



# The Chilean Economy at a Glance



Central Bank of Chile, October 2022

# Foreword

- The presentation “The Chilean Economy at a Glance” is delivered quarterly after the release of each Monetary Policy Report, to contribute to the dissemination of Chile’s recent economic developments and its most relevant structural features.

# Contents

- I. Institutional Framework
- II. Macroeconomic Indicators
- III. Monetary and Financial Indicators
- IV. Public Sector
- V. Financial System
- VI. External Sector
- VII. Independent Rankings

1

# Institutional Framework

# Institutional Framework

- Chile's macroeconomic and financial institutional environment rests on four pillars:
  - Autonomous Central Bank conducting the monetary policy.
  - Responsible and predictable fiscal policy.
  - Adequate regulation and supervision of the financial system.
  - Integration with international markets through trade openness and free capital mobility.

# Institutional Framework

- The Central Bank of Chile (CBC) was created in 1925 and its autonomy was granted in 1989 by virtue of a Constitutional Organic Act.
- This law establishes the following core purposes:
  - The stability of the currency,
  - and the normal operation of internal and external payment systems.

# Institutional Framework

- The CBC conducts its monetary policy under an inflation targeting scheme cum floating exchange rate:
  - The explicit objective consists on having annual CPI inflation lying most of the time near 3%.
  - The operational objective is projected annual inflation to remain at an annual rate of 3% over a policy horizon of two years.
  - This allows to anchor expected inflation in order to provide a clear, unique reference for the path of prices.
  - The primary objective of monetary policy is price stability. Conditional on meeting the inflation target, it also has a countercyclical behavior that contributes to reduce output volatility.

# Institutional Framework

- Chile has a responsible and predictable fiscal policy:
  - Governed by a fiscal rule that considers cyclical adjustments of activity and long-term copper prices.
  - A solvent fiscal sector eradicates the monetary policy subordination to fiscal policy and reinforces the effectiveness and credibility of macroeconomic policies.
- In practice, fiscal and monetary authorities act in a coordinated fashion, always respecting their mutual independence and fostering their effectiveness.

# Institutional Framework

- Adequate regulation and supervision of financial sector according to international standards:
  - This duty is shared by the CBC with other entities supervising the financial system such as the Financial Market Commission and of Pension Fund Administrators.
  - In this manner, it contributes to Chile's financial stability.

# Institutional Framework

- International markets integration is characterized by:
  - Low tariffs, Free-Trade and Trade Agreements.
  - Free inward and outward capital mobility providing access to foreign savings and local risk diversification.
  - Floating exchange rate regime since 1999, allowing the adjustment of relative prices under external shocks. However, the CBC reserves its right to intervene if considered appropriate. As was done in 2001, 2002, 2008, 2011 and 2019.

# Institutional Framework

- Chile's institutional environment also includes a legal framework and well-established public institutions granting security to investors.
- Chile's political stability is also worth noting, among other issues, reflected on widespread consensus regarding main economic policies.

2

## Macroeconomic Indicators

# Snapshot



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022(f)	2023(f)	2024(f)
Gross Domestic Product (billions of USD)	277	259	243	249	276	295	278	253	317			
Real GDP growth (annual change, %)		1.8	2.2	1.8	1.4	4.0	0.8	-6.0	11.7	1.75 - 2.25	-1.5 / -0.5	2.25 - 3.25
Consumer prices (annual % change Dec/Dec)	3.0	4.6	4.4	2.7	2.3	2.6	3.0	3.0	7.2	12.0	3.3	3.0
Population (millions of inhabitants)	17.6	17.8	18.0	18.2	18.4	18.8	19.1	19.5	19.7			
Exports of goods FOB (millions of USD)	77.070	75.324	62.120	60.769	68.904	74.838	68.792	74.086	94.677	98.800	99.200	103.000
Imports of goods FOB (millions of USD)	74.670	68.594	58.544	55.819	61.414	70.430	65.776	55.110	84.148	91.600	87.100	90.000
Current account balance (% of GDP)	-4.8	-3.5	-2.8	-2.6	-2.8	-4.6	-5.2	-1.7	-6.6	-6.3	-3.6	-3.3
FX reserves excl. gold (millions of USD)	41.094	40.447	38.643	40.494	38.983	39.861	40.657	39.200	51.330			
Foreign debt (% of GDP)	50.2	59.2	66.5	66.3	64.5	62.8	70.1	79.9	75.3			
Average exchange rate (CLP per USD)	495	570	654	677	649	641	703	792	759			

(f) Forecast included in the Monetary Policy Report, September 2022.

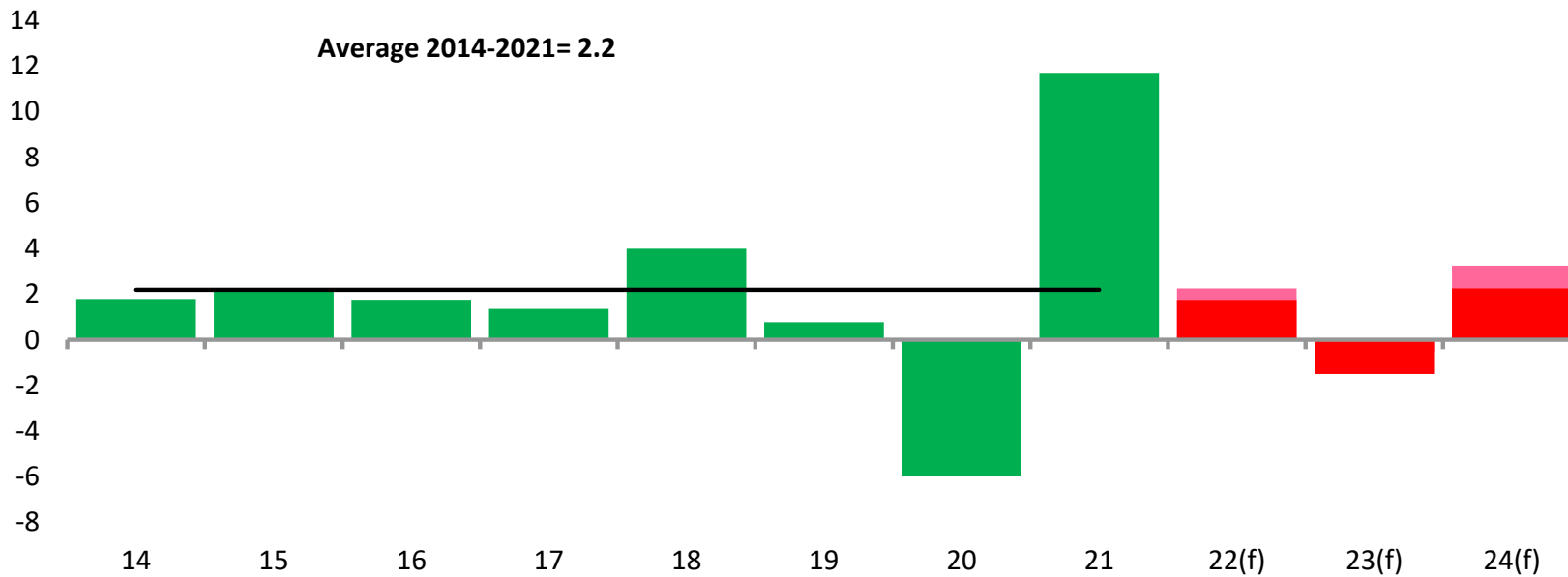
Sources: Central Bank of Chile and National Bureau of Statistics.

# Macroeconomic Indicators



## GDP Growth

(real annual change, percentage)



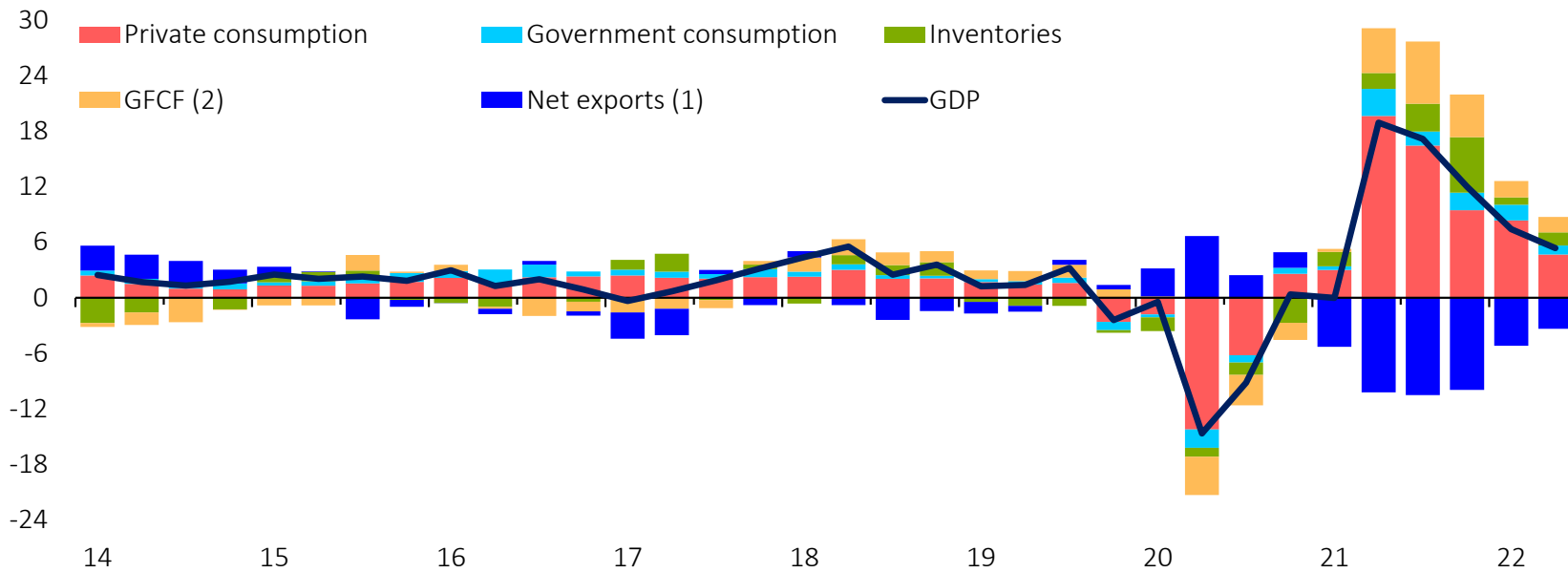
(f) Forecast included in the Monetary Policy Report of September 2022. The estimates indicate that GDP will have an annual change of 1.75 – 2.25% in 2022, -1.5 / -0.5% in 2023 and 2.25 – 3.25% in 2024.

Source: Central Bank of Chile.

# Macroeconomic Indicators



## Contribution to GDP growth (real annual change; percentage)



(1) Goods and services exports minus goods and services imports. (2) Gross Fixed Capital Formation.

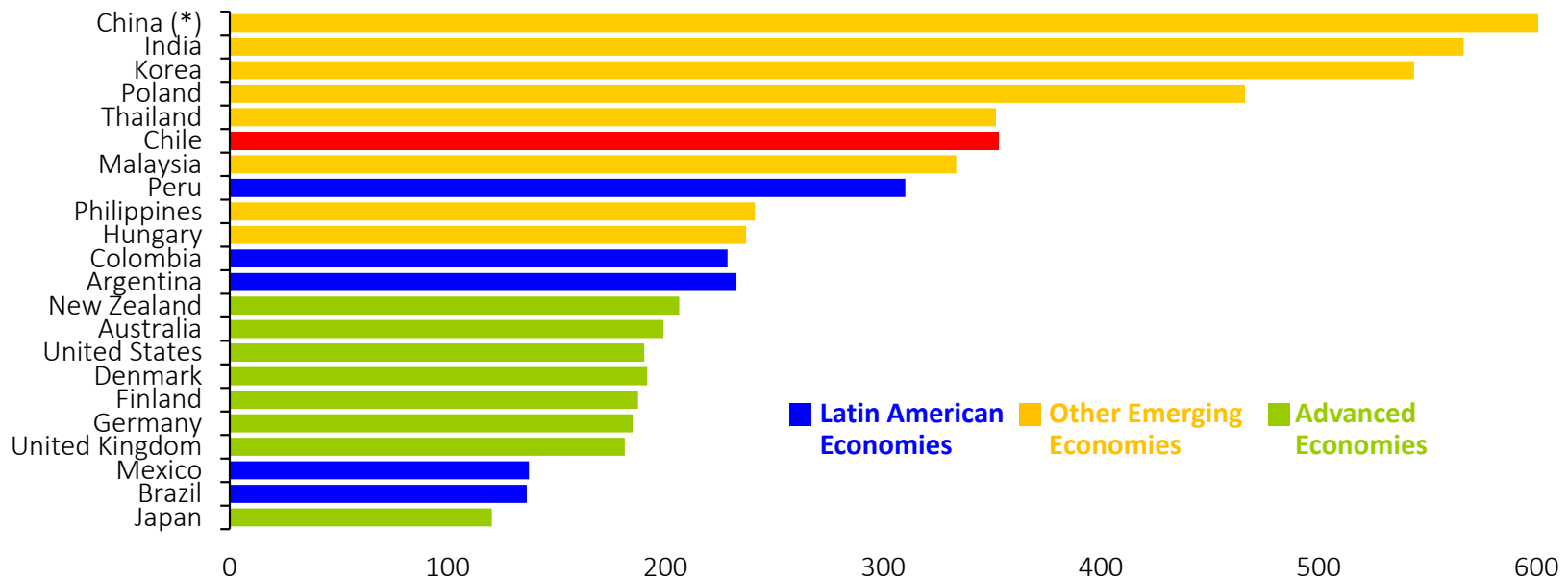
Source: Central Bank of Chile.

