



# CHILE: RECENT DEVELOPMENTS AND PROSPECTS

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# Agenda

- Global outlook
- Financial markets
- Domestic activity
- Economic Forecasts



# Global Outlook

## Chilean Economic Performance and Forecasts (Annual % change)

	2003	2004	2005	2006(f)
GDP	3,9	6,1	6,3	5 <sup>1</sup> / <sub>4</sub> – 6 <sup>1</sup> / <sub>4</sub>
Inflation	1,1	2,4	3,7	2,7
Domestic demand	4,9	8,1	11,4	6,6
Gross fixed capital formation	5,7	11,7	24,7	10,3
Total consumption	3,9	5,2	7,2	5,8
Exports of goods and services	6,5	11,8	6,1	6,8
Imports of goods and services	9,5	18,0	20,4	8,7
National savings (% of GDP)	20,5	23,2	24,2	n.d.
Gross fixed capital formation (% of GDP)	23,6	24,9	29,2	n.d.
Current Account (% of GDP)	-1,5	1,5	-0,4	-1,4

Source: Central Bank of Chile



# Global Outlook

## World Economic Growth (percentage)

	1990-1990	2004	2005	2006		2007	
				MPR Jan.06	Mar.06 (*)	MPR Jan.06	Mar.06 (*)
World	3.3	5.1	4.6	4.5	4.6	4.3	4.2
USA	3.1	4.2	3.5	3.6	3.5	3.2	3.1
Euro Zone	2.2	1.8	1.4	1.8	1.9	1.8	1.4
Japan	1.5	2.3	2.7	2.5	3.3	2.2	2.7
Other Asian countries	8.0	8.6	8.2	7.6	7.7	7.6	7.4
China	10.0	10.1	9.9	9.0	9.1	8.7	8.6
Latin America (Chile excl.)	2.8	5.8	4.1	4.0	4.2	3.6	3.6
Commodities exporters	2.7	3.2	2.7	3.1	3.1	3.1	3.0
Trading partners	3.1	4.5	3.9	3.9	4.2	3.7	3.7
World (mk exch. Rate)	2.8	3.8	3.3	3.5	3.6	3.2	3.1

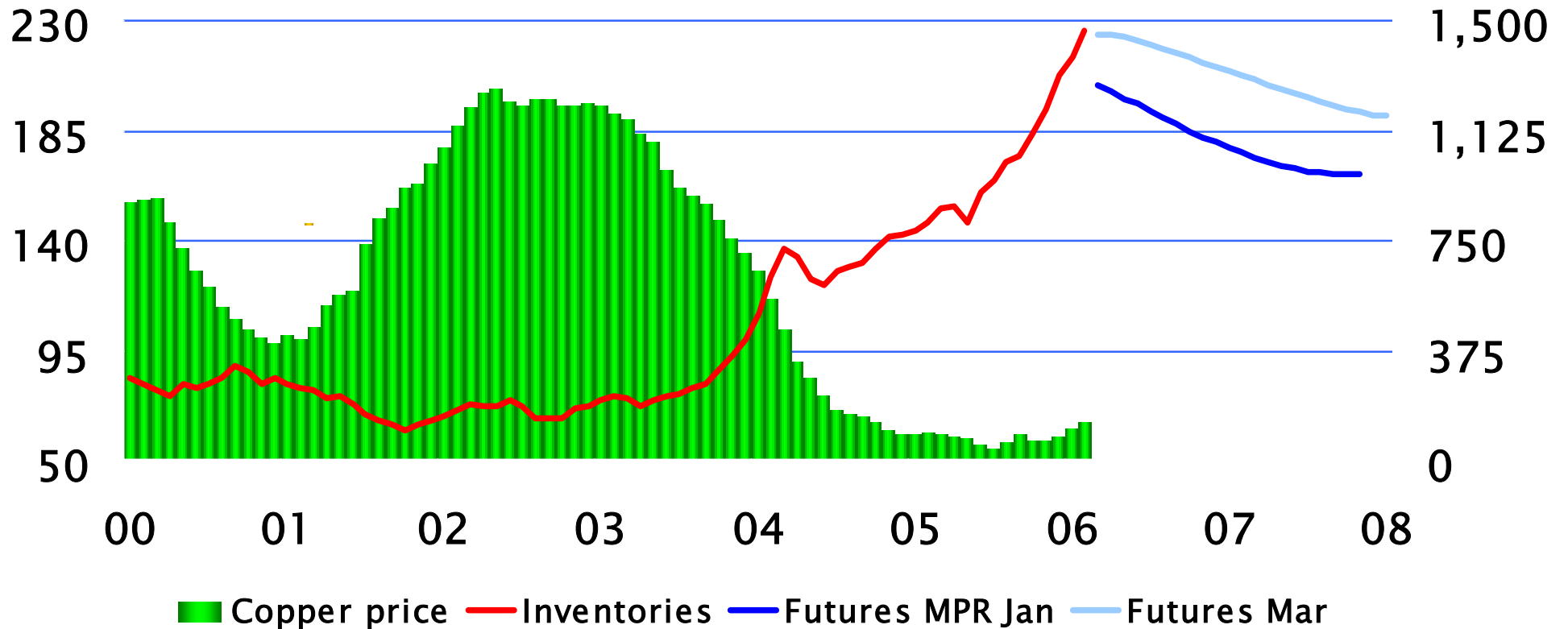
(\*) Forecasted based on investment banks' sample (Deutsche Bank, JP Morgan Chase and Lehman Brothers)



# Global Outlook

## Copper Market

(US\$/lb, miles of metric tons)



