BANCO CENTRAL DE CHILE

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AUTHORITIES OF BANCO CENTRAL DE CHILE

As of December 31, 1994

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BANCO CENTRAL DE CHILE

Santiago, April 24th of 1995

Mr.
Eduardo Aninat U.
Minister of Finance
PRESENT

In accordance with the enacting sections 78 and 79 of ARTICLE ONE, of Law 18,840 "Constitutional Organic Law of the Central Bank of Chile", I submit to you the Annual Report of this Institution, corresponding to the year 1994.

ROBERTO ZAHLER
President

I. REPORT

EVOLUTION OF CHILE'S ECONOMY DURING 1994

A. OVERVIEW

1994 was a year of satisfactory macroeconomic progress for the Chilean economy. Inflation was considerably reduced, external accounts were much healthier and output expansion was in line with the Banco Central's projections. Since the beginning of this decade, inflation has been gradually falling and by the end of 1994 it had reached an annual rate of 8.9% which is just under the Banco Central's target range for the year (9%) (chart 1). Gross domestic product (GDP) grew by 4.2%, a more than satisfactory result for a period of economic tightening. On the external front, there was considerable improvement in terms of trade and in volumes exported, particularly of non-traditional exports which increased in volume by more than 20%. These favourable results meant that the balance of payments current-account deficit as a proportion of GDP shrank from 4.6% in 1993 to 1.4% in 1994.

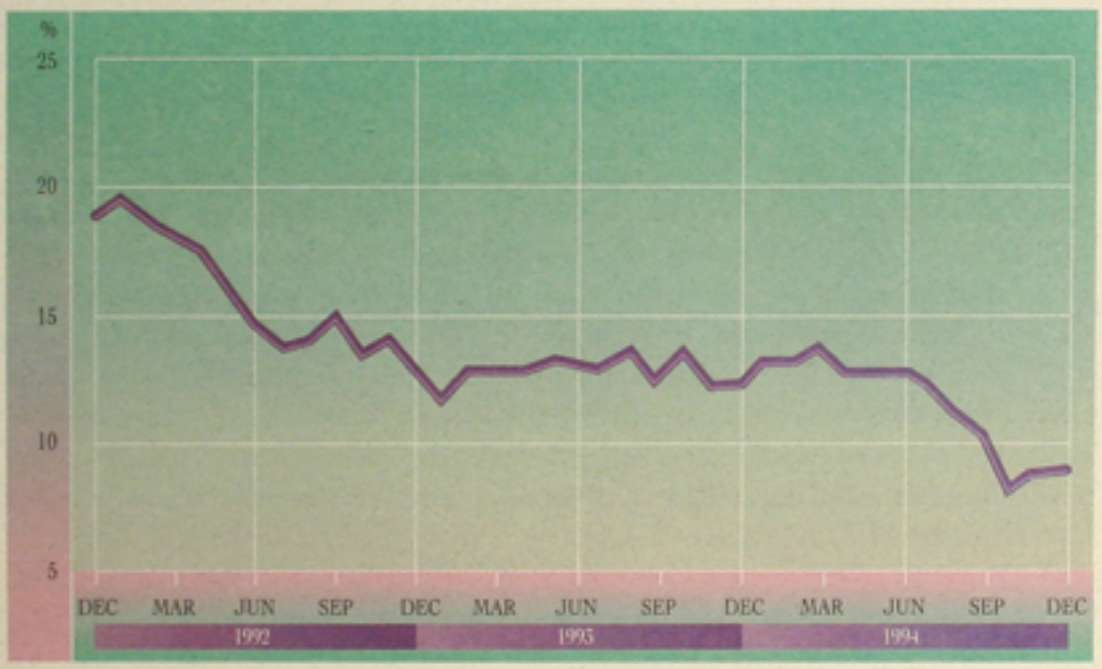
Output growth was led by an 8.2% increase in goods and services exports. Domestic demand for investment and consumer goods also contributed, to a lesser extent, growing 3.2% in contrast to the strong growth in 1993. Total consumption expanded by 4.1% while gross fixed-capital formation was 3.5% higher, bringing it to 26.3% of output. This is similar to the percentage reached in 1993 which, as chart 2 shows, is the highest rate of gross fixed-capital formation as a proportion of GDP achieved by the Chilean economy. Healthy export figures reflect both considerable growth in non-traditional exports and recovery of some main exports which in 1993 had been hit by depressed markets abroad.

GDP growth was a little slower than in the past two years but even so mean growth over the past five years, 1990-94, stands at 6.4% a year. It should be recalled that the economic authority deliberately aimed to slow growth in order to bring production and domestic spending into line with medium- and long-term stability. Economic activity had slowed quite markedly in the second half of 1993 and quarterly GDP growth tended to steady at around 4% during 1994 (chart 3). In the first half of 1994, output growth centred on tradable-good producing sectors, especially for export, whereas this tended to revert in the second-half.

Chart 1

CONSUMER-PRICE INDEX

(Percentage change in twelve months)

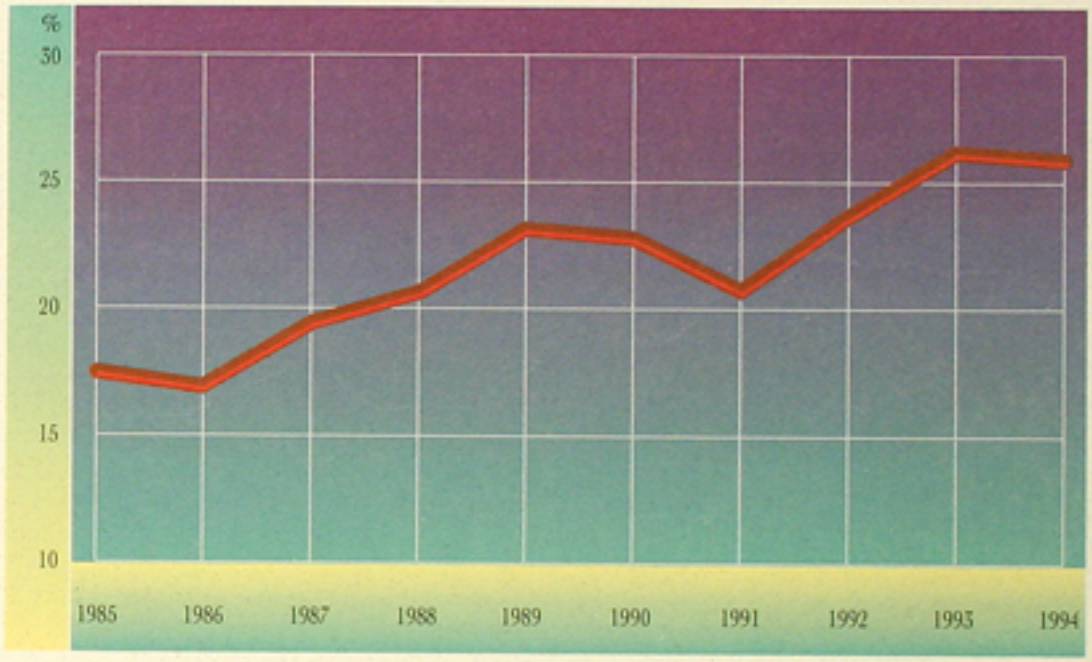


Economy tightening begun towards the end of 1992 was reflected in a slow but steady rise in employment during 1994, reaching a mean annual expansion of 0.9%. This means that about 45,000 people found jobs but, at the same time, slow employment growth led to higher unemployment which affected 5.9% of the workforce. This is 1.3 percentage points higher than last year but well below the unemployment rate throughout the '80s and early '90s. Furthermore, there were encouraging signs towards the end of the year that national unemployment was falling.

Nominal earnings also reacted to tighter policies although more slowly because indexation is based on past inflation. The nominal hourly-earnings index dropped five percentage points between April and December. At the same time, there has been a very close relationship between settlements, on the one hand, and consumer-price inflation, on the other. Growth of the labour supply and expectations of low inflation resulted in lower initial settlements, that is,

Chart 2

GROSS FIXED-CAPITAL FORMATION AS PERCENTAGE OF GDP



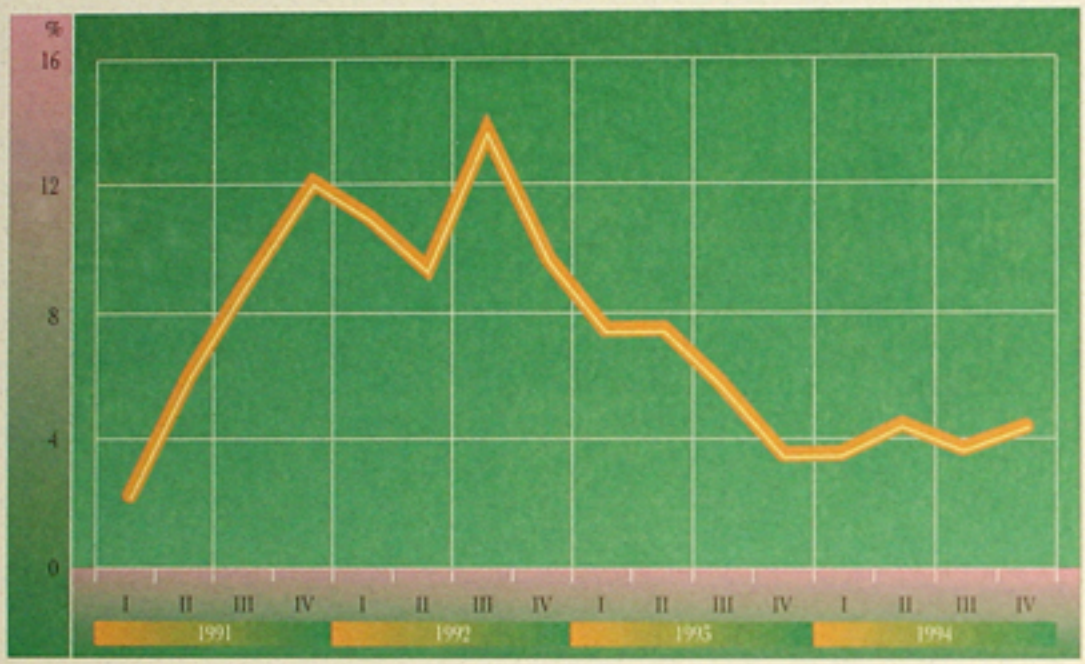
increases over past inflation incorporated into new contracts, thus consolidating the downward trend of inflation. Data on collectively negotiated settlements and wage agreements during 1994 indicate that, in general, initial settlements were considerably smaller than in 1992 and 1993.

Steadily falling prices during 1994 contributed to the progress made towards achievement of the inflation objective. Consumer-price growth has slowed since 1991 and the inflation rate in 1994 was the lowest for several decades. This reflects the success of the policy adopted in 1992 to curb spending in order to ease incipient inflationary pressures. Control of aggregate spending has been an important ingredient of anti-inflationary policy but another element that has contributed greatly has been the confidence generated by each year's target being achieved. The credibility of counter-inflationary strategy is reinforced by the 1994 results and is fundamental to employment contracts gradually and voluntarily leaving behind indexation. This means the inertia of the inflationary process will be broken and more ambitious anti-inflation targets can then be set.

Chart 3

QUARTERLY GDP GROWTH RATE

(Percentage change on same quarter of previous year)



Unlike previous years, non-tradable-goods inflation fell steadily throughout 1994, giving an annual rate almost 8 points lower than last year, while tradable-goods inflation maintained the steadily rising trend it has followed since end-1992, slowing only in the fourth quarter. The differential between tradable-goods inflation and non-tradable-goods inflation observed in 1992 and 1993 thus tended to disappear in 1994. This is a good indication that the policy of curbing expenditure was successful in consolidating a lower rate of inflation.

Spending growth clearly slowed throughout 1993 but only once anti-inflationary results were evident, in the second half of 1994, did the Banco Central decide to lower interest rates on its 90-day indexed promissory notes (PRBC). This took place gradually from 6.5% to 6.25% in October and then down to 6.1% in November.

As regards market interest rates, 90- to 365-day indexed deposits yielded a slightly higher rate than 90-day PRBCs during the first half of 1994, indicating that the financial system was

operating with relatively restricted liquidity. However, in the second half of the year, there was more ample liquidity allowing the market rate to drop below the rate on PRBCs.

Interest on loans followed a similar pattern so that the spread between deposit and lending rates remained almost constant throughout the year. The yield on Banco Central promissory notes payable in coupons (PRC) fell steadily as the market assimilated the end of the adjustment period.

The Banco Central maintained its exchange policy of recent years favouring a market exchange rate coherent with external accounts stability in the medium and long term. In general, this means continuing with a floating exchange band of 10% above or below a referential exchange rate, buying and selling within the band when necessary, and linking the peso value to a basket of currencies. Nevertheless, improved external accounts, particularly the strong growth in volumes of exports, the favourable outlook for export development and the shrinking current-account deficit, as well as ready external funding, particularly in direct investment, led the authorities to modify the referential dollar value in November 1994. The value of the basket used as reference for the exchange band was lowered by 9.66% since the new structural conditions of Chile taking its place in the world economy required a lower real exchange rate. The weighting of the currencies in the basket had to be changed to suit Chile's current trade flows, giving more weight to the yen and reducing the weight of the dollar. Once the referential exchange rate was lowered, the interbank exchange rate fell too, but much less. These measures allowed the observed exchange rate to rise above the floor of the band where it had been hovering for most of the second half of the year.

Also in 1994, the policy of gradually lifting restrictions on capital movements was continued and measures were taken to deepen the exchange market. Among these measures were regulations increasing the value and percentage of exports free of the obligation to be sold on the formal exchange market and extending the term in which export returns must be liquidated. Similarly, capital-account movements were eased by applying less demanding risk qualification and reducing the amount Chilean banking companies or others can issue as ADRs and bonds abroad. Another measure allowed for Chilean banking companies to invest in foreign financial entities. And finally, the amount of any pension fund that can be invested abroad was raised from 3% to 6% of the total fund. In general terms, the measures adopted in 1994, together with those of previous years, aim to give capital greater cross-border mobility and to simplify exchange regulation.

Exports were much more dynamic than imports and this pulled the trade balance out of the US$ 982 million deficit registered in 1993 to a US$ 660 million surplus in 1994. This result was due to an expansion of over 25% in the value of exports, accompanied by a 7% rise in imports. Terms of trade were much improved and there was a substantial increase in volumes exported, particularly non-tradable exports that were up by more than 20%. The trade-balance swing to surplus played a decisive part in the hefty reduction of the balance of payments current-account deficit from 4.6% of GDP in 1993 to only 1.4% of GDP in 1994. However, net inflows of foreign financing produced a capital-account surplus 63% higher than in 1993, amply outweighing the current-account deficit and resulting in a large stock of foreign reserves. The composition of capital inflows continued the trend begun in 1992 towards a predominance of capital for financing investment.

The satisfactory performance of the economy in 1994, particularly bearing in mind that spending was reined in throughout the year, was mainly due to constant and coherent monetary, exchange and fiscal policies, together with bouyant exports and favourable conditions abroad. Current economic-development strategy thus appears to be on the right lines, and rising levels of saving and investment place the country on a strong footing to go ahead. However, all economic agents must assume the responsibility for ensuring that the process of sustained growth continues within a sound framework and steadily falling inflation.

B. ECONOMIC ACTIVITY AND EMPLOYMENT

In 1994, GDP grew by 4.2%, a satisfactory figure in the context of economic tightening in which it was achieved (table 1). This is another year of economic growth that has continued uninterrupted for the past eleven years, from 1984 to 1994, during which growth has averaged 6.4% a year. Exports led the way – goods and services exports increased by 8.2% – while domestic spending only grew by 3.2% which is much slower than in 1992 and 1993 and conforms to the process of economic tightening begun towards the end of 1992. The components of domestic demand all grew at a modest rate: total consumption by 4.1% and gross fixed-capital formation by 3.5%, which meant that investment reached 26.3% of output, a similar rate to last year. Stock accumulation was less than in 1993.

Real available gross national income growth was well ahead of output. The 7.5% increase was thanks to the improved terms of trade ratio due to better conditions in the international economy.

In the previous period of greater domestic spending, non-tradable-goods producing sectors had led economic activity but in the first half of 1994, tradable goods, especially for export, took the lead. However, in the second half of the year the situation reverted again and output growth centred on non-tradables which had by then assimilated the end of the process of economic tightening.

B.1. Output by sector

In 1994, the most bouyant sectors were fishing, with growth of 18.8%, agriculture, livestock and forestry, 6.9% (both fundamentally tradable-goods producing sectors) and transport and communications, 8.6%. Other bouyant sectors were electricity, gas and water, trade, hotels and catering, financial services and personal services, which grew between 3.4% and 4.7%, and all are usually considered non-tradable goods and services producers. More modest growth was observed in manufacturing industries, 2.9%, home ownership, 2.9%, mining, 2.7%, construction, 2%, and public administration 0.7% (table 2).

High output growth in the fishing sector was the result of large catches, mainly for fishmeal and fish oil production, and increased production from salmon and trout farms. Both these areas of activity grew by more than 20% and Chile now ranks second in the world for production of fishmeal and salmon. Small-scale fishing showed only moderate growth.

Transport and communications growth, as in previous years, was led by communications development and by air and sea transport. They grew between 9% and 16%, whereas rail transport dropped again, by 11%.

Agriculture, livestock and forestry output expansion of 6.9% was achieved by all sectors, particularly those producing for export. Shipments of all kinds of fruit increased, except apples which in fact were less this year. The forestry sector's expansion too was due to increased exports and only slightly bigger demand for supplies to local industry. Increased exports of vegetable products contributed to agriculture-sector growth whereas annual crop production was a little below last year's. Livestock, on the contrary, did well on the home market, especially meat and dairy products.

Trade, hotels and catering grew by 3.8% in 1994, a little below overall output because of the cutback on spending which was reflected in rather sluggish growth of domestic sales of goods manufactured in Chile and, to a lesser extent, of imported goods.

Manufacturing industries' moderate expansion was mainly thanks to exports since output of goods for the home market (consumer, capital and intermediate goods) only increased slightly and among them the products that compete directly with imports fared badly. Among export products, output rose for fishmeal (26.8%), canned fruit and vegetables (12.2%), methanol (8.3%) pulp and paper (6.4%) and timber (4%). Producers supplying the home market registered below average growth of consumer and capital goods (2%), construction materials (1.7%) and other intermediate goods (3.1%) while products that compete against imports, such as textiles, clothing, leather and footwear, showed negative growth rates between –6% and –10%.

Mining-sector output was varied. Copper-mining was more bouyant than last year mainly because medium-scale mining (La Escondida and Disputada) grew strongly (14.8%), while large-scale mining maintained the same production levels as last year, only making changes in favour of relatively better-priced products. Iron grew by 7.9% in response to increased demand abroad particularly for pellets and iron ore. Coal-mining output increased in the Magallanes region to meet the needs of thermoelectric plants but the rest of this subsector produced negative growth figures particularly because of the Schwager mine closure. The continuing slide in crude oil production is due to wells running dry.

Construction-sector growth was a modest 2% and this was achieved thanks to engineering works since private building was reduced to mainly smaller cheaper dwellings. The engineering works starting up or continuing include Line 5 of the metro, the Pangue hydroelectric plant, El Melón tunnel, and works for Codelco and water utilities.

B.2. Composition of expenditure

As mentioned above, tighter monetary policy reined in domestic spending so that it would not grow so fast as output and productive capacity. The economic authorities aimed to restrain upward inflationary pressures that had been generated for the most part by strong domestic demand.

Domestic spending thus increased by 3.2%, total expenditure by 4.1%, gross fixed-capital formation by 3.5% and there was a certain amount of destocking (table 3). Private consumption was also weak, reaching a rate of 4.4%, probably because of relatively small real wage rises and less use of consumer loans. Government consumption was also curbed, the 2.3% increase going mainly on public health.

Gross fixed-capital formation was outstanding considering that this growth was achieved in a period of economic restraint. It is explained partly by the falling trend of longer-term interest rates and by the recovery of the world economy. GFCF growth meant that fixed-capital investment, measured at constant prices, represented 26.3% of output, a similar proportion to 1993 when this component reached extraordinary growth. Investment in machinery and equipment reached only an above-average growth rate because investment in construction was weak. As already noted, residential construction came close to standstill.

Weak domestic demand was reflected in falling import figures. All categories of imports were affected and the overall growth in volume was 5.1%, as against 11.2% in 1993. Consumer-goods, intermediate-goods and capital-goods imports expanded by 9%, 5% and 6% respectively.

