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PERU

This preliminary version of the Economic Survey of Latin America, 1979 is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.



PERU

1. Recent economic trends: Introduction and summary

Thanks to a 3.8% rise in global economic activity, the per capita product recovered somewhat in 1979 after having remained nearly constant in 1975 and 1976 and having decreased by 8% over the period 1977-1978 (see table 1). The high levels of inflation and unemployment of the two preceding years, however, continued.

The external sector deficit was eliminated and there was a significant recovery in the net international reserves, while the structure of the external debt was made less onerous. At the same time as this upturn in the external sector, however, there was an 84% rise in liquidity which exceeded the initial forecasts, mainly because of the accumulation of international reserves.

Inflation continued to be one of the most serious economic management problems. The consumer price index rose by 67%, only slightly less than the figure for 1978 (74%) and much higher than those for earlier years. This affected the real wages and salaries of private sector and Government employees, which declined once again, while the wages of manual workers, for their part, recovered only slightly, despite the periodic increases in nominal salaries and wages granted during the year. Together with the drop in employment, this meant that the social situation remained difficult in 1979.

The product recovered in all activities except the public sector, which reduced its current spending considerably in real terms. The mining sector continued to be the most dynamic, growing by nearly 12% mainly because of increased copper and petroleum exports. The fishing sector, whose product increased by nearly 8%, developed similarly, as did the export-oriented branches of manufacturing.

In contrast to the steady growth of the volume of exports of goods and services, which increased by around 20% for the third consecutive year, domestic demand recovered only slightly, and this was largely due to a sharp rise in public investment (18%). In contrast, domestic consumption fell again, as it had done in the two preceding years, this being entirely due

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to the restriction of current government spending, since private consumption, although limited by the evolution of real wages and salaries, grew by 1%.

The value of exports rose by nearly 80%, with sales of petroleum, copper and manufactures leading the field. Agricultural exports, on the other hand, were the least dynamic category due to the decline in the volume of sugar cane exported.

The balance-of-payments position was favourable, which allowed the level of net international reserves to recover so that at the end of the year they had a positive balance of nearly US\$ 550 million, whereas the year before the balance had been negative by slightly more than US\$ 1 billion. The evolution of the external debt was facilitated by the amount of refinancing achieved and the fact that new commitments were made on a longer-term basis.

Finally, the favourable performance of the external sector, the modifications made in the taxation system and a policy of drastically reducing current spending made it possible to achieve a positive balance on the fiscal budget's current account after four consecutive years of deficits. As a result, it proved possible to increase public investment while at the same time decreasing the fiscal deficit with respect to total expenditure.

The development of the economy in 1979 was marked by favourable external conditions with regard to exports of petroleum and minerals and an economic policy committed to correcting the external sector and public finance disequilibria. Exports, and to a smaller extent gross fixed investment, were the pillars of the economic recovery. It was not possible, however, to stimulate domestic demand significantly, since the decline in per capita consumption continued for the fourth consecutive year: this drop was directly related to the unremitting inflation, which has been accompanied by more than five years of successive reductions in the real wages of workers. Nor could the economic recovery restrain the deterioration of employment levels; the above factors led to a system of distribution of the fruits of the productive process in which certain economic groups, involved in the most dynamic economic activities, increased their share of the national income.

Various types of events on the international scene assisted in creating exceptionally favourable conditions for traditional export products, which led to price and volume increases in almost all items. The price increase was significant for mining products; in the case of petroleum, in addition to the high average price brought by the sale of part of the output on the spot market, the volume exported was 91% higher than in 1978, due in particular to increased use of the north Peruvian pipeline. Marine and weather conditions permitted the achievement of increased volumes of fishery and agricultural exports, although the rises were lower than for mining products. Furthermore, the weak domestic market and the subsidies that were granted promoted the exceptional growth of non-traditional exports.

In 1979, economic policy was mainly guided by the 1978-1980 economic programme prepared within the framework of a standby credit agreement with the International Monetary Fund. During the course of the year, however, the policy was adapted to the conditions arising from the enormous inflow of foreign exchange, and it failed to achieve one of the economic programme's objectives - reducing inflation.

In line with the commitments made to the International Monetary Fund, the stabilization efforts involved reducing the fiscal deficit; restricting credits from the banking system to the public sector and limiting the net assets of the Central Bank; pursuing the policy of mini-devaluations (seeking the closest possible convergence between the exchange rates of deposit certificates in foreign currency and the official exchange rate); reducing the level of effective protection for industry; liberalizing imports and external payments in general; restricting public indebtedness and limiting new external indebtedness; and pursuing a cautious wage policy.

The performance of the external sector was instrumental in the economic recovery achieved and in the improvement of the balance of payments and public finances. Thus, in 1979 the most dynamic sectors were linked to the expansion of exports: mining, the petroleum sector, fishery and some industrial branches.

As regards the balance of payments, the combined effect of increased exports and the refinancing of the debt made it possible not only to offset the outflow of foreign currency in external payments but also greatly to increase the net international reserves.

/With regard

With regard to public finances, the fiscal deficit was reduced somewhat, while increased public investment put an end to a three-year period of steady decline. These achievements were mainly made possible by the restriction of current expenditure and the refinancing of the external debt, but increased tax revenue from the bigger volume of external trade and the restructuring of income tax also contributed.

The sudden increase in reserves pushed liquidity above the initial forecasts made by the monetary authorities, despite various measures which were adopted in order to limit the conversion into national currency of external resources and to absorb the means of payment. The goal of limiting credit to the public sector was met, and credit to the private sector was increased.

The increased liquidity referred to above, combined with the continued inelasticity of agricultural supply and the tendency of profit margins on sales of goods in the domestic market to settle at the same level as sales abroad, prevented inflation from being overcome. These factors were compounded by other inflationary elements (such as oligopolistic control of the domestic manufactures market and increased speculation) which were connected with the higher levels of domestic liquidity, the liberalization of the exchange market and the inflow of foreign capital through unregistered transactions.

Simultaneously, levels of employment continued to deteriorate and despite the economic recovery open unemployment increased, due inter alia to the sectoral nature of the recovery and the increased productivity of the labour force in some sectors.

## 2. Trends in economic activity

### (a) Global supply and demand trends

After a period of recession which began in 1975 and was most fully evident during the economic contraction of 1977 and 1978, the gross domestic product recovered moderately (3.8%) in 1979, mainly due to the considerable rise in exports and, to a lesser extent, in investment. This meant that the per capita product grew slightly, although it remained well below the 1976 level.

/In addition

In addition to the recovery of the product, the downward trend in imports of goods and services registered during the three preceding years was reversed. Their physical volume climbed by nearly 11%, mainly because of the strong recovery of purchases of capital and consumer goods. The import coefficient thus rose to 13.6%, surpassing that of 1978 but still remaining below the average level of a little over 15% recorded during the previous decade.

Among the components of global demand, total consumption decreased slightly due to the sharp decline in real government consumption (-7.5%). Private consumption improved slightly; however, the per capita figure continued to fall, reaching a level similar to that of 1972.

Gross fixed investment grew by more than 16%, thus partially recovering the ground lost in the three preceding years, when it had decreased sharply (see table 2). In public investment, which had fallen most in the three preceding years, the recovery was slightly greater than in private investment (18% versus 15%). This improvement raised the investment coefficient to 13.5%, after it had reached its lowest level of the decade (12%) in 1978.

For the third consecutive year, exports were the most dynamic factor in the economy, growing by more than 21% in real terms, which meant that the export coefficient rose again, to over 20% (see table 2).

(b) Growth of the main sectors

The sectors of greatest dynamism were mining (basically copper and petroleum) and export-oriented manufacturing. The fisheries sector also developed satisfactorily, due both to the improvement of the external market and the bigger catches of marine species for direct human consumption.

The return to normal of climatic conditions allowed the agricultural sector to grow in real terms, but even so it did not succeed in making up for the declines suffered in the previous two years. Construction, whose dynamism was primarily due to public investment, was another sector which recovered somewhat after three years of serious decline (see table 3).

(i) Agriculture. Agricultural output increased by more than 3% thanks to the strong recovery of the crop-raising subsector, which grew by nearly 6% after having endured adverse climatic conditions for two consecutive years. The output of the livestock subsector declined once more, although at a significantly lower rate (-1%) than in 1978 (see table 4).

/The increased

The increased crop-raising output was based on increases in the production of rice (19%), cotton (30%) and coffee (25%) (see table 4). The rice increase was basically due to climatic conditions which made it possible to recover much of the production lost the year before because of the drought. Increased demand from the textile industry (stimulated by export incentives), higher export prices and the rise in domestic prices set by the Government contributed to the higher cotton output. Coffee production grew markedly for the second consecutive year due to high international prices, despite their fall in the final quarter.

Sugar cane production fell again, however, this time by nearly 12%, and registered the lowest level of the decade. This was caused by financial and management problems affecting the main sugar cane enterprises, the late rainfall and adverse conditions on the international market.

Output of other agricultural products for the domestic market grew very little. Potatoes and maize, for example, were not able to recover from their severe drop of the year before, and wheat production declined sharply, as in the two preceding years.

In the livestock subsector, the stagnation in meat production and the crisis in poultry farming continued; these phenomena have had an adverse effect on the provision of animal proteins to the population. The main reasons for this stagnation were the drop in demand because of the erosion of the real earnings of consumers and the large rise in production costs, especially for poultry keeping; the latter was also affected by poultry exports encouraged by export tax rebate certificates (CERTEX).

