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

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* The December 2023 Monetary Policy Report can be found at http://www.bcentral.cl.

Introduction

Mr. President of the Senate’s Finance Commission, senator Ricardo Lagos-Weber, senators members of this Commission,

As always, I would like to begin by thanking the Commission for periodically inviting the Central Bank to present its views on recent macroeconomic developments, as well as the Bank's outlook and implications for monetary policy. It is this view that is presented in detail in the December 2023 Monetary Policy Report (MPR), which was published this morning. This background is also the rationale behind the decision taken by the Board at yesterday's monetary policy meeting.

We come to this Report seeing that our economy has evolved broadly in line with our forecasts in the September Report, at which time we projected that inflation would converge to 3% in the second half of 2024. Thus, inflation has fallen from a peak of 14.1% in August of last year to 4.8% in the November reading. This has been a rapid decline, in which monetary policy action has played a significant role. Activity is resuming slightly positive quarterly expansion rates, and we foresee that in the coming quarters it will continue to approach gradually growth rates in line with its trend. In this context, we estimate that the economy will close this year with zero growth, with the usual heterogeneity among sectors.

On the external front, the main economies have performed better than expected and global growth prospects have improved, with a decrease in inflation in most countries. The cases of the United States and China stand out, whose economies have outpaced expectations, leading to an improvement in their outlook for next year.

International financial conditions have behaved more favorably recently and are near its levels of early in the year. Global financial markets, including Chile's, have shown high volatility lately. Just a few weeks ago we had a period of significant tightening of financial conditions, which was later undone. However, we cannot rule out the possibility of this kind of situation occurring again.

Regarding monetary policy, in yesterday's meeting we maintained the process of reducing the monetary policy rate ('MPR'). On this occasion, with a cut of 75 basis points (bp), which brings it to a cumulative decrease of 300 bp since July. In line with the central scenario that I will present next, the convergence of inflation to the target will require further cuts in the policy rate. Their magnitude and timing will depend on the evolution of the macroeconomic scenario and its implications for the inflation trajectory.

The macroeconomic scenario

Inflation has continued to decline and is projected to reach the 3% target in the coming quarters. As of November, the annual variations of total and core CPI stood at 4.8% and 6.0%, respectively. Core inflation has led the decline in headline inflation in recent months, especially through its goods component. Meanwhile, some volatile items' annual inflation has been somewhat higher than what we observed up to the previous Report, such as fuels and some foods. These volatile items also accounted for a large part of the high monthly CPI variation of November (figure 1).

At the same time, two-year inflation expectations are at 3% and the various measures show inflation converging to the target sooner than estimated in our September Report. In this context, although inflation has been losing ground among the main concerns of the public, it is still high on the list (figure 2).

The decline in inflation from its 2022 highs has occurred amid a gradual resolution of macroeconomic imbalances. The moderation of spending, as well as the closing of the activity gap —which would have been completed during the third quarter— have allowed mitigating inflationary pressures coming from an economy that grew above its capacity for a long time.

The inflationary convergence process has also been supported by the dissipation of the cost shocks of previous years. This takes into account the resolution of the logistical problems caused by the pandemic, as well as the reversal of the significant increase in the prices of commodities and foodstuffs caused by the war in Ukraine. Add to this the impact of the appreciation of the real exchange rate from its peaks of mid-2022, which has occurred in parallel with a reduction in local uncertainty indices (figure 3).

As we have noted before, fiscal policy, in particular the effort deployed in 2022, has also made an important contribution to this progress in bringing down inflation.

In this context, our economy has resumed slightly positive quarterly expansion rates, although there is still some heterogeneity among sectors. In seasonally adjusted terms, non-mining activity grew 0.2% in the third quarter, a figure that reached 0.5% monthly according to the October Imacec.

Some sectors show an incipient rebound, such as commerce —especially wholesale and automotive trade—, power generation (supported by the increase in water availability), and some industrial branches, which couples with the resilience of services activities. This contrasts with the weak performance of construction. Meanwhile, mining showed a rebound during the third quarter, linked to the start of a new investment project and the boost of lithium production, although the latest monthly data show a certain drop in the margin (figure 4).

About demand, third-quarter data show an incipient increase in private consumption. This follows the sharp, but necessary, contraction in this spending component between the end of 2022 and the beginning of 2023, mainly for goods.

The evolution of consumption has been accompanied by an improvement in households' real income, which has been sustained by the decline in inflation, which in turn has reduced its adverse impact on their financial expenses. In this context, in the third quarter of the year, the seasonally adjusted series of private consumption expanded 1.2% quarter-on-quarter, where the increase in the durable component, associated with sales of automobiles and technological products, deserves special mention. Though not as much, regular consumption —which includes non-durable goods and services— also improved. These findings are confirmed by the most recent indicators such as the retail trade activity index (IACM), automobile sales (ANAC) and digital invoice sales data.

Gross fixed capital formation (GFCF) has been marked by the volatility of the machinery & equipment component for several quarters. The latter contracted in the third quarter, prompting a further drop in investment plans for this year. In any case, indicators such as wholesale figures suggest that the decline has been reversing. Construction investment, on the other hand, has continued to fall (figure 5).

In the labor market, job creation remains sluggish, which is consistent with the evolution of the business cycle. The unemployment rate for the moving quarter ending in October was 8.9%, with no big changes with respect to previous figures, but almost one percentage point higher than a year ago. While employment and participation rates have remained stable in the last few months, they are still low by historical standards, especially for people who are nearing their retirement age or already there. On the demand side, the Internet job posting index (IALI) remains subdued and the monthly business confidence index (IMCE) employment expectations are deteriorating in all sectors, with the exception of mining. In any case, as I said, real labor income has continued its normalization trajectory, helped by the decline in inflation, which is reflected in the positive evolution of the wage bill (figure 6).

In the external scenario, it is worth noting that inflation has fallen in most economies, although the outlook is mixed. Moreover, activity in the main economies performed better in recent months, particularly in China and the United States. In the U.S., the resilience of the labor market and consumption continue to support the economy's performance. In China, on the other hand, the boost came from the lagged effects of the post-pandemic reopening and the fall in savings, in addition to the reactivating measures implemented by the Chinese government. Nevertheless, the problems of the Chinese real-estate sector are still ongoing. Against this backdrop, global growth projections have been improving in recent months, particularly for these economies (figure 7).

Global financial conditions have performed favorably in recent weeks, returning to levels around those observed at the beginning of the year. Markets have been very reactive to different kinds of events, including economic figures differing from expectations or communication from monetary authorities. These tensions peaked during part of October and November, when there was an episode of high global financial tightening and volatility.

Thus, over the course of the fourth quarter, the US 10-year rate was close to 5%, the dollar appreciated and stock markets fell across the board. This reaction was due to several factors, including doubts about the American fiscal policy, the noise associated with a more complex geopolitical environment and apprehensions about the medium-term savings/investment balance. Added to this is the evolution of monetary policy in the developed world.

During this period, the peso depreciated significantly and the Chilean long-term interest rate also followed the movements of its international peers with a significant increase that was later reversed.

