BANCO CENTRAL DE CHILE

68th ANNUAL REPORT
1993

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As of December 31, 1993

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BANCO CENTRAL DE CHILE

Santiago, April 25th of 1994

Mr.
Eduardo Aninat
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 1993.

ROBERTO ZAHLER
President

I. REPORT

EVOLUTION OF CHILE'S ECONOMY DURING 1993

A. OVERVIEW

The Chilean economy continued to develop strongly during 1993 and very favourable macroeconomic results were achieved. Sustained expansion of productive activity and employment caused the unemployment rate to fall to the lowest level in 20 years. There was also a healthy growth in volume of non-traditional exports. In fact, despite an adverse world situation throughout the year, the macroeconomic results for 1993 showed GDP growth of 6%, a drop in unemployment to a mean annual rate of 4.6% and non-traditional export growth of almost 12%. Some progress has again been made towards curbing inflation and consumer-price inflation rose 12.2% in 1993, only marginally higher than the inflationary target set by the Banco Central.

Output growth was again led by investment and non-traditional exports. However, in 1993, unlike 1992, consumption outpaced national income and output. Gross fixed-capital formation grew by 15.7%, which brought it to 27.4% of output. This is over two percentage points above last year's figure and is the highest level reached to date (chart 1).

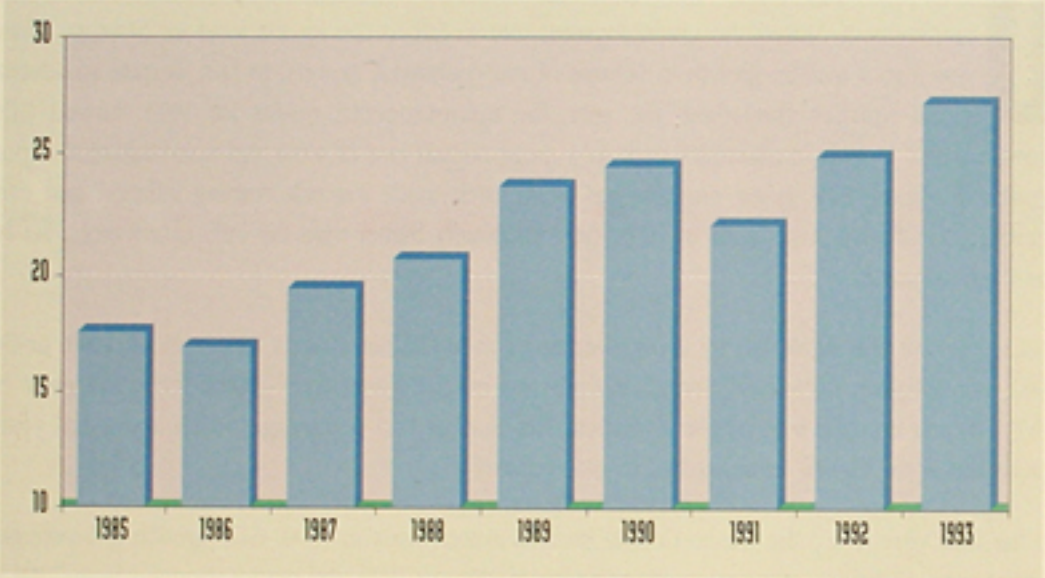
In the four years since the Banco Central became autonomous in 1990, GDP growth has averaged 6.3% a year. However, economic activity began to slow in 1993 and output dropped from 7.8% in the first quarter to 3.7% in the fourth (chart 2). Nevertheless, performance for the year as a whole is satisfactory, following on last year's high expansion rates registered especially in the second half. Growth was mainly affected by controlled domestic spending and by reduced demand from international markets much weakened by recession. Output of tradable goods grew less than 3% in the year, well below non-tradable goods even though they also declined steadily throughout the year.

Employment, being closely linked to economic activity and investment growth, also expanded by over 5% in the year, 250,000 more workers joining the workforce. At the same time, national unemployment was down to 4.6% on average, less than the already low rate registered in 1992.

Labour-supply elasticity to salaries and employment conditions contributed to the fact that expenditure growth and increased demand for workers was not translated into significant cost pressures from the labour market. Labour costs in nominal terms, in fact, maintained the same margin over past inflation. However, this result is not wholly satisfactory because, when inflation is falling, the margin of earnings growth over past inflation should decline. Furthermore, public-sector settle-

Chart 1

GROSS FIXED - CAPITAL FORMATION AS PERCENTAGE OF GDP
(Percentage)

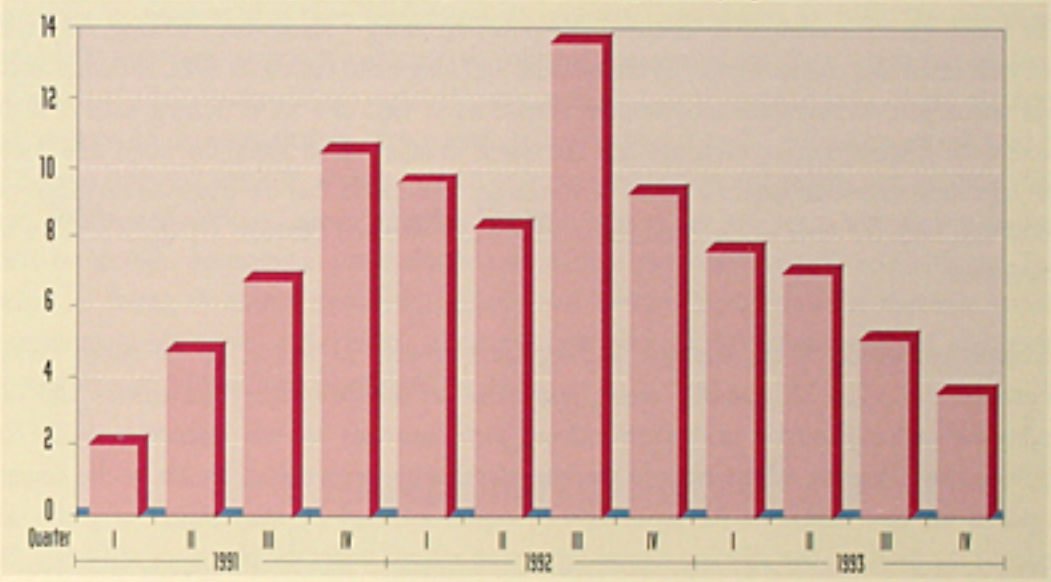


ments, which are determined by other factors than those of the private sector, reached a fairly high level by the end of 1993. Although this has no direct impact on production costs, it could indirectly affect them by acting as a yardstick for future private-sector settlements.

Lower international prices for some imported goods contributed to meeting the inflation objective for 1993. This was particularly true in the case of fuel prices which allowed tradable-goods inflation to drop to one-digit annual rates. On the other hand, non-tradable-goods inflation appeared reluctant to fall probably because of heightened aggregate demand registered in 1992 and in the first half of 1993. Monetary policy aimed to continue slowing aggregate demand to keep it in line with domestic production and moderate use of external financing. However, given that accumulated expenditure was very high, this aim of controlling aggregate demand could only be achieved to a certain extent. Average expenditure growth was considerable and inflationary pressures continued to be exerted on the non-tradable goods sector. Nevertheless, control of aggregate demand did bring about an appreciable deceleration of spending growth which, though it did not

Chart 2

QUARTERLY GDP GROWTH RATE
(Percentage change on same quarter of previous year)



allow inflationary pressures to be entirely eliminated in 1993, should lead to them abating in the future.

As mentioned above, monetary policy in 1993 maintained the objective of channelling and moderating domestic demand so that it continues coherent with the country's productive possibilities and with prudent use of available external financing, thus contributing to a gradual reduction of inflation and to external equilibrium. However, innovations were made in the way monetary policy was implemented. The Banco Central's policy of issuing longer-term securities had caused a certain contraction in liquidity, and more foreign currency was purchased during this period which exacerbated already tight money-market conditions and led to the Bank taking steps to overcome any problems of liquidity that arose during the year. Thus, in August, the Bank offered its promissory notes with a repurchase agreement ("repos"). These repos are offered when the Bank considers that the liquidity situation requires them. This measure avoids momentary problems of liquidity turning more serious and generating unwanted and unwarranted short-term interest rate

rises. Furthermore, in consideration of the domestic-debt maturity profile, the Banco Central decided to discontinue tendering one-year PRBC and 6-year PRC and to reduce the total amount offered.

The Banco Central continued its exchange-rate policy favouring a market-led exchange rate coherent with external-accounts stability in the medium and long term. Hence, in 1993, exchange policy was unchanged, including the modifications introduced in 1982 of a wider floating band of ±10% around the referential dollar exchange rate, the system of intervention within that band, and linking the referential exchange rate to a basket of currencies. This meant that the observed exchange rate could rise from the floor of the band and from March it hovered between 2% and 8% above the lower limit.

Measures introduced by the executive and legislative powers, as well as by the Banco Central, continued the policy of gradually easing restrictions on foreign-currency movements and thus giving the exchange market more depth. Among these measures was the amendment to DL 600, approved by Congress, which reduced the time that foreign capital must remain in the country, removed the time restriction for repatriation of capital acquired by reinvestment of profits and reduced the fixed tax rate affecting foreign investment entered under the provisions of DL 600. The Banco Central extended the modifications made to the time restrictions on foreign-investment capital and profit repatriation to cover capital entered under Chapter XIV of the Compendium of Rules on International Exchange. The Bank also authorised the simplification of indemnity payments for export transactions, lengthened the authorised shipment time of exports financed by advance payment of buyers abroad and introduced changes in the exchange regulations governing transactions with derivatives. In general terms, the measures introduced in 1993 have continued easing cross-border capital movements and simplifying exchange regulations.

Imports continued more bouyant than exports and the trade balance slid from a surplus of almost US$ 750 million in 1992 to a deficit of nearly US$ 980 million in 1993. This result derived from an 8% drop in value of exports and an increase of over 10% in imports, to a great extent due to deteriorated terms of trade. The balance of payments current-account deficit thus increased from 2% of GDP in 1992 to 4.9% in 1993. However, the influx of net financing from abroad produced a capital-account surplus, slightly smaller than in 1992, but amply able to finance the wider current-account deficit. The capital account changed in composition with a significant rise in capital destined to financing investment. Medium- and long-term inflows as a proportion of the total

increased from one third in 1992 to two thirds in 1993, reflecting the trend in foreign financing towards long-term projects.

The constant and coherent monetary, exchange and fiscal policies pursued, together with continuing strong investment, have been fundamental to economic achievement in 1993. The results are particularly significant against the gloomy international background this year which forced down the prices of Chilean exports and induced many markets to increasingly restrict access of goods and services. In the past, periods of economic recession similar to the difficulties experienced in 1993 have cramped domestic activity, caused currency devaluation and heightened inflation. This year, on the contrary, the Chilean economy has been able to ride the storm without any marked effect on growth, maintaining real exchange-rate stability and steady reduction of inflation. This success is thanks to current economic planning that favours higher levels of domestic saving, diversification of exports and markets, adequately high levels of international reserves, and opens the way to international financial markets.

B. ECONOMIC ACTIVITY AND EMPLOYMENT

In 1993, GDP growth reached 6%, continuing the sound expansion of economic activity of recent years reflected in a mean annual GDP growth rate of 6.3% for the period 1990 through 1993 (table 1). The 1993 result was mainly due to increased domestic demand which expanded by 8.6% thanks to vigorous gross fixed-capital formation (GFCF), up 15.7% in the year, and, to a lesser extent, private consumption which registered a 7.7% increase (table 3). The total volume of goods and services exports was only a little greater than last year but non-traditional exports increased considerably by 10.7% in volume, contributing to the GDP result.

Unlike last year, real available gross national income growth in 1993 lagged behind output growth. The 4.9% increase was due to adverse conditions in the international economy particularly the deteriorated terms of trade ratio which was only partially compensated by reduced outflow of interest payments as a result of interest rate cuts abroad.

Although the annual rate of output growth is high, a distinct slowdown was observed from GDP growth of 7.8% in the first quarter of the year to 3.7% in the fourth quarter (table 1). The prevailing international depression severely affected demand for export products, particularly tradable goods which increased less than 3%.

B.1. Output by Sector

In 1993, the most bouyant sectors of output were all essentially non-tradable-goods producers: construction (growth of 14%), trade (8.7%), transport and communications (7.9%) and financial services (7.1%). At the other end of the scale, the sectors of least growth were fishing (1.5%), public administration (1.5%), agriculture, livestock and forestry (1%) and mining (0.6%), three of which are fundamentally tradable-goods producers. Moderate growth rates of between 2.5% and 5.2% were registered by home ownership, personal services, manufacturing industries, and electricity, gas and water (table 2).

Construction-sector output growth was mainly in private residential and non-residential building. Residential building was especially important in the first half of the year as work begun last year was completed and there was considerable construction of residential tower blocks. However, by the second half of the year, much less building was under way and it was mainly low-cost, small-scale housing.

Trade, hotels and catering output growth was mainly thanks to imported-goods trading and, to a lesser extent, domestic sales of national products. Supply of imported goods was some 12% higher, while employment in this area of activity rose by 9%.

Transport and communications growth, as in previous years, was led by communications and air transport which expanded by almost 15%. Despite efforts to improve services, rail transport dropped by 12.7%. Sea transport services were, of course, affected by the drop in exports and managed to grow only 4.4% in the year.

Among output sectors with low growth rates, special mention should be made of the manufacturing industries. There is a marked difference between the performance of those sectors producing for export or competing directly with imported goods and those sectors that supply domestic demand without facing important foreign competition. Among exports products, output dropped for fishmeal (–6.3%), timber and wood products (–13.9%), and methanol (–3.9%) while products that compete against imported goods also showed disappointing results: textiles (–3.7%), clothing (–10.8%) and footwear (–4.3%). On the other hand, producers supplying the home market showed good output growth: durable consumer goods (16.1%) and intermediate goods for construction, including non-metallic mineral products (16.3%), glass products (6.8%), china, porcelain and earthenware (6.4%) and basic iron and steel products (7.3%).

Agriculture, livestock and forestry output only grew by 1% and this was thanks to the subsectors livestock and forestry because agricultural output fell, particularly of traditional crops. Fruit growing was hard hit by the recessionary conditions of world economy which cut exports of the main fruits, such as table grapes and apples. At the same time, the supply of fruit products in importing countries was plentiful and, in the case of the European Union, only restricted quantities were allowed to enter and extra import duties were charged which made it very difficult for Chilean products to enter these markets.

Mining-sector results were similarly affected by the situation of foreign markets as well as by other transitory problems. Copper-mining output increased slightly, thanks to growth of medium-scale mining (Disputada and Escondida mines), while large-scale mining output fell, in part because of the landslides in May that affected CODELCO's mines at El Teniente and Andina and because of technical problems in the concentrator at Chuquicamata. Iron was hit by low international prices, although part of the production could be directed to the home market. Coal and crude oil continued the downturn observed in recent years.

B.2. Composition of Expenditure

As regards overall expenditure, domestic demand growth was less than in 1992 reaching 8.6%, that is 2.6 percentage points more than GDP growth. However, it should be mentioned that demand slackened through the year and by the fourth quarter expenditure and output growth converged.

As in 1992, GFCF was the fastest growing component of final demand, increasing by 15.7% in real terms which raised it as a proportion of GDP to 27.4%, two points higher than in 1992 (table 3). Investment in machinery and equipment was again outstanding, although in the second half of the year there was a marked decline of imported capital goods and, to a lesser extent, of nationally produced goods too. Construction growth also decelerated abruptly in the fourth quarter mainly because residential construction for upper-income groups that had been bouyant in the first half came practically to a standstill. Investment has been strong in these past four years and has meant that GFCF has averaged 10% a year, stronger than GDP growth, which implies that solid foundations are being laid for sound progress in the future.

Private-consumption expenditure increased by 7.7% in 1993, a more modest rate of growth than in 1992 when it reached 10.1%, but still exceeding the growth of both GDP and national income. This

can be explained by the steady rise in employment levels and real earnings as well as by the increased transfer of fiscal funds to poorer sectors of the population. Government consumption was 5% higher, a determinant factor of which was increased spending on public health. Total consumption growth was 7.4% in 1993 (table 3).

Slow domestic demand was reflected in falling import figures through the year from a twelve-month growth rate of over 20% in the first quarter to around 10% in the fourth. Consumer-goods imports dropped considerably in the year from growth rates of around 25% in the first quarter to an average for the year of nearly 9%. Capital-goods imports showed the same downslide from over 40% growth rates at the beginning of the year to an annual growth rate of some 16%.

Goods and services exports were notably weak compared to recent years' figures. The 4.4% increase in the year reflects the adverse situation of markets abroad where prices were depressed and in some cases access was restricted. Goods exports were even harder hit than services. Although copper exports increased slightly, other main exports, particularly mining products, registered negative growth. Not so the non-traditional exports that continued with healthy growth rates.

