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Country Economic Memorandum on Uruguay

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CURRENCY EQUIVALENTS

(End-April 1988)

US$1.00 = NUR$329
NUR$1.00 = US$0.00304

WEIGHTS AND MEASURES

1 hectare (ha) = 10,000 m^2 = 2.47 acres
1 kilometer (km) = 0.62 miles
1 square kilometer (km^2) = 100 ha
1 kilogram = 2.17 pounds
1 metric ton = 1,000 kg

GLOSSARY OF ABBREVIATIONS

AFE	=	Government Railway Company
ALADI	=	Latin American Integration Association
ANCAP	=	Government Petroleum, Alcohol and Cement Company
ANP	=	Port Authority
ANTEL	=	Government Telecommunications Company
BCU	=	Central Bank of Uruguay
BPS	=	Social Security Bank
BROU	=	Banco de la Republica
CAP	=	EEC Common Agricultural Policy
CINVE	=	Economic Research Center
CONAPROLE	=	National Dairy Products Cooperative
DGSS	=	Social Security General Directorate
DINACOPRIN	=	National Directorate for Costs, Prices and Income
DINACOSE	=	National Directorate for the Control of Livestock Herds
EEC	=	European Economic Community
GATT	=	General Agreement on Tariffs and Trade
GDP	=	Gross Domestic Product
IMAGRO	=	Tax on Imputed Farm Income
IMESI	=	Selective Consumption Taxes
IMF	=	International Monetary Fund
INAC	=	National Meat Institute
IRA	=	Tax on Net Agricultural Income
OSE	=	Government Water Company
PEC	=	Protocol for Trade Expansion with Brazil
UTE	=	Government Power Company

SYNOPSIS

This report reviews progress and updates previous analysis undertaken in the Country Economic Memorandum (Report No. 6054-UR, August 1986), the Public Sector Investment Review (Report No. 7030-UR, May 1988) and the Inquiry into Social Security (Report No. 7067-UR). Since mid-1985, progress has been impressive. Upon taking office, the Sanguinetti administration confronted a severe recession, rising inflation, debt-servicing difficulties and a private sector in serious financial troubles. A well-structured economic program quickly reversed the situation, and Uruguay is now enjoying growth, which promises to be sustainable with the continuation of the present macroeconomic policy framework.

The updating memorandum reviews the progress achieved, with particular emphasis on key policy issues identified in previous Bank work, it assesses medium-term prospects of Uruguay's economy, and it arrives at a series of proposals for policy actions with respect to public administration and finances, social security, public investment, technological change and sectoral development, and private savings mobilization.

This report is based on the findings of an economic mission to Uruguay in November 1987, which composed of:

Juan Giral	-	Chief
Hector Dieguez (Consultant)	-	Social Security Specialist
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A draft report was discussed with the authorities in August 1988. The text has been updated to reflect these discussions and some recent events.

ECONOMIC MEMORANDUM ON URUGUAY

Table of Contents

URUGUAY

COUNTRY DATA

Area	Population	Density (1983)
(in thousands sq. kms)		
176.2	2 .9 million (1985)	17.0 per sq. km.
	Rate of Growth: 0.5 (1985)	19.0 per sq. km. of arable land

Population Characteristics (1985)

Crude Birth Rate (per 1,000)	18.2
Crude Death Rate (per 1,000)	9.7
Infant Mortality Rate (per 1,000 live births)	29.3

Health (1983)

Population by Physician	518.0
Population per Hospital Bed	170.0

Income Distribution (1983) /a

Percent of National Income, Highest Quintile	46.0
Lowest Quintile	6.0

Distribution of Land (1980)

Percent Area Exploited by Top 11% of Farms	73.3
Percent Area Exploited by Smallest 12% of Farms	.14

Access to Safe Water (1985)

Percent of Population - Urban	97.0
- Rural	71 0

Access to Electricity (1976)

Percent of Dwellings - Urban	92.0
- Rural	36.0

Nutrition (1983)

Calorie Intake as % of Requirements	127.0	Adult Literacy Rate (%)	95.0
Per Capita Protein Intake (grams per day)	79.0	Primary School Enrollment (%)	110.0

Gross National Product in 1986: US$1,710.0

Gross National Product in 1987	US$ Million	% of GNP	Annual Growth Rates (%, Constant Prices) 1970-75	1976-80	1981-84	1986-87
GNP at Market Prices	7,224.0	100.0	1.0	4.4	-7.8	7.5
Gross Domestic Investment	698.0	9.7	0.7	13.9	-27.1	11.6
Gross National Savings	848.0	11.7	-6.9	6.7	-20.3	-2.3
Current Account Balance	125.0	1.7				
Exports of Goods & NFS	1,547.0	21.4	6.1	5.3	0.9	1.9
Imports of Goods & NFS	1,394.0	19.3	2.2	10.4	-16.3	16.6

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1987

	Value Added		Labor Force		Value Added/Per Worker	
	US$ Million	Percent	Thousands	Percent	US$ Million	Percent
Agriculture	886.0	11.8	182.0	15.3	4,868.0	77.1
Industry	1,981.0	26.4	296.0	24.9	6,693.0	105 9
Services	4,638.0	61.8	710.0	59.8	6,533.0	103.4
Total/Average	7,505.0	100.0	1,188.0/b	100.0	6,317.0	100.0

GOVERNMENT FINANCE

	General Government		Central Government	
	US$ Million	% of GDP	US$ Million	% of GDP
	1987	1984	1987	1987
Current Receipts	1,786.0	23.8	1,176.0	15.7
Current Expenditures	1,734.0	23.1	1,137.0	15.2
Current Balance	53 0	0.7	39.0	0.5
Capital Expenditures	150.0	2.0	137.0	1.8
External Financing (net) /c	218.0	2.9	207.0	2.8

Money, Credit and Prices	1984	1985	1986	1987
	(billions of NU$ outstanding at end of period)			
Money and Quasi Money	200	355	639	780
Bank Credit to Public Sector	83	102	172	155
Bank Credit to Private Sector	220	346	512	624
Money and Quasi Money as % of GDP	68	67	66	46
General Price Index, Average (1980 = 100)	371	637	1,232	2,015
Annual Percentage Changes in:				
General Price Index	55	72	93	63
Bank Credit to Public Sector	88	23	69	-10
Bank Credit to Private Sector	60	57	48	22

Balance of Payments	1980	1984	1987
	(US$ millions)		
Exports of Goods, NFS	1,526	1,289	1,563
Imports of Goods, NFS	2,126	1,062	1,441
Resource Gap (deficit -)	-600	227	122
Interest Payments	-105	-284	-276
Other Factor Payments (net -)	4	-78	7
Net Current Transfers	9	10	22
Balance on Current Account	-692	-124	-125
Direct Investment	289	0	0
Public M&LT Loans (net)	200	62	179
Disbursements	(293)	(189)	(238)
Amortization	(-93)	(-127)	(-60)
Other Capital (Net)	254	-3	-10
Capital Flows n.e.i.	8	17	95
Increase in Reserves (-)	-153	50	-45
Errors & Omissions	95	-156	-93
Gross Reserves (end Year) /d	545	226	

Merchandise Exports (1987)	US$ million	Percent
Meat	129	11.0
Wool	278	23.0
Rice	56	5.0
Fish	81	7.0
Hides and Skins	84	7.0
Manufactured Goods	469	39.0
Other	92	8.0
Total	**1,189**	**100.0**

M&LT External Debt, 12/31/87	US$ million
Public Debt including Guaranteed	3,048
Non-Guaranteed Private Debt	..
Total Outstanding & Disbursed	..

Debt Service Ratio for 1987	Percent
M&LT Public Debt inc. Guaranteed	24.4
Non-Guaranteed Private Debt	..
Total Outstanding & Disbursed	..

IBRD Lending, 12/31/87	US$ million
Outstanding & Disbursed	301.4
Undisbursed	172.7
Outstanding inc. Undisbursed	474.1

Rate of Exchange /e

1978: US$1.00 = NU$ 6.06
NU$1.00 = US$ 0.165

1987: US$1.00 = NU$225.50
NU$1.00 = US$ 0.0043

/a Montevideo Region.

/b Economically active population over 12 years old.

/c Including dollar denominated bonds and bills.

/d Central Bank foreign assets, excluding gold.

/e Average annual rates.

... Not available.

11/29/88

EXECUTIVE SUMMARY AND CONCLUSIONS

Background

1. Uruguay is a democratic country of three million people. The population, mostly urban and well educated, is becoming progressively older, as a result of low birth and death rates and high life expectancy. Social indicators and the income distribution compare favorably with those of many developed countries. Culture and social values are similar to those of Western Europe. Per capita income (US$2,180 in 1987, Bank methodology) is high by Latin American standards.

2. Uruguay was a relatively prosperous country until the mid-1950s. Inward-looking manufacturing policies and weakening external livestock markets led to stagnation, which lasted about two decades. As exports and GDP stagnated, the commitment to social welfare programs exceeded the country's capacity to pay for them. Fiscal and balance of payments deficits, rising inflation and unemployment ensued. Social tensions led to urban guerrilla warfare; the army took over in 1973, breaking Uruguay's long-standing democratic tradition.

3. The crisis forced a fundamental reappraisal of Uruguay's growth strategy. Fundamental reforms encompassed fiscal, monetary, exchange rate, foreign trade, and domestic pricing policies, opening the economy and enhancing dramatically the role of market forces. Exports were encouraged with several instruments, including subsidies, frequent devaluations, liberalized drawback and duty-free import facilities. Maximum import tariffs were reduced from 346 percent in 1974 to 116 percent in 1979. Foreign exchange transactions, including capital movements, were freed in 1974. The tax system's structure was streamlined to eliminate distortions in relative prices. Price controls were gradually reduced. Uruguay became a pioneer at structural reforms. A quick review of the economic scorecard attests to the success of the new strategy. Exports and investments grew by leaps; real GDP increased about 4.5 percent a year during 1974-80; and unemployment reached its lowest point (6 percent) in decades early in 1981. The budget was in surplus in 1979-80, and inflation dropped from 107 percent in 1974 to 43 percent in 1980.

4. Government's impatience with the gradual slowdown of inflation led to the introduction in late 1978 of new policies aimed at bringing down inflation at a faster rate, most notably the preannounced exchange rate (tablita). Restrictions on financial intermediaries were dismantled, and the Central Bank withdrew from active management of the domestic money supply. Open-market operations were halted, banking reserve requirements eliminated, and interest rate ceilings abolished. In the absence of controls on capital movements, the Government expected that domestic interest rates would converge quickly with foreign rates adjusted for depreciation of the peso, assuring a continuous source of credit on reasonable terms (monetary approach to the balance of payments). Interest rates did not converge and remained highly positive in real terms.

5. A policy inconsistency emerged between the tablita and the monetization induced by the public deficit and easy credit. Devaluation rates below the prevailing rates of inflation overvalued the peso and eroded the competitiveness of exports, which had been a major objective of the reform program during 1973-78. Abundant foreign capital inflows financed the resulting balance of payments deficits, but at a price: increased stocks of external debt. The public sector budget showed a significant deficit. Expanded liquidity, easy credit, and dollar borrowings led to overindebtedness in all productive sectors. By 1982, banks had great difficulty in obtaining the repayment of loans; high positive interest rates, highly leveraged firms, and dollar-denominated debts led to bankruptcies. Policy inconsistencies and the consequences of a rapid buildup of the stock of foreign debt, not the sequencing of economic reforms, led to a breakdown of the tablita in November 1982.1/ This was followed by a severe depression. GDP dropped one-sixth during 1982-85; unemployment soared to 16 percent in 1983; and inflation accelerated to 85 percent in 1985. The lesson from this period still applies to current circumstances. Currently, all economic indicators are showing progress and the inflationary tide is gradually receding, a situation with some similarity to that of 1978. The temptation to take special measures, and especially lags in exchange rate adjustments, to force a sharp rather than a gradual reduction of inflation should be resisted to avoid a repetition of the above-noted experience of the early 1980s. More important instruments for this purpose are continuing recent efforts at gradually reducing the rate of monetary growth and the public sector deficit, and maintaining real wage increases in line with productivity gains.

Recent Developments

6. The Sanguinetti Administration took office in early 1985; it confronted a severe recession, rising inflation, external debt service difficulties and a private sector in serious financial troubles. Quick and effective actions within a well-structured economic program (para. 15) reversed the adverse trends. An 18-month Standby program was agreed with the IMF; the Government successfully met all performance criteria and, since July 1987, Uruguay graduated to the Enhanced Article IV Surveillance category. A parallel effort at debt restructuring also met considerable success, removing an important balance of payments constraint. A 1986 Multi-Year Rescheduling Agreement (MYRA) provided relief for US$2.1 billion (US$1.7 billion with commercial banks and US$0.4 billion in a parallel deal with Argentine, Brazilian and Spanish banks) in amortization payments due during 1985-89; fresh voluntary financing for US$45 million was also provided under the framework of a World Bank B-Loan. The US$1.7 billion portion of the MYRA was subsequently renegotiated at better terms (7/8 over LIBOR, a 17-year repayment period and 4 years grace) and extended to cover amortization payments due during 1990-91. A third major effort was addressed to implement a medium-term development program aimed at restoring private sector confidence and creating a favorable climate for exports and investment, the major engines of growth in Uruguay.

1/ For an analysis of this aspect of the monetary approach to the balance of payments in a small, open economy with capital mobility, see Tobin, James. "Asset Accumulation and Economic Activity," The University of Chicago Press, 1981; pp 79-84. For more details, see World Bank Report No. 6054-UR, August 1986.

7. The Government's coherent and sustained efforts to establish a policy framework conducive to growth, particularly the expansion of exports, and advance the process of structural reform has succeeded in reinvigorating the economy and bringing it back to its growth path. The challenge now is to keep the growth momentum in the face of uncertainties surrounding the world economy, and particularly the economic difficulties of its two neighbors: Argentina and Brazil.

8. The 1986-87 economic scorecard reflects the achievements of the present Administration: GDP and exports grew an average 5.6 percent and 18 percent a year, respectively; unemployment dropped one-fourth; real wages increased over 5 percent (following a 14 percent rise in 1985) without undue strain on the economy because of improved terms of trade; inflation dropped from 83 percent in 1985 to 57 percent in 1987; and the public sector deficit (including Central Bank losses for 2.7 percent of GDP) was reduced to 4.1 percent of GDP (as opposed to 9.2 percent in 1982). In brief, a praiseworthy performance.

9. Preliminary estimates for 1988, however, indicate that GDP growth is slowing down to about 2 percent of GDP owing to: (i) tightening credit measures of the Central Bank (including a programmed increase in deposit rates by stages) in late 1987 to avoid overheating the economy and further losses of international reserves; (ii) declines in industrial and fishing activities, partly explained by strikes; (iii) a drought that affected some agricultural products and the supply of meat; and (iv) economic developments in Argentina and Brazil, which affected adversely Uruguay, particularly in tourism. A negative development: inflation is rising again. The 1988 rate is expected to be about 70 percent (December-December) on account of: (i) the above-noted drought impact on prices of meat, fruits and vegetables; (ii) the adjustment of the devaluation rate to maintain competitiveness with neighboring countries; (iii) deviations in 1988 with respect to the external debt ceiling of the monetary program and the public sector deficit, which is expected to reach 4 percent of GDP against a targeted 3.7 percent; and (iv) the indexation and dollarization of the economy, which magnifies the impact of these changes. The Government is taking steps to correct this situation by tightening fiscal expenditures and by a more strict enforcement of the monetary program. On the positive side, exports recorded another good year in 1988 (more below), which is likely to fuel domestic demand again and restore growth momentum to the economy. Unemployment also fell below 8 percent in July-August 1988, the lowest level since early 1982.

<u>Growth Prospects</u>

10. Uruguay's long-term prospects, as noted earlier, are closely linked to developments in the world economy and in Argentina and Brazil. The Government program is expected to produce average growth rates of 3 to 3.5 percent for 1989-92 following the slowdown of GDP growth in 1988. This favorable result depends heavily on the performance of exports, which are expected to expand at about 8 percent a year (4.8 percent in real terms). These projections are based on the following assumptions: a moderate annual growth rate of OECD's economies; petroleum prices ranging from US$14/bbl in 1988 to about US$15/bbl in 1992; and LIBOR interest rates

declining slightly from the 8.5 percent (plus 7/8 spread) expected for 1988. To achieve the GDP growth rates, the investment ratio to GDP will have to recover to about 13 to 15 percent. Although low by normal international standards, with low population growth (0.5 percent a year), these ratios could sustain adequate per-capita income growth and provide for the future of the economy as analyzed in the body of the report.

11. New investments will be concentrated in agriculture and manufacturing branches with close links with the processing of agricultural intermediate and final goods and on the expansion of public infrastructure and services supporting private activities. Investments will be financed mostly by private sector savings and by lending from multilateral banks. Domestic savings are expected to grow from 11 percent of GDP in 1987 to about 14 percent in 1992. This will require that consumption increases at a lower rate than that of GDP, but close to that of per capita GDP. The policies associated with this development are: wage adjustments below the rate of past inflation, reducing consumption expenditures of the public sector, and maintaining a favorable climate and a competitive exchange rate for private savings to remain in Uruguay.

12. Export growth will be the critical factor in this scenario. Both traditional and nontraditional exports are expected to contribute positively. Wool exports are a key factor for the expansion of traditional exports; Uruguay's production is expanding and prices increased about 30 percent in 1988. Exports of citrus, rice, fish, dairy products and fruits have good prospects for expansion. Lumber exports may develop on the basis of the current forest resources and will expand later on based on the development of new forest resources. Manufactured products based on domestic raw materials (clothing, apparel, leather goods, prepared meals) have also good growth prospects, and other manufactures, such as chemicals and ceramics, have shown significant growth potential.

13. The downside risks of this growth scenario are closely linked to: (i) failure to secure sufficient additional external financing from sources other than foreign commercial banks; (ii) lower export earnings on account of lower than expected prices for primary exports, particularly wool and beef and significant changes in the commercial policies of developed countries or severe trade difficulties with Argentina and Brazil; and (iii) higher interest rates or oil prices. If any of these circumstances materializes, maintaining Uruguay's growth targets would call for further increases in exports or in borrowings. In the latter case, a lower GDP growth rate (2 to 2.5 percent) would be preferable; increased borrowings under this hypothesis may compromise the country's future ability to service its external debt.

14. Political risks are not likely to derail the base scenario. The current administration will remain in power until March 1990 and is expected to continue implementing the programs now underway. Since the Colorado Party is a minority in Parliament, most of the actions and reforms approved under the Government's program of structural reforms have thus counted on a broader political support. Reforms passed with such political participation have good prospects of being sustained.

Policy Actions

15. **The Medium-Term Program**. The medium-term program has a coherent macro-policy framework and corresponding set of measures for achieving self-sustaining growth in the next few years. It represents a continuation of the macro policies followed since 1985 with some important additional elements. The program is focused primarily in expanding exports and bringing down inflationary pressures. It comprises: (i) a policy and incentive framework geared to expanding exports of goods and services, particularly tourism, which includes a free-floating, competitive exchange rate and a reduction of import protection; (ii) freedom of capital markets and foreign exchange transactions; (iii) actions to restore private sector confidence and promote growth and diversification of agriculture and manufacturing; (iv) measures aimed at reducing inflation and maintaining fiscal and monetary discipline--including further reductions in the public sector deficit to about 3 percent of GDP--and achieving a sustainable current account balance of payments deficit and a better balance in resource allocation between the public and private sectors; (v) a public investment program focussing mainly on providing essential inputs and infrastructure for private productive activities; (vi) actions taken to modernize the public sector (e.g., streamlining of social security, increased efficiency of public enterprises, improved procurement procedures); (vii) positive real interest rates and improved supervision of commercial banks; (viii) refinancing of overindebted but viable financial enterprises; and (ix) the almost total absence of price controls. The following paragraphs summarize progress under the Government program in several important policy areas identified in the previous World Bank Country Economic Memorandum (Report No. 6054-UR).

16. **Trade Policy, Export Promotion, and Balance of Payments**. The Government has maintained a competitive real effective exchange rate, coupled with value-added tax exemptions for exports; virtually eliminated export taxes with the exception of a 5 percent tax on raw wool; and reduced import tariffs to a five-rate schedule, ranging from 10 to 40 percent (excluding consular fees and port charges totalling about 5 percent of the CIF price).

17. These policies have created a positive climate for export expansion including nontraditional products. Exports grew from US$854 million in 1985 to US$1,189 million in 1987, and three-quarters data for 1988 show a 20 percent increase over the same period in 1987. The strong export performance, the positive developments under the financial policies followed in the public sector, and the improvement of the terms of trade have allowed Uruguay to increase its net foreign exchange reserves. At the end of 1987, gross reserves (excluding gold holdings) amounted to the equivalent of six months of imports and are expected to increase by US$100 million in 1988.

18. **Public Financial Management and Public Savings**. The Government successfully reduced the overall public sector deficit to a low level of 4.1 percent of GDP in 1987 (of which the nonfinancial public sector accounts for 1.4 percentage points, and the Central Bank losses for 2.7 percentage points), down from 9.2 percent in 1984 and 6.4 percent in

1985. Nonfinancial public sector savings improved from a deficit of 0.7 percent of GDP in 1984 to a surplus of 2 percent of GDP in 1987; Central Bank losses dropped from 4.8 to 2.7 percent of GDP in the same years. However, the target deficit (3.7 percent of GDP) for 1988 may not be met because of (i) the impact of the higher than programmed inflation on revenue collections and expenditures of the Central Government; and (ii) the increase in LIBOR rates, which raised interest payments on the external debt and, subsequently, in the internal debt, a factor that affects particularly the Central Bank losses or about two-thirds of the public deficit.

19. The mobilization of additional revenues from tariff and tax measures has proceeded well. First, tariffs of public enterprises have been raised periodically to ensure their financial viability and the undertaking of needed expansions. Savings at about 2 percent of GDP are adequate to ensure the enterprises' financing the local contribution to their investments, after covering their debt service. In addition, money-losing enterprises, mainly owing to inefficiencies, are being restructured, while more profitable enterprises are introducing cost-effectiveness measures. Second, the tax reform package and the improvements in tax administration, facilitated by a growing economy, have already resulted in a tax revenue increase of about 4 percent of GDP in 1986-87 relative to the 1984-85 level. Automatizing the processing of tax declarations and improving auditing are moving ahead satisfactorily.

20. The social security legislation, approved in 1987, introduced new earmarked taxes (one percentage point increase in the value-added tax rate and a 20 percent surcharge to the domestic consumption tax on new vehicles) and tightened eligibility requirements for public officials. Administrative actions are also being implemented to reduce evasion and maintain accurate records of future beneficiaries, an important step in strengthening the finances of the system. Additional changes are expected to further improve the long-term viability of the system well into the next century. The deficit of the Social Security Bank (Banco de Prevision Social or DGSS earlier) was 2.4 percent of GDP in 1987. The tax actions noted above will reduce it by about 0.2 percent of GDP in 1988. Furthermore, about half of the deficit of the Social Security Bank originates in unfunded welfare-type programs (e.g., family allowances), which normally are financed out of tax revenues; the Government is looking for ways of reducing expenditures under these programs or raising new revenues to finance them.

21. Three public enterprises were singled out for restructuring under the Government program. The railways were restructured at the end of 1987 to establish a scaled-down, financially viable system. The measures were: closing all passenger services; discontinuing unprofitable rail lines; reorganizing the Administration; and reducing the work force by over 1,500. Further reductions in services and employment are expected in coming years in line with the Government's objective of streamlining the railways. The water supply company has begun a restructuring program with external assistance. Actions are underway to convert the airline (PLUNA) into a joint venture with a reputed international airline; this is proving difficult on account of the difficulties of major air carriers serving the area. Nevertheless, PLUNA's operations improved; it showed only a small operating deficit (about US$0.5 million) in 1987.

22. **Public Investment Programming**. The public investment program for 1987-89 is under implementation within the framework of the Government's medium-term development program, which was issued in 1987. It has been updated recently to bring 1988-89 investments in line with the implementing capacity of the investing entities.

23. **Financial Sector Reform and Private Savings Mobilization**. Parliament approved a refinancing law in late 1985, which established rules to apportion losses between debtors and creditors banks. This apportionment, along with write-offs, debt-to-debt swaps, debt restructuring on a long-term basis, capital restructuring and other schemes have improved the situation in 1986-87, but at a price. Two local banks collapsed and had to be rescued by Banco Republica (BROU)--the state-owned agricultural and industrial bank, which is attempting to recapitalize them for future reprivatization. BROU also had to take over two local branches of foreign banks (Banco de Italia and Banco Pan de Azucar) because their main offices in Argentina and Chile went bankrupt or had to be rescued by the Government.

24. To strengthen the capital market, the Government has presented legislation to Parliament to modernize the juridical framework ruling corporate and unincorporated firms, leasing and bankruptcy which would strengthen the guarantees to shareholders, as well as minority rights, and facilitate the transfer of company ownership. These laws are now moving through Parliamentary approval procedures. The Government is also continuing the policy of free-market determination of interest rates, which stimulates savings and helps to strengthen the capital market. Real interest rates are slightly positive.

25. The Central Bank is in the process of strengthening the regulatory framework and the supervision procedures of banking services in order to avoid a recurrence of poor lending practices. An early warning system has been introduced, with emphasis on liquidity and solvency checks by bank supervisors, and new manuals and standardized balance sheets. Nevertheless, additional steps are under consideration by the monetary authorities with respect to the classification of banking assets, the provisioning of nonperforming loans, minimum capital requirements, etc.

Further Reform Actions

26. The Government is taking additional steps to further advance the process of structural reform initiated in the 1970s and increase the effectiveness of public expenditures. Nevertheless, in spite of the substantial progress on policy reforms, several areas still require further action to consolidate the advances achieved under the medium-term program. Important remaining areas for action are: (i) reducing the deficit of the Social Security Bank (BPS) originating in unfunded welfare-type programs and administrative expenditures, and establishing the climate for further actions to put the old-age, survivors and disability program on a solid footing in the next century; (ii) rationalizing public administration practices (hiring and personnel policies in the Government and public enterprises, wage scales, etc.); (iii) improving further tax administration at all levels, including BPS; (iv) rationalizing public enterprises and financial institutions and discontinuing inefficient operations; (v) continuing

efforts to strengthen public investment programming; (vi) modernizing the legal framework regulating commercial and productive activities; (vii) continuing the financial restructuring of overindebted but viable private firms; (viii) reducing the quasi-fiscal losses of the Central Bank and minimizing potential losses of Banco Republica from the acquisition of four failing commercial banks while taking steps to reprivatize them; and (ix) upgrading research activities and the mechanism for technology transfer and training, and the regulatory framework of sector activities.

27. **Public Sector Management**. The aim is to have a leaner and more efficient public sector, plus enhanced support of reasonably efficient public services and infrastructure to serve the market-oriented economy. This requires a substantial modernization of aging infrastructure services, including its organization and regulation; it also requires a reorientation of the traditional policy of using public employment as an instrument of income distribution, failing to relate services to their affordability. Public enterprises will have to introduce cost-effective changes, shed their overstaffing, change hiring and promotion policies, and improve accounting, administrative, and managerial functions. Performance contracts between the Government and the enterprise are being introduced; an encouraging start has been made in the water company and the railways.

28. The future reform agenda includes measures to: (i) improve the effectiveness of key ministries and public services (e.g., tax administration, technical support services for agriculture and manufacturing, telecommunications); (ii) upgrade programming, budgeting and implementation of public expenditures; (iii) reduce public employment and raise salary scales for professionals and high-level technicians; (iv) restructure other public enterprises, such as the port authority, insurance bank, and the fishing institute; and (v) extend the performance contract system to most public enterprises.

29. **Public Savings**. Public sector savings are expected to increase on the basis of the performance of the nonfinancial public sector through: (i) periodic increases in the tariffs of public enterprises and improved efficiency; (ii) further strengthening of social security finances; and (iii) higher fiscal revenues coupled with tighter expenditure controls and lower real wages. This is needed to cover the Central Bank losses originating on payments of interest on the portfolio purchases of 1982-83, the service charges of the IMF and multilateral banks, and payments of interest on deposits of commercial banks. These losses are expected to decline in the next few years at a slow pace on the basis of the gradual repayment of IMF credit and some recovery on the portfolio purchased from commercial banks.

30. **Social Security**. The BPS deficit was 2.4 percent of GDP in 1987; tax actions approved in late 1987 are expected to bring 0.2 percent of GDP and, thus, reduce this deficit to about 2 percent of GDP, of which about half originates in the old-age, survivors, and disability program (IVS); and the remainder, on welfare-type programs, which are not properly funded and should be financed out of tax revenues. A three-pronged objective is to: (i) further strengthen the IVS finances with changes in the long-term structural parameters; (ii) reduce expenditures, or increase revenues, to

finance the other programs; and (iii) improve BPS administration. Administrative reforms to better control benefits and the rights of beneficiaries (identification number and individual accounts, cross-checking of all benefits to retirees and other beneficiaries, computerization of records, etc.) are underway together with measures to reduce evasion.

31. **Private Savings Mobilization**. Increased domestic savings is hindered by weak capital market institutions and an outdated legal framework. Parliament is now considering legislation to modernize corporate, leasing and bankruptcy laws, and revise legal codes regulating nonincorporated firms. This, together with advances in modernizing the judicial system's procedures, would permit reasonable guarantees to new partners and shareholders, strengthen minority rights and facilitate the transfer of company ownership. These measures, in coordination with the Government policies of free-market determination of interest rates, and support for sound financial institutions, will strengthen the capital market, stimulate private savings, and restore the necessary safeguards to credit operations.

32. **Sectoral and Technological Development**. Three key areas have been identified to support the modernization of productive activities: (i) research activities; (ii) technology transfer and training; and (iii) the regulatory framework for sector activity. The main target area is agriculture. Several initiatives are already in Parliament (forestry, irrigation and research laws) in connection with agriculture and actions are underway to improve research and extension in the livestock subsector. Actions in the manufacturing sector will broaden the functions of the quality control institute (LATU) and increase the financial support for training technicians and researchers.

URUGUAY

COUNTRY ECONOMIC MEMORANDUM

I. RECENT ECONOMIC DEVELOPMENTS

1.1 This chapter briefly covers the general performance of the Uruguayan economy in the areas of macro and sectoral output, investment, public finances, external payments and debt, with emphasis on recent developments. This chapter also provides the general setting for the discussion of key macroeconomic policy issues with emphasis on recent progress, which is presented in Chapter II. (Earlier trends and key policy issues were analyzed in Report 6054-UR, Country Economic Memorandum on Uruguay, August 1986.)

A. Background

1.2 Uruguay is a small country with a homogeneous and well-educated population, good communications, and a democratic government committed to improving macroeconomic performance and creating the conditions for sustained economic growth. Per capita income is high by Latin American standards (about US$2,180 in 1987), and the income distribution compares favorably with that of many developed countries.

1.3 Agriculture is the most important sector driving the economy: about two-thirds of total exports are of agricultural origin and a large share of manufacturing activities is linked to the processing of domestic livestock materials (meat, textiles, clothing, and leather goods). Agricultural production, however, represents about 13 percent of GDP (at factor cost) and provides employment to only about 11 percent of the labor force. Industry (including construction and power generation) accounts for about 31 percent of GDP (at factor cost) and commerce, services and government for the remaining 56 percent. Among services, tourism is very important, generating foreign exchange earnings for about 4 percent of GDP.

1.4 Uruguay's demographic characteristics are similar to those of developed countries--an aging, mostly urban, population, low reproduction rate (1.2 percent) and high life expectancy at birth (73 years). The population growth rate is lower because of net emigration; it declined from 0.62 percent a year in 1963-75 to 0.51 percent in 1975-85. In the latter period, Montevideo grew at 0.54 percent a year, while the rural population declined at 1.5 percent a year. Education and health indicators are similar to those of developed countries, and the level of social services is high.

B. Recent Macroeconomic and Sectoral Trends

Macroeconomic Performance

1.5 Uruguay's economy is recovering from the severe economic recession that began in late 1981 and lasted until the first semester of 1985. The Sanguinetti Administration took office in March 1985, facing an economy in deep recession and with serious and immediate problems in servicing its external debts. It immediately took actions to: (i) stabilize the economy with the support of a Standby arrangement with the IMF; (ii) secure debt-servicing relief from the commercial banks through a Multi-Year Rescheduling Agreement (MYRA), covering principal repayments for 1985-89 for about US$2.1 billion; and (iii) create the conditions to restore private sector confidence and reinvigorate the economy. The Government's program has had a very positive impact. The decline in real GDP stopped in the last two quarters of 1985, effectively ending the recession; the economic recovery has been remarkable. The economic scorecard shows: an average GDP growth rate of 5.6 percent a year in 1986-87; unemployment dropping from 13.4 percent in February-April 1985 to 9 percent in October-December 1987; real wages increasing by about 25 percent from the end of 1984 to September 1987; and inflation slowing down gradually from 83 percent in 1985 to 57 percent in 1987 (see Table 1).

Table 1: URUGUAY - RECENT ECONOMIC PERFORMANCE

	1985	1986	1987
GDP Growth (% annual)	0.0	6.4	5.9
Unemployment Rate (December)	12.0	9.2	9.0
Real Wages Index (Dec. 1984 = 100)	113.4	118.1	125.2
Consumer Price Index (Dec.-Dec.)	83.0	70.7	57.4
Exports of Goods (% annual)	-7.7	27.4	9.3

Source: Central Bank, DGEC.

1.6 The main engine of the recovery has been exports, which increased at 18 percent a year in 1986-87, partly as a result of: (i) the increase in Brazilian demand for beef, rice, dairy, and manufactured products in 1986; (ii) a 47 percent expansion of wool exports in 1986-87 mostly accounted for by a 40 percent volume increase since wool prices declined 18 percent in 1986, and increased 16 percent in 1987; and (iii) a 77 percent expansion of manufactured exports. The favorable impact of this sharp increase in exports has been reinforced by the improving terms of trade. Petroleum prices dropped significantly, increasing the purchasing power of exports. The trade balance was positive in 1986 and 1987, continuing the trend of 1983-85. However, imports rebounded in 1987 in response to the economic recovery, thereby reducing the trade surplus (FOB) to US$131 million compared to the US$273 million surplus of 1986. Trade surpluses and lower interest rates have permitted Uruguay to service interest payments on the external debt without resorting to additional commercial bank borrowings. In addition, a new refinancing agreement covering principal repayments for 1985-91, signed with the commercial banks in March 1988, combined with the good management of the economy, will permit Uruguay to maintain manageable debt-service ratios through the rest of the century (see para. 1.83).

1.7 The positive impact of exports on GDP growth was reinforced in 1987 by the recovery of investment, both public and private. This is a significant development because private investment was very depressed up to 1986. It also means that the productive sectors are responding to the more favorable environment by expanding capacity. Machinery imports increased by over 100 percent in 1987 with respect to 1986 and construction recovered. Table 2 summarizes the main macroeconomic indicators.

Table 2: URUGUAY: GDP INDICATORS

	1973	1980	1982	1985	1987	1973-81	1982-85	1986-87/a
		(in millions of 1978 pesos)				(growth rates)		
GDP	25,579	34,808	32,138	29,905	33,454	4.2	-2.5	5.7
Production Origin								
Agriculture	2,752	3,408	3,332	3,315	3,565	3.4	-0.2	3.7
Industry	6,021	8,934	7,516	6,301	7,686	4.7	-5.6	10.4
Commerce and Services	12,979	17,258	16,571	15,812	17,198	4.1	-1.8	4.3
Indirect Taxes	3,827	5,208	4,819	4,477	5,005	4.1	-2.6	5.7
Expenditure								
Export Goods and Non-factor Services	2,843	6,108	5,801	7,102	7,375	10.9	5.9	13.0
Investment	2,319	6,461	4,815	2,524	3,144	12.4	-20.8	11.6
Consumption	25,570	30,476	28,709	25,248	29,685	2.6	-4.0	8.4
Minus: Imports Goods and Nonfactor Services	5,153	8,275	7,187	4,969	6,750	6.2	-2.1	16.6
Ratios								
Consumption/GDP	100.0	87.6	89.3	84.4	88.7			
Investment/GDP	9.0	18.6	15.0	8.4	9.4			
Exports/GDP	11.1	17.5	18.1	23.7	22.0			
Imports/GDP	20.1	23.7	22.4	16.6	20.2			

/a Preliminary

Source: Central Bank.

C. Sectoral Growth

1.8 The economic recovery has been widespread. Agriculture and agro-industries for exporting were the main initial factors in the recovery, but once it was underway, other industries, construction, commerce and services became more dynamic. The more favorable economic environment led to an increase in employment which, together with the increase in real wages, stimulated private consumption. At the same time, investment recovered. Exports and the revitalized domestic demand, for both consumption and investment, resulted in a generalized increase of manufacturing production in 1986-87. The following parag phs analyze developments in the main productive sectors.

