

# MONETARY POLICY REPORT

SEPTEMBER 2023

Pablo García Silva, Vicegovernor



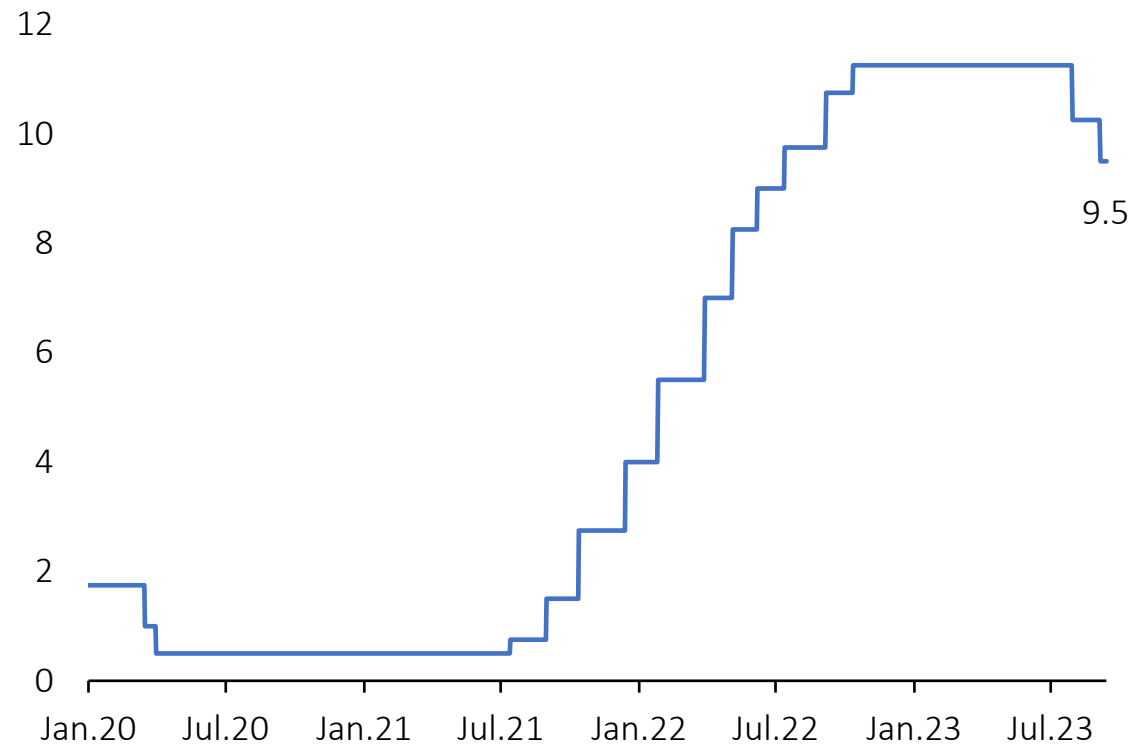
PARQUE NACIONAL CHILOÉ  
Región de Los Lagos



The macroeconomic scenario has evolved in line with expectations. Since July, the Board has reduced the Monetary Policy Rate (MPR) by 175 basis points, down to 9.5%.



Monetary policy rate (MPR)  
(percent)

