

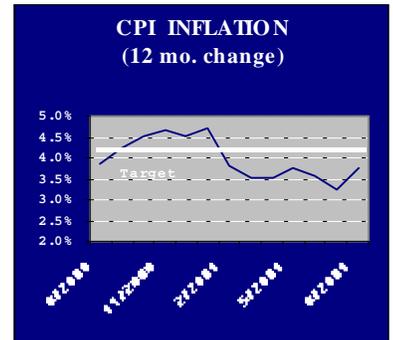


# CHILE

## BIWEEKLY ECONOMIC REPORT

### NEWS

- Sovereign Bond** –The Minister of Finance, Nicolas Eyzaguirre, informed that during September the Chilean Government is going to issue a new sovereign bond in New York (the previous issuance was in April 1999, and corresponded to US\$500,000,000). The Minister of Finance explained that this new issue will help to differentiate Chile from others countries in the region, as well as improving the exchange rate hedging for the public sector. See [www.hacienda.cl](http://www.hacienda.cl) (August 29)
- Consumer price index rose 3.8% in August** – The National Bureau of Statistics (INE) reported that the consumer price index increased 0.8% in August, registering a growth rate of 3.8% yoy. In terms of sectors, Transport presented the largest increase (2.2%) affected by the depreciation of the Chilean peso, followed by Food (1.4%) because of seasonal effects on fruit and vegetables. On the other hand, the core index grew 3.5% yoy, after increasing 0.5% in August. (September 05)
- Central Bank maintains target interest rate at 6.5%** – During its monthly monetary policy meeting the Board of Governors decided to keep the annual target interest rate at 6.5%. The Board explained that the depreciation of the Chilean currency is going to have a transitory effect on the price level trend (2 to 3 quarters). However, the inflation rate is expected to stay in the target range, and converge to the center of it (3% yoy) in a period of 18 months. On the other hand, the Central Bank pointed out the improved growth rate projected for the last quarter of the year, as well as the soundness of the external accounts (for the years 2001 and 2002) despite of the reduction in the terms of trade. (September 06)
- Direct Operator** – The Superintendent of Securities and Insurances, Alvaro Clarke, announced the normative creating “direct operators” was posted in the web page of the regulatory agency in order to receive comments from the market agents. The main idea is that any agent in the market can access the stock exchanges –under the responsibility of an authorized broker- by paying a fixed (supposed to be small) annual fee instead of paying for each operation. Commenting this normative change the President of the Electronic Stock Exchange, Jose Cox, pointed out that once the regulation is in operation foreign agents will be able to buy and sell securities in the domestic markets without any impediment, given the liberalization on capital gain taxes and exchange rate operations implemented in the capital market reforms and by the Central Bank, respectively. (September 06)
- Manufacture exports grew 7.2% yoy in July** – The Association of Exporters of Manufactures and Services (ASEXMA) informed that manufacture exports increased 7.2% compared to the same period in the year 2000. In terms of countries, Brazil, Venezuela, and Ecuador registered the main increase in imports (22.5%, 45.6%, and 89.4%, respectively). Overall, in the first 7 months of the current year Chile exported US\$1,890 million in manufactures (versus US\$1,769 million exported during the same period in the previous year). For the year 2001, ASEXMA projects a growth rate of 6% yoy. (September 07)
- CORFO sells COLBUN** – On September 14<sup>th</sup> the shares owned by the government agency CORFO, corresponding to 36.67% of the electric company, will be offered by the Deutsche Bank (investment bank selling the shares) to the investors. AFPs, investment funds, and minority shareholders are considered the potential buyers for this operation. The generating company COLBUN is currently controlled by the Belgian company Tractebel and the Matte group (Chilean). (September 07)



### LATEST DATA RELEASES

#### September 7

- Exports FOB  
August: US\$0.71bn (-56.6% yoy)
- Imports FOB  
August: US\$0.50bn (-66.2% yoy)
- Trade Balance (12mo. Accum.)  
August: US\$ 1.56bn

