

BANCO CENTRAL DE CHILE

67th ANNUAL REPORT 1992



Cover Photograph: Gold coins from the collection of the Banco Central de Chile minted between 1749 and 1751.

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**AUTHORITIES OF BANCO CENTRAL DE CHILE
AS OF DECEMBER 31, 1992**

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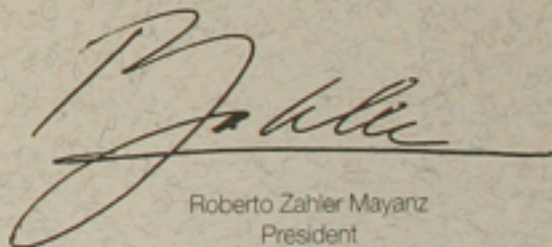


BANCO CENTRAL DE CHILE

Santiago, April 26th of 1993

Mr.
Alejandro Foxley Riosco
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 1992.



Roberto Zahler Mayantz
President





I. R E P O R T

EVOLUTION OF CHILE'S ECONOMY DURING 1992

A. OVERVIEW

The Chilean economy evolved favourably in 1992 with notable product (GDP) growth, increased domestic saving, higher real earnings and improved employment figures. Macroeconomic policy brought a 10.4% increase in GDP, achieved through the gathering momentum of investment and continued export growth, while pursuing the target of lower inflation set up in 1990. In this way, consumer-price inflation (CPI) rose 12.7% in the year, significantly lower than the 18.7% for 1991.

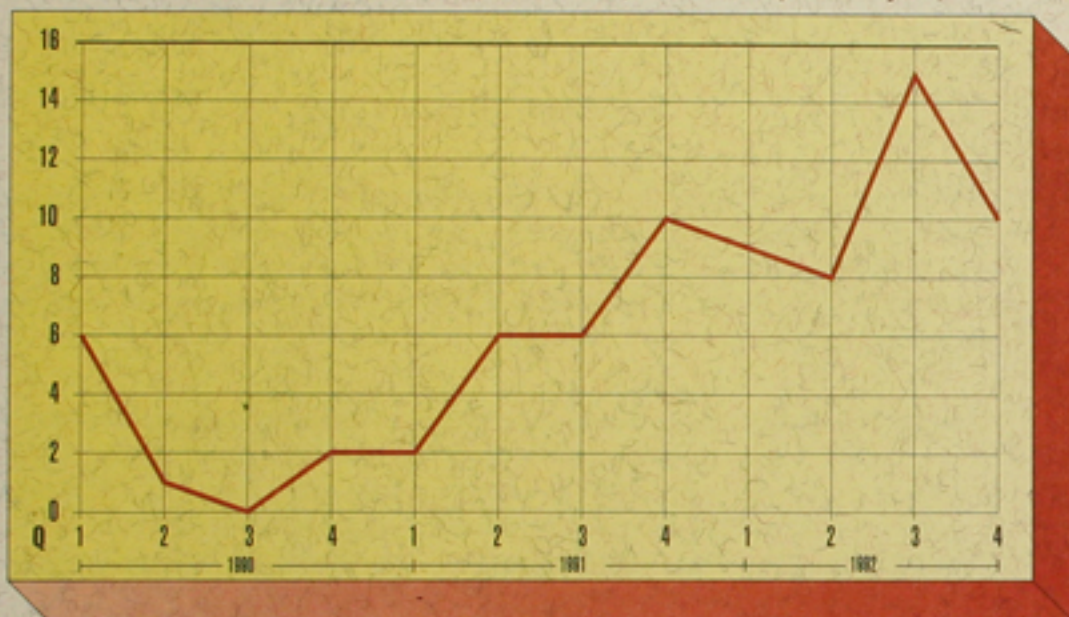
The slowdown in inflation may have been easier because of the real appreciation of the peso, but it was upheld by the overall coherence of macroeconomic policy, and monetary and financial policy in particular, which aimed to keep expenditure in line with domestic production and to maintain a watchful eye on external financing. Thus, control of aggregate demand made it possible for lower costs of inputs and end products, due to the stronger peso value, to be translated into lower inflation and not be counteracted by inflationary pressures created by labour costs and by marketed goods and services.

The extraordinary macroeconomic conditions in 1992, among them plentiful access to external funding, improved exchange-rate conditions and under-exploited productive capacity and work force, allowed for a substantial non-inflationary expansion of spending and aggregate product of over 13% and 10% respectively.

Despite these favourable conditions, macroeconomic policy was set to avoid exaggerated or unsustainable expenditure growth. Interest rates on Banco Central papers were raised several times, increasing almost two percentage points in the year, and a significant level of public saving was also achieved. This policy of decelerating spending was reflected in a lower rate of product growth in the fourth quarter of 1992, bringing it to a more sustainable long-term level of growth (Chart 1).

Domestic production and demand were mainly spurred by investment spending and this was reflected in increased gross fixed capital formation of over 20% and in vigorous stock accumulation. Investment growth outpaced its forecasts, both government and private ones, and this was also translated into greater economic growth.

Chart 1
QUARTERLY GDP GROWTH RATES
 (Percentage changes compared to the same period of the previous year)



As in recent years, exports continued to be one of the prominent contributors to growth and increased in volume by over 13% in 1992. At the same time, imports were strong, increasing by over 25% in real terms, due to expenditure growth and to their relatively lower price. Said lower prices were caused by the mid-1991 tariff cut and by the exchange measures introduced in January 1992 which were reflected in a real appreciation of the market exchange rate. Import growth was a pre-announced target of economic policy, being a way of channelling foreign resources available for financing investment. For this reason, macroeconomic policy specifically aimed at complementing internal saving with greater external saving and this showed up in the fact that consumption increased significantly but did not outdo the expansion of product and national income. Consequently, internal saving, as a proportion of nominal GDP, rose to 19.6%, one of the highest levels reached in recent decades, and allowing 92% of the country's investment to be financed by its own resources.

As regards the components of GDP, trade, transport and communications and construction were most dynamic with growth rates exceeding 14%. Manufacturing industries also grew by a satisfactory 12.2%. Except for sluggish growth in mining, agriculture, livestock and forestry, all other sectors grew less than the average but at least 9%.

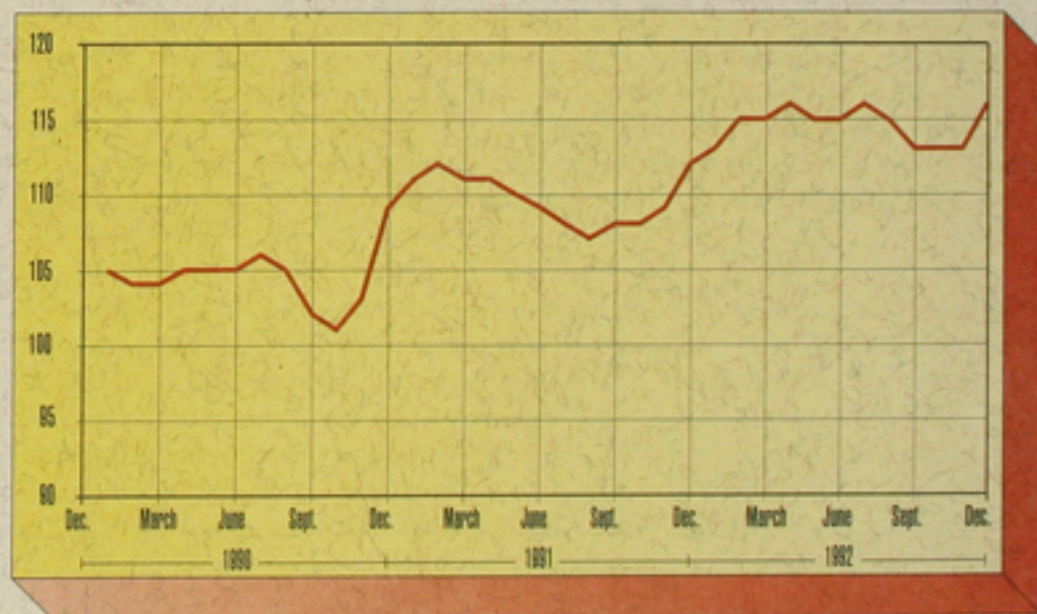
Employment, obviously closely linked to economic activity and increased investment, also achieved

very satisfactory figures, 230,000 more people were employed in 1992, which meant an increase of 5.1% between December 1991 and December 1992, whilst average national unemployment, compared to 1991, dropped 1.6 points to only 4.9% of the work force. Nominal earnings increased as usual until August but dropped off towards the end of the year, helping to reduce inflation, whilst average real earnings increased by 4.5% (Chart 2).

Monetary policy aimed to reduce inflation and to channel expenditure and domestic demand in accordance with the economy's productive possibilities and with a rational use of available medium- and long-term external financing. Parallel to this aim, internal-debt policy was pursued and intensified with the object of improving the maturity profile of Banco Central promissory notes. To this end, the Banco Central issued longer term promissory notes and offered them on the basis of bids which has allowed the Bank to gradually lengthen the average term of its debt and also to give the market more say in determining the temporary interest-rate structure. It must be understood, however, that this policy does not aim to control aggregate spending but rather to lengthen the period over which Banco Central papers mature and thus to provide a more stable monetary environment.

The Banco Central continued its exchange-rate policy of favouring a rate coherent with external

Chart 2
INDEX OF REAL WAGES
(Base: December 1982 = 100)



accounts stability, in the short term as well as in the medium and long term. Analysis of trading trends, the possibilities of access to external funding and the economy's main external indicators, as well as close monitoring of the market, led to the conclusion that the exchange rate was over-valued and measures were taken in January 1992. These were a 5% revaluation of the referential exchange rate and widening the band of the floating dollar exchange rate from $\pm 5\%$ to $\pm 10\%$. The result was a higher market exchange rate, although this was not constantly maintained throughout the year and at times the Bank had to intervene in support.

In order to make monetary policy and exchange policy more coherent, a series of measures were introduced to give both policies greater relative autonomy. Among them, reserve requirements on foreign credits were raised and were extended to affect foreign-currency deposits, and also the Banco Central was given the option of buying or selling foreign currency within the floating exchange limits. Furthermore, the dollar alone as yardstick for the value of the peso was replaced by a basket of currencies composed of the United States dollar, the Deutschmark and the Japanese yen. This allows Chilean monetary policy greater relative independence with respect to United States policy by linking it with the combination of United States, German and Japanese monetary transactions.

Similarly, the policy of gradually easing restrictions on currency movements was continued and measures were taken tending to broaden the scope of the exchange market. Among these measures were regulations allowing Pension Fund Managing Entities (AFP) to carry out investment abroad for up to a maximum of 3% of the total amount of the Pension Fund; considerable relaxation of the regulations for foreign investors subject to Chapter XIX of the Compendium of Rules on International Exchange regarding capital and profit remittances; increasing from 5% to 10% the proportion of export returns free of the obligation to be sold on the formal exchange market; simplification of the regulations and procedures relating to commercial and financial transactions abroad; giving more freedom to banking companies with regard to their foreign currency transactions and making the regulations on purchase, sale, forward deals and foreign-currency swaps more flexible.

The buoyancy of imports as compared to exports halved the value of the trade surplus registered in 1991, which meant that the balance of payments current account, which had closed with a surplus in 1991, registered a deficit in 1992, equivalent to 1.7% of GDP. Despite this result, the influx of net external funds produced a capital-account surplus that exceeded the current-account deficit, confirming an important stock of international reserves that amounted to US\$ 2,370 million. In this way, Chile's net foreign debt was further reduced and, in more general terms, the indicators of the country's external solvency continued the favourable trend of recent years. This was reflected in part at least by Chile's qualification by an important international risk assessor as the first Latin American country to reach "investment grade".

The satisfactory macroeconomic performance achieved in 1992 was not only due to the constant and

coherent monetary, exchange and fiscal policies pursued but overridingly to investment, and particularly private-sector investment. Other advantageous factors were ample productive capacity and favourable conditions in both the labour market and the foreign-currency market. However, these conditions are unlikely to prevail and, if the country is not to lose its strong foothold, especially in terms of rising levels of saving and investment, all economic agents, and in particular the public sector and the Banco Central, must ensure that the process of sustained growth continues within a sound framework and steadily falling inflation.

B. ECONOMIC ACTIVITY AND EMPLOYMENT

In 1992, vigorous economic activity brought real GDP growth of 10.4% (measured at 1977 prices), well ahead of the 6% achieved in 1991 (Table 1). Output growth was similar to that shown by the Monthly Indicator of Economic Activity (IMACEC) which closed the year at 10.1%.

Strong economic growth this year confirms the favourable trend of the Chilean economy, particularly as regards falling inflation, increased employment and higher real earnings.

Just as in 1991, GDP growth was outpaced by real gross national income which reached 11.4% (7.1% in 1991). This is because net factor income from the rest of the world increased proportionally less than GDP, mainly because of international interest-rate cuts. There was also an increase in current transfers and a slight improvement in the terms of trade index.

B.1. OUTPUT BY SECTOR

Overall output growth was achieved by high or above-average growth rates in trade, transport and communications, construction, manufacturing, and electricity, gas and water. However, their highly positive contribution was to some extent dampened by rather sluggish growth in the agriculture, livestock and forestry sector (3.1%) and in mining (1.1%) (Table 2).

The strongest growth in 1992 was in the trade sector, which increased 14.3%, mainly based on imported goods trading and, to a lesser extent, on domestic sales of home-produced industrial goods.

Transport and communications growth of 14.2% is again explained, as in previous years, by communications development. There was also an expansion of air and sea transport services which on average increased at rates of over 19%.

Overall construction output grew 14.1% with rapid expansion of both housing and non-housing construction. Although below the sector's average, investment by public institutions viz. Metropolitan Water Works S.A., Ministry of Housing and Urbanisation, local government, the Regional Development Fund and other similar public institutions made a significant contribution to construction development.

Manufacturing output maintained an upward trend, reaching a 12.2% growth rate, through increased demand both at home and abroad (manufactured goods exports increased 37.5% in volume in 1992). The rise in demand could be met because national industries, particularly those of steel, household electrical appliances, paper, printing and others, have increased their installed capacity in recent years. Three important new woodpulp mills have started up (the extension to Arauco II mill and two new mills, Santa Fe and Celulosa del Pacifico CELPAC), increasing this subsector's productive capacity by 125%. The manufacturing sector was well prepared, with its increased productive capacity and other favourable factors, such as good labour

relations and managerial skill, to respond adequately to the surge in demand.

The biggest growth industries were: sugar (55%); non-electric machinery (49.1%); methanol (41.7%); canned fruit and vegetables (29.5%); metal products (23.3%); steel (19.8%); cement (19.7%); pulp and paper (19.5%); other chemical products (18.8%); transport materials (16.4%); electrical machinery (15.2%) and glass (14.7%). On the other hand, output dropped by 4% or more in some industries such as textiles and clothing.

The electricity, gas and water sector grew 9.8% mainly to supply the electric power demanded by increased productive activity especially in manufacturing industries.

Fishing registered a healthy growth rate of 9% entirely from catches within the 200 mile territorial waters. Marine currents favoured recovery of the shoals in northern waters and catch volumes have been very satisfactory. In the central region of the country, San Antonio is becoming a flourishing area of fishing sector development. Good market prices abroad also contributed to this sector's results.

B.2. COMPOSITION OF EXPENDITURE

Strong growth of imports, which reached 22.2% in real terms, allowed for rapid increase of final demand, so that almost all its components grew faster than the GDP growth rate (Table 3). Gross fixed capital formation was the component of final demand with the highest growth rate, a 20.2% real increase in the year, which raised it as a proportion of GDP from 18.2% in 1991 to 19.8% in 1992. The high rate of gross fixed capital formation was largely due to construction-sector growth, as commented in the previous section B.1, and to investment in machinery and equipment which made an outstanding real increase of 32% in the year (Table 4).

In 1992, exports held their steady upward trend, increasing 12.3% in volume. Non-copper exports showed strongest growth, 16.3%, with industrial-goods exports reaching almost 30%.

Total consumption growth was 9.5%, rather high, although lower than product growth. It was due to private consumption increasing 10.1% and government consumption 4.8% of which a determinant factor was public health (9%).

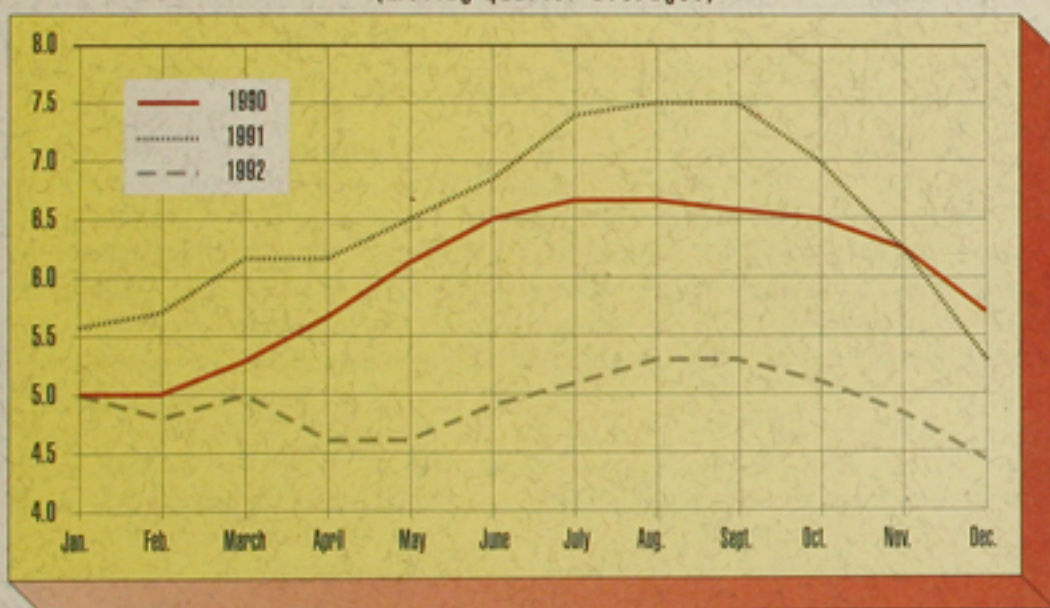
Since consumption growth was relatively lower compared to product and income growth, the national savings rate increased for the second consecutive year, reaching 19.6% of GDP at current prices and 22.2% of GDP in real terms (Table 4).

B.3. EMPLOYMENT

Vigorous economic activity and strong investment were reflected in a busy labour market. Average national unemployment dropped 1.6 percentage points compared to 1991 and affected 4.9% of the work force. This is one of the lowest jobless rates since reliable records have been kept (Table 5 and Chart 3).

Furthermore, unemployment was reduced despite an important increase in the work force, which has grown by 4.1% in 1992. This means that about 200,000 new people came into the job market, but this figure was nevertheless exceeded by the 233,000 new jobs available, an increase of 5.1% in the year.