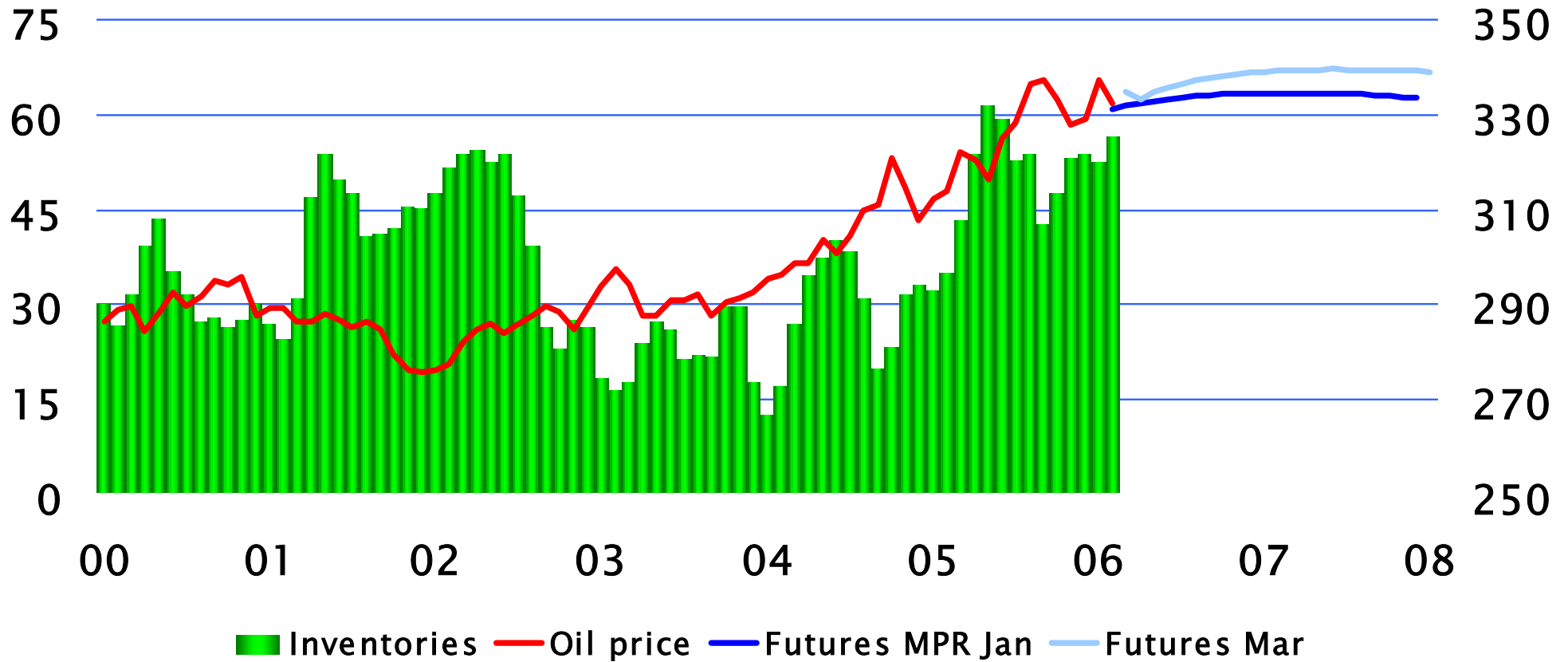
Source: Bloomberg.



# Global Outlook

## Oil Market

(US\$ per barrel, millions of barrels)



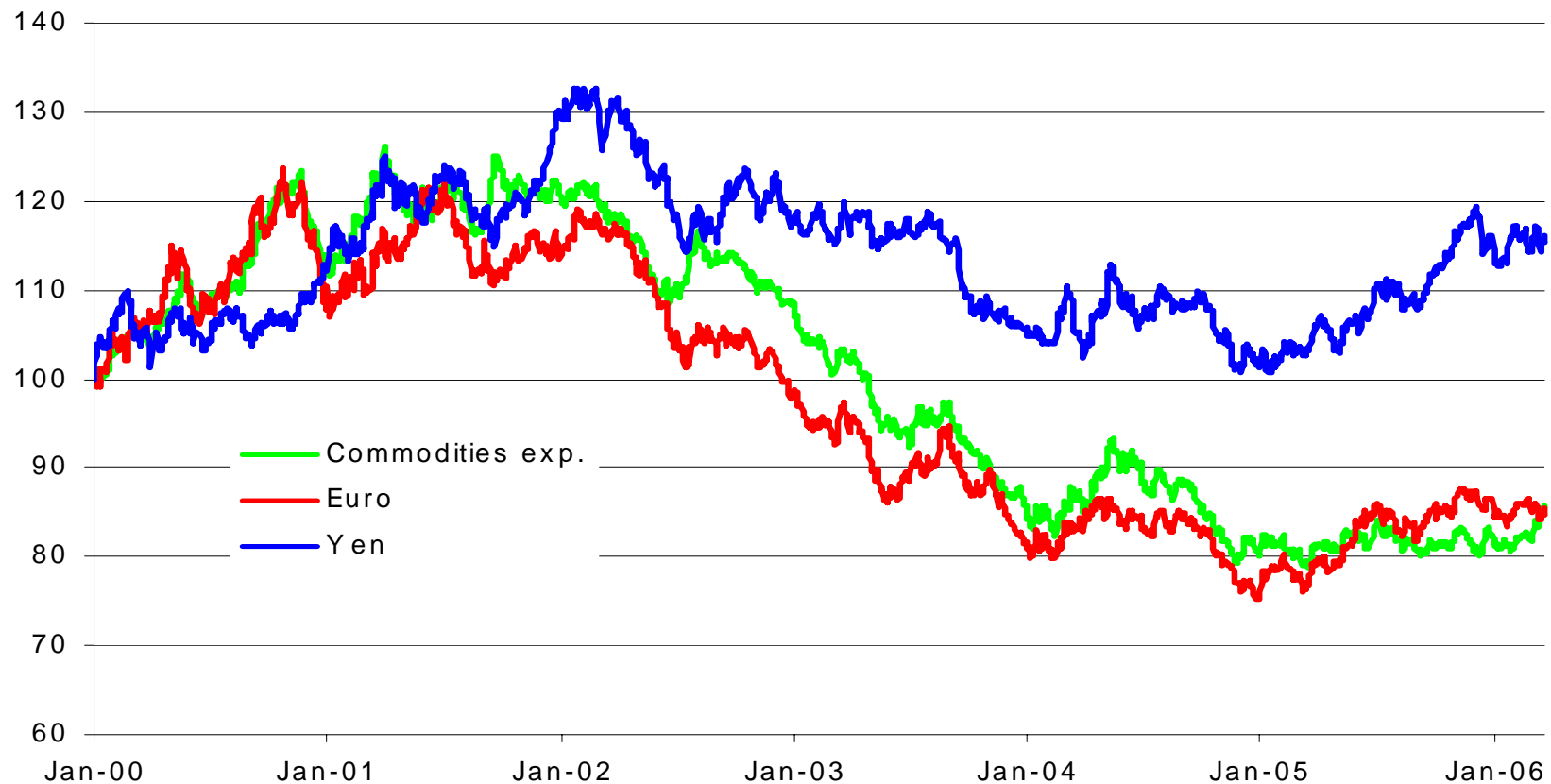
Source: Bloomberg



# Global Outlook

## US\$ Spot Market

(Daily index, 03/01/2000=100)



Source: Bloomberg.



