MONETARY POLICY REPORT PRESENTATION BEFORE THE FINANCE COMMISSION OF THE HONORABLE SENATE OF THE REPUBLIC*

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* The March 2024 Monetary Policy Report can be found at http://www.bcentral.cl.

Introduction

Mr. President of the Senate's Finance Commission, senators members of the Commission.

I begin, as always, by thanking the Commission for periodically inviting the Central Bank to present our views on recent macroeconomic developments, their prospects and implications for monetary policy. It is this view that is presented in detail in the March 2024 Monetary Policy Report (IPoM) that we published this morning. This is also the rationale behind the decision taken by the Board at yesterday's monetary policy meeting.

We are releasing this first Report of the year in a context where our economy has made progress in resolving the significant imbalances of previous years and inflation has been declining rapidly. As of February, the annual variation of the CPI stands at 3.6%, far from the double digits that we discussed in this Commission just a year ago, and already closer to the 3% target.

Even so, data from the beginning of the year showed a slight increase in annual inflation, in a scenario where activity has surpassed expectations, although consumption and investment ended 2023 slightly weaker than projected, particularly in their tradable components. The economy is still undergoing a transition process, and it is not unusual to see differences in performance among economic sectors and spending components. The continued high interest rates above historical averages and a high exchange rate generate different incentives for spending and producing tradable and non-tradable goods, which is reflected in the activity and demand figures.

In the months ahead, we estimate that the higher exchange rate and the recent rise in some world prices will push annual inflation to around 4%. However, it will converge to the 3% target within the two-year monetary policy horizon, which considers the transitory nature of the aforementioned factors, that the economy will grow at a pace consistent with its trend, and that the real exchange rate will gradually decline (RER).

For this year we expect GDP to grow between 2% and 3%, while for both 2025 and 2026 we foresee a range between 1.5% and 2.5%. This is consistent with domestic demand also growing in this three-year period, sustained by increasing consumption and investment expanding from 2025 onwards.

In this scenario, the Board expects that, in line with the central projections in the March IPoM, the MPR will be further reduced. The magnitude and timing of this reduction process will take into account the evolution of the macroeconomic scenario and its implications for the inflationary trajectory.

The macroeconomic scenario

The fast decline in inflation occurred in the midst of an adjustment in domestic spending and a narrowing activity gap, which contributed to resolve the large macroeconomic imbalances of previous years. Let us recall that we had inflation at 14% in August 2022, a current-account deficit of around 10% of GDP and consumption growing well much faster than activity. Inflation expectations have remained at 3% for several quarters, after some time above the target level. This required decisive monetary policy action and an unwavering commitment to bring inflation back to the 3% target (figure 1).

During this process, goods inflation fell more rapidly than services inflation. On the one hand, negative gaps in representative sectors of goods consumption compared to positive or closed gaps in the services sectors. On the other hand, a moderate pass-through of the peso depreciation, coinciding with lower spending on tradables and the reversal of the global factors that affected inflation in previous years. In services, meanwhile, indexation processes play a significant role in the inertia shown by this component of inflation (figure 2).

Inflation ended 2023 below the levels projected in the previous IPoM, in both its headline and core measures. Thus, the annual variation of the total and non-volatile CPI closed the year at 3.9% and 5.4%, respectively. These figures compare with the 4.5% and 5.8% we estimated in the December IPoM. This discrepancy between our December estimate and the actual figure was even greater upon the announcement of the change in the CPI basket and calculation methodology.[1]/ All in all, it is important to highlight that the monthly CPI variations with the old and new baskets, both for total and core CPI, showed a dissimilar dynamic in the first half of 2023, while in the second half of the year it was similar for both baskets.

At the beginning of 2024, inflation accelerated, with figures for both January and February exceeding forecasts and whose evolution must continue to be monitored. As a result, the annual variation of the total CPI rose to 3.6%[2]/ in February, while core CPI fell to 4.2%. On aggregate, in both months some volatile and non-volatile goods and foodstuffs, as well as some services, stood out. Moreover, these variations occurred in a context of increased volatility in monthly inflation in recent months.

Inflation's recent performance occurs in a scenario where both the mining and non-mining components of the Imacec posted somewhat better than expected figures in January and February. This combines several elements: stronger external demand reflected in the growth of some manufacturing and agricultural lines; supply factors, such as the higher added value of power generation; and some other elements associated with a greater local impulse, as seen in the services sector (figure 3).

This dynamic seems to have boosted GDP in the first quarter. Since some of these elements are transitory, the central scenario anticipates slower velocities in the coming months, in line with those considered in the previous IPoM. Importantly, these data should be analyzed carefully, as the first quarter of the year has unusual seasonal effects. The number of working days in February and March had a significant difference with the average first quarter, given the leap year and Easter week holidays which fell in March instead of April. This may lead to significantly lower annual variations in March, only because it came with three fewer working days than March last year.

Demand in the second half of 2023 was somewhat weaker than projected, particularly in its tradable components. The 2023 National Accounts showed that the seasonally adjusted series of household

[1]/ The spliced CPI series accumulated an increase of 3.4% at December 2023.
[2]/ For the purposes of macroeconomic analysis and the conduct of monetary policy, the Board uses the series with base year 2023, called the benchmark CPI, which only considers information from the new basket. For purposes of price-level correction of contracts, bonds or indexed securities, the annual variation of the CPI reported by INE is used. This combines the CPI base 2018 and base 2023. As of February, it posted an annual increase of 4.5%.

consumption fell through the third quarter, with a mild recovery towards the end of the year. This resulted in a larger-than-expected annual contraction. Therefore, it ended 2023 with a drop of 5.2%, bigger than the 4.6% decline projected in the December IPoM.

Gross fixed capital formation (GFCF) began 2023 with greater dynamism, but fell sharply in the last quarter of the year. This was particularly noticeable in the machinery and equipment component, which usually shows high volatility and was affected by the peso depreciation. In any case, in 2023 it fell less than expected, to 1.1%, compared with the -1.9% forecasted in the December IPoM. This was due to the upward correction of previous quarters (figure 4).

On the external scenario, global inflation has continued to ease, although there are some risks due to the reversal of cost factors and the persistence of high service-related figures. Although lower than a few quarters ago, transport fares and fuel prices have been rising over the course of the year, affected by developments surrounding the conflict in the Middle East (figure 5).

Doubts surrounding inflation are particularly prevalent in the US economy, whose resilience is worth highlighting, bolstered by the dynamism of its labor market and private consumption. Activity growth in the US was well above projections of some quarters ago and employment indicators have exceeded expectations, while maintaining a tight labor market. All this in a context of continued contribution from public spending and a better marginal performance of investment.

Greater dynamism in the economy, coupled with recent higher-than-expected inflation, have prompted the view by the Federal Reserve (Fed) and the markets that interest rate cuts will be postponed to the second half of the year. The Fed has held constant the Fed funds rate at its recent meetings, and, while it reiterated three 25 basis point (bp) cuts in 2024, it also anticipated smaller cuts in the next two years. All this has affected the performance of different financial variables, including a global appreciation of the dollar (figure 6).

