



**Lliclla**  
**Early Nineteenth Century**  
**Cusco**  
**Central Reserve Bank of Peru**  
**Popular Peruvian Art, Exhibition Hall**

### III. EXTERNAL SECTOR

The current account deficit amounted to US\$ 3,791 million (6.0 percent of GDP), up US\$ 513 million (1 percentage point of GDP) from the previous year. This result was largely due to the higher trade deficit (US\$ 744 million) brought about by El Niño and lower international prices of raw materials. The deficit in service trade went down by US\$ 227 million, due to a higher income from insurance

and reinsurance –associated with damages caused by El Niño– and a higher surplus of the travel account.

Despite the unfavorable international context, long-term private capital continued to finance a high portion of the current account deficit (57 percent), consistent with the trend of past years. The stock of net international reserves was US\$ 9,183 million at the end of 1998, equivalent to 13 months of imports.



TABLE 9  
BALANCE OF PAYMENTS

	Millions of US dollars			Percentage of GDP		
	1996	1997	1998	1996	1997	1998
<b>I. CURRENT ACCOUNT BALANCE</b>	<b>-3,623</b>	<b>-3,278</b>	<b>-3,791</b>	<b>- 5.9</b>	<b>- 5.0</b>	<b>- 6.0</b>
1. Trade balance	-1,988	-1,721	-2,465	- 3.3	- 2.6	- 3.9
a. Exports	5,898	6,832	5,735	9.7	10.5	9.1
b. Imports	-7,886	-8,553	-8,200	-12.9	-13.1	-13.1
2. Services	-685	-767	-540	- 1.1	- 1.2	- 0.9
a. Exports	1,414	1,538	1,752	2.3	2.4	2.8
b. Imports	-2,099	-2,305	-2,292	- 3.4	- 3.5	- 3.6
3. Investment income	-1,639	-1,472	-1,484	- 2.7	- 2.3	- 2.4
a. Private	-743	-970	-1,035	- 1.2	- 1.5	- 1.6
b. Public	-896	-502	-449	- 1.5	- 0.8	- 0.7
4. Current transfers	689	681	698	1.1	1.0	1.1
<b>II. FINANCIAL ACCOUNT</b>	<b>3,491</b>	<b>5,838</b>	<b>2,153</b>	<b>5.7</b>	<b>9.0</b>	<b>3.4</b>
1. Private Sector	4,080	2,446	2,235	6.7	3.8	3.6
2. Public Sector	-414	794	-58	-0.7	1.2	-0.1
3. Short-term Capital	-174	2,598	-24	-0.3	4.0	0.0
<b>III. EXCEPTIONAL FINANCING</b>	<b>922</b>	<b>-829</b>	<b>365</b>	<b>1.5</b>	<b>- 1.3</b>	<b>0.6</b>
<b>IV. FLOW OF NET RESERVES OF BCRP (1 - 2)</b> (Increase with negative sign)	<b>-1,932</b>	<b>-1,733</b>	<b>1,006</b>	<b>- 3.2</b>	<b>- 2.7</b>	<b>1.6</b>
1. Change in Central Bank reserves	-1,899	-1,629	986	- 3.1	- 2.5	1.6
2. Valuation changes and monetization of gold	33	104	-20	0.1	0.2	0.0
<b>V. NET ERRORS AND OMISSIONS</b>	<b>1,142</b>	<b>2</b>	<b>266</b>	<b>1.9</b>	<b>0.0</b>	<b>0.4</b>

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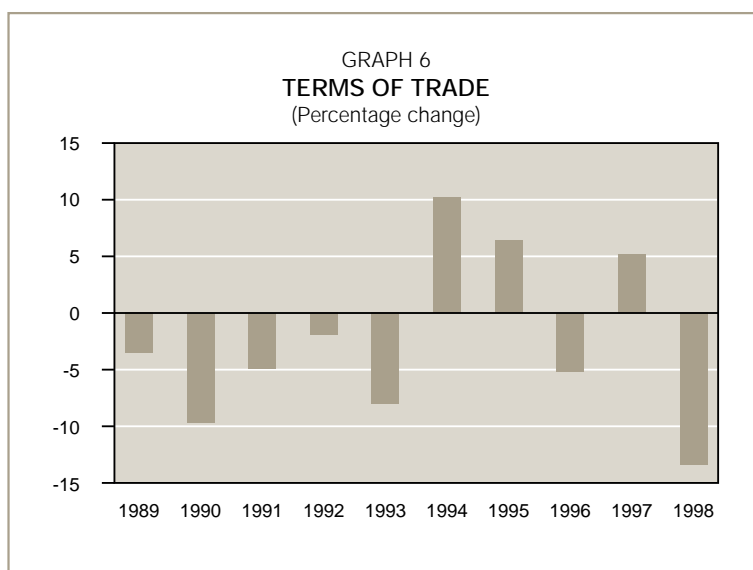
## 1. Current Account Balance

