



CHILE: RECENT DEVELOPMENTS AND PROSPECTS

JOSE DE GREGORIO
VICEPRESIDENT
CENTRAL BANK OF CHILE



Agenda

- Global outlook
- Financial markets
- Domestic activity
- Economic Forecasts



Global Outlook

Chilean Economic Performance and Forecasts (Annual % change)

	2003	2004	2005	2006(f)
GDP	3,9	6,1	6,3	5 ¹ / ₄ – 6 ¹ / ₄
Inflation	1,1	2,4	3,7	2,7
Domestic demand	4,9	8,1	11,4	6,6
Gross fixed capital formation	5,7	11,7	24,7	10,3
Total consumption	3,9	5,2	7,2	5,8
Exports of goods and services	6,5	11,8	6,1	6,8
Imports of goods and services	9,5	18,0	20,4	8,7
National savings (% of GDP)	20,5	23,2	24,2	n.d.
Gross fixed capital formation (% of GDP)	23,6	24,9	29,2	n.d.
Current Account (% of GDP)	-1,5	1,5	-0,4	-1,4

Source: Central Bank of Chile



Global Outlook

World Economic Growth (percentage)

	1990-1990	2004	2005	2006		2007	
				MPR Jan.06	Mar.06 (*)	MPR Jan.06	Mar.06 (*)
World	3.3	5.1	4.6	4.5	4.6	4.3	4.2
USA	3.1	4.2	3.5	3.6	3.5	3.2	3.1
Euro Zone	2.2	1.8	1.4	1.8	1.9	1.8	1.4
Japan	1.5	2.3	2.7	2.5	3.3	2.2	2.7
Other Asian countries	8.0	8.6	8.2	7.6	7.7	7.6	7.4
China	10.0	10.1	9.9	9.0	9.1	8.7	8.6
Latin America (Chile excl.)	2.8	5.8	4.1	4.0	4.2	3.6	3.6
Commodities exporters	2.7	3.2	2.7	3.1	3.1	3.1	3.0
Trading partners	3.1	4.5	3.9	3.9	4.2	3.7	3.7
World (mk exch. Rate)	2.8	3.8	3.3	3.5	3.6	3.2	3.1

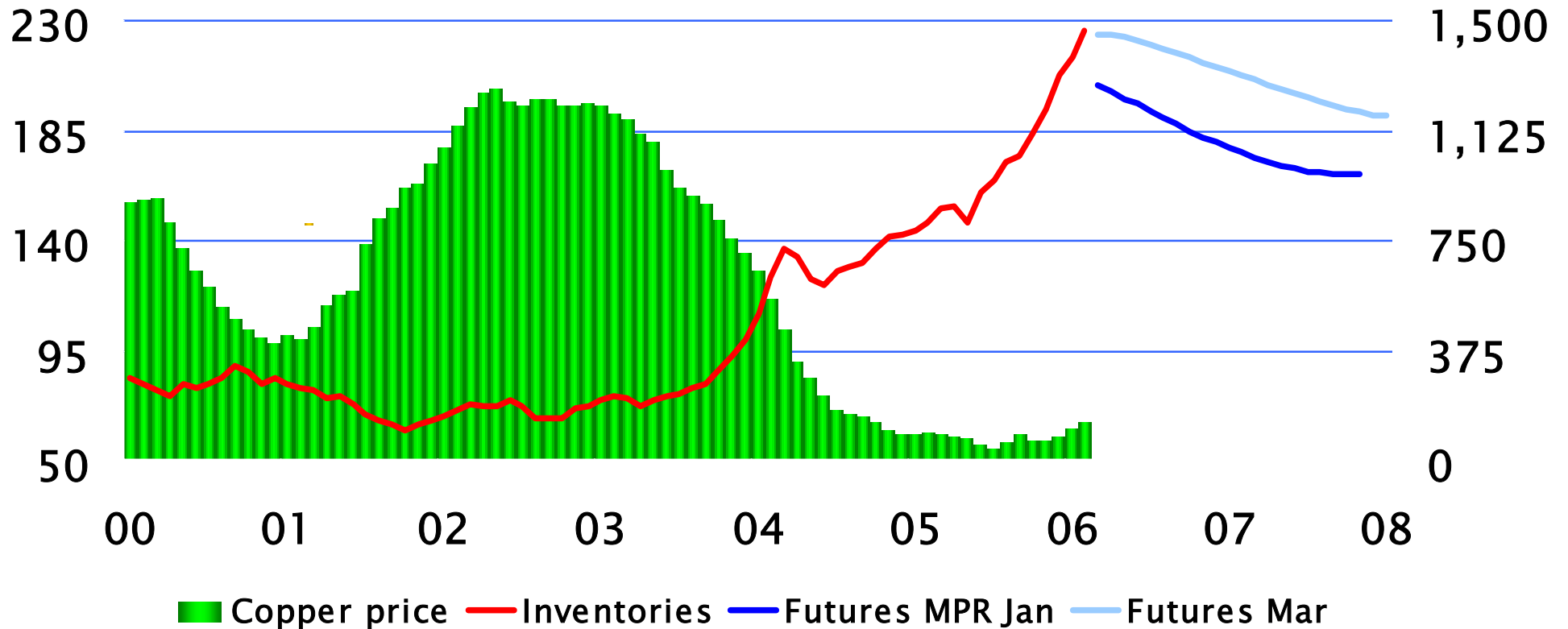
(*) Forecasted based on investment banks' sample (Deutsche Bank, JP Morgan Chase and Lehman Brothers)



Global Outlook

Copper Market

(US\$/lb, miles of metric tons)



