

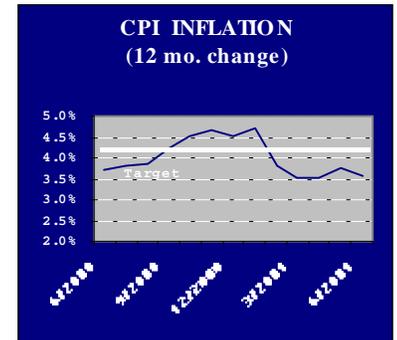


# CHILE

## BIWEEKLY ECONOMIC REPORT

### NEWS

- Central Bank reduces estimated growth to 4% for 2001** - The president of the Central Bank, Carlos Massad, announced that the last estimated growth rate of 4.3% yoy considered in the Monetary Policy Report of May, must be reviewed in order to consider the worse than expected performance of the global economy. In this way, the Central Bank projects a GDP growth of 4% yoy for the year 2001, with an inflation rate in the center of the target range of 2-4%. (July 04)
- Consumer price index rose 3.6% in June** – The National Bureau of Statistics (INE) reported that the consumer price index increased 0.1% in June, registering a growth rate of 3.6% yoy. In terms of sectors, Food registered the largest increase during the month (0.6%), while Transport presented the largest reduction (-0.9%) as a result of lower gasoline prices. On the other hand, the core index grew 2.7% yoy, after increasing 0.3% in June. (July 04)
- Increase of Central Bank Notes available in the market** – The Central Bank increased the total amount of *Pagares Reajustables en Dolares* (PRD – readjusted peso denominated dollar notes), in order to satisfy the increasing demand for exchange rate risk hedging instruments, given the instability observed in the international financial markets during the last weeks. In the second half of year 2001, the Central Bank will offer additional US\$1,000 million of PRDs, starting on July 9<sup>th</sup> with US\$500 million. With this additional issue the Central Bank estimates that the total supply of PRDs will reach US\$2,500 million by the end of the year. The schedule of the next Central Bank's securities offer is available at the Central Bank web site, at [www.bcentral.cl](http://www.bcentral.cl) (July 6)
- Mandatory housing insurance bill**– The Superintendent of the Securities and Insurance Commission, Alvaro Clarke, informed that the Government is about to send to Congress a bill creating a mandatory housing insurance against fire and inundation damages. The coverage of the insurance policy will be two times the fiscal valuation of the house, with a cap of UF 1,500 (approximately US\$37,500). (July 06)
- Personal tax rate cut** – On Tuesday 10<sup>th</sup> the Minister of Finance, Nicolas Eyzaguirre, will present a mechanism to allow a reduction in personal tax rates by means of increasing corporate tax rates. (July 09)



### LATEST DATA RELEASES

#### July 9

- Exports FOB  
June: US\$0.75bn (-41.2% yoy)
- Imports FOB  
June: US\$0.58bn (-56.6% yoy)
- Trade Balance (12mo. Accum.)  
June: US\$ 1.77bn

#### July 4

- CPI index  
June: 108.50 (+3.6% yoy)
- WPI index  
June: 176.67 (+8.5% yoy)
- Hourly wage index (nominal)  
June: 213.55 (+5.4% yoy)
- Labor cost index (nominal)  
May: 203.62 (+4.7% yoy)

