Uruguay

1. General trends

Following four years of recession (1999-2002) when the country was badly hit by external shocks and domestic factors, in 2003 GDP grew by 2.5%. This performance far exceeded the expectations formed at the start of the year (-2%) and was mainly driven by a 4.1% expansion in exports. Domestic demand increased by just 1.6% owing to changes in inventories (mainly of agricultural products undergoing processing), while consumption remained depressed (-1.1%) and fixed investment dropped by 11.4% (the ratio of gross domestic fixed investment to GDP came to 13% at the end of 2003). The reactivation was made possible by the existence of idle installed capacity. Although it was up by 1.9%, per capita GDP (measured in local currency at constant prices) was 18% below its 1998 peak.

Employment figures showed positive signs. Although the annual average unemployment rate was unchanged, the rate descended gradually throughout the year, reaching 15.4% in the last quarter (compared to 18.6% a year earlier). This improvement did not generate any increase in average real wages, however, which were down by 12.5% for the year.

Inflation in 2003 came in at 10.2%, which was lower than the 25.9% rate of 2002 and far from the revised target of 19% (the original target was 27%). The decline in inflation was the result of stronger demand for M1 and an increase in excess reserves held by banks, which in turn caused the bank multiplier to decrease.

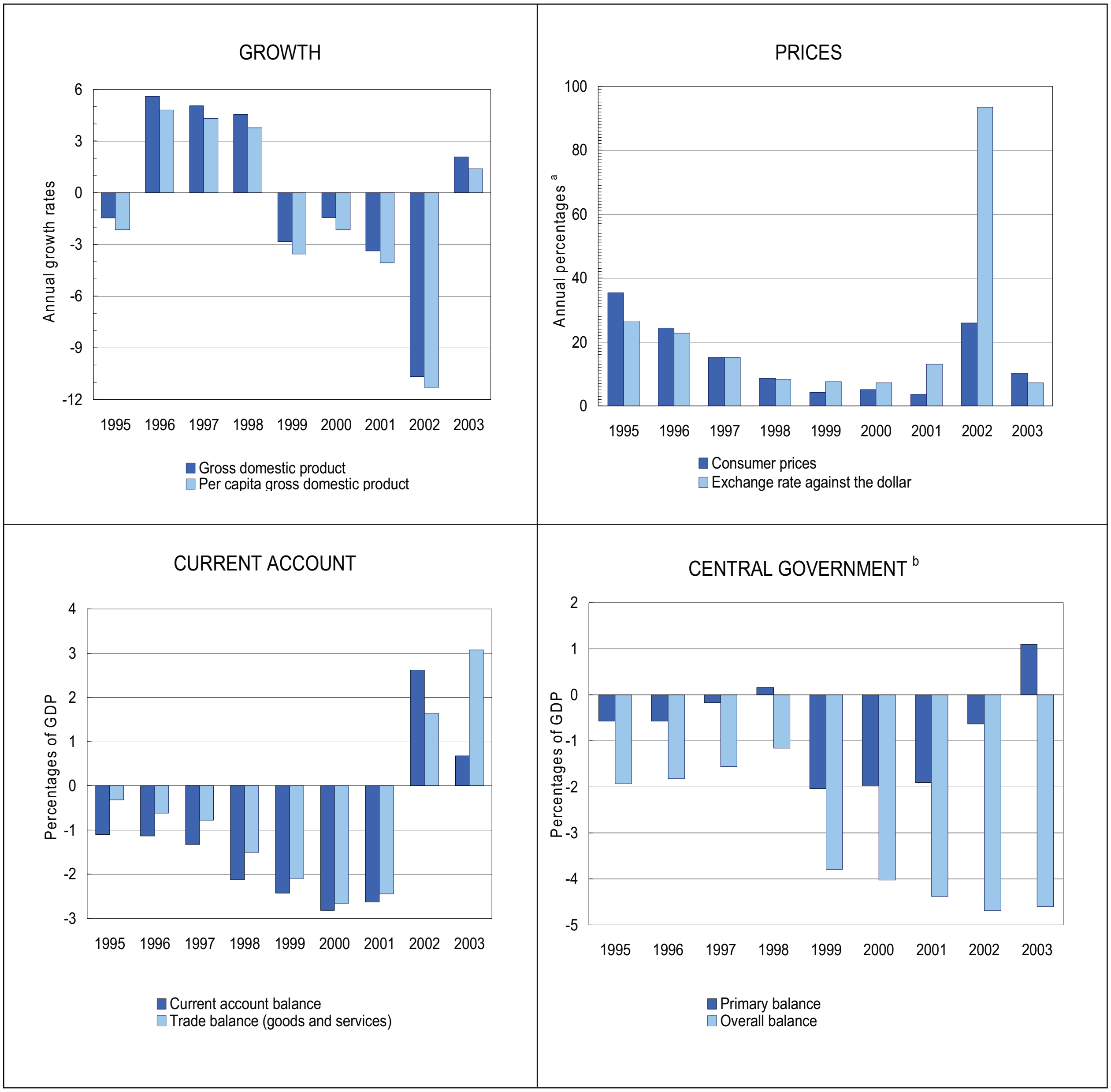
A tight fiscal policy trimmed the fiscal deficit from 4.2% to 3.1% of GDP. Monetary policy was expansionary, however, and the flexible exchange-rate regime was maintained.

