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To: Members of the Executive Board
From: The Secretary
Subject: Chile - Recent Economic Developments

This paper provides background information to the staff report on the 1989 Article IV consultation discussions with Chile and its request for a stand-by arrangement, which was circulated as EBS/89/193 on October 12, 1989.

Mr. Guzman (ext. 7872) or Mr. S. Brown (ext. 8619) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

CHILE

Recent Economic Developments

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Approved by the Western Hemisphere and
Exchange and Trade Relations Departments

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Chile--Basic Data

<u>Social and demographic indicators</u>	
Area	756,626 sq. km.
Population density per sq. km. of agricultural land	68
Population (mid-1988)	12.8 million
Annual rate of population increase (1985-88)	1.7 percent
Income distribution	Not available
Life expectancy at birth (1986)	71
Infant mortality rate (per thousand)	19
Child death rate (per thousand)	1
Population per physician (1984)	1,000
Population per hospital bed	300
Population with access to safe water	84 percent
Per capita supply of calories per day	2,602
Per capita protein intake (grams per day)	66.7
Primary school enrollment rate	110 percent
Adult literacy rate (1982)	91 percent
Unemployment rate (1988)	6.3 percent

<u>GDP (1988)</u>	SDR 16.4 billion
	US\$22.1 billion
	Ch\$5,411 billion

<u>GDP per capita (1988)</u>	SDR 1,290
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	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Prel.</u> <u>1988</u>
<u>Origin of GDP</u>				
		(percent)		
Agriculture, forestry, and fishing	9.6	9.9	9.6	9.4
Mining and quarrying	8.7	8.4	7.9	7.7
Manufacturing	20.4	20.8	20.8	21.0
Construction	5.8	5.5	5.8	5.7
Commerce	16.7	16.7	17.0	17.3
Other	38.8	38.7	39.0	38.9
<u>Ratios to GDP</u>				
Exports of goods and services	29.2	31.8	34.2	38.3
Imports of goods and services	38.0	38.9	39.2	39.9
Current account of the balance of payments	-8.3	-6.8	-4.3	-0.8
General government revenues	29.0	28.9	29.0	29.5
General government expenditures	32.6	30.5	29.6	26.1
Public sector savings	3.8	4.7	5.3	8.4
Overall public sector surplus or deficit (-)	-2.6	-1.9	-0.4	3.6
External public debt (end of year)	85.9	93.7	85.2	66.5
Gross national savings	5.4	7.9	12.6	16.2
Gross domestic investment	13.7	14.6	16.9	17.0
Money and quasi-money (end of year)	43.1	46.2	51.3	54.1
<u>Annual changes in selected indicators</u>				
Real GDP per capita	0.8	3.9	4.0	5.6
Real GDP	2.4	5.7	5.7	7.4
GDP at current prices	36.1	26.0	28.1	30.1
Domestic expenditures (at current prices)	30.9	24.6	27.8	26.0
Investment	36.9	34.2	48.3	30.7
Consumption	30.0	23.0	24.1	25.0
GDP deflator	32.8	19.2	21.2	21.2
Consumer prices (annual average)	30.7	19.5	19.9	14.7
General government revenues	32.2	25.7	28.2	32.5
General government expenditures	33.0	17.8	24.4	14.8
Money and quasi-money	53.0	35.0	38.5	32.2
Money	11.3	41.3	9.9	82.4
Quasi-money	60.9	33.5	48.7	32.3
Net domestic assets of the financial system <u>1/</u>	135.3	51.0	54.7	10.1
Credit to the nonfinancial public sector (net)	-3.7	-3.9	-2.2	-16.2
Credit to private sector	68.1	42.0	39.7	25.3
Merchandise exports (f.o.b., in U.S. dollars)	4.2	10.4	24.4	35.0
Merchandise imports (f.o.b., in U.S. dollars)	-12.0	4.9	28.9	21.0

	1985	1986	1987	Prel. 1988
<u>Central government finances</u>				
(In billions of local currency)				
Revenues	747.1	939.4	1,204.3	1,596.2
Expenditures	841.2	991.0	1,232.4	1,414.6
Current account surplus or deficit (-)	-24.2	30.1	90.6	294.4
Overall surplus or deficit (-)	-94.1	-51.6	-28.1	181.5
External financing (net)	78.8	75.1	74.3	193.1
Internal financing (net)	15.3	-23.5	-46.2	-374.6

	(In millions of U.S. dollars)			
<u>Balance of payments</u>				
Merchandise exports (f.o.b.)	3,804	4,199	5,224	7,052
Merchandise imports (f.o.b.)	-2,955	3,099	3,994	4,833
Investment income (net)	-1,925	-1,862	-1,700	-1,920
Other services and transfers (net)	-277	-349	-337	-466
Balance on current account	-1,329	-1,110	-808	-167
Official capital (net) ^{2/}	1,204	828	213	539
Private capital (net)	299	330 ^{3/}	506 ^{3/}	690
Errors and omissions	-171	106	-52	-72
Allocation of SDRs	--	--	--	--
Valuation adjustment	--	--	--	--
Change in net official reserves (increase -)	-4	-154	140	-990

	December 31		
	1986	1987	1988
<u>International reserve position ^{4/5/}</u>			
(In millions of SDRs)			
Central Bank (gross)	2,063.5	1,862.5	2,456.0
Central Bank (net)	975.3	680.3	1,462.4
Rest of banking system (net) ^{6/}	-341.9	-468.5	-716.4

IMF data (as of September 30, 1989)

<u>Article VIII status</u>	
Intervention currency and rate	U.S. dollars at Ch\$280.88 ^{7/}
Quota	SDR 440.5 million
Fund holdings of Chilean pesos	SDR 1,376.8 million
From Fund resources	
Credit tranche purchases (including SBA)	SDR 22.1 million
EFF purchases	SDR 435.4 million
CFF purchases	SDR 35.3 million
Buffer stock financing purchases	None
Oil facility purchases	None
From Supplementary and Enlarged Access resources	SDR 443.4 million
Stand-by purchases	SDR 88.2 million
EFF purchases	SDR 355.2 million
Fund holdings under Enlarged Access Policy	100.7 percent of quota
Total Fund holdings	312.5 percent of quota
Special Drawing Rights Department	
Cumulative SDR allocation	SDR 121.9 million
Net acquisition or utilization (-) of SDRs	SDR 121.3 million
Holdings of SDRs	0.5 percent of allocation
Share of profits from gold sales	US\$25.1 million

^{1/} Changes as percent of liabilities to the private sector at the beginning of the period. Based on end-of-period exchange rates.

^{2/} Includes Banco del Estado.

^{3/} Includes prepayment of debt through purchases abroad of Chilean external debt at a discount.

^{4/} Gold valued at US\$42.22 per ounce.

^{5/} SDRs are valued at end-of-period rates with respect to the U.S. dollar. In the balance of payments, the change in net international reserves is based on stocks in which the SDR components are valued at the exchange rate of the base period.

^{6/} Includes position of banks liquidated in January 1983. Net amounts included are SDR 18.5 million on December 31, 1985, SDR 18.2 million on December 31, 1986, and SDR 15.9 million on December 31, 1987.

^{7/} The Chilean peso is pegged to the U.S. dollar. Since December 17, 1983 the official rate has been adjusted daily on the basis of the Chilean rate of inflation during the previous month less the world rate of inflation.



I. Macroeconomic Trends

1. Introduction

In the period 1986-1988 Chile continued its strong recovery from the recession of 1982-83, as real GDP rose by 5.7 percent a year in 1986-87 and by 7.4 percent in 1988, stimulated in part by the surge in copper prices that began in mid-1987. Growth accelerated to 8.6 percent at an annual rate in the second half of 1988 and picked up further to a 10.5 percent annual rate in the first half of 1989. Reflecting the upsurge in activity, unemployment fell from almost 9 percent in 1986 to 6.3 percent at the end of 1988, despite rising labor force participation and a sharp reduction in special government employment programs. After stagnating in the period 1984-87 real wages rose by 6.6 percent in 1988. In the first half of 1989 the labor market remained tight, as unemployment remained low and real wages were 3.5 percent higher on average than in the first half of 1988.

The 12-month rate of inflation declined from 26.4 percent in December 1985 to 17.4 percent in 1986, largely as a result of tight fiscal policies and the decline in oil import prices, but accelerated to 21.5 percent by the end of 1987, reflecting partly an increase in oil import prices, and a more rapid real depreciation of the peso. Inflation decelerated to 11 percent in the year ended October 1988, owing in part to a modest real appreciation of the peso, reductions in import tariffs and in the value-added tax, and the lagged effect of tightening of monetary policy in 1987. During the last quarter of 1988 and the first half of 1989, inflation accelerated because of strong domestic demand, reaching 16 percent in the year ending in June 1989 and above 18 percent in July and August on a 12-month basis.

2. Aggregate expenditure and supply

After a slight decline in 1985, total real aggregate supply rose by 6.3 percent in 1986, 7.7 percent in 1987, and 8.2 percent in 1988, reflecting the strong growth in domestic output and a surge in imports (Table 1). The strong expansion of GDP resulted from both a high rate of growth of exports and a recovery in real domestic expenditure. Stimulated by the sizable real depreciation of the peso since late 1984, export growth rose from under 7 percent a year in real terms in 1984-85 to an average of nearly 9 1/2 percent a year in 1986-87. Export growth in real terms slowed to 6 percent in 1988, primarily because copper export volume fell slightly.

Real domestic expenditure, after rising very modestly in 1984-85, accelerated steadily to a growth rate of 8.9 percent in 1988, reflecting an upsurge in investment and a steady recovery in private consumption with the vigorous expansion in employment and, starting in 1988, rising real wages. Gross domestic investment increased from an average of about 13 1/2 percent of GDP in 1984-85 to 17 percent in 1987-88 (Table 2).

Table 1. Chile: Aggregate Supply and Demand

	1984	1985	1986	1987	1988
I. Annual Percentage Change					
(At current prices)					
<u>Aggregate supply</u>	25.6	37.2	26.5	30.8	30.8
Gross domestic product	21.6	36.1	26.0	28.1	30.1
Imports <u>1/</u>	44.4	41.4	28.3	40.6	33.4
<u>Domestic expenditure</u>	26.3	30.9	24.6	27.8	25.9
Private sector	19.0	31.9	25.0	29.3	28.0
Consumption	21.0	29.3	25.2	25.6	25.7
Investment	-0.5	64.0	22.9	65.6	44.9
Public sector <u>2/</u>	34.4	38.9	19.6	16.6	18.3
Consumption	24.1	34.1	11.9	15.7	19.7
Investment	65.9	49.9	35.3	18.2	16.0
Change in inventories <u>3/</u>	-3.7	-2.0	-0.6	1.1	-0.0
<u>Exports <u>1/</u></u>	22.7	63.0	32.7	40.2	45.0
<u>Memorandum items</u>					
GNP at market prices	19.5	33.5	24.3	34.2	30.5
GDP deflator	14.3	32.8	19.2	21.2	21.2
(At constant 1977 prices)					
<u>Aggregate supply</u>	8.1	-0.1	6.3	7.7	8.2
Gross domestic product	6.3	2.4	5.7	5.7	7.4
Imports <u>1/</u>	16.5	-11.1	9.6	17.1	12.1
<u>Domestic expenditure</u>	8.4	-1.9	5.3	7.3	8.9
Private sector	-0.2	0.6	4.6	7.9	11.1
Consumption	1.2	-1.1	4.9	4.8	9.6
Investment	-13.3	30.4	3.4	34.4	21.3
Public sector <u>2/</u>	12.0	3.3	2.7	-1.8	1.6
Consumption	1.4	-0.2	-2.1	-2.1	4.8
Investment	38.6	9.7	10.8	-1.4	-3.2
Change in inventories <u>3/</u>	-5.9	-3.1	-1.0	1.5	-0.2
<u>Exports <u>1/</u></u>	6.8	6.9	9.8	8.8	6.1
<u>Memorandum items</u>					
GNP at market prices	5.8	2.6	6.1	7.5	7.3
GNP adjusted for terms of trade effects	3.5	1.8	6.8	9.4	11.1
II. Percent of Nominal GDP					
<u>Aggregate supply</u>	125.3	126.3	126.8	129.4	130.2
<u>Domestic expenditure</u>	101.0	97.2	96.2	95.9	92.8
Consumption	87.4	83.6	81.6	79.0	75.8
Private sector	73.0	69.3	68.9	67.6	65.3
General government	14.5	14.2	12.7	11.4	10.5
Fixed capital formation	12.3	14.2	14.6	16.0	16.3
Private sector	6.0	7.2	7.0	9.1	10.1
Public sector	6.4	7.0	7.5	6.9	6.2
Change in inventories	1.3	-0.5	0.0	0.9	0.7
<u>Exports <u>1/</u></u>	24.3	29.1	30.6	33.5	37.4
<u>Imports <u>1/</u></u>	25.3	26.3	26.8	29.4	30.2
<u>External resource gap (-)</u>	-1.1	2.8	3.8	4.1	7.2

Sources: Statistical Appendix Tables 29 and 30.

1/ Goods and nonfactor services.

2/ General Government.

3/ Weighted by the contribution to domestic expenditure in the previous year.

Table 2. Chile: Financing of Gross Domestic Investment

(As percent of nominal GDP)

	1984	1985	1986	1987	1988
<u>Gross domestic investment</u>	<u>13.6</u>	<u>13.7</u>	<u>14.6</u>	<u>16.9</u>	<u>17.0</u>
<u>External savings</u> <u>1/</u>	<u>10.7</u>	<u>8.3</u>	<u>6.8</u>	<u>4.3</u>	<u>0.8</u>
<u>Gross national savings</u>	<u>2.9</u>	<u>5.4</u>	<u>7.8</u>	<u>12.6</u>	<u>16.2</u>
<u>Private investment</u> <u>2/</u>	<u>7.3</u>	<u>6.7</u>	<u>7.1</u>	<u>10.1</u>	<u>11.0</u>
Private savings	2.4	1.6	3.2	7.3	7.8
Net external borrowing	0.4	-1.1	3.2	2.1	5.9
Net resource transfers from public sector <u>3/</u>	4.5	6.2	0.7	0.6	-2.7
<u>Public investment</u>	<u>6.4</u>	<u>7.0</u>	<u>7.5</u>	<u>6.8</u>	<u>6.0</u>
Public savings	0.6	3.8	4.7	5.3	8.4
Net external borrowing <u>4/</u>	10.3	9.4	3.6	2.1	-5.2
Net resource transfers from private sector	-4.5	-6.2	-0.7	-0.6	2.8
<u>Memorandum items</u>					
Gross domestic savings	13.1	17.3	19.1	21.6	24.9
Net transfers from abroad	0.5	0.4	0.5	0.7	0.8

Sources: Statistical Appendix Tables 29 and 55; and Fund staff estimates.

1/ Equivalent to the deficit on the current account of the balance of payments.

2/ Includes changes in stocks.

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

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

Real private investment grew by 34 percent in 1987 and 21 percent in 1988 as a result of higher residential construction and rising outlays on plant and equipment. Real public sector investment declined moderately in 1987 as the investment program of CODELCO (the state copper company) was delayed and other projects reached completion; during 1988 public investment recorded a further decline of 3.2 percent reflecting the tight expenditure policy of the general government and the privatization of certain formerly public sector enterprises.

The increase in investment was financed by an expansion in national savings. Private savings more than tripled from an average of 2 percent of GDP in 1984-85 to 7.5 percent of GDP in 1987-88, reflecting improved tax incentives, positive real interest rates, the strong growth of private pension funds, and confidence in the financial system. At the same time, public savings increased from less than 1 percent of GDP in 1984 to 8.4 percent in 1988 mainly as a result of restraint of general government current expenditures and the sterilization of much of the windfall from higher-than-projected copper prices in 1988. With the rapid recovery of national savings, the rise in domestic investment since 1984 was accompanied by a decline in Chile's net use of foreign savings from 10.7 percent of GDP in 1984 to less than 1 percent in 1988.

Within the recovery of total investment, foreign investment has increased strongly. In 1987 there were substantial direct investment flows for a methanol plant, which started production at the end of 1988. In the first half of 1988 the Foreign Investment Committee authorized an investment of US\$1.1 billion for a copper mine (La Escondida) that is expected to raise Chile's copper output by 20 percent when it begins production in 1991-92. In 1988 a group of foreign investors purchased 30 percent of the telephone company for US\$120 million and later in the year they increased their capital participation in the company by another US\$150 million. Significant amounts of foreign investment are also taking place in gold, other minerals, fishing, and forestry and paper products.

3. Output by sector

Most sectors shared in the strong economic expansion in recent years (Table 3). Agricultural output grew by an average of 6 percent a year between 1984 and 1988, and value added in manufacturing and commerce, which together account for two fifths of output, expanded by an average of 7 percent a year in the period 1986-88. In contrast, value added in mining grew by less than 1 1/2 percent in 1986, stagnated in 1987, and recorded less than 4 1/2 percent growth in 1988. Fishing output, which fell sharply in 1987 as a result of climatic conditions, recovered in 1988 with a rise of 3 percent. The strong growth of output in the first half of 1989 reflected particularly rapid expansion in value added in manufacturing and commerce.

Table 3. Chile: Sectoral Origin of Gross Domestic Product at Constant Market Prices

	1984	1985	1986	1987	Prel. 1988
<u>(Percentage change from preceding year)</u>					
<u>GDP at market prices</u>	6.3	2.4	5.7	5.7	7.4
Agriculture	7.0	5.5	8.8	4.5	5.7
Fishing	10.0	6.1	8.6	-7.9	2.9
Mining	4.5	2.3	1.3	--	4.4
Manufacturing	9.8	1.1	8.0	5.5	8.7
Construction	4.1	16.4	1.5	10.5	6.1
Electricity, gas, and water	7.3	4.5	5.4	4.1	9.9
Transport, storage, and communications	6.2	5.8	8.0	10.2	11.3
Commerce	5.0	1.5	5.5	7.5	9.8
Other services <u>1/</u>	2.8	2.0	3.9	3.5	3.9
Import duties and value added tax on imports	21.1	-10.7	10.7	18.2	15.4
<u>(As percent of total)</u>					
<u>GDP at market prices</u>	100.0	100.0	100.0	100.0	100.0
Agriculture	8.3	8.6	8.8	8.7	8.6
Fishing	0.9	1.0	1.0	0.9	0.8
Mining	8.7	8.7	8.4	7.9	7.7
Manufacturing	20.7	20.4	20.8	20.8	21.0
Construction	5.1	5.8	5.5	5.8	5.7
Electricity, gas, and water	2.5	2.6	2.6	2.5	2.6
Transport, storage, and communications	5.4	5.6	5.7	6.0	6.2
Commerce	16.9	16.7	16.7	17.0	17.3
Other services <u>1/</u>	26.4	26.1	25.8	25.2	24.4
Import duties and value added tax on imports	5.1	4.5	4.7	5.2	5.7

Source: Statistical Appendix Table 31.

1/ Includes imputed banking charges.

a. Agriculture and fishing

The growth of agricultural output (which accounts for 8 1/2 percent of GDP) decelerated from about 7 percent a year in the period 1984-86 to 4.5 percent in 1987 and recovered to 5.7 percent in 1988, with a strong performance by fruit, beef, and poultry, while production of traditional crops declined slightly (Table 4).

Table 4. Chile: Indicators of the Agricultural Sector
(Percentage change)

	1984	1985	1986	1987	1988
<u>Traditional crops</u> ^{1/}					
Area	20.6	3.1	5.0	6.9	-8.2
Production	43.8	9.0	14.3	3.0	2.1
<u>Fruits</u> ^{1/2/}					
Area	10.6	12.7	10.9	8.0	7.6
Production	11.4	13.0	14.2	13.3	18.1
<u>Beef (tons slaughtered)</u>	<u>-5.4</u>	<u>-11.2</u>	<u>1.3</u>	<u>-1.4</u>	<u>12.7</u>
<u>Poultry (tons slaughtered)</u>	<u>-14.0</u>	<u>-4.7</u>	<u>12.7</u>	<u>15.9</u>	<u>6.5</u>
<u>Eggs (thousands)</u>	<u>0.7</u>	<u>15.9</u>	<u>6.5</u>	<u>0.7</u>	<u>-1.1</u>
<u>Milk</u>	<u>-2.2</u>	<u>15.0</u>	<u>8.0</u>	<u>0.6</u>	<u>1.8</u>
<u>New wooded areas planted</u>	<u>22.7</u>	<u>2.9</u>	<u>-31.2</u>	<u>-1.1</u>	<u>-2.3</u>

Sources: Statistical Appendix Tables 32, 33, 34, and 35; and Central Bank of Chile.

^{1/} Agricultural year.

^{2/} Apples, table grapes, peaches, and nectarines only.

Wheat production almost doubled between 1984 and 1987 under the system of support prices, with the Government buying a significant amount of the crop in 1987 (Statistical Appendix Table 35). As support prices were kept low in 1988, producers shifted to other crops: the area in wheat declined by almost 15 percent, and despite improved yields wheat production fell by 7.5 percent. The production of other cereals expanded on average by more than 30 percent in 1988.

Fruit acreage and production have grown sharply in recent years as enhanced external competitiveness and improved yields fostered an expansion of exports to northern hemisphere markets, particularly during their winter season, which coincides with the summer harvest season in Chile. Fruit production continued to increase rapidly in 1987 and 1988.

After rising strongly during the period 1984-86, value added in fishing dropped by almost 8 percent in 1987, as a change in the El Niño ocean current substantially reduced the availability of important species, and restrictions on the take of certain other species were increased to avoid overfishing. Fish production recovered by 3 percent in 1988 as ocean conditions improved.

b. Mining

After expanding at an average rate of about 3 1/2 percent in 1984-85, mining production grew by only 1 percent in 1986, fell in 1987, and recovered in 1988 with an increase of 3.3 percent (Table 5). This behavior mainly reflects trends in copper production, which accounts for about three fourths of the sector, and of other minerals which are produced in association with copper. Growth in copper production slowed from 5 percent in 1984 to a small decline in 1987 but recovered to 3 1/2 percent in 1988. The higher output in 1988 reflected new investments carried out by CODELCO and other producers in recent years to offset the steady decline in the ore content of the mines, although start-up problems with new equipment and a major accident in the El Teniente mine curbed the rise. In the first quarter of 1989 the production of copper of CODELCO was hampered by an accident at a flash furnace at the Chuquicamata mine.

The production of petroleum, the most important of the nonmetallic minerals, declined at increasing rates in recent years owing to the exhaustion of the oilfields (Statistical Appendix Table 38) and fell by almost 18 percent in 1988. Domestic consumption of petroleum products expanded by over 10 percent in 1988 in response to lower international and domestic petroleum prices and the strong upsurge in economic activity. Imports of crude oil and petroleum products, part of which represented a reconstitution of stocks, surged by 54 percent in 1988.

c. Manufacturing

The growth of value added in manufacturing, which accounts for 21 percent of total output, accelerated from 5.5 percent in 1987 to 8.7 percent in 1988, led by manufactured exports, particularly exports of seafood products, fishmeal, wood, and paper products.

Table 5. Chile: Mining Production

	June 1976 Weights	Annual Percentage Changes				Prel. 1988
		1984	1985	1986	1987	
<u>Total</u>	<u>100.0</u>	<u>5.1</u>	<u>3.4</u>	<u>0.9</u>	<u>-1.2</u>	<u>3.3</u>
Metallic minerals	88.5	5.3	3.9	1.5	-0.2	3.1
Copper	76.2	4.2	3.9	2.9	-0.1	3.5
Molybdenum	3.7	10.5	9.0	-9.8	1.7	-7.9
Lead	0.1	155.2	-42.3	-39.2	-48.0	73.8
Silver	2.0	4.7	5.5	-3.4	-1.5	-1.3
Iron	5.2	19.1	-8.5	7.6	-3.0	16.1
Zinc	0.2	219.9	16.3	-52.9	85.2	-1.3
Gold	1.0	-5.3	2.5	4.1	-14.3	1.2
Manganese	0.1	0.5	36.1	-11.3	2.4	30.1
Nonmetallic minerals	11.5	3.6	-1.3	-3.3	-4.7	0.2
Iodine	0.3	-4.7	...	...	...	...
Coal	2.4	21.2	4.8	5.2	4.5	40.0
Petroleum	5.8	-2.0	-7.3	-6.5	-10.9	-17.8
Nitrates	2.5	16.9	...	...	...	...
Limestone	0.5	6.6	1.5	9.3	8.1	26.6

Source: Statistical Appendix Table 36.

Production and sales of manufactured goods, which had expanded strongly in 1986-88, accelerated in the first half of 1989 to rates of 16.4 percent and 13.8 percent, respectively (Table 6). The accelerating trend in manufacturing production contributed to a notable surge of investment in the sector, as evidenced by a 32 percent increase in imports of machinery and equipment used by manufacturing in 1988, following an increase of 70 percent in such imports in 1987. Production of consumer durables and nondurables, which had been flat in the early 1980s, recovered strongly in 1986, expanded more strongly in 1987, and boomed by 28 percent in 1988 boosted by the strong rise in private consumption and real wages.

Table 6. Chile: Indices of Industrial Production and Sales

(Annual percentage changes)

	1984	1985	1986	1987	1988	Q1 1/ 1989	Q2 1989
<u>Production</u>	<u>10.3</u>	<u>0.1</u>	<u>8.2</u>	<u>6.4</u>	<u>6.9</u>	<u>15.3</u>	<u>16.4</u>
Consumer nondurables	8.4	-2.0	10.5	5.5	6.1	9.3	...
Consumer durables	33.4	-10.3	42.5	14.1	28.0	34.4	...
Transport equipment	46.6	1.5	-8.8	34.6	18.8	38.1	...
Capital goods	16.9	15.7	13.4	0.3	18.8	4.0	...
Intermediate goods							
For industry	8.5	1.8	5.0	3.3	1.3	5.4	...
For construction	19.9	-2.5	12.4	19.7	9.9	12.7	...
For mining	7.6	2.1	15.4	5.1	8.6	16.9	...
For agriculture and forestry	25.2	2.0	20.3	-9.6	-2.0	33.2	...
Packaging and accessories	11.1	0.3	5.0	11.0	3.1	-19.0	...
Energy, fuel, and lubricants	0.4	0.1	5.1	6.9	11.5	19.9	...
Furnishings	31.7	-10.8	-10.8	16.3	7.2	-9.0	...
<u>Sales</u>	<u>8.9</u>	<u>2.1</u>	<u>6.7</u>	<u>6.4</u>	<u>6.4</u>	<u>12.5</u>	<u>13.8</u>

Source: Chilean Association of Manufacturers (SOFOPA).

1/ From same quarter one year earlier.

4. Employment, wages, and prices

Employment grew by 6 percent a year in the period 1984-88, and as a result, the unemployment rate fell from 14 percent in 1984 to 6.3 percent in the fourth quarter of 1988, despite an increase in participation rates and a reduction in special employment programs. The latter declined from a peak of over 13 percent of the labor force in 1983 to only 0.3 percent in 1988 (Table 7). In the first half of 1989 unemployment rose to 7 percent, reflecting the normal seasonal pattern; this level compares with 9.1 percent in the first half of 1988.

Real wages, as measured by INE's index of nominal wages and salaries deflated by the consumer price index, increased on average by 6 1/2 percent in 1988, following a slight decline of 0.2 percent in 1987 and an increase of 2 percent in 1986 (Table 8). As inflation moderated towards the end of 1987, real wages began to rise sharply, reaching an annual growth rate in excess of 9 percent by September 1988. The resurgence of inflation in late 1988 slowed the increase in real wages to 3 percent in the second quarter of 1989. ^{1/}

Since the elimination of direct wage indexation in 1982, wages have been determined by market forces or collective bargaining, except for wage increases of nonunionized public sector employees and legal adjustments in the minimum wage. In the case of nonunionized public sector employees, in recent years the authorities have tended to adjust wages in line with inflation. The minimum wage was adjusted only three times between 1984 and 1987, leading to a decline of 22 percent in real terms. Subsequently, the nominal minimum wage was raised by 15 percent effective June 1, 1988, by 10 percent effective February 1, 1989, and by 17 percent effective May 1, 1989, resulting in an estimated 30 percent increase in the real minimum wage in 1989. The most recent increase applied only to workers over 21 years old to avoid creating a disincentive to employ young, less skilled workers.

