

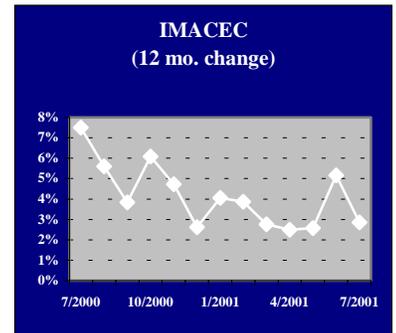


CHILE

BIWEEKLY ECONOMIC REPORT

NEWS

- Central Bank Monetary Policy Report** – In its September Monetary Policy Report the Central Bank adjusted the estimated growth rate for the current year from 4.3% to 3.7%. This new estimate considers the slowdown affecting the world economy and its effect on the terms of trade, the domestic unemployment rate, the weak consumer confidence and the instability in some financial markets of the region. However, the Report points out that based in several leading indicators the expected growth for the second semester will be more than the 3.5% yoy exhibited during the first six months of the year, representing a reversion in the trend exhibited by the GDP from the middle of the year 2000. On the other hand, the inflation rate is expected to continue in the target range (2-4% yoy) but presenting higher volatility in the short term. This expected behavior responds to the instability in the international financial markets that could lead to a further depreciation of the Chilean currency, and eventually to increase domestic prices. (September 14)
- Capital Market Reforms** – On September 11th and after being voted and approved by the Congress, the capital market reform bill was left ready for its promulgation. The project that entered the Congress the past 6 of June has to be approved by the Constitutional Court, and it should be promulgated during the first days of October. The approved project directly talks about the deregulation of the capital markets, of greater flexibility in the investments of the mutual funds and insurance companies; creates the figure of the General Administrator of Funds; facilitates the international bank's operations and perfects the Corporations Law and Investment Funds. It also contemplates, among other issues, the elimination of the capital gains tax for highly traded equity, the relaxation of the voluntary saving procedures, a new processing of the stamp tax for short term bonds, and the creation of an emergent companies stock-market. More information at www.hacienda.cl (September 14)
- Scale and Scope Economies in the Banking Sector** – The Superintendency of Banks eliminated restrictions in terms of sharing fixed assets and management between the bank and its related companies (leasing, factoring, financial advise, etc.). In addition, allowed to advertise products offered by the bank at any of the companies in the Holding, as well as using the bank to promote the products or services offered by them. (September 14)
- IMACEC of 2.8% in July** – The Central Bank informed that the Monthly Indicator of Economic Activity (IMACEC) grew 2.8% yoy during July. This way, the average growth rate for the first seven months of the year reached 3.4% yoy. (September 23)
- Two New Metro Lines** – The Chilean President, Ricardo Lagos, announced the construction, with participation of the private sector, of two new lines of the Metropolitan Train. The bid process to assign the project is supposed to be finished by the end of this year. Total investment ascends to US\$130 million. (September 26)
- Labor Reform Law**– After seven years in the Congress, the Labor Reform Law was promulgated today. The Chilean President, Ricardo Lagos, pointed out this new law gives a better balance in the relationship between workers and employers, which is required to achieve improved social justice in the country. (September 27)
- Shareholders Protection Ranking**– In a report by the Santander Central Hispano Bank (BSCH), Chile is ranked at the top of Latin American countries in terms of protection to minority shareholders. The Superintendent of Securities and Insurance, Alvaro Clarke, pointed out that this is the result of the efforts made in Chile to achieve international standards in this issue (The Tender Offer Law, Capital Market Reforms, etc.). More information at www.svs.cl (September 27)
- Unemployment rate of 9.7% in June-August quarter** - The National Institute of Statistics (INE) informed that the unemployment rate reached 9.7% of the labor force during the June-August 2001 quarter. This figure corresponds to a reduction of 0.1% with respect to the previous quarter, and a 0.9% 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 same quarter last year from 11.2% to 8.4%. (September 27)