Milk production recovered slightly after the price paid to dairy farmers were adjusted, but the significant drop in domestic demand led to production surpluses. This also fostered the production of powdered milk for direct consumption as an evaporated milk substitute, so as to make the product more easily affordable for lower-income citizens. Furthermore, in May it was decided that evaporated and condensed milk would be subject to export quotas set by the Ministry of Agriculture and Food.

(ii) The fisheries sector. The greater availability of marine species allowed the fisheries sector to increase its output by nearly 8% (see table 5);

/nevertheless, and



nevertheless, and despite the sharp increase of the previous year (30%), production did not match the levels of the start of the decade. Most of the output increment was funneled into the external market.

The total catch of marine species grew by more than 4%, mainly because of the marked increase in the catch for direct human consumption, which rose by more than 18% as a result of growing external demand for canned, frozen and dry-salted fish, and especially because of the purchases of jurel, sardine and mackerel by African countries. This marked the completion of a period of five full years in which the catch for direct human consumption expanded at an average annual rate of 28%, thus constantly heightening its importance in the development of the fisheries sector, since the catch for the production of fish meal (indirect human consumption) fluctuated wildly, and in 1979 was still lower than in 1975. Despite the 15% increase in the anchoveta catch, other species normally used for canning or freezing represented for the third consecutive year the main source of raw material (52%) for the production of fishmeal and fish oil.

Canned fish production, and particularly that of dry-salted fish, grew considerably (32% and 123%, respectively) under the impetus of external demand. Frozen fish production, however, increased by only 9.5% both because of the conservationist policy regarding whaling and the non-renewal of the EPSEP-FLOCUBA agreement.<sup>1/</sup>

Domestic consumption of fish increased by only 1.6% - significantly less than the rate of population growth - mainly because of the decline in the purchasing power of consumers. Domestic marketing of canned and dry-salted fish decreased by over 6% and 3%, respectively, while that of chilled fish (81% of total consumption) increased by 1% and that of frozen fish (5% of total consumption) by 37% as a result of their lower prices and the increased supply.

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<sup>1/</sup> Under this agreement, part of the frozen fish output of the Cuban firm FLOCUBA remained in the country and was marketed by the Peruvian firm EPSEP. The drop in production caused by the non-renewal of this agreement is being partially offset by the functioning of new Peruvian factory ships.

(iii) Mining. Mining, including petroleum, grew by 10% in 1979: a similar rate to that for the previous year (see table 6). The main reasons for this expansion were increases in the output of petroleum and the principal metallic mineral products, mainly stimulated by price rises brought about by speculative demand on the international market.

Copper production increased by 8.5%, or almost the same rate as the previous year, after having grown exceptionally in 1976 and 1977 due to the entry on stream of new mines. The diversification of markets by the State marketing agency made it possible to increase iron ore output by around 11%; at the end of the year, however, there were large amounts of stocks awaiting a more buoyant sales situation.

Crude oil output increased by 27% in 1979, reaching an average of 192 000 barrels per day or a total output of 70 million barrels per year. The majority (73%) came from private contractors, mainly due to the increased output of Occidental Petroleum in the jungle region.

The sharp increase in petroleum output over the past two years was directly linked to increased use of the capacity of the North Peruvian pipeline. Its northern branch began operating in 1978, and that year the country moved from being an importer (as it had been up to 1977) to being a net exporter of petroleum. After domestic demand was met, 23.5 million barrels were exported in 1979, which added around US\$ 650 million, or nearly one-fifth of the total value of exports, to the balance of payments.

This inflow of foreign currency was also made possible by the rise in international petroleum prices and especially by the higher prices brought on the spot market in the final quarter.

(iv) Manufacturing. After having dropped in the two preceding years, the manufacturing product grew by around 6% in 1979 (see table 7), a recovery mainly stimulated by export industry, which enjoyed large tax incentives and in some cases, such as the refining of mineral raw materials, benefited from the favourable situation on the international market. Manufacturing production for the domestic market, however, continued the downward trend observed during the previous three years, this performance being influenced by the weakening of domestic consumer demand caused by the continuous decline in the real earnings of broad sectors of the population and the elimination of subsidies for domestic inputs.

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It is estimated that the output of industries mainly producing consumer goods climbed by more than 7% after having fallen by 8% and 7% in the two preceding years (see table 7). Within this group, the export-oriented nature of the textile industry was obvious, thanks to the benefits described above, it grew by more than 22%. Industries mainly aimed at meeting domestic needs, however, again declined sharply: the food production branch dropped by nearly 9%, largely due to reductions in the output of evaporated milk, edible oil and balanced foods, and the footwear industry fell even more, while printing declined by 23%. Beverages were an exception, since their output grew by 13%, partially making up for the losses of the two preceding years.

The industries which grew most intensively (10%) were those producing intermediate goods. The branches behind this growth were glass, whose output grew by 70%, thus more than offsetting the drops of the two preceding years; non-metallic minerals, which rose by 21% mainly due to increased cement output; basic and ferrous metals, which grew by 11% due to increased demand for rolled products for the household appliance export industry; basic non-ferrous metals, whose output grew by 20% mainly because of increased production of refined copper; and petroleum refining, which increased by 15%.

Despite the slight recovery (3%) of the industries producing capital goods, they remained far behind their 1975 levels of production.

In 1979, two important economic policy measures were adopted which, although having little immediate impact, could influence the structure and evolution of the manufacturing sector within relatively short periods. In March the National Register of Manufactures,<sup>2/</sup> a protective mechanism which restricted imports, was abolished and replaced by a list of imports prohibited up to 1980, and in December the new Customs Tariffs <sup>3/</sup> came into force and established differential levels of effective protection for domestic manufacturing.

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<sup>2/</sup> The National Register of Manufactures automatically prohibited imports of goods similar to those manufactured in the country and was one of the main protective mechanisms of the 1970s.

<sup>3/</sup> Promulgated by Supreme Decree No. 116-79-EF of 17 August 1979.

(v) Construction. In 1979 this sector, which was the one most seriously affected by the economic recession in previous years, registered a moderate increase (4%), thus breaking the strong downward spiral which had begun in 1976. The recovery was connected with the higher level of public investment and of economic activity in general; however, the construction of housing continued to be depressed due to low levels of real income and sharp increases in the prices of land, construction materials and financing costs.

Due to this recovery, steel output for construction grew by 7% and domestic cement consumption rose by 4.5%. Total cement production increased at a much faster rate (19%), since the greater domestic demand was compounded by a sharp growth in exports, whose volume (600 000 tons) was double that of the year before (see table 8).

(c) Employment

The economic recovery of 1979 did not bring with it an improvement in levels of employment, not only because the growth rate attained was modest, but also because the recovery was based on increased productivity of the labour force already employed.

Open unemployment followed the upward trend begun in 1974, reaching 8.5% (see table 9). Unemployment in non-agricultural sectors rose to 13.8%, a record figure for Peru and partly caused by the intensification of migration towards urban centres caused by the crisis in agricultural output over the past two years.

The deterioration in the employment situation was also reflected in a drop in the percentage of the labour force fully employed,<sup>4/</sup> which declined to 45.7% after having reached 54.5% in 1973.

3. The external sector

The stagnation of exports as from the end of the 1960s, together with their unfavourable composition, brought about a serious crisis in the Peruvian external sector. This crisis, even more acute as from 1975, was

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<sup>4/</sup> "Fully employed" workers are considered to be those receiving a wage or salary equal to or greater than the minimum legal wage.

reflected in increasing current account deficits which, since they were not offset by the net inflow of private capital, provoked a dizzy drop in net international reserves. This meant that the country's access to external financing became increasingly difficult, with ever-harsher terms and interest rates.

In 1977, after the exchange policy had been modified but international reserves continued to decline, a stabilization programme was initiated within the framework of the standby credit agreement signed with the International Monetary Fund in September. The balance-of-payments situation recovered somewhat in that year due to the economic recession and the start of operations in some copper projects, but even so the net international reserves continued to decline and ended the year with a deficit of US\$ -1.1 billion.

The vacillating exchange policy and continuing expansion of credit helped to accelerate this decline, which continued to grow worse up to June 1978. The month before, a new group of measures to confront the problem was put into effect whereby, in addition to tax changes, reduction of fiscal expenditure and new criteria for price fixing by public enterprises, the sol was devalued from 130 to 150 per US dollar and the system of small periodic devaluations was re-established. Meanwhile, the failure to comply with the targets agreed upon with the IMF led the Government to negotiate a second standby credit agreement, which was signed in September 1978 and became the basis for the refinancing of the public debt in November of that year. The economic management in the second half of the year also included a series of measures aimed at promoting exports and a cautious approach to the contracting of new loans.

A sharp reduction in imports due to the recession and an increase in exports of petroleum and non-traditional products had enabled a surplus on the balance of payments and a small recovery in the level of net international reserves to be achieved by the end of 1978.

In 1979, an exceptional increase in the value of exports (mainly due to international market conditions which favoured Peruvian products), combined with the economic policy adopted, made it possible not only to halt the adverse trends of the preceding years but also to achieve prosperity in

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the external sector. Consequently, restrictions on external payments, could be lifted, obligatory external financing of imports abolished and their gradual liberalization begun, short-term obligations met easily and net international reserves increased by US\$ 1 572 million.

The devaluation of the sol, which proceeded as from mid-1978 at almost the same rate as domestic inflation, was continued in 1979 with the system of small periodic adjustments, although these were below the domestic rate of inflation. Thus, the exchange rate rose by 27.5% from December 1978 to December 1979, whereas the consumer price index grew by 66.7% (see table 10). This drop in the real exchange rate did not affect export activities very much because of export subsidies, the favourable external conditions for the country's export products and the decline of the domestic market, inter alia. Furthermore, in order to avoid speculation and reduce inflationary expectations, the Central Bank indicated that the exchange rate would be 250 soles per US dollar at the end of the year, and announced the periodic adjustments two or three months ahead.

