1999-2000

SUMMARY

Economic survey

OF LATIN AMERICA
AND THE CARIBBEAN

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Foreword

This Summary of the *Economic Survey of Latin America and the Caribbean, 1999-2000* is the first chapter of the *Survey*, and is being published simultaneously in Spanish and English. It provides an assessment of the region's economy during 1999 and the first half of 2000. The summary also presents a brief overview of the regional chapters of the *Survey*: the external sector, macroeconomic policy, activity levels, inflation, employment, saving and investment. It is accompanied by a statistical appendix containing 13 tables taken from the regional chapters, with data series through 1999.

Wide distribution of the summary is intended to serve the purpose previously performed by the *Economic Panorama of Latin America*, a publication that appeared in September of each year between 1985 and 1996. Thus, it provides information on economic trends in the region during the first half of the year within the context of the previous year's performance.

The full edition of the *Survey* will be published in Spanish in August and in English in September. It will be accompanied by a CD-ROM containing tables corresponding to the country and regional analyses.

Summary

1. Introduction

During the year 2000, Latin America and the Caribbean have gradually been recovering from the recession that hit many of these economies in the last half of 1998 and in 1999. While regional GDP was virtually stagnant in 1999, projections put the growth of output for this year at about 4%, on average. This more robust performance will be accompanied by an average inflation rate for the region of around 10% (a rate similar to the figure for 1997-1999) and by a slightly improved situation in the labour market. The current account deficit is expected to be around 3% of GDP, which is about the same level as in 1999 but substantially lower than in 1998. In most countries, capital inflows should be sufficient to cover the deficit.

This relatively optimistic outlook stems from the reversal of the international economic trends that set off the 1998-1999 recession. As the economies of Asia recover and growth picks up in Europe, the prices of many of the commodities exported by Latin American and Caribbean countries have been on the rise. Although the United States economy may be beginning to slow down, it is still expected to grow at a fairly rapid rate. The resulting upswing in trade should permit an increase of about 15% in the value of the region's exports in 2000, compared to a decline in 1998 and an increase of less than 6% in 1999. Indeed, export growth is the most powerful force behind the recovery of GDP. Imports will also strengthen, but they are expected to grow at a somewhat slower rate than exports.

A moderate expansion of external financial flows to Latin America and the Caribbean is expected. While foreign direct investment will continue to be the most important component, it is unlikely to match the record levels reached in 1999. Bond issues in the first quarter of 2000 were the highest since mid-1997 (before the outbreak of the Asian crisis), although they fell back again in the second quarter, thus demonstrating their continuing volatility. Bank lending is expected to rebound somewhat, thereby surpassing its 1999 level, as will equity portfolio investment. Overall, capital flows should reach around 3%-3.5% of GDP in 2000, compared to 2.8% the year before. Some uncertainty persists, however, and the upward trend in these flows could therefore be undermined by contagion from United States financial markets if a sharp increase in interest rates, a partial reversal of capital inflows to the United States economy or some other event precipitates a steep downturn in the stock market or a devaluation of the dollar, thus pushing that economy into a "hard landing".

In most countries of the region, the management of macroeconomic policy has benefited from the improvement in the international economic situation. Fiscal policy is expected to be somewhat more austere in 2000 than in 1999, when, at an average of 3%, deficits reached their peak level for the decade. The smaller deficits will partly be a result of the increased revenues and lower transfers resulting from higher growth rates. In addition, expenditure will be lower. At the same time, it appears that monetary policy is beginning to be relaxed somewhat now that inflation has been brought under control.

Exchange-rate policy has been moving in a new direction during the past 18 months. At a time when the countries that were most seriously affected by the international crisis were finding it increasingly costly to defend their currency bands, the flotation of the Mexican peso following that country's 1994-1995 financial crisis set an example for others, since it proved to be a relatively successful alternative; Brazil, Chile, Colombia and Ecuador thus followed suit in 1999. Except in the case of Ecuador, the resulting devaluations were generally successful in encouraging exports and restraining imports, thereby stimulating economic growth in those countries.

The decline in the value of local currencies –together with the upturn in growth rates– does not appear to be having a significant impact on inflation. In the first half of 2000, consumer prices rose slightly more than they had in 1999 in most of the countries, but these increases have been far outweighed at the regional level by improvements in Brazil, Mexico and Venezuela. The main exception to this bright picture has been Ecuador, where the inflation rate for the 12-month period ending in June exceeded 100% and led to the adoption of a dollarization scheme in January 2000. The fact that inflation has not rebounded in other countries following devaluations and the subsequent upswing in GDP growth adds to the mounting body of evidence that the region may be arriving at a new stage of stability following the long years of high or even hyper-inflation.

The countries' success in quelling inflation has had a positive impact on real wages. In Chile, Colombia and Mexico, average real wages in the formal sector increased during the first half of 2000, and the slide in pay levels in Brazil slowed. The employment rate also climbed slightly in the eight countries for which information is available; this improvement has not yet been reflected in the unemployment rate, however, due to the fact that the participation rate has also risen. In addition, of course, the recovery has not proceeded as rapidly in some economies as in others.

During the two preceding years, a pattern had developed whereby the northern and southern halves of the region displayed sharply different economic trends, with most of the South American countries sliding into recession while the Mexican, Central American and Caribbean economies continued to expand (albeit more slowly than before), thanks in large part to their sustained level of exports to the United States market. In the first half of 2000, however, this distinction became blurred. Although the northern-tier countries continue to do well, they have been joined by several of their South American counterparts, whose economies have staged a recovery as economic trends improve in Europe and Asia, as well as in the regional market itself. In fact, current projections indicate that Chile and Peru, as well as Costa Rica, the Dominican Republic, Mexico and Nicaragua, will outpace the region's estimated average growth rate of 4%.

From the perspective of the region as a whole, the Latin American and Caribbean countries are entering their third growth cycle of the last 10 years. Dating the cycles on an annual basis from trough to trough, the first ran from 1990 to 1995, the second from 1995 to 1999, and the third began in 1999. From 1994 on, the cycles can be dated more precisely using quarterly data for a number of countries, as shown in figure I.1.[1] Measurements based on these statistics indicate that the peak of the first cycle came in the fourth quarter of 1994 and the trough in the fourth quarter of 1995. Negative growth was seen in the last two quarters of 1995 and the first of 1996. The peak of the second cycle occurred in the second quarter of 1997, after which growth declined, ending in four quarters of negative growth (the fourth quarter of 1998 through the third of 1999). Judging from the available information and projections for the year 2000, the upward phase of the third cycle would appear to have started in the last quarter of 1999.

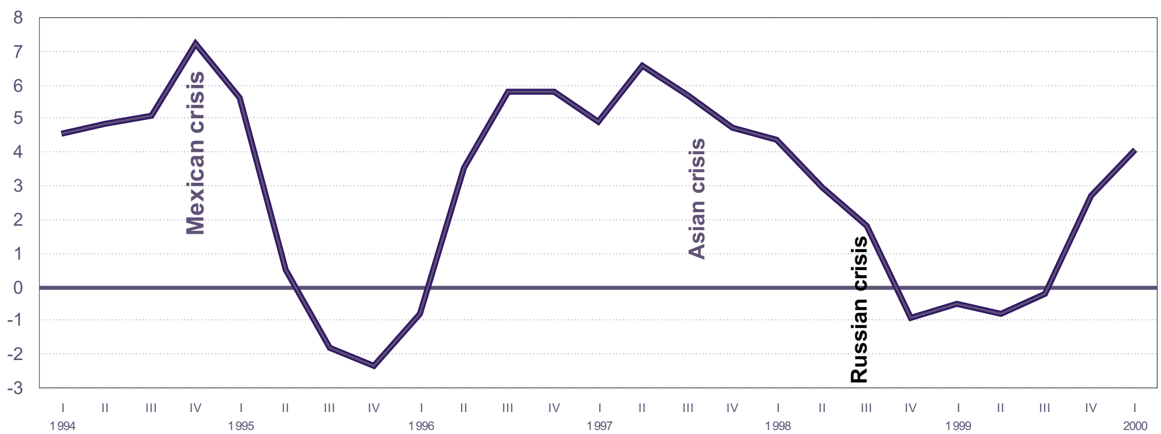
Although the two previous cycles had many differences, they also had some similarities from which lessons can be drawn that may be useful in managing the third and subsequent cycles. The most important difference between the 1990-1995 and 1995-1999 cycles had to do with the origin and extent of the downswing. In the first case, the main factor was the performance of the Mexican economy, whose large current account deficit, accompanied by a debt structure heavily weighted towards the short end, led to a foreign-exchange crisis when political shocks undermined confidence in the sustainability of this dynamic. The Mexican crisis spread to Argentina and Uruguay through an outflow of foreign capital, but it had little effect elsewhere in the region. In the second cycle, by contrast, the triggering events came from outside the region, although problems in the Latin American and Caribbean economies themselves also provided fertile ground for the contagion process, which began with a speculative attack on several currencies, especially the Brazilian real. These attacks were, in turn, sparked by expectations that the existing exchange rate regime would not be sustainable in the face of falling commodity prices, weaker external demand and capital

1 Ideally, seasonally adjusted quarterly rates should be used for these types of measurements.

Figure I.1

LATIN AMERICA AND THE CARIBBEAN: QUARTERLY GROSS DOMESTIC PRODUCT[a]

(As percentage of variation with respect to the same quarter of the previous year)



Source: ECLAC, on the basis of official figures.
[a] Includes Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.

outflows. In this case the impact was widespread, although, as noted earlier, it was stronger in South America.[2]

Another difference between the two cycles was their effect on the banking sector. In the first cycle, the Mexican and Argentine foreign-exchange crises were followed by banking crises as weak and poorly supervised financial institutions were hit by massive withdrawals of deposits. In the second cycle, Brazil and other South American countries had already embarked upon financial restructuring programmes that had strengthened their banking sectors before the external shocks occurred. Thanks to these improvements in regulation and supervision, the negative financial impact in the region during 1998 and 1999 was less severe (although difficulties nonetheless arose, especially in Ecuador, Colombia and several Central American countries), and growth resumed more quickly. These changes, together with the prompt reaction of the international community, were significant factors in Brazil's better-than-expected performance following the January 1999 devaluation.

An important similarity between the two cycles is the procyclical behaviour of foreign capital flows and domestic spending, both public and private, during the cycles' upswings. Foreign capital –especially short-term flows– flooded into the region as growth resumed, thereby driving growth rates up even further. Renewed access to external financing eased the existing constraints on investment and consumption, while the rise in foreign reserves drove up liquidity. These expansionary phases were in many cases accompanied by overvalued exchange rates and by some substitution of domestic for external savings, which discouraged exports and encouraged imports. Consequently, the countries' current account deficits expanded rapidly, thereby heightening their exposure to exogenous shocks.

Eventually, expectations turned negative in some instances, and foreign capital withdrew, depressing growth in the process. In other cases, governments and central banks became so worried by the balance-of-payments situation that they themselves triggered recessions as they strove to reduce their current account deficits. In either event, the positive phase of the cycle was reversed, and many domestic agents that were heavily indebted in hard currency were forced into bankruptcy. This further destabilized an already weakened financial sector.

2 For further information on the international crisis' causes and impact in the region, see the *Economic Survey of Latin America and the Caribbean, 1998-1999* (LC/G.2056), Santiago, Chile, November 1999. United Nations publication, Sales No: E.99.II.G.2.

This brief review of some of the key elements in the two previous cycles raises several points that governments may wish to take into consideration now that a new cycle appears to have begun.[3] Some of the lessons to be drawn from these experiences have already been learned in many countries, which is why liability policies aimed at establishing an appropriate debt profile and the prudential regulation of the banking sector both generally improved between the first and second cycles. The present challenge is therefore to prevent backsliding and to help make sure that all the countries move in this direction.

In view of the difficulty of altering the procyclical behaviour of foreign actors or of the countries' domestic private sectors, another lesson is that it is imperative for the region's governments to pursue strong countercyclical policies in order to prevent their economies from overheating as they move out of recession. This demands great self-discipline, especially in view of the depth of these recessions, which in many cases have also included high unemployment rates. The region's experiences indicate, however, that procyclical management does not lead to higher growth rates over the long term and that the greater volatility of growth associated with such an approach can lead to an accumulation of risk or discourage investment in production, thereby halting or dampening growth.

In this initial phase of a new upswing, consideration should also be given to the possibility of introducing policies designed to protect the countries' economies from the worst ravages of procyclical capital flows. This is all the more important given the fact that the volatility of financial flows will probably increase in the future when the inflow of foreign direct investment, which was attracted to the region by the privatization programmes of the 1990s, tapers off and profit remittances pick up.

In summary, a careful analysis of the lessons to be learned from the macroeconomic policies implemented during the 1990s may help ensure that this new cycle will be longer in duration than its immediate predecessors and that the downswing –when it comes– will be less severe.

2. The external sector

The region's balance-of-payments current account deficit is expected to verge on US$ 50 billion –3% of GDP (see figure I.2)– in the year 2000, which is similar to the figure for the year before but far lower than the US$ 87.5 billion deficit registered in 1998. If it were not for the hefty surplus being run up by Venezuela, however, the region's deficit would be nearer to US$ 60 billion. Colombia, Mexico and some Central American countries are likely to post larger current account deficits in 2000, while Chile is expected to have a moderate deficit after having balanced its account in 1999. Other countries are likely to show no significant variation on this account or to have smaller deficits than the year before (e.g., Argentina, Brazil and Uruguay).

The lack of any significant change in the region's current account deficit is the net result of two opposing trends. On the one hand, the upturn in import growth associated with the recovery of economic activity will reverse the slump seen in 1999. On the other, the value of exports is expected to climb sharply thanks both to an increase in volume and to the higher prices of many commodities, especially raw materials. Within this context, the rise in oil prices has been particularly influential, since this product accounts for a sizeable portion of the region's sales. The combination of these two trends makes for a trade deficit quite similar to the preceding year's, which was substantially lower than it had been before.

