

The Chilean Economy at a Glance



Central Bank of Chile, April 2023

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

The background of the slide features a blurred image of a document with a line graph. The graph shows a fluctuating line that generally trends upwards from left to right, set against a grid of horizontal and vertical lines. The overall color scheme is a dark blue gradient.

- 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	2023(f)	2024(f)	2025(f)
Gross Domestic Product (billions of USD)	277	259	243	249	276	295	278	254	317	301			
Real GDP growth (annual change, %)		1.8	2.2	1.8	1.4	4.0	0.7	-6.1	11.7	2.4	-0.5 / 0.5	1.0 - 2.0	2.0 - 3.0
Consumer prices (annual % change Dec/Dec)	3.0	4.6	4.4	2.7	2.3	2.6	3.0	3.0	7.2	12.8	4.6	3.0	3.0
Population (millions of inhabitants)	17.6	17.8	18.0	18.2	18.4	18.8	19.1	19.5	19.7	19.8			
Exports of goods FOB (millions of USD)	77,070	75,324	62,120	60,769	68,904	74,838	68,792	74,024	94,774	98,548	99,900	102,500	103,600
Imports of goods FOB (millions of USD)	74,670	68,594	58,544	55,819	61,414	70,430	65,776	55,108	84,304	94,741	88,000	93,300	95,400
Current account balance (% of GDP)	-4.8	-3.5	-2.8	-2.6	-2.8	-4.6	-5.3	-1.9	-7.5	-9.0	-4.0	-4.1	-4.0
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	39,154			
Foreign debt (% of GDP)	52,7	63,1	71,2	65,3	61,7	67,7	75,5	73,6	84,1	76,4			
Average exchange rate (CLP per USD)	495	570	654	677	649	641	703	792	759	873			

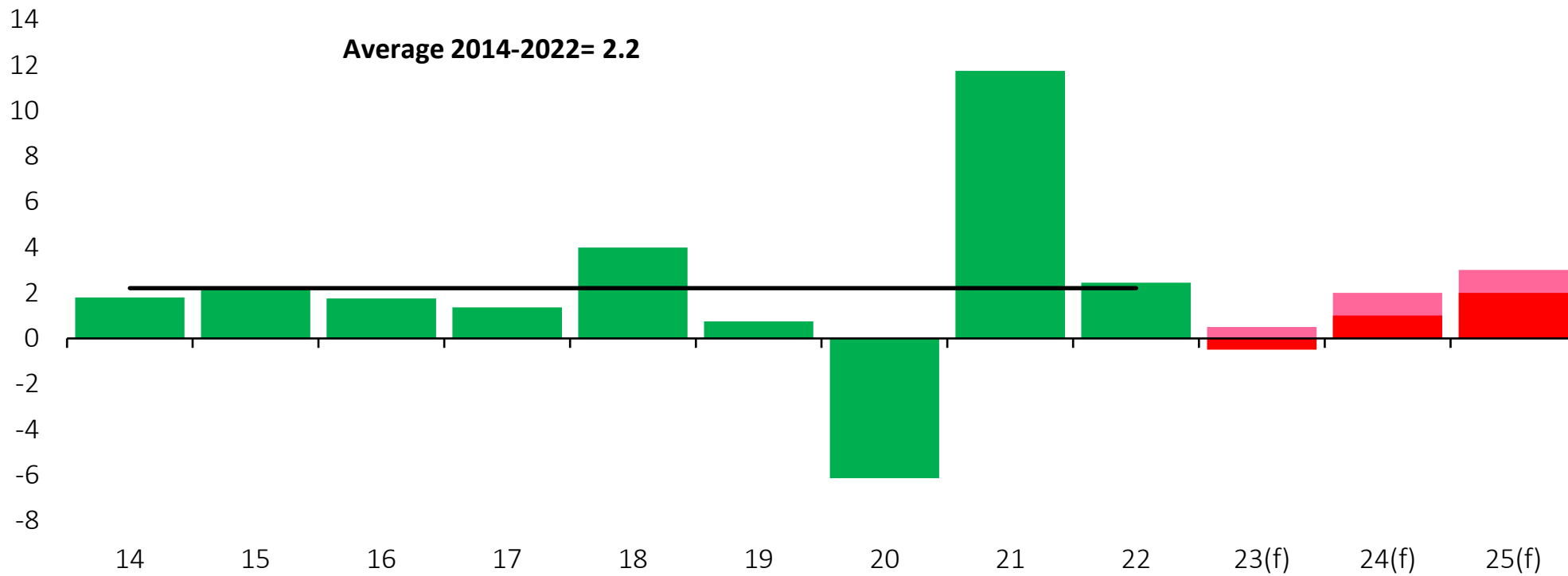
(f) Forecast included in the Monetary Policy Report, March 2023.

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



GDP Growth

(real annual change, percent)

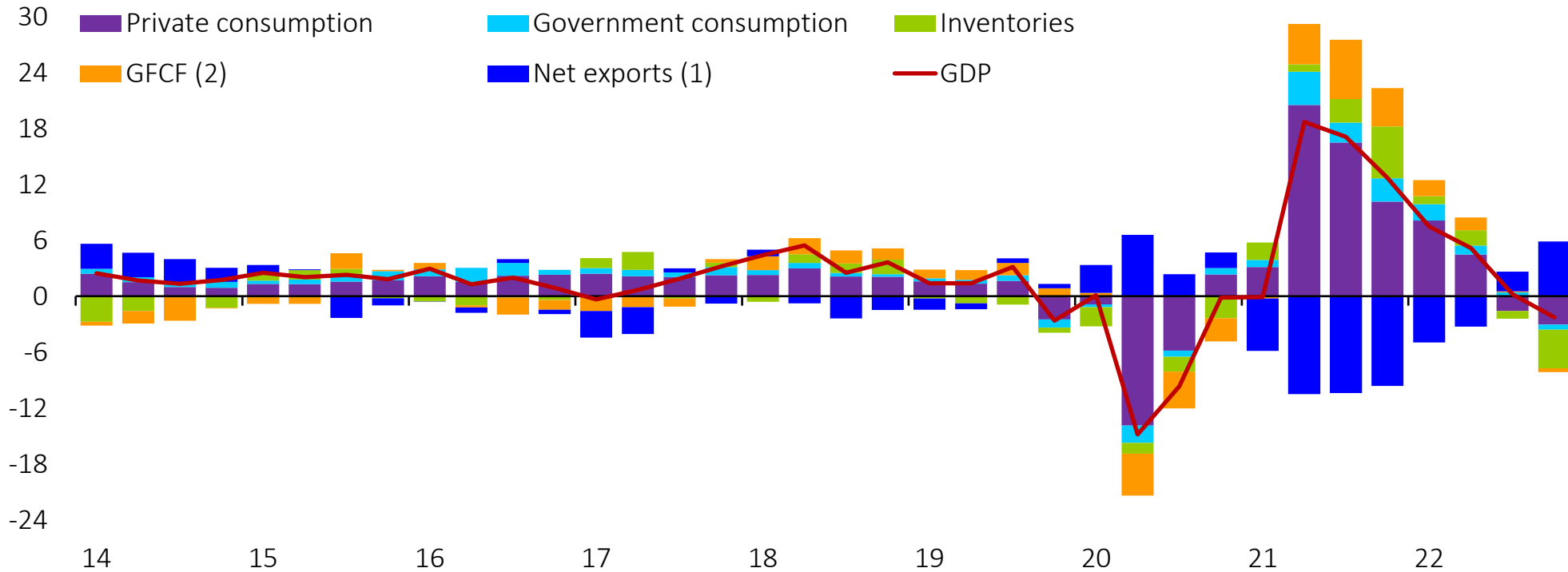


(f) Forecast included in the Monetary Policy Report of March 2023. The estimates indicate that GDP will have an annual change of -0.50 – 0.50% in 2023, 1.0 – 2.0% in 2024 and 2.0 – 3.0% in 2025.

Source: Central Bank of Chile.



Contribution to GDP growth (real annual change; percentage)

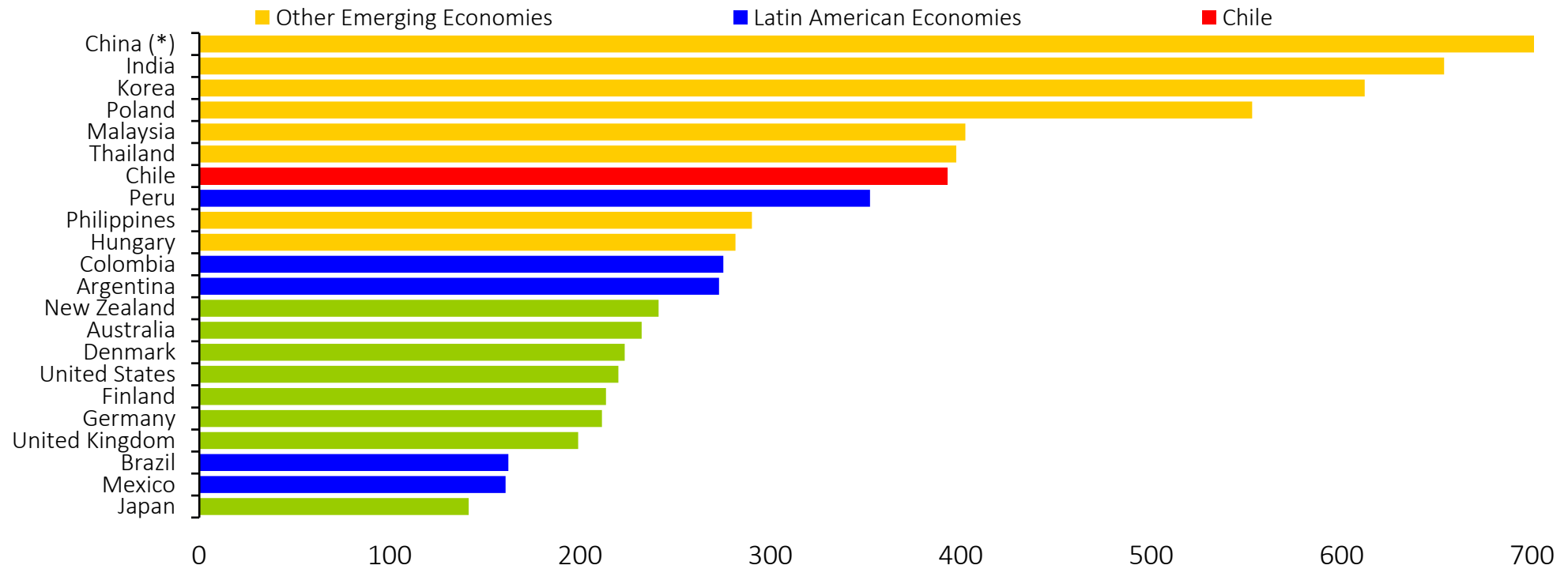


(1) Goods and services exports minus goods and services imports. (2) Gross fixed capital formation.

Source: Central Bank of Chile.



1990-2022 PPP GDP per capita growth (accumulated increase since 1990, percentage)

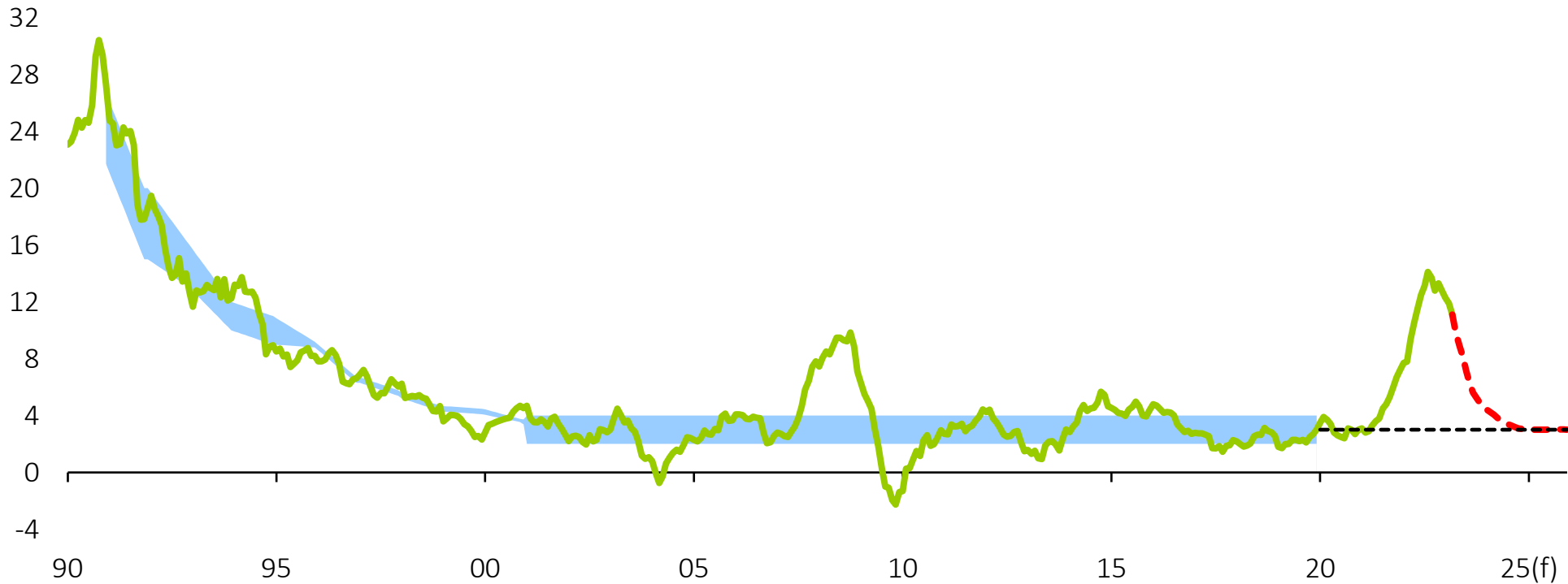


(*) Axis cut at 700, for China accumulated increase since 1990 amounts to 2107%.