### Exports

Exports reached US\$ 5,735 million, down US\$ 1,097 million (16.1 percent) from 1997. Traditional exports were 22.0 percent lower than the previous year, due to the influence of El Niño on fishing and agricultural production, and lower international prices of metals and petroleum. Non-traditional exports decreased by 4.0 percent due

mainly to the performance of fishing exports, agriculture and livestock and textiles.

The terms of trade decreased by 13.0 percent. Average export prices were 17.0 percent lower than the previous year, while import prices fell by 5.0 percent on average. Price decreases were 41.0 percent for petroleum, 39.0 percent for coffee, 27.0 percent for copper, 18.0 percent for zinc, 14.0 percent for lead and 12.0 percent for gold.



### Traditional exports

Traditional exports amounted to US\$ 3,690 million, down 22.0 percent from the previous year. The decrease was mostly in fishmeal (US\$ 639 million), copper (US\$ 318 million) and petroleum (US\$ 153 million). In volume terms, traditional exports were 4.0 percent higher than the previous year, due mainly to gold, steel and coffee.

Fishing exports amounted to US\$ 410 million, US\$ 716 million (64.0 percent) lower than the previous year. El Niño events

resulted in lower exports volumes of fishmeal (62.0 percent) and fish oil (81.0 percent). Exports of agricultural products amounted to US\$ 323 million, US\$ 149 million (32.0 percent) lower than in 1997, with coffee representing almost 90.0 percent of agricultural exports. Lower international prices of coffee—following the normalization of Brazilian and Colombian production—resulted in a US\$ 110 million (28.0 percent) decrease in the value of coffee exports.

Mineral exports were US\$ 2,734 million, a US\$ 4 million improvement over the previ-

TABLE 10  
EXPORTS

	Millions of US dollars			Percentage change	
	1996	1997	1998	1997/1996	1998/1997
<b>I. TRADITIONAL GOODS</b>	<b>4,213.3</b>	<b>4,704.5</b>	<b>3,690.2</b>	<b>11.7</b>	<b>- 21.6</b>
<b>FISHING</b>	<b>908.8</b>	<b>1,125.9</b>	<b>409.7</b>	<b>23.9</b>	<b>- 63.6</b>
Fishmeal	834.9	1,030.9	391.8	23.5	- 62.0
Fish oil	73.9	95.0	18.0	28.6	- 81.1
<b>AGRICULTURAL</b>	<b>297.1</b>	<b>471.7</b>	<b>322.6</b>	<b>58.8</b>	<b>- 31.6</b>
Cotton	30.2	32.1	4.0	6.3	- 87.5
Sugar	37.2	34.4	26.8	- 7.5	- 22.1
Coffee	223.1	396.9	286.8	77.9	- 27.7
Other agricultural products 1/	6.6	8.3	5.0	25.5	- 39.7
<b>MINERAL</b>	<b>2,654.4</b>	<b>2,730.5</b>	<b>2,734.3</b>	<b>2.9</b>	<b>0.1</b>
Copper 2/	1,052.2	1,096.3	778.8	4.2	- 29.0
Tin	108.6	133.2	121.5	22.6	- 8.8
Iron	83.9	76.5	96.4	- 8.9	26.0
Gold	579.3	500.1	925.0	- 13.7	85.0
Silver (refined)	119.5	104.8	130.6	- 12.3	24.6
Lead 2/	274.3	237.0	208.7	- 13.6	- 12.0
Zinc	400.8	539.3	445.2	34.5	- 17.4
Other mineral products 3/	35.7	43.4	28.1	21.5	- 35.2
<b>PETROLEUM AND DERIVATIVES</b>	<b>353.0</b>	<b>376.4</b>	<b>223.5</b>	<b>6.6</b>	<b>- 40.6</b>
<b>II. NON-TRADITIONAL GOODS</b>	<b>1,589.7</b>	<b>2,046.5</b>	<b>1,968.0</b>	<b>28.7</b>	<b>- 3.8</b>
Agriculture and livestock	323.3	339.9	302.0	5.1	- 11.1
Textiles	454.5	572.6	533.3	26.0	- 6.9
Fishing	212.0	277.5	224.8	30.9	- 19.0
Manufactured metal products and machinery	48.7	56.8	104.1	16.7	83.3
Chemicals	167.1	206.2	195.7	23.5	- 5.1
Basic metal industries	141.2	233.9	225.8	65.6	- 3.4
Non-metallic minerals	37.3	51.4	51.6	37.8	0.4
Other products 4/	205.6	308.2	330.7	49.9	7.3
<b>III. OTHER PRODUCTS</b>	<b>95.0</b>	<b>80.7</b>	<b>76.9</b>	<b>- 15.1</b>	<b>- 4.8</b>
Fishing concessions	20.6	7.2	0.0	- 64.9	- 100.0
Other 5/	74.4	73.5	76.9	- 1.3	4.6
<b>IV. TOTAL EXPORTS</b>	<b>5,898.0</b>	<b>6,831.7</b>	<b>5,735.1</b>	<b>15.8</b>	<b>- 16.1</b>