Agriculture

1.9 Agricultural output grew at 3.9 percent a year during 1985-87, rebounding from the 14 percent decline recorded in 1982-84. This growth originated in the livestock sector, particularly the wool subsector. The combined number of sheep and cattle reached an all time high in 1987 at about 34 million heads (see Table 3). This apparently has been associated with a reduction of the acreage used for crops. Crop production was not a factor in the recovery of agricultural output. Results have been mixed with important reductions in some crops, partially compensated by increases in new items.

Table 3: URUGUAY - LIVESTOCK STOCKS

Year	Cattle	Sheep	Cattle	Sheep	Total
	(million heads)		(in livestock units/per hectare of pastures)		
1975	11.5	15.1	0.59	0.18	0.73
1978	10.0	16.2	0.51	0.19	0.70
1980	11.2	20.0	0.56	0.23	0.80
1981	11.4	20.4	0.57	0.24	0.80
1982	11.2	20.3	0.55	0.24	0.79
1985	9.4	21.2	0.47	0.25	0.72
1986	9.3	23.3	0.46	0.28	0.74
1987	9.9	24.4	0.49	0.28	0.77
1988	10.4 (p)	26.0 (p)	0.50	0.30	0.80

(p) Preliminary

Source: DINACOSE.

1.10 **Wool** production and exports expanded at over 15 percent a year during 1985-87, in line with the increase of the ovine stock, which reached 24.4 million in 1987, only second to the 1908 peak stock of 26 million sheep. The recovery of wool production reflects several factors. First, a satisfactory macroeconomic framework: the exchange rate is floating; export taxes have been reduced from 15 to 5 percent; prices of wool products are free; interest rates are slightly positive; and there are no subsidies, except those resulting from the restructuring of the debts of rural producers. Second, international wool prices increased 25 percent during the period with changes in consumer preferences, which favored natural fibers (wool, cotton) over synthetics. Prospects in the next few years are favorable. Third, less attractive market conditions for beef production on account of the subsidy policies and competition of the EEC. Fourth, the overindebtedness of farmers affected the stock of ovines less. While sheep stocks increased, cattle stocks decreased. Cattle growers were forced to reduce stocks from 11.4 million in 1981 to 9.1 million in 1984; sheep increased from 20.4 million in 1981 to 21.1 million in 1984. This was followed by a sharp increase in the last three years.

1.11 Beef production is below the volumes achieved in the early 1980s. Cattle stocks expanded during 1980-81 in response to a transitory increase of export prices, the decontrol of beef and cattle prices under the August 1978 reform package, and the availability of easy credit. Producers borrowed heavily to expand their herds and to increase their landholdings. Unfavorable external market conditions followed on account of expanding beef production in developed countries, which led to lower international prices. Growers were in a financial bind and were forced to liquidate stocks to pay short-term debts. The decline in stocks limited Uruguay's response to improved external demand (from Brazil) in 1986 and to higher export prices in 1987. The number of heads slaughtered in 1986, and particularly in 1987, are well below those reached in the early 1980s, although still comparable to the levels of the 1970s. Policies more favorable to the development of the cattle sector could not fully compensate during 1980-87 for the negative impact of external market developments.

1.12 The financial difficulties of cattle producers originated in several factors. Overborrowed producers faced escalating financial costs linked to high-debt levels, combined with a shift in real interest rates from historically negative to highly positive in 1980. When external market prices declined, cattle stocks had to be sold at a substantial loss; beef exports by volume reached an all-time high in 1981-83. As stocks declined and markets (e.g., Egypt) were lost to the subsidized competition from the EEC, exported volumes dropped in 1984-85. The effect was reinforced by further price declines (23 percent in 1984-85). Low stocks prevented a more dynamic response of the beef sector to the improved market conditions of 1986-87. Cattle growers are rebuilding stocks in 1987. As demand conditions in external markets improve and herd rebuilding advances, beef exports by volume will recover. The general policy framework is favorable, including the elimination of all export taxes on meat. Even more important, the Government is committed to keep the continuity of these policies. The sharp increase in domestic beef prices in 1986-87 provided a good test; the Government refrained from intervening in the market and maintained its free-market price policy. The main elements affecting future beef production are the instability of external markets, the subsidized competition of developed countries, and the low technical efficiency of Uruguay's herds. Technical efficiency will have to improve to raise the carrying capacity of the land at a time when Uruguay has record-high levels of sheep stocks.

1.13 External market prospects are uncertain in the next few years. The EEC program, aimed at reducing the beef stockpile, will likely ease the market pressure of EEC's subsidized sales in coming years. On the other hand, beef consumption per capita in developed countries is expected to decline for health reasons. Beef prices recovered in 1987 over the low 1986 prices, but this most likely would be followed by a decline in 1988-90. Long-term prospects, however, are better. If the long-run prices forecasted are realized, beef exports are expected to rebound significantly. Uruguay, nevertheless, has to improve and modernize its meat-packing plants and technology to more effectively compete in the international markets.

1.14 Dairy accounts for about one-fifth of the gross value of production in the livestock sector. Milk production has steadily increased with the pace quickening in the 1980s. Currently, it is about 910 million liters a year. The National Dairy Products Cooperative (CONAPROLE) dominates milk processing, marketing and exports. CONAPROLE purchases about 60 percent of the milk produced in the country.

1.15 Exports of dairy products have been increasing as milk production expanded. Domestic consumption is estimated at over 700 million liters a year, but growing at a slow pace. Exports increased from US$2 million in 1974 to US$35 million in 1986, in spite of the competition of subsidized exports from the EEC. Argentina, Brazil and Mexico are the main markets. CONAPROLE and the Government are embarked on programs supporting the expansion of milk production by raising productivity, providing more electrification to dairy areas and improving access roads. The EEC's milk output reduction program, together with Uruguay's capacity for supplying Latin American markets, will make it possible to expand dairy exports, which are expected to increase in line with the expansion of production.

1.16 Export prices of powdered milk, cheese and casein show a slight increasing trend since mid-1986. In September 1987, the GATT's International Dairy Arrangement agreed to increase minimum export prices for skim milk powder (7.9 percent), whole milk powder (56 percent) and cheese (8.8 percent). Market prices have increased accordingly.

1.17 Domestic milk prices, as an input (leche industria) for dairy products and as an input (leche cuota) for pasteurized milk, lagged behind export and domestic consumption (leche pasteurizada) prices. Leche industria prices were freed in the late 1970s, but milk for household consumption continues to be under administrative control. This situation should be carefully reviewed because of its incidence on the incomes of rural milk producers. As production expands and exports gain in importance over the domestic market, border prices will become increasingly important in determining domestic prices. While over 60 percent of the milk produced was for domestic consumption as fluid milk in 1977-78, only 30 percent was in 1985-86.

1.18 **Lamb and mutton** are secondary exports derived from sheep raising for wool production. About two-million head were exported yearly (10-13,000 tons) in the early 1980s. The exported tonnage halved in 1984-85, but rebounded sharply in 1986 to 21,100 tons with a value of

US$22.5 million. The recent increase in the sheep population and the potential for further increases means that Uruguay will have to raise its exports of sheep meat to about 3 million head. The main markets for sheep meat are in Europe, the US, Japan and the Middle East.

1.19 Crop production has not increased, but a significant change in its structure is underway. Dynamic crops are rice, citrus, soybeans and, to some extent, barley. These crops are becoming increasingly important in shaping domestic production and contributing to exports. On the other hand, some traditional crops, such as wheat, corn, sugarbeets and linseed, are in a long-term declining trend. Barley and wheat show productivity increases in the last few years. During 1980-87, the acreage cultivated with wheat dropped 42 percent; corn, 42 percent; sugarbeets, 40 percent; and linseed, 95 percent. Preliminary 1988 estimates are for further reductions. Average changes are consistent with the evolution of prices and incentives since 1979. Currently, only the domestic price of wheat is subject to government control. A large proportion of the nondynamic crop sector utilizes traditional methods, which entail poor land preparation and seeding, late planting, minimal fertilization and poor weed control. Most landowners are in the livestock sector but, when livestock prices are low, they engage a medianero to plant wheat or similar crops as a cheap way of preparing the land for a future new pasture. For these reasons, the crop subsector has been less stable with the cropped area varying with price fluctuations or changes in marketing incentives.

1.20 Citrus production is expanding rapidly as the planted area increases. Uruguay has a comparative advantage for growing citrus; it is located in the citrus belt and the climate is right for planting high-quality fruit. Furthermore, as a southern hemisphere producer, competition is limited; fruits are exported during the off-season in the northern hemisphere. Production increased from 86,000 tons in 1970 to 113,000 tons in 1980 and 170,000 tons in 1986; exports by volume expanded from 3,000 tons in 1970 to 25,000 tons in 1980 and 63,000 tons in 1986. The exported value increased from US$800,000 in the early 1970s to US$5 million in 1980 and US$21 million in 1986. The growers association expect production to grow 70 percent during 1988-95 and export volumes to double. Juice production for exporting is now beginning in order to process the increasing number of rejects on account of the rapidly expanding production.

1.21 The main export markets for citrus are in Europe and Canada. The Netherlands absorbs 52 percent of Uruguay's citrus exports, followed at a distance by England (15 percent), East Germany (11 percent), Canada (6 percent), Poland (3.4 percent), Sweden (2 percent) and Italy (1.6 percent).

1.22 Rice production is another success story. The cropped area increased from 31,000 ha in 1970-71 to 82,000 ha in 1986-87; production increased from 37,000 to 394,000 tons. Average yields are five tons of unhulled rice per hectare. Rice millers have promoted improvements in technology. Technical packages are well-screened and support services are efficient. Most production is of the "Blue Bonnet" variety. The domestic market absorbs about 35,000 tons a year and, thus, most of the production is exported. The main export markets are Brazil, Iran and Portugal. From US$3.7 million in 1970, rice exports increased to US$78 million and 265,000 tons in 1986.

1.23 The outlook is for further expansion of rice production in Uruguay for exporting, with the expansion of rural electrification and access roads in the rice belt. Market prospects in the near future are favorable. In early 1987, Uruguay's exports of rice were sluggish as international prices were low; however, export prices rebounded and, by October 1987, were 30 percent higher than in July 1987, and a recovery is expected in 1988. Furthermore, the 1987-88 production in India, Thailand and Indonesia dropped; Thailand's exports are expected to be 30 percent lower.

1.24 **Barley**. Acreage and production have increased from 70,000 tons in 1980 to 125,000 tons in 1987. It is produced under contracts with brewing companies, which provide a package of inputs and credit and guarantee the market. Yields improved from 1,000 kg/ha in 1966 to 1,672 kg/ha in 1985, but dropped transitorily in 1986 to 1,209 kg/ha to recover in 1987. About 10,000 tons of barley are absorbed by the local market--excess production is exported mostly to Brazil. Exports are at the US$15-20 million level. The potential for expansion is closely tied to the Brazilian market, which reportedly could absorb the production of 20,000 additional hectares (24,000 tons). A new malting facility to process 15,000 tons of grain is under construction.

1.25 **Soybeans** (soja) production is recovering from a sharp decline during the 1970s. The main area of cultivation has shifted to the border with Brazil. This recovery is mostly connected with past Taiwanese government's investments in the soybean areas and its guarantee to purchase certain quantities at prices slightly above the world prices. With the recent break in diplomatic relations with Taiwan, this crop is expected to be placed in other markets, including Mainland China.

1.26 **Vegetable** crops are mainly produced in the small farms near Montevideo and in the irrigated areas in the North (Salto and Bella Union). Irrigated vegetable production in Salto and Bella Union uses modern techniques and supplies the winter demand in Montevideo. While melon and garlic production increased during the 1970s and early 1980s, production of other vegetables (onions, beans, sweet potatoes and pumpkin) dropped, apparently in connection with the reduction of tariffs on imports of these products undertaken during the same period. The supply of garlic exceeds the domestic demand, but only intermittent exports are made to Brazil.

1.27 Uruguay is beginning to export processed meats, which include some vegetable component. If these activities expand significantly, the demand for some vegetables may increase considerably. These developments will need close follow-up to organize producers into some kind of contract arrangements with quality inputs supplied by the food processors.

1.28 **Temperate fruit** production (apples, pears and quince) for the local market is an encouraging activity. Yields of apples and pears are in the 25-30 tons per ha, and 70 percent of the fruit is marketable. Table grapes offer another opportunity for new exports. Some shipments have taken place from Bella Union to Germany.

Forestry

1.29 Uruguay has a comparative advantage for forestry. Although land suitable for forestry covers about 4.5 million ha, there are only 400,000 ha of natural forest, mostly small trees with limited or no industrial use; 120,000 ha of planted forest with pine and eucalyptus; and 50,000 ha of poplar, salix and other species. Sawmills are small (capacity: less than 30 cubic meters a day) and inefficient. Sawnwood consumption averaged about 220,000 cubic meters a year during 1973-84, of which about 66,000 were imported. The recession in the construction industry led to a decline in consumption. With the recovery of construction in 1987, demand for sawnwood is expected to recover to the 1979-80 level and, therefore, to increase at about 2.5 percent a year. Fuelwood is important; its domestic use increased from 1.36 million cubic meters in 1974 to 2.76 million cubic meters in 1984. Demand is expected to grow at 5 percent a year.

1.30 Natural conditions (soil, climate and topography) are favorable in the Departments of Paysandu, Rivera, Rio Negro, and Tacuarembo. Phytosanitary conditions, volumetric growth rates and market potential for eucalyptus are good. Uruguay has the potential for increasing forest areas and initiating exports of wood. These mean increasing efficiency in forest exploitation, processing, handling, and transportation. The short-term objective should be to promote the expansion of the high quality planted area with government promotion, long-term investment incentives, and research and extension.

1.31 Forest development incentives should be adequate to promote forestation on a long-term basis. Policy continuity is essential, given the long-term investments required. This was not the case in the past. Forest plantings began to increase in 1975, taking advantage of a 1968 forestry law which was regulated in 1974. However, signals changed in 1979 when incentives were abolished. While the annual average area planted was 3,085 ha in 1975-79, it declined accordingly to 2,546 in 1980-85 although the termination of incentives apparently was not the major cause of the decline. In 1983 and 1984, planting rates were the highest of the whole period. However, changes in legislation had a negative impact. For this reason, an important consideration in the new legislation should be a long-term, stable environment. A new forestry law is under discussion in Parliament. The draft law establishes forest protection and forest production areas; tax benefits during the development and exploitation phases; and import tariff exemptions on equipment.

Fishing

1.32 **Fish** production for exporting is a relatively new and dynamic activity in Uruguay. The fish catch expanded from 16,000 tons in 1974 to 144,000 tons in 1981, but has remained at this level on account of the indebtedness and limited working capital of the processing plants. The fishing industry exports half of its catch. Exports increased from about 3,000 tons (US$1.2 million) in 1974 to 75,000 tons (US$65 million) in 1986. Exports reached US$81 million (6.8 percent of total exports) in 1987.

1.33 Processing capacity at about 250,000 tons is above the estimated maximum annual catch of 200,000 tons for all kinds of fish, except the anchoita. Extraction of certain species, however, is reaching the limit permitted by a good conservation policy. Fish processing employs about 7,500 workers, but employment could increase to 9,000. Studies made in Uruguay1/ point out the need to: (i) diversify the catch to include other species and squids; and (ii) increase the value-added by processing the fish into frozen meals and special cuts at higher prices. On this basis, the value of fish exports should continue the increasing trend of the last four years.

1.34 Over half of the fish is exported to both the US (30 percent) and Brazil (23 percent); Japan, West Germany, Saudi Arabia and Israel each absorb between 4 and 6 percent.

Manufacturing

1.35 Manufacturing value-added was 46 percent of the gross value of such production in 1986. About three-fourths is concentrated in food products (17 percent in 1986), petroleum refining (15 percent), textiles and clothing (14 percent), chemicals (10 percent), beverages (7 percent), tobacco products (5 percent) and leather goods (7 percent). Manufactured foods are mostly products of agroindustries, such as meat, dairy products and milled rice.

1.36 Manufactured exports are closely connected to the processing of agricultural inputs. Primary manufactured exports are meat, wool tops, dairy and fish products, hides and tanned leather. Light manufactured exports of agricultural origin are: wool garments and textiles, leather manufactures and shoes.

1.37 Manufacturing activities grew rapidly in the mid-1970s as a result of the measures taken by the Government (deregulation of markets, reduction of protection, decontrol of prices, realistic exchange rate, credit and tax incentives, and subsidies) to enhance the role of market forces, open the economy and encourage manufacturing production for external markets. The most dynamic subsectors were: textiles (60 percent increase in 1973-80), garments (70 percent), leather products (118 percent), rubber products (57 percent), machinery and electrical equipment (164 percent), transport equipment (70 percent), and chemicals (30 percent) (see Table 7.1, Statistical Appendix). Furthermore, Uruguay entered into bilateral trade agreements with Argentina and Brazil, which reduced tariffs and other trade barriers. Exports to these two countries grew considerably.

1/ Camara de Industria Pesqueras del Uruguay, El Sector Pesquero Uruguayo, Situacion a 1986 y Perspectivas.

1.38 Traditionally, the main manufactured exports were based on processing agricultural products, mostly of livestock origin. With the new orientation, on the one hand, the country moved towards further processing of these raw materials before exporting them. Exports of wool tops, textiles and clothing showed significant increases; tanned leather, garments and shoes were exported instead of raw hides. New export activities of primary origin developed, such as rice milling, fish and dairy products. On the other hand, exports of other manufactured products--mainly chemicals, cement, paper, vehicles, and tires--showed significant increases in the framework of the bilateral trade arrangements with Argentina and Brazil. Some are also exported to developed countries, such as ceramic products and vehicle parts.

1.39 In addition to export expansion, manufacturing subsectors producing for the domestic market and for construction activities benefitted from the overall impact of economic growth and the construction of the hydropower plants of Salto Grande and Palmar, which required large quantities of cement and construction materials.

1.40 The situation changed when the Government decided to use the exchange rate as a mechanism to bring inflation under control. The overvaluation of the peso that resulted from this approach gradually eroded the competitiveness of manufacturing exports, which showed some decline as early as 1980. Economic difficulties in Brazil and Argentina further compounded the problem. The crisis in manufacturing was precipitated by Argentina's devaluation of the peso in 1981, which led to the onset of the recession in late 1981 in Uruguay. Total manufacturing production by volume dropped 20 percent between 1980 and 1982, leading the economy into the recession. Food products, tobacco and beverages, which together represented about 40 percent of the gross value of production, recorded small volume increases or a 7 percent drop (beverages). Thus, the remaining subsectors (covering 60 percent of manufacturing) experienced the most severe declines in production in 1981-82. Manufacturing production did not recover in 1983-84; the demand for food products, tobacco and beverages diminished with the widening recession, negating limited recoveries in textiles, clothing and paper production.

1.41 The malaise of the economy continued until the first semester of 1985. The second semester was the turning point. The economic policies introduced in early 1985, the improved outlook for important exports (wool) and better markets in Brazil, the EEC and the US turned the situation around. The recovery continued vigorously in 1986 and 1987, but was decelerating at the end of the latter year with the deepening economic difficulties in Brazil and Argentina. Manufacturing value added grew by 11.5 percent in 1986-87. As a result, manufacturing represented about 27 percent of GDP (at factor cost) in 1986 compared to about 21 to 22 percent in 1981-82 at the beginning of the recession. The main industries behind the recovery are: textile and clothing, leather goods, chemicals, tires and motor vehicles.

1.42 Export markets played an important role in the renewed dynamism of manufacturing. Clothing, textiles and leather goods led the recovery with important export sales, but other less traditional manufactures (e.g., chemicals, rubber and plastics, transport equipment, ceramics) played an important role (see Table 4). This is an interesting development, which indicates potential for manufactured exports. These results are partly the result of trade arrangements with Argentina and Brazil, but also outside ALADI. For example, exports related to Uruguayan imports of vehicle components reached US$51 million in 1987.

Table 4: URUGUAY: SELECTED MANUFACTURED EXPORTS
(in US$ millions)

Items	1973	1979	1980	1981	1985	1986	1987
Clothing and Textiles	7.1	50.3	44.0	55.8	71.2	82.4	106.1
Leather Goods	5.4	107.4	55.8	81.8	52.6	73.8	114.9
Chemicals	6.0	25.0	38.0	37.1	37.5	50.6	77.9
Rubber and Plastics	1.4	20.0	20.9	18.2	13.5	20.2	30.7
Ceramics	0.3	n.a	n.a	n.a	0.6	1.1	9.1
Metals and Metal Products	0.7	n.a	6.3	6.5	6.5	8.4	8.8
Machinery and Appliances	1.1	16.6	20.1	9.7	10.7	11.5	12.5
Transport Equipment	3.0	19.9	23.5	12.9	6.6	13.0	23.7

Source: Central Bank of Uruguay.

1.43 Foreign firms account for about 15 percent of the gross value of production (5 percent of GDP). Most foreign firms are large (over 100 workers), and about four-fifths of their production is for the domestic market. Chemicals and food products represent over two-thirds of the production of foreign-owned firms. Their main exports include: chemicals, food products, shoes, clothing, basic metal products, electrical appliances, and transport equipment.

1.44 Manufacturing value added at factor cost (about two-fifths of the gross value of production) has changed dramatically its composition since the late 1970s. With the reduction in real wages, labor costs were about 29 percent of value added (13 percent of the gross value of production) in 1986. Currently, over half of value added (one-fourth of the gross value of production) is allocated to cover financial costs (mostly interest) on account of the high positive real interest rates that had prevailed since 1980 and the overindebtedness of firms, mostly in dollar-denominated debts. The peso equivalent of these debts increased sharply with the 1982 devaluation and subsequent flotation of the peso. This situation has resulted in negative real rates of return for highly indebted firms. Firms have been decapitalized to cover actual or accrued interest payments and forced to roll over their debts at higher interest rates, or stop payments in their struggle to survive.

1.45 The manufacturing sector's debts to Banco Republica, the Central Bank and private commercial banks have been a serious constraint to the reactivation of industrial activities. Of the US$1 billion in debts, a significant proportion was in arrears at the end of 1985. A refinancing law approved in November 1985 has contributed significantly to ease the problem (see Chapter II). The law reduced the liabilities of viable enterprises and established the legal framework for reschedulings of the debt with banks. The effect of the crisis on commercial banks' credit is noticeable. Credit to manufacturing in constant pesos was stagnant in 1985, 1986 and 1987. The distribution, however, by manufacturing subsectors changed, reflecting the preferred credit status of foreign firms who kept current their obligations to the banks; the export-oriented nature of the activity; and the uneven impact of the economic recovery among sectors. Credit shares expanded for textiles, leather goods, chemicals and beverages (see Table 5).

Table 5: URUGUAY: Commercial Banks' Credit to Manufacturers
(in percentages)

Year	Food	Beverages	Textiles	Leather Goods	Chemicals	Metal Products	Machinery, Transport Equipment	Other	Total (millions of 1984 pesos)
1982	18.6	2.6	11.8	16.3	11.9	6.7	6.8	25.3	55,696
1983	19.6	4.3	11.8	13.7	10.7	7.7	5.2	27.0	36,164 /a
1984	21.1	3.9	12.7	15.4	10.0	8.0	5.0	23.9	32,827
1985	22.7	4.2	12.6	15.1	10.7	7.9	5.6	21.2	29,994
1986	23.5	5.0	14.6	16.7	10.6	5.7	3.4	18.5	28,595
1987	21.9	4.9	13.2	19.4	13.3	6.8	2.8	17.7	28,323

/a Portfolio purchases by the Central Bank reduced the total portfolio of commercial banks.

Source: Central Bank.

1.46 Textiles account for 10 percent of manufacturing production and 14 percent of the employment in the sector. Wool textiles are the most important subsector; it covers all manufacturing stages from the production of tops to wool textiles and clothing. Exports of wool textiles represented about US$25 million in 1987. Garments are also an important export, with about US$54 million in 1987. Manufacturing of wool textiles is concentrated in a few firms, but garment exports are more diversified; four firms concentrate about 90 percent of the wool textile exports, while none of the garment exporters exceeds 10 percent of export sales. Markets are heavily concentrated in the US, West Germany and Canada. Exports to the US and West Germany are subject to quota restrictions. Bilateral agreements under the Multifiber Agreement have been entered into with the US and the EEC.

1.47 **Leather manufactures** process mostly locally-produced hides. About three-fourths are exported as tanned leather and one-fifth as leather manufactures; the remaining 5 percent is utilized in the domestic market. Four tanneries export about 90 percent of the tanned leather. The two largest tanneries had a joint capacity of 1.6 million hides a year.

1.48 **Shoe** production expanded rapidly from the mid-1970s to 1979 under the stimulus of the tax rebates (reintegros) and other incentives. However, as Uruguay's exports to the US increased (tariff rates are 8 to 10 percent), they were the subject of an inquiry for the determination of injury under the Tariff Act of 1930. Uruguay was forced to suspend the rebates at the same time the price of leather increased; accordingly, shoe exports dropped significantly in the early 1980s; this situation lasted until 1986. However, the value of shoe exports increased over 75 percent in 1987, mostly to the US. Europe is not currently an important market. Production, employment, and working hours showed 30, 21 and 42 percent increases, respectively. For the future, Uruguay has the potential to expand further shoe exports, provided the equipment is modernized and plant capacity expanded. The capacity is about 8 million pairs of shoes a year; however, to compete with Brazil's much larger production capacity, the largest Uruguayan manufacturing plant has to export all its output. Style and knowledge of markets also have to be competitive in a rapidly changing market. Producers are beginning to export shoe components.

1.49 **Other leather manufactures** began to gain export momentum also in the 1970s under the umbrella of export promotion measures. The main exports are: handbags, wallets, belts, leather and sheepskin garments. Handbags, wallets and belts are mostly exported to the US; leather garments to West Germany and the US; and sheepskin garments to West Germany. This concentration is explained by low tariffs and none, or minor, nontariff barriers. Competition in some export items is heavy, and some leather products (handbags, jackets and leather coats) were the subject of a determination of injury during 1978-81 by the United States Trade Commission under the Tariff Act of 1930. This forced Uruguay to suspend the tax rebates in 1981. Uruguay had accepted the GATT Code on Subsidies and Counterveiling Duties in 1979, and moved in 1981 to a drawback for indirect taxes paid during production in accordance with GATT rules. Equipment modernization and capacity expansion are needed (as in shoe production) to increase exports.

1.50 **Chemical products** (except petroleum derivatives) are an important component of manufacturing value added (15 percent) and the gross value of production (13 percent). Exports of chemicals and derivatives represent about 15 percent of total exports at US$175 million in 1987. Main export items: paints and varnishes, fertilizers, polyvinyl and other synthetics, soaps and detergents, pharmaceuticals, plastics and tires. Production increased rapidly during 1986-87 (see Table 6).

Table 6: URUGUAY: PRODUCTION OF CHEMICAL PRODUCTS
1982 = 100

Branch Code	Group	1984	1985	1986	1987 (through September)
351	Industrial Chemicals	86	103	142	175
352	Other Chemicals	96	92	110	109
355	Rubber	130	124	156	187
356	Plastics	97	106	124	143

Source: BCU, Boletin Estadistico.
DGEC, Encuesta Industrial Trimestral, 3rd Quarter 1987.

1.51 **Pharmaceuticals** represent about 3 percent of the gross value of manufacturing production with about 70 firms, of which 21 are multinationals accounting for three-fifths of the local market. Only nine firms employ more than 100 workers. Drugstore sales represent about 45 percent of the local consumption of pharmaceuticals; a similar share is consumed by the mutual-aid health clinics and the remainder by public health units.

1.52 **Automotive** production (from kits) of light vehicles experienced a significant recovery from 6,000 units in 1985 to 14,000 in 1987, mostly for the domestic market. Truck and tractor production is low (about 300 units). Car exports (about 900 units) are sent to Argentina in the framework of automotive integration and CAUCE arrangements. Integration arrangements allowed Uruguay to export, in addition, about US$20 million of car components to Argentina and US$16 million to Brazil in 1987, compared to US$4 million and US$8 million in 1985, respectively. These components are also exported to France (US$9 million in 1987) and to the US (US$4 million) which include: leather car interiors, paints, electrical parts and tires. Mechanical and electrical components (including pistons, small engines) appear to be internationally competitive as well as the textile and leather specialties for deluxe passenger cars. Since 1980, imports of assembled small cars are permitted.

Construction

1.53 Construction activities (housing construction and public works) employed about 5.5 percent of the working force in 1985. About 40 firms employ more than 100 workers. In the late 1970s and early 1980s, a construction boom took place. Housing construction doubled between 1973-77 and 1979-80, partly as a result of new legislation and the demand in Punta del Este. The construction of the Palmar hydroelectric plant also contributed to a high level of construction activity.

1.54 Construction dropped significantly during the 1982-85 recession on account of three factors: (i) the end of the speculative boom in real estate, particularly in Punta del Este, fueled mostly by Argentine investors; (ii) the drop in public investment after the completion of the Palmar Hydropower Plant in 1983; and (iii) the impact of the recession itself. Cement consumption, a good indicator of construction's level of activity, dropped from an average 600,000 tons in 1980-81 to an average 320,000 tons in 1985-86. Private investment in construction in 1986 was about 30 percent of that of 1980; public investment was about one-half. However, preliminary results for 1987 show a significant recovery of construction as public investment picked up momentum and private construction began to recover in Punta del Este and other urban areas.

D. Inflation

1.55 Inflation rekindled after the November 1982 devaluation. The exchange rate had been used as an anti-inflation tool by making imports cheaper; with the devaluation, prices of imported goods increased rapidly. Consumer prices followed the same trend. From an 11-percent inflation annual rate for the first 11 months of 1982, price rises (December-December) increased to 85 percent in 1985. The devaluation reinforced the initial inflationary impact of the 1982 fiscal deficit, and indexation provided further momentum. Indexation reduces the economy's flexibility to change relative prices and move to a new equilibrium and tends to perpetuate inflation in the face of conflicting income claims. Wages, retirement benefits, interest rates and tariffs/prices of public enterprises moved in step with the consumer price index. Other prices are also linked through the rate of devaluation: imported final goods and inputs, as well as exported products, were automatically adjusted as the exchange rate followed the CPI. Finally, domestic producers increased prices to maintain their mark-ups as wages, inputs and financial costs increased. With the stabilization program initiated in mid-1985, the inflation rate declined from about 100 percent in early 1985 to 71 percent in 1986. This was the result of the Government policies to reduce the fiscal deficit and the rate of monetary growth (see Table 7). The efforts to reduce inflation have continued under an 18-month program which was introduced in June 1987; the inflation rate was 57 percent in 1987. While the reduction from early 1985 to late 1987 is large, several factors played a role in slowing down the rate of price deceleration: (i) the indexation of the economy which perpetuates the inflationary gap; (ii) large foreign exchange earnings from rapid export growth and continued inflows of foreign deposits which forced the Central Bank to a higher rate of money creation than needed for transaction purposes and a stabilization policy; (iii) private-wage increases determined by market forces in excess of Government guidelines; (iv) large increases in beef prices (an important item in the cost-of-living index) in late 1986 and early 1987, fueled by the external demand from Brazil; and (v) the need to maintain a competitive exchange rate vis-a-vis Argentina.

1.56 Government policies under the above-noted 18-month program aimed at a gradual reduction of the inflation rate to 50 percent in 1988. The program included: (i) private-wage adjustment guidelines on the basis of an average of expected and past inflation; and (ii) a more restrictive monetary policy, which targets the growth of monetary and credit aggregates in line with the projected decline in inflation. The Central Bank tightened credit in the second half of 1987 by increasing interest rates on its bills, raising the ratio of treasury bills that commercial banks had to hold in relation to deposits and increasing interest rates on short-term deposits in the Central Bank. As a percentage of GDP, the net flow of bank credit to the public sector decliend from 9.5 percent to a negative 0.4 percent (see Table 7). Several factors, however, have resulteu in a higher inflation rate (about 70 percent) in 1988. The Uruguayan peso is following the dollar devaluation and trying to cope, to some extent, with exchange rate developments in Argentina and Brazil. This fueled inflation in 1988. Other factors that contributed to the higher than targeted inflation rate in 1988: (i) indexation, a drought that increased the prices of beef, fruits and vegetables, large foreign exchange earnings, and a slightly higher than expected public sector deficit.

Table 7: URUGUAY: NET CHANGES IN MONETARY AGGREGATES
(in percentages of GDP)

	1982	1983	1984	1985	1986	1987
Sources	2.2	15.4	0.2	7.9	18.2	12.2
Money	1.5	0.5	2.5	3.8	3.2	2.8
Quasi-Money	-2.4	-1.4	2.0	11.0	12.5	6.6
Other (Net)	3.1	16.3	-4.3	-6.9	2.5	2.8
Uses	2.2	15.4	0.2	7.9	18.2	12.2
Net International Reserves (Increase +)	-9.9	+3.7	-6.2	+2.5	+6.5	+1.6
Credit Private Sector	4.3	2.2	2.6	7.2	9.0	11.0
Credit Public Sector	7.8	9.5	3.8	-1.8	2.7/a	-0.4
of which:						
Central Government (Net)	(7.9)	(3.8)	(4.5)	(-1.8)	(0.1)	(-1.1)
Rest of Public Sector	(0.)	(5.7)	(-0.8)	-0.1)	(2.6)/b	(0.7)

/a Includes deposits in dollars, valued at accounting exchange rates.
/b Reflects accounting adjustments associated with the assumption by the Central Bank of part of the public sector debt with foreign commercial banks.

Source: IMF.

1.57 The Government's wage policy moved to twenty-months wage contracts for private sector employees in July 1988 in an effort to reduce periodic labor tensions and slowdown inflation. These contracts determine a wage adjustment for inflation equivalent to 90 percent of past inflation. In the public sector, the adjustment is more restrictive; it will range between 80 and 90 percent of past inflation.

E. Unemployment And Wages

1.58 Government policies in the last three years have been very successful in reducing unemployment, which stood at 9.8 percent during February-April 1988, down from 15 percent in 1983. Historically, the unemployment rate has been at about 8 percent for Montevideo (1965-75) and declined to about 7-8 percent in the peak growth period 1979-80, which may be representative of an unemployment floor. Employment in manufacturing increased by about 10 percent in the two-year period, with only 10,000 jobs being created; working hours also expanded by 10 percent, absorbing a significant share of the increased demand for labor.

1.59 Labor supply growth (after emigration) is low (0.7 percent a year in 1975-85), but with increasing participation rates (particularly among women), on account of both the long-term trend of women joining the labor force, and the short-term needs to supplement family incomes at times of declining real wages. Labor demand, on the other hand, has been influenced by cyclical economic trends.

1.60 Unemployment among heads of households is low. Women and young people, however, show much higher than average unemployment rates. The trend is towards increasing structural unemployment associated with women, and new arrivals to the work force who have above average educational levels. This indicates a mismatch between the education available to new entrants to the labor force and the labor demands of the economy. On the other hand, sectors such as agriculture, experience some labor shortages. The rural labor force declined from 210,000 in 1961 to 152,000 in 1986. As a result, the number of hectares per rural worker increased from 81 to 104.2/

1.61 The evolution of employment in manufacturing and other activities is closely associated with a shift toward employment in informal activities, which took place during the recession. Manufacturing employment, for example, grew 20 percent during 1976-80, but about 40,000 manufacturing jobs were lost between 1980 and 1985. In parallel, growth of the informal sector has been notable since 1981. Self-employed workers increased by about 24 percent; those without a fixed place of business (informal sector) grew by 70 percent in 1981-86. At the height of the recession, many informal workers were involved in menial occupations, such as searching through garbage for salvageable materials.3/ This shift also accounted for a reduction of the number of workers in the formal sector who had been living in poor housing (cantegriles).

1.62 Segmentation of the labor supply hinders the effectiveness of macroeconomic policies to reallocate workers from depressed to dynamic sectors. Under these circumstances, macro policies would be insufficient, segmentation prevents specific groups of the labor force from having full

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2/ DIEA, Censo Agropecuario por Muestreo, Boletin Estadistico No. 22, 1986.

3/ Apezechea, Bayce, Mazzei and Veiga, La Nueva Crisis Urbana, Pobreza Extrema y Nuevas Empresas, Montevideo, 1985.

mobility between occupations--in particular, women, the young and the educated. The implication is that specific labor policies to address market segmentation would have to be carried out together with macro policies (e.g., exchange rate policy) to achieve the desired employment results.

F. Investment And Savings

1.63 Uruguay's investment showed record levels (about 19 percent of GDP) during 1945-55, which contributed to a rapid expansion of GDP (4.8 percent a year; 3.5 percent per capita) and manufacturing (7.7 percent a year). Capital goods imports for manufacturing increased sharply (US$4.5 million yearly average in 1942-44; US$12 million in 1945-47; US$28 million in 1948-50; and US$35 million in 1951-56).

1.64 From the mid-1950s to the mid-1970s, however, investment levels were mostly low (in the 10 to 13 percent of GDP range) reflecting: (i) limited opportunities for efficient import-substitution in manufacturing for a small domestic market; (ii) the lack of incentives to further investing in agriculture and other export-related activities; (iii) the low level of public investment; and (iv) the longer-than-normal useful life of capital goods in Uruguay, or the low replacement rate (e.g., the equipment of several public enterprises became obsolete).

