

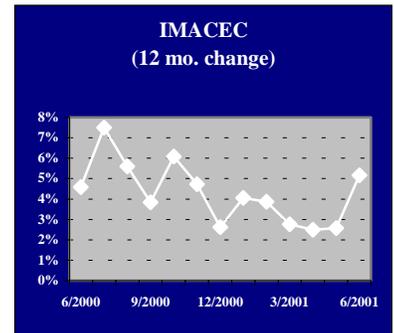


# CHILE

## BIWEEKLY ECONOMIC REPORT

### NEWS

- Central Bank maintains target interest rate** – During its monthly monetary policy meeting the Board of Governors decided to maintain the annual nominal interest rate at 6.5%. This figure corresponds to the previous UF + 3.5%, considering an expected inflation of 3% yoy. The Board considered a scenario of improved economic growth for the second half of the year supported by sound external accounts, and expected inflation in the target range. (August 10)
- Employment programs** – The Government informed the coverage of employment programs with fiscal support reached 130,789 job positions in July, pointing out the enormous effort made in this matter by the Government of President Lagos. On the other hand, this figure is close to the target of 150,000 job positions established by the government for September 2001. More information in [www.hacienda.cl](http://www.hacienda.cl) (August 14)
- Central Bank's stabilizing measures for exchange rate** - In an extraordinary meeting the Board of Governors decided to increase the supply of exchange rate risk instruments (PRDs), and to use international reserves to stabilize the exchange rate volatility. The supply of PRDs will increase up to a total of US\$ 4,500 million (US\$ 2,000 million more than the currently announced level) during the following months, and the new issue will consider maturities of 2 and 4 years. On the other hand, the Central Bank will use up to US\$ 2,000 million of its international reserves for exchange operations in order to stabilize the volatility of the market exchange rate, without defining a target level for it. (August 16)
- Budget execution 2Q 2001** – The Central Government's budget execution registered a small deficit of Ch\$4,129 million (US\$ 6.2 million) during the second quarter, accumulating during the first half of the year a surplus of 0.5% of GDP (given the positive balance of Ch\$200,129 million for 1Q 2001). The Ministry of Finance projects a fiscal deficit of 0.5% of GDP for the year 2001, after considering the expected performance for the Chilean economy and the international copper price. More information in [www.hacienda.cl](http://www.hacienda.cl) (August 16)
- IMACEC of 5.1% in June** – The Central Bank informed that the Monthly Indicator of Economic Activity (IMACEC) grew 5.1% yoy during June. This way, the average growth rate for the first half of the year reached 3.5% yoy. (August 23)
- Unemployment rate of 9.8% in May-July quarter** - The National Institute of Statistics (INE) informed the unemployment rate reached 9.8% of the labor force during the May-July 2001 quarter. This figure corresponds to an increase of 0.1% with respect to the previous quarter (April-June 2001), but a 0.4% less than the same period in the year 2000. On the other hand, in the Metropolitan Area of Santiago the unemployment rate decreased compared to the previous quarter from 8.9% to 8.4%. (August 28)



### LATEST DATA RELEASES

#### August 28

- Industrial production  
July: 151.5 (+0.3% yoy)
- Industrial sales  
July: 151.5 (+2.5% yoy)
- Initiated construction  
July: 688,737m2 (+46.9% yoy)
- Mining production  
July: 260.3 (-0.3% yoy)
- Copper production  
July: 404,606tn (+1.2% yoy)
- Real supermarket sales  
July: 227.41 (+3.9% yoy)
- Electric Power Production  
July: 3,490GWh (+0.5% yoy)
- Employment  
May-July: 5,260.5m (+0.7% yoy)
- Unemployment rate  
May-July: 9.8%

#### August 23

- IMACEC  
June: 256.9 (+5.1% yoy)
- Exports FOB  
July: US\$1.33bn (-14.2% yoy)
- Imports FOB  
July: US\$1.39bn (-4.7% yoy)
- Trade Balance (12mo. Accum.)  
July: US\$ 1.49bn

