

# **Chile 2000: Resuming Stable Growth**

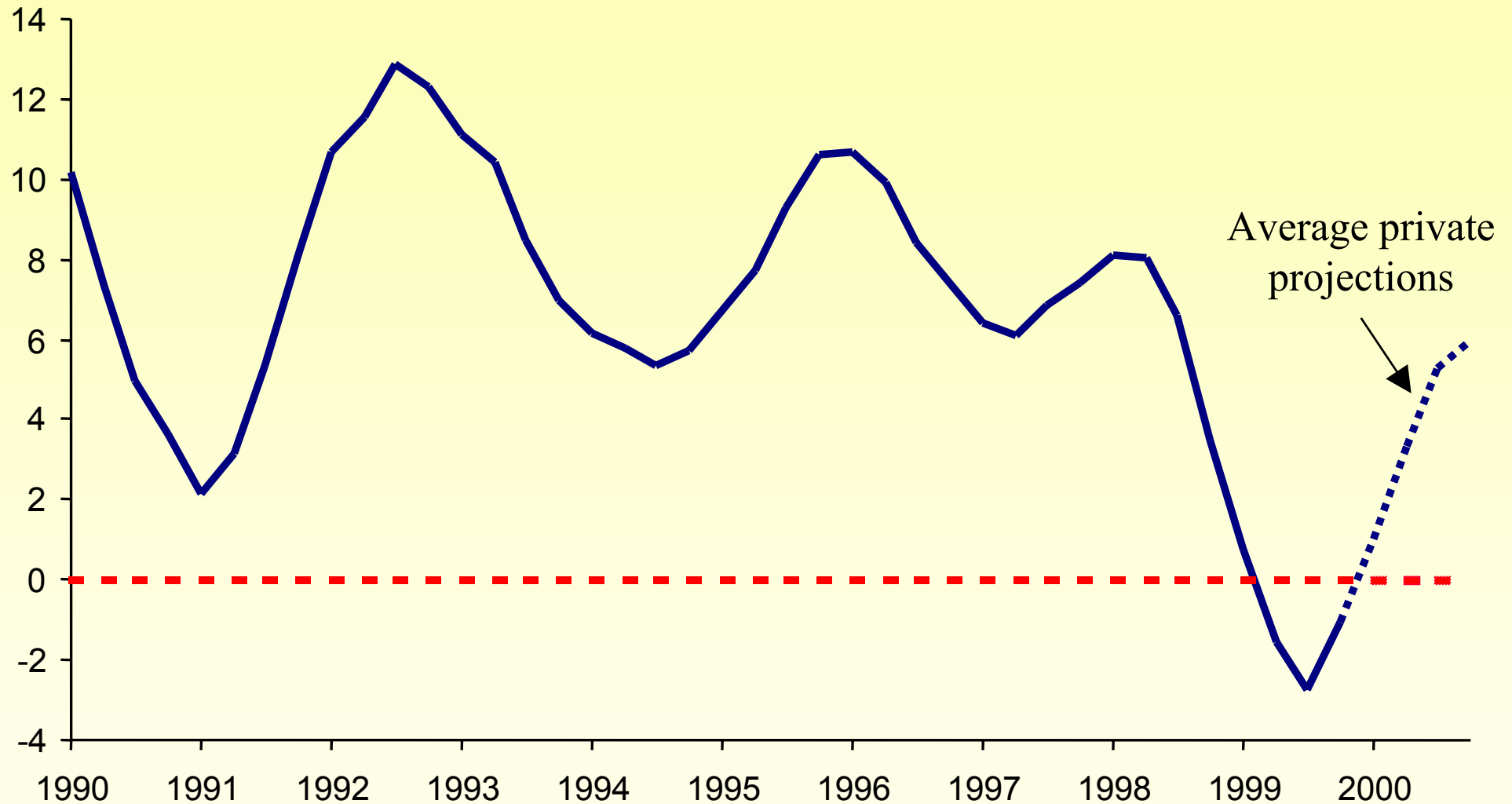
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**Central Bank of Chile**