Source: International Monetary Fund, April 2023 WEO.



Actual and target inflation (annual change, percent)



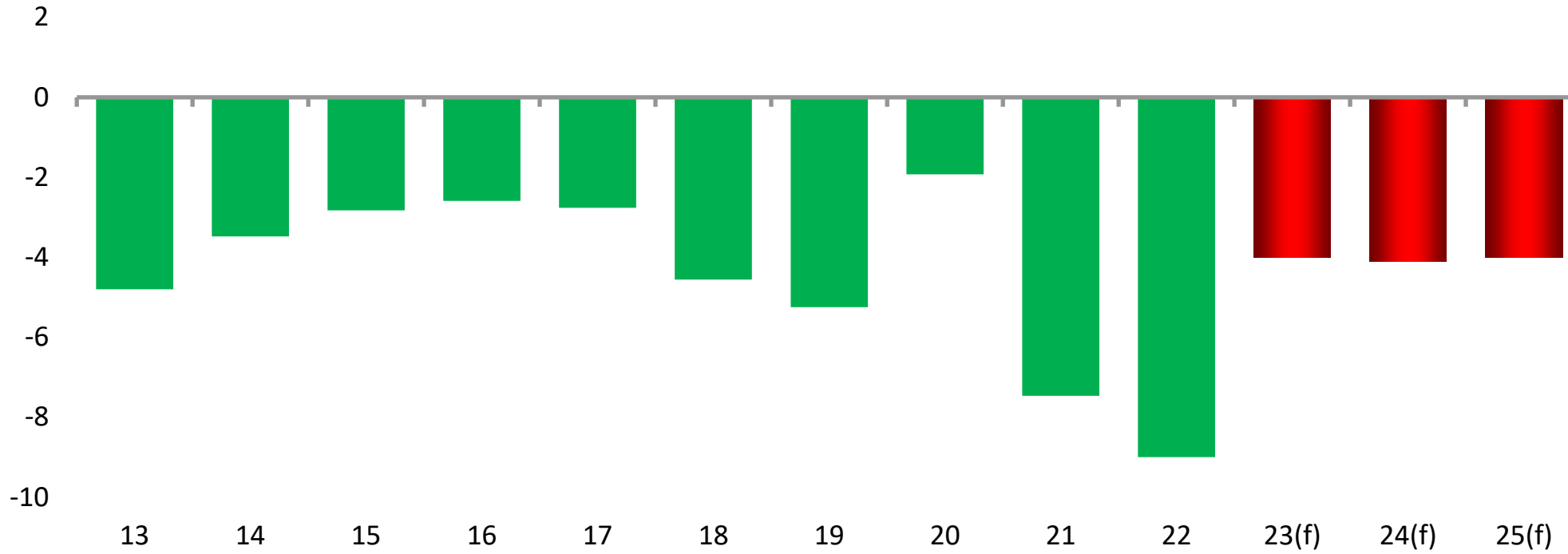
(f) Red line represents the forecast included in the Monetary Policy Report, March 2023. Forecast considers a monthly frequency calculated based on a quarterly projection.

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

Macroeconomic Indicators



Current Account Balance (*)
(percentage of GDP)

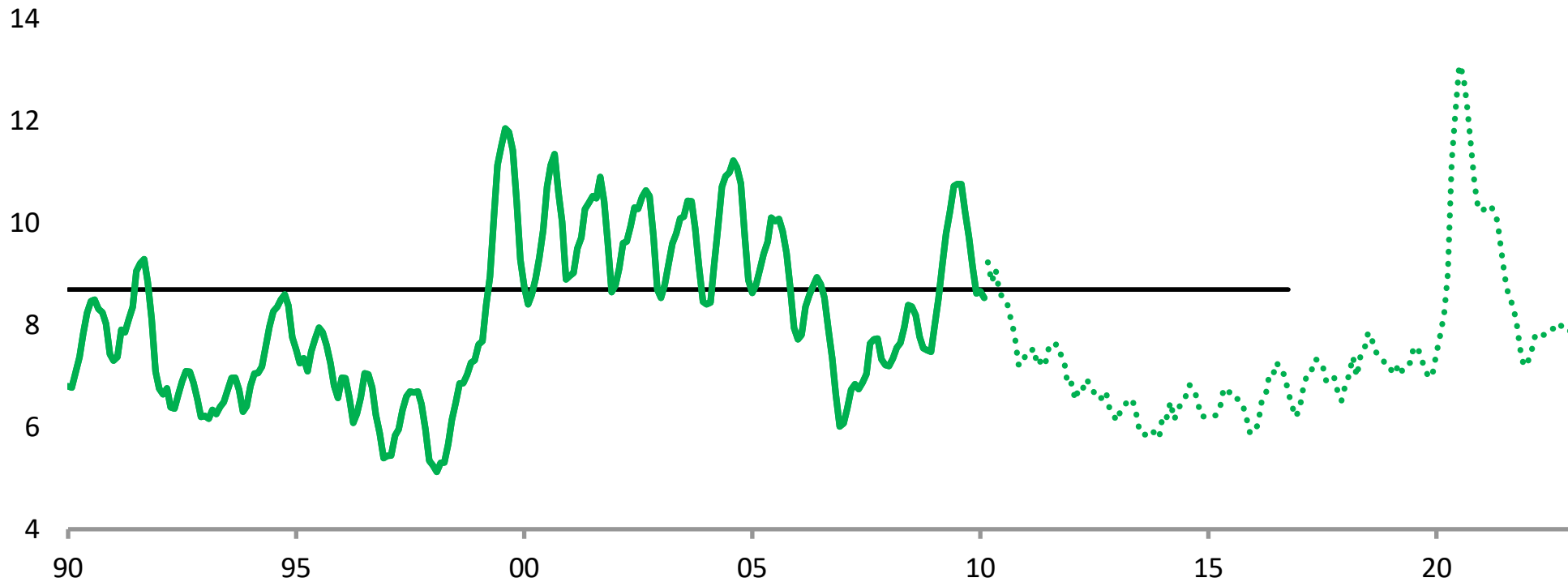


(*) Red bars show forecast included in the Monetary Policy Report, March 2023.

Source: Central Bank of Chile.



Unemployment Rate (*)
(percentage of labor force)

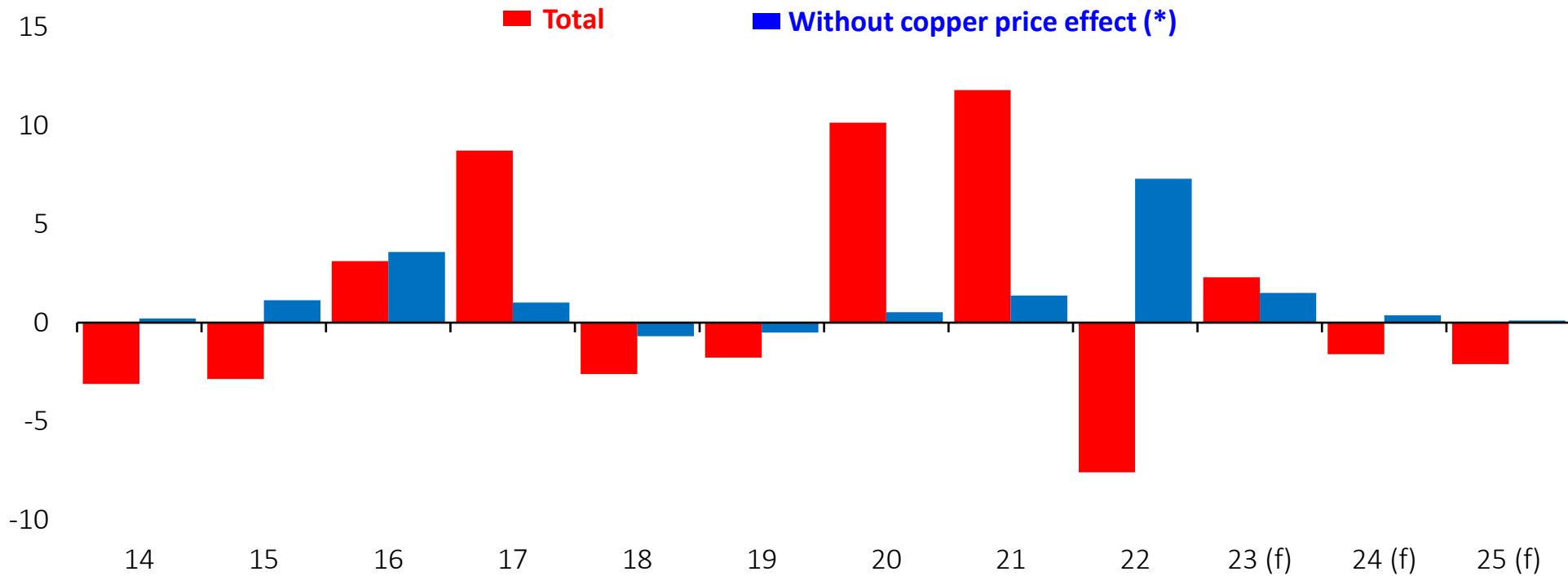


(*) Dots correspond to the New National Survey on Employment (NENE).

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



Terms of Trade (annual change, percentage)

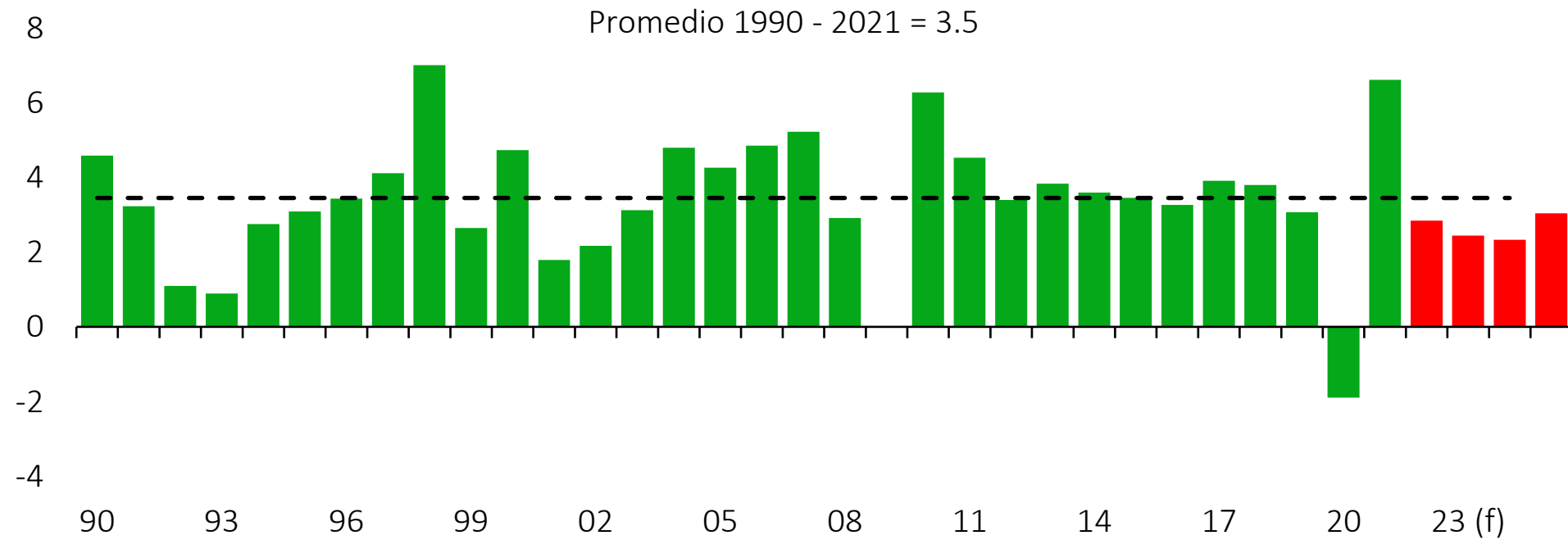


(f) Forecast included in the Monetary Policy Report, March 2023. (*) Estimated using the London Metal Exchange copper price of 2003 as reference. Other potential effects on price and quantity are not considered.

Source: Central Bank of Chile.



