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CHILE

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.

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CHILE

1. Recent economic trends: Introduction and summary

Stimulated by the sustained and vigorous growth of exports and the partial recovery of construction, the gross domestic product increased at a very high rate (8.5%) for the third consecutive year. This expansion of overall economic activity was accompanied by substantial increases in real wages and salaries, in labour productivity in manufacturing and construction, and in the current income of the central government, whose operations yielded a surplus for the first time in the past thirty years. The rate of open unemployment declined only slightly, however, so that the employment situation remained extremely unfavourable, as in the past four years. The steady and substantial downward trend of inflation as from 1974, moreover, was broken when the growth rate of consumer prices increased from just over 30% in 1978 to nearly 39% in 1979 (see table 1).

As a result of the sharp increase in total economic output, the per capita product grew by 6.6%; however, due to the decreases it suffered in the period 1972-1973 and especially the enormous drop of 1975, it was still only 4% higher than in 1971. Furthermore, since the terms of trade deteriorated by nearly 47% between 1970 and 1979, per capita income was still around 2% lower than at the start of the decade, despite the increase of nearly 10% recorded in 1979.

During the year, trade and financial links with other countries continued to expand at a rapid pace. The value of exports of goods and services rose by 45%, principally due to the marked increase in non-traditional exports (whose value grew by 58%, capping six years of continued vigorous expansion) and the rise in the international prices of molybdenum and copper. Imports of goods and services also increased at a very high rate (33%) as a result of the expansion of domestic economic activity, the reduction of tariffs on imported vehicles and the 75% rise in the average price paid for petroleum imports.

Because exports grew faster than imports, the deficit on trade in goods and services decreased from US\$ 500 million in 1978 to US\$ 290 million, after having risen sharply for two years. A new and sizeable increase in

/interest payments

interest payments neutralized the reduction of the trade deficit, however, and the deficit on current account consequently climbed to nearly US\$ 895 million, virtually equivalent to that of 1978.

Nevertheless, this deficit was smaller than the gross inflow of capital, which came to an unprecedented sum of nearly US\$ 3,590 million. In addition to financing the current transactions deficit, it was thus possible to make amortization payments totalling US\$ 1,660 million and to increase net international reserves by nearly US\$ 1,050 million (see table 1).

Since the abundant capital inflow to the country was primarily in the form of financial credits to the private sector, general external indebtedness increased by 23%, from just over US\$ 6,900 million at the end of 1978 to US\$ 8,460 million at the end of 1979, but because the gross reserves of the monetary system likewise expanded, by nearly US\$ 1,200 million, the net growth of general external indebtedness was less than 7%. Debt servicing increased by 53%, however, and continued to absorb nearly half of the income generated by exports of goods and services.

Despite the sharp growth of overall economic activity and a considerable increase in the construction sector, the employment situation continued to be very negative. In Greater Santiago, the rate of open unemployment only declined from 14% in 1978 to 13.6% in 1979, thus completing five full years in which at least one out of every seven members of the labour force was unemployed. The unemployment rate was even higher in the other urban centres on which statistical information is available, and in most of them the rate of unemployment was greater than that recorded during the same months in the previous year. Finally, the number of participants in the Minimum Employment Plan grew steadily throughout 1979, thus reversing the downward trend of previous years. This increase, partially explained by the liberalization of the rules governing entrance into the programme, took place despite a decrease of nearly 11% in the purchasing power of the allowance paid to workers employed under the Plan.

In contrast to the unfavourable trends in the employment situation, the real wage and salary index increased by around 11%, but despite this rise and the likewise considerable increases in real income during the three preceding years, real remuneration was only just over its average level for

/the period

the period 1970-1972 and was still nearly 6% lower than in 1971. As in previous years, in 1979 the real increase in remuneration was linked to a significant rise in the productivity of the employed labour force. Thus, in manufacturing (an activity which improved its efficiency in order to be able to combat increasing competition from imported products due to tariff reductions), productivity grew by 8%, and the increase must have been even greater in construction.^{1/}

The purchasing power of wages and salaries did not increase in 1979 as it had in the period 1976-1978, when there was a combination of a system of periodic and automatic wage and salary adjustments equal to 100% of the rise in the consumer price index and a declining rate of inflation.^{2/} After a five-year period during which the intensity of the inflationary process was steadily and markedly reduced from over 500% in 1973 to 30% in 1978, the downward trend was broken in 1979, when consumer prices rose by nearly 39%.

As in most other countries of the region, the revival of the inflationary process was greatly influenced by the acceleration of inflation in the industrialized economies and particularly by the new and substantial rises in international prices for hydrocarbons in 1979; the latter's impact was especially noticeable in the wholesale price index, where fuels weigh very heavily and in which the 58% increase in 1979 considerably exceeded the rise in the consumer price index. The acceleration of the inflationary process was not exclusively due to external factors, however: another main cause was the unexpected devaluation of the peso at the end of June. In the context of a much more open economy than in the past, this nearly 6% rise in the exchange rate implied substantial increases in the prices of internationally traded goods and also had an adverse effect on inflationary expectations.

^{1/} Although detailed statistics are not available on the subject, it should be noted that the construction product increased by nearly 26%, whereas the average number of workers employed in construction in Greater Santiago grew by 9%.

^{2/} It is well known that a system of adjusting wages and salaries at regular intervals by 100% of the increase in consumer prices during the previous period tends to generate real wage increases when the rate of inflation is decreasing, keeps real wages stable when the rate of inflation is constant, but cannot prevent them from declining when the rate of inflation accelerates.

As a result of these changes and of the 11% adjustment in wages and salaries which entered into force in July, the consumer price index climbed by nearly 13% in the third quarter, while wholesale prices grew by around 24% during that period. Consequently, the real exchange rate dropped below its pre-devaluation level.

In the external sector, in addition to the devaluation at the end of June and the simultaneous adoption of a fixed exchange rate policy, tariffs on imports of motor vehicles were changed. These tariffs, which had constituted the most notable exception to the general policy of tariff reduction and equalization, were lowered in accordance with the new agreement signed between the Government and the four enterprises producing automobiles and trucks. According to the new rules agreed upon in March, the tariff applicable to automobiles with an engine capacity of up to 850 cubic centimetres, vehicles for transporting more than 15 passengers and trucks with a carrying capacity of more than five tons was immediately reduced to 10%, while tariff applicable to other automobiles decreased from 105% to 90% and the tariff on trucks with a carrying capacity of under five tons dropped from 80% to 45%.

At mid-year the programme of tariff reductions begun in 1974, whose final schedule was announced at the end of 1977, was completed: all imports, excepting only those of the vehicles mentioned above and of milk from the European Economic Community countries, were accordingly subject to a single tariff of 10%.

The authorities also took various steps designed to liberalize economic activity and to transfer enterprises, equity holdings and other public sector assets to the private sector. In the agricultural sector, the legislation relating to the property of the descendants of the original indigenous inhabitants of the country was changed in March by the establishment of new rules allowing such land to be divided and individual properties to be formed. A month later, a decree-law was passed granting the definitive ownership of irrigation water rights to the users, and at mid-year the legislation on alcohol was reformed, with the tax previously applied under that legislation being replaced by an additional value-added tax. In addition, a number of restrictions affecting the development of the wine-making industry were eliminated.

/During the

During the year the Chilean Development Corporation disposed of eight enterprises for a total value of US\$ 116 million and sold shares and assets to the private sector in the amount of US\$ 48 million, thus nearly completing the programme of transferring enterprises and assets from the State to the private sector begun in 1974. Under this programme, the Government sold 120 enterprises for US\$ 406 million and shares and assets for an additional US\$ 317 million between 1974 and 1979.

Finally, important legal modifications with respect to social security and labour relations were introduced in 1979.

In the field of social security, the reforms were designed to establish more general and uniform standards regulating long service and old-age pensions granted by the various social security institutions. For this purpose, it was decided that in order to obtain a long service pension, the requirements of 35 years of payments and 65 years of age had to be met in the case of men (60 years of age for women), while the same age conditions and a minimum of ten years of payments had to be met to receive an old-age pension.^{3/} The pension adjustment system was also reformed and unified so as to preserve the beneficiaries' purchasing power: it was decided that in the future, the amount of all pensions would be automatically adjusted at mid-year by 100% of the variation in the consumer price index. Finally, the new legislation put an end to the system whereby the pensions received by some retired public sector officials were made equivalent to the salary received by a person carrying out the same function at present.

The most important reforms, however, were those regarding trade union organization and collective negotiations, which were introduced in the "Labour Plan" implemented at the beginning of July through six decree-laws. With regard to the first of these aspects, the new legislation established

^{3/} The age requirements may be lower in two cases, however: firstly, for people engaged in heavy labour or activities causing premature physical or intellectual exhaustion or leading to the loss of one's ability to perform the activity carried on. The second case is that of persons who were about to complete the time requirements (normally shorter) established by the previous legislation. In order to satisfy the legitimate expectations of these people, special tables were drawn up so that the conditions for receiving the benefits are less rigorous for persons closest to completing the requirements under the old legislation.

the freedom to form one or more trade unions in each enterprise, without prior authorization by the authorities, which the workers in the enterprise could join or not as they chose. The new rules also permit the formation of trade union federations and confederations which may advise their member trade unions on negotiations but may not participate directly in them. Thus, in contrast to the legislation in force up to 1973, collective negotiations may be carried out only at the enterprise level, and not by the various branches.

With regard to the second aspect, the new standards authorized the resumption of collective negotiations, which had been suspended for nearly six years. In order to protect workers with less negotiating power, and mindful of the high rate of unemployment existing when it was promulgated, the new legislation provides that an enterprise must offer a wage and salary increase to its workers equivalent to at least 100% of the amount the consumer price index has risen during the period preceding the negotiation. With regard to the negotiations, workers may resort to strikes and employers to "lock-outs" after having exhausted the mediation or arbitration procedures.^{4/} During the first 60 days of the strike, the individual contracts of workers are considered to be suspended, but the workers continue to hold their posts and may not be dismissed by their employer; however, during this period the employer may hire temporary replacements for workers on strike. If the latter constitute more than 50% of the workers in the enterprise or establishment, or if the percentage is less, but they are vital for its functioning, the employer may close the enterprise or establishment for a maximum of 30 days. Finally, after 60 days of strike, the employer is authorized to contract new workers on a permanent basis to replace the strikers.

^{4/} Although in general the Labour Plan accepts strikes as a legal instrument for the exertion of pressure by workers, in 22 public enterprises and 10 private firms the authorities prohibited the workers from resorting to strikes on the grounds that these would damage the "common well-being and national security". Among the enterprises in which strikes may not take place, the main ones are CODELCO-Chuquicamata (the main copper mine), the National Petroleum Enterprise, the State Railway Enterprise, the national airline, the National Telecommunications Enterprise, the National Electricity Enterprise, the Telephone Company of Chile, the enterprises providing gas to Santiago, Valparaíso and Concepción, those furnishing drinking water to Santiago and Valparaíso, and the Banco del Estado.

2. Trends in economic activity

(a) Total supply and demand

In 1979, total supply of goods and services increased at a very high rate of nearly 9%. Although this expansion was somewhat lower than that recorded in 1978 and especially 1977, in contrast to those years it was based on relatively similar growth in the gross domestic product (8.5%) and the volume of imports (10%) (see table 2).

On the demand side, the principal factors stimulating the increase in the product were fixed capital investment and exports.

The volume of exports grew by 12%, thus continuing the rapid expansion of the three preceding years and allowing the share of exports in the product to increase once more, this time to 26%, a figure far surpassing the 15% recorded at the start of the decade.

The growth rate of real fixed capital expenditure was even greater (18%), thus continuing the recovery of the investment coefficient begun in 1977. Nevertheless, due to the sharp drop in capital formation in 1975 and another decline in 1976, the share of the product assigned to fixed investment was only 11% in 1979, and the absolute amount of such investment barely matched the levels of the period 1970-1971 (see table 3).

This trend was the result of the very different paths followed by the principal components of fixed investment. Whereas real spending on construction in the period 1975-1978 represented on average only just over half of that for 1970-1971 and was still one-third lower in 1979 than at the start of the decade, despite the sharp growth recorded in that year, by 1977 investment in machinery and equipment had already exceeded the levels of the period 1970-1971, and in 1979 surpassed them by nearly 55% (see table 3).

Thus, the abrupt drop in total capital formation in the period 1975-1976 and its gradual recovery over the following three years were accompanied by a substantial change in its composition, towards investment in machinery and away from spending on construction. This change, together with the existence of underutilized capacity in industry and construction and the increased production efficiency associated with the opening up of the economy to the exterior, meant that after recovering in 1977 the level it had

/reached in

reached in 1974, the gross domestic product increased sharply in 1978 and again rose markedly in 1979, despite the fact that during those years the fixed investment coefficient barely exceeded 10%.

Finally, in 1979 private consumption continued the extremely rapid increase which began in 1977 after the serious contraction recorded in the two preceding years. At the same time, general government consumption declined still further (see table 2).

(b) Evolution of the main sectors

In contrast with 1978, when the growth of the product was based mainly on the rapid expansion of commercial, financial and personal services and the total output of goods increased only moderately, in 1979 the growth rates of the output of goods, basic services and the other services were similar (see table 4).

The product of the sectors producing goods increased by nearly 8%, more than doubling its growth rate of the previous year. This accelerated growth was strongly influenced by the marked expansion of the agricultural sector, whose output had decreased slightly in 1978, and the substantial increase in construction, whose output grew by nearly 26% after having remained at very low levels in the four preceding years.

