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).

Internationally, financial conditions are more favorable than they were a month ago. However, the risks from the fiscal and financial situation in the Eurozone remain high, and the fiscal risk in the United States, having moderated, is still significant. Weak growth continues in developed economies, while more positive signs are observed coming from China. Fuel prices have picked up, while the prices of copper and foods are fairly unchanged from last month.

Domestically, recent output and demand indicators have evolved in line with forecasts in the last Monetary Policy Report. The labor market is still tight. Job creation increased and wage growth remained stable. Headline and core inflation are below 2% y-o-y, while inflationary expectations in the policy horizon are aligned with the target. In the last month, the peso appreciated slightly with respect to the dollar.

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.