Because of the combined effect of the exchange policy and the abundance of foreign currency, the difference between the official exchange rate and the average exchange rate on the market for deposit certificates in foreign currency declined to around 1%, after having been quite large at the start of the year.

Since external loans and the significant growth of exports became elements of monetary expansion, at mid-year an obligatory deposit of 10% in national currency was applied to new external private loans or their renewals, when not for the purpose of financing imports of capital goods. In August, this deposit was raised to 15%.

Measures were gradually applied aimed at liberalizing imports, which had been subject to severe restrictions. In addition to abolishing advance financing of imports, the automatic and permanent prohibition implicit in the National Register of Manufactures was replaced by a list of import products prohibited up to December 1980, and certain quantitative restrictions of small economic significance were gradually reduced.

The application as from December of the new custom tariffs 5/ facilitated the abolition of the list of prohibitions described above, as well as other machinery which prohibited imports on a permanent basis. From then on, protection was mainly based on the customs tariffs and, for some products, on the requirement for prior approval by the Ministry. Advance import licences were retained for other products for information purposes, but lost their restrictive nature.

(a) Trade in goods

The rise in international prices and the increased volumes of most export products sold produced a positive trade balance of nearly US\$ 1.4 billion, representing an increase of more than US\$ 1 billion with respect to the balance of the previous year, despite a 30% increase in the value of imports.

(i) Exports. Exports of goods totalled nearly US\$ 3.5 billion, a growth of nearly 80%; thus they became the central factor not only in the favourable balance-of-payments situation but also in the economic recovery (see table 11).

This result was due to a rise in the international prices of all exported products except fish meal and iron ore, the prices of which dropped by 8.6% and 4.5% respectively. The volume exported also increased greatly (with the exception of sugar, silver, lead and zinc), although in the case of products such as fish meal and fish oil, cotton, iron ore and wool, this increase in volume only meant recovery of the levels of previous years (see table 12).

Noteworthy in the growth of exports of traditional products were the increases in petroleum (71% in volume and 109% in price), which thus represented nearly 19% of total exports; copper (8% in volume and 50% in

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5/ The new custom tariffs, which were revised with the express purpose of improving the efficiency of domestic industry and forcing prices down, were established not only in the light of the previous tariffs but also of the programmes aimed at industrial promotion which had been distorting the tariff structure due to their magnitude. The policy was aimed at avoiding effective rates of protection greater than 90%. By 1983, the tariffs will be gradually brought into line with the Common External Tariff fixed under the Andean Subregional Pact.

price), which contributed over 19% of the overall value of exports; silver (-7% in volume but 74% in price); coffee (28% in volume and 12% in price); and fish meal (35% in volume and -9% in price).

The performance of non-traditional export products, whose rapid growth and diversification over recent years was accelerated in 1979, was even more favourable. Taken as a whole, their value grew more than 90%, a rate only surpassed by that of the increase in petroleum exports (see table 11). Thus, non-traditional exports generated nearly one-fifth of the total value of exports, and together constituted the main source of foreign trade earnings in 1979.

The most important non-traditional export products were cotton yarn and fabrics (US\$ 70 million), canned fish (US\$ 30 million), fishing vessels (US\$ 24 million) and goods from the metal products and machinery industry, the iron and steel industry, the non-ferrous metalworking industry and artisanal activity (US\$ 18 million).

Tax incentives for exports, the main element of which were the export tax rebate certificates (CERTEX),<sup>6/</sup> influenced the evolution of exports, as did the exchange policy (especially in 1976 and 1978) and the depression of the domestic market. Benefits to exporters from export tax rebate certificates grew to the equivalent in national currency of US\$ 142 million in 1979, or 21% of the total value of non-traditional exports.

(ii) Imports. One indicator of the economy's recovery in 1979 was the strong growth of imports of goods, whose value increased by nearly 31% during the year after having dropped by 26% the year before as a result of the recession (see table 13).

The value of total imports of goods climbed to nearly US\$ 2.1 billion, an amount similar to that for 1976 when the crisis in the external sector began to intensify. In addition to the influence of the economic recovery, an important role in this recovery was played by the increased availability

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<sup>6/</sup> In order to promote non-traditional exports, a new export promotion law was enacted at the end of 1978; this law extended the system of export tax rebate certificates for ten more years, provided greater resources for the export financing fund and established a fund for promoting exports.



of foreign currency, the progressive liberalization of import controls and prohibitions, the re-opening of external sources of financing and the growth of investment.

The recovery of imports of capital goods, which grew by 62% to levels comparable to those of four or five years ago, was especially marked; this was due to increased investment, especially in the petroleum sector.

The value of imports of intermediate goods (except for petroleum, whose importance declined over the past two years) increased by 26%, mainly due to imports by the private sector, since the public sector's imports remained at the same level, with increased purchases of wheat being offset by decreased purchases of soya bean oil.

Imports of consumer goods largely recovered from the drop of the previous year, especially because of the progressive opening-up of the market (see table 13). The most important categories were purchases of rice by official agencies and imports made under the special rules applying to the Andean Group and the jungle region.

(iii) Terms of trade. Due to the extraordinary increase in the unit value of exports, and despite the likewise considerable rise in the average price of imports, the terms of trade improved by over 27% in 1979 (see table 14). Because it had fallen during the four preceding years, however, this index was still only 6% higher in 1979 than at the start of the decade.

The improvement in the terms of trade in 1979 was accompanied by vigorous growth in the volume of exports, so that their purchasing power grew substantially, by more than 50%.

(b) Trade in services and factor payments

The traditional deficit on the non-financial services account, which had been decreasing as from 1976, turned into a surplus of US\$ 57 million in 1979.

The miscellaneous transport branch performed better than in the previous year and the freight sector achieved a surplus. Travel increased its net surplus by 33% due to the increasing numbers of tourists, which were 15% greater than in the preceding year. Foreign exchange earnings from tourism exceeded US\$ 200 million.

Net payments of profits and interest on capital increased by 58% under the influence of rising interest payments on the external debt, and especially remittances of profits, which nearly quintupled (see table 15). The origin of this noteworthy growth was two-fold: firstly, remittances of profits from previous years, due to the lifting of restrictions on external payments; and second, an increase in the profit margins of foreign export firms, mainly those involved in large-scale mining and petroleum.

(c) The current account situation and the inflow of non-compensatory capital

The continuous succession of balance-of-payments current account deficits was interrupted for only the second time in 15 years (the first time was in 1970). Although in the past four years this deficit has tended to decrease from the very severe level of 1975, it was only in 1979 that it turned into a surplus (of nearly US\$ 650 million, which exceeded initial forecasts), due to the positive trade balance.

The improvement in the external sector favoured an increased flow of long- and medium-term external loans to the public sector, which in turn facilitated the growth of public investment, although the increase in official loans also reflected the effect of the refinancing of the public debt. Net loans to the private sector, for their part, showed a deficit due to the increase in amortization payments and restrictions on the inflow of new loans.

Even though direct foreign investment was nearly three times the 1978 level it remained lower than at mid-decade. The growth recorded was partially due to new petroleum investments.

Because of the increased inflow of non-compensatory funds and the favourable current account situation, the net international reserves grew by over US\$ 1.57 billion during the year, achieving a positive figure for the first time since the end of 1975 (see table 16).

(d) External indebtedness

In 1979, the external debt contracted for a term of more than one year amounted to US\$ 6 444 million, thus reflecting a decline from the growth rates of previous years (see table 17). External indebtedness thus came to represent 1.9 times the value of exports and approximately 50% of the gross domestic product at current prices.

/The refinancing

The refinancing of the debt meant that in 1979, amortization payments to private international banks, the member countries of the Club of Paris, Hungary and Venezuela were reduced, and payments to the Soviet Union were postponed; however, it also meant higher total interest and amortization payments. All in all, the refinancing of the debt represented a saving of around US\$ 390 million in 1979. Half of the refinancing was arranged with countries and multilateral organizations, the other half with private banks.

Had it not been for the refinancing, debt servicing would have equalled about 29% of the value of exports after having represented 40% of it in 1978; however, if real net payments of the amortization deriving from the refinancing process are taken into account, this coefficient decreases to slightly more than 31% in 1978 and 19% in 1979.

New public loans contracted in 1979 totalled US\$ 1 072 million, of which 71% is for a term of more than 10 years, thus helping to improve the external debt profile. Of the figure mentioned, 80% was earmarked for public investment projects.

#### 4. Prices and wages

##### (a) Prices and anti-inflation policy

The inflationary process began to accelerate in 1973, reached its peak in 1978 (when the consumer price index rose by 74%), and declined slightly in 1979, when consumer prices rose by 66.7% measured from December to December, a rate which greatly surpassed the official prediction of 40% made at the start of the year (see table 18).

As in the two preceding years, the prices of food products grew more than the average. Their 75% increase was affected, among other things, by the slower long-term growth of agricultural output, which increased in the last decade at an average annual rate of 1.3%, but in the past five years grew at an average annual rate of only 0.9%. Both of these figures are significantly lower than that of population growth (2.9%), so that there was a real reduction of per capita food output, which stimulated the growth of food prices.