LATEST DATA RELEASES

September 27

- Industrial production
August: 155.4 (+1.7% yoy)
- Industrial sales
August: 157.7 (+2.8% yoy)
- Initiated construction
Aug.: 707,031m2 (+12.6% yoy)
- Mining production
August: 263.7 (+6.7% yoy)
- Copper production
August: 408,866tn (+9.0% yoy)
- Real supermarket sales
August: 227.68 (+7.8% yoy)
- Electric Power Production
August: 3,561GWh (+6.9% yoy)
- Employment
Jun-Aug: 5,292.9m (+1.8% yoy)
- Unemployment rate
June-August: 9.7%

September 23

- IMACEC
July: 248.9 (+2.8% yoy)
- Exports FOB
August: US\$1.52bn (-7.4% yoy)
- Imports FOB
August: US\$1.31bn (-12.3% yoy)
- Trade Balance (12mo. Accum.)
August: US\$ 1.54bn

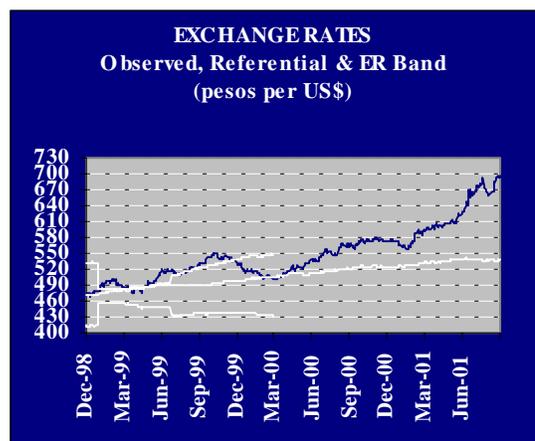
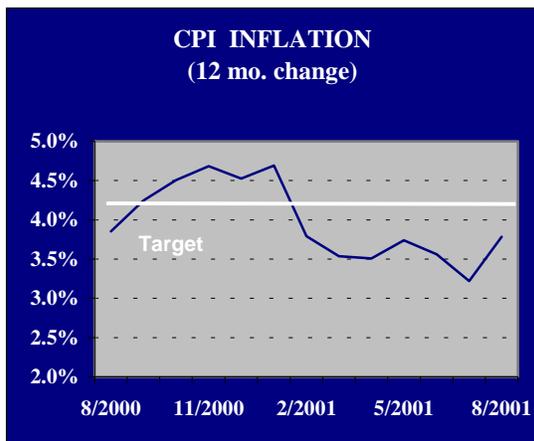
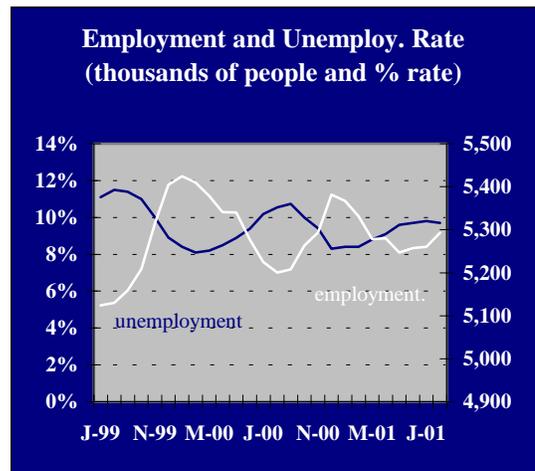
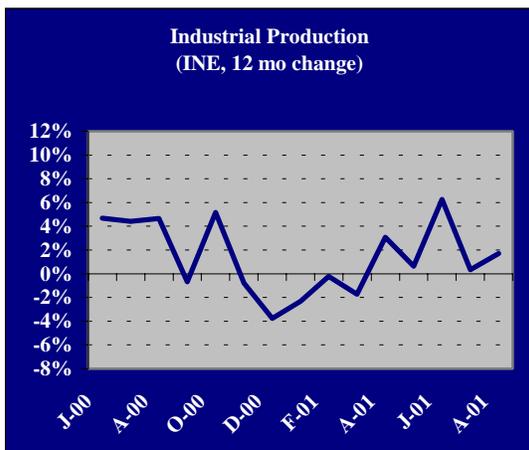
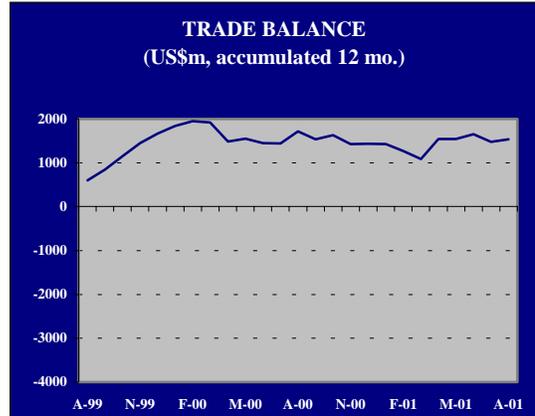
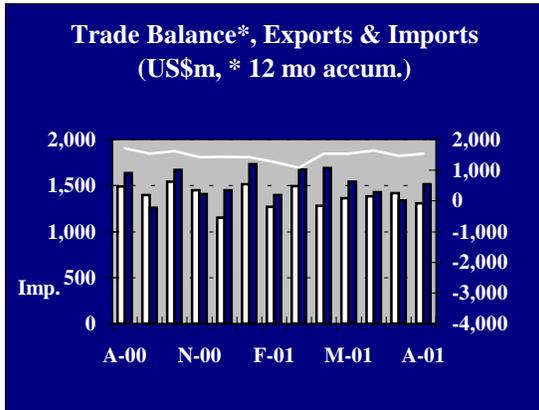
September 5