Main Trade Partners GDP Growth (annual change, percentage)

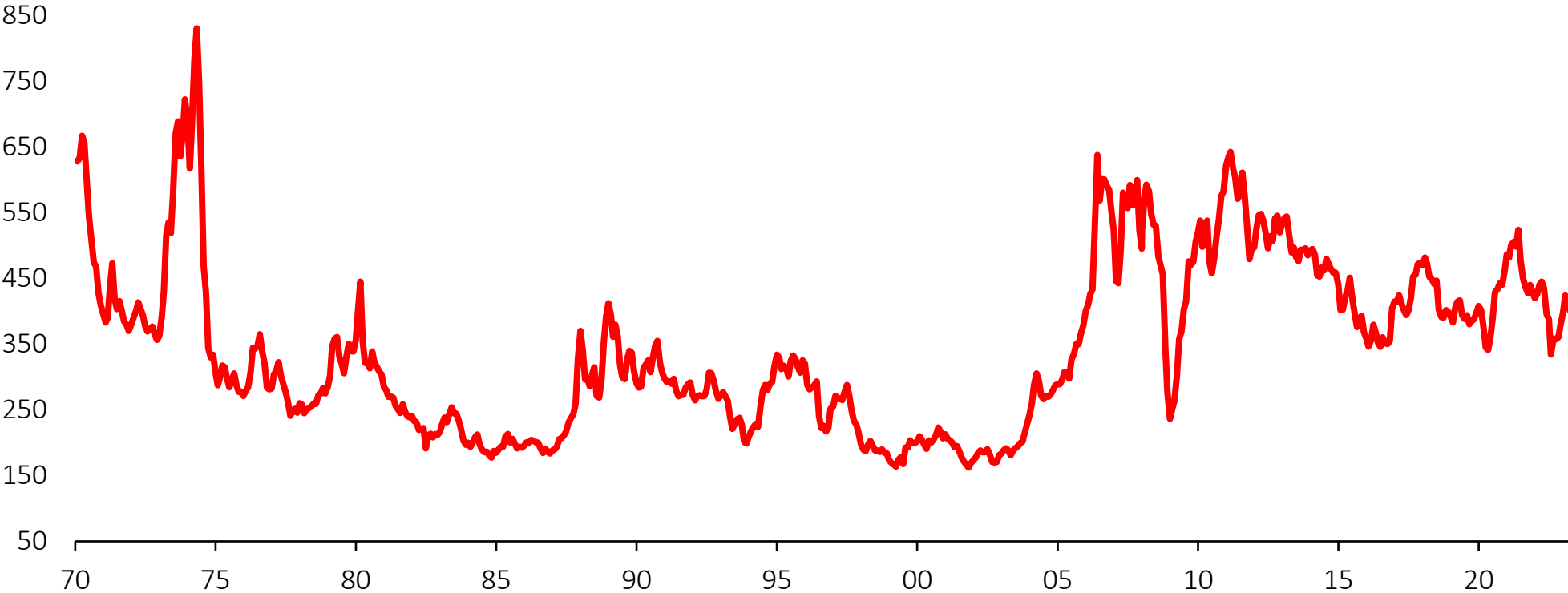


(f) Forecast included in the Monetary Policy Report, March 2023.

Source: Central Bank of Chile.



Copper Price (*)
(equivalent to price of February 2023, US\$ cents/pound)



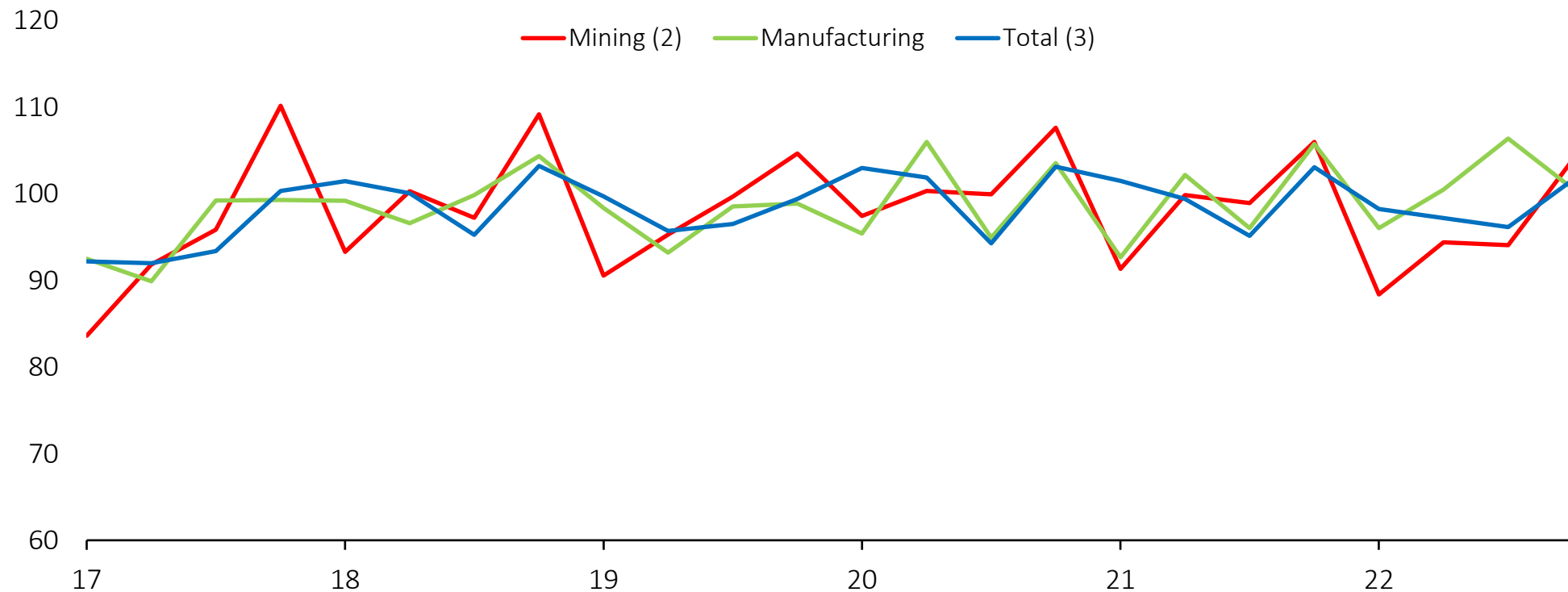
(*) London Metal Exchange price deflated by the US metal PPI.

Sources: Bloomberg and Cochilco.



Export volume (1)

(index, 2018=100)

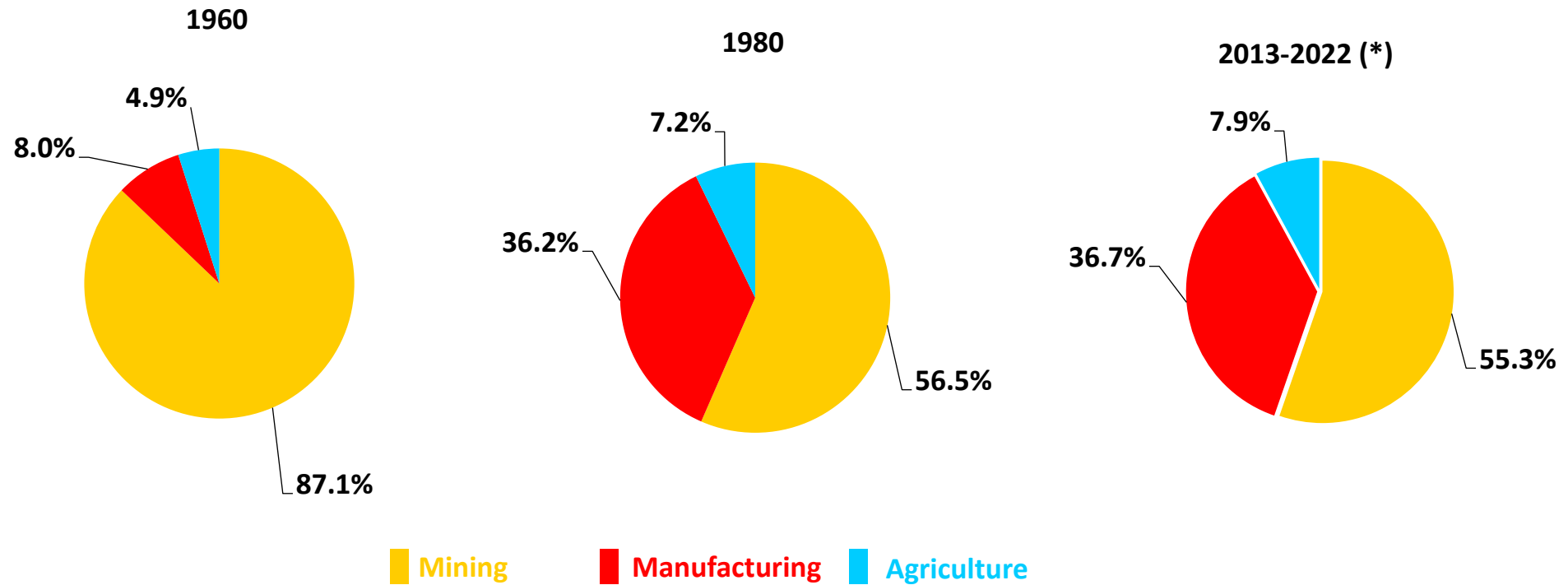


(1) Series published in March 2023. Indexes use methodology coherent with National Accounts (Reference Compilation 2018). (2) Includes gold.
(3) Total exports include gold, exports from Free-Trade Zone and goods acquired in port by means of transport.

Source: Central Bank of Chile.



Chilean exports by economic sector
(share of total exports)

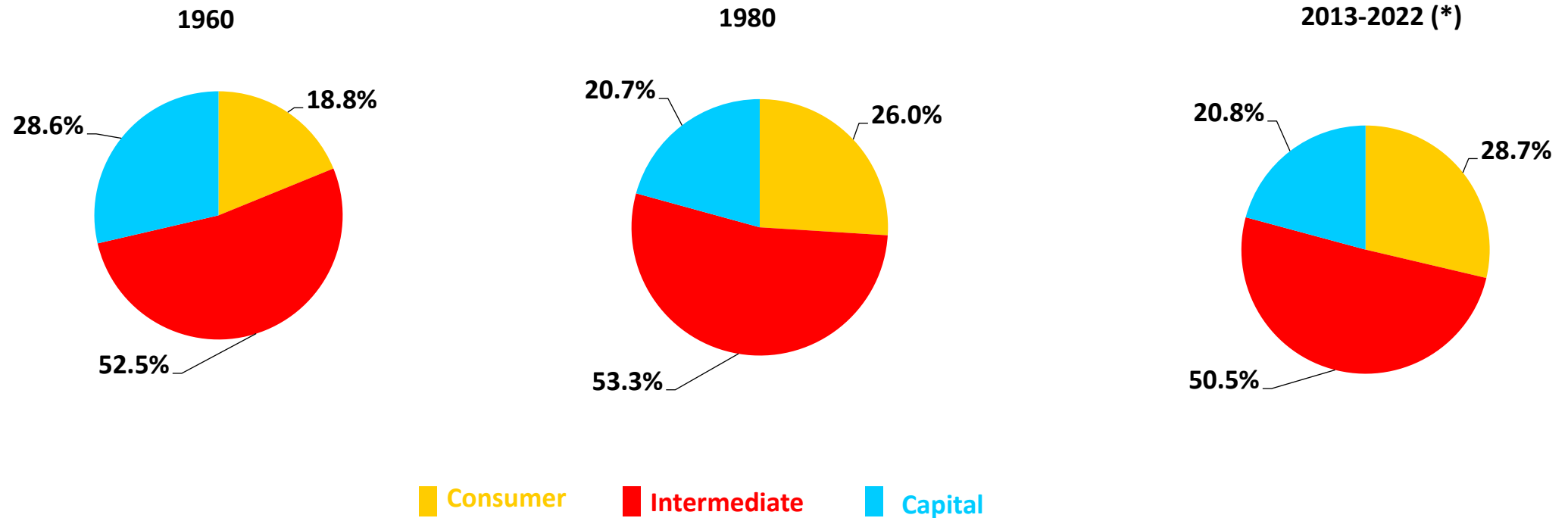


(*) Figure 2013-2022 includes gold, exports from Free-Trade Zone and goods acquired in port by means of transport.

Source: Central Bank of Chile.



Chilean Imports by goods classification
(share of total imports)



(*) Figure 2013-2022 includes Free-Trade Zone imports (CIF) and goods acquired in port by means of transport.

Source: Central Bank of Chile.