World prices for major exports recovered as the world economy picked up again, boosting export growth. Goods and services exports increased by 8.2% in volume, while goods exports alone grew by almost 10%. Non-copper exports and, in particular, non-traditional exports were the fastest growing. Copper exports were 5.9% more than last year and other mining products registered bigger increases.

Terms of trade improved remarkably in 1994 because the prices of major exports were considerably higher as against only a slight rise in import prices. This resulted in a 7.5% increase in real available national income, more than three points over output growth.

The strong rise in domestic income together with only modest expansion of consumption, both in real terms and nominal terms, produced a notably higher gross national-saving rate. At current prices, it reached 25.4% of GDP, thus reducing external financing requirements (table 4). In this way, the external saving rate dropped from 4.6% of GDP in 1993 to 1.4% in 1994.

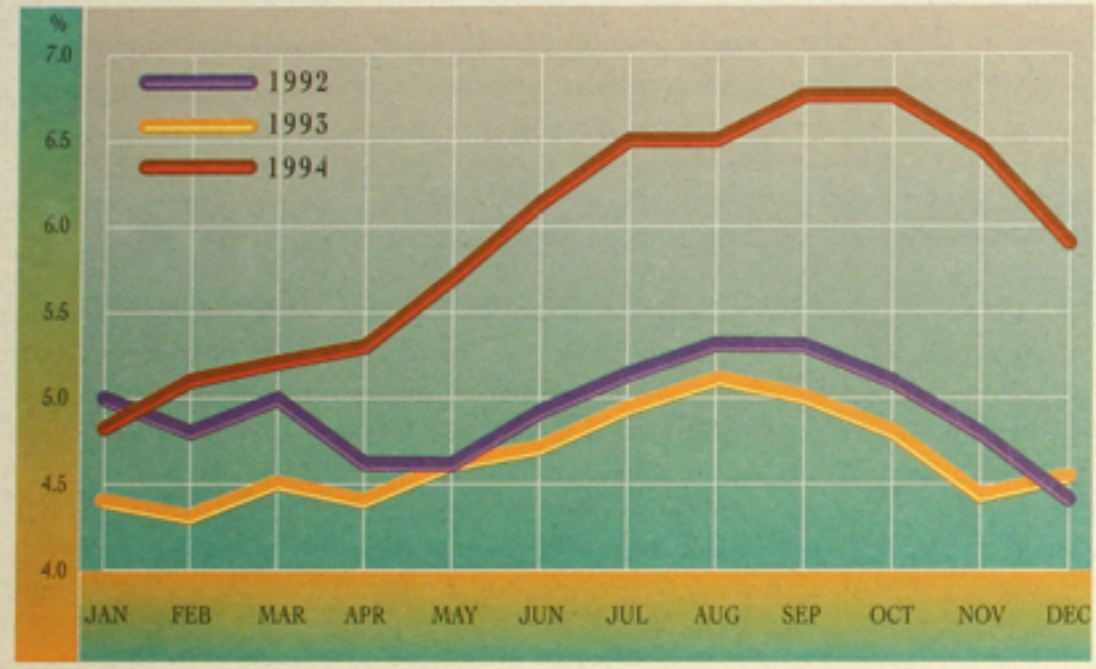
B.3. Employment

Economic tightening, begun in 1992, was reflected in slow employment growth throughout 1994. In fact, mean growth from 1993 to 1994 was 0.9% or 44,300 new jobs. This, in turn, affected unemployment which rose to an average of 5.9%, similar to the levels at the beginning of the decade and 1.3 percentage points higher than the mean 1993 rate. Employment growth slowed throughout the year but around October appeared to have reached the turning point, see chart 4 and table 5. In the fourth quarter of 1994, twelve-month employment growth reached 0.1% and the unemployment rate was 5.9%.

Chart 4

NATIONAL UNEMPLOYMENT RATE

(Moving quarter averages)



In 1994, 118,000 new workers joined the workforce which means growth averaged 2.3%. This comes back to the long-term tendency after rapid expansion (5.2%) of the workforce in 1993.

C. INFLATION AND EARNINGS

During 1994, inflation continued on the downward path followed in previous years and ended the year with prices only 8.9% higher than a year ago. This is even lower than the target range for annual inflation of 9–11%. Comsumer-price inflation in 1992 had been 12.7% and in 1993, 12.2% (chart 1) but, in 1994, the drop was more substantial and marked important progress in the plan to gradually reach a similar inflation rate to that of Chile's main trading partners.

Reduction of inflation in 1994 was the result of a sharp slowdown in non-tradable goods price rises while tradable-goods prices remained at their moderate pace of growth observed since end-

1992. In effect, the twelve-month increase in prices of INE's basket of non-tradable goods and services fell continuously through 1994 from 17.8% at the beginning of the year to around 10% in the fourth quarter. On the other hand, the twelve-month increase in prices of the tradable-goods basket remained at a fairly constant 8.3% throughout the year, slowing to 7% in the fourth quarter. Wholesale prices followed the tendency of tradable-goods prices and their index rose by 7.8%, slightly higher than the 6.7% registered at end-1993 (table 6).

The most favourable results were observed in mainly tradable-goods sectors, that is, clothing and food, where twelve-month rises in price reached 3.7% and 7% respectively. Inflation in non-tradables exceeded inflation in the tradable sector. For instance, housing varied the same as the index, that is, by 8.9%; transport and communications rose slightly more, by 9.6%. The biggest price rises were in "other goods and services", which include education, health, recreation and others and which increased by 14.2% (table 7). Evidently, with the exception of this last item, the differential between tradables and non-tradables observed in 1992 and 1993 narrowed in 1994.

The progress made in 1994 towards reducing inflation results from the policy of economic tightening implemented in 1992 which aimed to stall any inflationary pressures, this being part of the Banco Central's medium-term strategy to come into line with international inflation standards. This strategy also included a constant watch on expenditure so that it should only be allowed to grow at rates compatible with internal and external stability.

The macroeconomic policies introduced in 1992 bore fruit in 1994. Towards the end of 1992, domestic spending had reached unsustainable levels in relation to productive capacity growth and to the possibilities of medium-term external financing. The widening breach between domestic supply and demand exerted upward pressure on prices and salaries and potentially on the balance of payments current-account deficit and on the real exchange rate. In these circumstances, the Banco Central decided to apply a policy of economic tightening by a series of interest-rate rises as from the second quarter of 1992, throughout 1993, and only began to ease off in October 1994.

Monetary policy managed to curb inflationary pressures that were evident in non-tradable-goods prices in 1993, reducing the pace of spending growth from the second half of that year down to a lower rate than potential output in 1994. The effect of interest rates on domestic spending takes time to pass through, as does the response of average earnings to the labour market, so

the results of this effort to control expenditure, in terms of a more favourable evolution of prices and nominal earnings, were not quickly felt. However, by the second half of 1994, the effectiveness of the policies applied was becoming evident. This proves the importance of keeping a close watch on aggregate spending as an indispensable factor in achieving the inflation objective.

Nominal earnings also showed the effects of the restraint on spending, but with a certain lag because of the widespread practice of basing indexation on past inflation. Growth of the new hourly-earnings index in nominal terms slowed from 18.5% in April 1994, which was the first time the twelve-month variation could be calculated, to 13.5% at the end of the year. The hourly labour-cost index slid from a twelve-month growth of 15.6% in April to 14.4% in December. The earnings index rose again in December (although less than in December 1993) when public-sector employees received a 12.2% annual salary increase. Public salaries do not directly affect production costs but they do act as a yardstick for private-sector settlements and thus affect public-sector expenditure.

Discounting the effects of consumer-price inflation, the hourly-earnings index rose by 4.2% in real terms to December 1994, while the labour-cost index, which is deflated by the wholesale-price index, rose by 6% in real terms (tables 8A and 8B). These real rises in both indices during 1994 may appear excessive in relation to productivity, but it should be recalled that this is a temporary phenomenon proper to inflationary slowdown in a situation where labour contracts use a system of indexation based on past inflation. Available data on collectively negotiated contracts in 1994 show that initial settlements over past inflation written into new contracts have distinctly fallen since 1992 and 1993 and this appears coherent with productivity and inflation targets. The average earnings rise over past inflation agreed in 1994 was 1.7% whereas in 1993 and 1992 it had been 2.3% and 2.7% respectively (table 9). The wage settlements agreed in collective negotiation are, of course, an indication of how other earnings will evolve since they are recent and reflect current market conditions as well as expectations of future inflation, whereas other indicators –the earnings index and labour-cost index– are averages of settlements still readjusted according to past inflation. In this light, nominal earnings growth towards the end of 1994 was falling and approaching levels compatible with the growth trends of productivity and with inflation objectives.

The reluctance of nominal earnings growth to fall into line is indicative of the inflationary inertia that has been built into the Chilean system by this kind of indexation. Memories of high inflation

in the past still haunt the Chilean economy in its institutions and practices. One way of ensuring against sudden inflationary peaks was to use an overall indexation but this results in an overall brake on the process of reducing inflation. True, it avoids costs associated with too-rapid reduction of inflation but at this stage it would be well worth considering the use of falling projected inflation as a yardstick for wage negotiations in order to speed up the process of reducing inflation. Real initial settlements, that is the margin agreed over past inflation, should be below the trend of growth of average productivity in order to ensure that unit labour costs grow more slowly than past inflation. This is perfectly compatible with an increase in average real earnings similar to productivity growth and, furthermore, it is the best way of seeing that real wage rises are not undermined by higher inflation in the future.

The drop in inflation in 1994 is a significant step on the way to definitively lowering inflation. The 1994 annual rate is the lowest in the past thirty-four years and, in fact, 1960, 1961 and 1981 are the only years in all that time that one-digit inflation has been achieved. In those years, the chief means of holding back inflation was by an exchange-rate freeze which eventually became unsustainable and later produced even worse effects on inflation. Unlike today, when current anti-inflationary strategy is soundly based and within a macroeconomic framework of stability, both external and internal, of which the key element is spending growth compatible with productive capacity growth and with a reasonable use of external saving.

Meeting the inflation target set for 1994, and similar achievements in previous years, confirms the monetary authority's commitment to bringing inflation down to the rates in industrial countries. Credibility is fundamental in achieving this aim since it creates the climate of confidence in which employment contracts, of their own will, no longer depend on indexation. The inertia of the inflationary process will, thus, be broken and more ambitious counter-inflation targets can be set.

The problem of inflation is by no means solved yet. Steady progress has been made but further effort is required and policies must be maintained that ensure only a moderate growth of public and private spending. The success achieved in 1994 shows the benefits of firm and persistent action in restraining spending growth to keep it in line with potential output and with the Chilean economy's possibilities of external financing. At the same time, to avoid unnecessary costs that could arise, management and workers must work together to eliminate upward pressures on inflation from the labour market and from profit margins as well as from low productivity sectors that demand protection.

D. MONETARY POLICY AND INTEREST RATES

D.1. Monetary policy and the evolution of interest rates

The Banco Central continues to use interest-rate control of its short-term financial instruments – 30-day indexed discountable promissory notes (PDBC) and 90-day indexed promissory notes (PRBC) – as the basis of its monetary policy. Real financial balances held by the public consequently adjust freely to what is required by private economic agents to whom liquidity is simply another variable to be considered when making their portfolio decisions.

From November 1992 to September 1994, interest on 90-day PRBC remained at 6.5% showing that monetary policy aimed to keep a tight rein on inflation, which throughout 1993 and the first half of 1994 had hovered around 13% a year. This monetary policy, together with the credibility the Banco Central had earned by not giving in to demands from all sides for an end to tight measures, contributed decisively to restraining domestic spending and were thus key elements in finally breaking the inflationary trend. Also important was that a fiscal surplus was maintained and only moderate public expenditure growth was allowed.

Only once a real check on inflation became evident were interest rates on 90-day PRBC cut, firstly on October 13th to 6.25% and then again on November 14th to 6.10% (table 10). The nominal rate on shorter-term papers, that is, 30-day PDBC continued in line with the rise in the UF value and with the real yield on 90-day PRBC.

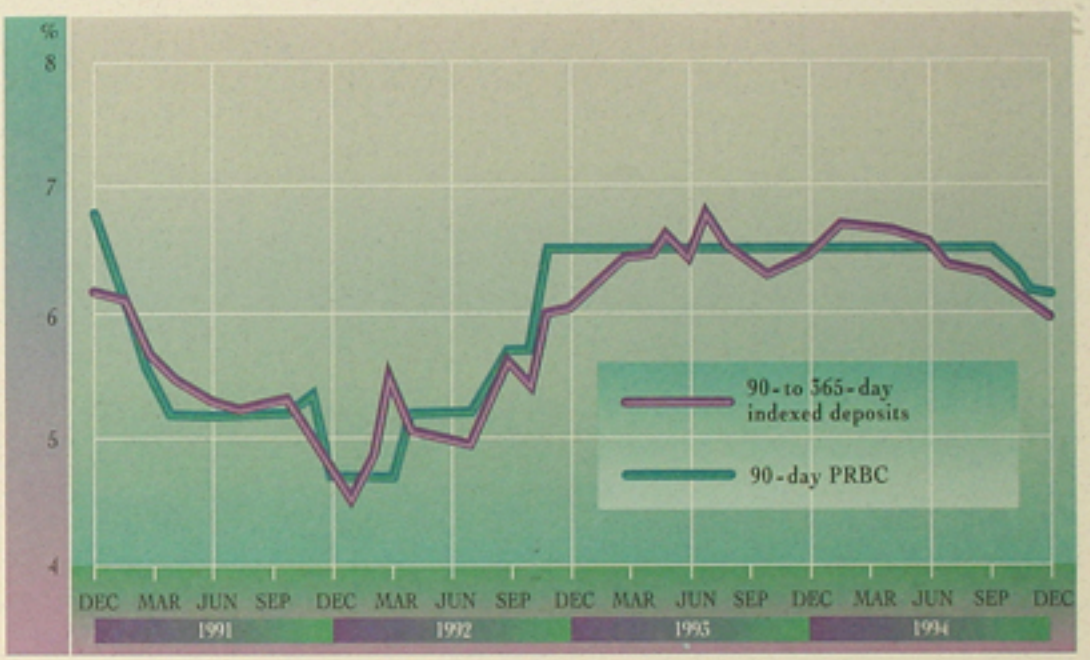
An important characteristic of the reduction of inflation between 1992 and 1994 is that restrained spending did not greatly affect capital formation. Gross capital formation, measured in 1986 pesos, as a proportion of GDP continued very near the record value of 26.5% achieved in 1993. Another factor that should be highlighted is the reassurance that the Banco Central provides having now for several years fulfilled its commitment to reducing inflation.

In the first half of 1994, market interest rates on indexed 90- to 365-day deposits averaged 6.6%, a little over the rate on 90-day PRBC. But, in the second half they dropped to 0.2 percentage points below the 90-day PRBC rate, averaging 6.2% (table 11 and chart 5). This behaviour of market rates suggests that in the first half the financial system operated with relatively restricted liquidity but careful cash management allowed periods of illiquidity to pass unnoticed. In the second half, expectations of interest-rate cuts on 90-day PRBC, as well as the Banco Central's

Chart 5

MEAN INTEREST RATES: MARKET AND BANCO CENTRAL

(Percentages)



transactions in the exchange market, eased liquidity, bringing market rates down to below the PRBC rate. The spread between deposit and lending rates ramained stable throughout the year at around 2.9% (chart 6).

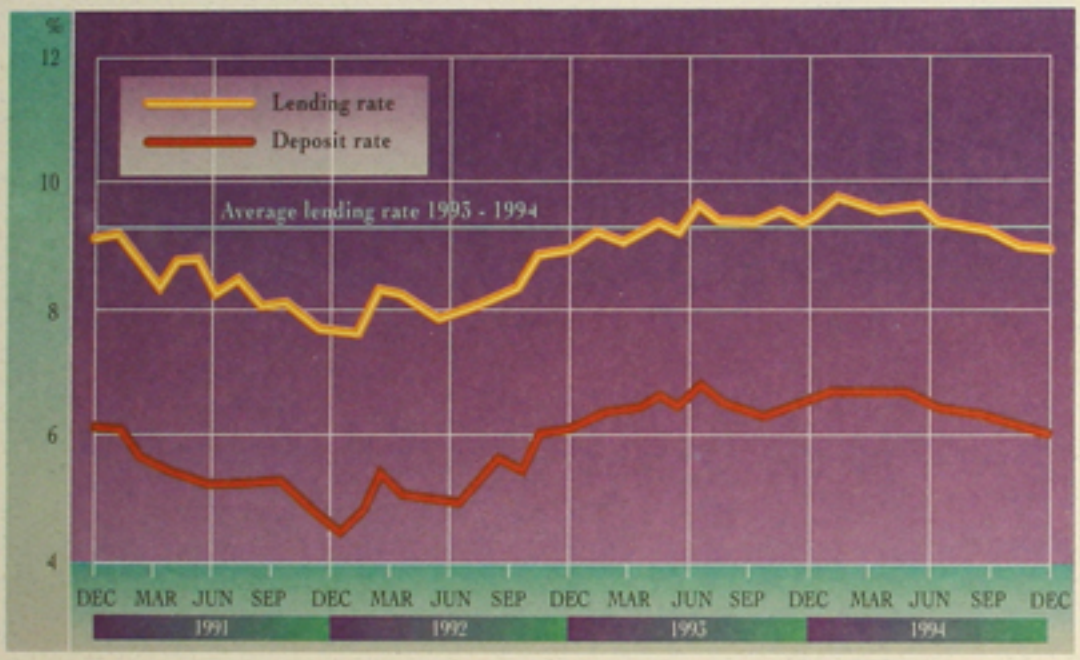
The Banco Central's indexed-linked promissory notes payable in coupons (PRC) continued to be offered in fixed quotas of 300,000 UF for each tender of 8- and 10–year PRC and 200,000 UF for each tender of 12–, 14- and 20-year PRC. Sale of 4-year PRC was discontinued on February 1st 1994. The yield curve for these long-term instruments has slid down about 0.9 percentage points with respect to that of 1993. Thus, 8-year PRC giving a mean yield of 7% in 1993, gave 6.1% in 1994, while the yield on 20-year PRC of 6.8% in 1993 dropped to 5.9% in 1994.

In 1994, as in the previous year, the mean PRC-yield curve showed a negative slope, that is, the mean yield was less on longer-term papers, implying expectations of falling interest rates. However, it tended to flatten in the last few months of the year, at least as far as interest on 8-,

Chart 6

INTEREST RATES ON 90- TO 365-DAY INDEXED TRANSACTIONS

(Monthly averages)



10-, 12- and 14-year notes is concerned, although 20-year PRC continued to give a lower yield. This difference narrowed through the year as expectations of lower interest rates dropped.

D.2. Evolution of monetary aggregates

Current interest-rate policy means that money supply reflects the demand for financial balances which, in turn, depends on how the economy is growing, nominal interest rates, and price levels. However, the actual money supply may vary because of transitory factors over and above those demand variables.

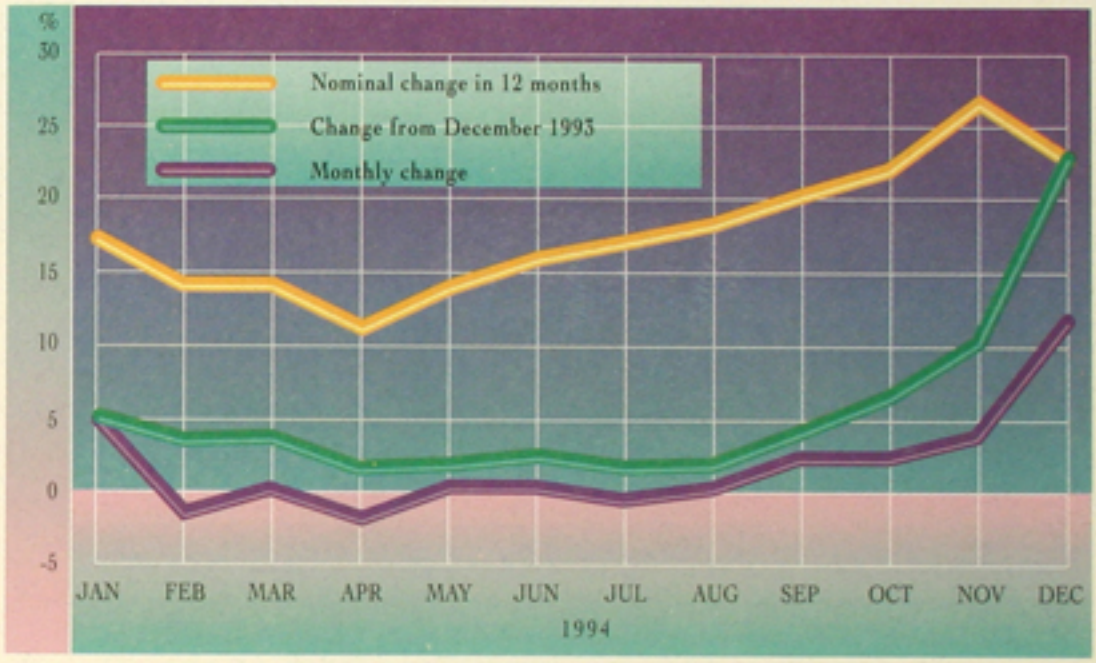
M1A's (*) behaviour in 1994 is detailed in table 12 and chart 7. At December 1994, nominal growth in twelve months, as an average of each month's growth, reached 22.4%. In real terms,

(*) In Chile, M1A or private-sector money is defined as money in circulation plus private-sector current-accounts and other demand deposits net of float.