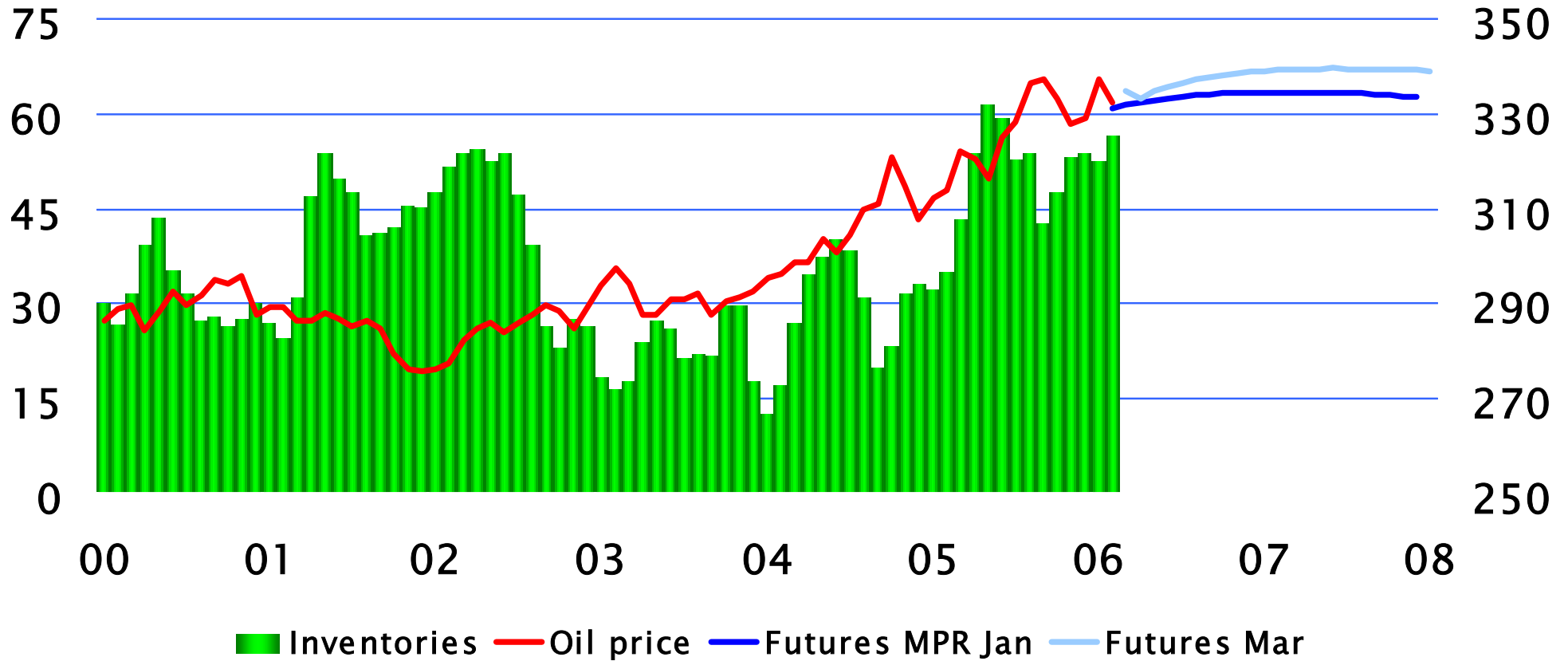
Source: Bloomberg.



Global Outlook

Oil Market

(US\$ per barrel, millions of barrels)



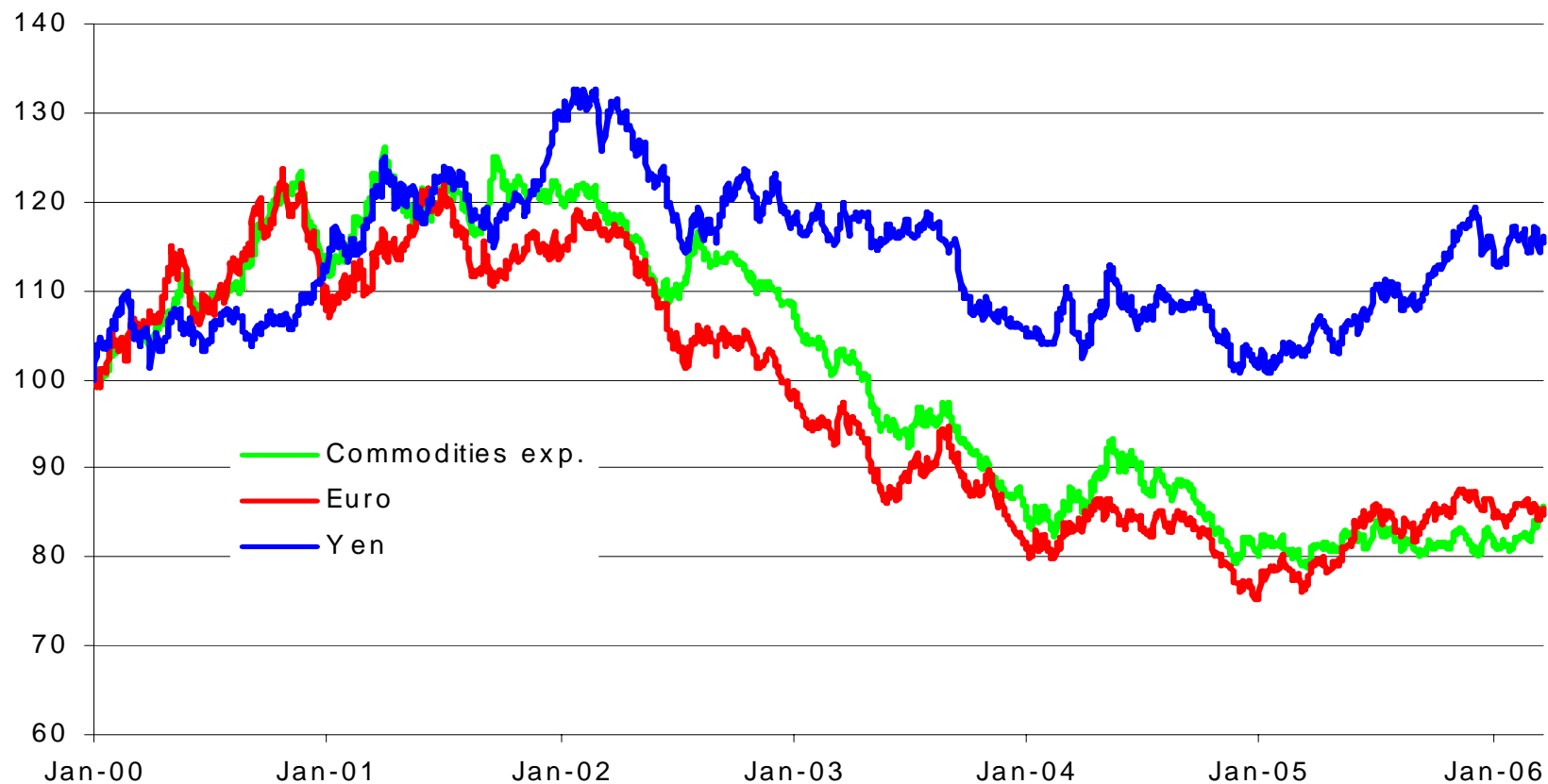
Source: Bloomberg



Global Outlook

US\$ Spot Market

(Daily index, 03/01/2000=100)



Source: Bloomberg.