# Global Outlook

## Exchange Rate Parities

(Accumulated % changes relative to US\$ as of March 22, 2006)

	Dec-02	Dec-03	Dec-04	Dec-05
Chile	-26.2	-10.3	-4.3	3.9
Japan	-1.8	8.8	13.7	-0.9
Australia	-21.8	4.6	8.6	2.0
N. Zealand	-16.1	4.8	14.8	9.3
South Africa	-26.2	-5.4	11.6	-0.1
Canada	-25.8	-10.0	-2.9	0.4
Euro Zone	-13.3	4.1	12.0	-2.1

Source: Bloomberg, Central Bank of Chile.



# Global Outlook

## Exchange Rate Volatility (1)(2) (percentage)

	<b>CH\$</b>	<b>Euro</b>	<b>Yen</b>	<b>AUS\$</b>	<b>CAN\$</b>	<b>NZ\$</b>	<b>SAF\$</b>
2001	8.3	11.7	10.1	13.3	5.3	13.0	12.4
2002	9.6	9.1	9.7	8.7	5.9	9.9	19.2
2003	8.2	10.3	8.2	10.0	8.6	10.4	19.7
2004	10.9	10.6	9.5	12.9	8.8	13.8	21.0
2005	9.3	9.0	8.7	9.3	8.0	10.2	15.4
2006*	8.3	8.3	9.1	8.3	6.9	10.5	12.3

(1) Estimated based on JP's *riskmetrics* method, using a GARCH model of the variance of the logarithmic return of the exchange rate.

(2) As of March 22, 2006.

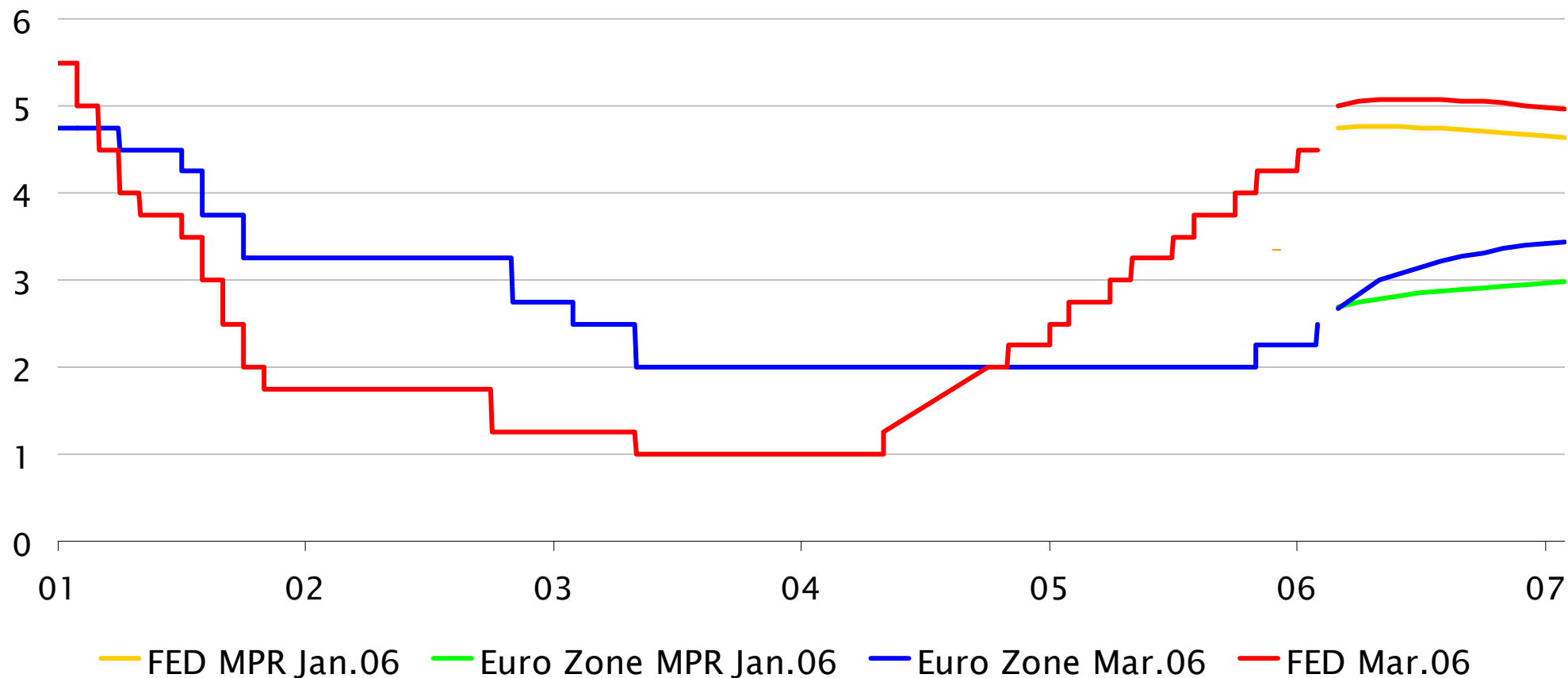
Source: Bloomberg, Central Bank of Chile



# Financial Markets

## Monetary Policy Interest Rate and 3-months Libor Futures

(percentage)