1.65 The reforms initiated in the mid-1970s and the oil crisis brought about a renewed investment effort in response to the free market and open economy orientation, as well as by the need to develop alternative sources of energy, which forced Uruguay's public sector to increase investment substantially in the development of hydropower plants. Total investment was in the 16 percent range during 1975-82. The economic crisis of 1982-85 and the completion of the hydropower plants brought investment to new lows (an average 9 percent of GDP in 1983-85; 8.4 percent in 1986-87). Domestic savings, however, increased as a percentage of GDP to cover the service payments of the external debt (see Table 8).

Table 8: URUGUAY: INVESTMENT LEVELS

	1945-54	1955-59	1960-64	1965-68	1969-74	1975-81	1982-85	1986-87
Investment/GDP	19.2	12.3	14.4	10.8	12.2	15.6	1C.9	8.4
Domestic Savings/GDP	15.2	11.3	13.6	13.9	12.0	12.0	11.7	12.0
GDP Growth Rate	5.2	-0.3	1.8	0.6	1.8	4.1	-2.5	5.7

Source: Central Bank of Uruguay, IBRD, Report WH-198a.

1.66 Investment levels for Uruguay similar to those of 1975-82 (see Table 8) seem to be adequate to sustain per capita GDP and provide for future needs of the economy. This level is low in comparison to those of other countries. Several factors explain the difference: (i) population growth is low (0.5 percent a year) so that a 2.5 percent increase in per capita income a year only requires a 3 percent GDP growth; (ii) an aging, slow-growing population does not require large social investments for capital widening in new medical, educational facilities and housing for young generations, thereby lowering the capital/output ratio. This could be compensated in part by capital deepening to provide sophisticated medical care to older generations; (iii) previous investments are mostly well-maintained and last longer in active use than in more developed countries, a factor which also lowers the capital/output ratio; (iv) a large share of the new investments go to agriculture where low capital/output ratios prevail; (v) the existence of excess capacity in several sectors of the economy, such as power generation, meatpacking and manufacturing (severely affected by the 1982-85 recession); and (vi) statistical errors. In view of the above, it is not surprising that, in the next few years, Uruguay's GDP could grow significantly with low investment coefficients.

1.67 Given the limited availability of national savings and the need to generate an adequate fiscal transfer (about 4-5 percent of GDP) to service the external debt, Uruguay is fortunate to be in this position. Otherwise, the competition between investable resources and those needed for the fiscal transfer would most likely generate severe tensions in the economy.

1.68 The evolution of domestic savings in the national accounts, i.e., savings used to finance domestic investments plus net factor payments abroad, parallels mostly the trend of domestic investment, with the exception of: (i) the 1975-81 period when foreign financing resulted in a much higher investment coefficient; and (ii) the last few years when the external debt service has required that a much larger share of domestic savings be allocated to external factor payments, and thus savings have exceeded investment. However, savings estimates ignore local funds that are invested abroad, which may be large in some years (capital flight in 1982). With no adjustments for capital flight (which may be reversed), or for capital inflows from neighboring countries, estimated domestic savings at a 12 to 14 percent of GDP range are normal for Uruguay and permit an adequate financing of investment.4/ However, with external debt service at about 4 percent of GDP, an effort to stimulate domestic savings is needed to permit higher domestic investment and growth. This underscores the importance of reducing the public sector deficit (including Central Bank losses) to below 4 percent. It also reflects the importance of creating conditions for returning Uruguayan funds invested abroad and avoiding further domestic capital outflows. Foreign short-term inflows should be used only in a very limited fashion to finance long-term investments because of their volatility.

4/ For example, a 3 percent GDP growth (2.5 percent per capita) with a 3.5 to 4 percent gross capital/output ratio would require only an investment coefficient of 10.5 to 12 percent of GDP.

G. Public Finances

1.69 The Government has successfully taken actions to reduce the public sector deficit and establish a sounder fiscal position. The peak 1982 deficit of 18 percent of GDP had been reduced to 9 percent at the end of the previous administration, but was running at over 10 percent in the first quarter of 1985. The stabilization programs launched in June 1985 have been instrumental in reducing the public sector deficit (including Central Bank losses) to the targeted 5 percent of GDP in 1986 and 4 percent in 1987 (see Table 9). The Sanguinetti Administration's comprehensive package relied on: (i) tax reforms introduced in late 1984 and 1985 complemented with an improved tax administration; (ii) expenditure reductions, as a percentage of GDP, including a freeze on employment; and (iii) realistic tariff levels for public enterprises so as to guarantee the necessary local counterpart funds to finance investments. External factors also helped in improving public finances. Lower oil prices increased profits of the state-owned refinery, which were plowed back to the Central Government Treasury, and the drop in LIBOR rates eased the pressure of the external debt service.

Table 9: URUGUAY: PUBLIC SECTOR DEFICIT
(in percentages of GDP)

	1980	1982	1984	1985	1986	1987
Nonfinancial Public Sector	0.5	-10.0	-4.4	-3.1	-1.3	-1.3
Central Government /a	0.1	-8.7	-5.2	-2.8	-1.4	-1.3
Other /b	0.3	0.1	0.1	-	-	-0.1
Public Enterprises	0.1	-1.5	0.7	-0.3	0.1	0.1
Financing	-0.5	10.0	4.4	3.1	1.3	1.3
Dollar-Denominated Bonds	-0.7	0.8	0.5	4.3	1.4	2.1
Foreign Loans	1.2	2.6	-0.7	0.3	1.0	0.7
Foreign Suppliers	0.4	0.5	0.2	-0.1	-0.1	0.
Internal Financing	-2.1	6.1	4.4	-1.5	-1.0	-1.4
Central Bank Losses	-	-8.3	-4.8	-3.4	-3.8	-2.8
TOTAL PUBLIC SECTOR	0.5	-18.4	-9.2	-6.5	-5.0	-4.1

/a Includes transfers to finance the deficit of the Social Security Bank.
/b Municipality of Montevideo, Social Security and National Colonization Institute.

Source: Central Bank and IMF.

1.70 Currently, the public sector deficit originates mostly in the Central Bank losses, associated with the portfolio purchases undertaken in 1982-83 to assist commercial banks in distress on account of their easy lending practices. Borrowing companies or individuals were not properly evaluated, and the collapse of the real estate market and the recession seriously affected the collateral values. Dollar-denominated debts multiplied with the 1982 devaluation and subsequent floating exchange rate practices. To support these portfolio purchases, particularly those from foreign-owned banks, the Central Bank received US$540 million in new external loans, of which US$215 million were provided to finance portfolio purchases, and US$325 million represented new fresh money, mostly from external lenders with branches in Montevideo. The operation provided foreign financing for an amount equivalent to 2.5 times the face value of the actual portfolio purchases. Other portfolio purchases were financed with US$281 million in dollar bonds issued by the Treasury. As a result of the portfolio purchases, the Central Bank of Uruguay holds a substantial nonperforming portfolio, for which it has to service interest on external debts which is part of the Central Bank losses totalling about 2.7 percent of GDP in 1987.

1.71 Central Government finances improved in 1985-87. The 1984 current account deficit of 3.5 percent of GDP turned into a 0.5 percent surplus in 1987. This resulted from a two percentage points of GDP increase in current revenues between 1984 and 1987, and a similar drop of current expenditures. In spite of a 0.3 percent of GDP increase in investments, the overall deficit declined from 5 percent of GDP to about 1.3 percent (see Table 10).

Table 10: URUGUAY: CENTRAL GOVERNMENT FINANCES
(in percentages of GDP)

	1970	1980	1982	1984	1985	1986	1987
Current Revenues	13.8	16.2	15.2	13.8	14.5	15.2	15.7
Current Expenditures	13.7	14.2	21.4	17.3	15.8	15.1	15.2
of which: Wages	(9.6)	(5.2)	(7.4)	(5.0)	(5.2)	(5.3)	(5.2)
BPS Deficit	(0.1)	(1.4)	(5.8)	(3.2)	(2.8)	(2.3)	(2.3)
Interest Payments	(0.7)	(0.4)	(0.9)	(1.8)	(2.0)	(1.7)	(1.5)
Current Savings (+)	0.1	2.0	-6.2	-3.5	-1.3	0.1	0.5
Capital Expenditures	1.3	1.9/a	2.1/a	1.5	1.5	1.5	1.8
Overall Deficit (-)	-1.4	0.1	-8.7	-5.0	-2.8	-1.4	-1.3
Financing							
Foreign Loans	-0.1	-0.1	0.3	0.9	-0.2	0.8	0.1
Dollar Bonds and Bills	-	-	-	0.5	3.0	2.1	1.9
Domestic	1.5	-	8.4	3.6	0.0	-1.5	-0.7

Source: Central Bank.

1.72 Central Government total expenditures reached 17 percent of GDP in 1987. The broad expenditure categories and their share of total expenditures are: wages and contributions to social security funds, 40.1 percent; social security transfers to cover deficit, 17.6 percent; purchases of goods and services, 15.9 percent; interest payments, 8.8 percent; transfers to public agencies, 7 percent; and capital expenditures, 10.6 percent.

1.73 The main expenditure sources of the fiscal deficit in recent years were identified as: (i) the transfers to the Social Security Bank (BPS), the armed forces and police retirement funds; (ii) the increase in the number of budgeted jobs; and (iii) the steep rise of interest payments. Currently, measures have been taken to reduce the impact of (i) and (ii) on the deficit. With respect to (iii), the evolution of LIBOR rates and spreads plays a dominant role in determining the outcome.

1.74 **Transfers to BPS** originated in the 1979 reforms, which reduced payroll contributions in favor of fiscal transfers out of value-added tax revenues in order to change the relative prices of capital and labor. This reform created a fiscal gap of 5.8 percent of GDP in 1982 and contributed to undermine the preannounced exchange rate schedule (tablita), forcing a sharp devaluation in November 1982. The deficit has been gradually reduced to about 2.4 percent of GDP in 1987 and is expected to decline further.

1.75 The fiscal transfer to BPS covers the deficits of several programs, which were affected by the 1979 reform of the payroll contributions. The Retirement, Survivors and Disability Program (IVS) showed a deficit of about 1.2 percent of GDP in 1986, which is expected to be reduced further with the introduction of new taxes earmarked for social security financing in late 1987, accounting for about 0.4 percent of GDP. The family allowance and the unemployment programs are not covered by specific taxes and generate most of the remainder of the deficit of BPS (1.1 percent of GDP in 1986).

1.76 **Employment** in the Central Government has declined during 1985-87 as the Central Government has maintained vacant about 15 percent of the posts 5/ and, thus, has been a significant factor in reducing the deficit. Real wages in the public sector, on the other hand, improved by 20 percent while inflation dropped from 83 to 57 percent. As a result, Government wages have remained at about 5 to 5.5 percent of GDP, a level achieved after a long-term decline from the 9.6 and 7.4 percent of GDP reached in 1970 and 1982. The 1982 percentage reflected a recovery from earlier levels on account of the macroeconomic policies followed between 1979 and 1982, which expanded employment and led to an increase in real wages.

1.77 **Interest payments** increased with the higher external and internal debts of the Central Government. Interest payments on the Central Government debt rose from 0.4 percent of GDP in 1980 to 1.7 percent in 1986 (this ratio includes only a fraction of the external debt; the rest is owed by public enterprises and the Central Bank). The recent evolution of LIBOR

5/ Contaduria General de la Nacion, Estadisticas del Sector Publico, July 1987.

rates and spreads have been favorable; as interest rates dropped, the ratio declined to 1.5 percent of GDP in 1987; however, the long-term level of interest rates is subject to fluctuations beyond Uruguay's control, which may increase or reduce the fiscal deficit.

1.78 Revenue performance has also contributed to the improved fiscal situation. The Government adopted several tax measures to rationalize the tax burden, mobilize additional revenues and improve the tax administration. Tax reform actions taken include:

(a) **tax increases**, expansion of the VAT base to include agricultural sales, as well as purchases of firms currently exempt; reintroduction of the sales tax in agriculture and livestock sales as an advance on the tax on net agricultural income; and reforms of the social security contribution in the agricultural sector, together with a 1 percent increase of the VAT rate to 21 percent and a 20 percent surcharge on new vehicles, both tax revenues earmarked for the social security system. Measures are also underway to improve tax collections by automatizing the processing of tax declarations, and improving supervision and auditing; simplifying tax declarations; and creating the single account for each individual or corporation taxpayer; and

(b) **tax decreases**, reductions of import tariff rates, lowering the export tax on meat and wool exports and reduction of the patrimony tax rates.

1.79 **Public enterprises** have followed mostly realistic pricing policies, although some lags in raising tariffs in line with inflation took place during 1979-81 and 1984 (see Table 11). Consolidated current savings have been positive, although low for most of the last 15 years. However, the experience is mixed; some enterprises have losses (railways, airline, port authority, and water company), while others (petroleum and telecommunications companies) make profits and significant tax payments. The Government is taking action to restructure money-losing enterprises and discontinue uneconomical services (see Chapter II).

Table 11: URUGUAY: INDICES OF NOMINAL AND REAL PUBLIC UTILITY PRICES, 1978-1986
(1978 = 100)

	Electricity				Water		Gasoline		Railway Freight		Telecommunications	
	Household		Industrial									
Year	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real
1978	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1979	155.5	93.2	155.9	86.4	155.9	86.4	168.1	100.0	152.6	84.6	143.3	85.9
1980	250.0	91.7	251.8	98.5	251.8	98.5	318.7	116.8	271.8	108.3	262.9	96.4
1981	288.8	79.0	290.8	92.1	290.8	92.1	401.3	109.8	381.6	120.9	316.9	86.7
1982	350.8	80.6	353.2	99.1	353.2	99.1	464.7	106.8	439.7	123.4	521.3	119.8
1983	612.9	94.4	613.8	99.3	613.8	99.3	635.3	128.7	518.7	83.9	906.0	139.6
1984	998.6	98.9	992.6	90.5	992.6	90.5	1,332.4	132.2	663.2	60.5	1,435.1	145.3
1985	1,716.4	98.9	1,873.9	88.8	1,873.9	88.8	2,629.0	151.4	1,146.1	66.0	2,141.3	123.3
1986	2,930.0	95.4	3,259.0	106.1	3,580.4	110.6	3,831.1	124.7	2,573.5	79.5	3,522.9	148.7
1987	4,706.7	97.6	5,191.0	107.4	5,712.1	112.1	5,591.4	115.6	4,207.2	82.6	5,349.9	143.5

Source: Central Bank Bulletin.

H. Balance Of Payments

1.80 The balance of payments continued to improve in 1986-87. The current account deficit, which had been steadily reduced from 9 percent of GDP in 1982 to 2 percent in 1985, turned transitorily positive in 1986 on account of the sharp rise of exports and the lag in imports. It became negative again (1.4 percent of GDP) in 1987, when import demand gathered momentum on account of the economic recovery (see Table 12). The improvement in the current account was reinforced by private capital inflows, partly accounting for repatriation of earlier outflows. In addition, the renegotiation of the external debt with commercial banks postponed amortization payments through 1989, easing the debt-service pressure in the capital account.

Table 12: URUGUAY: BALANCE OF PAYMENTS INDICATORS
(in US$ millions)

	1980	1982	1985	1986	1987
Exports of Goods (F.O.B.)	1,059	1,023	854	1,088	1,189
Imports of Goods (F.O.B.)	1,651	1,038	675	815	1,058
Trade Balance (F.O.B.)	-592	-15	179	273	131
Nonfactor Services (Net)	-127	-289	53	51	3
Factor Services Receipts	68	147	77	93	103
Interest and Dividend Payments	-168	-344	-428	-368	-384
Transfer	9	10	11	25	22
Current Account Balance	-692	-491	-108	74	-125
Terms of Trade (1980 = 100)	100	96	87	90	111

Source: Central Bank.

1.81 Several factors explain the improvement in the current account:

(a) macroeconomic policies have tightened demand management, improved fiscal performance, and maintained exchange and trade policies favorable to the expansion of exports;

(b) exports benefitted also from favorable external developments. Export prices of some commodities (e.g., wool, beef, rice) improved; Brazil increased sharply its imports from Uruguay and, to a smaller extent, also Argentina; and the EEC and mainland China imported large quantities of wool;

(c) lower international interest rates and much higher export levels combined to reduce the debt-service burden, reversing the trend that lasted up to 1985, when interest payments absorbed an increasing proportion of export earnings; and

(d) nonoil import demand continued to be sluggish in 1986, lagging behind GDP growth; in addition, low oil prices contributed to lower the dollar value of imports. However, with the economic recovery continuing in 1987, imports grew at 30 percent. Consumer goods, intermediates and, in particular, capital goods imports showed substantial increases.

External Debt

1.82 Uruguay's public and publicly guaranteed, external medium- and long-term debt, outstanding and disbursed, and repayable in foreign currency was US$3 billion at the end of 1987 (US$3.6 billion including undisbursed),6/ a US$0.5 billion increase since the end of 1984. In 1979, the debt was only US$0.9 billion. About US$2.2 billion is owed to foreign commercial banks. These borrowings financed large current account deficits (totalling about US$2 billion for 1979-82) which originated in: (i) sharply rising imports of goods and services, associated with excessive private expenditures as imports tariffs were reduced and the *peso* appreciated in real terms--import prices were temporarily low; and (ii) decreased competitiveness of exports of goods and services with the *peso* overvaluation. When confidence in the *peso* eroded, external borrowings were used to shore up the *peso* rate. Commercial bank borrowings in 1981-83 totalled US$0.9 billion, including fresh money, provided by the banks for the portfolio purchases referred to earlier.

1.83 As debt service climbed, Uruguay and the commercial banks agreed to reschedule principal obligations due in 1983 and 1984 for a total of US$575 million. A further rescheduling of commercial banks' amortization

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6/ The medium- and long-term public external debt is US$3.4 billion including IMF credit outstanding.

for 1985-89 was negotiated with creditor banks at LIBOR plus 1-$^{3}/_{8}$ with the new amortizations due during 1988-96, at progressively higher percentages of the debt. However, on account of Uruguay's good economic performance, the banks and the Government renegotiated a new package which covers amortizations due in 1990 and 1991, and extends the amortization period to 17 years (including 4 years of grace) at LIBOR plus $^{7}/_{8}$. Full repayment will take place during 1991-2004: about 13 percent in 1991-94; 31 percent in 1995-99; and 56 percent in 2000-2004.

II. KEY ECONOMIC POLICY ISSUES

2.1 This chapter concentrates on the links between the main trends of the Uruguayan economy in recent years and the implementation of the Government's medium-term program of economic recovery and growth. This program continued previous efforts to increase the openness of the economy and make it more market oriented.

2.2 Major structural reforms have been introduced since 1973 in fiscal monetary, exchange rate, import tariffs, and domestic pricing policies. The Government freed all foreign exchange transactions; allowed the exchange to float freely, except for minor interventions from Banco Republica to avoid sharp fluctuations; achieved real, slightly positive interest rates; eliminated almost totally price controls; moved away from the inward-oriented, highly protective trade regime with an anti-export bias to an export-oriented policy by reducing the number of import-tariff rates and the maximum rate dramatically together with the virtual elimination of taxes on exports. The medium-term program of the Sanguinetti Administration continued these efforts. The program includes a framework of policies and incentives aimed at expanding exports, restoring private sector confidence, maintaining fiscal and monetary discipline, and reducing inflation. The analysis that follows of recent policy develop nts is framed within this general context of a sustained, long-term effort at reshaping the country's strategy for economic and social development.

A. Trade Policy Issues

Import Tariffs

2.3 The reduction of protection has been a major objective of Government policy. In 1975, import quotas were eliminated; tariffs, surcharges, and special taxes were consolidated into a single overall rate for each item of the tariff schedule; and maximum rates and the range of rates (together with tariff dispersion) were dramatically reduced. By 1979, the tariff schedule consisted of over 30 rates ranging from 0 to 116 percent of the CIF value (already a significant reduction from the maximum 1974 rate of 346 percent). Further reductions took place to a five-rate schedule in 1983: raw materials, 10 percent; intermediates, 20, 35, 45 and 55 percent; and final consumer goods, 55 percent. These rates included charges for consular fees (4 percent) and port charges (1 percent). Excluding them, the maximum rate is 40 percent (see Table 13).

2.4 Under the Government's tariff reduction program, a study reviewed progress achieved and developed further steps. The study confirmed the significant progress achieved in reducing the level and dispersion of effective protection and provided the analytical base for further cuts in the tariff in a concertina approach7/ (high tariffs are squeezed down to a lower level, then both are squeezed down, and so on). As a result, the Government reduced the higher rates (including 5 percentage points for consular fees and port charges) to 30, 40 and 45 percent in August 1987.

7/ Corden, W.M., Trade Policy and Economic Welfare, pp. 369-70, 1974.

The five-rate schedule in effect now is 10, 20, 30, 40 and 45 percent. The principles behind the classification are raw materials and capital goods not produced in economically efficient conditions in Uruguay, 10 percent; imports and final consumption goods with low manufacturing value added, 20 percent, 30 percent and 40 percent; and final consumer goods, 45 percent. Thus, in fact, maximum rates have been reduced by ten percentage points with respect to the 1983 schedule.8/ The importance of this reduction must be highlighted. As tariff rates come down, every additional percentage reduction becomes more significant in effectively reducing the utilized rate of protection.

Table 13: **URUGUAY: MAXIMUM IMPORT TARIFF RATES**
(in percentages)

	1974	1979	1983	1985	1986	1987
Surcharges	300	90	35	40/a	30	25
Import Tariffs or IMADUNI	18	20	15	15	15	15
Subtotal	318	110	50	55	45	40
Port Charges	18	2	1	1	1	1
Consular Fees	10	4	4	4	4	4
TOTAL	346	116	55	60	50	45

/a Five percent temporary additional charge introduced in 1985 to strengthen public finances as part of the IMF stabilization program.

2.5 Estimates of nominal tariff protection, or nominal implicit tariff protection (ad valorem equivalent of all protective measures--import tariffs, reference prices, and indirect taxes), show a significant downward trend even before the reduction of 10 percentage points in 1986, and the reduction of 5 percentage points in 1987 of the maximum import tariff rate. Water in the tariff (superfluous protection) has basically disappeared and, in some cases, the tariff role in restricting competition from abroad is no longer operative (see Table 14).

8/ Excluding the five percentage points surcharge introduced in 1985 to balance the fiscal accounts in the context of the stabilization program. This surcharge was eliminated in 1986.

Table 14: URUGUAY: AVERAGE IMPORT PROTECTION (DOMESTIC MARKET)
(in percentages)

	1978	1981	1985	1986/a	1987/b
Nominal Formal Protection/c	128	56	50	49	39
Nominal tariff protection/d	101	47	38	40	29
Water /e	35	6	10	3	

/a As of March 1986.
/b As of August 1986; excludes the August 1987 reduction.
/c *Ad valorem* equivalent of all elements (tariffs, indirect taxes, exchange rate, etc.) that could be interpreted as providing protection against imports.
/d Nominal protection computed on the basis of the global tariff.
/e Defined in terms of a comparison between international ex-customs and domestic prices.

Source: CINVE.

2.6 With the tariff reduction, domestic production of some items stopped and the producer became an importer. This is partially explained by oligopolistic or other market and service structures that permit firms to stop producing domestically and commercialize the imported products at prices above those ex-customs (privatization of the tariff) and/or maintain the old domestic prices for those produced internally (e.g., agricultural inputs, electrical appliances, iron, steel, and other metallic products).

Export Taxes

2.7 Export taxes on traditional exports (beef and wool) were eliminated in the mid-1970s, as part of the reform program, but reintroduced in 1983 at a 15 percent rate under the stabilization program agreed with the IMF. The export tax on beef and wool was reduced to 5 percent in late 1984. Afterwards, the tax on deboned meat was eliminated. Currently, only a 5 percent tax on greasy wool and boned meat remains in effect. This evolution represents a significant policy change from earlier periods when taxation of traditional exports was an important source of revenue but hindered development of the livestock sector.

2.8 The virtual elimination of export taxes, combined with value-added tax exemptions (within the GATT Code on Subsidies and Countervailing Duties), has improved the competitive position of Uruguayan exports. In addition, to promote export-oriented activities, imports of machinery and equipment for manufacturing enterprises are exempted from paying the import tariff and the value-added tax from mid-1986 to December 1988. The increases in the capital stock are also exempted from the patrimony tax (for three years, if the facility is located in Montevideo; and five years, if located in other parts of the country). This is a significant new incentive; a 1979 tax reform had eliminated the income tax subsidy and most of the exonerations of the Industrial Promotion Law. The 1986 exemptions seem connected to the recent increase in the importation of capital goods, which is revitalizing manufacturing activities.

2.9 Export rebates (reintegros) and other export subsidies were used widely to promote exports during the mid-1970s. However, these had to be reduced in 1979 after the US Government proved damages and imposed countervailing duties on imports of leather goods from Uruguay. Uruguay accepted the GATT Code on Subsidies and Countervailing Duties in 1979, followed by the establishment in 1981 of a drawback system for indirect taxes affecting production, which is permitted under the GATT rules. With the overvaluation of the peso, however, the reintegros were reintroduced temporarily in 1982 with a 10 percent subsidy to all exports, including traditional products. The system of export tax rebates was finally discontinued in 1983, and exporters were only refunded for indirect taxes paid during the production process. This policy is not expected to experience changes.

Exchange Rate

2.10 Since 1982, the exchange rate policy has aimed at maintaining the competitiveness of exports and improving the debt-servicing capacity of the Country (see Table 15 and Chart 1). Official interventions in the foreign exchange market have been mostly to smooth fluctuations. The trade, weighted real exchange rate at the end of 1987, remained roughly below the 1982 post-devaluation level when a real effective depreciation of about 50 percent took place.

Table 15: URUGUAY: REAL EFFECTIVE EXCHANGE RATE

	1982		1983	1984	1985	1986	1987
	3rd Quarter	4th Quarter		4th Quarter			
All Countries	107	88	61	61	55	58	53
Argentina	155	96	48	46	51	55	56
Brazil	106	94	80	67	74	112	67

Source: IMF.

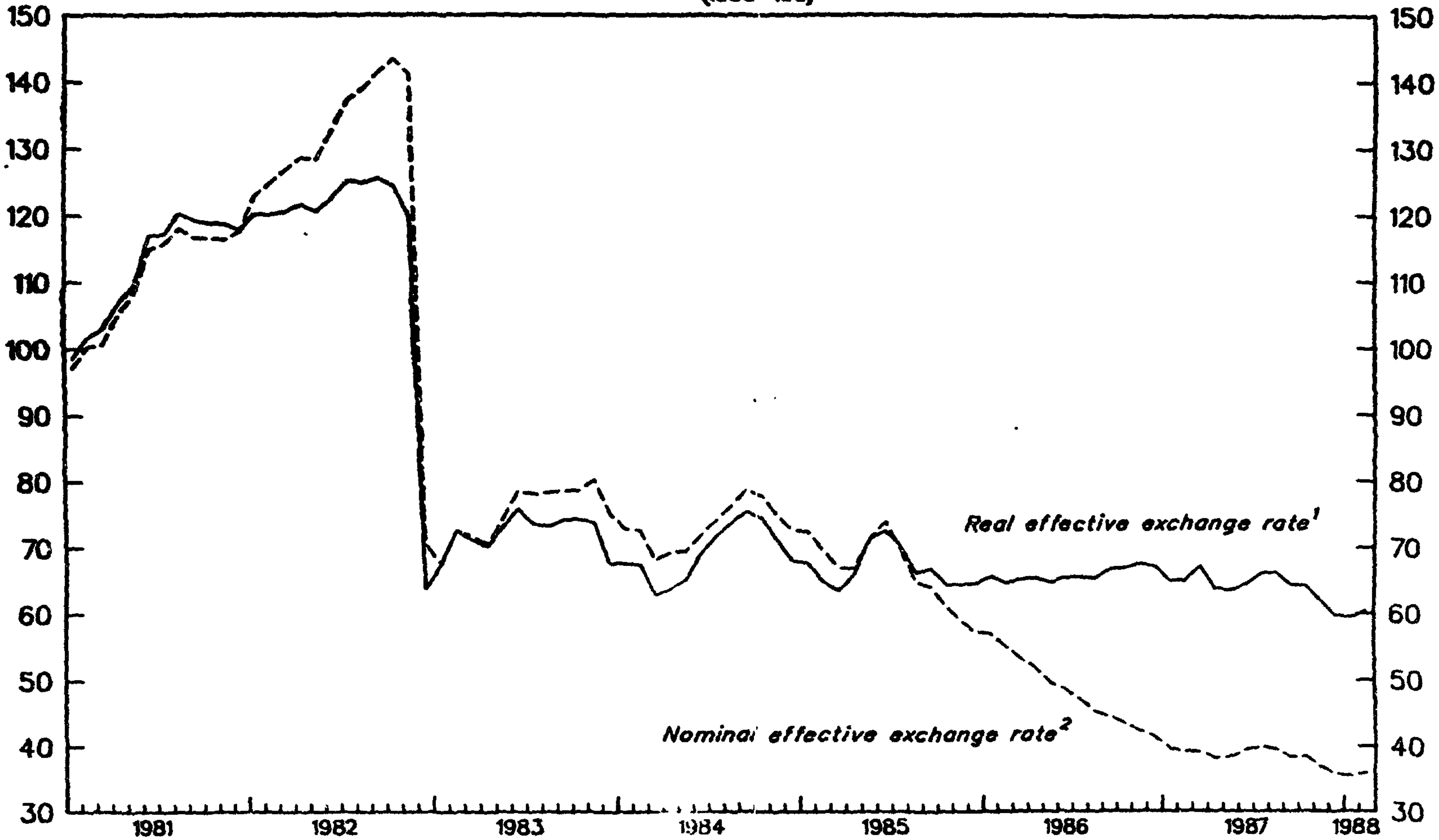
2.11 Competitiveness, however, is complicated by the particular situation of individual export markets. The Uruguayan pesos rate of devaluation vis-a-vis the dollar lagged with respect to the cost-of-living index in 1986, but not in 1987; and thus, the competitiveness of Uruguayan goods has improved notably in countries whose currencies have appreciated vis-a-vis the dollar. With respect to the US dollar, the maintenance of a rate of devaluation roughly compatible with that of the dollar kept Uruguay's exports competitive; the problem in the US market, however, is that

CHART 1

URUGUAY

REAL EFFECTIVE EXCHANGE RATE

(1980=100)



Source: Information Notice System, IMF.

[1] Trade-weighted index of nominal exchange rates deflated by seasonally adjusted relative consumer prices; increase means real appreciation.

[2] Trade-weighted index of nominal exchange rates.

Uruguay's products face quotas (e.g., textiles) or other restrictions. Without these restrictions, exports to the US market would expand more rapidly. The competitiveness issue, however, concerns the markets of Brazil and Argentina.

2.12 Real exchange rate computations show a decline of competitiveness with Argentina in 1987 in both official and parallel rates (4 percent and 13 percent, respectively), and improvements in both rates (official rate, 9 percent; parallel rate, 55 percent) with respect to Brazil. For Brazil, the first rate is representative of trade transactions, and the second of service transactions.

2.13 The evolution of exchange rates, vis-a-vis Argentina and Brazil, combined with the domestic situation of these countries and the speed with which import documents are processed in the Protocol for Trade Expansion (PEC) framework with Brazil, are reflected in the trade statistics. Latin America and Africa are the areas where Uruguay's trade balance showed significant negative results in 1987, particularly that with Brazil (see Table 16).

Table 16: URUGUAY: TRADE BALANCE BY REGIONS
(in US$ millions)

	Exports (FOB)		Imports (CIF)		Trade Balance	
	1986	1987	1986	1987	1986	1987
Argentina	88.7	113.2	123.8	155.1	-35.1	-41.9
Brazil	295.6	204.1	212.1	276.3	83.4	-72.2
Other L.A. and Canada	50.5	58.5	112.7	139.3	-62.2	-80.8
USA	129.5	175.7	73.5	88.3	56.0	87.4
EEC	281.4	334.1	172.7	238.1	108.7	96.0
East Europe	49.0	68.8	15.5	11.5	33.5	57.3
Far East	116.1	103.8	50.9	71.0	65.2	32.8
Middle East	31.0	60.0	46.1	45.9	-15.1	14.1
Africa	16.0	19.1	23.5	61.5	-7.5	-42.4
Other	30.0	51.8	39.1	42.9	-9.1	8.9
TOTAL	1,087.8	1,189.1	870.0	1,129.9	217.8	59.2

Source: Central Bank of Uruguay.

Temporary Admittance, Drawback, and Free Zones

2.14 An October 1987 decree reviewed the regulations established by Decree 264/979 and related decrees and resolutions for the introduction of duty free goods in Uruguay under the obligation of reexporting them. The system operates automatically with a declaration to the Uruguay Technology Laboratory (LATU) and the Banco Republica (BROU). The "taking from inventory" method, which involves exporting by drawing from inventories and importing to replenish free of tariffs, is used. The benefits are: full tariff exemptions; concessional rates for port services; no limits, quotas or other restrictions (same as for all imports); and an 18-month period for reexporting. Temporary admittance of materials to be reexported without significant change is also permitted, provided the transaction brings a net foreign exchange inflow to Uruguay.

2.15 Drawback operations are also permitted. The importer pays the tariff, but receives a rebate after reexporting the imported goods with or without processing. The tariff rebate requires case-by-case decision by the Ministry of Industry and the corresponding controls. It is not widely used.

2.16 Uruguay has two free zones in operation at Nueva Palmira and Colonia for storage, assembling or mixing raw materials and intermediates, and operating manufacturing plants. Imports are tax free, including machinery and equipment for the manufacturing plants. Employment of Uruguayans should reach 75 percent or more to be completely tax exempt. The Government is giving high priority to the further development of free zones. To this effect, Parliament approved new legislation and the Government issued the corresponding regulations to expedite their operations and improve competitiveness.

Restrictions in Uruguay's Export Markets

2.17 In spite of the significant reductions of Uruguay's import protection structures, its exports continue to confront serious restrictions in developed countries, as well as competition in other markets from subsidized exports from these countries. The EEC Common Agricultural Policy (CAP) has led to increasing self-sufficiency and large surpluses, which are exported below cost or stockpiled. Particularly important for Uruguay are meat and dairy products. EEC's beef production is protected by variable import levies and a system of quotas (e.g., Uruguay's 1985 quotas were 50,000 tons for beef and veal for processing and 29,800 tons for "Hilton" beef). EEC's production of dairy products exceeded domestic demand and stocks increased in the 1980s; international prices dropped accordingly. Although steps have been taken to curtail the supply (milk quotas, guarantee threshold, reduction of marginal returns to individual producers exceeding quotas), stocks of butter and other products are large. The US price support mechanism for dairy products operates through the Commodity Credit Corporation (CCC) which purchases butter, nonfat dry milk, and cheese. The US prices are higher than international prices, and quotas are in place for milk products and cheese. The CCC exports are at market prices but below its acquisition prices.

2.18 Uruguay's textile exports could expand significantly, but they are slowed down by the Multi-Fiber Agreement (MFA) which regulates trade in textiles and clothing. Under the concept of "market disruption" and controlling "low wages" imports, the provisions of the MFA have been applied mostly against developing countries. Under the MFA, Uruguay entered into bilateral agreements with the US and the EEC to limit its textile and clothing exports to these markets.

B. Financial Sector Policies

2.19 The Government enacted in late 1985 a refinancing law, which provides the mechanism for rescheduling existing debts, as well as for bankruptcy and liquidation proceedings in case of nonpayment. A data bank was set up in Banco Republica to consolidate all debt data with all banks for each firm or individual applying for refinancing. The data bank completed the classification of the debtors (see Table 17) and determined those that were eligible for refinancing. Commercial banks then had to proceed with the refinancing agreement, which entered into effect if the debtor accepted it. However, if the debtor disagreed or is delinquent in servicing the refinanced debt for more than six months, the debtor is subject to judicial procedures to liquidate his/her assets. The refinancing law lifted the temporary moratorium imposed on judicial sales, which resumed in early 1986.

2.20 The Government's policy is to ensure that debtors settle their obligations or face bankruptcy proceedings in court with no further bail-outs to solve the overindebtedness problem. The banking community is co-operating with the Government. The law has resulted in several positive developments: (i) an improvement in debt collections, since even viable firms with capacity to pay their debts did not pay while waiting for a final resolution of the debt issue (and a possible public bail-out); (ii) a public bail-out has been ruled out, losses are being apportioned between debtors and creditor banks, and bankruptcy procedures resumed; (iii) commercial banks have taken steps of their own, such as special arrangements with debtors outside the refinancing scheme, which involve debt repayment in full after a partial write-off of the original obligation or longer repayment periods; and (iv) the banking system's health has improved as foreign banks brought new funds to cover losses arising out of poor loans, and the remaining domestic banks in critical situation were rescued by new injections of capital from Banco Republica (the state bank) with the purpose of restoring them to the private sector in the future.