Basic services also grew at a satisfactory rate of nearly 8%, while the value added by other services grew by nearly 9%, so that, as in 1978, they increased their share in the total product.

(i) The agricultural sector. The growth rate of agricultural output underwent a significant change once again: after expanding by 15% in 1977 and declining by 2.5% the following year, it increased by 7.7% in 1979.^{5/}

As in the two previous years, the main reason for these variations in the growth rate of the agricultural sector was the performance of the 14 traditional crops, whose joint output rose by more than 17% in 1979 after having fallen sharply the year before. Even so, this increase was not enough to make up for the big drop suffered in 1978, and consequently the real value

^{5/} The differences between these rates and the rates which appear in table 4 are due to the fact that "agriculture" in this table includes fishing, where value added rose by 32% in 1978 and 19.5% in 1979.

of the production of these 14 crops was 12% lower in 1979 than in 1977 and only slightly above the level recorded in 1970 (see table 5).

The recovery of the output of these traditional crops was largely due to the generally larger yields, which had dropped sharply the preceding year. In contrast, the total area sown increased only moderately (somewhat less than 5%) and did not recover the level reached two years before.

These overall changes were accompanied by significant differences in the performance of the various crops. The increases were particularly large in the case of maize (which was nearly double the 1978 crop), rice, chickpeas and lentils (all of which increased by around 70%) and oats (which grew by over 60%). In all these cases, the 1979 production was greater than the levels reached in any previous year, as was also the case with beans and sunflowers. Sugar beet output continued to decline sharply, however, to the point where it was less than one-third of that achieved only three years before.

This decrease, as well as the relative stagnation of wheat output in the period 1975-1979, reflected the impact of the process of unrestricted opening of the economy to foreign competition and the withdrawal of the Government from the fixing of and support for domestic agricultural prices.

The other side of the picture as regards the effect of the new economic policy on the traditional crops was the steady expansion during this period of output of legumes, which continued to be stimulated by the increasing volumes of sales in external markets. The effect of the new development strategy aimed at reassigning agricultural resources on the basis of comparative international advantages was also evident in fruit output, which is estimated to have increased by nearly 8% in 1979 after having expanded by around 28% the previous year.

The output of the livestock subsector also increased by around 8% in 1979, entirely because of greater meat production, the total value of which grew by over 14% due to the extremely vigorous expansion of the output of poultry meat (35%), pork (25%) and mutton (10%) and a moderate rise in the slaughtering of cattle (5%). Despite these increases, however, the output of all these goods (except for poultry meat) was lower in 1979 than in 1970, although in all cases (except pork) this output was substantially greater than in 1973 (see table 5).

/In contrast

In contrast to the favourable evolution of meat production, in 1979 the output of eggs declined, and there was a further decline in milk production due, as in 1978, to a prolonged and intense drought in the southern part of the country.

Finally, in 1979 the area reforested decreased for the fourth consecutive year, but more sharply. This decline was essentially due to the nearly total withdrawal of the National Forestry Corporation from direct planting activities and, to a lesser extent, to a decline of just over 4% in the area reforested by the private sector. Even so, however, the area planted with timber trees in 1979 was nearly double that reforested on average in the period 1970-1973 (see table 6).

(ii) Fishery. In 1979 the fishery sector consolidated its position as the most rapidly growing production activity in the second half of the 1970s. After having more than doubled between 1974 and 1978, the domestic product of the fishery sector increased by 19.5% in 1979. This growth reflected substantial increases both in the catch of fish and shellfish and in the output of manufactured goods produced from fish, and was achieved despite the fact that as from April 1978 the system of tax exemptions which had benefited fishing activity since 1960 was revoked.

The volume of the catch increased by nearly one-third in 1979 to almost double the catch of only two years earlier, while the output of fishery products was 38% greater than in 1978, when in turn it had been 43% higher than in 1977 (see table 7).

Although the volume of fish for fresh consumption in 1979 was approximately 50% greater than at mid-decade, the principal contributor to the large expansion of the catch was the exceptionally rapid growth of the catch for manufacturing, whose volume was 140% greater than in the period 1974-1976. Naturally, this had an effect on the output of manufactured goods produced from fish, such as fishmeal, fish oil and canned fish. This output, whose development had fluctuated wildly from 1970 to 1975, increased at an average annual rate of nearly 36% in the following four years, thus allowing exports of fishmeal, canned fish and frozen shellfish to grow steadily and rapidly (see tables 7 and 18).

/(iii) Mining.

(iii) Mining. Mining recovered slightly in 1979, although once again it was the activity in which the product grew least vigorously. After having increased by 2% in 1977 and diminished slightly the following year, the value added by the mining sector rose by around 3% in 1979, that is to say, a rate just under one-third of that of all the other sectors producing goods (see table 4).

This recovery in the growth rate of mining was due to substantial increases in the output of most major minerals, excepting only coal (whose output declined sharply for the second year running, forcing domestic consumption to be provided for partially by imports) and copper, whose output grew only marginally and barely managed to make up for the drop of the previous year (see table 8).

The small increase in copper output was entirely due to large-scale mining, which slightly surpassed the peak achieved in 1977, but the output of the medium- and small-scale mining enterprises declined again, despite the significant recovery in the international price for copper in 1979. As in the two preceding years, the increase in total output was centred in refined copper production, which grew to represent 75% of total output.

In contrast, the stimulus of better international prices brought a positive response from the nitrate industry, whose output grew by 17%, thus breaking the downward trend of the four preceding years. Nevertheless, this increase only meant the recovery of the level of production reached in 1976, which was substantially lower than that obtained in 1974. The nitrate industry also benefited from the substantial rise (25%) in iodine output and the even greater expansion (57%) of sodium sulphate production. Since the latter had also increased sharply in 1978, it thus more than doubled its level of only two years before (see table 8).

Iron ore mining also increased greatly in 1979 as its output grew by around 15%. As in the case of copper, this growth was accompanied by a favourable change in the output composition due to the growth of around 48% in the production of pellets, whose international price in 1979 was more than double that of regular iron ore.

/Finally, it

Finally, it is estimated that crude petroleum output increased by 20% in 1979, thus reversing the steady downward trend it had displayed since 1969. The reversal of this trend was due to the entry on stream of wells in the Ostión deposits (January 1979) and in the Spiteful deposits (November 1979), both of which are located in the Straits of Magellan and contributed around 30% of the total petroleum output. Thus, despite the considerable increase in hydrocarbon consumption, the amount furnished by domestic production increased from around 17% in 1978 to approximately 25% in 1979.

(iv) Manufacturing. In 1979, manufacturing output grew rapidly for the fourth consecutive year. According to the estimates of the National Planning Office, the manufacturing product grew by nearly 9%, while industrial output rose by around 8% according to the index of the National Institute of Statistics (INE), and at a slightly higher rate according to the index of the Sociedad de Fomento Fabril. The volume of sales of manufactures, for its part, increased by 9% (see table 9).

Due to the drop in manufacturing output during the period 1973-1974, however, and its extraordinary drop in 1975 (when it fell by over 25%), manufacturing activity in 1979 still could not match the levels which it had reached at the start of the decade. Although the manufacturing product in 1979 was 40% greater than in 1975, it was 4% less than that achieved on average in the period 1971-1972 and barely exceeded that of 1973, while according to the National Institute of Statistics index, industrial output in 1979 was still below that achieved in any of the years during the period 1971-1974. Consequently, only the Sociedad de Fomento Fabril index, which showed 1979 manufacturing output exceeding by around 6% the peak which it had reached in 1972, claimed that the phase of recovery of past levels of manufacturing output was now complete.

This partial recovery of previous levels of overall activity in the manufacturing sector was accompanied, however, by substantial changes in the composition of industrial output and a notable rise in the productivity of the labour force employed in manufacturing.

Thus, whereas in 1979 the output of the electrical equipment industry was more than double that of 1969, and in the wood, electrical household appliance and non-ferrous metals industries production levels were from

/90% to

90% to 95% higher in 1979 than those reached 10 years earlier, in other groups such as leather, footwear and industrial chemicals the output was between 20% and 30% lower in 1979 than in 1969, and the output of the electrical machinery industry dropped by around 60% over those ten years.

Moreover, as in the three preceding years, the increase in industrial output was exclusively due to the increased productivity of the labour force and was accompanied by a new drop in industrial employment, which was down by 10% from its level of the start of the decade and was nearly 18% lower than in 1974: the year when the policy of tariff reductions and the elimination of various quasi-tariff protection mechanisms were begun. The counterpart of this policy, which forced industry to improve its technical efficiency substantially so as to combar the competition of foreign manufactures, was a sharp increase in labour productivity, which grew by around 10% for the third consecutive year and was approximately 36% higher in 1979 than in 1974 (see table 10).

(v) Construction. The recovery of the construction sector, which began very weakly in 1977, accelerated sharply in 1979. After the extremely sharp drop of around 43% in the period 1975-1976 and the very low rates of expansion (around 3%) in the following two years, the construction product grew by nearly 26% in 1979.

Other indicators of construction activity likewise improved greatly. Deliveries of cement for the domestic market grew by around 17%, while those of round bar increased by 35%. Real sales of intermediate goods for construction and the total area constructed also grew, by just over 30% (see table 11).

Despite these significant increases, however, because of the enormous drop in 1975 and 1976 construction activity in 1979 was still far behind the levels it had reached before the great contraction in mid-decade. Deliveries of cement and round bars were 8% and 23% less, respectively, than in 1974, the year when construction achieved its highest level ever. The inadequate recovery of the sector during the period 1977-1979 and the consequent persistence of a significant margin of idle capacity are even more noticeable if it is kept in mind that the total product of construction

/was one-third

was one-third greater in 1974 than in 1979 and that during the latter year the rate of unemployment among construction workers was still running at around 25%.

In contrast to the two preceding years, the increase in construction activity in 1979 was sharply influenced by the vigorous rise in residential construction. After having diminished by around 27% in the period 1977-1978, the area of residential construction increased by over 42%, while the total number of dwellings started, which had decreased from just over 35,500 units in 1976 to just under 21,500 in 1978, grew by nearly 57% in 1979.^{6/}

In addition to the recovery in residential building, the changes in the relative shares of the public and private sectors, which had begun to be especially noticeable in 1978, were further accentuated. In accordance with the Government's policy designed to bring about the withdrawal of the public sector from the direct construction of dwellings and to promote residential building through direct subsidies and credit support to the purchasers of dwellings, in 1979 the State initiated the construction of barely 328 units. At the same time, however, the number of dwellings constructed by private enterprises and subsequently acquired by the Housing and Town Planning Service under the "turnkey" system increased from just over 3,500 to 11,250. Even if these dwellings are excluded from the records of the private sector, it is obvious that the recovery of residential construction was principally due to the heightened activity of private enterprises, which initiated the construction of more dwellings in 1979 than in any previous year.

(c) The employment situation

Despite the high economic growth rate, in 1979 the employment situation remained extremely unfavourable for the fifth consecutive year. According to provisional estimates by the State planning agency, ODEPLAN, the rate of unemployment in the country as a whole was 13%, a figure just slightly less than the 13.4% calculated for the year before, but more than in 1977 and

^{6/} Since the construction statistics refer to building starts in the case of the public sector and to building permits approved in the case of the private sector, they are not necessarily an exact indicator of the variations in the amount of building work actually carried out in these years.

double the average figure for the period 1960-1970.^{7/} The trend was very similar in Greater Santiago, where the average rate of unemployment only declined from 14% in 1978 to 13.6% in 1979, according to data supplied by the Department of Economics of the University of Chile, or from 13.4% to 13% according to the surveys of the National Institute of Statistics (INE). According to these two sources, the proportion of the labour force unemployed in the capital was also somewhat larger in 1979 than in 1977 (see tables 1 and 12).

The contrast between the rapid increase in the product and the very slight decline in the rate of unemployment was especially noticeable in the manufacturing sector and in construction. In manufacturing, despite the considerable increase in output the average rate of unemployment, which had remained constant at just under 12% in 1977 and 1978, rose to just over 13% in 1979, while in construction, an activity which had been very sluggish in the period 1975-1978 but recovered strongly in 1979, the rate of unemployment was slightly greater (24.5%) than in 1978 (23.5%), although it gradually diminished during the year.

This evolution of employment in the sectors producing goods differed from that prevailing in trade and other services, in all of which the rate of unemployment was not only much lower than in the activities mentioned above but also tended to decline throughout the year (see table 12).

The evolution of the employment situation was likewise unsatisfactory in the majority of the other urban centres of the country for which statistics are available.^{8/} Thus, in the cities between La Serena and San Fernando, where unemployment might have been expected to have diminished because of the boom in export agriculture and the extraordinary growth of foreign trade, the rate of unemployment climbed to nearly 16% in September: a rate considerably higher than the figure for the same month the year before and slightly higher than in September 1977 (see table 13).

^{7/} See ODEPLAN, Informe Social, 2º semestre 1979, Santiago, February 1980, p. 65.

^{8/} The information is from the publication of the Department of Economics of the University of Chile, Ocupación y desocupación: Sectores urbanos de las regiones IV a X, excepto el Gran Santiago, September 1979.

The rate of unemployment also increased slightly between September 1978 and September 1979 in the cities between Tomé and Lebu, which as a group comprise the second largest industrial centre in the country and where at the end of the third quarter one out of every five members of the labour force was unemployed. This situation was decisively affected by the sharp drop in mining employment, which decreased from 18,800 persons in September 1978 to 8,800 persons one year later, primarily as a result of measures adopted by the National Coal Enterprise to reduce its operating deficit. As a result, the rate of unemployment in the mining sector nearly trebled, climbing from 4.3% to 12.7% between the months mentioned above. Even so, this rate was lower than that recorded in manufacturing in September 1979 (14%) and much lower than in construction (41.7%).

