

José De Gregorio: The Monetary Policy Report and the Financial Stability Report

Presentation by Mr José De Gregorio, Governor of the Central Bank of Chile, before the Finance Commission of the Honorable Senate of the Republic, Santiago de Chile, 20 June 2011.

* * *

The Monetary Policy Report of June 2011 and the Financial Stability Report of the first half of 2011 are available at <http://www.bcentral.cl>.

Introduction

Mr. President of the Finance Committee of the Senate, Senator Eduardo Frei, senators.

I am grateful for the invitation of this Committee to the Board of the Central Bank of Chile to share our views on the recent macroeconomic and financial developments, their prospects and implications for monetary and financial policy making. These are contained in detail in the *Monetary Policy Report* (IPoM) of June 2011 and in the *Financial Stability Report* (IEF) of the first half of 2011.

The March IPoM stated that our economy was facing important challenges. In particular, it configured a scenario where inflation could post significant increases in the following months. We then said that the duty of monetary policy was to withdraw the monetary stimulus in a timely manner, in order to ensure that the inflationary pressures we were seeing and, especially, the risks we faced, would not alter the convergence of inflation to the three-percent target.

Consistently, the Board acted preventively and raised the monetary policy interest rate (MPR) by 150 basis points between March and May this year, taking it above levels forecast by the market. This action was taken within a scenario where some of the risks foreseen in March had materialized, and others had dissipated. In particular, as I will review shortly, output grew above expectations during the first quarter, so we are revising upward its annual expansion rate from our March estimate. In contrast, commodity prices have shown a more benign behavior in external markets, as they ceased to increase and posted some declines in the margin for oil prices and some food items.

In our June meeting (last week), we slowed the pace of MPR increases, taking it to 5.25 percent. In addition, we said that, in the most likely scenario, further increases in the MPR would be necessary, the timing of which would depend on the incoming information and its implications.

Changes in monetary policy operate with lags on output and inflation. In the baseline scenario, which I will be presenting in a few moments, the full transmission of the monetary stimulus withdrawal will help in moderating the current economic dynamism and stabilize it near the growth rate trend, contributing at the same time to help inflation stand at three percent over the projection horizon. But the risks are still there.

So let me describe the factors that shape our baseline scenario and the risks that might affect it.

Macroeconomic scenario

Headline inflation is still around three percent annually, while core measures, although on an upward trend, continue to be contained, both below March's forecasts (figure 1). The most outstanding development of the past several months has been the attenuation of some of the

inflationary risks then identified. International commodity prices ceased to increase and the propagation of specific price shocks has been limited. This and monetary policy decisions have collaborated to ease fears of a further inflationary acceleration that we felt in March. Accordingly, private inflation expectations show a decline in the last two months, although some remain above the target (figure 2).

First-quarter data showed a fast expansion of domestic output and demand, exceeding March's expectations. Partial indicators for the second quarter reflect an economy that continues to grow strongly but shows some recent moderation. Worth noting is the strong dynamism of private consumption and, to a lesser extent, the machinery and equipment component of investment. Consumption evolves in line with fundamentals, particularly the increase in household income, given that both employment and wages continue on the rise. Financial conditions are still favorable.

The baseline scenario assumes that GDP will grow this year between 6 percent and 7 percent. This range is higher than foreseen in March, consistently with the upward bias then identified. This higher growth forecast is based on actual first-quarter figures that exceeded estimates. For the rest of the year, the pace of expansion of demand will moderate as forecast in March. In particular, the speed of growth in the GDP of sectors other than natural resources will quickly approach the trend rate, which is still estimated at five percent. This scenario assumes that, on average, output gaps will remain closed throughout the projection horizon.

On the demand side, the stronger growth during the first quarter obeyed primarily to the acceleration of private consumption. The baseline scenario assumes that in 2011 this expenditure component will grow more than forecast in March, although with a slowdown in durable consumption. This latter component has shown some early signs of moderating, as can be inferred from the behavior of car sales, among other factors. Overall, the expected expansion of consumption will have a significant incidence on domestic demand growth, which will increase 8.5 percent in the year. Gross fixed capital formation will reduce its incidence on GDP growth, but will continue rising at double-digit annual rates, so investment – at 2003 prices – will be somewhat less than 30 percent of GDP. Volume exports of goods and services will increase around 7 percent this year, with the non-mining component increasing more. In the case of the public sector, the baseline scenario assumes that the structural deficit will converge to one percent of GDP towards the end of the present Administration, as has been announced by the respective authority (table 1).

Global conditions, particularly the terms of trade, our trading partners' growth and external financing, are still favorable to Chile, but some negative risks have intensified. At the same time, the dichotomy between developed and emerging economies has widened in terms of growth prospects and interest rates. In addition, inflation figures have increased further in several countries, but, the same as in Chile, the widespread concerns we saw early this year over the future of the inflation scenario have eased.

In the external scenario, unlike previous Monetary Policy Reports, this time projections match market consensus, because the latter were revised downward. On aggregate, world growth forecasts for the next two years are unchanged from March. However, there are significant changes in its breakdown. World GDP will grow slightly more than 4% in the two-year period 2011–2012, with a milder expansion of the United States and Japan, which will be offset by somewhat faster growth in emerging economies (table 2).

Perceived weakness in the developed world has affected commodity prices, which stopped increasing as fast as they had since mid 2010, and there have been some revisions in the margin. They are still in record highs, however, mainly obeying to strong demand in emerging economies and some supply-side problems (figure 3). The WTI oil barrel hit a high of US\$114 in late April, then it fell, and at the closing of this Report it is somewhat below US\$100. Food prices, according to the FAO aggregate index, peaked in February, and have

fluctuated around that level since. The baseline scenario assumes that commodity prices will remain fairly constant over the next two years.

The interest rate differential between developed and emerging economies has continued to widen at all maturities (figure 4). The dollar has depreciated further and emerging currencies have appreciated accordingly. The peso/dollar parity has not escaped this trend, although in its case it has been milder. The real exchange rate has posted a marginal increase (figure 5). This increase in the exchange rate is somewhat bigger if compared with its level before the CBC began its foreign currency purchase program. The persistently weak dollar at the global level has resulted in the real exchange rates of various economies hitting or approaching the record lows of the last decade (figure 6). Hence, Chile's real exchange rate is in levels consistent with its long-term fundamentals. The baseline scenario uses as a working assumption that it will remain flat over the coming quarters.

In recent months, inflation has continued to be dominated by increases in the prices of foodstuffs and fuels. Around two thirds of inflation accumulated between March and May owes to these two factors combined (figure 7). Core inflation, particularly the CPIX1 variation, is still limited, showing no unusual propagation of these shocks.