In the financial system, private-sector deposits rose by 6.7%, and the level of gross private bank credit dipped by 9%.[1] There was a major change in the structure of deposits, with demand deposits coming to represent the bulk of such liabilities. The delinquency rate for the private bank portfolio fell from 27.8% in December 2002 to 18.5% in December 2003, while the across-the-board reduction in nominal interest rates reflected lower risk perception.[2]

1 “Private banks” include all private-sector banks in operation as of December 2003 (except for Nuevo Banco Comercial (NBC) and the COFAC cooperative).

2 The delinquency indicator refers to private banks.

Figure 1
URUGUAY: MAIN ECONOMIC INDICATORS



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] December-December variation.
[b] In 1999 the accounting methodology was changed.

In the external sector, the balance of payments took a turn for the better. Trade was buoyant, the current account surplus narrowed to 0.7% of GDP, capital inflows entered the country through the non-financial private sector and the central bank built up its reserve assets substantially.

All of the above factors indicate that the Uruguayan economy will grow by 9.5% in 2004, thereby surpassing the official target of 7%.

2. Economic policy

(a) Fiscal policy

In 2003, the Government of Uruguay implemented a contractionary fiscal policy based on measures aimed at curbing expenditure and expanding the tax burden. The public sector posted a primary surplus of 3% of GDP; interest payments amounted to 6.1%, and the total fiscal deficit narrowed to 3.1% of GDP (4.2% in 2002).[3] The central government's primary surplus came in at 1.1% of GDP, as revenues climbed (21.5% of GDP) while expenditure (excluding interest) remained practically constant. Public enterprises registered a surplus of 1.7% of GDP thanks to rate hikes. The fiscal deficit was financed through bond issues and loans from multilateral institutions.

The country's tight fiscal policy led to improvements in central government accounts. Treasury revenues amounted to 21.4% of GDP, while expenditure on overall remunerations fell to 14.5% of GDP thanks to a reduction in real public-sector wages of 11.6%, on average, for the year. Taxes administered by the Internal Revenue Department (DGI) represented 16.4% of GDP in 2003, compared to 15.6% in 2002. When this sum is added to levies collected by other agencies (the Social Security Bank, occupational pension funds, municipalities and the customs service), the overall tax burden amounts to 30% of GDP.

The government entered into commitments with the International Monetary Fund (IMF) to reform the pension funds of the police, military personnel and bank employees; to set up a Large Taxpayer Unit within DGI; and to pass tax reforms. As elections are scheduled for 2004, however, these initiatives are unlikely to be approved during the year.

Although fiscal policy is likely to be slightly more expansionary during 2004, it will be kept in line with the IMF agreement, which sets a target of 3.2% of GDP for the consolidated public sector's primary surplus. Increased activity will result in a lower public debt/GDP ratio, which climbed to 111% in late 2003. Future hikes in international interest rates are a risk factor, however, since 45% of the public debt is subject to variable rates.