**Annual Meetings of the Inter American  
Development Bank**

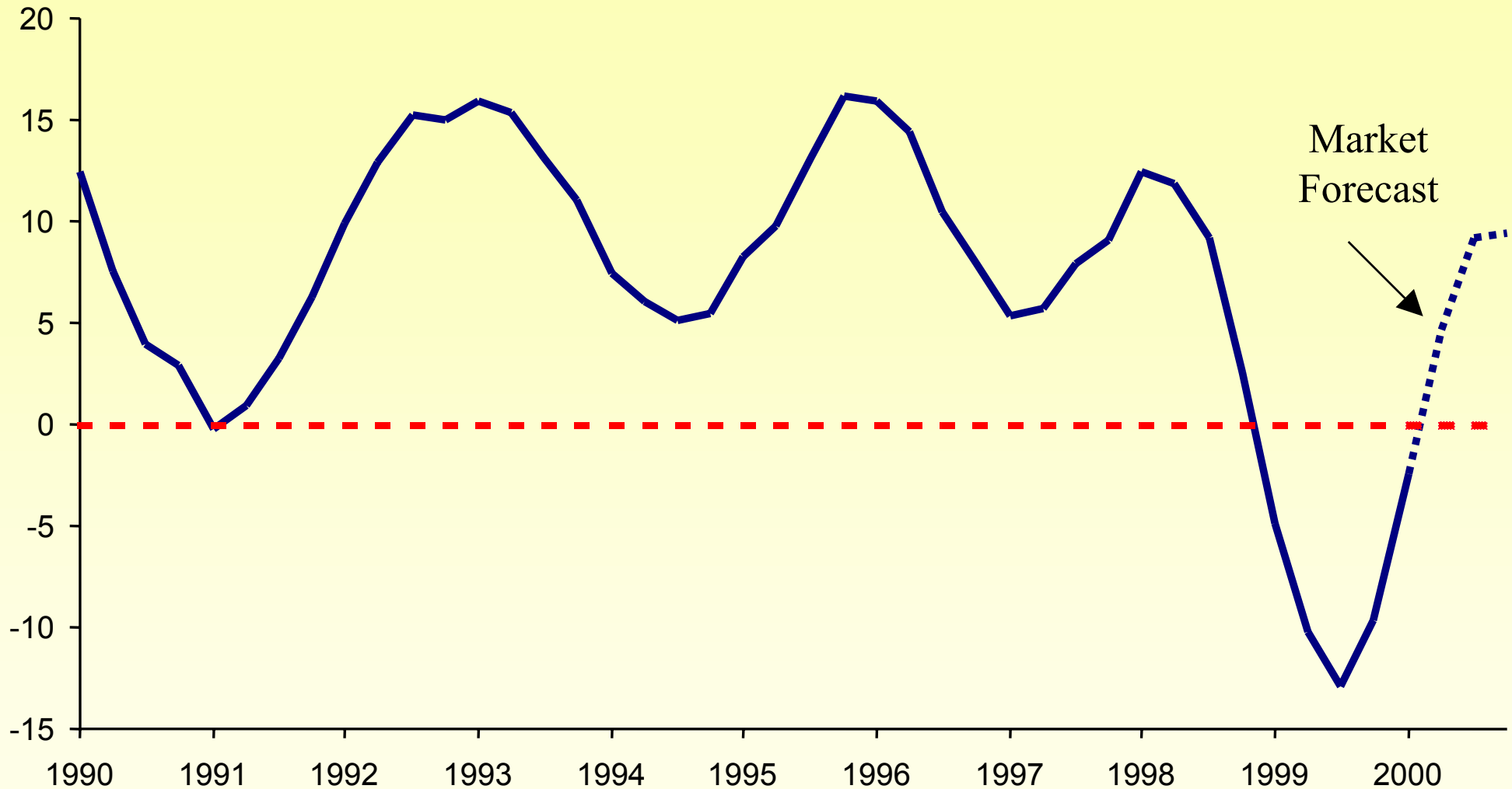
**New Orleans, March 2000**

# GDP Growth (annual moving average)



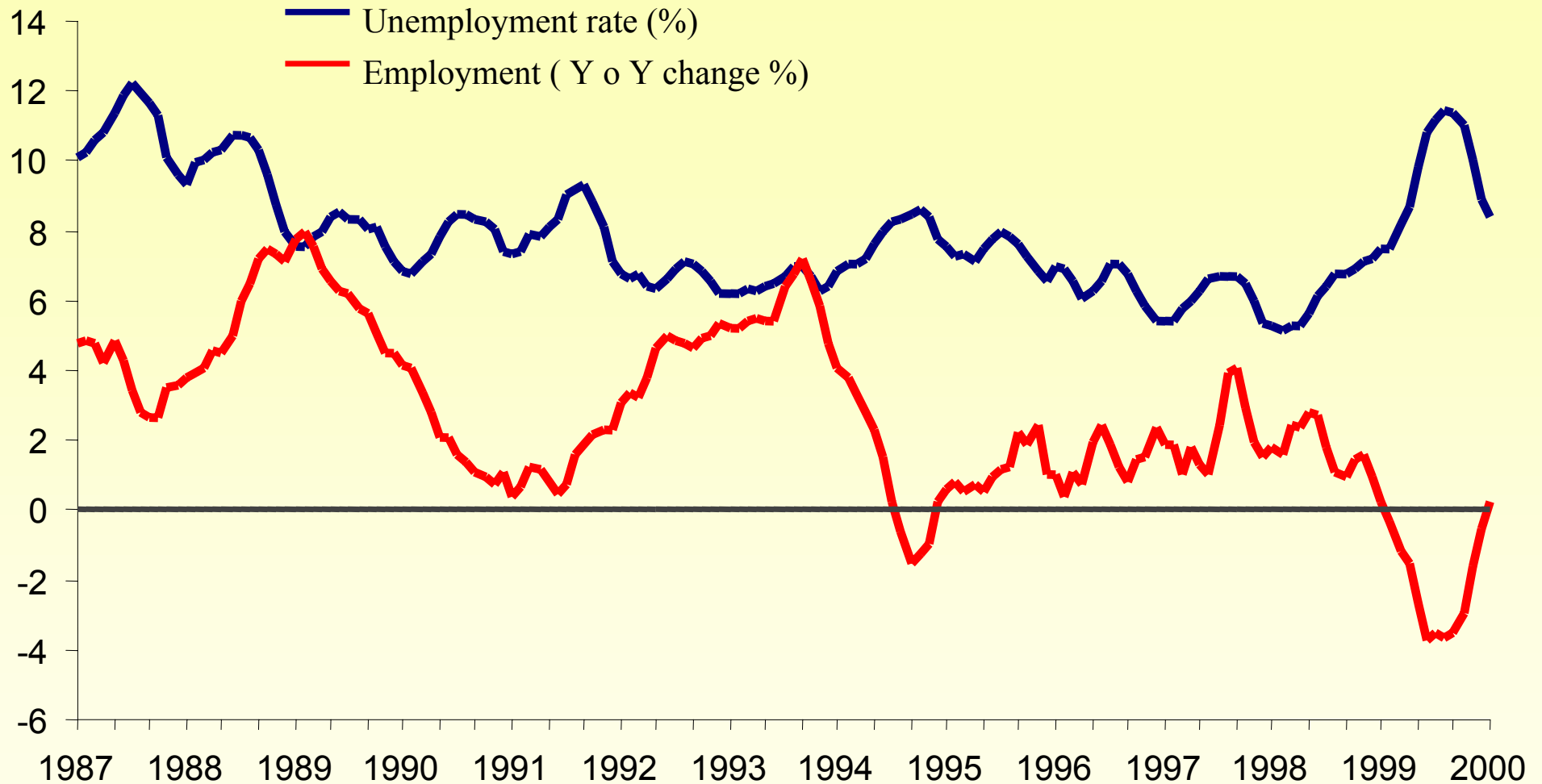