#### September 5

- CPI index  
August: 109.16 (+3.8% yoy)
- WPI index  
August: 183.01 (+9.9% yoy)
- Hourly wage index (nominal)  
July: 215.71 (+5.5% yoy)
- Labor cost index (nominal)  
July: 205.33 (+5.2% yoy)

#### 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%

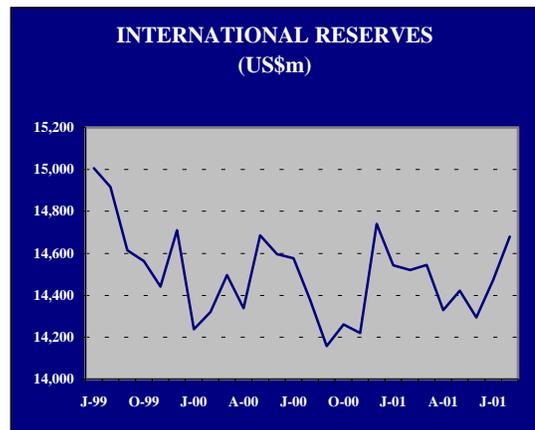
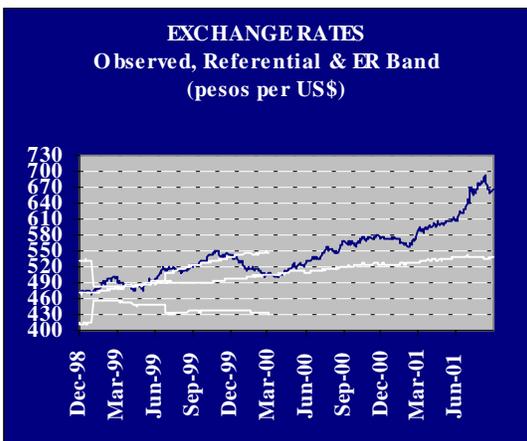
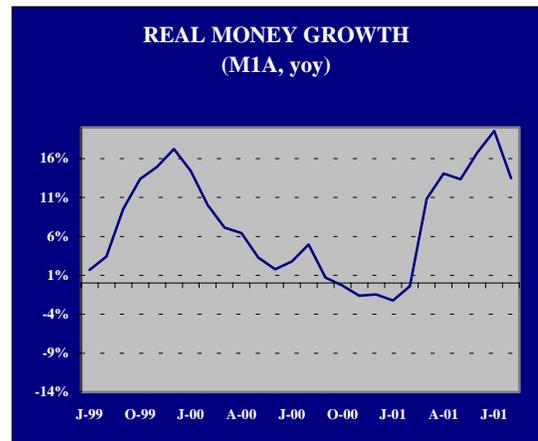
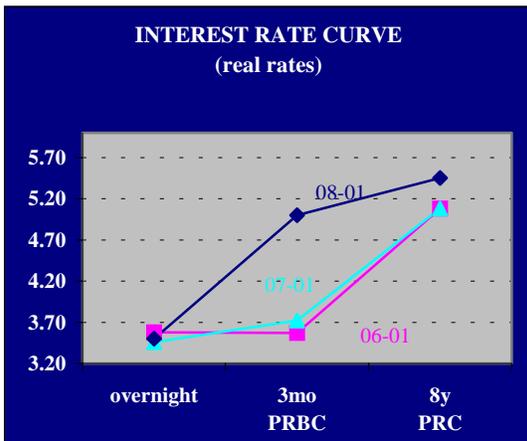
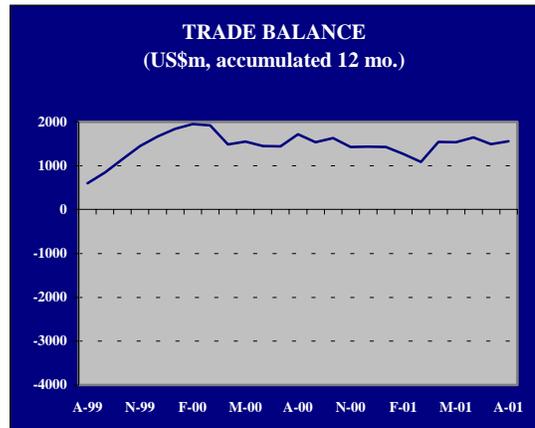
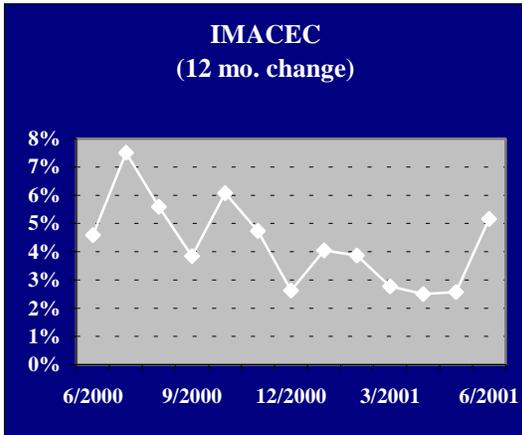
To receive regularly a copy of this report please mail your business card to [haciendany@minhda.cl](mailto:haciendany@minhda.cl)