The baseline scenario assumes that headline inflation will rise somewhat less than forecast in March. CPI inflation will end the year at four percent, to remain fairly constant for some months. In 2012, it should converge to three percent and stay near the target until the end of the projection horizon, this time the second quarter of 2013. Core inflation is expected to rise further and gradually converge to three percent. Private projections are consistent with this scenario of lower inflation throughout the projection horizon (figure 8). This projection is based on the assumption that, on average, output gaps will be closed throughout the projection horizon, and that the propagation of specific price shocks will continue to match the historic average, as it has in recent months. As for monetary policy, forecasts use as a working assumption that the monetary policy rate will follow a path comparable to the one that can be inferred from several expectation indicators (figure 9).

As usual, there are risks that may cause the macroeconomic scenario described here to deviate from projections. On this occasion, the Board estimates that the risk balance for inflation and output is unbiased.

Although milder than in March, one important risk is the persistence and propagation of the specific price shocks of the past few quarters. While fairly stable commodity prices are assumed for external markets, a scenario of higher prices significantly affecting local inflation because of the current status of output gaps cannot be ruled out. The labor market is showing important strength, with the rate of unemployment in low levels by historic standards and a substantial increase in employment, while various sources of information speak of the difficulties in hiring skilled labor in some regions and economic sectors. The y-o-y increase in wages is up from end-of 2010 (figure 10). However, the combination of increased employment, higher wages and stronger economic growth has allowed unit labor costs to vary in line with the inflation target. Accordingly, the behavior of the labor market must be closely monitored in order to prevent the incubation of inflationary pressures.

The evolution of output and demand is also important in this setting. If they keep on growing as strongly as they did in the first quarter, an over-utilization of installed capacity may result, generating inflationary pressures. We have paid particular attention to consumption; however, it is unlikely that the current dynamism can be sustained very long. From a longer perspective, the recent increase in consumption may be responding to a recovery from the crisis of 2008–2009 and the earthquake and tsunami of 2010. Estimates of the ratios between consumption, income and their trend levels show no significant differences (figure 11). In addition, a substantial part of the consumption components that show the larger increases – durables and clothing – is generally of imported origin, so a lower exchange rate favors consumption and replacement, especially considering that their rate of

depreciation may have accelerated in tandem with technological change. This is compounded by the low prices of these goods in dollars.

Meanwhile, growth in consumer credit, although showing a higher velocity in the margin, has not posted any increases like the ones observed in previous expansion phases or in other emerging economies (figure 12). About the implications of credit behavior, the IEF states that, so far, indebtedness has not risen above its long-term trend. Thus, for borrowing to configure a scenario of systemic risk, it would have to grow in the future at an all-time-high speed. Furthermore, households' banking credit risk indicators show sustained improvement and tend to stabilize in the past year (figure 13 and table 3). Despite this, it is important that intermediaries keep a watchful eye in this stage of the cycle.

These days we have learned of the severe financial situation of a retail store – La Polar – after its Board members recognized the existence of unauthorized reprogramming of credits to defaulting clients. These practices are very serious and have caused severe damage to both clients and investors.

Despite the severity of the La Polar situation, every technical evaluation we have made lead us to conclude that it does not jeopardize the financial system's stability and that its effects on the payment system are limited.

As we underscore in the IEF we are presenting today, the Chilean banking system is solvent and liquid, therefore capable of absorbing the frail financial position of La Polar. The analysis contained in this Report also indicates that there is no generalized over-borrowing problem among Chilean households.

Our analysis of information collected in the Households' Financial Survey confirms this view. Households' borrowing patterns, especially in the lower-income segments, have not changed significantly before or after the global financial crisis. This is relevant, because pre-crisis analyses show a relatively robust repayment capacity of households. According to this source, the households that have the larger debts are those less likely to lose their income. Meanwhile, after the global crisis of 2008–2009, estimates suggest that the fraction of households in a situation of financial risk is around 4 percent, close to where it was in 2007.¹

Information made public point to severe problems in the corporate governance of this company, with irresponsible lending policies and major abusive deficiencies in the information on their credit portfolio that was delivered to investors and supervising organizations. It is also likely that the law has been broken with respect to the delivery of information and the operation of the lending activities.

This has triggered a discussion over the role that different organisms should have played, including management, the board of directors, auditors and risk-rating agencies. Certainly there have been grave irregularities that need clarification. It is also necessary to establish any potential flaws of our regulatory and supervisory framework.

I would like to say, however, that at this time we must let the mechanisms of supervision and sanction provided for in the laws governing the securities and stock markets do their work. Also, those responsible for the damages caused must be investigated and punished with all the rigor of the law for their wrongdoing. Episodes like this one should never occur again.

This case brought to light two important flaws from which we must draw lessons in legislation, regulations and control. What we have now is obviously insufficient. The first one has to do with the defense of the financial customer. It clearly needs strengthening.

¹ A household is defined to be in financial risk when debt service amounts to 75 percent of its annual income and its expenditures are 20 percent greater than income. This is estimated at the survey, so it includes households that may be going through temporary difficulties or facing a solvency problem. The data presented here correspond to households in the Metropolitan Region.

Reinforcing the financial area of the Consumer Service Office (SERNAC) and the implementation of standardized credit contracts – with very clear rules for reprogramming and forbidding abusive practices – point in that direction. The second such flaw refers to investor protection; it is necessary to ensure that investors receive reliable information and are spared the deceptions that seem to have occurred in this case. The Bank is readily available to cooperate in these discussions.

Another important aspect of the operation of the retail industry is safeguarding the normal functioning of the payment system, in as much as there are stores that will accept credit cards from retail stores as a means of payment. In concrete, what is sought is to ensure that businesses associated the credit card receive what is due them at the right time. This aspect is regulated in the bylaws of the Central Bank. Here I want to note that the payment system, which is one of the Central Bank's responsibilities entrusted it by Law, has operated adequately.

Going back to the description of the macroeconomic scenario and associated risks, in the world economy the recent behavior of economic indicators, especially in developed countries, could be signaling a more protracted weakening of growth there. This scenario must be carefully evaluated, because other temporary factors related with the disruptive effects of the Japanese earthquake and the oil price hike may have played a role in recent developments. Should this risk of further weakening of developed countries materialize, the difference of the pace of growth with emerging economies would widen. This would exacerbate the interest rate differentials around the world, increasing capital flows toward emerging markets and aggravating forex tensions, obstructing macroeconomic policy making. Add to this that the risks in some European economies have intensified substantially these days and so far there is no defined solution, which has worsened the tensions in financial markets. Moreover, global imbalances are still unresolved, and it is unclear how the major adjustments needed for the fiscal consolidation of part of Europe and the United States will proceed. And it becomes more uncertain when considering that they must take place in an environment of lagging private demand and a still complex financial situation in banks, with large funding needs, exposure to public debt and a significant interconnection within Europe.

Far from over is also the concern about the way in which monetary policy makers in emerging economies will continue to deal with inflationary pressures. This is especially relevant in Asia, where some economies show signs of narrowing output gaps and growth rates above the trend. The possibility of a sharper adjustment in these economies' growth rates, particularly in China, would impact world GDP and commodity prices.

