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This paper provides background information to the staff report on the 1982 Article IV consultation discussions with Chile and the request for a stand-by arrangement, which was circulated as EBS/82/134 on July 26, 1982.

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INTERNATIONAL MONETARY FUND

CHILE

Recent Economic Developments

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CHILE--Basic Data

Area and population

Area	756,626 sq. kilometers
Population (1981)	11.4 million
Annual rate of population increase (1977-81)	1.7 per cent
Unemployment rate (May 1982--Greater Santiago)	17.3 per cent

GDP (1981)	SDR 27,871 million
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GDP per capita (1981)	SDR 2,452
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<u>Origin of GDP (1981)</u>	<u>(per cent)</u>
Agriculture, forestry, and fishing	8
Mining and quarrying	7
Manufacturing	21
Construction	6
Commerce	18
Other	40

<u>Ratios to GDP (1981)</u>	
Exports of goods and services	18.6
Imports of goods and services	33.5
Central government revenues	24.3
Central government expenditures	22.0
External public debt (end of year)	13.7
Saving	7.4
Investment	22.0
Money and quasi-money (end of year)	26.3

<u>Annual changes in selected economic indicators</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
		<u>(per cent)</u>		
Real GDP per capita	6.6	6.7	5.7	3.5
Real GDP	8.2	8.3	7.5	5.3
GDP at current prices	69.4	58.4	38.7	19.7
Domestic expenditures (at current prices)	73.4	56.1	40.5	27.0
Investment	109.2	58.2	61.4	27.4
Consumption	67.5	55.7	36.1	26.9
GDP deflator	56.5	46.3	29.0	13.7
Wholesale prices (annual averages)	42.9	49.4	39.6	9.1
Cost of living (annual averages)	40.1	33.4	35.1	19.7
Central government revenues	61.1	64.0	34.5	24.9
Central government expenditures	49.3	49.4	32.0	36.1
Money and quasi-money	77.0	63.1	53.3	41.0
Money	67.0	58.2	56.4	-3.1
Quasi-money	82.5	65.2	51.9	62.9
Net domestic bank assets ^{1/}	68.3	81.6	91.0	81.9
Credit to public sector (net)	-16.8	-18.1	-29.5	-13.6
Credit to private sector	94.5	88.1	111.0	92.5
Merchandise exports (f.o.b., in U.S. dollars)	11.9	55.9	22.7	-15.8
Merchandise imports (f.o.b., in U.S. dollars)	34.1	45.2	30.5	19.9

<u>Central government finances</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
	<u>(millions of Chilean pesos)</u>			
Revenues	113,200	185,696	249,824	311,944
Expenditures	105,089	157,006	207,208	281,930
Current account surplus or deficit (-)	16,041	42,206	58,106	46,189
Overall surplus or deficit (-)	8,111	28,690	42,616	30,014
External financing (net)	-2,565	-7,163	-6,467	-5,138
Internal financing (net)	-5,546	-21,527	-34,149	-24,876

<u>Balance of payments</u>	<u>(millions of U.S. dollars)</u>			
Merchandise exports (f.o.b.)	2,460	3,835	4,705	3,960
Merchandise imports (f.o.b.)	-2,886	-4,190	-5,469	-6,558
Investment income (net)	-488	-675	-930	-1,428
Other services and transfers (net)	-174	-159	-277	-788
Balance on current and transfers accounts	-1,088	-1,189	-1,971	-4,814
Official capital (net)	655	449	85	294
Private capital (net)	1,291	1,802	3,080	4,497
Errors and omissions	-145	-4	50	93
Allocation of SDRs	--	29	30	28
Change in official net reserves (increase -)	-713	-1,087	-1,274	-98

<u>International reserve position</u> 2/	<u>Dec. 31</u>	<u>Dec. 31</u>	<u>Mar. 31</u>
	<u>1980</u>	<u>1981</u>	<u>1982</u>
	<u>(millions of SDRs)</u>		
Central Bank (gross)	3,220.1	3,189.5	3,047.9
Central Bank (net)	3,182.2	3,189.5	3,047.9
Rest of banking system (net)	-900.2	-1,151.9	-1,254.8

IMF data (as of June 30, 1982)

<u>Article VIII status</u>	
Intervention currency and rate	U.S. dollar at Ch\$46.46 per US\$
Quota	SDR 325 million
Cumulative purchases	SDR 888 million
Regular purchases	SDR 486 million
Compensatory financing facility purchases	SDR 158 million
Oil facility purchases	SDR 244 million
Cumulative repurchases	SDR 867 million
Fund holdings of Chilean pesos under tranche policy	78.3 per cent of quota
Total Fund holdings of Chilean pesos	84.8 per cent of quota
<u>Special Drawing Rights Department</u>	
Cumulative SDR allocation	SDR 121.9 million
Net acquisition or utilization (-) of SDRs	SDR -87.9 million
Holdings of SDRs	27.8 per cent of allocation
Share of Profits from gold sales	US\$25.1 million

1/ In relation to the stock of money and quasi-money at the beginning of the period. Excludes contra-entry of SDR allocations.

2/ Gold valued at US\$42.22 per ounce.

I. Macroeconomic Trends

1. Output, income, and domestic expenditure

Following the deep recession of 1975 and the mild recovery of 1976, the economy of Chile experienced strong growth during 1977-80. In this period both real GDP and real income (as measured by real GNP adjusted for the terms of trade) grew at an average annual rate of 8-1/2 per cent. A rapid expansion of domestic expenditures, improved resource allocation, and a strong external demand for Chile's main export commodities (particularly during 1977-79) contributed to this favorable growth and income performance (Table 1).

Table 1. Chile: Selected Economic Indicators

(Percentage change from preceding year)

	1977	1978	1979	Prel. 1980	Est. 1981
GDP at current prices	123.6	69.4	58.4	38.7	19.7
GDP deflator	103.5	56.6	46.3	29.0	13.7
Real GDP	9.9	8.2	8.3	7.5	5.3
Real GNP adjusted for the terms of trade	8.6	7.5	11.0	7.1	2.0
Real domestic expenditure	14.6	10.6	9.5	9.0	11.3
Terms of trade	-7.7	-1.1	11.3	-1.1	-8.6
Consumer price index	92.0	40.1	33.4	35.1	19.7

Sources: Statistical Appendix Tables 29, 30, and 44.

Economic activity continued to expand at a high rate through mid-1981 as a sharp expansion in domestic spending, fueled by sizable net external borrowing by the private sector, outweighed the effects of a fall in external demand for Chile's main exports. Growth came to a halt in the latter part of the year, however, as domestic spending slowed down in response to a tapering off of external capital inflows, increased real interest rates and an apparent decline in confidence. For the year 1981 as a whole, real GDP expanded by an estimated 5 per cent; real income growth, however, was limited to only 2 per cent as net factor income payments abroad increased substantially and the terms

of trade deteriorated by almost 9 per cent. With the rate of domestic inflation falling sharply and export prices declining by 4 per cent, the implicit GDP deflator increased by only 14 per cent in 1981 compared with 29 per cent in 1980; nominal GDP expanded by 20 per cent in 1981, about half of its growth rate in 1980.

As domestic expenditure growth exceeded the rise in output growth during 1977-80, Chile registered growing external imbalances (Table 2). These disequilibria by and large reflected a substantial increase in private sector investment--including stock accumulation. In contrast, in this period the public sector registered large savings, which exceeded by a wide margin its net capital formation and transfers to the private sector; the surplus allowed for a substantial reduction of the external public (and Central Bank) debt (Table 3). Thus, the external imbalances of 1977-80 were financed exclusively by net external borrowing by the private sector.

Domestic expenditure growth accelerated in real terms during 1981 in spite of the slowdown in spending that took place in the latter part of the year. For the year as a whole, real domestic expenditure rose by an estimated 11-1/2 per cent; this was higher than in recent years except for 1977. The marked divergence between expenditure and output growth, together with the deterioration in Chile's terms of trade led, during 1981, to a substantial further widening of Chile's resource gap. With exports of goods and nonfactor services declining in real terms by 3-1/2 per cent and imports rising by 20-1/2 per cent, the resource gap rose to 11 per cent of GDP in 1981 as compared with 4 per cent in 1980. Because of the abovementioned increase in net factor income payments abroad, the current account deficit widened from 7 per cent of GDP in 1980 to 14-1/2 per cent in 1981.

In contrast to the trend of recent years, most of the rise in spending in 1981 was due to increased consumption. Real consumption increased by 12 per cent compared with 4 per cent in 1980, while real investment increased by 10 per cent compared with 30 per cent in 1980. In response to a sharp decline in public sector savings, gross national savings declined from 13-1/2 per cent of nominal GDP in 1980 to 7-1/2 per cent in 1981, while investment rose from 21 per cent of nominal GDP in 1980 to 22 per cent in 1981. Although public sector savings were reduced substantially, they continued to exceed public sector investment. Consequently, Chile's external imbalance in 1981 reflected, as in recent years, a divergence between private sector spending and income. However, in 1981, the excess savings of the public sector fell short of the net resource transfer from the public sector and the Central Bank to the private sector. Hence, the public sector--including the Central Bank--increased its net external indebtedness.

Available indicators show that the trends that began to develop in the latter part of 1981 have become more pronounced in the first half of 1982. Economic activity has declined and export volume has not recovered. At the same time, domestic expenditure and imports have been

Table 2 Chile Domestic Expenditure Output and GNP

	1977	1978	1979	Prel 1980	Est 1981
I At Current Prices					
(Percentage change from preceding year)					
Domestic expenditure	138.8	73.4	56.1	40.5	27.0
Consumption	136.7	67.5	55.7	36.1	26.9
General government	133.1	67.7	56.9	24.5	28.3
Private sector	137.4	67.4	55.5	38.5	27.1
Gross domestic investment	152.4	109.2	58.2	61.4	27.4
Of which fixed capital formation		86.7	60.7	54.8	33.7
public sector	(135.4)	(64.0)	(20.6)	(38.5)	(25.7)
private sector	()	(111.1)	(94.0)	(63.3)	(37.4)
Exports 1/	81.7	76.5	83.3	26.8	-7.7
Imports 1/	145.4	94.7	69.5	35.0	26.3
Gross domestic product	123.6	69.4	58.4	38.7	19.7
Gross national product	124.9	68.6	58.3	38.5	18.5
(As per cent of GDP)					
Domestic expenditure	101.9	104.3	102.9	104.2	110.6
Consumption	87.5	86.5	85.1	83.5	88.6
Gross domestic investment	14.4	17.8	17.8	20.7	22.0
Of which fixed capital formation	13.3	14.7	14.9	16.6	18.5
Resource gap	-1.9	-4.3	-2.9	-4.2	-10.6
Exports 1/	19.7	20.5	23.8	21.7	16.8
Imports 1/	21.6	24.9	26.6	25.9	27.4
II At Constant 1977 Prices					
(Percentage change from preceding year)					
Domestic expenditure	14.6	10.6	9.5	9.0	11.3
Consumption	14.3	8.5	5.8	3.9	11.7
General government	3.8	6.8	9.1	-5.8	4.3
Private sector	16.6	8.9	5.1	5.9	13.1
Gross domestic investment	16.8	23.4	29.1	31.1	9.9
Of which fixed capital formation		17.4	16.8	22.4	15.5
public sector	(24.8)	(3.1)	(-12.2)	(9.5)	(8.2)
private sector	()	(32.7)	(41.1)	(29.1)	(18.8)
Exports 1/	10.7	16.0	15.8	5.8	-3.6
Imports 1/	37.9	26.6	20.2	11.4	20.5
Gross domestic product	9.9	8.2	8.3	7.5	5.3
Gross national product	10.5	7.7	8.2	7.4	4.3
Gross national product adjusted for the terms of trade	8.6	7.5	11.0	7.1	2.0
(As per cent of GDP)					
Domestic expenditure	101.9	104.2	105.3	106.7	127.8
Consumption	87.5	87.8	85.7	82.8	87.9
Gross domestic investment	14.4	16.4	19.6	23.9	24.9
Of which fixed capital formation	13.3	14.4	15.6	17.7	19.5
Resource gap	-1.9	-4.2	-5.3	-6.7	-12.8
Exports	19.7	21.1	22.8	22.4	20.5
Imports	21.6	25.3	28.1	29.1	33.3

Sources Statistical Appendix Tables 29 and 30

1/ Goods and nonfactor services

Table 3. Chile: Financing of Gross Domestic Investment

(As per cent of nominal GDP)

	1977	1978	1979	Prel. 1980	Est. 1981
<u>Gross domestic investment</u>	<u>14.4</u>	<u>17.8</u>	<u>17.8</u>	<u>20.7</u>	<u>22.0</u>
<u>Net external savings</u>	<u>4.1</u>	<u>7.1</u>	<u>5.7</u>	<u>7.2</u>	<u>14.6</u>
<u>Gross national savings</u>	<u>10.3</u>	<u>10.7</u>	<u>12.1</u>	<u>13.5</u>	<u>7.4</u>
<u>Private sector investment</u>	<u>7.5</u>	<u>11.1</u>	<u>12.7</u>	<u>15.6</u>	<u>16.7</u>
<u>Private sector savings</u>	<u>1.7</u>	<u>2.0</u>	<u>2.9</u>	<u>2.7</u>	<u>1.5</u>
Net external borrowing	5.4	8.4	9.1	12.3	13.3
Net resource transfers from public sector <u>1/</u>	0.4	0.7	0.7	0.6	1.9
<u>Public sector investment</u>	<u>6.9</u>	<u>6.7</u>	<u>5.1</u>	<u>5.1</u>	<u>5.3</u>
<u>Public sector savings</u>	<u>8.6</u>	<u>8.7</u>	<u>9.2</u>	<u>10.8</u>	<u>5.9</u>
Net external borrowing <u>2/</u>	-1.3	-1.3	-3.4	-5.1	1.3
Net resource transfers from private sector	-0.4	-0.7	-0.7	-0.6	-1.9
<u>Memoranda items:</u>					
Gross domestic savings	12.5	13.4	15.0	16.5	11.4
Net factor payments and transfers abroad	(-2.2)	(-2.7)	(-2.9)	(-3.0)	(-4.0)

Sources: Statistical Appendix Tables 29 and 62; and Fund staff estimates.

1/ Defined as the excess of public sector savings and net external borrowing over public sector fixed capital formation. It includes capital and financial transfers as well as net lending by the public sector and the Central Bank to the private sector.

2/ Net of changes in the net foreign assets of the Central Bank.

falling. For the year as a whole, real GDP is expected to decline by 6-7 per cent, and both the resource gap and the deficit in the current account of the balance of payments should be significantly lower than in 1981.

2. Output by sector

Economic activity in 1981 was led by construction, transport, and commerce. Fishing registered strong growth but its share in value added is very small. Value added in other sectors increased below the 5-1/2 per cent rate of the economy as a whole (Table 4).

Table 4. Chile: Sectorial Origin of Gross Domestic Product at Constant 1977 Prices

	Percentage Change from Preceding Year					As Per Cent of Total		
	1977	1978	1979	Prel. Est. 1980	Est. 1981	1976	1980	1981
GDP at market prices	9.9	8.2	8.3	7.5	5.3	100.0	100.0	100.0
Agriculture	10.4	-4.9	5.6	1.8	2.2	9.3	7.5	7.3
Fishing	15.4	17.9	14.3	7.6	13.6	0.5	0.6	0.6
Mining	2.7	1.6	5.4	5.9	3.6	8.6	7.2	7.1
Manufacturing	8.5	9.3	7.9	6.2	2.6	22.0	21.6	21.0
Construction	-0.9	8.1	23.9	25.7	16.2	4.5	5.4	6.0
Electricity, gas, and water	5.8	6.7	5.9	5.9	3.5	2.3	2.2	2.1
Transport, storage, and communications	10.8	8.4	9.0	11.1	5.3	5.3	5.6	5.6
Commerce	24.8	20.0	11.0	10.8	5.7	13.7	18.3	18.3
Other services	4.5	5.0	7.9	6.6	3.4	33.1	30.1	29.6
Import duties and value added tax on imports	61.8	16.9	19.1	22.4	24.2	3.3	6.6	7.7
Imputed banking charges	33.0	-0.3	45.5	39.6	13.2	-2.6	-5.1	-5.5

Source: Statistical Appendix Table 31.

a. Agriculture

In response to the liberalization of domestic agricultural prices and foreign trade, the structure of agricultural production has changed in recent years. The area devoted to the so-called traditional products has been declining, while the area planted with fruits--mainly for exports--has expanded rapidly (Table 5 and Statistical Appendix

Tables 32 and 34). As a whole, the agricultural sector has experienced little growth in recent years, and during 1977-80 value added increased at an annual average rate of only 3 per cent. In 1980, agriculture and fishing accounted for 8 per cent of GDP and are estimated to have employed 16 per cent of the labor force.

Table 5. Chile: Indicators of the Agricultural Sector
(Percentage change)

	1978	1979	1980	1981
<u>Traditional crops</u>				
Area	-7.0	4.5	-1.1	-12.7
Production (tons)	-34.0	3.3	-8.3	25.4
Value of production at 1977 prices	-23.0	12.9	-7.9	-2.0
<u>Fruits 1/</u>				
Area	4.0	5.9	11.4	7.3
Production (tons)	6.5	6.6	6.5	19.1
<u>Beef production (tons slaughtered)</u>	<u>-1.4</u>	<u>7.3</u>	<u>--</u>	<u>5.7</u> 2/
<u>Poultry production (tons slaughtered)</u>	<u>32.5</u>	<u>34.6</u>	<u>29.2</u>	<u>19.6</u>
<u>Eg production</u>	<u>14.2</u>	<u>4.2</u>	<u>17.0</u>	<u>...</u>
<u>Milk production</u>	<u>-2.8</u>	<u>-2.3</u>	<u>13.2</u>	<u>18.0</u>
<u>Wooded area planted</u>	<u>-15.3</u>	<u>-34.2</u>	<u>39.0</u>	<u>27.4</u>

Sources: Statistical Appendix Tables 32, 33, and 34; and Central Bank of Chile.

1/ Based on surveys of selected fruits.

2/ First semester of 1981 compared with first semester of 1980.

The trends just mentioned continued during 1981, with the sector's value added rising by an estimated 2 per cent. The area of traditional crops declined by 13 per cent following a 1 per cent decline in 1980. The areas cultivated with wheat, rice, chickpeas, sunflower seed, and rapeseed experienced the sharpest decline, while the area cultivated with corn, beans, and sugarbeet increased. Output in traditional crops is estimated to have declined by 2 per cent in 1981, as compared with 8 per cent in 1980. The area cultivated with fruits increased by an

estimated 7 per cent in 1981, and production by 19 per cent. Over the last few years, fruit output has risen with the opening of new export outlets.

With respect to other subsectors, preliminary data show that poultry and milk production increased by about 20 per cent in 1981. During the first half of the year, meat production had increased by 6 per cent in relation to the first half of 1980.

b. Manufacturing

Manufacturing accounts for 21 per cent of GDP and employs about 15 per cent of the labor force. The sector performed strongly and registered growth at an average annual rate of 8 per cent in the period 1977-80. Manufacturing production continued to increase through the first half of 1981 but stagnated in the third quarter and declined sharply in the fourth quarter. For the year as a whole, value added is estimated to have increased by barely 2-1/2 per cent as compared with 6-1/4 per cent in 1980. The performance of manufacturing during 1981 reflected a weak external demand, a loss of competitiveness,^{1/} and the slowdown of domestic spending that occurred in the second half of the year.

Only production of durable consumer goods and miscellaneous products is estimated to have increased in 1981 (Table 6). The former increased through the third quarter (in relation to the same period in 1980), but declined in the fourth quarter; the latter increased throughout the year. Production of nondurable consumer, intermediate, and construction goods declined slightly during the year, but with construction goods experiencing a sharp drop in the last quarter. Production of transport equipment meanwhile declined by 14 per cent. Among the industrial groups that had achieved strong growth in the past years only wood products and furniture continued to grow quite strongly in 1981, while output of basic metals, electric products, and transport materials declined. Textile production continued to fall, while production of clothing and leather increased by almost 4 per cent (Statistical Appendix Table 36).

^{1/} See Section IV.1 below.

Table 6. Chile: Indices of Industrial Production and Sales of the Chilean Association of Manufacturers (SOFOPA).

(Percentage change from preceding year)

						1981	1982
						Oct.-	Jan.-
	Weights	1977	1978	1979	1980	1981	Dec. Feb.
<u>Production</u>	<u>100.0</u>	<u>9.2</u>	<u>10.2</u>	<u>8.2</u>	<u>4.0</u>	<u>--</u>	<u>-8.1 -14.6</u>
Nondurable consumer goods	44.8	5.6	10.6	6.5	0.3	-0.8	-4.6 -8.3
Durable consumer goods	7.0	8.7	10.2	4.6	28.4	10.4	-1.5 -54.3
Transport equipment	6.7	24.0	49.4	-0.3	19.8	-13.8	-50.0 -53.9
Intermediate goods	21.0	6.5	3.5	6.5	1.2	-0.8	-2.3 -8.3
Construction goods	12.5	20.5	22.6	18.3	7.6	-2.0	-21.0 -11.5
Miscellaneous	8.5	17.8	-4.3	15.1	1.7	12.2	2.1 -14 "
<u>Sales</u>	<u>...</u>	<u>9.9</u>	<u>11.7</u>	<u>8.9</u>	<u>4.7</u>	<u>0.6</u>	<u>-8.7 -14.0</u>

Source: Statistical Appendix Table 35.

Data for the last quarter of 1981 and the first two months of 1982 indicate that the manufacturing sector was in a deep recession, with average production down substantially in relation to the corresponding period a year earlier.

c. Mining

Mining presently accounts for 7 per cent of GDP and employs about 2 per cent of the labor force. The sector provides, however, for about 60-65 per cent of Chile's commodity export earnings. Copper accounts for 75 per cent of value added in mining and 45-50 per cent of Chile's commodity export earnings. About 85 per cent of copper production comes from the large government-owned mines and the remainder from privately-owned medium and small mines. In 1981, copper output increased by 1-1/2 per cent (Table 7). Production from the large copper mines declined slightly for the second consecutive year, but output from the medium-size mines increased by 45 per cent, mainly in response to the coming-on stream of a new mine. Output from all mines, meanwhile, declined by 3 per cent as a result of falling international demand and prices (Statistical Appendix Table 38).

Table 7. Chile: Mining Production

	June 1976 Weights	Annual Percentage Change				
		1977	1978	1979	1980	1981
Total	100.0	1.5	-2.5	4.7	3.7	5.3
Metallic minerals	88.4	2.7	-1.9	3.9	1.2	3.2
Copper	(76.2)	(3.9)	(-2.3)	(3.7)	(-0.4)	(1.5)
Molybdenum	(3.8)	(0.4)	(20.7)	(2.7)	(0.8)	(11.7)
Lead	(0.4)	(-51.7)	(-51.0)	(-41.5)	(82.3)	(-52.0)
Silver	(2.0)	(15.2)	(-3.0)	(6.4)	(9.9)	(10.6)
Iron	(5.2)	(-20.2)	(-2.6)	(5.2)	(7.4)	(-5.9)
Zinc	(0.2)	(-22.5)	(-53.7)	(1.7)	(-38.5)	(34.2)
Gold	(0.9)	(-10.0)	(-12.0)	(8.8)	(97.3)	(70.9)
Manganese	(0.4)	(-8.2)	(40.2)	(7.4)	(11.0)	(-8.5)
Nonmetallic minerals	11.6	-8.4	-8.6	12.2	34.6	13.9
Iodine	(0.3)	(30.3)	(3.6)	(25.4)	(7.9)	(3.3)
Coal	(2.4)	(3.9)	(-15.0)	(-15.3)	(8.8)	(-15.8)
Petroleum	(5.8)	(-15.0)	(-11.8)	(20.4)	(60.8)	(24.2)
Nitrate	(2.5)	(-9.2)	(-5.7)	(17.2)	(-)	(1.8)
Carbonate	(0.5)	(1.6)	(19.9)	(3.8)	(23.3)	(4.4)

Source: Statistical Appendix Table 37.

Total copper output during 1981 reached 1,081 thousand metric tons of fine copper, of which about 900,000 metric tons came from the large government-owned copper mines. Government policies in the copper sector are to maintain the production of the large mines at about 900,000 metric tons and to attract private investment in medium-sized mines to increase overall production. Private investment projects totaling about US\$5-1/2 billion are in different stages of consideration and preparation, but relatively little investment has taken place so far in this sector.

Petroleum production declined sharply during 1977-78, but has more than doubled since then because of the initiation in 1979 of offshore production. Petroleum production expanded by more than 60 per cent in 1980 and by 24 per cent last year (Statistical Appendix Table 39), and domestic production now accounts for about 45 per cent of domestic consumption as compared with only 20 per cent in 1977. The Government intends to promote private investment in the sector, and in 1982 will open 10 to 12 offshore blocks to international bidding.

Since 1974, prices of petroleum derivatives have followed international prices. Except for kerosene, prices of petroleum derivatives are freely determined. As of April 1982, the price of low-octane gasoline was US\$1.84 per U.S. gallon (Statistical Appendix Table 40). At

the wholesale level, ENAP, the state petroleum enterprise, sets the prices of derivatives in accordance with international prices and the private sector may import petroleum derivatives. Since 1976, the consumption of petroleum derivatives has increased at an average annual rate of 5-1/2 per cent, well below the rate of growth of the economy.

Mining products such as molybdenum, silver, gold, and zinc registered substantial growth in 1981. Value added in the mining sector as a whole is estimated to have increased by 3-1/2 per cent in 1981 as compared with 6 per cent in 1980.

d. Construction

Value added in construction is estimated to have increased by about 25 per cent a year in 1979-80 in reflection of rising incomes, lower real interest rates, and increased availability of long-term financing. As can be seen from the construction statistics shown in Table 8, the increase was especially pronounced in private residential construction. In 1981 value added in construction rose an estimated 16 per cent. Partial indicators suggest that construction activity continued to increase at a sharp rate during the first half of 1981, followed by a substantial decline in the second semester as a result of the slowdown of domestic spending and increased real interest rates. This decline appears to have continued in the first quarter of 1982 (see Table 6).

Table 8. Chile: Indicators of Construction Activity in Eighty Selected Townships

	1977	1978	1979	1980	Jan.-Aug. 1981
(In thousands of square meters)					
<u>Private sector (licenses)</u>	1,244.6	1,932.8	2,975.4	4,031.7	3,750.3
Residential	776.1	1,276.8	2,173.2	2,932.8	2,862.9
Nonresidential	468.5	656.0	802.2	1,098.9	887.4
<u>Public sector (starts)</u>	810.9	378.3	160.4	265.4	104.1
Residential	717.8	197.4	20.2	125.4	22.7
Nonresidential	93.1	180.9	140.2	140.0	81.4
(Annual percentage change)					
<u>Private sector (licenses)</u>	0.1	55.3	53.9	35.5	60.5
Residential	-10.6	64.5	70.2	34.9	71.1
Nonresidential	24.9	40.0	22.2	36.9	33.7
<u>Public sector (starts)</u>	-35.3	-53.3	-57.6	65.4	-31.9
Residential	-37.7	-72.5	-89.8	520.7	-64.6
Nonresidential	-8.0	94.3	-22.5	--	-26.0

Source: National Statistical Institute.

3. Employment, wages, and prices

a. Employment

Prior to 1980, the strong rise of the economy did not result in a decline in the unemployment rate. In 1980, however, the unemployment rate dropped significantly and it continued to decline in early 1981. Since then the rate of unemployment has risen sharply because of the fall in economic activity.

On the basis of employment surveys undertaken by the National Statistical Institute (INE), the national unemployment rate fell to 10.4 per cent during the fourth quarter of 1980, from 13.2 per cent during 1976-79, as a sharp expansion in employment more than offset the effects of an increase in the participation rate (Table 9). It registered a further slight decline to 10.3 per cent of the labor force in April-June 1981, but then rose to 11.2 per cent in October-December 1981. The quarterly surveys for the greater Santiago area undertaken by INE and the University of Chile (UC) point to labor market trends similar to those of INE's national surveys. The rate of unemployment continued to rise in the first five months of 1982. According to INE's surveys, unemployment in the greater Santiago area averaged more than 17 per cent during the three months ended May 1982 as compared with less than 9 per cent in the same period of 1980.

Employment under the Minimum Employment Program administered by the municipalities rose from an average of 4-1/2 per cent of the labor force in 1977-79 to 5-3/4 per cent in 1980, but then declined again to 4-3/4 per cent in 1981.

b. Wages

Before July 1979, collective bargaining was not permitted, and nominal wages were adjusted four times a year according to a formula linked to past inflation. In August 1979, a major change in the system of wage and salary determination was introduced with the adoption of legislation governing trade union organization and collective bargaining. All workers, except employees of the Central Government and certain decentralized agencies are covered by this legislation. Public enterprises also engage in collective bargaining but workers in those enterprises which are in a monopoly position are not allowed to strike. In these cases, binding arbitration is mandated if agreement cannot be reached. It is estimated that currently about 25 per cent of the labor force engages in collective bargaining, which takes place only at the level of the individual firm. Under collective bargaining, until June 1982 the employer's initial wage offer had to compensate for past inflation, although it was possible for negotiations to result in smaller or larger settlements. The wages and salaries of those workers and employees that did not engage in collective bargaining, as well as the minimum wage, were adjusted periodically for changes in consumer prices; in 1980, these adjustments were made in April and October and in 1981 in

Table 9. Chile: Labor Market Indicators

(In per cent)

	October-December			April-June	
1976	1977-79 1/	1980	1981	1980	1981

I. National Employment Data (INE)

Percentage growth rates

<u>Population over 12</u>						
years of age	...	2.3	2.0	2.0	...	2.0
Labor force	...	3.0	4.5	-1.1	...	2.9
Employment	...	2.6	8.5	-2.0	...	6.3
Output (yearly averages)	3.5	8.8	7.5	5.3
<u>Unemployment rate</u>	<u>12.7</u>	<u>13.2</u>	<u>10.4</u>	<u>11.2</u>	<u>13.2</u>	<u>10.3</u>
<u>Participation rate</u>	<u>41.9</u>	<u>42.6</u>	<u>44.0</u>	<u>42.6</u>	<u>42.2</u>	<u>42.7</u>

	October-December			July-Sept.		March-May	
	1976	1977-79 1/	1980	1981	1980	1981	1982

II. Greater Santiago Employment Data (INE)

<u>Unemployment rate</u>	<u>13.6</u>	<u>12.8</u>	<u>10.1</u>	<u>11.0</u>	<u>11.2</u>	<u>8.1</u>	<u>8.7</u>	<u>17.4</u>
<u>Lay-off rate</u>	<u>10.1</u>	<u>10.1</u>	<u>7.7</u>	<u>8.8</u>	<u>9.0</u>	<u>6.5</u>	<u>6.6</u>	<u>14.6</u>
<u>Participation rate</u>	<u>43.1</u>	<u>44.3</u>	<u>46.2</u>	<u>47.1</u>	<u>46.4</u>	<u>45.8</u>	<u>46.1</u>	<u>45.1</u>

December				September	
1976	1977-79	1/ 1980	1981	1980	1981

III. Greater Santiago Employment Data (University of Chile)

<u>Unemployment rate</u>	<u>13.6</u>	<u>13.6</u>	<u>10.7</u>	<u>13.5</u>	<u>11.8</u>	<u>10.5</u>
<u>Lay-off rate</u>	<u>10.0</u>	<u>9.8</u>	<u>7.5</u>	<u>10.9</u>	<u>9.3</u>	<u>8.1</u>
<u>Participation rate</u>	<u>49.8</u>	<u>50.4</u>	<u>51.3</u>	<u>51.8</u>	<u>51.0</u>	<u>51.3</u>

Sources: National Statistical Institute (INE); and Statistical Appendix Tables 41 and 42.

1/ Average.

March and August. On June 16, 1982 the Government announced that all future wage indexation in both the public and private sectors would be terminated, and the wage floor for collective bargaining contracts was lowered to the real level of July 6, 1979.

On the basis of available indicators, wages and salaries have increased significantly in real terms over the last few years. Adjusted for changes in the consumer price index, wages and salaries increased by an average of about 10-1/2 per cent in 1981, about the same as the average increase of the preceding three years (Table 10). Because the coverage of the wage index is limited to certain sectors of the economy, it may overstate actual real wage increases for the economy as a whole. Nevertheless, it suggests a rapid expansion of real wages in recent years, probably much in excess of productivity growth.

Table 10. Chile: Wage Trends

(Percentage change)

	Average				December-December			
	1978	1979	1980	1981	1978	1979	1980	1981
<u>Nominal wages</u>								
INE's index	59.7	47.8	46.9	32.0	46.3	53.2	36.5	20.6
Minimum wage	77.0	32.2	35.4	38.7	59.8	38.8	23.1	36.8
<u>Real wages</u>								
INE's index	14.0	11.0	8.7	10.3	12.3	10.2	4.0	10.2
Minimum wage	26.3	-1.0	--	15.9	22.6	--	-6.2	24.9

Source: Statistical Appendix Tables 43.

The authorities have tried to reduce the overall cost of labor by reducing employers' contributions to social security. Employers' contributions, for example, to the fund for private sector employees were gradually reduced from 47 per cent of gross salary in 1976 to 29 per cent in 1980 (Table 11). In 1981, the authorities carried out a broad reform of the social security system to improve its efficiency and equity and reduce employers' and employees' contributions (see Appendix I).

