

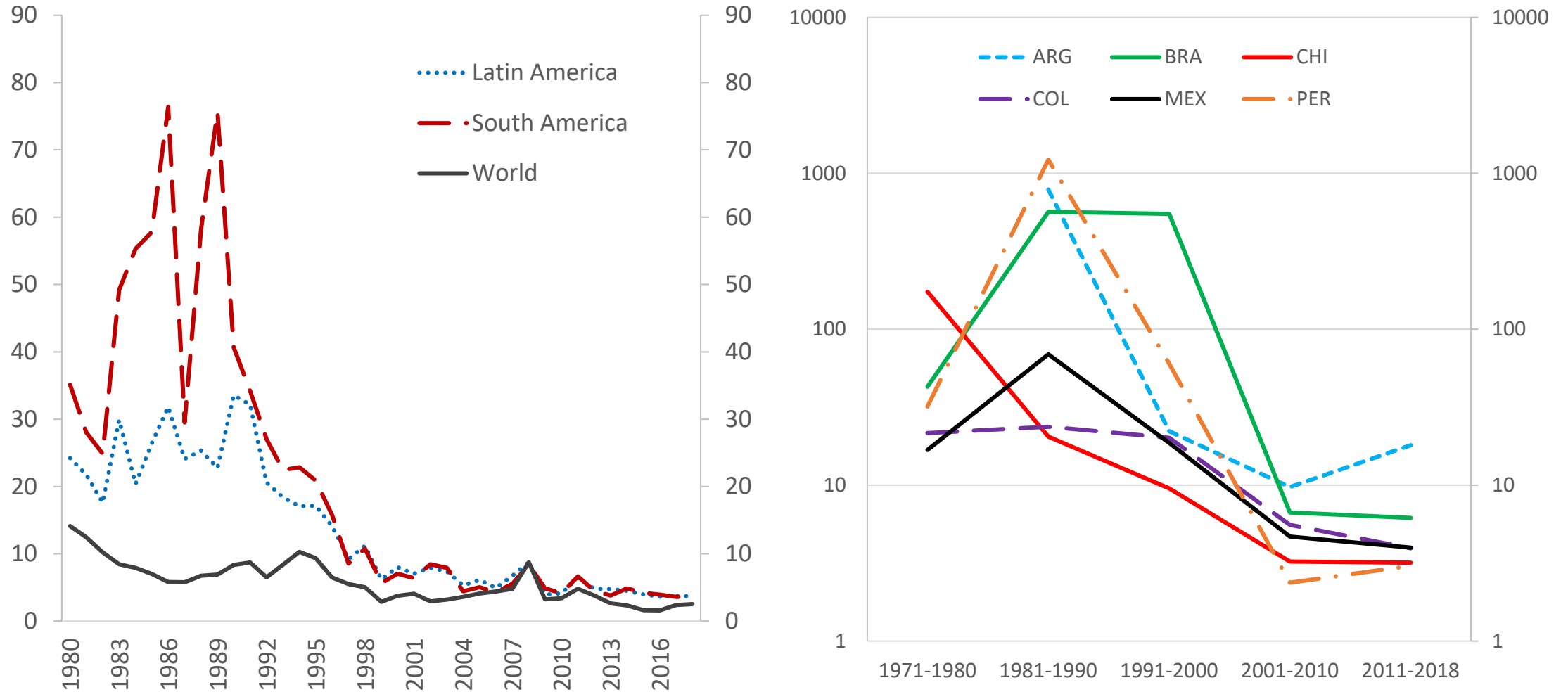
# Monetary Policy and Inflation in Latin America

