

**Central Bank of Chile**  
**Santiago, 13 March 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 4.0% (annual).

Internationally, incoming information confirms the outlook of gradual recovery of the developed economies, while projections for emerging markets, particularly Latin America, have receded. Recent developments in China have had a negative impact on the prices of copper and other metals. Agricultural prices picked up since the last meeting, while fuels remained close to where they were a month ago. Inflation in the developed world has remained subdued, so a slow normalization of their monetary policies is foreseen. International financial conditions have remained stable.

The Chilean economy has continued to lose strength. Domestic output and demand have grown less than assumed in the Monetary Policy Report, particularly in investment-related sectors. Annual inflation has increased, reflecting higher prices of foodstuffs and fuels, and the depreciation of the peso. In y-o-y terms, headline inflation and the core measure that excludes foodstuffs and energy stood at 3.2% and 2.5%, respectively. Inflation expectations are still around 3% in the relevant monetary policy horizon.

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

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\* The Spanish original prevails.