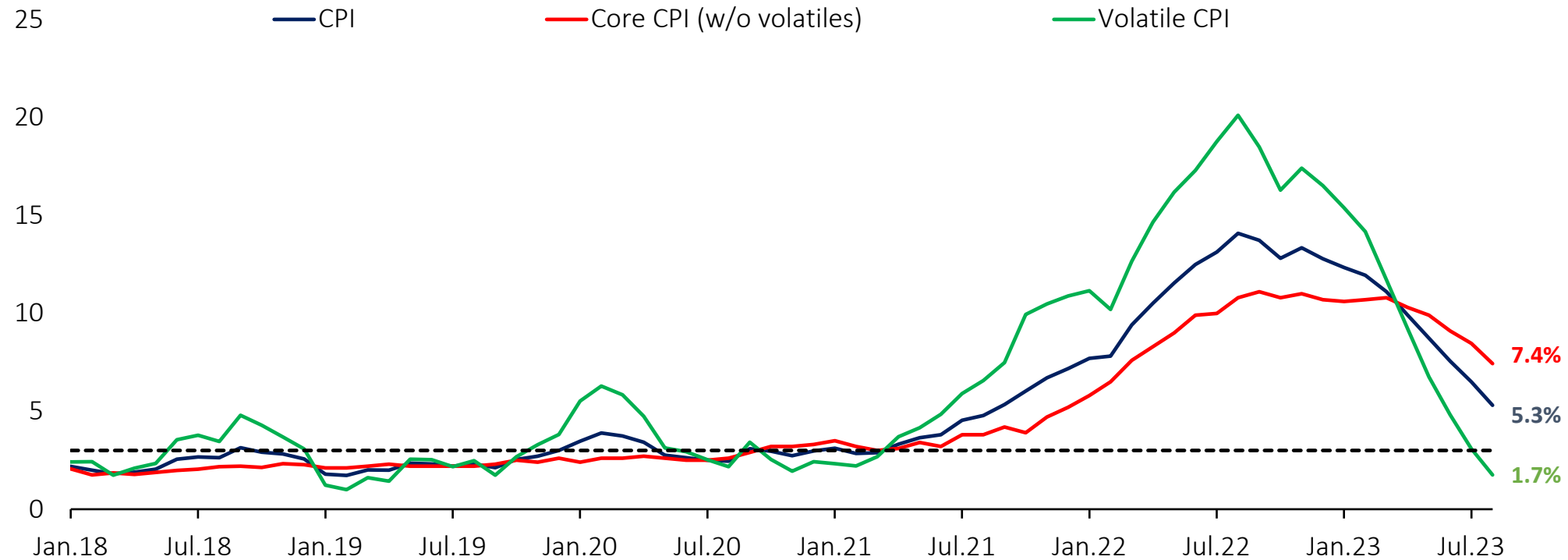


- The MPR began to increase in July 2021.
- From that month to October 2022, accumulated an increase of 1,075 basis points (bp), reaching 11.25%.
- The MPR remained at that level until last July, when the Boar decided to start cutting it.
- Between the July and September meetings, the MPR fell 175bp and currently stands at 9.5%.



# Inflation has continued to fall, although it remains at high levels.

Inflation indicators (\*)  
(annual change, percent)

