

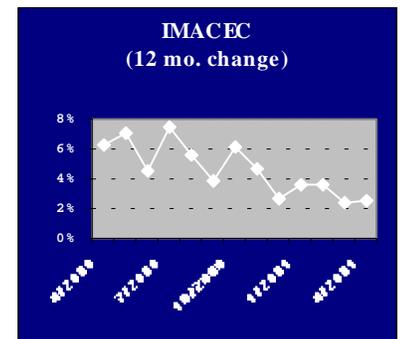


# CHILE

## BIWEEKLY ECONOMIC REPORT

### NEWS

- **Central bank reduced target interest rate to UF + 3.5%** – During the monthly Monetary Policy Meeting the Board of Governors decided to lower 25 basis points the overnight interest rate, from its previous level of UF + 3.75%. The Central Bank explained that the economy has been growing at a lower than projected pace, while the inflation rate presents a decreasing trend (it is expected to reach 3.0% by year end). (June 13)
- **Tax Evasion bill was published.** The law strengthens the mechanisms to make sure that taxes are properly paid by the contributors and closes some tax elusion loopholes. The Government expects to increase tax collection in about USD 800 million by the year 2005. The law also eliminates the capital gains tax for foreign institutional investors and removes some remaining bureaucratic restrictions for foreign portfolio investors (June 16)
- **Minister of Economy, Mining, and Energy** –President Ricardo Lagos designated Mr. Jorge Rodriguez Grossi as the new Minister of Economy, Mining, and Energy. Mr. Rodriguez performed as Under Secretary of Finance from 1991 to 1994. He has also been advisor to the World Bank, IDB, ECLAC, UNICEF, among other organizations. (June 19)
- **Capital Market Reform bill approved in the Lower House** – After being discussed during one week in the Lower House, the bill considering tax issues was approved and sent to the Senate for its second step of discussions at Congress. Among other issues, the bill eliminates the capital gains tax to highly traded stocks and other tax distortions, therefore facilitating SMEs to access foreign capital. (June 20)
- **New member of the Board of Governors** – The former Minister of Economy, Mining, and Energy, Jose de Gregorio, was appointed as the new member of the Board of Governors of the Central Bank. His nomination was approved by the Senate for the term ending on December 2001, when it should be ratified for the next 10 years. (June 20)
- **IMACEC of 2.6% in April 2001** – The Central Bank informed that the Monthly Indicator of Economic Activity (IMACEC) grew 2.6% yoy during April. This way the growth rate for the first four months of the year reached 3.1% yoy. The Central Bank said that April 2001 had an extra labor day if compared with the previous year, which corresponds to approximately 0.5 percentage points of growth. (June 25)
- **Unemployment rate of 9.6% in March-May quarter** - The National Institute of Statistics (INE) informed the unemployment rate reached 9.6% of the labor force during the March-May 2001 quarter. This figure corresponds to an increase of 0.5% with respect to the previous quarter (February-April 2001), and a 0.7% more than the same quarter in the year 2000. Labor force decreased 0.06% (3,330 people), while unemployed people increased in 5.7% (29,920 people) compared to the previous quarter. (June 27)



### LATEST DATA RELEASES

#### June 27

- Industrial production  
May: 156.7 (+0.6% yoy)
- Industrial sales  
May: 158.2 (+8.7% yoy)
- Initiated construction  
May: 732,136m2 (+32.4% yoy)
- Mining production  
May: 267.7 (+3.2% yoy)
- Copper production  
May: 413,232tn (+5.1% yoy)
- Real supermarket sales  
May: 224.40 (+7.9 yoy)
- Electric Power Production  
May: 3,489GWh (+1.5% yoy)
- Employment  
March-May: 5,247.00m (-1.7% yoy)
- Unemployment rate  
March-May: 9.6%

#### June 25

- IMACEC  
April: 250.4 (+2.6% yoy)
- Exports FOB  
May: US\$1.54bn (-12.1% yoy)
- Imports FOB  
May: US\$1.37bn (-12.8% yoy)
- Trade Balance (12mo. Accum.)  
May: US\$ 1.54bn