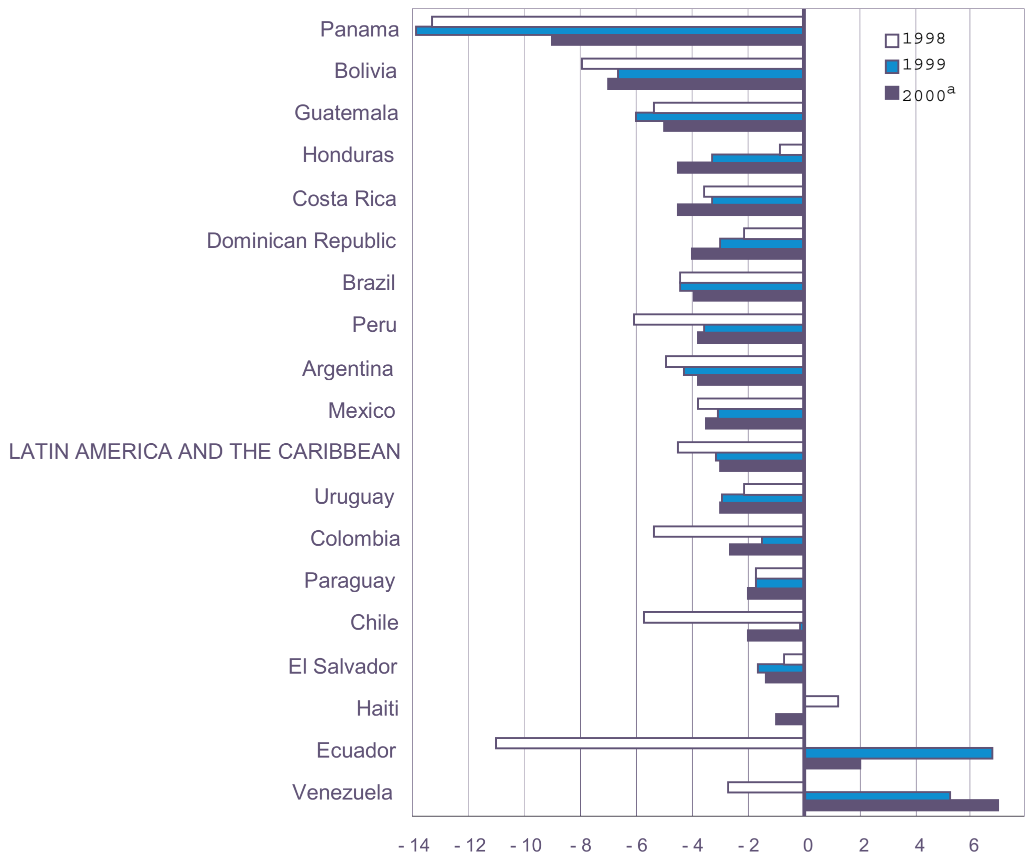
The deficit on the factor income account may be somewhat larger, but this rise will once again be mitigated by higher current transfers. Capital flows appear to be recovering, albeit with ups and downs. It is even possible that they may exceed the current account deficit. If this happens, then for the first time since 1997 and the start of the global crisis, the region will post an overall balance-of-payments surplus and will not have to draw on its reserves in order to cover deficits.

3 For a discussion of countercyclical management of the economy, see ECLAC, *Equity, Development and Citizenship* (LC/G.2071(SES.28/3)), chapter 8, Santiago, Chile, March 2000.

Figure I.2

LATIN AMERICA AND THE CARIBBEAN: CURRENT ACCOUNT BALANCE

(As a percentage of GDP)



Source: ECLAC, on the basis of figures from official sources and the International Monetary Fund.
[a] Projections.

A solid recovery in external trade following the 1999 slump

During the year 2000, merchandise trade has clearly been on the rise and has emerged from the slump seen in 1999. This recovery has been brought about both by factors that determine the prices of the region's exports (especially commodities) and by factors that influence the volume of external sales, such as world and regional economic activity levels. The economic recovery has also given a significant boost to imports.

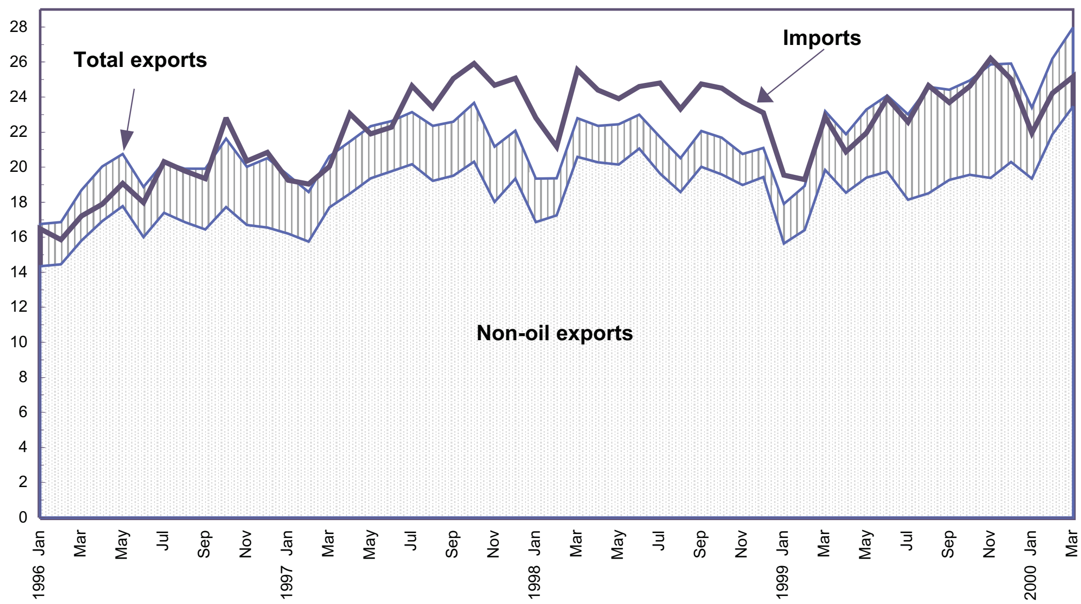
Trade statistics bottomed out in early 1999. For that year as a whole, merchandise imports shrank by 2.7% in terms of volume and fell even more sharply in value (by over 4%) as a result of the drop in unit values. By contrast, the value of merchandise exports rose by nearly 6%; this improvement was attributable to a 7% increase in export volumes, since unit values for exports were lower than they had been the year before (see figure I.3). If Mexico's statistics are factored out of the calculations, however, in value terms, exports were down by 1.7% and imports by 15.7%.

Clearly, then, these aggregate figures mask the varying situations in individual countries, each of which has had differing levels of exposure to the main factors that exert a positive or negative influence on trade performance. One of those factors was the continuation of the recessionary phase in world commodity markets that was triggered by the outbreak of the Asian crisis, causing export values to contract. Beef, nickel and, especially, oil were among the very few products whose average prices rose in 1999, with the upturn in oil prices substantially raising net exporters' earnings from this commodity and net importers' outlays.

Figure I.3

LATIN AMERICA: MERCHANDISE TRADE [a]

(In billions of dollars)



Source: ECLAC, on the basis of official figures.

[a] Includes Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela, which together account for 93% of the region's trade.

On the other hand, the pace of world economic activity was faster than it had been the year before, and this boosted external demand for the region's products. Growth was particularly robust in the United States (4.2%), and this was a boon for Mexico, Central America and the Caribbean, which posted widespread increases in export volumes. The same was true of exports to the countries of South-East Asia, whose economies rebounded so strongly that they were growing at rates of over 6%.

In contrast, the sluggishness of economic activity in the region dampened import demand, which was down across the board in the countries that were doing poorly. This trend was reinforced by currency depreciation in many instances, as in Brazil. Weaker regional demand sapped the strength of intraregional trade, especially in the case of manufactured goods, which is the largest category of such transactions, and of the countries having the greatest degree of trade integration (chiefly the members of Mercosur and of the Andean Community).

The mix of negative and positive factors and the varying degrees to which they influenced the individual countries of the region generated a heterogeneous situation with respect to trade performance. In the southern portion of the region, most net oil importers saw a widespread decline in the unit values of their exports and in their real terms of trade, as well as in their export volumes. This drove down the value of their exports, with the notable exceptions of Brazil, Chile and Peru. In contrast, the countries whose main export product is oil (Colombia, Ecuador and Venezuela) benefited from the steep ascent of hydrocarbons prices and thus registered an upswing in unit values which translated into higher export earnings and improved real terms of trade.

With the sole exception of Honduras, which was ravaged by Hurricane Mitch, the countries in the northern part of the region managed to raise the volume of their exports thanks to the robust demand generated by the United States market. The *maquila* industry, which is geared towards that market, played an important role in this respect. The unit values of exports slipped in all the countries except Mexico, mainly as a result of the lower prices of the commodities they export (chiefly bananas, coffee and sugar). These decreases, however, were offset by higher volumes in some cases.

The value of imports was lower for most of the countries. Despite higher oil prices, unit values declined across the board. The trend in volumes mirrored the trend in domestic demand and, in the case of Brazil, the movement of the exchange rate. Consequently, the situation in the South American countries and in Panama, which registered lower import volumes and values, differed from that of the rest of the region, in which both of these indicators generally rose.

Thanks to the region's trade performance, its merchandise trade deficit shrank considerably, dropping from its 1998 level of US$ 33.36 billion to just slightly more than US$ 4 billion in 1999. Trade in non-factor services also produced a smaller deficit, mainly because of a reduction in the amount paid for the shipment of merchandise. As a result, the deficit registered for trade in goods and non-factor services fell to approximately US$ 18.6 billion.

In the early months of the year 2000, the conditions affecting merchandise trade improved. Thanks to the moderate ascent of many commodity prices, the averages for the first five months of 2000 have been higher than they were for the same period of 1999 for bananas, shrimp, aluminium, copper, tin, zinc, iron ore, soybeans, cotton and fishmeal, although the figures for the last four products are still below their 1998 levels. Nickel prices have been climbing even more steeply. Average oil prices are up by almost 50% over their 1999 levels. In contrast, coffee, wheat, sugar, lead and silver prices have continued to slip.

World economic activity has remained on an upward path, and the growth rate is projected to rise to as much as 3.5% in the year 2000. With a somewhat higher growth rate for Europe, some measure of convergence among the developed regions of the world is also expected. The recovery of the region's economies will be an important factor in the reactivation of intraregional trade.

The available trade statistics for the first three to five months of the year corroborate the above observations. Exports have expanded in almost all of the countries and especially in Chile, Colombia and Mexico, where increases of between 20% and 24% have been posted. Argentina, Brazil, Ecuador, Paraguay and Peru have increased exports by between 13% and 17%. Imports are also up in most cases, and particularly large increases have been observed in Chile (26%), Mexico (23%), Venezuela (21%), Peru (12%) and Brazil (11%). The only country in which imports have continued to decline is Ecuador, while import growth has been flat in Argentina and Paraguay. The expansion of trade seen in 2000 has thus been quite solid so far, although the low base of comparison provided by the figures for 1999 should be taken into consideration.

Capital inflows recover by fits and starts

The speed of the recovery in external financing for Latin America and the Caribbean in 2000 will primarily depend upon how interest rates in the United States behave during the second half of the year. In the first semester, the fallout from the international financial crisis was still a factor. Although the region continued to receive significant flows of direct investment, the flow of external finance obtained from the issue of bonds remained highly volatile, while bank lending rebounded slightly early in the year.

In 1999, Latin America and the Caribbean had been seriously shaken by the after-effects of the crisis, which had deepened further when the Russian Federation declared a moratorium in August 1998; this situation was further compounded by the devaluation of the Brazilian real in January 1999. Autonomous capital inflows shrank to just US$ 48 billion after having reached US$ 85 billion and US$ 70 billion in 1997 and 1998, respectively. For the second year in a row, foreign direct investment helped to mitigate the effects of the crisis, and in some economies, particularly Brazil's, the extraordinary financing provided by multilateral lending agencies (especially the International Monetary Fund) was another important factor. However, substantial outflows of the more volatile sorts of finance, such as equity investment and commercial bank loans, were observed.

Bond issues amounted to US$ 42 billion in 1999, but much of this funding continued to be used for the amortization of debt; therefore this source provided very little fresh financing. The cost of external credit has hovered around an annual rate of 12%, which is substantially lower than the 15% rate recorded in August 1998 but still much higher than the pre-crisis, mid-1997 figure. Maturities have also been growing shorter since the crisis, dropping to an average of just five years in the second half of 1999.

Commercial bank lending has been one of the most volatile types of flows in recent years and has been markedly procyclical, especially since the second quarter of 1998. Data as of December 1999 indicate that there has been a continuing capital outflow of around US$ 15 billion; a portion of this amount can be attributed to the weakening of demand for short-term financing as a consequence of the reduction in foreign trade operations the preceding year. These withdrawals of capital from the commercial banking system were heavily concentrated in Brazil, but they reached significant levels in Chile, Colombia, Ecuador and Peru as well. A positive net flow was seen in the fourth quarter of 1999, however, following five quarters of negative flows.

In 2000, foreign direct investment will once again help to cushion the region from the impact of the crisis, although it will probably not match its 1999 record levels. Much of the funding derived from bond issues will once again be used to pay off matured debts. While equity investment and commercial bank lending registered net outflows in 1999, it is likely that these trends will be reversed in 2000, especially if international interest rates hold more or less steady.

In the first quarter of 2000, the region's bond sales rebounded sharply (see figure I.4), but the slippage that occurred in the second quarter attested to the continuing volatility of this type of flow. By the same token, the trend towards longer maturities, which brought them to an average of 12 years in the first quarter, was reversed in the second, when the average fell to eight years. Most bond sales are still being made by the central government and the public sector; the last one in the first semester was carried out in June by Uruguay for a total of US$ 300 million at 300 basis points over United States Treasury bonds and a 10-year maturity. Nonetheless, Latin American firms' access to this market remains very limited, and for the most part the terms and conditions are quite burdensome.

Figure I.4a

LATIN AMERICA AND THE CARIBBEAN: INTERNATIONAL BOND ISSUES

(In billions of dollars)

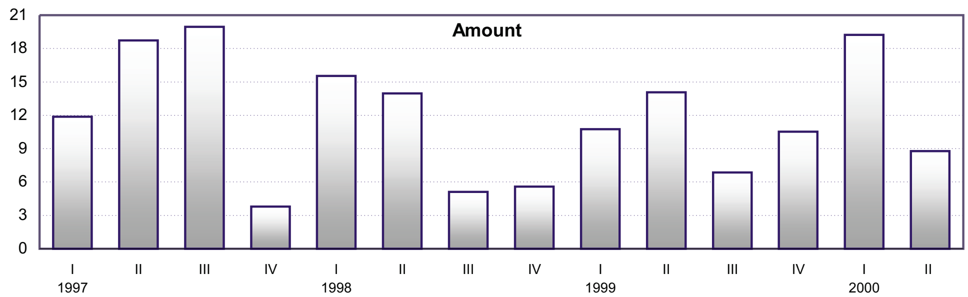
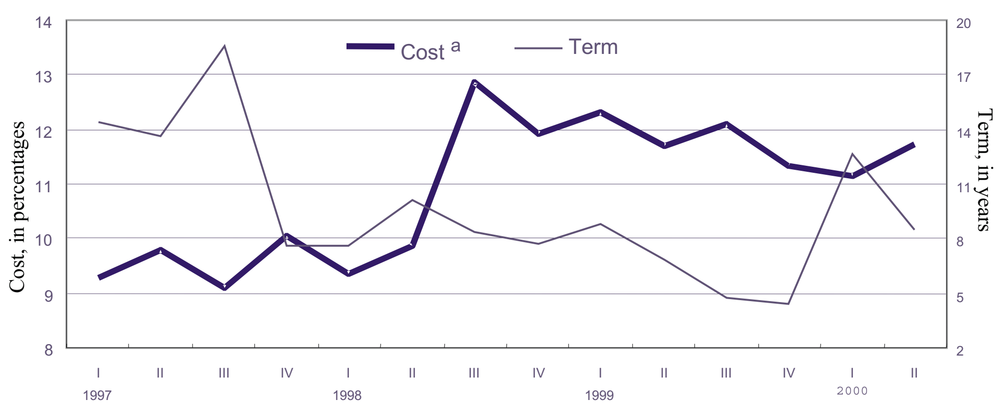


Figure I.4b

LATIN AMERICA AND THE CARIBBEAN: COST AND TERM OF INTERNATIONAL BOND ISSUES



Source: ECLAC on the basis of figures from official sources, the World Bank and the International Monetary Fund.
[a] Sum of the average spread for bond issues plus the yield of long-term United States Treasury bonds.