The greatest price increase (79%), however, was in the clothing sector and was due to the increased price of yarns and fabrics in general, which in

turn was linked to the official increase in domestic prices paid to cotton producers and to the tendency of the domestic price to rise to the same level as the actual receipts of producers for sales of their goods abroad. These foreign sales receipts tended to rise because of the high export subsidies.

The wholesale price index increased by 61%, which was a lower rate than that of the rise in the consumer price index in the two preceding years, despite the fact that it had usually exceeded it. This change reflected the smaller increase in the prices of imported goods (49% in 1979 compared with 113% in 1978) as a result of the exchange policy, since these products weigh less in the consumer price index. The wholesale price index for domestic products grew by 66% due to the 80% rise in agricultural prices (significantly higher than the 67% recorded in 1978) and the 84% rise in construction materials.

The official adjustments of the prices of basic consumer goods and services, petroleum products, energy and other inputs, and the reduction in the number of controlled prices influenced the general evolution of prices. Other factors which contributed to inflation were the inelasticity of agricultural supply, the convergence of profit margins on products in the domestic and external markets, increased speculation, and the rise in liquidity. The inflationary process continued despite the restrictive wage policy, the contraction of domestic credit in real terms, and a sharp reduction in the fiscal deficit, whose relation to the gross domestic product dropped from 10% in 1978 to 6.3% in 1979, the lowest figure for the past 8 years.

(b) Wages and salaries

In 1979, the wage policy was aimed at checking the sharp deterioration of real labour earnings which had been taking place since 1974 and which by 1978 had cut real salaries to nearly one-half and real wages to less than two-thirds with respect to the 1973 levels. The situation of public employees was even worse.

To this end, official wage and salary adjustments were made every three months throughout the year for public and private employees, while in practice collective negotiations were given more flexibility. In addition, in order to lessen the impact of inflation on the lowest income groups, the

/traditional annual

traditional annual increment in the basic minimum wage was abandoned in favour of three adjustments during the year.

The results show that the group that benefited most was that of the manual workers, whose earnings were 3.6% greater in December 1979 than one year earlier; the real wage index (1973 = 100) was 66.1 in that month (see table 19). From a sectoral point of view, the workers who benefited most from the wage and salary increases were those employed in banks and insurance, transport and communications and civil construction; the retail trade and non-governmental services sectors benefited less.

In December, however, the real salary index (1973 = 100) dropped to 49.3, which meant that the real remunerations of employees had once again fallen greatly (-7.5%) between December 1978 and December 1979. Over that period, the basic real remuneration of public employees dropped much more sharply (-14.9%), so that the corresponding index was 60% lower at the end of the year than in December 1973.

The real minimum wage rose significantly (30%) due to adjustments greater than inflation in March, July and October. Even so, however, the real minimum wage index (1968 = 100) only came to 85.5, which is still far behind the maximum index of 127.6 reached in 1972.

During the year, and especially in the first and third quarters, labour conflicts intensified and the greatest number of strikes (577) was recorded since 1976, when measures were taken to restrict the ability of trade unions to exert pressure. Altogether, the work stoppages involved 517 000 workers and represented the loss of 7.8 million man/hours (not counting a prolonged teachers' strike). The main reason for these strikes was demands for wage increases.

## 5. Monetary and fiscal policy

### (a) Monetary policy

The monetary policy proposed within the framework of the standby credit agreement signed with IMF in 1979 was aimed at reducing the growth of credit to the public sector in favour of the private sector, increasing the private sector's saving and improving the level of international reserves, while attempting to maintain or slightly reduce real liquidity.

/The expansion

The expansion of the international reserves, which exceeded the forecasts contained in the monetary budget, made it necessary to adopt a series of monetary policy measures during the year.

Even in the first months of 1979, the expansion of bank credit to the private sector had already exceeded the planned target, due to increased export revenues. This led the Central Reserve Bank to take a series of steps aimed at limiting the expansion of credit and money; thus, the volume of rediscounts to commercial and development banks was kept below the planned levels, reciprocal credits with local banks were renegotiated, interest rates were raised, access to foreign exchange for current transactions and foreign transfer payments was made easier, and the sale of treasury bonds from the Central Bank's portfolio was begun.

The notable improvement in the balance-of-payments outlook and the gradual restriction of domestic credit encouraged a considerable flow of external financing towards the banking sector and the non-banking private sector, and this helped to increase liquidity in the first half of the year and offset the impact of the measures described above. An attempt was made to control the expansive influence of this situation by imposing a 10% withholding tax on the majority of external loans to the private sector and increasing cash reserves on deposits in foreign currency.

The expansion of credit and especially of the international reserves accelerated, however, making it necessary to adopt new restrictive measures in August. A marginal cash reserve was imposed on deposits in foreign currency, the withholding tax on external loans was increased to 15%, and provisions were taken to discourage the conversion into soles of foreign currency certificates belonging to exporters. Later, in November, a marginal cash reserve of 100% on deposits in foreign currency was imposed.

Despite these restrictive measures, total liquidity grew by 84%, registering a real increase which had not occurred since 1974 and which was directly related to the increase in net international reserves (see table 20). The growth of quasi-money (151%) was especially vigorous and easily surpassed that of money (60%).

Total domestic credit was a moderating factor in the expansion of liquidity, since it grew only by 17% in nominal terms. This was due to

/decreased credit

decreased credit to the central government and public enterprises and institutions (reflecting the improvement in fiscal revenue), the restriction of spending, the sale of treasury bonds and the adjustment of the prices of goods and services subject to regulation and control. Credit to the private sector, on the other hand, grew by 79% because of the sharp increase in credits in foreign currency, whose share of total credit grew from less than 16% in December 1978 to more than 22% in December 1979. There were also indications of an increase in the circulation of foreign currency, as a result of the liberalization of the exchange market and especially of the inflow of foreign capital in unregistered transactions.

(b) Fiscal policy

A series of concurrent factors operating since the start of the 1970s brought the fiscal deficit to a very high level, the peak being reached in 1977, when it represented over 42% of fiscal expenditure. These factors included the low elasticity of the tax system in relation to the gross domestic product, the proliferation of tax exemptions, the maintenance of a wide programme of consumer subsidies and the execution of an ambitious investment programme based on growing public indebtedness.

In mid-1978, a fiscal programme was instituted whose basic objectives were to achieve a surplus on current account and to rationalize public spending directing it towards the social sectors and the completion of investment projects.

For this purpose, it was proposed basically to reform some taxes, with a view to increasing fiscal revenue and helping to eliminate distortions generated by excessive tax protection and generalized fiscal incentives; and to decrease spending by reducing the State bureaucracy and rationalizing the financing of public enterprises.

The application of this programme yielded some good results in 1978, so that in its general lines it was extended into 1979. The favourable performance of the external sector, the refinancing of the external public debt, the economic recovery and fairly strict compliance with the fiscal programme were the factors which led to the satisfactory results obtained as regards the fiscal accounts.

After four consecutive years of deficits, a positive balance on current account was achieved which equalled 2.5% of the gross domestic product and which, despite the real increase in capital expenditure, allowed the fiscal deficit to be somewhat reduced, from 10% of the domestic product in 1978 to 6.3% in 1979.

Current income increased by 105% and, under this heading, tax revenue grew by 107%, mainly because of the growth of income tax revenue (125%) and export taxes (179%) (see table 21). This meant that direct taxation grew to represent 45% of the total taxes collected thus raising the levels of the past five years. The total tax burden increased to 17%.

With respect to income tax, this marked increase in tax collection was possible because, inter alia, of changes made in the tax scales, the system for calculating the share of workers in the revenue and property of enterprises, and the rationalization of tax exemptions. Among taxes on foreign trade, the tax on exports of traditional products was outstanding.

Tax refunds to promote exports (which had grown rapidly in recent years) represented lost taxation equal to 6.7% of total tax revenue. In 1974 they had absorbed only 1.6% of that revenue.

Current expenditure grew by 60%, which was less than the rate of inflation. The severe real contraction of wages and salaries was noteworthy; however, because of the rise in interest rates on the international market and the effects of refinancing, interest payments on the external debt grew by 95% in nominal terms.

Finally, capital spending grew by 95% due to the Government's deliberate effort to contribute to the economic recovery.



Table 1

## PERU: MAIN ECONOMIC INDICATORS

	1974	1975	1976	1977	1978	1979(a)
<b>A. Basic economic indicators</b>						
Gross domestic product at factor cost (millions of dollars at 1970 prices)	8 984	9 281	9 559	9 444	9 274	9 627
Population (millions of inhabitants)	15.0	15.4	15.0	16.2	16.7	17.1
Per capita gross domestic product (dollars at 1970 prices)	599	603	604	581	556	561
<u>Growth rates</u>						
<b>B. Short-run economic indicators</b>						
Gross domestic product	6.9	3.3	3.0	-1.2	-1.8	3.8
Per capita gross domestic product	4.0	0.6	0.2	-3.8	-4.4	1.0
Gross income (b)	8.8	1.0	2.6	-1.8	-3.9	7.7
Terms of trade	18.3	-19.4	-2.1	-3.2	-12.0	27.1
Current value of exports of goods and services	36.9	-8.3	3.3	22.6	11.7	70.1
Current value of imports of goods and services	64.6	24.4	-13.5	2.6	-23.1	26.9
Consumer prices						
December - December	19.2	24.0	44.7	32.4	73.7	66.7
Variation between annual averages	16.9	23.6	33.5	38.1	57.8	67.7
Money	41.6	17.3	25.3	20.7	45.4	60.2
Remunerations (c)						
Salaries	...	-13.5	-11.9	-14.6	-18.1	-7.5
Wages	...	-14.8	6.2	-20.2	-11.6	3.6
Government	...	-4.2	-17.9	-10.6	-22.5	-14.9
Rate of unemployment (d)	4.0	4.9	5.2	5.8	6.5	8.5
Current income of government	28.5	28.2	26.7	38.3	71.1	105.4
Total expenditure of government	18.6	33.1	33.9	51.8	61.0	71.0
Fiscal deficit/total expenditure of government (d)	30.5	33.1	36.7	42.3	38.7	26.3
<u>Millions of dollars</u>						
<b>C. External sector</b>						
Trade balance (goods and services)	-601	-1 348	-881	-552	321	1 440
Balance on current account	-751	-1 573	-1 248	-971	-252	647
Variation in net international reserves	401	-476	-317	41	-104	1 572
External debt (e)	2 563	3 474	3 987	4 759	5 597	6 444

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Gross domestic product plus terms-of-trade effect.