The postponement of interest rate cuts in the United States and the slow tapering process of other central banks have influenced Chile's rate differential with other economies, in line with the lag of their business cycles (figure 7). This occurred after figures were released that have reaffirmed the strength of the American economy and doubts about the evolution of inflation. For its part, the European Central Bank has maintained its benchmark rates and has continued to communicate that its future decisions will be conditional on the evolution of the economic scenario. In Latin America, Brazil and Peru continued to make slow progress in their monetary easing cycles, later joined by Colombia and Mexico. The market's outlook is that these processes will continue somewhat more slowly than was expected a few months ago.

These divergences have been adding greater pressures on the peso's performance, along with the movements of its other fundamentals. Compared to the end of 2023, the peso has depreciated around 12% against the dollar and slightly more than 10% in its multilateral measure (MER) (figure 8).

The MPR reductions have been passing through the cost of local financing, in line with the normal transmission of monetary policy. Interest rates have fallen especially for shorter-term loans —mainly commercial—, while longer-term loans continue to be influenced by the persistently high long rates. At the same time, credit risk has increased, as suggested by indicators of non-payment and provisions, among others. Meanwhile, some sectors still face restrictions in accessing credit, as indicated by several sources of information, including our Business Perceptions Report (IPN) (figure 9).

Projections

Let me turn to the projections contained in this Report. First, the outlook for inflation is revised upward, especially for 2024. For December this year, we estimate that the annual change in total CPI will reach 3.8%, compared to the 2.9% forecast in December. For core inflation, we also project an annual rate of 3.8% in December. This is higher than the 3.2% projected in the last IPoM, although it must be clarified that the figures are not comparable, as they were calculated with different baskets of the non-volatile CPI (figure 10).

This higher inflation is influenced by the depreciation of the exchange rate, the deterioration of global cost factors in recent months ─including the price of oil─ and higher inflation at the beginning of the year. In the medium term, among other elements, the convergence of inflation to the target considers that the economy will show no relevant imbalances and that the RER will see a gradual decline. The intensity of this decline will be subject to how financial conditions evolve. This scenario assumes a moderate coefficient of exchange rate pass-through to final prices, in line with recent data and a still sluggish demand for tradables.

In the central scenario, we forecast GDP growth between 2% and 3% this year, higher than the range between 1.25% and 2.25% that we estimated in December. Much of this revision is explained by the transitory acceleration of activity in the first quarter. After a more dynamic start of the year, activity - will return to grow at slower rates and similar to those experienced before.

For 2025 and 2026, growth is expected to range between 1.5% and 2.5%, with the economy converging to its potential growth rate. The better performance in early 2024 entails a somewhat wider activity gap in the immediate term, but one that will remain around its medium-term equilibrium.

On the demand side, private consumption will expand at rates similar to those considered in December. Its expected trajectory —and that of the rest of the demand components— considers the lower starting point of the end of 2023. Thereafter, household spending will increase gradually, consistent with high-frequency data (figure 11).

The performance of household consumption will be supported by increasingly favorable financial conditions and by the rebound in the real wage bill due to the increase in real wages and employment (figure 12). The labor market still exhibits slack, although we estimate that some of the lag in the participation of certain age groups could be more permanent. Consumer confidence has been improving, although it remains on the pessimistic side.

GFCF will contract again in 2024, due to a higher comparison base, its evolution in 2023 and still weak fundamentals. Various precedents point to continued weakness in the near term, especially in machinery & equipment. Imports of capital goods have continued to decline, amid the exchange rate depreciation of recent months. The projection assumes that in the first half of the year the velocity of expansion of this fraction of GFCF will be less negative than at the end of 2023 and that it will turn positive in the second half of this year. In any case, it should be kept in mind that this is a traditionally volatile component of spending. In construction and other works, the greater momentum of engineering works projected by the surveys is countered by low dynamism in real estate (figure 13). Financial conditions continue to hold back investment, especially due to the high interest rates charged on longer-term loans.

The current-account deficit will be close to 3.5% during 2024-2026. The improved projection for this year and next incorporates, especially, a better performance of exports supported by higher external demand and exchange rate depreciation, as well as weaker domestic spending on imports (table 1).

The higher growth forecast for the U.S. in 2024 contributes to a somewhat stronger external impulse. The central scenario assumes that in 2024 the American economy will grow by 1.9%, higher than the 0.6% anticipated in the last IPoM. At the same time, it rules out a recession. This correction explains about two thirds of the adjustment in the outlook for Chile's trading partners this year, from 2.7% to 3%.

For the rest of these countries, the projections reiterate slow growth. Doubts about China stand out, where growth is still expected to decelerate this year and in the coming years. In any case, China's demand for copper remains strong, given its growing role in the renewable energy transition and electromobility. This raises the estimate for the price of the metal, which will average US$3.85 per pound between 2024 and 2026 (figure 14).

Monetary policy

The local economy has closed the important macroeconomic imbalances of previous years, inflation has declined rapidly and is now closer to the 3% target, while inflation expectations are aligned with the target.

However, the rise in inflation at the beginning of the year and higher import costs reinforce the need to continue closely monitoring its evolution. To the extent that the shocks affecting inflation are transitory, the monetary policy framework based on a two-year inflation target allows accommodating them within the policy horizon without jeopardizing its convergence.

The Board foresees that, in line with the central scenario of the March IPoM, the MPR will continue to be reduced. The magnitude and timing of the MPR reduction process will hinge on the evolution of the macroeconomic scenario and its implications for the inflation trajectory.

The MPR corridor and related risks

The sensitivity scenarios —the borders MPR corridor— consider situations where the evolution of domestic demand deviates from estimates in the central scenario. The upper bound examines a better performance of spending that would stimulate price increases and a restructuring of business margins, thus configuring a more inflationary scenario. The lower bound describes a further deterioration of domestic demand. For example, some economic sectors could recover more slowly, with consequences on the labor market, which would ease inflationary pressures (figure 15).

The main risks —i.e., scenarios that go beyond the limits of the MPR corridor— continue to come mostly from abroad. The deterioration of the global geopolitical situation stands out. Other areas of concern are the weak Chinese economy and the vulnerability of China's real estate sector, doubts about the U.S. fiscal situation and possible financial disruptions associated with the performance of international commercial real estate sector.

In any case, the world economic scenario is subject to significant uncertainty. In particular, because questions persist as to how the Fed will lower rates, in addition to doubts regarding fiscal matters in the US economy. In this context, the discussion on the evolution of global financial conditions has increased, especially with respect to long-term interest rates and their connections with the levels of neutral rates.

Concluding remarks

Dear senators, the Monetary Policy Report that I have just presented to you shows an economic scenario that, according to what we have been stating for several quarters, shows progress in several important dimensions. Inflation has come down to levels close to the 3% target, spending has been normalizing, and the current-account deficit has decreased.

All of this has come hand in hand with a monetary policy that has significantly reduced its level of tightening. The Board has lowered the monetary policy rate from 11.25% to the current 6.5% and has stated that further reductions are still needed.

The manner in which this process will materialize will depend, as it always has, on the economic and financial conditions at any given time, and how they affect the convergence of inflation to the 3% target. I cannot overstate that the process does not end when inflation reaches 3%, but rather when macroeconomic conditions allow us to ascertain that inflation will remain stable at that value.

