <sup>b</sup>	101.1	112.3	109.9	111.6	89.5	83.3	100.0	102.6	103.6	102.2	93.1	70.9
Brazil <sup>c</sup>	75.5	78.1	85.7	86.4	88.3	96.8	100.0	104.3	109.4	111.2	111.1	123.6
Colombia <sup>d</sup>				105.4	99.8	97.6	100.0	94.2	104.9	111.8	112.8	113.8
Costa Rica <sup>e</sup>						88.1	100.0	109.4	119.0	124.1	121.2	115.6
Chile <sup>f</sup>	158.1	189.3	191.5	113.2	102.9	99.5	100.0	112.9	120.1	130.1	141.8	154.7
Guatemala <sup>g</sup>						105.5	100.0	85.1	89.2	90.8	91.6	114.1
Paraguay <sup>h</sup>	109.4	108.2	102.9	99.4	95.0	94.9	100.0	95.4	98.1	92.4	92.9	98.8
Peru <sup>i</sup>				110.3	109.1	98.2	100.0	84.5	76.4	73.9	80.3	78.8
Uruguay <sup>j</sup>	138.6	145.8	121.0	118.9	116.5	106.2	100.0	88.1	84.9	79.0	77.7	83.5
<b>Percentage variation</b>												
Argentina <sup>a</sup>		3.4	-4.9	6.2	12.9	-5.9	-32.7	-1.5	-1.8	14.9	11.8	-10.6
Bolivia <sup>b</sup>		4.2	-2.1	6.8	-19.8	-6.9	20.1	2.6	1.0	-1.4	-8.3	-24.3
Brazil <sup>c</sup>		4.2	8.9	0.8	2.2	9.6	3.3	4.3	4.9	1.6	5.3	5.6
Colombia <sup>d</sup>					-5.3	-2.2	2.4	-5.8	11.4	6.5	0.9	0.9
Costa Rica <sup>e</sup>							12.7	9.4	8.8	4.8	-2.8	-4.6
Chile <sup>f</sup>		19.3	-9.3	-34.0	-9.1	-3.3	0.5	12.9	6.4	8.3	9.0	9.1
Guatemala <sup>g</sup>							-5.2	-14.9	4.8	1.8	0.9	24.6
Paraguay <sup>h</sup>		-1.1	-4.9	-3.4	-4.4	-0.1	5.3	-4.6	3.5	-6.4	0.6	6.3
Peru <sup>i</sup>					-1.1	-10.0	1.8	-15.5	-9.6	-3.3	8.6	-1.9
Uruguay <sup>j</sup>		5.2	-17.0	-1.7	-0.9	-8.6	-5.8	-11.9	-3.6	-8.1	-0.4	7.5

Source: CEPAL, on the basis of official data.

<sup>a</sup>Wages of labourers in the manufacturing industry in the metropolitan area.

<sup>b</sup>Wages and salaries of personnel engaged in non-agricultural activities at national level.

<sup>c</sup>Average wages in industry in general, deflated by the consumer price index for Rio de Janeiro.

<sup>d</sup>Wages of labourers in the manufacturing industry at national level.

<sup>e</sup>Wages and salaries declared by people enrolled in the social security system.

<sup>f</sup>Wages and salaries of labourers and employees in the non-agricultural sectors, with the exception of large-scale copper mining and the cellulose and paper industries.

<sup>g</sup>Wages and salaries declared by people enrolled in the social security system.

<sup>h</sup>Wages of labourers in general for Asunción.

<sup>i</sup>Wages of labourers in the private sector in the metropolitan area of Lima.

<sup>j</sup>Wages and salaries in the public and private sectors in Montevideo and the interior.