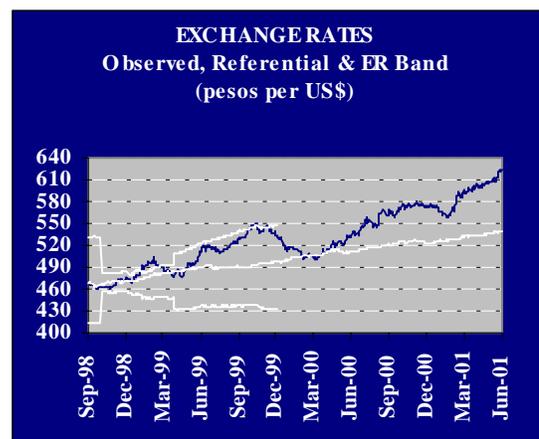
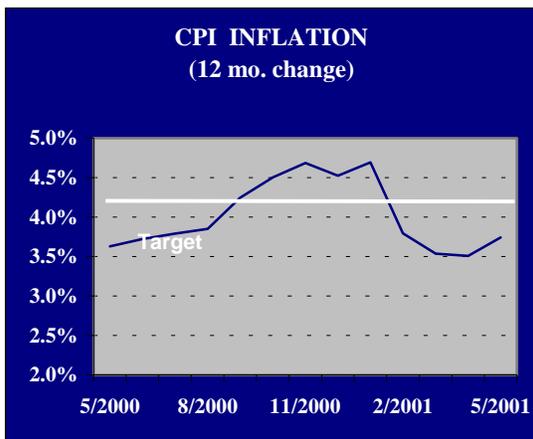
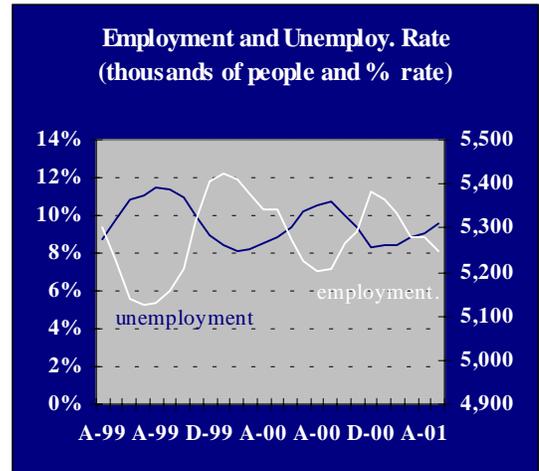
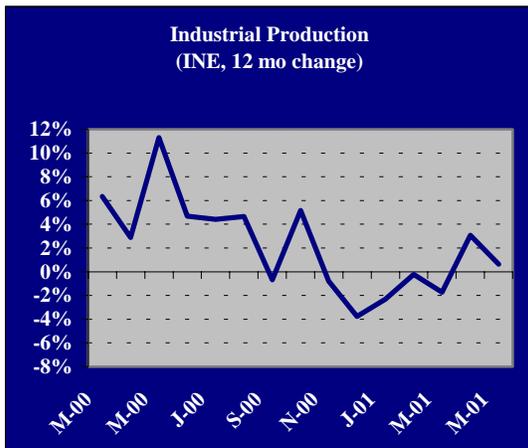
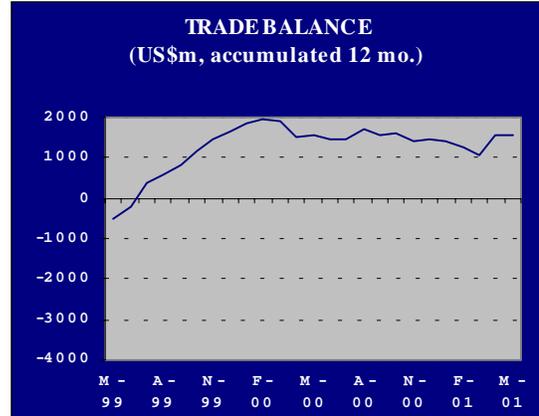
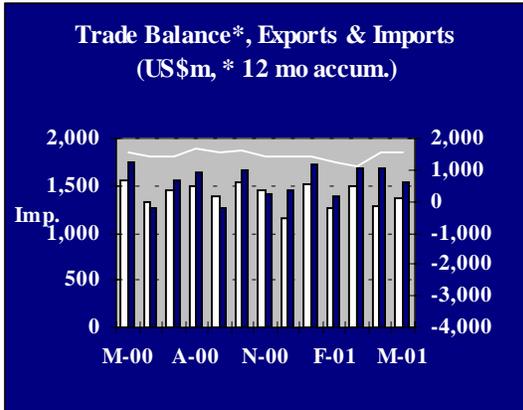
#### June 4

