



PRESS RELEASE*

Thursday, 19 October 2017

Monetary Policy Meeting – October 2017

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to keep the monetary policy interest rate at 2.5%.

On the external front, global activity and prospects brought no big news, and the signs of stronger dynamism remain. Global financial conditions remain favorable. The main development of the month was the increase in some commodity prices, especially copper and oil.

On the domestic front, September's CPI inflation was surprisingly low, pulling its y-o-y change to 1.5%. While inflation expectations at shorter terms declined significantly, at longer terms they saw limited adjustments. Third-quarter data at hand show activity and demand behaving in line with the latest Monetary Policy Report's baseline scenario, and the better performance of consumer-related sectors relative to investment-related ones continues to stand out. The behavior of private consumption reflects the evolution of the labor market and expectations becoming less pessimistic.

Activity figures made available after the September Report are consistent with the baseline scenario and the monetary impulse depicted therein. However, incoming inflation figures point to it falling short of expectations in the short term. This could delay its convergence to the target within the two-year horizon. The Board will pay special attention to this risk—already identified in the Report—as it could require adjusting the policy rate. At the same time, the Board reiterates its commitment to conduct monetary policy with flexibility, so that projected inflation stands at 3% over the two-year horizon.

* The Spanish original prevails.