

TABLE OF CONTENTS

	Page
INTRODUCTION	9
ECONOMIC ACTIVITY	13
I. INFLATION AND THE EXCHANGE RATE	15
1. Inflation	15
2. Exchange rate	16
II. OUTPUT AND EMPLOYMENT	19
1. GDP by sector	21
2. Employment	25
III. EXTERNAL SECTOR	29
1. Current account balance	30
2. Financial account	34
3. International investment position	39
IV. PUBLIC FINANCE	41
1. Central government	41
2. State-owned enterprises	44
3. Privatization	45
V. MONEY AND CREDIT	49
1. The money supply	49
2. The monetary base	50
3. Net international reserves	54
4. Banking system liquidity	54
5. Credit to the private sector	56
6. Commercial banks	59
7. Financial savings and capital market	61



TABLES

	Page
1. Annual inflation rates	15
2. Projected, core and general inflation	15
3. Inflation in Metropolitan Lima	16
4. Total supply and demand	20
5. Domestic and external savings	20
6. Gross domestic product	21
7. Investment by mining companies	23
8. Urban unemployment and underemployment	25
9. Balance of payments	29
10. Exports	31
11. Imports	32
12. Direction of trade	33
13. Trade with main economic blocs	34
14. Services	35
15. Private sector long-term capital flows	36
16. Main direct investments excluding privatization	36
17. Public sector financial account	37
18. Disbursements by financial source	37
19. International investment position	38
20. Non-financial public sector overall balance	41
21. Non-financial public sector primary balance	41
22. Central government operations	42
23. Central government revenue	43
24. Privatizations: 1998	45
25. Net privatization receipts	46
26. Average sol-denominated liquidity of the banking system	50
27. Sources of variation of the monetary base	51
28. Net international reserves	54
29. Real liquidity of the banking system	55
30. Interests rates of the banking institutions	56
31. Commercial bank liquidity	59
32. Financial indicators of commercial banks	60
33. Financial savings	61

	Page
34. Real financial savings by institutions	62
35. Bond market	63
36. Interest rates of bonds	63
37. Stock market	64
38. Private pension system	64
39. Mutual fund	65

GRAPHS

1. Real exchange rate	16
2. Nominal exchange rate of the banking system	17
3. Per capita real gross domestic product	19
4. Domestic savings and investment	21
5. Annual anchovy extraction	22
6. Terms of trade	30
7. Non-financial public sector deficit	43
8. Banking multiplier and its components	50
9. Sol-denominated interbank interest rate	52
10. Banking system monetization ratio	55
11. Bank credit to the private sector	57
12. Portfolio indicators of commercial banks	60



BOXES

1. Regulatory public service entities	47
2. Central Bank daily monetary policy	52
3. Measures adopted as a result of the liquidity crisis in September 1998	57

ANNEXES

	Page
1. Selected macroeconomic indicators	68
2. Per capita gross domestic product.....	69
3. Total supply and demand	70
4. Gross domestic product by sector	71
5. Consumer price index	72
6. Exchange rate	73
7. Real exchange rate	74
8. Balance of payments (millions of US\$ dollars)	75
9. Balance of payments (in percentage of GDP)	76
10. Exports	77
11. Traditional exports	78
12. Non-traditional exports	79
13. Imports	80
14. Terms of trade index	81
15. Private sector long-term capital flows	82
16. International investment position	83
17. External public debt / Disbursements by destination	84
18. External public debt / Service by financial source	85
19. Operations of the non-financial public sector	86
20. Central government operations	87
21. Central government current revenues	88
22. Central government expenditures	89
23. Monetary aggregates of the banking system (in percentage of GDP)	90
24. Monetary aggregates of the banking system (percentage change)	91
25. Monetary accounts of the banking system	92
26. Net external assets of the banking system	93
27. Monetary accounts of the Central Reserve Bank of Peru	94
28. Monetary accounts of the banking institutions	95
 BALANCE SHEET	 98
 PROFITS & LOSSES	 100

Annual Report 1998
Banco Central de Reserva del Perú
Design: Carlos González
Photography: Daniel Giannoni Succar
Printed by: AUSONIA S.A.
LIMA - PERÚ