



Webinar XP Investments **Chilean Economic Outlook**

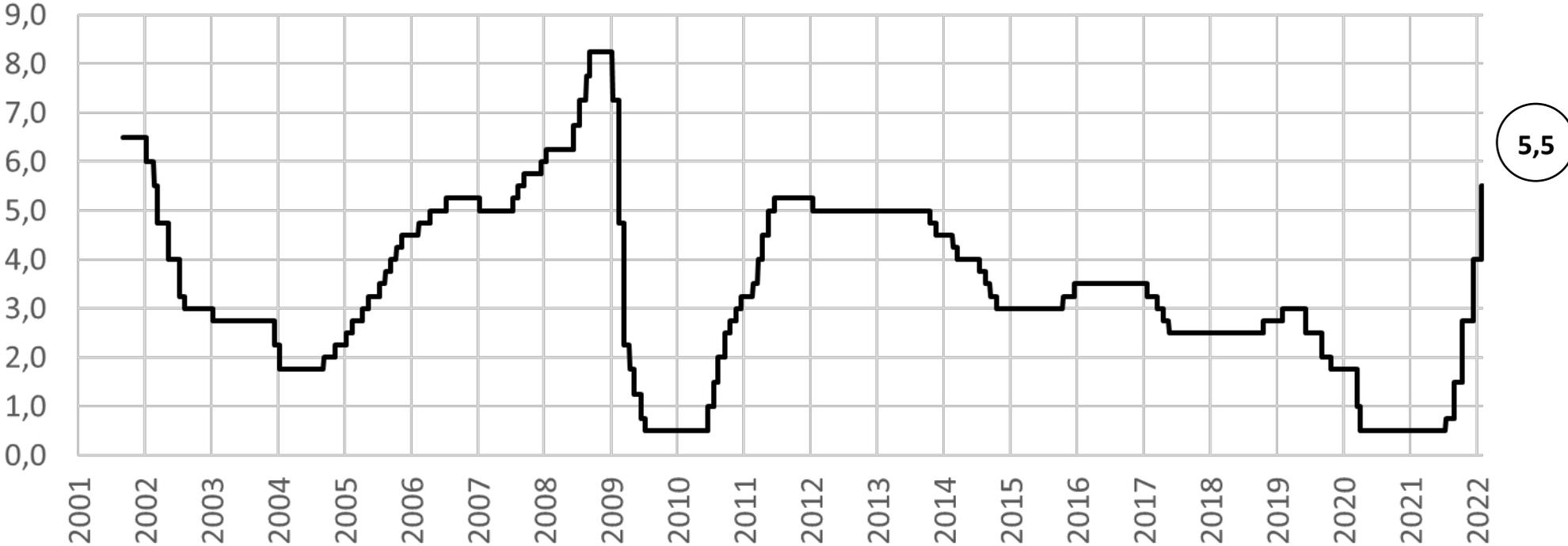
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Member of the Board, Central Bank of Chile