The 12-month rate of inflation (measured by the CPI) dropped steadily from 26 1/2 percent at the end of 1985 to about 17 percent in August 1986 (Table 9), but accelerated again to a peak of almost 23 percent in November 1987, in part reflecting the rise in international oil prices and the more rapid depreciation of the peso. By October 1988, the rate of inflation had dropped to 11 percent, reflecting the lagged impact of the tightening of monetary policy in 1987 and the effect of a modest real appreciation of the peso in 1988. However, late in 1988 inflation began to accelerate again, driving the 12-month rate to 12.7 percent in December and to 18.3 percent by August 1989.

^{1/} In Chile nominal wage contracts are typically adjusted for inflation at specified intervals, and thus a drop in inflation can raise real wages in the short run and vice versa.

Table 7. Chile: Labor Market Indicators

(In percent)

	1984	1985	1986	1987	1988
<u>I. National Employment Data 1/</u>					
(Annual percentage change)					
Population over 15 years of age	2.0	2.0	1.7	1.6	1.7
Labor force	0.8	5.8	6.3	2.0	4.5
Employment	1.6	8.2	10.1	3.0	6.4
Of which: special programs 2/	-75.0	-10.3	-19.2	-36.5	-78.3
(In percent)					
Unemployment rate 3/	14.0	12.0	8.8	7.9	6.3
Layoff rate 4/	11.1	9.3	7.1	6.5	5.1
Special programs 5/	3.3	2.8	2.1	1.3	0.3
Participation rate 6/	32.3	33.6	35.1	35.3	36.4
<u>II. Metropolitan Santiago Employment Data 1/</u>					
Unemployment rate 3/	18.5	16.9	13.0	11.7	10.2
Layoff rate 4/	14.8	13.5	10.5	9.7	8.0
Participation rate 6/	34.2	35.0	36.5	37.0	37.5
<u>Memorandum item</u>					
Real GDP growth	6.3	2.4	5.7	5.7	7.4

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

1/ Based on the October-December survey of each year. As of the last quarter of 1985, the survey methodology was changed. Hence, the 1985 figures are not strictly comparable with those of previous years.

2/ Rates of change of number of persons employed by special public sector programs designed to provide support to low income sectors.

3/ Workers employed in special programs are not considered unemployed.

4/ The layoff rate measures unemployment due strictly to layoffs, while the unemployment rate includes members of the labor force seeking employment for the first time.

5/ Workers employed in special public programs as percent of labor force.

6/ Labor force as a percentage of total population.

Table 8. Chile: Wage Trends
(Percentage changes)

	1984	1985	1986	1987	1988
<u>Nominal wages</u>					
Annual average					
General index <u>1/</u>	20.0	25.1	22.0	19.7	22.2
Minimum wage	2.4	24.0	15.5	12.5	17.1
End of period					
General index <u>1/</u>	18.3	28.8	19.8	22.1	17.5
Minimum wage	--	40.8	10.0	12.0	15.0
<u>Real wages 2/</u>					
Annual average					
General index	0.2	-4.5	2.0	-0.2	6.5
Minimum wage	-14.4	-5.3	-3.6	-6.1	2.0
End of period					
General index	-3.8	1.9	2.1	0.5	4.3
Minimum wage	-18.7	11.4	-6.3	-7.8	2.1

Sources: Statistical Appendix Table 43; and INE.

1/ Index prepared by the National Institute of Statistics (INE).

2/ Nominal wages deflated by the consumer price index.

Table 9. Chile: Consumer Price Index

(Base: December 1978 = 100)

	All Items	Food	Housing	Clothing	Miscel- laneous	
Weights	100.0	41.7	14.9	22.2	21.2	
<u>(Period averages, annual percentage change)</u>						
1984	19.9	21.1	15.3	24.1	20.9	
1985	30.7	28.5	30.4	26.8	34.4	
1986	19.5	23.9	12.6	21.1	18.8	
1987	19.9	24.1	15.5	23.4	17.0	
1988	14.7	13.3	17.9	16.9	14.0	
<u>(End of period, annual percentage changes)</u>						
1984	March	21.5	26.1	15.3	29.9	19.2
	June	19.2	23.4	13.2	23.1	17.9
	September	15.8	13.7	12.8	19.3	19.8
	December	23.0	19.8	21.5	23.3	27.9
1985	March	29.9	25.6	29.1	22.8	36.9
	June	35.1	32.4	34.8	28.3	40.0
	September	34.3	32.3	33.7	30.7	37.6
	December	26.4	27.5	24.9	26.4	26.2
1986	March	22.9	25.9	17.8	25.7	22.6
	June	17.6	21.0	10.7	21.5	17.4
	September	17.3	23.1	9.8	17.9	15.5
	December	17.4	23.7	7.6	19.1	16.3
1987	March	17.7	22.4	10.0	22.4	16.5
	June	19.0	22.2	15.6	23.8	16.6
	September	21.2	24.6	19.4	24.1	17.8
	December	21.5	23.4	22.3	23.1	18.3
1988	March	18.6	20.5	20.1	19.8	15.4
	June	15.5	12.5	21.0	17.2	15.3
	September	12.0	8.4	16.2	16.0	12.9
	December	12.7	13.6	12.8	16.4	10.7
1989	March	12.9	13.3	14.7	16.6	10.4
	June ^{1/}	16.2	22.1	13.5	13.1	9.9
	August	18.3	23.5	16.4	12.4	12.8

Source: National Statistical Institute (INE).

^{1/} Starting in May 1989, the index is based on a consumption basket based on 1988 data.

II. Operations of the Nonfinancial Public Sector

1. Introduction

Since 1985 fiscal policy has been directed toward lowering the public sector deficit and diminishing the role of the public sector in the economy. The deficit of the nonfinancial public sector was reduced from 4.4 percent of GDP in 1984 to 0.4 percent in 1987 largely through tight expenditure policies (Table 10), and in 1988 the nonfinancial public sector moved into a surplus equivalent to 3.6 percent of GDP, helped by the sterilization of most of the windfall gain from high copper prices in the Copper Stabilization Fund (CSF) and unusually high revenues from the privatization of public enterprises. Expenditure policy continued to be restrained, but there was a significant reduction in taxes. Excluding the deposits made to the CSF, the underlying position of the public sector in 1988 amounted to a small surplus of 0.2 percent of GDP.

These trends continued in the first half of 1989. With copper prices remaining at a record high level, the authorities took the opportunity to reduce taxes further, while keeping expenditure policy tight. As a result, the nonfinancial public sector registered a surplus of Ch\$176.0 billion (2.6 percent of GDP at an annual rate). Excluding deposits to the CSF this represented a small surplus of Ch\$26.3 billion or about 0.4 percent of GDP at an annual rate.

Using the fiscal impulse measure as a guide to the noncyclical element of fiscal policy, the slow growth of expenditure in the period 1985-87 is estimated to have had a restrictive impact on economic activity equivalent to around 4.0 percent of GDP on a cumulative basis during this period (Table 11). ^{1/} In 1988 a major reduction in taxes provided a positive stimulus to economic activity estimated at nearly 4 percent of GDP while expenditures continued to exert a strong negative impulse; thus fiscal policy as a whole is estimated to have had a stimulatory impact on the economy equivalent to about 0.6 percent of GDP in 1988.

^{1/} The fiscal impulse attempts to measure the degree of stimulus or restraint imparted to the economy by the public sector in a given year in the absence of cyclical influences. For details on the methodology behind the fiscal impulse measure see: A Review of the Fiscal Impulse Measure, IMF Occasional Paper No. 44 (May 1986).

Table 10. Chile: Summary Operations of the Nonfinancial Public Sector
(In percent of GDP)

	1984	1985	1986	1987	1988	First Half	
						1988	1989
<u>Total revenue</u>	<u>32.8</u>	<u>34.0</u>	<u>32.9</u>	<u>32.8</u>	<u>33.1</u>	<u>16.3</u>	<u>15.2</u>
<u>Current revenue</u>	<u>31.3</u>	<u>33.4</u>	<u>31.9</u>	<u>31.5</u>	<u>31.7</u>	<u>15.2</u>	<u>14.6</u>
General government 1/ Operating surplus of the public enterprises	20.9	20.6	20.6	20.2	18.7	9.1	8.8
10.3	12.8	11.3	11.4	13.0	6.1	5.8	
<u>Net capital revenue</u>	<u>1.5</u>	<u>0.6</u>	<u>1.0</u>	<u>1.2</u>	<u>1.4</u>	<u>1.2</u>	<u>0.6</u>
Revenue	3.4	3.3	4.0	4.3	3.8	2.4	1.2
Less: financial invest- ment and capital transfers	-2.0	-2.7	-3.0	-3.0	-2.4	-1.2	-0.6
<u>Total expenditure</u>	<u>37.1</u>	<u>36.6</u>	<u>34.8</u>	<u>33.1</u>	<u>29.5</u>	<u>14.5</u>	<u>12.6</u>
<u>Current expenditure of the general government</u>	<u>30.8</u>	<u>29.5</u>	<u>27.2</u>	<u>26.2</u>	<u>23.3</u>	<u>11.4</u>	<u>10.1</u>
<u>Fixed investment</u>	<u>6.4</u>	<u>7.0</u>	<u>7.5</u>	<u>6.9</u>	<u>6.2</u>	<u>3.1</u>	<u>2.5</u>
<u>Overall surplus or deficit (-)</u>	<u>-4.4</u>	<u>-2.6</u>	<u>-1.9</u>	<u>-0.4</u>	<u>3.6</u>	<u>1.8</u>	<u>2.6</u>
<u>Financing</u>	<u>4.4</u>	<u>2.6</u>	<u>1.9</u>	<u>0.4</u>	<u>-3.6</u>	<u>-1.8</u>	<u>-2.6</u>
Foreign 2/	2.7	4.1	2.6	1.2	3.4	...	...
Domestic	1.7	-1.5	-0.7	-0.9	-7.1	...	...
<u>Memorandum items</u>							
Nominal GDP (in billions of Chilean pesos)	1,893	2,577	3,246	4,160	5,411	5,411	6,744
Public savings	0.6	3.8	4.7	5.3	8.4	3.8	4.5
Overall balance excluding deposits to CSF	-4.4	-2.6	-1.9	-0.8	0.2	0.5	0.4

Source: Statistical Appendix Tables 29 and 44.

1/ Net of transfers to public enterprises.

2/ Excluding the impact of debt reduction operations.

Table 11. Chile: Fiscal Impulse 1/
(In percent of GDP)

	Revenue Impulse	Expenditure Impulse	Total Impulse
1983	2.9	-3.8	-0.9
1984	-0.7	1.7	0.9
1985	0.2	-1.6	-1.5
1986	0.7	-1.9	-1.2
1987	0.9	-0.7	-0.2
1988	3.9	-3.3	0.6

Source: Fund staff estimates.

1/ Data refer to general government only. Revenues exclude copper companies' tax, and for 1985-88 the proceeds of sales of shares of public sector companies.

2. General government

After recording deficits equivalent to 1.6 percent and 0.5 percent of GDP in 1986 and 1987, the general government accounts shifted to a surplus in 1988 equivalent to 3.3 percent of GDP (Table 12), mostly because of a very sharp drop in current expenditure as a share of GDP. As a result, the current account surplus rose by 3.2 percent of GDP. The deficit on the capital account was reduced by 0.6 percent of GDP reflecting lower fixed investment and higher capital revenues.

a. Revenue

After holding steady at about 29 percent of GDP over 1985-87, total revenues of the general government rose slightly to 29.5 percent of GDP as much of the upswing in tax revenues from copper companies was offset by reductions in other taxes. Because of the sharp rise in world copper prices, net income tax paid by copper companies more than quadrupled from 1.1 percent of GDP in 1987 to 4.7 percent in 1988 (Table 13). Nonetheless, revenues from many other taxes fell as a result of reductions in tax rates in 1988 as well as in previous years.

Table 12. Chile: Summary Operations of the General Government
(In percent of GDP)

	1984	1985	1986	1987	1988
<u>Total revenue</u>	29.9	29.0	28.9	29.0	29.5
Current revenue	28.8	28.6	28.1	28.4	28.7
Net capital revenue <u>1/</u>	1.1	0.4	0.8	0.6	0.8
<u>Total expenditure</u>	33.4	32.6	30.5	29.6	26.1
Current expenditure	30.8	29.5	27.2	26.2	23.3
Capital expenditure	2.6	3.1	3.3	3.4	2.9
<u>Overall surplus or deficit (-)</u>	-3.5	-3.6	-1.6	-0.5	3.3
Current account	-2.0	-0.9	0.9	2.2	5.4
Capital account	-1.5	-2.7	-2.5	-2.7	-2.1
<u>Financing</u>	3.5	3.6	1.6	0.5	-3.3
Foreign	0.8	3.1	2.3	1.8	3.6 <u>2/</u>
Domestic	2.7	0.5	-0.7	-1.3	-6.9 <u>2/</u>

Source: Statistical Appendix Tables 29 and 45.

1/ Capital revenue less financial investment and capital transfers.

2/ Breakdown not available.

Table 13. Chile: General Government Revenue

(In percent of GDP)

	1984	1985	1986	1987	1988
<u>Total revenue</u>	<u>29.9</u>	<u>29.0</u>	<u>28.9</u>	<u>29.0</u>	<u>29.5</u>
<u>Current revenue</u>	<u>28.8</u>	<u>28.6</u>	<u>28.1</u>	<u>28.4</u>	<u>28.7</u>
Tax Revenue	23.8	23.2	23.4	23.7	24.0
Taxes on income and property	4.7	3.7	3.7	4.2	7.5
Personal and business					
income tax	3.2	3.0	3.0	2.9	2.7
Copper companies' net tax	1.2	0.5	0.5	1.1	4.7
Property tax	0.2	0.2	0.2	0.2	0.1
Taxes on goods and services	14.3	15.1	15.8	15.9	14.3
Value-added tax, net <u>1/</u>	9.5	9.5	9.9	9.9	8.9
Excise tax	2.8	3.0	3.3	3.1	2.3
Stamp tax	0.6	0.8	0.8	0.8	0.5
Other	0.1	--	--	0.1	0.1
Taxes on international trade	3.3	3.6	3.0	3.5	2.8
Social security tax	2.8	2.4	2.5	2.2	1.9
Other taxes, net of VAT rebates	-1.3	-1.6	-1.7	-2.1	-2.5
Nontax revenue	5.0	5.4	4.8	4.6	4.7
Profits transfers from					
government enterprises	0.7	1.0	1.1	1.8	2.0
Sales of goods and services	2.5	2.6	2.3	1.3	1.2
Other revenue	1.8	1.8	1.5	1.5	1.6
<u>Net capital revenue</u>	<u>1.1</u>	<u>0.4</u>	<u>0.8</u>	<u>0.6</u>	<u>0.8</u>
Revenue	3.2	3.0	3.4	3.6	3.4
Less: financial investment					
and other capital transfers	-2.1	-2.6	-2.7	-3.1	-2.6

Source: Statistical Appendix Tables 29 and 46.

1/ Net of rebates.

Receipts from the personal and business income tax (excluding copper companies) declined from 3.2 percent of GDP in 1984 to 2.7 percent in 1988, reflecting the impact of the 1984 reform of the income tax. Revenues from the value added tax fell from 9.9 percent of GDP in 1987 to 8.9 percent in 1988, because of the reduction in the value added tax rate from 20 to 16 percent in June. Collection of taxes on international trade declined by 0.7 percent of GDP in 1988, mainly reflecting the lowering of the import tariff from 20 to 15 percent in January. Excise tax receipts dropped from 3.1 percent of GDP in 1987 to 2.3 percent in 1988, resulting from a lowering of luxury taxes and the elimination of the variable tax on gasoline and of the 2 percent payroll tax. Revenues from social security contributions also declined, to 1.9 percent of GDP in 1988, reflecting the gradual phasing out of the state system. Non-tax revenues rose slightly mainly due to higher profits from public enterprises while net capital revenue improved in 1988 because of a sharp increase in revenue from the sale of shares of public enterprises.

Additional revenue reducing measures were taken in the first quarter of 1989. The most important of these was a change in the administration of the company tax with the aim of improving incentives for the reinvestment of profits. Although the tax rate remains 10 percent, companies now pay tax only on distributed profits rather than on accrued profits as under the former system; this is expected to result in a one-time cash revenue loss for the public sector of around Ch\$20 billion (0.3 percent of GDP) in 1989. ^{1/} Other tax measures implemented at the beginning of 1989 include a reduction of the graduated additional tax on automobiles ("impuesto de cilindrada"), and the extension of the VAT drawback scheme for exporters of goods to exporters of services, in particular tourism. Despite these changes, tax revenues, particularly income tax revenues, in the first half of 1989 were more buoyant than expected due mainly to the impact of higher economic activity.

Looking at the Chilean tax system over the last 10-15 years, tax revenues (excluding copper companies' taxes and social security contributions) have fallen sharply as a share of GDP and there has been a marked redistribution in the burden of taxation away from direct taxes toward indirect taxes. Tax revenues (as defined above) as a share of GDP fell from 21.1 percent in 1975 to 17.4 percent in 1988 and are projected to fall further to 15.8 percent in 1989 (Table 14). The current tax ratio is in line with that observed in many other Latin American countries, but in contrast to the Chilean experience, these other countries have increased the share of taxes in GDP over 1975-88, often in the form of higher indirect taxes to stem the deterioration in their public finances.

^{1/} In Chile the income tax paid by corporations is exactly offset by a tax credit to shareholders for the value of the tax. Thus, this income tax does not provide any net revenue to the General Government and the change in the base will have no revenue impact in the long run.

Table 14. Chile: International Comparison of Tax Burden ^{1/}
(In percent of GDP)

	1975	1980	1985	1988
Chile ^{2/}				
<u>Total direct and indirect taxes</u>	<u>21.1</u>	<u>18.8</u>	<u>20.4</u>	<u>17.4</u>
Direct taxes	6.5	5.4	3.1	2.9
Income taxes	5.8	5.3	3.0	2.7
Paid by individuals	3.1	2.5	0.9	0.8
Paid by companies	2.7	2.8	2.1	1.9
Indirect taxes	14.6	13.4	17.3	14.5
Costa Rica				
<u>Total direct and indirect taxes</u>	<u>12.5</u>	<u>11.6</u>	<u>15.0</u>	<u>14.2</u>
Direct taxes	2.7	2.6	2.8	2.6
Income taxes	2.6	2.4	2.5	2.3
Paid by individuals	2.6	2.4	2.4	2.1
Paid by companies	--	--	0.1	0.1
Indirect taxes	9.9	9.0	12.2	11.5
Argentina				
<u>Total direct and indirect taxes</u>	<u>8.3</u>	<u>16.8</u>	<u>16.1</u>	<u>15.5</u>
Direct taxes	1.3	4.5	3.8	4.3
Income taxes	1.1	3.1	2.2	3.3
Paid by individuals	1.0	3.1	2.2	3.3
Paid by companies	0.1	--	--	--
Indirect taxes	7.0	12.3	12.3	11.2
Brazil				
<u>Total direct and indirect taxes</u>	<u>11.7</u>	<u>16.9</u>	<u>15.9</u>	<u>23.1</u> ^{3/}
Direct taxes	4.7	3.2	4.8	4.8
Income taxes	4.7	2.8	4.5	4.4
Paid by individuals	1.7	0.3	0.2	0.2
Paid by companies	2.9	2.5	4.4	4.3
Indirect taxes	7.0	13.7	11.1	18.3
Mexico				
<u>Total direct and indirect taxes</u>	<u>12.8</u>	<u>15.2</u>	<u>16.3</u>	<u>16.9</u>
Direct taxes	6.0	5.8	4.2	4.6
Income taxes	4.6	5.8	4.2	4.6
Paid by individuals	2.1	2.4	2.0	1.7
Paid by companies	2.4	3.4	2.2	2.8
Indirect taxes	6.8	9.4	12.2	12.3
Uruguay				
<u>Total direct and indirect taxes</u>	<u>12.4</u>	<u>16.9</u>	<u>15.1</u>	<u>15.6</u> ^{4/}
Direct taxes	1.9	3.2	2.5	2.5
Income taxes	1.3	2.4	1.6	1.6
Paid by individuals	0.4	0.5	0.6	0.5
Paid by companies	1.0	1.9	1.0	1.1
Indirect taxes	10.5	13.7	12.7	13.0

Source: IMF, Government Finance Statistics.

^{1/} Excluding social security contributions.

^{2/} Excluding copper companies' taxes.

^{3/} 1986.

^{4/} 1987.

b. Expenditure

Reflecting the need to bring down the level of the public sector deficit and the authorities' commitment to reducing the role of the public sector in the economy, the level of government expenditure has been cut substantially in recent years and particularly in 1988, when general government expenditure was reduced by 3.5 percentage points of GDP to 26.1 percent of GDP (Table 15). This was fully 7.3 percentage points of GDP less than the level recorded in 1984. The authorities' tight spending policy was reflected in virtually all expenditure categories over this period, but wages and salaries, subsidies and transfers, and social security payments were most heavily affected. The progressive elimination of formerly large scale public employment programs since 1984 also explain 2 percentage points of GDP of reduction in transfers between 1984 and 1988.

Table 15. Chile: General Government Expenditure
(In percent of GDP)

	1984	1985	1986	1987	1988
<u>Total expenditure</u>	<u>33.4</u>	<u>32.6</u>	<u>30.5</u>	<u>29.6</u>	<u>26.1</u>
<u>Current expenditure</u>	<u>30.7</u>	<u>29.5</u>	<u>27.2</u>	<u>26.2</u>	<u>23.3</u>
Wages and salaries	6.4	5.8	5.3	4.8	4.4
Purchases of goods and services	3.4	3.2	3.0	3.3	2.7
Social security payments to private recipients	10.1	9.0	8.7	8.0	7.2
Transfer and subsidy payments to private sector	8.2	8.0	7.6	7.0	5.8
Interest on public debt	2.4	3.2	2.4	2.9	3.0
Other	0.2	0.3	0.3	0.2	0.2
<u>Fixed investment</u>	<u>2.6</u>	<u>3.1</u>	<u>3.3</u>	<u>3.4</u>	<u>2.9</u>

Source: Statistical Appendix Tables 29 and 47.

In contrast to earlier years, when public sector wage increases did not fully compensate for inflation, during 1988 the authorities' policy was oriented toward maintaining real wages. Wages and salaries in the public sector were increased by an average of 10 percent in June 1988,

with lower paid employees receiving a larger increase. A further wage increase of 10 percent was granted in February 1989 to compensate for inflation since June 1988. Pensions for those still covered by the state system were adjusted in March 1988 on average in line with inflation. The adjustment was made on a sliding scale; higher pensions (over Ch\$100,000 per month) were increased by only two thirds of the intervening rise in prices while those at the lower end of the scale (less than Ch\$50,000 per month) were increased by 10 percent in real terms. A further general increase in pensions of 10 percent was given in January 1989 to compensate for cumulative inflation since the previous adjustment. Transfer and subsidy payments to the private sector declined sharply in 1988 reflecting improved economic activity and the further winding down of special public sector employment programs. After rising steadily in terms of GDP over 1984-87, investment outlays of the General Government declined slightly to 2.9 percent of GDP in 1988, reflecting the completion of a number of projects begun in 1986-87.

Expenditure policy remained restrained in the first half of 1989. The current expenditures of the general government declined from 11.4 percent of GDP in the first half of 1988 to 10.1 percent in the same period of 1989, reflecting further cuts in subsidies and transfers as well as a reduction in real terms in purchases of goods and services. Investment expenditure remained very tight in the first half of the year compared with the same period in 1988, because of the winding down of some programs, and also the postponement of some investment outlays to the second half of the year.

3. Operations of the public enterprises

Public sector enterprises are mainly in the minerals, energy, transportation and communications sectors. In general, the enterprises follow market-oriented pricing policies and are managed efficiently. Since 1985 the authorities have privatized a number of enterprises held by the state holding company (CORFO) as part of their plan to reduce government involvement in nonstrategic economic sectors. Between 1985 and 1988, eleven enterprises were fully privatized, while five others became majority owned by the private sector (Table 16). In 1988 capital revenue from sales of shares in public enterprises reached Ch\$94.4 billion (1.7 percent of GDP), about double that obtained in 1987. The operating surplus of the public enterprises as a group improved sharply in 1988 largely as a result of the surge in revenues from copper sales by CODELCO (Table 17), which went to the central government in the form of taxes or transfers. The current account surplus after taxes and transfers declined slightly, but with the restrained growth of capital expenditure, the overall surplus of the public enterprises widened slightly in 1988 to 0.3 percent of GDP.

Table 16. Chile: Enterprises in the Process of Privatization
(Percentage of shares held by CORFO; end of period)

	1985	1986	1987	1988	Proj. 1989
CTC	91.7	89.5	46.0	15.0	--
Soquimich	92.8	43.2	18.0	--	--
Entel	99.9	70.0	67.0	38.0	6.0
ECOM	100.0	--	--	--	--
Lab Chile	74.1	73.6	48.0	--	--
LAP	51.0	48.0	--	--	--
Chilmetro <u>1/</u>	83.5	36.6	--	--	--
Chilquinta <u>1/</u>	82.4	36.0	--	--	--
Chilgener <u>1/</u>	95.2	64.6	35.0	--	--
Telex	100.0	--	--	--	--
Iansa	99.6	54.3	51.0	--	--
Enaex	100.0	95.4	--	--	--
Colbun	98.2	98.2	98.2	98.2	98.2
Endesa	98.2	98.2	79.5	43.0	--
Soc. Chil. Litio	45.0	45.0	45.0	20.0	20.0
Schwager	100.0	100.0	65.0	46.0	--
Edelmag	100.0	100.0	87.0	--	--
Lan Chile	98.6	98.6	98.6	84.0	33.0

Source: CORFO.

1/ Originated from the split-up of CHILECTRA.

Table 17. Chile: Operations of the Public Enterprises

(In percent of GDP)

	1984	1985	1986	1987	1988
<u>I. All Public Enterprises</u>					
<u>Operating surplus before</u>					
<u>taxes and transfers</u>	10.3	12.8	11.3	11.4	13.0
Taxes and transfers	7.8	8.0	7.5	8.2	10.0
<u>Current account surplus</u>	2.6	4.8	3.7	3.2	3.0
Capital revenue	0.3	0.1	0.2	0.5	0.6
Capital expenditure	3.7	3.9	4.3	3.6	3.3
<u>Overall surplus or deficit (-)</u>	-0.8	1.1	-0.3	0.1	0.3
<u>II. CODELCO</u>					
<u>Operating surplus before</u>					
<u>taxes and transfers</u>	3.1	4.9	4.4	4.8	8.8
Taxes and transfers	2.9	2.5	2.6	3.2	6.6
<u>Current account surplus</u>	0.2	2.4	1.9	1.6	2.2
Capital revenue	0.2	0.1	--	0.1	0.1
Capital expenditure	1.4	1.9	2.2	1.7	1.8
<u>Overall surplus or deficit (-)</u>	-1.0	0.5	-0.3	0.1	0.5
<u>III. ENAP</u>					
<u>Operating surplus before</u>					
<u>taxes and transfers</u>	5.0	5.6	3.9	4.0	2.9
Taxes and transfers	4.3	4.6	3.5	3.3	2.5
<u>Current account surplus</u>	0.7	1.0	0.4	0.7	0.3
Capital revenue	--	--	--	--	--
Capital expenditure	0.5	0.6	0.6	0.5	0.3
<u>Overall surplus or deficit (-)</u>	0.3	0.5	-0.2	0.2	--
<u>IV. Other Public Enterprises</u>					
<u>Operating surplus before</u>					
<u>taxes and transfers</u>	2.3	2.3	2.9	2.5	1.3
Taxes and transfers	0.7	0.9	1.4	1.7	0.9
<u>Current account surplus</u>	1.6	1.4	1.5	0.8	0.4
Capital revenue	0.1	--	0.2	0.4	0.6
Capital expenditure	1.8	1.4	1.4	1.4	1.2
<u>Overall surplus or deficit (-)</u>	-0.1	0.1	0.3	-0.2	-0.2

Sources: Statistical Appendix Tables 29 and 48.

a. State copper company (CODELCO)

With copper prices averaging US\$1.14 per pound in 1988 compared with US\$0.74 a pound in 1987, the operating surplus of CODELCO increased by 4 percentage points of GDP in 1988 to 8.8 percent of GDP despite slightly lower output. ^{1/} Capital expenditure by CODELCO continued to be strong in 1988, reaching 1.8 percent of GDP, as part of a plan to improve the efficiency of the extraction and processing of copper ore and raise capacity over the next few years. Revenues continued to grow strongly in the first half of 1989 as copper prices averaged US\$1.37 a pound, notwithstanding an explosion of a flash furnace in the first quarter (which reduced production by around 25,000 MT), and continuing problems with sales of by-products in the second quarter.

b. State petroleum company (ENAP)

ENAP is the sole producer and refiner of crude petroleum and natural gas in Chile. Production declined steadily in 1984-88 with the progressive depletion of Chile's domestic oilfields, and ENAP increased its imports of crude petroleum significantly in this period to meet domestic consumption for refined oil and gas products. Because refined products may be freely imported, ENAP maintains a competitive pricing policy, and its selling prices are based on Caribbean spot prices for refined products delivered in Chile.