Chart 3
NATIONAL UNEMPLOYMENT RATE
(Moving quarter averages)



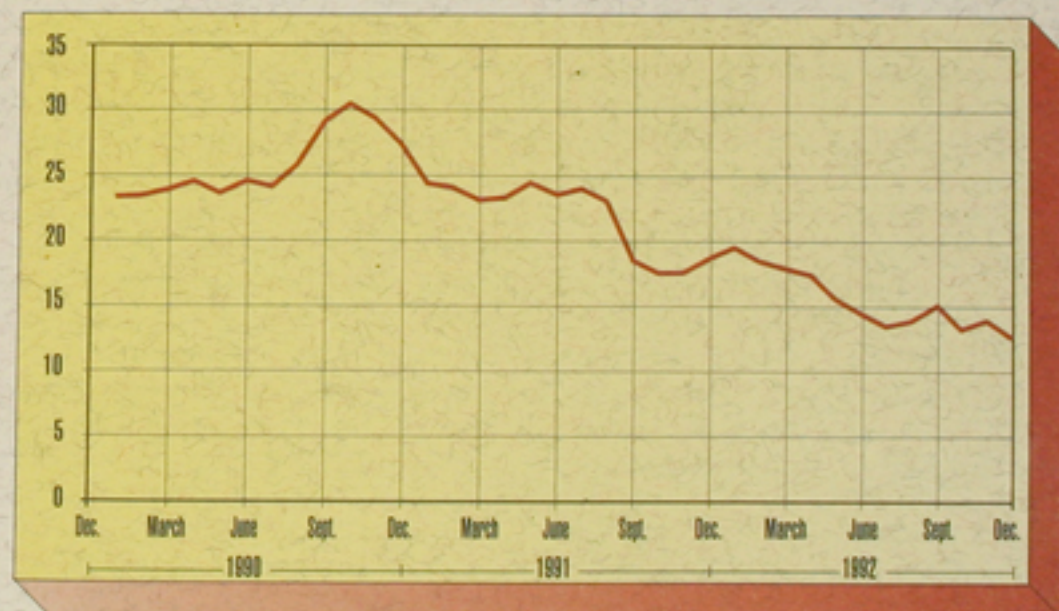
C. INFLATION AND WAGES

The strong downward momentum to inflation continued throughout 1992 with successive falls in the twelve-month rate of variation of the main price indexes (Table 6). The twelve-month rate of consumer-price inflation reached 12.7%, substantially lower than the 18.7% and 27.3% registered at the end of 1991 and 1990 respectively. (Chart 4). Twelve-month wholesale-price inflation showed a similar falling tendency, coming down to 8.9% in December 1992 from 16.5% and 25.7% at the end of 1991 and 1990 respectively. These results are well within the target rates set by the Government.

The reduction in inflation was sustained mainly because prudent and coherent macroeconomic policies were applied after the tightening of monetary policy in 1990. These policies managed to restrain the upward pressure on inflation prevalent at the end of the '80s and later transform it into a downward pressure. The considerable drop in inflation achieved in the first half of 1992 was made easier by the appreciation of the peso that occurred following exchange measures introduced in January and by mid-year the inflationary downturn even allowed economic authorities to lower their forecast of an annual inflation rate of 15% to 13%.

It must be emphasised that the Government's inflation target could only have been met by constant application of correct monetary and fiscal policies. The rigorously tight monetary policy introduced in 1990,

Chart 4
CONSUMER PRICE INDEX
(12-Month percentage change)



and thereafter coherent monetary and fiscal conduction, allowed the anti-inflationary trend to flourish in 1991. From then on the impact of these policies was passed on to prices and salaries. Throughout 1991 and 1992 the Banco Central was concerned that expenditure should grow at rates compatible with the steady economic expansion envisaged.

Restrictive adjustment to aggregate demand and flexibility of the work supply contributed to achieving a balanced labour market and confident expectations of inflation remaining low. These were essential to keep earnings growth in line with the low inflation target and, in fact, the labour market responded well to the macroeconomic policies applied and contributed directly to curbing price rises. Initial real wage rises agreed in collective bargaining, that is, increases over and above past-inflation adjustments, reached on average 2.6 percentage points (Table 9). As average productivity growth outpaced initial wage rises, the increase in unit labour costs was less than past inflation, thus contributing to reducing inflation and at the same time raising real earnings.

Furthermore, since, in collective contracts, past inflation is index-linked, the falling tendency of inflation, allowing for a certain lag, also slows down nominal earnings growth. As a result, twelve-month nominal earnings grew more slowly in 1992. In December 1991, they had increased at a rate of 21.9% and by December 1992 they had dropped to 17.1% (Table 8). However, inflation fell even faster and so there was still an increase in real earnings which came to 3.9% in the year December 1991 to December 1992 (Table 8). Again it can be clearly seen that the purchasing power of earnings depends less on nominal wage increases and far more on a low rate of inflation.

Real appreciation of the peso, which occurred at the beginning of 1992 because of both current and foreseeable external conditions and not, as the Banco Central has repeatedly disclaimed, as an anti-inflationary measure, did, in fact, pass through to prices, slowing their increase, particularly in the first half of 1992. The twelve-month inflation rate fell from 18.7% in December 1991 to 14.5% in June 1992. However, in the second half of the year, inflationary slowdown was less pronounced: the twelve-month inflation rate moved down from 14.5% in June to 12.7% in December (Table 6). The different speed of falling inflation is partly explained by a drop of 5.9% in the real exchange rate from the second half of 1991 to the first half of 1992, whereas from the first to the second half of 1992, it rose by 1% (Table 15).

Analysis of sectoral inflation rates reveals that the twelve-month growth in prices of foodstuffs, housing and clothing was similar to that of the overall index. Relatively subdued price growth in transport and communications was offset by stronger growth of the "others" sector (Table 7).

D. MONETARY POLICY AND INTEREST RATES

D.1. MONETARY POLICY

In 1992, keeping to the same general lines as in recent years, monetary policy has aimed to moderate aggregate expenditure growth by using the interest rates on Banco Central instruments to influence market interest rates and, in turn, domestic demand. For several reasons, already discussed in previous bulletins and annual reports of the Banco Central, this framework for policy has seemed preferable to others, such as applying quantitative targets to credits or to monetary aggregates.

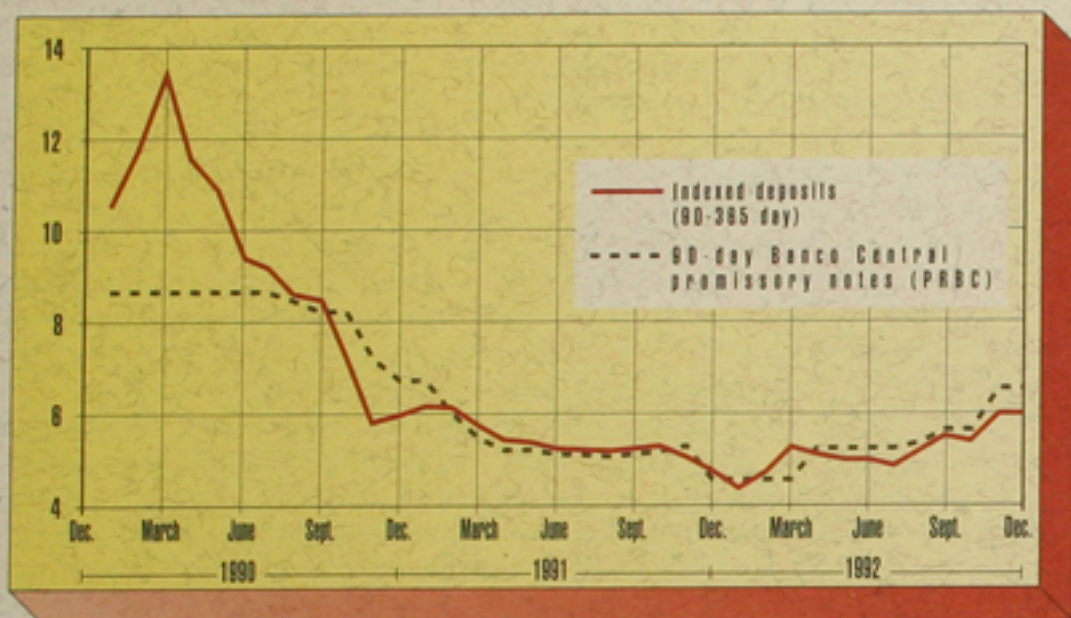
The main instruments used in the pursuit of this objective have been 90-day Banco Central indexed promissory notes (PRBC) and 30-day discountable promissory notes (PDBC). PRBC have been offered at a real fixed interest rate determined by the Banco Central and adjusted according to current macroeconomic conditions. PDBC have usually been offered each Wednesday at a nominal interest rate that the market varies according to the Banco Central's projected 30-day inflation. Chilean economy's index-linked system is widely known and used, as well as the relative importance of the Banco Central's internal debt in financial saving, and this has meant that control of real interest rates on Banco Central short-term papers has a great influence on determining the real cost of credit in the economy. However, since interest rates on Banco Central long-term papers are decided by bids, the market has acquired more say in determining interest-rate structure.

Following the tightening of monetary policy in 1990, it was eased in 1991 by successive reductions of the interest rates on 90-day PRBC. Spending growth and economic activity began to speed up again towards the end of 1991 and beginning of 1992, which led the Bank to gradually raise its PRBC rates. The first rise was in March, when the rate moved up from 4.7% to 5.2%. The second rise was in August, bringing the rate to 5.7% and the latest rise, which came into effect on November 2, brought it to 6.5% (Table 10 and Annex 1). In this way, monetary policy has been the main channel for conducting spending and output potential, which would not be so necessary if there were greater flexibility in the handling of short-term fiscal policy.

As has been customary in recent times, market interest rates - taking 90-day and 365-day transactions to be indicative of these rates - followed closely the Banco Central rates, reacting promptly to any variations introduced (Chart 5). During the first quarter of 1992, the indexed rate on deposits reached 4.9% and in the three following quarters of the year it was 5%, 5.3% and 5.8% respectively, while the lending rate rose from 7.9% in the first quarter to 8%, 8.1% and 8.6% in the other three quarters. As can be seen, the average spread or differential between these two rates was reduced in the second half-year. This happened despite the reduction announced at the end of October in the amount of domestic currency required for the reserve, which made it possible to hope for an increase in the spread towards the end of the year (Table 11 and Chart 6).

As mentioned above, the Banco Central fixes the interest rates on its short-term promissory notes (30-day PDBC and 90-day PRBC) but longer-term rates are freely determined by the market. During 1992, the Bank put out to tender 365-day indexed promissory notes (PRBC) and four- six- eight- and ten-year indexed

Chart 5
MEAN INTEREST RATES: MARKET AND BANCO CENTRAL
(Percentages)

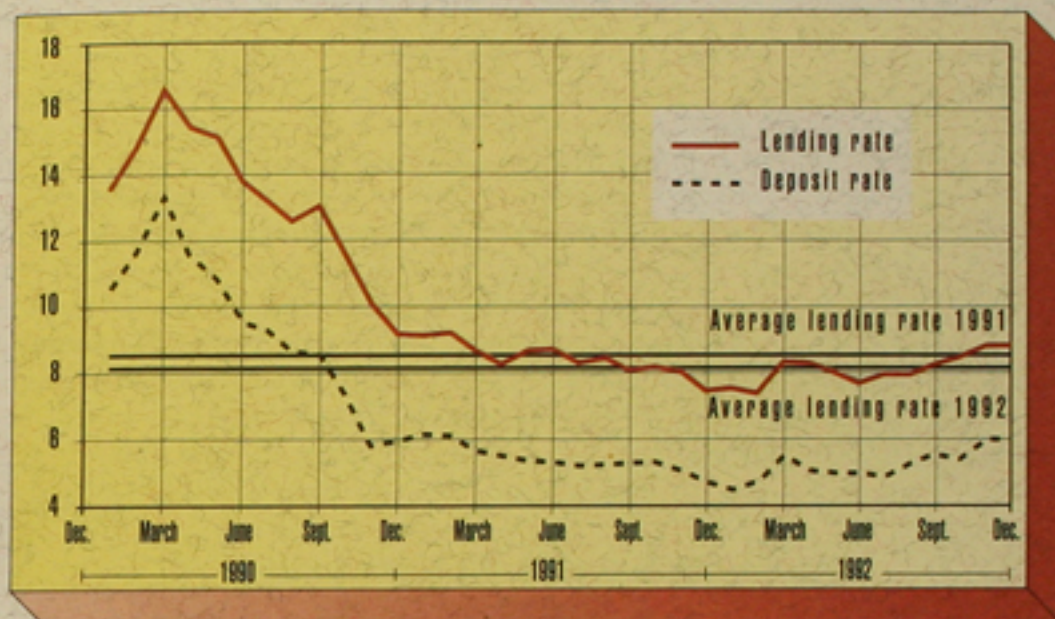


promissory notes with payment in coupons (PRC) twice a week and in quotas, that is, a fixed amount of each instrument. The dealing rate accepted by the Bank was for the whole quota and no tender could be declared void (every quota had to be accepted at some rate). Long-term quotas put out to tender have gradually led to a lengthening of the maturity profile of the Bank's domestic debt which had previously tended to concentrate in the short term.

D.2. EVOLUTION OF MONETARY AGGREGATES

Since, with a policy based on interest rates, money supply adjusts passively to demand, any change in what determines the demand for money provokes change in the amount of money observed. In general, variations in the amount of money are determined by the level of economic activity, the cost of holding money - measured by the nominal short-term interest rate - and seasonal factors. In Chile, observed money - defined as M1A - undergoes wide variations in a short time. Indexed unit (UF) variation and the strong monthly variations of the consumer-price inflation index (CPI), on the basis of which the UF value is calculated, produce often quite brusque changes in nominal short-term interest rates and, consequently, in the real

Chart 6
INDEXED INTEREST RATES ON 90 - TO 365 - DAY TRANSACTIONS
 (Monthly averages)



financial balances held. Despite the yo-yoing short-term money, longer-term averages - as they even out the nominal interest rate fluctuations - evolve more in harmony with the overall tendency of spending and economic activity.

In 1992, extreme cases of short-term money's volatility could be observed. The twelve-month variation of this aggregate - which does away with seasonal factors - reached an incredible 55.7% in March, more than double the twelve-month rate registered at the end of January. This phenomenon can be explained by the negative UF variation from March 10 to April 9 caused by February's drop in consumer-price inflation, when the CPI was -0.6% (Table 12 and Chart 7). The UF drop motivated private depositors to switch from term deposits, foreign-currency deposits and public documents to current-account deposits which had suddenly become the most profitable investment option. Notwithstanding this great twelve-month money growth in March - and also in April - inflationary pressures were not felt and, on the contrary, the inflation rate showed a declining tendency in 1992.

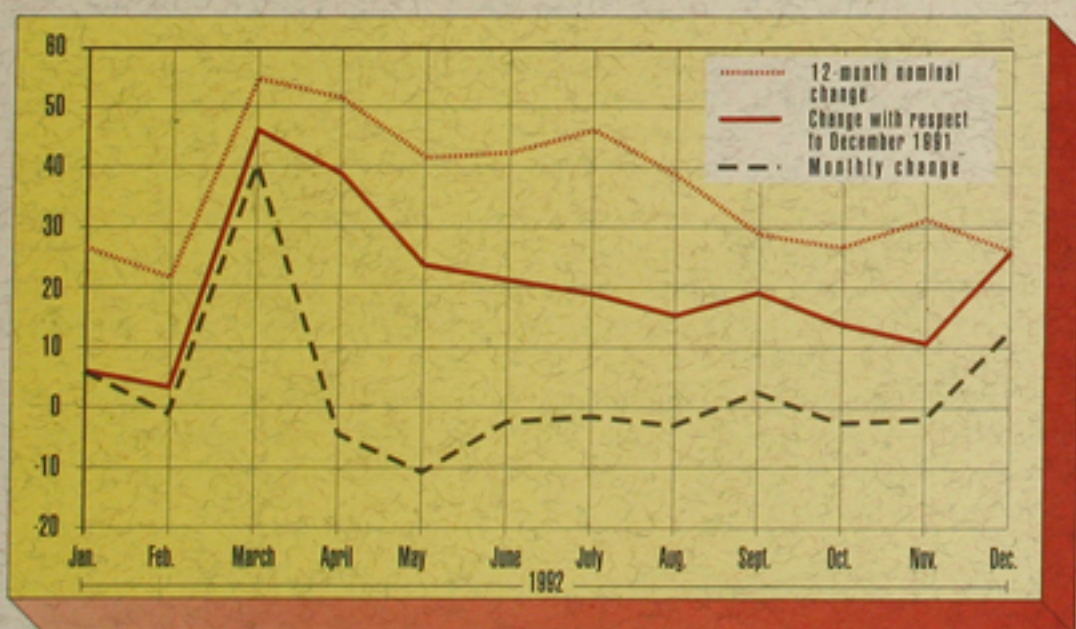
Except for the months of March and April, twelve-month variations in money evolved in step with economic activity and in keeping with interest-rate changes with regard to their corresponding monthly values

of 1991. On average, their 1992 values were slightly below those of the previous year which, all else being equal, implies an increase in the real amount of money.

M1A's behaviour in the first quarter was affected by the negative UF variation in March which produced the 55.7% nominal twelve-month growth registered at the end of that period. By the end of June, annual monetary expansion had already fallen to 43.3% which, although still high, is understandable in the light of the low nominal interest rate in June 1992 compared to that of the previous year, the upturn in economic activity and prices and given the money-market adjustment's characteristic lag. By the end of the third quarter, nominal twelve-month variation was down to 29.1% and, finally, in December to 26.4%. At year-end, nominal monetary (M1A) growth was fully compatible with real GDP growth of 10.4% and annual inflation of 12.7%, given a similar cost of holding money in December 1991 and December 1992 (Table 12).

Observation of broader monetary aggregate's behaviour provides additional information on the influence of interest rates on money. M2A, which includes time deposits, and M7, which corresponds to total financial saving, both present steadier twelve-month variations than M1A, although M2A also peaked in March and April because it felt the impact of the substitution of other financial saving components, whereas M7 is not similarly affected (Table 12 and Chart 8).

