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Uruguay's Economic Problems

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Introduction

Uruguay ranks high in economic development among the Latin American countries, with one of the highest per capita incomes. The country is favored with a temperate climate and a productive soil, both conducive to a profitable livestock industry. Also, governmental emphasis on education has raised literacy to 85 per cent.

Yet in spite of these favorable resources, the country is in economic difficulty. The sheep population and wool production appear to be declining; the cattle population and meat exports have been decreasing; prices have been rising annually about 10 per cent due largely to expansion of bank credit, government budget deficits, and wage boosts in excess of real increases in productivity; gold and net foreign exchange reserves have been declining in general since 1946 due to frequent deficits in the balance of payments; and the international value of the peso has been depreciating. These economic difficulties have aroused an interest in Uruguay's economic activity and development. Hence it is appropriate at this time to inquire how and why these economic difficulties occurred, and what measures might be taken to remedy the situation.

Price distortions and product emphasis

Uruguay's difficulties stem mainly from distorted price relationships and over-emphasis on certain products. The country's main products are wool, meat, hides, wheat and oilseeds. Since a large proportion of consumer goods are produced domestically, all but about one-fifth of commodity imports consist of raw materials and capital goods. Wool and meat are Uruguay's best earners of foreign exchange, yet the Government's price policies have affected these products adversely in the attempt to foster production of wheat and various semi-processed goods (see Appendix, Tables A and B). The latter include chiefly wool tops 1/, packed and canned meats (as distinguished from frozen meat), semi-processed hides and skins, linseed oil and other vegetable oils, and textiles. It has also been governmental policy to produce as many consumer goods as possible; imports of consumer goods averaged 22 per cent of total commodity imports during 1950-55 compared to 50 per cent in 1935-39.

1/ The term wool tops refers to combed, long-staple wool as distinguished from noils or short-staple, knotty wool combed from the long-staple raw wool. Woolen yarn spun from tops is used in the worsted weave and noils in the regular woolen weave.

Government policies have been effected chiefly through tariff protection, exchange control, subsidies, and preferential exchange rates. High tariffs, while aiding the growth of consumers' goods industries, have, in many cases such as textiles, made them high-cost industries and non-competitive in world markets. Subsidies are now chiefly extended to wheat, flour, bread, meat, milk, rice and linseed oil. The foreign exchange system, including preferential rates, has been very important in achieving government aims and merits special attention.

New exchange system - The Uruguayan exchange system is a complex one consisting of multiple rates, mixing arrangements, exchange bonuses or premiums, surcharges and exchange taxes. Uruguay has not yet established a par value for the peso with the International Monetary Fund, but uses 1.519 pesos to the dollar as a basic rate. Though an exchange reform was instituted on August 3, 1956, the system still remains quite complex.

Prior to August 1956, there were many different rates for exports, the effective rate frequently being a combination of a mixing arrangement plus, possibly, an exchange bonus or premium. Table 1 below indicates the rates on August 2 (before the reform) for some of the more important exports, as well as the new effective mixing rate.

Table 1

Effective Export Rates for Important Exports
(Uruguayan Pesos per U. S. Dollar)

(A) Commodity	(B) August 2, 1956 Rate	(C) New Effective Mixing Rate 1/	(D) (C) as % of (B)
Raw wool	1.519	1.906	125
Wool tops	2.073	2.319	112
Washed wool	1.810	2.035	112
Tanned skins	2.250	3.550	158
Frozen beef	2.100	2.100	0
Processed meat	2.480	2.480	0
Canned meat and salted hides	3.800	3.800	0

1/ Assumes a certificate market rate of 4.10 pesos per dollar.

Source: Fortnightly Review, Bank of London and South America.

The new system established eleven categories for exports (chiefly raw materials), with varying proportions of export proceeds being surrendered to governmental authorities at varying rates and the remainder being negotiated on a new "free" certificate market within eight days. Since the inauguration of the new system the Government has maintained the "free" certificate market at a rate of 4.10 pesos to the dollar. It has been estimated that an over-all depreciation of about 15 per cent occurred in export rates and 41 per cent in import rates.

On the import side, Category I, or essential, imports have been freed from quantitative restrictions, and more Category II and III, or non-essential, imports have been authorized under the new system. The free exchange market for capital and non-commercial transactions has been continued in the same manner as before the reform.

The foreign exchange system provides the Government with an important source of revenue, equal to approximately 10 per cent of ordinary receipts. These receipts are treated as regular budget revenue and are also used to subsidize certain products, to make payments on external public debt, and to finance public works.

