

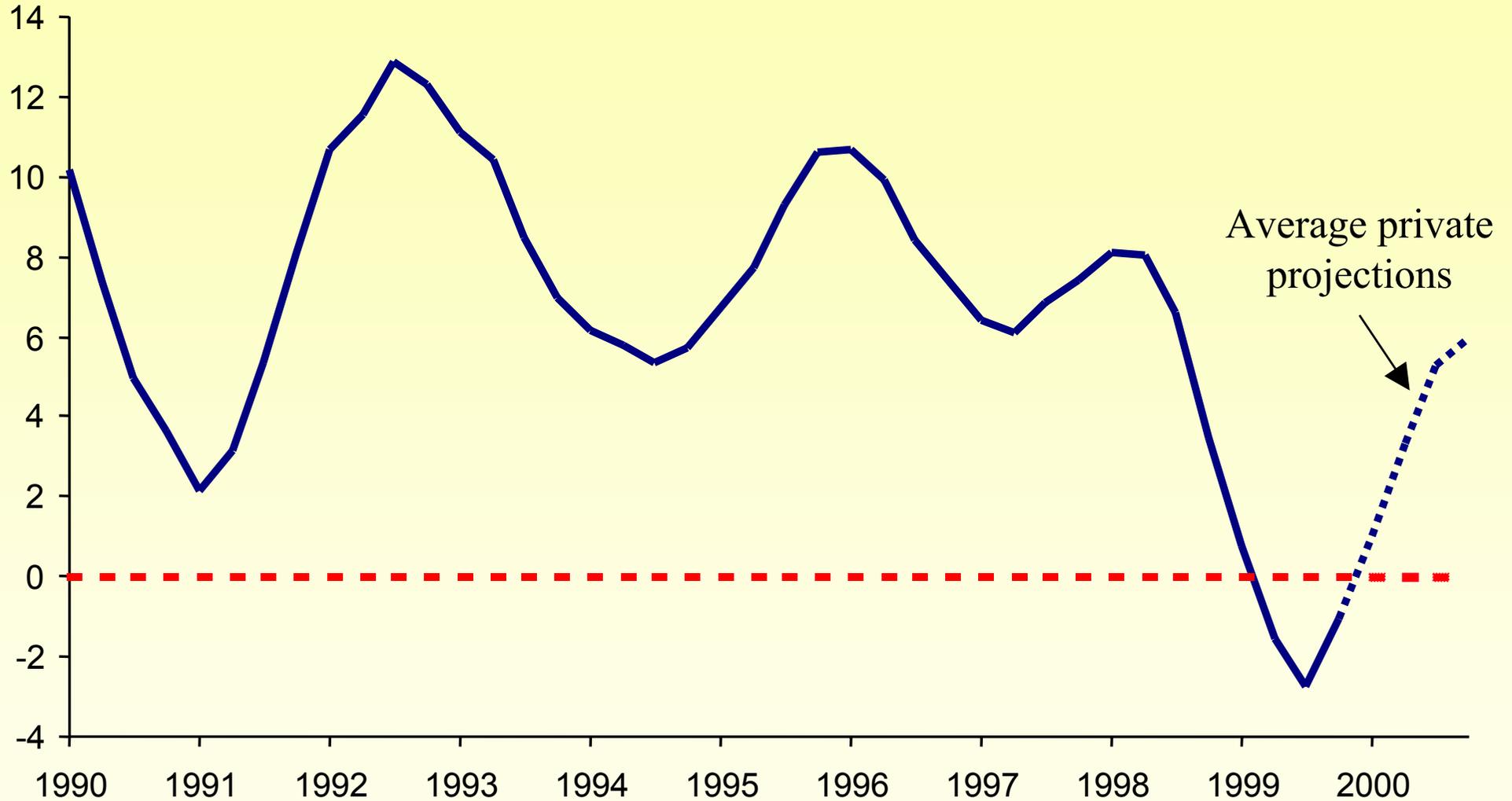
Chile 2000: Resuming Stable Growth

Central Bank of Chile

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

