

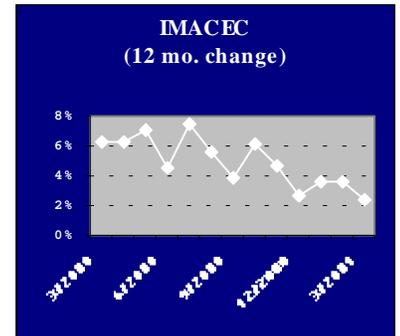


# CHILE

## BIWEEKLY ECONOMIC REPORT

### NEWS

- Central Bank maintains target interest rate at UF + 3.75%** – During the monthly monetary policy meeting, the Board of Governors decided to maintain the target rate at UF + 3.75%. The Central Bank expects an inflation rate in the center of the target range (3% yoy) in the policy horizon of 24 months, under the assumption of maintaining the current level for the overnight interest rate. This is the result of a lower domestic demand than expected, but consistent with a more dynamic economic activity in the second half of the year. (May 10)
- Tax Evasion bill approved** – After 8 months, the Tax Evasion bill was approved in Congress. The revenue increase as a consequence of the Law will allow financing Government social programs, including education, health, housing, security, etc. This law also eliminates the capital gain tax for foreign investors. (May 16)
- Adjustment in estimated growth** – In its quarterly Monetary Policy Report, the Central Bank adjusted the estimated GDP growth to a lower rate for 2001 and 2002. (4.3% and 5%, from a 5.6% and 5.9% estimated in January's Report). These new projections take into account the performance of the international economy and domestic demand for the year 2001 and 2002. (May 18).
- President Lagos announced new job positions during state of the nation** – In addition to the 100,000 job positions financed by the activation of the Social Contingency Fund, President Lagos announced the creation of additional 50,000 positions by reinforcing some of the most successful employment programs already implemented by the Government. Overall, the new job positions will correspond to 2.5% of the labor force. On the other hand, investment projects representing more than US\$3,500 million will be made available to the private sector through the concession system. (May 21)
- IMACEC of 2.4% in March** – The Monthly Indicator of Economic Activity (IMACEC) grew 2.4% yoy in March 2001. This figure is not adjusted by the one less working day, compared to March 2000. Overall, the first quarter of the year accumulates a growth rate of 3.3% yoy. (May 23)
- Investment Projects Increase 60% yoy in May 2001** – SOFOFA informed an important growth in investment projects as of May 2001, compared to the same period in the previous year. Currently projects by US\$12,428 million have been initiated (compared to US\$9,076 million as of May 2000), and the amount increase up to US\$34,407 million considering projects to be implemented in the short run (versus a total of US\$21,470 million in May 2000). The Report remarks that 73.5% of the projects come from the private sector. (May 28)
- Unemployment rate of 9.1% in February-April 2001**– The National Institute of Statistics (INE) informed that unemployment rate increased 0.3% with respect to the previous quarter (January-March 2001). This figure represents an increase of 0.6% compared to the same period in the year 2000. On the other hand -compared to the previous quarter- the labor force exhibits an increase of 0.28%, while unemployment increased in 2.72%. (May 29)



### LATEST DATA RELEASES

#### May 29

- Industrial production  
April: 147.6 (+3.1% yoy)
- Industrial sales  
April: 149.5(+4.1% yoy)
- Initiated construction  
April: 414,938m2 (+29.3% yoy)
- Mining production  
April: 245.9 (-3.5% yoy)
- Copper production  
April: 377,767tn (-2.7% yoy)
- Real supermarket sales  
April: 226.56 (+4.5 yoy)
- Electric Power Production  
April: 3,410GWh (+4.5% yoy)
- Employment  
Feb-April: 5,280.25m (-1.1% yoy)
- Unemployment rate  
Feb-April: 9.1%

#### May 23

- IMACEC  
March: 273.9 (+2.4% yoy)
- Exports FOB  
April: US\$1.70bn (+28.6% yoy)
- Imports FOB  
April: US\$1.31bn (-4.2% yoy)
- Trade Balance (12mo. Accum.)  
April: US\$ 1.55bn

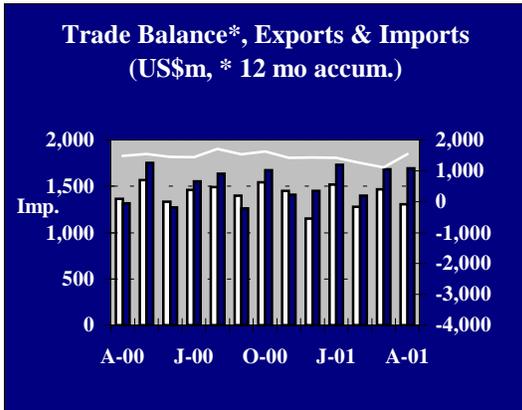
#### May 3

- CPI index  
April: 107.97 (+3.5% yoy)
- WPI index  
April: 174.21 (+10.7% yoy)
- Hourly wage index (nominal)  
March: 212.38 (+5.3% yoy)
- Labor cost index (nominal)  
March: 202.19 (+4.8% yoy)

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## MACROECONOMIC DATA

The monthly indicator of economic activity (IMACEC) rose to 2.4% in March. April industrial production increased 3.1%, while industrial sales increased 4.1% yoy. Unemployment reached 9.1% in the February-April quarter. April imports fell 4.2% yoy, reaching the total amount of US\$ 1.31 billion, while exports increased 28.6% yoy, amounting to US\$ 1.70 billion. April's trade balance had a surplus of US\$ 386.3 million.



