

Recent Macroeconomic Developments in Chile

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Pablo García, Vice Governor



SALAR DE TARA

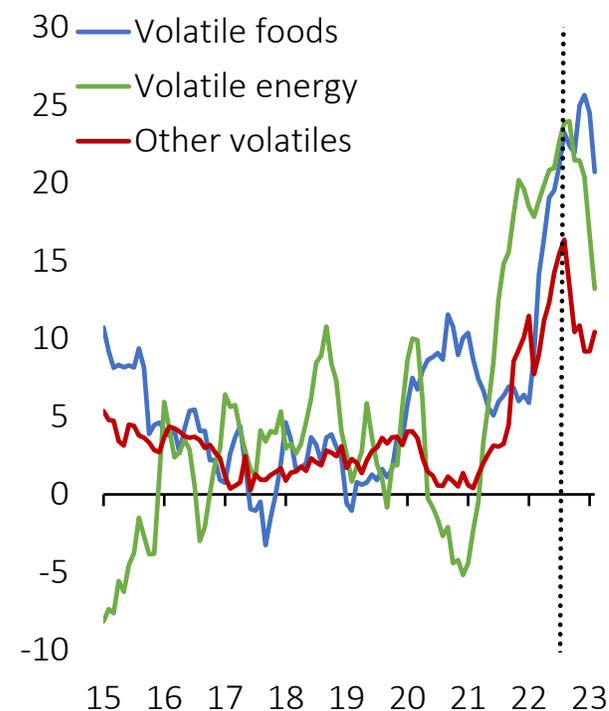
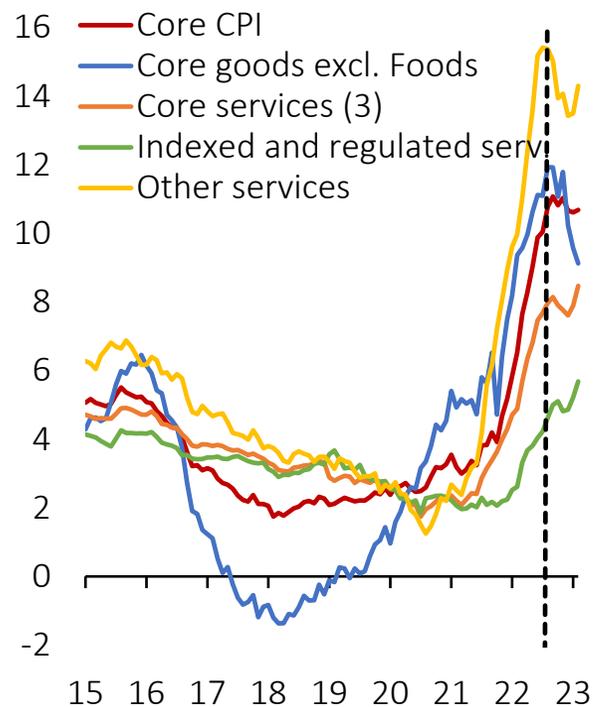
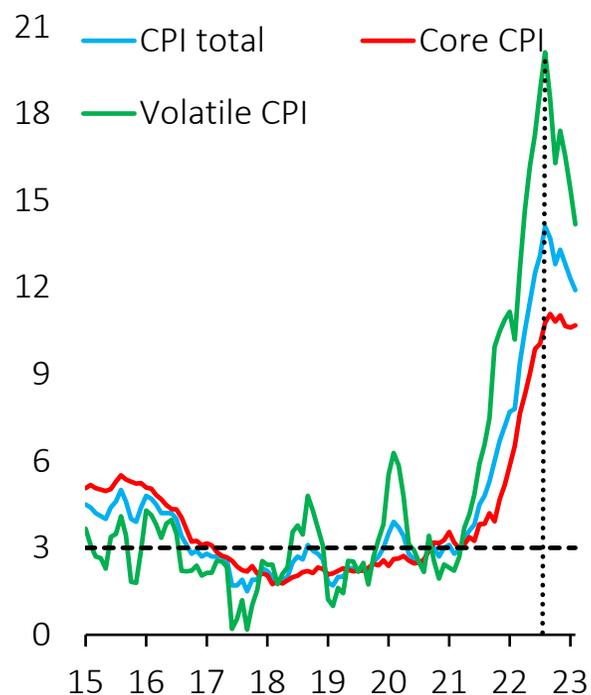
Región de Antofagasta

Total and core inflation remain high.



Inflation indicators (1) (2)

(annual change, percent)



(1) Dotted vertical line marks statistical cutoff of September 2022 MP Report. (2) For details on the different groupings and their share in total CPI basket, see box IV.1 in December 2019 MP Report, [Carlomagno & Sansone \(2019\)](#), and [Economic Glossary](#). (3) Core services consider the sum of indexed, regulated and other services.