The IEF looks at these risks, and concludes that the biggest challenges for the Chilean financial system are associated to a prudent management of the favorable external financing conditions that should exist in the baseline scenario, but that might be reversed in many of the risk scenarios I have just mentioned.

Accordingly, this Report puts special emphasis in evaluating the creation of risks associated with increased borrowing abroad by financial intermediaries and firms, especially maturity and currency mismatches and an overvaluation of key financial assets. This, within a context of gross capital flows that are relatively high by historic standards and compared with other emerging economies (figure 14). Our analysis of the present situation yields as its main conclusion that there is no evidence of vulnerabilities being created associated to gross capital inflows with systemic implications.

With regard to enterprises, the IEF highlights that the bulk of the funds they get from abroad comes in the form of foreign direct investment (FDI), particularly profit reinvestment. Meanwhile, although the external debt has increased, the main financial ratios of the larger firms and the currency mismatches have been stable (figure 15).

In the case of banks, there is also an increase in their external debt. It is worth noting, however, that this has not been associated to larger currency mismatches in the banks'

balance sheets, nor to increased credit in foreign currency to firms whose income is in pesos. The maturities of such debt have been extended, contributing to the solid situation of the banking industry, despite the increase in lending activity. Finally, on aggregate, the indicators of international solvency of the Chilean economy – such as the net international investment position and the current-account deficit – remain stable with a marginal improvement of the liquidity position.

Overall, in the scenario we estimate today to be the most likely, the Chilean economy will operate in a favorable context. Risks persist, however, that must be taken into careful consideration, both because of their implications for monetary policy making and because of their associated risks for our economy's financial stability.

Now let me make a few remarks.

Final remarks

The Chilean economy has recovered strongly from the 2009 recession, and the different variables are beginning to converge to their estimated equilibrium levels. Output gaps are closed, unemployment is down, and trend inflation remains below the lower limit of the target's tolerance range, but gradually approaching three percent. Thus, the monetary policy rate should be around its neutral level, neither increasing nor reducing aggregate demand with respect to its trend.

In the scenario we consider to be the most likely given present-day and expected conditions, the larger part of the adjustment to the MPR we began in June 2010, and which has amounted to an increase of 475 basis points, has already been completed. In this scenario, we use as a working assumption that the MPR will be within the range of values that have historically been considered neutral. However, we must keep in mind that the behavior of both the domestic and the external economy in the past several years may have changed those ranges, introducing a high degree of uncertainty about the true short-term level of the neutral MPR. All in all, exactly how far and when we will take the MPR in the current cycle is something the Board will be analyzing with incoming information on the evolution of the Chilean economy and the international scenario.

It is worth pausing for a few moments to take a look at the evolution of the world economy. In our most likely scenario, we estimate that the world will continue to add momentum to Chile's GDP growth, although gradually declining in the coming quarters. However, as I already mentioned, there are important risks. Developed economies may enter a stage where output fails to pick up and new economic policy efforts are needed to boost growth. The big problem they are facing is the exhaustion of their traditional policy tools. Fiscal policy has no room left for expansion due to the size of their debt, and monetary policy is already in the lowest possible interest rates.

The emerging world – Chile included – faces a different challenge: how to prevent our economies from expanding above trend. Luckily, as an outcome of our own actions, we have the policy tools to deal with this scenario. At the same time, in case of a further deterioration of the global economy, we have a sufficiently flexible monetary policy to mitigate its effects on our domestic economy and preserve the necessary equilibriums for sustainable improvement in the welfare of the population. Our task consists, then, in properly managing the policies and safeguard said equilibriums.

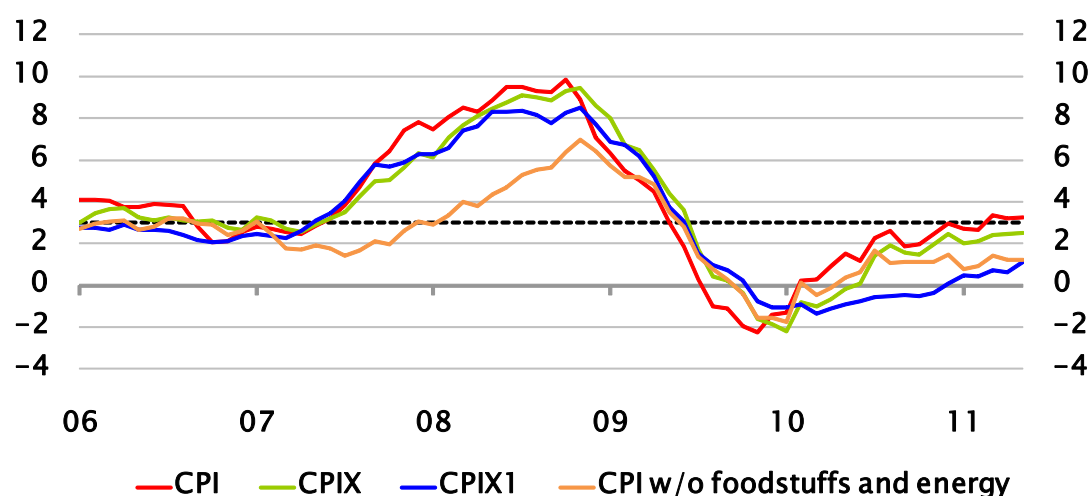
Therefore, and taking into account the risk balance we face, the most advisable thing to do is to continue withdrawing the monetary impulse. The timing of these changes will be analyzed at each meeting, including pauses to assess the effects on the economy of adjustments already made.

Accordingly, as it has done in the past, the Board will adopt every necessary measure to deal with events that reshape the macroeconomic scenario and inflation prospects. Inflation is an

evil that hits hardest the people with less income. Despite reduced risks of a significant increase in inflation, we must remain on the watch for pressures incubating that might obstruct the convergence of inflation to the target and that, ultimately, impose higher costs to the society as a whole. As I have said time and again, the best contribution that the Central Bank can make to the country's development is to keep inflation low and stable, providing the grounds for sustainable growth. Thus, the Board will continue to guide its monetary policy so that projected inflation stands at three percent over a two-year horizon.