Thus, between September 1978 and September 1979 the rate of unemployment declined only in the cities between Angol and Castro, whose labour force in that month represented only 16% of the total labour force in the urban centres listed in table 13. Moreover, this decline was exclusively due to a decrease in the number of persons seeking work for the first time, since the rate of unemployment increased slightly, while the growth of employment was concentrated entirely in the activities producing services, and declined in all the sectors producing goods. Consequently, the average rate of unemployment in the latter sectors increased from just under 15% in September 1978 to 21% one year later, whereas during that period the proportion unemployed in services declined from 8.2% to 7.7%.

Finally, the inadequate creation of new, productive and well-paid jobs was also reflected in the trend in the number of participants in the Minimum Employment Plan (PEM), who in 1979 received an average monthly allowance of barely US\$ 26.60. The number of participants, which had been decreasing steadily over the two preceding years, increased month by month in 1979 and rose particularly sharply in the final months of the year when various restrictions on entry into the PEM were revoked.^{9/} As a result, at

^{9/} Thus, for example, the minimum age necessary to apply for the PEM was reduced from 21 to 18 and the requirement of being a head of household with family responsibilities was eliminated. Also, the restriction that only one member per family could work under the PEM was done away with and waiting lists were abolished.

the end of 1979 the number of participants in the PEM was 37% greater than one year earlier (see table 14), and this increase took place despite the fact that the purchasing power of the allowance paid to PEM beneficiaries diminished by nearly 11% between 1978 and 1979 and that during the latter year some additional benefits granted to PEM participants were reduced.^{10/}

3. The external sector

(a) Principal trends

In 1979 the vigorous growth of trade and financial relations with other countries continued, while at mid-year the programme of tariff reductions begun in 1974 was completed and a substantial change in the exchange policy was introduced.

The total sum of foreign trade in 1979 was just over US\$ 9,300 million, thanks to an increase of approximately 33% in the value of imports of goods and services and an even greater expansion (45%) in the value of exports. As a result of this difference in the growth rates of imports and exports of goods and services, the trade deficit declined from US\$ 500 million to US\$ 290 million. A new and substantial increase in interest payments, however, more than offset this reduction in the trade deficit, and consequently for the second consecutive year the balance-of-payments current account closed with a deficit of around US\$ 890 million.

The continued deficit on current account was accompanied by a substantial increase in gross capital income, which climbed from US\$ 2,775 million in 1978 to nearly US\$ 3,590 million in 1979. Despite the fact that amortization payments totalling the unprecedented amount of US\$ 1,660 million were made in 1979, in the end the balance of payments generated a likewise unprecedented surplus of nearly US\$ 1,050 million, so that the net international reserves,

^{10/} Among these, mention may be made of the provision of food rations and occupational accident insurance granted to PEM participants. Food rations, which were furnished through an agreement with AID and Caritas that expired in March 1979 and which had benefited 38% of workers registered in 1975, 29% in 1977 and 34% in the first half of 1978, were provided only to PEM participants in the Tenth Region in 1979, principally to those building the Southern Highway. The accident insurance which had protected PEM workers was revoked at the beginning of 1979.

which up to 1977 had been negative, climbed to around US\$ 1,545 million by the end of the year, while the gross reserves totalled approximately US\$ 2,800 million: sufficient for nearly seven months of imports.

In the field of policies relating to the external sector, the year was characterized on the one hand by the continuation of the tariff reduction programme and of the gradual opening of the capital account and, on the other, by the renegotiation of the provisions in the automobile industry legislation regarding the tariffs applicable to imported vehicles and by an unexpected modification of the exchange policy.

In accordance with the schedule announced at the end of 1977, tariffs continued to be reduced month by month, so that in June 1979 they were all at a level of 10%, covering all imports except milk, regarding which special protection through a specific duty on imports from the European Economic Community countries was preserved,^{11/} and automobiles and trucks, imports of which were made subject to new tariff provisions due to the agreed amendment of the automobile industry legislation.

In conformity with the new agreement signed in March between the Government and the four enterprises producing motor vehicles in the country, the tariffs previously applicable to imports of automobiles and trucks were substantially modified. In accordance with the legislation prevailing up to then, these tariffs would have declined gradually, ending up with a uniform tariff of 55% in 1983.

In order to reduce the price of small automobiles and promote investment in means of transport, however, the new rules agreed upon in the renegotiation provided for the immediate reduction of import duties to 10% for automobiles with an engine capacity of up to 850 cubic centimetres, vehicles for transporting more than 15 passengers, tractor trucks and trucks with a carrying capacity of more than 5 tons net. The tariff applicable in 1979

^{11/} This duty varies from nearly US\$ 300 per gross ton in the case of powdered milk containing 26% fat to US\$ 534 for skim milk. At the prices prevailing at the beginning of 1979, this meant that the total duty payable on imports of these products was between 30% and 50%, respectively, of their CIF value.

to automobiles with engines larger than 850 cubic centimetres, which will continue to decline by 10 percentage points per year to align itself in 1986 with the general level of 10%, was reduced from 105% to 90%, while the tariff on trucks with less than 5-ton capacity, which will be reduced by 5 percentage points each year so as to achieve the goal of 10% in 1984, went down from 80% to 45%. These provisions designed to reduce the high effective protection which the automotive enterprises enjoyed were accompanied by others having the opposite effect, such as that reducing the tariff on imports of components and spare parts from an average of around 27% to a level of 10% and that which reduced from 50% to 30% the percentage share of domestic parts required in vehicles assembled in the country. Finally, for income distribution purposes as well as regulation of the increase in the demand for automobiles, a special tax of 100% was established, applying equally to imported automobiles having a CIF value greater than US\$ 12,000 and domestic automobiles whose ex-works price exceeds that amount.^{12/}

The most radical change in policies relating to the external sector was that affecting the exchange rate, however. In this field, the first half of the year saw the continuation of the policy begun in February 1978, whereby the exchange rate was raised daily in accordance with pre-determined schedules and the exchange parity was to increase from nearly 34 pesos per dollar at the beginning of January to 39 pesos at the end of the year. On 29 June, however, when the exchange rate was 36.9 pesos per dollar, the economic authorities decided to raise it by 5.7%, fixing the parity at 39 pesos and announcing that this rate would remain in effect until February 1980.^{13/}

This decision, which implied carrying out in one day all the devaluation planned for the second half of the year, was followed by a sharp acceleration of the inflationary process due to which, despite the devaluation, the real

^{12/} This tax will decrease each six months so as to reach a level of 10% in 1986.

^{13/} At the beginning of January 1980, the Ministry of Finance announced that the exchange rate would remain at 39 pesos per dollar for an indefinite period.

exchange rate (which had dropped only slightly during the first half) plunged sharply during the third quarter. Naturally, since the inflationary process continued, the real exchange rate continued to decline in the last three months of the year, during which it was around 20% lower than one year before. As a result of the increase in international inflation, however, the decline in the real exchange rate - when adjusted for this indicator - was significantly less. In fact, if the variations in the Chilean consumer price index and the wholesale price index of the United States are used in the calculation, the average level of the adjusted real exchange rate virtually did not vary from 1978 to 1979, and in the latter year it remained above the average levels recorded in 1976 and 1977 (see table 15).

(b) External trade

(i) Exports. In 1979, the value of exports of goods increased by 55%: an exceptional rise in which both the substantial expansion of the volume of exports (which grew by 18%, thus totalling a 90% rise over the period 1974-1979) and the 31% growth in the unit value of exports as a result of higher international prices for many export products, especially molybdenum and copper, played a role (see table 16).

Copper prices on the London Metal Exchange, which had already recovered somewhat in 1978, climbed by 45% in 1979 to an average of 89.8 US cents per pound. Despite this pronounced increase, however, the price of copper remained low in real terms: although in 1979 it considerably exceeded the very low real prices of the three preceding years, it was still 22% less than the average real price for the period 1964-1974 (see table 17).

Due to the increase in the international copper price and the small rise of just over 2% in the volume exported, the current value of copper exports climbed by 50% to the record level of US\$ 1,800 million.

During the year, sales of all other traditional export products expanded significantly: as a whole their value climbed by 72%, the increases in exports of fishmeal, wood pulp and especially molybdenum being particularly pronounced (see table 18).

The value of fishmeal sales rose by just over 44%, despite a 14% drop in unit price. As a result of the very rapid expansion of the three preceding years, the value of fishmeal exports in 1979 represented a more than five-fold increase over the amount of sales in 1975.

/The increase

The increase in the value of wood pulp exports was also extremely sharp (56%); however, in this case the growth was principally due to the rise in the international price for the product (nearly 52%), since the volume exported grew by barely 3%.

The most notable expansion, however, was in molybdenum exports, whose value increased more than four-fold in 1979 compared with the amount for the previous year as a result of a spectacular rise in this product's international price. As a result of this extraordinary growth, in 1979 molybdenum became the country's principal export product after copper.

The growth of non-traditional exports also intensified in 1979. Their value, which had sharply and steadily increased in the five preceding years, climbed by nearly 58% in 1979, thus doubling the already high rate of increase recorded in the period 1976-1978 (see table 18).

This substantial expansion was the overall result of the increases recorded in all of the principal groups and subgroups of non-traditional export products, but it particularly reflected the unusually vigorous development of exports of barite, doré metal, silver and other non-traditional mineral exports (whose total value was US\$ 92 million in 1979, nearly double that of the year before); seaweed, fresh fish, frozen shellfish and canned fish (which increased from US\$ 53 million in 1978 to US\$ 94 million in 1979); wood (whose value totalled US\$ 165 million in 1979, a figure 75% higher than that recorded the year before and more than a five-fold increase over that obtained only three years before) and especially ferromolybdenum and molybdenum oxide (which, taken together, increased from US\$ 76 million in 1978 to US\$ 210 million in 1979 as a result of the rise of just over 160% in their prices on the international market).

Despite the pronounced growth in the price and export sales of copper, the accelerated growth rate of non-traditional exports and the even larger increase in traditional products other than copper caused the share of the latter in the total value of exports to decline once more to just under 48%, a much smaller proportion than the 80% or so which was the rule at the start of the decade. Non-traditional exports contributed just over 32% of the total value of shipments, a figure almost equal to that recorded in 1978 but representing a four-fold increase over that prevailing in the early years of the decade.

/(ii) Imports.

(ii) Imports. In 1979, imports of goods increased by nearly 41% to a total of just over US\$ 4,440 million, nearly double the level recorded in 1977 (see table 19).

In contrast to the two preceding years, when the expansion in volume was the principal cause for the rapid growth in the value of imports, in 1979 their growth was essentially due to an increase in their unit value, which rose by 22% as a result of the intensification of world inflation and especially the sharp new increases in international petroleum prices. The volume of imports also continued to expand rapidly, and its growth rate, although somewhat lower than the very high levels of 1977 and 1978, was at all events substantial (15%) (see table 16).

As in 1977 and 1978, one of the decisive factors in the expansion of imports was the rapid growth of domestic economic activity, but in 1979 this factor was supplemented by a decline in the real exchange rate and a sharp reduction in the tariffs applicable to automobiles with engines of less than 850 cubic centimetres and to trucks.

The growth was particularly vigorous in the case of imports of intermediate goods, which grew by around 57% to represent 54% of the total value of imports. Although both imports of raw materials and those of spare parts and industrial intermediate goods expanded at very high rates of between 45% and 50%, the main cause of the growth in total purchases of intermediate goods was the extraordinary increase in imports of fuels and lubricants, whose value in 1979 was more than double the amount for the previous year. As a result, their share in total imports exceeded 20% for the first time (see table 19).

This huge increase was partly due to the growth of the volume of petroleum imports, which climbed by 13% despite the expansion of domestic crude oil production by around 20%. To a much greater extent, however, it was caused by the growth in the international prices of hydrocarbons. Thus, the average price paid by Chile per barrel of petroleum in 1979 (US\$ 25.20) was 75% higher than in 1978 (US\$ 14.40). Naturally, the principal reason for this rise was the higher prices set by the OPEC countries in 1979, but the increased volume of petroleum which Chile had to buy on the open market

/at substantially

at substantially higher prices after Iran (a country which had furnished 24% of Chilean crude oil imports in 1978) suspended its shipments to Chile in March 1979 also played a role.

The growth rate of imports of capital goods diminished in 1979. After having expanded at an average rate of around 28% in the two preceding years, they grew by 23% in 1979, their current value for that year being twice that of purchases in 1976 (see table 19).

Although separate data on actual imports of capital goods by type of goods are not available, information taken from import licenses shows that the growth rates of purchases of machinery and equipment, transport equipment and breeding stock were very similar.

In the first of these subgroups, there were very sharp increases in import licenses for machinery for classifying, grinding and mixing minerals (whose value increased five-fold), electrical generators, motors and transformers (which increased three-fold) and agricultural machinery, packing equipment, and equipment for the plastics and rubber industries (all of which doubled).

In transport equipment, the value of import licenses for trucks and other merchandise transport vehicles and for fishing vessels nearly doubled, whereas import licenses for passenger transport vehicles (excluding automobiles) and merchant ships exceeded by 8% and 24%, respectively, the high levels which they had already attained in 1978.

