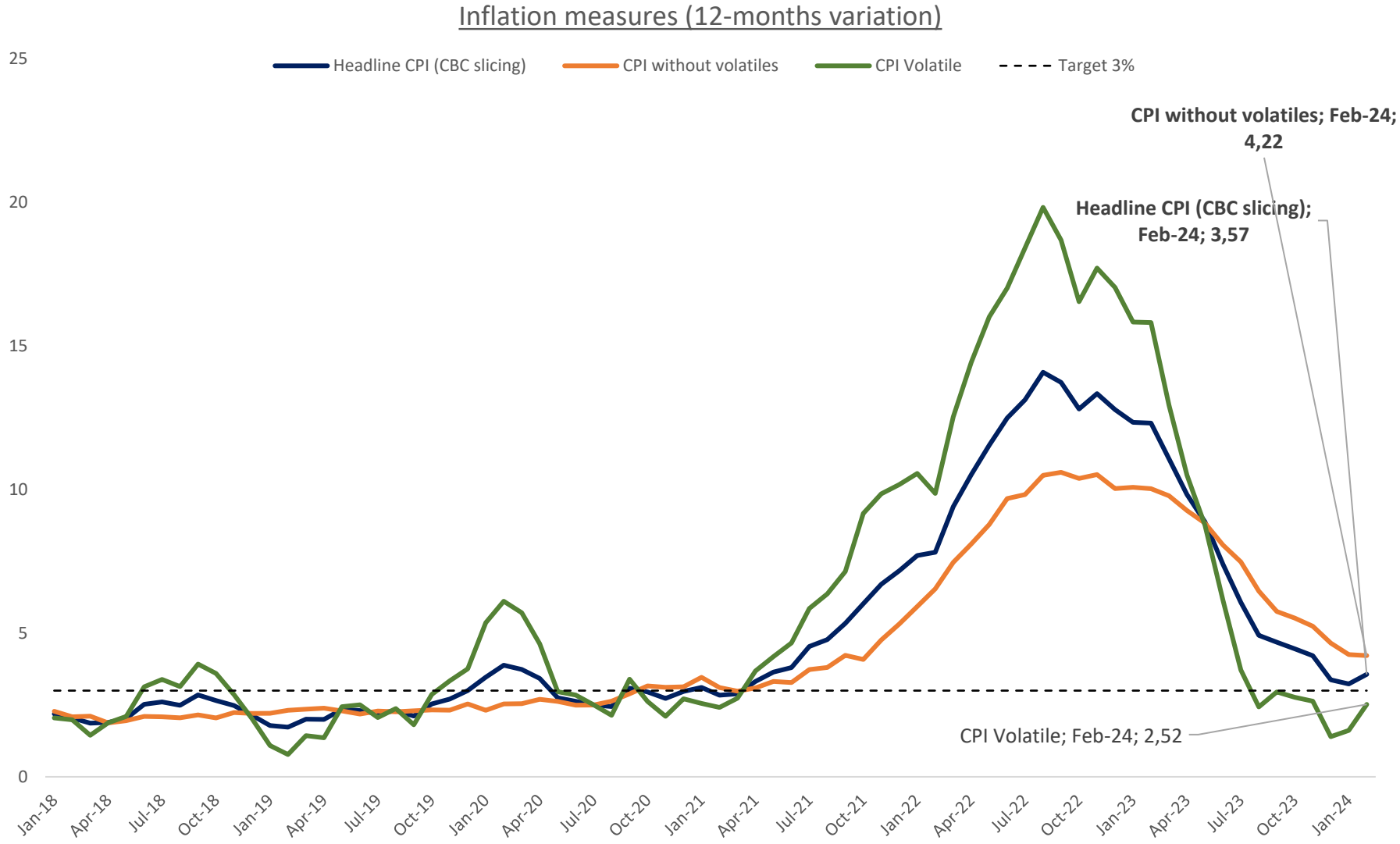




Recent Evolution and Projections for the Chilean Economy

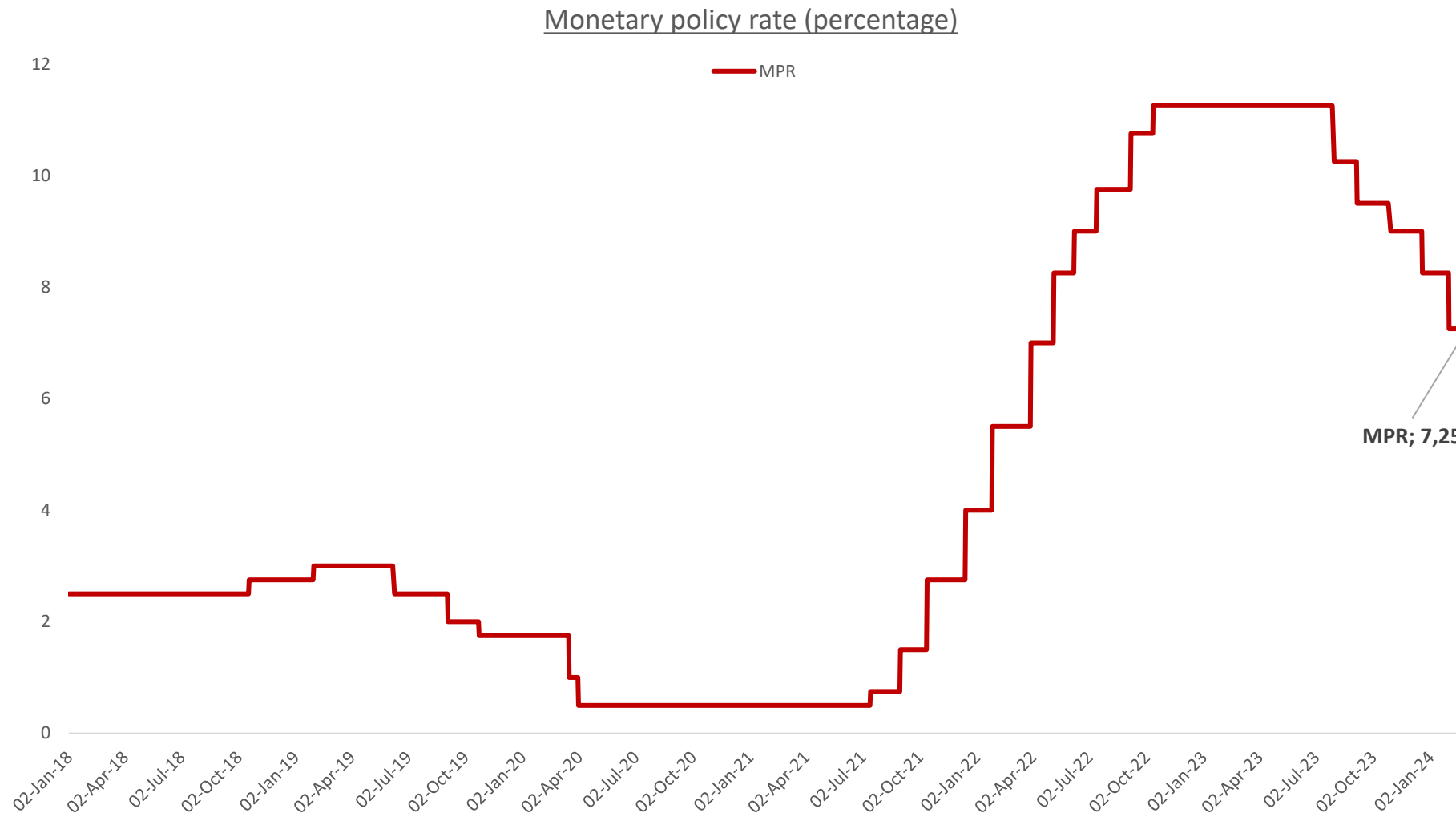
Stephany Griffith-Jones
Vice Governor

Inflation continues with its return to the objective level (despite the February data, +0.6% m/m)