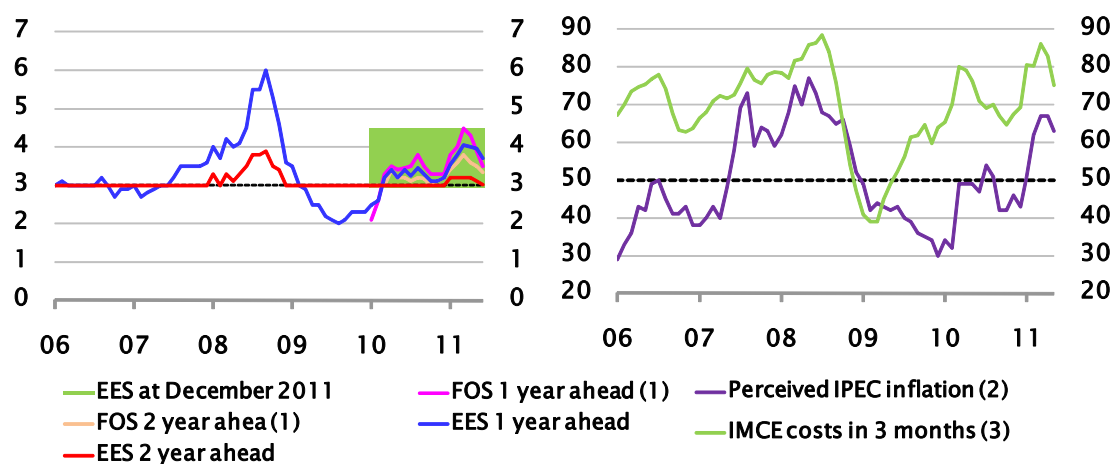
Thank you.

Figure 1
Inflation indicators
(annual change, percent)



Sources: Central Bank of Chile and National Statistics Institute.

Figure 2
Inflation expectations
(percent)



(1) Financial operators survey (FOS) of first half of the month. (2) Percentage of respondents who believe that inflation will rise "much" in the next twelve months. (3) Number above (below) 50 points denotes higher (lower) costs three month ahead.
Fuentes: Adimark, Banco Central de Chile y Universidad Adolfo Ibañez/Icare.

Table 1
Economic growth and current account
(annual change, percent)

| | 2009 | 2010 | 2011 (f) |
|--|-------|------|-----------|
| GDP | -1.7 | 5.2 | 6.0 - 7.0 |
| National income | -1.9 | 15.7 | 6.9 |
| Domestic demand | -5.9 | 16.4 | 8.5 |
| Domestic demand (w/o inventory change) | -2.9 | 11.5 | 9.2 |
| Gross fixed capital formation | -15.9 | 18.8 | 11.9 |
| Total consumption | 1.9 | 9.3 | 8.3 |
| Goods and services exports | -6.4 | 1.9 | 7.1 |
| Goods and services imports | -14.6 | 29.5 | 11.0 |
| Current account (percent of GDP) | 1.6 | 1.9 | 0.0 |

(f) Forecast.

Source: Central Bank of Chile.

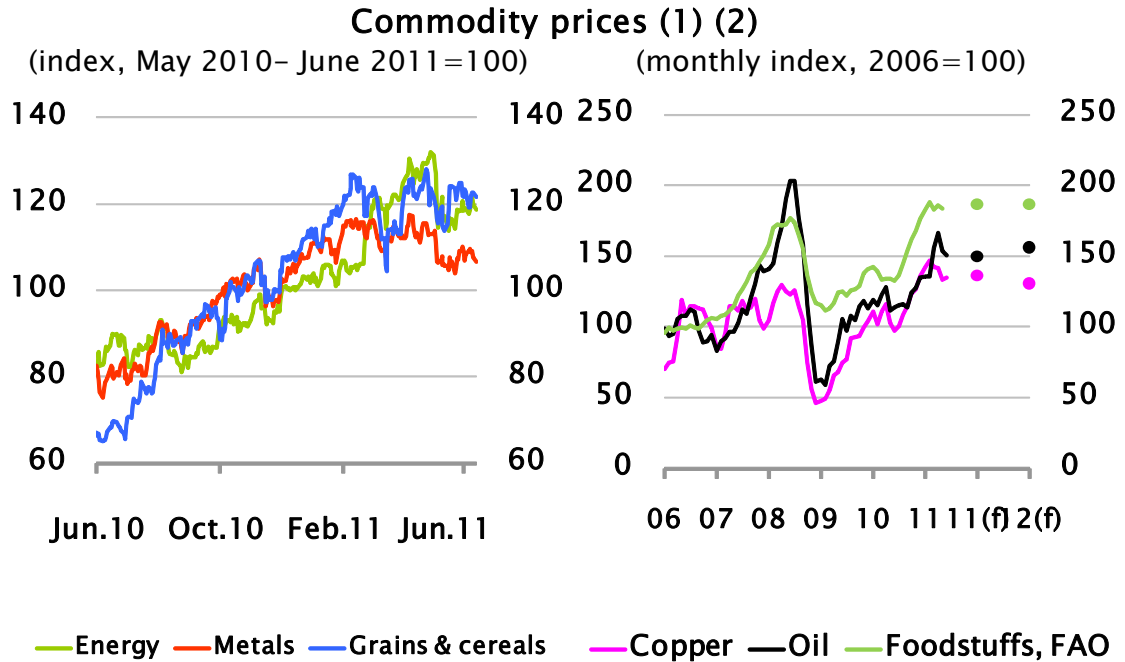
Table 2
World growth
(annual change, percent)

| | Average 00-08 | 2009 | 2010 (e) | 2011 (f) | | | 2012 (f) | | |
|---------------------------------|------------------|------|-------------|--------------------|--------------------|------------------|--------------------|--------------------|------------------|
| | | | | IPoM mar. 11 | IPoM jun. 11 | CF may. 11 | IPoM mar. 11 | IPoM jun. 11 | CF may. 11 |
| World at PPP | 4.0 | -0.6 | 4.9 | 4.1 | 4.1 | 4.2 | 4.4 | 4.5 | 4.6 |
| World at market exchange rate | 3.1 | -2.1 | 3.8 | 3.0 | 3.2 | 3.3 | 3.7 | 3.8 | 3.9 |
| United States | 2.3 | -2.6 | 2.9 | 3.0 | 2.7 | 2.7 | 3.2 | 3.2 | 3.2 |
| Eurozone | 2.0 | -4.1 | 1.7 | 1.3 | 1.7 | 1.7 | 1.5 | 1.5 | 1.7 |
| Japan | 1.4 | -6.3 | 4.0 | 0.8 | -0.6 | 0.0 | 2.3 | 3.1 | 2.8 |
| China | 10.4 | 9.2 | 10.3 | 8.9 | 8.9 | 9.3 | 8.7 | 8.6 | 8.9 |
| Rest of Asia | 4.9 | 0.1 | 7.7 | 4.5 | 4.8 | 5.0 | 5.0 | 4.9 | 5.2 |
| Latin America (excluding Chile) | 3.6 | -2.0 | 6.4 | 4.2 | 4.2 | 4.4 | 4.2 | 4.3 | 4.3 |
| Commodity exporters | 2.9 | -1.0 | 2.9 | 2.6 | 2.7 | 2.7 | 3.0 | 3.0 | 3.2 |
| Trading partners | 3.5 | -0.3 | 5.9 | 4.4 | 4.3 | 4.6 | 4.6 | 4.7 | 4.9 |

(e) Estimate. (f) Forecast.

