



Dissecting consumer prices in Chile: from globalization to global supply chain pressures

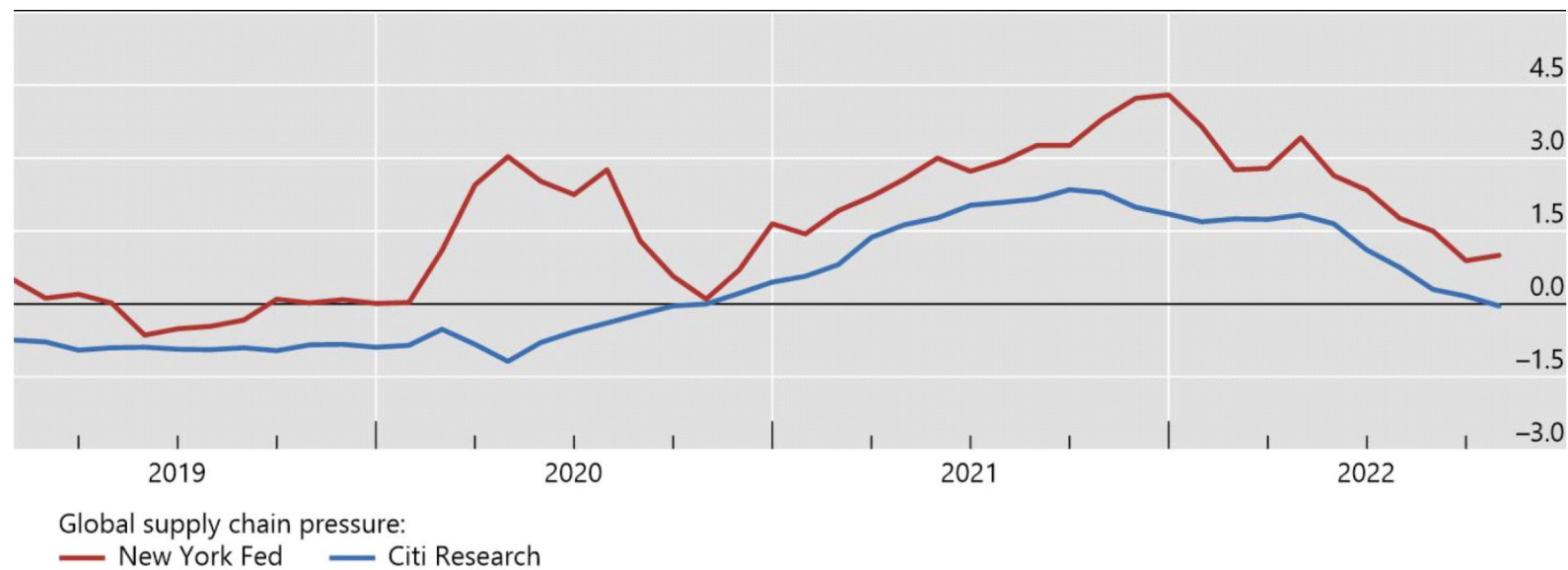
Discussion by Aaron Mehrotra (BIS)

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All views expressed are those of the presenter and not necessarily those of the BIS

Supply chain pressure easing¹

Standard deviations



¹ Supply chain pressure indices summarise manufacturing and inventory indicators as well as transportation costs across a range of countries.