In effect, the exchange system taxes such important exports as raw and scoured wool, tanned skins, and frozen beef in order to promote the export of wool tops, wheat, rice, and various semi-processed goods such as linseed oil, woolen textiles and leather goods. In addition, exchange profits have been used to hold down the cost of domestically consumed meat, flour, bread, and milk. Thus there has been a diversion of resources from proved lines of production to basically untested lines. Income-distributional and fiscal functions are performed by the exchange system.

While the system has permitted the growth of certain processing industries and thereby speeded economic diversification and industrialization, it has also contributed to uneconomic or high-cost production, excess capacity, and contraband activity.

Wheat and rice aided - The chief examples of high-cost production are wheat and rice, both being non-competitive in world markets. The effect of high support prices on the production of wheat and rice is dramatically revealed in Table B (see Appendix). High-cost rice, in order to compete internationally, has received preferential export rates. Under the August 1956 reform, the effective rate was depreciated from 3.100 to 3.712 pesos to the dollar. In addition, minimum support prices have been maintained for rice and wheat, involving a heavy government subsidy. Between 1952 and 1953, wheat output almost doubled and since 1949 rice output has doubled. In addition to wheat and rice, other high-cost products can be cited, such as wool tops, textiles and eggs.

This increased emphasis on certain agricultural products has brought about a serious decline in cattle population and slaughtering, leading to excess capacity in the frigorificos (meat packing plants), labor strikes and unrest, and heavy government subsidies to the frigorificos. Caught between high costs and unremunerative exchange rates, the frigorificos have been subsidized by the Government, since they are forced to purchase livestock at minimum government prices. Moreover, cattle producers have frequently failed to receive cash payment for their stock because of the arrears on government subsidies to the frigorificos, another factor tending to reduce marketings.

Wool tops subsidized - Wool tops are typical of the semi-processed goods the Uruguayan Government has been attempting to promote. Exports first began to be important in 1949 when they were given a preferential rate of 2.35 pesos to the dollar as compared with the basic export rate of 1.519. In May 1953, the United States Government imposed a countervailing duty on Uruguayan wool tops of 18 per cent.1/ United States imports dropped from $22 million in 1952 to $2,000 in 1954 -- but trade was shifted to Europe where sales increased. Late in 1955, Uruguay found it necessary to raise the rate in order to move tops and it appears doubtful whether the industry can maintain exports, even with existing subsidies, at the high levels of recent years.

Other price and exchange problems - Another problem generated by the Government's price and exchange policies has been the growth of black market and contraband activities in various products. In September 1956, the Minister of the Interior estimated the outward smuggling of cattle alone amounted to 300,000 head a year.

Added to the above problems have been the usual ones of meeting foreign competition. Thus Uruguay's flax industry has been depressed due to United States competition in flax growing, and the U. S. market for hides has dwindled as the U. S. switched its position from that of net importer to net exporter. Even if an exporter desires to adjust his prices in order to meet competition, it is not always possible since the Controller of Exports is empowered to refuse an export license if the product is being sold below the officially approved price.

In short, government policies resulting in the readjustment of price relationships have brought about an over-emphasis on some products and an under-emphasis on others, to the detriment of sound, well-balanced economic development. The resulting readjustment of production in Uruguay has clearly been carried beyond the point of a beneficial spur to industrialization -- to a point of near catastrophe

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1/ The current duty is 6 per cent since March, 1954.

in some of the country's basic industries. Symptomatic of the country's economic difficulties brought on by distorted prices are the many problems which have arisen in the international sector.

The international balance of payments

Uruguay's recent trade difficulties had their origin in the Korean War boom when the prices of primary products rose markedly. Wages and other costs rose at the same time and did not decline proportionately at the end of 1951 with the slump in the prices of primary products. Uruguay has attempted to maintain its high wage-cost-price structure in the face of less remunerative international markets, and so far it has been a losing battle. Since 1950, with the exception of one year, 1953, both the trade balance and the balance on current account have been negative (see Appendix, Table C).

The large rise in imports in 1951 resulted from a more liberal import policy inaugurated in the middle of 1950, namely, the introduction of the Sworn Declaration system which abolished the requirement for prior-import permits. With imports drastically exceeding exports in 1951, the Sworn Declaration system was suspended at the end of the year. Thereafter severe import restrictions were instituted and this action, coupled with a significant rise in exports, resulted in a surplus for 1953. Later the import restrictions were relaxed.

An examination of Uruguayan exports (see Appendix, Table D) reveals some of the reasons for Uruguay's economic weaknesses in the international section. Probably most significant is the extremely sharp drop-off during 1955 in volume and value of meat products. Hide and bristle exports also declined, although to a lesser extent. As pointed out earlier, this sharp decline in meat production stems from the increased emphasis on wheat and certain other products, and probably from the increase in smuggling.

