

DOCUMENT OF INTERNATIONAL MONETARY FUND  
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FOR  
AGENDA

EBS/84/50  
Correction 2

CONFIDENTIAL

March 30, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Chile - Staff Report for the 1983 Article IV Consultation  
and Consultation Under Stand-By Arrangement

The following corrections have been made in EBS/84/50 (3/9/84):

Page 41, figure for public sector savings, column 1982: for "-0.3"  
read "-0.8"

Page 42, column 1982, lines 12, 24, and 25: for "-0.3," "(-0.3)," and "(0.6)"  
read "-0.8," "(-0.8)," and "(1.1)"

Page 43, line 3: for "(In millions of U.S. dollars)"  
read "(In billions of U.S. dollars)"

Corrected pages are attached.

Att: (3)



Table 10. Chile: Selected Economic and Financial Indicators, 1981-84

	1981	1982	Est. 1983	Proj. 1984
(Annual percent changes, unless otherwise specified)				
National income and prices				
GDP at constant prices	5.7	-14.3	-0.8	4.0
GDP deflator	13.4	11.2	27.3	20.4
Consumer prices (average)	19.7	9.9	27.3	21.5
Consumer prices (Dec.-Dec.)	9.5	20.7	23.1	20.0
External sector (on the basis of U.S. dollars)				
Exports, f.o.b.	-18.5	-3.5	3.9	6.5
Imports, c.i.f.	19.1	-44.1	-22.2	9.4
Non-oil imports, c.i.f.	22.8	-45.6	-25.1	8.7
Export volume	-7.0	17.2	2.8	6.0
Import volume	18.0	-41.9	-20.6	7.0
Terms of trade (deterioration -)	-13.2	-14.6	3.4	-1.7
Nominal effective exchange rate (depreciation -) <sup>1/</sup>	29.9	-25.5	18.1	-15.0
Real effective exchange rate (depreciation -) <sup>1/2/</sup>	13.5	-28.9	6.6	--
General government operations				
Revenue	16.2	-4.2	18.0	18.9
Total expenditure (excluding amortization)	26.9	13.2	21.1	20.8
Money and credit				
Net domestic assets <sup>3/</sup>	55.7	82.6	56.1	48.0
Public sector	-10.2	9.6	23.1	8.7
Private sector	53.0	80.5	19.3	33.8
Money and quasi money (M2)	32.2	23.8	28.1	24.8
Interest rate (effective annual rate, short-term deposit rate)	40.8	47.8	27.9	...
(In percent of GDP)				
Public sector savings	5.5	-0.8	--	0.8
Overall public sector surplus or deficit (-)	0.8	-3.4	-3.0	-4.5
Net domestic financing	-3.5	2.3	4.0	2.3
Net foreign financing	2.7	1.1	-1.0 <sup>4/</sup>	2.2
Gross domestic investment	20.7	9.9	10.3	12.5
Gross national savings	6.4	0.3	5.0	6.5
Current account deficit	14.3	9.6	5.4	6.0
Medium- and long-term public and private external debt (end of year)	38.0	57.3	76.6	77.6
Debt service ratio (in percent of exports of goods and nonfactor services)	58.0	72.0	51.6	53.9
Interest payments (in percent of exports of goods and services)	35.9	46.3	37.2	40.2
(In millions of U.S. dollars, unless otherwise specified)				
Overall balance of payments	98.0	-1,365.0	-640.0	--
Gross official reserves (months of imports) (end of year)	5.9	6.6	6.4 <sup>5/</sup>	5.9 <sup>5/</sup>
Gross official reserves (months of current payments)	3.6	3.1	3.0	2.8
External payments arrears (defaults) (end of year)	--	--	--	--

Sources: Central Reserve Bank of Chile; and Fund staff estimates.