Chart 7

BROAD PRIVATE MONEY (M1A)

(Percentages)



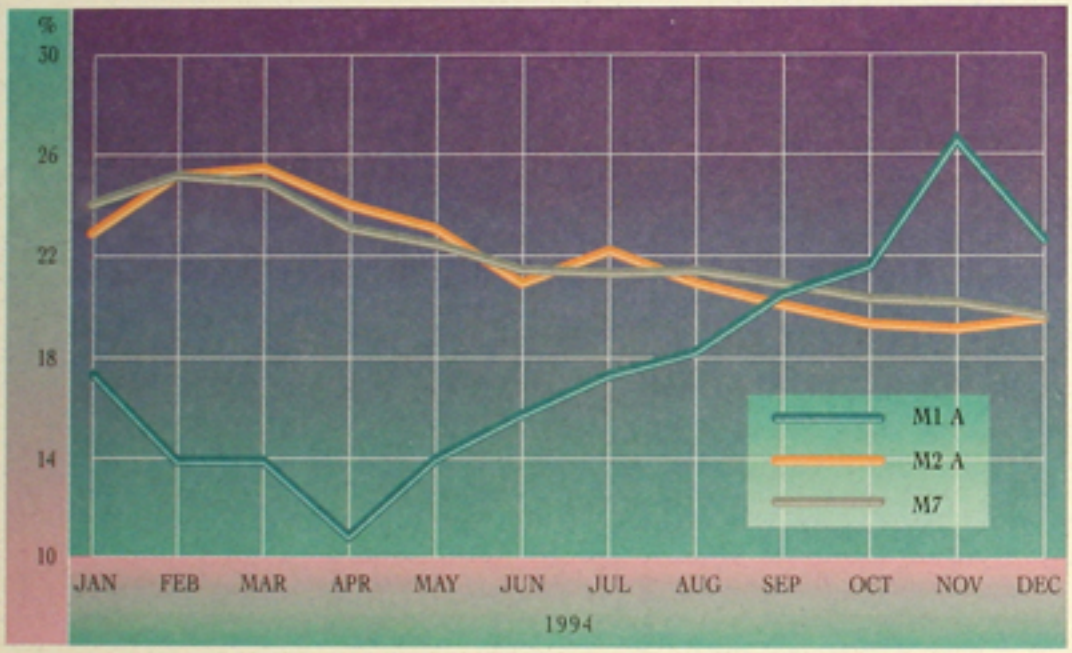
that is equivalent to 12.3% which is higher than might be expected with GDP of 4.2% in the year. However, demand for money was also boosted by the reduction of nominal interest rates and the cost of holding money, which were most felt in the fourth quarter when nominal interest rates were, in fact, 0.61 percentage points lower than in the same period of 1993. This accounts for the demand for real money balances increasing by about 7.5%. Consequently, money supply in 1994 can be seen to have kept in step with its fundamental variables. Finally, considering the two basic components of M1A, money in circulation expanded by 15.8%, while money in current accounts and other private-sector demand deposits grew by 25.4%, the difference being explained by low nominal interest rates that made demand deposits more attractive.

Broader monetary aggregates also grew steadily in 1994. The annual average of total financial saving (M7) increased as a proportion of GDP from 62.9% in 1993 to 64.8% in 1994 (chart 8). Annual growth of this aggregate, comparing the December average of each year, reached 9.7% in real terms.

Chart 8

TWELVE-MONTH NOMINAL CHANGES IN MONETARY AGGREGATES

(Percentages)



Base-money expansion in 1994 mainly derived from exchange transactions (around 800 billion pesos) which were sterilised by the Banco Central placing new promissory notes (table 13). Twelve-month base-money growth reached 13.3%, less than in 1993 when it was 17.4%, whereas transactions with the Treasury had a moderately contractive effect.

Domestic-credit growth slowed in 1994, as could be expected with the reduction of domestic spending. Real twelve-month growth of total loans dropped from 13.6% in December 1993 to 7.9% in December 1994, as a result of slower growth of loans in pesos and a drop in the amount borrowed in foreign currency. Despite this slower expansion, total loans in 1994 were on average 46% of GDP, a little over the 45% registered in 1993.

Real twelve-month growth of loans in pesos slowed from 17.9% in December, 1993, to 12.2% in December 1994, but mortgage loans continued to grow strongly accelerating from 18.1% in

December 1993 to 32.1% in December 1994. Lower long-term interest rates probably account for much of this increase in mortgage loans as a proportion of total loans.

Foreign-currency loans, on the other hand, decreased in 1994, registering a variation of –10.7% in December. The drop in the dollar's real value means that even if the same volume of borrowing had been effected, these loans would still have registered a fall. However, the increased cost of borrowing in dollars and the development of new forms of financing business also contributed to reducing stock of foreign-currency loans. Private nonfinancial companies now have easier direct access to foreign capital markets and this means that the bank's intermediation is not so necessary. This is evident in the big expansion of ADRs placed on the New York stock market and of direct foreign investment by way of DL 600 and associated credits.

E. EXCHANGE POLICY, BALANCE OF PAYMENTS AND EXTERNAL DEBT

E.1. Exchange policy

Current exchange policy aims to keep the real exchange rate compatible with the external environment in the medium term. External saving must be used in conjunction with domestic sources of financing investment but without excessively increasing foreign debt. In practice to keep the foreign debt/GDP ratio steady, this means maintaining a current-account deficit of 3% to 4% of output. At any given moment the economy may deviate these figures but the important thing is that, on average, external saving stays within that range.

Throughout the '90s, Latin America and Chile in particular have enjoyed an extraordinary inflow of capital, well above the 3% or 4% of output that the economic authorities considered adequate. Consequently, the Banco Central has accumulated a plentiful stock of foreign reserves. However, this has not been without costs due to both the higher interest rate it has had to pay for the resources it absorbs to finance the acquisition of reserves and to the depreciation of the relative price of net international assets and domestic liabilities caused by the strengthening of the peso. Notwithstanding these costs, the policy of maintaining reserves has made the Chilean economy much less vulnerable to adverse situations in the world economy, situations which when aggravated by mistaken policies account for many of the economic crises suffered in various

countries in recent decades. All the available evidence seems to indicate that the abundant capital flows to Latin America during this decade will not continue, or at least not so profusely as in recent years, and a plentiful stock of reserves is the best possible shield against a coming period of relatively short supply of external financing. At the same time, the process of strengthening the currency, which is linked historically and internationally to export success, has been allowed to go ahead gradually and this has been crucial to its continuing.

A second objective of exchange policy has been to stabilise the nominal exchange rate, and thus the real short-term exchange rate, avoiding short sharp changes which are damaging to investment, international trade and domestic output. The Banco Central has had to determine whether changes in the real exchange rate are caused by underlying structural factors, such as faster technological development in tradable sectors than in non-tradable sectors, considerable terms of trade differences, or alterations in the supply and cost of foreign funds. If analysis indicates that real long-term exchange rates have effectively changed then exchange policy has to adapt gradually to this new situation. On the other hand, if transitory or speculative factors are to blame, then the Bank has to attempt to restrain sharp fluctuations and not introduce changes in the referential exchange value.

Any attempt to force the real exchange rate to an unsustainable value, ignoring the structural factors that determine its level, is bound to fail and give rise to upward pressures on inflation. Exchange rate always reflects the trend of the market, whether that trend depends on structural or medium-term developments, and consequently the current system of a floating exchange band, together with the "dirty float" mechanism, allow exchange rate changes to be restrained. If the dollar value reaches the ceiling or the floor of the band, the Banco Central has to intervene by selling or buying dollars. By setting specific limits for the band and making known to what extent it is prepared to intervene, the Bank contributes to steadying the exchange rate. Using the dirty float, the Banco Central intervenes at its discretion in order to avoid brousque changes or over-reactions that are only short-term.

To meet exchange-policy objectives, the Banco Central divided international exchange transactions between two markets –the formal exchange market, through which most transactions are effected, and the informal exchange market. In the latter, the nominal exchange rate is freely determined by supply and demand whereas, in the formal exchange market, the rate ranges from 10% above to 10% below an agreed exchange rate, known as the referential rate, which is determined daily according to the difference between domestic inflation and international inflation. The referential exchange rate is calculated by linking the peso value to a

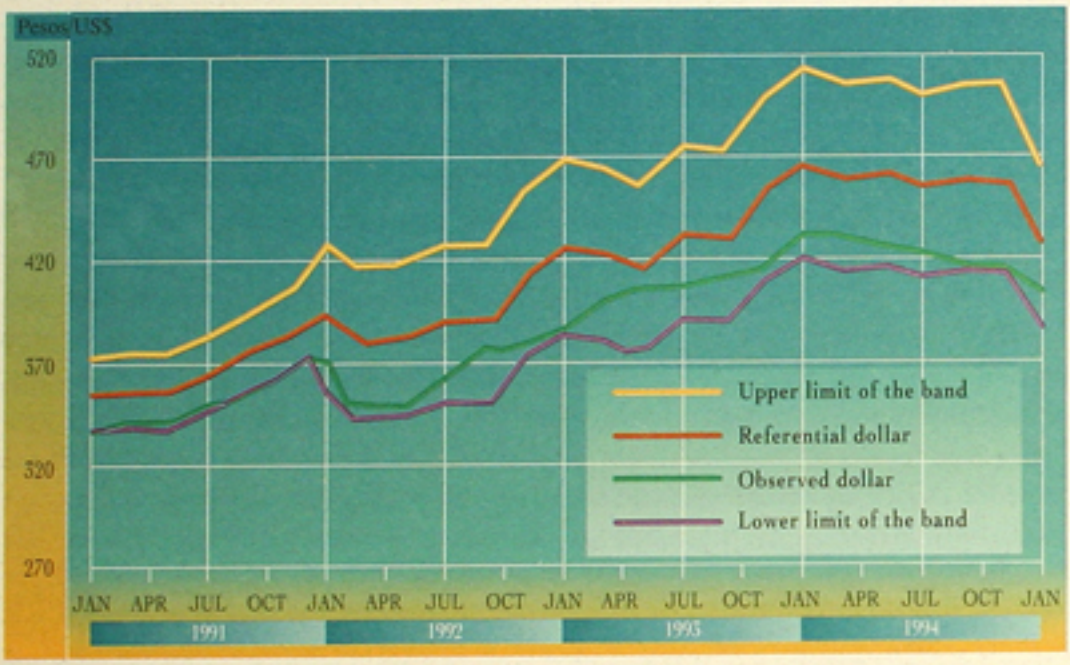
basket of currencies, currently composed of 45% United States dollars, 30% D-marks and 25% yens, which is considered representative of Chile's foreign trade flows.

In recent years, profound structural changes in the Chilean economy have been exerting downward pressure on the real exchange rate. Among these changes have been a sustained growth and diversification of exports, integration in international capital markets, external financing becoming increasingly long term and strong inflows of direct foreign investment. The exchange rate has been on an evidently downward trend, hovering around the floor of the band for the last few years. In 1991, it was only 0.3% above the lower limit. In January 1992, when the band was widened from ±5% to ±10%, it rose for a while but then slipped back until March 1993 when it again began to rise and averaged 4% above the floor of the band for the rest of the year. Early in 1994, the nominal exchange rate rose sharply because the yen and the D-mark were devalued and terms of trade fell, although they recovered later. In the second quarter of 1994 there was a nominal appreciation which brought the average for the first half of 1994 to 2.8% above for the floor of the band. As from August 1994, the exchange rate again approached the lower limit, obliging the Banco Central to intervene in the market by buying dollars (chart 9 and table 14). Despite the nominal exchange rate falling 5.5% through 1994, its average value was 4% higher than in 1993, a rise which did not fully offset the difference between domestic and external inflation and thus led to a further real appreciation of the peso.

Chart 9 shows that the referential dollar price was practically constant until November 1994, only falling by 0.7% since December 1993. Thus, while the referential dollar was devalued by the domestic/external inflation differential, this devaluation was compensated by the depreciation of the dollar in international exchange markets.

On November 30th, 1994, it was decided to lower the referential dollar exchange rate by almost 10% in recognition of the consolidation of the various structural changes in the Chilean economy. In particular export growth had been outstanding with the emphasis on growth of non-copper exports which achieved a mean 12.4% a year expansion since 1990, rising to 14.5% in 1994. Another factor considered was the level of external saving required by the Chilean economy to complement the financing of investment. External saving was too low to be appropriate or sustainable having averaged 2% of GDP since 1990 and reaching only 1.4% of GDP in 1994. The third factor leading to the decision to lower the exchange rate was the distinct change that had taken place in the composition of external credit flows from short and medium term to predominantly long term and the growth of direct foreign investment.

Chart 9
DOLLAR VALUES
(Nominal monthly averages)



At the same time the weighting of the currencies in the basket was adjusted to reflect the current situation of Chilean trade which has expanded towards Asia, thus the yen was given relatively more importance and the United States dollar less.

However, lowering the referential exchange rate had profoundly negative effects on the Banco Central's balance sheet because of the Bank's considerable net stock of foreign currency. These holdings derive from both an accumulation of foreign assets in excess of the country's external debt and domestic assets denominated in dollars, in particular Treasury promissory notes. Nevertheless, the economic effect of this loss in the accounts is not very significant. It was recognised as a loss in 1994 when the referential dollar exchange rate was adjusted but in economic terms it had, of course, existed for a long time as the peso appreciated according to the market exchange rate. In any case, the Banco Central's losses for this concept over the years have their counterpart in gains for individuals with a negative foreign currency position and for

the Treasury. In the case of individuals, the gains have already been assimilated together with the movement of the observed dollar and should be understood as an inevitable cost of exchange intervention. In the case of the Treasury, they represent a transfer between public institutions which does not affect aggregate expenditure, since the Treasury's level of spending is not influenced by such gains.

Thus the average real exchange rate has fallen gradually in recent years in response to the structural changes described which made it a little less stable. In 1992, it fell by 8.3%, in 1993 0.8% and in 1994 2.7% (chart 10 table 15). Nevertheless, it has been one of the most stable in Latin America (chart 11) since real appreciation of domestic currency from 1990 to 1994 reached 12% in Chile, 68% in Argentina, 33% in Colombia, 23% in Mexico and 17% in Brasil. Considering that the whole region is exposed to similar shocks, their lesser effect on exchange rate in Chile is presumably thanks to the more effective use of policy to adjust the real exchange rate gradually and to avoid excessive appreciation.

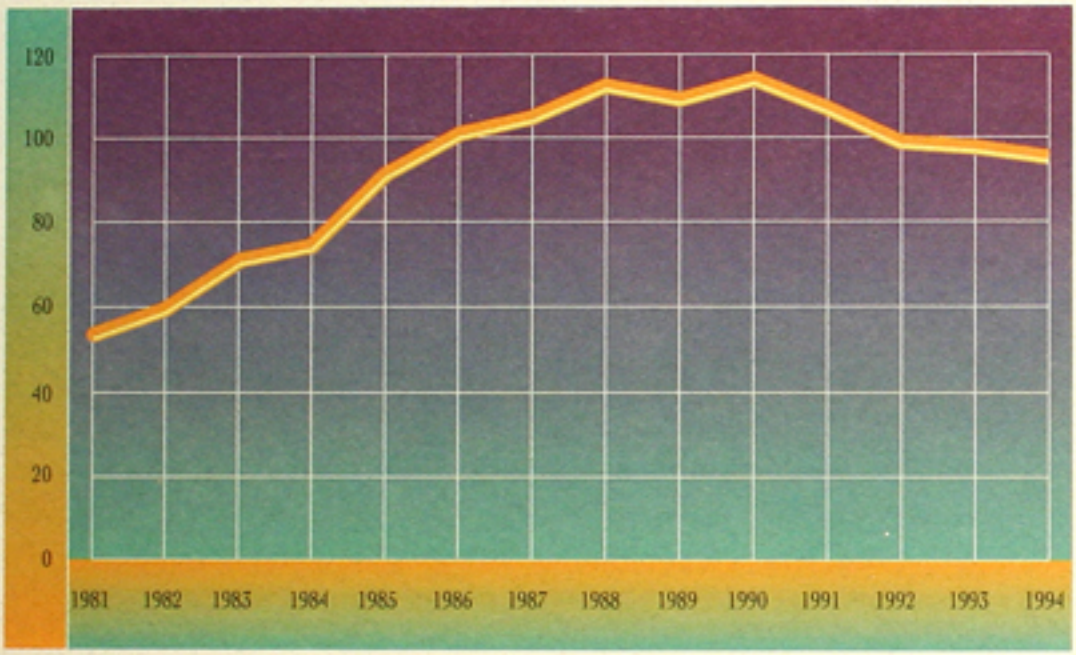
In 1994, the Banco Central went ahead with the policy of freeing the exchange rate and opening up the capital account. Among the most important measures introduced were that the time allowed for export returns to be liquidated was lengthened from 150 days to 270 days and the percentage and amount of exports freed from the obligation of being liquidated on the formal exchange market were raised –the percentage from 10% to 50% and the amount from US$ 5 million to US$ 50 million.

Greater liberalisation of the capital account has been achieved by reducing limits on banking and non-banking companies to issue ADRs and bonds abroad. In the case of non-banks, the minimum risk rating now required is BBB granted by two internationally-recognised risk-classifying agencies whereas previously an A grade from the risk-classification commission was required. Also the minimum amount demanded for the issuing of bonds and ADRs was reduced from US$ 50 million to US$ 25 million. In the case of banks, a BBB+ rating is now required and a minimum issue of US$ 25 million. Further progress towards opening up the capital account was achieved by the ruling that banking companies constituted in Chile are allowed to acquire participation in financial companies abroad. They are authorised to invest up to 20% of their capital and reserves and cannot exceed that percentage once the investment has been made. At the same time, their assets weighted by risk must not exceed ten-fold their effective patrimony. Also in 1994, the Banco Central doubled the upper limit on investment abroad permitted to AFPs, from 3% to 6% of their assets.

Chart 10

EFFECTIVE REAL EXCHANGE RATE INDEX (*)

(Base: 1986 average = 100)



(*) The nominal observed exchange rate multiplied by the ratio of relevant external inflation to consumer-price index (CPI). External inflation is calculated using the wholesale-price index (WPI) expressed in dollars of Chile's main trading partners, weighted by the relative importance of imports and exports that Chile trades with them (approximately 75% of Chile's total trade in 1989 excluding oil and copper). Both the WPI and the exchange rates of the trading partners are incorporated in the form of monthly variations.

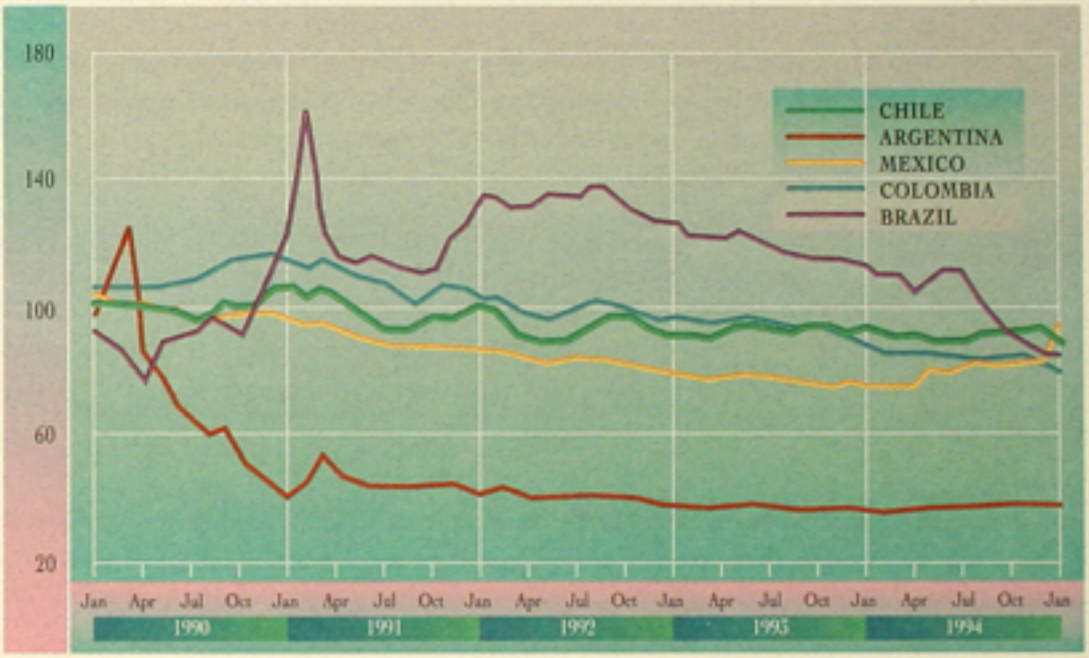
The set of measures aiming to liberalise the exchange market, simplify exchange rules and open the capital account has been consistent with maintaining a real equilibrium exchange rate which remains a major concern. The real exchange rate has gradually and persistently been adjusted to suit new conditions. At the same time, the results of this policy have been reflected in the variety and complexity of financial transactions with the rest of the world and in a trend towards integration of the exchange markets.

