ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN

ECLAC

PRELIMINARY OVERVIEW OF THE ECONOMIES OF LATIN AMERICA AND THE CARIBBEAN 2001

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The national accounts data presented in this edition of the *Overview* are based on the official statistics of each of the countries covered in this report; for purposes of comparison between countries, these statistics are, however, expressed in 1995 dollars. Thus, in some cases there may be apparent discrepancies with information issued by individual countries.

Notes and explanation of symbols

The following symbols have been used in the tables in this *Preliminary Overview*:

Three dots (...) indicate that data are not available or are not separately reported.
The dash (–) indicates that the amount 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., 1970/1971.
Use of a hyphen (-) between years, e.g., 1971-1973, 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 rates of growth of variation mean cumulative annual rates.
Figures and percentages in tables may not neccessarily add up to the corresponding totals, because of rounding.

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SUMMARY

The severe slowdown in the world economy in 2001 cut short the recovery that had begun in 2000 and dashed hopes that Latin America and the Caribbean were about to embark upon a new growth cycle. Unlike the crises of the 1990s, which were confined to a limited group of countries, the slowdown of 2001 engulfed the region as a whole. Regional output grew by a scant 0.5% and growth prospects for 2002 are not promising (1.1%). Inflation continued to abate, and the increase in the external deficit was fairly small. In an economic environment marked by a nearly across-the-board real currency appreciation, the current account deficit climbed to US$ 53 billion. Capital inflows to Latin America and the Caribbean were down sharply, and autonomous flows amounted to just US$ 33 billion, a figure reminiscent of the meagre levels seen in 1999. Against this grim backdrop, intraregional trade –which is more heavily concentrated in manufactures and less easily influenced by international events– was what helped to buoy exports in many countries. Within MERCOSUR, however, trade activity contracted by 10%.

The impact of the adverse international environment impinged upon all areas of activity; in fact, the consequences of this situation were felt more keenly by the domestic economy than by export activities. The steep reduction in growth hurt the labour market. The regional unemployment rate held at 8.4% of the economically active population, and wages either stagnated or fell in real terms. The pace of structural and trade reform processes slowed, and those reform initiatives that were undertaken focused mainly on the financial system.

Nevertheless, the region's economies did quite well in withstanding a large part of these destabilizing shocks and, with the exception of Argentina, in averting domestic or external crises. The countries succeeded in making notable macroeconomic advances under these trying circumstances, although the succession of stop-go cycles experienced over the past decade have resulted in a long-term growth rate that is far lower than what the region needs in order to reduce its high level of unemployment and improve the substandard conditions under which a large percentage of its population lives.

REGIONAL PANORAMA

1. Introduction

The severe slowdown in the world economy in 2001 has cut short the recovery that began in 2000 and dashed hopes that Latin America and the Caribbean were about to embark upon a new growth cycle. Regional output grew at a very slow pace (GDP growth amounted to a scant 0.5%) and growth prospects for 2002 are not promising (1.1%). Given the magnitude of the external factors that buffeted the region's economies during the year, however, they did quite well in withstanding a large part of these destabilizing shocks and in averting domestic or external crises. The one exception was Argentina, which has been in the throes of a crisis for the last three years. Inflation continued to abate, and the increase in the external deficit was fairly small. Without detracting from the macroeconomic advances that the countries succeeded in making under such adverse circumstances, however, the fact remains that the succession of stop-go cycles experienced over the past decade have resulted in a low long-term growth rate. Consequently, this rate is far lower than what the region needs in order to reduce its high level of unemployment and improve the substandard conditions under which a large percentage of its population still lives.

The deterioration seen in the region's economic situation was, once again, the result of an adverse international economic environment. The slowdown seen in the industrialized countries was exacerbated by the harder-than-expected landing of the United States economy. Unlike the crises of the 1990s, which were confined to a limited group of countries, the slowdown of 2001 engulfed the region as a whole (see box 1).

In a somewhat unusual turn of events, the recessionary climate in the world economy led to declines in the value of the region's exports and the value of its imports (the last time that both had fallen at the same time was in 1982). These decreases reflected a steep drop in United States orders for Latin American and Caribbean products. This was compounded by a downward trend in raw materials prices which, in the case of some products, began in 2000 or even as far back as the Asian crisis. The greater uncertainty that arose in international markets in the wake of the September 11th attacks against financial and political targets in the United States accentuated this trend for a time (see box 2).

Against this grim backdrop, intraregional trade –which is more heavily concentrated in manufactures and less easily influenced by international events– helped to buoy exports. This was particularly true of the Central American and Andean countries, thanks to the consolidation of these subregions' integration schemes. On the other hand, MERCOSUR found itself in a difficult economic and political situation, and its trade activity contracted by 10%.

Capital inflows to Latin America and the Caribbean were also down sharply. Autonomous flows were a scant US$ 33 billion, a figure reminiscent of the meagre levels seen in 1999 when the region was suffering from the repercussions of the Russian moratorium. The terms and conditions under which the countries have access to external financing continued to be worse than they had been before the Asian crisis. The most severe constraints in this respect were experienced by Argentina and, to a lesser extent, Brazil and Ecuador, and multilateral lending institutions disbursed unprecedented amounts of standby credit to these countries.

Rather than being confined to export sectors, the impact of the adverse international environment impinged upon all areas of activity; in fact, the consequences of this situation were felt more keenly by the domestic economy than by export activities. While the latter were able to partially offset the downturn in prices by expanding the volume of shipments by 2%, domestic consumption in the region as a whole was flat, and gross investment declined.

The poor performance of domestic demand was the result of a number of different factors. The 4% deterioration of the terms of trade and higher factor payments drove real per capita income down by 2%, and the effect this had on private demand was magnified by pessimistic expectations. In addition, in keeping with a trend that had been in evidence since the second quarter of 2000, macroeconomic policy was tightened. With some exceptions –notably Chile, Mexico and several Central American and Caribbean countries– real variations in interest and exchange rates created less favourable monetary conditions than those seen in 2000 (see figure 1). Nor was there any sign of a countercyclical management of fiscal expenditure, and the automatic stabilizing effect of a larger fiscal deficit was quite limited since, as a regional average, the deficit expanded by less than half a point of GDP. In domestic financial markets, various factors combined to sharply curtail lending. On the one hand, the still fragile position of the financial sector in many countries of the region and tougher regulations prompted banks to adopt a very cautious attitude to fresh lending. On the other, the recessionary environment and borrowers' deteriorating asset positions dampened the demand for consumer and corporate loans. As a result, demand remained slack even in countries where real interest rates had declined.

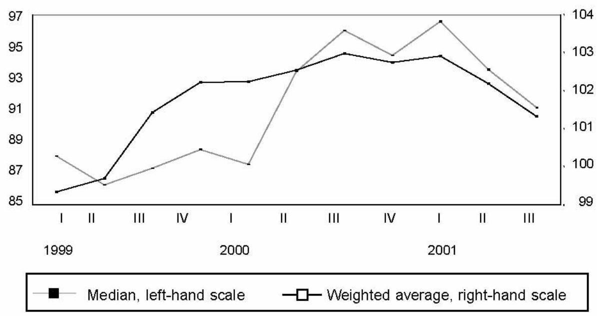
This cautious frame of mind was evidenced by public policy-makers as well, and the pace of structural and trade reform processes slowed. Nevertheless, some advances were made, especially in connection with operating concessions for public utilities and infrastructure works and in the area of fiscal policy reform. The financial system was the main focus of reform initiatives, where efforts were aimed at improving the regulatory systems of national financial markets.

LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
Economic activity and prices		*Annual grouth rates*	
Gross domestic product	0.4	4.1	0.5
Per capita gross domestic product	-1.2	2.5	-1.0
Consumer prices	9.5	8.7	7.0
Terms of trade	0.4	5.9	-3.7
		Percentages	
Urban open unemployment	8.8	8.4	8.4
Fiscal balance/GDP[b]	-3.1	-2.7	-3.1
External sector		*Billions of dollars*	
Exports of goods and services	341.0	405.7	391.4
Imports of goods and services	362.7	419.1	413.7
Balance on goods	-6.2	4.2	-2.2
Balance on services	-15.6	-17.5	-20.0
Balance on income account	-52.2	-52.3	-53.4
Balance on current account	-55.1	-45.7	-52.8
Balance on capital and financial account	43.3	67.0	32.7
Overall balance	-11.8	20.5	-20.1
Net resource transfer	-3.1	1.0	-3.4

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] Simple average.

Figure 1
LATIN AMERICA AND THE CARIBBEAN: MONETARY CONDITIONS INDEX, 1999-2001
(Index 1995=100)



Source: ECLAC, on the basis of official figures.

Despite these widespread difficulties in the domestic and external sectors of the region's economies, they did not –apart from Argentina– fall victim to outright balance-of-payments or financial crises. Although the Argentine crisis did have a contagion effect on neighbouring economies in the second and third quarters, financial and exchange-rate indicators for the fourth quarter of 2001 backed up the belief that the region's economies had succeeded in de-linking themselves from the Argentine crisis.

In the fiscal arena, the authorities sought to compensate for the decline in revenues by curtailing their investment programmes and, on average, the Latin American and Caribbean countries' fiscal deficits expanded somewhat. Primary expenditure contracted and was thus once again slightly procyclical. Inflation continued to subside. This downward trend is attributable both to the countries' success in controlling underlying inflationary factors and to lower fuel prices. In some cases, however, the declines registered in monthly consumer price indices ceased to be good news and were instead seen as a sign that the countries were at risk of lapsing into a recession.

The steep reduction in growth hurt the labour market, and the employment rate fell by over half a percentage point. Since the labour supply also shrank more sharply than it had at any time since 1990, however, the regional unemployment rate held steady at 8.4% of the economically active population. Nonetheless, this figure is still one of the highest to be recorded in the last 10 years. Sluggish production activity in 2001 also hurt wages, which stagnated or fell in real terms. In contrast, wages in the manufacturing sector increased moderately on average, while they rose steeply in Mexico.

The current account deficit climbed to nearly US$ 53 billion (3.0% of regional GDP) within a context of real exchange rate appreciation. The increases in the deficit remained within the bounds of each country's external financing capacity, however, and in most cases the external shortfall remained below 4%. The merchandise trade account ran a small deficit and net factor service payments rose.

Foreign direct investment diminished for the second year in a row, from US$ 64.8 to US$ 58.3 billions, but was still high compared to historical averages. Official loans filled the gap left by the contraction of private capital flows. Despite the fairly high level of capital inflows, however, net inward transfers were nil. This virtual balance between inflows and outflows of financial resources has been maintained for the last three years and is a development that bears watching. The prospects for inflows of foreign direct investment are not promising in either the short or medium term due to the prevailing level of uncertainty on international markets and the fact that the privatization drive in the region is nearing its end.

Given the prospect that these investments may decline and that net resource transfers may turn negative, it is becoming increasingly urgent for the region to implement the reforms needed to reduce its external vulnerability, build up its internal capacity to finance investment and social expenditure, and smooth out its economic cycles. In the view of ECLAC, volatility management in the region requires the following elements: (i) consistent, flexible macroeconomic (fiscal, monetary, credit and exchange-rate) management; (ii) strict prudential regulation and supervision of national financial systems; and (iii) a liability policy that will result in an appropriate public and private (both external and domestic) debt profile.[1]

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[1] See ECLAC, *Equidad, desarrollo y ciudadanía*, vol. 3 "Agenda económica", Bogotá, ECLAC/Alfaomega, 2000. At the same time, better finance for development for the region within the present context of globalization is required. See ECLAC, *Crecer con estabilidad: el financiamiento del desarrollo en el nuevo contexto internacional*, Bogotá, ECLAC/Alfaomega, 2001.

Box 1

THREE CRISES IN LESS THAN A DECADE

The present crisis in Latin America and the Caribbean is the third time in less than a decade in which regional GDP growth had fallen off steeply and dragged per capita GDP down along with it. The two previous crises occurred in 1995 and in 1998-1999.

Because all of these crises have been the result of external shocks, attention is being focused on the channels through which these shocks are transmitted. Their impact is then, of course, reflected on the balance-of-payments trade and capital accounts.

Viewed from this perspective, the three crises have differed from one another in some very significant ways. The differences have to do with these crises' varying degrees of globality, which influences the relative importance of transmission mechanisms in each. This, in turn, has implications for the consequent economic policy responses.

The 1995 crisis was not a global crisis. It originated in a single country (Mexico) and was therefore transmitted through financial rather than trade channels. The devaluation of the Mexican peso in December 1994 triggered capital outflows from various countries and the virtual suspension of voluntary external financing but, ultimately, the only country other than Mexico to be seriously affected was Argentina, which then pulled Uruguay down with it. Trade did, however, provide an adjustment mechanism for this crisis within an international environment marked by significant growth and massive financial assistance for Mexico and Argentina. As a result, the crisis only lasted for three quarters.

The crisis that broke out in Asia in the second half of 1997 falls into the mid-range in terms of its origin and scope. The contagion effect transmitted through trade channels was considerable, but financial channels played the greatest role in allowing it to spread. The trade-based effects chiefly took the form of declining prices for a number of the raw materials of importance to the region, such as petroleum, other minerals and some agricultural products. The financial turbulence that arose in Asia was heightened by the Russian Federation's moratorium and currency devaluation in August 1998. This led to a deepening of the crisis in 1999, which left a trail of financial instability in its wake that is still in evidence today. On the other hand, the United States economy's high growth rate had positive trade effects on Mexico and Central America, and the impacts of the crisis were consequently concentrated in the South American countries.

Unlike its predecessors, the current crisis –triggered by a severe slowdown in the world economy that began in a country that has an overarching influence on global and regional economic activity– is truly global in nature. Trade has therefore been the principal channel for the transmission of this crisis, which has been manifested in slower growth or a contraction of export volumes and in a downturn in raw materials prices that has hurt a majority of the countries.

The primarily financial transmission of the first two crises –and the fact that, at the time, the countries were in the midst of stabilization programmes involving the use of exchange-rate anchors– took away much of the economic authorities' manoeuvring room. As external financing tightened, it became necessary to cool down demand by means of what amounted to a procyclical economic policy response. Because of the global nature of the present crisis, measures taken by the countries to boost external competitiveness and galvanize domestic demand, no matter how desirable and necessary they may be, will not be enough to achieve these ends. All these factors point up the need to supplement national policies with international and regional measures, based on a full understanding of the different elements that are at stake in each case.

Box 2

THE EFFECT OF SEPTEMBER 11TH

In addition to the tremendous loss of life and of material assets caused by the terrorist attacks that took place on 11 September 2001 in the United States, these attacks had major implications for economic conditions and long-term expectations.

The tragedy of September 11th intensified the symptoms of recession that had appeared in the major industrialized countries in late 2000 or early 2001. At the beginning of September, a reactivation (2.7%, according to data from "Consensus Economics") of the United States economy in 2002 was still expected. By October, however, hopes of an early end to the recession in the United States had faded due to the severe deterioration seen in consumers' and investors' expectations, and analysts no longer expected growth in 2002 to be much stronger than the estimate for 2001 (1.2% and 1.1%, respectively according to the same source). Pessimism regarding the Japanese and European economies also deepened. Accordingly, analysts believe that the world's growth performance for 2001-2002 will be the worst in the last 30 years.

This outlook and its effect on international trade drove down commodity prices. After an initial spike when the news first broke, oil prices plunged by over US$ 5 per barrel in the first three weeks following the attacks. This trend was also exhibited by the prices of other raw materials which had been severely depressed even before September 11th.

The trade implications of these events were felt most keenly in Mexico, Central America and the Caribbean. These economies are closely tied to economic conditions in the United States, whether because they specialize in exports of manufactures assembled by the maquila industry (especially the high-technology items produced in Costa Rica and Mexico, which are more sensitive to economic cycles), because of their tourism industries or because of the importance of family remittances sent back by emigrant workers. In the Caribbean islands, where international tourism is a very important sector of activity, tourist reservations plummeted by between 20% and 60% in October. The hotel occupancy rate in Jamaica was only 11%, and a third of all hotel rooms in Cuba were closed. Air transport was also hit hard by cancellations of reservations and, because of the higher costs associated with increased expenditure on security and more expensive insurance premiums, cancellations of flights as well.

The financial implications of this situation for emerging economies were another cause for concern in Latin America, which is highly vulnerable to financial cycles. After the attacks, the market collapsed in the main international financial centres. Risk aversion increased, and the spreads on non-investment-grade financial paper widened. In the southern part of the continent, this more cautious attitude complicated an already very difficult situation in Argentina and added to the contagion of neighbouring economies.

By early December, however, the most immediate effects of the events of September 11th had begun to recede. The favourable turn taken by geopolitical events and the coordinated implementation of countercyclical macroeconomic policies in the industrialized economies paved the way for a decline in international interest rates. Financial markets regained the ground they had lost since the crisis, and raw materials prices appear to have bottomed out. Thanks to the improved international environment and to trade promotion campaigns in North America and Europe, the outlook for the tourism sector in the Caribbean were also growing brighter.

As the year drew to a close, the greatest direct economic impact on the region appeared to be that the international economy's reactivation had been pushed back by two or three quarters, thereby dimming the prospects for an early economic recovery in the region.

It is still too early to analyse the longer-term implications for Latin America. The heightened uncertainty surrounding the world's political and economic future [a] could dampen direct and financial investment flows to emerging economies. Latin American economic authorities should be heedful of this situation and take steps to strengthen their countries' domestic capacity to finance investment. For its part, the international community should build upon the signs of greater North-South solidarity that appeared after the attacks and that have made it possible to incorporate the developing countries' views more fully into the trade negotiation agenda and to speed up the agenda for reforming the architecture of the international financial system.

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[a] "We have entered the third millenium through a gate of fire". Speech delivered by Kofi Annan, Secretary-General of the United Nations at the Nobel Peace Price award ceremony on 10 December 2001.

2. External sector

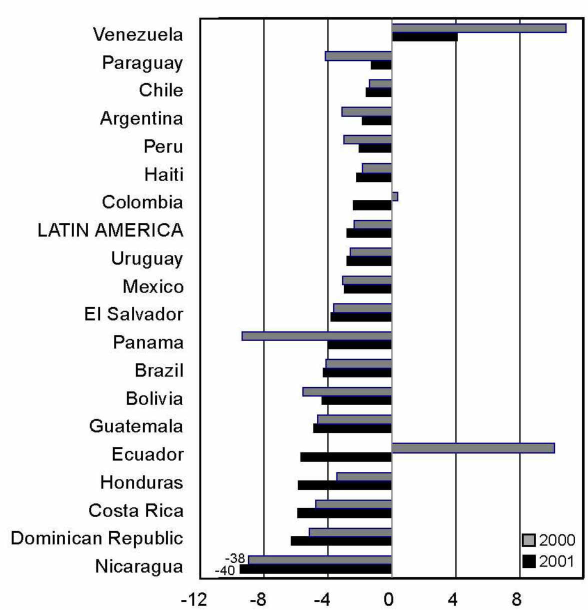
Trade served as the main conveyor belt for the transmission of the international economic crisis to Latin America and the Caribbean. A steep drop in external demand caused the export earnings of most of the countries in the region to shrink. All the countries saw a downturn in the prices brought by their products on world markets, and many were, in addition, unable to ship as large a volume of exports as the year before. The impact on domestic demand of these reductions in earnings and in production led to cut spending on imports in many instances. Import prices were also down, but in numerous cases the volume of imports was smaller as well. Under these circumstances, it comes as no surprise that the merchandise trade account ran a deficit and the regional trade balance worsened.

The region's deficit on the factor income account also deepened somewhat. This was due to lower interest earned following cuts in international rates and to wider spreads on interest paid, the effects of which could not be offset by a decline in no longer-rising profit remittances. Current transfers (composed primarily of remittances from residents in the United States) slowly continued to climb despite moderate decreases in the Dominican Republic, Haiti and Paraguay. This form of income has traditionally been important for the Central American countries as well as for Bolivia and Ecuador, but in 2001 it also figured prominently in such medium-sized economies as Colombia and Peru.

These factors combined to push the deficit on the balance-of-payments current account up from its 2000 level of US$ 46 billion (2.4% of GDP) to some US$ 53 billion (3.0% of regional GDP) in 2001. The bulk of this increase is attributable to a decrease in Venezuela's surplus to less than half its former level, the expansion of Mexico's deficit and the change of sign in Colombia's current account as it slipped into a deficit position. Most of the countries'deficits were moderate in size (below 4% of their GDP), with the only exceptions being Bolivia and a few Central American countries (see figure 2).

Net autonomous capital inflows were too meagre to cover the region's current account deficit; in fact, even when supplemented by compensatory financing, it took the total gross sum of those inflows –for the third year in a row– just to service the external debt and cover the returns on foreign capital. The plentiful inflows received by Mexico were not enough to offset hefty capital outflows from Argentina and Venezuela, which thus played a major role in this situation.

Figure 2
LATIN AMERICA AND THE CARIBBEAN: CURRENT ACCOUNT BALANCE
(Percentages of GDP)



Source: ECLAC, on the basis of official figures.

External markets for goods and services reflect the effects of the world crisis

The sharp slowdown in world economic activity, whose growth rate slid from 3.8% in 2000 to a decade-low of 1.3% in 2001, took a heavy toll on international trade, which registered an even steeper downturn. The volume of international trade was virtually flat in 2001 after having surged by over 12% the year before. This was reflected in a sharp deceleration of the growth of shipments from Latin America and the Caribbean, thus becoming the main channel of transmission of the global crisis to the region (see figure 3).

Weaker world demand was also reflected in the prices of the commodities most sensitive to swings in economic activity, i.e., raw materials. In 2000, price levels of some products had begun to move back up towards the levels reached before the Asian crisis, but by 2001 all or a good part of the ground they had regained was lost once again. The prices of other products never recovered following the decline that they had undergone during the Asian crisis.

The region's two main exports were especially hard hit. The prices of oil and of petroleum products were down by 20% from their high levels of the year before. After having fallen steadily during each of the preceding four years, coffee prices plunged by a further 30%.

The average prices of non-fuel minerals and metals for the first 11 months of the year were 9% lower than the average for the whole preceding year. In the case of agricultural raw materials, the drop amounted to somewhat more than 1%, although some products exhibited double-digit declines; wood pulp prices, for example, were down by nearly 30%, in sharp contrast to cowhides, whose prices rebounded by 50%. The prices of numerous metals -including zinc, tin, aluminum, steel products, silver and copper- fell by over 10% (see figure 4).

Food products were the only category that showed an improvement, withstanding the effects of the excess supply which glutted the international market, although the rise in their average annual price was only enough to take it back up to its 1996 level. These results were largely attributable to banana prices, which jumped by nearly 50%, and wheat prices, which climbed 10% but were still far below their pre-Asian crisis levels. Some wheat-producing countries also benefited from higher prices for beef exports.

The resulting contraction of trade is felt throughout the entire region

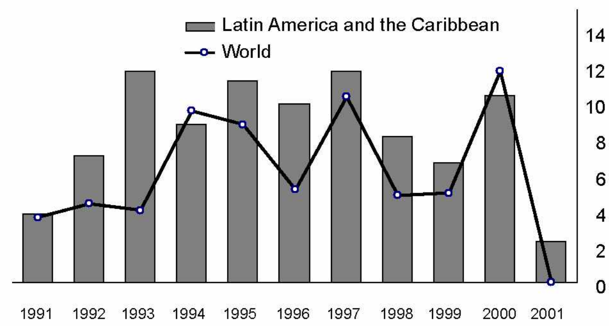
Within this recessionary international environment, some countries in the region managed to expand their export volumes, but most saw a decline in growth rates or even outright reductions, and not a single country escaped the downswing in average export prices. The outcome was a widespread decrease in export earnings, with the regional total for external sales of both goods and services slipping to little more than US$ 390 billion, or 3.5% less than a year earlier.

The Central American countries and the main oil exporters fared the worst. The steep drop in the prices of their coffee and oil exports were compounded, in the case of Mexico and the Central American nations, by slackening demand in the United States, on which they are particularly dependent for their exports of manufactures and tourism services. Venezuela also had to cut back on its oil shipments as part of a joint policy agreed upon by the Organization of Petroleum Exporting Countries (OPEC).

Figure 3

WORLD TRADE AND REGIONAL EXPORTS VOLUME

(Annual variations, in percentages)

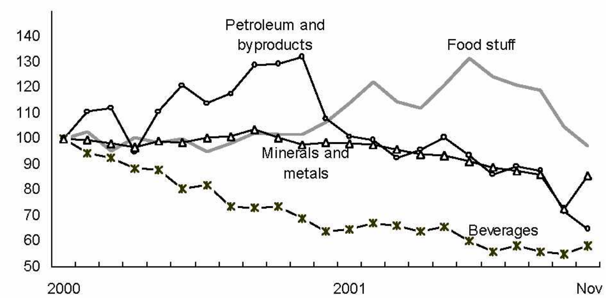


Source: ECLAC, on the basis of official figures.

Figure 4

PRICES OF LATIN AMERICAN COMMODITY EXPORTS

(Index, January 1999=100)



Source: ECLAC, on the basis of official figures.

In the specific case of services, the Caribbean basin countries' earnings from tourism and travel were struck hard by the impact of the September 11th terrorist attacks in the United States. Many countries reported decreases of between 20% and 60% in the number of tourists in September. Several national airlines were operating far below full seating capacity, and in some cases flights had to be cancelled. Tourism revenues are vital for the economies of many countries, from Mexico to the islands on the eastern fringe of the Caribbean.

Argentina and Brazil were two of the very few countries that managed to boost their export revenues, although the gains were smaller than those of the year before. Their earnings were underpinned by sizeable increases in the volume of shipments (up by 9% in the case of Brazil and 5% in that of Argentina). The economic adjustments made by both countries were an important factor in this connection, although these processes took different courses, with Brazil's currency depreciating while in Argentina, domestic absorption was curtailed.

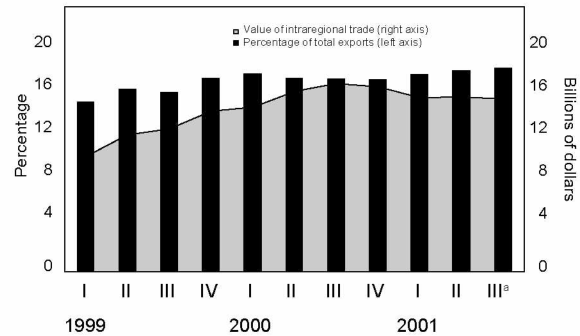
This difference between the two largest South American economies' adjustment processes was also reflected in their imports, whose volume fell by 14% in Argentina but rose by 4% in Brazil. This divergence was also evidenced within the region as a whole, although the slump in economic activity in most countries of the region was generally accompanied by a slowdown or reduction in both the volume and value of imports. Against this backdrop, the surge in Ecuador's imports, which climbed by two thirds, and the double-digit increase in Colombia's were particularly striking developments.

For the region as a whole, the net effect of these differing trends was that merchandise import volume leveled off, in sharp contrast to the 14% increase posted the year before. Even though prices declined for all the countries, the total value of their imports of goods and services slipped to less than US$ 414 billion, down 1.3% from the previous year.

While trade with the rest of the world languished, intraregional trade, which primarily involves manufactures, expanded within the Andean community and the Central American Common Market (see figure 5). It was not so with intra-MERCOSUR trade, which shrank by nearly 10% in the first three quarters, while the MERCOSUR countries' trade with nations outside the region rose. The share of intra-MERCOSUR exports in total exports thus dropped to 17.5%.

Trade among the member countries of the Andean community, on the other hand, increased at an annual rate of 11%, whereas their total exports shrank by 8%.

Figure 5
LATIN AMERICA AND THE CARIBBEAN INTRAREGIONAL TRADE



Source: ECLAC, on the basis of official figures.

Although the Central American Common Market countries' trade with the United States was off sharply, their mutual trade flows expanded to the point where they consolidated their position as the integration group with the highest percentage of intra-scheme trade (27% of the total).

Plummeting autonomous capital inflows

Autonomous capital inflows to Latin America plunged from US$ 67 billion in 2000 to US$ 33 billion in 2001, with Argentina witnessing a sharp turnaround that left it with outflows of over US$ 20 billion, followed by a contraction in flows to Brazil. As a result, capital inflows were lower than they had been even in 1999 (2.5% of GDP), when the region was being buffeted by the repercussions of the Russian moratorium.

Argentina and Venezuela both registered large capital outflows, and Brazil's inflows thinned due to the decrease in inward foreign direct investment (FDI). To compensate for this reduction, the International Monetary Fund disbursed a record sum of over US$ 16 billion to Argentina and Brazil. Meanwhile, Mexico's plentiful inflows of 2000 carried over into 2001 thanks to high domestic interest rates and steadily declining rates in the United States. Most of the other countries' capital inflows remained at levels close to those recorded in 2000.

As during the preceding year, capital movements mainly took the form of FDI, even though these investment flows slowed for the second year in a row. Net equity investment was negative, and all of the proceeds from bonds and bank loans had to be used to amortize maturing debts.

External financing for 2002 is received ahead of time, despite the Argentine crisis

Sovereign bonds issued by Argentina in the first quarter amounted to US$ 1.5 billion, as compared to the US$ 13 billion taken in during 2000. Since it was unable to obtain financing on voluntary debt markets, in June the government swapped US$ 30 billion in securities in order to lighten its public debt service burden in 2002-2003. This operation was conducted at exceedingly high interest rates. The country's difficulties in securing financing persisted in the ensuing months. Late in the year, the government attempted to implement a new, comprehensive plan for restructuring the public debt at an annual interest rate of no more than 7%. By the end of November it had completed a swap involving over US$ 50 billion in domestic obligations.

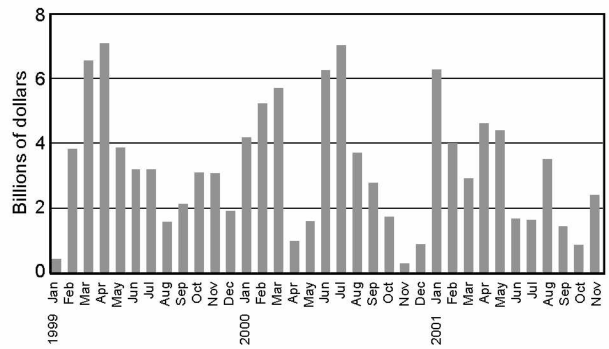
Most of the other governments in the region had met their targets for public bond issues on international markets by mid-year, with the biggest borrowers being Brazil, Colombia and Mexico. Costa Rica and El Salvador undertook issues as well. After the events of September 11th, the governments of Chile, Mexico and Uruguay took advantage of their investment-grade ratings to offer issues that would bring in external financing for 2002. The governments of Colombia, the Dominican Republic and Guatemala also floated issues, but at higher interest rates. Placements by private firms in the region were few and far between, as risk-averse investors preferred sovereign debt securities. External financing for the region remained unstable and continued to suffer from bouts of volatility (see figure 6).

External borrowing conditions have yet to return to where they were prior to the Asian crisis. Average terms hovered around five years, and at the end of the year the cost of external finance was holding at around 16% per annum (see figure 7). This rate was partly accounted for by deep discounts on Latin American external debt on secondary markets, on Argentine offers and, to a lesser extent, on Brazilian paper.

If these securities are factored out of the calculations, then the average annual cost was around 11%, which was still quite high considering the sizeable reductions in international rates seen in 2001. The cost fluctuated very little because the increase in spreads was offset by reductions in the rates on United States treasury bonds. As of November, the countries whose position had deteriorated the most were Argentina (from 12.5% to 23.5%) and Brazil (12.5% to 14.5%). Colombia, on the other hand, saw an improvement in borrowing costs (from 13% to 10%) together with a reduction in its spreads. Chile, Uruguay and Mexico continued to enjoy some of the lowest external borrowing costs in the region.

Figure 6

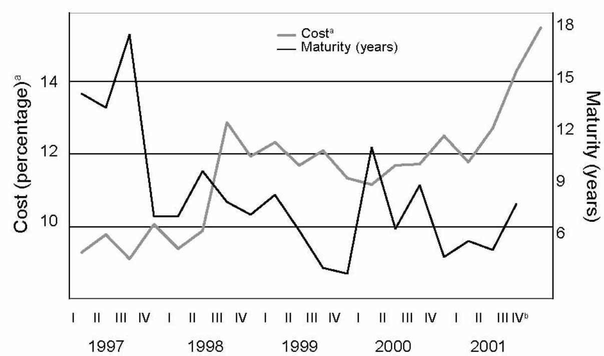
LATIN AMERICA AND THE CARIBBEAN: INTERNATIONAL BOND ISSUES



Source: ECLAC, on the basis of figures provided by the International Monetary Fund, J.P. Morgan and Merril Lynch.

Figure 7

LATIN AMERICA AND THE CARIBBEAN: TERMS OF INTERNATIONAL BOND ISSUES



Source: ECLAC, on the basis of figures provided by the International Monetary Fund, J.P. Morgan and Merril Lynch.

[a] Sum of the average spread between these bond issues and the yield on long-term United States Treasury bills.

[b] October-November average.

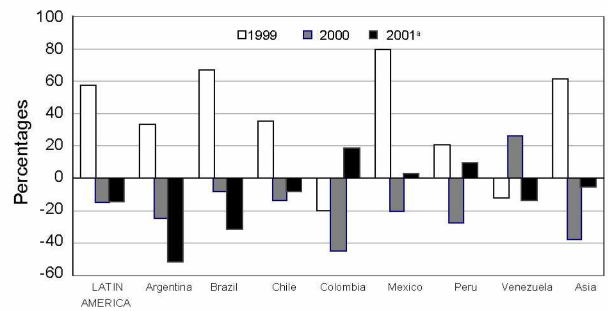
Latin America's gross external debt declined by a moderate amount (from US$ 740 billion in 2000 to US$ 726 billion in 2001). Small variations were observed in most of the countries' external liabilities. Since the external debt burden decreased by a smaller proportion than exports did, the indicator provided by the ratio between these two variables worsened in most of the countries. Among the most heavily indebted nations, Bolivia, Brazil and Peru continued, as in previous years, to report debt/exports ratios of around 350%; Argentina's ratio fell to 450% from its 1999-2000 average of 500%, while Nicaragua's held at around 700%.

Foreign direct investment weakens

Net FDI in the region shrank for the second consecutive year, falling from US$ 64.8 billion in 2000 to US$ 58.3 billion in 2001. Factors helping to account for the decline included the repercussions of the worldwide slowdown and the fact that privatization programmes were nearing completion in most Latin American economies. This downswing was quite widespread but was particularly sharp in Argentina, Brazil and Venezuela. Chile, on the other hand, turned its negative inflow of the year before into a positive balance. Ecuador received a record volume of FDI and Mexico was able to maintain the significant levels posted over the past few years, even if the inflows from the sale of BANAMEX to City Group (US$ 12.5 billion) are not included in the figures.

During 2001 equity capital was highly volatile, and the only country recording a net inflow was Mexico, thanks to the appreciation of the peso. Brazil and Chile, whose currencies depreciated quite steeply during the year, registered net outflows of equity capital. This was reflected in stock market quotations, with the regional stock index fluctuating around a mark 15% lower in November than the level posted a year ago (see figure 8).

Figure 8
LATIN AMERICA AND THE CARIBBEAN: STOCK EXCHANGE QUOTATIONS
(Annual variations. Indexes in dollars)



Source: ECLAC, on the basis of figures provided by the International Finance Corporation.

[a] As of the end of November.

