MONETARY POLICY REPORT

PRESENTATION BEFORE THE HONORABLE SENATE OF THE REPUBLIC*

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*The September 2024 Monetary Policy Report (IPoM) can be found online at www.bcentral.cl

Introduction

Mr. President of the Senate, senator José García Ruminot, honorable senators, ladies, gentlemen: On behalf of the Board of the Central Bank of Chile, I am grateful for your invitation to present the Report that, pursuant to the Constitutional Organic Law of the Central Bank, constitutes our annual account before the Senate.

In complying with this obligation, I will share with you our view of recent macroeconomic and financial developments in the Chilean and international economy, as well as their outlook and implications for the conduct of monetary policy, according to the contents of the September 2024 Monetary Policy Report (IPoM) that we published this morning.

This IPoM is inserted in a scenario in which the national economy is advancing towards growing in line with its medium-term trend. The large imbalances of previous years have been resolved at an aggregate level; inflation has dropped to near the 3% target; and monetary policy has significantly reduced its contractionary stance, considering the 25 basis point (bp) reduction that we decided yesterday, we have already accumulated a reduction of 575 bp in the monetary policy rate (MPR).

We face some challenges in the short term. In the second quarter, activity and demand were weaker than at the beginning of the year. Although slower growth in activity was expected compared to the first quarter, the decline was greater than expected. On the demand side, the analysis of the deseasonalized quarterly series highlights the fall in consumption and the stability of investment. As long as the economy evolves as projected in the central scenario, we will continue to reduce the monetary policy rate, taking into account the evolution of the macroeconomic scenario and its implications for inflation. I will address all of this in more detail in a few moments.

Bearing in mind that this presentation is an annual account, I would like to briefly review the progress of our Strategic Plan. It is worth mentioning that, since 2004, the Bank designs a navigation chart for the five-year period that corresponds to each Governor. In this context, under the current administration we are developing a plan that covers the period 2023-2027, now in its second year of implementation.

As I explained a year ago, this Plan was prepared on the basis of a broad consultation process both with the Bank's staff and with external reference groups, including the regions. The advances of the immediately preceding Plan were incorporated into the current Plan, thus providing continuity to the Central Bank's ongoing efforts to adapt to a rapidly changing environment and prepare to face the challenges ahead.

The Plan's objectives are organized around four focuses. The first seeks to strengthen the cutting-edge nature of monetary and financial policies; the second aims at strengthening collaboration and efficiency as a hallmark of the organization; the third is oriented at enhancing the development of the people who work at the Bank; and the fourth is aimed at strengthening the commitment and bond with society.

A relevant focus is to continue developing our know how, enhancing models and analytical tools, always adding ground-breaking knowledge, precisely to strengthen the Bank's capacity to react to the challenges posed by more volatile markets and more complex geopolitical environments.

Along these lines, we have been increasingly incorporating the use of microdata in our macroeconomic and financial analyses. We are also working with technological innovations for the development of experimental and natural capital statistics. We have also expanded the dissemination of regional macroeconomic statistics, which also serves the purpose of strengthening our commitment to and connection with society.

This Plan also assigns a relevant role to the payment system because of its impact on the economy's functioning. Payment systems are evolving rapidly, and we must continue to open up spaces for innovation, which will make it possible to expand access to and coverage of these tools, while preserving safety and efficiency. The latter includes adapting the regulation and also maintaining adequate coordination with other authorities and participants. Our Payment System Report has been incorporating the developments and challenges of this agenda, stressing the need to continue advancing, on the basis of a work that is internationally renowned, but that maintains some significant gaps with respect to developed economies.

Likewise, as the Strategic Plan progresses, we have been adding new challenges, which arise from promoting innovation, understood in its broadest sense, in all areas of the Bank. For example, to address the growing use of Artificial Intelligence, seeking the best way to balance its benefits and risks.

As I was saying, the progress of the Plan has a crucial basis in the work and commitment of the Bank's teams, and that is why we are giving priority to professional development, harmony between work and personal life and the promotion of good working practices, based on respect as a fundamental principle.

We are proud to have been awarded third place in the Best Place to Work for Women, which recognizes the impulse we have given to inclusive work and the reduction of gender gaps. The same with the 5th place obtained in the same ranking for organizations in the 251 to 1000 employees category.

One of the purposes of our Strategic Plan is to promote greater participation of women in STEM areas (science, technology, engineering and mathematics), which are crucial fields for the future. We want the Bank to take advantage of all the wealth that exists in the diversity of talent, and that is why we are implementing initiatives that target those areas where women’s presence is limited.

The Plan also seeks to intensify the Bank's connection with the regions. For this reason, we are expanding our program of presentations of these Monetary Policy Reports and the Bank's activities in different cities across the country. We have also opened spaces for listening to specific audiences. All of this, together with intensifying our financial education endeavors.

This navigation chart considers one of the most historically relevant milestones for our institution: on 22 August next year the Central Bank of Chile will commemorate its centenary, 100 years since it was created during the administration of President Arturo Alessandri Palma. We are doing intense work to publicize how the Issuing Institute has been a key contributor to the development of the country and the welfare of all its inhabitants, the basis of the trust that citizens have placed in us.

This Strategic Plan allows us to better manage our activities and achieve our objectives. In this way, we can accurately assess our progress, detect opportunities for improvement in a timely manner, and overcome new challenges as they arise.

I will now turn to the details of the contents of the Monetary Policy Report.

The Monetary Policy Report

Economic activity lost momentum in the second quarter. As we anticipated in different Reports, part of this reduction was expected, as the dynamism of early 2024 was affected by transitory factors. However, the magnitude of the reversal was somewhat greater than expected. Thus, the seasonally adjusted series of total and non-mining GDP fell by 0.6% in that period, a figure that contrasts with the slight increase foreseen in the June Report.

Part of the difference was explained by the decline in activities linked to services and another part by the impact of some one-off supply elements linked to the availability of fishery resources in the industry, the effects of storms and maintenance downtime in mining operations (Figure 1). July's Imacec showed a significant acceleration of month-on-month activity, although once again a significant part was due to these transitory factors. All in a context of highly volatile figures.

Demand also underperformed in the second quarter, driven by private consumption. Compared to the deseasonalized series, household spending on non-durable goods and services decreased from the quarter before, breaking the upward trend of previous periods. This behavior takes place in a context in which, in recent times, several of its fundamentals have evolved in line with expectations (Figure 2).