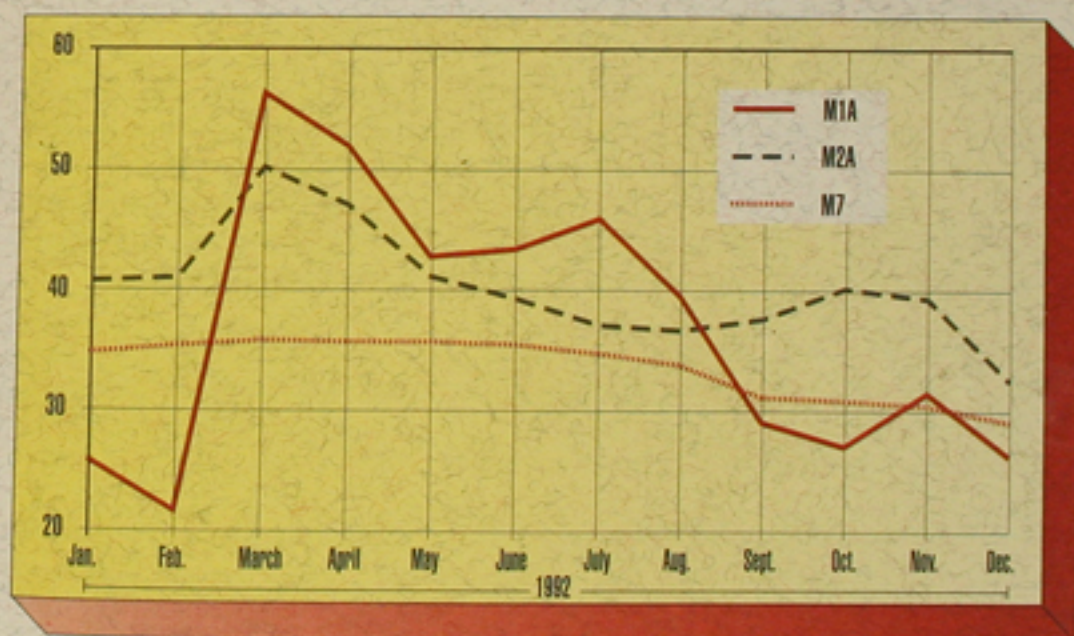
Chart 7
BROAD PRIVATE MONEY (M1A)
(Percentages)



Base money evolved in a similar way to M1A throughout 1992, except for the months of March, April and December. Like M1A, it showed a most unusual increase in March and April, but far greater than the increase in money, reaching a nominal twelve-month growth of 125.1% and 84% respectively. This was because financial institutions, just as private non-financial agents had done, preferred liquid assets in these months and maintained abnormally high cash balances (these constitute reserves). Since February's CPI had fallen to a negative variation this alternative was more enticing than Banco Central papers. However, in December, twelve-month base-money growth reached an all-year low and far lower than money growth. This was due to a particularly high level in December 1991 - which was transitory and was reverted the following month - and cannot thus be considered as marking a trend (Table 12).

Exchange operations in 1992 again contributed to increasing base money, while internal credit had the opposite effect. However, except for the month of May, there was little need for intervention since the US dollar remained almost all year within the established floating exchange band. Consequently, foreign currency was purchased from banking institutions in much smaller amounts than in 1991. As in previous years, whenever important amounts were generated by exchange transactions and by internal debt maturities, the Banco Central nullified them by placing new promissory notes. March was an exception due to the more attractive option of holding liquid assets, as mentioned previously, which meant that when papers matured they were not renewed and this produced base-money expansion.

Chart 8
12 - MONTH NOMINAL CHANGES OF MONETARY AGGREGATES
(Percentages)



E. EXCHANGE POLICY, BALANCE OF PAYMENTS AND EXTERNAL DEBT

E.1. EXCHANGE POLICY

Current exchange policy aims to keep the real exchange rate steady and compatible with the external environment in the medium term. Real exchange rate stability is highly important to developing exports, which is a key aspect of Chile's growth strategy. The outstanding development of the export sector is reflected in the value of goods exported which, between 1985 and 1992, increased from US\$ 3,800 million to US\$ 10,000 million, non-copper goods leading the way with a mean annual growth rate of 17%.

However, exchange policy does not pursue the aim of an invariable exchange rate, since the evolution and long-term tendency of the real exchange rate, as with any other relative value, is affected by factors beyond policy restraints. It is neither possible nor convenient for the Banco Central to constantly and systematically resist the tendency imposed by net currency flows and by the changing international economic environment. Nor is it ideal to allow complete freedom since the exchange rate often changes abruptly when the market over-reacts to transitory situations. The Banco Central must then intervene to avoid such fluctuations damaging domestic price stability and producing uncertainty and lack of confidence which would have negative effects on inflation, trade flows, investment and domestic output. Nonetheless, when structural changes take place in foreign currency supply and demand the Banco Central must be aware of them and fully assume its role in dealing with them.

Despite all the measures taken in 1991, the average bank exchange rate for the dollar (the observed dollar) clung to the lower limit of the floating exchange band and seemed destined to remain there. Towards the end of 1991, with external accounts proving extraordinarily sound, it became increasingly evident that the factors exerting downward pressure on the exchange rate were undoubtedly structural changes.

In fact, in 1991, for the first time in 15 years, the balance of payments current account registered a surplus; external debt was reduced in both comparative terms and absolute terms; Chile consolidated its entry into voluntary credit markets; and there was a favourable appraisal of the country's more permanent external position. The Banco Central responded in January 1992 by lowering the referential dollar exchange rate by 5%, widening the floating exchange band to $\pm 10\%$, and extending the reserve requirement on external credits to the commercial banks' demand and time foreign-currency deposits (Annex 2).

Widening the band aimed to increase the market's role in determining exchange-rate parity, but nevertheless, in March 1992, it was decided that the Banco Central should have a dirty float option of buying or selling within the band whenever it considers that by doing so it can avoid undesirably sharp exchange-rate fluctuations and lessen the effect of transitory factors on the dollar price.

When United States interest rates were slashed, bringing them to a 30-year low, the Banco Central was obliged to adapt the measures already taken in order to face the new international situation. In May, further measures were introduced to make monetary and exchange policy more effective. Among them were

measures affecting reserve requirements on foreign-currency debt subscribed by banking companies but not entered under Chapter XIV stipulations of the Compendium of Rules on International Exchange. The reserve was increased from 20% to 30% and it was to be calculated by counting consecutive days instead of bank working days. Foreign-currency deposit reserve requirements were subject to the same increase and a credit line of liquidity in dollars was established for banking companies to constitute the reserve. In the case of external credits entered under Chapter XIV of the Compendium of Rules on International Exchange, the 20% reserve was maintained but the term of the reserve was extended from 90 days to one year. Later, in August, the reserve requirement on these credits was also increased to 30% in order to bring the cost of foreign-currency financing in line with the rise in domestic-currency interest rates that had been produced by the 90-day PRBC interest-rate rise (Annex 2).

Finally, on the last working day of October, to complete this series of monetary policy measures, the Council of the Banco Central raised the cost of financing the dollar reserve for credits entered under Chapter XIV stipulations from LIBOR + 2.5% to LIBOR + 4% in order to reduce the interest rate differential. At the same time, the daily maximum amount of a credit line in dollars that banks can opt for was doubled (from 2 to 4 times the average foreign currency stock registered in the preceding month) so that they can constitute their reserve without having to subscribe any more foreign debt.

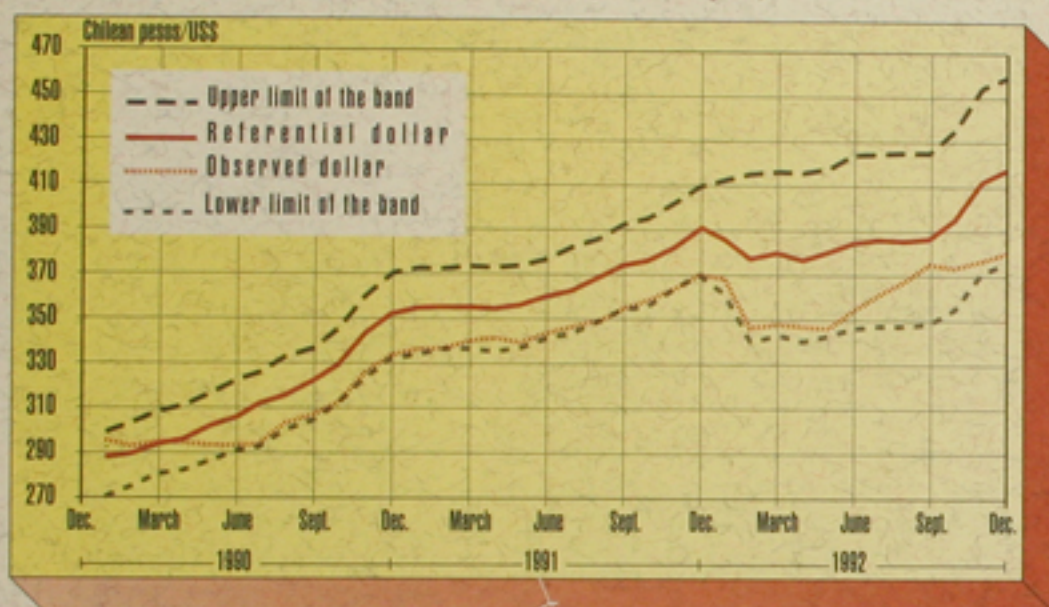
Closer integration of the Chilean economy with international markets was leading to an even tighter link between national monetary and exchange policies and the international financial situation to the point where the Council of the Banco Central decided that the exchange ruling would have to be modified in order to achieve greater relative independence in handling its monetary policy. Up until July 6, 1992, Chilean monetary policy had been excessively dependent on that of the United States but the new exchange ruling introduced on that date linked domestic monetary policy to the policies of the United States, Germany and Japan taken together thus freeing the Chilean policy from a dependence on any one in particular. In this way, the new ruling sought to provide a more stable framework for exchange policy, especially in view of the 1992 experience with United States interest rates.

Hence, the value of the Chilean peso became linked to a basket of currencies composed of 50% United States dollars, 30% Deutschmarks and 20% Japanese yens. The weight of each currency within the basket is determined by the relative importance of the different monetary areas in Chile's international trade. This new exchange ruling means that the cost of external financing to the Chilean economy is not that of only one of these three countries in particular but a weighted average of all three. Thus, the variation of the peso to the referential dollar depends on domestic inflation, international inflation pertinent to Chile, and also on the parity variations in international markets of the three currencies in the basket.

During much of 1992, the observed dollar stayed above the lower level of the floating band and this tendency was heightened in the months following application of the new exchange ruling. In the first half of the year, the dollar hovered at 1% to 1.5% above the lower limit. In the following months it rose, especially in

September, when the observed exchange rate reached 7% higher than the lower limit of the band. (Table 14 and Chart 9).

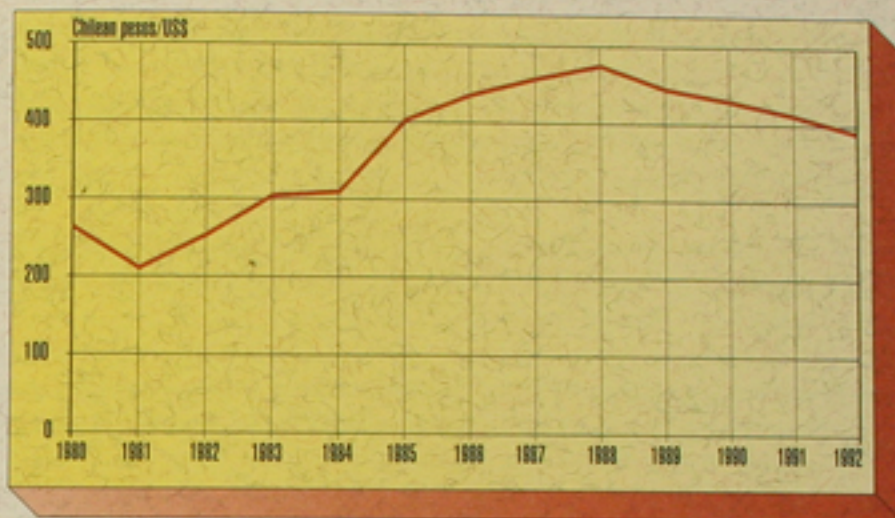
Chart 9
DOLLAR VALUES
(Nominal monthly averages)



The mean real exchange rate (excluding Latin America) was 7.3% lower in 1992 than in 1991 (Chart 10 and Table 15). It should be noted that in 1992 appreciation of the Chilean peso was generally below that of the currencies of other countries in the region that also had strong foreign-currency inflows (Chart 11). It can thus be seen that the policies adopted by the Banco Central were essential to avoid more pronounced exchange-rate fluctuations and to keep the rate at an appropriate level.

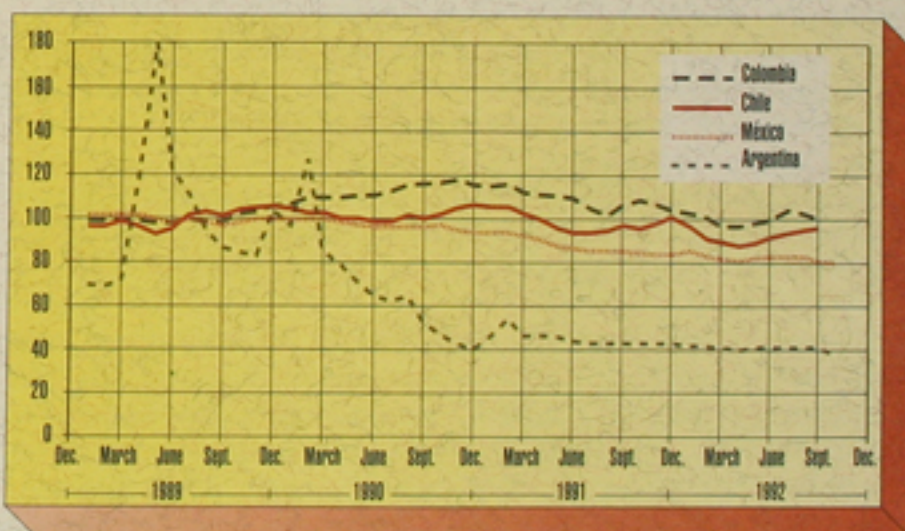
In 1992, the Banco Central, following on what had already been achieved in previous years, adopted measures (detailed in Annex 2) towards a gradual opening up of the capital account. This sequence of measures tending to increase capital mobility and to simplify exchange ruling have allowed the formal and informal exchange markets to maintain a small and stable differential, at the same time highlighting the degree of exchange freedom that exists in Chile. The preannounced targets of giving more scope to the exchange market, opening up the capital market and simplifying exchange regulations are being gradually met and the Banco Central aims to continue along the same path.

Chart 10
REAL EFFECTIVE EXCHANGE RATE EXCLUDING LATIN AMERICA (*)
 (Mean annual rate in Chilean pesos of December 1992)



(*) 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, excluding Latin American countries, weighted on the relative importance of imports and exports - excluding oil and copper - 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.

Chart 11
REAL EXCHANGE RATE
 (Base: Average 1989 = 100)



E.2. BALANCE OF PAYMENTS

Provisional balance-of-payment figures register the year 1992 closing with a current-account deficit of around US\$ 580 million and a capital-account surplus of almost US\$ 2,900 million. The overall balance of some US\$ 2,500 million, resulting from the net total of current account, capital account and US\$ 185 million for errors and omissions, brings total international reserves to over US\$ 9,000 million, equivalent to almost a year of goods imports (Table 16).

The current account moved from a surplus of 0.5% of GDP in 1991 to a deficit of 1.5% of GDP in 1992, a satisfactory result for a developing economy that requires reasonable levels of external saving as complement to internal saving in financing investment.

The capital-account surplus was higher than that of last year. Most capital inflow was short term, particularly in commercial banking lines. However, it should be borne in mind that an appreciable part of short-term flows were used to meet reserve requirements.

E.2.1 THE CURRENT ACCOUNT

The main reason for the current-account deficit was a drop in the trade balance from US\$ 1,576 million in 1991 to US\$ 749 million in 1992, which was mainly due to rapid import growth of 25.6% in the year, outpacing even the significant export growth of 11.8%. Non-copper exports grew most strongly, increasing their sales abroad by 14.8%, while copper sales rose 7.4%. Goods exports as a whole amounted to a record US\$ 9,986 million in 1992 (Table 17).

Falling copper prices on international markets brought the average price in 1992 down to US\$ 1.04 per pound as against US\$ 1.06 in 1991. Nevertheless, export sales were substantially higher because of the 9.4% increase in volumes exported (Table 18) thanks to increased productive capacity at La Escondida mine and extended areas being exploited at Los Bronces and Pelambres.

Non-copper exports in 1992 continued their vigorous expansion begun in 1986, reaching growth in value of 14.8%. Prices were slightly lower than last year but volumes exported increased 15.6%. The value of main or traditional non-copper exports grew 10.3%, while the value of non-traditional exports grew 19.8%.

Among the traditional non-copper exports, bleached pulp and silver reached outstanding volume growth of 125% and 68% respectively. Pulp exports boomed because two new pulp mills, Celulosa del Pacifico (CELPAC) and Forestal Santa Fe, started up at the end of 1991 and the CELCO mill extension came into production in 1992. The big increase in volume of silver exports is mainly due to higher production at La Coipa mine. Other traditional exports that registered important growth in volume were apples, pears, pine logs, molybdenum oxide and ferromolybdenum.

Non-traditional export growth of 19.8% was also primarily due to the greater volumes exported. Most notable were the increases in seafood products (salmon, trout, sea-bass and cod, steamed and preserved shellfish and canned fish), agricultural products (dehydrated sweetcorn and other vegetables, frozen and sugar-free fruit, canned tomato paste and juice, canned fruit and fruit juice, bottled wine and in bulk) and others, including cosmetics and perfumes, confectionery, books and publications, and jewelry.

The recovery in goods imports begun in the second quarter of 1991 continued and reached 25.6% for 1992 as a whole. The pace of growth was quicker in the second and third quarters, 28.9% and 35.3% respectively, and eased in the fourth quarter to 20.2%. This strong import growth is associated, on one hand, with economic recovery begun towards the end of 1990 and gathering momentum over the next two years, with product growth reaching 6% in 1991 and 10.4% in 1992. On the other hand, it is also explained by the mid-1991 tariff cuts and by real appreciation of domestic currency, particularly in 1992.

Import growth was much more pronounced in consumer goods and capital goods, 36.8% and 36.5% up on 1991 respectively. Capital-goods imports had fallen off in 1991 as large investment projects were completed, but they began to recover in the fourth quarter and continued more vigorously throughout 1992 as investment increased. Intermediate-goods imports grew 16.7%, fuels and lubricants 7.7% (partly because of lower prices) and other imports 19.2% (Table 17).

The net services and transfers balance closed with a US\$ 1,333 million deficit, an improvement of US\$ 100 million on last year's balance closure. The non-financial services balance was US\$ 60 million better than last year because exports of these services grew more than imports (Table 19). Although unilateral transfers show a greater net inflow of US\$ 91 million, they were for the most part (US\$ 75 million) from taxes paid on foreign investment profit and dividend remittances which had considerably increased. In fact, these remittances amounted to US\$ 892 million, an increase of US\$ 250 million, mainly corresponding to DL 600 investment remittances which increased US\$ 212 million. Despite the easier facilities granted for repatriation of profits, remittances made under Chapter XIX of the Compendium of Rules on International Exchange only increased by US\$ 17.5 million. Net interest paid abroad fell because of low international interest rates, especially the dollar rate, which almost completely offset the increase in foreign investment profit and dividend remittances (Table 20).

E.2.2 THE CAPITAL ACCOUNT

In 1992, net capital inflow from abroad amounted to US\$ 2,897 million, a significant increase over the previous year, deriving from net medium- and long-term income, including foreign investment, of US\$ 1,231 million and net short-term inflows of US\$ 1,666 million. Medium- and long-term capital inflows grew some US\$ 200 million, while short-term inflows, which had registered a net outflow in 1991, increased almost US\$ 1,900

million (Table 16).