(iii) The terms of trade. The significant rises recorded in 1979 in the prices of products such as copper, wood pulp and molybdenum and its products contributed to the sharp growth (31%) of the unit value of exports which exceeded the also considerable increase in the average price of imports (22%). Accordingly, the terms of trade rose by just over 7% (see table 16).

Because of the declines in both the previous two-year period and in the first years of the decade and especially the severe drop suffered in 1975, however, the terms of trade index remained at an extremely low level in historical terms for the fifth consecutive year.^{14/}

^{14/} In fact, during the period 1928-1979 the terms of trade index registered figures slightly lower than those of the past five years only during the period 1942-1945.

Due to the improvement of the external terms of trade and especially to the vigorous growth of the volume of exports of goods, the latter's purchasing power in 1979 was 27% higher than in the previous year and exceeded by 63% the minimum level reached in 1975. Despite this recovery, however, the per capita purchasing power of exports was still 7% lower in 1979 than in 1970.

(c) The current account position and movements of capital

In contrast to their performance in both 1977 and 1978, when the growth rate of imports of goods and services easily surpassed that of exports, in 1979 their value increased slower than that of exports. As a result of this turnabout the trade deficit, which in 1978 had come to US\$ 500 million, three times that recorded in 1977, declined to US\$ 290 million in 1979.

This reduction of the external trade deficit was more than offset, however, by the sharp growth of payments on foreign capital, which increased from US\$ 445 million in 1978 to US\$ 700 million in 1979, nearly double the amount of barely two years before (see table 20).

Due to these opposing trends in trade and financial transactions, the 1979 current account deficit (nearly US\$ 895 million) was very similar to that for the year before, but it was almost 75% greater than in 1977.

As in the preceding two years, the deficit on current transactions was more than offset by the net inflow of capital, which climbed from just over US\$ 1,510 million in 1978 to around US\$ 1,940 million in 1979. For this reason, the net international reserves increased by the unprecedented sum of nearly US\$ 1,050 million, and at the end of the year had reached a level of around US\$ 1,545 million.

The sharp increase in the inflow of foreign capital was accompanied by changes in its composition which accentuated the trends that began to emerge in 1977: on the one hand, the participation of the private sector in the total attraction of external resources continued to increase, and on the other the net inflow of medium- and long-term capital went on expanding rapidly, while the net inflow of short-term capital declined still further.

The latter, which even as recently as 1977 had exceeded the net amount of long- and medium-term capital attracted, diminished from US\$ 210 million in 1978 to only US\$ 85 million in 1979 and, in the case of the private sector, became negative.

/The net

The net inflow of long- and medium-term capital, in contrast, which had been negative up to 1975 and had increased only slowly during the following two years, expanded intensively for the second year running to total nearly US\$ 1,860 million, a more than six-fold increase over the amount received in 1977.

This significant expansion in net long-term capital movements took place despite the fact that in 1979 direct foreign investment remained low and the net financing of the public sector declined as a result of a slight reduction in the amount of loans received and especially because of a sharp increase in amortization payments, which exceeded one billion dollars for the first time.

The lower volume of long-term resources attracted by official entities was more than offset, however, by the intensive growth in long- and medium-term loans received by the private sector, which after having increased from US\$ 470 million in 1977 to US\$ 870 million in 1978, nearly doubled in 1979 to reach a total of US\$ 1,640 million. Despite the fact that amortization payments grew rapidly at the same time, the net inflow of long- and medium-term capital attracted by the private sector in 1979 climbed to US\$ 1,330 million, thus more than trebling the amount received barely two years before (see table 20).

(d) External indebtedness

General external indebtedness increased rapidly for the second consecutive year in 1979. After having risen by over 27% in 1978, in 1979 it grew by 22% and at the end of the year had reached a total of just over US\$ 8,460 million (see table 21).

This growth was principally due to the greatly increased foreign financing obtained by the private sector in 1979. While suppliers' credit nearly doubled, the amount of financial loans grew by over 71% and were obtained on more favourable terms than in previous years. Their average term, which in 1976 had been only 17 months and in the two following years had increased to 28 and 32 months, respectively, expanded to 54 months in 1979. Simultaneously, the spread over the LIBOR interest rate declined from an average of around 2.55% in 1976-1977 to 1.7% in 1978 and 1.4% in

/1979. Altogether,

1979. Altogether, the rapid growth of financial loans and suppliers' credits accounted for three-quarters of the increase in general external indebtedness.

During the year, however, the Central Bank's indebtedness with the International Monetary Fund declined by around 50% to only just over one-third of the indebtedness at the end of 1976.

The so-called traditional external debt, that is to say, the debt represented by public sector medium- and long-term indebtedness and State-guaranteed private indebtedness (whose amount remained virtually unchanged during the period 1974-1977 but grew by over 22% in 1978) rose by only just over 8% in 1979.

In view of the fact that, as in 1978, a considerable share of the external financing that was received was used to increase the gross international reserves of the monetary system, the growth in general external indebtedness in 1979 after discounting this increase was less than 7%, which meant that in dollars at constant prices, indebtedness diminished by around 7%.

Debt servicing, however, increased by the very substantial amount of 53%, reaching the record sum of nearly US\$ 2,200 million, so that despite the likewise exceptional growth of exports of goods and services in 1979, amortization and interest payments continued to absorb nearly half of the foreign exchange income generated by those exports ^{15/} (see table 21).

4. Prices and wages

(a) Prices

In 1979, the steady downward trend shown by the rate of inflation since 1974 was interrupted. Despite the fact that the annual average increase in consumer prices was lower in 1979 (33.4%) than in the preceding year (40.1%), its variation from December to December was nearly 39%, which considerably exceeded the variation of just over 30% recorded in 1978. The interruption of the downward trend in the inflationary process was even more noticeable in the case of wholesale prices, whose annual average increase

^{15/} In 1979, credits totalling US\$ 377 million were paid back in advance. If these are subtracted from the total amount of amortization payments made, debt servicing equalled 40% of the value of exports of goods and services.

/exceeded 49%,

exceeded 49%, while the variation from December to December was over 58%, both figures being significantly higher than those recorded in 1978 (see table 22).

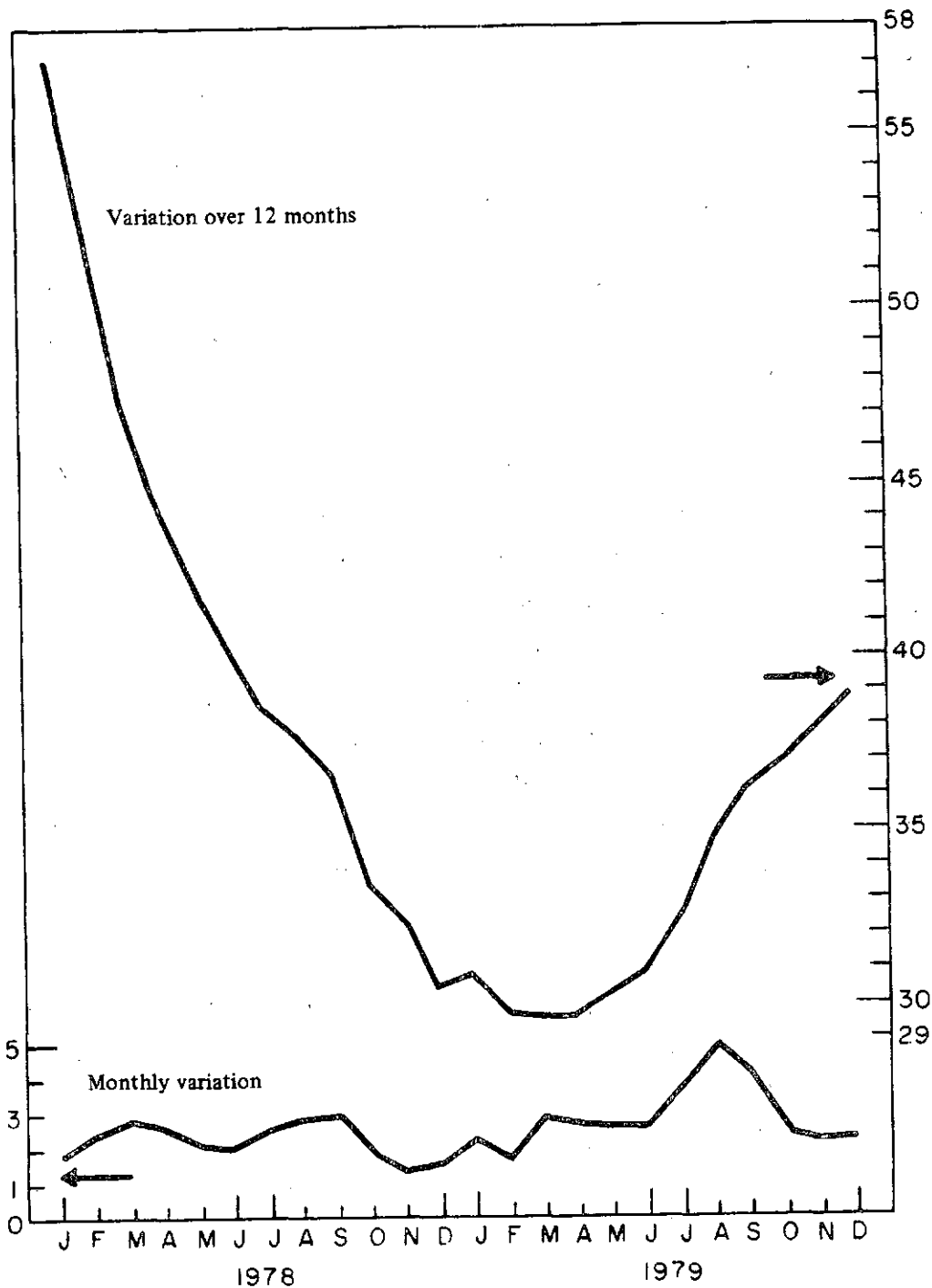
The acceleration of the rate of inflation was entirely concentrated in the second half of the year, and especially in the third quarter. As may be seen from figure 1, in the first half of the year the annual rate of inflation remained almost stable at a level of around 30% in the case of consumer prices and of just under 40% in the case of wholesale prices. This trend ended suddenly at mid-year, however, principally due to the nearly 6% devaluation at the end of June. This unexpected modification of the exchange policy not only directly affected the rise in the domestic prices of internationally marketable goods, but also had an adverse impact on expectations regarding the progress of inflation. As a result of these direct and indirect effects of the devaluation and also partly the legal 11% rise in wages and salaries granted in July and the new and marked increases in international petroleum prices, consumer prices rose by nearly 13% in the third quarter, while the wholesale price index, in which fuels weigh much more heavily, increased by around 24% during that period.

Subsequently, the monthly rate of price variations declined, especially in the case of wholesale prices, but this decrease, which was partially caused by seasonal factors, was less than the authorities had expected it to be in the light of the maintenance of the exchange rate at the level fixed at the end of June.

(b) Wages and salaries

In 1979, the wage and salary policy was characterized on the one hand by the continuation of the system of periodic, general adjustments equal to 100% of the variation of the consumer price index and, on the other, by the resumption of collective negotiation in accordance with the rules and principles of the Labour Plan. Under the first of these policies, nominal wages and salaries were increased by 6% in March, 11% in July and 18% in December. In real terms, the wage and salary index rose on average by just over 11% during the year. Due to this increase and to the even greater rises in 1978 and 1977, in 1979 the real wage and salary index slightly surpassed the average level it had registered during the early years of the decade, although it was still almost 6% lower than in 1971 (see table 23).

Figure 1
CHILE: CONSUMER PRICE INDEX
(December 1978 = 100)



/This increase

This increase took place despite the fact that in 1979 the system of automatic wage and salary adjustments in March, July and December by 100% of the increase in consumer prices during the immediately preceding period could not prevent wages and salaries adjusted strictly by the legal percentages during the year from falling slightly in real terms.^{16/} This result contrasted with the sharp increase in real remunerations generated by the same automatic adjustment system in previous years when, in contrast to 1979, the rate of inflation was falling sharply.

Under these conditions, the real increase registered in the wage and salary index suggests that in 1979 the actual growth of wages and salaries must have been greater than the minimum legal adjustments in many activities. This situation, to some extent connected with the rapid growth of the productivity of the labour force, was reflected in the high rates of increase in the wage bill, by kinds of activity, estimated on the basis of social security contributions. According to this source, the total amount of wages increased by around 45% in agriculture and in the group consisting of the nitrate and petroleum industries, copper and coal; by approximately 52% in manufacturing, commerce, transport and communications; by 60% in construction, and by nearly 70% in electricity, gas and water.^{17/} The above situation was also seen in the effects of the first collective negotiations carried out within the framework of the Labour Plan, which resulted in the signing of around 1,200 collective agreements and contracts in the last four months of the year. Although the sizes and forms of the wage and salary adjustments granted in these negotiations, which affected around 150,000 workers, varied widely in the various enterprises, the real average increase in wages and salaries was around 8%.

^{16/} The nominal remunerations adjusted in this way were on average 32.3% higher than in 1978, whereas the consumer price index increased on average by 33.4% in 1979.

^{17/} Although these figures refer to the wage bill and consequently reflect the effects of the changes both in average remunerations and in employment, they imply significant increases in remunerations even assuming extremely high growth rates in employment.

5. Monetary and fiscal policy

(a) Monetary policy

In 1979, the nominal amount of money increased by 62%. This rate, which was significantly greater than that recorded in 1978, represented an interruption in the sharp and steady downward trend in the growth rate of the money supply recorded as from 1975, but this was exclusively due to the abrupt rise in the growth rate of public sector money, which increased from 28% in 1978 to 68% in 1979, since money, and especially quasi-money in the hands of the private sector, continued to expand at gradually declining rates, as in previous years (see table 24).