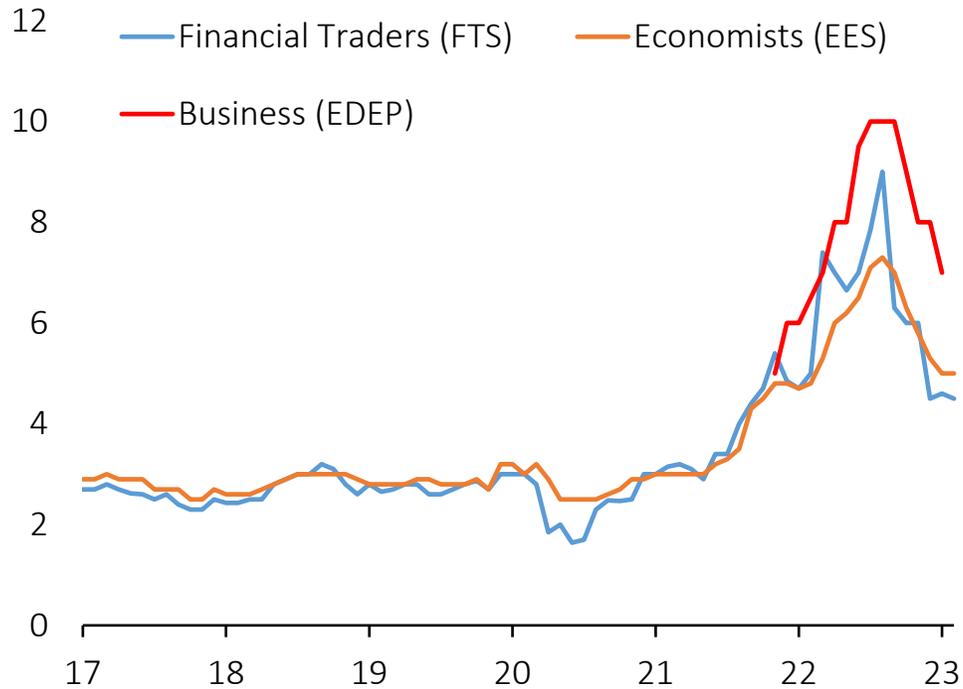
Sources: Central Bank of Chile and National Statistics Institute (INE).

Inflation expectations also remain elevated, but with some moderation recently.

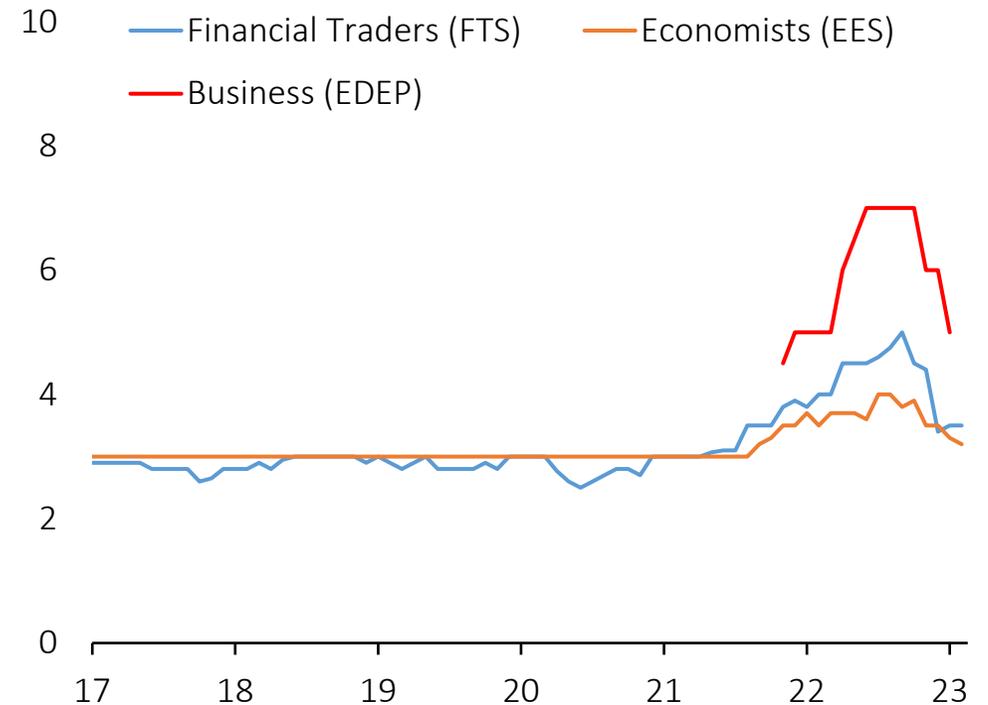


Inflation expectations (annual change, percent)

One year ahead (1) (2)



Two years ahead (1) (2)



(1) Median responses are shown. (2) Financial Traders Survey uses the survey for the first two weeks of each month through January 2018. From February 2018 onwards, it considers the last survey published in the month. In the months with no survey published, the latest available survey is used.