(c) Variation in real remunerations.

(d) Percentage.

(e) Total disbursed, both public and private.

Table 2

## PERU: TOTAL SUPPLY AND DEMAND

	Millions of soles at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
	<u>Total supply</u>	<u>375 532</u>	<u>353 960</u>	<u>370 088</u>	<u>115.7</u>	<u>113.6</u>	<u>-1.6</u>	<u>-5.7</u>
Gross domestic product at market prices	319 729	313 983	325 838	100.0	100.0	-1.2	-1.8	3.8
Imports of goods and services (b)	55 803	39 977	44 250	15.7	13.6	-3.9	-28.4	10.7
<u>Total demand</u>	<u>375 532</u>	<u>353 960</u>	<u>370 088</u>	<u>115.7</u>	<u>113.6</u>	<u>-1.6</u>	<u>-5.7</u>	<u>4.6</u>
Domestic demand	329 808	299 595	304 188	96.0	93.4	-4.0	-9.2	1.5
Gross domestic investment	44 980	39 226	44 602	12.9	13.7	-22.4	-12.8	13.7
Gross fixed investment	43 480	37 726	43 902	12.4	13.5	-19.4	-13.2	16.4
Public	19 597	16 231	19 161	4.5	5.9	-26.7	-17.2	18.1
Private	23 883	21 495	24 741	7.9	7.6	-12.2	-10.0	15.1
Changes in stocks	1 500	1 500	700	0.5	0.2			
Total consumption	284 828	260 369	259 586	83.0	79.7	-0.2	-8.6	-0.3
General government	47 036	39 651	36 677	12.0	11.3	9.8	-15.7	-7.5
Private	237 792	220 718	222 909	71.0	68.4	-2.0	-7.2	1.0
Exports of goods and services (b)	45 724	54 365	65 900	19.7	20.2	19.8	18.9	21.2

Source: 1970-1978: CEPAL, calculations based on figures supplied by the Banco Central de Reserva del Perú, 1979: CEPAL estimates on the basis of preliminary figures supplied by the same bank.

(a) Preliminary figures.

(b) The figures for exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were converted to constant 1970 values, using price indexes calculated by CEPAL for the purpose.

Table 3

## PERU: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of soles at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Agriculture	42 303	41 977	43 450	18.8	14.9	-0.4	-0.8	3.5
Crop farming and stock-raising	39 451	38 267	39 454	15.9	13.5	-	-3.0	3.1
Fishing	2 852	3 710	3 996	2.9	1.4	-5.5	30.1	7.7
Mining	24 536	27 848	31 106	8.6	10.6	27.2	13.5	11.7
Manufacturing	61 824	60 526	62 947	20.6	21.5	-6.5	-2.1	4.0
Construction	16 358	13 724	14 232	4.5	4.9	-7.7	-16.1	3.7
<u>Subtotal goods</u>	<u>145 021</u>	<u>144 075</u>	<u>151 735</u>	<u>52.5</u>	<u>51.9</u>	<u>-0.4</u>	<u>-0.7</u>	<u>5.3</u>
Electricity, gas and water	3 764	3 896	4 165	1.2	1.4	8.2	3.5	6.9
Transport, storage and communications	...	...	...	4.5	...	...	...	...
<u>Subtotal basic services</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>5.7</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Commerce, financial institutions and insurance	...	...	...	16.1	...	...	...	...
Real estate (b)	12 444	12 817	13 202	4.5	4.5	3.0	3.0	3.0
Community, social and personal services	...	...	...	21.3	...	...	...	...
<u>Subtotal other services</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>41.8</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
<u>Subtotal services</u>	<u>141 889</u>	<u>137 950</u>	<u>140 880</u>	<u>47.5</u>	<u>48.1</u>	<u>-1.4</u>	<u>-2.8</u>	<u>2.1</u>
<u>Total gross domestic product</u>	<u>290 129</u>	<u>284 907</u>	<u>295 734</u>	<u>100.0</u>	<u>100.0</u>	<u>-1.2</u>	<u>-1.8</u>	<u>3.8</u>

Source: 1970-1978: CEPAL calculations on the basis of figures supplied by the Banco Central de Reserva del Perú; 1979: CEPAL estimates on the basis of preliminary figures supplied by the same bank.

(a) Preliminary figures.

(b) Refers to ownership of dwellings only.

Table 4

## PERU: INDICATORS OF AGRICULTURAL PRODUCTION

	1976	1977	1978	1979(a)	Growth rates			
					1976	1977	1978	1979(a)
Index of agricultural production (1973 = 100)	106.7	106.8	103.6	106.4	3.3	0.1	-3.0	3.1
Crop farming	100.2	97.7	95.6	99.5	2.7	-0.5	-2.1	5.6
Stock-raising	121.0	122.2	116.7	117.3	4.4	1.0	-4.5	-1.0
Production of some important crops (thousands of tons)								
Rice	570	587	468	558	6.1	3.0	-20.3	19.2
Cotton	165	176	187	243	-27.0	6.7	6.3	30.0
Coffee	65	65	83	104	-	-	27.7	25.3
Sugar cane	8 792	8 816	7 970	7 034	-1.9	0.3	-9.6	-11.7
Potatoes	1 667	1 580	1 713	1 716	1.6	-5.2	8.4	0.2
Maize	726	749	623	646	14.3	3.2	-16.8	3.7
Yuca	403	395	396	...	0.8	-2.0	0.3	-
Wheat	128	120	113	104	1.6	-6.3	-5.8	-8.0
Sorghum	46	51	52	54	58.6	10.9	2.0	3.8
Production of some livestock products								
Poultry meat	140	143	119	118	-10.8	2.1	-16.8	-0.8
Beef	87	87	89	87	1.2	0.0	2.3	-2.2
Milk	821	828	822	824	1.0	-0.8	-0.7	0.2
Pork	55	54	53	53	-	-1.8	-1.9	-
Mutton	21	23	23	23	-	9.5	-	-

Source: Ministry of Agriculture and Food.

(a) Preliminary figures.

Table 5

## PERU: INDICATORS OF FISHERY PRODUCTION

	1976	1977	1978	1979(a)	Growth rates			
					1976	1977	1978	1979(a)
Index of fishery production (1973 = 100)	140.1	132.3	172.1	185.4	21.6	-5.6	30.1	7.7
Total output of fishery products (thousands of tons) (b)	4 338	2 491	3 431	3 576	27.3	-42.6	37.7	4.2
For direct human consumption (c)	334	474	619	733	14.4	41.9	30.6	18.4
For indirect human consumption (d)	4 004	2 017	2 812	2 843	28.5	-49.6	39.4	1.1

Source: Ministry of fisheries.

(a) Preliminary figures.

(b) Comprises only deep-sea fishing; fishing in continental waters amounted to around 10 000 tons.

(c) Comprises fresh and processed fish (canned, frozen, salted and in the form of fish preparations) consumed in the country or exported.

(d) Anchoveta and other species, mainly for the production of fish meal and oil.

Table 6

## PERU: INDICATORS OF MINING PRODUCTION

	1976	1977	1978	1979(a)	Growth rates (b)			
					1976	1977	1978	1979(a)
Index of mining production (1973 = 100)(c)	98.4	122.9	135.4	149.2	5.1	24.9	10.2	10.2
Production of some important minerals (including petroleum)								
Metals (d)								
Copper	231	336	366	397	31.2	45.5	8.9	8.5
Lead	176	178	183	183	4.8	1.1	2.8	0.0
Zinc	457	477	457	484	5.5	4.4	-4.2	5.9
Iron ore	3 139	4 033	3 275	3 622	-38.0	28.4	-18.8	10.6
Silver (e)	1 240	1 239	1 280	1 335	3.2	-0.1	3.3	4.3
Petroleum (f)	28.0	33.3	55.1	70.0	6.3	19.0	65.5	27.0

Source: Ministry of Energy and Mining and Banco Central de Reserva del Perú.

(a) Preliminary figures.

(b) The variations correspond to constant 1973 prices.

(c) Index of physical volume; includes petroleum.

(d) Thousands of tons fine.

(e) Kilograms fine.

(f) Millions of barrels.

