

Central Bank of Chile

Santiago, 11 September 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 3.25% (annual).

Internationally, incoming information confirms the outlook of recovery of the United States, and the weakening of Eurozone growth. Growth forecasts for emerging Asia remain stable, while in Latin America there is confirmed weakness in a significant part of the region. External financial conditions continue to be favorable. The prices of a majority of commodities have dropped, while copper's has remained fairly stable.

Output, demand and employment indicators continue to reflect the low dynamism of the Chilean economy. Even so, the unemployment rate remains low and the annual growth rate of nominal wages has risen further. In August, headline inflation remained at 4.5% annually. Medium-term inflation expectations remain around 3%, despite an increase for the figure expected for the end of this year. The most likely scenario continues to assume 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. Domestic credit conditions continue to be favorable in general, partly reflecting the impact of the monetary stimulus.

The Board will consider the convenience of introducing further monetary stimulus in line with the evolution of domestic and external macroeconomic conditions and its implications on the inflationary outlook. At the same time, the Board reiterates its commitment to conduct monetary policy with flexibility, so that projected inflation stands at 3% over the policy horizon.

* The Spanish original prevails.