February 2, 2022 | Via zoom

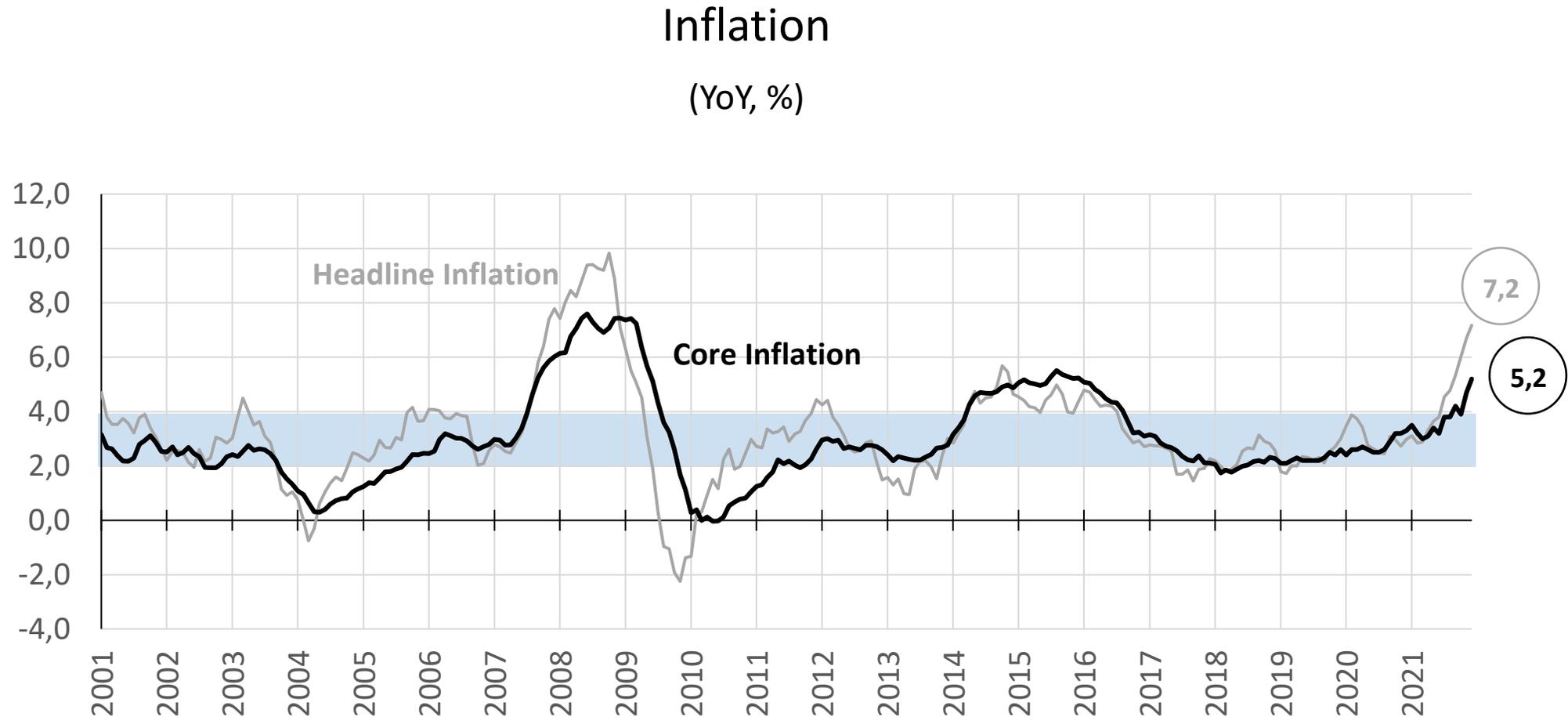
Fastest MPR increase since 2001

Monetary Policy Rate (%)



Note: Last observation 2/2/2022.
Source: Central Bank of Chile

Increasing inflationary pressures



Note: Core inflation is CPI without volatiles. Last observation December 2022.

Source: INE

Where do inflationary pressures come from?

- As explained in the latest Monetary Policy Reports, inflationary pressures have several sources:
 1. External inflation.
 2. Local demand.
 3. Impact of (especially local) uncertainty on the exchange rate.

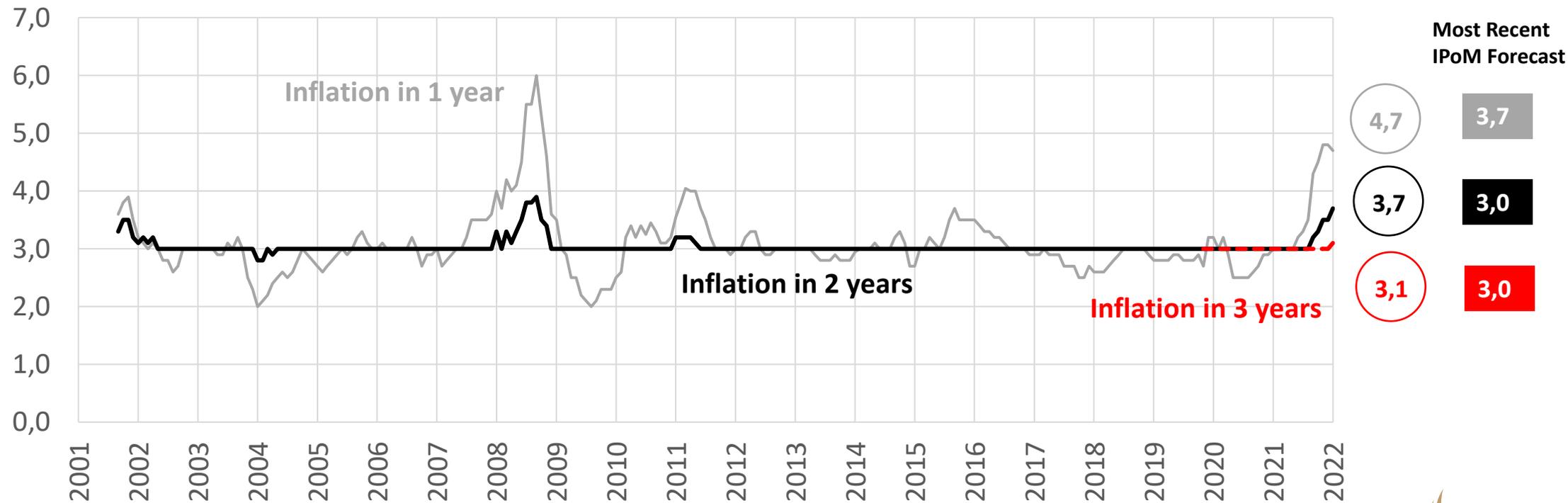
Inflationary pressures are slightly higher than in December. Risks remain biased towards more inflation

- Comparing with December MPR
 1. Global inflation outlook looks less favorable (and monetary policy is reacting slowly in most important developed economies).
 2. Locally, inflation was somewhat higher than expected and the surprise is not expected to go away quickly.
 3. Activity would be in the upper part of the range estimated in December.
 4. Although the exchange rate has felt, its expected trajectory is not perceived to be much different than expected.
- The risks of inflation remain high and, if anything, the evolution of the foreign economy has increased it.

Inflation expectations remain above the inflation target

Inflation Expectations

(Economist Expectation Survey, YoY, %)



Note: Last observation January 2022.
Source: Central Bank of Chile

Three types of elements are shaping the evolution of monetary policy

- The evolution of inflationary pressures (local and external factors).
- Risk management consideration.
- The impact of inflation expectations on the evolution of current inflation.

Latest Monetary Policy Meeting Press Release

The evolution of inflation continues to face significant risks and their possible materialization becomes especially relevant in a context where both the annual change in the CPI and its outlook are already high. In particular, the recent evolution of activity and inflation is somewhat above the forecast in the December MP Report, and inflationary pressures from the international scenario have increased. **The Board's decision is consistent with a monetary policy path that, in the short term would stand near the upper edge of the MPR corridor described in the last Report.** The March Report will feature a new evaluation of the corridor.

MPR corridor
(quarterly average, %)

