



# INSTITUTIONAL FRAMEWORK AND POLICIES OF THE CENTRAL BANK

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# Outline

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- I. Institutional framework
- II. Principles of monetary policy
- III. Current monetary policy regime
- IV. Assessment of inflation performance
- V. Monetary Policy Meeting
- VI. Final remarks



# I. Institutional Framework



# Institutional Framework

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- The Central Bank of Chile (CBC) was created in 1925.
- In this process, Chile received the assistance of a mission of international experts headed by Walter Kemmerer, professor of economics at Princeton University.
- Although the CBC has remained a key component of Chile's economic and financial architecture for more than 80 years, the original definition of its purpose has been modified significantly over time in response to changing circumstances and needs.



# Institutional Framework

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- Under its present statutes, which date back to 1989, the CBC is autonomous and has a clear mandate to keep inflation under control and ensure the orderly functioning of the payment system.
- In other words, its statutory goals are very similar to those of Central Banks around the world and can be defined as *price stability* and *financial stability*.



# Institutional Framework

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- These goals are mutually self-reinforcing. A stable and efficient financial system makes it easier to maintain price stability while, in turn, the control of inflation fosters the stability of financial markets.



# Institutional Framework

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- In line with these goals, the CBC's main functions are to:
  - Set monetary policy;
  - Provide liquidity to the banking system in cases of need;
  - Regulate certain banking and financial activities;
  - Regulate foreign exchange operations;
  - Issue coins and bills to meet market needs;
  - Operate the high-value inter-bank payment system;
  - Manage its assets (i.e. international reserves) and liabilities.



# Institutional Framework

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- The CBC is headed by a five-member board of directors, appointed by the President of the Republic subject to ratification by the Senate. One of these directors is appointed as Chairman of the Board and Governor of the Bank.
- The board, among other responsibilities, takes monetary policy decisions. In this sense, it plays the same role as the FOMC in the USA or the Monetary Policy Committee in the UK.



# Institutional Framework

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- The board is assisted by a highly professional staff of economists and financial experts.
- The CBC is a small institution, with a total staff of only some 600.



# Institutional Framework

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- In the past, the CBC did not always give price stability its present priority.
- In fact, inflation became a very serious problem shortly after the CBC was established.
- This was mainly the result of an expansionary fiscal policy, which left the CBC little room for maneuver to attempt to achieve price stability.



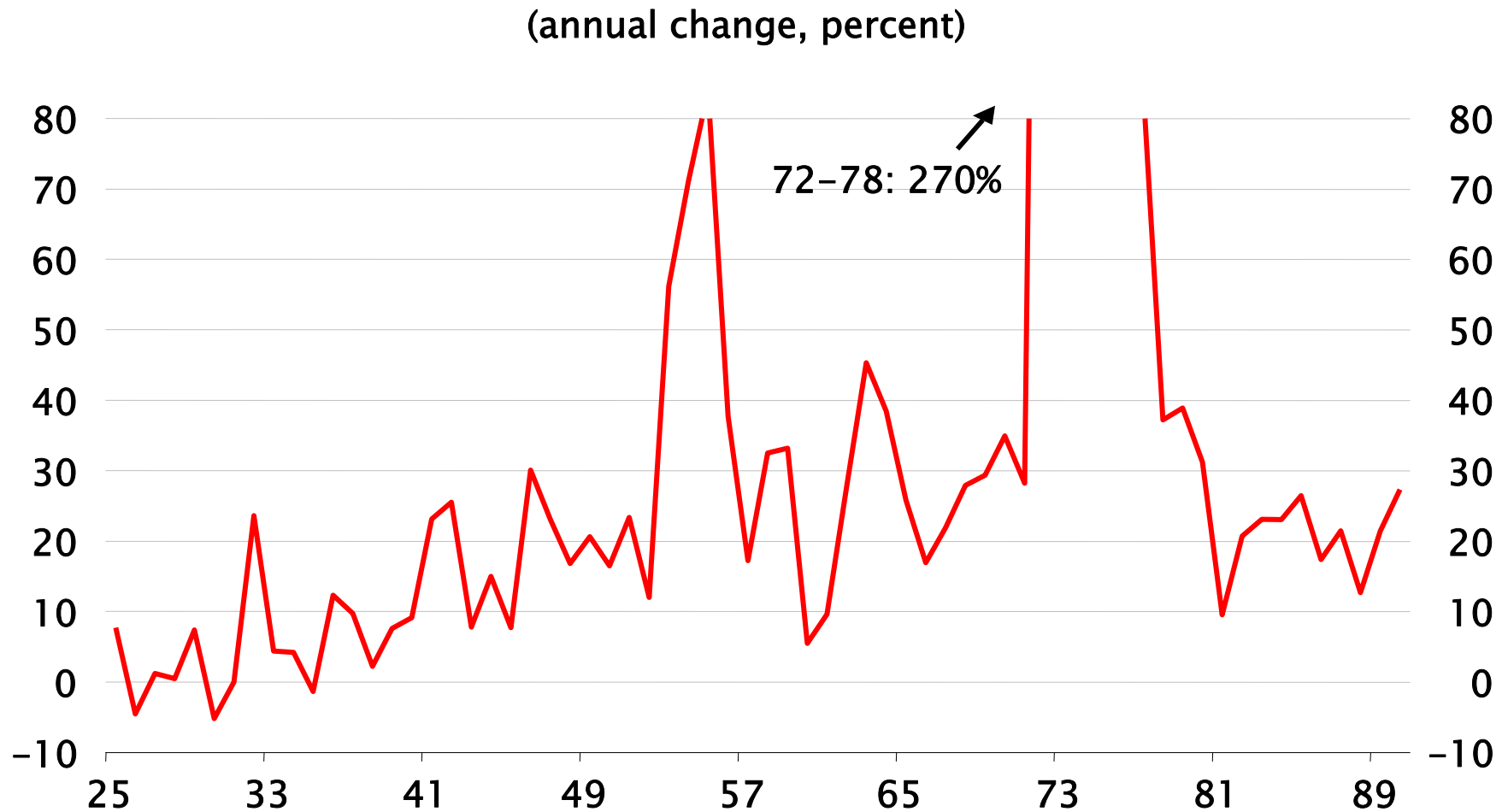
# Institutional Framework

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- Several stabilization programs were designed and implemented but all failed, due to a lack of consistency within macroeconomic policies.
- As a result, during most of the twentieth century, inflation was high and volatile while growth rates fluctuated sharply.



