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PRELIMINARY OVERVIEW OF THE LATIN AMERICA AND CARIBBEAN ECONOMY 1993

I. SUMMARY

In 1993, the phase of moderate growth in most of the Latin American and Caribbean economies continued, with relative price stability and support from a massive inflow of external capital.

The region's economic performance remained heavily influenced by two conflicting factors. First, the cumulative effect of the adjustment policies and reforms adopted in previous years, which have been gradually changing the bases on which economies function. Second, the slow, uncertain evolution of the international economy, whose adverse consequences included the limited growth of global demand and the deterioration of commodity prices, but which also brought about a drop in international interest rates which benefited the countries of the region.

Preliminary ECLAC estimates indicate that the region's gross domestic product increased by 3.2% in 1993, while per capita GDP rose for the third consecutive year, this time by 1.3%. Although the region's aggregate performance was similar to that for 1992, it was heavily influenced by economic recovery in Brazil. If we exclude Brazil, the output of the rest of the region's economies grew by only 2.6%, compared to nearly 5% in the preceding biennium.

This decline in the region's performance (excluding Brazil) took different forms, however. It was caused both by the emergence or exacerbation of some recessionary situations and by a widespread slow-down, which in some cases occurred in a context of rapid growth and in others caused a drop in per capita GDP.

Venezuela's economy, for instance, was plunged into a recession; its output fell by 1% after having risen by almost 7% the previous year. Nicaragua's economy slipped back into a recession, contracting by nearly 1% after its modest recovery of 1992. The level of economic activity in Haiti and Trinidad and Tobago also continued to drop, although for different reasons.

Half the countries of the region on which information is available have experienced a slow-down in their economic growth. Argentina, Chile, Costa Rica and Panama have moderated their high growth rates of the previous year, although at around 6% they are still among the region's highest. Growth has also slowed to annual rates of around 4% in Belize, Guatemala, Guyana and Honduras, around 2% in the Dominican Republic and Uruguay –down from 7%– and under 2% in Ecuador. Mexico's output grew by less than 1% in 1993, completing a three-year slow-down of growth.

Only a few countries have improved on their previous year's performance. For two of these, the improvement was due to a recovery of economic activity: in Brazil, a 4.5% increase and in Peru, a major recovery (6.5%) after a recessionary phase. Countries whose growth picked up include Colombia (from 3.6% to 4.5%), El Salvador (from 4.7% to 5%) and Paraguay (from 1.7% to 3.7%).

Generally speaking, the growth slow-down has coincided with a slow-down or levelling out of export volumes. In the few cases in which growth picked up, exports also grew.

Price stabilization continued to strengthen in the greater part of the region. Brazil was an exception to this trend, with three-digit inflation soaring even higher, although at the end of the year the authorities, after adopting a package of fiscal adjustment measures, proposed to parliament the bases for a programme of gradual stabilization. By contrast, the average increase in the other countries' consumer prices, which had dropped from 49% to 22% the previous year, fell to 19% in 1993. Moreover, countries with an annual inflation rate of under 15% became the majority in 1993.

These countries maintained strict anti-inflation programmes which in some cases brought the inflation rate down to a single digit. Three years after its latest bout of hyperinflation, Argentina brought its annual rate of consumer price increases down to under 8%. Mexico's stabilization was consolidated, with annual inflation down from 12% to under 9%. Bolivia and Costa Rica also managed to reduce their inflation to under 10%, while the Dominican Republic reduced its rate from 7% to 3% and Barbados and Panama brought their rates even lower.

Other economies where inflation has been moderate for years resisted further substantial reductions in their annual rate of price increases: Colombia, from 25% to 21%, and Chile, from under 13% to 12%. However, few countries in this group (Haiti, Paraguay and Trinidad and Tobago) saw inflation rise again.

Another group of countries remain in situations of controlled instability. This has enabled them to avoid inflationary spirals and, in some cases, to reduce their high inflation rates. In 1993, Ecuador cut its annual rate of price increases from 60% to 32%, Peru from 57% to 41%, Uruguay from 59% to 52% and Jamaica from 40% to 25%. In Nicaragua, on the other hand, inflation picked up again, from 4% last year to 28%, while in Venezuela the annual rate of price increases rose from 32% to 44%.

In general, the consolidation of fiscal adjustment processes has helped promote stabilization. In 1993, roughly half of the 19 countries on which information is available improved their fiscal management, either by reducing the deficit or by increasing the public account surplus. The fact that the credit expansion brought about by the inflow of external financing has not had a particularly inflationary impact, especially in countries where stabilization is a recent phenomenon, also has to do with the increased demand for real monetary balances, which has outstripped the growth of output, and with the channelling of a large part of this increase in demand to imports.

To sum up, in the three cases of recession (Nicaragua, Venezuela and Trinidad and Tobago), inflation has speeded up; the recovery of activity in Brazil has taken place in a highly inflationary context, while that in Peru has coincided with a reduction in the rate of price increases; in a few countries (Bolivia, Colombia and Honduras), there has been a simultaneous slow-down of inflation and an acceleration of growth; and in most countries where inflation has been reduced, growth has also slowed, although in some cases growth rates none the less remain satisfactory.

It is striking that despite the sluggishness of world trade and of the industrialized countries' imports, the volume of Latin American and Caribbean exports has grown by almost 9%. This is attributable in part to the vigorous growth of intra-Latin American trade and, in many cases, to the successful diversification of export structures in previous years.

This export effort was eroded by the drop in export prices, with the result that the value of Latin American and Caribbean external merchandise sales increased, as in the previous year, at a rate of close to 5%, totalling US$ 133 billion. At the same time, the region's terms of trade deteriorated even further, this time by 5%, resulting in a cumulative drop of 18% over the past triennium and continuing the virtually uninterrupted deterioration in these terms since 1984.

The value of Latin American and Caribbean merchandise imports increased by 8%, to almost US$ 148 billion, after rising at an average annual rate of 18% over the previous triennium. The increase remained relatively widespread, although some countries reduced their purchases and the variation in the regional aggregate was particularly influenced by the growth of Brazil's imports (an increase of US$ 4.8 billion) and the continued growth of Colombia's (US$ 2.7 billion).

The merchandise trade deficit grew from US$ 10 billion the previous year to US$ 14.7 billion and was distributed more widely among the countries of the region. In fact, only three countries (Brazil, with a US$ 13.5 billion surplus, Ecuador and Venezuela) still have a positive balance in their merchandise trade. Among deficit countries, Mexico's negative balance stayed close to US$ 20 billion.

Net payments of profits and interest held steady at US$ 29 billion, since the effect of the drop in nominal interest rates was offset by higher profit remittances.

In these circumstances, the region's already considerable import capacity was maintained in 1993 thanks to the modest increase in the value of exports, since capital inflows were down from the high level of the previous year and net profit and interest payments remained stable. This result and the smaller accumulation of reserves enabled imports to continue to grow, albeit at a more moderate pace than during the import boom of the preceding triennium, despite the fact that in most cases imports were also stimulated by the erosion of the real exchange rate, in a stable context of abundant external financing and relatively liberal trade regimes.

The current-account deficit of the region's balance of payments continued to grow in 1993, this time to nearly US$ 43 billion or 3.4% of regional output, owing to the deterioration of the trade balance.

The growing current-account deficit continued to be easily financed through the net flow of capital into the region, attracted largely by the differentials between dollar returns on Latin American investments and those prevailing on international financial markets. The net capital inflow into the Latin American and Caribbean countries totalled almost US$ 55 billion in 1993, compared to almost US$ 62 billion the previous year and over US$ 39 billion in 1991. Net inflows remained fairly widespread and the lower figure was the result of reduced flows to some of the main recipients: Brazil (which received US$ 5.4 billion less than the previous year), Argentina (US$ 2.9 billion less) and Venezuela (US$ 1 billion less). The main recipient, Mexico, continued to attract around US$ 25 billion, while Colombia, whose net inflows had been minimal, this year received US$ 1.5 billion.

Capital entering Latin America and the Caribbean continued to come essentially from private, non-banking sources and consisted of various types of investments. The most dynamic instrument was the placement of government or private sector bonds, which brought in US$ 19.3 billion, almost doubling the already large amount invested the previous year. Levels of foreign direct investment remained very high. Time deposits in local banks and trade credits, which continued to grow in response to the influx of imports, remained important sources of funds. The boom on the region's main equity markets also attracted foreign investors, and some Latin American firms maintained their access to international stock markets through special instruments.

As the net capital inflow continued to be far greater than the current-account deficit, the international reserves of most countries of the region increased for the fifth year in a row, although to a lesser extent than in the previous biennium.

The reduction in net capital inflows, in circumstances in which net payments of profits and interest remained almost constant, meant that the net transfer of financial resources to the region fell from almost US$ 33 billion in 1992 to less than US$ 26 billion in 1993.

The region's external debt increased by 4%, reaching US$ 487 billion. This expansion was due partly to new bond placements on the international market, an increase in short-term credit operations and, to a far lesser extent, some disbursements of official loans. The only factors which helped to shrink the debt were some debt-reduction operations.

In 1993, the indicators of the region's external debt burden continued to abate. The coefficient representing interest owed as a percentage of exports dropped for the seventh year running, this time to 18%. The decline was due mainly to the increase in exports of goods and services. For the region as a whole, the debt-export ratio decreased slightly, to 293%, owing to the improvement of this ratio in the non-oil-exporting countries. None the less, only seven countries had a coefficient lower than the threshold of 200%.

The downward trend in inflation, coupled with acceptable, though declining, growth rates in most countries is not just the outcome of an economic policy aimed at restricting the growth of internal demand in order to stabilize prices. Because the credit expansion is the result largely of an inflow of external capital, monetary and foreign-exchange policies have little margin for achieving this goal on their own. Measures to sterilize the growth of the monetary base resulting from the accumulation of reserves contribute to this goal, but only to a limited extent.

In many countries, the fact that a disproportionate share of the increase in domestic spending triggered by the greater availability of financing has gone to imports has also contributed to this outcome. Moreover, the abundance of foreign exchange has held down the exchange rate and prices for tradeables, causing currency to appreciate in real terms, since inertial inflation is more evident in prices for non-tradeable goods and services for which demand is strictly local. All in all, exchange-rate appreciation has helped slow down inflation and has also influenced expectations. Furthermore, since the situation of the international economy is uncertain and its growth is slow, the value of the exports of most countries of the region has increased at moderate rates in the last triennium, absorbing the impact of the steady decline in the terms of trade. On the other hand, the region has again become a net importer of external financial resources, after having transferred abroad the equivalent of almost four percentage points of its output annually for the greater part of the last decade.

Perhaps the main driving force behind these flows has been the drop in international returns in dollars, coinciding with consistently high returns on capital in Latin America. However, reform processes, external debt write-offs, price stabilization and stable economic policy were the factors which made these returns attractive, by reducing the perceived risk of investing in many countries of the region, particularly the exchange-rate risk. This new climate of confidence also encouraged residents of the region to repatriate their capital through the various financial instruments available, a process which in some cases led the flow of new resources.

Massive external financing in economies that are more open to imports, greater fiscal soundness, price stability and economic recovery have combined to bolster the confidence of internal and external agents in the permanence of economic policy and in the continuing reproduction of these results.

The maintenance of this new functioning of the region's economies creates some concerns and some dilemmas related to the management of economic policy however. The size of the external gap of most Latin American and Caribbean countries has tended to settle at import levels far in excess of exports, with the growth of imports exceeding immediate possibilities for the growth of exports. Capital flows have helped to finance this gap, and even to increase it by stimulating further imports.

This situation is threatening the normal functioning of many of the region's economies, given the possibility of new external shocks. A large proportion of external capital has been short term or has entered the region for speculative purposes by means of long-term instruments. Some of these investments may be particularly sensitive to an increase in international interest rates or to the normalization of their initial returns, even without a sudden change in economic policy. Moreover, external investors pay close attention to the size of each country's external gap as an indicator of the sustainability of the basic process linking investment, growth and imports with capital inflows.

All of this gives external capital a degree of volatility that probably influences the volume of net capital inflows at a given moment more than their continuation over time. Besides, no matter how unlikely it may seem now that new external shocks will occur in the short term, we cannot discount the possibility that they may occur at some point in the more distant future.

There is little room for manoeuvre for dealing with this eventuality. In most cases, macro-economic and fiscal regulation can operate only within relatively limited margins of intervention, at the risk of eroding confidence in its permanence and exerting a negative impact whose consequences are virtually incalculable.

Even within these margins, the size and composition of the capital flows entering the region pose difficult dilemmas for monetary and foreign-exchange policy. To the extent that these flows respond to international economic conditions or their volatility makes them essentially temporary, there is a case for sterilizing their impact on the money supply in order to gain control of monetary policy; however, this can give rise to a perverse mechanism whereby higher interest rates attract even more temporary capital.

Given this situation, it is desirable that the composition of capital flows should gradually shift away from volatile flows towards more stable capital flows and risk investments. This would justify a limited, selective regulation of external financing, following the lead of some countries of the region. Cutting back on short-term flows and eventually reducing capital flows to their more permanent components would also help to alleviate pressures towards exchange-rate appreciation without substantially affecting investment financing.

Overcoming the above situation in the medium term depends essentially on the rapid, sustained expansion of exports and on the international competitiveness of production structures. This will require an ongoing effort to change production patterns, increased investment in sectors that produce tradeables, and access to external markets.

Accordingly, despite the magnitude of the difficulties still faced by Latin American and Caribbean goods and services in gaining access to the markets of the industrialized countries, 1993 ended with some encouraging signs, the most significant being the intensification of intra-Latin American trade, the recent ratification of the Free Trade Agreement between Canada, the United States and Mexico and the adoption of the Final Act of the Uruguay Round of multilateral trade negotiations.

II. MAIN TRENDS

1. Economic activity

The level of economic activity in Latin America and the Caribbean grew by 3.2% in 1993, prolonging the moderate recovery that began in 1991. Per capita output therefore registered another increase, this time by 1.3%. However, since regional output in 1993 was only 24% higher than that of 1980, i.e., before the onset of the debt crisis, per capita output remained 5% lower than it was that year, and equivalent to its 1978 level. Unlike in previous years, Brazil was a positive factor in this expansion of regional output, since its level of activity increased significantly in 1993 after three years of poor performance. If Brazil is excluded, the growth rate of Latin America and the Caribbean fell from an annual 5% in the previous biennium to 2.6% in 1993.

The increase in output was fairly widespread, although it varied considerably among countries. After five years of recession, Peru registered a significant expansion (6.5%). Chile again showed sustained growth (6%), although less than the previous year's figure of over 10%. Thus it continued its steady expansion for the tenth year running, outstripping its 1980 level by more than 60%. Argentina and Costa Rica increased their levels of activity also by 6%, while in Panama the rate was 5.5%. In five countries –Brazil, Colombia, El Salvador, Guatemala and Guyana– output expanded by between 4% and 5%; in three –Bolivia, Honduras and Paraguay– slightly over 3%; in five –Bahamas, Dominican Republic, Ecuador, Jamaica and Uruguay– approximately 2%; and in Mexico only 1%. In contrast, in four countries –Haiti, Nicaragua, Trinidad and Tobago and Venezuela– output fell. In Cuba also, the severe slump in the level of activity worsened for the fourth consecutive year. In brief, eight countries recorded more positive results than in 1992, while six others maintained a high growth rate, although slightly lower than the previous year; on the other hand, nine countries registered a deterioration in their levels of activity or continued to show unfavourable results.

The highest rates of expansion corresponded to ongoing economic recovery processes in Peru and Argentina, the sustained growth of Costa Rica and Chile and the acceleration of growth in Bolivia, Colombia and Paraguay. Growth also continued at significant rates in El Salvador, Guatemala and Honduras. Brazil's level of activity showed a partial recovery, in the midst of instability. The lowest expansion rates coincided with slow-downs of growth in Ecuador, Mexico and Uruguay. Drops in the level of activity also reflected the prolongation of recessions in Cuba, Haiti and Nicaragua, while Venezuela entered a recession after three years of high growth rates.

Despite the still relatively high demographic growth rates in many countries of the region, the results in terms of per capita output were largely positive. In five countries –Argentina, Chile, Costa Rica, Panama and Peru– this indicator of well-being rose by more than 3%, while another eight countries registered a moderate increase of between 1% and 3%. In contrast, in the remaining 10 countries, per capita output grew only slightly or even shrank. As a result of the poor performance of the economies of the region in the past decade, however, only a small number of countries recorded a higher per capita output in 1993 than in 1980, namely, Chile (32%), Colombia (24%), Jamaica (9%), Uruguay (8%), Bahamas (3%), Panama (2%) and Costa Rica (1%), and the countries members of the Organization of Eastern Caribbean States (OECS) (70%). At the other end of the scale, the biggest reductions in per capita output in those years were recorded in Nicaragua (-42%), Haiti (-40%), Trinidad and Tobago (-32%), Peru (-29%), Suriname (-28%), Bolivia (-19%), Guyana (-17%), Guatemala (-15%), El Salvador (-8%), Brazil, Honduras and Mexico (-6%) and Ecuador (-4%) (see table 3).

Unemployment rates showed few noteworthy changes compared to previous years, given the moderate growth of most of the region's economies. Significant drops were observed only in Colombia and Panama, where the rate fell by over one percentage point, owing to the expansion of the level of economic activity, while in Chile, which also had a high growth rate, the decline was negligible in view of the increase in the labour force. The unemployment rates in Bolivia, Brazil, Guatemala and Uruguay also dropped slightly. The same occurred in Venezuela, despite the contraction of the economy. On the other hand, Argentina, whose economy showed a considerable expansion, the unemployment rate rose significantly, reaching 9.5%, because of the sharp increase in the number of available workers. In Ecuador and Mexico, unemployment rose somewhat, while Honduras registered a higher increase.

The level of activity in **Chile** expanded considerably (6%), although at less than the notable rate achieved the previous year, despite an adverse international economic environment which was reflected in a deterioration of the terms of trade, representing about 2% of gross domestic product (GDP). This was the tenth consecutive year of growth, at an average annual rate of more than 6%. In 1993, the economy adjusted to a lower rate of expansion, as a result of the external shock. Likewise, by reducing excess expenditure, it was able to bring the growth of output gradually into line with its potential level. The gap between expenditure and output, which had reached 6.5% of GDP in the first quarter, fell to 1.5% in the third quarter and virtual equilibrium in the fourth. In addition, imports have slowed down significantly, while fixed capital investment and real exports are growing faster than GDP. This growth is basically due to the performance of the non-tradeable, construction, commerce and transport sectors. Growth in these sectors slowed down, but still continued to expand at a higher than desirable rate in terms of controlling inflation. Average expansion in these sectors for the first nine months was 12%, and about 7% for October and November. The tradeable sectors showed a poorer performance, owing to world market conditions: the agriculture and forestry sector expanded by less than 2%; fishing fell by 2.5%; mining rose by over 1%; and manufacturing grew by 4%. Fixed capital investment had a high growth rate (11%), as a result of increases in machinery and equipment and in construction, although at lower rates than in preceding periods. Likewise, real exports showed some recovery over the year, moving from increases of 2.5% and 3.5% in the first two quarters to 6.3% in the third. The annual average unemployment rate was 4.7%, despite a significant rebound in the growth of the labour force. After showing average annual variations of about 2% between 1990 and 1992, the workforce grew by an annual 5.2%, mainly because of a greater absorption of the secondary labour force –women and youth– into the labour market.

The **Argentine** economy expanded rapidly again in 1993 (6%), resulting in an accumulation of over 25% in the past three years. Once again, the main spending thrust came from domestic demand. Investment increased significantly, so that the capital formation coefficient was higher than in any year subsequent to the debt crisis, but still below those of the early 1980s. The effects of the increase in aggregate income and of the expansion of credit were again felt in consumer demand. As for the origin of GDP, construction and some services expanded their level of activity at an above-average rate. The volume of the grain harvest in the 1992-1993 campaign was similar to that of the previous year, and markedly higher than that of earlier campaigns. The manufacturing sector, whose aggregate output grew significantly –although at a lower rate than in the two previous years–, showed a mixed performance, with some subsectors (such as automobile manufacture) expanding at an accelerated rate and others (such as petrochemicals) cutting down on production. After a number of months in which expansion had slowed down noticeably, the industrial sector as a whole grew rapidly in the first part of 1993. The increase in demand for industrial products seems to have subsequently abated, although output remained at clearly higher values than the year before. Labour market trends were very much affected by the appreciable rise in the active population, especially in the metropolitan area. The bigger supply of labour was absorbed in part by an increase in employment, which was concentrated in non-wage jobs and in the services sector, while employment in industry fell. As a whole, these movements were associated with an increase in the unemployment rate, which reached a historic high, despite the expansion of total output.

In **Peru**, GDP increased by 6.5%, recovering from the severe recession of recent years, although it did not reach its 1987 levels. The most dynamic sector was fishing, which grew by 54%, showing a recuperation from the collapse caused by the "El Niño" phenomenon. Next in line in terms of growth were construction, with 12%, and manufacturing, with almost 10%. This latter sector's performance was mixed: the highest rates of expansion (17%) were found in the commodity-processing sectors. The rest of industry grew at a more moderate rate of 5.5%. Mining also recovered significantly, driven by oil production and minerals extracted by HIERROPERU, a firm that was privatized in 1992. The rise in petroleum production in the first six months was due to new exploration contracts between PETROPERU and foreign firms. The agricultural sector increased at a rate of 6%, spurred by the production of potatoes, maize and wheat; however, the sector produced less rice, cotton and sugar cane than in 1992. On the spending side, the recovery of growth seems to have been based on public investment in construction, in part financed by capital from the privatization of state-owned firms. Consumption rose more slowly, owing to the weak recovery of employment and real wages.

Following three years of recession, the **Brazilian** economy recovered in 1993, with a growth rate of 4.5%, the highest since 1986. This expansion of the level of economic activity was mainly due to the significant upturn in manufacturing (9%), led by the automobile sector, which produced a new high of 1.2 million units. The industrial recovery was accompanied by an expansion in services and construction, while the agricultural sector stood at the same level as the year before. Growth was very vigorous in the first half of the year, but it began to decline in the third quarter. This slow-down was anticipated, since production capacity in a number of industries, such as automobiles, electronics and other durable consumer goods, was reaching its limit. This situation stems from the low level of investment in the past few years, with a gross capital formation coefficient of about 14%, considerably below the 23% recorded in the early 1980s. Another negative factor in the decline of production was the acceleration of inflation beginning in August, when the monthly rate of price rises exceeded 30%, eliminating the possibility of real increases in wages as a result of the new rules for wage adjustments. The expansion of economic activity moderated the deterioration in the level of employment. In the industrial sector of São Paulo, employment fell by only 1% in the period January-October 1993, compared to a decline of 8% in the same period in 1992.

The **Colombian** economy grew in 1993 by 4.5%, a somewhat higher rate than in the previous year, thus raising per capita output by 2.8%, the highest rate since 1988. This rise was basically due to the non-tradeable sectors, such as construction (8%), commerce and transport, which showed increases of about 5%. Trade liberalization, plus an appreciation of the peso in terms of wages, reduced the expansion of the tradeable sectors. Thus, the industrial sector, excluding coffee processing, grew by slightly less than 4%, while agriculture rose only a little more than 3%, slowed down by the negative performance of coffee, which contracted by 8%. Meanwhile, mining increased by nearly 5%. From the standpoint of aggregate demand, there was a sharp increase in final consumption (8.5%), both public and private, and gross capital formation (27%). In contrast, the volume of exports of goods and services rose only moderately (4%). Total supply showed a spectacular expansion, far above the growth of output, as imports increased significantly (42%). Since GDP increased faster than the urban labour force, unemployment rates in the country's seven largest cities fell below 9% for the fist time in the past 12 years.

In **Bolivia**, the growth rate (3%) sped up slightly in 1993, despite weather problems affecting the farm sector and the disincentive produced by sharp drops in the international prices of export minerals (basically zinc and tin). Per capita output continued to edge upward for the seventh year running, this time by 0.8%. The most buoyant sector was mining (6%), followed by agriculture (slightly over 5%) and construction (4%). Gross capital formation rose by 3%, less than in the past few years. Foreign investment played a relevant part in this, representing nearly half the total of private investment; it was directed towards mining, in particular, through joint ventures between national and foreign firms.

The gross domestic product in **Paraguay** grew by nearly 4%, regaining strength after two years of sluggishness. The upturn in the agricultural sector (5%), which had faced severe weather conditions and a setback in international prices during the previous two years, was a relevant factor in this performance. Both cotton and soya showed increases in production. For cotton, the recovery was only partial (8% after having fallen by 38% in 1992); the improvement of 15% in the soya harvest, similar in size to the previous year's increase, represented a full recovery from the sharp drop in 1991. Cattle-raising and dairy farming expanded at high rates, but poultry and eggs declined. The higher volume of lumber exports indicates an expansion of logging. Construction continued to grow at an annual 5%, providing incentive for the extraction of minerals used as inputs in this activity. Manufacturing also increased, although at a lower rate (1.5%). The production of long-life milk, soft beverages, tobacco, leather, meat and tannin registered the highest expansion rates.

In **Ecuador**, GDP rose by less than 2%, a much lower rate than in the past three years, bringing per capita output down to 0.5%. Total supply increased by only a little less than 0.5%, since the physical volume of imports of goods and services declined by more than 4%. Fixed capital formation rose by 3%, while total consumption hardly grew at all, with a slight expansion of household consumption and a reduction of 7% in government consumption. The volume of exports increased by 0.7%, a notably lower rate than in the previous year, when it had increased by 7%. These signs of recession were due to the adjustment programme launched by the new Government in August 1992. The sector showing the best performance was petroleum and mining, which rose by more than 7%, especially influenced by the considerable buoyancy of crude oil extraction. The farm sector grew only slightly, following five years of fast expansion, because of the drop in exportables, especially bananas, which declined by 10%. This product is being confronted by a number of problems, such as the import quotas imposed by the European Economic Community (now the European Union) and production setbacks related to black sigatoka. Electricity, gas and water were also seriously affected by the difficulties faced by the country's main hydroelectric plant in the first half of the year. Manufacturing showed moderate growth, similar to the average for the whole economy, while construction recovered somewhat after three years of recession, thanks to investments in the petroleum and energy sectors, the expansion of the oil pipeline and of the capacity for storing crude oil and by-products, the construction of the Daule-Peripa hydroelectric plant, and investments in the telecommunications sector.

In **Uruguay**, the rate of activity plummeted in 1993; after growing more than 7% in 1992, GDP increased by only 2% in 1993. The considerable setback in industrial production, the decline in electric power generation and the slight rise in agricultural output were the major factors in this slow-down, since building and services continued to grow at high rates. Following a partial recovery the previous year, manufacturing fell by more than 7%. Nearly half of this drop, however, was due to the paralyzation of the oil refinery, which is being remodeled. The rest of the sector also saw its production decline, in response to the stabilization of part of domestic consumption and the sluggishness of external demand for traditional products. Agriculture, after a year of notable growth, slowed down, because of the scant rise in stock-raising, only slightly higher than the decline in farm crops. With regard to livestock, although wool production suffered a setback, that of beef, milk and poultry continued to grow. The contraction of production was widespread in agriculture, rice being one of the few exceptions. The downward trend in Argentine demand, which had increased substantially in 1992, affected electric power generation. Construction, on the contrary, still showed a high growth rate (over 15%), despite a long labour conflict that held up work in the capital and in some areas of the rest of the country for nearly three months. In private construction, the high level of activity in Montevideo and Punta del Este stood out; another important contribution was made by public investment, particularly on the part of the electric and telephone companies. Commerce, hotel services and transport kept up their steady growth pattern, against a backdrop of an abundant supply of imported articles and a large influx of tourists from Argentina. Communications services also saw a sharp increase. Urban unemployment dropped from 9.3% to 9%, owing to the strong expansion of construction.

In **Mexico**, production slacked off sharply, reducing the growth rate to 1%, less than the rate of demographic expansion. Factors in the economic downturn included the sluggishness of domestic demand –especially in private spending–, the prevailing uncertainty during most of the year about the process of approval of the North American Free Trade Agreement (NAFTA) and the effects of the gradual restructuring of the production apparatus in connection with trade liberalization –initiated several years before– in a context of strict management of anti-inflation monetary and fiscal policies. Another factor was the slow-down of the developed economies, especially that of the United States. Domestic demand, mainly of private origin, virtually came to a standstill. Private consumption fell slightly, after a 6% increase in 1992, while private investment rose by only 3%, far below the 20% recorded in 1992. Government consumption increased by 1%, while government investment declined by over 3%. Exports were the only element that showed any buoyancy (3%), after the stagnation of the previous year. In contrast, there was a turn-about in the trend in imports of goods and services, which had registered annual average increases of about 20% in the past four years: these imports fell by 1%, contributing to an expansion of total supply of less than 1%. In the period January-September, GDP increases were seen only in construction (3%), electricity, gas and water (4%) and services, except commerce. The remaining sectors experienced setbacks: agricultural output fell by 1.2%, commerce dropped (-0.5%) and industry practically stagnated (-0.3%), especially because of the decline in manufacturing (-1.5%). Likewise, of the nine manufacturing branches, only four (basic metals, non-metallic minerals, foodstuffs, beverages and tobacco, and other industries) raised their output. In particular, both production and imports of machinery and equipment suffered significant contractions. Automobile manufacturing registered a marked downturn (-6%), associated with the plummeting of domestic sales (-15%), since exports continued to rise (9%). The agricultural sector's performance was still unsatisfactory, despite the bumper maize harvest; this crop, together with beans, are the only two products whose prices are guaranteed. Accordingly, a new programme to provide direct support to farmers (PROCAMPO) was launched, which will replace the recently dismantled price support and subsidy scheme for basic inputs. Weak economic growth resulted in higher open unemployment, which rose to an average of 3.4% in the period January-August, compared to 3.2% during the equivalent period in 1992. According to sectoral indicators, employment dropped in manufacturing, construction and wholesale and retail commerce. In contrast, employment in the maquiladora industry moved steadily upwards, employing 7% more workers in the July-August period than in the same period in 1992.

The **Venezuelan** economy, after three years of intense expansion, entered a recession in 1993. The growth of GDP, which had reached over 10% in 1991, was still a robust 6.9% for 1992 as a whole, but it registered a gradual decline throughout that year. In 1993, the level of activity slowed down even further, by 1%. Per capita output, which fell by 3%, was more than 10% lower in 1993 than in 1980. The current recession is due to the lack of inflation control during the recent years of intense growth, which led to the need for a very tight monetary policy; this, in turn, triggered high interest rates and choked private investment. Likewise, economic activity was affected by the heightened tensions stemming from political and institutional factors. The political crisis in 1992 resulted in the appointment of a provisional Government in May, following the President's suspension. Although this action calmed the political tension, economic uncertainty persisted because of the provisional nature of the new authorities, a situation which worsened during the electoral process culminating in the holding of general elections in December. In addition, the serious fiscal crisis and pressures on the foreign exchange market, which deepened in the second half of the year with additional drops in the international price of oil and an abrupt withdrawal of finance from international financial institutions, caused the Central Bank to further tighten the monetary policy so as to avoid excess liquidity that would exacerbate the demand for foreign exchange and heighten inflation. These factors slowed down aggregate demand in the economy. Political instability and uncertainty about the economic policy of the President to be elected in December held private, short-term domestic and foreign investment in abeyance. Consumer demand was sharply curtailed by the increased cost of private credit, and government expenditure contracted as a result of efforts to stop the swelling of the fiscal deficit. The recession mainly affected the non-petroleum sector; the petroleum sector registered growth because of the reopening of a refinery that had been closed for maintenance. The ceiling on petroleum production was, as usual, set in accordance with the OPEC export quota for Venezuela. This quota was reduced from 2.39 million barrels a day of crude oil and derivatives to 2.26 million in March 1993, but it increased again at the end of September when a new quota of 2.36 million was negotiated. Of the sectors in recession, manufacturing fell the most, followed by agriculture. Mining and construction came to a standstill or slowed down abruptly. Despite this loss of dynamism, the unemployment level was not noticeably affected; it fell slightly to a little less than 7%.

The Central American Common Market (CACM) countries as a whole grew by more than 4%, a somewhat lower rate than the year before, but considerably higher than the average rate registered since the crisis of the early 1980s. The expansion was fairly homogeneous; except for Nicaragua, whose economy contracted, the other countries' growth accelerated to and reached substantial rates.

In **Costa Rica**, GDP again registered a high rate of growth (6%) in 1993, although slightly lower than the previous year. All the components of demand expanded, especially gross investment, which went up by about 14%, while private consumption and exports rose less than in 1992. The production boost came mostly from the construction sector, manufacturing, commerce and tourism. Manufacturing continued to show a high growth rate (about 7%), although it tended to slow down in the second half of the year in response to measures taken to contain the monetary expansion. The large volumes of machinery and equipment imported by this sector suggest a considerable modernization effort. Of the sectors that showed the highest growth, the following stood out: machine tools; textiles, ready-made clothing and leather, of which footwear was the most dynamic branch; printing and publishing; and plastic products. Following three years of poor performance, construction recovered rapidly (6%), aided by more readily available credit, economic growth and dynamism in the tourism sector, which led to a number of investments in hotel construction. The agricultural sector grew slowly in 1993, because of problems affecting the production of traditional export goods and basic grains. On the other hand, non-traditional products, mostly for export, experienced a strong expansion. Owing to the drop in international coffee prices in recent years, some of the coffee plantations have been abandoned, seriously affecting productivity in 1993. The panorama for basic grains was negative for practically all crops. Banana production expanded, but at a lower rate than the year before; recent investments and the incorporation of new land counteracted the adverse international market situation. Stock-raising also expanded, thanks to the production of milk for domestic consumption and export.