Table 11. Chile: Social Security Contributions
(As per cent of gross earnings)

	Employer	Employees	Total
<u>Old system</u> 1/			
March 1975-March 1977	46.7	12.3	59.0
April 1977-December 1977	42.7	12.3	55.0
January 1978-March 1978	38.7	12.3	51.0
April 1978-June 1978	34.7	12.3	47.0
July 1978-April 1980	31.7	12.3	44.0
May 1980-February 1981	28.7	12.3	41.0
March 1981-December 1981	3.9 2/	25.8 3/	29.7
<u>New system</u>			
May 1981-December 1981	3.9	17.0 4/	20.9

Source: Ministry of Labor.

1/ Based on contributions to the fund for private sector employees.

2/ Includes transitory tax of 3 per cent; remaining 0.9 per cent covers contributions to workers' injuries fund. This 0.9 per cent rate varies depending on type of industry.

3/ Gross salaries were increased proportionally to compensate for shift in funding.

4/ Maximum. 10 per cent for retirement fund; 3 per cent (maximum) for disability and survivals funds. This rate varies and is established by the Institutions administering the funds; 4 per cent for health fund.

c. Prices

Despite the fixing of the exchange rate in mid-1979, the openness of the economy, and strong fiscal performance, prices continued to rise at a very high rate in 1980. During the 12 months ended December 1980 consumer prices rose by 31 per cent as compared with 12.5 per cent for the wholesale prices of imported goods (Table 12).^{1/} This relatively high rate of domestic inflation probably reflected the effects of strong domestic demand on the prices of nontradables, the high degree of wage indexation of the economy, and a lagged response of inflationary expectations.

^{1/} Wholesale import prices are used as a proxy for the impact of international inflation.

Table 12. Chile: Selected Price Statistics

(Percentage change at annual rates)

	Consumer Price Index		Wholesale Price of Imported Goods
	All Items	Food	
Dec. 1976-Dec. 1977	63.5	59.4	79.2
Dec. 1977-Dec. 1978	30.3	25.5	22.2
Dec. 1978-Dec. 1979	38.9	41.9	67.5
Dec. 1979-Dec. 1980	31.2	30.8	12.5
Dec. 1980-Dec. 1981	9.5	-1.6	0.5
1979 IV - 1980 I	30.8	23.4	40.4
1980 I - 1980 II	30.3	21.0	-2.2
1980 II - 1980 III	28.3	49.4	16.6
1980 III- 1980 IV	33.9	31.2	--
1980 IV - 1981 I	11.3	2.8	12.1
1981 I - 1981 II	10.9	-5.6	-13.3
1981 II - 1981 III	11.3	3.7	-4.3
1981 III- 1981 IV	4.1	-2.7	4.0
1981 IV - 1982 I	1.3	-1.9	-5.4

Sources: Statistical Appendix Tables 44 and 45.

The rate of inflation declined markedly during 1981. Through the first three quarters of 1981 prices rose at an annual rate of 11 per cent as compared with 31 per cent during 1980. During the last quarter of 1981 prices rose at an annual rate of only 4 per cent--well within international levels. For the year as a whole, they rose by 9.5 per cent.

The decline of inflation during 1981 was greatly influenced by the behavior of import and food prices, and, toward the end of the year, the deceleration of domestic spending. Import prices--as measured by the wholesale import price index--did not increase during 1981, because of lower international inflation and the pegging of the peso to the U.S. dollar; over the same period, food prices declined by 1.6 per cent.

These price trends have continued during 1982. In the first quarter of the year, consumer prices rose at an annual rate of only 1-1/4 per cent, while import and food prices declined by 5-1/2 and 2 per cent, respectively. Domestic spending, as indicated elsewhere in this report, also declined in this period.

II. Public Sector Operations

1. Introduction

Since 1977 the objective of fiscal policy has been the reduction in the size of the public sector and maintenance of a sound overall financial position. To these ends, public sector enterprises were sold, the number of public sector employees was reduced, and public sector controls were removed from most areas of the economy. Although tax reform resulted in reductions in public sector revenue relative to GDP there were even larger reductions in expenditure, and the public sector surplus rose from 1.7 per cent of GDP in 1977 to 5.8 per cent in 1980 (Table 13).

Table 13. Chile: Public Sector Operations

(In per cent of GDP)

	1977	1978	1979	1980	1981
<u>Current revenue</u>	<u>41.7</u>	<u>39.0</u>	<u>33.8</u>	<u>34.7</u>	<u>33.5</u>
General government ^{1/}	33.5	32.4	26.2	25.3	28.3
Operating surplus of the public enterprises	8.2	6.6	7.6	9.4	5.2
<u>Current expenditure of the general government</u>	<u>33.1</u>	<u>30.3</u>	<u>24.6</u>	<u>23.9</u>	<u>27.6</u>
<u>Current account surplus</u>	<u>8.6</u>	<u>8.7</u>	<u>9.2</u>	<u>10.8</u>	<u>5.9</u>
<u>Capital revenue</u>	<u>1.9</u>	<u>2.1</u>	<u>2.1</u>	<u>2.0</u>	<u>4.0</u>
<u>Capital expenditure</u>	<u>8.8</u>	<u>8.7</u>	<u>6.5</u>	<u>7.0</u>	<u>7.6</u>
<u>Overall surplus or deficit (-)</u>	<u>1.7</u>	<u>2.1</u>	<u>4.8</u>	<u>5.8</u>	<u>2.3</u>
<u>Financing</u>	<u>-1.7</u>	<u>-2.1</u>	<u>-4.8</u>	<u>-5.8</u>	<u>-2.3</u>
External (net)	-0.3	1.4	0.3	-0.1	2.8
Domestic banking system (net)	-1.3	-2.3	-2.6	-5.1	-4.8
Other, including statistical discrepancy	-0.1	-1.2	-2.5	-0.6	-0.3

Sources: Statistical Appendix Tables 29 and 46.

^{1/} Before taxes and transfers received by the Central Government from public enterprises.

In 1981 these policies were continued, as the social security system and a number of social programs were shifted either to the private sector or to local governments (that are not included in the consolidated nonfinancial public sector). However, these measures entailed a marked increase in public sector expenditure in the short run, in part due to nonrecurrent expenses (including severance pay for school teachers transferred to local school systems and worker bonuses resulting from reforms in transport legislation) and in part due to the cost of social security reform. That reform involved Treasury support for public sector pension funds and takeover of financial obligations of the Fondo Unico de Prestaciones Familiares (FUPF). The FUPF was responsible for payments of food subsidies, dependency allowances, and unemployment benefits, and had not been included in the consolidated nonfinancial public sector.

Revenues of the public sector in 1981 did not rise at a pace commensurate with current expenditures due to the impact of changes in tax legislation, the drop in the world copper price, and the low net operating income of the major public enterprises. As a result, the savings of the public sector fell by almost one half, from 10.8 per cent of GDP in 1980 to 5.9 per cent in 1981 (see Table 13). This deterioration was partially offset by an increase in sales of property by the general government which reduced the capital account deficit from 5.0 per cent of GDP in 1980 to 3.6 per cent in 1981. The surplus on overall public sector operations fell from 5.8 per cent of GDP in 1980 to 2.3 per cent in 1981.

In 1981, for the first time since 1978, the public sector borrowed abroad as the public enterprises increased their investment outlays. Net foreign borrowing totaled 2.8 per cent of GDP in 1981, following virtually no change in the foreign debt of the public sector in 1979 and 1980.

2. General government

The impact of the social security reform and the shift of major social programs to the municipalities was clearly evident in the operations of the general government.^{1/} After growing at a rate similar to GDP in both 1979 and 1980, current expenditures rose sharply in relation to GDP in 1981. The growth of revenues did not match this expenditure increase and resulted in a decline in the overall surplus to 2.3 per cent of GDP in 1981 from 5.0 per cent of GDP in 1980 (Table 14).

a. Central government operations

The Central Government's operations during 1981 were marked by a deterioration in both current savings and the overall fiscal position. Notwithstanding the reduction in direct taxes, total revenues of the Central Government increased as a percentage of GDP on the strength of

^{1/} The municipalities are not included in the consolidated public sector.

Table 14. Chile: Operations of the General Government
(In per cent of GDP)

	1977	1978	1979	1980	1981
I. General Government					
Current revenue <u>1/</u>	38.7	36.9	32.7	32.3	33.2
Current expenditure	33.1	30.3	24.6	23.9	27.6
<u>Current account surplus</u>	<u>5.6</u>	<u>6.6</u>	<u>8.1</u>	<u>8.4</u>	<u>5.6</u>
Capital revenue	1.4	1.1	1.5	1.1	1.7
Capital expenditure	6.0	5.4	4.6	4.5	5.0
<u>Overall surplus or deficit (-)</u>	<u>1.0</u>	<u>2.3</u>	<u>4.9</u>	<u>5.0</u>	<u>2.3</u>
II. Central Government					
Current revenue <u>1/</u>	24.4	23.0	24.0	23.3	24.3
Current expenditure	22.4	19.7	18.4	17.9	20.7
<u>Current account surplus</u>	<u>2.0</u>	<u>3.3</u>	<u>5.5</u>	<u>5.4</u>	<u>3.6</u>
Capital revenue	--	0.2	--	0.1	0.1
Capital expenditure	2.0	1.8	1.8	1.5	1.4
<u>Overall surplus or deficit (-)</u>	<u>--</u>	<u>1.7</u>	<u>3.7</u>	<u>4.0</u>	<u>2.3</u>
III. Decentralized Agencies <u>2/</u>					
Current revenue	20.8	19.2	15.1	16.4	17.5
Current expenditure	17.1	15.9	12.5	13.5	15.5
<u>Current account surplus</u>	<u>3.6</u>	<u>3.3</u>	<u>2.6</u>	<u>2.9</u>	<u>2.0</u>
Capital revenue	1.5	1.5	2.0	1.5	2.0
Capital expenditure	4.1	4.2	3.4	3.4	4.0
<u>Overall surplus or deficit (-)</u>	<u>1.0</u>	<u>0.6</u>	<u>1.2</u>	<u>1.0</u>	<u>--</u>

Source: Statistical Appendix Tables 29, 47, 48, and 51.

1/ Includes taxes and transfers received from public enterprises.

2/ Includes social security system.

increased revenues from indirect taxes. However, current expenditures grew at an even faster rate--led by transfer and subsidy payments--and the Central Government's savings fell from 5.0 per cent of GDP in 1980 to 3.6 per cent in 1981 (see Table 14). The capital account showed virtually no change between 1980 and 1981, and the overall financial position of the Central Government deteriorated; the overall surplus was 2.3 per cent of GDP in 1981 compared with 4.0 per cent in the previous year.

A strong rise of indirect tax receipts offset a decline in receipts from direct taxes, and total central government revenues increased somewhat to 24.4 per cent of GDP in 1981 (Table 15). The decline in direct tax revenues (from 5.0 per cent of GDP in 1980 to 3.8 per cent in 1981) mainly reflected the impact of lower world copper prices on the copper companies' tax receipts. In addition, the slowdown in economic activity in the second half of last year reduced both profit and provisional tax payments. Direct tax receipts were also affected by changes in tax legislation, the principal measures being a reduction in the "single tax" on labor income (impuesto unico al trabajo) and an increase in the minimum income level exempt from taxation.

The rise in receipts from indirect taxes in 1981 was due to continued improvements in tax collection methods and strong growth of imports and domestic expenditure, particularly in the first half of the year. Taxes collected on goods and services rose from 11.2 per cent of GDP in 1980 to 12.4 per cent in 1981 and taxes on international trade rose from 1.4 per cent of GDP to 1.7 per cent in 1981. The strong increase in taxes on goods and services is due almost in its entirety to receipts from the value-added tax which rose from 8.5 per cent of GDP in 1980 to 9.6 per cent in 1981.

In 1979, the Central Government began a systematic effort to reduce tax evasion by reducing exemptions on payment of income taxes, tightening controls over the collection process, and applying fines for tax evasion. As a result, the payments of back taxes, fines, and provisional payments for the year rose to 2.6 per cent of GDP in 1980 and 3.5 per cent in 1981, compared with 1 per cent in the preceding three years.

Table 15. Chile: Central Government Revenue

(In per cent of GDP)

	1977	1978	1979	1980	1981
<u>Total revenue</u>	<u>24.4</u>	<u>23.2</u>	<u>24.0</u>	<u>23.4</u>	<u>24.4</u>
<u>Current revenue</u>	<u>24.4</u>	<u>23.0</u>	<u>24.0</u>	<u>23.3</u>	<u>24.3</u>
Taxes on income and property	7.9	8.0	8.2	5.0	3.8
Personal and business tax	(4.3)	(4.2)	(5.1)	(4.0)	(3.7)
Copper companies' tax	(2.5)	(2.8)	(2.4)	(0.9)	(—)
Property tax	(0.9)	(1.0)	(0.7)	(0.1)	(0.1)
Other direct taxes	(0.2)	(—)	(—)	(—)	(—)
Taxes on goods and services	12.4	12.5	10.5	11.2	12.4
Value-added tax	(7.9)	(8.6)	(8.0)	(8.5)	(9.6)
Excise tax	(3.1)	(2.6)	(1.3)	(1.3)	(1.4)
Stamp tax	(1.1)	(1.2)	(1.2)	(1.4)	(1.4)
Other taxes	(0.3)	(0.1)	(—)	(0.1)	(—)
Taxes on international trade	2.4	2.0	1.5	1.4	1.7
Tax rebates	0.1	-0.7	-0.1	-0.1	--
Other revenue	1.6	1.2	3.9	5.7	6.5
Sales of goods and services	(0.6)	(0.2)	(2.9)	(3.1)	(3.0)
Other <u>1/</u>	(1.0)	(1.0)	(1.0)	(2.6)	(3.5)
<u>Capital revenue</u>	<u>--</u>	<u>0.2</u>	<u>--</u>	<u>0.1</u>	<u>0.1</u>

Sources: Statistical Appendix Tables 29 and 49.

1/ Includes transfers from public enterprises, payment of back taxes, and provisional tax payments.

Total central government expenditure rose to 22.1 per cent of GDP in 1981 (Table 16), following three years of decline. While capital expenditure fell marginally to 1.4 per cent of GDP in 1981, current expenditure increased by almost 3 percentage points of GDP to 20.7 per cent.

Table 16. Chile: Central Government Expenditure

(In per cent of GDP)

	1977	1978	1979	1980	1981
<u>Total expenditure</u>	<u>24.4</u>	<u>21.5</u>	<u>20.3</u>	<u>19.4</u>	<u>22.1</u>
<u>Current expenditure</u>	<u>22.4</u>	<u>19.7</u>	<u>18.4</u>	<u>17.9</u>	<u>20.7</u>
Wages and salaries	7.1	5.4	4.8	5.0	5.6
Purchases of goods and services	3.0	3.1	2.9	2.1	1.9
Social security contributions	2.4	3.5	2.1	1.3	0.9
Transfers and subsidy payments to rest of public sector	5.9	5.3	6.5	7.3	8.2
Decentralized agencies	(...)	(4.9)	(6.1)	(6.8)	(7.5)
Public enterprises	(...)	(0.4)	(0.1)	(--)	(--)
Other	(...)	(--)	(0.3)	(0.5)	(0.7)
Transfer and subsidy payments to private sector	2.8	1.0	1.3	1.4	3.6
Interest payments	1.1	1.3	0.8	0.6	0.3
Other	0.1	0.1	0.1	0.2	0.2
<u>Capital expenditure</u>	<u>2.0</u>	<u>1.8</u>	<u>1.8</u>	<u>1.5</u>	<u>1.4</u>
<u>Capital formation</u>	<u>1.9</u>	<u>1.1</u>	<u>1.3</u>	<u>1.0</u>	<u>0.9</u>
Transfer payments to rest of public sector	0.1	0.5	0.5	0.4	0.4
Decentralized agencies	(0.1)	(0.5)	(0.5)	(0.4)	(0.4)
Public enterprises	(--)	(--)	(--)	(--)	(--)
Other	(--)	(--)	(--)	(--)	(--)
Transfer payments to private sector	--	0.1	--	0.1	0.1
Other	--	0.1	--	--	--

Sources: Statistical Appendix Tables 29 and 50.

The major reason for the expansion in current expenditure in 1981 was the sharp increase in current transfer and subsidy payments. Central government transfers to the private sector rose from 1.4 per cent of GDP in 1980 to 3.6 per cent in 1981 and transfers to the rest of the public sector increased from 7.3 per cent to 8.2 per cent of GDP in 1981. The steep rise in transfers to the private sector is traceable to (1) the switch to the Central Government of obligations of the FUPF; (2) the payment of special bonuses to longshoremen who were dismissed as part of the reform of the maritime industry;^{1/} and (3) payment of educational grants to students based on their academic standing.

^{1/} That legislation prohibited the practice of having two or more laborers holding one position as a longshoreman.

The increase in transfers to the rest of the public sector--mainly decentralized agencies--reflected in part increased financing requirements of the social security system, as an estimated 60 per cent of the labor force shifted to the privately run pension funds. Also, the shift of primary and secondary school teachers to the municipalities involved Treasury payments of retirement and severance benefits to the teachers. On shifting from the national public school system to the municipal school system, teachers are entitled to benefits based on their years of service.

After declining steadily from 7.1 per cent of GDP in 1977 to 5.0 per cent in 1980, wage and salary payments by the Central Government rose to 5.6 per cent in 1981. The decrease in the wage bill through 1980 was due in large part to reductions in the work force. In 1981 the public sector work force stabilized and the public sector wage scale was raised with the payment of tax-free bonuses and the transfer of social security contributions to the employee. In addition, a separate wage scale was created for employees of certain centralized agencies. At the same time, social security contributions of the Central Government fell from 1.3 per cent of GDP in 1980 to 0.9 per cent in 1981 as the result of the reform of the system.

b. Operations of the decentralized agencies

The rest of the General Government is composed of the public sector social security system, the state universities, and a number of decentralized agencies which are largely dependent on central government transfers.

In spite of marked reductions in social security contributions, revenues of the decentralized agencies rose sharply in 1981--to 19.5 per cent of GDP compared with 17.9 per cent in 1980--because of increased transfers from the Central Government and receipt by the social security institutions of the transitory 3 per cent employers' tax (Table 17). Sales of goods and services rose from 1.1 per cent of GDP in 1980 to 3.1 per cent in 1981, on the basis of higher tariffs on public services, particularly road tolls and port fees. With respect to the latter, a 5 per cent surcharge was applied to all commissions derived from merchant marine shipments from Chilean ports.

Expenditures of the decentralized agencies increased substantially in 1981. Social security expenditures rose to 7.3 per cent of GDP from 6.7 per cent in 1980, on the basis of improved benefits.^{1/} Transfers to the private sector rose from 0.8 per cent of GDP to 1.1 per cent in 1981, reflecting in part readjustment of unemployment benefits. Payment of wages and salaries fell marginally from 2.5 per cent of GDP

^{1/} In May 1981, family assistance payments were authorized for all children under six years of age whose father was not subscribed in a pension plan, and powdered milk allocations were approved for all pregnant women. Furthermore, in June 1981 all pension benefits were increased.

in 1980 to 2.2 per cent in 1981. As the size of public sector employment had largely stabilized, this reduction in the wage bill reflected the impact of the social security reform.

Table 17. Chile: Operations of the Decentralized Agencies
(In per cent of GDP)

	1977	1978	1979	1980	1981
<u>Total revenue</u>	<u>22.2</u>	<u>20.7</u>	<u>17.1</u>	<u>17.9</u>	<u>19.5</u>
Contributions to the social security system	3.7	6.9	5.5	5.5	4.1
Transfer payments from the Central Government	6.9	5.4	6.6	6.8	7.5
Sales of goods and services	2.5	2.0	1.8	2.0	3.1
Sales of assets	0.9	1.0	1.5	1.4	1.3
Other revenue	8.2	5.4	1.7	2.2	3.3
<u>Total expenditure</u>	<u>21.2</u>	<u>20.1</u>	<u>15.9</u>	<u>16.9</u>	<u>19.5</u>
Wages and salaries	3.9	3.3	2.0	2.5	2.2
Purchases of goods and services	1.9	1.7	1.5	1.3	1.6
Social security expenditure	6.8	6.7	6.1	6.7	7.3
Transfer payments to rest of public sector	1.7	1.8	1.3	1.7	2.2
Central Government	(0.3)	(0.5)	(0.3)	(0.6)	(1.1)
Public enterprises	(0.1)	(--)	(--)	(--)	(--)
Other	(1.3)	(1.3)	(1.0)	(1.1)	(1.1)
Transfer payments to private sector	2.4	2.0	1.0	0.8	1.1
Interest	0.6	0.3	0.3	0.2	0.1
Capital formation	2.3	2.4	1.9	1.6	1.9
Financial investment	1.6	1.7	1.3	1.7	2.1
Other expenditure	--	0.2	0.5	0.4	1.0

Sources: Statistical Appendix Tables 29, 52, and 53.

The investment spending of the rest of the general government is carried out principally by the regional development and housing authorities. After several years of curtailing such outlays, housing construction under these regional programs rose temporarily in 1981 as a result of efforts to provide low-cost housing to indigent families. While such activities were curtailed again in the latter half of 1981, capital expenditure for the year rose to 1.9 per cent of GDP, up from 1.6 per cent of GDP in 1980.

All in all, the operations of the rest of the general government were in balance during 1981 following an overall surplus of 1.0 per cent of GDP in the previous year.

c. The 1982 budget

The initial 1982 budget for the general government--completed in late 1981--contemplated a sharp increase in Treasury revenues offset only in part by a marked increase in expenditures. The growth in revenues was based on the assumption of a sharp recovery in world copper prices combined with continued economic growth. General government saving was projected at 2.0 per cent of GDP, compared with 5.6 per cent in 1981, and overall general government operations were projected to be in balance in 1982.

Subsequent reductions in the projections of both real GDP growth and world copper demand led to substantial reductions in estimated tax receipts and to the emergence of a potential general government deficit of between 4.5 per cent and 5.0 per cent of GDP. Consequently, the authorities adopted a series of measures in early 1982 aimed at increasing tax receipts and reducing expenditures. Among the tax measures enacted were (1) a 25 per cent surcharge on income taxes; (2) a 60 per cent surcharge on automobile licenses; and (3) a 30 per cent surcharge on nonagricultural real estate taxes. Moreover, transfers to the Treasury from both CODELCO and ENAP were increased. The projected impact of these measures was an increase in central government revenue of Ch\$30 billion. At the same time, general government expenditure cuts equal to Ch\$14.5 billion were enacted. As a result, the potential general government deficit was reduced by Ch\$44.5 billion, or 3.6 per cent of GDP.

In response to concern over the impact of the deepening recession on domestic employment, the authorities adopted a series of measures in April 1982 including allocation of Ch\$2.7 billion for construction of low cost housing; establishment of a subsidy equivalent to Ch\$1.20 for each additional worker hired in excess of the number employed as of December 31, 1981; and implementation of new public works programs by municipal governments. These measures, which are expected to produce some 70,000 jobs, are to be financed by reductions in budgeted programs.

3. Operations of the public enterprises

a. Operations of CODELCO

During 1981, CODELCO generated an operating surplus equivalent to 1.5 per cent of GDP compared with a 4.7 per cent surplus in 1980 (Table 18). This sharp deterioration was due to the combination of the fall in world copper prices and increases in domestic production costs. Moreover, CODELCO paid US\$435 million in taxes and transfers to the Central Government while continuing the five-year investment plan initiated in 1980. CODELCO's financial operations registered a loss equivalent to 0.7 per cent of GDP in 1981, the first loss since 1977.

Table 18. Chile: Operations of the Public Enterprises
(In per cent of GDP)

	1977	1978	1979	1980	1981
I. <u>All Public Enterprises</u>					
<u>Operating surplus before taxes and transfers</u>	<u>8.0</u>	<u>6.6</u>	<u>7.7</u>	<u>9.5</u>	<u>5.2</u>
Taxes and transfers	5.2	4.5	6.5	7.0	4.9
<u>Current account surplus</u>	<u>2.8</u>	<u>2.1</u>	<u>1.2</u>	<u>2.5</u>	<u>0.3</u>
Capital revenue	0.6	1.1	0.6	1.0	2.3
Capital expenditure	2.7	3.3	1.8	2.7	2.6
<u>Overall surplus or deficit (-)</u>	<u>0.7</u>	<u>-0.2</u>	<u>-0.1</u>	<u>0.8</u>	<u>--</u>
II. <u>CODELCO</u>					
<u>Operating surplus before taxes and transfers</u>	<u>3.2</u>	<u>3.6</u>	<u>5.6</u>	<u>4.7</u>	<u>1.5</u>
Taxes and transfers	2.8	2.3	4.4	3.4	1.3
<u>Current account surplus</u>	<u>0.4</u>	<u>1.3</u>	<u>1.2</u>	<u>1.3</u>	<u>0.2</u>
Capital revenue	--	0.3	--	--	--
Capital expenditure	0.7	0.8	0.7	0.9	0.9
<u>Overall surplus or deficit (-)</u>	<u>-0.3</u>	<u>0.7</u>	<u>0.4</u>	<u>0.4</u>	<u>-0.7</u>
III. <u>Other Public Enterprises</u>					
<u>Operating surplus before taxes and transfers</u>	<u>4.8</u>	<u>3.0</u>	<u>2.1</u>	<u>4.8</u>	<u>3.7</u>
Taxes and transfers	2.4	2.2	2.1	3.6	3.6
<u>Current account surplus</u>	<u>2.4</u>	<u>0.8</u>	<u>--</u>	<u>1.2</u>	<u>0.1</u>
Capital revenue	0.6	0.8	0.6	1.0	2.3
Capital expenditure	2.0	2.5	1.1	1.8	1.7
<u>Overall surplus or deficit (-)</u>	<u>1.0</u>	<u>-0.9</u>	<u>-0.5</u>	<u>0.4</u>	<u>0.7</u>

Sources: Statistical Appendix Tables 29, 54, and 55.

The fall in the world copper price resulted in a drop in revenues to 5.8 per cent of GDP in 1981, from more than 9 per cent in 1980. World copper prices fell to an average of U.S. cents 79 per pound in 1981--compared with an average of US\$1 per pound in 1980. Meanwhile, current expenditures rose in line with GDP. Wage concession to miners of El Teniente resulted in an increase in wage and salary payments which was offset in part by savings on social security payments to the social security fund.

CODELCO's capital expenditure remained unchanged in relation to GDP in 1981. As the ore quality of CODELCO's mines is deteriorating over time, improved equipment and more extensive mining techniques are necessary for CODELCO to maintain production. CODELCO's overall deficit of 0.7 per cent of GDP was covered by short-term borrowing abroad. As in previous years, such foreign borrowing was in excess of CODELCO's financing needs in 1981 as the budget law required the company to meet transfer obligations to the Central Government that had been established before the size of the fall in world copper demand was known.

In spite of expectations of a recuperation in world copper prices toward the latter part of 1982, the operating surplus of CODELCO is projected to decline somewhat as a result of both higher wages and salaries and higher interest payments. At the same time, transfers and tax payments to the Central Government are projected to increase at a faster pace than revenues, due to the tax measures adopted by the authorities in early 1982. A portion of this higher payment of taxes and transfers will be offset by a slowdown in the investment program of the company, but the offset will not be sufficient to prevent a modest increase in the overall deficit.

b. Operations of the rest of the public enterprises

(1) Overall trends

Over the last several years, most of the other public enterprises have continued to improve their financial situation. This broadly satisfactory performance has resulted from the combination of realistic pricing policies, particularly in the public utilities, and elimination of operational inefficiencies. Transfers from the Treasury to enterprises had been eliminated in 1980.

The combined operating surplus of the other public enterprises (before taxes and transfers to the Central Government) was 3.7 per cent of GDP in 1981, compared with 4.8 per cent the previous year (see Table 18). This reduction was due to a drop in revenues of a number of enterprises, while operating expenditures rose in line with GDP. Whereas some savings were achieved via reductions in the wage bill and purchases of goods and services, these savings were offset by higher interest costs on the outstanding debt. In spite of the reduction in revenues, taxes and transfers to the Central Government remained unchanged in relation to GDP, reflecting the central government's policy

of establishing transfer obligation on the basis of budget projections rather than actual cash flows. As a result of these developments, current savings (after taxes and transfers) were virtually nil in 1981 compared with savings equivalent to 1.2 per cent of GDP in 1980.

This deterioration in their current account position prompted a number of enterprises to finance investment projects via sales of assets. Accordingly, capital revenues rose from 1.0 per cent of GDP in 1980 to 2.3 per cent in 1981. This increase exceeded the investment needs of these enterprises, and their overall surplus increased marginally, from 0.4 per cent of GDP in 1980 to 0.7 per cent in 1981.

Projections for 1982 indicate a marginal increase in the overall pretax operating surplus, based on the assumption of improved market conditions. However, because much of this increase in the surplus is to be passed on to the Central Government and the scope for further sales of assets is limited, the financial position of the public enterprises is projected to deteriorate marginally in 1982.

(2) Developments in major enterprises

During 1981 the slowdown in the growth of world demand together with the rise of domestic production costs resulted in a deterioration in the finances of export-oriented public enterprises. Moreover, high interest costs affected enterprises engaged in large investment projects. As was noted, financial support from the Treasury was not forthcoming, and enterprises offset this deterioration in savings in large part through sales of capital assets.

The effect of higher interest costs was particularly noticeable in the case of public utility enterprises, which had been financing a series of investment projects through foreign borrowing. For example, both the Chilean Electrical Company (CHILECTRA) and the National Energy Company (ENDESA) began construction of electricity-generating plants and expansion of existing distributional lines, while the Chilean Telephone Company (CTC) was widening service to urban customers. The rate of investment spending was eased in 1981 due to the downturn in economic activity, but interest costs continued to rise with the increase in world interest rates. The current savings of CTC and ENDESA deteriorated sharply. However, the savings of CHILECTRA rose slightly, because of the implementation of a special electricity rate for winter months when demand is highest.

Operations of the National Mining Company (ENAMI), the Pacific Steel Company (CAP), and the National Sugar Industry (IANSA) were all affected adversely by developments in international markets. CAP, which produces steel for domestic markets and exports steel pellets, completed construction of an iron pellet plant in 1980. The stagnation of the domestic construction industry in the second half of 1981 and the lack of demand for steel pellets in export markets caused a reduction in revenues in 1981 compared with 1980. Since CAP also faced high

finance changes stemming from the construction of the pellet plant, the company suffered a marked deterioration in both its current account and overall financial positions in 1981. The declines in world copper prices and world sugar prices resulted in reductions in current revenues of both ENAMI and IANSA. In spite of efforts by both enterprises to reduce operating expenditures, their current savings fell sharply. ENAMI sought to offset this fall through sales of capital assets--particularly its copper stock--but this was not sufficient to prevent the emergence of a large overall deficit.

Other public enterprises faced reduced current revenues due to weak market circumstances but they were generally able to offset the effects of such development through a combination of savings in operational costs and sales of capital assets. The State Chemical Company (SOQUIMICH) suffered a minor decline in revenues attributable to a fall in demand for synthetic nitrate--SOQUIMICH's principal product--but reductions in the labor force, energy conservation, and sales of inefficient plants enabled the company to keep its overall financial position in equilibrium. The State Coal Company experienced rising exploration costs and a reduction in the demand for coal, but the effects were offset through reductions in administration costs of the company.

III. Financial Intermediation 1/

1. Introduction

Financial developments in 1981 were dominated by the prevalence of very high nominal and real interest rates on peso-denominated operations. In the early part of the year, the sudden deceleration of inflation probably played a role in the upward jump in calculated real interest rates. A series of business bankruptcies, and in particular the failure of the major sugar refining company (CRAV) in May, served to create an increasing perception of risk as the year went on. In August the Superintendency of Banks and Financial Institutions was given new powers of regulation and intervention, and in November eight financial institutions (including three banks) were placed under interventors named by the Superintendency. The institutions in question had accumulated a significant amount of uncollectable loans in relation to their total assets, thereby seriously impairing their ability to meet their callable liabilities. They had also worsened their cash flow by making large amounts of long-term loans at adjustable interest rates (i.e., rates fixed in real terms) while contracting short-term liabilities at variable rates, and a number of them had overdrawn their rediscount lines with the Central Bank.

The Central Bank extended about Ch\$35 billion of credit to the financial sector in the last quarter of 1981, channeled mostly through the Banco del Estado, and lost about US\$230 million in net foreign reserves or roughly the amount it had accumulated during the first three quarters of the year. Conditions in the financial markets began to normalize in February-March 1982, when interest rates started coming down a bit, but at the end of April two more financial institutions were placed under interventors. In the first six months of 1982 a further Ch\$21 billion of Central Bank credit went to the financial system,^{2/} and the Bank lost an additional US\$325 million of foreign reserves.

1/ The financial system of Chile consists of the banking system and the nonbank financial intermediaries. The banking system comprises the Central Bank and the commercial banks (the Banco del Estado--a publicly-owned entity which is the largest commercial bank--and the private commercial banks). The nonbank financial intermediaries include the financial corporations (financieras) and the development banks. Modifications to the banking law made in August 1981 removed all differences between development banks and commercial banks. At the end of 1981 development banks accounted for 16-3/4 per cent of commercial banks' liabilities to the private sector and 15-1/2 per cent of their credit to the private sector; the equivalent ratios for the financieras were each 7 per cent.

2/ Net of a transfer of Ch\$28 billion of government paper to the Banco del Estado, made in connection with the Central Bank's purchase (in May 1982) of the loans which the latter had extended to the financial institutions (and the concomitant liquidation of Central Bank advances to the Banco del Estado).