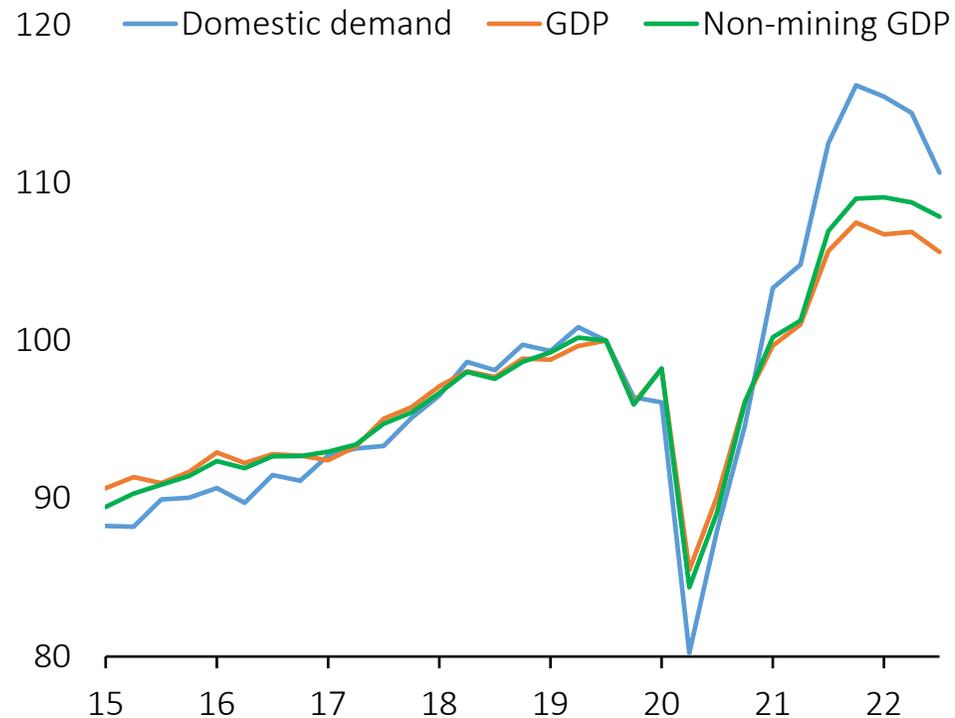
Source: Central Bank of Chile.

Demand-side pressures have also moderated. Incoming data confirms progress in economy's adjustment.



Activity indicators

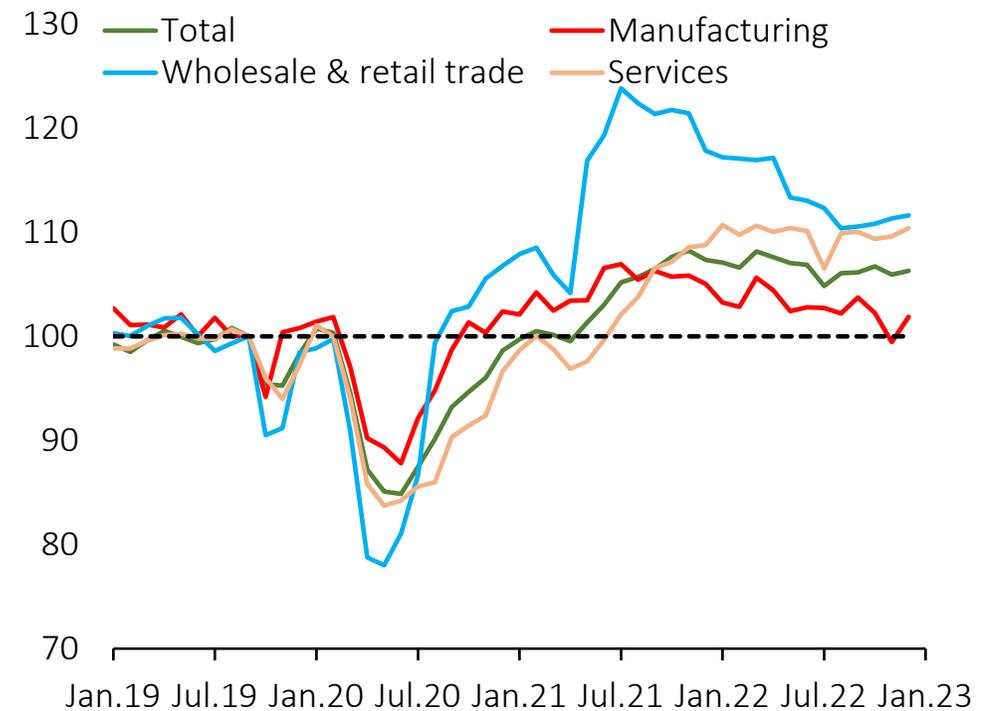
(index, 2019Q3 = 100, seasonally-adjusted)



Source: Central Bank of Chile.

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(index, September 2019 = 100, seasonally-adjusted)