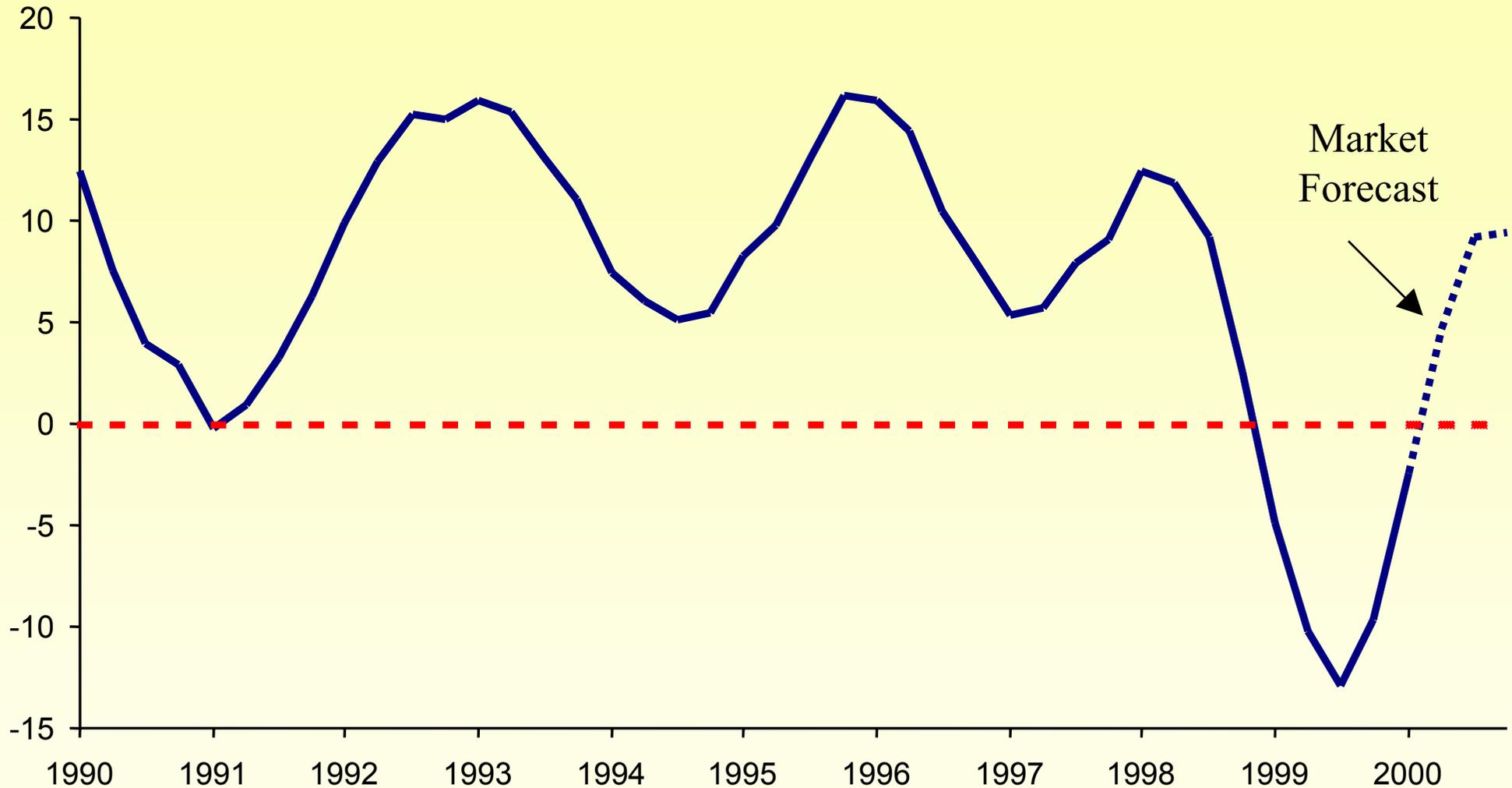
New Orleans, March 2000

GDP Growth (annual moving average)