Global Outlook

Exchange Rate Parities

(Accumulated % changes relative to US\$ as of March 22, 2006)

	Dec-02	Dec-03	Dec-04	Dec-05
Chile	-26.2	-10.3	-4.3	3.9
Japan	-1.8	8.8	13.7	-0.9
Australia	-21.8	4.6	8.6	2.0
N. Zealand	-16.1	4.8	14.8	9.3
South Africa	-26.2	-5.4	11.6	-0.1
Canada	-25.8	-10.0	-2.9	0.4
Euro Zone	-13.3	4.1	12.0	-2.1

Source: Bloomberg, Central Bank of Chile.



Global Outlook

Exchange Rate Volatility (1)(2) (percentage)

	CH\$	Euro	Yen	AUS\$	CAN\$	NZ\$	SAF\$
2001	8.3	11.7	10.1	13.3	5.3	13.0	12.4
2002	9.6	9.1	9.7	8.7	5.9	9.9	19.2
2003	8.2	10.3	8.2	10.0	8.6	10.4	19.7
2004	10.9	10.6	9.5	12.9	8.8	13.8	21.0
2005	9.3	9.0	8.7	9.3	8.0	10.2	15.4
2006*	8.3	8.3	9.1	8.3	6.9	10.5	12.3

(1) Estimated based on JP's *riskmetrics* method, using a GARCH model of the variance of the logarithmic return of the exchange rate.

(2) As of March 22, 2006.

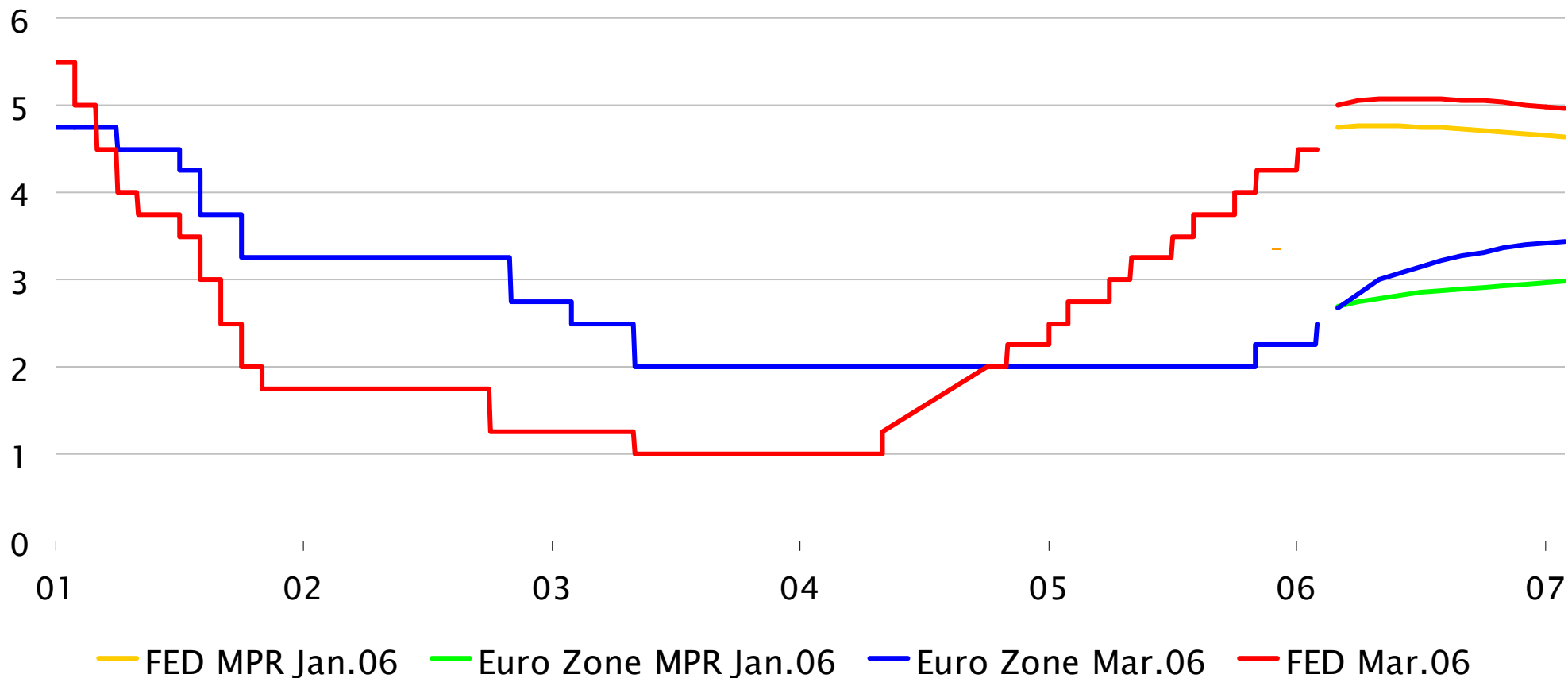
Source: Bloomberg, Central Bank of Chile



Financial Markets

Monetary Policy Interest Rate and 3-months Libor Futures

(percentage)