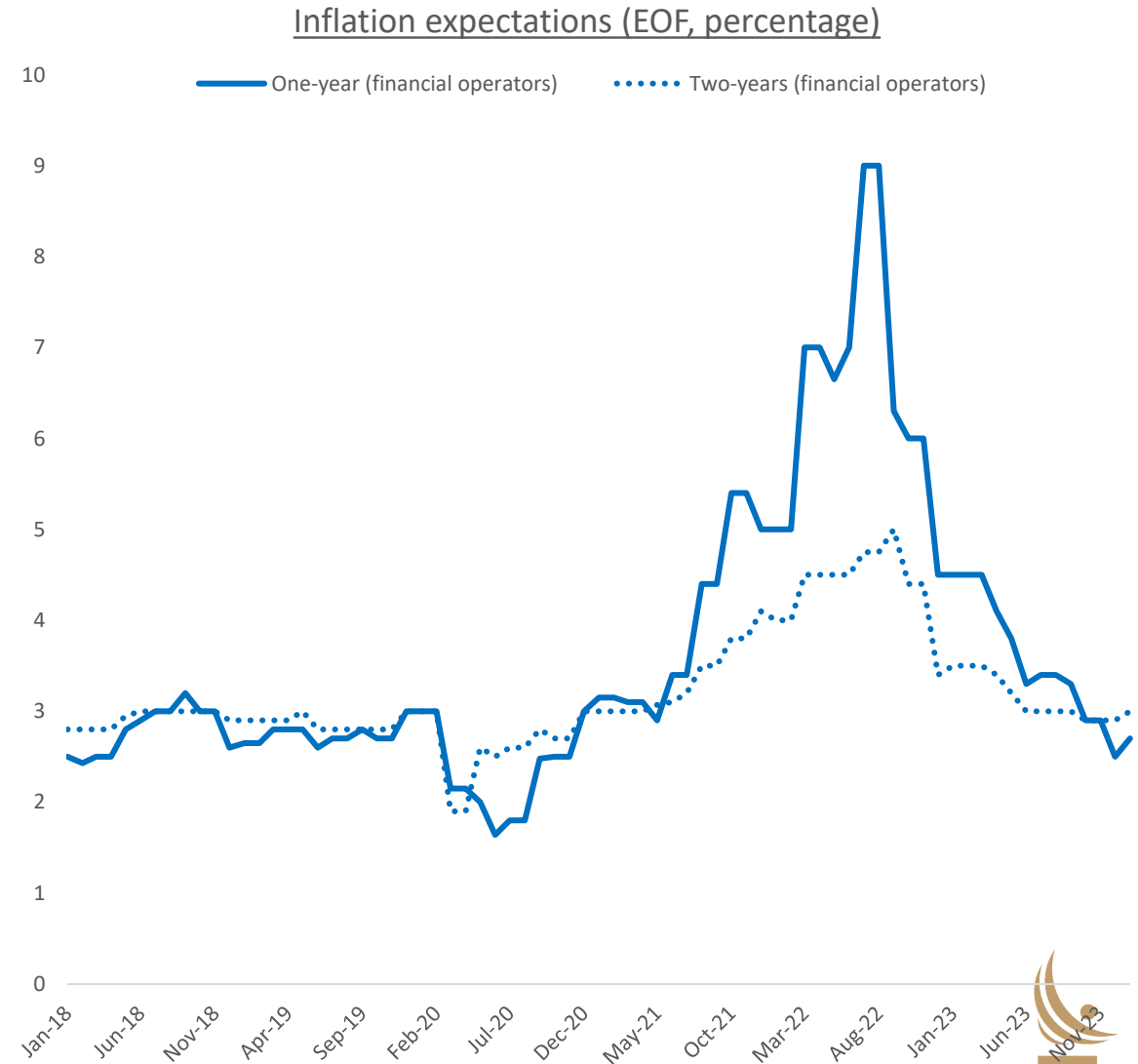
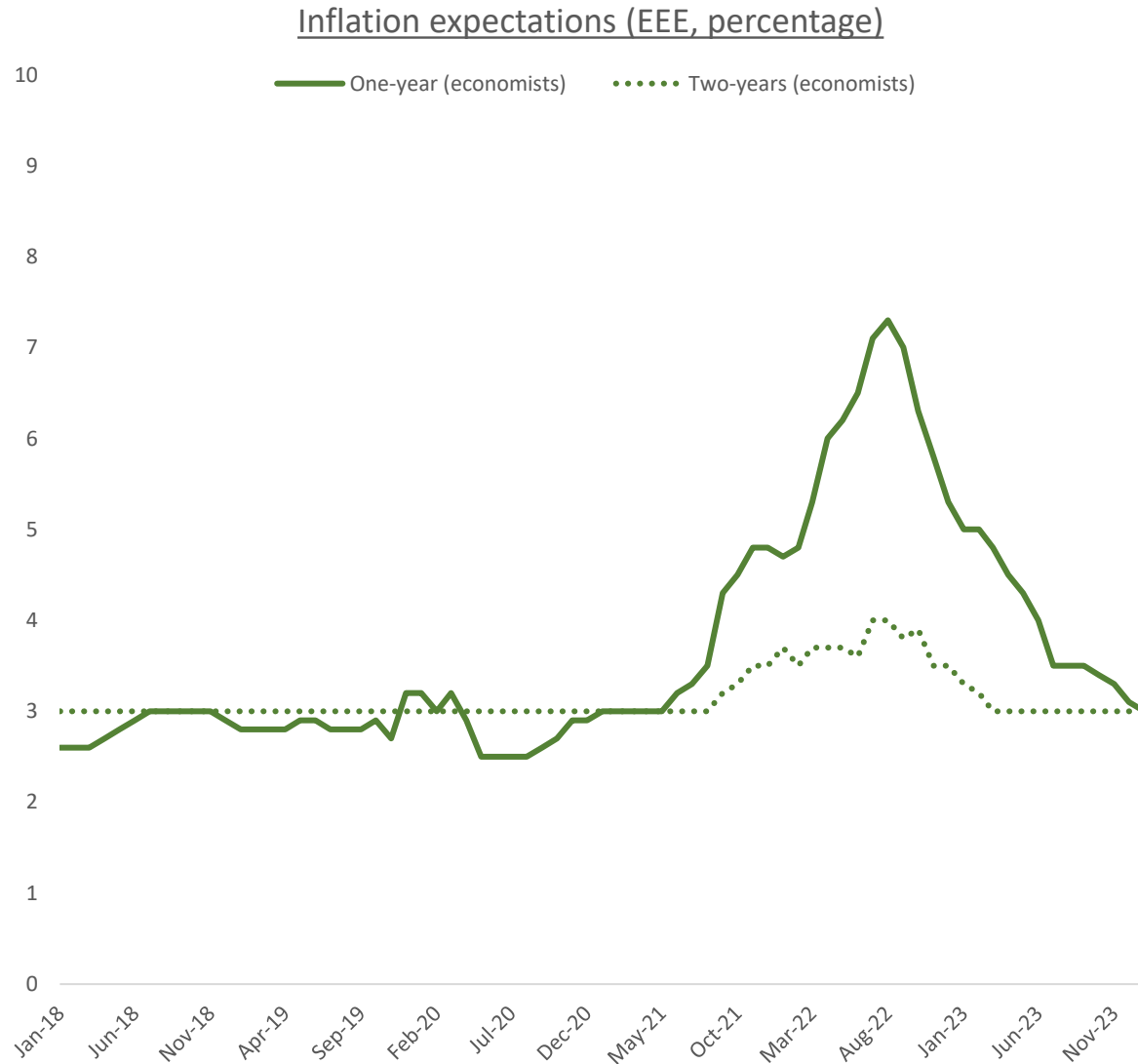
Source: Central Bank of Chile.

... due to a restrictive monetary policy rate, which since July 2023 (11.25%) has accumulated cuts of 400 bp (7.25%).



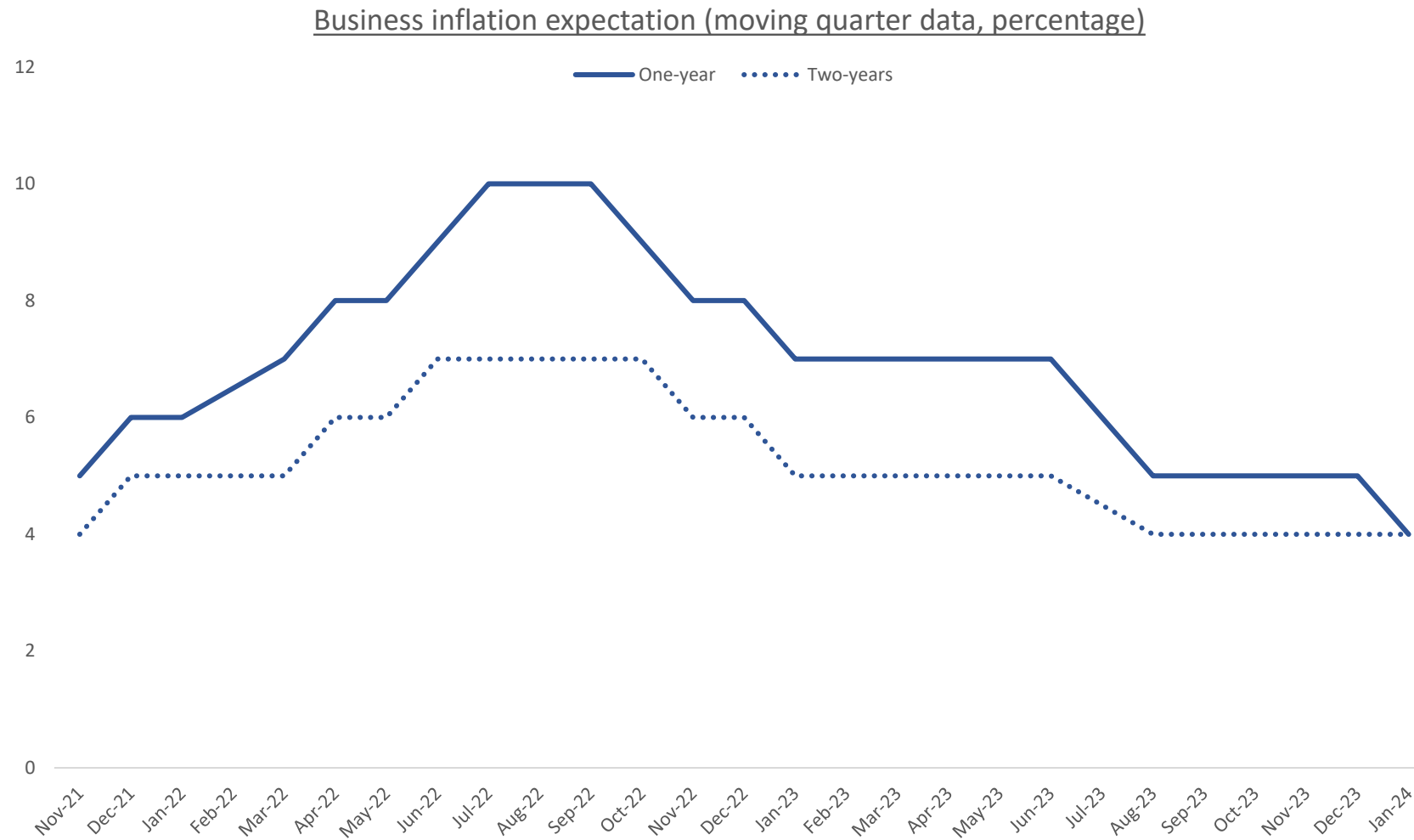
Source: Central Bank of Chile.

Inflation expectations are anchored at the target in the policy horizon.



Source: Central Bank of Chile, EEE Feb-24 and EOF post Jan-24 monetary policy meeting.

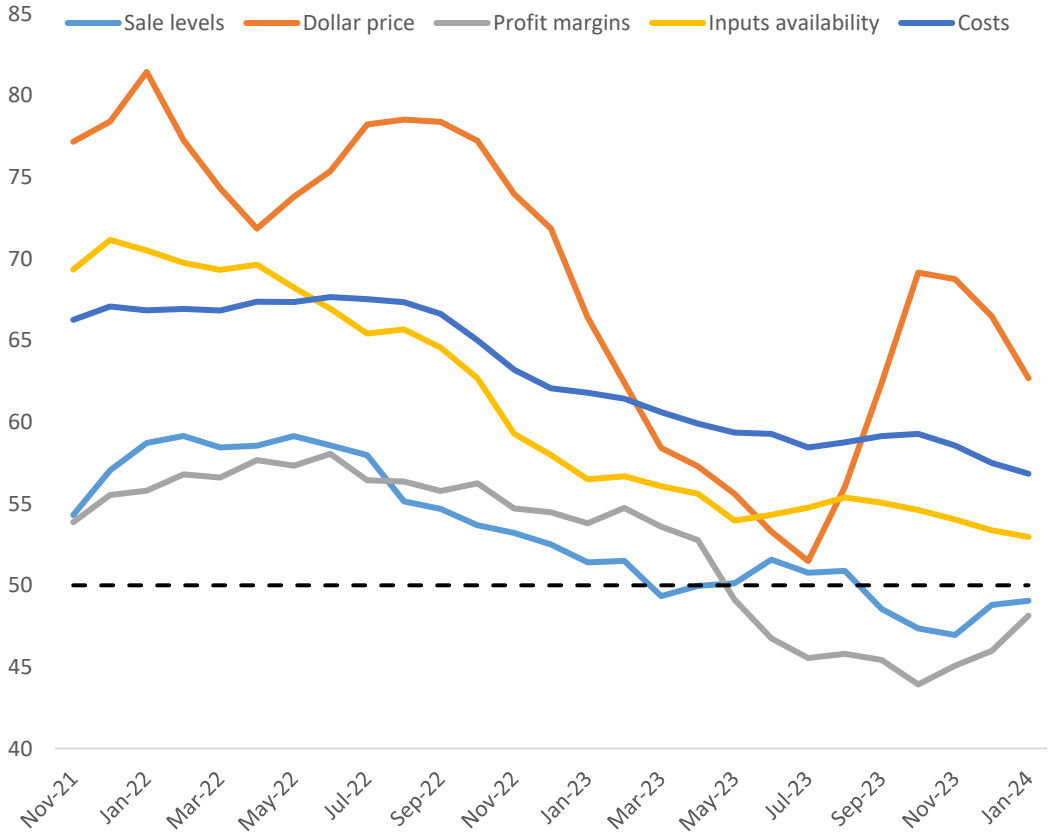
Business inflation expectations also show a downward trend.