- CPI index  
May: 108.44 (+3.7% yoy)
- WPI index  
May: 176.78 (+10.9% yoy)
- Hourly wage index (nominal)  
May: 212.95 (+5.2% yoy)
- Labor cost index (nominal)  
April: 202.91 (+4.9% yoy)

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## MACROECONOMIC DATA

The monthly indicator of economic activity (IMACEC) rose to 2.6% in April. May industrial production increased 0.6%, while industrial sales increased 8.7% yoy. Unemployment again reached 9.6% in the March-May quarter. May imports decreased 12.8% yoy, reaching the total amount of US\$ 1.37 billion, while exports decreased 12.1% yoy, amounting to US\$ 1.54 billion. May's trade balance had a surplus of US\$ 176 million.



## SUMMARY TABLE OF MONTHLY INDICATORS

	1996	1997	1998	1999	3/2000	4/2000	5/2000	6/2000	3/2001	4/2001	5/2001	6/2001
<b>OUTPUT AND DEMAND</b>												
Indicator of Economic Activity IMACEC (12 mo. change*)	7.4%	7.6%	3.4%	-0.8%	6.3%	6.3%	7.0%	4.6%	2.4%	2.6%	n/a	n/a
Industrial Production (12 mo. change*)	2.4%	4.0%	-1.1%	-1.3%	6.3%	2.9%	11.3%	4.7%	-1.7%	3.1%	0.6%	n/a
Industrial Sales (12 mo. change*)	2.9%	4.5%	-1.5%	-1.2%	7.5%	5.7%	3.1%	0.0%	0.6%	4.1%	8.7%	n/a
Mining Production (12 mo. change*)	22.3%	10.3%	5.7%	16.0%	4.4%	11.0%	2.4%	2.2%	-1.7%	-3.5%	3.2%	n/a
Unemployment Rate	6.5%	6.1%	6.2%	9.7%	8.2%	8.5%	8.9%	9.4%	8.8%	9.1%	9.6%	n/a
Employment (12 mo. change)	1.4%	2.1%	1.8%	-2.1%	1.1%	0.8%	2.2%	2.7%	-1.9%	-1.1%	-1.7%	n/a
<b>FOREIGN TRADE AND INVESTMENT</b>												
Exports FOB (US\$m)	15,404.8	16,923.4	14,826.1	15,615.6	1,843.5	1,316.1	1,752.7	1,269.1	1,674.7	1,692.8	1,541.4	n/a
Import FOB (US\$m)	16,499.8	18,217.9	17,390.3	13,951.2	1,481.6	1,363.6	1,566.0	1,331.2	1,495.6	1,280.0	1,365.1	n/a
Trade Balance (US\$m)	-1,095.0	-1,294.5	-2,564.2	1,664.4	361.9	-47.5	186.7	-62.1	179.1	412.8	176.3	n/a
Trade Balance (US\$m, 12mo. accum.)	-1,095.0	-1,294.5	-2,564.2	1,664.4	1,918.0	1,484.3	1,546.4	1,450.9	1,085.4	1,545.7	1,535.3	n/a
Direct Investment from Abroad (US\$m, year to date)	4,633.1	5,219.1	4,638.3	9,220.8	483.6	818.0	1,065.7	1,606.5	6,172.6	6,416.1	6,501.2	n/a
Portfolio Investment from Abroad (US\$m, year to date)	1,229.8	2,602.3	590.1	2,496.1	-352.4	-430.2	-462.7	-496.7	-138.7	268.4	249.0	n/a
<b>MONEY, INTEREST AND PRICES</b>												