Finally, it should be noted that regulation of capital flows is not always in response to exchange policy requirements. Some regulations are related to the problem of systematic risk inherent in such activities as banking, pension funds or mutual funds and to stabilising the system of payments which is, of course, one of the responsibilities bestowed by law on the Banco Central.

Chart 11

REAL EXCHANGE RATE

(Base: December 1989 = 100)



E.2. Balance of payments

Provisional balance of payments figures for 1994 show that the year closed with a current-account deficit of US$ 753 million and a capital-account surplus of US$ 4,518 million which, together with a negative figure for errors and omissions of US$ 571 million, gave an overall surplus of US$ 3,194 million (table 16).

The current-account deficit as a proportion of GDP was considerably reduced from 4.6% in 1993 to 1.4% in 1994. The large capital-account surplus together with this healthy current-account result raised net international reserves to US$ 13,467 million at end-1994.

E.2.1. The current account

The current-account result was achieved by an appreciable improvement in the goods and services balance and only a slight deterioration of the financial services and transfers balance.

These results are largely thanks to the trade balance climbing out of the US$ 982 million deficit registered at end-1993 to a US$ 660 million surplus in 1994. This was due to export growth of 25.4%, while imports only increased by 6.9%, explained mainly by much-improved terms of trade and a considerable increase in volumes exported (table 17).

International prices for Chile's exports rose by 12.6% and the volumes shipped during 1994 increased by 11.4%. These figures refer to exports as a whole but, in fact, the different categories of goods showed very dissimilar results. The value of copper and other main or traditional exports increased mainly because prices were much higher but, in the case of non-traditional exports, their rise in value exported was thanks to increased volumes, since their prices were 1% lower (table 18).

Copper exports grew 30.6% largely because international market prices were up and this meant a 23.4% rise in fob prices for Chile. Volumes also increased, by 5.9%, mainly because of greater output from La Escondida mine.

Non-copper traditional exports grew by 26.8%, as a result of prices 17.8% higher and volumes up by 7.6%. Outstanding, because of the sums involved, were bleached pulp and methanol. Bleached pulp exports obtained US$ 221 million more than in 1993, which means a 60.5% increase in value, due to 48.5% higher prices. Methanol exports obtained US$ 128 million more than last year, with prices up by 159.4%. Very satisfactory results were also shown by other products such as fishmeal, metal gold and bullion, molybdenum oxide and ferromolybdenum, fresh fruit and unbleached pulp which, taken together, obtained US$ 320 million more this year, an increase of 19.8%. Unbleached pulp and molybdenum prices both rose by more than 45%, while fishmeal and gold both increased in volume by more than 20%. Fruit exports in general grew by 4% (5% in volume and –1% in price), contributing US$ 34 million to the rise in value of exports. Apples deserve special mention because their price recovered in relation to the depressed levels of 1993.

Non-traditional exports were bouyant, growing by 19.1% as a result of a 20.3% increase in volumes and a 1% drop in prices. Some subsectors or products were particularly strong, viz the agriculture and livestock subsectors (onions and corn), food products from the sea (salmon, trout, fish oil and canned fish), agricultural foodstuffs (raisins, frozen sugar-free fruit, tomato paste and juice, canned fruit, non-alcohol preparations for the manufacture of soft drinks, cardies, toffees and confectionery), wines and tobacco; in the forestry sector, planed wood; in

the electricity sector, copper wire; and in the transport sector, transport materials (gearboxes and used merchant vessels).

The 1994 trade-balance improvement was also partly due to slow import growth. Economic tightening begun in 1992 led to falling import growth from 25.6% in 1992, to 10.2% in 1993 and to 6.9% in 1994. However, there has been a recovery in the second half of 1994 with import growth rising to nearly 12%.

Import growth is almost entirely due to greater volumes of goods brought into the country since price increases were negligible. Capital-goods imports increased most, by 8.2% in cif values, followed by consumer goods, 6.8%, and intermediate goods, 5.1% (table 17).

Among capital-goods imports the most important were boilers, alternating-current generators, measuring instruments and apparatus, machinery for washing and separating minerals, metal rolling-presses, computers and merchant vessels.

Among consumer-goods imports, the main increases were in food and drinks, textiles and clothing, chemicals and wood products, but these increases were offset by a 5.1% drop in imports of metal products, machinery and equipment. This sector registered an 8.5% reduction in car imports which means a drop from US$ 445 million in 1993 to US$ 407 million in 1994. Imports of household goods (refrigerators, radios, color televisions, irons, microwave ovens) and stainless steel and chinaware were also reduced.

Among intermediate-goods imports, oil imports dropped by 6.1% as a result of lower cif prices, down by 8.7% though this was countered by a 2.8% rise in the number of barrels imported. Lower prices for oil imports were influenced, on one hand, by falling international market prices (the Brent price dropped from US$ 17/barrel to US$ 15.8) because OPEC countries increased production and, on the other hand, by increased purchase of oil from Argentina through the trans-Andean pipeline, with the consequent saving on transport.

The net services and transfers balance for 1994 closed with a deficit of US$ 1,413 million, US$ 298 million more than at end-1993. The deeper deficit was caused by increased net outflow for financial services, mainly as a result of a US$ 296 million rise in foreign-investment profit remittances (table 16).

Net interest paid abroad remained steady, decreasing by only US$ 27 million, because interest rates relevant to payments made during 1994 were fairly stable. It should be recalled that interest payments, for the most part, are subjet to international rates with a six month lag.

Profit remittances from investments made under DL 600 increased largely because an important mining project remitted profits in 1994 whereas last year it had used its profits to finance an expansion project. Investment funds, like other investments made under DL 600, also considerably increased their profit remittances. This was only partly offset by a drop in remittances from investment made under Chapter XIX since, in the second quarter of 1993, many investors had taken advantage of exchange facilities granted for the return of Chapter XIX investment remittances (table 19).

The non-financial services balance closed with a US$ 20 million surplus, US$ 17 million up on last year. This increased income was produced by quite dissimilar results in each item of the account, particularly shipments increased while tourism fell (table 20).

E.2.2. The capital account

By the end of 1994, the capital account registered a surplus of US$ 4,518 million, US$ 1,749 million more than in 1993. This amply covered the current-account deficit and gave an overall balance of payments surplus of US$ 3,194 million (table 16). Capital inflows were particularly strong in the fourth quarter of 1994 when they amounted to US$ 2,309 million and this is partly explained by the healthy current-account balance and the fact that the observed exchange rate stayed close to the floor of the band.

In 1994, the changed composition of capital flows observed since 1992 continued with a marked predominance of medium- and long-term capital, which represented 72% of total inflows in the year. Among medium-term inflows, net foreign investment was particularly important, excluding associated credits, and represented 42% of capital flows this year. As in 1993, portfolio investment continued to be the main kind of foreign investment, even though as a proportion of the total it shrank, while direct investment expanded. Net portfolio investment increased by US$ 279 million thanks to strong inflows from abroad that outweighed the increase in Chilean investment abroad. Foreign portfolio investment, almost entirely made up of net income from ADRs, amounted to US$ 1,373 million, US$ 540 million more than last year (table 21). First-time ADR issues amounted to US$ 755 million and the remaining US$ 596 million came from companies already present on international stock markets because of previous ADR issues.

Direct investment was US$ 460 million more in 1994 because of the extraordinary increase in foreign investment mainly to the mining sector. El Abra project alone brought in US$ 330 million in the second quarter. The bouyancy of direct investment from abroad was partially offset by the performance of Chilean investment abroad which also expanded vigorously by US$ 495 million, more than doubling the amount registered in 1993 (table 22).

Other medium- and long-term capital flows mainly correspond to foreign loans and reached a net US$ 1,345 million in 1994, some 2.6 times greater than in 1993. 72% of the total entered in the second half of the year when sizeable loans were made to industrial and communications sectors. As regards the quarterly progress of medium-term capital flows, including foreign investment, there was steady growth throughout the year then a jump in the fourth quarter as a result of greater net direct investment caused by strong inflows of investment from abroad and a lull in flows out of Chile.

Short-term capital inflows only increased slightly in 1994 compared to 1993, registering a net US$ 1,281 million. However, they were concentrated in the fourth quarter, with only US$ 233 million registered during the first three quarters.

E.3. External debt and international reserves

Chile's external debt at December 31st 1994 amounted to US$ 21,598 million, US$ 2,412 million more than in the previous December (table 24). This increase in external borrowing was produced by net medium- and long-term credits of US$ 1,619 million, short-term loans of US$ 526 million, positive parity adjustment worth US$ 238 million and correction of balances that amounted to US$ 97 million, and these were partially offset by debt reductions worth US$ 68 million. Private-sector debt transferred from short to medium term of US$ 154 million altered debt composition in terms of maturity.

Medium- and long-term credit disbursements totalled US$ 2,845 million in 1994, of which 85% (US$ 2,421 million) corresponded to loans to the private business sector. A considerable part of those credits (US$ 2,164 million) went to investment projects. At the same time, the public sector borrowed US$ 398 million of which US$ 284 million went to the National Treasury to help finance projects of infraestructure, health, housing and support for small business. The private banking sector disbursed US$ 26 million.

As regards sources of financing, the trend towards use of traditional credit markets continued, that is credit banks, affiliate companies of foreign investors and direct suppliers. This year, credit banks lent 57% of the total and affiliate companies of foreign investors and direct suppliers, 28%. Multilateral organisations – the Interamerican Development Bank (IDB) and the World Bank – only contributed 8% of gross financing in the form of foreign loans.

Medium- and long-term debt amortisations amounted to US$ 1,226 million, of which US$ 552 million were remitted by the public sector, US$ 639 million by private companies and US$ 35 million by the private banking system. These remittances were paid to international credit banks (34%), multilateral organisations (33%) and the remaining 33% to official organisations and suppliers.

Public-sector debt as a proportion of total medium-term foreign debt has been shrinking in recent years and in 1994 it represented 48%. At the same time, the sources of financing have tended more and more towards banks (US$ 1,208 million net), private companies associated with the investment being made and suppliers (US$ 567 million), while government and multilateral organisations registered a net negative flow of US$ 156 million.

Short-term indebtedness increased by US$ 372 million since, of the US$ 526 million total, US$ 154 million were transferred from short- to medium-term debt.

Net foreign reserves totalled US$ 13,467 million at end-1994, equivalent to fifteen months of goods imports (tables 23 and 25). The increase in reserves reached a record US$ 3,708 million, of which US$ 3,194 million were produced by the balance of payments surplus. The rest was from gains due to revaluation of stocks for parity adjustment and capital gains deriving from price changes of some financial instruments.

The increase in net international reserves was composed of largely foreign-currency assets (US$ 3,448 million), a slight rise in gold stocks (US$ 40 million) while IMF liabilities were reduced (US$ 189 million).

Table 1

QUARTERLY GROSS DOMESTIC PRODUCT

(Percentage changes compared to the same period of the previous year) (*)

Period	QUARTER				YEAR
	I	II	III	IV	
1987	9.9	5.8	6.0	4.9	6.6
1988	7.5	4.9	8.2	8.7	7.3
1989	9.0	13.4	9.7	7.6	9.9
1990	8.6	2.8	0.0	1.5	3.3
1991	2.2	6.0	8.9	12.3	7.3
1992	11.3	9.4	14.0	9.7	11.0
1993	7.7	7.8	5.9	3.7	6.3
1994	3.8	4.7	4.0	4.6	4.2

(*) Provisional figures in 1986 pesos.

Source: Banco Central de Chile.

Table 2

SECTORAL GROSS DOMESTIC PRODUCT

(Annual percentage changes) (1)

Sector	1990	1991	1992	1993	1994
Agriculture, livestock and forestry	7.6	1.8	7.0	1.6	6.9
Fishing	–4.6	9.7	10.5	0.8	18.8
Mining	5.5	4.6	2.0	0.9	2.7
Manufacturing	1.1	6.6	11.0	5.1	2.9
Electricity, gas and water	–4.3	28.3	20.7	4.3	4.5
Construction	4.5	3.8	12.8	14.0	2.0
Trade, hotels and catering	3.8	11.5	18.2	8.6	3.8
Transport and communications	6.6	9.8	13.8	7.9	8.6
Financial services	3.5	8.5	9.9	6.8	4.7
Home ownership	2.6	2.0	1.6	2.5	2.9
Personal services (2)	3.0	3.5	3.7	4.0	3.4
Public administration	1.2	1.7	2.9	1.8	0.7
Subtotal	**3.5**	**7.0**	**10.1**	**5.6**	**4.2**
Less: Bank charges	2.2	7.4	10.4	5.7	4.4
Plus: Collected net VAT	0.7	8.1	11.6	8.3	4.0
Plus: Import duties	2.2	11.6	26.9	13.1	5.6
Total GDP	**3.3**	**7.3**	**11.0**	**6.3**	**4.2**

(1) Provisional figures in 1986 pesos.
(2) Including education and public and private health.

Source: Banco Central de Chile.

Table 3

COMPONENTS OF GDP EXPENDITURE

Components	PERCENTAGE CHANGE (*)					PERCENTAGE OF GDP (*)				
	1990	**1991**	**1992**	**1993**	**1994**	**1990**	**1991**	**1992**	**1993**	**1994**
CONSUMPTION	0.5	8.3	10.8	7.5	4.1	74.4	75.1	74.9	75.8	75.7
Private	0.4	8.9	11.6	8.1	4.4	64.2	65.1	65.5	66.6	66.7
Government	1.1	4.3	5.3	3.3	2.3	10.2	10.0	9.4	9.2	9.0
INVESTMENT	4.0	1.6	26.0	12.5	1.0	26.2	24.8	28.1	29.8	28.9
Gross fixed-capital formation	1.8	-2.2	26.0	17.7	3.5	23.1	21.1	23.9	26.5	26.3
Changes in inventory	-	-	-	-	-	3.1	3.7	4.2	3.3	2.6
DOMESTIC DEMAND	1.4	6.5	14.5	8.9	3.2	100.6	100.0	103.1	105.6	104.6
EXPORTS	9.7	10.7	13.5	4.2	8.2	34.0	35.1	35.9	35.2	36.5
IMPORTS	3.6	8.5	23.5	11.2	5.1	34.6	35.0	39.0	40.8	41.1
GROSS DOMESTIC PRODUCT	3.3	7.3	11.0	6.3	4.2	100.0	100.0	100.0	100.0	100.0

(*) Provisional figures in 1986 pesos.

Source: Banco Central de Chile.

Table 4

SAVINGS AND INVESTMENT COEFFICIENTS

Components	PERCENTAGE CHANGE (*)					PERCENTAGE OF GDP (*)				
	1990	**1991**	**1992**	**1993**	**1994**	**1990**	**1991**	**1992**	**1993**	**1994**
TOTAL SAVINGS	26.8	20.9	41.0	27.8	10.6	26.3	24.5	26.8	28.8	26.8
Gross domestic savings	25.8	28.7	32.9	16.0	24.7	24.3	24.1	24.8	24.2	25.4
External savings	41.2	–71.9	487.6	172.9	–63.1	2.0	0.4	2.0	4.6	1.4
TOTAL INVESTMENT	26.8	20.9	41.0	27.8	10.6	26.3	24.5	26.8	28.8	26.8
Fixed-capital investment	24.6	16.3	40.1	34.1	12.9	23.3	20.9	22.7	25.6	24.3
Changes in inventory	–	–	–	–	–	3.0	3.6	4.1	3.2	2.5

(*) Provisional figures in pesos of each year.

Source: Banco Central de Chile.

Table 5

NATIONAL EMPLOYMENT AND UNEMPLOYMENT (*)

Quarterly moving averages ending in the specified month
(Thousands of persons)

Date	WORKFORCE		EMPLOYED		UNEMPLOYED		RATE OF UNEMPLOYMENT
	Total	% change on previous period	Total	% change on previous period	Total	% change on previous period	
1987 Average	4,304	1.8	3,903	3.5	401	-12.1	9.3
1988 Average	4,460	3.6	4,092	4.9	368	-8.2	8.3
1989 Average	4,594	3.0	4,304	5.2	290	-21.3	6.3
1990 Average	4,672	1.7	4,392	2.0	280	-3.3	6.0
1991 Average	4,731	1.3	4,424	0.7	308	9.8	6.5
1992 Average	4,844	2.4	4,606	4.1	238	-22.8	4.9
1993 Average	5,095	5.2	4,860	5.5	235	-1.1	4.6
1994 Average	5,213	2.3	4,904	0.9	308	31.2	5.9
1993							
January	5,032	-1.2	4,813	-1.0	219	-6.8	4.4
February	5,057	0.5	4,842	0.6	215	-1.8	4.3
March	5,062	0.1	4,837	-0.1	225	4.8	4.5
April	5,058	-0.1	4,836	0.0	222	-1.6	4.4
May	5,030	-0.5	4,800	-0.7	230	3.7	4.6
June	5,008	-0.4	4,775	-0.5	234	1.5	4.7
July	5,060	1.0	4,813	0.8	247	5.8	4.9
August	5,118	1.2	4,858	1.0	260	5.5	5.1
September	5,160	0.8	4,900	0.9	260	0.1	5.0
October	5,164	0.1	4,916	0.3	248	-4.8	4.8
November	5,172	0.1	4,946	0.6	225	-9.1	4.4
December	5,219	0.9	4,986	0.8	234	3.7	4.5
1994							
January	5,254	0.7	5,001	0.3	254	8.6	4.8
February	5,283	0.5	5,013	0.2	270	6.5	5.1
March	5,257	-0.5	4,985	-0.5	272	0.6	5.2
April	5,241	-0.3	4,962	-0.5	279	2.7	5.3
May	5,208	-0.6	4,909	-1.1	298	6.8	5.7
June	5,164	-0.8	4,847	-1.7	317	6.3	6.1
July	5,152	-0.2	4,819	-0.6	333	5.0	6.5
August	5,151	0.0	4,814	-0.1	337	1.2	6.5
September	5,141	-0.2	4,799	-0.3	343	1.7	6.7
October	5,181	0.8	4,835	0.8	346	1.0	6.7
November	5,219	0.7	4,881	0.9	338	-2.2	6.5
December	5,300	1.5	4,988	2.2	311	-8.0	5.9

(*) Including population aged 15 and over.

Source: Instituto Nacional de Estadísticas (INE).

Table 6
PRICE INDEXES

Date	CONSUMER-PRICE INDEX (Base: April 1989 = 100)			WHOLESALE-PRICE INDEX (Base: June 1992 = 100)		
	Index	Percentage change		Index	Percentage change	
		Month	12-month		Month	12-month
1988 Average	89.9	–	12.7 (*)	53.4	–	3.3 (*)
1989 Average	105.2	–	21.4 (*)	61.5	–	22.8 (*)
1990 Average	132.6	–	27.3 (*)	74.8	–	25.7 (*)
1991 Average	161.5	–	18.7 (*)	91.0	–	16.5 (*)
1992 Average	186.4	–	12.7 (*)	101.6	–	8.9 (*)
1993 Average	210.2	–	12.2 (*)	110.3	–	6.7 (*)
1994 Average	234.2	–	8.9 (*)	118.8	–	7.8 (*)
1993						
January	198.6	0.2	11.7	106.0	–0.9	7.3
February	199.4	0.4	12.8	105.7	–0.3	7.5
March	200.6	0.6	12.7	106.8	1.0	8.8
April	203.4	1.4	12.8	108.0	1.2	9.6
May	206.4	1.5	13.2	109.6	1.5	10.5
June	207.4	0.5	13.0	109.9	0.3	9.9
July	209.4	1.0	12.8	110.5	0.6	8.8
August	213.9	2.1	13.6	112.0	1.4	8.9
September	216.4	1.2	12.3	112.8	0.7	8.0
October	221.9	2.6	13.6	114.3	1.2	8.9
November	222.1	0.1	12.1	114.1	–0.2	8.0
December	222.6	0.2	12.2	114.1	0.1	6.7
1994						
January	224.9	1.0	13.2	114.2	0.1	7.8
February	225.6	0.3	13.1	114.5	0.2	8.3
March	228.1	1.1	13.7	115.8	1.2	8.5
April	229.3	0.5	12.7	115.9	0.1	7.3
May	232.5	1.4	12.7	117.0	0.9	6.8
June	233.8	0.5	12.7	118.3	1.1	7.6
July	235.2	0.6	12.3	119.0	0.6	7.6
August	237.8	1.1	11.2	120.8	1.5	7.8
September	238.9	0.5	10.4	121.8	0.8	7.9
October	240.4	0.6	8.3	122.1	0.3	6.9
November	241.8	0.6	8.9	123.5	1.1	8.3
December	242.5	0.3	8.9	123.1	–0.3	7.8

(*) December to December change.

