

What does this MP Report tell us? December 2022



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The Chilean economy continues to adjust following the excessive increase in spending in 2021.

- Just as expected, economic activity has begun to slow down in recent months, reflecting the strong level of spending observed last year.
- The adjustment of the economy is necessary for resolving the imbalances between saving and spending caused by the exceptional increase in the latter.
- This will provide the right conditions for inflation to return to the 3% target.



Inflation will decline in the coming months.

- Inflation is still very high despite its recent decline.
- Its annual variation peaked at 14.1% last August and has been declining since then.
- It is expected to decline in 2023, and to meet the 3% during the year 2024.
- The adjustment of the local economy and the reduction of high cost pressures will continue to contribute to the decline in inflation.
- For the Central Bank, bringing down inflation is a priority as it affects every family, especially those more deprived of resources.



Many risks remain, however, the most important of which being associated with what happens in the rest of the world.

- Many countries are also enduring the costs of high inflation, which explains why their central banks have also raised interest rates.
- Estimates are that the major economies, such as the United States and Europe, will face a recession in 2023.
- Other economies that are important for our exports (i.e., China), will maintain slow growth.
- In this scenario, developments in the rest of the world will be no help for our economy to grow in 2023.
- In addition, there are several factors that could be a negative influence, including the Russia-Ukraine war, a conflict that could further affect the prices of energy and foods, plus the supply of products worldwide.



The Central Bank will continue to do everything necessary to lower inflation.

- Inflation continues to be very high and is taking a toll on every household and business.
- The Bank has already raised its interest rate significantly, which is sufficient to bring inflation back to 3% by 2024.
- As the remaining imbalances in the economy are resolved, inflation will continue to fall. This will allow for interest rates to be lowered gradually, although this will take some time.

