

# MONETARY POLICY REPORT

MARCH 2021

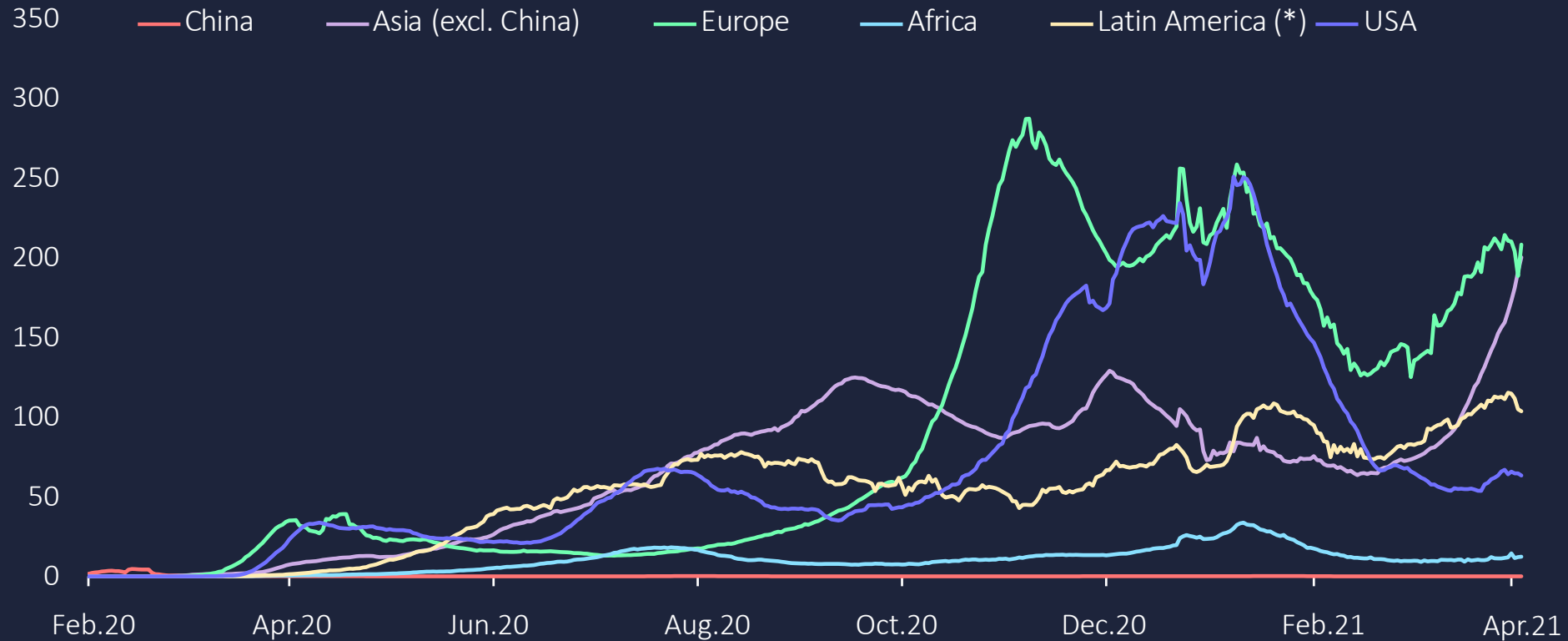
PABLO GARCÍA SILVA – MEMBER OF THE BOARD



# Contagion has remained elevated in several economies



New Covid-19 cases  
(‘000, weekly moving average)

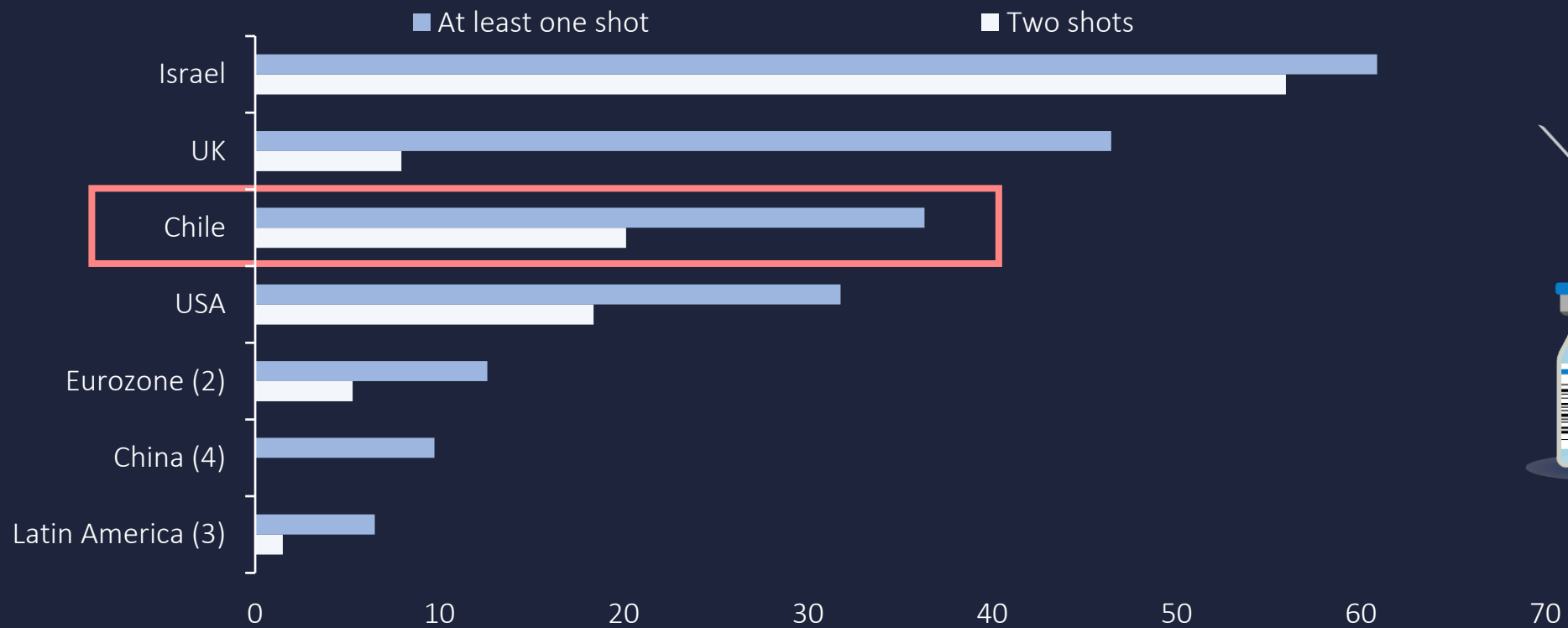


(\*) Argentina, Brazil, Chile, Colombia, Mexico and Peru.  
Source: Our World in Data.