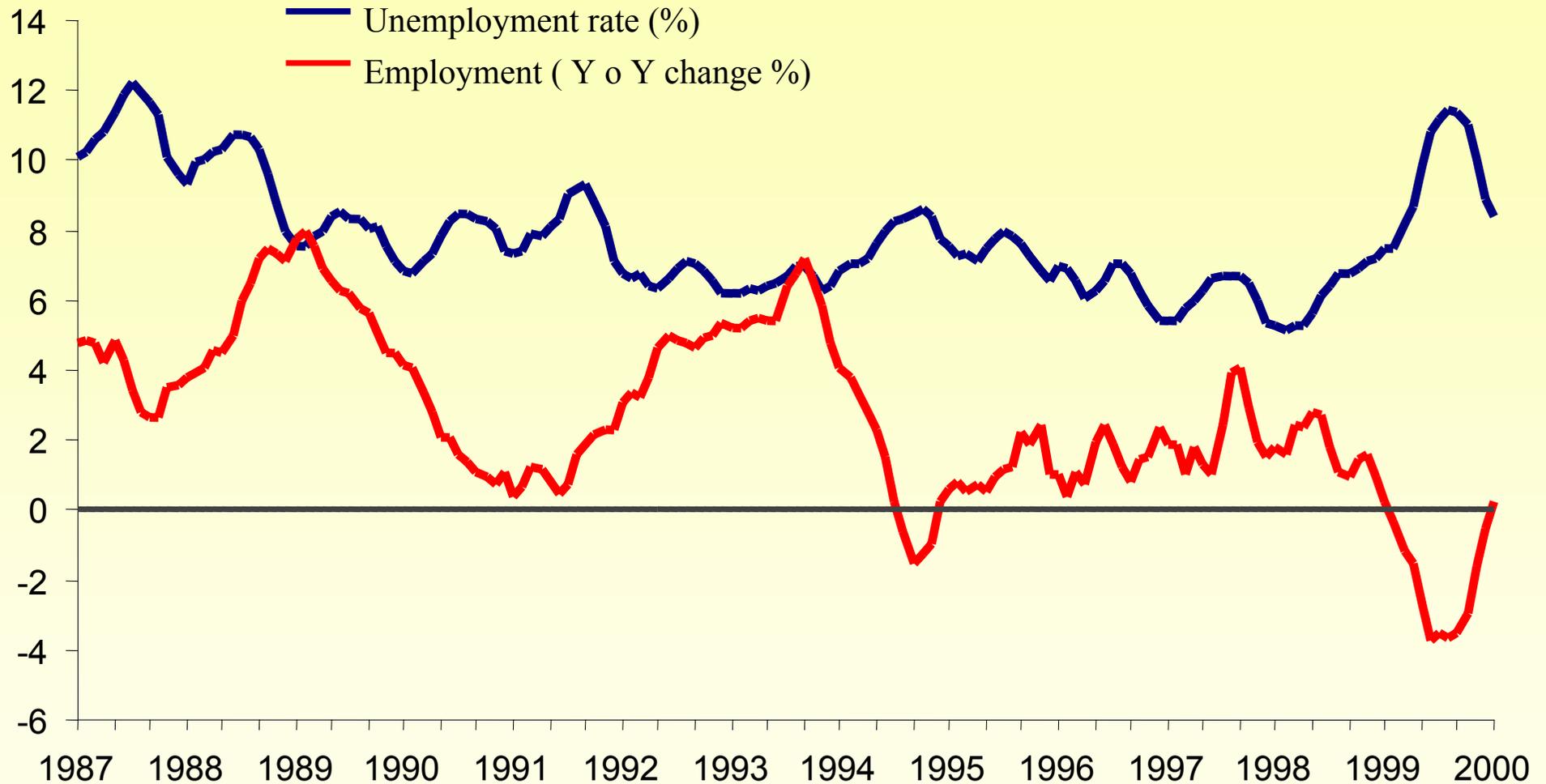
Source: Central Bank of Chile

Domestic Demand Growth (annual moving average)