<sup>1/</sup> At the end of the year.<sup>2/</sup> On the basis of consumer prices.<sup>3/</sup> In percent of liabilities to the private sector at the beginning of the period. Based on end-of-period actual exchange rates.<sup>4/</sup> Excludes external loans obtained by the nonfinancial public sector to provide balance of payments support.<sup>5/</sup> Excludes projected net use of IMF credits.

## APPENDIX III

Table 11. Chile: Macroeconomic Flows

(As percent of GDP)

	1981	1982	1983		Prog. 1984
			Prog.1/	Est.	
<b>I. Balance of Payments</b>					
<u>Current account surplus or deficit (-)</u>	-14.3	-9.6	-8.1	-5.4	-6.0
Trade balance	-8.1	0.3	5.1	5.1	4.8
Exports	(11.6)	(15.5)	(22.5)	(19.5)	(19.6)
Imports	(-19.7)	(-15.1)	(-17.5)	(-14.4)	(-14.9)
Net factor payments	-4.4	-8.0	-11.3	-8.6	-8.8
Other services and transfers	-1.8	-1.9	-1.9	-1.9	-1.9
<u>Capital account</u>	14.2	4.2	5.6	2.6	6.0
Private capital	12.7	2.7	3.6	-2.9	0.2
Financial public sector	-1.2	0.4	--	6.5 <sup>2/</sup>	3.6 <sup>2/</sup>
Nonfinancial public sector	2.7	1.1	2.0	-1.0	2.2
<u>Net official international reserves (increase -)</u>	--	5.8	2.5	2.8	--
<b>II. Public Sector</b>					
<u>Savings <sup>3/</sup></u>	5.5	-0.8	2.7	--	0.8
<u>Net capital revenue</u>	0.4	2.1	1.1	1.9	1.5
<u>Capital expenditure</u>	5.1	4.7	5.8	4.9	6.8
<u>Overall surplus or deficit (-)</u>	0.8	-3.4	-2.0	-3.0	-4.5
Net foreign financing	2.7	1.1	2.0	-1.0	2.2
Net domestic financing	-3.5	2.3	--	4.0	2.3
<b>III. Saving and Investment</b>					
<u>Gross domestic investment</u>	20.7	9.9	17.4	10.3	12.5
Public sector	5.1	4.7	5.8	4.9	6.8
Private sector	15.6	5.2	11.6	5.4	5.7
<u>Investment = savings</u>	20.7	9.9	17.4	10.3	12.5
External savings	14.3	9.6	8.1	5.4	6.0
Gross national savings	6.4	0.3	9.3	5.0	6.5
Public sector	(5.5)	(-0.8)	(2.7)	(--)	(0.8)
Private sector	(0.9)	(1.1)	(6.6)	(5.0)	(5.7)
<u>Memoranda items</u>					
Annual growth rate of real GDP	5.7	-14.3	...	-0.8	4.0
GDP (in billions of Chilean pesos)	1,289.0	1,229.0	1,550.0	1,550.0	1,941.0
GDP (in billions of U.S. dollars)	33.0	24.1	19.7	19.7	20.9
Exchange rate (pesos per U.S. dollar)	39.0	50.9	...	78.5	93.0

Sources: Central Bank of Chile; and Fund staff estimates.

1/ Based on actual estimated GDP for 1983 of Ch\$1,550 billion, or US\$19.7 billion. The program had projected 1983 GDP at Ch\$1,740 billion or US\$22.2 billion.

2/ Foreign medium-term bank disbursements are channeled to the financial public sector.

3/ Includes as a current expenditure the full inflation correction of outstanding domestic indexed public debt.