Our economy continues to show heterogeneity among sectors and spending components, differences that are typical of the cycle we are going through. Going forward, we must continue to ensure that the convergence to the 3% target within the policy horizon will be achieved smoothly and at the lowest possible cost in terms of lost activity and employment. For this, it will be necessary to move towards lower rates with the right dose of prudence.

Chile was one of the first economies to react both to cope with the pandemic and to implement a contractionary monetary policy aimed at containing an inflationary process not seen in decades. Indeed, to the complex scenario of the pandemic, our country added the impact of a significant expenditure shock, in a context of high domestic uncertainty. All this was amplified by the effect of pension fund withdrawals on the financial market's capacity to absorb shocks, which had a negative impact on the value of our currency. This was further compounded by the effects of the Russian invasion of Ukraine on various imported products and the delay in the recovery of global supply chains.

Addressing this rise in inflation required a coherent and decisive action, with an eye on the medium term, without getting lost in short-term temporary benefits that would have resulted in higher costs sooner than later.

I am convinced that, had we not reacted in this way, it is highly likely that inflation would have remained high for a longer stretch of time, exacerbating the negative effect on the welfare of families and the overall economy. Moreover, the reduction would undoubtedly have been much costlier. This process also benefited from the fact that families and businesses —who are the economic decision makers— understood the reason for our actions and reacted in accordance with the needs of our economy.

The prompt and energetic response of the monetary policy, supported by a quick adjustment of fiscal policy in 2022, allowed us to be one of the first countries to start the process of dismantling its contractionary monetary policy, which in a few months has shortened the distance between our interest rate and that of the United States, while widening the differential with other economies in the region. This scenario has put pressure on our currency, which has devaluated nearly 12% since the end of last year.

This reality brings with it new challenges. We have the experience and a policy framework that gives us the necessary flexibility to face them.

This framework is based on an inflation target, associated with two-year inflation expectations, with a flexible exchange rate and financial integration, which considers the interest rate as the policy instrument. During the last 25 years it has played a fundamental role in stabilizing the local business cycle and controlling inflation with no major costs to the economy. It has been invaluable in facing complex moments such as the Global Financial Crisis of 2008, the Covid-19 pandemic and the recent inflationary outbreak. It was also helpful in less acute situations, but which required a flexible monetary policy oriented to the medium term, such as the consequences of the end of the commodity boom a few years back.

Behind this ability lie decades of work aimed at developing, implementing and perfecting the inflation targeting framework that guides our actions. Therefore, I would like to conclude by highlighting some aspects of this framework that I believe are particularly important to understand the current situation and the Central Bank's reaction. In particular, I would like to highlight three elements that I consider to be critical: exchange rate flexibility, the proper functioning of financial markets, and the anchoring of inflation expectations.

Regarding the first, Chile being a small economy, open to the rest of the world and financially integrated with it, exchange rate flexibility opens spaces for our monetary policy to address the cycle of our economy. It is normal for our currency to depreciate when the interest rate differential with the world's main economies narrows.

The impact of exchange rate movements on the economy has helped to stabilize spending and soften the contractionary effects in areas more linked to the export sector, which is clearly seen in the adjustment of the current account, whose deficit almost reached 10% of GDP in some quarters. Some of this can be read in the latest Imacec, which points to greater dynamism in industrial sectors that can be related to exports. Certainly, the biggest surprises have come from some supply sectors, although there are others that are more genuinely associated with local momentum, as is the case of entrepreneurial services.

Meanwhile, the peso's depreciation has an effect on prices. Our projections consider an increase in inflation in the coming months, in response to both exchange rate movements and some cost pressures that we estimate slightly persistent. Importantly, these short-term fluctuations in inflation can be accommodated within the two-year horizon defined by our inflation target, so that, as long as they do not lead to persistent changes in inflation, they do not require major adjustments to the policy path.

Secondly, I mentioned the proper functioning of financial markets, which is essential for the correct transmission of monetary policy. This means markets that are capable of reflecting in their prices the financial conditions that the country needs. As I said, the rate differentials with the US have narrowed, while those with other economies in the region have increased, as a consequence of which, the pressure on the forex market has been higher than expected. This, added to the doubts that have arisen regarding the effective control of inflation in some developed economies, mainly the US, have increased uncertainty in some global financial markets, amplifying the pressure on our currency.

Third and last —but not least—, is the importance of credibility. This is reflected in the confidence that the Central Bank will be able to meet the inflationary target. Obviously, a misalignment of expectations hinders the conduct of monetary policy. In fact, one of the main assets in this process has been the credibility achieved through timely actions and transparent communication. The latter, with respect to the Bank's commitment with the target, to give an account of the rationale for its decisions, and to be transparent in communicating that the road ahead would not be easy. Proof of this is that our country has succeeded in bringing the two-years inflation expectations at 3% as of March 2023, which is not yet the case in other countries in the region. In this regard, the commitment and respect that this Congress has always shown for the independence of the Central Bank has also played a key role in cementing this credibility.

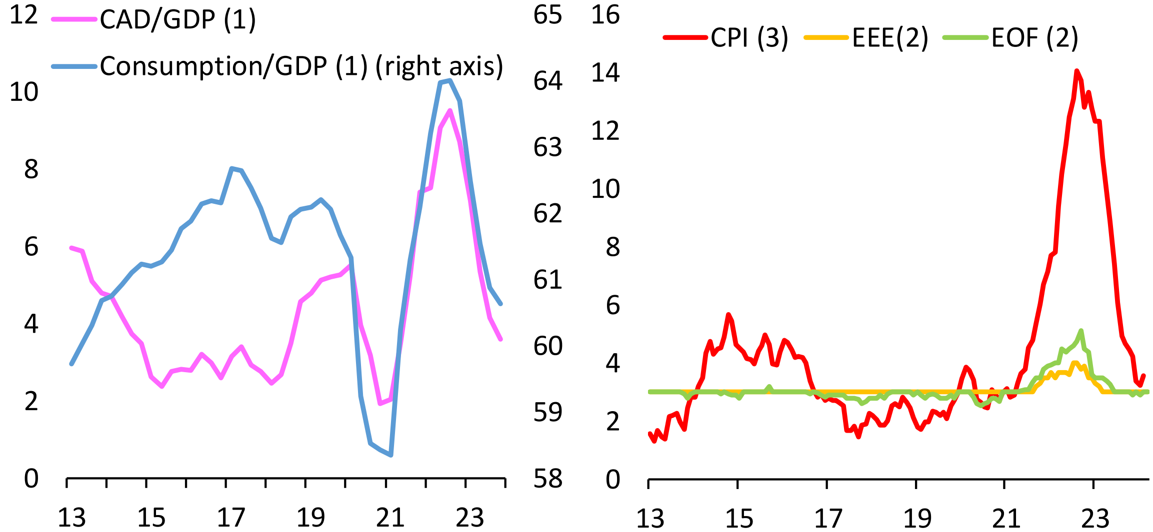
As I have clearly pointed out, significant challenges remain. However, the situation we face today is different from the one we faced a few quarters ago. Today our economy is more balanced, excess demand has been resolved, inflation is closer to the 3% target and inflation expectations are in line with it. In this context, the Bank has greater flexibility to accommodate transitory shocks within the policy horizon in a context of weak demand. We will therefore continue to carefully assess the evolution of the macroeconomic scenario, its associated risks and implications for inflation and monetary policy. Keeping inflation low and stable is not only the mandate given to us by society, but it is also the best contribution the Central Bank can make to the growth and development of our country.