# Macroeconomic Indicators



## 1990-2021 PPP GDP per capita Growth

(accumulated increase since 1990, percentage)



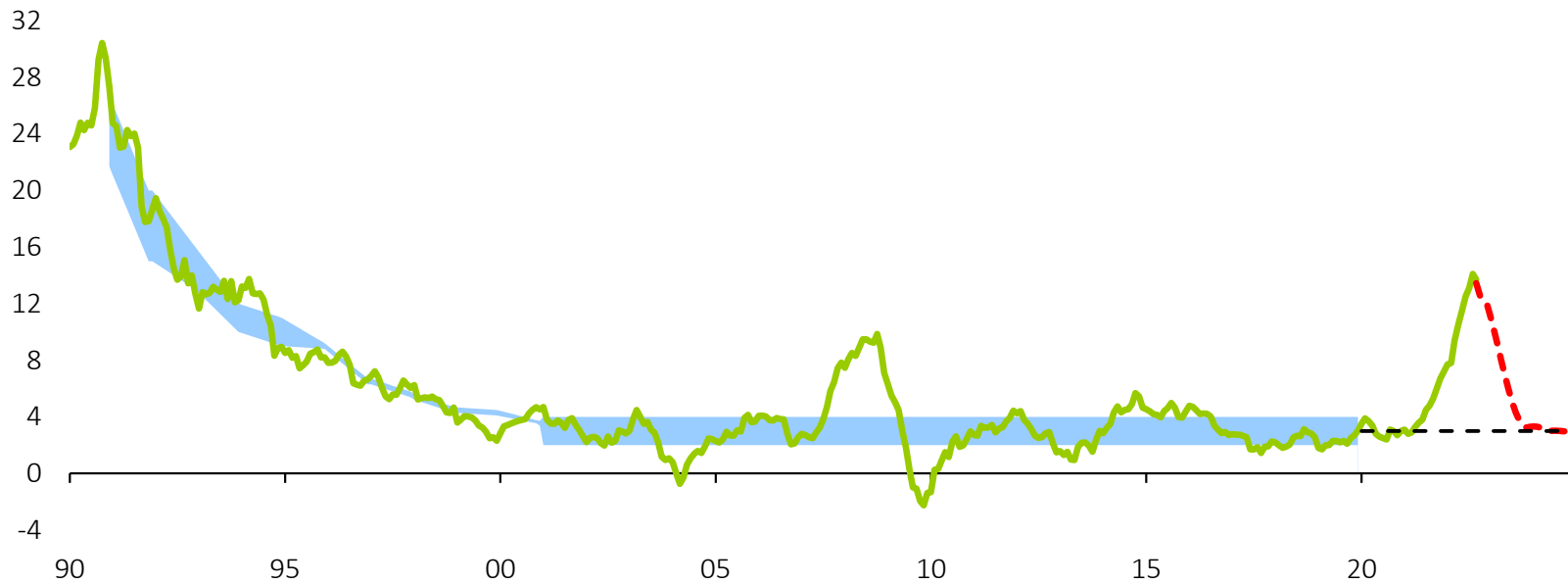
(\*) Axis cut at 600, for China accumulated increase since 1990 was 1875%.

Source: International Monetary Fund, April 2022 WEO.

# Macroeconomic Indicators



## Actual and Target Inflation (annual change, percentage)



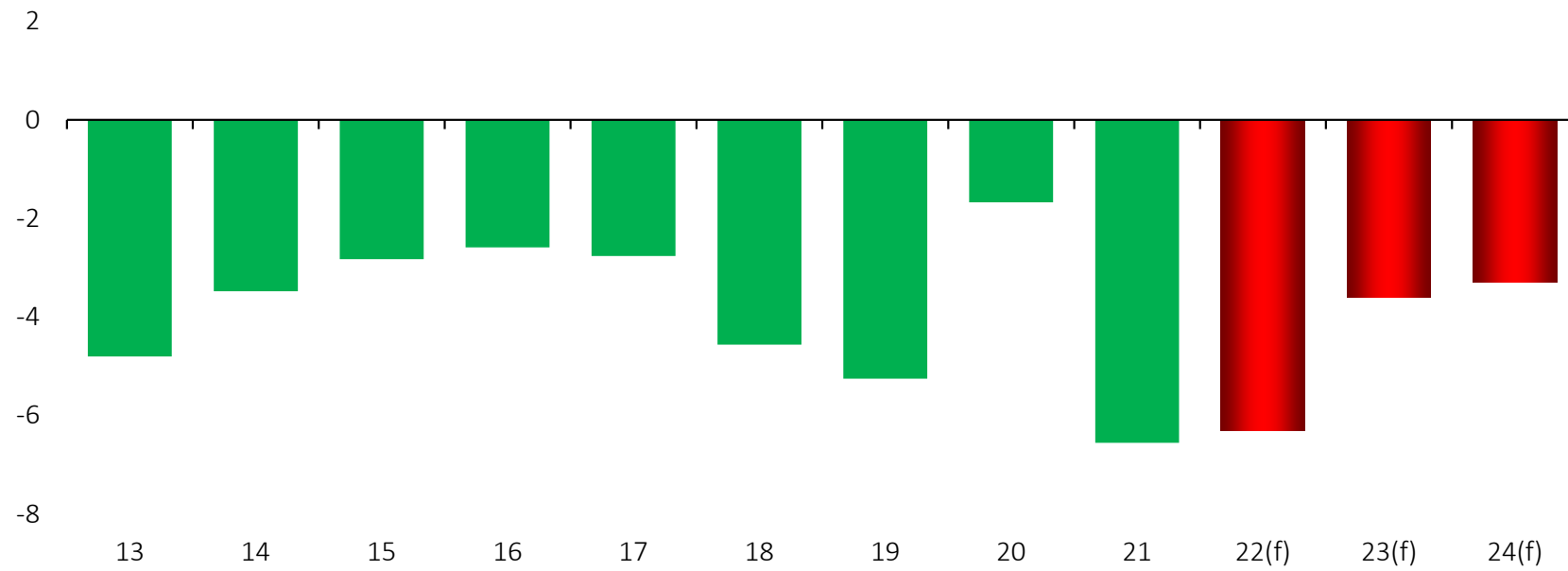
(f) Red line represents the forecast included in the Monetary Policy Report, September 2022. Forecast considers a monthly frequency calculated based on a quarterly projection.

Sources: Central Bank of Chile and National Bureau of Statistics.

# Macroeconomic Indicators



Current Account Balance (\*)  
(percentage of GDP)



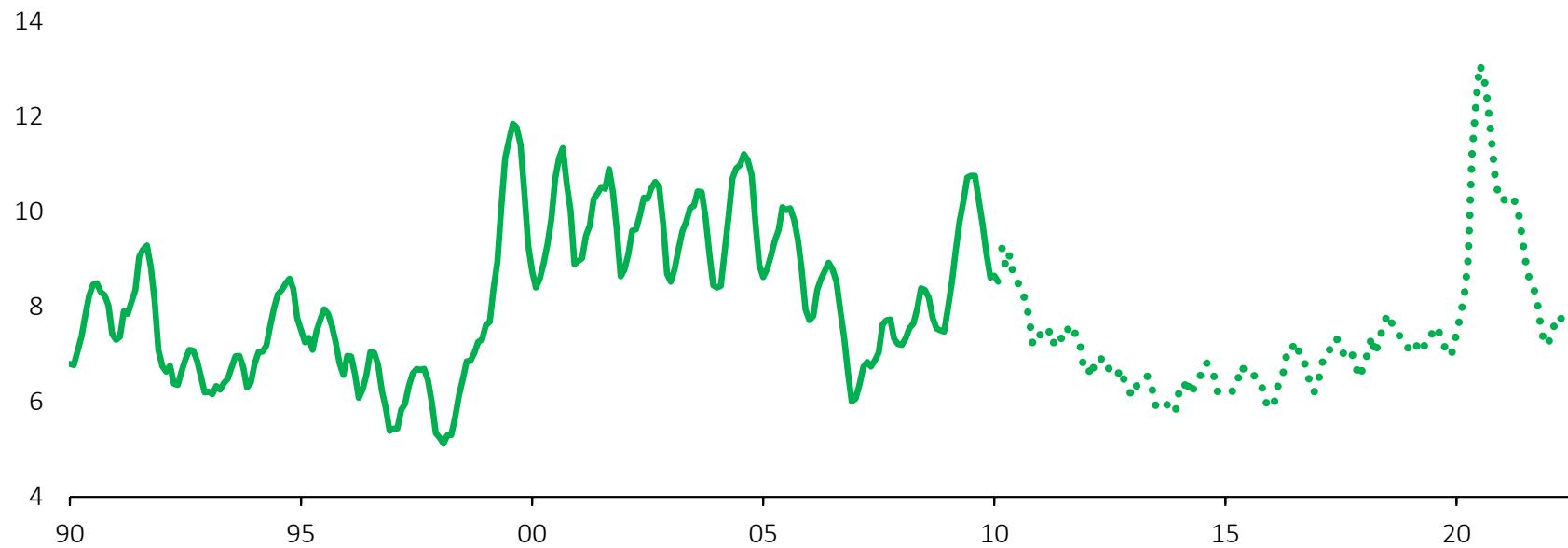
(\*) Red bars show forecast included in the Monetary Policy Report, September 2022.

Source: Central Bank of Chile.

# Macroeconomic Indicators



## Unemployment Rate (\*) (percentage of labor force)



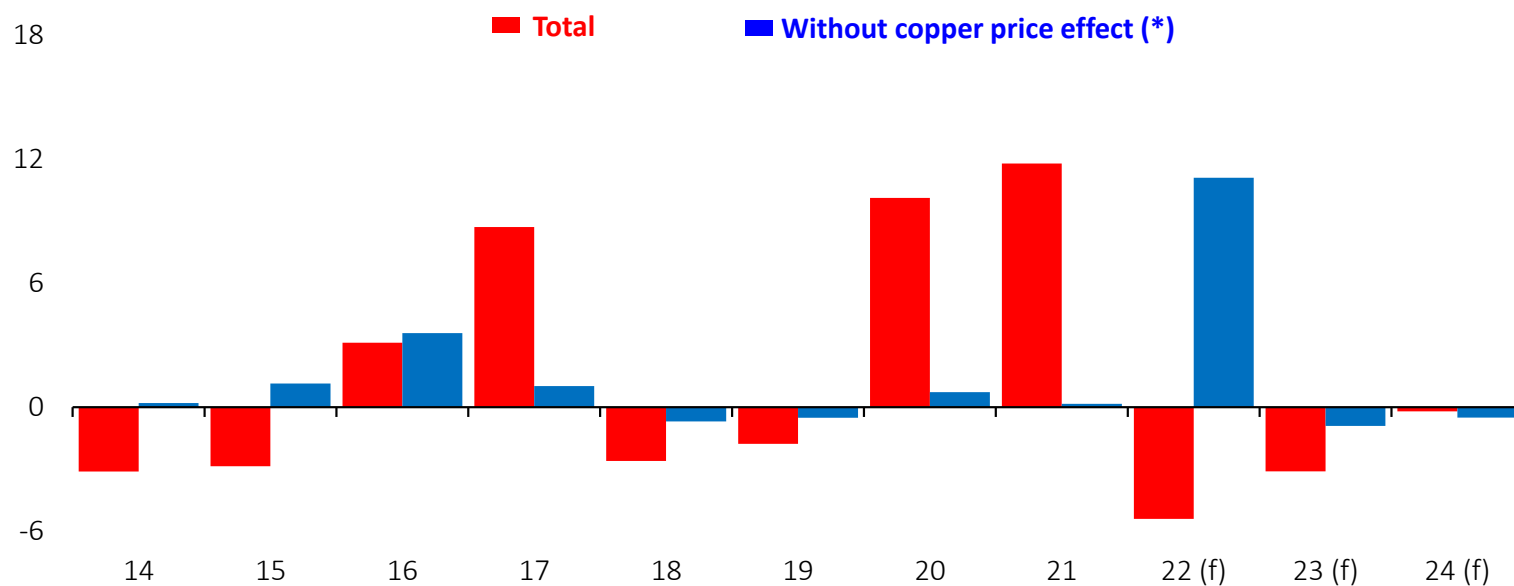
(\*) Dots correspond to the New National Survey on Employment (NENE).

Sources: Central Bank of Chile and National Bureau of Statistics.



## Terms of Trade

(annual change, percentage)



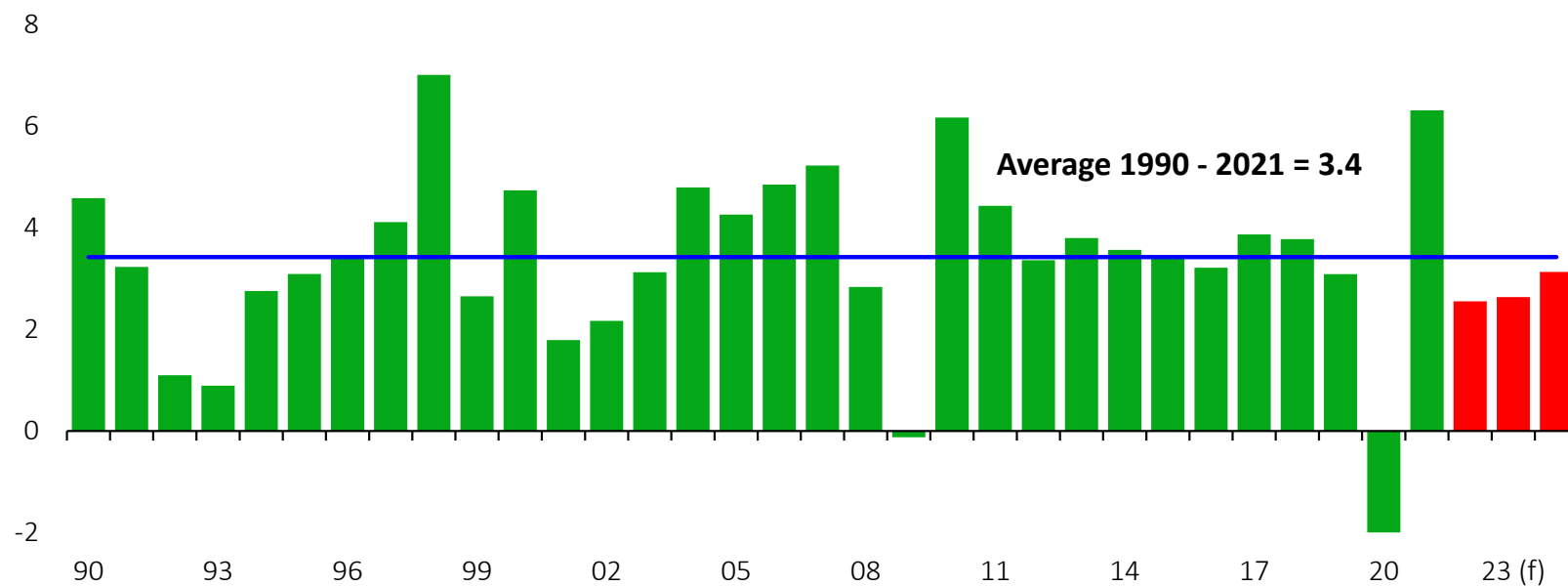
(f) Forecast included in the Monetary Policy Report, September 2022. (\*) Estimated using the London Metal Exchange copper price of 2003 as reference. Other potential effects on price and quantity are not considered.