## SUMMARY TABLE OF MONTHLY INDICATORS

|  | 1996     | 1997     | 1998     | 1999     | 2/2000  | 3/2000  | 4/2000  | 5/2000  | 3/2001  | 3/2001  | 4/2001  | 5/2001    |
|--|----------|----------|----------|----------|---------|---------|---------|---------|---------|---------|---------|-----------|
| <b>OUTPUT AND DEMAND</b>                               |          |          |          |          |         |         |         |         |         |         |         |           |
| Indicator of Economic Activity IMACEC (12 mo. change*) | 7.4%     | 7.6%     | 3.4%     | -0.8%    | 5.2%    | 6.3%    | 6.3%    | 7.0%    | 2.4%    | 2.4%    | n/a     | n/a       |
| Industrial Production (12 mo. change*)                 | 2.4%     | 4.0%     | -1.1%    | -1.3%    | 6.6%    | 6.3%    | 2.9%    | 11.3%   | -1.7%   | -1.7%   | 3.1%    | n/a       |
| Industrial Sales (12 mo. change*)                      | 2.9%     | 4.5%     | -1.5%    | -1.2%    | 7.2%    | 7.5%    | 5.7%    | 3.1%    | 0.6%    | 0.6%    | 4.1%    | n/a       |
| Mining Production (12 mo. change*)                     | 22.3%    | 10.3%    | 5.7%     | 16.0%    | 6.4%    | 4.4%    | 11.0%   | 2.4%    | -1.7%   | -1.7%   | -3.5%   | n/a       |
| Unemployment Rate                                      | 6.5%     | 6.1%     | 6.2%     | 9.7%     | 8.1%    | 8.2%    | 8.5%    | 8.9%    | 8.8%    | 8.8%    | 9.1%    | n/a       |
| Employment (12 mo. change)                             | 1.4%     | 2.1%     | 1.8%     | -2.1%    | 0.9%    | 1.1%    | 0.8%    | 2.2%    | -1.9%   | -1.9%   | -1.1%   | n/a       |
| <b>FOREIGN TRADE AND INVESTMENT</b>                    |          |          |          |          |         |         |         |         |         |         |         |           |
| Exports FOB (US\$m)                                    | 15,404.8 | 16,923.4 | 14,826.1 | 15,615.6 | 1,490.2 | 1,843.5 | 1,316.1 | 1,752.7 | 1,681.9 | 1,681.9 | 1,692.6 | n/a       |
| Import FOB (US\$m)                                     | 16,499.8 | 18,217.9 | 17,390.3 | 13,951.2 | 1,205.4 | 1,481.6 | 1,363.6 | 1,566.0 | 1,465.6 | 1,465.6 | 1,306.3 | n/a       |
| Trade Balance (US\$m)                                  | -1,095.0 | -1,294.5 | -2,564.2 | 1,664.4  | 284.8   | 361.9   | -47.5   | 186.7   | 216.3   | 216.3   | 386.3   | n/a       |
| Trade Balance (US\$m, 12mo. accum.)                    | -1,095.0 | -1,294.5 | -2,564.2 | 1,664.4  | 1,952.6 | 1,918.0 | 1,484.3 | 1,546.4 | 1,115.8 | 1,115.8 | 1,549.6 | n/a       |
| Direct Investment from Abroad (US\$m, year to date)    | 4,633.1  | 5,219.1  | 4,638.3  | 9,220.8  | 304.8   | 483.6   | 818.0   | 1,065.7 | 6,172.6 | 6,172.6 | 6,416.6 | n/a       |
| Portfolio Investment from Abroad (US\$m, year to date) | 1,229.8  | 2,602.3  | 590.1    | 2,496.1  | -170.4  | -352.4  | -430.2  | -462.7  | -138.7  | -138.7  | 268.4   | n/a       |
| <b>MONEY, INTEREST AND PRICES</b>                      |          |          |          |          |         |         |         |         |         |         |         |           |
| CPI Inflation Rate (12 mo. change)                     | 6.6%     | 6.0%     | 4.7%     | 2.3%     | 3.3%    | 3.4%    | 3.5%    | 3.6%    | 3.5%    | 3.5%    | 3.5%    | n/a       |
| Real Wages (12 mo. change)                             | 2.7%     | 1.3%     | 2.9%     | 2.4%     | 1.6%    | 1.9%    | 1.6%    | 1.4%    | 1.7%    | 1.7%    | n/a     | n/a       |
| Exchange Rate (observed, \$/US\$)                      | 412.27   | 419.31   | 460.29   | 508.78   | 512.85  | 504.38  | 508.10  | 521.66  | 587.79  | 587.79  | 598.63  | 602.20 ** |
