PRESS RELEASE*

Santiago, Chile, 14 July 2016

Monetary Policy Meeting – July 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%.

Internationally, the biggest news has been the limited effects of the UK referendum result. The world growth outlook has seen no significant changes and market expectations point towards more expansionary monetary policies in the developed economies. In this context, after an initial rise in volatility, preference for risk has increased, bringing down long-term interest rates and risk premiums, boosting stock markets and appreciating emerging countries' currencies. Commodity prices continue to post mixed movements, where an increase in the price of copper stands out.

On the domestic front, June's CPI variation was somewhat higher than expected, but its path is in line with the forecast in the Monetary Policy Report. Expected inflation two years ahead remains at 3%. The evolution of these variables will continue to be monitored with special attention. Second-quarter output and demand data confirm limited growth. Confidence indicators are still in pessimistic territory. The labor market continues to reflect a deterioration in comparison to early in the year. The peso has appreciated.

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.

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* The Spanish original prevails.