2.21 The Government's determination to implement the 1985 refinancing law was tested in 1987. The President vetoed a law approved by Parliament, which modified the Refinancing Law (No. 15,786). The purpose was to ease the debt burden of small debtors. Since Law 15,786 was approved, with the understanding that no further refinancings would be enacted in order to restore creditability to credit operations, the Executive vetoed Articles 1 to 9. Only Article 10, which establishes that a minority of the creditors (less than 25 percent) cannot block the conclusion of a refinancing agreement in accordance with the original refinancing law, remains.

Banking System

2.22 The aim of the Government is to strengthen the banking system and restore the necessary safeguards to normal credit operations to avoid a repetition of previously easy lending practices. For this purpose, the Central Bank strengthened its regulatory and supervision procedures for evaluating credit applications, determining reserves for potential operational losses, and rating of uncollectable loans. The new accounting procedures include standardized balance sheets, guidelines for classifying

Table 17: URUGUAY: DEBTORS APPLYING FOR REFINANCING /a

	Agriculture		Manufacturing		Commerce and Services		Total		Ratio to Total Portfolio
	No.	Amount (million pesos)	No.	Amount (million pesos)	No.	Amount (million pesos)	No.	Amount (million pesos)	
Viable	2,741	3,526	670	11,319	1,589	7,688	5,000	22,533	
Nonviable	892	8,805	237	9,484	153	3,502	1,282	21,791	
Solvent	386	240	140	953	389	696	915	1,889	
Unclassified	514	271	-	-	-	-	514	271	
TOTAL	4,533	12,843	1,047	21,756	2,131	11,886	7,711	46,484	
Banco Republica								(11,134)	4.0
Commercial banks								(35,350)	13.0

/a As of January 1988.

Source: Central Bank and Banco Republica.

credits in arrears to be followed by the commercial banks, and special solvency and liquidity checks. Banking inspections have been stepped up. With these improvements, the regulatory system is adequate.

2.23 The current situation contrasts sharply with that of the early 1980s, when financial liberalization created conditions for a substantial expansion of the banking system. A large inflow of nonresident deposits, and the virtual dismantling of Central Bank's regulations and supervision, led to a large credit expansion to finance purchases of overpriced assets and without due consideration to the repayment capacity of borrowers. Dollar-denominated debts were encouraged by exchange and interest rate policies. The combination of high real positive peso interest rates, the high leverage of firms and the corresponding overindebtedness in dollars, and the sharp devaluation in November 1982 placed firms and individuals in a financial bind; many could not repay their debts, and their collateral was worth less than the credits owed to the banks. This developed into a stalemate, since the banks did not collect from the collateral to avoid reflecting the losses and the poor quality of the portfolio in their balance sheets, as well as avoid the need for new capital to cover the losses. Instead, they charged higher interest rates to borrowers, who were unable to repay their loans, which accrued into the debt amount. The spread between peso deposit and lending rates rose in recent years (Chart 2). In other cases, bankruptcy procedures were initiated; this is a lengthy process. The Government was confronted with a situation, where a significant part of the private sector had lost their net worth and was basically close to bankruptcy.9/ The Central Bank first provided a refinancing program in 1981 with preferential treatment to participating banks, and subsequently absorbed a substantial proportion of the losses by purchasing a portion of the banks' portfolios in arrears in 1982-83. The Government also declared a moratorium on debt collection through the courts in 1983, which was extended until early 1986. Debtors and creditors expected a further bail-out when the new Government took office in March 1985. However, the new refinancing law established rules to apportion the losses between debtors and banks and has proceeded forward in a satisfactory manner, given the complexity of the problems and the implications of massive bankruptcies for the economy.

2.24 The Central Bank and Banco Republica have also strengthened the mechanisms for dealing with bank failures and avoiding financial panic. Interventions took place in the cases of Banco de Italia (Montevideo Branch) and Banco Pan de Azucar in 1985, and Banco Commercial and Banco Caja Obrera in 1987, but at a cost. Banco Republica had to step in with injections of new capital and is now trying to revitalize these institutions for future privatization. This may take some time, since significant capital losses will have to be provided for and operating costs reduced before finding a buyer.

Capital Market Development

2.25 The Government sent to Parliament the draft legislation for investment banks and leasing operations, which are now in the Finance Committee of the Senate. It also sent to Parliament draft securities, corporation and bankruptcy laws. The new legislation will strengthen minority

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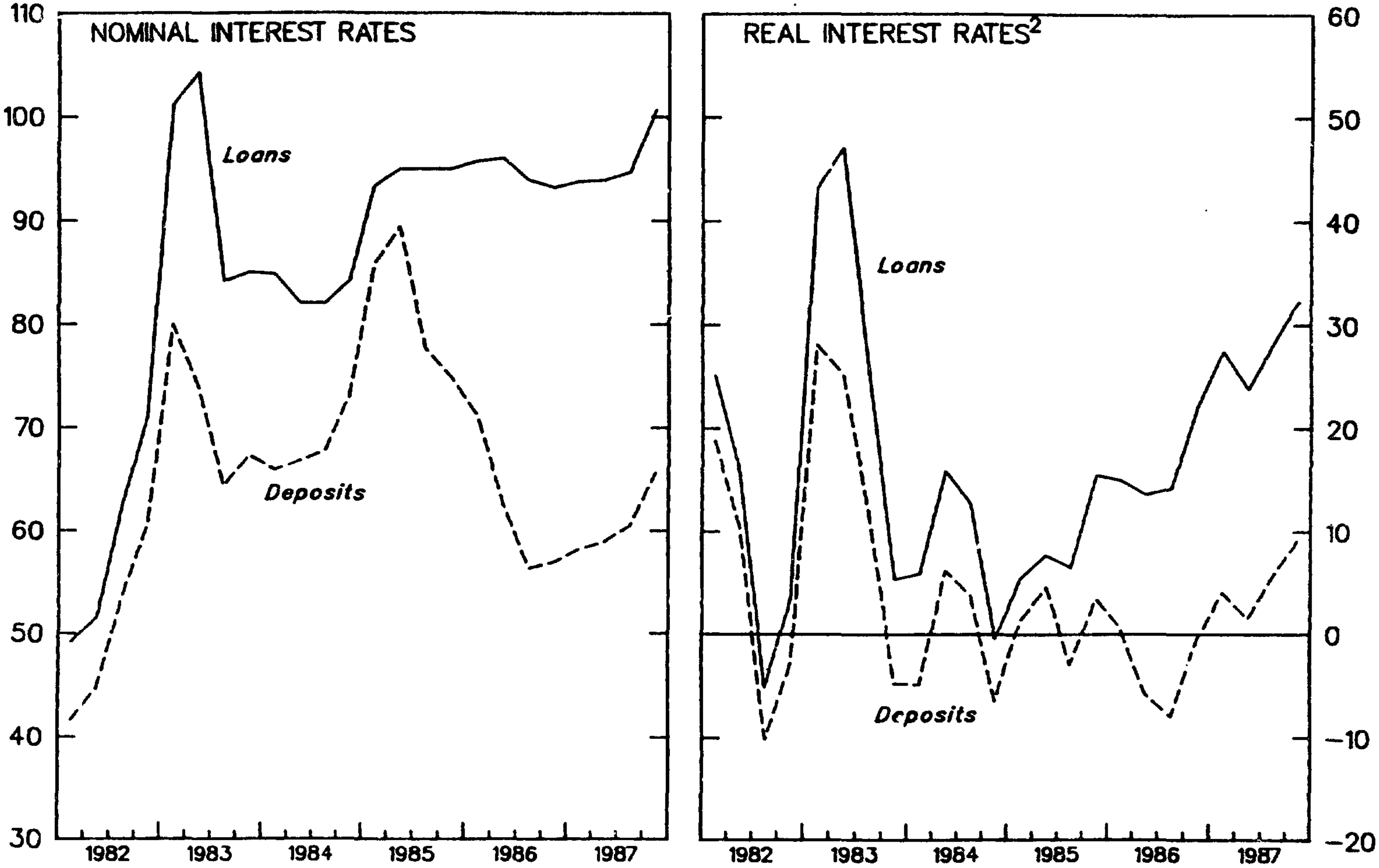
9/ World Bank Report No. 6054-UR, Country Economic Memorandum on Uruguay, August 12, 1986, covers this issue in detail (pp. 28-32).

CHART 2

URUGUAY

NOMINAL AND REAL INTEREST RATES[1]



Sources: Central Bank of Uruguay, and Fund staff estimates.
[1] Annual interest rates. Ex-post facto.
[2] Up to 6 months. Deflated by the actual change in the consumer price index in the following 6 months.

rights to broaden the ownership of private corporations, provide a better mechanism for transfers of companies, as well as reasonable guarantees to new partners and shareholders, and expedite bankruptcy procedures.

C. Public Sector Management Policies

2.26 The Government's policy package for improving the management of the public sector covers the most important areas of public policy. The approach is to address the main sources of imbalances in public finances by bringing public expenditures into a closer balance with revenues and to significantly strengthen public administration by improving both the Central Administration and the cost-effectiveness of public enterprises, including a restructuring of a few money-losing public enterprises.

2.27 **Public Finances**. To bring expenditures into a closer balance with revenues, the Government is involved in strengthening social security finances, improving revenues through tax reforms and administration improvements, raising periodically tariffs/prices of public enterprises, and reducing expenditures of money-losing public enterprises. The aim is to maintain the overall deficit of the nonfinancial public sector at a low or even slightly positive level by generating a current surplus of 3 to 4 percent of GDP in the coming years.

2.28 Actions have been taken in the old-age and survivors program to improve social security finances and reduce the combined deficit of all BPS programs (old-age and survivors, health, unemployment, and family allowances) to no more than 2 percent of GDP by 1990 and to make the IVS program self-financing by the year 2000. Currently, the Social Security Bank has a deficit of about 2.4 percent of GDP, of which the IVS program represents about one half. Further actions to reduce the BPS deficit significantly below 2 percent would entail improvements in the IVS and other programs, particularly those that have no specific funding (family allowances and unemployment).

2.29 The principal areas identified for reform of the old-age, survivors and disability program of BPS are: increasing retirement ages to 65 for men and 60 for women, making benefits for all beneficiaries more uniform, thereby reducing their dispersion; eliminating the pension rights of working-age dependents; using means tests to cap benefits at a certain pension level; and reducing the wage-replacement ratio, or increasing the number of years used to calculate pre-retirement earnings (e.g., 10 to 15 years).

2.30 The legislation approved in late 1987 contains the following changes in benefits:

(a) modifying privileged regimes for high Government officers, politicians, high court judges, etc., who were eligible for early retirement without meaningful length of service or age requirements. The new law requires a combined value of 80 for age and length of service, and a three-year stay on the job to be eligible for retirement benefits;

(b) establishing that annual cost-of-living increases will be determined with the average-wage index increase in the previous year. Partial adjustments during the year will be granted after any increase in Central Government wages and will be computed with a complicated formula using the cost-of-living index, taking into account fiscal availabilities. The full adjustment with the wage index takes place at the end of March;

(c) capping total benefits to be received by a retiree from all retirement funds at 15 minimum wages. With this step, about 15,000 retirees will not receive a cost-of-living increase in 1987, effectively capping their benefits;

(d) establishing a minimum retirement pension equivalent to one minimum net wage, effective in 1990, for retirees with the normal retirement age (60 for men, 55 for women); and

(e) making compatible an old-age pension with a single pension under other retirement funds.

2.31 The Government also took actions to reduce the short-run deficit of the old-age and survivors program. The system of rural contributions is now based on the Land Productivity Index (CONEAT) in an effort to tighten collections and eliminate a bias against hiring labor. The tax increases referred to in para. 1.70 are also part of this effort to strengthen BPS finances. They reduced the short-term deficit, but also improved the long-term financial viability of the system.

2.32 Administrative reforms are also underway to better control benefits and the rights of beneficiaries (identification number and individual accounts, cross-checking of all benefits to retirees and also beneficiaries of other programs, computerization of records, etc.). In addition, administrative actions are underway to reduce evasion, monitor social security contributions by firms and individual workers, introduce new reporting requirements for small firms, and stiffer penalties for non-payment of contributions, and more effective policing of late payments by public enterprises. Some of these actions are already being implemented; as a result, tax collections are up with the number of firms and workers contributing to BPS increasing by 38 and 16 percent, respectively,10/ during 1985-87.

2.33 **Public Administration**. The public sector's size, the share of resources that it utilizes and their efficient administration constitute an important policy area. The Government is working on restructuring three public enterprises (railways, water supply company, and port authority) to improve efficiency and reduce budget transfers, and is rationalizing two

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10/ World Bank Report No. 7067-UR, An Inquiry into Social Security: Its Evolution, Current Problems and Prospects; June 1988, examines social security in greater detail.

public enterprises (airline and fishing company). For the railways, the Government has already taken action. Passenger traffic and uneconomical freight services have been discontinued effective January 1, 1988. Programmed staff reductions are 6,000 out of 9,000 workers, of which 1,500 have already been placed in special status for reassignment to other areas of the public sector, or will receive a golden handshake, to smooth out their transition to a new job. Studies are underway for the port authority, which will lead to a rationalization of the port of Montevideo and most likely to the privatization of some services. The water company program is already underway with annual targets for service levels, annual investments, tariff levels, productivity increases and administrative improvements. The draft law to open the door to legally convert the airline (PLUNA) to a joint venture with a reputed international airline is in Parliament. A difficulty in this case is likely to be finding the appropriate partner, particularly if landing rights are affected adversely by the conversion. Another draft law is in Parliament to privatize the Fishing Enterprise (ILPES).

2.34 In conjunction with the efforts aimed at increasing the efficiency of public enterprises, rationalizing their operations, and reducing their budget subsidies, the Government is following a tariff/price policy adequate to ensure that the enterprises cover operating expenses, debt service and, at least, the domestic cost share of their investments. A final objective is that these enterprises generate adequate revenues to its shareholder--the Government. Tariff increases at four-month intervals are taking place (see Table 9). However, a number of inefficiencies still persist that are passed along to the consumers. The above-noted specific programs to enhance efficiency and improve management in several public enterprises are an important step. Further actions are required in these and other agencies (e.g., UTE) to improve operating efficiency, cost accounting, and project formulation and evaluation.

2.35 Public employment has shown different trends in the past (see Table 18). It declined during 1976-80 and 1985-87, but it expanded during 1981-84. Although this seems a countercyclical behavior, the analysis indicates otherwise. Employment was not only reduced up to 1980 (about 4,000 posts) as part of the restructuring of the economy but also because of political events. However, public employment increased by 6,000 in 1981; 4,700 in 1983; and 1,800 in 1984. These increases took place mostly in the Central Government (in 1981, for the Ministry of Defense; in 1983-84, for the Ministries of Health and Education). With the return to democratic rule, Central Government's employment was reduced by about 7,000 posts in spite of the restitution of political exiles to their old jobs. These gains were partially nullified by increases in public enterprises (3,000) and public financial institutions (1,100).

Table 18: URUGUAY: PUBLIC SECTOR EMPLOYMENT
(in thousands, end-July 1987)

	Total	Central Government	Public Enterprises	Public Financial Institutions
1976	201.8	144.8	49.3	7.7
1980	197.8	143.8	45.4	8.6
1981	203.9	149.1	46.4	8.4
1982	203.0	148.8	45.9	8.4
1983	208.7	153.4	45.7	9.6
1984	210.5	154.8	46.6	9.1
1985	206.3	148.9	47.8	9.9
1986	206.8	147.1	49.5	10.2

Source: Contaduria General de la Nacion, Estadisticas del Sector Publico.

2.36 The distribution of jobs (excluding unfilled vacancies) in the Central Administration is heavily concentrated in the armed forces and the police (41 percent), education (34 percent) and health (9 percent). Professionals and technicians (including B-class technicians) are only 4.4 percent of the total (see Table 19). Only 3,600 Central Government employees and 995 professionals and technicians earn more than five minimum wages (2.5 percent and 0.6 percent of total Central Government employees).

Table 19: URUGUAY: CENTRAL GOVERNMENT WAGES
(end-July 1987)

Wages in Pesos	Total No. of Employees (1)	Percentage Distribution (2)	Technicians & Professionals (3)	(3)/(1) Percentages (4)
Less than 19,500/a	1,099	0.8	0	0
19,500-32,500	51,913	35.5	200	0.4
32,500-51,500	68,669	47.0	2,269	3.3
51,500-77,000	15,756	10.8	1,514	9.6
77,000-103,000	5,080	3.5	1,407	27.7
Over 103,000	3,599	2.4	995	27.6
TOTAL	146,116	100.0	6,385	4.4

/a Minimum wage in July 1987 = 19,500 pesos.

Source: Contadoria General de la Nacion, Estadisticas del Sector Publico.

D. Labor Market Policies

2.37 The current wage policy is to provide guidelines for public and private sector increases every four months. These guidelines are established, on the basis of expected and past inflation, at rates below those of past inflation. Wage adjustments in the Central Government have been in accordance with the guidelines, but public enterprises and the private sector have exceeded them. Private wage adjustments (except for rural and domestic workers) are decided in wage councils and cover about 380,000 workers. A significant proportion of the agreements extend for a one-year period, with automatic formulas for inflation adjustments at four-month intervals. These yearly agreements tend to give greater weight to a recovering of wages from the past effects of inflation. However, they represent a positive step: frequent negotiations and work stoppages are avoided, and they may contribute to a gradual lengthening of the indexation period.

2.38 Real wages increased about 35 percent between 1985 and 1987, but the performances of the private and public sectors have been different. Real private wages increased by 30 percent, while public wages increased by 20 percent. The higher recovery in private real wages is the result of the above-noted annual contracts in which wages are adjusted for past inflation plus an additional percentage to recover previous losses in purchasing power. With decreasing inflation, wage indexation based on past inflation results in both factors leading to higher real wages. On the other hand, public wages, as noted in para. 1.51, have been indexed in accordance with guidelines that incorporate elements of future and past inflation. As of September 1987, the index of real public wages (October-December 1984=100) was 80 percent of the index of private wages.

2.39 The recovery of real wages in 1985-87 reversed the trend of the 1974-84 period. The performance was uneven during the latter period. First, a restrictive wage policy was followed as part of the reform package of the 1970s to improve the economy's competitiveness and growth. The Government controlled the guidelines of the Commission on Productivity, Prices and Incomes. The average real private wage dropped 15 percent and the minimum wage 26 percent during 1974-79. Second, economic growth brought about by the reforms led to increased employment and longer working hours during 1980-81. Private average real wages rebounded to 1974 levels before the overvaluation of the peso resulted in a severe recession. Third, the overvaluation led to the November 1982 devaluation. Real private average wages dropped 20 percent during 1982-84.

E. Agricultural Policies

2.40 Agricultural policies aim at creating conditions for increasing exports. The overall policy framework is appropriate for the development of agricultural production with market forces operating freely in the allocation of resources. In addition, the Government program provides specific support for: (i) traditional activities, in which the country has enjoyed a comparative advantage and the market potential exits; (ii) for the recently-developed, nontraditional activities in expansion; and

(iii) for new products with development potential. Furthermore, the agricultural sector is benefiting from a tax policy that concentrates agricultural taxes on capital and income. Export taxes have been eliminated, except for the 5 percent tax on greasy wool and deboned meat.

2.41 Under free-market conditions, including the market determination of a competitive exchange rate, the Government has a limited number of policy options to influence developments in the sector. Specific programs have two focal points. First, to improve production conditions by means of: (i) technological advances and modernization of processing installations to increase export competitiveness; (ii) better land use and soil conservation, supported with credit, research and technical assistance; (iii) the strengthened research; (iv) the expansion of disease and pest control programs in the livestock sector; (v) the development of rural electrification, access roads, and other infrastructure such as silos; and (vi) the formation of marketing associations. The second focus of the Government's medium-term program is on specific support to projects to develop production in certain areas. Programs are underway in support of rice, citrus, dairy, fruit and vegetables, by providing access roads and electrification to facilitate the use of better technology and improve handling and marketing products. Furthermore, public investments in trunk highways, ports, and telecommunications facilities, as well as the restructuring of public enterprises in the transport sector to reduce costs, are favorable to the development of the agricultural sector.

F. Meatpacking Policies

2.42 Important reforms have taken place in the meatpacking industry. In the late 1960s, the construction of smaller, technologically modern, private plants was supported; however, price controls at the producer, wholesale and retail level, continued in place until 1978, when they were eliminated. Nevertheless, more remains to be done to place meatpacking in a solid footing in a free-market framework.

2.43 Meatpacking capacity is twice the number of heads slaughtered each year with an eight-hour shift. Annual slaughtered volumes have fluctuated from 312,000 tons to 453,000 tons a year during 1982-86, but with large monthly fluctuations (98,000 to 113,000 tons in 1983; 63,000 to 146,000 tons in 1986).

2.44 Meatpacking plants are heavily indebted to Banco Republica (BROU), and a number of them are technically bankrupt. They have been kept in operation with continuing support from BROU to avoid labor problems and in the expectation that, once exports recover, increasing processing volumes will permit repayment. However, rough calculations show that this will be difficult. The required debt charge per ton, on the average, is 3 percent of the export price. Since meat plants barely cover operating costs during price upswings and the debt is not equally distributed among plants, it appears likely that the debt problems of some plants are not solvable, and other solutions are needed--most likely bankruptcy proceedings. Continued support of these plants endangers the financial viability of the remaining plants. It allows bankrupt firms to operate with borrowed capital.

2.45 The future of meatpacking in Uruguay depends on foreign markets with different quality standards. Beef processed for the domestic market or for Brazil can be produced in simple and inexpensive processing plants with limited sanitary controls. Beef processed for exporting to the EEC and other markets with higher standards requires more sophisticated plants and stricter sanitary controls. Developing new beef export products also requires further improvements of meatpacking plants. The demand from foreign markets not only plays a large role in the mix of facilities required but also on their profitability. When beef is exported in larger quantities to the more demanding markets, the plants approved for these markets earn significant profits. The reverse occurs when the other markets are buying large quantities; the technologically more advanced plants lose money.

2.46 Markets and product quality are key elements to the future direction of meatpacking activities. At this stage, it seems necessary to address a further development of meatpacking policies, with a view to the potential demand of Uruguay's markets, the possibilities for product development and for plant remodeling and modernization in line with the potential demand.

III. THE MEDIUM-TERM GOVERNMENT PROGRAM AND COUNTRY PROSPECTS

3.1 This chapter examines the development strategy of the Government that provides the overall framework for the policies analyzed in Chapter II. An assessment is provided of growth, public finance, balance of payments, and creditworthiness prospects, as well as a detailed discussion of the public investment program.

A. Development Strategy

3.2 The medium-term program for 1987-89 summarizes the main objectives, policies and targets for achieving self-sustained growth and stabilizing the economy in the next few years. It provides an overall framework for Government economic and social policies, as well as for programming and planning the investments of public sector agencies. The strategy is to increase exports of goods and services by promoting growth and diversification of agriculture and manufacturing and improving the competitiveness of Uruguay's production to take advantage of the opportunities offered by foreign markets, as well as face the constraints imposed on Uruguay's traditional exports by subsidized production in developed countries. In this context, actions taken or to be taken under the program provide: (i) a framework of policies and incentives to support the export expansion, which includes a competitive real effective exchange rate, the rationalization of import tariffs protection, access to essential inputs at international prices, and a tax structure that favors exporting activities; (ii) a continuity of policies and other rules of the game towards the private sector so that it can program its production and investment actions with a medium- and long-term perspective, and effectively develop new products and new markets; (iii) financial policies to maintain fiscal and monetary discipline, continue to slow down inflation and attain balance of payments equilibrium; (iv) actions to achieve better allocation of resources between the public and private sectors and among private activities; and (v) an improved legal framework that facilitates further development of private enterprises.

B. Economic Growth Prospects

3.3 The Government expects that the medium-term program will generate a GDP growth rate of 3 percent during 1988-90, based on the expansion of real exports of goods and services, at about 4.5 percent a year, and an increase of investment, both private and public. Real public consumption will be reduced through reductions of the real wage bill and cuts in real expenditures for goods and services. Table 20 shows the main targets.

3.4 The program takes into account preliminary results for 1988, which show a slowdown of GDP growth to about 2 percent (as compared to 6.5 percent in 1986 and 4.9 percent in 1987), owing to: (i) tightening credit measures introduced in mid-1987 to avoid overheating the economy; (ii) declines in industrial and fishing activities, partly associated with strikes in textile and fish processing plants; (iii) a drought which affected adversely the supply of meat, fruits and vegetables during the winter season; and (iv) economic developments in Argentina and Brazil with negative repercussions on Uruguay's economy, particularly the 1988 tourist season.

Table 20: URUGUAY: ANNUAL GROWTH TARGETS, 1988-90
(in percentages at constant 1986 prices)

Item	Average Annual Growth Rate
GDP	3.0
Exports of Goods and Nonfactor services (volume)	4.5
Imports of Goods and Nonfactor services (volume)	2.0
Consumption Per Capita	1.5
Gross Investment	18.0

3.5 Carrying out the program satisfactorily during 1989-90 requires an intensification of fiscal and monetary actions to control inflation, which accelerated in 1988 to about 70 percent on an annual basis on account of: (i) the above-mentioned drought impact on the consumer price index, particularly given the heavy weight accorded to meat in the index; and (ii) deviations from the monetary program with respect to the provision of credit to the private sector and the GDP share of the total public sector deficit (including the Central Bank), which is expected at about 4 percent of GDP against a targeted 3.7 percent.

3.6 The Government's growth targets are feasible. Assuming a moderate sustained growth in the developed countries, no major new shocks in international interest rates, continued progress with domestic demand management policies and adequate external support, Uruguay is likely to achieve the targeted growth rates during 1988-90. Export performance will be critical to this growth, both as the driving force of the economy and as the equilibrating force in the balance of payments, since continued growth fuels the demand for imports. Preliminary 1988 results indicate that exports continue to grow exceedingly well. Following increases of 27 percent and 9 percent in dollar exports in 1986 and 1987, exports for 1988 are expected to expand by about 20 percent, benefiting from much improved wool prices, extraordinary sales to Mainland China (over US$110 million), a sharp increase in the volume of beef exports (about 35 to 45 percent) which compensated for a price decline of over 20 percent, and a significant recovery of rice exports. Real exports are estimated to increase by about 10 percent in 1988 on the strength of the large increase in exported volumes of beef, rice, hides, dairy products, paper and plastics.

3.7 For 1989-90, the performance of wool and beef exports are a key factor among traditional exports; citrus, fish, dairy products, rice, textiles and chemicals, among the nontraditional agricultural products. The main uncertainties in the export sector concern prospects for: (i) increasing further beef exports, particularly in view of substantial differences in foreign market preferences; (ii) increasing exports under trading arrangements with Argentina and Brazil, in view of their economic difficulties; and (iii) marketing uncertainties for wool exports to Mainland China in view of this country's foreign exchange constraints and low exports to Uruguay. The possibility that Argentina's and Brazil's difficulties continue in the next few years brings forward the importance of closely following developments in these two countries and planning for this eventuality. Other critical constraints to the above-noted growth prospects are: (i) the policies of developed countries with respect to domestic subsidized production and, particularly, subsidized exports to third market countries, which undermine the capacity to compete in export items such as beef, dairy products and rice; and (ii) progress towards the final resolution of the domestic debt problem and the modernization of production facilities to improve competitiveness in foreign markets.

3.8 Imports of goods and nonfactor services are expected to grow about 7 percent a year in volume during the next few years recovering the increasing trend of 1986-87 when the economy expanded rapidly. Imports in 1988 did not grow much on account of the decline in manufacturing activities and lower GDP growth which resulted in negligible growth of intermediate goods and consumer durables imports. These circumstances are not expected to be repeated in 1989-90. Higher GDP growth, a more dynamic manufacturing sector, and the investment needs of the economy will drive up the volume and value of goods imports. Currency fluctuations in developed countries are expected to increase the dollar prices of imports from some of these countries, thereby contributing to higher import values.

3.9 A likely alternative growth scenario would still permit a lower GDP growth based on exploiting the market potential in other regions of the world, such as Europe, the US and Asia. Lower GDP and export growth would also reduce the induced demand for imports, but the balance of payments gap may require some additional financing. The impact of lower growth on the balance of payments is uncertain, as evidenced by the 1982-84 recession, where the trade gap was substantially positive.

C. Public Investment Program

The Medium-Term Development Program Guidelines

3.10 The analysis of this section concentrates on a review of the updated public investment program of the main investing agencies (MTOP, ANCAP, UTE, ANTEL, ANP and OSE) for 1987-89 and on investment issues concerning the Planning and Budget Office (OPP). Investments of other public agencies are not very significant and, thus, have not been analyzed in depth. Work is also underway to extend the program to 1990, updating which will be analyzed in connection with the Bank's lending operations.

3.11 The medium-term development program published in 1987 is the guiding instrument providing the macro targets and policy framework for investing agencies. As such, it is a useful tool for programming and planning their activities within a specified time horizon with explicitly defined Government targets. Investing agencies consider the program a significant effort, which they expect will be repeated each year, with a longer time horizon and more explicit operational targets by sectors and entities. OPP and the sectoral agencies will continue improving the process in the coming years. In this connection, the following steps are underway: (i) the investing entities will strengthen the social and economic evaluation of projects and their compatibility with well-defined overall investment programs and targets; (ii) the follow-up of project execution will be more effective; and (iii) the efforts to strengthen OPP and the institutional aspects of the public investment process will be intensified. Several areas requiring technical assistance have been identified: (i) project selection; (ii) further institutionalization for formulating public investment strategies; (iii) adequate matching of investments with the availability of funds; and (iv) financial and physical follow-up of project execution.

3.12 The public investment program for 1987-89 has the following main objectives: (i) to supply the necessary infrastructure and services to support the expansion of productive activities and tourism; (ii) to expand basic social services; and (iii) to improve the quality and efficiency of public services. Apart from being consistent with the medium-term development program, it also takes into account the executing capacity of the different investing agencies.

3.13 The overall size and composition of the investment program defined by the Government in early 1987 amounted to US$1,020 for the 1987-89 period, an average of US$340 million per year. The program was updated for the years 1988-89 to reflect actual results of 1987, corresponding changes in the implementation capacities of some agencies, and an effort to bring down inflationary pressures by cutting down programmed investment levels for 1989 through postponement of some works, particularly in the Central Government (Table 21). The updated program shows some departures from the original program but the overall and sectoral objectives remain unchanged. Nevertheless, some agencies (Ministry of Transport and Public Works, Power and Telecommunications Companies) have the potential to exceed their target ceilings so that OPP must closely follow up the investments of these agencies.

3.14 The percentage distribution of the updated program for 1987-89 does not differ significantly from the original program. The most significant changes are those of the Ministry of Transport and Public Works and the education sector, which increased their investment shares, and the health sector and the rice/milk development program whose shares declined on account of slower than expected implementation.

3.15 The public investment program shows large expenditures for infrastructure (power, telecommunications and transport) and for an oil-refinery modernization. Programmed investments by sectors continue the historical pattern of government involvement in a few key sectors of the economy. The new elements are investments in oil refining and exploration, water and urban infrastructure, and the emphasis on road maintenance. Direct support to the productive sectors--agriculture, manufacturing and tourism--will be provided mostly through credit, research, technical assistance, and a policy framework and incentives geared to expand production and exports.

Table 21: URUGUAY: PUBLIC INVESTMENT, 1987-89
(in US$ millions)

	Initial Medium-Term Program (4/87)				Updated Program (3/88)				Difference
	1987	1988	1989	Total	1987	1988	1989	Total	(10/87) - (10/88)
Public Enterprises									
AFE	5	10	10	25	1	2	8	11	-14
ANP	4	2	2	8	2	3	2	7	-1
PLUNA	5	-	-	5	1	1	1	3	-2
UTE	37	45	54	136	40	45	54	139	3
ANTEL	59	56	49	164	55	41	41	137	-27
ANCAP	12	15	27	55	10	15	16	41	-14
OSE	12	12	12	36	16	14	12	42	6
Others	9	7	6	22	13	9	10	32	10
Subtotal	144	147	160	451	138	140	144	412	-39
Central Government									
MTOP	79	83	80	242	104	98	96	298	56
Education	13	27	20	55	20	20	22	62	7
Health	15	27	30	72	5	7	8	20	-52
Rice/Milk Belts	10	15	40	65	-	6	10	17	-48
Others	30	22	21	73	26	30	36	92	19
Subtotal	147	169	191	507	155	161	172	489	-18
Transfers									
Municipal Works	13	13	13	39	5	7	11	23	-16
Road Interconn.	7	7	8	22	8	8	3	19	-3
Subtotal	20	20	21	61	13	15	14	42	-19
TOTAL	311	336	372	1,020	297	316	330	943	-77

Source: OPP and investment agencies.

Main Executing Agencies

3.16 **Ministry of Transport and Public Works (MTOP)**. The investment proposal of MTOP for 1987-89 amounted to US$456 million, a large increase over the original program (see Table 22). MTOP's request was based on the 1987 execution performance and on improved administrative procedures. Nevertheless, a ceiling of US$298 million was established by OPP, in line with the Government's targets under the IMF-Enhanced Surveillance Program for 1989. This target ceiling is higher than that of the original program (US$242 million) but is supported by the availability of external financing and the absorptive capacity of the Ministry. The execution capacity in highways has improved significantly owing to new administrative procedures and the larger share of maintenance works in the program.

Table 22: URUGUAY: MTOP - PROPOSED INVESTMENT PROGRAM, 1987-89
(in US$ millions)

	1987 Actual	1988	1989	1987-89 Program	1987-89 with Actual 1987
National Directorate for Roads	79.3	115.1	111.8	326.3	306.2
Ongoing Projects	19.3	25.3	11.7	72.4	56.3
New Projects	9.8	11.3	32.6	49.3	53.7
Maintenance	50.1	78.5	67.5	204.7	196.1
National Directorate for Hydrography	6.8	26.8	22.9	67.8	56.5
Ongoing Projects	1.3	4.0	2.0	16.0	7.3
New Projects	1.0	17.3	15.4	35.3	33.7
Maintenance	4.5	5.5	5.5	11.5	10.5
National Directorate for Transport	2.3	3.6	3.1	9.7	9.0
Projects	0.5	1.1	0.6	2.2	2.2
Maintenance	1.8	2.5	2.5	7.5	6.8
National Directorate for Topography	0.6	0.9	0.9	2.7	2.4
Projects	0.4	0.6	0.6	1.8	1.6
Maintenance	0.2	0.3	0.3	0.9	0.8
National Directorate for Architecture	5.7	7.2	6.9	20.1	19.8
Projects	1.5	3.3	3.0	8.4	7.8
Maintenance	4.2	3.9	3.9	11.7	12.0
General Secretariat	8.9	9.8	9.8	29.4	28.5
Projects	6.8	7.6	7.6	22.8	22.0
Maintenance	2.1	2.2	2.2	6.6	6.5
TOTAL	103.6	163.4	155.4	455.9	422.4
OPP Ceiling	-	98.0	96.0	-	298.0

Source: MTOP.

3.17 MTOP has reduced the emphasis on new roads and is now giving more attention to road maintenance. This change reflects MTOP's policy of improving road standards. The main road projects are shown in Table 23. Highways 2 and 30 and the access road to Montevideo are ongoing projects; Highways 1, 7 and 14 are new projects. Highway 1 is the most important new project, with an estimated cost of US$77 million, but very little is expected to be executed during 1988-89. The most important maintenance projects are those of Roads 3, 9 and 101.

Table 23: URUGUAY: MTOP - MAIN ROAD PROJECTS, 1987-89
(in US$ millions)

	1987 Program	1987 Actual	1988	1989
Ongoing Projects	18.4	15.1	12.3	6.9
Access to Montevideo	8.4	6.3	0.7	-
Road 12: Cardona-Cortinas	1.5	1.8	1.2	-
Road 2 - Road 1: San Martin Bridge	5.3	2.4	4.3	2.1
Road 14: 0 km-55 km	1.6	1.5	1.5	0.4
Road 5: Repaving	0.4	3.1	1.2	-
Road 30: A branch of	1.2	-	4.1	4.3
New Projects /a	1.6	-	4.8	14.5
Road 11: San Jose-Santa Lucia	0.01	-	0.8	1.7
Road 7: Road 6-Tala	-	-	0.01	3.9
Road 18: Bridge (Parao)	0.8	-	1.3	0.8
Access to MTV: Rambla B. Brum	0.8	-	1.7	0.1
Road 14: J.P. Varela-Lescano	-	-	1.0	7.0
Road 1: Santiago Vazquez-Colonia	-	-	-	1.0
Maintenance	6.5	8.5	17.0	9.7
Road 3: 188 km (Trinidad)	1.2	-	4.7	1.6
Road 9: Link Road 8-Pan de Azucar	-	-	2.3	2.4
Road 101	0.5	-	3.4	3.2
Road 3: 128k-Trinidad	0.9	-	1.9	0.8
Road 3: Link Road 24-Constancia	2.5	3.3	-	-
Road 3: Rivas-Chapicuy	0.8	1.8	1.5	-
Road 18: Arroyo del Oro-Vergara	0.6	3.4	2.0	-
Road 54:	-	-	1.1	2.1
TOTAL	26.5	23.6	34.1	31.1

/a Not initiated yet.

Source: MTOP.