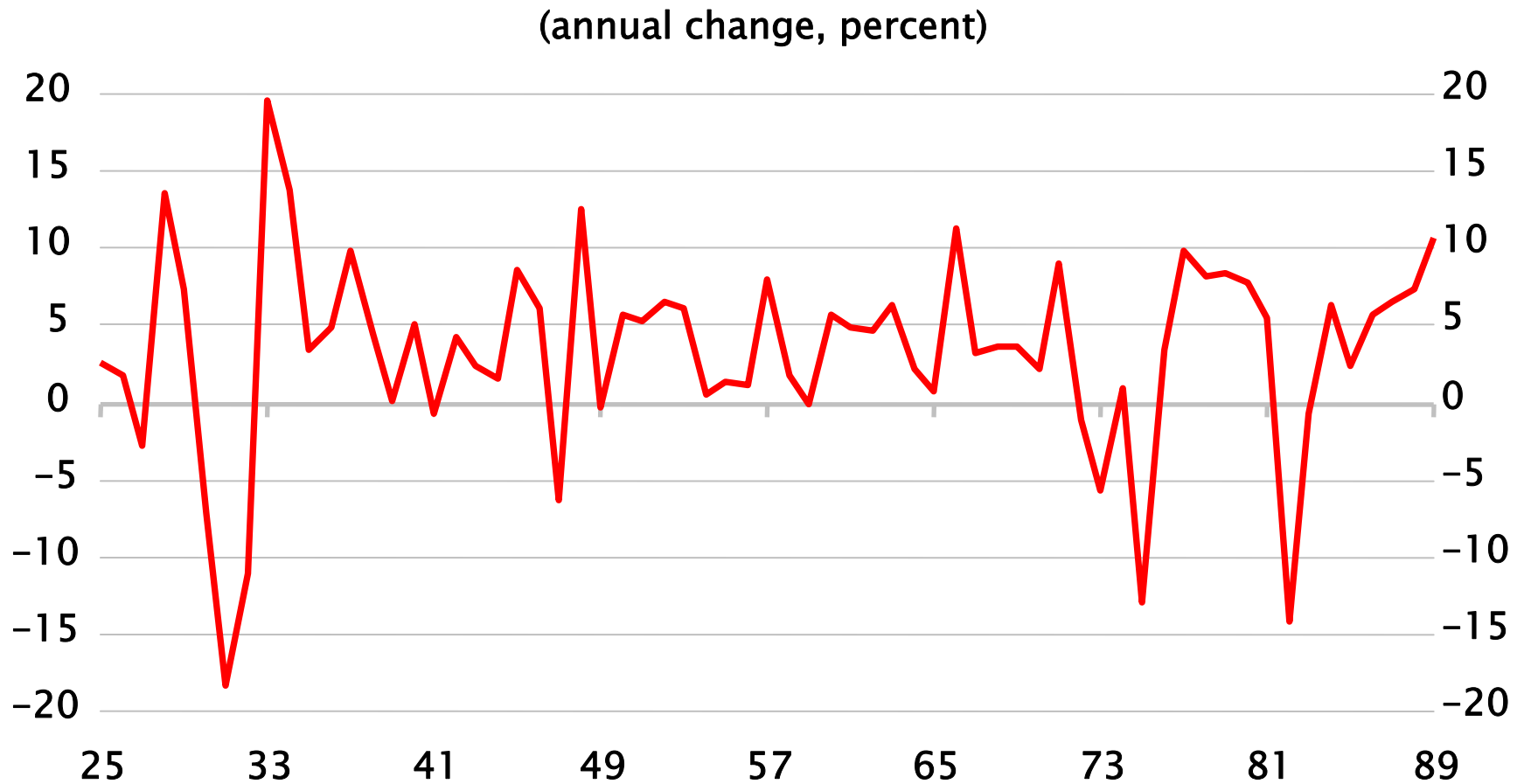
# Inflation Rates, 1925–89



Sources: Díaz, et al. (2003) and National Bureau of Statistics.



# Growth Rates, 1925–1989



Sources: Central Bank of Chile and Haindl (2006).



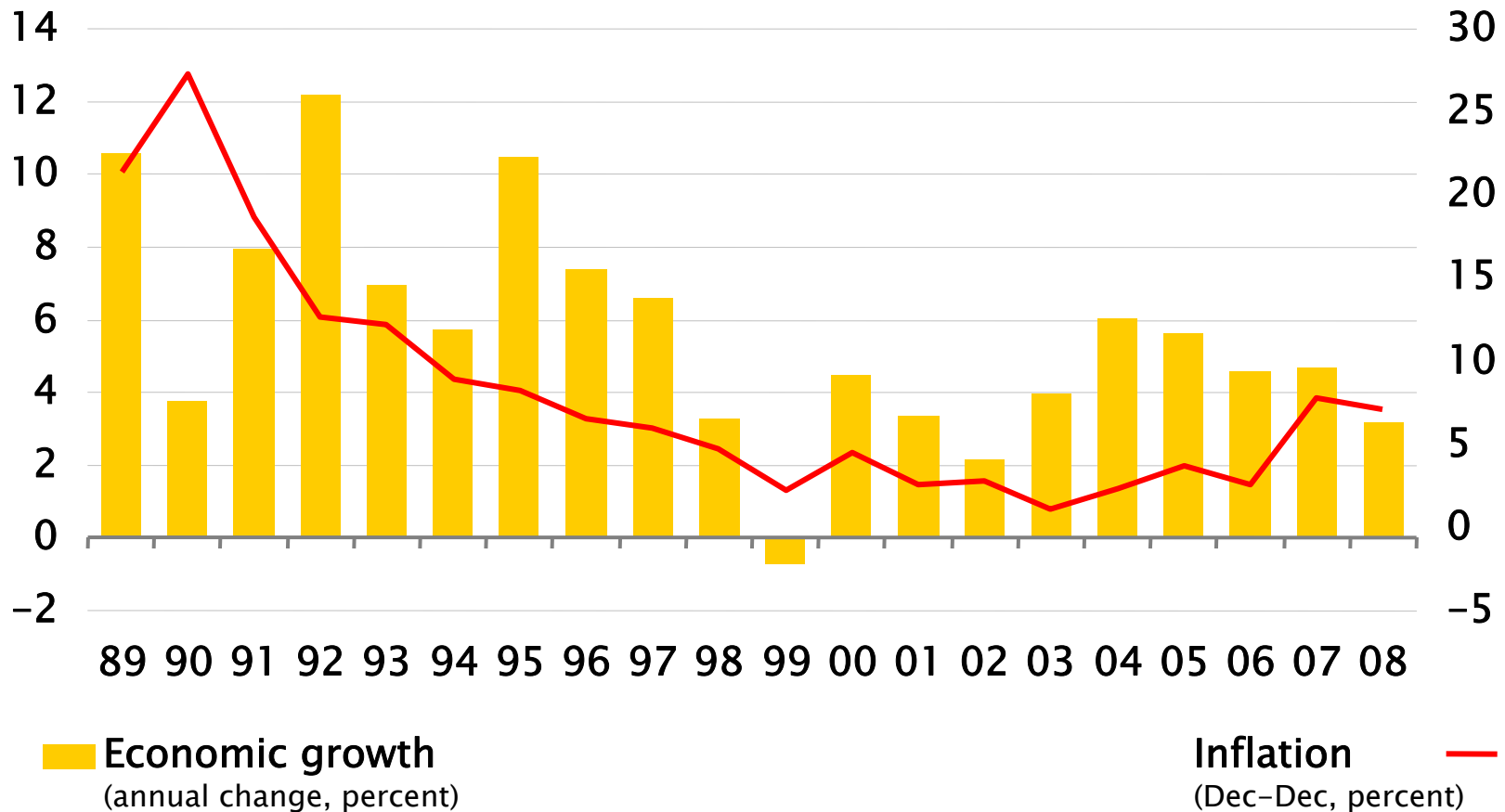
# Institutional Framework

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- Macroeconomic stability and, particularly, price stability showed a significant improvement after the introduction of the CBC's current statutes in 1989.
- The CBC's clear mandate to bring inflation under control and its autonomy from the government and interest groups made a decisive contribution to this improvement.



# Growth and Inflation, 1989–2008



Source: Central Bank of Chile.



# Institutional Framework

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- Monetary policy is key for macro stability. However, it does not act in isolation but within a context of institutions and policies that are mutually self-reinforcing.
- It is, therefore, important to take into account all the pillars that have contributed to Chile's macroeconomic stability.



# Institutional Framework

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- In addition to the autonomy and clear mandate assigned to the Central Bank, these pillars include:
  - A responsible and predictable fiscal policy;
  - A solid banking system that is well regulated and supervised and professionally managed;
  - A relatively deep capital market that provides an alternative source of finance, mainly for medium and long-term horizons.
  - Increasing commercial and financial integration with international markets.



# Institutional Framework

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- Fiscal policy has been guided by prudent principles during last decades.
- Starting in 2001, this was taken a step further by introducing the so-called “structural surplus rule”, under which the budget must show a structural surplus equivalent to 0,5% of GDP (1% until 2007). This year, given the adverse macro scenario, the target has been transitorily reduced to 0% of GDP.
- The word ‘structural’ means that this surplus is calculated using the potential GDP and the long term copper price. It must be noted that copper revenues are a key component of Chilean fiscal accounts.



# Institutional Framework

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- This policy rule smoothes spending out of copper revenues and guarantees public sector solvency over time.
- At the same time, it is a counter-cyclical policy, as it allows the government to run actual deficits in periods of economic slowdown.
- This year, the Government will run an actual deficit which will be financed, to a large extent, by savings accumulated in previous years and currently held in foreign currency.