Table 12. Chile: Balance of Payments Medium-Term Projections, 1984-89

	1984	1985	1986	1987	1988	1989
<u>(In billions of U.S. dollars)</u>						
Trade balance	1.0	1.3	1.6	1.8	1.9	2.0
Exports	(4.1)	(4.6)	(5.1)	(5.5)	(6.0)	(6.6)
Imports	(-3.1)	(-3.3)	(-3.5)	(-3.7)	(-4.1)	(-4.6)
Nonfactor services	-0.5	-0.6	-0.6	-0.7	-0.7	-0.8
Factor services	-1.8	-2.0	-2.2	-2.2	-2.3	-2.3
Transfers	0.1	0.1	0.1	0.1	0.1	0.1
<u>Balance on current account</u>	<u>-1.3</u>	<u>-1.2</u>	<u>-1.0</u>	<u>-1.0</u>	<u>-1.0</u>	<u>-1.0</u>
Direct investment	0.2	0.2	0.2	0.3	0.3	0.3
Amortization	-1.7	-2.3	-2.7	-2.6	-3.5	-3.2
Of which: to commercial banks	(-1.0)	(-1.6)	(-2.0)	(-2.0)	(-2.7)	(-2.2)
Medium-term capital inflows	2.7	3.2	3.5	3.3	4.2	3.9
Short-term capital inflows	0.1	--	--	--	--	--
<u>Overall balance</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>(As percent of GDP)</u>						
<u>Memoranda items</u>						
Current account	6.0	5.0	4.0	3.8	3.5	3.3
Interest payments on the external debt	9.6	9.5	9.3	9.0	8.5	7.8
Total external debt outstanding at year end	88.5	84.3	81.1	77.7	74.2	70.8

Sources: Central Bank of Chile; and Fund staff estimates.

ATTACHMENT I

Santiago, Chile  
March 12, 1984

Mr. Jacques de Larosiere  
Managing Director  
International Monetary Fund  
700 - 19th Street, N.W.  
Washington, D.C. 20431

Dear Mr. de Larosiere:

1. In December 1982 the Chilean authorities addressed to you a letter requesting your support in obtaining a two-year stand-by arrangement from the Fund in the amount of SDR 500 million. The economic policies which Chile intended to pursue in this period were described in the economic policy memorandum attached to that letter.
2. A weakening of the financial system beginning in 1981 led to a financial crisis early in 1983, causing serious difficulties in implementing our plans, and resulting in substantial deviations from the stand-by program. As we remained committed to the program objectives, in March 1983 we formulated and began to implement an emergency plan to stabilize the financial system, stem the loss of international reserves, and return to the program path. In July 1983, we communicated to you that the emergency plan was taking hold and that we were confident that Chile would return to the path of the stand-by program by September 30, 1983, under the assumption of timely disbursements of resources by Chile's foreign creditor banks.
3. We are now in a position to report to you that our short-term stabilization efforts have been successful. The loss of international reserves has been stemmed, inflation has been reduced, and economic recovery is under way.
4. Our policies for the second year of the stand-by arrangement are directed toward defending the stabilization already achieved, strengthening further the financial system and nurturing the moderate economic recovery currently under way. These policies are described in the attached Memorandum on Economic Policies.
5. In support of these objectives and policies, the Government of Chile requests that the remaining resources under the existing stand-by arrangement, equivalent to SDR 216 million, be made available to Chile in the course of 1984. In addition, the Government of Chile requests a waiver of the observance of the performance criteria relating to the unification of the exchange system and to the elimination of the restriction on payments for travel and other invisible transactions referred to in paragraph 4(b) of the stand-by arrangement.



# Office Memorandum

(Agenda)  
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Members of the E-B -

TO : Mrs. Djeddaoui

DATE: March 30, 1984

FROM : ~~The Secretary~~  
Jan van Houten JvH

SUBJECT : Chile Staff Report for the 1983 Article IV Consultation and Consultation Under Stand-By Arrangement

The following corrections have been made in EBS/84/50<sub>a</sub> (3/9/84):

Pages 41 and 42: the figure for public sector savings for 1982 should be -0.8 instead of -0.3. Accordingly, the columns for 1982 in Tables 10 and 11 have been corrected to reflect this change.

Page 43, line 3: for "millions" read "billions".  
*(In millions of U.S. dollars)*  
*read "(In billions of U.S. dollars)"*

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