GDP grew by 5% in El Salvador. Expectations of political and social stability resulting from the pacification process helped to create a favourable climate for investment and economic growth, despite a number of problems that arose during the year. Considerable volumes of international cooperation resources continued to be channelled into activities connected with the peace agreements. External demand was the most important factor in the activation of the economy, with sales to the Central American region and coffee sales increasing. In addition, domestic demand, especially from the private sector, showed a significant expansion, although less than the previous year. Private investment was very dynamic and, unlike in 1992, it exceeded the growth of public investment. This last-mentioned fell sharply, partly because of the need to reduce the fiscal deficit. The effort to overhaul infrastructure and the production apparatus led to a boom in construction (10%), basic services (12%) and manufacturing (8%). Electricity and water expanded by 17%, as a result of the upgrading of the electric power generation, transmission and distribution system, while mining, quarrying and construction rose by about 10%. The growth rate of manufacturing increased (8%), especially in the branches of printing and related industries, other chemicals, foodstuffs, petroleum refining and non-metallic minerals. Industry was also stimulated by the reactivation of intraregional trade under agreements with the other Central American countries. The agricultural sector grew at a significantly lower rate (3%) than the previous year. In particular, the production of basic grains was reduced because of the smaller harvested area and weather problems. These poor results were partially offset by the better performance of export crops, especially coffee, and stock-raising activities. Employment showed an upward trend, especially in construction and, to a lesser extent, in industry, commerce and services.

In 1993, **Guatemala's** gross domestic product increased by 4%, higher than the population growth rate, and hence per capita income slowly edged up (1%) for the seventh year running. What was noteworthy about this expansion was that it occurred in a very unfavourable context. A coup d'état had taken place in late May, which had disrupted the institutional order and generated a period of instability and uncertainty that lasted until the end of the year. Certain negative trends in the international economic environment also worsened, hence bananas, tobacco and sugar faced new problems in gaining access to world markets. Investment was the most dynamic element in total demand, growing at an annual average rate of 11%, although this was far below that of 1992. Private investment advanced at a rate of 13%, while government investment increased by 5%. Consumption expanded by 5%, nearly half the growth registered in 1992, as a result of a deterioration in real wages and a more stringent public-sector policy. The volume of exports of goods and services recorded a slight drop (-0.6%) compared to an increase of 6% in imports. The agricultural sector expanded at a very modest rate of 2%, lower than that of 1992. Likewise, manufacturing grew at a rate of 2.4%, similar to the 1992 rate. Exports to CACM and those from the maquila industry had a strong impact on the performance of the manufacturing sector. Construction continued to be one of the most dynamic economic sectors, although it expanded at a significantly lower rate than in 1992.

The **Honduran** economy grew by 3.5%, stimulated by government investment and with a significant growth in commercial and financial services. Although total investment increased by 8%, that of the private sector contracted by 2%, and was mainly used to replace equipment and to build new facilities for the maquila. Agriculture, which was affected by the drop in banana, coffee and sugar production, grew more slowly than the average of all sectors. As in previous years, shrimp production and lobster fishing were very dynamic. Mining activities fell because of the low productivity of metal extraction, mainly of lead, silver and, to a lesser extent, zinc. Manufacturing continued to recover somewhat, especially in the second half of the year, although a number of branches showed negative activity rates, including chemical substances and products, footwear, textiles and beverages. This was due to the competition that resulted from trade liberalization and, in some cases, to the restructuring of production. The ready-made clothing maquila continued to grow, stimulating activity in the northern part of the country. Construction increased (9%), primarily the building of highways and residential buildings. The activity of banks slowed down, while financial institutions expanded their services since they were no longer subject to Central Bank regulations.

The GDP of **Nicaragua** fell by 1%, in response to the deepening of fiscal and monetary austerity measures, together with problems in the social and political spheres. This led to an additional drop in per capita output, on top of more than 10 years of steady decline, so that this indicator stood at barely 58% of its 1980 value. Total supply contracted by a greater proportion than GDP, because of the pronounced drop of 15% in the volume of imports of goods and services that resulted from the low activity level and the rising domestic prices of imports of consumer goods. Domestic demand, in turn, fell by 8% as a result of the contraction of government and private consumption. Real investment will register a slight increase of 1%, entirely because of an increase in the government component. Lastly, the volume of exports of goods and services increased by 10%. The reduction in output was primarily due to the setback in agriculture (-7%), manufacturing (-1.6%) and services. In contrast, the agricultural sector, mining and construction registered positive rates, but much lower than in 1992. The manufacturing sector has been the most vulnerable to the recessive effects of the adjustments being made to the Nicaraguan economy, in its restructuring of production. The open unemployment rate rose more than three percentage points, to 20%, reflecting the problems the formal sector of the economy has encountered in retaining labour at this transition stage. One of the factors that helped prevent even greater deterioration was that many programmes to create temporary jobs were put into effect by the social welfare authorities.

Economic growth in **Panama** which maintained its upward trend (5.5%) in 1993 although at a slower rate than that of the past two years, was very unevenly distributed among sectors. This expansion was based on the dynamic behaviour of investment and, to a lesser degree, of consumption. The greater demand for permits to construct luxury buildings contributed to a growth rate of nearly 40% in the construction sector, in addition to its spectacular growth in recent years. Imports of machinery and equipment rose by 26% over the previous year, supporting the growing investment trend. Meanwhile, household consumption increased moderately. In sectoral terms, the high rate of construction again stood out, while agricultural production and manufacturing slowed down. Agriculture began to weaken mainly because of the decline in the banana harvest and in the production of sugar and tobacco. The increase in stock-raising activities, including a rise in the production of shrimp and boned beef, helped to counteract the poor agricultural performance. Industrial production fell, basically because of trade liberalization measures, which had an adverse effect on demand for domestic products, and the shift in maquila production to other countries. Total commercial activity in the Colón free zone increased as a result of the opening up of other Latin American economies, but this growth was quite a bit slower than the year before. Re-exports of crude petroleum declined significantly, because the United States had built its own pipeline system in Alaska, and the East Coast of that country had tended to prefer this source of supply. In contrast, the tourist industry improved. Unemployment decreased slightly, from 13.6% in 1992 to 12.4% in 1993. Since most of the measures to stimulate the economy have benefited the capital, unemployment is higher in the country's interior, where it affects nearly 24% of the workforce.

In the Caribbean countries, the level of activity showed a poor performance in general. In the **Dominican Republic**, gross domestic product grew by about 2%, representing a considerable slow-down in comparison to its increase of nearly 7% the previous year. Thus per capita output remained practically unchanged. High interest rates played a determining role in the sluggishness of the economy. The main goods-producing sectors stagnated, and mining dropped sharply, but this result was offset by an increase –less intense than in 1992– in tourist services and free zones. After showing sustained growth throughout the previous biennium, the agricultural sector's growth rate slacked off considerably, especially in the crop-raising branches and forestry, since stock-raising continued to register a strong performance. This stagnation can be explained, in general, by the heavy rains in May and June. Manufacturing came to a standstill, with mixed results: there was greater buoyancy in sugar production and an abrupt drop in the remaining activities, as a result of the increased cost of credit and the accumulation of inventories. Sugar and its derivatives grew because of the improvement in levels of industrial efficiency, good management of the sugar cane crop and the mechanization of the harvest. Mining activity collapsed, falling 30% compared to 1992, because of the downturn in the production of ferronickel, gold and silver. Construction increased, in response to more government and private investment. The Government carried out several large construction projects, including the partition tower of the Central Cibao aqueduct. Private investments benefited from the channelling of a greater flow of financial resources for these purposes. Electric power generation increased in both hydroelectric and thermal plants, in the first case because of the rising of the water levels in the reservoirs, and in the second, because of the integration of new units into the electric power system.

In **Haiti**, gross domestic product again contracted sharply (-11%) in 1993, while the unemployment rate soared to over 40%. This is a reflection of the grave institutional crisis affecting Haiti for almost two years, which has resulted in the suspension of foreign economic assistance and the imposition of a trade embargo. The energy and fuel rationing programme put in place during the year in response to this embargo has had a very negative impact on the economy. Agricultural production was generally good, although in some regions, storage and transport problems affected marketing. Industrial production declined by one fourth; again, the hardest-hit were the subcontracting industries. As a result of the adverse political climate, the economic embargo and problems with electricity supply, nearly all exporters moved their assembly plants to other countries. The contraction of import capacity has also hurt industries that sell to the domestic market. Construction slackened off considerably, owing to the reduced availability of credit, the high cost of materials and the lack of imported inputs, while investments financed by external resources came to a complete halt; even infrastructure works were abandoned. The embargo had a strong impact on commerce, although the informal sector is estimated to have increased sharply, sustained by smuggled merchandise and remittances from abroad.

In 1993, the prolonged recession of the **Cuban** economy deepened even further. In addition to the problems and readjustments Cuba had to face in the wake of the collapse of its relations with the socialist system and the worsening of the economic blockade, damage was also caused by bad weather conditions in March, which had a severe impact on the sugar cane harvest. Gross domestic product again fell, owing especially to the reduction in importing power. In particular, the fuel shortage was felt throughout the year, but it became even more serious in the second half, when severe, widespread electric power blackouts occurred. At the sectoral level, the most notable changes were the downturns in agriculture –after its recovery the previous year–, construction and transport. Mining, however, improved for the second straight year, thanks to the increase in petroleum, gas and nickel extraction. Demand for both domestic and export goods decreased. In contrast, income from exported services rose. Gross fixed investment again declined, despite a number of projects related to foreign investment and tourism, while consumer spending –both private and government– dropped.

2. Prices and wages

In 1993 most of the countries of Latin America and the Caribbean continued to register a decline in their rates of inflation; however, a limited number which are still struggling to bring their macroeconomic imbalances under control had to put up with an increase or resurgence of inflation after having managed to bring it down in previous years. Brazil stood out from the rest because of its high and growing inflation: thus, while the overall regional annual average variation in consumer prices rose to 800% in 1992 after having stood at 420% the year before, if Brazil is excluded from the reckoning the regional annual average goes down from 22% in 1991 to 19% in 1992 (see table 5).

The generalized advance of stabilization efforts has narrowed the differences of behaviour noted in the 1980s. Thus, in 1993 only Brazil still registered chronic high inflation, to such a point that the *monthly variation* in its consumer prices exceeded the *annual rates* of the vast majority of the other countries. Ecuador, Peru, Nicaragua, Uruguay and Venezuela, with rates of inflation ranging from 30% to 50%, maintained a situation of controlled instability in which they have managed to avoid excessive outbursts of inflation. It may be recalled that Peru and Nicaragua suffered from processes of hyperinflation in 1990. The rest of the countries, most of which kept up strict anti-inflationary programmes, registered price variations of not more than around 20% per year. Argentina's stabilization programme has been particularly successful: three years after the country's last bout of hyper-inflation, consumer prices rose by only 8% during 1993. The stabilization process was also consolidated in Mexico, where inflation dropped below 9%. Bolivia and Costa Rica also managed to beat their annual inflation down to 9%, while the Dominican Republic registered its third year of very small price rises in succession (4%), and in Barbados and Panama inflation was even lower.

In most of the countries, the macro-economic policy applied in 1993 was a continuation of that begun in previous years. This trend was aided by the persistence of the main features of the international economy, especially the low interest rates prevailing in the dollar area and the greater confidence of the economic agents –both individual and institutional– in the economic stability of the countries of the region.

This situation has led to an abundant inflow of resources from abroad. The widespread inflow of capital under mostly fluctuating exchange regimes led to generalized declines in real exchange rates, even when minimum rates were set in an attempt to defend the countries' external competitiveness. In only three countries (Honduras, Paraguay and Peru) were increases in the real exchange rates observed, while real parity remained unchanged in two others (Chile and Venezuela). In all the other countries, the rates went down (see table 9). In ten countries, the rise in the value of the national currency coincided with a slackening in inflation; indeed, in Chile inflation went down even though the real exchange rate remained stable. In Honduras and Paraguay, in contrast, the real devaluation coincided with an upsurge in inflation. In only one case (Peru) did a decline in inflation coincide with appreciation of the national currency, albeit from very low levels of the real exchange rate. The foregoing suggests that, against a background of abundant inflows of external resources, national economic policies are taking advantage on quite a widespread scale of the anti-inflationary effect of exchange rate stability.

The further accentuation of fiscal adjustment measures has been another of the salient factors in the progress of stabilization programmes: in 1993, half the nineteen countries for which information is available improved their fiscal management, either by reducing their deficits or increasing their surpluses. The regional situation in 1993 was that nine countries (Argentina, Chile, Colombia, the Dominican Republic, Ecuador, Mexico, Paraguay, Peru and Uruguay) had their fiscal accounts under control (or with only small deficits); three (Costa Rica, Guatemala and Panama) had imbalances equivalent to less than 2% of the product; and seven (Bolivia, Brazil, El Salvador, Haiti, Honduras, Nicaragua and Venezuela) had major financial deficits. Of the latter countries, Brazil managed to eliminate its operating deficit but still registers an excessive financial gap because of the high nominal interest rates on its domestic debt. Bolivia and the Central American countries, for their part, are special cases because thanks to international aid programmes they follow a strategy of balanced fiscal current accounts and finance their public investment programmes with the donations and loans thus available from abroad (see table 8).

In the countries where stabilization programmes have managed to consolidate their effects, the economic agents have begun to restore their real monetary balances after the processes of capital flight which led to a sharp contraction in the proportion of the product accounted for by the monetary aggregates. The increased demand for money has facilitated monetary management by reducing the need to absorb excess liquidity through open market operations which forced up interest rates; in the countries in question the expansion in the money supply has been due to demand rather than supply. This change of behaviour compared with the second half of the 1980s has enabled the inflation tax to be spread over a broader base at a lower rate, as well as permitting a higher level of seigniorage.

The progress made in controlling inflation in 1993 was accompanied, in general, by a slackening in the high economic growth rates registered the year before. Thus, only three countries simultaneously managed to reduce inflation and increase their growth rates. In nine countries, in contrast, lower inflation was accompanied by slower growth and, in most cases, a bigger external gap. The combination of growth of the product and lower inflation was reflected in a generalized rise in real wages, although in some cases this was partly due to increases in productivity per worker (see tables 6 and 7).

a) **The countries with high inflation**

The inflation registered in Brazil, which amounted to 2,250% for the twelve months ending in November, was in outstanding contrast with the rest of the region. The already very high rate of inflation continued to rise, as it went up from 25% per month in the last quarter of 1992 to 35% in October-November 1993. Factors in this speeding-up of inflation were the changes in economic policy which took place between October 1992 and August 1993, especially the reduction in real interest rates. After having reached average rates of 4.5% per month in the first quarter of 1992 but later averaging 2% per month in the rest of the year, real interest rates continued to go down in 1993, standing at only 0.5% per month in August.

Wages policy also underwent significant changes due to the modifications in the indexing mechanisms whereby remunerations were now adjusted monthly, but not by the whole of the variation in prices. Already in late 1992 changes had been made with the aim of favouring those receiving only the legal minimum, pensioners and private-sector workers earning up to the equivalent of six minimum wages. It was announced that there would be adjustments every two months by 60% of the inflation in the previous two months, and four-monthly adjustments by 100% of the rise in prices. In mid-1993 a new wages act was adopted which provided for monthly adjustments equal to the previous month's inflation less ten percentage points (thus, for example, if there was a 30% rise in prices, the adjustment would be 20%), with the losses in real wage levels being corrected every four months. For federal government employees it was stipulated that there would be two-monthly and four-monthly adjustments lower than the actual inflation up to January 1994, when they would recover their original purchasing power. These changes, with the recovery in the level of activity, led to an increase in real remunerations of the order of 5%.

Federal government revenue grew significantly in real terms (15%), but wage outlays rose even faster, so that the primary surplus went down. As real outlays on interest payments also went down, however, it was possible to eliminate the public sector operating deficit, which had amounted to 2% of the product the year before. The income of the social security system increased slightly, but its expenditure grew by 20% in real terms, due mainly to the settlement of outstanding commitments. The tax on the circulation of goods, for its part, which is the main tax resource of the States, shrank by 9% in January-August 1993 compared with the same period the year before. With the elimination of the operating deficit, the federal domestic debt other than with the Central Bank remained at about US$ 40 billion, or about 8% of GDP. The impact of these very short-term commitments on the public accounts was much greater, however, since nominal interest rates went up to 40% per month. The government has tried to restructure its domestic debt by offering securities readjustable in line with the US dollar, but although the interest rates offered amounted to as much as 24% per year, these securities have not yet gained much acceptance among the public.

The real exchange rate has shown a downward trend since August 1993 because the Central Bank has decided not to intervene any more to maintain the real value of the dollar, in view of the heavy costs incurred the year before in seeking to sterilize the currency issued as a result of the expansion of the reserves. The appreciation in the national currency since that time, when there was a rise in the value of the US dollar compared with other hard currencies, now amounts to nearly 20%.

After the sharp contraction registered in the second half of 1992, the inflow of foreign capital once again became significant, including a large proportion of direct investment. Most of the financial resources went to operations on the securities market, where there was a rise of around 45% in stock prices over the first ten months of the year. In view of the large amount of resources entering the country, measures were taken to discourage other financial flows and it was decided to apply a 3% tax on capital inflows.

The authorities have given priority to controlling the fiscal imbalance, as a prior step to a stricter anti-inflation policy. Actually putting the adjustment into effect has proved difficult, however, because of the reluctance of Congress to adopt measures in this direction. Moreover, the application of the provisional tax on the mobilization of finance, through which it was hoped to collect the equivalent of 2% of GDP, has been frustrated because it has been declared unconstitutional by the Supreme Court.

Nevertheless, the government has taken important steps to materialize a stabilization plan. Firstly, it has confirmed on many occasions its commitment not to intervene in the price system through such measures as price freezes or to repeat the draconian instruments used in the past, such as breaking contracts or freezing financial assets. Moreover, after the approval of its wages policy, the government has progressed on various fronts in its efforts to create the necessary conditions for promoting the stabilization plan. In September, some restrictions on foreign exchange trading on the commercial market were removed, so that the differences between the exchange rates on the three currency markets practically disappeared. In October, the government returned to an economic policy aimed at controlling aggregate demand, and as a result real interest rates rose significantly, reaching 3% per month.

An effort was also made to increase tax revenue by shortening the deadlines for the payment of federal taxes, imposing heavier penalties for tax evasion, and increasing the tax rate on financial operations. In the draft budget, which is currently being discussed in Congress, it is proposed to raise the rates of all federal taxes, reduce transfers to States and municipalities, and make substantial cuts in investment outlays. Many cuts are also planned in federal government expenditures, and agreements have been reached with States and municipalities to settle their debts with the federal government and limit subsequent indebtedness. At the same time, great efforts have been made to reduce the imbalance in the social security system through severe measures against evasion of payment and improved control of expenditure in order to combat fraud, the measures taken extending even to the re-enrolment of beneficiaries.

The Central Bank and the federal government have also taken a series of measures to secure a clear separation between the fiscal accounts and monetary operations. Public service charges were raised faster than inflation in the first part of 1993 in order to make up for the lag they suffered in the latter part of the previous year. The privatization policy was reactivated, and in particular provision was made for possible private participation in the electric power companies, although the federal government will continue to retain control of them.

On 7 December the Minister of Finance announced the submission to Congress of a stabilization programme which will come into effect as soon as it is given legislative approval. The new plan provides for the de-indexing of the economy within a context of consensus among the economic agents. The first element of the plan is the attainment of an operating surplus of at least 3% of the gross domestic product, which is considered as an essential condition for the stabilization process and a clear sign that the government really is intent on the financial adjustment of the public accounts. This surplus is to be obtained through a 5% increase in all tax rates (thus, a 20% rate would rise to 21%), a substantial reduction in expenditure and transfers, and the retention for two years of part of the federal government's compulsory transfers to States and municipalities. With this surplus it will be possible to stabilize part of the increases in the international reserves which will undoubtedly take place as the plan begins to bring positive results.

A second aspect of the plan is the creation of a new indexing instrument not directly linked to past inflation. Each day, the Central Bank will announce the new value of this index, which will vary in line with the value of the US dollar on the exchange market. This index, whose use will be voluntary for the private sector, will govern the evolution of the prices of official operations and will be introduced on a gradual basis.

In a third and later stage, it is planned that this indexing instrument may become a new currency to take the place of the present one, but for this to take place it is necessary that the index should enjoy full credibility and that its use as a unit of account should be quite generalized. A central element for the success of the plan would be the procedure to be used for the conversion of wages and salaries to the new currency, since with the present system of readjustment real remunerations display significant fluctuations in the course of the year.

A second group, made up of five countries, has maintained a situation which might be described as **controlled instability**, since although they have had difficulty in attaining stable macroeconomic balance, they have managed to keep inflation within certain bounds, albeit at high rates.

Within this group, some countries (Ecuador, Peru, Uruguay) have managed to reduce their rates of inflation, but in other cases, in contrast (Nicaragua, Venezuela), price variations have been increasing.

In **Ecuador**, inflation declined rapidly, going down to 32% per year compared with the 60% registered last year. The country's economic policy has continued to be in line with the stabilization programme implemented by the new government which took office in August 1992. Thus, the US dollar exchange rate has continued to be virtually stable at around 2,000 sucres, the fiscal accounts have been balanced, while attractive interest rates have helped to secure a considerable inflow of resources from abroad, a good part of which have gone to the international reserves. At the same time, the strategy of not fully servicing the debt owed to the international banks has also been maintained, and this has contributed to the increase in public sector foreign indebtedness.

The application of a more restrictive fiscal policy succeeded in practically closing the gap of the non-financial public sector, which went down from 1.7% of GDP in 1992 to 0.2% in 1993. This result was due almost entirely to real retrenchment of expenditure, which was equivalent to a little over 26% of the product in 1993; for its part, revenue remained stable, with the smaller share of petroleum resources (which went down from 9.6% to 8.5% of GDP) being offset by bigger non-oil revenue and the surplus turned in by the public enterprises.

The stability of the US dollar exchange rate during the year (although at all events there was a 7% increase in the twelve months up to September) caused a rapid slackening in the rate of variation of tradeable goods prices. At the same time, as interest rates remained at levels close to those of domestic inflation, thus giving high dollar yields, there was a considerable inflow of foreign capital. In this context, the Central Bank increased its international reserves by US$ 500 million over the first eleven months of the year, so that the money supply grew by around 40% in the twelve months ending in November; as quasi-money grew faster (54%), the money supply in broad terms (M2) grew at an annual rate of 48%. The average interest rate charged by the main banks on loans, which stood at around 50% in January, had gone down to rather more than 30% by the end of November, implying a downward trend in inflationary expectations.

The structural reform programme made further progress with the adoption of a Budget Act which increased control over quasi-autonomous bodies and a Modernization Act regulating the privatization process. So far, part of the equity of a cement factory and a fertilizer plant has been sold, and in December it was announced that in 1994 other public enterprises will be privatized, beginning with the telecommunications company, through the method of concessions.

In **Peru** inflation continued its gradual descent, going down from 57% in 1992 to 41% in the twelve months ending in November 1993. Here, too, the economic policy followed the main lines of the stabilization programme begun in 1991, with strict control over fiscal and monetary policy.

During the first half of the year, the average monthly variation in consumer prices was 3.4%, which was higher than the target rate laid down in the programme. Much of this deviation was due to a level of liquidity higher than expected, which contrasted with the sluggish reactivation of the supply of goods and services, and the situation was further compounded by the seasonal rise in agricultural prices. Thus, liquidity expanded rapidly in the early months of the year, largely as a reflection of the acquisition of foreign exchange by the monetary authorities, but later on the growth rate of primary money issue gradually declined, going down from 3% in January to only 1% in July.

The slackening in the expansion of the money supply, together with the readjustment of the prices of public goods and services by less than the level of inflation from the second quarter onwards, enabled the monthly variation of consumer prices to be brought down to only about 2% in the third quarter and even below this level in the fourth quarter.

As part of the stabilization effort, fiscal policy was aimed at reducing the financial deficit, which had risen to almost 2% of GDP in 1992. In the first quarter, the non-financial public sector registered current account saving of 3.6% of GDP, but this went down to 0.6% of GDP in the second quarter because although expenditure increased, income remained at around 10% of GDP. Real tax revenue increased as from August as a result of the higher collection of income tax and general sales tax, which came to account for nearly 40% of all tax income. Investment expenditure (highway construction and rehabilitation, school construction and paving of streets in marginal areas, construction of the Yuracmayo dam), which averaged 2% of GDP, was mostly financed with funds from IDB and income from the privatization of public enterprises, so that the non-financial public sector was able to turn in a slight surplus.

In view of this performance by the public sector, the expansion of the money supply was due mostly to the purchase of foreign exchange. The Central Bank's intervention in the exchange market gradually diminished in the course of the year, and indeed in the third quarter a net sale of foreign exchange was registered. The growth rate of the means of payment up to September was close to 47% per year, which was a little below the growth of the nominal product.

In spite of the slackening in foreign exchange purchases during the second half of the year, the international reserves nevertheless grew by US$ 500 million to a total of US$ 2.5 billion. Much of the increase in the reserves was due to the large amounts of foreign-currency deposits which the private banking system keeps in the Central Bank, because of its strategy of channeling a large part of the increased foreign-exchange deposits received to the latter institution. However, the reduction in the Central Bank's purchases of dollars, especially during the third quarter, did not affect the real bilateral exchange rate with the United States, which rose by 3% during the year.

The underlying reason for the commercial banks' policy of depositing greater reserves than those required by law is the high level of domestic indebtedness. Although the real interest rates on bank loans were lower than those registered in 1992, they remained high and registered big differentials with the rates on deposits. Thus, in the first quarter the average real interest rate on loans was 37% per year, whereas the rate for deposits was negative. During the second and third quarters, the real rates on loans rose to 39% and 44% respectively, while the rate for deposits was around 9%. The persistence of such high real interest rates for the third year running continued to affect the quality of the banking system's loan portfolio.

The privatization process continued during 1993: up to mid-October, 16 companies had been sold, representing receipts of US$ 452 million and investment commitments of US$ 700 million. The main companies privatized were Petróleos del Mar, Aeroperú, Centromín, the Cerro Verde copper mining company, Cementos de Lima, and Interbanc. The award of concessions in respect of the national telecommunications company (Entel Peru) and the Peruvian Telephone Company is currently being negotiated. In June, the process of privatizing the pension fund system was begun with the launching of eight Pension Fund Administration Companies (AFPs), which obtained some 458,000 members in their first four months of operation, out of a potential market of two million workers. The AFPs will be allowed to invest their funds in such financial instruments as Central Bank or Government bonds, commercial bank deposits, or company stock.

The Lima stock exchange continued to grow rapidly, listing over 260 securities of 270 firms, with the average daily transactions amounting to as much as US$ 11 million in some periods of 1993.

Inflation continued its slow descent in **Uruguay.** With its decline to an annual rate of 52% by November 1993, compared with 59% the year before, the growth rate of consumer prices reached its lowest level since 1982. In a context of fiscal balance and an easing of domestic demand, the slow rise in the exchange rate for the dollar and the increased demand for money moderated price rises, but the widespread indexing mechanisms affecting domestic price formation represented factors of inertia which militated against a more rapid decline in the rate of inflation.

As in previous years, fiscal balance was a central objective of economic policy. The real rise in central government expenditure exceeded the growth in revenue, which was adversely affected by the lower economic growth rate, but the surplus turned in by the public enterprises permitted the maintenance of a small surplus in the non-financial public sector accounts. The para-fiscal expenditure stemming from the official financial system continued to go down because of lower international interest rates and a lower level of indebtedness. The public sector as a whole registered a global deficit of the order of 1% of GDP, compared with a situation of virtual balance the year before.

After several years in which it increased in real terms, in the first nine months of 1993 fiscal income shrank by around 1%. Factors in this were the severe fall in external trade tax revenue, due mainly to the tariff reductions on imports from the MERCOSUR countries, and the downward trend in the real exchange rate. Revenue from taxes on domestic activity and direct taxes continued to grow in real terms, although only to a modest extent this time, because of the slower economic growth rate. Central government expenditure, for its part, grew by around 5% in real terms, largely because of the financial aid given by the government to the social security system, which was over 15% higher at constant values, and a similar rise was observed in investment expenditure, but outlays on remunerations and interest payments on the public debt went down somewhat.

The surplus turned in by the non-financial public sector provided support for the stabilization policy. The expansion due to the increase in the international reserves (which exceeded US$ 215 million as of October) and para-fiscal expenditure, however, led to an increase in the monetary base which was reflected in a rise of some

70% in the means of payment (M1). This expansion of the money supply would appear to reflect a recovery in the real level of currency outside banks, after several years of falling demand for money. The broader money supply (M2) grew more slowly: as real interest rates on deposits were negative during almost the whole year (although the corresponding rates for dollar deposits gave attractive yields), quasi-money contracted once again in real terms.

Although trade in goods with the rest of the world showed a substantial deficit, income from tourism and border sales, together with the inflow of capital from abroad, ensured an abundant supply of foreign exchange which kept the price of the dollar at the floor of the range provided for in the currency float. As a result, the national currency depreciated by 27% in the twelve months ending in November 1993, causing further erosion of the real exchange rate. This, together with the tariff reductions carried out in line with the programme agreed with the other MERCOSUR member countries, meant that there was only a slow rise in tradeable goods prices, so that the growth rate of the prices of imported goods at the end of the third quarter was only equivalent to 18% per year.

However, the inertia produced by a system of indexing based on price variations in a preceding period, which was in widespread use in the private sector, stood in the way of the reduction of inflation.The government sought to generate a new system of domestic price formation which would take account of the expected rather than the past inflation, to which end it adopted an exchange rate system in which the floor of the floating range was raised by 2% per month. In previous years, a similar procedure coincided with salary adjustments for public sector employees which were less than past inflation, but in 1993 the correction made in public sector wages and salaries was greater than the inflation, whereas the remunerations negotiated in the private sector continued to be in line with the inflation of the previous four months.

In this context, the variation in consumer prices slowly sank until it reached a minimum of 52% for the twelve months up to November. In the last months of the year, consumer prices evolved more closely in keeping with the rate of devaluation. Wholesale prices, for their part, rose by only 27% in the twelve months ending in November: as this indicator mainly comprises tradeable goods, its evolution was in line with the rate of devaluation of the national currency vis-à-vis the US dollar.

Both public and private wages rose more rapidly than consumer prices. Thus, in the twelve months ending in October average nominal remunerations increased by 63%, representing a real rise of the order of 7% over that period. As in the previous two years, the dollar purchasing power of remunerations paid in national currency increased significantly.

Against a background of recession, there was a resurgence of inflation in **Nicaragua**: after the successful stabilization programme which rescued the country from hyperinflation in 1991 and brought the annual variation in consumer prices down to only 4% in 1992, that rate of variation surged up again to 28% in the twelve months ending in October 1993.

The high degree of dependence on external resources provided for in the stabilization programme because of the heavy external current account deficit conditioned the behaviour of prices to a large extent. Thus, at the beginning of the year adjustments were made in the previous programme, which had been based on a fixed nominal exchange rate and control of certain prices, and the "cordoba oro" currency unit was devalued by 20% in January, when a devaluation mechanism was also introduced which provided for daily devaluations at a rate equivalent to 5% per year, raised to 12% per year in November. Public service charges and fuel prices were also corrected. These adjustments naturally had repercussions on the price index, which rose by 18% in the first two months of the year.

The slackening of the heavy flow of donations and loans from abroad, the decline in the international reserves, and difficulties in the social and political fields increased uncertainty over the stability of the macroeconomic balances. In view of this, an effort was made to apply more restrictive fiscal and monetary policies. Thus, in line with an (unsigned) agreement with the International Monetary Fund, the structure of expenditure was changed to give preference to investment over current outlays. In addition, taxes on non-essential consumption were raised and corrections were made in public service charges, thereby securing some current account saving. Although capital expenditure was less than planned, the global non-financial public sector deficit was still 6% of GDP, financed entirely with external resources.

The unfavourable expectations regarding inflation and the exchange rate led the monetary authorities to step up controls on liquidity. To this end, it was decreed that the 10% compulsory reserve on national-currency deposits and the 25% reserve on those made in foreign currency must be deposited in the Central Bank, and open market operations were carried out through the sale of securities expressed in foreign currency. At the end of the year, it was also ordered that the State deposits in commercial banks should be transferred to the Central Bank. The capital indexing mechanism kept interest rates positive in real terms, while the demand for credit was reduced through the application of stricter criteria in respect of the guarantees required to obtain loans.

In **Venezuela**, the fiscal imbalance and uncertainty in the political sphere were reflected in the speeding-up of inflation, which rose to 44% in 1993 –the highest level so far in this decade– compared with 32% the year before.

Venezuelan inflation, which was further encouraged by the climate of economic uncertainty reigning in the period before the general election held in December, has its roots in the ongoing heavy financial imbalance which the public sector has been showing for years. In 1992, the fiscal gap had risen to the equivalent of 6% of GDP as a result of the weakening of income from the petroleum sector –which account for around two-thirds of total fiscal income and 80% of central government revenue– and the inflexibility of public expenditure. In order to reduce this fiscal gap, October witnessed the entry into force of the Value Added Tax (VAT) introduced by the Executive after the approval by Congress in August of an Enabling Act which empowers the President to legislate by decree on economic and financial matters. This tax, at the rate of 10%, affects only wholesale trade up to 31 December 1993, but from January 1994 it will also apply to the retail level. The tax seeks to increase fiscal revenue by an extra half a percentage point above the 6% of GDP currently received from the taxes collected. The prospect of the extension of this tax to retail trade gave rise to bigger price increases in October. The tax reforms also brought in a fiscal stamp tax, which led to a rise in most public service charges, and a tax on business assets. Despite the additional revenue thus received, the temporary suspension of the privatization programme in October caused the fiscal deficit to continue at the high levels of the previous year, and this deficit had to be financed with increased domestic and external indebtedness.

In this context, measures affecting the monetary variables became the main instrument of anti-inflation policy and had a marked restrictive tendency throughout the year. Among the results of the Central Bank's intervention were an increase in interest rates and a contraction in the money supply. In some months, effective interest rates on deposits reached levels of over 80% per year, meaning that the real rates were over 25%, while interest rates on loans were even higher, thus contributing to a rapid contraction in domestic demand. The liquidity of the economy, for its part, fell significantly, to such a point that the money supply remained virtually unchanged in nominal terms and the broader money supply aggregate (M2) grew by only 20% in the twelve months ending in October.