3

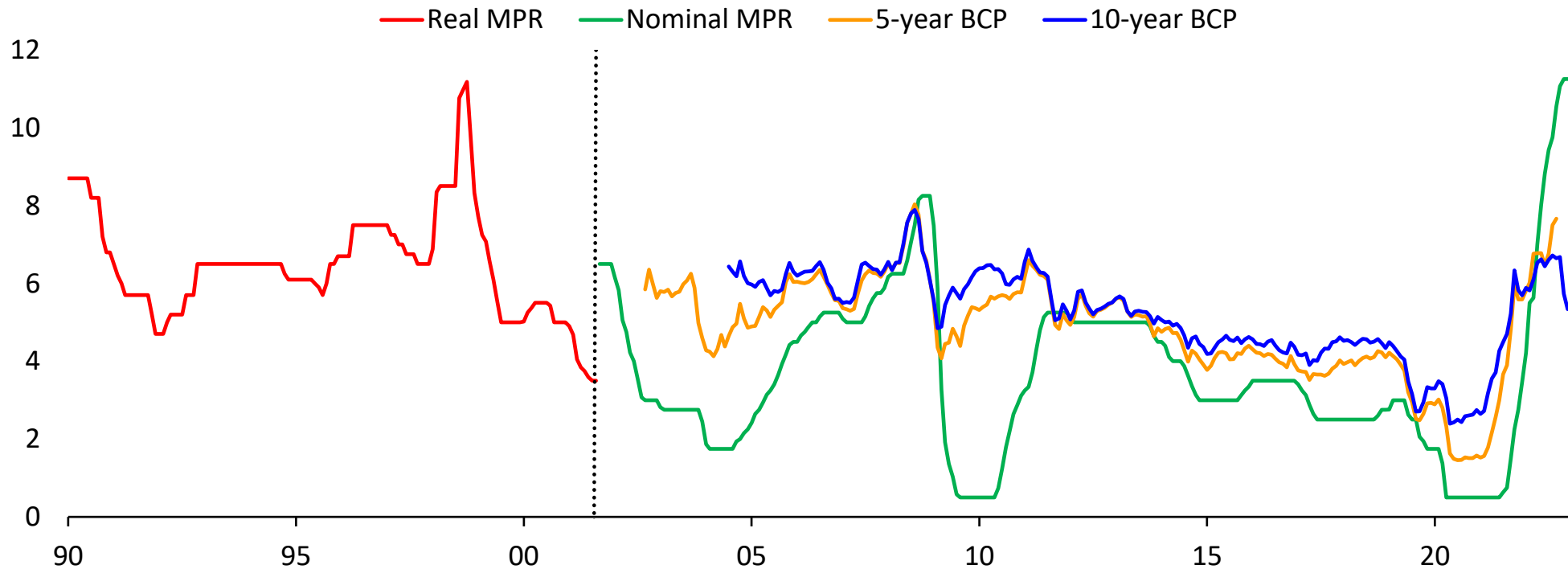
Monetary and Financial Indicators





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

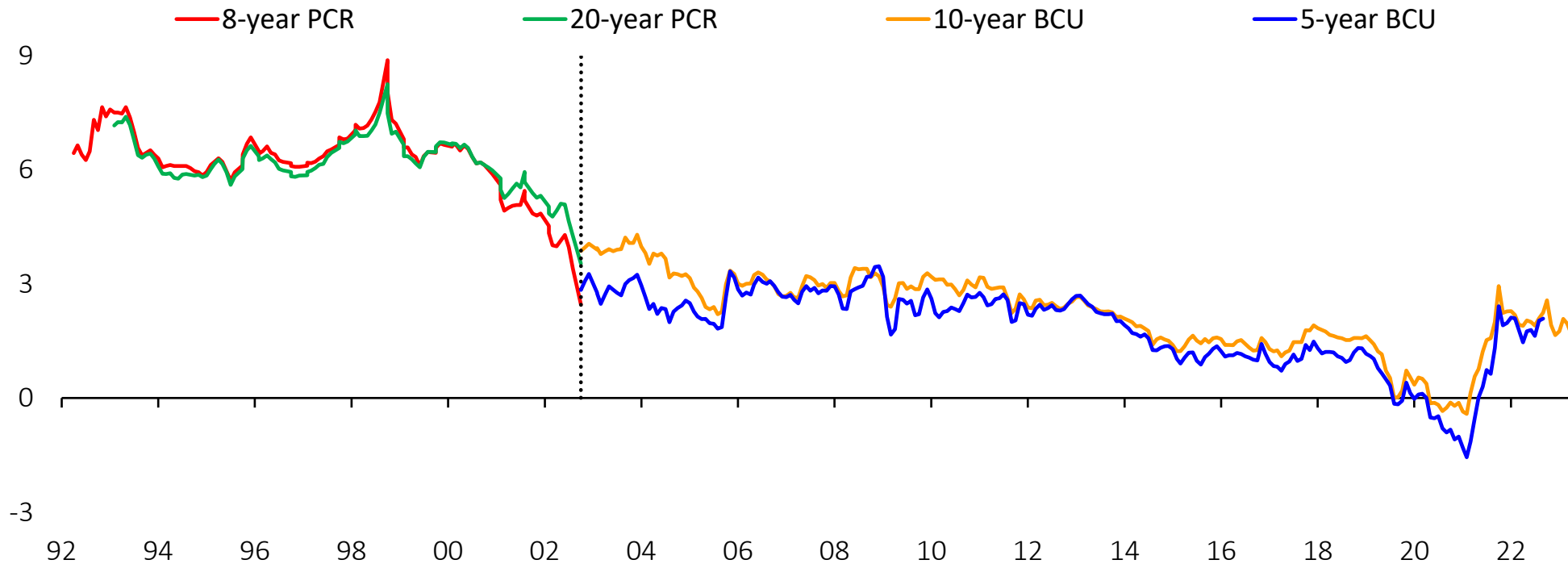
(percentage)



(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.



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

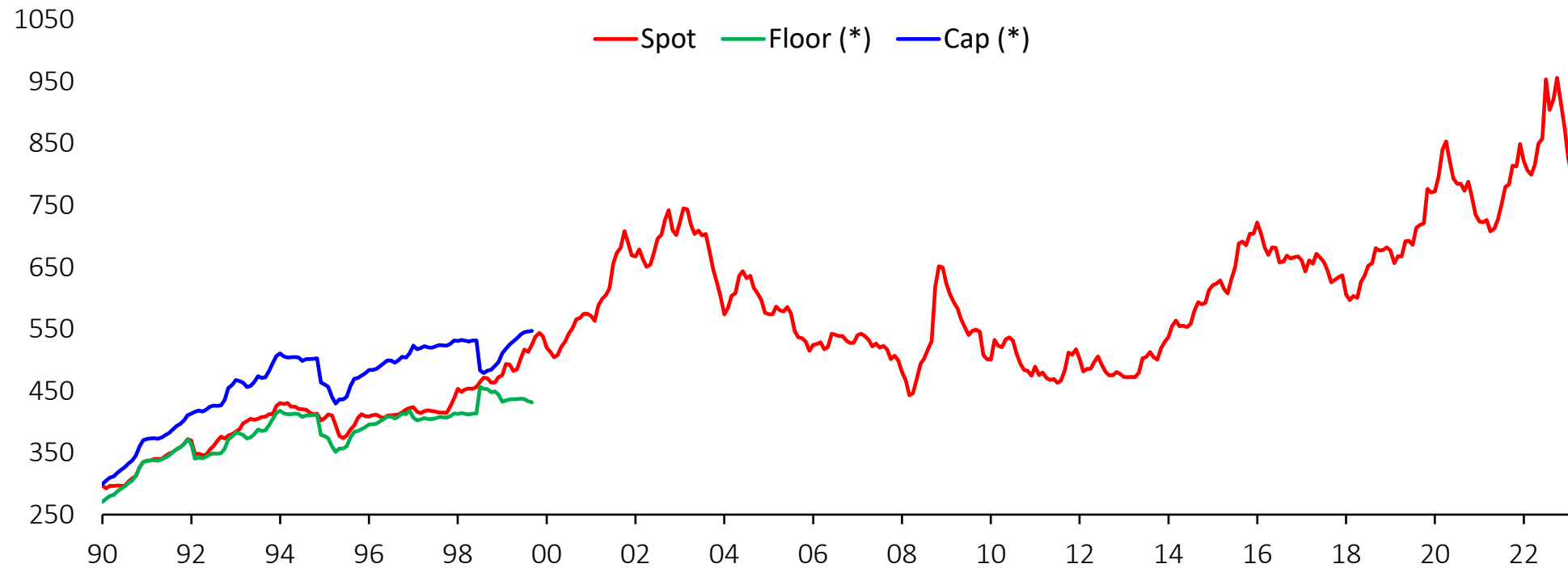


(1) PRC is a bond consisting of equal semi-annual payments (except for the last one), which may include interest payments and principal amortization.
(2) BCU is a bond issued in UF, a CPI-indexed unit of account, with similar features to BCP. (3) Monthly series. Source: Central Bank of Chile.



Nominal Exchange Rate

(CLP/ USD, monthly average)



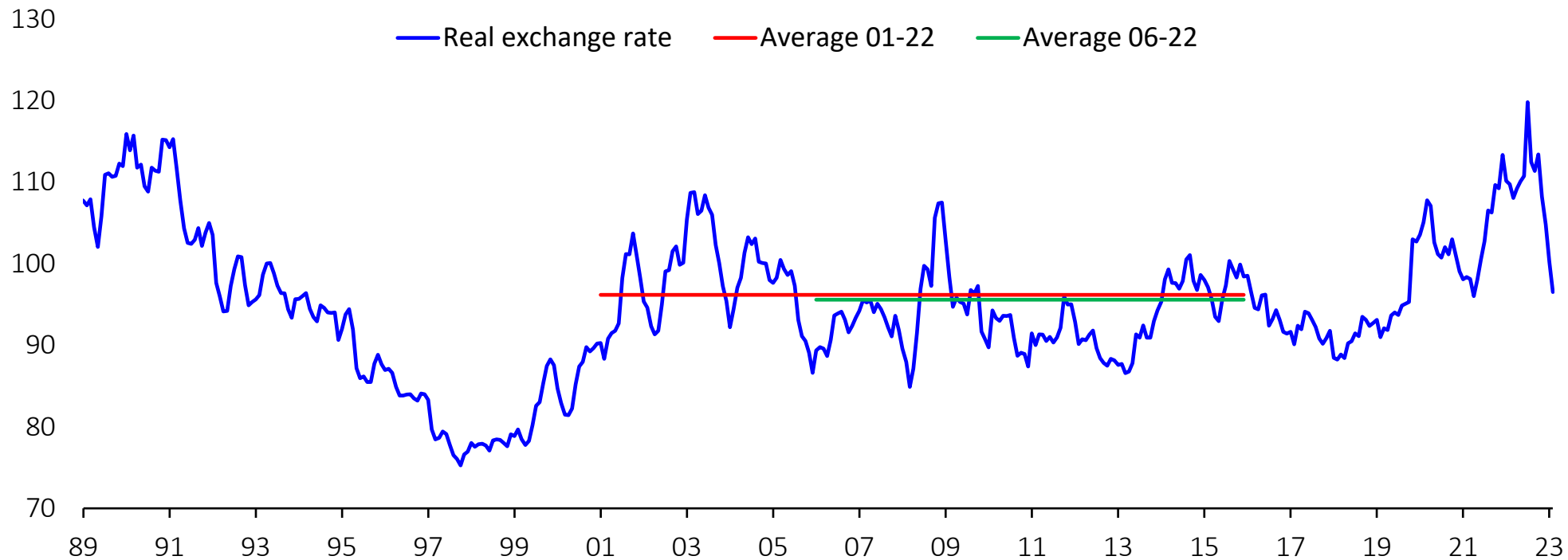
(*) The exchange rate bands are the upper or lower limits of a range inside which the exchange rate is allowed to float. This system operated until September 1999.

Source: Central Bank of Chile.



Real Exchange Rate

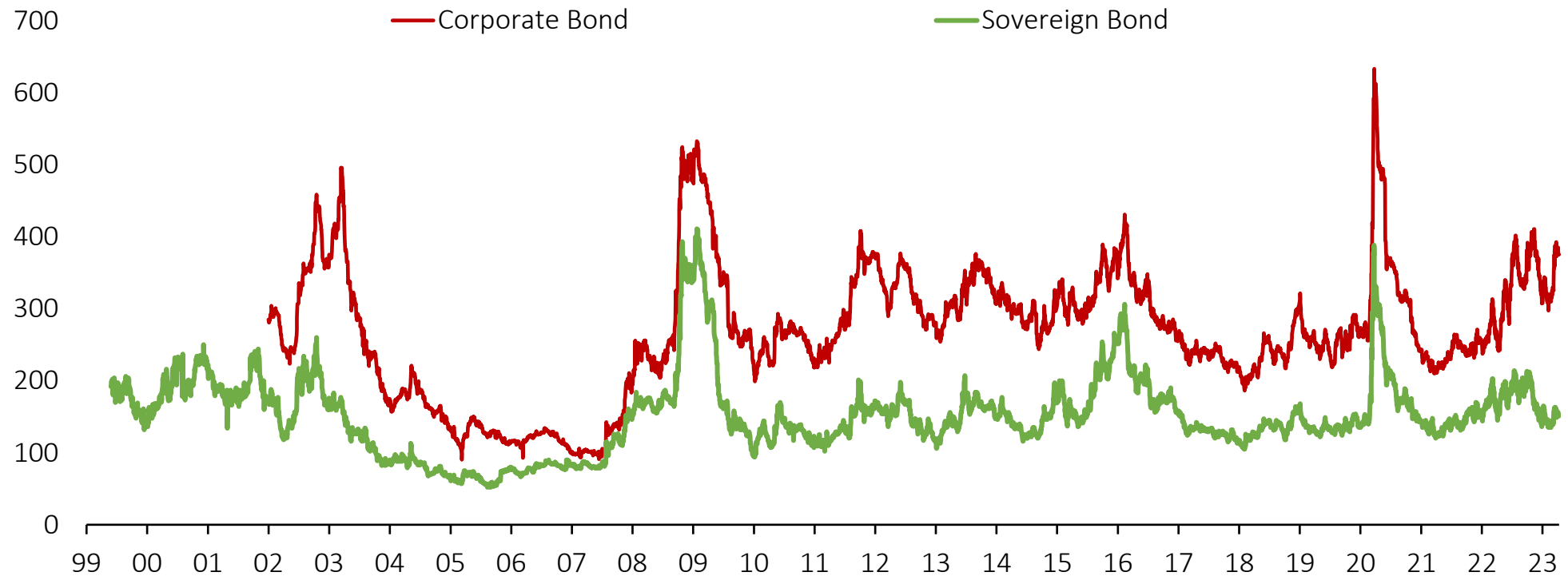
(index, 1986=100)



Source: Central Bank of Chile.