3.18 The investment proposal of the National Directorate for Hydrography (DNH) amounted to US$47 million for 1988-89, an amount higher than that proposed in the original program. The main projects are presented in Table 24. For these investments to materialize, the execution rate would have to improve; actual execution in 1987 was below programmed expenditures (see Table 24). Thus, the actual impact of new port projects in the size of the implemented investment program will be minor during 1988-89, with the exception of the expansion of the Punta del Este berth. Taking into account DNH's execution capacity and the need to reduce the fiscal deficit, OPP's ceilings authorize only 30 percent of the proposed investment.

Table 24: URUGUAY: MTOP - MAIN DNH PROPOSED WORKS, 1987-89
(in US$ millions)

	1987 Program	1987 Actual	1988	1989	1987-89
Ongoing Projects	4.5	1.2	1.2	0.6	6.3
Nueva Palmira Wharf	3.0	0.5	0.7	0.2	3.9
Sauce Port (Flood Protection and Berth Well)	0.8	-	0.3	0.2	1.3
Preinvestment Studies and Control	0.7	0.7	0.2	0.2	1.1
New Projects	1.6	0.1	9.1	11.0	21.7
La Paloma Port	0.1	0.1	3.3	2.2	5.6
Piriapolis Port	1.0	-	1.3	3.3	5.6
Puerto Viejo Port	-	-	-	2.9	2.9
Dredging Equipment	-	-	2.6	-	2.6
Atlantida Recreational Port	-	-	0.7	2.2	2.9
Punta del Este Wharf Reconstruction	0.4	-	0.6	0.2	1.2
Punta del Este Interior Berth Expansion	0.1	-	0.6	0.2	0.9
TOTAL	6.1	1.3	8.8	11.6	26.5

Source: MTOP.

3.19 **Port Authority (ANP)**. ANP's updated investment program for 1987-89 reflects the intention to accelerate certain works which will improve its operational efficiency. In 1987, total investment amounted to US$2.2 million (a 66 percent execution rate), mostly owing to delays in the power supply component. The Port Master Plan was completed, and a reorganization study is underway. OPP officials, however, believe that the Master Plan is based on the premise that Montevideo would be the main port for the River Plate basin. If this assumption of the Master Plan is not realistic, the investments recommended may not be all justified. The Plan is now being reviewed. Some operational actions and investments, which are needed regardless of the final decision about the port, are included in the program. Among them: investments in the power supply, storage facilities, the breakwater and equipment.

3.20 ANP is expected to invest US$5 million in 1988-89. Limited new works will be initiated based on a special operational report, which recommended: (i) cleaning and removal of scrap materials and equipment on- and off-land in the port area; (ii) modifying the port perimeter's fences and access gates; (iii) relocating certain cranes and disposing of useless cranes and dredging equipment; (iv) performing an evaluation of ANP's vessel fleet and deactivating uneconomical ones; (v) eliminating certain storage, buildings and facilities, to be replaced by others in other locations in the port area; (vi) installing alternating energy distribution networks and outlets in all berths, starting with berth A-East and the refrigeration complex, and adapting 14 cranes; (vii) adapting the B-West berth for containers and purchasing another 40-ton crane to handle containers; (viii) repairing paved areas of the port; and (ix) improving operational efficiency in various port facilities, including privatizing certain activities.

3.21 **Petroleum Company (ANCAP)**. The investment program includes modernization of the oil refinery, oil exploration and minor investments to maintain facilities in working condition. Regarding oil exploration, ANCAP has broadened its policy to include joint ventures abroad; it has joined a multinational consortium to explore for oil in Ecuador with an investment of US$1.4 million during 1988-89. In alcohol and agroindustry, the stated policy is to invest only the minimum necessary for operational efficiency.

3.22 The main changes in ANCAP's program for 1988-89 are:

(a) **Oil**. The modernization of the refinery is reprogrammed on account of execution delays. The investment level is reduced from US$19 to US$7 million. There will be increases in oil exploration expenditures owing to the joint venture in Ecuador. Allocations for the installation of tanks and related works, and the Eastern Terminal are doubled. Investments in gasoline stations and Jose Ignacio Port are reduced by approximately 45 and 90 percent, respectively; and

(b) **Alcohol, Cement and Agroindustry**. Investments in the Capurro Plant for alcohol production increased slightly, and expenditures for replacement of equipment doubled. Investments in cement increase substantially, essentially in civil and mechanical works at Mina Plant. Investments in sugar production increase significantly.

3.23 ANCAP's updated investment program for 1988-89 amounts to US$41 million, (see Table 25) which is considered consistent with ANCAP's execution capacity. In 1987, ANCAP, however, invested only US$9.5 million, or 73 percent of the authorized program, owing to delays in several projects, including the modernization of the refinery. In 1988, the execution rate is also expected to be low. As a result, OPP expects ANCAP to execute only about 75 percent of its 1988-89 program.

Table 25: URUGUAY: ANCAP - INVESTMENT PROGRAM, 1987-89
(in US$ thousands)

	1987			
	Program	Actual	1988	1989
Oil and Lubricants	6,500	6,159	12,500	16,900
Installation of Tanks and Other	448	521	1,300	600
Eastern Terminal Works	434	798	1,800	1,300
Gasoline Stations	256	190	800	600
La Teja: Civil Works	347	553	500	300
Miscellaneous Works in Plants	213	261	300	500
Jose Ignacio Port	59	-	200	300
Lubricant Factory	283	-	900	1,600
Oil Exploration	3,000	2,958	700	3,400
Refinery Modernization	500	85	2,100	4,900
Miscellaneous Works	960	1,329	3,900	3,400
Alcohols	1,817	489	2,300	1,800
Capurro Plant	1,012	280	1,300	1,000
Replacement of Equipment	688	179	800	600
Miscellaneous Works	107	30	200	200
Cement	3,070	1,687	1,100	1,900
Civil and Mechanical Works: Mina	2,649	1,578	1,000	1,500
Miscellaneous Works	421	109	100	400
Management	1,315	573	4,900	3,100
Supporting Services	985	405	2,900	1,900
Replacements: Miscellaneous	330	163	2,000	1,200
Agro-Industry	1,388	871	1,000	800
Espinillar Plant	903	651	500	100
Miscellaneous Works	485	220	500	700
TOTAL	14,090	10,315	15,000	24,500
OPP's Ceiling			15,000	16,000

Source: ANCAP.

3.24 **Power Company (UTE)**. UTE's total investments approved by OPP remain at the level of US$139 million for 1987-89, even though UTE's proposal for 1988-89 calls for an increase, mostly in distribution (US$31 million) while investments in generation and transmission are reduced by about (US$14 million) (see Table 26). The total investment level approved by OPP is still considered to be consistent with UTE's executing capacity.

Table 26: URUGUAY: UTE - NEW INVESTMENT PROPOSAL
(in US$ millions)

	1987 Program	1987 Actual	New Proposal 1988	1989	Total 1988-89
Generation and Transmission	11.2	4.3	8.9	14.6	23.5
Distribution	20.8	32.2	41.2	45.8	87.0
Other	5.5	3.3	5.7	6.6	12.3
TOTAL	37.5	39.8	55.8	67.0	122.8

Source: UTE.

3.25 UTE's actual investments for 1988-89 would be heavily-conditioned by the pace of investments in the distribution network. Actual 1987 investments in the distribution network exceeded those programmed by about 55 percent, while investment in power generation and rehabilitation dropped 56 percent with respect to the programmed level. Taking into account both UTE's executing capacity and financial situation, actual investments are not likely to exceed OPP's ceiling.

3.26 UTE's electricity demand projections have been revised upwards on account of the economic recovery; however, any changes in the generation program should be carefully weighed before a decision is made. Similar considerations apply to the distribution program: the expansions should be part of an integrated program. Table 27 shows the revised demand projections and the installed capacity.

3.27 **Telecommunications Company (ANTEL).** ANTEL programmed to expand more rapidly its services and increase its investments for 1988-89, based on an updated demand growth forecast (7 percent instead of 5 percent). Financial difficulties, however, will most likely force a postponement of some components in 1989. ANTEL's financial constraints originate on insufficient tariff increases to cover the expanded financial needs of the investment program together with a US$3 million profit transfer to the Treasury and a delay in the installation of Ericson's equipment, which is reflected in lower-than-expected income.

3.28 ANTEL's adjusted investment program for 1988-89 amounts to approximately US$97 million (see Table 28). The program was adjusted to include mostly components with high and quick cash generation to investment ratios; components with least adverse contractual effects were postponed. Investments in the Montevideo and southern Uruguay areas are kept in the program; rural communication, improvements in networks, except for those with the largest number of users, are postponed. Postponed or downsized investments in Montevideo are: (i) networks in Union, Aguada, Cerro, Cordon, Lezica, Paso Molino, and Carrasco; and (ii) acquisition of telephone sets postponed or downsized investment, in the rest of the country are: (i) line networks in Tala, Mercedes, Casupa, Balneario Solis, Oibues de Lavalle, Tarariras, Atlantida, Salinas and Parque del Plata; (ii) acquisition of telephone sets; (iii) rural telephone systems; and (iv) interurban and international transmission.

Table 27: URUGUAY: UTE - PRODUCTION AND SALES OF ELECTRICITY, 1986-2000

	Actual		Projected				
	1986	1987/a	1988	1989	1990	1991	1995
Production (GWH)	4,101	4,449	4,517	4,698	4,886	5,081	5,809
Hydro	4,049	4,210	3,894	4,236	4,480	4,361	5,080
UTE		(2,385)	(2,254)	(2,050)	(2,294)	(2,175)	(2,145)
Salto Grande		(1,825)	(1,640)	(2,186)	(2,186)	(2,186)	(2,935)
Thermal	52	239	623	462	406	720	729
Self-Consumption	25	38	46	48	50	52	55
Losses	823	689	800	798	805	812	904
Transmission		(29)	(29)	(29)	(29)	(29)	(31)
Distribution		(660)	(771)	(769)	(776)	(783)	(873)
Sales (GWH)	3,253	3,722	3,671	3,852	4,031	4,217	4,850
Industry and Commerce	1,714	1,931	1,890	1,983	2,075	2,171	2,497
Residential	1,415	1,703	1,673	1,755	1,837	1,922	2,210
Other	88	88	108	114	119	124	143
Losses/Production (%)	20.1	15.5	18.7	18.0	17.5	17.0	18.5
Generation (MW)		1,409	1,375	1,532	1,532	1,564	2,075
Hydro		1,039	1,007	1,164	1,164	1,196	1,511
UTE		(566)	(534)	(534)	(534)	(566)	(566)
Salto Grande		(473)	(473)	(630)	(630)	(175)	
Thermal		370	368	368	368	368	564
Maximum Demand (MW)		939	973	1,012	1,052	1,094	1,251
Max. Demand/Generation		66.6	63.9	59.9	62.0	63.2	55.6

/a Preliminary

Source: UTE.

3.29 ANTEL's investment program is feasible in terms of its executing capacity; actual investment amounted to US$57 million in 1987, or about the approved OPP ceiling. Major components have been already, or are being, acquired. With adquate tariff increases and administrative improvements, ANTEL will be able to carry out its proposed investment program. However, ANTEL needs to improve its installation and billing practices. In 1989, about 82,000 new telephones will be ready for connection; ANTEL's normal installation rate is about 3,000 per month. Furthermore, the billing process has a delay of about three months after installation (normal billing per residential number is US$12/month while per commercial number about US$20/month). The foregone revenue of unconnected numbers and of late billing is therefore significant in providing financial resources to carry out the investment program.

Table 28: URUGUAY: ANTEL - UPDATED INVESTMENT PROGRAM, 1987-89
(in US$ millions)

	1987 Actual	1988	1989
Telephone Services	54.4	51.7	38.3
Telex and Telegraph	0.5	1.2	0.2
Administrative Investment	0.1	3.4	2.5
TOTAL	55.0	56.3	41.0
OPP's Ceiling	57.0	56.0	41.0
Expected Execution		40.0	41.0

Source: ANTEL.

3.30 ANTEL's restructuring was approved by its board of directors at the end of 1987. The new organization structure delineates functional responsibility for the board and general manager. A technical department is in charge of planning and projects, including evaluation and follow up. A planning and control policy established management by objectives, but in the framework of the Government's planning and control process. An operations report system is now being introduced which shows results by areas of responsibility and compares them with planned targets.

3.31 OSE. The investment proposal amounts to US$31 million, an increase of 28 percent with respect to the original 1987-89 program (see Table 29). Past experience suggests that OSE will not carry out all the proposed investments. OPP has established lower ceilings which total about US$22 million. OSE is expected to undertake a development plan with well-defined investment levels and operational targets. A performance contract signed between the State and OSE establishes mutual obligations. OSE is committed to decrease personnel costs as a percentage of operating costs, increase the number of material connections, reduce the outstanding amount of accounts receivable and implement a new tariff system by 1990.

Table 29: URUGUAY: OSE UPDATED INVESTMENT PROGRAM, 1987-89
(in US$ millions)

	1987 Actual	1988 Program	1988 Actual	1989 Program
Montevideo Water System	11.8	4.4	2.5	5.7
Other Water Systems	3.1	6.6	3.8	8.1
Sewerage	0.6	2.2	0.8	2.1
Administrative Areas	0.7	0.8	0.9	0.9
TOTAL	16.2	14.0	8.0	16.8
OPP's Ceilings			10.0	12.0

Source: OSE.

3.32 OSE's investment program allocates 80 percent to water systems, with Montevideo absorbing 33 percent; 14 percent to sewerage projects; and the remainder to administrative services. This program is consistent, both with OSE's development strategy and the Government's objectives; however, execution capacity is still a problem OSE needs to solve. Specific physical targets are presented in Table 30.

Table 30: URUGUAY: OSE - UPDATED INVESTMENT TARGETS, 1987-89

	1987 Actual	1988	1989
Water Connections (10^3)			
Montevideo	6.5	8.0	6.0
Rest of the Country	12.2	12.0	19.0
Sewerage Connections (10^3)	1.0	2.1	2.3

Source: OSE.

3.33 Railways (AFE). The 1988-89 investment program is part of a 20 year restructuring program. This program was initiated in 1988 with several important actions: passenger services were discontinued, freight services restructured and personnel reduced initially by about 2,000. The target is to have a leaner work force of about 2,600. Further reductions are expected in 1989 and beyond. The remaining cargo routes will be improved. Investments in track upgrading and repairs to tractive equipment would amount to about US$10 million during 1988-89, partially financed with bilateral assistance. An additional US$26 million are programmed for 1990-92 and US$45 million in 1993-2004. The investments are for: track rehabilitation, 62 percent; locomotives and rolling stock rehabilitation, 33 percent; and improvements to signalling and communications system, 5 percent.

3.34 Education. About US$12 million go to the universities, US$19 million to ANEP and US$30 million to the Ministry of Education in 1988-89. For the universities, the program consists of expansion of facilities and acquisition of equipment. For ANEP, the program comprises many small projects. For the Ministry of Education, the program includes several small works and the initial works for the construction of an auditorium for SODRE (see Table 31). Execution capacity, based on previous experience, suggests that total investment for the period will be below the program, although some improvement may occur because project and programming units are being established in the Ministry of Education and ANEP as part of a technical assistance program, sponsored by IDB and monitored by OPP.

Table 31: URUGUAY: EDUCATION UPDATED INVESTMENT PROGRAM, 1987-89
(in US$ millions)

	1987		1988	1989
	Program	Actual		
University System	4.1	5.4	7.7	3.8
ANEP	10.3	5.7	9.5	9.5
MEC	9.2	5.8	14.7	15.2
TOTAL	23.6	16.9	31.9	28.5

Source: OPP.

3.35 Health. Main projects included are: (i) the Pereyra-Rossell hospital investment in a special burn unit with US$16 million; and (ii) construction of a hospital in Canelones for US$3 million (see Table 32). The program for 1988-89 is reduced by over 50 percent with respect to the original proposal. Previous execution experience indicates that this program will be only partially completed within the period, so the ceiling allocations are slightly below 50 percent of the 1988-89 program.

Investment Programming: Institutional Issues

3.36 Significant progress has been made on different institutional issues related to the investment process. OPP's role as investment coordinator has been clearly defined with responsibility for the macroeconomic program and the definition of economic and sectoral policy objectives that are relevant to each investing agency. In the new approach, the ministries responsible for the enterprises will participate in the programming process through sectoral task forces in charge of designing, jointly with OPP, sectoral policies and targets to guide the investment priorities of the agencies. The first attempt to set sectoral policies and targets was made on an informal basis to avoid the difficulties normally faced by formally-established committees. The system was initiated with the MTOP and the public enterprises under its jurisdiction. The experience was not completely satisfactory, except in those cases where the group was called to consider a very specific task, such as the preparation of OSE's performance contract. The process is now being reviewed.

Table 32: **URUGUAY: HEALTH - UPDATED INVESTMENT PROGRAM, 1987-89**
(in US$ millions)

	1987		1988	1989
	Program	Actual		
Ministry	5.8	4.0	6.4	4.0
Canelones Hospital	-	-	1.3	1.3
Pereyra-Rossell Hospital and Burn Unit	4.0	0.3	9.4	8.5
Pasteur Hospital	0.0	0.0	0.0	3.0
TOTAL	9.8	4.3	17.1	16.8

Source: OPP.

3.37 The new approach calls for certain institutional adjustments. Operational divisions of OPP will need to coordinate more their work on investment issues. The institutionalization of sectoral task forces involving representatives of all OPP's divisions concerned with a specific task and with an established schedule is an adequate first step. The design of OSE's performance contract proved to be a good experience of this approach. On the other hand, the ministries, as well as other investment agencies, will have to create or reinforce their counterpart operational units (planning and projects) to deal with investment issues. Among ministries, MTOP already has a functioning unit and, recently with OPP's support, units have been constituted in the Ministries of Education and Health. In the Ministry of Education, the unit is not in full operation; however, project execution has improved. In Health, the unit is not effective yet; however, an executive system to follow up on investments has been established. In ANTEL, consultants are assisting with the introduction of progress indicators to follow up investment projects, in line with ANTEL's new managerial approach. The next step will be to incorporate UTE to this system, which has been handicapped in the past by the weak controlling position of the Ministry of Industry and Energy. UTE, however, has decided to go through a reorganization oriented to improve both managerial and operational efficiencies with the aid of Union Electrica FENOSA (from Spain). This provides OPP with the opportunity to coordinate with UTE the introduction of a more effective investment process.

3.38 A new tool is being used to improve the performance of public enterprises: performance contracts between the enterprise and the Government. This is an important step not only for investment programming but also for improving operational efficiency. The contract forces all the institutions involved to define targets and actions to streamline their performances and assume duties and responsibilities to achieve the programmed results. A performance contract has been negotiated with OSE, which will provide valuable experience with respect to the role of each agency and the indicators to be used to evaluate expected performance. Another performance contract is being prepared for AFE; a similar approach will be followed with ANP.

3.39 The selection of the right performance indicators is very important to the success or failure of the performance contract approach. Global and sectoral objectives and targets should be designed by OPP and the ministry in charge, in consultation with the investing agency which, in turn, will propose operational goals and targets that are compatible with OPP and the ministry's global and sectoral objectives and targets. The indicators of performance should be limited in number to make the system efficient and simple, and avoid contradictions between targets and objectives.

3.40 Other actions underway to improve investment programming are:

(a) OPP is establishing a quarterly system to follow projects in execution--concentrating initially on those financed by international development institutions--or under study and covering disbursements, interest rate and payments, local counterpart funds, new loans, physical execution of projects (critical path and deviations of each project would be included in the near future), inventory of pre-investment studies and other general information. A government decree requires that all projects should be registered in a preinvestment inventory with OPP. Projects exceeding US$2 million, which are not registered within the preinvestment roster, will not be approved by OPP. This approach is relevant because approximately 35 projects comprise 65 percent of the total public investment;

(b) a long-term investment program geared to match sectoral and macro interests with those of the investment agency is being developed--only those projects for which these interests match will be authorized. A reference investment program profile for 1988-95 has been recently prepared; on-going and already committed projects cover most of the expected investment capacity for the period, providing an important reference framework for the new Administration which will take office in 1990. The program includes only projects over

US$2 million, or classified as relevant to the agency's development. Progress of these projects will be followed up using the methodologies of the different agencies;

(c) an investment and operational indicators system is being implemented. OSE's performance contract includes these indicators; they will be included in the contracts for AFE and ANP. Indicators are also being prepared for ANTEL, UTE, PLUNA and ASSE (an executing agency of the health sector); and

(d) changes in legislation to reduce or eliminate the adverse effects of procurement processes and other bureaucratic difficulties. The rendition of accounts approved in 1987 provides for a significant easing of procurement requirements for projects financed by international institutions; this covers a significant proportion of total public investment.

3.41 In the investing agencies, the following institutional progress took place:

(a) most of the investing agencies are making efforts to improve operational efficiency and commercial and financial performance, as well as project design, evaluation and execution. Organizational restructuring, creation of special units and contracting technical assistance in different key areas are part of these efforts (e.g., ANTEL); and

(b) most of the actions are now oriented to comply both with Government policies and guidelines and with their own development and operational goals. A more fluent relationship between ministries, OPP and public enterprises has contributed to make this possible.

3.42 In spite of significant progress, some issues need to be singled out:

(a) the recent progress is partially due to the support of the technical assistance program financed by the IDB. When this assistance ends, OPP's capacity to handle many of the investment issues will be reduced;

(b) the Public Investment Department of OPP needs more professionals to create an equilibrium between its budgeting and investment functions. Seniority is important; permanent interaction with investment agencies normally requires representation by senior officials. The possibility of incorporating technical advisors in certain areas, such as communications and energy, should also be considered; and

(c) the creation of special units in charge of investment planning and projects should be more actively promoted, particularly in the social sectors and in autonomous entities (ANP). To be successful, however, the creation of these units need to be part of an integral arrangement designed to improve overall efficiency of each entity; isolated efforts are likely to fail.

D. Public Finance Prospects

3.43 To finance the 1988-90 public investment program in a sound manner, the Government is expected to take actions in the nonfinancial public sector, which would generate current savings for about 3 percent of GDP and, thus, maintain the overall deficit of the nonfinancial public sector at about 1 percent of GDP (see Table 33). The main actions foreseen are: (i) improvement of the tax collection administration at all levels of Government and at the Social Security Bank (BPS); (ii) periodic revisions of prices/tariffs of public enterprises and services, reductions of the level and time lag of accounts receivables and increased operating efficiency and costing procedures; (iii) restructuring of several public enterprises and rationalization of public services; (iv) a freeze in new hirings until 1990 and wage adjustments below the rate of inflation; and (v) actual investment levels below 4 percent of GDP in 1989-90.

Table 33: URUGUAY: CONSOLIDATED FINANCIAL POSITION OF THE NONFINANCIAL PUBLIC SECTOR
(in percentages of GDP)

	Actual		Projections		
	1986	1987	1988	1989	1990
Savings of:	2.7	2.3	2.6	2.8	3.0
Central Government	0.1	0.5	0.4	0.6	0.8
Social Security	0.2	-	-	-	-
of which Government Transfer	(2.2)	(2.4)	(2.3)	(2.1)	(2.0)
Municipalities	0.2	0.2	0.2	0.2	0.2
Public Enterprises	2.2	1.7	2.0	2.0	2.0
Capital Expenditures:	3.8	3.7	3.9	3.6	3.8
Public Investment	3.5	3.5	3.0	3.4	3.6
Other Capital Expenditures	0.4	0.3	0.3	0.2	0.2
Overall Deficit (-)	-1.2	-1.4	-1.2	-0.8	-0.8

Source: Bank estimates.

3.44 The Central Bank losses need to be reduced. These losses originate mostly in the debt service of obligations with foreign commercial banks, the IMF and the multilateral banks, and the Central Bank bills held by local commercial banks. The debts with foreign commercial banks are the result of rescue operations for the banking system undertaken in 1982-83, on account of which the Central Bank is now responsible for servicing about US$800 million in debts. In addition, it owes the IMF about SDR 429.5 million. With limited revenue sources, the Central Bank's debt service (2 to 3 percent of GDP) has to be financed. This imposes a limitation in the level of the deficit of the nonfinancial public sector. To compensate for the Central Bank deficit, the nonfinancial public sector deficit has to be close to zero. Although the Central Bank's portfolio (which was bought from the commercial banks) is of doubtful quality, actions to recover as much as possible are needed to reduce, to the extent possible, Central Bank losses. In addition, the scheduled repayments of principal to the IMF will gradually ease the debt service of the Central Bank in the early 1990s.

3.45 The losses of Banco Republica from the acquisition of failing private commercial banks place a severe burden upon the finances of this institution. Resolution of this problem is an important issue confronting Uruguay's policymakers. It would be advisable to look for ways of maintaining these banks in the private sector, while minimizing Government losses and spreading them over several years.

E. Balance of Payments and Creditworthiness

3.46 During 1988-90, the combined trade and service balances would be positive, although below that of 1986. Interest payments of the external debt, however, would exceed the resource balance. As a result, the current account balance of payments would be negative during this period (see Table 34).

3.47 The main uncertainties regarding these projections are the risks of lower export earnings on account of the difficulties outlined in para. 3.7, or higher interest rates and/or oil prices. A one percent increase in LIBOR rates would cost Uruguay about US$40 million a year in interest payments. Similarly, an increase of US$1/bbl of oil would require an additional US$8 million a year. Under these circumstances, Uruguay's GDP growth target could not be achieved without additional borrowings, but these borrowings may compromise its future ability to service its external debt. Thus, a lower GDP growth rate (about 2 to 2.5 percent) could be a feasible scenario, which still permits improvements in per capita GDP.

Table 84: URUGUAY: BALANCE OF PAYMENTS, EXTERNAL CAPITAL AND DEBT

	Actual			Projected		
	1985	1986	1987	1988	1990	1992
Balance of Payments (millions of US$ at current prices)						
Exports of Goods and Services	1,323	1,596	1,656	1,815	2,021	2,403
of which: Merchandise FOB	849	1,088	1,186	1,361	1,539	1,824
Imports of Goods and Services	1,441	1,547	1,800	1,847	2,255	2,548
of which: Merchandise CIF	709	870	1,138	1,200	1,517	1,797
Net Transfers	11	25	22	21	23	25
Current Account Balance	-107	74	-125	-12	-212	-119
Private Direct Investment	-8	-5	0	0	15	15
Medium- and Long-Term Loans (Net)	93	121	134	110	178	65
Other Capital	210	73	39	2	39	39
Change in Reserves (- = increase)	-188	-262	-45	-100	-20	0
External Capital and Debt (million US$ at current prices)						
External Public Medium- and Long-Term Debt Outstanding	2,701	2,886	3,048	3,102	3,436	3,590
Public Medium- and Long-Term Debt Service Payments	-424	-361	-337	-399	-509	-704
Interest	-297	-249	-273	-301	-316	-305
Debt Service/Exports G&S /a	32 1	29.0	35.9	36.7	34.9	31.9
Interest/Exports G&S	22.4	20.0	21.0	20.5	18.4	14.5

/a Includes interest charges and repayments on IMF credits and short-term debt's interest.

3.48 The increase of real exports projected at about 4.5 percent a year during 1988-90 is based on the volume and price prospects of Uruguay's main exports: wool (raw materials, textiles and clothing), citrus, fish, rice, dairy, and light industry products. Production of these goods has recently expanded or is currently expanding. If price prospects continue to be good for wool, rice, dairy products, fish and citrus, and beef prices improve, Uruguay's trade balances would remain positive in the next few years, greatly facilitating servicing the external debt. In addition, the private sector responded vigorously in 1986-87 to improved market conditions and productive capacity in agriculture and some manufacturing activities increased to satisfy foreign markets, so an important uncertainty (slow entrepreneurial response) to export expansion is losing relevance.

3.49 Imports are expected to continue growing, although at a slower pace than in 1986-87, owing to: (i) the phasing out at the end of 1988 of the special incentives enacted in 1986 for capital goods imports; (ii) lower GDP growth rates than in 1986-87; (iii) higher prices of imports from hard-currency countries on account of the significant devaluation of the peso vis-a-vis the Japanese Yen and European currencies. Imports in 1988 slowed down significantly but are expected to regain momentum in 1989-90 (para 3.8).

3.50 A salient feature of the balance of payments prospects is the need for continued financial support at a high level from the multinational banks (IBRD, IDB). The commercial banks have agreed to a long-term restructuring program (1985-91) for about US$2.1 billion in external debts at favorable terms, but without significant new money. New commitments from the multinational banks, bilateral agencies, and dollar bond issues in the domestic or foreign capital markets would have to make up for the difference. The existing project pipeline is insufficient to maintain significant positive net disbursements from the multilateral banks so that additional multilateral financing including some quick-disbursing operations is essential for the projected growth of the economy. Short-term inflows of non-resident dollar deposits are likely to continue, but should not be used to a large extent for medium- and long-term financing on account of their traditional volatility. Development of a bond market for Uruguayan paper denominated in dollars is likely to be an important source of external financing.

3.51 During 1988-90, with the new Multi-Year Rescheduling (MYRA II) in place, Uruguay needs additional gross disbursements of about US$0.9 billion. Disbursements from existing and new projects of multinational banks are expected to provide US$0.5 billion. This leaves an unfinanced gap of about US$0.4 billion to be covered by new operations with multinational, bilateral lenders (Japan, Italy, etc.), and dollar bond issues.

F. Conclusions

3.52 Uruguay's Government has made a serious and sustained effort to establish a policy framework that promotes growth of the economy. Table 35 summarizes the main economic indicators. It has succeeded in restoring a favorable climate for private sector dynamism and created the momentum for growth. It is also taking steps to further advance the process of structural reforms initiated in the 1970s. The analysis of this report confirms the conclusions of previous World Bank analysis about the need for reforms of the social security system, the tax system and its administration, financial restructuring of overindebted firms and banks, reduction of effective protection, restructuring of public enterprises and periodic revisions of public services' tariffs/prices, and improved public investment programming.11/ Developments since that report was published in August 1986 represent significant progress in several areas. Areas for further action are: (i) public sector finances and management with a view towards reducing further the overall deficit through measures to reduce real expenditures (wage bill and goods and services), increasing tax revenue collections, improving the finances of the Social Security Bank, and creating the climate for further measures to put the old-age and survivors program on a more solid footing well into the next century; (ii) reforming public administration (hiring and personnel policies in the Government and public enterprises, wage scales, procurement procedures);

11/ World Bank Report No. 6054-UR, Country Economic Memorandum on Uruguay, August 12, 1986.

(iii) continuing the financial restructuring of overindebted, but viable, firms; (iv) reducing the quasi-fiscal losses of the Central Bank, and the potential losses of Banco Republica from the acquisition of failing private banks; (v) continuing efforts to strengthen public investment programming; and (vi) modernizing the legal framework ruling commercial and productive activities.

Table 85: URUGUAY: KEY ECONOMIC INDICATORS

	ACTUAL						PROJECTIONS		
	1980	1982	1984	1985	1986	1987	1988	1990	1992
GDP Growth Rate	6.0	-9.4	-1.5	-	6.5	4.9	2.4	3.9	4.2
GDP per Capita Growth Rate	5.5	-9.9	-2.0	-0.5	6.0	4.4	1.9	3.1	3.7
Consumption Growth Rate	7.1	-8.6	-5.2	2.2	6.1	6.6	-0.1	2.9	3.8
Consumption per Capita Growth Rate	6.6	-9.1	-5.7	1.7	5.6	6.1	-0.6	2.3	3.3
Total DOD (in US$ million)	1,127.0	1,787.0	2,772.0	3,020.0	3,414.0	3,584.0	3,431.0	3,532.0	3,617.0
(of which IMF)	(-)	(87.0)	(227.0)	(319.0)	(485.0)	(392.0)	(328.0)	(96.0)	(27.0)
(of which MLT)	(1,127.0)	(1,700.0)	(2,545.0)	(2,701.0)	(2,886.0)	(3,048.0)	(3,102.0)	(3,436.0)	(3,590.0)
DOD/XGS /a	0.71	1.16	2.01	2.26	2.14	2.17	1.89	1.75	1.51
Debt Service MLT/XGS /a	0.123	0.154	0.298	0.304	0.211	0.258	0.293	0.259	0.289
Interest MLT (in US$ million) /a	104.5	155.8	283.6	279.7	249.0	273.0	301.0	316.0	305.0
Interest MLT/XGS /a	0.066	0.106	0.206	0.211	0.200	0.210	0.205	0.184	0.145
Gross Investment/GDY	17.3	14.4	9.9	8.2	7.4	8.8	10.0	13.2	14.2
Domestic Savings/GDY	11.7	11.3	14.0	12.1	12.3	10.6	13.4	14.0	15.3
National Savings/GNY	10.8	9.4	7.3	5.6	8.7	5.4	8.6	9.7	12.3
Marginal National Savings Rate	0.087	-0.194	0.087	0.010	0.146	-1.10	1.20	0.30	0.30
Public Investment/GDP	5.3	7.2	4.1	2.7	2.9	3.5	3.6	3.6	4.0
ICOR (Constant Prices)	3.27	-1.44	-7.05	-	1.36	1.5	3.6	2.9	3.2
Exports/GDP /c	15.0	16.8	24.5	24.4	23.5	21.8	22.6	22.5	23.0
Imports/GDP /d	21.1	17.1	20.3	17.8	18.6	19.7	19.0	20.4	20.8
Import Elasticity	1.02	0.95	0.86	0.99	1.15	2.00	-0.40	0.90	1.60
Current Account (US$ million)	-709.0	-235.0	-129.0	-108.0	74.0	-124.0	-12.0	-212.0	-119.0
Current Account/GDP	-0.07	-0.025	-0.024	-0.021	0.009	-0.027	-0.020	-0.035	-0.018
Resource Balance/GDP	-0.006	-0.005	0.042	0.040	0.048	0.029	0.050	0.013	0.017
Terms of Trade Index (1986 = 100)	104.1	91.1	90.6	88.9	100.0	98.5	99.0	93.4	94.3
XGS (in US$ million)	1,593.7	1,463.6	1,376.6	1,327.0	1,592.0	1,656.7	1,815.0	2,021.0	2,403.0

/a cluding IMF.

/b Increasing levels explained to a certain extent by amortizations of Central Government dollar bonds with a maturity of 1 year or more. New issues and amortizations are large, but the net placement is small.

/c Exports of goods and NFS services.

/d Imports of goods and NFS services.

STATISTICAL APPENDIX

Table of Contents

Table No.

SECTION V - PUBLIC FINANCES

SECTION VI - MONEY AND CREDIT

SECTION VII - MANUFACTURING

SECTION VIII - AGRICULTURE

SECTION IX - PRICES

Table 1.1: URUGUAY - POPULATION STATISTICS

	1963		1975		1985	
	thousands	%	thousands	%	thousands	%
Total	2596	100	2788	100	2940	100
Urban	2098	81	2314	83	2535	86
Rural	498	19	474	17	405	14
Age Structure						
Less Than 15 years	722	28	753	27	782	27
15 - 19	1568	60	1639	59	1696	58
Over 60	306	12	396	14	402	14
Sex						
Men	1291	50	1369	49	1432	49
Women	1305	50	1419	51	1508	51
Education						
Illiteracy Rate		8.8		5.7		4.3

Source: Direccion General de Estadistica y Censos.

