

## Paraguay

### 1. General trends

The Paraguayan economy grew by 5.8% in 2008, marking six consecutive years of economic expansion. This result was due to the performance of the external sector, which was positive due to the price boom for its principal export products and a favourable harvest. Domestic demand was also significantly buoyant, reflecting an increase in private consumption and in investment. The first two quarters of 2008 were characterized by robust economic activity, while the third quarter showed a deceleration and, in some sectors, even a decline. It was a good year for agriculture and livestock, and industry recovered, owing, in particular, to significant growth in construction and machinery production. The year ended with balanced fiscal accounts, attaining a surplus of 2.6% of GDP and a primary balance of 3.3%. Inflation reached 7.5% in December but is expected to fall in 2009. The current account deficit (2.2% of GDP) was larger than in the previous years and is expected to widen in 2009. Economic growth is projected to decline sharply, continuing the less favourable trend that began during the second half of 2008. This slowdown will be caused by, among other factors, a drop in income from the external sector and a less buoyant agricultural activity on account of the drought. A growth rate of 3% is projected for 2009.

### 2. Economic policy

#### (a) Fiscal policy

The central government closed the year with a surplus equivalent to 2.6% of GDP. This figure marks the fifth straight year of balanced fiscal accounts and represents an improvement over prior years. The primary balance was equivalent to 3.3% of GDP, surpassing the previous year's figure (1.8%). The stand-by agreement signed with the International Monetary Fund (IMF) in 2006 expired in August 2008 and all fiscal goals were met.

The tax burden remained low in Paraguay, although did rise from 11.4% in 2007 to 12.4% in 2008. Current income rose by 17.6%. Tax receipts were bolstered by the buoyant economic growth, with receipts from value added tax (VAT)—which accounted for 50.9% of total tax revenues—growing by 32.9%. Revenues from international trade increased by 24.0%, while income tax receipts were up by 24.1%. The largest component of non-tax based revenue was that generated by the two binational entities Itaipú and Yacyretá, contributing 1.876 trillion guaraníes,

8.1% less than in 2007. Capital income grew by 11.4%. Total encumbered expenditures increased by 6.6%, and current expenditures—the most rigid component—grew by 12.5% owing to increases in personal expenditures (18.1%). Capital expenditures, an important indicator of public investment, decreased by 13.9%. Expenditures on physical investments fell by 50.1%, while expenditures on financial investments declined by 87.4%. The external public financial debt recorded in the Debt Management and Financial Analysis System (DMFAS) dropped to 15.6% of GDP, compared to 20.6% in 2007.

In June 2009 the National Congress decided to postpone the application of the personal income tax for the third time and it is now slated to come into effect in 2010.

The government announced that in order to mitigate the negative effects of the international financial crisis, it would implement expansive fiscal policy measures in 2009 that would include, among other things, investment in roadway infrastructure and labour-intensive projects in the six poorest departments. Spending on physical investments had increased by 243% by the month of March. Additionally, the Ministry of Finance announced its intention to take out loans totalling US\$ 300 million to finance the 2009 budget using contingent lines of credit from international institutions. The first batch was presented to the National Congress for approval. On 12 May the Ministry of Finance held a public auction for the issue and placement of general treasury bonds and accepted proposals totalling 185 billion guaraníes for one-, two- and three-year notes with interest rates ranging from 6.1% to 6.85% in the case of the latter.

### **(b) Monetary policy**

The benchmark inflation rate set by the central bank is 5% with a 2.5% tolerance range on either side. Since the inflation rate—as measured by the year-on-year variation of the consumer price index (CPI)—exceeded the tolerance range in early 2008, the central bank decided to increase the referential rate curve on monetary regulation instruments (MRI) in March. In June and July, however, inflation hit a high of 13.4% and the central bank raised the legal reserve requirement in local currency. Given the external scenario present in the third quarter, in October the central bank implemented several measures aimed at boosting liquidity in the national banking system and mitigating the negative effects of the financial crisis. It lowered the legal reserve requirements in foreign and local currency, reduced the yield curve on the benchmark interest rate for the issuance of MRIs by one percentage point and established a line of credit for financial entities with repo operations in securities issued by the CBP. In November, it again lowered the benchmark rate curve on MRIs and created a mechanism for automatic early repayment.