Sources: Central Bank of Chile based on a sample of investment banks, Consensus Forecasts, the IMF . and statistics bureaus of respective countries.

Figure 3



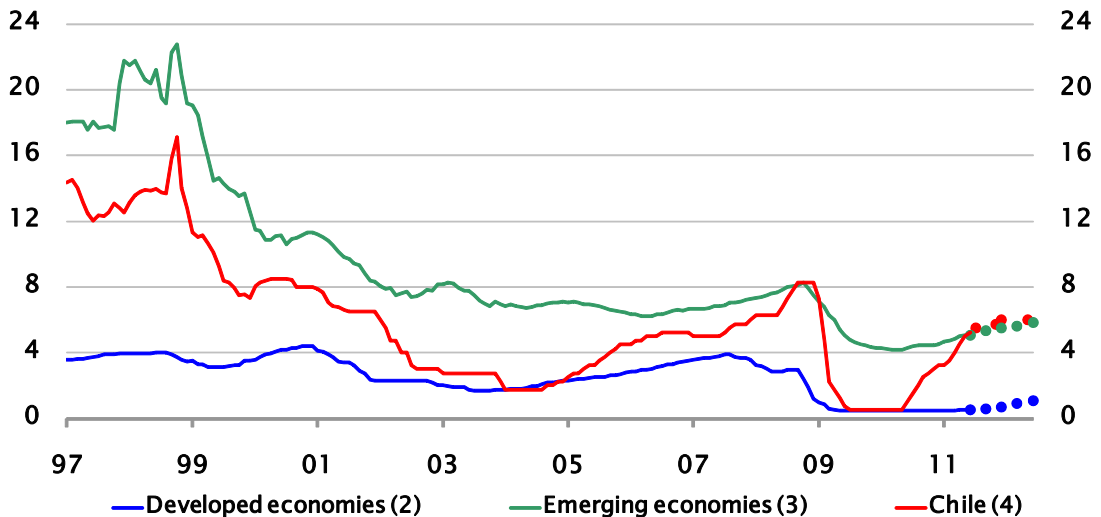
(1) Left chart shows indexes of aggregated S&P GSCI. (2) Right chart uses data up to May 2011 for foodstuffs, up to June for oil and copper. (f) Dots indicate average prices forecast for 2011 and 2012 in June 2011's Monetary Policy Report.

Sources: Central Bank of Chile and Bloomberg.

Figure 4

Actual and expected monetary policy rate in the world (1)

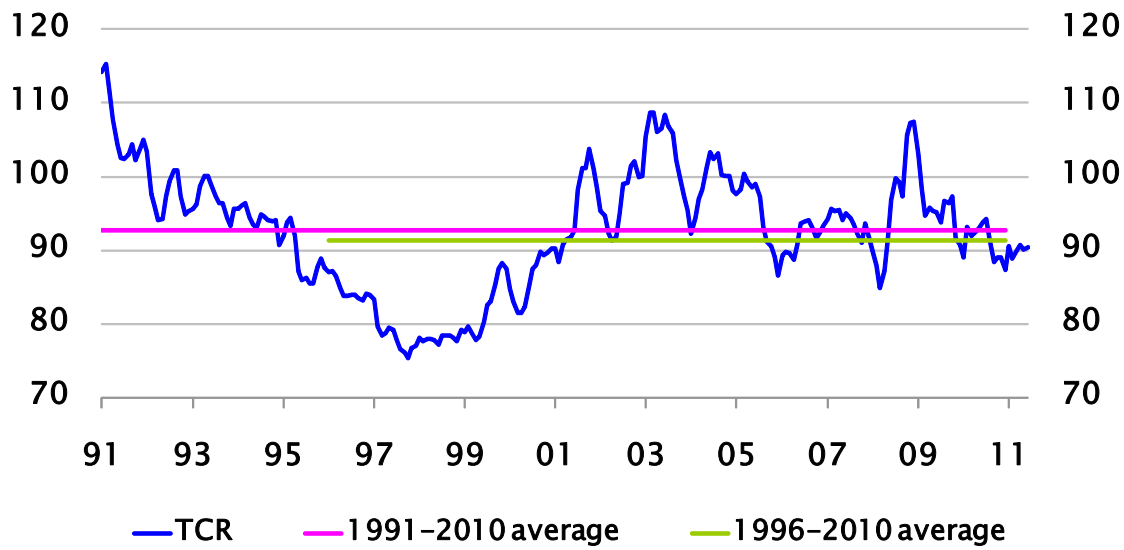
(percent)



(1) Solid lines show simple average of reference rates of each group of countries. For the regions, dots show the median of Bloomberg's survey to analysts on the expected MPR for June 2011, September 2011, December 2011, March 2012 and June 2012. Chile uses June's EES for the rate expected for July 2011, November 2011, December 2011 and May 2012. (2) Includes the Eurozone, Japan, the U.K. and the U.S. (3) Includes Brazil, China, Colombia, the Czech Republic, Hungary, Mexico, Peru,

Sources: Central Bank of Chile, central banks of respective countries, Bloomberg and the International Monetary Fund.

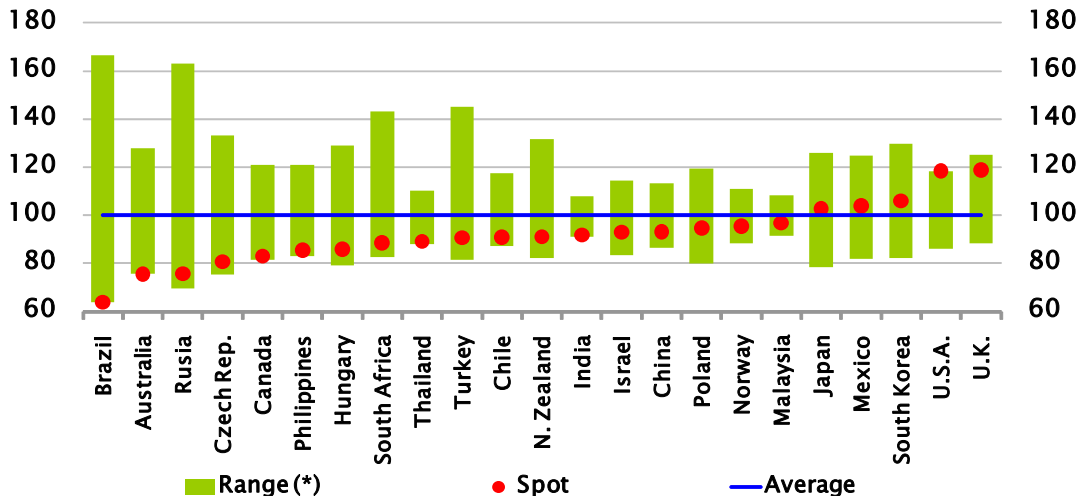
Figure 5
Real exchange rate (*)
(index, 1986=100)



(*) Information at 14 June 2011.

Source: Central Bank of Chile.