# Institutional Framework

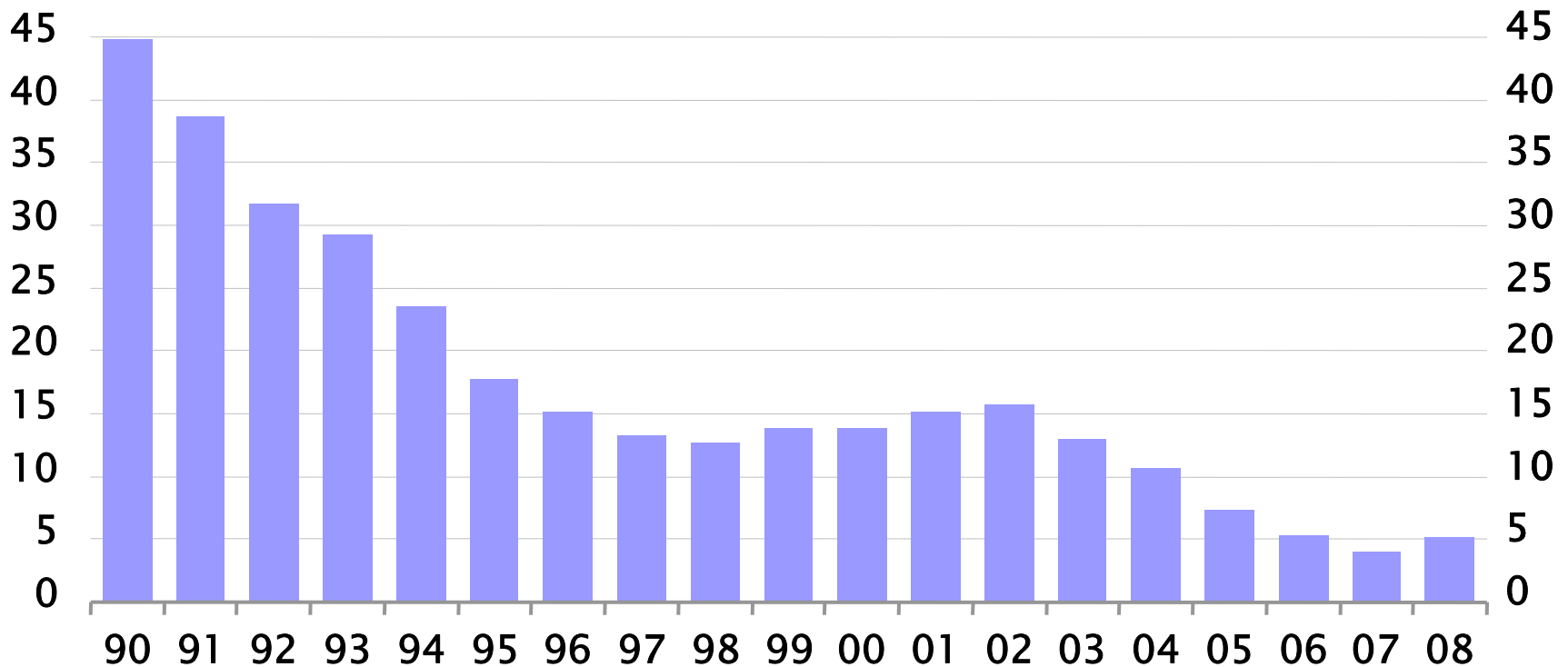
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- Fiscal responsibility frees monetary policy from subordination to government spending decisions and reinforces the effectiveness and credibility of macroeconomic policies.
- In particular, it facilitates countercyclical monetary policy actions, like the one currently conducted by the CBC.
- In addition, it favors policy coordination and effectiveness, despite the fact that fiscal and monetary authorities are fully independent from each other.



# Fiscal responsibility has led to a significant reduction of public debt

**Government Debt**  
(percentage of GDP)





# Institutional Framework

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- Banking regulation and supervision are in line with international recommendations.
- Supervision is exercised by a separate entity, but it coordinates closely with the CBC.
- Cooperation between financial authorities extends to other sectors: securities, insurance and pension funds.



# In this area, Chile learned the lesson of experience.

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- Chile suffered a very severe financial and macroeconomic crisis in the early eighties.
- The costs of the crisis, including public-sector resources and output losses, were enormous.
- As a result, substantial changes in the legal framework were introduced in line with modern concepts of prudential regulation and effective supervision.
- Although this regulatory and supervisory framework has been modernized over time, it has remained as a solid pillar of banking stability.



# Main components of this prudential framework include:

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- Industry entry requirements.
- Limits on lending to related parties.
- Loan classification and provisioning system.
- Effective supervision.
- Capital adequacy.
- Preventive and self-correcting safeguards.
- A limited guarantee or protection for deposits.
- Financial disclosure requirements.
- Corporate governance standards.



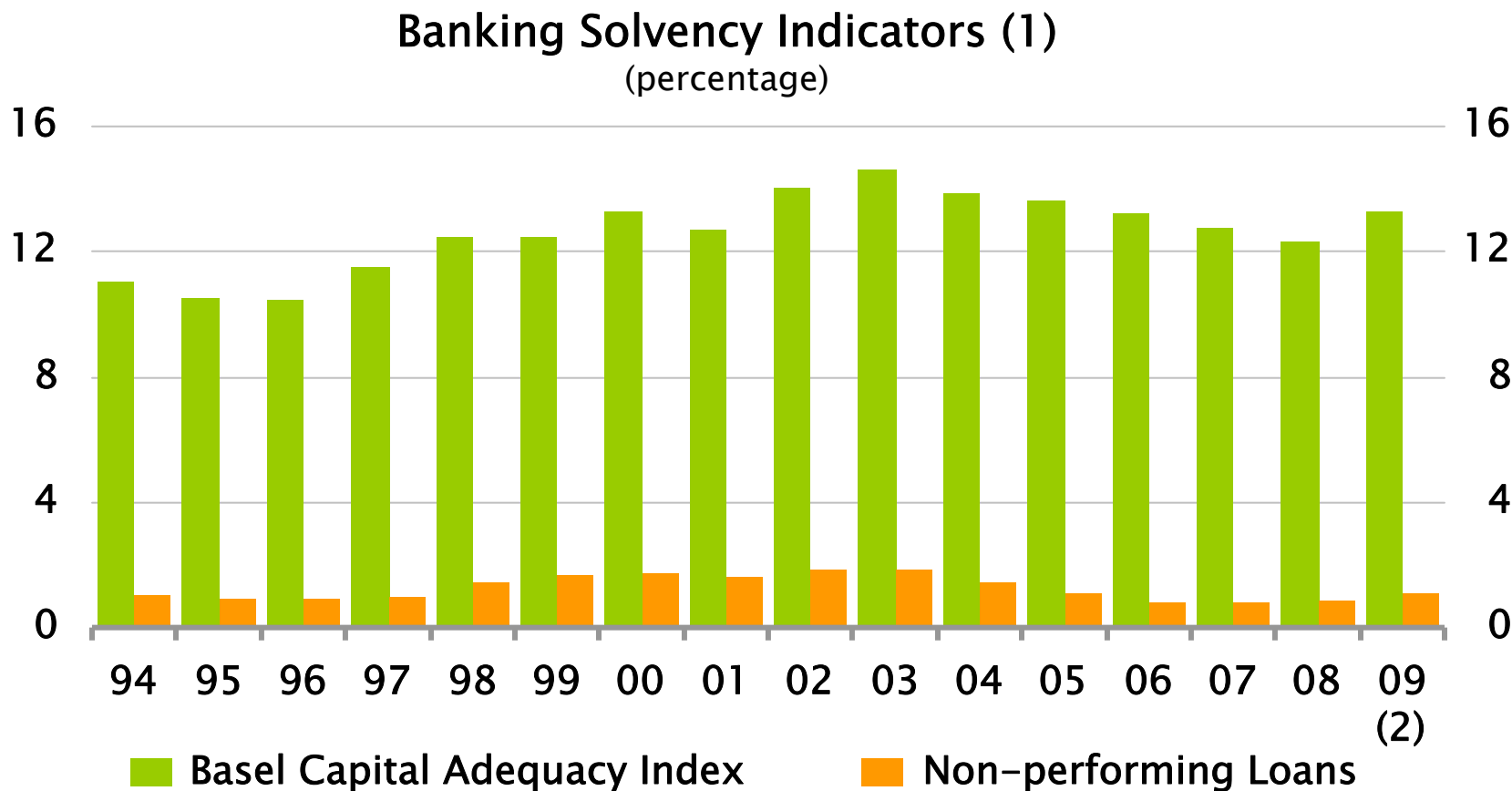
# At present, the banking system appears fundamentally safe and sound.

