ÍNDICE DE VALOR PROMEDIO (English version)

DEFINITION AND COVERAGE

Definition

The "Índice de Valor Promedio" (IVP) is an inflation index, calculated and published by the Central Bank of Chile (BCCh). It is authorized for pricing credit operations in national currency by banks and credit and savings cooperatives.

The BCCh calculates the value of the IVP for each calendar day between the tenth day of the current month to the ninth day of the subsequent month. These values are derived from the CPI semester-on-semester percentage change, from the CPI index published by the National Institute of Statistics (INE), or the institution who replaces it, of the month preceding the month in which the UF is calculated and published.

SOURCES OF INFORMATION

Monthly value of CPI

Name: Monthly CPI.

Institution: INE or the institution who replaces it.

Last value of the IVP

Name: Last published value of the IVP.

Institution: *Diario Oficial* (Official Bulletin, according to the certificate issued by the BCCh).

LEGAL FRAMEWORK

In accordance with the provisions of its Basic Constitutional Act (LOC), the BCCh has legal powers to authorize the indexing systems to be used by banks and savings cooperatives on their Chilean currency credit transactions or operations (Articles 3 and 35 No. 9). As indicated, the IVP is determined by the BCCh pursuant to the methodology set forth in Chapter II.B.3 of its Compendium of Financial Regulations (CFR).

It should be noted that the indexing systems authorized by the BCCh can also be used in Chilean currency credit operations performed by other entities (v.gr. compensation funds for family allowances, insurance companies and other institutions that place funds by means of massive credit operations pursuant to Law No. 18.010). In the case of operations in which the aforementioned entities do not participate, any form of readjustment system may be freely agreed.

The IVP calculation methodology prescribes that said index shall be adjusted from the tenth day of the current month to the ninth day of the subsequent month, on a daily basis, at the geometric average rate that corresponds to the variation experienced by the CPI determined by the INE or the institution who replaces it, within the calendar semester immediately preceding the period in which the IVP is being calculated.

In addition, Chapter II.B.3 indicates that –via its Statistics Information Management– the BCCh shall publish the daily value of the IVP on the Official Bulletin, no later than the ninth day of each month, for the period between the tenth day of said month and the ninth day of the subsequent month, both included.

METHODOLOGY

Inputs

Compilation process

Data inputs are the CPI, reported by INE no later than the eighth day of each month on its official website (www.ine.cl) or other channel; and the last published value of the IVP on *Diario Oficial*.

Validation procedure

The CPI values used in the calculation of the IVP consider the number of decimals published by the INE, according to its CPI methodological handbook. The last published value of the IVP on *Diario Oficial* is considered as the last value of the IVP.

Calculation

Adjustment factor

The BCCh calculates a daily adjustment factor (f) wich correspond to the geometric growth rate of the CPI variation of the previous semester. Mathematecally:

$$G = \left(\sqrt[k]{\frac{CPI_t}{CPI_{t-6}}} - 1 \right) \times 100$$

Where, k is the number of days between the tenth day of the current month to the ninth day of the sixth previous month, CPI_t is the CPI value for the previous month, which is published no later no later than the eighth day of the current month (t) and CPI_{t-6} is the CPI value published in the sixth previous month.

Calculation of values

The daily values of the IVP (IVP_d) are calculated by multiplying the last published value of the IVP (IVP_{last}), with two decimals, with the adjustment factor for the day d (g_d):

$$IVP_d = IVP_{last} \times g_d$$

Where d is the day being calculated and is a number between one and the number of days between the tenth day of the current month to the ninth day of the next month, both inclusive.

Moreover, g_d corresponds to the adjustment factor (G) raised to the power of d.

$$g_d = G^d$$

After the daily values of the IVP are calculated, they are rounded to two decimals places for publication.

Revision

The legal framework and relevant regulation do not consider revisions.

Publication

Frequency: Monthly.

In the *Diario Oficial* (Official Bulletin) no later than the ninth day of each month, for the period between the tenth day of the month and the ninth day of the subsequent month, both inclusive.

DATA ACCESS

Diario Oficial (Official Bulletin)

Link: http://www.diariooficial.interior.gob.cl/

Statistics Database

Link: https://si3.bcentral.cl/Siete/en

Chapter: Prices

Website

Link: https://si3.bcentral.cl/Indicadoressiete/secure/Indicadoresdiarios.aspx?Idioma=en-US

RELATED DOCUMENTATION (Spanish)

Basic Constitutional Act, Central Bank of Chile

Link: https://www.bcn.cl/leychile/navegar?idNorma=30216

Law No. 18.010, regarding credit operations and other money operations indicated therein[1]

Link: https://www.leychile.cl/Navegar?idNorma=29438

Compendium of Financial Regulations[2], Banco Central de Chile

Link: https://www.bcentral.cl/en/news-and-publications/normatives/summary-of-financial-standards

Methodological Handbook of the Consumer Price Index, annual base 2018[3]

Link: https://www.ine.cl/docs/default-source/precios/ipc/base-2018/metodologias/metodologia.pdf?sfvrsn=3d1e58d2_13

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[1] Free translation of: *"Ley N°18.010 sobre operaciones de crédito y otras obligaciones de dinero que indica".*
[2] Free translation of: "Compendio de Normas Financieras".
[3] Free translation of: *"Manual Metodológico del índice de Precios al Consumidor (IPC) base anual 2018".*