Source: Central Bank of Chile

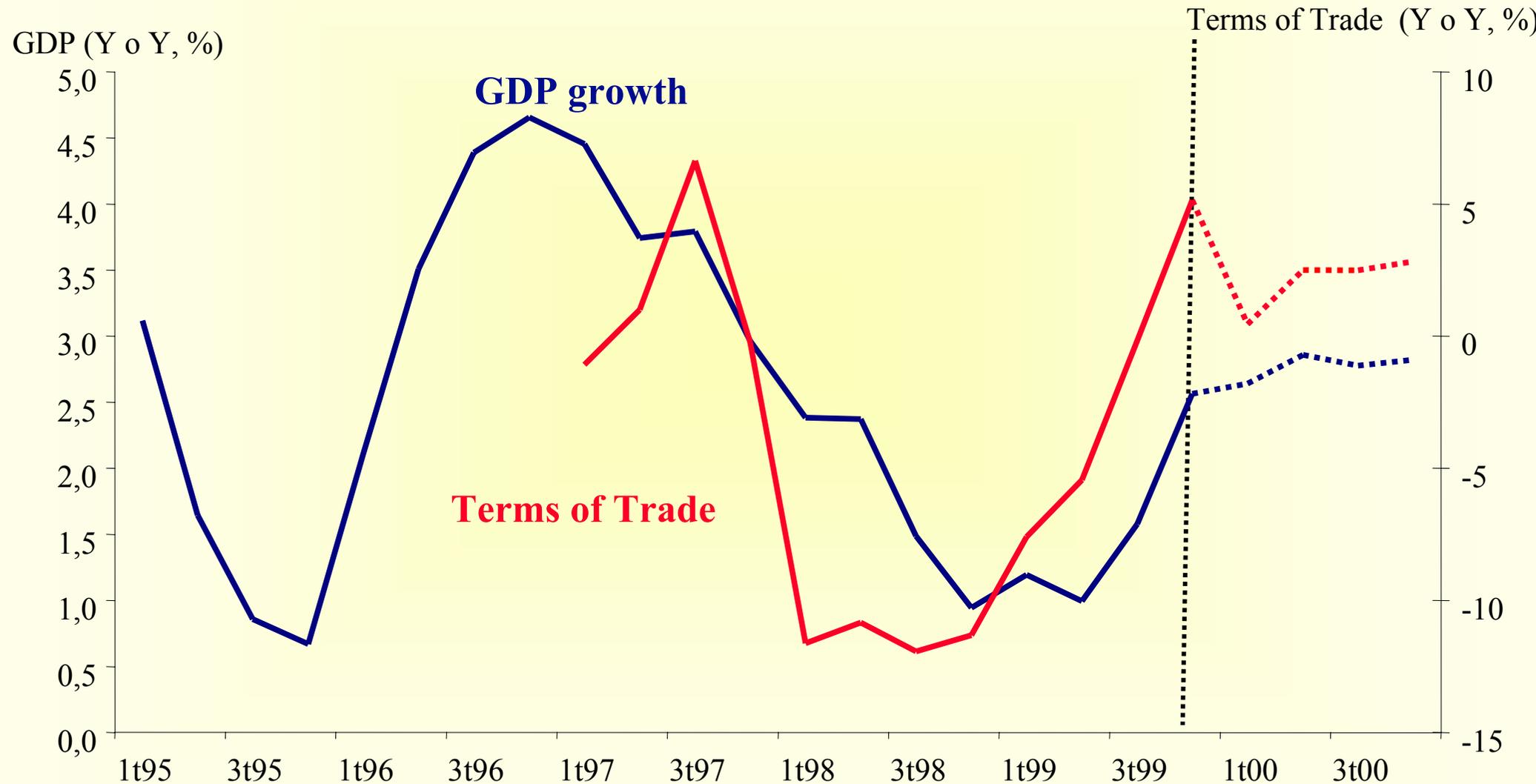
Unemployment Rate and Employment Growth



Source: National Statistics Institute

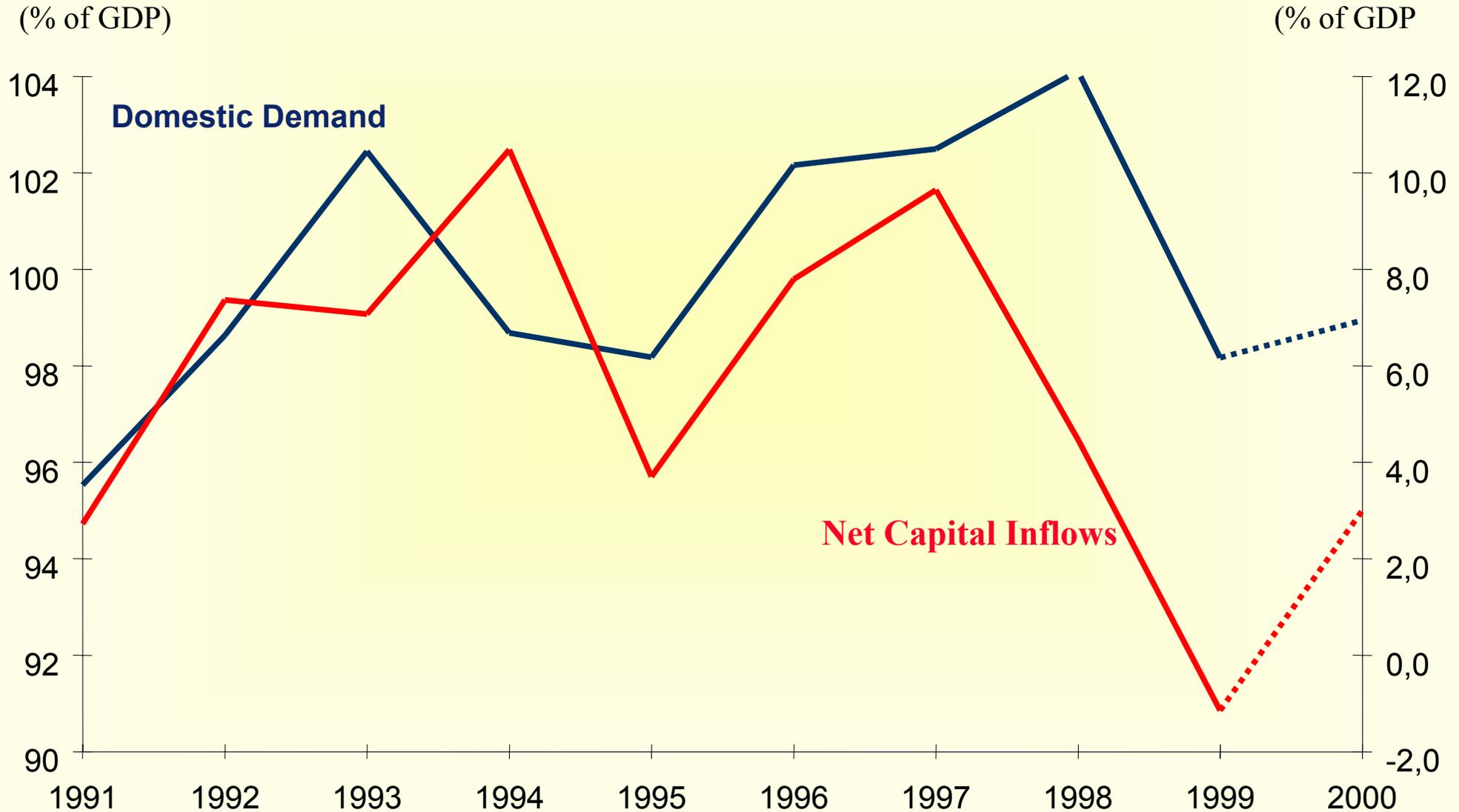
GDP Growth of Main Trading Partners and Terms of Trade