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- It does not show any of the vulnerabilities observed in developed countries (i.e. off-balance-sheet exposures, excessive dependence on wholesale funding or toxic assets in banks' books).
- The traditional business model, based on relationship with clients and retail funding, is the one that prevails.
- Foreign exchange exposure is quite low and adequately matched.



# Solvency and performance indicators confirm the vision of a safe and sound banking system.



(1) As of January 2008, data of past-due loans is not strictly comparable with earlier data, since as part of the convergence plan to International Financial Reporting Standards (IFRS), banks changed the format of their financial statements. (2) March figures.

Sources: Central Bank of Chile and Superintendence of Banks and Financial Institutions.



# Important developments have also taken place in other financial sectors, which has accompanied the banking sector build up.

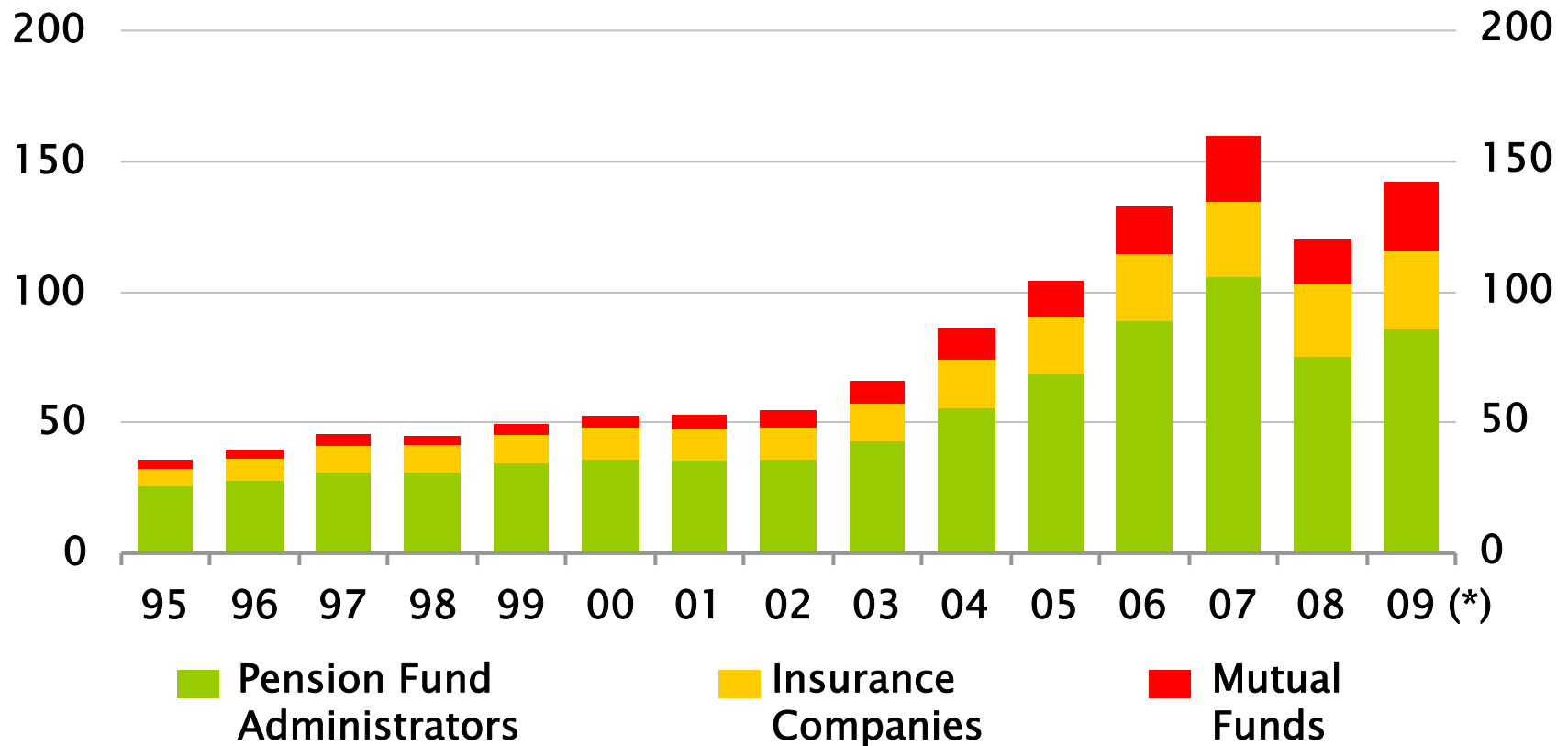
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- The creation of a private pension fund system is the most significant and far-reaching development of recent decades.
- This has contributed to the growth of the financial system and the capital market.
- In particular, it created a new source of medium and long term finance for the corporate sector, which was previously almost inexistent.



# Institutional investors have played a key role in developing capital markets.

Financial Savings by Institutional Investors  
(USD billions)



(\*) Information for April 2009, except insurance companies (March 2009).

Sources: Superintendence of Securities and Insurance and Superintendence of Pensions Funds.



# Chile's integration with the rest of the world is characterized by:

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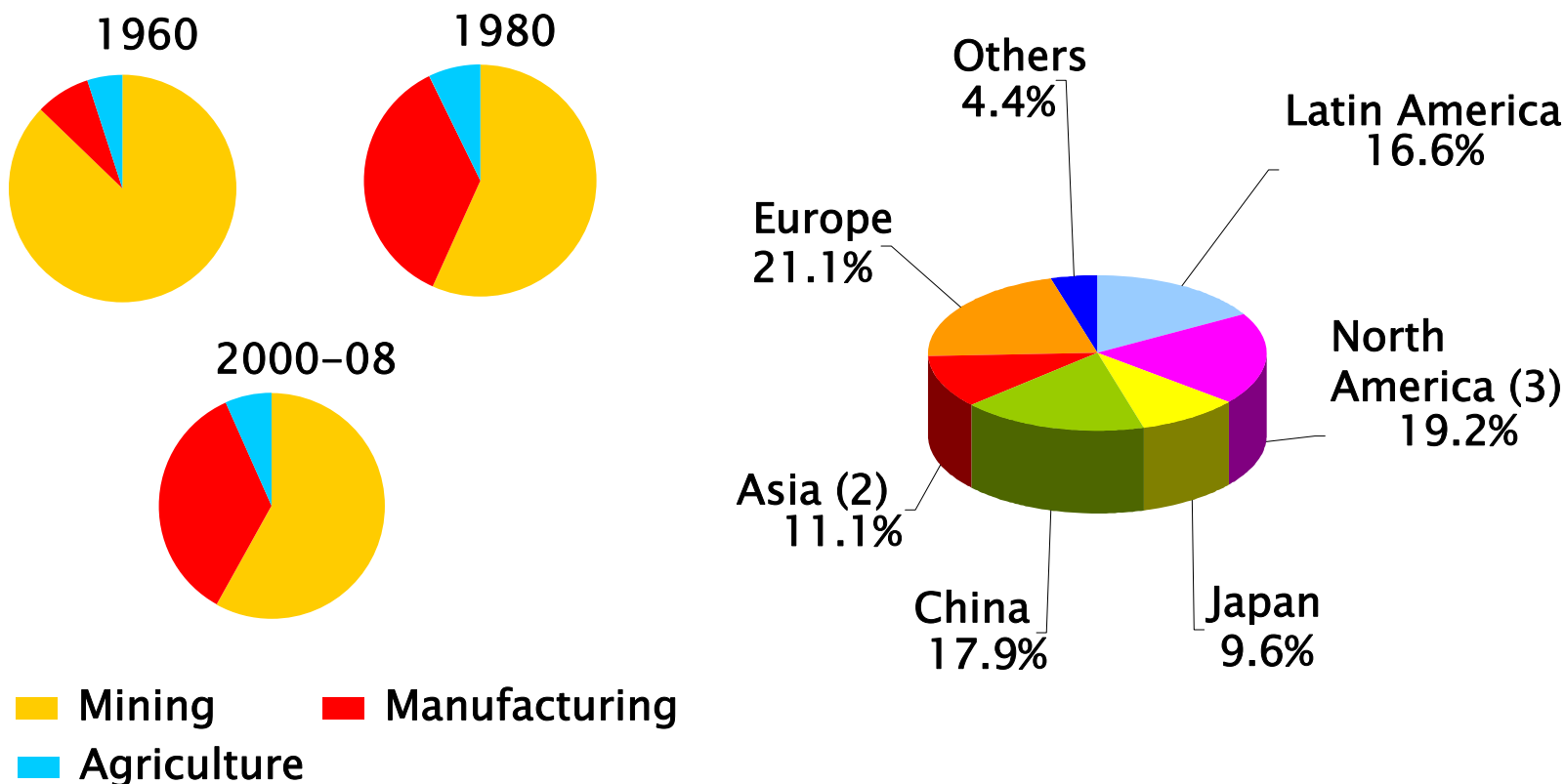
- Low effective import tariffs (2% on average);
- Trade Agreements with major trading partners (USA, EU, Japan, China, Mexico, Canada and Korea);
- Inward and outward capital mobility;
- A floating exchange rate regime which has been in force since September 1999, permitting flexible adjustments to external shocks.