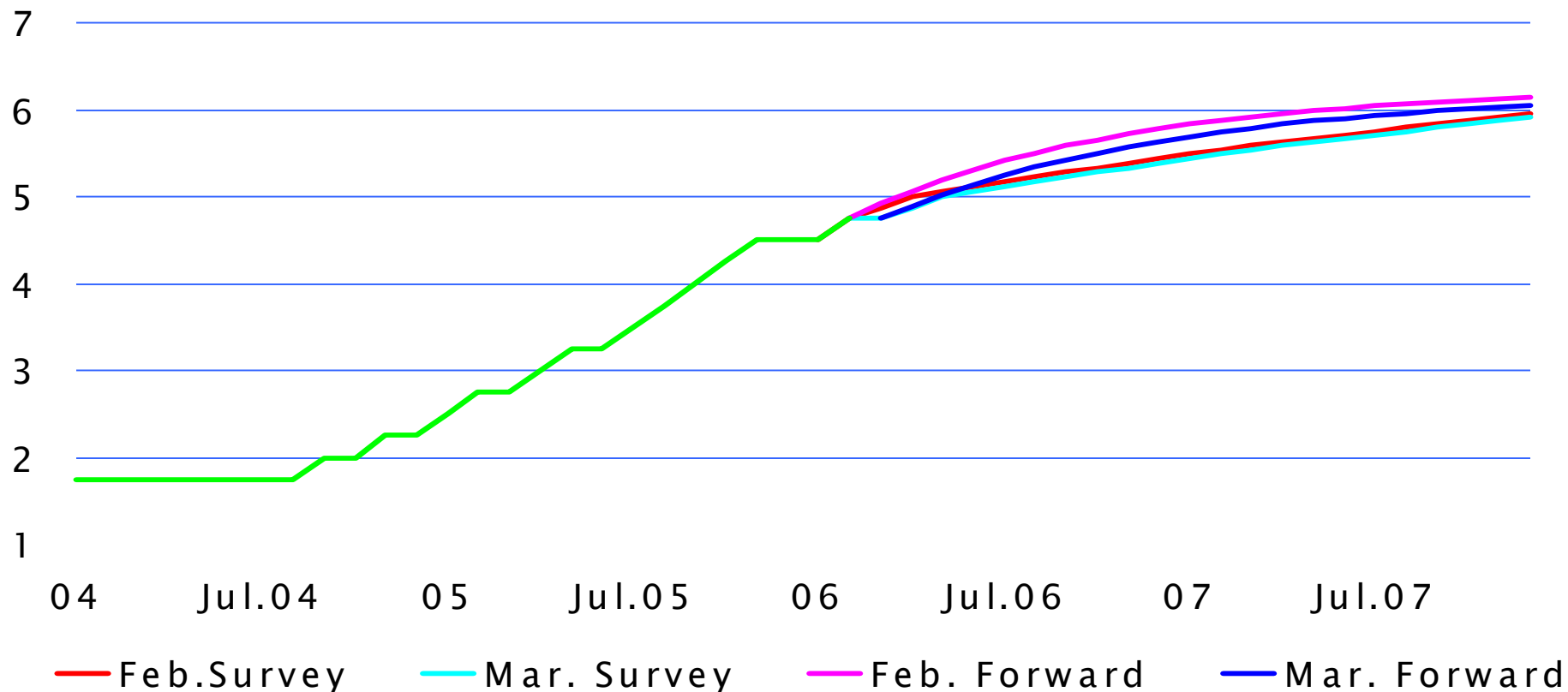


Source: Bloomberg.