The October monetary policy meeting was held in the midst of this volatile financial scenario. In it, the Board decided that it was necessary to go ahead with the cycle of MPR cuts, although on this occasion it was advisable to slow it down somewhat with respect to the previous meeting, reducing the rate by 50 basis points. In addition, as a precautionary measure, we agreed to suspend the reserve replenishment program and the gradual reduction of its forward position.

In the weeks that followed, these developments began to reverse, in line with the fluctuations that have characterized the financial markets in recent quarters. Thus, with particular strength after the last two Federal Reserve meetings, rates have reacted downward around the world, the dollar has depreciated, and stock markets have improved. In Chile, the BCP10 rate is slightly above its level of early 2023, while the peso has accumulated a depreciation of close to 8% since mid-year, which drops to 1.5% when comparing the statistical closes of September and December Reports (figure 8).

Regarding local financing conditions for businesses and households, interest rates for commercial and consumer loans, which are more closely linked to monetary policy, have continued to fall in recent months, reflecting the transmission of the MPR cuts. Mortgage rates, beyond a marginal decline, are above their levels of a couple of months ago. Going forward, their trajectory is subject to several factors, including the movements of long-term rates and term premiums. As for credit, its growth remains weak, with contained demand in most portfolios (figure 9).

Structural parameters

In this Report we have updated our estimate of structural parameters, the last one dating back to December 2022.

Structural parameters correspond to unobservable variables of the economy, which occur under long-run-equilibrium conditions. This means that they cannot be measured in practice ─as can be the activity of a quarter or a year, for example─ and therefore it is an estimate.

Estimating structural parameters on a regular basis is important because these variables change over time. They provide information, for example, on the economy's medium-term growth capacity or where the interest rate should be if it were in equilibrium. Therefore, they serve as a guide to evaluate the current state of the macroeconomy, and to calibrate monetary policy.

In the case of trend growth, as usual, the estimation separates GDP between mining and non-mining sectors. For the non-mining sector, the methodology is based on a production function in which long-term growth depends on the trend growth of total factor productivity, the labor force, hours worked, human capital, and physical capital.

Today, as we did in December of last year, we estimate that non-mining trend GDP growth is on a path declining over time. With this, it averages 1.9% over the 2024-2033 period. This compares with the previous estimate of 2.2% for the 2023-2032 period. The lower figure is mainly due to the change in the reference decade, as the post-pandemic recovery in labor force participation declines as time passes. This does not entail a substantive change in the projected trajectory, and the estimate again factors in low total factor productivity growth and the fact that much of the recovery of labor participation to pre-pandemic levels has already occurred (figure 10).

In turn, the neutral MPR is estimated using a broad set of methodologies that capture different determinants of this rate, including external and domestic financial conditions and trend growth. Our current estimate placed the nominal neutral MPR at 4%, which implies an increase of 25 basis points with respect to the previous estimate. This is consistent with the increase in neutral monetary policy rates in other economies.

Projections

Turning to projections in this Report, the central scenario assumes that headline inflation will converge to the 3% target at some point during the second half of 2024, and prospects quite unchanged from September. This trajectory combines a core part, which will approach 3% faster than we thought in the previous Report, with a less favorable behavior of the prices of fuels and other volatile items. Within the core component of inflation, worth noting are the reduced outlook for core goods, influenced by the greater reversal it accumulated in recent months (figure 11). The central scenario assumes that the real exchange rate (RER) will remain stable over the projection horizon, in a context of high volatility of the nominal parity and a limited depreciation with respect to the previous statistical close.

Activity and demand projections contain few corrections. Zero GDP growth is anticipated for 2023. In addition to the upward revision of the figures for the first three quarters of 2023, the estimate considers a somewhat more favorable outlook for the year-end in non-mining GDP, given the incipient improvement in the sectoral data, like for trade or manufacturing.

For 2024 and 2025, GDP growth ranges remain between 1.25%-2.25% and 2-3%, respectively. In this projection, non-mining GDP will continue to show positive quarterly variations, steadily moving towards its trend growth. Although somewhat lower than projected in September, mining activity will make an important contribution to the expansion of the economy in 2024, in which the recent entry into operation of new sites and the development of other ores play a part.

The activity gap is around zero and is expected to remain unchanged throughout the projection horizon. Adjustments since the last Report are limited and incorporate the revision of structural parameters and the improved outlook for non-mining GDP in the coming quarters.

We continue to expect domestic demand to resume positive growth rates in 2024. Private consumption levels are corrected marginally upwards for the next two years. It is estimated to expand 2.1% in 2024 and 1.8% in 2025. The recovery in household disposable income will continue to support its performance, largely by the inflation convergence process. Also, the impact of the MPR cuts on consumption-related lending conditions is added (figure 13).

In 2024 and 2025, GFCF will reach levels similar to those anticipated in the last Report, two years of positive growth. This projection takes into account the improved outlook of investment surveys, particularly for the mining and energy sectors, and high-frequency figures (figure 14).

The current-account deficit is projected at 3.3% of GDP this year and 4% of GDP the following two years. As of the third quarter, the current account deficit continued to shrink, accumulating 3.5% of GDP in the last moving year. This is occurring at the same time as the gradual recovery of national savings —where the increase in the private component stands out— whose re-composition will continue to contribute to the savings/investment balance (table 1).

The Chilean economy will be favored by stronger growth expected from trading partners in the short term. It is projected to average 3.1% between 2023 and 2024 (2.7% in September). On the one hand, this is explained by a better outlook for the U.S., based mainly on the strength of consumption. On the other hand, there is the greater impetus provided by fiscal measures in China, which will in any case continue to grow below its historical averages. In addition, the copper price forecast for the next two years will remain at around US$3.8 per pound, which explains much of the upward correction in the terms of trade (figure 15).

Monetary policy

The evolution of the macroeconomic scenario has gone in the needed direction and inflation is heading towards the 3% target. This has allowed reducing the MPR since July to date by 300 basis points, placing it at 8.25%. However, the target has not yet been achieved and several challenges remain, amid a volatile global environment. As we stated in yesterday's press release, the convergence of inflation to the target will require further cuts in the MPR. As always, their magnitude and timing will depend on the evolution of the macroeconomic scenario and its implications for the inflation trajectory. Furthermore, we reaffirm our commitment to act with flexibility in the event that any of the internal or external risks materializes and macroeconomic conditions so require.

Let me now describe the sensitivity scenarios for monetary policy, which lend support the MPR corridor contained in the Report. Its upper bound is defined by situations in which inflation takes longer to converge. This would be the case if the Chilean economy were to receive a stronger-than-expected boost from abroad, for example, if U.S. resilience lasts longer and the dynamism of the world economy is increased. This would have positive effects on our country. On the one hand, due to greater external demand and improvements in the prices of different commodities, including copper, but also through the expectations channel, which could become more optimistic and incentivize domestic spending. The inflationary consequences of these developments could lead to more gradual cuts in the MPR than described in the central scenario.

The lower bound reflects scenarios in which inflation declines faster. These are especially associated with situations where the impact on the local economy of the recent months' increase in long rates is greater than expected. This could dampen consumption and investment, easing inflationary pressures and requiring an acceleration of the monetary relaxation process (figure 16).