# Exports are mainly based on natural products, but they are well diversified by country of destiny.

## Chilean Exports by Economic Sector and Destination (1)

(share of total exports, percentage)



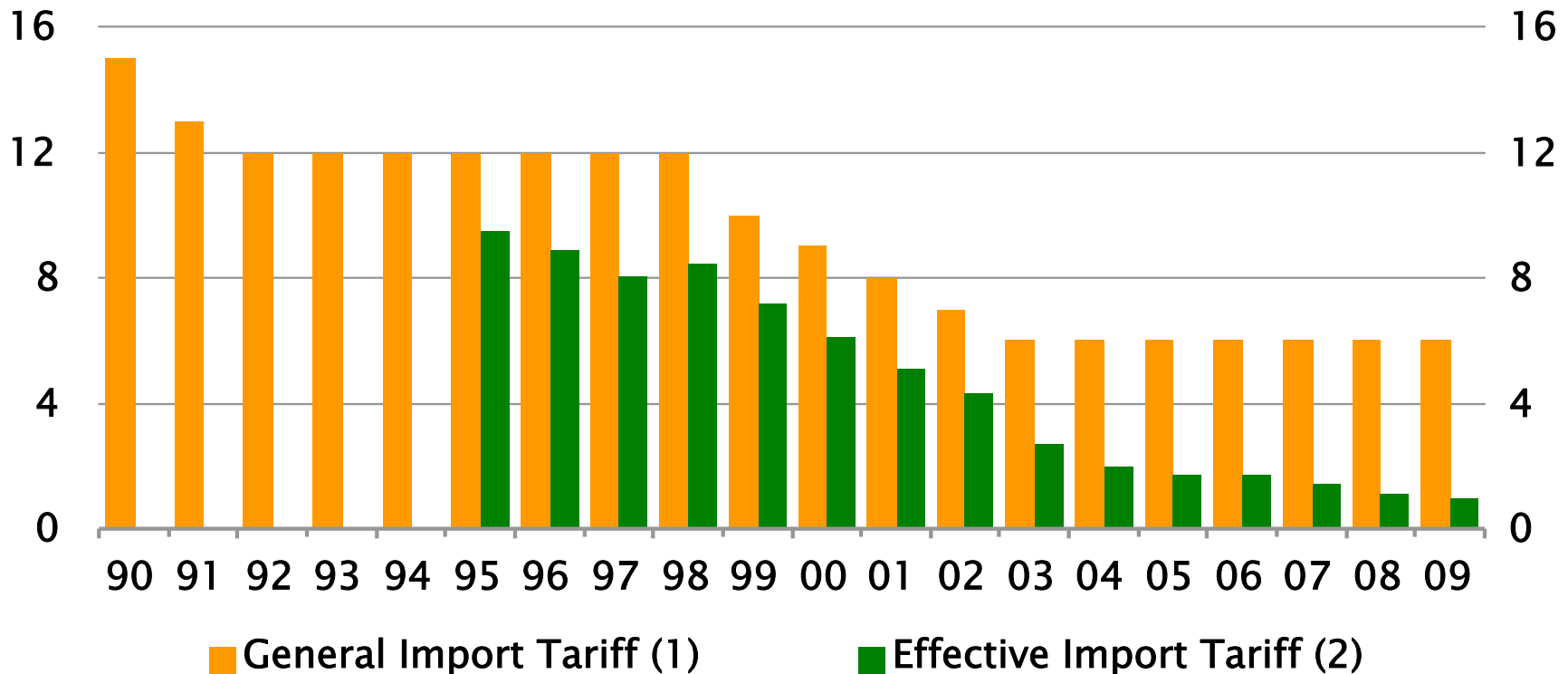
(1) Export destination data as of 1Q09. (2) Asia excludes China and Japan. (3) North America includes USA and Canada.

Source: Central Bank of Chile.



# Import tariffs have declined over time and currently stand at low levels.

**Trade Integration**  
(general and effective import tariff, percentage)



(1) Includes every product of General Agreement and excludes those of Free Trade Agreements. (2) Becerra, G. (2005), Statistical Economic Studies 50. Posterior data is estimated as the ratio of Foreign Trade Tariffs to imports. Figures until 1Q09.

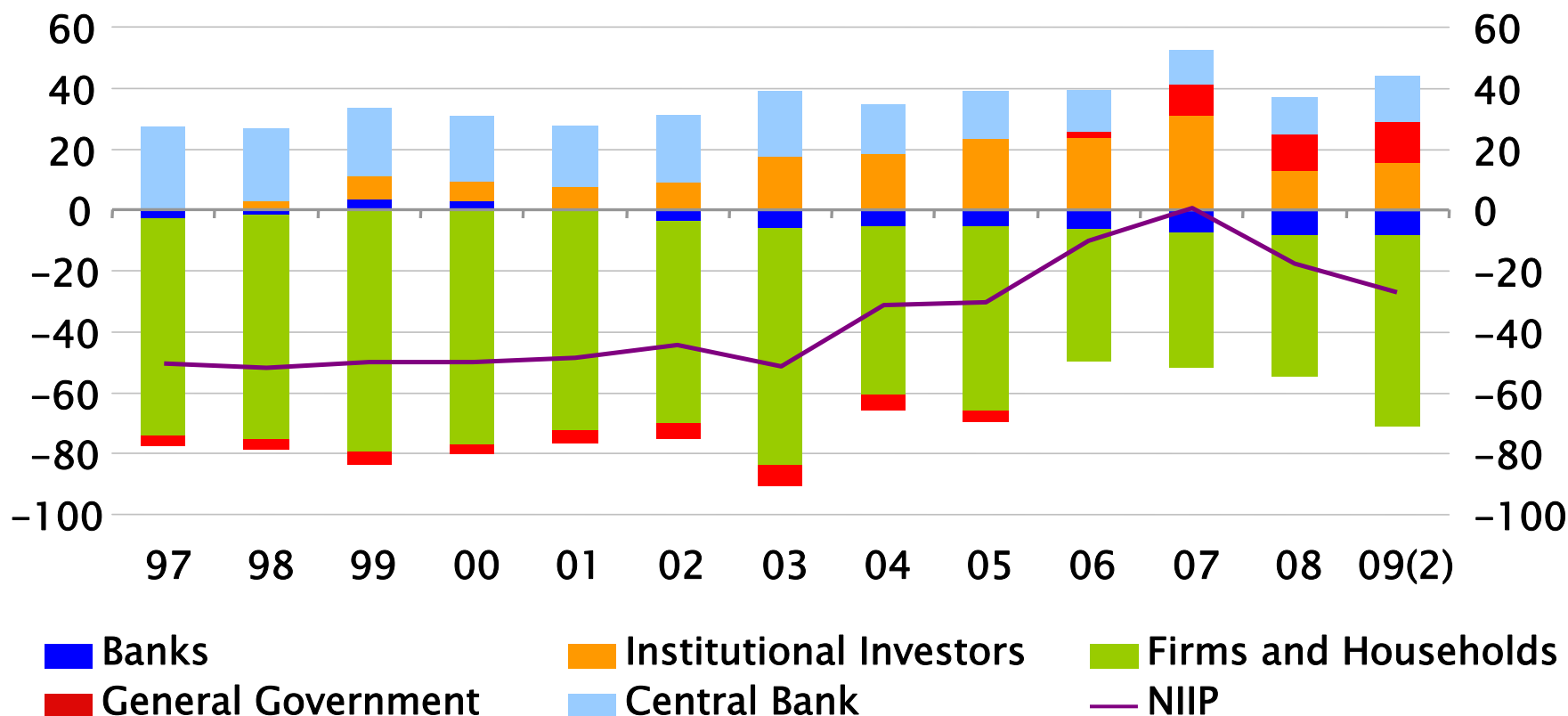
Source: Central Bank of Chile.