Thank you.

Figure 1

Macroeconomic indicators

(percent)

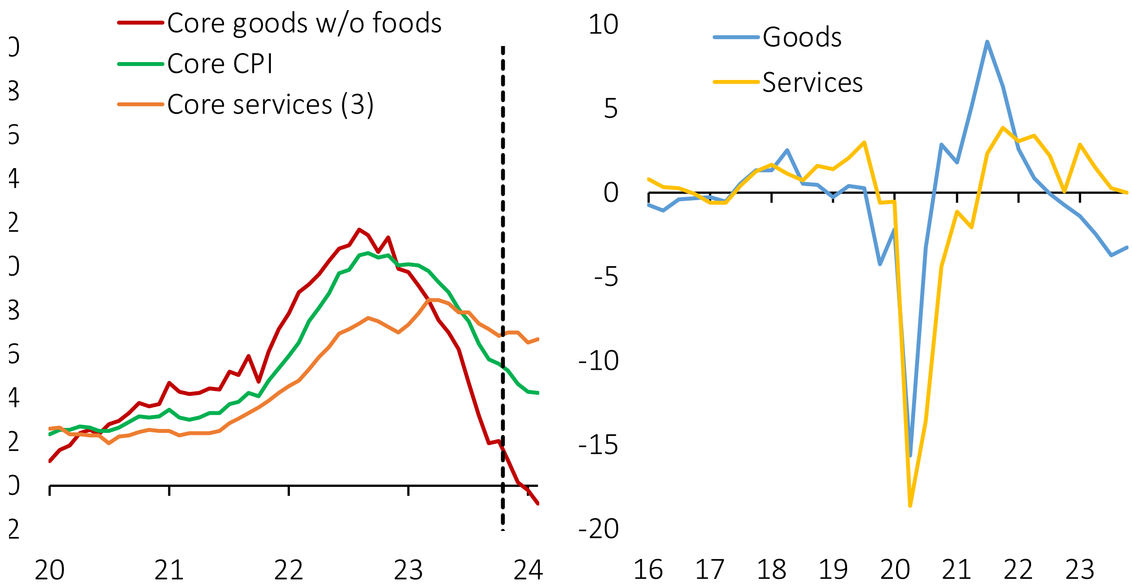


(1) Considers cumultive 12 months of each variable w/respect to GDP. Consumption at current prices. EEE: Economic Expectations Survey. EOF: Financial Traders Survey. CAD: Current-account deficit. (2) Two-year inflation expectations from surveys to experts. (3) Annual CPI change using spliced series of the Central Bank of
Source: Central Bank of Chile.

Figure 2

Core inflation (1) (2) | **Gaps of goods and services (4)**

(annual change, percent) | (percent of potential)

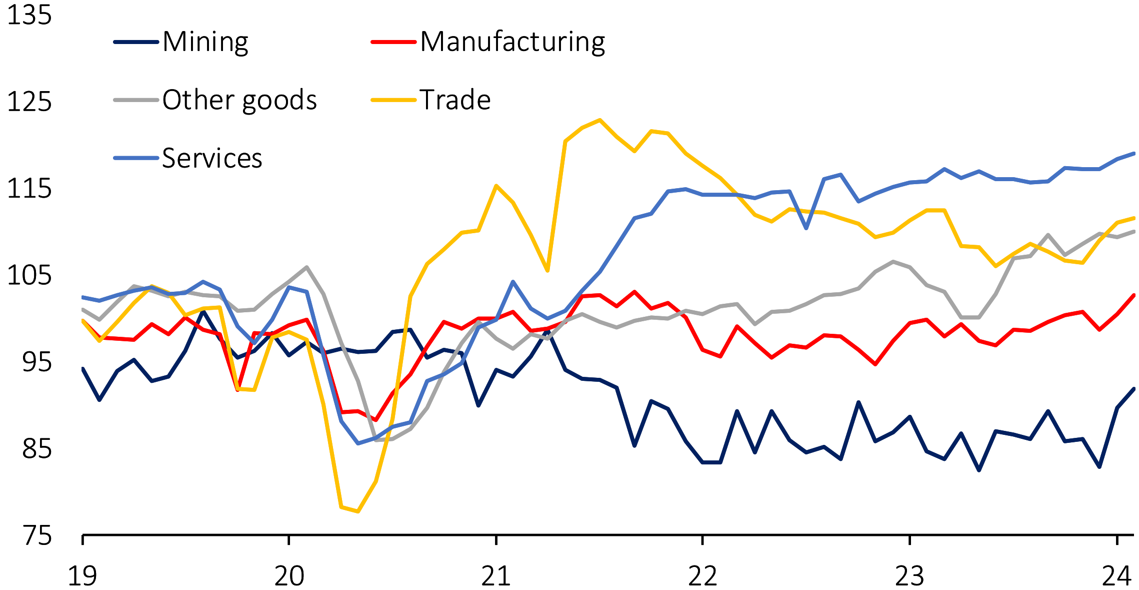


(1) Series consider CPI 2023 reference basket and splice made by the Central Bank of Chile. (2) Dashed vertical line marks statistical close of December 2023 IPoM. (3) Sum of Administered and indexed (A&I) services and Other services. (4) Gaps using six univariate filters of activity sub-sectors related to consumption of goods and services, aggregated using weights from the input-output matrix.
Sources: Central Bank of Chile and National Statistics Institute (INE).

Figure 3

Imacec by sectors

(index, 2018 average = 100, real deseasonalized series)