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

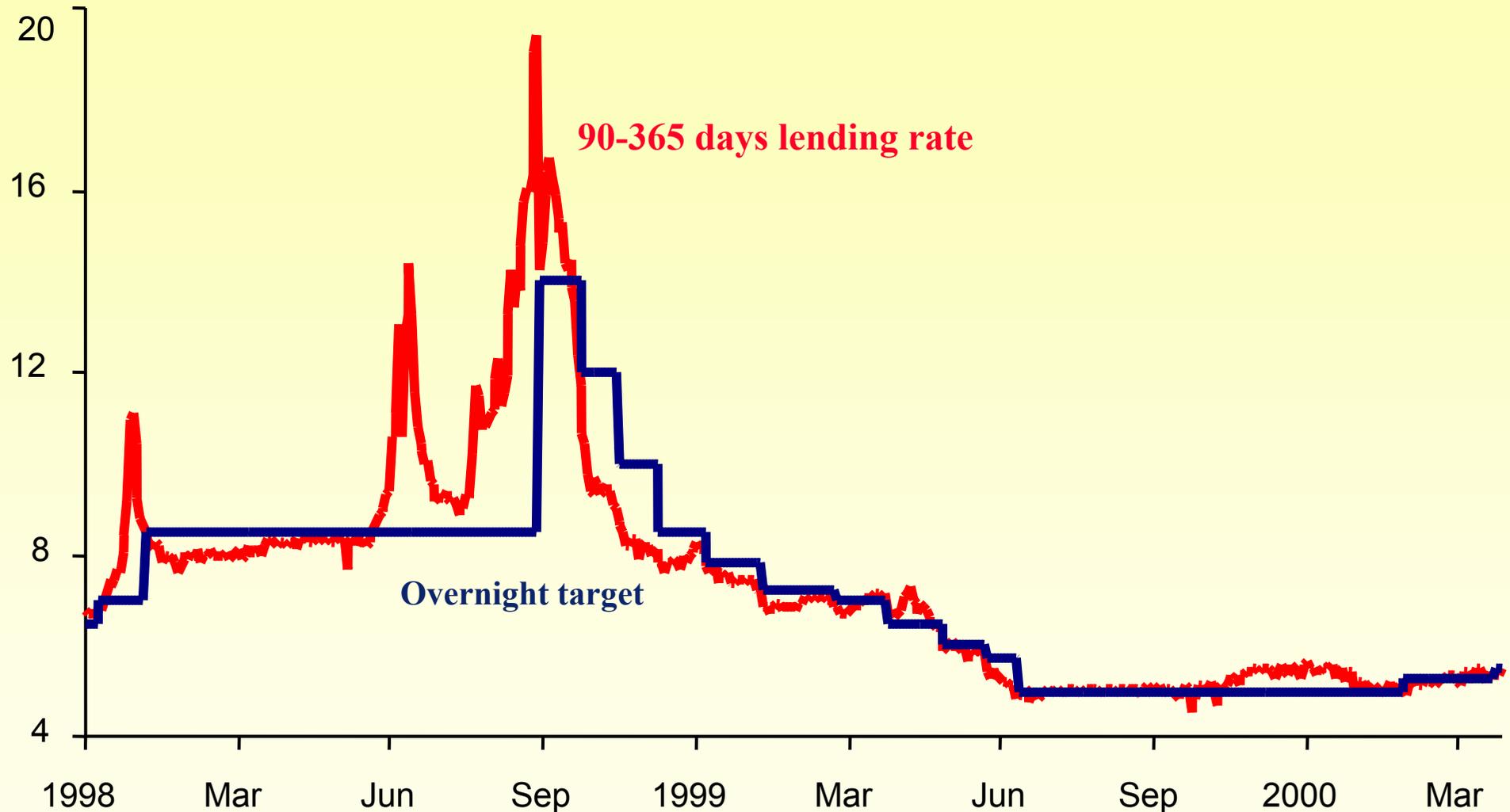


Source: Consensus Forecasts, Central Bank of Chile.

