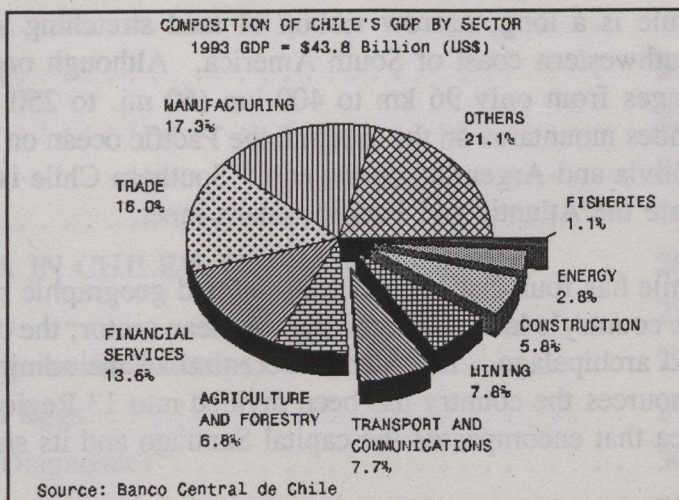


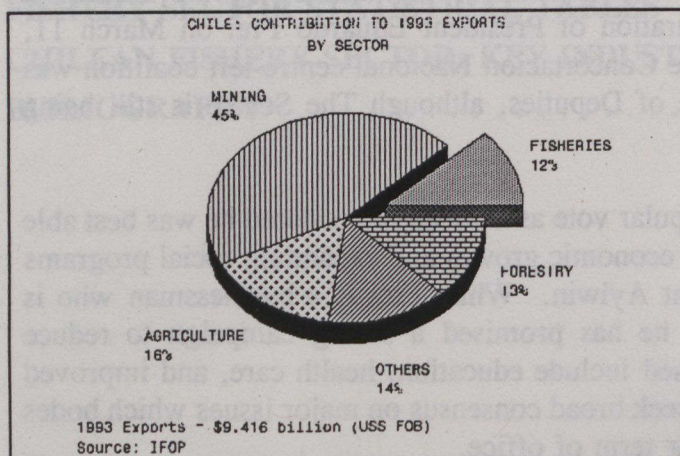
1.3 Economic Overview

Chile is now entering its eleventh consecutive year of economic growth, with Gross Domestic Product (GDP) having realized an average increase of 6% per annum over this period. In 1993, GDP reached US\$43.8 billion, a gain of over 6% from 1992. As the Chilean Government tries to reduce inflationary pressures that have remained stubbornly around the 12-13% range over the past two years (12.7% in 1992 and 12.2% in 1993), it is expected that the growth rate will slow somewhat to around 4-5% during 1994. Considering Chile's economy expanded by 4.0% in the first two quarters of this year (as compared to the first six months of 1993), this projection appears to have merit.



Capital investment in Chile reached an unprecedented 27% of GDP in 1993, an amount which favours sustained future growth and productivity in the country. International markets have also shown an increasing interest in Chile, with materialized direct foreign investment recording an historic 6.1% of GDP for the same period.

From 1990-1993, the incidence of poverty fell dramatically from five to four million people. The number of Chileans still living in extreme poverty though, is in excess of one million. Improvements in the reduction of poverty in Chile can be attributed, in part, to increases in the wages paid to the labour force. Real wages rose by an average of 4.3% in 1993 after a 4.5% rise in 1992. Per capita income is now US\$3,300 (1994), which officially makes Chile a middle-income nation (as defined by the United Nations).



Chile is very competitive in a number of foreign markets, with exports totalling US\$9.416 billion in 1993, or 21.5% of GDP. While mining still represents the single most important component of Chile's export revenues (45% in 1993), increasing diversification of the economy into fisheries, forestry and agriculture have ensured a reduction in the relative

importance of the mining sector. Future growth in exports will be greatest in Latin America and Asia as Chile attempts to diminish its reliance on U.S. and European markets. As well, greater