As for risks, the evolution of the external scenario continues to be subject to major sources of uncertainty. The fragile real estate sector in China, concerns about the American fiscal position, and a more complex geopolitical environment with new armed conflicts are just some of them. The implications of these scenarios for monetary policy will depend on how the combination and magnitude of these elements affect the medium-term inflationary convergence outlook.

Concluding reflections

Dear senators, let me end this presentation with a few brief reflections on the year that is ending and what the future holds.

A year ago, when we came to present the December 2022 Monetary Policy Report, inflation was above 12% annually and was top of the list of concerns of both individuals and companies.

Then the interest rate was at 11.25% and it was considered necessary to maintain it until inflationary convergence conditions so required. So, according to our projections at that time, the objective of bringing inflation back to its 3% target would materialize in the second half of 2024.

Many analysts warned that it would be difficult for this decline to actually take hold, and certainly, the path outlined was not an easy one to follow. However, our projections have been coming true. Inflation has declined, and if the current economic outlook is maintained, it is heading towards the 3% target to get there during the second half of 2024.

While this is very good news, it cannot and should not make us complacent. Inflation has not yet reached 3% and we must make sure that it does.

We learned the hard way that once inflation rises, the effects on people's daily lives are significant. It has been especially difficult for lower-income families, as their purchasing power has been greatly eroded. This is due not only to the increase in the prices of many of the products they consume the most, but also because their incomes are more vulnerable to inflation.

Therefore, it is important to take stock of this experience and not forget the reasons that triggered the sharp rise in inflation. History teaches us that, even if we do things right, adverse shocks will not disappear and, therefore, complex situations will continue to come our way. Thus, it is essential that we evaluate a priori decisions that, at first, may be beneficial for the population, but may have costs in the longer term, even higher than the potential benefits that appeared at the beginning.

We have been resolving the imbalances, supply shocks have now dissipated, and monetary policy has done its job of normalizing aggregate demand, with the result that inflation has been consolidating its convergence process to the 3% target. This has allowed us to reduce the level of monetary policy tightening, accumulating an MPR reduction of 300 basis points from July to date. These amount to a significant cut and are sharper than the cuts other central banks have implemented.

In retrospect, throughout the first half of this year, we kept the rate at 11.25%, in a scenario where the inflationary convergence process had not yet taken hold. At that stage, we pointed out that this level was sufficient and that even marginal deviations from the central scenario could be managed by maintaining it for a longer period of time.

In the June Report, we stated that as long as the economy continued in the expected direction and inflation consolidated its downward trend, in line with projections, the policy rate reduction process would begin promptly. This occurred in July, when we lowered the rate by 100 basis points, in a context of lower inflationary pressures.

We continued in September, with a 75-basis-point decline. This decision was consistent with our previous communication, which indicated that we would continue to lower the rate, although not necessarily by the same magnitude. In fact, we indicated in our statement that the magnitude of the rate reductions would depend on the evolution of the economy and its implications for the convergence of inflation to the target, in similar terms to those of the previous meeting.

The October meeting, as I mentioned a moment ago, took place in a context of highly volatile global financial markets, with significantly tighter financial conditions. In this scenario, the Board decided to be cautious and not to contribute to market volatility, but on the contrary, to strengthen the monetary transmission mechanism. Thus, we decided to continue with the rate reduction, but at a slowing our pace to 50 basis points. At yesterday's meeting, having resolved the episode of tension at the end of October and with inflation on a clear path of convergence to the target, the Board decided to cut another 75 basis points off the policy rate.

Thus, beyond the particular movements of each meeting, the Bank has followed a clear path of reducing the level of monetary policy tightening and will continue to do so in the coming meetings, as long as the conditions outlined in the central scenario are maintained. When comparing the evolution of the MPR and the Bank's forward guidance, two important facts can be observed. On the one hand, the macro evolution has been fairly aligned with expectations, which is reflected in a corridor that shows no significant changes between reports. On the other hand, the trajectory of the rate has stood inside the corridors, so that beyond the specific meeting-to-meeting movements, the downward path of the MPR outlined a year ago has been pursued (figure 17).

Although inflation has come down, I want to be emphatic that the task of bringing it back to the 3% target is not over. Barring unexpected events, inflation will return to the target during the second half of next year. But there is always the possibility of accidents along the way and we must be vigilant so as not to compromise the achievement of the 3% target and at the same time not cause unnecessary costs to the economy.

Already thinking of the challenges ahead, as I have just presented, in this Report we have revised our medium-term growth estimate. In September, when I spoke before the Senate, I pointed out that by controlling inflation, what the Bank is doing is balancing the economy, leading it towards trend growth. And that it was then worth asking whether, once this growth had been achieved, it was sufficient, a matter that should be analyzed by other authorities.

On this occasion, we reviewed our estimate of the trend growth of non-mining GDP. The results continue to show a declining trend, which places it below 2% on average for the period 2024-2033. This estimate uses several working assumptions, about which there is much discussion. Will it be possible, for example, to recover labor participation to pre-pandemic levels? Will we be able to continue increasing the participation of women in the labor market until we match the levels of developed countries? What will happen with another crucial factor in these estimates, such as the level of productivity?

There are certainly many questions and events that we, as a society, will have to face in the future. However, the possibility of dealing with them successfully is closely linked to our ability to address them as a whole, with a sense of opportunity, efficiently, and with a long-term vision. We must generate the necessary flexibility to adapt to an increasingly changing environment, but one that offers us multiple opportunities that are there to be seized.

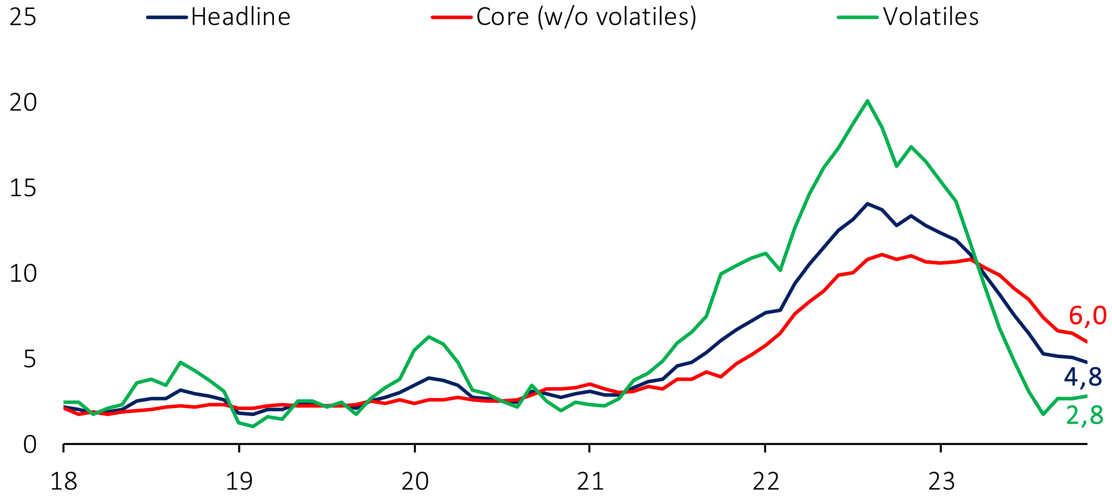
As we have said time and again, the role of the Central Bank in this process is to create the conditions for the economy to develop its potential. With low and stable inflation and a well-functioning financial system. This makes it possible to reduce uncertainty and procure the best financing cost possible for households and businesses, both very important conditions for the different players to be able to make decisions and carry out the changes that the economy needs.