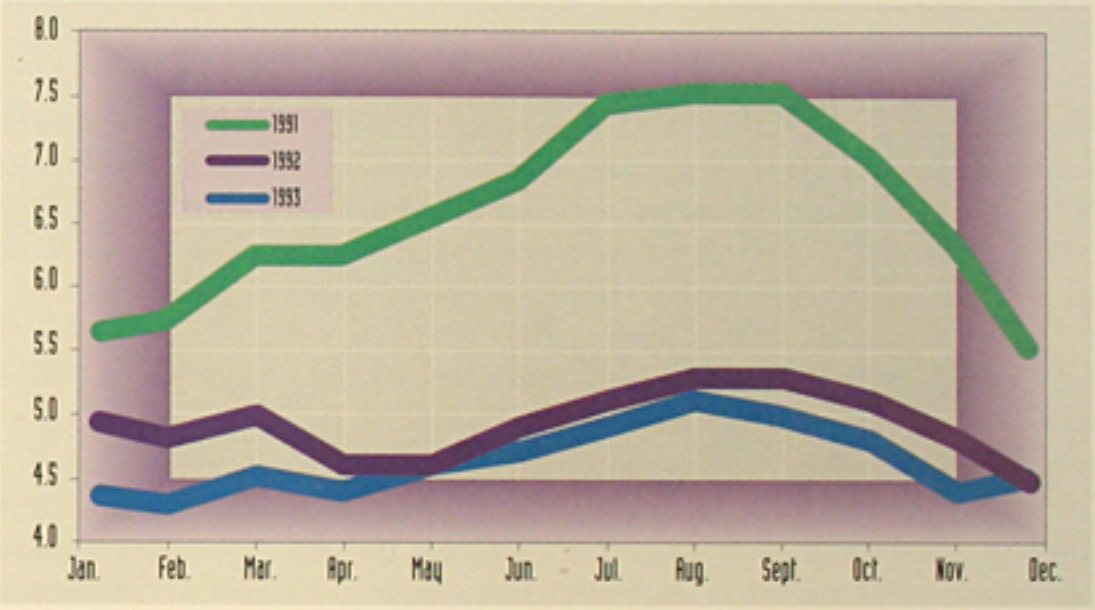
Consumption growth in nominal terms exceeded Gross Domestic Income and thus negatively affected the national saving rate which dropped from 22.1% of GDP in 1992 to 21.3% of GDP in 1993. Since the investment rate was higher than last year, greater external saving was required to finance it and this increased as a proportion of GDP from 2% to 4.9% (table 4). The saving rate measured at constant prices went down as a proportion of GDP from 22.5% in 1992 to 20.4% in 1993 which was also reflected in the higher external saving rate as a proportion of output in real terms.

B.3. Employment

Productive activity has been vigorous and investment has been steadily increasing for some time now and this is readily apparent in employment growth which in 1993 reached a mean annual rate of 5.5%. 254,000 new jobs were created and the average rate of national unemployment was down to 4.6%. This is 0.3 percentage points lower than in 1992 and is one of the lowest levels of unemployment achieved since the early 1970s (table 5 and chart 3).

Chart 3

NATIONAL UNEMPLOYMENT RATE
(Moving quarter averages)



Unemployment was reduced despite an important increase in the workforce which has grown by 5.2% in 1993 and an appreciably high proportion of the 250,000 people who came into the job market were women.

C. INFLATION AND WAGES

In 1993, inflation did not continue the downward progress of recent years but tended to steady at slightly over 12% a year. Consumer-price inflation has fallen relatively little in the past year from 12.7% at the end of 1992 to 12.2% at the end of 1993 which means that it meets the objective of gradual, constant reduction of inflation leading in the medium term to a one-digit annual inflation rate. The drop in inflation in 1993 is slight in both absolute terms and in comparison with previous years but it was expected to be so when the annual inflation target for this year was set in the 10% to 12% range and this was set in view of the generalised indexation that limits progress towards the medium-term aim of one-digit inflation. However, the slow progress of inflation reduction is also

related to the considerable expansion of domestic spending which generated some pressure on non-tradable-goods inflation. This pressure was countered by the marked drop in tradable-goods inflation caused by low international prices of imported goods. Wholesale prices followed the tendency of tradable-goods prices and their index rose by 6.7% in 1993 as against 8.9% in 1992 (table 6 and chart 4).

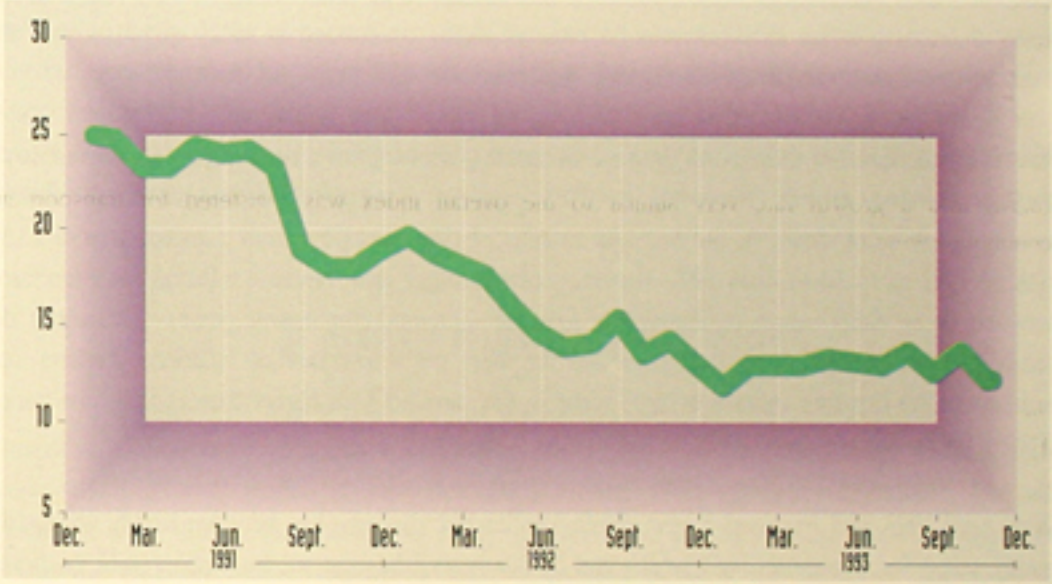
Among the components of the consumer-price index the range of price changes in twelve months is wide. The smallest increases, fundamentally of tradable goods, were in clothing (4.8%) and food (8.5%) and a growth rate very similar to the overall index was registered for transport and communications (12.7%). The highest rates of inflation were in service sectors and non-tradable goods, such as housing (14.7%) and other products and services (19.6%), (table 7).

Reduction of inflation has been sustained in the last few years mainly because coherent macroeconomic policies have been applied following the rigorous tightening of monetary policy in 1990. Constant application of correct monetary and fiscal policies made it possible to restrain the upward pressure on inflation prevalent towards the end of the 1980s and later transform it into a downward pressure, as has been observed in recent years. The impact of these policies became fully evident in 1991 when prices and earnings inflation began to fall. From then on, the Banco Central has been concerned that expenditure should grow at rates compatible with domestic and external stability. For this reason the Banco Central raised interest rates on its 90-day PRBC in the second half of 1992 in order to slow the expansion of spending and product to levels more sustainable in the long term, but without creating the conditions that would make inflation rise again or damage the balance of payments current account. It should be noted that these efforts steadily slowed expenditure growth during 1993, but even so the high level of expenditure growth in 1992 and the effect of other expansionary factors were determinant in its average increase in 1993 outpacing potential product growth and thus contributing to the inertia of inflation. Notwithstanding, the slower pace of spending achieved towards the end of 1993 should keep the economy on the path of reducing inflation consistent with maintaining external stability. To consolidate this result, prudent monetary policy and the cooperation of fiscal policy will be essential in keeping a tight rein on aggregate expenditure growth.

Plentiful labour supply prevented increased domestic expenditure and labour demand from resulting in additional cost pressures on the labour market which would push up inflation. The increase in labour supply and confidence in inflation remaining fairly steady have contributed to earnings

Chart 4

CONSUMER - PRICE INDEX
(Percentage change in twelve months)



stability. Collectively negotiated settlements during the first three quarters of 1993 were on average 2.7% over past inflation with a marked decrease in this margin in the third quarter (table 8). The level of earnings increase coincides exactly with the average achieved in 1992, indicating that nominal labour costs have apparently maintained the same margin over past inflation.

To keep inflation on a downward path, initial settlements, if the margin over past rates of inflation is to be maintained, must be smaller than the expected average productivity growth so that unit labour costs increase less than past inflation. This is, of course, fully compatible with an increase of real average earnings and is, besides, the surest way to see that earnings do not deteriorate in the future as a result of inflation. In 1992, the rate of productivity growth was 2.6% higher than the rate of settlements growth, but this was not the case in 1993 when productivity increased very little. The Banco Central insists on the importance of maintaining both public and private spending levels within a range that avoids generating earnings cost pressures that threaten the process of steady reduction of inflation.

Memories of past high inflation rates have marked the institutionality and practices of the Chilean economy and led to generalised indexation as a way of ensuring against sudden bouts of inflation. This is evident in the system of earnings indexation based on past inflation which restricts the speed at which inflation can be reduced since any attempt to go faster would be very costly. In this sense, decreasing target inflation must be more explicitly considered in salary negotiations if the target of one-digit domestic inflation is to be reached.

The falling tendency of inflation in the past 24 months, allowing for a certain lag, has slowed down nominal earnings growth. According to INE's previous earnings index, twelve-month nominal earnings grew more slowly in the first four months of 1993, dropping from a growth rate of 22.6% in April 1992 to 15.2% in April 1993. However, real earnings grew because inflation fell even faster between these dates, again demonstrating that the increased purchasing power of earnings depends less on nominal wage increases and far more on a low rate of inflation. Workers' real earnings in the first four months of 1993 were, in fact, around 3.5% higher than in the same period of 1992 (table 9A).

Since April 1993, INE has used a new earnings index that distinguishes between hourly wages (the hourly wage for a normal day's work) and labour costs (the cost to the employer of an hour's work). According to this new index, between April and December 1993, hourly wages increased in nominal terms by 16.5% while the cost of an hour's work rose 12.4% –in real terms 6.5% and 6.4% respectively (tables 9B and 9C). The rise in earnings in the last few months of 1993 was considerably influenced by public-sector workers' annual earnings adjustment which was made in December and which amounted to an overall 15% rise. Although public-sector salaries do not directly affect production costs in the economy, they could indirectly do so by creating expectations of higher salary rises in the private sector, apart from the increase in public spending due to the rises themselves.

The progress made in 1993 towards consolidating the downward path of inflation is all the more commendable considering that this year the favourable conditions of 1991 and 1992 had passed. In 1993, productive capacity was amply occupied and with the terms of trade deterioration and strong growth of imports in recent years the external sector has also tended to lose the favourable conditions it had enjoyed. Raising interest rates at the end of 1992 to limit spending growth can be seen as a timely move by the Banco Central to safeguard the progress that had already been made in reducing inflation.

It must be emphasised that the problem of inflation is not yet solved. Despite all efforts to restrain aggregate spending growth, there were strong inflationary pressures on non-tradable goods sectors as a result of excessive domestic demand. Consequently, policies that ensure a modest expansion of both public and private spending are essential. Management and workers must also work together to keep down cost pressures from the labour market. Work contracts must gradually substitute past inflation for target inflation as a basis for indexation if prices are to come down faster. Furthermore, the labour market will have to be even more flexible in shifting workers rapidly from sectors that are fading to more profitable productive sectors in order to achieve an overall expansion in productivity.

D. MONETARY POLICY AND INTEREST RATES

Current monetary policy is based on controlling interest rates on short-term Banco Central instruments which influence market interest rates which, in turn, affect aggregate expenditure. The main reason for using interest rates instead of applying quantitative targets to some monetary aggregates is that the latter alternative requires a stable interaction between the monetary aggregate, the interest rate and aggregate expenditure or activity. Such macroeconomic variables have not been seen empirically to interact with a monetary aggregate, particularly since 1985. That is why, for almost a decade, the Banco Central has preferred to moderate aggregate expenditure growth by using interest rates. However, it should be borne in mind that the instability of said interaction partly derives from nominal interest-rate variability, due to a large extent to index-linking and to the seasonal variations in inflation.

In the context of current monetary policy, financial balances held by the public adjust to what is required by private economic agents to whom liquidity is simply another variable to be considered when taking their portfolio decisions. Market nominal interest rate, affected by the Banco Central's policy, is another determinant factor of demand for monetary balances. The real interest rate on Banco Central indexed promissory notes (90-day PRBC) is fixed at a level compatible with the aggregate expenditure growth appropriate to the macroeconomic aims of price stability and external equilibrium, but without reference to specific targets for monetary aggregate expansion.

0.1. Interest Rate Policy

The real interest rate on 90-day PRBC remains at the fixed level whilst ever the Bank considers that macroeconomic conditions do not call for adjustments to it. On the other hand, the rate on 30-day discountable promissory notes (PDBC) is adjusted weekly and these notes are offered at a nominal interest rate which varies according to expected inflation for that month, its nominal yield being related to the real yield offered for 90-day PRBC. Throughout 1993, the rate on PRBC was unaltered at 6.5% a year in indexed units (UF) (table 10). The last time this rate was raised, by 0.8 percentage points, was on November 2, 1992 and, as expected, it made itself felt through 1993 by way of slower aggregate expenditure growth and economic activity.

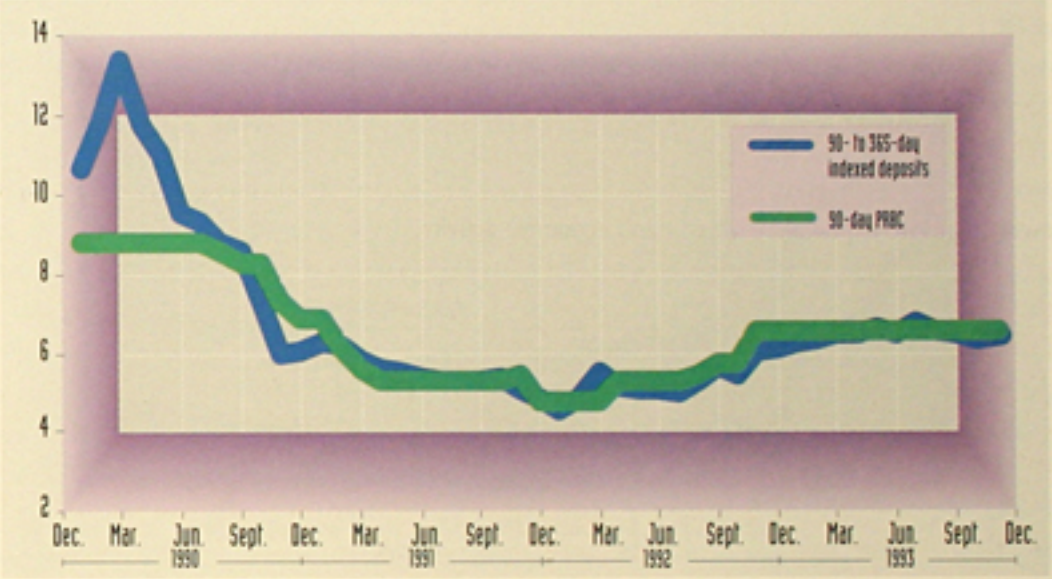
In 1993, interest rates on UF indexed deposits at 90 to 365 days averaged 6.4% a year, reaching their highest level in July (6.7%) when the financial system had some problems with liquidity. Considering market interest rates through the year, the deposit rates clearly come close to the rates on 90-day PRBCs (chart 5). Lending rates for UF indexed 90-day and one-year transactions averaged 9.2% a year, reaching their highest level in July (9.6%). The spread between deposit and lending rates continued to narrow, as in the past four years, and averaged 2.8% (table 11 and chart 6).

The Banco Central also offers periodically medium- and long-term indexed-linked instruments in quotas or fixed amounts of each instrument at rates freely determined by bidding. In 1993, 4-, 8- and 10-year promissory notes with payment in coupons (PRC) were offered all year, while one-year PRBCs were only offered between January and August, 6-year PRCs only until February and 12-, 14-, and 20-year PRCs began to be offered as from February. The Banco Central aims to give the market more say in determining longer-term interest-rate structure and to ease the handling of its liabilities by spreading forward their maturity thus lengthening the Bank's domestic-debt profile (table 10).