Source: Central Bank of Chile

# Domestic Demand Growth (annual moving average)



Source: Central Bank of Chile

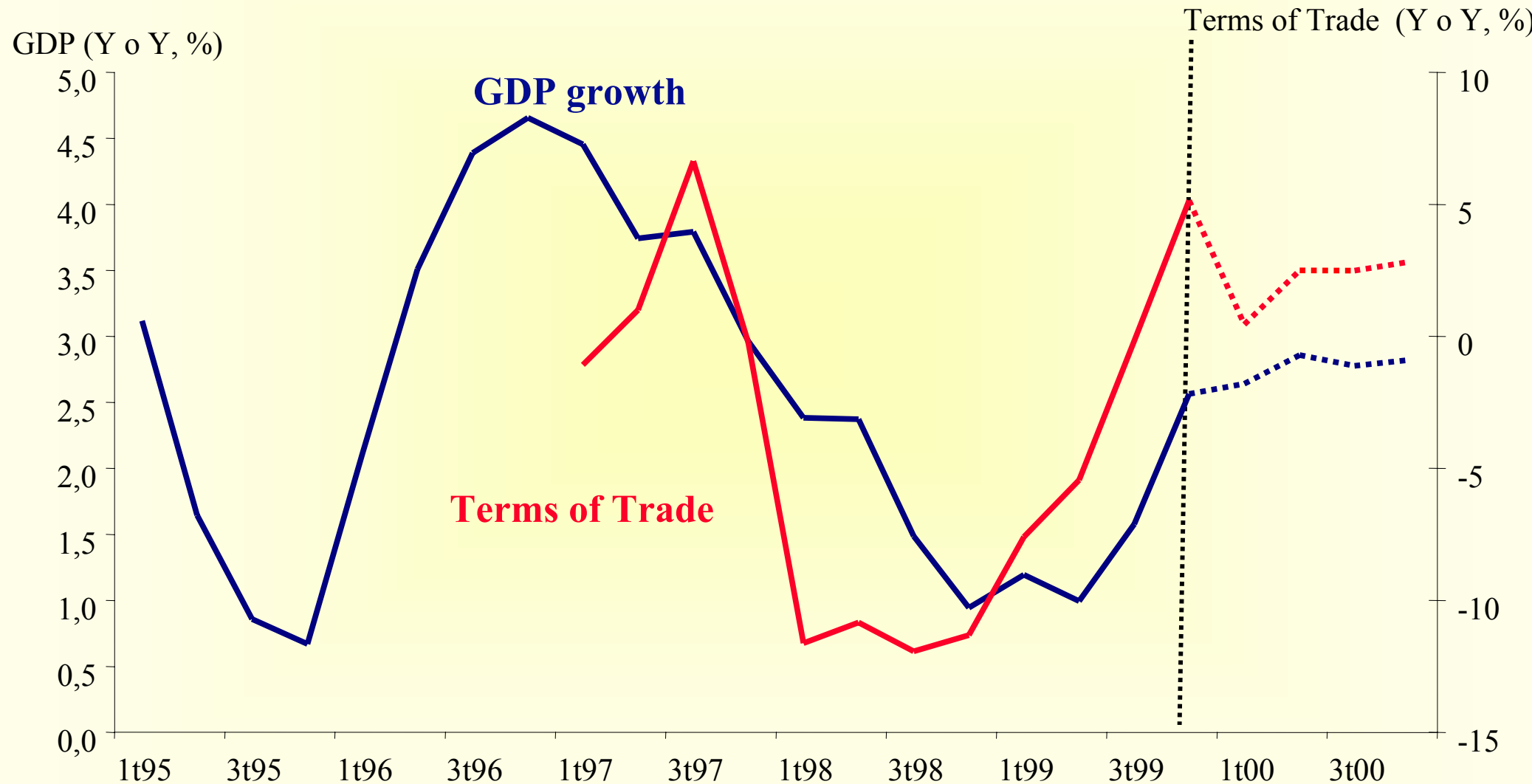
# Unemployment Rate and Employment Growth