Geographic shifts in trade - There has also been a shift in the geographic pattern of Uruguayan trade which has created economic difficulties (see Appendix, Table E). The most striking aspect has been the sharp decline in exports to the U. S. This is largely due to the U. S. countervailing duty on wool tops and increased U. S. production of hides. With imports from the U. S. not declining proportionately, Uruguay's dollar problems have intensified, though some relief has been provided through the use of switch transactions allowed under bilateral agreements. The use of switch arrangements has, however, increased the price of imports by an estimated 3 to 16 per cent. In March 1956, the Government prohibited further switch transactions with certain countries.

The decline in exports to the United States has not, on balance, been offset by an equivalent increase in exports elsewhere. Instead, the trend since 1953 has been one of declining total exports.

Naturally the low level of export receipts has brought on import problems. The importation of non-essential and luxury goods has been increasingly cut back. Because of both the dollar shortage and generally low exports, there has been a serious shortage of raw material imports. In April 1956, a governmental attempt to borrow $30 million from a group of U. S. banks, largely to relieve this materials shortage, was unsuccessful, negotiations having been suspended indefinitely after the banks insisted on gold collateral.

Exchange reserves fall - The deficits in the balance of payments in recent years have brought on a marked decline in gold and net foreign exchange reserves as indicated in Table 2 below. While there was an improvement during the first quarter of 1956 when wool exporters finally sold their stocks under the stimulus of a temporary export bonus, gold and net foreign exchange reserves have continued to remain at a relatively low level.

Despite the sharp deterioration in the exchange position, it should be noted that the current level of reserves is equal to more than a half-year's import requirements. On the other hand, approximately 88 per cent of total gold holdings on November 30, 1956 were utilized as backing for government note issue. 1/ At the end of November 30, 1956, the proportion of gold backing to total note issue was 44 per cent.

Table 2

Gold and Net Foreign Exchange Reserves
(In millions of U.S. dollars)

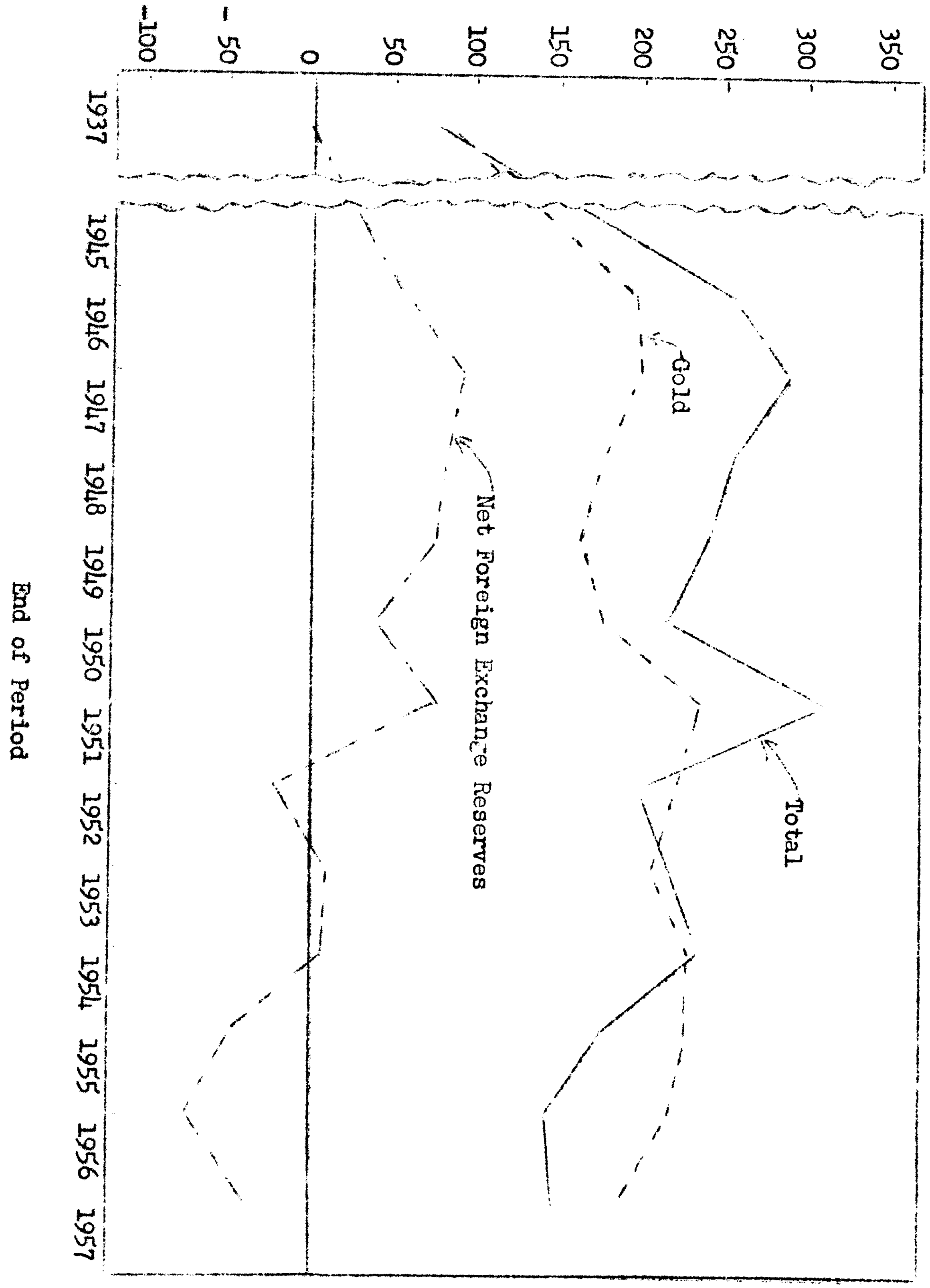
End of Period	Gold	Net Foreign Exchange Holdings	Total
1937	75	- 3	72
1945	195	57	252
1946	200	92	291
1947	175	81	255
1948	164	77	241
1949	178	38	216
1950	236	76	312
1951	221	-22	199
1952	207	10	216
1953	227	7	234
1954	227	-49	178
1955	216	-74	141
1956	186	-39	147

