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 show some improvement. The Eurozone remains in recession and in a fragile fiscal and financial situation, while there is increased optimism in the United States and Japan. Incoming indicators for China and other emerging economies point at marginally weaker growth, while several central banks have lowered their policy rates. The dollar has appreciated in international markets. Metal prices receded in recent weeks, especially for copper.

Domestically, first-quarter indicators show decelerating output and demand. The labor market is still tight. Headline and core inflation measures remain close to 1% y-o-y, while surveys suggest that inflationary expectations over the policy horizon remain around the target. The exchange rate has depreciated; however, in real terms it is still in the lower part of the range that is compatible with its long-term fundamentals.

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.