The international investment position has strengthened over time, thanks to reserve accumulation, public savings and increased diversification of pension funds abroad.

## Net International Investment Position (1)

(percentage of GDP)



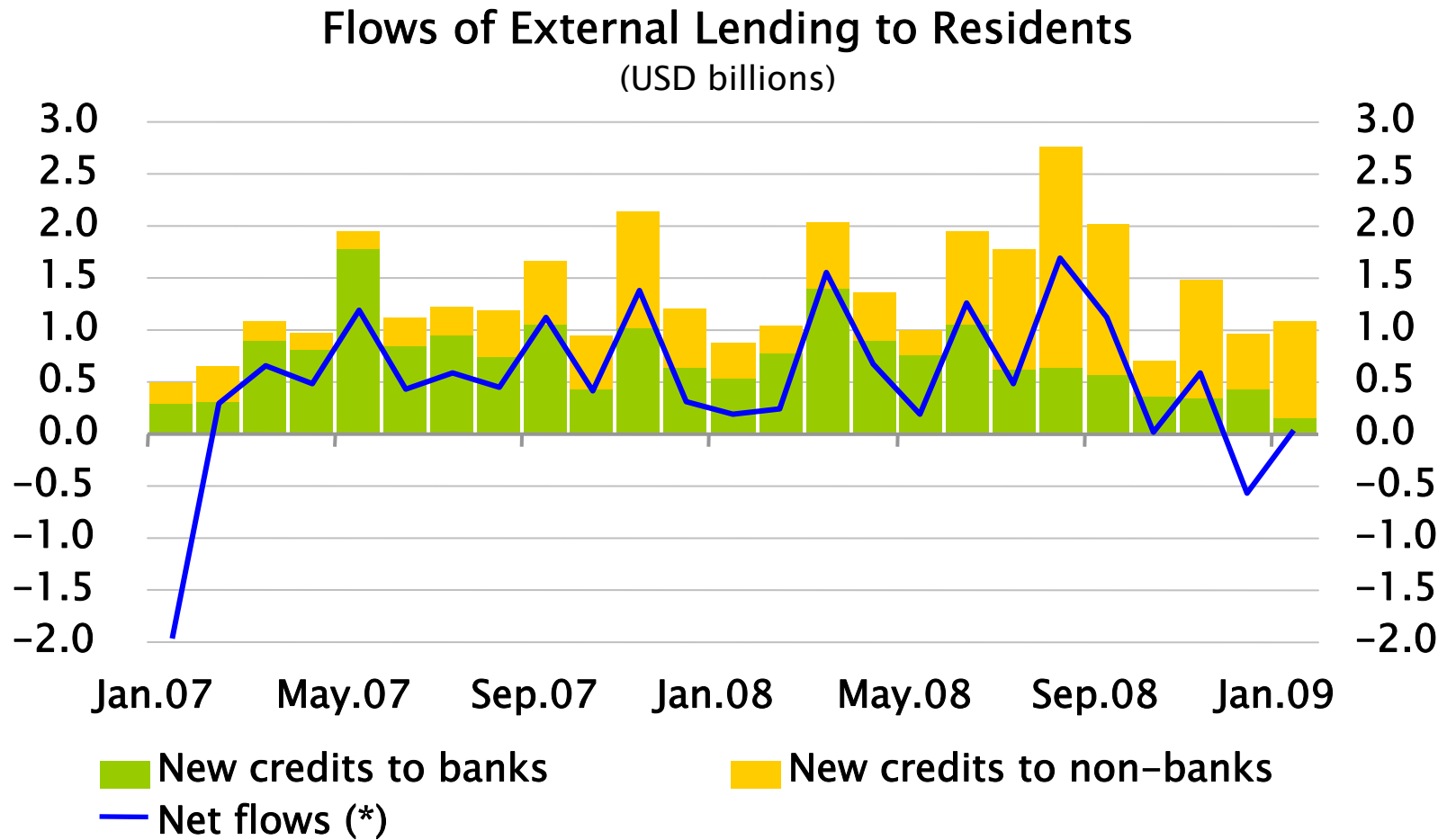
(1) GDP at constant real exchange rate index (March 2009 = 100 base).

(2) Figures for March 2009.

Source: Central Bank of Chile.



Access to external funding by banks and corporations has been opened for years and has remained so with no interruption during this financial crisis.



(\*) Total new lending amount discounted by amortization made by banks and non-banks.  
Source: Central Bank of Chile.



# Institutional Framework

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- In addition, the Chilean economy has been benefited by:
  - The strength of its legal framework and the quality of public institutions, which provide security for investors;
  - Political stability, which is reflected in widespread consensus as to the main thrust of economic policies.



## II. Principles of Monetary Policy



# Principles of Monetary Policy

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- Monetary policy comprises the measures and decisions adopted by the CBC in order to achieve and maintain price stability.
- But why does price stability matter?



# Principles of Monetary Policy

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- Inflation has adverse effects and significant economic costs.
- On the one hand, inflation has a negative impact on the allocation of resources and investment decisions. It distorts price signals (relative prices) and discourages financial development. As a result, it is a barrier to economic growth.
- In addition, it adversely affects income distribution because it is normally detrimental to those who depend on a wage or a pension.



# Principles of Monetary Policy

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- For these reasons, it can be argued that low and stable inflation contributes to the welfare of a country's inhabitants.
- However, regarding monetary policy, concepts have changed significantly in the past three to four decades.



# Principles of Monetary Policy

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- Until the 1960s, the prevailing theory indicated that, with slightly higher inflation, it was possible to permanently lower unemployment and increase the real level of economic activity.
- This theory was summed up in the so-called “Phillips Curve” depicting a negative and supposedly stable relation between the rate of inflation and the unemployment rate.



# Principles of Monetary Policy

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- However, economic theory and the empirical evidence subsequently belied this concept.
- Today, the widespread view among economists is that there is not a permanent trade-off between growth and inflation.
- Experience has shown us that attempts to reduce unemployment below its normal level or to raise output above its potential level lead to an acceleration of inflation.



# Principles of Monetary Policy

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- As a result, monetary policy is now normally associated with the goals of stability and is not seen as a tool for resolving structural problems of unemployment or low potential growth.
- It is accepted that, in the long term, monetary policy only has an impact on nominal variables (inflation) and not on real variables (employment and activity).
- However, it is recognized that, in the short term, it can have effects on real variables.



