

Central Bank of Chile

Santiago, 12 June 2014

Press Release*

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to keep the monetary policy meeting at 4% annual.

Internationally, incoming information confirms the outlook of recovery of the developed economies, while projections of moderate growth in emerging markets are maintained. External financial conditions continued to improve in the last month. With respect to commodity prices, increased fuel prices stand out, while agricultural and copper prices have declined. Inflation remains bounded in the developed world, which has triggered additional monetary stimulus measures in the Eurozone.

Local economic indicators confirm the low dynamism of output and demand. 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. May's inflation was 4.7% annually. The y-o-y variation in core inflation measures and nominal wages picked up in the last month. Medium-term inflation expectations remain around 3% annually. The most likely scenario assumes that the rise in inflation — associated with the peso depreciation, among other factors— is a temporary development, which will 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.