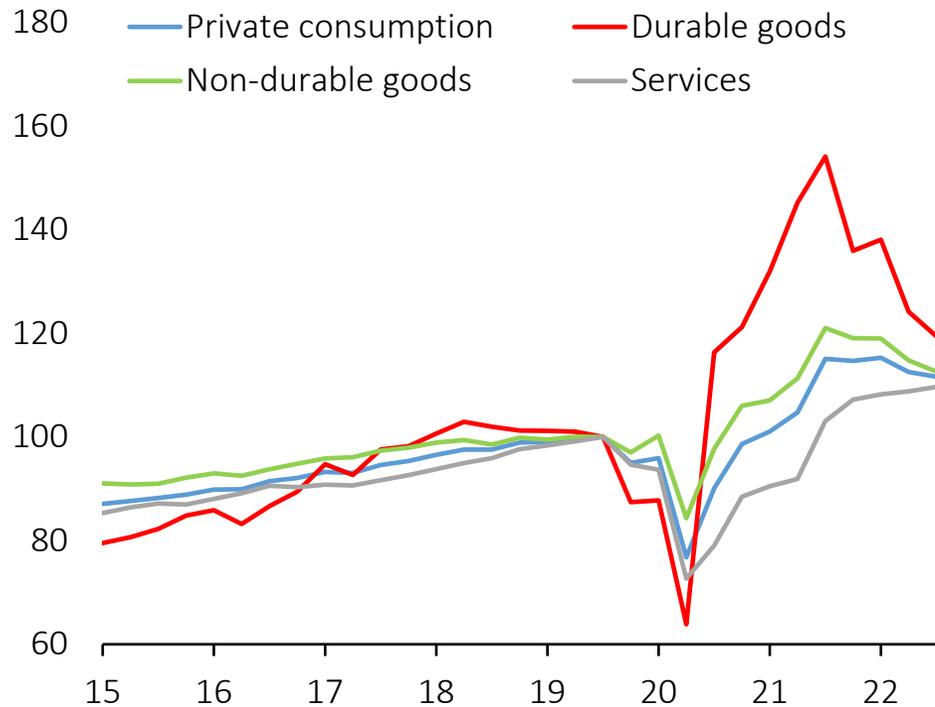


Consumption has continued with the adjustment it has exhibited during the year, consistent with the depletion of accumulated liquidity and the weakening of its fundamentals.



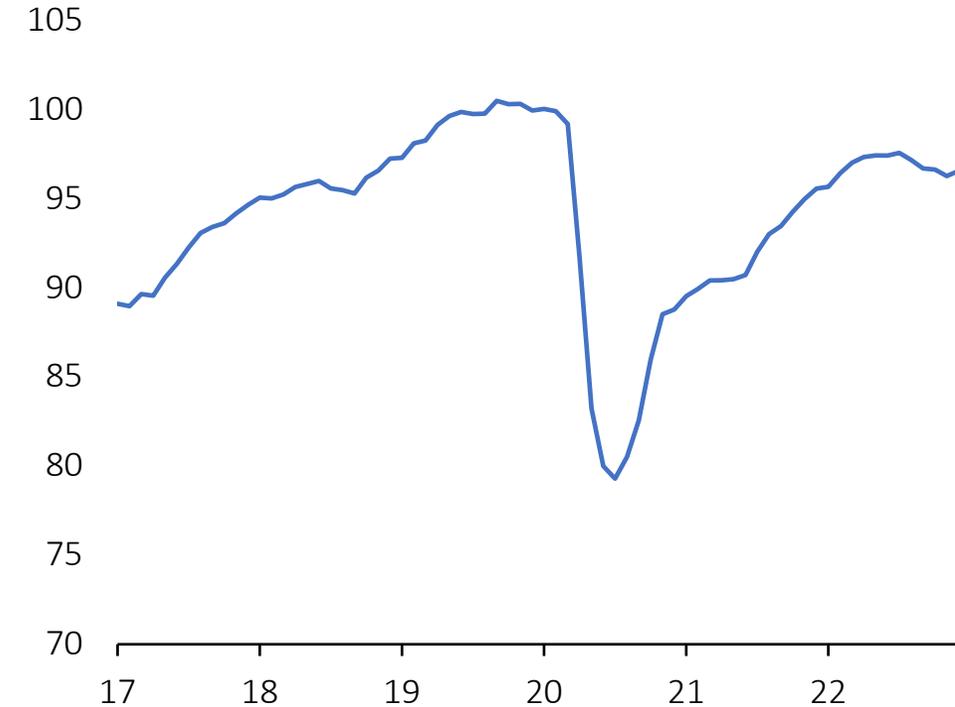
Consumption

(index, 2019Q3 = 100, seasonally-adjusted)



Real wage mass (*)

(index, Jan.20 = 100, seasonally-adjusted)