In January 2009, the central bank decided to hold bi-weekly competitive auctions on MRI interest rates, which were reduced by approximately 50 basis points as a result. In February, it lowered the legal reserve requirements to zero for local currency deposits of more than one year and for foreign currency deposits of more than 541 days. In March, it established a line of credit to provide liquidity to local financial institutions.

Monetary aggregates expanded in the first half of 2008. From January to June, the average year-on-year variation for M0 was 34.9%, while that of M1 was 40.7%, that of M2 was 46.6% and that of M3 was 36.2%. These figures fell during the second semester reaching 25.1%, 22.7%, 31.9% and 27.6% respectively. The total of monetary regulation instruments in December was 4.027 trillion guaraníes, down 16.7% from the same month in 2007. This figure continued to drop in 2009 to 2.589 trillion guaraníes in March, 43.8% lower than in March 2007. Private-sector deposits in the banking system continued to grow, and the ratio of deposits in local currency increased to 59% during the semester compared with 52% in June 2007. This trend towards “guaranization” in the banking system, however, was reversed with the onset of the financial crisis, and the ratio fell to 53% in December (compared with 54.8% in December 2007). This same process of dollarization in the second half of the year was also seen in lending, although the ratio of credits in local currency fell below that of December 2007. The average year-on-year variation for lending to the private sector in 2008 was 51.8%, although the increase was slightly lower during the second half of the year. All indications are that this trend has continued in 2009: the year-on-year variation in May was 32.7%.

### **(c) Exchange-rate policy**

From January to June 2008, the guaraní appreciated by 27.9% in real terms against the dollar, thanks to increased foreign exchange inflows from agricultural exports, remittances and revenue generated by the binational entities Itaipú and Yacyretá. In an attempt to mitigate the effects of this appreciation, the central bank intervened in the currency market, purchasing a total of US\$ 459.7 million by July. International reserves increased to US\$ 3.187 billion, the equivalent of approximately 19.8% of GDP or 4.5 months of imports. Beginning in August, exchange-rate pressure stemming from the high value of the United States dollar led the central bank to sell dollars in an effort to reduce the volatility of the guaraní. In October, it modified the maximum daily variation in the net foreign currency positions of financial entities, limiting it to US\$ 1 million and reduced the permitted percentage of foreign currency holdings from 50% to

30% of cash equity. In December, these interventions amounted to a net sale of US\$ 12.8 million in cumulative terms, and international reserves dropped to US\$ 2.864 billion, nearly 17.8% of GDP. The depreciation of the guaraní that began in August caused the average real exchange rate to appreciate by 19.3% in 2008, or by 3.3% in year-on-year terms from December 2007 to December 2008. The average real effective exchange rate—the rate applied to transactions with the country’s main trading partners— appreciated by 12.7% in 2008.

In the first few months of 2009 the guaraní continued its depreciation against the dollar —27.2% in nominal terms from June 2008 to June 2009— and the central bank continued intervening in the currency market, selling US\$ 66.5 million by March that year. In April and May, however, the bank was forced to buy dollars since significant foreign exchange inflows from grain exports are usually generated in those months. In May 2009, accumulated interventions amounted to a net purchase of US\$ 47.3 million.

#### (d) Other policies

Beginning in October 2008 the government implemented several measures within the framework of an “anti-crisis plan” or “economic reactivation plan” with a view to addressing the effects of the international financial crisis. In addition to the fiscal, monetary and exchange-rate policies mentioned above, it announced sector-specific measures, such as streamlining government

procurement procedures to establish preferential margins for domestic products and goods produced by campesino family farms. In February 2009, through the Ministry of Finance, the central bank extended a short-term loan to the Development Finance Agency—a second-tier bank—to provide financing to the agricultural sector. In March, the government decided to temporarily apply 10% and 15% tariffs to imports, regardless of origin, until 31 December 2009. Social and labour policy actions included the implementation of a short-term job-creation programme and the expansion of the conditional transfer programme, which helps families living in extreme poverty. Government procurement legislation was modified to stipulate that at least 70% of labour hired by government contractors for jobs or services provided to regional or municipal governments must be of local origin.

In December 2008, the European Commission announced its decision to offer Paraguay duty-free access to the European Union market under the Generalized System of Preferences Plus (GSP+). The inclusion of Paraguay in the GSP+ means that, as of January 2009, the country can export close to 3,000 manufactured products with preferential tariffs.