# Vaccination pace remains diverse across countries



Population vaccinated (1)  
(percent of total)

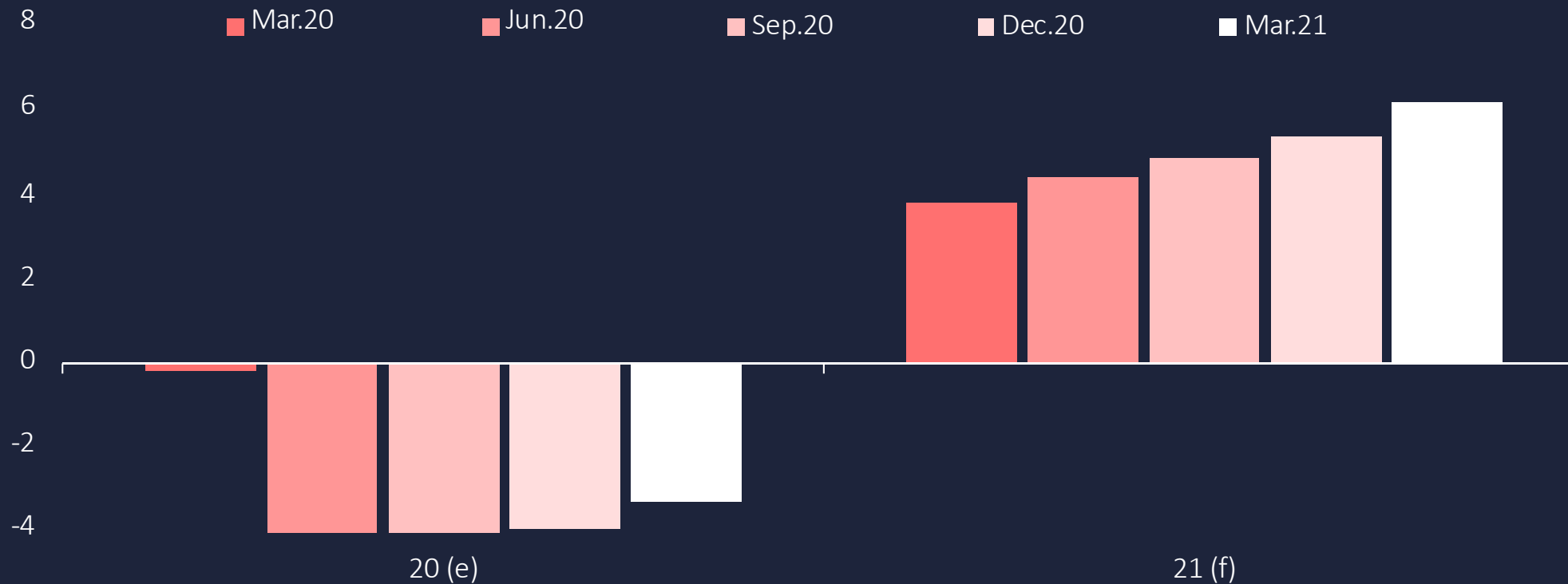


(1) As of April 4, 2021. (2) Germany, Spain, France, Italy average (3) Argentina, Brazil, Colombia, Mexico, Peru average. (4) Total doses.  
Source: Our World in Data.

# A faster economic recovery is underway globally



World GDP growth forecasts in each IPoM  
(annual change, percent)

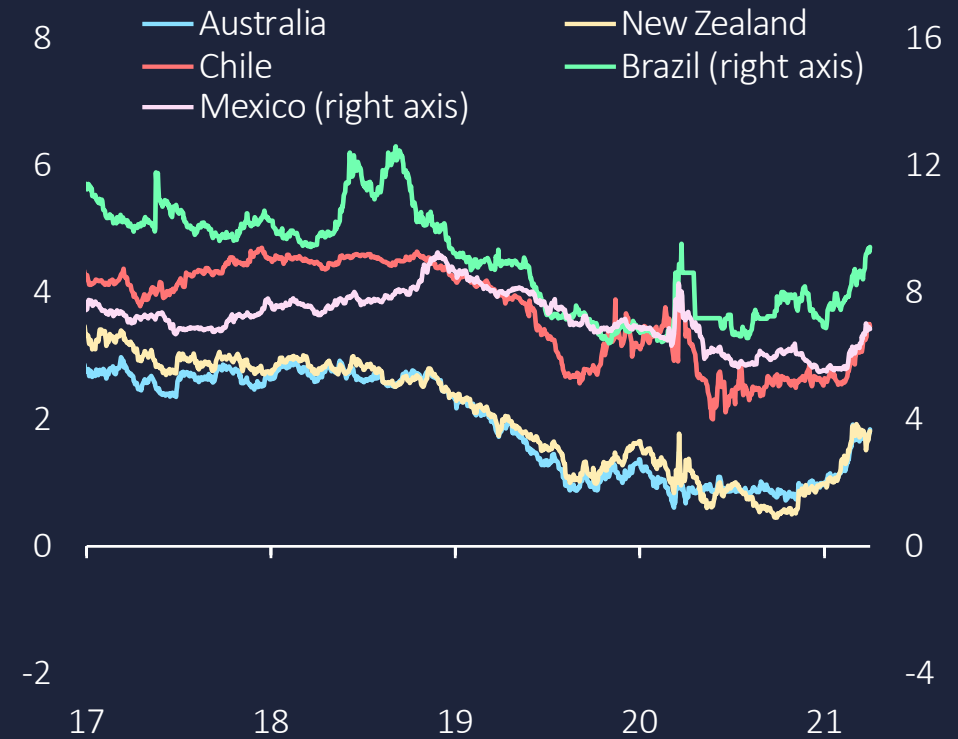
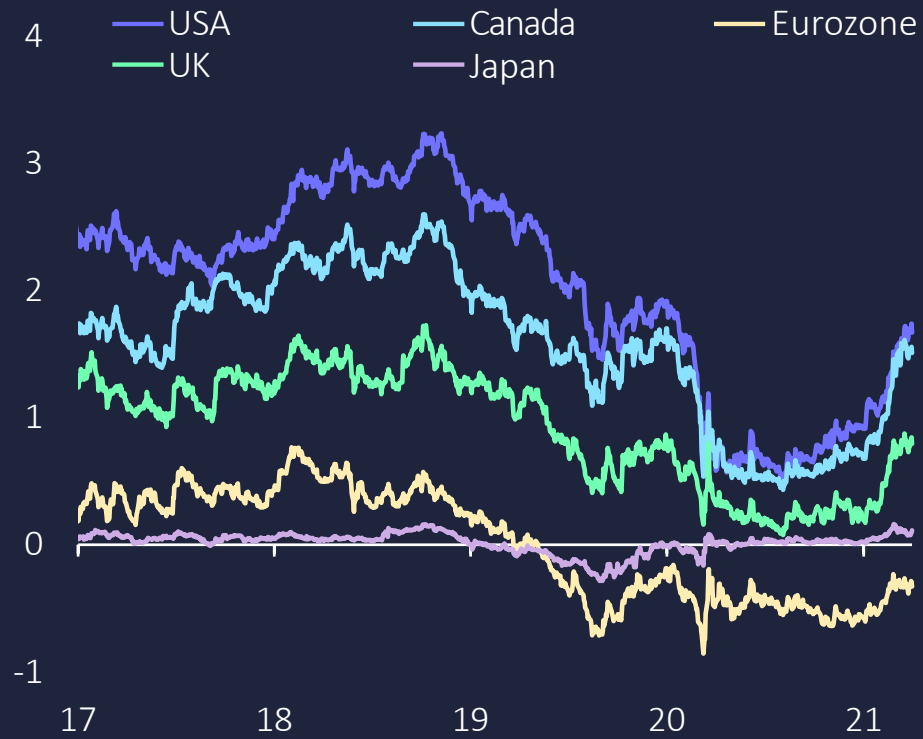