Source: Instituto Nacional de Estadísticas (INE).

Table 7

CONSUMER-PRICE INDEX

(Base: April 1989 = 100)

Date	OVERALL INDEX		FOOD		HOUSING		CLOTHING		TRANS. & COMM.		OTHERS	
	Index	% change 12-month	Index	% change 12-month	Index	% change 12-month	Index	% change 12-month	Index	% change 12-month	Index	% change 12-month
1988 December	95.9	12.7	97.4	13.6	94.6	12.8	95.6	16.6			95.1	10.7
1989 December	116.5	21.4	122.4	25.8	112.8	19.3	108.4	13.3	119.6	–	110.9	16.7
1990 December	148.3	27.3	151.5	23.8	146.0	29.4	123.1	13.6	158.7	32.7	147.5	32.9
1991 December	176.0	18.7	193.8	27.9	168.3	15.2	150.8	22.5	168.9	6.4	172.4	16.9
1992 December	198.5	12.7	217.5	12.2	189.9	12.8	168.1	11.5	183.1	8.4	204.2	18.5
1993 December	222.6	12.2	235.9	8.5	217.7	14.7	176.1	4.8	206.4	12.7	244.3	19.6
1994 December	242.5	8.9	252.5	7.0	237.2	8.9	182.6	3.7	226.2	9.6	278.9	14.2
1993												
January	198.6	11.7	213.8	9.3	190.8	12.7	164.0	10.3	187.5	8.9	209.9	18.9
February	199.4	12.8	210.9	11.0	194.5	12.8	166.5	14.0	189.4	9.8	211.7	19.3
March	200.6	12.7	208.9	11.1	195.5	12.6	166.7	12.7	190.0	10.2	220.3	18.5
April	203.4	12.8	210.3	10.9	197.0	13.2	177.9	13.7	192.9	10.4	223.8	17.8
May	206.4	13.2	214.9	12.4	200.5	13.0	180.6	13.3	193.4	10.5	225.2	17.6
June	207.4	13.0	214.5	11.6	203.9	14.0	180.1	11.8	193.9	9.8	226.7	17.8
July	209.4	12.8	217.8	11.2	206.4	14.7	176.7	10.9	194.8	8.4	229.4	18.6
August	213.9	13.6	227.1	12.8	209.4	14.5	176.2	12.0	196.5	9.1	231.8	19.1
September	216.4	12.3	231.3	10.2	211.2	14.3	177.4	10.0	197.6	8.8	234.1	18.4
October	221.9	13.6	242.6	12.6	212.9	14.2	182.1	10.2	201.1	11.3	236.7	18.6
November	222.1	12.1	240.4	9.2	216.1	14.5	176.1	3.7	204.1	13.0	237.3	17.8
December	222.6	12.2	235.9	8.5	217.7	14.7	176.1	4.8	206.4	12.7	244.3	19.6
1994												
January	224.9	13.2	238.5	11.6	218.5	14.5	176.1	7.4	209.8	11.9	248.5	18.4
February	225.6	13.1	235.7	11.8	222.2	14.3	175.7	5.6	210.9	11.4	251.6	18.9
March	228.1	13.7	236.2	13.1	224.0	14.6	174.8	4.8	211.2	11.2	263.7	19.7
April	229.3	12.7	235.0	11.8	225.7	14.6	182.4	2.5	211.7	9.8	266.1	18.9
May	232.5	12.7	239.3	11.4	229.0	14.2	184.3	2.0	214.9	11.1	267.9	19.0
June	233.8	12.7	241.2	12.5	230.1	12.8	183.5	1.9	217.5	12.2	267.8	18.1
July	235.2	12.3	244.5	12.2	231.1	11.9	180.8	2.3	217.8	11.8	269.3	17.4
August	237.8	11.2	249.8	10.0	232.5	11.0	178.5	1.3	220.4	12.2	270.8	16.8
September	238.9	10.4	250.4	8.3	233.3	10.4	179.9	1.4	223.6	13.1	271.6	16.0
October	240.4	8.3	251.4	5.6	234.7	10.2	182.7	0.4	225.6	12.2	272.4	15.1
November	241.8	8.9	254.2	5.7	236.6	9.5	183.2	4.0	225.5	10.5	272.5	14.8
December	242.5	8.9	252.5	7.0	237.2	8.9	182.6	3.7	226.2	9.6	278.9	14.2

Source: Instituto Nacional de Estadísticas (INE).

Table 8 A

HOURLY-EARNINGS INDEX

(Base: April 1993 = 100)

Date	NOMINAL			REAL (*)		
	Index	**Percentage change**		**Index**	**Percentage change**	
		Month	12-month		Month	12-month
1993						
April	100.00	–	–	100.00	–	–
May	100.77	0.8	–	99.32	–0.7	–
June	102.65	1.9	–	100.67	1.4	–
July	102.84	0.2	–	99.88	–0.8	–
August	103.65	0.8	–	98.56	–1.3	–
September	105.99	2.3	–	99.63	1.1	–
October	107.34	1.3	–	98.36	–1.3	–
November	108.29	0.9	–	99.15	0.8	–
December	113.68	5.0	–	103.88	4.8	–
1994						
January	115.62	1.7	–	104.56	0.7	–
February	116.39	0.7	–	104.93	0.4	–
March	117.44	0.9	–	104.70	–0.2	–
April	118.49	0.9	18.5	105.12	0.4	5.1
May	118.31	–0.2	17.4	103.48	–1.6	4.2
June	120.26	1.6	17.2	104.63	1.1	3.9
July	121.12	0.7	17.8	104.75	0.1	4.9
August	121.81	0.6	17.5	104.19	–0.5	5.7
September	123.86	1.7	16.9	105.43	1.2	5.8
October	124.15	0.2	15.7	105.05	–0.4	6.8
November	124.85	0.6	15.3	105.01	0.0	5.9
December	129.07	3.4	13.5	108.26	3.1	4.2

(*) Deflated by the wholesale-price index.

Source: Instituto Nacional de Estadísticas (INE).

Table 8 B

LABOUR-COST INDEX

(Base: April 1993 = 100)

Date	NOMINAL			REAL (*)		
	Index	**Percentage change**		**Index**	**Percentage change**	
		Month	12-month		Month	12-month
1993						
April	100.00	–	–	100.00	–	–
May	100.17	0.2	–	98.73	–1.3	–
June	101.03	0.9	–	99.28	0.6	–
July	100.33	–0.7	–	98.05	–1.2	–
August	101.29	1.0	–	97.66	–0.4	–
September	103.92	2.6	–	99.49	1.9	–
October	105.12	1.2	–	99.40	–0.1	–
November	106.26	1.1	–	100.65	1.3	–
December	110.94	4.4	–	105.00	4.3	–
1994						
January	112.13	1.1	–	106.07	1.0	–
February	112.67	0.5	–	106.34	0.3	–
March	113.91	1.1	–	106.26	–0.1	–
April	115.55	1.4	15.6	107.69	1.3	7.7
May	115.69	0.1	15.5	106.81	–0.8	8.2
June	117.32	1.4	16.1	107.15	0.3	7.9
July	117.90	0.5	17.5	107.04	–0.1	9.2
August	118.59	0.6	17.1	106.06	–0.9	8.6
September	121.26	2.3	16.7	107.60	1.4	8.1
October	121.01	–0.2	15.1	107.07	–0.5	7.7
November	122.00	0.8	14.8	106.75	–0.3	6.1
December	126.86	4.0	14.4	111.34	4.3	6.0

(*) Deflated by the wholesale-price index.

Source: Instituto Nacional de Estadísticas (INE).

Table 9

INITIAL REAL SETTLEMENTS AGREED BY COLLECTIVE NEGOTIATION

(Percentages)

Period	UNIONS	OTHER GROUPS	TOTAL
1992			
January-March	3.6	2.3	3.3
April-June	2.0	2.8	2.1
July-September	2.3	2.2	2.3
October-December	3.0	2.1	2.9
1993			
January-March	3.0	2.3	2.8
April-June	2.7	3.9	3.0
July-September	1.9	2.4	2.0
October-December	1.7	0.3	1.5
1994			
January-March	1.9	1.0	1.8
April-June	1.7	0.6	1.5
July-September	1.6	1.8	1.7
October-December	1.9	1.4	1.9

Source: Dirección del Trabajo. / Division of Labour, Ministry of Labour and Social Security.

Table 10

INTEREST RATES ON BANCO CENTRAL INSTRUMENTS

(Real annual rates)

Date	PRBC		PRC (4)						
	90-day	360-day (1) (4)	4-year (2)	6-year (2)	8-year (2)	10-year (2)	12-year (3)	14-year (3)	20-year (3)
1991									
January 30	6.5	(5)	–	–	–	(5)	–	–	–
February 20	6.2	(5)	–	–	–	(5)	–	–	–
March 18	5.7	6.1	–	–	–	(5)	–	–	–
November 8	5.2	5.9	–	–	–	(5)	–	–	–
December 25	4.7	5.4	–	–	–	(5)	–	–	–
1992									
January	4.7	4.9	5.2	–	–	(5)	–	–	–
February	4.7	5.4	5.9	–	–	(5)	–	–	–
March	4.7	5.6	6.1	–	–	(5)	–	–	–
April	5.2	5.6	6.1	6.3	6.4	6.5	–	–	–
May	5.2	5.7	6.5	6.6	6.7	6.7	–	–	–
June	5.2	5.6	6.2	6.4	6.4	6.4	–	–	–
July	5.2	5.4	5.9	6.2	6.3	6.3	–	–	–
August	5.2-5.7	5.6	6.2	6.5	6.5	6.5	–	–	–
September	5.7	6.2	7.3	7.4	7.5	7.4	–	–	–
October	5.7	6.3	7.0	7.1	7.1	7.1	–	–	–
November	6.5	7.1	7.7	7.8	7.7	7.7	–	–	–
December	6.5	7.4	7.7	7.7	7.4	7.5	–	–	–
1993									
January	6.5	7.3	7.7	7.7	7.6	7.6	–	–	–
February	6.5	7.2	7.6	7.6	7.5	7.5	7.4	7.4	7.2
March	6.5	7.3	7.6	(5)	7.5	7.5	7.4	7.4	7.3
April	6.5	7.1	7.6	(5)	7.5	7.5	7.4	7.4	7.3
May	6.5	7.1	7.7	(5)	7.7	7.6	7.6	7.6	7.4
June	6.5	7.0	7.4	(5)	7.4	7.4	7.3	7.3	7.2
July	6.5	7.2	7.2	(5)	7.0	7.0	6.9	6.9	6.8
August	6.5	6.7	6.8	(5)	6.6	6.6	6.6	6.5	6.4
September	6.5	(5)	6.5	(5)	6.4	6.4	6.4	6.4	6.3
October	6.5	(5)	6.6	(5)	6.5	6.5	6.5	6.5	6.4
November	6.5	(5)	6.7	(5)	6.5	6.5	6.5	6.5	6.4
December	6.5	(5)	6.6	(5)	6.4	6.4	6.4	6.4	6.3
1994									
January	6.5	(5)	6.5	(5)	6.3	6.3	6.2	6.2	6.1
February	6.5	(5)	(5)	(5)	6.1	6.1	6.0	6.0	5.9
March	6.5	(5)	(5)	(5)	6.1	6.1	6.0	6.0	5.9
April	6.5	(5)	(5)	(5)	6.1	6.1	6.1	6.0	5.9
May	6.5	(5)	(5)	(5)	6.1	6.0	5.9	5.9	5.8
June	6.5	(5)	(5)	(5)	6.1	6.0	5.9	5.9	5.8
July	6.5	(5)	(5)	(5)	6.1	6.1	6.0	6.0	5.9
August	6.5	(5)	(5)	(5)	6.1	6.1	6.0	6.0	5.9
September	6.5	(5)	(5)	(5)	6.1	6.0	6.0	6.0	5.9
October	6.5-6.25	(5)	(5)	(5)	6.0	6.0	6.0	6.0	5.9
November	6.25-6.1	(5)	(5)	(5)	5.9	6.0	6.0	5.9	5.9
December	6.1	(5)	(5)	(5)	5.9	5.9	5.9	5.9	5.8

(1) As from April 9th 1992, the Banco Central de Chile agrees to accept 350,000 UF in each tender.
(2) As from July 28th 1992, the Banco Central de Chile agrees to accept 500,000 UF in each tender.
(3) As from Febeuary 16th 1993, the Banco Central de Chile agrees to accept 200,000 UF in each tender.
(4) Corresponds to mean weighted trade rate in that month (base 360 days).
(5) Discontinued.

Source: Banco Central de Chile.

Table 11

90- TO 365-DAY INDEXED INTEREST RATES

(Financial system monthly averages)

Date	Deposits	Loans	Spread
1989 Average	6.8	9.4	2.7
1990 Average	9.4	13.3	3.8
1991 Average	5.4	8.5	3.1
1992 Average	5.3	8.1	2.9
1993 Average	6.4	9.2	2.8
1994 Average	6.4	9.3	2.9
1992			
First quarter	4.9	7.9	2.9
Second quarter	5.0	8.0	3.0
Third quarter	5.3	8.1	2.8
Fourth quarter	5.8	8.6	2.8
1993			
First quarter	6.6	9.5	2.9
Second quarter	6.6	9.5	2.9
Third quarter	6.3	9.2	2.9
Fourth quarter	6.0	8.9	2.9
1994			
January	6.6	9.4	2.8
February	6.7	9.7	3.0
March	6.6	9.6	2.9
April	6.6	9.4	2.8
May	6.6	9.5	2.9
June	6.5	9.5	3.0
July	6.4	9.2	2.9
August	6.3	9.3	2.9
September	6.3	9.1	2.9
October	6.1	9.0	2.9
November	6.0	8.8	2.8
December	5.9	8.8	2.9

Fuente: Banco Central de Chile.

Table 12

MAIN MONETARY AGGREGATES

(Percentage changes)

Date	MONTH				YEAR				12-MONTH			
	E	M1A	M2A	M7	E	M1A	M2A	M7	E	M1A	M2A	M7
1992												
January	-1.5	5.4	5.7	3.1	-1.5	5.4	5.7	3.1	39.5	35.2	43.3	35.9
February	-3.5	0.7	2.4	2.6	-5.0	6.1	8.2	5.8	35.4	33.2	44.1	36.5
March	71.5	27.3	5.4	1.6	62.9	35.0	14.1	7.5	125.1	56.9	50.7	35.9
April	-12.5	-2.4	-0.8	0.7	42.6	31.8	13.1	8.2	84.0	53.5	48.0	35.9
May	-29.0	-8.7	-1.1	0.9	1.3	20.3	11.9	9.2	27.7	44.3	41.9	35.8
June	-3.8	-0.5	3.0	3.4	-2.6	19.7	15.3	13.0	24.4	46.0	40.5	35.9
July	-0.6	-2.5	1.0	2.6	-3.2	16.7	16.5	16.0	33.1	45.7	37.6	35.0
August	-1.9	0.6	2.4	2.0	-5.0	17.3	19.2	18.2	34.0	43.6	38.2	34.4
September	15.5	2.2	3.1	1.2	9.7	19.9	23.0	19.6	31.5	35.4	39.2	32.0
October	-6.5	-4.4	2.8	2.0	2.5	14.6	26.4	22.1	30.4	30.3	41.3	31.4
November	-5.2	0.7	2.8	3.3	-2.8	15.4	30.0	26.1	25.3	32.1	39.0	30.6
December	15.8	12.5	2.6	2.6	12.6	29.9	33.3	29.4	12.6	29.9	33.3	29.4
1993												
January	-0.2	9.6	4.2	3.8	-0.2	9.6	4.2	3.8	14.1	35.1	31.5	30.2
February	11.0	1.3	0.3	0.5	10.8	11.0	4.5	4.3	31.2	35.8	28.8	27.6
March	-7.2	0.2	1.1	1.0	2.8	11.2	5.7	5.4	-29.0	6.9	23.5	26.8
April	0.6	0.6	1.4	1.8	3.4	11.8	7.2	7.3	-18.4	10.1	26.3	28.3
May	2.0	-2.2	1.7	1.0	5.5	9.4	9.1	8.4	17.3	18.1	29.9	28.4
June	-4.3	-1.2	3.3	2.4	1.0	8.1	12.7	11.0	16.7	17.2	30.4	27.1
July	2.7	-1.8	1.1	2.2	3.6	6.1	14.0	13.4	20.5	18.1	30.4	26.6
August	-2.5	-0.7	1.5	1.6	1.1	5.3	15.7	15.3	19.8	16.6	29.4	26.2
September	2.4	0.5	2.1	1.8	3.5	5.9	18.1	17.4	6.2	14.7	28.1	27.0
October	-0.7	0.9	2.2	2.5	2.8	6.9	20.8	20.4	12.9	21.1	27.3	27.6
November	2.1	-0.5	1.7	2.3	4.9	6.3	22.8	23.1	21.5	19.6	25.9	26.4
December	11.9	15.0	3.0	2.9	17.4	22.2	26.4	26.7	17.4	22.2	26.4	26.7
1994												
January	-1.0	5.1	1.2	1.4	-1.0	5.1	1.2	1.4	16.5	17.3	22.7	23.9
February	2.4	-1.6	2.3	1.5	1.4	3.4	3.5	2.9	7.4	13.9	25.1	25.0
March	-2.2	0.2	1.4	1.0	-0.9	3.6	4.9	4.0	13.2	13.9	25.4	25.0
April	0.6	-2.1	0.3	0.1	-0.3	1.4	5.2	4.1	13.1	10.9	24.0	23.0
May	0.5	0.4	1.1	0.6	0.2	1.8	6.3	4.8	11.5	13.8	23.2	22.5
June	-3.3	0.4	1.4	1.4	-3.0	2.3	7.8	6.3	12.7	15.7	20.9	21.3
July	2.2	-0.7	2.0	2.2	-0.8	1.5	10.0	8.6	12.3	16.9	22.0	21.3
August	-1.2	0.2	0.6	1.5	-2.1	1.7	10.6	10.3	13.7	18.0	20.8	21.2
September	3.3	2.1	1.5	1.4	1.2	3.9	12.3	11.8	14.8	19.9	20.1	20.7
October	-1.0	2.2	1.4	2.0	0.2	6.1	13.8	14.1	14.4	21.4	19.1	20.1
November	4.0	3.5	1.4	2.1	4.1	9.9	15.4	16.5	16.5	26.3	18.8	19.9
December	8.8	11.4	3.3	2.5	13.3	22.4	19.2	19.5	13.3	22.4	19.2	19.5

E : Base money.
M1A : Corresponds to definition of corrected M1A = money in circulation + financial private-sector current accounts net of float + demand deposits other than current accounts + demand savings deposits.
M2A : M1A + private-sector time deposits.
M7 : M2A + time savings deposits including those for housing + Banco Central instruments held by the public (nonfinancial private sector) + Treasury promissory notes held by the public (nonfinancial private sector) + credit bills held by the public (nonfinancial private sector) + private-sector foreign-currency deposits.

Source: Banco Central de Chile.