3. Macroeconomic policy

The sharp decline in economic activity during the course of the year, together with the increasingly gloomy turn taken by economic agents' expectations as domestic and external events slowed the economy, highlighted the need for a rapid reactivation of growth in almost all countries of the region. However, policy-makers wishing to embark on countercyclical policies of the sort used by developed countries had very little manoeuvring room.

The slowdown or outright contraction of economic activity had a direct impact on tax receipts, given the close correlation between tax revenues and domestic economic activity in the region. At the same time, expenditure levels were driven up by the rising cost of servicing the domestic and external debt, whose upward trend was attributable to the dual effect of increased borrowing and climbing exchange rates. While many countries resorted to increased external borrowing to cover their widening fiscal deficits, this was in fact a limited option, and they generally had to curtail investment expenditure as well; the result was a procyclical fiscal spending pattern.

Monetary policy-makers had to be mindful of the repercussions of the adverse external environment, which tended to strengthen external competitiveness, the dollarization of a large part of the public debt and of private contracts in certain countries and the possible impact of exchange-rate trends on domestic prices. Early in the year, monetary policy was aimed at providing sufficient liquidity to underpin the hoped-for economic reactivation, but this strategy was of limited usefulness because the expected expansion of aggregate demand never took place. Consequently, monetary policy had to be tightened up more and more as the year moved on.

Because of the priority focus on coping with the adverse economic environment and the fact that considerable progress had already been made, the pace of the structural reform process slowed. Privatization operations slackened as this process ran its course, and the emphasis shifted to the award of concessions, to regulatory measures, and to the promotion of competition. The main focus throughout 2001 has been on fiscal reforms and on regulations to improve bank supervision and to control illicit capital flows. Regional integration efforts were limited to the tariff reductions already provided for in existing subregional agreements, while within MERCOSUR, trade disputes arose and discordances between the different partners' exchange regimes posed a problem.

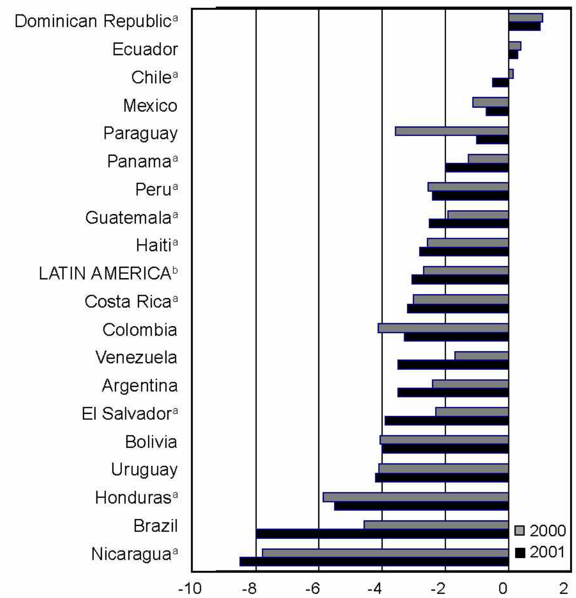
There are therefore a number of lessons to be learned from the beginning of the new millennium. First, the cyclical character of market economies was strongly evident, for both developing and developed countries. Second, within the framework of an essentially asymmetric international system, the developed countries have deployed the full arsenal of countercyclical instruments that economic policy has to offer in a bid to counter the contractionary trend of their economies. In contrast, developing countries, among them those in the region, ran into difficulties in their efforts to do so and will therefore need to work towards regaining the ability to wield the entire array of available economic policy instruments if they are to avert sharp cyclical swings.

Another important development was that the much-feared "contagion effect" of Argentina's financial crisis faded. This crisis erupted midway through the year and had initially caused turbulence in some neighbouring countries, especially Brazil and Chile. By the end of the year, however, Argentina's financial troubles appeared to have been contained within its borders. This also lessened the likelihood that the initial contagion of Brazil would have a "domino effect" on the rest of the region.

Fiscal deficits widen as public revenues contract

Public-sector shortfalls had lessened in 2000 thanks to an upswing in revenues, but in 2001 the deficit for Latin America and the Caribbean as a whole widened to 3.1% of GDP. In a region where there is a close correlation between tax revenues and trends in economic activity, fiscal policy was directed towards reducing expenditure, especially on investment, and towards financing the imbalance with domestic and external funds in an effort to avoid threatening the stability of domestic prices (see figure 9).

Figure 9
LATIN AMERICA AND THE CARIBBEAN: PUBLIC-SECTOR SURPLUS
(Percentages of GDP)



Source: Statistical Appendix.
[a] Central government.
[b] Simple average.

Almost all the countries saw a downturn in government income, and especially in tax revenues; the only exceptions were a few countries, such as Colombia, the Dominican Republic and Ecuador, that had successfully introduced tax reforms. Tumbling international oil prices had a direct impact on the earnings of State-owned oil exporters, with Venezuela being the hardest hit. In Mexico, even though non-oil income increased, the reduction in petroleum-based revenues revived the legislative debate concerning the introduction of a tax reform bill that, among other changes, would apply the value added tax to currently exempt basic consumer items, a proposal that has yet to win acceptance. Colombia was less seriously affected because of its diversified tax structure, while the reduction in Ecuador's earnings from oil exports was offset by domestic revenues from increased economic activity, improvements in tax administration and slackening inflation. In the case of Chile, lower copper prices had both a direct effect on State coffers and an indirect impact in the form of a slowdown in growth driven by the mineral sector.

South America's two largest economies saw their tax revenues plummet. This prompted the Argentine Government to take emergency measures during the third and fourth quarters which included a hike in the financial transactions tax, a reduction in tax exemptions and the postponement of cuts in the gasoline tax. Brazil's efforts to move towards fiscal decentralization and to strengthen its tax system under the Fiscal Responsibility Act were thwarted by the slowdown in domestic economic activity stemming from the unfavourable external climate. The decrease in Paraguay's tax receipts was fully covered by royalty payments from the binational hydroelectric dams. In Uruguay, however, the decline in tax receipts kept the fiscal deficit high.

Expenditure, on the other hand, increased. One of the main reasons for the upswing in current expenditure was the additional cost of debt servicing. A generally tighter monetary policy was one of the factors that made it more expensive to service domestic debt, and this effect outweighed the relief provided by lower international interest rates. Current transfers to distressed sectors, such as the coffee industry, and the transitional costs of pension reforms incurred by such countries as Bolivia, El Salvador and Uruguay also fuelled the increase in public expenditure. Most governments resorted to cuts in capital expenditure in order to slow the increase in the deficit. After two earthquakes hit the country, El Salvador had to undertake investments that it had not bargained for in order to repair the damage.

The large deficits incurred during the last four years, which were covered with borrowed funds, have significantly raised the level of public debt. In fact, the public debt has risen so steeply that there is now some question as to the viability of resorting to this course of action again in the medium term. The public sectors of Argentina, Brazil, Colombia, Costa Rica and Ecuador, among others, have built up debt stocks equivalent to more than half or even as much as their total GDP.

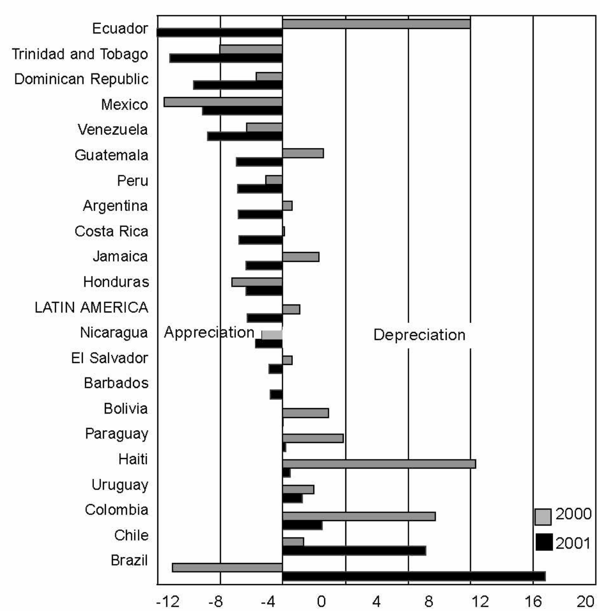
Foreign-exchange markets exhibit a response capacity, despite some tensions

The massive inflow of foreign capital throughout much of the 1990s caused the real exchange rate in many countries of the region to trend downward. In an effort to prevent this trend from undermining their external competitiveness, some countries sought to place limits on the revaluation of their currencies by restricting liquidity, but the results of this were just the opposite of what they had expected, as domestic interest rates rose and capital inflows expanded. Other countries have additionally opted to restrict the entry of capital.

The external environment in 2001 was a far cry from what it had been during the preceding period of abundant capital inflows and burgeoning world trade. The recent trend towards the depreciation of local currencies has not, however, been as strong as the appreciation of those currencies had been during that period. With very few exceptions (Brazil, Chile and Colombia, with flexible exchange regimes, and Uruguay with its crawling peg and flotation band), the currencies of the countries of the region strengthened against the currency basket representing their main trading partners (see figure 10). The end result in terms of the countries' real exchange rates was determined by a variety of factors. The contagion effect of the Argentine crisis that predominated during a good part of the year tended to elevate the dollar's value in Brazil and Chile in the second semester, in the context of greater liquidity. In Colombia's case the value of the dollar rose somewhat more slowly than domestic prices, while the real exchange rate improved as a result of the strong real appreciation of the currencies of Ecuador and, to a lesser degree, Venezuela. The faster pace of devaluation in Uruguay made for an improvement in its real exchange rate in relation to many of its trading partners, but most of this gain was undermined by Brazil's steep devaluation.

A total of 13 countries having a variety of foreign-exchange regimes saw their currencies appreciate, even though the international environment was less conducive to such a trend than in previous years. In most of these countries, the appreciation of the local currency coincided with net inflows of foreign capital that covered

Figure 10
LATIN AMERICA AND THE CARIBBEAN: REAL EFFECTIVE EXCHANGE RATE
(Annual variations, in percentages)



Source: Statistical Appendix.

their fiscal deficits; two countries –Argentina and Venezuela– recorded heavy draw-downs of international reserves, and in Mexico, a copious inflow of private capital exerted downward pressure on the exchange rate. El Salvador embarked upon the dollarization of its economy in 2001 by adopting the dollar as its unit of account, thus becoming the third country in the region to introduce a system of this type.

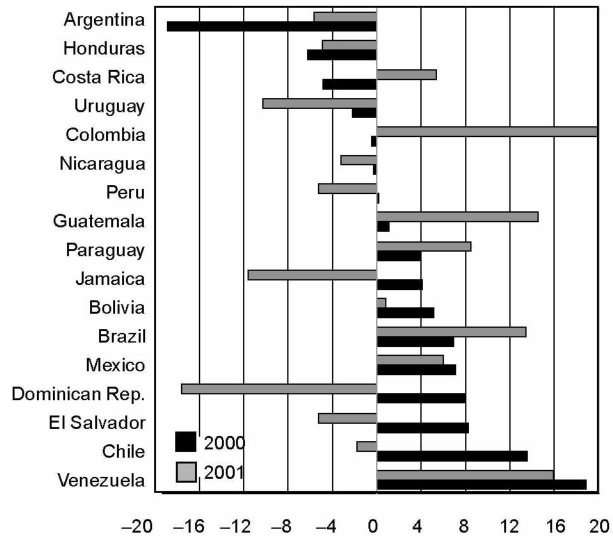
While these developments point to the fragility of the balance of payments, in almost all cases these difficulties remained within the bounds of the national authorities' scope of action. The considerable weakening of productive activity was, however, a negative counterpart to the way that external sector weaknesses were handled macroeconomically.

Renewed austerity in monetary policy

In early 2001, favourable expectations regarding international and national economic conditions prompted a number of countries to ease their monetary policies in a move aimed at providing sufficient liquidity for the anticipated economic reactivation. When the reactivation failed to materialize, the monetary authorities were left with very little manoeuvring room.

Brazil lowered its interest rates during the first quarter. In a context of growing international uncertainty, particularly due to the effects of the Argentine crisis, the restrictions on supply generated by the energy crisis and the slowing aggregate demand, the dollar's value rose substantially, raising the spectre of possible pressures on domestic prices. In response to these new developments, the benchmark interest rate was raised once again. Steps were also taken to curb the supply of foreign exchange on the market and to tighten liquidity by issuing dollar-indexed securities and increasing the percentage of deposits held in reserve in the banking system. In Chile, spillovers from events in Argentina prompted the central bank to intervene in the foreign-exchange market. These operations resulted in a contraction of liquidity that exerted pressure on the dollar and put the inflation target in jeopardy; nonetheless, the money supply expanded in real terms. Other countries, such as Paraguay and Venezuela, also modified the money supply's growth rate as the year progressed by conducting open market operations designed to boost interest rates. Mexico, on the other hand, eased its monetary policy, which had been somewhat restrictive at the beginning of the year, while various Central American countries lowered their interest rates in an effort to boost the liquidity of their economies (see figure 11).

Figure 11
LATIN AMERICA AND THE CARIBBEAN: MONEY SUPPLY (M1)
(Real 12-month rates of variation)[a]



Source: ECLAC, on the basis of official figures.
[a] Most recent period for which data are available; figures deflated by the consumer price index.

Credit supply and demand remain weak

The credit market was influenced by adverse supply and demand factors. The continuing fragility of financial systems in many countries (Colombia, Ecuador, Guatemala, Nicaragua and Peru, some of which had substantial arrears) and pessimistic projections of economic growth tended to restrict credit supply. At the same time, the gradual weakening of the region's economies, coupled with the reduced borrowing capacity of private agents, also dampened the demand for credit, even though interest rates were declining. Where credit supply exceeded private demand, the banking system allocated a portion of its resources to finance public-sector deficits.

Slower pace of structural reform

The privatization process continued to taper off, mainly because of a natural depletion of stock. Many countries are now implementing concession procedures that should give added impetus to cooperation between the public and private sectors. Efforts continued to be made to promote greater domestic competition.

The year 2001 saw an abundance of tax reform bills. Reform laws were passed in Argentina, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala and Peru. Reform bills are still under review in Mexico and Panama.

A number of Caribbean countries adopted financial measures designed to curb illegal transactions, some countries tightened up bank supervision, and others introduced measures to broaden their capital markets. Bucking the trend of recent years, both Argentina and Venezuela instituted capital controls.

The results of regional integration efforts were mixed. Some groups made progress in the development of a regulatory scheme for macroeconomic policy coordination. MERCOSUR members became involved in further trade disputes, however. The marked differences between the exchange regimes of the two largest members, in the absence of mechanisms for providing acceptable means of compensating for disequilibria, severely hampered further progress.

4. Domestic economic performance

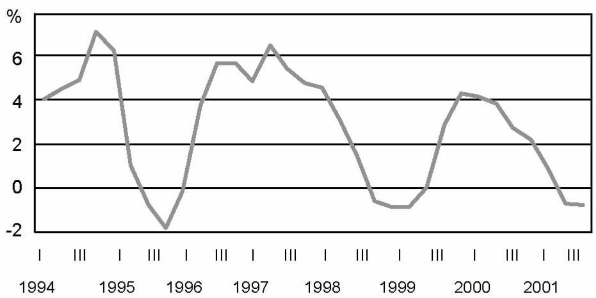
In 2001, the Latin American economies were faced with an increasingly hostile external environment as growth in world trade and in the United States economy dropped off sharply and international prices for raw materials fell. Financial turbulence associated with declines in the world's stock markets and uncertainty in the wake of the events of September 11th in the United States generally affected the world's economies. These effects were compounded by a number of regional factors, including the escalation of the financial crisis in Argentina and its repercussions on other economies in the region which tended to weaken during the last months of the year, the energy crisis in Brazil, natural disasters (earthquakes in El Salvador, drought in various countries of Central America, hurricanes in Cuba, Honduras and Jamaica), forcing authorities to undertake unbudgeted public expenditures, and a new outbreak of foot and mouth disease in the southern part of the continent curtailed meat exports.

The regional economy deteriorates

Economic activity barely expanded in Latin America and the Caribbean during this year, cutting short the promising recovery that had begun in 2000. This deterioration became more and more evident as the year progressed, with world economic growth slowing and the crisis deepening in Argentina. Output increased by 1.5% in the first semester, but fell by 0.8% in the second (see figure 12). Thus, for the year as a whole, the region's output expanded by 0.5% and per capita output declined by almost 1% (see figure 13). National income was flat, given the worsening terms of trade and an increase in net outward factor payments.

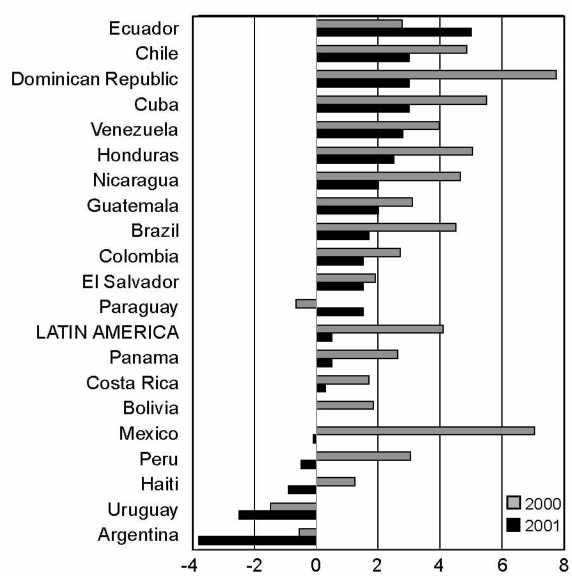
Regional consumption stagnated and gross fixed investment was reduced 1%, exports increased by just over 2% and imports held steady. Both tradables and non-tradables accounted for this poor performance. Among non-tradables, construction was one of the hardest hit sectors, with activity down sharply in a number of countries. The Argentine automotive industry plummeted and maquila activities, which have been very dynamic in recent years, took a turn for the worse in some countries. Tourism suffered a setback after

Figure 12
LATIN AMERICA AND THE CARIBBEAN: QUARTERLY GROSS DOMESTIC PRODUCT
(Percentages)



Source: ECLAC, on the basis of official figures.

Figure 13
LATIN AMERICA AND THE CARIBBEAN: GROSS DOMESTIC PRODUCT
(Annual growth rates)



Source: Statistical Appendix.

September 11th, especially in the northern part of the region.

The adverse trend in economic activity was regionwide, affecting both countries with high growth rates and countries that were in the process of recovering from the crisis of 1999. The first group includes Mexico, whose economy stagnated in 2001 after five years of growing at an average annual rate of 6%, as the long-lasting economic expansion in the United States –which purchases 90% of Mexico's exports– came to an end. The Dominican Republic experienced only moderate growth, in contrast with its performance in recent years when it had recorded the region's highest rates of expansion. The downturn was largely attributable to adjustments implemented the previous year, a weaker performance by maquila industries and the setback experienced by the tourism industry after September 11th. Cuba was battered by Hurricane Michelle, the downturn of tourism and sugar sector and its growth rate fell to 3%. The Central American countries also saw their growth rates slacken, as external problems were exacerbated by a widespread drought that caused heavy losses in agriculture and by low prices for these nations' traditional export products. Costa Rica was also hurt by a lower level of activity in the high-technology electronics industry.

Most of the South American countries, which were badly hurt by the crisis of 1999, performed poorly again in 2001. Brazil's promising recovery was cut short by its energy crisis, by the adverse international economic climate and by the worsening economic and financial crisis in the region. The Chilean economy also lost momentum, despite its sound economic fundamentals, owing to the difficult external environment. In Colombia, the reactivation was halted by the continued weakness of internal demand and deterioration of the external context, with the exception of strong growth in exports to Ecuador and Venezuela. Peru, which is emerging from a severe political crisis, performed poorly during most of the year. The Bolivian economy stagnated as a consequence of weakness in both domestic and external markets.

Given the severe contraction of external financing and capital flight, the recession that Argentina has experienced for the last three years continued during the first semester and worsened during the second. Despite adjustment plans that were put into effect, the fiscal deficit did not recede because tax receipts were down sharply. Uruguay also moved into its third consecutive year of recession, as the problems generated by the devaluation of the Brazilian real and the worsening of the Argentine crisis were aggravated by the reappearance of foot and mouth disease, which dealt a severe blow to the country's livestock industry.

The exception to this gloomy picture was Ecuador, whose economy expanded rapidly in the first semester, although its high growth rate later tailed off as world oil prices dropped. Venezuela turned in moderate growth as booming petroleum prices and a low real exchange rate drove up domestic demand steeply, even though imports also increased considerably. Paraguay recorded a modest upswing in activity which made up the slight decline of the previous year.

The countries of the Caribbean Community (CARICOM) recorded a lower growth rate in 2001 (1.3%). In 2001 Jamaica experienced a growth rate of 3%, after a 5-year period of stagnation. In late 2001, lower tourism revenues hurt the countries of the subregion.

Investment declined in 2001

The upturn in gross fixed investment which had begun in 2000 was reversed in 2001 by a downturn of 1%. Bleak expectations and the steps taken to limit public spending bore part of the blame for this setback. External saving increased for the region as a whole, but this was attributable to a limited number of countries, as the indicator showed no variation or declined in the rest. National saving decreased, especially in the public sector (see figure 14).

The northern portion of the region, which had enjoyed a substantial increase in investment in 2000, saw this trend reversed in 2001. This downturn was largely attributable to Mexico, where investment had expanded by almost 9% in 2000 but decreased by around 3.5% in 2001. In the other countries, the results reflected meagre GDP growth and were thus generally quite poor.

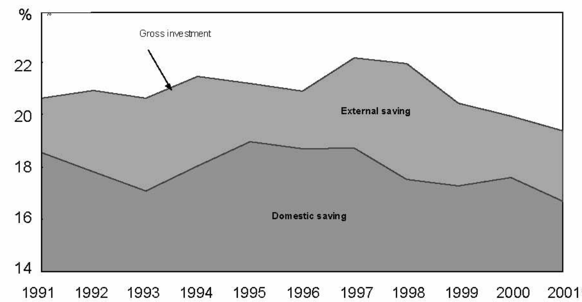
In South America investment performed no better than in the rest of the region. Chile and Brazil turned in modest growth rates that were far below their first-quarter results, which had generated strong expectations of an upswing in these economies. Investment fell steeply once again in Argentina, Peru and Uruguay, after having dropped sharply in previous years as well. By contrast, the recuperation of investment continued in Colombia, after plummeting in 1999, but has yet to regain its 1998 level. Venezuela had little difficulty in continuing to increase investment, in particular public investment, thanks to its hefty tax receipts from petroleum exports in recent years.

Inflation down again

In 2001 the rate of inflation in the region declined once again, falling to 7%. Wholesale prices climbed by 6% after having risen sharply in 1999-2000. Moderate inflation in 2001 was mainly attributable to stable exchange rates in most countries and to the end of the escalation in oil prices, in combination with the continued implementation of prudent monetary policies and the recessionary conditions existing in the region; in fact, a number of countries experienced deflation, which could be a cause for concern (see figure 15).

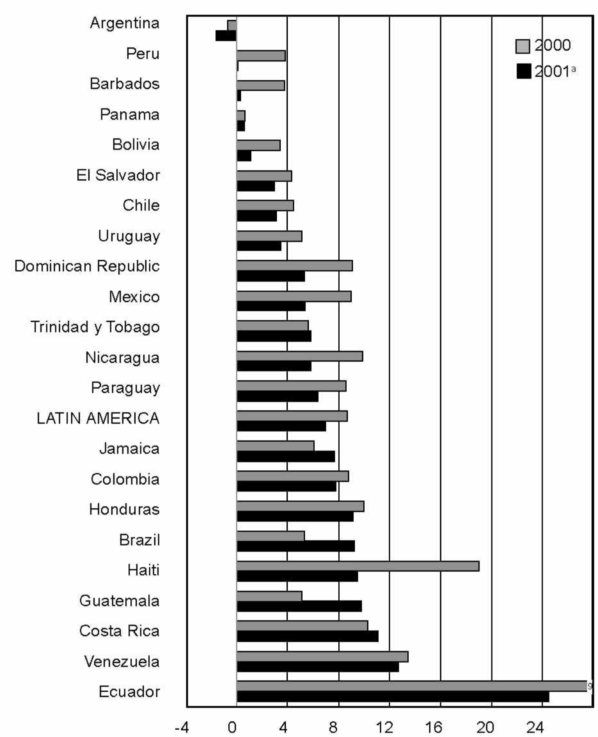
The rate of inflation decreased in 17 of the 22 countries for which information is available and

Figure 14
LATIN AMERICA AND THE CARIBBEAN: SAVING/INVESTMENT RATIO
(Percentages of GDP, in current dollars)



Source: ECLAC, on the basis of official figures.
[a] Most recent period for which data are available.

Figure 15
LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES
(Twelve-month variation)



Source: Statistical Appendix.
[a] Most recent period for which data are available.

increased in only five. The latter group included Brazil and Guatemala, where inflation was three or four percentage points above the 2000 figures. Ecuador made the greatest improvement, with a drop of over 60 percentage points in its rate of inflation. In 2001 only three economies had double-digit inflation and the highest rate of all was only 25%. Four countries, by contrast, recorded near-zero inflation or even deflation.

In Ecuador, the inflationary spiral of 1999 and early 2000 came to a halt following the dollarization of the economy. The inflation rate then began to drop steeply, sliding to 25%, while producer prices fell significantly (-3%) in the first 10 months of the year. Mexico also turned in a good performance, clearly signalling the consolidation of its stabilization process, with an annual inflation rate of just 5.4%, for the best result since 1971. In Venezuela, inflation continued to subside, although more slowly than before. In Brazil, the outcome for the year was fairly positive, since the rise of around 20% in the exchange rate and the increases in fuel prices and public rates and charges translated into no more than a moderate upturn in inflation. This was attributable to a slower economic growth rate, along with stricter monetary policies.

Chile, El Salvador and Uruguay once again posted very low and declining inflation rates. In Chile, this was despite a significant rise –of over 15%– in the exchange rate. Panama continued to display its customarily low rate of inflation, and Bolivia and Peru had virtually zero inflation in 2001. In Argentina consumer prices declined by almost 2% and wholesale prices by 6%, in a deflationary phenomenon attributable to the recession in the country.

Labour market worsens in 2001

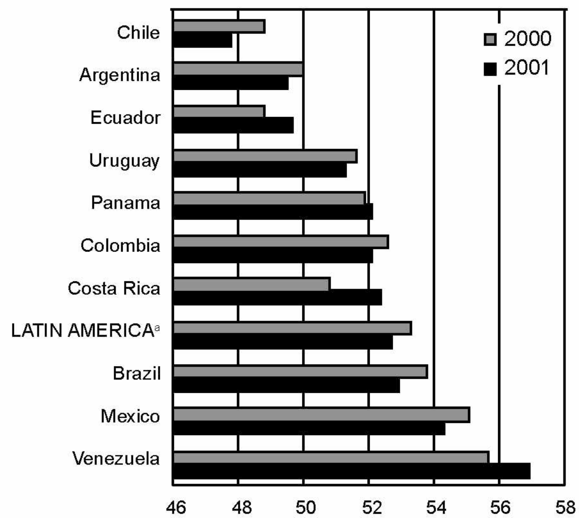
The sharp reduction in growth adversely affected the labour situation in the region. The employment rate dropped by more than half a percentage point, but unemployment held steady at 8.4% since the labour supply also shrank (see figures 16a and 16b). Be that as it may, unemployment was still high in historical terms. The low demand for jobs was reflected in wage trends. In the 1990s real wages had increased at an average annual rate of between 1.5% and 2%, but in 2001 wages were stagnant or fell in most of the countries for which information is available, even though in some cases progress in bringing inflation under control helped to buoy real wages. Real manufacturing wages increased in almost all countries, with an average rise in the region of about 2%.

The employment rate decreased from 53.3% in 2000 to 52.7% in 2001, which meant that the ground gained

Figure 16a

LATIN AMERICA AND THE CARIBBEAN: URBAN EMPLOYMENT RATE

(Employed persons as a percentage of the working-age population)

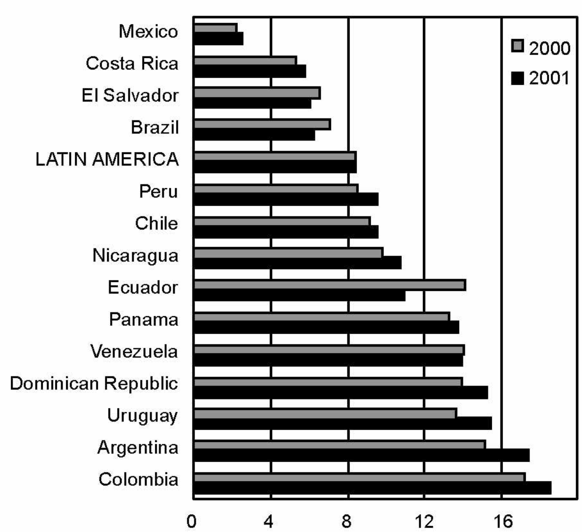


Source: ECLAC, on the basis of official figures.
[a] Weighted average.

Figure 16b

LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT RATE

(Annual average rate)



Source: Statistical Appendix.

in 2000 was lost once again. This was partly attributable to a decline in employment in the region's largest economies, Brazil and Mexico. The employment rate was also down in Chile and Argentina, but it remained practically unchanged in Colombia. By contrast, employment was up in Costa Rica, Ecuador, Uruguay and Venezuela. The labour supply shrank from 58.4% in 2000 to 57.7% in 2001, the largest decrease in the last 10 years. The behaviour of this indicator in the individual countries was mixed, however, as the labour force participation rate decreased significantly in the two largest economies, Brazil and Mexico, but increased in another five countries.

Although the rate of unemployment remained stable at the regional level, major differences existed across countries. Unemployment increased in 10 of the 15 countries for which information is available and it did so quite sharply –by one percentage point or more– in five of them (Argentina, Colombia, Dominican Republic, Peru and Uruguay). In Venezuela the rate remained practically constant and in Brazil, Cuba, Ecuador and El Salvador it declined.

The recession in the United States economy had a negative impact on job creation in Mexico's export sector, and employment in maquila export activities declined for the first time in 15 years (-14% between September 2000 and September 2001). In manufacturing, employment declined by almost 4%. As a result, in 2001 the rate of open unemployment was 2.5%, up from 2.3% in 2000. The absorption of labour by the informal sector offset the negative trend recorded in export sectors to a large extent.

In Brazil, net job creation declined as a result of fairly slack GDP growth. Nevertheless, the urban unemployment rate decreased from 7.1% in 2000 to 6.3% in 2001. This was a reflection of a lower labour force participation rate for the working-age population in major urban centres, probably owing to people's discouragement at the lack of job opportunities. In Argentina, the employment coefficient decreased by one percentage point, with the greatest fall in the Buenos Aires metropolitan area. The unemployment rate rose from 15.1% in 2000 to 17.4% in 2001, with the biggest increase being in the second semester.

In Chile, job creation in the formal sector had begun to weaken in the fourth quarter of 2000, and this trend pushed the unemployment rate up slightly –to 9.5%– in 2001. The deterioration in the labour situation has been partially mitigated by the introduction of direct public employment programmes and subsidies for private employment which benefited about 1.5% of the economically active population. Urban unemployment remained high in Colombia, with an average of 18.5% in the first ten months of 2001, compared to 17.2% a year earlier. The overall labour force participation rate remained unchanged from its 2000 levels. This rate was still higher than the long-term trend, however, due to increased participation by secondary workers in response to a decline in household income. In Ecuador, the rate of employment began to increase again in the second half of 2000, rising from 48.8% in 2000 to 49.7% in 2001. Unemployment fell from 14.1% to 10.9%.

The sluggishness of the labour market had an impact on wages, and the few countries for which information is available generally recorded no more than minimal variations and decreases in real average wages in formal activities. Slight increases were recorded in Chile and Colombia (of 1.5% and 0.2%, respectively), and decreases of between 0.4% and 3% were posted in Brazil, Peru and Uruguay. The only exception was Mexico, where wages were up by 5.5% thanks to lower-than-expected inflation. Real wages in manufacturing registered a more favourable performance, specially in Mexico; whereas the remaining countries experienced modest increases, with the exception of Uruguay where wages fell.

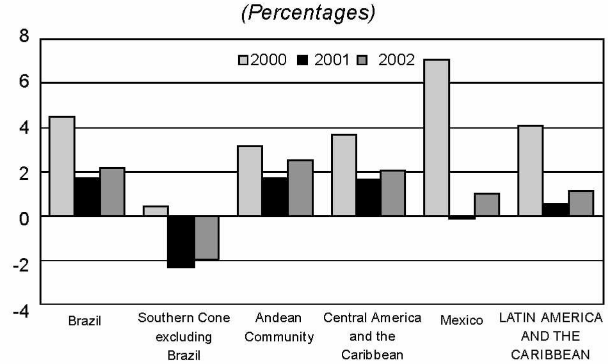
Weak growth expected in 2002

There is still a great deal of uncertainty surrounding the hoped-for reactivation of the Latin American and Caribbean economies in 2002. The outlook for the international economy remains fairly unpromising in view of the problems facing the United States, as well as slower growth in the European economies and a worsening of the Japanese crisis. Despite the strong decrease in international interest rates, the is no sign of a return of capital to developing countries, due to the existing high perception of risk. Foreign direct investment, the principal mechanism of transference of capital to the developing world in the 1990s is in a period of retraction.

The situation in North America will affect Mexico, Central America and the Caribbean, especially since trade with the United States is likely to remain slack and the situation will be compounded by a crisis in the tourism sector. A modest reactivation is expected in Mexico and Costa Rica (see figure 17), however. In South America, Brazil's performance will likely pick up somewhat, thanks to exports stimulated by a favourable exchange rate and a revival of internal demand if exchange rate conditions permit the adoption of a less restrictive monetary policy.

The Southern Cone countries as a whole will register a new fall in GDP, but one that is basically due to Argentina, where perspectives are not encouraging since it is expected to again register a contraction. Chile, on the other hand, should continue to show modest growth and Uruguay should do better than in 2001. The Andean Community will continue to expand its activity level, although only slightly. Peru's economy should benefit from a mining mega-project and the normalization of its domestic situation, while Venezuela should grow moderately. Colombia should show an improvement in its performance next year, and Ecuador is likely to continue its recuperation, although at a slower rhythm. The region overall is expected to grow at a mere 1.1% in 2002.

Figure 17
LATIN AMERICA AND THE CARIBBEAN: GDP PROJECTIONS FOR 2002
(Percentages)



Source: ECLAC, Statistics and Economic Projections Division.

SOUTH AMERICA

Argentina

The difficulties facing the Argentine economy took a turn for the worse in 2001 as gross domestic product contracted for the third year running and the rate of unemployment –already high– rose again while price and wage deflation intensified. Private external financing dried up completely, deposits dwindled and the credit supply shrank with sharp interest rate hikes. The decline in domestic spending was reflected in imports but, given that exports expanded, the trade balance turned in a considerable surplus. This significantly reduced the current-account deficit, which was financed with reserves. Growing interest on the country's debt, declining receipts and drying up of credit sources placed severe pressures on fiscal policy. Primary spending was reduced, but was this was not enough to prevent a widening of the government's deficit. As the value of public debt titles plummeted, scepticism grew about the government's ability to meet its commitments. In November the government conducted a swap of old debt for new issues with lower rates of interest. In early December, facing a massive flight of deposits, the authorities imposed limits on the withdrawal of funds held in banks and on transfers of capital out of the country.