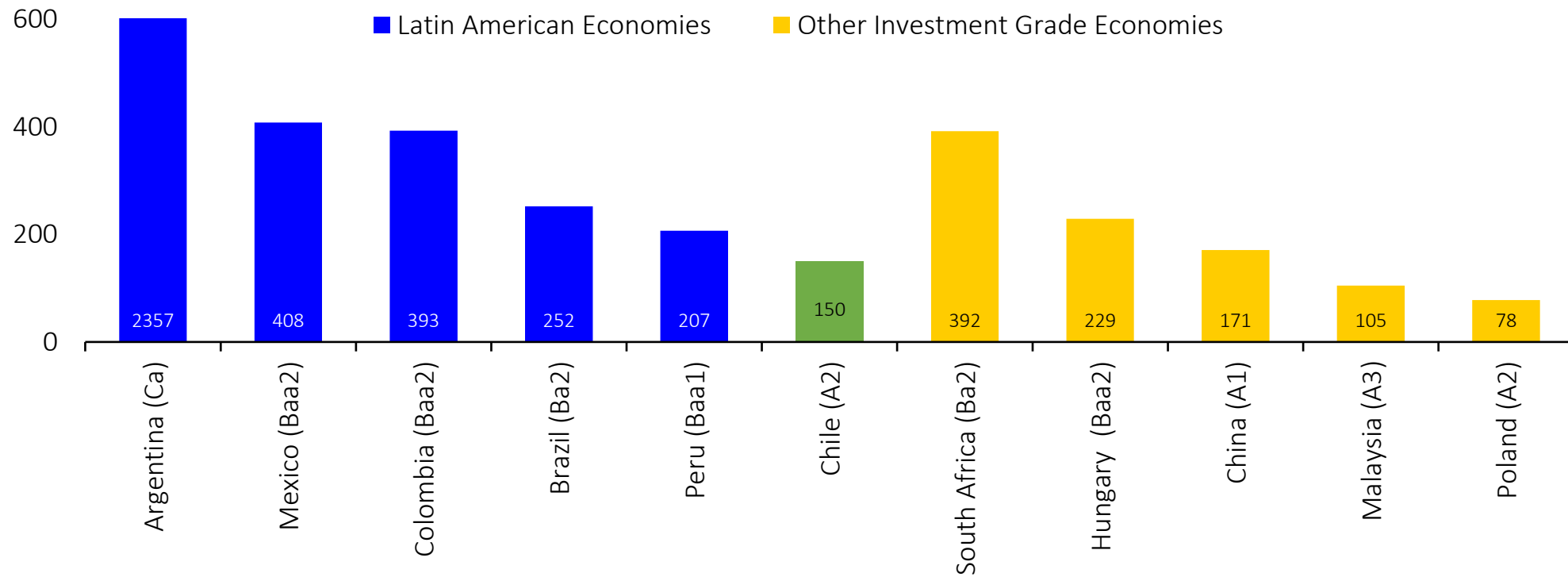
Chile Spreads
(basis points)



Sources: Central Bank of Chile and JP Morgan Chase.



Sovereign Spreads (1) (2)
(basis points)



(1) Moody's ranking in parenthesis. For Chile, sovereign spread ex-Codelco is considered. (2) As of March 29th, 2023.

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

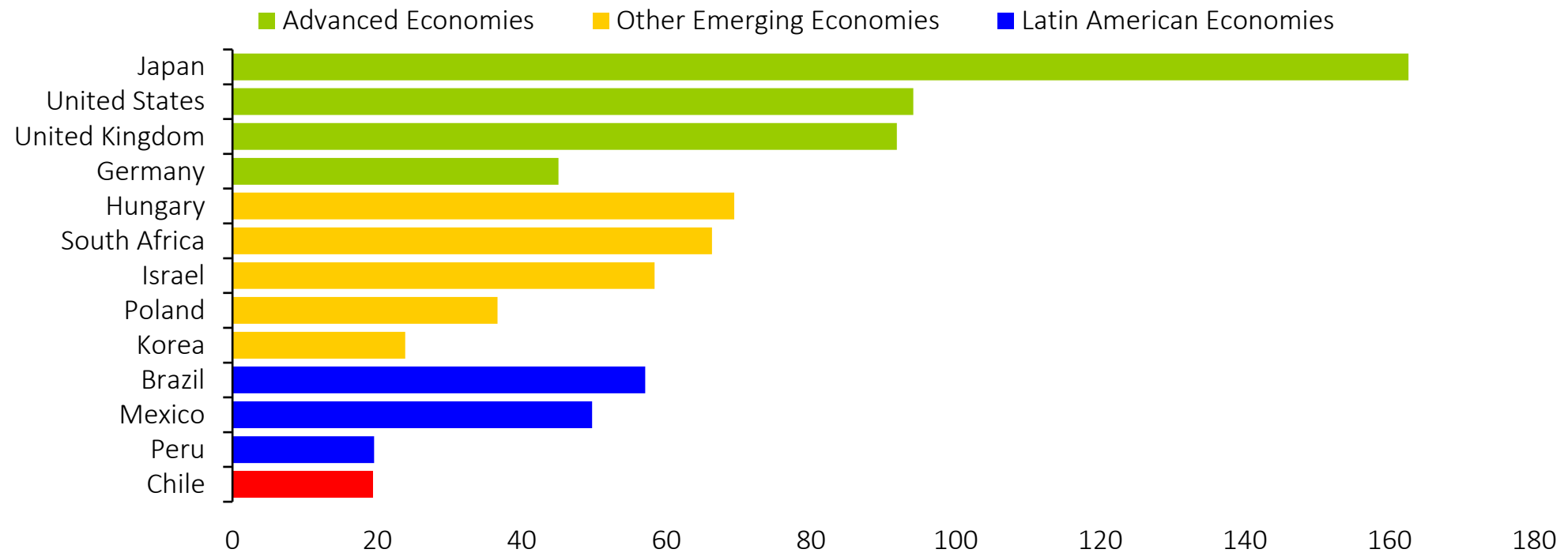
4

Public Sector





Public debt 2022 (1) (2) (percentage of GDP)

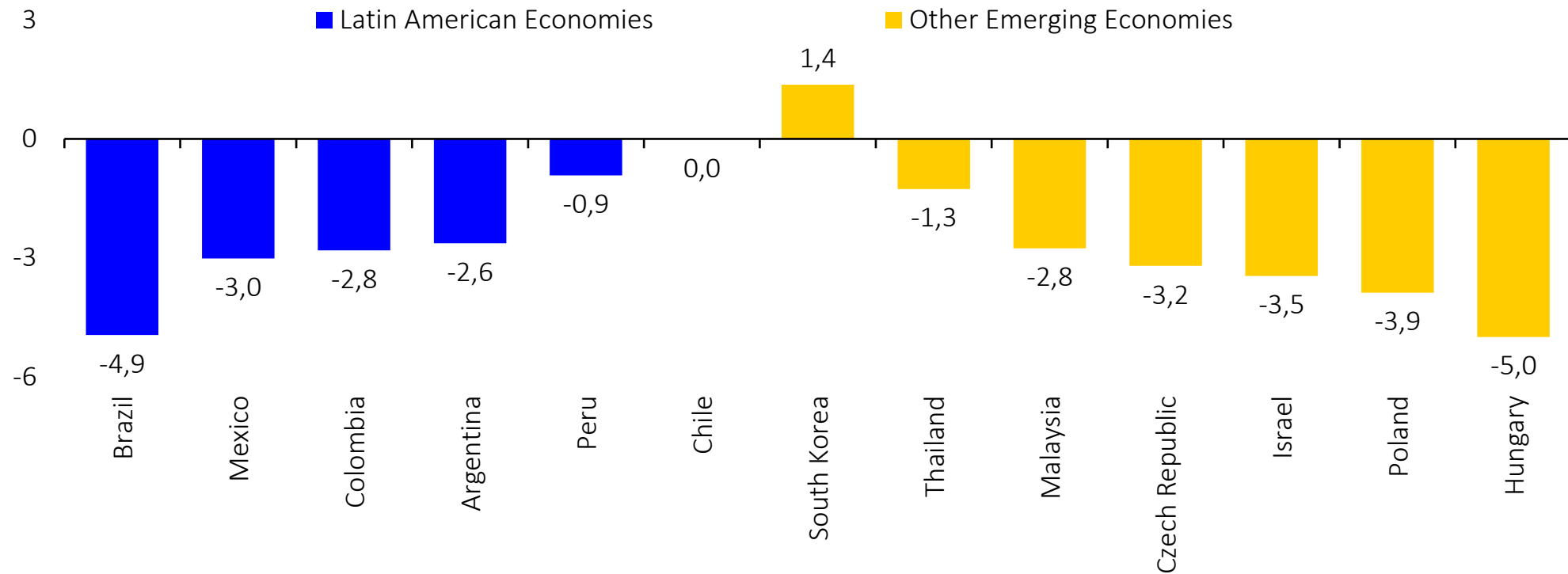


(1) Net debt of the Central Government (excluding reserves, Central Bank debt and social security). (2) With the exception of Chile, data obtained from Bloomberg.

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



Public Sector Balance: 1995-2022 average (*)
(percentage of GDP)



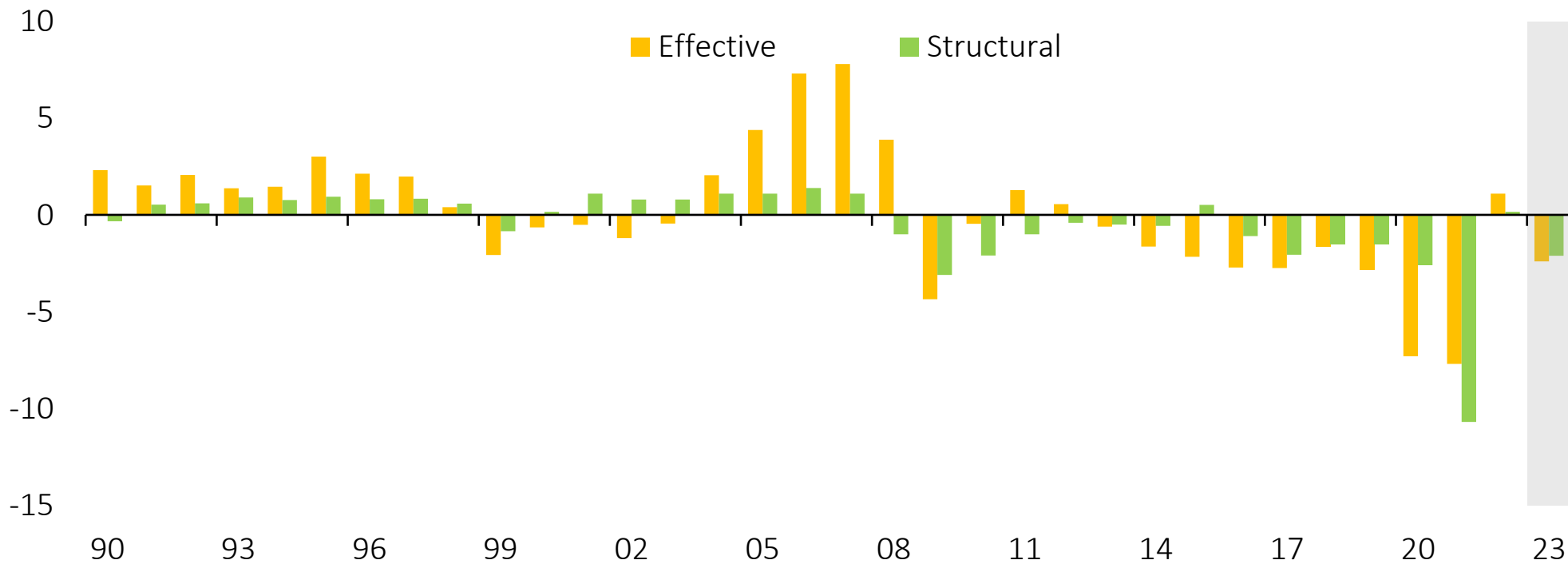
(*) For Chile corresponds to the General Government financial balance.

Sources: Ministry of Finance of Chile and IMF.



Public Sector Balance (*)

(percentage of GDP)



(*) Forecasts inside grey area. Data obtained from Ministry of Finance's estimates from February 2023 in: "Public Finance Report for the fourth 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	2,6	-0,7
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	1,1	-2,4
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	0,2	-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	6,3	-12,5
Total expenditures (annual change, %)	4,7	4,1	6,5	7,4	3,7	4,2	3,4	4,2	10,5	33,2	-23,1	1,2

(1) Fiscal data extracted from the Public Finance Report corresponding to the 4th quarter of 2022. (2) Since the expert consultation in 2022, the relevant measurement for the output gap corresponds to non-mining GDP. (3) Figure contained in each Budget Law. (3) Historical series without convergence analysis.

Source: National Budget Department, Finance Ministry of Chile.