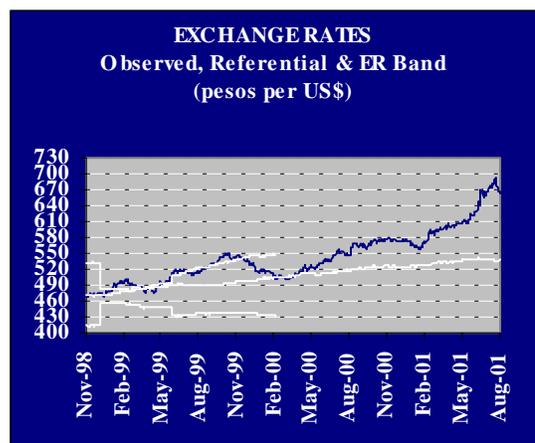
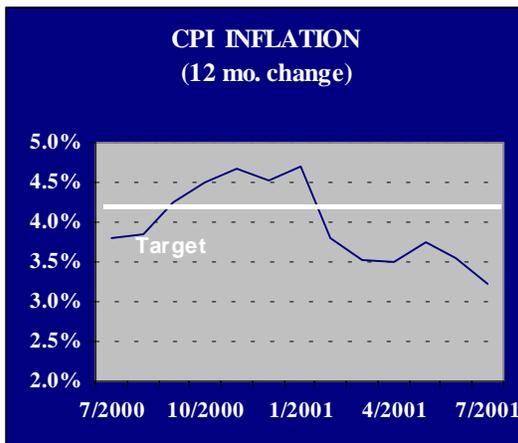
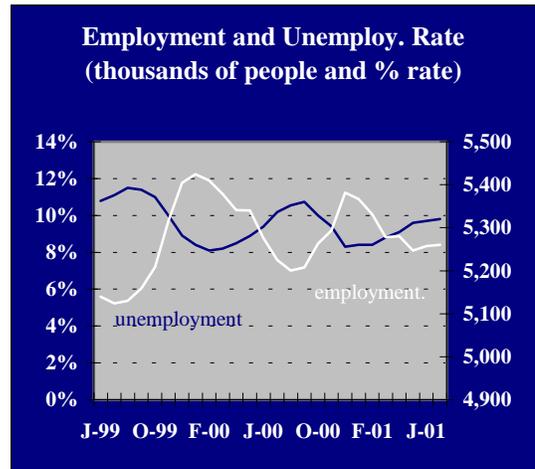
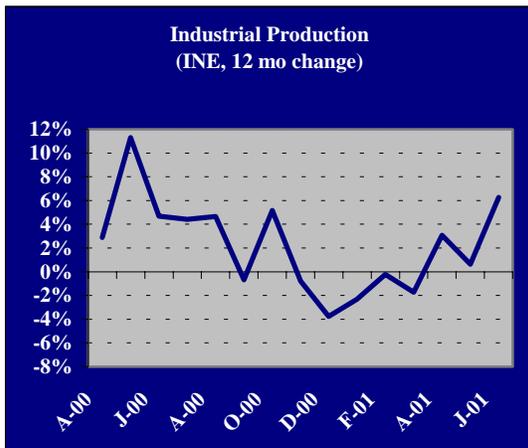
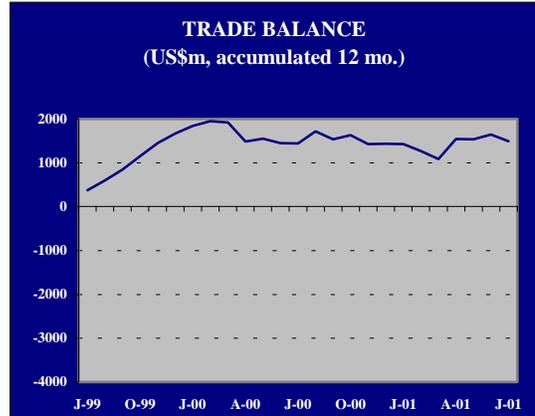
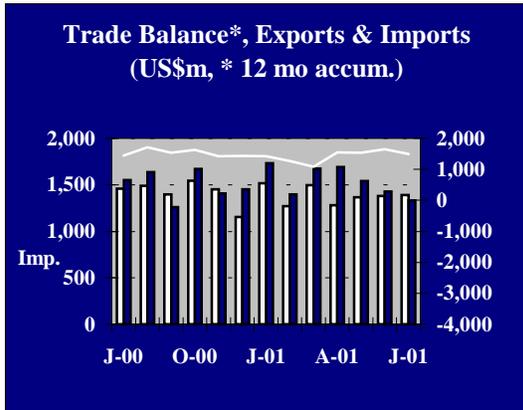
#### August 3