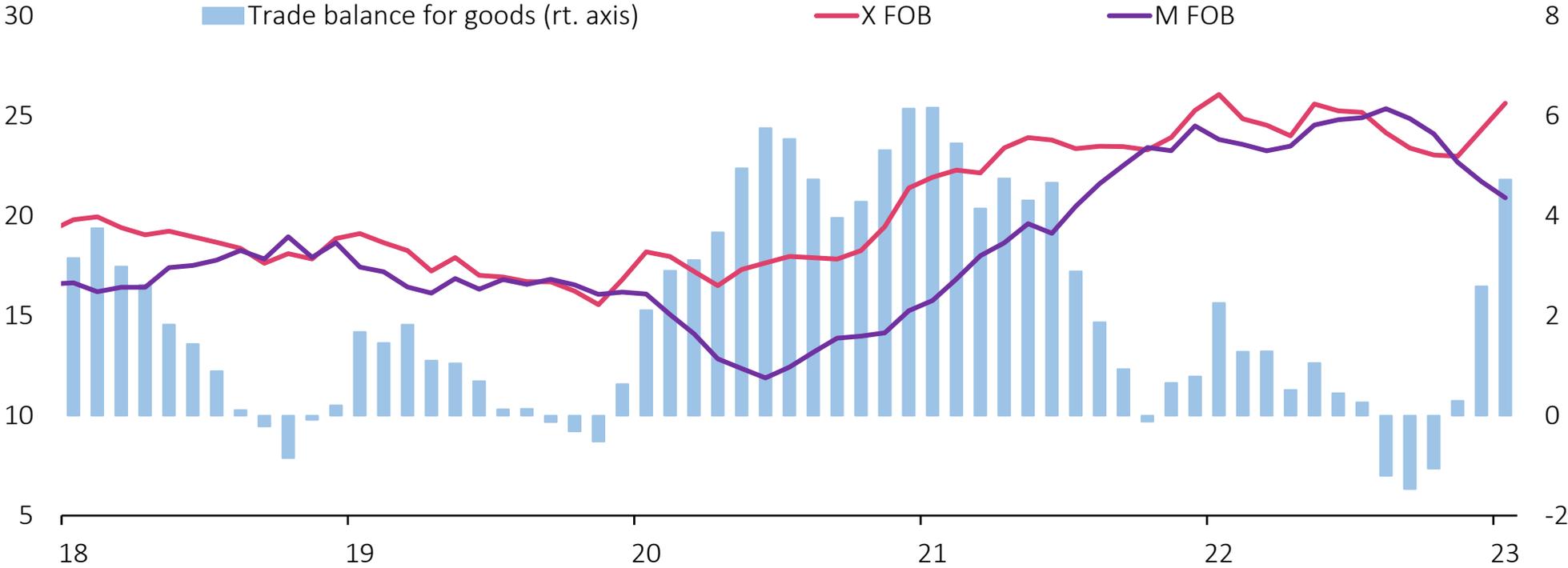


(*) Calculation based on seasonally adjusted series of real wage index (IREM), usual hours worked and occupation.
Sources: National Statistics Institute and Central Bank of Chile.

Trade balance of goods for Q4 improves substantially compared to Q3, thanks to the adjustment of consumption imports and high export prices.



Trade balance for goods
(trillions of CLP, quarterly moving sum)



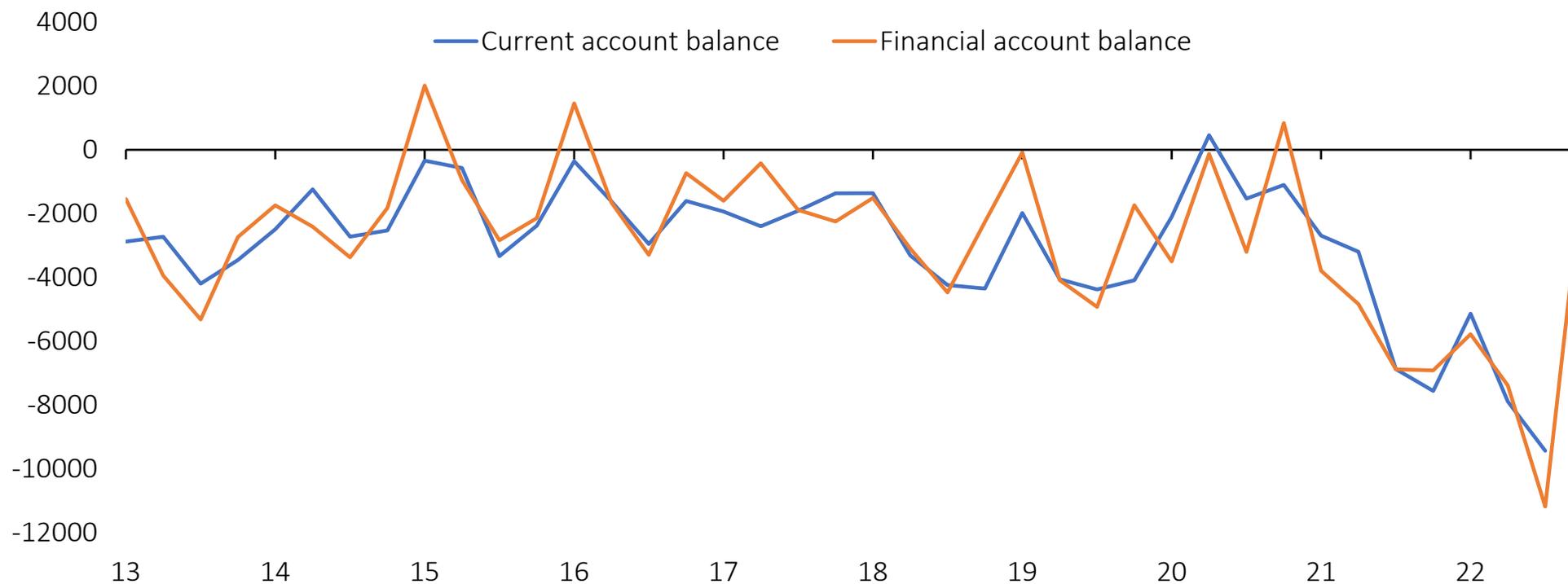
Source: Central Bank of Chile.