1/ Coca leaf and derivatives, molasses, wool and furs.

2/ Includes silver content.

3/ Includes molybdenum, bismuth and tungsten.

4/ Includes jewelry in gold and silver timber and paper, furs, leathers and handicrafts.

5/ Fuel and food sold to foreign ships and aircrafts and repairs of capital goods.



ous year. Despite the reduction of average international metal prices, export values of gold –due to higher export volumes (111.0 percent)– increased total mineral exports. The effect of lower copper, zinc, lead and gold prices was a US\$ 559 million fall.

Exports of petroleum and derivatives fell by US\$ 153 million (41.0 percent), reflecting lower prices of oil (44.0 per-

cent) and derivatives (38.0 percent) and lower volumes of oil (6.0 percent).

Even though 1998 was a difficult year for investment in mining, it was higher than in the previous year. The main investments were: the Pierina gold project, by Minera Barrick Misquichilca; Minera Ares –owned by the Hochschild Group–, which started production of gold in

May; stage one of Southern Peru Copper Corporation's investment program; the expansion of the Cajamarquilla refinery by Cominco-Marubeni; and the beginning of the Antamina project by Canadian enterprises Teck, Noranda and Rio Algom, with an approximate total investment of US\$ 2,300 million.

### Non-traditional exports

Exports of non-traditional products were down US\$ 79 million from a year earlier, to US\$ 1,968 million, due to lower exports of fishing products, agriculture,

livestock and textiles. The main markets for these products were the United States of America, Bolivia, Colombia, Chile and Spain (59.0 percent of total).

In the last five years, non-traditional exports have risen at an average rate of approximately 14.0 percent. Industrial metal products and machinery, chemicals and non-metallic minerals have been the fastest-growing.

### Imports

In 1998, imports amounted to US\$ 8,200 million, US\$ 353 million (4.0 percent)