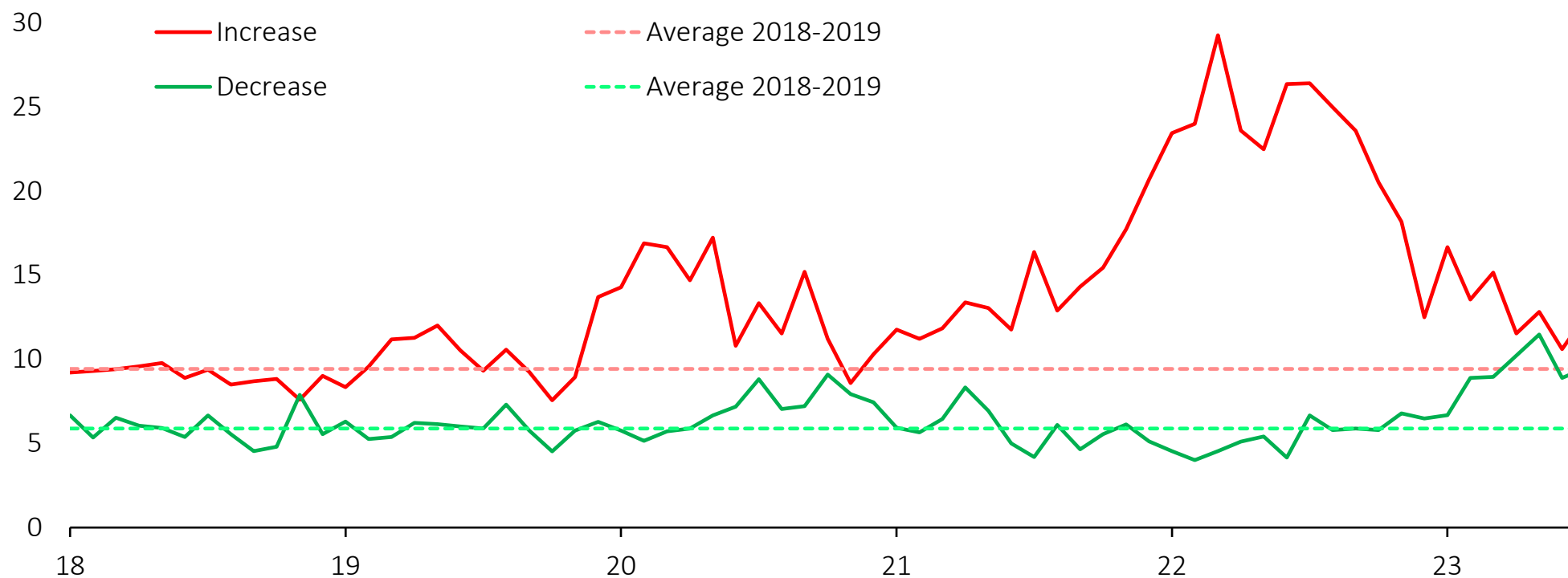


(\*) For details on the different groupings and their share in the total CPI basket, see Box IV.1 in December 2019 MP Report; Carlomagno and Sansone (2019) and Economic Glossary. Sources: Central Bank of Chile and National Statistics Institute.

# The frequency of price increases by firms has also been normalizing.



Frequency of change in goods prices (\*)  
(percent of price changes by product, median)



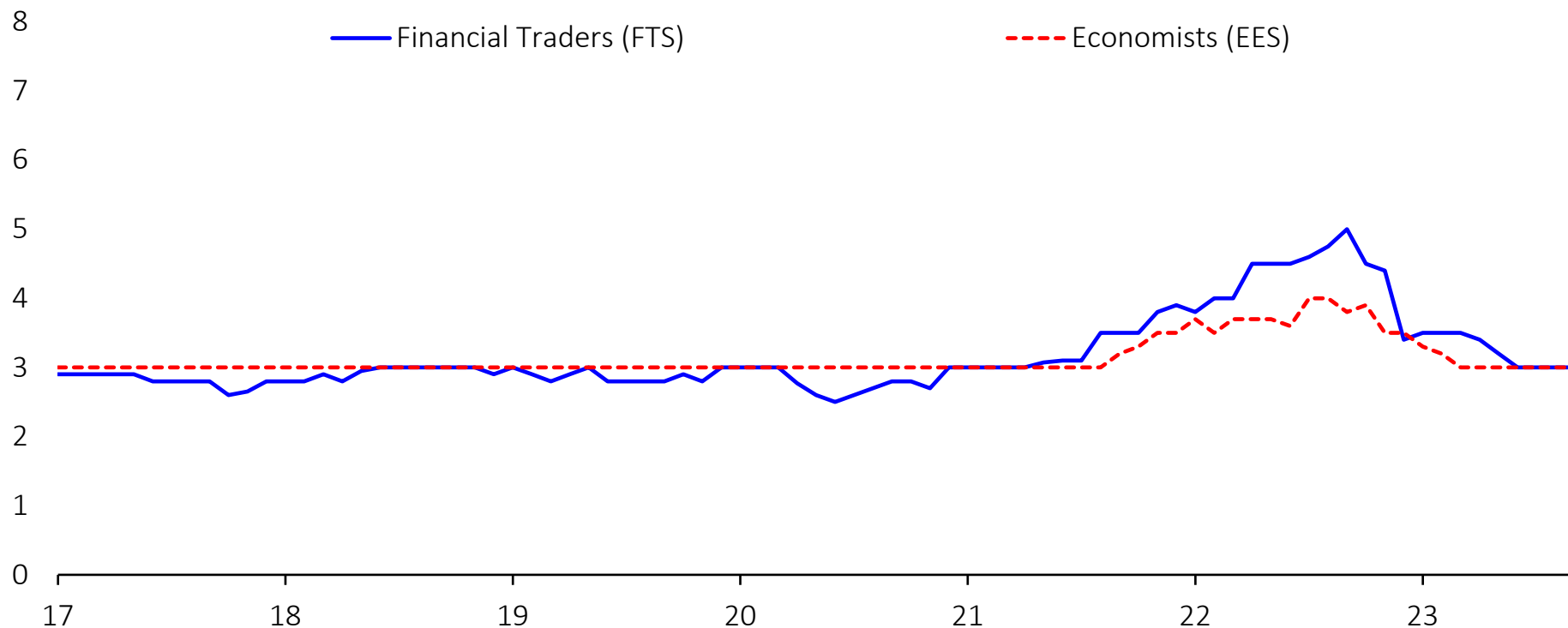
(\*) 48.5% of the total weight of goods and 1.6% of services are considered. In each month, the frequency of positive or negative price changes in the varieties is calculated for each product in the CPI basket calculated with electronic invoice. Then, the frequency is added with the INE weight of each product and the median between products is reported. Sources: Central Bank of Chile and National Statistics Institute.