# Financial Markets

## MP Rate, Expectations and Forward Curve (percentage)

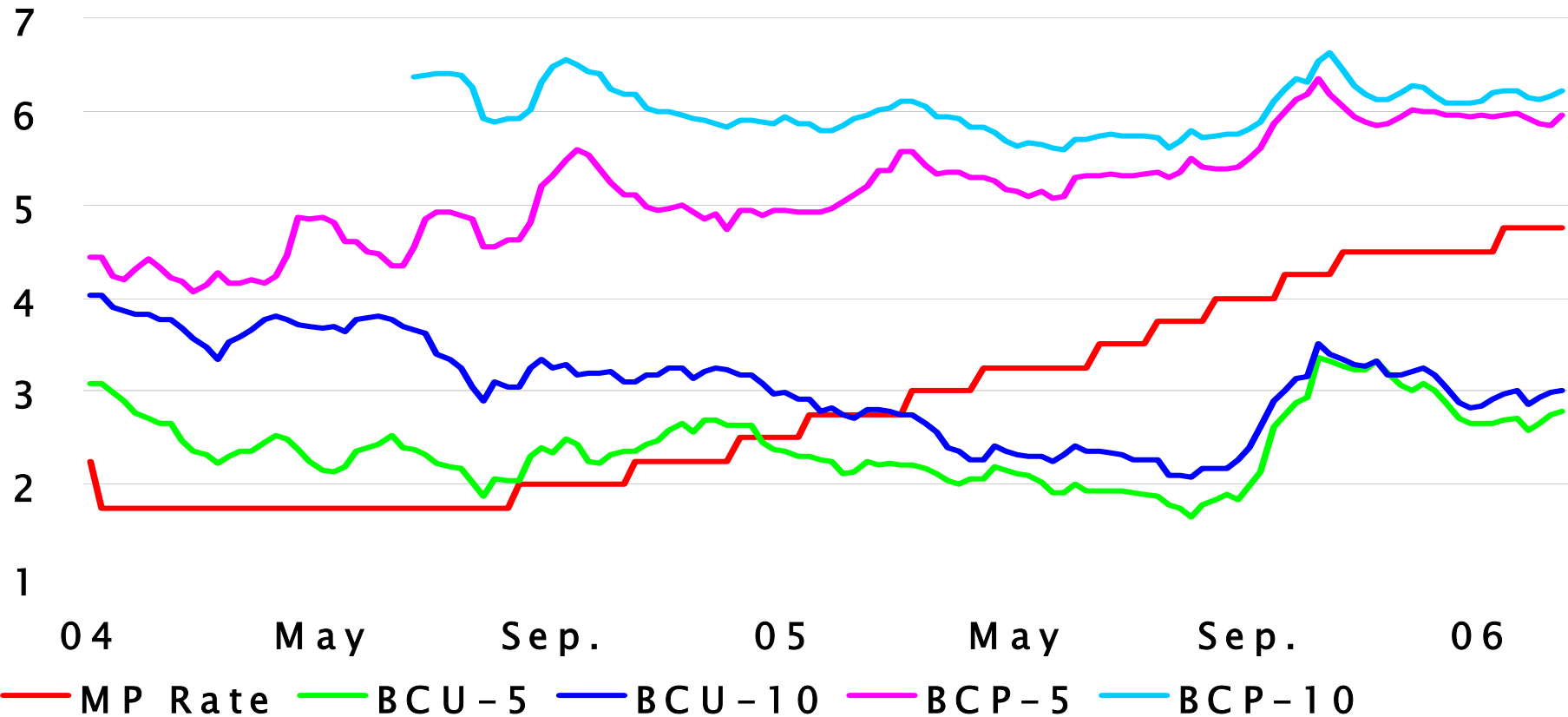


Source: Central Bank of Chile



# Financial Markets

## MP Rate and Interest Rates on Central Bank of Chile Instruments (percentage, weekly averages )



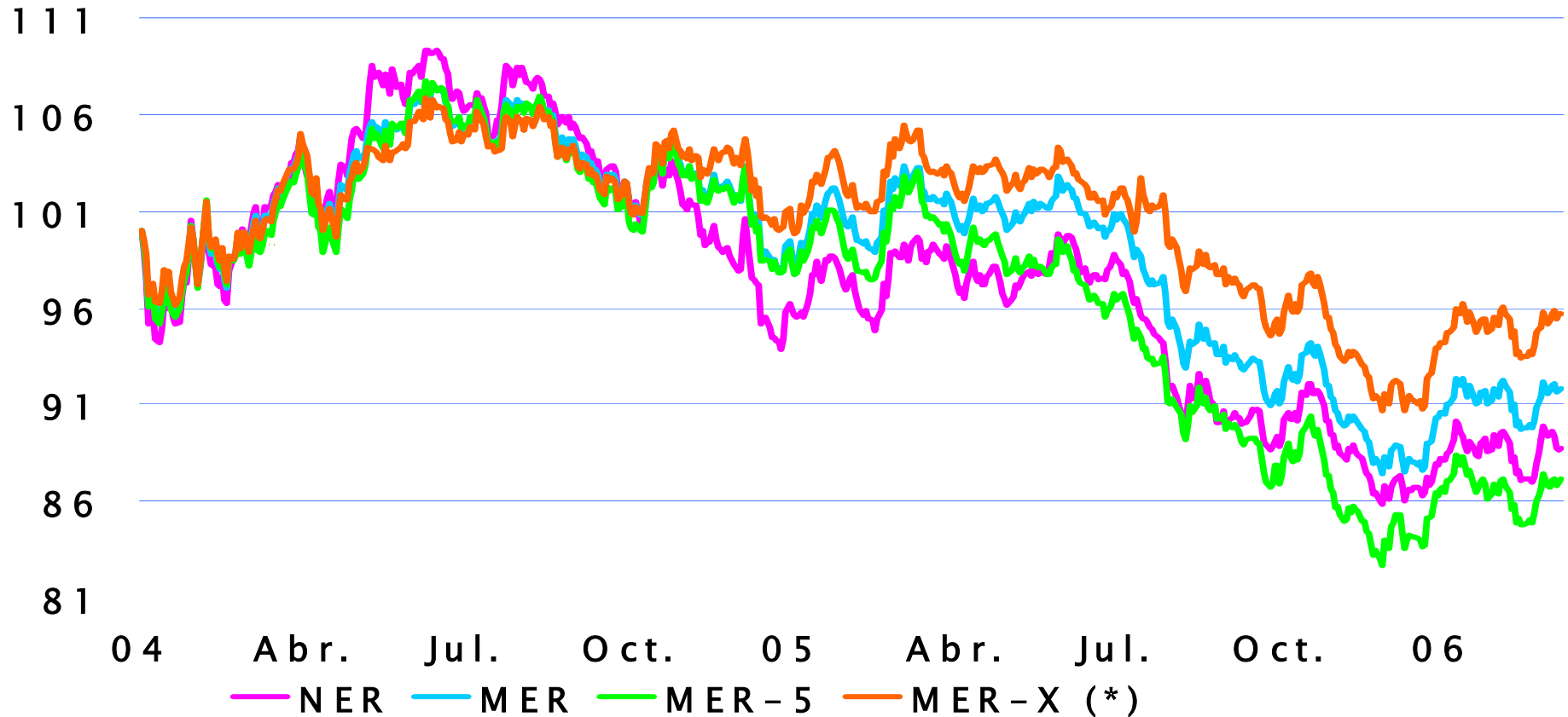
Source: Central Bank of Chile



# Financial Markets

## Nominal Exchange Rate Measures

(Daily, January 2, 2004 = 100)



(\*) USA and Ecuador excluded

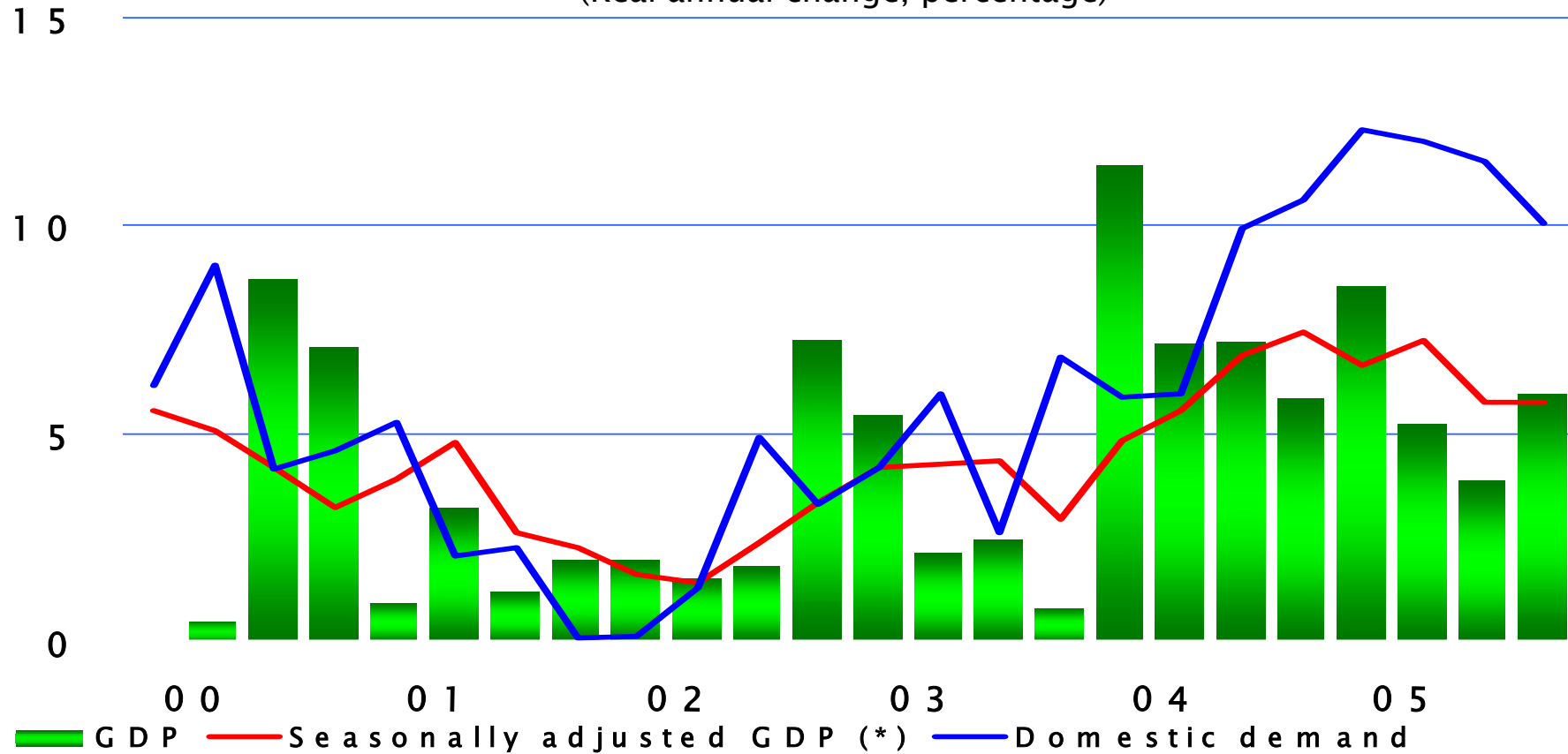
Source: Central Bank of Chile



# Domestic Activity

## GDP and Domestic Demand

(Real annual change, percentage)



