

**DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE**

MASTER FILES
ROOM C-525

0401

**IMMEDIATE
ATTENTION**

SM/89/232

CONTAINS CONFIDENTIAL
INFORMATION

November 10, 1989

To: Members of the Executive Board
From: The Secretary
Subject: Peru - Supplementary Background Material for the GATT

The attached tables have been prepared by the staff to supply more recent background information on Peru in connection with the forthcoming consultations between the CONTRACTING PARTIES to the GATT and Peru, which will be held during the week of November 20, 1989 (EBD/89/298, 10/2/89).

In the absence of an objection from an Executive Director by noon on Friday, November 17, 1989, the paper will be transmitted to the CONTRACTING PARTIES to the GATT for their information and use.

Mr. Leimone (ext. 8620) is available to answer technical or factual questions relating to these tables.

Att: (9)

Other Distribution:
Department Heads

CONTAINS CONFIDENTIAL
INFORMATION

INTERNATIONAL MONETARY FUND

PERU

Supplementary Background Material for the GATT

Prepared by Western Hemisphere Department

Approved by S.T. Beza

November 9, 1989

The attached tables update information in the Fund report of February 13, 1989, (SM/89/35) entitled "Peru - Recent Economic Developments."

Table 1. Peru: Summary Balance of Payments

(In millions of U.S. dollars)

	1984	1985	1986	1987	1988	First Half	
						1988	1989
<u>Current account</u>	<u>-283</u>	<u>-67</u>	<u>-1,330</u>	<u>-1,888</u>	<u>-1,749</u>	<u>-927</u>	<u>-33</u>
Merchandise trade	1,007	1,172	-65	-521	-56	-63	747
Exports, f.o.b.	3,147	2,978	2,531	2,661	2,694	1,350	1,745
Imports, f.o.b.	-2,140	-1,806	-2,596	-3,182	2,750	1,413	998
Investment income	-1,227	-1,203	-1,072	-1,125	-397	-679	-720
Public sector	-868	-899	-856	-949	-1,215	-595	-639
Of which:							
imputed on arrears	-44	-155	-249	-407	-611	-283	-397
Private sector	-359	-304	-216	-176	-182	-84	-81
Other services	-221	-170	-343	-422	-453	-262	-137
Transfers	158	134	150	180	157	77	77
<u>Capital account 1/</u>	<u>-637</u>	<u>-802</u>	<u>-986</u>	<u>-1,419</u>	<u>-1,201</u>	<u>-827</u>	<u>-621</u>
Long-term capital	-119	-558	-1,006	-1,030	-1,117	-584	-475
Public sector	84	-435	-958	-1,006	-1,142	-597	-475
Disbursements	1,026	693	495	585	350	187	146
Amortization 1/	-942	-1,128	-1,453	-1,591	-1,492	-784	-621
Private sector	-203	-123	-48	-24	25	13	--
Direct investment	-89	1	22	32	44	17	11
Loans	-114	-124	-70	-56	-19	-4	-11
Short-term capital and errors and omissions	-518	-244	-20	-389	-84	-243	-146
<u>Overall balance</u>	<u>-920</u>	<u>-869</u>	<u>-2,316</u>	<u>-3,307</u>	<u>-2,950</u>	<u>-1,755</u>	<u>-654</u>
Change in arrears (net) 2/	1,157	1,365	1,885	2,204	2,542	1,295	1,162
Change in Central Bank 3/ reserves (increase -)	-237	-496	431	1,103	408	460	-508
<u>Memorandum items</u>							
As percent of GDP							
Current account	-1.7	-0.4	-6.0	-7.0	-6.9	-6.5	-0.3
Exports	19.1	17.5	11.4	9.9	10.7	9.5	18.2
Imports	13.0	10.6	11.7	11.9	10.9	9.9	10.4
GDP (in millions of U.S. dollars) 4/	16,444	17,042	22,225	26,819	25,201	28,480	19,180

Sources: Central Reserve Bank; and Fund staff estimates.

1/ Net of rescheduling.

2/ Excluding arrears to the IMF, which are reflected in Central Bank net reserves.