Preliminary government figures up to March 2004 indicate a primary surplus of 3.5% of GDP. The reduction of the payroll tax (IRP) –equivalent to 0.78% of GDP– represents an easing of fiscal policy, as does the decision to not discount advances on public-sector wages and benefits paid in February and April 2003. In contrast, the recovery in the agricultural sector prompted the authorities to raise the agricultural product sales tax (IMEBA) rates, which had been lowered in 1999. In terms of public-sector financing, the 2006 global bond issue was reopened at an annual rate of 8.5% (200 basis points less than the 2006 global bond issued in October 2003). The proceeds will be used mainly to reduce the existing stock of dollar-denominated treasury notes.

(b) Monetary policy

The central bank implemented an expansionary monetary policy in 2003; the monetary base grew by 2.762 billion Uruguayan pesos, and its average for the year was as predicted by the monetary authorities. Net purchases of foreign currency were sterilized by issuing monetary regulation bonds. Since less foreign exchange was needed and as the country's fiscal performance improved following the debt swap, it became possible to reduce the stock of local-currency debt, lengthen maturities and lower interest rates on monetary regulation bonds.

Given the difficulties involved in managing monetary policy in a highly dollarized economy (in November 2003, 92% of total deposits and 81% of loans were denominated in foreign currency), the central bank is pressing ahead with its de-dollarization programme. In line with this effort, 50% of the securities issued in 2003 were denominated in Indexed Units (UIs), which are pegged to the consumer price index. In addition, the ceiling on foreign-currency assets held by pension fund companies was lowered, and a number of banks began to offer UI deposits.

In keeping with the principle of non-intervention in the exchange market, the central bank took steps to help the market function more transparently. Central

[3] The letter of intent signed with the International Monetary Fund (IMF) in March 2003 called for a consolidated public-sector primary surplus of 3.2% of GDP and a total fiscal deficit of 3.1% of GDP. Following the debt swap, fiscal targets were revised, with the figure for the primary surplus being set at 3% of GDP and the figure for the total fiscal deficit at 3.6% of GDP.

Table 1
URUGUAY: MAIN ECONOMIC INDICATORS

	1995	1996	1997	1998	1999	2000	2001	2002	2003 [a]
	Annual growth rates [b]								
Gross domestic product	-1.4	5.6	5.0	4.5	-2.8	-1.4	-3.4	-11.0	2.5
Per capita gross domestic product	-2.2	4.8	4.3	3.9	-3.4	-2.0	-3.9	-11.5	1.9
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	5.5	9.4	-6.1	5.2	-7.5	-3.0	-7.1	5.1	14.4
Mining	20.8	7.6	22.1	29.4	-5.8	-8.8	-5.2	-37.6	-7.2
Manufacturing	-2.8	4.0	5.9	2.3	-8.4	-2.1	-7.6	-13.9	4.6
Electricity, gas and water	7.3	4.3	6.7	11.5	-0.1	5.0	1.7	-0.6	-7.6
Construction	-10.3	-1.8	2.4	9.8	8.9	-11.1	-8.7	-22.0	-7.1
Wholesale and retail commerce, restaurants and hotels	-9.6	6.0	8.8	2.4	-3.4	-5.3	-3.2	-24.5	-0.9
Transport, storage and communications	6.2	8.0	6.0	4.5	3.7	1.5	0.3	-9.1	2.8
Financial institutions, insurance, real estate and business services	0.5	5.2	5.4	6.8	6.4	2.2	1.7	-0.9	-5.4
Community, social and personal services	-0.4	2.2	3.4	2.7	-0.5	-0.6	-2.3	-3.3	0.7
Gross domestic product, by type of expenditure									
Consumption	-3.2	7.8	5.4	6.4	-1.3	-1.4	-2.1	-15.9	-1.1
General government	0.2	5.0	2.3	4.0	0.6	-0.3	-2.9	-9.3	-2.0
Private	-3.7	8.3	5.9	6.8	-1.5	-1.6	-2.0	-16.9	-1.0
Gross domestic investment	4.6	-1.0	8.3	12.1	-9.8	-13.0	-9.1	-34.5	25.4
Exports (goods and services)	-1.9	10.3	13.0	0.3	-7.4	6.4	-9.1	-10.3	4.1
Imports (goods and services)	-3.0	11.3	13.2	7.6	-5.8	0.1	-7.1	-27.9	1.6
	Percentages of GDP								
Investment and saving [c]									
Gross domestic investment	15.4	15.2	15.2	15.9	15.1	14.0	13.8	11.5	13.1
National saving	14.1	14.1	14.2	14.1	12.9	11.1	10.3	13.2	12.6
External saving	1.3	1.2	1.1	1.8	2.3	2.8	3.5	-1.6	0.5
	Millions of dollars								
Balance of payments									
Current account balance	-213	-233	-287	-476	-508	-566	-488	322	76
Merchandise trade balance	-563	-687	-704	-772	-897	-927	-775	48	182
Exports, f.o.b.	2 148	2 449	2 793	2 829	2 291	2 384	2 140	1 922	2 273
Imports, f.o.b.	2 711	3 135	3 498	3 601	3 187	3 311	2 915	1 874	2 092
Services trade balance	502	560	536	436	459	394	321	154	162
Income balance	-227	-189	-193	-198	-144	-61	-63	48	-344
Net current transfers	76	83	74	59	74	28	30	72	76
Capital and financial balance [d]	440	386	687	831	398	789	765	-4 236	664
Net foreign direct investment	157	137	113	155	235	274	314	121	260
Financial capital [e]	284	249	574	676	163	515	451	-4 357	404
Overall balance	228	152	400	355	-110	222	278	-3 914	740
Variation in reserve assets [f]	-218	-141	-392	-515	110	-222	-278	2 328	-1 380
Other financing [g]	-10	-12	-8	160	0	0	0	1 586	641
Other external-sector indicators									
Real effective exchange rate (index: 2000=100) [h]	110.7	111.4	109.1	107.1	98.5	100.0	101.6	125.6	155.9
Terms of trade for goods (index: 1997=100)	103.8	100.4	100.0	107.0	98.5	89.5	90.4	89.9	92.1
Net resource transfer (% of GDP)	1.1	0.9	2.2	3.5	1.2	3.6	3.8	-21.2	14.7
Gross external public debt (millions of dollars)	5 193	5 387	5 459	6 036	5 618	6 116	5 855	8 328	9 558
Gross external public debt (% of GDP)	26.9	26.3	25.2	27.0	26.9	30.5	31.5	67.8	85.4
Net profits and interest (% of exports) [i]	-6.5	-4.9	-4.6	-4.8	-4.0	-1.7	-1.9	1.8	-11.3