ENAP's operating surplus declined sharply in 1988 to 2.9 percent of GDP from 4 percent of GDP in 1986-87 reflecting the impact of falling domestic production and the lowering of the excise tax on gasoline. However, by containing investment outlays, ENAP's overall financial position was maintained in balance.

c. Other enterprises

The program of privatization that began in 1985 continued in 1988, when Soquimich, Lab Chile, Chilgener, Iansa, and Edelmag became wholly privatized, and CORFO became a minority shareholder in Entel, Endesa, and Schwager. Most of the privatized enterprises ran current and overall surpluses. Mainly reflecting this process of privatization, the overall position of the public enterprises, excluding CODELCO and ENAP, shifted from a small surplus to a small deficit between 1986-88.

^{1/} Output was lower partly due to a rock-burst in the El Teniente mine at the end of 1987.

III. Financial Intermediation ^{1/}

1. Introduction

In 1985-88 Chile's financial system began to recover from the crisis of 1982-83, when a large amount of assets had become nonperforming following the steep drop in output and the sharp real depreciation of the peso in 1982. In those years the Central Bank mounted a rescue operation which involved mainly purchasing the substandard loan portfolio of financial institutions, ^{2/} and also provided several types of subsidies to the banking system in 1983-85, resulting in sizable losses in these years. The implementation of the program to restore the solvency of the financial system, coupled with the economic recovery, resulted in a steady improvement in the profitability and stability of the financial system in recent years and by 1987 almost all the subsidies had been phased out.

Reflecting these developments, net domestic credit of the Central Bank and the financial system expanded rapidly in 1984-85, financed mostly by the use of medium- and long-term foreign liabilities, and then grew more slowly in 1986-87. Net domestic credit of the financial system grew very little in 1988 as the public sector sterilized much of the copper windfall in the Copper Stabilization Fund (CSF), leading to a sharp decline in credit to the public sector and a sizable gain in net official international reserves. Medium- and long-term foreign liabilities of the financial system fell sharply between 1985 and 1988 as a result of the conversion of about US\$3.5 billion of external debt of financial institutions.

2. Monetary policy

In recent years monetary policy has been mainly aimed at targeting a level of real domestic interest rates that would be consistent with the objectives for growth, inflation, savings, and the balance of payments. Most financial instruments in Chile are indexed and the Central Bank is able to influence the level of domestic real interest rates through open market operations in indexed instruments of the Central Bank. By focusing more on real interest rates than on quantitative variables, the authorities have allowed wide swings in the rate of growth of narrow money.

^{1/} The financial system of Chile consists of the banking system and the nonbank financial intermediaries. The banking system comprises the Central Bank, the Banco del Estado (a publicly owned entity which is the largest commercial bank), and the rest of the commercial banks, including the former development banks.

^{2/} For a fuller description of this program, see SM/84/66, Appendices III and IV; SM/86/164, pp. 39-42; and SM/87/166, Appendix III.

In an effort to slow inflation and import growth, the Central Bank acted to raise the real interest rate on its 90-day open market instrument gradually from 3 percent in December 1986 to 5 percent in October 1987, generating an equivalent increase in lending and deposit rates in the financial system (Statistical Appendix Table 51). Partly in response to the international stock market crash in October 1987 and the subsequent decline in world interest rates, but also in view of the downturn in inflation and import growth in Chile, the central bank rate was reduced to 4.1 percent by January 1988.

During the first seven months of 1988 the Central Bank kept real interest rates constant because inflation and import growth appeared to be under control, even though the growth of narrow money rose sharply in this period. In early August, however, the Central Bank acted to raise its 90-day real interest rate to 4.8 percent in an attempt to maintain the demand for indexed financial instruments in the face of the reduction in the value added tax by 4 percentage points in June 1988. This measure created the expectation that inflation would be negative in the months following the reduction and induced a shift of savings from indexed assets to nonindexed instruments (including narrow money) where the real return was expected to be higher.

Subsequently, the 12-month rate of growth of narrow money jumped from 35 percent in July 1988 to 58 percent in October. The authorities initially interpreted this behavior as an increased preference for liquidity in response to political uncertainty surrounding the October plebiscite. As it became clear, however, that inflationary pressures and import growth were increasing significantly, the Central Bank further raised its 90-day real interest rate in several steps to 6.8 percent by early September 1989. In addition, the Central Bank introduced in April a new open market instrument with a maturity of 10 years, compared with a maximum of 360 days previously. This step was intended to raise the average maturity of the Central Bank's portfolio of open market instruments and enhance its control over the monetary base. The rate of growth of narrow money slackened to 19 percent in the year ended August 1989.

3. Central bank operations

In the period 1984-85, the Central Bank absorbed the substantial losses of the financial system and provided a significant amount of subsidies to private debtors, virtually doubling its net domestic credit in each of those years. This credit expansion was financed in large part by a sharp increase in its net medium- and long-term foreign liabilities as the Central Bank received all the external loans from the new money packages with commercial banks during 1983-86. Also in the context of the rescheduling agreements, private debtors placed peso deposits in the Central Bank as their external debt service became due and these deposits are recorded as an increase in medium- and long-term liabilities.

In 1986-87 the expansion of net domestic credit of the Central Bank decelerated to 70 percent a year, reflecting the decline in subsidies and a tightening of monetary policy in 1987 (Table 18). The increase in net medium- and long-term foreign liabilities fell off sharply, with the end of new money from commercial banks and growing conversions of the Central Bank's external debt. The growth of currency issued slowed to 7 percent in 1987, while other central bank liabilities to the private sector grew by about 35 percent a year, reflecting the issue of peso-denominated bonds in exchange for central bank external debt converted through the debt conversion mechanisms.

In 1988 the public sector sterilized most of copper windfall and both central bank net credit to the nonfinancial public sector and total net domestic credit fell by 40 percent, which was matched by a 44 percent increase in net official international reserves. Central bank liabilities to the private sector grew by 39 percent, while net medium- and long-term foreign liabilities fell by 35 percent, reflecting mostly the conversion of US\$830 million of external debt, including a direct buyback of US\$299 million.

In the first half of 1989, central bank net credit to the public sector continued to decline, but its total net domestic credit expanded by 12 percent. Conversion of medium- and long-term foreign liabilities into domestic debt obligations led to a sharp reduction in central bank medium- and long-term external debt and contributed to a rapid expansion of liabilities to the private sector, even though currency remained flat.

By phasing out subsidies in the period 1985-87, the Central Bank lowered its cash operating deficit from some 12 percent of GDP in 1985 to about 3.8 percent of GDP in 1987. ^{1/} In 1988, however, the cash operating deficit declined only slightly to 3.7 percent of GDP, as most subsidies had been eliminated. The deficit now mainly results from net interest payments abroad on the large amount of net external debt. Also, although it is a net creditor in instruments denominated in Chilean pesos, the Central Bank incurs a small amount of losses on these operations.

4. Operations of the financial system

After growing by an average of 33 percent a year in 1986-87, the net domestic credit of the financial system rose by only 4 percent in 1988 (Table 19). The nonfinancial public sector built up net deposits by the equivalent of 16 percent of liabilities to the private sector in 1988 and the growth of credit to the private sector fell from about 38 percent a year in 1986-87 to 24 percent in 1988, as higher corporate profits allowed firms to finance a smaller share of projects through the use of credit.

^{1/} The numbers are based on staff estimates of the cash operating position of the Central Bank.

Table 18. Chile: Operations of the Central Bank
(Percentage change with respect to liabilities to the private sector at the beginning of the period)

	1984	1985	1986	1987	1988	June 1989
<u>Net international reserves</u>	<u>-13.0</u>	<u>-1.6</u>	<u>6.7</u>	<u>-13.4</u>	<u>44.0</u>	<u>5.2</u>
<u>Net domestic credit</u>	<u>174.3</u>	<u>189.3</u>	<u>69.3</u>	<u>73.7</u>	<u>-39.0</u>	<u>12.1</u>
Net credit to the nonfinancial						
public sector <u>1/</u>	69.8	-50.1	-10.1	-13.0	-38.5	...
SINAP	18.0	21.0	6.7	4.9	2.8	...
Credit to the private sector	-0.9	0.4	3.0	-4.7	-0.1	...
Net credit to financial						
intermediaries	-30.4	18.6	2.6	70.2	-14.2	...
Capital and reserves <u>2/</u>	55.0	-29.9	-12.4	-14.4	-69.3	...
Other	62.8	239.6	79.5	30.7	80.1	...
<u>Net medium- and long-term foreign liabilities <u>3/</u></u>	<u>133.6</u>	<u>98.0</u>	<u>31.7</u>	<u>15.8</u>	<u>-34.9</u>	<u>-21.1</u>
<u>Liabilities to the private sector</u>	<u>27.5</u>	<u>89.7</u>	<u>44.3</u>	<u>44.5</u>	<u>39.3</u>	<u>38.4</u>
Currency	10.6	10.9	10.9	7.0	8.2	--
Other <u>4/</u>	17.0	78.8	33.3	37.5	31.1	38.4
<u>Memorandum items</u>						
Total net foreign liabilities	146.7	99.6	25.0	29.2	-78.9	-26.3
Inflation rate (CPI Dec.-Dec.)	23.0	26.4	17.4	21.5	12.7	8.2

Source: Statistical Appendix Table 52.

1/ Excludes holdings of treasury notes on account of the 1983-86 capitalization of the Central Bank. These notes are included in other assets.

2/ Minus equals increase in capital and reserves.

3/ Includes foreign liabilities on account of deposits placed by the corporate sector in the Central Bank in the context of the 1985-86 rescheduling agreements with foreign commercial banks.

4/ Mainly medium-term notes issued by the Central Bank.

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

	1984	1985	1986	1987	1988	June 1989
<u>Net international reserves</u>	<u>14.1</u>	<u>-5.0</u>	<u>-1.1</u>	<u>-7.3</u>	<u>8.4</u>	<u>-1.3</u>
Central Bank	-2.6	-0.3	1.6	-3.4	11.3	1.4
Rest of the financial system	16.7	-4.7	-2.7	-3.9	-2.9	-2.7
<u>Net domestic credit</u>	<u>60.1</u>	<u>72.9</u>	<u>32.4</u>	<u>33.7</u>	<u>3.9</u>	<u>7.9</u>
Nonfinancial public sector (net)	2.6 ^{1/}	-8.3 ^{1/}	-3.7	-3.7	-16.2	-8.8
Private sector	45.7	47.9	39.6	36.9	24.2	11.3
Other (net)	11.8	33.3	-3.5	0.5	-4.1	5.4
<u>Net medium- and long-term foreign liabilities</u>	<u>44.9</u>	<u>18.1</u>	<u>-2.5</u>	<u>-14.9</u>	<u>-23.0</u>	<u>-13.0</u>
Central Bank ^{2/}	26.3	20.6	7.5	4.0	-8.8	-5.6
Rest of financial system	18.6	-0.5	-10.0	-18.9	-14.2	-7.4
<u>Liabilities to the private sector</u>	<u>29.3</u>	<u>49.7</u>	<u>33.8</u>	<u>41.3</u>	<u>35.3</u>	<u>19.7</u>
Money	2.2	1.7	4.7	1.2	7.6	-3.1
Other liabilities ^{3/}	27.1	48.0	29.1	40.1	27.7	22.8
<u>Memorandum items</u>						
<u>Total net foreign liabilities</u>	<u>30.8</u>	<u>23.1</u>	<u>-1.4</u>	<u>-7.6</u>	<u>-31.3</u>	<u>-11.7</u>
Central Bank	28.9	18.9	5.9	7.4	-20.1	-7.0
Rest of financial system	1.9	4.2	-7.3	-15.0	-11.2	-4.7
<u>Inflation rate (CPI; Dec.-Dec.)</u>	<u>23.0</u>	<u>26.4</u>	<u>17.4</u>	<u>21.5</u>	<u>12.7</u>	<u>8.2</u>

Source: Statistical Appendix Table 53.

^{1/} Excludes increases in holdings of treasury notes on account of the 1983-86 capitalization of the Central Bank. These notes are included in other assets.

^{2/} Includes liabilities on account of deposits placed by the corporate sector in the context of the rescheduling agreements with foreign commercial banks.

^{3/} Includes time and savings deposits, mortgage bonds, and central bank notes.

Because of US\$1.6 billion of debt conversions, net medium- and long-term foreign liabilities fell by 23 percent in 1988, the third consecutive year in which these liabilities declined. Net international reserves of the financial system rose by over 8 percent, reflecting the buildup of central bank reserves due to high copper prices.

In the first half of 1989, net credit to the nonfinancial public sector continued to contract while credit to the private sector continued to expand at roughly the same rate as the previous year. Conversions of external debt remained very strong, reducing the banks' medium- and long-term foreign liabilities even further and contributing to strong growth of liabilities to the private sector. Money, however, fell by 3 percent in nominal terms because of the rise in interest rates and the tightening of monetary policy. Net international reserves declined as banks increased their use of credit lines abroad in response to the higher domestic interest rates.

Financial assets of the private sector (which are almost identical to the financial system's liabilities to the private sector) registered strong real growth in the period 1985-88, reflecting improved confidence in the banking system and the economy, the impact of debt conversions, and most importantly the growth of private pension funds. The share of financial assets held by the private pension funds has risen strongly since 1983, reflecting the gradual transfer of the social security system into a system of private funding. By the end of 1988 the pension funds accounted for 32 percent of the total financial assets in the economy, equivalent to about 16 1/2 percent of GDP (Table 20). At the end of 1988, 50 percent of the portfolios of the pension funds was invested in instruments of domestic and foreign banks, 35 percent in instruments of the Central Bank or the General Government, and the balance in claims on private enterprises. Because these funds have become an important source of financing for investment, regulations were issued in May 1989 that expanded their investment opportunities. These funds are now allowed to invest up to 7 percent of their total portfolios, compared with 5 percent previously, in corporations that satisfy the official guidelines on risk and concentration of ownership, and up to 1 percent in corporations that do not meet these standards. Also pension funds were allowed to buy shares in real estate investment companies up to 1 percent of their net worth.

While total financial assets grew steadily and rapidly, the holdings of narrow money fluctuated in recent years. After falling in 1984-85, the stock of narrow money rose by 26 percent in real terms in 1986 as both real interest rates and inflation declined. In 1987 the rise in real interest rates, together with the upsurge in inflation, led to a 3 percent decline in real money balances (Table 21). By contrast, the real stock of narrow money rose by 30 percent in 1988, reflecting the decline in inflation in the first half of the year as well as possibly the impact of political uncertainty in the second half. The tightening of monetary policy in early 1989 slowed the real growth of narrow money to about 6 percent in June 1989.

Table 20. Chile: Distribution of Financial Assets
Held by Private Sector

(As percent of total holdings)

	1984	1985	1986	1987	1988
<u>By holder</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Private social security funds	21.4	24.8	28.1	29.9	31.7
Rest of the private sector	78.6	75.2	71.9	70.1	68.3
<u>By issuer</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Treasury	6.7	5.0	4.5	2.1	0.8
Financial system	93.3	95.0	95.5	97.9	99.2
Central Bank	11.6	15.6	17.1	19.9	20.2
Rest of the financial system	81.7	79.4	78.4	78.0	79.0
<u>By asset</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Narrow money	13.5	11.5	12.3	9.4	11.4
Other assets <u>1/</u>	86.5	88.5	87.7	90.6	88.6

Source: Central Bank of Chile.

1/ Includes time and savings deposits, mortgage bonds, central bank notes, and treasury notes.

Because of stronger economic activity and the large amount of debt conversions, the surplus of financial institutions rose to 20 percent of capital in 1987 and 28 percent in 1988. As a result, in these two years these institutions were able to repurchase a total of Ch\$86 billion of the substandard portfolio purchased by the Central Bank in 1983-84, compared with Ch\$8 billion in 1986. Another Ch\$23 billion was repurchased in the first six months of 1989. The value of the substandard portfolio was about Ch\$1,120 billion by June 1989, equivalent to 30 percent of financial system credit to the private sector at the end of 1988.

In 1988 and early 1989 the authorities made a number of modifications to the 1986 banking law. In August 1988 a provision was added to the banking law to allow the conversion of deposits into capital in the event of severe financial difficulties. In 1989 mergers between banks were allowed provided that they did not violate the rules on the degree of concentration in the banking system and that the merger was friendly. Banks were also permitted to issue certain categories of subordinated debt which could be regarded as secondary capital. In addition, the legal nature of the banks' obligations to repurchase their substandard loan portfolio held by the Central Bank was changed to minimize the possibility for legal disputes, but there was no change in the interest rate paid by the banks or the term within which the banks must carry out the repurchase.

Table 21. Chile: Holdings of Financial Assets
by the Private Sector 1/

(Rate of growth, in percent)

	1984	1985	1986	1987	1988	June 1989 <u>2/</u>
<u>Changes in nominal stocks</u>	31.3	50.5	35.7	39.7	30.2	34.6
Narrow money	11.1	36.1	48.0	17.9	46.6	23.7
Other assets	36.0	54.0	34.6	44.2	27.5	36.4
Quasi-money <u>3/</u>	31.9	48.8	30.9	44.4	28.9	31.4
Central bank notes	46.3	101.1	49.4	62.1	32.0	56.7
Treasury notes	15.5	13.9	20.1	-33.5	-49.5	-35.2
<u>Changes in real stocks <u>4/</u></u>	6.7	19.1	15.6	15.0	15.5	15.8
Narrow money	-9.7	7.7	26.1	-3.0	30.1	6.5
Other assets	10.6	21.8	14.7	18.7	13.1	17.4
Quasi-money <u>3/</u>	7.2	17.7	11.5	18.8	14.4	13.1
Central bank notes	18.9	59.1	27.3	33.4	17.1	34.9
Treasury notes	-6.1	-9.9	2.3	-46.3	-54.3	-44.2
<u>Memorandum items</u>						
<u>Changes in real stocks <u>4/</u></u>	6.7	19.1	15.6	15.0	15.5	
Held by private social security funds	31.7	37.7	31.2	22.2	22.8	
Held by rest of the private sector	1.5	6.8	14.0	8.2	12.5	

Source: Central Bank of Chile.

1/ Foreign currency deposits are valued at the end-of-period exchange rate.

2/ 12-month percentage change.

3/ Includes time and savings deposits, mortgage bonds, and foreign currency deposits.

4/ Nominal changes deflated by changes in the consumer price index.

IV. External Sector

1. Overview

Chile's current account deficit fell from over US\$2 billion (10.7 percent of GDP) in 1984 to US\$0.2 billion (0.8 percent of GDP) in 1988, helped by cautious demand policies, a sizable real depreciation of the peso between 1985 and 1987, and the surge in copper prices in 1988 (Table 22). Net capital inflows declined from an average of US\$1.7 billion in 1984-85 to US\$0.7 billion in 1987, as new money packages from commercial banks were phased out, but rose again to almost US\$1.2 billion in 1988 because of growing disbursements from project lending and debt relief through interest retiming. The overall balance of payments was close to equilibrium in the 1984-87 period, and registered a surplus of US\$1 billion in 1988. In addition, during the four years through 1988 over US\$6.6 billion of debt was extinguished through various debt conversion mechanisms; total outstanding debt declined from US\$18.4 billion at end 1984 to US\$17.6 billion at end 1988.

In the first half of 1989, the balance of payments registered an overall surplus of US\$160 million, compared with US\$450 million in the first half of 1988, reflecting a sizable deterioration in the current account balance, which was partly offset by higher short-term capital inflows. In the same period, external debt conversions amounted to US\$1.3 billion, a significantly lower amount than in the second half of 1988, when some US\$2 billion had been converted.

2. The current account

The US\$2 billion improvement in Chile's external current account between 1984 and 1988 reflected a strengthening in the trade balance. Net factor service payments declined through 1987, but rose again in 1988 because of higher international interest rates and increased profit remittances. In the first half of 1989 the current account deficit widened to US\$520 million, compared with US\$35 million in the first half of 1988, mainly reflecting a further increase in interest obligations and the fast growth of imports.

a. Exports

From 1984 to 1988 exports nearly doubled in U.S. dollar terms, reflecting a virtual doubling in copper prices in 1987-88 and strong growth of noncopper exports, which rose by about 12 percent a year in volume terms (Table 23). The volume of Chile's copper exports remained almost unchanged in the period 1985-88 (Statistical Appendix Table 56) as increases in mining and processing capacity were only sufficient to offset a gradual decline in the mineral content of the ores.

Table 22. Chile: Balance of Payments

(In millions of U.S. dollars)

	1984	1985	1986	1987	1988	Prel. Jan.-June 1989
<u>Current account</u>	<u>-2,060</u>	<u>-1,353</u>	<u>-1,110</u>	<u>-808</u>	<u>-167</u>	<u>-520</u>
Trade Balance	293	850	1,100	1,229	2,219	1,014
Exports	3,650	3,804	4,199	5,224	7,052	4,045
Copper	1,604	1,789	1,757	2,235	3,416	1,821
Other	2,046	2,015	2,442	2,989	3,636	2,225
Imports	-3,357	-2,955	-3,099	-3,994	-4,833	-3,031
Nonfinancial services	-497	-338	-434	-463	-643	-310
Financial services	-1,955	-1,925	-1,862	-1,700	-1,920	-1,367
Transfers	99	61	85	126	177	143
<u>Capital account</u>	<u>1,790</u>	<u>1,606</u>	<u>1,158</u>	<u>720</u>	<u>1,229</u>	<u>750</u>
Direct investment	67	191	332	934	1,011	799
Debt conversion	—	79	275	836	903	713
Other	67	112	57	98	109	85
Extraordinary amortization <u>1/</u>	—	-324	-989	-1,983	-2,906	-1,329
Counterpart, debt conversion	—	245	714	1,147	2,003	616
Medium- and long-term capital (net)	1,124	1,064	799	744	1,270	230
Disbursements	1,612	1,471	1,219	1,055	1,919	600
Project lending	792	632	573	826	1,208	588
Multilateral	341	363	208	296	383	182
Other	451	269	365	530	826	405
IBRD structural adjustment loan	—	125	275	225	313 <u>2/</u>	13
New commercial bank money	820	714	370	—	398 <u>3/</u>	—
Refinancing	1,019	1,827	2,260	1,532	2,384	968
Foreign banks	1,019	1,760	2,194	1,447	2,312	968
Foreign governments	—	67	66	85	72	—
Scheduled amortization	-1,507	-2,233	-2,690	-1,842	-3,033	-1,338
Short-term capital and other	599	431	302	-122	-149	434
Commercial credits	-6	49	120	-99	-3	102
Other <u>4/</u>	605	382	182	-23	-146	332
<u>Errors and omissions</u>	<u>188</u>	<u>-249</u>	<u>106</u>	<u>-52</u>	<u>-72</u>	<u>-67</u>
<u>Overall balance of payments</u>	<u>-82</u>	<u>4</u>	<u>154</u>	<u>-140</u>	<u>990</u>	<u>163</u>
<u>Valuation adjustment</u>	<u>-31</u>	<u>-16</u>	<u>-66</u>	<u>-81</u>	<u>-8</u>	<u>-5</u>
<u>Change in net official international reserves (increase -) <u>5/</u></u>	<u>113</u>	<u>12</u>	<u>-88</u>	<u>221</u>	<u>-982</u>	<u>-158</u>

Sources: Central Bank of Chile; and Statistical Appendix Table 55.

1/ Prepayment of debt through purchases abroad of Chilean external debt at a discount; counterentries are made under "Counterpart, debt conversion" (Article XVIII and related transactions) and under "Direct foreign investment, debt conversion" (Article XIX and related transactions).

2/ Includes a US\$112 million SAL, and a US\$201 million cofinancing loan from the Export-Import Bank of Japan.

3/ Reflects retiming of interest payments to commercial banks.

4/ Includes changes in medium- and long-term assets held overseas by Chilean residents.

5/ Actual change in reserves with gold valued at US\$42.22 per troy ounce.

Table 23. Chile: Export and Import Values,
Volumes and Prices, and Terms of Trade

	1984	1985	1986	1987	1988	1989 Jan.-June
(Indices: 1980 = 100)						
Export values	77.6	80.9	89.2	111.0	149.9	171.9
Volumes	115.6	128.1	138.2	147.1	155.6	...
Prices	67.1	63.2	64.5	75.3	96.1	...
Import values	61.4	54.0	56.7	73.0	88.3	111.3
Volumes <u>1/</u>	76.5	66.2	68.3	80.1	91.3	...
Prices <u>1/</u>	80.3	81.6	83.0	91.2	96.9	...
Terms of trade	83.6	77.5	77.7	82.6	99.2	...
(Annual percentage changes)						
Export values	-4.7	4.2	10.3	24.4	35.0	16.2 <u>2/</u>
Volumes	0.1	10.8	7.9	6.4	5.8	5.3 <u>2/</u>
Prices	-4.8	-5.8	2.1	16.7	27.6	10.4 <u>2/</u>
Import values	18.0	-12.0	5.0	28.8	21.0	36.7 <u>2/</u>
Volumes <u>1/</u>	15.7	-13.5	3.2	17.3	14.0	...
Prices <u>1/</u>	2.0	1.6	1.7	9.9	6.2	...
Terms of trade	-6.7	-7.3	0.3	6.3	20.1	...
<u>Memorandum items</u>						
Noncopper exports	4.4	-1.5	21.2	22.4	21.6	21.1 <u>2/</u>
Volumes	1.4	11.7	13.8	11.4	10.8	11.8 <u>2/</u>
Prices	3.0	-11.8	6.5	9.9	9.7	0.4 <u>2/</u>

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

1/ Beginning in 1987, based on a new series of estimates made by the Central Bank of Chile.

2/ Percentage changes for January-June 1989 are from the levels prevailing in January-June 1988.

Copper prices surged from around US\$0.60 a pound in early 1987 to US\$1.45 a pound by year end, dipped to around US\$1.00-1.10 a pound during the first eight months of 1988, and then rose again to a peak of US\$1.59 a pound in December 1988 as worldwide stocks of refined copper reached their lowest level in the decade, at the equivalent of 4.6 weeks of world consumption. As a result export prices averaged US\$1.14 a pound in 1988, 54 percent higher than in 1987, which in turn had been 28 percent above the preceding year's average. Exports of copper in 1988 totalled US\$3.4 billion, which was just under half of total exports. Copper prices averaged US\$1.46 a pound in the first four months of 1989 as the supply of copper remained very tight, declined to around US\$1.15 a pound in the period from late May through end-July, but rose again to over US\$1.30 a pound in August-September because of strikes and other production problems in several major producing countries.