- CPI index  
July: 108.29 (+3.2% yoy)
- WPI index  
July: 178.24 (+7.4% yoy)
- Hourly wage index (nominal)  
June: 214.92 (+5.6% yoy)
- Labor cost index (nominal)  
June: 204.94 (+5.3% yoy)

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## MACROECONOMIC DATA

The monthly indicator of economic activity (IMACEC) rose 5.1% in June. June industrial production increased 0.3%, while industrial sales increased 2.5% yoy. Unemployment reached 9.8% in the May-July quarter. July imports decreased 4.7% yoy, reaching the total amount of US\$ 1.39 billion, and exports decreased 14.2% yoy, amounting to US\$ 1.33 billion. July's trade balance had a deficit of US\$ 57.8 million.



## SUMMARY TABLE OF MONTHLY INDICATORS

	1996	1997	1998	1999	5/2000	6/2000	7/2000	8/2000	5/2001	6/2001	7/2001	8/2001
<b>OUTPUT AND DEMAND</b>												
Indicator of Economic Activity IMACEC (12 mo. change*)	7.4%	7.6%	3.4%	-0.8%	7.0%	4.6%	7.5%	5.6%	2.6%	5.2%	n/a	n/a
Industrial Production (12 mo. change*)	2.4%	4.0%	-1.1%	-1.3%	11.3%	4.7%	4.4%	4.7%	0.6%	6.3%	0.3%	n/a
Industrial Sales (12 mo. change*)	2.9%	4.5%	-1.5%	-1.2%	3.1%	0.0%	1.2%	7.3%	8.7%	13.6%	2.5%	n/a
Mining Production (12 mo. change*)	22.3%	10.3%	5.7%	16.0%	3.0%	2.8%	11.5%	0.6%	3.4%	5.2%	-0.3%	n/a
Unemployment Rate	6.5%	6.1%	6.2%	9.7%	8.9%	9.4%	10.2%	10.6%	9.6%	9.7%	9.8%	n/a
Employment (12 mo. change)	1.4%	2.1%	1.8%	-2.1%	2.2%	2.7%	2.0%	1.4%	-1.7%	-0.4%	0.7%	n/a
<b>FOREIGN TRADE AND INVESTMENT</b>												
Exports FOB (US\$m)	15,404.8	16,923.4	14,826.1	15,615.6	1,752.7	1,269.1	1,551.9	1,635.3	1,541.4	1,428.4	1,332.1	n/a
Import FOB (US\$m)	16,499.8	18,217.9	17,390.3	13,951.2	1,566.0	1,331.2	1,458.1	1,490.5	1,365.1	1,380.0	1,389.9	n/a
Trade Balance (US\$m)	-1,095.0	-1,294.5	-2,564.2	1,664.4	186.7	-62.1	93.8	144.8	176.3	48.4	-57.8	n/a
Trade Balance (US\$m, 12mo. accum.)	-1,095.0	-1,294.5	-2,564.2	1,664.4	1,546.4	1,450.9	1,440.6	1,714.5	1,535.3	1,645.8	1,494.2	n/a
Direct Investment from Abroad (US\$m, year to date)	4,633.1	5,219.1	4,638.3	9,220.8	1,065.7	1,606.5	1,779.0	1,923.0	6,528.2	6,988.6	7,236.0	n/a
Portfolio Investment from Abroad (US\$m, year to date)	1,229.8	2,602.3	590.1	2,496.1	-462.7	-496.7	-498.1	-193.3	249.0	186.4	149.2	n/a
<b>MONEY, INTEREST AND PRICES</b>												