Real interest rates on long-term Banco Central papers varied between 6.3% and 7.7% during 1993, with a distinctly falling tendency. The maturity structure of these rates also followed a declining trend, the average annual yield on 4-year PRCs being 7.2% while on 20-year PRCs it was 6.8%. This reveals both strong demand for longer-term papers and also an increasing awareness on the part of economic agents of the trend towards more restricted expenditure. Increased demand for longer-term papers is related to institutional investors in the market (especially pension-fund managing entities and insurance companies). This effect of "demand" underscores the importance of placing

Chart 5

MEAN INTEREST RATES: MARKET AND BANCO CENTRAL
(Percentages)



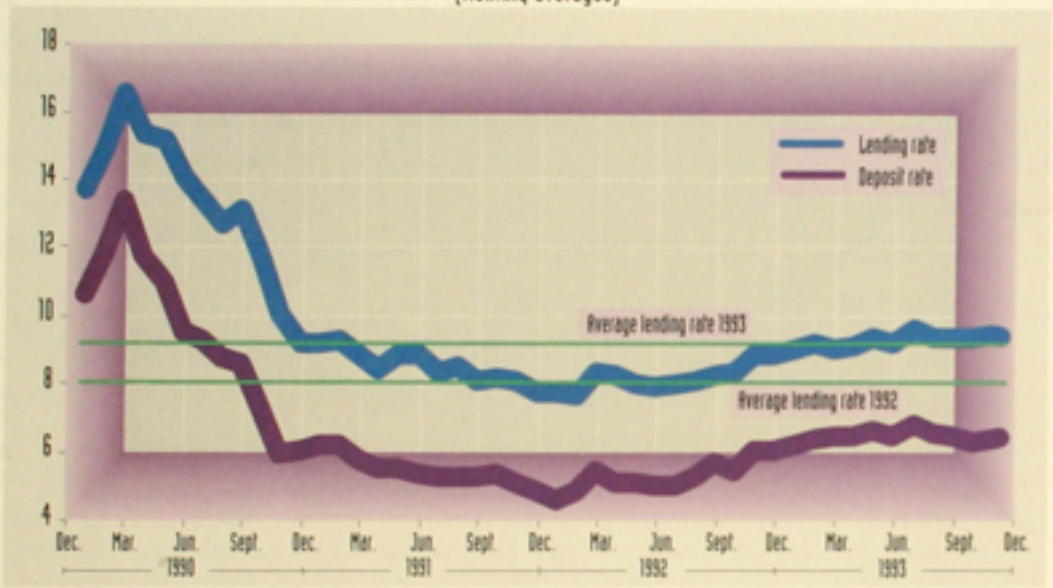
long-term papers as a means of deepening the financial market. This was recognised by the Banco Central so that it included 12-, 14- and 20-year PRCs in the periodic bidding.

Monetary policy has contributed decisively to controlling overall expenditure, seeking in this way to achieve price stability. However, it is important to bear in mind that an anti-inflation policy cannot depend solely on monetary policy. In the first place, because aggregate expenditure growth also responds to impulses generated by fiscal policy and, secondly, the generalised system of index linking, which is based on past inflation, dulls economic agents with respect to target inflation and exerts an inevitable upward pressure on prices, making it very difficult to implement a more aggressive policy to bring inflation down. For anti-inflation policy to be more credible, past inflation must be replaced by falling target inflation as the index for prices and earnings growth.

As already mentioned in the previous section on inflation, the Chilean economy is still haunted by ghosts from the past against which an overall indexation appeared to be a safeguard that would prevent inflation from soaring again. But this safeguard has become a straight jacket very costly to

Chart 6

INDEXED INTEREST RATES ON 90- TO 365 - DAY TRANSACTIONS
(Monthly averages)



break out of. The only option is to adopt policies that will bring inflation gradually but steadily down to rates similar to those in industrialised countries.

D.2. Evolution of Monetary Aggregates

With the current monetary policy, nominal money supply mainly reflects private-sector demand for money which, in turn, depends on the level of economic activity and expenditure and on the cost of holding money, measured by the nominal short-term interest rate. Increased economic activity or low nominal interest rates make the demand for real financial balances rise, which means that the real amount of money increases mainly because short-term Banco Central promissory notes that reach maturity are not renewed and because foreign currency is exchanged.

At the same time, money supply can fluctuate very quickly because of transitory factors over and above the fundamental variables. Twelve-month variations in corrected M1A are more volatile than can be explained by tendencies in economic activity or in the cost of holding money (table 12 and

chart 7). For example, in the twelve months to March 1993 the nominal variation in money supply was only 6.9%, from which it could be inferred that there had been a profound recession that had brought demand for real money tumbling down and, consequently, low growth rates of this aggregate. No such recession had occurred, the explanation being an extremely high level of money growth reached in March 1992 as a result of negative UF growth at that time. Private depositors had then switched to more liquid money producing a situation outside the normal bounds of monetary behaviour.

During 1993, the nominal twelve-month change in corrected M1A averaged 19.6%, which means real growth of 6.1%. Considering that output growth reached 6% and that the mean nominal interest rate was fairly stable, it can be seen that over the long term this monetary aggregate moves in step with its fundamental variables, even if it can appear to yo-yo in the short term. The components of corrected money did not evolve uniformly in 1993: money in circulation increased on average by 23.2%, whereas demand deposits increased by 17.3% which, since nominal interest rates held steady, can be attributed to changes in preferences for these assets, possibly because of greater demand among lower-income groups for consumer goods.

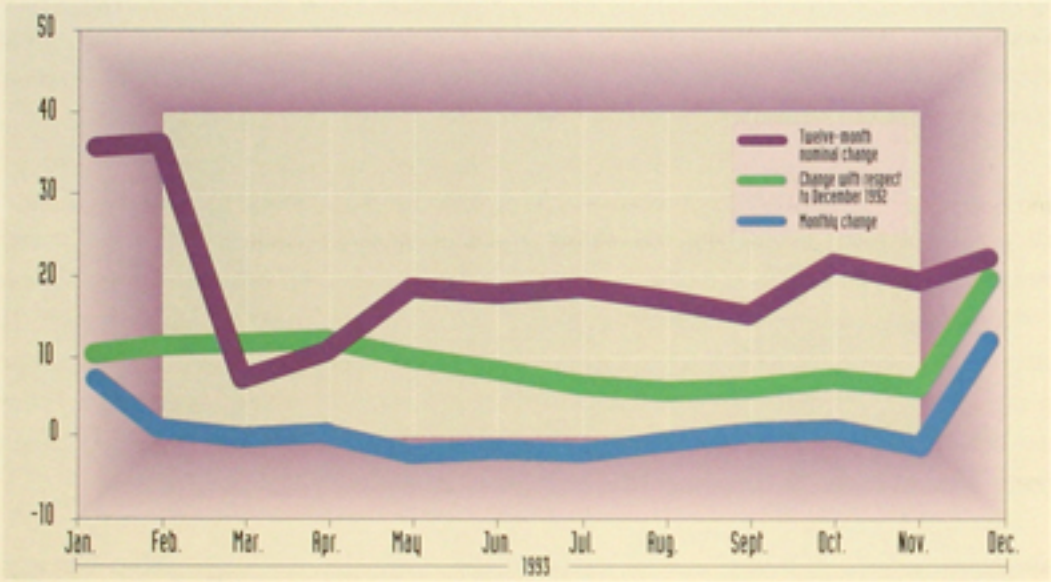
Base-money growth in twelve months reached 17.4%, some five percentage points below the growth of broad money and almost four points less than the expansion of money in circulation (table 13). Base money's modest growth rate resulted from the very moderate increase in reserve deposits, only 10.8%, reflecting the reduced reserve rate that the Banco Central hand announced during the year.

The increase in base money in 1993 was for quite different reasons from the previous year. In 1992, domestic credit had made base money contract and the Banco Central had placed new promissory notes to counterbalance the expansive monetary effect of exchange transactions whereas, in 1993, domestic credit had an expansive effect contributing 127 billion pesos to base-money growth, that is 0.7% of GDP.

At the same time, exchange transactions that had involved considerable amounts in 1992 produced and overall negative result in 1993 to the amount of 50 billion pesos, equivalent to 0.3% of GDP. However, this was entirely due to the Treasury using its surplus to purchase foreign currency in the Banco Central and depositing it there. Without these transactions, exchange operations would have again contributed to increasing base money although to a lesser extent than in 1992.

Chart 7

CORRECTED BROAD PRIVATE MONEY (M1A)
(Percentages)



The changed composition of base money brought an increase in the total stock of Banco Central promissory notes in real terms less than the mean yield on these instruments and also less than output growth. Consequently, the stock of Banco Central domestic debt dropped from 32.4% of GDP at the end of 1992 to 31.8% of GDP at the end of 1993.

Despite domestic credit expansion and base-money growth, the drop in exchange transactions and market expectations of higher real interest rates caused some problems of liquidity within the financial system. For this reason, as from August, the Banco Central offered "repos", that is, its own promissory notes at a fixed rate and with a repurchase agreement. Repos are offered when the Bank considers that the liquidity situation warrants it, fixing the maturity and interest rate of each offer according to the macroeconomic and financial situation of the moment. This measure avoids the problems of liquidity worsening and unnecessarily pushing up short-term interest rates. Furthermore, in consideration of the domestic-debt maturity profile, 6-year PRCs and 1-year PRBCs were withdrawn in February and in August respectively and the total amount of promissory notes offered was reduced. By December 1992, medium- and long-term Banco Central promissory notes to a

value of 12.4 million UF had been tendered, whereas this figure had dropped to 10.5 million UF in December 1993.

Growth of total financial saving (M7) was again considerable in 1993. This broader money aggregate has shown steady growth for several years, outpacing nominal output growth (chart 8). In 1992, when output grew by 10.3%, M7's growth was 14.8% and in 1993, GDP has grown by 6% and M7 by 13%, all in real terms. This is in response to an overall deepening of the financial system as well as to institutional investors' increasing demand for more instruments, especially the pension-fund managing entities (AFP) that now have much greater funds to invest but are very restricted in the amount they can invest in other instruments outside the financial system.

E. EXCHANGE POLICY, BALANCE OF PAYMENTS AND EXTERNAL DEBT

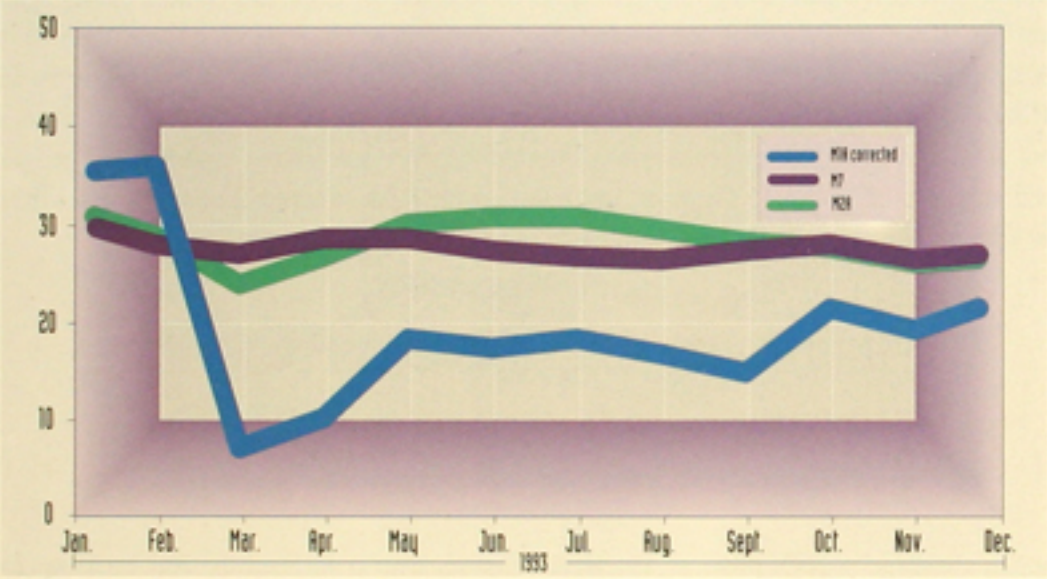
E.1. Exchange Policy

Current exchange policy's principal aim in the medium term is to keep the real exchange rate within a range compatible with the external environment. In other words, the aim is to maintain a current-account deficit that complements domestic saving in financing domestic investment, without excessively increasing foreign debt. In practice, to keep foreign debt to about half the value of output, the current-account deficit has to be around 4% of GDP in the medium term. In any particular year, the deficit may be above or below the desired level, as long as on average it stays around that proportion.

A second aim of exchange policy is to avoid brusque exchange rate variations when the market over-reacts to transitory conditions. To do this, the Banco Central has a "dirty float" option which means that it can buy or sell within the floating exchange band. Monetary authorities do not pursue an invariable exchange rate even though, of course, it must remain fairly constant so as not to harm exports which are vital to the country's growth. The real exchange rate is recognised as being a relative value which in the medium term is strongly affected by factors beyond the Banco Central's sphere of influence. Among these factors are differences between technological change in tradable and non-tradable sectors, input of capital and infrastructure, terms of trade, aggregate demand and supply of foreign funds.

Chart 8

TWELVE - MONTH NOMINAL CHANGES OF MONETARY AGGREGATES
(Percentages)



It is neither possible nor convenient for the Banco Central to systematically resist the tendencies imposed by such factors on the real exchange rate and to attempt to do so by overlooking them, particularly the factor of aggregate demand growth, would certainly lead to failure and to greater upward pressures of inflation, even more so in a situation of almost full employment. A stable real exchange rate must be based on policies that require an effort of domestic saving shared by all sectors of society.

Although exchange rate always reflects market forces, the Banco Central uses the dirty float mechanism to restrain sharp fluctuations in market exchange rate or when the observed exchange rate reaches either the upper of lower limit of the band. By doing so, it steadies the exchange rate and avoids unwarranted shifts that, in fact, reflect market over-reaction. Exchange rate volatility produces uncertainty and lack of confidence which harm investment, international trade and domestic output. Hence the importance of the Banco Central's intervention, but, as exports become more diversified, progress is made towards integration in international financial markets and new

instruments to cover risk are developed the Bank will play much less part in stabilising the exchange rate.

During 1993, the Banco Central maintained the exchange policies of 1992, including the floating exchange band of 10% above or below the referential exchange rate, the dirty float option within the band and linking the peso value to a basket of currencies. Exchange ruling thus establishes a referential exchange rate linked to the international values of US dollars, deutschmarks and yens (with weights of 50%, 30% and 20% respectively) as well as to the daily adjustment made according to the difference between the UF variation and an estimation of international inflation most relevant to Chile.

Since mid-1990 to end-1991, the exchange rate clung to the lower limit of the band, rising for a time during 1992 shortly after the new exchange ruling was introduced but again dropping to the floor of the band towards the end of 1992. In January 1993, the observed exchange rate was only 0.4% above the lower limit but from March it rose widening the gap to between 2% and 8%. This can partly be explained by the low international prices for Chile's main exports, especially copper, fishmeal and pulp (chart 9 and table 14).

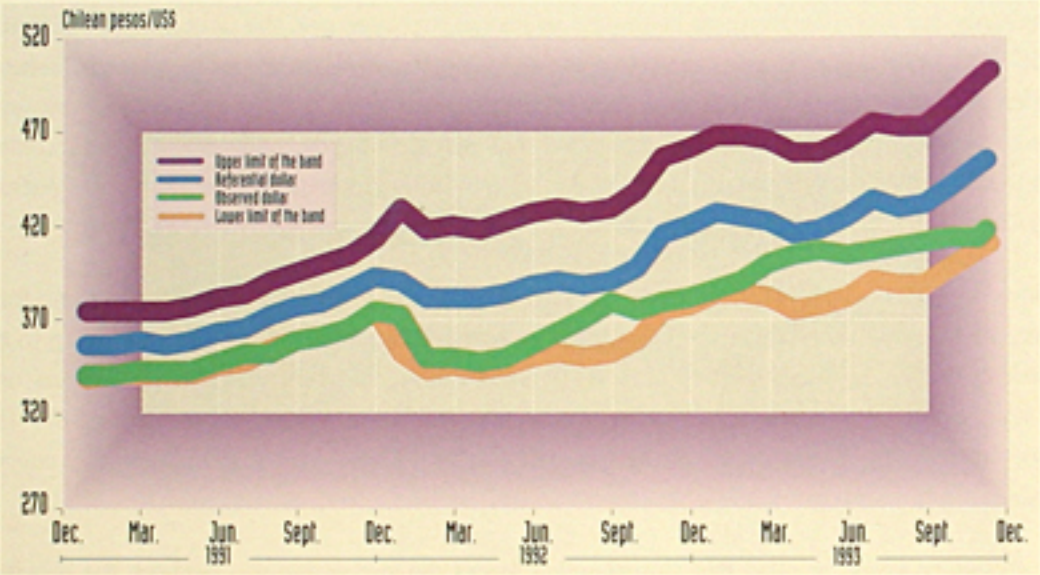
It should be borne in mind that current ruling makes the size of the gap between the observed dollar exchange and the floor of the band depend on both domestic market parity and international market parity variations since the latter, at least of the three currencies in the basket, determine the referential dollar exchange value. Thus in the first months of 1993, despite the high international yen value, the low D-mark value meant that the referential dollar exchange rate was high. However, from April, both the yen and the D-mark appreciated in value making the referential exchange rate fall. This tendency continued till June, then flattened till October and then in November and December it rose sharply as the yen and the D-mark fell against the dollar.