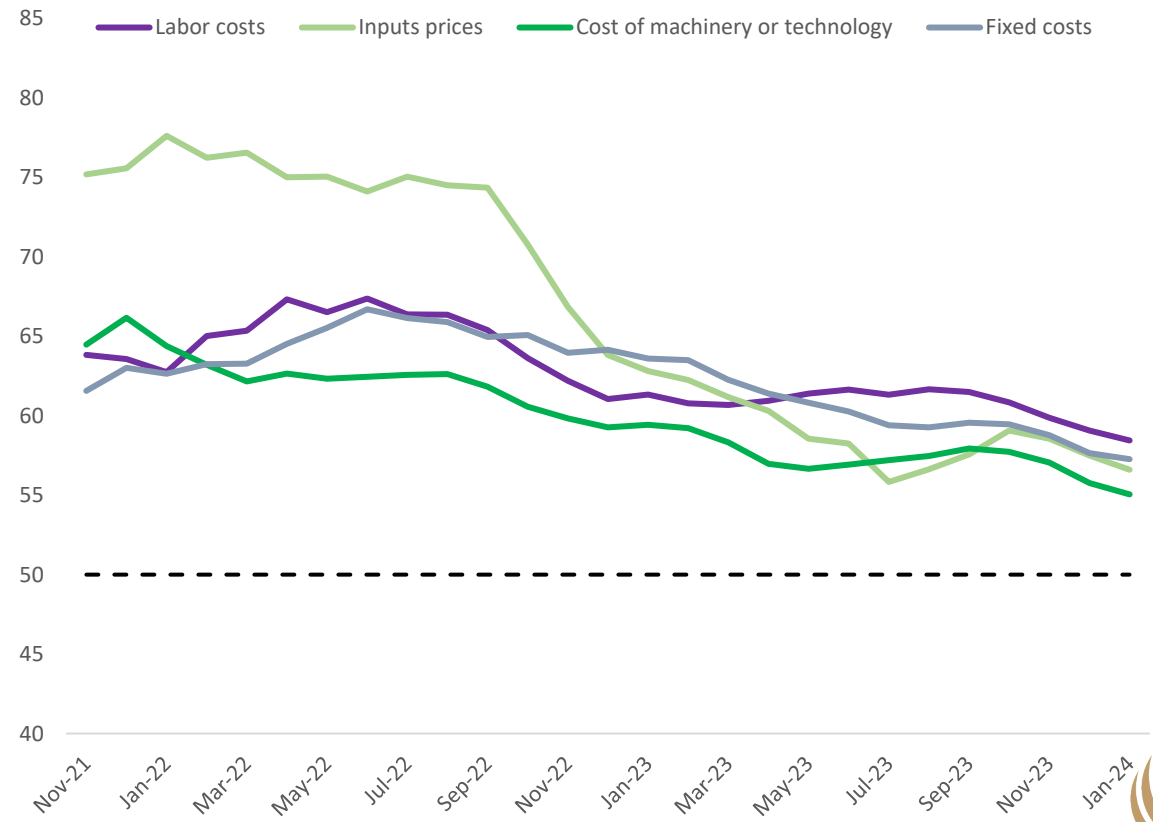
Source: Central Bank of Chile, EDEP March-2024.

The influence of sales levels and margins on prices is close to neutrality. Costs, sales availability and exchange rate reduce their influence.

Influence of firm factors on the sale price in the last 3 months
(moving quarter data, diffusion index)



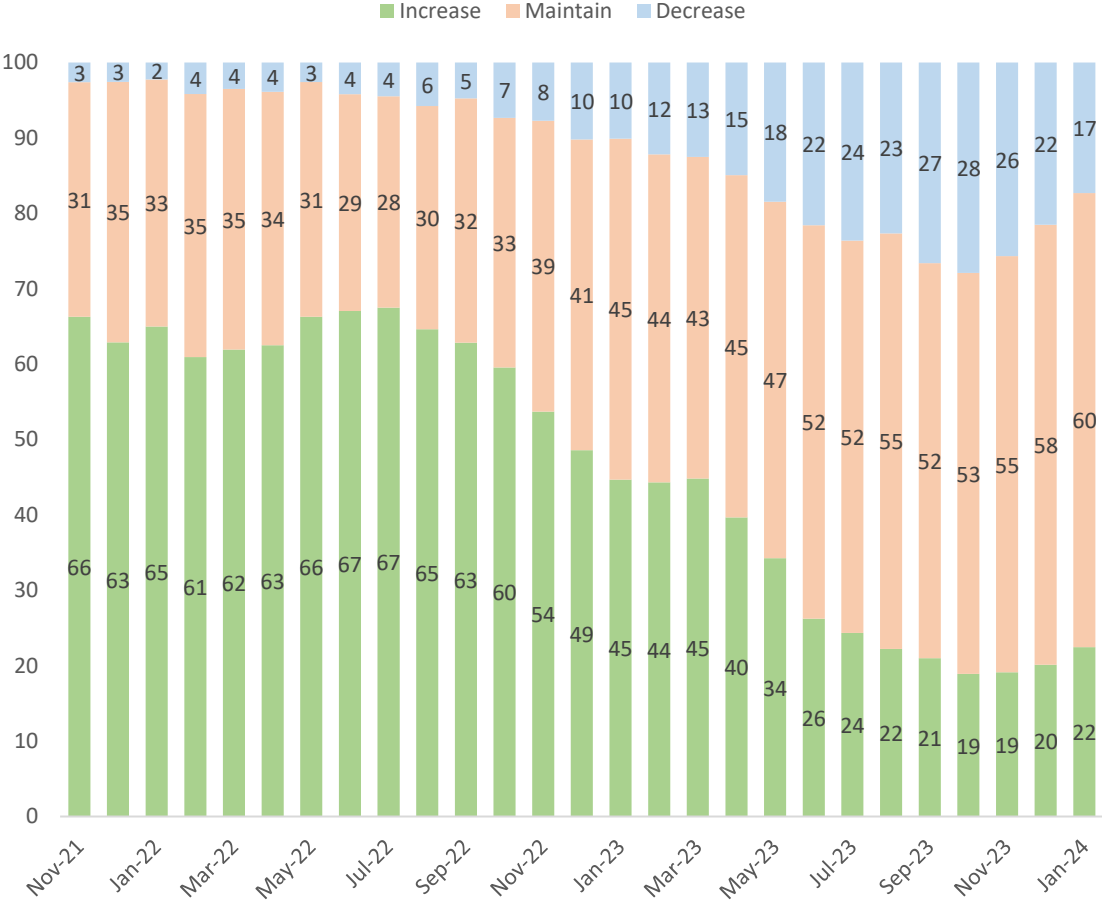
Influence of firm costs on the sale price in the last 3 months (moving quarter data, diffusion index)



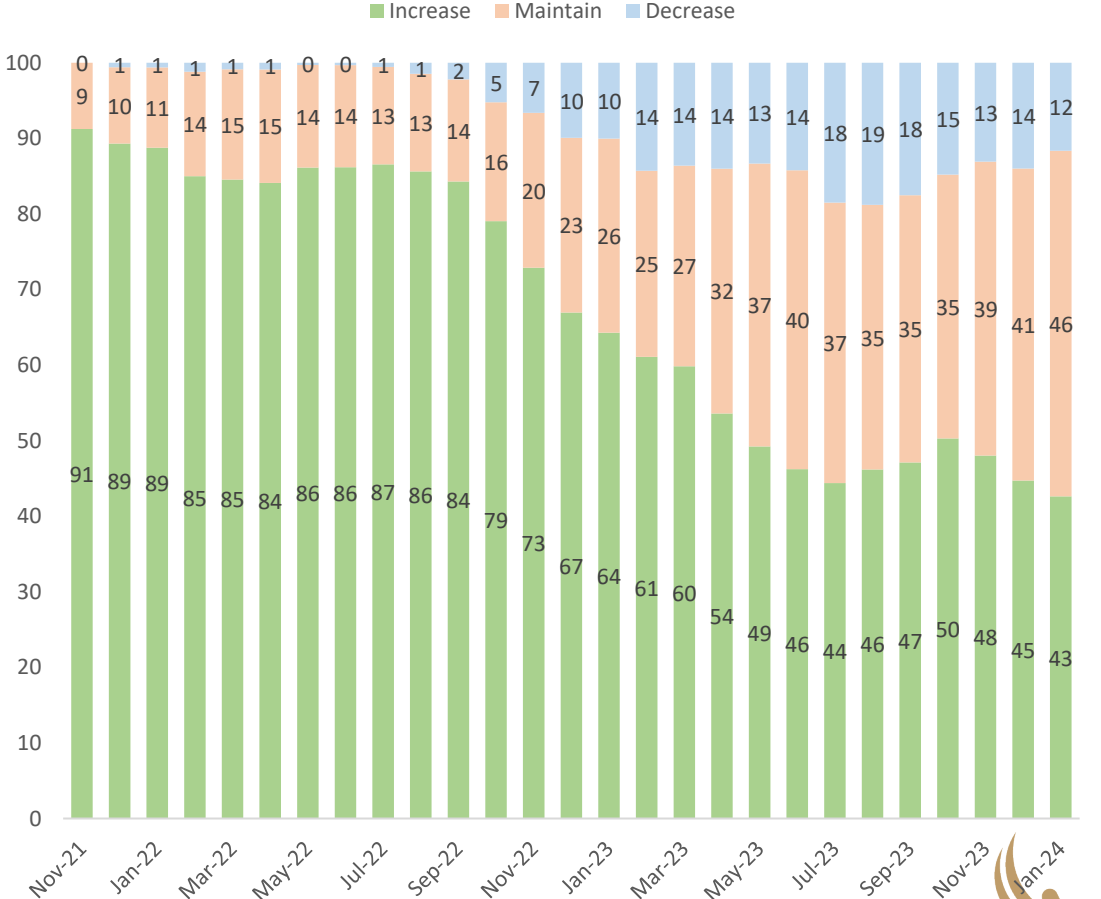
Source: Central Bank of Chile, EDEP March-2024.

The percentage of companies experiencing cost increases continues to decline, while companies declaring price increases increase slightly.

Price variation in the last three months (percentage of companies)