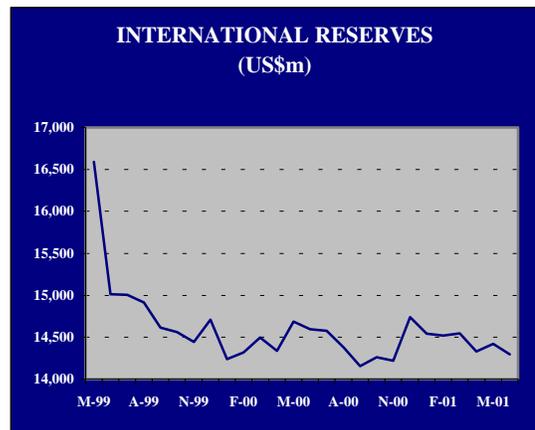
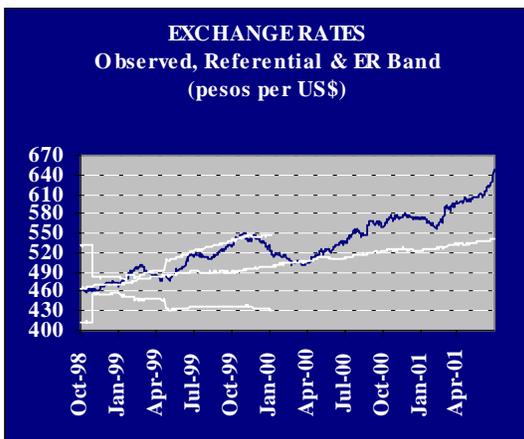
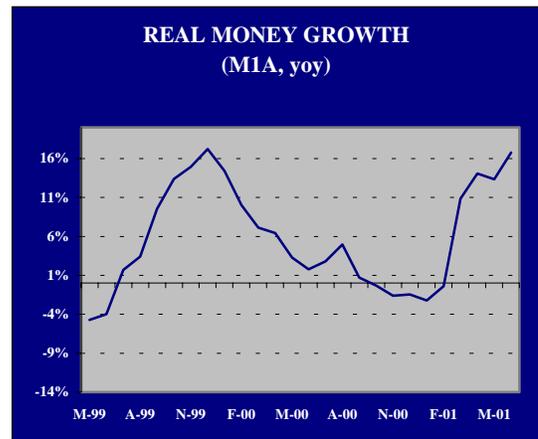
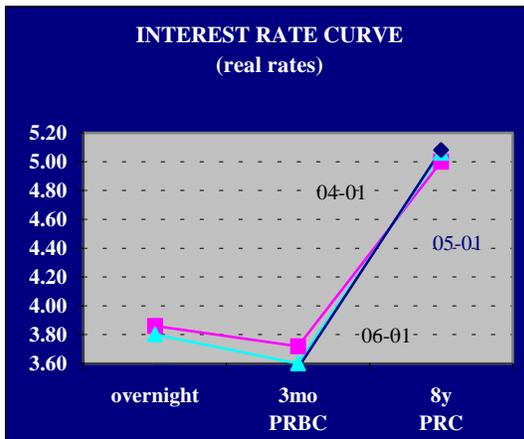
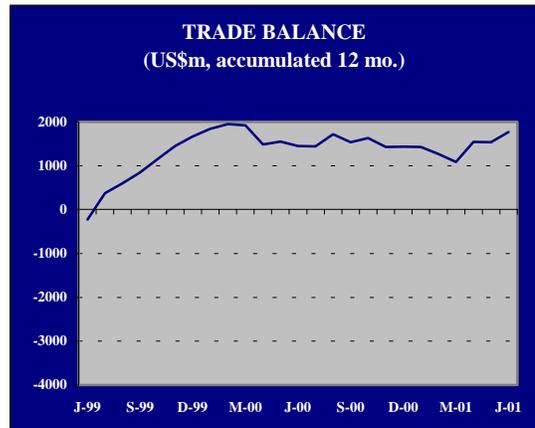
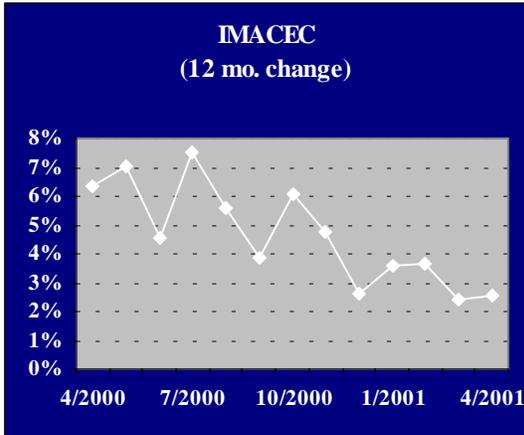
#### June 27

- 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%

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## MACROECONOMIC DATA

Annualized CPI inflation was 3.6% after consumer prices increased 0.1% in June. Core inflation (which excludes fruit, fresh vegetables and fuels) reached an annualized rate of 2.7%. In the first half of June, there was a surplus in the trade balance of US\$ 168m resulting from exports of US\$ 746.2m and imports of US\$ 578.2m. Net reserves decreased US\$ 126.6m in June to a total of US\$ 14.3bn. Real private money as measured by M1A, a leading indicator for private demand, increased 16.8% yoy in June.