Thank you.

Figure 1

Inflation indicators (*)

(annual change, percent)



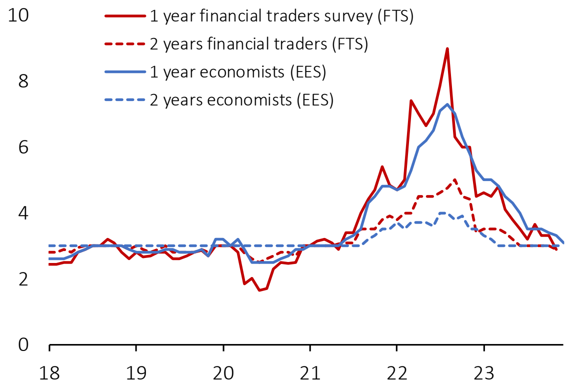
(*) For details on the groupings and their share in total CPI, see box IV.1 in December 2019 MP Report, Carlomagno and Sansone (2019) and Economic Glossary.

Sources: Central Bank of Chile and National Statistics Institute.

Figure 2

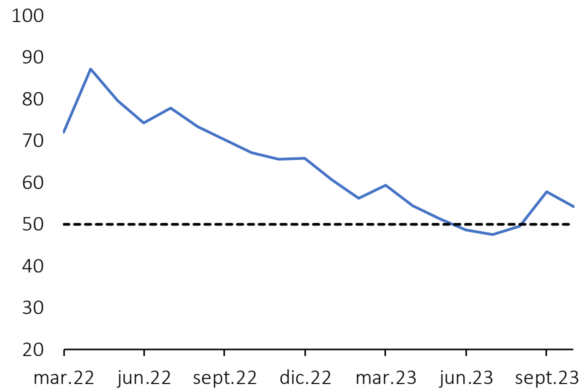
Inflation expectations (1) (2)

(annual change, percent)



Current perception of inflation (IPEC): With respect to last month, how much do you feel prices have changed overall?

(percent of answers "have risen a lot")

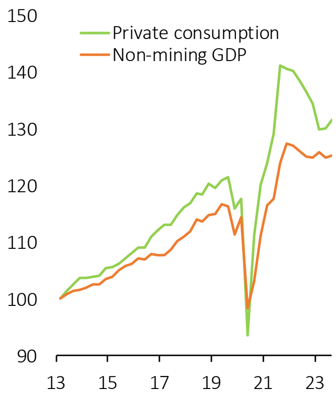


(1) Median of answers. (2) The FTS considers the latest survey published in the month, except January 2018, which covers the first half of the month. In months with no survey, the latest one available is used.

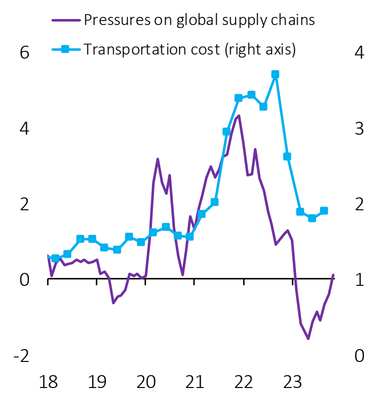
Source: Central Bank of Chile and Adimark.

Figure 3

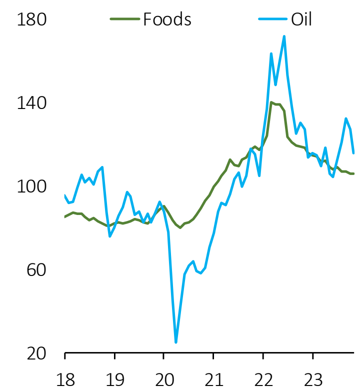
Non-mining GDP and private consumption
(index 2013.Q3 =100, quarterly deseasonalized series)



Evolution of cost factors (1) (2)
(st. dev. from historical mean; % of GDP)



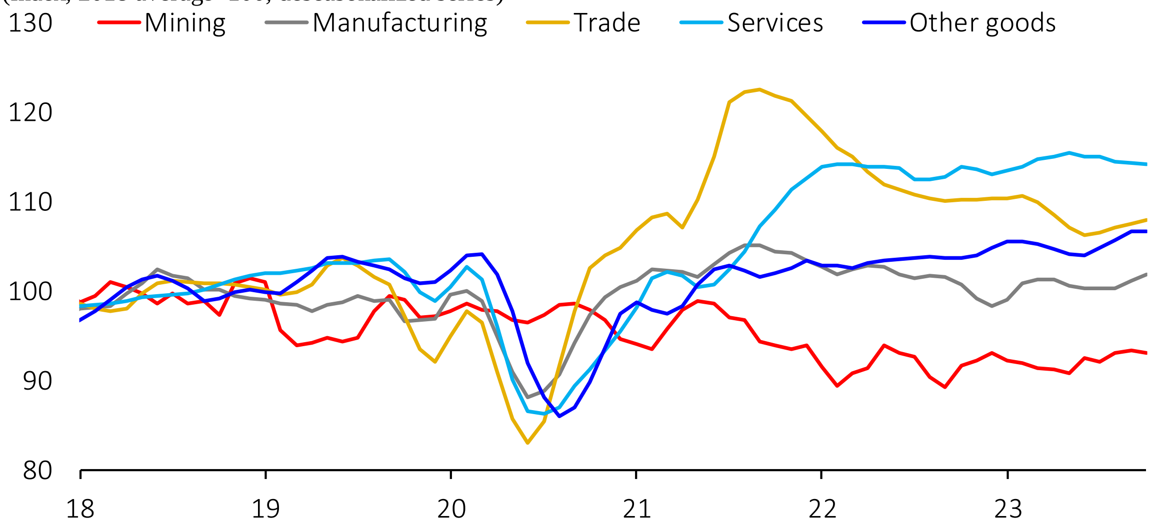
Commodity prices (3)
(index 2018-2023=100)



(1) For details on global supply chain pressures, see Global Supply Chain Pressure Index. Monthly data. (2) Cost of transporting imported goods into Chile, measured as a share of quarterly GDP. (3) FAO index for food prices; Brent-WTI average for oil.
Sources: Central Bank of Chile, Fed New York and Bloomberg.