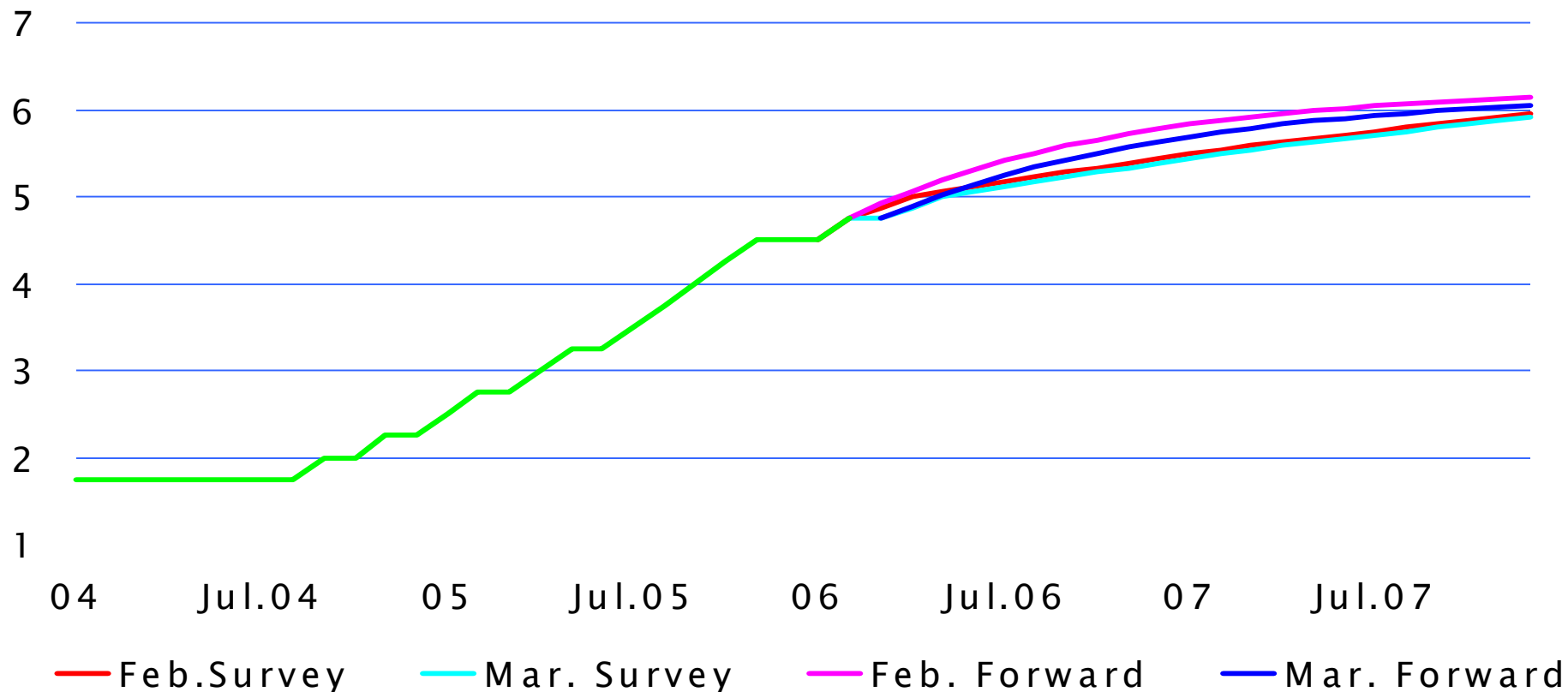


Source: Bloomberg.



Financial Markets

MP Rate, Expectations and Forward Curve (percentage)



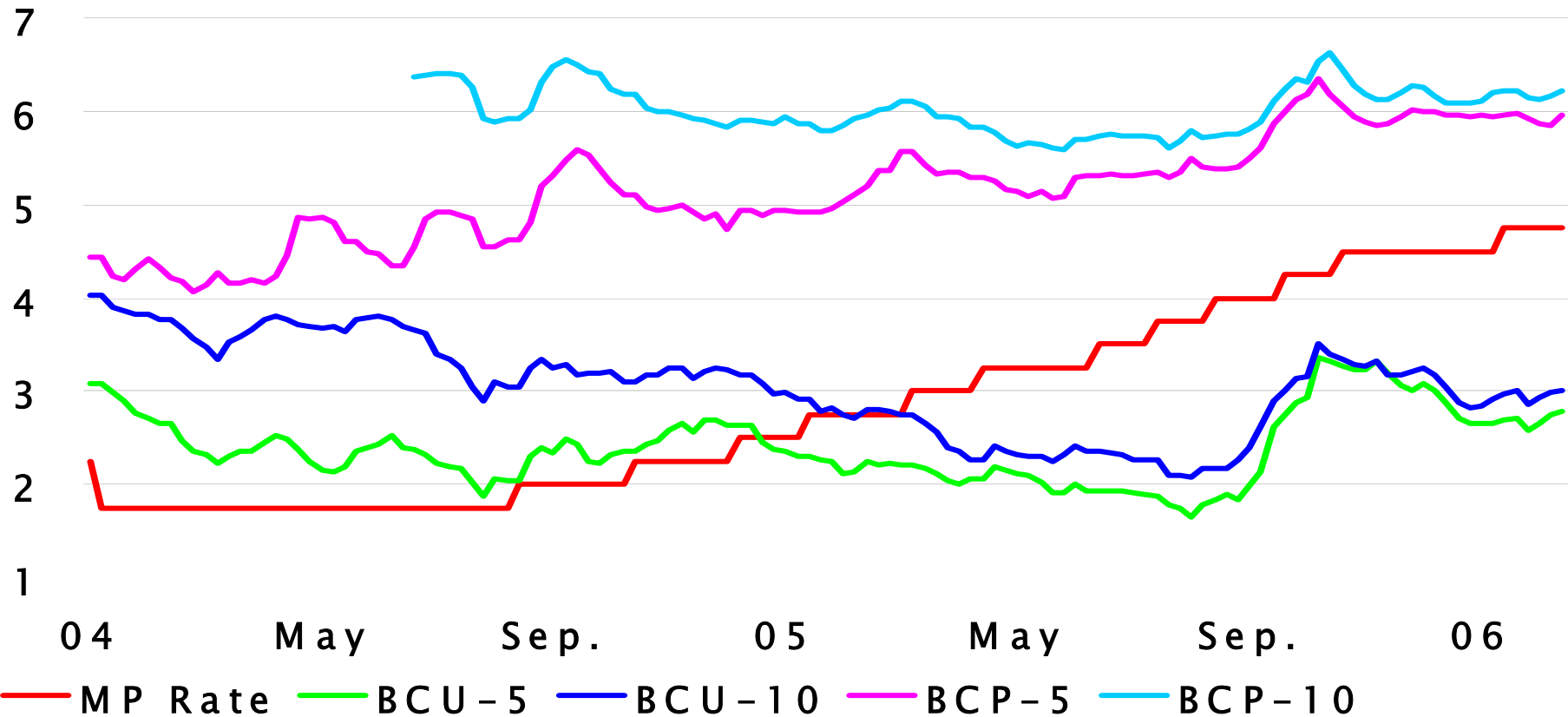
Source: Central Bank of Chile



Financial Markets

MP Rate and Interest Rates on Central Bank of Chile Instruments

(percentage, weekly averages)