During 1981 the growth of banking system liabilities to the private sector slowed to 38 per cent, from 60 per cent in 1980; the slowdown was much less pronounced in real terms, and the ratio to nominal GDP increased to 33 per cent from 28 per cent in 1980. Reflecting the high level of interest rates and the deceleration of inflation, the growth of quasi-monetary liabilities was much faster than that of money. In addition the banks continued to borrow heavily abroad, with medium- and long-term foreign liabilities up by 21 per cent. While there was a further buildup of net deposits of the public sector, banking system credit to the private sector continued to expand at a rapid pace in 1981 (73 per cent, versus 91 per cent in 1980). Reflecting these developments, the system's net international reserves registered a slight decline last year (5 per cent or US\$365 million), following an increase of 10 per cent (US\$470 million) in 1980 (Table 19).^{1/}

Table 19. Chile: Operations of the Banking System
(Percentage change with respect to liabilities to the
private sector at the beginning of the period)

	1979	1980	1981		1982 ^{1/}	
	Jan.- Dec.	Jan.- Dec.	Jan.- March	March- Dec.	Jan.- Dec.	Jan.- March
<u>Net international reserves</u>	<u>31.0</u>	<u>9.6</u>	<u>-1.3</u>	<u>-3.1</u>	<u>-4.7</u>	<u>-2.2</u>
<u>Net domestic credit</u>	<u>65.6</u>	<u>74.2</u>	<u>12.2</u>	<u>47.4</u>	<u>64.1</u>	<u>6.8</u>
Public sector (net)	-10.4	-24.2	-10.6	--	-10.7	3.7
Private sector	76.5	91.1	17.9	50.1	72.7	-1.9
Other assets (net)	-0.5	7.3	4.9	-2.7	2.1	5.0
<u>Medium- and long-term foreign liabilities</u>	<u>33.7</u>	<u>23.6</u>	<u>1.6</u>	<u>18.2</u>	<u>21.4</u>	<u>1.6</u>
<u>Liabilities to the private sector</u>	<u>63.0</u>	<u>60.2</u>	<u>9.4</u>	<u>26.2</u>	<u>38.0</u>	<u>3.0</u>
Money	16.1	15.1	-0.2	-0.6	-0.8	0.4
Quasi-money	35.8	28.7	9.9	21.2	33.0	2.6

Source: Statistical Appendix Table 59.

^{1/} Includes development banks.

^{1/} Growth rates calculated in relation to the stock of banking system liabilities to the private sector at the beginning of the period.

2. Monetary policy and Central Bank operations

a. Policy actions

Following the reform of the financial system in 1977, the monetary authorities have followed a course of gradually removing the remaining obstacles to the efficient operation of financial markets through changes in the Banking Law, reductions and simplification of reserve requirements and, more recently, relaxation of the controls on foreign borrowing by banks and the nonfinancial private sector.

The scheduled and announced reductions in reserve requirements on private sector deposits were completed by the end of 1980, and the Central Bank bonds issued in connection with these reductions (pagares de reserva tecnica) were retired according to schedule in the course of 1981.^{1/} Last year the authorities began to reduce the reserve requirements on public sector deposits. Effective March 1, 1981, the 87 per cent requirement on deposits in the Cuenta Unica Fiscal (CUF) at the Banco del Estado was applied only to a base equal to the average level in February 1981 (subsequently changed to Ch\$45.5 billion), and a requirement of 10 per cent was applied to deposits in excess of the base. This measure was soon withdrawn, and as of April 1981 the requirement on all Treasury deposits in the "primary" CUF was fixed at 10 per cent while the requirement on deposits in the "subsidiary" CUFs (maintained by other public sector entities) was restored to 87 per cent. However, at the same time a policy was adopted of gradually permitting these other entities more flexibility in the investment of their liquid funds, and since then the amount of deposits held in the "subsidiary" CUFs has been reduced. The potential expansionary effects of the reduction in public sector reserve requirements were limited by a Ch\$16.9 billion repayment of government debt to the Central Bank, effected in February 1981 out of deposits held at the Banco del Estado; the Central Bank used these funds to repay a foreign loan it had contracted to make the original loan to the Government.

^{1/} These noninterest bearing bonds were issued in January 1980 to smooth the effects of the initial 21 percentage points reduction in the required reserves on sight deposits. By the end of 1980 the reserve requirement on private sight deposits had been reduced to the legal minimum of 10 per cent, and all other private sector deposits were subject to a 4 per cent requirement (see SM/80/240, pp. 28-29, for a more detailed description).

In May 1981 the Central Bank replaced its various refinancing and "emergency loan" facilities for commercial banks with a single, automatic rediscount line which allows the banks to obtain credit, at increasing cost, up to four times a month.^{1/} Measures were also taken to increase the flexibility of financial institutions. The 90-day minimum maturity for adjustable instruments was removed and banks were allowed to adjust interest rates on a daily basis on both time and savings deposits.

In August the General Banking Law was modified in a number of significant aspects (Decree Law 18022, August 19, 1982). One feature of the new law is that it removes all differences between commercial banks and development banks and allows banks to open branches abroad. A second major feature places additional restrictions on banks' portfolios.^{2/} Thirdly, the new law strengthens the powers of the Superintendency of Banks by permitting it access to a bank's balance sheets at any time. Should the Superintendency decide that a bank shows financial instability or poor administration, it is empowered to prohibit this bank from (a) making new loans to any institution then dealing

^{1/} Credit under this facility is limited to 85.7 per cent of the commercial banks' reserve deposits and is available for a maximum of seven days. Credit cost was set at the market interest rate (average weighted rate for 30-89 days loans) plus a surcharge initially set at 20 per cent, 40 per cent, 50 per cent, and 60 per cent for the first, second, third, and fourth request, respectively. The credit limit was later reduced to 60 per cent of required reserves (in the preceding month) and the surcharge to 10 per cent, 15 per cent, 20 per cent, and 25 per cent for each drawing. In December the credit cost was changed to 80 per cent, 90 per cent, 100 per cent, and 110 per cent of the average market interest rate for each of the four drawings, respectively. In February 1982, these ratios were raised by 10 percentage points, while access to the facility was liberalized.

^{2/} First, commercial banks are prohibited from investing in equity capital, agricultural land, merchandise or livestock. Banks have one year from the publication of the revised banking law to divest themselves of the prohibited holdings. Second, commercial banks are prohibited from accepting stocks as loan guarantees, thus limiting the practice of using inflated stocks as collateral. (In practice, firms in a group have traded stocks among themselves, thus boosting the price of that stock higher than could be achieved in a market exchange. These stocks then were used as backing for bank credit.)

The banking law retains the requirement that total credits to any single institution exceeding 5 per cent of a bank's capital and reserves up to a limit of 10 per cent of capital and reserves be covered by guarantees from the enterprise. The modified law clarifies that this definition covers all loans made directly to an enterprise plus all credit to any other institution 50 per cent or more of whose stock is held by the enterprise requesting the loan. Furthermore, when an enterprise owns less than 50 per cent of the stock of another enterprise, the latter's liabilities must be counted in proportion to the amount of stock owned.

with the bank, (b) rolling over any credit for more than 30 days, (c) giving any credit without guarantees, and (d) waiving guarantees for loans. Three banks were so classified shortly thereafter.

These three banks were among the eight financial institutions that were subsequently placed under interventors by the Superintendency in November 1981. The extension of special credit by the Central Bank to these institutions was accompanied by the imposition of a 20 per cent marginal requirement on deposits (in local currency) in excess of the average October 1981 level, but this measure was in effect only for the month of November.

The actions taken by the monetary authorities in regard to foreign borrowing by banks are described in detail in Section V and Appendix III. These liberalization measures included (1) permission as of July 1981 to bring in deposits in foreign currency under Article 14 of the International Exchange Law; (2) permission as of December 1981 to contract short-term loans abroad (i.e., with maturities of less than two years) for relending to the private sector, subject to a 20 per cent reserve requirement; (3) raising of the limits (in relation to capital and reserves) on import credits and other dollar-denominated loans, in March 1982; (4) liberalization and then abolition of the limits on the terms of import financing and export prefinancing, in the period April-July 1982; and (5) in July 1982, imposition of a uniform 5 per cent reserve requirement on foreign borrowing with maturities of less than six years,^{1/} including import financing which was previously exempt, and permission to relend foreign borrowings in pesos.

b. Operations of the Central Bank

In accordance with the objective of maintaining a "neutral" stance over the medium and longer run, the domestic credit operations of the Central Bank normally are minimal. In 1981 this policy was in evidence until the final months of the year, when the developing banking crisis necessitated the extension of emergency support from the Central Bank to a number of financial institutions.

During 1981 as a whole the net domestic assets of the Central Bank fell by 20 per cent (in relation to liabilities to the private sector at the beginning of the period), following a reduction of 126 per cent in 1980 (Table 20). Credit to the public sector, which had increased by 6 per cent in 1980, was reduced by 93 per cent in 1981, with the bulk of the reduction occurring in the first quarter (in connection with the debt repayment referred to above). Net credit to the commercial banks rose by 81 per cent, reflecting for the most part the emergency credit to the Banco del Estado for relending to other financial institutions in the last quarter of 1981; the effects of the reserve requirements reductions in 1980 and 1981 also played a role. In 1980 net credit to the banks had fallen by 93 per cent.

^{1/} The 5 per cent requirement is equal to the average requirement on private demand and time deposits.

Table 20. Chile: Operations of the Central Bank

(Percentage change with respect to liabilities to the private sector
at the beginning of the period)

	1980			1981			1982
	Jan.-Dec.	Jan.-Dec.	Jan.-Mar.	Jan.-Sept.	Sept.-Dec.	Jan.-Dec.	Jan.-Mar.
<u>Net international reserves</u>	<u>159.4</u>	<u>144.4</u>	<u>8.3</u>	<u>20.8</u>	<u>-20.3</u>	<u>1.1</u>	<u>-10.5</u>
Net domestic credit	-57.2	-126.3	-32.1	-67.5	49.1	-19.8	-1.5
Public sector (net)	-13.4	6.2	-89.0	-87.1	-5.9	-92.8	10.9
SINAP	72.4	25.6	3.4	4.9	2.0	6.8	-0.7
Commercial banks (net)	-36.4	-93.0	27.9	6.1	77.3	81.3	-0.9
Rest of the financial system	-1.3	8.7	3.0	-6.8	1.4	-5.5	1.9
Private sector	6.4	-32.4	0.2	4.1	0.5	4.7	-0.5
Other assets (net)	-84.9	-41.5	22.4	11.3	-26.2	-14.3	-12.2
<u>Medium- and long-term foreign liabilities</u>	<u>66.0</u>	<u>-17.8</u>	<u>-17.7</u>	<u>-44.0</u>	<u>8.0</u>	<u>-36.2</u>	<u>2.8</u>
<u>Liabilities to the private sector</u>	<u>36.3</u>	<u>35.9</u>	<u>-6.1</u>	<u>-2.7</u>	<u>20.8</u>	<u>17.5</u>	<u>-14.9</u>
Currency	35.0	32.4	-5.5	--	20.8	20.2	-13.0
Other	1.3	3.5	-0.6	-4.7	--	-2.7	-1.9

Source: Central Bank of Chile.

The Central Bank's liabilities to the private sector, which consist mainly of currency in circulation but also include savings certificates, accounted for 12-1/2 per cent of total banking system liabilities to the private sector at the end of 1981 (excluding the development banks). These liabilities increased by 18 per cent during 1981, or only half as fast as in 1980, and in relation to GDP they declined slightly (to 4.1 per cent from 4.2 per cent); however, in real terms the increase was faster in 1981 than in 1980. From mid-1979 through most of 1981 the Central Bank maintained a policy of refraining from foreign borrowing,^{1/} and thus its medium- and long-term foreign liabilities declined by 18 per cent in 1980 and 44 per cent in the first three quarters of 1981. However, under the pressure of the financial events after August 1981 the Bank abandoned this policy, and these liabilities increased by 8 per cent (US\$90 million) in the final quarter of the year.

As was noted above, in the last quarter of 1981 the Central Bank lost about US\$230 million of net foreign reserves, or slightly less than what it had gained in the first three quarters of the year. A further loss of about US\$140 million was registered in the first quarter of 1982, when the Bank's loanable funds declined by 12 per cent and its net domestic credit by only 1-1/2 per cent. Liabilities to the private sector dropped 15 per cent, more than twice as fast as in the corresponding period of 1981, but medium- and long-term foreign liabilities were up almost 3 per cent (US\$38 million). Credit to the public sector increased by 11 per cent, reflecting the ongoing shift into deficit of the public sector finances, and there was a further small rise (1 per cent) in net credit to the financial system.

3. Operations of the commercial banks

During 1981 the liabilities of the commercial banks (including the Banco del Estado) to the private sector increased by 42 per cent, following an increase of 65 per cent in 1980 (Table 21); in real terms the expansion was a little faster in 1981 than in 1980 (29 per cent versus 26 per cent). As noted earlier, the growth of quasi-money and other liabilities was considerably faster than that of money; demand deposits actually declined, while time deposits increased some 34 per cent, or more than twice as fast as in 1980. The banks' medium- and long-term foreign liabilities increased by 32 per cent in 1981 or at about the same rate as in 1980, while net international reserves declined by 6 per cent (down from 19 per cent in 1980).^{2/}

Despite the slower growth of loanable funds, commercial banks' net domestic credit grew at the same pace in 1981 as in 1980 (96 per cent), reflecting a sizable decline (6 per cent) in the net resources transferred to the Central Bank. Credit to the public sector increased by

^{1/} The Bank had borrowed heavily abroad in 1978 and the early part of 1979.

^{2/} These growth rates, and those in the following two paragraphs, are calculated in relation to the stock of liabilities to the private sector at the beginning of the period.

Table 21. Chile: Operations of the Commercial Banks

(Percentage change with respect to liabilities to the private sector
at the beginning of the period)

	1979		1980		1981		1982 1/	
	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.	Jan.-March	Jan.-Dec.	Jan.-Dec.	Jan.-March	Jan.-March
<u>Net international reserves</u>	-2.8	-18.8	-3.0	-2.4	-5.7	-1.2		
<u>Claims on the Central Bank</u>	11.0	22.7	-4.8	-6.6	-12.2	-0.5		
Net domestic credit	90.2	95.9	25.3	63.5	96.5	9.0		
Public sector (net)	-9.6	-30.6	3.0	0.6	3.6	2.8		
Private sector	95.0	117.1	21.0	56.6	84.5	-2.1		
Other assets (net)	4.8	9.4	1.3	6.3	8.4	8.3		
<u>Medium- and long-term foreign liabilities</u>	25.2	32.4	4.9	23.6	31.4	1.4		
<u>Liabilities to the Central Bank</u>	3.2	2.1	0.6	4.5	5.6	0.7		
<u>Liabilities to the private sector</u>	70.0	65.3	12.1	26.3	41.6	5.1		
Demand deposits	10.5	11.4	1.0	-4.7	-4.2	2.0		
Time deposits	30.7	15.0	11.0	20.5	33.9	5.7		
Savings deposits	6.9	15.6	1.0	-0.4	0.5	-0.3		
Other deposits	6.0	3.6	-0.4	4.2	4.3	-2.3		
Other liabilities	3.9	10.1	--	2.8	3.1	0.3		
Capital and surplus	11.9	9.5	-0.5	4.0	4.0	-0.3		

Sources: Statistical Appendix Tables 57 and 58.

1/ Includes development banks.

4 per cent in 1981, following a 30 per cent decline in 1980; this shift reflected for the most part a drawdown of public sector deposits at the Banco del Estado from the high levels accumulated in 1980. The growth of credit to the private sector slowed down to 85 per cent in 1981, from 117 per cent in 1980; in real terms the expansion was about the same in both years. The proportion of net new private sector credit financed out of foreign borrowing was about 44 per cent in both 1981 and 1980.

The growth of commercial banks' loanable funds was much slower in the first three months of 1982 than in the corresponding period of 1981, with both liabilities to the private sector and foreign borrowing expanding at a seasonally low pace. Net domestic credit grew 9 per cent from December 1981 to March 1982, compared with 25 per cent in the corresponding period one year earlier; net credit to the public sector rose 2-3/4 per cent and credit to the private sector declined by 2 per cent, as a sizable amount of outstanding loans was reclassified. These developments reflected both the weakening of economic activity and the effects of the financial crisis of November 1981.

Using the new powers granted to it in August 1981, the Superintendency of Banks in early November placed interventors in eight financial institutions (three banks, a development bank, and four financial corporations or financieras) which had seriously overextended themselves. Two of the banks were among the six largest private commercial banks in the country (Banco Espanol Chile and Banco de Talca), and the other was a small regional bank; together they accounted for about 19 per cent of both peso-denominated loans and deposits of the private banking sector (in August 1981). One of the financieras was the largest such institution in the country, while the others were medium-sized as was the development bank; however, the total nonbank sector is relatively small compared with the banking sector. The intervened banks began losing deposits in September 1981 and by the end of the year their share of total peso-denominated deposits at private banks had declined to 10 per cent; the decline in deposits from August to December amounted to Ch\$24 billion, of which almost Ch\$16 billion took place in November.

The Banco del Estado, partly with loans from the Central Bank, extended some Ch\$10 billion of credit to the private commercial banks in November 1981, and nearly as much (Ch\$8.5 billion) to other financial institutions which already had received Ch\$4.5 billion of such credit in October. By end-March 1982 the commercial banks had received a further Ch\$7.5 billion of credit from the Banco del Estado, and the nonbank financial institutions a further Ch\$3-1/2 billion. Two more institutions (one of the smaller banks and a very small development bank) were placed under interventors at the end of April 1982. Following the new bank legislation of August 1981, the Superintendency of Banks has strengthened the system of prudential controls over domestic bank operations. A system of loan classification was introduced in late 1981, entailing a ranking of loans into five categories according to their soundness. Special reserve requirements are applied against

all loans ranked in the third category or below. In addition, measures have been adopted which limit the amount of bank exposure to a single enterprise, and to a bank's own subsidiaries.

In July 1982 it was announced that the Central Bank would stand prepared to purchase the "bad-loan" portfolios of the banks (those not under intervention) in return for equivalent amounts of non-negotiable, noninterest bearing Central Bank paper (pagares). The banks would have to buy back 5 per cent of these portfolios every six months for a period of ten years, an arrangement which in effect permits them to write off these loans over ten years. The banks would have to agree with the Central Bank on a program to rationalize their operations that would ensure a cash flow sufficient to enable them to discharge the repurchase obligation. Various other conditions would be imposed to limit the scope of the arrangement.

4. Interest rates

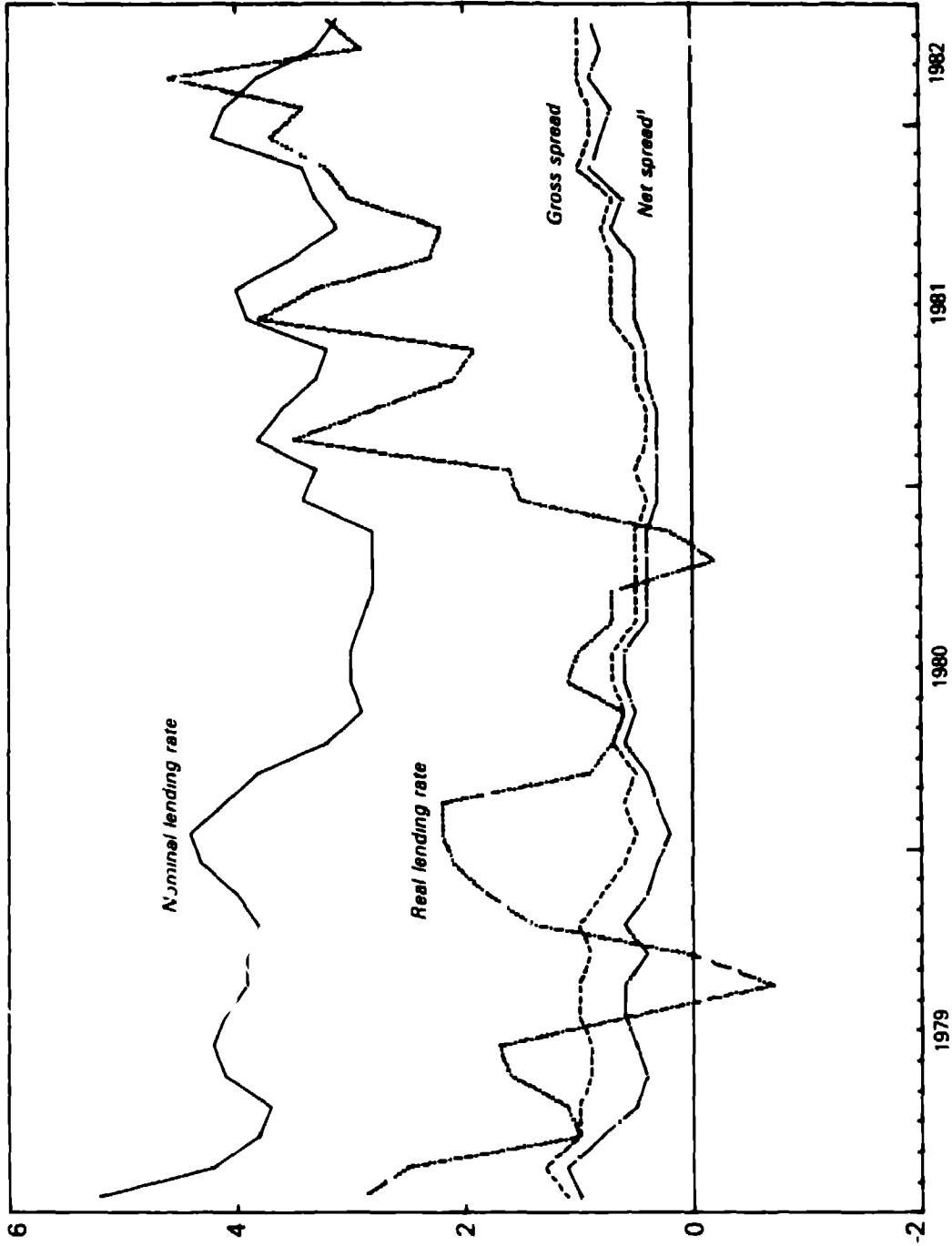
Interest rates, which are freely determined by market forces, were noticeably higher in 1981 than in 1980, especially in real terms (i.e., adjusted for changes in the consumer price index). Nominal lending rates on short-term commercial bank operations rose about 80 basis points in the course of 1981, reaching a level in December (4.2 per cent a month) which was very close to that prevailing in December 1979 (Chart 1 and Statistical Appendix Table 60).

One element behind the rise of interest rates in the early part of 1981 may have been the unusually large fiscal surplus registered in February-March, which was for the most part sterilized through Central Bank operations. Interest rates declined again in April-May, but they rose steeply in the following two months, under the impact of business failures and the emergence of liquidity problems among financial institutions; expectations of exchange rate adjustment, fueled in part by these developments and in part by the rising loss of competitiveness also played a role. In addition, the tightening of financial conditions in world markets contributed to the rise of interest rates in Chile.

After declining in August-September 1981, interest rates climbed again in the last quarter of 1981, mostly as a result of the financial crisis (there is some seasonal tendency for interest rates to rise toward year-end). The spread between lending and deposit rates, which had declined to about 40-50 points by late 1980-early-1981 (from an average of almost 100 points in 1979) began to widen again around the middle of the year reaching around 90-100 points in November-December. It remained at that level through March 1982, at the same time that interest rates declined by about 80 basis points; further, albeit smaller, declines were recorded in April and May.

Because of the slowdown of inflation since early 1981, and the very low rates of price increase registered in the early months of 1982, real interest rates rose more sharply than nominal interest rates and

CHART 1
CHILE
SHORT-TERM LENDING RATES AND SPREADS
(Per cent per month)



Source: Central Bank of Chile

¹Gross spread adjusted for net financial cost of fulfilling reserve requirements

have been strongly positive since mid-1981 (see Chart 1). The Central Bank has estimated the average annual real cost of peso-denominated credit in 1981 at 39.7 per cent; this estimate refers to the entire financial system and covers all lending operations, weighted according to their relative importance in total net new credit. The corresponding estimates for 1980 and 1979 are 13.2 per cent and 17.9 per cent, respectively.^{1/}

^{1/} "El costo real del crédito en 1981", Boletín Mensual, Marzo 1982.

IV. The External Sector 1/

Since 1973 the Chilean authorities have implemented a sweeping program of liberalization of current account transactions.^{2/} Capital account transactions have also been liberalized and simplified. The importance of foreign trade and capital flows in Chile's economy has risen concomitantly. The sum of imports and exports increased from the equivalent of 32 per cent of GDP in 1977 to 37 per cent in 1980, and the overall balance of payments showed large surpluses, as increased current account deficits were more than offset by capital inflows, mostly directed to the private sector. The net international reserves of the Central Bank, which in December 1976 amounted to only US\$49 million, had increased to US\$3.2 billion by the end of 1980 (Statistical Appendix Table 61).

In 1981 the balance of payments showed only a small surplus, despite a sharp increase in the net inflow of foreign capital (Table 22). The current account deficit widened from 7.2 per cent of GDP in 1980 to 14.6 per cent of GDP in 1981. This deterioration reflected the continued high level of imports (which amounted to 22 per cent of GDP in both 1980 and 1981) and a sharp fall in exports. The fall in exports was mostly related to the unfavorable evolution of the prices of copper and other primary commodities exported by Chile, but exports (and imports) were also affected by a decline in Chile's competitive position.

With the decline in domestic demand in the last quarter of 1981, and the slowdown of inflation to rates well below world levels, the current account of Chile's balance of payments began to improve in early 1982. This improvement is expected to continue through the year, and the current account deficit for 1982 as a whole is projected to decline to about 9 per cent of GDP.

1. Exchange rate policy

From February 1978 to June 1979 the Chilean peso was periodically depreciated vis-a-vis the U.S. dollar--at a diminishing pace--according to an announced schedule; in June 1979 the peso was devalued by 9 per cent in one step and fixed at Ch\$39 per U.S. dollar--the rate that was to have been reached in December 1979 according to the announced schedule.

From June 1979 to the middle of 1981 Chile's competitive position deteriorated both because of the appreciation of the U.S. dollar against the currencies of Chile's other major trading partners and because of

1/ See Appendix III for a summary of the main features of the exchange and trade system, and of the changes in the system which have taken place since the last consultation.

2/ The liberalization program included the elimination of all quantitative restrictions on imports, and the unification at 10 per cent of tariffs on all imports other than vehicles. For a description of the tariff reform see SM/79/225, Section VI.

Table 22. Chile: Summary Balance of Payments

(In millions of U.S. dollars)

	1977	1978	1979	1980	Prel. 1981
<u>Current account</u>	<u>-550</u>	<u>-1,088</u>	<u>-1,189</u>	<u>-1,971</u>	<u>-4,814</u>
Trade balance	66	-426	-355	-764	-2,598
Exports, f.o.b.	(2,186)	(2,460)	(3,835)	(4,705)	(3,960)
Copper	/1,139/	/1,219/	/1,888/	/2,125/	/1,756/
Other	/1,046/	/1,241/	/1,947/	/2,580/	/2,204/
Imports, f.o.b.	(-2,120)	(-2,886)	(-4,190)	(-5,469)	(-6,558)
Transportation	-183	-189	-236	-439	-617
Investment income	-365	-488	-675	-930	-1,428
Private	(-117)	(-194)	(-397)	(-721)	(-1,366)
Public	(-249)	(-294)	(-278)	(-209)	(-62)
Other services (net)	-143	-55	-3	49	-271
Transfers (net)	75	70	80	113	100
<u>Capital account</u>	<u>571</u>	<u>1,946</u>	<u>2,251</u>	<u>3,165</u>	<u>4,791</u>
Private sector	590	1,388	1,909	3,080	4,497
Medium- and long-term (net)	(189)	(730)	(1,311)	(2,360)	(3,476)
Banks short term (net)	(127)	(58)	(38)	(468)	(252)
Other capital (net)	(274)	(600)	(567)	(252)	(769)
Official sector	-19	558	342	85	294
Drawings	(682)	(1,469)	(1,362)	(1,028)	(1,214)
Amortization	(-701)	(-911)	(-1,020)	(-943)	(-942)
<u>Errors and omissions</u>	<u>112</u>	<u>-145</u>	<u>-4</u>	<u>50</u>	<u>93</u>
<u>Allocation of SDRs</u>	<u>--</u>	<u>--</u>	<u>29</u>	<u>30</u>	<u>28</u>
<u>Overall balance</u>	<u>133</u>	<u>713</u>	<u>1,087</u>	<u>1,274</u>	<u>98</u>
<u>Valuation adjustment</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>-30</u>	<u>-90</u>
<u>Change in net official international reserves (increase -)</u>	<u>-133</u>	<u>-713</u>	<u>-1,087</u>	<u>-1,244</u>	<u>-8</u>
<u>Memorandum item</u>					
Current account deficit as per cent of GDP	-4.1	-7.1	-5.7	-7.2	-14.6

Source: Statistical Appendix Table 62.

the persistence of a positive differential between domestic and foreign inflation. Real exchange rate indicators suggest that there was a 35 to 40 per cent appreciation of the peso from mid-1979 to mid-1981 (Statistical Appendix Table 63 and Chart 2). Since July 1981 Chile's competitive position is estimated to have improved, as domestic inflation fell below the world level. To improve competitiveness the exchange rate of the peso was changed from Ch\$39 per U.S. dollar to Ch\$46 per U.S. dollar. On that date the peso was pegged to a basket of five currencies (U.S. dollar, Japanese yen, deutsche mark, French franc, and pound sterling) and a schedule of gradual depreciation, at the rate of 0.8 per cent a month, was established for the period June 1982-June 1983.

2. The current account

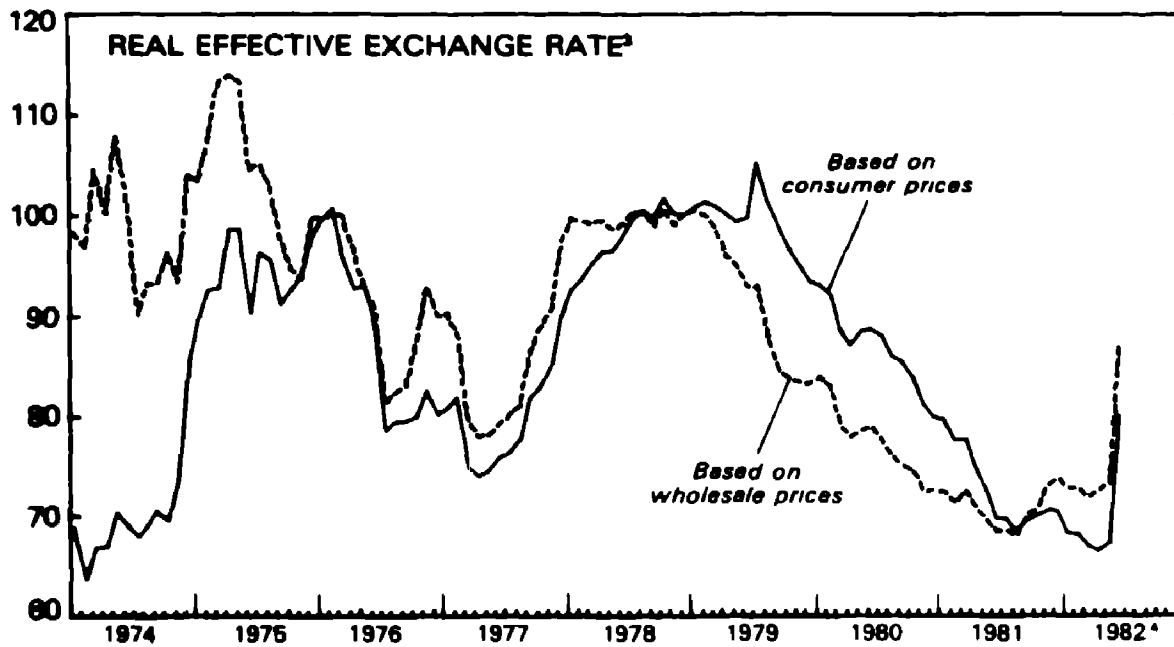
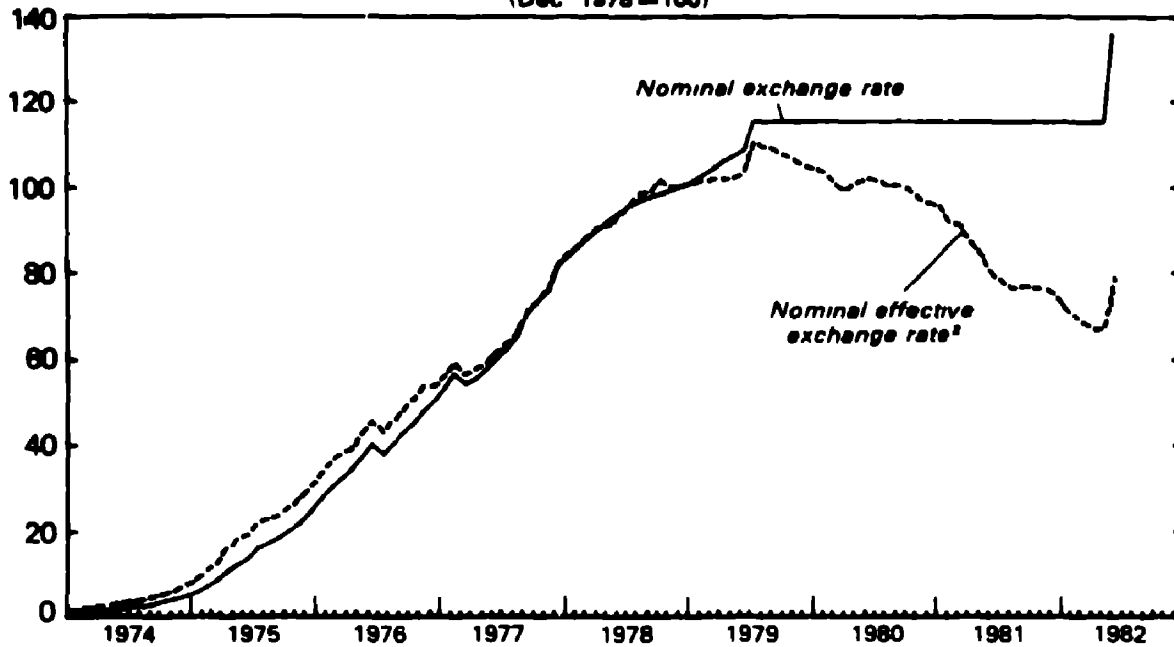
a. Exports

The behavior of Chile's exports is closely related to the fluctuations in the prices of copper and of some other primary commodities--iron ore, nitrates, molybdenum, fishmeal, and wood pulp--which together represented about 70 per cent of the value of total exports in recent years (Chart 3). From 1977 to 1980 total exports expanded at an average rate of 30 per cent a year (Table 23), mostly because of the favorable prices that prevailed for copper and the other primary commodities. In particular, copper prices rose 67 per cent from 1977 to 1980 (most of the increase took place in 1979), and molybdenum prices more than doubled. The fast growth of nontraditional exports of products from agriculture, fisheries, and forestry also contributed to the strong performance of exports. Exports of agricultural and fishery products more than doubled, as exports of fruits, fishery products, and wood registered a sharp increase (Statistical Appendix Table 64). Traditional exports rose from US\$1,580 million in 1977 to US\$3,240 million in 1980, while nontraditional exports rose from US\$606 million to US\$1,476 million.