These high interest rates attracted capital from abroad, especially in view of the fact that the dollar exchange rate rose by 32% over the twelve months ending in November. Although this meant an appreciation of the national currency during the year, the annual average real effective exchange rate remained stable. At the same time, companies with access to external credit made use of this form of financing in view of the higher cost of money on the local market. At all events, the inflow of capital was not enough to offset the balance of payments current account deficit, and the Central Bank reserves, which had doubled since the stabilization programme was begun in 1989, went down by around US$ 740 million.

Reform of the financial sector, which had begun with the Act adopted at the end of 1992 providing for the autonomy of the Central Bank, continued with the Banking Act adopted in October 1993, which opened up this sector to foreign capital. This Act also provided that the Superintendency of Banks should be independent of the Executive.

b) **Countries with moderate inflation**

In the rest of the countries of the region, inflation in 1993 was not more than 20% per year; eleven of the fifteen economies in this group managed to lower their rates of price variations, and in only three cases were there any temporary upsurges in inflation. In seven countries (Argentina, Barbados, Bolivia, Costa Rica, the Dominican Republic, Mexico and Panama), price rises were below 10%: something which had not been registered since 1987.

Argentina registered its lowest inflation since 1969. In a context of rapid growth of domestic demand, a practically balanced fiscal situation and a monetary system under which the exchange rate is rigidly fixed and variations in the money supply are linked to the balance of payments results, the growth rate of consumer prices was less than 8% per year, while wholesale prices rose only slightly.

One of the priority objectives of Argentine macroeconomic policy was the maintenance of fiscal balance. Indeed, the national public sector's financing requirements came to almost zero once capital income was taken into account, although the latter went down from nearly 1.5% of GDP in 1992 to an estimated 0.6% in 1993. This result reflected a steady rise in income, since national government expenditure rose once again, with the bigger outlays of the pension system and the bigger transfers to the various provinces under the tax sharing system being only partly offset by declines in the interest burden and capital expenditure. The increase in taxes collected by the central government, for its part, was equivalent to around 2 percentage points of GDP, so that the total increase over the last three years comes to nearly 6 percentage points. Once again, there was a noteworthy increase in revenue from the Value Added Tax, whose share in total tax revenue thus continued to rise, and there was also an appreciable increase in revenue from profits tax (over 75% more in the first nine months of 1993 compared with the corresponding period of the previous year), although as yet it only accounts for a relatively small share of the total.

The increase in government income reflected the effects of the higher level of activity and the results (already glimpsed in previous years) of more effective tax collection. During 1993 the authorities established an amnesty in respect of tax and social security debts designed not only to obtain income from the settlement of these debts but also to bring new taxpayers into the system. At the same time, the trend continued towards the concentration of resources in broad-based taxes, an indicator of this being the decline in nominal terms in taxes on specific products. The government was also alert to the effects of taxes on resource allocation, especially when they might affect the competitiveness of sectors exposed to international competition. In this respect, the central government worked out an agreement with a number of provinces providing for the gradual elimination of local taxes on gross income (to be replaced by a retail sales tax) and the reduction of taxes on energy inputs. It also announced a reduction in employers' contributions to the social security system, with rebates according to the location of the business concerned.

After lengthy debate, the Act reforming the pension system was finally adopted. The new system provides for the establishment of a pension segment to be financed with personal contributions (optional in the case of workers), operating under the system of personal capitalization, to be run by private pension fund management firms and a State body, and another segment administered entirely by the State, to be financed by the employers' contributions and funds from national taxes, which will be responsible for paying pensions to existing beneficiaries and persons currently working who opt to stay in this segment, as well as supplementing the benefits of those who enter the system of individual capitalization.

Among the privatization operations effected in 1993, special mention may be made of the sale of 45% of the share packet in the State oil company YPF: the biggest company in the country. This sale amounted to over US$ 3 billion, part of which went to pay off bonds previously issued to settle debts owed by the State to pensioners. Electricity generation and distribution companies and railroads were also disposed of during the year under the system of concessions.

As in the previous year, there was a notable inflow of capital in 1993 which amounted to US$ 10 billion and gave rise to an increase of US$ 1.8 billion in the Central Bank reserves. The monetary authorities made very little use of operations designed to regulate the monetary base with domestic debt securities, however, and there was therefore substantial real growth of the monetary aggregates. In view of the system of convertibility in force, the Central Bank had to intervene in the exchange market to smooth out excesses of supply or demand for foreign exchange at the fixed price, and these operations resulted in net purchases of foreign currency over the year as a whole, although in some months the Central Bank made fairly substantial sales. In contrast with the situation in the latter part of the previous year, however, these sales did not give rise to uncertainty or to disturbances in the financial markets. In fact, national-currency interest rates showed a downward trend after the upsurge registered at the end of 1992.

Likewise, there were generalized increases in the prices of public securities, while stock prices made a partial recovery, albeit with ups and downs, after the severe drops registered in the second half of the previous year. In 1993 there were once again substantial bond issues by big companies; some of these operations were carried out by banks, which then proceeded to lend the resulting funds. The volume of loanable funds was also increased by the growth of deposits in both national and foreign currency. Overall, this resulted in a further expansion of credit to the private sector, although there were still appreciable differences in the conditions of access to such finance between the different categories of borrowers. During the year, there was a particularly marked increase in the supply of mortgage loans, which was reflected in longer repayment terms and the appearance of national-currency loans.

The links between the domestic and international financial markets seem to have become closer in 1993, to judge from the volume of capital movements accounted for by the private sector and the apparent sensitivity of expectations to news from abroad. At the same time, the intensive flow of funds has been a central aspect of macroeconomic behaviour in recent years in that it has helped to finance a rapid increase in demand which, in turn, has affected domestic production and price formation.

Against a background of increasing unemployment, which reached a record level in spite of the growth of the product, because of the sudden expansion of the labour force, nominal wages in industry are estimated to have risen at a similar rate to consumer prices.

Bolivia, too, registered single-digit inflation: the 9% increase in consumer prices in 1993, which was one percentage point below the previous year's rate, was the lowest rate recorded in the eight years of application of the stabilization programme implemented in 1985 when the country was suffering from hyper-inflation.

Against the background of the process for electing a new President and other national authorities, which culminated in June, it was not possible to comply with the fiscal targets agreed with the International Monetary Fund, and although fiscal policy became stricter during the second half of the year, to such a point that the new President announced the dismissal of 10,000 public employees, it is estimated that the global non-financial public sector deficit was nevertheless around 6% of GDP.

This imbalance did not significantly affect monetary management, since most of the deficit was financed with external resources. Thus, as in the previous three years, the country enjoyed a considerable inflow of external capital, while it also received a substantial amount of official donations, and this enabled it not only to finance the balance of payments current account deficit equivalent to over 6% of GDP, but also to increase the international reserves. The inflow of foreign exchange was a factor in the slackening of the pace of exchange rate depreciation, which was even below the rate of inflation (these measurements exclude transactions with Argentina, to which Bolivia mainly sells gas).

In this context, and against a background of moderate growth of the per capita product, the rate of money issue gradually slackened during the year until it reached a level of 16% for the twelve months ending in October. Expansion of the money supply over the same period was around 25% per year, which would seem to point to a recovery in the real amounts of currency outside banks in line with the steady decline in inflation, as the product grew by around 15% in nominal terms. Quasi-money expanded even more rapidly in view of the attractive interest rates of around 9% in real terms; in view of the wide interest rate spread, the rate on loans was around 30% per year at the end of November. The interest rate on dollars also remained high, at 11% per year, thus continuing to promote the increase in deposits in this currency.

The rapid slackening in price rises in **Costa Rica** brought inflation down to only 9% in 1993, which was less than half the figure for the year before and marked a major advance in the stabilization process begun in 1992. Although two different stages were to be observed in the handling of macroeconomic policy, the success of the fight against inflation was basically due to reduction of the fiscal deficit, to the context of greater economic openness, and to the slow rise in the value of the US dollar on a foreign exchange market where there was an abundant supply of that currency.

During the first half of the year, against a background of active domestic demand, the stabilization of prices coincided with a virtually constant exchange rate due to the strengthening of the national currency as a result of the ongoing inflow of external resources attracted by the relatively high interest rates. In the second half-year, in contrast, the faster growth of liquidity due to the expansion of domestic credit and fears of a decline in the international reserves in view of the great buoyancy of imports led to the adoption of adjustment measures consisting of an increase in the compulsory bank reserves, which caused a rise in interest rates on loans, and faster devaluation vis-a-vis the dollar.

The improvement in the fiscal accounts, however, was maintained throughout the year. The success achieved in this respect was basically due to the 21% increase in tax collection, since there was also a rapid (18%) increase in expenditure. The final result was that it proved possible to reduce the central government deficit to only 1% of GDP: that is to say, half a percentage point below the 1992 figure. Most of the real increase in tax revenue was due to receipts from import duties, which grew substantially, while the implementation of the fiscal laws approved the year before brought an improvement in the efficiency of tax collection. The real increase in public expenditure is attributable to the delayed payment of transfers to the social security system and an increase in current expenditure. The second phase of the Structural Adjustment Plan was completed in February with the approval of the sale of the national cement and fertilizer plants.

Although the improvement in the fiscal accounts facilitated the implementation of the monetary programme, there was a rapid increase in domestic credit because of the growth in credit to the private sector, which was 60% greater in the first half-year than in the corresponding period of the previous year.The repercussions of this growth on the external sector gave rise to some changes in monetary policy. Thus, as from July the compulsory reserve requirement was increased and the compulsory bank reserve on foreign-currency deposits was raised from 10% to 36%. As a result, interest rates on loans rose to 25% per year by November after having shown a downward trend in the first half of the year. The growth rate of credit slackened rapidly, and by October the annual rate had dropped to a little over 40%.

The stricter monetary control coincided with an increase as from October in the rate of devaluation of the national currency from 9 to 11 centavos per day: at that time, the value of the US dollar had only gone up by 7% in the course of the year.

The faster growth of production and the decline in inflation gave rise to an upward trend in real wages. Thus, the 5% increases in each of the two half-years were slightly greater than the rate of inflation.

Mexico made substantial progress in its domestic stabilization process by pushing inflation down to 9% per year for the first time in over twenty years. Against a background of sluggish demand and abundant external financing, the steady decline in the rate of inflation was due mainly to the maintenance of a restrictive monetary policy, strict fiscal discipline, and limited devaluation of the peso, all within the consensus-based strategy applied since 1987. As in previous years, prices of non-tradeable goods and services rose more than those of tradeables.

The public accounts registered a surplus for the third year running in the case of both the federal government and the decentralized companies and bodies; even excluding the windfall revenue from the sale of public enterprises, it is expected that the public sector will turn in a financial surplus equivalent to around 1% of GDP. Although income went down by over one percentage point as a proportion of the product, the smaller debt service outlays more than offset the increased budgetary expenditure, so that total expenditure contracted to a little over 24% of GDP. At the same time, however, the windfall income from privatization operations went down considerably in 1993 with the completion of the sale of the most important enterprises.

The slackening in the rate of economic activity and, to some extent, the fiscal commitments assumed under the

Stabilization and Economic Growth Pact led to a decline in real federal government income, but the marked decline in debt service outlays freed budgetary resources and thus permitted increases both in direct federal expenditure and in transfers to other bodies: a noteworthy feature in this respect was the increase of nearly 11% in social expenditure (especially in health and education), which brought its share to almost 10% of GDP.

Monetary and credit policy, for its part, continued to be aimed at consolidating the reduction of inflation and facilitating the inflow of capital from abroad, to which end high real interest rates were maintained and efforts were made to restrict the growth of credit. In October 1993, the real monetary balance was 2% less than in the corresponding month of the previous year, reflecting the payment of public debt paper in the hands of the Banco de México and the commercial banks and the investment of the proceeds in the private sector, especially abroad: indeed, in that month a very high percentage of the outstanding government securities was in the hands of the external sector. The contraction of the monetary base was reflected in a rapid slackening of the growth rate of credit to the private sector, which had increased by one-third during 1992. At all events, as receipts of resources from the public by the financial system grew by 11% in real terms in the first ten months of 1993, total commercial bank finance for the private sector increased by 13% in real terms. There was also an increase in the amount of overdue loans, which stood at around 7% of the total towards the end of the year.

The considerable inflow of external resources continued to aid the stabilization programme. The strong demand for public debt paper by foreign investors was due to the substantial differential between local and international interest rates against a background of relative certainty regarding the expected evolution of the exchange rate. In line with the decline in inflation, the local-currency interest rate on 28-day Treasury Certificates (CETES) went down from a peak of 18% in nominal terms in February to a little over 13% at the end of November. Although this meant a decline in the real interest rate, which had stood at around 8% per year, the equivalent rate for dollars gave a yield of over 10% per year.

External finance was also channelled through portfolio investments. In the first half of the year, the index of prices and quotations of the Mexican Stock Market lost the buoyancy which had marked it in previous years, due to the sluggishness of economic activity, the high yields available on the fixed-income market, and the uncertainty regarding the negotiations for agreements parallel to the North American Free Trade Agreement (NAFTA). As from June, however, this index registered a notable recovery because of profit-taking in view of the probable approval of NAFTA. As a result, by October it had crossed the barrier of 2,000 points and at the end of November it was 27% higher than at the beginning of the year.

Foreign investment (both direct and portfolio) and increased short and long-term liabilities with the rest of the world amounted overall to an inflow of external capital of the order of US$ 25 billion in 1993, giving rise to an increase of US$ 4 billion in the international reserves. As in previous years, this exerted pressure on the exchange rate, so that the price of the US dollar on the inter-bank market at the end of November was less than 1% higher, in nominal terms, than at the end of 1992. Thus, the national currency underwent a further appreciation or, from another point of view, the prices of tradeable goods and services rose more slowly than those of non-tradeables: a tendency which may become more or less of an obstacle to the consolidation of efforts to guide the system of production towards the manufacture of tradeable goods.

The process of economic reform and institutional change continued in 1993. Among the most noteworthy changes were the reform to the Constitution which gave autonomy to the Banco de México, the implementation of a new programme of direct support for agricultural producers, the approval of the regulations for the application of the Federal Economic Competition Act and the Public Service Electric Power Act, and the adoption of the Ports Act. In addition, a package of initiatives was submitted to Congress towards the end of the year, aimed at adapting various existing Acts to the new external trade system, especially the Acts on Foreign Investment, External Trade, Public Purchases, Customs Duties, and the Fiscal Code. Finally, Congress ratified the Free Trade Agreement which is to come into effect early in 1994. Changes continued to take place in the structure of the financial and banking market: on the one hand, new financial instruments were introduced, such as Warrants and two-year Treasury Certificates, some mergers of banks took place, and concessions were granted for the establishment of new financial institutions, while on the other hand the greater autonomy given to the Banco de México in the field of monetary management was accompanied by the elimination of the duty to provide compulsory financing for the government. Measures were also taken to improve the process of qualifying loan portfolios and to increase the capital of banks. As from January 1993, the "New Peso" came into circulation, equal to a thousand old pesos.

The Stabilization and Economic Growth Pact was renewed in October 1993: the new agreement includes provision for strict discipline of the public finances, with the aim of reducing inflation to 5% per year in 1994, as well as a package of measures designed to stimulate economic activity. In particular, it was decided to continue the exchange policy followed since late 1992 by increasing the maximum sale price of the US dollar by 0.0004 New Pesos per day (equivalent to 4.6% per year) and to maintain a balanced fiscal budget in 1994. The measures adopted to revitalize economic activity included the reduction of some rates of income tax and of the charges for high-tension electric power and the slowing-down of the rate of readjustment of gasoline and residential and commercial electricity prices. It was also recommended to raise the minimum wages as from January on the basis of the expected 1994 inflation and the increase in average national labour productivity.

The decline in inflation was once again reflected in a further recovery in the average real industrial wage, which rose by over 3%.

In the **Dominican Republic**, the last of this group of countries with single-digit inflation, the priority given to price stability enabled inflation to be reduced to only 4% in 1993. This was the third consecutive year of very small price increases, and was a far cry from the very high inflation rates registered in the three-year period 1988-1990.

The stabilization programme continued to be based on fiscal balance and on stability of the nominal exchange rate, backed up by a plentiful inflow of foreign exchange. Thus, the price of the dollar has remained unchanged for the last three years, during which time there has been explosive growth of foreign exchange income from tourism, while a substantial inflow of private transfers and foreign capital has caused a steady rise in the international reserves. The attractive dollar yields offered by local interest rates have been a major factor in this financial flow. In this context of exchange stability and openness to the exterior, the prices of imported goods, whose volume has grown significantly, have played a large part in keeping consumer prices stable.

At the same time, the central government has kept its accounts balanced in spite of its expansionary fiscal policy. The fact that expenditure grew faster (38% or 4 percentage points of GDP) than income (15%) practically wiped out the surplus which the central government had turned in the year before, but this did not raise any problems for monetary management. Capital expenditure grew faster than current outlays (42% and 34%, respectively). With regard to income, tax revenue increased by 17%, but non-tax income slackened. The increase of 25% in income from taxes on goods and services was particularly noteworthy.

In view of the fiscal behaviour, the expansion of the money supply mainly reflected the increase in the international reserves. Interest rates continued to be high, especially on loans, in view of the wide margins of bank intermediation: thus, although the prime rate had gone down, in June it was still around 25% per year. In order to try to bring it down further, in July the Monetary Board lowered the rediscounting rate, offered promotional interest rates, and guided the Reserve Bank to work in the same direction.

The remainder of the countries of the region registered domestic price variations of between 10% and 20%. Inflation speeded up in only three of them (Honduras, Paraguay and Trinidad and Tobago); in contrast, the stabilization programmes were very successful in Jamaica, after two years of high rates of inflation, while they managed to slow down inflation or at least keep it in check in Chile, Colombia, El Salvador and Guatemala. The special features of the Panamanian economy kept price increases there below 2% per year.

Inflation went down only sparingly in **Chile**, where consumer prices rose by around 12% in the twelve months ending in November 1993. In a context of high domestic demand, fiscal balance, deterioration in the external current account situation and widespread use of indexing mechanisms in private contracts, inflation showed some reluctance to go down from the level of 13% attained towards the end of 1992, but the very small growth in consumer prices registered in the last two months seemed to break down this reluctance and brought the inflation rate close to the government's target.

During 1992, the growth rate of domestic expenditure had been markedly higher than that of the product, so the economic policy adopted in 1993 was aimed at bringing the two rates closer to each other, thus, the gap between expenditure and the product, which had been 6.5% of GDP in the first quarter, was brought down to 1.5% by the third quarter and it was tending to disappear by the end of the year. This was reflected in high real interest rates, as part of a strategy which tried not to give more stimulation to the sectors producing non-tradeable goods and services as long as the exporting sectors were facing lower prices and falling international demand. The real interest rate, as measured by the 90-day readjustable Central Bank promissory notes (PRBCs), remained at 6.5% per year, so that real interest rates on bank loans were over 9% per year, which was more than in the previous two years. In this context, the private money supply (M1A) expanded 19% in the twelve months ending in November (but only 6% in the first ten months of the year), which was in keeping with the growth of the nominal product.

The price of the dollar, for its part, closely followed the evolution of the rate of inflation. Although some expectations of revaluation of the peso arose in January, causing the Central Bank to intervene in the foreign exchange market, the tendency of the trade balance to show a deficit reversed these expectations, so that the exchange rate remained within the planned range of the float with little intervention by the Central Bank. Early in December, the dollar traded on the banking market registered an increase of 11% compared with December 1992, but after deducting external inflation the annual average for the real effective exchange rate registered no significant variation.

Domestic price stability continued to be based on strict fiscal management. As in previous years, the non-financial public sector showed a current account surplus, this time of the order of 4% of GDP. The public debt, which had been equivalent to 41% of GDP in 1989, was only one-third of the product in 1993.

Against a background of low unemployment and a high level of activity, real wages continued to rise and stood at nearly 20% more than five years before.

In **Colombia**, inflation slackened to 21% in the twelve months ending in November (compared with 26% in 1992): the lowest rate in the last seven years. The inflow of foreign capital was a major factor in this result, which was also due to fiscal management which managed to offset the increased expenditure with higher revenue.

Much of the rapid growth in domestic demand was satisfied with imports, and this helped to take pressure off prices. Although there was a further increase in the balance of payments current account deficit, it was covered almost entirely by the capital inflow, which exceeded US$ 1.5 billion. The abundant supply of foreign exchange also promoted the appreciation of the national currency; the slower rise in the prices of tradeable goods partly offset the increase in the prices of non-tradeables, which was close to 27% per year. The price index at the producer level, which serves as a reference point for determining the floor value of the dollar and is mainly based on the prices of tradeable goods, rose by only 14% in 1993.

The slackening of inflation encouraged increased demand for money, and this, in a kind of virtuous circle, also aided the stabilization programme. Thus, the money supply expanded by close to 30% per year, while quasi-money increased by over 40% per year. Loans made by the financial system grew at a similar rate to that of time deposits. Interest rates remained relatively stable, giving a slight positive yield in real terms for deposits, and there was a significant drop in bank intermediation spreads, due to the fact that it was now permissible to take out external credit for working capital, which meant an increase in supply: in this respect, there was a very marked increase in direct access to external capital markets by the biggest firms in the country.

The tax reform carried out the year before (especially the increase in the value added tax) and the increased revenue from foreign trade taxes raised tax income by around 37%, which offset the substantial growth in public expenditure in real terms, especially in respect of public security, where outlays increased by 50%, and pension payments, which doubled. Thus, as in 1992, the public sector once again registered a slight deficit (of the order of 0.5% of GDP), which was the overall result of the central government deficit (1.8% of GDP) and the surplus turned in by the decentralized sector (rather more than 1% of GDP).

The expansion in domestic demand and in the level of activity, together with the decline in inflation, gave rise to a recovery in real wages. The minimum wage was readjusted by 25% during 1993, while average wages paid in industry rose by 28%. Both these figures were higher than the increase in consumer prices (21%) and the rate of devaluation (13%).

In **El Salvador**, inflation went down to 13%, thus putting an end to the resurgence of inflation observed the year before, when the rate was 20% per year. Contributory factors in this were the better political and social expectations generated by the peace-making process, the fiscal adjustment, and the continued heavy inflow of external resources, which bolsters up the exchange rate.

The fiscal reforms and the efforts to improve administration and broaden the taxable base resulted in a substantial (30%) increase in tax income which considerably exceeded the growth of expenditure (10%). Thus, the deficit of the non-financial public sector went down to 3.8% of GDP. In spite of the elimination of the taxes on coffee, the greater contribution of indirect taxes (especially the approval in August of the value added tax) raised the tax burden to 9.5% of GDP. Tax collection was also increased as a result of the measures designed to improve tax administration, including the penalization of tax evasion. Although it was rather below what had been expected, capital income was obtained from the sale of banks and financial institutions, while capital expenditure by the central government and public enterprises was kept in check.

In view of the considerable contribution of external resources to the financing of the fiscal deficit, the expansion in liquidity was due mainly to the increase in the international reserves. As in previous years, there was quite a plentiful supply on the foreign exchange market, a substantial part of which came from family remittances and other private transfers, which, at over US$ 800 million, exceeded the contribution of exports of goods and amounted to over 12% of GDP. As external financing was also obtained, the abundant supply of foreign exchange aided the stability of the nominal exchange rate and gave rise to an increase of some US$ 150 million in the international reserves. In order to restrict the increase in liquidity due to the acquisition of foreign exchange, the compulsory reserve requirement on deposits was raised by 5% and it was agreed that the banks should acquire monetary stabilization certificates for the equivalent of 5% of their additional deposits. The abundant liquidity kept interest rates slightly positive in real terms, which meant that there were attractive yields in dollars in view of the exchange stability. A second structural adjustment loan was negotiated with the World Bank, and a stand-by agreement was signed with the International Monetary Fund.

The expansion of production and the decline in inflation made possible a recovery in real wages for the second year running. Public sector salaries were corrected twice during the year (10% in March and 12% in August), while in March the legal minimum wage was raised by 15% for urban sectors and 23% for the agricultural sector.

In **Guatemala**, inflation went down slightly to 13% in 1993.The political crisis generated by the breakdown in the institutional order at the end of May gave rise to a period of instability and uncertainty which lasted for the rest of the year. In this context, the stabilization programme naturally ran into difficulties. In particular, the public finances deteriorated because of the greater prevalence of tax evasion, so that Central Bank financing for the government exceeded the planned levels. The political crisis also gave rise to heavy pressure on the exchange rate as the economic agents sought to protect their financial assets by converting them into foreign exchange. The policy of using the exchange rate as a nominal anchor for other prices in the economy caused the monetary authorities to intervene extensively in the supply of foreign exchange, with consequent loss of reserves. The gradual return to normal of the political situation in the second half of the year and the application of a tight monetary policy moderated inflationary expectations, and this led to the resumption of an abundant inflow of external resources, with an increasing contribution by private transfers and a capital inflow of close on US$ 1 billion (7% of GDP). The year thus ended with a slight increase in the international reserves.

In order to control monetary liquidity, the compulsory reserve requirement on bank deposits was raised from 26% to 36% early in the year. Open market operations were also carried out at rates of up to 22% per year for one-year paper, which gave positive real interest rates and attractive yields on the dollar equivalents. These yields led to a substantial (52%) increase in such sales, but at the same time they increased the quasi-fiscal deficit to 1.2% of GDP, thus exceeding the target of 1% set in the monetary programme.

As already noted, only three of the countries with inflation of less than 20% per year registered upsurges in their annual rates. Thus, in **Honduras** inflation surged up to 13% in the twelve months ending with October, after having gone down from 24% in 1991 to only 6% in 1992. After four years of an adjustment policy and structural reforms, the economy still shows pronounced macroeconomic imbalances, and in 1993 the electoral process added the uncertainty typical of any change of government.

From the very beginning of the year it had been noted that exports were facing difficulties in terms of both prices and demand. At the same time, there was a rapid expansion in public expenditure (especially capital expenditure), and this further increased the fiscal deficit. The impact of these factors on money creation, together with the increase in credit to the private sector, expanded liquidity. In view of the unfavourable expectations in the external sector, the demand for foreign exchange exerted pressure on the exchange rate, giving rise to a loss of reserves and devaluation of 8% in the first half of the year.

The greater liquidity and the shortage of some staple products had repercussions on prices, and the twelve-month inflation rate as of June was close to 10%. In view of this situation, the Central Bank tightened its monetary policy, increasing the compulsory reserve requirement from 35% to 42% (although the rate was reduced to 36% in August), and government bonds were placed on sale at rates of over 18% per year. In the middle of the third quarter the unfavourable expectations worsened because the fiscal deficit was over 6% of GDP, pressures were arising in the direction of higher inflation and devaluation, the programme agreed with the International Monetary Fund was not being fulfilled, and a change of government was imminent. This led to new pressures on the exchange rate, which reached 7.20 lempiras per dollar by the end of November, equivalent to a rate of devaluation of the national currency of 24% per year.

In **Panama** prices continued to rise only slowly, at a rate of less than 2% per year. In spite of the increase in tax revenue, the faster rise of expenditure, partly due to the payment of arrears of interest on the external debt, caused the fiscal deficit to rise to 2% of GDP. The reduction of tariffs and of taxes on electricity bills and gasoline prices was more than offset by the better control over customs duties and increased transfers from public enterprises. The programme for the privatization of public enterprises ran into opposition from the National Assembly, which opposes the sale of companies considered to be of strategic importance, such as the telephone company and one of the banana companies. The staff reduction programme, for its part, progressed only slowly.

After having remained at the same level for the last five years, early in 1993 the legal minimum wage was raised by 22%.

In **Paraguay**, the growth rate of consumer prices rose from 18% in 1992 to 20% in 1993. Against the background of the political campaign to elect national authorities to take office early in the second half of the year, the price stabilization policy did not undergo any significant changes and the maintenance of public sector financial balance remained the leading objective. The slackening of the rate of devaluation, in a context of greater openness to the exterior, helped the stabilization policy by reducing the national-currency prices of tradeable goods, but the increase in the prices of public services and the application of value added tax to them increased the relative prices of some mass-consumption goods and services.

As in previous years, the income from Itaipú allowed the central government to turn in a financial surplus, although this time it did not even amount to half a percentage point of the product. The tax reform carried out in 1992 (the income tax, single tax and tax on the marketing of livestock came into force in the first half of the year, while the value added tax, the selective consumption tax and the tax on legal instruments and documents came into effect in the second half) had an impact throughout the year and made possible an increase in income in real terms. Expenditure also grew at constant values, however, especially in the case of current expenditure, which forms over 90% of the total. The public enterprises are estimated to have registered a small deficit, but the non-financial public sector turned in a slight surplus.

The virtual balance attained by the public sector and the credit policy put into effect by the new government meant that there was only a slow change in the monetary aggregates. Thus, in the middle of the third quarter the nominal total money supply was similar to that registered at the end of 1992, while the broad monetary aggregate (M2) had grown by only 4%. In order to keep monetary expansion under control, one of the first measures taken by the new economic authorities was to eliminate the discounts on export agricultural production traditionally given at the end of the year to take account of seasonal factors. As an alternative, in view of the importance of the agricultural export sector in the national economy, it was decided to reduce by five percentage points the compulsory reserve requirements for banks providing credit to the primary sector; the government suggested a reference interest rate of 23% per year for such loans. This rate compared favourably with the average rate prevailing for other bank loans, which was close to 40% per year, and was very similar to the rate for certificates of deposit, which was around 24% per year.

The package of measures adopted on that occasion also included the use of resources of the Social Security Institute to finance the primary sector and the expansion of finance channelled through the National Development Bank. Furthermore, the Peasant Development Fund came into operation with the aim of lowering the cost of financial intermediation and supporting the restructuring of peasant-sector organization.

The slackening of the rate of devaluation of the national currency vis-a-vis the dollar was an important factor in the evolution of prices during the year. Thus, while the rate for the dollar rose by 22% per year during the first quarter, the annualized rate of devaluation went down to less than 13% in the first nine months of the year. The consequent erosion of the real exchange rate and the progress made in the tariff reduction programme for the MERCOSUR countries reduced the cost of imported goods.

Against this background, the twelve-month variation in consumer prices showed an upward trend up to May, when it was close to 20%, and although it slackened in the first part of the second half of the year, towards the end of the year the rate of inflation returned to the level of 20% per year.

In a context of generalized openness to the exterior, the **Caribbean countries** displayed various types of behaviour as regards inflation. Thus, in **Jamaica** inflation went down from 40% to 25% per year, thanks to a policy of monetary containment in a context of slow growth of production. In contrast, inflation surged up again to 11% in **Trinidad and Tobago**, despite the major fiscal adjustment undertaken through tax increases, the privatization of State enterprises, and a tight monetary policy, accompanied by further opening up to the exterior in 1993 through the lowering of tariff and non-tariff barriers. In **Cuba**, the transition towards a market economy which is taking place in some areas of the economy has led to the expansion of the "informal" segment, where price rises have been observed due to the combination of supply shortages and an excess of currency outside banks. **Haiti**, which is suffering from a serious institutional crisis and an embargo on its external transactions, underwent an abrupt rise in domestic prices, which increased by 60% in 1993. The fiscal deficit grew by over 50% due to a combination of smaller income and bigger expenditure, and because of the suspension of external aid and finance, over half of the imbalance was covered by expanding the money supply. Against this background of persistent political and social crisis and deterioration of the economy, the devaluation of the national currency has speeded up, the informal market has greatly expanded, and the public has shown a marked preference for liquid assets.

3. The external sector

a) The international context

The international economy in 1993 continued to show divergent trends, presenting both advantages and disadvantages for Latin America. Growth rates in the industrialized countries remained low for the fourth year in a row, continuing the downward trend in commodity prices, to the detriment of Latin American exports, which are still largely primary products. Inflation rates also continued to decline. The combination of slow growth and low inflation allowed the central banks of the industrialized countries to lower interest rates considerably. This offered a twofold advantage for Latin America: interest payments on the external debt declined, and low yields on financial assets in those markets led United States investors and others to increase the proportion of Latin American securities in their portfolios.

The slow growth of the world economy was mainly due to the minimal expansion of the industrialized countries and transitional economies. Gross domestic product (GDP) in the industrialized countries grew by only 1% in 1993, with the European Economic Community (EEC) and Japan recording zero growth. Although output increased somewhat more in the United States, where GDP grew by almost 3%, the recovery in that country is still weak, and efforts to lower the budget deficit could limit expansion in the short term. In Germany, problems arising from the integration of the former German Democratic Republic continue to burden the economy, despite measures adopted by the Deutsche Bundesbank to lower interest rates. The contraction of the German economy is also a drag on the dynamism of the rest of Europe. Perhaps even more surprising is the increasingly problematic performance of the Japanese economy. Even though Japan's stock market has been falling for several years, economic activity began to decline only recently, when the Government adopted measures to control damage from the financial "bubble". The relegation of the Liberal Democrats after long years in office added political uncertainty to the economic problems. The transitional economies contracted at two-digit rates for the third straight year. Although the situation of Eastern Europe seems to have stabilized, that of the former Soviet Union continues to be critical; GDP there could plummet by as much as 15% this year. In this context, the developing countries were the ones which provided most of the dynamism to the world economy. Together, they grew by more than 6% in 1993, although that rate mainly reflects strong growth in the Asian region.

The volume of world trade grew by a modest 3% in 1993, contrasting unfavourably with the 5.4% annual average between 1986 and 1992. Also, the rise in volume was offset by a comparable fall in prices, so that in value terms, trade remained virtually stagnant. Metals were particularly affected, with the prices of copper, lead, zinc, tin and iron ore all plummeting. The prices of several agricultural products also dropped considerably, among them maize and cocoa, and petroleum prices continued to decline for the third year in a row (see table 13). Given the slow growth of output in the industrialized countries, their imports barely rose. Most of the increase in demand for world imports was in the developing countries of Asia (whose imports increased by 13.5%), while those of Latin America grew by 7%.