The increase in medium- and long-term capital inflows was largely due to net foreign investment which reached US\$ 600 million. Foreign investment totalling around US\$ 1,000 million was partly offset by Chilean investment abroad which was far greater than in previous years and amounted to about US\$ 400 million (Tables 16 and 22). Almost all Chilean investment abroad was carried out through the informal exchange market according to the provisions of Article b) in Chapter XII of the Compendium of Rules on International Exchange and was mainly in power industries and financial sectors in Argentina and Uruguay.

Net direct foreign investment carried out under the provisions of DL 600 and Chapter XIV of the Compendium of Rules on International Exchange increased some US\$ 160 million to US\$ 781 million, while capital inflows from ADRs reached US\$ 282 million (Table 21) with very commendable performance by the telephone company, *Compañía de Teléfonos de Chile*, the main brewery, *Compañía de Cervecerías Unidas*, and the electricity generating company, *Chilectra Generación*. Foreign capital entered under DL 600 mainly contributed to the start-up of mining projects exploiting new copper and gold deposits.

Net inflows of medium- and long-term foreign credits reached US\$ 600 million of which almost 90% was private-sector borrowing as counterpart to the productive investment made under DL 600 and other investment.

The increase in short-term external-credit inflows was mainly to cover reserve requirements on foreign-currency deposits and on foreign loans; to finance foreign trade, which grew 18% overall in the year; and for exchange movements taking advantage of the domestic and foreign interest-rate differential. Another factor that contributed to this increase was the recovery of bank lines that had been abandoned in 1991 as a result of the policy of reducing public-sector short-term foreign debt (mainly CODELCO) and the private-sector's partial replacement of external credit lines by domestic borrowing in dollars to finance foreign trade.

E.3. EXTERNAL DEBT

Chile's total external debt by December 31, 1992, amounted to US\$ 18,204 million, US\$ 1,788 million higher than in the previous December. However, the country's net borrowing was reduced because reserves accumulated during the same period totalled US\$ 2,370 million (Table 23). The increase in external borrowing stemmed from the US\$ 273 million rise in medium- and long-term foreign debt and from the US\$ 1,515 million increase in short-term debt (Table 24). Nevertheless, it should be remembered that a substantial part of short-term external borrowing is counter-balanced by the foreign-currency reserve deposits.

Medium- and long-term external debt increased as a result of net credit inflows amounting to US\$ 589 million and transfer of loans from short term to medium term that totalled US\$ 240 million. This positive flow was partially offset by debt reductions of US\$ 385 million, parity adjustment worth US\$ 130 million and correction of balances that amounted to US\$ 41 million (Table 26). At the same time, short-term external debt registered net inflows of US\$ 1,755 million and transfer of loans from short to medium term of US\$ 240 million.

In 1992, public-sector external debt was reduced by around US\$ 110 million while the private sector became further indebted by US\$ 1,898 million primarily in the financial sector, which increased its indebtedness by US\$ 1,459 million of which US\$ 1,339 million corresponded to short-term financing by way of bank lines. The non-financial private sector borrowed US\$ 439 million more, mainly in medium-term loans for such sectors as mining, power industries and communications.

Medium- and long-term debt with banks and multilateral financing organisations increased by US\$ 389 million and US\$ 272 million respectively while with other creditors, particularly with official organisations, it was lowered by US\$ 103 million. All short-term debt corresponded to commercial bank loans.

As previously indicated, in the external situation as a whole, external-debt figures show a reduction of Chile's net indebtedness (defined as the liabilities included in external-debt figures less the Banco Central's international reserves). Although the external debt grew US\$ 1,788 million in 1992, stock of international reserves reached US\$ 2,370 million. Consequently, while external debt at the end of 1991 was 2.5 times the value of total international reserves, by the end of 1992 it had fallen to only twice their value. Similarly, external debt's relative importance in 1992 is evidently less if its growth of 10.9% is compared with GDP growth which, measured at current dollar prices, almost doubled that percentage. Lastly, confirming the trend of recent years, the ratio of external debt to the value of goods and services exports continued falling from 1.47 in 1991 to 1.45 in 1992 (Table 25).

Table 1

QUARTERLY GROSS DOMESTIC PRODUCT

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

| Period | QUARTER | | | | YEAR |
|----------|---------|------|------|-----|------|
| | 1 | 2 | 3 | 4 | |
| 1985 | 3.8 | 0.4 | 1.4 | 4.3 | 2.4 |
| 1986 | 4.5 | 7.3 | 4.8 | 6.0 | 5.7 |
| 1987 | 8.5 | 4.3 | 5.2 | 5.0 | 5.7 |
| 1988 | 5.9 | 6.4 | 8.4 | 8.7 | 7.4 |
| 1989 | 9.8 | 12.2 | 10.3 | 7.6 | 10.0 |
| 1990 | 5.5 | 0.8 | 0.2 | 2.1 | 2.1 |
| 1991 | 2.4 | 5.6 | 6.2 | 9.9 | 6.0 |
| 1992 (*) | 9.2 | 8.4 | 14.5 | 9.8 | 10.4 |

(*) Provisional figures.

Source: Banco Central de Chile.

Table 2

SECTORAL GROSS DOMESTIC PRODUCT
(Annual percentage changes)

| Sector | 1989 | 1990 | 1991 | 1992 (*) |
|-------------------------------------|-------------|------------|------------|-------------|
| Agriculture, Livestock and Forestry | 3.1 | 4.8 | 1.2 | 3.1 |
| Fishing | 22.1 | -10.3 | 8.3 | 9.0 |
| Mining | 8.4 | -0.7 | 4.8 | 1.1 |
| Manufacturing | 10.0 | 0.1 | 5.5 | 12.2 |
| Electricity, Gas and Water | 4.7 | 3.0 | 7.8 | 9.8 |
| Construction | 12.7 | 2.5 | 4.7 | 14.1 |
| Trade | 14.0 | 2.5 | 8.6 | 14.3 |
| Transport and Communications | 14.4 | 10.4 | 11.9 | 14.2 |
| Others | 8.8 | 1.9 | 5.1 | 9.5 |
| Total GDP | 10.0 | 2.1 | 6.0 | 10.4 |

(*) Provisional figures.

Source: Banco Central de Chile.

Table 3

COMPONENTS OF GDP EXPENDITURE (1)

| Components | PERCENTAGE CHANGE | | | | PERCENTAGE OF GDP | | | |
|-------------------------------|-------------------|------|------|----------|-------------------|------|------|----------|
| | 1989 | 1990 | 1991 | 1992 (2) | 1989 | 1990 | 1991 | 1992 (2) |
| CONSUMPTION | 7.5 | 0.8 | 5.2 | 9.5 | 76.3 | 75.3 | 74.7 | 74.0 |
| Private consumption | 8.4 | 0.7 | 5.4 | 10.1 | 67.0 | 66.0 | 65.7 | 65.4 |
| Government consumption | 0.9 | 1.6 | 3.6 | 4.8 | 9.3 | 9.3 | 9.0 | 8.6 |
| INVESTMENT | 32.5 | -2.5 | 1.9 | 27.1 | 21.8 | 20.8 | 20.0 | 23.0 |
| Gross fixed capital formation | 20.8 | 6.9 | -1.0 | 20.2 | 18.6 | 19.5 | 18.2 | 19.8 |
| Changes in inventory | - | - | - | - | 3.1 | 1.3 | 1.8 | 3.2 |
| EXPORTS | 15.7 | 7.6 | 12.9 | 12.3 | 29.4 | 31.0 | 33.0 | 33.5 |
| IMPORTS | 25.3 | 0.6 | 8.5 | 22.2 | 27.4 | 27.0 | 27.7 | 30.6 |

(1) Calculations based on Chilean pesos of 1977.

(2) Provisional figures.

Source: Banco Central de Chile.

Table 4

SAVINGS AND INVESTMENT COEFFICIENTS (1)

| Components | PERCENTAGE CHANGE | | | | PERCENTAGE OF GDP | | | |
|--------------------------------|-------------------|-------|------|----------|-------------------|------|------|----------|
| | 1989 | 1990 | 1991 | 1992 (2) | 1989 | 1990 | 1991 | 1992 (2) |
| TOTAL SAVINGS | 32.5 | -2.5 | 1.9 | 27.1 | 21.8 | 20.8 | 20.0 | 23.0 |
| Gross domestic savings | 22.1 | 0.2 | 14.5 | 18.2 | 19.6 | 19.2 | 20.8 | 22.2 |
| External savings | 450.1 | -26.5 | - | - | 2.2 | 1.6 | -0.8 | 0.8 |
| TOTAL INVESTMENT | 32.5 | -2.5 | 1.9 | 27.1 | 21.8 | 20.8 | 20.0 | 23.0 |
| Fixed capital investment | 20.8 | -6.9 | -1.0 | 20.2 | 18.6 | 19.5 | 18.2 | 19.8 |
| - Construction and other works | 12.2 | 3.7 | 4.6 | 11.4 | 10.4 | 10.5 | 10.4 | 10.5 |
| - Machinery and equipment | 33.7 | 10.9 | -7.6 | 32.0 | 8.3 | 9.0 | 7.8 | 9.3 |
| Changes in inventory | - | - | - | - | 3.1 | 1.3 | 1.8 | 3.2 |

(1) Calculations based on Chilean pesos of 1977.

(2) Provisional figures.

Source: Banco Central de Chile.

Table 5

NATIONAL EMPLOYMENT AND UNEMPLOYMENT (*)

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

| Date | WORK FORCE | | EMPLOYED | | UNEMPLOYED | | RATE OF UNEMPLOYMENT |
|--------------|------------|-----------------------------|----------|-----------------------------|------------|-----------------------------|----------------------|
| | Total | % change on previous period | Total | % change on previous period | Total | % change on previous period | |
| 1987 Average | 4,304 | 1.8 | 3,903 | 3.5 | 401 | -12.1 | 9.3 |
| 1988 Average | 4,460 | 3.6 | 4,092 | 4.9 | 368 | -8.2 | 8.3 |
| 1989 Average | 4,594 | 3.0 | 4,304 | 5.2 | 290 | -21.3 | 6.3 |
| 1990 Average | 4,672 | 1.7 | 4,392 | 2.0 | 280 | -3.3 | 6.0 |
| 1991 Average | 4,731 | 1.3 | 4,424 | 0.7 | 308 | 9.8 | 6.5 |
| 1992 Average | 4,844 | 2.4 | 4,605 | 4.1 | 238 | -22.8 | 4.9 |
| 1991 | | | | | | | |
| January | 4,732 | 0.6 | 4,466 | 0.0 | 266 | 12.6 | 5.6 |
| February | 4,749 | 0.4 | 4,479 | 0.3 | 270 | 1.7 | 5.7 |
| March | 4,768 | 0.4 | 4,470 | -0.2 | 298 | 10.1 | 6.2 |
| April | 4,732 | -0.7 | 4,438 | -0.7 | 294 | -1.3 | 6.2 |
| May | 4,679 | -1.1 | 4,376 | -1.4 | 303 | 3.1 | 6.5 |
| June | 4,647 | -0.7 | 4,333 | -1.0 | 314 | 3.7 | 6.8 |
| July | 4,678 | 0.7 | 4,332 | 0.0 | 346 | 10.2 | 7.4 |
| August | 4,714 | 0.8 | 4,361 | 0.7 | 352 | 1.8 | 7.5 |
| September | 4,749 | 0.8 | 4,392 | 0.7 | 357 | 1.3 | 7.5 |
| October | 4,758 | 0.2 | 4,424 | 0.7 | 334 | -6.4 | 7.0 |
| November | 4,775 | 0.4 | 4,473 | 1.1 | 303 | -9.5 | 6.3 |
| December | 4,794 | 0.4 | 4,540 | 1.5 | 254 | -16.2 | 5.3 |
| 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 | 0.6 | 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 |

(*) Including population aged 15 and over.

Source: National Bureau of Statistics (INE).

Table 6

PRICE INDEXES

| Date | CONSUMER PRICE INDEX (Base: April 1989 = 100) | | | WHOLESALE PRICE INDEX (Base: June 1992 = 100) | | |
|--------------|--|-------------------|----------|--|-------------------|----------|
| | Index | Percentage change | | Index | Percentage change | |
| | | Month | 12-month | | Month | 12-month |
| 1988 Average | 89.9 | - | 12.7 (*) | 53.4 | - | 3.3 (*) |
| 1989 Average | 105.2 | - | 21.4 (*) | 61.5 | - | 22.8 (*) |
| 1990 Average | 132.6 | - | 27.3 (*) | 74.8 | - | 25.7 (*) |
| 1991 Average | 161.5 | - | 18.7 (*) | 91.0 | - | 16.5 (*) |
| 1992 Average | 186.4 | - | 12.7 (*) | 101.6 | - | 8.9 (*) |
| 1991 | | | | | | |
| January | 148.9 | 0.4 | 24.8 | 84.5 | 0.1 | 23.9 |
| February | 149.1 | 0.1 | 24.5 | 85.1 | 0.8 | 25.1 |
| March | 150.9 | 1.2 | 23.0 | 85.9 | 0.9 | 25.6 |
| April | 163.6 | 1.8 | 23.1 | 86.3 | 0.4 | 24.3 |
| May | 157.5 | 2.5 | 24.3 | 88.3 | 2.3 | 26.3 |
| June | 160.4 | 1.8 | 23.8 | 90.5 | 2.5 | 27.0 |
| July | 163.3 | 1.8 | 24.0 | 92.3 | 2.0 | 24.8 |
| August | 165.2 | 1.2 | 23.0 | 92.9 | 0.6 | 22.6 |
| September | 167.4 | 1.3 | 18.8 | 93.9 | 1.2 | 17.7 |
| October | 172.2 | 2.9 | 17.8 | 96.0 | 2.2 | 13.9 |
| November | 173.8 | 0.9 | 17.8 | 97.7 | 1.7 | 15.0 |
| December | 176.0 | 1.2 | 18.7 | 98.2 | 0.6 | 16.5 |
| 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 |

(*) 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 | | TRANSPORT AND COMMUNICATIONS | | OTHERS | |
|---------------|---------------|---------|--------------|---------|--------------|---------|--------------|---------|------------------------------|---------|--------------|---------|
| | Index | %change | Index | %change | Index | %change | Index | %change | Index | %change | Index | %change |
| | in 12 months | | in 12 months | | in 12 months | | in 12 months | | in 12 months | | 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 |
| 1991 | | | | | | | | | | | | |
| January | 148.9 | 23.1 | 150.2 | 20.9 | 147.6 | 28.0 | 121.0 | 11.6 | 162.1 | 25.8 | 149.3 | 33.6 |
| February | 149.1 | 23.3 | 149.0 | 22.5 | 150.4 | 26.9 | 119.9 | 12.3 | 161.5 | 23.6 | 149.6 | 32.4 |
| March | 150.9 | 23.9 | 151.1 | 23.6 | 150.6 | 23.4 | 123.4 | 14.1 | 159.3 | 22.0 | 156.1 | 26.4 |
| April | 153.6 | 24.8 | 154.7 | 25.0 | 151.1 | 22.1 | 133.4 | 17.9 | 160.9 | 20.2 | 158.5 | 26.6 |
| May | 157.5 | 24.3 | 161.3 | 28.6 | 154.8 | 23.5 | 139.7 | 20.0 | 161.0 | 18.8 | 159.4 | 24.9 |
| June | 160.4 | 24.8 | 166.8 | 28.9 | 155.9 | 22.2 | 142.5 | 19.8 | 161.9 | 18.1 | 161.9 | 24.6 |
| July | 163.3 | 24.6 | 173.4 | 30.4 | 157.4 | 21.3 | 139.2 | 21.9 | 162.3 | 16.4 | 165.4 | 24.6 |
| August | 165.2 | 25.8 | 176.6 | 28.2 | 160.1 | 21.5 | 139.9 | 22.0 | 162.8 | 15.1 | 165.8 | 24.1 |
| September | 167.4 | 29.3 | 181.2 | 25.1 | 161.0 | 16.6 | 140.8 | 20.3 | 163.9 | 6.8 | 166.9 | 22.6 |
| October | 172.2 | 30.4 | 190.6 | 23.8 | 162.9 | 15.2 | 148.1 | 21.3 | 164.6 | 4.3 | 170.1 | 22.7 |
| November | 173.8 | 29.4 | 191.6 | 24.7 | 166.5 | 15.7 | 148.9 | 20.7 | 166.2 | 4.5 | 170.2 | 20.5 |
| December | 176.0 | 27.3 | 193.8 | 27.9 | 168.3 | 15.2 | 150.8 | 22.5 | 168.9 | 6.4 | 172.4 | 16.9 |
| 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 | 182.3 | 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 |

Source: National Bureau of Statistics (INE).

Table 8

GENERAL INDEX OF WAGES

(Base: December 1982 = 100)

| Date | NOMINAL | | | | REAL | | | |
|--------------|---------|-------------------|----------|----------------|-------|-------------------|----------|----------------|
| | Index | Percentage change | | | Index | Percentage change | | |
| | | Month | 12-month | Average (1) | | Month | 12-month | Average (1) |
| 1988 Average | 290.0 | - | 17.5 (2) | 22.2 | 100.6 | - | 4.3 (2) | 6.5 |
| 1989 Average | 345.8 | - | 25.2 (2) | 19.2 | 102.5 | - | 3.1 (2) | 1.9 |
| 1990 Average | 443.8 | - | 33.8 (2) | 28.4 | 104.4 | - | 5.0 (2) | 1.8 |
| 1991 Average | 566.8 | - | 21.9 (2) | 27.7 | 109.5 | - | 2.7 (2) | 4.9 |
| 1992 Average | 684.0 | - | 17.1 (2) | 20.7 | 114.5 | - | 3.9 (2) | 4.5 |
| 1991 | | | | | | | | |
| January | 531.9 | 2.7 | 33.1 | 33.1 | 111.4 | 2.3 | 6.7 | 6.7 |
| February | 532.9 | 0.2 | 33.0 | 33.0 | 111.5 | 0.1 | 6.8 | 6.7 |
| March | 537.5 | 0.9 | 31.8 | 32.6 | 111.2 | -0.3 | 7.2 | 6.9 |
| April | 544.7 | 1.3 | 30.3 | 32.0 | 110.6 | -0.5 | 5.8 | 6.6 |
| May | 552.4 | 1.4 | 29.3 | 31.5 | 109.5 | -1.1 | 4.1 | 6.1 |
| June | 559.6 | 1.3 | 28.9 | 31.0 | 108.9 | -0.5 | 4.1 | 5.8 |
| July | 562.7 | 0.5 | 26.2 | 30.3 | 107.5 | -1.2 | 1.8 | 5.2 |
| August | 563.9 | 0.2 | 24.4 | 29.5 | 106.5 | -1.0 | 1.1 | 4.7 |
| September | 581.7 | 3.1 | 26.8 | 29.2 | 108.4 | 1.8 | 6.7 | 4.9 |
| October | 596.2 | 2.5 | 25.5 | 28.8 | 108.0 | -0.4 | 6.5 | 5.1 |
| November | 607.7 | 1.9 | 24.6 | 28.3 | 109.1 | 1.0 | 5.8 | 5.1 |
| December | 630.6 | 3.8 | 21.9 | 27.7 | 111.8 | 2.5 | 2.7 | 4.9 |
| 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 |

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

(2) December to December change.