Figure 4

Monthly activity (Imacec) (*)
(index, 2018 average=100, deseasonalized series)

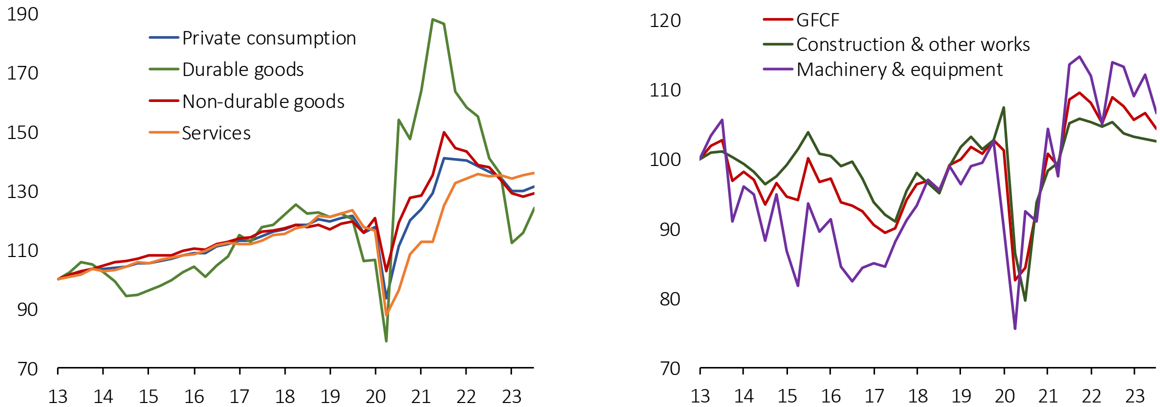


(*) Series in moving quarterly averages. Other goods considers agriculture-forestry, fishery, EGW & waste management, and construction.
Source: Central Bank of Chile.

Figure 5

Private consumption by components
(index, 2013.Q1=100, real deseasonalized series)

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



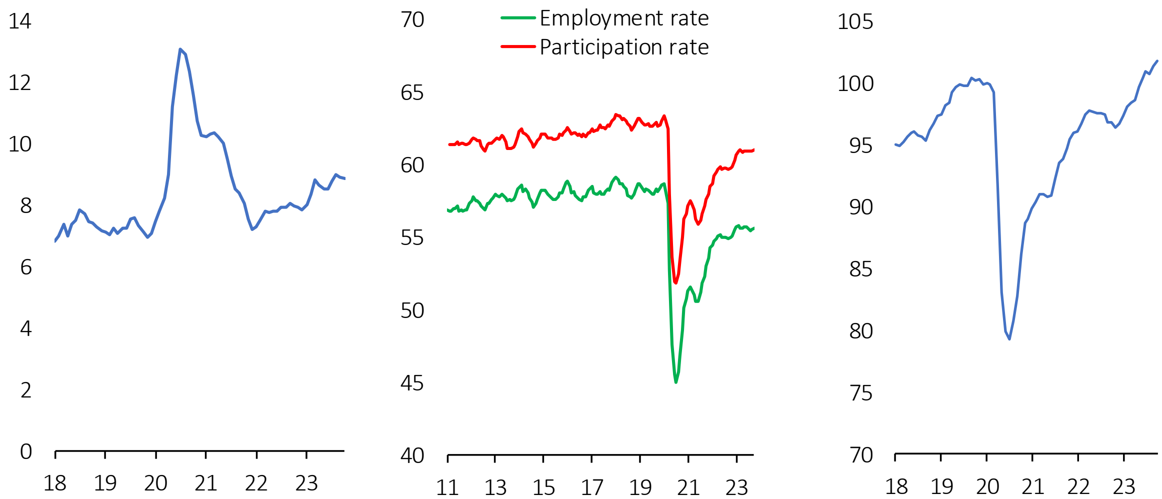
Source: Central Bank of Chile.

Figure 6

Unemployment rate
(percent)

Employment and participation rates
(percent)

Real wage bill (*)
(index, Jan.2020=100, deseasonalized)

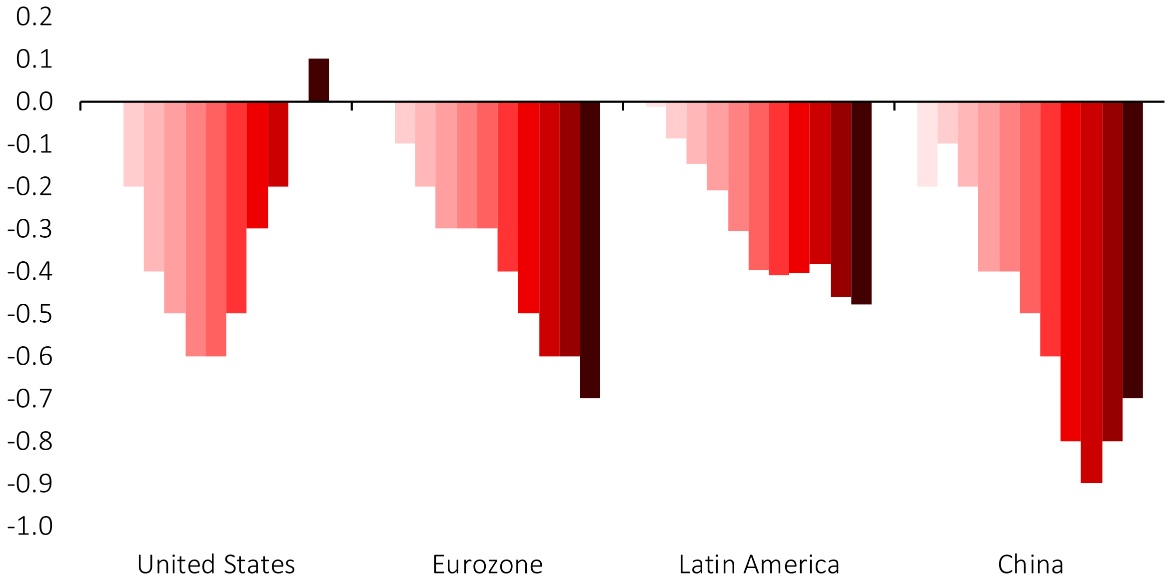


(*) Calculated using deseasonalized series of real labor cost, regular hours worked, and employment.
Sources: Central Bank of Chile and National Statistics Institute.

Figure 7

Cumulative change in growth expectations for 2024 (1) (2)

(cumulative difference with respect to Jan. 2023, percentage points)



(1) The bars run from February through December 2023, and show the cumulative change in growth expectations for 2024 compared to the January 2023 forecast. (2) Latin America considers Argentina, Brazil, Colombia, Mexico, and Peru. PPP-weighted growth, shares of each economy according to WEO (IMF).

Source: Consensus Forecasts.