Chile: Net Capital Flows and Domestic Demand

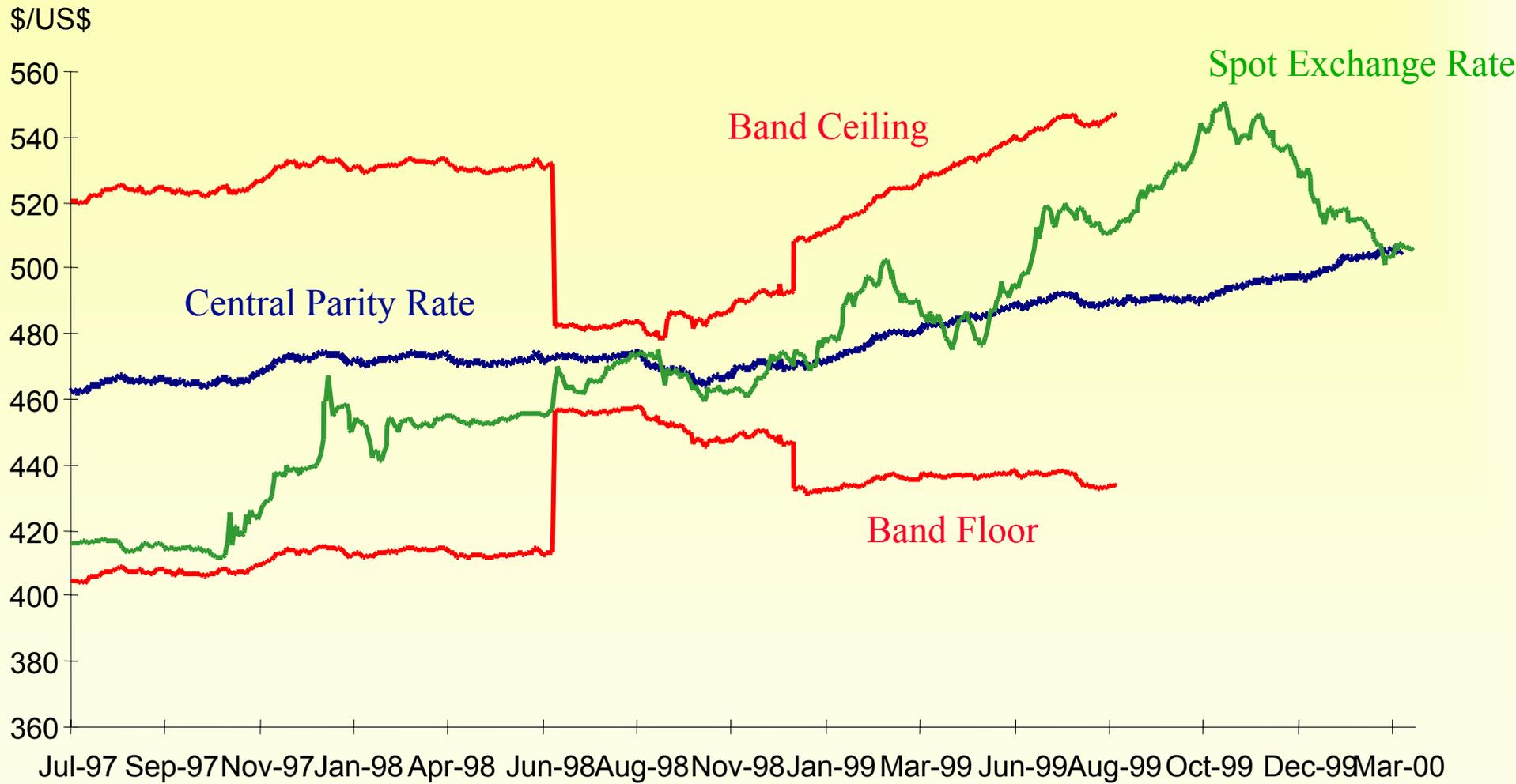


Real Interest Rates: Overnight policy target and 90 - 365 days Lending Rates (%)