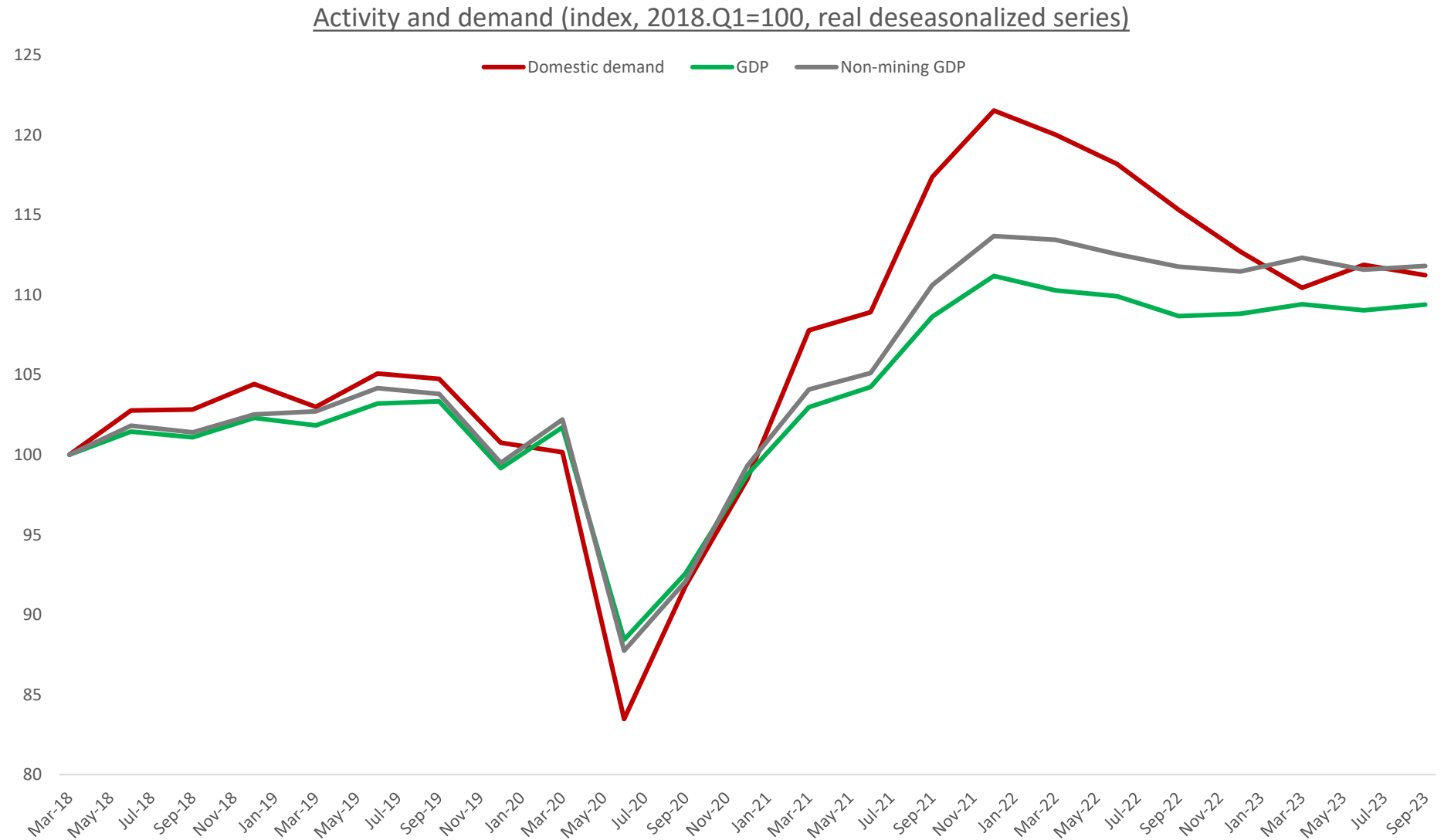


Variation in input costs in the last three months (percentage of companies)



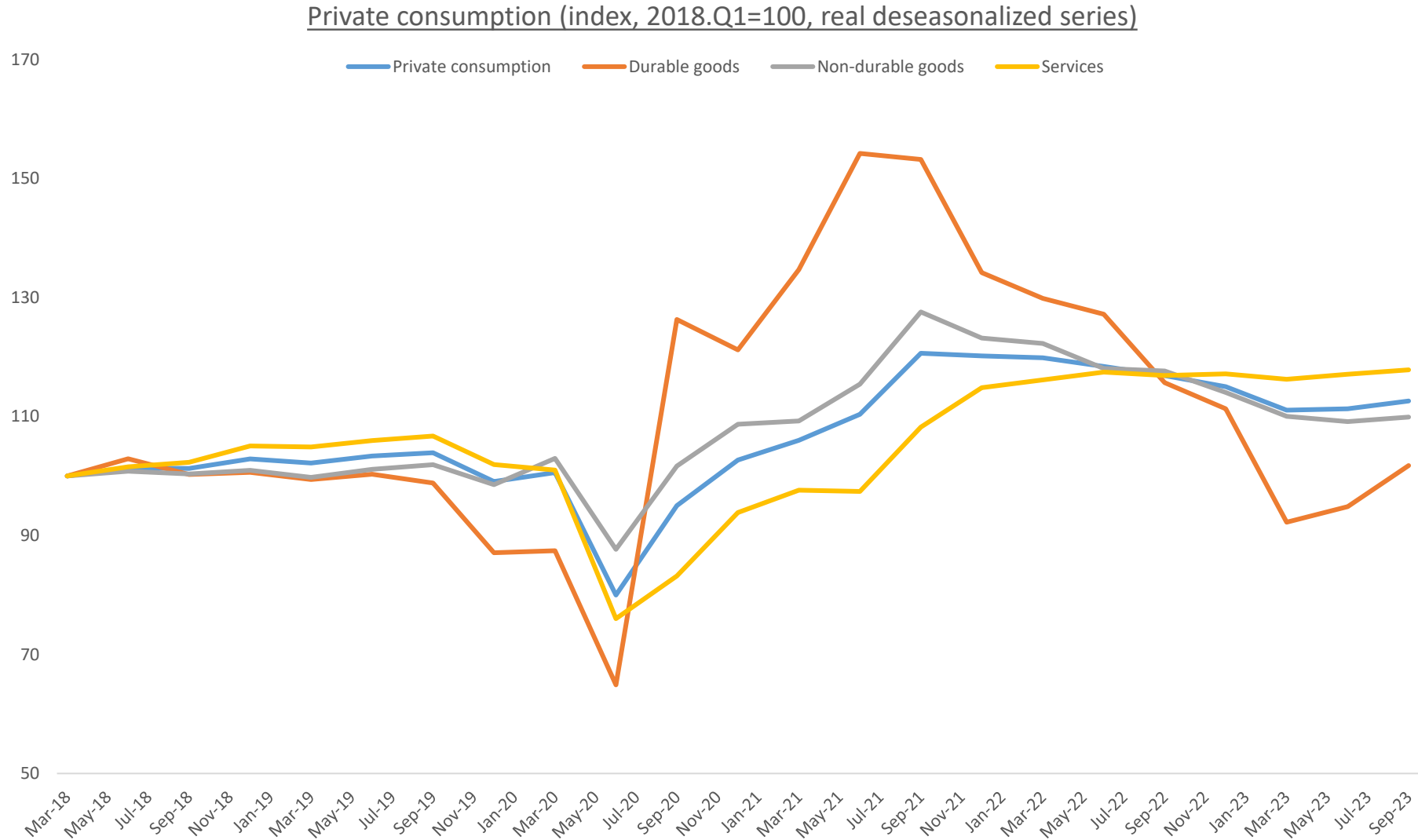
Source: Central Bank of Chile, EDEP March-2024.

Macroeconomic imbalances have been closing, mainly excess spending in 2021-2022.



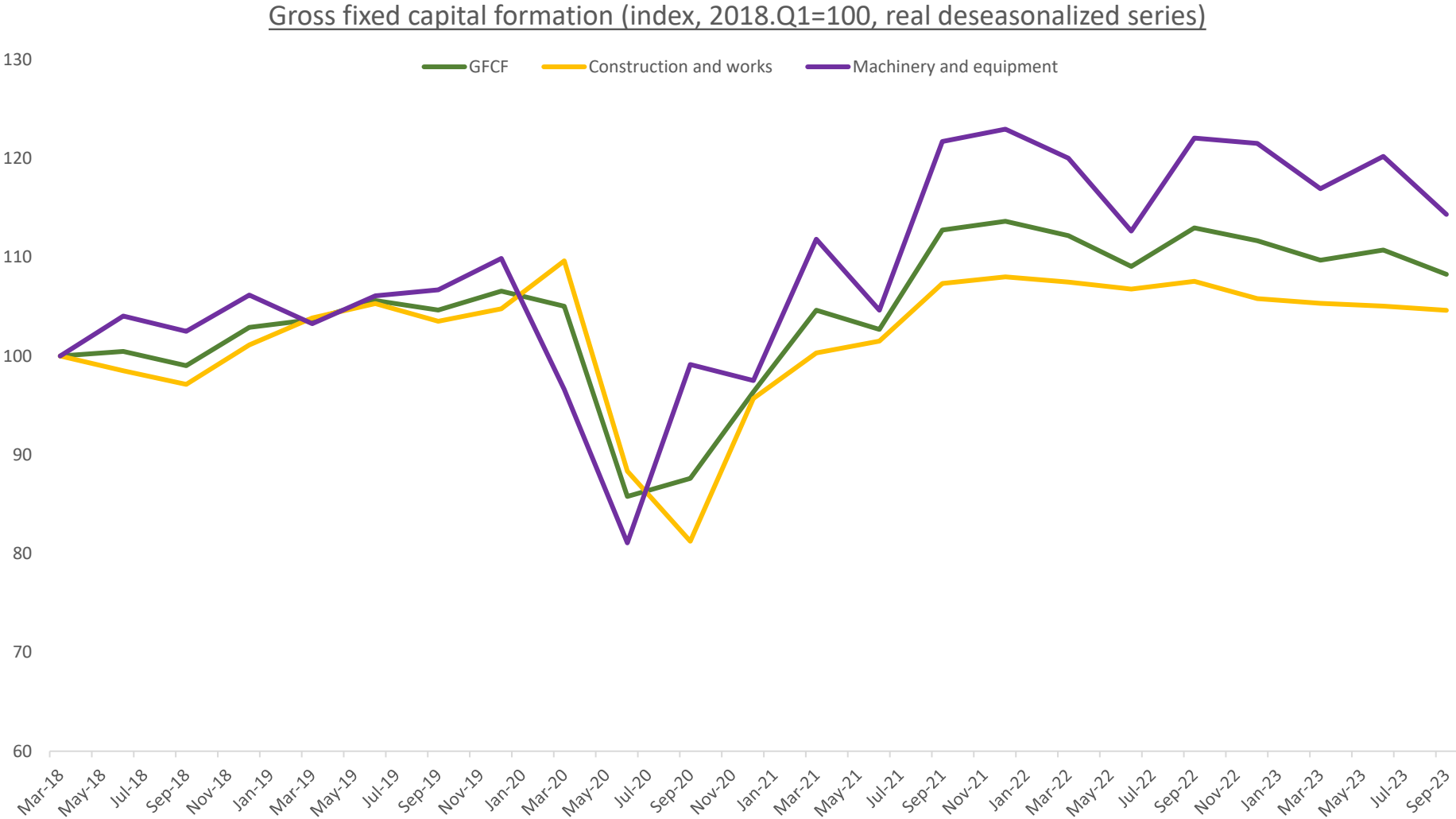
Source: Central Bank of Chile, national accounts Q3 2023.

Private consumption showed a slight recovery after a drop in early 2023.