Noncopper export earnings rose by more than 20 percent in value in 1988 for the third year in a row, reaching US\$3.6 billion with volume up by 11 percent and prices 10 percent higher. Agricultural and fishery exports rose by 17 percent in 1988, reflecting the continued strength of exports of fish and fresh fruits, while industrial products exports rose even faster (by 25 percent), led by exports of wood, paper products, and fishmeal (Table 24). Preliminary data for the first half of 1989 indicate continued growth, except for fruit exports which were affected by a temporary ban by industrial countries in the wake of the suspicion in March 1989 that Chilean grapes had been contaminated. It is estimated that the shortfall in exports during the first half of 1989 attributable to this scare was about US\$120 million, mostly due to substantially lower prices for produce already shipped, although a considerable amount of fruit was destroyed. In addition, compensation of foreign trading partners for freight and other expenses on lost or unmarketable produce amounted to a further US\$25 million, bringing the estimated total shortfall in the current account from this factor to close to US\$150 million. ^{1/}

The destination of Chile's exports changed markedly in 1988 as the sharp jump in the value of copper exports to European countries and Japan raised their combined share to 53 percent in 1988, up from 48 percent in 1987, while the share of exports to Western Hemisphere countries declined to 34 percent from around 40 percent in the previous years (Statistical Appendix Table 57). This decline also reflected lower exports to Chile's major trading partners in Latin America (Argentina, Brazil, and Peru) owing to economic difficulties in these countries.

^{1/} In addition, the support granted to the domestic fruit sector in the form of debt conversions (more fully explained below) will result in a further reduction in foreign exchange receipts by the Central Bank of about US\$220 million.

Table 24. Chile: Exports (f.o.b.) by Type of Product

	1984	1985	1986	1987	Prel. 1988	First Half	
						1988	1989
(In millions of U.S. dollars)							
<u>Total</u>	<u>3,650</u>	<u>3,804</u>	<u>4,199</u>	<u>5,224</u>	<u>7,052</u>	<u>3,398</u>	<u>4,045</u>
Mining products	1,962	2,121	2,096	2,603	3,848	1,628	2,058
Copper	1,604	1,789	1,757	2,235	3,416	1,414	1,821
Other	358	332	339	368	432	214	237
Agricultural and fishery products	428	515	683	796	930	675	680
Industrial products	1,260	1,168	1,420	1,824	2,273	1,095	1,307
(In percent of total exports)							
<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>
Mining products	53.8	55.7	49.9	49.8	54.6	47.9	50.9
Copper	44.0	47.0	41.8	42.8	48.5	41.6	45.0
Other	9.8	8.7	8.1	7.0	6.1	6.3	5.9
Agricultural and fishery products	11.7	13.6	16.3	15.2	13.2	19.9	16.8
Industrial products	34.5	30.7	33.8	34.9	32.2	32.2	32.3
(In percent of GDP)							
<u>Total</u>	<u>19.0</u>	<u>23.7</u>	<u>24.9</u>	<u>28.0</u>	<u>31.9</u>	<u>30.8</u>	<u>32.0</u>
Mining products	10.2	13.2	12.4	13.9	17.4	14.7	16.3
Agricultural and fishery products	2.2	3.2	4.1	4.3	4.2	6.1	5.4
Industrial products	6.6	7.3	8.4	9.8	10.3	9.9	10.3

Sources: Central Bank of Chile; and Statistical Appendix Table 56.

b. Imports

After growing by 18 percent in value (16 percent in volume) in 1984, imports fell by 12 percent in value (14 percent in volume) in 1985 under the adjustment program adopted in late 1984, which included a significant real currency depreciation and a tightening of financial policies. Imports recovered slightly in 1986, and expanded strongly in 1987 and 1988, when volumes rose by 16 percent a year. In value terms, imports increased by about 29 percent in 1987 and 21 percent in 1988 when they totalled US\$4.8 billion (f.o.b.). During the course of 1988 import growth accelerated, reaching 31 percent in the last quarter of the year. This trend continued in 1989 with imports in the first half rising by 37 percent compared with the first half of 1988.

Capital goods imports have grown very rapidly in recent years, with their share in total imports rising from 16 percent in 1984 to 26 percent in 1988 (Table 25). Imports of transport equipment recorded an almost four-fold increase over the same period and substantial increases took place in virtually all other types of capital goods imports (Statistical Appendix Table 60).

The share of consumer goods imports in total imports has remained around 5 percent since 1984. There was a notable decline in the share of foodstuffs imports reflecting strong gains in domestic agricultural production, but imports of other consumer goods rose by 19 percent a year in 1987 and 1988. The rate of growth of these imports showed a sharp accelerating trend, rising by 58 percent in the first quarter of 1989. Within this category, imports of automobiles rose by about two thirds in 1988, and at an even faster rate in the first half of 1989, boosted by the reduction in the tax on imported cars in January. 1/

Imports of raw materials and intermediate goods, after remaining virtually flat in 1984-86, rose by an average of 21 percent a year in U.S. dollar terms in 1987 and 1988. Major factors behind this increase were higher imports of raw materials (both prices and volumes), increased imports of automobile parts for assembly in Chile, and a strong pick-up in petroleum imports, reflecting higher world oil prices and the steady decline in domestic petroleum production in recent years.

1/ Including imports of automobile parts for assembly in Chile, the value of automobile imports increased from US\$90 million in 1986 to US\$265 million in 1988.

Table 25. Chile: Imports (c.i.f.) by Type of Goods

	1984	1985	1986	1987	Prel. 1988	First Half	
						1988	1989
(In millions of U.S. dollars)							
<u>Total imports</u>	<u>3,739</u>	<u>3,268</u>	<u>3,436</u>	<u>4,396</u>	<u>5,292</u>	<u>2,441</u>	<u>3,336</u>
Foodstuffs	492	271	169	210	258	113	120
Other consumer goods	552	458	585	691	831	355	545
Of which: automobiles	27	16	31	85	141	55	151
Raw materials and intermediate goods	2,097	1,893	1,947	2,395	2,833	1,341	1,774
Raw materials	608	558	628	782	911	428	540
Spare parts	895	789	895	1,139	1,294	571	855
Of which: automobile parts for assembly	68	76	59	89	124	23	...
Fuels and lubricants	594	546	428	474	628	343	380
Of which: oil	406	448	276	375	508	298	290
Capital goods	598	646	735	1,101	1,370	632	897
Of which: transportation equipment	95	129	150	260	376	84	134
(In percent of total imports)							
<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>
Foodstuffs	13.1	8.3	4.9	4.8	4.9	4.6	3.6
Other consumer goods	14.8	14.0	17.0	15.7	15.7	14.5	16.3
Raw materials and intermediate goods	56.1	57.9	56.7	54.5	53.5	54.9	53.1
Fuels and lubricants	15.9	16.7	12.5	10.8	11.9	14.1	11.4
Capital goods	16.0	19.8	21.4	25.1	25.9	25.9	26.9
(In percent of GDP)							
<u>Total</u>	<u>19.4</u>	<u>20.4</u>	<u>20.4</u>	<u>23.6</u>	<u>24.0</u>	<u>22.1</u>	<u>26.4</u>
Foodstuffs	2.5	1.7	1.0	1.2	1.2	1.0	0.9
Other consumer goods	2.9	2.9	3.5	3.7	3.8	3.2	4.3
Raw materials and intermediate goods	10.9	11.8	11.6	12.8	12.8	12.1	14.0
Fuels and lubricants	3.1	3.4	2.5	2.5	2.8	3.1	3.0
Capital goods	3.1	4.0	4.4	5.9	6.2	5.7	7.1

Source: Central Bank of Chile.

c. Services

After declining from US\$2.0 billion in 1984 to US\$1.7 billion in 1987 (or from 10.0 percent to 8.0 percent of GDP), the deficit on net financial services increased in U.S. dollar terms to over US\$1.9 billion in 1988 (8.7 percent of GDP). Interest payments, which had fallen through 1987 on account of declining international interest rates and the net reduction in external debt, rose by over US\$100 million in 1988 with the rise in international interest rates to US\$1.8 billion. ^{1/} Dividend payments increased from US\$220 million in 1987 to over US\$300 million in 1988, reflecting the strong rise in direct foreign investment since 1985 and of economic activity and profits in general. The deficit on nonfinancial services increased from US\$460 million in 1987 to US\$640 million in 1988 mainly because of higher payments for freight and insurance associated with the rapid growth of imports.

3. The capital account

Net capital inflows, after falling from US\$1.8 billion in 1984 to US\$0.7 billion in 1987, increased in 1988 to US\$1.2 billion mainly as a result of the US\$400 million relief granted by foreign commercial banks in the form of interest retiming (there has been no new money disbursements from commercial banks in 1987), and an increase in disbursements of medium- and long-term loans. The latter rose by US\$450 million in 1988 to US\$1,500 million, with the strong increase in foreign and domestic investment. The increase in disbursements reflected higher project lending from the IBRD and IDB, as well as from suppliers and private creditors.

The increase in investment-related private capital inflows has been impressive in recent years. Including direct investment (cash contributions as well as debt-equity swaps) and loan disbursements, private foreign investment financing rose from US\$500 million (2.7 percent of GDP) in 1984 to US\$1,820 million (8.3 percent of GDP) in 1988. Excluding debt conversions, cash inflows associated with investment projects reached US\$920 million in 1988, almost twice the level of 1984. Particularly important projects underway in 1988 were a new copper-mine (Exxon-Disputada, disbursements of US\$209 million), the foreign purchase of part of the national telephone company (US\$266 million), and the start-up of the US\$1.1 billion Escondida copper mine project (US\$47 million). World Bank lending included disbursements under an industrial

^{1/} Cash payments of interest in 1988 were about US\$400 million lower than the accruals recorded in the balance of payments because of the retiming of interest payments from a six-month to a twelve-month schedule, which was agreed with commercial bank creditors in 1987 and took effect in the second half of 1988. Under the agreement, the interest rate is set one year in advance of the actual payment, which means movements in LIBOR affect most of Chile's external interest payments with a lag of one year.

reactivation loan (US\$69 million) as well as the final stage of SAL III (US\$112 million). In addition, there was a US\$201 million cofinancing loan from the Export-Import Bank of Japan. New cash direct investment increased to US\$120 million in 1988, including a large equity contribution for the purchase of shares in the national telephone company (US\$41 million).

Investment-related capital inflows in the first half of 1989 continued at about the same level as 1988, but net medium- and long-term capital flows dropped somewhat in the absence of significant further adjustment lending by the IBRD or new money from commercial banks. However, over the full year these capital inflows are expected to show a significant increase compared with 1988.

Short-term capital movements shifted from a net inflow averaging US\$500 million a year in 1984-85 to a net outflow of about US\$140 million a year in 1987-88, as short-term borrowing by the public sector which had amounted to US\$400 million in 1984, dropped to only US\$10 million a year during 1985-88. The net outflow of private short-term capital in 1988 is believed to have reflected mainly the political uncertainty related to the October plebiscite and was reversed in 1989. During the first half of 1989 short-term inflows amounted to over US\$400 million in response to higher domestic interest rates and the announced policy of appreciating of the peso.

4. Net official international reserves

After several years during which net official international reserves had remained approximately level, during 1988 reserves rose by almost US\$1 billion; gross foreign assets rose by US\$630 million, and Chile repaid a US\$225 million short-term loan from the Bank for International Settlements and made net repurchases from the Fund equivalent to about US\$70 million (Statistical Appendix Table 60). Gross official reserves (with gold holdings valued at US\$300 an ounce) were equivalent to nine and a half months of merchandise imports at end-1988 (five months of imports of goods and services). During the first half of 1989, net official reserves further rose by a US\$160 million, helped by sizable short-term capital inflows which more than offset the weaker current account in that period.

5. External debt

After rising from US\$18.4 billion in 1984 to US\$19.5 billion at end-1986, Chile's total external debt declined to US\$17.6 billion at end-1988, reflecting the sharp reduction in the current account deficit and the large amount of debt conversions (Table 26). With exports growing at a rapid pace throughout the period, the ratio of debt to exports of goods and nonfactor services fell from 381 percent in 1986 to 214 percent in 1988.

Table 26. Chile: Outstanding External Debt, by Type of Debtor

	December 31				Prel.	Prel.
	1984	1985	1986	1987	Dec. 31, 1988	June 31, 1989
(In millions of U.S. dollars)						
<u>Total external debt</u> ^{1/}	18,397	19,119	19,501	18,983	17,649	16,775
Medium- and long-term	16,963	17,650	17,814	17,191	15,447	14,083
By debtor						
Public	10,601 ^{2/}	12,515 ^{3/}	14,379	14,725	13,072	11,215 ^{4/}
Private	6,362	5,135	3,435	2,466	2,375	2,868 ^{4/}
By creditor						
Multilateral	946	1,444	1,928	2,493	2,921	2,996
Official	616	638	770	722	986	1,031
Financial institutions	14,226	14,482	14,070	12,601	10,090	8,573
Suppliers credits	518	381	525	739	755	766
Other	657	704	521	636	695	717
Short-term	1,434	1,469	1,687	1,792	2,202	2,692
Public	1,262	1,239	1,384	1,430	1,601	1,726
Private	172	230	303	362	601	966
(In percent of GDP) ^{5/}						
<u>Total external debt</u>	95.5	119.4	115.9	100.1	79.9	66.3
Medium- and long-term	88.1	110.2	105.9	90.7	69.9	55.7
Short-term	7.4	9.2	10.0	9.5	10.0	10.6
(In percent of exports of goods and nonfactor services)						
<u>Total external debt</u>	409.4	427.7	380.8	300.9	213.5	172.4
Medium- and long-term	377.5	394.9	347.9	272.5	186.9	144.7
Short-term	31.9	32.9	32.9	28.4	26.6	27.7

Sources: Central Bank of Chile; and Statistical Appendix Table 61.

^{1/} Excluding the short-term foreign liabilities of the Central Bank.

^{2/} Includes as publicly guaranteed debt the 1984 rescheduling of short-term financial debt of the private sector into medium- and long-term (US\$677 million), as well as the refinancing of the 1983 and 1984 medium- and long-term maturities of the private banks directly with their creditors (US\$980 million). It also includes as public debt the refinancing into medium- and long-term debt of public sector short-term financial debt (US\$483 million), as well as the deposits into the Central Bank on account of the service of the 1984 maturities of the private bank and corporate sectors (US\$311 million).

^{3/} Includes as publicly guaranteed debt the deposits into the Central Bank on account of the service of 1985 maturities of the private bank and corporate sectors as well as the refinancing of 1985 maturities of private banks directly with their creditors.

^{4/} Includes the effects of privatization (US\$333 million).

^{5/} GDP in current pesos converted to U.S. dollars at the following exchange rates: Ch\$98.48 for 1984; Ch\$160.86 for 1985; Ch\$192.93 for 1986; Ch\$219.41 for 1987; Ch\$245.00 for 1988, and Ch\$261.1 for 1989.

Between 1984 and 1988 outstanding debt to commercial banks was reduced by over US\$4 billion, while debt to multilateral institutions (excluding the Fund) rose by about US\$2 billion. As a result, the share of debt owed to multilateral institutions rose from 5 percent at end-1984 to 16 percent at end-1988, while the share of debt with foreign banks dropped from 85 percent to 70 percent over the same period (Table 27). As the share of banks' debt declined, the proportion of debt at variable rates also fell from 85 percent in 1984 to about 81 percent in 1988 (Statistical Appendix Table 62). Private debt continued to decline in 1988 to below US\$2.4 billion, while public debt also declined in 1988 for the first time in many years, as a result of the large amount of debt conversions.

Additional debt reduction operations helped to lower the outstanding debt further to US\$16.8 billion as of end-June 1989, equivalent to 172 percent of exports of goods and nonfactor services. The share of debt to commercial banks dropped to 67 percent, with the composition shifting further toward short-term liabilities.

Total debt service payments in 1988 amounted to about US\$2.5 billion, about US\$0.5 billion more than in 1987 (Table 28). This increase reflected exceptional payments related to a debt buyback in November and higher international interest rates. In relation to exports of goods and nonfactor services there was a small decline in the debt service burden, from 31 percent in 1987 to 30 percent in 1988, at which time it was about half the level of 1984.

6. Debt reduction

The authorities have sought new external financing from official and private sources in recent years, while reducing the burden of the very large debt with foreign commercial banks through voluntary and market-related debt reduction techniques. Special mechanisms for debt conversions were introduced in mid-1985, and were supplemented by a direct debt buyback in late 1988 and various special buyback revenues to benefit certain sectors (e.g., mortgage holders in 1988 and fruit exporters in 1989). The Central Bank also continued the interest-rate hedging operations initiated in late 1987.

Debt conversions amounted to almost US\$3 billion in 1988, up from US\$2 billion in 1987 and US\$1.3 billion in 1985-86 (Statistical Appendix Table 63). Foreign investment-related conversions amounted to about US\$0.9 billion in 1988 (up from US\$0.8 billion in 1987), while conversions by residents under Chapter XVIII (i.e., without remittance rights) rose from US\$0.7 billion in 1987 to US\$0.9 billion in 1988.

Table 27. Chile: Structure of External Debt, by Type of Creditor

(In percent of total)

	December 31					Prel.
	1984	1985	1986	1987	1988	June 31, 1989
<u>Total external debt 1/</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>Medium- and long-term</u>	<u>92.2</u>	<u>92.3</u>	<u>91.3</u>	<u>90.6</u>	<u>87.5</u>	<u>84.0</u>
Public and publicly guaranteed	57.6	65.5	73.7	77.6	74.1	66.9
International institutions	5.1	7.5	9.8	12.7	16.0	16.1
Governments	3.3	3.3	3.9	3.6	5.3	5.4
Financial institutions	47.4	53.5	58.3	58.5	49.7	42.9
Suppliers	1.4	1.0	1.5	2.5	2.7	2.1
Bonds	0.4	0.2	0.2	0.3	0.3	0.3
Private	34.6	26.8	17.6	13.1	13.5	17.1
Financial institutions	29.9	22.8	14.3	8.2	7.4	8.2
Other	4.7	4.0	3.3	4.9	6.0	8.9
<u>Short-term</u>	<u>7.8</u>	<u>7.7</u>	<u>8.7</u>	<u>9.4</u>	<u>12.5</u>	<u>16.0</u>
Financial institutions	7.8	7.7	8.7	9.4	12.5	16.0
Other	--	-	--	--	--	--

Sources: Central Bank of Chile; and Statistical Appendix Table 61.

1/ Excluding the short-term liabilities of the Central Bank.

Table 28. Chile: Debt Service (After Rescheduling) 1/

	1984	1985	1986	1987	Prel. 1988
(In millions of U.S. dollars)					
<u>Total debt service</u>	<u>2,646</u>	<u>2,373</u>	<u>2,335</u>	<u>1,975</u>	<u>2,444</u>
Amortization <u>2/</u>	488	406	420	310	647
Interest <u>3/</u>	2,158	1,967	1,915	1,666	1,798
<u>Medium- and long-term public and publicly guaranteed</u>	<u>1,149</u>	<u>1,217</u>	<u>1,474</u>	<u>1,169</u>	<u>1,462</u>
Amortization <u>2/</u>	247	205	252	219	440
Interest	902	1,012	1,222	950	1,022
<u>Private debt</u>	<u>1,105</u>	<u>840</u>	<u>567</u>	<u>530</u>	<u>633</u>
Amortization <u>2/</u>	241	201	168	92	207
Interest	864	639	399	438	426
<u>Short-term debt <u>3/</u></u>					
Interest payments	392	316	294	277	350
(In percent of exports of goods and nonfactor services)					
<u>Total debt service</u>	<u>58.8</u>	<u>53.1</u>	<u>45.6</u>	<u>31.3</u>	<u>29.6</u>
Amortization	10.9	9.1	8.2	4.9	7.8
Interest	48.9	44.0	37.4	26.4	21.8
<u>Medium- and long-term debt service</u>	<u>50.2</u>	<u>46.0</u>	<u>39.9</u>	<u>26.9</u>	<u>25.3</u>
Public debt	25.6	27.2	28.8	18.5	17.7
Private debt	24.6	18.8	11.1	8.4	7.7

Source: Central Bank of Chile.

1/ Refers to short, medium, and long-term debt, excluding debt in local currency and repurchases from the IMF.

2/ Excludes reductions of debt through debt conversions.

3/ Includes interest on short-term trade credits and charges to the IMF.

The latter were suspended during most of the period May-August 1988 in an effort to diminish pressures in the parallel foreign exchange market, but in August 1988 the Central Bank reopened auctions of Chapter XVIII conversion rights, although at a reduced pace. In the first seven months of 1989, a further US\$1.5 billion of debts were converted, bringing the total of debts converted since 1985 to US\$7.8 billion, equivalent to over half of the medium- and long-term debt to commercial banks outstanding at end-1985. After increasing by about 10 percentage points during 1987, the external discount at which Chile's external debt was traded has remained around 40 percent in 1988 and the first half of 1989.

Special debt conversion mechanisms have been used by the authorities to provide subsidies to specified sectors. In March 1988 certain mortgage debtors were allowed to amortize up to the equivalent of US\$6,000 of their mortgage debts with the profits obtained by converting foreign debts under Chapter XVIII without having to go through the auction system, covering about US\$370 million of debt conversions. Beginning in March 1989, certain fruit exporters were allowed to surrender their export earnings in the form of central bank debt instruments bought abroad at a discount, converting them into domestic Central Bank instruments at par. It is estimated that about US\$220 million of export earnings (corresponding to fruit exports shipped between February 20 and April 16, 1989) will be surrendered in this form, resulting in an effective subsidy of around US\$150 million to the fruit export sector.

The amendment of Chile's multiyear rescheduling agreement with foreign commercial banks, which became effective in August 1988, inter alia allowed the use of up to US\$500 million of reserves for debt buy-backs. In November 1988 the Central Bank bought US\$299 million of its external debt with commercial banks, using US\$168 million of international reserves. Bids were received from 129 banks to sell a total of US\$822 million of debt and the Central Bank accepted only bids at US\$0.575 per U.S. dollar of debt or less, for an average price of US\$0.564 per U.S. dollar. Over half of the debt cancelled in the 1988 buy-back operation was new money disbursed since 1983 and falling due mostly in 1991-92; the remainder represented previously refinanced debts falling due beginning in 1993.

7. Exchange and trade policies

The exchange rate in Chile is determined by transactions in the banking market and is allowed to fluctuate within a certain range around a central exchange rate which is established by the Central Bank. Following two step devaluations in 1985, the authorities followed a policy of adjusting the central exchange rate of the Chilean peso daily in relation to the U.S. dollar, generally on the basis of the estimated difference between domestic and external inflation. This policy resulted in a real effective depreciation of the peso of about 36 percent during 1985-87 (Chart 1 and Statistical Appendix Table 64). In January 1988, to compensate for an across-the-board reduction of import

tariffs, the central exchange rate was depreciated by 4 percent but at the same time the band around the central rate was widened from 2 percent to 3 percent.

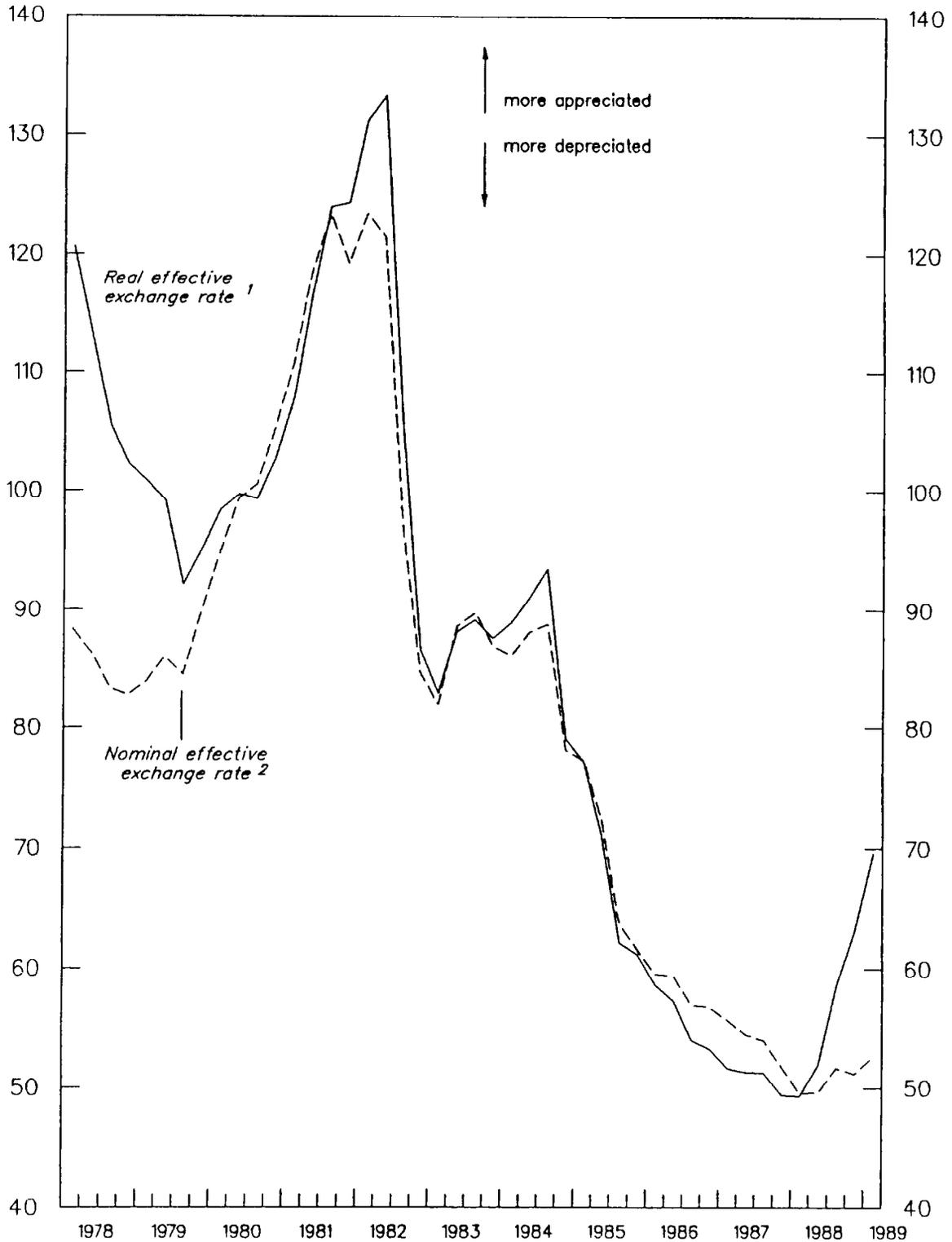
The authorities relaxed their exchange rate rule in November and December of 1988 to try to curb inflationary pressures, and the peso appreciated by 3 percent in real effective terms during the year. Continuing with this policy, in January 1989 the authorities added a factor of 4 percent to their estimate of foreign inflation, with the aim of achieving a real effective appreciation of about 4 percent over the year. In the five months through May 1989, the real effective value of the peso appreciated by 5 percent as a result of this policy and of the appreciation of the U.S. dollar vis-a-vis other currencies. Subsequently, to help reduce the demand for imports and to preserve external competitiveness, exchange rate policy was modified in June 1989, when the factor of 4 percent added to foreign inflation was eliminated, the band around the central rate was widened from 3 percent to 5 percent, and administrative steps were taken to push the exchange rate to the top of the band. As a result, between May and July 1989 the peso depreciated by about 7 percent against the U.S. dollar, and the real appreciation that had taken place in January-May was reversed.