Source: National Bureau of Statistics (INE).

Table 9

**INITIAL REAL ADJUSTMENTS AGREED IN
COLLECTIVE NEGOTIATION**

(Percentage)

| Period | UNIONS | OTHER GROUPS | TOTAL |
|------------------|--------|--------------|-------|
| 1990 | | | |
| January-March | 4.7 | 3.8 | 4.5 |
| April-June | 3.8 | 3.9 | 3.9 |
| July-September | 4.1 | 2.1 | 3.6 |
| October-December | 3.2 | 2.2 | 3.1 |
| 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 |

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

Table 10

INTEREST RATES ON BANCO CENTRAL INSTRUMENTS

(Real annual rates)

| Date | PRBC | | | PRC | | | |
|--------------|---------|---------|----------------|---------------|---------------|---------------|----------------|
| | 90-day | 180-day | 360-day (1) | 4-year (2) | 6-year (2) | 8-year (2) | 10-year (2) |
| 1989 | | | | | | | |
| January, 4 | 5.5 | 5.7 | 6.0 | - | - | - | - |
| April, 24 | 5.8 | 6.0 | 6.4 | - | - | - | 6.9 |
| June, 7 | 6.3 | * | * | - | - | - | 6.9 |
| September, 5 | 6.8 | * | * | - | - | - | 6.9 |
| 1990 | | | | | | | |
| January, 5 | 8.7 | 8.9 | 9.2 | - | - | - | 9.7 |
| June, 1 | 8.7 | 8.9 | 9.2 | - | - | - | * |
| August, 17 | 8.2 | * | * | - | - | - | * |
| October, 31 | 7.2 | * | * | - | - | - | * |
| November, 27 | 6.8 | * | * | - | - | - | * |
| 1991 | | | | | | | |
| January, 30 | 6.5 | * | * | - | - | - | * |
| February, 20 | 6.2 | * | * | - | - | - | * |
| March, 18 | 5.7 | * | 6.1 (3) | - | - | - | * |
| November, 8 | 5.2 | * | 5.9 (3) | - | - | - | * |
| December, 23 | 4.7 | * | 5.4 (3) | - | - | - | * |
| 1992 | | | | | | | |
| January | 4.7 | * | 4.9 (3) | 5.2 (3) | - | - | * |
| February | 4.7 | * | 5.4 (3) | 5.9 (3) | - | - | * |
| March | 4.7 | * | 5.6 (3) | 6.1 (3) | - | - | * |
| April | 5.2 | * | 5.6 (3) | 6.1 (3) | 6.3 (3) | 6.4 (3) | 6.5 (3) |
| May | 5.2 | * | 5.7 (3) | 6.5 (3) | 6.6 (3) | 6.7 (3) | 6.7 (3) |
| June | 5.2 | * | 5.6 (3) | 6.2 (3) | 6.4 (3) | 6.4 (3) | 6.4 (3) |
| July | 5.2 | * | 5.4 (3) | 5.9 (3) | 6.2 (3) | 6.3 (3) | 6.3 (3) |
| August | 5.2-5.7 | * | 5.6 (3) | 6.2 (3) | 6.5 (3) | 6.5 (3) | 6.5 (3) |
| September | 5.7 | * | 6.2 (3) | 7.3 (3) | 7.4 (3) | 7.3 (3) | 7.4 (3) |
| October | 5.7 | * | 6.3 (3) | 7.0 (3) | 7.1 (3) | 7.1 (3) | 7.1 (3) |
| November | 6.5 | * | 7.1 (3) | 7.7 (3) | 7.8 (3) | 7.7 (3) | 7.7 (3) |
| December | 6.5 | * | 7.4 (3) | 7.7 (3) | 7.7 (3) | 7.4 (3) | 7.5 (3) |

(*) Suspended.

(1) As from April 9, 1992, the Banco Central agrees to accept 350,000 UF in each tender.

(2) As from July 28, 1992, the Banco Central agrees to accept 300,000 UF in each tender.

(3) Corresponds to the mean weighted trading rate in that month.

Source: Banco Central de Chile.

Table 11

90 - TO 365 - DAY INDEXED INTEREST RATES

(Financial system monthly averages)

| Date | Deposits | Loans | Spread |
|----------------|----------|-------|--------|
| 1987 Average | 4.25 | 7.26 | 3.01 |
| 1988 Average | 4.57 | 7.62 | 3.05 |
| 1989 Average | 6.78 | 9.43 | 2.65 |
| 1990 Average | 9.46 | 13.28 | 3.82 |
| 1991 Average | 5.43 | 8.47 | 3.04 |
| 1992 Average | 5.25 | 8.13 | 2.88 |
| 1990 | | | |
| First quarter | 11.89 | 14.99 | 3.10 |
| Second quarter | 10.73 | 14.79 | 4.06 |
| Third quarter | 8.83 | 13.01 | 4.18 |
| Fourth quarter | 6.38 | 10.31 | 3.93 |
| 1991 | | | |
| First quarter | 6.01 | 9.06 | 3.05 |
| Second quarter | 5.42 | 8.63 | 3.21 |
| Third quarter | 5.24 | 8.26 | 3.02 |
| Fourth quarter | 5.03 | 7.94 | 2.91 |
| 1992 | | | |
| January | 4.51 | 7.68 | 3.17 |
| February | 4.80 | 7.63 | 2.83 |
| March | 5.48 | 8.29 | 2.81 |
| April | 5.06 | 8.21 | 3.15 |
| May | 5.02 | 7.95 | 2.93 |
| June | 5.00 | 7.83 | 2.83 |
| July | 4.94 | 7.96 | 3.02 |
| August | 5.22 | 8.02 | 2.80 |
| September | 5.61 | 8.18 | 2.57 |
| October | 5.40 | 8.31 | 2.91 |
| November | 5.98 | 8.80 | 2.82 |
| December | 6.02 | 8.79 | 2.77 |

Source: Banco Central de Chile.

Table 12

MAJOR MONETARY AGGREGATES
(Percentage changes)

| Date | Month | | | | Year | | | | 12-month | | | |
|-------------|-------|-------|------|-----|------|------|------|------|----------|------|------|------|
| | E | M1A | M2A | M7 | E | M1A | M2A | M7 | E | M1A | M2A | M7 |
| 1990 | | | | | | | | | | | | |
| January | -0.6 | -0.9 | 3.0 | 2.5 | -0.6 | -0.9 | 3.0 | 2.5 | 19.2 | 21.0 | 32.3 | 41.0 |
| February | 1.2 | -4.8 | 0.1 | 2.8 | 0.6 | -5.7 | 3.2 | 5.4 | 21.5 | 13.0 | 30.8 | 41.7 |
| March | 3.8 | 6.7 | 1.7 | 4.0 | 4.4 | 0.6 | 4.9 | 9.6 | 22.2 | 16.2 | 31.6 | 43.2 |
| April | 6.3 | 1.7 | 2.4 | 1.3 | 11.0 | 2.4 | 7.4 | 11.0 | 23.9 | 20.9 | 33.9 | 43.8 |
| May | 0.6 | -1.9 | 2.3 | 2.3 | 11.6 | 0.4 | 9.8 | 13.5 | 26.4 | 18.8 | 36.5 | 43.6 |
| June | -2.6 | -3.2 | 1.6 | 2.7 | 8.8 | -2.8 | 11.6 | 16.5 | 17.4 | 17.6 | 35.6 | 41.9 |
| July | -6.3 | -1.3 | 2.4 | 3.5 | 1.9 | -4.0 | 14.3 | 20.6 | 15.5 | 13.5 | 33.7 | 40.9 |
| August | 1.4 | -5.0 | -1.3 | 1.6 | 3.4 | -8.8 | 12.8 | 22.5 | 26.8 | 8.4 | 29.3 | 40.3 |
| September | 11.4 | 11.9 | 3.2 | 3.6 | 15.2 | 2.1 | 16.4 | 26.9 | 27.9 | 13.9 | 30.1 | 41.5 |
| October | -1.2 | -9.4 | 2.3 | 2.8 | 13.7 | -7.5 | 19.1 | 30.4 | 28.7 | 8.6 | 32.8 | 43.1 |
| November | -4.6 | -1.1 | 3.4 | 4.0 | 8.5 | -8.5 | 23.1 | 35.7 | 29.4 | 8.0 | 32.5 | 43.8 |
| December | 15.5 | 22.3 | 4.6 | 4.8 | 25.3 | 11.9 | 28.8 | 42.2 | 25.3 | 11.9 | 28.8 | 42.2 |
| 1991 | | | | | | | | | | | | |
| January | 6.3 | 17.7 | 2.8 | 3.2 | 6.3 | 17.7 | 2.8 | 3.2 | 34.1 | 32.9 | 28.6 | 48.1 |
| February | -0.5 | 1.7 | 1.6 | 2.1 | 5.7 | 19.8 | 4.5 | 5.3 | 31.7 | 42.0 | 30.5 | 42.1 |
| March | 3.1 | -10.7 | 1.4 | 2.3 | 9.0 | 32.5 | 6.0 | 7.8 | 30.9 | 47.3 | 30.2 | 39.9 |
| April | 7.1 | -2.6 | 0.3 | 0.4 | 16.8 | 29.1 | 6.3 | 8.2 | 31.9 | 41.1 | 27.5 | 38.6 |
| May | 2.3 | -4.9 | 2.7 | 0.8 | 19.5 | 22.7 | 9.2 | 9.0 | 34.1 | 36.8 | 28.0 | 36.6 |
| June | -1.2 | -2.8 | 3.9 | 3.3 | 18.0 | 19.3 | 13.4 | 12.7 | 36.0 | 37.3 | 31.0 | 37.5 |
| July | -7.2 | -4.1 | 2.9 | 3.2 | 9.5 | 14.4 | 16.7 | 16.2 | 34.7 | 33.4 | 31.5 | 37.1 |
| August | -2.6 | 1.4 | 1.8 | 2.4 | 6.7 | 16.0 | 18.7 | 19.0 | 29.4 | 42.3 | 35.6 | 38.1 |
| September | 17.7 | 11.7 | 3.0 | 3.3 | 25.6 | 29.5 | 22.3 | 22.9 | 36.7 | 41.9 | 35.2 | 37.7 |
| October | -5.7 | -2.2 | 0.9 | 2.4 | 18.5 | 26.7 | 23.4 | 25.8 | 30.5 | 53.3 | 33.5 | 37.1 |
| November | -1.3 | -5.9 | 3.3 | 3.4 | 16.9 | 19.2 | 27.5 | 30.1 | 35.0 | 45.8 | 33.3 | 36.3 |
| December | 28.9 | 17.8 | 7.4 | 3.7 | 50.7 | 40.3 | 36.9 | 34.9 | 50.7 | 40.3 | 36.9 | 34.9 |
| 1992 | | | | | | | | | | | | |
| January | -1.5 | 6.2 | 5.9 | 3.2 | -1.5 | 6.2 | 5.9 | 3.2 | 39.5 | 26.6 | 41.0 | 34.9 |
| February | -3.5 | -1.8 | 1.8 | 2.3 | -5.0 | 4.3 | 7.8 | 5.6 | 35.4 | 22.3 | 41.2 | 35.2 |
| March | 71.5 | 40.9 | 7.9 | 2.6 | 62.9 | 47.1 | 16.3 | 8.3 | 125.1 | 55.7 | 50.2 | 35.6 |
| April | -12.5 | -4.9 | -1.6 | 0.3 | 42.6 | 39.9 | 14.5 | 8.7 | 84.0 | 52.1 | 47.4 | 35.5 |
| May | -29.0 | -10.9 | -1.6 | 0.8 | 1.3 | 24.7 | 12.7 | 9.5 | 27.7 | 42.6 | 41.3 | 35.5 |
| June | -3.8 | -2.3 | 2.6 | 3.9 | -2.6 | 21.8 | 15.6 | 13.1 | 24.4 | 43.3 | 39.5 | 35.4 |
| July | -0.6 | -2.2 | 1.3 | 2.7 | -3.2 | 19.2 | 17.1 | 16.2 | 33.1 | 46.2 | 37.4 | 34.9 |
| August | -1.9 | -3.1 | 1.4 | 1.6 | -5.0 | 15.5 | 18.8 | 18.0 | 34.0 | 39.7 | 37.0 | 33.8 |
| September | 15.5 | 3.2 | 3.4 | 1.3 | 9.7 | 19.1 | 22.9 | 19.8 | 31.5 | 29.1 | 37.6 | 31.2 |
| October | -6.5 | -3.5 | 3.3 | 2.2 | 2.5 | 14.9 | 27.0 | 22.2 | 30.4 | 27.3 | 40.8 | 31.1 |
| November | -5.2 | -2.6 | 2.1 | 3.0 | -2.8 | 11.9 | 29.7 | 25.9 | 25.3 | 31.8 | 39.2 | 30.5 |
| December | 15.8 | 13.0 | 2.2 | 2.5 | 12.6 | 26.4 | 32.5 | 29.0 | 12.6 | 26.4 | 32.5 | 29.0 |

E : Base money.

M1A : M1 + Dv (Dv: demand deposits not included in current accounts) + Ahw (Ahw: demand savings deposits).

M2A : M1A + Dp (Dp: time deposits of private sector).

M7 : M2A + time savings deposits including those for housing + instruments of the Banco Central de Chile held by the non-financial private sector + Treasury promissory notes held by the non-financial private sector + credit bills held by the non-financial 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 | Instruments of the Banco Central | Treasury promissory notes | Credit bills | Private sector foreign-currency deposits |
|-------------|--------|--------|----------|--------|--|---------------------------------|-----------------|--|
| 1991 | | | | | | | | |
| January | 238.83 | 472.39 | 1,704.31 | 547.75 | 1,920.45 | 18.86 | 504.78 | 559.33 |
| February | 254.90 | 468.67 | 1,731.32 | 562.74 | 1,956.23 | 18.82 | 522.00 | 576.28 |
| March | 265.66 | 535.08 | 1,688.27 | 578.77 | 2,030.59 | 16.18 | 534.81 | 582.86 |
| April | 265.93 | 514.06 | 1,717.49 | 592.28 | 2,016.51 | 16.03 | 536.28 | 598.04 |
| May | 265.76 | 475.79 | 1,822.77 | 607.40 | 1,957.95 | 16.26 | 555.31 | 603.00 |
| June | 260.03 | 460.66 | 1,943.48 | 625.86 | 2,041.97 | 17.58 | 577.25 | 588.56 |
| July | 257.14 | 434.06 | 2,048.99 | 645.89 | 2,142.70 | 17.63 | 582.61 | 591.96 |
| August | 256.59 | 444.03 | 2,088.25 | 661.01 | 2,196.82 | 17.74 | 608.34 | 607.42 |
| September | 279.34 | 503.22 | 2,089.23 | 676.25 | 2,285.55 | 16.74 | 632.89 | 623.22 |
| October | 271.15 | 494.11 | 2,133.75 | 688.22 | 2,425.55 | 16.91 | 616.33 | 627.63 |
| November | 273.61 | 446.31 | 2,273.91 | 699.52 | 2,538.61 | 16.67 | 643.92 | 630.31 |
| December | 316.86 | 530.93 | 2,367.16 | 717.69 | 2,534.71 | 16.57 | 667.16 | 649.32 |
| 1992 | | | | | | | | |
| January | 320.14 | 580.40 | 2,504.74 | 737.94 | 2,534.17 | 15.00 | 689.47 | 666.11 |
| February | 336.11 | 548.51 | 2,581.64 | 758.04 | 2,614.49 | 15.62 | 710.57 | 671.01 |
| March | 347.59 | 899.21 | 2,492.55 | 772.30 | 2,531.97 | 14.92 | 726.76 | 664.48 |
| April | 356.20 | 829.99 | 2,493.88 | 788.27 | 2,608.73 | 17.23 | 728.40 | 655.01 |
| May | 352.68 | 704.50 | 2,566.14 | 804.48 | 2,711.46 | 18.37 | 752.15 | 633.51 |
| June | 354.21 | 678.53 | 2,684.74 | 827.94 | 2,855.00 | 18.65 | 779.71 | 624.42 |
| July | 345.68 | 664.81 | 2,755.05 | 847.70 | 2,990.38 | 17.72 | 814.17 | 630.07 |
| August | 340.38 | 638.42 | 2,840.95 | 861.18 | 3,042.70 | 18.37 | 845.19 | 621.03 |
| September | 364.00 | 646.03 | 2,941.19 | 872.20 | 3,049.26 | 17.46 | 810.81 | 624.70 |
| October | 350.81 | 623.45 | 3,108.99 | 888.58 | 3,058.58 | 17.67 | 863.52 | 623.37 |
| November | 355.93 | 592.76 | 3,219.61 | 907.56 | 3,230.48 | 16.74 | 902.43 | 594.35 |
| December | 407.91 | 663.89 | 3,189.60 | 916.86 | 3,361.84 | 15.43 | 937.44 | 570.85 |

SYMBOLS

- C : Money in circulation (held by the public).
 D1A : Non-financial private sector current accounts and other demand deposits net of float, less all deposits of the Treasury banking account + demand savings deposits. Float refers to documents received by banks and extended against all kinds of deposits (public, private and interfinancial).
 Dp : Private sector time deposits.
 Ahp : Time savings deposits including those for housing.