Source: Central Bank of Chile.



## Main Trade Partners GDP Growth

(annual change, percentage)



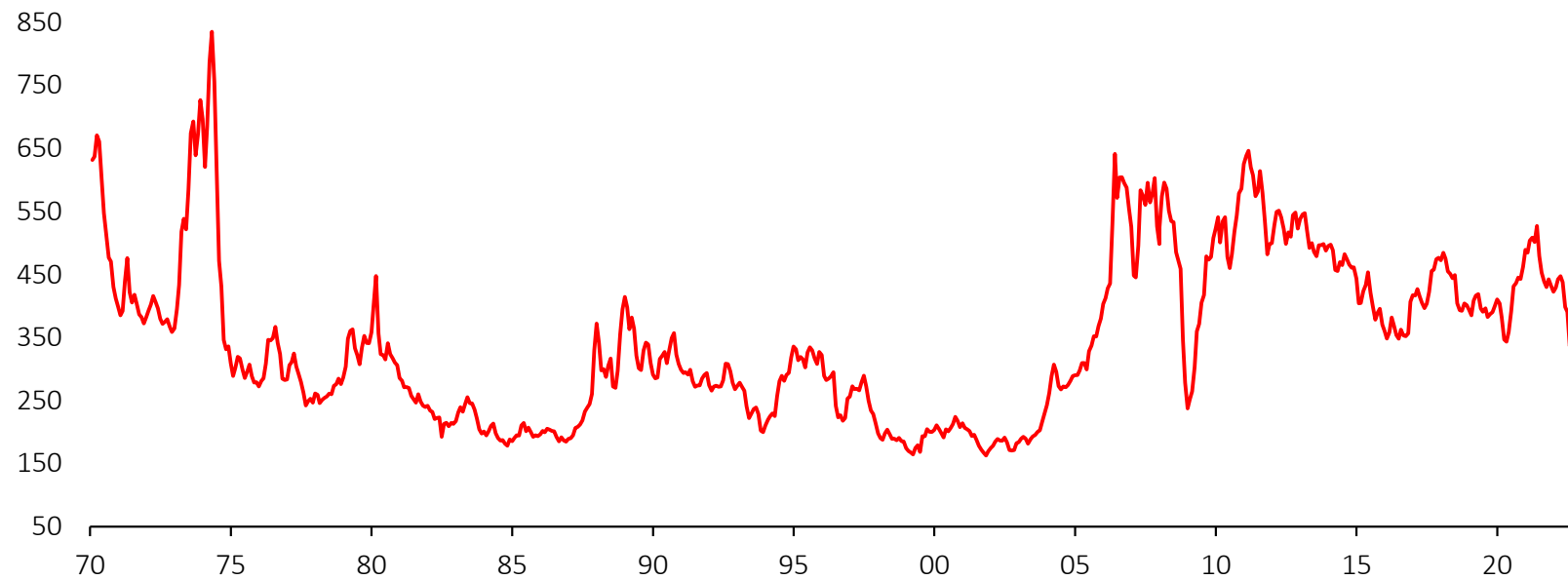
(f) Forecast included in the Monetary Policy Report, September 2022.

Source: Central Bank of Chile.



## Copper Price (\*)

(equivalent to price of August 2022, US\$ cents/pound)



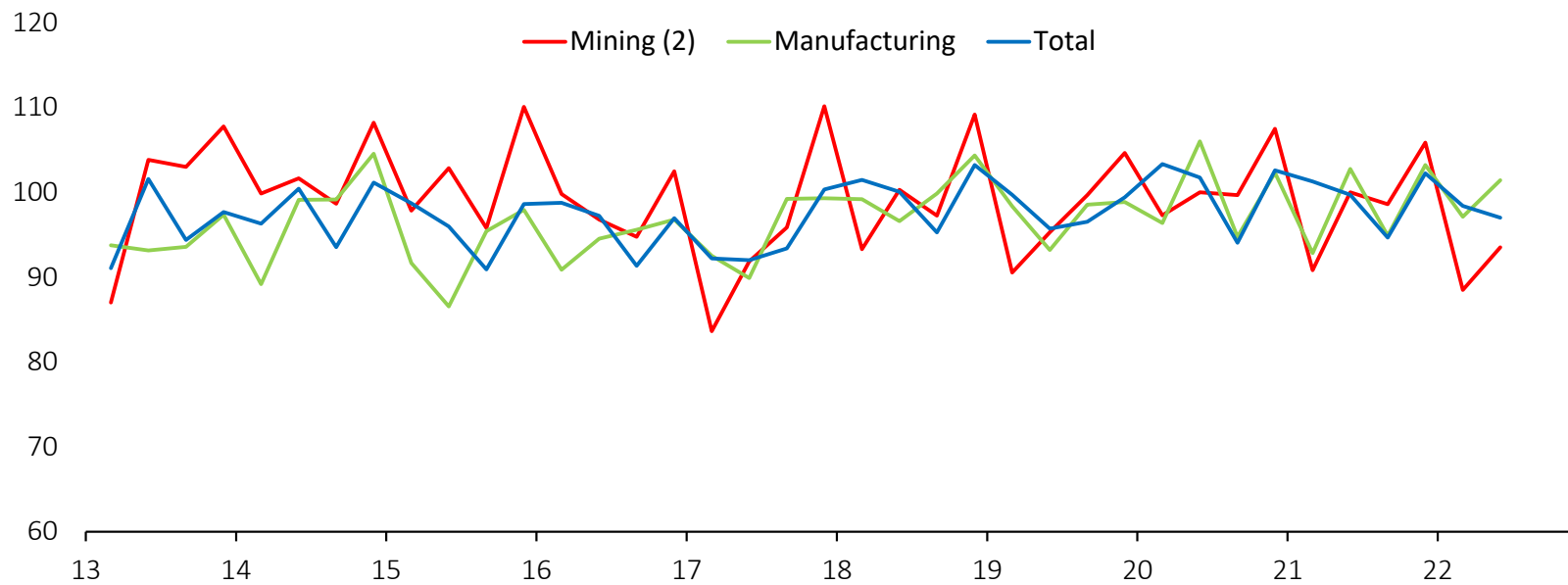
(\*) London Metal Exchange price deflated by the US metal PPI.

Sources: Bloomberg and Cochilco.



## Export Volume (1)

(index, 2018=100)

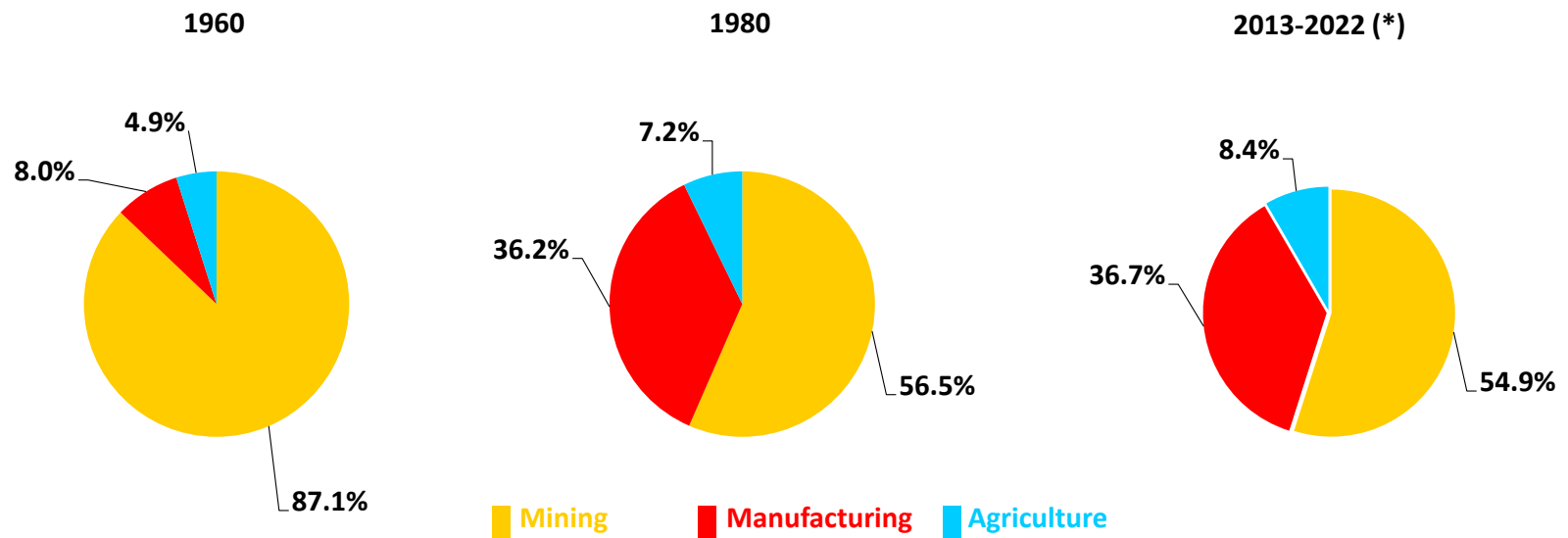


(1) Series published in August 2022. Indexes use methodology coherent with National Accounts (Reference Compilation 2018). (2) Includes gold.

Source: Central Bank of Chile.



## Chilean Exports by Economic Sector (share of total exports)

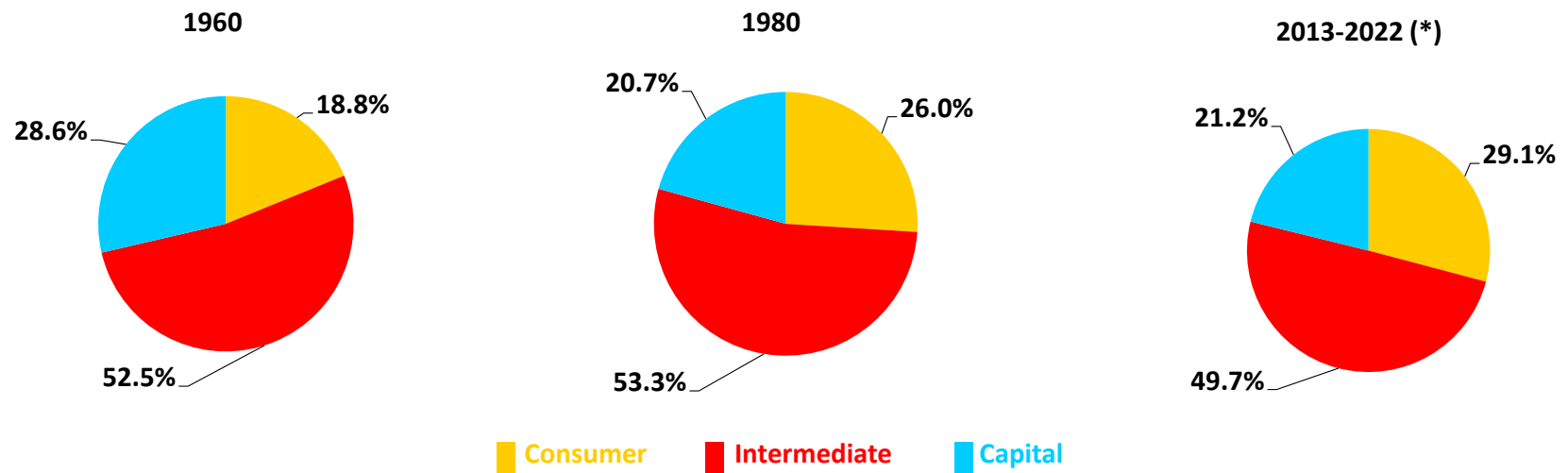


(\*) Figure 2003-2022 includes gold, free-trade area and goods purchased in ports by means of transportation.

Source: Central Bank of Chile.



## Chilean Imports by Goods Classification (share of total imports)



(\*) Figure 2003-2022 includes free-trade area imports (CIF) and goods purchased in ports by means of transportation.

Source: Central Bank of Chile.