Another important event occurred in March of 2009 when the National Telecommunications Commission (CONATEL) approved regulations on Internet and data transmission services which opened up the market for users and service-providers and loosened restrictions on service supply modes for those services, with the exception of voice over internet protocol (VOIP) services.

### 3. The main variables

#### (a) Economic activity

Despite the international crisis, which made itself felt in the second half of the year, and the subsequent slowdown of the economy, Paraguay posted economic growth of 5.8%. Per capita GDP was up by 3.9%, reaching its highest level in 47 years at US\$ 1,556 in constant terms. This performance was mainly due to excellent results during the first semester, while the third quarter showed a deceleration, and in some cases such as mining and manufacturing, even a decrease in economic activity. In terms of domestic demand, the contribution of the private sector was noteworthy. Domestic consumption rose

(imports of consumer goods were up 43.8%), and sizable investments were made in the private sector. This increased demand is evidenced by a 52.6% jump in capital goods imports, including machinery, apparatuses and engines (27.3%) and transportation equipment and accessories (81.9%). Gross fixed capital formation grew by 20.5% in real terms. The external sector benefitted from a good harvest and high prices for its principal export products (soybeans and meats).

When broken down by sector, the main contribution to growth was made by the primary sector (2.4 percentage points of the 5.8%), where the expansion can be traced to buoyant growth in crop growing (10.5%) and livestock