Gross fixed capital formation (GFCF) stabilized after the sharp drop of the second half of last year. GFCF performed better than expected in the second quarter of this year, explained by both the construction and works and machinery and equipment components. In this Report we present high frequency indicators for investment that reveal important differences between sectors. These show that the weakness observed in the vast majority of items is counterbalanced by the dynamism of mining investment (Figure 3).

Total annual inflation rose to 4.4% in July, while core inflation stood at 3.4% (benchmark series). The higher headline inflation than we expected in the last IPoM was associated with volatile items, mainly due to the increase in electric bill and the prices of goods included in this CPI measure. On the core side, annual services inflation is still above goods inflation. The evolution of the latter again reflects a moderate pass-through of the exchange rate increases and international shipment costs in recent months (Figure 4).

Market inflation expectations show a sharp contrast between the short and medium term. In line with financial asset prices, at one year there is a significant increase (+90 basis points from the previous IPoM), while at two years they remain aligned with the 3% target. As for expectations for the monetary policy rate (MPR), at one year they decreased by 30 bp since the last IPoM, and by a smaller fall at two years (Figure 5). This is in line with real interest rates, which have been falling for some months now.

The MPR cuts have continued to be passed through to bank lending rates in line with usual patterns. The interest rates on commercial loans have fallen by 630bp compared to the first quarter of 2023, while consumer rates have fallen 350bp. Mortgage rates —which are less related to short-term MPR adjustments— have seen a much smaller decline: in the order of 20bp from their late 2023 highs. Long-term interest rates have retreated since the end of June, following the trends in major economies. Even so, they remain high by historical comparison.

Bank credit remains weak, especially in its commercial component, amid conditions of fairly unchanged access to financing. In commercial loans, this result is consistent with the behavior of sectoral investment, which is dynamic for mining, as it uses foreign direct investment more intensively to finance itself, and is weaker in the rest of the sectors, which borrow more intensively from banks (Figure 6).

The Central Bank monitors the evolution of credit on a constant basis. One of the boxes included in the Report shows that, considering all sources of financing for firms, its behavior does not differ much from that of other economies. This reflects the relevance of global factors in credit performance. Among them, active credit policies during the pandemic helped to expand credit beyond what its fundamentals would predict. Then, the end of such policies, along with the increase in interest rates and the onset of a slower growth process during 2023, have contributed to debilitate credit dynamism worldwide. In comparative terms, in our country the countercyclical role in the first phase stands out positively, and a somewhat greater decrease in the second phase, although still at above-average levels. In any case, it should be noted that the analysis considers total credit to firms at an aggregate level, and therefore does not address possible heterogeneities by sectors, firm size, or other.

On the external front, reports from the United States continue to dominate the panorama. The last few weeks have been marked by the markets' assessment of the American economy's growth and the actions of the Federal Reserve (Fed). After the latter signaled the imminent start of the Fed funds rate (FFR) cutting cycle, short- and long-term rates have declined in major economies and the dollar has depreciated globally. Market expectations for the number of Fed funds rate cuts this year went from two in June to near four at the close of this IPoM (Figure 7). In any case, this week we are seeing a new episode of heightened risk aversion, which again highlights the high volatility that financial markets are experiencing and the importance of incoming news pointing in one direction or the other.

The Chilean peso has mirrored the movements of global markets, responding to international volatility. Between June and early August, the exchange rate depreciated significantly, affected by the external variables' movements that impacted the copper price and the market's risk perception. After this, the peso appreciated to close to $915 pesos per dollar, amid the weakening of the dollar globally and the recovery of the copper price after some weeks of declines. In the last few days we have seen a new depreciation of the peso, in line with what is happening with global currencies. However, compared figures at the statistical close of this Report and the previous one show only minor differences (Figure 8).

Structural parameters

In this Report we have updated our structural parameters' estimates. The last one dates back to December 2023.

These parameters correspond to unobservable economic variables and are presented under long-term equilibrium conditions. This means that they cannot be measured in practice — as is the case with activity over a quarter or a year, for example— and as such they are estimates.

Estimating structural parameters on a regular basis is important because these variables change over time. They provide information, for example, on the economy's medium-term growth capacity or where the interest rate should be in long-term equilibrium. Therefore, they serve as a guide to evaluate the current state of the macroeconomy and to calibrate monetary policy.

In the case of trend growth, as usual, the estimation breaks down GDP into mining and non-mining sectors. For non-mining GDP, the methodology is based on a production function in which long-run growth depends on trend growth in total factor productivity, labor force, hours worked, human capital and physical capital.

On this occasion, we estimate that non-mining trend GDP growth will average 1.8% in the 2025-2034 period. The figure is 0.1 percentage points lower than the previous estimate, which is mainly explained by the change in the reference decade, due to the gradually declining incidence of the recovery of labor participation to pre-pandemic levels.

As usual, our trend growth estimation considers alternative scenarios. While these also yield lower ten-year trend growth figures, there is an optimistic scenario in which the decline is smaller. That trajectory considers a more favorable convergence of hours worked and labor participation to OECD levels and greater investment in non-mining projects associated with the energy transition that could have significant impacts on the level of investment in the next decade. The pessimistic scenario, on the other hand, considers a less favorable convergence to OECD levels in terms of labor participation and hours worked (Figure 9).

On the other hand, the neutral MPR is the level of MPR that is consistent with growth around trend and with inflation at the 3% target. When the MPR is around neutral, it is considered neither expansionary nor contractionary, i.e., it is neutral from the point of view of the stimulus it provides to the economy.

This neutral rate is estimated using a broad set of methodologies that capture different determinants of the neutral rate, including external and domestic financial conditions and trend growth. This update maintains the range of estimates for the nominal neutral MPR between 3.5 and 4.5%. For the purposes of our projections, we use a working assumption of 4% nominal. After the upward revision of this parameter in the last two updates (December 2022 and December 2023), this time we maintain the previous range of estimates, which reflects the degrees of uncertainty surrounding this parameter. It is important to mention that this assessment is consistent with recent revisions in other economies.

Projections

Our projections for activity and demand continue to see the economy growing around trend over the next few years. For 2024, the range for projected GDP growth is reduced at the high end, to between 2.25% and 2.75% (2.25%-3.0% in June). This revision owes largely to the second-quarter result. For 2025 and 2026, the projection remains in a range between 1.5% and 2.5% (Table 1).

Private consumption will regain momentum, although its level at the end of the projection horizon will be lower than in the previous estimate. The evolution of several of its fundamentals, such as the lower borrowing costs and the increase in the real wage bill, suggests that its recent moderation will be short-lived. However, employment growth has slowed at the margin, which we should continue to monitor.

