

What does this MP Report tell us? September 2022



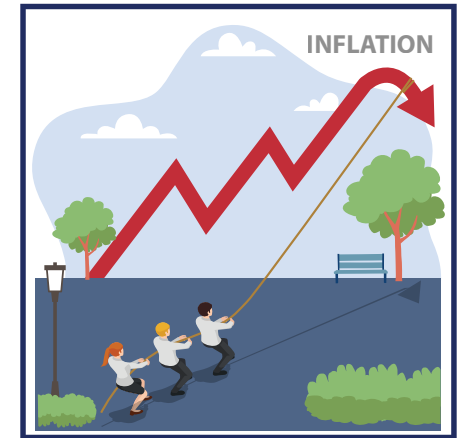
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- Inflation has reached decades-long records due to the significant increase in spending during 2021, world price hikes, and problems in global supply chains.
- Another major factor has been the higher dollar price, which has gained importance in the last few months.
- Rising prices have put a substantial burden on households' purchasing capacity, as they have outpaced the increases in wages.
- They also affect businesses, which find it harder to cope with cost increases.
- Our forecasts assume that inflation will begin to decline over the coming months, to approach the Central Bank target in 2023.



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- Incoming data confirm consumption moderating from its high levels of 2021.
- This will result in negative growth rates for some quarters, which is necessary for the country to resume growing at a pace sustainable over time and undo the economic imbalances generated during the pandemic.
- If the economy fails to adjust, inflation will remain high for a long time, increasing the costs that every Chilean is now dealing with.



The risks facing the economy are still very significant.

- The Central Bank is working to ensure a brief, orderly adjustment process for the economy at the lowest cost possible.
- Major challenges lie ahead. Around the world, countries must adjust their economies to reduce inflation, which comes with consequences especially for small countries like Chile.
- The Russian-Ukraine conflict has become more protracted, generating uncertainty about commodity prices like foods and energy.
- Locally, the economy has been subject to high, long-lasting uncertainty and we all have to make efforts to lower it down.



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- Both individuals and businesses are paying a high price for inflation.
- If the situation continues, its costs will soar, affecting job-creation capacity, wages, and the well-being of the population.
- The Central Bank has raised the monetary policy interest rate to ensure that high inflation phenomenon is transitory and returns to the 3% target over a two-year horizon.
- The Central Bank will take every measure necessary to mitigate the impact of inflation on families and businesses, and thus bring the economy back to a path of sustainable growth.

