

Central Bank of Chile
Santiago, 16 August 2012
Press Release*

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to maintain the monetary policy interest rate at 5% (annual).

Internationally, financial tensions in the Eurozone have declined slightly and international financial conditions show some improvement. However, uncertainty continues, the risk premiums of some European economies remain very high and an upsurge of these tensions in the coming months cannot be ruled out. Advanced economies continue to post weak growth, while emerging markets have slowed down somewhat more than previously forecast. International food and energy prices have picked up in the last month, while metal prices remain largely unchanged from last month.

Domestically, output and demand indicators have evolved somewhat above projections in June's Monetary Policy Report, driven mainly by increased inventory accumulation and, to a lesser extent, by consumption. The labor market remains tight, although employment growth has moderated further and no acceleration of labor costs is observed. The peso has appreciated. Y-o-y CPI inflation and core inflation measures remain below 3%. In the last few months, the most volatile components of the basket (i.e., energy and foodstuffs) showed a negative incidence on the CPI, which could diminish or revert going forward, given their recent performance in international markets. Inflation expectations over the policy horizon remain around the target.

The Board reiterates its commitment to conduct monetary policy with flexibility, so that projected inflation stands at 3% over the policy horizon. Any future changes in the monetary policy rate will depend on the implications of domestic and external macroeconomic conditions on the inflationary outlook.

* The Spanish original prevails.