Macroeconomic instability forced the government to implement a series of mainly fiscal measures, which generated heated argument. The debate extended to other central aspects of policy, including the monetary regime and regional integration (MERCOSUR).

In late 2000, as private funding began to dry up, the government obtained a large package of official external credits, but then failed to meet its fiscal targets and confidence began to seep away again. In March a new economic team proposed a programme to reduce public spending, but this generated such fierce opposition that it could never be implemented. After another ministerial shuffle, the authorities announced a plan that involved creating a tax on current-account debits and credits and sectoral programmes that included tax reductions. Efforts were made to strengthen public finances by devising an easily collectable tax, improving the competitiveness of local industries and boosting expectations of an upturn in activity. Domestic demand did not react as had been hoped, however, and the government's borrowing conditions worsened still further. In response to concerns over public debt maturities, the government conducted a debt swap for about US$ 30 billion, mainly with local creditors, which extended the maturity of the debt but entailed paying higher rates of interest. The authorities also established an "enhanced convertibility" scheme, which maintained the central features of the currency regime, such as the requirement for monetary liabilities to be covered by reserves. According to the new scheme, the peso would become convertible at a fixed parity to a basket of currencies, consisting in equal parts of dollars and euros, contingent on the dollar-euro rate first reaching parity. Most external trade transactions would be closed immediately at the basket price, which would entail a slight increase in the effective exchange rate, although reimbursements on exports were simultaneously reduced.

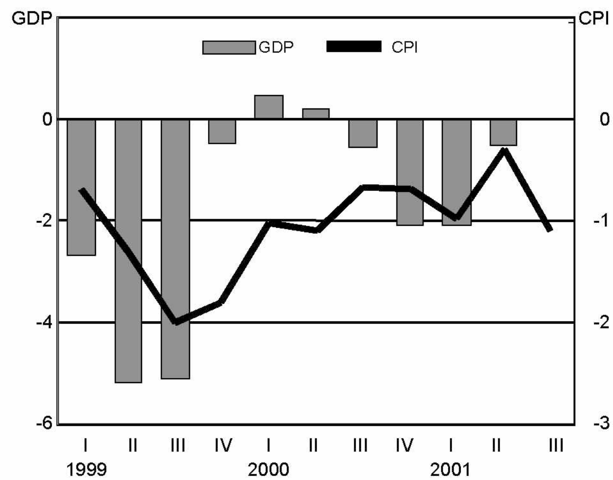
After a brief respite following the debt swap, Argentina's country-risk rating increased again and quickly became an everyday point of reference among the public: it soared from 700 points in January to 1,400 in July. Bank deposits trended downwards at an ever faster rate and, in response to the threat of a run on the banks, the central bank extended emergency loans and reduced reserves. Even so, credit contracted very sharply, while the public sector absorbed a growing proportion of lending capacity.

Around mid-year, it became evident that the government no longer had access to market financing. In July the authorities set out to reduce the deficit to zero, by stringently restricting spending to the amount of incoming tax receipts. Public sector wages and pensions of over US$ 500 per month were subject to cuts of 13%, with immediate effect, and contract spending was reduced substantially. The government also negotiated an advance payment of tax with a group of large firms. After lengthy discussions, in August an agreement was reached with IMF on an additional loan package, based on the zero-deficit plan and reform of the system of tax sharing with the provinces.

These measures caused a brief hiatus in the flight of bank deposits, but the severe credit contraction hurt economic activity and tax receipts. Fiscal difficulties arose both at the national level and in the provinces, some of which began to issue payments –including wages– in bonds that circulated as "emergency money". The prices of national securities continued to fall and in

ARGENTINA: GROSS DOMESTIC PRODUCT AND INFLATION

(Percentage variation)



Source: ECLAC, on the basis of official figures.

ARGENTINA: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	-3.4	-0.6	-3.8
Consumer prices	-1.8	-0.7	-1.6
Real wages	1.1	1.5	0.0
Money (M1)	-0.3	-5.7	-18.8
Real effective exchange rate[b]	-6.9	0.6	-2.8
Terms of trade	-5.2	10.4	-1.0
	Percentages		
Urban unemployment rate	14.3	15.1	17.4
Fiscal balance/GDP	-1.7	-2.4	-3.5
Real deposit rate	9.4	9.4	15.6
Real lending rate	12.4	12.2	24.2
	Millions of dollars		
Exports of goods and services	27 751	30 938	31 500
Imports of goods and services	32 698	32 717	29 050
Current account	-12 038	-8 973	-5 301
Capital and financial account	14 065	8 533	-14 499
Overall balance	2 027	-1 218	-19 800

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

November Argentina's country-risk rating rose above 3,000 points.

At that point the government set about restructuring its debt. The first stage of this initiative was conducted in the domestic market and involved swapping national and provincial securities for loans, which had a ceiling interest rate of 7% and guaranteed tax allocation. The operation was considerable (US$ 50 billion), and it is estimated that annual interest payments will be reduced by about US$ 3.5 billion. Provincial debt was reprogrammed as part of agreements that redefined the amounts and conditions of tax-sharing, part of which will be paid in treasury bills.

Despite the debt swap, in late November fiscal and financial affairs were extremely fragile. The financial stranglehold on the public sector was reflected in the budget proposal for 2002, which envisaged a reduction in primary spending of around 1.4% of GDP. The government was still to deal with difficult negotiations to restructure the external portion of public debt in bonds. Deposit flight worsened, to the point that the government found itself obliged to impose restrictions on withdrawals and on transfers abroad, but continued to rule out currency devaluation. The domestic crisis deepened and the government stepped down in late December.

With the new decrease in 2001, GDP has fallen by around 7% over the last three years. Investment has continued to decline, and the capital formation ratio is thus likely to have dropped below 16%. The downward trend of demand and GDP became steeper in the second semester and translated into sharp decreases in manufacturing and construction output.

The grain harvest was an exception to the overall recessionary picture. Cereals (particularly maize, sorghum and rice) and some oleaginous products (sunflower and groundnuts) declined, but a surge in soya output –of more than 30%– was more than enough to compensate for this. Despite climatic disturbances, the 2001/2002 season is expected to bring new increases in output.

In manufacturing the activities least affected by the economic crisis were certain sectors of intermediate goods that enjoy access to external markets. By contrast, the metallurgy and machinery industries, especially the automobile sector, saw output fall considerably.

The contraction of demand helped to maintain the deflationary tend of consumer prices, which affected both goods and services. Wholesale prices decreased appreciably, with sharp falls in primary products and more moderate declines in manufactured goods.

The employment ratio dropped by one percentage point, with a steeper decrease in Greater Buenos Aires, while the labour force participation rate increased slightly. Employment increased in the localities of the interior overall, but trends were very uneven. Unemployment rose from 15.1% in 2000 to 17.4% in 2001, with larger increases in the second semester (in October the rate was 18.3%).

Reduced domestic spending generated an elastic response from imports, which recorded their lowest level since 1995. All the major categories saw backslides, in particular capital goods. The value of exports expanded, due to the effect of volume. The sales of primary commodities increased considerably across the board, especially oleaginous seeds. Smaller increases were recorded in exports of non-traditional manufactures and fuels. By contrast, sales of agricultural manufactures declined, especially vegetable oils, whose exporters encountered access difficulties in a number of markets; and meat, which faced sluggish external demand because of outbreaks of foot and mouth disease in livestock.

External trade generated a considerable surplus –the highest since the early 1990s– with a turnaround of almost US$ 10 billion with respect to the deficit recorded three years earlier. Consequently, and despite the widening of the deficit in the line of interest and earnings, the current-account deficit narrowed significantly, to record what may be the lowest percentage of GDP since 1996. As financing conditions grew harsher, inflows have corresponded mainly to loans from international agencies and to direct investment –though this has weakened– while private capital has flowed out of the country and the portfolio of public debt titles held by non-residents has shrunk. The pressure of demand for external assets has been reflected in a heavy loss of reserves.

Bolivia

Bolivia's zero-growth rate in 2001 was attributable to the weakness of domestic and external markets, despite the Economic Reactivation Programme. A boom in the hydrocarbons sector was undermined by persistently low rates of investment and consumption. Unlike previous years, the external sector was unable to provide the impetus to turn this situation around, as exports –particularly of minerals and soya products– were subdued by the slowdown in the world economy. Estimates show that the fiscal deficit will remain around 4% of GDP, and that foreign direct investment flows will be similar to 2000. Exports, by contrast, will have slackened, despite strong growth in sales of natural gas to Brazil. Exports of mining products and non-traditional manufactures were particularly weak in 2001. Sluggish domestic demand meant that imports decreased at a lower rate than exports, which generated a current-account deficit just slightly smaller than the 2000 figure. The general inertia has also been reflected in a sharp decrease in the rate of inflation. In late October the consumer price index displayed a cumulative annual rate of barely over 1%.

The Economic Reactivation Programme begun in April included measures to improve bank financing to economic agents, to accelerate the construction of infrastructure and, in particular, to deploy emergency employment programmes that were expected to generate between 30,000 and 50,000 jobs.

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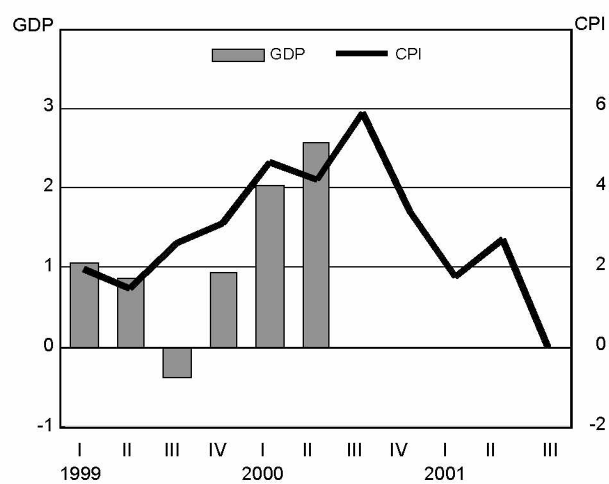
The monetary authority sought actively to maintain price stability and an adequate level of international reserves. The central bank implemented a monetary programme directed at preserving liquidity in the financial system. Net domestic credit was stable after the previous year's decrease. A comparison of monetary aggregates between November 2000 and November 2001 reveals a slight increase, of around 3% in most cases.

BOLIVIA: GROSS DOMESTIC PRODUCT AND INFLATION

(Percentage variation)



Source: ECLAC, on the basis of official figures.

International reserves remained on a sound footing at the end of 2001, at US$ 90 million down on the previous year's figure. In June 2001 the second stage of the Highly Indebted Poor Countries Initiative was approved. This will allow Bolivia additional debt relief worth an estimated US$ 1.543 billion in nominal terms over the next 15 years.

The central bank persevered with the sliding parity exchange rate regime. The rate of devaluation is subject to macroeconomic trends and to the rate of inflation. The devaluation of approximately 0.5% per month implemented in March 1999 was maintained in 2001, which meant that in late November a nominal devaluation of almost 6% had been accumulated. The nominal depreciation of the Brazilian and Chilean currencies, however, and the imposition of a currency surcharge on importers in Argentina –which amounted in practice to a depreciation of the peso– generated an appreciation of almost 2% in the real exchange rate.

Bolivia's sluggish economic activity in 2001 was the result of downturns in almost all the sectors of production. In the first half of the year output declined in mining, manufacturing, electricity, gas and water, construction, commerce and financial services. A substantial expansion in crude petroleum and natural gas and communications was barely enough to offset this combined slowdown. Natural gas output increased by 53% in the first semester of 2001, with respect to the same period of the previous year, on the back of increased exports to Brazil. The value of these exports also increased thanks to favourable prices. The telecommunications sector recorded a growth rate of close to 10%, which was mainly attributable to an increase in national long distance traffic. Public administration also returned a relatively high growth rate.

Few labour market statistics are available, but there are signs that in 2001 unemployment was over 7% and underemployment rose, which led the government to implement emergency employment programmes. As labour market conditions took a turn for the worse, wages stagnated in the formal sector.

Bolivia faced adverse external conditions in 2001, as global demand ebbed significantly, which translated into sharp declines in demand for commodities. In the first semester of 2001 foreign direct investment was slightly higher than the same period of 2000 and continued to go primarily to hydrocarbons, commerce and services. The value of imports fell, which was chiefly attributable to the slowdown in domestic activity, with the worst affected being capital goods, especially transport equipment and intermediate goods for industry and construction materials. Exports also declined in response to the downshift in the world economy. The only exception was sales of hydrocarbons, in particular natural gas exports to Brazil. A sharp downturn was recorded in the mining sector, in which a number of products, such as silver and zinc, saw substantial falls in both price and volume of shipments. The value of non-traditional products (soya, cotton and coffee) was down by over 10%. It is therefore estimated that in 2001 the current-account deficit will be slightly less than the figure recorded in 2000.

In late August 2001 outstanding medium- and long-term external public debt was US$ 4.477 billion, which was slightly more than the balance at 31 December 2000. This may be attributed to increased commitments to multilateral creditors, as debt owed to bilateral creditors decreased.

BOLIVIA: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	0.4	1.8	0.0
Consumer prices	3.1	3.4	1.1
Real wages	6.2	0.9	...
Money (M1)	-6.6	0.8	5.1
Real effective exchange rate [b]	-1.0	2.9	0.0
Terms of trade	-0.1	*2.0*	-4.9
	Percentages		
Urban unemployment rate	8.0	7.6	...
Fiscal balance/GDP	-3.8	-4.1	-4.0
Real deposit rate	9.9	6.1	7.8
Real lending rate	32.5	*28.7*	17.6
	Millions of dollars		
Exports of goods`and services	1 310	1 453	1 435
Imports of goods and services	1 989	2 078	1 976
Current account	-489	-463	-367
Capital and financial account	515	425	257
Overall balance	27	-39	-110

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

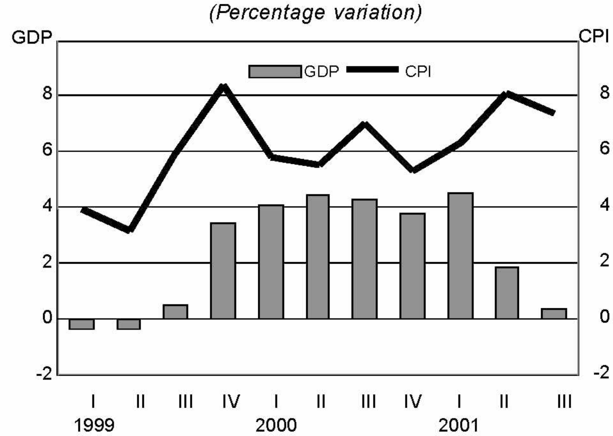
Brazil

The favourable expectations that were entertained in early 2001 for the Brazilian economy were thwarted by a series of supply and aggregate demand shocks. These held back growth, further unbalanced the public accounts, choked external capital flows and increased exchange volatility. GDP expanded by a meagre 1.7%, which was a considerably lower rate than the figure of 4.5% recorded in 2000. According to the extended national consumer price index, inflation increased to reach a cumulative rate of 7% in November, which was higher than the official target of 6%. The nominal public deficit increased to 8% of GDP (compared with 4.5% in 2000), while the current-account deficit widened from 4.2% to 4.7% of GDP owing to the exchange-rate effect. External financing contracted markedly, with a drop of 34% in autonomous net capital inflows. This decrease included even foreign direct investment, which has performed well in recent years. Unemployment decreased to 6.3% in the period from January to October, which is 0.8 percentage points lower than the average rate for 2000.

Mounting uncertainty in the external markets and the resulting upward trend of the exchange rate led the central bank to reverse its policy of using interest-rate cuts to keep inflation on target. The recessionary impact of higher nominal interest rates was exacerbated by energy rationing and by the substantial increase in the exchange rate (29% in the first semester). In response to exchange rate volatility, in July the central bank announced the supply of an additional US$ 50 million per day until the end of the year, or a total of US$ 6 billion. In August, the Brazilian government negotiated a new stand-by arrangement with IMF, to run until December 2002, which provided additional resources of about US$ 10 billion. At the same time, the floor level of international reserves was renegotiated –down to US$ 20 billion– which freed foreign currency for exchange market intervention.

The events of September and the relentless deterioration of the situation in Argentina, however, exacerbated poor expectations. The exchange rate rose by a further 10%, which represented a cumulative increase for the year of 44%. In order to avoid new increases in the interest rate, which was already at 19%, in the two-month period September-October the central bank sold US$ 9.1 billion in exchange rate-indexed debt, which caused a severe impact on the state of fiscal affairs.

BRAZIL: GROSS DOMESTIC PRODUCT AND INFLATION
(Percentage variation)



Source: ECLAC, on the basis of official figures.

BRAZIL: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	0.7	4.5	1.7
Consumer prices	8.4	5.3	9.2
Real wages	-4.4	-1.0	-3.1
Money (M1)	13.3	13.5	6.9
Real effective exchange rate[b]	50.6	-7.1	16.8
Terms of trade	-9.7	-3.1	-0.3
	Percentages		
Urban unemployment rate	7.6	7.1	6.3
Fiscal balance/GDP	-10.0	-4.6	-8.0
Real deposit rate	19.8	10.5	9.2
Real lending rate	49.1	30.0	29.7
	Millions of dollars		
Exports of goods and services	55 205	64 470	67 507
Imports of goods and services	63 443	72 741	73 924
Current account	-25 397	-24 636	-23 657
Capital and financial account	8 592	32 698	20 105
Overall balance	-16 805	8 061	-3 552

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

The issuance of these securities was in response to a surge in demand for an instrument to hedge foreign-exchange risk. In addition, the banks' reserve requirements on time deposits increased to 10%, which drained liquidity from the system. Lastly, October saw the entry into force of measures that had been announced in July, which stipulated higher capital adequacy ratios on banks' foreign-exchange exposure.

Slower growth and higher exchange rates contributed to an improvement in the trade balance, which began to display a sizeable surplus in August. As international interest rates continued to trend downwards and Brazil's external borrowing conditions were increasingly differentiated from those of Argentina, expectations in the foreign exchange market improved, which generated a rebound in the exchange rate trend in November. The cumulative increase in the price of the dollar to 10 December was therefore 21%, which was half of the figure recorded in September.

The state of fiscal affairs took a turn for the worse in 2001, despite a considerable consolidated public-sector primary surplus which, at 4.5% of GDP in January-October, outstripped the target. The nominal deficit widened considerably; this was entirely attributable to nominal interest which was, in turn, a consequence of devaluation. Brazil's currency depreciated by 4.9% of GDP, given that a significant portion of public debt is indexed to the exchange rate or denominated in foreign currency. The appreciation of the real in the last two months of the year made it possible to mitigate this effect, but nevertheless the impact over the year as a whole was considerable. The increase in the deficit pushed the net public debt to GDP ratio up from 49.4% in December 2000 to 54.8% in October 2001, though this trend eased at the year's end.

Against this complex macroeconomic backdrop, trends in activity varied greatly between sectors. Growth of 5.5% in the agricultural sector contrasted with stagnation in manufacturing, while services posted an intermediate result of 2.8%. Within manufacturing, capital goods output increased by almost 13%, while the other subsectors stagnated or even slipped back (-1.8% in consumer durables). On the supply side, the year was marked by an acute energy crisis that broke out in May, triggered by a severe drought in a country in which, after a decade of patent underinvestment, 93% of the electricity supply comes from hydroelectric sources. This crisis forced a reduction of up to 20% with respect to the second quarter average of 2000 in power consumption by households, industry and commerce in the south-east and north-east of the country.

The performance of capital goods appears to have been associated with favourable trends in gross fixed capital formation, which were in turn a delayed response to output growth in 2000 and early 2001. Between January and September investment accounted for 19.4% of GDP, compared with 18.4% in the same period of the preceding year. This component of aggregate demand has heightened the positive impact of exports and offset the negative effect of a contraction in aggregate demand. It appears, however, that in the last quarter investment slipped back somewhat.

Owing to the subdued expansion of GDP, net job creation between January and September was 20% below the figure recorded in the same period of 2000. In the second semester of 2001, however, rates of urban unemployment stabilized at around 6.3%, which was lower than a year earlier.

In 2001 inflation will be higher than in 2000, owing in particular to increases in administered prices (energy, telecommunications and petroleum), which are in turn attributable to the entry into force of privatization contacts in a number of these utilities. In addition, agricultural prices have proven sensitive to currency depreciation, as exports account for a large share of some sectors. Lastly, some firms attempted to recover profit margins by passing on the higher costs –in particular of imported inputs– to the final consumer.

Despite international disturbances, the external sector recorded a number of advances in the current account and adverse results in the capital account. In the first ten months of the year exports increased by 7.3% with respect to the same period of 2000. This expansion was led by commodities, the sales of which were up by 24%. From July on, power rationing and the downshift in the world economy combined to depress the value of exported manufactures and semi-manufactured goods. The price effect became a constraining factor once again, with a drop of over 2% in exports as a whole. This phenomenon was particularly marked in semi-manufactured goods (down by 13%) and commodities (down by 9%). The crisis in Argentina also hurt manufacturing exports, with a decrease of 5.4% in total value in the third quarter, which accounted for 91% of the total decrease in exports of manufactures in this period.

Imports posted an increase of just over 4% in the first ten months of the year, led by capital goods and, to a lesser extent, consumer durables. By contrast, the expansion of raw materials, intermediate products and fuels was slight.

To October, the current-account deficit was US$ 19.9 billion. This was 4% higher than the previous year, despite an improvement in the goods balance, which posted a surplus of US$ 1.5 billion. The deficit on the factor account widened to US$ 22.7 billion, which was US$ 2.2 billion more than the 2000 figure, owing to interest payments and increased profit remittances.

Despite the relatively positive position of current transactions, the Brazilian economy faced external borrowing problems. Owing to the deterioration of the international environment, net inflows from bond sales decreased in the period January-October from US$ 5.1 billion in 2000 to US$ 490 million in 2001. The resulting decrease in liquidity halted the expansion of Brazil's external debt which, according to a new method of calculation, appears to have decreased in August to US$ 210 billion, compared with US$ 216.9 billion in December 2000.

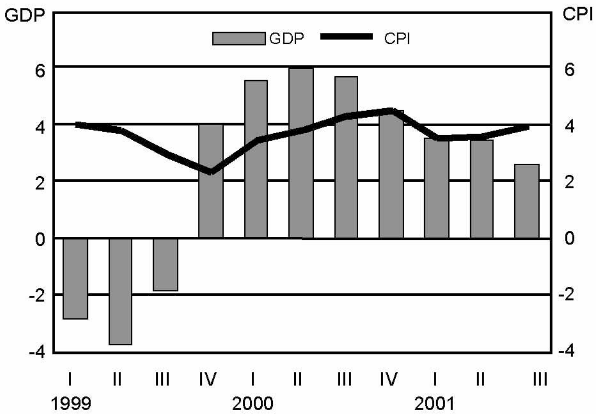
Constraints on credit access were accompanied by a dampening of foreign direct investment, which in the first ten months of the year amounted to US$ 18.5 billion, which was 20% lower than the figure for the same period of the previous year.

Chile

The Chilean economy –one of the most open in Latin America– will see its growth rate decline from 5% in 2000 to 3% in 2001. The world economic slowdown has severely hurt terms of trade, which have fallen back by 7% and, as a result, gross domestic income will increase by a meagre 1%. Despite the harsh international conditions, with an increase in the exchange rate and a reduction in the rate of interest, the authorities were able to generate monetary conditions conducive to reactivation in the medium term.

According to official estimates, total income will have dropped by around 7 GDP percentage points, owing to the effect of copper and petroleum prices, reduced flows of external capital and slower growth of export volumes than in a "normal" year. In 2001 Chile faced some of the worst external conditions since the mid-1980s. The exchange rate increased markedly until October, keeping inflation at the top of the central bank's target range (an annual rate of between 2% and 4%), although later a considerable drop in fuel prices brought the rate to 3.1% for the year as a whole. The nominal exchange rate rose by 25% in the 12 months to October, which was equivalent to a real currency depreciation of 12%, taking into consideration variations in exchange rates and in prices in main trading-partner countries. Although this adjustment is partly attributable to reduced inflows of foreign exchange and an expansion of domestic liquidity, for much of the year the nominal exchange rate shadowed the trend of Argentina's country-risk rating, which was a clear indication of a degree of contagion. In response to the magnitude of the increase in the exchange rate, in August the central bank announced the sale of up to US$ 2 billion in reserves until December, thus ending the hitherto clean

CHILE: GROSS DOMESTIC PRODUCT AND INFLATION
(Percentage variation)



Source: ECLAC, on the basis of official figures.

CHILE: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	-0.1	4.9	3.0
Consumer prices	2.3	4.5	3.1
Real wages	2.4	1.4	1.6
Money (M1)	17.5	-1.7	13.5
Real effective exchange rate[b]	5.2	1.3	9.1
Terms of trade	0.3	0.1	-6.8
	Percentages		
Urban unemployment rate	9.8	9.2	9.5
Fiscal balance/GDP	-1.5	0.1	-0.5
Real deposit rate	5.1	5.2	2.4
Real lending rate	9.0	10.5	8.2
	Millions of dollars		
Exports of goods and services	19 406	22 087	21 902
Imports of goods and services	18 056	21 209	20 752
Current account	-78	-988	-1 200
Capital and financial account	-670	1 223	1 000
Overall balance	-748	234	-200

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

float of the exchange rate. The moderate response of the inflation rate to devaluation and the subsequent intervention of the central bank in the exchange market made it possible to keep the base rate of interest very low from June onwards (a nominal rate of 6.5%), after five consecutive cuts since the beginning of the year, which represented a total of 150 basis points.

In mid-November the exchange rate began to break free from the Argentine country-risk rating, which appeased fears that inflation would surge as a result of the exchange rate's patent misalignment with forecasts made early in the year. In October international reserves rose above US$ 14 billion, as the sale of close to US$ 800 million to the commercial banks as part of the intervention programme announced in August was offset by an increase in fiscal deposits in the central bank, which corresponded to the proceeds of a government bond issue. In a move to bring the management of monetary policy tools into line with international practices, in August the central bank abandoned its system of setting a real daily interest rate in favour of a nominal rate regime.

With respect to fiscal affairs, income was 3.5% lower than the budgeted figure, which was a reflection of lower than-expected economic growth and the deterioration in the price of copper (the production of which is almost 50% State-owned). This will generate a public-sector deficit equivalent to 0.5% of GDP.

Public spending remained on target with an expansion of 5%. The government's policy of allowing automatic fiscal stabilizers to operate freely permitted the deficit to widen in response to unforeseen cyclical variations in income, consistently with the medium-term target of achieving a structural surplus. The comparative autonomy of spending against a background of volatile income constitutes a distinguishing feature of the current fiscal policy and has had a significant stabilizing effect on the level of activity. In October the government conducted a sovereign bond issue for US$ 650 million, with a spread of 256 basis points. Part of this sum will go to the Copper Stabilization Fund to deal with the eventuality of a further deterioration in the price of the commodity in 2002.

The government obtained approval for a number of laws to which it attaches great importance. The legislation on unemployment insurance provides for the creation of individual funds for new contracts, so that a worker who becomes unemployed after contributing to the fund for a full year can accede for five months to unemployment insurance on a sliding scale. The tax reforms include a law which tightens controls and should reduce evasion by just over one GDP percentage point in the medium term. Another piece of tax legislation has altered the structure of income tax, by reducing the marginal rate on medium- and high-income bands, and progressively raising tax on corporate profits from 15% to 17%. Capital market reforms have eliminated capital gains tax, lowered the tax rate on interest payments of fixed-income instruments for foreign investors and created tax incentives to encourage voluntary saving on the part of workers. This legislation complements other initiatives, such as the Law on Public Share Offers and Corporate Governance (known as the OPAS legislation), and the completion of the capital-account liberalization process announced by the central bank in April. In December a labour reform entered into force which entails tighter controls and a possible –though moderate– increase in the cost of laying off workers. The promulgation of this legislation put an end to a prolonged debate between the government and representatives of the business community.

High risk premiums and constraints on commercial bank lending have exacerbated the difficulties of small and medium-sized firms, which partly accounts for the meagre growth recorded in manufacturing. These factors have also contributed to the persistence of unemployment, which continues to be the Administration's main unresolved issue, standing at around 10% in the winter months for the third year running. The seasonally-adjusted rate fluctuated around 8.5%. Employment programmes financed directly by the public sector or through subsidies to private employment created over 150,000 jobs, which helped to mitigate the deterioration in the labour market.

The value of exported goods will decline, mainly in response to the worsening of the price of copper –which fell by 12%– and of pulp, as export volumes increased by 8%. The value of imports decreased by 3%, with decreases in consumer goods (-5%) and intermediate goods (-2%) and increases in capital goods (5% in value and just over 7% in volume). A decrease of 7% in the price of petroleum accounts for a drop in the value of intermediate goods imports. To October, foreign direct investment inflows stood at US$ 4.032 billion, which corresponded to purchases of local firms in late 2000 and large-scale mining projects. Outward foreign investment flows were US$ 3.092 billion, compared with US$ 4.8 billion in 2000.

Colombia

In 2001 the Colombian economy failed to consolidate the slight upturn recorded in 2000 and weakened again. Output will have expanded by 1.5% –more than a percentage point below the previous year's figure of 2.7%– which means that the country has not yet recovered from the downshift experienced in the recession of 1999. Despite an expansionary monetary policy, domestic demand weakened by a number of factors including unemployment and underemployment –which affect half of the economically active population– was unable to offset a downturn in external demand. Terms of trade took a turn for the worse, especially the international prices of petroleum and coffee. This, in combination with a downturn in crude petroleum production, hurt the external balance (-2.6% of GDP). The fiscal balance improved slightly, to record a deficit of 3.3% of GDP.

Macroeconomic policy became increasingly expansionary as the year progressed, in an effort to stimulate domestic demand in response to worsening external conditions. In a context marked by the downward trend of inflation and a stable exchange rate, the central bank cut the intervention rate it uses to manage liquidity seven times, from 12% at the beginning of the year to 8.5% in December. Interest rates in the market followed suit and decreased considerably. In early December, the deposit rate (measured as the financial system's average for 90-day fixed-term deposits) was 11.5%, which was two percentage points below the

January figure. Lending rates did not display a significant decrease until the last quarter.

The financial system remained fragile, despite some promising signs. The total portfolio continued to shrink in nominal terms, but at a slower rate than early in the year. In particular, from February on the contraction of the mortgage portfolio became gradually less severe.

The fiscal balance improved despite the economic downshift. The central government deficit decreased to a figure equivalent to 4.6% of GDP, compared with 5.6% in 2000, and the non-financial public sector deficit was down from 3.5% of GDP in 2000 to 3.3% in 2001. The government's narrower deficit is attributable to a nominal increase of 27% in tax receipts in the first three quarters, thanks to tax reforms that came into effect in January. The tax ratio thus increased from 8.9% of GDP to 10.2% in this period, which enabled the government to increase overall spending by 18%. The rest of the non-financial public sector deteriorated slightly, mainly due to a downturn in output and a decrease in petroleum prices. The government and IMF arrived at an agreement to increase the upper limit of the target for the NFPS deficit from the initial figure of 2.8% of GDP to 3.3%. In addition, the Administration obtained approval for reforms to the system of transfers to regional and local governments, and a project to reform the pensions system is to be discussed in Congress in 2002.

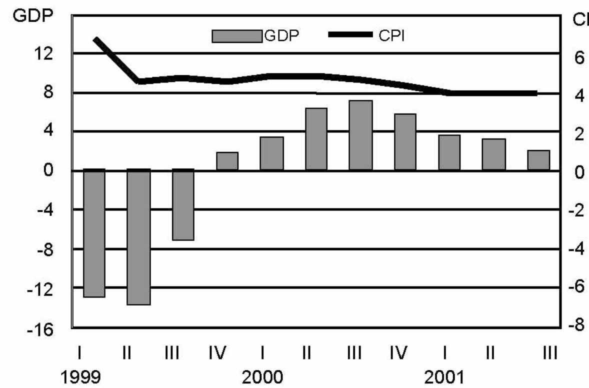
The government secured guarantees for its external borrowing requirements for 2001 and much of 2002, in order to avoid payment of a higher risk premium generated by the period of elections in combination with international financial instability. The Administration also continued to diversify its sources of financing and restructured domestic public debt, which lowered the costs of external and domestic borrowing. As a result of foreign exchange inflows obtained by the government, from June the exchange rate stabilized, and nominal currency depreciation at the end of November thus came to 4%.

The slowdown in the economy began in the final quarter of 2000 and intensified in 2001. GDP growth from January to September was 1.4%, compared with 2.8% in the year-earlier period. External demand, which was the driving component of aggregate demand in 2000, weakened during the year, while domestic demand continued to be sluggish, especially consumption. The hardest hit sector was manufacturing, which declined by an average of 0.2% in the first nine months of the year, after expanding by 10% in 2000. Agriculture and commerce also performed poorly. By contrast, construction and the financial sector displayed a slight upturn after several years of decline.

Urban unemployment (13 metropolitan areas) remained high, posting an average rate of 18.5% in the first nine months of 2001, compared with 17.2% a year earlier. Despite the high average, the general trend was downward, as the unemployment rate decreased from a peak of 21% in January to 16.8% in October. The overall labour force participation rate was similar to 2000, which was still higher than the long-term trend, owing to

COLOMBIA: GROSS DOMESTIC PRODUCT AND INFLATION

(Percentage variation)



Source: ECLAC, on the basis of official figures.

COLOMBIA: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	-4.1	2.7	1.5
Consumer prices	9.2	8.8	7.8
Real wages	3.0	3.9	0.2
Money (M1)	11.6	19.9	-0.4
Real effective exchange rate[b]	13.4	9.7	2.5
Terms of trade	7.1	12.9	-6.1
	Percentages		
Urban unemployment rate	19.4	17.2	18.5
Fiscal balance/GDP	-5.1	-4.1	-3.3
Real deposit rate	9.2	2.7	4.3
Real lending rate	17.1	10.0	13.7
	Millions of dollars		
Exports of goods and services	13 895	15 678	14 851
Imports of goods and services	13 396	14 384	15 802
Current account	190	306	-2 061
Capital and financial account	-510	564	2 821
Overall balance	-319	870	760

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

increased participation by secondary household workers in response to declines in household income.

Lacklustre domestic demand helped to keep the trend of consumer price increases at around 8% throughout the year, in line with the central bank's target. As a result of lower prices for agricultural and mining goods and smaller cumulative depreciation, from May on the wholesale price index (WPI) displayed less variation and the rate eventually converged with consumer price rises.

On the external front, the first nine months of the year saw an increase of 13.6% in imports and a decrease of 3.9% in total exports. These trends had the effect of substantially reducing the trade surplus, which will bring the current-account deficit to around 2.6% of GDP for the year overall.

Due to both a downswing in international prices and reduced shipments, the export value of the main generators of foreign currency declined drastically (with hydrocarbons down by 28% and coffee by 33%) which resulted in a slump of over 18% in traditional exports. By contrast, sales of non-traditional exports continued to rise (up 11%), led by exports to Venezuela (34%) and Ecuador (61%).

Capital inflows, particularly long-term funds, were more than enough to finance the current-account deficit. The balance-of-payments capital account is set to close the year with a surplus of about US$ 2.9 billion, and international reserves will stand at US$ 10 billion.

