

Central Bank of Chile

Santiago, 14 August 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 3.50% (annual).

Internationally, incoming information confirms the outlook of recovery of the United States, while growth in the Eurozone has lost strength. Growth forecasts for emerging Asia remain stable, while for Latin America they have been revised downward. External financial conditions continue to be favorable, but with some deterioration in recent weeks. Commodity prices have dropped, including those for copper and fuels.

Local economic indicators show that the pace of expansion of output and demand has slowed more sharply than expected. The drop in investment has been compounded by a more marked slowdown in private consumption. Despite signs of less dynamism in the labor market, the unemployment rate remains low. In July, headline inflation was 4.5% annually. Twelve-month growth in nominal wages accelerated. Medium-term inflation expectations remain around 3%. 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.

The Board will consider the possibility of making additional cuts to the monetary policy rate 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.