Central Bank of Chile
Santiago, 17 March 2016
Press Release*

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to keep the monetary policy interest rate at 3.5%.

International financial markets have been calmer in recent weeks, despite the still present risk of new episodes of volatility. Thus, risk premiums have fallen, while stock indexes and commodity prices have risen. Meanwhile, forecasts for world growth and developed economies' inflation have been downsized again. In this context, developed world central banks have taken action or made announcements indicating more expansionary monetary policies. Following the Federal Reserve's meeting, the dollar depreciated further and interest rates declined.

On the domestic front, annual CPI and CPIEFE inflation remains above 4%, in line with projections. Inflation expectations two years out remain at 3%. The evolution of these variables will continue to be monitored with special attention. Available output and demand data reveal a weaker performance in late 2015 than was foreseen in the December Monetary Policy Report. Confidence indicators are still in pessimistic territory. The annual growth rate of salaried employment decelerated further, but unemployment remains low. The pace of annual wage growth picked up in January.

The future path of the monetary policy rate considers measured adjustments aimed to ensure the convergence of inflation to the target, at a pace that will depend on incoming information and its implications on inflation. 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.