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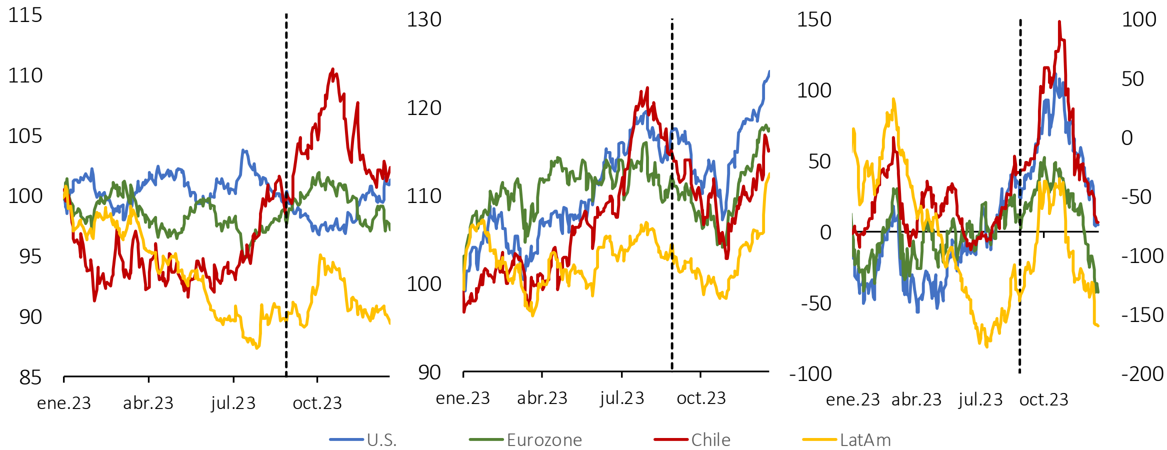
Figure 8

Financial market variables

a) Currencies (1) (2) (3) (index, 2.Jan.23=100)

b) Stock markets (1) (2) (index, 2.Jan.23=100)

c) Nominal 10-year rates (1) (2) (4) (difference with 2.Jan.23, basis points)



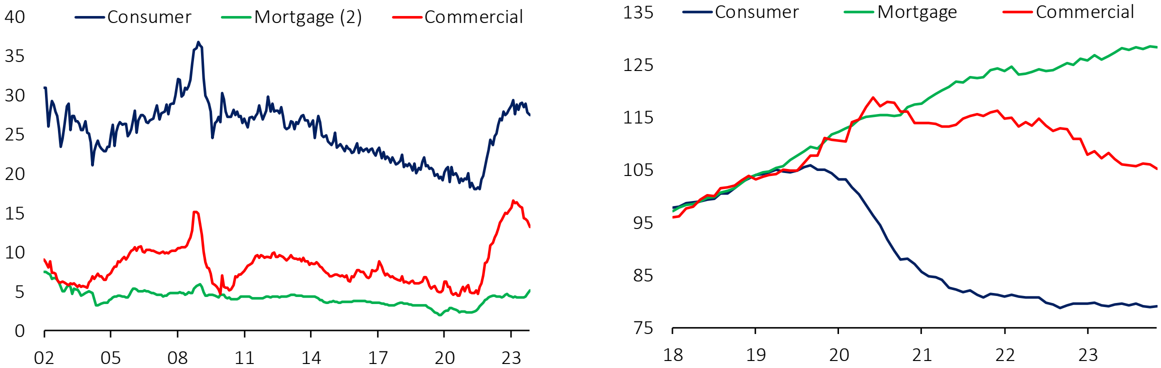
(1) Dashed vertical line marks the statistical closing of the September 2023 Report. (2) For Latin America, it considers the simple average of the indices of Brazil, Colombia, Mexico and Peru. (3) An increase (decrease) in the index represents a currency depreciation (appreciation). For the U.S., the multilateral exchange rate is used. (4) For LatAm, the right axis is used.

Sources: Central Bank of Chile and Bloomberg.

Figure 9

a) Interest rates (1)
(percent)

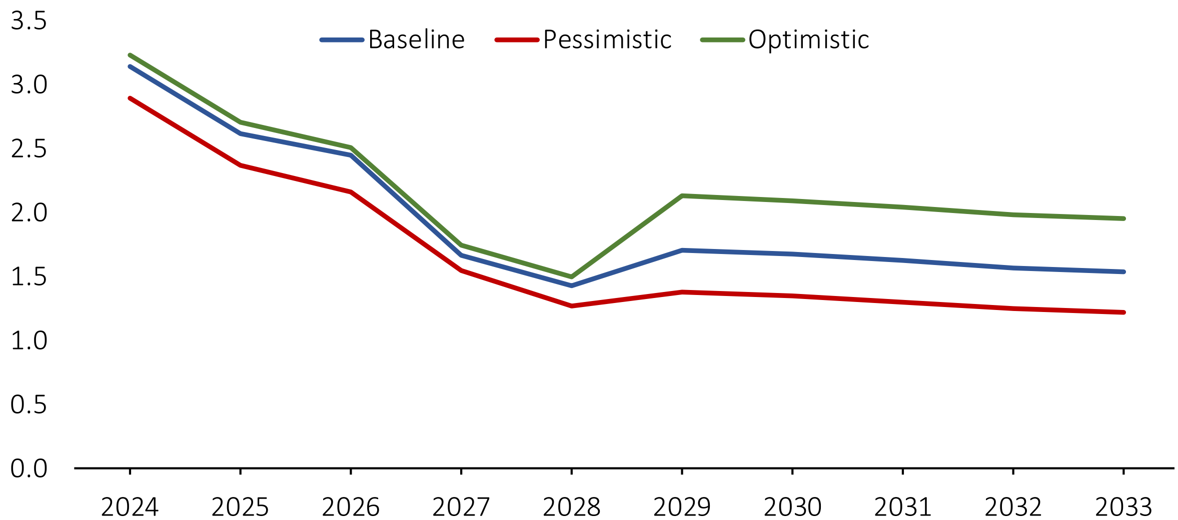
b) Stock of real loans (3)
(index, 2018=100)



(1) Weighted averaged rates of all operations performed in each month in the Metropolitan Region. (2) UF-denominated loans. (3) Real data built using CPI splicing with 2018 annual base.
Source: Central Bank of Chile.

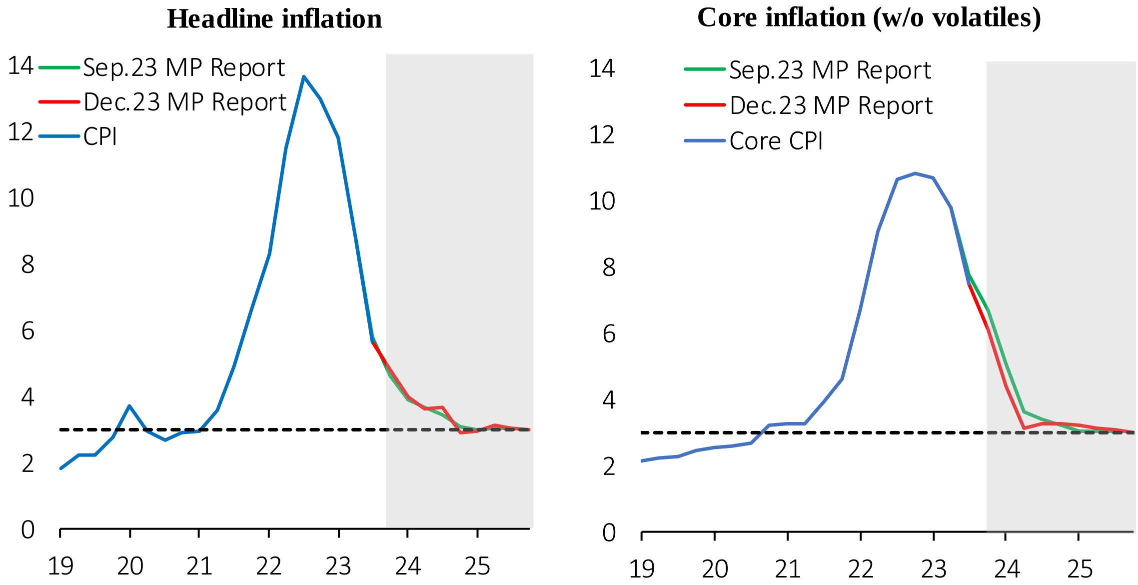
Figure 10

Trajectories of trend non-mining GDP growth
(percent)



Source: Central Bank of Chile.

