

## **Central Bank of Chile**

**Santiago, 15 July 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 3.75% (annual).

Internationally, incoming information confirms the outlook of recovery of the developed economies, particularly the United States, while growth forecasts for emerging markets have deteriorated. External financial conditions have remained favorable. With respect to commodity prices, an increase in the copper price stands out, while agricultural prices have declined. Higher inflation in Latin America contrasts with the low inflation rates that still prevail in developed economies.

Local economic indicators show that the pace of expansion of output and demand has slowed further. The drop in investment was compounded by a slowdown in private consumption. Despite signs of less dynamism in the labor market, the unemployment rate remains low. In June, headline inflation reached 4.3% annually and core inflation measures declined. Y-o-y growth in nominal wages accelerated. Medium-term inflation expectations remained around 3% annually. The most likely scenario continues to consider that inflation will stay above the upper bound of the tolerance range still for some months, and then 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.