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## MACROECONOMIC DATA

Annualized CPI inflation was 3.8% after consumer prices increased 0.5% in August. Core inflation (which excludes fruit, fresh vegetables and fuels) reached an annualized rate of 3.5%. In the first half of August, there was a surplus in the trade balance of US\$ 206.8m resulting from exports of US\$ 710.2m and imports of US\$ 503.4m. Net reserves increased US\$ 207.3m in August to a total of US\$ 14.7bn. Real private money as measured by M1A, a leading indicator for private demand, increased 13.5% yoy in August.



## SUMMARY TABLE OF MONTHLY INDICATORS

	1996	1997	1998	1999	6/2000	7/2000	8/2000	9/2000	6/2001	7/2001	8/2001	9/2001
<b>OUTPUT AND DEMAND</b>												
Indicator of Economic Activity IMACEC (12 mo.change*)	7.4%	7.6%	3.4%	-0.8%	4.6%	7.5%	5.6%	3.8%	5.2%	n/a	n/a	n/a
Industrial Production (12 mo. change*)	2.4%	4.0%	-1.1%	-1.3%	4.7%	4.4%	4.7%	-0.7%	6.3%	0.3%	n/a	n/a
Industrial Sales (12 mo. change*)	2.9%	4.5%	-1.5%	-1.2%	0.0%	1.2%	7.3%	-0.9%	13.6%	2.5%	n/a	n/a
Mining Production (12 mo. change*)	22.3%	10.3%	5.7%	16.0%	2.8%	11.5%	0.6%	5.8%	5.2%	-0.3%	n/a	n/a
Unemployment Rate	6.5%	6.1%	6.2%	9.7%	9.4%	10.2%	10.6%	10.7%	9.7%	9.8%	n/a	n/a
Employment (12 mo. change)	1.4%	2.1%	1.8%	-2.1%	2.7%	2.0%	1.4%	1.0%	-0.4%	0.7%	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	1,269.1	1,551.9	1,635.3	1,259.8	1,428.4	1,332.1	710.2	n/a
Import FOB (US\$m)	16,499.8	18,217.9	17,390.3	13,951.2	1,331.2	1,458.1	1,490.5	1,397.6	1,380.0	1,389.9	503.4	n/a
Trade Balance (US\$m)	-1,095.0	-1,294.5	-2,564.2	1,664.4	-62.1	93.8	144.8	-137.8	48.4	-57.8	206.8	n/a
Trade Balance (US\$m, 12mo. accum.)	-1,095.0	-1,294.5	-2,564.2	1,664.4	1,450.9	1,440.6	1,714.5	1,538.3	1,645.8	1,494.2	1,556.2	n/a
Direct Investment from Abroad (US\$m, year to date)	4,633.10	5,219.10	4,638.30	9,220.80	1,606.50	1,779.00	1,923.00	2,473.00	6,988.60	7,236.00	n/a	n/a
Portfolio Investment from Abroad (US\$m, year to date)	1,229.80	2,602.30	590.10	2,496.10	-496.70	-498.10	-193.30	-171.90	186.40	149.20	n/a	n/a
<b>MONEY, INTEREST AND PRICES</b>												
CPI Inflation Rate (12 mo. change)	6.6%	6.0%	4.7%	2.3%	3.7%	3.8%	3.9%	4.2%	3.6%	3.2%	3.8%	n/a