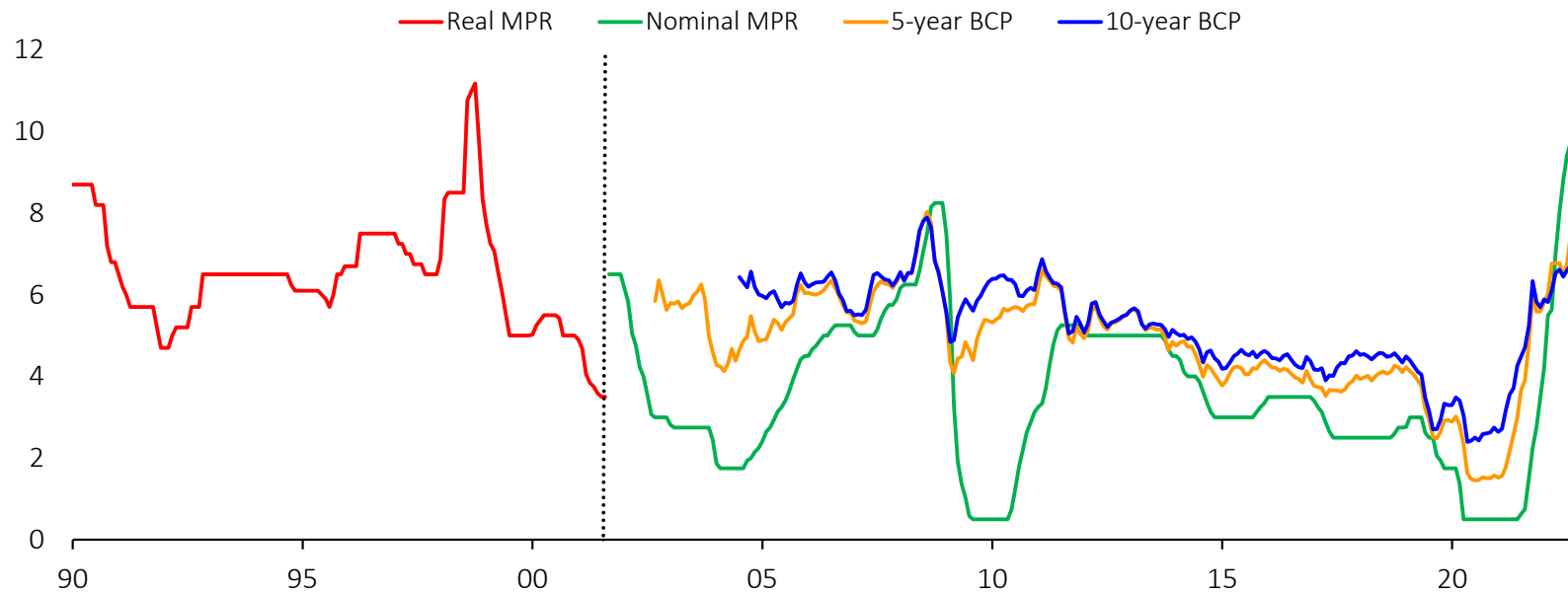
3

## Monetary and Financial Indicators

# Monetary and Financial Indicators



## Monetary Policy Rate and Central Bank instruments (1) (2) (3) (percentage)

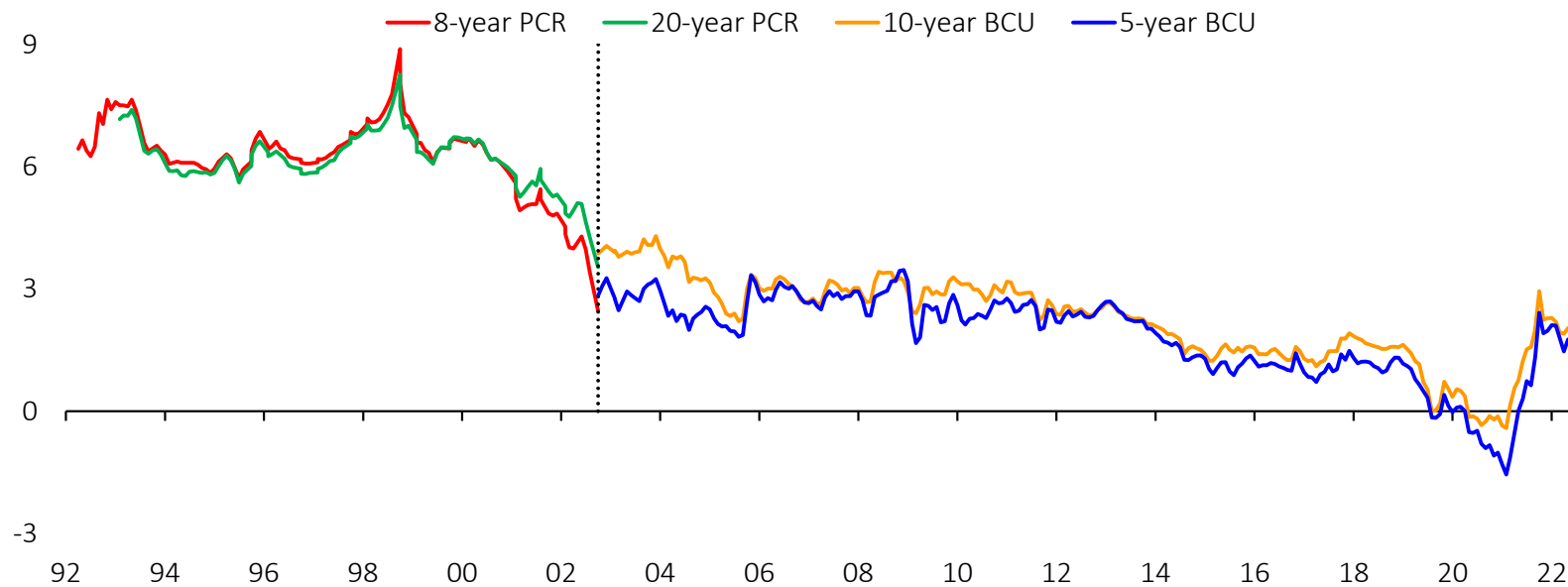


(1) Before June 1995: 90 day – PRBC rate. (2) BCP is a nominal bond issued in Chilean pesos that has semi-annual coupon of interest payments except for the last one which includes the interest payment and the principal. (3) Monthly series. Source: Central Bank of Chile.

# Monetary and Financial Indicators



## Long-Term Real Interest Rates (1) (2) (3) (percentage)

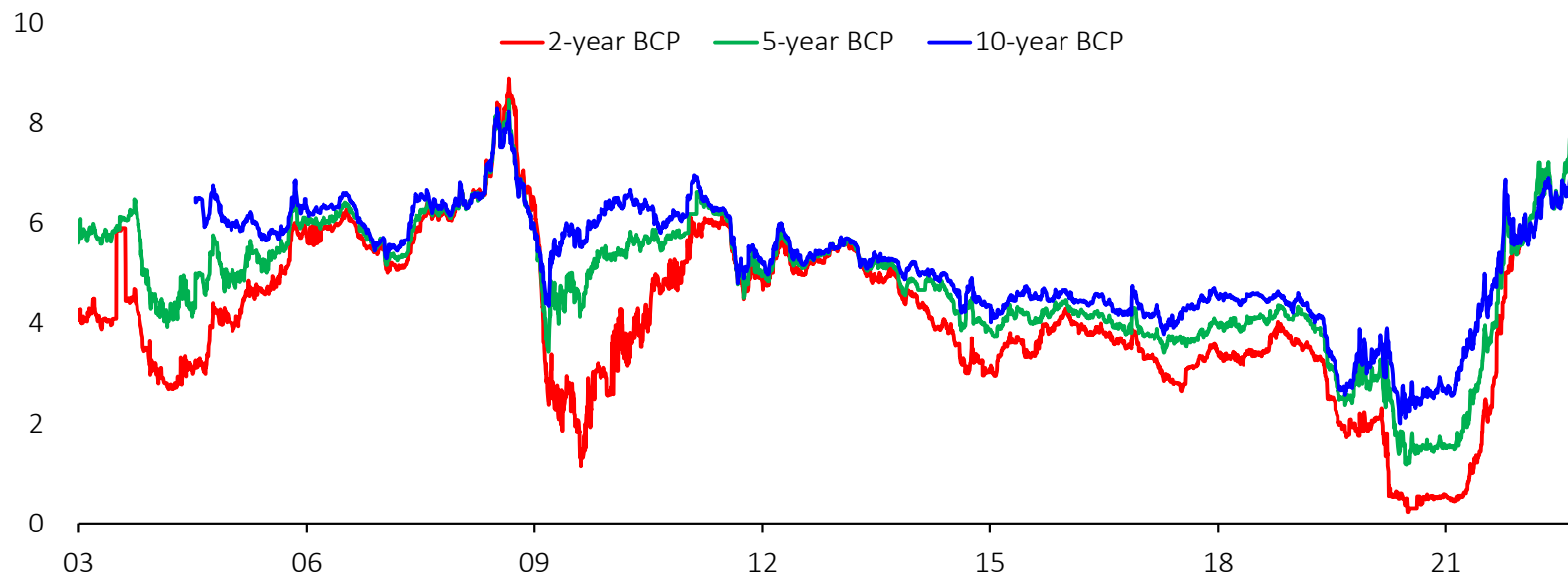


(1) PRC is a bond consisting of equal semi-annual payments (except for the last one), which may include interest payments and principal amortization.  
(2) BCU is a bond issued in UF, a CPI-indexed unit of account, with similar features to BCP. (3) Monthly series. Source: Central Bank of Chile.

# Monetary and Financial Indicators



## Long-Term Nominal Interest Rates (percentage)



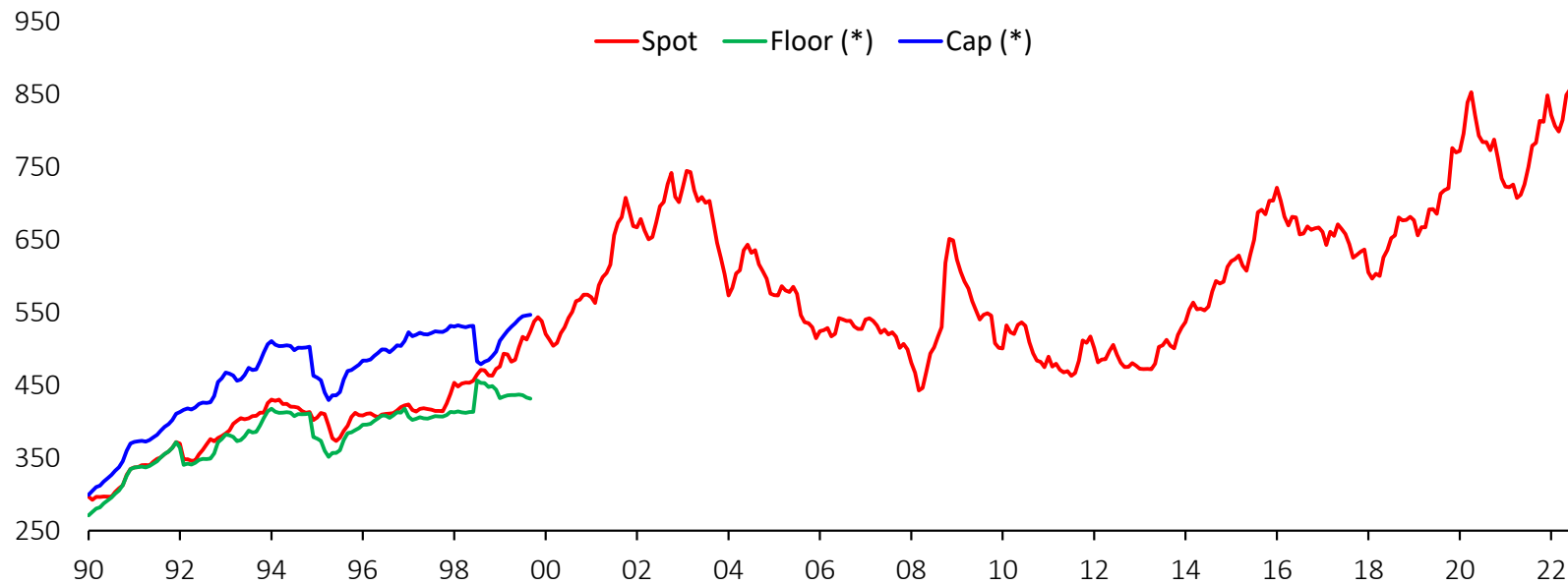
Source: Central Bank of Chile.

# Monetary and Financial Indicators



## Nominal Exchange Rate

(CLP/ USD, monthly average)



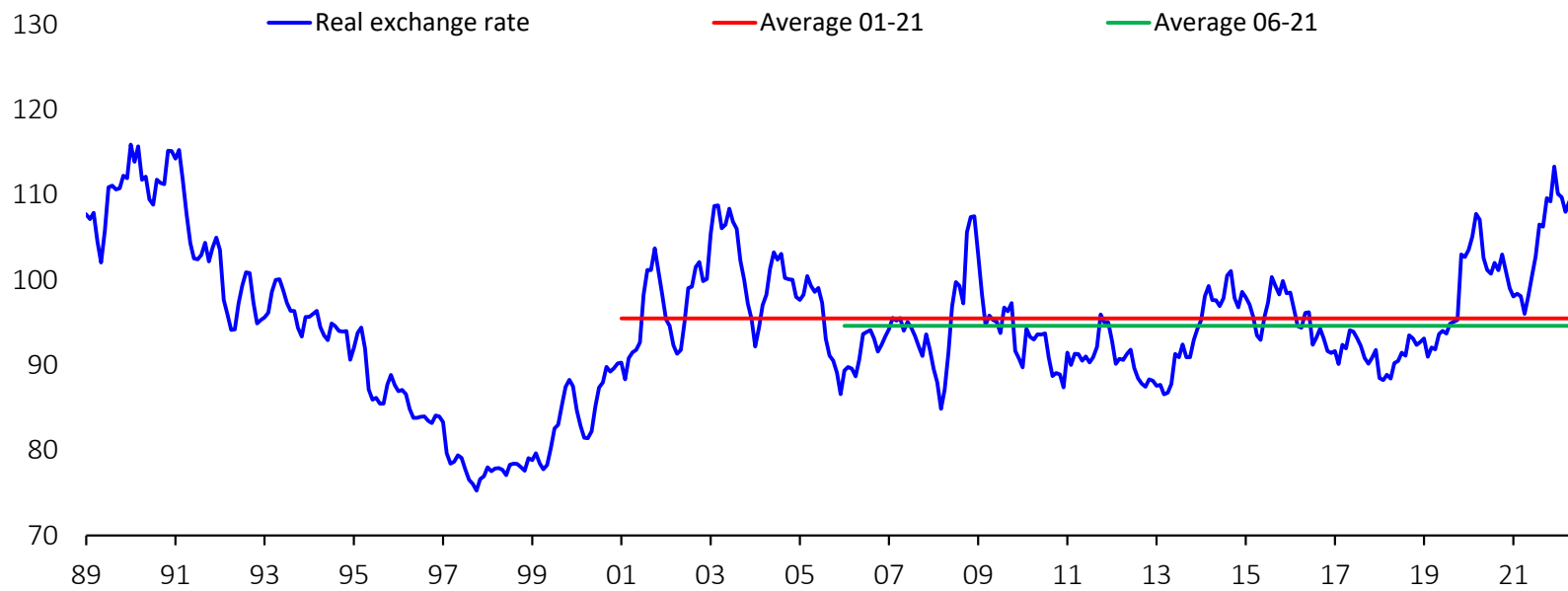
(\*) The exchange rate bands are the upper or lower limits of a range inside which the exchange rate is allowed to float. This system operated until September 1999.

Source: Central Bank of Chile.