Source: Suplemento Estadistico, Banco de la Republica.

1/ A description of note cover requirements is contained in the section on credit expansion.

Gold and Net Foreign Exchange Reserves

(In millions of U.S. dollars)



For a long period, Uruguay had a reputation for sound, conservative management of its economy and hence it has been a favorite repository for foreign capital. During the Korean War, there was a relatively large inflow of foreign capital seeking sanctuary in Uruguayan banks. Since 1952, however, with the gradual return of confidence in the maintenance of peaceful international relations, the flow has been outward. The net result of this outward capital flow has been to increase further the strain placed on Uruguay's international reserves.

The continued balance-of-payments difficulties have, of course, created pressure for devaluation of the peso and this has occurred, although on a piece-meal and gradual basis (see Table 3).

Table 3

Free Rate of Uruguayan Peso
(Peso per U.S. dollar)

End of:	Free Rate	End of:	Free Rate
1947	1.90	March 1955	3.15
1948	2.38	June 1955	3.30
1949	2.97	Sept. 1955	3.49
1950	2.07	Dec. 1955	3.67
1951	2.40	March 1956	3.98
1952	2.75	June 1956	4.30
1953	3.04	Sept. 1956	4.08
1954	3.18	Dec. 1956	3.79
		March 1957	3.82

Source: International Financial Statistics, International Monetary Fund.

In summary, Uruguay's balance-of-payments problems are long-run rather than short-run in nature. On the surface, difficulties appear to have arisen due to the drop in meat and hide exports, outward rather than inward capital movements, and the maintenance of a relatively high level of imports. Temporary increases in wool exports have not been sufficient to compensate for the decline in meat, hide, and other exports. Going behind these surface manifestations, it is evident that a large share of Uruguay's economic difficulties can be laid to distortions in the price system which in turn have affected production.

The obvious solution to the above problems is for the Government to restore, to the fullest extent possible, freely working markets to stimulate production of those products in which the country has the greatest comparative advantage. Various subsidies and support prices should be gradually reduced, and the fair return permitted by the market should be granted to wool and meat producers. Inefficient, high-cost industries which cannot stand up to foreign competition under realistic exchange rates should be weeded out and the exchange profits from the country's most promising industries should be returned to those industries for investment and improvement. Exchange devaluation is only one step in improving the international competitiveness of an industry. There must also be an introduction of modern equipment and technical know-how in order to reduce costs and improve quality, hence making the product more competitive in international markets.

Public Finance

Uruguay's third problem area relates to the field of public finance. Symptomatic of the country's fiscal difficulties have been the frequent budget deficits, a narrowing market for government securities, and the failures to meet certain financial obligations.

The Government's deficits (see Appendix, Table F) can be broken down into three categories. In contrast to deficits of 12.17 and 26.60 million pesos in 1949 and 1950, respectively, there were surpluses in the Ordinary Budget in 1946, 1947, and 1948. The budget deficits for 1956 are expected to be similar to those for 1955. Direct tax receipts constitute only about one-fourth to one-third of total revenues. While the decentralized enterprises (often referred to as laterals) include only the four listed in Table F, there are many other autonomous, self-supporting agencies sponsored by the Government that are not reported on in the Government's budget message.

Most of the payments made from the Exchange Differential Fund are for wheat and meat subsidies. In recent years, such payments have been equal to about 70 per cent of total payments from this Fund and in 1955 were 76 per cent.