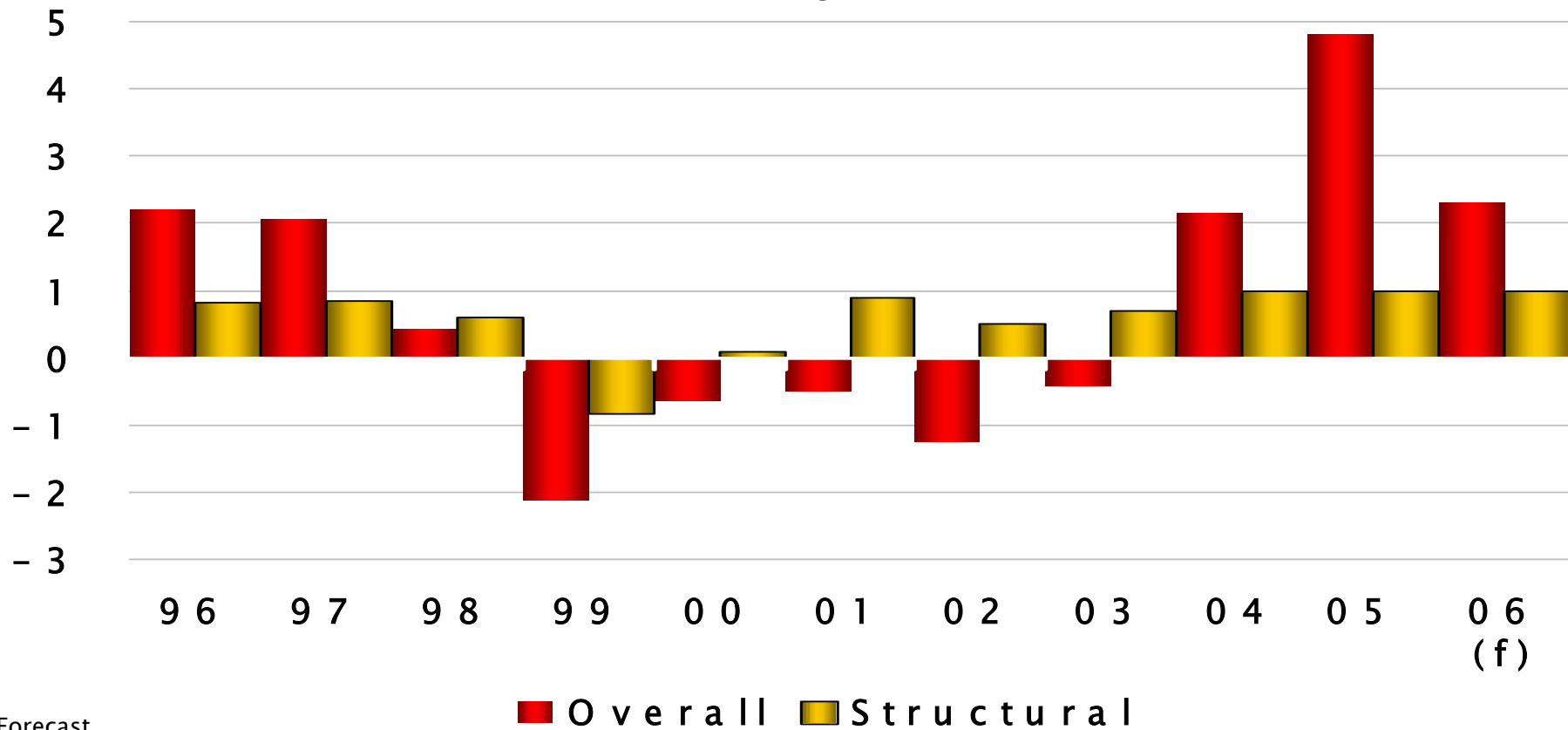
(\*) Annualized quarterly GDP  
Source: Central Bank of Chile.



# Domestic Activity

## Central Government Balance

(as a percentage of the GDP)



(f) Forecast

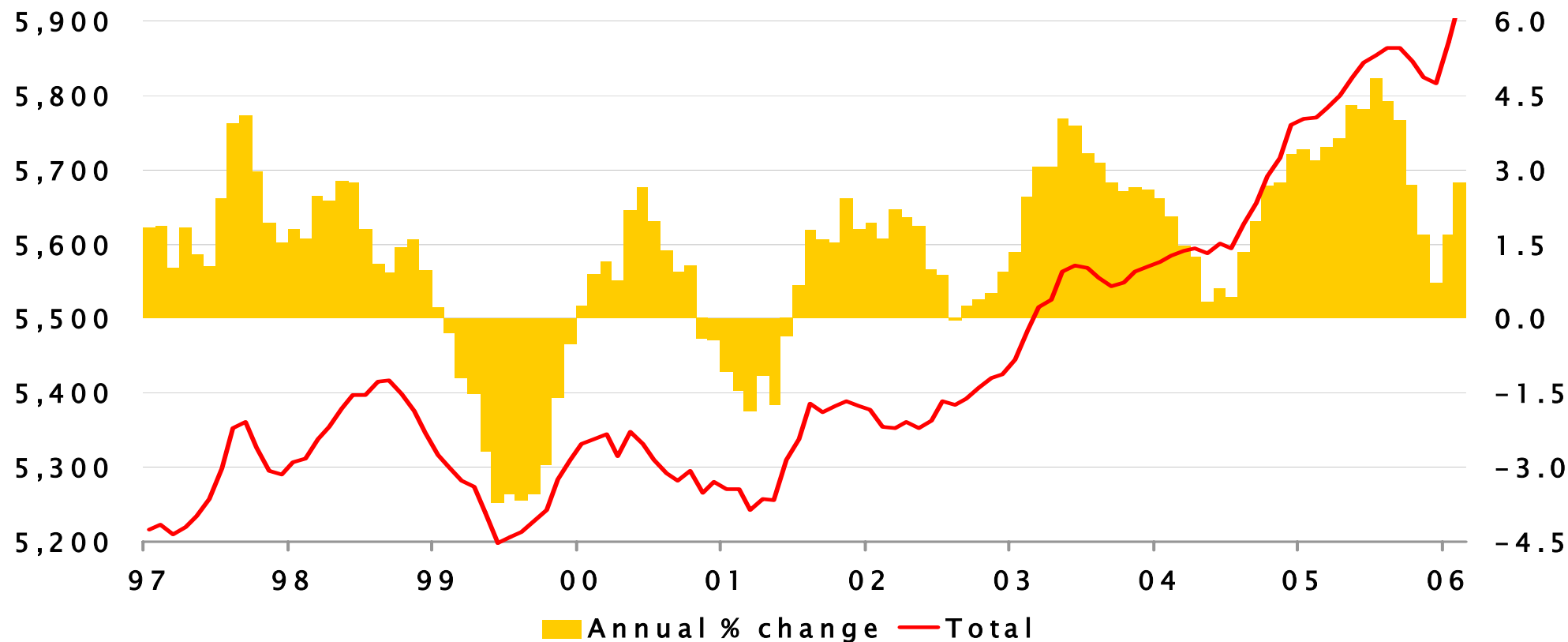
Source: National Budget Division (Dirección de Presupuestos)