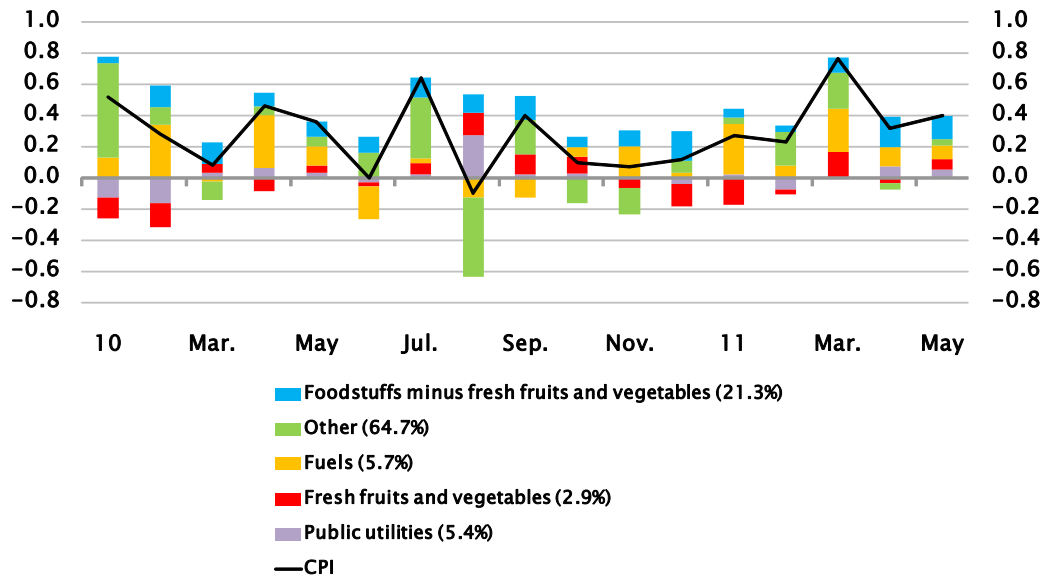
Figure 6
Real exchange rates in the world
(index, average January 2000 – April 2011=100)



(*) The range indicates maximum and minimum values shown by the currency during specified period.

Sources: Central Bank of Chile and Bank for International Settlements (BIS).

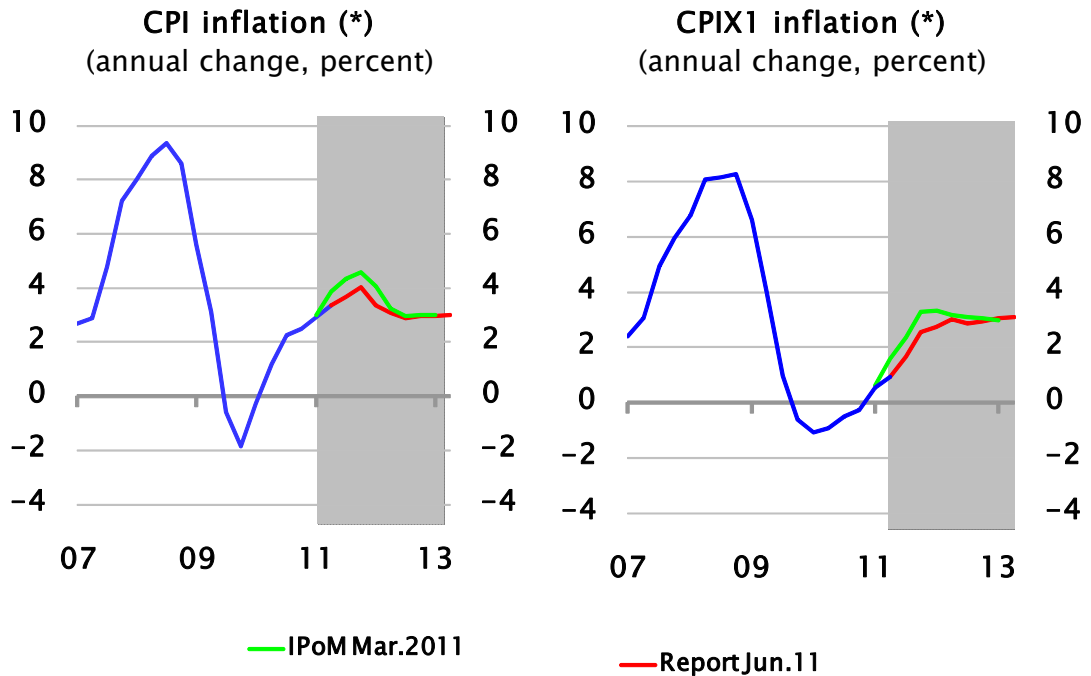
Figure 7
Incidences in monthly CPI inflation (*)
 (percentage points)



(*) In parentheses, shares in CPI basket.

Sources: Central Bank of Chile and National Statistics Institute.

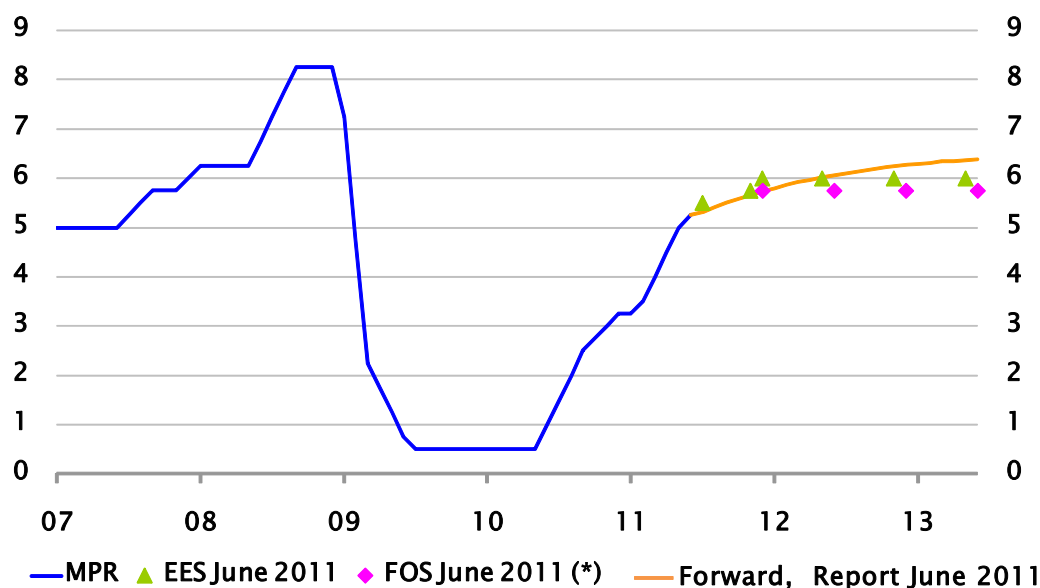
Figure 8



(*) Gray area, as from second quarter 2011, shows forecast.