While output and trade were sluggish, financial markets were vibrant. The fast growth of international capital flows that began in 1991 (21%) and continued in 1992 (16%) skyrocketed in 1993, increasing by 32% in the first half of the year. However, after the relative increase in the 1990-1992 period, the proportion of international capital flowing to the developing countries appears to have stabilized. This trend was especially evident in stock purchases by mutual funds and other investors. However, issues of bonds by developing countries increased appreciably during the first half of 1993. The increase was mostly due to the persistence of low interest rates in the industrialized countries, especially the United States. Short-term rates fell throughout the developed world in 1993, although they fluctuated considerably in Europe, in response to volatile exchange rates. Long-term rates also continued to decline, owing to budgetary consolidation in the United States and expectations of lower inflation.

With respect to the significance of the liberalization of world markets for the region, although the North American Free Trade Agreement (NAFTA) was approved with the clear support of the Clinton dministration, the strong opposition it provoked in the United States and Canada does not bode well for the expeditious inclusion of other Latin American countries. Finally, favourable prospects for the GATT negotiations, after years of obstacles, were one of the outcomes of the bilateral agreement between the United States and the EEC, an agreement which left Latin America and other developing countries with the impression that their interests were not taken into account.

b) **Foreign trade and the terms of trade**

The value of the region's merchandise exports grew by less than 5%, reaching US$ 133 billion, thereby maintaining the moderate expansion of the year before. This was quite modest, in comparison with that of the 1987-1990 period, when sales abroad grew by an average of 12% annually. The increase in 1993 was entirely due to the rise in export volume of close to 9%, since the unit values of exports fell by 4%, because of the adverse conditions prevailing in foreign markets (see table 10).

Export performance in the region was also quite mixed. Four countries –Costa Rica, El Salvador, Nicaragua and Paraguay– recorded considerable growth (between 12% and 33%); four others –Argentina, Brazil, Colombia and Mexico– increased their exports by between 6% and 8%; another four –Bolivia, Guatemala, Honduras and Panama– recorded moderate growth; and in two –Uruguay and Venezuela– the value of exports stagnated. In contrast, in four economies –Chile, Ecuador, Peru and the Dominican Republic– the value of exports declined by between 3% and 8%, and in Haiti they plummeted by a third. The value of exports from petroleum-exporting countries barely increased (4%), with unit value falling by 5%, largely because of lower average hydrocarbon prices and a volume increase of 9%. Non-petroleum-exporting countries increased the value of their exports somewhat more (5%), attributable to the larger volumes exported (8%), since there was a 2.5% reduction in unit value.

The value of the petroleum-exporting countries' foreign sales increased from US$ 55.8 billion in 1992 to US$ 58 billion in 1993. The value of **Mexico**'s exports recovered impressively, growing by almost 7%, whereas the year before it had increased by only 2.5%. The improvement in export performance was based on higher non-petroleum exports, especially manufactured goods (15%) and agricultural products (24%). Petroleum revenues fell by more than 10%, due to a slight reduction in volume exported and a drop in the price of the mixture of Mexican crude oils, which slumped from an average of US$ 14.80 a barrel in 1992 to US$ 13.70 in 1993. **Colombia**'s exports recovered (6%) from the decline the year before, led by non-traditional and petroleum sales. Export expansion was limited by lower volumes of coffee shipments and by the decline in the prices of the country's main export commodities, both agricultural and mineral. **Bolivia**'s exports increased moderately (4%), after dropping sharply the previous year. The recovery was driven by non-traditional products, since exports of traditional products contracted, due to lower pipeline gas sales to Argentina, and the enormous drop in mineral prices. **Venezuela**'s exports stagnated in 1993, the result of mutually offsetting trends. On the one hand, petroleum prices remained depressed, continuing their downward trend since the beginning of the decade, which lowered the value of Venezuela's petroleum exports as it had done the previous year. On the other hand, weak domestic demand led to a rise in exportable surpluses in non-traditional export sectors, whose sales abroad increased by more than 20%. **Ecuador**'s exports fell for the first time in six years, by almost 3%. The main reason for the decline was a reduction in foreign banana sales amounting to US$ 200 million, due to restrictions imposed by the EEC. Shrimp exports also declined, mainly because of production problems caused by certain diseases. Petroleum exports, however, increased enough in volume to offset the fall in international crude prices. In **Peru**, despite a rise in exported volume for some products (especially fish meal), the total value of exports was lower than that of the year before, owing to declining international prices (see table 10).

The non-petroleum-exporting countries of South America increased the value of their exports by 5%, despite a 3% drop in unit value. **Brazil**'s foreign sales rose by almost 8%, reaching US$ 38.9 billion, a record high. This increase was mainly based on higher sales of footwear (45%), soya (22%), semi-manufactured steel products (25%) and automotive parts (21%). At the same time, a rise in domestic demand combined with a fall in external demand led to a 19% plunge in motor vehicle sales abroad, while declining international prices reduced orange juice exports by 28%. The rest of Latin America continued to be Brazil's most dynamic export market, especially MERCOSUR, whose growth of 24% consolidated its place as the country's second largest export market. The Asian market was also dynamic, expanding 16%, whereas the North American market (United States and Canada) grew by around the same as the total average (almost 8%), maintaining its 21% share of total exports. The EEC continued to be the largest market with 26% of total exports, despite a 3% drop in 1993. **Argentina**'s exports rebounded (6%), after their modest growth in 1992, almost entirely because of a recovery in prices (which, in any case, remained at depressed levels). The value of exports of primary commodities was similar to that of the previous year, while exports of fuels and industrial products rose considerably, the latter being partially due to a rise in sales of automotive products. Geographically, exports to Brazil increased substantially, greatly reducing the trade deficit with MERCOSUR. **Paraguay**'s exports grew tremendously (33%), thanks to the excellent performance of its main exports. Specifically, foreign sales of soybeans and meat rose considerably. In **Chile**, the combination of lower external demand and deteriorating prices led to a drop of almost 8% in the value of exports, after it had grown at an annual average of 12% in the last seven years. The prices of copper, fish meal and wood pulp –which together represented 50% of Chile's exports in 1992– plummeted by 24%, 36% and 20%, respectively. The price of copper in 1993 reached its lowest level since 1987. Volumes of exported goods probably stagnated also, affected by a sharp drop in some traditional exports (iron, fish meal, wood pulp and fruit), since non-traditional exports continued to grow by more than 10% a year. The value of **Uruguay**'s exports fell by 6%. Lower beef sales and the simultaneous drop in demand and prices in the international wool market led to a clear decline in traditional exports. Non-traditional exports also declined slightly. However, sales to MERCOSUR countries rose, bringing their share of Uruguay's foreign trade to 42%.

The value of exports from the Central American and Caribbean countries for which information was available increased by 6%. If re-exports from the Colón Free Zone in Panama are excluded, the increase in foreign sales from this group of countries was 7%, a clear improvement over the previous year, in which they grew by only 1%. This recovery was mostly due to a rise in volumes exported, since unit values continued to decline, although more slowly than the year before, despite a modest recovery in international coffee prices. Trade among the Central American countries was facilitated, although only temporarily, by their integration into a free trade zone from April onwards, with a new common external tariff. **Costa Rica**'s merchandise exports expanded by around 12% in 1993, despite the problems faced by traditional agricultural export products, especially bananas, whose sales were affected by EEC measures to restrict banana imports from Latin America. Coffee exports, on the other hand, after a steep plunge in value the year before (more than 20%), expanded in 1993, owing especially to an increase in volume and a recovery in prices. Foreign sales of non-traditional goods grew at a high rate, despite the slow-down in demand from the Central American countries and more sluggish growth in the maquiladora industry. In **El Salvador**, the improved performance of merchandise exports –coffee as well as non-traditional goods– was reflected by a 23% growth in the value of sales. Coffee exports increased by 45%, thanks to larger volumes and, to a lesser extent, the rise in prices from May onwards. The value of non-traditional exports grew by 18%, with notable performances by pharmaceutical products, paper and cardboard packaging, textiles and footwear. As in previous years, trade with the countries of the Central American Common Market was more dynamic than trade outside the region. The value of **Guatemala**'s goods exports rose by 3%. Traditional exports stagnated, with moderate increases in coffee, sugar and petroleum, and some declines, especially in banana exports. On the other hand, foreign sales of non-traditional products grew by more than 5%, affected by a rise in exports to Central America and an expansion of the maquila. Both of these, however, decelerated, since the year before their sales had jumped by 25% and 40%, respectively. Goods exports from **Honduras** grew by less than 3%; these were affected by volume declines in bananas, coffee, zinc and sugar, which neutralized the growth of non-traditional exports (20%). The prices of coffee and zinc also declined. The EEC measures affecting banana imports, along with domestic factors, reduced the volume exported. **Nicaragua** saw a significant recovery in the value of its goods exports (19%). This was due especially to strong increases in the sales volumes of certain products, despite continued low international prices for most traditional products. Gold sales, in particular, offset the collapse of cotton exports, and advances in shellfish and beef sales were recorded. **Panama**'s exports grew more slowly (5%), in response to a decline in external demand for the main traditional products –bananas and sugar– and for manufactures. Re-exports from the Colón Free Zone fell, after expanding sharply the year before. The slow-down was undoubtedly influenced by the lower growth rate of imports in the rest of the region. The **Dominican Republic**'s merchandise exports continued to fall (-5%), as a result of declining prices. Exports in **Haiti** continue to plummet, owing to the maintenance of the trade blockade; they plunged to a third of the value they had recorded two years previously.

The value of Latin America and the Caribbean's merchandise imports rose once again –for the fourth year running– although more moderately (8%), reaching US$ 147.7 billion. This expansion, which was facilitated and even stimulated by large volumes of capital inflows, was widespread, although with some important exceptions. The petroleum-exporting countries recorded a rise of 3% in their imports, while those of non-petroleum-exporting countries rose by 13%. The figure for the first group reflects mainly the rise in unit values, since volume increased only slightly. The rise in unit values was mostly accounted for by imports from the United States, which represented a high share of these countries' imports. In non-petroleum-exporting countries, the increase was almost exclusively due to the expansion of the volume of imports, since unit values dropped as a result of the strong decline in oil prices. Imports rose in 14 of the 19 countries for which information was available, while they fell in only six –Bolivia, Ecuador, Haiti, Nicaragua, Peru and Venezuela. Three quarters of the increase in total regional imports came from two countries: Brazil, where imports expanded by almost US$ 5 billion, and Colombia, which recorded a rise of US$ 2.7 billion (25% of the upswing in the region's foreign purchases). Argentina and Chile, both with an increase in imports of close to US$ 1 billion, also contributed significantly to the rise in the region's purchases. Venezuela, however, reduced its imports considerably, contracting by US$ 1 billion, after two years of vigorous expansion (see table 11).

The oil-exporting countries' imports rose from US$ 73.8 billion to US$ 76 billion, in contrast to the US$ 14 billion expansion in 1992. All the countries of that group, with the exception of Colombia, showed a decline or a smaller increase in imports. Imports accelerated sharply (45%) in **Colombia**, reaching US$ 8.75 billion, as a result of the liberalization policy implemented in previous years and of the economic recovery. The highest growth sectors were consumer goods, especially durables, and capital goods, where transport equipment was a key item. In **Mexico**, economic stagnation, particularly in industrial output, left imports virtually unchanged, ending the dynamic growth of the last five years. Indeed, the value of imports in 1993 rose by only 1.5%, as opposed to 26% in 1992. That trend was influenced by the fact that imports of capital goods declined, while those of consumer and intermediate goods rose at much slower rates than in the previous year. **Ecuador**'s imports fell by 6%, as a consequence of fewer foreign purchases of raw materials, agricultural and industrial products, and construction materials. Capital goods and transport equipment imports also declined. However, consumer goods imports, especially non-durables, increased. This contraction in imports is explained by the slow-down in the economy and the effect of advanced purchases made before the major devaluation of September 1992. **Bolivia**'s imports fell by 7%, after rising sharply (29%) the year before. **Peru**'s imports dropped by US$ 100 million, reversing a significant upturn in 1992. It is possible that demand for imported goods declined once the chronic shortage of these goods ended. Also, even though the economy recovered somewhat, it remained depressed, far below past levels. The economic recession in **Venezuela** had a negative effect on imports, which contracted by 8%.

Imports by the non-oil-exporting countries of South America rose from US$ 47.2 billion to almost US$ 54.4 billion. The upswing was widespread, since all the countries of this group significantly increased their foreign purchases. **Brazil**'s imports expanded considerably (25%), surpassing US$ 25 billion, because of the reactivation of demand under the more liberal import regime put into effect in previous years, combined with exchange-rate appreciation. The largest increases were recorded in intermediate goods (especially textiles) and automotive vehicles, in connection with the tariff reform launched in 1991, which drastically reduced rates and eliminated non-tariff barriers affecting those products.

On the other hand, purchases of equipment and other capital goods expanded less. Imports continued to rise in **Argentina**, this time by only 8%, after having almost quadrupled in the last two years. Capital goods purchases rose sharply in 1993, consumer goods somewhat less so, and intermediate inputs stagnated. In a context of moderate restrictions on imports, more use was made in 1993 of instruments like anti-dumping mechanisms and specific duties, but taxes were also reduced on imports of machinery and other inputs. The value of **Chile**'s imports grew by almost 10%, sustained by domestic spending that continued to expand at a high rate, despite slowing down in the second half of the year, since the rise in the first half was 20%. Consumer goods imports increased by 12%, intermediate goods by 6% and capital goods by 20%. The value of **Uruguay**'s imports rose by 8%, a significant slow-down in relation to the previous biennium. The sharp rise in consumer goods purchases, which climbed by 42% (more than trebling consumer goods imports in the last three years), together with sustained demand for capital goods, which expanded by 16%, maintained the expansion of imports, while intermediate goods purchases remained about the same as the year before. The MERCOSUR countries increased their share as suppliers to Uruguay, reaching 48% of total imports. **Paraguay**'s imports also expanded significantly (12%).

In the countries of Central America and the Caribbean for which information was available, the value of imports rose by around 8%. With the exception of Haiti, affected by an international embargo, and Nicaragua, still in the throes of a deep recession, all the countries of this group boosted their foreign purchases. Goods imports in **Costa Rica** increased by 17%, a rate which, although high, was less than the year before, owing to restrictive measures taken during the second half of the year. The considerable rise in imports is explained by the virtually constant exchange rate during the early part of the year, together with a reduction in tariffs, in a climate of significant economic growth, a rise in purchasing power due an increase in real wages, abundant foreign exchange and a notable expansion of the money supply. **El Salvador**'s goods imports grew by 9%, less than the year before. Capital goods showed a huge increase (34%) for the third year in a row, rising to represent 30% of foreign purchases. Acquisitions of transport and industrial equipment and construction materials remained dynamic, while consumer goods imports rose by 6%. The growth of economic activity led to an increase in fuel purchases (9%) and construction materials (19%). **Guatemala**'s imports rose by 5%, with consumer goods rising by 25% and capital goods by 12%. On the other hand, purchases of construction materials, fuels, lubricants and intermediate products declined. **Nicaragua**'s imports fell by 10%. Imports of intermediate and capital goods were affected by the economy's mediocre performance, while petroleum and fuel imports fell by 13%. Consumer goods purchases plummeted by 28% as a result of higher taxes imposed on many of those products, a reduction in domestic demand, and a greater use of accumulated inventory. Imports of goods for domestic activity in **Panama** showed sustained growth (10%), stimulated by the liberalization of tariffs in effect since the beginning of the year. Imports into the Colón Free Zone (to be re-exported) grew at the same rate as those for domestic activity, which slowed their expansion in comparison to their notable performance the three previous years. Imports of goods and services virtually stagnated in the **Dominican Republic**, mostly because of the slump in economic activity. Imports plummeted once again in **Haiti**, owing to the political crisis, with its continuing embargo on trade flows and the lack of international financial aid.

The terms of trade for the region as a whole fell by almost 5% in 1993, owing mainly to the dwindling unit value of exports, which caused that of imports to rise by only 1%. Added to earlier decreases, Latin America and the Caribbean's terms of trade were 32% below their 1988 level and 36% below that of 1980 (see table 12). The downturn affected most of the countries of the region; terms of trade rose only in Argentina, El Salvador, Nicaragua, Paraguay and Uruguay. The oil-exporting countries' terms of trade deteriorated by an average of almost 8%, and by even more than that in Bolivia, Peru and Venezuela. The main reason was the decline in international petroleum prices, but Bolivia and Peru were also affected by the drop in metal prices.

For the South American non-oil-exporting countries, the terms of trade fell by 2%. The drop was more than 9% in Chile, owing to lower copper prices. The decline in Brazil's terms of trade (-2.1%) was caused by eroding export prices for both primary products and manufactures and rising import prices, although partially offset by the decline in petroleum prices. The prices for Argentina's exports, however, recovered, which compensated for higher import prices. The terms of trade in Paraguay and Uruguay improved slightly, owing to a recovery in export prices and lower prices for petroleum, which represents a large share of these countries' imports.

The countries of Central America and the Caribbean suffered a setback, since the terms of trade in almost all of them declined; they fell by 7% in the Dominican Republic and by around 4% in Guatemala and Panama. This phenomenon resulted primarily from the tumbling prices of this group of countries' main export products, including coffee, cotton and ferronickel (see table 12).

The purchasing power of the region's exports, defined as export volume adjusted by the terms of trade, rose by 3.3%, considerably less than the growth in volume, owing to the erosive effects of the deteriorating terms of trade (see table 14). Falling international crude prices limited the rise in the purchasing power of the oil-exporting countries to only 2%, but with huge differences between the countries of this group. The purchasing power of exports rose in Colombia, Mexico and, to a lesser extent, Bolivia, thanks to larger volumes of exports, especially non-traditional products, which offset constraints in the oil market and a decline in the terms of trade. In Peru and Venezuela, however, the purchasing power of exports fell, despite a sharp rise in export volume, since they were negatively affected by the evolution of the terms of trade. Ecuador's exports also saw their purchasing power drop significantly, since volume remained virtually stagnant.

The purchasing power of the exports of non-oil-exporting countries rose by almost 6%, thanks to a strong increase in volume, which more than offset the deterioration in the terms of trade. This was especially true of Brazil, Costa Rica, El Salvador, Nicaragua and Paraguay, whose exports increased in purchasing power by between 9% and 33%, owing to higher volumes exported. The increase was 4% in Argentina, mainly due to a rise in the terms of trade. In contrast, Chile recorded a significant decline, owing to the unfavourable evolution of the terms of trade, which was only partially offset by an expansion of export volume. The Dominican Republic also saw the purchasing power of its exports decline, since volume stagnated. Haiti once again suffered a severe decline in the purchasing power of its exports, due to the plunge in the volume of its foreign sales (see table 14).

c) **The current account and its financing**

The deficit on the current account of the balance of payments increased notably in 1993. The negative balance on this account, which had increased significantly in 1991 to US$ 20 billion and jumped again to US$ 37 billion in 1992, continued to accumulate in 1993, reaching US$ 43 billion. The trade balance was the main culprit, with a deficit growing from US$ 10 billion in 1992 to US$ 15 billion in 1993, owing to a persistent tendency for imports to grow more rapidly than exports (see table 16).

The growing trade gap was mostly due to worse balances in Brazil, Chile and Colombia, which were only partially offset by better results in Mexico and Venezuela. Even though Brazil once again recorded an enormous surplus, it declined from US$ 15.5 billion to US$ 13.5 billion, given the strong rise in imports produced by the recovery of domestic demand in a more liberal trade framework. Colombia's trade balance of over US$ 1 billion in 1992 was transformed into a deficit of a similar magnitude in 1993, since exports stagnated while imports grew, also stimulated by liberalization and expanding demand. The situation was different in Chile, where a trade surplus of US$ 700 million turned into a US$ 900 million deficit. Although imports rose, they did so more slowly than in previous years. But exports also fell, owing to a sharp drop in the price of copper, which still represents around 40% of Chile's exports. Mexico's trade balance improved only slightly, since the deficit of US$ 20.7 billion in 1992 declined to US$ 19.5 billion, mostly due to an increase in non-petroleum exports. Exports in Venezuela remained practically stable, and imports fell by almost US$ 1 billion, when a recession replaced the high growth of the previous three years. Consequently, the trade surplus increased from US$ 1.7 billion to US$ 2.6 billion (see table 15).

The trade balance for goods and services was similar to that for goods, since net payments for non-factor services were again around US$ 5.2 billion. This, however, was due to variations in different directions. Net payments for services increased significantly in Argentina and Brazil, more than offsetting the growth of flows into Mexico and the Dominican Republic and the decline in Venezuela's net payments (see table 16).

After declining between 1991 and 1992, net payments of profits and interest from Latin America and the Caribbean fell only slightly in 1993, from US$ 29.2 billion to US$ 28.9 billion. The main differences from the previous year were a drop of close to US$ 1 billion in Argentina's factor payments (the result of a Brady-style agreement) and a rise of US$ 1.1 billion in Brazil. The factor payments of Mexico and Venezuela also rose somewhat, while those of Chile, Colombia and Panama declined (see table 16).

The region's lower net payments for factor services reflected the net effect of opposite trends. On the one hand, interest due on the external debt fell in practically all of the countries, owing primarily to the decline in international dollar interest rates. On the other hand, remittances of profits from foreign direct investment increased significantly, largely offsetting the slow-down in the global flow of interest payments.

The increase in the region's trade deficit, only partially offset by a small decline in payments of profits and interest, led to a larger deficit on current account, as mentioned above. Generally speaking, the evolution of each country's current account reflected changes in their trade balance, which were much greater than the fluctuations in factor payments. Practically all of the US$ 7 billion deterioration of the balance on current account came from the non-oil-exporting countries of South America. The largest change took place in Brazil, where the surplus fell by 80%, from US$ 6 billion to US$ 1.2 billion, as a result of import growth and an increase in factor payments. Chile's deficit on current account increased considerably, from US$ 900 million in 1992 to US$ 2.3 billion in 1993. Argentina and Paraguay showed slight improvement, and Uruguay a slight decline.

The current account of oil exporters changed little on the whole, but individually they recorded variations that offset one another. Mexico reduced its deficit from almost US$ 23 billion to US$ 21 billion, despite a small increase in payments of profits and interest, and Venezuela's deficit fell from US$ 3.4 billion to US$ 2 billion. In Colombia, on the other hand, a US$ 900 million surplus became a US$ 1.6 billion deficit, since the trade deficit wiped out gains from lower factor payments. Bolivia, Ecuador and Peru recorded little change. As a group, the countries of Central America and the Caribbean had virtually the same results on their current account as in 1992 and 1993, since different countries recorded movements which compensated for one another within the group. Improvements were seen in El Salvador, Nicaragua and the Dominican Republic, and declines in Costa Rica, Guatemala and Panama. Haiti and Honduras changed very little.

Net capital flows to the countries of Latin America and the Caribbean continued to be very positive in 1993, but the sum was somewhat smaller than the year before. The figure for 1993 was US$ 55 billion, compared to US$ 62 billion in 1992. Paradoxically, it was the non-oil-exporting countries of South America, whose balance on current account deteriorated sharply, which suffered the largest reductions of capital inflows, mainly Brazil, Argentina and, to a lesser extent, Chile. Uruguay and Paraguay, on the other hand, recorded strong increases. The net inflow of capital to Brazil fell from US$ 8.8 billion in 1992 to US$ 3.4 billion in 1993. In Argentina, it went from US$ 12.9 billion to US$ 10 billion. Chile received US$ 2.9 billion, as opposed to US$ 3.5 billion the year before. Among the oil-exporting countries, Colombia recorded a considerable increase in capital inflows (more than US$ 1.3 billion), which nearly offset its current-account deficit. In contrast, capital flows to Venezuela fell by half, from US$ 2.3 billion in 1992 to US$ 1.3 billion in 1993, while in Ecuador's case, they declined from US$ 915 million to US$ 825 million. Flows to Bolivia and Peru changed little. The same is true for those to Mexico, which continued to be the main Latin American recipient of foreign capital, absorbing almost half of the regional total. The main changes in Central America and the Caribbean consisted of an increase in Guatemala and a decline in Nicaragua, in accord with changes in their capital accounts.

As during the previous biennium, these capital flows came from a variety of sources, mostly private and in good part non-bank. Indeed, even though official creditors (bilateral and multilateral) still constitute one of the main sources of funds for the small countries of Central America and the Caribbean, Mexico and most of the South American countries managed to attract new kinds of foreign capital from non-bank sources. The main ones are bond issues, stock portfolio investments and foreign direct investment (which had been considerable in the period immediately after the war, but marginal during the 1970s and 1980s).

Bond issues have been the most dynamic source of funds over the last few years. As table 19 shows, they increased from US$ 900 million in 1989 to US$ 19.3 billion in the first 10 months of 1993. Nine Latin American countries issued bonds in 1993. The largest volume (US$ 7.4 billion) was from Mexico, followed by Brazil (US$ 5.5 billion), Argentina (US$ 3.4 billion) and Venezuela (US$ 2.2 billion). Chile, Colombia, Guatemala, Trinidad and Tobago and Uruguay also issued bonds this year for a total value of US$ 900 million. These nine countries issued 181 bonds in 1993, maturing between three and seven and a half years. The spreads between Latin American bonds and United States Treasury bonds have improved, although they continue to be high. The lowest surcharges (around 2% above United States Treasury bills) were those on Mexico's public sector issues. The highest (between 5% and 7% above the Treasury bill rate) were on private sector issues in Argentina and Brazil.

Another new source of foreign capital has been portfolio investment in stocks through local or international stock exchanges. Table 18 gives the prices on the seven main stock exchanges in Latin America. Although returns in 1993 (up to October) were not as high as in recent years, they are still enormous in the international context. Among these gains, in dollar terms, were those of Argentina (39%), Brazil (73%), Chile (10%), Colombia (9%), Mexico (14%) and Peru (35%). On the other hand, yields declined in Venezuela (-11%). Capitalization also increased during the first half of 1993, especially in Argentina, Brazil and Chile. In these three countries taken together, the value of securities quoted on the stock market rose by 47% between the end of 1992 and the end of June 1993, mostly due to the price increases mentioned above. Foreign investors operating in these exchanges are international mutual funds, especially from the United Kingdom and the United States, or direct investors, both institutional (pension funds or insurance companies) and individual. In the first half of 1993, Argentina, Brazil and Chile are estimated to have received US$ 2.6 billion in foreign investments through their stock markets.

Finally, a number of Latin American enterprises have begun to gain access to United States and other international stock markets, usually through American Depositary Receipts (ADRs) in the United States market. ADRs are negotiable certificates issued by United States banks, which represent a packet of shares of foreign companies. They are used by enterprises that lack sufficient market recognition to issue stock directly. Chile's telephone company was the first Latin American enterprise to issue ADRs, but Mexican enterprises have also been very active in this market. Argentina, Brazil, Colombia and Venezuela have also used this instrument with positive results. Up to September 1993, Latin American enterprises had collected US$ 3.2 billion through this mechanism.

Apart from resources attracted by these means, large flows (close to half of the total) entered the region as foreign direct investment, trade credits –which expanded along with the flow of imports–, time deposits in local banks and public debt instruments denominated in local currency.

In spite of the growing deficit on Latin America's current account in 1993 and the simultaneous reduction of net capital inflows, the latter were still comfortably larger than the former. The difference, the global balance of payments, was US$ 12 billion, less than half the US$ 25 billion recorded in 1992. As a result, reserves in most of the countries increased considerably. Only in five countries (Colombia, Haiti, Honduras, Nicaragua and Venezuela) did they decline in 1993. The increases in reserves, however, were notably less than they were the year before in Argentina (US$ 1.8 billion), Brazil (US$ 4.6 billion) and Chile (less than US$ 600 million). Mexico, on the other hand, more than doubled its reserves, which reached US$ 4 billion. Several other countries also recorded increases, although beginning from lower levels. Among these were Bolivia, the Dominican Republic, El Salvador, Panama, Paraguay, and Uruguay (see table 16).

The net transfer of financial resources to Latin America and the Caribbean was positive for the third year in a row, after nine years of negative transfers between 1982 and 1990. Net transfers reached US$ 25.7 billion in 1993, somewhat less than the previous year's figure of US$ 32.8 billion. As in 1992, the largest part (US$ 19.6 billion) went to oil-exporting countries. Only US$ 6 billion went to non-oil-exporting countries. Thus, net transfers dropped to 15.2% of the region's exports of goods and services (as opposed to 20% in 1992), remaining at 26% in the oil-exporting countries and dropping to only 6.7% in the non-oil-exporting countries. In almost every case, the figures were lower than in 1992, especially in Brazil and Venezuela, where they were negative once again. Mexico, however, maintained its large positive figure. Net transfers were more favourable in Guatemala, Panama and Uruguay, while Colombia's negative transfer declined sharply. The main cause of the absolute and relative decline of net transfers was the reduction in net capital flows, since net payments of profits and interest virtually stagnated.

4. External debt

a) Main trends

The external debt of Latin America and the Caribbean grew by US$ 19 billion in 1993, reaching US$ 487 billion by year's end (see table 20). This 4% rise was higher than the previous year's increase and was caused by a number of factors, the main one in the case of the region's larger economies being a large number of bond placements for a total of US$ 19 billion. Loans from bilateral and multilateral sources increased the indebtedness of many smaller countries. Debt in the form of trade credits also grew. At the same time, other factors pulled in the opposite direction. The increasing use of forms of financing that do not create indebtedness, whether direct investment, time deposits or raising funds through equity markets, limited debt growth. Some debt-reduction operations also took place in the course of the year, especially in Argentina.

The growth of the debt was widespread in the region. Only in four countries did the debt contract in 1993: El Salvador (-14%), Guatemala (-4%), Panama (-1%) and Trinidad and Tobago (-12%). Everywhere else, the debt grew, generally at moderate rates. Most of the US$ 19 billion increase in the regional total occurred in Mexico, whose debt rose by US$ 11 billion (9.6%). Other countries with relatively high percentage increases in their debt were Paraguay (5.6%), Chile (5.2%), Argentina (4.6%), Costa Rica (4.4%) and Ecuador (4.2%).

The increase in Mexico's debt should be seen in the context of the massive capital flows that entered the country in 1993, the counterpart to the substantial current-account deposit. Capital inflows totalled US$ 25 billion, so that the additional US$ 11 billion debt accounts for less than half this amount. The increase in the debt was caused primarily by bond placements, many of them by private firms. Other kinds of capital flows (including direct investment in shares and ADRs) were more important than those that create indebtedness. Chile and Costa Rica received considerable capital flows which financed their increased current-account deficits. In both cases, roughly a third of these inflows translated into indebtedness. In the case of Argentina and Brazil, indebtedness was caused primarily by bond placements. Another two countries whose debt grew at relatively high rates, Ecuador and Paraguay, increased their arrears in the course of the year, thereby expanding their debt substantially.

El Salvador managed to reduce its debt by a sizeable percentage, equivalent to US$ 323 billion, despite the increase in its capital account. This was primarily because, as announced in December 1992, the United States Government forgave it debts totalling US$ 464 billion. Part of El Salvador's debt to Mexico and Venezuela was also forgiven.

The secondary market reacted favourably to the moderate increase in Latin America's debt and the continuing process of recovery after a decade of debt crisis. With the exception of Honduras, all the countries of the region saw the price of their debt rise between January and October 1993 (see table 23). The overall average for the region rose from 49% of nominal value in January to almost 63% by October. The biggest increases were for Argentina, Peru and the Dominican Republic. As indicated below, the three countries experienced positive changes in their debt situation in the course of the year.

b) The debt burden

Latin America's external debt burden also contracted during the year, continuing the trend of the past decade. The coefficient reflecting interest due on the external debt as a percentage of exports of goods and services fell from 19.2% in 1992 to 17.6% in 1993; this percentage had been 39% in 1982-1983 (see table 21). The coefficient is still high, however. Many analysts believe that coefficients of over 10% are cause for concern. With the exception of five countries (Costa Rica, Chile, Guatemala, Haiti and Paraguay), all the Latin American countries still have coefficients above this figure. Six countries have coefficients above 20%: Nicaragua (116%), Peru (25%), Bolivia (23%), Brazil (20%), Argentina (22%) and Honduras (22%).

The decline in the interest/export coefficient in 1993 was caused almost exclusively by the increase in exports of goods and services, which grew at a moderate rate (5%), from US$ 161 billion in 1992 to US$ 169 billion in 1993. Interest payments fell only slightly, from US$ 30.8 billion to US$ 30.6 billion, even though there was a steady reduction in interest rates. For example, the LIBOR six-month rate applicable to Latin America's debt dropped from 4.9% in 1992 to 3.5% in 1993. The greater volume of the debt, the smaller proportion of it at floating interest rates and the high rates paid in the case of bonds explain why interest payments contracted so little.

The interest/export coefficient fell in 1993 in all the Latin American countries but one. In the oil-exporting countries, it dropped from 18.4% to 17.1%, while in the non-oil-exporting countries the drop was greater, from 20% to 18%. In Central America and the Caribbean, it fell from 16.7% to 14.6%. It should be noted that the group of Central American and Caribbean countries was the only one where the interest/export coefficient had increased in 1992. Both the 1992 increase and the 1993 reduction were strongly influenced by the coefficient for Nicaragua, whose exports contracted significantly in 1992.

By contrast with the situation in the rest of the region, in Peru the interest/export coefficient rose because foreign sales declined. The interest payments of several Central American countries (Costa Rica, El Salvador and Panama) also rose slightly, but the increase was more than offset by the growth of their exports.

Another way of conceptualizing the debt burden is to consider the debt balance rather than debt flows: for this, the ratio between total external debt and exports of goods and services is calculated, as in table 22. By this yardstick too, Latin America's debt burden can be seen to be shrinking. In 1993, the debt/export coefficient was 293%, compared to 294% in 1992 and 399% in 1987. This reduction was achieved despite a 4% increase in the volume of the debt because exports of goods and services grew even faster (5%).