Ecuador

Spurred by investment in various areas, including the construction of a new oil pipeline, and by an upturn in household consumption, GDP in Ecuador grew by 5% in 2001, which, with the recovery in the preceding year, should bring it closer to the 1998 level. Inflation declined to less than 25% or a quarter of the rate recorded in 2000, and public sector figures are expected to show a small surplus for the second consecutive year. The marked decline in oil prices again exposed the economy's vulnerability and resulted in an 8% deterioration in the terms of trade. Moreover, difficulties continued to plague the banking and financial situation, while fiscal and social security reform remained a key issue on the agenda.

The funds provided by the International Monetary Fund under the programme adopted in April 2000 and scheduled to run until the end of 2001 were crucial for the central bank to consolidate the dollarization of the economy. Operations for converting sucres to United States dollars were completed in June, while further steps were taken to whittle the bank cash ratio down to 4%. In the first half-year, interest rates for dollars showed little variation, with the nominal annual rate on deposits remaining at around 7% and the nominal lending rate at around 15.5%; despite some fluctuations, by the end of the year, rates had declined by half of a percentage point, still remaining negative in real terms.

With the dollarization of the economy, the central bank exercised less control on the monetary base, as the latter included only bank reserves (cash reserves) and the issue of subsidiary coin in national currency. As a result, the performance of the economy is more a function of fiscal policy. The fiscal situation, which had already shown some progress in the preceding year, associated with the favourable movement in oil prices, showed further improvements thanks to the recovery and to modernization of the tax administration, that is, domestic factors. In the first half of 2001, total non-financial public-sector revenue represented 28% of GDP, (compared with 26% in the corresponding period of the previous year - annualized figures); this figure reflects the substantial increase in tax collections and a slight rise in oil revenue, although oil revenue on exports actually declined. The price of crude fell from US$ 25 per barrel in 2000 to US$ 20 dollars per barrel in January-September 2001 and continued to slide until late into the last quarter. It should be noted that a one-dollar decline in the average price for crude means US$ 7-8 million dollars per month in forgone revenues. Despite the fact that the 12%-14% rise in VAT adopted by Congress in June was overruled by the Constitutional Court, internal tax collections actually increased.

There were fresh outbreaks in the prolonged crisis of the banking and financial system. The collapse, in mid-2001, of the largest State-owned bank (Filabanco) was followed by the failure of the Banco del Pacífico; both of these liquidations gave rise to considerable quasi-fiscal costs, which will have to be added to the costs of the bailout carried out previously. Conversely, the private banking system displayed more favourable indicators and improved their management with a view to redeeming its non-performing loan portfolio, which, in September, accounted for 14% of its loans. Under the IMF agreement, authorities pressed ahead with a series of regulations for tightening up on banking administration and financial supervision and, in particular, with a system for refinancing private debts.

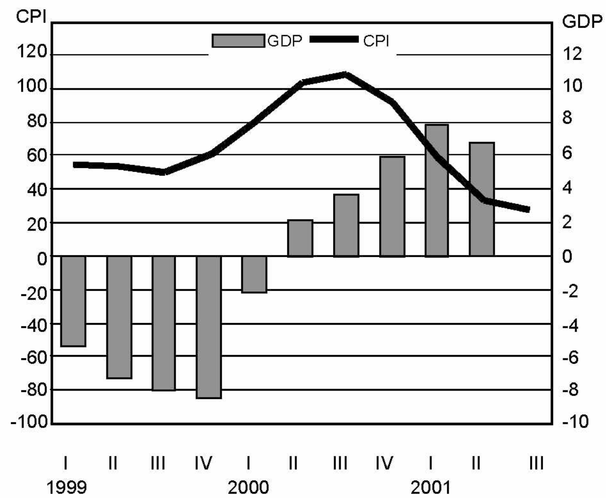
Gross domestic product growth was fuelled by domestic demand and by the increase in oil supply. Led once again by the private sector, gross fixed investment expanded by 30%, a record rate attributable in part to the construction of the Crudos Pesados oil pipeline (OCP); despite this, it remained below the 1998 level. For the 2000-2001 biennium, private consumption is expected to show a cumulative recovery of about 5%, thus reversing by half the decline recorded in 1999. Imports maintained their dynamism, with purchases of capital goods remaining buoyant. In this context, the average employment rate rose to 49.7%, up by almost one percentage point compared with the average for 2000. Nevertheless, with high levels of emigration to destinations abroad, unemployment declined much more, i.e., from 14.1% to 10.9%.

Inflation was highly favourable. In November, the consumer price index showed a cumulative rise of 24.6%, compared with 96.8% a year earlier; this result reflects the reduction in the price of food and beverages. From June to October, the producer price index reflected negative changes, which heralds lower rates of inflation for the first few months of 2002. In January, the monthly minimum wage increased from US$ 98 to US$ 121, a rate that was maintained up to November; in view of the downward trend in inflation, minimum wages, measured in real terms, should have increased by around 12%.

The effects of the global slowdown have spilled over into the Ecuadorian economy through the business channels, especially via prices. In October, merchandise exports fell by 9% in value terms; oil products, by 17% and banana and shrimp, by about 2%. Conversely,

ECUADOR: GROSS DOMESTIC PRODUCT AND INFLATION

(Percentage variation)



Source: ECLAC, on the basis of official figures.

ECUADOR: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	-9.5	2.8	5.0
Consumer prices	60.7	91.0	24.6
Real minimum wage	-10.7	-3.5	11.7
Real effective exchange rate[b]	37.4	12.0	-28.6
Terms of trade	6.6	16.5	-8.1
	Percentages		
Urban unemployment rate	14.4	14.1	10.9
Fiscal balance/GDP	-4.7	0.4	0.3
Real deposit rate	-2.0	-43.3	-28.3
Real lending rate	7.9	-38.9	-20.9
	Millions of dollars		
Exports of goods and services	5 263	5 793	5 670
Imports of goods and services	4 073	4 582	6 689
Current account	955	1 383	-823
Capital and financial account	-1 846	-1 167	518
Overall balance	-891	216	-305

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

boosted by the fall in the real effective exchange rate, merchandise imports increased strongly (47%), led by imports of capital goods (80%) and consumer goods (75%).

In 2001, the balance-of-payments current account showed a deficit of some US$ 800 million (4.5% of GDP), reversing the surplus recorded in 2000. Current transfers, mainly remittances from Ecuadorians abroad, remained in the US 1.5 billion range, helping to offset the chronic deficit in services and factor income. Contributing to the change in this last item was the interest relief granted when the external debt was restructured in August 2000. Long-term capital inflows, especially foreign investment, mainly in the petroleum sector, reached a record figure of US$ 1.37 billion; but, as there was also an appreciable outflow of short-term private capital, the net balance was US$ 520 million. The global balance of payments showed a deficit of US$ 300 million, two thirds of which was financed by IMF loans and the remainder out of international reserves.

The gross external debt of Ecuador, of the order of US$ 13.6 billion, did not reflect any significant variation. Nevertheless, indicators of the external debt burden continued to be cause for concern. Thus, despite the restructuring negotiated with private creditors in August 2000, the external debt/GDP ratio stood at 80%.

Paraguay

After four years of poor performance and six years of decline in the per capita GDP, in 2001 the Paraguayan economy grew by 1.5%, as the recovery in the agricultural sector offset the fall in the other productive sectors. The fragile external situation resulted in a real depreciation of the guaraní, which in view of the low level of reserves, made it necessary to adopt a contractionary policy. Against this background, at the end of November, the accumulated rate of inflation over the twelve-month period was at around 6%.

After two consecutive years of expansionary fiscal policies, the government decided in 2001 to implement more austere policies, in view of the accumulated public debt, the lesser degree of access to external financing and the urgent need to achieve the goals established in the staff-monitored programme with the International Monetary Fund.

The deficit of the central government was reduced to the equivalent of one percentage point of GDP (3.6% in the previous year), basically by increasing income. This was achieved by increasing the collection of duties on goods and services, particularly selective taxes on fuels, and of non-tax receipts from binational dams. At the same time, expenditure was reduced, mainly by means of cuts in capital investment. At the end of the third quarter barely a quarter of such projects had been implemented. Current expenditure had also been maintained at the same level as the previous year by cutting expenditure on goods and services. It was estimated that the rest of the public sector would also reduce its deficit, thanks to an improvement in the accounts of public enterprises.

During the third quarter, the depreciation of the guaraní and an inflationary surge led the Central Bank of Paraguay (BCP) to sell around 100 million dollars. Open-market operations with the placement of monetary regulation instruments were not very significant. In the second quarter, in contrast, when the national currency suffered severe shocks because of the fragile subregional situation, BCP chose to make more placements of such instruments in view of the country's low level of international reserves. In the third quarter, both the rates and placements of monetary regulation instruments increased significantly, in order to raise interest rates and prevent a fall in the guaraní.

As a result of this policy, the real lending and deposit rates rose by 19% and 7% respectively. The interannual growth rate in monetary aggregates at the end of September was less than the level observed in the same month in 2000. In fact, the M1 grew by only

4.0%. The real effective exchange rate, calculated on the basis of the currencies of Paraguay's main trading partners, a formula in which the Brazilian real predominates, recorded an increase of 6% between December 2000 and September 2001 and the nominal exchange rate (denominated in Guaranis per United States dollar) rose by 20%. The level of reserves at the end of the third quarter had decreased to US$ 690 million, a figure equivalent to a little more than two months of imports.

With regard to the reforms, the government went ahead with the privatization process, intervening in the administration of the Sanitary Works Corporation (CORPOSANA) and the National Telecommunications Administration (ANTELCO) in order to prepare for their sale to the private sector.

The only sector with positive growth in 2001 was agriculture, which after shrinking by 8.5% in the previous year, grew by around 10%, thanks to an increase in the production of its main export crops, cotton and soya, in both cases by 20%. There were good crops of the main products for national consumption, tapioca, maize and sugar. The other productive sectors remained stagnant or declined, as suggested by the preliminary indicators for the construction sector (including public works) and the manufacturing industry.

In November cumulative inflation for the year reached 6.8%, three percentage points lower than the comparator, and 6.4% over a twelve-month period. The variation in the prices of national goods followed the general trend, although the prices of non-tradable goods, especially housing, transport and education, rose by more than the average (around 10%). In turn, the increase in the prices of imported goods fluctuated at around 8%, owing to the depreciation of the guaraní. The producer price index (PPI) increased similarly to the CPI (6.4% in twelve months), which was mainly due to the rise in imported products, as the wholesale prices of national inputs did not change.

The minimum salary was readjusted by 15% in May which represented an average real increase of 3% in the first half of the year. The average salary improved a little over 2% in real terms during the first half of 2001 compared to that period in the previous year. The sectors of basic services, transport, communications and services suffered real losses and workers in commerce, construction and industry recorded slight improvements.

The current account deficit contracted to US$ 100 million owing to a reduction in the trade deficit. This is explained in turn by a decrease in imports, which were affected by the lower income from products destined for re-export. The rest of imports, that is, those recorded, had until September a level similar to that of the previous year in the same period (US$ 1.45 billion). Imports from partners within the zone increased slightly.

PARAGUAY: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	-1.1	-0.6	1.5
Consumer prices	5.4	8.6	6.4
Real wages	-2.1	1.3	...
Money (M1)	3.8	8.5	4.0
Real effective exchange rate[b]	-1.8	3.8	0.2
Terms of trade	-5.1	-4.0	1.1
	Percentages		
Urban unemployment rate	9.4	10.7	...
Fiscal balance/GDP	-1.0	-3.6	-1.0
Real deposit rate	8.1	3.4	7.3
Real lending rate	21.9	*16.4*	19.1
	Millions of dollars		
Exports of goods and services	3 242	2 782	2 867
Imports of goods and services	3 533	3 321	3 156
Current account	-86	-315	-99
Capital and financial account	-227	-43	-211
Overall balance	-313	*-358*	-310

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

Total exports stagnated owing to the weakening in the flow of products to the informal markets of Brazil and Argentina, countries which imposed greater access barriers. This reduction was barely offset by exports, which in September increased by 12.5% (from US$ 686 million to US$ 772 million), thanks to the increase of close to 20% in the value of soya sales, which increased by US$ 300 million. In this area, the increase in the physical volume (25%) easily compensated for the drop in the international price (-5%). Cotton exports increased by 15% (reaching 72 million) thanks to a 30% increase in volume, which also managed to offset the steep drop in international prices which occurred as of September 2000. Meat exports increased by 12% (US$ 57 million). Sales recorded to MERCOSUR fell by around 20%, as a result of the weakening of the markets in neighbouring Brazil and Argentina, which could not be offset by the increased exports to Uruguay.

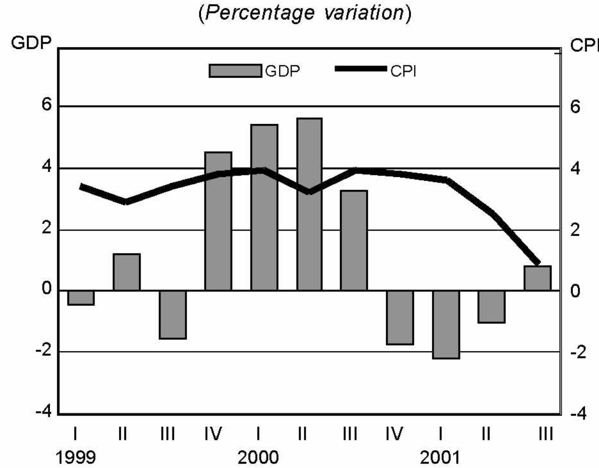
The balance of external public debt at the end of the third quarter was US$ 2,190 million, similar to the level recorded twelve months previously.

Peru

In a year of political transition, the gross domestic product of Peru contracted by a half percentage point. The first half of the year was marked by political uncertainty and a worsening of the recession that the country had fallen into at the end of 2000, but signs of recovery appeared in the second half of the year. The weakness of internal demand eroded fiscal revenue, which contracted in real terms; however, cuts in expenditure, especially in investment, diminished the public sector deficit to 2.4% of GDP, a gap that was financed mainly by external resources. In this recessionary situation, employment grew by scarcely 1%, so that the annual rate of inflation was practically zero. As a result of the moderate increase in exports and a slight reduction in imports, the external deficit continued to diminish and was equivalent to 2% of GDP.

Although GDP grew by 3% in 2000, the economy entered a recession in the final quarter of that year in view of increasing political uncertainty. This situation continued into the first half of 2001, when the interim government, while improving the transparency of public accounts, managed to ensure sound fiscal management, after the increase in expenditure in the first half of the previous year. The culmination of the election cleared up the political uncertainty. The first measures taken by the new government were designed to revitalize internal demand and reduce unemployment. The freedom to set interest rates was maintained, as well as the floating exchange-rate system, with occasional intervention from the Central Bank. In order to achieve the desired recovery, in August the Congress approved a reduction of the emergency solidarity tax from 5% to 2%; an increase of 9% in the salaries of lower-level public-sector employees; the implementation of an emergency programme of US$600 million to generate employment, financed mainly by external donations; and the creation of an agricultural bank for granting loans to small-scale farmers. Electricity prices for small consumers were also reduced and some personal and company income tax rates were reduced.

PERU: GROSS DOMESTIC PRODUCT AND INFLATION
(*Percentage variation*)



Source: ECLAC, on the basis of official figures.

Internal demand remained weak for most of the year. Private investment, which had begun to fall in the middle of the previous year, continued to decline during 2001. Public expenditure also diminished, in the context of fiscal caution encouraged both by the interim government and by the new government that took over in July. Private consumption was the only positive component of internal demand. Exports also continued to rise, but were not sufficient to counteract the negative effects previously mentioned. In addition to weak internal demand, there were unfavourable factors affecting supply in the primary sectors, so that GDP fell by 0.5%.

Agricultural production did not manage to achieve the high level of production of the previous year. The performance of fishing was irregular, owing to changes in seawater temperature, while construction continued its marked de, in view of the lack of financing and the weakness of internal demand. Only mining showed significant growth, due to the start-up of production at the Antamina polymetal mine, which as of 2002 will add a few percentage points to GDP growth. During the third quarter, however, the primary sectors showed a significant recovery (almost 7% higher than the levels of the previous year), which seemed to indicate the end of the recession. The non-primary sectors remained negative until the third quarter, but with a clear trend to recovery towards the end of the year.

The fall in GDP caused a deterioration in public revenue in real terms, despite which the fiscal imbalance was reduced. In the first half of the year the strict fiscal management of the interim government reduced the deficit by almost one percentage point. In the context of greater availability of external financing, the strategy of the new government gave priority to overcoming the recession, and managed to enhance the flexibility of the agreement reached with the IMF, which involved reducing the deficit in 2001 to the level of 1.9% of GDP. In this new situation the annual deficit was equivalent to 2.4% of GDP. Two-thirds of this gap was financed from external sources; income obtained from privatizations also contributed, although it was less than in the previous year.

The new political situation also had positive effects on the exchange market. The reduced level of uncertainty attenuated the demand for foreign currency, at a time when the supply was increasing owing to the recovery in primary exports and the flow of external funds was increasing. In this way, in contrast with the volatility observed in the months prior to the election, as of July the Peruvian currency appreciated in relation to the dollar and its nominal value at the end of the year was almost 3% less than at the end of 2000.

The greater confidence in the exchange market also had repercussions on interest rates, which rapidly declined after the election. The inter-bank rate for national currency, which had climbed to an annual 16% in June was below an annual 4% in November. Foreign currency rates showed a similar pattern, reaching around 3% at the end of the year. In any case, credit to the private sector remained depressed: although placements in national currency increased by 5%, the bulk of the credits, denominated in foreign currency, contracted by almost 4%. The banking system continued the rescheduling process, but in a situation where non-performing debts were still at a level of about 10%. The spread on sovereign bonds for Peruvian debt improved after the elections, reaching around 570 basic points at the end of November.

PERU: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	0.9	3.0	-0.5
Consumer prices	3.7	3.7	0.1
Real wages	-2.2	1.2	-2.0
Money (M1)	8.6	-5.3	0.2
Real effective exchange rate[b]	8.9	-1.1	-2.9
Terms of trade	-7.2	-2.9	-2.1
	Percentages		
Urban unemployment rate	9.2	8.5	9.5
Fiscal balance/GDP	-3.1	-2.5	-2.4
Real deposit rate	7.9	5.3	5.2
Real lending rate	30.3	24.7	22.2
	Millions of dollars		
Exports of goods and services	7 635	8 552	8 713
Imports of goods and services	8 851	9 578	9 453
Current account	-1 817	-1 645	-1 120
Capital and financial account	1 024	1 513	1 421
Overall balance	-793	-132	301

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

The stability of the exchange rate and the weakened internal demand kept prices depressed, to the extent that there was deflation in the second quarter. The inflation rate for the twelve-month period ending in November was zero, the lowest value for over 40 years.

The higher export offer and the recession contributed to a further reduction in the trade gap, which this year was equivalent to 2% of GDP (3% in 2000). The exports of goods increased by 1.5% owing to the significant increase (8%) in shipments, as international prices for the main traditional products shrank by 6%. The rise in external sales was thus concentrated in non-traditional products, whose value increased by more than

10%. Imports also contracted slightly, as the increase in the quantity imported did not manage to offset the fall in prices. The decline in purchases of capital goods due to the low level of investment contrasted with the growth in purchases of consumer goods and intermediates. The external current account deficit was financed without difficulty with capital income, mainly private, so that there was an accumulation of international reserves.

Uruguay

The instability of neighbouring countries and the reappearance of foot-and-mouth disease adversely affected the performance of the Uruguayan economy in 2001. The gross domestic product fell by 2.5%, with a cumulative reduction of 7% over the past three years, which is more than 10% in the case of national income. Despite the care taken to manage expenditure, the public sector deficit was equivalent to 3.8% of GDP, owing to the close relation between the level of activity and fiscal revenue. As the private sector showed a surplus, the gap in the current account of the balance of payments, financed by external borrowing, was maintained at around 3% of GDP. In this situation of recession internal prices rose by only 4%, but unemployment shot up to 15%.

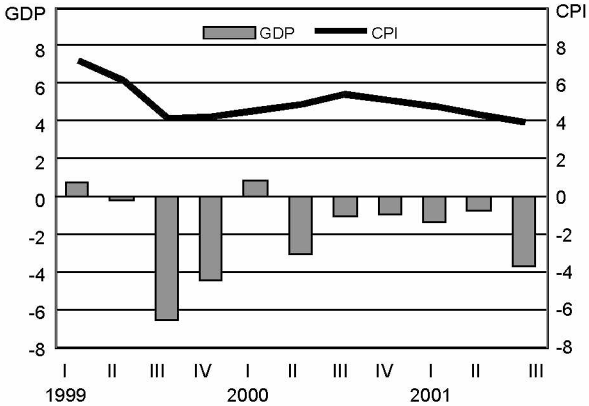
At the beginning of 2001 there was hope for some relief from the unfavourable international situation and for significant improvements in the economies of Argentina and Brazil, which would support an increase of 2% in the gross domestic product. Economic policy aimed to reduce the consolidated public sector deficit from 4 to 2.6%; and the imbalance in the external current account from 3% to 2.4% of GDP. If the pattern of monthly devaluation of 0.6% was maintained, annual inflation should be around 5% and the country should gradually recover its external competitiveness. These expectations were upset by the worsening of the crisis in Argentina, as well as by the sudden slowdown in the economy and the continuing real depreciation of the Brazilian currency. In the middle of the year, the growing uncertainty with regard to the neighbouring economies and the strengthening of the dollar against the euro changed the exchange rate trend, doubling the devaluation rate (from an annual 7.4% to 15.4%) and the width of the flotation band (from 3 to 6%).

The regional uncertainty was exacerbated by the events in September in the United States and the threat of a recession in the developed economies. The external and internal demand remained depressed, as the reappearance of foot-and-mouth disease, after many years of absence, severely damaged the export offering. Investment, both public and private, declined by more than 10%. The fiscal adjustment brought a reduction in public consumption expenditure, while private consumption also contracted. The sudden halt to beef shipments reduced the physical volume of exports in goods by almost 4%, while the quantity of imports declined by more than 3%. The low level of internal demand and the imported deflation contributed to maintaining inflation at historically low values, with indications that the accumulated variation over the twelve month period would be less than 4% at the end of the year.

The agricultural, manufacturing, and construction sectors were severely affected, as well as commerce, restaurants and hotels. There was only growth in transport and communications and electricity generation. Unemployment rose by almost two percentage points, coinciding with a weakening in the demand for labour, attributable to the prolonged recession, with a broadening of the labour supply.

URUGUAY: GROSS DOMESTIC PRODUCT AND INFLATION

(Percentage variation)



Source: ECLAC, on the basis of official figures.

URUGUAY: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	-2.9	-1.5	-2.5
Consumer prices	4.2	5.1	3.5
Real wages	1.6	-1.3	-0.4
Money (M1)	4.8	-10.3	-2.2
Real effective exchange rate[b]	-6.2	2.0	1.2
Terms of trade	-7.9	-9.1	1.6
	Percentages		
Urban unemployment rate	11.3	13.6	15.4
Fiscal balance/GDP	-3.8	-4.1	-4.2
Real deposit rate	8.1	7.0	8.9
Real lending rate	45.8	42.3	43.8
	Millions of dollars		
Exports of goods and services	3 530	3 705	3 445
Imports of goods and services	3 981	4 204	3 981
Current account	-551	-526	-564
Capital and financial account	564	697	594
Overall balance	13	171	29

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

Measured in real terms, central government expenditure increased by 1.5% in 2001. The significant increase in interest payments for public debt, which now represent almost 9% of current expenditure, was alleviated to a significant extent by the contraction in investment and the lower transfer payments. Fiscal revenue, which is highly correlated with national income, diminished by 1% in real terms, so that the fiscal gap increased to 4% of GDP. The positive result of the public companies was not sufficient to reach the goal for the public sector deficit, which showed strong resistance to contraction. The deficit was financed, as planned, with a higher level of external debt, at rates which included additional charges of the order of 300 basis points over United States bonds.

By September, the financial uncertainty prevailing in Argentina had caused an increase of US$ 900 million (+18%) in deposits by non-residents in Uruguay, with an increase of 5% in dollar deposits by residents. Credit to the private sector, however, not only did not expand, but even contracted slightly, as the banks chose to locate abroad the deposits received or to purchase public bonds, in view of the internal recession. There was also a rapid increase (13% in real terms) in term deposits in the national currency, which amount to scarcely 15% of those made in foreign currency. The dollar maintained its level, fluctuating around the centre of the flotation band. On the whole, there was scarcely any growth in the money supply over this period. The real exchange rate as measured with a basket of the currencies of the main trading partners continued to appreciate in relation to Brazil, whose currency was devaluating significantly, but depreciated in relation to the rest of the world.

The economic situation in the MERCOSUR countries, which had been the destination for more than half of Uruguay's exports in goods and almost all of its tourism sales over the past three years, impeded the development of the subregional agreement, to which was added the weakening of world trade. Thus, exports from Uruguay diminished by 7% in 2001, after contracting by more than 17% in the previous biennium. The decline was mainly due to the fall in beef exports when the outbreak of foot-and-mouth disease paralysed sales. Also significant was the reduction in exports of transport equipment and textile manufactures. In contrast, sales of leather and its products and of wool expanded. Exports of goods to Uruguay's two main neighbours continued to collapse. Sales to Argentina contracted by almost one quarter (after falling by 20% in the two previous years) and those to Brazil diminished by 14%, after a drop of one-third from 1998 to 2000. Imports also diminished (-5%) in response to the weakness of internal demand. The contraction of purchases of capital goods (-17%) was significant, as well as the reduction in the oil bill (25%) in view of the collapse of the price of crude oil, while acquisitions of consumer goods and the rest of intermediates showed a slight reduction. At the end of

2001 Uruguay recorded negative trade balances with almost all of its significant trading partners, which was a very rare event.

The current account deficit of the balance of payments increased slightly and reached US$ 560 million. As a higher level of external credit was obtained, international reserves were increased by about US$ 30 million. At the end of November, in the context of the official strategy of obtaining advance financing for the following year, and given the high level of uncertainty in the subregional environment, the government placed an external bond for US$ 300 million.

Venezuela

The Venezuelan economy was moving in 2001 towards an estimated growth of around 3%. Unlike the previous year, this result came from the private sector, as the influential state oil sector reduced its production in accordance with the policy of the Organization of Petroleum Exporting Countries (OPEC) to reduce supplies in order to curb the declining fuel price observed at the end of 2000. Despite this, the average price of Venezuelan crude oil dropped by one fifth from the high level of the previous year. This loss affected external accounts, which showed a large deficit, as well as confidence in maintaining a limited depreciation of the bolivar, which was the corner stone of the anti-inflationary policy. In a climate of political tension, this resulted in a substantial outflow of short-term capital which the monetary and exchange rate authority tried to counteract by stabilizing the inflation rate below an annual 13%. Meanwhile, boosting the economy was left to fiscal policy.

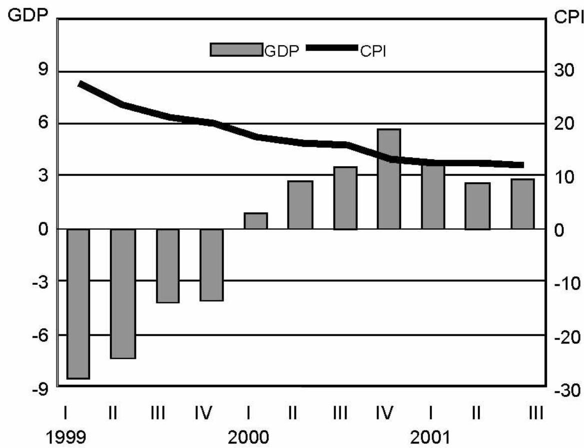
The year-on-year variation rate in the non-oil sector of the economy, which had been gradually improving until the final quarter of 2000, dropped in 2001 and was at around 4% in each of the first three quarters. This growth was mostly due to the construction and communication sectors, which experienced double-digit increases. Construction had continued on its expansionary path since its recovery from the recession prior to 2000. Communications were responding to the expansion in basic and mobile telephony services. The sectors of manufacturing, commerce and transport also grew, to a lesser degree, although in the former two sectors there was some deceleration in the second half of the year.

These activities were boosted by investment expenditure, which was mainly public, or to a lesser degree by private consumption and non-oil external demand. Public expenditure was financed mainly with revenue from oil exports. The transfer to the central government of dividends from the Petróleos de Venezuela S.A. (PDVSA) in the first half of the year offset the fall in tax revenue from external sales.

As a result of OPEC’s policy of cuts, the export quota of Venezuela was reduced by more than 400,000 barrels of oil per day to 2.67 million. Despite this, the average price of Venezuelan crude oil fell by around 20% with regard to the previous year. This decline affected fiscal policy in the second half of the year, when the public sector was obliged to adjust expenditure and reduce investment items in order to meet the payroll, and endangered the fiscal objective of achieving an end-of-year deficit equivalent to 3% of GDP.

The BCV continued to try to control inflation by keeping the currency within a sliding band of 7.5% around a central parity. The depreciation of the central parity was lowered early in the year to an annual rate of 7%.

VENEZUELA: GROSS DOMESTIC PRODUCT AND INFLATION
(Percentage variation)



Source: ECLAC, on the basis of official figures.

VENEZUELA: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	-5.8	4.0	2.8
Consumer prices	20.0	13.4	12.7
Money (M1)	2.8	16.0	18.9
Real effective exchange rate[b]	-10.6	-2.3	-4.8
Terms of trade	34.0	47.1	-13.3
	Percentages		
Unemployment rate	14.9	14.0	13.9
Fiscal balance/GDP	-2.6	-1.7	-3.5
Real deposit rate	-2.7	-1.3	1.4
Real lending rate	6.0	6.9	10.5
	Millions of dollars		
Exports of goods and services	22 122	34 394	28 158
Imports of goods and services	16 985	19 868	21 340
Current account	3 557	13 112	5 100
Capital and financial account	-2 508	-7 294	-7 350
Overall balance	1 049	5 818	-2 250

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

The central bank (BCV) continued trying to control inflation by keeping the bolívar within a sliding band of 7.5% around a central parity. The slippage of the central parity was lowered at the beginning of the year to an annual 7%. High oil prices initially made this exchange-rate policy possible, while monetary policy took a passive role, allowing the inflow of foreign currency to cause an expansion of the money supply and a slightly declining trend in interest rates which contributed to reactivating the economy.

The reduction in those prices however and the subsequent outflow of short-term capital forced the bolívar down. The BCV used its foreign-currency reserves to support the exchange rate and, when the pressure increased as of May, proceeded to drain liquidity from the system through open-market operations, placing national public debt securities by means of repo operations and, in the second half of the year, issuing seven-day deposit certificates. It also reduced its high discount rate to levels that made it more efficient and thus effective as an tool of monetary policy. As a result of all this, the money supply contracted in the first ten months, although in November it expanded considerably, and interest rates rose. By the beginning of December, the nominal lending rates had risen from 21% to 25% and deposit rates from 12.5% to approximately 16%.

The action taken by BCV during the first eleven months resulted in a loss of its reserve holdings to the amount of about US$ 3.3 billion (although, if those accumulated in the Investment Fund for Macroeconomic Stabilization are added, this figure is reduced to about $800 million) and curbed the depreciation in the exchange rate, which went from 699 to 745 bolívares per dollar. This made it possible to control inflation, which at the end of November showed a year-to-year variation of 12.7%, somewhat higher, however, than the official target.

The increasing price of money also contributed to a deceleration in economic activity, which may have also been affected by the uncertainty with regard to the promulgation of numerous legislative reforms, many of them in the framework of the enabling law, that allowed the President of the Republic to legislate by decree. These new laws included one on land, which, *inter alia*, provided for the possibility of expropriation and redistribution of agricultural land; the law on hydrocarbons, which provided for increasing taxation and majority State participation in the new oil associations with the private sector; and the law relating to the Central Bank of Venezuela, which brings into effect the principle of macroeconomic cooperation between the latter and the Ministry of Finance.

Special mention should be made of a new reform of the Investment Fund for Macroeconomic Stabilization

(FIEM) which moves it away from its initial aim of amortizing variations in oil income. By virtue of the new law, contributions to the Fund for the last quarter of 2001 and for 2002 were suspended. The subsequent contributions were established in terms of a fixed percentage of the oil price, independently of its level.

The construction boom contributed to a fall in unemployment to 12.8% in July, almost two percentage points below the figure recorded one year previously and three points less than the seasonally high level at the beginning of the year. In this same month an increase of 10% in the minimum salary was announced.

Despite the growth in non-traditional exports, the reduction in the value of hydrocarbon sales resulted in a decrease in the current account surplus during the year, which amounted to US$ 5 billion at the end of the year. This net income was less than the outflows recorded for the financial account balance and for errors and omissions, where short-term capital outflows predominated. Accordingly, although foreign direct investment showed a net balance of the order of US$ 2 billion for the first three quarters, the balance of payments showed a deficit, estimated for the year as a whole, at a level higher than the latter figure.

CENTRAL AMERICA AND MEXICO

Costa Rica

The Costa Rican economy grew by only 0.3% in 2001, owing to a strong contraction of external demand, to which was added, after the events of 11 September, the reduction in tourist income. Fixed investment declined in view of the unfavourable prospects, despite the lower international interest rates and the greater flow of foreign direct investment. Despite the lower net factor payments abroad, national income fell by 1%, as a result of deterioration in the terms of trade. There was also an increase in open unemployment (6.1%), especially for women and in rural areas, and inflation rose to 11%.

The high-technology electronic industry suffered a marked setback, equivalent to 1.7% of aggregate GDP, as external demand contracted and production at one plant was halted owing to a restructuring phase. Meanwhile, the rest of productive activities grew by only 2%.

The authorities managed to adjust the economy to the new conditions. Measures were adopted to contain government expenditure and increase tax collection, but the central government deficit expanded. Public debt continued to grow and the interest payments amounted to 25% of total expenditure. During the second half of the year the exchange devaluation rate accelerated and interest rates rose.

Fiscal policy was restricted by high debt servicing payments and by expenditure for specific purposes. The central government deficit was 3.2% of GDP, while the non-financial public sector increased its surplus.

Despite the slowdown in economic activity, the income of the central government grew by more than 5% in real terms thanks to the payment of tax arrears, the elimination of Tax Credit Certificates, the application of the Tax Rules and Procedures Code and the approval of the Law on Tax Simplification and Efficiency.

Expenditure rose by 5.7% owing to increases in salaries and transfers for real investment in the National Road Council. In view of the large servicing payments for public debt, an effort was made to reduce interest payments by exchanging internal debt for external debt; the government placed US$ 250 million in bonds on the international markets at a fixed rate of 9% for a 10-year period. The size of the total public debt reached 57% of GDP in September, while internal debt was 37%.

The goal of monetary policy was to maintain inflation within a range of 10%. In the first few months an effort was made to expand credit without creating

COSTA RICA: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rate		
Gross domestic product	8.1	1.7	0.3
Consumer prices	10.1	10.2	11.0
Real wages	4.7	0.8	...
Money (M1)	9.7	5.4	-4.8
Real effective exchange rate[b]	4.4	0.1	-2.8
Terms of trade	-1.1	-6.9	-1.1
	Percentages		
Urban unemployment	6.2	5.3	5.8
Fiscal balance/GDP	-2.3	-3.0	-3.2
Real deposit rate	3.9	2.2	0.5
Real lending rate	14.3	12.6	11.4
	Millions of dollars		
Exports of goods and services	8 205	7 699	6 997
Imports of goods and services	7 183	7 289	7 243
Current account	-697	-751	-943
Capital and financial account	1 177	597	868
Overall balance	480	-154	-75

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

inflationary pressures. Very few monetary stabilization bonds were issued, whereas the required reserve was reduced by two percentage points in May and reached 7% in September. This, together with the lowering of international interest rates, lead to some reduction in domestic lending rates, especially for housing and construction. Credit for consumption and construction continued to increase and total private credit had expanded by 20% as of October. Credit in dollars expanded rapidly, as interest rates were lower than rates for colones. Deposit rates in colones were reduced on average to 15% and lending rates were at 27%.