Sources: Bloomberg; Citi Research; Refinitiv

Source: <https://www.bis.org/publ/bisbull61.pdf>

This paper

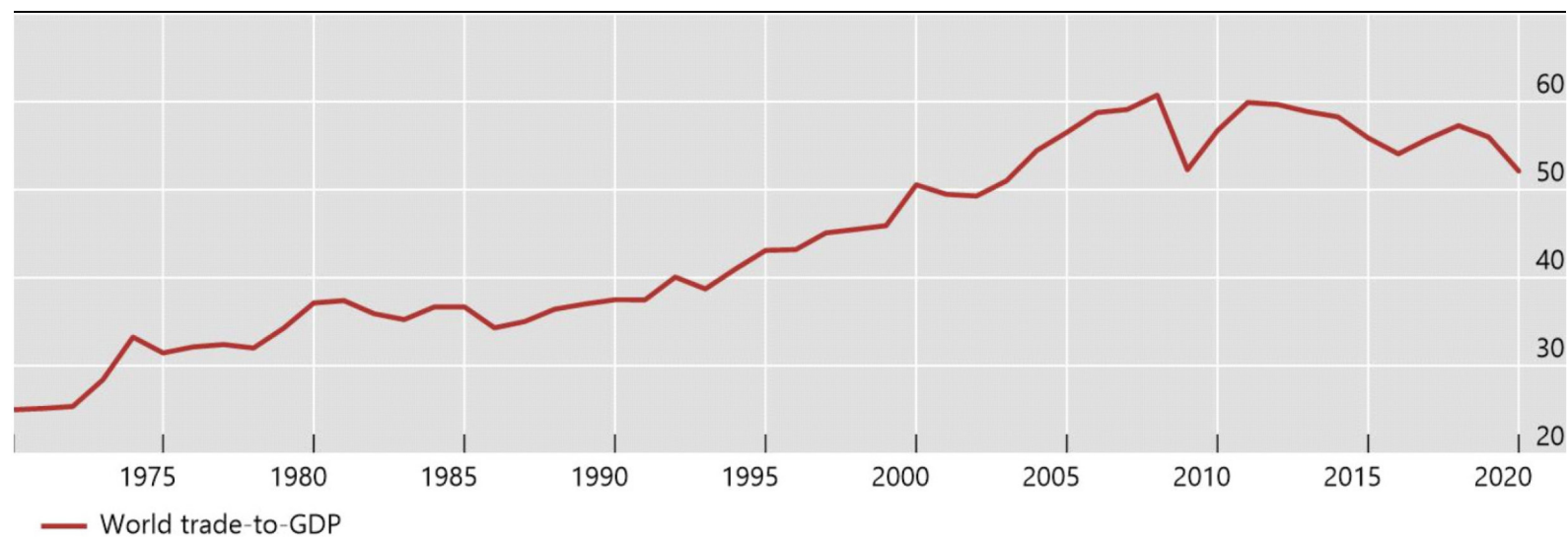
- Analyses the effect of imports of consumption goods from low-wage countries on inflation in Chile
- Uses granular data from Chile's customs
 - Quantities and values by product and country of origin
 - Allows authors to construct detailed import price indices
- Decomposes impact on inflation into three channels
 - Substitution; imported inflation; competition
 - Analysis follows Carluccio et al (2018)

Results

- Share of Chile's imports from emerging Asia rose from 33% to 46% over 2005-15
- Disinflationary effect on CPI inflation around 0.3 ppts annually
 - Mostly through imported inflation channel
- Effect of lower prices is concentrated in small number of product categories

Towards deglobalisation?

Percentage of GDP



Source: World Bank.

My discussion

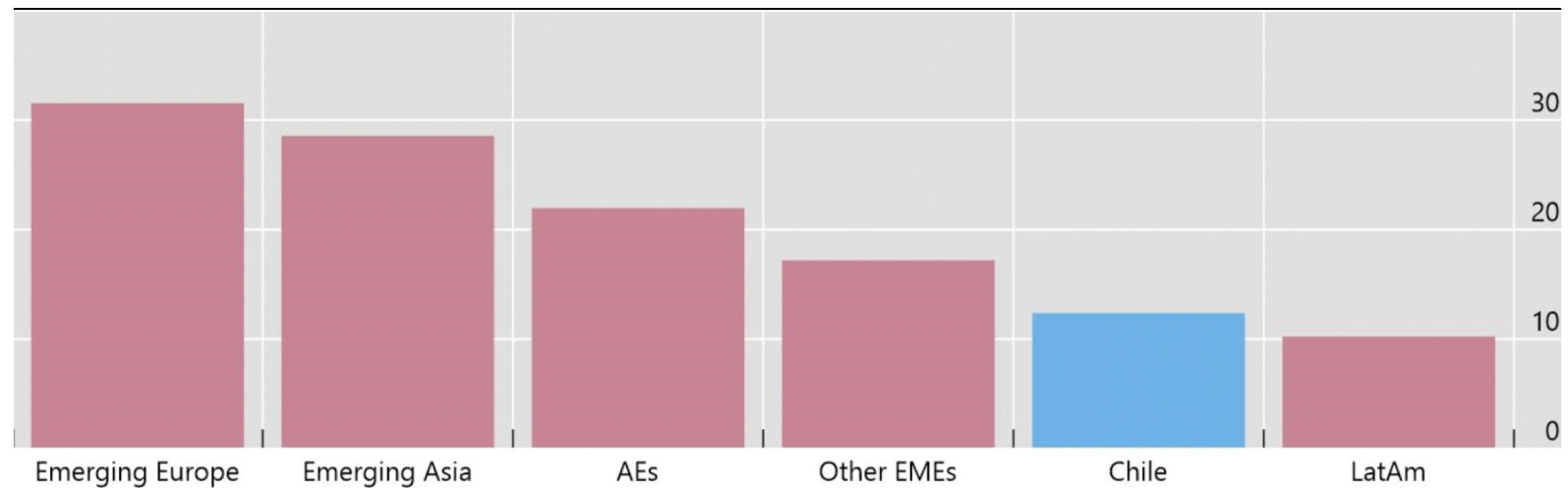
- Further information for the reader
- Relating results to previous evidence & literature
- Analysing supply side bottlenecks
- Evidence on deglobalisation?

