## What does this MP Report tell us? December 2022



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



Inflation will decline in the coming months.

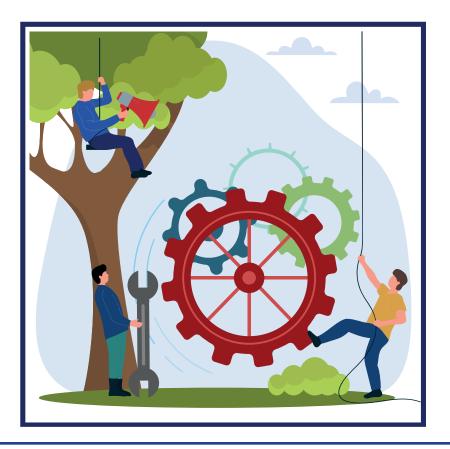




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## The Chilean economy continues to adjust following the excessive increase in spending in 2021.

- 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.