## SUMMARY TABLE OF MONTHLY INDICATORS

	1996	1997	1998	1999	4/2000	5/2000	6/2000	7/2000	4/2001	5/2001	6/2001	7/2001
<b>OUTPUT AND DEMAND</b>												
Indicator of Economic Activity IMACEC (12 mo.change*)	7.4%	7.6%	3.4%	-0.8%	6.3%	7.0%	4.6%	7.5%	2.6%	n/a	n/a	n/a
Industrial Production (12 mo. change*)	2.4%	4.0%	-1.1%	-1.3%	2.9%	11.3%	4.7%	4.4%	3.1%	0.6%	n/a	n/a
Industrial Sales (12 mo. change*)	2.9%	4.5%	-1.5%	-1.2%	5.7%	3.1%	0.0%	1.2%	4.1%	8.7%	n/a	n/a
Mining Production (12 mo. change*)	22.3%	10.3%	5.7%	16.0%	11.0%	2.4%	2.2%	11.0%	-3.5%	3.2%	n/a	n/a
Unemployment Rate	6.5%	6.1%	6.2%	9.7%	8.5%	8.9%	9.4%	10.2%	9.1%	9.6%	n/a	n/a
Employment (12 mo. change)	1.4%	2.1%	1.8%	-2.1%	0.8%	2.2%	2.7%	2.0%	-1.1%	-1.7%	n/a	n/a
<b>FOREIGN TRADE AND INVESTMENT</b>												
Exports FOB (US\$m)	15,404.8	16,923.4	14,826.1	15,615.6	1,316.1	1,752.7	1,269.1	1,551.9	1,692.8	1,541.4	746.2	n/a
Import FOB (US\$m)	16,499.8	18,217.9	17,390.3	13,951.2	1,363.6	1,566.0	1,331.2	1,458.1	1,280.0	1,365.1	578.2	n/a
Trade Balance (US\$m)	-1,095.0	-1,294.5	-2,564.2	1,664.4	-47.5	186.7	-62.1	93.8	412.8	176.3	168.0	n/a
Trade Balance (US\$m, 12mo. accum.)	-1,095.0	-1,294.5	-2,564.2	1,664.4	1,484.3	1,546.4	1,450.9	1,440.6	1,545.7	1,535.3	1,765.4	n/a
Direct Investment from Abroad (US\$m, year to date)	4,633.10	5,219.10	4,638.30	9,220.80	818.00	1,065.70	1,606.50	1,779.00	6,416.10	6,501.20	n/a	n/a
Portfolio Investment from Abroad (US\$m, year to date)	1,229.80	2,602.30	590.10	2,496.10	-430.20	-462.70	-496.70	-498.10	268.40	249.00	n/a	n/a
<b>MONEY, INTEREST AND PRICES</b>												
CPI Inflation Rate (12 mo. change)	6.6%	6.0%	4.7%	2.3%	3.5%	3.6%	3.7%	3.8%	3.5%	3.7%	3.6%	n/a
Real Wages (12 mo. change)	2.7%	1.3%	2.9%	2.4%	1.6%	1.4%	1.0%	1.2%	1.7%	1.6%	n/a	n/a
Exchange Rate (observed, \$/US\$)	412.27	419.31	460.29	508.78	508.10	521.66	529.74	542.75	598.63	604.48	616.07	n/a**
Exchange Rate Breach (observed-referential)	-8.6%	-9.8%	-2.3%	4.5%	0.0%	1.7%	3.7%	5.7%	12.3%	12.9%	14.4%	n/a**
Real Exchange Rate (12 mo. change)	-5.3%	-8.3%	1.0%	7.9%	3.8%	3.8%	5.3%	4.2%	12.0%	12.0%	n/a	n/a
Real Private Money M1A (12 mo. change)	5.6%	13.2%	-12.3%	17.2%	6.4%	3.3%	1.8%	2.8%	14.1%	13.3%	16.8%	n/a
Central Bank Overnight Target (real rate)	7.50	6.50	7.80	5.00	5.50	5.50	5.50	5.50	3.75	3.75	3.50	3.50**
Interbank Lending (real rate)	6.72	7.00	12.95	5.72	5.54	5.50	5.47	5.47	3.86	3.80	3.58	3.49**
90 day Central Bank Paper (real rate)	7.25	6.79	9.57	5.99	5.59	5.81	5.78	5.60	3.72	3.60	3.57	n/a
8 Year Central Bank Bond (real rate)	6.32	6.46	7.48	5.96	6.51	6.65	6.55	6.34	5.00	5.06	5.08	n/a
Sovereign Spread *** (Bid, bp over US Treasury)	-	-	-	153	-	-	-	-	169	165	170	168**
IPSA Return (in US\$, year to date)	-15.5%	9.2%	-28.2%	28.4%	4.5%	2.9%	0.2%	-2.8%	-13.7%	-7.0%	-8.4%	n/a
<b>DEBT AND RESERVES</b>												
Net Reserves (US\$m)	15,474	17,841	15,992	14,710	14,338	14,687	14,597	14,578	14,329	14,422	14,295	n/a
Liquidity Ratio (Net reserves / M2)	61.8%	60.5%	52.1%	49.4%	45.2%	46.9%	47.0%	47.7%	48.0%	48.7%	48.5%	n/a
Total External Debt (US\$m)	22,979	26,701	31,691	33,984	34,845	34,991	35,049	35,256	37,334	37,205	n/a	n/a
Total External Debt (as % of 12 mo. accum. exports)	149%	158%	214%	218%	212%	207%	207%	204%	202%	203%	n/a	n/a
Short-term Debt (as % of total debt)	19.4%	13.5%	12.5%	11.5%	12.0%	12.4%	13.6%	13.7%	18.0%	17.1%	n/a	n/a
Public Debt (as % of total debt)	22.5%	19.1%	18.0%	17.1%	16.7%	16.5%	16.3%	16.0%	14.8%	14.6%	n/a	n/a
Financial System non-performing Loans (as % of total)	0.95%	0.97%	1.45%	1.67%	1.84%	1.88%	1.93%	1.93%	1.93%	1.91%	n/a	n/a
Financial System Capital Adequacy Ratio (in %)	n/a	n/a	12.48%	13.50%	13.21%	13.23%	13.25%	13.39%	13.67%	13.13%	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. (\*\*) As of July 09.

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