José De Gregorio

Universidad de Chile and PIIE

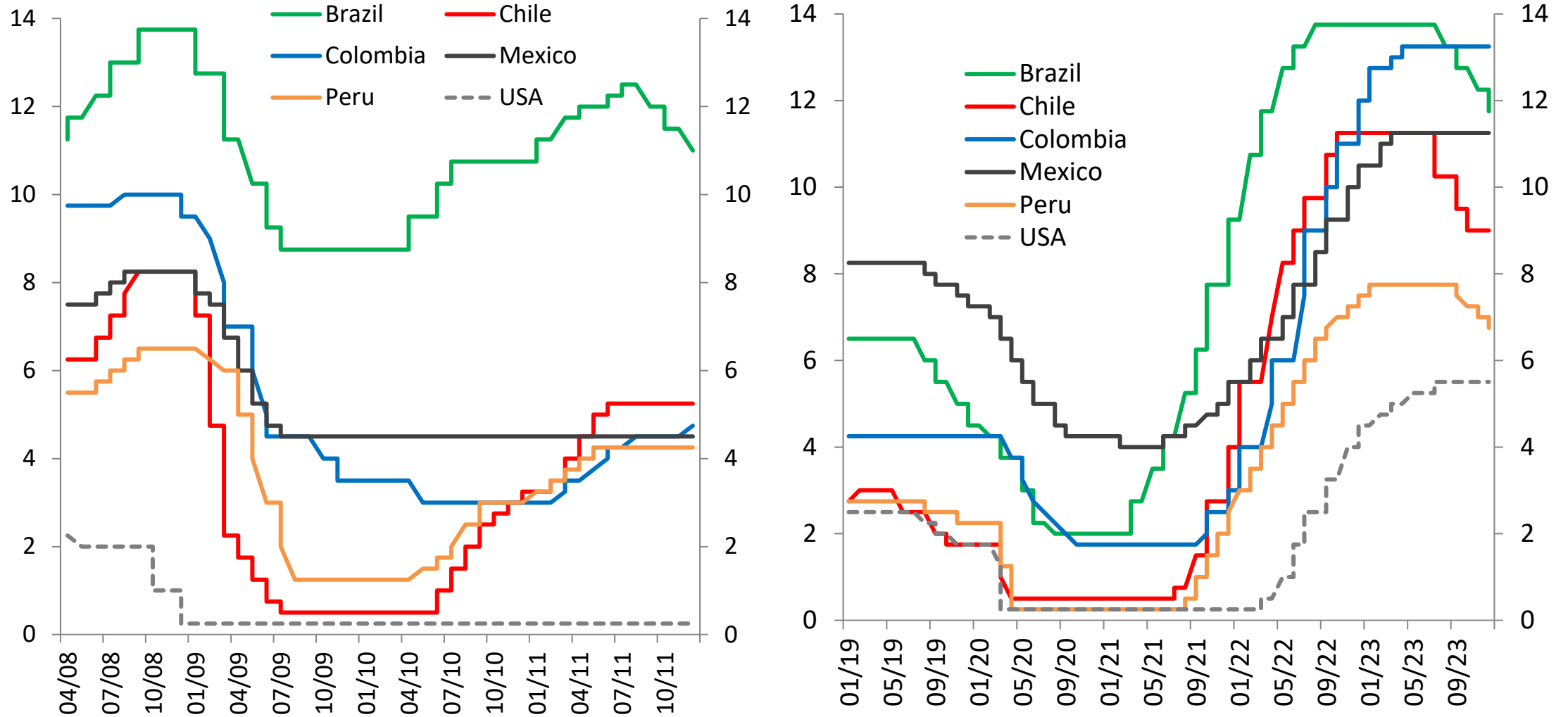
January 2024

# Median inflation (left) and average inflation in