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 tightened, especially those facing emerging economies, mainly responding to signs of an earlier withdrawal of the monetary stimulus in the United States. Recent indicators for the U.S. economy are positive and point to a gradual recovery. The Eurozone continues in recession while growth forecasts for China have been revised downward, as have those for other emerging economies. The prices of foodstuffs and metals, including copper, receded in recent weeks, while fuel prices rose. The dollar showed a widespread appreciation in international markets.

Domestically, incoming information reveals an ongoing slowdown of output and demand, especially in investment. The labor market is still tight. Consumption has remained strong, but the evolution of credit conditions and confidence surveys suggest this variable will lose momentum. Headline inflation approached the tolerance range, as expected, while core measures remain close to 1% y-o-y. Inflation expectations over the policy horizon remain around the target.

The consolidation of the trends outlined in the last Monetary Policy Report could call for adjustments to the monetary policy interest rate in the coming months. 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.