Despite the overall reduction in the relative debt burden, several countries saw their debt/export coefficient increase. The overall coefficient for the oil-exporting countries rose slightly, from 273% to 279%. Ecuador's increase was particularly marked, since its debt grew and its exports shrank. The increases for Peru and Venezuela were smaller. In the non-oil-exporting countries of both South America and Central America and the Caribbean, the coefficient fell. Brazil led the trend in South America: its coefficient dropped from 325% in 1992 to 308% in 1993. Argentina's coefficient also dropped, from 443% to 436%, while those for Chile and Uruguay rose, matching the evolution of their debt. With the exception of Haiti, whose exports shrank spectacularly because of the political confusion in the country, all the Central American and Caribbean countries saw their debt burden contract, as reflected in a drop in their debt/export ratio. The very high coefficients for Nicaragua and Haiti, however, show that these two countries will require special attention in the coming years. Moreover, most countries of the region still have a coefficient above 200%, often considered a threshold. Only Colombia, Costa Rica, Chile, El Salvador, Guatemala, Paraguay and the Dominican Republic have coefficients below this level.

c) **Debt renegotiation**

In 1993, only three Latin American countries (Argentina, Brazil and the Dominican Republic) took part in debt negotiations with commercial banks under the Brady Plan, since most countries with large bank debts have already regularized their payments. Five countries (Costa Rica, Jamaica, Guatemala, Guyana and Peru) also concluded agreements with the Paris Club in 1993 and some others reached agreements on debt cancellation or other ways of reducing their debt.

The only new Brady accord concluded in 1993 was that for the Dominican Republic. The agreement, reached after a rapid series of negotiations whose conclusion was announced in May, combined the usual Brady Plan conditions with an option representing a far greater degree of debt relief. The agreement applied to US$ 775 million in principal and US$ 260 million in interest arrears. The choice of options for the principal were the following: a buyback at 25 cents on the dollar; a 30-year bond with a 35% discount and an interest rate equal to LIBOR plus 0.8125%; and an 18-year par-value bond with a nine-year grace period, at an interest rate of 3% in the first and second years, 3.5% in the third and fourth years, 4% in the fifth and sixth years and LIBOR plus 0.8125% in subsequent years. Discount bonds are guaranteed by a United States Treasury zero-coupon bond and a renewable interest guarantee; par-value bonds have no collateral. As regards interest arrears, 12.5% must be paid in cash and the remainder converted to 15-year bonds at an interest rate equal to LIBOR plus 0.8125%. The most controversial aspect of the Dominican Republic accord is its "corset" structure, designed to ensure a 50% debt reduction. Although the choice of option has still to be made, it has been agreed that the 50% target will be met. The agreement must be approved by the Congress of the Dominican Republic and by participating banks. Some experts in the financial community believe that the agreement will serve as a precedent for other countries with high interest arrears, such as Ecuador, Panama and Peru.

In April, Argentina announced the finalization of a Brady accord that had been presented in preliminary form in 1992. Under this agreement, US$ 19,286 million were converted to 30-year bonds. The latter include bonds with a 65% discount on the nominal value and a floating interest rate equivalent to LIBOR plus 0.8125%, and par-value bonds at an interest rate that will gradually increase from 1.4% in the first year to 4% by the seventh year. The collateral for both the discount bonds and the par-value bonds is provided by United States Treasury 30-year zero-coupon bonds. A 12-month renewable interest guarantee is also envisaged. In addition to the funds put in by the Argentine Government, the guarantees were financed with US$ 3.2 billion in loans from IMF (US$ 1 billion), the World Bank (US$ 750 million), the Inter-American Development Bank (US$ 650 million) and the Japanese Government (US$ 800 million). Around US$ 8 billion in interest arrears were converted to 12-year bonds at a floating interest rate of LIBOR plus 0.8125%; there is no collateral for these bonds. At the request of the Argentine Government, participant banks agreed that 35% of the debt could be converted to discount bonds. The agreement brought about a reduction of nearly US$ 2.5 billion in debt principal and a further US$ 4.5 billion in interest payments.

Brazil's Brady accord was also announced last year. The agreement for restructuring Brazil's bank debt and interest arrears was concluded in July 1992, but in the absence of IMF agreement could not be signed. The amount of principal covered by the accord was reduced from US$ 44 billion to US$ 35 billion, while the interest arrears amount to approximately US$ 3 billion. In November 1993, an IMF team visited Brazil to evaluate the Government's new economic policy. Approval of the progress made and the targets set paved the way for the signing of the debt restructuring agreement in late November. The accord offers participating banks six options: 30-year discount and par-value bonds similar to those envisaged in the Argentina accord, plus four other kinds of bonds with shorter payment periods. Interest arrears for the period 1991-1992 would be converted to 12-year bonds at a floating interest rate equal to LIBOR plus 0.8125%; interest arrears for earlier years were either paid off or converted to debt instruments in 1992 as a precondition for the accord announced that year.

Assuming that the Brazilian accord goes ahead, Peru will then be the Latin American country with the greatest outstanding debt problems. By the end of 1993, its debt totalled US$ 21.7 billion. In March 1993, a second "support group" for Peru was established, consisting of the United States, Japan and several European countries (the first such group had been disbanded when Peru's Congress was dissolved in April 1992). Bridge loans from the support group enabled Peru to pay interest arrears of US$ 860 million to IMF and US$ 900 million to the World Bank. The two organizations then immediately approved credits for Peru amounting to US$ 1.4 billion and US$ 1.03 billion respectively. In addition to enabling Peru to pay off the bridge loans, the new credits will provide some funds for investment projects. A second phase of the negotiations on Peru's debt took the form of an agreement with the Paris Club to restructure between 1993 and 1995 sums owing to bilateral lenders. The rescheduling of US$ 1,884 million (with a grace period of 6 years 11 months and a repayment period of 6 years 6 months) reduced annual payments during the triennium from US$ 1 billion to US$ 300-350 million. A final phase of negotiations opened in September, when talks began with representatives of the 270 commercial banks to which Peru owes money. Peru's commercial bank debt consists of US$ 6,067 million in long-term loans, US$ 813 million in short-term debt and around US$ 2 billion in arrears on principal and interest payments. It is hoped that an agreement will be reached next year.

Other outstanding debt problems include those of countries whose indebtedness is low in absolute terms but whose debt burden is appreciable. Many of these countries have a large bilateral debt. As part of the process of solving their debt problems, four small Latin American countries rescheduled their debts with the Paris Club, as Peru did, in 1993: Jamaica (US$ 291 million), Guatemala (US$ 440 million), Guyana (US$ 39 million) and Costa Rica (57 million) (see table 24).

Poorer countries benefited from cancellations or other very favourable conditions for a portion of their debt. Bolivia, for instance, virtually eliminated its commercial bank debt by means of an US$ 180 million agreement signed during the annual IDB meeting in April 1993. Roughly half the debt was paid off by means of buybacks at 16 cents on the dollar, financed by grants from the World Bank and governments of industrialized countries. The remainder was divided between bonds to be placed with non-governmental organizations for environment and development projects and 30-year bonds whose yield is linked to tin prices. Various debt cancellations were also announced. The United Kingdom Government cancelled £ 48 million of Guyana's £ 54 million bilateral debt. Switzerland and the Netherlands cancelled US$ 43 million of the bilateral debt of Honduras (US$ 41 million owed to Switzerland and US$ 2 million owed to the Netherlands). The Netherlands also forgave Nicaragua US$ 6.5 million in debt service liabilities, over and above the US$ 29 million in cumulative arrears cancelled in 1991, and Denmark agreed to suspend collection of Nicaragua's debt service for the next five years. These debt cancellations notwithstanding, the debt burden of many lower-income countries remains very large and must be dealt with systematically.

TABLES AND GRAPHICS

Table 1
LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS [a]

Indicators	1986	1987	1988	1989	1990	1991	1992	1993[b]
Gross domestic product at market prices (index, base year 1980=100)	106.7	110.1	111.0	112.0	112.4	116.6	120.0	123.9
Population (millions of inhabitants)	392.8	400.9	408.9	417.0	425.1	433.2	441.3	449.0
Per capita gross domestic product (index, base year 1980=100)	93.6	94.7	93.6	92.6	91.1	92.8	93.8	95.0
Growth rates								
Gross domestic product	4.2	3.2	0.8	0.9	0.3	3.8	3.0	3.2
Per capita gross domestic product	2.0	1.2	-1.2	-1.0	-1.6	1.8	1.1	1.3
Consumer prices [c]	64.1	208.9	773.7	1 205.7	1 185.2	198.6	416.8	796.6
Terms of trade (goods)	-11.0	-0.9	-0.3	1.2	-0.9	-8.7	-5.6	-4.9
Purchasing power of exports of goods	-11.9	7.9	8.2	4.5	5.4	-2.8	2.9	3.3
Current value of exports of goods	-15.7	14.5	13.9	9.8	9.8	-0.8	5.1	4.5
Current value of imports of goods	2.5	12.6	14.0	6.6	15.8	18.2	22.7	7.7
Billions of dollars								
Exports of goods	77.6	88.7	101.1	111.0	121.9	120.9	127.2	132.9
Imports of goods	59.7	67.2	76.7	81.7	94.6	111.8	137.2	147.7
Trade balance (goods)	17.9	21.5	24.4	29.3	27.3	9.1	-10.0	-14.8
Net payments of profits and interest	32.4	31.3	34.0	37.6	34.8	31.0	29.2	28.9
Balance on current account [d]	-17.4	-10.9	-11.0	-6.7	-6.5	-20.2	-36.9	-42.6
Net movement of capital [e]	9.9	15.2	5.3	9.7	20.7	39.3	62.0	54.6
Global balance [f]	-7.5	4.3	-5.7	3.0	14.2	19.1	25.1	12.0
Total gross external debt [g]	401.0	427.4	419.6	422.7	439.1	456.6	468.1	487.0
Net transfer of resources [h]	-22.5	-16.1	-28.7	-27.9	-14.1	8.3	32.8	25.7

Source: ECLAC, on the basis of official figures.
[a] The figures for the gross domestic product and consumer prices refer to the group of countries included in table 2, except Cuba (23 countries) and table 5, respectively. The data on the external sector correspond to the 19 countries listed in the table on the balance of payments of Latin America and the Caribbean. [b] Preliminary estimates, subject to revision. [c] Variation from December to December. [d] Includes net unrequited private transfer payments. [e] Includes long- and short-term capital, unrequited official transfer payments, and errors and omissions. [f] Corresponds to the variation in international reserves (of opposite sign) plus counterpart items. [g] See the notes to the table "Latin America and the Caribbean: total disbursed external debt". [h] Corresponds to net inflow of capital, less net payments of profits and interest.

Table 2
LATIN AMERICA AND THE CARIBBEAN: GROWTH OF TOTAL GROSS DOMESTIC PRODUCT
(Percentages based on values at 1980 prices)

	Annual growth rates							Cumulative variation	
	1987	1988	1989	1990	1991	1992	1993[a]	1981-1990	1991-1993[a]
Latin America and the Caribbean[b]	**3.2**	**0.8**	**0.9**	**0.3**	**3.8**	**3.0**	**3.2**	**12.4**	**10.3**
Oil-exporting countries	**2.7**	**2.0**	**0.1**	**4.1**	**4.5**	**3.3**	**1.2**	**15.1**	**9.3**
Bolivia	2.6	3.0	3.2	4.6	4.6	2.8	3.0	1.2	10.9
Colombia	5.6	4.2	3.5	4.0	1.9	3.6	4.5	43.6	10.3
Ecuador	-4.8	8.8	0.2	2.0	4.7	3.3	1.5	20.4	10.0
Mexico	1.9	1.2	3.3	4.4	3.6	2.6	1.0	17.9	7.2
Peru	8.0	-8.4	-11.5	-5.6	2.1	-2.7	6.5	-11.4	5.8
Trinidad and Tobago	-4.6	-3.3	-0.5	2.2	1.8	-0.6	-1.0	-19.6	0.1
Venezuela	3.8	5.9	-7.8	6.8	10.2	6.9	-1.0	4.2	16.6
Non-oil-exporting countries[b]	**3.6**	**-0.1**	**1.5**	**-2.4**	**3.2**	**2.8**	**4.7**	**10.4**	**11.0**
South America	**3.5**	**-0.1**	**1.3**	**-2.7**	**3.3**	**2.6**	**5.0**	**10.1**	**11.3**
Argentina	2.7	-2.1	-6.2	-0.1	8.9	8.6	6.0	-8.7	25.4
Brazil	3.6	-0.1	3.3	-4.4	0.9	-0.9	4.5	16.5	4.6
Chile	5.7	7.5	9.8	2.0	5.8	10.3	6.0	32.7	23.6
Guyana	1.1	-2.3	-4.5	-2.7	5.5	7.7	4.0	-24.3	18.1
Paraguay	4.5	6.7	5.9	3.1	2.3	1.7	3.5	36.6	8.0
Suriname	-6.2	8.2	4.2	-1.7	-2.5	-5.0[a]	...	3.4	-7.4[f]
Uruguay	7.7	-0.3	1.3	0.9	2.9	7.4	2.0	3.2	12.7
Central America and the Caribbean[b]	**4.5**	**-0.2**	**3.5**	**1.3**	**1.9**	**4.5**	**1.3**	**13.8**	**8.1**
Bahamas	4.6	2.3	2.0	4.8	-3.2	1.0	2.5	31.2	39.5
Barbados	2.6	3.5	3.6	-3.5	-4.3	-4.0	...	8.3	-8.2[f]
Belize	12.2	6.1	12.4	10.2	3.2	7.6	3.5	54.8	14.8
Cuba[c]	-3.9	2.2	0.8	...	...	...	...	42.0[e]	...
Haiti	-0.7	0.9	1.0	-0.2	0.6	-10.5	-11.0	-3.8	-19.7
Jamaica	6.5	2.2	7.4	5.3	0.2	1.5	2.0	22.6	3.7
Panama	2.2	-15.9	-0.2	5.2	9.1	8.0	5.5	6.3	24.3
Dominican Republic	8.7	0.8	4.5	-4.9	-1.0	6.8	2.0	22.2	7.7
Central American Common Market	**3.3**	**1.7**	**3.3**	**2.3**	**2.7**	**5.0**	**4.2**	**9.7**	**12.3**
Costa Rica	4.5	3.2	5.5	3.4	2.1	6.8	6.0	25.1	15.7
El Salvador	2.7	1.5	1.1	3.4	3.3	4.7	5.0	-1.1	13.6
Guatemala	3.6	4.0	3.7	2.9	3.5	4.7	4.0	8.8	12.8
Honduras	4.9	4.9	4.7	-0.4	2.1	5.7	3.5	25.5	11.8
Nicaragua	-0.7	-13.6	-1.7	-0.2	-0.4	0.8	-1.0	-14.0	-0.3
OECS countries[d]	**6.1**	**8.7**	**4.8**	**4.5**	**2.5**	**3.3**	**...**	**68.4**	**5.9**[f]
Antigua and Barbuda	8.7	7.7	5.2	2.8	1.6	1.7	...	79.0	3.3[f]
Dominica	6.8	7.9	-1.1	6.6	2.1	2.6	2.0	54.8	6.6
Grenada	6.0	5.8	5.7	5.2	2.9	0.6	...	58.5	3.5[f]
Saint Kitts and Nevis	7.4	9.8	6.7	3.0	3.7	3.6	...	75.3	7.4[f]
Saint Lucia	2.2	12.1	4.6	3.9	1.6	6.6	...	59.0	8.3[f]
Saint Vincent and the Grenadines	5.8	8.6	7.2	7.1	4.6	4.7	...	85.8	9.5[f]

Source: ECLAC, on the basis of official figures converted into dollars at constant 1980 prices.
[a] Preliminary estimates, subject to revision. Figures for 1993 have been rounded to the nearest ten or five. [b] Does not include Cuba. [c] Refers to total social product. [d] OECS = Organization of Eastern Caribbean States. [e] Refers to the 1980-1989 period. [f] Refers to the 1990-1992.

Table 3

LATIN AMERICA AND THE CARIBBEAN: GROWTH OF PER CAPITA GROSS DOMESTIC PRODUCT

(Percentages based on values at 1980 prices)

	Annual growth rates							Cumulative variation	
	1987	1988	1989	1990	1991	1992	1993[a]	1981-1990	1991-1993[a]
Latin America and the Caribbean[b]	**1.2**	**-1.2**	**-1.0**	**-1.6**	**1.8**	**1.1**	**1.3**	**-8.9**	**4.3**
Oil-exporting countries	**0.5**	**-0.2**	**-2.0**	**1.9**	**2.4**	**1.2**	**-0.8**	**-8.3**	**2.8**
Bolivia	0.1	0.5	0.7	2.1	2.1	0.4	0.8	-21.2	3.2
Colombia	3.7	2.3	1.7	2.2	0.2	1.8	2.8	17.9	4.8
Ecuador	-7.0	6.2	-2.2	-0.4	2.4	1.0	-0.5	-6.6	2.9
Mexico	-0.4	-1.0	1.1	2.2	1.4	0.5	-1.3	-6.4	0.7
Peru	5.8	-10.3	-13.3	-7.5	0.0	-4.7	4.4	-28.9	-0.5
Trinidad and Tobago	-5.9	-4.5	-1.8	1.0	0.6	-1.7	-2.0	-29.6	-3.2
Venezuela	1.3	3.4	-9.9	4.4	7.8	4.6	-3.1	-19.0	9.3
Non-oil-exporting countries[b]	**1.6**	**-1.9**	**-0.4**	**-4.1**	**1.4**	**1.0**	**3.0**	**-9.4**	**5.4**
South America	**1.7**	**-1.8**	**-0.4**	**-4.3**	**1.6**	**1.0**	**3.4**	**-9.0**	**6.2**
Argentina	1.3	-3.3	-7.4	-1.3	7.6	7.4	4.8	-20.2	21.0
Brazil	1.6	-2.0	1.4	-6.1	-0.8	-2.5	2.9	-5.2	-0.5
Chile	3.9	5.7	8.0	0.3	4.1	8.5	4.4	12.2	17.9
Guyana	1.1	-2.3	-4.6	-3.1	4.8	6.8	3.0	-27.8	15.2
Paraguay	1.4	3.6	2.9	0.2	-0.5	-1.0	1.0	0.5	-0.6
Suriname	-8.0	6.1	2.2	-3.6	-4.3	-6.8	...	-13.8	-10.8
Uruguay	7.1	-0.9	0.8	0.3	2.3	6.8	1.4	-2.8	10.7
Central America and the Caribbean[b]	**2.1**	**-2.4**	**1.1**	**-1.0**	**-0.5**	**2.0**	**-1.9**	**-9.5**	**-0.6**
Bahamas	2.7	0.5	0.2	3.0	-4.9	-0.7	0.9	8.1	-4.7
Barbados	2.3	3.1	3.3	-3.8	-4.6	-4.3	...	5.0	-8.7
Belize	9.2	3.3	9.5	7.6	1.0	5.4	1.4	19.6	7.9
Cuba[c]	-4.8	1.1	-0.3	...	...	...	...	-4.1	...
Haiti	-2.6	-1.1	-1.0	-2.2	-1.4	-12.3	-12.6	-20.6	-24.4
Jamaica	5.5	1.3	6.5	4.4	-0.8	0.5	1.0	8.1	0.6
Panama	0.2	-17.6	-2.2	3.0	7.0	6.0	3.5	-13.6	17.4
Dominican Republic	6.3	-1.4	2.2	-6.9	-3.0	4.6	-0.1	-2.9	1.4
Central American Common Market	**0.7**	**-0.9**	**0.6**	**-0.4**	**-0.2**	**2.0**	**1.2**	**-15.0**	**3.1**
Costa Rica	1.6	0.4	2.6	0.7	-0.4	4.2	3.5	-5.8	7.4
El Salvador	1.0	-0.3	-0.8	1.4	1.2	2.5	2.7	-13.5	6.5
Guatemala	0.7	1.0	0.8	0.0	0.6	1.8	1.0	-18.2	3.4
Honduras	1.7	1.7	1.6	-3.4	-1.0	2.6	0.7	-8.2	2.3
Nicaragua	-3.0	-15.6	-4.3	-3.2	-3.9	-3.0	-4.6	-34.5	-11.0
OECS countries[d]	**5.4**	**8.0**	**4.2**	**3.8**	**1.9**	**2.6**	**...**	**59.2**	**...**
Antigua and Barbuda	8.1	7.1	4.5	2.1	0.7	0.7	...	68.0	...
Dominica	7.1	8.1	-0.9	6.9	2.4	2.9	2.6	61.2	8.1
Grenada	5.8	5.6	5.5	5.0	2.7	0.4	...	55.1	...
Saint Kitts and Nevis	7.9	10.3	7.7	3.0	3.7	3.6	...	83.6	...
Saint Lucia	0.7	10.5	3.2	2.5	0.3	5.2	...	37.5	...
Saint Vincent and the Grenadines	4.8	7.5	6.2	6.1	3.6	3.7	...	70.2	...

Source: ECLAC, on the basis of official figures. Population figures have been estimated by the Latin American Demographic Centre (CELADE).

[a] Preliminary estimates, subject to revision. [b] Does no include Cuba. [c] Refers to total social product.

[d] OECS = Organization of Eastern Caribbean States.

Table 4

LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYMENT

(Average annual rates)

	1985	1986	1987	1988	1989	1990	1991	1992	1993[a]
Argentina [b]	6.1	5.6	5.9	6.3	7.6	7.5	6.5	7.0	9.5
Bolivia [c]	5.8	7.0	7.2	11.6	10.2	9.5	10.2	5.8	5.4
Brazil [d]	5.3	3.6	3.7	3.8	3.3	4.3	5.0	5.9	5.6
Colombia [e]	14.1	13.8	11.8	11.2	9.9	10.3	10.0	10.0	8.5
Costa Rica [b f]	6.7	6.7	5.9	6.3	3.7	5.4	6.0	4.3	...
Chile [g]	17.0	13.1	11.9	10.2	7.2	6.5	7.3	5.0	4.7
Ecuador [h]	10.4	10.7	7.2	7.4	7.9	6.1	8.5	8.9	9.1
El Salvador [b]	...	...	...	9.4	8.4	10.0	8.0	...	...
Guatemala [i]	12.0	14.0	11.4	8.8	6.2	6.4	6.7	6.1	5.5
Honduras [j]	11.7	12.1	11.4	8.7	7.2	6.9	8.5	6.4	7.5
Mexico [k]	4.4	4.3	3.9	3.5	2.9	2.9	2.7	3.2	3.4
Panama [l]	15.7	12.7	14.1	21.1	20.4	20.0	16.1	13.6	12.4
Paraguay [m]	5.1	6.1	5.5	4.7	6.1	6.6	5.1	6.0	...
Peru [n]	10.1	5.4	4.8	7.9	7.9	8.3	5.9	9.4	...
Uruguay [o]	13.1	10.7	9.3	9.1	8.6	9.3	8.9	9.3	9.0
Venezuela [p]	14.3	12.1	9.9	7.9	9.7	10.5	8.7	7.1	6.9

Source: ECLAC and PREALC, on the basis of official figures.

[a] Preliminary figures. [b] National urban. [c] National. From 1991 onwards, refers to the capitals of nine departments (37% of total population). [d] Metropolitan areas of Rio de Janeiro, São Paulo, Belo Horizonte, Porto Alegre, Salvador and Recife. 1993 figure corresponds to the average for January-September. [e] Bogotá Barranquilla, Medellín and Cali. 1993 figure corresponds to the average for March, June and September. [f] From 1987 onwards the figures are not strictly comparable with those for preceding periods, owing to changes in the methodology for multi-purpose household surveys. [g] Greater Santiago. Data relate to the metropolitan area of Santiago. From October 1985 onwards, the figures are not strictly comparable with those for preceding periods, owing to changes in the make-up and size of the samples. [h] Country total. From 1986 onwards, Permanent Household Survey in Quito, Guayaquil and Cuenca. [i] Country total. [j] Country total up to 1985; 1986: urban labour force survey; 1987: Central District and San Pedro de Sula and five cities; 1988: national urban; from 1989 on: Tegucigalpa. [k] Metropolitan areas of Mexico City, Guadalajara and Monterrey. 1993 figure corresponds to the average for January-August. [l] Metropolitan Region. 1991-1993, national. [m] Asunción, Fernando de la Mora, Lambaré and the urban areas of Luque and San Lorenzo, 1992, estimate. [n] Metropolitan Lima. [o] Montevideo. [p] 1985, 1991-1993, national; 1993 figure refers to first six months of year.

Table 5

LATIN AMERICA AND THE CARIBBEAN: VARIATIONS IN CONSUMER PRICE INDEXES

(December-December variations)

	1985	1986	1987	1988	1989	1990	1991	1992	1993 [a]
Latin America and the Caribbean	**280.1**	**64.1**	**208.9**	**773.7**	**1 205.7**	**1 185.2**	**198.6**	**416.8**	**796.6**
Argentina	385.4	81.9	174.8	387.7	4 923.3	1 343.9	84.0	17.5	7.7 [b]
Barbados	2.4	-0.5	6.3	4.4	6.6	3.4	8.1	3.3	0.3 [c]
Bolivia	8 170.5	66.0	10.7	21.5	16.6	18.0	14.6	10.4	9.2 [b]
Brazil	239.1	59.2	394.6	993.3	1 863.6	1 585.2	475.1	1 149.1	2 244.0 [b]
Colombia	22.3	21.0	24.0	28.2	26.1	32.4	26.8	25.1	21.2 [b]
Costa Rica	11.1	15.4	16.4	25.3	10.0	27.3	25.4	17.0	9.2 [d]
Chile	26.4	17.4	21.4	12.7	21.4	27.3	18.7	12.7	12.2 [b]
Ecuador	24.4	27.3	32.5	85.7	54.3	49.5	49.0	60.2	32.2 [b]
El Salvador	31.9	30.3	19.6	18.2	23.5	19.3	9.8	20.2	13.5 [d]
Guatemala	27.9	21.4	9.3	12.3	20.2	59.8	10.0	14.3	12.8 [b]
Haiti	17.4	-11.4	-4.1	8.6	10.9	26.1	6.6	18.0	60.0 [e]
Honduras	4.2	3.2	2.9	6.6	11.4	35.2	24.5	6.5	13.4 [b]
Jamaica	23.3	10.4	8.4	8.9	17.2	29.7	76.7	40.2	24.8 [d]
Mexico	63.7	105.7	159.2	51.7	19.7	29.9	18.9	11.9	8.7 [b]
Nicaragua	334.3	747.4	1 347.2	33 547.6	1 689.1	13 490.2	775.4	3.9	28.3 [d]
Panama	0.4	0.4	0.9	0.3	-0.2	1.2	2.4	1.6	1.6 [d]
Paraguay	23.1	24.1	32.0	16.9	28.5	44.1	11.8	17.8	19.5 [b]
Peru	158.3	62.9	114.5	1 722.6	2 775.3	7 649.6	139.2	56.7	41.3 [b]
Dominican Republic	28.3	6.5	25.0	57.6	41.2	100.7	3.9	6.7	3.3 [d]
Trinidad and Tobago	6.5	9.9	8.3	12.1	9.3	9.5	2.3	8.5	11.5 [f]
Uruguay	83.2	70.6	57.3	69.0	89.2	129.0	81.5	58.9	52.3 [b]
Venezuela	7.3	12.7	40.3	35.5	81.0	36.5	31.0	31.9	44.1 [b]

Source: International Monetary Fund, *International Financial Statistics*, November 1993, and information provided by the countries.

[a] Figures correspond to the variation in prices during the 12-month period ending in the month indicated for each country.
[b] Corresponds to the variation between November 1992 and November 1993. [c] Corresponds to the variation between August 1992 and August 1993. [d] Corresponds to the variation between October 1992 and October 1993. [e] Corresponds to the variation between September 1992 and September 1993. [f] Corresponds to the variation between July 1992 and July 1993.

Table 6
LATIN AMERICA AND THE CARIBBEAN: REAL AVERAGE WAGES

	1985	1986	1987	1988	1989	1990	1991	1992	1993[a]
	Average annual indexes (1980 = 100)								
Argentina[b]	107.8	109.5	103.0	97.3	83.3	78.7	81.8	81.4	81.0[k]
Brazil									
Rio de Janeiro[c]	111.8	121.5	105.4	103.2	102.3	87.6	87.8	109.4	114.9[k]
São Paulo[d]	120.4	150.7	143.2	152.1	165.2	142.1	125.4	135.7	144.6[k]
Colombia[e]	114.6	120.1	119.2	117.7	119.4	113.4	115.3	119.1	124.0[m]
Costa Rica[f]	92.2	97.8	89.2	85.2	85.7	87.2	83.1	88.5	...
Chile[g]	93.5	95.1	94.7	101.0	102.9	104.8	109.9	114.9	119.2[l]
Mexico[h]	75.9	71.5	71.3	71.7	75.2	77.9	83.0	89.0	92.1[m]
Peru[i]	77.6	97.5	101.3	76.1	41.5	36.2	41.8	40.4	...[o]
Uruguay[j]	67.3	71.9	75.2	76.3	76.1	70.6	73.2	74.8	79.7[p]
	Percentage variation with respect to the same period of the preceding year								
Argentina	-15.2	1.6	-5.9	-5.5	-14.4	-5.5	3.9	-0.5	-0.5
Brazil									
Rio de Janeiro	6.4	8.7	-13.3	-2.1	-0.9	-14.4	0.2	24.6	5.0
São Paulo	24.4	25.2	-5.0	6.2	8.6	-14.0	-11.8	8.2	6.6
Colombia	-3.0	4.8	-0.7	-1.3	1.4	-5.0	1.7	3.3	4.1
Costa Rica	9.1	6.1	-9.7	-4.5	0.6	1.7	-4.7	6.5	...
Chile	-3.8	1.7	-0.4	6.7	1.9	1.8	4.9	4.5	3.7
Mexico	1.5	-5.8	-0.3	0.6	4.9	3.6	6.5	7.2	3.5
Peru	-11.0	25.6	3.9	-24.9	-45.5	-12.8	15.5	-3.3	...
Uruguay	-6.8	6.8	4.6	1.5	-0.3	-7.2	3.7	2.2	6.6

Source: ECLAC, on the basis of official figures.
[a] Preliminary figures. [b] Average total wages in manufacturing. Twelve-month average. [c] Average wages in basic industry, deflated by the CPI for Rio de Janeiro. Twelve-month average. [d] Wages in manufacturing in the State of São Paulo, deflated by the cost-of-living index for the city of São Paulo. Twelve-month average. [e] Wages of manual workers in manufacturing. [f] Average remunerations declared by persons covered by the social security system. [g] Up to April 1993: average wages of non-agricultural workers. Twelve-month average. As from May 1993: general index of howly wages, base April 1993=100. [h] Average wages in manufacturing. Twelve-month average. [i] Wages of private-sector manual workers in the Lima metropolitan area. [j] Index of average real wages. Twelve-month average. [k] January-August average. [l] January-October average. [m] January-October average. [n] January-June average. [o] Average of February, April and June. [p] January-September average.

Table 7
LATIN AMERICA AND THE CARIBBEAN: REAL URBAN MINIMUM WAGES

	1985	1986	1987	1988	1989	1990	1991	1992	1993[a]
	Average annual indexes (1980 = 100)								
Argentina [b]	113.1	110.0	120.8	93.5	42.1	40.2	56.0	44.0	49.3[m]
Brazil [c]	88.9	89.0	72.6	68.7	72.1	53.4	59.9	53.2	56.2[n]
Colombia [d]	109.4	114.2	113.0	109.9	110.8	107.9	104.3	101.6	105.8[m]
Costa Rica [e]	112.2	118.7	117.9	114.6	119.4	120.5	111.8	111.5	112.8[n]
Chile [f]	76.4	73.6	69.1	73.9	79.8	87.5	95.6	100.0	104.6[m]
Ecuador [g]	60.4	65.0	61.4	53.4	46.5	36.2	30.4	29.5	21.4[n]
Mexico [h]	71.1	64.9	61.5	54.2	50.8	45.5	43.6	42.1	41.6[m]
Paraguay [i]	99.6	108.3	122.6	135.2	137.5	131.6	125.8	115.5	...
Peru [j]	54.4	56.4	59.7	52.0	25.1	23.4	15.9	16.3	...
Uruguay [k]	93.2	88.5	90.3	84.5	78.0	69.1	62.0	60.0	52.4[n]
Venezuela [l]	96.8	90.4	108.7	89.5	72.9	59.3	55.1	60.7	...
	Percentage variation with respect to the same period of the preceding year								
Argentina	-32.5	-2.7	9.8	-22.6	-55.0	-4.5	39.3	-21.4	12.0
Brazil	1.7	0.1	-18.4	-5.4	4.9	-25.9	12.2	-11.2	5.6
Colombia	-3.6	4.4	-1.1	-2.7	0.8	-2.6	-3.3	-2.6	4.1
Costa Rica	7.5	5.8	-0.7	-2.8	4.2	0.9	-7.2	-0.3	1.2
Chile	-5.3	-3.7	-6.1	6.9	8.0	9.6	9.3	4.6	4.6
Ecuador	-3.8	7.6	-5.6	-13.0	-12.9	-22.2	-16.0	-3.0	-27.5
Mexico	-1.7	-8.7	-5.2	-11.9	-6.3	-10.4	-4.2	-3.4	-1.2
Paraguay	6.2	8.7	13.2	10.3	1.7	-4.3	-4.4	-8.2	...
Peru	-12.7	3.7	5.9	-12.9	-51.7	-6.8	-32.1	2.5	...
Uruguay	5.0	-5.0	2.0	-6.4	-7.7	-11.4	-10.3	-3.2	-12.7
Venezuela	45.6	-6.6	20.2	-17.7	-18.5	-18.7	-7.1	10.2	...