The cost of external credit for the region hovered around 12% per annum through June 2000, which is similar to the rate recorded a year earlier. In the first half of 2000, external finance cost about 8%-9% annually for Chile, Mexico and Uruguay, whereas the figure was close to 12%-13% for Argentina, Brazil and Colombia and around 15% for Venezuela.

In the early months of 2000, equity investment flows made a partial recovery, albeit with some ups and downs. This improvement has come at a time when share prices have been gaining ground, after having plunged to record lows during 1998. The net result is that, as of mid-2000, the regional stock index is 15% lower than it was in mid-1997, before the outbreak of the Asian crisis (see figure I.5). This recovery has been given a strong boost by Mexico, which has the only stock market in the region whose share price index is 20% higher than it was before the Asian crisis. The Mexican economy also experienced a sharp increase in equity flows in 1999, and this trend continued during the first half of 2000. For example, during the first four months of the year a total of US$ 1.3 billion in ADRs were issued.

Multilateral agencies have already approved a considerable amount of financing for Argentina, Colombia and Ecuador, and these funds may be disbursed any time in the period 2000-2002. In fact, Ecuador received some of this credit in April. By May, Brazil had amortized most of the extraordinary financing it had received in 1998-1999.

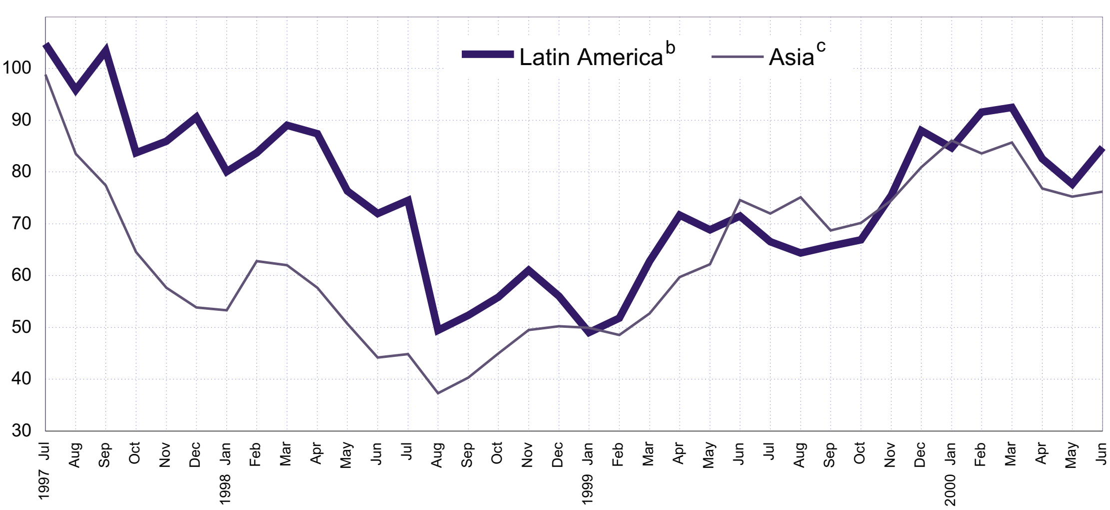
External borrowing edged up by just 1.5% in 1999. Even so, many countries continue to have disturbingly high debt ratios. Foreign borrowing may rise again this year as activity on the international bond market picks up and commercial bank loans become somewhat more accessible. The ascent of international interest rates may, if it continues, create problems for some of the region's heavily indebted countries. The United States Federal Reserve's decision to refrain from implementing any interest rate hikes in June was seen as sending out mixed signals, since the Federal Reserve also indicated that it might raise interest rates in the near future.

In the area of external debt restructurings, Honduras' bilateral external debt has been forgiven under the Naples Terms, thereby cutting the country's external liabilities by US$ 400 million. Ecuador is in the process of restructuring its external debt following its default on the interest payments on its guaranteed Brady bonds and other commitments with private creditors in 1999. Nicaragua is involved in negotiations in an effort to establish its eligibility for the debt reduction initiative that has been devised for heavily indebted poor countries, a scheme in which Bolivia and Guyana are already participating.

Figure I.5

LATIN AMERICA: DOLLAR-DENOMINATED STOCK PRICE INDEXES[a]

(Indexes, June 1997=100)



Source: ECLAC, on the basis of figures from the International Finance Corporation.
[a] Month-end values. [b] Includes 331 firms from Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela. [c] Includes 1,077 firms from China, India, Indonesia, The Republic of Korea, Malasya, Philippines, Pakistan, Sri Lanka, Thailand and Taiwan, Province of China.

3. Macroeconomic policy and reform

Major qualitative changes in macroeconomic policy are to be seen in the region as it emerges from the crisis of the last two years. During this period, macroeconomic policy responses have been shaped to a great extent by the external environment and by the domestic fallout from the international financial crisis. In an effort to meet these challenges, in 1999 governments began to take a more flexible approach so that they could gear their policies to the different phases of the economic cycle and thus respond in a more pragmatic way to developments as they occur.

Ideally, this increased response capacity is based on a more pragmatic approach to the design and management of monetary and exchange-rate policies, with fiscal policy playing a stabilizing role in the medium term. Accordingly, a growing number of countries have floated their currencies and have begun to define monetary policy in terms of inflation targets rather than basing it on strict rules concerning monetary aggregates or the exchange rate, as many of them did in the past. In parallel with this, new fiscal legislation has been passed in order to prevent chronic deficits and to establish medium-term goals. Also, many countries that have been affected by cyclical international price swings are making greater use of stabilization funds, which they create during economic booms and can then use to finance countercyclical fiscal measures in times of recession.

The key factor underlying this substantive change in macroeconomic policy in the region has been the slowdown in inflation, which has remained stable at around 10% for a fourth consecutive year despite considerable external turmoil (climatic and financial disturbances) and the devaluation of several countries' currencies. Greater internal stability has made it possible to broaden the objectives of monetary and exchange-rate policy and, above all, to lengthen the time horizons for their coordination. These longer horizons tend to mitigate the procyclical biases which have been typical of the countries' macroeconomic policies in the 1990s and thus make it possible for them to absorb transitory external shocks at a lower real cost in terms of production, income or employment.

Towards a smaller fiscal deficit in 2000

The governments of the region are taking a more cautious approach to fiscal policy in 2000 than they did in 1999, when the average fiscal deficit of the non-financial public sector reached 3% of GDP, the highest figure of the 1990s. The economic environment that will serve as the context for this approach is expected to allow for more breathing space on the revenue side while generating less pressure on the expenditure side of their accounts.

In 1999, alarm about poor economic growth prospects prevailed over concerns about the need to narrow the countries' fiscal deficits, which had been widening during the preceding years. As prospects for financing the deficit improved and internal inflationary pressures subsided, the economic environment became more conducive to the adoption of fiscal policies oriented towards sustaining domestic demand. Only three of the region's countries (Ecuador, Panama and Venezuela) substantially reduced their borrowing requirements with respect to the previous year, and even in these cases, the reductions were made from historically high levels and by means of specific adjustment programmes.

The increase in the regional deficit was brought about by the fact that spending rose faster than revenue did in real terms, particularly in the case of non-tax income. The improvement in international fuel prices, the increase in other current income and greater capital inflows tempered the negative effect of the economic cycle on tax revenues in a number of the region's countries. In response to this volatile situation, several governments passed tax reforms on both direct and indirect taxation in an attempt to soften the cycle's impact.

Most of this increased expenditure went to three main areas. A number of governments placed priority on bolstering the economic sectors that had been hit the hardest by the international crises of 1997 and 1998 in order to lessen a potential contraction in 1999. A second area of importance was the continuation of investments directed at rebuilding areas that had been devastated by the natural disasters of recent years in the Caribbean, Central America and several Andean countries. The third factor was that the debt service rose again. Furthermore, public finances recorded a slightly negative primary balance.[4] This development sounds a note of caution, since any further increase in the public debt service will boost net borrowing requirements and thus expose the fragile position of the countries' public-sector accounts.

4 The primary balance is equivalent to the fiscal balance less debt interest payments.

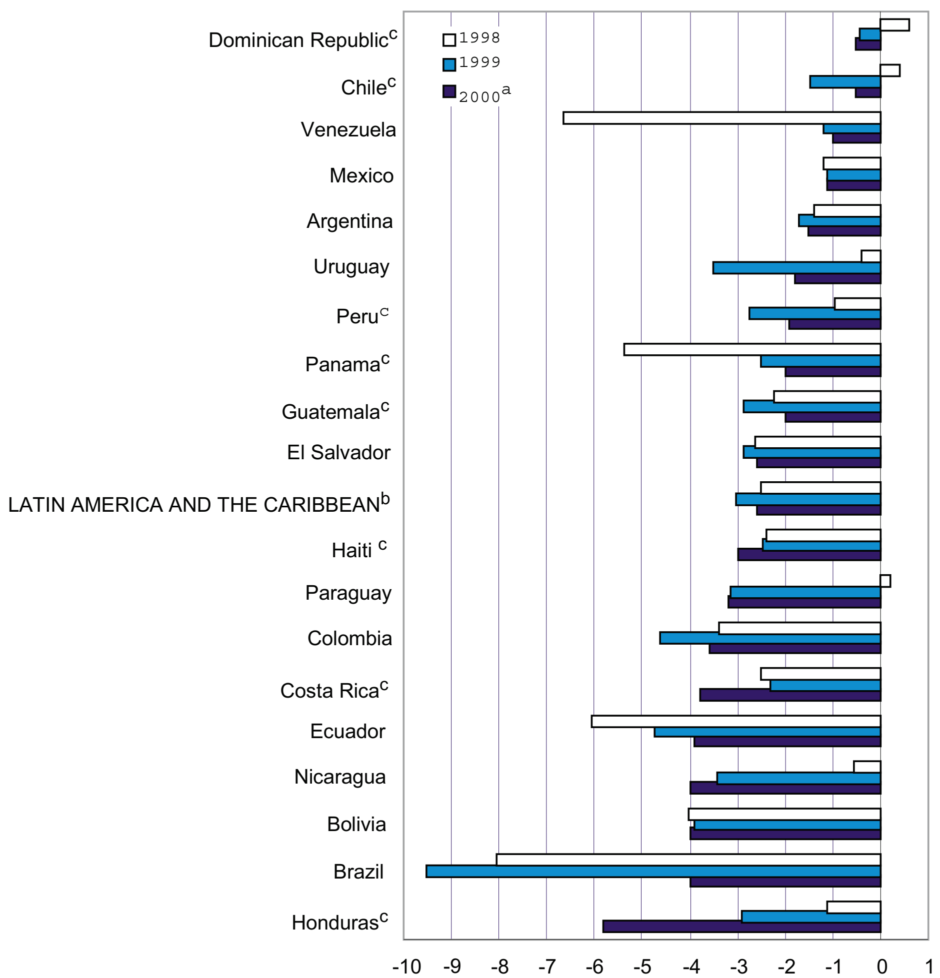
With more encouraging growth prospects for 2000, the fiscal policies being pursued by Latin American and Caribbean governments have swung back towards a more austere stance. Fiscal budgets include major spending adjustments and, on average, the targets that have been set will, if met, bring the countries' fiscal deficits down to levels similar to where they were in 1998 (see figure I.6). Some of the pressures that existed on both the revenue and the expenditure sides in 1999 have eased in 2000, and this has paved the way for these budget cuts. The economic recovery will help to boost tax revenues and will lessen the need to continue to shore up the production sector. At the same time, the amount of investment required for reconstruction should diminish, and high international oil prices will help restore tax revenues to their former levels.

In a move to avoid future fiscal deficits, Argentina and Peru passed legislation in 1999 which requires that fiscal accounts be kept within certain bounds. Brazil and Ecuador followed suit in the first semester of this year, and the effort to meet the fiscal targets that have been established will bring greater austerity to fiscal policy in 2000 and the coming years.

Figure I.6

LATIN AMERICA AND THE CARIBBEAN: FISCAL BALANCE FOR NON-FINANCIAL PUBLIC SECTOR

(As a percentage of GDP)



Source: ECLAC, on the basis of official figures.
[a] Targets and projections. [b] Simple average for 19 countries. [c] Data for central government.

Foreign-exchange markets stabilize

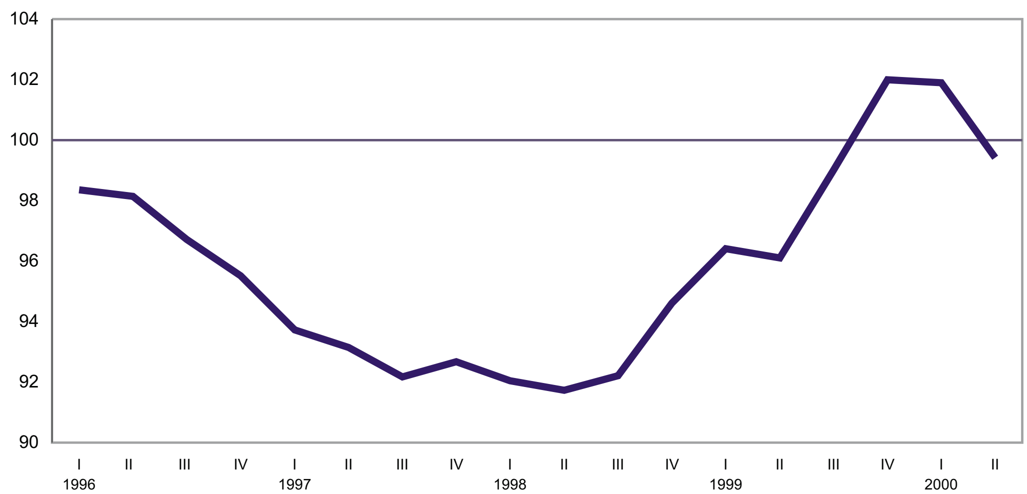
Exchange markets did not see a great deal of movement during the first semester of 2000, particularly in comparison to the first half of 1999, which was marked by major exchange-rate fluctuations. The region's major currencies began to appreciate during the first quarter, but some of them later slipped back due to a combination of international factors related to interest rate hikes in the United States and domestic factors, many of which were not economic in nature. Nevertheless, the trend towards a real appreciation of these currencies is likely to prevail for the year as a whole.

In spite of the existing level of uncertainty regarding the international environment, as the semester drew to a close nominal exchange rates were expected to follow a moderate trend, given the less disturbing outlook with regard to future increases in international interest rates and the encouraging reaction of the region's major foreign-exchange markets to political disturbances. Improved growth expectations and more favourable terms of trade for 2000 in the region as a whole –and, in the particular case of the Andean subregion, the decreased risk of macroeconomic destabilization– make for a more favourable scenario for the year. Therefore, even against a background of lower inflation in the region, the tendency towards a real appreciation of the countries' currencies seen in the early months of the year should continue during the rest of 2000 (see figure I.7).

Figure I.7

LATIN AMERICA AND THE CARIBBEAN: QUARTERLY VARIATIONS IN THE REAL EXCHANGE RATE

(Simple average of indexes, 1995=100)[a]



Source: ECLAC, on the basis of official figures.
Note: Higher figures indicate depreciation of the national currency.
[a] An increase in the index denotes a depreciation of the local currency.