There are many reasons for Uruguay's continuing budget deficits. Since 1904, two cardinal principles have been maintained. These are that there should be no personal income tax and that the chief executive should not have strong powers. It is often said that Uruguay's main problems spring from these two principles, in that the lack of a personal income tax causes budget deficits and the plural executive form of government makes it extremely difficult for the Government to pass and implement needed measures. This undoubtedly oversimplifies the problem, but has a certain validity.

The Government is aware of the deficit problem and attempted in 1956 to introduce a relatively modest personal income tax, but the measure was defeated. Uruguayans believe that such a tax would injure the laboring man's welfare, adversely affect personal initiative, and discourage the inflow of foreign capital.

However, the lack of a personal income tax is not the only factor tending to cause fiscal difficulties. The large number of government employees has increased wage and salary payments to an abnormally large proportion of total government expenditures. Other factors are the heavy wheat and meat subsidy payments, the relatively low rates charged to customers by public enterprises, and the wage boosts granted to government employees. The fact that the exchange rate system has to be utilized to provide a significant share of government revenues is also indicative of the inadequacy of the present revenue system.

As would be expected, the government deficits have lead to an increase in public debt. Table 4 below indicates the amount of internal and external public debt outstanding. Approximately 70 per cent of the debt is held by such government institutions as the Social Security Institutes, the State Insurance Bank, and the Central Bank, the remainder being held privately.

Table 4

National Public Debt Outstanding
(In millions of pesos)

End of:	Internal	External 1/
1950	761.32	116.80
1956	1,161.53	96.74

1/ Includes mostly older debt incurred between 1889 and 1937, expressed at an effective exchange rate of about one peso per U. S. dollar. With the peso currently valued at a basic rate of 1.519 pesos to the dollar, the real extent of the foreign obligation is understated.

Does not include loans from IBRD or Eximbank. On December 31, 1956, Eximbank had disbursed $16.9 million, of which $9.3 million had been repaid leaving $7.6 million still outstanding. For the same date, the IBRD had disbursed $36.3 million, of which $3.3 had been repaid.

Sources: Deuda Publica Nacional, Direccion de Credito Publico; Suplemento Estadistico, Banco de la Republica del Uruguay.

Domestically there has been a definite narrowing in the capital market for government securities. Uruguayan authorities estimate that only about Ur $50 million in new long-term government securities can be absorbed by the market annually. This presents a problem since Congress in January of 1954 authorized the issuing of bonds totaling Ur $173 million in order to fund the 1951-52 deficits. What is not financed in the capital market 1/ remains as unpaid obligations to individuals and institutions such as the local frigorificos.

Another aspect illustrating the difficulty in marketing government securities is recourse to the issue of treasury notes denominated in U. S. dollars. Currently about 90 per cent of the treasury notes outstanding are denominated in U. S. dollars, however, for the last three years the volume of treasury bills outstanding has not changed significantly.

Uruguayan authorities tend to view the narrowing of the capital market as temporary, but this is doubtful in view of the worsening economic situation and its long-run nature. During 1956, the legislature failed to enact effective tax reforms and little improvement, if any, is anticipated in the Government's fiscal situation. The Government currently is in arrears on large subsidies owed to the meat packers, and at times has even failed to make pension payments, the failure being regarded in some quarters as a public scandal.

As mentioned earlier, effective government action to combat the various economic difficulties has been hindered by the structure of the Uruguayan Government. Due to a unique political arrangement, the nine-man National Council of Government (N.C.G.) does not have majority backing from the legislature. In view of the above, government action has been very slow and often ineffective. One of the chief reasons for using the Exchange Differential Fund as a major source of revenue is because of the difficulty in getting effective tax measures approved.

The yearly budget deficits have had inflationary implications, but it should be noted that the main factors contributing to inflation have been three-fold: first, the fiscal deficits, which are becoming increasingly difficult to finance by non-inflationary measures; second, the significant increases in wages, which have not been matched by increases in productivity; and third, the protectionist policies of the Government which have kept Uruguay a high-cost and high-priced economy.

1/ The Government is allowed to issue treasury bills for the difference between authorized bond issues and the amount actually placed in the market.

Credit expansion

Turning next to money and credit, the yearly increases in bank credit and money supply have been significant (see Appendix, Table G).

Taking the past five years, there has been a steady increase in the cost of living, the index increasing approximately 10 per cent per annum for the last two years. Data presented in Table H in the Appendix suggest that bank credit to the private sector has been a greater source of inflationary financing than bank credits to the public sector.

Available data (see Appendix, Table I) indicate that until recently, commercial banks have had sufficient excess reserves to expand credit. The negative position for 1955 would also appear to indicate a fair amount of latitude on the authorities' part in permitting a violation of the legal reserve requirement.

