Central Bank of Chile  
Santiago, 18 March 2010  
Press Release*

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to maintain the monetary policy interest rate at 0.50% (annual).

Up to the earthquake and tsunami of 27th February, the local outlook suggested a narrowing of the output gap and stronger demand and output than had been assumed in the latest Monetary Policy Report. This was confirmed with the publication of the National Accounts for the year 2009. In February, the CPI posted an increase that was consistent with private expectations, while core inflation showed higher figures than in the previous months. Internationally, financial markets’ volatility has dropped, commodity prices have shown significant increases, and prospects for global economic recovery for 2010 have not changed.

The earthquake and tsunami have macroeconomic consequences. The immediate disruptive effects of the catastrophe can be expected to result in reduced economic activity and higher inflation in the very short term. Into the medium term, the macroeconomic scenario will be determined by the evolution of productive capacity, and by the magnitude, timing and financing of the reconstruction efforts. Any quantification of these aspects is still premature.

The Board considers that, in the present circumstances—marked especially by the uncertainty associated with the effects of the catastrophe—, holding the monetary policy interest rate at its minimum level of 0.50% at least until the second quarter of 2010 is consistent with projected annual inflation standing at 3% over the policy horizon.

* The Spanish original prevails.