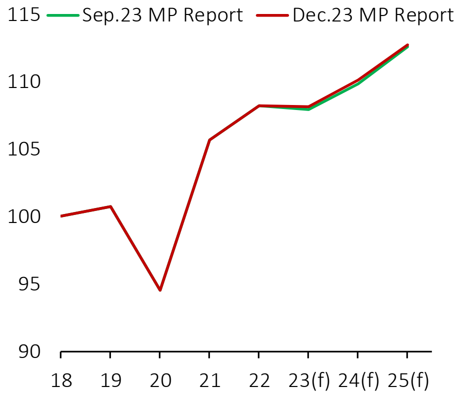
Figure 11
Inflation forecasts (*)
(annual change, percent)



(*) Gray area, as from fourth quarter of 2023, shows forecast.
Sources: Central Bank of Chile and National Statistics Institute.

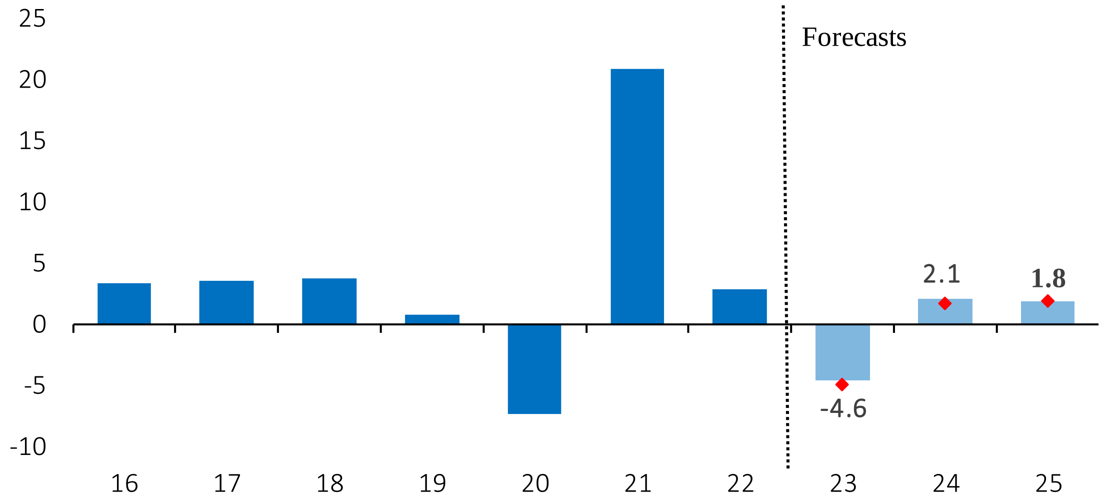
Figure 12
GDP growth forecasts (1)
(annual change)

GDP forecasts (2)
(index, 2018=100)



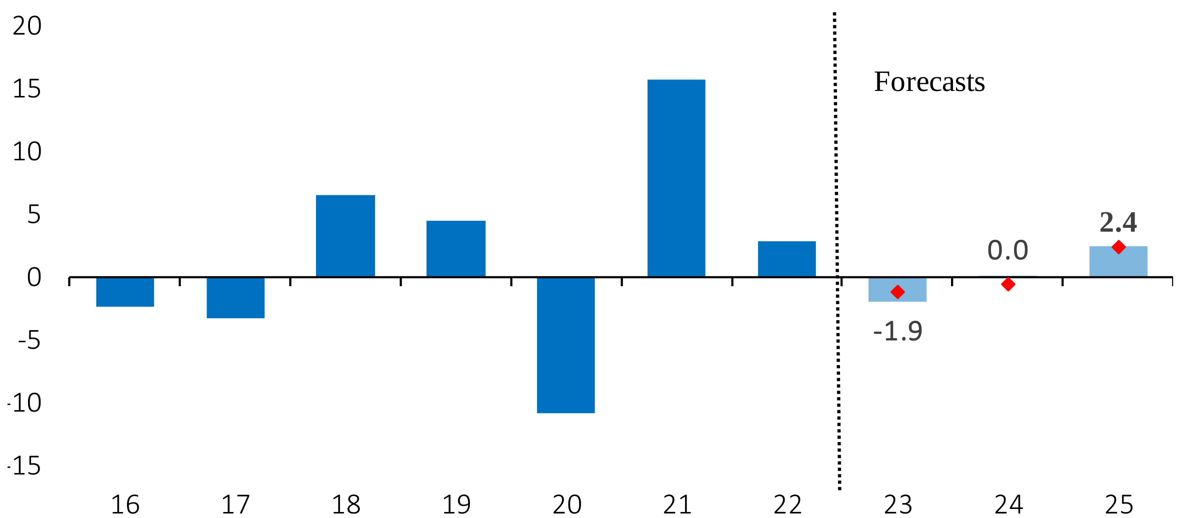
(1) Forecasts contained in respective Report. Symbols indicate change from September 2023 forecast. (2) Forecasts are based on mid-point of growth ranges published in this Report. (f) Forecast.
Source: Central Bank of Chile.

Figure 13
Private consumption (*)
(real annual change, percent)



(*) Diamonds show central scenario forecasts in September 2023 Report. Data labels in the figure correspond to the figures projected in the central scenario of this Report.
Source: Central Bank of Chile.

Figure 14
Gross fixed capital formation (*)
(real annual change, percent)



(*) Diamonds show central scenario forecasts in September 2023 Report. Data labels correspond to the figures projected in the central scenario of this Report.

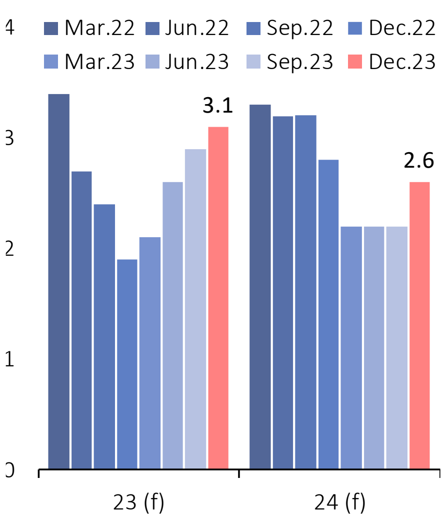
Source: Central Bank of Chile.