Towards 2025 and 2026, private consumption is expected to grow around 2% per year, in line with trend growth. The expansion of government consumption is revised downward, especially for this year, consistent with the projections of the last Public Finances Report, in response to the requirements of the structural balance target (Figure 10).

Our GFCF growth forecast for the period 2024-2026 is lowered some from June, due to weak non-mining investment. For the mining industry, the central scenario ratifies the higher investment momentum (Figure 11). This would have a positive impact on the activity of other sectors, especially construction. About fundamentals, GFCF performance will benefit from improving financing conditions and the appreciation of the real exchange rate (RER) over the projection horizon, consistent with external financial conditions that will ease as the Fed's interest rate cutting cycle progresses.

Our headline inflation forecast is raised in the short term, mainly due to the greater increase in volatile components. A fraction of it responds to the direct and indirect effects on the CPI of the sharper hike in electricity prices that occurred in June and July. Add to this the impact of the increase in global shipment costs and the peso depreciation of recent months. At the end of this year, headline inflation is expected to close at 4.5% (4.2% in June).

In the medium term, inflation will decline more rapidly than anticipated in June, given the lower inflationary pressures coming from domestic demand. We estimate that it will converge to the 3% target in the first months of 2026 and will remain nearby until the end of the projection horizon (Figure 12).

The expected impulse that the Chilean economy will receive from abroad is similar to our June projection. This considers no big change in our trading partners' growth compared to the previous projection —of the order of 3% in the period 2024-2026—, somewhat more favorable international financial conditions and slightly lower terms of trade. The copper price is down somewhat from the previous estimate. For 2024, US$4.15 per pound is projected (US$4.3 in June), while for 2025 and 2026 prices of around US$4.3 per pound are still considered (Figure 13).

Monetary policy

As we reported in yesterday's monetary policy meeting statement, the overall available background suggests limited changes in the outlook for activity, although spending is weaker. This, together with inflation expectations in line with the 3% target, reduces the risks of more persistent inflation in the medium term related to the cost shock.

Thus, we estimate that, if the assumptions of the central scenario of this IPoM come true, we will reduce the MPR towards its neutral level at a somewhat faster pace than we thought in June. This faster pace will factor in the evolution of the macroeconomic scenario and its implications for the trajectory of inflation.

As always, there are scenarios where monetary policy could follow a path deviating from the central scenario, which are reflected in the MPR corridor.

The lower border represents a situation where the weakness in activity and demand observed in the second quarter is prolonged and/or deepened by different factors, including a weaker labor market. This would have larger downward effects on inflationary pressures than those contemplated in the central scenario, leading to a more rapid reduction to the MPR.

The upper border represents the case of a rise in inflation that is more persistent than expected or if its second-round effects exceed expectations, which could be accentuated by the dynamism of mining investment and the additional impulse that this would have on the activity of several sectors and demand.

There are also situations where the evolution of the international scenario deviates from the central scenario. In particular, the speed at which the Fed will reduce its interest rate would affect global financial conditions, with impacts on the local economy, but would keep the MPR within the borders of the corridor (Figure 14).

The main risks —which relate to scenarios that are unlikely to occur but would have a more significant impact on the economy— are linked to the external environment, where the probability of negative geopolitical and financial scenarios has increased. The global geopolitical situation has worsened on the different tension fronts and the episodes of risk aversion in the financial markets, although temporary, have been pronounced. This has increased the likelihood of contractionary and inflationary scenarios in the short term, in a context where global cost pressures have intensified. The fragility of the fiscal positions of several developed countries, especially the United States, is also a focus where risk needs to be monitored.

Concluding thoughts

Dear senators, I would like to end this presentation with some reflections on the economic scenario we have been facing and the challenges that lie ahead. This is my third presentation as the Governor of the Central Bank of Chile before this plenary. In each one of them, I have had the task of describing different realities, giving an account of the various challenges of recent years. Two years ago, we were dealing with an inflationary shock that had not been seen in decades. The Bank reacted swiftly to bring inflation back to its target and prevent the population from being even more severely affected by the fast and sustained price increases. A year ago, inflation had fallen sharply from those peaks and the Central Bank was already in the process of easing the contractionary stance of monetary policy.

This presentation finds us in a better position. After significant efforts, our economy has restored its macroeconomic balances. Monetary policy has done its job. Inflation is much closer to 3%, and although it will rise in the short term, this will be related to transitory factors, which we are constantly monitoring, of course. It is important to point out that the above-mentioned achievements make it possible to contain a shock of this nature within the policy horizon without a great effort on the part of monetary policy.

The monetary policy rate has been consistently lowered. Compared to its peak, today it is 575 basis points lower, closer to its neutral level and in a process that, if current conditions don't change, will continue to bring it closer to those values. This decrease should continue to be passed through to consumer and commercial lending rates, thus improving the conditions for households and companies to access credit. This factor will support consumption and investment.

Activity and spending have also walked their own path during this period. The massive overspending following the boost of pension fund withdrawals and universal transfers has faded, as these resources were consumed, and monetary and fiscal policy strove to reestablish equilibrium. Thus, we went through a period of contraction, natural and necessary after the unsustainable expansion of the period before. For the last few quarters, we have been on a different path. One that is leading us towards growth rates consistent with the trend.

As we have mentioned on previous occasions, the pace at which the economy is adjusting is not the same across economic sectors or spending components. Some sectors continue to lag, others have grown faster. On the demand side, after the second quarter's setback, we project that consumption will return to a trajectory more consistent with trend growth. On the other hand, investment has been weaker, particularly in non-mining sectors. Undoubtedly, this weak investment is an important factor to watch, inasmuch as it influences future growth.

Here I would like to pause on one point: although inflation will rise towards the end of the year and into 2025, this will be transitory and, if the projected scenario occurs, it will converge to the 3% target at the beginning of 2026. Along with this, the economy this year and the following years will be growing around trend output. As I said, with certain heterogeneities. In this way, monetary policy and the framework we are working with have succeeded in overcoming this complex challenge. As I said a moment ago, monetary policy has done its job.

In any case, once the equilibriums have been restored and the economy is moving towards its trend, we find ourselves face to face with the limit to our capacity to grow. As I just showed you, the Central Bank regularly updates its medium-term growth estimate. Our estimate for this variable is just under 2%.

A year ago, and based on a similar exercise, we looked up and asked the country if this growth would be sufficient. I believe there is an important consensus in that the answer is no, at least that is how we perceived it from this Senate in our last presentation. Growing at the medium-term rates that we are projecting does not allow us to meet our needs and aspirations, so this is something we must take responsibility for.