Source: ECLAC, on the basis of official figures.
[a] Preliminary figures. [b] Nationwide mimimum wage; 1990: not applicable. [c] Minimum wage in the city of Rio de Janeiro, deflated by the corresponding CPI. [d] Minimum wage in upper urban sectors. [e] Nationwide minimum wage. [f] Minimum income. [g] General minimum official living wage. [h] Minimum wage in Mexico City, deflated by the corresponding CPI. [i] Minimum wage in Asunción. [j] Minimum wage in the Lima metropolitan area for non-agricultural activities. [k] Nationwide minimum wage for persons over 18 years of age. [l] Nationwide minimum wage for non-agricultural activities. [m] January-October average. [n] January-September average.

Table 8

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

(Percentages of gross domestic product)

	Coverage	1987	1988	1989	1990	1991	1992	1993[b]
Argentina	NNFPS	-4.6	-6.0	-3.8	-3.8	-1.6	-0.1	-
Bolivia	NFPS	-8.1	-6.6	-6.6	-5.8	-4.9	-6.8	-6.0
Brazil	NFPS [c]	-5.7	-4.8	-6.9	1.2	0.3	-2.3	-
Colombia	NFPS	1.9	-2.5	-2.4	-0.3	0.1	-0.6	-0.6
Costa Rica	CG	-2.0	-2.5	-4.1	-4.4	-3.2	-1.9	-1.5
Chile	NFPS	2.6	3.9	5.5	1.5	1.7	2.8	...
Ecuador	NFPS	-9.6	-5.3	-1.4	0.1	-1.0	-1.5	-0.2
El Salvador	CG	-3.8	-3.2	-4.9	-3.2	-4.6	-4.5	-3.2
Guatemala	CG	-2.5	-2.5	-3.8	-2.3	-0.1	-0.5	-1.0
Haiti	CG	-7.0	-5.2	-6.6	-5.9	-3.8	-2.1	-2.5
Honduras	CG	-6.6	-6.9	-7.3	-6.3	-4.8	-5.0	-6.9
Mexico	CPS	-15.5	-12.5	-5.7	-4.0	-0.4[d]	1.5[d]	1.0[d]
	CG	-14.3	-9.7	-5.1	-2.8	3.2	4.5	...
Nicaragua	CG	-16.6	-26.6	-6.7	-17.2	-8.0	-7.9	-5.8
Panama	CG	-4.6	-5.4	-7.1	6.8	-2.7	-1.2	...
Paraguay	CG	-0.1	0.7	1.5	3.0	-0.2	-1.0	0.5
Peru	CG	-5.7	-2.5	-4.2	-2.5	-1.6	-1.7	0.6
Dominican Republic	CG	-2.2	-1.6	-0.1	0.3	0.8	2.9	0.3
Uruguay	CPS	-4.0	-4.5	-6.1	-2.5	-	0.5	-1.0
	CG	-1.3	-2.0	-3.4	-0.1	0.4	0.3	-0.1
Venezuela	NFPS	-4.4	-8.6	-1.3	1.0	0.6	-5.7	-6.0

Source: ECLAC, on the basis of official figures.

Note: The following abbreviations are used in this table: CG = Central Government. NFPS = Non-financial public sector. NNFPS = National non-financial public sector, excluding provinces and municipalities. CPS = Consolidated public sector.

[a] Calculated on the basis of figures in local currency at current prices. [b] Preliminary estimates. [c] Operational deficit.

[d] Excluding income from privatization operations.

Table 9

LATIN AMERICA AND THE CARIBBEAN: REAL EFFECTIVE EXCHANGE RATE INDEXES FOR EXPORTS [a]

(Indexes 1985=100)

Country	Deflator	1978	1979-1981	1982-1984	1985	1986	1987	1988	1989	1990	1991	1992	1993[b]
						Oil exporting countries							
Bolivia	CPI	143	137	107	100	136	139	147	135	194	216	235	244
	CPI [c]	128	102	108	100	134	143	150	162	194	192	196	192
Colombia	CPI	94	88	81	100	132	147	150	153	173	168	155	147
	WPI	100	95	85	100	125	138	139	139	160	155	150	146
Ecuador	CPI	74	73	83	100	110	125	146	150	159	151	149	141
Mexico [d]	CPI	95	82	108	100	139	145	118	110	108	98	91	85
	WPI	101	88	113	100	131	133	112	107	107	96	89	82
Peru	CPI	108	93	80	100	89	81	84	52	43	35	34	38
Venezuela	CPI	97	88	87	100	121	161	156	184	192	179	170	170
	WPI	110	103	97	100	111	136	142	153	170	168	163	164
						Non-oil-exporting countries							
South America													
Argentina	CPI	101	69	104	100	107	131	137	144	113	85	80	73
	WPI	108	86	97	100	122	155	138	131	134	139	154	147
Brazil	CPI	65	79	86	100	106	104	94	72	65	76	83	75
	WPI	95	104	99	100	105	109	98	75	70	88	98	93
Chile	CPI	82	70	75	100	123	134	141	133	140	138	132	132
	WPI	105	80	86	100	115	122	140	134	142	134	128	129
Paraguay [e]	CPI	88	66	79	100	107	115	120	125	125	108	111	115
Uruguay	CPI	107	78	86	100	99	103	111	111	129	111	102	93
	WPI	107	81	97	100	102	103	116	121	137	116	111	108
Central America and the Caribbean													
Costa Rica	CPI	70	90	109	100	107	112	117	110	112	121	115	110
	WPI	95	104	103	100	107	118	126	121	126	134	130	127
El Salvador	CPI	204	182	130	100	162	139	122	105	141	135	134	122
Guatemala	CPI	123	120	114	100	142	185	186	188	220	193	192	191
Haiti [f]	CPI	136	129	113	100	103	123	123	150	156	145	162	...
Honduras	CPI	136	127	105	100	109	117	118	109	195	199	200	214
Nicaragua	CPI	407	342	163	100	38	10	184	220	169	161	168	139
Dominican Republic	CPI	75	74	95	100	92	113	131	95	85	87	88	84

Source: ECLAC, on the basis of figures compiled by the International Monetary Fund. CPI = Consumer Price Index; WPI = Wholesale Price Index.

[a] Corresponds to the average indexes of the real exchange rate (official principal) between the currency of each country and the currencies of its main trading partners weighted by the relative participation of each of those countries in the exports of the country under analysis. These weightings correspond to the average for the period 1986-1990. For the methodology and sources used, see ECLAC, *Economic Survey of Latin America*, 1981 (E/CEPAL/G.1248), Santiago, Chile, 1983. United Nations publication, Sales No. E.83.II.G.2. [b] January-to-September average. [c] Excluding exports to Argentina. [d] The exchange rate used was as follows: median rate between the average selling and buying rates declared by the main commercial banks to the Bank of Mexico up to July 1982; preferential rate for commodity imports from August to November 1982; and median rate between the selling and buying rates in the controlled market after November 1982. [e] Free or parallel exchange rate used. [f] From 1987 on, the commercial exchange rate was used.

Table 10

LATIN AMERICA AND THE CARIBBEAN: EXPORTS OF GOODS, FOB

(Indexes 1980 = 100 and annual rates of variation)

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1993[a]	1991	1992	1993[a]	1993[a]	1991	1992	1993[a]	1993[a]	1991	1992	1993[a]
Latin America and the Caribbean	**150**	**-0.8**	**5.1**	**4.5**	**70**	**-6.7**	**-3.8**	**-3.7**	**214**	**6.3**	**9.3**	**8.7**
Oil-exporting countries	**126**	**-3.2**	**-0.7**	**3.8**	**60**	**-11.7**	**-6.0**	**-5.1**	**210**	**9.7**	**5.4**	**9.4**
Bolivia	67	-8.5	-20.0	3.6	56	-4.5	-22.8	-11.0	119	-4.2	3.7	16.3
Colombia	193	6.0	-3.3	5.9	64	-11.3	-10.3	-4.0	300	19.6	7.9	10.3
Ecuador	116	5.0	5.5	-2.8	55	-6.8	-1.2	-3.5	210	12.7	6.7	0.7
Mexico	189	0.1	2.5	6.8	63	-9.6	-4.9	-1.0	300	10.6	7.7	7.9
Peru	86	3.0	4.7	-2.8	102	4.0	-1.3	-12.0	85	-0.9	6.0	10.4
Venezuela	73	-14.2	-6.8	-0.1	49	-19.0	-7.4	-11.5	150	5.9	0.6	13.0
Non-oil-exporting countries	**176**	**1.4**	**10.4**	**5.1**	**81**	**-1.4**	**-2.7**	**-2.5**	**218**	**3.0**	**13.4**	**7.9**
South America	**187**	**0.2**	**10.4**	**4.9**	**78**	**-2.1**	**-2.9**	**-2.7**	**239**	**2.4**	**13.7**	**7.9**
Argentina	162	-3.0	2.1	6.3	82	-2.6	2.7	5.5	198	-0.5	-0.6	0.8
Brazil	193	0.7	14.2	7.7	77	-2.7	-3.6	-3.5	252	3.5	18.5	11.7
Chile	196	7.4	11.9	-7.7	74	0.8	-8.1	-10.5	266	6.6	21.8	3.1
Paraguay	332	-19.2	-10.2	32.6	97	-0.2	-4.7	1.0	342	-19.0	-5.8	31.3
Uruguay	151	-5.2	6.1	-6.0	95	-4.5	-0.6	2.0	159	-0.7	6.8	-7.8
Central America and the Caribbean	**131**	**9.4**	**9.7**	**6.2**	**103**	**2.0**	**-1.4**	**-1.9**	**128**	**7.3**	**11.2**	**8.3**
Costa Rica	191	10.6	14.4	11.7	76	-2.9	-4.6	-0.5	253	14.0	19.9	12.2
El Salvador	67	1.3	-0.2	22.7	70	1.8	-9.0	2.5	95	-0.4	9.7	19.6
Guatemala	87	1.5	4.4	3.2	84	5.4	-6.0	-1.5	104	-3.6	11.0	4.8
Haiti	23	1.6	-55.2	-31.5	85	1.6	-8.0	-0.5	27	0.0	-51.3	-31.1
Honduras	102	-5.6	0.6	2.6	92	-9.5	-1.0	1.0	110	4.3	1.7	1.6
Nicaragua	58	-19.3	-18.9	19.3	84	-5.6	-4.1	1.5	69	-14.6	-15.4	17.7
Panama	232	25.0	20.9	5.0	152	1.0	-1.0	-3.0	153	23.7	22.1	8.3
Dominican Republic	56	-10.4	-14.0	-4.6	72	-3.7	-6.5	-5.0	78	-6.9	-8.0	0.5

Source: ECLAC.

[a] **Preliminary estimates.**

Table 11
LATIN AMERICA AND THE CARIBBEAN: IMPORTS OF GOODS, FOB
(Indexes 1980 = 100 and annual growth rates)

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1993[a]	1991	1992	1993[a]	1993[a]	1991	1992	1993[a]	1993[a]	1991	1992	1993[a]
Latin America and the Caribbean	**163**	**18.2**	**22.7**	**7.7**	**110**	**2.1**	**2.1**	**1.2**	**149**	**15.8**	**20.1**	**6.5**
Oil-exporting countries	**190**	**22.3**	**24.4**	**2.9**	**111**	**4.0**	**1.0**	**2.6**	**171**	**17.5**	**23.2**	**0.2**
Bolivia	168	3.7	29.4	-7.3	101	-16.8	3.7	2.0	166	24.7	24.8	-9.1
Colombia	204	-11.0	32.6	45.0	112	2.1	1.6	0.5	182	-12.8	30.5	44.3
Ecuador	95	29.0	2.0	-5.6	100	7.5	1.3	2.5	94	20.0	0.7	-7.9
Mexico	259	22.1	26.2	1.5	113	5.0	0.9	3.0	229	16.3	25.1	-1.4
Peru	127	20.9	15.9	-3.2	128	10.4	0.4	1.0	99	9.5	15.5	-4.2
Venezuela	104	48.8	21.1	-7.9	102	2.7	0.7	2.0	102	44.9	20.3	-9.6
Non-oil-exporting countries	**142**	**13.8**	**20.8**	**13.3**	**108**	**0.0**	**3.3**	**-0.4**	**131**	**13.8**	**16.9**	**13.7**
South America	**135**	**14.0**	**20.5**	**15.2**	**105**	**-1.4**	**4.2**	**-1.1**	**129**	**15.5**	**15.7**	**16.5**
Argentina	157	102.9	80.2	8.2	137	9.9	1.9	2.5	115	84.7	76.8	5.5
Brazil	111	1.8	-2.2	23.4	95	-6.9	1.0	-1.5	116	9.4	-3.1	25.2
Chile	185	4.5	25.6	9.5	103	-1.5	1.6	-1.5	179	6.1	23.7	11.2
Paraguay	302	2.0	9.4	11.7	79	2.9	0.1	-0.5	383	-0.8	9.3	12.2
Uruguay	126	21.8	25.7	8.2	100	1.8	-0.1	0.0	126	19.7	25.8	8.1
Central America and the Caribbean	**168**	**13.0**	**21.5**	**7.6**	**120**	**4.3**	**0.6**	**2.5**	**140**	**8.3**	**20.8**	**4.9**
Costa Rica	189	-5.5	30.3	17.3	114	5.6	0.3	2.5	165	-10.5	29.9	14.4
El Salvador	193	9.7	22.6	9.3	141	5.4	0.0	2.0	137	4.0	22.6	7.2
Guatemala	166	17.2	39.1	5.0	106	12.4	1.2	2.5	157	4.3	37.5	2.5
Haiti	52	21.5	-34.4	-16.2	110	-2.8	0.8	1.0	47	25.0	-34.9	-17.1
Honduras	109	0.6	7.7	5.8	103	-2.4	0.3	2.5	106	3.1	7.3	3.2
Nicaragua	83	20.8	6.9	-9.6	99	4.1	-1.7	1.0	84	16.0	8.8	-10.4
Panama	217	30.4	18.8	10.3	133	2.4	1.5	2.0	164	27.4	17.1	8.1
Dominican Republic	144	-3.6	26.0	0.6	114	-0.3	0.1	2.5	127	-3.3	25.8	-1.9

Source: ECLAC.
[a] Preliminary estimates.

Table 12
LATIN AMERICA AND THE CARIBBEAN: TERMS OF TRADE (GOODS), FOB/FOB
(Indexes: 1980 = 100 and growth rates)

	Indexes				Annual growth rates				Cumulative variation	
	1990	1991	1992	1993[a]	1990	1991	1992	1993[a]	1981-1990	1991-1993[a]
Latin America and the Caribean	**78**	**71**	**67**	**64**	**-0.9**	**-8.7**	**-5.6**	**-4.9**	**-21.9**	**-18.1**
Oil-exporting countries	**74**	**63**	**58**	**54**	**6.0**	**-15.1**	**-6.9**	**-7.6**	**-26.3**	**-26.9**
Bolivia	74	85	63	55	-6.8	14.8	-25.5	-12.7	-25.9	-25.3
Colombia	79	68	60	57	-12.0	-13.1	-11.7	-4.5	-21.5	-26.8
Ecuador	69	60	59	55	10.2	-13.3	-2.5	-5.8	-30.7	-20.3
Mexico	72	62	58	56	7.0	-13.8	-5.7	-4.0	-28.4	-21.9
Peru	99	93	92	80	4.9	-5.8	-1.6	-12.9	-0.8	-19.3
Venezuela	76	60	55	48	18.5	-21.2	-8.0	-13.3	-23.9	-37.1
Non-oil-exporting countries	**82**	**81**	**76**	**75**	**-6.3**	**-1.5**	**-5.9**	**-2.1**	**-17.6**	**-9.2**
South America	**82**	**81**	**76**	**74**	**-7.0**	**-0.9**	**-6.8**	**-1.7**	**-18.1**	**-9.1**
Argentina	65	58	58	60	-5.0	-11.2	0.7	2.9	-35.0	-8.0
Brazil	83	86	82	81	-7.1	4.5	-4.5	-2.1	-17.4	-2.4
Chile	85	87	78	71	-8.1	2.4	-9.5	-9.2	-15.4	-15.8
Paraguay	132	128	120	123	-1.3	-3.0	-4.8	1.5	31.6	-6.3
Uruguay	100	94	93	95	-12.7	-6.2	-0.5	1.9	-0.1	-4.9
Central America and the Caribbean	**93**	**91**	**90**	**86**	**-2.4**	**-2.1**	**-2.0**	**-4.4**	**-6.6**	**-8.3**
Costa Rica	78	72	68	66	-6.7	-8.2	-4.7	-2.9	-22.0	-15.1
El Salvador	57	55	50	50	-14.6	-3.5	-9.0	0.5	-43.4	-11.7
Guatemala	94	88	82	79	0.3	-6.2	-7.1	-3.9	-5.8	-16.2
Haiti	82	86	78	77	-8.4	4.5	-8.7	-1.5	-17.8	-6.0
Honduras	99	92	91	90	-4.2	-7.3	-1.3	-1.5	-0.7	-9.8
Nicaragua	96	87	85	85	-10.2	-9.3	-2.4	0.5	-4.4	-11.0
Panama	125	124	121	115	10.1	-1.4	-2.4	-4.9	25.3	-8.5
Dominican Republic	76	73	68	63	-18.7	-3.4	-6.7	-7.3	-24.3	-16.5

Source: ECLAC.
[a] Preliminary estimates.

Table 13

LATIN AMERICA: PRICES OF MAIN EXPORT COMMODITIES

(Dollars at current prices and rates of variation)

	Average annual prices						Annual rates of variation				Cumulative variation
	1980	1985	1990	1991	1992	1993[a]	1990	1991	1992	1993[a]	1976-1993[a]
Unrefined sugar [b]	28.7	4.1	12.6	9.0	9.1	10.0	-1.6	-28.8	1.0	10.2	-51.2
Bananas [b]	18.9	18.4	29.5	25.1	23.0	27.0	44.6	-15.1	-8.1	17.3	109.9
Cocoa [b]	118.1	102.3	57.7	54.2	49.8	46.3	2.1	-6.1	-8.1	-7.1	-18.1
Coffee (mild) [b]	154.2	145.6	89.2	85.0	63.6	65.9	-16.6	-4.7	-25.1	3.5	0.7
Beef [b]	125.9	97.7	115.4	120.8	111.3	118.5	-0.9	4.7	-7.9	6.5	96.8
Fish meal [c]	504.0	280.0	412.0	478.0	482.0	370.0	1.0	16.0	0.8	-23.2	51.0
Maize [c]	210.3	135.3	119.9	140.1	136.7	129.4	-14.8	16.8	-2.4	-5.3	-16.1
Soya beans [c]	296.0	225.0	247.0	240.0	236.0	251.0	-10.2	-2.8	-1.76.4T14.1		
Wheat [c]	176.0	138.0	137.0	129.0	151.0	140.0	-19.4	-5.8	17.1	-7.3	-7.3
Cotton [b]	94.2	61.7	82.1	74.6	62.6	63.6	8.2	-9.2	-16.1	1.6	13.7
Wool [b]	194.9	141.0	155.0	119.2	123.5	116.1	-19.1	-23.1	3.5	-5.9	9.0
Copper [b]	98.8	64.4	120.9	106.3	103.7	91.4	-6.4	-12.1	-2.4	-11.9	63.0
Tin [d]	7.6	5.4	2.8	2.5	2.7	2.5	-29.8	-10.6	10.8	-10.1	-21.2
Iron ore [c]	26.8	26.6	30.8	33.3	31.6	28.1	16.0	8.0	-4.9	-11.0	50.2
Lead [b]	41.2	17.8	36.8	25.4	24.6	18.5	20.8	-31.2	-2.9	-24.8	-2.3
Zinc [b]	37.4	40.4	74.6	52.8	58.4	47.1	-9.0	-29.2	10.6	-19.3	21.1
Crude petroleum [e]											
IMF average	35.9	27.0	22.0	18.3	18.2	16.6	27.9	-16.8	-0.5	-8.7	56.9
Colombia	...	...	22.5	19.2	18.6	17.2	23.0	-14.9	-2.9	-7.8	...
Ecuador	...	26.6	22.2	18.6	18.2	16.7	24.7	-16.2	-2.2	-8.4	...
Mexico	...	24.1	17.6	13.1	13.3	12.4	15.8	-25.7	1.8	-6.7	...
Venezuela	27.6	25.9	16.9	14.2	14.8	13.9	7.6	-15.8	4.0	-6.2	27.3

Source: UNCTAD, *Monthly Commodity Price Bulletin*, supplement 1970-1989 (TD/B/C.1/CPB/L.101/Add.1), November 1989; and vol. XIII No. 9 (TD/B/C.1/CPB/L.135), September 1993; *Petroleum Market Intelligence Weekly*, London, various issues.

Note: **Unrefined sugar**, FOB, Caribbean ports, for exports to the free market. **Bananas** from Central America, CIF, North Sea ports. **Cocoa Beans**, average of daily prices (futures), New York/London. **Coffee**, mild arabica, ex-dock New York. **Beef**, frozen and deboned, all sources, United States ports. **Fish meal** all sources, 64-65% proteins, CIF Hamburg. **Maize**, Argentina, CIF, North Sea ports. **Soya Beans**, United States No. 2, yellow bulk, CIF Rotterdam. **Wheat**, FOB United States, No. 2, Hard Red Winter. **Cotton**, Mexican M 1-3/32", CIF Northern Europe. **Wool** clean, combed, grade 48"s, United Kingdom. **Copper, tin, lead and zinc**, spot cash prices on the London Metal Exchange. **Iron ore**, Brazil to Europe, C 64.5% Fe, FOB. **Petroleum**, IMF average, average of spot prices of "Dubai", "Brent" (United Kingdom and "Alaskan N. Slope" petroleum, which reflects relatively even consumption of medium, light and heavy crude throughout the world; Colombia, C. Limón 30 (United States Gulf Coast); Ecuador, Oriente-30 (United States Gulf Coast); Mexico, Maya Heavy-22 (United States Gulf Coast); Venezuela, Tía Juana-22 (Caribbean).

[a] January-August average. [b] United States cents per pound. [c] Dollars per metric ton. [d] Dollars per pound.
[e] Dollars per barrel.

Table 14
LATIN AMERICA AND THE CARIBBEAN: PURCHASING POWER OF EXPORTS OF GOODS
(Indexes: 1980 = 100 and growth rates)

	Indexes				Annual growth rates				Cumulative variation	
	1990	1991	1992	1993[a]	1990	1991	1992	1993[a]	1981-1990	1991-1993[a]
Latin America and the Caribbean	**129**	**125**	**129**	**133**	**5.4**	**-2.8**	**2.9**	**3.3**	**28.7**	**3.3**
Oil-exporting countries	**119**	**111**	**109**	**111**	**14.9**	**-6.9**	**-1.7**	**1.7**	**19.3**	**-6.9**
Bolivia	71	79	61	62	3.6	10.0	-22.9	1.6	-28.6	-13.8
Colombia	162	168	160	168	11.0	3.8	-4.8	5.4	61.7	4.2
Ecuador	115	113	117	111	14.6	-2.3	4.1	-5.2	15.2	-3.6
Mexico	163	156	158	164	12.0	-4.7	1.6	3.7	63.2	0.4
Peru	70	65	68	65	-17.5	-6.7	4.2	-3.8	-30.2	-6.4
Venezuela	90	75	70	68	35.4	-16.5	-7.4	-2.1	-9.8	-24.3
Non-oil-exporting countries	**139**	**141**	**150**	**159**	**-2.0**	**1.4**	**6.8**	**5.5**	**38.8**	**14.3**
South America	**153**	**155**	**164**	**174**	**-3.2**	**1.6**	**5.9**	**6.1**	**52.6**	**14.2**
Argentina	127	112	113	117	29.7	-11.7	0.2	3.7	27.2	-8.2
Brazil	149	160	182	199	-12.8	8.2	13.1	9.3	48.7	33.8
Chile	165	180	198	186	-5.0	9.0	10.2	-6.3	64.9	12.6
Paraguay	417	327	294	392	21.3	-21.5	-10.3	33.3	317.1	-6.1
Uruguay	158	147	156	147	-1.9	-6.9	6.2	-6.0	58.0	-7.1
Central America and the Caribbean	**89**	**94**	**102**	**106**	**4.9**	**4.9**	**9.0**	**3.6**	**-10.7**	**18.5**
Costa Rica	123	129	147	160	-6.0	4.7	14.1	9.0	22.8	30.2
El Salvador	40	39	39	47	38.3	-3.9	-0.2	20.3	-59.8	16.6
Guatemala	83	75	78	78	11.3	-9.7	3.2	0.7	-16.7	-6.2
Haiti	62	65	29	20	2.0	4.5	-55.6	-30.9	-37.6	-67.9
Honduras	97	94	94	95	-8.8	-3.3	0.3	1.0	-2.8	-2.0
Nicaragua	74	57	47	56	-3.6	-22.5	-17.5	18.1	-26.4	-24.5
Panama	115	140	166	171	21.2	22.1	19.1	2.9	15.2	48.5
Dominican Republic	66	59	51	47	-24.1	-10.1	-14.1	-6.9	-34.2	-28.1

Source: ECLAC.
[a] Preliminary estimates.

Table 15

LATIN AMERICA AND THE CARIBBEAN: TRADE BALANCE (GOODS)

(Millions of dollars)

	Exports of goods FOB			Imports of goods FOB			Trade balance		
	1991	1992	1993[a]	1991	1992	1993[a]	1991	1992	1993[a]
Latin America and the Caribbbean	**120 906**	**127 161**	**132 940**	**111 790**	**137 155**	**147 680**	**9 116**	**-9 994**	**-14 740**
Oil-exporting countries	**56 270**	**55 834**	**57 955**	**59 368**	**73 833**	**75 955**	**-3 098**	**-17 999**	**-18 000**
Bolivia	760	608	630	804	1 041	965	-44	-433	-335
Colombia	7 507	7 263	7 695	4 548	6 030	8 745	2 959	1 233	-1 050
Ecuador	2 851	3 008	2 925	2 207	2 252	2 125	644	756	800
Mexico[b]	26 855	27 516	29 375	38 184	48 193	48 900	-11 329	-20 677	-19 525
Peru	3 329	3 484	3 385	3 494	4 051	3 920	-165	-567	-535
Venezuela	14 968	13 955	13 945	10 131	12 266	11 300	4 837	1 689	2 645
Non-oil-exporting countries	**64 636**	**71 327**	**74 985**	**52 422**	**63 322**	**71 725**	**12 214**	**8 005**	**3 260**
South America	**55 247**	**61 030**	**64 045**	**39 167**	**47 207**	**54 390**	**16 080**	**13 823**	**9 655**
Argentina	11 978	12 235	13 000	7 559	13 623	14 735	4 419	-1 388	-1 735
Brazil	31 619	36 103	38 900	21 041	20 578	25 400	10 578	15 525	13 500
Chile	8 928	9 986	9 215	7 354	9 238	10 115	1 574	748	-900
Paraguay	1 117	1 003	1 330	1 669	1 827	2 040	-552	-824	-710
Uruguay	1 605	1 703	1 600	1 544	1 941	2 100	61	-238	-500
Central America and the Caribbean	**9 389**	**10 297**	**10 940**	**13 255**	**16 115**	**17 335**	**-3 866**	**-5 818**	**-6 395**
Costa Rica	1 498	1 714	1 915	1 698	2 212	2 595	-200	-498	-680
El Salvador	588	587	720	1 294	1 587	1 735	-706	-1 000	-1 015
Guatemala	1 230	1 284	1 325	1 673	2 328	2 445	-443	-1 044	-1 120
Haiti	163	73	50	300	197	165	-137	-124	-115
Honduras	838	843	865	913	983	1 040	-75	-140	-175
Nicaragua	268	218	260	688	736	665	-420	-518	-405
Panama[c]	4 146	5 012	5 265	4 960	5 894	6 500	-814	-882	-1 235
Dominican Republic	658	566	540	1 729	2 178	2 190	-1 071	-1 612	-1 650

Source: 1991 and 1992: ECLAC, on the basis of figures supplied by the International Monetary Fund; the figures for Ecuador, El Salvador, Haiti and Paraguay for 1992 are ECLAC estimates based on official figures. 1993: ECLAC, on the basis of official figures.

[a] Preliminary estimates. Figures have been rounded to the nearest ten or five. [b] If values corresponding to the maquiladora industry are included in the total for goods, in line with the latest international recommendation, total exports were US$ 42,688 million, US$ 46,196 million and US$ 50,855 million, imports were US$ 49,667 million, US$ 62,129 million, and US$ 64,850 million, and the corresponding trade balances were US$ -7,279 million, US$ -15,933 million and US$ -13,985 million for 1991, 1992 and 1993, respectively. If this new method is adopted, the service entries for foreign trade must also be corrected, eliminating the value of the maquila from them. [c] Excluding re-exports and trade in the Colón free zone, the totals for exports were US$ 452, 465 and US$ 490 million for 1991, 1992 and 1993, respectively, and for imports, US$ 1,695, US$ 1,955 and US$ 2,080 million for 1991, 1992 and 1993, respectively. Thus, the merchandise trade balances were US$ -1,243, -1,490 and -1,590 million for 1991, 1992 and 1993.

Table 16

LATIN AMERICA AND THE CARIBBEAN: BALANCE OF PAYMENTS

(Millions of dollars)

	Net service payments [a]			Net payments of profits and interest [c]			Balance on current account [d]			Net movement of capital [e]			Global balance [f]		
	1991	1992	1993[b]	1991	1992	1993[b]	1991	1992	1993[b]	1991	1992	1993[b]	1991	1992	1993[b]
Latin America and the Caribbean	**4 611**	**5 128**	**5 280**	**30 986**	**29 155**	**28 900**	**-20 160**	**-36 931**	**-42 570**	**39 306**	**61 973**	**54 605**	**19 146**	**25 042**	**12 035**
Oil-exporting countries	**1 262**	**1 864**	**395**	**11 865**	**12 653**	**12 825**	**-12 725**	**-28 823**	**-28 055**	**25 851**	**31 789**	**32 425**	**13 126**	**2 966**	**4 370**
Bolivia	159	151	185	242	193	200	-422	-754	-700	444	780	810	22	26	110
Colombia	308	116	-15	2 000	1 939	1 655	2 363	925	-1 610	-527	167	1 520	1 836	1 092	-90
Ecuador	271	305	340	950	802	770	-577	-351	-310	741	915	825	164	564	515
Mexico	-2 428	-2 529	-3 325	7 070	7 046	7 250	-13 890	-22 924	-21 010	21 882	24 670	25 090	7 992	1 746	4 080
Peru	792	837	860	1 011	959	970	-1 968	-2 363	-2 365	2 855	2 931	2 860	887	568	495
Venezuela	2 160	2 984	2 350	592	1 714	1 980	1 769	-3 356	-2 060	456	2 326	1 320	2 225	-1 030	-740
Non-oil-exporting countries	**3 349**	**3 264**	**4 885**	**19 121**	**16 502**	**16 075**	**-7 435**	**-8 108**	**-14 515**	**13 455**	**30 184**	**22 180**	**6 020**	**22 076**	**7 665**
South America	**5 210**	**5 297**	**7 130**	**17 384**	**14 759**	**14 725**	**-4 921**	**-4 143**	**-10 545**	**9 439**	**25 952**	**17 835**	**4 518**	**21 809**	**7 290**
Argentina	1 618	2 367	2 765	5 634	4 574	3 700	-2 804	-8 361	-8 200	5 433	12 910	10 000	2 629	4 549	1 800
Brazil	3 890	3 224	4 700	9 652	8 082	9 200	-1 443	6 266	1 200	1 640	8 802	3 440	197	15 068	4 640
Chile	-36	-98	-140	1 807	1 860	1 600	-157	-940	-2 310	1 404	3 487	2 890	1 247	2 547	580
Paraguay	-88	-6	-45	58	56	85	-519	-872	-745	818	515	785	299	-357	40
Uruguay	-174	-190	-150	233	187	140	2	-236	-490	144	238	720	146	2	230
Central America and the Caribbean	**-1 861**	**-2 033**	**-2 245**	**1 737**	**1 743**	**1 350**	**-2 514**	**-3 965**	**-3 970**	**4 016**	**4 232**	**4 345**	**1 502**	**267**	**375**
Costa Rica	-170	-166	-200	187	201	195	-167	-446	-605	515	587	695	348	141	90
El Salvador	6	21	45	127	104	110	-369	-423	-345	299	482	495	-70	59	150
Guatemala	-140	-126	-65	140	179	145	-186	-758	-1 000	740	738	1 020	554	-20	20
Haiti	97	36	30	27	9	5	-176	-125	-110	154	76	100	-22	-49	-10
Honduras	15	-18	-90	297	318	320	-334	-379	-370	400	371	210	66	-8	-160
Nicaragua	66	71	45	363	495	430	-849	-1 074	-855	935	1 076	775	86	2	-80
Panama	-894	-821	-860	381	194	-95	-318	-282	-305	516	398	485	198	116	180
Dominican Republic	-841	-1 030	-1 150	215	243	240	-115	-478	-380	457	504	565	342	26	185

Source: 1991 and 1992 : ECLAC, on the basis of figures supplied by the International Monetary Fund; the 1992 figures for Ecuador, El Salvador, Haiti and Paraguay are ECLAC estimates based on official figures. 1993: ECLAC, on the basis of official figures.