Latam (log-scale, right)



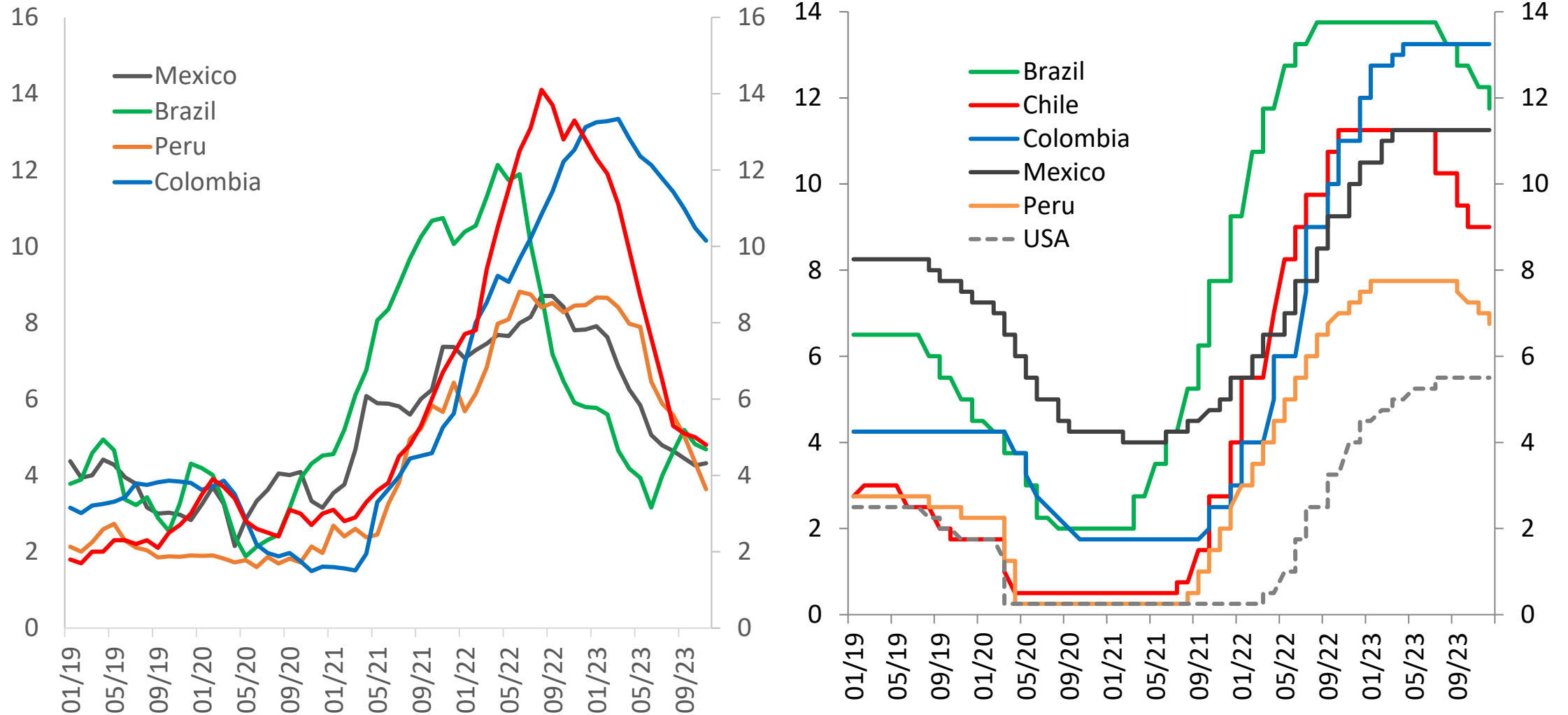
Source: World Bank, World Development Indicators; IMF, World Economic Outlook database.

