

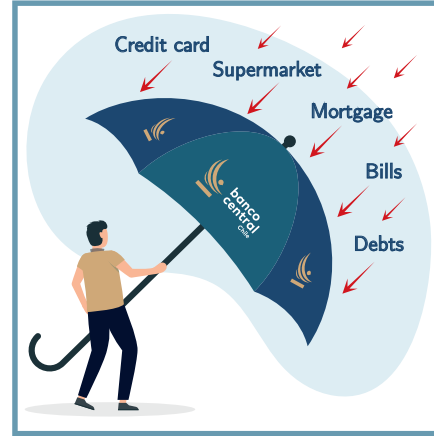
What does this MP Report tell us? September 2021



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However, it is important that consumption does not grow to a point where it pushes up inflation, as this would be particularly detrimental to lower-income people.



The Central Bank is taking measures to avoid inflation from spinning out of control and thus protect people's wallets.



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- The normalization of permanent income, together with the resources households have received from the universal emergency family income IFE and pension fund withdrawals have triggered a major increase in the quantity of money available for spending.
- Higher amounts of money available has coincided with the opening of the economy and the better sanitary situation, strongly boosting consumption.
- Spending has been concentrated in durable goods, including TV sets, furniture, cars, and the like, while services continue to lag due to customer capacity constraints imposed by the pandemic.
- However, the measures that have increased people's disposable income cannot last forever, as they imply a costly, heavy burden on the country.
- In fact, the price of the dollar and mortgages are already rising, mainly because of concerns regarding how long the fiscal aid will last or whether new pension fund withdrawals will be allowed.



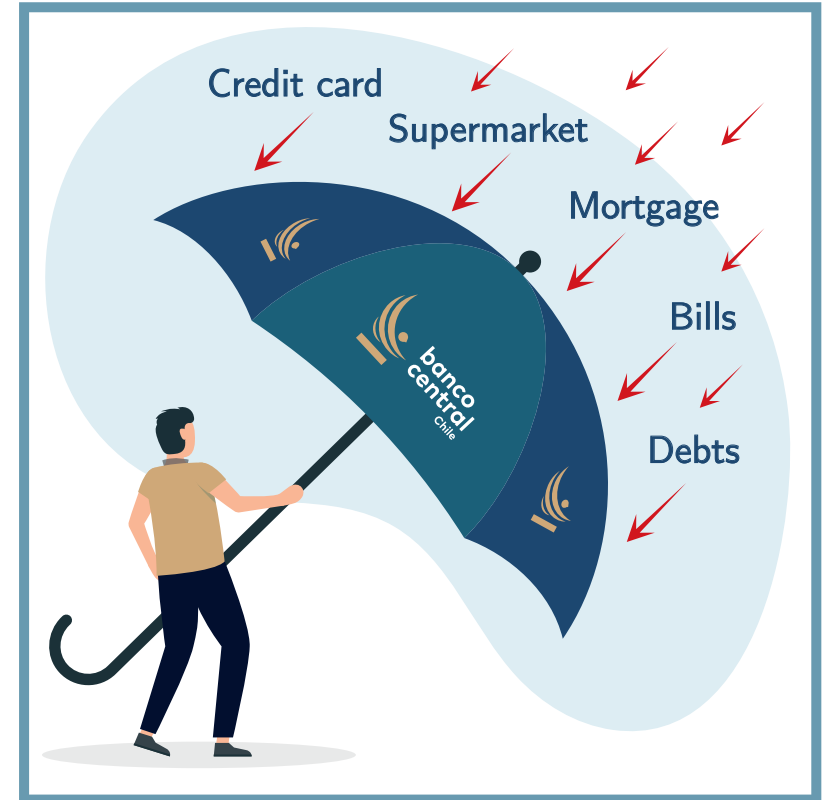
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- Consumers' demand for various products has soared. However, in some cases inventories are not sufficient to sell because of pandemic-related difficulties in producing, importing and distributing the goods. This has resulted in inflation increases.
- The higher price of the dollar also plays a role in the inflation of imported products.



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- The main tool to control inflation is the monetary policy interest rate.
- To combat rising inflation, the Central Bank has raised the policy rate since July.
- Among other things, avoiding a disproportionate rise in inflation will keep UF increases at bay. This will prevent a rise in mortgage installments, rents and other personal debts.



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- It is important that employment recovers so that everyone can have the resources to progress and achieve their goals. Furthermore, this will help to continue sustaining the country's growth going forward.
- In this sense, it is paramount for women to be able to return to work. Many of them have been unable to seek employment because of children not going to school or difficulties to find help for childcare at home.
- It is also important that the country can replenish the savings it has exhausted during this crisis. The country's history provides examples of how important it is to have resources saved for difficult times.