Table 1.2: URUGUAY - CHARACTERISTICS OF UNEMPLOYMENT IN MONTEVIDEO, 1981 - 1988
(percentage)

Moving Quarters	Unemployment Rate	By Components			By Age		By Family Relation	
		Unemployed	New Entrants to the L.F.	Covered by Unempl. Insur.1/	<= 25	> 25	Head	Other
1981								
April-June	5.67	3.69	..	1.98	..	..	1.03	4.64
May-July	5.93	3.85	..	2.08	..	..	1.59	4.34
June-August	6.50	4.22	..	2.28	..	..	1.76	4.74
July-September	7.01	4.65	..	2.36	3.86	3.15	1.56	5.45
August-October	7.35	4.72	..	2.63	3.86	3.49	1.95	5.40
September-November	7.38	4.68	..	2.70	3.75	3.63	1.98	5.40
October-December	7.92	5.10	..	2.82	3.74	4.18	2.02	5.90
1982								
November-January	8.54	5.87	..	2.67	3.92	4.62	2.16	6.38
December-February	10.08	6.57	..	3.51	4.68	5.40	2.28	7.80
January-March	10.66	6.96	2.25	1.45	4.95	5.71	2.25	8.41
February-April	11.11	7.24	2.20	1.67	5.35	5.76	2.09	9.02
March-May	11.24	7.66	2.22	1.36	5.50	5.74	2.06	9.18
April-June	11.30	7.49	2.15	1.66	5.87	5.43	2.21	9.09
May-July	11.42	7.40	2.38	1.64	5.92	5.50	2.38	9.04
June-August	11.29	7.31	2.06	1.92	5.45	5.84	2.56	8.73
July-September	11.71	7.64	1.97	2.10	5.16	6.55	2.95	8.76
August-October	12.79	8.38	2.07	2.34	5.45	7.34	3.49	[illegible]
September-November	13.54	8.86	2.10	2.58	6.10	7.44	3.66	9.88
October-December	13.77	8.53	2.69	2.55	6.64	7.13	3.46	10.31
1983								
November-January	14.02	8.51	3.06	2.45	7.17	6.85	2.80	11.22
December-February	14.38	8.97	3.24	2.17	7.15	7.23	2.92	11.46
January-March	15.91	10.46	3.28	2.17	7.80	8.11	3.08	12.83
February-April	16.08	11.24	2.75	2.09	7.68	8.40	3.27	12.81
March-May	16.52	11.50	2.94	2.08	8.19	8.33	3.45	13.07
April-June	16.05	11.66	2.89	1.50	7.86	8.19	3.14	12.91
May-July	15.81	11.52	2.87	1.42	7.65	8.16	3.19	12.62
June-August	15.26	11.14	2.89	1.23	7.26	8.00	3.17	12.09
July-September	15.22	11.06	2.69	1.47	7.06	8.16	3.49	11.73
August-October	15.28	10.99	2.83	1.46	7.09	8.19	3.92	11.36
September-November	14.94	11.33	2.50	1.11	6.94	8.00	3.97	10.97
October-December	14.59	11.13	2.62	0.84	7.11	7.48	3.51	11.08
1984								
November-January	14.78	10.94	3.12	0.72	7.40	7.38	3.28	11.50
December-February	14.90	10.20	3.71	0.99	7.71	7.19	3.03	11.87
January-March	14.57	9.86	3.72	0.99	7.39	7.18	3.29	11.28
February-April	13.99	9.75	3.32	0.92	6.66	7.33	3.26	10.73
March-May	14.16	10.26	3.10	0.80	6.75	7.41	3.30	10.86
April-June	14.07	10.04	3.09	0.94	7.01	7.06	2.81	11.26
May-July	14.31	10.00	3.41	0.90	7.23	7.08	2.74	11.57
June-August	14.66	10.11	3.82	0.73	7.46	7.20	2.71	11.95
July-September	14.68	10.33	3.82	0.53	7.16	7.52	3.07	11.59
August-October	14.02	9.61	3.94	0.47	7.25	6.77	2.69	11.33
September-November	13.42	8.96	3.87	0.59	6.63	6.79	2.55	10.87
October-December	12.73	7.94	4.12	0.67	6.69	6.04	2.06	10.67
1985								
November-January	13.22	8.68	3.83	0.71	6.65	6.57	2.11	11.11
December-February	13.27	9.27	3.41	0.59	6.74	6.53	2.41	10.86
January-March	13.65	9.87	3.24	0.54	6.57	7.08	2.82	10.83
February-April	13.36	9.57	3.33	0.46	6.87	6.49	2.87	10.49
March-May	13.19	9.21	3.52	0.46	6.84	6.35	2.72	10.43
April-June	13.15	9.17	3.56	0.42	6.93	6.22	2.56	10.59
May-July	13.65	9.47	3.74	0.42	7.09	6.56	2.74	10.91
June-August	13.34	9.52	3.40	0.42	6.90	6.44	2.55	10.79
July-September	13.56	9.49	3.69	0.38	7.00	6.56	2.79	10.77
August-October	12.98	8.96	3.63	0.39	6.73	6.25	2.60	10.38
September-November	12.71	8.25	4.04	0.42	6.96	5.75	2.50	10.21
October-December	11.96	7.25	[illegible]	0.59	6.55	5.41	2.54	9.42

continues

Table 1.2: URUGUAY - CHARACTERISTICS OF UNEMPLOYMENT IN MONTEVIDEO, 1981 - 1988
(percentage)

Moving Quarters	Unemployment Rate	By Components			By Age		By Family Relation	
		Unemployed	New Entrants to the L.F.	Covered by Unempl. Insur.1/	<= 25	> 25	Head	Other
1986								
November-January	10.83	6.98	3.19	0.66	5.79	5.04	2.20	8.63
December-February	11.24	7.40	3.22	0.62	5.89	5.35	2.21	9.03
January-March	12.02	8.01	3.53	0.48	6.58	5.44	2.02	10.00
February-April	12.34	8.33	3.81	0.50	6.74	5.60	2.56	9.78
March-May	12.03	8.16	3.35	0.52	6.47	5.56	2.78	9.25
April-June	10.70	7.80	2.35	0.55	5.54	5.16	3.07	7.63
May-July	11.16	7.81	2.81	0.54	5.87	5.29	2.83	8.33
June-August	11.26	7.78	2.94	0.54	5.91	5.35	2.88	8.38
July-September	10.92	7.17	3.19	0.56	5.60	5.32	2.22	8.70
August-October	10.04	6.72	2.83	0.49	5.21	4.83	2.00	8.04
September-November	9.61	6.72	2.50	0.39	5.05	4.56	1.67	7.94
September-November					4.51 a/	5.10 a/		
October-December	9.21	6.33	2.54	0.34	4.67	4.54	1.49	7.72
1987								
November-January	8.96	6.24	2.40	0.32	4.54	4.42	1.44	7.52
December-February	8.85	6.04	2.47	0.34	4.71	4.14	1.36	7.49
January-March	9.79	6.64	2.86	0.29	5.05	4.74	1.53	8.26
February-April	10.20	7.16	2.71	0.33	5.20	5.00	1.58	8.62
March-May	9.90	6.87	2.67	0.36	4.76	5.14	1.65	8.25
April-June	9.14	6.24	2.40	0.50	4.53	4.61	1.57	7.57
May-July	9.13	5.82	2.70	0.61	4.72	4.41	1.63	7.50
June-August	8.73	5.61	2.43	0.69	4.52	4.21	1.65	7.08
July-September	8.89	6.07	2.16	0.66	4.19	4.70	1.67	7.22
August-October	8.31	5.53	2.26	0.52	4.13	4.18	1.43	6.88
September-November	8.76	5.53	2.70	0.53	4.50	4.26	1.39	7.37
October-December	9.35	5.44	3.24	0.67	5.13	4.22	1.47	7.88
1988								
November-January	9.86	5.93	3.11	0.82	4.97	4.89	1.72	8.14
December-February	10.29	6.09	3.26	0.95	5.17	5.12	1.92	8.37
January-March	10.20	6.05	3.31	0.84	5.35	4.85	1.85	8.35
February-April	9.80	5.88	3.17	0.75	5.44	4.36	1.52	8.28
March-May	9.36	6.07	2.78	0.51	5.37	3.99	1.43	7.93
April-June	8.75	5.97	2.25	0.53	4.89	3.86	1.29	7.46
May-July	8.30	5.75	2.18	0.37	4.62	3.68	1.39	6.91
June-August	7.76	5.41	1.95	0.40	4.39	3.37	1.08	6.68
July-September	8.46	5.50	2.45	0.51	4.62	3.64	1.35	7.11

1/ Until Dec.81-Feb.82 includes those who were new entrants to the labor force.
2/ From this trimester on the age groups are: less than 25 yrs and 25 yrs or more.

Source: Direccion General de Estadistica y Censos, Monthly Bulletin.

Table 2.1: URUGUAY - GROSS DOMESTIC PRODUCT BY SECTOR, 1970-1987
(In millions of NU$)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Agriculture 1/	67	83	185	427	658	844	1190	2156	2865	5841	8644	9641	9590	15810	28815	53095	105309	183115
Fishery	..	..	..	2	3	7	16	36	81	179	216	346	352	876	1600	2629	4487	8814
Manufacture 2/	114	136	212	488	947	1756	2658	4132	6363	13603	20603	24152	21724	38336	67279	118098	217842	388345
Electricity, Gas and Water	8	10	16	41	83	145	215	249	366	562	1185	1774	2587	4209	6589	13228	24277	42568
Construction	20	28	45	81	155	336	504	725	1326	2544	4182	5965	6494	5621	6989	9456	16900	34751
Commerce	71	82	143	313	582	1098	1700	2940	4359	8503	12273	15436	12426	17888	30255	54840	101157	173642
Transport and Communications	45	57	86	163	319	542	815	1195	1709	2993	5083	6982	7898	11617	17304	29891	56349	92133
Banking and Financial Inst.	21	22	50	87	146	328	552	745	1363	2471	4021	5589	6802	10489	19457	39496	70500	118883
Housing	27	36	47	68	119	320	550	946	1789	2833	5360	9456	13327	16487	20286	30553	42957	78961
Government Services	77	96	125	294	555	881	1364	1872	2914	4856	8490	12958	15406	18956	25765	48147	91487	152326
Other 3/	66	79	120	253	469	851	1310	2149	3157	5373	9482	13604	15355	21843	31796	58222	104649	180807
GDP at Factor Cost	516	629	1029	2217	4036	7108	10874	17145	26292	49758	79539	105903	111961	162132	256135	457655	835914	1454345
Indirect Taxes - Subsidies	97	93	213	344	510	1058	1764	2770	4638	7867	12665	16550	16735	22874	38224	70497	135820	246214
GDP at Market Prices	613	722	1242	2561	4546	8166	12638	19915	30930	57625	92204	122453	128696	185006	294359	528152	971734	1700559

1/ For 1970-72, includes Fishing.
2/ For 1970-72, includes Mining and Quarrying.
3/ For 1973-85, includes Mining and Quarrying.

Source: Central Bank.

Table 2.2: URUGUAY - GROSS DOMESTIC PRODUCT BY SECTOR, 1970-1987
(In millions of 1978 NU$)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Agriculture	3180	2979	2658	2730	2822	2971	3019	3102	2865	2816	3275	3439	3200	3245	3025	3163	3389	3418
Fishery	17	17	24	22	20	30	39	54	81	117	133	157	132	157	146	152	149	147
Manufacture 1/	5059	5097	5167	5122	5230	5561	5708	6019	6363	6815	6980	6662	5536	5148	5292	5207	5837	6481
Electricity, Gas and Water	281	295	293	302	284	314	324	338	366	379	408	430	435	444	443	455	474	513
Construction	686	730	720	597	654	876	989	1015	1326	1490	1546	1593	1545	1026	913	638	627	692
Commerce	3461	3348	3261	3239	3465	3644	3975	4063	4359	4677	5183	5327	4185	3731	3587	3574	3997	4281
Transport and Communications	1485	1518	1468	1479	1503	1563	1664	1712	1709	1885	2041	2025	1802	1717	1711	1740	1910	1996
Housing	1742	1746	1753	1755	1744	1746	1742	1764	1789	1798	1830	1848	1859	1864	1882	1921	1930	1939
Other 2/	6057	6278	6331	6506	6693	7041	7240	6907	7434	7937	8204	8692	8625	8388	8348	8577	8805	8982
GDP at Factor Cost	21968	22008	21675	21752	22415	23746	24700	24974	26292	27914	29600	30173	27319	25720	25347	25427	27118	28449
Indirect Taxes - subsidies	3889	3880	3811	3827	3968	4184	4343	4410	4638	4924	5208	5296	4819	4537	4469	4478	4761	5005
GDP at Market Prices	25857	25888	25486	25579	26383	27930	29043	29384	30930	32838	34808	35469	32138	30257	29816	29905	31879	33454

1/ For 1970-72, includes Mining and Quarrying.
2/ For 1973-85, includes Mining and Quarrying.
3/ Preliminary.
Source: Central Bank, Bulletin Nos. 58 and 70.
/ppral..p31^agpra32..p58^agpra63..p91^agpra91..p122^agpo

Table 2.3: URUGUAY - GROSS DOMESTIC PRODUCT BY EXPENDITURE, 1970 - 1987
(Millions of NU$)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Consumption	540	640	1091	2208	4143	7360	10862	17469	26740	50230	81372	108483	114176	163138	253133	463993	848161	1507724
Private	448	522	938	1844	3463	6244	9107	15018	22919	43431	69890	91147	94076	137485	216282	394839	720319	1290795
Public	92	118	153	364	680	1116	1755	2451	3821	6799	11482	17336	20100	25653	36851	69154	127842	216929
Gross Domestic Investment	69	91	147	322	525	1102	1871	3028	4951	9975	15994	18802	18555	18427	29115	43071	72049	158233
Fixed Investment	69	83	121	229	465	1090	1952	3030	4943	9312	15422	19205	19382	20329	27331	39208	71022	144559
Changes in stock	..	8	26	93	60	12	-81	-2	8	663	572	-403	-827	-1902	1784	3863	1027	13674
Resource Gap	8	9	-4	-31	122	296	95	582	761	2580	5162	4832	4035	-3441	-12111	-21088	-51524	-34602
Imports	81	80	174	323	763	1613	2445	4356	6291	11980	19023	22819	22107	41259	59954	105657	175573	315847
Exports	73	71	178	354	641	1317	2350	3774	5530	9400	13861	17987	18072	44700	72065	'76745	227097	350449
Gross Domestic Product	601	722	1242	2561	4546	8166	12638	19915	30930	57625	92204	122453	128696	185006	294359	528152	971734	1700559
Net Factor Income	-6	-5	-20	-22	-51	-160	-266	-320	-467	-454	-913	-797	-2447	-9897	-20232	-35588	-41613	-63557
Gross National Product	595	717	1222	2539	4495	8006	12372	19595	30463	57171	91291	121656	126249	175109	274127	492564	930121	1637002
Net transfers	2	2	10	16	21	16	28	31	43	56	79	105	129	378	559	1113	3785	2475
Gross Domestic Savings	61	82	151	353	403	806	1776	2446	4190	7395	10832	13970	14520	21868	41226	64159	123573	192835
Gross National Savings	57	79	141	348	373	661	1538	2157	3766	6997	9998	13278	12202	12349	21553	29684	85745	131753

Source: Central Bank, Bulletin Nos. 58, 70. IBRD Economic Report, 1972.
1/ Preliminary.
Note: Net Factor Income and Net Transfers in US$ were taken from BOP and transformed into Current NU$ using the average exchange rate calculated by the Central Bank.

Table 2.4: URUGUAY - GROSS DOMESTIC PRODUCT BY EXPENDITURE, 1970 - 1987
(Millions of 1978 NU$)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Consumption	24175	24169	23462	25570	25404	26092	25824	25623	26740	28465	30476	31416	28709	26208	24845	25248	27355	29685
Private	20272	20520	20323	22382	21986	22758	22239	22158	22919	24163	26232	26854	24257	21886	20498	20764	22711	24903
Public	3903	3649	3139	3188	3418	3334	3585	3465	3821	4302	4244	4562	4452	4322	4347	4484	4644	4782
Gross Domestic Investment	2953	3292	2755	2319	2409	3057	3698	4335	4951	6132	6461	5888	4815	3052	3110	2524	2510	3144
Fixed Investment	2953	3106	2533	2021	2238	3141	4031	4321	4943	5882	6255	6067	5165	3471	3009	2310	2499	2976
Changes in stock	0	186	222	298	171	-84	-333	14	8	250	206	-179	-350	-419	101	214	11	168
Resource Gap	1745	2339	1969	2310	1430	1219	479	574	761	1759	2129	1835	1386	-997	-1861	-2133	-2014	-625
Imports	4753	5131	4563	5153	4861	5305	5425	5874	6291	7652	8235	8318	7187	5701	4883	4969	6132	6750
Exports	3008	2792	2594	2843	3431	4086	4946	5300	5530	5893	6106	6483	5801	6698	6744	7102	8146	7375
Gross Domestic Product	25383	25122	24248	25579	26383	27930	29043	29384	30930	32838	34808	35469	32138	30257	29816	29905	31879	33454
Terms of Trade Adjustment	1276	1762	2074	2805	653	245	268	-211	0	111	-106	74	74	-522	-875	-1141	-214	114
Gross Domestic Income	26659	26884	26322	28384	27036	28175	29311	29173	30930	32949	34702	35543	32212	29735	28941	28764	31665	33568
Net Factor Income	-353	-321	-524	-347	-325	-528	-591	-432	-467	-290	-395	-291	-796	-1619	-2049	-2015	-1365	-1250
Gross National Product 2/	26306	26563	25798	28037	26711	27648	28720	28741	30463	32659	34307	35252	31417	28116	26892	26749	30300	32318
Net transfers	135	135	254	261	133	51	63	42	43	36	34	38	42	52	46	52	132	53
Gross Domestic Savings 2/	2484	2715	2860	2814	1632	2083	3487	3550	4190	4484	4226	4127	3503	3527	4096	3516	4310	3883
Gross National Savings 2/	2266	2529	2590	2728	1440	1607	2959	3160	3766	4230	3866	3874	2750	1961	2093	1553	3077	2686

Source: Central Bank.
1/ Preliminary.
2/ Adjusted for terms of trade.
Note: Net Factor Income and Net Transfers in Current NU$ deflated by Domestic Imports deflator

Table 2.5:URUGUAY NATIONAL ACCOUNTS PROJECTIONS, 1988-92
(Constant 1986 Prices)

	Projections				
	1988	1989	1990	1991	1992
Gross Domestic Product m.p.	1045195	1086190	1131829	1179431	1229080
Terms of Trade Adjustment	-1736	-8534	-13346	-12893	-12901
Gross Domestic Income	1043459	1077656	1118483	1166538	1216179
Resource Gap	-35111	-13141	-9532	-13515	-13228
Imports of GNFS	197361	220603	229256	237525	253673
Exports Adj. For TTrade	232473	233744	238788	251040	266901
Exports of GNFS	230737	225210	225442	238146	254000
Total Consumption	903583	933763	961357	992144	1030383
Private	769269	796091	820243	847503	882126
Government	134314	137672	141114	144641	148258
Gross Domestic Investment	104764	130753	147594	160879	172568
Fixed Investment	104519	130343	147138	160403	172071
Changes in Stocks	245	410	456	476	496

Source: World Bank.

Table 3.1: URUGUAY - BALANCE OF PAYMENTS, 1973-1987
(Millions of US$)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 4/
EXPORTS OF GOODS & NFS	409.8	499.5	551.1	696.2	808.6	912.9	1198.4	1526.0	1666.6	1303.8	1300.1	1289.4	1250.5	1502.8	1565.1
Merchandise (F.O.B.)	327.6	381.2	385.0	565.0	611.6	686.1	788.1	1058.5	1215.4	1022.9	1045.1	924.6	853.6	1087.8	1189.1
Non-factor services	82.2	118.3	166.1	131.2	197.0	226.8	410.3	467.5	451.2	280.9	255.0	364.8	396.9	415.0	376.0
IMPORTS OF GOODS & NFS	366.5	592.4	676.3	705.1	907.1	970.2	1471.2	2126.3	2080.7	1608.7	1194.4	1067.0	1017.6	1180.3	1440.8
Merchandise (F.O.B.)	248.6	433.5	494.1	536.6	679.7	709.8	1125.9	1650.8	1599.4	1038.4	739.7	732.3	675.4	814.5	1057.8
Non-factor services	117.9	158.9	182.2	166.5	227.4	260.4	345.3	475.5	481.3	570.3	454.7	334.7	342.2	365.8	383.0
RESOURCE BALANCE	43.3	-92.9	-125.2	-8.9	-98.5	-57.3	-272.8	-600.3	-414.1	-304.9	105.7	222.4	232.9	322.5	124.3
Net Factor Income	-25.1	-42.6	-71.2	-72.4	-67.9	-76.8	-57.8	-100.4	-73.8	-196.9	-287.8	-361.6	-351.8	-278.0	-268.1
Factor Receipts	5.7	4.7	3.8	6.8	11.6	18.4	50.0	67.7	145.8	147.1	62.5	87.2	76.5	92.7	102.9
Factor Payments	30.8	47.3	75.0	79.2	79.5	95.2	107.8	168.1	219.6	344.0	350.3	448.8	428.3	370.7	371.0
Net Current Transfers	18.9	17.4	6.9	7.7	6.6	7.1	7.1	8.7	9.7	10.4	11.0	10.0	10.8	25.3	22.0
Transfer Receipts	19.9	22.2	10.9	11.5	8.4	8.8	9.2	11.2	12.5	13.4	14.1	13.0	15.2	29.6	26.3
Transfer Payments	1.0	4.8	4.0	3.8	1.8	1.7	2.1	2.5	2.8	3.0	3.1	3.0	4.4	4.3	4.5
CURRENT BALANCE	37.1	-118.1	-189.5	-73.6	-159.8	-127.0	-323.5	-692.0	-478.2	-491.4	-171.1	-129.2	-108.1	69.8	-121.8
Direct Investment 1/	0.0	0.0	0.0	0.0	0.0	128.8	215.5	289.3	48.6	13.7	2.6	0.0	0.0	0.0	0.0
Public M&LT Loans (net)	11.0	163.9	102.4	75.5	38.5	50.2	136.1	200.0	238.0	362.0	408.1	62.1	282.0	121.0	170.0
Disbursements	83.2	289.4	284.6	224.1	225.7	416.2	190.9	293.0	298.6	432.5	502.0	189.3	423.0	209.0	230.0
Amortization	72.2	125.5	182.2	148.6	187.2	366.0	54.8	93.0	60.6	70.5	93.9	127.2	141.0	88.0	60.0
Private M&LT Loans (net)	1.0	62.7	17.0	123.2	169.5	-20.8	119.6	-9.1	206.1	-65.1	-31.0	10.0	-112.9	-86.8	40.5
Other M&LT (net) 2/	33.8	-114.9	14.2	26.8	-4.2	-26.9	-52.7	-39.7	-16.8	64.4	396.5	-2.1	-69.1	-37.7	-43.8
Net Credit from IMF	-5.2	38.1	43.3	28.3	-11.4	-148.3	0.0	0.0	0.0	96.0	141.4	-8.2	92.0	45.0	-60.0
Net Short Term Capital	-35.1	-5.5	-9.3	-56.4	37.7	-33.3	120.4	302.5	182.2	613.8	-496.0	-3.1	-249.6	-49.4	154.9
Capital flows n.e.i. 3/	-11.0	-4.9	0.0	-0.0	0.0	5.1	-125.6	7.9	9.3	125.8	289.7	133.9	-49.0	4.6	-2.2
Changes in Reserves (- indicates increase)	-1.2	41.7	64.9	-113.8	-113.5	12.9	-66.5	-153.4	-47.6	542.3	-197.3	50.2	55.0	-274.4	-44.5
Errors & Omissions	-30.4	-63.0	-43.0	-10.0	43.2	159.3	-23.3	94.5	-141.6	-1261.5	-302.9	-113.6	159.7	207.9	-93.1

1/ 1973-1977 included in Private M&LT Loans.
2/ Total public M&LT loans.
3/ Includes gold revaluation.
4/ Preliminary.
Source: Central Bank, Statistical Bulletin, Sept.82, Dec.84 & March 86; IMF.

Table 3.2: URUGUAY - EXPORTS (F.O.B.) of MAJOR CATEGORIES, 1970-1987
(In thousands of US$)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987 1/
EXPORTS OF GOODS AND NFS	298609	261593	283077	403710	500482	549947	677676	804523	912853	1198434	1526049	1666575	1303785	1300148	1289388	1250614	1499630	1565085
Exports of Non-factor Services	65900	55900	69000	82200	118300	166100	131200	197000	226800	410300	467500	451200	280900	255000	364800	397000	411800	376000
EXPORTS OF GOODS	232709	205693	214077	321510	382182	383847	546476	607523	686053	788134	1058549	1215375	1022885	1045148	924588	853614	1087830	1189085
Live animals, meat and fish	89578	70613	102192	126778	146077	97170	142918	139141	138269	168503	263932	361912	290318	364994	228693	202317	295218	256704
Live Animals	2747	2830	1953	1446	3971	5024	8017	7487	11060	11003	8117	13759	15176	31175	8915	2144	2949	..
Beef	74117	58880	97882	119608	134837	68148	108814	100442	78227	94871	155445	229882	170341	222862	129641	110498	164702	125706
Mutton and Lamb	8135	6237	386	1019	2537	10394	5689	5372	9076	2844	14622	25286	21036	15137	7134	6803	22469	6135
Fish and Shellfish	675	459	253	681	1121	3206	5100	10300	22900	35600	48200	57585	46519	42993	47755	52426	64766	81217
Dairy Products	2702	1208	717	2330	1949	2833	3716	6257	4086	11775	18261	25891	19264	34697	19181	23673	35509	..
Other	1202	999	1001	1694	1662	7563	11582	9283	12920	12410	19287	9509	18982	18130	16067	6773	4823	43646
Vegetable products	5721	17146	8356	20184	40881	55661	52892	61048	70392	88590	107987	185644	152494	139327	129110	141419	134040	99308
Rice	3673	7149	5989	14956	28198	33236	26121	32498	35016	60996	64185	109266	92376	76614	57831	81046	78204	53006
Citrus	376	586	554	2208	3759	3718	2979	7166	7419	9878	10335	9337	5752	11110	12223	21477	20162	..
Other	1672	9411	1813	3020	8924	18707	23792	21384	27957	17716	33467	67041	54356	51603	59056	38896	35674	46302 2/
Fats and Oils	6719	4137	1637	4570	6501	7600	11819	10955	9105	10561	18585	8022	5465	8675	6924	5180	8518	4413
Food, beverages and tobacco	11633	7670	5902	11068	11171	10372	38430	23031	27991	25005	32826	31518	18152	30188	27644	23154	36457	35056
Mineral products	4801	3174	2302	3456	5639	13009	21221	19948	15885	13960	12756	19732	4141	1698	4162	952	5442	4682
Chemical Products	1371	2113	1708	1915	4749	4664	6417	8624	16105	25028	30808	32940	43128	24070	30303	37470	50617	77909
Plastics, rubber and related prod.	1573	773	688	577	4064	6035	5938	11338	13593	19964	20982	26141	18951	12235	10334	13548	20206	30703
Hides, leather and related prod.	25950	23333	25794	33984	39682	52809	92749	109096	129588	148666	143949	138247	139536	139178	146508	113954	148510	198804
Hides and skins	23535	20978	22407	25110	23216	16588	32516	27917	30310	47018	40213	50733	72756	75425	91634	61326	74667	83863
Leather manufactures	2409	2312	3082	5314	12016	22908	37507	47026	59365	47713	52016	44683	38052	39296	30489	27176	36076	57878
Other	6	43	305	3560	4450	13313	22726	34153	39913	53935	51720	42831	28728	24457	24385	25452	37767	57063
Textile materials and products	78881	70333	60124	109083	101709	107495	131319	165586	190682	177568	306634	331191	292547	266614	281703	261554	316343	384086
Greasy wool	41576	36201	27731	36542	57916	44116	32861	56355	62207	29425	102602	115805	112851	73222	57829	52454	57638	76262
Washed wool	5497	7272	5131	20378	8971	12499	13163	14119	16751	13564	22962	21857	15013	27417	16601	16961	29390	30187
Tops	25674	21173	21616	40617	20307	29952	52540	50540	53056	58377	87188	98445	77178	66926	90089	94432	114480	135080
Blousse	1585	823	2020	3587	1959	2295	3533	3107	4728	5167	5105	3919	2749	5240	5399	4712	5979	..
Combed wool	1285	1586	1141	2714	2068	2286	3276	4700	2370	2875	3117	4348	3515	11532	1456	1910	1420	..
Woven wool and fine hairs	206	367	360	1431	2314	3669	6533	9136	10786	14810	18779	20133	18516	18909	20667	19816	25105	36420 3/
Clothing and woven accesories	3057	2911	2125	3814	8174	12678	17413	27549	23584	32746	34886	35226	62725	62368	89662	71269	82331	106137
Shoes and others	1501	1139	998	1516	2918	8943	16540	25620	30456	28 53	19987	13557	10027	9223	10067	7614	9093	11631
Stone, ceramic and glass prod.	1377	1679	1059	1968	3596	6918	7184	8376	13500	18375	21982	15885	12001	8130	8520	6628	8231	12182
Metals and its manufactures	781	536	507	652	1453	3242	3515	5024	5583	12142	14101	9068	7965	6311	7956	6493	8444	8768
Machinery and electrical materials	1246	1182	932	1100	1731	4012	3416	7214	9622	16636	19653	13125	6578	4991	7100	10706	11541	12511
Transport equipment	947	497	1384	4362	9883	3990	9475	6962	8159	19923	23547	11979	6251	7889	5576	6575	12416	23700
Other	630	1368	494	297	2126	1927	2643	5560	7523	14780	20920	16414	15341	21625	19988	16050	22754	28678

1/ Preliminary.
2/ Includes citrus.
3/ includes blousse and combed wool.
Sources: Direccion General de Comercio Exterior, "Exportaciones Tradicionales y no tradicionales 1965-1974", April 1975. Opcit. 1975-1979.
Central Bank Bulletin, March 1979, Sept 1982, March 1985. Mission estimates.

Table 3.3: URUGUAY - EXPORTS (FOB) BY DESTINATION, 1970-1987
(Thousands of US$)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
TOTAL	232.7	205.7	214.1	321.5	382.2	383.8	564.5	607.5	686.1	788.1	1058.5	1215.4	1022.9	1045.1	924.6	853.6	1093.4	1265.4
AMERICA	50.0	54.3	34.5	43.7	134.4	139.3	209.4	251.5	323.1	409.8	484.7	452.4	402.2	362.1	384.6	374.9	564.3	551.2
Latin America Free Trade Association	29.1	44.0	26.5	32.2	138.7	112.1	139.4	157.3	196.2	316.8	393.4	347.1	314.4	247.4	244.3	237.8	421.5	358.5
of Which: Argentina	6.3	6.0	4.1	8.0	31.0	29.6	27.7	36.5	38.4	97.7	142.3	114.7	109.1	91.0	83.3	63.1	88.7	113.2
Brazil	12.3	24.1	11.3	15.4	92.1	65.3	75.6	96.6	128.3	182.8	191.0	169.6	145.8	121.3	114.5	143.4	295.6	204.1
United States	19.8	9.7	7.3	10.9	14.1	25.7	61.0	87.5	120.1	84.3	81.7	93.6	75.5	102.2	123.9	125.6	129.5	175.7
Others	1.2	0.6	0.6	0.6	1.5	1.5	9.0	6.7	6.9	8.7	9.6	11.7	12.3	12.3	16.4	11.5	13.3	17.0
EUROPE	160.1	129.6	163.3	241.6	195.7	197.7	281.1	285.5	297.7	331.8	430.4	483.9	390.9	322.3	291.0	270.5	354.8	438.1
European Common Market	85.4	79.4	88.6	149.8	106.6	130.5	195.3	188.3	223.0	261.7	301.0	336.3	242.2	207.7	185.0	174.0	281.4	334.1
European Free Trade Ass.	24.0	19.7	27.4	12.9	11.5	10.7	22.6	30.4	8.9	14.2	19.2	26.1	28.7	22.9	22.2	19.1	20.2	33.2
Eastern Europe	28.4	9.9	16.1	37.9	40.5	28.8	18.6	38.3	44.6	28.4	80.3	92.9	101.0	81.5	73.5	69.3	49.0	68.8
Spain	7.2	6.2	23.8	37.3	22.9	11.9	23.7	12.8	10.3	17.3	7.3	9.5	8.9	6.1	6.9	7.0	..	..
Others	15.1	14.4	7.5	3.9	14.1	15.7	20.9	15.8	11.0	10.2	22.6	19.1	10.1	4.1	3.4	1.1	4.2	2.0
OTHER COUNTRIES 1/	22.6	21.8	16.3	36.0	32.1	46.8	73.9	70.5	65.2	46.5	143.4	279.1	229.8	360.7	249.0	208.2	174.3	216.1

1/ Includes unallocated exports.

Table 3.4: URUGUAY - IMPORTS (C.I.F.), 1970-1987
(In thousands of US$)

	1970	1971	1972	1973 1/	1974 1/	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
IMPORTS OF GOODS AND NFS	284000	302900	279600	366500	592400	676300	705100	907100	970200	1471200	2126300	2080700	1608700	1194400	1067000	1017600	1176980	1420491
IMPORTS OF GOODS (CIF)	230700	228886	211588	284817	486680	556474	587177	729941	774322	1230821	1727252	1652107	1109976	787508	775721	707762	869980	1141891
Food	8800	9800	10088	10300	12700	8766	11962	13364	19233	38292	58805	47359	30082	17256	21793	22111	23330	31451
Other Consumer Goods	17900	16486	19400	16900	23200	8770	12197	16953	22237	40347	118980	210000	72309	29189	28978	39180	59052	100114
Intermediate Goods	114000	112600	104600	173500	249900	308185	288579	362403	400061	663480	771976	638158	433811	365049	384678	357571	527621	689787
Fuels and Lubricants	33700	32200	43100	54700	160600	172946	173235	199313	209622	290020	454932	503001	419542	273160	270457	223513	158136	166660
Petroleum	33700	32200	43100	54700	160600	163997	160210	186042	201319	230486	420242	447830	415988	261214	260058	223513	140286	154565
Other	0	0	0	0	0	8949	13025	13271	8303	59534	34690	*5171	3554	11946	10399	0	17850	12095
Capital Goods	56300	58800	34400	27100	38200	57807	101204	137908	123169	198682	311906	253589	154232	102854	69815	65387	101841	153879
Transport	26600	23700	12000	12300	15200	21850	23055	44702	21284	33715	71604	60302	61918	8414	7844	3529	5011	13766
Machinery	29700	35100	22400	17117	25180	35957	78149	93206	84885	140438	193396	182297	92314	94440	61971	61858	96830	140113
Other 2/	0	0	0	0	0	0	0	0	17000	24529	46906	10990	0	0	0	0	0	0
IMPORTS OF NFS 3/	53300	74014	68012	81683	105720	1198[illegible]	117923	177159	195878	240379	399048	428593	498724	406892	291279	309838	307000	278600

1/ 1973-1974 from IBRD CEM, Jan 1979.
2/ CONIPAL imports.
3/ Exclude Freight and Insurance.

Source: Central Bank Bulletin, March 1985; Indicadores de la Actividad Economica y Financiera, Marzo 1979; World Bank Economic Reports, 1973, 1977 and 1982.

Table 3.3: URUGUAY - IMPORTS (CIF) BY ORIGIN, 1970-1987
(Millions US$)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
TOTAL	230.7	228.9	211.6	284.8	486.7	556.5	587.2	729.9	774.3	1230.8	1727.3	1652.1	1110.0	787.5	775.7	707.8	874.3	1135.5
AMERICA	109.4	109.6	114.3	154.7	211.2	233.2	276.6	319.7	322.1	661.0	812.8	923.5	609.3	354.8	360.1	313.8	522.2	659.0
Latin America Free Trade Association	72.4	76.0	76.2	122.2	166.0	160.3	207.3	234.3	239.3	524.3	619.6	726.1	451.7	279.6	283.8	249.8	437.9	550.5
of Which: Argentina	26.3	31.8	27.5	61.8	72.0	47.3	65.8	84.7	89.0	196.9	174.1	128.8	86.0	81.9	37.4	86.4	123.8	155.1
Brazil	35.1	35.7	41.9	48.1	73.5	71.8	89.3	92.7	88.3	180.9	284.0	322.0	140.6	106.5	127.1	125.8	212.2	276.3
United States	29.8	22.9	32.8	24.5	36.0	57.3	51.1	70.1	67.4	110.8	160.6	159.2	133.9	58.5	64.3	53.2	73.5	88.3
Others	7.2	10.8	5.3	8.0	9.2	15.6	18.2	15.3	15.5	25.8	32.6	38.2	23.7	16.7	12.0	10.8	10.8	20.2
EUROPE	81.9	76.9	56.9	72.6	108.0	146.4	143.3	205.8	199.8	276.9	378.4	346.7	215.0	197.3	184.8	186.1	223.0	286.9
European Common Market	41.5	38.0	30.0	55.3	84.7	110.7	107.5	136.5	158.7	217.9	295.4	264.2	169.3	126.1	122.0	108.0	172.7	238.1
European Free Trade Ass.	27.0	27.5	20.7	10.3	14.1	20.0	18.8	33.6	21.7	25.8	31.8	38.1	23.1	26.4	19.5	22.4	34.6	36.7
Eastern Europe	8.3	4.6	2.8	4.6	4.9	8.9	10.0	21.2	10.1	17.2	30.4	16.2	7.6	33.4	30.6	44.8	15.5	11.5
Spain	4.2	5.0	2.1	2.0	3.9	5.6	5.9	13.1	8.5	13.5	19.1	25.6	14.2	10.9	12.6	10.5	..	..
Others	0.9	1.8	1.3	0.6	0.5	1.1	1.2	1.5	0.8	2.5	1.7	2.6	0.8	0.5	0.1	0.4	0.2	0.6
OTHER COUNTRIES 1/	39.4	42.3	40.4	57.5	167.4	177.0	167.3	204.4	252.4	292.9	536.1	381.9	285.7	235.4	230.8	207.9	129.1	189.6

1/ Includes unallocated imports.
Source: Central Bank, Bulletin No. 58. Mission estimates.