# Monetary Policy during the GFC and Now



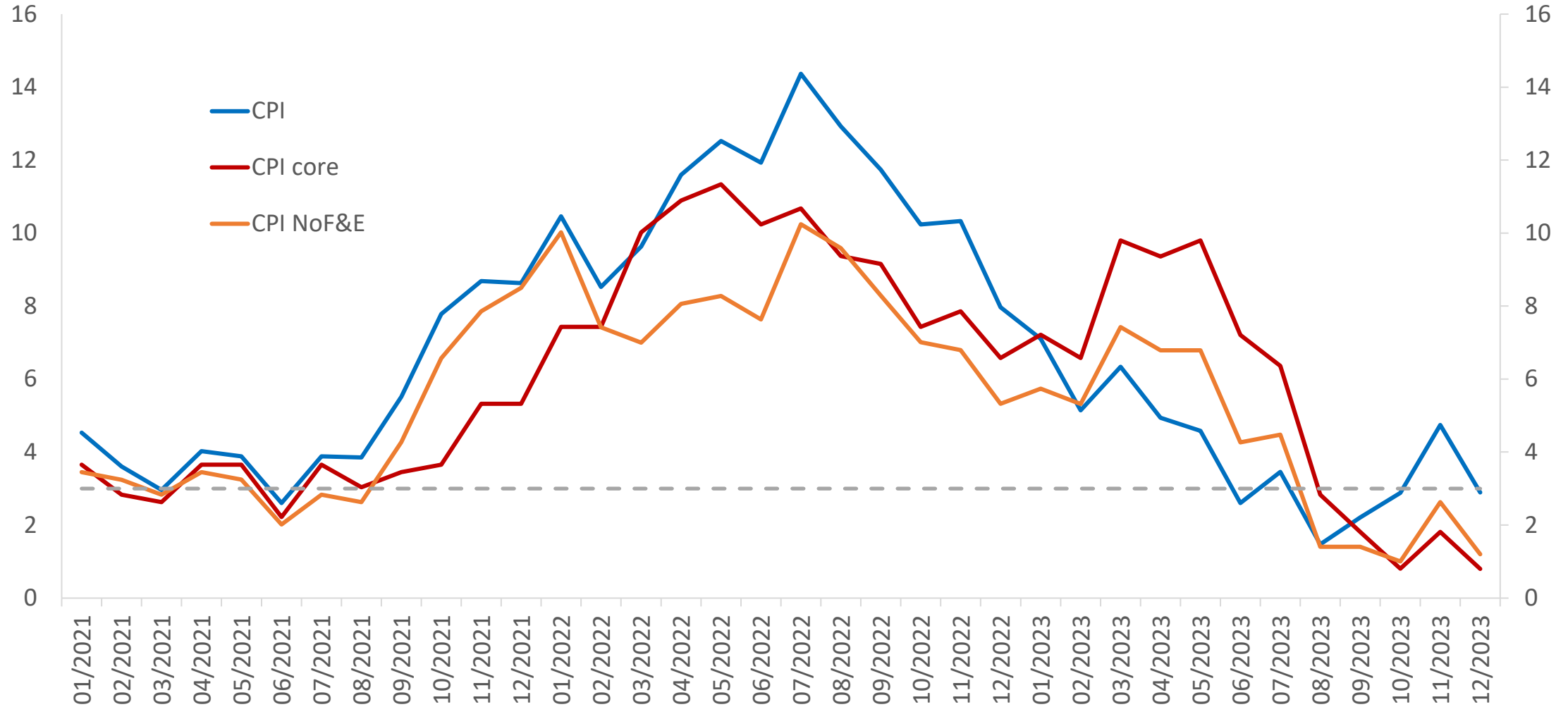
Source: Bloomberg.

# Inflation and Monetary Policy



Source: Bloomberg.

# Chile: 6-months annualized inflation



Source: Central Bank of Chile.

# Growth Forecast, IMF WEO

	IMF for. 2021.4	IMF forecast 2022.4		IMF october 2023		Long term	Differences	
	2022 (1)	2022 (2)	2023 (3)	2022 (4)	2023 (5)		(4)-(1) (4)-(1)	(4)+(5)- ((2)+(3))
Brazil	2.6	0.8	1.4	2.9	3.1	2.0	0.3	3.8
Chile	3.8	1.5	0.5	2.4	0.0	2.4	-1.4	0.4
Colombia	5.1	5.8	3.6	7.3	1.4	3.3	2.2	-0.7
Mexico	3.0	2.0	2.5	3.9	3.2	2.1	0.9	2.6
Peru	5.2	3.0	3.0	2.7	1.1	3.0	-2.5	-2.2

Source: IMF, WEO.

# Argentina

- Today we are seeing the impact of sharp relative prices adjustment, difficult to extrapolate trend.
- Inflation is mostly fiscal. Previous failures, in particular during Macri's government, was due to lack of fiscal adjustment as well as CBI.
- Dollarization is not the best choice, but a valid option in a country macroeconomically and financially dysfunctional. However, if inflation is controlled and fiscal adjustment take place it is better to grant full Independence to the central bank and do not allow monetary finance.