Facing this challenge and surmounting it requires well-designed public policies, creativity and effort from both the private and public sectors. It requires solid institutions. There are no easy or quick solutions. These issues must be addressed with a view in the medium and long term, but with a short-term effort that must be significant and persistent.

The good news is that everything indicates that we have opportunities, which require timely preparation. We face challenges from technological advances that require our capacity to adapt. It is necessary to improve the quality of our education, allocate resources to projects that will increase productivity, advance in initiatives that favor investment, promote competition and the depth of financial markets, and, of course, capitalize on the advantages that are available to us. For example, to quickly and effectively take advantage of the opportunities offered by the energy and mobility transition, and to adapt smoothly to the technological challenges and other innovations that the future holds in store.

To enhance our medium-term growth, we also need a stable economy. Therefore, we must work together to leave behind some weaknesses or scars from the cycle that began in 2019-2020. Long-term savings and market depth have suffered and will take years to recover.

The Central Bank of Chile also has a role to play, paving the way for both public and private initiatives to develop in the best possible way. This involves fostering appropriate macroeconomic conditions, such as inflation at its 3% target and mitigating business cycle fluctuations.

It also means making further progress in initiatives that contribute to safeguard financial stability. In December 2025, the implementation of Basel III will be completed, which will result in our banking system having higher levels of solvency and resilience, and being in a better position to face shocks and continue fulfilling its vital role in financial intermediation, which is to provide financing to households and businesses. The recently approved implementation of the Resilience Law also improves liquidity channels, offering greater capacity to face shocks. In addition, we will continue to promote measures that contribute to the strength and robustness of market infrastructures.

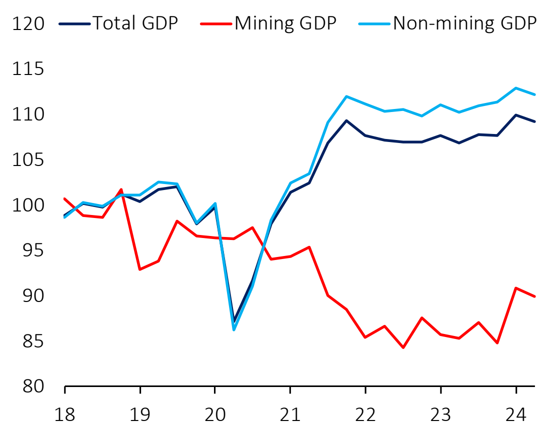
Dear senators, as in any household, facing all these challenges, present and future, requires that we have our house in order. That we strengthen our savings and that we have minimum agreements on what our action plans will be. This will allow us to better face difficulties or shocks in a complex global environment and generate good foundations to build our future. As I mentioned, the Central Bank's contribution to this orderly house is to contribute to macroeconomic stability. To this end, we must maintain low, stable inflation, and ensure financial stability and the normal functioning of the payment system. This benefits every Chilean man and woman, particularly those least fortunate, who are the most affected when the economy presents imbalances or fails to achieve a growth path that is able to satisfy their legitimate aspirations.

Thank you.

FIGURE 1

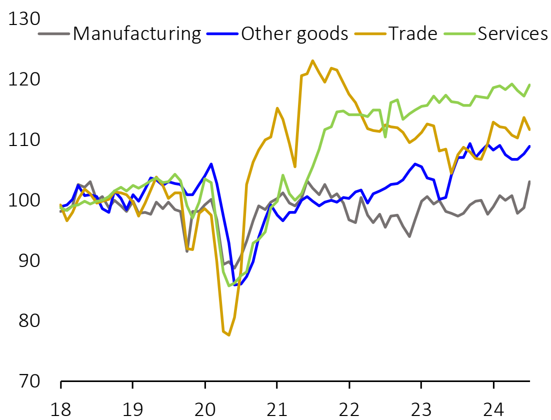
Gross domestic product

(index 2018 = 100, deseasonalized series)



Monthly economic activity (Imacec) (*)

(index 2018 = 100, deseasonalized series)



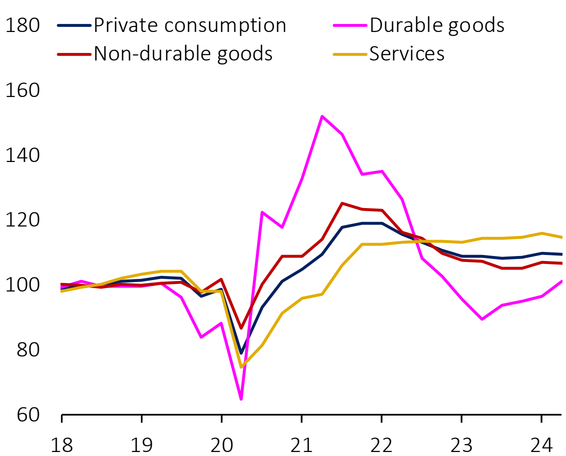
(*) The Other goods series includes agriculture, livestock and forestry, no agriculture & livestock.

Source: Central Bank of Chile.

FIGURE 2

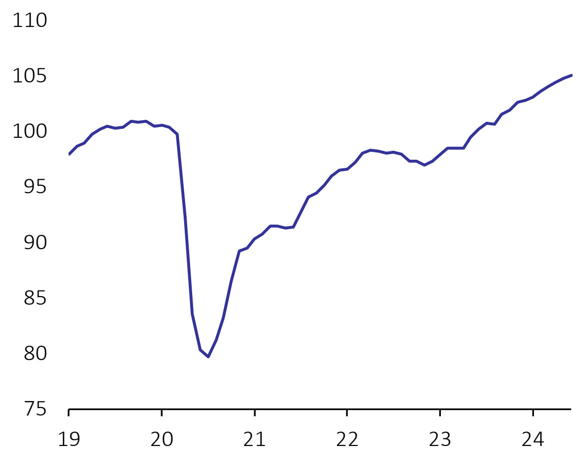
Private consumption

(index 2018 = 100, deseasonalized series)



Real wage bill (*)