Likewise as in the three previous years, the relative increase in the means of payment and quasi-money in 1979 again surpassed the growth rate both of prices and of the current value of the gross domestic product. Under these circumstances, the real supply of money and the liquidity ratio continued to grow. The latter, which had decreased steadily from 1972 to 1976, mainly because of the extraordinary intensity of the inflationary process, and had begun to recover in 1977 when the rate of inflation contracted markedly, increased again in 1979. Its growth rate of around 6.5% that year, however, was still lower than that of nearly 8% recorded on average in the 1960s. The proportion of quasi-money to the domestic product, on the other hand, reached a record high of nearly 13%: more than three times the average value for the 1960s and a six-fold increase over the amount for the period 1973-1975, when the inflationary process reached its peak.

As in the two previous years, in 1979 the growth of the money supply was due to the simultaneous increase of currency issue and the money multiplier. The latter grew by around 7% due to reductions both in the public's preference for money in circulation and the effective cash reserve rate. Due to the extremely high level (42%) of the reserve requirement for sight deposits, however, the money multiplier remained very low in absolute terms.

Currency issue increased by 45%, thus pursuing the trend of slower expansion which had been noted in the three preceding years, when its growth rate had dropped from just over 270% in 1976 to just under 60% in 1978.

/In contrast

In contrast to developments in 1978 and especially 1977, the increase in currency issue in 1979 was entirely due to international exchange operations. As a result of the sizeable surplus generated by the balance of payments, in 1979 these operations were equal to 135% of the new issue. Domestic Central Bank credit, which in 1978 had accounted for one-quarter of the increase in the issue, acted this time as a restrictive factor, as did operations in securities carried out by the Central Bank, while net Treasury operations amounted to an insignificant sum after three years of helping to reduce the issue.

The greater real liquidity of the economy and the growing financial openness to the exterior assisted in substantially reducing real short-term interest rates both on deposits and loans. The latter, which reached exceptional high figures of around 60% annually in the period 1976-1977 and just over 42% in 1978, dropped to 17% in 1979. Somewhat less pronounced, but nevertheless very substantial, was the decline in the real rates of interest paid by banks on short-term deposits, which diminished from nearly 25% annually in 1978 to less than 5% in 1979 (see table 25).

In fact, the decline in interest rates on deposits and the sharp acceleration of the inflationary process in the third quarter meant that those interest rates were negative in real terms during that period: something which had not occurred since mid-1976. Under these circumstances, many funds were transferred from fixed-rate and less than 90-day deposits to longer-term, readjustable deposits and, in general, to longer-term bonds and securities. Partly as a result of this transfer of funds, the prices of securities traded on the Stock Exchange tended to rise sharply, which in turn led to vigorous growth in stock market transactions. The real amount of these transactions in 1979 was more than double that of the previous year and nearly three times the value of transactions in 1977 (see table 25).

(b) Fiscal policy

The central government's current income exceeded its expenditures in 1979 for the first time in thirty years. Moreover, the surplus thus achieved was substantial, equalling nearly 7.5% of the Government's total expenditure and more than 2% of the gross domestic product. It represented the culmination of a process begun in 1974 and designed to re-establish the equilibrium of

/the fiscal

the fiscal accounts. Through this process the fiscal deficit, which in 1973 had climbed to the exceptionally high level of 55% of the Government's total expenditure and nearly 24% of the total economic product, had been reduced year by year (see table 26).

This surplus was achieved despite the fact that in 1979 government spending expanded by over 13% in real terms, more than exceeding the growth rate of total economic activity, as in the three preceding years. Basically, the main cause of the surplus was the extraordinary growth of current income, which increased by around 28% in real terms, nearly double the high growth rate (14.4%) of the previous three years.

As a result of these changes, the ratio of total central government spending to the gross domestic product increased for the fourth consecutive year to reach a level of just over 31%, a figure significantly higher than the 27% recorded in 1970, but much lower than the figure of nearly 43% for 1973. These modifications were accompanied by further marked changes in the ratio of the Government's current income to the product which, after having been just over 24% in 1970 and having dropped to only 19% in 1973, increased steadily in the following six years and in 1979 equalled over one-third of the total economic product (see table 26).

From another point of view, the increase from a deficit in 1978 to a surplus in 1979 basically reflected the profound transformation which took place during the year in the ratio of foreign currency income to expenditure. Principally due to the extremely low level of international copper prices during the period 1976-1978 and the high cost of public debt servicing, the ratio was decidedly and consistently negative up to 1978. In 1979, however, the higher international price for copper and strict cost controls in the large-scale copper mining enterprises allowed fiscal revenue from that source to jump by 140%, rising from US\$ 330 million to US\$ 840 million. As a result of this substantial growth and the freezing of central government expenditure in foreign currency, foreign currency operations generated a surplus for the first time since 1970. Moreover, the amount of this surplus was substantial (nearly US\$ 185 million) and equalled 27% of foreign currency expenditure.

/The nominal

The nominal amount of the surplus on domestic currency transactions was slightly lower in 1979 than in the previous year, but since at the same time the level of prices increased by over 33% and total expenditure in pesos expanded by 60%, the reduction in the surplus in real terms and as a proportion of expenditure was much greater.

The main reason for this drop was the extremely sharp increase in local currency spending, which rose by around 20% in constant prices as a result of real increases of 360% in public debt servicing; 195% in complementary operations (largely representing increased contributions to social security funds needed to finance the full readjustability of pensions and the return of overpayments on income taxes); 50% in subsidies (principally in reimbursements of the value-added tax to exporters, the financing of the Minimum Employment Programme and the special double termination allowances paid to workers dismissed from the National Coal Enterprise) and 6% in the free fiscal contribution (which represents nearly 87% of total fiscal expenditure in national currency). The real increases in the free fiscal contribution were especially large in the cases of the Ministry of Housing and Town Planning (19%), the Ministry of Labour and Social Security (18%), and the Ministry of Education (17%).

Although lower than that of expenditure, the real growth rate of current income was also very high, since it increased by more than 17% in real terms due to an exceptionally sharp rise in revenue from direct taxes, whose yield climbed by 37.5% in constant values, and a new and significant increase in real revenue from indirect taxes, which exceeded by more than 12% that received the previous year. As a result of this difference in the rate of increase in direct and indirect taxation, the share of the former in total tax revenue in domestic currency rose to just over 30% in 1979 after having steadily declined in the previous four years (see table 26).

Table 1

CHILE: MAIN ECONOMIC INDICATORS

	1972	1973	1974	1975	1976	1977	1978	1979(a)
A. Basic economic indicators								
Gross domestic product at factor cost (millions of dollars at 1970 prices)	8 566	8 256	8 724	7 739	8 056	8 749	9 431	10 233
Population (millions)	9.7	9.9	10.0	10.2	10.4	10.6	10.7	10.9
Per capita gross domestic product (dollars at 1970 prices)	883	837	870	759	780	829	879	937
<u>Growth rates</u>								
B. Short-run economic indicators								
Gross domestic product	-0.1	-3.6	5.7	-11.3	4.1	8.6	7.8	8.5
Per capita gross domestic product	-1.8	-5.2	3.9	-12.8	2.8	6.8	6.0	6.6
Gross income (b)	-0.4	-3.4	7.7	-18.2	4.8	7.0	5.9	9.7
Terms of trade	-7.9	15.7	5.7	-39.5	7.4	-10.3	-2.9	7.2
Current value of exports of goods and services	-11.9	46.5	66.3	-26.7	34.1	11.3	19.7	44.6
Current value of imports of goods and services	14.5	23.5	42.6	-11.5	-7.9	47.7	30.5	32.6
Consumer prices								
December to December	163.4	508.1	375.9	340.7	174.3	63.5	30.3	38.9
Variation between annual averages	77.8	352.8	504.7	374.7	211.9	92.0	40.1	33.4
Money	172.8	413.3	247.0	277.0	224.5	151.6	45.7	62.5
Wages and salaries in real terms	-9.3	-34.0	-5.3	-2.8	6.9	25.8	14.1	11.4
Rate of unemployment (c)								
Greater Santiago	3.8	4.6	9.7	16.2	16.8	13.2	14.0	13.6
Nation-wide	3.1	4.8	9.2	14.5	14.8	12.7	13.4	13.0
Current income of government	64.8	378.5	812.5	344.0	242.9	119.2	70.3	69.3
Total expenditure of government	77.0	447.5	749.5	238.5	236.6	114.8	64.5	52.3
Fiscal deficit/total expenditure of government (c)	41.9	55.1	32.6	11.6	10.0	8.1	4.1	7.4(d)
<u>Millions of dollars</u>								
C. External sector								
Trade balance (goods and services)	-331	-184	78	-294	464	-167	-500	-290
Balance on current account	-473	-289	-186	-576	145	-513	-888	-894
Variation in net international reserves	-229	37	-166	-211	271	133	624	1 048
General external debt	3 602	4 048	4 774	5 263	5 195	5 434	6 911	8 463

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

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

(c) Percentage.

(d) Surplus.

Table 2

CHILE: TOTAL SUPPLY AND DEMAND

	Thousands of pesos at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
	-----	-----	-----	-----	-----	-----	-----	-----
<u>Total supply</u>	<u>121 686</u>	<u>133 250</u>	<u>144 889</u>	<u>114.3</u>	<u>116.2</u>	<u>11.4</u>	<u>9.5</u>	<u>8.7</u>
Gross domestic product at market prices	106 561	114 873	124 637	100.0	100.0	8.6	7.8	8.5
Imports of goods and services (b)	15 125	18 377	20 252	14.3	16.2	36.2	21.5	10.2
<u>Total demand</u>	<u>121 686</u>	<u>133 250</u>	<u>144 889</u>	<u>114.3</u>	<u>116.2</u>	<u>11.4</u>	<u>9.5</u>	<u>8.7</u>
Domestic demand	96 815	104 128	112 313	99.3	90.1	11.6	7.6	7.9
Gross domestic investment	...	...	...	15.6	...	...	...	...
Gross fixed investment	10 368	11 477	13 543	13.7	10.9	18.2	10.7	18.0
Construction	4 037	4 194	5 193	7.7	4.2	3.5	3.9	23.8
Machinery	6 331	7 283	8 350	6.0	6.7	30.0	15.0	14.7
Changes in stocks (c)	(c)	(c)	(c)	1.8	(c)			
Total consumption	86 447	92 651	98 770	83.8	79.2	10.9	7.2	6.6
General government	15 632	15 710	15 396	13.0	12.4	-1.3	0.5	-2.0
Private (c)	70 815	76 941	83 374	70.8	66.8	14.0	8.7	8.4
Exports of goods and services (b)	24 871	29 122	32 576	15.0	26.1	10.5	17.1	11.9

Source: CEPAL, calculations, on the basis of data supplied by the National Planning Office (ODEPLAN).

(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.

(c) Included in private consumption.

Table 3

CHILE: GROSS DOMESTIC FIXED CAPITAL INVESTMENT

	1971	1972	1973	1974	1975	1976	1977	1978	1979(a)
	Indexes (1970 = 100)								
<u>Gross domestic fixed capital investment</u>	<u>101.1</u>	<u>85.6</u>	<u>83.2</u>	<u>94.8</u>	<u>69.1</u>	<u>65.9</u>	<u>77.9</u>	<u>86.2</u>	<u>101.8</u>
Construction and other works	109.0	96.6	81.0	99.9	65.3	51.4	53.1	55.2	68.3
Building	116.4	101.2	77.1	88.4	53.0	44.2	48.8	48.7	62.1
Housing	115.7	96.9	80.5	91.3	54.2	42.5	47.1	43.6	61.4
Non-residential building	117.5	109.4	70.8	83.0	50.9	47.4	52.0	60.9	62.4
Other construction and works	101.6	92.0	84.9	111.6	77.7	58.8	57.5	64.2	75.7
Machinery and equipment	90.7	71.1	86.1	88.0	74.2	85.0	110.6	130.4	146.8
Imported	86.7	61.6	81.8	84.7	76.5	91.4	120.2	137.5	155.8
Domestic	106.3	108.0	102.7	101.0	65.1	60.5	73.4	99.4	108.9

Source: CEPAL, on the basis of data supplied by the National Planning Office (ODEPLAN).

(a) Preliminary figures.

Table 4

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

	Thousands of pesos at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Agriculture	8 506	8 464	9 193	7.9	8.5	14.1	-0.5	8.6
Mining	13 205	13 165	13 534	11.7	12.5	2.0	-0.2	2.8
Manufacturing	22 212	23 945	26 052	27.2	24.0	12.2	7.8	8.8
Construction	2 239	2 295	2 887	4.2	2.7	3.5	2.5	25.8
<u>Subtotal goods</u>	<u>46 162</u>	<u>47 869</u>	<u>51 666</u>	<u>51.0</u>	<u>47.7</u>	<u>9.0</u>	<u>3.7</u>	<u>7.9</u>
Electricity, gas and water	2 052	2 187	2 354	1.4	2.2	4.8	6.6	7.6
Transport, storage and communications	5 273	5 579	6 020	5.7	5.5	8.7	5.8	7.9
<u>Subtotal basic services</u>	<u>7 325</u>	<u>7 766</u>	<u>8 374</u>	<u>7.1</u>	<u>7.7</u>	<u>7.6</u>	<u>6.0</u>	<u>7.8</u>
Commerce, financial institutions and insurance	17 247	...	...	17.2	...	14.9	...	...
Real estate (b)	5 901	...	...	6.0	...	1.6	...	...
Community, social and personal services (c)	17 780	...	...	18.7	...	0.7	...	...
<u>Subtotal other services</u>	<u>40 928</u>	<u>44 407</u>	<u>48 359</u>	<u>41.9</u>	<u>44.6</u>	<u>6.4</u>	<u>8.5</u>	<u>8.9</u>
<u>Gross domestic product (d)</u>	<u>95 098</u>	<u>102 516</u>	<u>111 229</u>	<u>100.0</u>	<u>100.0</u>	<u>8.6</u>	<u>7.8</u>	<u>8.5</u>

Source: 1970-1979: CEPAL calculations on the basis of figures supplied by the National Planning Office (ODEPLAN).