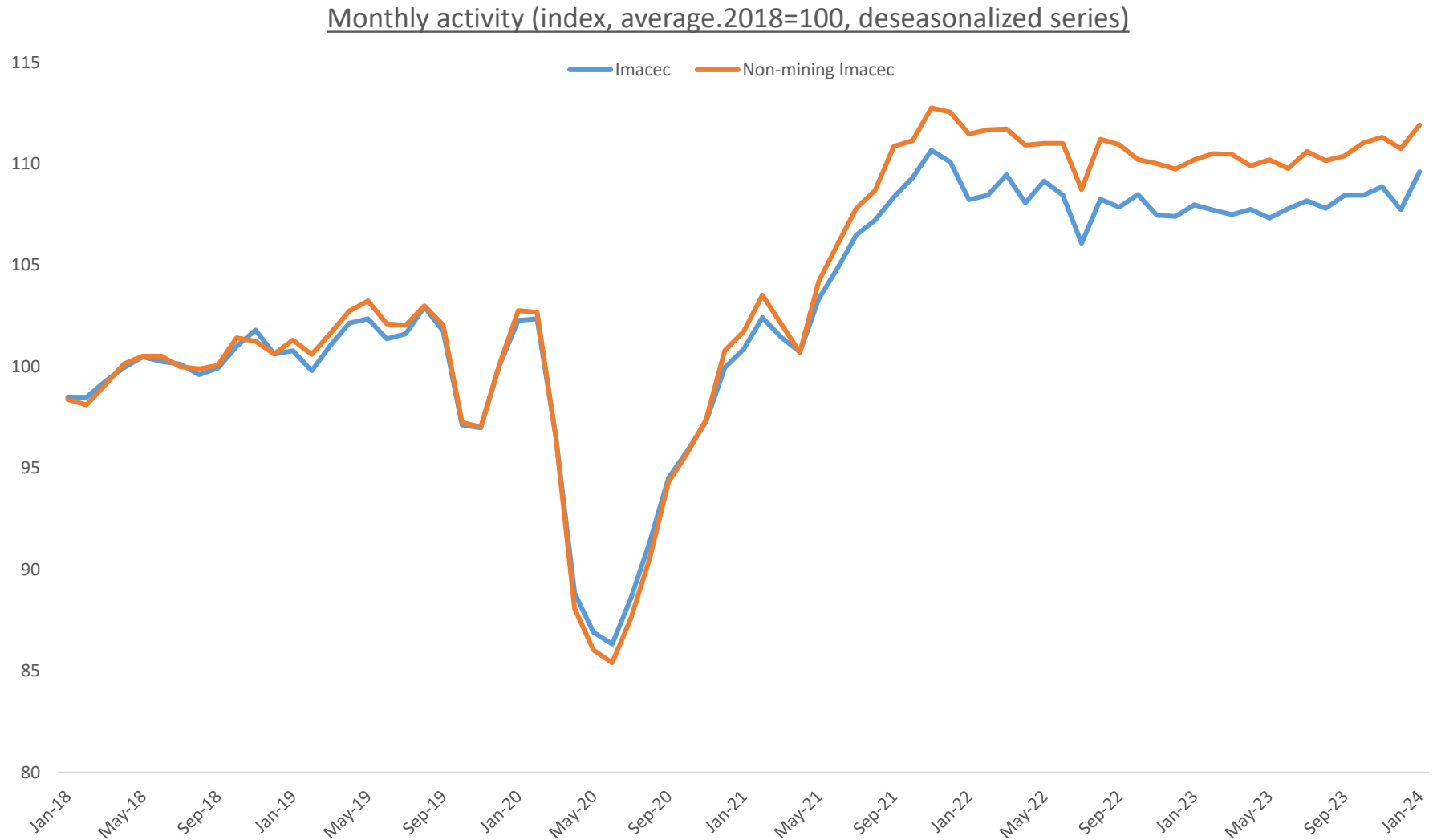
Source: Central Bank of Chile, national accounts Q3 2023.

Gross fixed capital formation has had a volatile behavior for several quarters, linked to the performance of machinery and equipment.



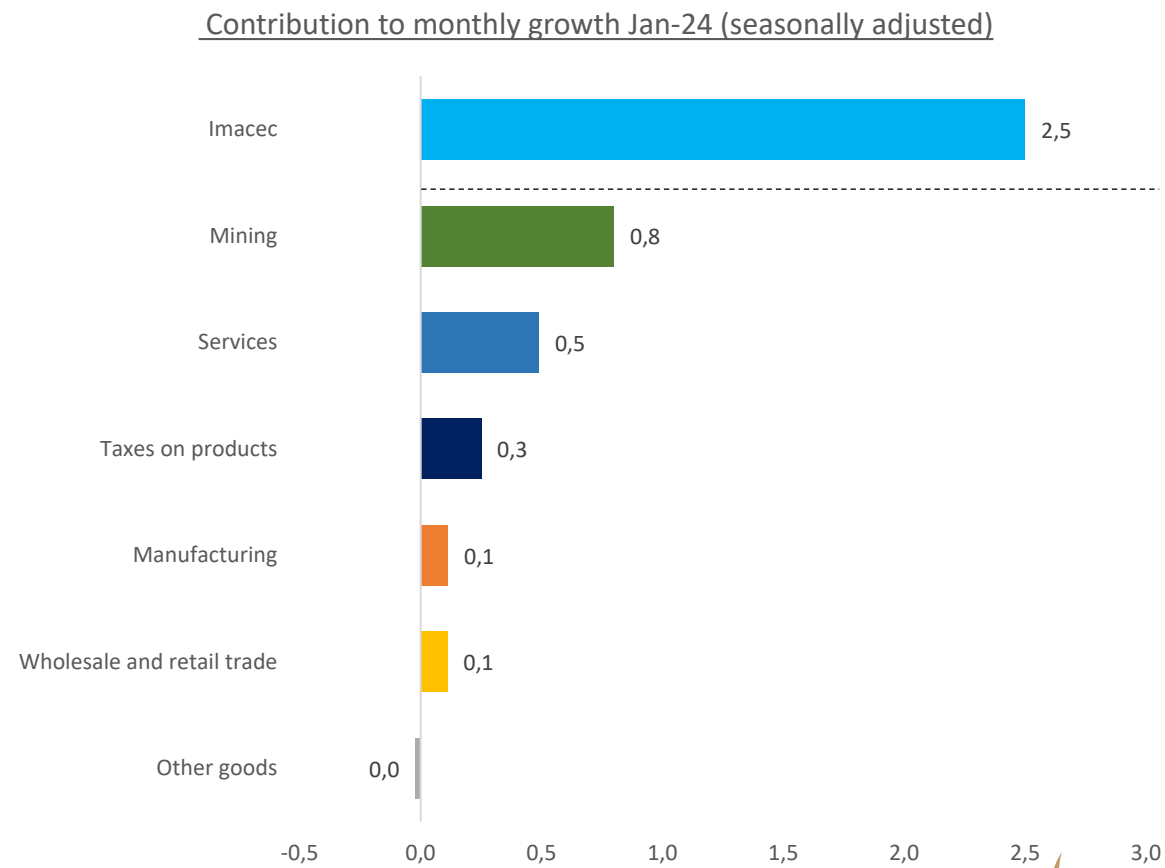
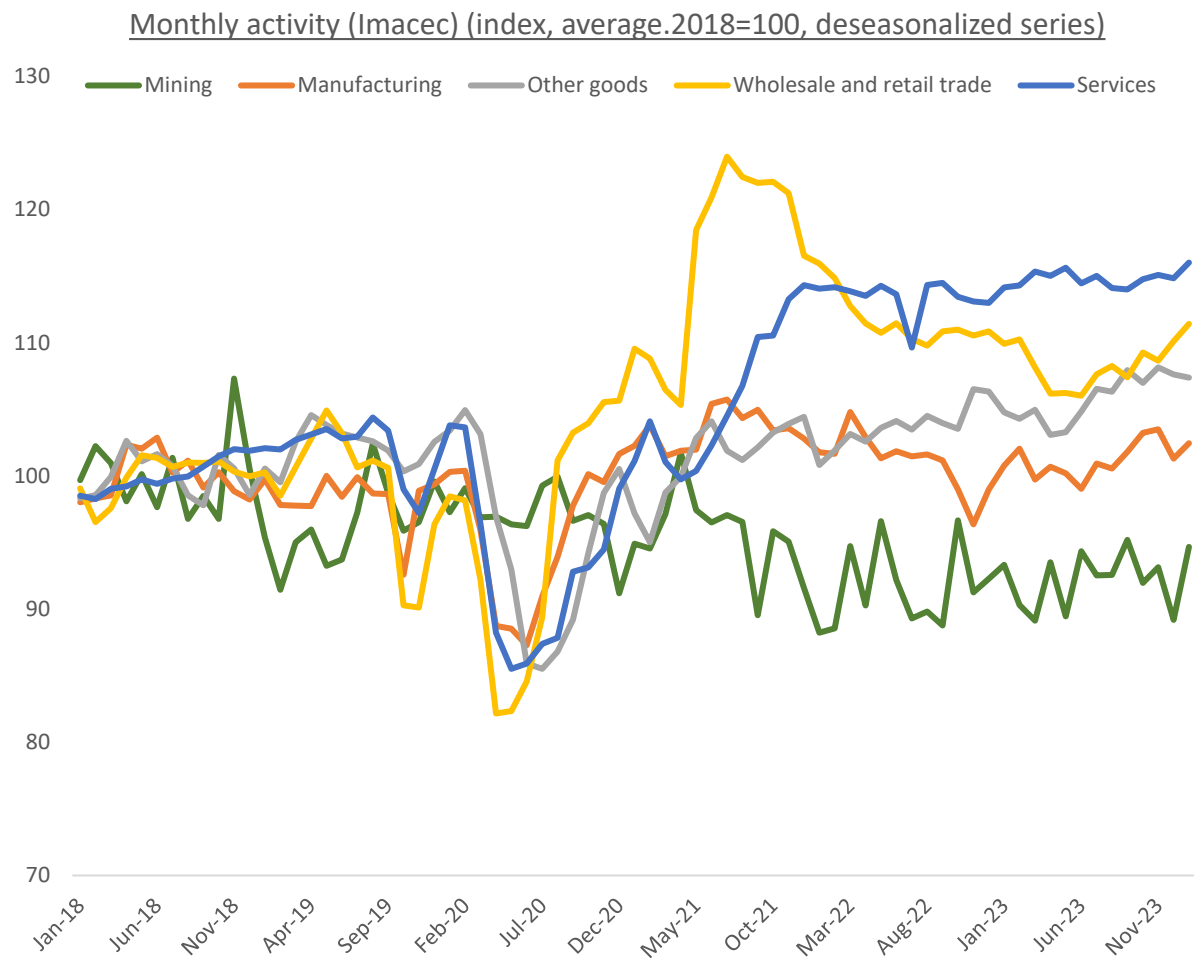
Source: Central Bank of Chile, national accounts Q3 2023.

Economic activity in Jan-24 surprised market expectations upwards.



Source: Central Bank of Chile.