3/ Gold valued at a constant price of US\$300 per ounce.

4/ Based on a constant average real effective exchange rate, equivalent to that prevailing in 1985. The figures for the first halves of 1988 and 1989 are annualized.

Table 2. Peru: Principal Exports by Commodity
(Value in millions of U.S. dollars; volume in thousands of metric tons)

	1984	1985	1986	1987	1988	First Half 1989
<u>Total f.o.b. value</u>	<u>3,147</u>	<u>2,978</u>	<u>2,534</u>	<u>2,661</u>	<u>2,695</u>	<u>1,745</u>
<u>Traditional products</u>	<u>2,420</u>	<u>2,264</u>	<u>1,889</u>	<u>1,952</u>	<u>1,939</u>	<u>1,296</u>
Petroleum and derivatives						
Value	618	645	232	274	166	119
Volume (mn bbl)	23.5	27.1	21.6	17.8	15.5	8.3
Unit value (US\$/bbl)	26.3	23.8	10.8	15.4	10.7	14.7
Fishmeal						
Value	137	118	206	223	364	260
Volume	401	508	716	732	825	637
Unit value (US\$/mt)	342.4	232.6	287.7	305.7	441.9	408.2
Coffee						
Value	126	151	276	143	122	62
Volume	51	59	74	70	49	25
Unit value (US\$/qq)	112.7	115.9	169.1	94.2	114.3	111.2
Cotton						
Value	23	51	39	19	30	31
Volume (Thous. of qq)	246	624	474	189	218	353
Unit Value (US\$/qq)	925	826	81.6	103.5	136.7	92.2
Sugar						
Value	49	23	22	15	16	6
Volume	116	64	55	33	36	13
Unit value (US\$/qq)	19.4	16.8	18.5	20.5	20.2	20.3
Mineral products	1,368	1,205	1,042	1,219	1,192	755
Copper						
Value	442	476	449	559	608	370
Volume	337	363	347	351	283	131
Unit value (US\$/lb)	59.4	59.4	58.7	72.2	97.3	128
Zinc						
Value	340	268	246	250	260	195
Volume	511	459	477	445	395	222
Unit value (US\$/lb)	30.1	26.4	23.4	25.5	29.9	39.7
Lead ^{1/}						
Value	234	202	172	256	202	117
Volume	181	174	136	149	111	93
Unit value (US\$/lb)	58.6	52.6	57.4	78.5	82.8	56.6
Silver (refined)						
Value	227	140	107	92	60	49
Volume (mn troy oz.)	26.8	22.3	19.1	13.6	9.1	8.2
Unit value (US\$/oz.)	8.5	6.3	5.6	6.8	6.6	6.0
Gold						
Value	67	43	7	1	3	--
Volume (thous.troy oz.)	183	135	20	2	7	--
Unit value (US\$/oz.)	366.6	320.6	353.1	353.8	395.5	--
Iron and iron ore						
Value	58	76	60	61	59	24
Volume (mn net tons)	4.2	5.2	4.2	4.4	4.5	1.8
Unit value (US\$/net t.)	13.9	14.6	14.4	14.0	13.1	13.3
Other traditional products	100	71	71	59	49	63
<u>Nontraditional products</u>	<u>726</u>	<u>714</u>	<u>645</u>	<u>709</u>	<u>756</u>	<u>449</u>
Agriculture and livestock	74	93	73	85	97	52
Textiles	258	244	232	255	258	148
Fish products	167	124	112	102	96	66
Metal products	47	30	25	22	25	11
Chemicals	44	46	56	61	73	38
Mineral products	76	102	92	124	137	87
Other ^{2/}	60	75	55	60	70	47

Source: Central Reserve Bank of Peru.

^{1/} Includes base metal content of unrefined silver.

^{2/} Includes gold and silver jewelry, wood, paper and hide products, and handicrafts.