In 1981 the value of total exports fell by 15 per cent (to US\$3,960 million), reflecting for the most part a 17 per cent drop in traditional exports (to US\$2,690 million) as a consequence of declines in the prices of copper and other traditional exports (in particular, molybdenum and fishmeal). Exports of copper declined by 17.5 per cent to US\$2,475 million; the volume of copper exports was about the same in 1981 as in 1980 (1,040 thousand tons), but the price was some 20 per cent lower. The price of copper reached its peak on the London Metal Exchange in the first quarter of 1980, at 132.4 U.S. cents per pound; it fell to 85 U.S. cents per pound at the end of 1980, and continued falling throughout 1981, to 71 U.S. cents per pound in December 1981. No increase in capacity in the copper industry has taken place in recent years, as large scheduled foreign projects for new mines have been postponed (investments of US\$5.5 billion in new mines had been approved by the end of 1981).

CHART 2 CHILE EXCHANGE RATE INDICES

(Dec 1978=100)



Sources: Central Bank of Chile, *International Financial Statistics*, and Fund staff estimates

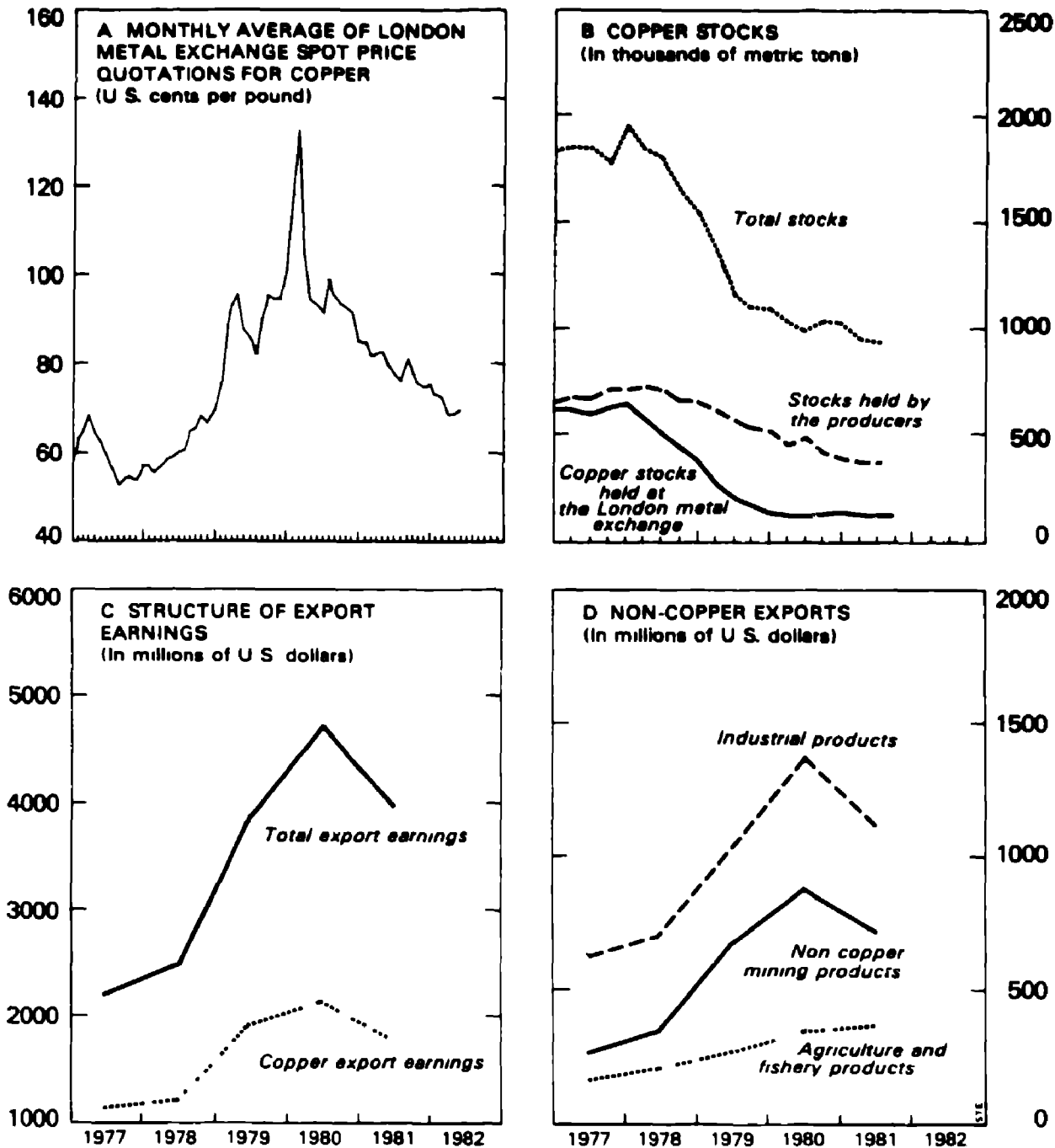
¹Pesos per U.S. dollar at end of period

²Nominal exchange rate index adjusted by a weighted index of exchange rate movements of major trading partners

³Real exchange rate index adjusted by weighted indices of prices and exchange rate movements of major trading partners

⁴Partly estimated

CHART 3
CHILE
SELECTED INDICATORS OF THE EXPORT SECTOR



Sources: Statistical Appendix Table 64 and World Metal Statistics

Table 23. Chile: Composition of Exports, f.o.b.

	1977	1978	1979	1980	Prel 1981
<u>(In millions of U.S. dollars)</u>					
<u>Total</u>	<u>2,186</u>	<u>2,460</u>	<u>3,835</u>	<u>4,705</u>	<u>3,960</u>
Mining products	1,400	1,560	2,550	2,998	2,475
Copper	(1,139)	(1,219)	(1,888)	(2,125)	(1,757)
Other	(261)	(341)	(662)	(873)	(718)
Agricultural and fishery products	160	204	265	340	365
Industrial products	626	696	1,020	1,367	1,120
<u>(In per cent)</u>					
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Mining products	64.1	63.4	66.5	63.7	62.5
Copper	(52.1)	(49.5)	(49.2)	(45.2)	(44.4)
Other	(12.0)	(13.9)	(17.3)	(18.5)	(18.1)
Agricultural and fishery products	7.3	8.3	6.9	7.2	9.2
Industrial products	28.6	28.3	26.6	29.1	28.3
<u>(In per cent of GDP)</u>					
<u>Total</u>	<u>16.3</u>	<u>16.0</u>	<u>18.5</u>	<u>17.1</u>	<u>12.0</u>
Mining products	10.4	10.2	12.3	10.9	7.5
Agricultural and fishery products	1.2	1.3	1.3	1.2	1.1
Industrial products	4.7	4.5	4.9	5.0	3.4

Source: Statistical Appendix Table 64.

The value of molybdenum exports fell by US\$115 million in 1981 to US\$225 million, despite an increase in volume, as molybdenum prices fell by about 30 per cent. Since 1977 about 50 per cent of molybdenum exports have been in the form of molybdenum oxide and ferromolybdenum. Fishmeal exports fell by almost 15 per cent in 1981, as fishmeal prices declined by 8 per cent on average and production declined to 455 thousand tons from the exceptionally high level of 525,000 tons reached in 1980.

Nontraditional exports decreased by 14 per cent in 1981 to US\$1,270 million. While these exports may have been affected adversely by the loss of competitiveness referred to above, several other specific factors played a role. Sharp drops in the prices of gold and silver

caused nontraditional metal exports to fall, in particular silver exports. Lower metal prices also reduced exports of the basic metals industry, which mainly exports copper manufactures. The recession of construction activity world-wide--and in particular in Japan, which is Chile's main export market--affected wood exports; such exports also had to face increased competition in the Far Eastern markets from Canadian wood. Wood exports declined by 45 per cent in value and 40 per cent in volume.

During the first three months of 1982 the value of exports is estimated to have fallen by about 5 per cent in relation to the same period of 1981. Some exports showed larger declines; copper exports fell by about 20 per cent, molybdenum by 16 per cent, and wood by 38 per cent. The fall in the value of these exports was partly offset by higher agricultural exports, which registered a 20 per cent increase compared with the already high levels at the beginning of 1981, and by a recovery of fishmeal exports, due to an improvement in world prices. Overall, Chile's exports are not expected to recover substantially until 1983, as the prices of copper and of the other primary commodities exported are not expected to show substantial recovery before then. For the year 1982 as a whole exports are expected to fall a little short of the 1981 level.

The destination of Chile's exports is shown in Statistical Appendix Table 65.

b. Imports

During the period 1978-80 the value of Chile's imports (in U.S. dollar terms) grew at an average rate of 36 per cent a year; imports in volume terms are estimated to have grown by about 18 per cent a year. With respect to GDP, imports rose from 18 per cent in 1977 to 22.3 per cent in 1980 (Table 24). Domestic demand, both for consumption and investment, shifted toward purchase of previously unavailable imported goods as Chile's import trade was liberalized and more recently as the peso appreciated in real terms. A process of inventory accumulation added momentum to the rise of imports. In 1981 imports rose by 20 per cent in value; as import prices are estimated to have increased only slightly, the growth in volume terms was in line with the rate registered in previous years. In relation to GDP, imports increased marginally to 22.4 per cent. A 58 per cent increase in imports of nonfood consumer goods accounted for most of the growth in imports. Imports of intermediate consumer goods rose only by 12 per cent, imports of capital goods rose by 13 per cent, and foodstuff imports declined.

Imports of goods not produced in Chile (such as automobiles, television sets, and other durable consumer goods) rose substantially. In particular, import registrations of automobiles showed an increase in units of 54 per cent in 1981 to about 80,000. The value of automobile import registrations rose by 83 per cent to US\$372 million in 1981 (Statistical Appendix Table 66), reflecting a shift toward larger cars

Table 24. Chile: Composition of Imports, c.i.f.

	1977	1978	1979	1980	Prel. 1981
(In millions of U.S. dollars)					
<u>Total imports</u>	<u>2,417</u>	<u>3,243</u>	<u>4,708</u>	<u>6,145</u>	<u>7,368</u>
Foodstuffs	349	477	521	799	777
Other consumer goods	440	602	806	1,271	2,009
Intermediate goods	1,109	1,430	2,435	2,801	3,142
Of which: Petroleum	(378)	(390)	(884)	(822)	(670)
Capital goods	519	734	946	1,274	1,440
(In per cent)					
<u>Total imports</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Foodstuffs	14.4	14.7	11.1	13.0	10.5
Other consumer goods	18.2	18.6	17.1	20.7	27.3
Intermediate goods	45.8	44.1	51.7	45.6	42.6
Of which: Oil	(15.6)	(12.0)	(18.9)	(13.4)	(9.1)
Capital goods	21.6	22.6	20.1	20.7	19.6
(In per cent of GDP)					
<u>Total imports</u>	<u>18.0</u>	<u>21.0</u>	<u>22.7</u>	<u>22.3</u>	<u>22.4</u>
Foodstuffs	2.6	3.1	2.5	2.9	2.4
Other consumer goods	3.3	3.9	3.9	4.6	6.1
Intermediate goods	8.2	9.2	11.7	10.2	9.5
Of which: Petroleum	(2.8)	(2.5)	(4.3)	(3.0)	(2.0)
Capital goods	3.9	4.8	4.6	4.6	4.4
Memorandum items					
Capital goods imports as per cent of gross fixed investment	29.2	32.5	30.6	27.9	23.6
Consumer and intermediate goods as per cent of total consumption	16.2	18.8	21.3	21.2	20.4

Source: Central Bank of Chile.

as the tariff on automobiles with engines above 850 cc was reduced. Among the imports directly in competition with Chilean production, import registrations of clothes rose by 82 per cent to US\$187 million in 1981; imports of shoes are estimated to have doubled to US\$52 million. Indications are that part of the large increase in imports of consumer durables represented inventory accumulation; inventories of foreign cars, for example amounted to an estimated 40,000 units at the end of 1981, some 40 per cent of 1981 imports.

Imports of foodstuffs declined slightly in 1981 because of a reduction of sugar imports. Grain imports stayed at a high level for the second year in a row, because of the poor domestic grain crop. The increase in capital goods imports was mostly related to imports of machinery, while imports of transportation equipment were unchanged, after a large rise in 1980. Apparently, there were large inventories of transportation equipment (mostly trucks and vans) at the end of 1981. It is estimated that the increase in imports of intermediate goods and raw materials (12 per cent) consisted mostly of intermediate industrial goods; imports of fuels and lubricants declined slightly as domestic oil production rose. In 1981 there was a change in the composition of fuel imports as the foreign companies (Shell, Exxon, and Mobil) started importing gasoline and other refined fuels directly from Caribbean refineries; thus, the share of crude oil imported by ENAP in total imports of fuels and lubricants declined from 85 per cent in 1980 to 72 per cent in 1981 (see Statistical Appendix Table 66).

In the first quarter of 1982 imports declined by 30 per cent because of the further weakening of domestic demand and the existence of large inventories. Import registrations show that the decline affected all categories of import. Among durable consumer goods, import registrations of automobiles fell by about 80 per cent from the first quarter of 1981 to the same period of this year. Among capital goods, import registrations of transportation machinery fell by 85 per cent.

The origin of Chilean imports is shown in Statistical Appendix Table 67.

c. The services account

Chile's services account traditionally has registered deficits; in recent years these deficits have tended to increase, as both transportation charges and interest payments on the foreign debt increased. The deficit in the services account rose from US\$660 million in 1977 to US\$1.3 billion in 1980, and in 1981 it widened to US\$2.3 billion.

About half of the 1981 increase was related to net interest payments (including dividends), which reached US\$1.4 billion in 1981. Gross interest payments were US\$2 billion in 1981 and receipts came to US\$0.6 billion (see Statistical Appendix Table 62). An estimated two thirds of gross interest payments in 1981 were made by the private sector, including the private commercial banks. The rise in interest

payments reflects both the higher level of interest rates in the world market in 1981 and the growth of private sector debt in 1980-81. The interest receipts on the reserves of the Central Bank increased from US\$142 million in 1980 to US\$493 million in 1981, both because of the higher rates in the world market and the increase in the average amount of reserves outstanding. Net financial service payments are projected to rise by about 40 per cent in 1982, to about 2.2 billion, mainly based on the large increase in the private sector debt in 1981.

Net payments for nonfinancial services increased from US\$350 million in 1980 to US\$890 million in 1981. There was a US\$180 million increase in net payments for freight and transportation, mostly related to the higher level of imports, and a US\$305 swing from surplus to deficit on other nonfinancial service transactions. A part of the deterioration in this account may have included some capital flight, since outflows related to the exchange of pesos into foreign currencies by residents, up to the monthly amount of US\$10,000, are classified under the services account (see Appendix II).

3. The capital account

In the period 1978-80 the surplus in the capital account exceeded the current account deficit by a large margin. The net inflow of capital increased more than fivefold from US\$570 million in 1977 to US\$3,165 million in 1980, or from the equivalent of 4.3 per cent of GDP in 1977 to 11.5 per cent in 1980. Private sector inflows, inclusive of commercial banks foreign borrowing, represented 85 per cent of total inflows. In 1981 capital inflows rose by almost 50 per cent with respect to 1980, to US\$4.8 billion or about 14.6 per cent of GDP. As in the previous year, most of the inflows represented by credits to the private sector (see Table 22 and Chart 4).

a. Private capital flows

The net inflow of private capital rose from US\$0.6 billion in 1977 to US\$3.1 billion in 1980. Most of the increase was in medium- and long-term capital inflows, as a result of the progressive liberalization, since 1977, of the private sector's access to foreign capital markets.^{1/} The rise of foreign financing by the private sector was spurred by relative interest rates and it was facilitated by the expectation of a stable exchange rate.

Medium- and long-term loans, most of them contracted under Article 14 of the International Exchange Law (see Appendix III), amounted to two thirds of overall capital inflows in the period 1977-80, with the

^{1/} Only capital inflows were liberalized, as capital outflows not related to direct investment or repayment of debts are in principle prohibited. The process of liberalization took place in steps, as summarized in Statistical Appendix Table 68.

rest represented by short-term capital flows and direct foreign investment (see Table 22). The average maturity of these loans increased from 28 months in 1977 to 64 months in 1980, partly as a result of the deposit requirement related to maturities introduced in 1979 (see Statistical Appendix Table 68). The average spread over LIBOR on medium- and long-term loans declined from 2.49 per cent in 1977 to 1.16 per cent in 1980.

In 1981, the net private capital inflow increased further, to US\$4.5 billion. Medium- and long-term borrowing (net) amounted to about 75 per cent of the total (US\$3.5 billion), net short-term borrowing was 14 per cent (US\$645 million), and the remainder was direct investment capital (US\$375 million). The average spread over LIBOR on Article 14 private loans declined further to 1.07 per cent in 1981. At the same time, however, the average maturity declined to 60 months.

In the latter part of 1981, the slowdown in demand and in activity caused a weakening of the demand for credit. In the last quarter of the year gross disbursements of medium- and long-term foreign loans averaged US\$245 million a month, compared with US\$290 million in the preceding nine months, and in the first quarter of 1982 they were down to only US\$140 million a month. The decline in disbursements was accompanied by a worsening of average terms, reflecting in part the tightening of terms of loans to private banks in Chile. The average maturity declined to 57 months (and 51 months in March), while spreads rose to 1.13 per cent above LIBOR.

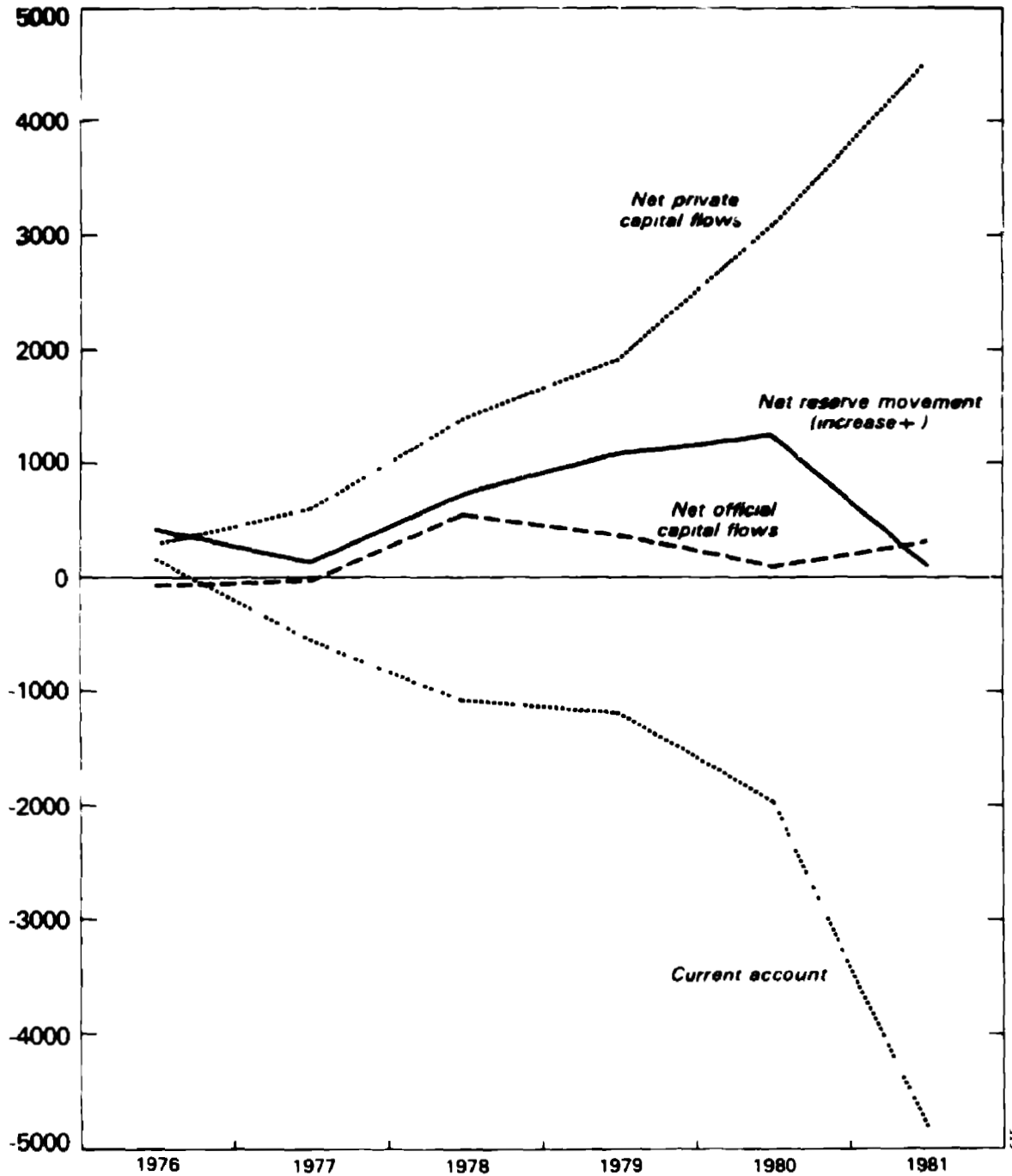
In 1981 net short-term capital inflows amounted to US\$645 million, an increase of US\$95 million from 1980. The nonfinancial private sector increased its foreign short-term liabilities by about US\$390 million; the increase was related both to the increase in imports and to the lengthening of the terms for short-term import credits and for export prefinancing.^{1/} The commercial banks increased their short-term liabilities by US\$250 million in 1981. The increase corresponded to an expansion of short-term credit to importers and for export prefinancing. In November 1981 commercial banks were authorized to extend short-term credit in foreign currency for general purposes, subject to a monthly ceiling on the total amount of both import and general purpose credit. In April 1982 the ceiling was fixed at an amount equivalent to the overall commercial banks' capital reserves (about US\$2 billion). By that time commercial banks' short-term lending for import and general purpose financing was about US\$1.2 billion, about US\$100 million below the amount outstanding at the end of 1981.

In 1981 net new direct foreign investment amounted to US\$375 million, compared with US\$170 million in 1980. Most of the investments were in the financial and mining sectors. As noted above, foreign investments in the mining sector continue to lag behind schedule, as only about 12 per cent of the US\$5.5 billion investment approved by

^{1/} See Appendix III.

CHART 4
CHILE
SELECTED BALANCE OF PAYMENTS FLOWS

Millions of U.S. dollars



Source: Statistical Appendix Table 62

the Foreign Investment Committee in the period 1974-81 has been implemented. The delay in implementation may be attributed to uncertainties surrounding the definition of land exploitation rights (that were not resolved until the end of 1981) to the high level of interest rates in the world market, and to the poor outlook for mineral markets in the short run.

b. Public sector capital flows

Public sector capital flows represented 15 per cent of the overall capital inflows registered during the period 1977-80. In 1981, the public sector capital account registered a surplus of close to US\$300 million, or only 7 per cent of the total net capital inflow. This surplus was due entirely to new short-term credits to certain public enterprises, in particular CODELCO. Medium- and long-term public capital flows registered a US\$90 million net outflow (Statistical Appendix Tables 69 and 70); gross disbursements amounted to US\$1,030 million while amortization payments amounted to US\$1,120 million. The advance repayment of US\$460 million of loans by the Central Bank and a total of US\$40 million by CODELCO and the Banco del Estado more than offset the net borrowing by other entities. Among the companies which registered a net inflow of credit were the state steel company (CAP), the electricity company (ENDESA), and the oil exploration company (ENAP).

As in earlier years, foreign commercial banks were the main source of external financing for the public sector in 1981, providing nearly US\$1 billion of the US\$1.2 billion contracted by the public sector; the remainder was contracted with the IDB and the IBRD.

The terms on new commitments improved further in 1981, except for the average rate of interest, which rose from 12.1 per cent in 1980 to 13.6 per cent in 1981, in reflection of the higher rates prevailing in the international market. The average maturity rose from 8.4 years in 1980 to 10.6 years in 1981, and the average grace period from 3.6 years in 1980 to 3.9 years in 1981.

4. External debt structure

Chile's external debt increased from US\$4.9 billion at the end of 1977 to US\$10.5 billion at the end of 1980, and to US\$14.5 billion at the end of 1981 (Table 25). The composition of the debt changed over time: medium- and long-term liabilities of the public sector represented 72 per cent of the total debt in 1977 but only 31 per cent in 1981. Public sector medium- and long-term debt decreased slightly in nominal terms in 1980 and in 1981, as the Central Bank and other public entities made advance repayments of some of their outstanding loans. The reduction in public debt is sharper if the outstanding debt is considered net of Central Bank reserves at a standardized level (i.e., net of two months of current payments), net public debt so calculated decreased from US\$3.9 billion at the end of 1977 to US\$3.2 billion at the end of 1981.

Table 25. Chile: Outstanding External Debt

	1977	1978	1979	1980	1981
<u>(In millions of U.S. dollars)</u>					
Medium- and long-term					
public debt <u>1/</u>	3,513	4,336	4,810	4,720	4,504
Other external liabilities <u>2/</u>	1,349	2,071	3,391	6,026	9,979
Total external debt <u>3/</u>	4,862	6,407	8,201	10,746	14,483
Net public debt <u>4/</u>	3,856	4,213	3,925	2,931	3,152
<u>(In per cent of GDP) <u>5/</u></u>					
Medium- and long-term					
public debt <u>1/</u>	26.2	28.2	23.2	17.2	13.7
Other external liabilities <u>2/</u>	10.1	13.5	16.4	21.9	30.3
Total external debt <u>3/</u>	36.3	41.7	39.6	39.1	44.0
Net public debt <u>4/</u>	28.8	27.4	19.0	10.7	9.6
<u>(In per cent of exports of goods and nonfactor services)</u>					
Medium- and long-term					
public debt <u>1/</u>	133.3	137.0	105.3	79.1	81.8
Other external liabilities <u>2/</u>	51.2	65.5	74.2	101.0	181.2
Total external debt <u>3/</u>	184.5	202.5	179.6	180.1	263.0
Net public debt <u>4/</u>	146.3	133.2	85.9	49.1	57.2

Sources: Central Bank of Chile; and Statistical Appendix Tables 69 and 72.

1/ Outstanding medium- and long-term public and publicly guaranteed debt repayable in foreign currency.

2/ Includes suppliers' credit to private sector; lines of credit for imports of capital goods to commercial banks, Banco del Estado, and development banks; credits to private sector under Articles 14, 15, and 16 of International Exchange Law and DL 600; and short-term lines of credit to commercial banks, Banco del Estado, and Central Bank of Chile.

3/ Sum of medium- and long-term public debt and other external liabilities.

4/ Defined as medium- and long-term public debt less reserves (including gold at US\$42.22 per fine troy ounce) plus two months of current payments.

5/ GDP in current Chilean pesos converted to U.S. dollars at the following exchange rates: 1977--21.529; 1978--31.656; 1979--36.80; and 1980 and 1981--39.0.

Other external liabilities (mostly private external debt', including short-term foreign liabilities of the commercial banks, increased from US\$1.3 billion in 1977 to US\$6 billion in 1980, and US\$10 billion in 1981. About 80 per cent of these amounts corresponded to medium- and long-term loans. In relation to GDP, private debt was 30 per cent in 1981.

After declining from 41 per cent in 1977 to 31 per cent in 1979, the ratio of debt service payments to exports of goods and nonfactor services increased to 36 per cent in 1980 due to a sharp rise in service payments (Table 26). In 1981 the fall in export receipts caused the debt service ratio to rise further to 46 per cent. The increase in service payments in 1981 was due entirely to a rise in private debt service payments, which increased from 17 per cent of exports of goods and services in 1980 to 29 per cent in 1981, mostly because of an increase in scheduled interest payments. Public sector debt service payments declined from 19 per cent of exports of goods and services in 1980 to 17 per cent of exports of goods and services in 1981. Debt service payments, calculated on the debt outstanding as of December 31, 1981, will rise further in 1982 to US\$3 billion (Table 27), as the result of a further increase in private sector debt service payments falling due. Because of the maturity structure of the debt, service payments are projected to average US\$3 billion a year throughout 1986; about two thirds of the service payments falling due are related to private sector debt.

The composition of Chile's external debt by creditors did not change significantly in 1981 (Table 28) as private commercial banks continued to be the most important creditors of Chile, representing 58 per cent of Chile's total external credit at the end of 1981.

Table 26. Chile: Selected Data on External Medium- and Long-Term Debt Repayable in Foreign Currencies 1/

	1977	1978	1979	1980	Prel. 1981
(In millions of U.S. dollars)					
<u>Public and publicly guaranteed</u>					
<u>debt service</u> <u>2/</u>	783	888	959	1,140	941
Amortization	579	604	605	663	451
Interest	204	284	354	477	490
<u>Private sector debt service</u>	301	227	579	1,006	1,585
Amortization <u>3/</u>	224	133	343	570	648
Interest	77	94	236	436	937
<u>Total</u> <u>1/</u>	1,084	1,115	1,538	2,146	2,526
Amortization	803	737	948	1,233	1,099
Interest	281	378	590	913	1,427
(In per cent)					
<u>In relation to exports of</u>					
<u>goods and services</u>					
Total debt service	41	35	31	36	46
Amortization	(30)	(23)	(19)	(21)	(20)
Interest	(11)	(12)	(12)	(15)	(26)
Public debt service	20	28	19	19	17
<u>Average terms on new com-</u>					
<u>mitments of public debt</u>					
Interest rate (in per cent)	8.7	10.8	11.7	12.1	13.7
Maturity (in years)	7.2	7.3	9.5	8.4	10.6
Grace period (in years)	2.1	2.3	3.6	3.6	3.9

Source: Central Bank of Chile.

1/ Refers to medium- and long-term debt excluding debt to IMF (see Statistical Appendix Table 72 for external debt operations in local currency).

2/ Excludes prepayments. Prepayments of external public debt amounted to US\$ 72 million in 1977, US\$169 million in 1978, US\$305 million in 1979, US\$215 million in 1980, and US\$669 million in 1981.

3/ Excludes prepayments. Prepayments of private external debt amounted to US\$38 million in 1978 and US\$72 million in 1979.

Table 27. Chile. Projected Service of Medium- and Long-Term External Debt

(In millions of U.S. dollars)

	1982	1983	1984	1985	1986
<u>Total</u>	<u>2,999</u>	<u>3,264</u>	<u>2,633</u>	<u>3,298</u>	<u>3,211</u>
External public and publicly guaranteed debt	1,034	991	927	922	935
In foreign currency	(1,020)	(977)	(913)	(908)	(922)
Amortization	/532/	/530/	/499/	/549/	/617/
Interest	/488/	/447/	/414/	/359/	/305/
In local currency	(14)	(14)	(14)	(14)	(13)
Amortization	/10/	/10/	/11/	/11/	/10/
Interest	/4/	/4/	/3/	/3/	/3/
Private 1/	1,965	2,273	1,706	2,376	2,276
Amortization	(718)	(1,142)	(736)	(1,534)	(1,688)
Interest	(1,247)	(1,131)	(970)	(842)	(588)

Sources: Statistical Appendix Tables 71 and 73; and Fund staff estimates.

1/ Includes suppliers' credits to private sector, lines of credit for imports of capital goods to commercial banks, Banco del Estado, and development banks and credits to private sector under Articles 14, 15, and 16 of the International Exchange Law and DL 600.

Table 28. Chile: Structure of External Public and Publicly Guaranteed Debt in Foreign Currency, by Type of Creditor

(In per cent)

	1977	1978	1979	1980	1981
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
International organizations	7.0	6.6	6.8	7.4	9.1
Official lenders	30.9	23.6	21.4	20.2	19.3
Private banks	18.4	36.9	50.0	53.2	57.7
Suppliers' credits	13.9	14.2	10.6	9.4	7.0
Nationalization	7.6	5.1	3.8	3.1	2.4
1972 renegotiation	2.4	1.4	0.7	0.2	--
1973-74 renegotiation	9.6	6.8	5.0	3.8	2.3
1975 renegotiation	4.4	3.0	--	0.1	--
Special renegotiation agreement	5.4	2.0	0.5	0.3	0.3
Public bonds	0.4	0.3	0.2	1.2	1.0
Private bonds	--	--	0.9	1.1	0.9
<u>Memorandum item</u>					
Total in millions of U.S. dollars	3,512.8	4,336.0	4,810.0	4,720.0	4,504.2

Source: Statistical Appendix Table 70.

