In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to keep the monetary policy interest rate at 4.5% (annual).

In the global economy, incoming figures are consistent with the scenario depicted in our Monetary Policy Report. Our trading partners’ growth is expected to recover in the coming quarters, grounded in the rebound of developed economies, especially the United States, and stabilized growth in emerging markets. The Federal Reserve cut down the amount of monthly asset purchases, which had no major impact on long-term international interest rates. Inflation in advanced economies has remained low, so a slow normalization of monetary policy is foreseen there. Financial conditions in the more vulnerable emerging economies are still tight, while those facing peripheral Europe have improved. During the last month, the copper price rose, contrasting with reduced prices of oil and foodstuffs. The dollar appreciated in international markets.

The Chilean economy has continued to lose strength. Domestic output and demand have grown somewhat less than assumed in the Monetary Policy Report, particularly in investment-related sectors. CPI figures of the past two months have driven headline inflation to 3% annually, reflecting the impact of some factors associated with its most volatile components (i.e. foodstuffs and energy), as well as the short-term incidence of the peso depreciation. Meanwhile, inflation expectations remain around the target over the projection horizon, and the pace of nominal wages’ growth shows a moderation in recent months.

The Board estimates that in the coming months it might be necessary to increase the monetary stimulus to ensure that projected inflation will stand at 3% in the policy horizon. Accordingly, 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.