Table 3. Peru: Imports by Sector, Economic Category,
and Financing Arrangement

(In millions of U.S. dollars)

	1984	1985	1986	1987	1988	First Half 1989
<u>Total imports, f.o.b.</u>	<u>2,140</u>	<u>1,806</u>	<u>2,596</u>	<u>3,182</u>	<u>2,750</u>	<u>998</u>
By sector						
Public sector	857	703	805	1,070	960	425
Private sector	1,213	1,035	1,735	2,018	1,716	538
Donations	70	68	56	94	74	35
By economic category						
Consumer goods	255	112	378	409	276	117
Public sector	38	11	142	154	127	86
Private sector	217	101	236	255	149	31
Raw materials and inter- mediate goods	949	841	1,242	1,462	1,584	544
Public sector	324	296	346	523	638	243
Private sector	625	545	896	939	946	301
Capital goods	771	558	761	976	687	255
Public sector	400	169	158	152	66	49
Private sector	371	389	603	824	621	206
Military equipment	95	227	159	241	129	47
Donations	70	68	56	94	74	35
By financing arrangement						
Cash and short-term trade credits	1,380	1,325	2,285	2,820	2,556	...
Long-term credits	690	413	255	268	120	...
Donations	70	68	56	94	74	...
<u>Memorandum item</u>						
Petroleum imports	27	9	28	141	207	75

Source: Central Reserve Bank of Peru.

Table 4. Peru: External Debt and Debt Service
(In millions of U.S. dollars)

	1984	1985	1986	1987	1988	Est. June 1989
<u>External debt outstanding</u>	<u>13,361</u>	<u>13,908</u>	<u>14,927</u>	<u>16,235</u>	<u>17,975</u>	<u>18,473</u>
Medium- and long-term <u>1/</u>	11,955	12,605	13,200	14,017	14,744	14,982
Public sector	9,648	10,462	11,068	11,747	12,465	12,751
Of which, owed to:						
Bilateral creditors	1,508	1,793	1,942	2,070	2,281	2,373
Commercial banks	2,972	3,110	3,262	3,386	3,477	3,508
Multilateral	1,305	1,426	1,530	1,725	1,908	1,978
Socialist countries	1,070	1,026	987	1,022	1,040	1,043
Suppliers	2,793	3,107	3,347	3,544	3,758	3,849
Central Reserve Bank	841	801	788	870	827	770
Private sector	1,466	1,342	1,344	1,400	1,452	1,461
Short-term	1,362	1,092	1,230	1,247	1,593	1,432
Commercial and financial credit	978	760	789	837	794	781
Banking system	384	332	441	410	799	651
Central Bank	66	32	101	108	494	349
Rest of banking system	318	300	340	302	305	302
Unpaid interest on arrears	44	199	448	855	1,466	1,863
Overdue IMF charges		12	47	109	156	175
Special charges IMF	--	--	2	7	16	21
<u>Public sector debt service</u>						
<u>obligations</u>	<u>2,562</u>	<u>2,407</u>	<u>2,621</u>	<u>2,793</u>	<u>2,938</u>	<u>1,333</u>
Amortization	1,559	1,427	1,684	1,795	1,673	2,686
Public debt <u>2/</u>	1,441	1,329	1,453	1,591	1,492	621
Monetary authorities	118	98	231	204	181	65
Interest <u>3/4/</u>	1,003	980	937	998	1,265	647
Public debt <u>4/</u>	896	893	855	923	1,137	599
Monetary authorities <u>3/</u>	107	87	82	75	101	48
<u>Total debt service obligations</u>	<u>3,157</u>	<u>2,894</u>	<u>2,952</u>	<u>3,094</u>	<u>3,176</u>	<u>1,447</u>
Amortization	1,773	1,595	1,789	1,902	1,736	707
Interest <u>5/</u>	1,384	1,299	1,163	1,192	1,440	740
<u>Memorandum items</u>						
External debt/GDP (in percent)	81.2	81.6	68.6	60.5	71.3	96.3 <u>6/</u>
Public debt service/exports of goods and services (in percent)	67.1	63.5	77.8	77.8	79.7	60.3
GDP	16,444	17,042	22,225	26,819	25,201	19,180
Exports of goods and nonfactor services	3,817	3,792	3,367	3,592	3,687	2,212

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

1/ Includes arrears on original obligations, but not unpaid interest on arrears.

