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. The United States is posting more dynamic output indicators, as opposed to the Eurozone, which continues to endure recession and a fragile fiscal and financial situation. The Japanese authorities have signaled more expansionary macroeconomic policies, which has translated into a depreciation of the yen. The dollar has appreciated in world markets. The prices of commodities, including copper, receded in recent weeks.

Domestically, output and demand indicators have exceeded forecasts in the latest Monetary Policy Report. Economic activity reflects improvements in mining, while demand growth, driven by investment, is outpacing GDP. The labor market is still tight. Headline and core inflation are around 1% y-o-y, while inflationary expectations in the policy horizon remain aligned with the target. The peso has appreciated 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.