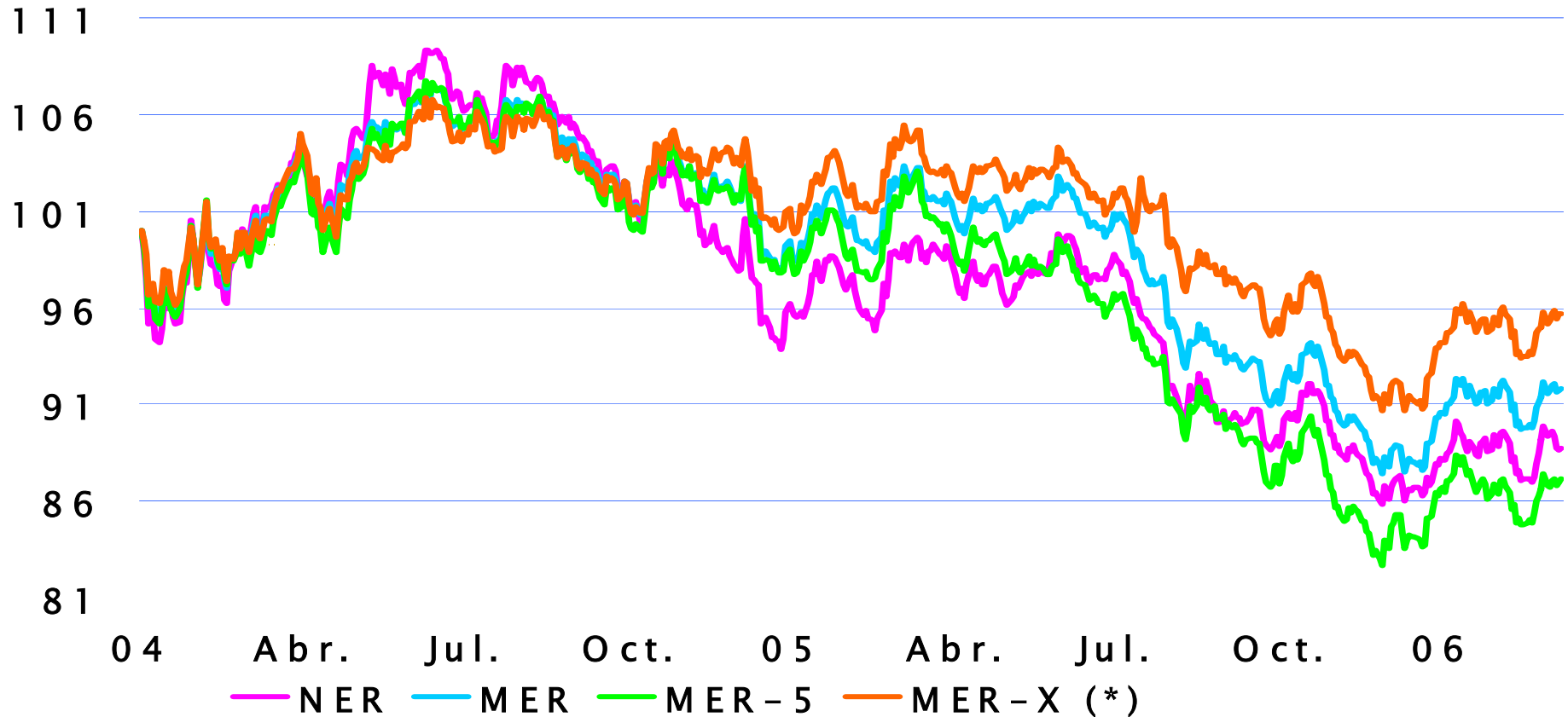
Source: Central Bank of Chile



Financial Markets

Nominal Exchange Rate Measures

(Daily, January 2, 2004 = 100)



(*) USA and Ecuador excluded

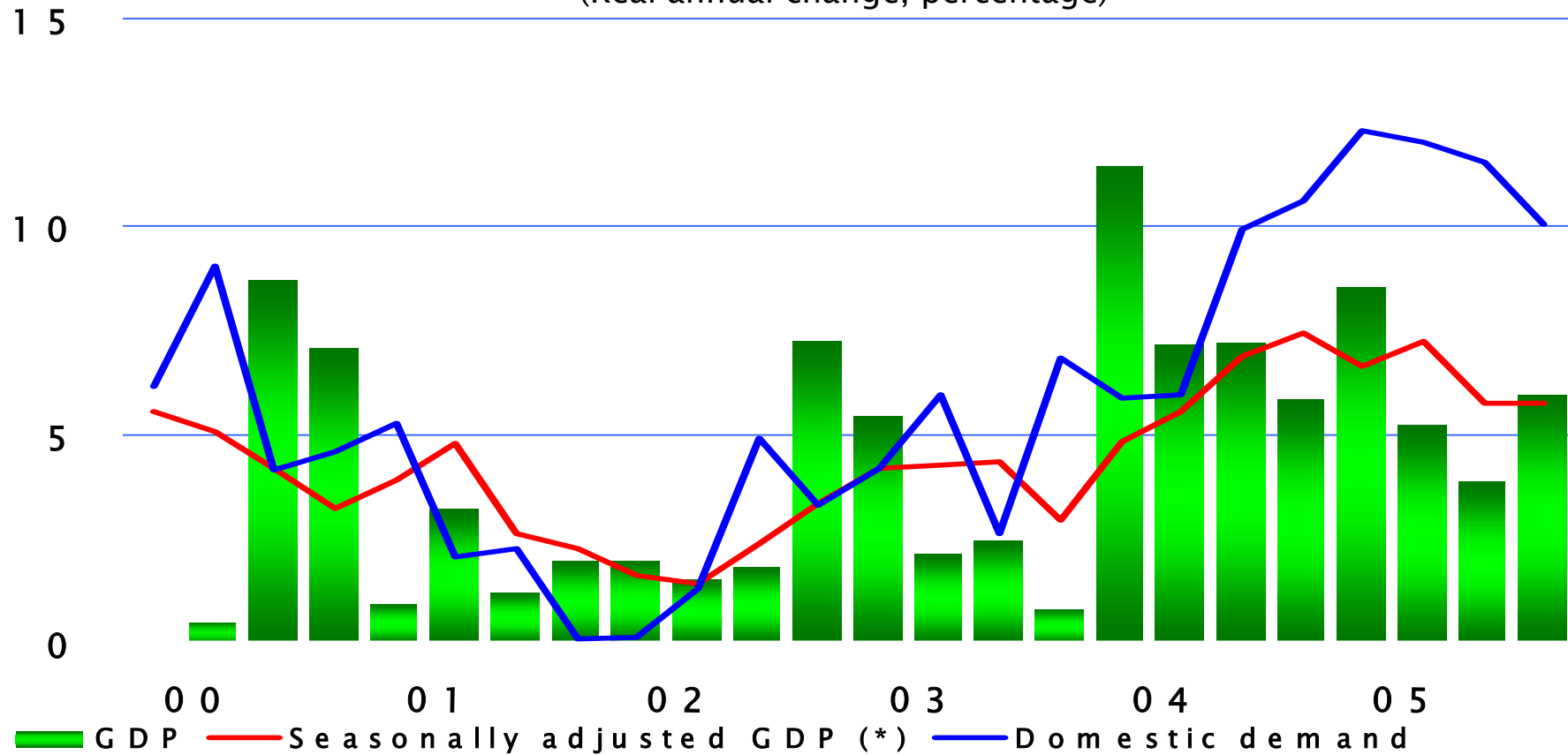
Source: Central Bank of Chile



Domestic Activity

GDP and Domestic Demand

(Real annual change, percentage)