2/ Amortization of medium- and long-term public debt.

3/ Includes interest on short-term obligations.

4/ Includes unpaid interest on public sector arrears.

5/ Includes direct investment income payments.

6/ GDP in first half at an annualized rate.

Table 5. Peru: Net International Reserves of the Central Reserve Bank 1/
(In millions of U.S. dollars)

	1984	1985	1986	1987	1988	June 1989
<u>Assets</u>	<u>1,832</u>	<u>2,300</u>	<u>1,952</u>	<u>979</u>	<u>886</u>	<u>1,223</u>
Gold holdings <u>2/</u>	411	644	748	637	691	749
Deposits at foreign banks	1,376	1,589	1,080	325	146	383
Special drawing rights	1	--	--	--	--	--
Reciprocal credit accords (ALADI)	3	1	3	1	8	46
Other	41	66	121	16	41	45
<u>Liabilities</u>	<u>903</u>	<u>875</u>	<u>957</u>	<u>1,088</u>	<u>1,403</u>	<u>1,232</u>
Foreign banks	42	--	--	--	326	203
International organizations	838	832	830	985	1,047	998
IMF <u>3/</u>	675	714	777	960	973	938
Other, including Andean Reserve Fund	163	118	53	25	74	60
Reciprocal credit accords (ALADI)	--	12	72	84	--	--
Other	23	43	56	19	30	31
<u>Net international reserves</u>	<u>929</u>	<u>1,425</u>	<u>995</u>	<u>-109</u>	<u>-517</u>	<u>-9</u>

Source: Central Reserve Bank of Peru.

1/ The changes in stocks differ from those in the balance of payments and monetary accounts because of valuation adjustments in IMF credit.

2/ Gold valued at a constant rate of US\$300 per ounce.

3/ Includes unpaid interest charges.

Table 6. Peru: Real and Nominal Effective Exchange Rates

(Indices 1980=100)

	Real Effective Exchange Rate	Nominal Effective Exchange Rate
August 1985	84.6	4.9
December 1985	92.7	4.8
December 1986	108.8	3.8
<u>1987</u>		
July	121.4	3.11
August	127.5	3.14
September	131.7	3.09
October	134.6	2.99
November	120.7	2.49
December	99.9	1.92
<u>1988</u>		
January	96.1	1.74
February	104.1	1.73
March	110.0	1.52
April	106.9	1.28
May	112.9	1.22
June	110.9	1.09
July	115.0	0.89
August	105.4	0.70
September	102.7	0.33
October	117.6	0.27
November	116.3	0.22
December	98.9	0.13
<u>1989</u>		
January	93.3	0.09
February	117.4	0.08
March	142.3	0.07
April	164.4	0.06
May	162.6	0.04
June	180.1	0.04
July	205.3	0.04

Source: IMF Information Notice System.

Table 7. Peru: National Accounts at Current Prices

(In millions of intis)