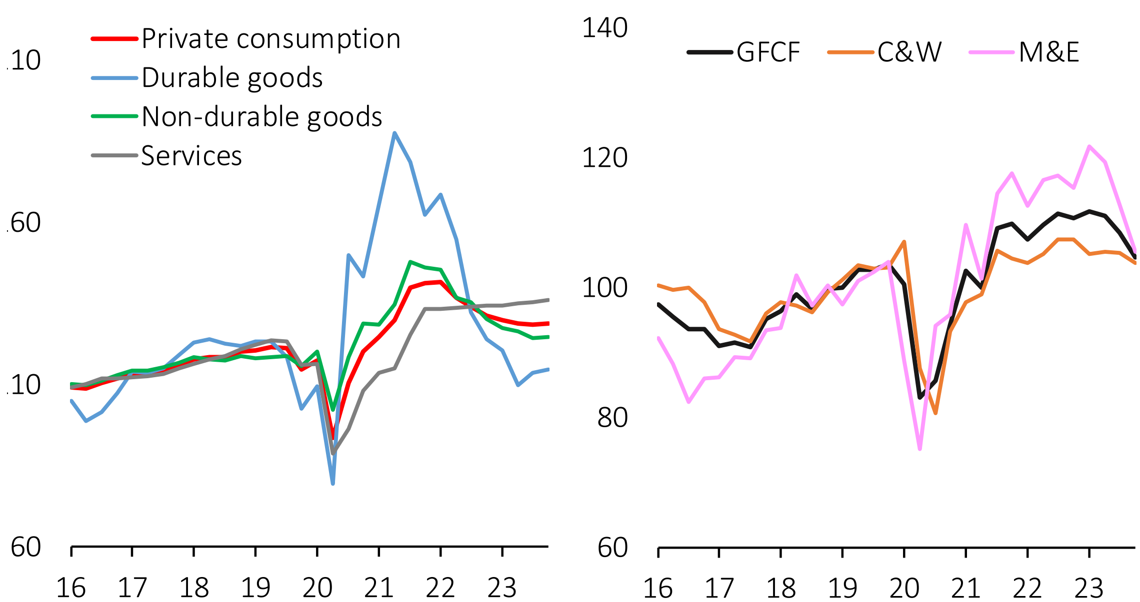


Source: Central Bank of Chile.

Figure 4

Private consumption by components **Gross fixed capital formation**

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

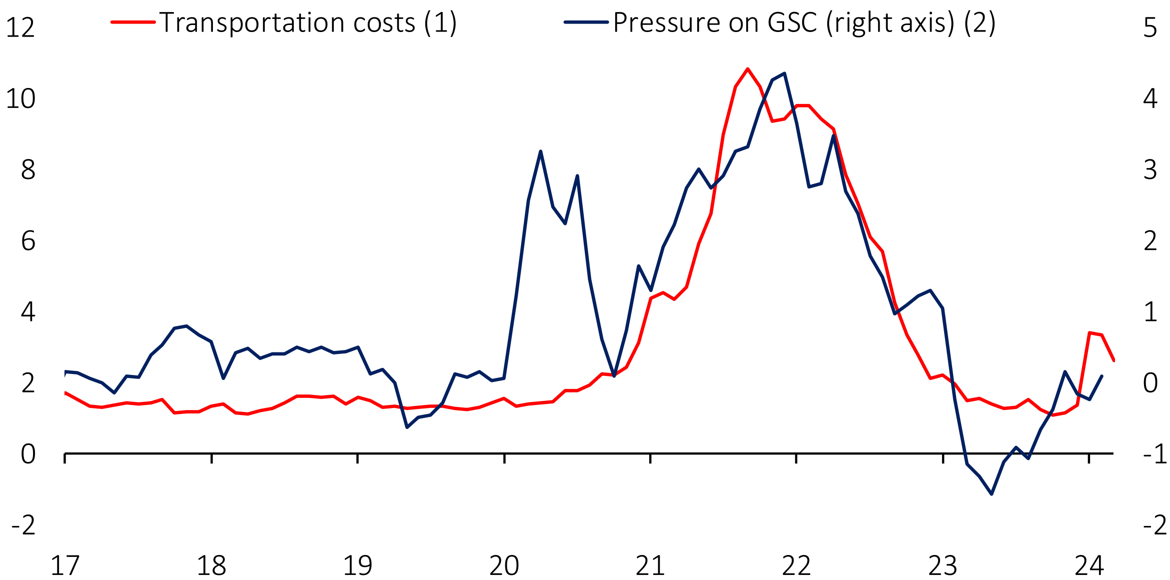


Source: Central Bank of Chile.

Figure 5

Transportation costs and pressures on global supply chains

(thousands of dollars per 40-ft container; index)

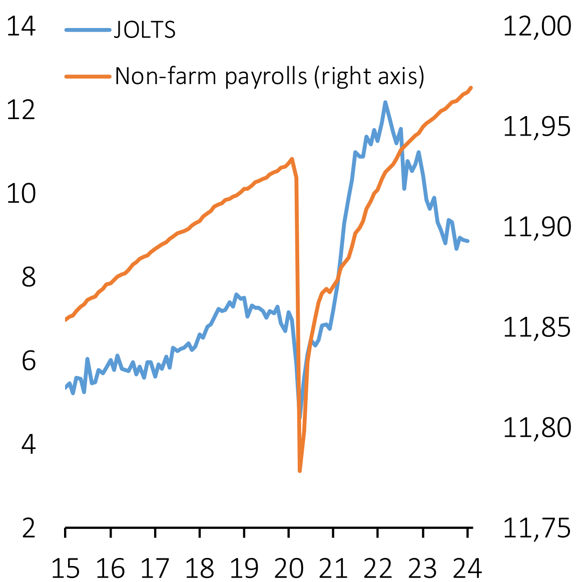


(1) Freightos Baltic index. (2) Global supply chain pressure index (GSCPI).
Sources: Freightos Baltic Index and New York Federal Reserve.

Figure 6

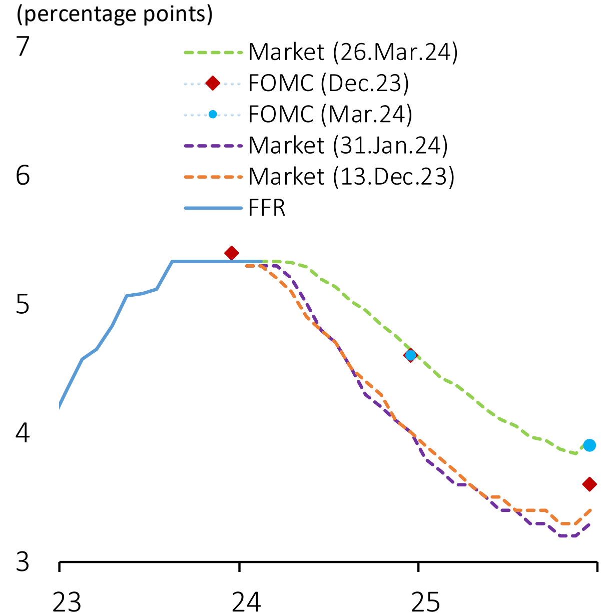
U.S. labor market

(millions of vacancies; Ln(thousands of persons))



Fed funds rate (*)

(percentage points)



(*) The FOMC forecasts use the mid-range fed funds rate presented in Dec.23 and Mar.24 Reports, the market forecasts use the mid-range fed funds rate futures at the close of the December IPoM (13.Dec.23), the January FOMC (31.Jan.24) and the statistical close of this IPoM (26.Mar.24).

Sources: Bloomberg and US Federal Reserve.