The mean real exchange rate throughout 1993 was 0.8% below the mean value observed in 1992, while in 1991 and 1992 it fell by 5.6% and 8.3% respectively (chart 10 and table 15). It is worth mentioning that, while the mean real exchange rate remained fairly stable throughout 1993, the currencies of other countries in the region, such as Argentina, Colombia and Mexico, continued to appreciate (chart 11).

As regards international financial integration, the authorities have gone ahead with opening up the capital account. In March 1993, the Banco Central simplified the liquidation of returns for insurance

Chart 9

DOLLAR VALUES
(Nominal monthly averages)

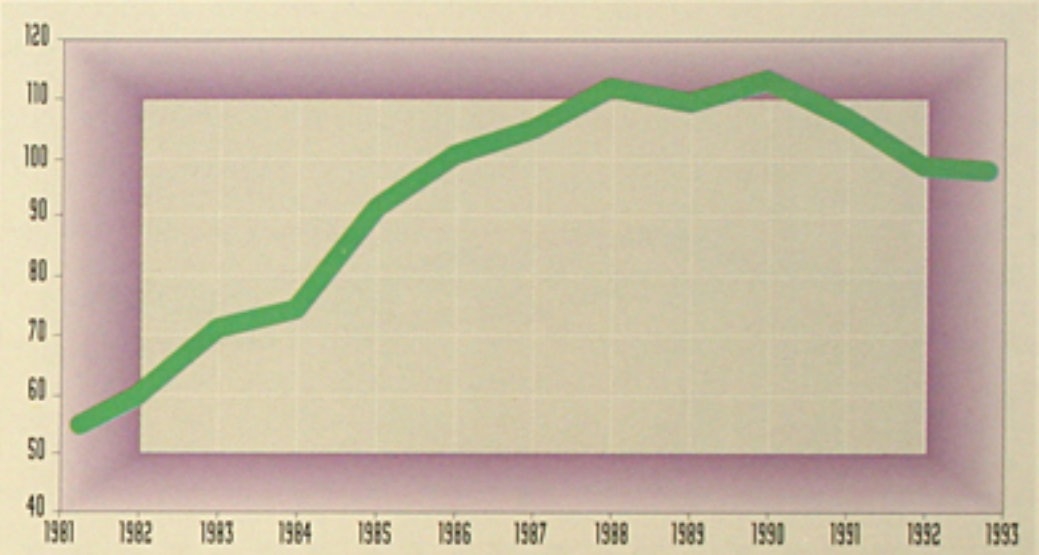


indemnity, commissions and other foreign trade transactions by extending by 90 days the maximum time allowed for foreign currency from these transactions to be liquidated and deposited in banking companies in Chile as time deposits. Modifications were introduced to the exchange regulations governing transactions with derivatives to make them more agile. In August 1993, calculation of the foreign-currency reserve was modified and in October, the maximum time for shipment of exports paid in advance by buyers abroad was extended from 180 to 300 days.

Similarly, amendments to DL 600 were approved in March reducing from 3 years to 1 year the minimum time that foreign capital may be held while the minimum time for repatriation of capital produced by profit reinvestment was revoked. The fixed tax on foreign investment under DL 600 was reduced from 49.5% to 42%. Parallel to these measures, the Banco Central modified the terms affecting capital contributions entered under Chapter XIV of the Compendium of Rules on International Exchange. In general, the measures taken in 1993, together with those of previous years, allow freer movement of capital and a more simple exchange ruling. The difference between the formal and informal exchange markets remained small and constant which points to the degree of exchange freedom enjoyed in this country.

Chart 10

REAL EFFECTIVE EXCHANGE RATE INDEX (*)
(Base: Average 1986 = 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 on 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.

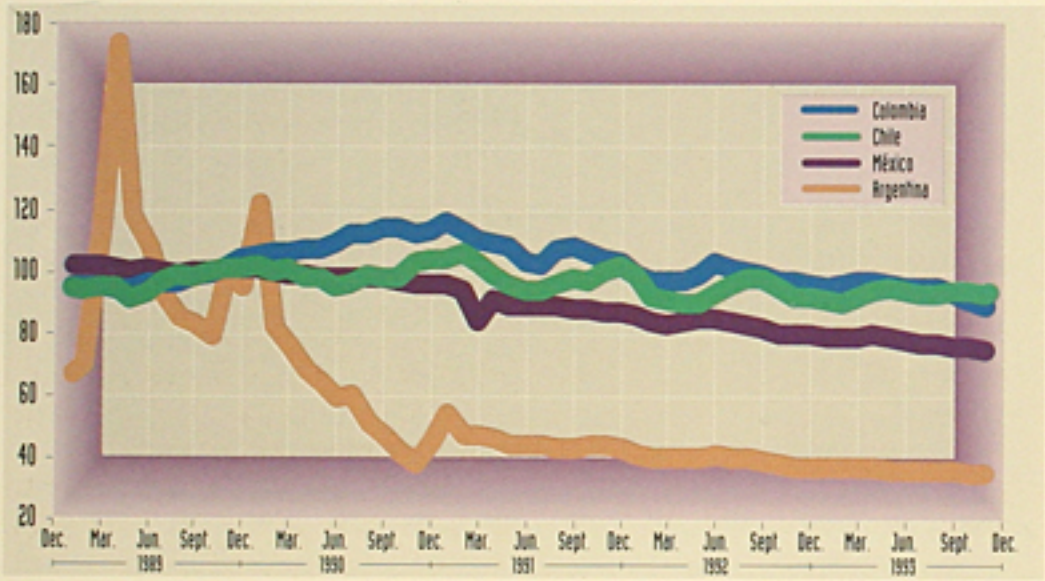
E.2. Balance of Payments

Provisional balance of payments figures for 1993 show that the year closed with a current-account deficit of US$ 2,092 million and a capital-account surplus of US$ 2,763 million which, together with a negative figure for errors and omissions of US$ 94 million, gave an overall surplus of US$ 578 million (table 16).

The current-account deficit increased as a proportion of GDP from 2% in 1992 to 4.9% in 1993. Nevertheless, this was amply covered by the capital-account surplus which was slightly lower than last year but more diversified in composition reflecting how, as the economy grows, it is seeking more adequate sources of financing.

Chart 11

REAL EXCHANGE RATE
(Base: December 1989 = 100)



E. 2.1. Current Account

The wider current-account deficit is mainly due to the trade balance sliding from a surplus of US$ 749 million in 1992 to a deficit of US$ 979 million in 1993. Deteriorated terms of trade were largely to blame: exports dropped in value by 7.9%, while imports increased in value fob by 10.2%. The disappointing export figures can be attributed to low international prices and to negligible growth in value of the main export products. The value of main or traditional export products, including copper, fell by 14.1% but increased in volume by only 0.3%. Non-traditional goods exports grew 6.6% in value while the volume expanded by 11.8% (tables 17 and 18).

Copper was particularly affected by low prices and the value exported was 16.4% down, which could not be compensated by the 2.1% increase in volume exported. Main non-copper exports dropped 11.2% because prices fell by 9.5% and volumes by 1.9%. The reasons for this reduction in volume are that producers were naturally reluctant to export while prices were so low and also some of Chile's main export products faced problems of access to certain markets.

The products hardest hit were fishmeal which dropped US$ 175 million or 32.4%, apples, unbleached pulp, gold, iron and iodine, all lower in both prices and volumes, while bleached pulp increased in volume exported but prices were down. These results were partially offset by increased exports of other main products, among them, logs, sawn wood, planed wood, molybdenum, methanol, grapes and nectarines.

The non-traditional export sector was very bouyant, volumes exported growing strongly by 11.8% even though prices dropped by 4.7%.

Total imports fob increased by 10.2% in 1993. Capital-goods imports led the way, growing by 15.9%, followed at a distance by consumer-goods imports, 8.6%, and intermediate goods, 7.2%.

Most pronounced growth of capital-goods imports was in generators, electrical motors and transformers, computers, loading and unloading equipment, small goods-transport vehicles, buses and fishing boats.

Among consumer goods, car imports were the most outstanding, amounting to US$ 445 million, although this is 6.8% lower than in 1992. There was also strong growth in imports of clothing and footwear and, to a lesser extent, electrical home appliances and telephones.

Intermediate-goods growth was slow because of the 3.2% drop in value of petroleum imports as prices were 12.6% lower, although the number of barrels imported was 10.8% higher. Excluding petroleum, intermediate-goods imports increased by 9.1%.

The net services and transfers balance closed with a deficit of US$ 1,113 million, an improvement of US$ 380 million on 1992. Financial services performed well, reducing net outflow by US$ 357 million compared to last year as a result of less interest paid (US$ 202 million), more interest received on international reserves (US$ 54 million) and reduced foreign-investment profit remittances (US$ 100 million) (table 19).

International interest rates had fallen considerably and this reduced the interest paid on medium- and long-term debt. At the same time, the effect of these lower rates on international reserves was offset by the strong increase in reserves accumulated during 1992 and the first half of 1993.

Net profit remittances were less because of the reduction in remittances from investment entered under the provisions of DL 600. This reduction was partly counterbalanced by increased remit-

tances from Chapter XIX investment, which has grown in recent years, as the time allowed for them to remain in Chile has expired and easier facilities have been granted for their repatriation. The reduction in DL 600 investment profit remittances was particularly due to a large mining project having less profit to remit because of low copper prices and because infrastructure work at the mine is to be financed with its own resources. Other DL 600 investment profit remittances also dropped significantly.

The non-financial services balance closed with a small surplus of US$ 5 million, US$ 69 million better than last year. This was thanks to improvements in several areas, particularly travel, which was US$ 100 million up on last year (table 20).

Unilateral transfers are, for the most part, donations, taxes on foreign capital and personal money drafts. They amounted to US$ 385 million in 1993, US$ 46 million less than in 1992, chiefly because the main component of these transfers, tax revenue, decreased since foreign-investment profit remittances were less. The private sector also received US$ 13 million less in transfers.

E.2.2. Capital Account

In 1993, net capital inflow amounted to US$ 2,763 million, a little less than in 1992 but with some important changes in composition. Medium- and long-term capital growth, including foreign investment, was predominant and as a proportion of total inflows changed from one third in 1992 to almost two thirds in 1993. Short-term inflows, though still significant, were less than last year. These figures indicate that external financing is of a more permanent nature and is directed to productive investment projects in Chilean companies. Furthermore, this net capital increase was achieved with sustained growth of Chilean investment abroad (table 16).

Medium- and long-term portfolio investment from abroad, mainly by way of ADRs, totalled US$ 833 million, an increase of 151% in the year. Added to this, gross financing by way of private company bonds brings the total inflow of capital obtained by non-traditional means to US$ 1,157 million. Direct foreign investment is still an important source of external financing and this year achieved growth of 20.3%, almost US$ 850 million (table 21). Direct investment by Chileans abroad by way of Chapter XII of the Compendium of Rules on International Exchange came to US$ 411 million, 16.3% higher than in 1992 (table 22).

Medium- and long-term inflows, excluding foreign investment, that is, corresponding to external credits were 78.4% higher than last year. Those to the public sector were substantially less than last year (US$ 620 million less) while to the private sector they were US$ 848 million more. This was partly the result of net private-sector external credits used towards the financing of foreign investment mining projects and was also through private-company bond issues totalling US$ 324 million. The public sector's net external financing dropped because little use was made of multilateral-organisation credits and because Eurobonds issued by the Treasury in 1991 were prepaid. This prepaid capital totalled US$ 265 million.

A large drop in net short-term capital entering the country was due to less use of credit lines. This kind of capital was US$ 1,725 million less than last year. However, direct commercial credits and other assets were significantly greater in 1993 than in 1992 (US$ 876 million). Chileans reduced their assets abroad in response to demand for domestic borrowing in dollars through the informal market to finance investment abroad, redemption of foreign-debt promissory notes, import transactions and foreign-currency deposits in banks at home.

E.3. External Debt and International Reserves

Chile's external debt at December 31, 1993, amounted to US$ 19,180 million, US$ 938 million more than in the previous December. This increase in external borrowing was produced by net medium- and long-term credits of US$ 866 million, short-term loans of US$ 252 million, parity adjustment worth US$ 49 million and correction of balances that amounted to US$ 69 million, and these were partially offset by debt reductions worth US$ 298 million. Transfer of loans from short to medium term of US$ 240 million altered debt composition (tables 24 and 26).

In 1993, as in the past few years, the public sector tended to reduce its indebtedness, by US$ 557 million, and the private sector to become further indebted, by US$ 1,495 million. Furthermore, there was a shift towards banks and private companies associated with foreign investment as sources of financing.

Medium- and long-term loans accounted almost entirely for the increase in foreign debt during 1993. They grew by US$ 926 million bringing total disbursements, including bonds issued, to US$ 2,285 million, of which 80.3% correspond to loans subscribed by private companies, for the most part (84.6%) to be used in investment projects. These funds were obtained more from

Table 2
SECTORAL GROSS DOMESTIC PRODUCT
(Annual percentage changes) (1)

Sector	1990	1991	1992	1993
Agriculture, livestock and forestry	8.5	2.3	4.0	1.0
Fishing	-5.1	9.5	10.5	1.5
Mining	-1.9	5.3	1.5	0.6
Manufacturing	0.5	5.7	11.0	3.6
Electricity, gas and water	-1.7	24.1	22.6	5.2
Construction	4.5	3.8	12.8	14.0
Trade, hotels and catering	5.1	6.2	14.0	8.7
Transport and communications	6.4	9.6	14.2	7.9
Financial services	3.4	8.4	11.1	7.1
Home ownership	2.6	2.0	1.6	2.5
Personal services (2)	3.0	3.5	3.7	4.0
Public administration	1.4	1.4	3.0	1.5
Subtotal	**2.9**	**6.0**	**9.4**	**5.4**
Less: bank charges	1.8	7.2	10.4	6.1
Plus: net VAT collected	3.3	6.6	10.7	8.1
Plus: import duties	1.7	8.5	26.9	12.6
Total GDP	**3.0**	**6.1**	**10.3**	**6.0**

(1) Calculations based on provisional figures in Chilean pesos of 1986.
(2) Including education and public and private health services.

Source: Banco Central de Chile.

traditional credit markets, that is, credit banks who supplied 58.3% of the total this year. Another important source of funding were affiliate companies of the foreign investors, 21.8% of the total, and direct suppliers.

Medium- and long-term debt amortisations amounted to US$ 1,419 million, of which US$ 800 million were remitted by the public sector and US$ 592 million by private-sector companies. The banking system remitted US$ 27 million. These remittances were paid mainly to international credit banks (48.9%) and to multilateral organisations (25.1%).

Short-term loans only increased by US$ 12 million since, of the US$ 252 million total, US$ 240 million were transferred to medium-term debt.

Net international reserves increased by US$ 750 million in 1993. US$ 578 million were the result of the balance of payments surplus and the rest was produced by stock revaluation which reflected both parity adjustments and capital increases due to falling international long-term interest rates (table 23).

The increase in net international reserves was composed of US$ 507 million more in the Banco Central's reserve assets, of which US$ 472 million were in foreign currency and US$ 38 million were in increased gold stocks, while reserve liabilities, particularly IMF repayments, were reduced by US$ 244 million. Thus, net international reserves at the end of 1993 totalled US$ 9,759 million, equivalent to almost one year of goods imports (table 25).

Table 1

QUARTERLY GROSS DOMESTIC PRODUCT

[Percentage change on same quarter last year] (*)

Period	QUARTER				YEAR
	I	II	III	IV	
1987	10.5	5.7	5.8	4.6	6.6
1988	8.5	3.5	8.6	8.7	7.3
1989	8.9	14.7	9.5	7.7	10.2
1990	7.3	2.4	0.3	1.8	3.0
1991	2.2	4.8	6.9	10.6	6.1
1992	9.7	8.4	13.8	9.4	10.3
1993	7.8	7.2	5.2	3.7	6.0

(*) Calculations based on provisional figures in Chilean pesos of 1986.

Source: Banco Central de Chile.

