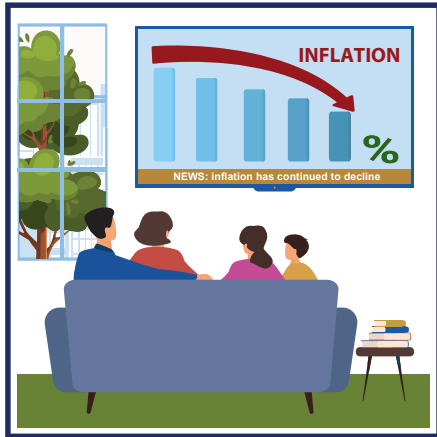


# What does this MP Report tell us? December 2023



Inflation has continued to decline, which has positive effects for individuals, households and the broader economy.



It is important to keep in mind that the task is not finished: inflation remains above the target and the Central Bank projects that it will converge to it during 2024.



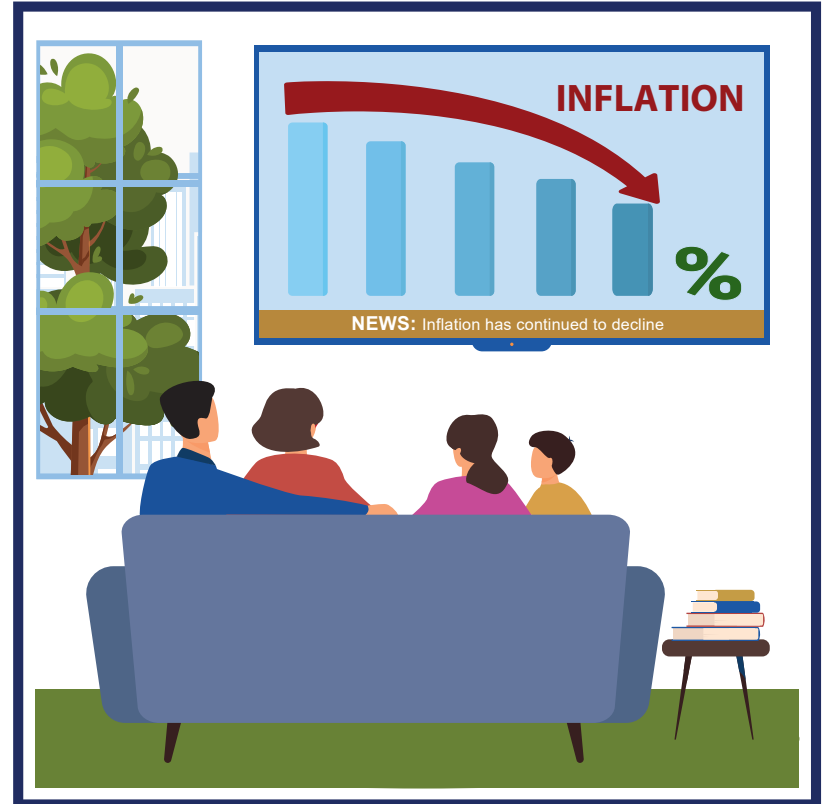
The Central Bank will continue lowering the benchmark rate, which will positively impact on borrowing costs for companies and people.



The Chilean economy still faces significant risks, so the Central Bank will remain attentive to the evolution of the external and local scenarios.

## Inflation has continued to decline, which has positive effects for individuals, households and the broader economy.

- In November, annual inflation reached 4.8%, far from the 14% in the middle of last year, which has been alleviating the loss of purchasing power of families and individuals.
- This decrease in inflation has occurred thanks to the gradual resolution of the imbalances that the Chilean economy had and the action of the monetary policy of the Central Bank.
- The resolution of some cost problems from previous years, associated with logistical and transportation difficulties as a result of the pandemic and the rise in raw material prices, among others, also contributed.



**It is important to keep in mind that the task is not finished: inflation remains above the target and the Central Bank projects that it will converge to it during 2024.**

- While inflation has declined from the high levels at the beginning of the year, it is still above the 3% target.
- According to the Monetary Policy Report projections, inflation will be at 4.5% at the end of this year.
- Regarding activity, it is estimated that the Chilean economy will record zero growth this year, and that in 2024 it will grow between 1.25 and 2.25% and between 2 and 3% in 2025.



## The Central Bank will continue lowering the benchmark rate, which will positively impact on borrowing costs for companies and people.

- After starting early in 2021 the hiking cycle of the monetary policy rate (MPR) to address the high inflation, the Central Bank began the cutting cycle of the MPR in July in the current year.
- Since July, the Central Bank has reduced the MPR by 300 basis points, and stands at 8.25%.
- These cuts have gradually transmitted to consumer and commercial credit rates.
- The MPR will continue to reduce, in line with the behavior of inflation and its convergence to the 3% target.



**The Chilean economy still faces significant risks, so the Central Bank will remain attentive to the evolution of the external and local scenarios.**

- The evolution of the external scenario continues to be subject to significant sources of uncertainty.
- The fragility of the real-estate sector in China, doubts about the fiscal situation of the U.S., and a more complex geopolitical environment with new armed conflicts are just some of them.
- The implications of these scenarios for monetary policy will depend on how they affect the prospects for the convergence of inflation to its 3% target.