	1984	1985	1986	1987	1988	First Half 1/ 1988 1989.	
<u>Consumption expenditure</u>	<u>52,534</u>	<u>141,913</u>	<u>287,231</u>	<u>596,269</u>	<u>3,651,775</u>	<u>1,315,364</u>	<u>38,915,200</u>
General government	6,682	17,920	34,653	71,515	324,307	140,816	2,784,282
Private sector	45,852	123,993	252,578	524,754	3,327,468	1,174,548	36,130,918
<u>Gross domestic investment</u>	<u>14,203</u>	<u>33,452</u>	<u>83,657</u>	<u>161,301</u>	<u>849,980</u>	<u>322,576</u>	<u>9,106,518</u>
Fixed capital formation	14,424	34,292	74,177	141,516	877,394	301,690	6,941,684
Public sector 2/	5,586	11,633	19,290	31,911	182,180	63,364	1,192,930
Private sector	8,838	22,659	54,887	109,605	695,214	238,326	5,748,654
Change in stocks	-221	-820	9,480	19,785	-27,414	20,886	2,164,934
<u>Domestic expenditure</u>	<u>66,737</u>	<u>175,365</u>	<u>370,888</u>	<u>757,090</u>	<u>4,501,755</u>	<u>1,637,940</u>	<u>48,021,718</u>
<u>External sector</u>	<u>2,711</u>	<u>12,265</u>	<u>-6,246</u>	<u>-12,532</u>	<u>-100,271</u>	<u>42,392</u>	<u>1,234,220</u>
Exports	13,312	43,267	50,131	78,661	588,944	216,196	6,926,082
Imports	10,601	31,002	56,377	91,193	689,215	173,804	5,691,862
<u>Gross domestic product at market prices</u>	<u>69,448</u>	<u>187,630</u>	<u>364,642</u>	<u>744,558</u>	<u>4,401,484</u>	<u>1,680,332</u>	<u>49,255,938</u>
Less: net factor payments abroad 3/	1,617	4,293	4,339	8,190	...	...	...
<u>Gross national product at market prices</u>	<u>67,831</u>	<u>183,337</u>	<u>360,303</u>	<u>736,368</u>	<u>...</u>	<u>...</u>	<u>...</u>
Plus: subsidies	155	259	-219	14,222	...	...	...
Less: indirect taxes	6,101	20,532	29,470	48,739	...	...	...
<u>Gross national product at factor cost</u>	<u>61,885</u>	<u>163,064</u>	<u>330,614</u>	<u>701,851</u>	<u>...</u>	<u>...</u>	<u>...</u>
Less: provision for consumption of fixed capital	3,803	10,130	16,837	24,190	...	...	...
<u>Net national product at factor cost = national income</u>	<u>58,082</u>	<u>152,933</u>	<u>313,777</u>	<u>677,661</u>	<u>...</u>	<u>...</u>	<u>...</u>

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

1/ Annualized figures.

2/ Includes investment expenditures by nonfinancial public enterprises.

3/ Excludes rescheduled and overdue interest obligations abroad.

Table 8. Peru: National Accounts at Constant Prices

(In millions of 1979 intis)

	1984	1985	1986	1987	1988	First Half 1/ 1988 1989	
<u>Consumption expenditure</u>	<u>2,565.2</u>	<u>2,648.4</u>	<u>2,898.3</u>	<u>3,207.8</u>	<u>3,012.6</u>	<u>3,205.4</u>	<u>2,291.2</u>
General Government	347.0	361.0	385.0	385.0	346.0	362.0	282.0
Private sector	2,218.2	2,287.4	2,516.3	2,822.8	2,666.6	2,843.4	2,009.2
<u>Gross domestic investment</u>	<u>693.1</u>	<u>589.9</u>	<u>913.7</u>	<u>1,017.7</u>	<u>836.3</u>	<u>952.6</u>	<u>662.6</u>
Fixed capital formation	715.8	608.7	799.8	916.6	786.3	865.6	553.8
Public sector 2/	266.4	210.9	208.0	167.8	137.7	133.4	91.0
Private sector	449.4	397.8	591.8	748.8	648.7	732.2	462.8
Change in stocks	-22.7	-18.8	113.9	101.1	50.0	87.0	108.8
<u>Domestic expenditure</u>	<u>3,258.3</u>	<u>3,238.3</u>	<u>3,812.0</u>	<u>4,225.5</u>	<u>3,848.9</u>	<u>4,158.0</u>	<u>2,953.8</u>
<u>External sector</u>	<u>323.1</u>	<u>396.2</u>	<u>161.7</u>	<u>57.4</u>	<u>69.3</u>	<u>55.8</u>	<u>359.8</u>
Exports	868.2	899.0	789.9	752.3	682.4	700.8	821.6
Imports	545.1	502.8	628.2	694.9	613.1	645.0	461.8
<u>Gross domestic product at market prices</u>	<u>3,581.4</u>	<u>3,634.5</u>	<u>3,973.7</u>	<u>4,282.9</u>	<u>3,918.2</u>	<u>4,213.8</u>	<u>3,313.6</u>
Less: net factor payments abroad 3/	83.1	82.9	47.1	47.1	...	...	...
<u>Gross national product at market prices</u>	<u>3,498.3</u>	<u>3,551.6</u>	<u>3,926.6</u>	<u>4,235.8</u>	<u>...</u>	<u>...</u>	<u>...</u>
Plus: subsidies	8.0	5.0	-2.4	81.8	...	...	...
Less: indirect taxes	313.5	396.5	320.1	280.3	...	...	...
<u>Gross national product at factor cost</u>	<u>3,192.8</u>	<u>3,160.1</u>	<u>3,606.5</u>	<u>4,037.3</u>	<u>...</u>	<u>...</u>	<u>...</u>
Less: provision for consumption of fixed capital	195.4	195.6	182.9	139.1	...	...	...
<u>Net national product at factor cost = national income</u>	<u>2,997.4</u>	<u>2,964.5</u>	<u>3,423.6</u>	<u>3,898.2</u>	<u>...</u>	<u>...</u>	<u>...</u>