The pace of macroeconomic adjustment is visible in the external accounts



External deficit

(USD millions, quarterly)



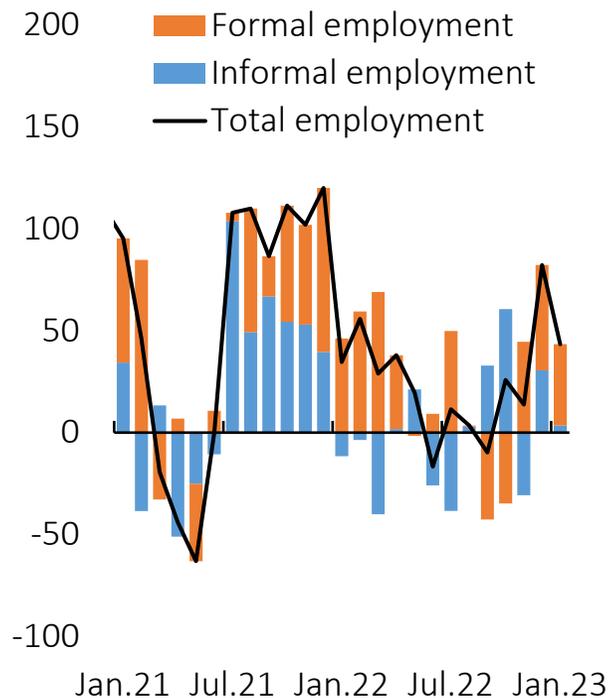
Source: Central Bank of Chile.

Some indicators point to a softening of the labor market, but employment growth remains positive.



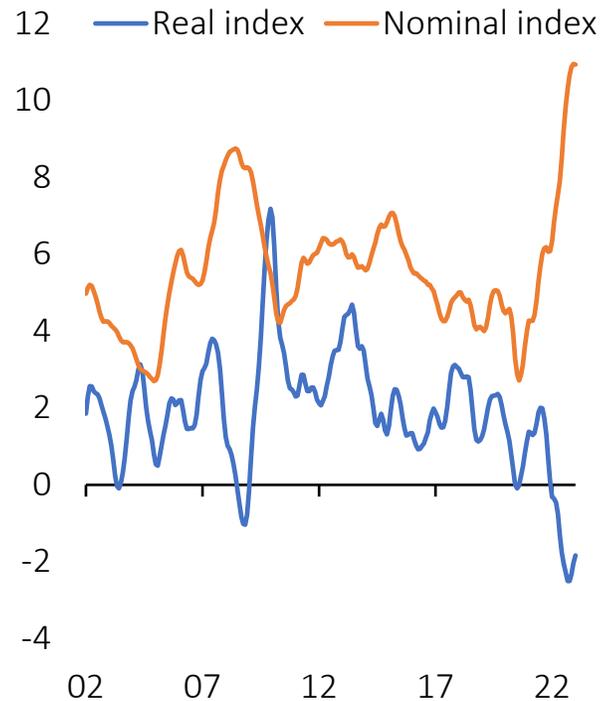
Formal and informal employment

(moving quarter/moving quarter change, thousands)



Wage index

(percent, annualized quarterly velocity, moving annual average)



Labor demand (IALI)

(index, January 2021 = 100; moving 3-month average)



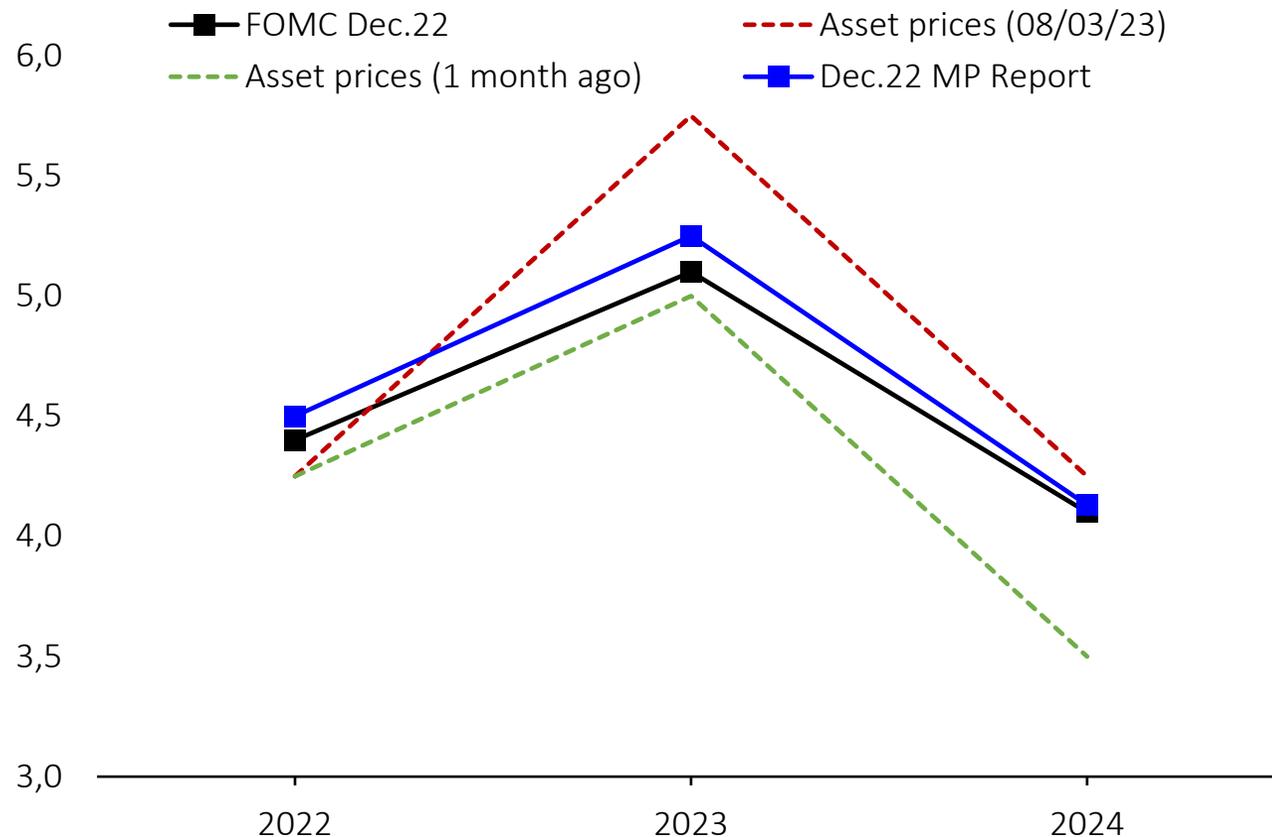
Sources: National Statistics Institute and Central Bank of Chile.