## Real Exchange Rate

(index, 1986=100)

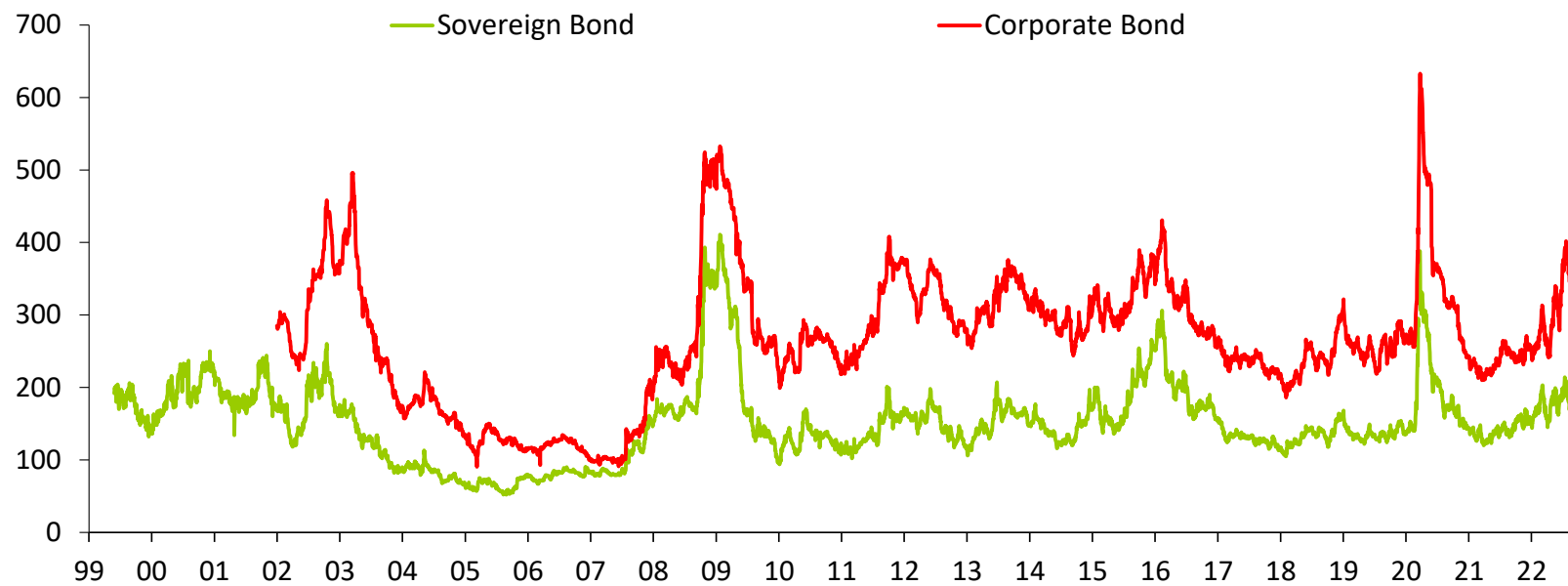


Source: Central Bank of Chile.

# Monetary and Financial Indicators



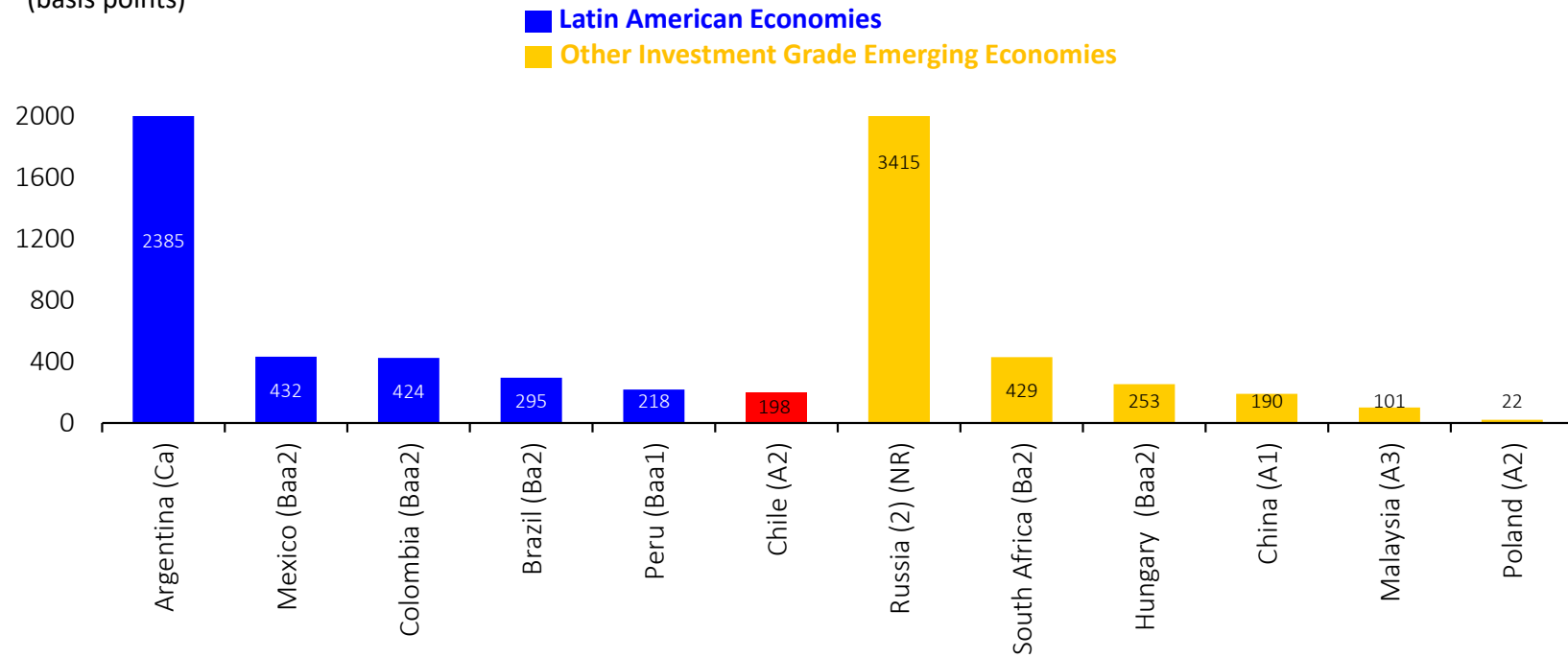
Chile Spreads  
(basis points)



Sources: Central Bank of Chile and JP Morgan Chase.



**Sovereign Spreads (1)**  
(basis points)



(1) Moody's ranking in parenthesis. For Chile, sovereign spread ex-Codelco is considered. (2) Russia bond series discontinued in late March 2022.

Sources: Central Bank of Chile, JP Morgan Chase and Moody's.

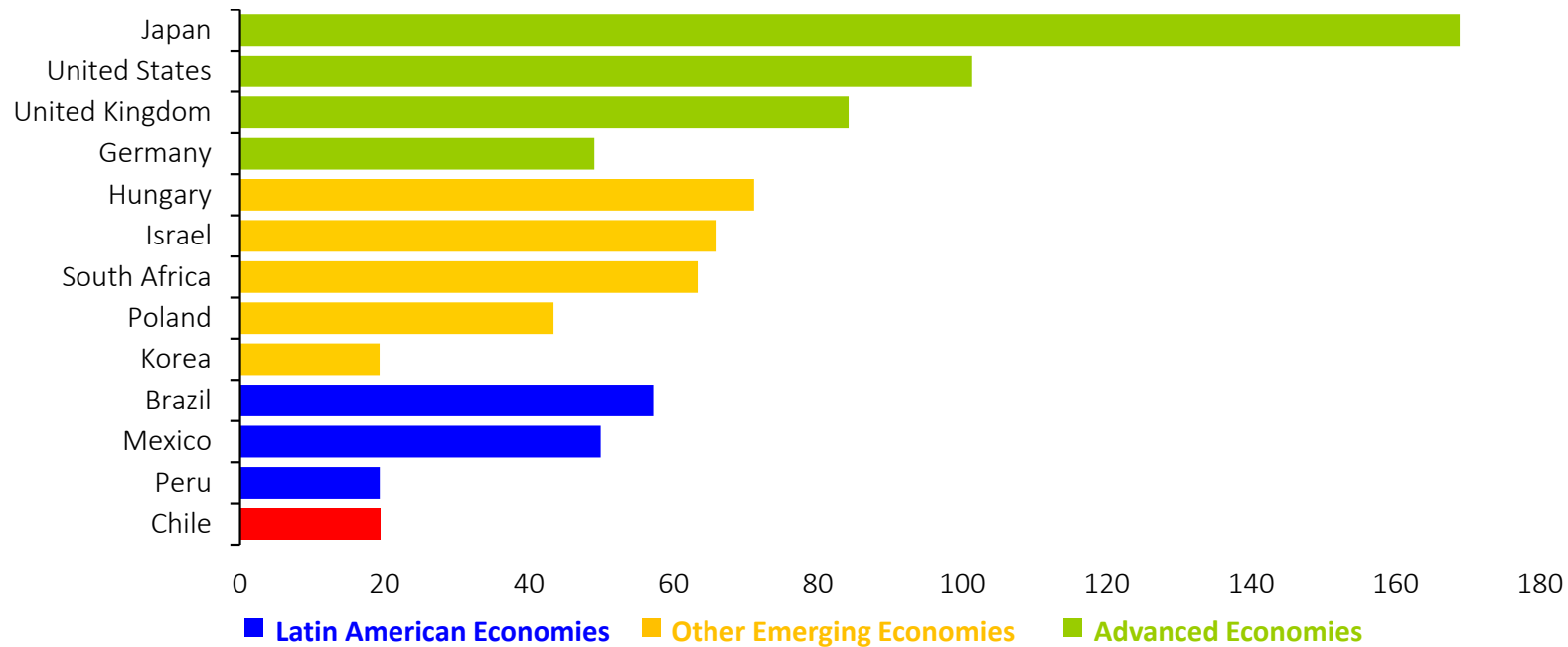
4

## Public Sector



## Public debt 2021 (1) (2)

(percentage of GDP)



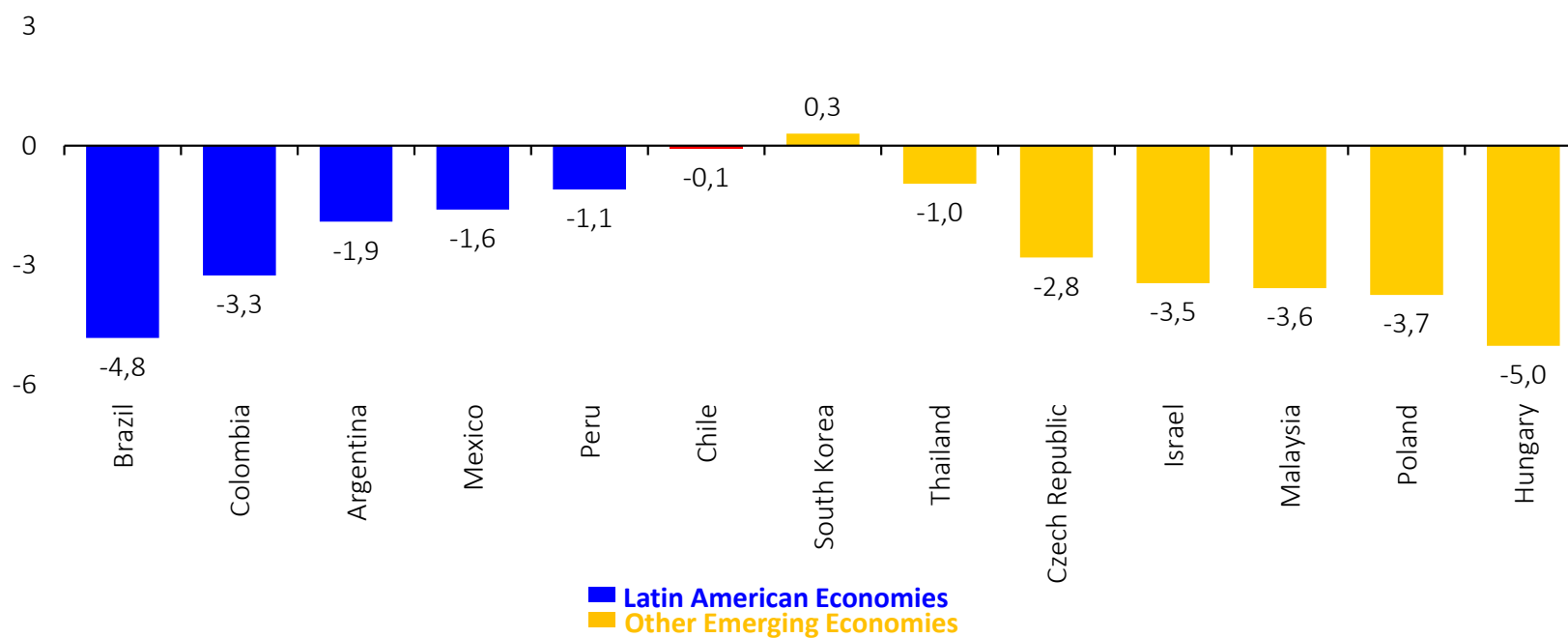
(1) Net debt of the Central Government (excluding reserves, Central Bank debt and social security). (2) With the exception of Chile, data obtained from Bloomberg.

Sources: Central Bank of Chile, Bloomberg, IMF and Ministry of Finance of Chile.



## Public Sector Balance: 1995-2021 Average (\*)

(percentage of GDP)



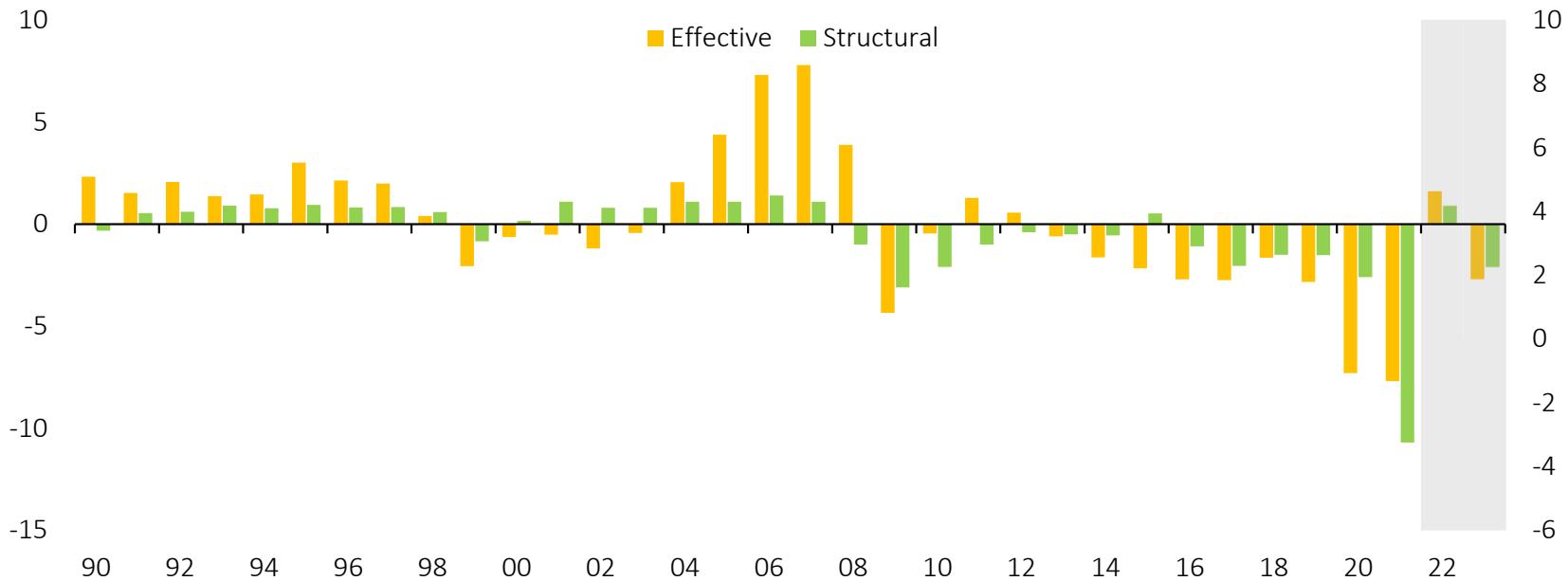
(\*) For Chile corresponds to the General Government financial balance.