CPI Inflation Rate (12 mo. change)	6.6%	6.0%	4.7%	2.3%	3.4%	3.5%	3.6%	3.7%	3.5%	3.5%	3.7%	n/a
Real Wages (12 mo. change)	2.7%	1.3%	2.9%	2.4%	1.9%	1.6%	1.4%	1.0%	1.7%	1.7%	n/a	n/a
Exchange Rate (observed, \$/US\$)	412.27	419.31	460.29	508.78	504.38	508.10	521.66	529.74	587.79	598.63	604.48	609.84 **
Exchange Rate Gap (observed-referential)	-8.6%	-9.8%	-2.3%	4.5%	-0.2%	0.0%	1.7%	3.7%	10.9%	12.3%	12.9%	13.4% **
Real Exchange Rate (12 mo. change)	-5.3%	-8.3%	1.0%	7.9%	1.3%	3.8%	3.8%	5.3%	11.5%	12.0%	12.0%	n/a
Real Private Money M1A (12 mo. change)	5.6%	13.2%	-12.3%	17.2%	7.1%	6.4%	3.3%	1.8%	10.8%	14.1%	13.3%	n/a
Central Bank Overnight Target (real rate)	7.50	6.50	7.80	5.00	5.37	5.50	5.50	5.50	4.00	3.75	3.75	3.50
Interbank Lending (real rate)	6.72	7.00	12.95	5.72	5.58	5.54	5.50	5.47	4.01	3.86	3.80	3.58
90 day Central Bank Paper (real rate)	7.25	6.79	9.57	5.99	5.64	5.59	5.81	5.78	3.84	3.72	3.60	3.65
8 Year Central Bank Bond (real rate)	6.32	6.46	7.48	5.96	6.66	6.51	6.65	6.55	4.93	5.00	5.06	5.11
Sovereign Spread *** (Bid, bp over US Treasury)	-	-	-	-	-	-	-	-	180	169	165	170
IPSA Return (in US\$, year to date)	-15.5%	9.2%	-28.2%	28.4%	9.4%	4.5%	2.9%	0.2%	-12.1%	-13.7%	-7.0%	-7.1%
<b>DEBT AND RESERVES</b>												
Net Reserves (US\$m)	15,474	17,841	15,992	14,710	14,497	14,338	14,687	14,597	14,545	14,329	14,422	14,492
Liquidity Ratio (Net reserves / M2)	61.8%	60.5%	52.1%	49.4%	46.0%	45.2%	46.9%	47.0%	49.0%	48.0%	48.7%	48.4%
Total External Debt (US\$m)	22,979	26,701	31,691	33,984	34,699	34,845	34,991	35,049	37,422	37,334	n/a	n/a
Total External Debt (as % of 12 mo. accum. exports)	149%	158%	214%	218%	210%	212%	207%	207%	207%	202%	n/a	n/a
Short-term Debt (as % of total debt)	19.4%	13.5%	12.5%	11.5%	12.2%	12.0%	12.4%	13.6%	20.0%	18.0%	n/a	n/a
Public Debt (as % of total debt)	22.5%	19.1%	18.0%	17.1%	16.6%	16.7%	16.5%	16.3%	14.7%	14.8%	n/a	n/a
Financial System non-performing Loans (as % of total)	0.95%	0.97%	1.45%	1.67%	1.83%	1.84%	1.88%	1.93%	1.88%	1.93%	1.91%	n/a
Financial System Capital Adequacy Ratio (in %)	n/a	n/a	12.48%	13.50%	13.57%	13.21%	13.23%	13.25%	13.79%	13.67%	13.13%	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. (\*\*) June 27, 2001. (\*\*\*) Chile 09.

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