At the same time, the experts' two-year inflation expectations have been in line with the 3% annual target for a few months.



## Two-year inflation expectations (1)(2)

(annual change, percent)



(1) Median responses are shown. (2) The FTS considers the survey of the first half of each month up to January 2018. From February 2018 onwards, it considers the last survey published in the month. In the months where no survey is published, the latest available one is used.

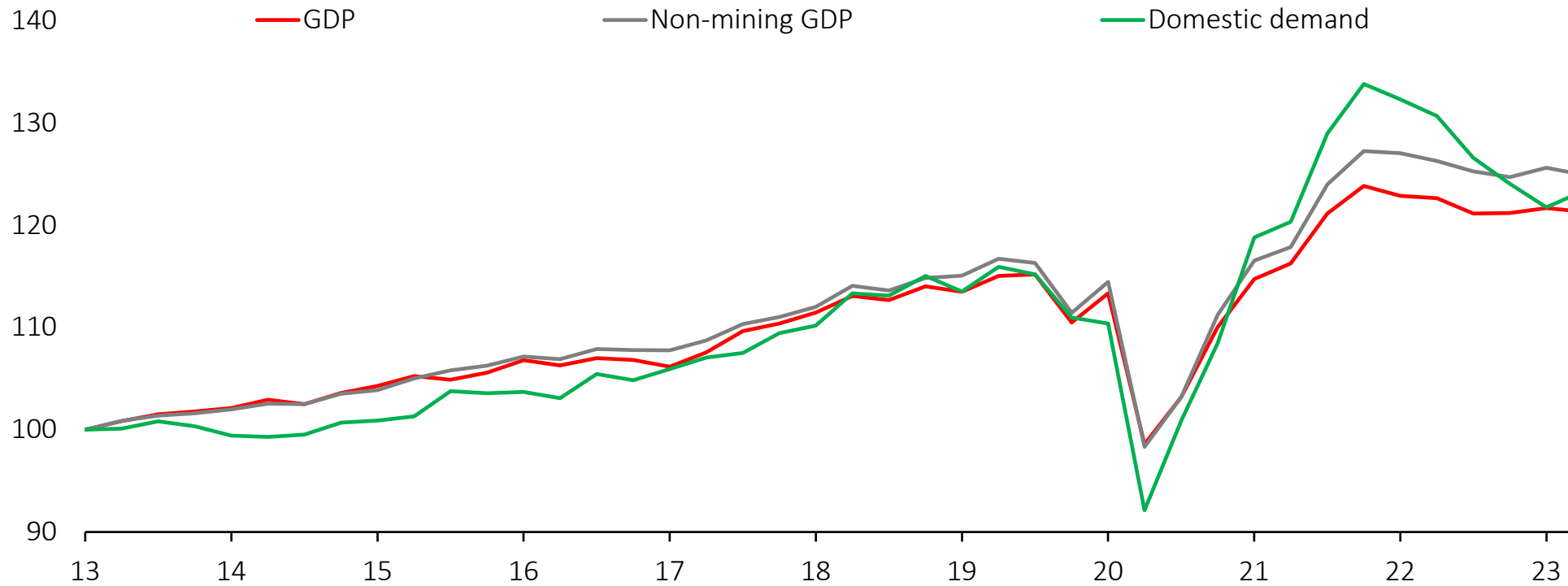
Source: Central Bank of Chile.