Table 13

COMPONENTS OF PRIVATE MONETARY AGGREGATES
MONTHLY AVERAGES
(Billions of Chilean pesos)

Date	C	D1A	Dp	Ahp	Banco Central Instruments	Treasury promissory notes	Credit bills	Private-sector foreign-currency deposits
1993								
January	414.56	990.64	3,256.05	939.23	3,545.30	16.57	945.92	553.89
February	438.14	984.70	3,250.78	959.38	3,548.33	16.03	971.51	551.00
March	436.18	989.16	3,300.44	977.53	3,544.42	15.31	994.12	570.16
April	435.17	998.57	3,360.52	992.44	3,626.28	15.85	993.10	599.18
May	430.19	972.41	3,475.06	1,008.85	3,581.57	16.51	1,025.56	625.88
June	427.51	958.16	3,655.06	1,034.97	3,602.40	16.77	1,061.26	652.10
July	424.81	936.19	3,755.37	1,057.15	3,733.70	16.10	1,092.10	658.74
August	419.38	931.44	3,824.46	1,069.61	3,786.56	19.47	1,137.53	654.41
September	437.65	920.57	3,924.95	1,083.50	3,857.50	16.24	1,148.37	672.85
October	429.04	941.11	4,029.75	1,106.79	3,966.78	16.58	1,175.72	700.57
November	426.54	936.48	4,126.35	1,119.79	4,091.55	17.34	1,226.47	707.25
December	494.15	1,073.50	4,084.33	1,141.59	4,210.89	16.51	1,278.60	720.32
1994								
January	495.45	1,152.71	4,070.50	1,158.34	4,257.45	18.29	1,287.97	766.21
February	508.82	1,112.24	4,227.05	1,169.73	4,260.87	19.88	1,323.93	778.41
March	507.08	1,116.86	4,303.99	1,188.44	4,269.06	17.00	1,366.78	766.62
April	494.47	1,095.47	4,354.54	1,201.78	4,274.46	16.49	1,378.11	738.21
May	492.72	1,103.41	4,412.67	1,221.89	4,268.04	17.40	1,427.74	694.81
June	490.27	1,112.47	4,490.11	1,245.47	4,325.62	17.41	1,465.51	688.83
July	485.46	1,105.45	4,624.65	1,265.04	4,435.60	17.12	1,479.93	725.79
August	474.78	1,118.91	4,659.85	1,275.49	4,560.99	15.84	1,527.51	723.84
September	501.54	1,126.34	4,716.39	1,284.30	4,641.99	11.43	1,588.38	690.93
October	491.54	1,171.80	4,769.42	1,298.88	4,803.85	11.39	1,608.02	695.75
November	498.19	1,223.81	4,800.15	1,307.29	4,967.60	12.27	1,679.91	680.55
December	572.16	1,346.05	4,816.46	1,310.85	5,057.91	11.57	1,790.34	646.85

SYMBOLS:

C : Money in circulation (held by the public).
D1A : Current accounts + other nonfinancial private-sector demand deposits net of float + demand deposits.
Dp : Private-sector time deposits.
Ahp : Time savings deposits including those for housing.

RATIOS:

M1 = C + D1 (D1: Nonfinancial private-sector current accounts net of float).
M1A = M1 + Dv (Dv: Demand deposits other than current accounts) + Ahv (Ahv: Demand savings deposits).
M2A = M1A + Dp (Dp: Private-sector time deposits).
M3 = M2A + Ahp (Ahp: Time savings deposits including those for housing).
M4 = M3 + Banco Central instruments held by the public (nonfinancial private sector).
M5 = M4 + Treasury promissory notes held by the public (nonfinancial private sector).
M6 = M5 + Credit bills held by the public (nonfinancial private sector).
M7 = M6 + Private-sector foreign-currency deposits.

Source: Banco Central de Chile.

Table 14

MEAN NOMINAL EXCHANGE RATE

(Pesos/US$ dollar)

Date	Observed	Referential	Breach Observed/Referential-1 (%)
1990 Average	304.9	312.6	-2.5
1991 Average	349.2	366.5	-4.7
1992 Average	362.6	390.3	-7.1
1993 Average	404.2	430.0	-6.0
1994 Average	420.2	454.8	-7.6
1993			
January	383.9	424.9	-9.6
February	387.9	423.7	-8.4
March	397.2	421.3	-5.7
April	401.2	414.7	-3.3
May	405.0	416.4	-2.7
June	403.3	421.9	-4.4
July	404.8	430.9	-6.1
August	407.7	428.1	-4.8
September	408.2	429.0	-4.8
October	412.6	438.7	-5.9
November	412.5	450.1	-8.4
December	425.7	460.4	-7.5
1994			
January	430.5	464.4	-7.3
February	428.7	459.8	-6.8
March	430.5	458.1	-6.0
April	424.5	458.3	-7.4
May	424.7	459.1	-7.5
June	420.7	458.3	-8.2
July	420.5	453.0	-7.2
August	419.4	456.0	-8.0
September	414.9	456.0	-9.0
October	412.2	456.2	-9.6
November	413.5	457.2	-9.6
December	402.2	421.1	-4.5

Source: Banco Central de Chile.

Table 15

REAL OBSERVED EXCHANGE RATE

(Base: 1986 average = 100)

Date	OVERALL INDEX (1)			INDEX LESS LATIN AMERICA (2)		
	Index	Change		Index	Change	
		Month	12-month		Month	12-month
1990 Average	112.8	–	3.8 (3)	99.2	–	–2.5 (3)
1991 Average (4)	106.4	–	–5.6 (3)	95.5	–	–3.8 (3)
1992 Average (4)	97.6	–	–8.3 (3)	88.4	–	–7.4 (3)
1993 Average (4)	96.9	–	–0.8 (3)	86.8	–	–1.7 (3)
1994 Average (4)	94.3	–	–2.7 (3)	83.0	–	–4.4 (3)
1993 (4)						
January	95.6	0.3	–7.6	85.9	0.1	–8.7
February	96.1	0.6	–1.6	86.4	0.6	–2.1
March	98.6	2.6	2.7	88.7	2.7	2.6
April	100.0	1.4	6.2	90.3	1.8	6.1
May	100.1	0.1	6.2	90.1	–0.2	5.4
June	98.8	–1.2	1.6	88.9	–1.3	0.5
July	97.3	–1.5	–2.0	87.1	–2.0	–3.8
August	96.4	–1.0	–4.5	86.2	–1.0	–5.9
September	96.3	0.0	–4.4	86.1	–0.1	–5.7
October	94.4	–2.1	–3.1	84.2	–2.2	–4.4
November	93.3	–1.1	–1.7	83.2	–1.3	–2.8
December	95.6	2.4	0.3	85.1	2.3	–0.8
1994 (4)						
January	95.6	0.0	0.0	85.0	–0.2	–1.1
February	95.9	0.3	–0.2	85.3	0.4	–1.3
March	96.3	0.4	–2.4	85.4	0.2	–3.7
April	94.5	–1.8	–5.5	84.1	–1.6	–6.8
May	93.5	–1.1	–6.6	83.5	–0.7	–7.3
June	93.0	–0.6	–5.9	82.9	–0.7	–6.7
July	94.9	2.1	–2.5	83.9	1.1	–3.7
August	94.6	–0.3	–1.8	82.9	–1.2	–3.8
September	94.1	–0.6	–2.4	82.0	–1.1	–4.8
October	94.0	–0.1	–0.4	81.6	–0.5	–3.1
November	94.0	0.0	0.8	81.3	–0.4	–2.2
December	90.7	–3.5	–5.1	78.2	–3.8	–8.1

(1) Defined as the nominal observed exchange rate multiplied by the quotient between relevant external inflation and CPI. External inflation is calculated from WPI of main trading partners, denominated in US dollars weighted by the relative importance of Chilean exports and imports (excluding oil and cooper) traded with them (approximately 75% of Chile's total trade in 1989, excluding oil and copper). Both the WPI and exchange rates of the countries are incorporated as monthly changes.

(2) Same definition as (1) but excluding Latin American trading partners.

(3) Annual average change.

(4) Provisional figures.

Source: Banco Central de Chile.

Table 16

BALANCE OF PAYMENTS

(Millions of US dollars)

Item	1992	1993	1994	Percentage change (4)	
				1993	1994
I. CURRENT ACCOUNT	**-699**	**-2,098**	**-753**	**199.9**	**-64.1**
A. Trade balance	771	-982	660		
1. Exports fob	10,008	9,199	11,539	-8.1	25.4
2. Imports fob	-9,237	-10,181	-10,879	10.2	6.9
B. Nonfinancial services	-41	3	20		
Credits	2,433	2,599	2,845	6.8	9.5
Debits	-2,474	-2,596	-2,826	4.9	8.9
C. Financial services	-1,860	-1,503	-1,772	-19.2	17.9
Net interest	-968	-711	-6.84	-26.5	-3.8
Net profit	-892	-792	-1,088	-11.2	37.3
D. Transfers	431	385	340	-10.8	-11.7
II. CAPITAL ACCOUNT	**2,883**	**2,769**	**4,518**	**-3.9**	**63.1**
A. Medium- and long-term capital	943	1,672	3,237	77.4	93.6
1. Foreign investment (1)	652	1,153	1,893	76.7	64.2
a) Direct	321	410	870	27.9	112.3
- From abroad	699	841	1,796	20.3	113.5
- Abroad	378	431	926	14.0	114.7
b) Portfolio	332	743	1,022	123.8	37.6
- From abroad	332	833	1,373	151.0	64.8
- Abroad	0	90	351		
2. DL 600 credit disbursements	328	896	1,000	173.5	11.6
3. Other disbursements (2)	1,376	1,389	1,846	1.0	32.8
4. Loans repayments	-1,115	-1,462	-1,402	31.2	-4.1
5. External-debt conversions	-336	-276	-63	-17.8	-77.1
6. Other (3)	38	-28	-35		27.8
B. Short-term capital	1,940	1,097	1,281	-43.4	16.7
1. Credits lines	1,879	154	392	-91.8	155.1
2. Other (4)	62	944	889	1,429.5	-5.8
III. ERRORS AND OMISSIONS	**315**	**-94**	**-571**		
IV. BALANCE OF PAYMENTS	**2,498**	**578**	**3,194**	**-76.9**	**452.7**

(1) Including direct investment under DL600, Chapter XIV capital contributions, ADRs, investment funds, Chapter XIX promissory notes and Chilean investment abroad.
(2) In 1992 includes bonds issued by the Treasury. In 1993 includes bonds issued by the nonfinancial private sector.
(3) Including reversion payment for 1991 and 1993 retiming, financing for leasing and external assets variation.
(4) Including counterpart to external-debt recovery transactions.

Source: Banco Central de Chile.

Table 17

TRADE BALANCE

(Millions of US dollars)

Item	1992	1993	1994	Percentage change	
				1993	1994
BALANCE OF TRADE	**771**	**–982**	**660**	**–227.4**	**167.2**
Total exports (fob)	**10,008**	**9,199**	**11,539**	**–8.1**	**25.4**
Copper	3,886	3,248	4,242	–16.4	30.6
Non-copper	6,122	5,951	7,297	–2.8	22.6
Other main (*)	3,108	2,737	3,470	–11.9	26.8
Non-traditional	3,013	3,214	3,827	6.7	19.1
Total imports (fob)	**9,237**	**10,181**	**10,879**	**10.2**	**6.9**
Total imports (cif)	**10,129**	**11,125**	**11,825**	**9.8**	**6.3**
Consumers goods	1,904	2,068	2,209	8.6	6.8
Intermediate goods	5,439	5,829	6,124	7.2	5.1
Fuels	1,114	1,109	1,162	–0.4	4.8
Other	4,325	4,720	4,962	9.1	5.1
Capital goods	2,786	3,228	3,492	15.9	8.2

(*) Including iron, nitrate and iodine, silver, gold ore, fruit, fishmeal, sawn lumber, logs, planed wood, wood pulp, methanol, lithium carbonate, molybdenum oxide and ferromolybdenum, gold metal and bullion.

Source: Banco Central de Chile.

Table 18

FOREIGN TRADE INDICATORS

Item	1992	1993	1994
Price of copper LME (US$/lb) (*)	1.043	0.862	1.055
Oil price (US$/barrel fob)	18.2	15.9	14.6
Libor US$ (nominal)	3.9%	3.4%	5.1%
External inflation excluding Latin America	3.1%	-0.6%	2.5%
Terms of trade index (1988 = 100)			
Total goods	85.8	78.1	87.5
Total non-copper and non-oil goods	92.5	87.3	92.4
Total exports			
Change in value	11.9%	-8.1%	25.4%
Change in price (fob)	-1.8%	-11.6%	12.6%
Change in volume	14.0%	4.0%	11.4%
Copper exports			
Change in value	7.4%	-16.4%	30.6%
Change in price (fob)	-1.8%	-18.1%	23.4%
Change in volume	9.4%	2.1%	5.9%
Traditional non-copper exports			
Change in value	11.0%	-11.9%	26.8%
Change in price (fob)	-3.8%	-7.9%	17.8%
Change in volume	15.4%	-4.4%	7.6%
Non-traditional exports			
Change in value	19.4%	6.7%	19.1%
Change in price (fob)	0.3%	-7.4%	-1.0%
Change in volume	19.1%	15.2%	20.3%
Goods imports			
Change in value	25.1%	9.8%	6.3%
Change in price (cif)	-1.1%	-2.9%	0.5%
Change in volume	26.5%	13.2%	5.7%

(*) Average price weighted by quarterly volumes exported.

Source: Banco Central de Chile.

Table 19

FINANCIAL SERVICES

(Millions of US dollars)

Item	1992	1993	1994	Percentage change	
				1993	1994
INTEREST PAID (*)	**1,402**	**1,200**	**1,178**	**-14.4**	**-1.9**
Medium and long term	1,208	991	987	-18.0	-0.4
Short term	194	210	191	8.1	-9.0
INTEREST RECEIVED	**437**	**491**	**495**	**12.3**	**0.9**
PROFITS AND DIVIDENDS	**-892**	**-792**	**-1,088**	**-11.2**	**37.4**
Credits received	5	6	3	23.4	-53.4
Debits paid	897	798	1,091	-11.0	36.7
LEASING SERVICES	**3**	**2**	**1**	**-33.3**	**-22.2**
TOTAL FINANCIAL SERVICES	**-1,860**	**-1,503**	**-1,772**	**-19.2**	**17.9**
Credits	442	497	498	12.4	0.3
Debits	2,302	2,000	2,270	-13.1	13.5

(*) Including interest paid on external debt and other liabilities not included in the same.

Source: Banco Central de Chile.

Table 20

NONFINANCIAL SERVICES

(Millions of US dollars)

Item	1992	1993	1994	Percentage change (*)	
				1993	1994
SHIPMENTS	**76**	**50**	**132**	**-34.3**	**162.0**
Credits	513	495	589	-3.5	19.0
Debits	436	444	457	1.9	2.9
OTHER TRANSPORT	**-328**	**-344**	**-339**	**5.0**	**-1.5**
Passenger services	-56	-4	-2	-92.3	-48.8
Credits	169	182	191	7.4	4.9
Debits	225	186	193	-17.4	3.7
Port services	-272	-340	-337	25.1	-0.9
Credits	381	361	419	-5.3	16.2
Debits	653	701	756	7.3	7.9
TRAVEL	**174**	**274**	**224**	**57.5**	**-18.2**
Credits	704	833	863	18.4	3.6
Debits	530	560	639	5.6	14.3
OTHER GOODS, SERVICES AND INCOMES	**14**	**23**	**3**	**66.0**	**-86.3**
Credits	665	728	783	9.5	7.6
Debits	651	705	780	8.3	10.7
TOTAL NONFINANCIAL SERVICES	**-64**	**3**	**20**		
Credits	2,431	2,599	2,845	6.9	9.5
Debits	2,495	2,595	2,826	4.0	8.9

(*) Not indicated if item changes from plus to minus or viceversa.

Source: Banco Central de Chile.

Table 21
NET FOREIGN INVESTMENT
(Millions of US dollars)

Item	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994 (1)
I. TOTAL FOREIGN INVESTMENT	**143**	**313**	**885**	**952**	**1,365**	**941**	**425**	**652**	**1,153**	**1,893**
A. DIRECT INVESTMENT	143	313	885	952	1,278	582	400	321	410	870
1. From abroad	145	316	891	968	1,288	590	522	699	841	1,796
Decree Law 600	115	111	216	163	172	216	466	574	695	1,499
Chapter XIV capital contribution	-1	5	14	13	11	35	96	157	203	400
Chapter XIX (2)	30	199	661	792	1,105	339	-40	-32	-55	-104
2. Abroad	-2	-3	-6	-16	-10	-8	-122	-378	-431	-926
B. PORTFOLIO INVESTMENT	0	0	0	0	87	359	25	332	743	1,022
1. From abroad	0	0	0	0	87	359	25	332	833	1,373
Chapter XXVI ADRs	0	0	0	0	0	105	-31	282	793	1,351
Investment funds	0	0	0	0	87	254	56	50	40	22
2. Abroad	0	0	0	0	0	0	0	0	-90	-351
II. ASSOCIATED CREDITS	**-21**	**67**	**185**	**385**	**311**	**749**	**284**	**51**	**592**	**812**
Credit disbursements	30	108	226	521	437	888	458	328	847	1,000
Credit amortizations	-51	-41	-41	-136	-126	-139	-174	-277	-255	-188
TOTAL	**122**	**380**	**1,070**	**1,337**	**1,676**	**1,690**	**709**	**703**	**1,745**	**2,704**

(1) Provisional figures.
(2) At redenomination value. As from 1991 includes repatriation of capitals.

Source: Banco Central de Chile.

Table 22

GROSS CAPITAL CONTRIBUTIONS ABROAD VIA CHAPTER XII

(Millions of US dollars)

Year	Formal market (1)	Informal market (2)	Total (1) + (2)
1980	27.3		27.3
1981	35.7		35.7
1982	10.3		10.3
1983	1.7		1.7
1984	9.5		9.5
1985	1.9		1.9
1986	9.7		9.7
1987	14.4		14.4
1988	3.5		3.5
1989	38.7		38.7
1990	12.4	2.8	15.2
1991	8.5	90.2	98.7
1992	9.1	340.9	350.0
1993	90.1	320.9	411.0
1994	454.3	421.7	876.0

(1) Only through the formal exchange market, Chapter XII, letter A of the Compendium of Rules on International Exchange.
(2) Only through the informal exchange market, Chapter XII, letter B of the Compendium of Rules on International Exchange.

Source: Banco Central de Chile.

Table 23

INTERNATIONAL RESERVES OF THE BANCO CENTRAL DE CHILE (1)

(Millions of US dollars)

Item	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
1. Gold	519	668	757	679	592	642	597	574	612	652
(Ounces Troy)	1,770	1,795	1,811	1,824	1,752	1,858	1,863	1,867	1,865	1,864
2. SDRs	0	1	41	44	24	1	1	1	1	1
3. Reserve position with IMF	0	0	0	0	0	0	0	0	0	0
4. Foreign-currency assets	2,450	2,351	2,463	3,116	3,604	6,068	7,041	9,167	9,639	13,087
5. Other assets	–16	86	62	32	–5	–202	–43	–11	–15	17
6. Use of IMF credit	1,086	1,328	1,452	1,322	1,268	1,151	955	722	479	290
7. Short-term loans	325	0	225	0	5	10	1	1	0	0
I. INTERNATIONAL ASSETS (2)	2,952	3,106	3,323	3,872	4,216	6,508	7,595	9,731	10,238	13,757
II. GROSS RESERVES (3)	1,867	1,778	1,871	2,550	2,948	5,358	6,641	9,009	9,759	13,467
III. NET RESERVES (4)	1,542	1,778	1,646	2,550	2,943	5,347	6,639	9,009	9,759	13,467

(1) Calculated from foreign-currency and gold quotations at the end of each period.
(2) Corresponds to (1 + 2 + 3 + 4 + 5).
(3) Corresponds to (I – 6).
(4) Corresponds to (II – 7).

Source: Banco Central de Chile.

Table 24

FOREIGN DEBT

(Millions of US dollars)

Item	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994 (1)
I. Total foreign debt (II + III) (2)	**19,444**	**19,501**	**19,208**	**17,638**	**16,252**	**17,425**	**16,364**	**18,242**	**19,186**	**21,598**
Public sector	11,769	12,394	13,128	11,889	10,135	9,727	8,765	8,681	8,109	8,165
Private sector	7,675	7,107	6,080	5,749	6,117	7,698	7,601	9,561	11,077	13,435
With public guarantee (3)	2,310	3,369	3,252	2,820	1,897	2,065	1,791	941	911	906
II. Medium- and long-term foreign debt	**17,650**	**17,814**	**17,191**	**15,452**	**13,279**	**14,043**	**14,165**	**14,767**	**15,699**	**17,739**
Public sector	10,552	11,483	12,075	11,048	9,065	8,769	8,478	8,233	7,621	7,637
Private sector	7,098	6,331	5,116	4,404	4,216	5,274	5,687	6,534	8,078	10,102
With public guarantee (3)	1,963	2,896	2,650	2,060	1,068	1,039	1,012	941	911	906
III. Short-term foreign debt	**1,794**	**1,687**	**2,017**	**2,186**	**2,973**	**3,382**	**2,199**	**3,475**	**3,487**	**3,859**
Public sector	1,217	911	1,053	841	1,072	958	285	448	488	526
Private sector	577	776	964	1,345	1,901	2,424	1,914	3,027	2,999	3,333
With public guarantee (3)	347	473	602	760	829	1,026	779	0	0	0
IV. International Monetary Fund	**1,085**	**1,328**	**1,452**	**1,322**	**1,268**	**1,151**	**955**	**722**	**479**	**290**

(1) Provisional figures.
(2) Balance at December 31st of each year, based on net disbursements. Excluding debt with IMF and foreign commercial credit lines (pending export returns and import payments).
(3) As from 1990, debt with IDB and IBRD corresponding to privatised companies (Endesa, Chilectra and Pehuenche) has been included as private-sector debt with public guarantee.