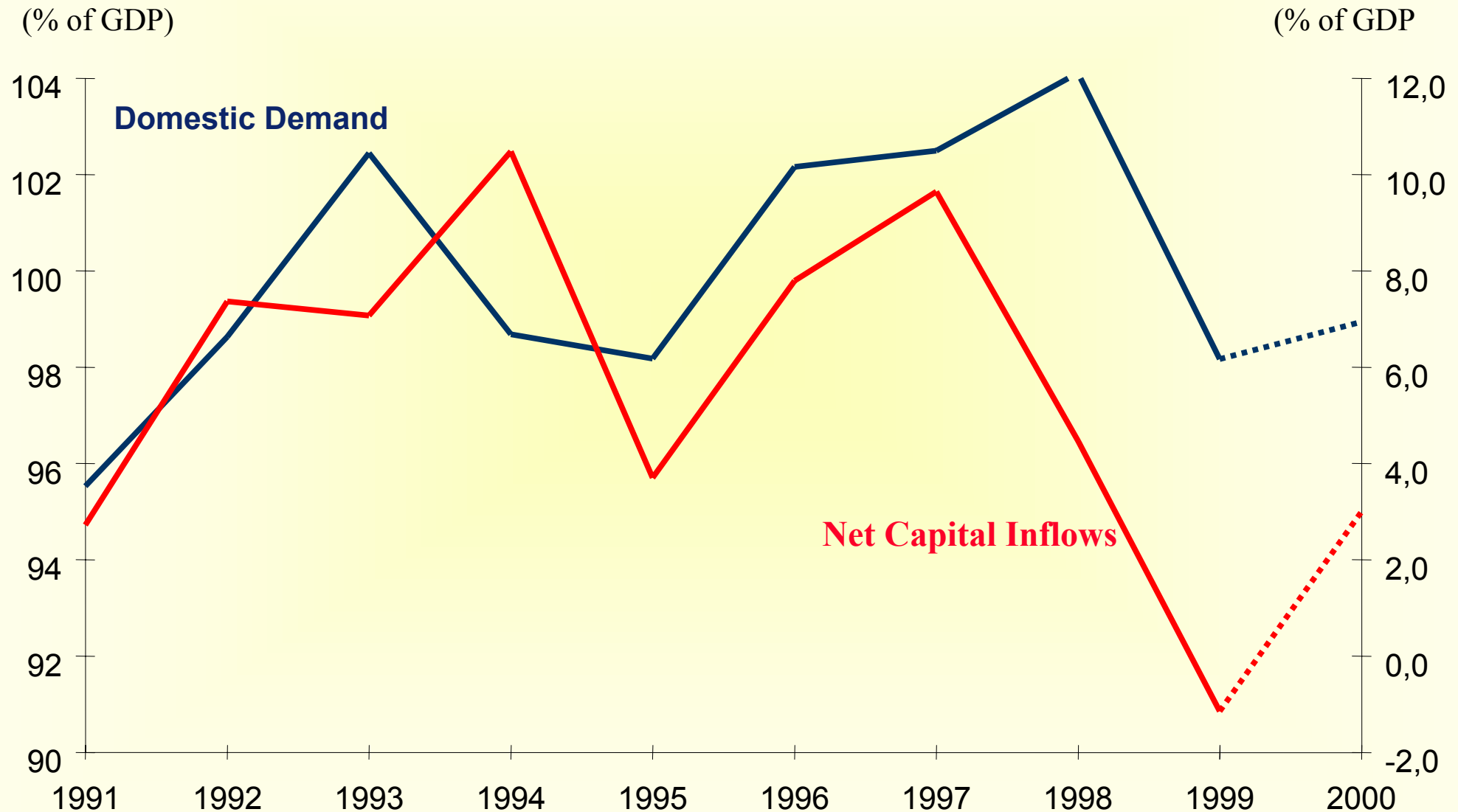
Source: National Statistics Institute

# GDP Growth of Main Trading Partners