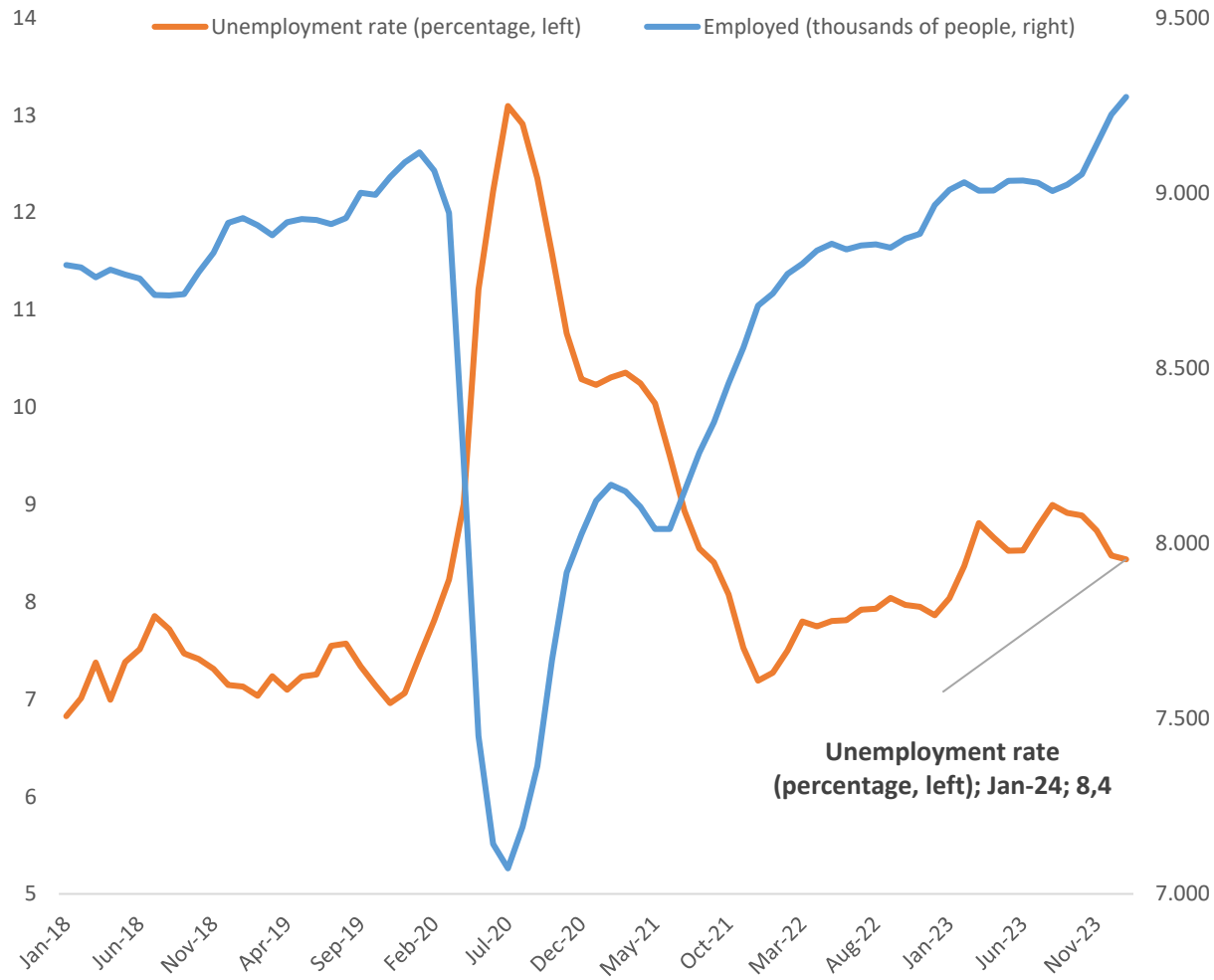
Mixed evolution of economic sectors in 2021-2023. In Jan-24, all sectors contributed positively to monthly growth.



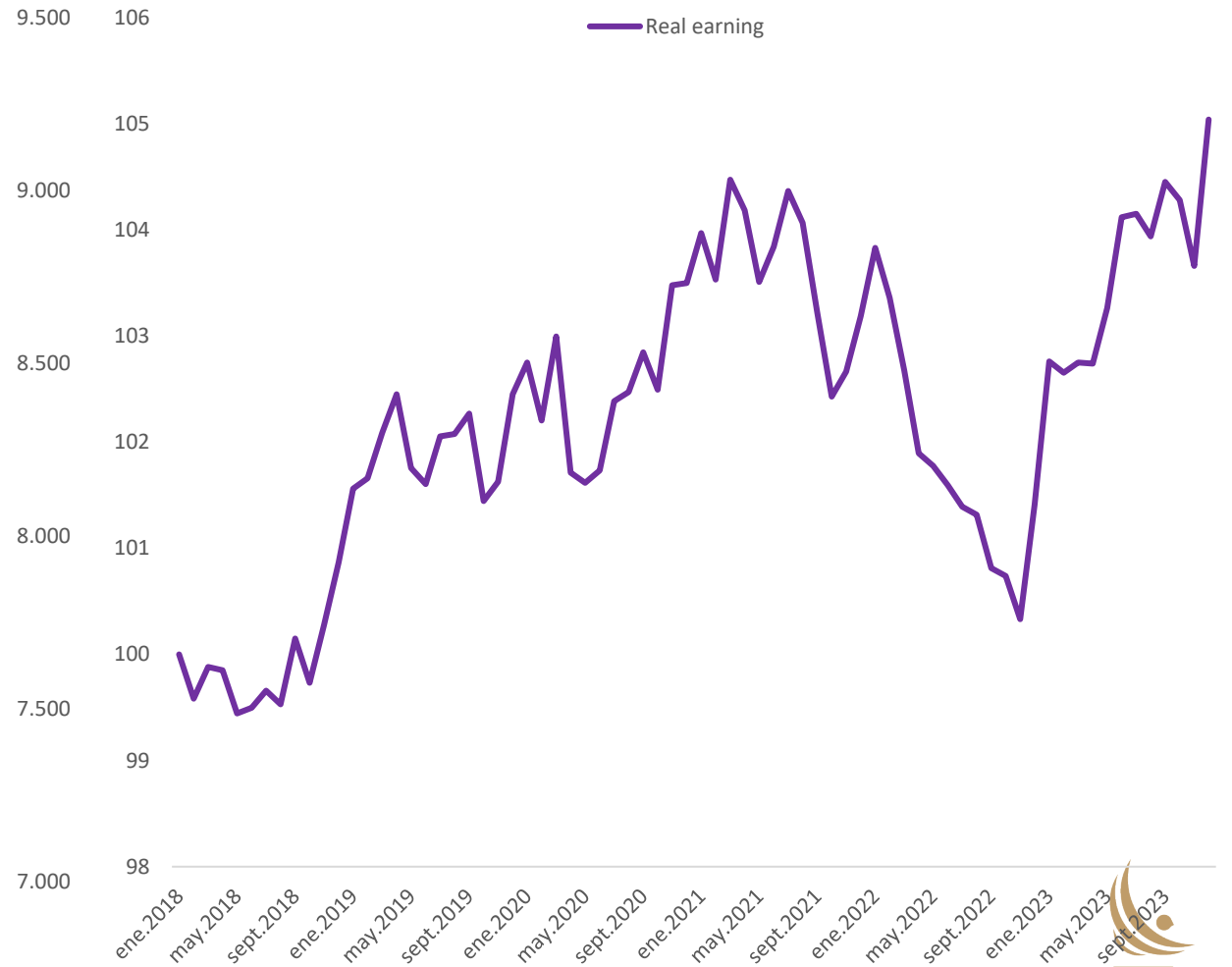
Source: Central Bank of Chile.

Labor market with limited dynamism. Employment just recovering pre-pandemic levels. Real wages have increased due to the fall in inflation.

Labor market (country level)

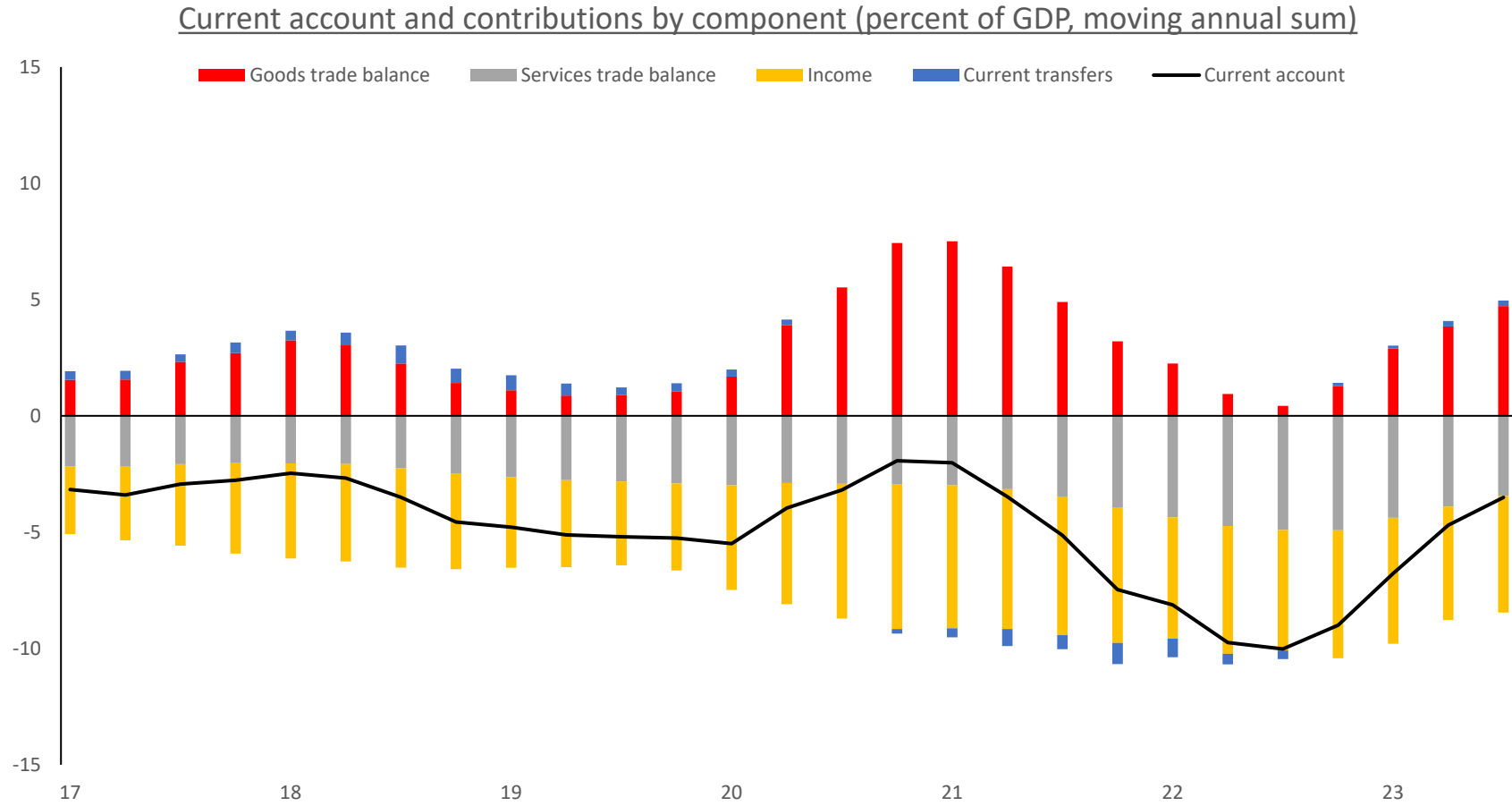


Real earning (index, Jan.2018=100)