This stabilization of exchange rates is occurring against the backdrop of a more flexible market than in previous years. In 1998 and 1999, the countries' currency bands, which limited the range of variation around a central reference rate, had failed to withstand speculative attacks when the market lost confidence in their sustainability.

The devaluation of the *real* in January 1999 may be the event that best illustrates the trend of the region's exchange rates. Three other countries (Chile, Colombia and Ecuador) have since abandoned their exchange-rate bands and allowed their currencies to float. With the exception of Chile, this move was prompted by the fact that it had become impossible to sustain the reference rate, and the shift over to the new exchange-rate regime was accompanied by steep devaluations. In Ecuador, confidence in the local currency could not be restored in 1999, and in early 2000 the authorities opted for the formal dollarization of the economy.

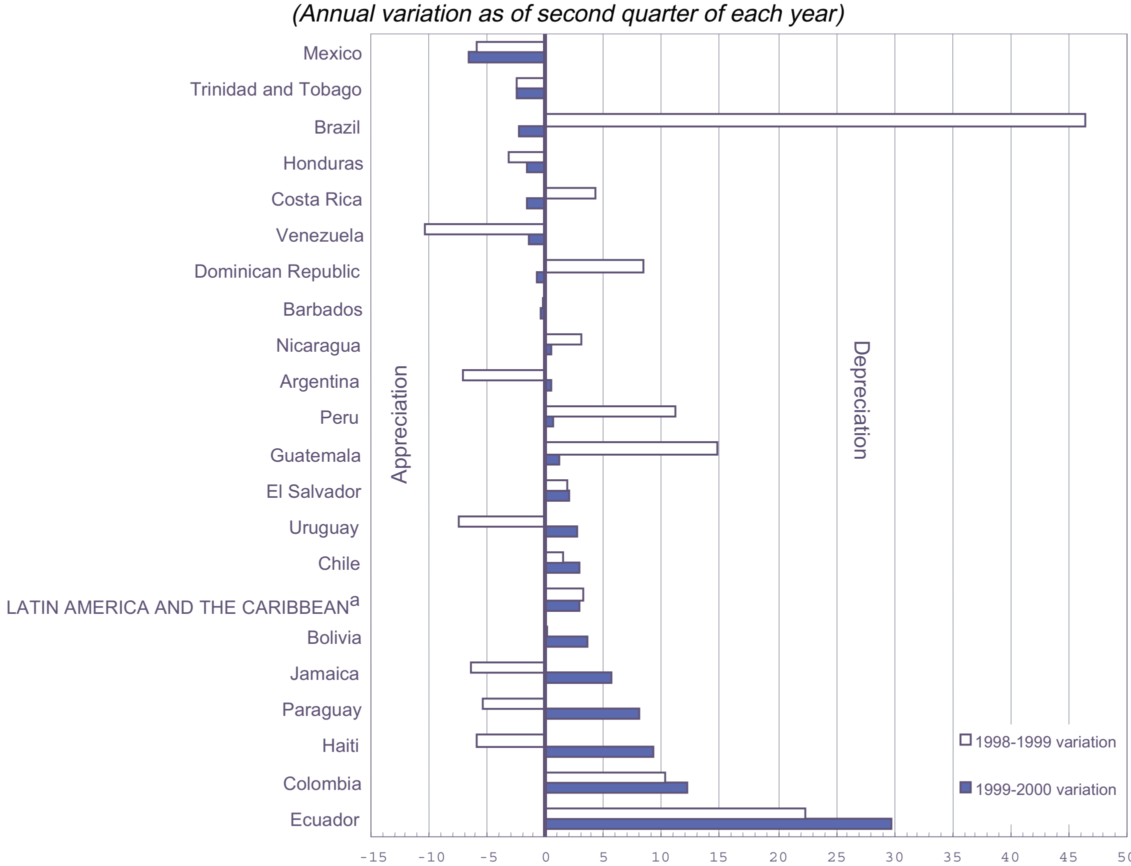
Three waves of anxiety –corresponding to the devaluation of the *real*, Ecuador's partial external debt moratorium and apprehension about interest rates in the United States– rippled through the region's foreign-exchange markets in 1999. Exchange-rate swings were particularly sharp in South America but were also felt in the rest of the region. The Mexican and Central American exchange markets quickly returned to normal in the second quarter, however, thanks chiefly to capital inflows in the case of Mexico. With a few exceptions, such as Jamaica, the Caribbean countries were free of these disturbances and generally continued to follow the pattern of slight devaluations that has prevailed in recent years.

Thanks to these exchange-rate adjustments, which did not impinge to any great extent on national inflation indicators, in 1999 the value of the Latin American currencies continued along the downward path it has followed since the second half of 1998, thus correcting the overvaluation that had built up since 1993. Meanwhile, the Caribbean countries continued to exhibit an almost diametrically opposed medium-term trend, although the international financial situation has slowed the appreciation of their currencies somewhat over the last two years. There have even been some signs of depreciation since the last quarter of 1999 due, in particular, to exchange-rate fluctuations in Haiti (see figure I.8).

Figure I.8

LATIN AMERICA AND THE CARIBBEAN: REAL EFFECTIVE EXCHANGE RATE

(Annual variation as of second quarter of each year)



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

Monetary austerity eases

The move towards a less austere monetary policy continued during the first few months of 2000. In particular, the first quarter saw a further decline in real interest rates which brought them close to the pre-crisis levels of the fourth quarter of 1997. However, the rise in international interest rates suggests that monetary policies in the region as a whole may be tightened up somewhat in the second half of 2000. Monetary expansion also slowed at the beginning of 2000, following an upturn in the last two quarters of 1999.

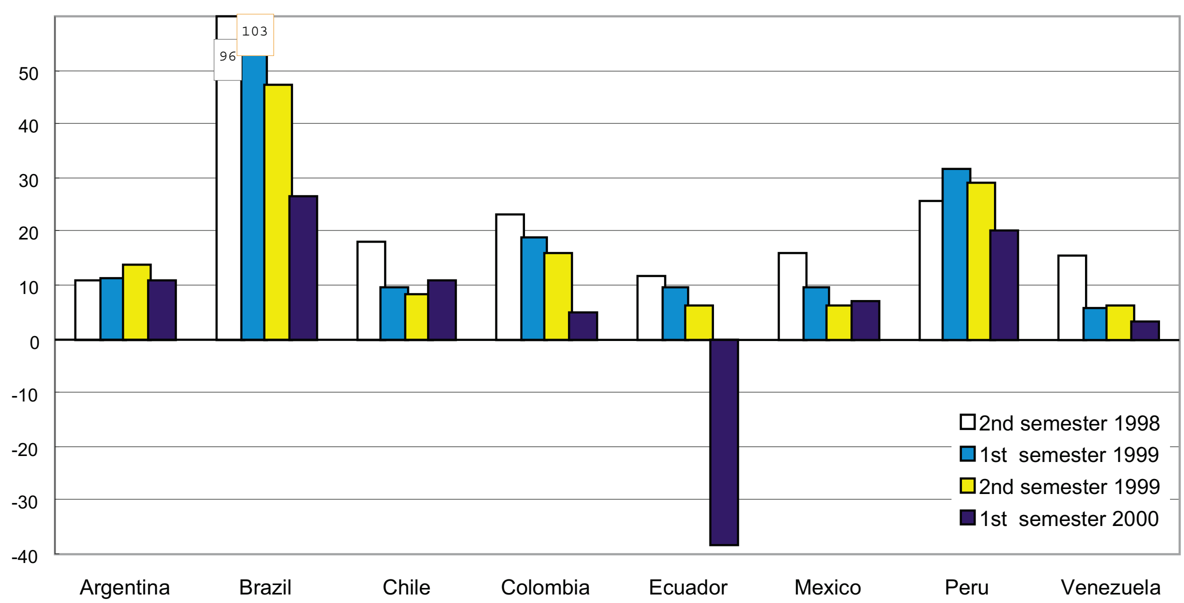
Monetary policy was very restrictive at the start of 1999 owing to the uncertainty prevailing in the external sector, particularly in connection with capital market access. In the second quarter, however, there began to be signs that the phase of increasingly tight monetary policy that had started in the last quarter of 1997 was bottoming out, and monetary policy in Latin America began to ease. The real variation in the monetary base, which had been negative since September 1998 for the region as a whole, started on an upward trend that put it back into positive figures as of November 1999. The trend in the money supply (M1) was quite similar to that of the monetary base, although it did grow more rapidly as the economic recovery that began in the second semester of 1999 boosted demand. Nonetheless, over the year as a whole, monetary policy was generally very tight.

Since the second half of 1999, interest rates have been falling steadily from the high levels reached in 1998. Despite the drop in nominal rates, however, real rates have remained comparatively high in relation to the years preceding the Asian crisis due, among other factors, to the abatement of inflation (see figure I.9). Banking spreads widened, which also helped to keep the real cost of credit high. As in the case of exchange rates, the Caribbean countries followed a very different pattern, with a tightening of monetary policy in the second quarter of 1999 breaking the cycle of accelerating growth that had begun in 1997.

Figure I.9

LATIN AMERICA: ANNUALIZED REAL INTEREST RATES [a]

(Percentages, semester averages)



Source: ECLAC, on the basis of figures from the International Monetary Fund.
[a] Short-term lending rates, deflated by the consumer price index.

Domestic credit remains tight

Domestic lending activity has been fairly sluggish during the last few quarters in both Latin America, where monetary policy has been somewhat more relaxed, and in the Caribbean, where policy constraints have been greater. The real growth of credit to the public sector turned negative again in 1999, after a brief upturn in late 1998, and is likely to maintain this trend in 2000. In contrast, a moderate upswing is expected in credit to the private sector as the trend towards the reactivation of production and growth in investment firms up.

The expansion of private credit in Latin America had become virtually flat by the end of 1999. A number of short-term and sectoral factors are to blame for the lack of lending activity, which was so marked in some countries that it assumed the nature of a true credit crunch and acted as a brake on the reactivation of domestic demand.

Demand for credit was affected by high interest rates and the devaluation of various local currencies, especially in highly dollarized countries, since this made borrowing more expensive. Demand was also hurt by slack activity in some sectors, such as construction, which is still reeling from the effects of the recession. On the supply side, the fragility of Latin America's financial sector and the fact that the structure of loan portfolios need to be improved in a number of countries caused lenders to adopt a very cautious attitude.

Reforms regain momentum in 2000

The fallout from the Asian crisis had a profound impact on the region's structural reform process in 1999, since governments focused their efforts on addressing immediate needs instead. This not only relegated structural reforms to a lower order of importance, but in some cases government measures even put the process into reverse, which had a particularly adverse effect on international trade. In addition, uncertainty in the political arena, in combination with the problems some of the countries were having in maintaining public order, did not provide an environment that was conducive to the implementation of reforms. With the improvement of the international climate and the reactivation of the region's economies in 2000, the structural reform process is expected to gain momentum once again.

Many privatization projects that were originally scheduled for 1999 were postponed until 2000. Privatization revenues, which barely topped US$ 12 billion last year, could be much more substantial this year but are unlikely to reach the 1998 record figure of US$ 42 billion. Argentina and Brazil led the field in privatizations in 1999, while the Dominican Republic stood out among the smaller economies. The sectoral diversification of privatizations and concessions continued as transactions of this sort were undertaken in connection with road works, railways, ports, airports, drinking water systems, telecommunications, electricity generation and distribution, oil and natural gas.

Attempts to strengthen State institutions and regulate monopolies are continuing in the region. In the first of these spheres, the struggle against corruption merits special mention as a new issue that is occupying an increasingly important place on governmental agendas. In some cases, legislation on this problem has been passed or supervisory institutions created, while in others anti-corruption programmes have been put in place.

The economic crisis and the authorities' response to it, mainly in the form of tight monetary policy, posed serious problems for the region's financial systems in 1999. As a result, several countries set up programmes to assist financial institutions that are still under way in 2000. The sector continued to come under tighter supervision and oversight in 1999, especially in Central America, and two countries (Nicaragua and Guyana) gave their central banks greater autonomy. The difficult position in which the region's financial systems found themselves triggered a drastic restructuring and consolidation process involving numerous mergers and acquisitions, particularly in Colombia, Ecuador, Panama and Peru. All of these processes continued into the first half of 2000, but they did so within a context marked by less urgency and more liquidity, thanks to the overall improvement of the economic situation.

The economic crisis had a major impact on international trade in 1999. Many of the region's countries implemented a variety of adjustment measures, including devaluations and, to a lesser extent, tariff increases and non-tariff measures, in order to curb imports. The friction that this caused was particularly strong among the Mercosur countries, but it also affected the Andean Community. However, as economic activity recovers and some international prices improve, such protectionist measures are likely to be rolled back.

The integration process continues despite the economic crisis, although with some delays in the implementation of agreements that have already been reached. The Caricom countries have made progress towards the establishment of a common market and unified economy, and Haiti was admitted as a member in 1999. Guatemala and El Salvador decided to form a customs union; Chile signed a free trade agreement with the Central American countries and another with

Mexico; and Mexico reached an agreement with the European Union which was expected to lead to a free trade arrangement starting in July 2000. Finally, Brazil signed a preferential tariff agreement with the Andean Community countries in 1999, and Argentina followed suit in 2000.

Considering the adverse environment and the internal difficulties that the countries of the region had to contend with, it is noteworthy that none of the subregional processes was overtaken by a serious crisis. Furthermore, during the first semester of 2000 there were clear signs of economic recovery, and at the same time steps were being taken to reactivate regional integration processes. In particular, Mercosur and the Andean Community have been working to achieve an increasing alignment of their macroeconomic policies.

4. Domestic economic performance

Rapid recovery in 2000 after the crisis of 1999

A significant upswing in the economic growth of the region is expected in 2000. Growth is forecast at around 4% based on the positive performance of many Latin American and Caribbean countries in the first half of the year and a bright outlook for the international economy, which should make for high growth rates in most developed and developing countries alike.

Growth prospects for Mexico, Central America and the Caribbean have been placed at a minimum of 4.5%. Data from the first months of 2000 confirm that this expansion will be led by the Dominican Republic, an upswing in Honduras and a faster growth rate for the Mexican economy. For the countries of South America, a major improvement in economic growth is expected in 2000; in fact, growth is set to reach 3.3%, compared with a 0.9% fall in 1999. The highest rates are expected in Brazil, Chile and Peru (see figure I.10).

In 1999, the regional economy had suffered a significant slowdown in activity levels for the second year running, leading to the stagnation of GDP (0.4%) after an expansion of 2.1% in 1998 and of 5.5% in 1997. The first three quarters of 1999 yielded negative growth rates, followed by a clear upturn at year's end. Since the region has high population growth rates as well, per capita output fell by 1.2% in 1999, bringing the increase in this variable over the decade to just 15%.

The regional average reflected very different growth rates in the various groups of countries. Generally speaking, Mexico, Central America and the Caribbean turned in a better performance, benefiting from their links with the strong United States economy. The South American countries made a poorer showing, since they were hit harder by trends in world and intraregional trade and by the effects of more sluggish domestic markets.

In 1999, the region's economies were characterized by slower growth of all the components of supply and demand, with the exception of exports and factor income, which improved slightly. Overall supply fell by 0.2%. Among the components of domestic demand, investment took the steepest fall, down by 9.6%, while growth in consumption was similar to that of output.