Further information for the reader

- To what extent is China driving the results?
 - Earlier version of the paper showed a large increase in Chile's imports from China over the sample period
- Which economies are included in the low/high wage groups?
- Comparing some key (trade) statistics between Chile and other economies

Import content of exports¹

Per cent



¹ Median across regions in 2016.

Source: OECD.

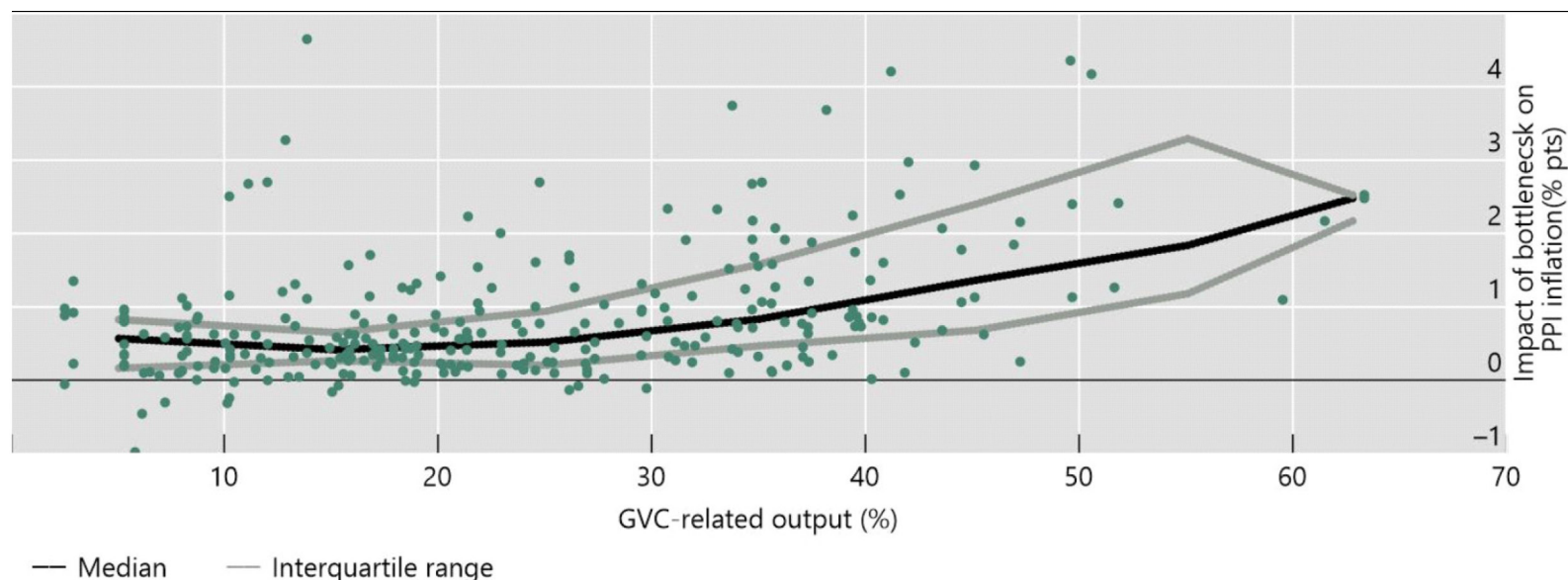
Comparing paper with previous studies

- In Carluccio et al (2018), effect of imports from low wage countries on French CPI was 17 basis points annually
- Studies on international inflation spillovers through input linkages
 - eg Auer, Levchenko and Saure (2019)
 - Country c 's production uses imported inputs from country e , leading to spillovers of producer prices

$$\widehat{PPI}_c = \gamma_{c,e} \times \widehat{PPI}_e + (1 - \gamma_{c,e}) \times \widehat{C}_c,$$