Table 1  
PARAGUAY: MAIN ECONOMIC INDICATORS

	2000	2001	2002	2003	2004	2005	2006	2007	2008 <sup>a</sup>
<b>Annual growth rates<sup>b</sup></b>									
<b>Gross domestic product</b>	-3.3	2.1	-0.0	3.8	4.1	2.9	4.3	6.8	5.8
<b>Per capita gross domestic product</b>	-5.3	0.0	-2.0	1.8	2.1	0.9	2.4	4.8	3.9
<b>Gross domestic product, by sector</b>									
Agriculture, livestock, hunting, forestry and fishing	-7.0	11.6	4.2	8.0	3.9	-0.1	3.6	14.3	9.0
Mining and quarrying	-5.2	-8.3	-9.1	15.6	2.7	7.8	-2.2	3.5	5.0
Manufacturing	-0.9	-0.7	-1.4	0.7	3.3	2.7	2.5	-1.2	2.2
Electricity, gas and water	1.9	1.9	1.1	4.6	3.6	2.8	8.5	5.9	3.5
Construction	-7.8	-1.4	-8.9	14.4	2.1	4.5	-3.5	7.2	10.5
Wholesale and retail commerce, restaurants and hotels	-3.7	0.0	-1.6	5.5	5.1	2.4	5.5	5.1	4.2
Transport, storage and communications	1.4	2.1	2.0	0.7	9.6	7.2	10.7	10.7	5.2
Financial institutions, insurance, real estate and business services	-0.7	1.2	0.8	-4.9	2.1	4.0	4.0	3.8	7.6
Community, social and personal services	-1.9	-5.1	-1.1	0.5	2.7	5.9	4.3	3.0	3.9
<b>Gross domestic product, by type of expenditure</b>									
Consumption	-4.7	1.4	-6.7	2.4	4.6	4.7	5.0	6.1	6.0
General government	-2.6	-8.6	-3.2	-2.0	6.0	11.5	4.0	5.3	4.2
Private	-5.0	2.6	-7.1	2.9	4.4	3.9	5.1	6.2	6.2
Gross domestic investment	-9.1	11.0	-13.7	8.5	11.9	-11.1	4.3	12.5	21.5
Exports (goods and services)	8.0	-9.6	15.9	4.4	1.8	12.1	14.6	9.6	11.6
Imports (goods and services)	0.9	-6.1	-6.2	3.6	6.2	9.0	16.5	10.8	18.0
<b>Percentages of GDP</b>									
<b>Investment and saving<sup>c</sup></b>									
Gross domestic investment	18.8	18.7	18.7	20.1	18.7	19.3	19.1	17.4	19.6
National saving	16.5	14.6	20.5	22.4	20.7	19.5	20.4	18.7	17.5
External saving	2.3	4.1	-1.8	-2.3	-2.1	-0.2	-1.4	-1.3	2.2
<b>Millions of dollars</b>									
<b>Balance of payments</b>									
Current account balance	-163	-266	93	129	143	16	128	165	-345
Goods balance	-537	-614	-280	-276	-244	-462	-621	-557	-1 040
Exports, f.o.b.	2 329	1 890	1 858	2 170	2 861	3 352	4 401	5 471	7 769
Imports, f.o.b.	2 866	2 504	2 138	2 446	3 105	3 814	5 022	6 027	8 809
Services trade balance	175	165	214	245	327	313	414	506	478
Income balance	22	16	43	-4	-134	-58	-92	-158	-151
Net current transfers	177	167	116	165	194	224	426	373	369
Capital and financial balance <sup>d</sup>	-178	220	-213	105	128	144	259	562	723
Net foreign direct investment	98	78	12	22	32	47	167	178	311
Other capital movements	-277	141	-225	83	96	97	93	384	412
Overall balance	-341	-47	-121	234	271	160	387	728	378
Variation in reserve assets <sup>e</sup>	215	45	84	-301	-179	-146	-387	-727	-378
Other financing	126	2	37	67	-92	-14	-0	-0	0
<b>Other external-sector indicators</b>									
Real effective exchange rate (index: 2000=100) <sup>f</sup>	100.0	102.8	106.5	112.5	106.4	118.7	106.5	95.5	83.7
Terms of trade for goods (index: 2000=100)	100.0	100.2	96.7	101.4	104.3	97.4	95.5	100.1	107.3
Net resource transfer (millions of dollars)	-29.7	237.2	-133.6	167.6	-97.6	72.2	167.6	404.5	572.1
Total gross external debt (millions of dollars)	3 275	3 074	3 336	3 371	3 330	3 056	3 069	3 174	3 507
<b>Average annual rates</b>									
<b>Employment</b>									
Labour force participation rate <sup>g</sup>	63.7	59.2	61.2	59.8	63.4	61.8	59.4	60.8	61.7
Open unemployment rate <sup>h</sup>	10.0	10.8	14.7	11.2	10.0	7.6	8.9	7.2	7.4
Visible underemployment rate <sup>h</sup>	9.1	8.3	9.5	8.8	8.3	7.5	5.6	5.8	6.6
<b>Prices</b>									
<b>Annual percentages</b>									
Variation in consumer prices (December-December)	8.6	8.4	14.6	9.3	2.8	9.9	12.5	6.0	7.5
Variation in nominal exchange rate (annual average)	11.8	17.8	39.2	12.4	-7.0	3.4	-8.8	-10.8	-13.5
Variation in average real wage	1.3	1.4	-5.0	-0.8	1.7	1.1	0.6	2.4	-0.8
Nominal deposit rate <sup>i</sup>	15.4	16.0	21.7	15.5	5.7	6.1	9.8	5.9	6.2
Nominal lending rate <sup>j</sup>	26.8	28.3	34.3	30.5	21.2	15.3	16.6	14.6	14.6

Table 1 (concluded)

	2000	2001	2002	2003	2004	2005	2006	2007	2008 <sup>a</sup>
	<b>Percentages of GDP</b>								
<b>Non-financial public sector</b>									
Total income	34.4	35.7	32.7	31.9	33.9	34.8	34.6	32.8	33.1
Current income	33.1	35.0	32.6	31.8	33.9	34.7	34.5	32.1	32.8
Capital income	1.2	0.8	0.1	0.0	0.1	0.1	0.1	0.7	0.2
Total expenditure <sup>k</sup>	38.4	35.9	34.6	30.8	31.6	33.3	32.3	29.9	29.6
Current expenditure	30.5	29.3	28.9	26.2	26.6	28.3	27.4	26.2	26.4
Capital expenditure	7.9	6.5	5.8	4.9	5.2	4.9	4.9	3.7	2.9
Overall balance	-4.0	-0.1	-1.9	1.1	2.3	1.5	2.3	2.8	3.4
<b>Non-financial public sector debt</b>	35.3	44.0	63.0	46.9	41.7	32.8	24.8	19.9	18.3
Domestic	4.1	6.4	8.2	5.0	4.1	3.0	2.7	2.5	2.3
External	31.2	37.6	54.8	42.0	37.6	29.8	22.1	17.4	15.9
<b>Money and credit<sup>l</sup></b>									
Domestic credit <sup>m</sup>	6.2	7.3	9.9	6.7	6.2	5.7	3.7	3.7	3.2
To the public sector	2.0	3.3	5.7	3.1	3.3	3.1	1.5	1.8	1.6
To the banking sector	4.2	4.0	4.2	3.6	2.9	2.6	2.2	1.9	1.6
Liquidity (M3)	31.7	35.3	31.9	29.1	28.3	27.5	26.8	30.0	33.1
Currency outside banks and local-currency deposits (M2)	15.5	15.4	13.4	14.2	15.2	15.9	16.2	19.2	20.2
Foreign-currency deposits	16.2	19.9	18.4	14.8	13.1	11.7	10.6	10.7	12.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Based on figures in local currency at constant 1994 prices.