Investment recovers in 2000 from its steep fall of 1999

The upturn in output forecast for Latin America as a whole also entails a considerable improvement in savings and investment. Projections place the increase in investment at similar or slightly higher levels than GDP growth, in contrast to the 9.6% drop of 1999.

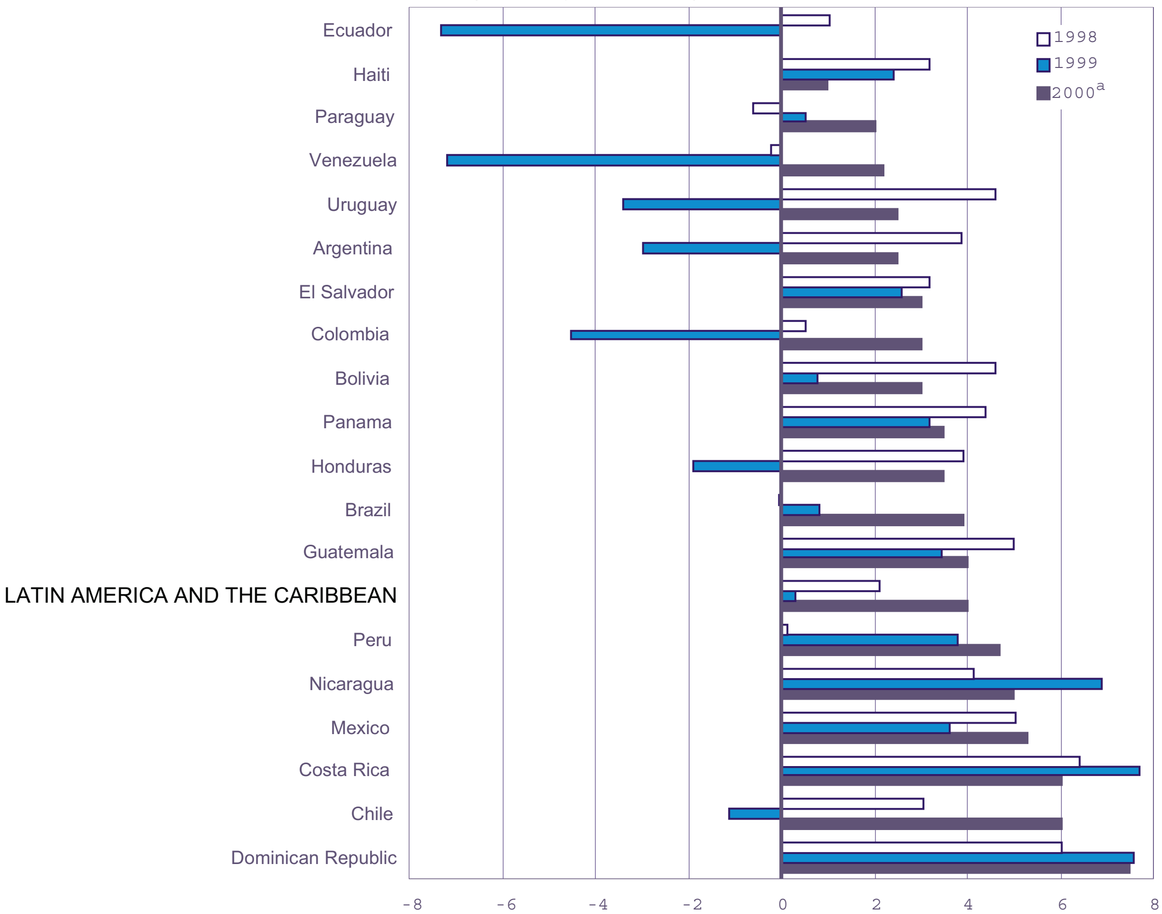
Investment will pick up in the northern portion of the region, particularly in Mexico, where it is set to increase by over 6% in 2000, in comparison with just 2% in 1999. A major recovery in investment is also forecast in South America after a slump of over 10% last year. In Brazil, an increase of over 6% in investment is expected to be the driving force behind that country's economic recovery.

An analysis of the composition of investment shows machinery and equipment to have been the hardest hit sector in 1999, although construction slipped as well. In general, the slide was steeper in private investment and especially in small and medium-sized industry, which saw its access to bank credit abruptly restricted.

Figure I.10

LATIN AMERICA AND THE CARIBBEAN: GROSS DOMESTIC PRODUCT

(Annual growth rates)



Source: ECLAC, on the basis of official figures.
[a] Preliminary estimates.

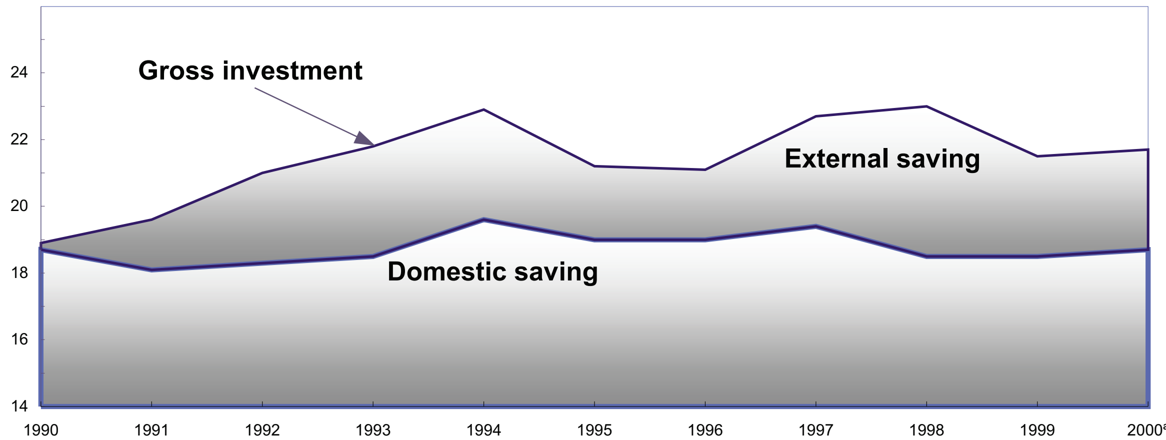
Measured as a percentage of GDP, investment fell from 23% to 21.5% in 1999 due to a steep reduction in external savings. In fact, in 1999 external savings financed only 15% of investment, compared with 22% in 1998. National savings remained unchanged from 1998, at one of the lowest levels since the beginning of the 1990s. Gross investment is expected to be slightly more robust in 2000 thanks to an increase in domestic saving, while external saving will stay in more or less the same range as the year before (see figure I.11).

The decline in investment during 1999 was due to a combination of factors, including the effect of the international crisis and shrinking external demand, tight economic policies that dampened domestic demand and the conclusion of investment cycles. Intraregional demand had a significant impact in Argentina, Bolivia, Paraguay and Uruguay, which were affected by the devaluation in Brazil. Most of the South American countries were also hurt by weak world commodity markets, which led to a fall in their export volumes. Investment was constrained by domestic demand, particularly in Ecuador and Venezuela. Argentina, Chile and Colombia also registered major downturns in domestic demand, which sent contractionary signals to investors. In contrast, buoyed by the strength of the United States market, Mexico and the Central American and Caribbean countries were able to increase the volume of their exports, which had a positive effect on investment. The conclusion of an investment cycle affected the level of this variable in Bolivia, with the completion of major infrastructure works for natural gas exports, and in Chile, where large mining projects entered the production phase.

Figure I.11

LATIN AMERICA AND THE CARIBBEAN: SAVING-INVESTMENT RATIOS

(As a percentage of GDP, in dollars, at current prices)



Source: ECLAC, on the basis of official figures.
[a] Preliminary estimates.

Inflation remains low

In the first half of 2000, the annual rate of inflation in the region overall was just under 10%, which was similar to the 1999 rate and slightly lower than the figures for the two preceding years. This is the region's lowest inflation rate in the last 50 years and is the result of a drop in the pace of price rises from almost 900% in 1993 to around 10% in 1997. This noteworthy slowdown stems mainly from changes in economic policy since the 1980s, when stabilization came to be the top priority. The moderate pace of the price rises seen since that time has been maintained even after the financial crisis that erupted in some regions of the world in the second semester of 1997.

In 1999, five of the 22 countries for which information is available recorded annual inflation of below 3%, and in another 13 it came in below 15%. Only two countries posted higher inflation rates –Venezuela (20%) and Ecuador (60%)– and only two others witnessed significant rises: Brazil, where the figure rose from 2.5% in 1998 to just over 8% in 1999, and Ecuador, where the already high rate of the previous year (43%) increased by 17 percentage points.

Several demand-related factors affected inflation in 1999. Continued austerity in monetary policy offset the clear deterioration in fiscal accounts. The recession in the region was also an important factor in keeping inflation down, as GDP shrank in six economies and rose by 3% or more in only five. In this recessionary climate, consumer prices benefited from reduced profit margins on imported products.

The most significant supply-related factor in terms of its impact on inflation in 1999 was the exchange rate, but this variable behaved quite differently from one economy to another. In some countries, where difficulties in the external sector drove the authorities to gradually abandon their policy of using the exchange rate as an anchor, the movement in this rate pushed inflation upward, with the nominal exchange rate for the dollar climbing by 60% in Brazil, 160% in Ecuador and by 10% to 25% in another eight countries. Wholesale prices rose steeply due to the large proportion of tradables in the market; however, these higher costs did not lead to matching rises in consumer prices as market conditions prevented the full effect of the devaluation from being passed on to the consumer. In contrast, the stability or slow slide of the nominal exchange rate in other countries helped to keep inflation in check. This was particularly the case in Argentina, Barbados, El Salvador, Honduras, Jamaica, Mexico and Venezuela.

Wages did not have an inflationary effect in 1999, since adjustments were moderate. The rise in oil prices did, however, since it called for drastic adjustments in the domestic prices of petroleum products in addition to the adjustments that had been already made to compensate for the effects of the devaluation of several of the countries' currencies. Prices were also affected by rises in public utility rates.

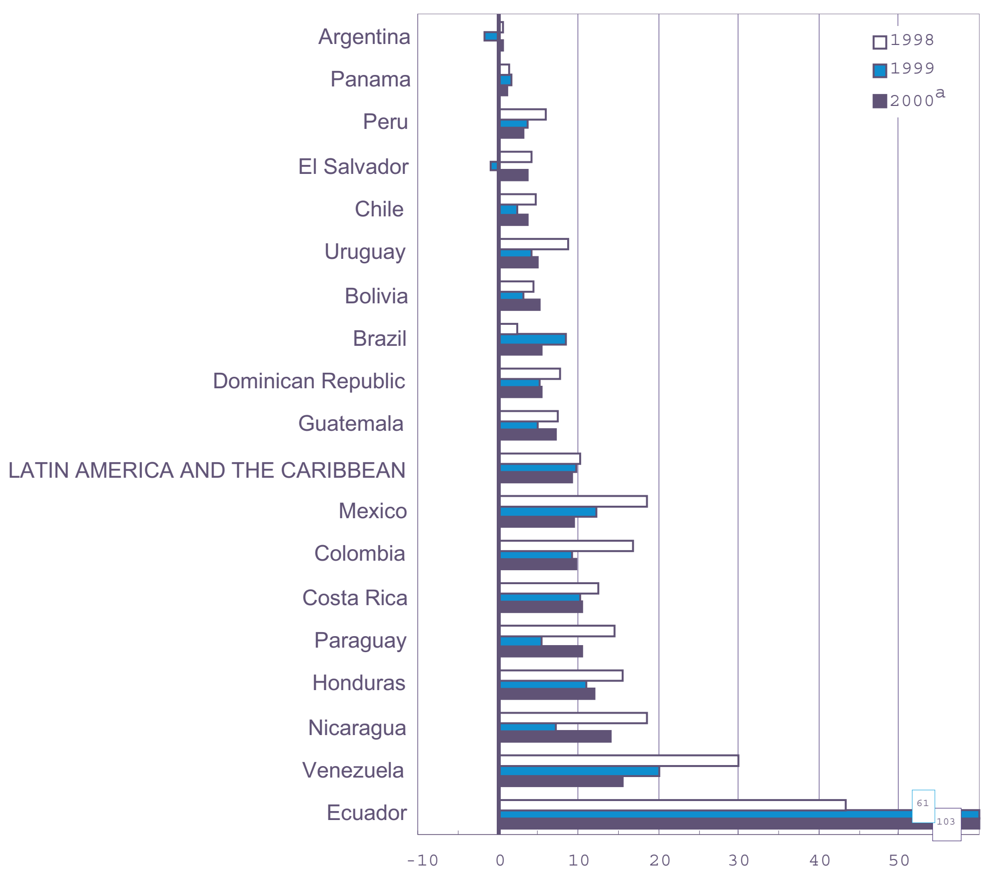
In 2000, moderate rises in most countries were compensated for by better results in four economies, including the region's two largest. In Brazil, inflation has fallen by four percentage points, thus practically returning to the 1998 pre-devaluation rate, while Mexico is giving clear signs that it is consolidating its stabilization process, with inflation under 10% for the first time in several years. Inflation has also slowed in Peru, where moderate rates have been consolidated, and in Venezuela, where inflation will probably be less than 15% for the year as a whole.

In 11 countries, inflation in the first semester rose very slightly, and no major changes in that pattern are expected in the coming months. In Nicaragua and Paraguay, the 12-month variation in inflation showed an increase from 5 to 7 percentage points, propelling it back into double digits. These setbacks are largely explained by continued devaluations in some countries, fresh rises in international oil prices and the economic reactivation that has followed the recession of 1999. The exception to the rule continues to be Ecuador, where price rises have become even steeper in 2000, with the 12-month variation to June amounting to over 100%. As a consequence of the dollarization of this economy, however, the annualized rate of inflation is expected to decline in the fourth quarter (see figure I.12).

Figure I.12

LATINA AMERICA AND THE CARIBBEAN: CONSUMER PRICES

(Twelve-month variations)



Source: ECLAC, on the basis of official figures.
[a] To June 2000.

The labour situation improves slightly

The slow pace of economic growth brought about a marked deterioration in labour conditions in 1999, especially in South America, and unemployment reached unprecedented levels. In 2000, job creation and wages are responding favourably to the upswing in several of these countries, in combination with sustained growth in Mexico and many Central American and Caribbean countries. This positive impact has thus far been somewhat muted, however, since, firstly, labour demand has, as is typical, been slow to respond to the upturn in economic activity and, secondly, the labour supply has increased as more job opportunities become available. Moreover, other countries have yet to send out clear signals of recovery, and this has been reflected in high or even rising unemployment. Thus, the region as a whole can be expected to attain no more than a modest decrease in unemployment over the year.

As the labour situation worsened in 1999, the region continued to follow the pattern that prevailed for most of the second half of the 1990s. With most countries posting low or negative growth, unemployment rose from 8.1% to 8.7%, thereby not only reaching it speak level of the 1990s, but even outstripping the levels recorded during the debt crisis of the early 1980s. Given the fact that, in the region's largest countries, unemployment actually fell (Mexico) or held steady (Brazil), the record regional unemployment figures clearly signalled a worsening situation in a number of South American countries.