TABLE 11  
IMPORTS

	Millions of US dollars			Percentage change	
	1996	1997	1998	1997/1996	1998/1997
<b>I. CONSUMER GOODS</b>	<b>1,847.0</b>	<b>1,909.9</b>	<b>1,883.8</b>	<b>3.4</b>	<b>- 1.4</b>
Non-durable	1,072.3	1,107.3	1,146.1	3.3	3.5
Durable	774.6	802.6	737.7	3.6	- 8.1
<b>II. RAW MATERIALS AND INTERMEDIATE GOODS</b>	<b>3,236.6</b>	<b>3,436.6</b>	<b>3,386.6</b>	<b>6.2</b>	<b>- 1.5</b>
Fuels	733.7	780.2	578.7	6.3	- 25.8
For agriculture	187.5	201.9	205.8	7.7	1.9
For industry	2,315.5	2,454.4	2,602.1	6.0	6.0
<b>III. CAPITAL GOODS</b>	<b>2,416.8</b>	<b>2,816.4</b>	<b>2,592.4</b>	<b>16.5</b>	<b>- 8.0</b>
Building materials	189.2	244.4	215.3	29.1	-11.9
For agriculture	21.3	28.3	44.8	32.9	58.3
For industry	1,726.6	2,037.1	1,768.1	18.0	- 13.2
Transportation equipment	479.7	506.5	564.1	5.6	11.4
<b>IV. OTHER GOODS 1/</b>	<b>385.1</b>	<b>389.8</b>	<b>337.0</b>	<b>1.2</b>	<b>- 13.5</b>
<b>V. TOTAL IMPORTS</b>	<b>7,885.5</b>	<b>8,552.6</b>	<b>8,199.8</b>	<b>8.5</b>	<b>- 4.1</b>
<b>NOTE:</b>					
Temporary admission	172.2	278.0	325.5	61.4	17.1
Free zone 2/	102.1	69.3	40.1	- 32.1	- 42.1
<b>Foodstuff 3/</b>	<b>820.9</b>	<b>699.6</b>	<b>779.3</b>	<b>- 14.8</b>	<b>11.4</b>
Wheat	230.9	189.2	180.8	- 18.1	- 4.4
Corn and/or sorghum	131.3	116.0	123.1	- 11.6	6.1
Rice	136.7	79.4	96.0	- 41.9	20.9
Sugar 4/	104.6	75.1	131.7	- 28.2	75.3
Dairy products	106.4	98.4	79.9	- 7.5	- 18.8
Soybean	85.4	114.9	143.6	34.6	25.0
Meats	25.6	26.6	24.1	4.1	- 9.4

1/ Includes donated goods, goods under financial leasing and others not considered in other categories.

2/ Imports into the Tacna Special Treatment Area.

3/ Excludes food donations.

4/ Includes non-refined sugar classified as raw material.

lower than in 1997. Capital-good imports explained more than 60 percent of the fall. Imports of raw materials, intermediate goods and consumer goods also decreased, although to a lesser extent.

## International Trade

The United States of America continued to be Peru's main trade partner, with 33.0 percent of total trade, up by 4.0 per-

centage points over a year earlier (exports rose by 9.0 percent and imports by 1.0 percent). The United States of America, Spain, Switzerland, Chile and Germany together represented more than a half of overall Peruvian exports and imports.

As to economic blocks, member economies from the Asia-Pacific Economic Cooperation Forum (APEC) represented more than half of Peruvian international trade. The second largest block was the

TABLE 12  
DIRECTION OF TRADE  
(Percentage of total)

	Exports 1/			Imports 2/			X + M		
	1996	1997	1998	1996	1997	1998	1996	1997	1998
United States of America	19.9	23.8	32.6	30.7	31.9	32.6	26.0	28.3	32.6
Spain	2.4	2.3	2.7	5.7	8.6	7.4	4.3	5.7	5.5
Switzerland	5.0	6.1	8.6	0.8	1.1	1.4	2.6	3.4	4.4
Chile	2.1	2.0	2.4	5.7	5.6	5.6	4.1	3.9	4.3
Germany	5.2	5.7	4.1	3.9	3.6	4.3	4.4	4.6	4.2
Japan	6.7	7.1	3.9	3.7	3.8	4.3	5.0	5.3	4.1
Brazil	4.1	3.8	3.2	4.2	4.1	4.2	4.2	4.0	3.8
United Kingdom	7.3	4.5	4.8	1.3	1.2	1.6	3.9	2.7	2.9
Colombia	2.1	2.3	2.5	7.3	4.2	3.2	5.0	3.4	2.9
Mexico	1.6	1.7	2.4	2.8	3.2	3.0	2.3	2.5	2.7
Venezuela	2.2	2.1	1.9	5.8	4.4	3.3	4.2	3.4	2.7
Italy	3.4	3.4	3.4	2.2	2.4	2.2	2.7	2.8	2.7
People's Republic of China	7.2	7.3	4.1	1.1	1.4	1.3	3.8	4.1	2.5
Other countries	30.8	27.9	23.4	24.8	24.5	25.6	27.5	25.9	24.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

X: Exports M: Imports

1/ Exports exclude products classified as other exports and the repair of foreign ships and aircrafts.

2/ Imports exclude products classified as other imports and the repair of national ships and aircrafts abroad.



North American Free Trade Agreement (NAFTA) with 38.0 percent, followed by the Latin American Association for Integration (ALADI) and the European Union, with 22.0 percent each.