Total liquidity was reduced (growing nominally by 11%) and fixed-term deposits declined. Public cash holdings increased by 10% owing to the lower production growth rate and the availability of more profitable options in government securities. There was a boom in dollar deposits (22%) given the lower premium for investing in the national currency.

Exchange-rate policy aimed to maintain export competitiveness by means of a crawling peg regime. During the first half of the year the exchange rate devalued by 8 centésimos per day; as of July the devaluation rate increased to 12. The annual accumulated nominal devaluation rate was 7%, which in real terms was a slight appreciation.

In the area of commercial policy, the free trade agreements with the Dominican Republic and Canada were ratified. Implementation of the Agreement on Subsidies and Countervailing Measures of the World Trade Organization was postponed for five years; thus, the companies operating in export processing zones would continue to enjoy the benefits offered by this regime.

The gross domestic product stagnated in the face of the contraction in manufacturing and agriculture. The latter was adversely affected by the low prices for coffee, bananas and other agricultural goods. Internal demand remained almost stagnant, which reflects the poor performance of public investment and private consumption, as well as the lower level of equipment purchases. Meanwhile, construction, especially housing, was encouraged by the reductions in interest rates and in prices of inputs, which also stimulated mining activities. The adverse international economic situation affected in particular external demand in the high-technology electronic industry and textile manufacturing. In the case of agricultural goods, there was a negative impact on producer prices, despite the increase in the volume of external sales.

Inflation was at 11%, similar to the level in the previous year. During the first six months, the increase in electricity and water tariffs, together with the rise in transport, caused an increase in the consumer price index. During the second half of the year prices for fuel derivatives and electricity tariffs diminished, but the higher exchange-rate devaluation rate had the opposite effect.

In order to avoid a deterioration in real salaries, at the beginning of January minimum salaries were readjusted by 5.1% and in June another increase of 7.7% was agreed. Workers in the public sector received an increase of 6.6% (4% in July and the rest in October). Unemployment increased in manufacturing and in agricultural export activity; in the last quarter, it also increased in tourism. A reform to the Labour Code was approved, prohibiting discrimination by gender, age, ethnicity or religion.

The trade gap increased considerably; the current account deficit rose to 5% of GDP. Exports of goods contracted generally (-13%); in contrast, tourist services increased by 7.5% until August, but fell in the last quarter. Sales of software, medical and surgical services also increased. Exports to Central America grew by 6.4% and represented 11% of the total.

Imports of goods contracted, mainly those of capital goods, which declined by 11%. The deficit in goods almost quadrupled. The lower profits of companies in the export processing zones meant that external payments in this connection were 35% less than in the previous year.

Capital flows, much higher than those in 2000, were insufficient to cover the current account deficit, so that the reserves of the issuing bank fell by US$ 75 million. Foreign direct investment increased and there was a new bond issue by the central government, which thus obtained a level of resources which was higher than the payments for amortizing public debt and the purchase of foreign bonds by private investors.

El Salvador

GDP growth in El Salvador slowed to barely 1.5%, owing to the economic recession in the United States and the drought-induced contraction in export volumes. The earthquakes in January and February, which killed almost 1,200 people and caused material damage estimated at US$ 1.6 billion (approximately 12% of GDP), gave rise to an increase in public spending, which pushed the central government deficit up to almost 4% of GDP. The fall in merchandise exports and the expansion in imports led to a sharp increase in the external deficit. With the entry into force of the Monetary Integration Act in January, a fixed exchange rate was set and the dollar was established as a unit of account of the Salvadoran economy; in this context, annualized inflation declined to 3%.

Economic activity continued at a sluggish pace. The weakness of domestic demand and the virtually flat performance of exports following the recession in the United States economy eroded overall demand. Moreover, the after-effects of the two earthquakes, the record low in the price of coffee, and the drought that crippled the production of staple grains had an adverse effect on supply.

The economy started to pick up in April after the devastating earthquakes with the strongest impetus coming from tradables, associated with non-traditional exports, and from export processing. The highest-growth sectors were mining (12%), construction (9%), transport, storage and telecommunications (almost 7%), power, water and gas, and manufacturing (both over 4%). The effects of the drought were felt in agriculture, which experienced a 2% decline. Financial services showed a similar contraction. In other sectors, including business, growth was flat. In this context, the unemployment rate remained at about 6%.

Despite the lower supply of agricultural products, food prices trended downwards; the same was true of house rentals. The weight of these two major items of household expenditure in general price levels brought annualized inflation down to 3%, one percentage point below the level recorded in the previous year. Minimum wages did not vary. Construction wages were raised by 5%, as from 21 July.

The natural disasters referred to above seriously affected fiscal management. Even though current expenditure declined, public spending had to be increased substantially in the aftermath of the earthquakes (12% in real terms) in order to cover reconstruction work (indeed, one quarter of public investment was allocated for this purpose). Current revenues showed no improvement in real terms, at a time when weak domestic demand compounded the familiar problems of tax avoidance and evasion. The fall in income-tax receipts during the year was offset by higher proceeds from value added tax and the tax on imports.

EL SALVADOR: MAIN ECONOMIC
INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	3.4	1.9	1.5
Consumer prices	-1.0	4.3	3.0
Money (M1)	14.6	-5.2	8.2
Real effective exchange rate[b]	0.9	0.6	-0.9
Terms of trade	-5.2	-4.8	-2.0
	Percentages		
Urban unemployment rate	6.9	6.5	6.1
Fiscal balance/GDP	-2.1	-2.3	-3.9
Real deposit rate	10.2	6.8	1.7
Real lending rate	14.9	11.3	5.6
	Millions of dollars		
Exports of goods and services	3 175	3 637	3 854
Imports of goods and services	4 714	5 657	6 054
Current account	-239	-473	-500
Capital and financial account	447	353	420
Overall balance	208	-120	-80

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

The significant growth in expenditure widened the fiscal deficit to 3.9% of GDP (2.3% in 2000). The fiscal deficit was financed to the extent of over 80% with external funds from the issue of treasury notes (LETES). Fiscal management in the coming years should take into account above all the expenditures associated with the new pension system, which will exceed the US$ 1 billion mark in the next five-year period. During the year, privatization of State-owned companies, especially the telecommunications and electricity corporations, was completed and the operation of the five pension fund administrators was consolidated.

Dollarization of the economy was initiated in the early part of the year and has recently been approved by the Supreme Court, which dismissed various claims of unconstitutionality. The United States dollar was thus adopted as legal tender and the rate of exchange of the colón has been set at 8.75 colones to the dollar, following a fixed exchange-rate system that had been in force since 1993. This measure has been implemented in the context of the high volume of trade between El Salvador and the United States, the market for two thirds of Salvadoran merchandise exports and the country of origin of the substantial family remittances received in El Salvador, which account for 14% of GDP. In October, 46% of money in circulation and of deposits had been converted into dollars.

The slow economic activity has had the effect of stabilizing the demand for credit and lowering lending and deposit rates. Now that the exchange risk has been eliminated, it is much easier for industrial, electricity, transport and business firms to secure foreign loans directly.

The performance of the external sector was less favourable than in 2000. The trade deficit grew to the equivalent of 16% of GDP, as a result of the contraction in exports and the expansion (7%) in imports. Exports to Central America expanded by 3%, but sales to the rest of the world stopped expanding. Plummeting coffee prices on the international market caused a sharp contraction in coffee sales (-62%) and consequently a slump in traditional exports as a whole (-44%), while non-traditional exports expanded by almost 7%, with *maquila* exports performing well (15%). The increase in imports is attributable to higher purchases of intermediate goods (15%) and consumer goods (8%), since purchases of capital goods remained stable.

The large trade deficit declined substantially at the current account level, thanks to the increasing inflows of remittances from nationals abroad, which have already exceeded the US$ 2 billion mark, or the equivalent of 90% of the trade deficit. The balance-of-payments current-account deficit stood at US$ 500 million and was financed through foreign direct investment, which bordered on US$ 200 million, and new loans. In August, the country's external debt represented approximately 25% of GDP.

The trade policy was focused on international trade negotiations and further advances were made with the free trade agreements being forged with Panama and Canada. The entry into force of the free trade agreement between Mexico and the Central American Northern Triangle (El Salvador, Guatemala and Honduras) enabled El Salvador to expand its trade. Negotiations with the Andean Group are at a standstill, while El Salvador is continuing to participate in the rounds relating to the Free Trade Area of the Americas. It should be noted that the extension of the free zone regime to 2010 is an extremely important decision for the country's *maquila* sector.

Guatemala

The external crisis, coupled with persistent extra-economic problems on the home front, caused a slowdown in the Guatemalan economy in 2001 for the third consecutive year; growth is expected to be 2%, while inflation is estimated to be of the order of 10%, almost double the rate recorded in 2000. Nevertheless, thanks to renewed efforts to bring fiscal policy in line with monetary policy, the exchange-rate remained stable, a significant deterioration in the budget was avoided and fiscal reform –a milestone in the country's recent economic history– was achieved. Further measures were taken with a view to the adoption of legislation for improving financial supervision and strengthening the central bank's autonomy. Progress was also made in the negotiation of an agreement with the IMF on special drawing rights, which would provide access to funds for modernizing the financial system and implementing a strategy for poverty reduction. The entry into force of the Free Trade Agreement with Mexico, Honduras and El Salvador was another major advance.

Notwithstanding the fiscal reform, the government deficit increased to 2.5% of GDP in 2001 (compared with 1.9% in the previous year), owing, mainly, to the transfer of obligations postponed from 2000, to emergency support for the coffee industry and to the low level of tax revenues. These were disappointing compared with the expected outcome of efforts to control tax evasion and the yield anticipated from increases (from 10% to 12%) in the rate of value added tax and the taxes on corporate assets, fuel oil, transport, the import of vehicles and other goods (cigarettes and liquor).

Financing for the budget was based on external funding. For purposes of public debt restructuring, a US$ 325 million sovereign bond issue was launched in November. The central bank used open-market operations, lowered the nominal rediscount rate to 6.1% per year and successfully reduced the rate of expansion of money and quasi-money, although the latter remained in double digits. The real lending rate fell by five percentage points to average approximately 11% per year, but loans to the private sector declined in real terms.

For the first time in years, banking authorities intervened in banking and financial institutions. The Free Negotiation of Currencies Act was implemented and attracted higher inflows of funds into offshore banking services. Pressures on the rate of exchange between 12 September and the end of November, resulted in a nominal depreciation of the quetzal of 2%.

GDP growth slackened to 2% in 2001, the third year of steady slowdown; this is attributable to the worsening terms of trade and shrinking external demand. In addition, the extended conflict between certain corporate groups and the government eroded the business climate and was reflected in a fall of close to 4 percentage points in private investment. The only strong components of demand were public investment and public consumption. For the first time in the decade, export earnings contracted in real terms (-1%).

Merchandise production expanded by a mere 1.4% during the year. Agriculture showed modest growth (1%) and manufacturing weakened for the fourth consecutive year. Interrupting the sharp contraction in 1999, the rally in public investment and in some loans to the private

GUATEMALA: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rate		
Gross domestic product	3.9	3.1	2.0
Consumer prices	4.9	5.1	9.8
Money (M1)	8.9	14.5	1.1
Real effective exchange rate[b]	14.3	2.6	-3.0
Terms of trade	-7.5	-2.9	-3.5
	Percentages		
Fiscal balance/GDP	-2.8	-1.9	-2.5
Real deposit rate	2.6	4.0	1.6
Real lending rate	13.6	14.1	11.1
	Millions of dollars		
Exports of goods and services	3 435	3 783	3 701
Imports of goods and services	4 984	5 323	5 342
Current account	-1 015	-884	-959
Capital and financial account	890	1 538	1 359
Overall balance	-125	654	400

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates and appreciation of the currency in real terms.

sector contributed to a 1% expansion in construction in real terms. Only those services branches with a significant share of public expenditure, electricity, water, transport and community services grew by more than 4%.

The slowdown is estimated to have caused a number of job losses in the formal sector and to have made the job market even more precarious. The situation was especially difficult in areas affected by the fall in the coffee operations, where job losses, combined with the effects of the drought, prompted applications for assistance from the World Food Programme and the Inter-American Agency for Cooperation and Development, since some 500,000 full- or part-time workers depend on this activity.

The annualized variation in the consumer price index was almost 10% in December, almost double the rate observed in 2000 and double the target set in the government programme. This resurgence in inflation may be attributed to the effect of the nominal exchange-rate depreciation, the rise in the price of some foods due to the drought and the one-off increase in general price levels associated with the increase in various taxes (in particular, value added tax). The persistent and sharp expansion in monetary liquidity, which outstripped the supply of goods and services, may also have had an impact.

External capital flows swelled international reserves, offsetting a current-account deficit equivalent to 4.8% of GDP (compared with 4.6% in the previous year). Foreign direct investment, representing the final payment for privatization of the telephone company, and the US$ 325 million sovereign debt issue on the eurobond market were major components of these flows. The current-account deficit increased slightly reflecting a modest expansion in merchandise imports at a time when exports were down. The slump in international prices for coffee to a record low, combined with lower sales volumes, led to a sharp contraction in export earnings from this product (-33%); thus, notwithstanding the rise in exports of sugar (24%), banana (5.5%) and cardamom (4.3%) sales of traditional exports were down by13%. As a whole, non-traditional exports were flat (1%). Expansion in in-bond processing was down, at only 8% (compared with 21% in the preceding year). Exports to Central America increased by 4.5%, marking an improvement compared with the previous year's performance.

Honduras

The Honduran economy recorded modest growth in 2001 (2.5%), owing largely to negative spillover from abroad. The slump in coffee prices was compounded by the effects of the recession in the United States. The main impetus for growth came from the buoyancy of domestic consumption in a context of relative stability with respect to the economic and financial aggregates and an intensive campaign culminating in the general elections in November. Inflation remained within the same range as in 2000; the real rate of exchange showed a slight appreciation, notwithstanding an acceleration in the nominal slide and public finances reflected a deficit similar to that of the previous year's. Towards the middle of the year, the country suffered a drought and later the onslaught of Hurricane Michelle, confirming its high vulnerability to natural disasters.

The central government fiscal deficit rose to 5.5% of GDP, in keeping with the objective of boosting public investment in infrastructure reconstruction and poverty alleviation. However, the outlays under these headings were lower than projected as the transparency requirements laid down by international cooperation sources and the State Procurement Act resulted in delays in the use of resources. The central government deficit was financed wholly from foreign funding, as has been the case since 1998.

Direct tax revenue expanded by 8% and its main component, income tax, by almost 12%. Indirect taxes grew by slightly more than the rate of inflation. Central government revenue, including non-tax items, was almost equivalent to 18% of GDP (approximately one percentage point lower than in 2000).

Total public expenditure was equivalent to 23% of GDP (24% in 2000). Current outlays accounted for almost two thirds of the total, investment for 28% and debt payments for 7%. Honduras benefited under the Highly Indebted Poor Countries Debt Initiative from external debt relief amounting to US$ 100 million (or 40% of the interest paid out in 2000). The total external debt balance stood at US$ 4.6 billion at the end of the year, similar to the previous year's level.

The money supply showed a year-on-year increase of close to 1%, much lower than in 2000, and the annual growth rate for foreign currency deposits was almost three times that of local currency deposits. This is attributable to the uncertainty typical of an election year and to expectations of a devaluation which were rife up to September. Bank loans to the private sector, mainly for real estate purchases and consumption, rallied slightly (1.5% in real terms). Bank finance charges remained high, with a spread of 12%. Further progress was made in banking supervision and capitalization ratios improved throughout the system.

The foreign-exchange policy became one of the major issues of debate. For the fourth consecutive year, the lempira appreciated, this time by 2%. To avert political pressures in favour of a sudden devaluation, the Central Bank decided in September to speed up the crawling peg devaluation; thus, by November the monthly average rose to double the rate recorded between January and August.

Further preparations were made for the implementation of a Customs Union in Central America and the trade agreement signed with Mexico a year earlier entered into force. The privatization of Hondutel remained pending, but the Insurance and Reinsurance

HONDURAS: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	-1.5	5.0	2.5
Consumer prices	10.9	10.1	9.0
Money (M1)	9.9	-4.9	-6.2
Real effective exchange rate [b]	-3.2	-3.3	-2.4
Terms of trade	-6.6	-5.8	-3.7
	Percentages		
Urban unemployment rate	5.3	...	6.3
Fiscal balance/GDP	-4.0	-5.9	-5.5
Real deposit rate	6.9	4.5	4.4
Real lending rate	16.6	14.3	13.0
	Millions of dollars		
Exports of goods and services	2 281	2 507	2 515
Imports of goods and services	3 053	3 319	3 539
Current account	-200	-204	-359
Capital and financial account	415	197	263
Overall balance	216	-7	-96

Source: Statistical Appendix.

[a] Preliminary estimates.

[b] A negative rate indicates an appreciation of the currency in real terms.

Institutions Act and the Deposit Insurance Act for Financial Institutions were adopted. The Social Insurance Reform Act was challenged by private business and the Supreme Court of Justice is expected to make a pronouncement on this action.

GDP growth (2.5%) was lower than expected (4.5%) and was buoyed up by domestic consumer spending, since gross fixed capital formation contracted for the second consecutive year. The agricultural sector experienced a sudden slowdown (growing by 1%, compared with 9.8% in 2000), falling below the levels recorded before Hurricane Mitch, which devastated the country in 1998. A drought mid-year slashed staple grain production, while the fall in international coffee prices meant a sharp decline in income for producers.

The manufacturing sector experienced a cooling off (with growth down to 4%), although crucial activities (cement, sheets and plates, and textiles) maintained their level of activity. Some in-bond industries shut down their operations and sought locations that would enable them to reduce costs, but the sector as a whole expanded. Services also enjoyed higher than average growth.

At the close of the year, inflation stood at 9% (lower than in 2000), owing to the exchange-rate appreciation and the fall in fuel prices on international markets. The minimum wage increased by an average of almost 16% in nominal terms (6% in real terms). Statutory public-sector wages rose by 19.5% (9.7% in real terms). The loss of momentum in the production sector caused a sharp increase in unemployment. The resumption of the national survey on the labour market revealed an open unemployment rate of 4.2% (compared with 3.3% in 1999) and visible and invisible underemployment of 3.3% and 35.9%, respectively (2.3% and 23.7% two years earlier).

The current account deficit increased by just over US$ 100 million, to stand at US$ 359 million. This was largely due to the continuing decline in international coffee prices, reflected in a loss of income of US$ 160 million (45% of the current account balance). This deficit was financed through family remittances, other transfers and foreign investments.

Merchandise exports were flat. Banana sales soared (41%); shrimp sales also expanded (8.8%) as did melons (6.4%). Value added from the export-processing zones increased (13.1%). Conversely, export figures were lower for coffee (-47%), wood (-3.6%), zinc (-11.8%) and tobacco (-6.4%). Imports rose by 6.6%, with agricultural products significantly higher (31.6%), food products (16.5%) paper and paper products (34.4%) and electrical machinery (12.3%). On the other hand, fuel imports declined (-5.6%) together with transport equipment (-2.5%).

Direct foreign investment flows (US$ 186 million) diminished. Notwithstanding the increase in financial flows, the overall balance was negative for the second year in a row. The Central Bank's gross international reserves were of the order of US$ 1.05 billion, or the equivalent of four months' imports of goods and services.

Mexico

In 2001 the Mexican economy stagnated, which was in sharp contrast to the targeted growth rate of 4.5% and well below the previous year's rate of 7%. The economic slowdown in the United States caused a considerable downturn in output in the second semester, although the rest of the country's macroeconomic targets were met. The public-sector deficit was 0.7% of GDP and the balance-of-payments current-account deficit was 3.1%. Voluminous flows of foreign direct investment contributed to a real appreciation of the peso, which in turn helped to reduce inflation (5.4%).

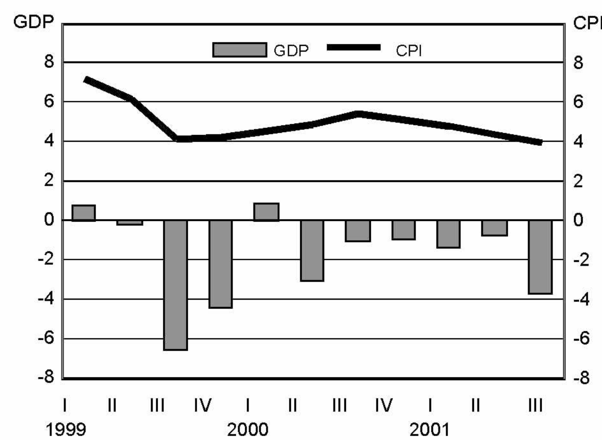
The sluggishness of the economy hurt employment and the overall performance of the production sectors. From the first half of the year export activities and investment suffered the effects of slackening external demand. An upturn in real wages boosted consumption, but in the following months domestic demand trended downwards as the wage bill contracted and uncertainty mounted with regard to the timing of an economic recovery in the United States, especially in the wake of the attacks of 11 September.

Economic policy continued along the same lines as previous years. Priority was afforded to reducing inflation and to maintaining the fiscal accounts in balance in the framework of a floating exchange rate.

Monetary and fiscal stances were adjusted as the international situation grew bleaker, and in response to the economic downshift in the United States. Early in the year, monetary policy remained tight in order to keep inflation on target, but later eased as trends and expectations with respect to inflation became increasingly favourable. This led the authorities to lower the nominal interest rate, which was also a reflection of the interest cuts in the United States, and the average prime rate on deposits recorded a single-digit figure for the first time since 1994, though lending rates continued to be high.

Public spending cuts (equivalent to 1.3% of approved programmable spending) were made to offset the drop in income that was anticipated in view of the downshift in production activity, the appreciation of the peso and the downturn in the price of petroleum (which generates over 30% of public income). The government kept the public-sector deficit on target in GDP terms by means of budget adjustments, mainly to investment. Public-sector borrowing requirements, which include a number of items in addition to the traditional definition of public deficit, are estimated at 3% of GDP at the end of 2001. The Bank Savings Protection Institute (IPAB) and privately co-financed public investment projects absorbed most of the resources (0.87% and 0.69%, respectively).

MEXICO: GROSS DOMESTIC PRODUCT AND INFLATION
(*Percentage variation*)



Source: ECLAC, on the basis of official figures.

In April the Executive submitted to Congress a financial and fiscal reform proposal that generated some controversy. Reforms to financial affairs were approved; and alternative fiscal reform proposals made by the country's three main political parties were discussed, but in early December no agreement had been reached. The government's proposal seeks to expand the country's small tax burden (11% of GDP) by setting a standard rate of 15% for value-added tax (VAT) on basic consumption sectors that are exempt or have zero rates, mainly food and medicines. It also proposes a lower rate of income tax for individuals and firms.

The peso remained stable, mainly due to foreign direct investment flows and to public and private international debt issues, which benefited from the low international interest rates and the investment grade rating obtained by Mexico in 2000. In real terms, the currency appreciated by 5% against the dollar, which was a continuation of the trend recorded since 1998. International reserves stood at over US$ 40 billion, posting a gain of US$ 6.5 billion on the year's end figure of 2000. External investment in the money market decreased considerably to account for less than 2% of the total, while the stock market displayed a slight fall.

In the first half of 2001 the effects of the economic slowdown in the United States were felt severely in Mexico. As a result, output declined gradually and in mid-2001 the economy slipped into recession. After growing by 1% in the first semester, in the third quarter of 2001 GDP thus began to slip (-1.6%) for the first time since 1995, which resulted in a slight contraction for the year overall.

External sales were the first sector to suffer the effects of the downswing. By contrast, private consumption expanded in the first semester, chiefly thanks to an increase in real wages (owing to lower-than-expected inflation), which offset the effects of a decrease in employment. In the second half of the year, however, the decline in output became widespread. Investment decreased (down by 5% in January-August) and continued to slide gradually as the year went on.

In the first nine months of the year, services expanded by 1.7% and the agricultural sector by 1.3%, while industry slipped back by 3.2%. In the third quarter the output of the manufacturing, construction and mining sectors clearly showed the effects of the downturn with declines of 5.5%, 4.1% and 1.1%, respectively.

The output of the automobile sector decreased by 3.5% in the period from January to October –with production for the local market down by 2.3% and for the export sector by 3.8%– although domestic sales grew by 9% in the same period, due mainly to financing programmes offered by automobile distributors. Similar schemes were operated for purchases of other durable goods and sustained the growth of private consumption, although this indicator trended downwards in the second half of the year. By contrast, commercial bank credit to the private sector shrank in real terms for the seventh year running (-7.5% to October). The real appreciation of the exchange rate helped to being the rate of inflation down to 5.4%, which was the lowest figure recorded since 1972.

The number of urban workers registered with the Mexican Social Security Institute (IMSS) decreased by 2.9% between October 2000 and October 2001, which represented a loss of almost 323,000 jobs. For the first time in 15 years, employment declined in the *maquila* export industry, with a drop of 14% between September 2000 and September 2001, which brought the number of jobs in the sector to 1.149 million, while the man hours worked decreased by 18%. Employment in manufacturing was down by 3.7% in the period January-September. In the first 10 months, the average rate of open unemployment was 2.5%, which was slightly higher than the figure for the same period of 2000, partly due to the absorption of workers by the informal sector.

MEXICO: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	3.7	7.0	-0.1
Consumer prices	12.3	9.0	5.4
Real wages	0.9	6.1	5.5
Money (M1)	13.3	6.0	7.1
Real effective exchange rate[b]	-8.2	-7.6	-5.2
Terms of trade	1.9	5.0	-2.0
	Percentages		
Urban unemployment rate	2.5	2.2	2.5
Fiscal balance/GDP	-1.2	-1.1	-0.7
Real deposit rate	2.6	3.8	4.2
Real lending rate	7.9	8.0	7.6
	Millions of dollars		
Exports of goods and services	148 083	180 136	171 268
Imports of goods and services	155 465	190 509	184 566
Current account	-14 325	-17 690	-17 198
Capital and financial account	18 602	24 800	23 398
Overall balance	4 277	7 110	6 200

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

The increase in real wages, in combination with economic stagnation and a decline in labour productivity, considerably increased the unit costs of labour, especially in manufacturing.

External trade decreased essentially because of the recession in the United States, which accounts for 90% of Mexico's exports and supplies over 80% of its imports. Together, the downturn in exports (-3.1% to October) and in imports (-1.9%) made for a deficit of close to US$ 9 billion, which was larger than the deficit posted in 2000. To October, imports of intermediate goods decreased by 4.4%, and of capital goods by 4.6%, while purchases of consumer goods increased by 23%. The decline in exports was also partly attributable to a sharp reduction in petroleum exports, which plunged by 19% to October, and to a backslide of 1.1% in manufacturing sales abroad (down by 1.7% in *maquila* and by 4.3% in non-*maquila* exports).

Interest payments on external debt are estimated at US$ 12 billion. Transfers –mainly remittances by Mexicans abroad, which are equivalent to 70% of petroleum exports– posted a significant increase. This pared the current-account deficit down to US$ 19 billion, or 3.1% of GDP, which was similar to the 2000 figure.

Foreign direct investment (FDI) also contributed to financing the current-account deficit. Not including income from the sale of Banamex to Citigroup (US$ 12.447 billion), in the first three quarters FDI was almost US$ 10 billion and it is estimated that total flows for the year overall have reached US$ 12 to 13 billion, which is much the same as the sum recorded in 2000.

In the third quarter net public external debt was just over US$ 77 billion and represented 24.7% of GDP, or 1.3 percentage points more than the previous year. Private external debt stood at around US$ 55 billion mid-year, which was similar to the figure recorded at the end of 2000.

Nicaragua

In 2001 the Nicaraguan economy slowed down, as the country's external and financial vulnerability became more acute, as well as the global degree of underemployment of the work force. Despite the fact that the internal and external imbalances were higher than expected, inflation was less than 6%. The gross domestic product (GDP) grew by 2%, which represents a slowdown of more than two percentage points compared to the previous year. The lower increase is associated with the unfavourable external environment, the high fiscal deficit and the continuing difficulties in the banking sector. It was also due to the natural uncertainties of an election year, which caused a decline in private investment and in international financial cooperation flows.

The adverse economic environment affected the fiscal results, so that in the first nine months of the year the total income of the central government grew in nominal terms by only 1.2%. The government was obliged to limit expenditure, choosing mainly to cut capital outflows (-21%), which eroded the effectiveness of public spending as a catalyst for the economy. On the other hand, current disbursements grew by a nominal 12%, so that total expenditure increased slightly by 3.4%, stretching the deficit to more than 8% of GDP.

In view of the failure to achieve the goals agreed with the International Monetary Fund in the second year of the Poverty Reduction and Growth Facility, the government managed to agree on only one interim programme for the second half of 2001. If the reduction in public expenditure stipulated in the programme is achieved, the global deficit in the non-financial public sector will fall to 7.8% of GDP (8.3% in 2000).

Owing to the high fiscal deficit and the costs associated with the banking crisis which erupted in the previous year, monetary policy remained tight. The central bank provided a full guarantee for the deposits and liquidity support for those banks where intervention had been necessary, while it sterilized a substantial portion of the liquidity through the placement of indexed debt securities. Also, in July it provided for a gradual increase of three percentage points in the legal reserve requirement rate, which reached 19.25% in September. In this context, the net credit of the central bank to the non-financial public sector expanded considerably, while international reserves were substantially decreased.

After the high levels recorded during the reconstruction programme carried out after the passing of Hurricane Mitch in 1998, public investment declined, as well as private investment in the residential sector. Both factors resulted in a major downturn in construction, one of the main causes of the loss of growth in the economy as a whole. The growth in trade, transport and governmental services was also eroded. In contrast, the industrial, energy and financial sectors stimulated economic activity. The mediocre performance of agriculture was due to a drought that caused substantial crop losses in different parts of the country.

The unfavourable external environment was characterized by an additional deterioration in the terms of trade and a significant slowdown in the global economy and trade, which resulted in a loss of sales for Nicaragua's main export products, particularly coffee. The worsening of the United States economy was felt in exports of manufactures situated in the export-processing zones and the tourist industry, and this will probably also affect the level of family remittances. Also, the cost of exports rose, owing to the additional security measures adopted.

As the accumulated inflation over the first eleven months was 4.5%, a figure of less than 6% is estimated for the year as a whole (9.9% in the previous year). This drop is mainly due to the slowdown in the economy, the lower prices for petroleum products and the greater stability of tariffs for basic services.

The increase of 12% in minimum salaries, which had not changed since 1999, the salary adjustments in the public sector and the increase in remuneration in certain sectors meant that real average remuneration showed a substantial improvement. The loss of growth in the economy resulted in a rise in unemployment to 10.7% (9.8% in the previous year) and underemployment to 12.4%.

The excess of expenditure over production was again financed by external savings. It is estimated that the current account deficit will increase slightly to reach US$ 980 million (39% of GDP). This is attributable to the increase in the trade deficit and the larger payments for interest, profits and dividends. Current transfers, however, especially family remittances, remained at the high level of the previous few years.

The deficit in the trade in goods (37% of GDP) remained very high, especially taking into account the context of lower growth of the economy. Exports, including those from companies operating in the export-processing zones, declined more than imports (-4.7% and -1.6%, respectively). The drop in exports was principally due to the reduction in traditional product sales (-18.5%) caused mainly by the collapse of coffee exports (-40.3%) that was in turn a consequence of the fall in international prices. The value of imports was undermined by the lower levels of external purchases of intermediary goods and capital, a phenomenon which could be attributed in

NICARAGUA: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	7.4	4.7	2.0
Consumer prices	7.2	9.9	5.8
Real wages	4.4	1.6	2.9
Money (M1)	16.5	-3.2	-0.3
Real effective exchange rate [b]	1.4	-1.3	-1.7
Terms of trade	-7.2	-4.6	-4.1
	Percentages		
Unemployment rate	10.7	9.8	10.7
Fiscal balance/GDP	-4.9	-7.8	-8.5
Real deposit rate	-0.9	-1.9	0.9
Real lending rate	9.8	8.8	13.2
	Millions of dollars		
Exports of goods and services	838	942	898
Imports of goods and services	2 034	1 981	1 950
Current account	-1 092	-919	-976
Capital and financial account	1 001	724	697
Overall balance	-90	-194	-280

Source: Statistical Appendix.

[a] Preliminary estimates.

[b] A negative rate indicates an appreciation of the currency in real terms.

turn to the slowdown in economic activity. In contrast, the imports of consumer goods rose significantly (9%).

The capital and financial account showed less income in the first nine months of the year, owing to the reduction in official transfers and loans. This could not be offset by the relief of external debt in the framework of the HIPC initiative, although the amount allocated for this purpose in 2001 was higher than in the preceding year.

Panama

The Panamanian economy, which had been losing momentum in recent years, experienced a sharper slowdown in 2001. GDP growth was down to 0.5%, signifying a per capita decline in output for the first time in over a decade. This was due to both domestic and external factors. External demand weakened considerably, putting a damper on economic activity, although with a downward adjustment in imports, it was possible to reduce the current-account deficit.

Capital formation contracted sharply for the second consecutive year, partly as a result of a weakening in foreign investment flows. Consumer spending also grew more slowly, despite a continuing expansion in personal credit. Open unemployment rose but inflation continued to be very low.

In the early part of the year, the Government adopted counter-cyclical measures as part of a revitalization plan to counter this slackening of business activity; however, the sharper slowdown and the decline in public revenues defeated the incipient public investment programme. Discussion of the fiscal reform proposed by the executive authorities was therefore postponed.

Under the IMF standby agreement, the primary objective of which was to balance the government budget, economic policy sought first and foremost to adopt a moderate countercyclical approach through concerted action with the private sector for government expenditure on labour-intensive activities. However, with the economy weakening, revenue falling and fiscal reform becoming increasingly difficult, the authorities decided to cut back on budgetary expenditures in an attempt to rein in the deficit.

The public-sector deficit rose to 2% of GDP, as a result of the reduction in revenue and the decline in contributions from State-owned corporations. In the first nine months of the year, current revenue declined by 1% owing to the 10% fall in tax receipts and the lower direct and indirect tax collections. Production, sales and excise taxes fell (-2.8%) as, indeed, did imports (-16.5%), which continued to decline in the last quarter, owing in part to a reduction in tariffs. Non-tax revenues, which had been very high in preceding years, contracted sharply (-14.1%). These results were partly offset by advance interest payments from the Development Trust Fund, which had been credited with US$ 1,213,000 from privatizations. In addition, 750 million United States dollars' worth of global bonds were issued on the international market in the first half-year to support the budget and finance loan repayments.

Under central government expenditure, staff remuneration increased, owing to an expansion in employment in the education and health sectors. Total interest payments on public debt also increased, accounting for more than one quarter of current expenditure. These increases were partly counterbalanced by a reduction in investments.