(a) Preliminary figures.

(b) Refers to ownership of dwellings only.

(c) Also including restaurants, hotels and business services.

(d) As the individual activities and the totals were calculated independently, the sum of the former does not correspond exactly with the latter.

Table 5

CHILE: INDICATORS OF AGRICULTURAL PRODUCTION

	Thousands of tons					Growth rates			
	1970	1973	1977	1978	1979	1976	1977	1978	1979(a)
<u>Production of the 14 traditional crops</u>									
Wheat	1 306.9	746.7	1 219.3	892.6	995.1	13.6	40.7	-26.8	11.5
Oats	110.5	109.1	123.7	92.6	150.2	26.8	28.9	-25.1	62.2
Barley	97.4	107.4	143.1	125.5	112.1	26.2	60.8	-12.3	-10.7
Rye	10.7	8.5	16.4	10.8	9.0	16.6	77.3	-34.1	-16.7
Rice	76.2	55.0	120.0	104.8	181.2	12.2	23.0	-12.7	72.8
Maize	239.1	294.0	355.3	256.9	489.3	24.6	43.3	-27.7	90.5
Potatoes	683.8	623.6	928.4	980.7	770.5	27.0	72.2	5.6	-21.4
Beans	65.6	65.0	112.4	112.1	116.3	-5.1	59.8	-0.3	3.7
Lentils	11.2	9.8	23.8	18.9	31.7	11.9	75.6	-20.6	67.7
Peas	7.4	8.8	13.7	15.7	14.6	13.0	92.6	14.6	-7.0
Chickpeas	5.4	4.1	5.0	5.5	9.4	-44.1	82.1	10.0	70.9
Sugar beet	1 655.1	965.9	2 208.4	840.4	679.5	40.8	-3.0	-61.9	-19.1
Rape	69.9	40.0	82.7	52.0	64.6	70.8	-21.1	-37.1	24.2
Sunflower	28.2	13.5	15.3	30.0	33.3	51.5	-43.2	96.1	11.1
Value in millions of 1974 pesos	148.6	102.9	171.4	127.8	150.2	1.0	29.5	-25.4	17.5
<u>Production of the main livestock items</u>									
Beef	176.1	89.2	173.3	164.9	173.2	-8.0	-12.5	-4.8	5.0
Poultry meat	61.6	50.8	44.2	58.6	78.9	-13.2	16.3	32.5	34.6
Pork	44.4	49.2	28.9	33.9	42.4	-17.0	16.1	17.1	25.1
Mutton	22.4	12.3	16.3	15.3	16.8	-10.5	0.6	-6.0	9.8
Milk (b)	895.1	855.0	1 003.0	977.9	938.8	2.3	2.6	-2.5	-4.0
Eggs (c)	1 205.8	1 394.2	1 137.9	1 165.8	1 119.9	-12.3	8.4	2.5	-3.9
Greasy wool	20.2	17.7	19.0	19.3	19.6	-0.5	1.6	1.6	1.6

Source: 14 main crops and beef, pork and mutton: National Institute of Statistics; other livestock items: Agricultural Planning Office (ODEPA).

(a) Preliminary figures.

(b) Millions of litres.

(c) Millions of units.

Table 6

CHILE: REAFFORESTED AREA
(Thousands of hectares)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979(a)
National Forestry Corporation	6.9	16.6	24.8	27.4	35.2	44.1	54.1	44.6	25.0	0.5
Private enterprises	16.5	11.4	6.3	2.9	21.1	38.5	53.6	48.6	54.6	51.7
<u>Total</u>	<u>23.4</u>	<u>28.0</u>	<u>31.0</u>	<u>30.3</u>	<u>56.2</u>	<u>82.6</u>	<u>107.7</u>	<u>93.2</u>	<u>79.0</u>	<u>52.2</u>

Source: National Forestry Corporation (CONAF).

(a) Preliminary figures.

Table 7

CHILE: INDICATORS OF FISHING PRODUCTION

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
	(Thousands of tons)									
Fishing catch	1 181	1 487	792	665	1 128	899	1 379	1 319	1 929	2 560
Fish	1 082	1 389	690	582	1 046	804	1 237	1 205	1 813	2 428
Fresh consumption	62	55	57	64	76	71	65	67	94	103
Industrial	1 020	1 334	633	518	971	733	1 172	1 138	1 719	2 325
Shellfish	99	98	102	83	82	95	142	114	116	132
Fresh consumption	34	30	45	36	30	33	48	38	38	44
Industrial	65	68	57	47	52	62	94	76	78	88
	(Thousands of tons of finished products)									
Manufactured fishery products	240.6	344.2	171.6	135.3	244.3	197.6	313.3	341.6	487.3	671.6
Frozen	7.4	7.0	5.5	20.1	4.3	6.9	11.0	11.8	14.0	22.4
Canned	11.9	10.5	12.0	10.4	13.7	9.0	15.1	16.5	22.4	27.5
Fishmeal	197.3	263.1	119.3	93.3	197.0	155.1	251.7	255.1	375.0	512.6
Fish oil	23.3	62.5	16.9	11.1	29.2	25.8	35.0	58.7	75.7	108.9
Miscellaneous (a)	0.7	1.1	17.9	0.4	0.1	0.8	0.5	0.4	0.2	0.2

Source: Crop-raising and Livestock Service of the Ministry of Agriculture.

(a) Includes dry salted and smoked products.

Table 8

CHILE: INDICATORS OF MINING PRODUCTION

	Production				Growth rates			
	1976	1977	1978	1979(a)	1976	1977	1978	1979(a)
Copper (b)	1 005	1 056	1 035	1 061	21.4	5.1	-2.0	2.5
Large-scale mining	847	893	882	910	24.0	5.4	-1.2	3.2
Medium-and small-scale mining	158	164	153	151	8.2	3.8	-3.0	-1.3
Iron ore (b)	10 055	7 890	9 666	11 068	-8.6	-21.5	22.5	14.5
Coal (c)	1 300	1 342	1 148	957	-14.2	3.2	-14.5	-16.6
Nitrates (c)	619	562	530	621	-14.8	-8.7	-4.8	17.3
Iodine (d)	1 259	1 856	1 922	2 410	-35.8	47.1	3.6	25.4
Sodium sulphate (d)	28 400	30 330	43 800	68 700		6.8	44.4	56.9
Petroleum (e)	1 331	1 132	999	1 202	-6.5	-15.0	-11.8	20.3
Molybdenum (d)	10 899	10 938	13 196	13 560	19.9	0.4	20.8	2.8

Source: Copper: Corporación del Cobre (CODELCO); State Department of Mines. Iron ore: Compañía de Acero del Pacífico (CAP), State Department of Mines and National Institute of Statistics, Coal: Empresa Nacional del Carbón (ENACAR). Nitrates and iodine: Sociedad Química de Chile (SOQUIMICH). Petroleum: Empresa Nacional del Petróleo (ENAP).

(a) Preliminary figures.

(b) Thousands of tons.

(c) Thousands of gross tons.

(d) Tons.

(e) Thousands of cubic metres.

Table 9

CHILE: INDICATORS OF MANUFACTURING

	Indexes (1969 = 100)					Growth rates				
	1975	1976	1977	1978	1979(a)	1975	1976	1977	1978	1979(a)
Industrial product	79.7	85.0	95.4	102.8	111.8	-27.4	6.7	12.2	7.8	8.8
Industrial output										
INE	77.9	81.7	90.0	96.1	103.4	-28.1	4.9	9.9	6.8	7.8
SOFOFA	85.4	95.4	104.2	114.8	124.2	-23.5	12.2	9.2	10.2	8.2
Mass consumption goods	84.6	96.2	101.6	112.4	119.7	-18.9	13.7	5.6	7.5	6.5
Consumer durables	88.1	75.9	82.5	90.9	95.1	-28.9	-13.8	8.7	12.0	4.6
Transport equipment	53.6	49.6	61.5	91.9	91.6	-26.4	-7.5	24.5	39.8	-0.3
Intermediate products for industry	113.1	130.5	139.0	143.9	153.3	-14.9	15.4	6.5	3.5	6.5
Intermediate goods for construction	65.1	77.5	93.4	114.5	135.4	-42.6	19.0	20.5	18.2	18.3
Miscellaneous manufactures	67.4	81.8	96.4	92.3	106.2	-36.2	21.4	17.8	-2.1	15.1
Industrial sales	85.9	91.9	101.0	112.8	122.8	-20.4	7.0	9.9	11.7	8.9

Source: Industrial product: National Planning Office (ODEPLAN); industrial output: National Institute of Statistics (INE) and Sociedad de Fomento Fabril (SOFOFA); industrial sales: Sociedad de Fomento Fabril.

(a) Preliminary figures.

Table 10

CHILE: OUTPUT, EMPLOYMENT AND LABOUR PRODUCTIVITY IN INDUSTRY

	Indexes (1969 = 100)			Growth rates		
	Output	Employment	Productivity	Output	Employment	Productivity
1970	103.5	98.9	104.7	3.5	-1.1	4.7
1971	114.7	101.4	113.1	10.8	2.5	8.0
1972	117.6	109.8	107.1	2.5	8.3	-5.3
1973	109.9	112.0	98.1	-6.5	2.0	-8.4
1974	111.1	109.2	101.7	1.1	-2.5	3.7
1975	85.0	98.9	86.0	-23.5	-9.4	-15.5
1976	95.4	91.6	104.2	12.3	-7.4	21.2
1977	104.2	91.1	114.4	9.2	-0.5	9.8
1978	114.8	91.0	126.2	10.2	-0.1	10.3
1979	124.2	90.0	138.0	8.2	-1.1	9.4

Source: Sociedad de Fomento Fabril.

Table 11

CHILE: MAIN INDICATORS OF CONSTRUCTION

	1976	1977	1978	1979(a)	Growth rates			
					1976	1977	1978	1979(a)
Construction product (thousands of pesos at 1970 prices)	2 215	2 239	2 295	2 887	-16.9	3.5	2.5	25.8
Building materials								
Deliveries of cement for the domestic market (thousands of bags)	21.4	23.6	26.3	30.7	-7.4	10.3	11.6	16.7
Deliveries of round bars for construction (thousands of tons)	46.4	55.2	57.2	77.3	-13.9	19.0	3.5	35.1
Index of real sales of intermediate goods for construction (1969 = 100)	77.5	91.1	110.4	144.9	13.0	17.5	21.2	31.3
Building								
Total area (thousands of m ²)	2 598	2 198	2 418	3 151	51.3	-15.4	10.0	30.3
Public sector (b)	1 355	953	485	198	273.3	-29.7	-49.1	-59.2
Private sector (c)	1 243	1 245	1 933	2 953	-8.2	0.2	55.3	52.8
Residential	2 089	1 600	1 536	2 189	61.9	-23.4	-4.0	42.5
Non-residential	509	598	882	962	18.9	17.5	47.5	9.1
Total number of dwellings	35 541	23 512	21 489	33 700	115.4	-33.8	-8.6	56.8
Public sector (b)	24 022	14 057	4 118	328	539.2	-41.5	-70.7	-92.0
Private sector (c)	11 519	9 455	17 371(d)	33 372(e)	-9.6	-17.9	83.7	92.1

Source: Construction product: National Planning Office; building materials: Instituto Chileno del Cemento, Instituto Chileno del Acero, Sociedad de Fomento Fabril; building: National Institute of Statistics.

(a) Preliminary figures.

(b) Buildings on which construction work had been started.

(c) Permits approved.

(d) Includes 3 524 units constructed by the private sector and acquired by the Housing and Town Planning Services on completion.

(e) Includes 11 250 dwellings constructed by the private sector and acquired by the Housing and Town Planning Service on completion.

