



PRESS RELEASE*

Wednesday, 23 October 2019.

Monetary Policy Meeting – October 2019

In its monetary policy meeting, the Board of the Central Bank of Chile decided to lower the monetary policy interest rate by 25 basis points, to 1.75%. The decision was adopted unanimously by all five Board members.

The external scenario is in line with forecasts in the September Monetary Policy Report, and continues to be marked by major tension spots, a deterioration of manufacturing, investment, and global trade. Accordingly, the growth outlook has been adjusted downward in several economies. The monetary authorities have further increased the stimuli while the markets, with ups and downs, show bounded increases in long-term interest rates and stock indexes. The copper price posted virtually no change since the last monetary policy meeting, and the oil price, despite transient supply disruptions, tended to decline.

Third-quarter data at hand are in line with the last Report's baseline scenario. The expansion of activity outperformed that of the first half, while investment remained dynamic. On the consumption side, growth in the wage mass has been flat, consumer confidence has deteriorated and consumer goods imports have declined. Financial conditions are still favorable. CPI inflation is still near 2% annually, with persistently weak services in the CPIEFE. The various inflation expectations indicators show no significant variation.

The complex developments that have occurred in the country in recent days will have an impact on the evolution of the economy. Short-run activity will be affected by the partial breakdown of the country and damaged infrastructure. Towards the medium term, most important will be the magnitude and timeline of reconstruction works, the impact on confidence and the effects of the course of action announced by the Government. So far this scenario has had bounded effects on the local financial markets, including a depreciation of the peso and corrections in the fixed-income market. The stock exchange showed a somewhat sharper decline. The December Report will bring a thorough more

informed analysis of the impact of the recent events on the economy, the inflation outlook and the response of monetary policy.

The Board's decision assumes that for inflation to converge to the target a further monetary boost is needed, which will be assessed in the light of the macroeconomic scenario, especially after the events of recent days. With that, the Board reiterates its will to conduct monetary policy with flexibility, so that projected inflation stands at 3% over the two-year horizon.

The minutes from this monetary policy meeting will be published at 8:30 hours of Monday 11 November 2019. The next monetary policy meeting will be held on Friday 6 December, and the statement thereof will be published at 18:00 hours the same day.

* The Spanish original prevails.