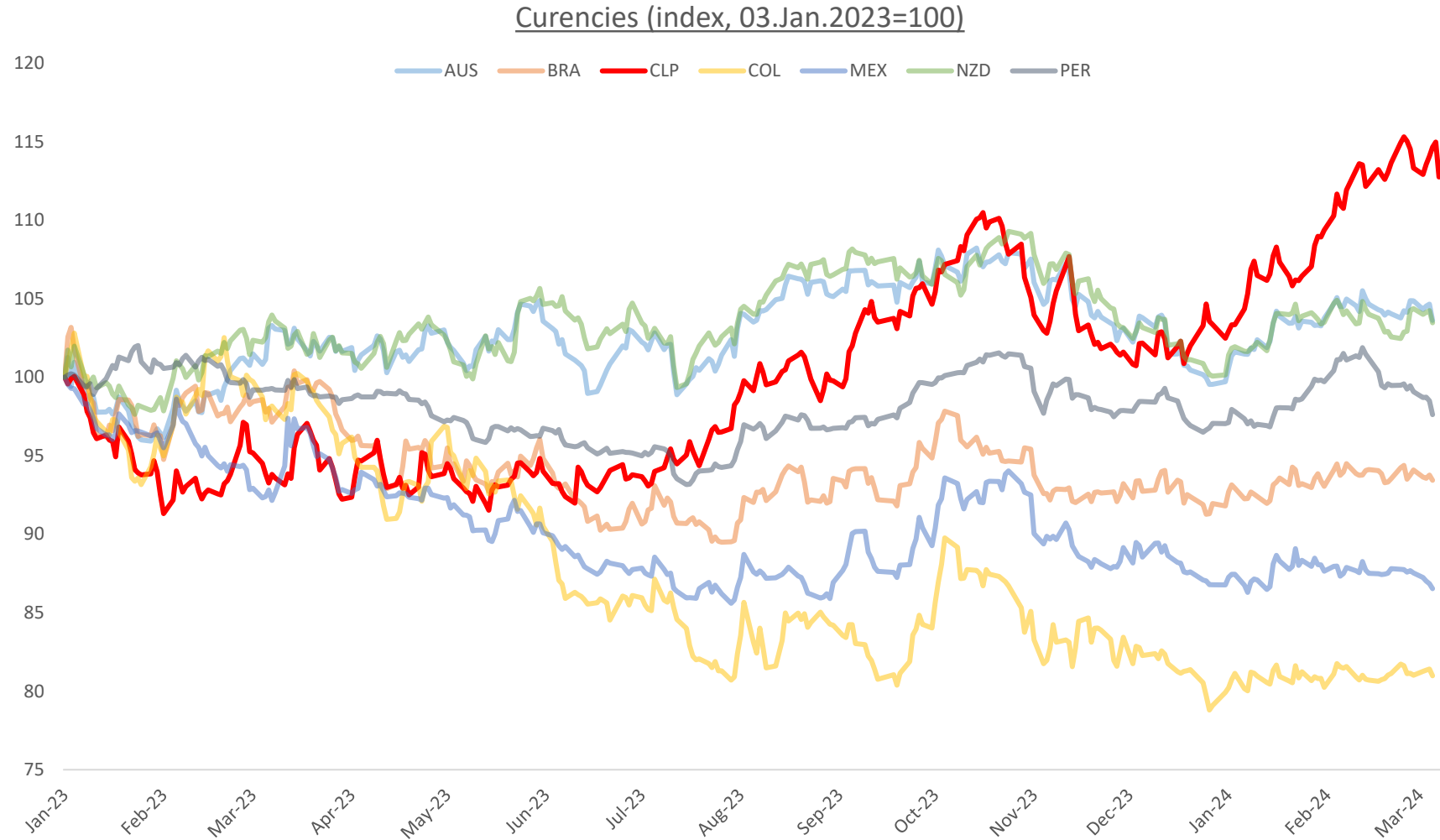
Source: INE.

The current-account deficit narrowed further during the third quarter and reached a cumulative balance in a moving year of 3.5% of GDP.



Source: Central Bank of Chile.

The CLP has depreciated 12% since the beginning of 2023, well above its peers in LATAM and other exporting countries.



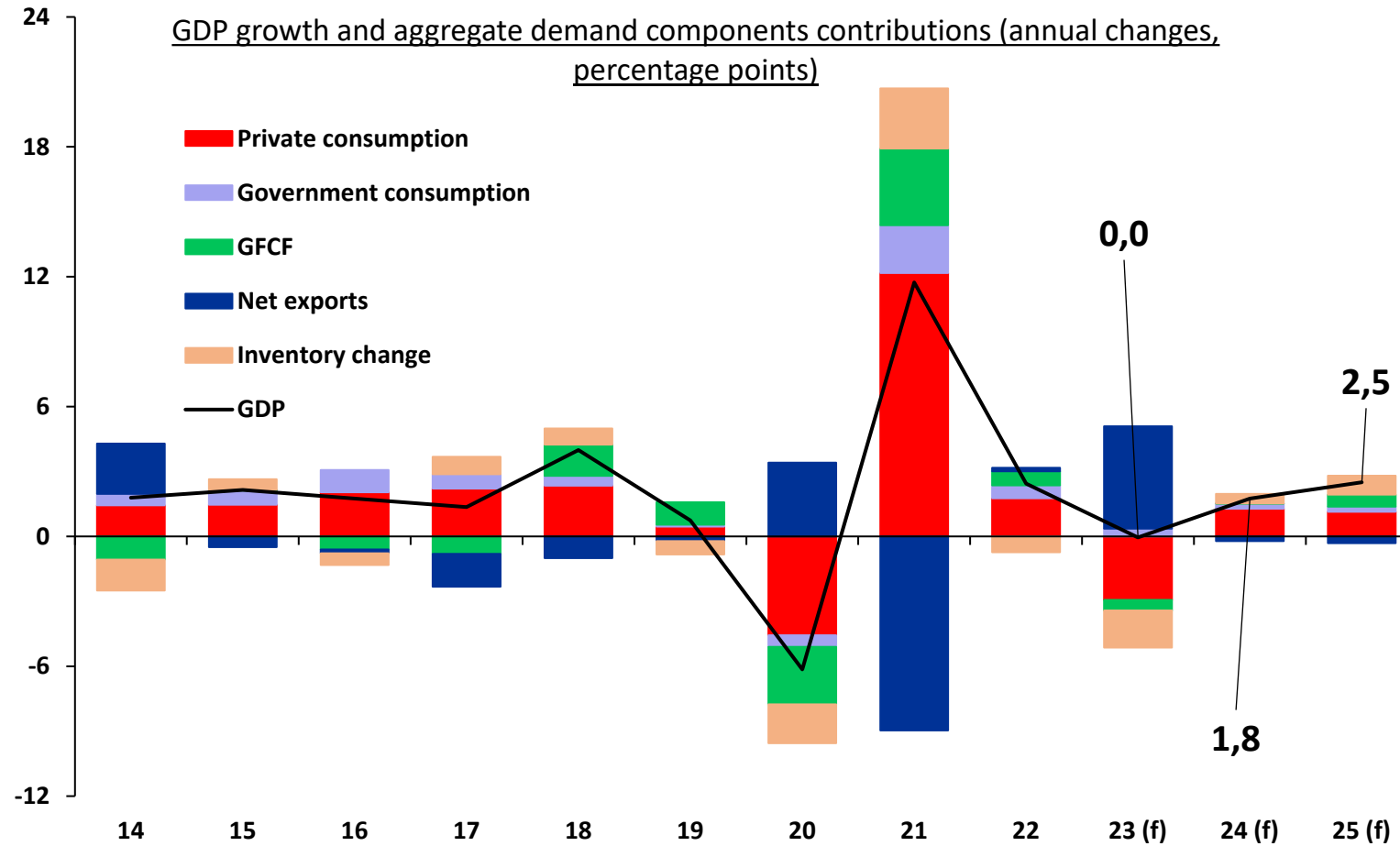
Source: Central Bank of Chile.





Monetary Policy Report Dec-23: Projections

Projected GDP growth ranges remain at 1.25-2.25% for 2024 and 2-3% for 2025.



Source: Central Bank of Chile.

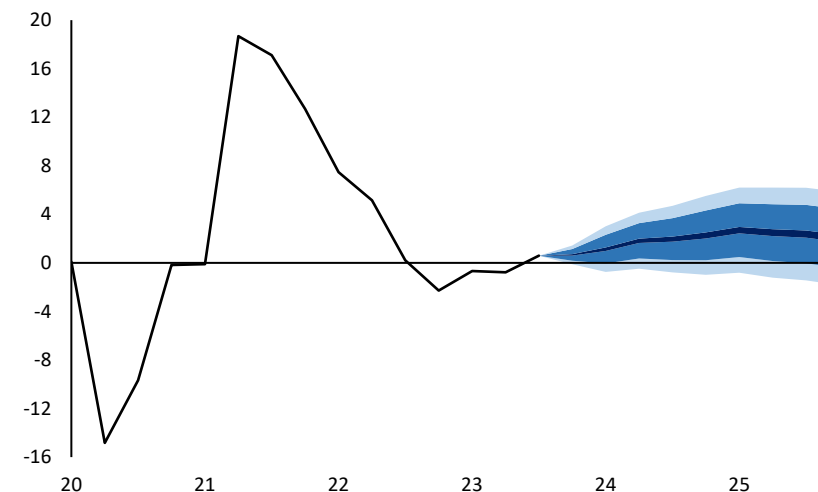
The activity gap is around zero and is estimated to remain close to that level throughout the projection horizon.

ECONOMIC GROWTH AND CURRENT ACCOUNT

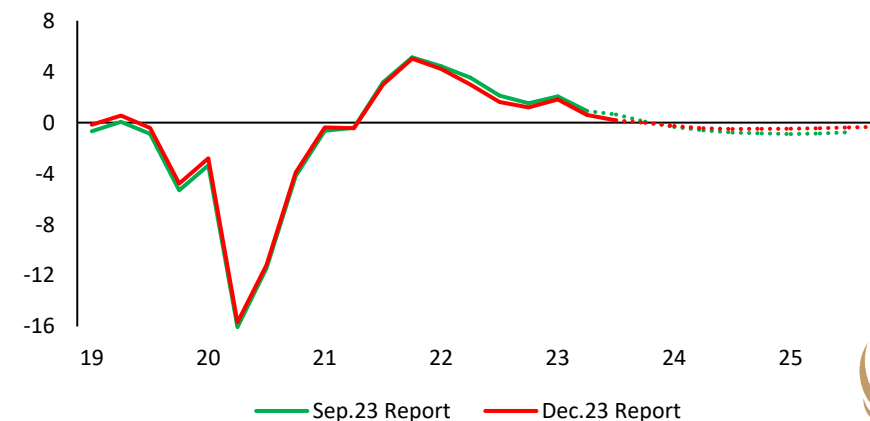
	2022	2023 (f)	2024 (f)	2025 (f)
	(annual change, percent)			
GDP	2.4	0.0	1.25-2.25	2.0-3.0
National income	1.5	1.3	1.9	2.9
Domestic demand	2.3	-4.6	2.0	2.7
Domestic demand (w/o inventory change)	3.0	-3.0	1.5	1.9
Gross fixed capital form	2.8	-1.9	0.0	2.4
Total consumption	3.1	-3.3	2.0	1.8
Private consumption	2.9	-4.6	2.1	1.8
Goods and services exports	1.4	1.0	3.4	1.9
Goods and services imports	0.9	-11.1	4.3	2.9
Current account (% of GDP)	-9.0	-3.3	-4.0	-3.9
Gross national saving (% of GDP)	16.4	18.8	18.4	19.1
Gross national investment (% of GDP)	25.4	22.1	22.4	23.1
GFCF (% of nominal GDP)	24.8	23.3	23.1	23.0
GFCF (% of real GDP)	23.6	23.2	22.8	22.8
	(US\$ million)			
Current account	-27,102	-10,600	-13,500	-14,400
Trade balance	3,807	14,700	11,100	10,000
Exports	98,548	95,000	96,700	102,300
Imports	94,741	80,300	85,600	92,300
Services	-14,824	-10,200	-10,000	-10,100
Rent	-16,520	-15,800	-15,300	-15,000
Current transfers	434	700	700	700

(f) Forecast

Growth forecast (annual change, percentage)