Table 3.6: URUGUAY - TRADE BALANCE BY COUNTRY GROUPINGS, 1970-1987
(Millions US$)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
TOTAL	2.0	-23.2	2.5	36.7	-104.5	-172.6	-22.7	-122.4	-88.3	-442.7	-663.8	-436.7	-87.1	257.6	148.9	145.8	219.1	69.9
AMERICA	-59.3	-55.3	-79.8	-110.9	-56.8	-93.8	-67.1	-68.2	1.0	-251.1	-328.1	-471.1	-207.1	7.3	24.5	61.1	42.1	-107.8
Latin America Free Trade Association	-43.4	-32.0	-49.6	-90.0	-27.2	-48.2	-67.8	-77.0	-43.1	-237.5	-226.2	-379.0	-137.3	-32.2	-39.5	-12.0	-16.4	-192.0
of which: Argentina	-20.0	-25.9	-23.4	-53.8	-41.1	-17.7	-38.1	-48.2	-50.6	-99.2	-31.8	-14.1	23.1	9.1	45.9	-23.3	-35.1	-41.9
Brazil	-22.7	-11.6	-30.5	-32.7	18.6	-6.5	-13.6	3.9	40.0	1.9	-93.0	-152.4	5.2	14.8	-12.6	17.6	83.4	-72.2
United States	-10.0	-13.2	-25.5	-13.6	-21.9	-31.6	9.9	17.4	52.7	-26.4	-78.9	-65.6	-58.4	43.7	59.6	72.4	56.0	87.4
Others	-6.0	-10.1	-4.6	-7.3	-7.7	-14.0	-9.2	-8.6	-8.6	-17.2	-23.0	-26.5	-11.4	-4.2	4.4	0.7	2.5	-3.2
EUROPE	78.2	52.7	106.4	169.1	87.6	51.3	137.8	79.7	98.0	54.9	52.0	137.2	175.9	125.0	106.2	84.4	131.8	151.2
European Common Market	43.9	41.4	58.6	94.6	21.9	19.6	87.9	51.8	64.2	43.8	5.6	72.1	72.9	81.6	63.0	66.0	108.7	96.0
European Free Trade Ass.	-3.0	-7.7	6.7	2.6	-2.6	-9.3	3.8	-3.2	-12.8	-11.7	-12.6	-12.0	5.6	-3.5	2.7	-3.3	-14.4	-3.5
Eastern Europe	20.1	5.3	13.3	33.4	35.6	19.9	8.6	17.1	34.5	11.1	49.9	76.7	93.4	48.1	42.9	24.5	33.5	57.3
Spain	3.1	1.1	21.6	35.3	19.0	6.3	17.8	-0.4	1.8	3.8	-11.8	-16.1	-5.3	-4.8	-5.7	-3.5	..	..
Others	14.2	12.6	6.2	3.3	13.7	14.6	19.7	14.3	10.2	7.8	20.9	16.5	9.3	3.6	3.3	0.7	4.0	1.4
OTHER COUNTRIES 1/	-16.9	-20.5	-24.1	-21.5	-135.3	-130.1	-93.4	-133.9	-187.3	-246.4	-392.7	-102.8	-55.9	125.3	18.2	0.3	45.2	26.5

1/ Includes unallocated imports.

Source: Table 3.3 and 3.6; Mission estimates.

Table 3.7:URUGUAY - BALANCE OF PAYMENTS PROJECTIONS, 1988-92
(US$ millions at Current Prices)

	Projections								
	1988	1989	1990	1991	1992	1993	1994	1995	1996
Exports of Goods & NFS	1720	1857	1935	2085	2284	2507	2787	3100	3451
Merchandise (FOB)	1361	1471	1539	1660	1824	2002	2223	2469	2745
Non-Factor Services	359	386	396	425	461	505	564	631	705
Imports of Goods & NFS	1460	1753	1857	1972	2171	2355	2594	2864	3158
Merchandise (FOB)	1135	1351	1437	1533	1705	1856	2050	2270	2509
Non-Factor Services	325	401	420	439	466	499	544	594	649
Resource Balance	260	104	77	112	113	152	192	236	293
Net Factor Income	-293	-297	-312	-279	-258	-245	-228	-242	-225
Net Current Transfers	21	22	23	24	25	27	28	29	31
Current Account Balance	-12	-171	-212	-143	-119	-67	-8	23	99
Direct Investment	0	5	15	15	15	15	20	20	20
LT Loans	110	156	178	89	65	52	1	-24	-96
Other LT Inflows (net)	0	0	0	0	0	0	0	0	0
Other Items (net) 1/	2	32	39	39	39	39	39	39	39
Changes in Net Reserves	-100	-22	-20	0	0	-39	-52	-58	-62

1/ Includes errors and omissions.

Source: World Bank.

Table 3.8: URUGUAY - EXPORTS PROJECTIONS, 1988 -1992

	Projections				
	1988	1989	1990	1991	1992
EXPORTS (mill. of US$)	1360.8	1471.1	1539.0	1659.7	1823.8
Wool	310.1	313.5	323.2	356.2	392.6
Beef	134.8	136.8	140.2	153.2	179.8
Fish	69.0	77.0	80.5	84.1	88.7
Hides	94.6	115.7	123.3	128.9	145.0
Textiles & Clothing	118.6	133.6	143.7	154.6	167.7
Rice	94.3	87.8	75.2	80.3	85.7
Dairy Products	50.9	57.4	61.7	66.4	72.0
Manufactured Goods	384.5	433.2	466.1	501.5	543.8
Other Goods	104.1	116.2	125.0	134.5	148.6
EXPORTS (mill. of 1986 US$)	1227.8	1277.8	1339.5	1397.9	1482.0
Wool	239.2	241.6	248.8	256.3	264.0
Beef	168.3	170.8	179.3	183.6	202.0
Fish	61.4	64.5	66.4	68.4	70.4
Hides	74.7	85.9	90.2	92.9	102.2
Textiles & Clothing	112.4	119.1	126.3	133.9	141.9
Rice	84.9	80.7	82.3	83.9	85.6
Dairy Products	47.0	49.9	52.9	56.0	59.4
Manufactured Goods	344.4	365.0	386.9	410.1	434.7
Other Goods	95.6	100.4	106.4	112.8	121.8

Source: World Bank.

Table 3.9: URUGUAY - IMPORTS PROJECTIONS, 1988 - 1992

	1988	1989	1990	1991	1992
Imports CIF (mill. of 1986 US$)	1199.7	1426.6	1516.7	1617.1	1797.1
Food	36.5	38.0	38.7	41.2	44.0
Other Consumer Goods	105.4	117.1	122.4	129.0	137.7
Petroleum	135.3	185.1	198.0	213.1	235.1
Intermediate	749.8	861.9	917.6	982.8	1054.1
Capital Goods	172.7	224.5	240.0	251.0	326.2
Imports CIF (mill. of 1986 US$)	1071.3	1184.2	1233.3	1279.6	1377.5
Food	34.3	35.1	35.8	36.5	37.4
Other Consumer Goods	93.3	96.5	99.4	102.7	106.9
Petroleum	127.4	157.4	157.4	157.4	161.4
Intermediate	663.6	710.2	745.7	783.0	818.5
Capital Goods	152.8	185.0	195.0	200.0	253.3

Source: World Bank.

TABLE 4.1 - URUGUAY

SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT
PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC 31, 1987
INCLUDES ONLY DEBT COMMITTED 000000 - DEC 31, 1987
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

* * * TABLE TOTAL * * *

DATE	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT-MENTS	DISBURSE-MENTS	SERVICE PAYMENTS: PRINCIPAL	SERVICE PAYMENTS: INTEREST	SERVICE PAYMENTS: TOTAL	CANCEL-LATIONS *	ADJUST-MENT **
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
198212	1,700,227	2,257,217	446,830	432,519	70,452	155,757	226,209	39,080	-
198312	2,510,329	3,065,629	502,777	501,277	93,918	210,130	304,048	3,241	581,639
198412	2,527,825	3,251,179	358,484	189,388	126,245	283,631	409,876	-	-46,689
198512	2,695,105	3,286,705	154,573	219,975	124,215	279,698	403,913	60,215	65,383
198612	2,886,367	3,402,097	226,350	207,864	87,737	249,198	336,935	95,068	71,847
198712	3,040,681	3,653,432	347,522	229,559	132,962	267,221	400,183	23,316	60,091
* * * THE FOLLOWING FIGURES ARE PROJECTED * * *									
198812	2,951,370	3,354,509	-	209,135	236,289	305,939	542,228	477	-62,157
198912	2,806,413	3,080,982	-	128,570	272,075	287,143	559,218	-	-1,452
199012	2,533,141	2,719,546	-	88,163	361,436	260,893	622,329	-	-
199112	2,276,405	2,392,661	-	70,149	326,885	232,932	559,817	-	-
199212	1,959,851	2,026,460	-	49,646	366,201	205,300	571,501	-	-
199312	1,594,388	1,630,288	-	30,709	396,172	172,414	568,586	-	-
199412	1,184,370	1,201,975	-	18,296	428,314	135,628	563,942	-	1
199512	784,814	790,440	-	11,980	411,536	96,053	507,589	-	1
199612	376,698	376,702	-	5,623	413,739	57,019	470,758	-	1
199712	302,908	302,912	-	-	73,790	26,095	99,885	-	-
199812	231,575	231,579	-	-	71,334	20,451	91,785	-	1
199912	171,136	171,140	-	-	60,440	14,837	75,277	-	1
200012	133,091	133,095	-	-	38,044	10,486	48,530	-	-1
200112	99,926	99,930	-	-	33,166	7,816	40,982	-	1
200212	72,415	72,419	-	-	27,511	5,316	32,827	-	-
200312	59,781	59,785	-	-	12,635	3,614	16,249	-	1
200412	49,006	49,010	-	-	10,775	2,841	13,616	-	-
200512	38,243	38,247	-	-	10,763	2,171	12,934	-	-
200612	27,528	27,532	-	-	10,715	1,507	12,222	-	-
200712	19,636	19,640	-	-	7,893	901	8,794	-	1

* Projected amounts in this column are amounts excluded from projections because of unknown terms.

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

TABLE 4.2 - URUGUAY

SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT
PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC 31, 1987
INCLUDES ONLY DEBT COMMITTED 000000 - DEC 31, 1987
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)
CREDITOR TYPE : MULTILATERAL LOANS
* * * TOTAL * * *

DATE	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT-MENTS	DISBURSE-MENTS	SERVICE PAYMENTS			CANCEL-LATIONS *	ADJUST-MENT **
					PRINCIPAL	INTEREST	TOTAL		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
198212	200,789	569,636	1,983	37,178	13,961	16,233	30,194	207	-
198312	214,049	601,112	55,000	34,509	19,800	16,250	36,050	2,281	-1,443
198412	238,853	759,201	206,000	72,717	25,180	17,610	42,790	-	-22,731
198512	304,484	730,634	4,000	51,271	29,264	23,880	53,144	40,215	36,912
198612	393,254	716,115	63,224	71,675	33,112	30,029	63,141	94,835	50,204
198712	550,687	1,000,109	259,500	114,213	33,876	37,687	71,563	20,316	78,686
* * * THE FOLLOWING FIGURES ARE PROJECTED * * *									
198812	573,681	934,621	-	88,482	65,482	52,155	117,637	-	-6
198912	610,496	865,207	-	106,229	69,414	54,160	123,574	-	-
199012	612,946	790,007	-	77,650	75,200	54,094	129,294	-	-
199112	599,043	712,914	-	63,190	77,093	52,252	129,345	-	-
199212	562,604	629,154	-	47,321	83,760	49,205	132,965	-	-
199312	503,033	538,932	-	30,651	90,222	44,367	134,589	-	-
199412	437,766	455,370	-	18,296	83,563	38,593	122,156	-	1
199512	375,631	381,256	-	11,980	74,115	32,891	107,006	-	1
199612	317,834	317,837	-	5,623	63,420	27,719	91,139	-	1
199712	257,332	257,335	-	-	60,502	23,006	83,508	-	-
199812	199,296	199,299	-	-	58,036	18,373	76,409	-	-
199912	145,535	145,538	-	-	53,761	13,769	67,530	-	-
200012	109,628	109,631	-	-	35,907	9,819	45,726	-	-
200112	78,615	78,618	-	-	31,013	7,203	38,216	-	-
200212	53,272	53,275	-	-	25,343	4,757	30,100	-	-
200312	42,735	42,738	-	-	10,537	3,109	13,646	-	-
200412	33,965	33,968	-	-	8,770	2,391	11,161	-	-
200512	25,195	25,198	-	-	8,770	1,776	10,546	-	-
200612	16,439	16,442	-	-	8,756	1,161	9,917	-	-
200712	10,522	10,525	-	-	5,917	607	6,524	-	-

* Projected amounts in this column are amounts excluded from projections because of unknown terms.

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

TABLE 4.3 - URUGUAY

SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT
PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC 31, 1987
INCLUDES ONLY DEBT COMMITTED 000000 - DEC 31, 1987
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)
CREDITOR TYPE : BILATERAL LOANS
* * * TOTAL * * *

DATE	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT-MENTS	DISBURSE-MENTS	SERVICE PAYMENTS			CANCEL-LATIONS *	ADJUST-MENT **
					PRINCIPAL	INTEREST	TOTAL		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
198212	163,205	225,585	14,850	30,395	12,781	8,230	21,011	389	-
198312	160,494	215,854	4,509	10,923	12,172	8,779	20,951	188	-116
198412	146,316	202,128	2,000	1,215	14,653	9,750	24,403	-	-1,073
198512	136,096	193,024	3,570	3,029	14,913	8,188	23,101	-	2,239
198612	103,740	155,647	4,119	9,698	8,880	7,001	15,881	157	-32,459
198712	98,639	148,721	3,510	3,119	10,201	6,020	16,221	3,000	2,765
* * * THE FOLLOWING FIGURES ARE PROJECTED * * *									
198812	118,779	141,178	-	27,206	7,047	7,145	14,192	477	-19
198912	124,598	130,956	-	16,041	10,223	7,800	18,023	-	1
199012	113,050	113,394	-	6,013	17,562	7,484	25,046	-	-
199112	98,367	98,502	-	209	14,892	6,262	21,154	-	-
199212	85,687	85,746	-	75	12,756	5,207	17,963	-	-
199312	75,671	75,672	-	58	10,074	4,437	14,511	-	-
199412	65,584	65,585	-	-	10,087	3,780	13,867	-	-
199512	55,484	55,485	-	-	10,100	3,117	13,217	-	-
199612	45,364	45,365	-	-	10,120	2,455	12,575	-	-
199712	36,576	36,577	-	-	8,788	1,820	10,608	-	-
199812	27,779	27,780	-	-	8,798	1,271	10,069	-	1
199912	25,601	25,602	-	-	2,179	722	2,901	-	1
200012	23,463	23,464	-	-	2,137	667	2,804	-	-1
200112	21,311	21,312	-	-	2,153	613	2,766	-	1
200212	19,143	19,144	-	-	2,168	559	2,727	-	-
200312	17,046	17,047	-	-	2,098	505	2,603	-	1
200412	15,041	15,042	-	-	2,005	450	2,455	-	-
200512	13,048	13,049	-	-	1,993	395	2,388	-	-
200612	11,089	11,090	-	-	1,959	346	2,305	-	-
200712	9,114	9,115	-	-	1,976	294	2,270	-	1

* Projected amounts in this column are amounts excluded from projections because of unknown terms.

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

TABLE 4.4 URUGUAY

SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT
PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC 31, 1987
INCLUDES ONLY DEBT COMMITTED 000000 - DEC 31, 1987
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)
CREDITOR TYPE : SUPPLIERS CREDITS
* * * TOTAL * * *

DATE	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT-MENTS	DISBURSE-MENTS	SERVICE PAYMENTS			CANCEL-LATIONS *	ADJUST-MENT **
					PRINCIPAL	INTEREST	TOTAL		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
198212	22,867	29,638	5,892	7,256	5,677	2,177	7,854	-	-
198312	28,313	29,016	8,693	16,096	6,182	2,217	8,399	-	-3,133
198412	22,828	22,828	2,472	2,472	7,079	1,690	8,769	-	-1,581
198512	20,883	20,883	4,385	4,385	6,364	2,502	8,866	-	34
198612	15,997	15,997	1,198	1,198	6,553	1,592	8,145	-	469
198712	10,879	10,879	512	512	5,822	1,146	6,968	-	192
* * * THE FOLLOWING FIGURES ARE PROJECTED * * *									
198812	6,736	6,736	-	-	4,142	765	4,907	-	-1
198912	4,429	4,429	-	-	2,307	468	2,775	-	-
199012	2,861	2,861	-	-	1,568	315	1,883	-	-
199112	1,665	1,665	-	-	1,196	198	1,394	-	-
199212	756	756	-	-	909	106	1,015	-	-
199312	-	-	-	-	756	44	800	-	-
199412	-	-	-	-	-	-	-	-	-
199512	-	-	-	-	-	-	-	-	-
199612	-	-	-	-	-	-	-	-	-
199712	-	-	-	-	-	-	-	-	-
199812	-	-	-	-	-	-	-	-	-
199912	-	-	-	-	-	-	-	-	-
200012	-	-	-	-	-	-	-	-	-
200112	-	-	-	-	-	-	-	-	-
200212	-	-	-	-	-	-	-	-	-
200312	-	-	-	-	-	-	-	-	-
200412	-	-	-	-	-	-	-	-	-
200512	-	-	-	-	-	-	-	-	-
200612	-	-	-	-	-	-	-	-	-
200712	-	-	-	-	-	-	-	-	-

* Projected amounts in this column are amounts excluded from projections because of unknown terms.

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

TABLE 4.5 = URUGUAY

SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT
PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC 31, 1987
INCLUDES ONLY DEBT COMMITTED 000000 - DEC 31, 1987
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)
CREDITOR TYPE : BONDS
* * * TOTAL * * *

DATE	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT-MENTS	DISBURSE-MENTS	SERVICE PAYMENTS			CANCEL-LATIONS *	ADJUST-MENT **
					PRINCIPAL	INTEREST	TOTAL		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
198212	276,029	365,856	100,000	10,608	372	29,133	29,505	37,223	-
198312	252,549	341,813	-	563	24,026	30,586	54,612	-	-17
198412	261,073	360,616	70,000	59,721	51,197	26,341	77,538	-	-
198512	349,996	428,121	124,000	125,418	36,495	31,842	68,337	20,000	-
198612	432,376	500,576	104,000	113,925	31,545	41,171	72,716	-	-
198712	440,410	508,610	84,000	84,000	75,966	51,954	127,920	-	-
* * * THE FOLLOWING FIGURES ARE PROJECTED * * *									
198812	325,479	325,479	-	68,200	127,913	48,805	176,718	-	-55,218
198912	204,481	204,481	-	-	120,998	35,173	156,171	-	-
199012	138,166	138,166	-	-	66,315	18,560	84,875	-	-
199112	94,431	94,431	-	-	43,735	12,674	56,409	-	-
199212	57,834	57,834	-	-	36,597	8,479	45,076	-	-
199312	33,588	33,588	-	-	24,246	5,229	29,475	-	-
199412	9,338	9,338	-	-	24,250	2,916	27,166	-	-
199512	-	-	-	-	9,338	927	10,265	-	-
199612	-	-	-	-	-	-	-	-	-
199712	-	-	-	-	-	-	-	-	-
199812	-	-	-	-	-	-	-	-	-
199912	-	-	-	-	-	-	-	-	-
200012	-	-	-	-	-	-	-	-	-
200112	-	-	-	-	-	-	-	-	-
200212	-	-	-	-	-	-	-	-	-
200312	-	-	-	-	-	-	-	-	-
200412	-	-	-	-	-	-	-	-	-
200512	-	-	-	-	-	-	-	-	-
200612	-	-	-	-	-	-	-	-	-
200712	-	-	-	-	-	-	-	-	-

* Projected amounts in this column are amounts excluded from projections because of unknown terms.

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category

TABLE 4.6 - URUGUAY

SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT
PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC 31, 1987
INCLUDES ONLY DEBT COMMITTED 000000 - DEC 31, 1987
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)
CREDITOR TYPE : FINANCIAL INSTITUTIONS
* * * TOTAL * * *

DATE	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT-MENTS	DISBURSE-MENTS	SERVICE PAYMENTS			CANCEL-LATIONS *	ADJUST-MENT **
					PRINCIPAL	INTEREST	TOTAL		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
198212	1,037,337	1,066,502	324,105	347,082	37,661	99,984	137,645	1,261	-
198312	1,854,924	1,877,834	434,575	439,886	31,738	152,298	184,036	772	586,348
198412	1,858,755	1,906,406	78,012	53,263	28,136	228,240	256,376	-	-21,304
198512	1,883,646	1,914,043	18,618	35,872	37,179	213,286	250,465	-	26,198
198612	1,941,000	2,013,762	53,809	11,368	7,647	169,405	177,052	76	53,633
198712	1,940,066	1,985,113	-	27,715	7,097	170,414	177,511	-	-21,552
			* * * THE FOLLOWING FIGURES ARE PROJECTED * * *						
198812	1,926,695	1,946,485	-	25,247	31,705	197,069	228,774	-	-6,913
198912	1,862,409	1,875,909	-	6,300	69,133	189,542	258,675	-	-1,453
199012	1,666,118	1,675,118	-	4,500	200,791	180,440	381,231	-	-
199112	1,482,899	1,485,149	-	6,750	189,969	161,546	351,515	-	-
199212	1,252,970	1,252,970	-	2,250	232,179	142,303	374,482	-	-
199312	982,096	982,096	-	-	270,874	118,337	389,211	-	-
199412	671,682	671,682	-	-	310,414	90,339	400,753	-	-
199512	353,699	353,699	-	-	317,983	59,118	377,101	-	-
199612	13,500	13,500	-	-	340,199	26,845	367,044	-	-
199712	9,000	9,000	-	-	4,500	1,269	5,769	-	-
199812	4,500	4,500	-	-	4,500	807	5,307	-	-
199912	-	-	-	-	4,500	346	4,846	-	-
200012	-	-	-	-	-	-	-	-	-
200112	-	-	-	-	-	-	-	-	-
200212	-	-	-	-	-	-	-	-	-
200312	-	-	-	-	-	-	-	-	-
200412	-	-	-	-	-	-	-	-	-
200512	-	-	-	-	-	-	-	-	-
200612	-	-	-	-	-	-	-	-	-
200712	-	-	-	-	-	-	-	-	-

* Projected amounts in this column are amounts excluded from projections because of unknown terms.

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category

Table 5.1: URUGUAY - SUMMARY OF CENTRAL GOVERNMENT OPERATIONS, 1971-1987
(In millions of NU$)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total Revenue	163	168	370	588	981	1722	2938	4350	8424	14955	21260	19552	29487	40497	76787	147567	266535
Current Expenditure	135	186	372	709	1204	1808	2796	4042	7260	13081	19819	27720	33423	50810	83612	146783	257554
Current Account Surplus	-31	-18	-2	-122	-223	-86	142	307	1163	1874	1441	-8168	-3936	-10313	-6825	784	8981
Capital Expenditures	10	14	34	80	145	313	382	708	1040	1799	2492	3490	4367	4551	7813	14591	31029
Overall Surplus or Deficit (-)	-42	-32	-36	-202	-368	-399	-241	-401	123	75	-1051	-11[illegible]8	-8303	-14864	-14638	-13608	-22048
Net Financing	42	32	34	202	368	399	241	401	-123	-75	1051	11658	8303	14864	14638	13608	22048
Foreign Loans	-1	-1	-7	-2	-18	-13	-34	-32	-33	-61	892	338	186	2502	-949	7571	1126
Monetary Authorities	42	29	24	104	156	208	287	159	206	-168	396	8915	5765	7470	79	-11260	-27549
Exchange Adjustment	..	..	..	..	..	..	53	30	9	12	12	110	-42	-64	-663	3495	13734
Treasury Notes and Bonds	-10	4	17	126	284	158	81	153	-286	-219	32	1081	1559	1398	16053	20621	31999
Amortization of Domestic Debt	-0	..	..	..	..	..	-2	-2	-1	-2	-4	-3	-2	-3	-1	-1	-1
COMIPAL Financing	2	1	..	..	..	..	-128	160	..	..	..	..	..	..	..	..	..
Other Sources, net	9	-1	1	-26	-54	47	5	-67	-19	362	-277	1217	837	3580	119	-6818	2739

1/ Preliminary
Source: National Accounting Office; Secretariat of Planning and Coordination; Central Bank.

Table 5.2: URUGUAY - CENTRAL GOVERNMENT REVENUES AND EXPENDITURES, 1971-1987
(In millions of NU$)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
TOTAL REVENUE	103	168	370	588	981	1722	2938	4350	8424	14955	21260	19552	29486	40497	76788	147567	266535
Taxes on Goods and Services	44	70	193	358	774	1244	2046	3067	5221	9287	13630	12892	16914	27424	53349	96288	182124
of Which: Value Added 1/	17	28	79	161	344	621	1002	1526	2751	5676	8515	7971	9718	15943	30163	55957	105671
Income taxes	8	13	39	61	97	200	349	569	1038	2363	2427	2028	3099	2945	6013	13947	27294
of Which: IMPROME/IMAGRO 2/	1	5	16	27	27	64	111	129	177	500	110	10	4	114	1863	3819	8284
Taxes on property	5	10	13	19	28	83	171	211	282	725	1094	1293	2074	1935	4433	9892	15980
Other domestic taxes 3/	17	28	34	57	24	39	56	59	81	116	0	0	0	0	0	0	0
Taxes on foreign trade	16	30	78	95	101	239	424	550	1597	2753	3541	2818	4743	6201	10721	24266	39728
Adjustment 4/	1	6	-9	-40	-85	-249	-377	-527	-717	-1475	-2138	-2588	-3513	-4117	-5139	-9915	-18745
Non-tax Revenue 5/	12	11	23	37	42	147	268	421	923	1187	2706	3109	6169	6109	7411	13089	20154
TOTAL EXPENDITURE	145	199	407	790	1349	2121	3178	4751	8301	14880	21323	30681	36767	55505	91426	161174	288583
Current Expenditure	135	186	372	709	1204	1808	2796	4042	7260	13081	18960	27503	33160	50593	83613	146783	257554
Goods and Services	110	154	299	572	997	1498	2283	3378	5796	11910	17432	24723	28099	38397	65004	118681	212263
Wages	72	89	178	331	610	814	1242	1712	2896	5219	7697	9468	11067	14672	27317	51131	88225
Social Security 6/	10	34	77	168	261	451	584	901	1503	4225	6623	12105	13455	16749	26521	42104	78818
Other	28	31	43	73	127	234	457	765	1397	2466	3112	3150	3577	6976	11166	25446	45220
Transfer Payments 7/	21	12	30	71	101	128	264	342	1056	794	886	1482	2146	6741	7805	10039	16997
Interest Payments	4	7	14	28	75	145	202	263	360	326	550	1186	2771	5285	10510	16757	25352
Earmarked Revenues	0	13	30	39	31	36	47	60	49	51	92	112	143	170	294	1306	2942
Capital Expenditures	10	14	34	80	145	313	382	708	1040	1799	2363	3178	3607	4912	7813	14391	31029

1/ Includes General Sales Taxes.
2/ The new tax on presumptive net income of agricultural enterprises (IMAGRO) replaced IMPROME in late 1979.
3/ Between 1971 and 1976, includes stamp taxes only, and between 1977 and 1983, these are included in "Taxes on Goods and Services".
4/ Mainly taxes paid with tax credit certificates for exports. In 1980 it includes other tax credit certificates previously netted out from specific revenue categories.
5/ Includes discrepancy between cash and acrual revenues.
6/ Includes Government payroll contributions and transfers to BPS, Army and Public Funds.
7/ Includes subsidies, advances and National Housing Fund. Excludes transfers to BPS, Army and Public Funds.

Source: Central Bank Statistical Bulletin, IMF and World Bank Economic Memorandum, Jan. 1979.

Table 5.3: URUGUAY - TAX REVENUES, 1971-1987
(Millions of NU$)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
TOTAL TAX REVENUE 1/	84.1	142.1	335.0	556.5	896.6	1514.4	2564.1	3765.4	7121.0	13232.2	17484.6	16078.8	23866.8	34484.0	65886.3	133872.1	248773.9
Taxes on goods and services	60.4	95.4	223.2	410.1	773.7	1243.6	2046.2	3066.8	5220.8	9286.6	13514.0	12757.6	16753.1	27259.1	53028.8	97817.2	182667.8
Value added	0.0	0.0	61.8	143.8	317.1	602.6	1002.3	1526.2	2751.2	5676.2	8515.0	7970.5	9718.4	15942.9	30125.3	55957.4	106561.4
Gasoline tax (IMESI)	6.9	10.4	39.8	69.0	146.6	256.1	431.0	581.9	972.5	1661.3	2117.2	1996.8	3609.4	5908.8	12100.7	19521.7	35245.5
Tobacco (IMESI)	6.3	11.1	28.1	47.5	92.1	137.3	203.5	296.6	458.8	912.4	1251.1	1534.5	2045.7	2671.5	4897.5	7766.1	12405.6
Electricity (IMESI)	0.0	0.0	0.0	1.8	11.1	18.1	32.7	48.6	64.6	132.3	245.6	35.5	119.6	131.3	0.2	2140.5	4403.9
Automotives (IMESI)	0.4	0.6	0.9	0.9	4.6	10.7	13.4	12.5	14.3	178.7	427.7	225.3	51.9	87.8	132.2	312.6	3303.6
Special consumption (IMESI) 2/	0.0	0.0	0.0	0.0	0.0	51.3	95.4	156.9	301.9	568.4	824.0	864.4	980.3	1392.1	2458.0	5059.0	9312.9
Alcoholic beberages	2.8	2.5	8.1	18.4	25.7	10.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banking activity	3.9	7.1	17.3	31.9	62.1	83.4	157.7	278.7	320.7	62.5	14.4	9.3	17.6	16.3	25.6	28.0	24.2
Stamp tax	16.6	27.3	31.4	52.8	35.2	6.8	8.6	14.9	22.5	6.3	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Unified tax	1.4	2.4	5.3	10.0	16.6	15.9	17.7	15.9	13.0	1.5	0.5	0.2	0.1	0.1	0.0	0.0	0.0
Sales and services	13.8	22.1	10.1	4.9	1.9	1.9	1.7	0.9	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	773.9	2786.0	6168.9	10147.5
Other	8.3	11.9	20.4	29.1	60.7	48.8	82.2	133.7	301.0	87.0	117.4	121.1	210.1	334.4	503.3	863.0	1263.2
Income taxes	7.2	14.2	38.3	59.1	96.8	199.9	349.1	568.7	1037.7	2362.7	2426.7	2027.7	3146.6	2941.7	6012.8	11375.4	24792.6
Industry and Commerce	1.5	2.1	10.4	21.3	53.9	109.8	203.2	393.7	776.0	1743.5	2283.6	1991.2	2986.0	2707.5	3930.3	7035.8	15771.2
AB/IMPROME/IMAGRO/SALES TAX	0.8	5.2	16.4	26.9	26.8	64.0	111.2	128.6	176.7	499.9	109.5	9.7	3.5	113.9	1861.1	3947.2	8288.2
Personal income	1.9	2.5	4.3	3.2	0.6	0.6	0.4	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	3.0	4.4	7.2	7.7	15.5	25.5	34.3	46.0	84.9	119.3	35.6	26.8	157.1	120.3	221.4	392.4	733.2
Taxes on property	4.5	7.3	10.1	13.7	28.2	83.2	170.7	210.8	281.9	724.5	1093.8	1292.9	2074.0	1934.9	4432.6	9829.0	19218.1
Property tax and IMABA	2.9	5.3	6.0	8.3	26.4	81.7	169.4	208.9	278.2	720.4	1087.0	1286.1	1691.9	1880.1	4371.0	9636.2	18931.0
Inheritance tax	1.2	1.5	2.4	3.8	1.8	0.7	0.3	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.4	0.5	1.7	1.6	0	0.8	1.0	1.8	3.6	4.1	6.8	6.8	382.1	54.8	61.6	192.8	287.1
Other domestic taxes	2.5	4.4	6.3	12.5	23.7	58.7	56.0	58.7	80.5	116.1	115.8	133.7	113.3	169.0	280.9	864.5	1973.3
Taxes on foreign trade	9.5	20.8	57.1	61.1	59.0	178.4	319.2	387.1	1217.1	2217.6	2569.8	2280.7	4743.4	6200.6	10721.1	24265.9	39727.9
Import tax	7.0	7.9	14.8	25.2	50.4	171.1	300.8	373.8	1200.3	2212.0	2567.0	2280.7	2792.2	5134.5	9801.8	22349.9	37991.1
Export Taxes	1.9	11.7	42.0	35.9	8.6	7.3	18.4	13.1	16.8	5.6	2.8	0.0	1951.2	1066.1	919.3	1916.0	1736.8
Other	0.6	1.2	0.3	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment 3/	0.0	0.0	0.0	0.0	-84.8	-249.4	-377.1	-526.7	-717.0	-1475.3	-2235.5	-2413.8	-2963.6	-4021.3	-5589.9	-10279.9	-19605.8

1/ Acrual basis.
2/ Since April 1976 includes taxes on beverages and other taxes, classified under "Other taxes on goods and services" in previous years.
3/ Includes export rebates.

Source: Central Bank.

Table 5.4: URUGUAY - ECONOMIC CLASSIFICATION OF CENTRAL GOVERNMENT EXPENDITURES, 1974-1987
(% of current values)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
RESOURCE DEVELOPMENT	37.6	40.4	40.3	43.0	41.9	42.6	47.1	48.5	45.4	43.2	46.0	47.0	46.2	..
Human Resources	37.0	39.7	39.8	42.1	40.3	41.3	45.8	47.1	44.6	42.5	45.3	46.6	45.8	..
Education	16.0	17.3	15.7	16.3	16.1	16.1	14.8	14.8	11.0	11.0	7.5	8.5	10.2	10.8
Health	8.3	7.4	7.2	6.8	6.6	7.6	6.0	6.5	4.5	5.5	6.0	6.6	7.9	..
Labor and Social Security	12.4	14.6	16.5	18.3	17.5	17.6	25.0	25.7	29.0	25.8	31.6	31.4	27.6	..
Housing	0.3	0.4	0.4	0.7	0.1	0.0	0.0	0.1	0.1	0.2	0.2	0.1	0.1	1.6
Natural Resources	0.6	0.7	0.5	0.9	1.6	1.3	1.3	1.4	0.8	0.7	0.7	0.4	0.4	..
INFRASTRUCTURE DEVELOPMENT	11.8	4.5	9.7	11.2	10.9	10.3	8.5	8.0	6.8	4.7	8.5	6.3	6.2	..
Transport and Communications	11.0	4.1	9.2	10.9	10.6	10.1	7.5	8.0	6.6	4.4	7.4	6.2	6.0	..
Energy, Sanitary Services and Urbanism	0.8	0.4	0.5	0.3	0.3	0.2	1.0	0.0	0.2	0.3	1.0	0.1	0.2	..
PRODUCTION DEVELOPMENT	11.2	10.4	13.7	2.2	1.8	2.2	2.3	2.0	1.3	1.3	2.3	1.5	1.9	..
Agriculture	1.5	2.0	1.7	1.7	1.5	1.9	1.7	1.7	1.1	1.1	1.7	1.1	1.5	..
Other Economic Sectors	3.4	1.6	0.7	0.5	0.3	0.3	0.6	0.3	0.2	0.2	0.6	0.4	0.4	..
Certificates of Reimbursement	6.3	6.8	11.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GENERAL SERVICES	35.8	39.7	31.4	40.2	41.7	42.6	38.8	36.7	28.8	32.9	28.6	31.5	31.4	31.6
Legislative	1.0	0.8	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.2	0.2	..	..	..
General Administration	7.0	5.4	4.7	5.0	5.4	5.8	4.7	5.0	4.0	6.2	8.5	..	..	..
Financial Administration	2.8	3.4	2.6	10.8	11.1	9.1	8.1	4.6	5.5	5.9	0.3	..	..	..
Defense	22.1	26.5	20.6	21.0	21.9	24.1	22.1	24.0	16.9	17.9	16.1	..	..	..
Justice	2.0	2.6	1.8	1.8	1.8	1.7	2.2	1.5	1.2	1.4	1.1	..	..	..
Foreign Affairs	0.9	1.0	1.1	1.0	1.0	1.4	1.3	1.2	0.9	1.3	2.4	..	..	..
DEBT SERVICE	3.1	4.4	4.9	3.4	3.7	2.3	3.3	4.8	17.7	17.9	14.2	12.2	11.1	6.7
UNCLASSIFIED	0.5	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	1.5	3.2	0.6

1/ Preliminary.

Source: National Accounting Office, Secretariat of Planning and Coordination.

