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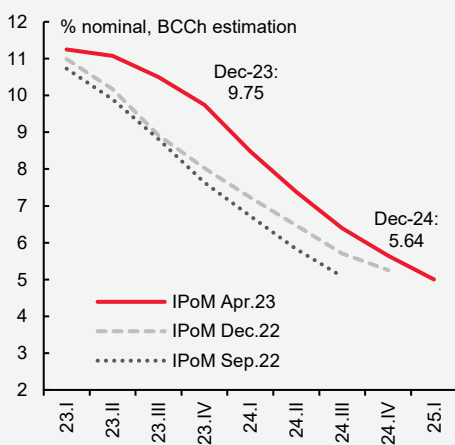
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Chart 1

Chile: BCCh Corridor—Midpoint



Sources: Scotiabank Economics, BCCh.

Latam Daily: Chile's BCCh Reinforces Its Hawkish Tone

- Chile: BCCh reinforces its hawkish tone in its *Monetary Policy Report*—higher forecasts for GDP, inflation and reference rates

CHILE: BCCH REINFORCES ITS HAWKISH TONE IN ITS *MONETARY POLICY REPORT*—HIGHER FORECASTS FOR GDP, INFLATION AND REFERENCE RATES

On Wednesday, April 5, the central bank (BCCh) published its Q1-2023 *Monetary Policy Report*, in which it updated its macroeconomic scenario and explained its monetary policy strategy for the coming months. Regarding GDP growth, the BCCh revised upwards its forecast for 2023 from -1.25% to 0% (midpoint of its range), mainly due to an improvement in the terms of trade (mainly copper prices) and better prospects for domestic demand. With this, the BCCh revised upwards its estimate for this year's output gap, which partly explains the upward revision in the December CPI projection (from 3.6% to 4.6% y/y; table 1). In this regard, BCCh also justified the increase in the CPI projection based on the recent upside surprises and the assumed CLP depreciation path towards December. According to BCCh, this scenario is consistent with a higher benchmark rate level by 2023, which is reflected in a higher benchmark rate corridor than estimated in the December *Monetary Policy Report* (chart 1).

We recognize that the BCCh has maintained a hawkish view and will likely keep the benchmark rate at its current level until it sees downside surprises in CPI inflation prints, as well as 2-year inflation expectations decreasing to 3%. We therefore revise up our forecast for the benchmark rate to 7.5% through December 2023 (4.5% in our last scenario), which is consistent with our forecast for GDP growth and inflation this year.

Table 1: Chile—BCCh's Macroeconomic Scenario for 2023

	IPoM Dec-22	IPoM Apr-23
CPI (var. %, y/y; eop)	3.60	4.60
GDP (var. %, midpoint)	-1.25	0.00
Domestic demand (var. %)	-5.30	-4.00
Copper price (USD cent/pound)	354.00	385.00

Sources: Scotiabank Economics, BCCh.

—Aníbal Alarcón

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