Indeed, as was also true the year before, there was a marked difference in the labour market's performance between Mexico, Central America and the Caribbean, on the one hand, and South America, on the other, mainly as a result of these subregions' very different economic situations. The effect of the international financial crisis on economic growth –exacerbated by domestic events in some cases– drove down the demand for labour, and this was reflected in sharp decreases in employment together with jumps of 2% or more in unemployment in Chile, Colombia, Ecuador, Paraguay and Venezuela and smaller increases in Argentina, Peru and Uruguay. Brazil was the only South American country not to record a rise in open unemployment, but the levels reached in 1998 and 1999 were the highest since 1981. In contrast, more dynamic economic growth stimulated demand for labour in several Caribbean and Central American countries and in Mexico; the favourable effects of this trend included a reduction in average unemployment.

The main culprit in the rise in unemployment at the regional level has been the weak demand for labour, which is a clear reflection of slack economic activity. In fact, at the regional level, wage employment grew by a mere 0.4%. Under these conditions, the countercyclical nature of self-employment in many countries was clearly demonstrated, as it accounted for 63% of all new jobs in 1999. This was not enough to compensate for the slow rate of job creation for wage-based positions, however, and employment as a whole therefore expanded by just 1.1%; this was reflected in a fall in the employment rate from 53.6% to 52.7% (a weighted average of 12 countries). This average masks sharp contrasts within the region since employment grew by just 0.2% in South America, while in the rest of the region it expanded at rates of over 3%.

The effects of sluggish job creation also showed up in poorer job quality indicators, particularly because of the difficulties people had in obtaining full-time positions. Wage trends were more varied. Labour-income indices were up in several countries, in line with the trend in real wages in formal-sector firms, which rose in some countries as inflation abated. In other countries, however, the economic crisis and the acceleration of inflation caused wages to lose a great deal of ground. Given this mixed picture, although real wages rose by a modest amount (1%) in most countries of the region, both the simple and weighted averages were lower (0.9% and 1.8% respectively). Minimum wages performed slightly better: at the regional level, the real median increase was 1.7% and the real simple and weighted averages amounted to 0.7% and 0.5%, respectively.

Some improvement was seen in employment at the regional level at the beginning of 2000, chiefly due to a greater demand for labour in Brazil and Mexico, and to a lesser extent in Colombia. In a group of eight countries for which information on the labour market is available for early 2000, the employment rate reached 52.9%, compared with 52.4% during the first semester of 1999. Only Argentina, Uruguay and Venezuela reported a level of employment below the figure for the same period of 1999 (see figure I.13a).

Owing to the simultaneous increase in the supply of labour, however, the expansion of employment has not yet resulted in a reduction in unemployment. In fact, in the above-mentioned group of countries, unemployment stood at 9.1%, slightly above the 9% figure posted for the first semester of 1999. This was partly due to rises in unemployment in 2000 in Argentina, Colombia, Ecuador and Uruguay; Chile and Mexico were the only countries to record an improvement in this indicator, while in Brazil and Venezuela the unemployment rate varied only minimally (see figure I.13b).

Nevertheless, the higher rate of job creation is likely to have a moderately positive impact on unemployment over the year in view of the greater economic buoyancy to be observed in a number of countries and the projections for economic growth to reach around 4% at the regional level. Consequently, it is estimated that regionwide unemployment will decrease from 8.7% in 1999 to 8.5% in 2000. Available information also points to a moderate increase in real average wages in the formal sector for the region as a whole thanks to the rises expected in such countries as Chile, Colombia and Mexico, along with a decrease in the rate of decline of average wages in Brazil.

Figure I.13a

LATIN AMERICA: URBAN EMPLOYMENT RATE

(Working population as a percentage of the working-age population, first half of each year)

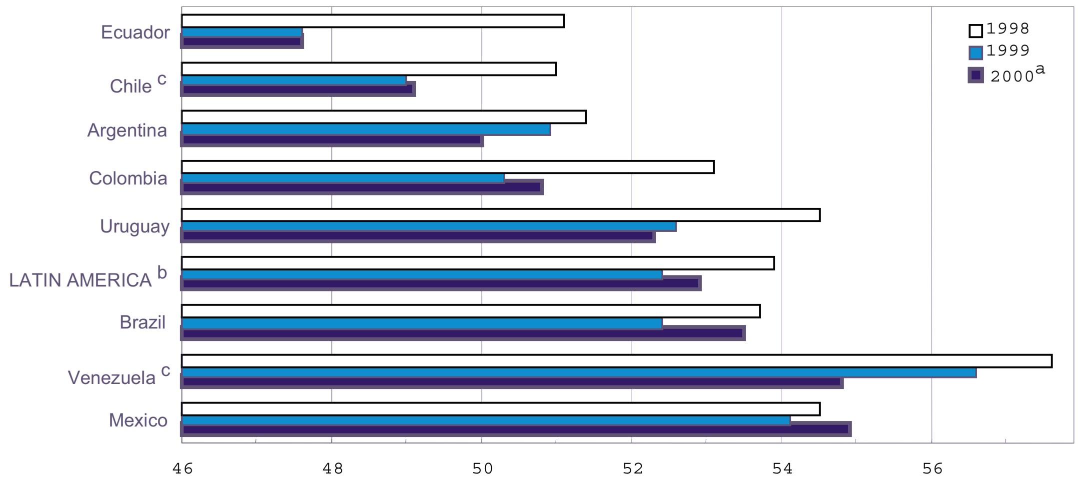
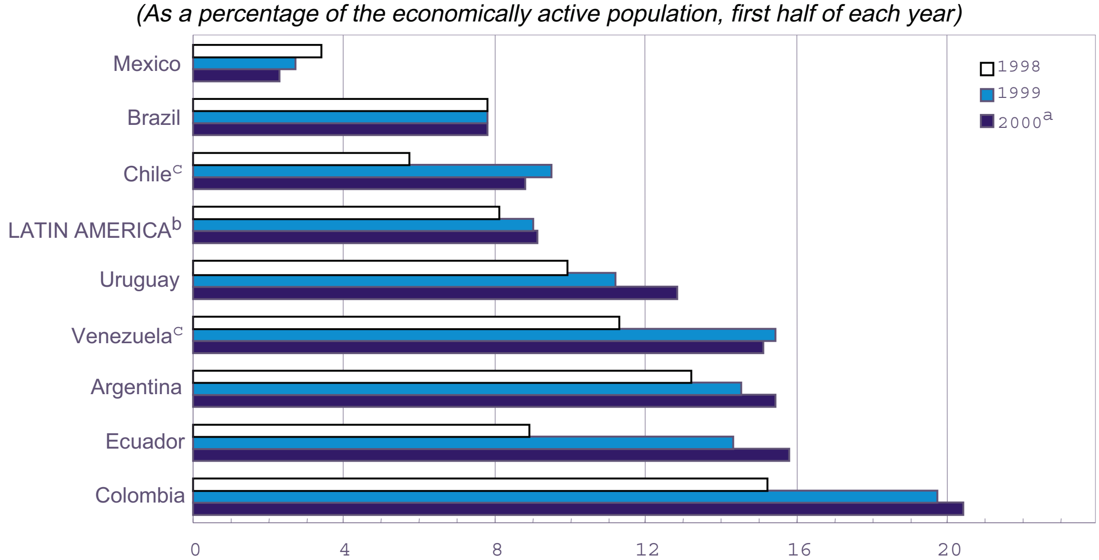


Figure I.13b

LATIN AMERICA: URBAN UNEMPLOYMENT RATE

(As a percentage of the economically active population, first half of each year)



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

Statistical appendix

Table A - 1

LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS

	1991	1992	1993	1994	1995	1996	1997	1998	1999[a]
	Indices: 1995=100								
Gross domestic product	87.5	90.4	93.9	98.9	100.0	103.6	109.2	111.6	112.0
Per capita gross domestic product	93.9	95.2	97.2	100.6	100.0	101.9	105.7	106.2	104.9
	Annual growth rates								
Gross domestic product	3.8	3.3	3.9	5.3	1.1	3.6	5.4	2.1	0.4
Per capita gross domestic product	2.0	1.4	2.1	3.5	-0.6	1.9	3.7	0.5	-1.2
Consumer prices [b]	199	414	877	333	25.8	18.2	10.4	10.3	9.6
Terms of trade	0.8	-0.6	-0.4	4.9	1.2	1.4	2.0	-5.8	0.4
	Percentages								
Urban unemployment rate	...	6.5	6.5	6.6	7.5	7.9	7.5	8.1	8.7
	Percentages of gross domestic product [c]								
Balance of payments									
Trade balance (goods and services)	0.4	-1.2	-1.5	-1.7	-0.7	-0.5	-1.5	-2.7	-1.1
Balance on current account	-1.5	-2.7	-3.3	-3.3	-2.2	-2.1	-3.3	-4.5	-3.1
Balance on capital and financial account [d]	1.9	3.9	4.4	2.7	1.8	3.7	4.3	3.5	2.8
Global balance	0.5	1.2	1.2	-0.6	-0.4	1.6	1.1	-0.9	-0.3
Total disbursed external debt	39.4	37.7	38.1	35.8	37.2	35.5	33.7	37.9	43.4

Source: ECLAC, on the basis of official figures.
[a] Preliminary figures. [b] December-to-December variation. [c] Estimates based on figures expressed in dollars at current prices.
[d] Includes errors and omissions.

Table A - 2

LATIN AMERICA AND THE CARIBBEAN: GROSS DOMESTIC PRODUCT

(Annual growth rates)

	1991	1992	1993	1994	1995	1996	1997	1998	1999[a]	1991 - 1999
Latin America and the Caribbean [b]	**3.8**	**3.3**	**3.9**	**5.3**	**1.1**	**3.6**	**5.4**	**2.1**	**0.4**	**3.2**
Subtotal (19 countries) [b]	**3.8**	**3.3**	**3.9**	**5.3**	**1.1**	**3.6**	**5.4**	**2.1**	**0.4**	**3.2**
Argentina	10.6	9.6	5.9	5.8	-2.9	5.5	8.0	3.9	-3.0	4.7
Bolivia	5.4	1.7	4.3	4.8	4.7	4.5	4.9	5.4	0.8	4.0
Brazil	1.0	-0.3	4.5	6.2	4.2	2.5	3.5	-0.1	1.0	2.5
Chile	7.3	11.0	6.6	5.1	9.1	6.9	6.8	3.1	0.0	6.2
Colombia	2.0	4.1	5.2	6.1	5.2	2.1	3.4	0.4	-4.5	2.6
Costa Rica	2.3	8.6	5.9	4.8	3.9	0.6	5.6	7.7	8.0	5.2
Cuba [c]	-9.5	-9.9	-13.6	0.6	2.5	7.6	2.5	1.5	6.2	-1.3
Ecuador	5.0	3.0	2.2	4.4	3.0	2.3	3.9	1.0	-9.4	1.6
El Salvador	2.8	7.3	6.4	6.0	6.2	1.8	4.2	3.5	2.6	4.5
Guatemala	3.7	4.9	4.0	4.1	5.0	3.0	4.4	5.3	3.4	4.2
Haiti	0.1	-13.8	-2.2	-8.3	5.0	2.8	1.5	3.2	2.4	-1.2
Honduras	2.7	5.8	7.1	-1.9	3.7	3.7	5.0	3.3	-2.0	3.0
Mexico	4.2	3.7	1.8	4.4	-6.1	5.4	6.8	5.0	3.6	3.2
Nicaragua	-0.4	0.8	-0.4	4.0	4.4	5.1	5.4	4.1	6.9	3.3
Panama	9.0	8.2	5.3	3.1	1.9	2.7	4.7	4.4	3.5	4.7
Paraguay	2.5	1.7	4.0	3.0	4.5	1.1	2.4	-0.6	0.2	2.1
Peru	2.5	-0.9	5.7	13.6	8.6	2.3	8.6	0.1	1.9	4.6
Dominican Republic	0.8	6.4	2.0	4.3	4.4	6.8	7.1	6.0	7.6	5.0
Uruguay	2.9	6.6	2.2	5.9	-1.9	4.4	4.5	4.3	-2.4	2.9
Venezuela	10.5	7.0	-0.4	-3.7	5.9	-0.4	7.4	0.4	-7.5	2.0
Subtotal - Caribbean [d]	**1.6**	**0.7**	**0.6**	**3.1**	**2.8**	**2.8**	**1.9**	**2.5**	**4.0**	**2.2**
Antigua and Barbuda	2.7	0.9	5.0	6.2	-4.8	6.0	5.5	3.9	4.5	3.3
Barbados	-3.6	-5.5	1.0	3.5	2.6	4.0	2.4	4.3	2.5	1.2
Belize	3.0	9.0	4.3	1.6	3.7	1.3	4.1	1.5	5.7	3.8
Dominica	2.1	2.3	1.9	1.9	1.2	2.9	2.2	3.6	0.4	2.1
Grenada	3.7	1.0	-1.1	3.4	3.0	3.2	4.7	5.0	7.6	3.4
Guyana	9.4	9.4	11.8	9.6	3.2	8.5	9.1	-2.2	3.0	6.8
Jamaica	0.3	2.5	1.8	1.9	1.8	-0.3	-2.2	-1.0	0.7	0.6
Saint Kitts and Nevis	2.5	3.2	5.3	5.5	3.2	5.8	7.2	1.7	2.7	4.1
Saint Vincent and the Grenadines	1.6	6.7	2.4	-2.6	7.8	1.7	3.2	5.5	3.9	3.3
Saint Lucia	-0.3	7.5	1.6	1.6	2.1	0.8	-0.3	2.3	3.0	2.0
Suriname	3.9	-1.8	-11.8	-0.8	3.7	7.6	5.3	2.3	-1.5	0.6
Trinidad and Tobago	3.5	-1.0	-1.2	4.2	4.2	4.4	4.0	5.3	7.8	3.4

Source: ECLAC, based on official figures converted into dollars at constant 1995 prices.
[a] Preliminary estimate. [b] Does not include Cuba. [c] Based on figures expressed in pesos at constant 1981 prices. [d] Based on figures at factor cost.

