



PRESS RELEASE*

Santiago, Chile, 16 June 2016

Monetary Policy Meeting – June 2016

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 remain volatile, very influenced by the upcoming referendum in the UK and the discussion around the Federal Reserve's monetary policy decision. Long-term interest rates have dropped in the main economies. Globally, stock markets are down and the prices of many commodities have risen. Copper has been an exception. The dollar, with ups and downs, is near where it was last month. The world growth outlook presents no significant changes.

On the domestic front, in May's CPI variation was somewhat smaller than expected and y-o-y inflation remained at 4.2%. Expected inflation two years ahead remains at 3%. The evolution of these variables will continue to be monitored with special attention. Partial second-quarter output and demand data reflect limited growth. Confidence indicators are still in pessimistic territory, salaried employment is growing at a slow pace, the unemployment rate is still low and nominal wages have slowed.

The Board estimates that, to ensure the convergence of inflation to the target, monetary policy will need to continue to normalize, at the pace that is implicit in the latest Monetary Policy Report's baseline scenario. Nonetheless, a significant deviation of inflation's convergence may change said pace. 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.