

CHILE

As a small open economy with a strong dependence on mining and agricultural exports, Chile has been hit hard by the collapse in world trade and commodity prices. Output has fallen sharply and annual average growth is projected to be negative in 2009. However, a good part of the earlier fall in copper prices through end 2008 has been reversed since and activity bottomed out towards mid-year with support from a substantial macroeconomic stimulus. Growth is set to accelerate gradually through 2010 to reach rates above potential in 2011.

The central bank has reduced interest rates decisively by 775 basis points since the beginning of the year and enacted some unconventional measures when policy rates fell to 0.5% in July. The finance ministry was quick to implement a well-targeted fiscal stimulus. These measures should be gradually withdrawn if Chile embarks on the projected return to robust economic growth.

Chile: Macroeconomic indicators

	2007	2008	2009	2010	2011
Real GDP growth	4.8	2.9	-1.8	4.1	5.0
Inflation ¹	4.4	8.7	1.4	1.0	2.8
Central government fiscal balance ²	8.8	5.3	-3.5	-1.3	-1.0
Current account balance ²	4.5	-2.4	0.8	0.3	0.1

1. Inflation refers to average consumer price index.

2. In percent of GDP.

Source: OECD Economic Outlook 86 database.