Loan operations within the domestic banking system increased in the period January-September both on the domestic market (6.3%) and abroad (3.8%), mainly as a result of loans to the business sector, the mortgage sector and for consumer spending. Interest rates on deposits and on loans did not vary significantly.

The performance of the different sectors was uneven. Merchandise production as a whole fell back considerably, while services expanded, albeit only moderately. Banking services and transport, storage and communications showed increases. Telecommunications

PANAMA: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	3.5	2.6	0.5
Consumer prices	1.5	0.7	0.7
Terms of trade	2.5	-5.8	0.5
	Percentages		
Urban unemployment rate	14.0	15.2	16.9
Fiscal balance/GDP	-0.7	-1.3	-2.0
	Millions of dollars		
Exports of goods and services	7 096	7 666	7 710
Imports of goods and services	7 832	8 164	7 843
Current account	-1 320	-933	-404
Capital and financial account	1 172	605	-881
Overall balance	-148	-328	-1 284

Source: Statistical Appendix.
[a] Preliminary estimates.

and port services continued to expand, especially the handling of container cargo, with operations from the Caribbean countries being more firmly established in Panama. Although the transit of vessels through the Panama Canal diminished (-2.7%), toll receipts were higher. The number of tourists increased by 3.7% until September and tourist spending was up 6.3%. Electricity generation expanded by 4.2%, with a sharp increase in production from thermal power stations, which compensated for the reduction in hydroelectricity generation due to the drought.

Agricultural production expanded by scarcely 0.6% (1.6% in the previous year) owing to the persistent decline in banana production (-20%), attributable to adverse conditions on the international market and labour problems. Fish ¾especially shrimp¾ catches expanded (16%) but were insufficient to compensate for the setback in livestock production. Manufacturing also contracted (-5%) while the sector sought to adjust to the new conditions imposed by trade liberalization.

Following the completion of sundry road projects, hotels and commercial centres, the construction industry suffered a slump (-15%), which also dragged down ore, concrete and cement production. As a result, the unemployment rate rose to 13.7% in August (compared with 13.3% in the same month of the previous year). There was no nominal increase in the minimum wage.

The low level of inflation (0.6%) reflects the fall in food and beverage prices and in transport and communications rates. Other headings, however, showed increases: clothing and footwear (4.3%), furniture and accessories (2.6%) and medical and health care (2.6%). Wholesale prices declined (-1.1%) owing to the decline in the cost of imports and industrial goods.

The current-account deficit narrowed to US$ 400 million compared with US$ 933 million in the preceding year, equivalent to 4% and 9% respectively. The merchandise trade balance (-US$ 825 million) was partly offset by the surplus on the services balance. However, as the capital account was also in deficit, authorities resorted to bond issues on the international market, which boosted international reserves to over US$ 1 billion.

Merchandise exports grew by just 1.4%, in contrast with 10% in the previous year. Reexports from the Colón Free Zone (over 80% of total) were flat owing to weak demand from the Latin American countries. For their part, national exports increased by 10% between January and September, thanks to larger catches of shrimp (23.8%), shrimp larvae (4.4%) and fish meal and oil (67.9%). Production figures were also stronger for melons (178%), watermelons (130%) and petroleum products (85%). Conversely, banana exports were down (-17%), as were those of coffee (-12.1%) and clothing (-26.4%).

A 4% contraction in imports reflects zero growth in imports into the Colón Free Zone and the fall in national purchases (-10%). With the exception of crude oil, all import categories showed a dramatic decrease: capital goods (-27.7%), food products (-6.1% and intermediate goods (-9.3%). Lastly, foreign investment flows amounted to US$ 250 million , in contrast with the figure of over US$ 600 million in 1999 and 2000, respectively.

THE CARIBBEAN

Barbados[1]

The Barbadian economy, having experienced declines in the second and third quarters of 2001, slipped below its long-term growth trend. Real GDP contracted by 1.5% over the first nine months of 2001 in response to downturns in tradables and slow growth in non-tradables. This contraction contrasts with an average annual growth rate of 3% over the previous eight years. The reduction in economic activity reflected the slowdown in the world economy. The manufacturing sector suffered the effects of trade liberalization as all of the major sub-sectors contracted. Inflation was substantially lower than in the previous year. Uncertainty in the economy sparked by the effects of globalization and the events of 11 September drove liquidity up above the preceding year's level. The fiscal deficit was almost twice as high as it had been in the same period in 2000 and was financed locally for the most part. The slowdown reflected the effects of adjustments in some sectors as they confronted the challenges of trade liberalization.

Real value-added in the tourism sector contracted by 3.2% in the first three quarters of 2001, as compared with a 7.5% increase in the corresponding period of the previous year. The decline in real tourism output reflected a reduction in long-stay arrivals, which fell by 4.9% for January-September 2001 after an expansion of 6.6% in the corresponding period of 2000. The relatively poor performance of tourism resulted from continued competition from other destinations and an economic decline in the source markets for the country's tourism.

The 50,000-ton sugar crop in 2001 was 14.7% lower than the previous year's. Despite lower output, Barbados just managed to meet its contractual obligations to the European Union. Non-sugar agriculture decreased by 5.1% during the first nine months of 2001, as reductions in the output of fish and chicken more than offset an increase in the production of milk.

The manufacturing sector suffered the effects of trade liberalization, with decreases in all of the major subsectors. Output for the sector as a whole fell by 7.6%.

[1] This report is based on information provided by the Central Bank of Barbados.

BARBADOS: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	3.1	3.0	-1.5
Consumer prices	2.6	3.8	0.3
Real effective exchange rate[b]	-0.5	0.0	-0.8
	Percentages		
Unemployment rate	10.4	9.3	10.0

Source: Statistical Appendix.
[a] Preliminary estimates to end of third quarter.
[b] A negative rate indicates an appreciation of the currency in real terms.

Value-added in the food-processing subsector fell by 5.8%, while wearing apparel dropped by 26.2%. Beverages declined by 6.4% and chemicals by 2.7%.

Construction activity increased by an estimated 2.3% in the first three quarters of 2001, following a marginal decrease in the corresponding nine months of the previous year. The performance of this sector was strongly influenced by activity in commerce and tourism-related projects and by a number of large government infrastructure projects.

Other non-tradables sectors that registered growth were transportation, storage and communications, and business and other services. Output in the wholesale and retail subsectors is estimated to have contracted by 1.4% owing to reduced activity in tourism and the other tradables. Output from mining and quarrying was also down, mainly because of the temporary suspension of drilling of new wells.

By October 2001, the annual rate of inflation as measured by the retail price index was 0.3%. This rate reflects the steady decline recorded since August 2001.

Data for the first nine months of 2001 indicate that the number of new licenses issued to international business service companies was lower than in the corresponding period of 2000. During the review period, 189 companies were registered as opposed to 371 in 2000. Employment was down in manufacturing, construction, distribution and tourism, and gains in employment in finance, insurance and other services failed to offset the losses in other sectors.

The unemployment rate at the end of June 2001 was some 10%. This compares with the 9.3% figure recorded at the end of 2000. The female unemployment rate increased from 11.3% to 11.8%, while the male unemployment rate rose from 7.4% to 8.3%.

For the period January-September 2001, the Government recorded a deficit of BDS$ 140 million, which was about twice the size of the deficit for the corresponding period of 2000. This was attributable to a decrease in receipts and the upswing that was seen in current and capital expenditure as the effect of slacker economic activity worked itself through the country's accounting system. Government current expenditure had increased by 7.9% by September 2001. Spending on goods and services rose by some 17.2%, while interest payments climbed by 8% owing to the country's larger stock of external debt. Wages and salaries declined by 1.2%. Expenditure on the government capital works programme expanded by 14.8% as work continued on a number of projects.

Most of the fiscal deficit was financed by domestic sources. Commercial banks provided BDS$ 54.9 million, while the National Insurance Scheme and private non-banking institutions expanded the level of credit they extended to government bodies, with holdings amounting to BDS$ 43 million in government securities.

For the first nine months of 2001, the economy's liquidity remained relatively high. Excess liquidity was approximately 11.5% at the end of September, as compared with a rate of 7.7% at the end of December 2000. As a result, the treasury bill interest rate had fallen to 2.7% by the end of September, down from 3.9% at the end of December 2000. Domestic deposits expanded by BDS$ 185 million. On the other hand, credit to the private sector rose by BDS$ 24 million as growth in loans to the construction, tourism, manufacturing and personal services sectors outstripped the reductions in loans to agriculture and distribution. The lower rate of credit to the agricultural sector was matched by lower output.

The central bank lowered the minimum deposit rate from 4% to 3.5%, the discount rate from 9.5% to 8.5%, and the reserve requirement from 6% to 5% of deposit liabilities. It also set indicative lending rates which required the weighted average lending rate to be no higher than 10% by 1 August 2001 and no higher than 9.5% by 1 September 2001.

A small current account surplus of some BDS$ 0.3 million was recorded, in contrast to the deficit of BDS$ 3.6 million posted for the corresponding period of the previous year. This outcome was the result of a 10% drop in retained imports. Imports of capital and consumer goods declined while tourism earnings remained almost constant. Domestic exports fell by 12.4% as higher earnings from food and beverages and from electronic components were offset by lower inflows from chemicals and sugar. The surplus on the capital and financial account of the balance of payments was estimated at BDS$ 133 million, which was less than one-third of the figure for the corresponding period of the previous year.

Net international reserves of the central bank stood at BDS$ 1.1 billion at the end of September, which represented an increase of BDS$ 137.6 million over the December 2000 figure. Liquid foreign assets represented 27 weeks' worth of imports at the end of September 2001.

Belize

During the first semester of 2001, declining export prices and the disruption of agricultural production in the wake of Hurricane Keith, which struck the country in late 2000, negatively impacted the performance of external sales; these factors accounted in part for the 12.4% decline in the total value of exports. Imports were also down, but by a smaller amount, and the trade deficit consequently widened. Whereas stay-over tourist arrivals increased somewhat, cruise ship arrivals fell. Consumer prices increased by 1.7%.

Sugar-cane production declined by 9.1% in the first six months of 2001 as compared to production in the corresponding period of 2000. This is attributable to poor farming practices and damage to sugar-cane fields caused by Hurricane Keith. As a result, sugar production and exports also fell. Exports of sugar for the first half of 2001 amounted to 63,816 long tons as compared to 83,717 long tons one year earlier. Deliveries of oranges and grapefruit for the period from October 2000 to June 2001 topped the previous year's figure by 2.3% as young groves reached harvest maturity.

Sugar production decreased by 13.2%, owing to the decline in processing volumes and relatively significant reductions in factory time efficiency. Molasses production also contracted.

Citrus products in the form of concentrate and pulp turned in a mixed performance. The production of orange concentrate increased in the period from October 2000 to June 2001, thus improving upon its performance of one year earlier, and grapefruit concentrate posted an 8.5% increase over a similar period. The production of orange and grapefruit pulp for the period October 2000-June 2001 was also higher than the year before.

For the first six months of 2001, stay-over arrivals increased by 0.2% over the figure for the same period of 2000. A slight increase in seaport arrivals offset a reduction in visitors entering through land border crossings. The main source markets for stay-over tourists continue to be the United States and Europe, which accounted for approximately 66% and 11% of the total, respectively. Arrivals began to slow, however, as a result of the economic downturn in those markets and the financial difficulties being experienced by one of the cruise lines that calls at Belize. Nevertheless, the outlook was for a resumption of cruise ship arrivals in the latter part of the year.

Between February and May 2001, the consumer price index rose by 0.6%, with significant increases in transport and communications and in personal care. The implementation of a common external tariff (CET) reduced import duties and contributed to the price declines observed in clothing and footwear, household goods and maintenance, and recreation, education and culture. The annualized rate of inflation from May 2000 to May 2001 (1.7%), is largely a reflection of the increase in fuel costs.

Over the first half of the year, monetary growth was largely driven by an 8.7% (BZ$ 71.2 million) expansion in net domestic credit. M1 rose by 24%, an increase far in excess of the average growth rate of 9.8% recorded over the same period of the previous two years. Contrasting with the rapid growth of M1, quasi-money contracted by 2.7% to BZ$ 17.5 million as excess liquidity and low interest rates prompted a reduction in time deposits of some BZ$ 39.1 million. Time deposit holdings by individuals, cooperatives, credit unions and private financial institutions declined by BZ$ 44.8 million. Savings deposits rose by BZ$ 21.6 million, with individuals accounting for 79.2% of the increase. Over the first half of 2001, the net foreign assets of the banking system rose slightly (by BZ$ 0.6 million), with a BZ$ 6.8 million improvement in the net external position of commercial banks slightly outweighing a BZ$ 6.2 million decline in the central bank's net foreign assets.

During the period from January to June 2001, the central government's domestic debt rose by BZ$ 17.8 million to BZ$ 189.7 million. As there were no disbursements or new issues of securities, the expansion of the debt was attributable to an increase of BZ$ 18.5 million in its overdraft with the central bank; amortization payments on that credit exceeded BZ$ 0.7 million.

For the first half of 2001, the total volume of international trade was down from the previous year's level. Gross imports fell by 7.4% to BZ$ 468.8 million, while poor market prices and bad weather resulted in a 14.3% drop in the value of total exports, which slipped to BZ$ 209.9 million. The trade deficit widened by BZ$ 6.8 million to BZ$ 217.1 million. Domestic exports fell from BZ$ 245.1 million for the period from January to June 2000 to BZ$ 209.9 million, as export performance weakened under pressure from exogenous shocks. Sugar exports declined in value as production losses caused by Hurricane Keith in late 2000 were reflected in smaller export shipments, especially to the European Union. Banana exports also fell in value after adverse weather conditions reduced yields and hence export volumes. The decline in the value of citrus shipments from BZ$ 100.2 million to BZ$ 78.7 million is attributable to the mix of juices shipped. Marine products increased in terms of export value as investments in the shrimp-farming industry boosted output and export volumes.

Cuba

Economic growth in Cuba slowed to 3% in 2001 owing to a weak performance by the sugar industry and a decline in foreign currency inflows, which restricted the country's import capacity. Although exports exceeded imports in terms of volumes and despite an improvement in the terms of trade, the balance-of-payments current-account deficit widened (to 2.5% of GDP, compared with 2.1% in 2000), following a decrease in remittances by family members abroad and an increase in net factor service payments.

Although the official rate of exchange remained fixed, the national currency lost value against the dollar on the open market, the events of 11 September having led to a decline in foreign currency inflows. The monetary overhang expanded to 36% of GDP and the fiscal deficit grew slightly (2.5% of GDP compared with 2.2% in 2000), since income declined faster than expenditure. Nevertheless, inflation was barely 0.5%, thanks to the stability of regulated prices and to a general fall in prices attributable to increased supply on the open market.

The authorities concentrated on the constraints caused by the shortage of foreign exchange, which started to become more acute in September. In fact, investments were frozen, tourist facilities temporarily closed, imports restricted and budget adjustments made, especially in dollars. The situation was further complicated in early November, when Hurricane Michelle struck the centre of the island causing direct and indirect damage estimated at over US$ 1.5 billion (5% of output).

In terms of the fiscal position, current revenues fell (-3.7%) while capital revenue increased (7.9%). Non-tax revenue contracted more sharply (-12.9%) than tax revenue (-1.1%). The latter included an increase in direct revenue (7.4%) whereas indirect revenue diminished (-7%), as a result of the reduction in circulation and sales taxes (-13.4%).

On the expenditure side, current expenditure contracted (-3%), reflecting a reduction in subsidies to State-owned corporations. Nevertheless, there were increases in expenditure for culture and the arts, defence and internal order, administration, education and social welfare. Meanwhile, capital expenditure remained at the same level as in 2000.

The external public debt, not including debt contracted with member countries of the now defunct Council for Mutual Economic Assistance (CMEA), was almost the same as in the previous year (US$ 10,960,000), or 35.6% of output calculated at the official rate of exchange. The majority of these loans were government-insured export credits (33% of total), inter-government loans (17%) and medium- and long-term bilateral and syndicated loans (16%).

Reform of the financial sector, which now includes more than 20 new institutions, was consolidated and a new system of charges and payments was established to improve financial discipline and expedite the settlement of outstanding debts between national corporations.

Further progress was made with economic reforms designed to enhance the corporate structure of public entities and open up the economy to foreign investment. Thus, 300 State-owned companies were covered by the corporate reforms, while the process of opening-up has been extended to 405 joint-venture companies and contracts (395 at the end of the previous year). In total, committed capital investments amount to about US$ 5 billion, of which half has already been disbursed.

Total supply grew (3%) reflecting an increase in output (3%) and an upturn in imports (2.8%). On the demand side, external and domestic demand grew at similar rates (2.9% and 3% respectively). The increase in investment (4.4%) exceeded growth in consumption (2.8%); of the latter, growth in government investment (3.5%) was stronger than private investment (2.4%). The priority was given to capital formation in the energy sector, as well as in nickel, the sugar-based agro-industry, shrimp farming, tourism and telecommunications. There was a slight improvement in the quality of the food distributed through regulated consumption (ration books).

With respect to individual sectors, strong growth was observed in construction (6.7%) and mining 3.4%. Growth in construction is attributable to the work carried out in sectors that are part of the foreign currency circuit and to the start of reconstruction work following the hurricane. Growth in manufacturing (2.4%) is in keeping with the level of activity in 14 of the 21 branches of the sector, notably in the fuel industry, non-ferrous metals, electronics, paper, food and beverages, and tobacco.

Nickel production was at a record high (75,000 tons), showing a 5% increase over the previous year's figure; meanwhile, growth in the energy sector made it possible to expand coverage of basic services: 78,000 persons were connected to the gas supply and 40,000 households to the electricity grid.

However, sugar production was down in the 2000-2001 harvest (3.5 million tons). This decline, together with the slump in fish catches, caused a slowdown in the agricultural sector, which showed barely 1.4% growth (compared with 11.5% in 2000). Increases were recorded in the production of foodstuffs, coffee and tobacco.

Tourism boomed in the first eight months, but took a definite downturn in September; in response to this, authorities decided to adjust the volume of supply rather than prices. Thus, they took advantage of the temporary closure of 20 hotels (of a total of 225) and one third of the island's 36,000 rooms to commission repairs or remodeling of hotel facilities and to retrain the labour force, while launching a more intensive international campaign to promote Cuba as a tourist destination.

CUBA: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	6.8	5.5	3.0
Consumer prices	-2.9	-3.0	0.5
Nominal parallel exchange rate	-4.8	5.0	7.1
	Percentages		
Unemployment rate	6.0	5.5	4.5
Fiscal balance/GDP	-2.2	-2.2	-2.5
	Millions of dollars		
Exports of goods and services	4 295	4 763	4 893
Imports of goods and services	5 041	5 599	5 651
Current account	-462	-687	-758
Capital account	485	717	770

Source: Statistical Appendix.
[a] Preliminary estimates.

Perseverance with the price control policy and increased supply on the open agricultural markets kept inflation down to 0.5%. The unemployment rate declined for the sixth consecutive year (this time, to stand at 4.5%), at a time when labour productivity was growing and real wages were stronger.

Export earnings from the sale of goods and services increased by 2.7%, reflecting higher volumes of nickel –which actually fell in price– and of non-traditional exports, including tourism services and telecommunications. Sugar shipments decreased in volume, but prices had rallied.

The value of imports rose by 0.9%, owing mainly to the greater volume of foodstuffs purchased abroad, since oil purchases showed practically no variation.

Net current transfers declined reflecting a decrease in family remittances. Overall, the level of net current transfers received (US$ 750 million) were in balance with net factor service payments, so that the balance of payments current-account deficit (US$ 758 million) was equivalent to the trade deficit in goods and services. This deficit was more than offset by the surplus on the current account (US$ 770 million), leaving US$ 12 million to add to international reserves.

Haiti [2]

The poor performance of the Haitian economy has been cause for disquiet for the third consecutive year. GDP has declined by almost 1 percentage point, inflation slowed considerably (9.5%) and the fiscal deficit remained high at 2.8% of GDP, slightly more than the balance-of-payments current-account deficit. The evident weakening in all productive sectors was aggravated by the uncertain political outlook and by the economic slowdown in the United States, and, together with the highly unstable political situation, augurs ill for the year 2002.

Restrictions in external financing persisted despite the efforts of the international community, headed by the Organization of American States (OAS), to achieve a negotiated settlement to the post-electoral conflict of the previous year. In addition, the advisory mission from the International Monetary Fund (IMF) was unsuccessful in concluding a new Staff Monitored Program (SMP) with the Haitian authorities, following the suspension of the prior agreement for non-fulfilment of the established quantitative criteria.

The external bottleneck and the internal recession restricted the authorities' margin for manoeuvre with respect to their economic policy. Meanwhile, fiscal revenues fell by 12% in real terms and expenditure contracted by 9%. In spite of the increases applied in the previous year to local prices for petroleum products, the replenishment of related tax resources did not materialize and losses under this heading remained significant (over 900 million gourdes).

The central bank continued to bear almost the full burden (94%) of the fiscal deficit, equivalent to 2.8% of GDP, while its contribution declined by 9%. Unlike the situation of the preceding years, this financing reflected a shift in capital expenditure towards current outlays in order to avoid an even greater deterioration in government accounts. Capital expenditure shrank by 40% in real terms. Government external debt payments contracted sharply, which extended the vicious circle of non-payments and undisbursed commitments and pushed up cumulative arrears to US$ 18.7 million.

Monetary authorities intensified liquidity control measures. In June, they raised the legal reserve ratio to 31% and altered the form of provisioning for such reserves. In the case of dollar liabilities, 70% of this fund must be set up in foreign exchange and the remaining 30% in national currency, which is the opposite of the previous situation.

At the end of the fiscal year, total liquidity in the economy (M3) contracted by 6% in real terms, largely as a result of the withdrawal of nominal amounts of dollar liabilities (67%), of term deposits in national currency (16%) and of narrow money (M1) (17%). The actual money supply in September 2001 reflected a 4% increase in real terms, owing to the strong expansion of loans from the banking system to the Government (15%), while credit to the private sector declined by 18%.

The annual average exchange rate of the gourde reflected a 21.7% devaluation against the dollar. Although the decline was sharper in the last few months, the Banque de la République d'Haïti had to refrain from intervening on the foreign exchange market as its reserves were extremely low. In fact, gross external assets declined and owing to external constraints, no new debts could be contracted.

All the components of total demand have shown a downward trend. Investments fell (-2.5%), since the contraction of public-sector investments could not be

[2] The period under consideration refers to fiscal year 2000-2001, starting in October 2000 and ending in September 2001.

HAITI: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	2.4	1.3	-0.9
Consumer prices	9.7	19.0	9.5
Real effective exchange rate [b]	-4.8	12.3	0.5
Terms of trade	-1.5	-7.6	-3.1
	Percentages		
Fiscal balance/GDP	-2.5	-2.6	-2.8
	Millions of dollars		
Exports of goods and services	528	500	457
Imports of goods and services	1 169	1 276	1 227
Current account	20	-74	-90
Capital and financial account	1	28	91
Overall balance	21	-46	1

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

offset by the private sector, the latter preferring to wait for signs of an improvement in the political situation; in addition, interest rates were high (28% for loans in gourdes and 15% for those in dollars).

Consumption declined by 1% owing to the weak demand for labour and the decline in real income (the minimum wage fell by 14%) in an economy where a high percentage of the people are poor.

The contraction (-5%) in the maquila garment industry, attributable to the slowdown in the United States and to a structural lag in adjusting to the new hiring conditions (full processing) affected exports as a whole (-0.8%).

Favourable weather conditions prompted forecasts of an upturn in the agricultural sector, which accounted for almost one third of output; however, this upturn was insufficient to reverse the overall economic decline. Gross electricity generation diminished by 28%, with clear proof of damage to productive activities and households.

During the fiscal year, average inflation was high (18%), but diminished towards the end of the year (9.5%), largely as a result of the attenuation in the rate of devaluation and the increases in domestic prices for petroleum products.

The balance-of-payments current account showed a negative balance of the order of US$ 90 million. In spite of this decline, remittances (US$ 588 million) performed a key role to avoid a major deterioration faced with the reduction in external grants. Part of this deficit was financed using the limited foreign assistance funding available: net disbursements amounted to barely 11.3 million dollars; extraordinary funding came from the accumulation of arrears (US$ 19 million) in interest payments on the external debt.

The trade balance remained virtually unchanged: exports contracted by 8%, while imports diminished by 3%, owing largely to a sharp decline in hydrocarbons both in value and volume terms (-12% and -17%, respectively). Once again, the terms of trade showed a deterioration of close to 9%, despite a slight variation (0.9%) in crude oil prices on the international market, since national prices for imports of refined products increased by 5%.

Exports from the textile maquila industry declined both in value terms (-6.4%) and in terms of volume (-5%), while the slump (-30%) in coffee prices on the international market worsened conditions in this sector. Exports of non-traditional products (mangoes) were down 50%.

Owing to the restrictions maintained by virtually the whole international financial community and by donors, there was only a minimal variation (2%) in the net external debt balance (US$ 1,188,000). Disbursements barely amounted to US$ 34.8 million, while debt servicing and repayment (US$ 23.5 million) declined considerably.

Jamaica[3]

It is estimated that GDP increased by over 3.5% during the first nine months of 2001 compared to the same period of 2000, as output in the mining industry rebounded to normal levels after the Gramercy accident. All of the other major sectors except electricity and water and miscellaneous services recorded increases. Consumer prices rose by 8.3% between January and October 2001, while central government operations showed a fiscal deficit of J$ 2.6 billion.

Increases in output were posted for agriculture, forestry and fisheries, manufacturing, and transport, storage and communications in the first semester of 2001. Growth rates slowed in these industries in the third quarter, however, when compared with their performance in the first half of 2001. A lower level of real output in the electricity and water sectors is attributable to problems at generating plants that drove down the level of electricity generation. Slower growth rates for miscellaneous services reflect a drop in output for hotels, restaurants and clubs as tourist arrivals declined.

Agricultural production had shown a 10.3% increase in January-September 2001 over the corresponding period of 2000 due to an almost fivefold increase in the volume and value of the sugar cane produced. The floods of October 2001 are thought to have eroded that increase, however, and the forecast is therefore that production will remain at its 2000 level.

The increase in the production of sugar cane was primarily responsible for the improved performance reflected in the export-crop subindex. The upswing in output was a consequence of the deferral of milling operations, which influenced production figures. For the crop year November 2000/September 2001, some 2.2 million tons of sugar cane were milled, yielding 204,478 tons of sugar. One of the factors underlying these statistics was the yield in terms of tons of cane to tons of sugar.

The mining sector continued to recover as bauxite and alumina production increased.

Construction and infrastructure works continued to record significant increases. Residential construction rose largely in response to the Government's Settlement Upgrading Programme. Activity in non-residential construction was spurred by major infrastructure projects undertaken by the Ministry of Transport and Works.

In the services sector, tourism slackened its pace of growth owing to a continued reduction in cruise ship arrivals and a slowdown in the rate of growth of stopover visitors as the slowdown in the United States economy continued and as negative reports on safety conditions in the country were carried on major news networks.

JAMAICA: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	0.7	0.5	1.5
Consumer prices	6.8	6.1	7.6
Real effective exchange rate[b]	-7.6	2.3	-2.4
	Percentages		
Unemployment rate	15.7	15.5	...

Source: Statistical Appendix.
[a] Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

[3] The present description of main aspects of the Jamaican economy was prepared from the third quarter analysis as presented by the Planning Institute of Jamaica.

Financial services continued to expand at a significant rate. Growth in the sector is attributable to an ongoing recovery in the banking and insurance industries.

In basic services, although sales and generation in the electricity, light and power subsector continued to climb, they did so more slowly than before as a consequence of the generation problems being experienced by the Jamaica Public Service Company. Water production fell by 3.4% compared to the corresponding period in 2000. The reactivation of the financial services sector was fuelled by improved supply conditions in the credit market, stronger demand for insurance-related products (as evidenced by an increase in the number of policies being sold) and the continued recovery of the stock market.

Government consumption expenditure is estimated to have increased by less than 1% in real terms, in part because of higher wages.

The devastation caused by flooding in the Portland and St. Mary areas have put additional pressure on the production and service sectors to meet their growth target of 4.5% in 2001. The drop in tourist arrivals in the wake of the September 11th attacks on the United States has resulted, as an immediate response, in hotel occupancy rates of some 11% ¾less than one-third of the normal occupancy rate. The available information indicates that occupancy rates are on the rise, however, and some increase in arrivals is expected in the last month of the year. A decline in cruise ship calls has hurt the industry's performance. The floods and the reaction to the September 11th attacks have put pressure on government expenditure. The floods had a particularly strong impact given the need to provide emergency financial support to victims in Portland and St. Mary. A fiscal deficit is therefore forecast for 2001.

Between January and September 2001, the overall performance of the manufacturing sector improved by 2.5% as compared to the corresponding nine months of 2000. A significant factor behind this performance was the return to normal operations at the Petrojam refinery, which led to a 27.3% increase in petroleum production.

Consumer prices increased by 8.3% between January and October 2001, the largest jump in the last three years. This relatively high rate of inflation reflected cost-push effects as well as seasonal increases in domestic food-crop prices.

For the 12-month period to July 2001, M1 grew by 13.5%, while quasi-money expanded at a rate of 7.8%. Total M2 increased by 9.7% on an annual basis. Growth in time deposits continued to outstrip the expansion of savings deposits, as investors moved into higher-yield interest-bearing accounts. Domestic credit continued to expand, with credit to the public sector increasing by 17.8% and credit to the private sector by 8.7%.

The central government's fiscal operations generated a deficit of J$ 2.6 billion during the third quarter of 2001. This contrasted sharply with a surplus of J$ 333 million in the corresponding quarter of 2000. The fiscal outturn was, however, somewhat better than the programmed deficit of J$ 3.4 billion as steps were taken to curtail government expenditure on capital projects and programmes by 49.5% and 23.3%, respectively. There was also a reallocation of funds in an effort to meet the established fiscal targets while dealing with some degree of social unrest in July 2001. Total expenditure stood at J$ 28 billion and was 4.3% less than the sum budgeted for the period. When compared with the outturn for the corresponding period of 2000, total expenditure for the quarter was 14.1% greater. This increase was accounted for by an upswing in recurrent expenditure amounting to some 16.8% as the government wage bill rose by J$ 11.2 billion.

The country's balance-of-payments position improved in January-July 2001, with a build-up in net international reserves of US$ 556 million. The positive balance-of-payments outturn was due to large inflows on the financial account and reflected increases in both official and private investment. Official investment climbed to US$ 423.9 million, thanks to the government's receipt of US$ 400 million from a Eurobond issue. Private investment increased by 4.3% as the government received the final payment from the sale of the Jamaica Public Service Company. The capital account moved from a surplus of US$ 2.8 million to a deficit of US$ 8.4 million.

The current account registered a deficit of US$ 224.7 million for January-July 2001. The trade deficit increased by 18.5% as the net effect of an upturn in the value of imports and a decline in that of exports.

The income account was less favourable than it had been in the corresponding periods of 1999 and 2000 as multinational corporations increased their profit remittances. The services and current transfers accounts remained positive. The improved position of the services account was due to the travel component of that account and reflected increased earnings from the tourism sector up to the end of July 2001.

Dominican Republic

The GDP growth rate slowed to 3% in 2001 (7.8% in the previous year), owing to an adjustment policy applied at the beginning of the year and the entry into force of fiscal and tariff reforms. The tax reform put pressure on prices, but their monthly fluctuations diminished, so that the variation was about 5%, which is less than in 2001. The performance of the external sector was characterized by dampening of trade in goods and services and continuity of the foreign direct investment flows. The slowdown of the United States economy had a negative impact on employment and external sales. The economy showed signs of a strong recovery however, as of the third quarter, boosted by a successful placing of sovereign bonds, although the events of 11 September were prejudicial to tourism.

The tax reform made it possible to increase fiscal pressure, maintain stability in the fiscal accounts and make a timely contribution to external debt repayments. This provided a basis, in the second half of the year, for implementing a monetary policy aiming to reduce nominal interest rates with a view to boosting the economy.

The fiscal result was surplus (1% of GDP), as a result of the tax reform. This increased receipts, despite the reduction (-10%) in income from external trade, deriving from the tariff reform. The growth rate of tax income rose to 25% (1% in the previous year) and the tax burden increased from 13.7 to 16.1% of GDP. Current and capital costs maintained their share of GDP.

The tax reform included the increase from 8% to 12% in the tax rate on transfers of goods and services, an advance income tax payment of 1.5% of the gross monthly income of commercial establishments, and the increase in selective taxes. New legislation on oil and gas was also implemented, with a selective fixed tax per gallon of fuel consumed. The tariff reform simplified the structure of import duties and reduced the tariff ceiling from 35% to 20%.

As the fiscal balance was maintained, a flexible monetary policy was possible for most of the year, based on reducing the nominal interest rates; the debt of the Central Bank was also reduced through absorption of participation certificates. The weighted average of nominal loan rates decreased from 29.3% in January to 23.5% in October, and the average for deposit rates fell from 18.8% to 12%.

The revitalization policy was complemented, towards the end of the year, by the issuing and placement of sovereign bonds for a total of US$ 500 million, payable in five years at an annual interest rate of 9.5%. Of this total, 79% of the bonds were placed with United States companies, 20% with European investors and the remaining 1% in Latin America. The income from this government issue was allocated to infrastructure works.

The marked slowdown in growth was the result of the adjustment measures implemented between August 2000 and January 2001, which had a negative impact on investment and consumption. In the last four months of the year, however, there were signs of a recovery, owing to the lowering of interest rates and the favourable prospects for income from the sovereign bonds issue.

Agricultural production grew by 4%, despite a setback for some crops. Manufacturing (-2.3%) was affected by the fall in internal demand and the increase in production costs due to the rise in fuel prices. The

DOMINICAN REPUBLIC: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	8.0	7.8	3.0
Consumer prices	5.1	9.0	5.3
Real effective exchange rate [b]	4.2	-1.7	-5.7
Terms of trade	0.9	-1.9	-1.0
	Percentages		
Unemployment rate	13.8	13.9	15.2
Fiscal balance/GDP	-0.5	1.1	1.0
	Millions of dollars		
Exports of goods and services	7 987	8 964	7 989
Imports of goods and services	9 289	10 852	9 802
Current account	-551	-526	-564
Capital and financial account	592	979	1 862
Overall balance	163	-48	580

Source: Statistical Appendix.
a Preliminary estimates.
[b] A negative rate indicates an appreciation of the currency in real terms.

final price of some goods increased as a result of the reform of selective taxes, which eroded the real income of consumers.

Activity in the export-processing zones lost momentum owing to the reduction in sales of textile manufactures to the United States market. Employment in the export-processing zones declined owing to the deteriorating international situation and the use of more capital-intensive production processes.

Affected by the global slowdown, and then by the events of 11 September, tourism stagnated, following the 16% growth rate in 2000.

Inflation remained at around 8% until September, this result being mainly due to the one-time impact of the fiscal measures adopted at the beginning of the year, which in January alone resulted in an increase of 2.5% in consumer prices. On the other hand, in the fourth quarter, the CPI fell significantly to around an annual 5%. Sound economic management and the depressed internal situation prevented an increase in inflationary pressures. The temporary suspension of the liquid-gas subsidy also affected the rise in prices.

The slowdown of the economy pushed unemployment to over 15% (13.9% in 2000), resulting in an increase in social expenditure. Recent measures to stimulate economic and social development in economically depressed areas, the establishment of a minimum salary in those areas, and, above all, the multiplier effect expected from the use of resources from sovereign bonds may manage to revert the trend of rising unemployment.