(e) Estimation. (f) Forecast.  
Source: Central Bank of Chile.

# Better prospects and significant fiscal stimulus in the US economy have pushed long term yields higher



10-year local currency bond yields in selected economies  
(percent)

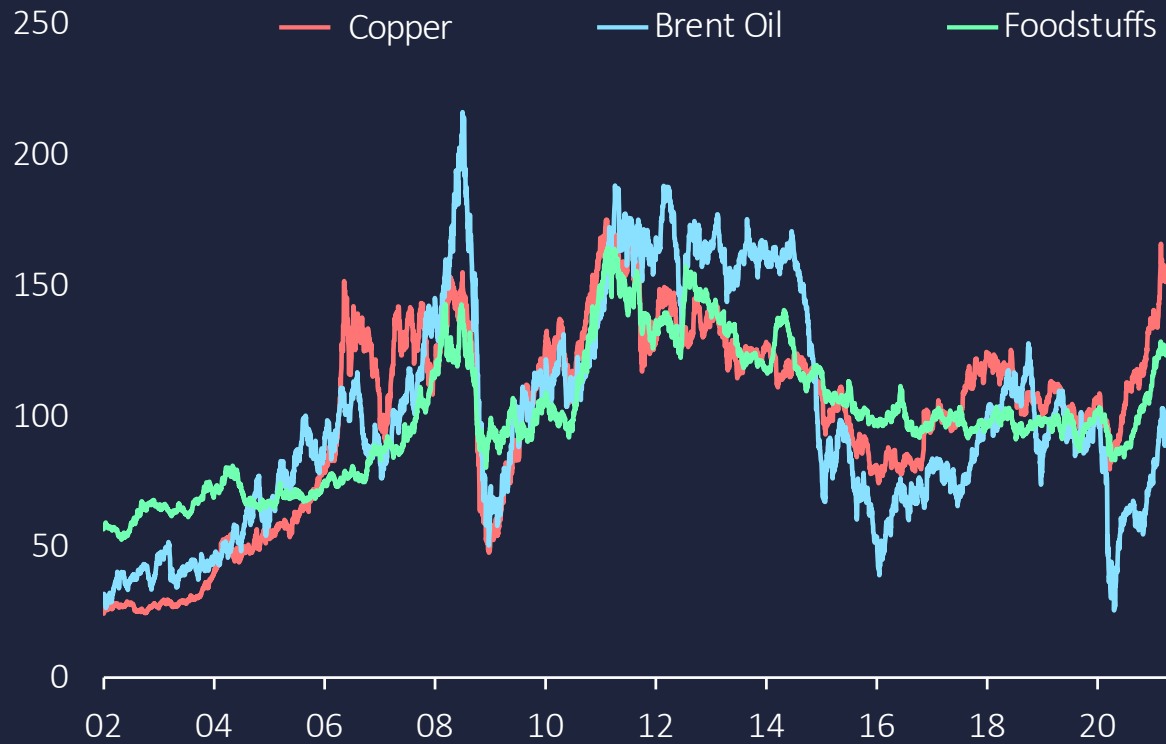


Source: Bloomberg.

# Commodity prices have rebounded



Commodity prices  
(2002-2021=100)



Source: Bloomberg.