Reform of the Social Security System

During 1979-80, Chile altered the social security system, from a system that was administered and supported by the public sector (on a pay-as-you-go basis), to one run by the private sector based on capitalization of individual savings.

The Chilean social security system that was in place at the beginning of this process was a collection of state-run pension funds financed through a combination of employer contributions, employee contributions, and transfers from the Treasury. As both benefits and contribution rates were determined for each social security fund individually, there were sizable differences among the pension funds. Furthermore, costs often did not reflect the benefits derived from participation, and many funds required large financial support from the Treasury.

The authorities dealt with these conditions in two separate moves. First, in February 1979, the retirement age in all pension funds was unified and increased to 65 years for men and 60 years for women. Previously some funds permitted retirement at 55 or 60 or after a specified number of years of service, which ranged from 15 to 35 years. The increase of the retirement age both simplified the system and generally improved the financial position of the existing funds. In December 1980, reforms were introduced in the rate structures of the state-run social security program and a new privately managed system was established.

After December 1980 contributions to pension funds from employers in both the state-run and private system were abolished and their contributions included in salaries paid to workers. In turn, workers contributed directly to whatever program they chose. As contributions to public pension funds remained unchanged, the net salaries of workers in the state system remained unchanged. However, labor costs were reduced as employee contributions to the health care and unemployment fund (the Fondo Unico de Prestaciones Familiares, FUPF) were abolished and payment for such benefits was taken over by the Treasury. Employers do pay a transitory tax on salaries (equal to 3 per cent of salaries in 1981, 2 per cent in 1982, and 1 per cent in 1983); however, the cost of that tax is less than previous contributions to the FUPF.

Workers shifting to the new system deposit their contributions in one of the privately-run pension funds. Because of the combination of savings resulting from the more efficient operation of private funds and the increase in the retirement age, contributions to the new system are substantially lower than those previously made to the state-run pension funds, and workers shifting to the new system have been receiving an increase in take-home pay. Contributions to the new funds are limited to a maximum of 17 per cent of workers' salary: 10 per cent to a pension fund, 4 per cent for health care, and 3 per cent for disability

insurance.^{1/} Those wishing larger retirement benefits are able to deposit up to 10 per cent of their salary, with earnings from such investment untaxed.

Contributions deposited in the private pension funds are invested in a limited series of financial instruments. Initially such instruments include sight deposits in financial institutions, guaranteed bonds, letters of credit, and debentures of public or private enterprises. The return from these investments will be credited to the deposits of the contributors. The income of the administration of the funds is derived only through commissions and fees. To promote competition, contributors will be permitted to switch from one fund to another at will.

The transition to the new system will take place over five years. Present contributors can switch to the new system at anytime between 1981 and 1986; however, new entrants into the labor force after December 31, 1982 must join the private social security system. Workers shifting from a public sector program are given bonos de reconocimiento, payable on retirement and related to pension benefits accumulated thus far. Those remaining in the public sector system are guaranteed their accumulated benefits, with transfers for the Treasury compensating for revenue lost due to the shift of active workers.

The role of the Government in this new system will be minimized. Other than performing a regulatory function, the authorities will guarantee a minimum return on the pension fund portfolios. Once a year, the superintendency of pensional funds will calculate the average return on all the private funds and then provide a public subsidy to those substantially below that average, to ensure that each portfolio obtains the minimum return. All pension funds that require such support will be forced to close, liquidate capital, and reimburse the Government. Investors would then switch to more efficient funds. The Government will also guarantee a minimum pension to individuals with a minimum of 20 years work experience, and it will provide subsidies to those whose accumulated savings are inferior to the minimum.

^{1/} In the publicly-run funds, contributions ranged as high as 41 per cent (12.3 per cent for employee and 28.7 per cent for employer).

Chile: Changes in Taxation July 1980-March 1982

Law	Date	Description
Decree Law 3454	July 25, 1980	Shows were made subject to the value-added tax. An additional tax of 20 per cent was added to the sales tax applied to color television sets.
Decree Law 3473	August 29, 1980	Increased minimum level of taxable monthly income from Ch\$5,316 to Ch\$10,632. Reduced global complementary tax rates and the single tax on workers by 2 percentage points. The transfer tax on sales of used automobiles was reduced from 4 per cent to 0.5 per cent.
Decree Law 3474	August 29, 1980	Increased from 80 per cent to 100 per cent the amount of property taxes retained by the municipalities. Removed the 5 per cent tax on consumption of basic services including light, electricity, liquified gas, water, and telephone.
Decree Law 3475	August 29, 1980	Removed the stamp tax on all items except checks, invoices, letters of exchange and other credit documents. Lowered transfer tax on real estate, except for first sale, from 1 per cent to 0.5 per cent.
Decree Law 3477	August 29, 1980	Removed 100 per cent consumption tax on used automobiles whose value exceeds US\$12,000.
Decree Law 17990	May 4, 1981	Increased minimum level of taxable monthly income from Ch\$10,632 to Ch\$20,430. Reduced global complementary tax rates and tax rates on single tax on workers by 5 percentage points.

Chile: changes in Taxation July 1980-March 1982

Law	Date	Description
Decree Law 18110	March 25, 1982	Placed a 25 per cent surcharge on income taxes, a 60 per cent surcharge on automobile licenses and a 30 per cent surcharge on nonagricultural and real estate taxes. These measures expire December 31, 1982.

Exchange and Trade System

This appendix describes the most important features of Chile's exchange and trade system, emphasizing the changes which have taken place since the last consultation.^{1/} The most important of these changes are (1) the depreciation of the Chilean peso with respect to the U.S. dollar, in June 1982, and the pegging to a basket of currencies; (2) the elimination of the limits on the terms for import credit and preshipment export credits obtained by exporters; (3) the elimination of a minimum average maturity of 24 months for foreign borrowing; (4) the imposition of a uniform 5 per cent reserve requirement on foreign borrowing with maturities of less than 70 months; and (5) the introduction of regulations for the application of the Code on Subsidies and Countervailing Duties.

1. Exchange arrangements

From June 30, 1979 to June 14, 1982, the exchange rate of the Chilean peso was set by the Central Bank of Chile at Ch\$ 39 per U.S. dollar. On June 14, 1982 the Chilean peso was depreciated to Ch\$46 per U.S. dollar. On the same date the Chilean peso was pegged to a basket of currencies including the U.S. dollar (with a weight of 60 per cent), the Japanese yen and the deutsche mark (each with a weight of 15 per cent), the French franc and the pound sterling (each with a weight of 5 per cent). On the same date a schedule was announced, according to which the exchange rate of the peso will depreciate by 0.8 per cent a month, during the period June 1982-June 1983. The Banco del Estado, commercial banks, exchange houses, and other authorized entities may establish freely their exchange rates and commission; the latter are subject to a 20 per cent value-added tax.

2. Imports and import payments

Until May 1982 imports were subject to a paper formally known as Informe de Importacion. From May 1982 the use of this form is optional, at the request of the authorities, for imports of goods subject to investigation for the establishment of compensatory duties (see below section 6) and it is compulsory for imports of capital goods made on deferred payments terms. With the exception of 14 products, imports are subject to a uniform 10 per cent tariff rate. Among the exceptions are motor vehicles and parts thereof, the tariffs of which are scheduled to decrease gradually to 10 per cent by 1986. In January 1981 tariffs on automobiles with engines above 850 cc were reduced to 70 per cent, and those on vans and small trucks were reduced to 60 per cent and

^{1/} Chile formally accepted the obligation of Article VIII, Sections 2, 3, and 4, of the IMF Agreement, with effect from July 27, 1977. For a complete description of Chile's exchange and trade system as of December 31, 1981, see the IMF 1982 Annual Report on Exchange Arrangements and Restrictions.

30 per cent, respectively. Specific duties exist on imports of some dairy products, in particular powdered milk. These duties were raised in May 1982.

Importers may purchase spot exchange as soon as the shipping documents have been received. The maximum permissible credit terms for imports under Cobertura Corriente were reduced from 180 to 90 days in November 1981, and were again reduced to 45 days in April 1982. On July 21, 1982, in connection with a further liberalization of short-term capital inflows, the maximum term on import credit was eliminated and import credit was subjected to the general norms for capital inflows.

3. Payments for invisibles

Since the last consultation no changes have taken place in the regulations affecting payments for invisibles. Central Bank authorization is required only for those payments for invisibles that are in excess of the established limits, and for transactions for which no basic allocation has been set. Residents may purchase up to US\$10,000 every 30 days for "extraordinary remittances"; this amount, as a general rule, is not cumulative. The established limit for tourist travel (in addition to fares) is the equivalent of US\$10,000 a trip for travel to all countries. Insurance activities within the country are reserved to Chilean companies or to authorized foreign companies. There are allowances of up to US\$10,000 a month for study abroad and for medical purchases of a noncommercial character, subscriptions to magazines, books, and pension payments.

4. Exports and export proceeds

All proceeds from exports valued in excess of US\$5,000 must be repatriated within 300 days of the date of the shipment, and surrendered within 10 days; for specified goods the period may be extended. Commercial banks are authorized to purchase all foreign exchange proceeds spot from exporters. Receipts from exports of the large copper mines must be deposited in a special foreign currency account at the Central Bank. A maximum maturity is fixed for preshipment export credit. This maturity was raised from 180 to 230 days in November 1981, and lengthened to 270 days in April 1982. Shipment of the merchandise must take place not later than 240 days from the concession of export credit (before April 22, 1982 this term was 210 days).

5. Capital

Most capital outflows are restricted, with the exception of the monthly allowance described under "Payment for Invisibles." All new foreign borrowing or refinancing of existing credits by commercial banks requires prior approval by the Central Bank. However, since March 1981 the taking up of lines of credit of up to one-year maturity with foreign correspondents does not require authorization. In December 1981 commercial banks were authorized to undertake without previous authorization

short-term loans for domestic relending up to a limit related to a bank's capital and reserves. Until July 21, 1982 the domestic relending of foreign loans could take place only in foreign currency. Since that date banks can relend in domestic currency, up to an amount equivalent to 50 per cent of their capital and reserves.

Most foreign capital enters the country under Article 14 of the International Exchange Law, which stipulates that capital brought into the country in the form of foreign exchange (aporte de capital) may be sold freely through authorized banks when the investor (individual or corporation, national or foreign) has registered the transaction with the Central Bank. Until May 5, 1982, capital originating in a foreign borrowing could be repatriated if it had remained in Chile for an average duration of at least 24 months. On May 5, 1982, the requirement of a minimum term was abolished (see Statistical Appendix Table 68). Repatriation normally is allowed only in accordance with the amortization schedule established at the time of registration. Accelerated payments or extensions of payment are subject to special authorization. Until July 21, 1982, foreign borrowing under Article 14 was subject to reserve requirements, graduated according to the maturity of the loans, if the maturity was less than five and a half years. Since July 21, 1982 all capital inflows, with the exception of medium-term credits for imports of capital goods, authorized by the Central Bank, are subject to a 5 per cent reserve deposit.

A second arrangement for inflows of foreign capital is provided by Article 15 of the International Exchange Law, which authorizes the Central Bank to make exemptions to its general rules concerning the inflow and outflow of capital or credits. Since the last consultations no changes have taken place in the regulations governing direct capital inflows. According to Decree Law No. 600 of July 7, 1974 the Foreign Investment Law, long-term capital investment requires an authorization by the Foreign Investment Committee through a fixed-term contract containing undertakings regarding the phasing of the investment program. There are no limitations on profit remittances and capital may be repatriated after three years. Foreign investors can opt for a guaranteed 49.5 per cent per annum total corporation income tax over a period of ten years, or may subject themselves to the tax system applicable to domestic corporations (currently 48.5 per cent).

6. Compensatory duties

In November 1981 regulations were issued, on the basis of the GATT Code on Subsidies and Countervailing Duties, regarding the procedures for the application of compensatory duties on subsidized imports.

According to the regulations, a committee, composed of officers of the Central Bank, receives the allegations of existence of a subsidy from the domestic producers, and, within 30 days, determines whether an investigation must take place. The Committee's determination is published in the Diario Oficial, and if an investigation is ordered it

must be concluded within 180 days. The investigation aims to determine the amount of the subsidy and the extent of the damage caused by the subsidy to the domestic producers. On the basis of the investigation the Committee may propose to the Ministry of Finance the introduction of a compensatory duty and its amount, which cannot exceed the amount of the subsidy. The duty can be introduced only by decisions of the Ministry of Finance. The duty only affects imports of the product from the country which applies the subsidy. The existence of the conditions justifying the duty is reviewed every 12 months. During the investigation, the imports of the allegedly subsidized product may be subjected to registration, in order to prevent waves of speculative imports. No decisions on the introduction of compensatory duties have been taken yet. From November 1981 to May 1982, 41 allegations were presented relating to 58 products. The Committee rejected 17 allegations within 30 days from presentation and ordered investigations for 20 other allegations. Decisions on four other allegations were pending as of the beginning of May.

Table 29. Chile: National Accounts at Current Prices

(In millions of Chilean pesos)

	1977	1978	1979	Prel. 1980	Est. 1981
<u>Consumption expenditure</u>					
General government	251,859	421,881	656,948	894,232	1,135,093
Private sector	41,939	70,347	110,395	137,476	173,709
	209,920	351,534	546,553	756,756	961,384
<u>Gross domestic investment</u>					
<u>Fixed capital formation</u>	41,509	86,835	137,376	221,798	282,594
Public sector	38,346	71,594	115,016	178,109	238,059
Private sector	(19,863)	(32,573)	(39,298)	(54,436)	(68,120)
Change in stocks	(18,483)	(39,021)	(75,718)	(123,673)	(169,939)
	33,163	5,241	22,360	43,689	44,535
<u>Domestic expenditure</u>	293,368	508,716	794,324	1,116,030	1,417,687
<u>External sector 1/</u>					
Exports	-5,598	-21,209	-22,124	-45,006	-135,954
Imports	56,750	100,160	183,585	232,752	214,734
	-62,348	-121,369	-205,709	-277,758	-350,688
<u>Gross domestic product at market prices</u>	287,770	487,507	772,200	1,071,024	1,281,733
Less: net factor income payments abroad	7,858	15,448	25,141	36,270	55,692
<u>Gross national product at market prices</u>	279,912	472,059	747,059	1,034,754	1,226,041
Less: net indirect taxes	41,321	67,389	95,787	130,156	182,536
Less: consumption of fixed capital	33,697	55,633	76,799	105,432	127,975
<u>Net national income at factor cost</u>	204,894	349,037	574,473	799,166	915,530

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

1/ Goods and nonfactor services.

Table 30. Chile: National Accounts at Constant 1977 Prices
(In millions of Chilean pesos)

	1977	1978	1979	Prel. 1980	Est. 1981
<u>Consumption expenditure</u>	251,859	273,296	289,061	300,325	335,569
General government	41,939	44,776	48,874	46,009	48,006
Private sector	209,920	228,520	240,187	254,316	287,563
<u>Gross domestic investment</u>	41,509	51,235	66,164	86,729	95,347
<u>Fixed capital formation</u>	38,346	45,009	52,593	64,382	74,390
Public sector	(19,863)	(20,477)	(17,970)	(19,678)	(21,287)
Private sector	(18,483)	(24,532)	(34,623)	(44,704)	(53,103)
Change in stocks	3,163	6,226	13,571	22,347	20,957
<u>Domestic expenditure</u>	293,368	324,531	355,225	387,054	430,916
<u>External sector ^{1/}</u>	-5,598	-13,114	-18,018	-24,419	-49,049
Exports	56,750	65,851	76,910	81,353	78,427
Imports	-62,348	-78,965	-94,928	-105,772	-127,476
<u>Gross domestic product at market prices</u>	287,770	311,417	337,207	362,635	381,867
Less: net factor income payments abroad	7,858	9,871	10,979	12,282	16,592
<u>Gross national product at market prices</u>	279,912	301,546	326,228	350,353	365,275
Less: net indirect taxes	41,321	43,060	41,828	44,076	54,390
consumption of fixed capital	33,697	32,825	36,989	41,191	43,179
terms of trade effect	—	-685	7,808	7,281	-370
<u>Net national income at factor cost</u>	204,894	224,976	255,219	272,367	267,336

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

^{1/} Goods and nonfactor services.

Table 31. Chile Sectorial Origin of Gross Domestic Product
at Constant 1977 Market Prices

	1976	1977	1978	1979	1980	1981
(In millions of Chilean pesos)						
<u>GDP at market prices</u>	<u>261,945</u>	<u>287,770</u>	<u>311,417</u>	<u>337,207</u>	<u>362,635</u>	<u>381,867</u>
Agriculture	24,314	26,837	25,529	26,966	27,455	28,054
Fishing	1,259	1,453	1,712	1,956	2,104	2,390
Mining	22,544	23,161	23,529	24,792	26,262	27,198
Manufacturing	57,678	62,574	68,373	73,777	78,332	80,369
Electricity, gas, and water	6,124	6,477	6,913	7,383	7,820	8,093
Construction	11,809	11,706	12,650	15,669	19,695	22,885
Transport, storage, and communications	13,879	15,377	16,665	18,167	20,191	21,271
Commerce	35,933	44,844	53,820	59,767	66,213	69,988
Other services	86,609	90,503	94,998	102,532	109,258	112,994
Import duties and value added tax on imports	8,645	13,990	16,351	19,478	23,850	29,621
Imputed banking charges	-6,849	-9,152	-9,123	-13,280	-18,545	-20,996
(Percentage change)						
<u>GDP at market prices</u>	<u>3.5</u>	<u>9.9</u>	<u>8.2</u>	<u>8.3</u>	<u>7.5</u>	<u>5.3</u>
Agriculture	-2.9	10.4	-4.9	5.6	1.8	2.2
Fishing	33.6	15.4	17.9	14.3	7.6	13.6
Mining	12.2	2.7	1.6	5.4	5.9	3.6
Manufacturing	6.0	8.5	9.3	7.9	6.2	2.6
Construction	-16.5	-0.9	8.1	23.9	25.7	16.2
Electricity, gas, and water	5.8	5.8	6.7	5.9	5.9	3.5
Transport, storage, and communications	4.7	10.8	8.4	9.0	11.1	5.3
Commerce	2.5	24.8	20.0	11.0	10.8	5.7
Other services	3.5	4.5	5.0	7.9	6.6	3.4
Import duties and value added tax on imports	6.5	61.8	16.9	19.1	22.4	24.2
Imputed banking charges	-9.0	33.6	-0.3	45.5	39.6	13.2
(Percentage structure)						
<u>GDP at market prices</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Agriculture	9.3	9.3	8.2	8.0	7.5	7.3
Fishing	0.5	0.5	0.5	0.6	0.6	0.6
Mining	8.6	8.0	7.6	7.3	7.2	7.1
Manufacturing	22.0	21.7	22.0	21.9	21.6	21.0
Construction	4.5	4.1	4.1	4.6	5.4	6.0
Electricity, gas, and water	2.3	2.2	2.2	2.2	2.2	2.1
Transport, storage, and communications	5.3	5.3	5.3	5.4	5.0	5.6
Commerce	13.7	15.6	17.3	17.7	18.3	18.3
Other services	33.1	31.4	30.5	30.4	30.1	29.6
Import duties and value added tax on imports	3.3	4.9	5.2	5.8	6.6	7.7
Imputed banking charges	-2.6	-3.2	-2.9	-3.9	-5.1	-5.5

Sources: ODEPLAN, and Central Bank of Chile.

Table 32 Chile Agricultural Production, Area Cultivated, and Yields of Traditional Crops

	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
(Production in thousands of metric tons)						
<u>Production</u>	<u>5,365</u>	<u>3,539</u>	<u>3,656</u>	<u>3,355</u>	<u>4,210</u>	—
<u>Cereals</u>	<u>1,622</u>	<u>1,227</u>	<u>1,447</u>	<u>1,349</u>	<u>1,017</u>	—
Wheat	1,219	893	995	966	686	—
Oats	124	93	150	173	131	—
Barley	143	125	112	105	91	—
Rye	16	11	9	10	9	—
Rice	120	105	181	95	100	—
<u>Farm crops</u>	<u>1,437</u>	<u>1,390</u>	<u>1,431</u>	<u>1,445</u>	<u>1,698</u>	—
Corn	355	257	489	405	518	—
Beans	112	112	116	84	138	—
Lentils	24	19	32	27	18	—
Peas	13	16	15	14	11	—
Chickpeas	5	5	9	12	6	—
Potatoes	928	981	770	903	1,007	—
<u>Crops for industrial use</u>	<u>2,306</u>	<u>922</u>	<u>778</u>	<u>561</u>	<u>1,495</u>	—
Sugarbeet	2,208	840	680	450	1,461	—
Sunflower seed	15	30	33	38	7	—
Rapeseed	83	52	65	73	27	—
(Area in thousands of hectares)						
<u>Area cultivated</u>	<u>1,286</u>	<u>1,196</u>	<u>1,250</u>	<u>1,237</u>	<u>1,080</u>	<u>942</u>
<u>Cereals</u>	<u>812</u>	<u>763</u>	<u>753</u>	<u>736</u>	<u>598</u>	<u>541</u>
Wheat	628	580	560	546	432	374
Oats	75	75	79	92	80	68
Barley	63	64	60	49	46	57
Rye	11	11	7	8	9	5
Rice	35	33	47	41	31	37
<u>Farm crops</u>	<u>354</u>	<u>357</u>	<u>405</u>	<u>408</u>	<u>416</u>	<u>366</u>
Corn	116	94	130	116	126	98
Beans	97	112	110	111	118	134
Lentils	31	32	50	53	48	35
Peas	16	17	17	18	18	12
Chickpeas	8	11	17	21	16	10
Potatoes	86	91	81	89	90	77
<u>Crops for industrial use</u>	<u>120</u>	<u>76</u>	<u>92</u>	<u>93</u>	<u>66</u>	<u>35</u>
Sugarbeet	56	21	16	11	37	22
Sunflower seed	10	21	22	32	5	3
Rapeseed	54	34	54	50	24	10
(Yield in metric tons per hectare)						
<u>Yield</u>						
<u>Cereals</u>						
Wheat	1 94	1 54	1 78	1 77	1 59	—
Oats	1 65	1 24	1 91	1 87	1 63	—
Barley	2 27	1 97	1 88	2 16	1 99	—
Rye	1 44	0 96	1 22	1 26	1 05	—
Rice	3 38	3 21	3 85	2 34	3 18	—
<u>Farm crops</u>						
Corn	3 07	2 74	3 75	3 49	4 13	—
Beans	1 15	1 00	1 06	0 76	1 17	—
Lentils	0 77	0 60	0 63	0 51	0 37	—
Peas	0 88	0 91	0 88	0 75	0 63	—
Chickpeas	3 60	0 50	0 56	0 56	0 40	—
Potatoes	10 81	10 80	9 52	10 18	11 20	—
<u>Crops for industrial use</u>						
Sugarbeet	39 27	39 07	41 97	40 56	39 74	—
Sunflower seed	1 48	1 44	1 54	1 18	1 45	—
Rapeseed	1 54	1 51	1 20	1 46	1 13	—

Sources National Statistical Institute (INE) as reported in the Monthly Bulletin of the Central Bank of Chile and Agricultural Planning Office (ODEPA)

Table 33. Chile: Value of Production of Traditional Crops at 1977 Prices

	Millions of Chilean Pesos				Annual Percentage Change			
	1977/78	1978/79	1979/80	1980/81	1977/78	1978/79	1979/80	1980/81
Total value	9,538	10,771	9,921	9,722	-23.0	12.9	-7.9	-2.0
Cereals	4,795	5,609	5,200	3,903	-24.5	17.0	-7.3	-30.3
Wheat	(3,667)	(4,089)	(3,970)	(2,819)	(-26.8)	(11.5)	(-2.9)	(-28.9)
Oats	(246)	(399)	(458)	(346)	(-25.0)	(62.2)	(14.8)	(-24.3)
Barley	(462)	(413)	(387)	(335)	(-12.3)	(-10.6)	(-6.3)	(-13.3)
Rye	(21)	(18)	(21)	(19)	(-34.4)	(-14.3)	(16.7)	(-10.0)
Rice	(399)	(690)	(364)	(383)	(-12.7)	(72.9)	(-47.3)	(5.3)
Farm crops	3,636	4,081	3,734	4,537	-4.8	12.2	-8.5	21.5
Corn	(613)	(1,168)	(967)	(1,237)	(-27.2)	(90.5)	(-17.2)	(27.9)
Beans	(1,162)	(1,205)	(872)	(1,433)	(-0.3)	(3.7)	(-27.6)	(64.3)
Lentils	(192)	(320)	(270)	(180)	(-20.0)	(66.7)	(-15.6)	(-33.3)
Peas	(97)	(90)	(84)	(66)	(14.1)	(-7.2)	(-6.7)	(-21.4)
Chickpeas	(69)	(118)	(157)	(78)	(9.5)	(71.0)	(33.1)	(-50.0)
Potatoes	(1,503)	(1,180)	(1,384)	(1,543)	(5.6)	(-21.4)	(17.3)	(11.5)
Crops for industrial use	1,107	1,081	987	1,282	-50.1	-2.3	-8.7	29.9
Sugarbeet	(623)	(503)	(333)	(1,081)	(-61.9)	(-19.2)	(-33.8)	(224.6)
Sunflower seed	(174)	(193)	(222)	(41)	(95.5)	(10.9)	(15.0)	(-81.5)
Rapeseed	(310)	(385)	(432)	(160)	(-37.0)	(24.2)	(12.2)	(-63.0)

Sources: Agricultural Planning Office (ODEPA); and Fund staff estimates.

Table 34. Chile: Production and Area Cultivated of Selected Fruits

	1976/77	1977/78	1978/79	1979/80	1980/81 <u>1/</u>
<u>(Production in thousands of metric tons)</u>					
<u>Production</u>	<u>513.3</u>	<u>547.0</u>	<u>583.5</u>	<u>621.5</u>	<u>740.5</u>
Plums	13.8	13.9	14.0	15.0	15.5
Apricots	14.8	14.9	15.3	14.6	14.9
Peaches	93.5	85.5	82.7	80.2	82.5
Lemons	68.7	74.5	74.3	71.7	74.5
Apples	150.0	175.0	210.0	245.0	299.8
Oranges	48.8	50.8	50.6	49.2	54.0
Avocados	17.3	18.8	19.4	21.7	25.3
Pears	37.5	38.2	38.3	39.1	43.5
Table grapes	68.9	75.4	78.9	85.0	130.5
<u>(Area in hectares)</u>					
<u>Area cultivated</u>	<u>51,580</u>	<u>53,931</u>	<u>57,156</u>	<u>63,717</u>	<u>68,405</u>
Plums	1,890	1,910	2,046	2,358	2,785
Apricots	1,630	1,630	1,635	1,639	1,690
Peaches	9,250	9,090	8,485	8,527	9,230
Lemons	7,490	7,450	7,405	7,475	7,035
Apples	12,200	12,970	13,585	15,735	16,565
Oranges	4,730	4,830	4,880	4,913	5,030
Avocados	4,800	4,926	5,410	6,383	6,880
Pears	2,690	2,720	2,820	3,031	3,255
Table grapes	6,900	8,405	10,890	13,656	15,935

Source: Agricultural Planning Office (ODEPA), as reported in the Monthly Bulletin of the Central Bank of Chile.

1/ Preliminary.

Table 35. Chile: Indices of Industrial Production and Sales of the Chilean Association of Manufacturers (SOFOPA)

(Index Average 1969 = 100)

	Production Index						
	Nondurable Consumer Goods (44.8)	Durable Consumer Goods (7.0)	Transport Equipment (6.2)	Inter- mediate Goods (21.0)	Construc- tion Goods (12.5)	Miscel- laneous (8.5)	Sales Index
Overall (100.0)							
1977	104.2	101.6	82.5	61.5	139.0	93.4	96.4
1978	114.8	112.4	90.9	91.9	143.9	114.5	92.3
1979	124.2	119.7	95.1	91.6	153.3	135.4	106.2
1980	129.2	120.1	122.1	109.7	155.2	145.7	108.0
1981	129.3	119.0	134.8	94.6	154.0	142.8	121.2
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Table 36. Chile: Index of Industrial Production by Groups

(Index average 1969=100)

	1976	1977	1978	1979	1980	1981
Overall	85.2	93.8	100.8	108.6	115.0	115.0
Food	106.1	102.3	103.9	105.8	115.8	115.4
Beverages	100.5	120.6	133.5	147.6	152.9	155.5
Tobacco	131.3	140.9	146.2	148.1	155.8	136.4
Textiles	61.5	67.9	73.3	72.4	60.7	48.5
Clothing and shoes	74.4	87.9	85.2	85.8	84.4	87.6
Wood products, except furniture	79.5	86.6	74.6	89.3	99.7	112.8
Furniture	72.2	59.8	58.5	83.4	127.7	183.7
Paper	109.2	124.8	120.2	129.8	141.7	144.5
Printing and publishing	57.8	54.6	56.8	64.1	65.9	73.2
Leather, except shoes	65.8	57.5	64.1	49.0	45.8	44.4
Rubber products	77.2	99.3	78.2	89.1	86.1	85.6
Chemicals	87.9	110.7	109.6	124.8	141.8	149.7
Petroleum and coal derivatives	115.1	119.5	136.2	142.6	136.7	134.0
Nonmetallic minerals	79.1	87.3	96.3	114.3	122.2	129.9
Basic metals	118.2	122.0	144.5	161.9	160.5	156.4
Metallic products, except machinery and transport	63.9	67.7	97.6	97.3	99.9	103.7
Machinery, except electric machinery	104.3	145.2	97.1	127.8	110.1	64.5
Electric products	65.3	72.7	98.0	115.2	131.6	125.2
Transport material	36.8	59.2	99.4	107.2	138.3	132.8
Other	88.5	79.4	85.3	73.7	96.8	96.8

Source: National Statistical Institute (INE), as reported in the Monthly Bulletin of the Central Bank of Chile.

Table 36. Chile: Index of Industrial Production by Groups

(Index average 1969=100)

	1976	1977	1978	1979	1980	1981
Overall	85.2	93.8	100.8	108.6	115.0	115.0
Food	106.1	102.3	103.9	105.8	115.8	115.4
Beverages	100.5	120.6	133.5	147.6	152.9	155.5
Tobacco	131.3	140.9	146.2	148.1	155.8	136.4
Textiles	61.5	67.9	73.3	72.4	60.7	48.5
Clothing and shoes	74.4	87.9	85.2	85.8	84.4	87.6
Wood products, except furniture	79.5	86.6	74.6	89.3	99.7	112.8
Furniture	72.2	59.8	58.5	83.4	127.7	183.7
Paper	109.2	124.8	120.2	129.8	141.7	144.5
Printing and publishing	57.8	54.6	56.8	64.1	65.9	73.2
Leather, except shoes	65.8	57.5	64.1	49.0	45.8	44.4
Rubber products	77.2	99.3	78.2	89.1	86.1	85.6
Chemicals	87.9	110.7	109.6	124.8	141.8	149.7
Petroleum and coal derivatives	115.1	119.5	136.2	142.6	136.7	134.0
Nonmetallic minerals	79.1	87.3	96.3	114.3	122.2	129.9
Basic metals	118.2	122.0	144.5	161.9	160.5	156.4
Metallic products, except machinery and transport	63.9	67.7	97.6	97.3	99.9	103.7
Machinery, except electric machinery	104.3	145.2	97.1	127.8	110.1	64.5
Electric products	65.3	72.7	98.0	115.2	131.6	125.2
Transport material	36.8	59.2	99.4	107.2	138.3	132.8
Other	88.5	79.4	85.3	73.7	96.8	96.8

Source: National Statistical Institute (INE), as reported in the Monthly Bulletin of the Central Bank of Chile.

Table 37. Chile: Index of Mining Production

(Base June 1976=100)

	Weights	1977	1978	1979	1980	1981
Total	100.0	104.8	102.2	107.0	111.8	116.9
Metallic minerals	88.4	106.8	104.8	108.9	110.2	113.7
Copper	(76.2)	(108.1)	(105.6)	(109.5)	(109.1)	(110.7)
Molybdenum	(3.8)	(77.7)	(93.8)	(96.3)	(97.1)	(108.5)
Lead	(0.4)	(27.4)	(13.5)	(7.9)	(14.4)	(6.9)
Silver	(2.0)	(195.8)	(190.0)	(202.1)	(222.2)	(245.7)
Iron	(5.2)	(77.4)	(75.4)	(79.3)	(85.2)	(80.2)
Zinc	(0.2)	(150.5)	(69.7)	(70.9)	(43.6)	(58.5)
Gold	(0.9)	(93.9)	(82.6)	(89.9)	(177.4)	(303.3)
Manganese	(0.4)	(76.7)	(99.1)	(106.4)	(118.1)	(108.1)
Nonmetallic minerals	11.6	89.7	82.0	92.0	123.8	141.0
Iodine	(0.3)	(117.8)	(122.0)	(153.0)	(165.1)	(170.6)
Coal	(2.4)	(82.4)	(70.0)	(59.3)	(64.5)	(54.3)
Petroleum	(5.8)	(88.4)	(78.0)	(93.9)	(151.0)	(187.5)
Nitrate	(2.5)	(87.0)	(82.0)	(96.1)	(96.0)	(97.7)
Carbonate	(0.5)	(136.1)	(163.2)	(169.4)	(208.9)	(218.1)

Sources: National Statistical Institute (INE); and Fund staff estimates.