## Services

The services trade deficit amounted to US\$ 540 million, up US\$ 227 million

from the previous year. This result was due mainly to the US\$ 153 million surplus achieved in the insurance and re-insurance services balance –in contrast with a US\$ 46 million deficit in 1997– and to the improvement in the travel trade balance. The travel trade balance reached US\$ 428 million, a US\$ 45 million increase over 1997, due to a 5.0 percent increase in inflows and a 1.0 per-



TABLE 13  
TRADE WITH MAIN ECONOMIC BLOCS 1/  
(Percentage of total)

	1996			1997			1998		
	X	M	X + M	X	M	X + M	X	M	X + M
APEC 2/	50	52	51	52	54	53	53	55	54
TLC 3/	24	35	30	27	38	33	37	38	38
ALADI	16	32	25	16	28	23	17	26	22
EU	27	19	23	24	21	23	22	22	22
ANDEAN GROUP 4/	8	10	9	8	9	8	8	7	8
MERCOSUR	5	8	7	5	8	7	4	9	7

X: Exports      M: Imports

1/ Partial amounts do not add up to 100 percent due to superposition of countries among trade blocs.

2/ Asia-Pacific Economic Cooperation.

3/ North American Free Trade Agreement, signed in 1993 by the United States of America, Canada and Mexico.

4/ Excludes trade of petroleum and derivatives.

cent decrease in outflows of foreign currency by travelers. The growing number of non-resident travelers –up 6.0 percent from a year earlier– explained the rise in foreign currency inflows, but was partially offset by a 1.0 percent fall in average expenditure. On the other hand, the fall in foreign currency outflows was a result of the 5.0 percent decrease in the number of resident travelers abroad, which compensated the rise in average expenditure (4.0 percent).

## Investment income

The investment income deficit amounted to US\$ 1,484 million, up by US\$ 12 million over a year earlier. The private sector is the main component, making up US\$ 65 million of the deficit, partially offset by a decrease in the public sector deficit (US\$ 53 million).

Private sector financial expenditure totaled US\$ 1,182 million, a US\$ 75 million increase over 1997, due to higher interest payments (US\$ 179 million)

associated with higher debt and undistributed earnings (US\$ 36 million). Expenditure associated with profits and dividends decreased by US\$ 140 million, due to sluggish economic activity and lower international prices.

Interest on long-term external public debt amounted to US\$ 1,032 million (1.6 percent of GDP), US\$ 5 million less than the previous year. Of the interest falling due, US\$ 840 million were paid, US\$ 191 million were refinanced and US\$ 1 million were condoned.

## 2. Financial Account

In 1998, net capital inflows amounted to US\$ 2,153 million (3.4 percent of GDP), a US\$ 3,685 million decrease from 1997, due to lower long-term private capital inflows (US\$ 211 million), public sector capital imports (US\$ 852 million) and short-term capital inflows (US\$ 2,622 million). The fall was the result of a substantial reduction of financial resources, particularly short-term credit lines in the second half of the year. It must be mentioned

TABLE 14  
SERVICES

	Million of U.S. dollars			Percentage change	
	1996	1997	1998	1997/1996	1998/1997
<b>I. TRANSPORT</b>	<b>-520</b>	<b>-608</b>	<b>-633</b>	<b>-16.9</b>	<b>-4.1</b>
1. Credit	324	294	309	-9.3	5.4
2. Debit	-844	-902	-942	-6.8	-4.5
a. Freight	-528	-616	-635	-16.7	-3.0
Credit	49	24	19	-52.3	-19.6
Debit	-577	-640	-654	-10.8	-2.2
b. Passengers	-38	-79	-92	-106.7	-15.3
Credit	103	95	101	-8.1	6.8
Debit	-142	-174	-193	-23.1	-10.7
c. Other 1/	46	88	94	90.4	6.8
Credit	171	175	189	2.3	8.0
Debit	-125	-88	-96	30.1	-9.2
<b>II. TRAVEL</b>	<b>320</b>	<b>383</b>	<b>428</b>	<b>19.7</b>	<b>11.8</b>
1. Credit	670	816	857	21.9	4.9
2. Debit	-350	-434	-428	-23.9	1.2
<b>III. COMMUNICATIONS</b>	<b>104</b>	<b>101</b>	<b>74</b>	<b>-2.6</b>	<b>-27.1</b>
1. Credit	174	168	132	-3.5	-21.7
2. Debit	-70	-67	-58	4.8	13.5
<b>IV. INSURANCE AND REINSURANCE</b>	<b>-43</b>	<b>-46</b>	<b>153</b>	<b>-5.7</b>	<b>433.4</b>
1. Credit	114	114	304	0.2	165.2
2. Debit	-158	-160	-151	-1.8	6.1
<b>V. OTHERS 2/</b>	<b>-546</b>	<b>-597</b>	<b>-562</b>	<b>-9.5</b>	<b>5.9</b>
1. Credit	132	145	151	10.1	3.9
2. Debit	-677	-743	-713	-9.6	4.0
<b>VI. TOTAL</b>	<b>-685</b>	<b>-767</b>	<b>-540</b>	<b>-12.0</b>	<b>29.6</b>
1. Credit	1,414	1,538	1,752	8.7	13.9
2. Debit	-2,099	-2,305	-2,292	-9.8	0.6