# Domestic Activity

## National Employment\*

(thousands of people)

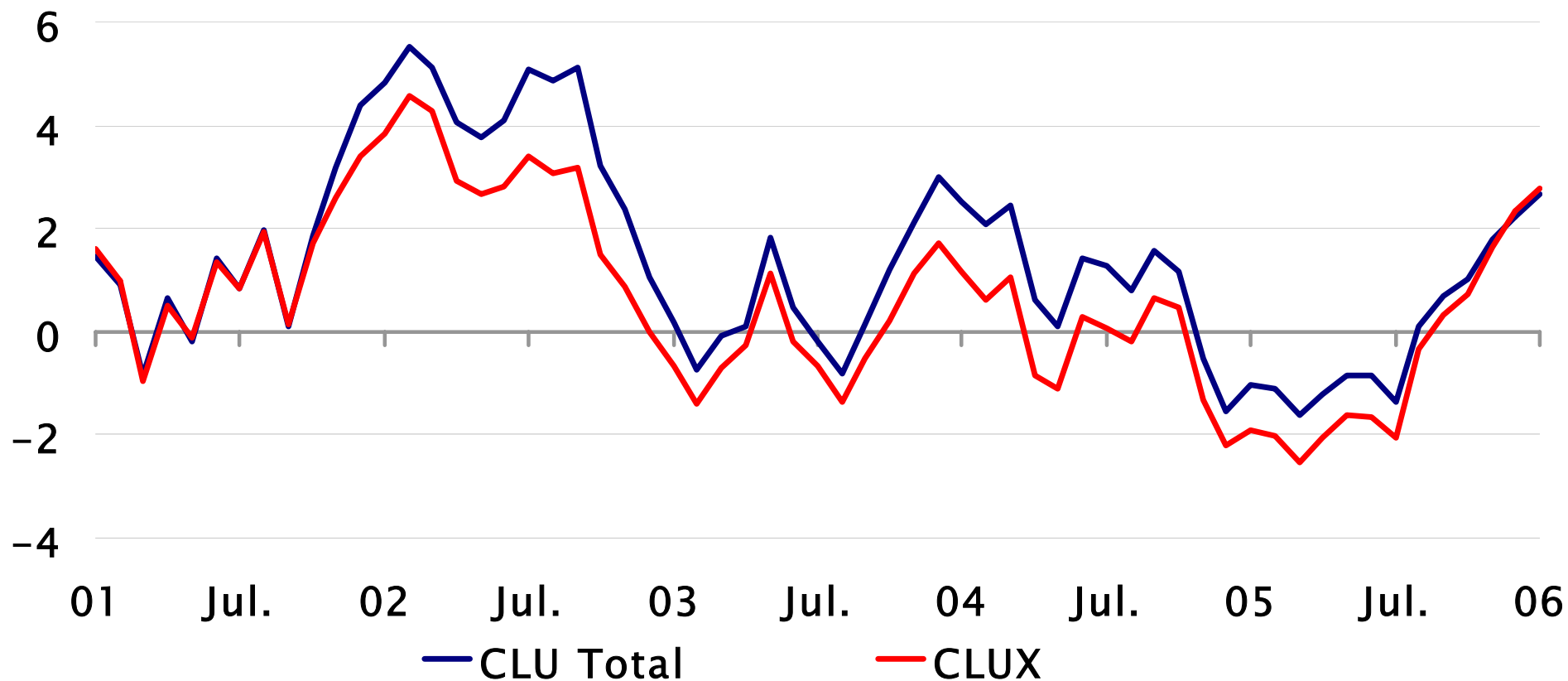


\* Seasonally adjusted series  
Source: National Statistics Bureau (INE)



