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 improved somewhat during the last month, including lower credit risk premiums, both sovereign and corporate. Global second-quarter activity figures were generally lower than expected, although consensus forecasts continue to anticipate a recovery in the United States. Growth expectations for emerging economies have declined further, although some recent indicators for China point to a stabilization of its the rate of expansion. The prices of metals, including copper, picked up in recent weeks, while food prices dropped. The dollar depreciated in international markets.

Domestically, incoming information shows a sharper slowdown for output than for demand. Consumption remains dynamic, although confidence surveys foresee a reduced impulse from this variable going forward, while investment moderates. Headline inflation fell within the tolerance range, as forecast, while core inflation measures are still hovering around 1% annually. Inflation expectations remain near the target in the policy horizon.

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.