Copper price climbed above US\$4/pound

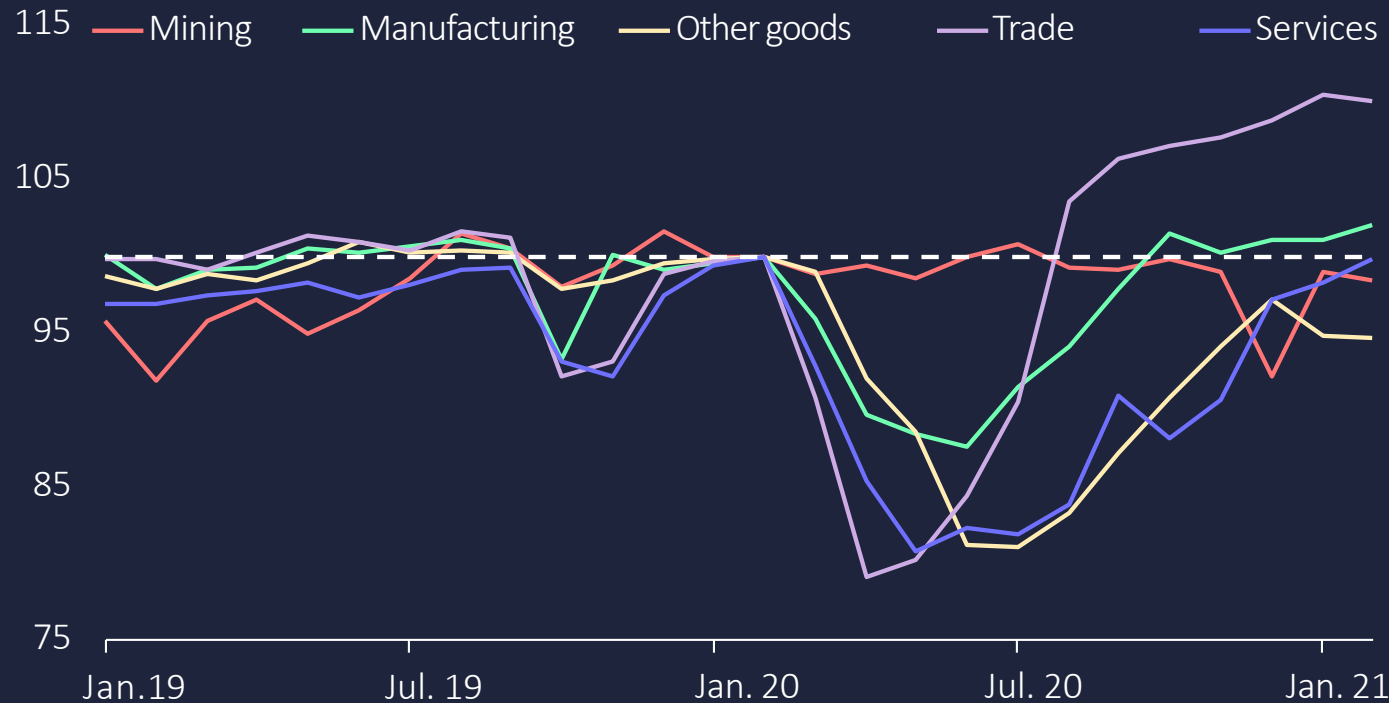
Oil prices jumped above US\$60/barrel

# Locally, the recovery has occurred faster than expected, but with sectoral heterogeneity



## IMACEC by sector

(seasonally-adjusted series, February 2020 = 100)



Source: Central Bank of Chile.



**2020**  
**-5.8%**

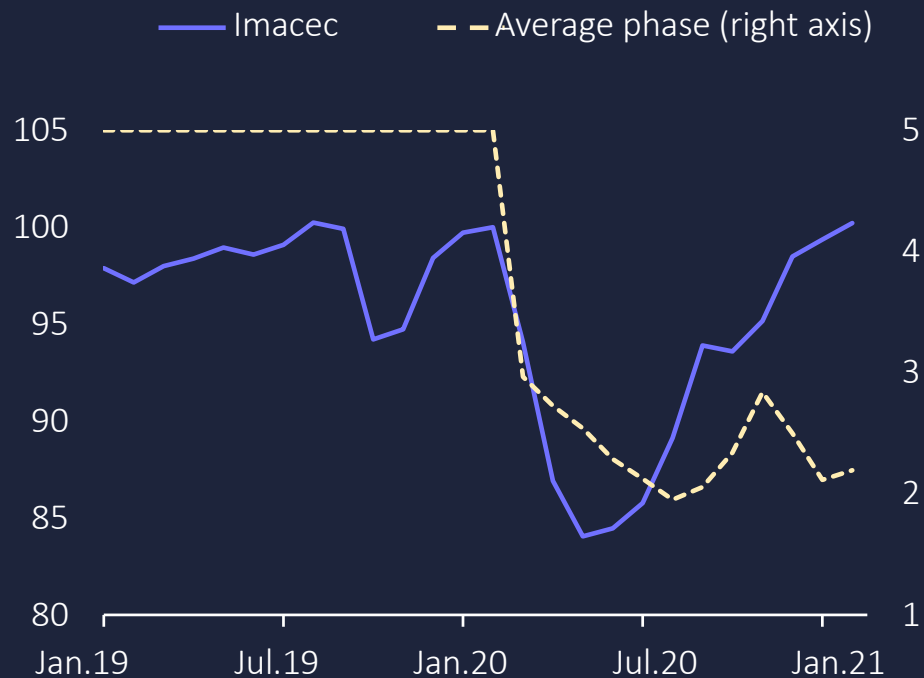
MP Report Dec. : -6.25/-5.75%

# Households and firms show an enhanced ability to adapt to mobility restrictions



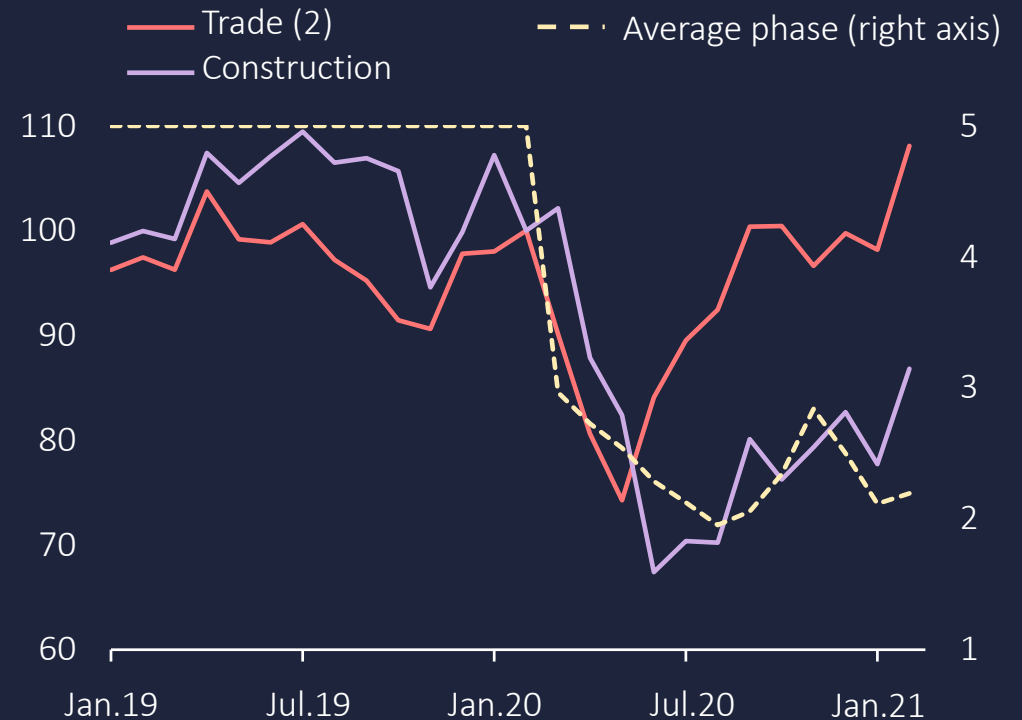
Population by phase of Step-by-Step Plan (nationwide) and Imacec