Table 38. Chile: Copper Production

	1977	1978	1979	1980	1981
(In thousands of metric tons, fine copper)					
<u>Copper production by</u>					
<u>size of mines</u>	<u>1,056.2</u>	<u>1,035.5</u>	<u>1,061.0</u>	<u>1,067.7</u>	<u>1,080.8</u>
Large mines	892.7	876.5	910.2	904.5	893.6
Chuquicamata	(477.8)	(500.7)	(507.2)	(510.9)	(472.4)
El Teniente	(275.7)	(250.6)	(278.2)	(266.0)	(291.9)
Salvador	(80.7)	(77.5)	(78.1)	(74.8)	(76.5)
Andina	(58.5)	(47.7)	(46.7)	(52.8)	(52.8)
Medium and small mines	163.5	159.0	150.8	163.2	187.2
<u>Copper production by</u>					
<u>product</u>	<u>1,056.2</u>	<u>1,035.5</u>	<u>1,061.0</u>	<u>1,067.7</u>	<u>1,080.8</u>
Refined	576.0	749.1	781.8	810.7	775.6
Blister	212.4	178.3	167.8	142.4	178.3
Other	167.8	108.1	111.4	114.6	126.9
(Percentage change)					
<u>Total copper production</u>	<u>5.1</u>	<u>-2.0</u>	<u>2.5</u>	<u>0.6</u>	<u>1.2</u>
<u>Large mines</u>	<u>5.4</u>	<u>-1.8</u>	<u>3.8</u>	<u>-0.6</u>	<u>-1.2</u>
<u>Medium and small mines</u>	<u>3.2</u>	<u>-2.8</u>	<u>-5.2</u>	<u>8.2</u>	<u>14.7</u>

Sources: National Copper Corporation; and Chilean Copper Commission.

Table 39. Chile: Petroleum Production and Consumption
(In thousands of cubic meters)

	1977	1978	1979	1980	1981
Crude petroleum					
Domestic production	1,132	999	1,202	1,933	2,401
Tierra del Fuego	(512)	(445)	(363)	(290)	(234)
Continent	(620)	(554)	(502)	(438)	(410)
Offshore	(--)	(--)	(337)	(1,205)	(1,757)
Imports	4,288	4,311	5,141	3,677	3,149
Use by refinery	5,363	5,479	5,914	5,682	5,249
Apparent change in inventories	57	-169	429	-72	301
Refined products					
Domestic refining	5,274	5,649	5,914	5,588	5,739
Domestic consumption	5,138	5,584	6,023	6,105	6,205
Liquified petroleum gas (LPG)	(799)	(830)	(880)	(892)	(916)
Gasoline	(1,283)	(1,386)	(1,409)	(1,454)	(1,623)
Kerosene	(585)	(584)	(500)	(494)	(504)
Diesel	(1,021)	(1,217)	(1,000)	(1,429)	(1,503)
Fuel oils	(1,450)	(1,568)	(1,400)	(1,602)	(1,427)
Other	(...)	(...)	(...)	(234)	(232)

Source. National Petroleum Company.

Table 40. Chile: Retail Prices of Selected Petroleum Products
(Santiago Area)

	December					April
	1977	1978	1979	1980	1981	1982
(In Chilean pesos)						
Per liter:						
Premium gasoline	7.76 <u>1/</u>	11.20	21.30	20.70	21.60	21.10
Regular gasoline	6.36 <u>1/</u>	8.83 <u>1/</u>	16.80 <u>1/</u>	18.75	19.80	19.40
Kerosene	3.80 <u>1/</u>	6.08 <u>1/</u>	12.00 <u>1/</u>	15.70 <u>1/</u>	16.40 <u>1/</u>	16.40 <u>1/</u>
Diesel oil	5.00	6.50	15.10	16.75	17.60	17.10
Per kilogram:						
Fuel oil no. 5	3.81	5.07	11.45	13.39	13.46	13.04
Fuel oil no. 6	3.21	4.42	8.35	12.33	12.16	11.69
(In U.S. cents)						
Per liter:						
Premium gasoline	28.1 <u>1/</u>	33.1	54.6	53.1	55.4	54.1
Regular gasoline	23.1 <u>1/</u>	26.1 <u>1/</u>	43.1 <u>1/</u>	48.1	50.8	49.7
Kerosene	13.8 <u>1/</u>	18.0 <u>1/</u>	30.8 <u>1/</u>	40.3 <u>1/</u>	42.1 <u>1/</u>	42.1 <u>1/</u>
Diesel oil	18.1 <u>1/</u>	19.2	38.7	42.9	45.1	43.8
Per kilogram:						
Fuel oil no. 5	13.8	15.0	29.4	34.3	34.5	33.4
Fuel oil no. 6	11.6	13.1	24.0	31.4	31.2	30.0
<u>Memorandum item</u>						
<u>Exchange rates:</u>						
Ch\$ per US\$	27.59	33.84	39.00	39.00	39.00	39.00

Source: National Petroleum Company.

1/ Product under price control.

Table 41. Chile: National Employment Statistics 1/

	1977	1978	1979	1980	1981
<u>(In thousands of persons)</u>					
<u>Total population</u>	<u>10,613.5</u>	<u>10,805.1</u>	<u>10,989.1</u>	<u>11,174.2</u>	<u>11,366.2</u>
Population over 12 years of age	7,752.9	7,938.8	8,105.6	8,267.1	8,428.5
<u>Labor force</u>	<u>3,199.5</u>	<u>3,469.0</u>	<u>3,477.4</u>	<u>3,635.5</u>	<u>3,594.0</u>
<u>Employed</u>	<u>2,820.7</u>	<u>2,979.6</u>	<u>3,003.3</u>	<u>3,257.1</u>	<u>3,191.4</u>
Unemployed	378.8	489.4	474.1	378.4	402.6
<u>(In per cent)</u>					
<u>Unemployed (as per- centage of labor force)</u>	<u>11.8</u>	<u>14.2</u>	<u>13.6</u>	<u>10.4</u>	<u>11.2</u>
<u>Participation rates</u>					
<u>Labor force as per- centage of total population</u>	<u>30.1</u>	<u>32.1</u>	<u>31.6</u>	<u>32.5</u>	<u>31.6</u>
<u>Labor force as per- centage of population over 12 years of age</u>	<u>41.3</u>	<u>43.7</u>	<u>42.9</u>	<u>44.0</u>	<u>42.6</u>

Source: National Statistical Institute (INE).

1/ Based on October-December survey.

Table 42. Chile: Labor Market Statistics for the
Greater Santiago Area

	<u>Labor Force</u> (In per cent of population 14 years or older)	<u>Employment</u>	<u>Unemployed</u> (In per cent of labor force)	<u>Lay-Offs</u>	<u>Employment</u> (Thousands of persons)
1977 March	50.0	43.1	13.9	9.5	1,039.5
June	51.2	44.5	13.0	10.2	1,071.5
Sept.	50.6	44.1	12.8	10.0	1,073.0
Dec.	49.9	43.4	13.2	9.9	1,068.2
1978 March	50.7	43.3	14.7	11.2	1,078.4
June	50.6	44.1	12.8	9.4	1,107.8
Sept.	51.6	44.5	13.7	10.7	1,121.4
Dec.	51.1	43.6	14.8	10.5	1,107.6
1979 March	51.6	43.1	16.5	12.5	1,126.6
June	50.5	44.2	12.5	9.3	1,169.4
Sept.	50.0	43.8	12.5	9.6	1,163.9
Dec.	50.2	43.8	12.7	9.0	1,163.0
1980 March	51.1	44.6	12.8	9.2	1,193.1
June	49.4	43.6	11.7	8.9	1,188.9
Sept.	51.0	45.0	11.8	9.3	1,245.5
Dec.	51.3	45.9	10.7	7.5	1,261.0
1981 March	52.3	46.3	11.3	8.0	1,277.6
June	51.7	47.1	9.0	6.8	1,297.9
Sept.	51.3	45.9	10.5	8.1	1,289.6
Dec.	51.8	44.8	13.5	10.9	1,280.5
1982 March					

Source: University of Chile, as reported in the Monthly Bulletin
of the Central Bank of Chile.

Table 43. Chile: Index of Wages and Salaries
(Base December 1977 = 100)^{1/}

	Overall	Public Utilities	Mining	Manu- facturing	Public Sector	Overall Index Adjusted for Price Changes
1978 December	146.3	165.1	143.8	151.8	139.9	112.3
1979 December	224.1	243.8	230.8	229.7	214.4	123.8
1980 March	228.8	263.2	235.3	238.4	213.8	118.1
June	252.3	297.4	242.3	261.6	241.0	121.8
September	265.7	313.1	255.3	281.4	247.8	120.4
December	305.9	345.2	295.7	323.1	287.5	128.7
1981 March	313.4	378.8	299.3	334.3	289.2	128.4
June	328.9	409.5	308.9	352.6	301.5	131.2
September	358.9	420.9	319.0	374.7	348.2	139.3
December	368.9	439.4	321.5	381.5	362.7	141.8
1982 January	365.9	436.9	316.3	374.1	364.6	139.6

Sources: National Statistical Institute (INE); and Fund staff estimates.

^{1/} Weights refer to April 1959.

Table 44. Chile: Consumer Price Index

(Base December 1978 = 100)

	All items	Food	Housing	Clothing	Miscellaneous
<u>(Average annual percentage change)</u>					
1977	92.0	86.2	95.5	98.7	99.5
1978	40.1	34.6	52.0	41.0	43.4
1979	33.4	31.1	40.	32.0	32.3
1980	35.1	36.1	39.6	28.2	32.3
1981	19.7	14.2	23.2	20.3	24.9
<u>(Percentage change over preceding 12 months)</u>					
1977 December	63.5	59.4	69.6	60.5	70.9
1978 December	30.3	25.5	40.7	35.9	29.4
1979 December	38.9	41.9	43.1	27.4	34.7
1980 March	39.2	40.2	45.3	30.0	35.7
June	38.1	38.5	42.1	28.4	36.9
September	30.4	32.5	32.9	25.7	26.6
December	31.2	30.8	34.2	27.7	30.5
1981 January	30.6	32.0	30.5	27.8	29.3
February	28.6	29.0	28.3	26.8	28.8
March	26.0	25.0	24.7	26.7	28.3
April	24.4	22.6	23.4	23.5	27.8
May	23.1	20.8	25.1	21.9	25.4
June	20.9	17.5	23.9	20.0	23.8
July	19.3	13.9	23.5	18.8	24.1
August	18.1	10.2	25.1	18.7	24.5
September	16.8	7.3	21.4	18.7	25.4
October	13.8	2.9	21.4	16.5	22.4
November	11.1	-0.6	17.0	15.3	21.7
December	9.5	-1.6	14.2	13.2	19.8
1982 January	8.5	-1.4	14.3	11.5	18.4
February	7.3	-3.2	13.9	7.3	18.0
March	7.0	-1.8	13.5	4.8	15.2
April	5.6	-2.6	11.6	1.4	13.5
May	3.7	-4.5	7.6	0.7	12.8

Source: National Statistical Institute (INE).

Table 45. Chile: Wholesale Price Index

(Base December 1974 = 100)

		General Index	Imported Products	All Items	Domestic Products		
					Agricul- ture	Mining	Industry
<u>(Average annual percentage change)</u>							
1977		86.0	99.8	82.8	79.3	73.2	87.3
1978		42.9	34.9	45.0	34.7	51.1	52.7
1979		49.4	41.7	51.3	51.8	70.0	48.3
1980		39.6	37.7	40.0	35.2	54.0	41.2
1981		9.1	4.4	10.2	2.7	22.3	13.3
<u>(Percentage change over preceding 12 months)</u>							
1977	December	65.0	79.2	61.7	53.0	46.6	70.8
1978	December	38.9	22.2	43.2	48.9	40.6	39.6
1979	December	58.3	67.5	56.3	52.2	85.6	55.3
1980	March	55.1	67.1	52.4	42.2	65.8	57.7
	June	45.5	45.5	45.4	37.8	69.7	47.3
	September	27.1	21.1	28.4	25.2	34.1	30.0
	December	28.1	12.5	31.9	27.7	37.8	33.9
1981	March	18.9	7.4	21.7	21.5	26.3	21.0
	June	10.3	4.5	11.5	6.2	20.8	13.5
	September	2.2	-0.4	2.7	-8.0	20.2	7.8
	December	-3.9	0.5	-4.8	-14.5	12.1	-0.9
1982	March	-5.1	-4.5	-5.3	-14.8	5.5	-0.8

Source: National Statistical Institute.

Table 46. Chile: Summary Operations of the Consolidated Public Sector
(In millions of Chilean pesos)

	1977	1978	1979	1980	1981
<u>Current revenue</u>	<u>119,926</u>	<u>190,112</u>	<u>261,024</u>	<u>371,716</u>	<u>428,947</u>
General government	96,435	157,759	202,264	270,900	362,143
Operational surplus of the public enterprises	23,491	32,353	58,760	100,816	66,804
<u>Current expenditure of the general government</u>	<u>95,265</u>	<u>147,775</u>	<u>189,981</u>	<u>256,158</u>	<u>353,648</u>
<u>Current account</u>	<u>24,661</u>	<u>42,337</u>	<u>71,043</u>	<u>115,558</u>	<u>75,299</u>
<u>Capital revenues</u>	<u>5,493</u>	<u>10,444</u>	<u>16,666</u>	<u>221,111</u>	<u>51,345</u>
<u>Capital expenditure</u>	<u>25,187</u>	<u>42,544</u>	<u>50,522</u>	<u>74,990</u>	<u>96,666</u>
<u>Overall surplus or deficit</u>	<u>4,967</u>	<u>10,237</u>	<u>37,187</u>	<u>62,679</u>	<u>29,975</u>
<u>Financing</u>	<u>-4,967</u>	<u>-10,237</u>	<u>-37,187</u>	<u>-62,679</u>	<u>-29,975</u>
External	-764	6,617	2,185	-1,455	36,389
Drawings	(18,165)	(29,036)	(36,265)	(43,132)	(79,124)
Amortization	(-18,929)	(-22,419)	(-34,080)	(-44,587)	(-42,735)
Internal	-4,203	-16,854	-39,372	-61,224	-66,364
Banking system	(-3,766)	(-10,765)	(-19,791)	(-54,600)	(-61,200)
Other	(-437)	(-6,089)	(-19,581)	(-6,624)	(-5,164)

Sources: Statistical Appendix Tables 47, 54, and 55.

Table 47. Chile: Summary Operations of the General Government

(In millions of Chilean pesos)

	1977	1978	1979	1980	1981
<u>Total revenue</u>	<u>115,278</u>	<u>184,929</u>	<u>263,938</u>	<u>357,439</u>	<u>447,068</u>
Current revenue	111,384	179,722	252,274	345,729	424,963
Capital revenue	3,894	5,207	11,664	11,710	22,105
<u>Total expenditure</u>	<u>112,610</u>	<u>174,088</u>	<u>225,881</u>	<u>304,225</u>	<u>417,670</u>
Current expenditure	95,265	147,775	189,981	256,158	353,648
Capital expenditure	17,345	26,313	35,900	48,067	64,022
<u>Overall surplus or deficit (-)</u>	<u>2,668</u>	<u>10,841</u>	<u>38,057</u>	<u>53,214</u>	<u>29,398</u>
Current account	16,119	31,947	62,293	89,571	71,315
Capital account	-13,451	-21,106	-24,236	-36,357	-41,917
<u>Financing</u>	<u>-2,668</u>	<u>-10,841</u>	<u>-38,057</u>	<u>-53,214</u>	<u>-29,398</u>
External borrowing	-2,648	-2,565	-5,982	-9,220	-5,138
Drawings	(3,606)	(6,286)	(10,405)	(905)	(—)
Amortization	(-6,254)	(-8,851)	(-16,387)	(-10,125)	(-5,138)
Internal financing	-20	-8,276	-32,075	-43,994	-24,260
Banking system	(-1,915)	(-7,718)	(-13,605)	(-46,210)	(-32,460)
Other, including statistical discrepancy	(-1,895)	(-558)	(-18,470)	(2,216)	(8,200)

Sources: Statistical Appendix Tables 48 and 51.

Table 48. Chile: Summary Operations of the Central Government
(In millions of Chilean pesos)

	1977	1978	1979	1980	1981
<u>Total revenue</u>					
Current revenue	70,279	113,200	185,696	249,824	311,944
Capital revenue	70,279	112,287	185,340	249,205	310,910
	—	913	356	619	1,034
<u>Total expenditure</u>					
Current expenditure	70,413	105,089	157,006	207,208	281,930
Capital expenditure	64,548	96,246	143,134	191,099	264,721
	5,865	8,843	13,872	16,109	17,209
<u>Overall surplus or deficit (-)</u>					
Current account	-134	8,111	28,690	42,616	30,014
Capital account	5,731	16,041	42,206	58,106	46,189
	-5,865	-7,930	-13,516	-15,490	-16,175
<u>Financing</u>					
External borrowing	134	-8,111	-28,690	-42,616	-30,014
Drawings	-2,415	-2,565	-7,163	-6,467	-5,138
Amortization	(2,310)	(6,286)	(4,683)	(456)	(—)
Internal financing	(-4,725)	(-8,851)	(-11,846)	(-6,923)	(-5,138)
	2,549	-5,546	-21,527	-34,149	-24,876

Sources: Ministry of Finance; and Fund staff estimates.

Table 49. Chile: Central Government Revenue

(In millions of Chilean pesos)

	1977			1978		
	Domestic Currency	Foreign Currency	Total	Domestic Currency	Foreign Currency	Total
<u>Total revenue</u>	<u>62,171</u>	<u>8,108</u>	<u>70,279</u>	<u>98,250</u>	<u>14,950</u>	<u>113,200</u>
Current revenue	62,171	8,108	70,279	97,337	14,950	112,287
Taxes on income and property	15,324	7,598	22,922	25,318	14,113	39,431
Personal and business income tax	(12,201)	(263)	(12,464)	(20,273)	(431)	(20,704)
Copper companies' income tax	(--)	(7,335)	(7,335)	(--)	(13,682)	(13,682)
Property tax	(2,687)	(--)	(2,687)	(5,045)	(--)	(5,045)
Real estate	/2,242/	/--/	/2,242/	/4,563/	/--/	/4,563/
Other	/445/	/--/	/445/	/482/	/--/	/482/
Capital gains and other						
direct taxes	(436)	(--)	(436)	(--)	(--)	(--)
Taxes on goods and services	35,428	239	35,667	63,459	425	63,884
Value-added tax	(22,773)	(8)	(22,781)	(41,899)	(251)	(42,150)
Excise tax	(9,050)	(--)	(9,050)	(12,676)	(--)	(12,676)
Stamp tax	(2,992)	(34)	(3,026)	(5,738)	(25)	(5,763)
Service turnover and other taxes	(612)	(197)	(809)	(146)	(149)	(295)
Taxes on international trade	6,795	--	6,795	9,642	--	9,642
Other taxes, net of rebates	402	--	402	-847	--	-847
Nontax revenue	4,222	271	4,493	2,765	412	3,177
Sales of goods and services	(1,600)	(59)	(1,659)	(448)	(412)	(860)
Other				(2,317)	(--)	(2,317)
<u>Capital revenue</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>913</u>	<u>--</u>	<u>913</u>

Table 49. Chile: Central Government Revenue (Continued)

(In millions of Chilean pesos)

	1979			1980		
	Domestic Currency	Foreign Currency	Total	Domestic Currency	Foreign Currency	Total
<u>Total revenue</u>	<u>153,680</u>	<u>32,016</u>	<u>185,696</u>	<u>210,204</u>	<u>39,620</u>	<u>249,824</u>
<u>Current revenue</u>	<u>153,324</u>	<u>32,016</u>	<u>185,340</u>	<u>209,597</u>	<u>39,608</u>	<u>249,205</u>
Taxes on income and property	44,422	19,026	63,448	40,147	13,611	53,758
Personal and business income tax	(38,837)	(589)	(39,426)	(39,183)	(3,939)	(43,122)
Copper companies' income tax	(--)	(18,437)	(18,437)	(--)	(9,672)	(9,672)
Property tax	(5,573)	(--)	(5,573)	(964)	(--)	(964)
Real estate	/4,703/	/--/	/4,703/	/582/	/--/	/582/
Other	/870/	/-/	/870/	/382/	/--/	/382/
Capital gains and other						
direct taxes	(12)	(--)	(12)	(--)	(--)	(--)
Taxes on goods and services	80,837	294	81,131	120,008	339	120,347
Value-added tax	(61,452)	(258)	(61,710)	(90,575)	(328)	(90,903)
Excise tax	(9,728)	(--)	(9,728)	(13,566)	(--)	(13,566)
Stamp tax	(9,523)	(--)	(9,523)	(14,743)	(11)	(14,754)
Service turnover and other taxes	(134)	(36)	(170)	(1,124)	(--)	(1,124)
Taxes on international trade	11,252	--	11,252	14,918	--	14,918
Other taxes, net of rebates	-836	-37	-873	-1,217	-27	-1,244
Nontax revenue	17,649	12,733	30,382	35,741	25,685	61,426
Sales of goods and services	(5,804)	(368)	(6,172)	(14,869)	(18,151)	(33,020)
Other	(11,845)	(12,365)	(24,210)	(20,872)	(7,534)	(28,352)
<u>Capital revenue</u>	<u>356</u>	<u>--</u>	<u>356</u>	<u>607</u>	<u>12</u>	<u>619</u>

Table 49. Chile: Central Government Revenue (Concluded)

(In millions of Chilean pesos)

	1981		Total
	Domestic Currency	Foreign Currency 1/	
<u>Total revenue</u>	<u>294,251</u>	<u>17,693</u>	<u>311,944</u>
<u>Current revenue</u>	<u>293,225</u>	<u>17,685</u>	<u>310,910</u>
Taxes on income and property	47,037	1,076	48,113
Personal and business income tax	(46,187)	(1,076)	(47,263)
Copper companies' income tax	(--)	(--)	(--)
Property tax	(850)	(--)	(850)
Real estate	/--/	/--/	/--/
Other	/850/	/--/	/850/
Capital gains and other direct taxes	(--)	(--)	(--)
Taxes on goods and services	158,211	616	3,827
Value-added tax	(122,501)	(601)	(12,102)
Excise tax	(17,878)	(--)	(17,878)
Stamp tax	(17,832)	(15)	(17,847)
Service turnover and other taxes	(--)	(--)	(--)
Taxes on international trade	21,366	--	21,366
Other taxes, net of rebates	-1,097	780	-317
Nontax revenue	67,708	15,213	82,921
Sales of goods and services	(25,991)	(10,979)	(36,970)
Other revenue	(41,717)	(4,234)	(45,951)
<u>Capital revenue</u>	<u>1,026</u>	<u>8</u>	<u>1,034</u>

Sources: Ministry of Finance; and Fund staff estimates.

1/ Operations in foreign currency converted in Chilean pesos at US\$1=Ch\$21.0 for 1977; US\$1=Ch\$31.7 for 1978; US\$1=Ch\$36.8 for 1979; and US\$1=Ch\$39.0 for 1980 and 1981.

Table 50. Chile: Central Government Expenditure
(In millions of Chilean pesos)

	1977			1978		
	Domestic Currency	Foreign Currency	Total	Domestic Currency	Foreign Currency	Total
<u>Total expenditure</u>	<u>61,524</u>	<u>8,889</u>	<u>70,413</u>	<u>90,348</u>	<u>14,741</u>	<u>105,089</u>
<u>Current expenditure</u>	<u>56,079</u>	<u>8,469</u>	<u>64,548</u>	<u>81,949</u>	<u>14,297</u>	<u>96,246</u>
Wages and salaries	20,132	414	20,546	25,804	697	26,501
Purchase of goods and services	4,705	3,862	8,567	7,849	7,005	14,854
Social security expenditure	7,041	—	7,041	17,266	—	17,266
Contributions to social security system	(6,434)	(—)	(6,434)	(16,310)	(—)	(16,310)
Payments to private recipients	(607)	(—)	(607)	(956)	(—)	(956)
Transfer and subsidy payments to rest of public sector	15,849	1,249	17,098	25,165	793	25,958
Decentralized agencies	(...)	(...)	(...)	(23,165)	(793)	(23,958)
Public enterprises	(...)	(...)	(...)	(1,998)	(—)	(1,998)
Other	(...)	(...)	(...)	(2)	(—)	(2)
Transfer and subsidy payments to private sector	7,938	187	8,125	4,292	317	4,609
Interest	414	2,757	3,171	1,078	5,293	6,371
Internal debt	(356)	(773)	(1,129)	(996)	(2,821)	(3,817)
External debt	(58)	(1,984)	(2,042)	(82)	(2,472)	(2,554)
Other	—	—	—	495	192	687
<u>Capital expenditure</u>	<u>5,445</u>	<u>420</u>	<u>5,865</u>	<u>8,399</u>	<u>444</u>	<u>8,843</u>
<u>Capital formation</u>	<u>5,129</u>	<u>336</u>	<u>5,465</u>	<u>5,285</u>	<u>317</u>	<u>5,602</u>
Transfer payments to rest of public sector	314	—	314	2,591	—	2,591
Decentralized agencies	(...)	(...)	(...)	(2,591)	(—)	(2,591)
Public enterprises	(...)	(...)	(...)	(—)	(—)	(—)
Transfer payments to private sector	—	84	84	9	127	136
Purchases of real assets	—	—	—	—	—	—
Financial investment	2	—	2	514	—	514

Table 50. Chile: Central Government Expenditure (Continued)

(In millions of Chilean pesos)

	1979			1980		
	Domestic Currency	Foreign Currency	Total	Domestic Currency	Foreign Currency	Total
<u>Total expenditure</u>	<u>134,999</u>	<u>22,007</u>	<u>157,006</u>	<u>186,586</u>	<u>20,624</u>	<u>207,208</u>
<u>Current expenditure</u>	<u>121,569</u>	<u>21,565</u>	<u>143,134</u>	<u>170,990</u>	<u>20,109</u>	<u>191,099</u>
Wages and salaries	35,503	1,729	37,232	52,335	1,318	53,653
Purchase of goods and services	9,363	12,990	22,353	12,435	10,097	22,532
Social security expenditure	16,505	—	16,505	13,761	—	13,761
Contributions to social security system	(14,920)	(—)	(14,920)	(10,989)	(—)	(10,989)
Payments to private recipients	(1,585)	(—)	(1,585)	(2,772)	(—)	(2,772)
Transfer and subsidy payments to rest of public sector	48,567	1,472	50,039	74,694	3,315	78,009
Decentralized agencies	(46,147)	(1,104)	(47,251)	(71,898)	(1,334)	(73,232)
Public enterprises	(230)	(221)	(451)	(—)	(—)	(—)
Other	(2,190)	(1,471)	(2,337)	(2,796)	(1,981)	(4,777)
Transfer and subsidy payments to private sector	10,226	111	10,337	14,889	66	14,955
Interest	821	5,226	6,047	531	4,848	5,379
Internal debt	(742)	(2,539)	(3,281)	(447)	(2,594)	(3,041)
External debt	(79)	(2,686)	(2,765)	(83)	(2,254)	(2,337)
Other	584	37	621	2,345	465	2,810
<u>Capital expenditure</u>	<u>13,430</u>	<u>442</u>	<u>13,872</u>	<u>15,594</u>	<u>515</u>	<u>16,109</u>
Capital formation	9,465	368	9,833	9,934	425	10,359
Transfer payments to rest of public sector	3,790	—	3,790	4,812	—	4,812
Decentralized agencies	(3,790)	—	(3,790)	(4,812)	(—)	(4,812)
Public enterprises	(—)	(—)	(—)	(—)	(—)	(—)
Transfer payments to private sector	15	74	89	598	78	676
Purchases of real assets	—	—	—	—	—	—
Financial investment	160	—	160	250	12	262

Table 50. Chile: Central Government Expenditure (Concluded)

(In millions of Chilean pesos)

	1981		Total
	Domestic Currency	Foreign Currency 1/	
<u>Total expenditure</u>	<u>265,531</u>	<u>16,399</u>	<u>281,930</u>
<u>Current expenditure</u>	<u>248,747</u>	<u>15,974</u>	<u>264,721</u>
Wages and salaries	70,014	1,755	71,769
Purchase of goods and services	15,221	9,118	24,339
Social security expenditure	11,791	—	11,791
Contributions to social security system	(3,944)	(—)	(3,944)
Payments to private recipients	(7,847)	(—)	(7,847)
Transfer and subsidy payments to rest of public sector	104,195	1,209	105,404
Decentralized agencies	(94,820)	(1,092)	(95,912)
Public enterprises	(—)	(—)	(—)
Other	(9,375)	(117)	(9,492)
Transfer and subsidy payments to private sector	45,018	316	45,334
Interest	326	3,202	3,528
Internal debt	(244)	(1,065)	(1,309)
External debt	(82)	(2,137)	(2,219)
Other	2,182	374	2,556
<u>Capital expenditure</u>	<u>16,784</u>	<u>425</u>	<u>17,209</u>
<u>Capital formation</u>	<u>11,316</u>	<u>413</u>	<u>11,729</u>
Transfer payments to rest of public sector	5,071	—	5,071
Decentralized agencies	(5,071)	(—)	(5,071)
Public enterprises	(—)	(—)	(—)
Transfer payments to private sector	23	—	23
Purchases of real assets	—	—	—
Financial investment	374	12	386

Sources: Ministry of Finance; and Fund staff estimates.

1/ Operations in foreign currency converted in Chilean pesos at US\$1=Ch\$21.0 for 1977; US\$1=Ch\$31.7 for 1978; US\$1=Ch\$36.8 for 1979; and US\$1=Ch\$39.0 for 1980 and 1981.

Table 51. Chile: Summary Operations of the Decentralized Agencies

(In millions of Chilean pesos)

	1977	1978	1979	1980	1981
<u>Total revenue</u>	<u>63,949</u>	<u>100,792</u>	<u>131,731</u>	<u>191,697</u>	<u>250,092</u>
Current revenue	59,734	93,462	116,520	175,794	223,950
Capital revenue	4,215	7,330	15,211	15,903	26,142
<u>Total expenditure</u>	<u>61,147</u>	<u>98,062</u>	<u>122,364</u>	<u>181,099</u>	<u>250,708</u>
Current expenditure	49,346	77,556	96,433	144,329	198,824
Capital expenditure	11,801	20,506	25,931	36,770	51,884
<u>Overall surplus or deficit (-)</u>	<u>2,802</u>	<u>2,730</u>	<u>9,367</u>	<u>10,598</u>	<u>-616</u>
Current account	10,388	15,906	20,087	31,465	25,126
Capital account	-7,586	-13,176	-10,720	-20,867	-25,742
<u>Financing</u>	<u>-2,802</u>	<u>-2,730</u>	<u>-9,367</u>	<u>-10,598</u>	<u>616</u>
External borrowing	-233	--	1,181	-2,753	--
Drawings	(1,296)	(--)	(5,722)	(449)	(--)
Amortization	(-1,529)	(--)	(-4,541)	(-3,202)	(--)
Internal financing (net)	-2,569	-2,730	-10,548	-7,845	616

Sources: Ministry of Finance; and Fund staff estimates.

Table 52. Chile: Revenue of the Decentralized Agencies

(In millions of Chilean pesos)

	1977			1978		
	Domestic Currency	Foreign Currency l/	Total	Domestic Currency	Foreign Currency l/	Total
<u>Total revenue</u>	<u>62,311</u>	<u>1,638</u>	<u>63,949</u>	<u>99,045</u>	<u>1,747</u>	<u>100,792</u>
<u>Current revenue</u>	<u>58,180</u>	<u>1,554</u>	<u>59,734</u>	<u>92,438</u>	<u>1,024</u>	<u>93,462</u>
Contributions to social security system	10,539	—	10,539	33,813	—	33,813
Central Government	(...)	(—)	(...)	(17,266)	(—)	(17,266)
Rest of public sector	(...)	(—)	(...)	(5,685)	(—)	(5,685)
Other	(...)	(—)	(...)	(10,862)	(—)	(10,862)
Sales of goods and services	7,173	155	7,329	9,657	273	9,930
Transfer from Central Government	17,681	515	18,196	23,682	276	23,958
Other	22,787	884	23,670	25,286	475	25,761
<u>Capital revenue</u>	<u>4,131</u>	<u>84</u>	<u>4,215</u>	<u>6,607</u>	<u>723</u>	<u>7,330</u>
Sales of real assets	2,449	—	2,449	4,016	—	4,739
Loan repayments	—	—	—	—	—	—
Transfer from Central Government	1,682	84	1,766	2,591	—	2,591
Transfer from rest of public sector	—	—	—	—	—	—

Table 52. Chile: Revenue of the Decentralized Agencies (Continued)

(In millions of Chilean pesos)

	1979			1980		
	Domestic Currency	Foreign Currency 1/	Total	Domestic Currency	Foreign Currency 1/	Total
<u>Total revenue</u>	<u>126,972</u>	<u>4,759</u>	<u>131,731</u>	<u>186,261</u>	<u>5,436</u>	<u>191,697</u>
<u>Current revenue</u>	<u>112,041</u>	<u>4,479</u>	<u>116,520</u>	<u>170,510</u>	<u>5,284</u>	<u>175,794</u>
<u>Contributions to social security system</u>	42,349	--	42,349	59,332	--	59,332
Central Government	(14,920)	(--)	(14,920)	(10,989)	(--)	(10,989)
Rest of public sector	(8,669)	(--)	(8,669)	(7,738)	(--)	(7,738)
Other	(18,760)	(--)	(18,760)	(40,605)	(--)	(40,605)
Sales of goods and services	13,080	515	13,595	21,150	784	21,934
Transfer from Central Government	46,151	1,100	47,251	71,898	1,334	73,232
Other	10,461	2,864	13,325	18,130	3,166	21,296
<u>Capital revenue</u>	<u>14,931</u>	<u>280</u>	<u>15,211</u>	<u>15,751</u>	<u>152</u>	<u>15,903</u>
<u>Sales of real assets</u>	<u>11,141</u>	<u>280</u>	<u>11,421</u>	<u>15,751</u>	<u>152</u>	<u>15,903</u>
Loan repayments	--	--	--	--	--	--
Transfer from Central Government	3,790	--	3,790	--	--	--
Transfer from rest of public sector	--	--	--	--	--	--

Table 52. Chile: Revenue of the Decentralized Agencies (Concluded)

(In millions of Chilean pesos)

	1981		
	Domestic Currency	Foreign Currency 1/	Total
<u>Total revenue</u>	<u>244,323</u>	<u>5,769</u>	<u>250,092</u>
<u>Current revenue</u>	<u>218,314</u>	<u>5,636</u>	<u>223,950</u>
Contributions to social security system	53,116	—	53,116
Central Government	(3,944)	(--)	(3,944)
Rest of public sector	(2,735)	(--)	(2,735)
Other	(46,437)	(--)	(46,437)
Sales of goods and services	39,994	101	40,095
Transfer from Central Government	94,820	1,092	95,912
Other	30,384	4,443	34,827
<u>Capital revenue</u>	<u>26,009</u>	<u>133</u>	<u>26,142</u>
Sales of real assets	17,192	—	17,192
Loan repayments	8,817	133	8,950
Transfer from Central Government	--	--	--
Transfer from rest of public sector	--	--	--

Sources: Ministry of Finance; and Fund staff estimates.