# Principles of Monetary Policy

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- These effects are of a size and occur with a lag that vary and have not been fully quantified.
- Nonetheless, they open the possibility of using monetary policy to help stabilize the level of real activity and employment.
- In other words, conditional on meeting its inflation objective, monetary policy may play a countercyclical role and contributes to reduce output volatility.



## III. Current Monetary Policy Regime



# Monetary Policy Regime

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- The design of monetary policy now differs from the past when it focused on monetary aggregates or the exchange rate.
- Today, the design that has gained increasing acceptance is that the Central Bank sets the monetary-policy interest rate (MPR) in order to achieve an explicit inflation target over a certain time horizon.



# Monetary Policy Regime

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- In Chile, an inflation–targeting regime has been fully in place since 2001. Prior to that date, inflation targets existed but had only a partial or limited scope.
- The regime is complemented by a floating exchange rate system that facilitates the economy's adjustment to external shocks. This means that the exchange rate is determined by the market, although the CBC reserves the right to intervene in exceptional circumstances (a right which it has exercised on three occasions since 1999: in August 2001, October 2002 and April 2008).



# Monetary Policy Regime

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- The target set by the CBC is to keep inflation most of the time at around 3% with a tolerance range of  $\pm 1\%$ .
- The focus of monetary policy is on projected inflation over a horizon of approximately two years.
- This takes account of the transmission lags of monetary policy while, at the same time, it allows room to accommodate transitory supply shocks.



# Monetary Policy Regime

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- Chile's 3% target is well in line with those set by most emerging economies, although it is somewhat higher than those seen in developed countries.
- An above-zero target is fully justified because the Consumer Price Index (CPI) usually overestimates effective inflation rates due to technological advances and substitutions in the goods and services that consumers demand.
- In addition, an above-zero target allows room for smooth adjustments in relative prices, thereby facilitating the implementation of monetary policy.



# Monetary Policy Regime

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- The target is set in terms of headline inflation, measured using the CPI, which is the price index most commonly used in Chile.
- However, since headline inflation includes variations in highly volatile items, such as food and energy prices, different measures of core inflation are also used to assess inflation trends.



# Monetary Policy Regime

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- As indicated, the approach is essentially forward-looking and focuses on projected inflation over the policy horizon.
- This means that it is necessary to visualize the economic outlook that will prevail in the future.



# Monetary Policy Regime

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- For this purpose, the CBC carries out forecasting exercises using economic models and statistics.
- These exercises have limitations due to imperfect knowledge, incomplete information and uncertainty about future developments.
- Forecasting models are constantly being reviewed and improved based on incoming data.



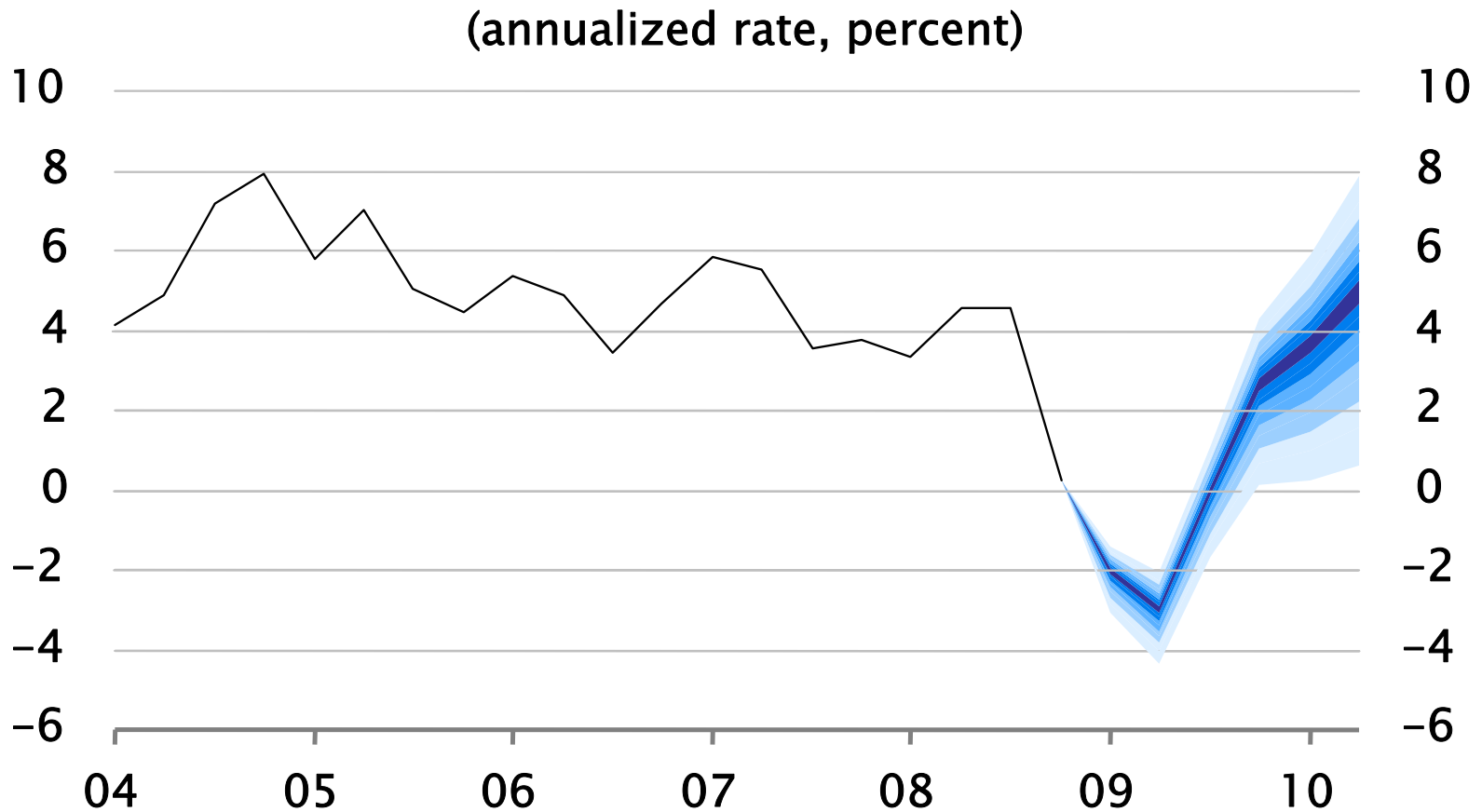
# Monetary Policy Regime

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- For this reason, the technical judgment of the board of directors is always essential when making forecasts and policy decisions.
- Using these analyses, a baseline scenario (most likely scenario) is defined as well as alternative or risk scenarios that deviate from the outlook contained in the base scenario.