Table 7

PERU: INDEX OF MANUFACTURING PRODUCTION  
(1973 = 100)

	1976	1977	1978	1979(a)	Growth rates			
					1976	1977	1978	1979(a)
<u>Index of manufacturing production</u>								
Manufacturing sector (b)	120.7	115.3	111.6	118.8	4.0	-4.5	-3.2	5.7
Manufacturing sector (c)	123.2	115.2	112.8	119.3	4.8	-6.5	-2.2	5.8
<u>Consumer goods (d)</u>	<u>115.2</u>	<u>105.6</u>	<u>97.8</u>	<u>105.0</u>	<u>2.9</u>	<u>-8.3</u>	<u>-7.4</u>	<u>7.4</u>
Food	105.9	106.2	99.1	90.5	-1.9	0.3	-6.7	-8.7
Beverages	147.6	135.2	105.9	119.8	11.1	-8.4	-21.7	13.1
Tobacco	117.2	116.3	105.3	...	-0.6	-0.8	-9.5	...
Textiles	110.0	97.2	96.6	118.3	7.2	-11.6	-0.6	22.5
Clothing	102.5	92.2	89.6	...	-7.5	-10.0	-2.8	...
Footwear	126.7	81.0	76.4	69.4	25.0	-36.1	-5.7	-9.2
Furniture	89.0	72.1	70.5	...	-31.4	-19.0	-2.2	...
Printing	92.5	74.5	82.1	63.2	-2.7	-19.5	10.2	-23.0
Plastic products	121.0	109.1	110.0	...	-1.9	-9.8	0.8	...
Vocational equipment	127.3	109.6	106.3	...	19.0	-13.9	-3.0	...
Miscellaneous products	105.9	92.2	91.3	...	-3.9	-12.9	-1.0	...
<u>Intermediate goods (b)(d)</u>	<u>126.5</u>	<u>131.3</u>	<u>135.1</u>	<u>148.1</u>	<u>8.3</u>	<u>3.8</u>	<u>2.9</u>	<u>9.6</u>
<u>Intermediate goods (c)(d)</u>	<u>133.1</u>	<u>129.9</u>	<u>135.6</u>	<u>148.9</u>	<u>10.4</u>	<u>-2.4</u>	<u>4.4</u>	<u>9.8</u>
Fish meal	206.6	114.8	143.0	149.6	23.5	-44.4	24.6	4.6
Leather products	120.0	91.1	91.1	...	-0.7	-24.1	-	...
Wood products	152.2	140.7	140.7	...	55.5	-7.6	-	...
Paper products	117.4	120.7	123.5	126.1	13.4	2.8	2.3	2.1
Industrial chemicals	143.2	155.6	184.9	191.7	9.5	8.7	18.8	3.7
Other chemicals	139.6	125.0	133.3	119.0	10.5	-10.5	6.6	-10.7
Refined petroleum	115.0	115.9	118.6	135.9	0.1	0.8	2.3	-14.6
Rubber products	140.1	116.8	101.4	100.5	24.1	-16.6	-13.2	-0.9
China and porcelain	133.6	148.0	148.0	...	14.5	10.8	-	...
Glass products	134.4	120.6	85.6	145.9	10.3	-10.3	-29.0	70.4
Non-metallic mineral products	127.2	116.4	122.3	148.3	3.6	-8.5	5.1	21.3
Basic metal products	104.4	123.3	146.4	163.1	-16.3	18.1	18.7	11.4
Basic non-ferrous metal products	105.6	160.5	161.9	194.8	13.8	52.0	0.9	20.3
<u>Capital goods (d)</u>	<u>126.8</u>	<u>113.3</u>	<u>96.7</u>	<u>99.3</u>	<u>-1.9</u>	<u>-10.6</u>	<u>-14.7</u>	<u>2.7</u>
Metal products	109.2	103.6	102.4	107.0	-5.4	-5.1	-1.2	4.5
Machinery and equipment	151.8	152.4	187.5	188.2	1.0	0.4	23.0	0.4
Electrical machinery and equipment	145.7	140.8	124.9	124.2	-2.7	-3.4	-11.3	-0.6
Transport equipment	109.2	72.2	33.7	35.7	0.5	-33.9	-53.3	5.9

Source: Banco Central de Reserva del Perú, and Ministry of Industry, Commerce, Tourism and Integration.

- (a) Preliminary figures.  
 (b) Excluding fish meal.  
 (c) Including fish meal.  
 (d) Mainly producing this type of goods.

Table 8

PERU: INDICATORS OF CONSTRUCTION ACTIVITY

	1976	1977	1978	1979	Growth rates		
					1977	1978	1979
<u>Production of certain building materials (thousands of tons)</u>							
Structural steel	141	149	142	152	5.2	-4.6	6.8
Cement	1 966	1 969	2 047	2 431	0.2	4.0	18.8
Flat glass	13	11	8	11	-13.6	-31.6	44.9
<u>Cost index for the construction sector (1960 = 100) (a)</u>	<u>760</u>	<u>1 023</u>	<u>1 751</u>	<u>3 016</u>	<u>34.6</u>	<u>71.2</u>	<u>72.3</u>

Source: Banco Central de Reserva del Perú and National Planning Institute (INP), National Institute of Statistics.

- (a) At December of each year.

Table 9

## PERU: EVOLUTION OF EMPLOYMENT AND UNEMPLOYMENT

Percentage of economically active population									
	1971	1972	1973	1974	1975	1976	1977	1978	1979(a)
<u>Whole country</u>									
Unemployment	4.4	4.2	4.2	4.0	4.9	5.2	5.8	7.2	8.5
Agricultural	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Non-agricultural									
(b)	7.3	7.3	7.1	6.6	8.1	8.4	9.4	11.7	13.8
Under-employment	44.4	44.2	41.3	41.8	42.4	44.3	48.1	46.9	45.8
Agricultural	63.6	67.0	65.4	65.4	68.2	61.8	62.1	65.4	
Non-agricultural									
(b)	29.0	26.5	23.3	25.0	24.8	32.7	39.2	43.7	
Fully employed	51.2	51.6	54.5	54.2	52.7	50.5	46.1	45.9	45.7
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
-----									
	Employment index (c)				Growth rates				
	1976	1977	1978	1979(a)	1975	1976	1977	1978	1979(a)
<u>Lima</u>									
<u>metropolitan area</u>									
Manufacturing	139.9	138.0	138.5	140.0	7.2	3.2	-1.4	0.4	1.1
Commerce	132.9	133.2	133.7	133.7	2.7	3.7	0.2	0.4	0.0
Services	122.5	125.0	125.8	125.5	2.8	1.2	2.0	0.6	-0.2

Source: National Planning Institute, National Institute of Statistics; Ministry of Labour and Ministry of the Economy and Finances, General Office for Economic and Financial Affairs.

(a) Preliminary figures.

(b) Includes mining.

(c) To December (1970 = 100).

Table 10

## PERU: EVOLUTION OF EXCHANGE RATE AND PRICES

	Exchange rate (a) (soles per dollar)	Index of exchange rate (b)	Wholesale price index (b)	Index of real exchange rate (b) (4)=(2):(3) (4)
	(1)	(2)	(3)	(4)
1977				
March	74.24	114.2	149.8	76.2
June	79.89	122.9	162.3	75.7
September	80.88	124.4	177.5	70.1
December	130.38	200.6	191.5	104.8
1978				
March	130.32	200.5	228.1	87.9
June	154.60	237.8	288.9	82.3
September	177.03	272.4	327.7	83.1
December	196.18	301.8	374.7	80.5
1979				
March	211.25	325.0	430.4	75.5
June	225.18	346.4	470.8	73.6
September	238.10	366.3	544.8	67.2
December	250.12	384.8	603.0	63.8

Source: Banco Central de Reserva del Perú and National Planning  
Institute of Statistics (INE).

- (a) At end of period; from October 1977 onwards the buying and selling average is considered.
- (b) Base: June 1976 = 100. An "equilibrium" rate was established that month, according to the address delivered by the Ministry of Economic Affairs and Finance on 30 June 1976.



Table 11

## PERU: VALUE AND COMPOSITION OF EXPORTS OF GOODS, FOB

	Millions of dollars			Percentage breakdown		Growth rates		
	1977	1978(a)	1979(a)	1970	1979(a)	1977	1978	1979(a)
<u>Main traditional exports</u>	<u>1 468.3</u>	<u>1 564.9</u>	<u>2 702.4</u>	<u>88.5</u>	<u>77.8</u>	<u>22.0</u>	<u>6.6</u>	<u>72.7</u>
Fish meal	179.0	191.8	237.0	13.1	6.8	0.8	7.2	23.6
Cotton	48.0	38.1	49.3	5.2	1.4	-32.3	-20.6	29.4
Sugar	74.2	51.7	34.3	6.7	1.0	-18.6	-30.3	-33.7
Coffee	196.3	168.2	244.8	7.4	7.0	94.4	-14.3	45.5
Wool	18.1	23.2	33.5	1.4	1.0	-3.2	28.2	44.4
Copper	392.3	408.6	667.5	16.7	19.2	72.8	4.2	63.4
Iron ore	90.5	73.8	84.9	4.7	2.4	42.5	-18.5	15.0
Silver	172.5	206.9	389.2	10.7	11.2	18.9	19.9	88.1
Lead	81.7	89.7	145.0	4.7	4.2	28.5	9.8	61.6
Zinc	163.5	133.0	171.2	14.1	4.9	-14.6	-18.6	28.7
Petroleum and petroleum products	52.2	179.8	645.7	3.9	18.6	-2.1	244.4	259.1
<u>Main non-traditional exports</u>	<u>237.9</u>	<u>355.0</u>	<u>680.0</u>	<u>10.1</u>	<u>19.6</u>	<u>74.0</u>	<u>49.2</u>	<u>91.5</u>
Fishing vessels	31.0	10.4	24.3	0.9	0.7	150.0	-66.5	133.7
Frozen hake	13.3	13.2	14.4	1.3	0.4	-23.6	-0.8	9.1
Canned fish	17.7	24.8	30.3	0.5	0.9	156.5	40.1	22.2
Cotton yarn and fabrics	24.0	54.6	70.0	0.4	2.0	344.4	127.5	28.2
Synthetic textile fibres	6.5	8.0	7.2	0.3	0.2	62.5	23.1	-10.0
Other non-traditional exports	145.4	244.0	533.8	6.7	15.4	60.5	67.8	118.8
Rest	19.4	20.7	91.6	1.4	2.6	0.5	6.7	342.5
<u>Total</u>	<u>1 725.6</u>	<u>1 940.7</u>	<u>3 474.0</u>	<u>100.0</u>	<u>100.0</u>	<u>26.9</u>	<u>12.5</u>	<u>79.0</u>

Source: Banco Central de Reserva del Perú.