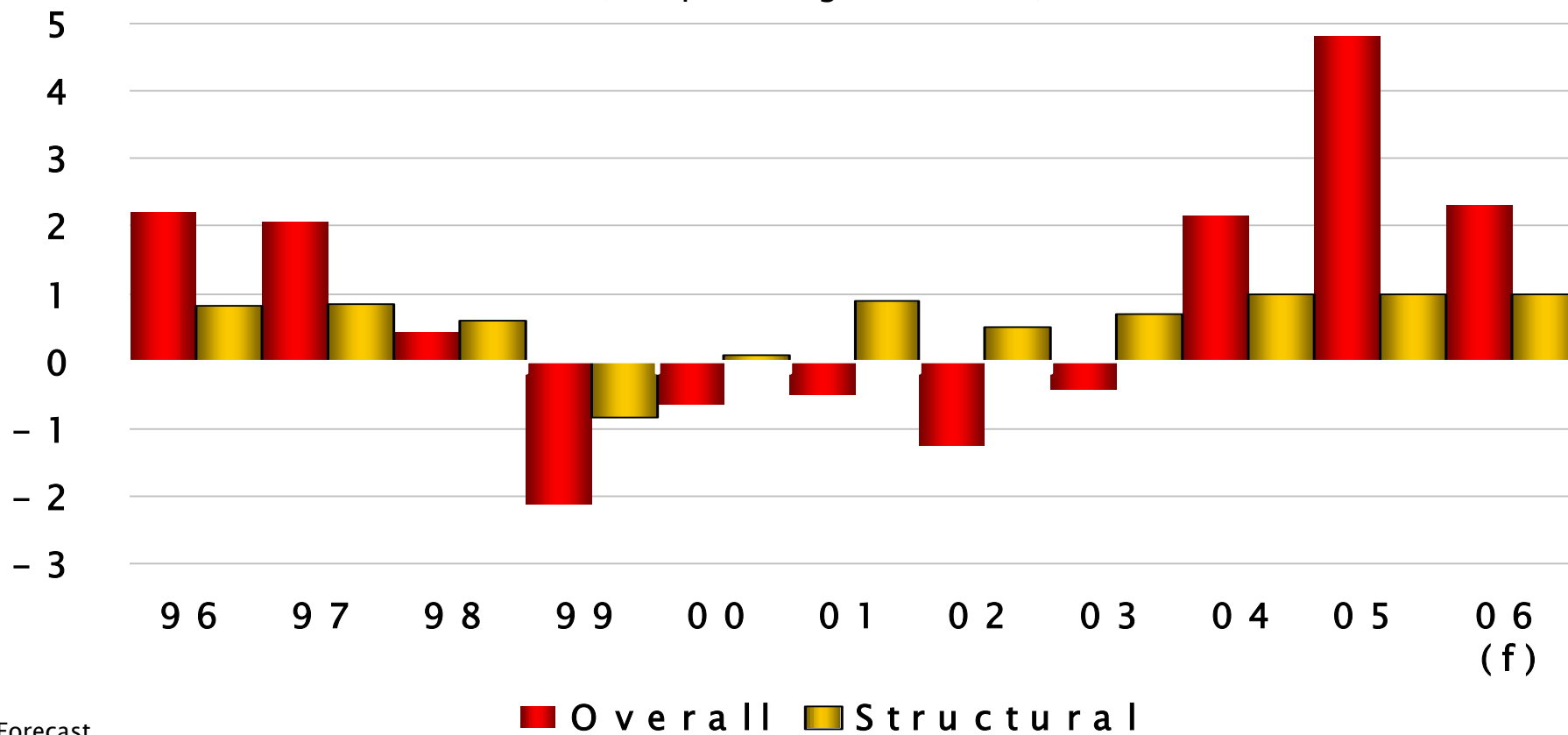
(*) Annualized quarterly GDP
Source: Central Bank of Chile.



Domestic Activity

Central Government Balance

(as a percentage of the GDP)



(f) Forecast

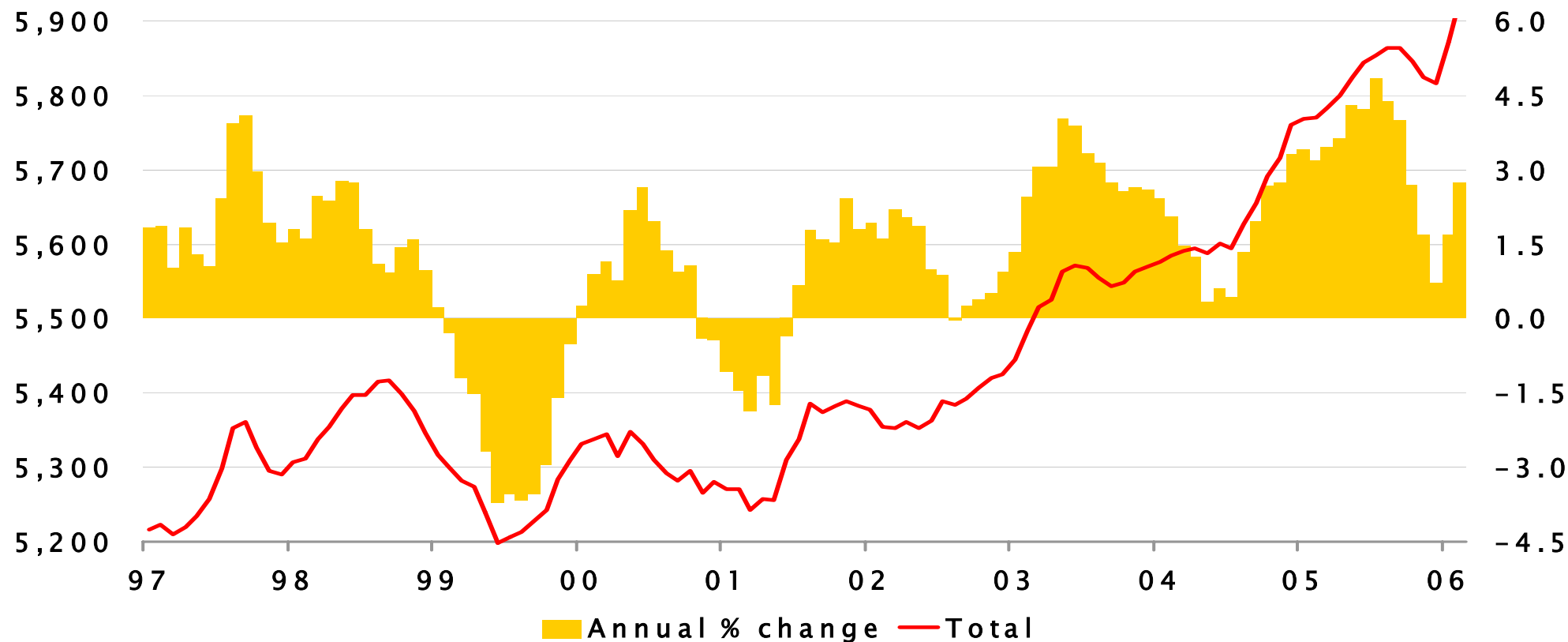
Source: National Budget Division (Dirección de Presupuestos)