A key factor in the decline of inflation has been that the local economy has reduced the excessive levels of spending of previous years.



## Activity and domestic demand

(index, 2013.Q1 = 100, real deseasonalized series)



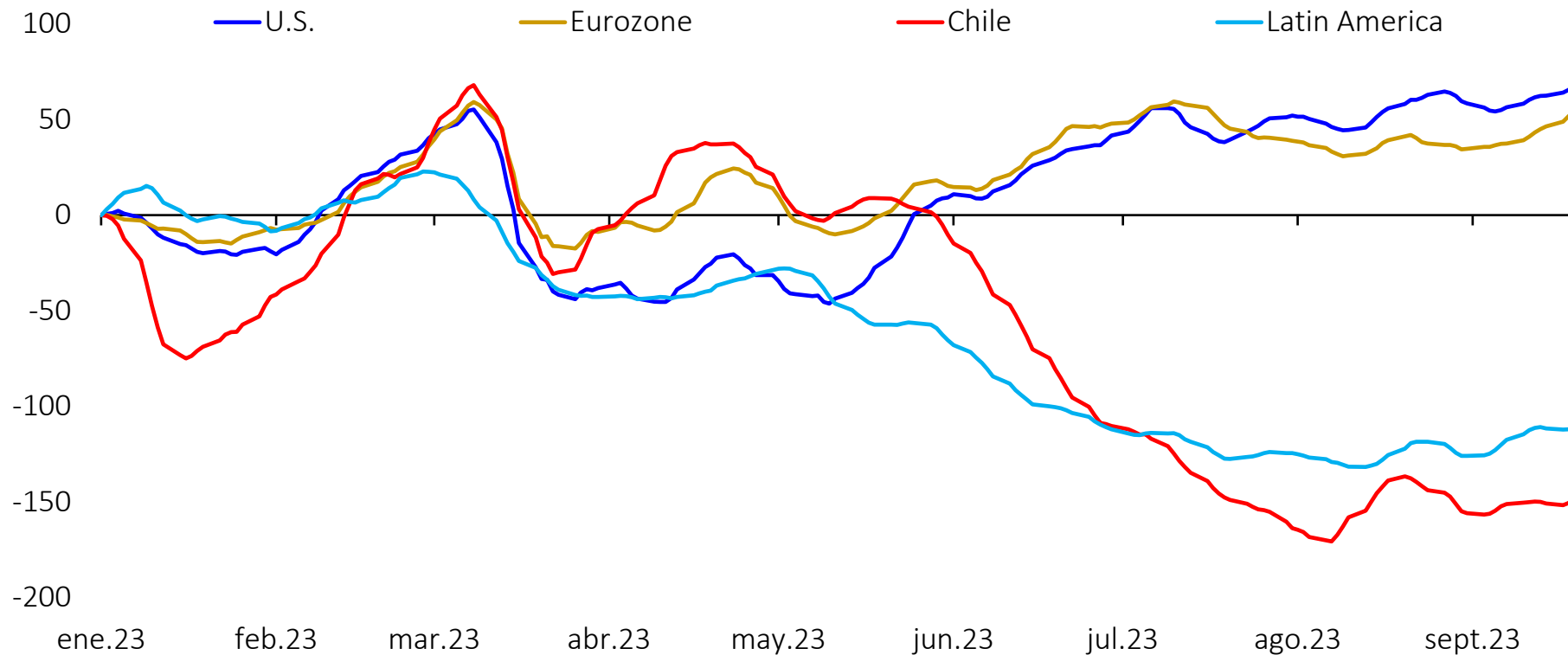
Source: Central Bank of Chile.