Source: Banco Central de Chile.

Table 25
FOREIGN-DEBT INDICATORS

Item	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994 (*)
					(Millions of US dollars)					
Total foreign debt	19,444	19,501	19,208	17,638	16,252	17,425	16,364	18,242	19,186	21,598
Medium- and long-term foreign-debt servicing	2,058	2,041	1,697	1,676	2,139	2,086	2,197	2,229	2,378	2,207
Interest on total foreign-debt	1,838	1,772	1,516	1,214	1,559	1,558	1,417	1,240	1,089	1,095
Current-account deficit	1,413	1,191	735	231	705	538	-111	699	2,098	753
International reserves	1,542	1,778	1,646	2,550	2,943	5,347	6,639	9,009	9,759	13,467
Trade-balance surplus/deficit	884	1,092	1,309	2,210	1,578	1,356	1,588	771	-982	660
Goods and services exports	4,497	5,233	6,349	8,144	9,575	10,286	11,110	12,440	11,797	14,384
Goods imports (fob)	2,921	3,099	3,994	4,844	6,502	7,037	7,354	9,237	10,181	10,879
					(Percentages)					
Total foreign debt/Goods and services exports	432	375	303	217	170	169	147	147	163	150
Medium- and long-term foreign debt servicing / Goods and services exports	46	39	27	21	22	20	20	18	20	15
Interest / Goods and services exports	41	34	24	15	16	15	13	10	9	8
Current account deficit / Goods and services exports	31	23	12	3	7	5	-1	6	18	5
Trade-balance surplus or deficit / Goods and services exports	20	21	21	27	16	13	14	6	-8	5
Current-account deficit / GDP	9	7	4	1	2	2	0	2	5	1
					(Months)					
Net international reserves / Goods imports (fob)	6	7	5	6	5	9	11	12	12	15

(*) Provisional figures.

Source: Banco Central de Chile.

ANNEXE 1

MAIN MONETARY AND CREDIT MEASURES

January

27 As from February 1st, 4-year indexed promissory notes payable in coupons (PRC) are withdrawn. PRC with other maturities continue to be offered.

March

31 The Compendium of Financial Regulations' ruling that banks and financial institutions shall not owe more than 1.5 times their capital and reserves to the Banco Central was revoked. Said ruling became obsolete in 1990 when the current Constitutional Organic Act of the Banco Central came into effect which brings the granting of credits to and acquisition of goods from banks and financial institutions under Articles 120 and 129 of the Banking Act.

July

21 Debit cards were authorised to be issued .

October

13 360-day interest rates on 90-day indexed promissory notes of the Banco Central (PRBC) were lowered from UF plus 6.5% to UF plus 6.25%.

Banks were authorised to grant current-account overdrafts of more than 30 UF, without prior written agreement, providing that the bank has been qualified as category I on two or more consecutive occasions by the Superintendency of Banks and Financial Institutions.

Financial institutions were authorised to carry out forward transactions UF - peso.

November

14 360-day interest rates on 90-day PRBC were lowered from UF plus 6.25% to UF plus 6.10%.

December

1 Financial institutions were authorised to freely transfer by endorsement bonds in recognition of previous saving, in state pension fund and bonds of any additional benefit issued by the Social Security Regulatory Institute (INP).

ANNEXE 2

MAIN EXCHANGE AND EXTERNAL TRADE MEASURES

January

20 The maximum limit on banking entities' authorised foreign-currency holdings was raised.

April

14 The general exchange restrictions in the Compendium of Rules on International Exchange due to expire on April 19th 1994 were extended until April 19th 1995.

15 The proportion of exports returns free of the obligation to be returned was raised from 10% to 15%, with a limit of US$ 10 million instead of US$ 5 million for each exporter in a moving twelve-month period.

The time allowed for export returns in foreign currency with obligation to be liquidated was extended from 150 to 180 days.

The proof of solvency requirement for non-banking companies who wish to issue publicly-offered bonds abroad was lowered from an A grade granted by the Pension Fund Administrators' Risk Classification Commission to a BBB+ grade granted by two international risk-classifying agencies, in relation to non-guaranteed, long-term foreign-debt instruments, and the minimum amount of each issue was halved from US$ 50 million to US$ 25 million.

The proof of solvency requirement for non-banking companies who wish to issue ADRs was lowered from an A grade granted by the Pension Fund Administrators' Risk Classification Commission to a BBB grade granted by two international risk-classifying agencies, in relation to non-guaranteed, long-term foreign-debt instruments and the minimum amount of each issue was halved from US$ 50 million to US$ 25 million. The express authorisation of the Banco Central Council is no longer required and for such effects it will have to be given by the Manager of the Bank's International Division.

June

23 The annual interest rate on quotas of deferred payment customs duties during the second half of 1994 was set at 10.3% in United States dollars.

August

1 The ruling that stipulates a limit of 20% of the capital plus reserves as the difference between banks's foreign-currency assets and liabilities was changed as from October 1st, 1994, to incorporate the foreign-currency holding when computing assets. This change renders the current limit, on foreign-currency holding, to some extent, superfluous.

25 As from October 1st 1994, the requirement to report export transactions whose value depends on how they are later traded was revoked.

Custodian banks abroad for pension-fund investment made abroad were required to have a minimum-risk rating and if any custodian bank drops to a lower risk-rating it automatically ceases to be elegible as a depositary or custodian entity.

31 Exchange houses on the formal exchange market were authorised to buy and sell foreign currency corresponding to ADR transactions, Chapter XXVI of the Compendium of Rules on International Exchange.

September

9 The time allowed for export returns in foreign currency was extended from 180 to 210 days.

The proportion of payments for exports free of the obligation to be returned was raised from 15% to 25%, with a limit of US$ 15 million instead of US$ 10 million for each exporter in a moving twelve-month period.

9 The minimum amount that banking companies can place as ADRs abroad was reduced from US$ 50 million to US$ 25 million. At the same time, the proof of solvency required

was lowered from an A grade granted by the Pension Fund Administrators' Risk Classification Commission to a BBB+ grade granted by two international risk-classifying agencies, in relation to non-guaranteed, long-term foreign-debt instruments.

29 Banking entities constituted in Chile who seek participation in financial entities abroad must be authorised by the Banco Central and by the Superintendency of Banks and Financial Institutions and must meet the following requirements:

- That the investment made abroad does not exceed 20% of the bank's capital plus reserves, not must it exceed that proportion once the investment has been made.

- That the bank's assets weighted by risk at the moment authorisation is requested do not exceed tenfold its effective patrimony.

Application for said authorisation must be made to the International Division of the Banco Central and the corresponding foreign-currency transactions will be regulated by Chapter XII of Title I of the Compendium of Rules on International Exchange.

October

6 Exchange houses of the formal exchange market were authorised to carry out forward deals and swaps.

November

3 Provisions were made for pension fund administrators and insurance companies to acquire foreign currency on the formal exchange market to be used for paying claims and service costs to their members resident abroad.

11 The following measures relating to the capital market were introduced:

- The proportion of pension fund assets than can be invested abroad was doubled from 3% to 6%.

- Life insurance companies having a BBB+ risk-rating were authorised to invest up to 10% of their resources in 32 countries.

- General insurance having a BBB risk-rating were authorised to invest up to 15% of their resources in 34 countries.

- Mutual funds were authorised to invest up to 30% of their resources without having to comply with any minimum risk-rating and in any number of countries.

30 A new value was set for the basket of currencies used to determine the referential exchange rate wich meant a 9.66% drop in that rate. The weight of the different currencies in the basket was changed: the United States dollar was lowered from 50% to 45%, the yen raised from 20% to 25% and the D-mark remained at 30%. At the same time, it was decided that the referential exchange rate would be calculated using the parities prevailing in international markets at 9.30 a.m. instead of at 9 a.m.

The time for selling and purchasing dollars from the Banco Central within the limits of the exchange band was changed to between 10 a.m. and 10.30 a.m.

As from January 9th, 1995, reserves required for external credits can only be composed of United States dollars.

The maximum limit on the exchange rate used by banks and exchange houses of the formal exchange market was eliminated, thus revoking annexe 3 of Chapter III of Title I of the Compendium of Rules on International Exchange.

The proportion of payments for exports free of the obligation to be returned was raised from 25% to 50%, with a limit of US$ 50 million instead of US$ 15 million for each exporter in a moving twelve-month period. At the same time, the maximum period for liquidating export returns was increased from 210 to 270 days. The same time is allowed for liquidating insurance premiums and claims, advance export payments, freight and commissions.

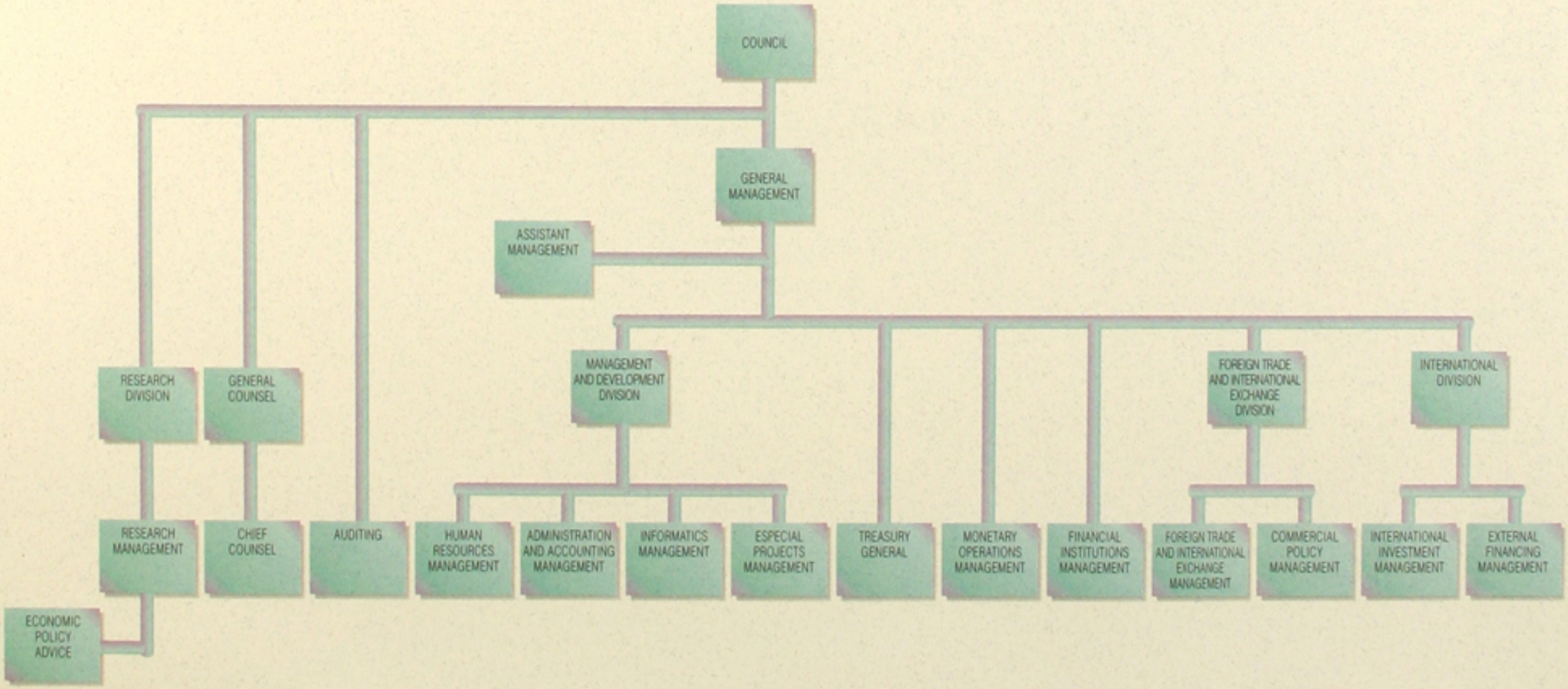
December

19 The proportion of paid up capital plus reserves that banking entities can maintain in financial investments abroad was raised from 20% to 25%.

23 The annual interest rate on quotas of deferred payment customs duties during the first half of 1995 was set at 13% in United States dollars.

II. ORGANIZATION CHART

BANCO CENTRAL DE CHILE
As of December 31, 1994


COUNCIL
GENERAL MANAGEMENT
ASSISTANT MANAGEMENT
RESEARCH DIVISION
GENERAL COUNSEL
MANAGEMENT AND DEVELOPMENT DIVISION
FOREIGN TRADE AND INTERNATIONAL EXCHANGE DIVISION
INTERNATIONAL DIVISION
RESEARCH MANAGEMENT
CHIEF COUNSEL
AUDITING
HUMAN RESOURCES MANAGEMENT
ADMINISTRATION AND ACCOUNTING MANAGEMENT
INFORMATICS MANAGEMENT
ESPECIAL PROJECTS MANAGEMENT
TREASURY GENERAL
MONETARY OPERATIONS MANAGEMENT
FINANCIAL INSTITUTIONS MANAGEMENT
FOREIGN TRADE AND INTERNATIONAL EXCHANGE MANAGEMENT
COMMERCIAL POLICY MANAGEMENT
INTERNATIONAL INVESTMENT MANAGEMENT
EXTERNAL FINANCING MANAGEMENT
ECONOMIC POLICY ADVICE

III. FINANCIAL STATEMENTS

BANCO CENTRAL DE CHILE
As of December 31, 1994

BALANCE SHEET
As of December 31, 1994
(In millions of Chilean pesos)

ASSETS

OVERSEAS ASSETS		6,610,426.1
RESERVE ASSETS	6,271,108.1	
Gold	273,600.7	
Foreign currencies	5,009,535.1	
Special drawing rights holdings	275.0	
IMF subscription	579,781.1	
Bonds, certificates of deposit and other	2,251,191.5	
Mutual loan agreements	125,916.4	
Other	250,808.5	
OTHER OVERSEAS ASSETS	339,318.0	
Contributions made to other international organizations	77,314.2	
Interest receivable	71,072.0	
Other	190,931.8	
DOMESTIC ASSETS		6,062,752.5
DOMESTIC LOANS		
Loans to the Treasury	33,666.2	
Loans to state-owned entities	120,755.2	
Loans to the Banco del Estado de Chile	98,738.3	
Loans to commercial banks	373,802.9	
Loans to other institutions	239,200.4	
Treasury transferences (Laws 18,267, 18,401 and 18,768)	3,436,576.3	
Subordinate obligations of financial institutions (Law 18,401)	1,760,013.2	
OTHER ASSETS		118,369.2
Premises and equipment	15,352.6	
Other	103,016.6	
TOTAL ASSETS		12,791,547.8

Notes 1 to 17 are an integral part of these financial statements.

LIABILITIES

OVERSEAS LIABILITIES		1,850,452.0
RESERVE LIABILITIES	620,275.8	
IMF loans	121,856.6	
Mutual credit agreements	118,646.3	
IMF deposits	379,770.9	
OTHER OVERSEAS LIABILITIES	1,155,697.2	
Loans and other liabilities	1,002,160.4	
Accounts with other international organizations	123,793.4	
Interest payable	29,743.4	
ALLOCATION OF SPECIAL DRAWING RIGHTS	74,481.0	
DOMESTIC LIABILITIES		10,590,563.7
CURRENCY ISSUED AND DEPOSITS	879,136.5	
Currency in circulation	796,066.0	
Financial institutions deposits (Chilean pesos)	83,070.5	
DEPOSITS AND OBLIGATIONS	2,330,471.8	
Deposits and obligations with the Treasury	1,546,250.3	
Other deposits and obligations	784,221.5	
INSTRUMENTS ISSUED BY THE BANCO CENTRAL	7,380,955.4	
Discountable promissory notes of the Banco Central (PDBC)	64,170.0	
Indexed promissory notes to be paid in coupons (PRC)	4,102,884.0	
Indexed promissory notes with floating interest rate (PTF)	111,384.4	
Promissory notes issued for exchange rate differential	219,100.9	
Promissory notes for purchase of portfolio under Resolution 1,555	62,088.4	
Promissory notes issued for purchase of portfolio	118,635.2	
Instruments issued on rescheduling of foreign debt (Chapter XIX of the Compendium of Rules on International Exchange)	292,042.4	
Promissory notes for purchase of mortgage notes	38,947.8	
Indexed promissory notes of the Banco Central (PRBC)	1,621,909.7	
Commercial notes from redenomination of external debt	399,230.5	
Promissory notes stated in indexed units (UF) (Resolution 1,836) arising from US dollar certificates	344,889.0	
Other documents	5,673.1	
OTHER LIABILITIES		71,035.1
Accruals	5,015.4	
Other	66,019.7	
CAPITAL		888,574.3
Capital	888,574.3	
DEFICIT FOR THE YEAR		(609,077.3)
TOTAL LIABILITIES		12,791,547.8

STATEMENT OF INCOME

For the year ended December 31, 1994
(In millions of Chilean pesos)

OPERATING RESULTS		
OPERATING INCOME		843,413.1
Interest earned	509,019.9	
Indexation gains on assets	262,356.9	
Income on price differences	26,799.4	
Gain on exchange differences	41,366.0	
Other operating income	3,870.9	
OPERATING EXPENSES		(1,375,193.2)
Interest expense	569,655.0	
Indexation losses on liabilities	495,491.8	
Commission expenses	1,503.9	
Loss on price differences	29,105.5	
Loss on exchange differences	269,070.9	
Other operating expenses	10,368.3	
GROSS MARGIN		(531,780.1)
OTHER OPERATING EXPENSES		(15,210.1)
Personnel expenses	10,177.1	
Administrative expenses	3,219.4	
Depreciation, amortization and write-offs	1,426.8	
Taxes	386.8	
Income before loan provisions and write-offs		(546,990.2)
Loan provisions and write-offs		(312.4)
NET OPERATING INCOME		(547,302.6)
NON-OPERATING INCOME AND EXPENSES		849.5
Non-operating income	1,063.3	
Non-operating expenses	(213.8)	
Income before price-level restatement		(546,453.1)
PRICE-LEVEL RESTATEMENT		(62,624.2)
LOSS FOR THE YEAR		(609,077.3)

Notes 1 to 17 are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) GENERAL

The financial statements have been prepared in accordance with accounting principles generally accepted in Chile and policies issued by the Board of the Banco Central de Chile, upon prior approval of the Superintendencia de Bancos e Instituciones Financieras (Superintendency of Banks and Financial Institutions), as established by Law 18,840 (Constitutional Organic Law of the Banco Central de Chile). These policies are in accordance with generally accepted accounting principles, except for the exchange rates used, as explained in b, below.

The financial statement presentation follows an economic-accounting pattern which aims to show the Institution's accounting and financial position and, at the same time, assist in the economic analysis of the Bank's operations by identifying clearly whether the operations are undertaken with domestic or overseas agents. In this manner, it is possible to evaluate the participation of the Banco Central de Chile in the domestic supply of monetary assets and credit policy and how this affects the Bank's creditor position abroad. The economic concepts of international reserves and currency issuance are thus shown under Reserve Assets and Reserve Liabilities and Currency Issued, respectively.

b) FOREIGN CURRENCY

Assets and liabilities in foreign currency are translated into Chilean pesos at the exchange rate referred to in paragraph one, Number 7 of Chapter I "General Provisions" of Title I of the Compendium of Rules on International Exchange (dólar acuerdo, hereinafter "referential US dollar"). Excepted from this policy are the balances of exchange accounts, or their replacements, which correspond to transactions that, in accordance with current regulations, must be settled at a different exchange rate, duly specified in the respective regulations.

Assets and liabilities expressed in minted Chilean gold coins are valued on the basis of the average London morning quotation of the "Gold Fixing" rate (US dollars per troy ounce), for all business days in the preceding quarter, less 10%.

Settlements of foreign currency other than the US dollar are made at the exchange rates given by the Superintendency of Banks and Financial Institutions, always based on the referential US dollar exchange rate.