(a) Preliminary figures.

Table 12

## PERU: VALUE(a), VOLUME(b) AND PRICES(c) OF MAIN EXPORT PRODUCTS

	1975	1976	1977	1978(b)	1979(b)
<u>Fish meal</u>					
Value	155.8	177.5	179.0	191.8	237.0
Volume	746.0	625.0	430.0	483.0	653.0
Price	208.8	284.0	416.3	397.1	362.9
<u>Fish oil</u>					
Value	38.6	0.3	0.9	1.1	22.5
Volume	141.0	5.0	4.0	6.0	56.0
Price	273.1	64.2	197.7	200.0	402.0
<u>Other fishery products</u>					
Value	13.7	22.9	35.3	44.6	72.0
Volume	32.0	48.0	70.0	93.0	143.0
Price	429.0	478.5	504.0	480.4	503.2
<u>Cotton</u>					
Value	53.0	70.9	48.0	38.1	49.3
Volume (thousands of quintals)	737.0	776.0	462.0	394.0	434.0
Price (dollars per quintal)	71.9	91.4	104.0	96.5	113.7
<u>Sugar</u>					
Value	269.1	91.2	74.2	51.7	34.3
Volume	422.0	296.0	390.0	291.0	181.0
Price (dollars per quintal)	29.3	14.2	8.8	8.2	8.7
<u>Coffee</u>					
Value	53.2	101.0	196.3	168.2	244.8
Volume	43.0	43.0	43.0	54.0	69.0
Price (dollars per quintal)	56.6	108.0	210.0	144.6	162.1
<u>Wool</u>					
Value	11.4	18.7	18.1	23.2	33.5
Volume	4.0	8.0	3.0	4.0	6.0
Price	3 260.0	2 490.0	5 749.0	5 229.0	5 823.0
<u>Copper</u>					
Value	155.7	226.9	392.3	408.6	667.5
Volume	152.0	182.0	331.0	344.0	373.0
Price (US cents per pound)	46.5	56.6	53.7	53.9	81.1
<u>Iron ore</u>					
Value	51.9	63.5	90.5	73.8	84.9
Volume (thousands of net legal tons)	4 975.0	4 470.0	6 122.0	4 778.0	5 740.0
Price (dollars per net legal ton)	10.4	14.2	14.8	15.5	14.8
<u>Silver</u>					
Value	146.3	145.1	172.5	206.9	389.2
Volume (metric tons of fine)	1 086.0	1 175.0	1 241.0	1 628.0	1 303.0
Price (US cents per Troy ounce)	419.1	384.2	432.3	497.1	929.4
<u>Lead</u>					
Value	41.9	63.6	81.7	89.7	145.0
Volume	128.1	179.8	171.6	176.4	164.0
Price (US cents per pound)	14.8	16.0	21.6	23.1	40.1
<u>Zinc</u>					
Value	151.5	191.5	163.5	133.0	171.2
Volume	405.9	432.3	433.9	436.7	418.0
Price (US cents per pound)	16.9	20.1	17.1	13.8	18.0
<u>Petroleum and petroleum products</u>					
Value	43.6	53.3	52.2	179.8	645.7
Volume (thousands of barrels)	4 069.0	4 742.0	4 104.0	13 775.0	23 500.0
Price (dollars per barrel)	10.7	11.3	12.7	13.1	27.5

Source: Banco Central de Reserva del Perú and National Planning Institute.

(a) Millions of dollars.

(b) Thousands of tons, unless otherwise indicated.

(c) Dollars per ton, unless otherwise indicated.

(d) Preliminary figures.

Table 13

## PERU: VALUE AND COMPOSITION OF IMPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates			
	1976	1977	1978(a)	1979(a)	1970	1979(a)	1976	1977	1978(a)	1979(a)
<u>Consumer goods</u>	176	173	104	170	12.6	8.1	-11.3	-2.2	-39.9	63.5
Non-durable	...	...	...	...	10.3	...	...	...	...	...
Durable	...	...	...	...	2.3	...	...	...	...	...
<u>Intermediate goods</u>	1 032	1 050	735	894	44.2	42.8	-11.9	1.7	-30.0	21.6
Petroleum and fuels	...	269	35	10	1.7	0.5	...	...	-87.0	-71.4
Others	...	781	700	884	42.5	42.3	...	...	-10.4	26.3
<u>Capital goods</u>	675	469	458	744	32.1	35.6	-13.5	-30.6	-2.3	62.4
Miscellaneous (b)	217	472	304	283	11.1	13.5	-8.8	117.5	-35.6	-6.9
<u>Total</u>	2 100	2 164	1 601	2 091	100.0	100.0	-12.1	3.0	-26.0	30.6

Source: Banco Central de Reserva del Perú.

(a) Preliminary figures.

(b) Includes adjustments, non-monetary gold, and other imports not elsewhere classified.

Table 14

## PERU: MAIN FOREIGN TRADE INDICATORS

	1974	1975	1976	1977	1978	1979(a)
	<u>Growth rates</u>					
<u>Exports of goods</u>						
Value	35.4	-14.3	5.5	26.8	12.0	79.7
Volume	-7.8	-5.0	5.6	23.0	17.7	20.8
Unit value	46.7	-9.8	-0.1	3.1	-4.8	48.7
<u>Imports of goods</u>						
Value	74.0	25.2	-12.1	3.1	-26.1	30.7
Volume	40.3	11.8	-13.8	-3.2	-31.6	11.7
Unit value	24.1	12.0	2.0	6.5	8.0	17.0
Terms of trade	18.3	-19.4	-2.1	-3.2	-12.0	27.1
	<u>Indexes (1970 = 100)</u>					
Terms of trade	123.7	99.7	97.6	94.5	83.3	105.9
Purchasing power of exports of goods	90.8	69.6	71.9	85.6	88.8	136.4
Purchasing power of exports of goods and services	96.2	79.3	79.7	91.6	96.3	144.9

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

Table 15

PERU: BALANCE OF PAYMENTS  
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
<b>Current account</b>						
Exports of goods and services	1 841	1 689	1 745	2 141	2 391	4 067
Goods FOB (b)	1 506	1 291	1 361	1 726	1 933	3 474
Services	335	398	384	415	458	593
Transport	133	153	157	175	179	110
Travel	96	91	99	112	142	189
Imports of goods and services	2 442	3 037	2 626	2 693	2 070	2 627
Goods FOB (b)	1 908	2 389	2 100	2 165	1 600	2 091
Services	534	648	526	528	470	536
Transport	292	351	308	318	292	184
Travel	64	84	57	36	34	45
Net payments of profits and interest on foreign capital	-172	-242	-371	-424	-576	-915
Profits	-42	-15	-44	-54	-84	-390
Interest	-130	-227	-327	-370	-492	-525
Net private transfer payments	22	17	4	5	3	122
Balance on current account	-751	-1 573	-1 248	-971	-252	647
<b>Capital account</b>						
Net external financing (a+b+c+d+e)	751	1 573	1 248	971	252	-647
a) Long-term capital	720	1 265	844	954	272	841
Direct investment (net)	58	316	170	55	25	71
Private sector	224	347	-7	18	13	} 770
Loans	392	572	106	118	96	
Amortization payments	-165	-225	-113	-100	-83	
Other assets and liabilities (net)	-3	-	-	-	-	
Official sector	438	602	681	881	234	
Loans	686	811	1 019	1 276	1 140	} 62
Amortization payments	-232	-209	-338	-395	-906	
Other assets and liabilities (net)	-16	-	-	-	-	
b) Short-term capital (net)	406	-201	62	5	-178	} 84
Private sector	324	-93	51	37	-163	
Official sector	153	36	331	88	25	
Monetary authorities	-	-	-	-	-	
Errors and omissions	-71	-144	-320	-120	-40	-22
c) Allocation of Special Drawing Rights (SDRs)	-	-	-	-	-	22
d) Official transfer payments (net)	26	33	25	53	54	...
e) International reserves (minus sign signifies an increase)	-401	476	317	-41	104	-1 572
Use of IMF credit	-17	-	184	12	109	...
Other liabilities	-	-	-	-	-	...
Monetary gold	-	-	-	-	-	...
Special Drawing Rights	-	-	39	-	-2	...
IMF reserve position	-	-	36	-	-	...
Foreign exchange and other assets	-384	476	58	-53	-3	...

Source: 1974-1978: International Monetary Fund, Balance of Payments Yearbook vol. 30; 1979: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Includes non-monetary gold.

Table 16

PERU: NET INTERNATIONAL RESERVES  
(Millions of dollars at the end of each period)

	1974	1975	1976	1977	1978	1979
March	237	699	-94	-907	-1 110	-917
June	276	131	-553	-1 046	-1 222	-603
September	490	178	-615	-1 115	-1 123	-153
December	693	116	-752	-1 107	-1 025	547(a)

Source: Banco Central de Reserva del Perú.