Table 1
Domestic scenario
(annual change, percent)

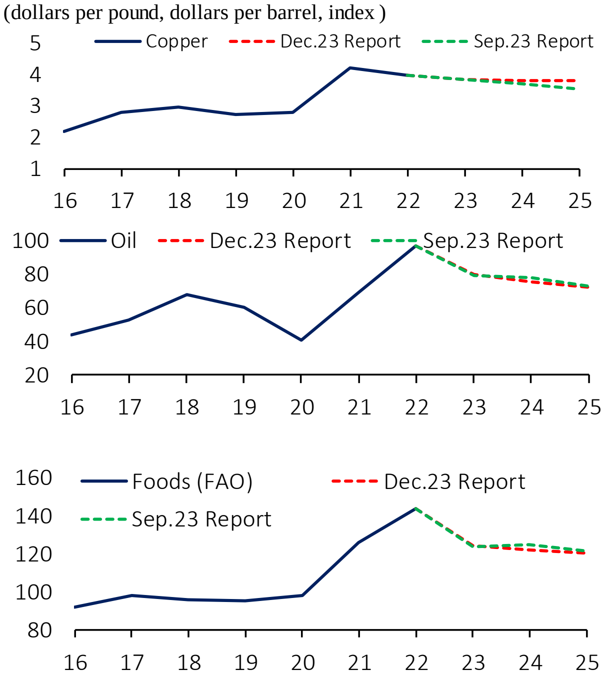
	2023 (f)		2024 (f)		2025 (f)	
	MP Report Sep. 23	MP Report Dec. 23	MP Report Sep. 23	MP Report Dec. 23	MP Report Sep. 23	MP Report Dec. 23
GDP	-0.5/0.0	0.0	1.25-2.25	1.25-2.25	2.0-3.0	2.0-3.0
Domestic demand	-4.3	-4.6	1.5	2.0	2.2	2.7
Domestic demand (w/o inventory change)	-3.1	-3.0	1.1	1.5	2.0	1.9
Gross fixed capital formation	-1.2	-1.9	-0.6	0.0	2.4	2.4
Total consumption	-3.7	-3.3	1.6	2.0	1.9	1.8
Private consumption	-4.9	-4.6	1.7	2.1	1.9	1.8
Exports of goods and services	0.9	1.0	4.0	3.4	2.4	1.9
Imports of goods and services	-9.8	-11.1	3.1	4.3	1.2	2.9
Current account (% of GDP)	-3.4	-3.3	-4.0	-4.0	-4.0	-3.9
Gross national savings (% of GDP)	19.3	18.8	19.0	18.4	19.1	19.1
Nominal GFCF (% of GDP)	23.3	23.3	23.1	23.1	23.1	23.0

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

Figure 15
World growth forecasts in latest MP Reports
(annual change, percent)

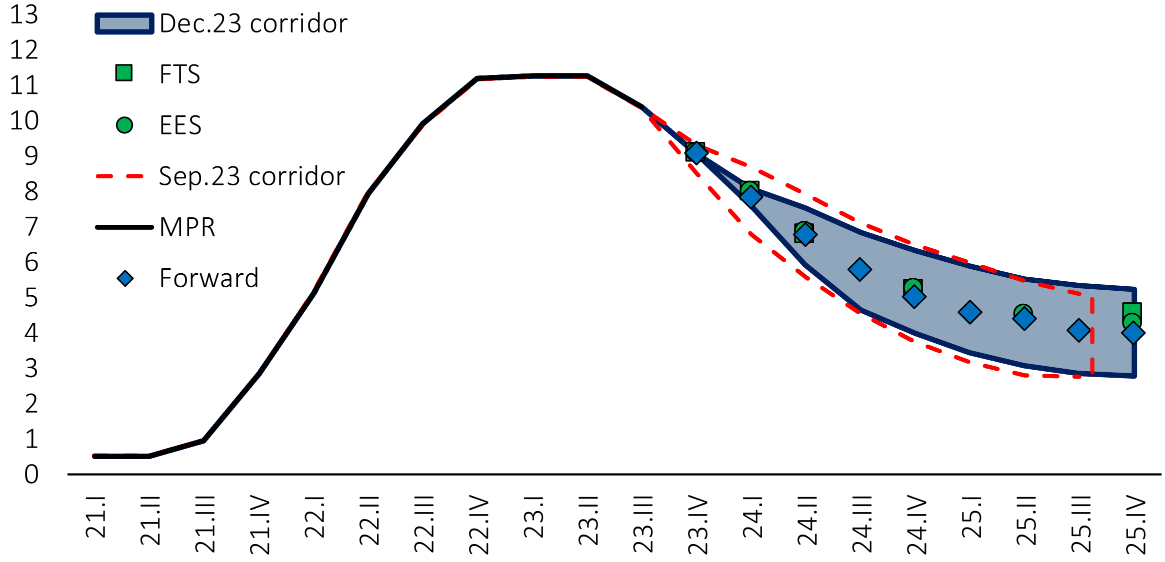


Projections for commodity prices (1) (2)
(dollars per pound, dollars per barrel, index)



(f) Forecast. (1) WTI-Brent barrel average. (2) Actual price is average for each year. Dashed lines show forecasts contained in respective MP Report for 2023-2025.
Sources: Central Bank of Chile, Bloomberg and FAO.

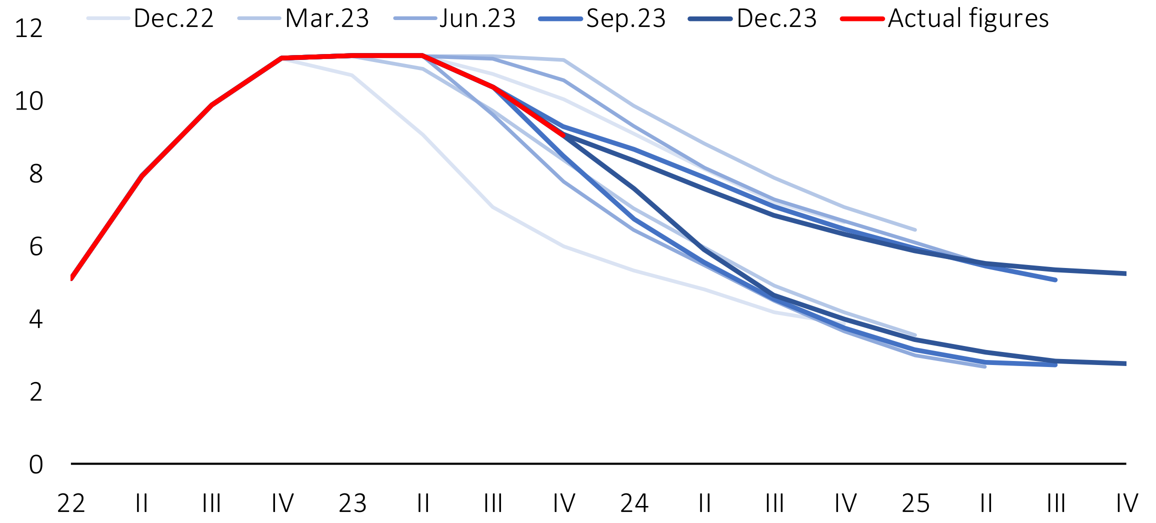
Figure 16
MPR corridor (*)
(quarterly average, percent)



(*) Built following the methodology presented in box V.1 of March 2020 MP Report and box V.3 of the March 2022 MP Report. For details, see methodological note in figure II.9, chapter II, December 2023 Monetary Policy Report.

Source: Central Bank of Chile.

Figure 17
MPR and corridor (*)
(percent)



(*) The lines depict upper and lower bounds of MPR corridor in each Report.

Source: Central Bank of Chile.