<sup>c</sup> Based on figures in local currency expressed in dollars at current prices.

<sup>d</sup> Includes errors and omissions.

<sup>e</sup> A minus sign (-) denotes an increase in reserves.

<sup>f</sup> Annual average, weighted by the value of goods exports and imports.

<sup>g</sup> Economically active population as a percentage of the working-age population; nationwide total.

<sup>h</sup> Percentage of the economically active population; urban total.

<sup>i</sup> Weighted average of effective interest rates on time deposits.

<sup>j</sup> Weighted average of effective interest rates on loans in national currency, excluding overdrafts and credit cards.

<sup>k</sup> Includes net lending.

<sup>l</sup> The monetary figures are end-of-year stocks.

<sup>m</sup> Refers to the credit extended to the banking sector by the Central Bank of Paraguay.

(6.5%, a recovery from the 6.4% drop recorded in 2007). The service sector was responsible for 2.2 percentage points, bolstered by the growth in financial services (18%), transport (5.5%), hotels and restaurants (5.1%), communications (4.8%) and commerce (4.1%). The manufacturing sector contributed 0.3 percentage points, thanks to growth in construction (10.5%), machinery (10%) and meat production (7.3%).

Economic activity is expected to drop sharply in 2009, with growth estimated at -3%. This slowdown will stem from the negative effects of the international crisis, such as lower exports, difficulty accessing credit and lower remittance levels, (which have on average made up 1.2% of GDP in the last few years) and from the losses expected in the agricultural sector, which is the most important sector in the Paraguayan economy. Agricultural forecasts for 2008-2009 are quite pessimistic due to difficulties in financing planting, (which have been caused by the lack of credit) and the severe drought that is affecting many of the country's departments. According to Ministry of Agriculture and Livestock estimates, production of cotton will fall by 61%, soybeans by 39% and sesame by 23%.

## (b) Prices, wages and employment

In January 2008 the central bank began publishing a new CPI for the Asuncion metropolitan area to better reflect the current basic consumption basket. The inflation rate hit 7.5% in December 2008, topping the 6% rate observed in 2007. Variation in the CPI throughout the year was quite volatile; 8.8% in year-on-year terms in January, with a high of 13.4% in June and July. The rise in prices during the first half of the year was fuelled by the year-on-year variation in food prices which reached 24.3% in June. In the first six months of the year, prices for dairy products rose by 33.3% on average, compared with the same time period in 2007, followed by meats (24.6%), grains and grain products (21.9%) and fruits and vegetables (20.5%). At the same time there was an increase in the price of fuel (peaking in May at 19.5%), a key input for many local and imported products. Inflationary pressure eased in the second half of 2008 with the decrease in international commodity prices. The core inflation rate, which excludes the most volatile products in the food basket (fruits and vegetables) saw less variation and ended the year at 6.9%, while core inflation X1, which additionally excludes regulated services and fuels, reached 7.2%.