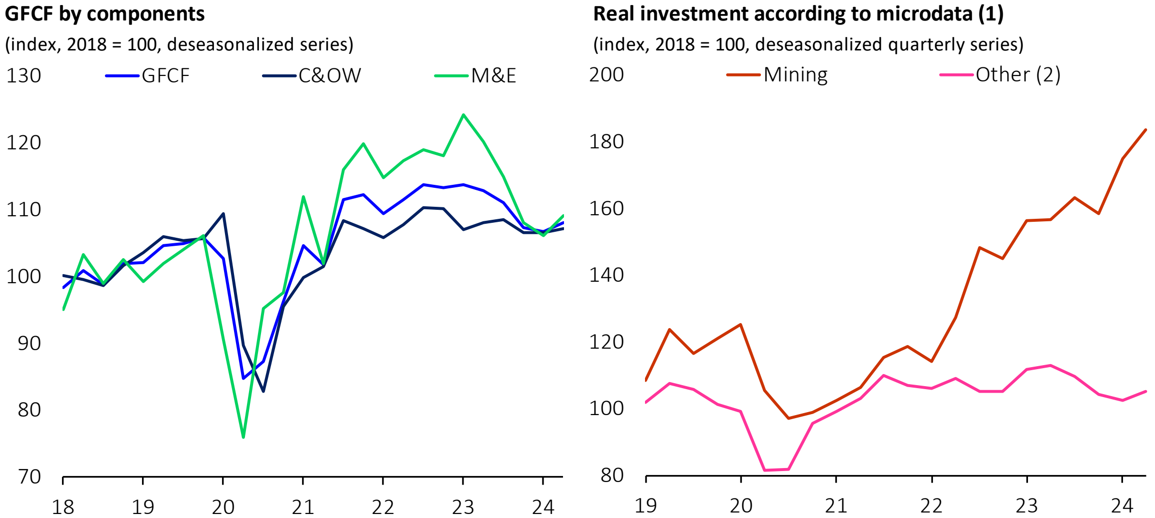
(index 2018 = 100, deseasonalized series)



(*) Cálculated using deseasonalized series of real labor cost index ICL, normal hours worked and employment.

Sources: Central Bank of Chile and National Statistics Institute (INE).

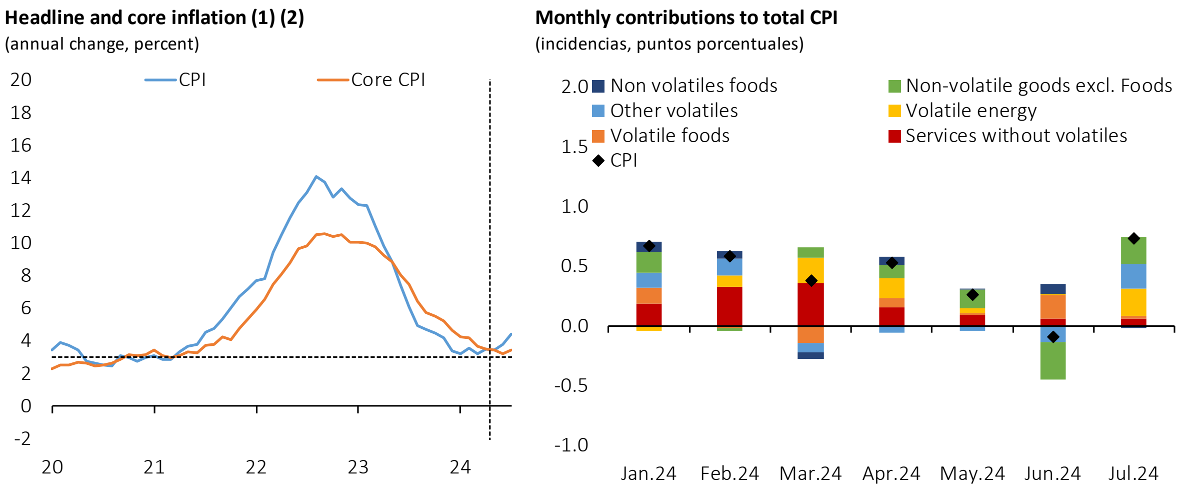
FIGURE 3



(1) These figures are a proxy for investment data based on high-frequency information subject to revisions; they do not necessarily represent official National Accounts figures. (2) "Other" does not include Energy.

Sources: Central Bank of Chile, Internal Revenue Service SII and National Customs Office. For details, see minutes of September 2024, monetary policy meeting.

FIGURE 4



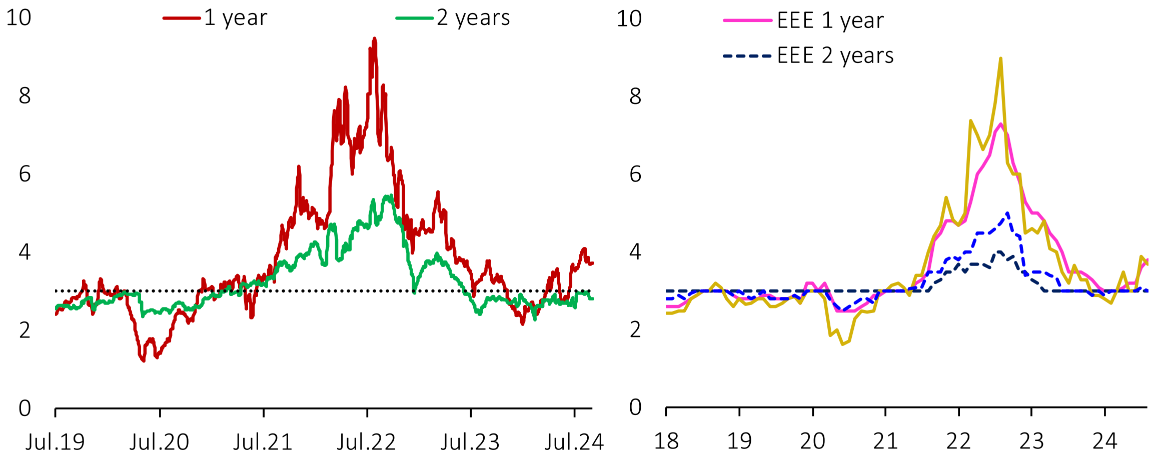
(1) Series consider the 2023 CPI reference basket with the splice made by the Central Bank of Chile. (2) Dashed vertical line marks statistical close of June 2024 IPoM.

Sources: Central Bank of Chile and National Statistics Institute (INE).