1/ Include harbor tolls and transport commissions.

2/ Include government, financial and informatic services as well as royalties, rent of equipment and services to firms.



that long-term private capital inflows –excluding privatization revenues– continued to finance a high proportion of the current account deficit (57.0 percent).

### Private sector

Long-term private capital inflows amounted to US\$ 2,235 million, down US\$ 211 million from one year earlier due to a reduction of portfolio investment (US\$ 643 million) and privatization proceeds (US\$ 85 million), partially offset by higher direct investment (US\$ 313 million) and long-term borrowing (US\$ 203 million).

Foreign direct investment –excluding privatization– amounted to US\$ 1,870 million, a US\$ 314 million (20.0 percent) increase over the previous year, mainly reflecting investment in hydrocarbons, services and the industrial sector, which accounted for 59.0 percent of total foreign investment. Foreign direct investment in fuels amounted to US\$ 422 million, up US\$ 150 million from a year earlier. In 1998, fifteen exploration and extraction license contracts were signed.

Long-term private borrowing amounted to US\$ 652 million, US\$ 203 million over the previous year, and was mainly oriented



to telecommunications activities (US\$ 360 million) and the mining sector (US\$ 216 million).

The net flow of portfolio investment was US\$ 347 million, US\$ 643 million lower than the previous year, explained mainly by the acquisition of American Depositary Receipts (ADRs) by a resident telecommunications firm for US\$ 360 million (the

first part of a US\$ 523 million program). Portfolio investment through equity issues totaled US\$ 14 million, a US\$ 131 million decrease from 1997.

Foreign investment through privatization totaled US\$ 60 million, corresponding to the sale of Petromar, Siderperu and shares of Banco Continental.

TABLE 15  
PRIVATE SECTOR LONG-TERM CAPITAL FLOWS

	Millions of dollars			Percentage of GDP		
	1996	1997	1998	1996	1997	1998
<b>I. DIRECT INVESTMENT EXCLUDING PRIVATIZATION</b>	<b>1,554</b>	<b>1,557</b>	<b>1,870</b>	<b>2.6</b>	<b>2.4</b>	<b>3.0</b>
<b>II. LONG-TERM LOANS</b>	<b>657</b>	<b>449</b>	<b>652</b>	<b>1.1</b>	<b>0.7</b>	<b>1.0</b>
Disbursements	1,499	1,718	2,032	2.5	2.6	3.2
Amortization	-842	-1,269	-1,380	-1.4	-1.9	-2.2
<b>III. PORTFOLIO INVESTMENT</b>	<b>180</b>	<b>296</b>	<b>-347</b>	<b>0.3</b>	<b>0.5</b>	<b>-0.6</b>
Stock Market and ADR's	188	46	-482	0.3	0.1	-0.8
Bonds (net)	-8	250	135	-0.0	0.4	0.2
<b>Private Sector Long-term Capital Flows excluding Privatization</b>	<b>2,391</b>	<b>2,301</b>	<b>2,175</b>	<b>3.9</b>	<b>3.5</b>	<b>3.5</b>
<b>IV. PRIVATIZATION</b>	<b>1,688</b>	<b>145</b>	<b>60</b>	<b>2.8</b>	<b>0.2</b>	<b>0.1</b>
<b>V. TOTAL</b>	<b>4,080</b>	<b>2,446</b>	<b>2,235</b>	<b>6.7</b>	<b>3.8</b>	<b>3.6</b>