5

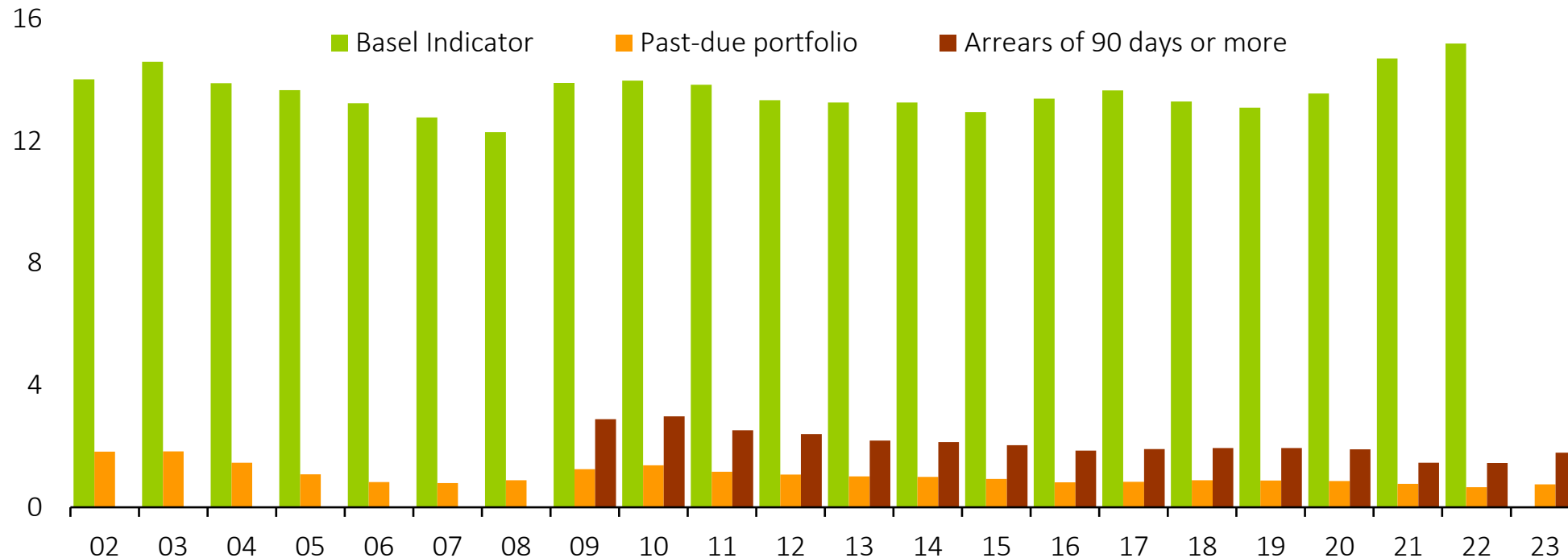
Financial System





Banking Solvency Indicators (1) (2)

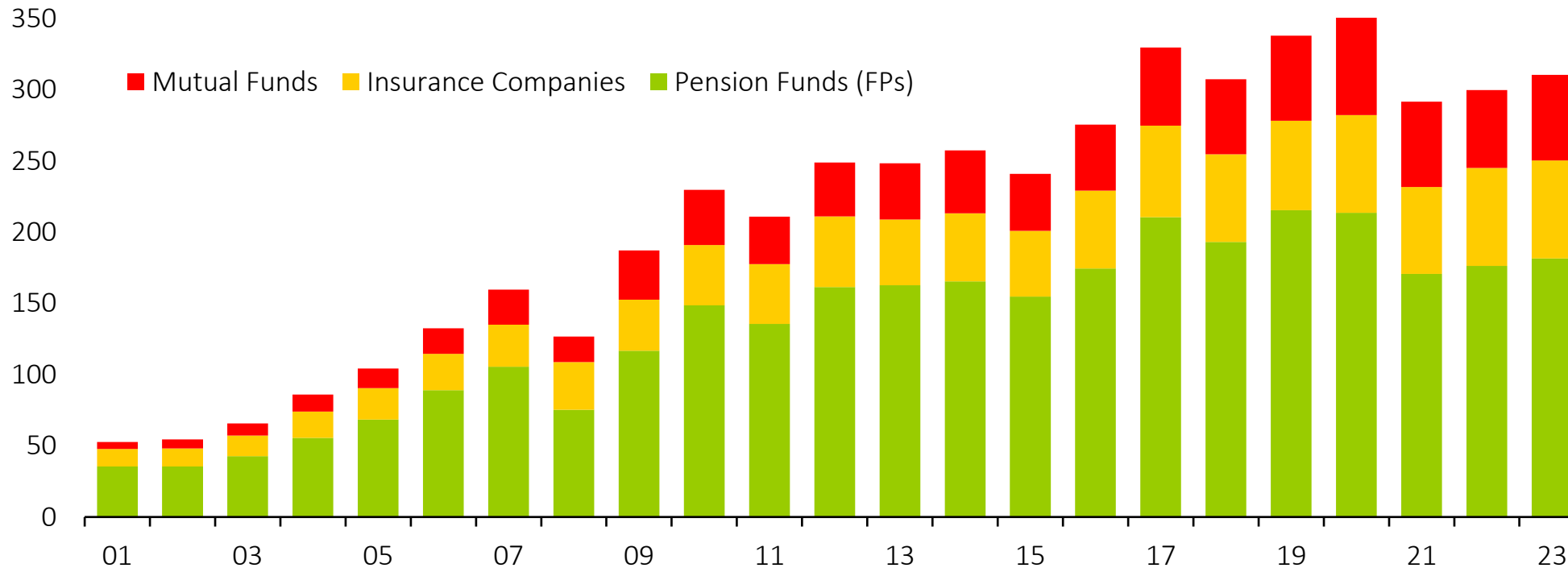
(annual average, percentage)



(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 December 2022 for the Basel index and until February 2023 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.



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



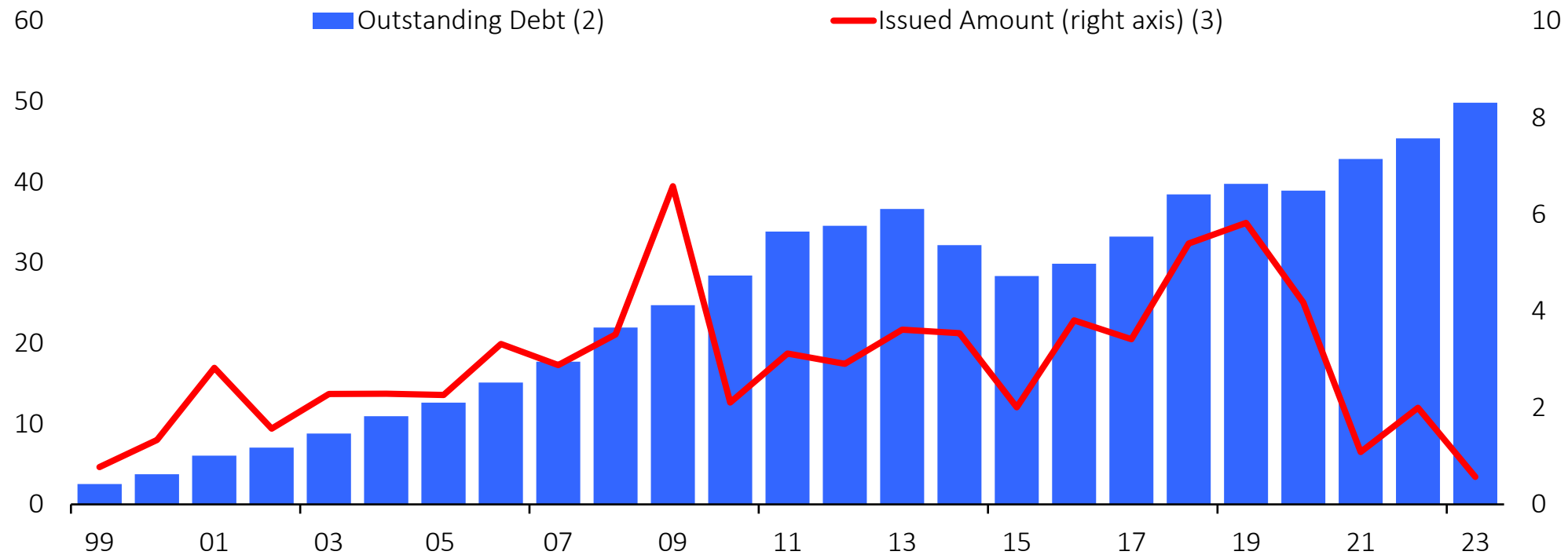
(*) Pension Funds until February 2023, Mutual Funds until March 2023 and Insurance Companies until December 2022.

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 2023, considers available information until February. (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

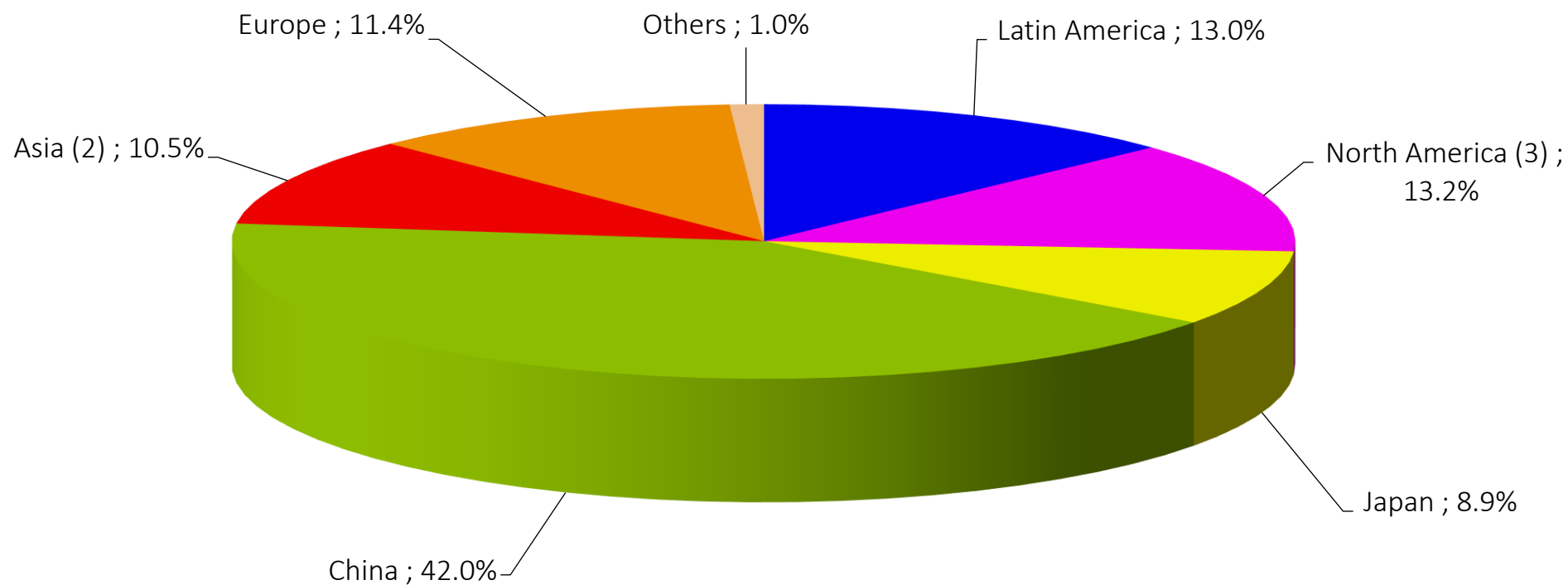
External Sector





Exports destinations fourth quarter 2022 (1)

(share of total exports)



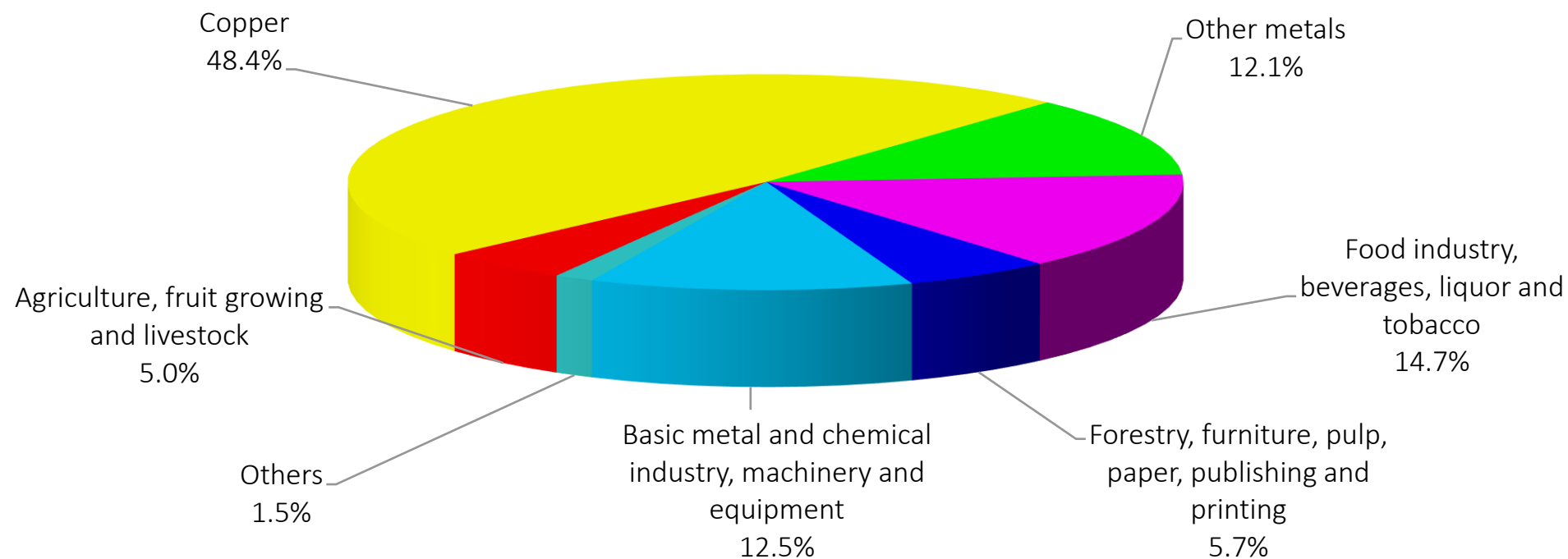
(1) Exports include gold, Free-Trade Zone and goods acquired in port by means of transport. (2) Excludes China and Japan. (3) Includes United States and Canada.