Domestic Activity

National Employment*

(thousands of people)

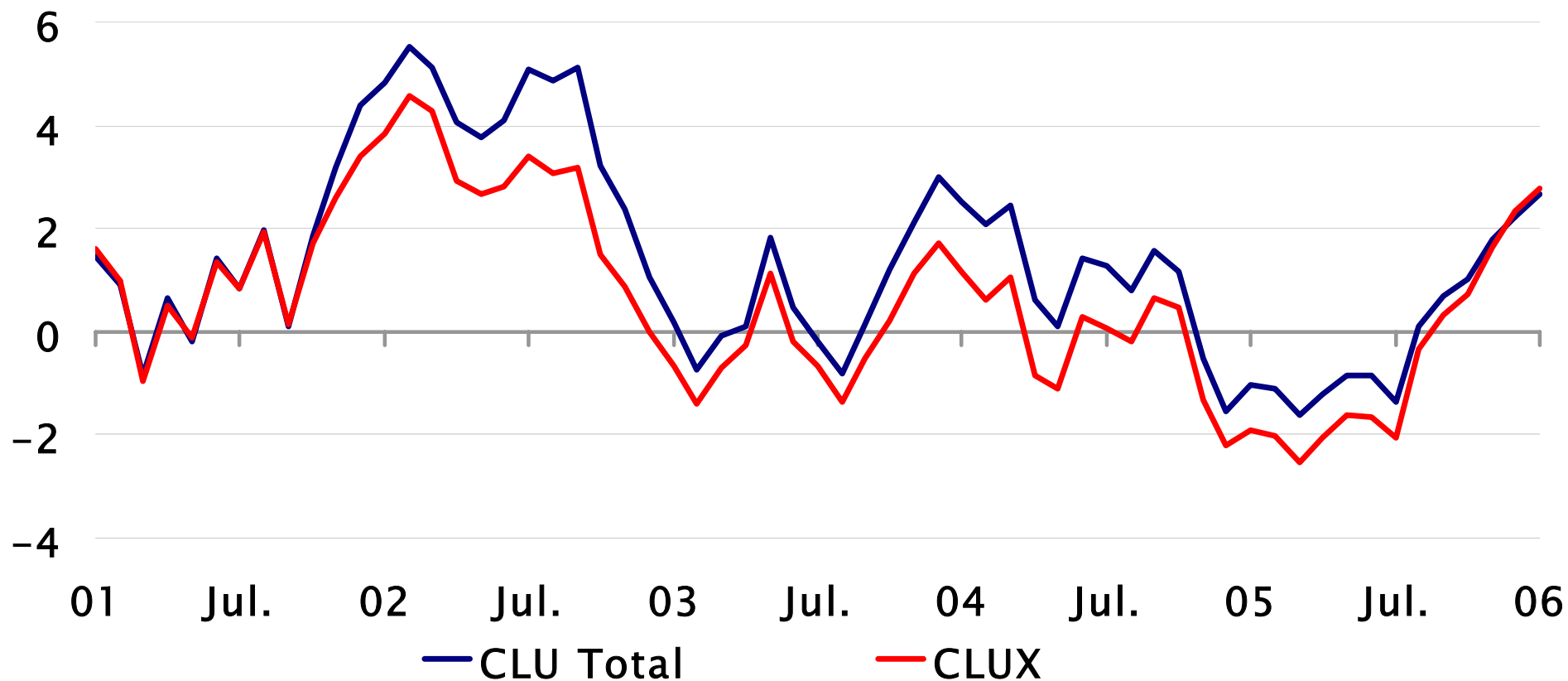


* Seasonally adjusted series
Source: National Statistics Bureau (INE)



Domestic Activity

ULC and ULCX (Annual % change)