Table 3
COMPONENTS OF GDP EXPENDITURE

Components	PERCENTAGE CHANGE (*)				PERCENTAGE OF GDP (*)			
	1990	1991	1992	1993	1990	1991	1992	1993
CONSUMPTION	2.2	7.1	9.4	7.4	75.7	76.4	75.8	76.8
Private consumption	2.8	7.5	10.1	7.7	65.8	66.7	66.6	67.7
Government consumption	-1.3	4.1	5.2	5.0	9.9	9.7	9.2	9.2
INVESTMENT	-2.8	-2.0	22.7	12.3	24.8	22.9	25.5	27.1
Gross fixed-capital formation	6.1	-3.8	23.8	15.7	24.6	22.3	25.1	27.4
Changes in inventory	-	-	-	-	0.2	0.6	0.4	-0.3
DOMESTIC DEMAND	1.0	4.8	12.5	8.6	100.5	99.3	101.4	103.9
EXPORTS	8.9	9.8	16.7	4.4	33.8	34.9	37.0	36.4
IMPORTS	2.5	6.1	23.3	11.5	34.3	34.3	38.3	40.3
GROSS DOMESTIC PRODUCT	3.0	6.1	10.3	6.0	100.0	100.0	100.0	100.0

(*) Calculations based on provisional figures in Chilean pesos of 1986.

Source: Banco Central de Chile.

Table 4
SAVINGS AND INVESTMENT COEFFICIENTS

Components	PERCENTAGE CHANGE (*)				PERCENTAGE OF GDP (*)			
	1990	1991	1992	1993	1990	1991	1992	1993
TOTAL SAVINGS	19.5	15.7	36.5	28.3	24.8	22.3	24.1	26.2
Gross domestic savings	16.3	28.5	24.5	13.7	22.4	22.4	22.1	21.3
External savings	63.0	-94.3	2,319.9	187.7	2.4	-0.1	2.0	4.9
TOTAL INVESTMENT	19.5	15.7	36.5	28.3	24.8	22.3	24.1	26.2
Fixed-capital investment	30.4	13.6	37.7	32.2	24.6	21.7	23.7	26.5
Changes in inventory	-	-	-	-	0.2	0.6	0.4	-0.3

(*) Calculations based on provisional figures in Chilean 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	4,504	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	-3.5	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
1992							
January	4,822	0.6	4,583	0.9	239	-5.9	5.0
February	4,846	0.5	4,613	0.7	233	-2.4	4.8
March	4,839	-0.1	4,600	-0.3	240	2.9	5.0
April	4,821	-0.4	4,600	0.0	221	-7.7	4.6
May	4,796	-0.5	4,576	-0.5	221	-0.4	4.6
June	4,786	-0.2	4,552	-0.5	234	6.0	4.9
July	4,786	0.0	4,541	-0.2	246	5.1	5.1
August	4,819	0.7	4,562	0.5	257	4.6	5.3
September	4,839	0.4	4,581	0.4	258	0.3	5.3
October	4,870	0.7	4,621	0.9	250	-3.2	5.1
November	4,913	0.9	4,677	1.2	236	-5.6	4.8
December	4,990	1.6	4,773	2.1	217	-7.9	4.4
1993							
January	5,032	0.8	4,813	0.8	219	0.9	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	5.3	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

(*) Population aged 15 and over.

Source: National Bureau of Statistics (INE).

Table 6
PRICE INDEXES

Date	CONSUMER PRICE (Base: April 1989 = 100)			WHOLESALE PRICE (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 (*)
1992						
January	177.9	1.1	19.5	98.8	0.5	16.9
February	176.8	–0.6	18.6	98.3	–0.5	15.5
March	178.0	0.7	18.0	98.2	–0.1	14.3
April	180.4	1.3	17.4	98.6	0.4	14.3
May	182.3	1.1	15.8	99.2	0.7	12.4
June	183.6	0.7	14.5	100.0	0.8	10.5
July	185.6	1.1	13.7	101.6	1.6	10.1
August	188.3	1.4	13.9	102.8	1.2	10.8
September	192.6	2.3	15.1	104.5	1.6	11.2
October	195.4	1.4	13.4	104.9	0.4	9.3
November	198.2	1.4	14.0	105.6	0.7	8.1
December	198.3	0.1	12.7	107.0	1.2	8.9
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	1.3	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

(*) December to December change.

Source: National Bureau of Statistics (INE).

Table 7
CONSUMER - PRICE INDEX
(Base: April 1989 = 100)

Date	OVERALL INDEX		FOOD		HOUSING		CLOTHING		TRANS. & COMM.		OTHERS	
	Index	% change in 12 months	Index	% change in 12 months	Index	% change in 12 months	Index	% change in 12 months	Index	% change in 12 months	Index	% change in 12 months
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	198.3	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
1992												
January	177.9	19.5	195.6	30.2	169.4	14.7	148.7	22.8	172.2	6.2	176.6	18.3
February	176.8	18.6	190.0	27.5	172.4	14.6	146.1	21.8	172.5	6.8	177.5	18.6
March	178.0	18.0	188.0	24.4	173.6	15.3	147.9	19.9	172.5	8.3	186.2	19.3
April	180.4	17.4	189.6	22.6	174.0	15.1	156.5	17.3	174.7	8.6	190.0	19.9
May	182.5	15.8	191.2	18.5	177.5	14.7	159.4	14.1	175.0	8.7	191.5	20.1
June	183.6	14.5	192.1	15.2	178.9	14.7	161.1	13.0	176.6	9.1	192.5	18.8
July	185.6	13.7	195.8	13.0	180.0	14.3	159.3	14.5	179.8	10.8	193.5	17.0
August	188.3	13.9	201.4	14.0	182.9	14.3	157.3	12.4	180.1	10.6	194.6	17.3
September	192.6	15.1	209.8	15.8	184.8	14.8	161.3	14.5	181.7	10.8	197.8	18.5
October	195.4	13.4	215.5	13.1	186.4	14.4	165.3	11.6	180.7	9.8	199.6	17.3
November	198.2	14.0	220.1	14.9	188.7	13.4	169.9	14.1	180.6	8.7	201.4	18.4
December	198.3	12.7	217.5	12.2	189.9	12.8	168.1	11.5	183.1	8.4	204.2	18.5
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	18.3
April	203.4	12.8	210.3	10.9	197.0	13.2	177.9	13.7	192.9	10.4	225.8	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

Source: National Bureau of Statistics (INE).

Table 8

REAL INITIAL SETTLEMENTS AGREED IN COLLECTIVE NEGOTIATION

(Percentages)

Period	UNIONS	OTHER GROUPS	TOTAL
1991			
January-March	3.4	2.2	3.2
April-June	2.4	4.3	2.8
July-September	1.2	2.0	1.3
October-December	2.2	1.4	2.1
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	2.9	2.7	2.9
April-June	3.4	3.8	3.2
July-September	1.8	2.6	1.9

Source: Division of Labour, Ministry of Labour and Social Security.

Table 9 A

GENERAL EARNINGS INDEX (1)

(Base: December 1982 = 100)

Date	NOMINAL				REAL			
	Index	**Percentage change**			**Index**	**Percentage change**		
		Month	12-month	Average (2)		Month	12-month	Average (2)
1988 Average	290.0	–	17.5 (3)	22.2	100.6	–	4.3 (3)	6.5
1989 Average	345.8	–	25.2 (3)	19.2	102.5	–	3.1 (3)	1.9
1990 Average	443.8	–	33.8 (3)	28.4	104.4	–	5.0 (3)	1.8
1991 Average	566.8	–	21.9 (3)	27.7	109.5	–	2.7 (3)	4.9
1992 Average	683.9	–	17.1 (3)	20.7	114.5	–	3.9 (3)	4.5
1992								
January	644.1	2.1	21.1	21.1	112.9	1.0	1.4	1.4
February	649.8	0.9	21.9	21.5	114.7	1.5	2.8	2.1
March	655.6	0.9	22.0	21.7	114.9	0.2	3.3	2.5
April	668.0	1.9	22.6	21.9	115.5	0.6	4.5	3.0
May	672.9	0.7	21.8	21.9	115.2	–0.3	5.2	3.4
June	677.9	0.7	21.1	21.8	115.2	0.1	5.8	3.8
July	687.8	1.5	22.2	21.8	115.6	0.3	7.5	4.3
August	692.3	0.7	22.8	22.0	114.7	–0.8	7.8	4.8
September	698.7	0.9	20.1	21.7	113.2	–1.4	4.4	4.7
October	706.8	1.2	18.5	21.4	112.9	–0.3	4.5	4.7
November	714.7	1.1	17.6	21.0	112.5	–0.3	3.2	4.6
December	738.8	3.4	17.1	20.7	116.2	3.3	3.9	4.5
1993								
January	757.4	2.5	17.6	17.6	118.9	2.3	5.3	5.3
February	758.7	0.2	16.8	17.2	118.7	–0.2	3.5	4.4
March	761.1	0.3	16.1	16.8	118.4	–0.2	3.0	3.9
April	769.8	1.1	15.2	16.4	118.1	–0.3	2.2	3.5

(1) Since April 1993, the National Bureau of Statistics (INE) has replaced the general earnings index by the hourly earnings index and the hourly labour cost index.

(2) Change between the cumulative average to such month and the cumulative average to the same month of the previous year.

(3) December to December change.

Source: National Bureau of Statistics (INE).

Table 9 B
HOURLY EARNINGS INDEX (*)
(Base: April 1993 = 100)

Date	NOMINAL				REAL			
	Index	**Percentage change**			**Index**	**Percentage change**		
		Month	12-month	Average		Month	12-month	Average
1993								
April	100.0	–	–	–	100.0	–	–	–
May	102.0	2.0	–	–	100.5	0.5	–	–
June	103.5	1.5	–	–	101.6	1.0	–	–
July	104.3	0.7	–	–	101.3	–0.3	–	–
August	103.9	–0.4	–	–	98.8	–2.4	–	–
September	108.0	3.9	–	–	101.5	2.7	–	–
October	110.2	2.1	–	–	101.0	–0.5	–	–
November	110.0	–0.2	–	–	100.7	–0.3	–	–
December	116.5	5.9	–	–	106.5	5.7	–	–

(*) Since April 1993, the National Bureau of Statistics (INE) has replaced the general earnings index by the hourly earnings index and the hourly labour cost index.

Source: National Bureau of Statistics (INE).

Table 9 C
HOURLY LABOUR COST INDEX (*)
(Base: April 1993 = 100)

Date	NOMINAL				REAL			
	Index	**Percentage change**			**Index**	**Percentage change**		
		Month	12-month	Average		Month	12-month	Average
1993								
April	100.0	–	–	–	100.0	–	–	–
May	100.7	0.7	–	–	99.2	–0.8	–	–
June	101.8	1.1	–	–	100.0	0.8	–	–
July	101.4	–0.4	–	–	99.1	–0.9	–	–
August	100.9	–0.4	–	–	97.3	–1.8	–	–
September	104.7	3.7	–	–	100.2	3.0	–	–
October	106.2	1.5	–	–	100.4	0.2	–	–
November	106.8	0.5	–	–	101.2	0.7	–	–
December	112.4	5.3	–	–	106.4	5.2	–	–

(*) Since April 1993, the National Bureau of Statistics (INE) has replaced the general earnings index by the hourly earnings index and the hourly labour cost index.

Source: National Bureau of Statistics (INE).

Table 10
INTEREST RATES ON BANCO CENTRAL INSTRUMENTS
(Real annual rates)

Date	PRBC			PRC (4)						
	90-day	180-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)
1990										
January 5	8.7	8.9	9.2	–	–	–	9.7	–	–	–
June 1	8.7	8.9	9.2	–	–	–	(5)	–	–	–
August 17	8.2	(5)	(5)	–	–	–	(5)	–	–	–
October 31	7.2	(5)	(5)	–	–	–	(5)	–	–	–
November 27	6.8	(5)	(5)	–	–	–	(5)	–	–	–
1991										
January 30	6.5	(5)	(5)	–	–	–	(5)	–	–	–
February 20	6.2	(5)	(5)	–	–	–	(5)	–	–	–
March 18	5.7	(5)	6.1	–	–	–	(5)	–	–	–
November 8	5.2	(5)	5.9	–	–	–	(5)	–	–	–
December 23	4.7	(5)	5.4	–	–	–	(5)	–	–	–
1992										
January	4.7	(5)	4.9	5.2	–	–	(5)	–	–	–
February	4.7	(5)	5.4	5.9	–	–	(5)	–	–	–
March	4.7	(5)	5.6	6.1	–	–	(5)	–	–	–
April	5.2	(5)	5.6	6.1	6.3	6.4	6.5	–	–	–
May	5.2	(5)	5.7	6.5	6.6	6.7	6.7	–	–	–
June	5.2	(5)	5.6	6.2	6.4	6.4	6.4	–	–	–
July	5.2	(5)	5.4	5.9	6.2	6.5	6.5	–	–	–
August	5.2-5.7	(5)	5.6	6.2	6.5	6.5	6.5	–	–	–
September	5.7	(5)	6.2	7.3	7.4	7.3	7.4	–	–	–
October	5.7	(5)	6.3	7.0	7.1	7.1	7.1	–	–	–
November	6.5	(5)	7.1	7.7	7.8	7.7	7.7	–	–	–
December	6.5	(5)	7.4	7.7	7.7	7.4	7.5	–	–	–
1993										
January	6.5	(5)	7.5	7.7	7.7	7.6	7.6	–	–	–
February	6.5	(5)	7.2	7.6	7.6	7.5	7.5	7.4	7.4	7.2
March	6.5	(5)	7.3	7.6	(5)	7.5	7.5	7.4	7.4	7.3
April	6.5	(5)	7.1	7.6	(5)	7.5	7.5	7.4	7.4	7.3
May	6.5	(5)	7.1	7.7	(5)	7.7	7.6	7.6	7.6	7.4
June	6.5	(5)	7.0	7.4	(5)	7.4	7.4	7.3	7.3	7.2
July	6.5	(5)	7.2	7.2	(5)	7.0	7.0	6.9	6.9	6.8
August	6.5	(5)	6.7	6.8	(5)	6.6	6.6	6.6	6.5	6.4
September	6.5	(5)	(5)	6.5	(5)	6.4	6.4	6.4	6.4	6.3
October	6.5	(5)	(5)	6.6	(5)	6.5	6.5	6.5	6.5	6.4
November	6.5	(5)	(5)	6.7	(5)	6.5	6.5	6.5	6.5	6.4
December	6.5	(5)	(5)	6.6	(5)	6.4	6.4	6.4	6.4	6.3

(1) As from April 9, 1992, the Banco Central agrees to accept 550,000 UF in each tender.
(2) As from July 28, 1992, the Banco Central agrees to accept 300,000 UF in each tender.
(3) As from February 16, 1993, the Banco Central agrees to accept 200,000 UF in each tender.
(4) Corresponds to the mean weighted trading rate in that month (base 360 days).
(5) Suspended.

Source: Banco Central de Chile.

Table 11

90- TO 365-DAY INDEXED INTEREST RATES

(Financial system monthly averages)

Date	Deposits	Loans	Spread
1988 Average	4.6	7.6	3.1
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
1991			
First quarter	6.0	9.1	3.1
Second quarter	5.4	8.6	3.2
Third quarter	5.2	8.3	3.0
Fourth quarter	5.0	7.9	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			
January	6.2	9.0	2.8
February	6.3	9.1	2.8
March	6.4	9.0	2.6
April	6.4	9.1	2.6
May	6.6	9.3	2.7
June	6.4	9.1	2.7
July	6.7	9.6	2.9
August	6.5	9.3	2.8
September	6.4	9.3	2.9
October	6.3	9.3	3.0
November	6.3	9.4	3.1
December	6.4	9.3	2.9

Source: 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**
1991												
January	6.5	11.2	1.4	2.6	6.5	11.2	1.4	2.6	34.1	33.3	28.5	43.1
February	-0.5	2.3	1.8	2.1	5.7	13.7	3.2	4.8	31.7	41.8	30.4	42.1
March	3.1	8.0	0.8	2.1	9.0	22.9	4.0	7.0	30.9	47.8	30.3	40.0
April	7.1	-0.2	1.1	0.7	16.8	22.6	5.1	7.7	31.9	43.3	28.2	38.9
May	2.3	-2.9	3.1	1.0	19.5	19.0	8.4	8.8	34.1	41.2	29.2	37.1
June	-1.2	-1.7	4.0	3.4	18.0	17.0	12.8	12.5	36.0	40.4	31.7	37.8
July	-7.2	-2.3	3.2	3.3	9.5	14.3	16.4	16.2	34.7	38.9	32.8	37.7
August	-2.6	2.0	1.9	2.4	6.7	16.6	18.6	19.0	29.4	43.4	35.8	38.2
September	17.7	8.4	2.4	3.0	25.6	26.4	21.4	22.6	36.7	43.9	35.7	37.9
October	-5.7	-0.7	1.3	2.5	18.5	25.5	23.0	25.7	30.5	53.9	34.0	37.4
November	-1.3	-0.6	4.5	3.9	16.9	24.8	28.6	30.6	35.0	50.5	34.7	36.9
December	28.9	14.4	6.9	5.6	50.7	42.7	37.5	35.3	50.7	42.7	37.5	35.3
1992												
January	-1.5	5.4	5.7	5.1	-1.5	5.4	5.7	5.1	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	35.2	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	44.5	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	30.5	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	14.9	3.1	3.0	17.4	22.2	26.6	26.8	17.4	22.2	26.6	26.8

E : Base money.
M1A : Corresponds to corrected M1A defined as: money in circulation + nonfinancial private-sector current accounts net of float + demand deposits not included in current accounts.
M2A : M1A + private-sector time deposits.
M7 : M2A + time savings deposits including those for housing + instruments of the Banco Central de Chile held by the nonfinancial private sector + Treasury promissory notes held by the nonfinancial private sector + credit bills held by the 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
1992								
January	320.14	720.31	2,504.74	737.94	2,534.17	15.00	689.47	666.11
February	336.11	711.78	2,581.64	758.04	2,614.49	15.62	710.57	671.01
March	347.59	985.93	2,492.55	772.30	2,531.97	14.92	726.76	664.48
April	356.20	945.60	2,493.88	788.27	2,608.75	17.23	728.40	655.01
May	352.68	834.78	2,566.14	804.48	2,711.46	18.37	752.15	633.51
June	354.21	827.69	2,684.74	827.94	2,855.00	18.65	779.71	624.42
July	345.68	806.43	2,755.05	847.70	2,990.38	17.72	814.17	630.07
August	340.38	818.42	2,840.95	861.18	3,042.70	17.37	845.19	621.03
September	364.00	820.00	2,941.19	872.20	3,049.26	17.46	810.81	624.70
October	350.81	780.81	3,108.99	888.58	3,058.58	17.67	863.52	623.37
November	355.93	784.05	3,219.61	907.56	3,230.48	16.74	902.43	594.35
December	407.91	874.38	3,189.60	916.86	3,361.84	15.43	937.44	570.85
1993								
January	414.56	990.65	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	998.58	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	956.19	3,735.37	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	1,071.77	4,094.66	1,141.38	4,210.96	16.56	1,275.37	723.41

SYMBOLS

C : Money in circulation (held by the public).
D1A : Current accounts + other nonfinancial private-sector demand deposits. Corresponds to the accounting balances of these deposits, less documents held by the financial system that have been extended against said current accounts.
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 corr. = M1 + demand deposits other than current accounts.
M2A = M1A + Dp (Dp: private-sector time deposits).
M3 = M2A + 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 instruments.