(a) Preliminary figures.

Table 17

PERU: INDICATORS OF EXTERNAL INDEBTEDNESS  
(Millions of dollars)

	1972	1973	1974	1975	1976	1977	1978	1979
<u>Total external debt (a)</u>	<u>1 424</u>	<u>1 814</u>	<u>2 563</u>	<u>3 474</u>	<u>3 987</u>	<u>4 759</u>	<u>5 597</u>	<u>6 444</u>
Public	1 121	1 491	2 182	3 066	3 554	4 311	5 135	6 014
Private (b)	303	323	381	408	433	448	462	430
<u>Servicing of public external debt</u>	<u>219</u>	<u>433</u>	<u>456</u>	<u>474</u>	<u>533</u>	<u>618</u>	<u>954(c)</u>	<u>1 167(c)</u>
Amortization payments	164	352	338	284	299	396	659	835
Interest payments	55	80	118	190	234	222	295	332
<u>Servicing of public external debt, as a percentage of total exports of goods and services</u>	<u>19.0</u>	<u>32.2</u>	<u>24.8</u>	<u>28.1</u>	<u>30.5</u>	<u>28.9</u>	<u>39.9(c)</u>	<u>28.7(c)</u>

Source: Banco Central de Reserva del Perú.

(a) Disbursed debt with term of more than one year.

(b) Includes both State guaranteed and non-guaranteed debt. Does not include long-term loans to direct investment firms, either from the main office or from branches.

(c) As a result of the renegotiation of the debt, real debt servicing in 1978 was US\$ 203 million lower than indicated, and US\$ 391 million lower in 1979, while its relative share of exports dropped to 31 per cent and 19 per cent, respectively, in those years.

Table 18

## PERU: EVOLUTION OF DOMESTIC PRICES

	1974	1975	1976	1977	1978	1979
<u>Variation from December to December</u>						
Consumer price index	19.2	24.0	44.7	32.4	73.7	66.7
Food	24.1	31.2	44.5	33.0	77.7	75.1
By income levels (a)						
Stratum I	19.1	24.9	45.3	33.9	77.1	69.1
Stratum II	16.1	21.6	45.4	32.3	75.2	66.8
Stratum III	15.5	18.5	47.2	31.9	62.6	64.0
Wholesale price index	...	...	...	43.3	95.7	60.9
Imported products	...	...	...	70.6	113.3	49.0
Domestic products	...	...	...	30.5	88.5	66.4
Agricultural products	...	...	...	27.3	67.4	79.7
Manufactures	...	...	...	39.1	100.0	60.4
Building materials	10.5	18.1	99.3	19.4	103.7	84.0
<u>Variation between annual averages</u>						
Consumer price index	16.9	23.6	33.5	38.1	57.8	67.7
Food	18.8	32.8	32.5	40.3	59.7	74.2
Wholesale price index	16.8	23.8	38.5	46.5	76.0	70.4
Imported products	27.4	26.8	36.7	61.1	99.0	72.8
Domestic products	14.0	23.0	39.1	42.0	68.2	69.6
Agricultural products	14.0	26.3	35.6	40.6	44.3	75.7
Manufactures	14.1	21.1	41.4	43.1	82.2	66.8
Building materials	10.6	14.5	63.9	44.1	63.8	105.7

Source: National Planning Institute, National Institute of Statistics.

(a) According to an ENCA survey.

Table 19

## PERU: EVOLUTION OF WAGES AND SALARIES(a)

	1975	1976	1977	1978	1979
<u>Indexes (b)</u>					
Nominal wages and salaries					
Salaries (December 1973 = 100)	127.1	155.4	18.4	262.1	403.9
Wages (December 1973 = 100)	125.2	184.7	204.4	313.6	542.0
General government (December 1973 = 100)	118.9	141.3	167.2	225.4	319.5
Real wages and salaries					
Salaries	86.5	76.2	65.1	53.3	49.3
Wages	85.2	90.5	72.2	63.8	66.1
General government	80.5	66.1	59.1	45.8	39.0
<u>Growth rates</u>					
Nominal wages and salaries					
Salaries	27.1	22.2	18.7	42.1	54.1
Wages	25.2	47.5	10.7	53.4	72.8
General government	18.8	18.8	18.3	34.8	41.8
Real wages and salaries					
Salaries	-13.5	-11.9	-14.6	-18.1	-7.5
Wages	-14.8	6.2	-20.2	-11.6	3.6
General government	-4.2	-17.9	-10.6	-22.5	-14.9

Source: National Planning Institute, National Institute of Statistics (Informe estadístico, January-December 1979).

(a) The salaries (employees) and wages (workers) correspond to the average wages and salaries paid by the private sector in Metropolitan Lima. In the case of the government, only average basic wages and salaries are considered.

(b) At December of each year for wages and salaries, except 1975 (October) and 1976 (September), and at December of each year for general government.

Table 20

## PERU: MONETARY POSITION

	Balance at end of each year (billions of soles) (a)				Growth rates			
	1976	1977	1978	1979(a)	1976	1977	1978	1979(a)
<b>Money</b>	149	180	262	419	25.3	20.7	45.4	60.2
Currency outside banks	50	61	91	160	16.2	22.8	49.7	76.3
Demand deposits	100	119	171	259	30.4	19.7	43.2	51.6
<b>Factors of expansion</b>	200	221	333	750	20.0	10.6	50.5	125.4
Foreign assets (net)	-50	-121	-195	133				
Domestic credit	250	343	527	617	54.4	37.3	54.0	17.0
Government (net)	81	120	186	181	114.5	47.6	55.2	-2.8
Official entities	60	84	140	119	45.0	39.5	66.7	-14.9
Private sector	79	95	131	234	26.2	20.8	37.0	78.9
Credit to development banks	29	43	70	83	48.2	48.8	63.5	18.2
<b>Factors of absorption</b>	51	41	71	331	6.7	-19.2	72.8	365.2
Quasi-money (savings and time deposits)	27	40	92	231	15.5	48.0	130.7	151.2
Long-term foreign borrowing	12	14	18	20	24.7	24.1	21.5	14.3
Other items (net)	13	-13	-38	81	-17.8	-204.0	-193.1	311.5

Source: 1974-1977: International Monetary Fund, *International Financial Statistics*; 1978-1979: Banco Central de Reserva del Perú, *Cuentas monetarias*.

(a) Exchange rate used (soles per US dollar): 1974 = 38.70; 1975 = 45.00; 1976 = 65.00; 1977 = 110.00; 1978 = 190.00; 1979 = 250.00.

(b) Preliminary figures.

Table 21

## PERU: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Billions of soles				Growth rates			
	1976	1977	1978	1979(a)	1976	1977	1978	1979(a)
<b>1. Current income</b>	111.4	154.1	263.7	541.6	26.7	38.3	71.1	105.4
Tax revenue	101.0	145.6	258.5	533.9	25.3	44.2	77.5	106.5
Income and property	30.2	43.0	65.9	148.3	22.9	52.4	53.3	125.0
Exports	6.0	16.2	31.9	89.1	5.9	103.0	96.9	179.3
Imports	17.9	19.6	39.1	68.8	-1.1	9.5	99.5	76.0
Production and consumption	46.9	66.8	121.6	227.7	45.4	42.5	82.0	87.3
Non-tax revenue (b)	13.4	15.0	19.0	43.2	48.9	11.9	26.7	127.4
Less: tax refunds (c)	3.0	6.5	13.8	35.5	72.7	115.3	112.3	157.2
<b>2. Current expenditure</b>	122.7	193.1	291.0	464.3	35.6	57.3	50.7	59.6
Wages and salaries	51.5	70.3	97.3	149.6	32.7	36.5	38.4	53.8
Interest	13.2	29.2	71.8	138.2	39.9	121.4	145.9	92.5
Internal debt	5.5	13.6	32.7	62.0	23.2	146.4	140.4	89.6
External debt	7.7	15.6	39.1	76.2	54.9	103.4	150.6	94.9
Other current expenditure	58.0	93.6	121.9	176.5	37.1	61.4	30.2	44.8
<b>3. Saving on current account (1-2)</b>	-11.3	-39.0	-27.3	77.3				
<b>4. Capital expenditure</b>	53.2	74.0	139.0	270.9	30.1	39.1	87.8	94.9
Gross capital formation	19.8	27.1	42.5	93.4	25.1	36.6	56.8	119.8
Other capital expenditure (d)	17.3	13.0	15.2	36.8	43.0	-24.9	16.9	142.1
Amortization payments	16.1	33.9	81.3	140.7	24.8	110.6	139.8	73.1
Internal debt	7.8	10.9	14.7	20.5	13.0	39.7	34.9	39.5
External debt	8.3	23.0	66.6	120.2	38.3	177.1	189.6	80.5
<b>5. Total expenditure (2+4)</b>	175.9	267.1	430.0	735.2	33.9	51.8	61.0	71.0
<b>6. Fiscal deficit (1-5)</b>	-64.5	-113.0	-166.3	-193.6	48.3	75.2	47.2	16.4
<b>7. Financing of deficit</b>								
Domestic financing	40.6	55.4	91.8	81.0	96.1	36.5	65.7	-11.8
External financing	23.9	57.6	74.5	112.6	4.8	141.0	29.3	51.1

Source: Banco Central de Reserva del Perú; National Planning Institute, National Institute of Statistics.

(a) Preliminary figures.

(b) Including wage and salary discounts for pension fund.

(c) Mainly tax refund certificates for export promotion.

(d) Including financial investment and expenditure on agrarian reform expropriations.