| Exchange Rate Gap (observed-referential)               | -8.6%    | -9.8%    | -2.3%    | 4.5%     | 1.8%    | -0.2%   | 0.0%    | 1.7%    | 10.9%   | 10.9%   | 12.3%   | 12.7% **  |
| Real Exchange Rate (12 mo. change)                     | -5.3%    | -8.3%    | 1.0%     | 7.9%     | 1.5%    | 1.3%    | 3.8%    | 3.8%    | 11.6%   | 11.6%   | n/a     | n/a       |
| Real Private Money M1A (12 mo. change)                 | 5.6%     | 13.2%    | -12.3%   | 17.2%    | 10.0%   | 7.1%    | 6.4%    | 3.3%    | 10.8%   | 10.8%   | 14.1%   | n/a       |
| Central Bank Overnight Target (real rate)              | 7.50     | 6.50     | 7.80     | 5.00     | 5.25    | 5.37    | 5.50    | 5.50    | 4.00    | 4.00    | 3.75    | 3.75      |
| Interbank Lending (real rate)                          | 6.72     | 7.00     | 12.95    | 5.72     | 5.28    | 5.58    | 5.54    | 5.50    | 4.01    | 4.01    | 3.86    | 3.80      |
| 90 day Central Bank Paper (real rate)                  | 7.25     | 6.79     | 9.57     | 5.99     | 5.65    | 5.64    | 5.59    | 5.81    | 3.84    | 3.84    | 3.72    | 3.55      |
| 8 Year Central Bank Bond (real rate)                   | 6.32     | 6.46     | 7.48     | 5.96     | 6.68    | 6.66    | 6.51    | 6.65    | 4.93    | 4.93    | 5.00    | 5.04      |
| Sovereign Spread *** (Bid, bp over US Treasury)        | -        | -        | -        | -        | -       | -       | -       | -       | 180     | 180     | 169     | 165       |
| IPSA Return (in US\$, year to date)                    | -15.5%   | 9.2%     | -28.2%   | 28.4%    | 12.2%   | 9.4%    | 4.5%    | 2.9%    | -12.1%  | -12.1%  | -13.7%  | -7.6%     |
| <b>DEBT AND RESERVES</b>                               |          |          |          |          |         |         |         |         |         |         |         |           |
| Net Reserves (US\$m)                                   | 15,474   | 17,841   | 15,992   | 14,710   | 14,320  | 14,497  | 14,338  | 14,687  | 14,545  | 14,545  | 14,329  | 14,422    |
| Liquidity Ratio (Net reserves / M2)                    | 61.8%    | 60.5%    | 52.1%    | 49.4%    | 46.0%   | 46.0%   | 45.2%   | 46.9%   | 49.0%   | 49.0%   | 48.0%   | 48.6%     |
| Total External Debt (US\$m)                            | 22,979   | 26,701   | 31,691   | 33,984   | 33,710  | 34,699  | 34,845  | 34,991  | 37,422  | 37,422  | n/a     | n/a       |
| Total External Debt (as % of 12 mo. accum. exports)    | 149%     | 158%     | 214%     | 218%     | 209%    | 210%    | 212%    | 207%    | 206%    | 206%    | n/a     | n/a       |
| Short-term Debt (as % of total debt)                   | 19.4%    | 13.5%    | 12.5%    | 11.5%    | 11.8%   | 12.2%   | 12.0%   | 12.4%   | 20.0%   | 20.0%   | n/a     | n/a       |
| Public Debt (as % of total debt)                       | 22.5%    | 19.1%    | 18.0%    | 17.1%    | 16.9%   | 16.6%   | 16.7%   | 16.5%   | 14.7%   | 14.7%   | n/a     | n/a       |
| Financial System non-performing Loans (as % of total)  | 0.95%    | 0.97%    | 1.45%    | 1.67%    | 1.82%   | 1.83%   | 1.84%   | 1.88%   | 1.88%   | 1.88%   | 1.93%   | n/a       |
| Financial System Capital Adequacy Ratio (in %)         | n/a      | n/a      | 12.48%   | 13.50%   | 14.35%  | 13.57%  | 13.21%  | 13.23%  | 13.79%  | 13.79%  | n/a     | n/a       |

Notes: All interest rates are monthly averages of daily rates, except for Central Bank Target, which refers to month end. IPSA Return does not include dividends. (\*) Yearly data are averages. (\*\*) May 28, 2001. (\*\*\*) Chile 09.

Sources: Chilean Central Bank, Instituto Nacional de Estadísticas (INE), Superintendencia de Bancos e Instituciones Financieras, Bolsa de Comercio de Santiago.