CPI Inflation Rate (12 mo. change)	6.6%	6.0%	4.7%	2.3%	3.6%	3.7%	3.8%	3.9%	3.7%	3.6%	3.2%	n/a
Real Wages (12 mo. change)	2.7%	1.3%	2.9%	2.4%	1.4%	1.0%	1.2%	1.7%	1.6%	1.9%	n/a	n/a
Exchange Rate (observed, \$/US\$)	412.27	419.31	460.29	508.78	521.66	529.74	542.75	550.99	604.48	616.07	656.46	677.02 **
Exchange Rate Gap (observed-referential)	-8.6%	-9.8%	-2.3%	4.5%	1.7%	3.7%	5.7%	6.5%	12.9%	14.4%	21.7%	25.7% **
Real Exchange Rate (12 mo. change)	-5.3%	-8.3%	1.0%	7.9%	3.8%	5.3%	4.2%	2.6%	12.0%	8.2%	n/a	n/a
Real Private Money M1A (12 mo. change)	5.6%	13.2%	-12.3%	17.2%	3.3%	1.8%	2.8%	5.0%	13.3%	16.8%	19.6%	n/a
Central Bank Overnight Target (real rate)	7.50	6.50	7.80	5.00	5.50	5.50	5.50	5.43	3.75	3.50	3.50	6.50
Interbank Lending (real rate)	6.72	7.00	12.95	5.72	5.50	5.47	5.47	5.40	3.80	3.58	3.46	6.50
90 day Central Bank Paper (real rate)	7.25	6.79	9.57	5.99	5.81	5.78	5.60	5.44	3.60	3.57	3.72	8.00
8 Year Central Bank Bond (real rate)	6.32	6.46	7.48	5.96	6.65	6.55	6.34	6.17	5.06	5.08	5.08	5.27
Sovereign Spread *** (Bid, bp over US Treasury)	-	-	-	-	-	-	-	-	165	170	161	165
IPSA Return (in US\$, year to date)	-15.5%	9.2%	-28.2%	28.4%	2.9%	0.2%	-2.8%	-3.5%	-7.0%	-8.4%	-14.2%	-10.0%
<b>DEBT AND RESERVES</b>												
Net Reserves (US\$m)	15,474	17,841	15,992	14,710	14,687	14,597	14,578	14,379	14,422	14,295	14,473	14,363
Liquidity Ratio (Net reserves / M2)	61.8%	60.5%	52.1%	49.4%	46.9%	47.0%	47.7%	48.2%	48.7%	48.5%	52.1%	53.6%
Total External Debt (US\$m)	22,979	26,701	31,691	33,984	34,991	35,049	35,256	35,716	37,205	37,025	n/a	n/a
Total External Debt (as % of 12 mo. accum. exports)	149%	158%	214%	218%	207%	207%	204%	201%	203%	201%	n/a	n/a
Short-term Debt (as % of total debt)	19.4%	13.5%	12.5%	11.5%	12.4%	13.6%	13.7%	13.9%	17.1%	17.0%	n/a	n/a
Public Debt (as % of total debt)	22.5%	19.1%	18.0%	17.1%	16.5%	16.3%	16.0%	15.7%	14.6%	14.4%	n/a	n/a
Financial System non-performing Loans (as % of total)	0.95%	0.97%	1.45%	1.67%	1.88%	1.93%	1.93%	1.89%	1.91%	1.89%	1.89%	n/a
Financial System Capital Adequacy Ratio (in %)	n/a	n/a	12.48%	13.50%	13.23%	13.25%	13.39%	13.16%	13.13%	12.92%	12.90%	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. (\*\*) August 27, 2001. (\*\*\*) Chile 09.

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