(seasonally-adjusted series; index, Feb.20 = 100; phase)



Population by phase of Step-by-Step Plan (nationwide) and digitally-invoiced real sales, by economic sector (1)

(seasonally-adjusted series; index, Feb.20 = 100; phase)



(1) CPI-deflated sales. (2) Includes restaurants & hotels.

Sources: Central Bank of Chile based on data from the National Statistics Institute (INE), Chile's Health Ministry and Internal Revenue Service (SII).

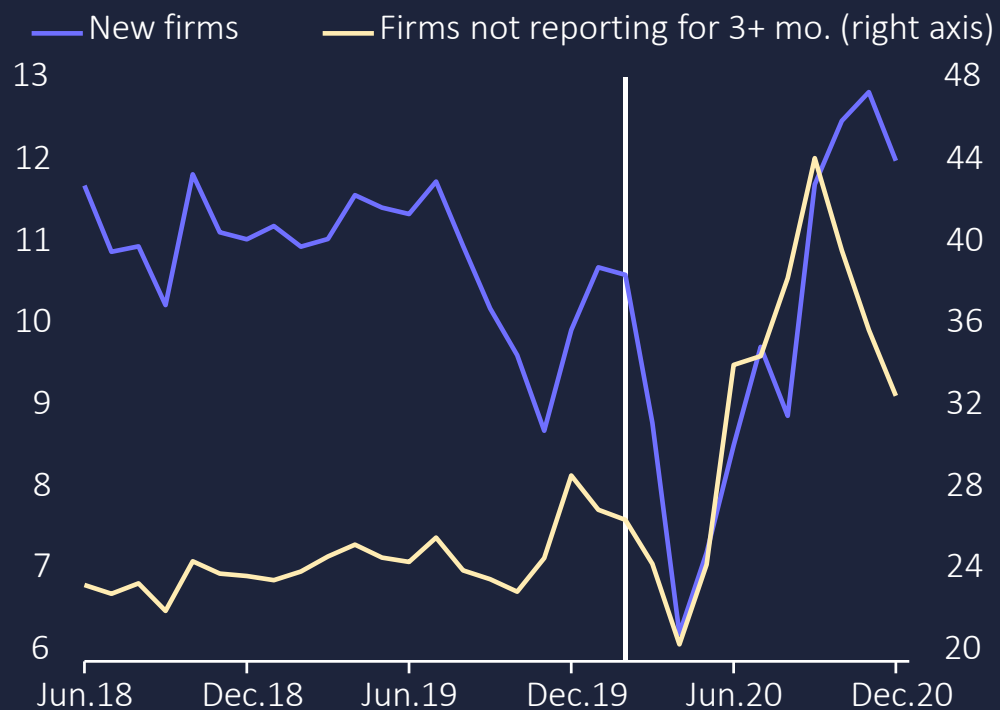


# A significant number of firms have resumed operations



Margins of firms' entry and non-reporting, 2018-2020 (1)  
(thousands)

Firms' entry and re-entry (2)



Firms not reporting sales (3)