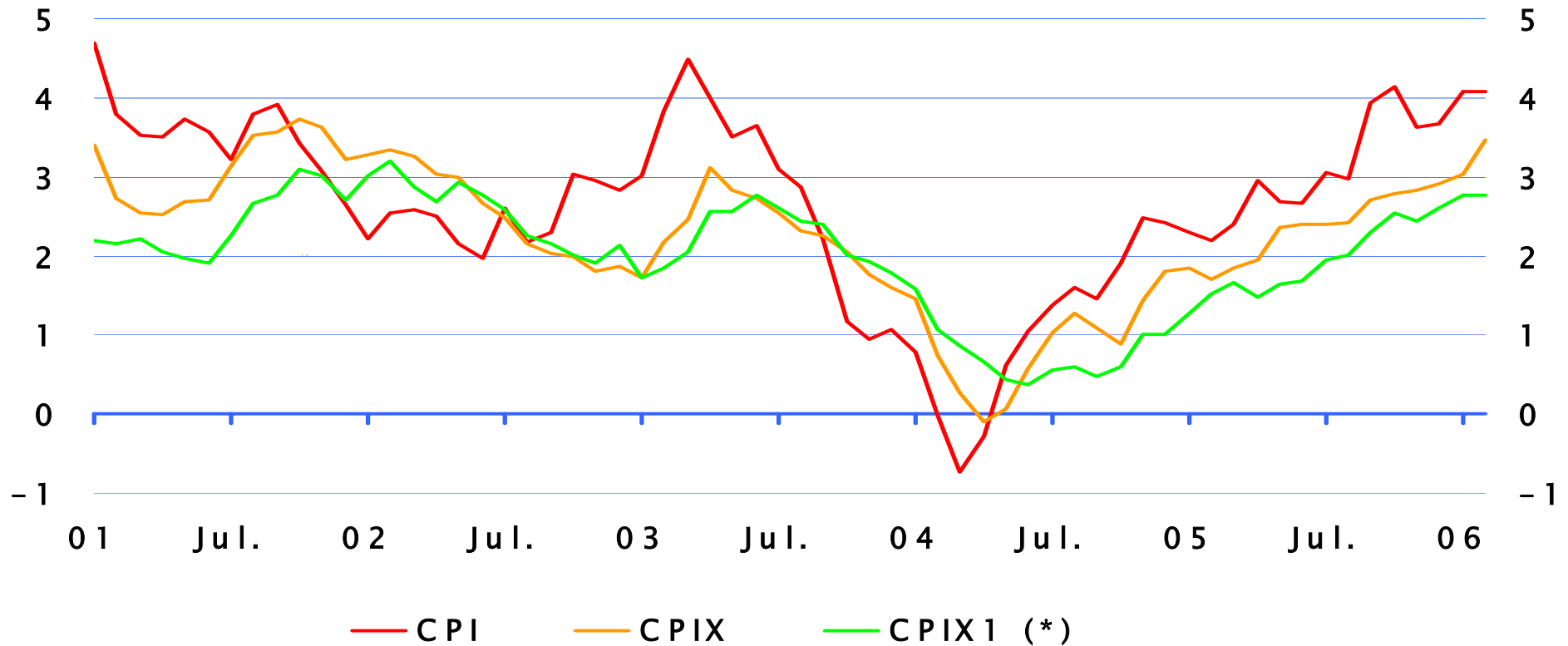


Source: Central Bank of Chile, National Statistics Bureau (INE)



Domestic Activity

Inflation (Annual % change)



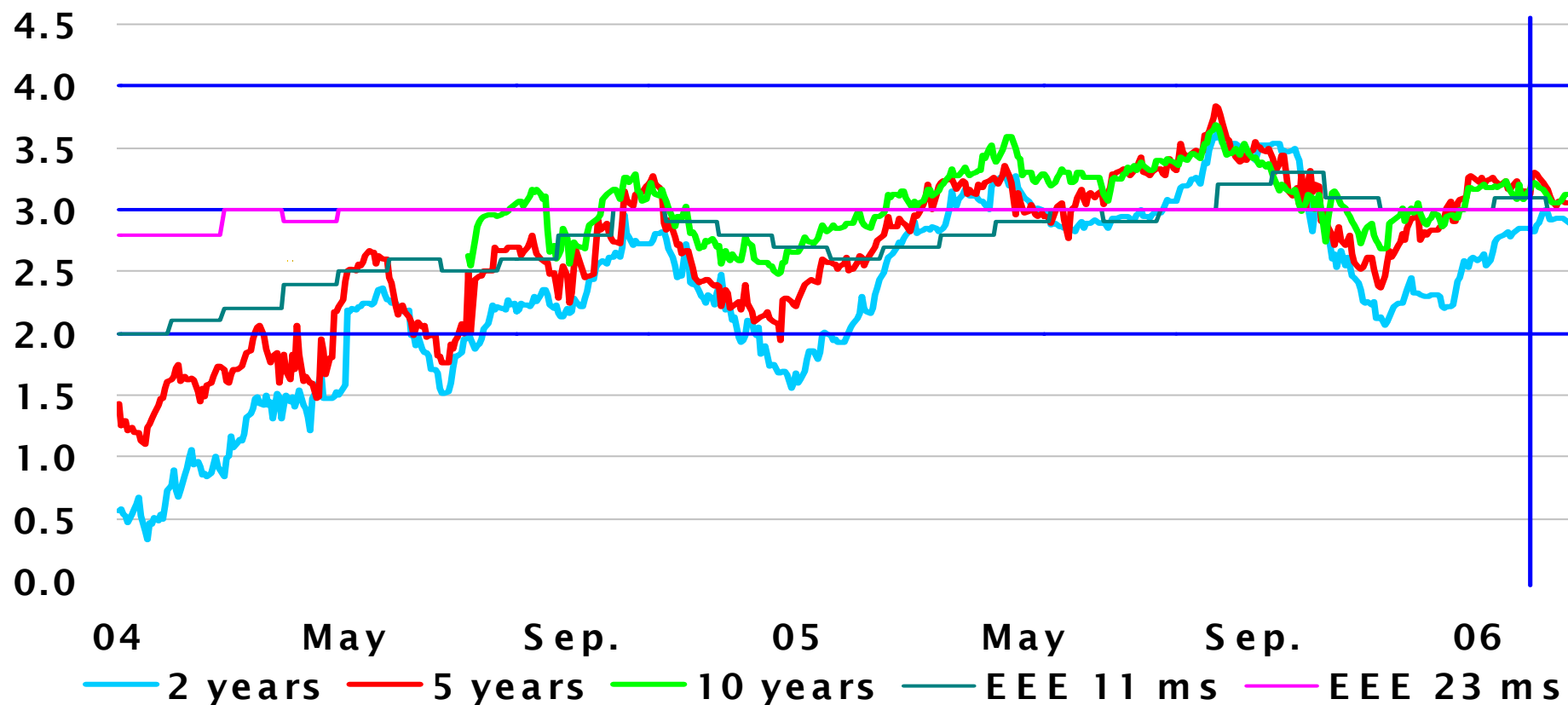
(*) CPI inflation minus fuel prices, perishables, regulated utilities, indexed prices and financial services, which account for 70% of total basket

Source: Central Bank of Chile



Domestic Activity

Premium paid on nominal and indexed instruments (percentage)



Source: Central Bank of Chile



Economic Forecasts

Chilean Economic Forecasts (Annual % change)

	2006(f)
GDP	5 ¹ / ₄ – 6 ¹ / ₄
Inflation	2,7
Domestic demand	6,6
Gross fixed capital formation	10,3
Total consumption	5,8
Exports of goods and services	6,8
Imports of goods and services	8,7
Current Account (% of GDP)	-1,4

Source: Central Bank of Chile



Economic Forecasts

Inflation Forecasts (Annual % change)

	2003	2004	2005	2006(f)	2007(f)
Average CPI inflation	2,8	1,1	3,1	3,2	2,8
December CPI inflation	1,1	2,4	3,7	2,7	2,8
Average CPIX inflation	2,3	0,9	2,4	3,2	3,3
December CPIX inflation	1,6	1,8	2,9	3,3	2,9
Average CPIX1 inflation	2,2	0,8	1,9	3,0	3,3
December CPIX1 inflation	1,8	1,0	2,6	3,3	3,1

Source: Central Bank of Chile



CHILE: RECENT DEVELOPMENTS AND PROSPECTS

JOSE DE GREGORIO
VICEPRESIDENT
CENTRAL BANK OF CHILE