The global balance of payments was positive, as the economic slowdown caused a drop in imports, which reduced the gap in the current account by the equivalent of 3% of GDP (5.2% in 2000). Foreign direct investment flows (US$ 900 million) also contributed to this result.

Exports of goods were affected by the fall in international prices of traditional products and the lack of growth in external demand. With the aim of boosting export growth, the dismantling began in October of the exchange commission on purchases of foreign currency. The first steps were also taken towards the unification of the exchange market, so that traditional exporters would no longer have to offer their foreign currency to the Central Bank at the official exchange rate. Lastly, a compensation fund for coffee production was created using resources obtained from the sovereign bonds.

The decrease in the surplus of the non-factor services balance reflected the performance of tourism. Despite the unfavourable international context, remittances remained an important source of financing for the current account deficit (6% of GDP).

The result of the financial and capital account (US$ 1,850 million) was sustained by foreign direct investment flows similar to those of the previous year. The investments were in electricity, tourism and communications. The resources resulting from the sovereign bonds issue reinforced the effect of foreign direct investment flows on the global result of the balance of payments; at the same time, they represented an increase in the country's external debt.

Trinidad and Tobago

GDP growth for the first two quarters of 2001 was 1%. During the first nine months of the year, consumer prices rose by 2.2%. Fiscal accounts continued to reflect a better-than-expected performance in the second quarter, since expenditure remained below projections while revenues continued to benefit from higher-than-budgeted oil prices. Monetary conditions in the second quarter were generally very liquid as short-term technical considerations restricted the central bank's ability to conduct open market operations; credit growth was fairly slack.

The marginal improvement in economic growth was associated with the recovery in the petroleum sector, which expanded by 3.3%. Other sectors such as manufacturing, government services, other services and construction experienced either a slowdown or an outright contraction, but agriculture, distribution, finance and electricity and water strengthened. Overall, growth in the non-petroleum sector slowed but, when measured on a year-on-year basis, the economy nonetheless expanded by 4% in the first half of the year. The petroleum sector was the major driver of growth in the second quarter as the rate of expansion of the non-petroleum sector slowed. Some weakening in the non-petroleum sector of the economy became apparent in the second quarter when declines were registered in manufacturing (1.4%), government services (5.5%) and other services (4.3%). Distribution and finance remained major areas of strength, with rates of 5.8% and 5.4%, respectively. Agricultural output expanded by 5.1%.

Despite an uneven performance by industrial sectors, production was up by 4% in the first half of the year. Growth was fairly well balanced between the petroleum (3.4%) and non-petroleum (4.1%) sectors, with agriculture being the only sector to register a contraction (-19.1%) for the first half of 2001 despite an upturn in the second quarter.

The sugar industry experienced a number of problems during the second quarter of 2001, which made it necessary to shut down one plant for two weeks. As a result, sugar output amounted to just 26,600 tons in the second quarter, or about half the level produced in the corresponding quarter of 2000. Exports totalled 32,400 tons, which was 25.7% below the volume shipped in the second quarter of 2000.

The year-on-year inflation rate to September 2001 was 5.8%. The food component of the index exhibited an increase of 17.3% and thus continued to be the major source of upward pressure. The non-food components of the index reflected no more than a marginal increase.

The central government registered a surplus of TT$ 1.156 billion during the first six months of 2001. This hefty surplus was expected to decline by the end of the fiscal year, however, owing to a projected increase in expenditure. This outcome stood in sharp contrast to a projected budget deficit of TT$ 701 million. Strong

TRINIDAD AND TOBAGO: MAIN ECONOMIC INDICATORS

	1999	2000	2001[a]
	Annual growth rates		
Gross domestic product	7.8	5.0	1.0
Consumer prices	3.4	5.6	5.8
Real effective exchange rate[b]	-5.7	-4.1	-7.2
	Percentages		
Unemployment rate	13.1	12.5	...

Source: Statistical Appendix.
[a] Preliminary estimates to the end of the third quarter.
[b] A negative rate indicates an appreciation of the currency in real terms.

revenue growth came from both the oil and non-oil sectors, with the Government's oil revenues in the first semester of 2001 amounting to TT$ 2.685 billion.

Outside the oil sector, better collection measures helped to raise corporate tax receipts by 21.8%. Personal income tax receipts jumped by 70% thanks, in large part, to payments of arrears to some categories of public-sector employees, as well as to improved collection procedures.

In addition to running up a sizeable surplus for the quarter, the Government borrowed TT$ 676 million on the domestic market. Consequently, during this period the Government's balance with the central bank rose by over TT$ 1.5 billion; TT$ 376 million of its total borrowings were sterilized by the central bank, however.

The public sector external debt fell by US$ 1 million to US$ 1.656 billion in the second quarter of 2001. The external debt profile therefore showed little change, with United States dollar-denominated debt accounting for about 94% of the total debt stock.

Conditions in the financial system fluctuated but remained generally liquid in the three-month period ending in July 2001. In attempting to smooth out these fluctuations and to soak up liquidity, the central bank relied mainly on repo operations, since its ability to conduct open market operations continued to be constrained by a lack of available securities. The existing level of liquidity exerted downward pressure on interest rates, and this trend was reinforced when, in mid-May, the central bank lowered the reserve ratio for commercial banks from 21% to 19%.

In contrast to the situation a year earlier, when similar monetary conditions had fuelled a strong demand for foreign exchange, there were no signs of pressure in the local foreign-exchange market. Indeed, against the background of sharply falling United States interest rates, this market was remarkably stable during the first seven months of 2001, with inflows surpassing the levels seen in the corresponding period of 2000 by more than 40%. As a result of strong demand for the TT dollar, the selling rate of the United States dollar slipped from TT$ 6.30 at the end of 2000 to TT$ 6.17 by the end of July 2001.

Preliminary data indicate that the domestic money supply exhibited strong growth despite a much more moderate expansion in credit. In particular, the narrow money supply (M1A) expanded by 31.4%, which was a sharp upswing from the rate of 14.1% seen at the end of 2000. The year-on-year increase in the broad money supply (M2) was also significantly larger than the rate of 6.9% recorded in 2000, but this was not matched by changes in the level of outstanding bank credit. Credit to the private sector reflected a year-on-year increase of 6.3% in July, while total commercial bank credit rose by 5.3%. The slow growth of credit relative to the increase in bank deposits was mirrored in the accumulation of liquidity in the financial system and the weakening of domestic interest rates.

In the first semester of 2001, Trinidad and Tobago's merchandise trade balance yielded a surplus of TT$ 4 billion, whereas the surplus for the same period of the preceding year had been TT$ 2.756 billion. The current account posted a surplus of 4.7% of GDP in the first quarter of 2001, compared with a surplus of 1.9% in the previous quarter.

As of the end of August 2001, net foreign reserves stood at US$1.715 billion and the country's gross foreign assets amounted to US$ 430 million. This sum represented an estimated import cover of 5.7 months, compared to an import cover of 5.2 months at the end of 2000.

STATISTICAL APPENDIX

Table A - 1

LATIN AMERICA AND THE CARIBBEAN: TOTAL GROSS DOMESTIC PRODUCT

(Percentages based on values at 1995 prices)

	Annual growth rates									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [a]
Latin America and the Caribbean	**3.0**	**3.5**	**5.2**	**1.1**	**3.7**	**5.2**	**2.2**	**0.4**	**4.1**	**0.5**
Subtotal (20 countries)	**3.0**	**3.6**	**5.2**	**1.1**	**3.7**	**5.2**	**2.2**	**0.3**	**4.1**	**0.5**
Argentina	9.6	5.9	5.8	-2.9	5.5	8.0	3.8	-3.4	-0.6	-3.8
Bolivia	1.7	4.3	4.8	4.7	4.5	4.9	5.2	0.4	1.8	0.0
Brazil	-0.3	4.5	6.2	4.2	2.5	3.1	0.1	0.7	4.5	1.7
Chile	10.9	6.6	5.1	9.0	6.9	6.8	3.6	-0.1	4.9	3.0
Colombia	3.7	4.6	6.1	5.2	2.1	3.4	0.5	-4.1	2.7	1.5
Costa Rica	8.8	7.1	4.6	3.9	0.8	5.4	8.3	8.1	1.7	0.3
Cuba	-13.8	-16.0	2.0	3.4	8.7	3.3	1.3	6.8	5.5	3.0
Ecuador	3.0	2.2	4.4	3.0	2.3	3.9	1.0	-9.5	2.8	5.0
El Salvador	7.3	6.4	6.0	6.2	1.8	4.2	3.5	3.4	1.9	1.5
Guatemala	4.9	4.0	4.1	5.0	3.0	4.4	5.1	3.9	3.1	2.0
Haiti	-13.8	-2.2	-8.3	5.0	2.8	5.9	-1.1	2.4	1.3	-0.9
Honduras	5.8	7.1	-1.9	3.7	3.7	4.9	3.3	-1.5	5.0	2.5
Mexico	3.7	1.8	4.4	-6.1	5.4	6.8	5.1	3.7	7.0	-0.1
Nicaragua	0.8	-0.4	4.0	4.4	5.1	5.4	4.1	7.4	4.7	2.0
Panama	8.2	5.3	3.1	1.9	2.7	4.7	4.6	3.5	2.6	0.5
Paraguay	1.7	4.0	3.0	4.5	1.1	2.4	-0.6	-0.1	-0.6	1.5
Peru	-0.4	4.8	12.8	8.6	2.5	6.8	-0.5	0.9	3.0	-0.5
Dominican Republic	8.0	3.0	4.3	4.7	7.2	8.3	7.3	8.0	7.8	3.0
Uruguay	8.3	3.5	7.0	-2.3	5.0	5.4	4.4	-2.9	-1.5	-2.5
Venezuela	7.0	-0.4	-3.7	5.9	-0.4	7.4	0.7	-5.8	4.0	2.8
Subtotal Caribbean	**0.7**	**0.5**	**3.1**	**2.8**	**2.9**	**1.9**	**2.7**	**4.2**	**3.1**	**0.8**
Antigua and Barbuda	0.9	5.0	6.2	-4.8	6.0	5.5	5.0	4.9	2.6	...
Barbados	-5.6	1.0	2.9	2.4	3.3	2.8	5.3	3.1	3.0	-1.5
Belize	9.0	4.3	1.5	3.7	1.3	4.4	2.0	5.9	10.1	-2.0
Dominica	2.3	1.9	1.9	1.2	2.9	2.2	3.1	1.3	0.7	...
Grenada	1.0	-1.1	3.4	3.1	3.0	4.3	7.6	7.5	6.5	2.5
Guyana	9.1	11.5	9.4	3.8	8.6	6.7	-2.2	3.9	3.0	1.0
Jamaica	2.5	1.8	1.9	1.8	-0.3	-2.2	-1.0	0.7	0.5	1.5
Saint Kitts and Nevis	3.2	5.2	5.5	3.2	5.8	7.2	1.1	3.5	7.1	...
Saint Vincent and the Grenadines	6.9	2.0	-2.3	7.8	1.2	3.5	5.8	4.2	2.0	...
Saint Lucia	7.5	-1.3	4.6	2.1	0.8	-0.3	3.0	3.4	0.6	...
Suriname	-1.8	-10.8	-0.9	4.1	13.2	6.1	1.9	-2.4	-1.0	...
Trinidad and Tobago	-1.0	-1.2	4.2	4.2	4.4	4.0	5.3	7.8	5.0	1.0

Source: ECLAC, on the basis of official figures converted into dollars at constant 1995 prices.
Note: Totals and subtotals do not include those countries for which no information is given.
[a] Preliminary estimates.

Table A - 2

LATIN AMERICA AND THE CARIBBEAN: PER CAPITA GROSS DOMESTIC PRODUCT

(Percentages based on values at 1995 prices)

	Annual growth rates									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [a]
Latin America and the Caribbean	**1.2**	**1.8**	**3.5**	**-0.6**	**2.0**	**3.5**	**0.6**	**-1.2**	**2.5**	**-1.0**
Subtotal (20 countries)	**1.2**	**1.8**	**3.5**	**-0.6**	**2.0**	**3.5**	**0.6**	**-1.2**	**2.5**	**-1.0**
Argentina	8.2	4.5	4.4	-4.1	4.1	6.6	2.5	-4.6	-1.8	-5.0
Bolivia	-0.7	1.7	2.3	2.2	2.0	2.4	2.8	-1.9	-0.4	-2.2
Brazil	-1.8	3.0	4.7	2.7	1.1	1.7	-1.2	-0.7	3.2	0.4
Chile	9.1	4.8	3.4	7.4	5.4	5.3	2.2	-1.4	3.5	1.7
Colombia	1.7	2.6	4.1	3.2	0.1	1.5	-1.3	-5.8	0.9	-0.3
Costa Rica	5.4	3.8	1.5	1.0	-1.9	2.7	5.6	5.6	-0.6	-1.9
Cuba	-14.4	-16.5	1.4	2.8	8.1	2.9	0.8	6.4	5.1	2.7
Ecuador	0.7	-0.1	2.1	0.8	0.2	1.8	-0.9	-11.2	0.9	3.1
El Salvador	5.1	4.2	3.7	4.0	-0.3	2.1	1.4	1.3	-0.1	-0.4
Guatemala	2.2	1.3	1.4	2.2	0.3	1.7	2.4	1.1	0.4	-0.6
Haiti	-15.4	-4.0	-9.9	3.1	0.9	3.9	-2.9	0.6	-0.6	-2.7
Honduras	2.7	4.0	-4.7	0.7	0.8	2.1	0.5	-4.1	2.3	-0.1
Mexico	1.8	-0.1	2.6	-7.8	3.7	5.1	3.4	2.1	5.4	-1.6
Nicaragua	-2.1	-3.3	0.9	1.5	2.2	2.6	1.3	4.5	1.9	-0.6
Panama	6.2	3.4	1.3	0.1	0.9	2.9	2.9	1.9	1.0	-1.0
Paraguay	-1.1	1.3	0.4	1.7	-1.6	-0.2	-3.2	-2.6	-3.1	-1.0
Peru	-2.1	3.0	10.9	6.8	0.7	4.9	-2.2	-0.8	1.3	-3.1
Dominican Republic	6.1	1.2	2.6	2.9	5.3	6.4	5.4	6.1	6.0	1.3
Uruguay	7.5	2.8	6.2	-3.0	4.2	4.6	3.6	-3.6	-2.2	-3.2
Venezuela	4.6	-2.7	-5.8	3.7	-2.5	5.2	-1.3	-7.7	2.0	0.9
Subtotal Caribbean	**-0.1**	**-0.2**	**2.3**	**2.1**	**2.2**	**1.2**	**2.0**	**3.4**	**2.4**	**0.0**
Antigua and Barbuda	0.3	4.3	5.5	-5.4	5.3	4.9	4.3	4.2	2.0	...
Barbados	-5.9	0.6	2.5	2.0	2.9	2.4	4.9	2.7	2.6	-1.9
Belize	7.1	2.4	-0.3	1.9	-0.8	2.2	-0.2	3.6	7.7	-4.1
Dominica	2.3	1.9	1.9	1.2	2.9	2.2	3.1	1.3	0.7	...
Grenada	0.8	-1.3	3.1	2.9	2.5	3.8	7.1	7.1	6.1	2.1
Guyana	8.8	11.1	9.1	3.5	8.1	6.2	-2.7	3.4	2.5	0.5
Jamaica	1.7	1.0	1.0	0.9	-1.1	-3.0	-1.9	-0.1	-0.3	0.7
Saint Kitts and Nevis	3.7	5.8	6.0	3.7	5.8	7.2	1.1	3.5	7.1	...
Saint Vincent and the Grenadines	5.9	1.1	-3.2	6.8	0.3	2.6	4.9	3.3	1.1	...
Saint Lucia	6.2	-2.5	3.4	0.8	-0.3	-1.5	1.9	2.3	-0.5	...
Suriname	-2.1	-11.1	-1.3	3.7	12.7	5.7	1.5	-2.8	-1.4	...
Trinidad and Tobago	-1.8	-1.9	3.4	3.4	3.9	3.4	4.8	7.3	4.5	0.5

Source: ECLAC, on the basis of official figures converted into dollars at constant 1995 prices.
Note: Totals and subtotals do not include those countries for which no information is given.
[a] Preliminary estimates.

Table A - 3

LATIN AMERICA AND THE CARIBBEAN: GROSS FIXED CAPITAL FORMATION

(Annual growth rates based on constant 1995 dollars)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [a]
Latin America and the Caribbean	**6.1**	**5.1**	**10.6**	**-4.7**	**5.0**	**13.3**	**3.0**	**-5.4**	**2.9**	**-1.0**
Argentina	32.2	15.1	13.5	-13.0	8.8	17.5	6.7	-12.8	-8.6	-15.0
Bolivia	12.1	2.5	-8.4	14.1	11.8	27.6	29.0	-14.9	-5.1	-1.0
Brazil	-6.6	4.1	14.2	7.3	1.2	9.3	-1.2	-4.9	2.2	3.4
Chile	22.5	18.3	4.8	20.4	9.5	10.9	4.1	-15.9	3.3	3.4
Colombia	12.4	35.8	21.8	0.9	-1.4	-2.0	-7.5	-35.5	17.0	10.0
Costa Rica	24.2	12.0	2.4	3.0	-8.3	14.7	25.0	-3.1	-2.8	-3.9
Cuba	-41.3	-28.9	-29.3	7.3	36.5	3.0	4.1	6.3	1.9	0.4
Ecuador	5.1	0.7	3.6	3.3	1.8	3.8	6.3	-32.3	9.4	30.5
El Salvador	16.6	15.4	12.4	13.3	-11.1	7.9	8.3	-0.2	5.6	2.1
Guatemala	29.7	8.3	-2.4	8.3	-2.9	23.9	19.6	3.7	-8.2	-0.7
Haiti [b]	-40.1	-7.4	-7.1	88.8	-1.6	-1.5	7.4	6.7	1.3	-2.5
Honduras	26.8	35.8	-0.2	-14.3	6.2	15.8	10.3	6.3	-4.6	-3.5
Mexico	11.4	-3.2	8.5	-29.8	17.0	22.3	8.5	7.7	10.0	-3.5
Nicaragua	19.0	-6.4	15.5	13.1	8.6	19.4	12.0	39.3	-11.9	-4.6
Panama	42.2	41.5	5.5	7.8	-3.0	5.1	15.5	22.4	-7.7	-19.4
Paraguay	-5.9	3.7	4.5	7.5	0.1	-1.4	-4.7	-3.9	-0.6	1.0
Peru	0.9	11.4	33.6	21.6	-2.9	15.3	-1.3	-11.1	0.0	-7.9
Dominican Republic	25.0	6.7	-2.9	-5.8	6.7	19.4	30.8	11.2	7.5	2.0
Uruguay	17.0	14.9	6.4	-5.6	8.7	9.2	8.0	-6.2	-11.4	-10.0
Venezuela	29.5	-6.1	-18.7	2.3	-7.6	26.6	-3.3	-16.4	2.0	10.6

Source: ECLAC, on the basis of official figures.
[a] Preliminary estimates.
[b] Refers to gross domestic investment.

Table A - 4

LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES

(December-December variations)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [a]
Latin America and the Caribbean	**414.4**	**876.6**	**333.1**	**25.8**	**18.4**	**10.4**	**10.3**	**9.5**	**8.7**	**7.0**
Argentina	17.6	7.4	3.9	1.6	0.1	0.3	0.7	-1.8	-0.7	-1.6
Barbados	3.3	-1.0	0.5	2.8	1.8	3.6	2.1	2.6	3.8	0.3
Bolivia	10.5	9.3	8.5	12.6	7.9	6.7	4.4	3.1	3.4	1.1
Brazil	1 149.1	2 489.1	929.3	22.0	9.1	4.3	2.5	8.4	5.3	9.2
Chile	12.7	12.2	8.9	8.2	6.6	6.0	4.7	2.3	4.5	3.1
Colombia	25.1	22.6	22.6	19.5	21.6	17.7	16.7	9.2	8.8	7.8
Costa Rica	17.0	9.0	19.9	22.6	13.9	11.2	12.4	10.1	10.2	11.0
Ecuador	60.2	31.0	25.4	22.8	25.6	30.6	43.4	60.7	91.0	24.6
El Salvador	20.0	12.1	8.9	11.4	7.4	1.9	4.2	-1.0	4.3	3.0
Guatemala	14.2	11.6	11.6	8.6	10.9	7.1	7.5	4.9	5.1	9.8 [b]
Haiti	16.1	44.4	32.2	24.8	14.5	15.7	7.4	9.7	19.0	9.5 [b]
Honduras	6.5	13.0	28.9	26.8	25.3	12.7	15.6	10.9	10.1	9.0
Jamaica	40.2	30.1	26.9	25.5	15.8	9.2	7.9	6.8	6.1	7.6 [b]
Mexico	11.9	8.0	7.1	52.1	27.7	15.7	18.6	12.3	9.0	5.4 [b]
Nicaragua	3.5	19.5	14.4	11.1	12.1	7.3	18.5	7.2	9.9	5.8 [b]
Panama	1.6	0.9	1.3	0.8	2.3	-0.5	1.4	1.5	0.7	0.7 [b]
Paraguay	17.8	20.4	18.3	10.5	8.2	6.2	14.6	5.4	8.6	6.4
Peru	56.7	39.5	15.4	10.2	11.8	6.5	6.0	3.7	3.7	0.1
Dominican Republic	5.2	2.8	14.3	9.2	4.0	8.4	7.8	5.1	9.0	5.3
Trinidad and Tobago	8.5	13.4	5.5	3.8	4.3	3.5	5.6	3.4	5.6	5.8 [c]
Uruguay	59.0	52.9	44.1	35.4	24.3	15.2	8.6	4.2	5.1	3.5
Venezuela	31.9	45.9	70.8	56.6	103.2	37.6	29.9	20.0	13.4	12.7

Source: ECLAC, on the basis of information provided by official sources in the countries.

[a] Figures correspond to the variation from November 2000 to November 2001.

[b] October 2000-October 2001.

[c] September 2000-September 2001.

Table A - 5

LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT

(Average annual rates)

		1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [a]
Latin America and the Caribbean [b]		**6.1**	**6.2**	**6.3**	**7.2**	**7.7**	**7.2**	**7.9**	**8.8**	**8.4**	**8.4**
Argentina	Urban areas [c]	7.0	9.6	11.5	17.5	17.2	14.9	12.9	14.3	15.1	17.4
Barbados [d]	Total national	24.3	21.9	19.7	15.6	14.5	12.3	10.4	9.2	...	[e]
Bolivia	Departmental capitals	5.4	5.8	3.1	3.6	3.8	4.4	6.1	8.0	7.6	...
Brazil	Six metropolitan areas	5.8	5.4	5.1	4.6	5.4	5.7	7.6	7.6	7.1	6.3 [f]
Chile	Total national	6.7	6.5	7.8	7.4	6.4	6.1	6.4	9.8	9.2	9.5 [g]
Colombia [d]	Seven metropolitan areas	10.2	8.6	8.9	8.8	11.2	12.4	15.3	19.4	17.2	18.5 [g]
Costa Rica	Total urban	4.3	4.0	4.3	5.7	6.6	5.9	5.4	6.2	5.3	5.8
Cuba	Total national	6.1	6.2	6.7	7.9	7.6	7.0	6.6	6.0	5.5	4.5
Ecuador [d]	Total urban [h]	8.9	8.9	7.8	7.7	10.4	9.3	11.5	14.4	14.1	10.9 [f]
El Salvador	Total urban	8.2	8.1	7.0	7.0	7.5	7.5	7.6	6.9	6.5	6.1 [g]
Guatemala [i]	Total national	1.6	2.6	3.5	3.9	5.2	5.1	3.8	...	...	...
Honduras	Total urban	6.0	7.0	4.0	5.6	6.5	5.8	5.2	5.3	...	6.3
Jamaica [d]	Total national	15.7	16.3	15.4	16.2	16.0	16.5	15.5	15.7	15.5	...
Mexico	Urban areas [c]	2.8	3.4	3.7	6.2	5.5	3.7	3.2	2.5	2.2	2.5 [f]
Nicaragua [i]	Total national	14.4	17.8	17.1	16.9	16.0	14.3	13.2	10.7	9.8	10.7
Panama [d]	Metropolitan region	17.5	15.6	16.0	16.6	16.9	15.5	15.2	14.0	15.2	16.9 [j]
Paraguay	Total urban [k]	5.3	5.1	4.4	5.3	8.2	7.1	6.6	9.4	10.7	...
Peru	Metropolitan Lima	9.4	9.9	8.8	8.2	8.0	9.2	8.5	9.2	8.5	9.5 [e]
Dominican Republic [d]	Total national	20.3	19.9	16.0	15.8	16.5	15.9	14.3	13.8	13.9	15.2
Trinidad and Tobago [d]	Total national	19.6	19.8	18.4	17.2	16.2	15.0	14.2	13.1	12.5	...
Uruguay	Total urban	9.0	8.3	9.2	10.3	11.9	11.5	10.1	11.3	13.6	15.4 [g]
Venezuela	Total national	7.8	6.6	8.7	10.3	11.8	11.4	11.3	14.9	14.0	13.9 [g]

Source: ECLAC, on the basis of official figures.
[a] Preliminary figures.
[b] In 1992 does not include the Caribbean countries.
[c] Covers a large and increasing number of urban areas.
[d] Includes hidden unemployment.
[e] March.
[f] Average January-October.
[g] First three quarters.
[h] As of 1999: Quito, Guayaquil and Cuenca.
[i] Official estimates.
[j] August.
[k] Up to 1993, figures correspond to the metropolitan area of Asunción.

Table A - 6

LATIN AMERICA AND THE CARIBBEAN: AVERAGE REAL WAGES

(Average annual indices: 1995 = 100)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [a]
Argentina [b]	101.7	100.4	101.1	100.0	99.9	99.3	99.0	100.1	101.6	101.6 [c]
Bolivia [d]	85.5	91.2	98.5	100.0	100.5	106.6	110.1	117.0	118.0	...
Brazil [e]	87.0	95.6	96.3	100.0	107.9	110.8	110.8	105.9	104.8	101.6 [f]
Chile [g]	88.7	91.8	96.1	100.0	104.1	106.6	109.5	112.1	113.7	115.5 [h]
Colombia [i]	93.5	97.9	98.8	100.0	101.5	104.2	102.8	105.9	110.0	110.2 [f]
Costa Rica [j]	89.2	98.3	102.0	100.0	97.9	98.7	104.3	109.2	110.1	...
Mexico [b]	100.7	109.7	114.9	100.0	90.1	89.1	91.5	92.4	98.0	103.4 [f]
Nicaragua	100.5	93.3	98.2	100.0	97.9	97.7	104.9	109.6	111.3	114.5 [k]
Paraguay [l]	90.9	91.7	93.0	100.0	103.1	102.6	100.7	98.6	99.9	... [c]
Peru [m]	95.2	94.4	109.2	100.0	95.2	94.5	92.7	90.7	91.8	90.0 [n]
Uruguay	97.3	102.0	102.9	100.0	100.6	100.8	102.7	104.3	102.9	102.5 [h]

Source: ECLAC, on the basis of official figures.

[a] Preliminary figures.

[b] Manufacturing.

[c] First semester.

[d] Private sector in La Paz.

[e] Workers covered by social and labour legislation.

[f] Estimate based on average January-September.

[g] Until April 1993, non-agricultural workers; from May 1993 on, general index of hourly wages.

[h] Estimate based on average January-October.

[i] Manual workers in manufacturing.

[j] Average wages declared by workers covered by social security.

[k] Average January- May.

[l] Asunción.

[m] Private-sector manual workers in the Lima metropolitan area.

[n] March.

Table A - 7

LATIN AMERICA AND THE CARIBBEAN: PUBLIC-SECTOR DEFICIT (-) OR SURPLUS[a]

(Percentages of GDP)

Country	Coverage	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [b]
Latin America and the Caribbean [c]		**-1.4**	**-1.5**	**-1.8**	**-1.6**	**-1.6**	**-1.4**	**-2.4**	**-3.1**	**-2.7**	**-3.1**
Argentina	NNFPS	-0.1	1.5	-0.3	-0.6	-1.9	-1.5	-1.4	-1.7	-2.4	-3.5
Bolivia	NFPS	-4.4	-6.0	-3.0	-1.8	-1.9	-3.3	-4.0	-3.8	-4.1	-4.0
Brazil	NFPS [d]	-1.8	-0.8	1.1	-7.2	-5.9	-6.1	-7.9	-10.0	-4.6	-8.0
Chile	CG	2.3	2.0	1.7	2.6	2.3	2.0	0.4	-1.5	0.1	-0.5
Colombia	NFPS	-0.2	0.1	1.0	-0.6	-2.0	-3.1	-3.4	-5.1	-4.1	-3.3
Costa Rica	CG	-1.5	-1.5	-5.5	-3.5	-4.0	-3.0	-2.5	-2.3	-3.0	-3.2
Ecuador	NFPS	-1.2	-0.1	0.6	-1.1	-3.0	-2.6	-5.6	-4.7	0.4	0.3
El Salvador	CG	-2.1	-1.5	-0.8	-0.5	-2.0	-1.1	-2.0	-2.1	-2.3	-3.9
Guatemala	CG	-0.5	-1.5	-1.4	-0.5	0.0	-0.8	-2.2	-2.8	-1.9	-2.5
Haiti	CG	-4.7	-3.2	-3.3	-4.8	-1.6	-2.0	-2.4	-2.5	-2.6	-2.8
Honduras	CG	-4.9	-9.9	-7.0	-4.2	-3.8	-2.9	-1.1	-4.0	-5.9	-5.5
Mexico	NFPS	1.6	0.7	-0.3	-0.2	-0.1	-0.6	-1.2	-1.2	-1.1	-0.7
Nicaragua	CG	-3.4	0.0	-5.2	-0.5	-1.5	-1.3	-1.9	-4.9	-7.8	-8.5
Panama	CG	-1.3	0.5	-0.8	0.9	-1.3	-0.9	-3.2	-0.7	-1.3	-2.0
Paraguay	CG	-0.9	-0.5	1.7	-0.2	-0.8	-0.2	-1.3	-1.0	-3.6	-1.0
Peru	CG	-3.9	-3.6	-3.1	-3.4	-1.5	-0.9	-1.1	-3.1	-2.5	-2.4
Dominican Republic	CG	3.4	0.3	-0.6	1.1	0.0	0.9	0.6	-0.5	1.1	1.0
Uruguay	CG	0.3	-1.0	-1.9	-1.9	-1.8	-1.6	-1.2	-3.8	-4.1	-4.2
Venezuela	CG	-3.8	-2.9	-7.2	-4.3	0.6	1.9	-4.1	-2.6	-1.7	-3.5

Source: ECLAC, on the basis of official figures.

Note: Abbreviations used: CG = central government. NFPS = non-financial public sector. NNFPS = national non-financial public sector (does not include provinces or municipalities).

[a] Calculated on the basis of figures in local currency at current prices.

[b] Preliminary estimates.

[c] Simple average

[d] To 1994, refers to the operational financial balance; thereafter, refers to the nominal financial balance.

Table A - 8

LATIN AMERICA AND THE CARIBBEAN: INDICES OF THE REAL EFFECTIVE EXCHANGE RATE FOR IMPORTS [a]

(Indices: 1995 = 100, CPI used in the calculations)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [b]
Latin America and the Caribbean [c]	**105.6**	**104.9**	**102.9**	**100.0**	**97.0**	**93.4**	**94.0**	**98.4**	**99.5**	**97.5**
Argentina	103.5	95.4	94.6	100.0	101.9	98.6	95.7	89.1	89.6	87.1
Barbados	92.7	95.0	98.5	100.0	99.1	99.4	99.3	98.8	98.8	98.0
Bolivia	87.6	92.8	97.8	100.0	93.8	90.3	88.0	87.0	89.6	89.6
Brazil	117.0	112.3	112.4	100.0	94.0	93.4	98.4	148.1	137.7	160.8
Chile	109.1	110.9	107.1	100.0	97.0	91.0	94.5	99.4	100.7	109.9
Colombia	133.4	125.3	101.9	100.0	92.6	87.4	96.5	109.5	120.2	123.2
Costa Rica	102.7	102.7	103.0	100.0	98.4	101.8	104.8	109.5	109.6	106.5
Ecuador	113.4	101.7	97.9	100.0	101.4	102.3	105.9	145.5	163.0	116.3
El Salvador	125.0	113.7	106.6	100.0	92.9	92.8	91.1	92.0	92.5	91.7
Guatemala	111.1	112.5	106.7	100.0	96.4	92.4	93.1	106.4	109.2	105.9
Haiti	128.9	141.8	120.7	100.0	85.5	73.4	69.3	66.0	74.1	74.5
Honduras	93.4	102.3	112.6	100.0	102.3	98.2	91.7	88.7	85.8	83.8
Jamaica	109.1	101.9	104.4	100.0	84.7	72.8	69.7	64.4	65.8	64.3
Mexico	69.2	65.9	67.7	100.0	89.1	79.6	82.3	75.5	69.8	66.2
Nicaragua	84.9	82.3	95.3	100.0	101.6	104.3	105.0	106.4	105.0	103.2
Paraguay	103.4	107.7	101.3	100.0	96.4	96.2	108.2	106.2	110.5	115.0
Peru	94.4	105.7	100.2	100.0	98.7	99.1	101.4	110.4	109.2	106.1
Dominican Republic	109.5	106.6	103.1	100.0	94.3	97.4	103.4	107.8	106.0	99.9
Trinidad and Tobago	76.3	89.6	97.0	100.0	98.8	99.1	93.6	88.2	84.7	78.5
Uruguay	128.2	114.4	104.7	100.0	99.3	98.7	100.8	94.6	96.5	97.7
Venezuela	125.2	121.5	126.4	100.0	119.4	92.5	82.0	73.3	71.6	68.2

Source: ECLAC, on the basis of official figures and figures provided by the International Monetary Fund.

[a] The average of the indices for the real (main official) exchange rate for the currency of each country against the currencies of its main trading partners, weighted according to the relative magnitude of imports from the countries. The weightings reflect the average for 1995-1998.

[b] Average January-September.

[c] Simple average.