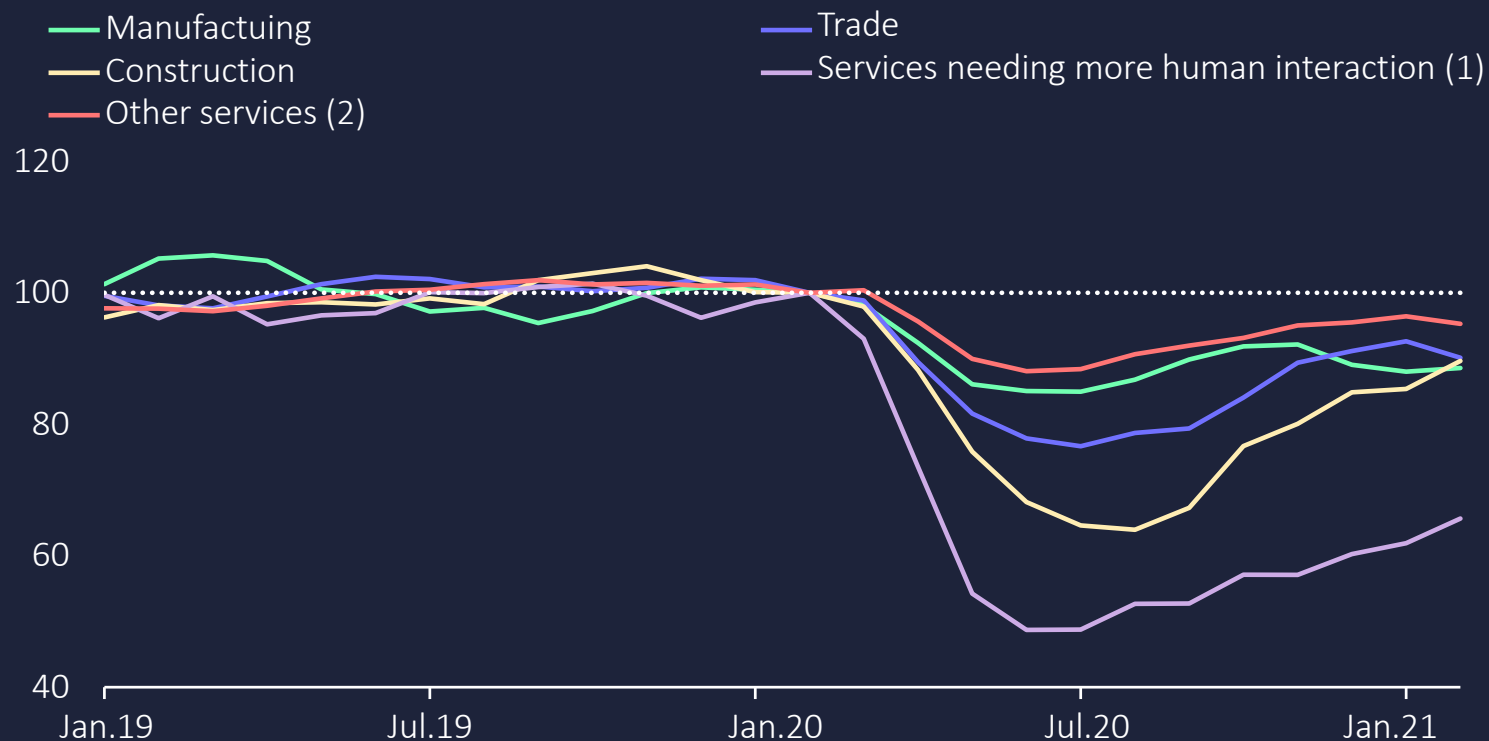
(1) White vertical line in both graphs indicates February 2020. (2) Blue line shows monthly flow of firms reporting sales for the first time. Yellow line shows firms reappearing after not reporting sales for three or more consecutive months. The latest data is December 2020. (3) Includes the monthly flow of firms that stopped reporting positive sales and have not reported since until the end of the sample in January 2021. For the last months of the sample, we adjust for the probability of historical recovery, adjusted for the information obtained in the pandemic months. Last observation: October 2020. Source: Central Bank of Chile based on Internal Revenue Service (SII) data.



# Employment has also risen, but with significant lags

## Employment by sector

(index, February 2020 = 100)



To date, 900k jobs have been lost compared to February 2020.

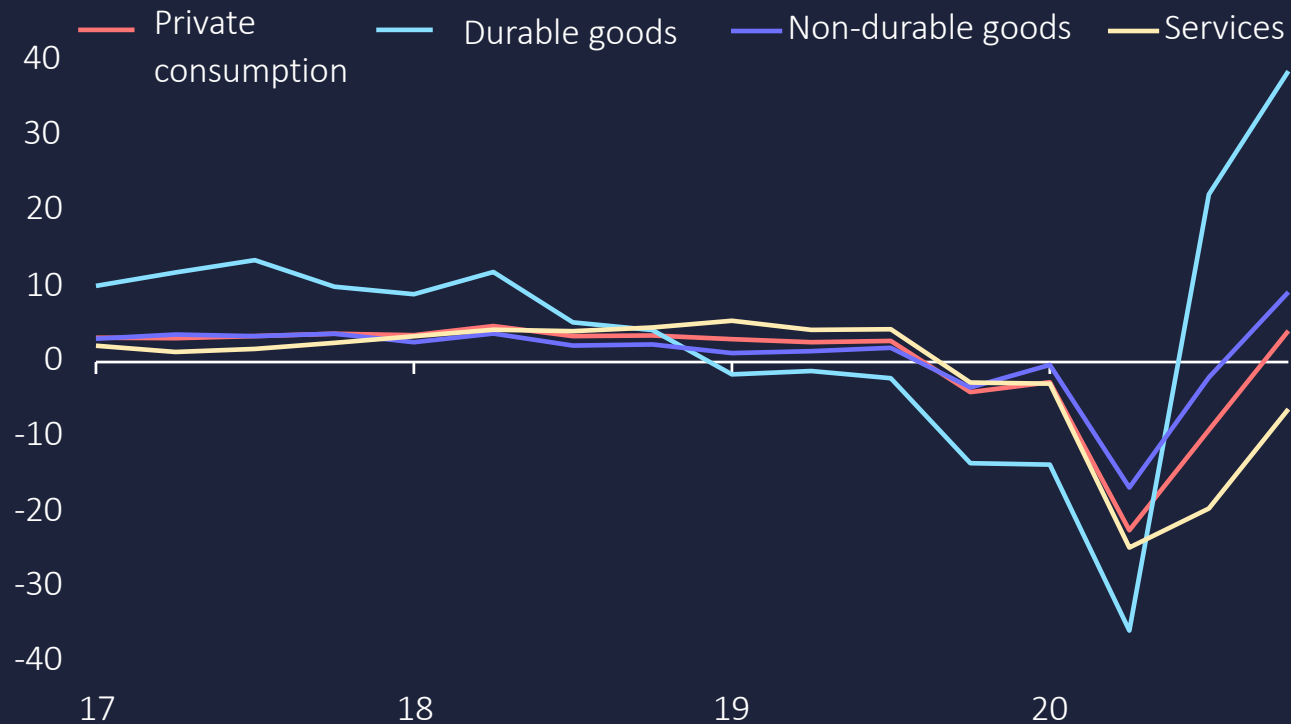
(1) Includes accommodation, food services, and arts, entertainment, and recreation activities. (2) Includes financial and insurance activities; real estate; professional, scientific and technical; administrative and support service activities; public administration and defense; education; human health care and social work activities; other services; activities of households as employers; and activities of extraterritorial organizations and bodies.

Source: National Statistics Institute (INE).