Source: Central Bank of Chile.



Exports of goods fourth quarter 2022 (*)

(share of total exports)

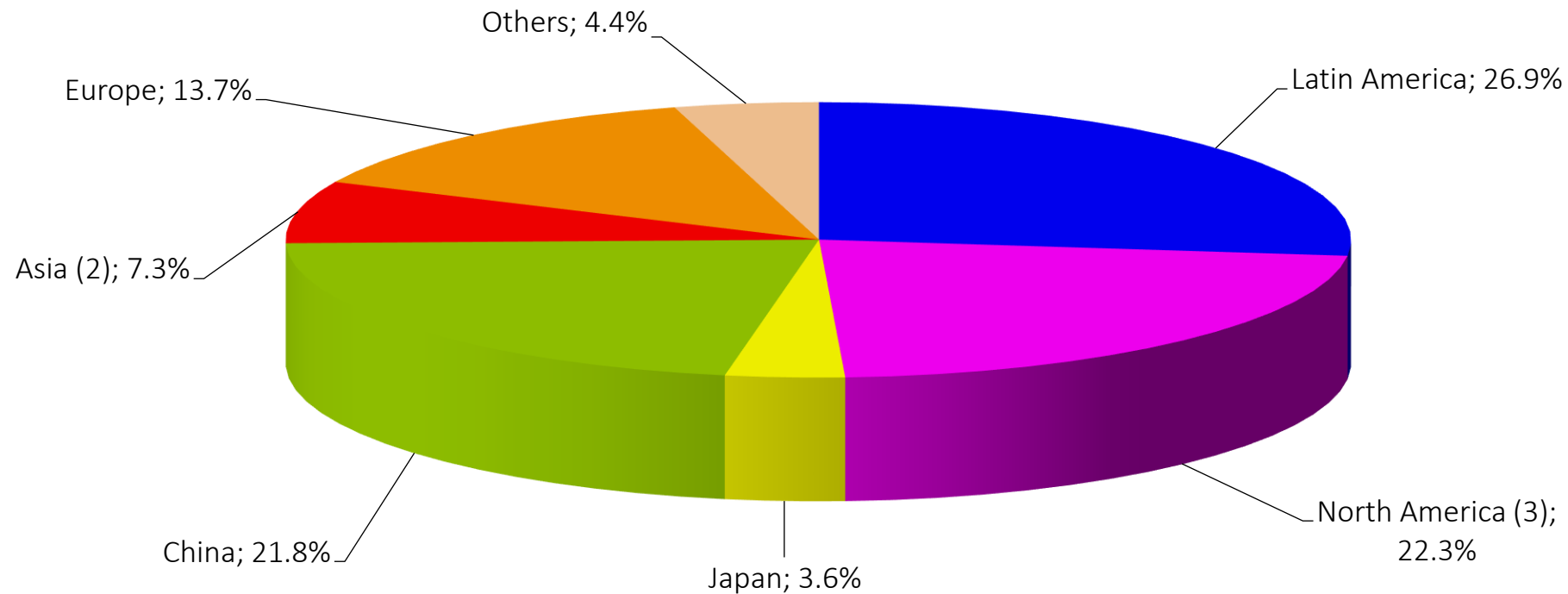


(*) Exports include gold, Free-Trade Zone and goods acquired in port by means of transport.

Source: Central Bank of Chile



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

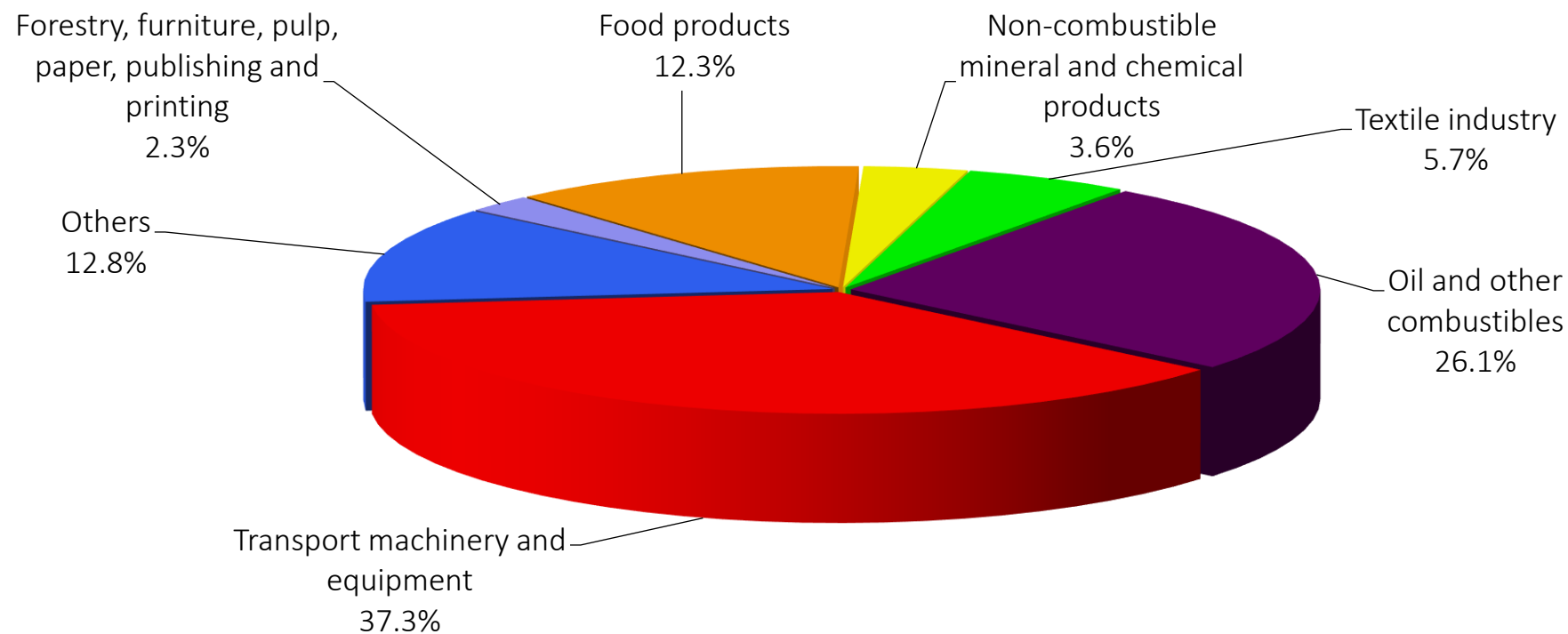


(1) Imports include Free-Trade Zone and goods acquired in port by means of transport. (2) Excludes China and Japan. (3) Includes United States and Canada.

Source: Central Bank of Chile.



Imports of goods fourth quarter 2022 (*) (share of total imports)

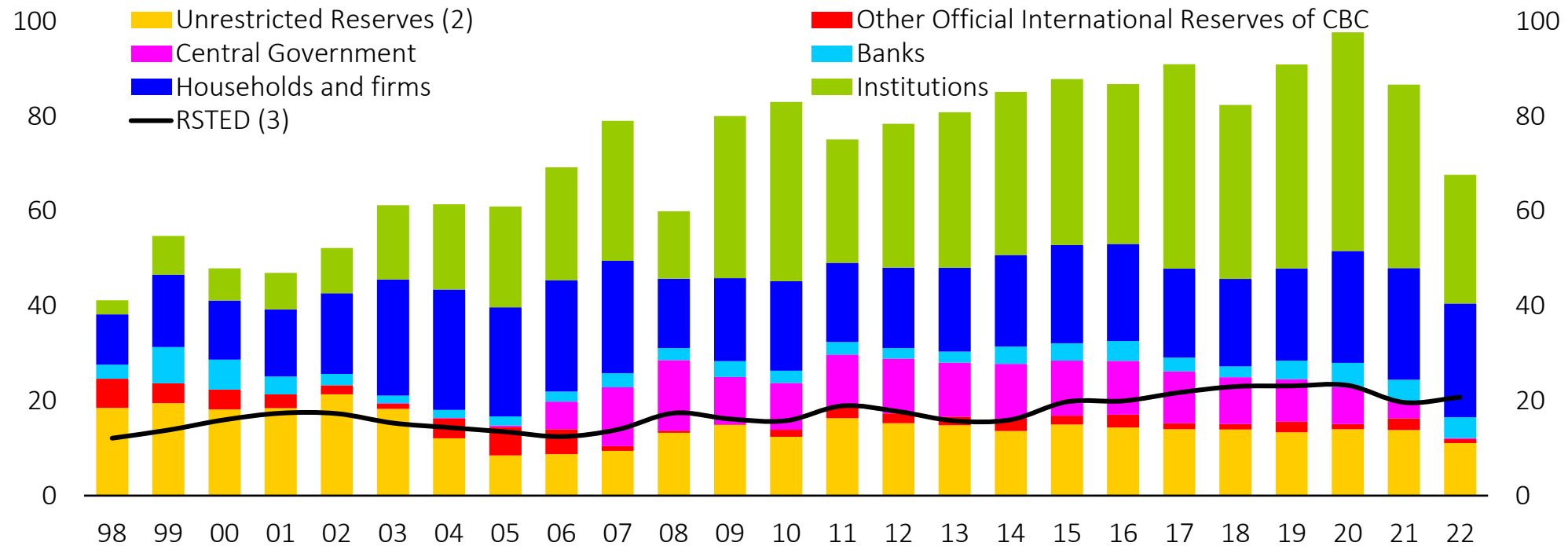


(*) Imports include Free-Trade Zone imports (CIF) and goods purchased in port by means of transport.

Source: Central Bank of Chile.



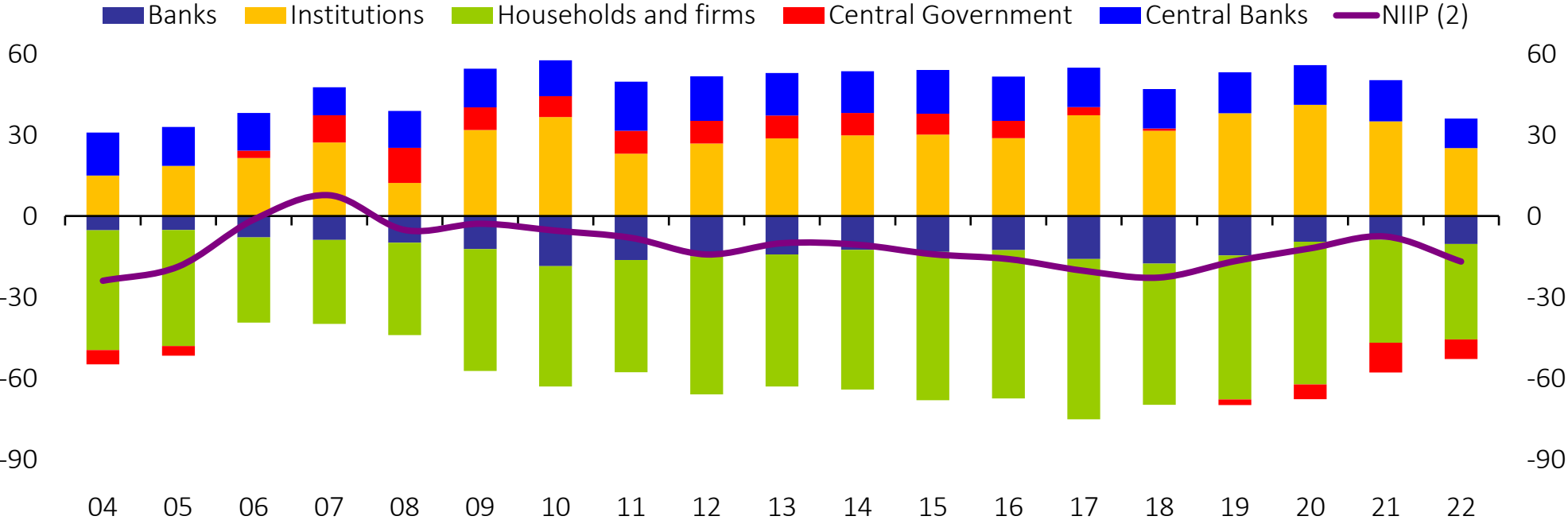
Availability of Net Foreign Financial Liquidity (1) (percentage of GDP)



(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.