TABLE 16  
MAIN DIRECT INVESTMENT EXCLUDING PRIVATIZATION  
(Millions of US dollars)

	1996	1997	1998
Hydrocarbon (net of debt service and depreciation)	230	271	422
Mining	194	242	144
Financial sector	349	133	28
Services	246	490	378
Industrial sector	339	350	310
Energy	161	63	108
<b>MAIN DIRECT INVESTMENT EXCLUDING PRIVATIZATION</b>	<b>1,519</b>	<b>1,549</b>	<b>1,390</b>

## Public sector

The public sector financial account recorded a negative balance of US\$ 58 million, a US\$ 852 million fall from 1997.

## Disbursements

Disbursements were US\$ 783 million, US\$ 981 million less than one year earlier. The fall can be explained mainly by the fact that 1997 was an exceptional year

TABLE 17  
PUBLIC SECTOR FINANCIAL ACCOUNT 1/

	Millions of dollars			Percentage of GDP		
	1996	1997	1998	1996	1997	1998
<b>LONG TERM LOANS</b>	<b>-414</b>	<b>794</b>	<b>-76</b>	<b>-0.7</b>	<b>1.2</b>	<b>-0.1</b>
1. Disbursements 2/	464	1,764	783	0.8	2.7	1.2
A. Investment projects	440	767	673	0.7	1.2	1.1
B. Defense	23	9	0	0.0	0.0	0.0
C. Food Imports	0	0	10	0.0	0.0	0.0
D. Cash Disbursements	1	988	100	0.0	1.5	0.2
2. Amortization	-878	-837	-859	-1.4	-1.3	-1.4
3. Bonds 3/	0	-133	18	0.0	-0.2	0.0

1/ Medium and long term; excludes credits granted to the BCRP for balance of payments support.  
2/ Includes US\$ 790 million of disbursements earmarked to finance the Brady Plan.  
3/ Includes Brady Plan colaterals.

due to the closing of the Brady Plan, which demanded US\$ 790 million in external resources.

US\$ 673 million of total disbursements were used to finance investment projects, US\$ 10 million were spent in food imports and US\$ 100 million were applied to balance of payments support.

Disbursements used to finance investment projects were mainly directed to social infrastructure, economic infrastructure and productive sectors (39.0,

33.0 and 26.0 percent, respectively). Disbursements for social infrastructure were applied mainly to housing and education (US\$ 121 million and US\$ 43 million, respectively) and were provided by the Inter American Development Bank (IDB) and the World Bank (BIRF).

### Amortization

External debt amortization reached US\$ 859 million, of which US\$ 677 million were paid at maturity, US\$ 26 mil-



TABLE 18  
DISBURSEMENTS BY FINANCIAL SOURCE 1/

	Millions of dollars			Porcentajes del PBI		
	1996	1997	1998	1996	1997	1998
Multilateral organizations	286	1,376	603	0.5	2.1	1.0
Paris Club	148	263	99	0.2	0.4	0.2
Latin America	0	0	0	0.0	0.0	0.0
Commercial Banks	10	107	80	0.0	0.2	0.1
Eastern European Countries 2/	20	18	1	0.0	0.0	0.0
Suppliers	0	0	0	0.0	0.0	0.0
<b>TOTAL</b>	<b>464</b>	<b>1,764</b>	<b>783</b>	<b>0.8</b>	<b>2.7</b>	<b>1.2</b>
From committed loans	463	776	683	0.8	1.2	1.1
Free Availability	1	198	100	0.0	0.3	0.2
Brady Plan Financing	0	790	0	0.0	1.2	0.0

1/ Medium and long term; excludes credits granted to the BCRP to support balance of payments.  
Includes financial cost of unpaid service.  
2/ Includes People's Republic of China.

lion were refinanced and US\$ 156 million were forgiven. Compared with 1997, amortization increased by US\$ 22 million, due to condonation of a larger amount of outstanding debt included in the principal falling due in 1998. The main financial sources paid were the Paris Club (US\$ 296 million) and multilateral organizations (US\$ 254 million).