Sources: Ministry of Finance of Chile and Moody's.



## Public Sector Balance (\*)

(percentage of GDP)



(\*) Forecasts inside grey area. Data obtained from Ministry of Finance's estimates from October 5th, 2022 in: "Public Finance Report for the third quarter 2022".

Source: National Budget Department, Ministry of Finance of Chile.



## Budget Assumptions

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 (1)	2023 (1)
Non-mining trend GDP growth (annual change, %)(2)	4.1	3.8	3.1	3.0	2.9	2.3	2.7	2.3	1.2	3.6	2.7	1.9
Long-term copper price (USD cents/pounds)	302	306	304	307	257	256	277	298	286	288	331	374
GDP growth (annual change, %)	5.3	4.0	1.8	2.3	1.7	1.2	3.9	1.1	-5.8	11.7	2.2	-0.5
Effective fiscal balance (% of GDP)	0.6	-0.6	-1.6	-2.2	-2.7	-2.8	-1.6	-2.8	-7.3	-7.7	1.6	-2.7
Structural fiscal balance (% of GDP) (3)	-0.4	-0.5	-0.6	0.5	-1.1	-2.1	-1.5	-1.5	-2.6	-10.7	0.9	-2.1
Total revenues (annual change, %)	1.3	-1.4	1.5	5.2	1.1	4.0	8.8	-1.1	-8.4	37.9	5.5	-12.7
Total expenditures (annual change, %)	4.7	4.1	6.5	7.4	3.7	4.2	3.4	4.2	10.5	33.4	-24.5	4.2

(1) Fiscal data extracted from the Public Finance Report corresponding to the 3rd quarter of 2022. (2) Since the expert consultation in 2022, the relevant measurement for the output gap corresponds to non-mining GDP. (2) Figure contained in each Budget Law. (3) Historical series without convergence analysis.

Source: National Budget Department, Finance Ministry of Chile.

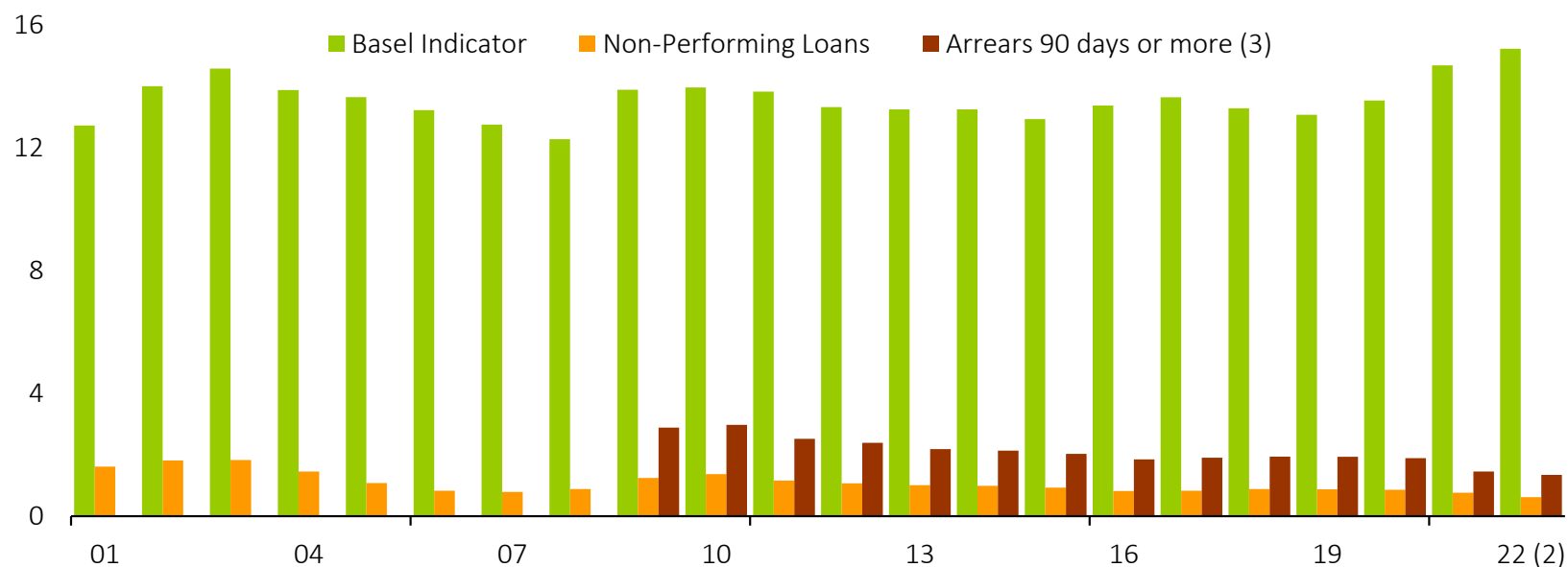
5

## Financial System



## Banking Solvency Indicators (1)

(annual average, percentage)

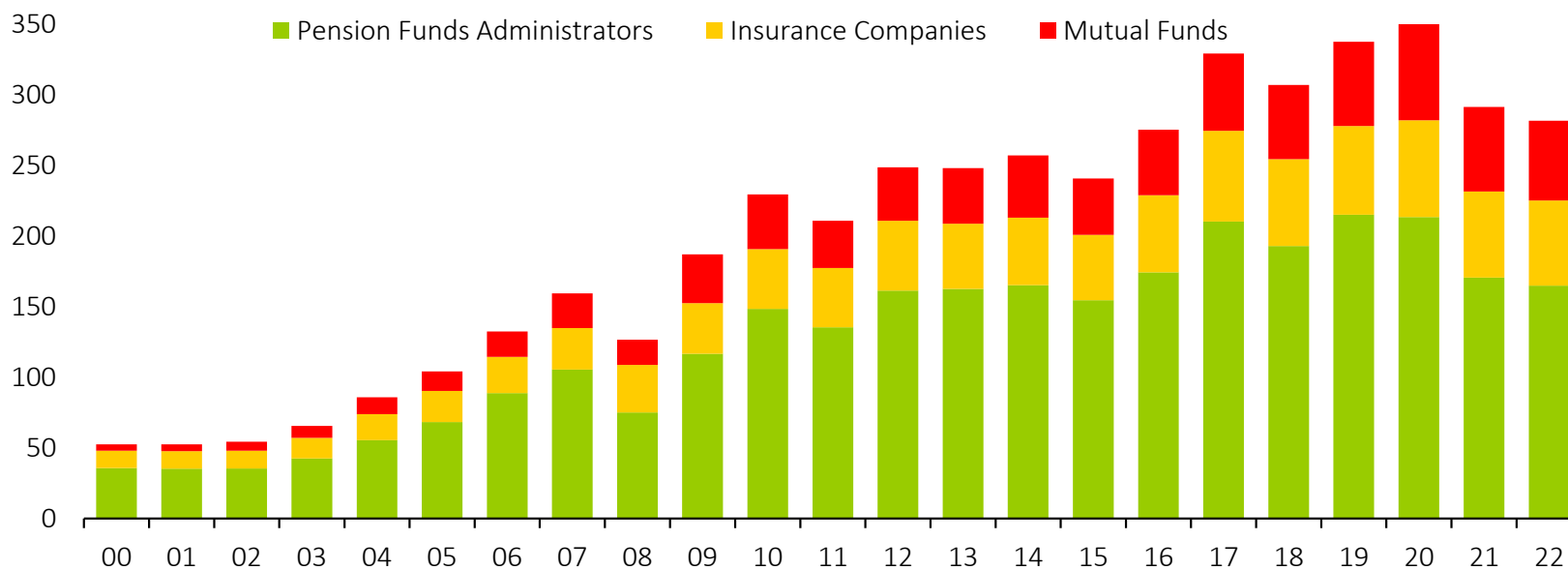


(1) From January 2008, Non-performing loans data is not strictly comparable with earlier figures, given that the banking system converged towards International Financial Reporting Standards (IFRS), which implied a change in the format of the financial statements. (2) Figures until May 2022 for the Basel index and until July 2022 for non-performing loans and arrears 90 days or more. (3) From 2009, the FMC publishes a new credit risk indicator: arrears 90 days or more. It considers the total claims and not just the payment in arrears.

Sources: Central Bank of Chile and CMF.



## Financial Savings by Institutional Investors (\*) (US\$ billions)



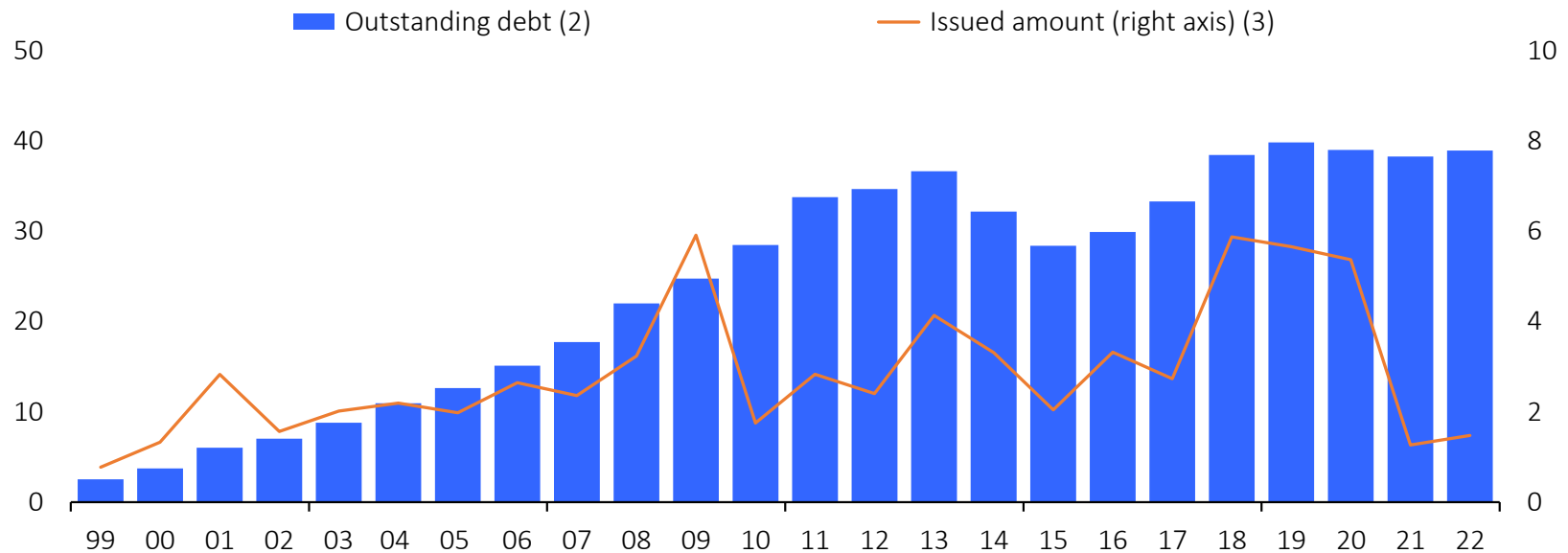
(\*) For 2022, considers available information until September. Includes data until August 2022 for Pension Funds and for Mutual Funds, and June 2022 for Insurance Companies.

Sources: MFC, Superintendence of pensions and Association of Mutual Fund Administrators of Chile A.G.



## Local Corporate Bond Market (1)

(US\$ billions)



(1) Excludes the banking sector. For 2022, considers available information until September. (2) Until 2007, information from MFC (ex-SVS) was used, and since 2008 based on data from DCV. (3) Until 2002, information from MFC (ex-SVS) was used, and since 2003 based on data from SE.

Sources: MFC (ex-SVS), DCV and Santiago Exchange (SE).