1/ Operations in foreign currency converted at US\$1 = Ch\$21.0 for 1977; US\$1 = Ch\$31.7 for 1978; US\$1 = Ch\$36.8 for 1979; and US\$1 = Ch\$39.0 for 1980 and 1981.

Table 53. Chile: Expenditure of the Decentralized Agencies

(In millions of Chilean pesos)

	1977			1978		
	Domestic Currency	Foreign Currency	1/ Total	Domestic Currency	Foreign Currency	1/ Total
<u>Total expenditure</u>	<u>60,063</u>	<u>1,084</u>	<u>61,147</u>	<u>96,407</u>	<u>1,655</u>	<u>98,062</u>
<u>Current expenditure</u>	<u>48,525</u>	<u>821</u>	<u>49,346</u>	<u>76,231</u>	<u>1,325</u>	<u>77,556</u>
Wages and salaries	11,074	19	11,093	16,254	29	16,283
Purchases of goods and services	5,324	244	5,568	7,818	247	8,065
Social security expenditure	19,583	—	19,583	32,469	—	32,469
Family allowance	(...)	(—)	(...)	(—)	(—)	(—)
Other benefit payments	(...)	(—)	(...)	(32,469)	(—)	(32,469)
Other transfer payments to private sector	6,829	8	6,837	9,470	25	9,495
Transfer payments to public sector	4,500	—	4,500	8,434	—	8,434
Central Government	(720)	(—)	(720)	(2,069)	(—)	(2,069)
Public enterprises	(157)	(—)	(157)	(—)	(—)	(—)
Rest of public sector	(3,623)	(—)	(3,623)	(6,365)	(—)	(6,365)
Interest	1,215	550	1,765	461	881	1,342
Internal debt	(1,138)	(—)	(1,138)	(355)	(3)	(358)
External debt	(77)	(550)	(627)	(106)	(878)	(984)
Other	—	—	—	1,325	143	1,468
<u>Capital expenditure</u>	<u>11,538</u>	<u>263</u>	<u>11,801</u>	<u>20,176</u>	<u>330</u>	<u>20,506</u>
Capital formation	6,356	200	6,556	11,338	193	11,531
Purchases of real assets	—	—	—	—	—	—
Financial investments	4,660	50	4,710	8,105	79	8,184
Transfer payments to private sector	145	13	158	208	57	265
Transfer payments to public sector	377	—	377	526	—	526
Central Government	(59)	(—)	(59)	(445)	(—)	(445)
Rest of public sector	(318)	(—)	(318)	(81)	(—)	(81)

Table 53. Chile: Expenditure of the Decentralized Agencies (Continued)

(In millions of Chilean pesos)

	1979			1980		
	Domestic Currency	Foreign Currency 1/	Total	Domestic Currency	Foreign Currency 1/	Total
<u>Total expenditure</u>	<u>119,545</u>	<u>2,819</u>	<u>122,364</u>	<u>178,467</u>	<u>2,632</u>	<u>181,099</u>
<u>Current expenditure</u>	<u>94,483</u>	<u>1,950</u>	<u>96,433</u>	<u>142,434</u>	<u>1,895</u>	<u>144,329</u>
Wages and salaries	15,106	41	15,146	27,268	35	27,303
Purchases of goods and services	11,074	320	11,394	13,053	460	13,513
Social security expenditure	47,047	—	47,047	71,882	—	71,882
Family allowance	(—)	(—)	(—)	(—)	(—)	(—)
Other benefit payments	(47,047)	(—)	(47,047)	(71,882)	(—)	(71,882)
Other transfer payments to private sector	6,935	26	6,961	7,371	47	7,418
Transfer payments to public sector	9,707	129	9,836	17,184	—	17,184
Central Government	(2,206)	(129)	(2,335)	(6,038)	(—)	(6,038)
Public enterprises	(—)	(—)	(—)	(—)	(—)	(—)
Rest of public sector	(7,501)	(—)	(7,501)	(11,146)	(—)	(11,146)
Interest	1,180	1,281	2,460	754	1,248	2,002
Internal debt	(1,076)	(—)	(1,076)	(624)	(8)	(632)
External debt	(103)	(1,281)	(1,384)	(130)	(1,240)	(1,370)
Other	3,435	155	3,589	4,922	105	5,027
<u>Capital expenditure</u>	<u>25,062</u>	<u>869</u>	<u>25,931</u>	<u>36,033</u>	<u>737</u>	<u>36,770</u>
<u>Capital formation</u>	<u>14,232</u>	<u>611</u>	<u>14,843</u>	<u>16,633</u>	<u>530</u>	<u>17,163</u>
Purchases of real assets	—	—	—	—	—	—
Financial investments	10,066	147	10,213	18,411	70	18,481
Transfer payments to private sector	410	111	521	694	137	831
Transfer payments to public sector	354	—	354	295	—	295
Central Government	(113)	(—)	(113)	(—)	(—)	(—)
Rest of public sector	(245)	(—)	(245)	(295)	(—)	(295)

Table 53. Chile: Expenditure of the Decentralized Agencies (Concluded)

(In millions of Chilean pesos)

	1981		Total
	Domestic Currency	Foreign Currency 1/	
<u>Total expenditure</u>	<u>248,305</u>	<u>2,403</u>	<u>250,708</u>
<u>Current expenditure</u>	<u>197,182</u>	<u>1,642</u>	<u>198,824</u>
Wages and salaries	28,114	55	28,169
Purchases of goods and services	20,487	195	20,682
Social security expenditure	93,366	—	93,366
Family allowance	(—)	(—)	(—)
Other benefit payments	(93,366)	(—)	(93,366)
Other transfer payments to			
private sector	13,258	47	13,305
Transfer payments to public sector	27,668	—	27,668
Central Government	(13,985)	(—)	(13,985)
Public enterprises	(—)	(—)	(—)
Rest of public sector	(13,683)	(—)	(13,683)
Interest	381	1,065	1,446
Internal debt	(306)	(8)	(314)
External debt	(75)	(1,057)	(1,132)
Other	13,909	280	14,188
<u>Capital expenditure</u>	<u>51,123</u>	<u>761</u>	<u>51,884</u>
Capital formation	23,336	405	23,744
Purchases of real assets	—	—	—
Financial investments	26,994	199	27,193
Transfer payments to private sector	362	157	519
Transfer payments to public sector	428	—	428
Central Government	(—)	(—)	(—)
Rest of public sector	(428)	(—)	(428)

Sources: Ministry of Finance; and Fund staff estimates.

1/ Operations in foreign currency converted at US\$1 = Ch\$21.0 for 1977; US\$1 = Ch\$31.7 for 1978; US\$1 = Ch\$36.8 for 1979; and US\$1 = Ch\$39.0 for 1980 and 1981.

Table 54. Chile: Summary of Financial Operations of CODELCO

(In millions of Chilean pesos)

	1977	1978	1979	1980	1981
<u>Current revenue</u>	<u>26,103</u>	<u>43,233</u>	<u>76,902</u>	<u>98,097</u>	<u>74,279</u>
Sales of goods and services	25,563	42,091	75,150	95,059	71,046
Other	540	1,142	1,752	3,038	3,233
<u>Current expenditure</u>	<u>16,566</u>	<u>25,672</u>	<u>34,080</u>	<u>48,516</u>	<u>54,335</u>
Wages and salaries	3,707	6,004	8,772	15,862	21,054
Social security expenditure	1,589	1,799	2,957	3,248	1,145
Purchases of goods and services	8,887	13,875	17,790	21,817	25,042
Marketing and refining costs	1,268	3,125	2,510	4,680	4,563
Interest payments	241	257	629	1,119	2,254
Other	874	612	1,422	1,790	277
<u>Operating surplus</u>	<u>9,537</u>	<u>17,561</u>	<u>42,822</u>	<u>49,581</u>	<u>19,944</u>
Taxes and transfers to Central Government	8,163	11,412	33,862	36,067	16,949
<u>Current account surplus or deficit (-)</u>	<u>1,374</u>	<u>6,149</u>	<u>8,960</u>	<u>13,514</u>	<u>2,995</u>
<u>Capital revenue</u>	<u>--</u>	<u>1,442</u>	<u>104</u>	<u>105</u>	<u>226</u>
<u>Capital expenditure</u>	<u>2,092</u>	<u>4,030</u>	<u>5,748</u>	<u>9,157</u>	<u>11,150</u>
<u>Overall surplus or deficit (-)</u>	<u>-718</u>	<u>3,561</u>	<u>3,316</u>	<u>4,462</u>	<u>-7,929</u>
<u>Financing</u>	<u>718</u>	<u>-3,561</u>	<u>-3,316</u>	<u>-4,462</u>	<u>7,929</u>
External	-590	211	-1,582	3,023	11,759
Drawings	(8,925)	(211)	(--)	(5,565)	(20,865)
Amortization	(-9,515)	(--)	(-1,582)	(-2,542)	(-9,106)
Internal	1,308	-3,772	-1,734	7,485	-3,830
Banking system	(334)	(-770)	(435)	(-2,083)	(-678)
Other, and statistical discrepancies	(974)	(-3,002)	(-2,169)	(9,568)	(-4,508)

Sources: Ministry of Finance; CODELCO; and Fund staff estimates.

Table 33. Chile: Operations of Other Public Enterprises

(In millions of Chilean pesos)

	1977			1978		
	Domestic Currency	Foreign Currency	1/ Total	Domestic Currency	Foreign Currency	1/ Total
Current revenue	41,182	9,286	50,468	66,882	14,297	81,179
Sales of goods and services	39,282	8,383	47,665	62,078	13,568	75,646
Transfer from Central Government	742	903	1,645	1,643	353	1,998
Transfer from rest of public sector	—	—	—	1,833	—	1,833
Other	1,158	—	1,158	1,328	374	1,702
Operating expenditure	23,806	12,627	36,513	44,879	21,508	66,387
Wages and salaries	5,774	231	6,005	13,321	396	13,917
Social security expenditure	2,476	—	2,476	3,870	16	3,886
Transfer payments to rest of public sector	—	—	—	—	—	—
Transfer payments to private sector	—	—	—	—	38	38
Purchases of goods and services	14,950	11,430	26,380	23,980	18,766	42,746
Interest	686	966	1,652	2,498	2,197	4,695
Internal debt	(686)	(—)	(686)	(1,964)	(51)	(2,015)
External debt	(—)	(966)	(966)	(534)	(2,146)	(2,680)
Other	—	—	—	1,009	95	1,104
Operating surplus	17,296	-3,341	13,955	22,003	-7,211	14,792
Tax and transfer payments to Central Government	6,759	27	6,786	10,551	—	10,551
Current account surplus or deficit (-)	10,537	-3,368	7,169	11,452	-7,211	4,241
Capital receipts	1,427	172	1,599	1,040	2,755	3,795
Sales of assets	1,411	88	1,499	1,028	2,755	3,783
Transfer payments to rest of public sector	—	84	84	—	—	—
Transfer payments to private sector	—	—	—	—	—	—
Loan repayments	16	—	16	12	—	12
Other	—	—	—	—	—	—
Capital expenditure	6,919	2,608	5,750	7,941	7,002	12,201
Capital formation	3,142	2,608	5,750	4,430	6,980	11,410
Transfer payments to rest of public sector	—	—	—	791	—	791
Transfer payments to private sector	—	—	—	—	—	—
Financial investments	3,777	—	3,777	2,720	22	—
Other	—	—	—	—	—	—
Overall surplus or deficit (-)	5,045	-5,804	3,018	4,551	-11,458	-4,165
Financing	-5,045	5,804	759	-4,551	11,458	4,165
External borrowing	—	2,474	2,474	—	8,971	8,971
Drawings	(—)	(5,634)	(5,634)	(—)	(22,539)	(22,539)
Amortization	(—)	(-3,160)	(-3,160)	(—)	(-13,568)	(-13,568)
Internal financing	-5,045	3,331	-1,715	-4,551	2,487	-2,064
Banking system (net)	(...)	(...)	(...)	(-1,084)	(-435)	(-1,519)
Other 2/	(...)	(...)	(...)	(-3,467)	(2,922)	(-545)

Table 55. Chile: Operations of Other Public Enterprises (Continued)

(In millions of Chilean pesos)

	1979		
	Domestic Currency	Foreign Currency 1/	Total
<u>Current revenue</u>	<u>115,569</u>	<u>20,203</u>	<u>135,772</u>
Sales of goods and services	111,350	19,725	131,075
Transfer from Central Government	230	221	451
Transfer from rest of public sector	--	--	--
Other	3,988	258	4,246
<u>Operating expenditure</u>	<u>77,477</u>	<u>42,357</u>	<u>119,834</u>
Wages and salaries	20,320	442	20,762
Social security expenditure	5,475	37	5,712
Transfer payments to rest of public sector	7,773	--	7,773
Transfer payments to private sector	10	-	10
Purchases of goods and services	41,570	39,302	80,872
Interest	1,588	2,539	4,127
Internal debt	(1,288)	(37)	(1,265)
External debt	(360)	(2,502)	(2,862)
Other	541	37	578
<u>Operating surplus</u>	<u>38,092</u>	<u>-22,154</u>	<u>15,938</u>
Tax and transfer payments to Central Government	16,038	110	16,148
<u>Current account surplus or deficit (-)</u>	<u>22,054</u>	<u>-22,264</u>	<u>-210</u>
<u>Capital receipts</u>	<u>4,272</u>	<u>626</u>	<u>4,898</u>
Sales of assets	3,969	626	4,595
Transfer payments to rest of public sector	--	--	--
Transfer payments to private sector	--	--	--
Loan repayments	303	--	303
Other	--	--	--
<u>Capital expenditure</u>	<u>12,204</u>	<u>2,208</u>	<u>14,412</u>
Capital formation	6,703	2,171	8,874
Transfer payments to rest of public sector	--	--	--
Transfer payments to private sector	--	--	--
Financial investments	5,501	37	5,538
Other	--	--	--
<u>verall surplus or deficit (-)</u>	<u>14,122</u>	<u>-23,846</u>	<u>-9,724</u>
<u>Financing</u>	<u>-14,122</u>	<u>23,846</u>	<u>9,724</u>
External borrowing	--	9,749	9,749
Drawings	(--)	(25,860)	(25,860)
Amortization	(--)	(-16,111)	(-16,111)
Internal financing	-14,122	14,097	-25
Banking system (net)	(-4,536)	(--)	(-4,536)
Other 2/	(-9,586)	(14,097)	(4,511)

Table 55. Chile Operations of Other Public Enterprises (Concluded)

(In millions of Chilean pesos)

	1980			1981		
	Domestic Currency	Foreign Currency	Total	Domestic Currency	Foreign Currency 1/	Total
<u>Current revenue</u>	135,860	42,685	178,545	134,952	36,843	191,795
Sales of goods and services	130,130	42,463	172,593	145,903	36,403	181,906
Transfer from Central Government	--	--	--	--	--	--
Transfer from rest of public sector	2,788	--	2,788	2,588	16	2,604
Other	2,942	222	3,164	6,861	424	7,285
<u>Operating expenditure</u>	66,704	60,606	127,310	74,813	70,122	144,935
Wages and salaries	17,883	9,041	21,924	22,856	5,358	28,214
Social security expenditure	4,474	16	4,490	1,586	4	1,590
Transfer payments to rest of public sector	--	--	--	--	--	--
Transfer payments to private sector	--	--	--	104	23	127
Purchases of goods and services	41,836	50,652	92,488	45,420	55,626	101,046
Interest	1,367	5,531	6,898	2,221	8,651	10,872
Internal debt	(500)	(387)	(887)	(1,632)	(12)	(1,644)
External debt	(867)	(5,144)	(6,011)	(589)	(8,639)	(9,228)
Other	1,144	366	1,510	2,626	460	3,086
<u>Operating surplus</u>	69,156	-17,921	51,235	80,139	-53,279	46,860
Tax and transfer payments to Central Government	37,339	1,423	38,762	44,682	1,189	45,871
<u>Current account surplus or deficit (-)</u>	31,817	-19,344	12,473	35,457	-34,468	989
<u>Capital revenue</u>	10,101	195	10,296	28,815	199	29,014
Sales of assets	9,830	195	10,025	28,477	199	28,676
Transfer payments to rest of public sector	--	--	--	--	--	--
Transfer payments to private sector	--	--	--	--	--	--
Loan repayments	271	--	271	318	--	338
Other	--	--	--	--	--	--
<u>Capital expenditure</u>	11,779	5,987	17,766	15,315	6,182	21,497
Capital formation	11,779	5,987	17,766	15,315	6,182	21,497
Transfer payments to rest of public sector	--	--	--	--	--	--
Transfer payments to private sector	--	--	--	--	--	--
Financial investments	--	--	--	--	--	--
Other	--	--	--	--	--	--
<u>Overall surplus or deficit (-)</u>	30,139	-25,136	5,003	48,957	-40,451	8,506
<u>Financing</u>	-30,139	25,136	-5,003	-48,957	40,451	-8,506
External	-387	5,129	4,742	3,494	26,274	29,768
Drawings	(1,878)	(34,784)	(36,662)	(5,074)	(53,184)	(58,258)
Amortization	(-2,265)	(-29,655)	(-31,920)	(-1,580)	(-26,910)	(-28,490)
Internal	-29,752	20,007	-9,745	-52,451	14,177	-38,274
Banking system (net)	(-6,225)	(12,137)	(-18,362)	(-2,220)	(-1,305)	(-3,525)
Other 2/	(-23,527)	(7,870)	(-15,657)	(-50,231)	(15,482)	(-34,749)

Sources Ministry of Finance, and Fund staff estimates

1/ External operations converted at US\$1=Ch\$21 0 for 1977, US\$1=Ch\$31 7 for 1978, US\$1=Ch\$36 8 for 1979, and US\$1=Ch\$39 0 for 1980 and 1981.

2/ Includes financial investment and statistical discrepancies.

Table 56. Chile Summary Accounts of the Central Bank

(In millions of Chilean pesos)

	1978	1979	1980	1981	1982
	Dec.	Dec.	Dec.	Mar.	Dec.
	(US\$1=Ch\$36.80)			(US\$1 = Ch\$39.00)	
Net international reserves	37,850	70,745	76,603	128,127	124,892
Assets	54,894	83,372	89,986	138,085	138,844
Liabilities	-17,044	-12,627	-13,383	-9,958	-13,952
Claims on banks	16,705	18,971	19,735	24,874	39,213
Net domestic credit	32,670	32,955	29,202	19,035	-6,478
Public sector (net)	66,212	57,674	62,959	65,004	24,928
Central Government (net)	(61,794)	(63,849)	(68,854)	(78,694)	(39,230)
Rest of public sector (net)	(4,418)	(-6,175)	(-5,895)	(-13,690)	(-14,302)
Decentralized agencies	/2,636/	/-6,242/	/-5,966/	/-12,563/	/-13,943/
Public enterprises	/1,865/	/373/	/395/	/1,106/	/965/
Large copper companies (CODELCO)	/-83/	/-306/	/-324/	/-2,233/	/-1,324/
Official nonbank financial intermediaries (SINAP)	26,894	44,487	44,487	52,959	54,476
Private nonbank financial intermediaries	2,130	1,838	1,884	4,569	6,332
Private sector	9,915	10,538	11,463	814	703
Official capital and surplus	-49,241	-117,572	-117,572	-138,508	-122,679
Revaluation and gold adjustment accounts	-22,733	36,689	27,270	39,496	34,136
Net unclassified assets	-507	-699	-1,289	-5,299	-4,374
SDR allocation	2,413	3,746	3,970	4,967	6,069
Medium- and long-term foreign liabilities	26,712	40,334	42,745	36,849	28,861
Liabilities to private nonbank financial intermediaries	1,307	1,344	1,345	1,200	1,607
Liabilities to banks	32,493	44,147	44,360	79,037	67,740
Liabilities to private sector	24,301	33,100	33,121	45,007	42,246
Currency in circulation	16,386	24,894	24,894	35,625	33,157
Demand deposits	13	500	500	583	12
Foreign currency deposits	30	--	--	28	15
Savings accounts (CAR)	5,413	6,935	6,935	7,623	7,578
CEPAC	1,797	238	252	45	28
Forward sales of foreign exchange	167	39	41	2	2
Other liabilities	495	494	499	1,101	1,407

Source Central Bank of Chile.

Table 57. Chile Summary Accounts of the Banco del Estado

(In millions of Chilean pesos)

	1978	1979		1980	1981		1982
	Dec (US\$1=Ch\$36 80)	Dec.	Dec	Dec	Mar (US\$1=Ch\$39 00)	Dec.	Mar
Net international reserves	-182	1,244	1,317	1,406	1,648	2,369	2,072
Assets	956	1,542	1,633	1,562	1,839	2,483	2,135
Liabilities	-1,138	-298	-316	-156	-191	-114	-63
Claims on Central Bank	15,981	22,969	22,989	49,552	39,393	29,452	21,641
Currency in vaults	3,900	6,684	6,684	9,868	11,550	10,303	12,181
Deposits	11,614	16,285	16,305	37,276	26,816	19,149	9,480
Other claims	467	--	--	3,408	--	--	--
Central Bank bonds	--	--	--	--	1,027	--	--
Net domestic credit	8,404	13,435	14,001	3,709	15,704	54,923	75,676
Public sector (net)	-14,199	-24,316	-24,386	-62,977	-52,399	-44,246	-33,028
Central Government (net)	(-4,714)	(-7,586)	(-7,639)	(-26,400)	(-17,448)	(-24,607)	(-20,464)
Rest of public sector (net)	(-9,485)	(-16,728)	(-16,747)	(-36,577)	(-34,951)	(-19,639)	(-12,564)
Decentralized agencies	/-9,075/	/-6,574/	/-6,644/	/-9,380/	/-10,345/	/-9,701/	/-8,069/
Social security funds	/-1,229/	/-8,256/	/-8,256/	/-25,810/	/-21,320/	/-8,493/	/-4,401/
Public enterprises	/1,254/	/-1,171/	/-1,120/	/1,278/	/1,266/	/2,237/	/2,721/
Large copper companies (CODELCO)	/-135/	/-2/	/-2/	/-9/	/-7/	/-6/	/-16/
Municipalities	/-300/	/-725/	/-725/	/-2,656/	/-4,545/	/-3,676/	/-2,799/
Private commercial banks	805	7,914	7,932	21,090	18,897	30,331	39,268
Private financial intermediaries (net)	-2	1,293	1,293	7,201	6,696	21,692	23,106
Private sector	23,903	37,679	38,397	56,687	62,040	72,359	70,985
Official capital and surplus	-10,950	-15,328	-15,499	-20,607	-20,884	-23,229	-22,142
Net unclassified assets	8,847	6,193	6,264	2,315	1,354	-1,984	-2,513
Medium- and long-term foreign liabilities	4,111	9,222	9,722	12,030	12,079	15,274	15,248
Liabilities to Central Bank	5,338	5,817	5,971	3,834	3,402	26,700	27,431
Liabilities to private sector	14,754	22,609	22,614	38,803	41,264	44,770	56,710
Demand deposits	2,550	3,312	3,312	4,464	3,936	2,928	3,753
Time deposits	1,069	1,892	1,892	1,514	1,448	3,704	15,503
Savings deposits	10,203	16,425	16,425	29,801	32,081	33,623	32,750
Other deposits in local currency	205	276	276	528	347	439	411
Deposits in foreign currency	374	60	65	368	882	252	256
Mortgage bonds	353	644	644	2,128	2,570	3,824	4,037

Source Central Bank of Chile.

Table 58 Chile Summary Accounts of the Private Commercial Banks

(In millions of Chilean pesos)

	1978	1979	1980	1981	1982
	Dec	Dec	Dec	Mar	Dec
	(US\$1=Ch\$36.80)	(US\$1=Ch\$36.80)	(US\$1=Ch\$36.80)	(US\$1=Ch\$39.00)	(US\$1=Ch\$39.00)
Net international reserves	-11,933	-15,108	-16,007	-53,549	-61,300
Assets	3,942	8,895	9,427	7,340	10,500
Liabilities	-15,857	-24,003	-25,434	-60,889	-71,800
Claims on Central Bank	15,280	18,402	18,430	25,095	16,000
Currency in vaults	5,040	6,728	6,728	6,143	5,910
Deposits	10,085	11,651	11,679	5,226	3,900
Other claims	155	23	23	47	21
Central Bank bonds	--	--	--	13,679	6,169
Net domestic credit	91,822	166,022	169,508	384,037	529,300
Public sector (net)	645	1,994	2,010	-7,387	-10,257
Central Government (net)	(1,493)	(4,303)	(4,301)	(-2,481)	(-4,726)
Rest of public sector (net)	(-848)	(-2,309)	(2,291)	(-7,776)	(-12,080)
Decentralized agencies	/-524/	/-1,239/	/-1,279/	/-7,726/	/-7,106/
Social security funds	/-94/	/-52/	/-52/	/-126/	/-2,242/
Public enterprises	/284/	/-335/	/-274/	/901/	/-1,194/
Large copper companies (CODELCO)	/-479/	/-413/	/-416/	/-398/	/-371/
Municipalities	/-35/	/-270/	/-270/	/-427/	/-1,167/
Private nonbank financial intermediaries (net)	-1,012	-356	-356	3,581	2,824
Private sector	83,623	153,257	156,799	371,524	525,700
Gold adjustment	822	2,208	2,340	2,504	1,585
Net unclassified assets	7,743	8,919	8,715	16,685	15,997
Medium- and long-term foreign liabilities	7,102	23,422	24,822	86,052	151,600
Liabilities to Central Bank	10,455	12,301	12,815	20,160	10,000
Liabilities to private sector	77,552	133,593	134,294	249,371	322,400
Demand deposits	13,070	22,102	22,102	41,887	29,300
Time deposits	37,733	65,241	65,241	117,698	175,000
Savings deposits	--	163	163	11,570	8,830
Other deposits in local currency	3,506	8,246	8,246	9,809	22,300
Deposits in foreign currency	4,901	5,567	5,900	8,191	8,360
Central Bank bonds	1,687	3,550	3,550	10,004	3,610
Mortgage bonds	945	2,432	2,432	9,962	23,100
Capital and surplus	15,710	26,292	26,660	40,250	51,900

Sources Central Bank of Chile, and Fund staff estimates

1/ Includes the accounts of the private development banks

Note Source data for the December 1981 accounts of the commercial banks exclude the accounts of the three banks in which the Superintendency of Banks intervened in November 1981. Estimates of these accounts were made by the staff on the basis of other, partial information that is available.

Table 59 Chile. Summary Accounts of the Banking System

(In millions of Chilean pesos)

	1978	1979	1980	1981	1982
	Dec	Dec	Dec.	Mar	Dec. 1/
	(US\$1=Ch\$36.80)			(US\$1=Ch\$39.00)	
Net international reserves	25,735	56,881	61,913	80,171	76,226
Assets	59,774	93,809	101,046	145,131	147,264
Liabilities	-34,039	-36,928	-39,133	-64,960	-71,038
Net domestic credit	132,576	210,489	210,720	352,569	391,323
Public sector (net)	52,659	35,352	40,583	-5,360	-37,728
Central Government (net)	(58,574)	(60,564)	(65,516)	(49,012)	(19,301)
Rest of public sector (net)	(-5,915)	(-25,212)	(-24,933)	(-54,372)	(-57,029)
Decentralized agencies	/-6,963/	/-14,055/	/-13,889/	/-27,091/	/-32,014/
Social security funds	/-1,323/	/-8,308/	/-8,308/	/-26,359/	/-21,446/
Public enterprises	/3,403/	/-1,133/	/-999/	/4,913/	/3,132/
Large copper companies (CODELCO)	/-697/	/-721/	/-742/	/-2,825/	/-1,729/
Municipalities	/-335/	/-995/	/-995/	/-3,010/	/-4,972/
Official nonbank financial intermediaries	26,894	44,487	44,487	52,959	54,476
Private nonbank financial intermediaries	1,116	2,775	2,821	12,667	16,609
Private sector	117,441	201,474	206,659	379,812	434,267
Official capital and surplus	-60,191	-132,900	-133,071	-159,115	-143,563
Revaluation and gold adjustment accounts	-21,911	38,897	29,610	42,129	36,640
Net unclassified assets	16,888	22,327	21,622	30,024	32,562
Interbank float	-320	-1,923	-1,992	-547	-1,940
SDR allocation	2,413	3,746	3,970	4,967	6,069
Medium- and long-term foreign liabilities	37,985	72,978	77,289	122,235	126,992
Liabilities to private nonbank financial intermediaries	1,307	1,344	1,345	1,200	1,607
Liabilities to private sector	116,607	189,302	190,029	304,338	332,881
Money	32,019	50,808	50,808	79,457	78,992
Currency in circulation	(16,386)	(24,894)	(24,894)	(35,625)	(33,157)
Demand deposits	(15,633)	(25,914)	(25,914)	(43,832)	(45,835)
Quasi-money	63,434	104,805	105,143	159,669	189,666
Deposits in local currency	(58,129)	(99,178)	(99,178)	(150,433)	(180,578)
Time deposits	/38,802/	/67,133/	/67,133/	/90,710/	/119,146/
Savings deposits	/15,616/	/23,523/	/23,523/	/48,729/	/51,276/
Other	/3,711/	/8,522/	/8,522/	/10,994/	/10,156/
Deposits in foreign currency	(5,305)	(5,627)	(5,965)	(9,236)	(9,088)
Mortgage bonds	1,298	3,076	3,076	9,821	12,532
Central Bank bonds	1,687	3,550	3,550	12,720	10,004
Other liabilities	2,459	771	792	1,148	1,437
Private capital and surplus	15,710	26,292	26,660	41,523	40,250

Sources Central Bank of Chile, and Fund staff estimates

1/ Includes accounts of the private development banks

Note Source data for the December 1981 accounts of the commercial banks exclude the accounts of the three banks in which the Superintendency of Banks intervened in November 1981. Estimates of these accounts were made by the staff on the basis of other, partial information that is available.

Table 60. Chile: Interest Rates on Short-Term Operations of Commercial Banks

(In per cent per month)^{1/}

	Nominal				Real	
	Lending Rate	Deposit Rate	Gross Spread	Net Spread 2/	Lending Rate	Deposit Rate
1978 March	4.4	3.0	1.4	1.3	1.5	0.1
June	4.8	3.4	1.5	1.2	2.8	1.3
September	5.1	4.3	0.8	0.5	2.1	1.3
December	5.6	4.7	0.9	0.6	4.0	3.1
1979 March	3.8	2.9	1.0	0.8	1.0	0.1
June	4.2	3.3	0.9	0.5	1.7	0.8
September	3.9	2.9	0.9	0.4	—	-0.9
December	4.3	3.7	0.6	0.3	2.1	1.4
1980 January	4.4	3.8	0.5	0.2	2.2	1.7
February	4.1	3.5	0.6	0.3	2.2	1.7
March	3.8	3.3	0.5	0.4	0.9	0.4
April	3.2	2.5	0.7	0.6	0.7	—
May	2.9	2.3	0.6	0.5	0.6	—
June	3.0	2.3	0.7	0.6	1.1	0.4
July	3.0	2.3	0.7	0.6	1.0	0.3
August	2.9	2.4	0.5	0.4	0.7	0.2
September	2.8	2.3	0.5	0.4	0.7	0.2
October	2.8	2.2	0.5	0.4	-0.2	-0.7
November	2.8	2.3	0.5	0.4	0.2	-0.3
December	3.4	3.0	0.4	0.3	1.5	1.1
1981 January	3.3	2.8	0.5	0.3	1.6	1.2
February	3.8	3.4	0.4	0.3	3.5	3.1
March	3.6	3.2	0.4	0.3	2.8	2.4
April	3.3	2.8	0.5	0.4	2.1	1.5
May	3.2	2.7	0.5	0.4	1.9	1.4
June	3.9	3.2	0.7	0.5	3.8	3.1
July	4.0	3.3	0.7	0.5	3.3	2.6
August	3.5	2.8	0.7	0.5	2.3	1.6
September	3.1	2.3	0.8	0.7	2.2	1.4
October	3.3	2.6	0.7	0.6	3.0	2.3
November	3.4	2.4	1.0	0.9	3.2	2.2
December	4.2	3.3	0.9	0.8	3.7	2.8
1982 January	4.1	3.2	0.9	0.7	3.4	2.5
February	3.8	2.8	1.0	0.9	4.6	3.6
March	3.3	2.4	1.0	0.8	2.9	2.0
April	3.1	2.1	1.0	0.9	3.2	2.2
May	3.3	2.4	0.9	0.8	3.9	3.0
June	3.4	2.5	0.9	0.9	2.7	1.8

Source. Central Bank of Chile.