The spread between the official exchange rate and the rate in the parallel market widened from around 5 percent at the beginning of 1988 to about 20 percent late in the year, reflecting in part the effects of political uncertainty in the run-up to the October 1988 plebiscite. Beginning in March 1988, to contain the pressures in the parallel exchange market, the Central Bank cut back (and later temporarily suspended) the auction of debt conversion rights under Chapter XVIII. From November 1988, however, the spread began to narrow as political uncertainty diminished, reaching around 10 percent by June 1989. More recently, however, the spread has tended to widen again. The 120-day deferment period for import payments was lifted on June 30, 1988 for transactions up to US\$5,000, the first step in a plan to phase out this restriction by mid-1990. The exemption was raised to US\$20,000 on December 28, 1988 and to US\$50,000 in late June 1989. Except for these provisions, the Chilean exchange system is now free of restrictions subject to approval under Article VIII of the Fund. 1/

For a description of the exchange system as of December 31, 1988, see International Monetary Fund, Annual Report of Exchange Arrangements and Exchange Restrictions, 1989.

1/ The stock of debts eligible in principle for the preferential exchange rate for debt service payments is estimated at US\$70.7 million; however, the actual amount for which this exchange rate is expected to be used is considerably smaller, due inter alia to the bankruptcy of many of the affected debtors.

CHART 1
CHILE
EXCHANGE RATE INDICES
(December 1980 = 100)



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

¹Nominal exchange rate adjusted by a weighted index of exchange rates of major trading partners.

²Nominal exchange rate adjusted by weighted indices of prices and exchange rates of major trading partners.



Chile: Summary of Tax System as of June 1, 1989

(All amounts in Chilean pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates
<u>I. Central Government</u>			
<u>Taxes on net income and profits</u>			
1.1 <u>Tax on corporate income</u>			
1.1.1 <u>First Category annual tax</u>	<p>A tax on distributed income</p> <p>Two regimes are operational: companies whose income in the three preceding years is less than a monthly average of 250 UTM may opt to pay tax on the difference between own capital at the beginning of the tax period and own capital at the end of the period without considering the origin of the increase or whether such amounts had previously been taxed. Companies which elect to use this regime must remain subject to this regime for a minimum of three years. Other companies and those which do not opt for the special regime pay tax only on distributed income or on capital withdrawn in money or in kind. For corporations, distributed income will be taxed even if no profits were obtained for the year. For those opting for the first system, no taxes are liable if no profits were obtained during the year.</p>	<p>Capital withdrawn by individual entrepreneur or individuals engaged in partnership which is reinvested in other companies.</p> <p><u>Exempt entities:</u> general government, municipalities, savings, social security and mutual-assistance associations, Central Bank, charitable institutions, some street vendors, small-income sole proprietorships.</p>	10 percent.
1.1.2 <u>Tax on indirect distributions</u> (Article 21 DL 824)	<p>A tax on cash payments by corporations and payers of the tax referred to in (1.5), for expenses not considered necessary. Also taxable are loans made by partnerships to their individual partners.</p>	None.	35 percent.
1.2 <u>Tax on financial income</u> (Article 20, No. 2, DL 824)	<p>A tax on resident individuals, incident upon income generated by financial instruments.</p>	None.	10 percent.

Chile: Summary of Tax System as of June 1, 1989 (Continued)

(All amounts in Chilean pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.3	<u>Special taxes on small business</u>		
1.3.1	<u>Tax on small artisan miners</u>	A tax on miners who have at most five employees, and on partnerships or cooperatives of at most six miners. The base is the net sales of minerals.	None.
1.3.2	<u>Tax on street vendors</u>	A fixed tax on street vendors.	None.
1.3.3	<u>Tax on newsstands</u>	A tax on vendors of newspapers, magazines and related printed material.	None.
1.3.4	<u>Tax on small workshops</u>	A tax on sole proprietors of small workshops.	None.
1.4	<u>Taxes on income of mining and transportation</u>		
1.4.1	<u>Tax on income of miners</u>	When not determined according to (1.1.1) or (1.3.1), the mining income is imputed by applying a factor on net sales. For copper, gold and silver the factor varies between 4 percent and 20 percent, depending on the world price of these metals. For other minerals the factor is 6 percent. The scheme includes the sales of processed minerals, provided they are mostly of own extractions.	None.
			A variable rate, between 1 percent and 4 percent which depends on the world price of copper.
			Market vendors, one UTM $\frac{1}{2}$ per year. Stationed vendors, half UTM per year.
			0.5 percent of the value of the sales. If also selling cigarettes, lotteries, etc., add $\frac{1}{4}$ UTM per year.
			2 percent of gross revenue (1 percent if predominant source of income is production of goods), due monthly. Annual make-up payment required if sum of inflation-adjusted payments fall short of two December UTM.
			10 percent of net income.

Chile: Summary of Tax System as of June 1, 1989 (Continued)

(All amounts in Chilean pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.4.2 <u>Tax on income of transportation services</u>	Net income of city or road transportation services (either passengers or cargo) is imputed as 10 percent of the value of the vehicle.	None.	10 percent of net income. For cargo transportation, there is a floor of two December UTM's for the first truck plus one UTM for each additional one.
1.5 <u>Additional tax on foreign recipients</u>	A tax on the income from Chilean sources made available to nonresidents. Tax base includes royalties, technical assistance, interest paid by nonfinancial entities, insurance premia, earnings of Chileans living abroad.	<u>Exempt:</u> new equity originated from taxed profits; return of capital; interest on debt of government, Central Bank, CODELCO, and on Latin American Banking Acceptances; payments abroad for freight insurance services (not premia), telecommunication, and processing of Chilean products.	35 percent general. 20 percent on personal work performed in Chile in scientific, cultural and sport activities; on engineering services performed abroad; and on movie and television rights. 5 percent on gross value of foreign participation on ship freights, to and from Chile, granted exemption on the basis of reciprocity. 4 percent on interest remittances abroad on demand deposits and foreign loans by international organizations.
1.6 <u>Tax on state-owned enterprises</u> (Decree-law 2,398)	A surtax applies to state enterprises.	<u>Exempt:</u> the Central Bank, enterprises organized as stock corporations, and enterprises belonging in part to the private sector.	<u>Tax credit</u> of 10 percent of the amount remitted. 40 percent on the share of the state in profits.

Chile: Summary of Tax System as of June 1, 1989 (Continued)

(All amounts in Chilean pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates																					
1.7	<u>Taxes on individuals</u>																							
1.7.1	<u>Individual income tax</u> (Decree-law 824)	<p>The personal income tax has annual assessment.</p> <p>Second Category income refers to wages, salaries and other employment income. Persons earning other incomes are also subject to a Global Complementary Tax, at the same rates as the Second Category Tax.</p>	<p><u>Not defined as taxable income:</u> representation allowances, capitalization or distribution, by companies, of amounts not defined as income.</p> <p><u>Deductibles:</u> social security tax and incentives to financial savings. The latter are limited to 50 UTA and consist of 20 percent of amount used in subscribing shares of open companies or deposited in one-year bank accounts (limit: 20 percent of taxable income) and 100 percent of Decree-law 3,500 (social security law) deposits (limit: 25 percent of taxable income).</p>	<table border="1"> <thead> <tr> <th><u>Income Classes</u></th> <th><u>Percent Rate</u></th> </tr> </thead> <tbody> <tr> <td>First 10 UTA ^{2/}</td> <td>Exempt</td> </tr> <tr> <td>On the band of income between</td> <td></td> </tr> <tr> <td>10 and 30 UTA</td> <td>5</td> </tr> <tr> <td>30 and 50 UTA</td> <td>10</td> </tr> <tr> <td>50 and 70 UTA</td> <td>15</td> </tr> <tr> <td>70 and 90 UTA</td> <td>25</td> </tr> <tr> <td>90 and 120 UTA</td> <td>35</td> </tr> <tr> <td>120 and 150 UTA</td> <td>45</td> </tr> <tr> <td>More than 150 UTA</td> <td>50</td> </tr> </tbody> </table> <p><u>Tax credit</u> is given for: exempt incomes included in the tax base; the First Category income tax (1.1.1); 10 percent of the base of the tax referred to in (1.1.2); tax withheld on employment income, adjusted for inflation; and 10 percent of one UTA.</p>	<u>Income Classes</u>	<u>Percent Rate</u>	First 10 UTA ^{2/}	Exempt	On the band of income between		10 and 30 UTA	5	30 and 50 UTA	10	50 and 70 UTA	15	70 and 90 UTA	25	90 and 120 UTA	35	120 and 150 UTA	45	More than 150 UTA	50
<u>Income Classes</u>	<u>Percent Rate</u>																							
First 10 UTA ^{2/}	Exempt																							
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90 and 120 UTA	35																							
120 and 150 UTA	45																							
More than 150 UTA	50																							
1.7.2	<u>Tax on taxi-drivers</u>	<p>Instead of the tax referred in (1.7.1) taxidrivers who do not own the car pay monthly a fixed tax.</p>	<p>None.</p> <p>3.5 percent on the value of two UTM.</p>																					
2.	<u>Social security contributions</u>	<p>Private social security system is funded by a levy on all civilian wages and salaries. Additional levy required to purchase invalidity and survival insurance. There are various differentiated rates for persons still in the public security system. There is no tax on employers.</p>	<p><u>Exempt:</u> military personnel; remuneration in excess of 60 UTA. ^{3/}</p> <p>10 percent for pensions and 3.5 percent for insurance.</p>																					

Chile: Summary of Tax System as of June 1, 1989 (Continued)

(All amounts in Chilean pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates																		
3. <u>Property taxes</u>																					
3.1 <u>Net wealth tax</u>	None.																				
3.2 <u>Additional real estate tax</u>	Until June 30, 1990, the general government will impose a surtax to the municipal real estate tax (II.1). The surtax applies to nonfarm real estate. It is collected together with the municipal tax.	<u>Exempt</u> : houses valued at less than Ch\$4.2 million (1987 prices).	30 percent of municipal real estate tax.																		
3.3 <u>Tax on gifts and inheritance</u> (Law 16,271)	A progressive tax on net wealth obtained through gift or rights of inheritance. The tax is to be paid within two years from the date the transfer was effective.	Excluded from the base: low-valued houses and forests. <u>Exemptions</u> : spouses, parents, children up to 50 UTA for inheritance, up to 5 UTA for gift; relatives up to fourth degree up to 5 UTA for gift and inheritance.	<table border="1"> <thead> <tr> <th>Value of Inheritance or Gift</th> <th>Percent Rate</th> </tr> </thead> <tbody> <tr> <td>Up to 80 UTA</td> <td>1</td> </tr> <tr> <td>From 80 to 160 UTA</td> <td>2.5</td> </tr> <tr> <td>From 160 to 320 UTA</td> <td>5</td> </tr> <tr> <td>From 320 to 480 UTA</td> <td>7.5</td> </tr> <tr> <td>From 480 to 640 UTA</td> <td>10</td> </tr> <tr> <td>From 640 to 800 UTA</td> <td>15</td> </tr> <tr> <td>From 800 to 1200 UTA</td> <td>20</td> </tr> <tr> <td>More than 1200 UTA</td> <td>25</td> </tr> </tbody> </table> <p><u>Surcharge</u>: spouses, parents, children exempt; relatives up to fourth degree, 20 percent; other relatives, 40 percent.</p>	Value of Inheritance or Gift	Percent Rate	Up to 80 UTA	1	From 80 to 160 UTA	2.5	From 160 to 320 UTA	5	From 320 to 480 UTA	7.5	From 480 to 640 UTA	10	From 640 to 800 UTA	15	From 800 to 1200 UTA	20	More than 1200 UTA	25
Value of Inheritance or Gift	Percent Rate																				
Up to 80 UTA	1																				
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From 800 to 1200 UTA	20																				
More than 1200 UTA	25																				

Chile: Summary of Tax System as of June 1, 1989 (Continued)

(All amounts in Chilean pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4. <u>Taxes on goods and services</u>			
4.1 <u>Value-added tax</u> (Tit. II of DL 825)			
4.1.1 <u>General value-added tax</u>	A comprehensive and uniform tax on sales of goods and services. Includes construction industry (Law 18,630), sales to government, and importation.	<p><u>Exempt sales:</u> in-kind payments to employees, food provided on premises to employees and students, nonadvertisement income of television and radio stations, news services, mass transportation, schooling, charges by state hospitals and health institutions, sales by Casa de Moneda, state lottery, used cars (see 4.1.3).</p> <p><u>Exempt imports:</u> defense and police weaponry and supplies, effects belonging to diplomats and employees of international organizations, donations to qualified institutions, tourists effects, in-transit items, inputs to be used in production for exportation, capital goods for qualified projects, artistic, cultural and sport performances, international freight and travel, some international insurance, items subject to the income tax.</p> <p><u>Deductions</u> from the base: rebates granted to buyers after sale, and refunds, net of canceled purchases.</p> <p><u>Tax credit</u> granted for the tax paid on purchases of goods and services.</p> <p><u>Exports</u> not taxed, but tax credit on purchases still granted.</p>	16 percent (Law 18,720) of the transaction price, with exclusion of the VAT itself.

Chile: Summary of Tax System as of June 1, 1989 (Continued)

(All amounts in Chilean pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4.1.2 <u>Additional value-added tax on luxuries</u>	Besides being subject to the VAT tax, some goods are subject to an additional tax with a structure similar to the VAT.	<u>Tax credit</u> granted for the additional tax paid on purchases of goods subject to the additional tax.	50 percent for jewelry, precious stones, fine furs and tapestry, leisure yachts, trailers, caviar, fireworks, airguns. 30 percent on sail yachts and competition boats. 70 percent on whisky, 30 percent on liquors, 25 percent on pisco. 15 percent on wine, and 13 percent on nonalcoholic beverages
4.1.3 <u>Tax on sales of used automobiles</u>	A tax on the sales of used motor vehicles, which excludes the VAT (but VAT is due if vehicle is bought abroad).	<u>Exempt</u> : mass transportation vehicles, trucks, vans, and pickups (provided driver and cargo compartments are not the same).	0.5 percent of the transaction price.
4.1.4 <u>Tax on imported cars - I</u>	Instead of the tax (4.1.3), the importation of motor vehicles, assembled or not, is subject to this addition to VAT. The base of the tax is the import value.	<u>Exempt</u> : passenger vehicles with 15 or more seats, tractors, trailers, other classified in position 87.03 of tariff, automobiles of less than 1,500 cc. Tax rate is lower for small pickup trucks.	Rate = $(cc \times 0.4 - 40)$, where <u>cc</u> stands for number of cubic cm of piston displacement. Minimum rate is 20 percent for 10- to 15-passenger buses, 15 percent all other vehicles. Maximum tax US\$6,260.4 per vehicle.
4.1.5 <u>Tax on imported cars - II</u>	In addition to the tax (4.1.4), the importation of motor vehicles, assembled or not, for passengers or cargo, who can carry up to 2,000 kg is subject to this addition to VAT. The base is the import value in excess of US\$8,000.	The exemption list is the same as for (4.1.4).	85 percent.
4.2 <u>Selective excises</u>			
4.2.1 <u>Tax on tobacco</u>	A tax on sales of cigarettes, cigars and processed tobacco. The tax base is the consumer price (with the inclusion of the tax itself).	<u>Exempt</u> : small amounts brought by passengers for self-consumption.	52.9 percent on cigarettes and tobacco products, 26 percent on cigars.

Chile: Summary of Tax System as of June 1, 1989 (Continued)

(All amounts in Chilean pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4.2.2 <u>Tax on gasoline and diesel</u>	A tax on the first sale or importation of gasoline and diesel oil.	In the case of diesel oil, a tax credit is given against the VAT if the vehicle is not used for transportation.	3 UTM per cubic meter of gasoline. 1.5 UTM per m ³ of diesel oil.
5. <u>Taxes on international transactions</u>			
5.1 <u>Import duties</u>			
5.1.1 <u>General tariff</u>	A general and uniform tariff. The base is the customs value; if unknown, the c.i.f. value. The tax is assessed in U.S. dollars.	<u>Exempt:</u> boat engines and worktools for small fishery. <u>Reduced rate:</u> special vehicles for the handicapped pay half the normal rate.	15 percent normal (Law 18,687). 9 percent on imports to free zone. Surtax ranging from 5 percent to 15 percent and countervailing duties can be imposed on import prices intended to seriously harm domestic industry. If imported good is used as input of export good, the tax paid can be applied against taxes due on future imports. The tax on the import of capital goods can be deferred up to seven years.
5.1.2. <u>Stamp tax on import licenses</u> (Article 3 DL 3,475)	A tax on licenses and other documents necessary for importation. The base is the value of the imports. The tax is due even when the import is not realized.	<u>Exempt:</u> documents needed for the importation of goods subject to tariff of less than 3 percent.	3 percent. The tax is credited against the tariff (5.1.1).
5.1.3 <u>Fee on exempt imports</u> (Article 221 Law 16,840)	A charge ("tasa de despacho") imposed on all goods exempt of custom duties.	None.	5 percent on c.i.f. value.

Chile: Summary of Tax System as of June 1, 1989 (Continued)

(All amounts in Chilean pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates
5.1.4 <u>Equalization duties</u> (Article 12 Law 18,525)	A duty on the importation of commodities, set as to smooth out the domestic cycle of prices for wheat, oilseeds, cooking oil and sugar. Duties are fixed annually by the President.	None.	Specific to commodity and year.
5.2 <u>Export duties</u>	None.		
5.3. <u>Other customs duties</u>	Chile also has the following customs revenues, not detailed here: extension of provisional admissions of foreigners (Dec.Hac.175/74), charge for storage in private warehouses prior to payment of duties (Article 140 ss. Ord.) consular rights on ships and airplanes, balance of insurance policies, outturn of customs actions.		
6. <u>Other taxes</u>			
6.1 <u>Stamp duties</u> (see also 5.1.2)			
6.1.1. <u>Tax on credit instruments</u>	A tax on financial papers. The specific amounts, expressed in Chilean pesos, are revised twice a year according to inflation.	None.	Per check drawn on domestic banks Ch\$35. Per check issued without enough provision, or per unpaid draft or promissory note: 1 percent of value, minimum Ch\$595. For checks only, a minimum of one UTM. Credit instruments: 0.1 percent of value, per month, maximum 1.2 percent. Contracts at call: 0.5 percent (Law 18,682.)
6.2 <u>Fee on mining licenses</u> (Law 18,248)	A tax on rights of exploration and mining concessions.	None.	Rights of exploration: one-time payment of 0.5 to 4 percent of UTM, depending on extension of land. Mining concessions: 10 percent of one UTM per hectare per year.

Chile: Summary of Tax System as of June 1, 1989 (Concluded)

(All amounts in Chilean pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates
6.3 <u>Taxes on gambling</u>	Three taxes are imposed on games of chance: (i) a tax on the selling price of the sport lottery (Sistema de Prognosticos Deportivos), not including the tax itself; (ii) a specific tax on each individual admission at casinos; (iii) an ad valorem tax on horse racing bets.	The lottery tax does not apply to tickets issued by Póls Chilena de Beneficiencia and by Lotería de Concepcion.	15 percent on lotteries. 0.07 x one UTM per casino admissions. 3 percent on horse racing bets.
6.4 <u>Taxes on civil registration</u>	A tax on the issuance of certificates of birth, marriage, residence of aliens, criminal records, police ID, family data, passports--details not available.		
II. Municipalities			
1. <u>Real estate tax</u>	Annual tax on value of real estate land. 40 percent of the proceeds is distributed to the municipality of origin and 60 percent goes to a common fund, which in turn is distributed according to social criteria.	None.	2 percent of land value.
2. <u>Motor vehicle duties</u>	A fee on motor vehicles permits, paid annually.	None.	On a progressive scale according to the vehicle's value.
3. <u>Business duties</u>	A fee charged for business permits paid annually.	None.	Data not available.

Sources: Chile/Ministry of Finance/Dirección de Presupuestos, Calculo de Ingresos Generales de la Nación Correspondiente al Año 1988, Santiago: December 1987; and information provided by the Chilean authorities.

^{1/} UTA stands for Unidade Tributaria Annual (annual tax unit), and corresponds to 12 times the value of a December's UTM or Unidade Tributaria Mensual (monthly tax unit). The UTM is adjusted each month according to the change in average price level in the second-past month. In July 1988 one UTM was worth Ch\$7,467 and reflected changes in the price level as per May 31, 1988.

^{2/} The monthly withheld tax on labor income is computed using the same progressive schedule, but using UTM instead of UTA.

^{3/} UF stands for Unidade de Femento, a price reference unit widely used in financial contracts which is adjusted monthly to reflect changes in average price level in the previous month. In July 1988, one UF was worth Ch\$4,274.60 and reflected changes in the price level as per June 30, 1988.

Table 29. Chile: National Accounts at Current Prices

(In billions of Chilean pesos)

	1984	1985	1986	1987	Prel. 1988
<u>Consumption expenditure</u>	<u>1,655.5</u>	<u>2,152.3</u>	<u>2,648.0</u>	<u>3,286.1</u>	<u>4,103.0</u>
General government	273.8	367.1	410.7	475.1	568.5
Private sector	1,381.7	1,785.2	2,237.3	2,811.0	3,534.5
<u>Gross domestic investment</u>	<u>258.0</u>	<u>353.2</u>	<u>474.1</u>	<u>703.1</u>	<u>918.8</u>
Fixed capital formation	233.8	366.4	472.7	666.8	882.7
Public sector	120.6	180.8	244.6	289.0	335.2
Private sector	113.2	185.6	228.1	377.8	547.5
Change in stocks	24.2	-13.2	1.4	36.3	36.1
<u>Domestic expenditure</u>	<u>1,913.5</u>	<u>2,505.5</u>	<u>3,122.1</u>	<u>3,989.2</u>	<u>5,021.8</u>
<u>External sector 1/</u>	<u>-20.1</u>	<u>71.1</u>	<u>124.0</u>	<u>170.6</u>	<u>389.0</u>
Exports	459.5	749.2	994.2	1,394.3	2,022.0
Imports	479.6	678.1	870.2	1,223.7	1,633.0
<u>Gross domestic product at market prices</u>	<u>1,893.4</u>	<u>2,576.6</u>	<u>3,246.1</u>	<u>4,159.8</u>	<u>5,410.8</u>
Less: net factor payments abroad	192.5	305.8	364.1	372.9	470.3
<u>Gross national product at market prices</u>	<u>1,700.9</u>	<u>2,270.8</u>	<u>2,882.0</u>	<u>3,786.9</u>	<u>4,940.5</u>
Less: indirect taxes net of subsidies 2/	256.0	351.3	584.9	572.9	623.1
<u>Gross national product at factor cost</u>	<u>1,444.9</u>	<u>1,919.5</u>	<u>2,297.1</u>	<u>3,214.0</u>	<u>4,317.4</u>
Less: provision for consumption of fixed capital 2/	226.1	327.8	417.5	535.3	687.6
<u>Net national product at factor cost = national income</u>	<u>1,218.8</u>	<u>1,591.7</u>	<u>1,879.6</u>	<u>2,678.7</u>	<u>3,629.8</u>

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

1/ Goods and nonfactor services.

2/ Estimated for 1987 and 1988.

Table 30. Chile: National Accounts at Constant 1977 Prices

(In billions of Chilean pesos)

	1984	1985	1986	1987	Prel. 1988
<u>Consumption expenditure</u>	<u>287.1</u>	<u>284.2</u>	<u>295.0</u>	<u>306.3</u>	<u>333.8</u>
General government	43.3	43.2	42.3	41.4	43.4
Private sector	243.8	241.0	252.7	264.9	290.4
<u>Gross domestic investment</u>	<u>53.2</u>	<u>49.7</u>	<u>56.7</u>	<u>71.2</u>	<u>77.3</u>
Fixed capital formation	45.9	52.7	56.4	65.5	72.5
Public sector	23.7	26.0	28.8	28.4	27.5
Private sector	22.2	26.7	27.6	37.1	45.0
Change in stocks	7.3	-3.0	0.3	5.7	4.8
<u>Domestic expenditure</u>	<u>340.3</u>	<u>333.9</u>	<u>351.7</u>	<u>377.5</u>	<u>411.1</u>
<u>External sector 1/</u>	<u>7.7</u>	<u>22.7</u>	<u>25.0</u>	<u>20.7</u>	<u>16.5</u>
Exports	88.2	94.3	103.5	112.6	119.5
Imports	80.5	71.6	78.5	91.9	103.0
<u>Gross domestic product</u> <u> at market prices</u>	<u>348.0</u>	<u>356.6</u>	<u>376.7</u>	<u>398.2</u>	<u>427.6</u>
Less: net factor payments abroad	29.3	29.6	29.9	25.3	27.6
<u>Gross national product</u> <u> at market prices</u>	<u>318.7</u>	<u>327.0</u>	<u>346.8</u>	<u>372.9</u>	<u>400.0</u>
Less: indirect taxes net of subsidies 2/	47.0	48.6	67.9	54.8	49.3
<u>Gross national product at</u> <u> factor cost</u>	<u>271.7</u>	<u>278.4</u>	<u>278.9</u>	<u>318.1</u>	<u>350.7</u>
Less: provision for consumption of fixed capital 2/	44.0	47.1	49.8	52.6	56.5
Plus: terms of trade effect	-11.1	-13.7	-12.3	-6.9	6.5
<u>Net national product at factor</u> <u> cost = national income</u>	<u>216.6</u>	<u>217.6</u>	<u>216.8</u>	<u>258.6</u>	<u>300.7</u>

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

Note: Components may not add up to totals because of rounding.

1/ Goods and nonfactor services.

2/ Estimated for 1987 and 1988.

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

	1984	1985	1986	1987	Prel. 1988
(In billions of Chilean pesos)					
<u>GDP at market prices</u>	<u>347.9</u>	<u>356.4</u>	<u>376.6</u>	<u>398.2</u>	<u>427.7</u>
Agriculture	29.0	30.6	33.3	34.8	36.8
Fishing	3.3	3.5	3.8	3.5	3.6
Mining	30.4	31.1	31.5	31.5	32.9
Manufacturing	71.9	72.7	78.5	82.8	90.0
Construction	17.7	20.6	20.9	23.1	24.5
Electricity, gas, and water	8.8	9.2	9.7	10.1	11.1
Transport, storage, and communications	18.9	20.0	21.6	23.8	26.5
Commerce	58.7	59.6	62.9	67.6	74.2
Other services ^{1/}	91.4	93.2	96.8	100.2	104.1
Import duties and value added tax on imports	17.8	15.9	17.6	20.8	24.0
(Annual percentage change)					
<u>GDP at market prices</u>	<u>6.3</u>	<u>2.4</u>	<u>5.7</u>	<u>5.7</u>	<u>7.4</u>
Agriculture	7.0	5.6	8.8	4.5	5.7
Fishing	10.0	6.1	8.6	-7.9	2.9
Mining	4.5	2.3	1.3	--	4.4
Manufacturing	9.8	1.1	8.0	5.5	8.7
Construction	4.1	16.4	1.5	10.5	6.1
Electricity, gas, and water	7.3	4.5	5.4	4.1	9.9
Transport, storage, and communications	6.2	5.8	8.0	10.2	11.3
Commerce	5.0	1.5	5.5	7.5	9.8
Other services ^{1/}	2.8	2.0	3.9	3.5	3.9
Import duties and value added tax on imports	21.1	-10.7	10.7	18.2	15.4
(In percent of total)					
<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>
Agriculture	8.3	8.6	8.8	8.7	8.6
Fishing	0.9	1.0	1.0	0.9	0.8
Mining	8.7	8.7	8.4	7.9	7.7
Manufacturing	20.7	20.4	20.8	20.8	21.0
Construction	5.1	5.8	5.5	5.8	5.7
Electricity, gas, and water	2.5	2.6	2.6	2.5	2.6
Transport, storage, and communications	5.4	5.6	5.7	6.0	6.2
Commerce	16.9	16.7	16.7	17.0	17.3
Other services ^{1/}	26.4	26.1	25.8	25.2	24.4
Import duties and value added tax on imports	5.1	4.5	4.7	5.2	5.7

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

^{1/} Includes imputed banking charges.