Table 1 (concluded)

	1995	1996	1997	1998	1999	2000	2001	2002	2003[a]
				Average annual rates					
Employment									
Labour force participation rate [j]	59.1	58.2	57.7	60.5	59.3	59.6	60.6	59.1	58.1
Open unemployment rate [k]	10.3	11.9	11.5	10.1	11.3	13.6	15.3	17.0	17.1
Visible underemployment rate [k]	5.1	6.0	5.2	4.7	6.5	10.3	13.0	15.3	16.0
				Annual percentages					
Prices									
Variation in consumer prices (December-December)	35.4	24.3	15.2	8.6	4.2	5.1	3.6	25.9	10.2
Variation in producer prices, local products	27.7	23.5	13.3	3.3	-0.3	9.5	3.8	64.6	20.5
Variation in nominal exchange rate (December-December)	26.6	22.7	15.1	8.3	7.6	7.3	13.1	93.5	7.4
Variation in average real wage	-2.9	0.6	0.2	1.8	1.6	-1.3	-0.3	-10.7	-12.5
Nominal deposit rate [l]	39.1	27.1	19.1	14.4	13.8	12.0	14.7	43.8	28.1
Nominal lending rate [m]	96.6	90.6	69.3	55.0	53.4	48.9	53.8	129.8	104.0
				Percentages of GDP					
Central government [n]									
Current income	17.5	17.8	18.8	19.5	20.9	20.3	20.8	21.2	21.5
Current expenditure	17.3	17.9	18.5	18.5	22.2	22.0	23.4	24.7	24.7
Current balance	0.2	-0.1	0.3	1.1	-1.3	-1.7	-2.7	-3.4	-3.3
Net capital expenditure	2.1	1.7	1.9	2.2	2.6	1.9	1.8	1.4	1.3
Primary balance	-0.6	-0.6	-0.2	0.2	-2.1	-1.5	-2.0	-0.8	1.1
Overall balance	-1.9	-1.8	-1.6	-1.2	-3.9	-3.5	-4.5	-4.9	-4.6
Interest payments (% of current income)	7.8	7.0	7.4	6.8	8.4	10.2	12.0	201	28.4
Public debt	19.9	20.2	21.3	23.2	25.6	30.9	37.8	77.1	94.3
Money and credit [o]									
Domestic credit [p]	43.9	45.3	45.0	47.4	53.8	59.9	65.4	78.4	66.3
To the public sector	6.3	5.0	4.4	2.2	2.0	3.7	4.4	3.9	17.3
To the private sector	37.5	40.3	40.6	45.2	51.7	56.2	61.0	74.5	49.0
Liquidity (M3)	49.0	49.4	49.0	52.1	60.1	67.5	81.3	80.9	74.5
Currency in circulation and local-currency deposits (M2)	9.9	10.1	10.0	10.1	10.7	10.7	11.0	9.1	8.5
Foreign-currency deposits	39.1	39.3	39.0	42.0	49.4	56.8	70.3	71.8	66.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary figures. [b] Based on figures in local currency at constant 1983 prices. [c] Based on figures in local currency at current prices. [d] Includes errors and omissions. [e] Refers to the capital and financial balance (including errors and omissions), minus net foreign direct investment. [f] A minus sign (-) denotes an increase in reserves. [g] Includes the use of IMF credit and loans and exceptional financing. [h] Annual average, weighted by the value of merchandise exports and imports. [i] Refers to net investment income as a percentage of exports of goods and services as shown on the balance of payments. [j] Economically active population as a percentage of the working-age population; urban total. [k] Percentages of the economically active population, urban total. [l] Average of the rates most commonly offered for deposits of one to six months. [m] Average of the most common rates for loans of six months or less. [n] Rate on deposits, deflated by the variation in the dollar exchange rate. [o] The monetary figures are annual averages. [p] Refers to net credit extended to the public and private sectors by commercial banks and other financial and banking institutions.