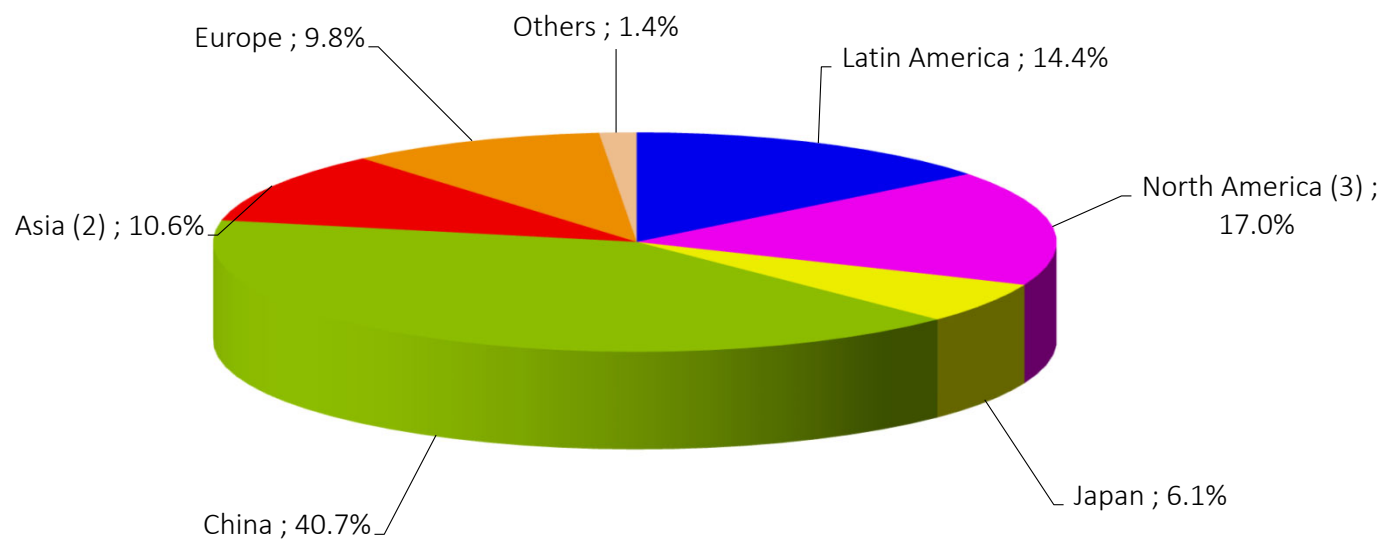
6

## External Sector



## Exports destinations second quarter 2022 (1)

(share of total exports)



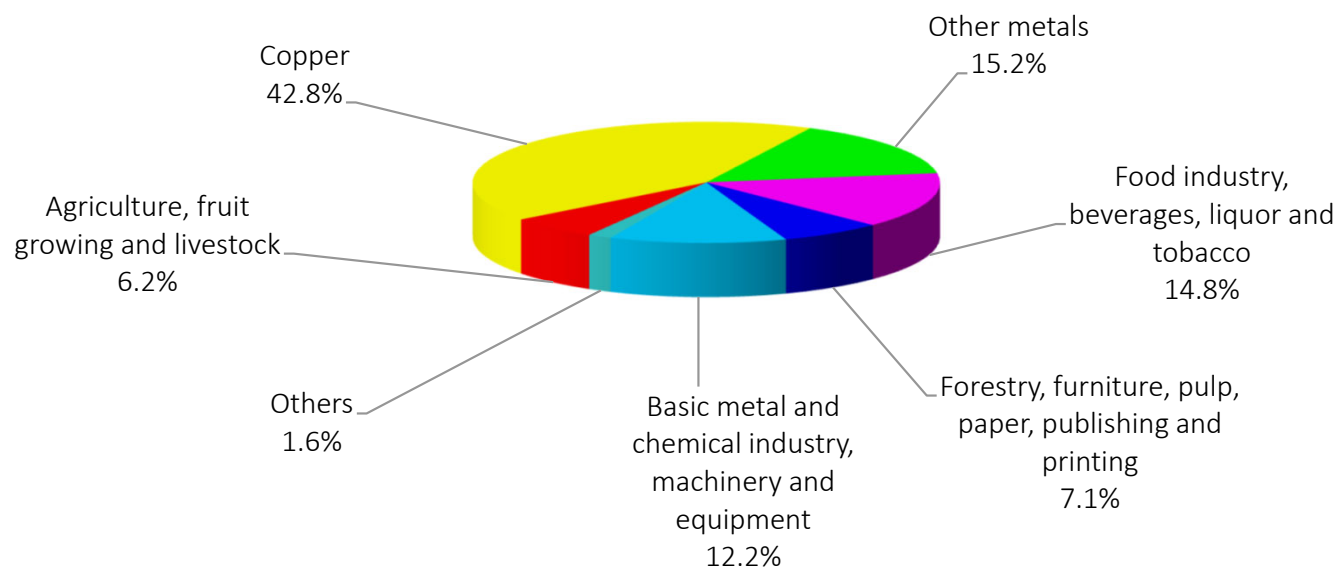
(1) Including Gold, free-trade area and goods purchased on port by means of transportation. (2) Excludes China and Japan. (3) Includes United States and Canada.

Source: Central Bank of Chile.



## Exports of goods second quarter 2022 (\*)

(share of total exports)

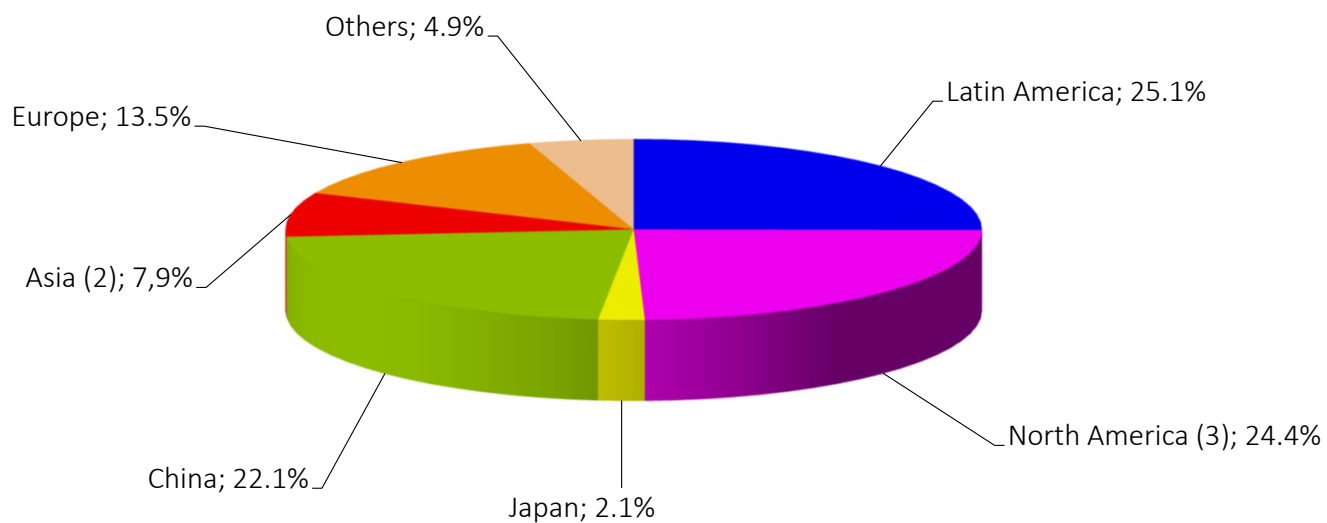


(\*) Including gold, free-trade area and goods purchased on port by means of transportation.

Source: Central Bank of Chile



Imports by country of origin second quarter 2022 (1)  
(share of total imports)

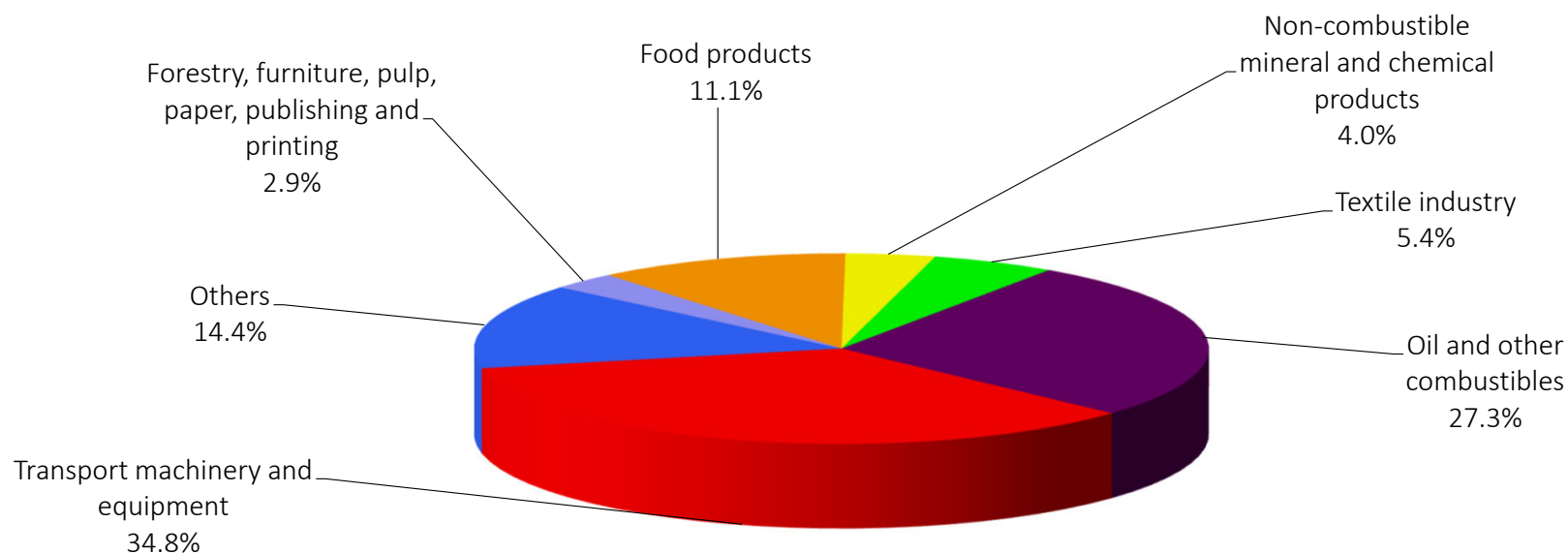


(1) Including free-trade area and goods purchased on port by means of transportation. (2) Excludes China and Japan. (3) Includes United States and Canada.

Source: Central Bank of Chile.



Imports by goods classification second quarter 2022 (\*)  
(share of total imports)

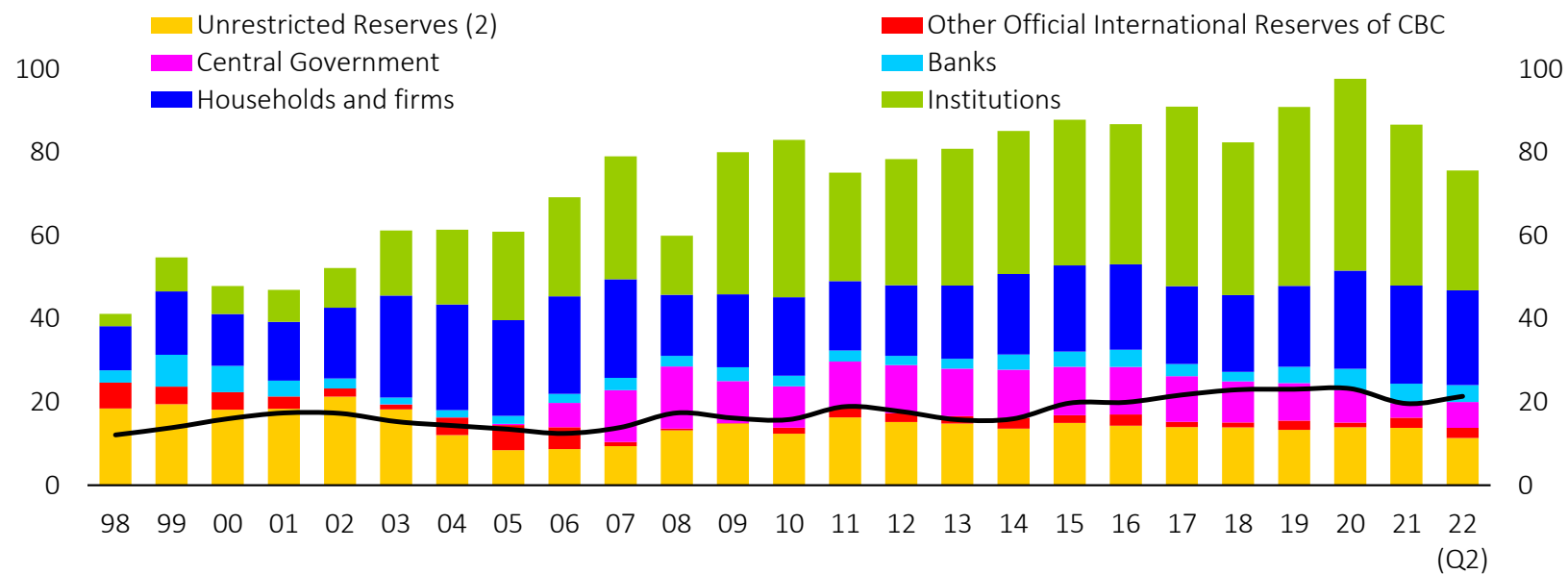


(\*) Including free-trade area imports (CIF) and goods purchased on port by means of transportation.

Source: Central Bank of Chile.



## Availability of Net Foreign Financial Liquidity (1) (percentage of GDP)



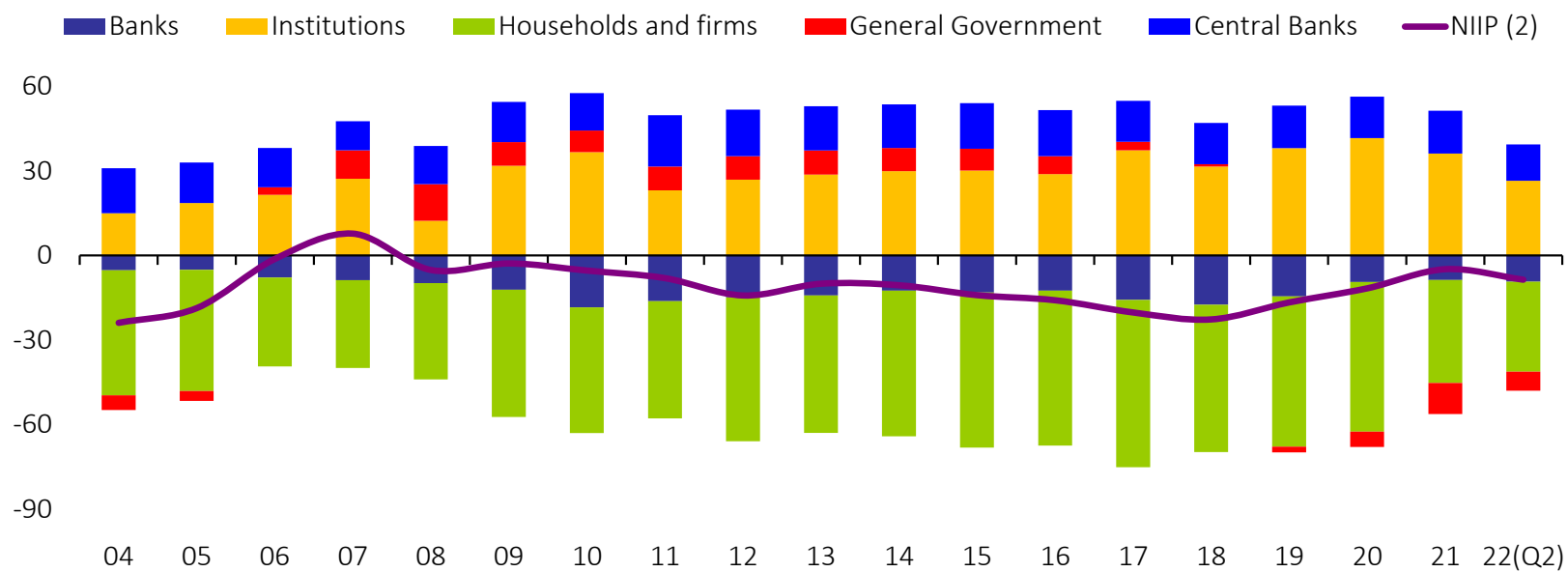
(1) GDP at constant real exchange rate (index March 2020=100). External liquidity includes short-term loans, currency and time deposits and portfolio investment. Excludes derivative positions. (2) Official reserves minus short-term commitments in foreign currency (BCX maturities, BCD, swaps). (3) Residual short-term external debt.