Table 32. Chile: Production and Area Cultivated of Selected Fruits

	1984	1985	1986	1987	1988
(In thousands of metric tons)					
<u>Production</u>	<u>1,067.5</u>	<u>1,229.4</u>	<u>1,339.4</u>	<u>1,502.9</u>	<u>1,688.9</u>
Plums	42.0	54.0	64.0	75.0	85.5
Apricots	12.0	14.7	11.8	12.5	16.0
Peaches	76.7	80.2	75.5	78.4	86.4
Lemons	64.8	71.8	68.6	50.0	62.0
Apples	425.0	515.0	558.0	630.0	680.0
Oranges	70.0	73.2	75.5	70.0	80.0
Avocados	29.8	35.0	32.0	28.0	39.0
Pears	71.0	78.0	84.0	99.0	115.0
Table grapes	276.2	307.5	370.0	460.0	525.0
(In thousands of hectares)					
<u>Area cultivated</u>	<u>88.0</u>	<u>96.8</u>	<u>105.1</u>	<u>113.0</u>	<u>122.0</u>
Plums	7.2	7.9	8.4	9.1	9.2
Apricots	1.6	1.7	1.8	1.9	2.2
Peaches	6.9	7.0	7.5	8.2	9.0
Lemons	5.2	5.3	5.3	5.4	5.5
Apples	18.7	19.8	21.6	22.9	24.4
Oranges	6.2	6.3	6.4	6.4	6.5
Avocados	7.4	7.6	7.7	7.9	8.2
Pears	6.1	6.8	7.6	9.0	11.5
Table grapes	28.7	34.4	38.8	42.2	45.5

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

Table 33. Chile: Livestock and Poultry Production and Fish Catch for Industrial Use

	1984	1985	1986	1987	1988
<u>Fresh meat</u>					
<u>(thousands of tons)</u>	<u>356.4</u>	<u>338.2</u>	<u>355.1</u>	<u>379.5</u>	<u>418.5</u>
Beef	196.8	174.8	177.1	174.6	196.8
Pork	59.1	66.1	75.5	88.3	100.1
Mutton	11.9	13.5	13.1	14.5	14.1
Horses	13.8	12.4	9.1	9.2	8.7
Goats	0.5	0.6	0.5	0.4	0.3
Poultry	74.3	70.8	79.8	92.5	98.5
<u>Eggs (millions of dozens)</u>	<u>120</u>	<u>139</u>	<u>148</u>	<u>149</u>	<u>147</u>
<u>Milk (millions of liters)</u>	<u>880</u>	<u>1,012</u>	<u>1,093</u>	<u>1,100</u>	<u>1,120</u>
<u>Fish catch</u>					
<u>(thousands of tons)</u>	<u>4,142.4</u>	<u>4,456.3</u>	<u>5,138.9</u>	<u>4,327.9</u>	<u>4,951.0</u>

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

Table 34. Chile: Production of Selected Agricultural Products

	1984	1985	1986	1987	1988
(In millions of 1977 Chilean pesos)					
<u>Value of traditional crops</u>	<u>13,233</u>	<u>14,429</u>	<u>16,499</u>	<u>16,986</u>	<u>17,350</u>
Cereals	5,683	6,553	8,228	9,341	8,995
Farm crops	5,868	5,917	5,402	4,881	5,488
Crops for industrial use	1,682	1,959	2,869	2,764	2,867
<u>Value of principal fruits</u>	<u>2,546</u>	<u>2,877</u>	<u>3,286</u>	<u>3,724</u>	<u>4,397</u>
<u>Value of livestock production</u>	<u>15,859</u>	<u>17,311</u>	<u>19,785</u>	<u>20,710</u>	<u>21,797</u>
(In percentage changes)					
<u>Value of traditional crops</u>	<u>43.8</u>	<u>9.0</u>	<u>14.3</u>	<u>3.0</u>	<u>2.1</u>
Cereals	53.8	15.3	25.6	13.5	-3.7
Wheat	68.6	20.1	39.6	15.3	-7.4
Oats	11.6	4.4	-27.2	2.6	22.8
Barley	1.4	14.8	-20.2	-29.0	62.0
Rice	42.2	-4.9	-19.1	16.2	10.2
Farm crops	38.1	0.8	-8.7	-9.6	12.4
Corn	40.8	7.1	-6.6	-14.4	7.6
Beans	11.9	7.4	-11.9	-9.0	21.2
Lentils	14.3	56.1	15.7	-14.9	-19.0
Chickpeas	55.7	29.1	--	66.7	-48.6
Potatoes	51.5	-12.3	-13.0	-8.1	24.8
Crops for industrial use	33.7	16.5	46.5	-3.7	3.7
Sugar beets	33.5	-3.2	24.2	--	-6.1
Sunflower seeds	40.0	359.1	67.8	-27.4	22.8
Rapeseed	33.3	708.3	203.6	-2.0	28.6
<u>Value of principal fruits</u>	<u>11.4</u>	<u>13.0</u>	<u>14.2</u>	<u>13.3</u>	<u>18.1</u>
Apples	12.3	1.2	17.1	6.8	5.8
Table grapes	14.6	26.7	15.7	20.3	25.8
Peaches and nectarines	-0.6	-0.6	-1.2	-0.3	15.3

Source: Central Bank estimates based on data from National Statistical Institute (INE).

Table 35. Chile: Agricultural Production, Area Cultivated, and Yields of Traditional Crops 1/

	1984	1985	1986	1987	1988	1989
(Production in thousands of metric tons)						
<u>Total production</u>	<u>5,489</u>	<u>5,599</u>	<u>6,387</u>	<u>6,456</u>	<u>6,522</u>	<u>...</u>
<u>Cereals</u>	<u>1,394</u>	<u>1,588</u>	<u>1,954</u>	<u>2,201</u>	<u>2,140</u>	<u>...</u>
Wheat	988	1,165	1,626	1,874	1,734	...
Oats	163	170	124	127	157	...
Barley	74	85	68	48	82	...
Rye	4	11	9	5	5	...
Rice	165	157	127	147	162	...
<u>Farm crops</u>	<u>1,880</u>	<u>1,822</u>	<u>1,644</u>	<u>1,470</u>	<u>1,723</u>	<u>...</u>
Corn	721	772	721	617	661	...
Beans	94	101	89	81	100	...
Lentils	16	25	29	25	20	...
Peas	6	6	5	5	5	...
Chickpeas	7	9	9	15	9	...
Potatoes	1,036	909	791	727	928	...
<u>Crops for industrial use</u>	<u>2,215</u>	<u>2,189</u>	<u>2,789</u>	<u>2,785</u>	<u>2,659</u>	<u>...</u>
Sugarbeet	2,204	2,124	2,638	2,650	2,487	...
Sunflower seed	7	33	54	40	49	...
Rapeseed	4	32	97	95	123	...
(Area in thousands of hectares)						
<u>Area cultivated</u>	<u>1,050</u>	<u>1,083</u>	<u>1,137</u>	<u>1,216</u>	<u>1,116</u>	<u>1,087</u>
<u>Cereals</u>	<u>643</u>	<u>670</u>	<u>693</u>	<u>798</u>	<u>703</u>	<u>679</u>
Wheat	471	506	569	677	577	540
Oats	96	85	64	56	61	69
Barley	33	35	23	26	24	25
Rye	3	5	5	2	2	2
Rice	40	39	32	37	39	43
<u>Farm crops</u>	<u>350</u>	<u>330</u>	<u>306</u>	<u>298</u>	<u>281</u>	<u>280</u>
Corn	138	131	105	87	90	125
Beans	85	83	90	86	76	63
Lentils	24	36	37	46	33	15
Peas	10	6	8	6	6	6
Chickpeas	12	11	13	15	14	8
Potatoes	81	63	53	58	62	63
<u>Crops for industrial use</u>	<u>57</u>	<u>83</u>	<u>138</u>	<u>120</u>	<u>132</u>	<u>128</u>
Sugarbeet	48	44	51	54	49	52
Sunflower seed	5	20	30	19	23	15
Rapeseed	4	19	57	47	60	61
(Yield in metric tons per hectare)						
<u>Cereals</u>	<u>2.17</u>	<u>2.37</u>	<u>2.82</u>	<u>2.76</u>	<u>3.04</u>	<u>...</u>
Wheat	2.10	2.30	2.86	2.77	3.01	...
Oats	1.70	2.00	1.94	2.27	2.57	...
Barley	2.24	2.43	2.96	1.85	3.42	...
Rye	1.33	2.20	1.80	2.50	2.50	...
Rice	4.13	4.03	3.97	3.97	4.15	...
<u>Farm crops</u>	<u>5.37</u>	<u>5.52</u>	<u>5.37</u>	<u>4.93</u>	<u>6.13</u>	<u>...</u>
Corn	5.22	5.89	6.87	7.09	7.34	...
Beans	1.11	1.22	0.99	0.94	1.32	...
Lentils	0.67	0.69	0.78	0.54	0.61	...
Peas	0.60	1.00	0.63	0.83	0.83	...
Chickpeas	0.58	0.82	0.69	1.00	0.64	...
Potatoes	12.79	14.43	14.92	12.53	14.97	...
<u>Crops for industrial use</u>	<u>38.86</u>	<u>26.37</u>	<u>20.21</u>	<u>23.21</u>	<u>20.14</u>	<u>...</u>
Sugarbeet	45.92	48.27	51.73	49.07	50.76	...
Sunflower seed	1.40	1.65	1.80	2.11	2.13	...
Rapeseed	1.00	1.68	1.70	2.02	2.05	...

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

1/ For agricultural year.

Table 36. Chile: Index of Mining Production 1/

(Base: June 1976 = 100)

	Weights	1984	1985	1986	1987	1988
<u>Total</u>	<u>100.0</u>	<u>139.7</u>	<u>144.4</u>	<u>145.7</u>	<u>143.9</u>	<u>148.7</u>
<u>Metallic minerals</u>	<u>88.5</u>	<u>139.4</u>	<u>144.9</u>	<u>147.1</u>	<u>146.8</u>	<u>151.3</u>
Copper	76.2	134.2	139.5	143.6	143.5	148.5
Molybdenum	3.7	119.8	130.6	117.8	119.8	110.3
Lead	0.1	133.7	77.2	46.9	24.4	42.4
Silver	2.0	364.9	385.0	372.1	366.7	361.8
Iron	5.2	68.6	62.8	67.6	65.6	76.2
Zinc	0.2	736.1	855.9	403.4	746.9	737.0
Gold	1.0	436.6	447.3	465.6	399.0	403.7
Manganese	0.1	111.6	151.9	134.8	138.0	179.5
<u>Nonmetallic minerals</u>	<u>11.5</u>	<u>141.7</u>	<u>139.8</u>	<u>135.2</u>	<u>128.9</u>	<u>129.1</u>
Iodine	0.3	168.9	...	...	...	...
Coal	2.4	84.7	88.8	93.4	97.6	136.6
Petroleum	5.8	174.7	162.0	151.5	135.0	110.9
Nitrate	2.5	112.6	...	...	...	...
Limestone	0.5	163.3	165.8	181.2	195.9	248.0

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

1/ Annual average.

Table 37. Chile: Copper Production

	1984	1985	1986	1987	1988
<u>(In thousands of metric tons, fine copper)</u>					
<u>Total</u>	<u>1,290.7</u>	<u>1,356.2</u>	<u>1,401.1</u>	<u>1,418.1</u>	<u>1,449.2</u>
CODELCO	1,049.8	1,076.7	1,102.0	1,090.6	1,089.4
Chuquicamata	563.0	549.1	515.8	502.9	519.0
El Teniente	285.4	319.1	365.3	369.0	352.4
Salvador	96.3	95.1	102.8	97.1	86.3
Andina	105.1	113.4	118.1	121.6	131.7
Private sector	240.9	279.5	299.1	327.5	359.8
<u>By product</u>	<u>1,290.7</u>	<u>1,356.2</u>	<u>1,401.1</u>	<u>1,418.1</u>	<u>1,449.2</u>
Refined	879.7	884.3	942.3	970.3	1,012.8
Blister	218.6	204.1	181.6	136.6	176.6
Other	192.4	267.8	277.2	311.1	259.8
<u>(Annual percentage change)</u>					
<u>Total production</u>	<u>2.7</u>	<u>5.1</u>	<u>3.3</u>	<u>1.2</u>	<u>2.2</u>
CODELCO	3.7	2.6	2.3	-1.0	-0.1
Private sector	-1.7	16.1	7.0	9.5	9.9

Sources: National Copper Corporation; and Chilean Copper Commission.

Table 38. Chile: Petroleum Balance

	1984	1985	1986	1987	1988
<u>(In thousands of barrels)</u>					
<u>Supply = apparent</u> <u>domestic consumption</u>	<u>33,411</u>	<u>34,511</u>	<u>35,120</u>	<u>37,100</u>	<u>40,918</u>
Imports of crude petroleum	13,950	15,900	18,459	20,105	31,859
Domestic production of crude	14,069	12,916	12,143	10,860	8,889
Imports of refined products in crude equivalent	2,930	2,782	4,858	2,170	2,360
Production of liquified gas	2,953	2,886	2,690	2,720	2,597
Changes in stocks	529	724	-2,330	1,945	-4,037
Exports	-1,020	-697	-700	-700	-750
<u>(In percentage change)</u>					
Demand	0.6	3.3	1.8	5.6	10.3
Imports of crude and petroleum products	-1.6	10.7	24.8	-4.5	53.6

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

Table 39. Chile: Prices of Selected Petroleum Products
(Santiago Area)

	December 31				
	1984	1985	1986	1987	1988
<u>(In Chilean pesos)</u>					
Per liter					
Premium gasoline	54.28	70.48	69.08	87.28	68.41
Regular gasoline	51.77	64.08	67.32	84.20	65.42
Kerosene	45.80	54.94	43.28	58.27	44.70
Diesel oil	42.66	54.88	55.01	72.13	53.71
<u>(In U.S. cents)</u>					
Per liter					
Premium gasoline	43.0	38.6	33.9	37.1	27.9
Regular gasoline	41.0	35.1	33.6	35.8	26.7
Kerosene	36.3	30.1	21.2	24.8	18.2
Diesel oil	33.8	30.1	27.0	30.7	21.9
<u>Memorandum item</u>					
Exchange rate <u>1/</u>	126.2	182.5	203.7	235.3	245.0

Source: National Petroleum Company.

1/ Chilean pesos per U.S. dollar; monthly average market rate.

Table 40. Chile: Index of Volume of Industrial Production by Product

(Base: Average 1979 = 100)

	Weights	1984	1985	1986	1987	1988
<u>Overall</u>	<u>100.0</u>	<u>103.9</u>	<u>104.0</u>	<u>112.6</u>	<u>117.3</u>	<u>126.4</u>
Food	17.1	130.8	127.1	138.9	132.9	138.1
Beverages	5.1	94.0	96.5	97.4	96.2	114.2
Tobacco	3.9	81.2	80.7	83.1	82.0	90.8
Textiles	5.4	95.1	101.6	120.1	126.1	120.8
Garments except footwear	2.7	95.9	104.0	115.0	124.6	120.6
Leather products	0.8	88.8	76.2	70.3	64.0	60.8
Footwear	1.5	69.7	66.4	67.2	66.5	71.6
Wood products except furniture	3.1	79.0	75.6	77.5	92.9	91.9
Furniture except metallic	0.8	77.2	87.6	133.5	222.7	279.6
Paper and paper products	4.8	98.7	104.0	110.6	111.9	122.3
Printing, publishing and other	4.1	166.5	147.3	175.6	187.6	200.6
Rubber products	1.3	127.9	122.3	112.7	121.0	117.2
Industrial chemicals	4.0	88.9	90.8	91.0	103.1	118.2
Other chemicals	5.8	101.3	100.8	108.3	123.6	143.8
Petroleum refining	4.3	80.3	8.5	84.6	90.9	103.2
Petroleum and coal derivatives	0.2	76.8	69.2	68.3	68.6	64.1
Plastic products	1.8	135.9	157.2	178.1	199.4	185.5
Clay, ceramic, and crockery	0.5	292.2	334.0	351.8	368.6	385.7
Glass products	0.8	74.8	86.8	102.9	96.0	122.1
Nonmetallic minerals	2.1	104.5	108.0	127.2	113.6	150.9
Basic metals	4.3	104.7	103.2	105.7	110.3	138.2
Nonferrous metals	13.9	110.9	107.6	112.3	114.2	120.2
Metal products except machinery and transport	4.7	83.5	90.5	97.7	109.9	119.0
Machinery except electric machinery	1.9	64.8	56.3	73.1	84.5	85.2
Electric machinery and appliances	2.1	84.8	86.5	109.5	125.0	141.0
Transport material	3.0	44.7	55.9	50.3	57.2	58.7
Professional equipment	0.1	79.3	84.0	121.1	108.8	122.2
Other	0.4	81.3	63.4	66.2	70.1	63.8

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

Table 41. Chile: Employment Statistics ^{1/}

	1984	1985	1986	1987	1988
<u>(In thousands of persons)</u>					
<u>Total population</u>	<u>11,775.4</u>	<u>11,972.3</u>	<u>12,157.3</u>	<u>12,332.9</u>	<u>12,515.8</u>
Population 15 years of age or older	8,080.5	8,242.9	8,384.5	8,520.6	8,662.8
<u>Labor force</u>	<u>3,798.4</u>	<u>4,018.7</u>	<u>4,270.0</u>	<u>4,354.4</u>	<u>4,551.6</u>
Employed	3,268.0	3,537.4	3,895.7	4,010.8	4,265.8
Of which: special works programs	363.4	283.1	192.6	93.1	15.0
Unemployed	530.4	481.3	374.3	343.6	285.8
<u>(In percent)</u>					
<u>Unemployed (as percentage of labor force)</u>	<u>14.0</u>	<u>12.0</u>	<u>8.8</u>	<u>7.9</u>	<u>6.3</u>
<u>Special works programs (as percentage of labor force)</u>	<u>3.3</u>	<u>2.8</u>	<u>2.1</u>	<u>1.3</u>	<u>0.2</u>
<u>Participation rates</u>					
Labor force as percentage of total population	32.3	33.6	35.1	35.3	36.4
Labor force as percentage of popu- lation over 15 years of age	47.0	48.8	50.9	51.1	52.5
<u>(Change in percent)</u>					
<u>Total population</u>	<u>1.7</u>	<u>1.7</u>	<u>1.5</u>	<u>1.4</u>	<u>1.5</u>
Labor force	0.8	5.8	6.3	2.0	4.5
Employment	1.6	8.2	10.1	3.0	6.4
Unemployment	-3.9	-9.3	-22.2	-8.2	-16.8

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

^{1/} Based on October-December surveys. The survey methodology changed as of the last quarter of 1985, and hence, the 1985-88 figures are not comparable with those of 1984.

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

	Labor Force (Thousands of persons)	Employment ^{1/} (Thousands of persons)	Labor Force Participation Rate (Percent of total population)	Unemploy- ment Rate (Percent of labor force)	Layoff Rate
(Period averages)					
1984	1,544.0	1,259.0	34.2	18.5	14.8
1985 ^{2/}	1,614.3	1,340.9	35.0	16.9	13.5
1986	1,721.6	1,497.2	36.5	13.0	10.5
1987	1,773.1	1,565.4	37.0	11.8	9.7
1988	1,837.8	1,650.0	37.5	10.2	8.0
<u>1985</u>					
Jan.-Mar.	1,569.4	1,297.6	34.3	17.3	13.2
Apr.-Jun.	1,608.0	1,332.2	34.9	17.2	13.4
July-Sept.	1,559.7	1,272.7	33.7	18.4	15.1
Oct.-Dec.	1,720.0	1,461.0	37.0	15.1	12.3
<u>1986</u>					
Jan.-Mar.	1,718.7	1,454.2	36.8	15.4	12.2
Apr.-Jun.	1,698.1	1,477.3	36.1	13.0	10.2
July-Sept.	1,710.1	1,485.8	36.2	13.1	10.8
Oct.-Dec.	1,759.0	1,571.5	37.1	10.7	8.7
<u>1987</u>					
Jan.-Mar.	1,753.4	1,562.5	36.8	10.9	8.6
Apr.-Jun.	1,795.3	1,556.6	37.5	13.3	11.0
July-Sept.	1,753.1	1,526.8	36.4	12.9	10.9
Oct.-Dec.	1,792.4	1,615.5	37.1	9.9	8.8
<u>1988</u>					
Jan.-Mar.	1,800.9	1,600.9	37.1	11.1	8.9
Apr.-Jun.	1,840.8	1,623.9	37.7	11.8	9.8
July-Sept.	1,840.7	1,645.6	37.5	10.6	8.0
Oct.-Dec.	1,868.5	1,729.6	37.9	7.4	5.4
<u>1989</u>					
Jan.-Mar.	1,866.0	1,725.1	...	7.6	...

Source: National Institute of Statistics (INE).

^{1/} Includes employment in the program for Minimum Employment (PEM) and in the Program for Employment of Heads of Families (POJH).

^{2/} Survey methodology changed as of the last quarter of 1985. Hence, the figures for 1985 (year and last quarter) and subsequent years are not comparable with those of previous periods.

Table 43. Chile: Index of Wages and Salaries 1/

(Base: December 1982=100)

	1984	1985	1986	1987	1988
<u>(Annual average)</u>					
<u>Overall</u>	<u>129.97</u>	<u>162.60</u>	<u>198.30</u>	<u>237.27</u>	<u>289.98</u>
Mining	139.43	179.82	219.45	263.11	314.21
Manufacturing	128.70	159.64	196.40	237.47	287.99
Electricity, gas, and water	130.19	170.14	212.39	257.78	301.00
Construction	120.27	131.38	165.00	207.40	256.34
Trade, restaurants, and hotels	123.78	151.04	187.69	221.59	271.25
Transportation and communications	134.95	170.24	209.99	254.12	310.67
Financial services and insurance	125.39	154.46	191.34	229.64	287.23
Social services	126.73	156.11	180.15	209.11	260.94
<u>(Annual percentage changes)</u>					
<u>Overall</u>	<u>10.2</u>	<u>25.1</u>	<u>22.0</u>	<u>19.7</u>	<u>22.2</u>
Mining	8.5	29.0	22.0	19.9	19.4
Manufacturing	8.0	24.0	23.0	20.9	21.3
Electricity, gas, and water	12.3	30.7	24.8	21.4	16.8
Construction	6.3	9.2	25.6	25.7	23.6
Trade, restaurants, and hotels	6.8	22.0	24.3	18.1	22.4
Transportation and communications	14.6	26.2	23.3	21.0	22.3
Financial services and insurance	5.3	23.2	23.9	20.0	25.1
Social services	15.8	23.2	15.4	16.1	24.8
<u>Memorandum item</u>					
<u>Consumer prices</u>	<u>19.9</u>	<u>30.7</u>	<u>19.5</u>	<u>19.9</u>	<u>14.7</u>

Source: National Statistical Institute (INE).

1/ Beginning in April 1983 coverage of the wage and salary index was greatly expanded and previously existing subcategories were modified.

Table 44. Chile: Summary Operations of the Nonfinancial Public Sector
(In billions of Chilean pesos)

	1984	1985	1986	1987	1988
<u>Current revenue</u>	<u>592.7</u>	<u>860.2</u>	<u>1,035.7</u>	<u>1,312.1</u>	<u>1,713.5</u>
General government	544.1	737.1	914.9	1,180.4	1,553.5
Net transfers from the public enterprises <u>1/</u>	-147.3	-206.8	-245.0	-340.9	-544.0
Operating surplus of the public enterprises	195.9	329.9	365.8	472.6	704.2
<u>Current expenditure of the general government</u>	<u>582.1</u>	<u>761.3</u>	<u>884.8</u>	<u>1,089.8</u>	<u>1,258.9</u>
<u>Current account</u>	<u>10.6</u>	<u>98.9</u>	<u>150.9</u>	<u>222.3</u>	<u>454.6</u>
<u>Net capital revenue</u>	<u>27.5</u>	<u>14.9</u>	<u>32.1</u>	<u>51.3</u>	<u>77.5</u>
Revenue	65.0	84.9	130.9	177.1	206.0
Less: financial investment and capital transfers <u>2/</u>	-37.5	-70.0	-98.8	-125.8	-128.6
<u>Fixed investment</u>	<u>120.7</u>	<u>180.9</u>	<u>244.6</u>	<u>289.0</u>	<u>335.2</u>
<u>Overall surplus or deficit (-)</u>	<u>-82.6</u>	<u>-67.1</u>	<u>-61.6</u>	<u>-15.4</u>	<u>196.8</u>
<u>Financing</u>	<u>82.6</u>	<u>67.1</u>	<u>61.6</u>	<u>15.4</u>	<u>-196.8</u>
Foreign	50.8	106.3	85.3	51.3	185.4
Domestic	31.8	-39.2	-23.7	-35.9	-382.2
<u>Memorandum items</u>					
Total revenue <u>3/</u>	620.2	875.1	1,067.8	1,363.4	1,791.0
Total expenditure <u>4/</u>	702.8	942.2	1,129.4	1,378.8	1,594.2

Source: Ministry of Finance.

1/ Includes tax payments and profit transfers, net of transfer receipts by the public enterprises already incorporated in general government revenues and dividends and other transfers to the private sector.

2/ Excludes lending to the private sector by CORFO, INDAP and SERCOTEC up to program limits in connection with special lending programs of the IDB and IBRD.

3/ Current revenue plus net capital revenue.

4/ Current expenditure plus capital formation.

Table 45. Chile: Summary Operations of the General Government

(In billions of Chilean pesos)

	1984	1985	1986	1987	1988
<u>Total revenue</u>	565.3	747.1	939.4	1,204.3	1,596.2
Current revenue	544.1	737.1	914.9	1,180.4	1,553.3
Net capital revenue <u>1/</u>	21.2	10.0	24.5	23.9	42.8
<u>Total expenditure</u>	632.5	841.2	991.0	1,232.4	1,414.6
Current expenditure	582.1	761.3	884.8	1,089.8	1,258.9
Capital expenditure	50.4	79.9	106.2	142.6	155.7
<u>Overall surplus or deficit (-)</u>	-67.2	-94.1	-51.6	-28.1	181.5
Current account	-38.0	-24.2	30.1	90.6	294.4
Capital account	-29.2	-69.9	-81.7	-118.6	-112.9
<u>Financing</u>	67.2	94.1	51.6	28.1	-181.5
Foreign	14.2	78.8	75.1	74.3	193.1
Domestic	53.0	15.3	-23.5	-46.2	-374.6

Source: Ministry of Finance.

1/ Net of financial investments and capital transfers.

Table 46. Chile: General Government Revenue

(In billions of Chilean pesos)

	1984	1985	1986	1987	1988
<u>Total revenue</u>	<u>565.2</u>	<u>747.1</u>	<u>939.4</u>	<u>1,204.3</u>	<u>1,596.2</u>
<u>Current revenue</u>	<u>544.1</u>	<u>737.1</u>	<u>914.9</u>	<u>1,180.4</u>	<u>1,553.3</u>
Taxes on income and property	88.1	94.8	121.8	175.3	408.0
Personal and business					
income tax	61.4	76.8	99.0	120.1	148.2
Property tax	3.1	4.1	5.1	8.5	7.5
Real estate	2.2	3.0	3.9	4.6	5.6
Other	0.9	1.1	1.2	3.9	1.9
Copper companies' net tax	23.6	13.9	17.7	46.7	252.3
Taxes on goods and services	270.7	388.6	513.9	660.7	772.7
Value added tax	205.2	288.8	379.6	498.1	617.9
Excise tax	52.4	77.4	107.8	127.2	122.5
Stamp tax	11.4	21.2	25.0	32.8	28.3
Other	1.7	1.2	1.5	2.6	4.0
Taxes on international trade	62.2	93.9	97.9	143.8	151.2
Other taxes, net of VAT					
rebates	-24.3	-42.8	-57.4	-86.2	-137.3
Social security tax	53.1	62.4	81.4	93.3	103.1
Nontax revenue	94.2	140.2	157.3	193.4	255.7
Profit transfers from					
government enterprises	13.6	25.0	35.5	75.2	105.7
Sales of goods and services	46.7	67.6	74.0	54.0	62.4
Other	33.9	47.6	47.8	64.2	87.6
<u>Net capital revenue</u>	<u>21.2</u>	<u>10.0</u>	<u>24.5</u>	<u>23.9</u>	<u>42.8</u>
Revenue	60.7	77.3	111.5	151.1	183.4
Less:					
Financial investment and					
other capital transfers ^{1/}	-39.5	-67.3	-87.0	-127.2	-140.6
<u>Memorandum item</u>					
Corfo-Indap-Sercotec					
Adjustment	8.0	13.5	3.5	1.6	4.1

Source: Ministry of Finance.