This mixed outlook for monetary policy has affected the interest rate differential between developed and emerging markets.



## Two-year nominal interest rates (1)(2)

(difference with respect to 02.Jan.23, basis points)



(1) 7-day moving average. (2) Latin America considers average of Brazil, Colombia, Mexico and Peru.

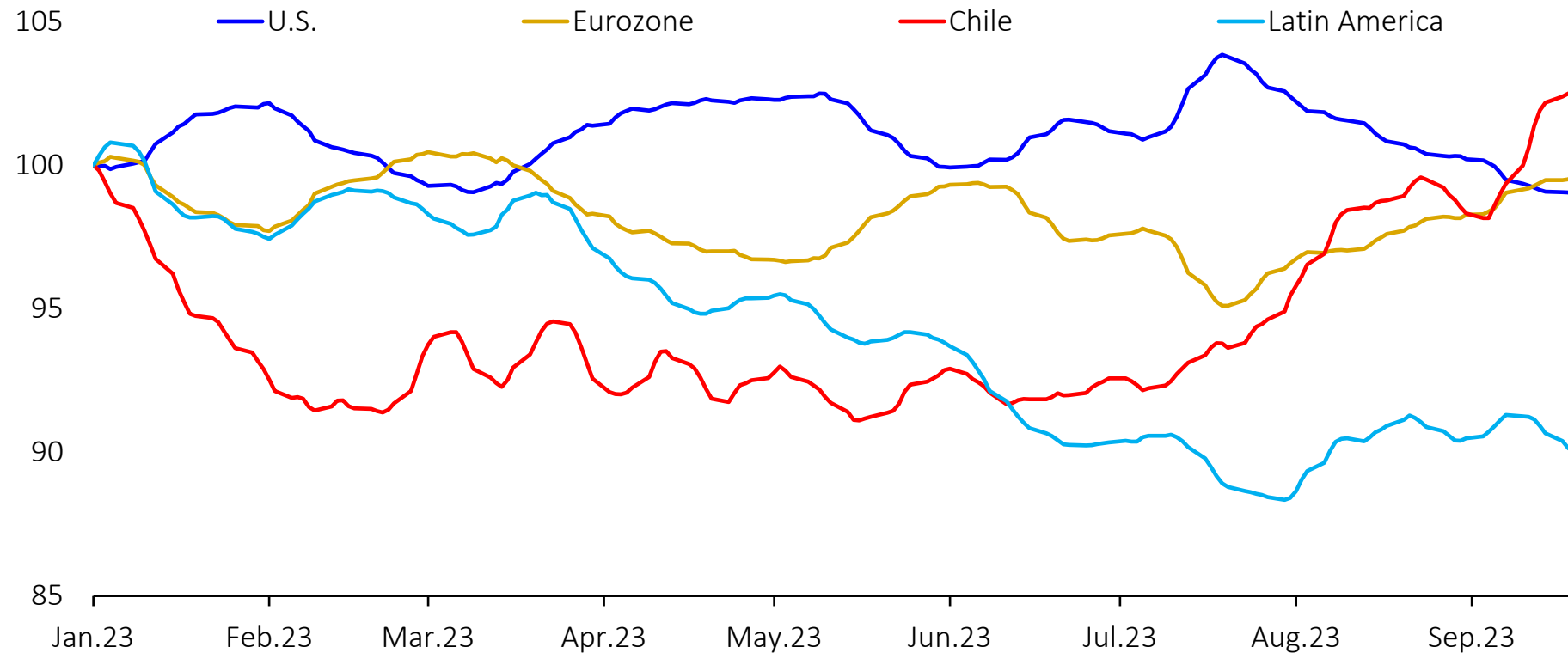
Source: Bloomberg.