Source: Central Bank of Chile.



## Net International Investment Position (1)

(percentage of GDP)

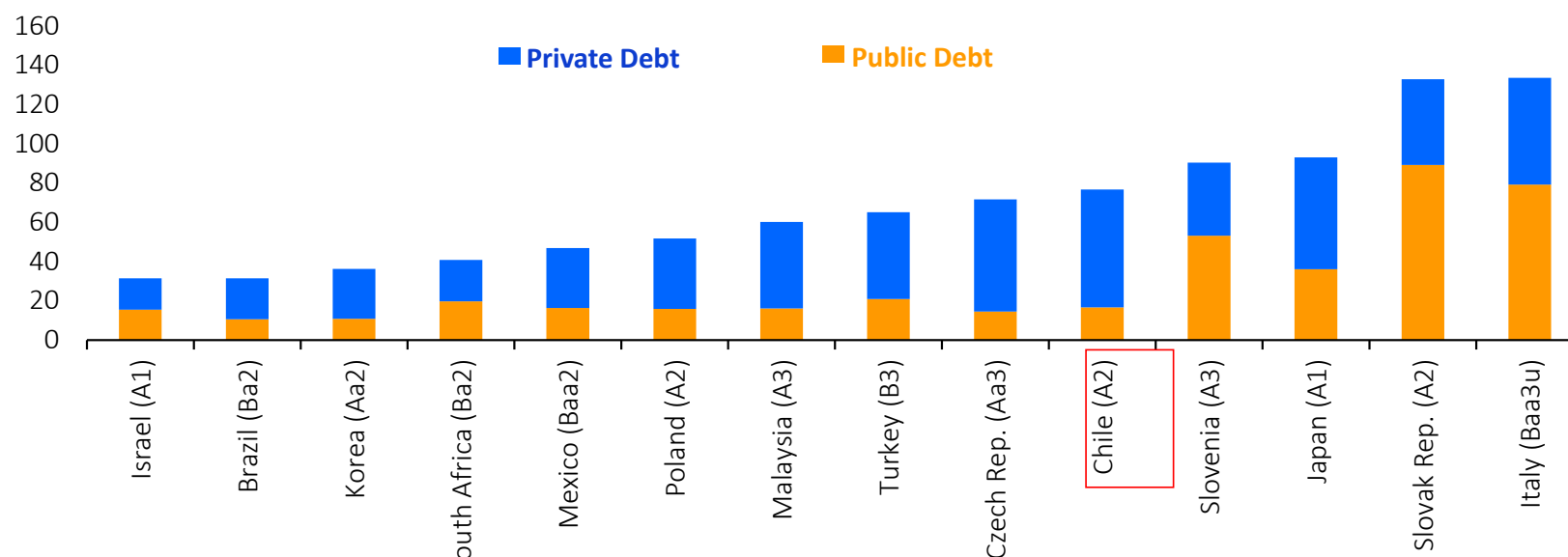


(1) GDP at constant real exchange rate (index March 2020=100). (2) NIIP: Net International Investment Position.

Source: Central Bank of Chile.



External Debt: International Comparison (1) (2) (3)  
(percentage of GDP)



(1) For comparison purposes, public debt is considered as the consolidated government debt. (2) External debt as of the first quarter of 2022. GDP for 2022 estimated by IMF (WEO Apr.22), and risk ratings from Moody's. (3) For Mexico and Malaysia, it does not include debt for loans from the same company between countries.

Sources: Central Bank of Chile, World Bank, IMF and Moody's.

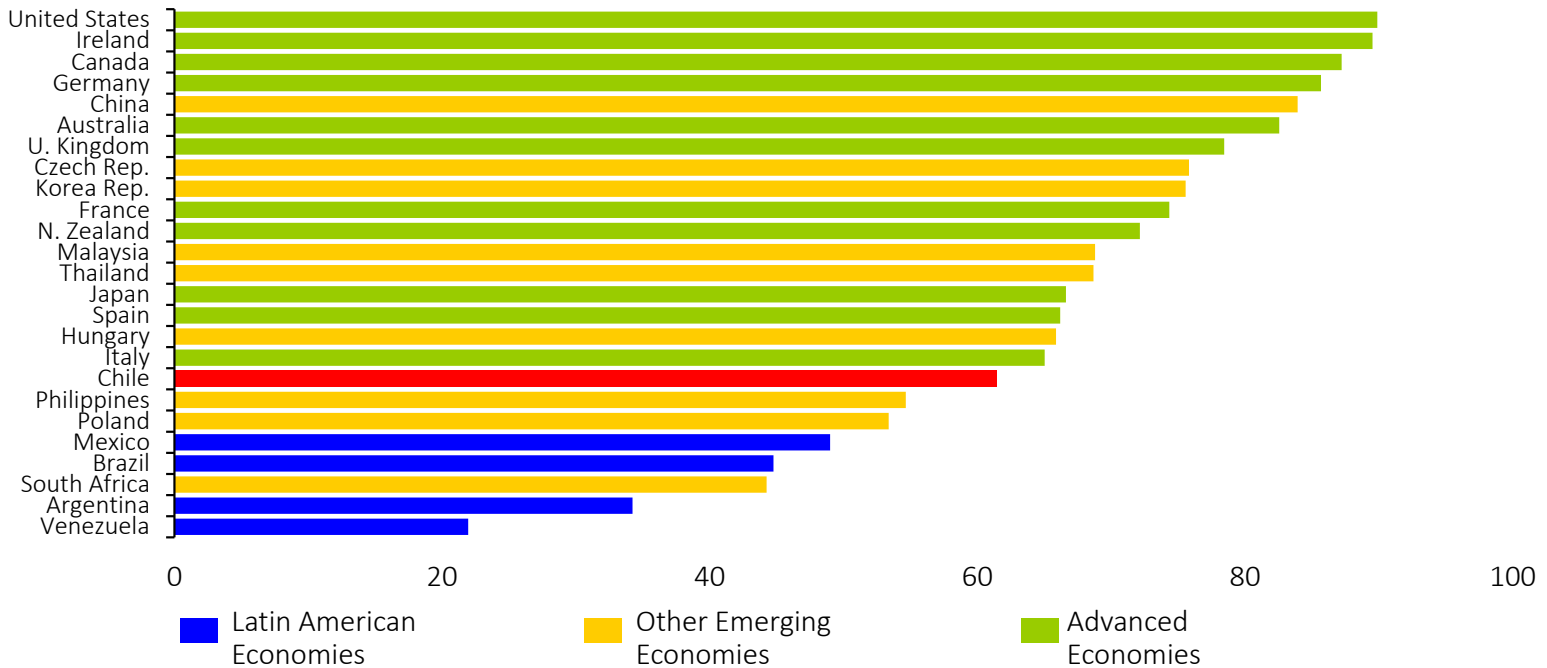
7

## Independent Rankings

# Independent Rankings



## IMD Competitiveness 2022 (index)



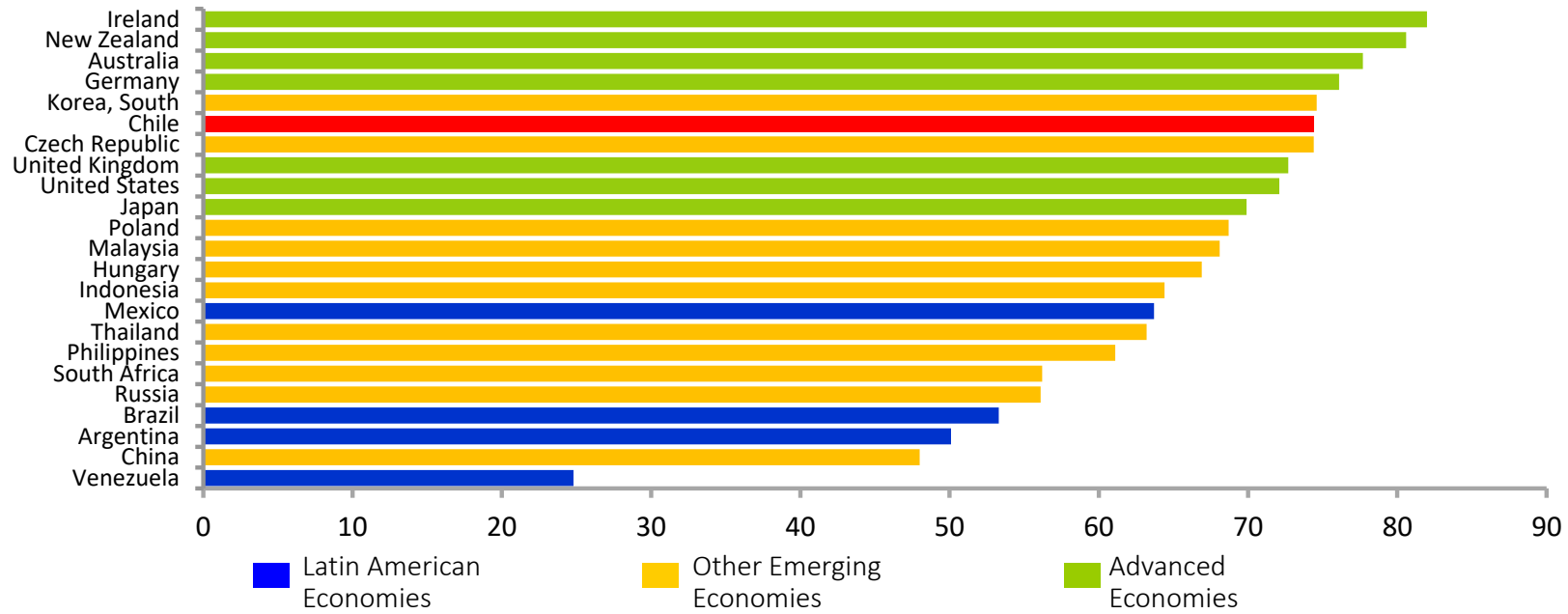
Source: International Institute for Management Development, June 2022.

# Independent Rankings



## Economic Freedom 2022

(index)

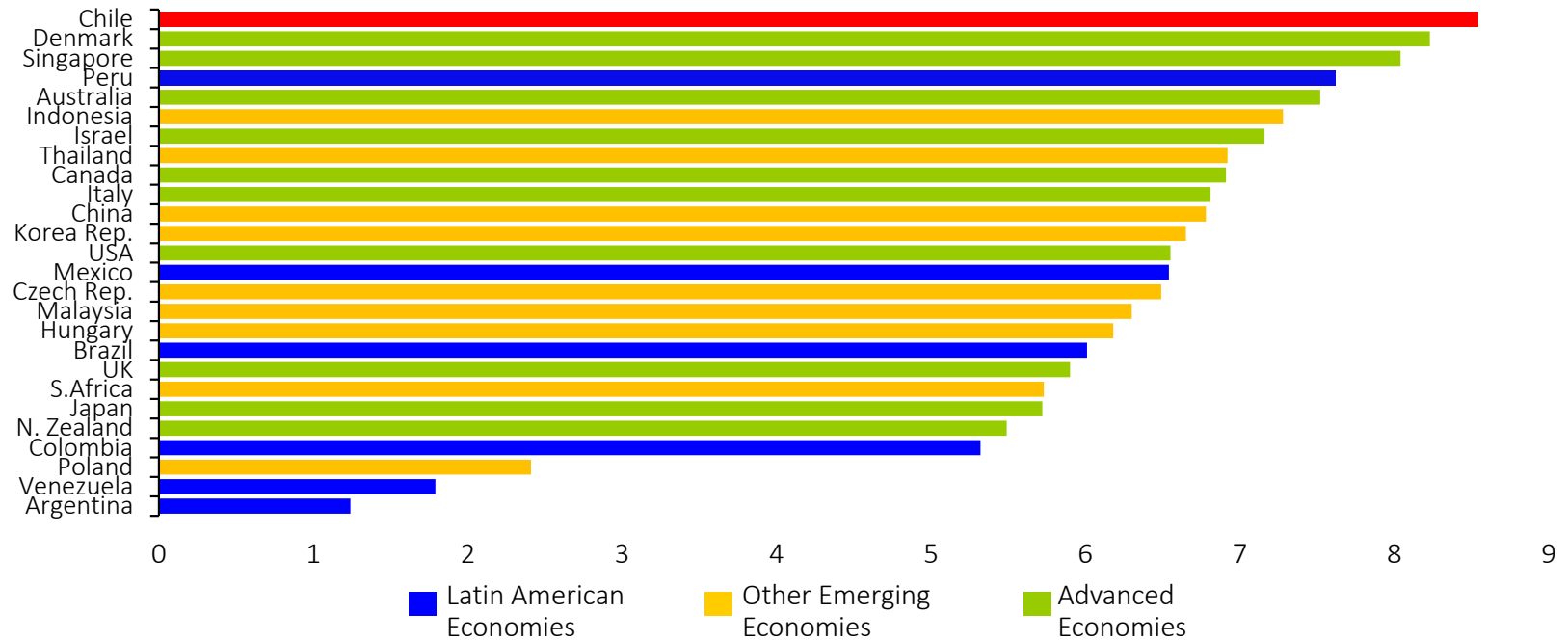


Source: The Heritage Foundation, January 2022.

# Independent Rankings



Contribution of monetary policy to macroeconomic performance 2022  
(index)



Source: International Institute for Management Development, June 2022.