^{1/} Excludes lending to the private sector by CORFO, INDAP, and SERCOTEC up to program limits in connection with special lending programs of the IDB and IBRD. May include capital transfers to other parts of the public sector.

Table 47. Chile: General Government Expenditure

(In billions of Chilean pesos)

	1984	1985	1986	1987	1988
<u>Total expenditure</u>	<u>632.5</u>	<u>841.2</u>	<u>991.0</u>	<u>1,232.4</u>	<u>1,414.6</u>
<u>Current expenditure</u>	<u>582.1</u>	<u>761.3</u>	<u>884.8</u>	<u>1,089.8</u>	<u>1,258.9</u>
Wages and salaries ^{1/}	122.0	150.5	172.0	197.6	236.9
Purchases of goods and services	64.3	82.7	96.7	138.4	144.9
Social security payments to private recipients	191.7	232.2	283.7	333.3	389.0
Transfer and subsidy payments to private sector	154.7	205.9	247.2	289.7	314.6
Interest on public debt	45.1	83.0	77.0	121.8	165.0
Other	4.3	7.0	8.2	9.0	8.4
<u>Fixed investment</u>	<u>50.4</u>	<u>79.9</u>	<u>106.2</u>	<u>142.6</u>	<u>155.7</u>

Sources: Ministry of Finance; and Fund staff estimates.

^{1/} Includes contributions to the social security system on behalf of employees.

Table 48. Chile: Operations of the Public Enterprises

(In billions of Chileans pesos)

	1984	1985	1986	1987	1988
<u>I. All Public Enterprises</u>					
<u>Operating surplus before</u>					
<u>taxes and transfers</u>	<u>195.8</u>	<u>329.9</u>	<u>365.9</u>	<u>472.6</u>	<u>704.2</u>
Taxes and transfers	147.3	206.7	245.0	340.9	544.0
<u>Current account surplus</u>	<u>48.5</u>	<u>123.2</u>	<u>120.9</u>	<u>131.6</u>	<u>160.2</u>
Capital revenue	6.5	3.8	7.6	19.2	34.6
Capital expenditure	70.3	99.9	138.3	146.4	179.5
<u>Overall surplus or deficit (-)</u>	<u>-15.3</u>	<u>27.1</u>	<u>-9.8</u>	<u>4.5</u>	<u>15.3</u>
<u>II. CODELCO</u>					
<u>Operating surplus before</u>					
<u>taxes and transfers</u>	<u>57.8</u>	<u>126.1</u>	<u>144.5</u>	<u>200.0</u>	<u>476.5</u>
Taxes and transfers	54.1	64.9	84.1	131.6	358.0
<u>Current account surplus</u>	<u>3.7</u>	<u>61.2</u>	<u>60.4</u>	<u>68.4</u>	<u>118.5</u>
Capital revenue	3.5	1.5	0.3	3.6	4.0
Capital expenditure	26.2	50.2	71.7	69.2	97.7
<u>Overall surplus or deficit (-)</u>	<u>-19.0</u>	<u>12.5</u>	<u>-11.0</u>	<u>2.8</u>	<u>24.8</u>
<u>III. ENAP</u>					
<u>Operating surplus before</u>					
<u>taxes and transfers</u>	<u>94.4</u>	<u>143.5</u>	<u>126.7</u>	<u>168.1</u>	<u>156.2</u>
Taxes and transfers	80.5	117.7	114.1	138.5	137.6
<u>Current account surplus</u>	<u>13.9</u>	<u>25.8</u>	<u>12.6</u>	<u>29.6</u>	<u>18.6</u>
Capital revenue	0.2	1.2	0.5	0.7	0.2
Capital expenditure	9.2	15.3	20.6	20.2	18.8
<u>Overall surplus or deficit (-)</u>	<u>4.9</u>	<u>11.7</u>	<u>-7.5</u>	<u>10.3</u>	<u>0.1</u>
<u>IV. Other Public Enterprises</u>					
<u>Operating surplus before</u>					
<u>taxes and transfers</u>	<u>43.6</u>	<u>60.3</u>	<u>94.7</u>	<u>104.4</u>	<u>71.5</u>
Taxes and transfers	12.7	24.1	46.8	70.9	48.4
<u>Current account surplus</u>	<u>30.9</u>	<u>36.2</u>	<u>47.9</u>	<u>33.7</u>	<u>23.1</u>
Capital revenue	2.8	1.1	6.8	15.0	30.4
Capital expenditure	34.9	34.4	46.0	57.2	63.1
<u>Overall surplus or deficit (-)</u>	<u>-1.2</u>	<u>2.9</u>	<u>8.7</u>	<u>-8.6</u>	<u>-9.6</u>

Source: Ministry of Finance.

Table 49. Chile: Summary of Financial Operations of CODELCO

(In billions of Chilean pesos)

	1984	1985	1986	1987	1988
<u>Current revenue</u>	<u>168.1</u>	<u>281.3</u>	<u>344.5</u>	<u>464.7</u>	<u>826.5</u>
Sales of goods and services	159.1	266.6	326.8	444.4	789.5
Other	9.0	14.7	17.7	20.3	37.0
<u>Current expenditure</u>	<u>110.3</u>	<u>155.2</u>	<u>200.0</u>	<u>264.7</u>	<u>350.0</u>
Wages and salaries ^{1/}	31.7	41.7	50.9	62.3	75.5
Purchases of goods and services	66.8	97.5	130.5	181.1	246.7
Interest payments	11.8	16.0	18.6	21.3	27.8
<u>Operating surplus</u>	<u>57.8</u>	<u>126.1</u>	<u>144.5</u>	<u>200.0</u>	<u>476.5</u>
Less: taxes and transfer payments	-54.1	-86.7	-114.2	-166.3	-393.8
Plus: transfer receipts	--	21.8	30.1	34.7	35.8
<u>Current account surplus or deficit (-)</u>	<u>3.7</u>	<u>61.2</u>	<u>60.4</u>	<u>68.4</u>	<u>118.5</u>
<u>Net capital revenue</u>	<u>3.5</u>	<u>1.5</u>	<u>0.3</u>	<u>3.6</u>	<u>4.0</u>
Revenue	3.8	2.8	1.9	6.4	7.6
Less: financial investment and other capital transfers	-0.3	-1.3	-1.6	-2.8	-3.6
<u>Fixed investment</u>	<u>26.2</u>	<u>50.2</u>	<u>71.7</u>	<u>69.2</u>	<u>97.7</u>
<u>Overall surplus or deficit (-)</u>	<u>-19.0</u>	<u>12.5</u>	<u>-11.0</u>	<u>2.8</u>	<u>24.8</u>
<u>Financing</u>	<u>19.0</u>	<u>-12.5</u>	<u>11.0</u>	<u>-2.8</u>	<u>-24.8</u>
Foreign	17.8	8.5	19.5	26.1	15.2
Domestic	1.2	-21.0	-8.5	-28.9	-40.0

Sources: Ministry of Finance.

^{1/} Includes contributions to the social security system on behalf of employees.

Table 50. Chile: Summary of Financial Operations of ENAP

(In billions of Chilean pesos)

	1984	1985	1986	1987	1988
<u>Current revenue</u>	<u>160.9</u>	<u>239.3</u>	<u>229.0</u>	<u>292.8</u>	<u>335.9</u>
Sales of goods and services	155.8	234.4	225.9	287.3	328.7
Other	5.1	4.9	3.0	5.5	7.2
<u>Current expenditure</u>	<u>66.5</u>	<u>95.8</u>	<u>102.2</u>	<u>124.7</u>	<u>179.7</u>
Wages and salaries ^{1/}	6.3	8.5	10.4	12.4	15.4
Purchases of goods and services	56.0	81.6	86.9	106.6	158.0
Interest payments	4.2	5.7	4.9	5.7	6.3
<u>Operating surplus</u>	<u>94.4</u>	<u>143.5</u>	<u>126.8</u>	<u>168.1</u>	<u>156.2</u>
Less: taxes and transfer payments	-80.6	-120.1	-115.6	-138.5	-138.0
Plus: transfer receipts	0.1	2.4	1.5	--	0.4
<u>Current account surplus or deficit (-)</u>	<u>13.9</u>	<u>25.8</u>	<u>12.7</u>	<u>29.6</u>	<u>18.6</u>
<u>Net capital revenue</u>	<u>0.2</u>	<u>1.2</u>	<u>0.5</u>	<u>0.7</u>	<u>0.2</u>
Revenue	0.7	1.7	1.4	0.7	--
Less: financial investments and other capital transfers	-0.5	-0.5	-0.9	--	0.2
<u>Fixed investment</u>	<u>9.2</u>	<u>15.3</u>	<u>20.5</u>	<u>20.0</u>	<u>18.8</u>
<u>Overall surplus or deficit (-)</u>	<u>4.9</u>	<u>11.7</u>	<u>-7.5</u>	<u>10.3</u>	<u>--</u>
<u>Financing</u>	<u>-4.9</u>	<u>-11.7</u>	<u>7.5</u>	<u>-10.3</u>	<u>--</u>
Foreign	-2.8	-2.9	5.9	-0.5	-10.7
Domestic	-2.1	-8.8	1.6	-9.8	10.7

Sources: Ministry of Finance; and ENAP.

^{1/} Includes contributions to the social security system on behalf of employees.

Table 51. Chile: Interest Rates Operations of Commercial Banks

	Nominal 1/		Real 2/	
	Loans	Deposits	Loans	Deposits
(In percent per annum)				
1984	37.7	26.4	9.0	8.4
1985	40.8	31.6	9.4	8.2
1986	26.2	19.0	7.7	4.1
1987	27.4	25.2	7.3	4.3
1988	21.0	14.8	7.6	4.6
<u>1985</u>				
March	47.6	37.7	9.2	7.8
June	44.2	36.1	9.2	8.7
September	25.3	18.2	9.6	7.7
December	31.4	25.3	8.9	6.2
<u>1986</u>				
March	25.3	16.8	8.5	5.1
June	25.2	12.7	7.6	3.9
September	21.9	11.4	6.9	3.3
December	26.8	21.0	6.6	3.5
<u>1987</u>				
March	32.3	25.3	6.8	3.8
June	33.9	22.4	7.0	4.4
September	27.9	23.9	7.5	4.7
December	37.6	25.3	7.5	4.5
<u>1988</u>				
January	17.5	9.6	7.3	4.3
February	19.6	11.7	7.4	4.3
March	18.4	13.2	7.3	4.2
April	29.7	24.3	7.0	4.1
May	20.4	13.2	7.5	4.1
June	16.5	9.8	7.6	4.6
July	14.8	8.0	8.4	4.9
August	14.0	8.5	8.0	4.7
September	18.7	14.4	7.5	5.1
October	21.8	17.3	7.9	5.0
November	29.5	24.9	8.0	4.7
December	33.5	27.0	7.7	5.0
<u>1989</u>				
January	35.4	26.8	8.1	5.3
February	30.3	18.2	8.2	5.5
March	19.6	12.7	8.4	5.7
April	34.5	26.8	8.3	5.7
May	28.0	20.3	8.7	5.8
June	38.3	31.2	8.8	6.3
July	38.5	30.6	9.0	6.7

Source: Sintesis Monetaria y Financiera, Central Bank of Chile.

1/ Average return in financial system on nonindexed operations for 30-89 days.

2/ Average return in financial system on indexed operations for 90-365 days.

Table 52. Chile: Summary Accounts of the Central Bank, 1984-88

(End of year stocks: in billions of Chilean pesos)

	1984	1985	1985	1986	1986	1987	1987	1988	June 1989
	(US\$1=Ch\$180.22)	(US\$1=Ch\$180.22)	(US\$1=Ch\$201.46)	(US\$1=Ch\$201.46)	(US\$1=Ch\$234.05)	(US\$1=Ch\$234.05)	(US\$1=Ch\$234.05)	(US\$1=Ch\$249.7)	(US\$1=Ch\$249.7)
<u>Net international reserves</u>	200.1	197.8	221.1	238.9	277.5	225.9	241.0	486.2	526.9
In millions of U.S. dollars	1,110.2	1,097.8	1,097.8	1,186.0	1,186.0	965.1	965.1	1,947.0	2,110.1
<u>Net domestic assets</u>	520.9	787.5	848.9	1,033.9	1,138.7	1,422.7	1,480.6	1,263.3	1,356.9
Net credit to the nonfinancial public sector <u>1/</u>	128.3	57.7	64.3	37.3	43.1	-6.9	-6.8	-221.2	...
SINAP	98.8	128.4	128.4	146.4	146.4	165.2	165.2	180.8	...
Net credit to financial intermediaries	45.0	71.2	-69.5	-62.6	-266.3	4.3	-122.8	-202.0	...
Credit to private sector	17.5	18.1	18.6	26.6	27.3	9.3	9.4	9.9	...
Capital and reserve	-158.4	-200.5	-200.5	-233.8	-233.8	-289.3	-287.5	-673.3	...
Other	389.7	712.6	907.6	1,120.0	1,422.0	1,540.1	1,723.1	2,169.1	...
<u>Net medium- and long-term foreign liabilities 2/</u>	580.2	718.2	802.9	887.5	1,030.9	1,091.9	1,164.9	974.2	810.5
In millions of U.S. dollars	3,219.2	3,985.2	3,985.2	4,404.8	4,404.8	4,665.2	4,665.2	3,901.0	3,245.9
<u>Liabilities to the private sector</u>	140.8	267.1	267.1	385.3	385.3	556.7	556.7	775.4	1,073.3
Currency	64.1	79.5	79.5	108.6	108.6	135.7	135.7	181.4	181.3
Other <u>3/</u>	76.7	187.6	187.6	276.7	276.7	421.0	421.0	594.0	892.0

Source: Central Bank of Chile.

1/ Excludes holdings of treasury notes on account of the 1983-86 capitalization of the Central Bank. These notes are included in other assets.

2/ Includes foreign liabilities on account of deposits placed by the corporate sector in the Central Bank in the context of the 1983-85 rescheduling agreements with foreign commercial banks.

3/ Includes medium-term notes issued by the Central Bank to finance the preferential exchange rate subsidy.

Table 53. Chile: Summary Accounts of the Financial System, 1984-88

(End of year stocks: in billions of Chilean pesos)

	1984 (US\$1=Ch\$180.22)	1985 (US\$1=Ch\$180.22)	1985 (US\$1=Ch\$201.46)	1986 (US\$1=Ch\$201.46)	1986 (US\$1=Ch\$234.05)	1987 (US\$1=Ch\$234.05)	1987 (US\$1=Ch\$234.05)	1988 (US\$1=Ch\$249.7)	June 1989 (US\$1=Ch\$249.7)
<u>Net international reserves</u>	187.4	150.1	167.9	156.1	181.2	70.4	69.4	250.9	212.2
Central Bank	200.1	197.8	221.1	238.9	277.5	225.9	241.0	486.2	526.9
Rest of the financial system	-12.7	-47.7	-53.3	-82.9	-96.3	-155.5	-171.6	-235.4	-314.7
<u>Net domestic assets</u>	2,204.1	2,744.2	2,947.2	3,309.9	3,626.0	4,139.3	4,290.5	4,374.8	4,607.4
Nonfinancial public sector (net) <u>1/</u>	141.0	79.6	83.4	42.0	60.9	4.0	-0.5	-351.0	-609.0
Private sector	1,770.9	2,126.0	2,148.7	2,592.7	2,626.7	3,188.0	3,214.5	3,737.4	4,068.6
Other assets (net)	292.2	538.6	715.1	675.2	938.4	947.3	1,076.5	988.4	1,147.8
<u>Net medium- and long-term foreign</u>									
<u>liabilities</u>	1,650.4	1,784.6	1,995.0	1,966.9	2,285.0	2,058.9	2,196.0	1,699.1	1,317.5
Central Bank <u>2/</u>	580.2	718.2	802.9	887.5	1,030.9	1,091.9	1,164.5	974.2	810.5
Rest of the financial system	1,070.2	1,066.4	1,192.1	1,079.5	1,254.1	967.0	1,031.5	724.9	507.0
<u>Liabilities to the private sector</u>	741.1	1,109.7	1,120.1	1,499.1	1,522.2	2,150.8	2,163.6	2,926.6	3,502.1
Money	115.5	128.6	128.6	181.7	181.7	199.6	199.6	364.0	273.0
Other liabilities <u>3/</u>	625.6	981.1	991.5	1,317.4	1,340.5	1,951.2	1,964.0	2,562.6	3,229.1

Source: Central Bank of Chile.

Note: Components may not add up to totals because of rounding.

1/ Excludes holdings of treasury notes on account of the 1983-85 capitalization of the Central Bank. These notes are included in other assets.

2/ Includes liabilities on account of deposits placed by the corporate sector in the context of the rescheduling agreements with foreign commercial banks.

3/ Includes time and savings deposits, mortgage bonds, and central bank bonds.

Table 54. Chile: Legal Reserve Requirements of the Financial System ^{1/}

(In percent of deposits)

Applicable since:	1982					1983				1985	1987
	Aug. 20	Sept. 6	Oct. 1	Nov. 1	Dec. 1	Jan. 14	May 1	June 1	July 1	Jan. 25	Jan. 1
<u>Domestic currency</u>											
Deposits of less than 30 days	10	10	10	10	10	10	10	10	10	10	10
Deposits between 30 and 89 days	7	4	4	4	4	4	4	4	4	4	4
Deposits between 90 days and 1 year	7	4	4	4	4	4	4	4	4	4	4
Deposits of more than 1 year	4	4	4	4	4	4	4	4	4	4	4
Savings deposits	10	10	10	10	10	10	10	10	10	10	10
Savings deposits with fixed term	4	4	4	4	4	4	4	4	4	4	4
Deposits in Cuenta Unica Fiscal 87	--	--	--	--	--	--	--	--	--	--	--
Treasury	10	10	10	10	10	10	10	10	10	10	10
SERVIU	10	10	10	10	10	10	10	10	10	10	10
Public entities	87	67	47	30	10	10	10	10	10	10	10
Demand deposits from CORFO-ENAP-ENAMI- social security funds	10	10	10	10	10	10	10	10	10	10	10
Marginal rate ^{2/}	--	--	--	--	--	95	45	20	--	--	--
<u>Foreign currency</u>											
Demand deposits	10	10	10	10	10	10	10	10	10	10	10
Term deposits	4	4	4	4	4	4	4	4	4	5 ^{3/}	5 ^{3/}
Technical reserves ^{4/}	--	--	--	--	--	--	--	--	--	--	100

Source: Central Bank of Chile.

^{1/} Rates applicable to commercial banks, state bank, financial corporations, and savings and loan cooperatives.^{2/} Applicable to deposits except those of the Treasury, public entities, and public enterprises.^{3/} For deposits contracted before January 25, 1985 and with original maturity of less than 72 days. All other deposits not subject to reserve requirements.^{4/} Applicable to the amount in excess of 250 percent of paid up capital and reserves of the domestic and foreign currency total of current account deposits, savings deposits without withdrawal notice and other sight liabilities. The amounts subjected to the technical reserve requirement are not be subjected to other legal reserve requirements.

Table 55. Chile: Balance of Payments

(In millions of U.S. dollars)

	1984		Balance
	Credit	Debit	
<u>Current account balance</u>	4,979	7,039	-2,060
Goods and nonfactor services	4,494	4,698	-204
Merchandise trade, f.o.b.	3,650	3,357	293
Nonfactor services	844	1,341	-497
Freight and transportation	307	615	-308
Travel	129	327	-198
Government services	40	85	-45
Other services	368	314	54
Factor services	320	2,275	-1,955
Direct investment	4	117	-113
Interest	316	2,158	-1,842
Medium and long term	20	1,793	-1,773
Public sector <u>1/</u>	6	834	-828
Private sector	14	959	-945
Short term	296	365	-69
Public sector <u>1/</u>	257	189	68
Private sector	39	176	-137
Transfers	165	66	99
<u>Capital account balance</u>	2,558	768	1,790
Direct investment	138	71	67
Financial capital flows	2,420	697	1,723
Public sector	1,886	253	1,633
Medium and long term	1,497	251	1,246
Nonfinancial public sector	587	187 <u>2/</u>	400
Financial public sector <u>1/</u>	910	64 <u>2/</u>	846
Short term	388	2	386
Nonfinancial public sector	131	2	129
Financial public sector <u>1/</u>	257	--	257
Change in medium- and long-term assets	1	--	1
Private sector	415	319	96
Medium and long term	115	237	-122
Banking system	--	40 <u>2/</u>	-40
Other private sector	115	197 <u>2/</u>	-82
Short term	292	82	210
Change in international reserves of commercial banks	65	72	-7
Other private sector	228	1-	217
Change in other assets	9	--	9
Change in commercial credit	119	125	-6
Public sector	1	--	1
Private sector	118	125	-7
<u>Errors and omissions</u>	--	--	188
<u>Overall balance <u>3/</u></u>	--	--	-82
<u>Valuation adjustment <u>4/</u></u>	--	--	-31
<u>Change in official reserves</u>			
<u>increase -) <u>5/</u></u>	--	--	113

Table 55. Chile: Balance of Payments (Continued)

(In millions of U.S. dollars)

	1985			1986		
	Credit	Debit	Balance	Credit	Debit	Balance
<u>Current account balance</u>	4,795	6,148	-1,353	5,484	6,594	-1,110
Goods and nonfactor services	4,470	3,959	511	5,121	4,454	667
Merchandise trade, f.o.b.	3,804	2,955	849	4,199	3,099	1,100
Nonfactor services	666	1,004	-338	922	1,355	-434
Freight and transportation	302	514	-212	359	591	-232
Travel	116	269	-153	145	319	-174
Government services	36	81	-45	37	82	-45
Other services	212	140	72	381	-364	17
Factor services	200	2,125	-1,925	228	2,090	-1,862
Direct investment	3	158	-155	7	175	-168
Interest	197	1,967	-1,770	221	1,915	-1,694
Medium and long term	7	1,651	-1,644	4	1,621	-1,617
Public sector <u>1/</u>	--	862	-862	--	991	-991
Private sector	7	789	-782	4	630	-626
Short term	190	316	-126	217	294	-77
Public sector <u>1/</u>	178	262	-84	211	245	-34
Private sector	12	54	-42	6	49	-43
Transfers	125	64	61	134	50	85
<u>Capital account balance</u>	2,088	482	1,606	2,594	1,436	1,158
Direct investment	211	20	191	359	27	332
Of which: debt conversion	79	--	79	275	--	275
Debt conversion and extraordinary amortization	245 <u>6/</u>	324	-79	714	989	-275
Public sector	83	88	-5	253	418	-165
Private sector	162	236	-74	461	570	-109
Financial capital flows	1,632	138	1,494	1,521	420	1,101
Public sector	1,439	195	1,244	1,082	254	828
Medium and long term	1,384	205	1,179	1,057	250	807
Nonfinancial public sector	764	132 <u>2/</u>	632	753	192	561
Financial public sector <u>1/</u>	620	73 <u>2/</u>	547	304	57	247
Short term	43	-10	53	25	4	21
Nonfinancial public sector	37	2	35	22	1	21
Financial public sector	6	-12	17	3	3	--
Change in medium- and long-term assets	12	--	12	--	--	--
Private sector	59	-142	201	375	222	153
Medium and long term	86	201	-115	162	170	-8
Banking system	4	21 <u>2/</u>	-17	4	34	-30
Other private sector	82	180 <u>2/</u>	-98	158	136	22
Short term	-72	-343	271	222	52	170
Change in international reserves of commercial banks	-79	-97	19	204	75	129
Other private sector	7	-246	253	18	-23	41
Change in other assets	45	--	45	-9	--	-9
Change in commercial credit	134	85	49	64	-56	120
Public sector	17	43	-26	6	8	-2
Private sector	117	42	75	58	-64	122
<u>Errors and omissions</u>	--	--	-249	--	--	106
<u>Overall balance <u>3/</u></u>	--	--	4	--	--	154
<u>Valuation adjustment <u>4/</u></u>	--	--	-16	--	--	-66
<u>Change in official reserves</u>						
<u>increase -) <u>5/</u></u>	--	--	12	--	--	-88

Table 55. Chile: Balance of Payments (Concluded)

(In millions of U.S. dollars)

	1987			1988		
	Credit	Debit	Balance	Credit	Debit	Balance
<u>Current account balance</u>	6,652	7,459	-808	8,652	8,819	-167
Goods and nonfactor services	6,310	5,543	767	8,266	6,690	1,576
Merchandise trade, f.o.b.	5,224	3,994	1,229	7,052	4,833	2,219
Nonfactor services	1,086	1,549	-463	1,214	1,857	-643
Freight and transportation	392	622	-230	435	766	-331
Travel	185	352	-168	202	423	-222
Government services	39	86	-47	40	83	-43
Other services	471	488	-18	537	585	-48
Factor services	182	1,882	-1,700	185	2,105	-1,920
Direct investment	4	218	-214	4	307	-303
Interest	178	1,664	-1,486	181	1,798	-1,617
Medium and long term	8	1,485	-1,477	7	1,552	-1,545
Public sector <u>1/</u>	7	1,047	-1,040	6	1,126	-1,120
Private sector	1	438	-437	1	426	-425
Short term	170	180	-10	175	246	-71
Public sector <u>1/</u>	162	156	6	167	187	-20
Private sector	8	24	-18	8	59	-51
Transfers	160	34	126	201	24	177
<u>Capital account balance</u>	3,309	2,589	720	5,514	4,285	1,229
Direct investment	964	30	934	1,101	90	1,011
Of which: debt conversion	836	--	836	903	--	903
Debt conversion and extraordinary amortization	1,147	6/1,983	-836	1,936	2,906	-970
Public sector	572	987	-415	943	1,236	-293
Private sector	575	996	-421	993	1,670	-677
Financial capital flows	1,198	576	622	2,477	1,289	1,188
Public sector	633	225	408	1,186	451	734
Medium and long term	718	219	499	1,131	440	690
Nonfinancial public sector	681	181	501	884	206	677
Financial public sector <u>1/</u>	37	38	-1	247	234	13
Short term	-85	4	-88	55	11	44
Nonfinancial public sector	5	4	2	44	3	41
Financial public sector <u>1/</u>	-90	--	-90	11	8	3
Change in medium- and long-term assets	--	2	-2	--	--	--
Private sector	353	40	312	1,072	616	457
Medium and long term	337	92	245	789	209	580
Banking system	--	-4	-4	120	2	118
Other private sector	337	87	249	669	207	462
Short term	16	-42	57	283	407	-123
Change in international reserves of commercial banks	211	-27	237	294	47	247
Other private sector	-195	-15	-180	-11	360	-370
Change in other assets	--	-10	10	--	1	-1
Change in commercial credit	212	311	-99	219	222	-3
Public sector	--	198	-199	61	73	-12
Private sector	212	113	100	158	149	9
<u>Errors and omissions</u>	--	--	-52	--	--	-72
<u>Overall balance <u>3/</u></u>	--	--	-140	--	--	990
<u>Valuation adjustment <u>4/</u></u>	--	--	-81	--	--	-8
<u>Change in official reserves</u>						
<u>increase -) <u>5/</u></u>	--	--	221	--	--	982

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

1/ Includes Banco del Estado.2/ After rescheduling.3/ Excluding the effects of valuation adjustments.4/ Adjustment for changes in cross exchange rates.5/ Actual change in net international reserves as presented in Statistical Appendix Table 60.6/ Includes external debt acquired from the private sector by the Central Bank under the rescheduling arrangement.