FIGURE 5

Annual inflation expectations implicit in inflation insurances (1)
(percent)

Annual inflation expectations in surveys (2)(3)
(percent)



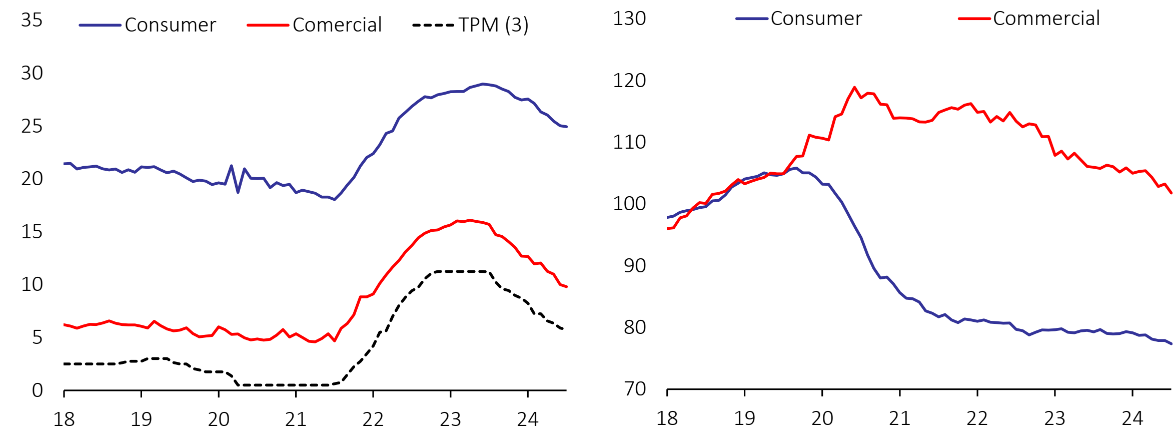
(1) Moving three-day averages. (2) Median responses. (3) The EOF survey considers first half of January 2018. As from February 2018 onwards, the latest published surveys in the month is used. EEE: Economic Expectations Survey. EOF: Financial Traders Survey.
Sources: Central Bank of Chile, Icap and Tradition.

FIGURE 6

Bank credit

Lending interest rates and MPR (1) (2)
(percent)

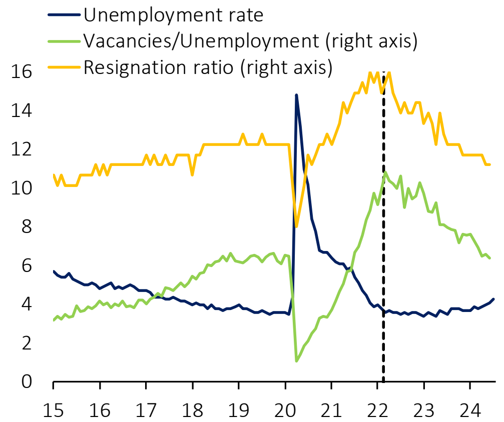
Stock of real loans (4)
(index, 2018 = 100)



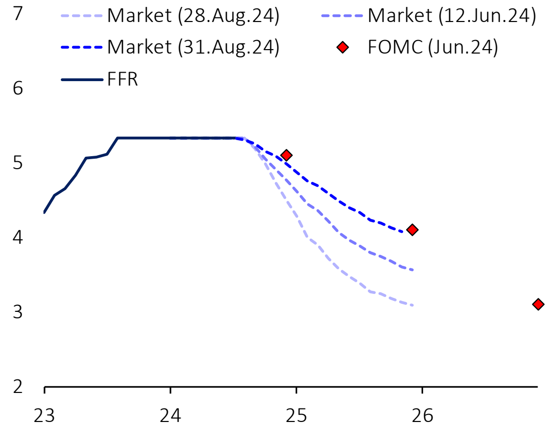
(1) Weighted average rates of all transactions in Chilean pesos performed each month in the Metropolitan Region. (2) Seasonally adjusted series using Census X-12 and national calendar. (3) Monthly average of the MPR. (4) Real data built using the 2023 annual base CPI, considering its most recent revision.
Source: Central Bank of Chile.

FIGURE 7

US Labor indicators (1) (2)
(percent; ratio)



Fed funds rate (3)
(percent)

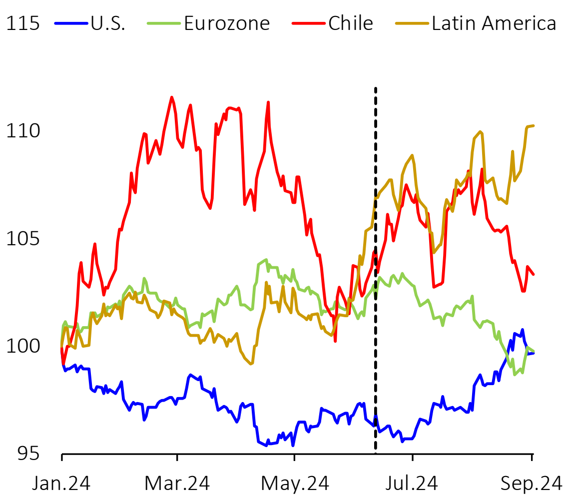


(1) Seasonally adjusted figures. (2) Dashed vertical line marks the start of the Fed's rate hike in March 2022. (3) FOMC projections are for the mid-range of the Fed funds rate presented in June 2024. Market projections correspond to the mid-range of the Fed funds rate futures as of the June 2024 IPoM statistical close (12.Jun.24), the July policy meeting (31.Jul.24) and the September IPoM's statistical close (28.Aug.24).

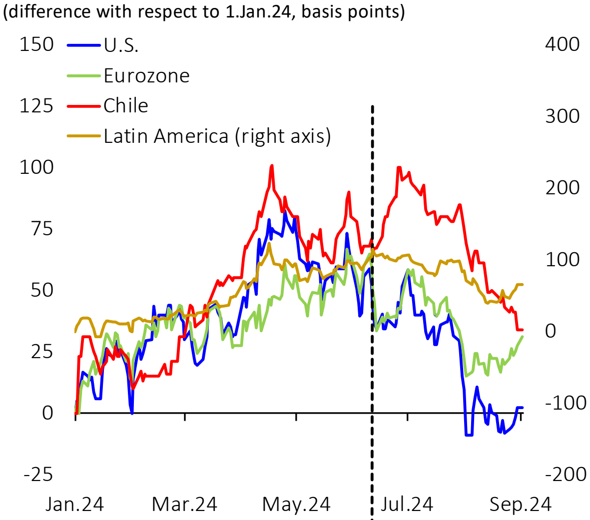
Sources: Bloomberg and US Federal Reserve.