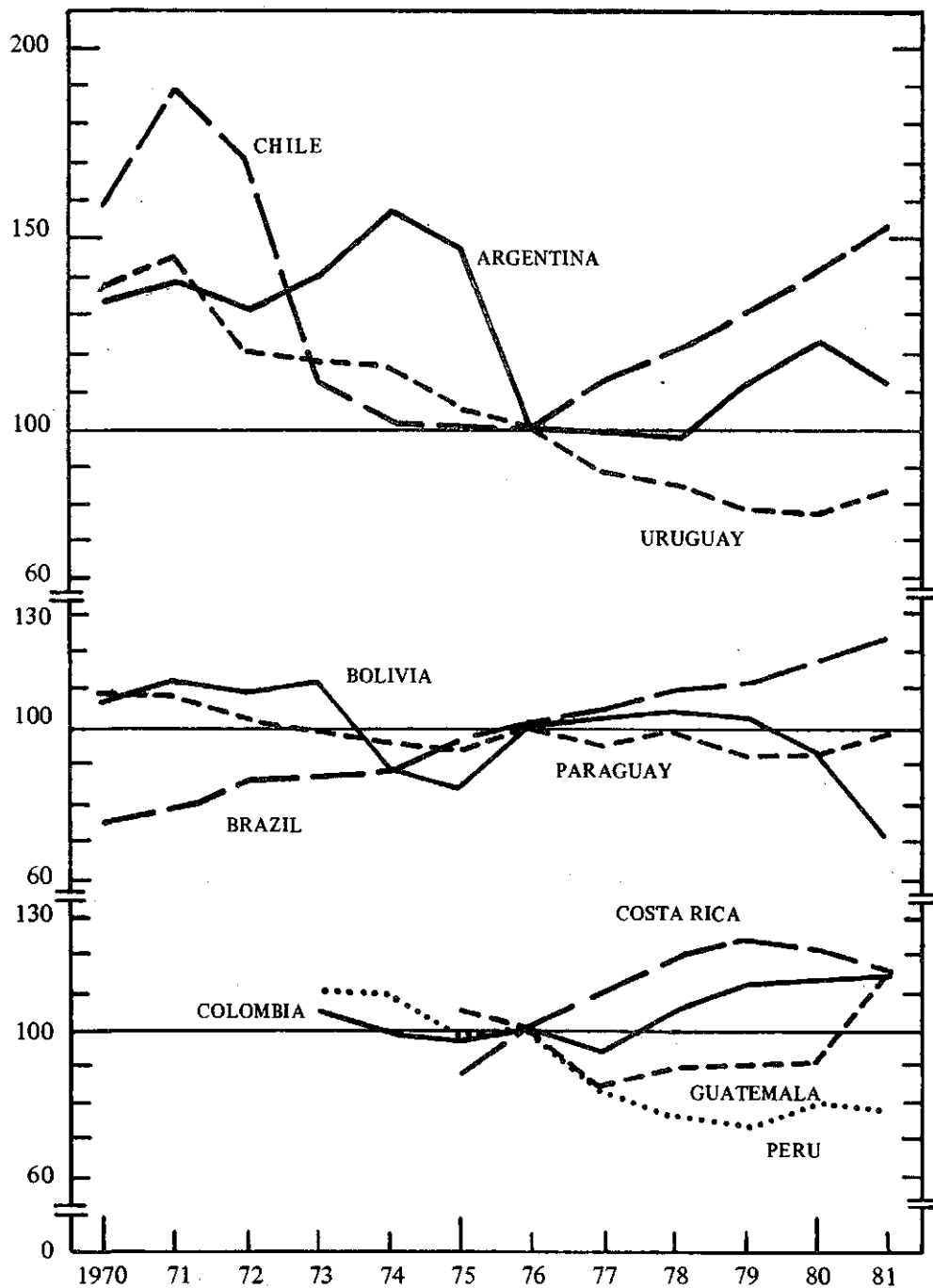
In general, wages and salaries tended to decline in those countries where per capita income decreased, the inflationary process accelerated and the employment situation worsened. They rose, however, in the economies where the rate of increase in prices fell and unemployment dropped. But the evolution of real wages and salaries was also strongly influenced by the legal mechanisms established to determine the form, periodicity and amount by which nominal wages and salaries were readjusted in the various countries.

Of the three countries where average real wages and salaries suffered a considerable setback, the most pronounced was in Bolivia. In that country, average real wage of workers in non-agricultural activities dropped by 24%. As it had already fallen slightly in 1979 and by more than 8% in 1980, its 1981 level was more than 30% lower than that of three years before. Although during this period the per capita product also continued to decrease, the main cause of the accentuated drop in the 1981 real wage was the wage policy which kept nominal wages frozen during the entire year despite the fact that during the year consumer prices rose by an average of 32%.