and Terms of Trade

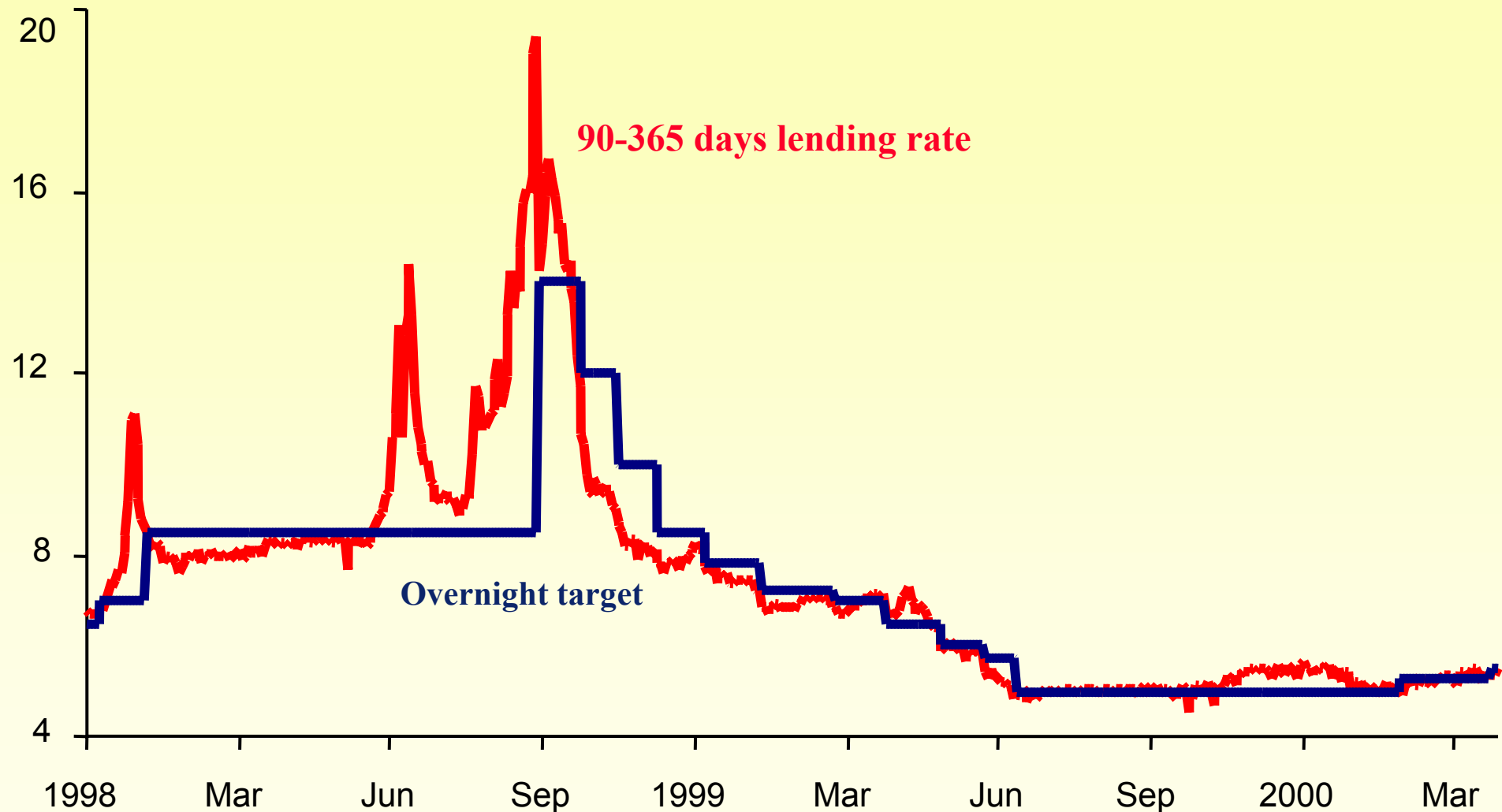
USA, Japan, UK, Germany, Argentina and Brazil.