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)
Latin America				
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
Asia				
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*
Total Sources	37.017
1.- External Debt (1)	9.965
2.- Foreign Investment (2)	27.051
Total Uses	37.017
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.

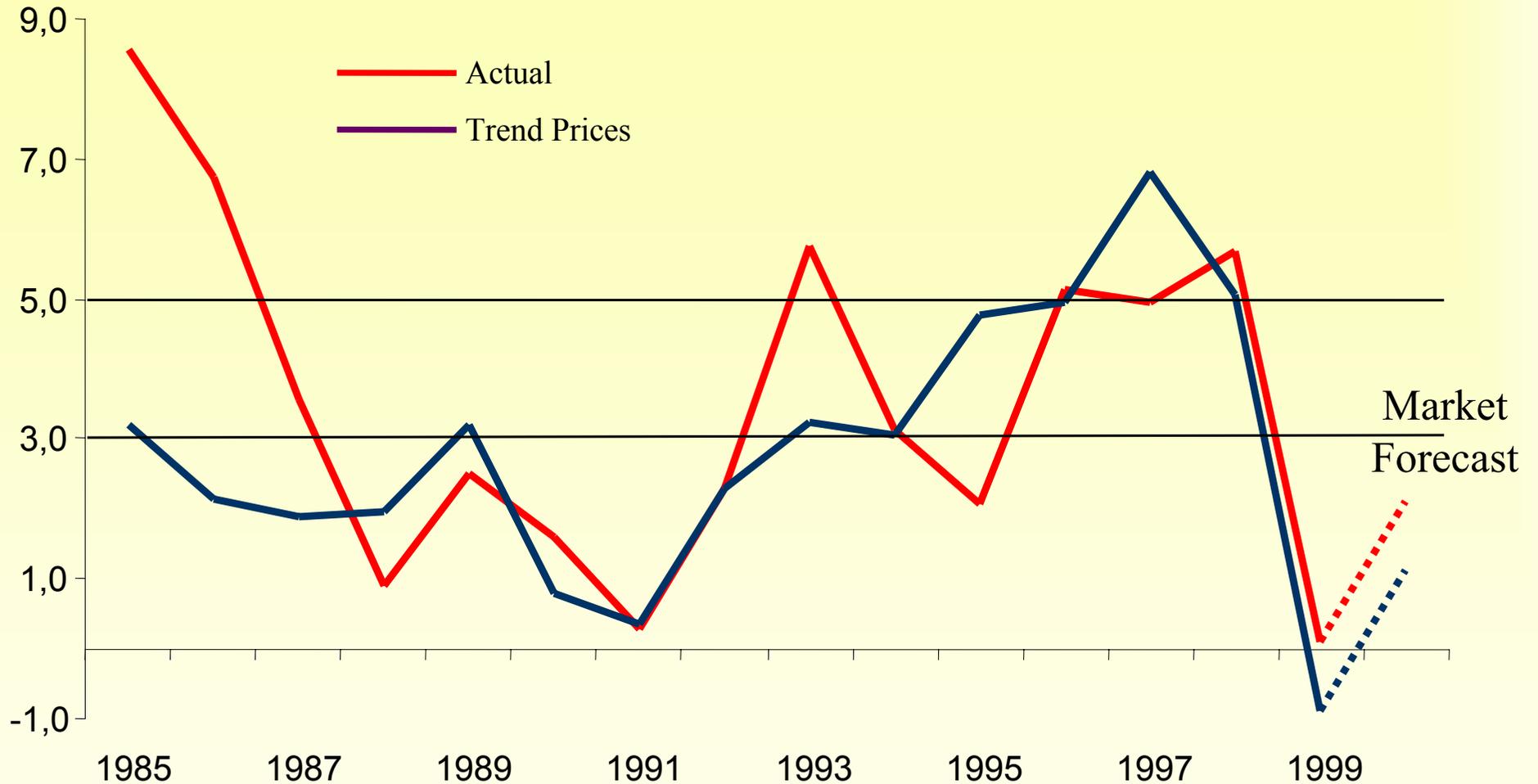
(2) Direct and Portfolio Investment in Chile by non-residents. Excludes bond issues by resident national companies.