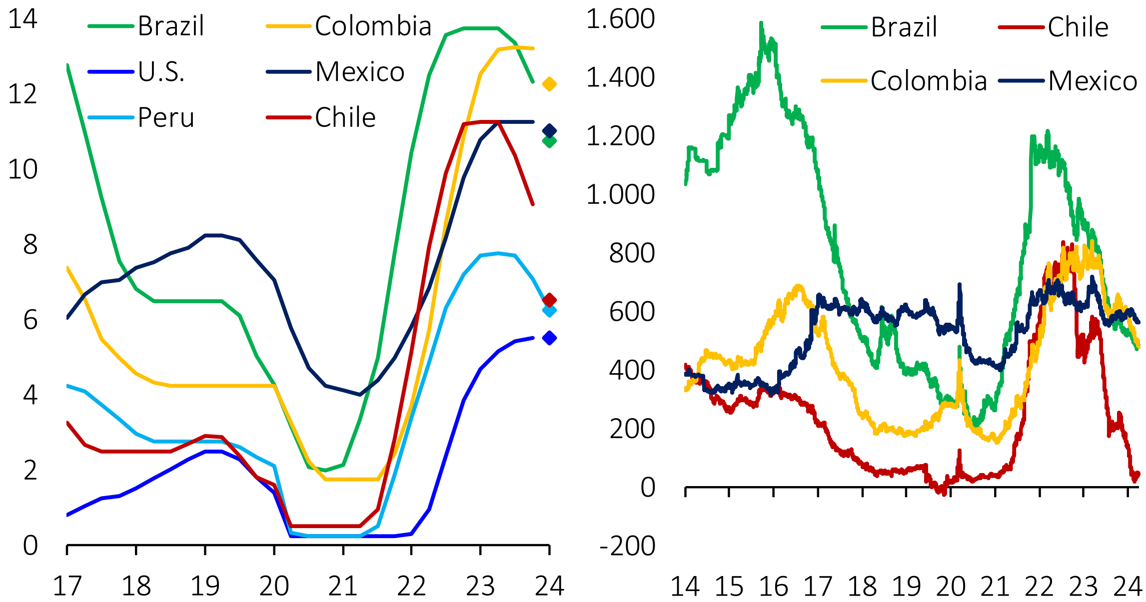
Figure 7

Nominal MPR (*)

(percent)

One-year interest rate differential w/respect to U.S. rates

(basis points)



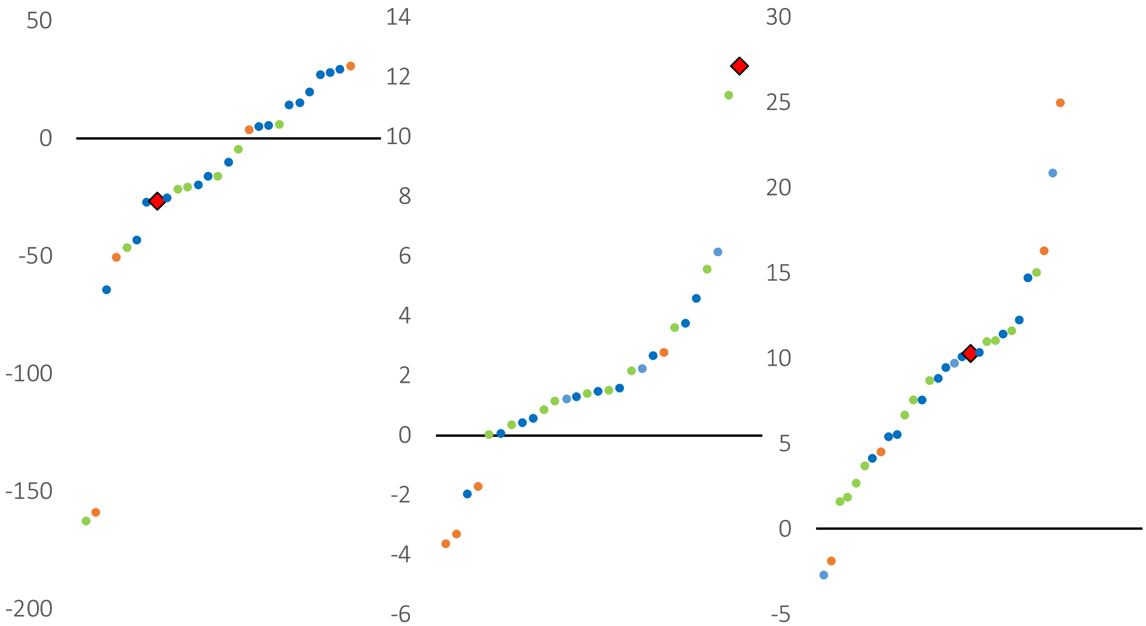
(*) Series in quarterly averages of each country's monetary policy rate. Diamonds show actual value of the MPR as of 28.Mar.24 except for Chile, where MPR following the April 2024 monetary policy meeting is considered.

Sources: Central Bank of Chile and Bloomberg.

Figure 8

Two-year rates (1) | **Exchange rate (1)(2)** | **Stock markets (1)**

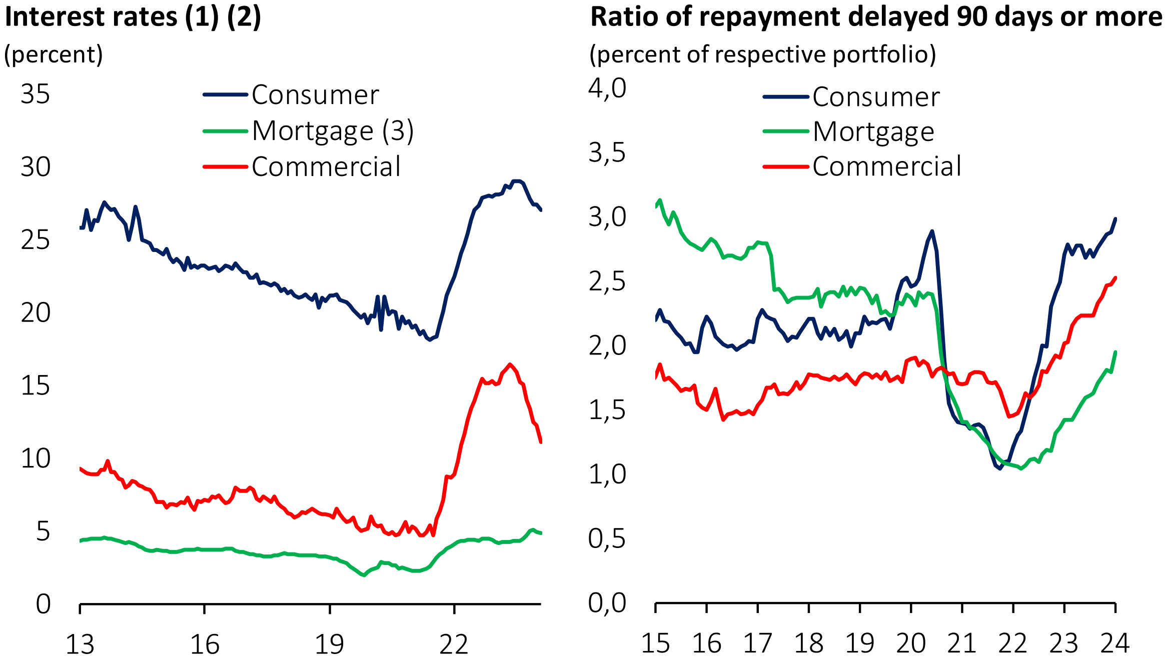
(basis points) | (percent) | (percent)



(1) Considers change between 1.Apr.24 and 13.Dec.23. Blue, green and orange dots represent developed, emerging, and Latin American economies, respectively, and the red diamond represents Chile. (2) An increase (decrease) indicates depreciation (appreciation).