government foreign-exchange operations were separated from those of the central bank; the central bank began to announce the amount of dollars to be auctioned at the start of each daily trading session; and an electronic bidding system was introduced. The authorities circulate daily information on the monetary base and publish a monetary policy bulletin and a survey on inflation expectations.

The most significant change in monetary policy in 2004 was the introduction of a greater degree of flexibility based on a larger number of instruments. To that end, the authorities authorized repo operations for bond purchases to enable the central bank to increase the money supply when necessary and set target ranges for the monetary base instead of precise target figures. Since the inflation target (7%-9%) is below market expectations (11%), the central bank has tightened up monetary policy and lowered the target figures for the monetary base.

Given private banks' liquidity preference and the need to re-establish the credit channel in the financial system, a Trust Funds Act was passed that complements

Table 2
URUGUAY: MAIN QUARTERLY INDICATORS

	2002				2003 [a]				2004 [a]	
	I	II	III	IV	I	II	III	IV	I	II
Gross domestic product (variation from same quarter of preceding year) [b]	-10.9	-5.8	-13.4	-14.0	-8.1	-4.7	7.5	15.8	14.3	...
Merchandise exports, f.o.b. (millions of dollars)	452	510	439	460	441	579	577	601	589	...
Merchandise imports, c.i.f. (millions of dollars)	524	593	420	427	471	519	583	617	659	...
International reserves (millions of dollars)	2 194	1 451	732	769	784	1 161	1 713	2 083	2 240	2 241
Real effective exchange rate (index: 2000=100) [c]	101.4	110.5	147.0	143.5	151.7	157.9	152.3	161.6	166.3	161.8
Urban unemployment rate	14.8	15.6	19.0	18.6	18.6	17.5	16.0	15.4	13.9	...
Consumer prices (12-month percentage variation)	5.1	8.9	23.5	25.9	28.5	24.6	11.6	10.2	8.4	9.6
Average nominal exchange rate (pesos per dollar)	14.74	17.08	26.09	27.12	28.27	28.18	27.48	28.75	29.53	29.73
Average real wage (variation from same quarter of preceding year)	-1.8	-6.4	-15.8	-19.0	-19.9	-16.7	-7.3	-3.7	-1.9	...
Nominal interest rates (annualized percentages)										
Deposit rate [d]	28.5	48.4	52.8	45.6	34.8	21.4	...	...	...	...
Lending rate [e]	85.8	124.1	167.0	142.3	154.1	127.5	79.1	55.2	53.5	...
Sovereign bond spread (basis points)	551	1 344	2 378	1 706	2 367	729	695	624	560	693
Domestic credit [f] (variation from same quarter of preceding year)	11.8	12.3	18.9	1.1	-3.1	-10.2	-24.1	-17.1	-42.9	...
Non-performing loans as a percentage of total loans (%) [g]	14.1	22.1	33.9	25.8	25.6	24.8	22.9	18.5	…	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary figures. [b] Based on figures in local currency at constant 1983 prices. [c] Quarterly average, weighted by the value of merchandise exports and imports. [d] Average of the rates most commonly offered for deposits of one to six months. [e] Average of the most common rates for loans of six months. [f] Refers to net credit extended to the public and private sectors by commercial banks and other financial and banking institutions. [g] Refers to total credit extended by commercial and private banks and commercial establishments.