Net International Investment Position (1) (percentage of GDP)

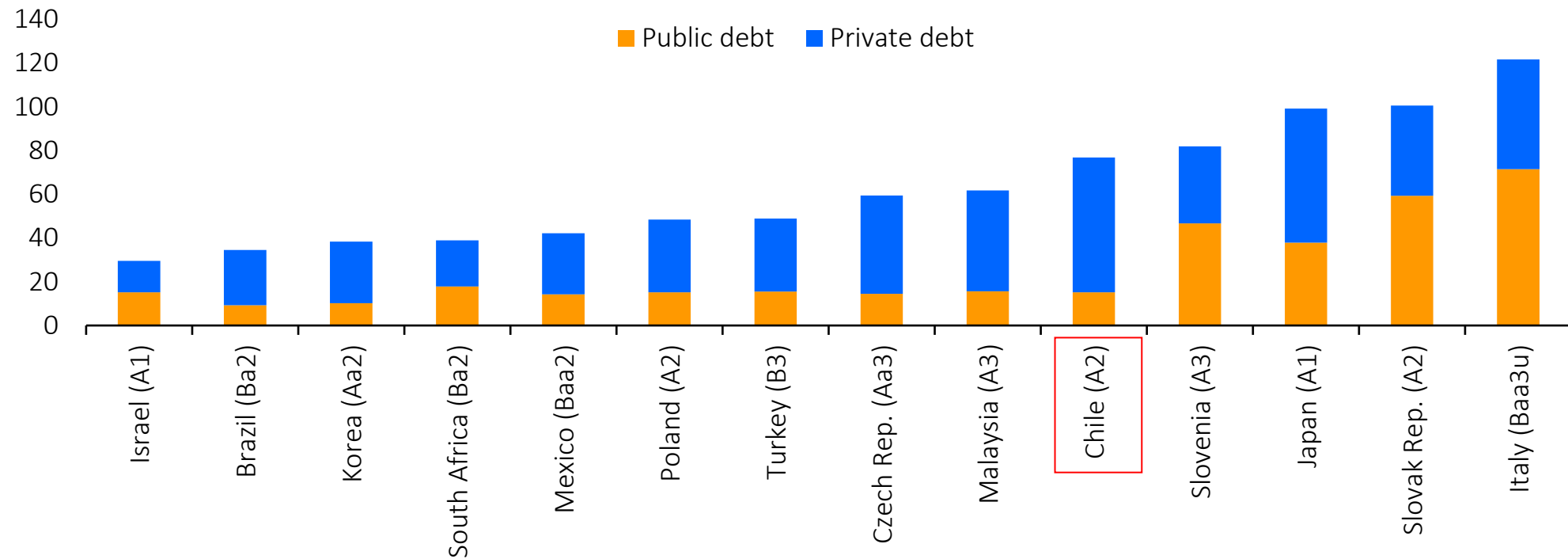


(1) GDP at constant real exchange rate (index March 2020=100). (2) NIIP: Net International Investment Position.

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 third quarter of 2022. GDP for 2022 estimated by IMF (WEO Apr.23), and risk ratings from Moody's. (3) For Mexico and Malaysia, debt for loans from the same company between countries not included.

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

7

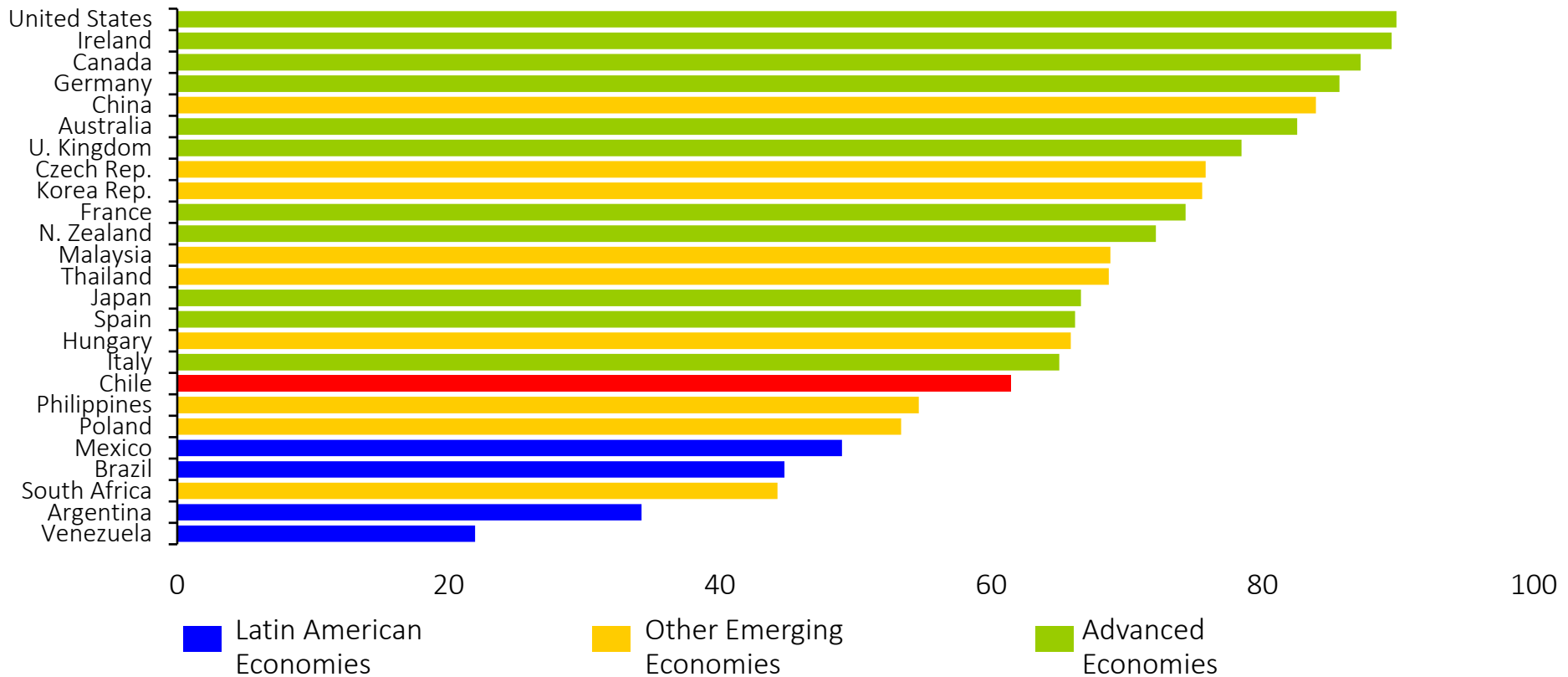
Independent Rankings



Independent Rankings



IMD Competitiveness 2022 (index)

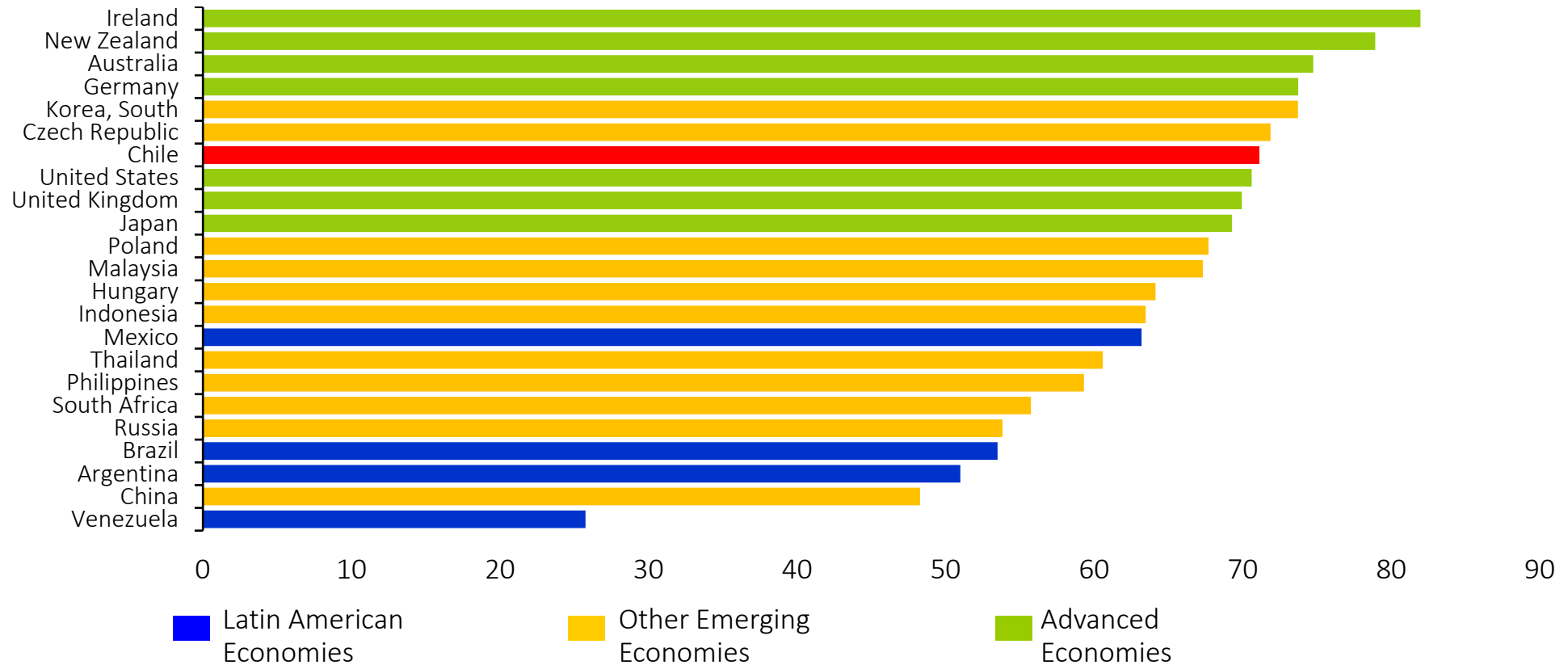


Source: International Institute for Management Development, June 2022.



Economic Freedom 2023

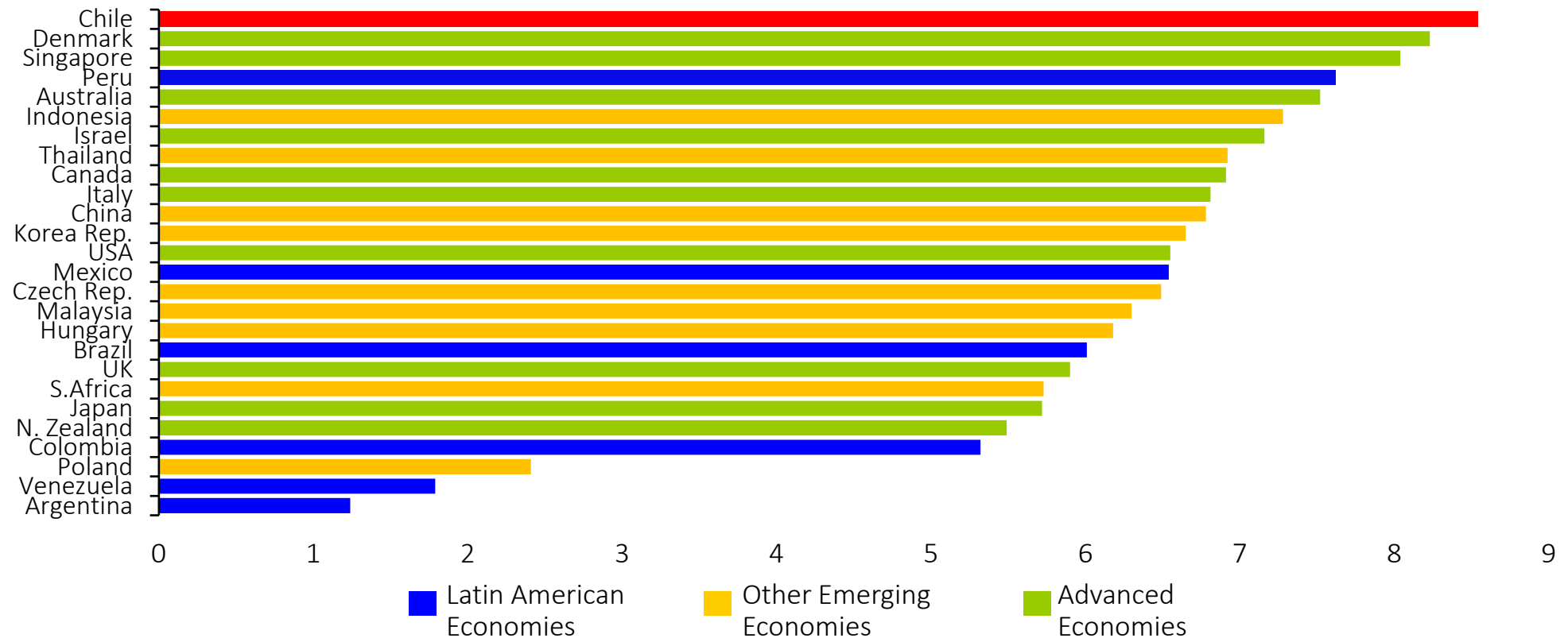
(index)



Source: The Heritage Foundation, January 2023.



Contribution of monetary policy to macroeconomic performance 2022
(index)



Source: International Institute for Management Development, June 2022.