# Chile: Net Capital Flows and Domestic Demand

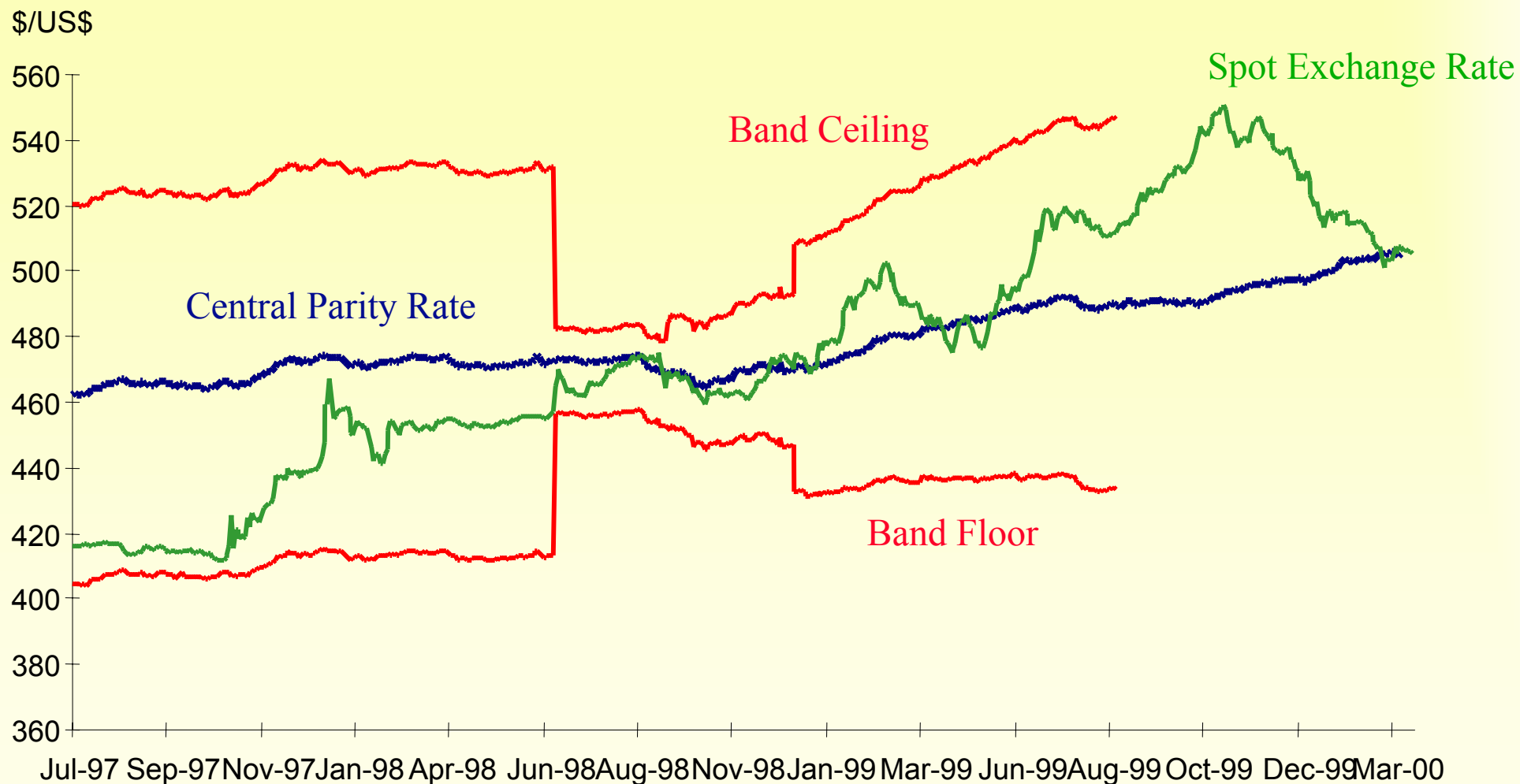


# Real Interest Rates: Overnight policy target and 90 - 365 days Lending Rates (%)



Source: Central Bank of Chile

# CLP/US\$ Exchange Rate



Source: Central Bank of Chile



# Financial and External Sector Indicators (2000)

	Non-Performing Loans (% of Total Loans)	External debt (% of Exports)	Short Term External Financing Requirements (% of N. I. Reserves)	Net International Reserves (% of M2)
<b>Latin America</b>				
Argentina	14,7	394	99	60,2
Brazil	8,5	343	163	23,6
Chile	1,7	157	32	48,5
Mexico	8,9	92	161	23,6
<b>Asia</b>				
Korea	12,5	68	95	25,2
Philippines	14,5	96	100	30,9
Malaysia	13,0	33	39	35,6
Thailand	47,5	98	66	26,0

Source: JP Morgan, January 14, 2000

# External Financing Flows: Sources and Uses

(millions of US\$)

	1996-1999*
<b>Total Sources</b>	<b>37.017</b>
1.- External Debt (1)	9.965
2.- Foreign Investment (2)	27.051
<b>Total Uses</b>	<b>37.017</b>
1.- Current Account Deficit	11.462
2.- Investment abroad (3)	14.859
3.- Accumulation of Net International Reserves (BoP)	1.641
4.- Accumulation of Private Financial Assets, net (4)	9.056

(\*) Preliminary

(1) Includes bond issues by resident national companies.