RATIOS

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

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 |
| 1988 Average | 111.2 | - | 6.6 (3) | 108.3 | - | 4.0 (3) |
| 1989 Average | 108.6 | - | -2.3 (3) | 101.8 | - | -6.0 (3) |
| 1990 Average (4) | 112.7 | - | 3.8 (3) | 99.2 | - | -2.5 (3) |
| 1991 Average (4) | 106.4 | - | -5.6 (3) | 95.5 | - | -3.8 (3) |
| 1992 Average (4) | 97.9 | - | -8.0 (3) | 88.5 | - | -7.3 (3) |
| 1991 (4) | | | | | | |
| January | 114.3 | -0.8 | -1.4 | 103.6 | 0.4 | 0.1 |
| February | 115.3 | 0.9 | 1.2 | 104.3 | 0.6 | 2.3 |
| March | 111.7 | -3.1 | -3.5 | 99.8 | -4.3 | 0.4 |
| April | 107.8 | -3.5 | -3.6 | 96.2 | -3.5 | -1.3 |
| May | 104.4 | -3.2 | -7.0 | 93.5 | -2.8 | -4.2 |
| June | 102.6 | -1.7 | -6.4 | 91.6 | -2.1 | -3.8 |
| July | 102.5 | -0.1 | -5.9 | 91.2 | -0.5 | -4.3 |
| August | 103.0 | 0.5 | -7.9 | 91.4 | 0.3 | -7.1 |
| September | 104.4 | 1.4 | -6.2 | 92.9 | 1.6 | -4.6 |
| October | 102.3 | -2.1 | -8.1 | 91.8 | -1.1 | -6.8 |
| November | 103.9 | 1.6 | -9.8 | 93.7 | 2.1 | -8.7 |
| December | 105.1 | 1.2 | -8.8 | 95.6 | 2.0 | -7.4 |
| 1992 (4) | | | | | | |
| January | 103.8 | -1.2 | -9.2 | 94.2 | -1.5 | -9.1 |
| February | 97.9 | -5.7 | -15.1 | 88.4 | -6.2 | -15.2 |
| March | 96.2 | -1.7 | -13.8 | 86.5 | -2.1 | -13.3 |
| April | 94.4 | -1.9 | -12.5 | 85.2 | -1.6 | -11.5 |
| May | 94.5 | 0.1 | -9.5 | 85.5 | 0.4 | -8.6 |
| June | 97.5 | 3.2 | -4.9 | 88.5 | 3.4 | -3.4 |
| July | 99.6 | 2.2 | -2.8 | 90.7 | 2.5 | -0.5 |
| August | 101.2 | 1.6 | -1.8 | 91.8 | 1.2 | 0.4 |
| September | 101.1 | -0.1 | -3.2 | 91.5 | -0.4 | -1.5 |
| October | 97.6 | -3.4 | -4.5 | 88.2 | -3.6 | -3.9 |
| November | 95.1 | -2.5 | -8.4 | 85.7 | -2.9 | -8.6 |
| December | 95.8 | 0.7 | -8.9 | 86.1 | 0.5 | -10.0 |

(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 | 1990 | 1991 | 1992 | Percentage change (3) | |
|--|--------------|--------------|--------------|-----------------------|--------------|
| | | | | 1991 | 1992 |
| I. CURRENT ACCOUNT | -597 | 143 | -583 | | |
| A. Trade Balance | 1,273 | 1,576 | 749 | 23.8 | -52.5 |
| 1. Exports FOB | 8,310 | 8,929 | 9,986 | 7.5 | 11.8 |
| Copper | 3,795 | 3,617 | 3,886 | -4.7 | 7.4 |
| Non-Copper | 4,515 | 5,312 | 6,100 | 17.7 | 14.8 |
| 2. Imports FOB | -7,037 | -7,354 | -9,237 | 4.5 | 25.6 |
| Petroleum | -843 | -739 | -788 | -12.3 | 6.6 |
| Non-Petroleum | -6,194 | -6,614 | -8,449 | 6.8 | 27.7 |
| B. Non-financial services | -258 | 36 | 96 | | 167.5 |
| C. Financial services | -1,811 | -1,809 | -1,860 | -0.1 | 2.8 |
| D. Transfers | 199 | 340 | 431 | 70.7 | 26.9 |
| II. CAPITAL ACCOUNT | 3,069 | 813 | 2,897 | -73.5 | 256.2 |
| A. Medium- and long-term capital | 2,107 | 1,032 | 1,231 | -51.0 | 19.3 |
| 1. Foreign investment (1) | 1,015 | 453 | 605 | -55.4 | 33.5 |
| a) From abroad | 1,022 | 551 | 1,031 | -46.1 | 87.2 |
| b) Abroad | -8 | -98 | -426 | 1,202.7 | 336.1 |
| 2. Loan disbursements under DL 600 | 888 | 458 | 328 | -48.4 | -28.5 |
| 3. Other disbursements | 1,328 | 1,152 | 1,376 | -13.3 | 19.5 |
| 4. Loan repayments | -1,171 | -1,006 | -1,115 | -14.1 | 10.8 |
| 5. Others (2) | 48 | -24 | 38 | | |
| B. Short-term capital | 962 | -219 | 1,666 | | |
| 1. Banking commercial lines | 257 | -295 | 1,556 | | |
| 2. Others | 705 | 77 | 110 | -89.1 | 43.3 |
| III. ERRORS AND OMISSIONS | -103 | 282 | 185 | | -34.3 |
| IV. BALANCE OF PAYMENTS SURPLUS / DEFICIT | 2,368 | 1,238 | 2,499 | -47.7 | 101.9 |

(1) Including investment funds, ADRs, inflows from Chapter XIX promissory notes, credit capitalization and capital reexportation for the same.

(2) Including reversion payment for 1991 retiming, financing for leasing and external asset variation.

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

Source: Banco Central de Chile.

Table 17

TRADE BALANCE

| Item | Millions of US dollars | | | Percentage changes | |
|---|------------------------|--------------|---------------|--------------------|--------------|
| | 1990 | 1991 | 1992 | 1991 | 1992 |
| BALANCE OF TRADE SURPLUS / DEFICIT | 1,273 | 1,576 | 749 | 23.8 | -52.5 |
| Total exports (FOB) | 8,310 | 8,929 | 9,986 | 7.5 | 11.8 |
| Copper | 3,795 | 3,617 | 3,886 | -4.7 | 7.4 |
| Non-Copper | 4,515 | 5,312 | 6,100 | 17.7 | 14.8 |
| Other major (*) | 2,485 | 2,793 | 3,081 | 12.4 | 10.3 |
| Non-traditional | 2,030 | 2,519 | 3,019 | 24.1 | 19.8 |
| Total imports (FOB) | 7,037 | 7,354 | 9,237 | 4.5 | 25.6 |
| Total imports (CIF) | 7,678 | 8,094 | 10,129 | 5.4 | 25.1 |
| Consumer goods | 1,042 | 1,392 | 1,904 | 33.5 | 36.8 |
| Intermediate goods | 4,313 | 4,662 | 5,439 | 8.1 | 16.7 |
| Fuels | 1,129 | 1,034 | 1,114 | -8.4 | 7.7 |
| Others | 3,184 | 3,627 | 4,325 | 13.9 | 19.2 |
| Capital goods | 2,322 | 2,041 | 2,786 | -12.1 | 36.5 |

(*) 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 dore.

Source: Banco Central de Chile.

Table 18

FOREIGN TRADE INDICATORS

| Item | 1990 | 1991 | 1992 |
|--|-------|--------|-------|
| Price of copper LME (US\$/lb) | 1.210 | 1.060 | 1.043 |
| Price of petroleum (US\$/barrel FOB) | 21.6 | 19.0 | 18.2 |
| LIBOR US\$ (nominal) | 8.6% | 7.4% | 4.9% |
| International inflation | 7.0% | 1.8% | 3.2% |
| Terms of trade index | | | |
| Total goods | 0.857 | 0.857 | 0.848 |
| Total non-copper and non-petroleum goods | 0.865 | 0.926 | 0.915 |
| Total exports | | | |
| Percentage change in value | 2.8% | 7.5% | 11.8% |
| Percentage change in price (FOB) | -2.8% | -4.3% | -1.1% |
| Percentage change in volume | 5.8% | 12.3% | 13.1% |
| Copper exports | | | |
| Percentage change in value | -5.6% | -4.7% | 7.4% |
| Percentage change in price (FOB) | -4.3% | -13.5% | -1.8% |
| Percentage change in volume | -1.4% | 10.1% | 9.4% |
| Non-copper exports | | | |
| Percentage change in value | 11.2% | 17.7% | 14.8% |
| Percentage change in price (FOB) | -1.5% | 3.2% | -0.7% |
| Percentage change in volume | 12.9% | 14.0% | 15.6% |
| Goods imports | | | |
| Percentage change in value | 7.5% | 5.4% | 25.1% |
| Percentage change in price (CIF) | 9.0% | -4.3% | 0.0% |
| Percentage change in volume | -1.4% | 10.2% | 25.2% |

Source: Banco Central de Chile.

Table 19

NON-FINANCIAL SERVICES

(Millions of US dollars)

| Item | 1990 | 1991 | 1992 | Percentage change (*) | |
|--|-------------|-------------|-------------|-----------------------|--------------|
| | | | | 1991 | 1992 |
| SHIPMENTS | 125 | 41 | 76 | -66.8 | 84.5 |
| Credits | 441 | 405 | 513 | -8.2 | 26.4 |
| Debits | 317 | 364 | 436 | 15.0 | 19.8 |
| OTHER TRANSPORT | -304 | -247 | -295 | -18.8 | 19.5 |
| a. Passenger services | -39 | -24 | -23 | 38.1 | -2.9 |
| Credits | 135 | 172 | 164 | 27.3 | -4.9 |
| Debits | 174 | 196 | 187 | 12.7 | -4.6 |
| b. Port services | -265 | -223 | -272 | -15.9 | 21.9 |
| Credits | 265 | 317 | 381 | 19.7 | 20.1 |
| Debits | 530 | 540 | 653 | 1.9 | 20.8 |
| TRAVEL | 83 | 275 | 260 | 232.5 | -5.5 |
| Credits | 609 | 684 | 719 | 34.5 | 5.0 |
| Debits | 426 | 409 | 459 | -4.0 | 12.2 |
| OTHER GOODS, SERVICES AND INCOMES | -162 | -34 | 55 | -79.2 | |
| Credits | 650 | 681 | 764 | 4.8 | 12.1 |
| Debits | 812 | 715 | 709 | -12.0 | -0.8 |
| TOTAL NON-FINANCIAL SERVICES | -258 | 36 | 96 | | 166.5 |
| Credits | 2,000 | 2,260 | 2,540 | 13.0 | 12.4 |
| Debits | 2,259 | 2,224 | 2,444 | -1.5 | 9.9 |

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

Source: Banco Central de Chile.

Table 20

FINANCIAL SERVICES

(Millions of US dollars)

| Item | 1990 | 1991 | 1992 | Percentage change (*) | |
|---------------------------------|---------------|---------------|---------------|-----------------------|--------------|
| | | | | 1991 | 1992 |
| INTEREST PAID | 1,829 | 1,630 | 1,402 | -10.9 | -14.0 |
| Medium- and long-term | 1,483 | 1,340 | 1,208 | -9.6 | -9.8 |
| Short-term | 345 | 290 | 194 | -16.0 | -33.1 |
| INTEREST RECEIVED | 354 | 470 | 437 | 32.7 | -6.9 |
| PROFITS AND DIVIDENS | -333 | -643 | -892 | 93.3 | 38.8 |
| Credits (received) | 2 | 2 | 5 | -12.5 | 123.8 |
| Debits (paid) | 335 | 645 | 897 | 92.5 | 39.1 |
| LEASING SERVICES | 4 | 6 | 3 | 65.7 | -53.4 |
| TOTAL FINANCIAL SERVICES | -1,811 | -1,809 | -1,860 | -0.1 | 2.8 |
| Credits | 356 | 472 | 442 | 32.4 | -6.3 |
| Debits | 2,167 | 2,281 | 2,302 | 5.2 | 0.9 |

(*) Not indicated if the 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 (1) |
|-----------------------------------|------------|------------|--------------|--------------|--------------|--------------|------------|------------|
| TOTAL FOREIGN INVESTMENT | 143 | 313 | 882 | 951 | 1,366 | 941 | 450 | 605 |
| DIRECT INVESTMENT | 113 | 114 | 223 | 160 | 174 | 241 | 464 | 313 |
| Decree Law 600 | 73 | 55 | 91 | 111 | 171 | 198 | 466 | 582 |
| Credit capitalization | 42 | 56 | 125 | 52 | 2 | 16 | 0 | 0 |
| Chapter XIV capital contribution | -1 | 5 | 14 | 13 | 11 | 35 | 96 | 157 |
| Investment abroad | -2 | -3 | -7 | -16 | -10 | -8 | -98 | -426 |
| PORTFOLIO INVESTMENT | 0 | 0 | 0 | 0 | 87 | 362 | 26 | 323 |
| Chapter XXVI ADR | 0 | 0 | 0 | 0 | 0 | 105 | -31 | 282 |
| Investment funds | 0 | 0 | 0 | 0 | 87 | 257 | 57 | 42 |
| CHAPTER XIX (2) | 30 | 199 | 659 | 791 | 1,105 | 338 | -40 | -32 |
| ASSOCIATED CREDITS | -21 | 67 | 185 | 385 | 311 | 749 | 284 | 51 |
| Credit disbursements under DL 600 | 30 | 108 | 226 | 521 | 437 | 888 | 458 | 328 |
| Credit amortizations under DL 600 | -51 | -41 | -41 | -136 | -126 | -139 | -174 | -277 |
| TOTAL | 122 | 380 | 1,067 | 1,336 | 1,677 | 1,690 | 734 | 655 |

(1) Provisional figures.

(2) At redenomination value. In 1991 and 1992 comprises capital repatriation.

Source: Banco Central de Chile.

Table 22

GROSS CAPITAL CONTRIBUTION ABROAD VIA CHAPTER XII
(Thousands of US dollars)

| Year | Authorized amount (1) | Remitted amount |
|------|--------------------------|-----------------|
| 1980 | 9,818 | 43,510 |
| 1981 | 19,348 | 21,730 |
| 1982 | 7,112 | 17,680 |
| 1983 | 71 | 3,870 |
| 1984 | 898 | 10,540 |
| 1985 | 26 | 1,680 |
| 1986 | 1,400 | 2,705 |
| 1987 | 2,500 | 6,915 |
| 1988 | 3,604 | 15,720 |
| 1989 | 40,561 | 9,780 |
| 1990 | 33,279 | 7,890 |
| 1991 | 18,470 | 107,177 (2) |
| 1992 | 38,291 | 427,454 (2) |

(1) Only through the formal exchange market.

(2) In 1991 and 1992 includes US\$ 84.4 million and US\$ 418.3 million respectively, remitted through the informal exchange market.

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 |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. Gold | 519 | 668 | 757 | 679 | 592 | 642 | 597 | 574 |
| (Ounces troy) | 1,770 | 1,795 | 1,811 | 1,824 | 1,752 | 1,858 | 1,863 | 1,867 |
| 2. SDRs | 0 | 1 | 41 | 44 | 24 | 1 | 1 | 1 |
| 3. Reserves position with IMF | 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 |
| 5. Other assets | -16 | 86 | 62 | 32 | -5 | -202 | -43 | -11 |
| 6. Use of IMF credit | 1,086 | 1,328 | 1,452 | 1,322 | 1,268 | 1,151 | 955 | 722 |
| 7. Short-term loans | 325 | 0 | 225 | 0 | 5 | 10 | 1 | 1 |
| I. INTERNATIONAL ASSETS (2) | 2,952 | 3,106 | 3,323 | 3,872 | 4,216 | 6,508 | 7,595 | 9,731 |
| II. GROSS RESERVES (3) | 1,866 | 1,778 | 1,871 | 2,550 | 2,948 | 5,357 | 6,640 | 9,009 |
| III. NET RESERVES (4) | 1,541 | 1,778 | 1,646 | 2,550 | 2,943 | 5,347 | 6,639 | 9,009 |

(1) Calculated from foreign currency and gold quotations in effect at the end of each period.

(2) (1 + 2 + 3 + 4 + 5).

(3) (I - 6).

(4) (II - 7).

Source: Banco Central de Chile.

Table 24

FOREIGN DEBT
(Millions of US dollars)

| Item | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 (1) |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| I. Total foreign debt (II + III) (2) | 19,444 | 19,501 | 19,208 | 17,638 | 16,252 | 17,425 | 16,416 | 18,204 |
| Public sector | 11,769 | 12,394 | 13,128 | 11,889 | 10,135 | 9,727 | 8,763 | 8,654 |
| Private sector | 7,675 | 7,107 | 6,080 | 5,749 | 6,117 | 7,698 | 7,653 | 9,551 |
| Private sector with public guarantee (3) | 2,310 | 3,369 | 3,252 | 2,820 | 1,897 | 2,065 | 1,791 | 941 |
| II. Medium- and long-term foreign debt | 17,650 | 17,814 | 17,191 | 15,452 | 13,279 | 14,043 | 14,217 | 14,490 |
| Public sector | 10,552 | 11,483 | 12,075 | 11,048 | 9,063 | 8,769 | 8,478 | 8,206 |
| Private sector | 7,098 | 6,331 | 5,116 | 4,404 | 4,216 | 5,274 | 5,739 | 6,285 |
| Private sector with public guarantee (3) | 1,963 | 2,896 | 2,650 | 2,060 | 1,068 | 1,039 | 1,012 | 941 |
| III. Short-term foreign debt | 1,794 | 1,687 | 2,017 | 2,186 | 2,973 | 3,382 | 2,199 | 3,714 |
| Public sector | 1,217 | 911 | 1,053 | 841 | 1,072 | 958 | 285 | 448 |
| Private sector | 577 | 776 | 964 | 1,345 | 1,901 | 2,424 | 1,914 | 3,266 |
| Private sector with public guarantee | 347 | 473 | 602 | 760 | 829 | 1,026 | 779 | 0 |
| IV. International Monetary Fund | 1,085 | 1,328 | 1,452 | 1,322 | 1,268 | 1,151 | 955 | 722 |

(1) Provisional figures.

(2) Balance as of 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 imports payments).

(3) As from 1990 debt owed to IDB and IBRD corresponding to privatized 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 (*) |
|--|--------|--------|--------|--------|--------|--------|--------|----------|
| <i>(Millions of US dollars)</i> | | | | | | | | |
| Total foreign debt | 19,444 | 19,501 | 19,208 | 17,638 | 16,252 | 17,425 | 16,416 | 18,204 |
| Medium- and long-term foreign debt servicing | 2,058 | 2,041 | 1,697 | 1,676 | 2,139 | 2,086 | 2,145 | 2,241 |
| Interest on total foreign debt | 1,838 | 1,772 | 1,516 | 1,214 | 1,559 | 1,558 | 1,417 | 1,234 |
| Current-account deficit | 1,328 | 1,137 | 808 | 167 | 767 | 597 | -143 | 583 |
| International reserves | 1,542 | 1,778 | 1,646 | 2,550 | 2,943 | 5,347 | 6,639 | 9,009 |
| Trade balance surplus/deficit | 850 | 1,100 | 1,229 | 2,219 | 1,578 | 1,273 | 1,576 | 749 |
| Exports of goods and services | 4,470 | 5,030 | 6,310 | 8,266 | 9,617 | 10,310 | 11,190 | 12,526 |
| <i>(Percentages)</i> | | | | | | | | |
| Total foreign debt / Exports of goods and services | 435 | 388 | 304 | 213 | 169 | 169 | 147 | 145 |
| Medium- and long-term foreign debt servicing / Exports of goods and services | 46 | 41 | 27 | 20 | 22 | 20 | 19 | 18 |
| Interest / Exports of goods and services | 41 | 35 | 24 | 15 | 16 | 15 | 13 | 10 |
| Current-account deficit / Exports of goods and services | 30 | 23 | 13 | 2 | 8 | 6 | -1 | 5 |
| Trade balance surplus / Exports of goods and services | 19 | 22 | 19 | 27 | 16 | 12 | 14 | 6 |
| <i>(Months)</i> | | | | | | | | |
| Net international reserves / Goods imports (FOB) | 6 | 7 | 5 | 6 | 5 | 9 | 11 | 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 |
|---|--------------|--------------|----------------|----------------|----------------|----------------|--------------|--------------|
| Capitalization under DL 600 and others | 53.0 (2) | 56.3 | 124.6 | 51.5 | 2.4 | 15.9 | - | - |
| 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 | 1,026.0 | 1,013.5 | 70.7 | 638.9 | 385.2 |
| TOTAL | 330.2 | 983.5 | 1,978.7 | 2,940.3 | 2,767.3 | 1,095.7 | 807.5 | 385.2 |

(1) Materialized transactions. Foreign-debt securities are taken at their face value.