Table 5.5: URUGUAY - SUMMARY OF PUBLIC ENTERPRISES OPERATIONS, 1971-1987
(In millions of NU$)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Current Revenues	59.4	111.0	242.7	537.9	1051.1	1598.6	2403.4	3449.9	6087.3	11978.8	15618.8	16838.7	26509.0	45171.6	84103.8	..	223208.3
Current Expenditures	55.0	103.5	214.0	579.7	969.2	933.4	1511.1	2400.2	4377.0	7075.3	9557.2	12577.6	21324.0	33612.6	63429.3	..	143100.8
Net Transfers	..	..	..	..	..	-199.8	-282.3	-340.4	-632.5	-2107.5	-3297.2	-3121.3	-3794.0	-4710	-13793.3	-32937.9	-53963.2
Current Account Surplus or Deficit	4.4	7.5	28.7	-41.8	81.9	465.4	610.0	709.3	1077.8	2796.0	2764.4	1139.8	1391.0	6849.0	6881.2	20617.7	26143.3
Capital Receipts	..	..	..	..	..	18.6	77.4	219.9	105.8	151.6	108.7	89.2	0.0	456.2	588.9	782.6	2599.8
of Which: Capital transfers	..	..	..	..	..												
from Central Gov.	..	..	..	..	..	7.2	56.3	190.2	66.5	100.6	0.0	89.2	0.0	456.2	588.9	782.6	2599.8
Capital Expenditures	10.4	25.5	26.3	68.0	99.1	480.1	620.2	1066.2	1793.8	2879.1	4028.4	3149.9	2707.0	5449.4	9811.0	19998.8	31002.7
Overall Surplus or Deficit	-6.0	-18.0	2.4	-109.8	-17.2	3.9	67.2	-137.0	-610.2	68.5	-1155.3	-1920.9	-1316.0	1855.8	-2340.9	1401.5	-2559.2
Net Financing	6.0	18.0	-2.4	109.8	17.2	-3.9	-67.2	137.0.	610.2	-68.5	1155.3	1920.9	1316.0	-1855.8	2340.9	-1401.5	2259.6
Foreign Loans (net)	..	..	..	..	..	96.9	177.7	210.1	775.1	755.7	1569.4	2947.5	-7088.6	587.3	2973.4	1803.3	1186.2
Dollar Denominated Bonds	..	..	..	..	..	0.0	0.0	0.0	0.0	-34.5	-33.4	-5.5	0.0	0.0	0.0	0.0	0.0
Other	..	..	..	..	..	-100.8	-244.9	-73.1	-164.9	-789.7	-380.7	-1021.1	8404.6	-2443.1	-632.5	-3204.8	1073.4

Sources: IMF.

Table 3.6: URUGUAY - CONSOLIDATED PUBLIC SECTOR OPERATIONS, 1971-1987
(In millions of NU$)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Current Account Surplus or Deficit	-215.3	569.1	922.8	1339.0	2790.3	5247.8	4392.1	-5984.3	-1589.9	-2136.1	487.3	25120.7	34531.4
Capital Receipts	0.0	11.4	21.1	29.7	39.3	51.0	108.7	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditures	328.8	822.1	1000.9	1574.1	2851.8	4805.6	7350.0	6936.5	7480.8	10744.0	16587.8	37111.6	58515.1
Overall Surplus or Deficit	-544.1	-241.6	-57.0	-205.4	-22.2	493.2	-2849.2	-12920.8	-9070.7	-12880.1	-16100.5	-11990.9	-23983.7
Dollar Denominated Bonds & Bills	279.5	158.2	81.5	153.1	-224.0	-24.5	-1.0	1075.9	1559.0	1398.3	22758.9	13380.1	36449.7
Foreign loans (net)	-41.6	156.6	212.8	253.6	792.7	1110.7	2460.3	3284.5	-6730.2	-2030.4	1476.1	10176.0	11231.2
Foreign Suppliers Credits (net)	21.4	33.3	113.1	86.4	178.0	376.8	-217.9	621.1	-847.5	626.4	-342.5	-893.5	526.8
Other Internal Financing (net)	52.0	-106.5	-350.4	-287.7	-657.8	-1956.2	607.8	7939.3	15089.4	12885.9	-7792.0	-10671.7	-24452.3

Source: IMF.

Table 6.1: URUGUAY - ACCOUNTS OF THE FINANCIAL SYSTEM, 1981-1987
(In millions of new Uruguayan pesos)

	1/ 1981	2/ 1982	3/ 1983	4/ 1984	5/ 1985	6/ 1986	7/ 1987
Net International Reserves	9556	-8592	-2960	-38156	-37535	38309	65308
Foreign Assets	15662	27174	44947	60052	102371	239239	263657
Foreign Liabilities	-6106	-35766	-47907	-98208	-139906	-200930	-198349
Net Domestic Assets	52975	121979	220269	406996	655331	1060043	1236561
Public Sector (net)	1619	15741	45763	84902	101941	179416	171900
Central Government (net)	2469	16255	28193	54798	55878	70885	52096
Rest of Public Sector (net)	-850	-514	17570	30104	46063	108531	119804
Credit to Banks in Liquidation	-5	-13	-22	1003	3446	4511	8247
Credit to Private Sector	61335	110283	162458	273700	412680	622123	809890
Nonmonetary International Org.	-370	376	606	869	1388	2022	4100
Valuation Adjustment	-1646	18353	-7942	-8862	-7254	14845	34835
Other Accounts	-6921	-22122	19071	52967	143570	232843	199131
Interbank Float	-1037	-641	335	2417	-440	4283	8458
Medium and Long-term Foreign Liabilities	477	10162	76740	141177	216222	377387	418548
Allocation of SDR's	739	1874	2927	5109	8297	13818	16066
Liabilities to Private Sector	61315	101351	137642	222553	393277	706656	867254
Money	9872	11905	12730	20049	40412	71165	118913
Currency in Circulation	6128	7847	8367	12079	23402	43044	76422
Demand Deposits	3744	3958	4363	7970	17010	28121	42491
Quasi-money	51443	89546	124912	202504	352865	635491	748341
Time & Savings Deposits in local currency	20149	20649	26203	38709	69786	111810	1[illegible]9782
Foreign Currency Deposits	27186	64303	92033	154072	268234	500168	548029
Mortgage Bonds	3457	3927	5626	8142	11626	17783	24541
Import Deposits	0	0	0	0	0	0	0
Bills	0	0	0	0	0	0	0
Other Liabilities in Local Currency	651	667	882	1022	1863	4814	5926
Other Liabilities in Foreign Currency	0	0	168	579	1356	916	1063

1/ Foreign Currency converted at NU$ 12.7 per US$ 1, UR valued at NU$141.43, and mortgage bonds at NU$70.48.
2/ Foreign Currency converted at NU$33.9 per US$ 1, UR valued at NU$166.78, and mortgage bonds at NU$94.52.
3/ Foreign Currency converted at NU$55.93 per US$ 1, UR valued at NU$224.12, and mortgage bonds at NU$134.55.
4/ Foreign Currency converted at NU$101.15 per US$ 1, UR valued at NU$436.52, and mortgage bonds at NU$199.61.
5/ Foreign Currency converted at NU$151.50 per US$ 1, UR valued at NU$833.72, and mortgage bonds at NU$281.71.
6/ Foreign Currency converted at NU$226.60 per US$ 1, UR valued at NU$1373.76, and mortgage bonds at NU$357.1.
7/ Reflects the effects of a major reclassification of accounts carried out at the end of 1986.

Sources: Central Bank of Uruguay; and Fund staff estimates

Table 6.2: URUGUAY - SUMMARY ACCOUNTS OF THE BANKING SYSTEM, 1981-1987
(millions of NU$)

	1/ 1981	2/ 1982	3/ 1983	4/ 1984	/5 1985	/6 1986	/7 1987
Net International Reserves	10568	57307	-3029	-38242	-37535	38064	65058
Foreign Assets	15662	27136	44878	59967	102371	238994	263407
Foreign Liabilities	-5094	30171	-47907	-98209	-139906	-200930	-198349
Net Domestic Assets	46038	110061	207998	384697	617608	1007833	1151832
Public Sector (net)	1028	17052	44727	83106	102066	172382	155095
Central Government (net)	2543	18343	28176	55692	59812	70067	49338
Rest of Public Sector (net)	-1515	-1291	16551	27414	42254	102315	105757
Credit to Official Banks	777	7569	25906	46596	75422	120140	135613
Credit to Banks in Liquidation	-5	-13	-22	1003	3446	4511	8247
Credit to Private Sector	50517	94141	137158	219643	345877	512280	624292
Nonmonetary International Org.	-370	376	606	869	1388	2022	4100
Valuation Adjustment	-909	19397	-6633	-8862	-7254	-17723	26748
Other Accounts	-4589	-27814	6207	40327	98402	208468	194176
Interbank Float	-411	-647	49	2015	-1739	5753	3561
Medium and Long-term Foreign Liabilities	477	10162	76740	141177	216222	377387	418548
Liabilities to Official Banks	59	65	166	126	347	15221	1615
Allocation of SDR's	739	1874	2927	5109	8297	13818	16066
Liabilities to Private Sector	55331	92923	125136	200045	355207	639470	780661
Money	9837	11790	12692	19950	40282	71024	118713
Currency in Circulation	6145	7880	8367	12079	23402	43044	76422
Demand Deposits	3692	3910	4325	7871	16880	27980	42291
Quasi-money	45494	81133	112444	180095	314925	568446	661948
Time & Savings Deposits in local currency	17730	18563	23113	33638	62273	93147	140258
Foreign Currency Deposits	27113	61903	88281	144856	249433	469569	514701
Other Liabilities in Local Currency	651	667	882	1022	1863	4814	5926
Other Liabilities in Foreign Currency	0	0	168	579	1356	916	1063

Source: Central Bank of Uruguay; and Fund staff estimates

1/ Foreign Currency converted at NU$ 12.7 per US$ 1.
2/ Foreign Currency converted at NU$ 33.9 per US$ 1.
3/ Foreign Currency converted at NU$ 55.93 per US$ 1.
4/ Foreign Currency converted at NU$ 101.15 per US$ 1.
5/ Foreign Currency converted at NU$ 151.50 per US$ 1.
6/ Foreign Currency converted at NU$ 226.60 per US$ 1.
7/ Reflects the effects of a major reclassification of accounts carried out at the end of 1986.

Table 6.3: URUGUAY - SUMMARY ACCOUNTS OF THE CENTRAL BANK, 1981-1987

	1981	1982	1/ 1983	2/ 1984	3/ 1985	4/5/ 1986	4/ 1987
Net International Reserves	5748	-4414	-2712	-10141	-23527	25750	35831
Foreign Assets	7253	7763	17077	22793	41715	135234	146098
Foreign Liabilities	-1505	-12177	-19789	-32934	-65242	-109484	-110267
Net Domestic Assets	5264	33187	109272	211053	343877	552221	657868
Public Sector (net)	861	8621	33993	49856	76406	125251	149097
Central Government (net)	1646	9909	18936	27181	33495	16575	38816
Rest of Public Sector (net)	-785	-1288	15057	22675	42911	108676	110281
Credit to Banking System	2030	7668	12627	18729	21851	33601	46299
Banco de la Republica	940	2739	5734	7979	10727	15862	28138
Commercial Banks	1090	4929	6893	10750	11124	17739	18161
Credit to Official Banks	251	4786	25600	46118	74542	119277	134516
Credit to Banks in Liquidation	-5	-13	-22	1003	3446	4511	8247
Credit to Private Sector	32	1499	23398	40060	57378	61086	54849
Nonmonetary International Org.	-370	376	606	869	1388	2022	4100
Valuation Adjustment	-768	11063	3392	9302	11281	15133	-12989
Other Accounts	3233	-813	9678	[illegible]	97585	191340	273749
Medium and Long-term Foreign Liabilities	398	10006	76547	140698	215533	251652	417517
Liabilities to Official Banks	0	0	34	36	100	10386	16973
Allocation of SDR's	739	1874	2927	5109	8297	9239	16066
Liabilities to Banking System	3730	9013	18685	42990	73018	103204	182722
Banco de la Republica	1267	5067	13292	25162	40000	58505	135556
Commercial Banks	2463	3946	5393	17828	33018	44699	47166
Currency in Circulation	6145	7880	8367	12079	23402	23402	23402

Sources: Central Bank of Uruguay; and Fund staff estimates

1/ Foreign Currency converted at NUr$ 55.93 per US$ 1.
2/ Foreign Currency converted at NUr$ 101.15 per US$ 1.
3/ Foreign Currency converted at NUr$ 151.50 per US$ 1.
4/ Foreign Currency converted at NUr$ 226.50 per US$ 1.
5/ Reflects the effects of major reclassification of accounts carried out at the end of 1986.

Table 7.1: URUGUAY - MANUFACTURING INDUSTRIES VALUE ADDED INDEX, 1984 - 1987
(average 1982 = 100)

	1984	1985	1986	1987	
				I	II
Food	81.9	89.0	91.2	81.6	97.8
Other Food Products	89.2	86.4	88.5	83.4	97.1
Beverages	77.1	79.9	90.4	112.0	75.9
Tobacco	85.5	81.7	81.5	82.8	81.9
Textiles	135.3	132.8	155.0	144.4	169.9
Garments	126.8	117.1	131.8	107.0	164.2
Leather	101.9	85.2	91.7	89.2	96.4
Shoes	122.0	89.5	107.0	103.5	134.0
Paper	128.4	117.6	145.7	134.9	156.3
Printing	98.6	99.5	102.6	124.3	111.6
Industrial Chemicals	86.4	103.1	142.2	145.6	173.9
Other Chemicals	96.4	92.2	110.2	94.5	105.3
Oil Refining	83.3	78.2	70.6	78.1	87.3
Rubber	129.7	124.2	155.7	126.0	172.8
Plastics	96.5	106.1	123.8	122.7	147.3
Porcelain	170.8	113.0	175.7	211.9	212.0
Glass	68.6	108.1	141.9	167.3	156.0
Other Non-Metallic Min. Products	61.5	49.8	57.3	72.3	77.8
Iron Metallic Products	103.5	94.9	100.0	125.3	123.4
Non Iron Metallic Products	132.5	128.9	134.8	120.4	128.8
Metallic Products	88.7	91.4	112.7	126.6	130.3
Machinery and Electrical Applianc	85.9	85.5	107.3	80.5	120.1
Transport Equipment	87.0	94.0	126.5	181.9	165.3
Scientific Equipment	127.0	75.5	103.4	82.5	108.6
Other	122.0	107.4	132.6	157.7	153.3

Source: Central Bank Statistical Bulletin.

Table 7.2: URUGUAY - MANUFACTURING INDUSTRY EMPLOYMENT INDEX, 1984 - 1987
(average 1982 = 100)

	1984	1985	1986	1987	
				I	II
Food	97.6	101.9	105.3	102.5	99.7
Other Food Products	89.9	95.2	99.1	99.5	110.2
Beverages	86.1	91.2	99.6	111.1	96.6
Tobacco	98.5	95.6	94.4	92.7	90.4
Textiles	129.9	136.8	144.0	150.7	151.1
Garments	144.2	140.8	145.8	145.1	145.5
Leather	107.4	98.8	108.9	121.6	124.3
Shoes	119.9	97.7	102.3	120.2	121.8
Paper	109.6	116.9	126.8	137.9	138.9
Printing	93.4	94.2	93.3	95.4	94.5
Industrial Chemicals	86.0	99.9	107.6	111.2	119.7
Other Chemicals	90.5	90.5	92.6	89.5	91.9
Oil Refining	118.4	123.0	128.4	128.6	128.6
Rubber	101.9	106.0	112.5	114.0	120.8
Plastics	106.2	122.0	130.1	135.3	139.9
Porcelain	124.5	110.0	119.4	138.8	141.8
Glass	80.0	80.7	100.4	107.1	122.9
Other Non-Metallic Min. Products	90.6	88.3	86.8	95.7	97.3
Iron Metallic Products	73.9	68.7	64.2	64.2	64.7
Non Iron Metallic Products	111.9	117.0	127.6	129.8	130.7
Metallic Products	77.0	80.5	89.2	98.2	99.4
Non Electrical Machinery	63.9	45.36	47.63	42.66	49.46
Machinery & Electrical Appliances	74.4	76.1	80.5	85.1	92.2
Transport Equipment	63.5	73.8	79.0	90.2	106.5
Scientific Equipment	121.1	111.6	100.6	108.6	107.1
Other	90.9	90.1	93.4	100.3	102.5

Source: Central Bank Statistical Bulletin.

Table 8.1: URUGUAY - SELECTED DATA ON AGRICULTURAL CROPS, 1972-1987 1/
(Production in thousand metric tons; acreage in thousand hectares;
yield in metric tons per hectare)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
CEREALS																
Wheat																
Acreage	339.6	185.0	292.1	451.5	462.9	543.5	321.4	219.1	320.2	227.3	295.9	240.2	255.7	228.8	216.3	187.8
Production	301.6	186.5	296.8	526.5	455.7	504.9	173.2	174.2	429.5	306.6	387.8	363.1	418.7	348.9	246.1	231.7
Yield	0.9	1.0	1.0	1.2	1.0	0.9	0.5	0.8	1.3	1.3	1.3	1.5	1.6	1.5	1.1	1.2
Corn																
Acreage	181.0	228.8	201.3	153.4	176.7	158.5	178.1	131.1	131.9	146.2	94.9	93.1	86.0	97.9	76.3	87.5
Production	141.2	228.6	225.1	157.1	210.4	121.0	171.7	70.9	119.3	180.8	97.3	103.7	111.8	108.0	75.6	103.7
Yield	0.8	1.0	1.1	1.0	1.2	0.8	1.0	0.5	0.9	1.2	1.0	1.1	1.3	1.1	1.0	1.2
Rice																
Acreage	31.3	34.5	42.7	46.9	52.3	56.8	58.4	68.0	67.4	62.3	69.5	70.2	78.8	86.5	82.4	79.4
Production	123.0	136.9	157.9	188.5	216.3	228.3	225.6	248.0	287.6	330.3	418.9	323.1	339.8	420.7	399.2	335.5
Yield	3.9	4.0	3.7	4.0	4.1	4.0	3.9	3.6	4.3	5.3	6.0	4.6	4.3	4.9	4.8	4.2
Barley																
Acreage	48.1	28.6	32.8	32.8	48.8	40.0	49.9	57.0	40.1	37.5	63.5	26.3	51.8	67.8	65.9	50.8
Production	28.6	26.6	28.4	28.0	33.5	47.0	38.0	57.4	71.1	55.5	85.3	45.0	80.8	113.3	79.7	62.4
Yield	0.6	0.9	0.9	0.9	0.7	1.2	0.8	1.0	1.8	1.5	1.3	1.7	1.6	1.7	1.2	1.2
Sorghum																
Acreage	42.2	112.8	111.1	59.3	58.6	106.7	94.5	43.6	49.9	73.8	56.5	55.9	48.1	72.9	40.1	30.6
Production	56.9	225.0	192.9	77.0	118.4	161.8	141.8	53.8	84.4	192.0	122.9	106.6	118.7	151.6	104.5	90.1
Yield	1.3	2.0	1.7	1.3	2.0	1.5	1.5	1.2	1.7	2.6	2.2	1.9	2.5	2.1	2.6	2.9
OILSEEDS & IND. CROPS																
Linseed																
Acreage	73.6	47.9	43.4	71.0	102.5	73.9	88.0	69.1	99.9	36.7	18.2	7.4	13.9	13.2	10.6	8.5
Production	42.5	29.5	26.3	39.3	61.7	46.4	39.8	31.2	65.1	21.4	11.0	4.7	7.4	8.2	6.8	5.6
Yield	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.7	0.6	0.6	0.6	0.5	0.6	0.6	0.7
Sunflower																
Acreage	103.0	108.6	104.4	104.1	136.1	102.3	142.0	129.9	86.2	59.0	71.9	43.8	71.3	54.8	77.4	67.1
Production	59.8	71.1	48.4	51.4	77.1	34.4	71.6	51.4	47.6	45.0	46.2	18.8	25.9	30.9	72.2	48.0
Yield	0.6	0.7	0.5	0.5	0.6	0.3	0.5	0.4	0.6	0.8	0.6	0.4	0.4	0.6	0.9	0.7
Sugarbeet																
Acreage	15.7	14.9	13.9	22.1	27.6	23.7	18.2	17.9	14.0	10.6	13.1	12.7	10.8	7.3	9.0	8.7
Production	341.3	370.5	429.2	573.3	833.2	596.9	375.9	356.7	504.0	345.7	366.8	393.8	271.2	177.3	282.7	246.1
Yield	21.7	24.9	30.9	25.9	30.2	25.2	20.7	19.9	36.0	32.6	28.0	31.0	25.1	24.3	31.5	28.7
Soybeans																
Acreage	..	..	..	..	..	..	..	..	54.4	..	..	9.2	9.2	14.8	20.0	36.5
Production	..	..	6.5	14.9	8.8	12.1	33.0	39.7	66.0	75.0	45.8	11.9	10.9	21.5	35.4	62.8
Yield	..	..	..	..	..	..	..	..	1.2	..	..	1.3	1.2	1.4	1.8	1.7
Sugarcane																
Acreage	6.8	7.3	6.9	8.3	10.0	11.1	10.3	10.3	9.1	10.0	10.2	9.9	10.4	10.5	10.3	9.9
Production	328.6	252.4	242.0	375.7	326.2	599.3	350.0	322.6	370.8	420.3	479.7	572.4	512.5	586.1	637.1	599.7
Yield	48.3	34.6	35.1	45.3	32.6	54.0	34.0	31.3	40.7	42.0	47.0	57.8	49.3	55.8	61.8	60.6

.. not available.
1/ Dates refer to the end of crop years.

Source: Central Bank Bulletin and IMF.

Table 9.1: URUGUAY - COST OF LIVING IN MONTEVIDEO, 1973-1987
(1978=100)

		General Index				
		Index	Annual Change	Food-stuffs	Clothing	Housing
1973	Average	9.0	97.0	9.7	12.1	7.4
	December	10.8	77.5	11.7	14.6	8.5
1974	Average	16.0	77.2	16.7	19.7	13.1
	December	22.3	107.3	24.1	25.2	17.9
1975	Average	29.0	81.4	28.6	33.0	25.9
	December	37.3	66.8	36.8	42.4	33.7
1976	Average	43.7	50.6	42.2	40.8	40.6
	December	52.2	39.9	51.0	57.8	48.4
1977	Average	69.2	58.2	69.2	71.6	64.7
	December	82.0	57.3	81.3	84.8	80.6
1978	Average	100.0	44.5	100.0	100.0	100.0
	December	119.8	46.0	120.6	118.2	117.4
1979	Average	166.8	66.8	270.0	172.5	158.9
	December	219.4	83.1	224.4	230.7	209.9
1980	Average	272.7	63.5	170.9	262.6	282.7
	December	313.3	42.8	299.5	294.6	343.7
1981	Average	365.6	34.0	339.1	323.7	429.4
	December	405.3	29.4	375.0	350.0	491.2
1982	Average	435.0	19.0	378.8	355.4	562.2
	December	488.6	20.5	424.9	378.0	632.7
1983	Average	649.1	49.2	583.8	535.6	754.9
	December	740.2	51.5	678.7	622.5	828.0
1984	Average	1008.0	55.3	985.7	884.5	990.8
	December	1229.5	66.1	1204.9	1180.3	1150.3
1985	Average	1736.1	72.2	1606.6	1770.8	1600.3
	December	2250.8	83.0	1705.0	2266.9	2037.0
1986	Average	3062.2	76.3	2532.1	3025.7	2443.8
	December	3841.0	70.7	3271.4	3989.2	2903.7
1987	Average	5008.9	63.6	4042.2	5171.7	4032.4
	December	6041.5	57.3	4650.4	6491.5	4998.8

Source: Central Bank of Uruguay, Statistical Bulletin No. 58.

Table 9.2: URUGUAY - INDICES OF NOMINAL AND REAL PUBLIC UTILITY PRICES, 1973-1987.
(1978=100)

		Electricity				Water		Gas		Gasoline 3/		Diesel		Kerosene		Railroad Transport Freight	
		Household		Industrial													
		Nominal	Real/1	Nominal	Real/2	Nominal	Real/2	Nominal	Real/2	Nominal	Real/1	Nominal	Real/2	Nominal	Real/1	Nominal	Real/2
1973	Average	9.3	102.4	10.3	106.4	15.4	159.3	8.9	92.0	7.8	86.1	5.3	54.4	4.9	54.6	7.1	73.1
	December	10.0	93.2	11.2	92.1	16.7	137.6	10.2	84.5	8.2	75.9	5.7	46.7	5.3	49.2	8.5	70.3
1974	Average	17.6	110.0	17.5	101.4	28.0	162.2	20.6	129.3	19.7	123.2	14.8	85.7	11.8	73.4	15.9	92.2
	December	20.9	93.7	19.4	85.3	35.2	155.0	25.6	112.8	24.1	108.0	19.4	85.4	19.0	84.8	19.8	87.0
1975	Average	30.3	104.5	30.8	103.7	44.7	150.2	53.2	178.9	38.4	132.2	30.2	101.7	29.9	102.9	33.7	113.2
	December	44.4	119.2	39.5	105.3	52.7	140.6	56.4	150.6	52.8	141.6	41.2	110.0	40.9	109.8	46.2	123.4
1976	Average	49.0	112.0	47.8	106.8	58.0	129.5	65.2	145.7	57.9	132.4	47.3	105.6	46.8	107.0	53.2	118.9
	December	59.9	114.8	59.7	109.7	63.1	116.0	69.6	128.1	67.1	128.6	57.7	106.1	57.6	110.4	65.0	119.6
1977	Average	75.8	109.5	75.6	112.3	75.3	111.8	89.4	132.8	81.4	117.7	80.8	120.1	80.4	115.1	80.8	120.0
	December	82.2	100.2	81.7	103.8	79.8	101.4	92.1	116.9	88.8	108.2	88.9	112.9	88.7	108.1	97.1	123.3
1978	Average	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	December	117.4	98.0	116.8	92.9	116.0	92.3	117.7	93.6	115.4	96.3	115.6	92.0	115.2	96.2	108.7	86.5
1979	Average	155.5	93.2	155.9	86.4	140.9	78.1	143.2	79.4	168.1	100.8	168.7	93.5	168.3	100.9	152.6	84.6
	December	214.2	97.6	215.7	97.0	191.0	85.8	176.9	79.5	234.8	107.0	236.0	106.0	235.0	107.1	189.8	85.3
1980	Average	250.0	91.7	251.8	98.5	236.1	92.3	265.7	103.1	318.7	116.8	319.3	124.8	318.7	116.8	271.8	106.3
	December	264.4	84.4	266.4	93.1	270.9	94.7	285.0	99.6	359.2	114.6	359.6	125.7	359.3	114.7	340.7	119.1
1981	Average	288.8	79.0	290.8	92.1	320.7	101.6	320.0	101.4	401.3	109.8	400.7	126.9	400.6	109.6	381.6	120.9
	December	313.3	77.3	315.5	96.0	341.7	103.9	340.2	103.5	428.7	105.8	419.4	127.5	419.0	103.4	412.3	125.4
1982	Average	350.8	80.6	353.2	99.1	379.3	106.4	360.7	101.2	464.7	106.8	464.0	130.2	463.2	106.5	439.7	123.4
	December	368.6	75.4	371.0	84.5	392.1	89.3	371.5	84.6	695.5	142.4	703.0	160.1	697.4	142.7	445.2	101.4
1983	Average	612.9	94.4	613.8	99.3	570.6	92.3	594.2	96.1	835.3	128.7	876.1	141.7	837.0	129.0	518.7	83.9
	December	693.6	93.7	693.8	90.9	640.9	94.0	697.0	91.3	981.9	132.7	1090.9	143.0	1030.9	139.3	543.2	71.2
1984	Average	996.6	98.9	992.6	90.5	902.3	82.3	990.3	90.3	1332.4	132.2	1725.3	157.3	1626.0	161.3	663.2	60.5
	December	1178.3	95.8	1204.4	85.8	1110.0	79.0	1201.5	85.6	1603.8	130.4	2141.5	152.5	2016.4	164.0	789.3	56.2
1985	Average	1716.4	98.9	1873.9	88.8	2084.3	120.1	1902.0	109.6	2629.0	151.4	3371.8	194.2	3080.8	177.5	1146.1	66.0
	December	2251.2	100.0	2510.7	108.5	3097.7	91.2	2579.2	114.6	3588.1	159.4	4444.5	197.5	3979.7	176.8	1473.5	65.5
1986	Average	2930.1	95.7	3259.0	106.4	5918.8	193.3	2937.4	95.9	3831.2	125.1	4726.1	154.3	4030.2	131.6	2573.5	84.0
	December	3690.3	96.1	4048.4	106.4	5957.0	131.7	3392.8	88.3	4145.5	107.8	5160.7	134.4	4472.1	116.4	3160.4	82.3
1987	Average	4706.6	94.0	5191.3	103.6	9428.9	188.2	4538.4	90.6	5737.4	114.5	6927.0	138.3	6011.7	120.0	4207.2	84.0
	December	5886.0	97.4	6482.2	107.3	7825.7	129.5	5783.0	95.7	7064.9	116.9	8838.0	146.3	6812.5	112.8	3815.8	96.3

1/ Deflated by the Cost of Living Index in Montevideo.
2/ Deflated by the Wholesale Price Index.
3/ Regular gasoline.

Source: Central Bank of Uruguay, Statistical Bulletin.

Table 9.3: URUGUAY - NOMINAL AND REAL WAGE INDICES, 1973-1987 1/

		CPI		Nominal Wage		Real Wage	
		1978=100	Growth Rate	1978=100	Growth Rate	1978=100	Growth Rate
1973	Average	9.0	97.0	12.5	..	138.4	..
	December	10.8	77.5	14.3	..	132.7	..
1974	Average	16.0	77.2	21.8	74.4	136.2	-1.6
	December	22.3	107.3	28.1	96.5	125.8	-5.2
1975	Average	29.0	81.4	36.2	66.1	124.7	-8.5
	December	37.3	66.8	45.5	61.9	122.1	-3.0
1976	Average	43.7	50.6	51.9	43.4	118.7	-4.8
	December	52.2	39.9	59.2	30.1	113.5	-7.0
1977	Average	69.2	58.2	72.1	38.9	104.2	-12.2
	December	82.0	57.3	86.2	45.6	105.1	-7.4
1978	Average	100.0	44.5	100.0	38.7	100.0	-4.0
	December	119.8	46.0	120.6	39.9	100.7	-4.2
1979	Average	166.8	66.8	152.6	52.6	91.5	-8.5
	December	219.4	83.1	189.2	56.9	86.2	-14.3
1980	Average	272.7	63.5	250.8	64.4	92.0	0.5
	December	313.3	42.8	297.0	57.0	94.8	9.9
1981	Average	365.6	34.0	360.2	43.6	98.5	7.1
	December	405.3	29.4	387.0	30.3	95.5	0.7
1982	Average	435.0	19.0	426.1	18.3	97.9	-0.6
	December	488.6	20.5	414.2	7.0	84.8	-11.2
1983	Average	649.1	49.2	504.2	18.3	77.7	-20.7
	December	740.2	51.5	560.0	35.2	75.7	-10.8
1984	Average	1008.0	55.3	710.7	41.0	70.5	-9.2
	December	1229.5	66.1	930.0	66.1	75.6	0.0
1985	Average	1736.1	72.2	1416.2	99.2	81.5	15.6
	December	2250.8	83.0	1931.5	107.7	85.8	13.5
1986	Average	3062.2	76.4	2643.6	86.7	86.3	5.8
	December	3841.0	70.7	3432.2	77.7	89.4	4.2
1987	Average	5008.9	63.6	4529.6	71.3	90.4	4.8
	December	6041.5	57.3	5729.4	66.9	94.8	6.0

1/ Average public and private sector wages.

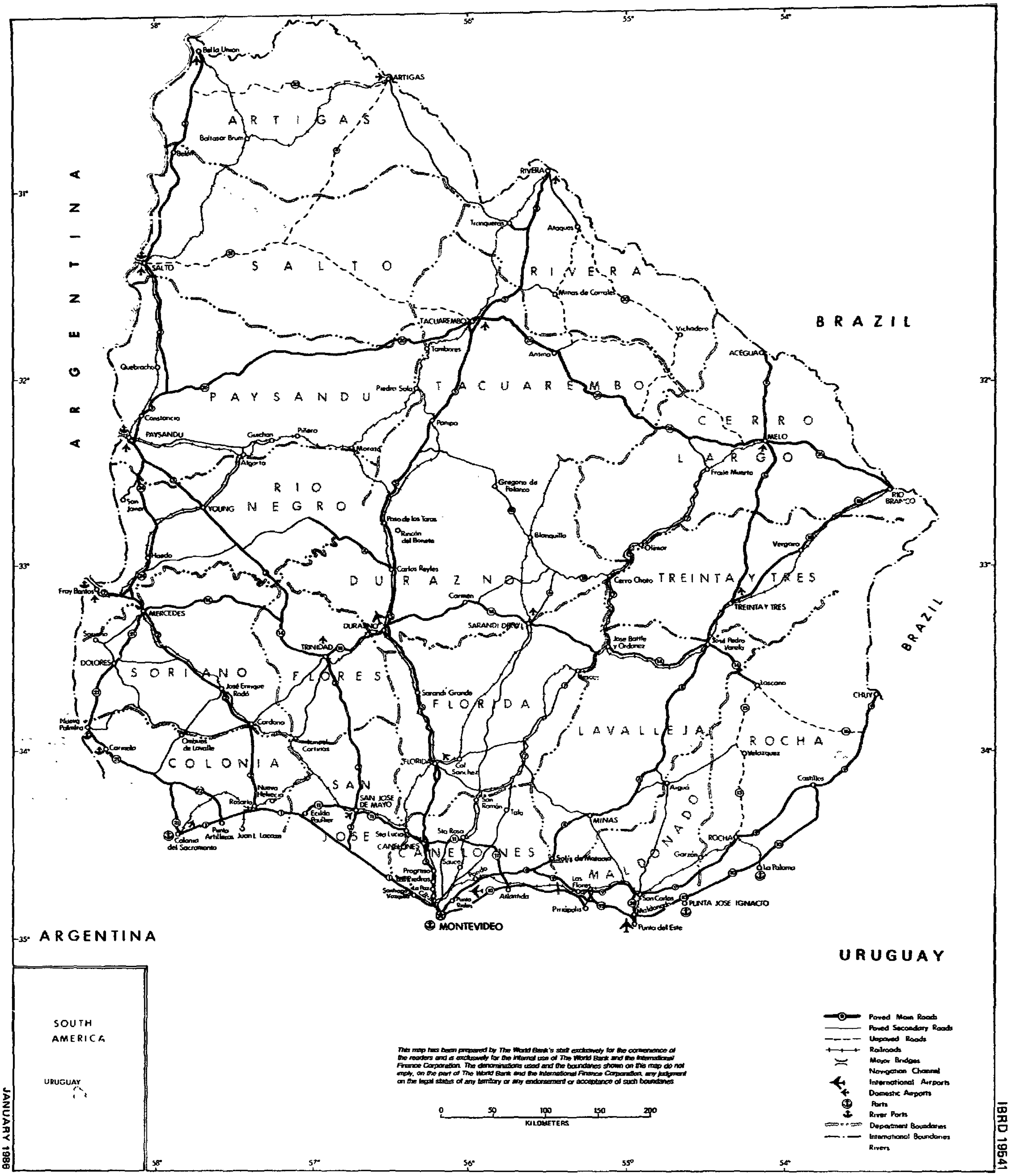
Source: Central Bank of Uruguay, Statistical Bulletin.

Table 9.4: URUGUAY - EXCHANGE RATES, 1976-1987
(NU $ pesos)

		1 Dollar USA	
		Buyer	Seller
1976	Average	3.30	3.34
	December	3.94	3.98
1977	Average	4.65	4.68
	December	5.38	5.39
1978	Average	6.05	6.06
	December	6.97	6.98
1979	Average	7.84	7.86
	December	8.41	8.43
1980	Average	9.08	9.10
	December	9.92	9.95
1981	Average	10.79	10.82
	December	11.50	11.53
1982	Average	13.85	13.91
	December	28.21	28.51
1983	Average	34.38	34.54
	December	42.50	42.73
1984	Average	55.89	56.12
	December	71.93	72.23
1985	Average	101.16	101.43
	December	124.70	124.95
1986	Average	151.43	151.99
	December	177.38	178.38
1987	Average	225.52	226.67
	December	274.59	276.09

Source: Central Bank, Statistical Bulletin.

MAP SECTION


URUGUAY
BRAZIL
ARGENTINA
SOUTH AMERICA
ARTIGAS
SALTO
RIVERA
PAYSANDU
TACUAREMBO
CERRO LARGO
RIO NEGRO
DURAZNO
TREINTA Y TRES
SORIANO
FLORES
FLORIDA
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ROCHA
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MALDONADO
Bella Union
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José Pedro Varela
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Cerro Chato
José Batlle y Ordonez
Olimar
Blanquillo
Gregorio de Polanco
Sarandí Grande
FLORIDA
25 de Agosto
San Ramón
Tala
Sta Rosa
CANELONES
Sta Lucía
Progreso
Las Piedras
Santiago Vazquez
Sauce
Atlántida
Solís de Mataojo
Las Flores
Piriápolis
San Carlos
Maldonado
PUNTA JOSE IGNACIO
Punta del Este
MONTEVIDEO
Paved Main Roads
Paved Secondary Roads
Unpaved Roads
Railroads
Major Bridges
Navigation Channel
International Airports
Domestic Airports
Ports
River Ports
Department Boundaries
International Boundaries
Rivers
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KILOMETERS
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31° 32° 33° 34° 35°
JANUARY 1988
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