The main exchange rates used at year-end are as follows:

	Ch$
Minted Chilean gold coins	863.855
US dollar	419.620
Pound sterling	655.656
Deutsche mark	271.634
Special drawing rights (SDR)	610.881

c) LOANS RECEIVABLE AND LIABILITIES

Non-indexed loans receivable and liabilities are shown at their original value or at their latest renewal value, with the exception of commercial instruments and discounted notes which are expressed at their nominal maturity value. Indexed loans receivable and liabilities include accrued indexation at the balance sheet date, and balances expressed in foreign currencies include their respective exchange adjustments.

Interest earned at year ended on operations with overseas residents is included in Other Overseas Assets and Other Overseas Liabilities. Interest on transactions with domestic residents are included in Domestic Assets and Liabilities.

Prepaid interest on liabilities is included in Other Assets. Unearned interest on loans receivable is included in Other Liabilities.

d) SUBORDINATE OBLIGATIONS OF FINANCIAL INSTITUTIONS

The subordinate obligations of financial institutions included in Domestic Assets, whose origin and development is explained in Note 8, comprise the balances of repurchase obligations included in the novation agreement, indexed as of December 31, 1994, including, therefore, the outstanding balances of the portions paid in cash and the portions constituted by notes of the Banco Central, plus cumulative increases which are recorded as a credit to income as they are earned.

e) PAST DUE LOANS RECEIVABLE

This item, which is included in Other under Other Assets, includes all those loans receivable which are more than 90 days overdue. Interest receivable on these loans and indexation, if applicable, are computed and recorded only to maturity. Foreign loans are translated into Chilean pesos at the year-end closing rate of exchange.

f) FINANCIAL INVESTMENTS

Overseas financial investments are shown under Reserve Assets, as bonds, certificates of deposit and other, and basically include bonds and commercial instruments issued by foreign governments, overseas institutions and banks which are stated at the lower of cost or market value. Interest receivable is shown in Other Overseas Assets.

g) PREMISES AND EQUIPMENT

Premises and equipment are stated at cost plus price-level restatements, net of accumulated depreciation, in Other Assets. Depreciation has been computed by using the straight-line method over the estimated useful lives of the assets.

h) SEVERANCE INDEMNITIES

The accrual for vested severance indemnities that the Bank must pay its employees has been determined based on the present value method, considering an 8% annual interest rate. The balance sheet includes an accrual for Ch$ 3,605.6 million for this concept.

i) RESERVE FOR LOAN LOSSES

In 1994, the Bank has constituted reserves for doubtful debts in accordance with Board Resolution 395 of December 1994, in conformity with Law 18,840. The reserves, amounting to Ch$ 69,703.9 million, are deducted from the corresponding assets.

j) SHARES AND CONTRIBUTIONS TO THE INTERAMERICAN DEVELOPMENT BANK (IDB) AND CONTRIBUTIONS TO THE INTERNATIONAL MONETARY FUND (IMF)

Shares issued by and contributions made to the Interamerican Development Bank and contributions made to the International Monetary Fund, both for account of the Chilean Treasury, are stated at cost of acquisition or contribution plus restatements, where applicable.

IDB shares and contributions are shown under Other Overseas Assets as contributions to other international organizations.

IMF contributions, both in Chilean pesos and foreign currencies, are shown in Overseas Reserve Assets as IMF subscription. IDB shares and contributions and IMF contributions are considered investments, in accordance with Decree Law 2,943 of November 16, 1979.

k) VACATIONS

The annual cost of employee vacations is recorded as an expense on the accrual basis.

l) INCOME AND EXPENSES

Income and expenses are accounted for on the accrual basis.

Income and expense accounts denominated in Chilean pesos, with the exception of depreciation and price-level restatement, represent the accumulation of amounts recorded at the date the transactions were made.

m) PRICE-LEVEL RESTATEMENT

The effect of price-level restatement of capital and reserves, premises and equipment and other assets and liabilities, considering the variation in the consumer-price index for the year with a one month lag, is shown on the statement of income as Price-Level

Restatement. In the same manner, exchange differences on assets and liabilities denominated in foreign currency and indexation of loans and liabilities are included in operating income.

2. DOMESTIC LOANS

Loans to state-owned entities, Loans to the Banco del Estado de Chile, Loans to commercial banks, and Loans to other institutions principally include: credit lines in respect of rescheduling of debts for Ch$ 179,823.3 million; credit lines of International Organization programs for Ch$ 67,223.1 million; amounts to be recovered from the liquidation of the Caja Central de Ahoeros y Préstamos and the Asociación Nacional de Ahoero y Préstamo for Ch$ 183,948.5 million (Note 11); receivables from the Corporación de Fomento de la Producción (Corfo), Laws 18,401 and 18,577, for Ch$ 84,025.0 million; mortgage loan portfolio acquired for Ch$ 83,388.9 million and credit lines for deposits under Resolution 1,686 for Ch$ 102,244.1 million.

3. OTHER OVERSEAS LIABILITIES

Loans and other liabilities included in Other Overseas Liabilities include principally credit agreements for 1983, 1984 and 1985 to grant new money loans for Ch$ 528,159.0 million; rescheduling of foreign debt from 1983-1984, 1985-1987 and 1988-1991, for Ch$ 237,803.9 million; Interamerican Development Bank (IDB) credit for Ch$ 39,365.7 million; loans received with financial instruments as guarantee for Ch$ 188,540.5 million and Banco Exterior de España S.A. deposits (Resolution 1,872) for Ch$ 6,459.1 million.

4. DEPOSITS AND OBLIGATIONS

Other Deposits and Obligations include principally reserve deposits under Resolution 143 and its amendments for Ch$ 380,323.5 million; Banco del Estado de Chile deposits for Ch$ 129,714.7 million; foreign currency current accounts for Ch$ 117,150.5 million; foreign currency deposits under Resolutions 1,657 and 1,686 for Ch$ 72,569.2 million; mandatory deposits on overseas credits for Ch$ 38,204.7 million and short-term credits for Ch$ 23,079.1 million.

5. CAPITAL AND RESERVES

The changes in capital and reserves during 1994 were as follows:

	(In millions of Chilean pesos)		
	Capital	Deficit for the year	Total
Balances, January 1, 1994	820,139.5	(4,185.1)	815,954.4
Absorption of 1993 deficit	(4,185.1)	4,185.1	
Monetary correction of capital	72,619.9	72,619.9	
Deficit for the year	–	(609,077.3)	(609,077.3)
Balances, December 31, 1994	888,574.3	(609,077.3)	279,497.0

In accordance with Article 5 of the Constitutional Organic Law of the Banco Central de Chile, the Bank's initial capital was established at Ch$ 500,000 million to be contributed in accordance with transitory Article 2 of that law. The following is a summary of the initial capital as of December 31, 1994:

	(In millions of historical Chilean pesos)
Initial paid-in capital at December 8, 1989	403,522.4
Capitalization of surplus (1989 to 1991)	37,948.5
Absorption of deficit (1992 and 1993)	(38,935.9)
Initial net paid-in capital at January 1, 1994	402,535.0
Committed capital, Article 5, Law 18,840	500,000.0
Initial paid-in capital to be contributed	97,465.0

6. LOANS TO BE COLLECTED FROM THE CORPORACION DE FOMENTO DE LA PRODUCCION (CORFO) IN ACCORDANCE WITH LAWS 18,401 AND 18,577

Pursuant to Law 18,401, published in the official gazette on January 26, 1985, as amended, the Banco Central de Chile sold financial institution loans to the Corporación de Fomento de la Producción (CORFO) to finance the acquisition, by third parties, of shares of such financial institutions.

CORFO pays its debt by transferring the amounts it collects from the shareholders, net of the discounts granted for timely payment. In accordance with Article 13 of law 18,401, the differences not recovered, due to the discounts granted, up to UF15 million will be covered by the Treasury (Note 10) by future transferences. On the basis of information currently available, this amount is considered sufficient.

On the other hand, the purchase of shares of Banco BHIF by its preferential shareholders was financed pursuant to Law 18,577 of November 29, 1986.

As of December 31, 1994, the balance receivable from CORFO amounts to Ch$ 84,025.0 million (equivalent to UF7.3 million) and the balance recoverable by Treasury transferences amounts to Ch$ 113,452.7 million (equivalent to UF9.8 million).

7. PREFERENTIAL US DOLLARS

The Banco Central de Chile, by Executive Committee Resolutions 1,466 of September 3, 1982, 1,484 of December 15, 1982, 1,556 of February 22, 1984 and 1,657 of June 27, 1985, provided that certain obligations contracted in foreign currencies or agreed to be restated based on foreign currency before August 6, 1982 could obtain a preferential exchange rate, with the Banco Central bearing the difference between such exchange rate and the rate prevailing at the date of repayment.

As of December 31, 1994, the estimated exchange differential which has not yet been requested amounts to Ch$ 2,909.5 million, and has been fully accrued.

8. SUBORDINATE OBLIGATIONS OF FINANCIAL INSTITUTIONS (LAW 18,401)

In conformity with Article 15 of Law 18,401, incorporated by Article 3, letter d) of Law 18,818, and Executive Committee Resolution 1,953 of August 16, 1989, the Banco Central established that those banks and financial institutions, which had sold their loan portfolios in accordance with Resolutions 1,450 and 1,555, as amended, and still had agreements pending to repurchase those portfolios from the Banco Central, could opt to novate all the obligations resulting from such loan portfolio sales and purchase agreements, for a subordinate obligation as stipulated in a novation agreement.

The amount of the subordinate obligation was equivalent to the outstanding balance of the repurchase obligation included in the novation agreement, resulting from the amount paid in cash for the loan portfolio by the Banco Central, the amount paid with one or more notes which did not earn a cumulative increase, and, finally, by the cumulative increase accrued at the novation date.

The term of the subordinate obligation of the financial institution debtors is indefinite until complete payment. The subordinate obligation will be cumulatively increased by 5% per annum, on the outstanding balances of the repurchase obligation included in the novation agreement that resulted from the part of the portfolio sales price paid in cash by the Banco Central plus the cumulative increase accrued at the novation date.

The financial institutions must allocate to the payment of the subordinate obligation, the annual surplus defined by the Superintendency of Banks and Financial Institutions and also may, at any time, pay the subordinate obligation they assumed with resources expressly authorized by the Superintendency. Consequently, the recovery of this obligation is subject to the generation of surplus by the financial institutions.

At December 31, 1994, the subordinate obligation amounts to Ch$ 1,818,647.2 million and is included in Subordinate Obligations of Financial Institutions (Law 18,401) under the caption Domestic Assets of the balance sheet. As of that date, the Banco Central has set up reserves amounting to Ch$ 58,634.0 million for this item.

Part of the subordinate obligation was constituted by notes issued by the Banco Central. The balance of these notes, amounting to Ch$ 118,635.2 million, is included in liabilities under Promissory Notes Issued for Purchase of Portfolio under the heading Instruments Issued by the Banco Central. Such notes will be settled as the financial institutions pay their subordinate obligations.

Currently, a bill including modifications to the terms for the repayment of these obligations is being studied by Congress.

9. INTEREST RATE RISK HEDGING

The Committee on Liability Policies in session Nº 20 held on January 6, 1994 authorized management of the International Division to hedge interest rate risk on liabilities.

During 1994, forward rate agreements (FRA) were used to hedge risk, maintaining three contracts in force at December 31, 1994, for US$ 615.4 million.

Income earned from these contracts is credited to income as the interest corresponding to the hedged liabilities is accrued. Any losses resulting from the contracts are recorded immediately. In addition, losses derived from the valuation of the contracts are charged to income.

At December 31, 1994, these transactions resulted in a net gain of US$ 4.3 million.

10. TREASURY TRANSFERENCES (LAWS 18,267, 18,401 AND 18,768)

The following amounts are included as domestic loans under Treasury Transferences (Laws 18,267, 18,401 and 18,768):

	(In millions of Chilean pesos)
Treasury promissory notes (Law 18,267)	497,321.6
Treasury transferences (Law 18,401)	113,452.7
Treasury promissory notes (Law 18,768)	2,825,802.0
Total	3,436,576.3

a) TREASURY PROMISSORY NOTES (LAW 18,267)

In accordance with Article 39 of Law 18,267 dated December 2, 1983, as complemented by Decree 927 of the Ministry of Finance dated December 12, 1983, the Treasury transferred Ch$ 100,000 million to the Banco Central de Chile by issuing 40 Treasury promissory notes with a 25-year term, stated in indexed units (UF), with an annual capitalizable interest rate of 1%, with semiannual amortizations, and a five-year grace period.

b) TREASURY TRANSFERENCES (LAW 18,401)

This item shows the accumulated discounts granted to those shareholders benefited by the mentioned law which are to be applied to the maximum of UF15 million stipulated in Article 13 of the law (Note 6).

In accordance with the law, these Treasury transferences will be completed over a period not exceeding 30 years, with a 10 year grace period, starting from the definite determination of the total amount.

c) TREASURY PROMISSORY NOTES (LAW 18,768)

This item corresponds to promissory notes denominated and payable in US dollars which, in accordance with Article 75 of Law 18,768 published in the official gazette on December 29, 1988, as complemented by Ministry of Finance Executive Decrees 1,257 dated December 29, 1988 and 350 dated April 4, 1989, replaced the promissory notes stated in indexed units (UF) and issued to the order of the Banco Central de Chile, under Ministry of Finance Decrees 1,067 of 1984, 1,197 of 1985, 938 of 1986 and 1,108 of 1987, in accordance with the sole Article of Law 18,358, as amended. These promissory notes accrue an annual interest of LIBOR plus 0.5, of which 2% is payable semiannually and the balance is capitalizable. These notes maintain the same issuing and maturity date as the substituted instruments: the first of 40 semiannual installments matures on June 15, 1995 and the last installment on December 15, 2014.

Up to December 31, 1993, the Treasury made several prepayments of principal and interest. During 1994, advance payments of capital for US$ 51.4 million and of interest for US$ 78.0 million have been received. Unearned interest amounting to US$ 77.8 million is included in Other under Other Liabilities.

11. CAJA CENTRAL DE AHORROS Y PRESTAMOS AND ASOCIACION NACIONAL DE AHORRO Y PRESTAMO

Pursuant to Law 18,900 of January 16, 1990, the legal existence of the Caja Central de Ahorros y Préstamos and the authorization for the existence of the Asociación Nacional de Ahorro y Préstamo were terminated. The law established the liquidation of their respective net assets. The liquidation was effected as of April 30, 1990 and is awaiting final approval.

In accordance with Article 5 of this law, the liabilities of the Caja Central and the Asociación Nacional which are not covered by the proceeds of their liquidations will be met by charging the national budget, in accordance with Article 21 of Decree Law 1,263 of 1975. At December 31, 1994, the amount owed to the Banco Central for the liquidation of these entities, including accrued interest, amounted to Ch$ 185,948.5 million, as indicated in Note 2.

12. CLASSIFICATION OF THE INSTRUMENTS ISSUED BY THE BANCO CENTRAL DE CHILE AT DECEMBER 31, 1994 BY THE PERIOD REMAINING TO MATURITY

The instruments issued by the Banco Central de Chile, detailed below according to the time period remaining to maturity, are as follows:

Type of instrument	(In millions of Chilean pesos)					
	Up to 90 days	91 - 180 days	181 - 365 days	1 - 5 years	Over 5 years	Total
Discountable promissory notes of the Banco Central (PDBC)	64,170.0	0.0	0.0	0.0	0.0	64,170.0
Indexed promissory notes to be paid in coupons (PRC)	163,479.1	108,206.4	205,358.2	814,018.2	2,813,822.1	4,102,884.0
Indexed promissory notes with floating interest rate (PTF)	7,963.9	1,409.6	6,816.1	27,264.4	67,930.4	111,384.4
Promissory notes issued for exchange rate differential	40,882.7	48,309.1	78,006.0	51,842.7	60.4	219,100.9
Promissory notes for purchase of portfolio (Resolution 1555)	10,345.9	10,254.4	21,035.7	20,452.4	0.0	62,088.4
Promissory notes issued for purchase of portfolio	0.0	0.0	0.0	0.0	118,635.2	118,635.2
Instruments issued on rescheduling of foreign debt (Chapter XIX of the Compendium of Rules on International Exchange)	1,188.2	997.9	0.0	4,196.2	285,660.1	292,042.4
Promissory notes for purchase of mortgage notes	7,666.0	7,166.8	14,303.4	9,811.6	0.0	38,947.8
Indexed promissory notes of the Banco Central (PRBC)	1,621,909.7	0.0	0.0	0.0	0.0	1,621,909.7
Commercial notes from redenomination of external debt	13,101.8	12,193.2	37,057.3	170,293.0	166,585.2	399,230.5
Promissory notes stated in indexed units UF (Resolution 1836)	10,174.6	0.0	0.0	0.0	334,714.4	344,889.0
Indexed savings certificates	5.1	0.0	0.0	0.0	0.0	5.1
Certificates of deposit expressed in US dollars (Resolution 1649)	137.8	425.4	425.4	850.8	3,828.6	5,668.0
Total instruments issued	1,941,024.8	188,962.8	361,002.1	1,098,729.3	3,791,236.4	7,380,955.4

These amounts include interest and indexation accrued at December 31, 1994.

13. BALANCES IN FOREIGN CURRENCIES AND GOLD

Assets and liabilities denominated in foreign currencies included in the balance sheet are as follows:

	(In millions of US$)
ASSETS	
OVERSEAS ASSETS	14,900.2
Reserve assets	14,239.1
Other overseas assets	661.1
DOMESTIC ASSETS	6,857.5
Domestic loans	6,857.5
OTHER ASSETS	6.7
Total assets	21,764.4
LIABILITIES	
OVERSEAS LIABILITIES	2,919.4
Reserve liabilities	282.8
Other overseas liabilities	2,459.1
Allocation of special drawing rights	177.5
DOMESTIC LIABILITIES	4,779.5
Deposits and obligations	4,779.5
OTHER LIABILITIES	103.1
Total liabilities	7,802.0
NET ASSETS	13,962.4

14. CONTINGENCIES AND COMMITMENTS

a) MEMORANDUM ACCOUNTS

The following balances are outstanding at December 31, 1994:

	(In millions of Chilean pesos)
Treasury transactions	0.1
Exchange and overseas loan transactions	900,951.9
Securities held in custody and in guarantee	8,654,250.8
Total	9,555,202.8

b) CONTINGENCIES

The Banco Central de Chile is involved in some pending lawsuits, the final outcomes of which are not expected to have a material effect on the financial statements as of December 31, 1994.

15. INCOME TAXES

Pursuant to Decree Law 3,345 of April 24, 1980, the Banco Central de Chile is exempt from income taxes.

16. DEFICIT FOR THE YEAR

Pursuant to Article 77 of Law 18,840 (Banco Central de Chile Constitutional Organic Law), the deficit incurred in any year will be absorbed by charging reserves. As there are no reserves and lacking an express rule, the Board, in accordance with Article 2 and the faculties conferred by Article 75 of the mentioned law, has determined that the deficit incurred in any year will be absorbed by first charging reserves and any remaining deficit not covered by reserves will be charged to paid-in capital. This policy be applicable in respect of the deficit for 1994.

17. SUBSEQUENT EVENTS

Between the balance sheet date and the date these financial statements are issued, no events have occurred that would significantly affect the financial statements.

CAMILO CARRASCO ALFONSO
General Manager

FRANCISCO GARCIA LETELIER
Accounting and Administration Manager

SUSANA LEON MILLAN
General Auditor

INDEPENDENT AUDITORS' REPORT

DELOITTE & TOUCHE

To the Chairman and Members of the Board Banco Central de Chile:

We have audited the balance sheet of the Banco Central de Chile as of December 31, 1994 and the related statement of income for the year then ended. These financial statements (including the related notes) are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Bank's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Banco Central de Chile prepares its financial statements in accordance with the accounting policies issued by the Board, upon prior approval of the Superintendencia de Bancos e Instituciones Financieras (Law 18,840). These policies are in conformity with accounting principles generally accepted in Chile, except for the exchange rate used in converting foreign currency assets and liabilities (Notes 1a and b).

In our opinion, the mentioned financial statements present fairly, in all material respects, the financial position of the Banco Central de Chile at December 31, 1994 and the results of its operations for the year then ended in conformity with the accounting policies described in Note 1.

The balance at December 31, 1994 of the subordinate obligations of financial institutions derived from the novation of the purchase and sale of loan portfolios (Note 8) amounts to Ch$ 1,760,013.2 million. The recoverability of this amount is uncertain as it depends exclusively on future surpluses generated by the debtor institutions. A bill is currently under debate in the National Congress which includes modifications to the present repayment terms of such obligations.

Patricio González Greco

January 10, 1995.

BANCO CENTRAL DE CHILE

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