Real Wages (12 mo. change)	2.7%	1.3%	2.9%	2.4%	1.0%	1.2%	1.7%	1.2%	1.9%	2.2%	n/a	n/a
Exchange Rate (observed, \$/US\$)	412.27	419.31	460.29	508.78	529.74	542.75	550.99	565.90	616.07	656.46	673.70	n/a*
Exchange Rate Breach (observed-referential)	-8.6%	-9.8%	-2.3%	4.5%	3.7%	5.7%	6.5%	8.7%	14.4%	21.7%	25.3%	n/a*
Real Exchange Rate (12 mo. change)	-5.3%	-8.3%	1.0%	7.9%	5.3%	4.2%	2.6%	1.3%	8.2%	13.5%	n/a	n/a
Real Private Money M1A (12 mo. change)	5.6%	13.2%	-12.3%	17.2%	1.8%	2.8%	5.0%	0.7%	16.8%	19.6%	13.5%	n/a
Central Bank Overnight Target (real rate)	7.50	6.50	7.80	5.00	5.50	5.50	5.43	5.00	3.50	3.50	6.50	6.50*
Interbank Lending ***	6.72	7.00	12.95	5.72	5.47	5.47	5.40	5.01	3.58	3.46	6.50	6.50*
90 day Central Bank Paper ***	7.25	6.79	9.57	5.99	5.78	5.60	5.44	5.00	3.57	3.72	8.00	n/a
8 Year Central Bank Bond (real rate)	6.32	6.46	7.48	5.96	6.55	6.34	6.17	6.20	5.08	5.08	5.45	n/a
Sovereign Spread (Bid, bp over US Treasury)	-	-	-	153	-	-	-	-	170	161	165	180*
IPSA Return (in US\$, year to date)	-15.5%	9.2%	-28.2%	28.4%	0.2%	-2.8%	-3.5%	-3.2%	-8.4%	-14.2%	-9.4%	-10.3%
<b>DEBT AND RESERVES</b>												
Net Reserves (US\$m)	15,474	17,841	15,992	14,710	14,597	14,578	14,379	14,157	14,295	14,473	14,681	n/a
Liquidity Ratio (Net reserves / M2)	61.8%	60.5%	52.1%	49.4%	47.0%	47.7%	48.2%	48.9%	48.5%	52.1%	54.8%	n/a
Total External Debt (US\$m)	22,979	26,701	31,691	33,984	35,049	35,256	35,716	35,493	37,025	36,746	n/a	n/a
Total External Debt (as % of 12 mo. accum. exports)	149%	158%	214%	218%	207%	204%	201%	200%	201%	202%	n/a	n/a
Short-term Debt (as % of total debt)	19.4%	13.5%	12.5%	11.5%	13.6%	13.7%	13.9%	14.1%	17.0%	17.8%	n/a	n/a
Public Debt (as % of total debt)	22.5%	19.1%	18.0%	17.1%	16.3%	16.0%	15.7%	15.8%	14.4%	14.3%	n/a	n/a
Financial System non-performing Loans (as % of total)	0.95%	0.97%	1.45%	1.67%	1.93%	1.93%	1.89%	1.93%	1.89%	1.89%	n/a	n/a
Financial System Capital Adequacy Ratio (in %)	n/a	n/a	12.48%	13.50%	13.25%	13.39%	13.16%	13.48%	12.92%	12.90%	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 September 07. (\*\*\*) From August 9 nominal rate  
Sources: Chilean Central Bank, Instituto Nacional de Estadísticas (INE), Superintendencia de Bancos e Instituciones Financieras, Bolsa de Comercio de Santiago.