# Domestic Activity

## ULC and ULCX (Annual % change)

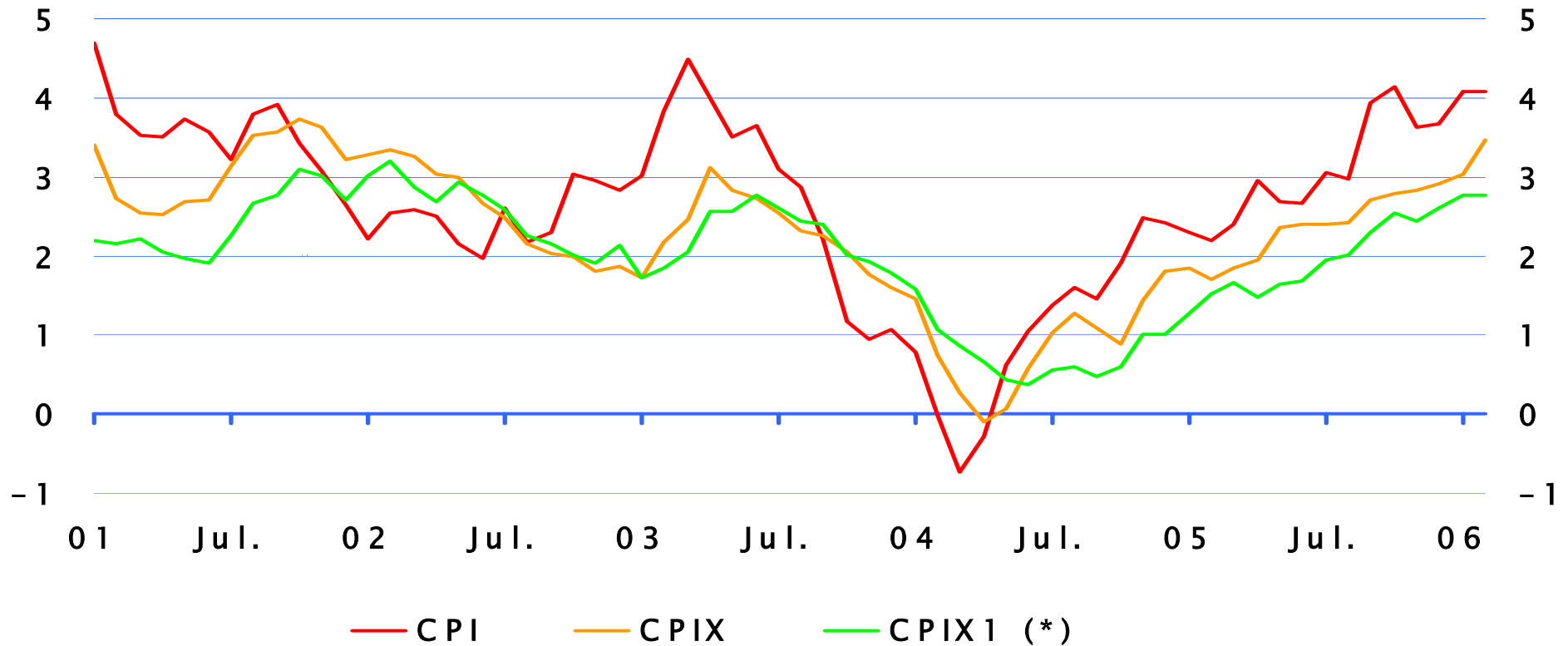


Source: Central Bank of Chile, National Statistics Bureau (INE)



# Domestic Activity

## Inflation (Annual % change)



(\*) CPI inflation minus fuel prices, perishables, regulated utilities, indexed prices and financial services, which account for 70% of total basket

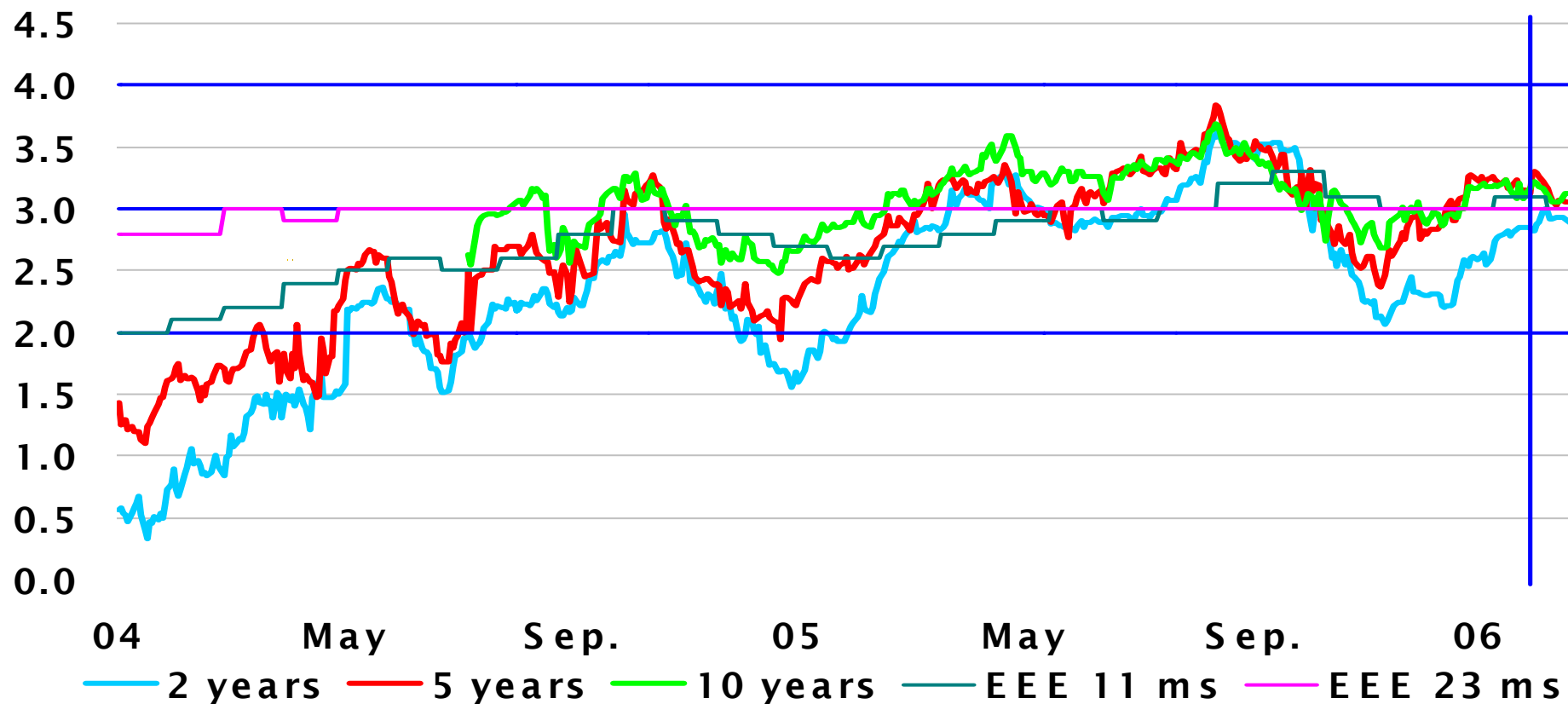
Source: Central Bank of Chile



# Domestic Activity

## Premium paid on nominal and indexed instruments

(percentage )



Source: Central Bank of Chile



# Economic Forecasts

## Chilean Economic Forecasts (Annual % change)

	2006(f)
GDP	5 <sup>1</sup> / <sub>4</sub> – 6 <sup>1</sup> / <sub>4</sub>
Inflation	2,7
Domestic demand	6,6
Gross fixed capital formation	10,3
Total consumption	5,8
Exports of goods and services	6,8
Imports of goods and services	8,7
Current Account (% of GDP)	-1,4

Source: Central Bank of Chile



# Economic Forecasts

## Inflation Forecasts (Annual % change)

	2003	2004	2005	2006(f)	2007(f)
Average CPI inflation	2,8	1,1	3,1	3,2	2,8
December CPI inflation	1,1	2,4	3,7	2,7	2,8
Average CPIX inflation	2,3	0,9	2,4	3,2	3,3
December CPIX inflation	1,6	1,8	2,9	3,3	2,9
Average CPIX1 inflation	2,2	0,8	1,9	3,0	3,3
December CPIX1 inflation	1,8	1,0	2,6	3,3	3,1

Source: Central Bank of Chile



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