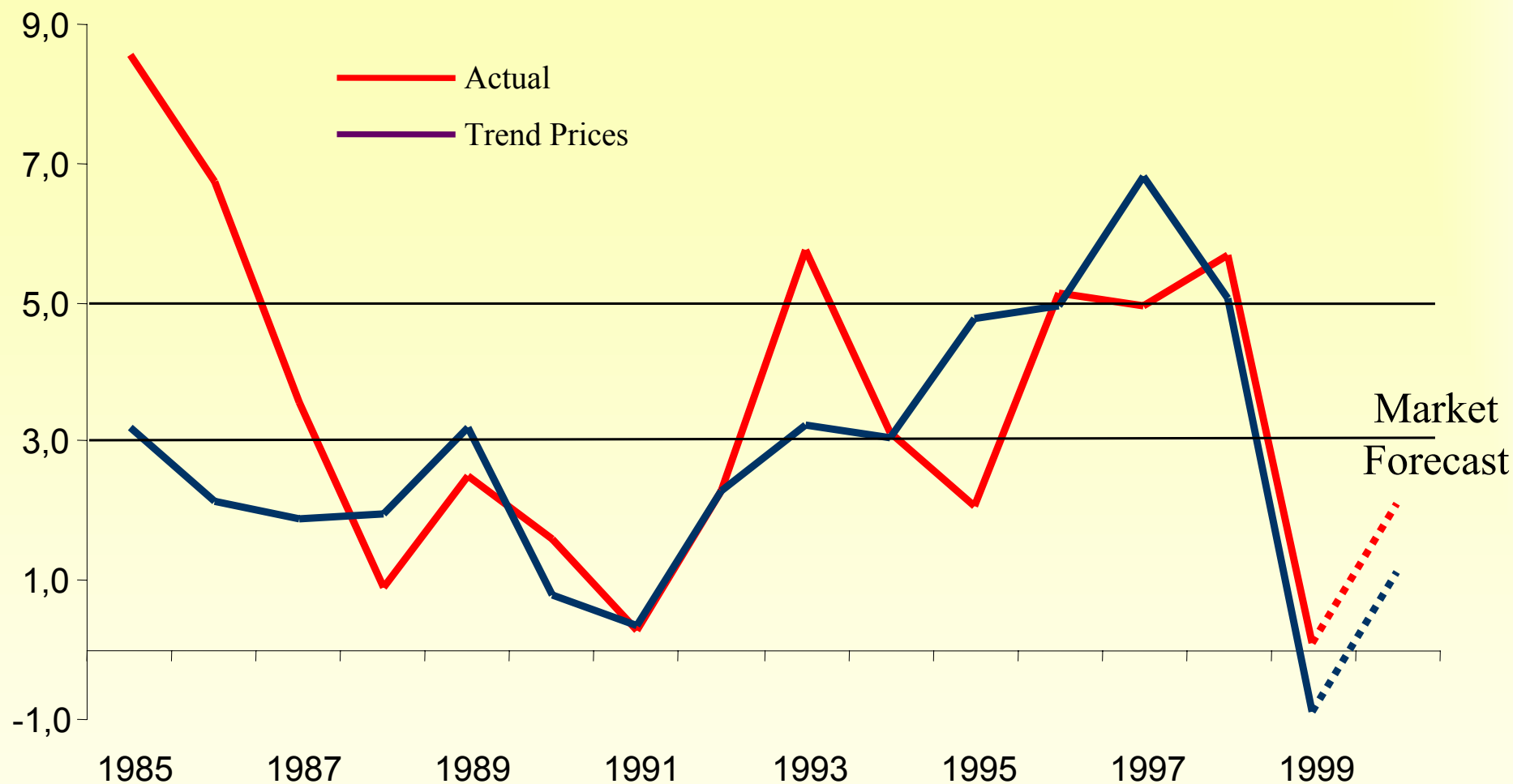
(2) Direct and Portfolio Investment in Chile by non-residents. Excludes bond issues by resident national companies.

(3) Direct and Portfolio Investment of Chileans abroad.

(4) Includes others assets and liabilities, errors and omissions of BoP.