A second factor which has permitted significant expansion of private bank credit has been the liberal rediscount policy of the Banking Department of the Bank of the Republic as indicated in Table 5 below.

Table 5

Rediscounts: Bank of the Republic
(End of period; in millions of pesos)

	1951	1952	1953	1954	1955	1956 Sept.
Rediscounts	29	40	39	108	139	167
Increase during period	11	11	- 1	69	31	28

Source: Balance Sheets, Banco de la Republica.

Because of this expansion in private bank credit, the deficits in the balance of payments have not had their beneficial contractionary effect and inflation has continued. The continuing increase in the money supply has also increased the pressure on the balance of payments.

Reserve requirements for private banks increase when the proportion of deposits to capital and reserves reaches specified ratios. While it appeared that this provision was having a restraining effect in 1950, bank profits have since been sufficient to permit a doubling of paid-in capital, and the provision has not had a restraining influence since.

Rediscounts large - Turning next to central bank rediscounting, it appears that this tool for restraining credit expansion has not been seriously exercised, as indicated in Table 5 above. The Bank of the Republic apparently does not believe in the efficacy of the rediscount rate as a tool of monetary policy and for years has kept the rate at the low level of 3-1/2 per cent. 1/ Total charges for most bank loans vary from 7-3/4 to 10 per cent. The scope for open market operations is limited and the central bank has no power to vary reserve requirements for commercial banks.

Turning finally to the influence of note issue laws on the expansion of the money supply, neither in law nor in practice does there appear to have been much restraint. The law states that notes may be issued: (1) for an amount equal to the capital of the Bank of the Republic, at present Ur $70 million, (2) against silver, up to Ur $12 million, (3) against rediscounts of first class commercial paper of up to 180 days maturity, and (4) against 100 per cent gold backing. Since the first two requirements are usually fully utilized, this means that note issues depend largely on the rediscounting of commercial paper and the gold holdings of the central bank.

In actual practice currency issue has been quite flexible due to the following amendments to the basic law:

(1) Laws of June 24, 1948 and November 16, 1950 allow the Issue Department to accept rediscounts as currency backing. The only limitation to such rediscounting appears to be the availability of eligible paper and the Bank's willingness to accept it. Currently such rediscounts account for almost 50 per cent of total currency backing;

(2) Law of November 16, 1950 which increased the capital of the Bank of the Republic from Ur $60 to Ur $70 million; and

(3) Law of February 18, 1954 which permitted currency issue during the season against bills presented for the financing of wheat crops. Neither in law nor in practice have the banking authorities in Uruguay been seriously restrained from contributing to sources of inflation.

1/ On October 13, 1955, however, the Bank did increase the rediscount rate from 4-1/2 to 6 per cent on certain types of paper and also stiffened requirements for renewal of rediscounted paper.

Inflationary pressures have been restrained to some extent by heavy importing, non-inflationary financing of government deficits, and a steady increase in the volume of time deposits as indicated in Table G. Yet there is some indication as inflation continues that the flow of funds into fixed-yield investments and time deposits is decreasing, a trend which may well be accentuated in the future.

Conclusion

In conclusion, the Government realizes that the country is in economic difficulty, but the reform measures which have been proposed to date generally fall far short of being realistic and effective. Uruguay's problem is not one of lack of investment opportunities, but rather a mis-direction of investment, and the growth in basic products, such as wool and meat production, has been curtailed by lack of adequate remuneration. Because of these difficulties, the country is falling behind and its future will be uncertain as long as there is a dearth of investment in the more remunerative products. The solution to Uruguay's problems involves the restoration of a relatively free price system with the incentives that such a system provides. Such economic reforms should include the institution of a unitary and realistic exchange rate in order to provide adequate incentive to producers of important export products. The changes should also include effective fiscal reform which would eliminate government deficits. In order to do this it may be necessary to pass income tax legislation. It will also be necessary to meet all government obligations promptly and thereby improve the capital market for government securities and restore individual confidence in the credit of the Government. Finally, the excessive rediscounting facilities provided to commercial banks should be curtailed and credit expansion brought into line with the real rate of growth of the country's economy. In short, Uruguay needs a broad, coordinated program of economic reform rather than the piecemeal measures that seem to have been taken to date.

Appendix
Table A

Livestock Population, and Meat and Wool Production

End of year	Livestock population (1,000's of head) Cattle	Sheep	Meat production (1,000's of metric tons) Beef & Veal	Pork	Mutton & Lamb	Wool production (1,000's of metric tons
1938	8,297 1/	17,931 1/	266	14	64	54.8 2/
1946	6,821	19.560	n.a.	n.a.	n.a.	79.5
1950	n.a.	22,646	298	14	69	74.1
1951	8,154	23,409	317	18	51	84.1
1952	n.a.	24,543	302	18	62	85.4
1953	8,013	25,677	325	20	64	91.0
1954	7,819	26,778	300	15	60	91.9
1955	7,500 3/	n.a.	n.a.	n.a.	n.a.	87.2
1956	7,305	22,954	n.a.	n.a.	n.a.	90.0

1/ May 1937.
2/ 1938-39 average; years ended September 30.
3/ Estimate.