(2) Including US\$ 10.8 million capitalized before 1985.

Source: Banco Central de Chile.

ANNEX 1

MAIN MONETARY AND CREDIT MEASURES

January 1992

- Further to the tendering of 1-year PRBC, 4-year PRC were offered for bids.

February 1992

- The mechanism for tendering 1-year PRBC and 4-year PRC was modified: the Banco Central undertakes to accept, from among the bids offered, a minimum of 100,000 UF worth of each instrument so that no tender shall be declared void.
- Holders of Chapter XIX foreign-debt conversion promissory notes (PCD) were offered the option of swapping their referential rate dollar-denominated promissory notes for observed rate dollar-denominated promissory notes having the same maturity and financial conditions as the original ones.

March 1992

- The minimum worth of bids to be accepted at each tender was increased to 150,000 UF (1-year PRBC) and 250,000 UF (4-year PRC).
- From March 31, the annual interest rate at maturity on 90-day PRBC was raised from 4.7% to 5.2%.

April 1992

- From April 2, the Banco Central put out to tender 6-, 8- and 10-year PRC, as well as the 1-year PRBC and the 4-year PRC, and agreed to accept bids on a minimum of 100,000 UF worth at each tender.
- From April 9, the Banco Central undertakes to accept bids on 350,000 UF worth of 1-year PRBC at each tender.
- The ruling on the permitted differential between loans and deposits of banks and financial institutions in UF was superseded by a ruling on the differential allowed in non-indexed domestic currency (loans shall be

neither more nor less than the deposits in over twice the paid up capital and reserves of each institution), giving greater scope to the financial system.

May 1992

- From May 5, the Banco Central undertakes to accept bids on 200,000 UF worth of 6-, 8- and 10-year PRC at each tender.

June 1992

- From June 16, the Banco Central undertakes to accept bids on 275,000 UF worth of 6-, 8- and 10-year PRC at each tender.

July 1992

- From July 28, the Banco Central undertakes to accept bids on 300,000 UF worth of 6-, 8- and 10-year PRC at each tender.

August 1992

- From August 19, the annual interest rate on 90-day PRBC was raised from 5.2% to 5.7%.

October 1992

- Insurance companies were authorized access to the primary market to buy PRBC, PRC and floating rate promissory notes (PTF) directly from the Banco Central over the counter or by way of bidding.
- The Banco Central payment for the reserve held for domestic currency time deposits was halved, likewise the payment for the technical reserve.

November 1992

- From November 2, the annual interest rate on 90-day PRBC was raised from 5.7% to 6.5%.

ANNEX 2

MAIN EXCHANGE AND EXTERNAL TRADE MEASURES

January 1992

- A maximum limit of 1.5% was set as the amount of any Pension Fund that can be invested in credit bills, securities or commercial papers issued or guaranteed by foreign states and foreign or international central banks or banking institutions, approved by the Risk Classification Commission, that are traded daily on international markets and that meet with at least the minimum requirements stipulated in the Ruling on Pension Fund Investment Abroad.
- The referential dollar exchange rate corresponding to January 23 was lowered by 5%, with no change being made to the way in which said dollar varies daily.
- From January 23, the floating band for the referential dollar exchange rate was widened from $\pm 5\%$ to $\pm 10\%$.
- From January 23, the 20% reserve requirement imposed on external credits was extended to cover commercial banks' foreign currency demand and time deposits. This obligation shall be enforced gradually over six months.

February 1992

- The requirements to be met by investors subject to Article 11 bis of DL 600 seeking access to internal credits were modified. Said Article of the ruling refers to foreign investment projects totalling US\$ 50 million or more. The maximum amount of credit obtainable during the start-up, development and operation of these projects will be up to 25% of the foreign investment already made. The same proportion of the returns should come under the general ruling on exports.

March 1992

- The maximum amount of foreign currency that banking institutions can hold was doubled so as to give them greater flexibility in their exchange dealings.
- The proportion of export returns free of the obligation to be sold was raised from 5% to 10% with a limit of US\$ 5 million. At the same time, the value of export shipments of an occasional nature that are exempted

from the return obligation was raised from US\$ 1,000 to US\$ 2,000.

- Purchase of foreign currency for paying certain services abroad and other personal outflows including travel allowances was considerably simplified. Travellers are now permitted US\$ 3,000 each for travel to Latin American countries and US\$ 5,000 each for travel to the rest of the world.
- Under certain conditions, foreign currency can now be acquired in advance in cases where foreign-payment commitments exist for debts duly registered with the Banco Central.
- The Banco Central was given the option of buying or selling foreign currency within the floating exchange limits when it considers that by doing so it can avoid undesirably sharp exchange-rate fluctuations.
- Silver (Troy ounce) was added as an accounting unit to register or determine external credit adjustment, at the same time allowing these credits to be serviced by silver exports, prior to the Banco Central granting exemption from return and liquidation obligations.

April 1992

- The annual external inflation rate used as the discount factor in the monthly referential dollar pricing was reduced from 2.4% to 1.2%.
- The requirements for access to internal credits for investments under Article 11 bis of DL 600 were modified. When the internal credit used represents 2% or less of the effective foreign investment, the return obligation stipulated in the general ruling is waived.

May 1992

- The necessary dispositions were added to Chapter XIV of the Compendium of Rules on International Exchange to enable residents in Chile to obtain foreign credit by way of selling bonds abroad. Those who issue bonds must give proof of solvency classed as category A by the Pension Fund Managing Entities' Risk Classification Commission.
- Exchange and financial regulations were established to allow Pension Fund Managing Entities to carry out investment abroad pursuant to the ruling recently published by the Pension Fund Managing Entities' Superintendency. Investment abroad may amount to the equivalent of 1.5% of the total value of the Pension Fund.

- Foreign investors subject to Chapter XIX stipulations of the Compendium of Rules on International Exchange were granted the option of remitting abroad the profits from their investments sooner than was established in the general ruling applicable to date. They may accept this alternative until April 30, 1993.
- Regulations governing the reserve applied to foreign-currency debt were modified as follows:
 - a. In the case of banking companies, the 20% reserve requirement was increased to 30% and calculation of the reserve was changed from bank working days to consecutive days.
 - b. In the case of external credits entered under Chapter XIV stipulations of the Compendium of Rules on International Exchange, all were given a term of one year.
- A credit line of liquidity in US dollars was established to be used by banking companies to constitute the reserve. Each banking institution's amount of credit depends on its exchange position (it may total up to twice the average exchange held in the preceding month).
- Limits were established to the sale of foreign-currency deposits by banking institutions, which is regulated by Chapter V.B.2 of the Compendium of Financial Regulations.

June 1992

- From July 1, Chapters IV.D.2, IV.D.2.1, IV.F, IV.F.1 and IV.E. 1 of the Compendium of Financial Regulations referring to Sources and Uses of Financial System Funds were revoked. Chapters IV.D.2 and IV.D.2.1 regulate, among other matters, the uses that financial institutions may give to foreign currency available through credits entered after January 31, 1983. Chapter IV.F and IV.F.1 refer to the uses made of resources mainly from capital entered under DL 600. Lastly, Chapter IV.E.1 (Swaps) deals with dollar purchases with repurchase agreement.

July 1992

- From July 6, the exchange ruling was modified so as to link the value of the Chilean peso to that of a basket of currencies composed of 50% United States dollars, 30% Deutschmarks and 20% Japanese yens. The weight of each currency within the basket is to be fixed and it is determined by the relative importance of the different monetary areas in Chile's international trade. The initial value of the exchange basket was fixed at 271.41 pesos. The basket's value will be adjusted daily according to the variation of the indexed unit (UF), discounting the daily equivalent of the annual external inflation calculated by the Council of the Banco Central as 2.4%. This means that the basket's value will be known in advance

although the referential dollar value and its corresponding upper and lower limits will only be known daily according to the international values of the currencies that make up the basket.

- In order to broaden the scope of the exchange market, banks were allowed more freedom in their foreign-currency arbitrage transactions being enabled to trade in various currencies with no set limit and without having to justify the transactions undertaken with those currencies.
- The provisions of Title I, Chapter VII, of the Compendium of Rules on International Exchange referring to foreign currency purchase, sale, forward deals and swaps were changed to make them more practical and flexible. The new ruling takes effect as from August 3, 1992.
- The provisions of Title I, Chapter XIV, Letter I, of the Compendium of Rules on International Exchange referring to bonds sold abroad were modified to the effect that the issuing body must give proof of solvency classed as category A by the Pension Fund Managing Entities' Risk Classification Commission and also that its shares may be acquired by Pension Funds.

August 1992

- The 20% reserve requirement imposed on external credits entered under Title I, Chapter XIV, of the Compendium of Rules on International Exchange was raised to 30%.
- Foreign investors subject to the provisions of Chapter XIX of the Compendium of Rules on International Exchange were authorized to repatriate capital and profits before the established time allowed upon payment of a sum equivalent to 3% of the capital invested and signing an agreement waiving his right to acquire foreign currency on the formal exchange market.
- As from October 1, the percentage of any Pension Fund that may be invested abroad was increased to the maximum permitted by law, that is, to 3% from 1.5%.
- The value of imports not requiring presentation of an import report to the Banco Central was increased to a maximum of US\$ 100,000.

October 1992

- Chapters XIV and XXVI of Title I of the Compendium of Rules on International Exchange were amended so as to allow external credits to be obtained by issuing share-convertible bonds abroad. This is a new mechanism providing access to the international financial market by way of an equity-related instrument

that can be issued in Chile in domestic currency, by the so-called preferential offer, or abroad, by the so-called international offer. Under certain circumstances, holders of these bonds, purchased abroad or in Chile using foreign currency entered under Chapter XIV of the Compendium of Rules on International Exchange, can take advantage of the ruling on ADRs in Chapter XXVI of the Compendium of Rules on International Exchange once the bonds have been converted into shares.

- The daily maximum amount of a credit line in dollars that banks can opt for was doubled from two to four times the mean exchange held in the preceding month.
- The cost of financing the reserve in US dollars required on credits entered under Chapter XIV of the Compendium of Rules on International Exchange was raised from LIBOR + 2.5% to LIBOR + 4%.
- The ruling on access to internal credit for investments under Article 11 bis of DL 600 was changed. From now on, prior to start-up of the project, there will be no limit to the use of internal credits nor will the return obligation stipulated in the general ruling be applicable when internal credit represents 5% or less of the foreign investment made.

November 1992

- The ruling that foreign-currency deposits indexed according to the observed dollar could only be used for loans and investments in time deposits with the same indexation was revoked. From now on, these transactions come under the general restraint on foreign currency which stipulates that the differential between-foreign currency loans and foreign-currency deposits cannot be greater than 20% of the capital plus reserves.

December 1992

- Foreign currency in banking institutions' statement of income that is incorporated into the foreign-currency reserves was exempted from the obligation of being liquidated on the formal market, following authorization by the Superintendency of Banks and Financial Institutions.
- Payments (corresponding to the trade of goods and related services and other invisible costs) to countries with which Chile has reciprocal loan agreements need no longer be made through the open accounts held in the Banco Central to that effect.
- Chapter XXVI of Title I of the Compendium of Rules on International Exchange referring to ADRs was changed to allow the date of the international offer of bonds abroad to be as close as possible to the date of the preferential offer of shares in Chile.

1. Reducing the hierarchies that fettered the Bank's operation.
2. Promoting horizontal communication and interdepartmental workgroups by making the Bank's organisational structure more flexible.
3. Gradually decentralising decision-making, giving more responsibilities to intermediate executives.
4. Replacing traditional equipment by modern telecommunication and information systems.
5. Introducing efficiency and performance assessment.
6. Streamlining administration by re-grouping units and eliminating unnecessary ones.
7. Applying staffing policies geared to efficiency and market forces.
8. Decentralising and delegating out some of the Bank business.

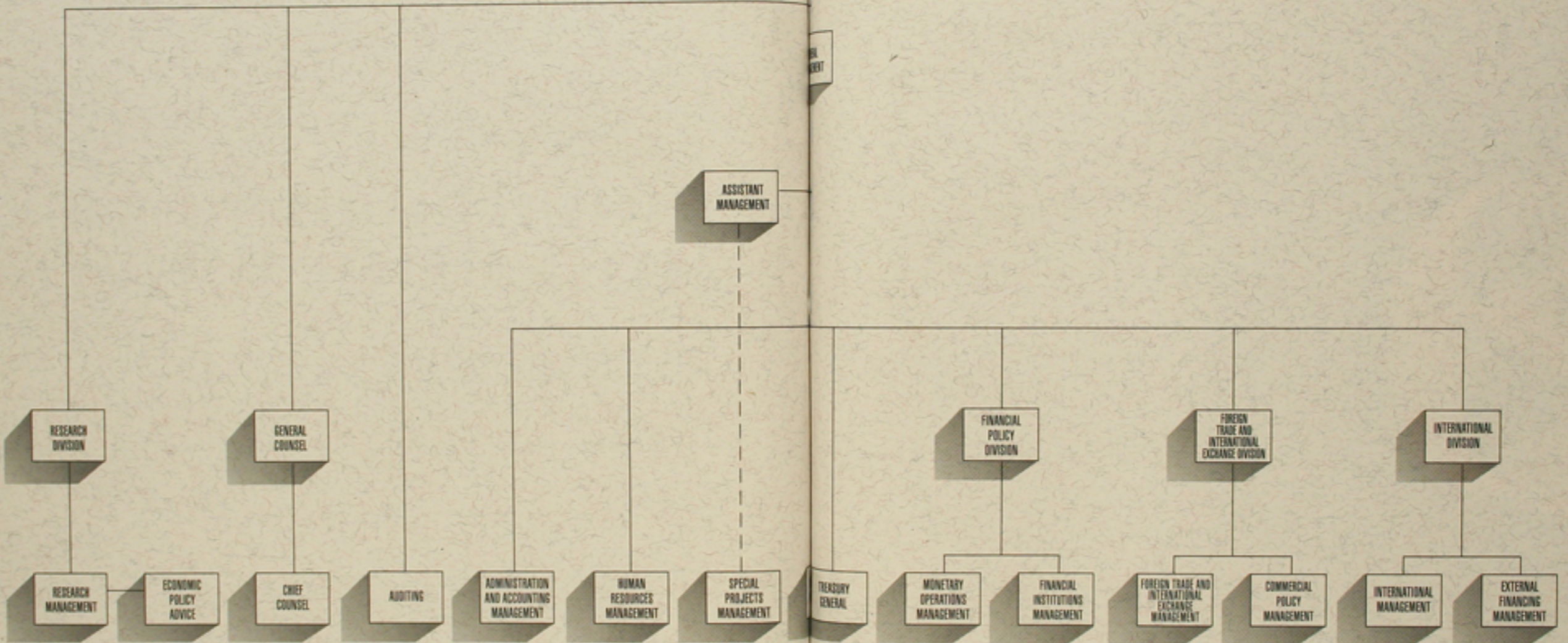
A restructuring of this scope inevitably requires staff cut-backs and the Bank approached this difficult reality by implementing a special retirement plan that rewarded years of service and offered training and support in finding new jobs.

The main results of this process during 1992 were:

1. Bank staff was reduced by a third.
2. Three Divisions were done away with and their essential functions were taken on by the remaining five.
3. Administrative restructuring left 14 Management Areas instead of 18 and 49 departments and sections instead of 96.
4. The representational offices in New York and Tokyo were closed.
5. Four regional offices were closed and the functions of the remaining three were re-defined. The legal and institutional changes already mentioned, as well as the private banks' efficient coverage of the whole country, made the Banco Central's presence unnecessary elsewhere.

The adjoining organisation chart shows what has been achieved by the modernisation process of the Banco Central.

ORGANISATION CHART OF THE
BANCO CENTRAL DE CHILE





III. FINANCIAL STATEMENTS

BANCO CENTRAL DE CHILE
DECEMBER 31, 1992



Balance Sheet
As of December 31, 1992
(In millions of Chilean pesos)

ASSETS

OVERSEAS ASSETS 4,819,725.0

| | |
|---|-------------|
| RESERVE ASSETS | 4,690,307.0 |
| Gold | 242,752.1 |
| Foreign currencies | 1,189,948.9 |
| Special drawing rights holdings | 271.2 |
| IMF subscription | 361,494.6 |
| Bonds, certificates of deposit and others | 2,686,813.5 |
| Mutual loan agreements | 208,862.3 |
| Other | 164.4 |

| | |
|---|-----------|
| OTHER OVERSEAS ASSETS | 129,418.0 |
| Contributions made to other international organizations | 77,922.2 |
| Interest receivable | 51,475.0 |
| Other | 20.8 |

DOMESTIC ASSETS 5,920,633.5

| | |
|---|-------------|
| DOMESTIC LOANS | |
| Fiscal loans | 48,213.1 |
| Loans to state-owned entities | 148,362.2 |
| Loans to the Banco del Estado | 118,099.0 |
| Loans to commercial banks | 614,528.9 |
| Loans to other institutions | 209,309.7 |
| Treasury transfers (Laws 18,267; 18,401 and 18,768) | 3,230,879.2 |
| Financial institutions subordinate obligations (Law 18,401) | 1,551,241.4 |

OTHER ASSETS ACCOUNTS 144,165.5

| | |
|--|-----------|
| Fixed assets | 18,280.2 |
| US dollars purchase with a resale commitment | 9,706.1 |
| Other | 116,179.2 |

TOTAL ASSETS 10,884,524.0

See accompanying notes to the financial statements.