Table 12

CHILE: UNEMPLOYMENT IN GREATER SANTIAGO

	1977				1978				1979			
	March	June	Septem-ber	Decem-ber	March	June	Septem-ber	Decem-ber	March	June	Septem-ber	Decem-ber
<u>Total rate of unemployment (percentage)</u>												
Department of Economics of the University of Chile	13.9	13.0	12.8	13.2	14.7	12.8	13.8	14.8	16.5	12.5	12.5	12.7
National Institute of Statistics (a)	15.8	14.9	13.2	11.5	13.5	13.2	14.6	13.7	14.8	12.6	13.0	13.2
<u>Overall rate of unemployment among the established labour force (i.e., excluding persons seeking work for the first time (percentage))</u>	9.5	10.2	10.0	9.9	11.2	9.4	10.7	10.5	12.6	9.3	9.6	9.0
Manufacturing	11.5	11.5	11.8	12.3	13.1	9.7	11.3	12.9	15.8	11.8	11.5	13.1
Construction	25.9	31.3	32.0	25.7	22.1	25.1	23.6	23.3	32.6	23.1	22.0	20.3
Commerce	8.9	8.1	6.4	6.2	9.8	9.2	8.3	7.9	11.3	7.8	7.7	6.2
Government and financial services	5.7	6.5	5.6	6.1	7.3	7.7	8.6	6.3	6.1	5.6	5.2	4.8
Personal and household services	8.9	9.3	8.3	7.3	12.3	7.6	12.1	11.0	10.5	7.5	10.1	7.6
Community and social services	6.2	5.5	7.1	8.3	8.3	6.3	7.3	6.2	8.4	4.8	5.7	4.8
Non-manual workers	7.4	6.0	6.0	7.5	9.2	7.8	7.8	7.1	9.5	7.3	6.6	6.7
Manual workers	15.3	17.1	17.2	15.7	16.8	14.6	16.7	17.8	19.6	14.8	15.4	14.2
Own-account workers	4.9	6.2	5.8	5.9	5.9	5.1	7.4	5.7	8.4	5.3	6.2	4.3

Source: Department of Economics of the University of Chile and National Institute of Statistics.

(a) Percentages refer to quarterly average rates of unemployment.

Table 13

CHILE: UNEMPLOYMENT RATES IN URBAN CENTRES FROM REGIONS IV TO X
(Percentages)

	1977			1978		1979	
	January	Septem-ber	Decem-ber	January	Septem-ber	March	Septem-ber
La Serena y San Fernando (a)	16.6(b)	15.3			13.3	13.5	15.8
Curicó and Mulchén (c)	17.9			21.7		16.8	17.9
Tomé y Lebu (d)			17.8		18.9	18.0	19.1
Angol y Castro (e)			14.5		15.2		14.7

Source: Department of Economics of the University of Chile.

(a) Including the towns of La Serena, Coquimbo, Ovalle, Illapel, los Andes, San Felipe, La Calera, Quillota, Limache, Quilpué, Villa Alemana, Viña del Mar, Valparaíso, San Antonio, Melipilla, Peñaflores, Talagante, Puente Alto, Buin, Rancagua, Rengo and San Fernando. These had a combined labour force of 516 900 in September 1979.

(b) March.

(c) Including the towns of Curicó, Talca, Constitución, San Javier, Linares, Parral, Cauquenes, San Carlos, Chillán, Los Angeles, La Laja and Mulchén. These had a combined labour force of 195 400 in September 1979. Not including Curicó in 1977.

(d) Including the towns of Tomé, Talcahuano, Penco, Concepción, San Pedro, Chiguayante, Coronel, Schwager, Lota, Curanilahue and Lebu. These had a combined labour force of 205 700 in September 1979.

(e) Including the towns of Angol, Victoria, Traiguén, Lautaro, Temuco, Villarrica, Valdivia, La Unión, Osorno, Puerto Montt, Puerto Varas, Ancud and Castro. These had a combined labour force of 175 200 in September 1979.

Table 14

CHILE: MINIMUM EMPLOYMENT PLAN

Thousands of persons			
	Metropolitan region	Rest of country	Total

<u>1975</u>			
July	4.6	71.1	75.7
September	...	...	...
December	28.7	98.1	126.8
<u>1976</u>			
March	28.5	111.1	139.8
June	37.3	133.3	170.6
September	39.0	163.3	202.3
December	43.1	165.5	208.6
<u>1977</u>			
March	39.8	149.0	188.8
June	36.4	150.7	187.1
September	35.1	154.9	190.0
December	30.7	142.5	173.2
<u>1978</u>			
March	33.6	128.6	162.2
June	29.0	119.0	148.0
September	27.5	107.7	135.2
December	22.1	95.5	117.6
<u>1979</u>			
March	21.6	99.9	121.5
June	21.0	107.5	128.5
September	21.1	117.4	138.5
December	25.2	136.3	161.5

Source: National Institute of Statistics.

Table 15

CHILE: EVOLUTION OF EXCHANGE RATE AND PRICES
(Four quarters of 1974 = 100)

Annual and quarterly averages	Exchange rate (pesos per US dollar)	Indexes of exchange rate	Indexe of wholesale prices of domestic product	Consumer prices index	Indexes of real exchange rate		United States wholesale price index	Indexes of adjusted real exchange rate	
					(2)/(3)	(2)/(4)		(5)(7)	(6)(7)
					(5)	(6)		(8)	(9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	100 (8)	100 (9)
<u>1974</u>	<u>0.83</u>	<u>60</u>	<u>59</u>	<u>62</u>	<u>102</u>	<u>97</u>	<u>94</u>	<u>96</u>	<u>91</u>
<u>1975</u>	<u>4.91</u>	<u>357</u>	<u>348</u>	<u>295</u>	<u>103</u>	<u>121</u>	<u>102</u>	<u>105</u>	<u>123</u>
<u>1976</u>	<u>13.05</u>	<u>948</u>	<u>1 133</u>	<u>920</u>	<u>84</u>	<u>103</u>	<u>107</u>	<u>90</u>	<u>110</u>
First quarter	10.02	727	722	584	101	124	105	96	130
Second quarter	12.54	910	1 015	812	90	112	106	95	119
Third quarter	13.55	984	1 337	1 044	74	94	108	80	102
Fourth quarter	16.11	1 170	1 460	1 240	80	94	109	87	102
<u>1977</u>	<u>21.53</u>	<u>1 564</u>	<u>2 074</u>	<u>1 766</u>	<u>75</u>	<u>89</u>	<u>114</u>	<u>86</u>	<u>101</u>
First quarter	18.43	1 338	1 711	1 457	78	92	111	87	102
Second quarter	19.44	1 412	2 001	1 676	71	84	114	81	96
Third quarter	22.26	1 617	2 209	1 865	73	87	114	83	99
Fourth quarter	25.99	1 877	2 372	2 064	79	91	115	91	105
<u>1978</u>	<u>31.66</u>	<u>2 297</u>	<u>3 007</u>	<u>2 473</u>	<u>76</u>	<u>93</u>	<u>122</u>	<u>93</u>	<u>113</u>
First quarter	29.11	2 112	2 568	2 215	82	95	118	97	112
Second quarter	31.66	2 267	2 872	2 385	79	95	122	96	116
Third quarter	32.69	2 372	3 161	2 566	75	92	123	92	113
Fourth quarter	33.58	2 436	3 428	2 725	71	89	126	89	112
<u>1979</u>	<u>37.25</u>	<u>2 702</u>	<u>4 549</u>	<u>3 299</u>	<u>60</u>	<u>82</u>	<u>137</u>	<u>82</u>	<u>112</u>
First quarter	34.72	2 518	3 648	2 884	69	87	131	90	114
Second quarter	36.26	2 630	4 150	3 106	63	85	135	85	115
Third quarter	39.00	2 829	5 023	3 448	56	82	139	78	114
Fourth quarter	39.00	2 829	5 373	3 758	53	75	144	76	108

Source: Central Bank of Chile; National Institute of Statistics.

Table 16

CHILE: MAIN FOREIGN TRADE INDICATORS

	1974	1975	1976	1977	1978	1979(a)
<u>Growth rates</u>						
Exports of goods (FOB)						
Value	70.5	-30.0	33.0	4.4	13.3	54.8
Volume	21.8	-3.7	21.4	4.9	8.0	18.1
Unit value	40.0	-27.3	9.5	-0.5	4.9	31.0
Imports of goods (FOB)						
Value	37.3	-7.6	-15.1	37.9	29.3	40.7
Volume	3.7	-23.1	-16.8	24.3	19.7	15.3
Unit value	32.5	20.2	2.0	10.9	8.0	22.0
Terms of trade	5.7	-39.5	7.4	-10.3	-2.9	7.2
<u>Indexes (1970 = 100)</u>						
Terms of trade	88.0	53.2	57.1	51.3	49.8	53.4
Purchasing power of exports of goods	114.0	66.3	86.4	81.5	85.5	108.2
Purchasing power of exports of goods and services	114.8	72.3	95.7	97.3	108.1	132.3

Source: CEPAL, on the basis of official figures.

(a) Preliminary figures.

Table 17

CHILE: PRICE OF COPPER ON THE LONDON METAL EXCHANGE
(US cents per pound)

	Nominal price (dollars of each year)	Index of United States wholesale prices (1976 = 100)	Real price (US cents at 1976 prices)
1960	30.8	51.9	59.3
1961	28.7	51.6	55.6
1962	29.3	51.9	56.4
1963	29.3	51.7	56.7
1964	44.0	51.8	84.9
1965	58.6	52.5	111.0
1966	69.5	54.3	127.3
1967	51.1	54.4	93.5
1968	56.1	55.7	100.1
1969	66.5	57.9	114.3
1970	64.1	60.0	100.7
1971	49.3	62.0	79.1
1972	48.6	64.7	74.6
1973	80.8	73.2	109.7
1974	93.3	87.1	106.5
1975	55.9	95.1	58.5
1976	63.6	100.0	63.6
1977	59.3	106.1	55.9
1978	61.9	114.4	54.0
1979	89.8	128.7	69.8
First quarter	84.5	122.3	69.1
Second quarter	89.2	126.7	70.4
Third quarter	89.0	130.6	68.1
Fourth quarter	96.4	135.1	71.4

Source: Central Bank of Chile.

Table 18

CHILE: VALUE AND BREAKDOWN OF EXPORTS, FOB

	Millions of dollars					Percentage breakdown		Growth rates		
	1970	1973	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
	Total exports of goods	1 096	1 248	2 190	2 408	3 763	100.0	100.0	5.2	10.0	56.3
<u>Traditional</u>	<u>1 019</u>	<u>1 177</u>	<u>1 573</u>	<u>1 635</u>	<u>2 544</u>	<u>93.0</u>	<u>67.6</u>	<u>-2.1</u>	<u>3.6</u>	<u>55.6</u>
Copper	855	1 026	1 187	1 201	1 800	78.0	47.8	-4.8	1.2	50.0
Iron ore	71	62	82	80	110	6.5	2.9	-4.7	-2.4	38.7
Nitrates and iodine	25	34	40	47	58	2.3	1.5	-2.4	17.5	24.8
Molybdenum	11	10	54	47	193	1.0	5.2	17.4	-13.0	309.1
Fish meal	15	12	87	106	153	1.4	4.1	42.6	21.8	44.2
Pulp	18	22	85	116	181	1.6	4.8	-2.3	36.5	56.2
Paper and paperboard	15	11	43	38	49	1.4	1.3	2.4	-11.6	27.9
<u>Non traditional</u>	<u>87</u>	<u>70</u>	<u>613</u>	<u>773</u>	<u>1 219</u>	<u>7.9</u>	<u>32.4</u>	<u>30.1</u>	<u>26.1</u>	<u>57.8</u>
<u>Mining products</u>	<u>2</u>	<u>1</u>	<u>41</u>	<u>47</u>	<u>92</u>	<u>0.2</u>	<u>2.4</u>	<u>78.3</u>	<u>14.6</u>	<u>95.3</u>
<u>Agricultural and marine products</u>	<u>32</u>	<u>25</u>	<u>160</u>	<u>204</u>	<u>265</u>	<u>2.9</u>	<u>7.1</u>	<u>34.5</u>	<u>27.5</u>	<u>30.0</u>
Crop farming products	22	21	129	158	184	2.0	4.9	47.7	24.4	16.6
Livestock products	8	1	23	28	38	0.7	1.0	-8.0	21.7	34.9
Forestry products	1	2	1	2	3	0.1	0.1	-	100.0	37.5
Fishery products	1	2	9	16	40	0.1	1.1	28.6	77.8	155.8
<u>Manufactured products</u>	<u>53</u>	<u>44</u>	<u>412</u>	<u>522</u>	<u>863</u>	<u>4.8</u>	<u>22.9</u>	<u>25.2</u>	<u>26.7</u>	<u>65.7</u>
Food and beverages	16	12	91	90	148	1.5	3.9	62.5	-1.1	64.0
Wood	9	4	70	94	165	0.8	4.4	141.4	34.3	74.5
Chemicals and petroleum products	6	7	78	106	128	0.5	3.4	20.0	35.9	20.7
Basic metal industries	3	7	103	143	307	0.3	8.2	8.4	38.8	113.7
Metal products, machinery and electronic articles, etc.	5	4	37	57	60	0.5	1.5	-30.2	54.1	5.3
Transport equipment	10	3	11	8	26	0.9	0.7	120.0	-27.3	221.0
Other	4	7	22	24	29	0.4	0.8	-18.5	9.1	26.0

Source: Central Bank of Chile.

(a) Preliminary figures.