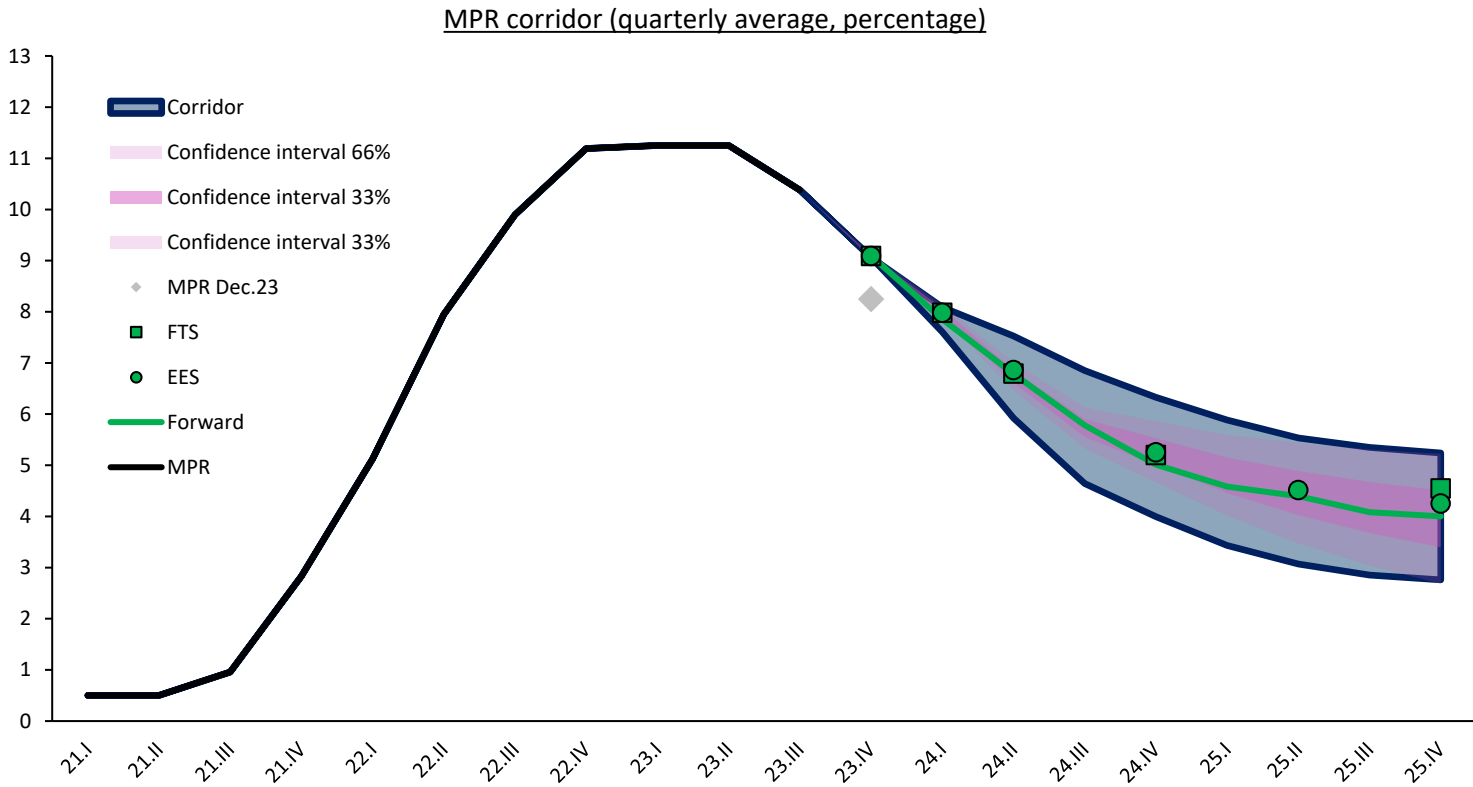


Activity gap (level, percentage points)



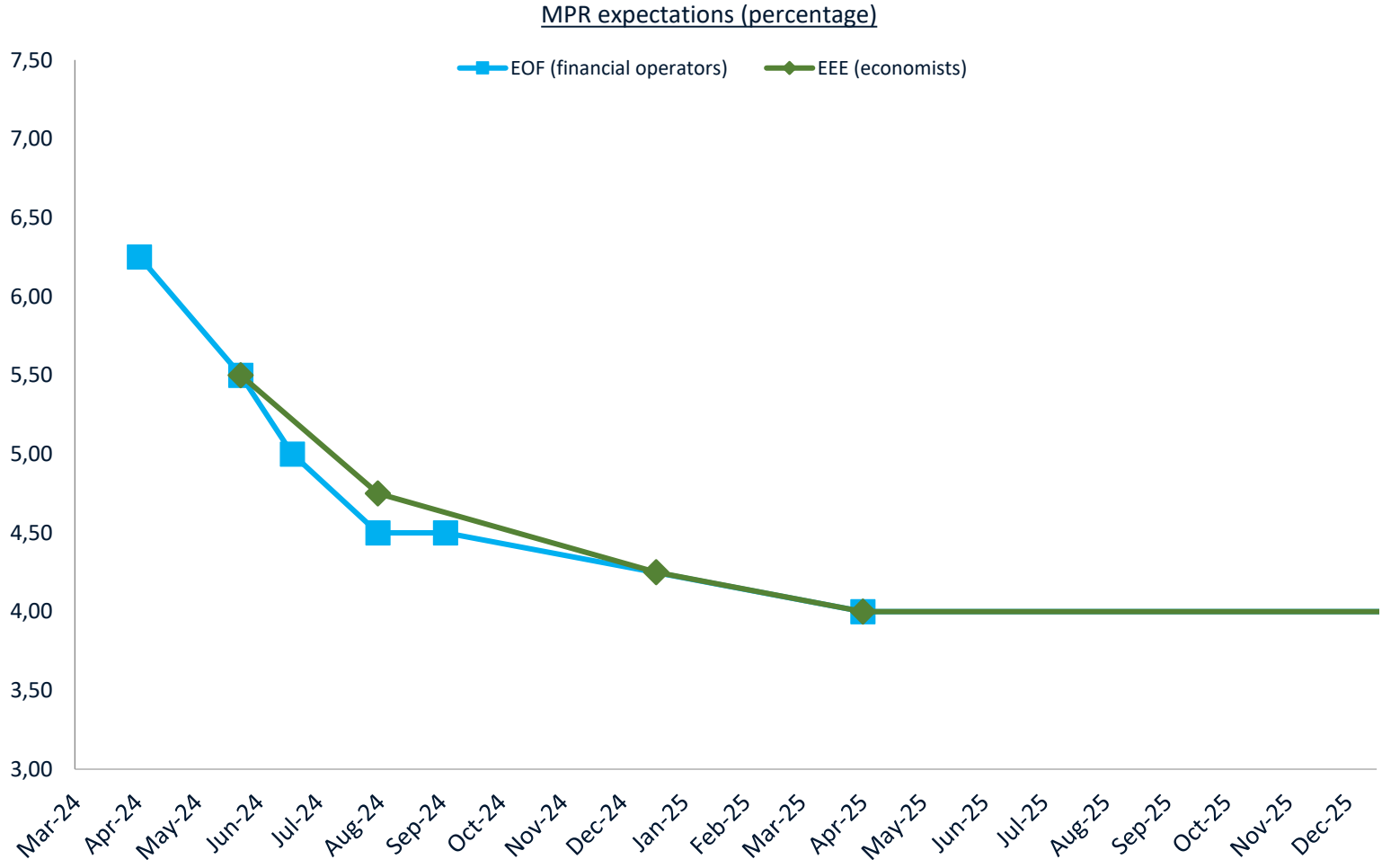
Source: Central Bank of Chile.

The borders of the MPR corridor (Dec-23) reflect sensitivity scenarios where the speed of inflationary convergence process yields the way to interest rate adjustments other than those considered in the central scenario central.



Source: Central Bank of Chile. The corridor is built by following the methodology described in boxes V.1 of March 2020 Report and V.3 of March 2022 Report. Includes December EES, FTS pre-policy-meeting of December and the average smoothed forward curve of quarter to 13 December. This is calculated by extracting the implicit MPR considering the forward curve on the interest rate swap curve up to 2 years, discounting the fixed rates at every maturity at the simple accrual of the ICP. For the current quarter the surveys and the forwards consider the average daily effective and are completed with the respective sources.

Recent surveys show a convergence to a MPR around 4.25% towards the end of the year.



Source: Central Bank of Chile, EEE Feb-24 and EOF post Jan-24 monetary policy meeting.



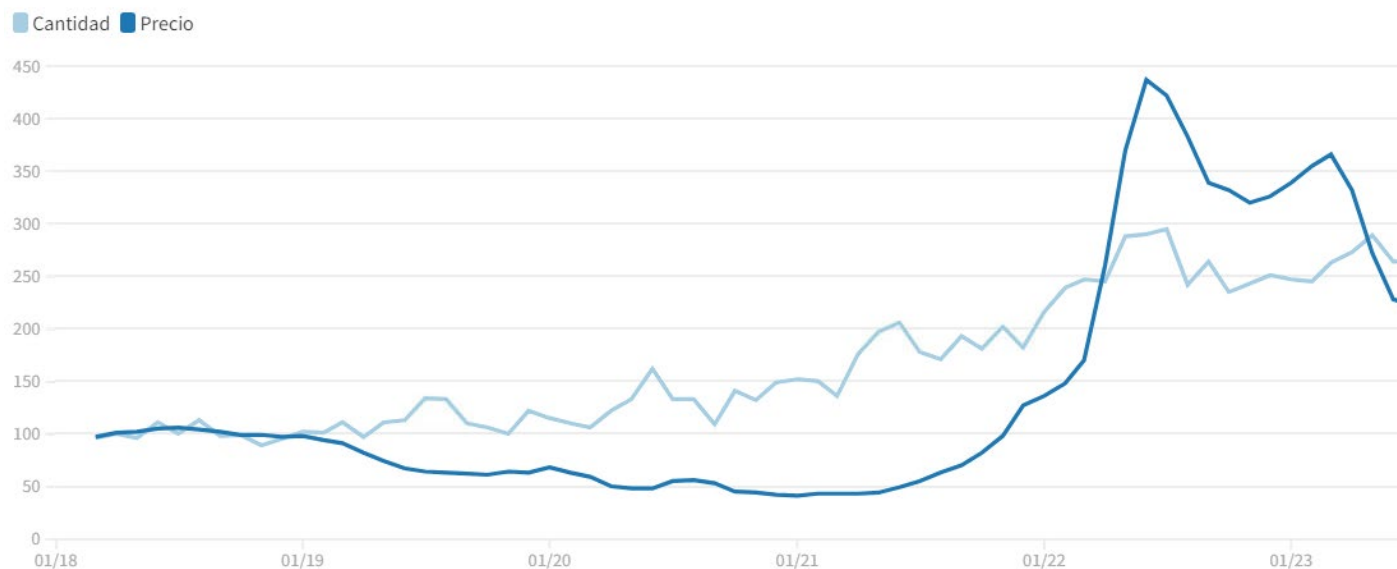
**Blog: Recent importance of lithium in
the Chilean economy**

- Chile represents 41% of world lithium reserves, followed by Australia (25.4%), Argentina (9.8%) and China (6.7%).
- Key element for the energy transition: lithium-ion batteries, decarbonization and electrification of transport and the storage of renewable energies.

Gráfico 2

Exportaciones de carbonato de litio: precio y cantidad (*)

(índice 2018 = 100, promedio móvil trimestral, mensual)



(*) La información nominal se obtiene de Balanza de Pagos, mientras que la de cantidades se obtiene de Aduanas. El precio se calcula implícitamente. Fuentes: Autores en base a información del Servicio Nacional de Aduanas y Banco Central de Chile.



- According to the International Energy Agency (IEA), **between 2020 and 2040, the total demand for lithium worldwide could increase thirteen-fold in the scenario of already declared policies. This factor could increase to forty-two in a sustainable development scenario.**