Table 2  
PARAGUAY: MAIN QUARTERLY INDICATORS

	2007				2008 <sup>a</sup>				2009 <sup>a</sup>	
	I	II	III	IV	I	II	III	IV	I	II
Gross domestic product (variation from same quarter of preceding year) <sup>b</sup>	6.3	4.4	7.6	8.6	7.6	8.9	3.1	3.9	-4.1	...
Goods exports, f.o.b. (millions of dollars) <sup>c</sup>	495	732	744	814	940	1 471	1 282	741	900	...
Goods imports, f.o.b. (millions of dollars) <sup>c</sup>	1 189	1 265	1 472	1 650	1 755	2 100	2 651	1 965	1 428	...
International reserves (millions of dollars)	1 658	2 041	2 153	2 240	2 489	2 879	3 187	2 737	2 834	2 870 <sup>d</sup>
Real effective exchange rate (index: 2000=100) <sup>e</sup>	96.1	96.7	97.1	91.9	90.5	81.8	78.8	83.7	89.1	91.2 <sup>d</sup>
Consumer prices (12-month percentage variation)	5.6	6.8	10.1	6.0	12.3	13.4	9.1	7.5	3.4	2.0
Average nominal exchange rate (guaraníes per dollar)	5 171	5 060	5 081	4 793	4 637	4 096	3 974	4 689	5 075	5 043
Nominal interest rates (annualized percentages)										
Deposit rate <sup>f</sup>	10.3	4.2	4.4	4.8	5.6	6.4	5.5	7.2	4.9 <sup>g</sup>	...
Lending rate <sup>h</sup>	17.6	14.0	13.7	13.0	13.7	13.6	13.6	17.4	19.6 <sup>g</sup>	...
Domestic credit (variation from same quarter of preceding year)	-3.6	15.5	25.2	14.6	-0.9	-1.0	-0.8	-0.2	-0.4	...
Non-performing loans as a percentage of total credit	2.9	2.5	2.0	1.3	1.3	1.2	1.1	1.1	1.5	1.7 <sup>d</sup>

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Based on figures in local currency at constant 1994 prices.

<sup>c</sup> Refers to registered trade only.

<sup>d</sup> Data to May.

<sup>e</sup> Quarterly average, weighted by the value of goods exports and imports.

<sup>f</sup> Weighted average of effective interest rates on time deposits.

<sup>g</sup> Data to January.

<sup>h</sup> Weighted average of effective interest rates on loans, excluding overdrafts and credit cards.

Inflation has continued to fall in 2009, mainly in response to lower food prices, while the appreciation of the dollar meant higher prices for imported products. Year-on-year variation in the CPI in June stood at 1.9%, while core inflation was 1.3%.

No changes were made to the minimum wage in 2008, which had last been raised in October 2007. For 1 May 2009, however, a 5% increase was announced. The economically active population swelled from 60.8% in 2007 to 61.7% in 2008, with a 28 point difference between sexes (75.7% for men and 47.9% for women). The open unemployment rate rose slightly, from 5.6% in 2007 to 5.7% at the national level in 2008, and women were the most affected group. The national underemployment rate dropped to 26.5%, but this change also favoured men since the rate for them dropped from 25.7% to 25%, while the rate for women went from 27.7% to 28.9%.

### (c) The external sector

Exports soared to a high of US\$ 4.390 billion in 2008, recording a growth rate of 59.9%, a rate not seen since the 1980s. Similarly, imports grew 53.1%, to US\$ 8.452 billion. The rise in international commodity prices played a major role in this result since nearly 60% of exports are soybeans and soy products whose average prices

increased by 50% in 2008. In volume terms, exports stagnated compared with 2007. The increase in imports was driven by a 12.7% average appreciation rate of the guaraní with respect to the currencies of the country's main trading partners, and the vibrant domestic economy, as confirmed by the increased volume of imports. With regard to remittances, growth in this source of external financing slowed significantly in 2008 to only 2.1%, compared with 97% in 2007, and was negative (-0.9%) in the first quarter of 2009. The current account deficit stood at 2.2% of GDP, which was higher than previous years, and can essentially be explained by the negative trade balance. The capital and financial account posted a surplus of US\$ 414 million, down from US\$ 780.5 million in 2007. Foreign investment was also down, by 18.1% in the case of foreign direct investment and by 72.5% in the case of other investments.

The trade balance is expected to shrink in 2009 because of a possible decrease in agricultural exports owing, on the one hand to volume being lowered by pessimistic expectations for economic growth in Paraguay's main export destinations (including MERCOSUR which receives 50% of its exports), and on the other, to a deterioration of the terms of trade. In May 2009 cumulative exports showed a year-on-year decrease of 25.8% when compared with the same period in 2008, while cumulative imports dropped by 27.3%.