Sources: Central Bank of Chile and National Statistics Institute.

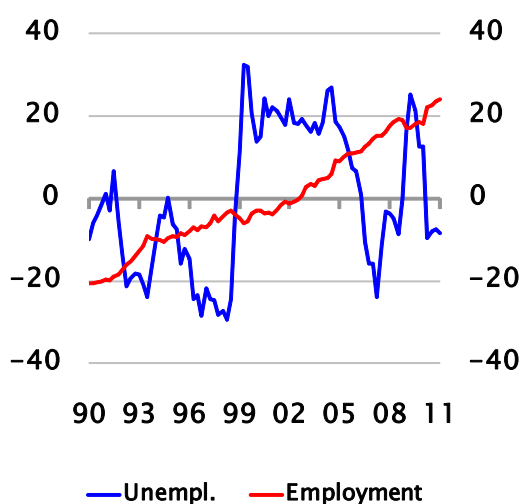
Figure 9
MPR and expectations
 (percent)



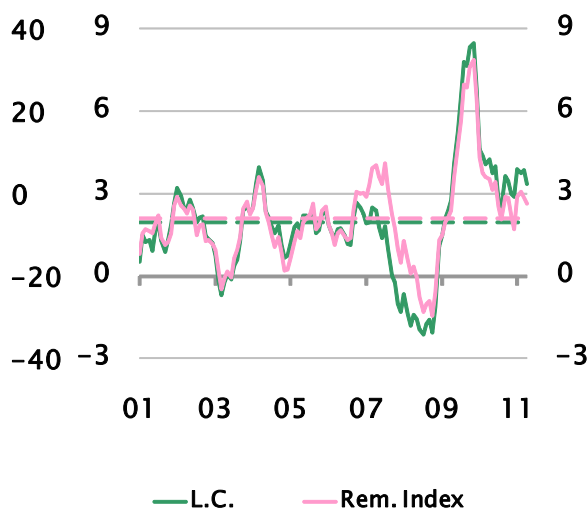
(*) FOS considers survey of first half of the month.

Source: Central Bank of Chile.

Figure 10
Employment & unemployment (1)
 (index, centered on mean of period 1990–2011)



Real wages (2)
 (annual change, percent)



(1) Seasonally-adjusted series. (2) Dashed lines show average for period 2001–2011.

Source: Ricaurte, M. 2011. "Indicadores de Mercado Laboral para la Comparación de las Crisis Asiática y Financiera Internacional". Preliminary document. Central Bank of Chile, June.

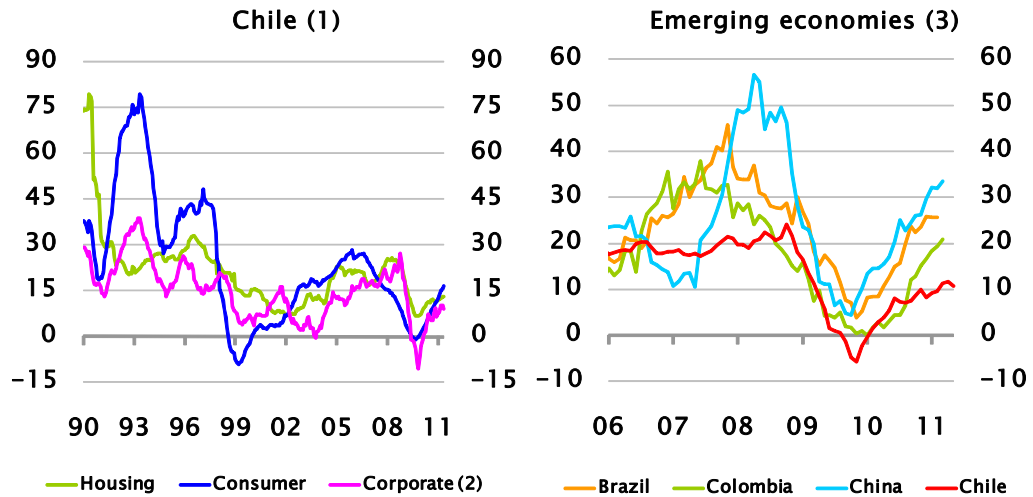
Figure 11
Private consumption and income
 (annual change, percent)



(*) Yearly moving average.

Source: Central Bank of Chile.

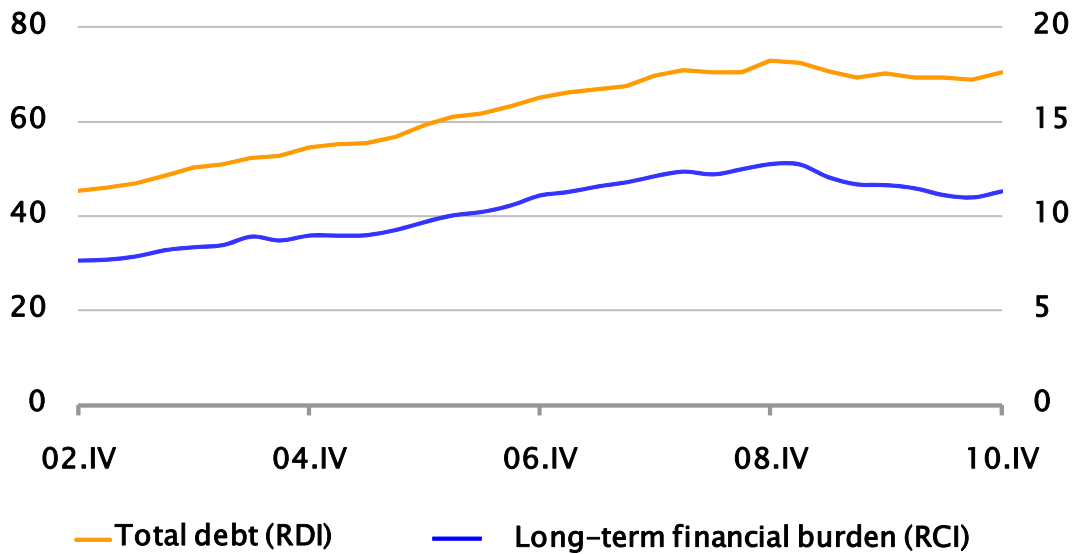
Figure 12
Growth in loans
 (annual change, percent)



(1) Preliminary figures for May 2011. (2) Sum of commercial loans and foreign trade loans. (3) For Brazil, figures cover up to February 2011. For China and Colombia, up to March 2011.

Sources: Central Bank of Chile, International Monetary Fund and Superintendencia de Banks and Financial Institutions.

Figure 13
Indebtedness and financial burden
 (percentage of disposable income)



Sources: Central Bank of Chile based on information from SBIF, SuSeSo and SVS.