Table A - 3

LATIN AMERICA AND THE CARIBBEAN: PER CAPITA GROSS DOMESTIC PRODUCT

(Annual growth rates)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 [a]	1991 - 1999
Latin America and the Caribbean [b]	**2.0**	**1.4**	**2.1**	**3.5**	**- 0.6**	**1.9**	**3.7**	**0.5**	**- 1.2**	**1.5**
Subtotal (19 countries) [b]	**2.0**	**1.4**	**2.1**	**3.5**	**- 0.6**	**1.9**	**3.7**	**0.5**	**- 1.2**	**1.5**
Argentina	9.2	8.2	4.5	4.4	- 4.1	4.1	6.6	2.6	- 4.2	3.4
Bolivia	3.0	- 0.7	1.7	2.3	2.2	2.0	2.4	3.0	- 1.5	1.6
Brazil	- 0.6	- 1.8	3.0	4.7	2.7	1.1	2.1	- 1.4	- 0.3	1.0
Chile	5.6	9.1	4.8	3.5	7.4	5.3	5.3	1.7	- 1.4	4.6
Colombia	0.0	2.1	3.2	4.0	3.2	0.1	1.5	- 1.4	- 6.3	0.7
Costa Rica	- 0.8	5.2	2.6	1.6	1.0	- 2.0	2.9	5.0	5.4	2.3
Cuba [c]	- 10.4	- 10.6	- 14.2	0.2	2.2	7.2	2.1	0.9	5.7	- 1.9
Ecuador	2.7	0.7	- 0.1	2.1	0.8	0.2	1.8	- 0.9	- 11.2	- 0.5
El Salvador	0.9	5.1	4.2	3.7	4.0	- 0.3	2.1	1.4	0.5	2.4
Guatemala	1.1	2.2	1.3	1.4	2.2	0.3	1.7	2.6	0.7	1.5
Haiti	- 1.9	- 15.4	- 4.0	- 9.9	3.1	0.9	- 0.4	1.3	0.5	- 3.0
Honduras	- 0.4	2.7	4.0	- 4.7	0.7	0.8	2.1	0.5	- 4.6	0.1
Mexico	2.2	1.8	- 0.1	2.6	- 7.8	3.7	5.1	3.3	2.0	1.4
Nicaragua	- 3.1	- 2.1	- 3.3	0.9	1.5	2.2	2.6	1.3	4.0	0.4
Panama	6.9	6.2	3.4	1.3	0.1	0.9	2.9	2.7	1.8	2.9
Paraguay	- 0.4	- 1.1	1.3	0.4	1.7	- 1.6	- 0.2	- 3.2	- 2.3	- 0.6
Peru	0.6	- 2.6	4.0	11.6	6.8	0.5	6.7	- 1.6	0.1	2.8
Dominican Republic	- 1.2	4.3	0.0	2.4	2.6	5.0	5.3	4.3	5.8	3.1
Uruguay	2.2	5.9	1.4	5.1	- 2.6	3.7	3.8	3.6	- 3.1	2.2
Venezuela	7.9	4.6	- 2.7	- 5.8	3.7	- 2.5	5.2	- 1.6	- 9.3	- 0.2
Subtotal - Caribbean [d]	**0.7**	**- 0.2**	**- 0.3**	**2.1**	**1.9**	**1.9**	**1.1**	**1.6**	**3.2**	**1.3**
Antigua and Barbuda	1.1	- 0.6	2.8	4.1	- 6.2	4.4	4.5	2.4	3.6	1.7
Barbados	- 4.0	- 6.3	0.6	2.7	2.2	3.6	2.0	3.6	2.1	0.7
Belize	0.4	6.2	1.7	- 1.3	1.2	- 1.5	1.8	- 1.1	3.5	1.2
Dominica	2.1	2.3	1.9	1.9	1.2	2.9	2.3	3.6	0.3	2.1
Grenada	3.5	0.8	- 1.3	3.2	2.8	2.8	4.3	4.5	7.1	3.1
Guyana	8.7	8.5	10.7	8.6	2.2	7.5	8.0	- 3.2	1.9	5.8
Jamaica	- 0.5	1.6	0.9	1.0	0.9	- 1.1	- 3.1	- 1.9	- 0.2	- 0.3
Saint Kitts and Nevis	3.0	3.7	5.8	6.0	3.7	5.8	7.2	1.7	2.7	4.4
Saint Vincent and the Grenadines	0.7	5.7	1.5	- 3.5	6.8	0.8	2.3	4.5	3.1	2.4
Saint Lucia	- 1.6	6.1	0.3	0.3	0.7	- 0.5	- 1.7	0.9	1.6	0.6
Suriname	3.2	- 1.9	- 12.0	- 1.1	3.2	7.1	4.8	1.6	- 2.0	0.2
Trinidad and Tobago	2.7	- 1.8	- 1.9	3.3	3.4	3.8	3.4	4.7	7.3	2.7

Source: ECLAC, based on official figures converted into dollars at constant 1995 prices.
[a] Preliminary estimate. [b] Does not include Cuba. [c] Based on figures expressed in pesos at constant 1981 prices. [d] Based on figures at factor cost.

Table A - 4

LATIN AMERICA AND THE CARIBBEAN: FINANCING OF GROSS DOMESTIC INVESTMENT [a]

(As percentages of GDP)

	1991	1992	1993	1994	1995	1996	1997	1998	1999[b]
Domestic saving	21.0	20.9	20.9	21.7	21.0	20.8	21.0	20.2	20.3
Factor income	-3.4	-3.1	-2.8	-2.5	-2.4	-2.2	-2.0	-2.0	-2.2
Transfers	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Gross national saving	18.1	18.3	18.5	19.6	19.0	19.0	19.4	18.5	18.5
- Public	2.1	1.7	2.3	-1.0	0.6	3.3	2.5	0.4	0.6
- Private	16.0	16.6	16.2	20.6	18.4	15.7	16.9	18.0	17.9
External saving	1.5	2.7	3.3	3.3	2.2	2.1	3.3	4.5	3.0
Gross capital formation	19.7	20.9	21.8	22.9	21.2	21.1	22.6	23.0	21.5

Source: ECLAC, on the basis of official figures converted into dollars at current prices.
[a] Based on coefficients calculated using figures expressed in local currency which were then converted into dollars at current prices. [b] Preliminary figures.

Table A - 5

LATIN AMERICA AND THE CARIBBEAN: GROSS FIXED CAPITAL FORMATION

(As percentages of GDP)

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999[a]
Latin America and the Caribbean [b]	**18.5**	**19.2**	**19.7**	**20.6**	**19.3**	**19.5**	**21.0**	**21.3**	**20.0**
Argentina	14.2	17.1	18.6	20.0	17.9	18.5	20.1	20.7	19.7
Bolivia	15.0	16.6	16.3	14.3	15.5	16.6	20.1	24.4	20.9
Brazil	20.1	19.1	19.4	20.3	20.5	20.4	21.5	21.5	20.0
Chile	17.7	19.5	21.7	21.6	23.9	24.5	25.4	25.2	20.9
Colombia [c]	14.6	15.8	20.3	23.3	22.4	21.6	20.5	19.4	14.0
Costa Rica	16.6	18.8	19.9	19.5	19.3	17.6	19.2	22.3	20.9
Ecuador	18.5	18.9	18.6	18.5	18.6	18.5	18.5	19.4	13.9
El Salvador	14.1	15.3	16.6	17.6	18.7	16.3	16.9	17.7	17.2
Guatemala	11.7	14.4	15.0	14.1	14.5	13.7	16.2	18.6	19.4
Haiti [d]	11.5	8.0	7.6	7.7	13.8	13.2	12.8	13.4	13.6
Honduras	18.8	22.5	28.5	29.0	24.0	23.9	26.5	30.1	31.8
Mexico	20.3	21.8	20.8	21.6	16.2	17.9	20.5	21.2	21.7
Nicaragua	17.8	20.4	19.4	25.0	23.9	28.2	28.9	29.5	39.3
Panama	13.6	17.9	24.0	24.6	26.0	24.6	24.7	27.3	27.5
Paraguay	24.0	22.2	22.1	22.4	23.1	22.8	22.0	21.1	20.2
Peru	17.0	17.7	18.8	21.7	23.8	22.3	24.1	24.0	21.2
Dominican Republic	16.6	19.5	22.8	21.9	22.1	22.8	25.3	30.5	33.1
Uruguay	11.4	12.4	14.0	14.1	13.5	13.8	14.5	15.2	14.5
Venezuela	17.7	21.4	20.2	17.1	16.5	15.3	18.0	17.4	14.1

Source: ECLAC, on the basis of official figures converted into dollars at constant 1995 prices.
[a] Preliminary figures. [b] Includes changes in inventories for Haiti. Also includes changes in inventories for Colombia in 1997 and 1998. [c] In 1997 and 1998, includes changes in inventories. [d] Includes changes in inventories.

Table A - 6

LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT

(Average annual rates)

	1980	1985	1990	1992	1993	1994	1995	1996	1997	1998	1999[a]
Latin America and the Caribbean [b]	**6.2**	**7.3**	**5.8**	**6.5**	**6.5**	**6.6**	**7.5**	**7.9**	**7.5**	**8.1**	**8.7**
Simple average (22 countries)	**...**	**...**	**...**	**9.9**	**10.0**	**9.5**	**10.2**	**10.6**	**10.0**	**9.8**	**10.4**
Argentina											
Urban areas [c]	2.6	6.1	7.4	7.0	9.6	11.5	17.5	17.2	14.9	12.9	14.3
Barbados											
Nationwide total [d]	...	...	14.7	23.0	24.3	21.9	19.7	15.6	14.5	12.3	9.8
Bolivia											
Departmental capitals	...	5.8	7.3	5.4	5.8	3.1	3.6	3.8	4.4	4.1	6.1
Brazil											
Six metropolitan areas	6.3	5.3	4.3	5.8	5.4	5.1	4.6	5.4	5.7	7.6	7.6
Chile											
Nationwide total [e]	10.4	15.3	7.8	6.7	6.5	7.8	7.4	6.4	6.1	6.4	9.8
Colombia [d]											
Seven metropolitan areas	10.0	13.9	10.5	10.2	8.6	8.9	8.8	11.2	12.4	15.3	19.4
Costa Rica											
Total, urban areas	6.0	6.7	5.4	4.3	4.0	4.3	5.7	6.6	5.9	5.4	6.2
Cuba											
Nationwide total	...	...	...	6.1	6.2	6.7	7.9	7.6	7.0	6.6	6.0
Ecuador [d]											
Total, urban areas	5.7	10.4	6.1	8.9	8.9	7.8	7.7	10.4	9.3	11.5	14.4
El Salvador											
Total, urban areas	...	...	10.0	8.2	8.1	7.0	7.0	7.5	7.5	7.6	6.9
Guatemala [f]											
Nationwide total	2.2	12.1	6.0	1.5	2.5	3.3	3.7	3.7	5.0	5.9	...
Honduras											
Total, urban areas	8.8	11.7	7.8	6.0	7.0	4.0	5.6	6.5	5.8	5.2	5.3
Jamaica [d]											
Nationwide total	...	...	15.3	15.7	16.3	15.4	16.2	16.0	16.5	15.5	15.7
Mexico											
Urban areas [c]	4.5	4.4	2.7	2.8	3.4	3.7	6.2	5.5	3.7	3.2	2.5
Nicaragua											
Nationwide total	...	3.2	7.6	14.4	17.8	17.1	16.9	16.0	14.3	13.2	10.7
Panama [d]											
Metropolitan region	9.9	15.6	20.0	17.5	15.6	16.0	16.6	16.9	15.5	15.2	14.0
Paraguay [g]											
Total, urban areas	4.1	5.2	6.6	5.3	5.1	4.4	5.3	8.2	7.1	6.6	9.4
Peru											
Lima metropolitan area	7.1	10.1	8.3	9.4	9.9	8.8	8.2	8.0	9.2	8.4	9.1
Dominican Republic [d]											
Nationwide total	...	...	...	20.3	19.9	16.0	15.8	16.5	15.9	14.3	13.8
Trinidad and Tobago [d]											
Nationwide total	...	...	20.1	19.6	19.8	18.4	17.2	16.2	15.0	14.2	13.1
Uruguay											
Total, urban areas [h]	...	...	8.5	9.0	8.3	9.2	10.3	11.9	11.5	10.1	11.3
Venezuela											
Nationwide total	6.0	13.1	10.4	7.8	6.6	8.7	10.3	11.8	11.4	11.3	14.9

Source: ECLAC, on the basis of official figures.

[a] Preliminary figures. [b] Does not include the Caribbean until 1990. [c] Represents a large and growing number of urban areas. [d] Includes hidden unemployment. [e] The figure shown for 1985 actually corresponds to 1984. [f] Official estimates. [g] Until 1993, the figures given correspond to the Asunción Metropolitan area. [h] The figures shown for 1980 and 1985 correspond to Montevideo.

Table A - 7

LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES

(December-to-December percentage variations)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 [a]
Latin America and the Caribbean	**199.0**	**414.0**	**877.0**	**333.0**	**25.8**	**18.2**	**10.4**	**10.3**	**9.6**	**9.2**
Argentina	84.0	17.6	7.4	3.9	1.6	0.1	0.3	0.7	- 1.8	0.7
Barbados	8.1	3.4	- 1.0	0.5	3.4	1.8	3.6	1.7	2.9	2.6 [b]
Bolivia	14.5	10.5	9.3	8.5	12.6	7.9	6.7	4.4	3.1	5.2
Brazil	476.0	1 149.0	2 489.0	929.0	22.0	9.1	4.3	2.5	8.4	5.5
Chile	18.7	12.7	12.2	8.9	8.2	6.6	6.0	4.7	2.3	3.7
Colombia	26.8	25.1	22.6	22.6	19.7	21.6	17.7	16.7	9.2	9.7
Costa Rica	25.3	17.0	9.0	19.9	22.6	13.9	11.2	12.4	10.1	10.5
Ecuador	49.0	60.2	31.0	25.4	22.8	25.6	30.6	43.4	60.9	103.0
El Salvador	9.8	20.0	12.1	8.9	11.4	7.4	1.9	4.2	- 1.0	3.7
Guatemala	10.2	14.2	11.6	11.6	8.6	10.9	7.1	7.5	4.9	7.2
Haiti	6.6	16.1	44.4	32.2	24.8	14.6	15.6	7.5	7.6	12.3 [c]
Honduras	21.4	6.5	13.0	28.9	26.8	25.3	12.7	15.6	10.9	11.9
Jamaica	80.2	40.2	30.1	26.9	25.5	15.8	9.2	7.9	6.8	9.7 [c]
Mexico	18.9	11.9	8.0	7.1	52.1	27.7	15.7	18.6	12.3	9.4
Nicaragua	866.0	3.5	19.5	14.4	11.1	12.1	7.3	18.5	7.2	14.0
Panama	1.6	1.6	1.0	1.3	0.8	2.3	- 0.5	1.4	1.5	1.1 [d]
Paraguay	11.8	17.8	20.3	18.3	10.5	8.2	6.2	14.6	5.4	10.5
Peru	139.0	56.7	39.5	15.4	10.2	11.8	6.5	6.0	3.7	3.2
Dominican Republic	7.9	5.2	2.8	14.3	9.2	4.0	8.4	7.6	5.1	5.5 [c]
Trinidad and Tobago	2.3	8.5	13.4	5.5	3.8	4.3	3.5	5.6	3.4	2.0 [d]
Uruguay	81.3	59.0	52.9	44.1	35.4	24.3	15.2	8.6	4.2	4.8
Venezuela	31.0	31.9	45.9	70.8	56.6	103.0	37.6	29.9	20.0	15.4

Source: ECLAC, on the basis of figures from public institutions in the relevant countries.
[a] Variation between July 1999 and June 2000. [b] Variation between March 1999 and February 2000. [c] Variation between May 1999 and April 2000. [d] Variation between April 1999 and March 2000.