In this context, the depreciation of a set of currencies against the dollar has been observed since mid-July, including the Chilean peso.



## Currencies (1)(2)

(index 02.Jan.23=100)



(1) 7-day moving average. An increase (decrease) indicates depreciation (appreciation). (2) Latin America considers average of Brazil, Colombia, Mexico and Peru.

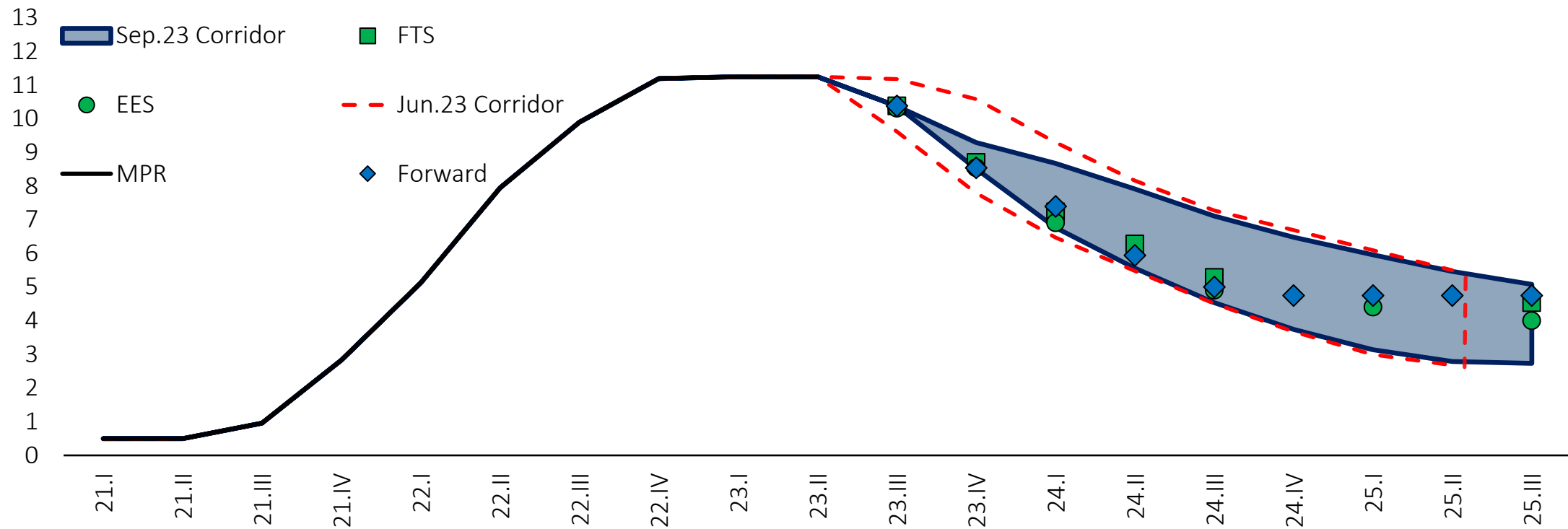
Sources: Central Bank of Chile and Bloomberg.



The borders of the MPR corridor reflect sensitivity scenarios where the speed of inflationary convergence leads to rate adjustments different from those in the central scenario.



MPR corridor (\*)  
(quarterly average, percent)



(\*) The corridor is constructed following the methodology in [Box V.1 in March 2020 MP Report](#) and [Box V.3 in March 2022 MP Report](#). For details, see methodological note (figure II.9, chapter II in September 2023 MP Report).

Source: Central Bank of Chile.



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