Source: Banco Central de Chile.

Table 14
MEAN NOMINAL EXCHANGE RATE
[Chilean pesos to US dollar]

Date	Observed	Referential	Breach (Obs/Ref) – 1 (%)
1989 Average	267.0	261.2	2.2
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
1992			
January	369.8	388.9	-4.9
February	347.9	378.5	-8.1
March	348.3	380.3	-8.4
April	346.3	378.9	-8.6
May	346.6	381.5	-9.2
June	355.0	385.8	-8.0
July	361.3	387.7	-6.8
August	368.9	387.3	-4.8
September	376.0	388.0	-3.1
October	373.1	395.9	-5.7
November	377.6	413.1	-8.6
December	380.2	417.8	-9.0
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	-6.0
November	412.5	450.1	-8.4
December	425.7	460.4	-7.5

Source: Banco Central de Chile.

Table 15
REAL OBSERVED EXCHANGE RATE
(Base: Average 1986 = 100)

Date	TOTAL INDEX (1)			INDEX LESS LATIN AMERICA (2)		
	Index	**Change**		**Index**	**Change**	
		Month	12-month		Month	12-month
1989 Average	108.6	–	-2.3 (3)	101.7	–	-6.1 (3)
1990 Average	112.7	–	3.8 (3)	99.2	–	-2.5 (3)
1991 Average (4)	106.4	–	-5.6 (3)	95.4	–	-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	–	-1.8 (3)
1992 (4)						
January	103.5	-1.4	-9.4	94.1	-1.5	-9.1
February	97.7	-5.7	-15.3	88.3	-6.2	-15.3
March	96.0	-1.7	-14.0	86.4	-2.1	-13.3
April	94.1	-1.9	-12.7	85.1	-1.5	-11.5
May	94.2	0.1	-9.7	85.4	0.4	-8.6
June	97.3	3.3	-5.1	88.4	3.5	-3.4
July	99.3	2.1	-3.0	90.6	2.4	-0.5
August	100.9	1.6	-2.0	91.6	1.2	0.4
September	100.8	-0.1	-3.4	91.3	-0.4	-1.6
October	97.5	-3.4	-4.7	88.1	-3.6	-4.0
November	94.9	-2.5	-8.6	85.6	-2.8	-8.7
December	95.3	0.4	-9.2	85.8	0.3	-10.2
1993 (4)						
January	95.6	0.3	-7.6	85.9	0.1	-8.7
February	96.1	0.6	-1.5	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	93.5	-1.1	-1.7	83.1	-1.3	-2.8
December	95.6	2.4	0.3	85.1	2.3	-0.8

(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 copper) traded with them (approximately 75% of Chile's total trade in 1989, excluding oil and copper). Both the WPI and exchange rates of the other 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	1991	1992	1993	Percentage change (4)	
				1992	1993
I. CURRENT ACCOUNT	**15**	**-743**	**-2,092**		
A. Trade balance	1,576	749	-979		
1. Exports fob	8,929	9,986	9,202	11.8	-7.9
Copper	3,617	3,886	3,248	7.4	-16.4
Non-copper	5,312	6,100	5,954	14.8	-2.4
2. Imports fob	-7,353	-9,237	-10,181	25.6	10.2
Petroleum	-759	-788	-765	6.6	-3.2
Non-petroleum	-6,614	-8,449	-9,418	27.7	11.5
B. Nonfinancial services	-92	-64	5		
C. Financial services	-1,809	-1,860	-1,503	2.8	-19.2
D. Transfers	340	431	385	26.9	-10.8
II. CAPITAL ACCOUNT	**829**	**2,883**	**2,763**	**247.6**	**-4.1**
A. Medium- and long-term capital	342	943	1,672	175.6	77.4
1. Foreign investment (1)	425	652	1,155	53.5	76.7
a) From abroad	547	1,031	1,674	88.3	62.4
- Direct	522	699	841	33.8	20.3
- Portfolio	25	332	833	1,217.1	151.0
b) Abroad	-122	-378	-521	209.1	37.8
- Direct	-122	-378	-431	209.1	14.0
- Portfolio (2)	0	0	-90		
2. Loan disbursements under DL 600	458	328	848	-28.5	158.8
3. Other disbursements	1,152	1,376	1,437	19.5	4.5
4. Loans repayments	-985	-1,115	-1,462	13.2	31.2
5. External-debt conversions	-684	-336	-276	-50.8	-17.8
6. Other (3)	-24	38	-28		
B. Short-term capital	487	1,941	1,091	298.2	-43.7
1. Credit lines	-998	1,879	154		
2. Other short-term capital	1,485	62	938	-95.9	1,422.4
Counterpart to external-debt conversions	665	263	135	-60.5	-48.8
Other	820	-201	803		
III. ERRORS AND OMISSIONS	**394**	**359**	**-94**		
IV. BALANCE OF PAYMENTS SURPLUS/DEFICIT	**1,238**	**2,499**	**578**	**101.9**	**-76.9**

(1) Including investment funds, ADRs, inflows from Chapter XIX promissory notes, credit capitalisation and capital reexportation for the same.
(2) Including only pension-fund investment.
(3) Including reversion payment for 1991 and 1993 retiming, financing for leasing and external assets variation.
(4) Not indicated if the item changes from plus to minus or viceversa.

Source: Banco Central de Chile.

Table 17
TRADE BALANCE
[Millions of US dollars]

Item	1991	1992	1993	Percentage change	
				1992	1993
BALANCE OF TRADE SURPLUS/DEFICIT	**1,576**	**749**	**–979**	**–52.5**	**–230.7**
Total exports (fob)	**8,929**	**9,986**	**9,202**	**11.8**	**–7.9**
Copper	3,617	3,886	3,248	7.4	–16.4
Non-copper	5,312	6,100	5,954	14.8	–2.4
Other main (*)	2,793	3,081	2,736	10.3	–11.2
Non-traditional	2,519	3,019	3,218	19.8	6.6
Total imports (fob)	**7,354**	**9,237**	**10,181**	**25.6**	**10.2**
Total imports (cif)	**8,094**	**10,129**	**11,125**	**25.1**	**9.8**
Consumer goods	1,392	1,904	2,068	36.8	8.6
Intermediate goods	4,662	5,439	5,829	16.7	7.2
Fuels	1,034	1,114	1,109	7.7	–0.4
Others	3,627	4,325	4,720	19.2	9.1
Capital goods	2,041	2,786	3,228	36.5	15.9

(*) Including iron, nitrate and iodine, silver, gold ore, fruits, 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	1991	1992	1993
Price of copper LME (US$/lb)	1.060	1.043	0.862
Price of petroleum (US$/barrel fob)	19.0	18.2	15.9
LIBOR US$ (nominal)	6.1	3.9	3.4
External inflation excluding Latin America (percentage)	2.1	3.1	-0.6
Terms of trade index (1988=100)			
Total goods	85.7	84.9	77.7
Total non-copper and non-petroleum goods	92.2	91.4	86.4
Total exports			
% change in value	7.5	11.8	-7.8
% change in price (fob)	-4.3	-0.9	-11.2
% change in volume	12.3	12.8	3.8
Copper exports			
% change in value	-4.7	7.4	-16.4
% change in price (fob)	-13.5	-1.8	-18.1
% change in volume	10.1	9.4	2.1
Main non-copper exports			
% change in value	12.2	8.4	-11.2
% change in price (fob)	8.3	-3.9	-9.5
% change in volume	3.6	12.8	-1.9
Non-traditional exports			
% change in value	25.4	19.8	6.6
% change in price (fob)	-1.3	3.2	-4.7
% change in volume	27.1	16.1	11.8
Goods imports			
% change in value	5.4	25.1	9.8
% change in price (cif)	-4.3	0.0	-5.0
% change in volume	10.2	25.2	15.2

Source: Banco Central de Chile.

Table 19
FINANCIAL SERVICES
[Millions of US dollars]

Item	1991	1992	1993	Percentage change	
				1992	1993
INTEREST PAID (*)	**1,630**	**1,402**	**1,200**	**-14.0**	**-14.4**
Medium- and long-term	1,340	1,208	991	-9.8	-18.0
Short-term	290	194	210	-33.1	8.1
INTEREST RECEIVED	**470**	**437**	**491**	**-6.9**	**12.3**
PROFITS AND DIVIDENDS	**-643**	**-892**	**-792**	**38.8**	**-11.2**
Credits (received)	2	5	6	123.8	23.4
Debits (paid)	645	897	798	39.1	-11.0
LEASING SERVICES	**6**	**3**	**2**	**-53.4**	**-33.3**
TOTAL FINANCIAL SERVICES	**-1,809**	**-1,860**	**-1,503**	**2.8**	**-19.2**
Credits	472	442	497	-6.3	12.4
Debits	2,281	2,302	2,000	0.9	-13.1

(*) Including interest paid on the external debt and other liabilities.

Source: Banco Central de Chile.

Table 20
NONFINANCIAL SERVICES
[Millions of US dollars]

Item	1991	1992	1993	Percentage change (*)	
				1992	1993
SHIPMENTS	**41**	**76**	**49**	**84.5**	**-36.4**
Credits	405	513	493	26.4	-3.8
Debits	364	436	444	19.8	1.9
OTHER TRANSPORT	**-266**	**-328**	**-349**	**23.1**	**6.3**
Passenger services	-43	-56	-40	29.3	-29.2
Credits	154	169	212	9.9	25.0
Debits	197	225	251	14.2	11.5
Port services	-223	-272	-309	21.9	13.7
Credits	317	381	361	20.1	-5.3
Debits	540	653	670	20.8	2.6
TRAVEL	**241**	**174**	**279**	**-28.0**	**60.4**
Credits	689	704	847	2.1	20.3
Debits	447	530	568	18.4	7.2
OTHER GOODS, SERVICES AND INCOMES	**-108**	**14**	**27**		**92.9**
Credits	553	665	723	20.3	8.7
Debits	661	651	696	-1.6	6.9
TOTAL NONFINANCIAL SERVICES	**-92**	**-64**	**5**	**-30.4**	
Credits	2,118	2,431	2,634	14.8	8.4
Debits	2,210	2,495	2,629	12.9	5.4

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

Source: Banco Central de Chile.

Table 21

NET FOREIGN INVESTMENT IN CHILE

(Millions of US dollars)

Item	1985	1986	1987	1988	1989	1990	1991	1992	1993 (1)
TOTAL FOREIGN INVESTMENT	**143**	**313**	**882**	**951**	**1,365**	**939**	**443**	**652**	**1,153**
DIRECT INVESTMENT	113	114	223	160	174	241	458	351	375
Decree Law 600	73	55	91	111	170	201	466	574	688
Credit capitalisation	42	56	125	52	2	16	0	0	5
Chapter XIV capital contribution	-1	5	14	13	11	35	96	156	203
Investment abroad	-2	-3	-7	-16	-10	-10	-105	-378	-521 (3)
PORTFOLIO INVESTMENT	0	0	0	0	87	359	25	332	833
Chapter XXVI ADR	0	0	0	0	0	105	-31	282	793
Investment funds	0	0	0	0	87	254	56	50	40
CHAPTER XIX (2)	30	199	659	791	1,105	339	-40	-31	-55
ASSOCIATED CREDITS	**-21**	**67**	**185**	**385**	**311**	**749**	**284**	**51**	**593**
Credit disbursements under DL 600	30	108	226	521	437	888	458	328	848
Credit amortizations under DL 600	-51	-41	-41	-136	-126	-139	-174	-277	-255
TOTAL	**122**	**380**	**1,067**	**1,336**	**1,676**	**1,687**	**727**	**703**	**1,746**

(1) Provisional figures.
(2) At redenomination value. In 1991 and 1992 comprises capital repatriation.
(3) Including US$ 90 million for pension fund investment abroad.

Source: Banco Central de Chile.

Table 22
GROSS CAPITAL CONTRIBUTION 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	9.8		9.8
1987	14.4		14.4
1988	3.5		3.5
1989	34.5		34.5
1990	11.1	2.8	13.9
1991	8.5	91.2	99.7
1992	9.1	343.8	353.0
1993	90.1	320.5	410.6

(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
1. Gold	519	668	757	679	592	642	597	574	612
(Ounces troy)	1,770	1,795	1,811	1,824	1,752	1,858	1,863	1,867	1,865
2. SDRs	0	1	41	44	24	1	1	1	1
3. Reserve position with IMF	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
5. Other assets	–16	86	62	32	–5	–202	–43	–11	–15
6. Use of IMF credit	1,086	1,328	1,452	1,322	1,268	1,151	955	722	479
7. Short-term loans	325	0	225	0	5	10	1	1	0
I. INTERNATIONAL ASSETS (2)	2,952	3,106	3,323	3,872	4,216	6,508	7,595	9,731	10,238
II. GROSS RESERVES (3)	1,867	1,778	1,871	2,550	2,948	5,358	6,641	9,009	9,759
III. NET RESERVES (4)	1,542	1,778	1,646	2,550	2,943	5,347	6,639	9,009	9,759

(1) Calculated from foreign-currency and gold quotations in effect 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 (1)
I. Total foreign debt (II + III) (2)	**19,444**	**19,501**	**19,208**	**17,638**	**16,252**	**17,425**	**16,364**	**18,242**	**19,180**
Public sector	11,769	12,394	13,128	11,889	10,135	9,727	8,765	8,681	8,124
Private sector	7,675	7,107	6,080	5,749	6,117	7,698	7,601	9,561	11,056
With public guarantee (3)	2,310	3,369	3,252	2,820	1,897	2,065	1,791	941	911
II. Medium- and long-term foreign debt	**17,650**	**17,814**	**17,191**	**15,452**	**13,279**	**14,043**	**14,165**	**14,767**	**15,693**
Public sector	10,552	11,483	12,075	11,048	9,063	8,769	8,478	8,233	7,636
Private sector	7,098	6,331	5,116	4,404	4,216	5,274	5,687	6,534	8,057
With public guarantee (3)	1,963	2,896	2,650	2,060	1,068	1,039	1,012	941	911
III. Short-term foreign debt	**1,794**	**1,687**	**2,017**	**2,186**	**2,973**	**3,382**	**2,199**	**3,475**	**3,487**
Public sector	1,217	911	1,053	841	1,072	958	285	448	488
Private sector	577	776	964	1,345	1,901	2,424	1,914	3,027	2,999
With public guarantee (3)	347	473	602	760	829	1,026	779	0	0
IV. International Monetary Fund	**1,085**	**1,328**	**1,452**	**1,322**	**1,268**	**1,151**	**955**	**722**	**479**

(1) Provisional figures.
(2) Balance at December 31 of each year, based on net disbursements. Excluding debt owed to the IMF and foreign commercial credit lines (anticipated export income and pending import payments).
(3) As from 1990, debt owed to 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 (*)
					(Millions of US dollars)				
Total foreign debt	19,444	19,501	19,208	17,638	16,252	17,425	16,364	18,242	19,180
Medium- and long-term foreign-debt servicing	2,058	2,041	1,697	1,676	2,139	2,086	2,197	2,229	2,367
Interest on total foreign debt	1,838	1,772	1,516	1,214	1,559	1,558	1,417	1,240	1,081
Current-account deficit	1,328	1,137	808	167	767	597	–15	743	2,092
International reserves	1,542	1,778	1,646	2,550	2,943	5,347	6,639	9,009	9,759
Trade balance surplus/deficit	850	1,100	1,229	2,219	1,578	1,273	1,576	749	–979
Goods and services exports	4,470	5,030	6,310	8,266	9,617	10,310	11,047	12,417	11,857
Goods imports (fob)	2,955	3,099	3,994	4,835	6,502	7,037	7,354	9,257	10,181
					(Percentages)				
Total foreign debt / Goods and services exports	435	388	304	213	169	169	148	147	162
Medium- and long-term foreign-debt servicing / Goods and services exports	46	41	27	20	22	20	20	18	20
Interest / Goods and services exports	41	35	24	15	16	15	13	10	9
Current-account deficit / Goods and services exports	30	23	13	2	8	6	0	6	18
Trade balance surplus or deficit / Goods and services exports	19	22	19	27	16	12	14	6	–8
					(Months)				
Net international reserves / Goods imports (fob)	6	7	5	6	5	9	11	12	12

(*) Provisional figures.