FIGURE 8

Currencies (1) (2) (3)
(index, 1.Jan.24 = 100)

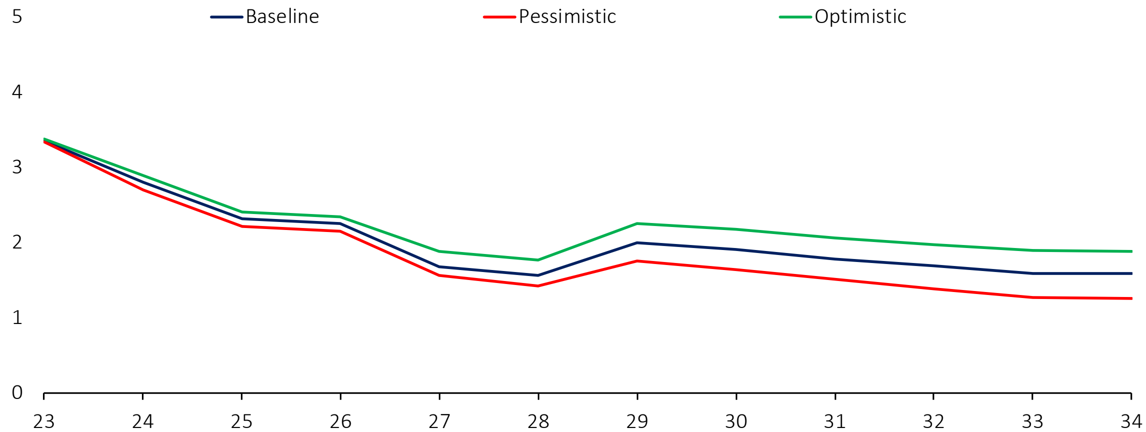


Nominal 10-year interest rates (1) (2)
(difference with respect to 1.Jan.24, basis points)



(1) Latin America considers simple average of the indexes of Brazil, Mexico, Colombia and Peru. (2) Dashed vertical line marks statistical close of June 2024 IPoM. (3) An increase in the index indicates currency depreciation and vice versa. For the United States, the multilateral
Sources: Central Bank of Chile and Bloomberg.

FIGURE 9
Trend growth trajectory of non-mining GDP (*)
(percent)



(*) These projections include actual data on hours worked and the labor force for 2023. For the construction of the education quality index, the National Socioeconomic Characterization Survey (CASEN) 2022 is used. For details, see September 2024 monetary policy meeting minutes.
Source: Central Bank of Chile.

Table 1
GDP growth projections (*)
(annual change, percent)

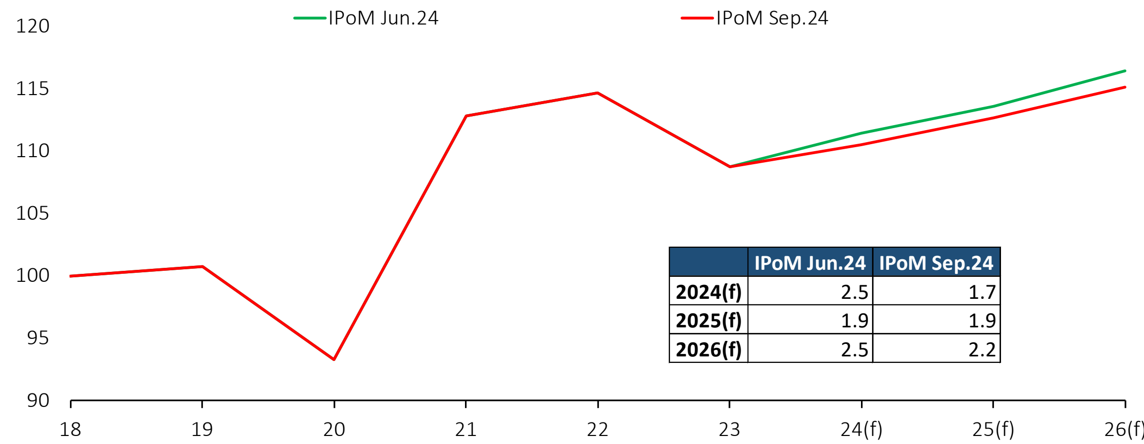
2024	June 2024	3.0% – 2.25%	September 2024	2.75% – 2.25%
2025	June 2024	1.5% – 2.5%	September 2024	1.5% – 2.5%
2026	Junio 2024	1.5% – 2.5%	September 2024	1.5% – 2.5%

(*) Projections contained in respective IPoM. Arrow indicates change from June 2024 IPoM.
Source: Central Bank of Chile.

FIGURE 10

Private consumption

(index, 2018 = 100)



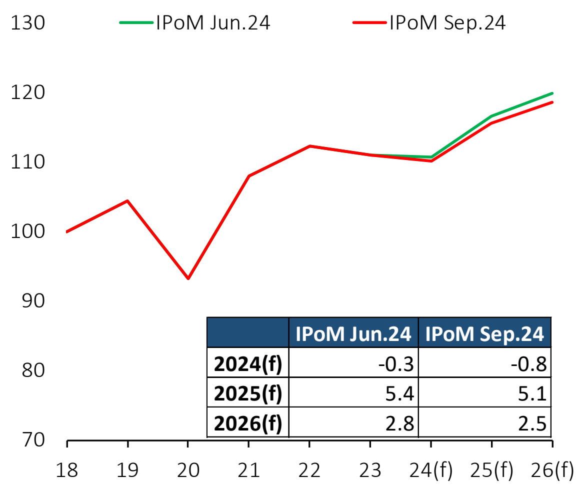
	IPoM Jun.24	IPoM Sep.24
2024(f)	2.5	1.7
2025(f)	1.9	1.9
2026(f)	2.5	2.2

(f) Forecast.
Source: Central Bank of Chile.

FIGURE 11

Gross fixed capital formation

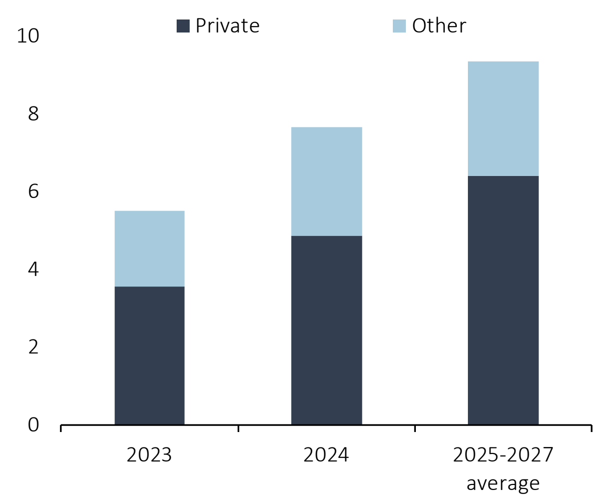
(index, 2018 = 100)