- 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)

To receive regularly a copy of this report please mail your business card to haciendany@minhda.cl. This report has been prepared by the Chilean Ministry of Finance for information purposes only. The information contained in this report has been compiled from sources believed to be reliable but, while all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. All opinions and estimates included herein constitute our judgment as of the date of this report and are subject to change without notice.
© Ministerio de Hacienda de Chile. 2000. All rights reserved.

MACROECONOMIC DATA

The monthly indicator of economic activity (IMACEC) rose 2.8% in July. July industrial production increased 1.7%, while industrial sales increased 2.8% yoy. Unemployment reached 9.7% in the June-August quarter. August imports decreased 12.3% yoy, reaching the total amount of US\$ 1.31 billion, and exports decreased 7.4% yoy, amounting to US\$ 1.52 billion. August's trade balance had a surplus of US\$ 207.8 million.



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
OUTPUT AND DEMAND												
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%	2.9%	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%	1.7%	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%	2.8%	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%	6.7%	n/a
Unemployment Rate	6.5%	6.1%	6.2%	9.7%	9.4%	10.2%	10.6%	10.7%	9.7%	9.8%	9.7%	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%	1.8%	n/a
FOREIGN TRADE AND INVESTMENT												
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	1,429.1	1,338.3	1,515.1	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	1,384.2	1,418.8	1,307.3	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	44.9	-80.5	207.8	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	1,649.1	1,474.8	1,537.8	n/a
Direct Investment from Abroad (US\$m, year to date)	4,633.1	5,219.1	4,638.3	9,220.8	1,606.5	1,779.0	1,923.0	2,473.0	6,988.6	7,281.8	7,433.6	n/a
Portfolio Investment from Abroad (US\$m, year to date)	1,229.8	2,602.3	590.1	2,496.1	-496.7	-498.1	-193.3	-171.9	186.4	149.2	466.1	n/a
MONEY, INTEREST AND PRICES												
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	670.51 ^{**}
Exchange Rate Gap (observed-referential)	-8.6%	-9.8%	-2.3%	4.5%	3.7%	5.7%	6.5%	8.7%	14.4%	21.7%	25.3%	24.6% ^{**}
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	6.51
Interbank Lending (real rate)	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 (real rate)	7.25	6.79	9.57	10.79	9.72	9.90	9.37	10.32	6.74	6.44	7.07	7.41
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	5.37
Sovereign Spread *** (Bid, bp over US Treasury)	-	-	-	-	-	-	-	-	170	161	165	200
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%	-18.3%
DEBT AND RESERVES												
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	14,623
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%	54.5%
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%	1.89%	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%	13.06%	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. (**) September 27, 2001. (***) Chile 09.

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