In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to maintain the monetary policy interest rate at 5% (annual).

International financial conditions are stable. Incoming economic indicators for the United States are mixed, while the Eurozone remains in recession and in a fragile fiscal and financial situation. The Bank of Japan recently announced a substantial quantitative easing program, which has translated into a depreciation of the yen. The prices of commodities receded in recent weeks, especially for copper.

Domestically, February’s activity indicator was below market expectations. The labor market is still tight and domestic demand remains dynamic. Credit conditions are somewhat more restrictive. Headline and core inflation measures are around 1% and 2% y-o-y, while inflationary expectations in the policy horizon remain around the target. The peso has appreciated further in multilateral terms.

The Board reiterates its commitment to conduct monetary policy with flexibility, so that projected inflation stands at 3% over the policy horizon. Any future changes in the monetary policy rate will depend on the implications of domestic and external macroeconomic conditions on the inflationary outlook.

* The Spanish original prevails.