Source: Banco Central de Chile.

Table 26

CHILEAN FOREIGN DEBT REDEEMED THROUGH CONVERSION TRANSACTIONS RULED BY THE BANCO CENTRAL DE CHILE (1)

(Millions of US dollars)

Item	1985	1986	1987	1988	1989	1990	1991	1992	1993
Capitalisation under DL 600 and others	53.0 (2)	56.3	124.6	51.5	2.4	15.9	–	–	4.7
Chapter XVIII	115.2	410.6	695.8	909.3	410.3	591.6	147.0	–	–
Chapter XIX	32.3	213.5	707.3	885.9	1,321.4	417.5	21.6	–	–
Portfolio exchange	41.0	27.2	–	67.6	19.7	–	–	–	–
Others	88.7	275.9	451.0	856.0	929.2	70.7	658.9	385.2	293.3
TOTAL	**330.2**	**983.5**	**1,978.7**	**2,770.3**	**2,683.0**	**1,095.7**	**827.5**	**385.2**	**298.0**

(1) Materialized transactions. Foreign-debt securities are taken at their face value.
(2) Including US$ 10.8 million capitalised before 1985.

Source: Banco Central de Chile.

ANNEX 1

MAIN MONETARY AND CREDIT MEASURES OF 1993

January

14 The amount of any pension fund that can be invested in subscribed shares of open concentrated limited corporations approved by the Risk Classification Commission was increased from 1% to 3%.

February

11 As from February 16, 12-, 14- and 20-year PRCs in lots of 200,000 UF worth for each maturity began to be offered twice a week. 4-, 8- and 10-year PRCs continue to be offered twice a week in the same quotas of 300,000 UF each. 6-year PRCs were withdrawn.

July

1 The charge made to pension fund managing entities who deposit their securities in the Banco Central was set at 0.34688% of the value held in custody on the last working day of each month, with a minimum of 17 UF a month.

29 Banks and financial institutions were authorised to choose which day, within the reserve period, they would not use their credit line in domestic currency. Prior to this date, they were obliged to not make use of this credit line on the last working day of each month.

The Banco Central was enabled to buy discountable promissory notes and indexed promissory notes from financial institutions and shall publish the amount purchased and under what terms whether to maturity or with a repurchase agreement.

ANNEX 2

MAIN EXCHANGE AND EXTERNAL TRADE MEASURES OF 1993

March

11 The Banco Central de Chile's responsibility for issuing "certificates of origin" was passed to the SOFOFA and the Ministry of Agriculture, as appropriate.

11 The period for liquidating returns for insurance indemnity, commissions or other external trade transactions that will constitute foreign-currency time deposits in banking companies in Chile was extended by 90 days. This brings it in line with the ruling on export returns as such.

April

1 The minimum time for holding foreign currency entered as capital contributions under the provisions of Chapter XIV of the Compendium of Rules on International Exchange was reduced from three years to one year to make it coincide with the amendments to DL 600.

22 Exchange regulations referring to futures, options and other derivatives were modified in order to correct and simplify some aspects of these transactions and make them more agile.

June

3 In view of the draft law on capital-market reform, a transitory ruling was introduced into the Compendium of Rules on International Exchange that determines the risk classification to be met by banks or financial institutions and nonfinancial companies that wish to place bonds abroad.

August

12 Discount transactions to third-party countries contemplated in the reciprocal loans agreements within the framework of the ALADI was eliminated.

12 When banking entities calculate their total foreign-currency stocks in order to determine the reserve requirement they can no longer subtract the foreign-currency balances equivalent to promissory notes of third-party countries belonging to ALADI. They can only continue discounting documents current up to this date.

October

14 The time allowed for shipment of exports financed by advance payments from buyers abroad was extended from 180 to 300 days, counted from the date of liquidation of the corresponding foreign currency in the formal exchange market.

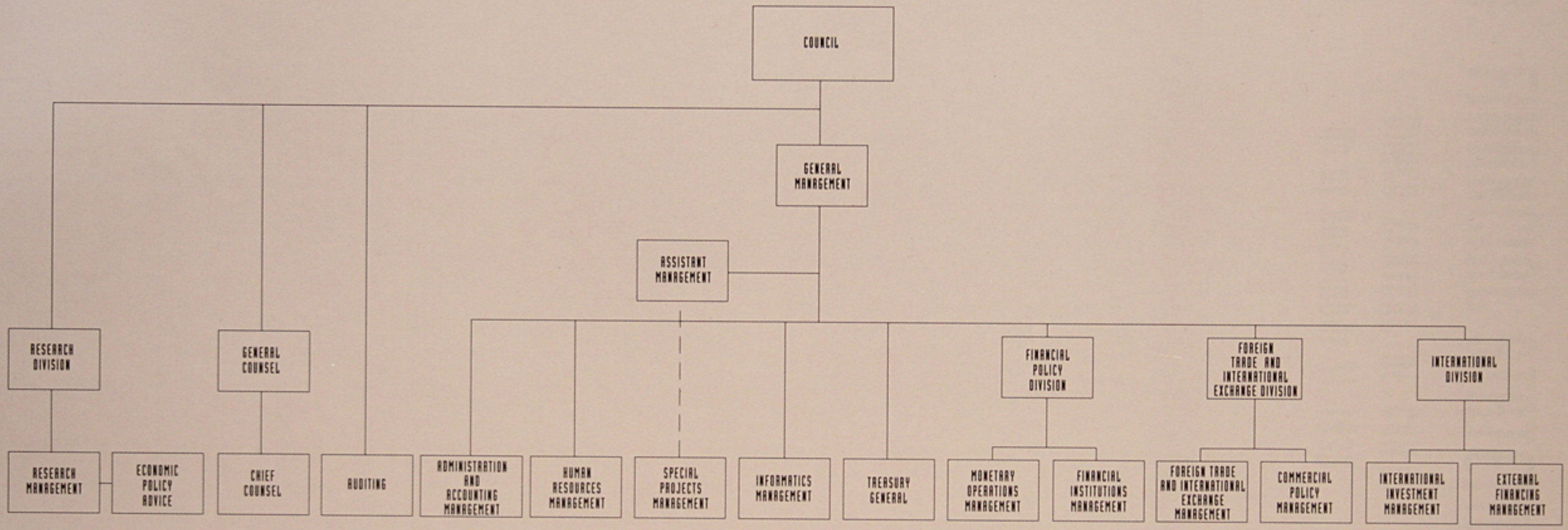
December

30 The annual interest rate on quotas of deferred payment customs duties during the half-year ending June 30, 1994, was set at 8.2% in US dollars.

II. ORGANIZATION CHART

BANCO CENTRAL DE CHILE

As of December 31, 1993


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

III. FINANCIAL STATEMENTS

BANCO CENTRAL DE CHILE

As of December 31, 1993

BALANCE SHEET
As of December 31, 1993
(In millions of Chilean pesos)

ASSETS

OVERSEAS ASSETS		5,442,794.3
RESERVE ASSETS	5,305,425.5	
Gold	283,796.2	
Foreign currencies	1,937,306.8	
Special drawing rights holdings	590.6	
IMF subscription	398,214.6	
Bonds, certificates of deposit and others	2,530,581.6	
Mutual loan agreements	154,751.0	
Other	184.7	
OTHER OVERSEAS ASSETS	137,368.8	
Contributions made to other international organizations	85,410.1	
Interest receivable	51,937.3	
Other	21.4	
DOMESTIC ASSETS		6,349,879.6
DOMESTIC LOANS		
Fiscal loans	44,569.7	
Loans to state-owned entities	138,914.1	
Loans to the Banco del Estado	117,563.0	
Loans to commercial banks	460,135.6	
Loans to other institutions	225,723.8	
Treasury transferences (Laws 18,267; 18,401 and 18,768)	3,628,471.9	
Financial institutions subordinate obligations (Law 18,401)	1,734,501.5	
OTHER ASSETS ACCOUNTS		243,285.5
Fixed assets	16,979.3	
Other	226,306.2	
TOTAL ASSETS		12,035,959.4

See accompanying notes to the financial statements.

LIABILITIES AND EQUITY

OVERSEAS LIABILITIES		1,928,689.5
RESERVE LIABILITIES	781,735.8	
IMF loans	221,970.8	
Mutual credit agreements	161,501.1	
IMF deposits	398,263.9	
OTHER OVERSEAS LIABILITIES	1,068,897.0	
Loans and other liabilities	888,574.5	
Accounts with other international organizations	136,949.0	
Interest payable	43,373.5	
ALLOCATION OF SPECIAL DRAWING RIGHTS	78,056.7	
DOMESTIC LIABILITIES		9,041,146.1
CURRENCY ISSUED AND DEPOSITS	699,803.2	
Currency in circulation	681,190.2	
Financial institutions deposits (Chilean pesos)	18,613.0	
DEPOSITS AND COMMITMENTS	2,126,909.1	
Deposits and commitments with the Treasury	1,339,544.7	
Other deposits and commitments	787,364.4	
INSTRUMENTS ISSUED BY THE BANCO CENTRAL	6,214,433.8	
Discountable promissory notes issued by the Banco Central (PDBC)	28,010.0	
Readjustable promissory notes to be paid in Treasury bills (PRC) (Resolution 1,909)	3,193,504.8	
Readjustable promissory notes with floating interest rate (PTF)	115,523.3	
Promissory notes issued for exchange rate differential	279,109.1	
Promissory notes on purchase of portfolio under Resolution 1,555	92,934.9	
Promissory notes issued on purchase of portfolio	173,457.2	
Instruments issued on rescheduling of foreign debt (Chapter XIX of the Compendium of Rules on International Exchange)	316,342.7	
Promissory notes on purchase of letters of credit	60,316.6	
Readjustable promissory notes issued by the Banco Central (PRBC)	1,223,168.9	
Commercial effects from redenomination of external debt	393,399.7	
Promissory notes stated in Indexed Units (UF) (Resolution 1,836) from US dollar certificates	317,489.9	
Other	21,196.7	
OTHER LIABILITY ACCOUNTS		250,169.4
Reserves	76,642.2	
Other	173,527.2	
EQUITY		820,139.5
Capital	820,139.5	
DEFICIT FOR THE YEAR		(4,185.1)
TOTAL LIABILITIES AND EQUITY		12,035,959.4

STATEMENT OF INCOME
For the year ended December 31, 1993
(In millions of Chilean pesos)

OPERATING RESULTS		
OPERATING INCOME		1,413,586.0
Interest earned	511,982.1	
Restatement gains on loans	352,944.2	
Income from price differences	18,166.5	
Income on exchange	529,707.8	
Other operating income	785.4	
OPERATING EXPENSES		(1,336,440.9)
Interest expenses	493,627.4	
Restatement losses on loans	718,980.4	
Commission expenses	1,748.5	
Loss on price differences	26,279.3	
Loss on exchange	84,913.0	
Other operating expenses	10,892.3	
GROSS OPERATING INCOME		77,145.1
OTHER OPERATIONAL EXPENSES		(15,246.0)
Personnel	10,345.0	
Administrative expenses	2,969.0	
Depreciations and amortization	1,549.5	
Taxes	382.5	
INCOME BEFORE LOANS WRITE-OFFS AND RESERVES		61,899.1
Loans write-offs and reserves		(959.4)
NET OPERATING INCOME		60,939.7
NON-OPERATING INCOME		2,803.6
Non-operating income	4,547.7	
Non-operating expenses	(1,744.1)	
INCOME BEFORE PRICE-LEVEL RESTATEMENT		63,743.3
PRICE-LEVEL RESTATEMENT		(67,928.4)
DEFICIT FOR THE YEAR		(4,185.1)

See accompanying notes to the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES APPLIED

a) GENERAL

The financial statements have been prepared in accordance with generally accepted accounting principles and provisions issued by the Board of the Banco Central de Chile, as stated by Law 18,840 (its Constitutional Organic Act), the latter subject to previous clearance from the Superintendency of Banks and Financial Institutions. Such provisions are in accordance with generally accepted accounting principles, except for the exchange rates used, as explained in b), below.

The financial statements presentation follows an economic-accounting pattern which aims to show the institution's accounting and financial position, at the same time assisting the economic analysis of the Bank's operation by clearly distinguishing whether they are undertaken by domestic or overseas agents. In this manner the Bank's participation in the domestic supply of monetary assets and credit policy may be assessed together with their effect on the Bank's gearing position abroad. The economic concepts of international reserves and currency issuing are thus shown, under Reserve Assets and Liabilities and Currency Issued respectively.

b) EXCHANGE RATES

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). Excepting to this policy are the balances of Exchange accounts, or the ones replacing them, corresponding to transactions which, according to current regulations, have to be settled at a different exchange rate, duly specified in the respective dispositions.

Those 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 exchange currency other than the US dollar are made according to the exchange rates given by the Superintendency of Banks and Financial Institutions always based on the referential US dollar exchange rate.

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

	Chilean pesos
Minted Chilean gold coins	895.437
US dollar	463.560
Pound sterling	691.262
Deutsche mark	269.873
Special drawing rights (SDR)	640.208

c) LOANS RECEIVABLE AND PAYABLE

Non-indexed loans and deposits 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 are shown with their corresponding restatements accrued at the balance sheet date, and loans expressed in foreign currency include their respective exchange adjustments.

Accrued interest on loans receivable and payable at the balance sheet date is shown for residents abroad under Other Overseas Assets and Other Overseas Liabilities respectively. Transactions carried out by domestic residents are included in Domestic Assets and Liabilities.

Prepaid interest on borrowings is included under Other Assets Accounts. Unaccrued interest received in advance on loans is included under Other Liability Accounts.

d) SUBORDINATE OBLIGATION FROM FINANCIAL INSTITUTIONS

The amount of subordinate obligation from financial institutions included in Domestic Assets, whose origin and development is explained in Note 10, includes the balances indexed as of December 31, 1993 of novated repurchase obligations, including the balances of the portions paid in cash and the portions constituted by notes of the Banco Central, plus accumulative interests, which are recorded crediting income as they are accrued.

e) PAST DUE LOANS RECEIVABLE

These are shown under Other in Other Assets Accounts and include all those loans receivable which are more than 90 days overdue. Foreign loans are translated into Chilean pesos at the closing rate of exchange at the balance sheet date. Interest receivable on these loans and restatements, if applicable, are accounted for up to the maturity date only.

f) FINANCIAL INVESTMENTS

Overseas financial investments are shown under Reserve Assets, as Bonds, certificates of deposit and others, and mainly include, bonds and commercial instruments issued by foreign governments, overseas institutions and banks, valued at cost which is lower than market value. Interest receivable is shown under Other Overseas Assets.

g) PROPERTY, PREMISES AND EQUIPMENT

These are shown under Other Assets Accounts, and are stated at cost, plus price-level restatements, net of accumulated depreciation. Depreciation has been computed by the straight-line method over the estimated useful lives of the assets. Under this heading are included sundry items which are subject to be sold.

h) EMPLOYEES SEVERANCE COMPENSATION

A provision for accrued severance compensation payable by the Bank as an acquired right of its staff for past services, in case of retirement or dismissal, has been set up each year based on the present value of the accrued cost, discounted at an 8% annual interest rate. In this respect, these financial statements include accruals by $ 3,447.2 million (Note 6) and deferred expenses by $ 117.5 million which are included in Other under Other Assets Accounts.

i) RESERVE FOR POSSIBLE LOAN LOSSES

The Bank, pursuant to the powers of the Board, which are set out in Article 18, Number 9 of Law 18,840, has made reserves in the year for doubtful debts, under Resolution 327 dated December 1993 of the Board. These reserves are included under Other Liability Accounts, and the resultant debit to income is detailed in Note 6.