Table A - 9

LATIN AMERICA AND THE CARIBBEAN: EXPORTS OF GOODS, FOB

(Indices: 1995 = 100)

	Value			Unit value			Volume		
	1999	2000	2001[a]	1999	2000	2001[a]	1999	2000	2001[a]
Latin America and the Caribbean	**129.8**	**155.5**	**150.2**	**90.1**	**97.4**	**91.7**	**144.0**	**159.8**	**163.8**
Argentina	110.1	124.8	127.6	82.9	91.6	88.9	132.9	136.2	143.6
Bolivia	100.9	118.1	115.7	95.3	99.1	92.2	105.9	119.1	125.6
Brazil	103.2	118.4	125.6	84.7	86.2	83.8	121.9	137.4	149.9
Chile	97.5	113.3	111.0	64.5	71.0	63.9	151.1	159.6	173.8
Colombia	114.3	129.4	121.7	95.6	109.0	100.3	119.5	118.7	121.4
Costa Rica	189.9	167.1	144.8	92.5	87.9	83.5	205.3	190.1	173.4
Ecuador	100.9	109.9	106.3	95.9	115.1	103.7	105.2	95.4	102.5
El Salvador	153.4	179.4	177.6	92.9	92.0	87.0	165.1	195.0	204.0
Guatemala	128.9	142.2	140.3	78.9	79.7	74.1	163.4	178.4	189.2
Haiti	222.1	214.1	196.8	99.0	97.0	92.2	224.4	220.7	213.5
Honduras	121.2	139.6	140.1	96.1	95.1	88.4	126.1	146.8	158.4
Mexico	171.5	209.2	199.6	96.9	101.7	97.6	177.0	205.7	204.4
Nicaragua	128.5	146.7	136.6	84.6	86.3	79.4	151.8	170.0	172.0
Panama	87.1	95.8	97.1	104.8	103.8	100.7	83.1	92.3	96.5
Paraguay	63.4	53.4	55.7	91.8	90.8	89.0	69.0	58.8	62.6
Peru	109.4	125.3	127.2	74.1	75.6	71.1	147.6	165.7	178.9
Dominican Republic	135.9	151.8	147.2	93.9	94.6	90.8	144.7	160.4	162.1
Uruguay	106.6	110.8	104.7	84.5	82.1	80.5	126.2	135.0	130.1
Venezuela	109.1	173.1	140.7	95.9	141.0	119.9	113.8	122.8	117.4

Source: ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.

[a] Preliminary figures.

Table A - 10

LATIN AMERICA AND THE CARIBBEAN: IMPORTS OF GOODS, FOB

(Indices: 1995 = 100)

	Value			Unit value			Volume		
	1999	2000	2001[a]	1999	2000	2001[a]	1999	2000	2001[a]
Latin America and the Caribbean	**134.6**	**156.2**	**153.6**	**92.1**	**94.0**	**91.8**	**146.2**	**166.2**	**167.2**
Argentina	128.2	126.8	106.4	84.2	84.2	82.5	152.2	150.6	128.9
Bolivia	125.8	131.6	123.8	86.8	88.5	86.6	144.9	148.7	143.0
Brazil	99.2	112.3	114.0	89.7	94.2	91.8	110.6	119.2	124.1
Chile	95.3	114.2	110.8	87.7	96.5	93.1	108.6	118.3	119.0
Colombia	77.9	84.2	94.2	93.2	94.1	92.2	83.6	89.5	102.2
Costa Rica	157.6	158.3	156.7	90.0	91.8	88.1	175.1	172.5	177.9
Ecuador	68.7	79.2	130.4	90.3	93.0	91.1	76.0	85.1	143.0
El Salvador	124.9	151.0	160.0	106.9	111.2	107.4	116.8	135.8	149.0
Guatemala	137.9	147.9	149.3	90.5	94.1	90.7	152.3	157.2	164.6
Haiti	181.1	196.1	190.7	103.9	110.1	107.9	174.3	178.1	176.7
Honduras	159.7	171.7	181.1	87.2	91.6	88.5	183.2	187.4	204.7
Mexico	196.0	240.8	232.4	94.7	94.7	92.8	206.9	254.3	250.4
Nicaragua	189.4	182.2	177.1	104.3	111.6	107.1	181.5	163.2	165.3
Panama	100.1	105.2	100.9	99.0	104.0	100.4	101.2	101.1	100.6
Paraguay	67.8	63.2	59.5	104.7	107.8	104.6	64.7	58.6	56.9
Peru	86.8	94.6	93.6	89.0	93.5	89.8	97.5	101.2	104.3
Dominican Republic	155.5	183.3	170.5	90.3	92.7	89.9	172.2	197.8	189.6
Uruguay	117.5	122.2	114.1	89.0	95.2	91.9	132.1	128.3	124.2
Venezuela	109.5	128.4	141.2	89.6	89.6	87.8	122.2	143.3	160.8

Source: ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.
[a] Preliminary figures.

Table A - 11

LATIN AMERICA AND THE CARIBBEAN: TERMS OF TRADE (GOODS), FOB/FOB

(Indices: 1995 = 100)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [a]
Latin America and the Caribbean	**94.6**	**94.3**	**98.9**	**100.0**	**101.4**	**103.5**	**97.5**	**97.8**	**103.6**	**99.8**
Argentina	100.7	104.8	105.6	100.0	108.5	108.9	103.9	98.5	108.8	107.7
Bolivia	92.0	88.3	102.5	100.0	111.7	115.6	109.9	109.8	112.0	106.5
Brazil	74.2	79.9	91.5	100.0	101.0	106.8	104.6	94.4	91.5	91.2
Chile	81.2	74.2	84.1	100.0	80.7	83.0	73.3	73.5	73.6	68.6
Colombia	87.4	91.0	104.9	100.0	103.7	104.4	95.8	102.6	115.8	108.7
Costa Rica	81.0	84.5	93.9	100.0	94.9	100.6	103.9	102.8	95.8	94.8
Ecuador	116.3	106.4	108.9	100.0	109.6	111.9	99.6	106.2	123.8	113.8
El Salvador	61.1	63.7	81.0	100.0	93.6	94.1	91.8	86.9	82.7	81.0
Guatemala	81.6	84.3	89.9	100.0	87.7	94.8	94.3	87.2	84.7	81.7
Haiti	92.9	94.1	96.8	100.0	90.6	94.8	96.6	95.3	88.1	85.4
Honduras	82.2	90.3	92.1	100.0	92.8	115.4	118.0	110.2	103.8	100.0
Mexico	105.0	104.9	103.3	100.0	102.8	104.0	100.4	102.3	107.4	105.2
Nicaragua	71.9	81.3	95.5	100.0	88.1	83.9	87.4	81.1	77.3	74.1
Panama	104.0	106.8	110.1	100.0	101.3	103.4	103.3	105.9	99.8	100.3
Paraguay	79.4	87.2	105.1	100.0	100.0	99.9	92.4	87.7	84.2	85.1
Peru	95.0	89.1	95.7	100.0	96.5	103.2	89.7	83.3	80.9	79.2
Dominican Republic	96.2	90.7	95.6	100.0	97.7	102.0	103.1	104.0	102.0	101.0
Uruguay	96.2	94.6	94.7	100.0	96.7	96.4	103.1	94.9	86.2	87.6
Venezuela	108.0	101.9	101.0	100.0	115.6	110.8	79.9	107.0	157.4	136.5

Source: ECLAC.
[a] Preliminary figures.

Table A - 12

LATIN AMERICA AND THE CARIBBEAN: BALANCE OF PAYMENTS

(Millions of dollars)

	Exports of goods (f.o.b.) and services			Imports of goods(f.o.b.) and services			Balance on goods			Balance on services		
	1999	2000	2001[a]	1999	2000	2001[a]	1999	2000	2001[a]	1999	2000	2001[a]
Latin America and the Caribbean	**340 988**	**405 686**	**391 438**	**362 727**	**419 052**	**413 690**	**-6 152**	**4 160**	**-2 218**	**-15 586**	**-17 525**	**-20 034**
Argentina	27 751	30 938	31 500	32 698	32 717	29 050	-795	2 558	7 000	-4 152	-4 336	-4 550
Bolivia	1 310	1 453	1 435	1 989	2 078	1 976	-488	-381	-309	-190	-244	-231
Brazil	55 205	64 470	67 507	63 443	72 741	73 924	-1 261	-697	1 771	-6 977	-7 574	-8 188
Chile	19 406	22 087	21 902	18 056	21 209	20 752	1 664	1 436	1 575	-315	-558	-425
Colombia	13 895	15 678	14 851	13 396	14 384	15 802	1 768	2 531	410	-1 269	-1 237	-1 361
Costa Rica	8 205	7 699	6 997	7 183	7 289	7 243	615	-205	-921	408	615	676
Ecuador	5 263	5 793	5 670	4 073	4 582	6 689	1 665	1 634	-600	-475	-423	-419
El Salvador	3 175	3 637	3 854	4 714	5 657	6 054	-1 356	-1 740	-2 052	-183	-280	-148
Guatemala	3 435	3 783	3 701	4 984	5 323	5 342	-1 400	-1 418	-1 502	-149	-123	-139
Haiti	528	500	457	1 169	1 276	1 227	-597	-687	-686	-43	-90	-85
Honduras	2 281	2 507	2 515	3 053	3 319	3 539	-740	-658	-799	-32	-153	-225
Mexico	148 083	180 136	171 268	155 465	190 509	184 566	-5 584	-8 049	-9 598	-1 799	-2 323	-3 700
Nicaragua	838	942	898	2 034	1 981	1 950	-1 079	-927	-930	-116	-112	-123
Panama	7 096	7 666	7 710	7 832	8 164	7 843	-1 386	-1 190	-825	650	692	692
Paraguay	3 242	2 782	2 867	3 533	3 321	3 156	-368	-586	-321	77	46	33
Peru	7 635	8 552	8 713	8 851	9 578	9 453	-616	-332	-154	-600	-693	-587
Dominican Republic	7 987	8 964	7 989	9 289	10 852	9 802	-2 904	-3 742	-3 250	1 602	1 854	1 437
Uruguay	3 530	3 705	3 445	3 981	4 204	3 981	-896	-932	-845	445	433	309
Venezuela	22 122	34 394	28 157	16 985	19 868	21 340	7 606	17 544	9 817	-2 469	-3 018	-3 000

Table A - 12 (continued)

	Trade balance			Current transfers			Balance on the income accounts			Balance on the current account		
	1999	2000	2001[a]	1999	2000	2001[a]	1999	2000	2001[a]	1999	2000	2001[a]
Latin America and the Caribbean	**-21 739**	**-13 365**	**-22 252**	**18 923**	**19 963**	**22 852**	**-52 235**	**-52 296**	**-53 404**	**-55 050**	**-45 698**	**-52 804**
Argentina	-4 947	-1 779	2 450	381	289	249	-7 472	-7 483	-8 000	-12 038	-8 973	-5 301
Bolivia	-678	-625	-541	386	387	409	-196	-226	-235	-489	-463	-367
Brazil	-8 238	-8 271	-6 417	1 689	1 521	1 600	-18 848	-17 886	-18 840	-25 397	-24 636	-23 657
Chile	1 350	878	1 150	453	538	545	-1 881	-2 404	-2 895	-78	-988	-1 200
Colombia	499	1 293	-951	1 340	1 589	2 051	-1 649	-2 577	-3 160	190	306	-2 061
Costa Rica	1 023	410	-245	102	92	92	-1 822	-1 253	-789	-697	-751	-943
Ecuador	1 190	1 211	-1 019	1 101	1 360	1 487	-1 336	-1 188	-1 291	955	1 383	-823
El Salvador	-1 539	-2 020	-2 200	1 582	1 797	2 013	-282	-250	-313	-239	-473	-500
Guatemala	-1 549	-1 540	-1 641	715	840	835	-181	-183	-153	-1 015	-884	-959
Haiti	-641	-777	-770	674	712	688	-13	-9	-8	20	-74	-90
Honduras	-772	-812	-1 024	737	752	824	-165	-144	-159	-200	-204	-359
Mexico	-7 382	-10 372	-13 298	6 313	6 701	9 450	-13 256	-14 018	-13 350	-14 325	-17 690	-17 198
Nicaragua	-1 195	-1 038	-1 052	300	320	320	-197	-200	-244	-1 092	-919	-976
Panama	-736	-498	-133	171	177	180	-755	-612	-450	-1 320	-933	-404
Paraguay	-291	-539	-288	175	177	165	30	48	24	-86	-315	-99
Peru	-1 216	-1 026	-740	944	976	1 024	-1 545	-1 595	-1 403	-1 817	-1 645	-1 120
Dominican Republic	-1 302	-1 888	-1 813	1 848	1 902	1 366	-975	-1 041	-835	-429	-1 027	-1 282
Uruguay	-451	-499	-536	73	43	43	-174	-70	-71	-551	-526	-564
Venezuela	5 137	14 526	6 817	-60	-211	-487	-1 520	-1 203	-1 230	3 557	13 112	5 100

Table A - 12 (concluded)

	Balance on the capital and financial accounts[b]			Overall balance			Reserve assets [c] (variation)			IMF loans and credit and exceptional financing		
	1999	2000	2001[a]	1999	2000	2001[a]	1999	2000	2001[a]	1999	2000	2001[a]
Latin America and the Caribbean	**43 297**	**66 970**	**32 733**	**-11 753**	**20 493**	**-20 071**	**5 946**	**-6 819**	**2 513**	**5 806**	**-13 671**	**17 278**
Argentina	14 065	8 533	-14 499	2 027	-1 218	-19 800	-1 201	440	10 400	-826	778	9 400
Bolivia	515	425	257	27	-39	-110	-32	39	89	6	-	20
Brazil	8 592	32 698	20 105	-16 805	8 061	-3 552	7 822	2 262	-3 148	8 983	-10 322	6 700
Chile	-670	1 223	1 000	-748	234	-200	748	-234	200	-	-	-
Colombia	-510	564	2 821	-319	870	760	319	-870	-760	-	-	-
Costa Rica	1 177	597	868	480	-154	-75	-480	154	75	-	-	-
Ecuador	-1 846	-1 167	518	-891	216	-305	422	-308	99	469	92	206
El Salvador	447	353	420	208	-120	-80	-208	120	80	-	-	-
Guatemala	890	1 538	1 359	-125	654	400	125	-654	-400	-	-	-
Haiti	1	28	91	21	-46	1	-34	57	-5	12	-11	4
Honduras	415	197	263	216	-7	-96	-474	-118	-25	258	125	121
Mexico	18 602	24 800	23 398	4 277	7 110	6 200	-592	-2 824	-6 200	-3 685	-4 286	-
Nicaragua	1 001	724	697	-90	-194	-280	-156	16	-	247	178	-
Panama	1 172	605	-881	-148	-328	-1 284	-184	109	376	332	218	909
Paraguay	-227	-43	-211	-313	-358	-310	-104	218	110	418	140	200
Peru	1 024	1 513	1 421	-793	-132	301	775	190	-359	18	-58	58
Dominican Republic	592.3	978.5	1861.7	163 1	-48	579.6	-193 7	69.5	-517.7	31	-22	-62
Uruguay	564	697	594	13	171	29	-13	-171	-21	-	-	-8
Venezuela	-2 508	-7 294	-7 350	1 049	5 818	-2 250	-593	-5 314	2 520	-456	-504	-270

Source: ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.
[a] Preliminary estimates.
[b] Includes errors and omissions.
[c] A minus sign (-) indicates an increase in reserve assets.

Table A - 13

LATIN AMERICA AND THE CARIBBEAN: NET FOREIGN DIRECT INVESTMENT [a b]

(Millions of dollars)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [c]
Latin America and the Caribbean	**12 506**	**10 363**	**23 706**	**24 799**	**39 387**	**55 580**	**61 596**	**77 313**	**64 814**	**58 278**
Argentina [d]	3 218	2 059	2 480	3 756	4 937	4 924	4 175	22 633	10 553	3 500
Bolivia	91	125	147	391	472	728	955	983	691	728
Brazil	1 924	801	2 035	3 475	11 666	18 608	29 192	26 888	30 497	19 011
Chile [e]	538	600	1 672	2 204	3 445	3 353	1 842	4 366	-1 103	940
Colombia	679	719	1 297	712	2 795	4 894	2 432	1 353	2 051	1 815
Costa Rica	222	243	292	331	421	400	604	614	404	447
Ecuador	178	469	531	470	491	695	831	636	708	1 369
El Salvador [f]	15	16	-	38	-	-	873	162	178	196
Guatemala	94	143	65	75	77	85	673	155	245	440
Haiti	-2	-2	-3	7	4	4	11	30	13	10
Honduras	48	52	42	69	90	128	99	237	282	186
Mexico [g]	4 393	4 389	10 973	9 526	9 186	12 830	11 311	11 915	13 162	24 500
Nicaragua	42	40	40	75	97	173	184	300	265	180
Panama	145	170	393	267	410	1 256	1 218	652	603	250
Paraguay	118	75	137	98	144	230	313	65	119	100
Peru	150	687	3 108	2 048	3 242	1 702	1 860	1 969	556	990
Dominican Republic	180	189	207	414	97	421	700	1 338	953	889
Uruguay	0	102	155	157	137	113	155	229	280	248
Venezuela	473	-514	136	686	1 676	5 036	4 168	2 789	4 357	2 478

Source: ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.

[a] Refers to direct investment in the reporting economy minus direct investment abroad by residents. For some countries this information is not available. Includes reinvested earnings.

[b] In accordance with the fifth edition of the *IMF Balance of Payments Manual*, all transactions between non-financial direct investment enterprises and their parent companies and affiliates are included in direct investment.

[c] Preliminary figures.

[d] In 1999, includes the value of the investment by REPSOL in Yacimientos Petrolíferos Fiscales. Part of this amount corresponds to the purchase of shares in the company held by non-residents. In the balance of payments, the value of those shares is reflected in a debt under the portfolio investment item.

[e] For the period January-October 2001, includes two movements of significant value. An inflow of US$ 4.032 billion and an investment abroad worth US$ 3.092 billion.

[f] The Central Reserve Bank of El Salvador has kept systematic records of foreign direct investment since 1998.

[g] In 2001, includes the value of the investment by City Group in BANAMEX (US$ 12.447 billion).

Table A - 14

LATIN AMERICA AND THE CARIBBEAN: INTERNATIONAL BOND ISSUES [a]

(Millions of dollars)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [b]
Latin America and the Caribbean	**12 577**	**28 794**	**17 931**	**23 071**	**46 915**	**52 003**	**39 511**	**38 707**	**35 614**	**33 155**
Argentina	1 570	6 308	5 319	6 354	14 070	14 662	15 615	14 183	13 024	1 501
Brazil	3 655	6 465	3 998	7 041	11 545	14 940	9 190	8 586	11 382	11 449
Chile	120	322	155	300	2 020	1 800	1 063	1 764	680	2 186
Colombia	-	567	955	1 083	1 867	1 000	1 389	1 676	1 547	4 263
Costa Rica	-	-	50	-	-	-	200	300	250	250
Ecuador	-	-	-	10	-	625	-	-	-	-
El Salvador	-	-	-	-	-	-	-	150	50	354
Guatemala	-	60	-	-	-	150	-	-	-	325
Jamaica	-	-	55	-	-	225	250	-	421	441
Mexico	6 100	11 339	6 949	7 646	16 353	15 657	8 444	9 854	7 079	9 232
Paraguay [c]	-	-	-	-	-	-	-	400	-	-
Peru	-	30	100	-	-	250	150	-	-	-
Dominican Republic	-	-	-	-	-	200	-	-	-	500
Trinidad and Tobago	100	125	150	71	150	-	-	230	250	-
Uruguay	100	140	200	211	145	479	550	350	443	1 296
Venezuela	932	3 438	-	356	765	2 015	2 660	1 215	489	1 359

Source: International Monetary Fund, Research Department, Emerging Markets Studies Division.

[a] Gross issues. Includes medium-term euronotes.

[b] January to November; October to November: data from J.P. Morgan.

[c] Official information.

Table A - 15

LATIN AMERICA AND THE CARIBBEAN: INDICES OF STOCK EXCHANGE PRICES IN DOLLARS [a]

(Indices: June 1997 = 100)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [b]
Latin America	**51. 0**	**77.4**	**76.2**	**62.5**	**72.5**	**90.6**	**56.0**	**88.0**	**74.6**	**63.5**
Argentina	50.7	84.9	63.6	69.1	82.1	96.3	68.9	91.9	68.9	33.4
Brazil	20.0	38.2	64.0	49.8	64.9	78.3	44.9	75.0	68.7	46.9
Chile	52.4	67.8	95.8	93.0	77.0	79.6	55.7	75.4	64.8	59.6
Colombia	62.0	81.6	103.5	77.1	80.5	99.9	56.4	45.1	24.8	29.5
Mexico	106.2	156.0	91.1	66.5	77.3	114.1	69.5	125.4	99.8	102.9
Peru	32.6	43.9	66.8	73.1	73.6	83.8	50.5	61.1	44.1	48.3
Venezuela	73.3	65.6	47.8	32.7	75.7	93.3	44.9	39.3	49.7	42.9

Source: ECLAC, on the basis of figures provided by the International Finance Corporation.

[a] Figures at end of month, general index.

[b] At the end of November.

Table A - 16

LATIN AMERICA AND THE CARIBBEAN: TOTAL DISBURSED EXTERNAL DEBT [a]

(Millions of dollars)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [b]
Latin America and the Caribbean	**479 014**	**527 303**	**562 830**	**616 919**	**638 519**	**663 090**	**745 360**	**762 018**	**739 930**	**725 805**
Argentina	62 766	72 209	85 656	98 547	109 756	124 696	140 489	145 300	146 200	142 300
Bolivia [c]	3 784	3 777	4 216	4 523	4 366	4 234	4 655	4 574	4 461	4 465
Brazil [d]	135 949	145 726	148 295	159 256	179 935	199 998	241 644	241 468	236 157	226 820
Chile	18 964	19 665	21 768	22 026	22 979	26 701	31 691	34 167	36 849	37 060
Colombia	17 277	18 908	21 855	24 928	29 513	32 036	35 696	36 010	35 851	38 170
Costa Rica	4 056	4 011	3 818	3 889	3 376	3 290	3 500	3 950	4 050	4 225
Cuba	6 400	8 785	9 083	10 504	10 465	10 146	11 200	11 040	11 100	11 100
Ecuador	12 795	13 631	14 589	13 934	14 586	15 099	16 400	16 282	13 564	13 440
El Salvador [c]	2 343	1 976	2 056	2 168	2 517	2 689	2 631	2 789	2 795	3 425
Guatemala	2 520	2 323	2 644	2 936	3 033	3 210	3 619	3 831	3 929	3 900
Guyana	2 054	2 062	2 004	2 058	1 537	1 514	1 500	1 196	1 250	1 250
Haiti [c]	872	866	875	902	914	1 025	1 100	1 166	1 170	1 190
Honduras	3 590	3 850	4 040	4 242	4 121	4 062	4 404	4 723	4 685	4 650
Jamaica	3 678	3 687	3 652	3 452	3 232	3 278	3 300	3 050	3 200	3 200
Mexico [d]	116 501	130 524	139 818	165 600	157 200	149 000	161 300	166 381	149 300	146 100
Nicaragua [c]	10 792	11 987	11 695	10 248	6 094	6 001	6 287	6 549	6 660	6 340
Panama [c]	3 548	3 494	3 663	3 938	5 069	5 051	5 180	5 568	5 604	6 330
Paraguay	1 249	1 254	1 271	1 439	1 434	1 473	1 599	2 373	2 491	2 450
Peru	21 409	27 489	30 392	33 515	33 805	28 508	29 477	28 659	28 353	28 240
Dominican Republic	4 413	4 563	3 946	3 999	3 807	3 572	3 537	3 657	3 676	3 800
Trinidad and Tobago	2 215	2 102	2 064	1 905	1 876	1 541	1 430	1 511	1 550	1 550
Uruguay [d]	3 392	3 578	4 251	4 426	4 682	4 754	5 195	5 178	5 492	5 800
Venezuela	38 447	40 836	41 179	38 484	34 222	31 212	29 526	32 596	31 545	30 000

Source: ECLAC, on the basis of official figures.

[a] Includes debt owed to the International Monetary Fund.

[b] Preliminary figures.

[c] External public debt.

[d] Public debt does not include investment by non-residents in government securities.

Table A - 17

LATIN AMERICA AND THE CARIBBEAN: NET RESOURCE TRANSFERS [a]

(Millions of dollars)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [b]
Latin America and the Caribbean	**26 548**	**31 490**	**10 054**	**19 235**	**22 635**	**32 322**	**27 165**	**-3 131**	**1 003**	**-3 393**
Argentina	6 402	9 349	8 107	354	5 072	9 138	10 449	5 767	1 829	-13 099
Bolivia	377	200	46	251	459	433	648	324	199	43
Brazil	584	-1 633	-723	19 951	19 743	6 242	7 497	-1 273	4 490	7 965
Chile	1 421	1 071	2 004	-625	1 952	4 176	29	-2 551	-1 181	-1 895
Colombia	-1 648	784	2 369	3 028	4 408	3 767	2 055	-2 158	-2 013	-340
Costa Rica	330	464	273	355	27	301	-100	-645	-656	79
Ecuador	-1 002	-89	116	-685	-1 185	-375	231	-2 713	-2 263	-567
El Salvador	190	118	36	338	243	179	321	165	103	107
Guatemala	513	704	599	210	356	716	1 101	709	1 355	1 206
Haiti	38	54	-15	168	-14	114	-35	1	7	87
Honduras	108	-4	151	50	110	260	64	509	178	225
Mexico	16 406	18 427	-1 748	-2 065	-9 336	5 174	4 599	1 661	6 496	10 048
Nicaragua	611	359	511	426	598	835	597	1 051	702	453
Panama	-250	-97	-132	81	282	802	517	749	212	-422
Paraguay	-335	84	735	262	423	-75	85	220	144	13
Peru	1 186	1 343	3 827	3 236	3 916	3 540	1 141	-502	-140	76
Dominican Republic	451	-9	-785	-455	-528	-593	-455	-352	-84	965
Uruguay	8	231	293	203	185	485	798	391	627	514
Venezuela	1 158	134	-5 610	-5 848	-4 076	-2 797	-2 377	-4 484	-9 001	-8 850

Source: ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.

[a] The net transfer of resources is equal to net capital inflows (including non-autonomous flows and errors and omissions) minus the balance on the income account (net payments of profits and interest). Negative figures indicate net outward resource transfers.

[b] Preliminary figures.

Table A - 18

LATIN AMERICA AND THE CARIBBEAN: NET CAPITAL INFLOWS AND NET RESOURCE TRANSFERS

(Billions of dollars and percentages)

	Net capital inflows			Net payments of profits and interest	Resource transfers	Exports of goods and services	Resource transfers as a percentage of exports of goods and services
	Autonomous	Non-autonomous	Total		5 = (3) -(4)		(7) = (5) / (6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7) [a]
1980	29.2	1.7	30.9	18.9	12.0	106.9	11.2
1981	38.4	1.8	40.2	29.1	11.1	115.6	9.6
1982	3.3	17.2	20.5	38.9	-18.4	105.2	-17.5
1983	-22.1	30.1	8.0	34.5	-26.5	105.4	-25.1
1984	-10.6	23.9	13.3	37.5	-24.2	117.5	-20.6
1985	-16.0	20.3	4.3	35.5	-31.2	112.8	-27.7
1986	-12.1	21.8	9.7	32.7	-23.0	99.2	-23.1
1987	-13.7	26.5	12.8	30.9	-18.1	113.3	-16.0
1988	-19.4	22.8	3.4	34.6	-31.2	130.6	-23.9
1989	-19.7	29.3	9.6	39.1	-29.5	145.8	-20.2
1990	-7.3	24.3	17.0	34.4	-17.4	161.4	-10.8
1991	23.0	12.8	35.8	31.6	4.2	164.0	2.6
1992	49.1	7.8	56.9	30.4	26.5	177.6	14.9
1993	61.3	4.9	66.2	34.7	31.5	194.1	16.2
1994	42.3	4.4	46.7	36.6	10.1	223.3	4.5
1995	30.2	30.0	60.2	40.9	19.4	266.0	7.3
1996	66.8	-1.4	65.4	42.8	22.7	294.3	7.7
1997	84.6	-4.0	80.6	48.2	32.3	326.7	9.9
1998	69.5	8.9	78.4	51.2	27.2	326.1	8.3
1999	43.3	5.8	49.1	52.2	-3.1	341.0	-0.9
2000	67.0	-13.7	53.3	52.3	1.0	405.7	0.2
2001 [b]	32.7	17.3	50.0	53.4	-3.4	391.4	-0.9

Source: ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.

[a] Percentages.

[b] Preliminary figures.

Table A - 19

LATIN AMERICA AND THE CARIBBEAN: RATIO OF TOTAL ACCRUED INTEREST TO EXPORTS OF GOODS AND SERVICES [a]

(Percentages)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [b]
Latin America and the Caribbean	**18.6**	**18.2**	**17.3**	**17.5**	**16.0**	**15.8**	**16.4**	**16.6**	**14.5**	**15.1**
Argentina	23.4	23.3	26.8	28.2	28.1	29.9	35.3	41.2	38.3	38.1
Bolivia	24.3	21.2	14.3	16.6	12.1	14.8	15.1	15.7	14.5	14.6
Brazil	20.8	21.8	17.9	21.9	25.3	26.0	26.6	31.6	26.5	25.7
Chile	11.4	10.3	8.2	7.2	7.0	6.8	8.0	7.8	8.6	8.9
Colombia	14.6	12.3	14.9	15.3	15.9	18.2	18.4	18.7	17.4	19.1
Costa Rica	7.3	6.7	5.5	5.7	4.8	4.5	3.6	3.2	4.2	5.1
Ecuador	22.8	21.7	19.0	15.7	15.9	15.9	21.2	21.5	16.9	18.8
El Salvador	10.5	10.3	6.3	5.9	6.1	6.0	6.5	8.7	8.6	9.9
Guatemala	8.9	6.2	5.8	4.7	6.1	5.4	4.3	4.3	4.5	5.9
Haiti	5.4	8.0	6.5	12.1	3.2	3.2	1.9	2.4	0.0	0.0
Honduras	25.9	15.5	15.6	13.1	11.3	8.9	7.8	8.4	6.3	6.5
Mexico	17.5	18.3	17.9	16.1	12.5	10.9	10.1	9.5	8.5	9.1
Nicaragua	158.6	119.4	97.1	58.4	44.0	28.3	18.4	19.7	17.2	21.1
Panama	19.2	15.5	15.5	22.5	17.1	15.9	19.7	20.7	20.6	16.2
Paraguay	6.9	3.0	2.5	2.1	2.1	2.1	1.9	2.8	4.5	4.4
Peru	37.3	38.9	34.5	33.1	25.1	19.4	23.7	23.1	21.4	18.4
Dominican Republic	9.1	5.8	4.1	4.6	3.9	3.1	2.8	2.7	2.8	2.2
Uruguay	15.7	14.4	14.9	16.5	15.9	17.0	18.1	21.9	19.8	22.8
Venezuela	18.3	17.0	17.0	16.1	11.2	13.8	15.3	12.8	8.6	9.9

Source: ECLAC, on the basis of official figures.
[a] Includes interest paid and interest due and not paid.
[b] Preliminary figures.

Table A - 20

LATIN AMERICA AND THE CARIBBEAN: RATIO OF PROFIT PAYMENTS TO EXPORTS OF GOODS AND SERVICES [a]

(Percentages)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [b]
Latin America and the Caribbean	**4.5**	**5.2**	**5.5**	**4.7**	**5.2**	**5.9**	**6.6**	**5.3**	**5.0**	**4.3**
Argentina	7.3	10.2	9.4	7.6	6.2	7.6	8.4	7.6	9.8	6.3
Bolivia	2.6	1.9	2.2	3.1	5.4	5.7	6.0	10.9	10.2	9.8
Brazil	2.1	4.5	4.7	5.3	7.6	10.3	12.9	9.3	6.6	6.2
Chile	8.4	8.1	12.9	11.2	11.2	11.6	8.4	7.6	9.6	10.4
Colombia	11.3	10.4	5.4	3.3	5.3	4.6	1.1	-1.2	4.4	7.1
Costa Rica	3.0	2.9	1.7	2.4	1.8	3.2	5.3	21.0	14.8	8.5
Ecuador	3.5	4.0	3.9	3.7	3.4	3.3	4.8	4.4	4.1	5.2
El Salvador	2.7	2.2	1.6	-	-	-	-	3.5	1.6	2.1
Guatemala	1.9	2.6	2.6	2.6	3.7	4.4	3.8	3.9	3.8	6.0
Haiti	-	-	-	-	-	0.5	0.2	-	-	-
Honduras	7.1	4.5	1.8	3.6	3.7	2.8	2.8	1.9	2.4	3.6
Mexico	4.2	4.1	5.1	3.1	3.9	3.4	4.1	2.5	2.7	2.0
Nicaragua	3.9	2.8	2.1	4.8	6.8	6.6	7.0	7.4	7.4	8.1
Panama	5.1	4.5	3.6	3.9	6.5	6.4	8.6	11.1	8.0	-
Paraguay	0.9	1.3	1.0	1.3	1.8	3.3	4.2	2.8	2.2	2.4
Peru	3.5	3.0	3.3	5.3	5.7	6.8	6.5	6.2	6.5	4.7
Dominican Republic	10.6	10.8	10.7	10.9	9.8	10.1	11.1	12.1	11.9	11.0
Uruguay	-	1.7	1.3	1.5	0.9	0.6	1.4	0.5	2.9	3.0
Venezuela	3.3	3.6	2.9	2.1	1.7	4.1	5.5	3.6	2.8	2.9

Source: ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.
[a] Includes reinvested profits.
[b] Preliminary figures.

Table A - 21

LATIN AMERICA AND THE CARIBBEAN: RATIO OF TOTAL DISBURSED DEBT TO EXPORTS OF GOODS AND SERVICES

(Percentages)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 [a]
Latin America and the Caribbean	**261.7**	**263.1**	**244.5**	**225.2**	**211.1**	**197.9**	**223.2**	**218.5**	**178.2**	**181.1**
Argentina	407.1	438.8	440.4	393.9	385.5	403.0	451.8	523.6	472.6	451.7
Bolivia	489.5	421.1	346.7	365.1	331.5	299.4	343.5	349.0	306.9	311.0
Brazil	340.9	334.3	302.6	302.5	342.7	338.0	405.6	437.4	366.3	336.0
Chile	153.4	167.9	150.7	113.8	120.5	128.5	167.2	176.1	166.8	169.2
Colombia	186.9	190.0	204.9	203.2	224.0	225.3	266.2	259.2	228.7	257.1
Costa Rica [b]	132.5	115.2	100.1	87.2	69.8	60.1	50.8	48.1	52.6	60.4
Ecuador	344.1	367.2	318.5	265.1	253.8	248.1	327.5	309.4	234.1	237.1
El Salvador	240.3	173.6	125.4	106.1	114.3	99.3	96.0	87.8	76.8	88.9
Guatemala	132.8	114.8	115.6	104.8	109.6	100.9	104.4	111.5	103.9	105.5
Haiti	589.2	531.3	629.5	351.0	277.0	269.7	229.6	220.8	234.3	260.4
Honduras	344.9	317.9	294.9	244.5	215.2	186.8	177.9	207.0	186.9	185.1
Mexico	210.0	212.6	196.4	185.6	147.1	122.4	124.7	112.4	82.9	85.3
Nicaragua	3 492.6	3 367.1	2 456.9	1 704.6	924.7	751.1	757.5	781.0	706.7	705.7
Panama	56.1	52.0	49.2	51.7	68.7	60.8	64.1	78.5	73.1	82.1
Paraguay	52.9	38.0	33.6	30.0	32.6	32.5	37.4	73.2	89.5	85.5
Peru	476.1	631.5	536.8	498.7	462.3	340.6	392.8	375.4	331.5	324.1
Dominican Republic [c]	230.9	96.1	75.3	69.8	61.5	50.6	47.3	45.8	41.0	47.6
Uruguay	128.9	129.6	130.8	126.2	121.7	112.7	125.6	146.7	148.2	168.4
Venezuela	247.8	253.3	232.9	185.4	135.4	123.9	155.2	147.3	91.7	106.5

Source: ECLAC, on the basis of figures provided by the International Monetary Fund and national agencies.
[a] Preliminary figures.
[b] “Goods” includes *maquila* industry exports.
[c] From 1993 “Goods” includes *maquila* industry exports.

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