Table 19

CHILE: VALUE AND BREAKDOWN OF IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown			Growth rates		
	1976	1977	1978	1979(a)	1970	1978	1979(a)	1977	1978	1979(a)
<u>Consumer goods</u>	<u>443</u>	<u>672</u>	<u>1 019</u>	<u>1 235</u>	<u>24.6</u>	<u>32.3</u>	<u>27.8</u>	<u>51.6</u>	<u>51.6</u>	<u>21.2</u>
Consumer goods other than food	101	341	565	704	10.4	17.9	15.8	237.6	65.7	24.6
Motor vehicles	12	99	136	148	...	4.3	3.3	725.0	37.4	8.8
Goods of industrial origin	89	242	429	556	...	13.6	12.5	171.9	77.3	29.6
Food	342	331	454	531	14.2	14.4	12.0	-3.2	37.2	17.0
<u>Intermediate goods</u>	<u>846</u>	<u>1 106</u>	<u>1 534</u>	<u>2 401</u>	<u>46.5</u>	<u>48.5</u>	<u>54.0</u>	<u>30.7</u>	<u>38.7</u>	<u>56.5</u>
Fuels and lubricants	351	418	454	916	6.1	14.4	20.6	19.1	8.6	101.8
Raw materials	214	303	415	624	...	13.1	14.0	41.6	37.0	50.4
Spare parts and intermediate industrial products	215	324	592	861	...	18.7	19.4	50.7	82.7	45.4
For large-scale copper mining	65	61	73	(b)	...	2.3	(b)	-6.2	19.7	(b)
<u>Capital goods</u>	<u>367</u>	<u>466</u>	<u>605</u>	<u>745</u>	<u>28.9</u>	<u>19.2</u>	<u>16.8</u>	<u>27.0</u>	<u>29.8</u>	<u>23.1</u>
<u>Total</u>	<u>1 655</u>	<u>2 244</u>	<u>3 158</u>	<u>4 443(c)</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0(c)</u>	<u>35.6</u>	<u>40.7</u>	<u>40.7(c)</u>

Source: Central Bank of Chile.

(a) Preliminary figures.

(b) Included under other imports.

(c) Including US\$ 61.5 million in gold imports by the Central Bank.

Table 20

CHILE: BALANCE OF PAYMENTS
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
<u>Current account</u>						
Exports of goods and services	2 385	1 748	2 344	2 610	3 124	4 517
Goods FOB (b)	2 244	1 570	2 087	2 180	2 469	3 821
Services	141	178	257	430	655	696
Transport	30	38	61	90	125	160
Travel	76	83	87	82	130	120
Imports of goods and services	2 307	2 042	1 880	2 777	3 624	4 807
Goods FOB (b)	1 821	1 682	1 427	1 967	2 544	3 579
Services	486	360	453	810	1 080	1 228
Transport	310	189	215	418	614	864
Travel	101	127	88	205	195	200
Net payments of profits and interest on foreign capital	-270	-284	-326	-358	-445	-698
Profits	-8	-7	-17	-23	-36	-50
Interest	-262	-277	-309	-335	-409	-648
Net private transfer payments	6	2	7	12	57	94
Balance on current account	-186	-576	145	-513	-888	-894
<u>Capital account</u>						
Net external financing (a+b+c+d+e)	186	576	-145	513	888	894
a) Long-term capital	-263	-128	114	294	1 303	1 857
Direct investment	-557	50	15	30	230	233
Private sector	20	-87	226	373	596	1 331
Loans	42	123	344	473	871	1 641
Amortization payments	-22	-210	-118	-100	-275	-426
Other liabilities and assets	-	-	-	-	-	116
Official sector	274	-91	-127	-109	477	293
Loans	854	222	316	581	1 394	1 315
Amortization payments	-580	-313	-443	-690	-917	-1 022
Short-term capital (net)	-285	246	-4	331	209	85
Private sector	-54	120	167	191	150	-62
Official sector	-115	136	-139	114	130	132
Monetary authorities	-	-	-	-	-	-
Errors and omissions	-116	-10	-32	26	-71	15
c) Extraordinary financing	560	234	-	-	-	-
d) Allocation of Special Drawing Rights (SDRs)	-	-	-	-	-	-
e) Official transfer payments	8	13	16	21	...	...
f) International reserves (minus sign indicates an increase)	166	211	-271	-133	-624	-1 048
Use made of IMF credit	97	208	82	-119	-18	-168
Other liabilities	-8	-	59	44	58	-32
Monetary gold	-4	6	-2	-1	-1	-
Special Drawing Rights	-16	-8	-31	-7	40	-2
IMF reserve position	-	-	-	-	-50	1
Foreign exchange and other assets	97	5	-379	-50	-653	-847

Source: 1974-1977: International Monetary Fund, Balance of Payments Yearbook, vol. 30;
1978-1979: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Including non-monetary gold.

Table 21

CHILE: EXTERNAL DEBT AT 31 DECEMBER OF EACH YEAR(a)
(Millions of current dollars)

	1970	1973	1974	1975	1976	1977	1978	1979(b)
<u>External debt</u>								
1. Medium- and long-term external debt	2 662	3 361	4 113	4 362	4 339	4 265	5 032	5 448
Public and private								
State-guaranteed debt	2 533(c)	3 159	3 779	3 787	3 654	3 673	4 493	4 893
Central Bank with the International Monetary Fund	41	143	243	434	513	412	347	179
Suppliers' credit to the private sector (deferred cover)	88(d)	59	91	141	172	180	192	376
2. Financial credit to the private sector (Decree 1272 articles 14, 15 and 16)	413	306	322	500(e)	600(f)	800	1 377	2 360
3. Short-term lines of credit to the monetary system	48	381	339	401	256	369	502	655
4. General external debt (1+2+3)	3 123	4 048	4 774	5 263	5 195	5 434	6 911	8 463
5. Gross reserves	505	401	535	427	816	871	1 597	2 792
6. General external debt less gross reserves	2 618	3 647	4 239	4 836	4 379	4 563	5 314	5 671
<u>Debt servicing</u>								
Total	420	175	441	690	1 061	1 315	1 435	2 198
Amortization payments	324	133	346	478	759	1 011	1 053	1 524
Interest	96	42	95	213	301	304	383	674
Total as a percentage of exports of goods and services	32.9	12.2	18.5	39.5	45.4	50.4	48.6	48.7

Source: Central Bank of Chile.

- (a) Excluding unused balances. Except for some credits included under category 3, all figures refer to credits for terms of one year or more.
- (b) Preliminary figures.
- (c) Including balances in respect of credits contracted by some private enterprises which were incorporated into the public sector.
- (d) Excluding balances in respect of credits contracted by enterprises incorporated into the public sector.
- (e) Excluding US\$ 25 million of credits to the public sector included under category 1.
- (f) Excluding US\$ 38 million of credits to the public sector included under category 1.

Table 22

CHILE: EVOLUTION OF DOMESTIC PRICES

	1972	1973	1974	1975	1976	1977	1978	1979
<u>Variation from December to December</u>								
Consumer price index	163.4	508.1	375.9	340.7	174.3	63.5	30.3	38.9
Food	243.3	474.2	392.0	321.3	167.4	59.4	25.5	41.9
Wholesale price index	143.3	1 147.1	570.6	410.9	151.5	65.0	38.9	58.3
Imports products	98.8	1 692.2	714.5	363.8	130.1	79.2	22.2	67.5
Domestic products	156.6	1 021.2	517.5	424.9	157.1	61.7	43.2	56.3
Agricultural products	337.7	512.9	381.0	565.2	148.6	53.0	48.9	52.2
Mining products	96.5	1 503.1	823.3	381.8	147.7	46.6	40.6	85.6
Manufactures	116.3	1 244.2	527.4	350.7	165.7	70.8	39.6	55.3
Index of building costs	236.4	681.9	315.4	328.1	195.1	78.1	43.7	44.8
<u>Variation between annual averages</u>								
Consumer price index	77.8	352.8	504.7	374.7	211.9	92.0	40.1	33.4
Food	115.2	376.5	513.7	359.6	212.8	86.2	34.6	31.1
Wholesale price index	70.0	511.4	1 029.0	482.0	221.1	86.0	42.9	49.4
Imported products	56.2	580.4	1 349.8	445.9	201.6	99.8	34.9	41.7
Domestic products	74.3	492.2	926.9	486.0	226.1	82.8	45.0	51.3
Agricultural products	108.8	448.2	640.1	567.2	245.9	79.3	34.7	51.8
Mining products	71.9	499.4	1 503.5	478.8	191.7	73.2	51.1	70.1
Manufactures	66.2	505.1	969.1	420.7	215.5	87.4	52.7	48.3
Index of building costs	...	...	...	333.9	233.2	109.0	54.9	42.7

Source: National Institute of Statistics and Cámara Chilena de la Construcción.

Table 23

CHILE: INDEX OF REAL WAGES AND SALARIES
(January 1970 = 100)

	January	April	July	October	Average	Growth rates
1970	100.0	100.5	101.5	102.8	101.2	
1971	110.5	123.9	124.4	123.9	120.7	19.3
1972	122.3	111.7	109.8	94.3	109.5	-9.3
1973	99.4	85.2	70.5	34.0	72.3	-34.0
1974	74.6	60.0	72.4	66.9	68.5	-5.3
1975	70.4	63.2	66.8	65.8	66.6	-2.8
1976	67.8	67.9	71.7	77.4	71.2	6.9
1977	84.9	88.0	96.4	89.0	89.6	25.8
1978	98.2	101.1	106.7	102.7	102.2	14.1
1979	110.5	116.3	118.5	110.0	113.8	11.4

Source: CEPAL, on the basis of the index of nominal wages and salaries and the consumer price index prepared by the National Institute of Statistics (except for the period 1971-1973, when the index used was that prepared by the Department of Economics of the University of Chile) and published in Comentarios sobre la situación económica, second half of 1978, (Santiago, 1979).

Table 24

CHILE: MONETARY POSITION

	Balance at end of each year in billions of pesos				Growth rates				
	1976	1977	1978	1979	1975	1976	1977	1978	1979
	<u>Money</u>	15.4	38.7	56.3	91.5	277	224	152	46	62
Private sector	8.6	18.3	30.2	47.7	257	189	113	65	58
Public sector	6.9	20.4	26.1	43.9	316	283	200	28	68
<u>Factor of expansion</u>	45.7	124.1	220.5	373.4	302	264	171	78	69
<u>Net international reserves</u>	-12.9	-19.9	-11.4	12.4					
<u>Domestic credit</u>	58.7	144.0	231.9	361.0	375	165	145	61	56
Public sector	45.6	94.3	117.3	154.2	368	139	107	24	31
Private sector	13.1	49.7	114.6	206.8	428	327	279	131	80
<u>Factors of absorption</u>	30.4	85.4	164.2	281.8	318	288	181	92	72
<u>Quasi-money</u>	12.2	32.6	62.4	104.9	342	311	167	91	68
Private	10.4	27.3	58.6	99.2	403	370	162	115	69
Public	1.8	5.3	3.8	5.7	225	138	199	-28	51
<u>Other items (net)</u>	18.2	52.8	101.8	177.0	305	273	191	93	74

Source: Central Bank of Chile.

Table 25

CHILE: BANK INTEREST RATES AND TOTAL STOCK EXCHANGE TRANSACTION

	1975	1976	1977	1978	1979
<u>Real bank interest (a)</u>					
Paid on deposits	-17.6	8.6	18.3	24.8	4.8
Charged on loans	15.5	64.2	56.7	42.3	17.1
<u>Total transactions of the Santiago Stock Exchange (b)</u>	1.9	3.1	6.3	9.7	22.2

Source: Central Bank and Santiago Stock Exchange.

(a) Refers to the accumulated monthly interest rates deflated by the consumer price index.

(b) Billions of pesos at December 1979 prices.

Table 26

CHILE: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	1973	1974	1975	1976	1977	1978	1979(a)
<u>Income and expenditure in national currency</u> (Millions of current pesos)							
1. <u>Current income</u>	227	1 775	7 902	25 204	57 601	100 422	157 120
Direct taxes	60	512	2 425	6 538	14 745	24 720	45 328
Indirect taxes	123	1 034	5 114	17 947	41 070	69 567	104 333
Non-tax revenue	44	229	362	719	1 785	6 136	7 459
2. <u>Total expenditure</u>	487	2 298	7 449	24 102	57 025	94 533	151 242
Servicing of public debt	2	35	88	289	1 055	1 236	7 822
Other expenditure	485	2 263	7 361	23 813	55 970	93 298	143 420
3. <u>Deficit (1-2)</u>	-260	-523	453(b)	1 103(b)	576(b)	5 889(b)	5 879(b)
4. <u>Deficit/total expenditure</u> (percentage)	53.4	22.8	6.1(b)	4.6(b)	1.0(b)	6.2(b)	3.9(b)
<u>Income and expenditure in foreign currency</u> (Millions of dollars at current prices)							
1. <u>Current income</u>	29	216	219	383	374	360	864
Copper	19	191	177	352	353	331	840
Other	10	25	42	31	21	29	24
2. <u>Total expenditure</u>	169	619	556	695	624	675	679
Servicing of public debt	79	338	388	544	445	507	523
Other expenditure	90	281	168	151	179	168	156
3. <u>Deficit (1-2)</u>	140	-402	-337	-312	-250	-315	184(b)
4. <u>Deficit/total expenditure</u> (percentage)	83.1	64.9	60.6	44.9	40.1	46.7	27.1
<u>Consolidated income and expenditure</u> (Millions of dollars at 1976 prices)							
1. <u>Current income</u>	1 764	2 043	1 933	2 126	2 427	2 897	3 699
2. <u>Total expenditure</u>	3 931	3 032	2 188	2 362	2 642	3 020	3 442
3. <u>Deficit (1-2)</u>	2 167	989	255	236	214	123	256(b)
(Percentages)							
4. <u>Deficit/total expenditure</u>	55.1	32.6	11.6	10.0	8.1	4.1	7.4(b)
5. <u>Deficit/gross domestic product</u>	23.6	10.3	3.1	2.7	2.3	1.2	2.3(b)
6. <u>Current income/gross domestic product</u>	19.2	21.3	23.2	24.5	25.8	29.5	33.6
7. <u>Total expenditure/gross domestic product</u>	42.8	31.6	26.3	27.2	28.1	29.7	31.3

Source: Budget Office, Ministry of Finance.

(a) Preliminary figures.

(b) Surplus.