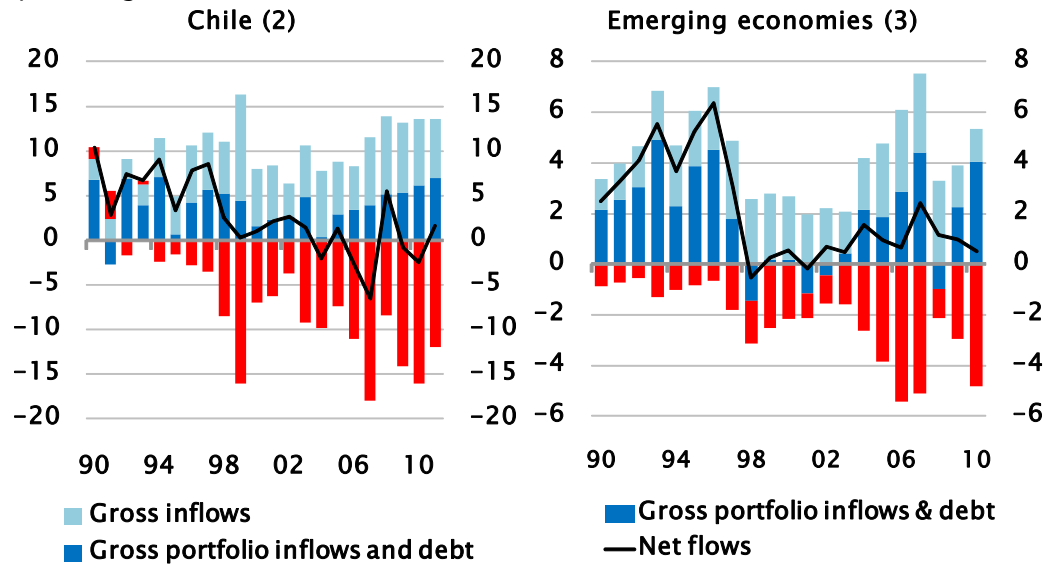
Table 3
Household debt
 (real annual change, percent)

| | 2002– 2007 (1) | 2008 IV | 2009 IV | 2010 | | | | 2011 I | Contribution to growth (2) | Share in debt |
|---------------|-------------------|------------|------------|------------|------------|------------|------------|------------|-------------------------------|---------------|
| | | | | I | II | III | IV | | | |
| Mortgage | 14.1 | 12.9 | 7.3 | 7.7 | 8.6 | 9.0 | 7.0 | 7.6 | 4.2 | 55.8 |
| Bank | 15.3 | 13.1 | 8.6 | 9.2 | 10.0 | 10.4 | 9.0 | 9.3 | 4.5 | 49.3 |
| Non-bank (3) | 8.2 | 11.7 | -0.5 | -1.6 | -1.0 | -0.5 | -6.0 | -4.3 | -0.3 | 6.3 |
| Consumer | 17.9 | 3.9 | 1.8 | 2.3 | 4.7 | 5.8 | 8.1 | 9.5 | 4.2 | 44.5 |
| Bank | 16.0 | -0.3 | 2.2 | 2.7 | 5.1 | 7.5 | 8.6 | 11.8 | 2.8 | 24.3 |
| Non-bank | 20.7 | 9.1 | 1.4 | 1.9 | 4.3 | 3.8 | 7.6 | 6.8 | 1.4 | 20.2 |
| Retail stores | 27.6 | 9.3 | -7.9 | -6.4 | -1.2 | 3.6 | 11.9 | 10.4 | 0.7 | 7.0 |
| CCAF (4) | 19.9 | 9.6 | 8.3 | 7.5 | 6.9 | 1.3 | 2.9 | 6.2 | 0.3 | 4.4 |
| Cooperatives | 25.2 | 11.6 | 5.6 | 3.3 | 9.5 | 5.2 | 1.9 | 0.8 | 0.0 | 2.6 |
| Other (5) | 13.5 | 7.6 | 6.7 | 7.6 | 6.8 | 5.2 | 8.8 | 6.1 | 0.4 | 6.3 |
| Total | 15.8 | 8.7 | 4.8 | 5.3 | 6.8 | 7.6 | 7.5 | 8.4 | 8.4 | 100.0 |

(1) Average. (2) Percentage points. (3) Includes securitized mortgage debt. (4) Clearance houses (family). (5) Includes new car loans, college debt and insurance companies.

Sources: Central Bank of Chile based on information from SBIF, SuSeSo and SVS.

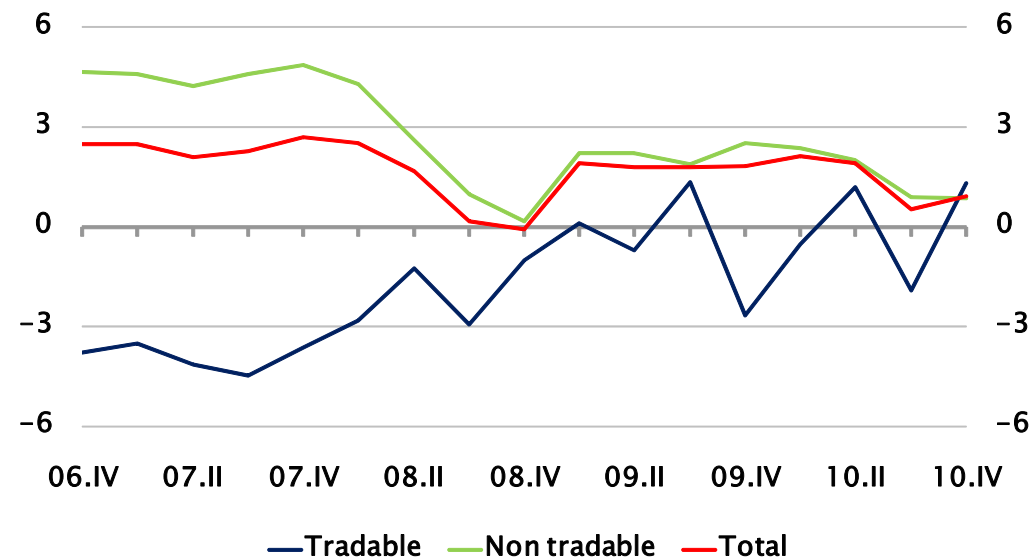
Figure 14
Gross capital inflows and outflows (1)
 (percentage of GDP)



(1) Annual flows. (2) 2011 figures show annual flows accumulated up to first quarter. (3) Simple average of: Brazil, Colombia, Indonesia, Malaysia, Mexico, Peru, the Philippines, South Korea, Thailand and Turkey. 2010 figures show annual flows accumulated up to third quarter 2010.

Sources: Central Bank of Chile and International Monetary Fund.

Figure 15
Currency mismatches (1) (2)
 (percentage of total assets)



(1) Liabilities in dollars minus assets in dollars, minus net derivatives position. (2) Weighted average by assets of an average sample of 187 enterprises.

Source: Central Bank of Chile based on information from the SVS.