Source: Central Bank of Chile

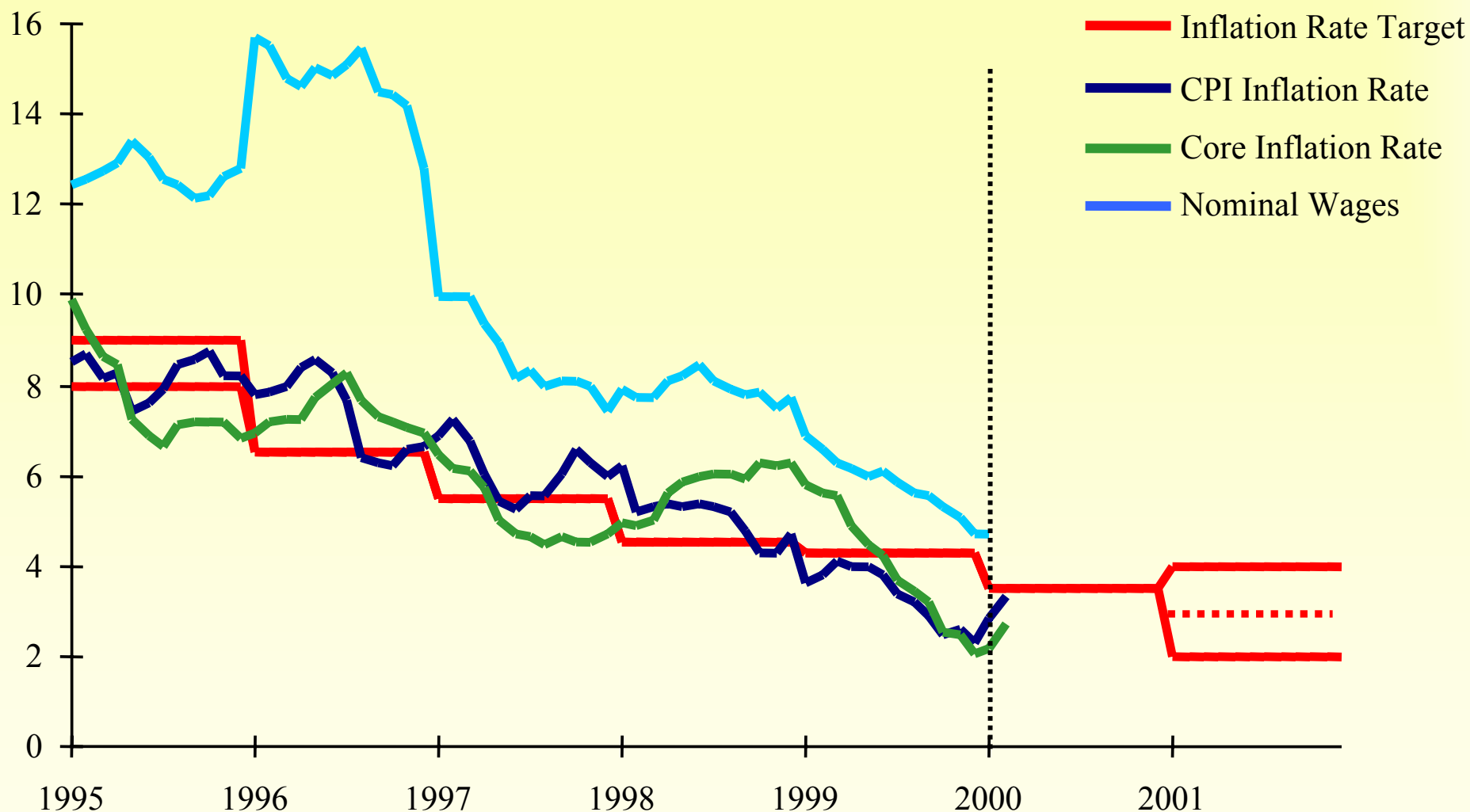
# Current Account Deficit (% GDP)



Source: Central Bank of Chile

# Inflation and Nominal Wages

(Year on year (%) change)



# 1999-2000 Macroeconomic Forecasts

	1998	1999 Preliminary	2000 Market Forecast
	<hr/> <i>(Percentage change)</i>		
1. Gross Domestic Product	3,4	-1,1	6,0
2. Consumer Price-Index	4,7	2,3	4,0
3. Current Account Deficit (% GDP)	5,7	0,1	2,1

Source: Central Bank of Chile

# 1999-2000 Macroeconomic Forecasts

	1998	1999 Preliminary	2000 Market Forecast
	<i>(US\$ mm)</i>		
4. Current Account Balance	-4,1	-0,1	-1,6
	<i>(percentage change)</i>		
5. Value of			
a) Exports	-11,0	5,3	12,2
b) Imports	-4,5	-19,4	10,9
	<i>(US\$ cts. /lb)</i>		
6. Copper Price	75,0	71,4	81,7

# Highlights

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- ✦ Growth was interrupted for a short period of time. And the economy is recovering at a pace that favors the achievement of the macroeconomic targets.
- ✦ External conditions have improved, favoring the recovery process. However terms of trade and capital flows are still below long term averages.
- ✦ The domestic demand recovery will generate a moderate increase in the current account deficit in 2000. Still there is room for a more intensive use of external financing.
- ✦ In a floating rate system, net capital inflows are expected to increase moderately in line with the increase in the current account deficit

# Highlights

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- ✠ An increase of the inflation rate is expected for this year, particularly due to the oil shock, but trend inflation remains well within the medium term target of 2% to 4%
- ✠ The consolidation of the recovery in domestic demand is leading towards a more neutral monetary stance. The Central Bank has already moved the policy interest rate twice, 25 basis points each time. The current rate is 5,5% plus inflation adjustment.



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