



PRESS RELEASE*

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Monetary Policy Meeting – March 2017

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 3%.

Internationally, global financial conditions have remained favorable. In the developed world, indicators continue to point to a scenario of stronger growth and higher inflation. In this context, expectations of a monetary policy normalization have strengthened, especially in the US. Commodity prices decreased, most notably oil. Overall, important risks persist.

On the domestic front, annual inflation was 2.7%, in line with forecasts in December's Monetary Policy Report. Inflation expectations at the end of the projection horizon are near the target, although for the coming months they are in the lower part of the tolerance range. Activity and demand indicators remain weak. In the labor market, salaried employment deteriorated further, although the unemployment rate remained stable.

The Board estimates that, if the recent trends of the economic scenario persist, and so do their implications on the medium-term inflation outlook, it could be necessary to increase the monetary impulse. At the same time, it reiterates its commitment to conduct monetary policy with flexibility, so that projected inflation stands at 3% over the policy horizon.

* The Spanish original prevails.