# Private consumption has been driven by the pension fund withdrawals



Private consumption by components  
(real annual change, percent)



**4.1%** growth in private consumption in fourth quarter 2020



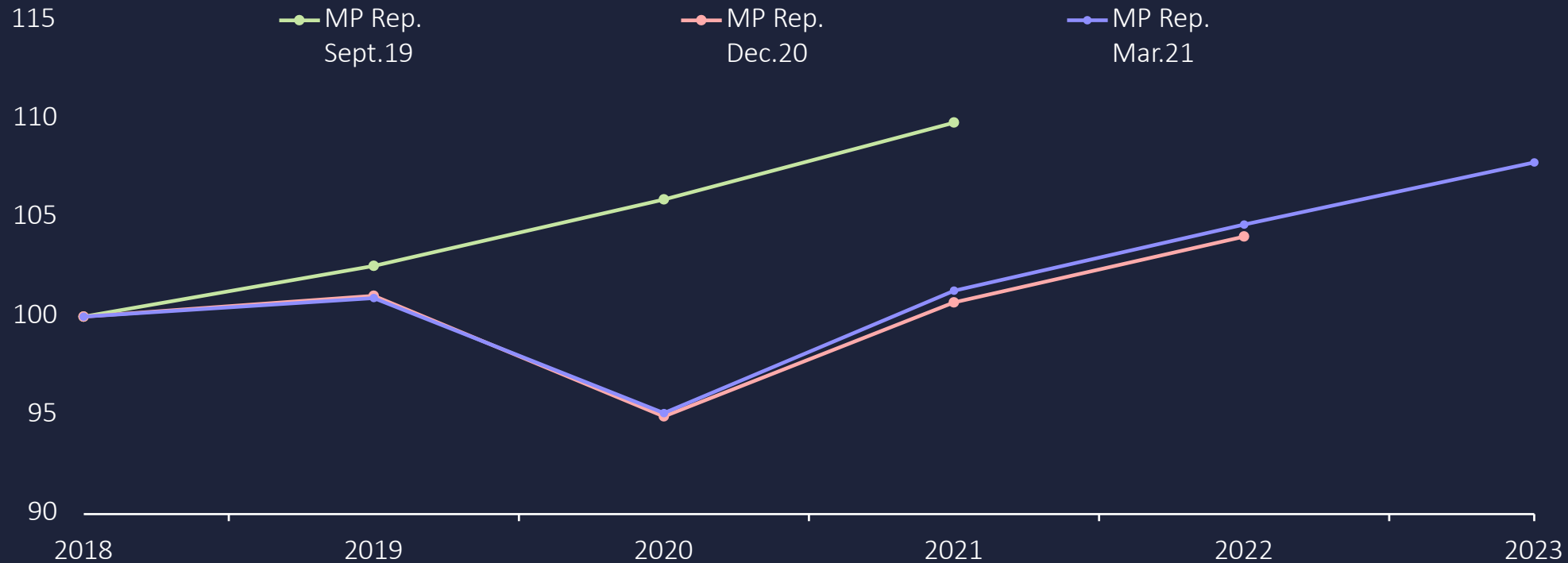
Source: Central Bank of Chile.

# This scenario continues to include a lower activity trajectory than that estimated prior to the social crisis



## GDP forecast

(index, 2018 = 100)

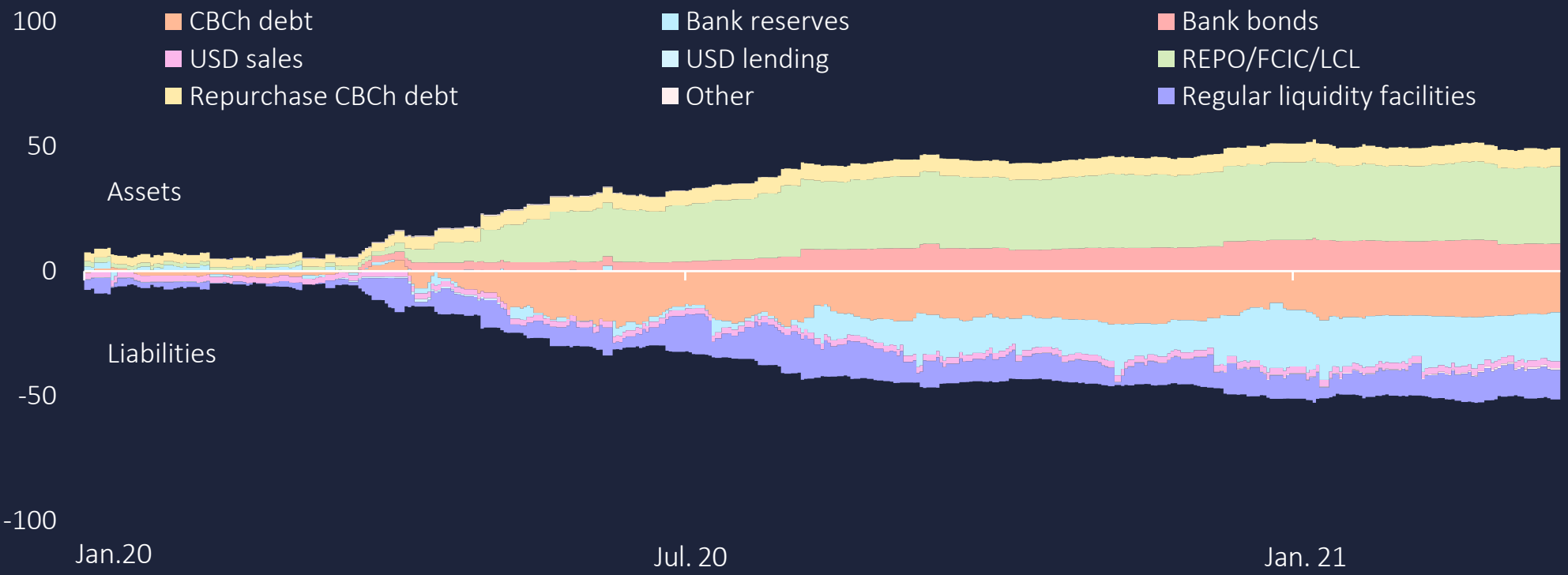


Source: Central Bank of Chile.