(3) Direct and Portfolio Investment of Chileans abroad.

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

Source: Central Bank of Chile

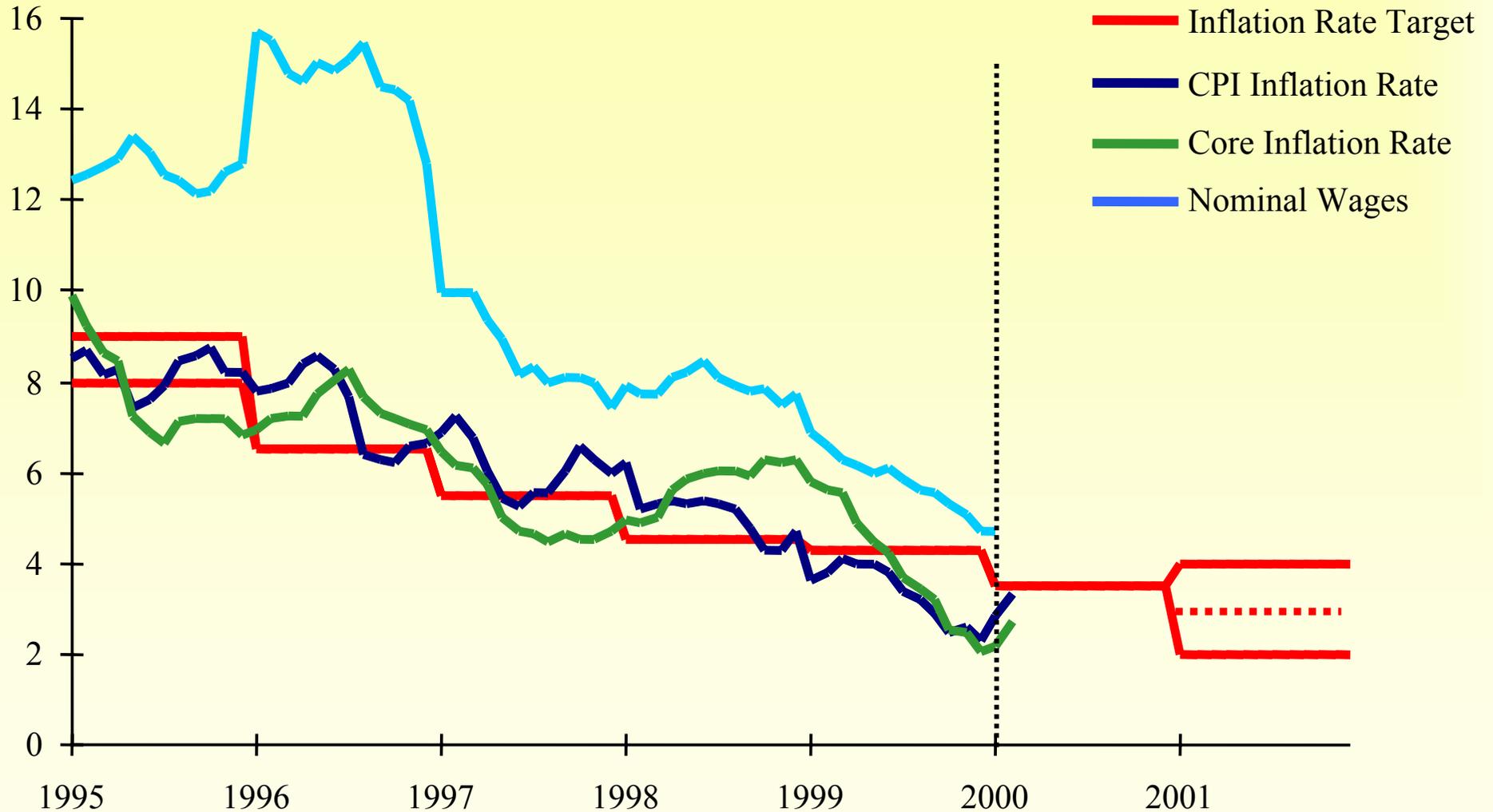
Current Account Deficit (% GDP)



Source: Central Bank of Chile

Inflation and Nominal Wages

(Year on year (%) change)



1999-2000 Macroeconomic Forecasts

	1998	1999 Preliminary	2000 Market Forecast
	<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

- ✘ 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

- ✦ 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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