Monetary policy in the US remains a source of uncertainty.



Evolution and forecasts for the Fed funds rate

(percentage points)



- ➔ Since the September MP Report, the Federal Reserve raised the Fed funds rate by 200bp, placing it in a 4.25%-4.5% range.
- ➔ The markets have revised upward the levels they foresee for the Fed funds rate.

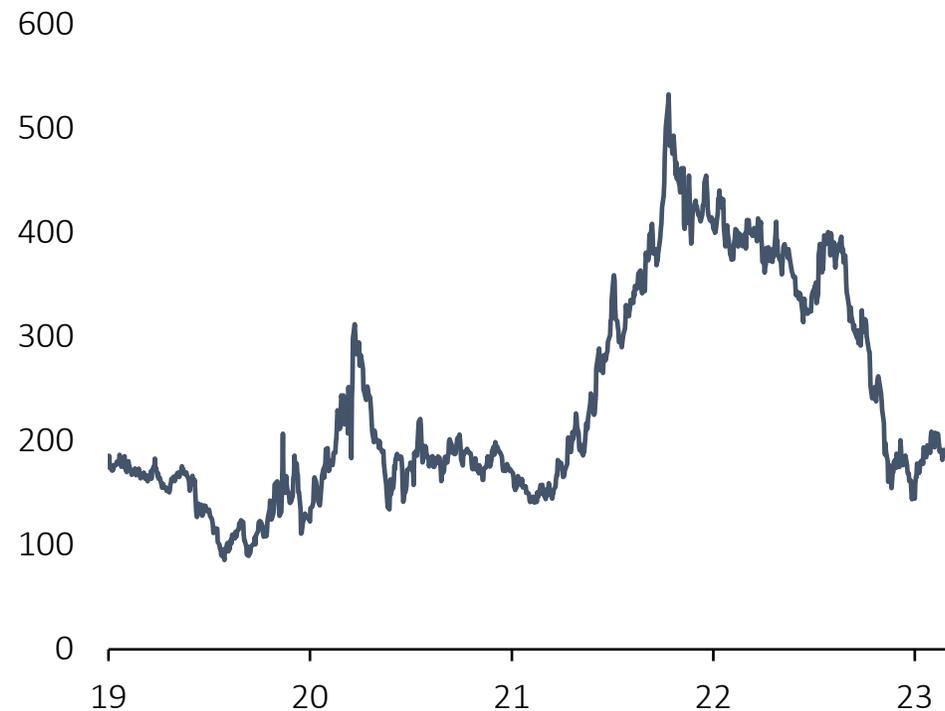
Sources: Bloomberg, Central Bank of Chile and Federal Reserve.

External risk factors have gained prominence in the local fixed income market.