SOURCES: U.N. Statistical Yearbook; Suplemento Estadistico, Banco de la Republica, Uruguay.

Appendix
Table B

Indexes of Agricultural Production
(1938-39 Average = 100) 1/

	Wheat	Linseed	Oats	Barley	Corn	Sunflower	Peanuts	Rice
1938-39 (average)	100	100	100	100	100	100	100	100
1951	100	87	68	155	191	508	195	120
1952	110	137	75	113	80	570	73	154
1953	106	105	77	140	143	394	89	172
1954	188	62	119	254	146	349	127	202
1955	196	61	66	260	135	362	116	222
1956 2/	195	54	81	255	149	n.a.	n.a.	222

1/ For sunflower, peanuts, and rice, 1946 = 100.
2/ Estimate.

SOURCE: Suplemento Estadistico, Banco de la Republica.

Appendix
Table C

Uruguayan Balance of International Payments
(In millions of U.S. dollars)

Year	Merchandise			Net balance of goods and services
	Exports	Imports	Balance	
1947	178.5	225.8	-47.3	-38.2
1948	194.2	213.6	-19.4	-12.1
1949	203.6	195.3	+ 8.3	+ 9.9
1950	265.3	215.3	+50.0	+49.3
1951	250.3	325.8	-75.5	-76.9
1952	218.8	249.6	-30.8	-33.9
1953	281.5	205.0	+76.5	+70.6
1954	262.9	288.1	-25.2	-33.3
1955	193.6	237.5	-43.9	-50.2
1955) 1st nine months)	129.7	160.7	-31.0	n.a.
1956) 1st nine months)	145.7	151.2	- 5.5	n.a.

SOURCE: *Balance of Payments Yearbook*, International Monetary Fund; *International Financial Statistics*, International Monetary Fund.

Appendix
Table D

Volume and Value of Uruguayan Exports
(Volume in thousands of metric tons; value in millions of U.S. dollars)

Year	Scoured wool		Greasy wool		Meat products		Hides and bristles		Agricultural products		Wool tops		Total 1/	
	Vol.	Value	Vol.	Value	Vol.	Value	Vol.	Value	Vol.	Value	Vol.	Value	Vol.	Value
1950	9.9	20.5	80.1	132.2	124.4	43.2	43.3	29.3	84.1	14.9	2.4	7.3	344.2	247.4
1951	4.8	21.2	28.8	75.3	101.6	44.6	27.0	25.8	223.6	35.5	4.2	20.9	390.0	223.3
1952	6.7	11.5	39.0	56.8	81.0	40.6	43.7	23.4	304.0	49.5	8.5	22.0	482.9	203.8
1953	12.7	23.8	66.8	103.5	78.7	44.2	40.2	24.2	210.0	30.2	13.2	37.4	421.6	263.3
1954	10.5	17.9	45.1	74.7	82.4	45.5	32.5	18.5	479.7	52.4	11.3	31.9	659.5	240.9
1955	13.2	23.9	36.2	50.3	12.0	7.2	28.5	15.0	580.5	48.9	12.7	31.4	683.1	176.7
1955 1st seven months:	6.9	13.0	15.0	23.0	7.0	3.5	15.5	8.8	368.3	29.5	7.2	18.3	419.9	96.1
1956 1st seven months:	9.4	15.9	35.5	43.9	17.7	8.9	17.2	7.6	317.8	23.2	9.2	20.8	406.9	120.3

1/ Foreign trade values are not adjusted so as to include estimates of contraband activity. Also manufactures and other miscellaneous exports, equal to approximately 3-1/2 per cent of total exports, are excluded.

SOURCE: Suplemento Estadistico; Banco de la Republica.

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Appendix
Table E

Foreign Trade by Area
(In millions of U.S. dollars)

	Exports f.o.b.										Imports c.i.f. (includes gold bullion)									
	1952	%	1953	%	1954	%	1955	%	1956 1/	%	1952	%	1953	%	1954	%	1955	%	1956 1/	%
Total	209	100	270	100	249	100	184	100	146	100	257	100	195	100	274	100	226	100	151	100
North America	52	25	53	20	32	13	16	9	21	14	68	26	40	20	49	18	47	21	24	16
Central and South America	31	15	17	6	39	16	31	17	17	12	63	25	55	28	71	26	64	27	47	31
Western Europe	116	56	184	68	138	55	115	62	92	63	112	44	89	46	136	50	96	43	54	36
Eastern Europe and USSR	1	--	1	--	24	10	11	6	10	7	1	--	--	--	3	1	2	1	6	4
Other	9	4	15	6	16	6	11	6	6	4	13	5	11	6	15	5	17	8	20	13

1/ First nine months.