Sources: Central Bank of Chile and Bloomberg.

Figure 9

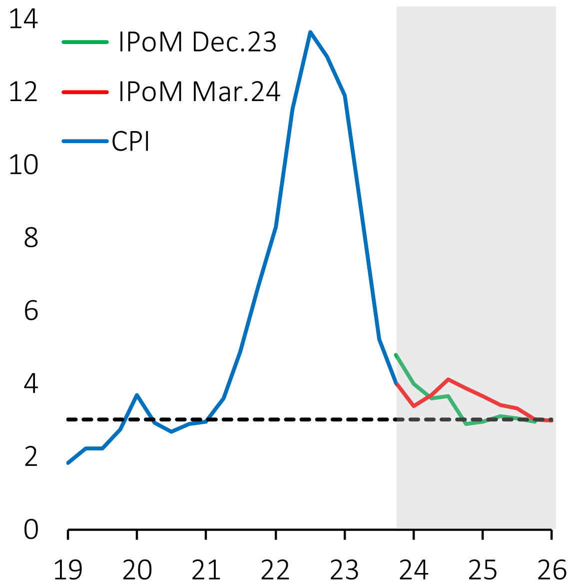


(1) Weighted average rates of all transactions performed in each month in the Metropolitan Region. (2) Series deseasonalized using Census X-12. (3) UF-indexed loans.
Sources: Central Bank of Chile and CMF.

Figure 10

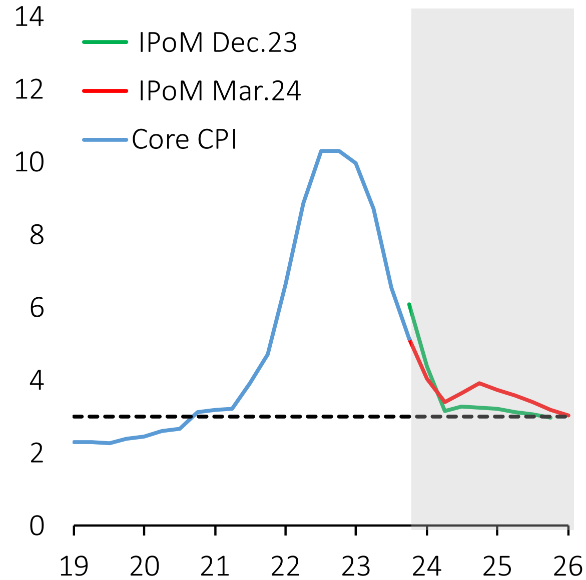
Headline inflation forecast (1)

(annual change, percent)



Core inflation forecast (1) (2)

(annual change, percent)



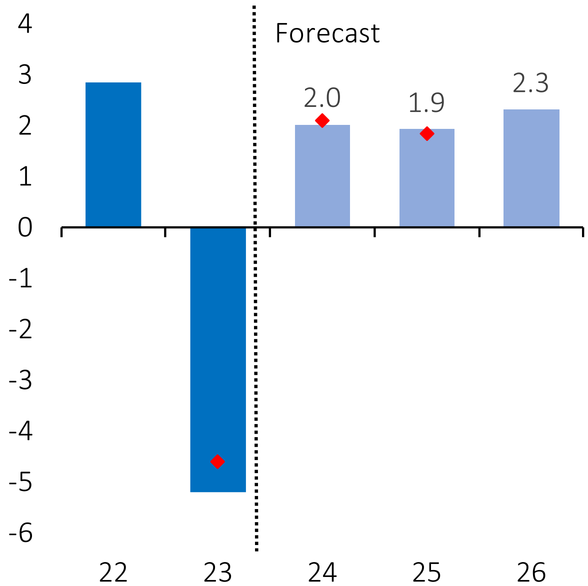
(1) Actual data consider 2023 reference basket and BCCh's splicing. Gray area, as of first quarter of 2024, shows forecast. December 2023 IPoM forecasts are consistent with official splicing, while current projections (March 2024 IPoM) are consistent with splicing based on reference series of the 2023=100 reference basket. (2) Inflation without volatiles

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

Figure 11

Private consumption (1)

(annual change, percent)



Sales via Transbank to residents (2)

(index, 2019 average =100, deseasonalized)

(1) Diamonds correspond to the December 2023 IPoM central scenario forecasts. Data tags correspond to the figures projected in the central scenario of this IPoM. (2) Data may be subject to rectifications based on possible corrections or later updates.

Sources: Central Bank of Chile and Transbank.

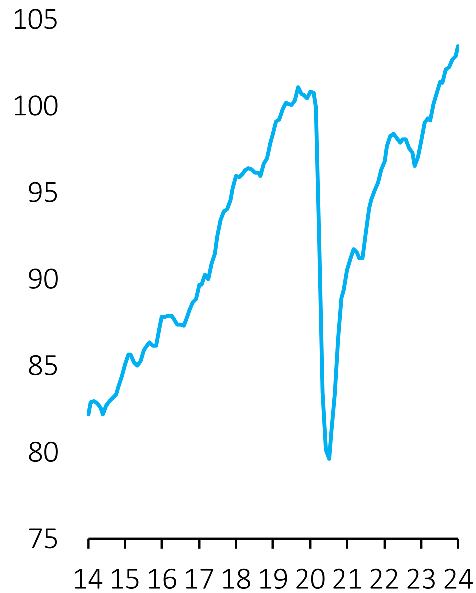
Figure 12

a) Employment and unemployment

(percent)

b) Real wage bill (*)

(index, 2019=100, deseasonalized series)

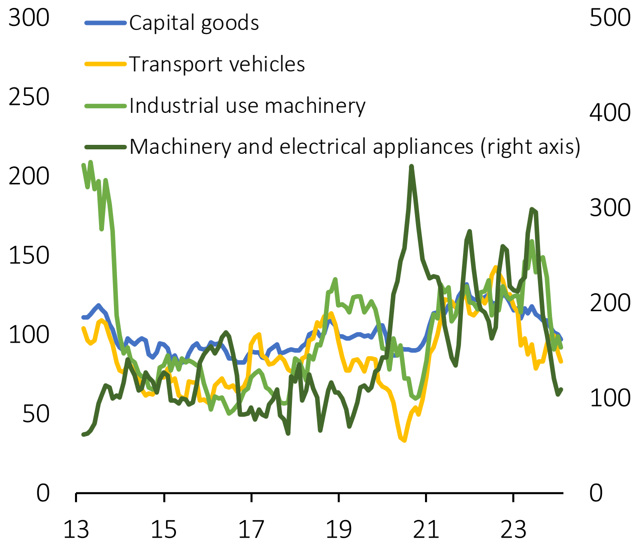


(*) Calculated by multiplying employment by usual hours worked and real labor cost.
Sources: Central Bank of Chile and National Statistics Institute (INE).