Analysing supply chain disruptions

Prices in GVC-dependent sectors more sensitive to bottlenecks¹



¹ Vertical axis indicates the coefficient of global supply chain pressure in the regression of the sectoral PPI inflation that also includes their lags and the lagged growth rates of real sales. "GVC-related output" relates to output crossing borders more than once, in percent of gross output as of 2020. The dots represent country-sector pairs for US and 14 countries in Europe.

Sources: World Bank, WITS; Refinitiv Datastream; national data; BIS calculations.

Source: <https://www.bis.org/publ/bisbull61.pdf>

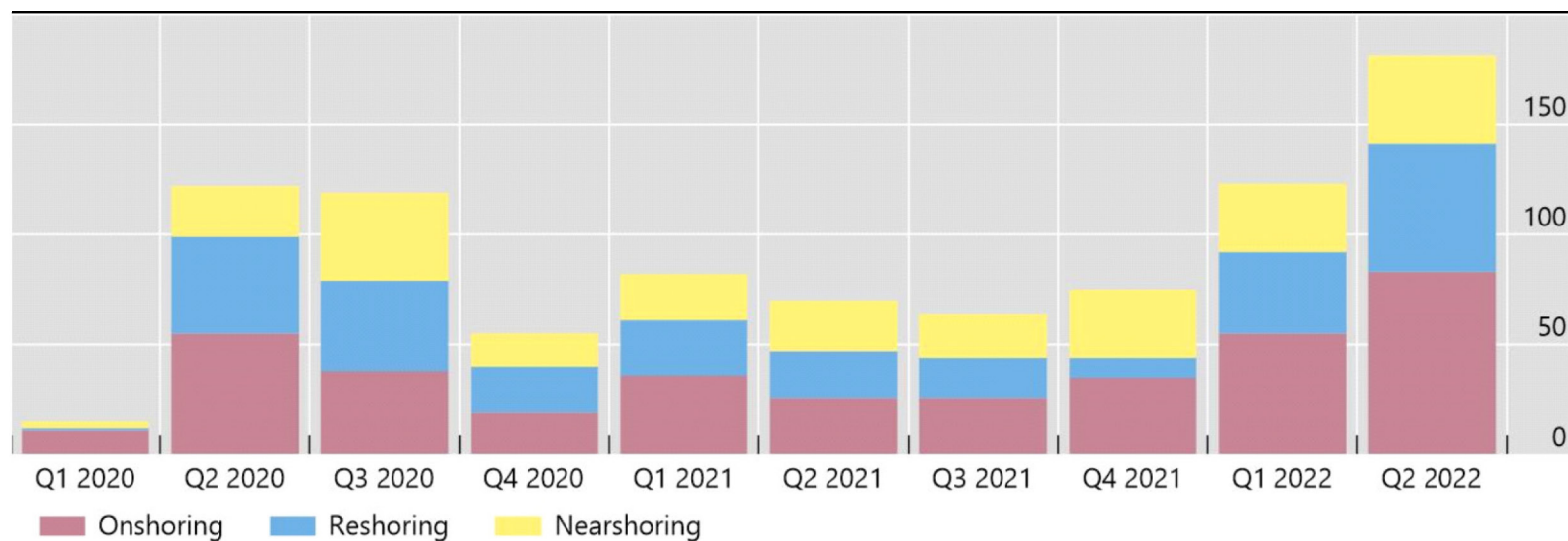
Analysing supply chain disruptions

- Have sectors more integrated in GVCs seen greater imported price pressures?
- The paper shows that, for some goods, price differentials between domestically produced items and those from low wage economies have shrunk after 2019
- In Lafrogne-Joussier et al (2022), French firms sourcing imports from China were more affected by the early 2020 lockdown

Evidence on deglobalisation?

Increasing corporate interest in GVC adjustments

Number of mentions¹



¹ Number of times the words onshoring, reshoring and nearshoring are used in US corporate presentations, based on a Bloomberg review.

Source: Bloomberg.

Conclusion

- Nice paper: timely and on an important topic
- Very rich dataset
 - Allows further analysis into these (and other) questions of policy relevance