Table A - 8

LATIN AMERICA AND THE CARIBBEAN: NON-FINANCIAL PUBLIC-SECTOR ACCOUNTS [a]

(Percentages of GDP)

	Total revenue		Current revenue		Tax revenue		Total expenditure		Current expenditure		Interest payments		Fiscal result	
	1998	1999[b]	1998	1999[b]	1998	1999[b]	1998	1999[b]	1998	1999[b]	1998	1999[b]	1998	1999[b]
Latin America and the Caribbean	**21.3**	**22.4**	**20.2**	**20.8**	**14.8**	**14.7**	**23.8**	**25.4**	**18.6**	**19.3**	**2.6**	**2.8**	**-2.5**	**-3.0**
Argentina	19.0	20.3	18.8	19.3	17.6	17.6	20.4	22.0	19.1	20.9	2.2	2.9	-1.4	-1.7
Bolivia	31.0	30.8	29.7	29.8	14.1	12.8	35.0	34.7	28.7	27.4	1.4	1.2	-4.0	-3.9
Brazil	32.1	34.4	26.8	27.6	26.3	26.6	40.0	43.9	36.4	40.0	7.5	6.3	-8.0	-9.5
Chile [c]	23.6	23.1	23.0	22.6	17.8	16.9	23.2	24.5	18.9	20.0	0.7	0.4	0.4	-1.5
Colombia	29.5	32.5	27.6	30.1	18.0	18.6	32.9	37.1	23.6	27.1	4.2	5.3	-3.4	-4.6
Costa Rica [c]	12.9	13.1	12.9	12.6	12.8	12.5	15.4	15.4	14.0	14.0	3.2	3.8	-2.5	-2.3
Ecuador	20.3	25.2	20.3	25.2	9.8	10.2	26.3	30.0	20.5	23.1	5.0	8.8	-6.0	-4.8
El Salvador	15.0	14.6	14.8	14.3	10.3	10.5	17.6	17.5	13.8	14.2	1.5	1.4	-2.6	-2.9
Guatemala [c]	10.6	11.1	10.4	11.0	9.6	10.0	12.8	14.0	8.1	8.7	1.1	1.3	-2.2	-2.8
Haiti [c]	9.0	9.4	8.9	9.1	8.9	9.1	11.4	11.9	9.3	9.7	0.8	0.8	-2.4	-2.5
Honduras [c]	19.5	19.5	18.8	19.1	17.0	17.7	20.6	22.5	15.9	16.3	3.3	2.2	-1.1	-2.9
Mexico	20.4	20.7	14.2	14.5 [c]	10.5	11.2 [c]	21.6	21.8	14.2	14.7 [c]	2.5	3.1 [c]	-1.2	-1.1
Nicaragua	39.0	42.7	35.3	33.9	30.1	29.5	39.6	46.2	26.8	25.5	4.5	2.8 [c]	-0.5	-3.4
Panama [c]	19.0	20.0	18.2	19.9	12.1	12.6	24.4	22.5	19.7	18.3	4.4	5.0	-5.4	-2.5
Paraguay	22.4	24.2	22.2	23.8	11.6	10.8 [c]	22.2	27.4	15.9	16.2	0.7	0.8 [c]	0.2	-3.2
Peru [c]	14.3	13.0	14.0	12.8	12.1	11.4	15.3	15.8	12.3	12.8	1.7	1.9	-1.0	-2.7
Dominican Republic [c]	16.1	15.8	15.9	15.3	15.0	14.4	15.5	16.2	11.1	11.2	0.8	0.9	0.6	-0.4
Uruguay	30.6	30.0	30.6	30.0	17.5	16.8	31.0	33.5	26.9	29.2	1.3	1.7	-0.4	-3.5
Venezuela	21.0	24.7	20.8	24.3	11.0	11.0	27.6	25.9	17.6	18.0	2.8	3.4	-6.6	-1.2

Source: ECLAC, on the basis of official figures.

[a] Calculated on the basis of figures expressed in the local currency at current prices. [b] Preliminary figures. [c] Refers to central government.

Table A - 9

LATIN AMERICA AND THE CARIBBEAN: EXPORTS AND IMPORTS OF GOODS [a]

(Rate of variation in index, 1995 = 100)

	Exports [b]			Imports [b]		
	Value	Unit value	Volume	Value	Unit value	Volume
1985	-5.3	-10.0	5.2	0.9	-3.4	4.5
1986	-14.2	-14.7	0.7	2.6	1.8	0.7
1987	14.9	5.6	8.8	13.5	8.6	4.6
1988	16.1	-0.4	16.5	16.4	4.2	11.7
1989	10.9	2.3	8.5	8.6	6.7	1.8
1990	10.1	4.4	5.5	12.9	3.7	9.0
1991	0.6	-3.2	4.0	17.7	-4.0	22.7
1992	8.0	0.6	7.3	22.8	1.3	21.2
1993	9.9	-2.1	12.3	11.7	-1.8	13.8
1994	16.3	6.5	9.3	18.8	1.5	17.0
1995	21.2	8.3	11.8	11.9	7.1	4.6
1996	11.6	1.0	10.5	10.9	-0.4	11.3
1997	11.6	-0.9	12.6	18.7	-2.8	22.2
1998	-1.4	-9.0	8.3	6.1	-3.4	9.8
1999 c/	5.8	-1.1	7.0	-4.1	-1.5	-2.7

Source: ECLAC, on the basis of figures from the International Monetary Fund and national sources.
[a] Covers 17 Spanish-speaking countries, plus Brazil and Haiti. [b] The indices shown here for export and import values, unit values and volumes do not necessarily coincide with indices for these variables calculated on the basis of national accounts due to differences in methodologies and coverage. [c] Preliminary figures.

Table A - 10

LATIN AMERICA AND THE CARIBBEAN: EXPORTS OF GOODS [a]

(Rate of variation in index, 1995 = 100)

	Value			Unit value			Volume		
	1997	1998	1999[b]	1997	1998	1999[b]	1997	1998	1999[b]
Latin America and the Caribbean	**11.6**	**-1.4**	**5.8**	**-0.9**	**-9.0**	**-1.1**	**12.6**	**8.3**	**7.0**
Argentina	9.9	0.0	-11.8	-5.6	-9.0	-9.0	16.4	9.9	-3.1
Bolivia	3.1	-5.4	-4.8	-1.0	-9.3	-3.5	4.1	4.3	-1.3
Brazil	11.1	-3.8	-6.1	1.6	-8.0	-12.0	9.4	4.5	6.6
Chile	8.2	-11.0	5.3	-1.8	-17.0	-3.2	10.2	7.2	8.7
Colombia	10.1	-5.0	5.4	1.5	-12.9	2.8	8.5	9.1	2.5
Costa Rica	15.3	27.4	18.1	3.9	-1.9	-4.0	10.9	29.9	23.1
Ecuador	7.4	-20.2	0.6	1.5	-15.5	3.5	5.9	-5.5	-2.7
El Salvador	35.1	1.5	2.9	2.5	0.4	-7.2	31.8	1.1	10.8
Guatemala	16.6	10.1	-4.2	-0.7	-2.6	-8.0	17.4	13.1	4.2
Haiti	21.2	45.1	18.4	-0.1	7.5	-4.3	21.4	35.0	23.8
Honduras	13.4	13.8	-11.7	19.3	-2.8	-8.0	-4.9	17.1	-4.0
Mexico	15.0	6.4	16.4	-0.1	-5.0	1.5	15.1	11.9	14.7
Nicaragua	41.6	-6.6	-3.4	2.6	-1.1	-9.0	37.9	-5.5	6.2
Panama	14.3	-5.0	-17.8	1.6	0.8	1.0	12.5	-5.7	-18.6
Paraguay	2.6	-4.9	-27.9	-0.2	-0.7	-7.5	2.8	-4.3	-22.1
Peru	15.8	-16.1	6.6	1.5	-17.1	-10.0	14.1	1.3	18.4
Dominican Republic	13.8	8.0	4.5	1.3	-5.5	-1.2	12.4	14.2	5.7
Uruguay	14.1	1.3	-18.5	-1.9	0.2	-12.1	16.3	1.1	-7.3
Venezuela	0.0	-25.9	19.1	-9.0	-29.0	31.2	9.8	4.4	-9.3

Source: ECLAC, on the basis of figures from the International Monetary Fund and national sources.
[a] The indices shown here for export values, unit values and volumes do no necessarily coincide with indices for these variables calculated on the basis of national accounts due to differences in methodologies and coverage. [b] Preliminary figures.

Table A - 11

LATIN AMERICA AND THE CARIBBEAN: IMPORTS OF GOODS[a]

(Rate of variation in index, 1995 = 100)

	Value			Unit value			Volume		
	1997	1998	1999[b]	1997	1998[b]	1999[b]	1997	1998[b]	1999[b]
Latin America and the Caribbean	**18.7**	**6.1**	**-4.1**	**-2.9**	**-3.4**	**-1.5**	**22.2**	**9.8**	**-2.7**
Argentina	28.1	3.1	-18.0	-5.9	-4.6	-4.0	36.2	8.1	-14.6
Bolivia	20.2	6.9	-12.5	-4.4	-4.6	-3.4	25.7	12.0	-9.4
Brazil	12.3	-3.5	-14.7	-4.0	-6.0	-2.5	17.0	2.7	-12.6
Chile	10.5	-4.8	-19.6	-4.5	-5.9	-3.5	15.7	1.2	-16.6
Colombia	12.8	-5.2	-26.8	0.9	-5.1	-4.0	11.8	-0.1	-23.8
Costa Rica	16.9	26.2	0.9	-2.0	-5.0	-3.0	19.3	32.9	4.0
Ecuador	26.8	11.4	-49.9	-0.6	-5.0	-3.0	27.6	17.3	-48.3
El Salvador	16.2	5.6	2.8	1.9	3.0	-2.0	14.0	2.5	5.0
Guatemala	23.0	23.2	-2.3	-8.1	-2.0	-0.5	33.9	25.8	-1.7
Haiti	12.3	14.5	14.4	-4.5	5.4	-3.0	17.6	8.6	17.9
Honduras	15.9	14.7	9.4	-4.0	-4.9	-1.5	20.8	20.6	11.0
Mexico	22.7	14.2	13.3	-1.3	-1.6	-0.4	24.4	16.0	13.8
Nicaragua	41.3	4.1	21.6	7.8	-5.1	-2.0	31.1	9.7	24.1
Panama	13.7	4.6	-14.3	-0.5	0.9	-1.5	14.3	3.7	-13.0
Paraguay	-4.5	-5.9	-27.8	-0.1	7.4	-2.5	-4.4	-12.4	-26.0
Peru	8.5	-4.1	-18.1	-5.0	-4.6	-3.1	14.2	0.5	-15.5
Dominican Republic	15.4	14.9	8.1	-3.0	-6.5	-2.0	18.9	22.9	10.3
Uruguay	11.6	2.9	-11.9	-1.6	-6.3	-4.5	13.4	9.9	-7.8
Venezuela	37.6	8.3	-20.7	-5.0	-1.5	-1.4	44.9	10.0	-19.5

Source: ECLAC, on the basis of figures from the International Monetary Fund and national sources.
[a] The indices shown here for import values, unit values and volumes do no necessarily coincide with indices for these variables calculated on the basis of national accounts due to differences in methodologies and coverage. [b] Preliminary figures.

Table A - 12

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

(Indices 1995 = 100)

	1991	1992	1993	1994	1995	1996	1997	1998	1999[a]
Latin America and the Caribbean	**95.2**	**94.6**	**94.2**	**98.8**	**100.0**	**101.4**	**103.4**	**97.4**	**97.8**
Argentina	100.2	100.7	104.8	105.6	100.0	108.5	108.9	103.9	98.5
Bolivia	112.4	92.0	88.3	102.5	100.0	111.7	115.6	109.9	109.8
Brazil	71.2	74.2	79.9	91.5	100.0	101.0	106.8	104.6	94.4
Chile	83.5	81.2	74.2	84.1	100.0	80.7	83.0	73.3	73.5
Colombia	99.1	87.4	91.0	104.9	100.0	103.8	104.4	95.8	102.6
Costa Rica	76.6	81.0	84.5	93.9	100.0	94.9	100.6	103.9	102.8
Ecuador	121.7	116.3	106.4	108.9	100.0	109.6	111.9	99.6	106.2
El Salvador	70.6	61.1	63.7	81.0	100.0	93.6	94.1	91.7	86.9
Guatemala	77.2	81.6	84.3	89.9	100.0	87.7	94.8	94.3	87.2
Haiti	97.8	92.9	94.1	96.8	100.0	90.6	94.8	96.7	95.3
Honduras	86.9	82.2	90.3	92.1	100.0	92.8	115.4	118.0	110.2
Mexico	105.8	105.0	104.9	103.3	100.0	102.8	104.0	100.4	102.3
Nicaragua	98.3	71.9	81.3	95.5	100.0	88.1	83.9	87.4	81.1
Panama	82.2	104.0	106.8	110.1	100.0	101.3	103.4	103.3	105.9
Paraguay	86.7	79.4	87.2	105.1	100.0	100.0	99.9	92.4	87.7
Peru	86.8	95.0	89.1	95.7	100.0	96.5	103.2	89.7	83.3
Dominican Republic	106.6	96.2	90.7	95.6	100.0	97.7	102.0	103.1	104.0
Uruguay	98.2	96.2	94.6	94.7	100.0	96.7	96.4	103.1	94.9
Venezuela	116.0	108.0	100.9	100.0	100.0	115.6	110.8	79.9	107.0

Source: ECLAC, on the basis of figures from the International Monetary Fund.
[a] Preliminary figures.

Table A - 13

LATIN AMERICA AND THE CARIBBEAN: BALANCE OF PAYMENTS

(As percentages of GDP) [a]

	Trade balance (goods and services)		Current account balance		Capital and financial accounts balance [b]		Overall balance	
	1998	1999[c]	1998	1999[c]	1998	1999[c]	1998	1999[c]
Latin America and the Caribbean	**-2.6**	**-0.9**	**-4.5**	**-3.1**	**3.5**	**2.8**	**-0.9**	**-0.3**
Argentina	-2.5	-1.7	-4.9	-4.3	6.3	4.7	1.4	0.4
Bolivia	-9.9	-8.1	-7.9	-6.6	9.0	6.1	1.2	-0.5
Brazil	-2.1	-1.3	-4.4	-4.4	2.2	2.5	-2.2	-1.9
Chile	-3.6	2.0	-5.7	-0.1	2.8	-1.0	-2.9	-1.1
Colombia	-4.0	0.5	-5.3	-1.4	3.9	1.1	-1.4	-0.4
Costa Rica	-1.2	6.1	-3.6	-3.2	2.5	6.4	-1.1	3.2
Ecuador	-7.1	10.8	-11.0	6.8	6.4	-13.0	-4.6	-6.2
El Salvador	-12.8	-12.2	-0.7	-1.7	3.2	3.3	2.5	1.6
Guatemala	-8.1	-8.6	-5.3	-6.0	6.6	5.3	1.3	-0.7
Haiti	-15.4	-16.8	1.2	0.0	-0.2	0.5	1.0	0.5
Honduras	-6.1	-13.8	-0.8	-3.3	3.5	8.8	2.7	5.5
Mexico	-2.0	-1.5	-3.7	-3.1	4.5	4.0	0.8	0.9
Nicaragua	-38.8	-51.7	-38.4	-47.2	27.6	43.2	-10.8	-4.0
Panama	-9.3	-8.5	-13.3	-13.9	8.2	12.3	-5.1	-1.5
Paraguay	-2.6	-2.1	-1.7	-1.7	2.6	3.8	0.9	2.2
Peru	-4.8	-1.9	-6.1	-3.6	3.9	2.2	-2.2	-1.4
Dominican Republic	-9.1	-8.5	-2.1	-3.0	2.2	3.9	0.1	1.0
Uruguay	-1.5	-2.3	-2.1	-2.9	3.7	2.9	1.6	0.1
Venezuela	-0.9	6.6	-2.7	5.2	-0.4	-4.2	-3.1	1.0

Source: ECLAC, on the basis of figures from official sources and the International Monetary Fund.
[a] Estimates based on figures expressed in dollars at current prices. [b] Includes errors and omissions. [c] Preliminary figures.