[a] Does not include net payments of profits and interest. [b] Preliminary ECLAC estimates. Figures have been rounded to the nearest ten or five. [c] Includes interest due. [d] Includes net unrequited private transfer payments, which were of a significant level in 1993 in the following countries: Colombia, Mexico, Brazil, El Salvador, Guatemala and the Dominican Republic. [e] Includes short-term capital, unrequited official transfer payments, and errors and omissions. [f] Corresponds to the variation in international reserves (of opposite sign) plus counterpart items

Table 17

LATIN AMERICA AND THE CARIBBEAN: NET CAPITAL INFLOW AND TRANSFER OF RESOURCES

(Billions of dollars and percentages)

	Net capital inflow (1)	Net payments of profits and interest (2)	Transfer of resources (3)=(1)-(2) (3)	Exports of goods and services (4)	Transfer of resources/exports of goods and services (5)=(3)/(4) (5)[a]
		Latin America and the Caribbean			
1975-1979[b]	104.9	44.5	60.4	287.4	21.0
1975-1979[c]	21.0	8.9	12.1	57.5	21.0
1980	32.0	18.9	13.1	104.9	12.5
1981	39.8	28.5	11.3	113.2	10.0
1982	20.1	38.8	-18.7	102.9	-18.2
1983	2.9	34.5	-31.6	102.4	-30.9
1984	10.4	37.2	-26.8	113.6	-23.6
1985	3.1	35.3	-32.2	108.6	-29.7
1986	9.9	32.4	-22.5	94.8	-23.7
1987	15.2	31.3	-16.1	107.9	-14.9
1988	5.3	34.0	-28.7	123.0	-23.3
1989	9.7	37.6	-27.9	136.4	-20.5
1990	20.7	34.8	-14.1	150.6	-9.4
1991	39.3	31.0	8.3	151.2	5.5
1992	62.0	29.2	32.8	161.1	20.3
1993[d]	54.6	28.9	25.7	168.8	15.2
		Oil-exporting countries			
1975-1979[b]	43.6	18.2	25.4	140.9	18.0
1975-1979[c]	8.7	3.6	5.1	28.2	18.1
1980	13.4	8.3	5.1	54.6	9.3
1981	17.6	12.2	5.4	59.2	9.1
1982	3.8	17.2	-13.4	55.7	-24.1
1983	-4.7	14.9	-19.6	54.0	-36.3
1984	-2.7	16.3	-19.0	59.5	-31.9
1985	-2.7	15.2	-17.9	55.0	-32.5
1986	2.5	13.3	-10.8	44.5	-24.3
1987	4.7	12.8	-8.1	52.5	-15.4
1988	0.9	13.0	-12.1	53.8	-22.5
1989	4.7	14.9	-10.2	62.3	-16.4
1990	8.0	13.3	-5.3	74.1	-7.2
1991	25.9	11.9	14.0	73.6	19.0
1992	31.8	12.7	19.1	74.7	25.6
1993[d]	32.4	12.8	19.6	77.9	25.2
		Non-oil-exporting countries			
1975-1979[b]	61.3	26.3	35.0	146.5	23.9
1975-1979[c]	12.3	5.3	7.0	29.3	23.9
1980	18.5	10.6	7.9	50.3	15.7
1981	22.2	16.3	5.9	54.1	10.9
1982	16.3	21.5	-5.2	47.3	-11.0
1983	7.6	19.6	-12.0	48.4	-24.8
1984	13.1	20.9	-7.8	54.1	-14.4
1985	5.8	20.2	-14.4	53.6	-26.9
1986	7.3	19.2	-11.9	50.4	-23.6
1987	10.5	18.4	-7.9	55.4	-14.3
1988	4.4	21.0	-16.6	69.1	-24.0
1989	5.0	22.7	-17.7	74.1	-23.9
1990	12.7	21.5	-8.8	76.4	-11.5
1991	13.4	19.1	-5.7	77.6	-7.3
1992	30.2	16.5	13.7	86.4	15.8
1993[d]	22.2	16.1	6.1	90.9	6.7

Source: 1975-1992: ECLAC, on the basis of figures supplied by the International Monetary Fund; 1993: ECLAC, on the basis of official figures.

[a] Percentages. [b] Cumulative. [c] Average. [d] Preliminary estimates.

Table 18

LATIN AMERICA AND THE CARIBBEAN: INDEXES OF STOCK-EXCHANGE PRICES IN DOLLARS

(Annual percentage variations) [a]

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993[b]
Argentina	45	-19	75	-27	7	30	136	-38	392	-28	39
Brazil	31	41	81	-27	-66	104	39	-68	152	-	73
Colombia	...	...	-25	121	62	-18	6	27	174	36	9
Chile	-34	-28	36	134	18	22	35	31	90	12	10
Mexico	85	-2	8	81	-11	98	67	25	100	19	14
Peru	...	...	...	...	...	...	...	...	...	...	35
Venezuela	...	...	30	54	45	-27	-35	572	34	-43	-11

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

[a] End of year. [b] October 1993 in relation to December 1992.

Table 19

LATIN AMERICA AND THE CARIBBEAN: NEW INTERNATIONAL BOND PLACEMENTS[a]

(Millions of dollars)

	1989	1990	1991	1992	1993[b]
Total	**900**	**3 600**	**7 600**	**10 100**	**19 300**
Argentina	-	-	800	1 500	3 400
Brazil	-	-	1 600	3 300	5 500
Colombia	-	-	200	-	400
Chile	-	-	300	100	200
Guatemala	-	-	-	-	60
Mexico	600	3 400	4 100	4 100	7 400
Trinidad and Tobago	-	-	-	100	100
Uruguay	-	-	-	100	140
Venezuela	300	200	600	900	2 200

Source: West Merchant Bank and Bank for International Settlements.

[a]Gross financing. [b]January-October.

Table 20

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

(Millions of dollars and growth rates)

	Year-end balance								Annual growth rates				
	1986	1987	1988	1989	1990	1991	1992	1993[b]	1979-1981	1982-1983	1984-1991	1992	1993[b]
Latin America and the Caribbean	**400 918**	**427 445**	**419 553**	**422 749**	**439 094**	**456 586**	**468 067**	**486 965**	**22.9**	**11.3**	**2.7**	**2.5**	**4.0**
Oil-exporting countries	**179 262**	**186 217**	**186 095**	**180 749**	**190 465**	**204 978**	**206 220**	**219 290**	**24.7**	**10.7**	**2.1**	**0.6**	**6.3**
Bolivia[c]	3 536	4 162	4 066	3 492	3 779	3 628	3 774	3 900	14.3	9.4	1.7	4.0	3.3
Colombia	15 950	17 047	17 359	17 007	17 556	16 975	16 779	17 120	28.0	16.0	5.0	-1.2	2.0
Ecuador	9 063	10 320	10 581	11 322	11 856	12 271	12 122	12 635	21.0	18.3	6.6	-1.2	4.2
Mexico	100 500	102 400	100 900	95 100	101 900	114 900[e]	114 000[e]	125 000[e]	30.2	11.9	1.4	-0.8	9.6
Peru	14 477	15 373	16 493	18 536	19 762	20 735	21 333	21 685	1.0	13.8	6.6	2.9	1.7
Trinidad and Tobago	1 898	2 082	2 012	2 097	2 520	2 433	2 212	1 950	29.3	16.3	6.9	-9.1	-11.8
Venezuela[d]	33 838	34 833	34 684	33 195	33 092	34 036	36 000	37 000	24.7	4.0	-0.2	5.8	2.8
Non-oil-exporting countries	**221 656**	**241 228**	**233 458**	**242 000**	**248 629**	**251 608**	**261 847**	**267 675**	**21.5**	**11.7**	**3.2**	**4.1**	**2.2**
South America	**191 931**	**209 825**	**201 012**	**206 752**	**212 611**	**215 876**	**225 292**	**231 115**	**21.9**	**11.1**	**2.9**	**4.4**	**2.6**
Argentina	51 422	58 324	58 473	63 314	60 973	63 700	65 000	68 000	41.9	12.4	3.6	2.0	4.6
Brazil	111 045	121 174	113 469	115 096	122 200	123 910	130 200	131 700	14.4	10.6	2.9	5.1	1.2
Chile	20 829	20 660	18 960	17 520	18 576	17 371	18 926	19 915	30.5	7.6	-0.5	9.0	5.2
Guyana	1 542	1 736	1 778	1 801	1 784	2 063	2 190	2 250	28.1	17.8	10.0	6.2	2.7
Paraguay	1 855	2 043	2 002	2 027	1 695	1 666	1 279	1 350	12.3	24.5	1.6	-23.2	5.6
Uruguay	5 238	5 888	6 330	6 994	7 383	7 166	7 697	7 900	35.9	21.2	5.8	7.4	2.6
Central America and the Caribbean	**29 725**	**31 403**	**32 446**	**35 248**	**36 018**	**35 732**	**36 555**	**36 560**	**18.7**	**16.1**	**5.2**	**2.3**	**0.0**
Costa Rica	4 079	4 384	4 470	4 488	3 930	4 016	4 022	4 200	12.8	14.7	1.6	0.1	4.4
El Salvador	1 928	1 880	1 913	2 169	2 226	2 216	2 338[c]	2 015[c]	17.7	8.4	2.0	5.5	-13.8
Guatemala	2 674	2 700	2 599	2 731	2 602	2 561	2 582	2 480	19.0	24.8	2.2	0.8	-4.0
Haiti[c]	696	752	778	803	861	826	845	860	21.0	21.7	5.2	2.3	1.8
Honduras	3 366	3 773	3 810	3 374	3 547	3 174	3 538	3 595[f]	17.5	16.7	4.9	11.5	1.6
Jamaica	3 575	4 014	4 002	4 038	4 152	4 456	4 450	4 500[f]	22.6	14.9	3.6	-0.1	1.1
Nicaragua[c]	5 760	6 270	7 220	9 741	10 504	10 212	10 806	10 910	27.1	21.5	13.2	5.8	1.0
Panama[c]	3 835	3 731	3 771	3 814	3 714	3 699	3 548	3 500	9.0	13.8	2.0	-4.1	-1.4
Dominican Republic	3 812	3 899	3 883	4 090	4 482	4 572	4 426	4 500	24.2	14.0	4.1	-3.2	1.7

Source: ECLAC, on the basis of official figures.

[a] Includes debt owed to the International Monetary Fund. [b] Preliminary figures. [c] Public-sector debt. [d] Total debt according to figures supplied by official sources and international financial institutions. [e] Figures for the private debt have been adjusted to take account of the privatization process and the elimination of the exchange-control system. [f] As at 30 June.

Table 21

LATIN AMERICA AND THE CARIBBEAN: TOTAL INTEREST DUE AS A PERCENTAGE OF EXPORTS OF GOODS AND SERVICES

(Percentages)

	1979-1981	1982-1983	1984-1986	1987	1988	1989	1990	1991	1992	1993[a]
Latin America and the Caribbean	**23.7**	**38.7**	**36.4**	**30.2**	**28.8**	**28.3**	**25.1**	**22.6**	**19.2**	**17.6**
Oil-exporting countries	20.4	33.1	33.0	27.6	28.6	27.0	22.1	20.0	18.4	17.1
Bolivia	26.4	41.6	46.5	38.4	41.0	30.2	25.0	26.9	24.4	23.4
Colombia	14.3	26.3	23.6	20.5	20.7	21.7	19.0	16.4	14.5	12.6
Ecuador	18.4	29.6	29.4	32.5	32.5	33.7	29.3	25.0	19.6	18.4
Mexico	31.8	42.5	38.2	29.7	29.9	28.3	24.1	21.4	18.9	17.0
Peru	19.3	27.3	30.6	25.1	26.7	22.5	26.5	26.3	22.8	25.2
Venezuela	9.5	21.3	27.2	25.9	29.0	26.6	17.0	15.4	17.4	17.2
Non-oil-exporting countries	**27.4**	**45.5**	**40.0**	**32.9**	**29.0**	**29.5**	**28.3**	**25.3**	**20.0**	**18.0**
South America	**30.1**	**49.3**	**43.0**	**34.9**	**30.3**	**31.1**	**30.0**	**26.5**	**20.4**	**18.5**
Argentina	24.1	56.0	53.3	50.9	42.0	51.2	39.0	36.3	28.5	21.8
Brazil	35.9	50.1	40.6	33.1	29.4	29.2	31.4	27.6	20.9	20.3
Chile	24.7	44.2	44.1	26.4	21.7	18.5	17.8	14.6	11.2	9.7
Paraguay	13.1	15.3	15.5	21.0	12.5	7.1	5.3	6.1	8.0	6.6
Uruguay	11.2	23.6	31.1	24.8	25.0	27.2	26.9	21.2	17.6	16.7
Central America and the Caribbean	**12.5**	**20.8**	**19.9**	**19.9**	**18.7**	**17.1**	**14.7**	**15.7**	**16.7**	**14.6**
Costa Rica	19.7	34.6	24.4	21.3	22.0	23.6	15.4	10.0	8.5	7.6
El Salvador	6.4	12.0	11.1	10.9	9.5	8.8	13.0	12.5	11.2	10.7
Guatemala	5.3	8.3	14.8	13.6	13.9	11.3	11.2	7.1	8.8	8.1
Haiti	2.6	2.4	5.3	6.0	8.2	9.5	8.7	9.7	7.1	5.9
Honduras	11.2	19.3	15.7	18.7	17.6	17.6	18.0	23.0	24.1	21.6
Nicaragua	22.8	42.7	72.4	75.6	96.7	62.1	58.3	110.3	161.5	116.4
Dominican Republic	18.0	23.6	18.5	20.3	14.7	11.6	8.1	11.8	12.1	11.5

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

Table 22

LATIN AMERICA AND THE CARIBBEAN: TOTAL DISBURSED EXTERNAL DEBT AS A PERCENTAGE OF EXPORTS OF GOODS AND SERVICES [a]

(Percentages)

	1979-1981	1982-1983	1984-1986	1987	1988	1989	1990	1991	1992	1993[b]
Latin America and the Caribbean	**236**	**338**	**365**	**399**	**342**	**310**	**292**	**305**	**294**	**293**
Oil-exporting countries	**205**	**258**	**323**	**350**	**342**	287	254	275	273	279
Bolivia	241	338	455	640	606	403	387	396	488	484
Colombia	146	265	264	250	258	233	203	187	182	175
Ecuador	158	237	280	422	400	394	364	360	338	357
Mexico	267	341	372	371	347	289	266	290	276	284
Peru	234	306	368	428	447	423	487	498	491	508
Venezuela	153	200	243	305	314	237	176	207	233	239
Non-oil-exporting countries	**271**	**403**	**409**	**449**	**341**	**331**	**332**	**335**	**314**	**306**
South America	**293**	**423**	**426**	**463**	**342**	**328**	**330**	**335**	**314**	**308**
Argentina	274	480	526	717	525	538	412	444	443	436
Brazil	330	419	397	430	315	307	353	361	325	308
Chile	227	380	434	327	229	182	180	155	151	169
Paraguay	156	372	271	265	182	129	90	101	78	71
Uruguay	157	213	363	371	361	344	342	326	329	351
Central America and the Caribbean	**154**	**275**	**296**	**355**	**338**	**351**	**348**	**329**	**321**	**289**
Costa Rica	205	299	297	302	276	244	199	183	156	143
El Salvador	109	210	207	207	203	266	253	245	265	196
Guatemala	73	163	221	238	205	192	166	152	136	122
Haiti	120	170	201	235	283	339	353	331	671	1 012
Honduras	160	265	319	397	371	318	344	312	337	311
Nicaragua	341	733	1 378	1 932	2 644	2 859	2 678	3 019	3 560	2 989
Dominican Republic	162	263	269	249	204	197	224	231	206	198

Source: ECLAC, on the basis of official figures.
[a] Calculated on the basis of the external debt figures given in table 20 and the corresponding data on exports of goods and services. [b] Preliminary estimates.

Table 23
LATIN AMERICA: PRICES OF EXTERNAL DEBT PAPER ON THE SECONDARY MARKET
(Percentages of nominal value)

	1991			1992			1993	
	January	June	December	January	June	December	January	October
Argentina	19	25	36	39	50	45	45	64
Bolivia	...	...	...	13	12	16	16	...
Brazil	23	33	30	32	37	28	30	46
Colombia	64	73	81	75	75	75	75	77
Costa Rica	34	46	50	51	57	60	60	75
Chile	75	88	89	89	90	91	91	92
Ecuador	20	22	22	24	32	27	28	38
Honduras	...	...	...	26	27	34	33	31
Jamaica	...	...	...	75	74	67	69	76
Mexico	45	55	60	62	65	65	66	79
Nicaragua	...	...	...	6	9	6	8	10
Panama	11	13	21	23	33	29	29	43
Peru	3	7	11	14	17	18	19	47
Dominican Republic	...	...	...	...	33	32	31	50
Uruguay	...	...	...	70	70	75	75	80
Venezuela	50	60	66	67	61	57	58	73
Average [a]	**32.5**	**41.5**	**45.0**	**47.6**	**52.2**	**47.9**	**49.1**	**62.8**

Source: United Nations, Department of International Economic and Social Affairs, on the basis of offer prices compiled by Salomon Brothers and Merrill Lynch.
[a] Weighted by bank debt.

Table 24

LATIN AMERICA AND THE CARIBBEAN: FIFTH ROUND OF EXTERNAL DEBT RESCHEDULINGS WITH THE PARIS CLUB

(1990/1993)

Country	Date	Restructured maturities		Percentage of service restructured		Terms (years)	
		Months	Amount (millions of dollars)	Interest	Principal	Repayment period	Grace period
Bolivia	March/1990	24	276	100	100	Toronto terms [b]	
Jamaica	April/1990	18	179	100	100	9.3	4.8
Trinidad and Tobago	April/1990	13	110	-	100	9.5	5
Guyana	September/1990	35	123	100	100	Toronto terms [b]	
Honduras	September/1990	11	280	100	100	14.6 [c]	8
El Salvador	September/1990	13	143	100	100	14.4 [c]	7.9
Panama	November/1990	17	100	100	100	9.3	4.8
Jamaica	July/1991	13	97	100	100	14.5 [c]	5.1
Costa Rica	July/1991	9	125	100	100	9.6	5
Peru	September/1991	14	5 900	100[d]	100	14.5 [c]	7.1
Argentina	September/1991	9	1 700	100	100	10	6
Dominican Republic	November/1991	18	780	100	100	14.3 [c]	6.1
Nicaragua [e]	December/1991	15	730	100[e]	100	"Enhanced" Toronto terms [f]	
Ecuador	January/1992	12	350	100	100	14.5[c]	8.0
Bolivia	January/1992	18	216	100	100	"Enhanced" Toronto terms [f]	
Brazil	February/1992	20	11 000	100	100	13.4	1.8
Argentina	July/1992	33	...	100	100	14.8	1.2
Honduras	October/1992	34	...	100	100	"Enhanced" Toronto terms [f]	
Jamaica	January/1993	36	291	100	100	11.5	5.0
Guatemala	March/1993	-	440	100	100	14.5	8.0
Peru	May/1993	39	1 884	100	100	13.5	7.0
Guyana	May/1993	17	39	100	100	"Enhaced" Toronto terms [f]	
Costa Rica	June/1993	-	57	100	100	6.5	2.0

Source: UNCTAD, Money, Financing and Development Division.

[a] Interest rates are renegotiated bilaterally. [b] Under an agreement reached among creditor countries at the Toronto summit meeting of June 1988, special terms and conditions are to be granted to low-income developing countries. In these cases, the creditor country may choose among three options: i) forgiveness of one third of the debt subject to restructuring and the rescheduling of the remainder over a 14-year period with eight years of grace; ii) the rescheduling of the restructurable debt over a 25-year period with 14 years of grace; and iii) the reduction of the interest rate by 3.5 points or 50%, whichever is less, and the rescheduling of the debt over a 14-year period with eight years of grace. See UNCTAD, *Trade and Development Report*, 1989, Geneva, 1989, United Nations publication, Sales No. S.89.II.D.14 [c] The longer repayment periods are a reflection of what are known as the "Houston terms" for lower middle-income countries, which were agreed upon at the Houston summit meeting in 1990. The terms include rescheduling the principal with a longer than traditional maturity: 20 years for concessional debt and 15 years for non-concessional debt. Creditors also have the option of participating in debt conversions or swaps for 100% of concessional debt and 10% or US$ 10 million, whichever is higher, of non-concessional debt. [d] Late interest accounts for 70% of this. [e] Late interest accounts for 50% of this. [f] The new terms grant three options: i) a 50% debt reduction, with the remaining debt being rescheduled over a period of 23 years (including six years of grace); ii) a reduction of the interest rate that provides relief equivalent to that of the first option in terms of present value, and a rescheduling of obligations with a repayment period of 23 years (no grace period); and iii) a rescheduling at 23 years (six years of grace) with an interest rate below market rates and interest payment capitalization with no charge during the grace period. For concessional debt, the maturities of the consolidation period are rescheduled with an amortization period of 30 years and a grace period of 22 years.

Figure 1
LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS

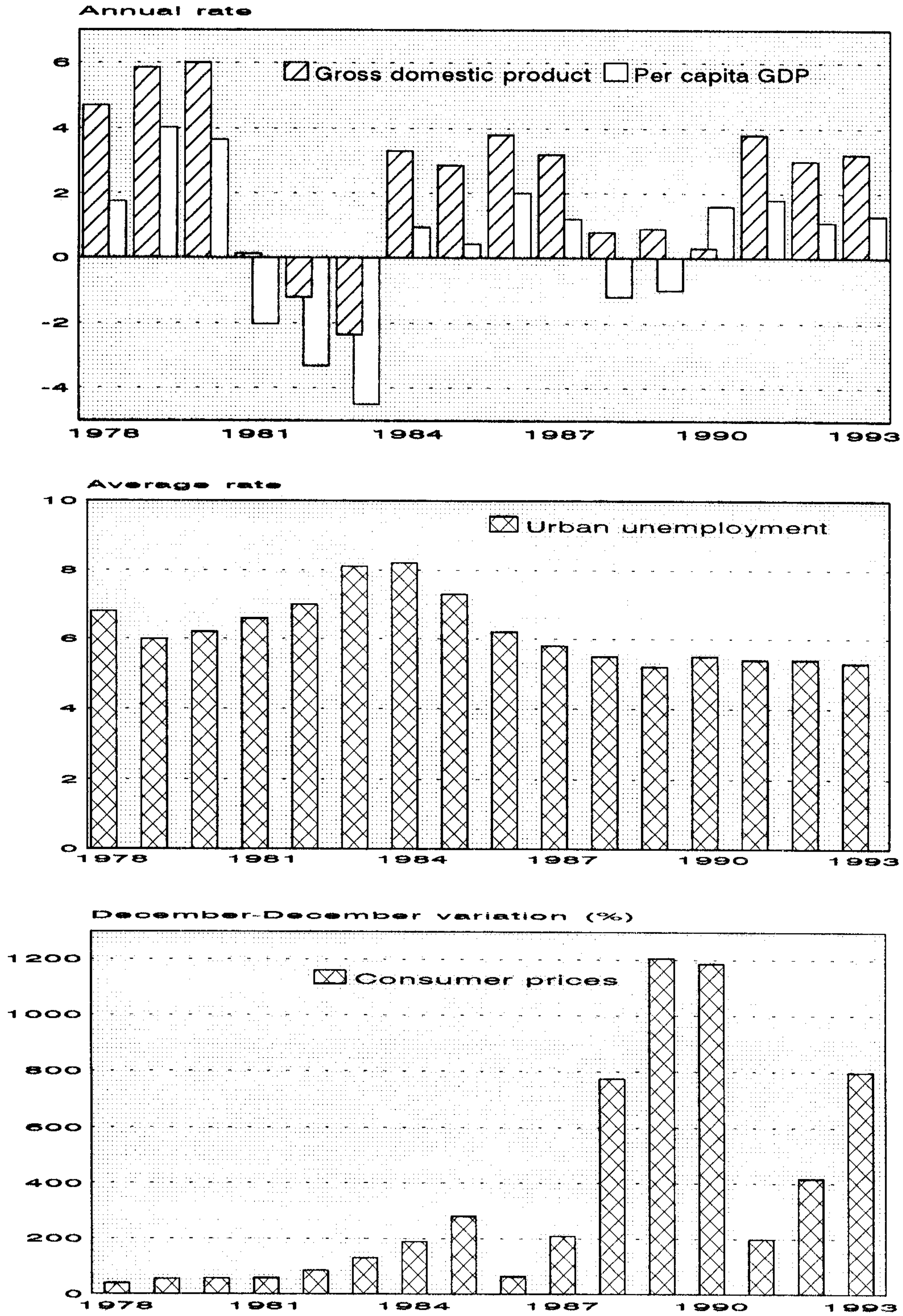
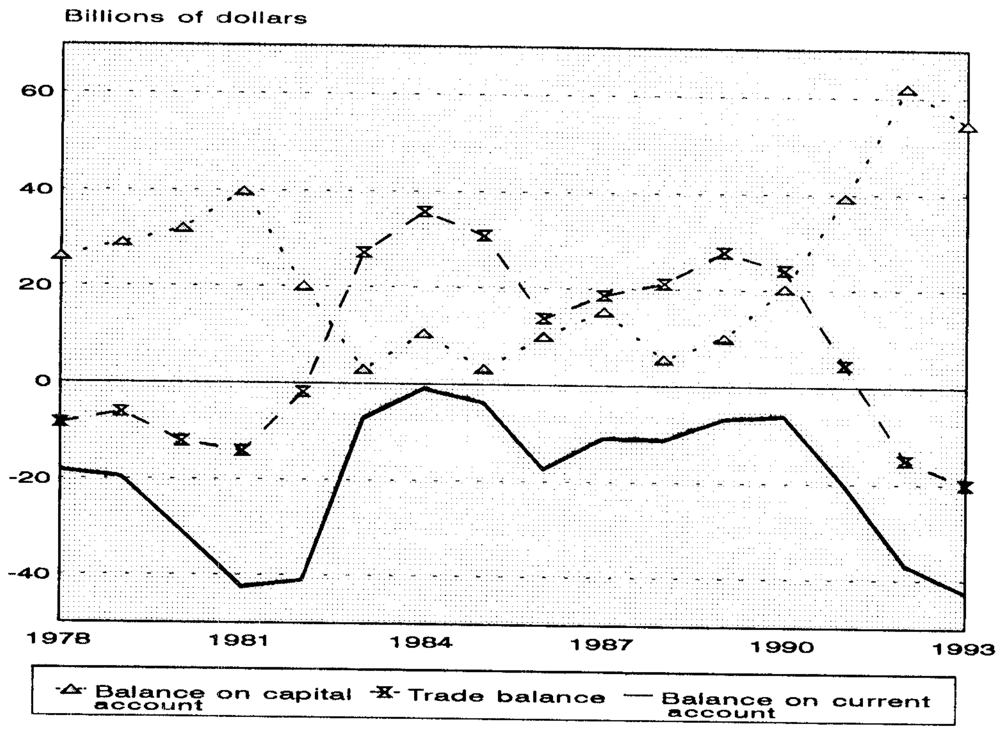
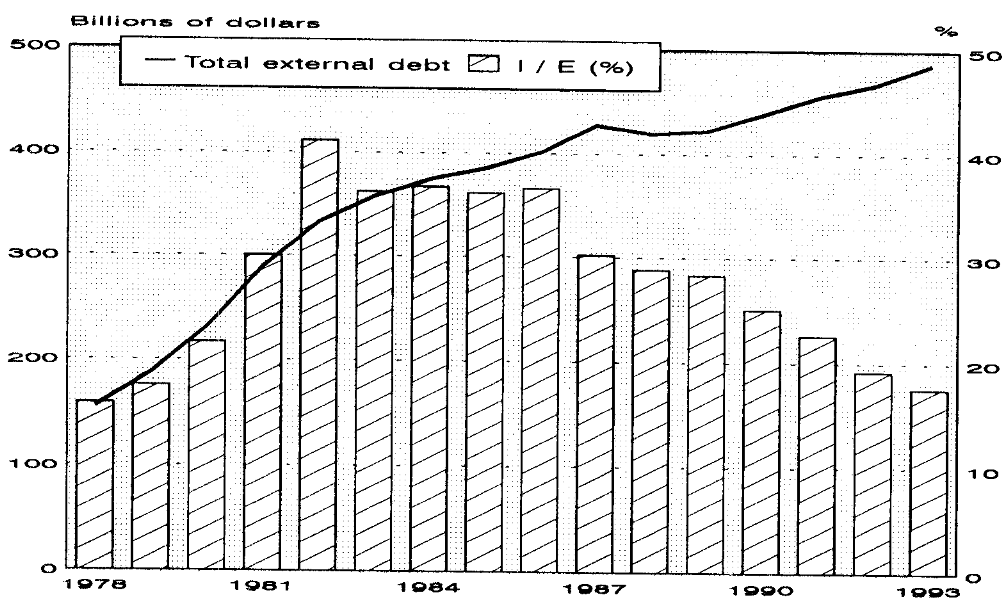


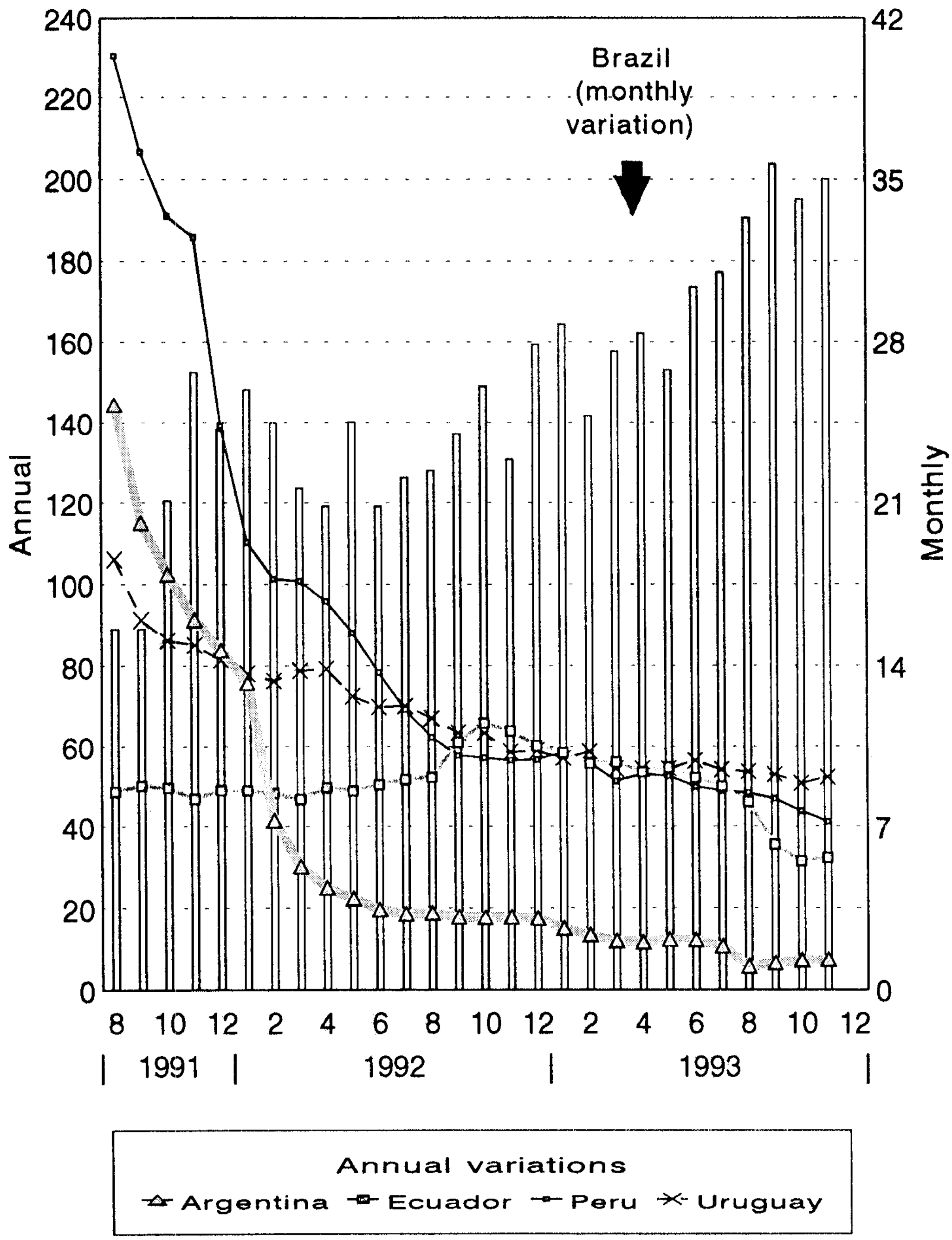
Figure 1 (conclusion)





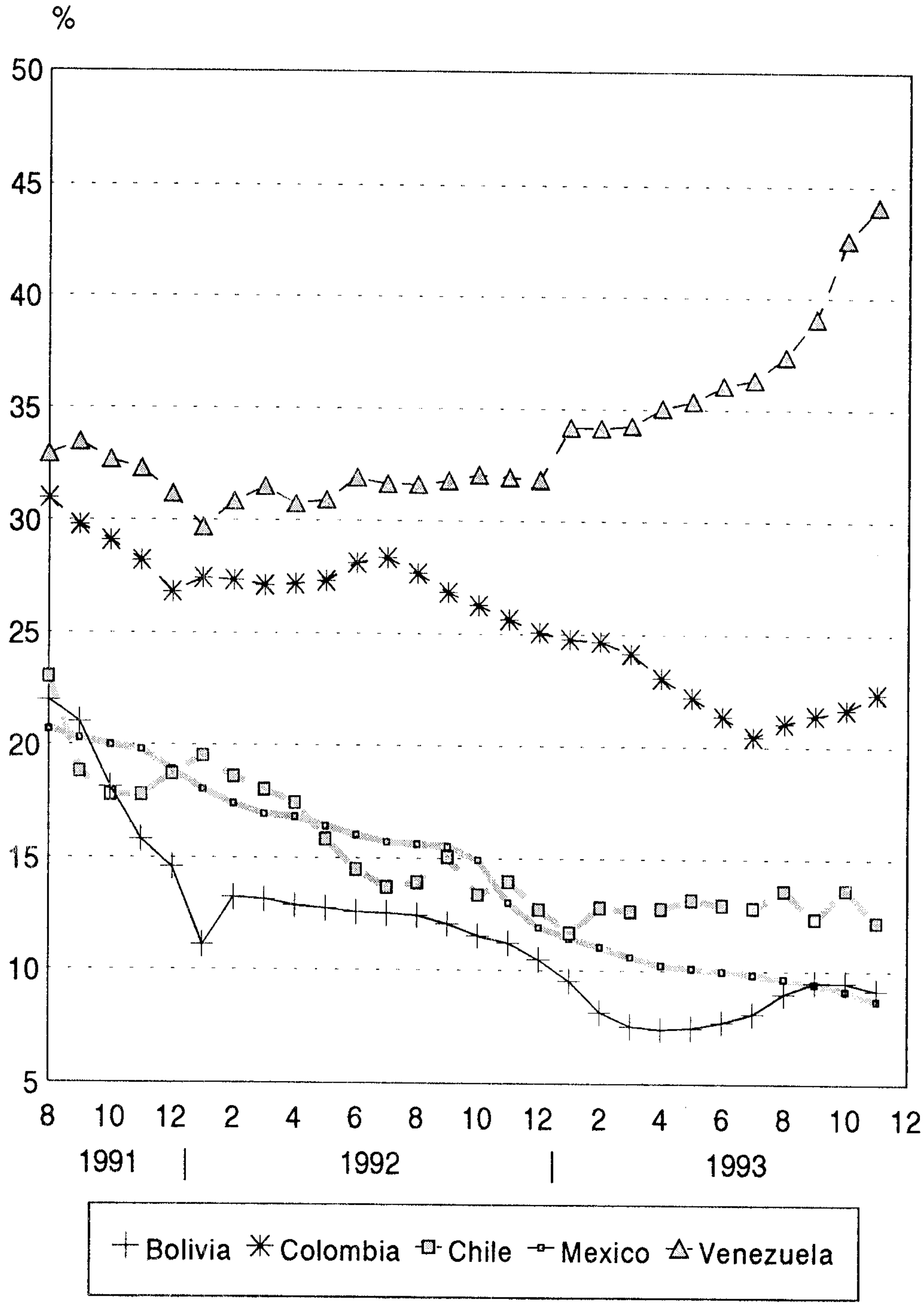
Source: ECLAC, on the basis of official figures.
Symbols: I = Total interest; E = Exports of goods and services.