Figure 9

LATIN AMERICA: EVOLUTION OF REAL AVERAGE SALARIES AND WAGES

(Index 1976 = 100)



Source: Table 39.

The drop in real wages was also considerable (-11%) in Argentina, where they had increased nearly 27% in the two previous years as a result of the recovery of economic activity and a gradual decline in the inflation rate. However, since that increase occurred after four years in which the buying power of wages was continually being reduced, in 1981 the real level of the latter was equal to only 70% of that of 1974. The decrease in real wages which took place in 1981 was due, on the one hand, to the sharp contraction of economic activity and employment and, on the other, to the acceleration of the inflationary process. As mentioned above, after the devaluation of the peso at the beginning of the year, the rate of increase in consumer prices persistently rose, reaching more than 130% in December. The economic authorities, however, did not establish obligatory standards for the adjustment of wages and salaries, except for minimum wages and basic contract wages. For this reason, and because at the same time the job situation was deteriorating, the nominal increases in average wages and salaries were much lower than those of prices.

According to the information available for the first half of 1981, real wages and salaries fell nearly 5% in Costa Rica. It is probably true, however, that this drop was even greater during the rest of the year due to the marked acceleration of the inflationary process during this period.<sup>21</sup> As in the case of Argentina, the decrease in real wages and salaries was influenced by the drop of more than 14% in the national per capita income in 1981, the sharp increase in unemployment—which rose from an average of 5.3% in 1980 to an average of 8.3% in 1981—and, especially, the enormous increase in inflation, which rose from less than 18% in 1980 to 65% in 1981. The worsening of the inflationary process not only helped directly erode the buying power of wages and salaries in the private sector, but also led the economic authorities to apply a very severe policy on readjusting wages and salaries in the public sector in order to reduce the considerable fiscal deficit. As a result of this policy, real wages and salaries declined in the central government considerably more than in private activity, and they fell even below their 1973 level.

The buying power of wages also decreased, although more slightly (-2%), in Peru, another country where in 1981 the inflationary process accelerated. The rate of growth in consumer prices rose sharply in the first months of the year due to the lifting of a series of controls which previously had limited the rise in prices of certain basic articles. Although the inflation rate later slowed down, the increase in consumer prices in the year was 73% and thus largely exceeded the 61% recorded in 1980. The negative effects which this phenomenon would normally have produced on the buying power of wages and salaries, however, were partly neutralized by two important modifications in the wage policy. The first was the granting of quarterly increases equivalent to the anticipated rise in the consumer price index to workers in the public sector and those in the private sector who were not subject to collective bargaining; the second was the obligatory inclusion of readjustment clauses in the collective factors. Due to the application of these provisions, and also due to the slight decline in unemployment in Lima and the small increase in per capita income for the second consecutive year, the decrease in real wages and salaries was relatively insignificant. Since the latter had fallen almost continually from 1973 to 1979, their 1981 level was almost 30% lower than in 1973.

In Colombia, on the other hand, the real wage of industrial workers increased almost 1%, as had occurred the previous year. This small increase, much lower than those of 1978 and 1979, basically reflected the economy's progressive loss of dynamism in the last two years, especially in the manufacturing sector. However, the virtual stability of the industrial wage as well as the minor changes in real minimum wages and agricultural day wages were also partly an effect of the fairly widespread indexing of wages and salaries and the noteworthy stability of the inflation rate, which during the last two years fluctuated very slightly around 27%.

The impact of the trend in prices on the evolution of real wages and salaries was also reflected in the five countries in which the latter increased considerably in 1981, since in all of them, with the sole exception of Paraguay, inflationary processes decelerated.<sup>22</sup>

<sup>21</sup>While in the first six months consumer prices rose by 22%, in the second six months they rose by 35%.

<sup>22</sup>Although in Paraguay the increase in consumer prices from December to December was greater in 1981 than in 1980, the average increase (13%) was much lower in 1981 than in 1980 (22.4%).