### Loan commitments

New medium- and long-term commitments reached US\$ 556 million in 1998 –a 70.0 percent decrease from the previous year– representing 31.0 percent of the total amount authorized by the 1998 External Indebtedness Law. This evolution can be explained to a great extent

by the extraordinary demand for commitments that were utilized to cover the up-front costs of the Brady Plan (US\$ 808 million).

In 1998, 96.0 percent (US\$ 532 million) of total commitments were earmarked for investment projects and only 4.0 percent for financing of national defense (US\$ 14 million) and food imports (US\$ 10 million).

### Short-term capital

Short-term capital inflows totaled US\$ -24 million, a US\$ 2,622 million decrease from 1997. The fall can be explained by the negative US\$ 1,486 flow originated in the reduction of the net indebtedness of the banking sector and Banco de la Nacion (US\$ 1,157 million).

TABLE 19  
INTERNATIONAL INVESTMENT POSITION  
(Levels at the end of period)

	Millions of US dollars			Percentage of GDP		
	1996	1997	1998	1996	1997	1998
<b>I. ASSETS</b>	<b>14,971</b>	<b>16,004</b>	<b>14,926</b>	<b>24.6</b>	<b>24.6</b>	<b>23.8</b>
1. RESERVE ASSETS	9,633	11,119	9,982	15.8	17.1	15.9
2. OTHER ASSETS	5,338	4,885	4,944	8.8	7.5	7.9
Financial system (excludes BCRP)	2,327	1,428	1,581	3.8	2.2	2.5
Other assets	3,012	3,457	3,363	4.9	5.3	5.4
<b>II. LIABILITIES</b>	<b>43,692</b>	<b>40,421</b>	<b>41,249</b>	<b>71.7</b>	<b>62.0</b>	<b>65.7</b>
<b>1. PUBLIC AND PRIVATE EXTERNAL DEBT</b>	<b>33,805</b>	<b>28,635</b>	<b>30,014</b>	<b>55.5</b>	<b>43.9</b>	<b>47.8</b>
a. MEDIUM AND LONG-TERM	28,286	22,171	23,485	46.4	34.0	37.4
Private sector	2,086	2,515	3,167	3.4	3.9	5.0
BCRP	1,004	869	756	1.6	1.3	1.2
Public sector	25,196	18,787	19,562	41.4	28.8	31.1
b. SHORT-TERM	5,519	6,465	6,529	9.1	9.9	10.4
Financial system (excludes BCRP)	1,677	3,320	3,224	2.8	5.1	5.1
BCRP	89	81	43	0.1	0.1	0.1
Other	3,753	3,064	3,262	6.2	4.7	5.2
<b>2. FOREIGN INVESTMENT</b>	<b>9,888</b>	<b>11,785</b>	<b>11,236</b>	<b>16.2</b>	<b>18.1</b>	<b>17.9</b>
a. DIRECT INVESTMENT	6,703	7,742	8,051	11.0	11.9	12.8
b. PORTFOLIO INVESTMENT	3,185	4,044	3,185	5.2	6.2	5.1
Stock Market and ADR's	3,111	3,721	2,726	5.1	5.7	4.3
Bonds	73	323	458	0.1	0.5	0.7

### **3. International Investment Position**

Total international assets were down US\$ 1,078 million (7.0 percent) from a year earlier, to US\$ 14,926 million in 1998, due to a decrease in Central Reserve Bank assets by US\$ 1,137 million and the reduction in other non-financial foreign assets by US\$ 94 million. Other financial foreign assets increased by US\$ 153 million from the previous year.

Total international liabilities amounted to US\$ 41,249 million, a US\$ 828 million rise from 1997. Overall liabilities can be broken down into public and private medium- and long-term debt (57.0 percent), foreign investment (27.0 percent) and short-term debt (16.0 percent).

Medium- and long-term debt increased by US\$ 1,314 million, due to higher debt from both the private (US\$ 652 million) and public sectors (US\$ 775 million). Medium- and long-term public debt amounted to US\$ 19,562 million in 1998, up US\$ 775 million from 1997.

Short-term external debt in 1998 totaled US\$ 6,529 million, of which international trade operations made up about 74.0 percent. The US\$ 64 million rise over 1997 was associated with a US\$ 198 million increase in the stock of non-financial short-term debt.

The stock of foreign investment decreased US\$ 549 million (5.0 percent) from the previous year, largely due to lower market prices of portfolio investment related to equities, whose stock decreased by 27.0 percent since end-1997.