^{1/} Actual average monthly rates.

^{2/} Gross spread adjusted for net financial cost of fulfilling reserve requirements.

Table 61. Chile: Net International Reserves of the Banking System
(In millions of U.S. dollars)

	1977	1978	1979	1980	1981	March 31 1982
Central Bank	138.8	851.1	1,938.6	3,182.2	3,189.5	3,047.9
<u>Assets</u>	<u>507.6</u>	<u>1,151.3</u>	<u>2,065.7</u>	<u>3,220.1</u>	<u>3,189.5</u>	<u>3,047.9</u>
Gold 1/	57.6	58.7	64.3	71.9	71.9	71.9
SDRs	66.2	26.9	28.9	3.8	19.1	53.5
Foreign exchange	320.2	929.4	1,773.3	2,871.0	2,959.3	2,689.1
IBRD and IDB bonds	14.0	64.9	66.7	166.5	160.1	137.9
Payment agreements (net)	45.4	67.6	130.5	106.9	-51.5	51.9
Other	3.7	3.8	2.0	--	1.8	1.6
IMF reserve tranche	--	--	--	--	28.8	42.1
<u>Liabilities</u>	<u>-368.8</u>	<u>-300.2</u>	<u>-127.1</u>	<u>-37.9</u>	<u>--</u>	<u>--</u>
Short-term lia- bilities	-4.8	-5.6	--	--	--	--
Liabilities to IMF	-364.0	-294.6	-127.1	-37.9	--	--
Commercial banks	-334.4	-393.5	-431.8	-900.2	-1,151.9	-1,254.8
<u>Assets</u>	<u>104.7</u>	<u>147.1</u>	<u>267.6</u>	<u>437.5</u>	<u>797.3</u>	<u>770.6</u>
Gold 1/	5.6	5.8	5.8	5.5	5.6	5.1
Foreign exchange	99.1	141.3	261.8	432.0	791.7	765.5
<u>Liabilities</u>	<u>-439.1</u>	<u>-540.6</u>	<u>-699.4</u>	<u>-1,337.7</u>	<u>-1,949.2</u>	<u>-2,025.4</u>
Short-term loans	431.6	538.3	693.8	1,332.7	1,942.9	2,020.1
Foreign banks deposits	7.5	2.3	5.6	5.0	6.3	5.3
Banking system	-195.6	457.6	1,506.7	2,282.0	2,037.6	1,793.1
<u>Assets</u>	<u>612.3</u>	<u>1,298.4</u>	<u>2,333.3</u>	<u>3,657.6</u>	<u>3,986.8</u>	<u>3,818.5</u>
<u>Liabilities</u>	<u>-807.9</u>	<u>-840.8</u>	<u>-826.5</u>	<u>-1,375.6</u>	<u>-1,949.2</u>	<u>-2,025.4</u>

Source: Central Bank of Chile.

1/ Valued at US\$42.22 per ounce.

Table 62. Chile: Balance of Payments

(In millions of U.S. dollars)

	1977			1978			1979		
	Credit	Debit	Balance	Credit	Debit	Balance	Credit	Debit	Balance
Goods and services	2,654	3,279	-625	3,207	4,365	-1,158	5,055	6,324	-1,269
Merchandise trade (f.o.b.)	2,186	2,120	66	2,460	2,886	-426	3,835	4,190	-355
Transportation	184	367	-183	429	618	-189	633	869	-236
Travel	85	241	-156	109	130	-21	150	165	-15
Investment income	18	383	-365	43	531	-488	126	801	-675
Direct investment	(1)	(24)	(-23)	(2)	(35)	(-33)	(-)	(41)	(41)
Interest	(17)	(359)	(-342)	(41)	(496)	(-455)	(126)	(760)	(634)
Government, n.i.e.	21	108	-87	27	58	-31	25	78	-53
Other services	160	60	100	139	142	-3	286	221	65
Transfers	75	--	75	100	30	70	118	30	80
Current account balance	2,639	3,279	-550	3,307	4,395	-1,088	5,173	6,362	-1,189
Capital account	1,447	876	571	3,260	1,314	1,946	4,057	1,806	2,251
Private sector	765	175	590	1,791	403	1,388	2,695	786	1,909
Direct investment	(30)	(14)	(16)	(195)	(18)	(177)	(254)	(21)	(233)
Long-term loans 1/	(350)	(161)	(189)	(958)	(228)	(730)	(1,775)	(464)	(1,311)
Short-term loans	(258)	(--)	(258)	(540)	(117)	(423)	(474)	(147)	(327)
Change in net international reserves of commercial banks 1/	(127)	(--)	(127)	(37)	(39)	(58)	(192)	(154)	(38)
Public sector	682	701	-19	1,469	911	558	1,362	1,020	342
Nonfinancial	(865)	(901)	(-36)	(954)	(686)	(268)	(888)	(856)	(32)
Financial	(183)	(200)	(17)	(515)	(225)	(290)	(474)	(164)	(310)
Errors and omissions	112	--	112	--	--	--	--	--	--
Allocation of SDRs	--	--	--	--	--	--	--	--	--
Overall balance	133	--	133	713	--	713	--	--	--
Valuation adjustment	--	--	--	--	--	--	--	--	--
Change in reserves (increase -)	-133	--	-133	-713	--	-713	--	--	--

Table 62. Chile: Balance of Payments (Concluded)

(In millions of U.S. dollars)

	Prel. 1980			Est. 1981			
	Credit	Debit	Balance	Credit	Debit	Balance	
<u>Goods and services</u>	6,276	8,360	-2,084	6,110	11,024	-4,914	
Merchandise trade (f.o.b.)	4,705	5,469	-764	3,960	6,558	-2,598	
Transportation	433	872	-439	433	1,050	-617	
Travel	175	200	-25	220	260	-40	
Investment income	308	1,238	-930	604	2,032	-1,428	
Direct investment	(4)	(86)	(-82)	(5)	(126)	(-121)	
Interest	(304)	(1,152)	(-848)	(599)	(1,906)	(-1,307)	
Government, n.i.e.	45	91	-46)			
Other services	610	490	120)	893	1,124	-231
<u>Transfers</u>	113	--	113	100	--	100	
<u>Current account balance</u>	6,389	-8,360	-1,971	6,210	-11,024	-4,814	
<u>Capital account</u>	5,161	1,996	3,165	6,866	2,097	4,791	
Private sector	4,133	1,053	3,080	5,652	1,155	4,497	
Direct investment	(274)	(104)	(170)	(400)	(-24)	(376)	
Long-term loans	(2,984)	(624)	(2,360)	(4,247)	(771)	(3,476)	
Short-term loans	(203)	(121)	(82)	(393)	(--)	(393)	
Change in net inter- national reserves of commercial banks <u>1/</u>	(672)	(204)	(468)	(612)	(360)	(252)	
Public sector	1,028	943	85	1,636	1,342	294	
Nonfinancial	(885)	(664)	(221)	(1,533)	(833)	(700)	
Financial	(143)	(279)	(-136)	(103)	(509)	(-406)	
<u>Errors and omissions</u>			50			93	
<u>Allocation of SDRs</u>			30			28	
<u>Overall balance</u>			1,274			98	
Valuation adjustment			-30			-90	
Change in reserves (increase -)			-1,274			-8	

Source: Central Bank of Chile.

1/ Includes Banco del Estado.

Table 63. Chile: Effective Exchange Rate Indices 1/

(Base December 1978 = 100)

	Nominal Effective Exchange Rate <u>2/</u>	Real Effective Exchange Rate	
		On the basis of consumer price index <u>3/</u>	On the basis of wholesale price index <u>3/</u>
December 1974	7.44	85.46	104.10
December 1975	30.02	97.93	99.79
December 1976	53.46	80.02	89.96
December 1977	82.17	90.01	97.41
December 1978	100.00	100.00	100.00
<u>1979</u>			
June	103.15	99.69	92.80
December	104.58	93.33	83.07
<u>1980</u>			
March	100.29	88.50	79.12
June	101.86	88.60	78.83
September	100.38	85.42	75.12
December	96.18	79.86	72.59
<u>1981</u>			
January	95.60	79.60	72.46
February	91.93	77.59	71.28
March	91.08	77.60	72.53
April	87.24	74.90	70.92
May	84.39	72.76	69.78
June	79.55	67.78	68.54
July	78.38	69.75	68.59
August	76.46	68.50	67.98
September	76.95	69.58	69.88
October	76.68	69.99	70.91
November	76.42	70.63	73.14
December	75.32	70.35	73.70
<u>1982</u>			
January	72.10	68.35	72.86
February	70.38	68.17	72.78
March	68.60	66.95	71.78
April <u>4/</u>	67.25	66.52	72.64
May <u>4/</u>	67.07	67.30	73.21
June <u>4/</u>	78.90	79.90	86.90

Sources: Central Bank of Chile, International Financial Statistics; and Fund staff estimates.

1/ Expressed in terms of Chilean pesos per unit of foreign currencies. An increase in the index indicates a depreciation of the Chilean peso.

2/ Nominal exchange rate index adjusted by a trade-weighted index of the exchange rate of Chile's 15 major trading partners.

3/ Real exchange rate index adjusted by a trade-weighted index of prices and exchange rates of Chile's 15 major trading partners.

4/ Estimates.

Table 64. Chile: Composition of Exports

(In millions of U.S. dollars)

	1977	1978	1979	Preliminary	
				1980	1981
<u>Total exports, f.o.b</u>	<u>2,186</u>	<u>2,460</u>	<u>3,835</u>	<u>4,705</u>	<u>3,960</u>
<u>Mining products</u>	<u>1,400</u>	<u>1,560</u>	<u>2,550</u>	<u>2,998</u>	<u>2,475</u>
Copper	1,139	1,219	1,888	2,125	1,756
Large mines	(947)	(1,024)	(1,603)	(1,771)	(1,403)
Medium and small mines	(192)	(195)	(285)	(354)	(353)
Nitrates and iodine	44	47	58	89	83
Iron ore	82	91	124	158	162
Molybdenum <u>1/</u>	94	147	373	337	224
Gold	9	9	15	46	55
Silver	4	27	49	120	82
Other	28	20	43	123	113
<u>Agricultural and fishery</u>					
<u>products</u>	160	204	265	340	365
Crops	127	158	184	244	268
Livestock	23	28	38	37	29
Forestry	1	2	3	2	2
Fishery	9	16	40	57	66
<u>Industrial products</u>	<u>626</u>	<u>696</u>	<u>1,020</u>	<u>1,367</u>	<u>1,120</u>
Foodstuffs and beverages	178	196	301	397	343
Of which: Fishmeal	(87)	(108)	(153)	(234)	(202)
Wood products	70	94	165	286	159
Paper and cellulose					
products	134	159	238	297	259
Chemicals and petroleum					
derivatives	78	106	128	163	135
Basic metals	102	57	82	88	70
Other	64	84	106	141	154

Sources: Central Bank of Chile; and foreign sales offices at Codelco and Molybmet.

1/ Includes exports of molybdenum oxide and ferro molybdenum.

Table 65. Chile: Destination of Exports

(In per cent)

	1975	1976	1977	1978	1979	1980	1981
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<u>Europe</u>	<u>49.1</u>	<u>43.5</u>	<u>38.3</u>	<u>37.9</u>	<u>42.8</u>	<u>41.7</u>	<u>38.3</u>
<u>EEC countries</u>	<u>40.7</u>	<u>33.4</u>	<u>31.3</u>	<u>34.2</u>	<u>37.6</u>	<u>36.9</u>	<u>32.8</u>
Belgium and Luxembourg	(3.4)	(2.8)	(3.0)	(3.2)	(3.7)	(4.0)	(3.2)
Denmark	(0.1)	(--)	(--)	(--)	(--)	(0.1)	(--)
France	(4.2)	(3.4)	(2.8)	(2.6)	(3.2)	(4.2)	(3.7)
Germany	(14.4)	(14.7)	(13.0)	(14.0)	(15.9)	(12.3)	(8.9)
Italy	(4.8)	(5.1)	(4.5)	(5.9)	(5.5)	(5.6)	(5.4)
Netherlands <u>1/</u>	(5.5)	(1.3)	(2.9)	(2.0)	(2.8)	(4.6)	(4.0)
United Kingdom <u>2/</u>	(8.3)	(6.1)	(5.1)	(6.4)	(6.5)	(6.1)	(7.6)
Spain	4.1	4.2	2.7	2.1	2.1	2.2	2.0
Sweden	2.1	0.5	0.8	0.9	0.9	1.3	1.2
Switzerland	0.1	0.1	0.2	0.3	0.1	...	0.2
Others	2.1	5.3	3.3	0.4	2.1	1.3	2.1
<u>Western Hemisphere</u>	<u>33.8</u>	<u>40.0</u>	<u>42.3</u>	<u>39.5</u>	<u>37.1</u>	<u>37.1</u>	<u>40.1</u>
<u>Canada</u>	<u>1.2</u>	<u>0.9</u>	<u>0.3</u>	<u>0.8</u>	<u>0.7</u>	<u>1.4</u>	<u>2.2</u>
<u>LAFTA countries</u>	<u>23.4</u>	<u>27.6</u>	<u>28.7</u>	<u>25.2</u>	<u>25.2</u>	<u>23.0</u>	<u>21.1</u>
Andean Pact countries <u>3/</u>	(6.4)	(6.7)	(6.6)	(6.4)	(5.3)	(5.6)	(6.4)
Argentina	(10.0)	(6.5)	(6.8)	(6.9)	(7.3)	(5.8)	(5.0)
Brazil	(5.9)	(12.9)	(14.4)	(10.5)	(10.2)	(9.3)	(7.3)
Mexico	(0.6)	(0.8)	(0.3)	(0.6)	(1.2)	(1.4)	(1.8)
Others	(0.5)	(0.7)	(0.6)	(0.8)	(1.2)	(0.9)	(0.6)
United States	8.8	11.1	13.3	13.3	11.0	12.2	15.6
Others	0.4	0.4	--	0.2	0.2	0.5	0.6
<u>Rest of the world</u>	<u>17.1</u>	<u>16.5</u>	<u>19.4</u>	<u>22.6</u>	<u>20.1</u>	<u>21.2</u>	<u>21.6</u>
<u>China, People's Republic of</u>	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>	<u>1.2</u>	<u>2.6</u>	<u>2.1</u>	<u>1.7</u>
<u>Japan</u>	<u>11.2</u>	<u>10.7</u>	<u>11.3</u>	<u>11.6</u>	<u>11.0</u>	<u>10.4</u>	<u>10.5</u>
<u>Others</u>	<u>5.1</u>	<u>5.0</u>	<u>7.3</u>	<u>9.8</u>	<u>6.5</u>	<u>8.7</u>	<u>9.4</u>

Source: Central Bank of Chile.

1/ Includes a substantial amount of exports to Germany in transit through Rotterdam.

2/ Includes trade with Ireland.

3/ Bolivia, Colombia, Ecuador, Peru, and Venezuela.

Table 66. Chile: Import Registrations Issued by the Central Bank

(In millions of U.S. dollars)

	1977	1978	1979	1980	1981
<u>Total</u>	<u>2,414</u>	<u>3,002</u>	<u>4,218</u>	<u>5,821</u>	<u>6,379</u>
Foodstuffs	320	441	485	926	605
Other consumer goods <u>1/</u>	424	464	715	1,110	1,623
Of which: automobiles	(108)	(41)	(117)	(203)	(372)
Fuels and lubricants	447	480	889	960	941
Of which: oil	(...)	(429)	(811)	(815)	(641)
Raw materials and inter- mediate goods	719	964	1,250	1,605	1,792
Of which: raw materials	(...)	(380)	(474)	(615)	(612)
Capital goods	504	653	879	1,219	1,418
Of which: transportation equipment	(...)	(283)	(382)	(601)	(617)

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

Table 67. Chile: Origin of Imports

(In per cent)

	1975	1976	1977	1978	1979	1980	1981
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<u>Europe</u>	<u>24.4</u>	<u>19.3</u>	<u>20.5</u>	<u>22.0</u>	<u>23.8</u>	<u>20.7</u>	<u>23.9</u>
EEC countries	19.5	13.4	15.1	16.0	17.7	15.2	17.2
Belgium-Luxembourg	(1.3)	(0.5)	(0.6)	(1.0)	(0.8)	(0.8)	(0.9)
Denmark	(0.7)	(0.3)	(0.3)	(0.4)	(0.3)	(0.3)	(0.8)
France	(2.2)	(1.9)	(1.8)	(2.7)	(4.1)	(3.3)	(4.5)
Germany	(8.3)	(5.7)	(7.9)	(7.4)	(6.4)	(5.4)	(5.9)
Italy	(1.6)	(0.9)	(1.3)	(1.5)	(2.3)	(2.2)	(2.3)
Netherlands	(2.2)	(1.0)	(0.8)	(0.8)	(0.9)	(1.0)	(0.7)
United Kingdom ^{1/}	(3.2)	(3.1)	(2.4)	(2.2)	(2.9)	(2.2)	(2.1)
Spain	2.0	2.0	2.9	2.8	2.7	3.0	4.0
Sweden	0.9	0.8	0.7	0.7	1.2	0.7	0.8
Switzerland	0.4	1.5	1.2	1.2	1.2	0.8	0.7
Others	1.6	1.6	0.6	1.3	1.0	1.0	1.2
<u>Western Hemisphere</u>	<u>59.4</u>	<u>57.8</u>	<u>55.8</u>	<u>58.3</u>	<u>50.3</u>	<u>57.4</u>	<u>51.3</u>
Canada	2.3	1.1	1.8	2.1	1.9	1.7	1.7
LAFTA countries	27.8	31.1	31.9	28.7	25.3	27.4	22.8
Andean Pact countries ^{2/}	(13.3)	(13.0)	(12.6)	(10.5)	(10.6)	(12.9)	(8.8)
Argentina	(7.0)	(12.4)	(11.5)	(7.3)	(3.8)	(4.2)	(3.2)
Brazil	(5.4)	(3.7)	(4.8)	(8.4)	(8.6)	(8.2)	(9.4)
Mexico	(1.5)	(1.2)	(1.8)	(1.4)	(1.3)	(0.6)	(0.6)
Others	(0.6)	(0.8)	(1.2)	(1.1)	(1.0)	(1.5)	(0.8)
United States	29.1	25.3	22.1	27.0	22.6	27.2	23.5
Others	0.2	0.3	--	0.5	0.5	1.1	3.3
<u>Rest of the world</u>	<u>16.2</u>	<u>22.9</u>	<u>23.7</u>	<u>19.7</u>	<u>25.9</u>	<u>21.9</u>	<u>24.8</u>
China, People's							
Republic of	0.1	0.1	0.4	0.4	0.6	0.6	0.8
Japan	5.1	10.7	10.5	7.5	7.6	10.4	13.0
Others	11.0	12.1	12.8	11.8	17.7	10.9	11.0
OPEC countries							

Source: Import registration data provided by the Central Bank of Chile.

^{1/} Includes trade with Ireland.^{2/} Bolivia, Colombia, Ecuador, Peru, and Venezuela.

Table 68. Chile Regulations Governing Capital Inflows Under Article 14 of the International Exchange Law

Date of Measure	Characteristics of the Loans	Limit on External Indebtedness of Commercial Banks Under Article 14	Limit on Commercial Banks' Monthly Rate of Utilisation of Article 14 Credits	Deposit Requirements
Position as of December 31, 1978	Average maturity of no less than 24 months, and the interest rate paid must not exceed certain limits	60 per cent of capital and reserves	US\$2 million or 5 per cent of capital and reserves, whichever is greater	None
April 5, 1979		70 per cent of capital and reserves.		Natural and juridical persons required to deposit in the Central Bank of Chile the equivalent of 25 per cent of Article 14 credits with maturities of 24 months to less than 36 months, for longer maturities the deposit rate would be 15 per cent
May 17, 1979				25 per cent deposit requirement for maturities of 24 months to under 36 months, 15 per cent for maturities of 36 months to under 48 months, and 10 per cent for maturities of 48 months to under 66 months. No requirements for maturities over 66 months
August 1, 1979		Limit eliminated	US\$1 million or 5 per cent of capital and reserves, whichever is greater	
January 23, 1980			US\$2 million or 5 per cent of capital and reserves, whichever is greater	
April 1, 1980			Limits eliminated	
July 16, 1980				15 per cent deposit requirement for maturities of 24 and less than 48 months. Other requirements remain the same
December 23, 1981	No minimum maturity for loans contracted by commercial banks		Total short-term credit for general purposes and import financing is subject to ceilings related to a bank's capital and reserves	20 per cent deposit requirement for maturities of less than 24 months. Other requirements remain the same
May 5, 1982	No minimum maturity, interest rate paid must not exceed certain limits			
July 21, 1982				A flat 5 per cent deposit requirement is instituted for maturities of less than 70 months. No requirement for maturities over 70 months

Table 69. Chile: Operations on External Public and Publicly
Guaranteed Debt Repayable in Foreign Currency, by Origin 1/

(In millions of U.S. dollars)

	Outstanding Dec. 1979 Disbursed	1980 Amorti- zation Interest			Outs'tanding Dec. 80 Including Disbursed undisbursed	80
Total	4,810.0	842.4	877.8	477.4	4,715.2	5,080.5
Paris Club	3,995.2	702.7	763.8	410.6	3,874.4	4,054.1
Belgium	18.3	—	3.7	1.0	12.5	12.5
Canada	72.4	58.2	2.2	13.7	128.3	129.2
Denmark	4.3	—	1.3	0.3	2.6	2.6
France	347.6	126.3	100.3	23.5	338.0	417.8
Germany, Fed. Rep. of	275.6	171.3	54.0	26.7	366.7	425.2
Italy	10.8	—	2.9	0.8	7.4	7.4
Japan	145.3	—	14.3	13.6	145.1	147.0
Netherlands	26.4	—	3.6	0.8	21.1	21.1
Norway	2.7	—	0.9	0.2	1.8	1.8
Spain	112.1	3.6	31.0	7.4	73.7	84.0
Sweden	9.7	—	1.9	0.4	7.3	7.3
Switzerland	44.4	2.1	17.8	3.1	26.6	26.6
United Kingdom	362.2	272.2	94.6	57.7	544.2	569.2
United States	2,563.4	69.0	433.3	261.4	2,199.1	2,202.4
Eastern Europe	40.3	2.7	29.5	7.1	13.5	13.5
Bulgaria	3.0	—	1.1	0.2	3.5	3.5
Czechoslovakia	0.9	—	0.4	—	0.5	0.5
Germany, Dem. Rep. of	6.3	—	1.7	0.3	4.7	4.7
Romania	1.5	—	1.5	0.1	—	—
U.S.S.R.	28.6	2.7	24.8	6.5	4.8	4.8
Latin America	412.1	88.7	66.6	34.5	434.4	438.7
Argentina	144.8	12.9	32.7	10.8	125.2	126.7
Brazil	238.4	61.2	29.1	19.4	270.5	270.5
Mexico	5.8	—	1.2	0.4	4.6	4.6
Other	23.1	14.6	3.6	3.9	34.1	36.9
Other countries	35.2	12.2	0.8	1.3	46.2	56.1
Australia	0.4	—	0.1	—	0.3	0.3
Austria	8.0	4.3	0.7	0.8	10.9	14.1
China, People's Rep. of	21.0	—	—	—	20.6	20.6
Other	5.8	7.9	—	0.5	14.4	21.1
Multiple Lenders (ADELA)	0.3	—	0.2	—	0.1	0.1
International institutions	326.9	36.1	16.9	23.9	351.3	518.0
IDA	21.0	—	0.2	0.2	20.8	20.8
IBRD	155.5	10.3	9.3	15.4	158.0	277.1
IDB	150.4	25.8	7.4	8.3	172.5	220.1

Table 69. Chile: Operations on External Public and Publicly Guaranteed Debt Repayable in Foreign Currency, by Origin ^{1/} (Concluded)

(In millions of U.S. dollars)

	1981				Outstanding December 1981	
	New Commit- ments	Disburse- ments	Amortiza- tion	Interest	Disbursed	Undis- bursed
Total	1,206.0	1,030.5	1,120.0	489.9	4,504.2	4,978.9
Paris Club	923.2	888.9	1,029.3	424.9	3,606.9	3,779.7
Belgium	--	--	2.0	0.8	8.2	8.2
Canada	--	0.9	4.7	16.0	124.5	124.5
Denmark	--	--	1.1	0.2	1.0	1.0
France	231.4	232.4	68.2	36.8	434.9	497.9
Germany, Fed. Rep. of	23.5	44.9	127.0	32.6	246.0	257.9
Italy	3.9	3.9	2.8	0.6	7.9	7.9
Japan	39.4	13.6	15.0	13.8	136.5	164.2
Netherlands	3.2	3.2	7.5	1.7	14.0	14.0
Norway	--	--	0.9	0.1	0.7	0.7
Spain	--	28.8	19.2	6.6	74.9	95.1
Sweden	38.7	--	1.4	0.3	4.6	4.6
Switzerland	--	--	8.3	2.6	17.4	17.4
United Kingdom	93.2	118.0	39.2	75.4	613.8	613.8
United States	489.9	443.2	732.0	237.4	1,922.5	1,972.5
Eastern Europe	--	--	5.0	0.6	8.5	8.5
Bulgaria	--	--	1.1	0.2	2.4	2.4
Czechoslovakia	--	--	0.4	--	0.1	0.1
Germany, Dem. Rep. of	--	--	1.6	0.2	3.1	3.1
Romania	--	--	--	--	--	--
U.S.S.R.	--	--	1.9	0.2	2.9	2.9
Latin America	--	4.2	66.0	35.1	372.6	372.6
Argentina	--	1.5	26.7	8.9	102.0	102.0
Brazil	--	--	34.5	20.5	23.6	23.6
Mexico	--	--	1.1	0.3	3.5	3.5
Other	--	2.7	5.7	5.4	31.1	31.1
Other countries	60.0	69.9	2.2	3.5	108.3	108.3
Australia	--	--	0.1	--	0.2	0.2
Austria	--	3.2	1.2	1.1	11.5	11.5
China, People's Rep. of	--	--	--	--	18.0	18.0
Other	60.0	66.7	0.9	2.4	78.6	78.6
Multiple Lenders (ADELA)	--	--	0.1	--	--	--
International institutions	222.8	67.5	17.4	25.8	407.9	709.8
IDA	--	--	0.5	0.2	20.3	20.3
IBRD	42.0	30.0	12.4	15.7	180.5	283.0
IDB	180.8	37.5	4.5	9.9	207.1	406.5

Source Central Bank of Chile.

^{1/} Totals may not add horizontally due to exchange rate adjustments, debt cancellation, and rounding.

Table 70. Chile: Operations on External Public and Publicly Guaranteed Debt Repayable in Foreign Currency, by Type of Creditor

(In millions of U.S. dollars)

	Out- standing Disbursed Dec. 1979	1980			Out- standing Disbursed Dec. 1980
		Drawings	Amorti- zation	Interest	
<u>Total 1/</u>	<u>4,810.0</u>	<u>842.4</u>	<u>877.8</u>	<u>477.4</u>	<u>4,719.9</u>
International organizations 2/	327.2	36.1	17.1	23.8	351.4
Official lenders	1,030.2	53.8	120.2	46.2	954.5
Private banks	2,406.3	593.7	462.9	329.1	2,512.2
Suppliers' credits	509.1	104.6	146.0	39.2	441.7
Nationalization	181.9	--	37.7	16.3	144.0
1972 renegotiation	36.0	--	22.7	1.6	12.0
1973-74 renegotiation	242.7	--	58.3	13.9	177.0
1975 renegotiation	2.4	--	--	--	2.5
Special renegotiation agreements	23.1	2.7	9.5	2.2	17.7
Public bonds	9.3	51.5	3.4	1.4	57.3
Private bonds	41.8	--	--	3.7	49.6

Table 70. Chile: Operations on External Public and Publicly Guaranteed Debt Repayable in Foreign Currency, by Type of Creditor (Concluded)

(In millions of U.S. dollars)

	1981				Outstanding December 1981	
	New Commit- ments	Drawings	Amorti- zation	Interest	Disbursed	Including Undisbursed
<u>Total 1/</u>	<u>1,206.0</u>	<u>1,030.5</u>	<u>1,120.0</u>	<u>489.9</u>	<u>4,504.2</u>	<u>4,978.9</u>
International organizations 2/	222.8	67.5	17.4	29.7	407.9	709.8
Official lenders	...	5.3	84.8	39.5	869.1	869.1
Private banks	904.0	932.2	777.0	356.4	2,601.2	2,773.8
Suppliers' credits	79.2	25.5	117.0	33.2	314.5	314.7
Nationalization	--	--	36.3	9.9	107.7	107.7
1972 renegotiation	--	--	12.0	0.3	--	--
1973-74 renegotiation	--	--	60.3	10.4	103.5	103.5
1975 renegotiation	--	--	1.7	0.4	0.8	0.8
Special renegotiation agreements	--	--	5.0	1.8	12.6	12.6
Public bonds	--	--	3.5	4.8	46.2	46.2
Private bonds	--	--	5.0	3.5	40.7	40.7

Source: Central Bank of Chile.

1/ Totals may not add horizontally due to exchange rate adjustments, loan cancellations, and rounding.

2/ Includes multiple lenders (ADELA).

Table 71. Chile: Projected Service of External Public and Publicly Guaranteed Debt in Foreign Currency, 1982-86 ^{1/}

	1982		1983		1984		1985		1986	
	Prin- cipal	Inter- est	Prin- cipal	Inter- est	Prin- cipal	Inter- est	Prin- cipal	Inter- est	Prin- cipal	Inter- est
Total	532.0	487.7	530.4	447.1	498.2	414.5	549.3	358.4	616.7	305.0
International organizations	26.4	32.9	27.1	33.5	34.6	33.1	34.5	31.1	34.0	28.5
Official lenders	88.0	33.2	81.6	29.0	80.0	25.1	70.9	21.2	61.4	17.9
Private banks	228.2	372.8	265.1	350.0	304.4	331.9	398.4	287.1	440.6	244.3
Suppliers' credit	96.7	25.6	67.6	18.0	56.0	13.0	37.6	8.8	24.4	5.1
Nationalization	34.0	7.4	33.3	5.1	20.1	2.8	6.8	1.8	6.8	1.1
1972 renegotiation	52.4	6.2	51.1	2.6	--	--	--	--	--	--
1973-74 renegotiation	--	--	--	--	0.8	--	--	--	--	--
Special renegotiation agreements	4.6	1.2	4.6	0.6	2.3	0.3	1.1	0.1	--	--
Public bonds	1.7	4.7	--	4.6	--	4.6	--	4.6	44.5	4.6
Private bonds	--	3.7	--	3.7	--	3.7	--	3.7	5.0	3.5

Source: Central Bank of Chile.

^{1/} Calculated on amount outstanding as of December 31, 1981.

Table 72. Chile: Operations on External Public and Publicly Guaranteed Debt Repayable in Local Currency by Creditor 1/

(In millions of U.S. dollars)

	International Institutions IDB	United States (AID)	Total
Outstanding Dec. 1977	125.7	18.0	143.7
<u>1978</u>			
Drawings	8.4	--	8.4
Amortization	10.1	2.2	12.3
Interest	4.0	0.7	4.7
Outstanding Dec. 1978	124.0	15.8	139.8
<u>1979</u>			
Drawings	8.0	--	8.0
Amortization	24.3	1.8	26.1
Interest	4.0	0.6	4.6
<u>Outstanding Dec. 1979</u>			
Disbursed	107.7	14.0	121.7
<u>1980</u>			
Drawings	5.4	--	5.4
Amortization	9.0	1.8	10.8
Interest	3.5	0.5	4.0
<u>Outstanding 1980</u>			
Disbursed	104.1	12.2	116.3
Including undisbursed	114.0	12.2	126.2
<u>1981</u>			
Drawings	3.0	--	3.0
Amortization	8.4	1.9	10.3
Interest	3.3	0.5	3.8
<u>Outstanding 1981 <u>2/</u></u>			
Disbursed	98.7	10.3	109.0
Including undisbursed	110.2	10.3	120.5

Source: Central Bank of Chile.

1/ Totals may not add horizontally due to rounding.

2/ Preliminary.

Table 73. Chile: Projection of Service Payments on External Public and Publicly Guaranteed Debt Repayable in Local Currency 1/

(In millions of U.S. dollars)

	International Institutions (IDB)	United States (AID)	Total
<u>Outstanding Dec. 1981</u> <u>2/</u>			
Disbursed only	98.7	10.4	109.1
Including undisbursed	110.2	10.4	120.5
<u>1982</u>	<u>11.6</u>	<u>2.4</u>	<u>14.0</u>
Amortization	7.9	2.0	9.9
Interest	3.7	0.4	4.1
<u>1983</u>	<u>11.8</u>	<u>2.1</u>	<u>13.9</u>
Amortization	8.4	1.8	10.2
Interest	3.4	0.3	3.7
<u>1984</u>	<u>12.0</u>	<u>1.9</u>	<u>13.9</u>
Amortization	8.9	1.6	10.5
Interest	3.1	0.3	3.4
<u>1985</u>	<u>11.8</u>	<u>1.9</u>	<u>13.7</u>
Amortization	9.0	1.7	10.7
Interest	2.8	0.2	3.0
<u>1986</u>	<u>10.9</u>	<u>1.9</u>	<u>12.8</u>
Amortization	8.5	1.8	10.3
Interest	2.4	0.1	2.5

Source: Central Bank of Chile.

1/ Projections based on debt outstanding as of December 31, 1981.

2/ Preliminary.