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

Shares and contributions made by the Chilean Treasury to the Interamerican Development Bank and contributions to the International Monetary Fund are presented at acquisition or contribution cost plus restatements, where applicable.

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

Contributions to the IMF in domestic and foreign currencies are shown under Overseas Reserve Assets as IMF subscription. Shares and contributions made to the IDB and contributions to the IMF are considered investments, pursuant to Decree Law 2,943 of November 16, 1979.

k) REVENUE AND EXPENSE ACCOUNTS

Revenues and expenses are accounted for on an accrual basis.

Non-Operating Income includes in income the indemnities received by foreign exchange transactions and in expenses the net differences resulted in properties disposals.

Revenue and expense accounts denominated in domestic currency, with the exception of depreciation, represent accumulations of amounts registered at the date the transactions were performed.

I) PRICE-LEVEL RESTATEMENT

The effect of price-level restatement of equity, property, premises, equipment and other assets and liabilities, considering the variation in the consumer price index for the year with one month of delay is shown in the Statement of Income under Price-Level Restatement and detailed in Note 5. On the other hand, exchange differences in assets and liabilities denominated in foreign currency, and restatements of loans and liabilities, are included under operating results.

2. DOMESTIC LOANS

The headings Loans to state-owned entities, Loans to the Banco del Estado, Loans to commercial banks, and Loans to other institutions mainly include: credit lines in respect of rescheduling of debts for $ 252,721.8 million; credit lines to international organizations' programmes for $ 97,512.2 million; amounts to be recovered by the liquidation of the Caja Central de Ahorros y Préstamos and the Asociación de Ahorro y Préstamo, for $ 161,645.2 million, (Note 13); receivables from the Corporación de Fomento de la Producción (CORFO) (Laws 18,401 and 18,577) for $ 96,220.9 million; mortgage loans portfolio acquired for $ 89,052.3 million and credit lines in respect of deposits under Resolution 1,686 for $ 94,401.1 million.

3. OTHER OVERSEAS LIABILITIES

Loans and other liabilities which are included under this heading mainly consist of credit agreements of the years 1983, 1984 and 1985 to grant new money for $ 565,727.3 million; rescheduling of foreign debt years 1983-1984, 1985-1987 and 1988-1991, for $ 259,116.1 million; credit from the Interamerican Development Bank (IDB) for $ 47,884.7 million, and deposits of the Banco Exterior de España S.A. (Resolution 1,872) for $ 15,266.4 million.

4. DEPOSITS AND COMMITMENTS

The heading "Other Deposits and Commitments" mainly includes the following: reserve deposits Resolution 143 and its amendments, by $ 321,277.3 million; Banco del Estado de Chile deposits for $ 153,695.9 million; foreign-currency current accounts for $ 146,497.9 million; foreign currency deposits under Resolutions 1,657 and 1,686 for $ 75,290.2 million; obligatory deposits from overseas credits by $ 53,901.6 million and short-term certificates of deposit for $ 16,549.1 million.

5. PRICE-LEVEL RESTATEMENT

Price-level restatement as indicated in Note 1, letter I), resulted in a net debit to income of $ 67,928.4 million, as follows:

	(In millions of Chilean pesos) Debits / (Credits)
Equity	88,525.3
Property, premises and equipment	(2,703.9)
Other assets	(17,893.0)
Net charge to the results for the year	67,928.4

The change in the consumer price index amounted to 12.1% during the year.

6. RESERVES AND WRITE-OFFS

Detail of reserves included in Other Liability Accounts is the following:

	(In millions of Chilean pesos)
Subordinate commitments	58,634.0
Loans	12,334.5
Severance compensation	3,447.2
Other	2,226.5
Balance at 12.31.93	76,642.2

Loans write-offs and reserves, in the Income Statement, includes a debit by $ 959.4 million, from write-offs and reserves in the year.

7. EQUITY AND SURPLUS

Variations in equity during 1993 are summarized as follows:

	(In millions of Chilean pesos)		
	Capital	Surplus	Total
Balance at 01.01.93	766,365.0	(34,750.8)	731,614.2
Absorption of 1992 deficit	(34,750.8)	34,750.8	–
Equity price-level restatement	88,525.3	–	88,525.3
Deficit for the year	–	(4,185.1)	(4,185.1)
Balance at 12.31.93	820,139.5	(4,185.1)	815,954.4

In accordance with Article 5 of the Constitutional Organic Act of Banco Central de Chile the initial capital for the Bank was settled by $ 500,000 million to be contributed according to transitory Article 2 of the same law. The following is a summary of the initial capital as of December 31, 1993:

	(In millions of Chilean pesos)	
Capital under Article 5, Law 18,840		500,000.0
Balance at 12.31.92	441,470.9	
Deficit for 1992 applied to the initial capital as per Board Resolution 270-03 of January 21, 1993	(34,750.8)	406,720.1
Balance required		93,279.9

The restatements of capital after December 8, 1989 correspond only to the price-level restatement of paid-up capital, and therefore are not taken into account for the purposes of making up the initial capital.

8. LOANS TO BE COLLECTED FROM THE CORPORACION DE FOMENTO DE LA PRODUCCION (CORFO), ACCORDING TO LAWS 18,401 AND 18,577

Pursuant to Law 18,401, published in the Official Gazette on January 26, 1985, and its amendments, the Banco Central de Chile granted loans to CORFO for the purchase of shares of financial institutions on behalf of third parties.

CORFO pays back its debt by transferring amounts collected from these shareholders, net of discounts granted if paid timely. According to Article 13 of the above mentioned law, the differences not recovered, of up to 15 million indexed units (UF), will be covered by the Treasury to the Banco Central (Note 12), by the way of future transferences. As far as the information currently available, this amount is considered sufficient.

On the other hand, 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, 1993 the balance receivable from CORFO amounts to $ 96,220.9 million (equivalent to UF 9.1 million) and the balance transferable by the Treasury amounts to $ 99,822.1 million (UF 9.4 million).

9. PREFERENTIAL US DOLLARS

Resolutions 1,466 dated September 3, 1982; 1,484 dated December 15, 1982; 1,556 dated February 22, 1984 and 1,657 dated June 27, 1985, of the Bank's Executive Committee, provided that certain commitments in foreign currencies or stipulated to be restated in foreign currency in effect before August 6, 1982 could be repaid at a preferential exchange rate, the Banco Central bearing the difference between this exchange rate and the rate prevailing at the time of the repayment.

The estimated exchange differential payable as of December 31, 1993, not yet documented, is fully provided for an aggregate amount of $ 2,916.9 million.

10. FINANCIAL INSTITUTIONS WITH SUBORDINATE OBLIGATIONS (LAW 18,401)

Pursuant to Resolution 1,953, dated August 16, 1989, and the provisions of Article 15 of Law 18,401 amended by Article 3, letter d) of Law 18,818, for those banks and financial institutions which had sold their loan portfolio in accordance with Resolutions 1,450 and 1,555 and their corresponding amendments, and thereby had committed themselves to repurchase the portfolio, the Banco Central provided the option of novation for all the obligations resulting from these loan portfolio repurchase agreements, which were substituted by a subordinate obligation thus stipulated in a novation agreement.

The amount of the subordinate obligation was set up by the outstanding balance of the novated repurchase obligation, resulting from the amount paid for in cash for the loan portfolio by the Banco Central, the amount paid for with one or more Treasury notes with non-accrued interest, and the cumulative interest accrued at the novation date.

The maturity term of the subordinate obligation of the financial institutions is not determined until the date of actual settlement and has a cumulative surcharge of 5% per annum, on the outstanding amounts arising from the novated repurchased obligation, resulting from the amount paid for in cash by the Banco Central plus the cumulative interest accrued to the novation date.

The financial institutions commit themselves to allocate to the payment of this subordinate obligation the annual profits defined in accordance with regulations of the Superintendency of Banks and Financial Institutions. Likewise, the financial institutions may, whenever they deem appropriate, pay their subordinate obligations with resources authorized by the above mentioned Superintency. Consequently, the settlement of the said commitment is subjected to the financial institutions capability to generate income.

As at December 31, 1993 the subordinate obligation amounts to $ 1,734,501.5 million, and is included in the item Financial institutions subordinate obligations (Law 18,401) under the caption Domestic Assets of the Balance Sheet. As of that date the Banco Central has set up reserves for $ 58,634.0 million for this purpose.

Part of the subordinate obligation was originated by financing with instruments from the Banco Central. The balance of $ 173,437.2 million of instruments is included as Domestic Liabilities, under Promissory notes issued on purchase of portfolio in the item Instruments Issued by the Banco Central, and its settlement is in relation with the payments of the financial institutions subordinate obligations.

Currently, a bill including modification to current terms for repayment of these commitments is being studied by the Congress.

11. INTEREST RATE HEDGING

Pursuant to Resolution 1,837, of December 23, 1987, the Executive Committee authorized the International Division to hedge interest rates on its liabilities.

During 1993 "Eurodollars Future Contracts" were executed, of which 1,143 for the equivalency of US$ 1,143.0 million are in force at December 31, 1993.

For these contracts the Bank has set up guarantees in securities included under the heading Bonds, certificates of deposit and others amounting to US$ 0.8 million.

During the period these contracts are in force, the net accrued or perceived income from these contracts are recorded as income as the interests on the respective liabilities are accrued. The interest accrued, when a loss, is recognized in the income statement.

As at December 31, 1993 these transactions showed a net loss equivalent to US$ 12.8 million.

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

The following amounts are included as Domestic Loans, under the caption Treasury transferences (Laws 18,267; 18,401 and 18,768):

	(In millions of Chilean pesos)
a) Treasury promissory notes (Law 18,267)	469,744.5
b) Treasury transferences (Law 18,401)	99,822.1
c) Treasury promissory notes (Law 18,768)	3,058,905.3
Total	3,628,471.9

a) TREASURY PROMISSORY NOTES. LAW 18,267

According to provisions of Article 39 of Law 18,267 dated December 2, 1983, as supplemented by Decree 927 of the Ministry of Finance, dated December 12, 1983, the Treasury transferred to the Banco Central de Chile $ 100,000 million, by issuing 40 Treasury promissory notes with a 25-year maturity term, with 5 years free, stated in indexed units (UF), with an annual capitalizable interest rate of 1% and semiannual amortization.

In prior periods the Bank has received advanced payments of installments maturing up to June 15, 1994.

b) TREASURY TRANSFERENCES. LAW 18,401

This item shows the cumulative amounts of future transferences applicable to the maximum of 15 million indexed units (UF) as stipulated in Article 13 of the Law 18,401 (Note 8). These amounts receivable result from the discounts granted to those shareholders benefited by provisions of the mentioned law.

These transferences from Treasury will be completed in a term not exceeding 30 years, with 10 years free, starting from the definite determination of the total amount.

c) TREASURY PROMISSORY NOTES. LAW 18,768

This item corresponds to promissory notes denominated in US dollars, which, under provisions in Article 75 of Law 18,768 published in the Official Gazette on December 29, 1988, as supplemented by Ministry of Finance Executive Decrees 1,257, dated December 29, 1988 and 330, dated April 4, 1989, replaced 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, enacted according to provisions in 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 capitalized, and maintain the same issuing and maturity date of the substituted instruments.

These promissory notes have June 15, 1995 as the first maturity date and December 15, 2014 as the last maturity date for the 40 semestral promissory notes issued.

Up to December 31, 1992, Treasury made several prepayments of principal and interests. During the current year, the Treasury early made redemption of interest by US$ 129.6 million, being included as Other, under Other Liability Accounts, unearned interests amounting to US$ 126.6 million.

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

Under the provisions of 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, came to an end. The liquidation of their respective assets was also set out in this law, and was made at April 30, 1990, being the final approval in process.

The liabilities of the Caja Central and the Asociación Nacional which were not covered by the proceeds of their liquidation, will, according to Article 5 of this law, be met by a charge for the necessary funds from the national budget, in accordance with Article 21 of Decree Law 1,263 of 1975.

As at December 31, 1993, the amount owed to the Banco Central for the liquidation of these entities, including interest accrued to that date, amounted to $ 161,645.2 million, as set out in Note 2.

14. COMPOSITION BY REMAINING PERIOD OF THE INSTRUMENTS ISSUED BY THE BANCO CENTRAL DE CHILE, AS AT DECEMBER 31, 1993

The different instruments issued by the Banco Central de Chile, detailed according to the remaining time period, are set out below:

Type of instrument	(Amounts expressed in millions of Chilean pesos)					
	Up to 90 days	91-180 days	181-365 days	1-3 years	Over 3 years	Total
Discountable promissory notes issued by the Banco Central (PDBC)	28,010.0					28,010.0
Adjustable promissory notes to be paid in Treasury bills (PRC)	265,566.0	114,204.7	213,704.3	782,084.4	1,817,945.4	3,193,504.8
Adjustable promissory notes with floating interest rate (PTF)	7,694.2	1,310.5	6,278.3	25,113.2	75,127.1	115,523.3
Promissory notes in respect of exchange rate differential	30,009.8	13,795.9	71,152.5	164,016.7	134.2	279,109.1
Adjustable promissory notes issued by the Banco Central (Resolution 1,555)	9,051.9	8,827.3	18,108.9	56,145.6	801.2	92,934.9
Promissory notes issued on purchase of portfolio					173,437.2	173,437.2
Instruments issued on rescheduling of foreign debt (Chapter XIX of the Compendium of Rules on International Exchange)	747.3	523.5			315,071.9	316,342.7
Promissory notes on acquisition of letters of credit	6,824.6	5,920.0	8,557.6	35,132.2	3,882.2	60,316.6
Adjustable promissory notes issued by the Banco Central (PRBC)	1,081,875.3	89,240.0	52,053.6			1,223,168.9
Commercial effects of the redenomination of foreign-debt securities	27,320.6	2,978.7	116.2	189,912.3	173,071.9	393,399.7
Adjustable promissory notes in indexed units (UF) (Resolution 1,836)	9,185.2				308,304.7	317,489.9
Adjustable certificates of saving deposit	11.1					11.1
Certificates of deposit expressed in US dollars (Resolution 1,649)		581.3		1,409.8	4,814.0	6,805.1
Promissory notes expressed in indexed units (UF) to Banco del Estado from BUF-BHC debt (Resolution 91)	2,326.6	6,084.6	4,779.4	1,189.9		14,380.5
Total instruments issued	1,468,622.6	243,466.5	374,750.8	1,255,004.1	2,872,589.8	6,214,433.8

These figures include interest and restatements accrued as at December 31, 1993.

b) CONTINGENCIES

The Banco Central de Chile is involved in some pending suits, but which final outcome would not have a material effect on the financial statements as of December 31, 1993.

17. INCOME TAX

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

18. RESULT FOR THE YEAR

Pursuant to Article 77, Law 18,840, the deficit incurred in any period will be absorbed by charging the constituted reserves. As there are no reserves, and not having an expess rule, the Board, in accordance with dispositions in Article 2 and to the faculties conferred by Article 75 of said law, determined that the deficit incurred in any period will be absorbed by charging constituted reserves and if these were not enough, this absorption will be done, in the portion not covered by them, by charging the paid in capital, which will apply in respect of the deficit for this year.

19. SUBSEQUENT EVENTS

No subsequent events have ocurred that may significantly affect the presentation and/or the results of these financial statements.

ENRIQUE MARSHALL RIVERA
General Manager

FRANCISCO GARCIA LETELIER
Accounting & Administration Manager

SUSANA LEON MILLAN
General Auditor

REPORT OF INDEPENDENT AUDITORS

ERNST & YOUNG

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, 1993 and the related statement of income for the year then ended. These financial statements (which include the corresponding notes) are the responsibility of the management of the Banco Central de Chile. Our responsibility is to express an opinion on these financial statements, based on the audit work we have performed.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain a 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.

Pursuant to Article 75, Law 18,840, the Banco Central de Chile prepares its financial statements according to standards issued by its Board, previously approved by the Superintendency of Banks and Financial Institutions. As explained in Note 1.a) these policies are in accordance with accounting principles generally accepted in Chile, except for the valuation of assets and liabilities in foreign currencies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Banco Central de Chile as of December 31, 1993, and the results of its operations for the year then ended, in conformity with the basis described in Note 1.

As described in Note 10, the Banco Central de Chile includes within its Domestic Assets Ch.$ 1,734,501.5 million representing the subordinate commitments of financial institutions, with an undefinite maturity term, deriving from the novation of loan portfolio repurchase contracts. According to the nature and characteristics of the novation contracts the recoverability of these amounts is uncertain as it is dependent exclusively upon future net income generated by those institutions. At this date a bill is being studied by the Congress, which would modify the current conditions for repayment of these commitments.

Juan Humud G.

Santiago, January 13, 1994.

BANCO CENTRAL DE CHILE

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