Chilean Currency
and F/C equivalent
(US\$ = \$ 422.920)
(Gold \$ 1 = \$ 765.337)
LIABILITIES AND EQUITY

| | | |
|---|-------------|---------------------|
| OVERSEAS LIABILITIES | | 1,984,013.7 |
| RESERVE LIABILITIES | 880,124.9 | |
| IMF loans | 305,282.2 | |
| Mutual credit agreements | 213,351.7 | |
| IMF deposits | 361,491.0 | |
| OTHER OVERSEAS LIABILITIES | 1,032,995.4 | |
| Loans and other liabilities | 844,089.3 | |
| Accounts with other international organizations | 133,609.3 | |
| Interest payable | 55,296.8 | |
| ALLOCATION OF SPECIAL DRAWING RIGHTS | 70,893.4 | |
| DOMESTIC LIABILITIES | | 8,008,160.8 |
| CURRENCY ISSUED AND DEPOSITS | 622,158.6 | |
| Currency in circulation | 585,154.3 | |
| Financial institutions deposits (Chilean pesos) | 37,004.3 | |
| DEPOSITS AND COMMITMENTS | 1,869,745.3 | |
| Deposits and commitments with the Treasury | 1,184,348.3 | |
| Other deposits and commitments | 685,397.0 | |
| INSTRUMENTS ISSUED BY THE BANCO CENTRAL | 5,516,256.9 | |
| Discountable promissory notes issued by the Banco Central (PDBC) | 164,080.0 | |
| Readjustable promissory notes to be paid in Treasury bills (PRC) (Resolution 1,909) | 1,811,200.1 | |
| Readjustable promissory notes with floating interest rate (PTF) | 112,613.8 | |
| Promissory notes issued for exchange rate differential | 282,145.3 | |
| Promissory notes on purchase of portfolio under Resolution 1,555 | 112,073.2 | |
| Promissory notes expressed in US dollars | 6,330.0 | |
| Promissory notes issued on purchase of portfolio | 209,895.1 | |
| Instruments issued on rescheduling of foreign debt (Chapter XIX of the Compendium of Rules on International Exchange) | 285,000.1 | |
| Promissory notes on purchase of letters of credit | 72,974.3 | |
| Readjustable promissory notes issued by the Banco Central (PRBC) | 1,748,447.3 | |
| Commercial effects from redenomination of external debt | 347,863.4 | |
| Promissory notes stated in Indexed Units (UF) (Resolution 1,836) from US dollar certificates | 279,693.6 | |
| Other | 83,940.7 | |
| OTHER LIABILITY ACCOUNTS | | 160,735.3 |
| Reserves | 73,841.6 | |
| US dollars purchase with resale commitments | 9,604.8 | |
| Other | 77,288.9 | |
| EQUITY | | 766,365.0 |
| Capital | 766,365.0 | |
| DEFICIT FOR THE YEAR | | (34,750.8) |
| TOTAL LIABILITIES AND EQUITY | | <u>10,884,524.0</u> |



Statement of Income
For the year ended December 31, 1992
(In millions of Chilean pesos)

| | | |
|--|-----------|-------------------|
| OPERATING INCOME | | 1,233,555.0 |
| Interest earned | 465,231.4 | |
| Restatement gains on loans | 363,591.4 | |
| Income from price differences | 18,287.8 | |
| Income on exchange | 384,565.3 | |
| Other operating income | 1,879.1 | |
| OPERATING EXPENSES | | (1,204,617.4) |
| Interest expenses | 469,826.4 | |
| Restatement losses on loans | 649,414.9 | |
| Commission expenses | 1,731.8 | |
| Loss on price differences | 15,277.3 | |
| Loss on exchange | 59,735.9 | |
| Other operating expenses | 8,631.1 | |
| GROSS OPERATING INCOME | | 28,937.6 |
| OTHER OPERATIONAL EXPENSES | | (21,199.9) |
| Personnel | 16,078.5 | |
| Administrative expenses | 3,266.6 | |
| Depreciation and amortization | 1,483.3 | |
| Taxes | 371.5 | |
| INCOME BEFORE LOANS WRITE-OFFS AND RESERVES | | 7,737.7 |
| Loans write-offs and reserves (net recovery) | | 15,257.5 |
| NET OPERATING INCOME | | 22,995.2 |
| NON-OPERATING INCOME | | 11,017.6 |
| Non-operating income | 11,395.4 | |
| Non-operating expenses | (377.8) | |
| INCOME BEFORE PRICE-LEVEL RESTATEMENT | | 34,012.8 |
| PRICE-LEVEL RESTATEMENT | | (68,763.6) |
| DEFICIT FOR THE YEAR | | <u>(34,750.8)</u> |

See accompanying notes to the financial statements.

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.

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 \$ |
| Minted Chilean gold coins | 765.337 |
| US dollar | 422.920 |
| Pound sterling | 636.066 |
| Deutsche mark | 261.659 |
| Special drawing rights (SDR) | 581.456 |

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 accrued restatements 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) 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 rate of exchange prevailing at the balance sheet date. Interest receivable on these loans and restatements, if applicable, are accounted for up to the maturity date only.

E) 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.

F) 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 straightline method over the estimated useful lives of the assets. Under this heading are included sundry items which are subject to be sold, as result of the reorganization decided by the Banco Central de Chile.

G) 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 \$ 3,177.1 million (Note 7) and deferred expenses by \$ 224.9 million, which are included in Other under Other Assets Accounts.

H) RESERVE FOR POSSIBLE LOAN LOSSES

The Bank, pursuant to the powers of the Council, which are set out in Article 18, Number 9 of Law 18,840, has made reserves in the year for doubtful debts, under Resolution 266 dated December 1992 of the Council. These provisions are included under Other Liability Accounts, and the resultant debit to income is detailed in Note 7.

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

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

J) REVENUE AND EXPENSE ACCOUNTS

Revenues and expenses are accounted for on an accrual basis.

Non-Operating Income includes indemnities received by foreign exchange transactions and part of the recover of the investment in the Banco Nacional de Cuba (Note 7) and the recovery of written-off loans to financial institutions in liquidation.

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.

K) PRICE-LEVEL RESTATEMENT

The effect of price-level restatements of equity, property, premises, equipment and other assets and liabilities, considering variations in the consumer price index during the year is shown in the Statement of Income under Price-Level Restatement and detailed in Note 6. Likewise, exchange differences in assets and liabilities denominated in foreign currency, and restatements of loans, are included under operating results.

2. FINANCIAL STATEMENTS PRESENTATION POLICIES

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.

3. 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 \$ 364,201.4 million; credit lines to international organizations' programmes for \$ 139,180.8 million; amounts to be recovered by the liquidation of the Caja Central de Ahorros y Préstamos and the Asociación de Ahorro y Préstamo, for \$ 129,095.8 million, (Note 14); receivables from the Corporación de Fomento de la Producción (Corfo), (Laws 18,401 and 18,577) for \$ 101,382.4 million; mortgage loans portfolio for \$ 89,445.6 million and credit lines in respect of deposits under Resolution 1,686 for \$ 85,476.1 million.

4. 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 \$ 526,843.6 million; rescheduling of foreign debts years 1983 - 1984, 1985 - 1987 and 1988 - 1991, for \$ 243,873.1 million, credit from the Inter American Development Bank (IDB) for \$ 48,650.4 million, and deposits of the Banco Exterior de España S.A., (Resolution 1,872) for \$ 22,483.4 million.

5. DEPOSITS AND COMMITMENTS

The heading "Other Deposits and Commitments" mainly includes the following: reserve deposits Resolution 143 and its amendments, by \$ 319,183.2 million; Banco del Estado de Chile deposits for \$ 166,082.1 million; foreign-currency current accounts for \$ 96,997.1 million; foreign-currency deposits under Resolutions 1,657 and 1,686 for \$ 70,874.2 million and short-term certificates of deposit for \$ 4,017.7 million.

6. PRICE-LEVEL RESTATEMENT

Price-level restatement as indicated in Note 1, letter K), resulted in a net debit to income of \$ 68,763.6 million, as follows:

| | (In millions of Chilean pesos) (Credits)/Debits |
|--|--|
| Equity | 94,115.0 |
| Property, premises and equipment | (2,846.4) |
| Other assets | (22,505.0) |
| | <u>68,763.6</u> |
| Net charge to the results for the year | <u>68,763.6</u> |

The change in the consumer price index amounted to 14.0% during the year.

7. RESERVES AND WRITE-OFFS

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

| | (In millions of Chilean pesos) |
|-------------------------|--------------------------------|
| Loans | 11,427.0 |
| Severance compensation | 3,177.1 |
| Subordinate commitments | 58,634.0 |
| Other | 603.5 |
| Balance at 12.31.92 | 73,841.6 |

Loans write-offs and reserves, in the Income Statement, includes a debit by \$ 962.6 million, from reserves constituted in the year, and a credit by \$ 16,220.1 million, from the recovery of reserves and write-offs from prior periods, which mainly includes recoveries from the Banco Nacional de Cuba and from financial institutions in liquidation, as explained below.

In September 1992, the Banco Central de Chile received the payment from the Banco Nacional de Cuba for the amount of S.Fr. 58.7 million, as a result of claims presented at British and Swiss courts to obtain the devolution of a deposit by S.Fr. 30.7 million deposited at the Union Bank of Switzerland on March 24, 1972, which had been reserved charging results.

Of the amount received, S.Fr. 30.7 million (\$ 8,883.6 million) correspond to the recovery of reserves from prior years and S.Fr. 28.0 million (\$ 8,087.0 million) were credited to Non-Operating Income in the Income Statement. Also, during the year \$ 4,563.6 million were received as recovery of written-off loans to financial institutions in liquidation.

8. EQUITY AND SURPLUS

Variations in equity during 1992 are summarized as follows:

| | (In millions of Chilean pesos) | | |
|--------------------------------|--------------------------------|-------------------|------------|
| | Capital | Surplus/(Deficit) | Total |
| Balance at 01.01.92 | 664,015.4 | 8,234.6 | 672,250.0 |
| Distribution of 1991 surplus | 8,234.6 | (8,234.6) | - |
| Equity price-level restatement | 94,115.0 | - | 94,115.0 |
| Deficit for the year | - | (34,750.8) | (34,750.8) |
| Balance at 12.31.92 | 766,365.0 | (34,750.8) | 731,614.2 |

In accordance with Article 5 of the Constitutional Organic Act of the Central Bank of Chile the initial capital for the Bank was settled by \$ 500,000 million to be contributed according to Article 2 of the same Law. The following is a summary of the initial capital as of December 31, 1992:

| | (In millions of Chilean pesos) | |
|---|--------------------------------|-----------|
| Capital under Article 5, Law 18,840 | | 500,000.0 |
| - Balances on 12.31.91: | 433,236.3 | |
| - Surplus for 1991 assigned to increase the initial capital as per Council Resolution 188 of January 16, 1992 | 8,234.6 | 441,470.9 |
| Balance required | | 58,529.1 |

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

9. LOANS TO BE COLLECTED FROM THE CORPORACIÓN DE FOMENTO DE LA PRODUCCIÓN (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 13), by the way of future transfers. As far as the information is 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, 1992 the balance receivable from CORFO amounts to \$ 101,382.4 million (equivalent to 10.7 million UF) and the balance transferable by the Treasury amounts to \$ 84,795.2 million (9 million UF).

10. 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 before August 6, 1982 may 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, 1992, is fully provided for an aggregate amount of \$ 2,740.3 million.

11. 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. This interest is considered as income for the Bank and recognized on an accrual basis.

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 Superintendency. Consequently, the settlement of the said commitment is subjected to the financial institutions capability to generate income.

As at December 31, 1992 the subordinate obligation amounts to \$ 1,551,241.4 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 \$ 209,895.1 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.

12. 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 1992 "Eurodollars Future Contracts" were executed, of which 6,292 for the equivalency of US\$ 6,292.0 million are in force at December 31, 1992.

For these contracts the Bank has set up guarantees in securities included under the heading Bonds, certificates of deposit and others amounting to US\$ 6.0 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, 1992 these transactions showed a loss equivalent to US\$ 38.3 million.

13. 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) | 412,573.0 |
| b) Treasury transferences (Law 18,401) | 84,795.2 |
| c) Treasury promissory notes (Law 18,768) | 2,733,511.0 |
| Total | <u>3,230,879.2</u> |

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 9). These amounts receivable result from the discounts granted to those shareholders benefited by provisions of the mentioned Law.

These transfers 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 dollar, 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, 1991, Treasury made several prepayments of principal and interests. During the current year, the Treasury early made redemption of interest by US\$ 126.6 million, being included as Other under Other Liability Accounts, unearned interests amounting to US\$ 124.1 million.

14. CAJA CENTRAL DE AHORROS Y PRÉSTAMOS AND ASOCIACIÓN NACIONAL DE AHORRO Y PRÉSTAMO

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, 1992, the amount owed to the Banco Central for the liquidation of these entities, including interest accrued to that date, amounted to \$ 129,095.8 million, as set out in Note 3.

15. COMPOSITION BY REMAINING PERIOD OF THE INSTRUMENTS ISSUED BY THE BANCO CENTRAL DE CHILE, AS AT DECEMBER 31, 1992

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) | | | | | Total |
|---|--|------------------|------------------|------------------|--------------------|--------------------|
| | Up to 90 days | 91 - 180 days | 181 - 365 days | 1 - 3 years | Over 3 years | |
| Discountable promissory notes issued by the Banco Central (PDBC) | 164,080.0 | | | | | 164,080.0 |
| Adjustable promissory notes to be paid in Treasury bills (PRC) | 77,083.9 | 67,401.3 | 116,184.2 | 500,519.5 | 1,055,011.2 | 1,811,200.1 |
| Adjustable promissory notes with floating interest rate (PTF) | 6,240.6 | 897.9 | 5,336.6 | 22,339.5 | 77,799.2 | 112,613.8 |
| Promissory notes in respect of exchange rate differential | 20,467.8 | - | 25,582.0 | 213,718.1 | 22,377.4 | 282,145.3 |
| Adjustable promissory notes issued by the Banco Central (Resolution 1,555) | 7,632.6 | 7,318.2 | 15,013.0 | 65,398.4 | 16,711.0 | 112,073.2 |
| Promissory notes expressed in US dollars (Resolution 1,460) | 6,330.0 | | | | | 6,330.0 |
| Promissory notes issued on purchase of portfolio | | | | | 209,895.1 | 209,895.1 |
| Instruments issued on rescheduling of foreign debt (Chapter XIX of the Compendium of Rules on International Exchange) | 434.6 | 766.8 | | | 283,798.7 | 285,000.1 |
| Promissory notes on acquisition of letters of credit (Resolution 1,506) | 5,868.5 | 4,717.4 | 9,822.5 | 44,548.9 | 8,017.0 | 72,974.3 |
| Adjustable promissory notes issued by the Banco Central (PRBQ) | 1,501,832.8 | 78,404.0 | 168,210.5 | | | 1,748,447.3 |
| Commercial effects of the redenomination of foreign debt | 2,766.1 | 791.9 | 51.3 | 68,996.6 | 275,257.5 | 347,863.4 |
| Adjustable promissory notes in indexed units (UF) (Resolution 1,536) | 6,204.1 | | | | 273,489.5 | 279,693.6 |
| Adjustable certificates of deposit | | | | 1,063.0 | | 1,063.0 |
| Certificates of deposit expressed in US dollars (Resolution 1,649) | 428.7 | 121.7 | 428.7 | 857.5 | 4,871.6 | 6,708.2 |
| Promissory notes expressed in indexed units (UF) to Banco del Estado from BUF-BHC DEBT (Resolution 91) | 19,517.4 | 18,615.4 | 25,363.7 | 12,673.0 | | 76,169.5 |
| Total instruments issued | 1,818,887.1 | 179,034.6 | 365,992.5 | 930,114.5 | 2,222,228.2 | 5,516,256.9 |

These figures include interests and restatements accrued as at December 31, 1992.

16. BALANCES IN FOREIGN CURRENCIES AND GOLD

(In millions of US\$)
as at 12.31.92

| | Transactions payable in foreign currency | Transactions expressed in foreign currency | Total |
|---|--|--|-----------------|
| ASSETS | | | |
| Overseas Assets | 10,582.3 | - | 10,582.3 |
| Reserves | 10,423.9 | - | 10,423.9 |
| Other overseas assets | 158.4 | - | 158.4 |
| Domestic Assets | 6,828.7 | 59.2 | 6,887.9 |
| Domestic loans | 6,828.7 | 59.2 | 6,887.9 |
| Other Assets Accounts | 3.7 | - | 3.7 |
| Total Assets | <u>17,414.7</u> | <u>59.2</u> | <u>17,473.9</u> |
| LIABILITIES | | | |
| Overseas Liabilities | 2,820.9 | - | 2,820.9 |
| Reserves | 504.5 | - | 504.5 |
| Other overseas liabilities | 2,148.8 | - | 2,148.8 |
| SDR allocations | 167.6 | - | 167.6 |
| Domestic Liabilities | 3,636.1 | 53.4 | 3,689.5 |
| Deposits and commitments | 3,621.1 | 37.9 | 3,659.0 |
| Instruments issued by the Banco Central | 15.0 | 15.5 | 30.5 |
| Other Liability Accounts | 201.1 | - | 201.1 |
| Total Liabilities | <u>6,658.1</u> | <u>53.4</u> | <u>6,711.5</u> |
| NET ASSETS | <u>10,756.6</u> | <u>5.8</u> | <u>10,762.4</u> |

17. CONTINGENCIES, COMMITMENTS AND OBLIGATIONS

A) MEMORANDUM ACCOUNTS

The following balances are outstanding at December 31, 1992:

| | (In millions of Chilean pesos) |
|--|-----------------------------------|
| Treasury transactions | 0.2 |
| Exchange and overseas loan transactions | 2,792,360.7 |
| Safekeeping and securities in guarantee transactions | <u>4,449,942.6</u> |
| Total | <u>7,242,303.5</u> |

B) CONTINGENCIES

The Banco Central de Chile is involved in some pending suits, but their final outcome will not have a material effect on the financial statements as of December 31, 1992.

18. INCOME TAX

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

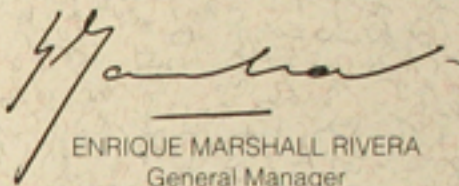
19. RESULT FOR THE YEAR

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 express rule, the Council, 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 are 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.

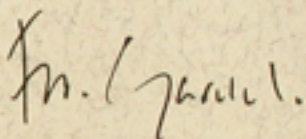


20. SUBSEQUENT EVENTS

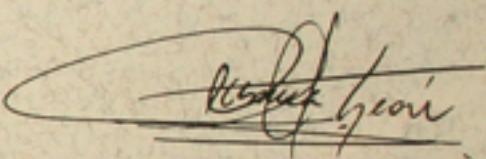
No subsequent events have occurred that may significantly affect the presentation and/or the results of these financial statements.



ENRIQUE MARSHALL RIVERA
General Manager



FRANCISCO GARCIA LETELIER
Accounting & Administration Manager



SUSANA LEON MILLAN
General Auditor



R E P O R T O F I N D E P E N D E N T A U D I T O R S

ERNST & YOUNG

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

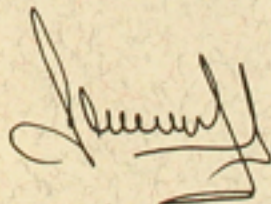
We have audited the balance sheet of the Banco Central de Chile as of December 31, 1992 and the related statement of income for the year then ended. These financial statements (which include the corresponding notes) are the responsibility of the management of the Banco Central de Chile. Our responsibility 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 Council, 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, 1992, and the results of its operations for the year then ended, in conformity with the basis described in Note 1.A).

As described in Note 11, the Banco Central de Chile includes within its Domestic Assets Ch. \$ 1,551,241.4 million representing the subordinate commitments of financial institutions, with an indefinite 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.



Juan Humud G.

Santiago, January 14, 1993

BANCO CENTRAL DE CHILE

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