Table 56. Chile: Value, Quantity and Unit Price of
Main Export Products 1/

		1984	1985	1986	1987	Prel. 1988
(Values in millions of U.S. dollars; price in U.S. dollars per unit indicated)						
Copper	V	1,604	1,789	1,757	2,235	3,416
	Q (thousand metric tons)	1,234	1,353	1,369	1,368	1,356
	P (U.S. dollars per pound)	0.60	0.60	0.58	0.74	1.14
Iron pellets	V	86	65	66	81	77
	Q (thousand metric tons)	3,395	2,730	2,818	3,626	3,605
	P	25.4	24.5	23.4	22.3	21.4
Iron-mineral	V	23	25	23	20	33
	Q (thousand metric tons)	1,835	2,094	1,833	1,758	3,077
	P	12.8	12.0	12.3	11.4	10.7
Nitrate-sodium	V	28	33	36	34	37
	Q (thousand metric tons)	278	327	359	300	311.5
	P	101.5	100.0	100.2	114.4	118.1
Nitrate- potassium	V	16	18	17	15	20
	Q (thousand metric tons)	101	114	108	94	131
	P	159.2	155.1	160.8	161.7	149.4
Iodine	V	30	35	39	49	65
	Q (metric tons)	2,856	3,016	3,042	3,102	3,939
	P	10,539	11,472	12,853	15,893	16,502
Ferro and oxide molybdenum	V	165	141	134	136	136
	Q (thousand metric tons)	19	19	21	20	18
	P	8.5	7.5	6.5	6.7	7.6
Metallic silver	V	87	73	68	80	83
	Q (thousand troy ounces)	9,110	9,958	10,700	10,786	10,463
	P	9.6	7.3	7.0	7.4	7.9
Metallic gold	V	85	91	92	102	110
	Q (kilograms)	7,516	8,690	8,205	6,649	7,547
	P	11,282	10,437	11,249	15,331	14,549

Table 56. Chile: Value, Quantity and Unit Price of
Main Export Products (Concluded) 1/

		1984	1985	1986	1987	Prel. 1988
Fishmeal	V	276	279	315	362	459
	Q (thousand metric tons)	781	1,113	1,090	1,110	926
	P	352.7	250.8	289.1	326.7	495.5
Fish	V	36	47	67	109	162
	Q (thousand metric tons)	34	40	44	58	76
	P	1,045	1,170	1,530	1,873	2,123
Wood, cut	V	68	51	64	86	97
	Q (thousand cubic meters)	864	719	833	984	906
	P	78.6	70.6	76.4	86.9	107.0
Wood, logs	V	39	39	35	50	60
	Q (thousand cubic meters)	901	1,257	1,023	1,270	1,355
	P	32.9	31.3	33.9	39.4	44.5
Wood pulp, raw	V	80	55	82	102	100
	Q (thousand metric tons)	222	221	281	232	175
	P	358.0	247.7	291.5	437.3	572.5
Wood pulp, whitened	V	117	86	111	163	209
	Q (thousand metric tons)	272	282	284	295	303
	P	428.7	304.3	389.5	553.9	688.9
Newsprint	V	40	49	52	61	70
	Q (thousand metric tons)	110	116	132	127	120
	P	360.8	419.4	393.0	482.0	587.0
Grapes	V	165	216	249	276	315
	Q (thousand tons)	178	232	231	272	350
	P	923.1	930.9	1,076.5	1,015.5	900.4
Apples	V	75	74	126	142	129
	Q (thousand tons)	206	203	313	331	347
	P	357.5	366.2	404.1	428.4	371.7
Pears	V	11	13	25	24	29
	Q (thousand tons)	28	31	45	44	66
	P	407.9	413.1	559.7	545.9	435.7
<u>Memorandum item</u>						
Share of main exports in						
total exports (in percent)		83.0	83.5	80.0	79.0	79.5

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

1/ Based on unadjusted customs data.

Table 57 . Chile: Destination of Exports

(In percent)

	1984	1985	1986	1987	Prel. 1988
<u>Total</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>34.4</u>	<u>38.2</u>	<u>38.5</u>	<u>36.8</u>	<u>40.9</u>
<u>EC countries</u>	<u>31.5</u>	<u>34.3</u>	<u>33.9</u>	<u>32.7</u>	<u>36.8</u>
Belgium and Luxembourg	1.8	2.4	1.8	1.2	1.7
France	4.5	3.8	3.6	3.5	4.9
Germany	10.0	9.7	10.4	9.5	11.6
Greece	0.4	0.6	0.7	--	0.4
Ireland	--	--	0.3	--	--
Italy	4.4	5.2	5.1	5.4	6.4
Netherlands	2.5	3.7	3.6	3.2	3.5
Portugal	0.4	0.3	0.3	0.4	0.4
Spain	2.1	1.9	2.9	2.9	2.5
United Kingdom	5.4	6.7	5.2	6.2	5.2
Sweden	0.7	1.4	1.3	1.0	1.3
Others	2.2	2.4	3.1	3.1	2.8
<u>Western Hemisphere</u>	<u>41.9</u>	<u>39.3</u>	<u>40.0</u>	<u>40.7</u>	<u>33.6</u>
Canada	0.9	2.0	1.4	1.4	0.7
<u>LAFTA countries</u>	<u>14.7</u>	<u>14.0</u>	<u>16.2</u>	<u>16.4</u>	<u>12.4</u>
Andean Pact countries <u>1/</u>	4.7	4.5	4.9	5.6	4.3
Argentina	3.2	2.2	3.8	3.4	2.4
Brazil	6.2	5.5	6.9	6.6	4.8
Mexico	0.2	1.3	0.2	0.2	0.3
Others	0.4	0.5	0.4	0.6	0.6
United States	26.0	22.8	21.7	22.4	19.8
Others	0.3	0.5	0.7	0.6	0.7
<u>Rest of the world</u>	<u>23.7</u>	<u>22.5</u>	<u>21.5</u>	<u>22.5</u>	<u>25.5</u>
China, People's Republic of	3.4	3.3	2.4	1.5	1.4
Japan	11.1	10.3	9.9	11.0	12.5
Others	9.2	8.9	9.2	10.0	11.6

Source: Central Bank of Chile.

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

Table 58. Chile: Origin of Imports 1/

(In percent)

	1984	1985	1986	1987	Prel. 1988
<u>Total</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>23.0</u>	<u>26.4</u>	<u>28.9</u>	<u>29.1</u>	<u>26.8</u>
EC countries	19.8	21.9	23.0	24.1	20.9
Belgium-Luxembourg	1.4	1.2	1.6	1.1	0.8
Denmark	0.3	0.4	0.4	0.5	0.5
France	3.0	2.9	3.2	3.4	3.2
Germany	6.8	7.6	8.6	8.8	7.7
Greece	--	--	--	--	--
Ireland	0.1	0.1	0.1	0.2	0.2
Italy	2.1	1.8	2.2	2.5	2.5
Netherlands	0.9	0.9	1.0	0.9	0.8
Portugal	0.1	0.1	0.1	0.1	--
Spain	2.5	3.8	2.8	3.1	2.5
United Kingdom	2.5	3.1	3.0	3.4	2.6
Sweden	1.0	1.5	1.6	1.4	1.6
Switzerland	1.0	1.2	1.8	1.5	1.8
Others	1.2	1.8	2.5	2.1	2.5
<u>Western Hemisphere</u>	<u>56.2</u>	<u>55.8</u>	<u>50.6</u>	<u>47.7</u>	<u>52.6</u>
Canada	2.1	2.2	1.9	1.8	2.3
LAFTA countries	28.2	28.6	25.1	25.1	28.8
Venezuela	7.9	9.8	5.1	3.8	3.5
Other Andean Pact countries <u>2/</u>	3.9	4.2	5.4	4.6	4.8
Argentina	5.0	3.9	4.2	4.2	5.9
Brazil	9.3	9.1	8.5	10.0	11.7
Mexico	0.7	0.5	0.7	1.2	1.5
Others	1.4	1.1	1.2	1.3	1.4
United States	23.4	23.9	22.0	20.4	21.2
Others <u>3/</u>	2.5	1.1	1.6	0.5	0.3
<u>Rest of the world</u>	<u>20.8</u>	<u>17.8</u>	<u>20.5</u>	<u>23.1</u>	<u>20.6</u>
China, People's Republic of	0.4	0.9	0.7	1.5	1.2
Japan	9.8	6.9	10.2	10.2	8.3
South Korea	1.3	0.9	1.6	2.2	2.3
Others	9.3	9.1	8.0	9.2	8.8

Source: Central Bank of Chile.

1/ Excludes imports through Free Zone.2/ Bolivia, Colombia, Ecuador, and Peru.3/ Includes Netherlands Antilles.

Table 59. Chile: Net International Reserves of the Banking System

(In millions of U.S. dollars: end of period)

	1984	1985	1986	1987	Prel. 1988	June 1989
<u>Central Bank</u>	<u>1,110.2</u>	<u>1,097.8</u>	<u>1,186.0</u>	<u>965.1</u>	<u>1,947.0</u>	<u>2,110.1</u>
Assets	2,370.9	2,508.3	2,513.9	2,642.2	3,269.9	3,309.5
Gold <u>1/</u>	74.4	74.7	75.8	76.4	77.0	77.2
SDRs <u>2/</u>	11.5	0.3	0.9	40.5	44.3	0.2
Foreign exchange	2,291.7	2,449.6	2,351.1	2,463.4	3,116.2	3,246.7
Payments agreements (net)	-6.7	-16.3	86.1	61.9	31.9	-14.6
Liabilities (-)	-1,260.7	-1,410.5	-1,327.9	-1,677.1	-1,321.9	-1,199.4
Short-term liabilities	-480.0	-325.0	—	-225.0	—	—
Liabilities to IMF	-780.7	-1,085.5	-1,327.9	-1,452.1	-1,321.9	-1,199.4
<u>Commercial banks <u>3/</u></u>	<u>-70.6</u>	<u>-264.7</u>	<u>-411.2</u>	<u>-666.2</u>	<u>-937.5</u>	<u>-1,254.4</u>
Assets	598.0	330.9	403.2	267.0	302.8	270.6
Gold <u>1/</u>	5.6	5.6	5.6	5.6	5.6	5.6
Foreign exchange	592.4	325.3	397.6	261.4	297.2	265.0
Liabilities (-)	-668.6	-595.6	-814.4	-933.2	-1,240.4	-1,525.0
Short-term loans	-662.2	-576.8	-810.2	-930.2	-1,240.4	-1,525.0
Foreign banks deposits	-6.4	-18.8	-4.2	-3.0	—	—
<u>Banking system</u>	<u>1,039.6</u>	<u>833.1</u>	<u>774.8</u>	<u>298.9</u>	<u>1,009.5</u>	<u>855.7</u>
Assets	2,968.9	2,839.2	2,917.1	2,902.2	3,572.7	3,580.1
Liabilities	-1,929.3	-2,006.1	-2,142.3	-2,610.3	-2,562.3	-2,724.4

Source: Central Bank of Chile.

1/ Valued at US\$42.22 per ounce.2/ SDRs are valued at end-of-period rates with respect to the U.S. dollar.3/ Includes Banco del Estado.

Table 60. Chile: Capital Goods Imports, 1984-88

(In millions of U.S. dollars)

	1984	1985	1986	1987	1988
<u>Total</u>	<u>510.4</u>	<u>561.2</u>	<u>670.1</u>	<u>981.5</u>	<u>1,258.3</u>
<u>Machinery and equipment</u>	<u>413.7</u>	<u>430.5</u>	<u>518.3</u>	<u>718.3</u>	<u>877.7</u>
Industrial sector	48.0	76.8	58.4	100.5	132.6
Textiles industry	14.3	10.5	16.6	27.7	43.9
Mechanical industry	4.9	4.2	6.6	14.3	21.0
Wood and furniture industry	3.7	2.0	4.2	7.5	14.9
Other industries	25.1	60.1	31.0	51.0	52.8
Other sectors	100.6	110.4	132.8	152.8	286.7
Telecommunications	17.0	19.1	27.5	31.8	61.1
Loading-unloading	24.6	30.5	30.3	44.0	71.8
Earth moving	22.0	23.1	26.1	30.6	75.8
Other	37.0	37.7	48.9	46.4	78.0
Other machinery and equipment	265.1	243.3	327.1	465.0	458.5
Generators, motors and transformers	59.3	30.6	50.7	49.3	53.2
Computers	39.4	56.7	57.7	65.3	90.4
Electric and electronic instruments	13.0	17.1	19.0	22.1	29.1
Pumps and compressors	10.0	7.5	14.5	21.8	25.4
Other	143.4	131.4	185.2	306.5	260.4
<u>Transportation</u>	<u>94.8</u>	<u>128.6</u>	<u>149.5</u>	<u>259.5</u>	<u>375.7</u>
Goods	14.7	10.7	21.3	61.9	101.5
Automobiles	9.8	15.9	16.3	37.8	53.5
Tractors	3.2	9.6	24.2	21.1	25.2
Ships	24.5	26.7	42.9	39.1	58.3
Other	42.6	65.7	44.8	99.6	137.2
<u>Other</u>	<u>1.9</u>	<u>2.1</u>	<u>2.3</u>	<u>3.7</u>	<u>4.9</u>

Sources: Central Banking of Chile; and SOFOFA.

Table 61. Chile: Medium- and Long-Term External Debt Operations
by Type of Creditor, 1984-88 ^{1/}

(In millions of U.S. dollars)

	Outstanding	1984			Outstanding
	Disbursed 12/31/83	Drawings	Amorti- zation ^{2/}	Interest	Disbursed 12/31/84
<u>Total</u>	<u>14,831.5</u>	<u>1,591.5</u>	<u>488.3</u>	<u>1,766.3</u>	<u>16,963.2</u>
<u>Public sector</u>	<u>6,689.3</u>	<u>1,474.6</u>	<u>246.9</u>	<u>902.0</u>	<u>10,601.1</u>
Multilateral organizations	645.1	340.7	34.0	58.5	935.4
Official lenders	789.5	--	73.4	25.4	604.9
Private banks and financial institutions	4,864.4 ^{3/}	1,072.3	41.9	773.9	8,722.3 ^{4/}
Suppliers' credits	263.9	61.6	74.0	19.2	243.4
Nationalization	40.4 )	)	)	)	20.4
Official renegotiations (1982-85)	1.3)	--)	23.5)	3.1	1.2
Special renegotiation agreements	3.4 )	)	)	)	1.1
Bonds	81.3	--	0.1	21.9	72.4
<u>Private sector</u>	<u>8,142.2</u>	<u>116.9</u>	<u>241.4</u>	<u>864.3</u>	<u>6,362.1</u>
Private banks and financial institutions	7,212.8 ^{3/}	13.6	84.6	786.2	5,503.8 ^{4/}
Other	929.4	103.3	156.8	78.1	858.3

Table 61. Chile: Medium- and Long-Term External Debt Operations
by Type of Creditor, 1984-88 1/ (Continued)

	1985			Disbursed 12/31/85
	Drawings	Amorti- zation <u>2/</u>	Interest	
<u>Total</u>	<u>1,476.2</u>	<u>405.5</u>	<u>1,651.5</u>	<u>17,649.3</u>
<u>Public sector</u>	<u>1,389.8</u>	<u>204.6</u>	<u>1,012.4</u>	<u>12,515.3</u>
Multilateral organizations	491.4	34.7	98.9	1,425.3
Official lenders <u>5/</u>	--	45.7	20.4	628.2
Private banks and financial institutions	861.5	67.2	868.2	10,153.8 <u>6/</u>
Suppliers' credits	36.9	49.1	15.5	200.9
Nationalization	--	6.8	1.8	13.6
Official renegotiations (1982-85)	--	--	--	1.4
Special renegotiation agreements	--	1.1	0.1	--
Bonds	--	--	7.4	92.1
<u>Private sector</u>	<u>86.4</u>	<u>200.9</u>	<u>639.1</u>	<u>5,134.6</u>
Private banks and financial institutions	28.5	47.1	559.2	4,328.4
Other <u>7/</u>	57.9	153.8	79.9	806.2
	1986			Disbursed 12/31/86
	Drawings	Amorti- zation <u>2/</u>	Interest	
<u>Total</u>	<u>1,211.6</u>	<u>420.0</u>	<u>1,620.8</u>	<u>17,813.5</u>
<u>Public sector</u>	<u>1,046.1</u>	<u>252.2</u>	<u>1,221.7</u>	<u>14,378.9</u>
Multilateral organizations	476.8	43.0	169.1	1,904.9
Official lenders <u>5/</u>	2.2	37.0	25.1	755.0
Private banks and financial institutions	442.7	61.5	985.1	11,305.6 <u>6/</u>
Suppliers' credits	124.4	52.3	33.2	355.4
Bonds	--	58.4	9.2	58.0
<u>Private sector</u>	<u>165.5</u>	<u>167.8</u>	<u>399.1</u>	<u>3,434.6</u>
Private banks and financial institutions	30.6	68.1	343.7	2,764.1
Other <u>7/</u>	134.9	99.7	55.4	670.5

Table 61. Chile: Medium- and Long-Term External Debt Operations by Type of Creditor, 1984-88 ^{1/} (Concluded)

(In millions of U.S. dollars)

	1987			Disbursed 12/31/87
	Drawings	Amorti- zation ^{2/}	Interest	
<u>Total</u>	<u>1,054.5</u>	<u>310.2</u>	<u>1,387.4</u>	<u>17,190.7</u>
<u>Public sector</u>	<u>717.9</u>	<u>218.6</u>	<u>949.7</u>	<u>14,724.6</u>
Multilateral organizations	520.3	89.5	247.6	2,418.1
Official lenders ^{5/}	14.7	25.3	26.8	696.7
Private banks and financial institutions	40.0	49.3	644.9	11,045.1
Suppliers' credit	142.9	47.7	26.1	497.8
Bonds	--	6.8	4.3	66.9
<u>Private sector</u>	<u>336.6</u>	<u>91.6</u>	<u>437.7</u>	<u>2,466.1</u>
Private banks	30.3	17.6	378.4	1,555.5
Other ^{7/}	306.3	74.0	59.3	910.6

	1988			Disbursed 12/31/88
	Drawings	Amorti- zation ^{2/}	Interest	
<u>Total</u>	<u>1,512.0</u>	<u>648.5</u>	<u>1,027.4</u>	<u>15,447.4</u>
<u>Public sector</u>	<u>852.5</u>	<u>440.3</u>	<u>874.7</u>	<u>13,072.8</u>
Multilateral organizations	490.8	90.7	296.0	2,825.2
Official lenders ^{5/}	249.1	18.7	29.6	934.1
Private banks and financial institutions	53.6	272.5	504.9	8,778.0
Suppliers' credit	59.0	50.4	41.8	478.1
Bonds	--	8.0	2.4	57.4
<u>Private sector</u>	<u>659.5</u>	<u>208.2</u>	<u>152.7</u>	<u>2,374.6</u>
Private banks	339.8	16.5	64.8	1,312.4
Other	319.7	191.7	87.9	1,062.2

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

^{1/} Excludes IMF and debt payable in local currency. Totals may not add up horizontally because of exchange rate adjustments, loan cancellations, and rounding. Data for 1988 preliminary.

^{2/} Actual amortization including prepayments, but excluding operations under Chapters XVIII and XIX of the foreign exchange compendium.

^{3/} Includes reclassification into public debt of deposits in the Central Bank related to payments of private sector maturities (US\$172 million).

^{4/} Includes reclassification of short-term financial debt into medium- and long-term and of private sector debt into public sector debt because of financial sector reschedulings or deposits in the Central Bank.

^{5/} Excludes bank credits and suppliers credits guaranteed by foreign official agencies. Such credits are included under private banks and financial institutions or under suppliers credits.

^{6/} Includes reclassification of private sector debt into public sector debt because of financial sector rescheduling and deposits in the Central Bank of the nonfinancial private sector.

^{7/} Includes credits from financial institutions associated with investment projects.

Table 62. Chile: Medium- and Long-Term Debt by Type of Interest Rate

	December 31				
	1984	1985	1986	1987	Prel. 1988
(In millions of U.S. dollars)					
<u>Medium- and long-term debt</u>	16,963	17,650	17,814	17,191	15,447
At variable rates	14,141	14,451	14,456	14,388	12,500
At fixed rates	2,822	3,199	3,358	2,803	2,947
Public sector debt	10,601	12,161	14,379	14,725	13,072
At variable rates	8,583	9,706	11,702	12,281	10,549
At fixed rates	2,018	2,456	2,677	2,444	2,523
Private sector debt	6,362	5,489	3,435	2,466	2,375
At variable rates	5,558	4,746	2,754	2,107	1,951
At fixed rates	804	743	681	359	424
(In percent of total debt)					
<u>Medium- and long-term debt</u>	100.0	100.0	100.0	100.0	100.0
At variable rates	83.4	81.9	81.1	83.7	80.9
At fixed rates	16.6	18.2	18.9	16.3	19.1
Public sector debt	62.5	68.9	80.7	85.7	84.6
At variable rates	50.6	55.0	65.7	71.4	68.3
At fixed rates	11.9	13.9	15.0	14.2	16.3
Private sector debt	37.5	31.1	19.3	14.3	15.4
At variable rates	32.8	26.9	15.5	12.3	12.6
At fixed rates	4.7	4.2	3.8	2.1	2.8
<u>Memorandum item</u>					
Total variable interest debt, including short term debt					
In millions of U.S. dollars	15,575	15,794	15,828	15,995	14,327
In percent of total outstanding debt	84.7	83.2	81.6	83.8	81.1

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

Table 63. Chile: External Debt Conversion

(In millions of U.S. dollars) 1/

Debtor	Type of Conversion				Total
	Investment Related <u>2/</u>	Chapter XVIII <u>3/</u>	Portfolio Swaps	Other	
	<u>1985</u>				
<u>Total</u>	<u>78.8</u>	<u>115.2</u>	<u>41.0</u>	<u>88.3</u>	<u>323.3</u>
<u>Public sector</u>	<u>4.3</u>	<u>53.1</u>	<u>30.1</u>	<u>--</u>	<u>87.5</u>
Central Bank	--	27.4	9.5	--	36.9
Banco del Estado	--	2.5	3.2	--	5.7
Public enterprises	4.3	5.0	--	--	9.3
Other guaranteed	--	18.2	17.4	--	35.6
<u>Private sector</u>	<u>74.5</u>	<u>62.1</u>	<u>10.9</u>	<u>88.3</u>	<u>235.8</u>
Financial	53.7	62.1	10.9	--	126.7
Nonfinancial	20.8	--	--	88.3	109.1
	<u>1986</u>				
<u>Total</u>	<u>259.7</u>	<u>410.6</u>	<u>27.3</u>	<u>275.9</u> <u>4/</u>	<u>973.5</u> <u>4/</u>
<u>Public sector</u>	<u>165.0</u>	<u>194.3</u>	<u>12.1</u>	<u>46.7</u>	<u>418.1</u>
Central Bank	92.0	27.2	2.9	--	122.1
Banco del Estado	--	27.0	2.2	--	29.2
Public enterprises	31.0	36.7	2.0	46.7	116.4
Other guaranteed	42.0	103.4	5.0	--	150.4
<u>Private sector</u>	<u>94.7</u>	<u>216.3</u>	<u>15.2</u>	<u>227.4</u>	<u>553.6</u>
Financial	68.9	207.1	11.9	32.1	320.0
Nonfinancial	25.8	9.2	3.3	195.3	233.6

Table 63. Chile: External Debt Conversion (Concluded)

(In millions of U.S. dollars) ^{1/}

Debtor	Type of Conversion				Total
	Investment Related ^{2/}	Chapter XVIII ^{3/}	Portfolio Swaps	Other	
<u>1989 (January - July)</u>					
<u>Total</u>	<u>744.1</u>	<u>275.9</u>	<u>36.9</u>	<u>493.6</u>	<u>1,548.7</u>
<u>Public sector</u>	<u>473.9</u>	<u>139.3</u>	<u>25.5</u>	<u>287.3</u>	<u>926.0</u>
Central Bank	147.9	28.7	13.2	241.1	430.9
Banco del Estado	110.7	12.9	--	--	123.6
Public enterprises	7.7	--	12.2	46.2	66.1
Other guaranteed	207.6	97.7	--	--	305.4
<u>Private sector</u>	<u>270.2</u>	<u>136.6</u>	<u>11.3</u>	<u>204.5</u>	<u>622.7</u>
Financial	270.2	136.6	11.3	--	418.2
Nonfinancial	--	--	--	204.5	204.5
<u>Cumulative (1985 - July 1989)</u>					
<u>Total</u>	<u>2,856.3</u>	<u>2,406.8</u>	<u>172.7</u>	<u>2,333.4</u>	<u>7,769.2</u>
<u>Public sector</u>	<u>1,560.6</u>	<u>1,386.8</u>	<u>115.4</u>	<u>967.7</u>	<u>4,030.5</u>
Central Bank	530.3	493.3	39.3	540.0	1,602.9
Banco del Estado	258.6	191.6	5.4	--	455.6
Public enterprises	101.7	162.4	39.3	427.7	731.1
Other guaranteed	670.0	539.5	31.4	--	1,240.9
<u>Private sector</u>	<u>1,295.7</u>	<u>1,020.0</u>	<u>57.3</u>	<u>1,365.7</u>	<u>3,738.7</u>
Financial	1,171.8	930.8	50.5	75.0	2,228.1
Nonfinancial	123.9	89.2	6.8	1,290.7	1,510.6

Source: Central Bank of Chile.

^{1/} Face value of medium- and long-term converted debt.^{2/} Includes conversion under Chapter XIX, and capitalization under the Foreign Investment Law DL 600.^{3/} Debt conversions without remittance rights.^{4/} Includes US\$1.8 million of short-term debt converted.

Table 64. Chile: Effective Exchange Rate Indices ^{1/}

(Base: 1980 = 100)

	Nominal Effective Exchange Rate ^{2/}	Real Effective Exchange Rate ^{3/}
1980	100.0	100.0
1981	118.1	118.0
1982	114.1	106.7
1983	87.0	86.8
1984 - First Quarter	88.9	86.2
Second Quarter	91.0	88.1
Third Quarter	93.5	88.9
Fourth Quarter	79.1	78.2
<u>Year</u>	<u>88.1</u>	<u>85.3</u>
1985 - First Quarter	77.2	77.4
Second Quarter	71.2	72.5
Third Quarter	62.1	63.9
Fourth Quarter	61.2	61.6
<u>Year</u>	<u>67.9</u>	<u>68.9</u>
1986 - First Quarter	58.7	59.6
Second Quarter	57.3	59.4
Third Quarter	54.0	57.0
Fourth Quarter	53.2	56.8
<u>Year</u>	<u>55.8</u>	<u>58.1</u>
1987 - January	52.0	56.0
February	51.3	55.6
March	51.4	55.4
April	51.7	55.5
May	50.8	54.3
June	51.3	53.5
July	51.3	54.0
August	51.5	54.3
September	51.0	53.8
October	50.6	53.3
November	49.0	51.2
December	48.7	50.5
<u>Year</u>	<u>50.9</u>	<u>54.0</u>
1988 - January	47.9	48.9
February	50.0	50.3
March	50.0	49.5
April	51.1	49.6
May	51.7	49.4
June	53.0	49.7
July	55.8	50.9
August	58.8	52.2
September	61.2	52.0
October	61.5	50.8
November	62.5	50.5
December	65.3	52.0
<u>Year</u>	<u>55.7</u>	<u>50.5</u>
1989 - January	68.5	52.7
February	70.1	52.8
March	70.0	52.1
April	71.5	52.1
May	75.8	54.5
June	76.2	53.3
July	76.9	51.3
<u>January-July</u>	<u>72.7</u>	<u>52.7</u>

Source: Fund staff estimates.

^{1/} Period averages; decline in the indices represents an effective depreciation of the Chilean peso.

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

^{3/} Nominal effective exchange rate index adjusted by a trade-weighted index of relative prices (CPI) in Chile and its main trading partners.