Figure 13

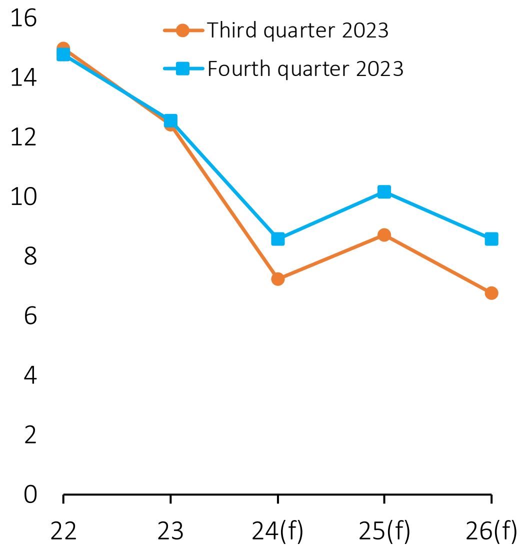
Capital imports (*)

(index, 2018 = 100, moving quarterly average, deseasonalized)



CBC Investment survey

(billions of dollars)



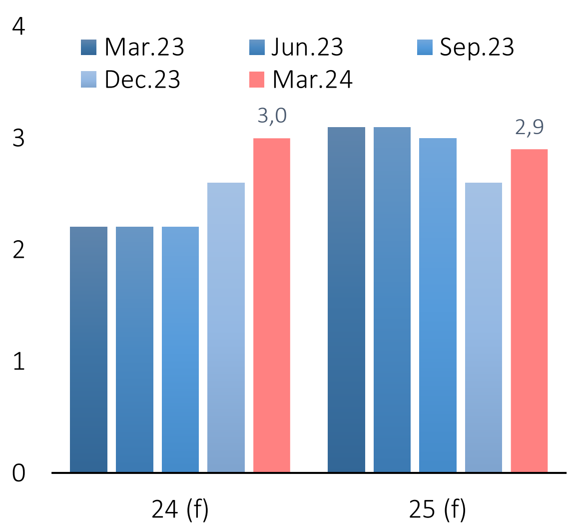
(*) February figure is real estimate with actual nominal information and deflators estimated with international prices.
(f) Forecast.
Sources: Central Bank of Chile, Capital Goods Corporation (CBC) and U.S. Bureau of Labor Statistics.

Table 1
Domestic scenario
(annual change, percent)

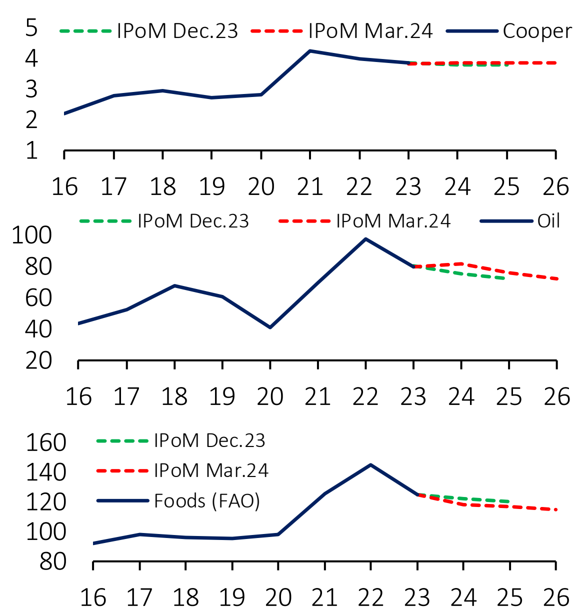
	2024 (f)		2025 (f)		2026 (f)
	IPoM Dec. 23	IPoM Mar. 24	IPoM Dec. 23	IPoM Mar. 24	IPoM Mar.24
GDP	1.25-2.25	2.0-3.0	2.0-3.0	1.5-2.5	1.5-2.5
Domestic demand	2.0	1.6	2.7	2.2	2.5
Domestic demand (w/o inventory change)	1.5	1.0	1.9	2.1	2.1
Gross fixed capital formation	0.0	-2.0	2.4	3.0	1.9
Total consumption	2.0	2.0	1.8	1.9	2.2
Private consumption	2.1	2.0	1.8	1.9	2.3
Goods and services exports	3.4	4.5	1.9	2.7	1.8
Goods and services imports	4.3	1.3	2.9	3.5	3.0
Current account (% of GDP)	-4.0	-3.4	-3.9	-3.4	-3.4
Gross national savings (% of GDP)	18.4	20.0	19.1	20.6	20.3
Nominal GFCF (% of GDP)	23.1	23.1	23.0	23.5	23.7

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

Figure 14
World growth at PPP: Forecasts contained in respective IPoM
(annual change, percent)



Actual and forecast prices (1) (2)
(dollars per pound; dollars per barrel; index)

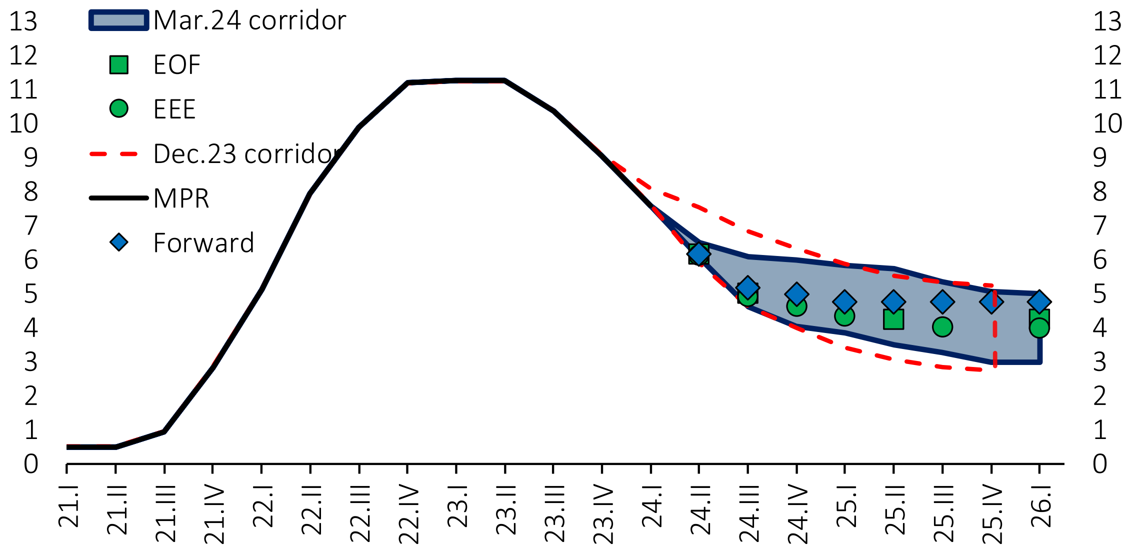


(f) Forecast. (1) WTI-Brent average oil price. FAO food price index. (2) Price/index corresponds to average of each year. Dotted lines show 2024-2026 forecasts contained in respective IPoM.
Sources: Central Bank of Chile, Bloomberg and FAO.

Figure 15

MPR corridor (*)

(quarterly average, percent)



(*) The corridor is constructed following the methodology in box V.1 of March 2020 IPoM and box V.3 of March 2022 IPoM. For details, see methodological note (figure II.10 in chapter II, March 2024 IPoM).

Source: Central Bank of Chile.