SOURCE: Regional Data Book: Latin America, International Cooperation Administration.

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Appendix
Table F

Uruguay: Government's Deficits, 1951-1955
(In millions of pesos)

	1951	1952	1953	1954	1955
1. Deficits in ordinary budget:	9.5	32.7	70.9	49.7	28.0
2. Decentralized agencies and enterprises:	18.4	17.2	21.8	3.9	2.5
Old age pension fund	5.5	1.6	-- 1/	-- 1/	-- 1/
Highway fund	2.8	2.9	0.9	0.4	-0.1 2/
Ports administration	3.5	2.0	7.8	1.1	-3.3 2/
State railroads	6.6	10.7	13.1	2.4	5.9
3. Special extra-budgetary accounts:	46.6	22.7	4.4	12.6	65.3
Exchange differential fund	46.6 3/	13.8	4.4	12.5	62.8
Other special accounts	-- 1/	8.9 4/	-- 1/	0.1	2.5
4. Total government deficits:	74.5	72.6	97.1	66.5	95.8

1/ Dash (--) = nil or negligible
2/ - = surplus
3/ As of March 1, 1952. Includes deficits incurred in previous years.
4/ Accumulated deficits incurred in the period 1946-1952.

SOURCES: National Council of Government's Message to Congress, June 30, 1953, as published in El Dia, Montevideo, July 1, 1953; El Dia, Montevideo, July 1, 1954; La Manana, July 6, 1955; Rendicion de Cuentas, June 26, 1956.

Appendix
Table G

Bank Credit, Money Supply, Time Deposits
and Cost-of-Living Index

End of year	Bank credit (In millions of pesos)		Money supply (In millions of pesos)			Time deposits (In millions of pesos)	Cost of living index4/ (1953=100)
	To private sector1/	To government sector2/	Currency	Deposits3/	Total		
1937	226	n.a.	75.2	78.8	154	170	40
1945	329	55	147	189	336	341	55
1946	425	60	176	217	393	392	60
1947	529	91	202	203	405	421	70
1948	536	114	231	213	443	459	71
1949	686	162	251	223	474	514	75
1950	783	192	314	264	577	581	72
1951	1,004	188	323	247	571	652	82
1952	1,050	189	353	271	624	687	94
1953	1,152	221	388	304	691	787	100
1954	1,372	260	432	315	747	866	112
1955	1,556	305	452	320	773	908	122
1956 Oct.	1,763	373	430	348	778	1,000	130 5/

1/ Includes domestic loans and investments of the Banking Department of the Central Bank and other commercial banks to businesses and individuals.
2/ Includes domestic loans and investments of Banking Department of the Central Bank and other commercial banks to the Government and official entities.
3/ Figures include deposits of official entities but do not include sight deposits in the Caja Nacional de Ahorras y Descuentos.
4/ Index of the prices of basic goods and services consumed by workers in Montevideo. This index probably understates price increases since it is out of date and includes relatively few commodities, some of which are still subject to price control by the Government.
5/ 1956 average.

SOURCE: International Financial Statistics, International Monetary Fund.

Appendix
Table H

Money Supply and Increases in Loans
and Investments in Public Sector and Private Sector
(In millions of pesos)

End of year	Loans to public sector			Loans to private sector			Money supply
	By Bank of the Republic	By private commercial bank	Total	By Bank of the Republic	By private commercial bank	Total	
1951	-4	0	-4	73	153	221	571
1952	-1	2	1	37	11	46	624
1953	-2	24	22	3	102	102	691
1954	47	2	49	38	186	220	747
1955	63	-18	45	79	101	184	773
1956 Oct.	51	17	68	52	155	207	778

SOURCE: International Financial Statistics, International Monetary Fund.

Table I

Reserve Position of the Commercial Banking System
(In millions of pesos; end of period)

	1949	1950	1951	1952	1953	1954	1955	Sept. 1956
Reserves								
Eligible cash reserves1/	104	118	114	134	138	114	122	128
Government bonds	16	26	26	28	52	54	36	54
Total reserves	120	144	140	162	190	168	158	182
Total legal reserve requirements	91	109	116	125	148	155	165	182
Excess reserves	+29	+35	+24	+37	+42	+13	-7	0

1/ Cash and demand deposits in the Bank of the Republic and in the clearing houses.

SOURCE: Suplemento Estadistico, Banco de la Republica.