the existing legislation on investment companies. The three modalities of this new instrument (administrative, financial and guarantee trust funds) are expected to help re-establish credit flows. In 2003, efforts were made to tackle the problem posed by the agricultural sector's debt with the Banco de la República Oriental del Uruguay (BROU) by introducing instruments that make it possible refinance the principal over a 10-year term and interest over a 5-year term at an annual rate of 9.25%.[4] In keeping with Uruguay's commitment with IMF to continue liquidating failed banks and reform public-sector banks, the authorities liquidated Banco de Crédito, set up the Nuevo Banco Comercial (NBC), finalized the restructuring plan for Banco República and restricted Banco Hipotecario del Uruguay (Mortgage Bank of Uruguay) to the function of accepting passbook savings deposits.[5]

On the regulatory front, a new regime for limiting credit risk was introduced that involves drastic changes and sets limits similar to those established in other countries. The credit-risk ceiling for the financial sector was set at between 15% and 35%, depending on the risk-

4 This refinancing covers debtors owing up to US$ 200,000 dollars in the case of livestock farmers, up to US$ 250,000 for crop and cattle farmers, and up to US$ 300,000 for crop-farmers.

5 The BROU restructuring plan eliminates non-performing loans from its balance sheet and transfers them to a trust fund. The nominal value of the trust is US$ 1.2 billion, but the value of the collateral that it expects to collect is US$ 400 million (3.5% of GDP).

rating of the lending institution in question. In addition, the level of borrowings above which inflation-adjusted accounting statements must be filed for borrowers, together with a limited review report, was lowered from 15% of bank capital requirements to 5%. Debtors owing 15% or more (30% prior to this reform) must file inflation-adjusted accounts together with an audit report. In the case of deposits, distinctions were made between residents and non-residents.

(c) Foreign-exchange policy

Uruguay has had a floating exchange rate since 2002. In view of the uncertainty inherent in an election year, the authorities have announced their intention to buy the foreign exchange necessary for the year during the first semester. The central bank will also pave the way for the creation of a forward market to facilitate the management of foreign-exchange risk.

The country's level of competitiveness increased by 24% in 2003 as measured by its real exchange rate, thanks to the appreciation of the currencies of Uruguay's main trading partners: Brazil, Argentina and the euro zone.

(d) Other policies

In 2003, the government approved a series of measures to boost private investment, including the introduction of a faster procedure for processing requests to obtain benefits provided for under the Investments Act. These benefits include the application of a one-stop window and the lowering of tax rates on external credits having maturities of over seven years that are to be used to acquire fixed assets in investment projects promoted by that Act.

The authorities are promoting Uruguay as a regional logistics and distribution hub. The ports of Montevideo and Nueva Palmira are now being run by private operators under concession arrangements, and two new ports are being developed. The country's highways authority (Corporación Vial del Uruguay) began implementing a public works "mega-concession" involving private-sector construction works, maintenance and rehabilitation of 1,271 km of roads, and the construction of 2,904 metres of bridges and overpasses.

On the question of trade policy, the MERCOSUR summit held in December 2003 agreed to grant special treatment to the smaller countries of the bloc (Uruguay and Paraguay) by extending the validity of special import regimes until 2010. This means that Uruguay will be exempt or subject to reduced tariffs on capital goods and will be exempt from taxes on imported agricultural inputs. Summit participants also decided to allow member countries to conclude certain types of bilateral agreements and defined the terms of an agreement between MERCOSUR and the Andean Community aimed at creating a free trade area within the next 10 years. In November, Uruguay and Mexico signed a free trade agreement that will enter into force in June 2004.