# The conventional and unconventional policies implemented by the Central Bank have supported the recovery of the Chilean economy



Asset and Liability dynamics of the Central Bank of Chile's balance sheet  
(USD billion)



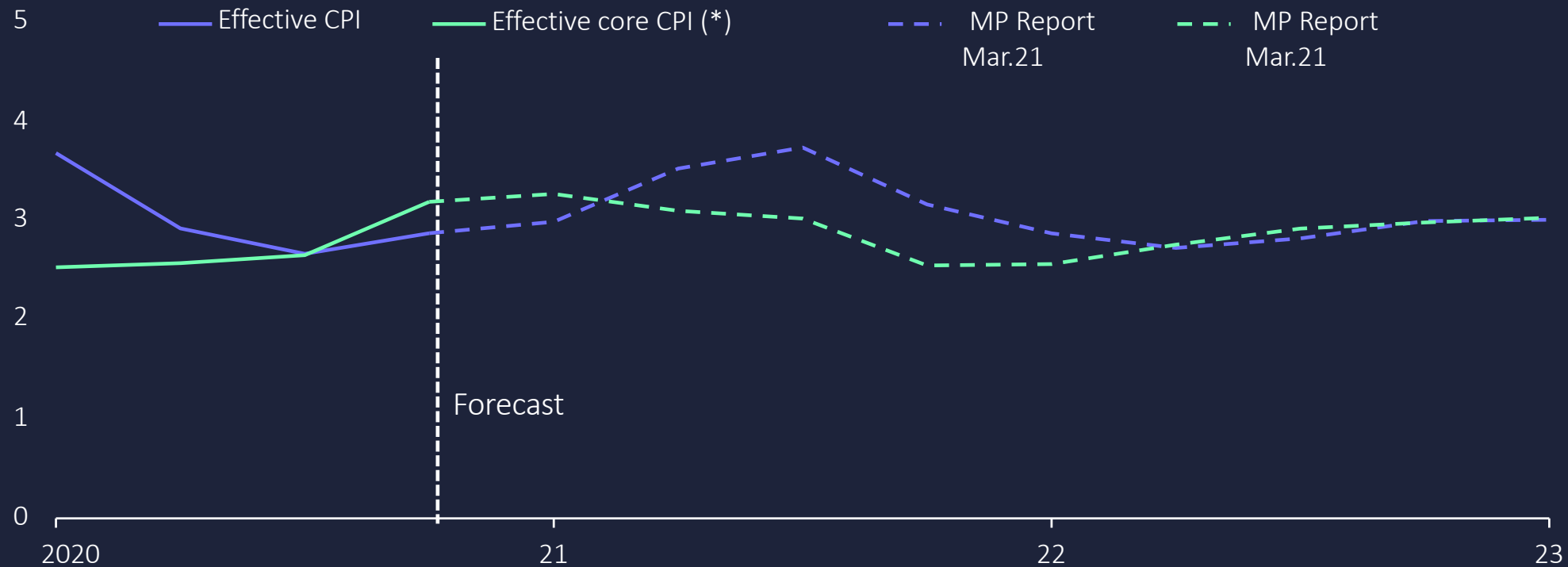
Source: Central Bank of Chile.



In the central scenario, annual inflation will rise to close to 4% in the coming months, influenced by volatile part of inflation, mainly fuel prices

## Inflation forecast

(annual change, percent)



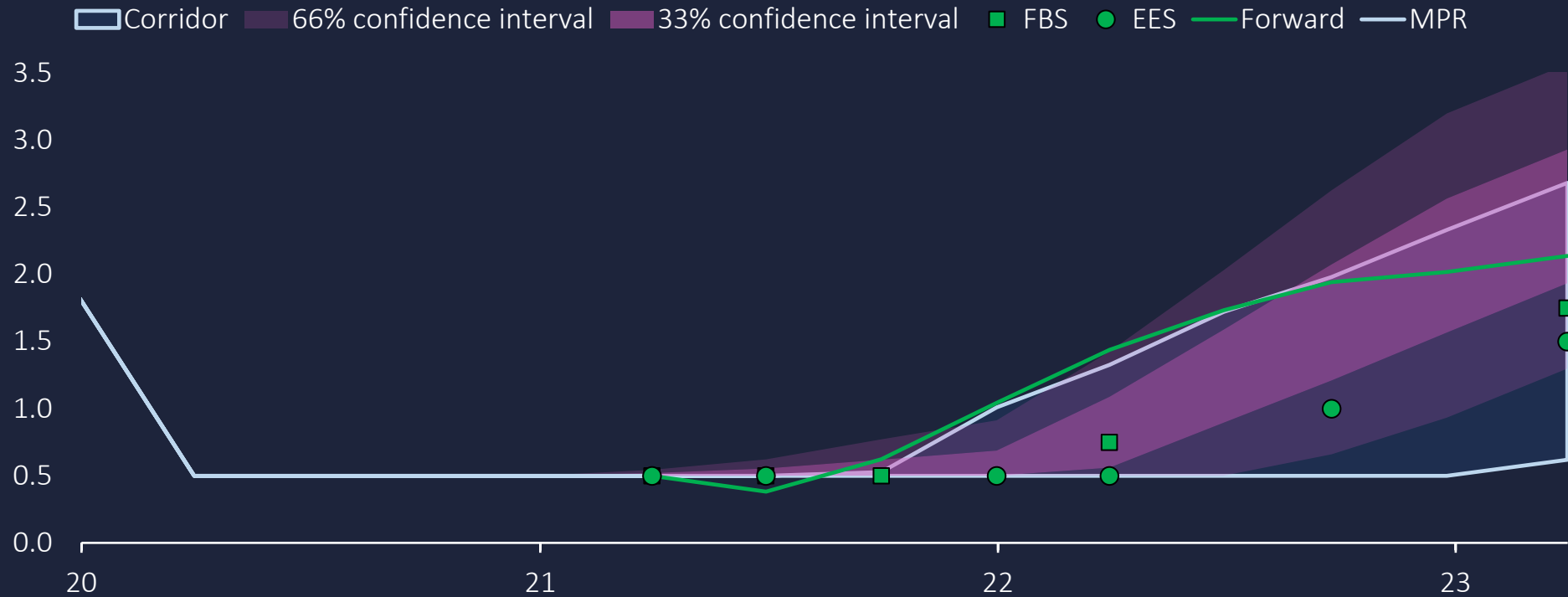
(\*) Measured using CPI minus volatiles.

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

# The MPR will likely remain at its effective lower bound of 0.5% until the economic recovery strengthens and spreads to lagging components of spending



MPR Corridor (\*)  
(percent)



(\*) See V.1 Box of March 2020 MP Report. Confidence intervals reflect historical dispersion.  
Source: Banco Central de Chile.



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