Figure 2
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): TWELVE-MONTH VARIATIONS IN CONSUMER PRICE INDEX



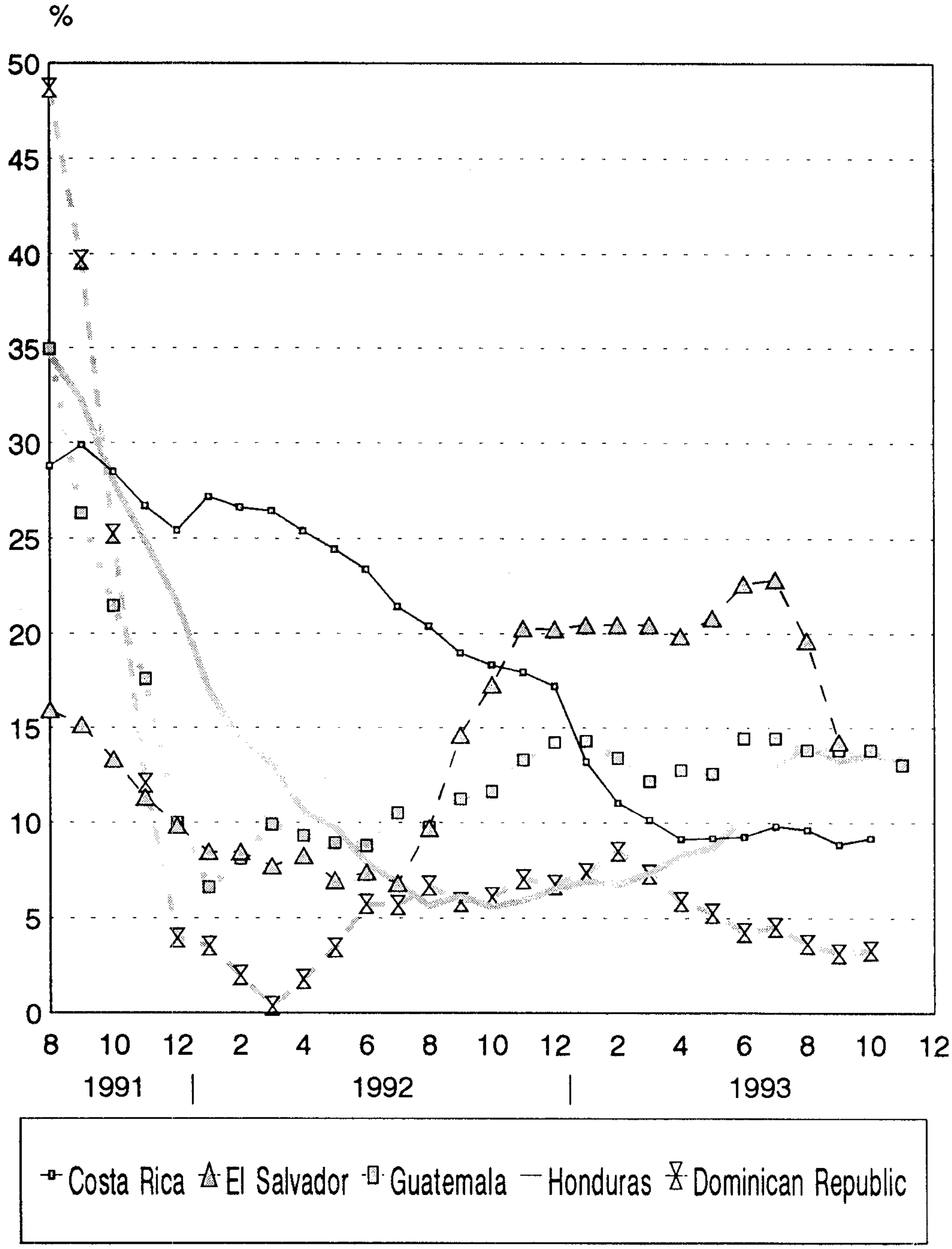
Source: ECLAC, on the basis of official figures.

Figure 3
LATIN AMERICA (SELECTED COUNTRIES): TWELVE-MONTH VARIATIONS IN CONSUMER PRICE INDEX



Source: ECLAC, on the basis of official figures.

Figure 4
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): TWELVE-MONTH VARIATIONS IN CONSUMER PRICE INDEX

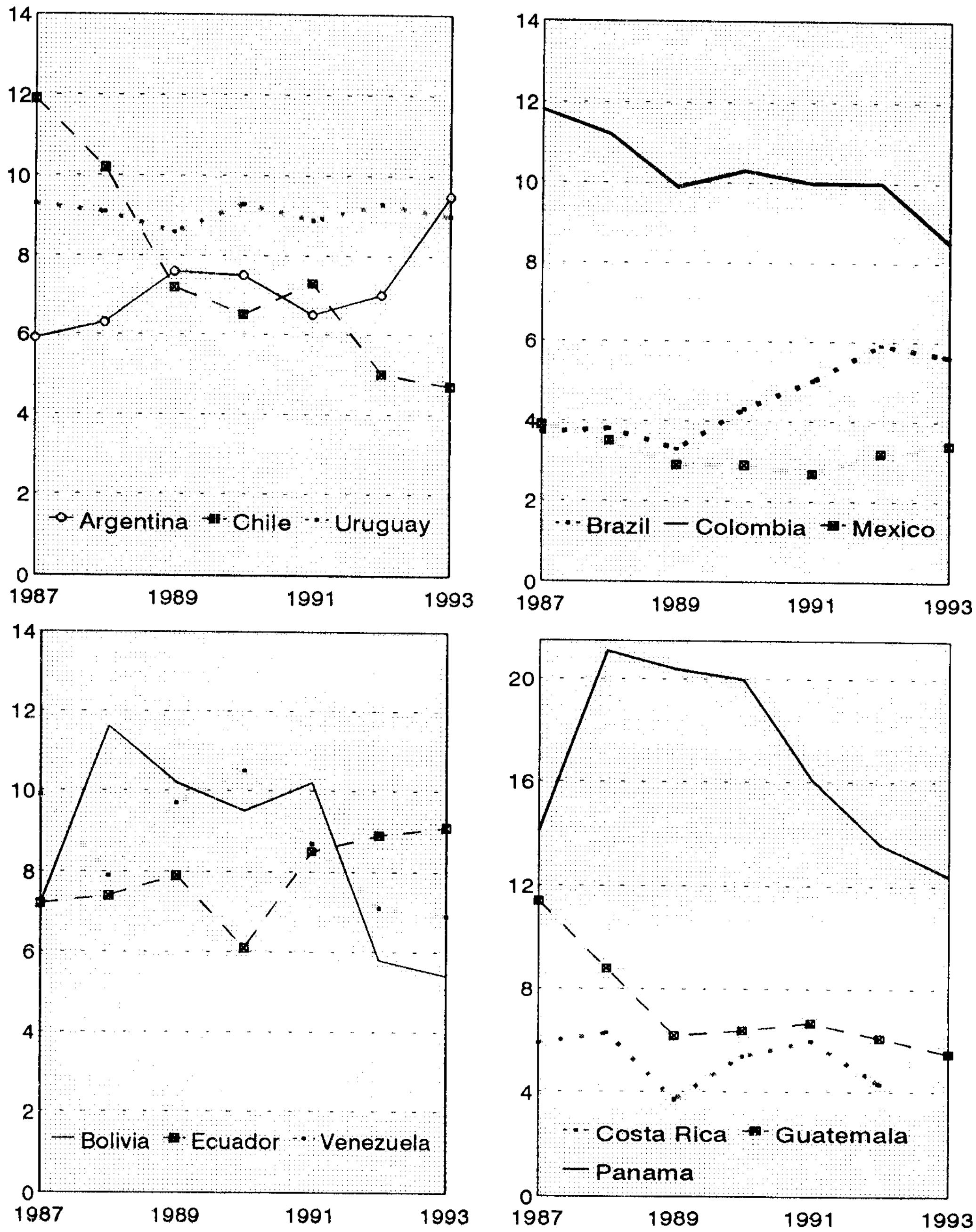


Source: ECLAC, on the basis of official figures.

Figure 5

LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): URBAN UNEMPLOYMENT

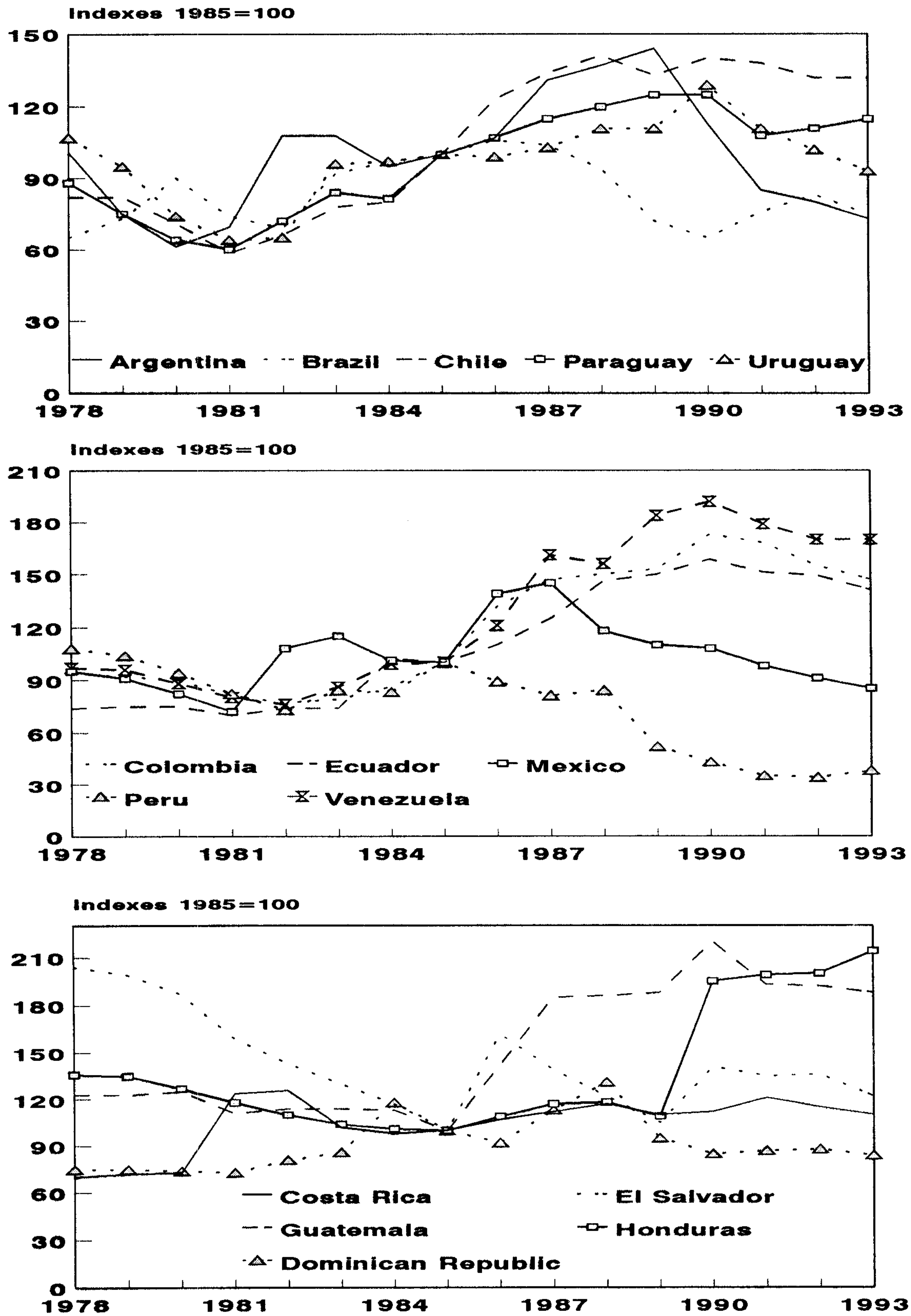
(Annual average rates)



Source: ECLAC, on the basis of official figures.

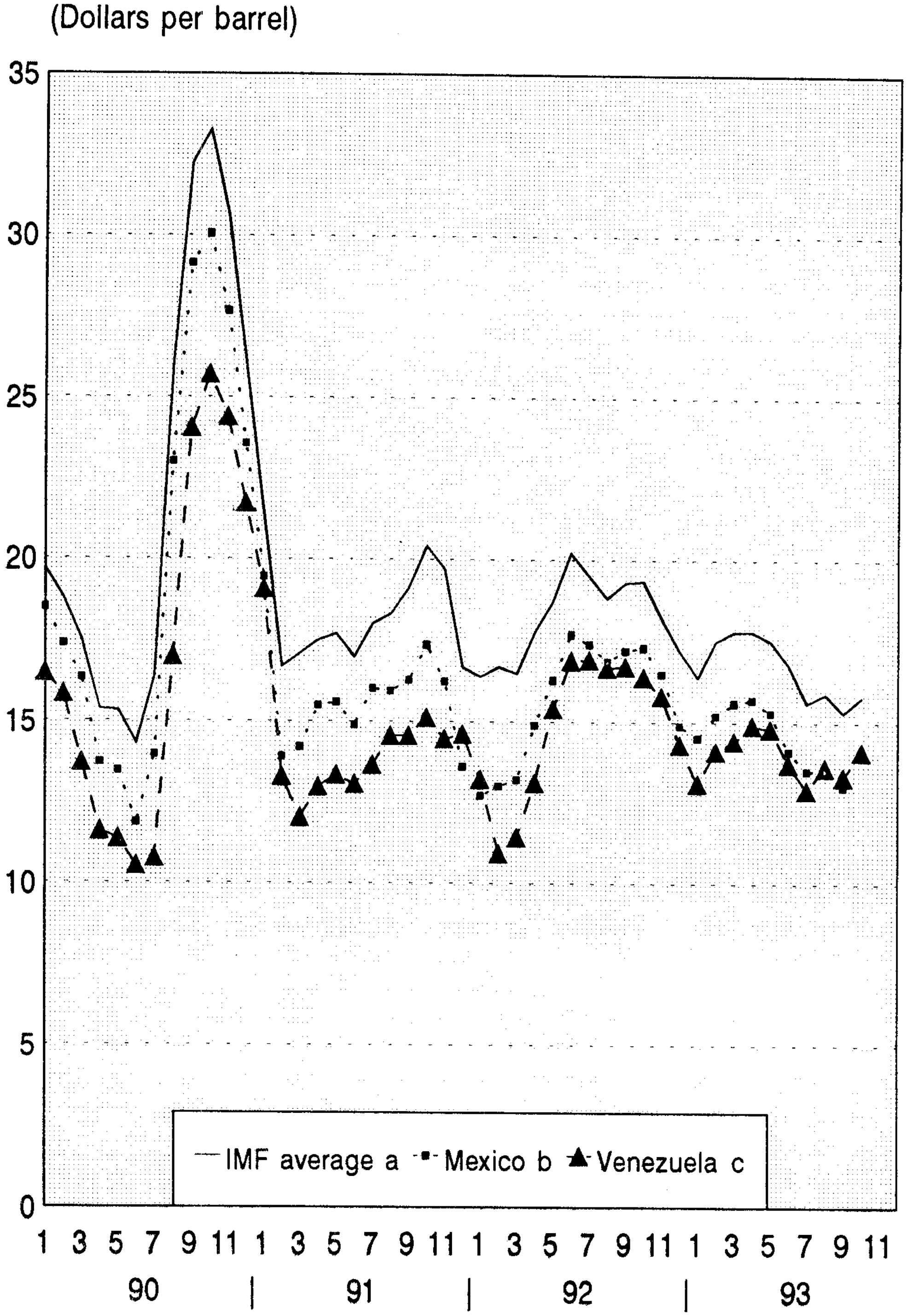
Figure 6

LATIN AMERICA AND THE CARIBBEAN: REAL EFFECTIVE EXCHANGE RATES FOR EXPORTS



Source:ECLAC, on the basis of figures supplied by IMF (see table 9).

Figure 7
CRUDE OIL PRICES
(Monthly averages)

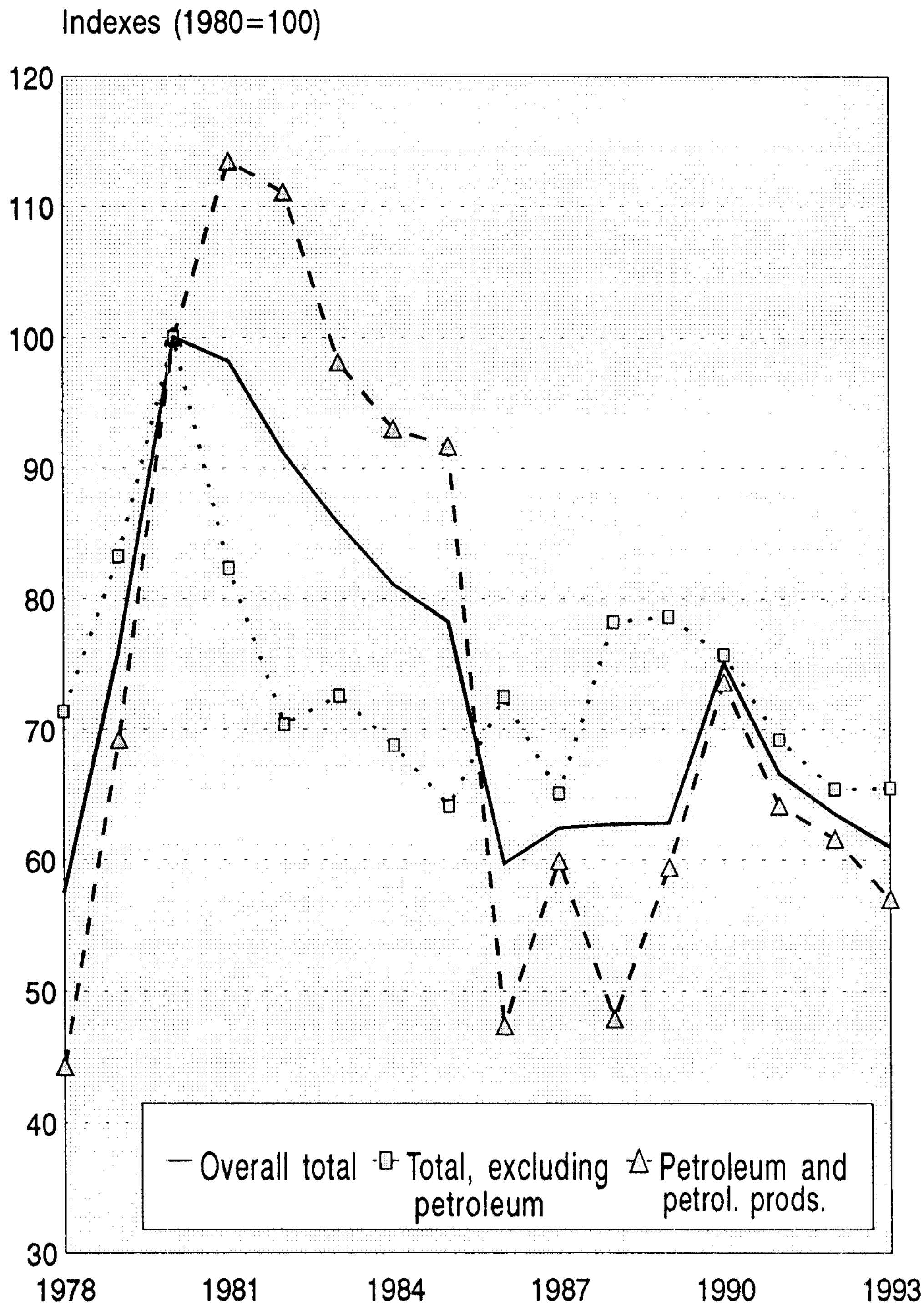


Source: ECLAC, on the basis of figures supplied by IMF and Petroleum Intelligence Group, *Petroleum Market Intelligence*, New York, various issues

a "Dubai", "Brent" (United Kingdom) and "Alaskan N. Slope".
b "Isthmus 34" and "Maya 22". c Tía Juana 22".

Figure 8

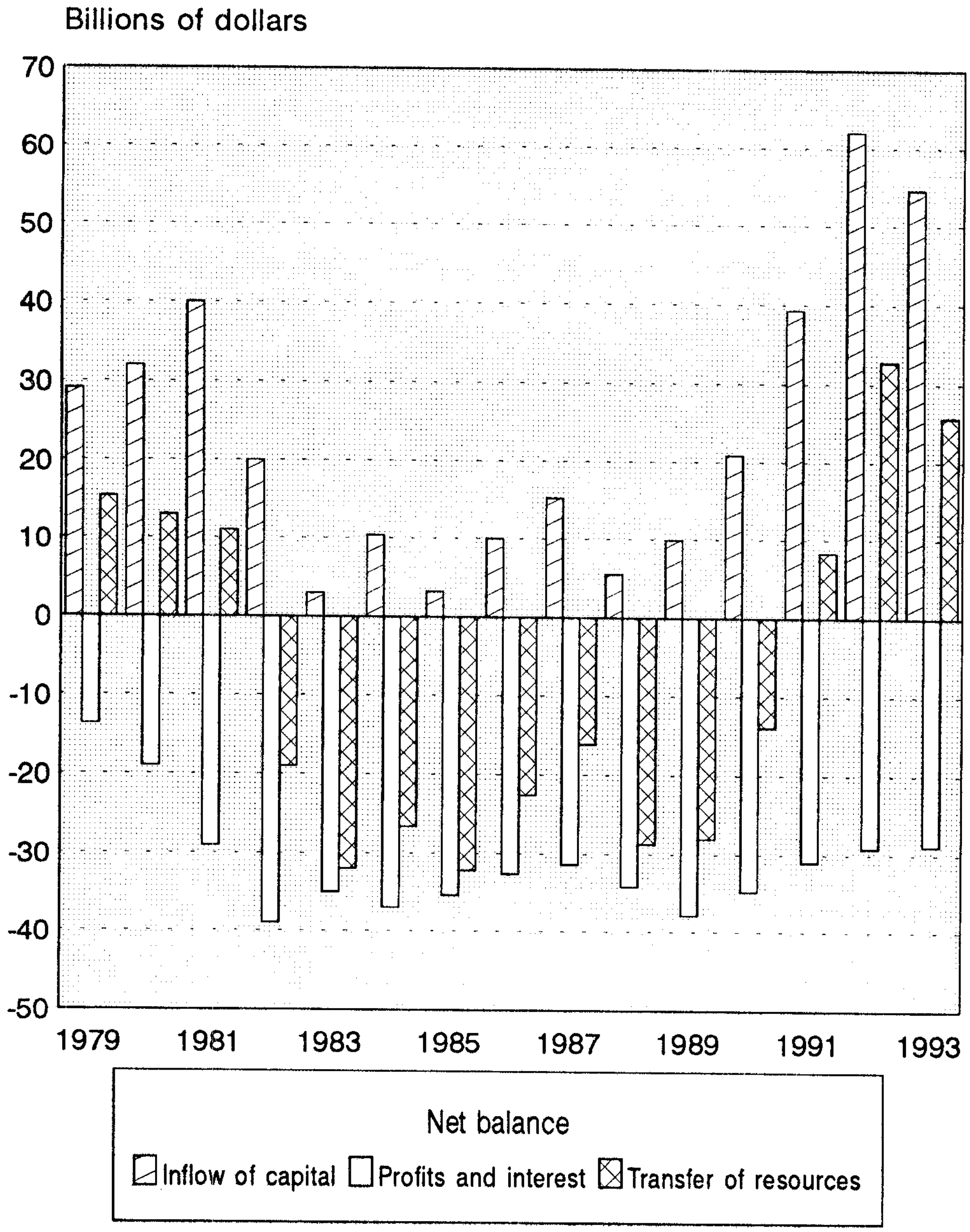
LATIN AMERICA AND THE CARIBBEAN: PRICE INDEXES FOR MAIN GROUPS OF EXPORT COMMODITIES



Source: ECLAC, on the basis of figures supplied by UNCTAD.

Figure 9

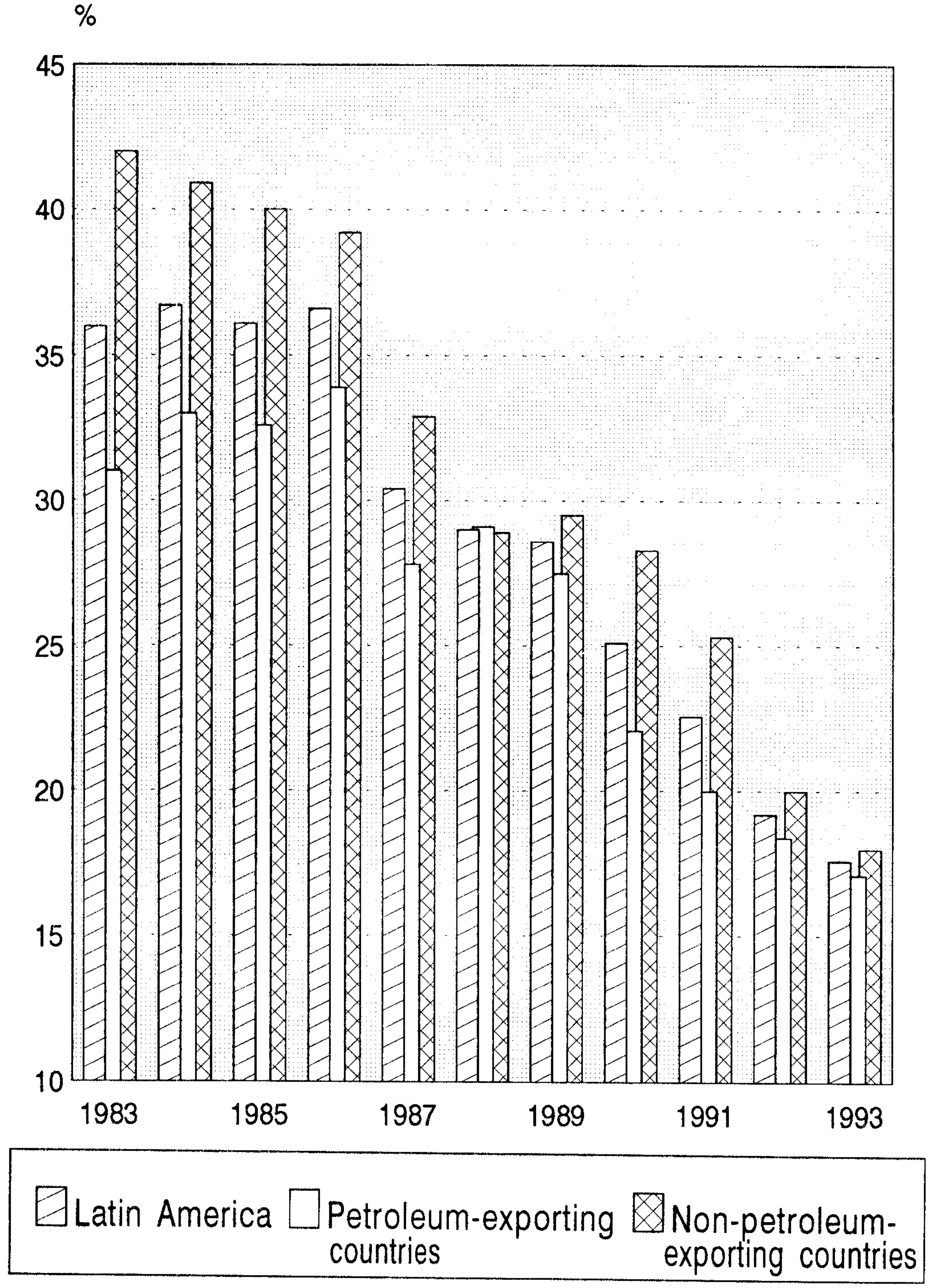
LATIN AMERICA AND THE CARIBBEAN: NET INFLOW OF CAPITAL AND NET TRANSFER OF RESOURCES



Source: ECLAC, on the basis of figures supplied by IMF.

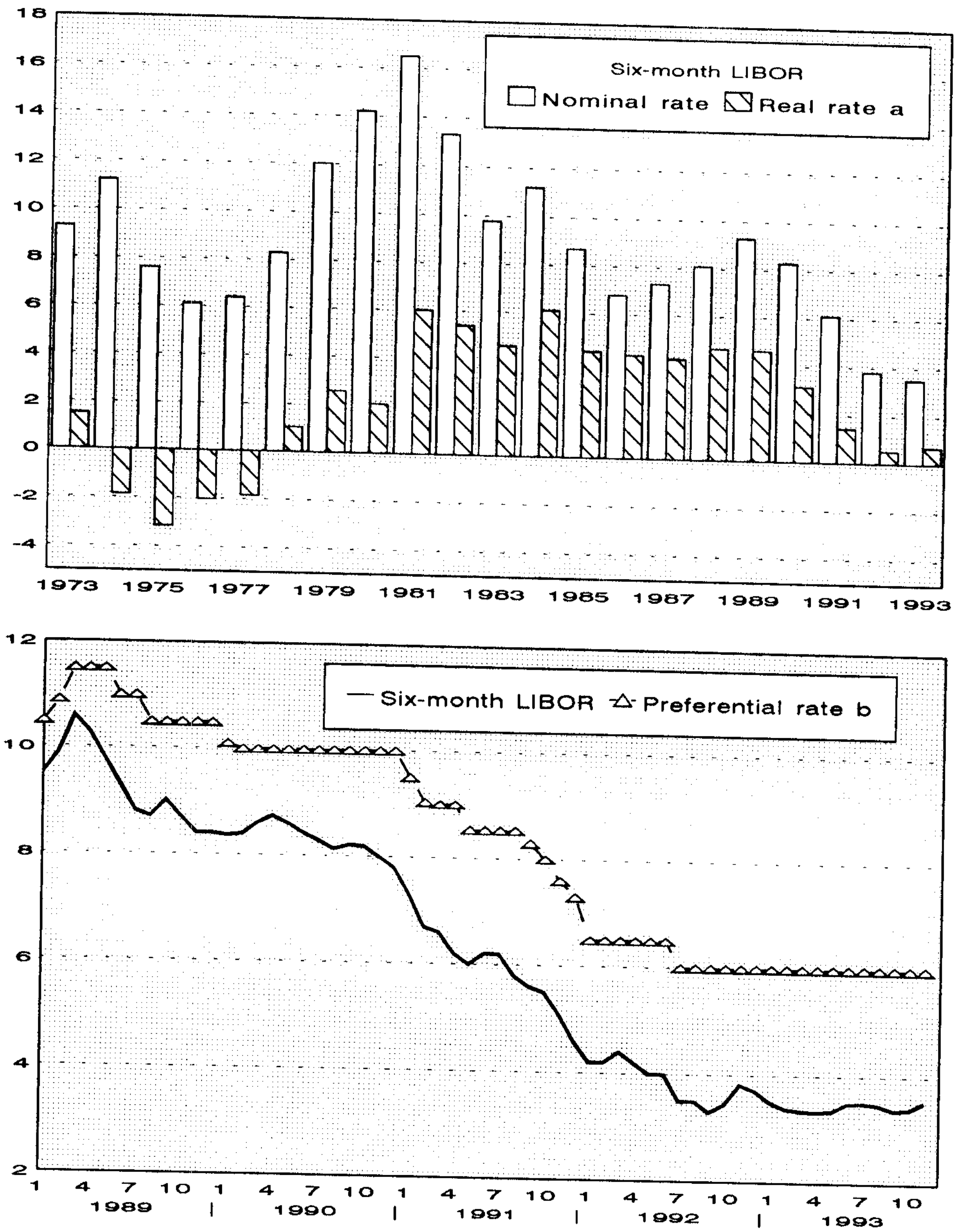
Figure 10

LATIN AMERICA AND THE CARIBBEAN: TOTAL INTEREST DUE, AS A PERCENTAGE OF EXPORTS OF GOODS AND SERVICES



Source: ECLAC, on the basis of official figures.

Figure 11
INTERNATIONAL INTEREST RATES
(Percentages)



Source: ECLAC, on the basis of figures supplied by IMF.
a Nominal rate, deflated by the consumer price index of the industrialized countries.
b Preferential rate ("prime rate") granted by United States banks to their best customers.