

Central Bank of Chile

Santiago, 16 October 2014

Press Release*

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to lower the monetary policy interest rate by 25 basis points, to 3.0% (annual).

Internationally, recent indicators suggest that, in the incoming quarters, world growth and inflation could be somewhat lower than expected. The prices of commodities, including copper, have declined, with a notorious drop in world fuel prices. Most recently, interest rates have fallen in developed countries, while volatility has increased in financial markets. Most emerging economies are showing higher risk premiums and depreciated currencies.

Output, demand and employment indicators continue to reveal the low dynamism of the Chilean economy, in line with forecasts. Local financing conditions reflect the impact of the monetary stimulus. September's inflation was again higher than expected, at 4.9% y-o-y. The most likely scenario assumes that inflation will stay above the upper bound of the tolerance range still for some months, to later return to the target. This evolution will continue to be monitored with special attention. Medium-term inflation expectations have remained around 3%.

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.