	IPoM Jun.24	IPoM Sep.24
2024(f)	-0.3	-0.8
2025(f)	5.4	5.1
2026(f)	2.8	2.5

Mining investment expectations

(billions of dollars)

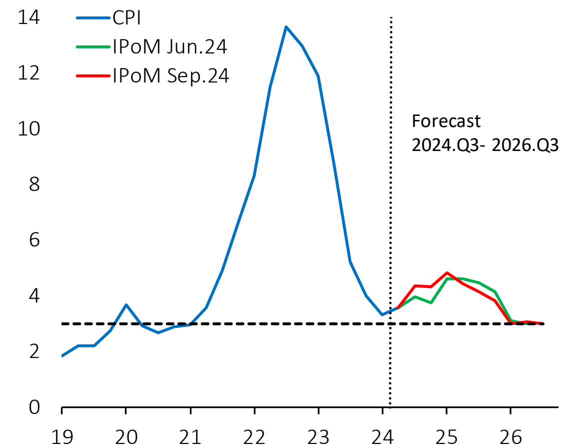


(f) Forecast.
Sources: Central Bank of Chile, Capital Goods Corporation and Office of Large-Scale Projects.

FIGURE 12

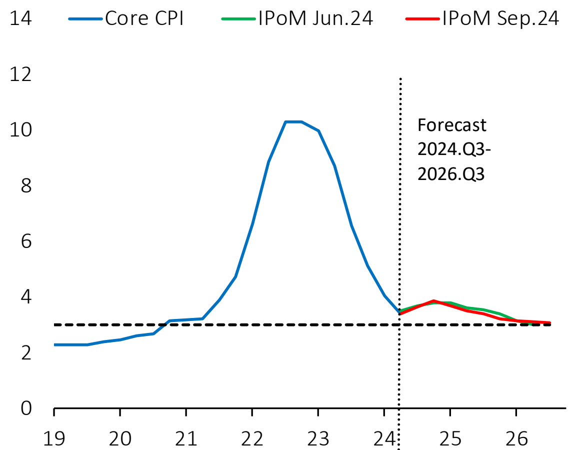
Headline inflation forecast (*)

(annual change, percent)



Core inflation forecast (*)

(annual change, percent)



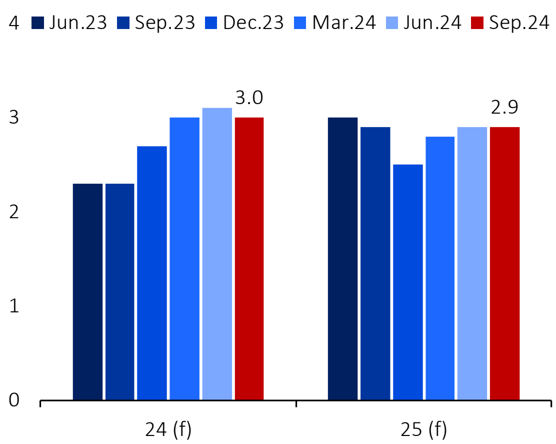
(*) Considers 2023 benchmark basket and splicing made by the Central Bank of Chile.

Sources: Central Bank of Chile and National Statistics Institute (INE).

FIGURE 13

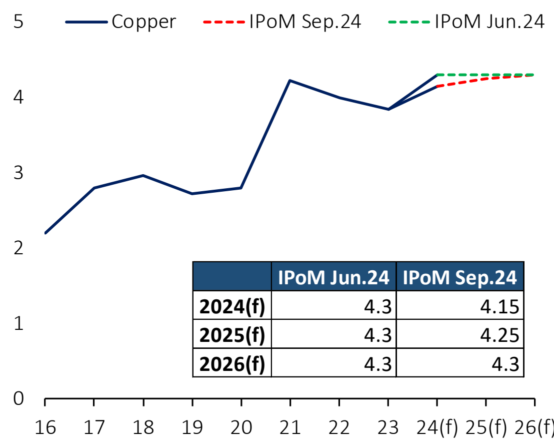
Trading partners growth: IPoM forecasts

(annual change, percent)



Copper price

(dollars per pound)



	IPoM Jun.24	IPoM Sep.24
2024(f)	4.3	4.15
2025(f)	4.3	4.25
2026(f)	4.3	4.3

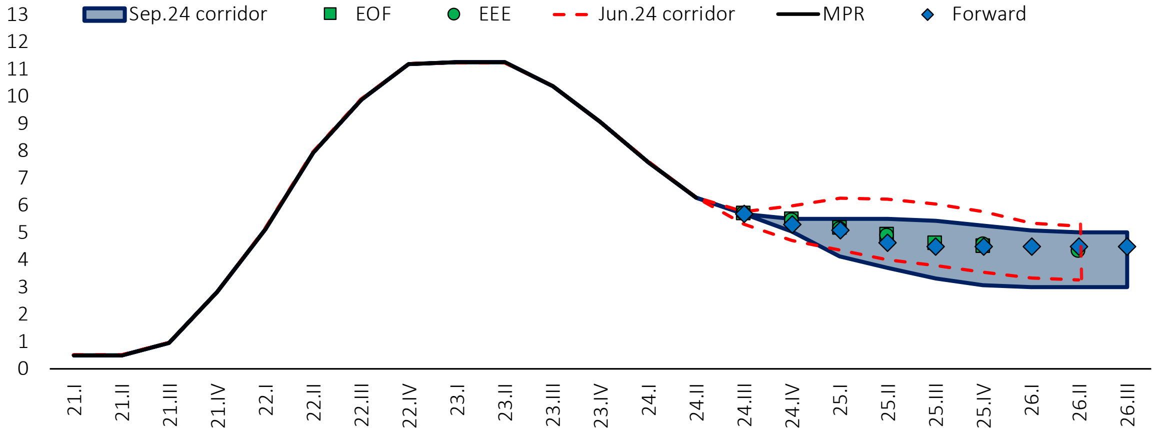
(f) Forecast.

Sources: Central Bank of Chile and Bloomberg.

FIGURE 14

MPR corridor (*)

(quarterly average, percent)



(*) The 2025 and 2026 calendar considers two monetary policy meetings per quarter. The corridor is built following the methodology of Box V.1 of the March 2020 IPoM and Box V.3 of the March 2022 IPoM. It includes the August EEE and September pre-meeting EOF. For details, see methodological note in Figure II.10, Chapter II, September 2024 IPoM. EEE: Economic Expectations Survey. EOF: Financial Traders Survey.
Source: Central Bank of Chile.