The incidence of inflation and the legal norms referring to wage readjustments were especially noteworthy in Chile. On the one hand, the rate of growth of consumer prices declined continually and markedly from 39% at the end of 1979 to 9.5% in December 1981, and, on the other, during this last year the system of nominal wage readjustments was maintained, by virtue of which the latter were to increase by a minimal percentage equivalent to that of the increase in the consumer price index in the previous period. Under these circumstances, real wages increased for the second consecutive year by 9% and thus continued to recover from their drop during the period 1972-1974. Due, however, to the enormous size (-47%) of the setback which these wages suffered during that period, their increase during the past five years only enabled their 1981 level to approximate their 1970 level (see table 39).

The sharp drop in inflation, from 43% in 1980 to slightly less than 30% in 1981, and the continuation until the first half of that year of the declining trend in unemployment, also contributed to the increase of 7.5% in average real wages and salaries in Uruguay. However, in contrast to what occurred in Chile, this increase was the first in the past 10 years, a period in which the buying power of wages and salaries was reduced by almost half.<sup>23</sup>

Real wages and salaries rose by nearly 6% in 1981 in Brazil, despite the fact that during that year the level of economic activity decreased slightly and the rate of unemployment in the principal urban centres increased. The negative effect of these changes was more than offset, however, by the slight decrease in the inflation rate and, especially, by the modifications introduced in the wage policy. This policy retained the system of automatic half-year readjustments established in 1979, to which was added a standard for redistributive purposes consisting of the following: while wages and salaries lower than 3 times the minimum wage were adjusted by 110% of the increase in the national consumer price index, and those between 3 and 10 times the minimum wage were raised by 100% of this increase, wages and salaries which exceeded 10 times the minimum wage were adjusted in decreasing proportions to the increase in consumer prices. During 1981, differentiated increases were also established in the current minimum wages in the various regions with a view towards gradually reducing the differences between them. The 1981 increase, marked the end of eleven consecutive years during which the real wage paid in manufacturing continually rose, a fact which, as can be seen in table 39, is a clear exception in the context of the regional experience.

In 1981 real wages of workers in Asunción increased by around 6%. This increase, attributable partly to the persistent and high rate of economic growth and the continual drop in the unemployment rate and partly to the readjustment of 15% which was established for the minimum wage beginning on 1 May, was the second significant one in the past eleven years. According to official information, and despite the extraordinary and sustained expansion of the Paraguayan economy during this period, the real wage for workers appears to have declined by approximately 10% between 1969 and 1981, a fact which is certainly surprising.<sup>24</sup>

Finally, in 1981 there was apparently an extraordinary rise of nearly 25% in the real wages of social security members in Guatemala. It is probable that this increase, which is not easy to explain in view of the meagre growth rate of 1% that year in the Guatemalan economy, was basically a delayed effect of the considerable readjustments introduced in 1980 in minimum wages. In the first half of that year, the minimum legal agricultural wage, which had remained unchanged since 1973, rose from 1.12 quetzales daily to 3.20 quetzales. This increase benefited, in principle, approximately 600 000 farm workers. Then, in May, the minimum wage applicable in the main industrial branches rose from 2 to 4 quetzales daily, and in June the minimum wage of workers in trade, transport and a wide range of services was readjusted by 46%. These increases were applied gradually, but apparently by the end of 1980 they were completed in the majority of enterprises. As a result, although in 1981 new readjustments to minimum wages were not conceded, the latter were on average much higher than those paid the previous year.

<sup>23</sup>It is probable, however, that the series utilized overestimates the drop in wages, especially in more recent years, since it considers only legal readjustments. An indication in this direction is provided by the index of real income per worker employed in the establishments included in the Quarterly Industrial Survey of the Central Bank. According to this survey, the annual average variations during the period 1978-1981 were, respectively, -1.5%, -3.1%, 3.1% and 7.8%, figures which appear to be more compatible with the evolution of the principal macroeconomic variables during this period.

<sup>24</sup>For a tentative explanation of this anomaly, see the section corresponding to the chapter on Paraguay in the second part of this *Survey*.