3. The main variables

(a) Economic activity

On the supply side, the growth leader in 2003 was the agricultural sector (14.4%), thanks to greater crop-farming activity related to the increase in cereal and oilseed production and to an upswing in prices on international markets. Livestock activity was boosted when Uruguay regained its status as a foot-and-mouth-disease (FMD)-free country (now with vaccination). This triggered increases in exports and in the number of animals slaughtered. In contrast, the livestock sector was hurt by the very low level of sheep herds and a consequent decrease in wool production. The slowdown in construction (7.6%) was due to slackness in public-sector building during the first quarter (which was not offset by concessions) and a fall in private construction following the suspension of lending activity on the part of the Banco Hipotecario del Uruguay. The electricity, gas and water sector contracted by 7.6% owing to the depressed level of domestic consumption and reduced energy exports as a consequence of the drought. In short, there was a major change in the sectoral breakdown of GDP, with the primary sector contributing 13%, to the detriment of the services sector (59.9% of GDP).

Supply conditions are expected to recover in all sectors in 2004, and, in terms of domestic demand, gross fixed investment is likely to expand significantly. In the first quarter, GDP grew by 14.3% in relation to the first quarter of 2003 and by 1.7% on a seasonally adjusted basis relative to the fourth quarter of 2003. All sectors staged substantial recoveries –particularly manufacturing (36%) and commerce, restaurants and hotels (22.5%). The exception was the electricity, gas and water sector, where activity receded (-0.3%) owing to the drought. The main factors that spurred industrial activity were increased domestic demand and higher international prices for agribusiness products. Gross fixed capital formation surged by 57.5%, primarily because of the strength of machinery and equipment purchases in the public and private sectors, while final consumption expenditure was up by 12.3% and exports climbed by 18.8%.

(b) Prices, wages and employment

Inflation amounted to 5.17% in the first five months of 2004, representing a cumulative increase of 9.41% between May 2003 and May 2004. Achievement of the inflation target could be jeopardized by the energy crisis, which may lead to the implementation of a rate hike by the National Electric Power Generation and Transmission Administration (UTE). Although UTE has made a series of proposals to avoid raising charges (issuing negotiable securities, taking out a loan and cutting back on investment), it currently has a US$ 50 million shortfall in its budget, which envisaged electricity and fuel purchases amounting to US$ 80 million.

Unemployment continued its downward trend, falling to a 3.5-year low of 13.9% by late March. The rate is expected to rise slightly for the year as a whole, however, since an increase in labour supply is anticipated.

Having fallen by 12.5% in 2003, real wages have continued to post negative, albeit smaller, year-on-year variations since early 2004 (down by an average of -1.7% in January-May relative to the same period in 2003). Employment growth pushed average real household incomes up by 2.12% between January and March compared to the previous quarterly moving average and by 0.28% relative to the same period a year earlier.

(c) The external sector

Exports (f.o.b. in current dollars) climbed by 18.1% (to 19.6% of GDP) in 2003, while imports (c.i.f.) expanded by 11.5% to US$ 2.19 billion. Uruguay benefited from the upturn in regional demand, higher prices for its export products, appreciation of the euro and growth in the United States and Asia. The country also saw a reduction in its regional dependence: exports to MERCOSUR accounted for 30.6% of the total (compared to 55.4% in 1998), and the economy's openness index rose from 42% in 2002 to 49% in 2003.[6] Meat, which remained the leading export product in 2003 (accounting for 17% of total exports), posted an increase of 42% in current prices.

Export values (f.o.b.) rose by 33.3% in the 12 months to April 2004, while imports (f.o.b.) rose by 30.1%. During the first four months of the year, imports (excluding oil), measured in c.i.f. terms, expanded by 28% relative to the same period in 2003. In the tourism sector, the number of visitors between January and March 2004 was 40% higher than in the same quarter of 2003.

Lastly, as a result of the balance-of-payments surplus, as of 31 March 2004 reserve assets held by the central bank were up by US$ 157 million from their December 2003 level.

[6] Degree of openness is measured as exports plus imports.