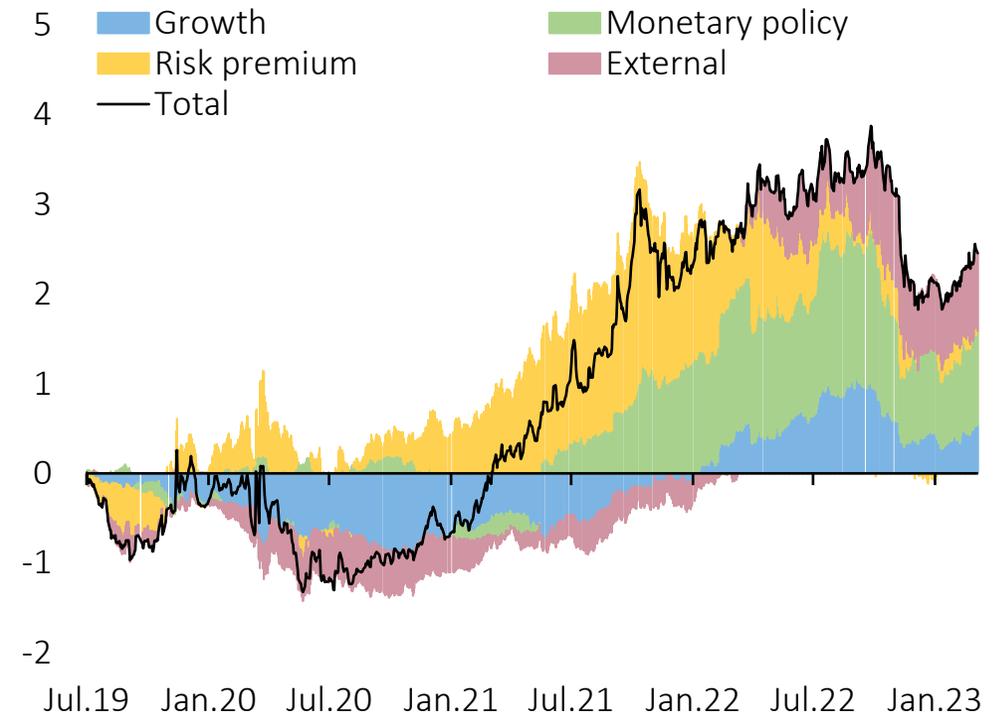
Ten-year BTP-UST spreads

(basis points)



Structural decomposition of 10-year zero rate (*)

(percentage points, accumulated since 1 July 2019)



(*) Historical decomposition of the long rate from a BVAR based on the identification strategy proposed by [Eterovic and Eterovic \(2022\)](#), incorporating an external block. The exogenous block encompasses all US shocks (monetary policy, growth, risk aversion and pure risk), which have been added for simplicity.

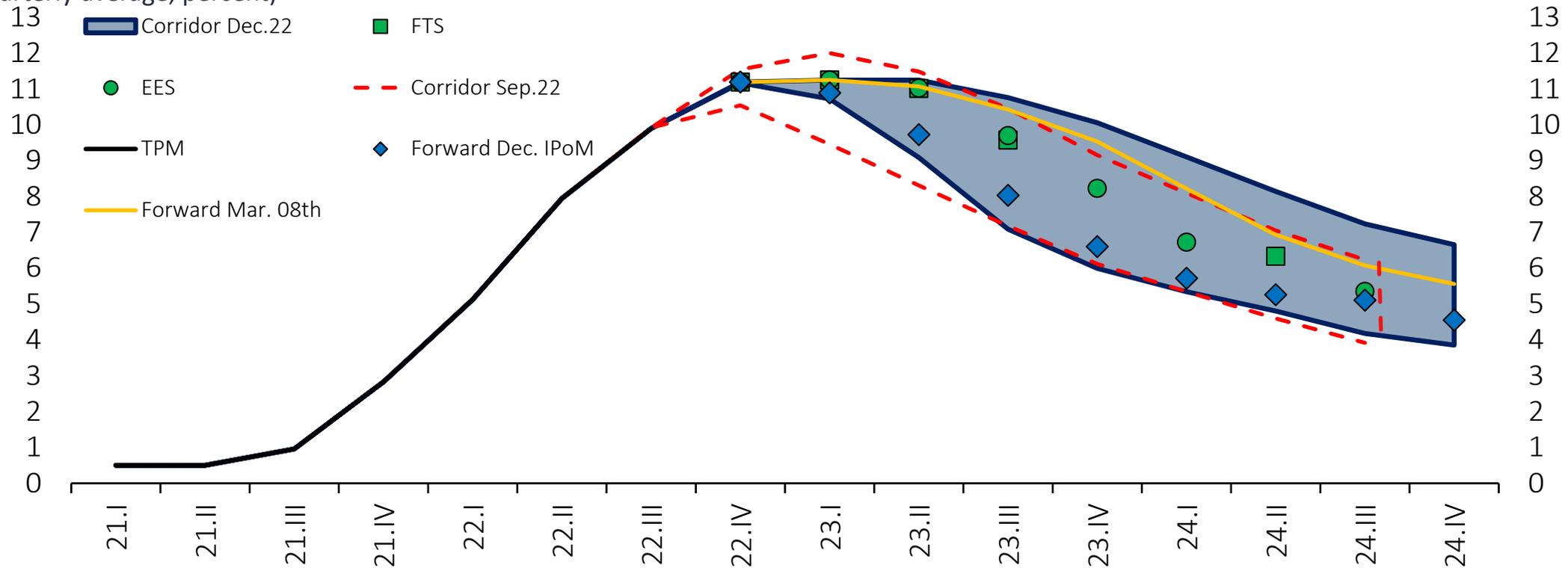
Source: Central Bank of Chile based on RiskAmerica.

Perspectives for monetary policy have remained within the corridor of the December IPoM.



MPR corridor (*)

(quarterly average, percent)



(*) The corridor is constructed by following the methodology of [Box V.1 of the March 2020 MP Report](#) and [Box V.3 of the March 2022 MP Report](#). For further details, see methodological note ([figure II.1, chapter II, IPoM December 2022](#)).

Source: Central Bank of Chile.



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