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

1/ Annualized figures.

2/ Includes investment expenditures by nonfinancial public enterprises.

3/ Excludes rescheduled and overdue interest obligations abroad.

Table 9. Peru: Banking System Indicators

	1985	1986	1987	1988	1989	
					Jan.-Mar.	Apr.-June
<u>(Flows in millions of U.S. dollars)</u>						
Net international reserves	454.5	-441.1	-979.2	-396.1	269.5	416.1
Central Bank <u>1/</u>	495.5	-430.5	-1,103.4	-407.6	131.9	376.2
Rest of banking system <u>2/</u>	-41.0	-10.6	124.2	11.5	137.6	39.9
Net medium- and long-term foreign assets <u>2/</u>	219.8	28.8	36.1	35.5	8.2	-0.6
<u>(Percentage change over the stock of liabilities to the private sector at the beginning of the corresponding period) <u>3/</u></u>						
Net domestic assets	68.9	82.1	142.7	917.0	159.2	105.2
Net credit to nonfinancial public sector	-31.7	19.5	46.0	23.1	-7.2	-3.9
Central Bank losses	14.0	17.1	22.0	55.4	1.7	-1.5
Credit to the private sector	91.1	47.5	75.3	377.3	83.5	75.0
Other	-4.5	-2.0	-0.6	461.2	81.2	35.6
Liabilities to private sector (M2)	146.1	56.4	113.4	628.3	134.8	121.3
<u>End-of-period stock values in real terms</u> <u>(Indices, December 1985=100)</u>						
Currency in circulation	100.0	122.6	147.6	50.5	28.6	27.2
M1	100.0	124.4	137.4	44.6	29.8	26.6
M2	100.0	93.7	94.1	38.0	30.0	28.2
M2 domestic currency	100.0	146.4	149.6	44.4	34.0	31.9
Private sector credit	100.0	96.0	95.5	38.2	30.1	28.3
<u>Memorandum items</u>						
Velocity (GDP/M2) <u>4/</u>	4.6	5.9	5.5	9.6	15.0	17.3
Velocity (GDP/M2-domestic currency) <u>4/</u>	8.2	6.8	6.2	13.5	24.3	28.6
M2/GDP (in percent)	21.9	17.1	18.1	10.4	6.7	5.8
Inflation rate (CPI) (percent during period)	158.3	62.9	114.5	1,722.3	198.1	135.2
Official exchange rate (intis per U.S. dollar), end-period	13.9	13.9	33.0	500.0	1,200.0	2,395.4

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

1/ Figures correspond to the Central Reserve Bank data on international reserves.

2/ Figures derived from the monetary accounts.

3/ Flows denominated in foreign currency are valued at the average official exchange rate (MUC) during the corresponding period.

4/ For 1985 to 1987, nominal GDP divided by the stock of money at the end of the year. For the year 1988, nominal GDP divided by the average stock of money at the end of the quarters. For each quarter of 1989, nominal GDP in that quarter at an annual rate divided by the average of the stock of money at the end of the corresponding months. The different treatment in 1988 and 1989 responds to the very sharp acceleration of inflation late in the 1988.