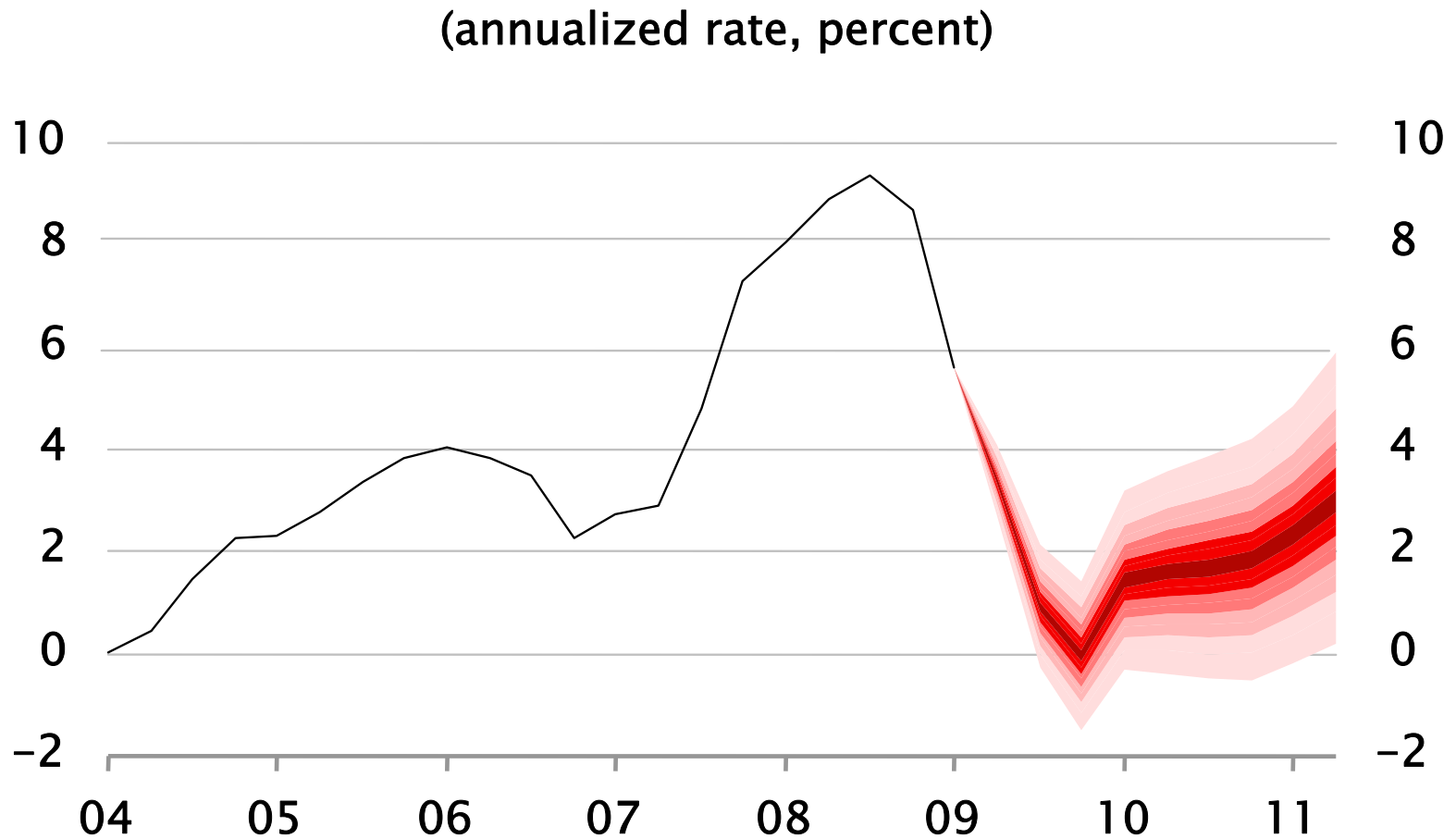
# Projected Growth Scenarios



Source: Monetary Policy Report, Central Bank of Chile (May 2009).



# Projected Inflation Scenarios



Source: Monetary Policy Report, Central Bank of Chile (May 2009).



# Monetary Policy Regime

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- Since economic conditions are changeable, monetary policy must also be able to react to new information and its implications for inflation.
- Monetary policy operates primarily through modifications to the MPR, but also through the communications and minutes that the CBC issues to the market.



# Monetary Policy Regime

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- These communications indicate the CBC's view of the evolution of the economy and the most probable course of action as it seeks to meet its inflation target.
- An important part of the effects of monetary policy are transmitted via market expectations about the future behavior of inflation and the MPR.



# Monetary Policy Regime

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- In this context, the credibility of monetary policy is a crucial factor.
- The key lies in the confidence of market agents that the CBC will adjust monetary policy in such a way as to achieve its established target.
- For this reason, communication with the market and the transparency of the CBC's decisions are essential.



# Monetary Policy Regime

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- Monetary policy, therefore, operates through a number of different mechanisms:
  - Its influence on inflation expectations;
  - Its impact on interest rates and the price of financial assets;
  - Its effect on the behavior of the exchange rate and of monetary and credit aggregates.
- All these have an impact on demand, real activity, costs and, finally, inflation.



# Monetary Policy Regime

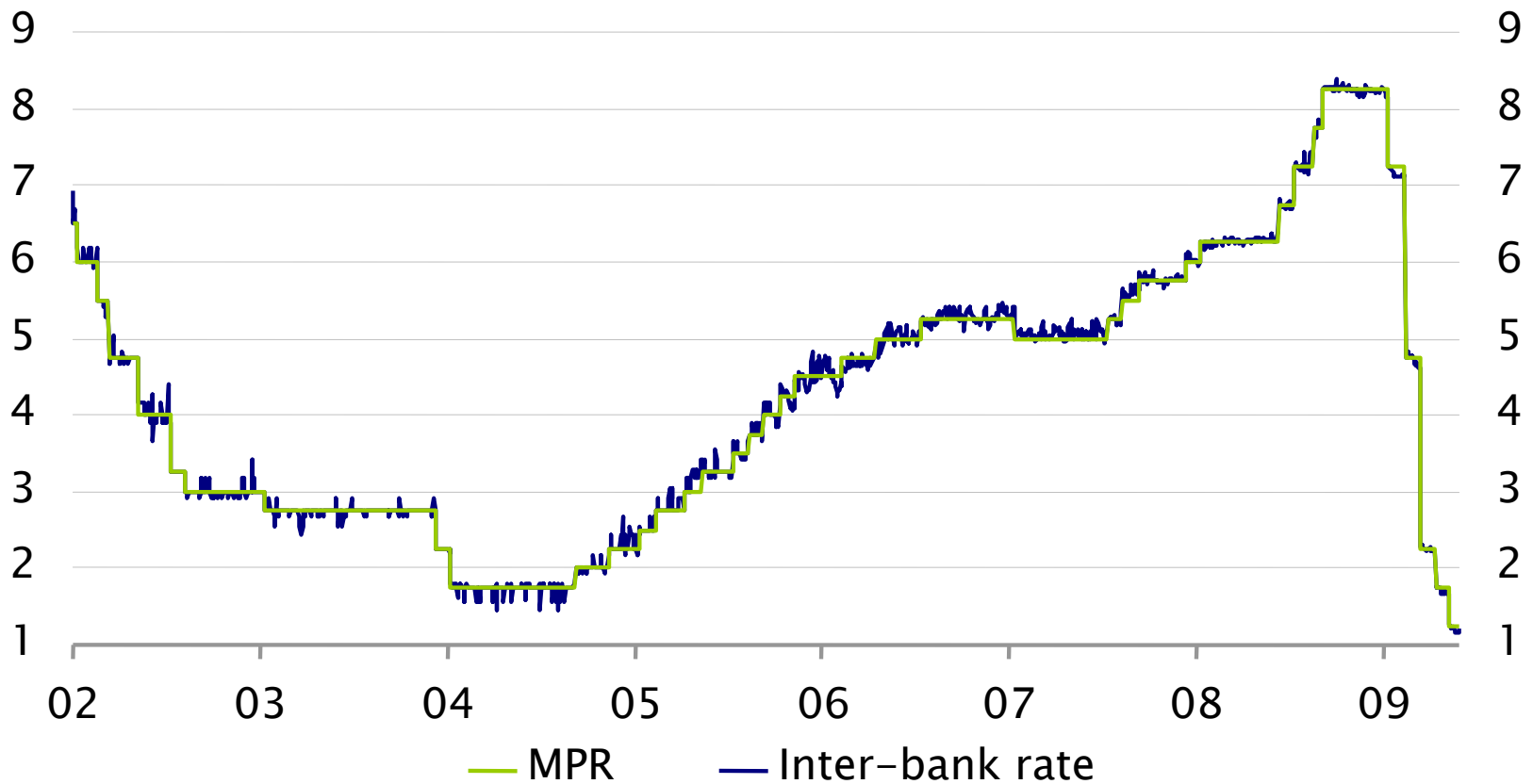
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- From an operative point of view, the CBC implements its monetary policy in such a way that the overnight inter-bank rate (at which banks lend and borrow) is close to the MPR.
- For this purpose, the CBC manages liquidity through:
  - Open market operations (buying and selling eligible securities)
  - Credit facilities (MPR+25 bps)
  - Deposit facilities (MPR-25 bps).



# MPR and Inter-Bank Rate

Daily rates in percent



Source: Central Bank of Chile.



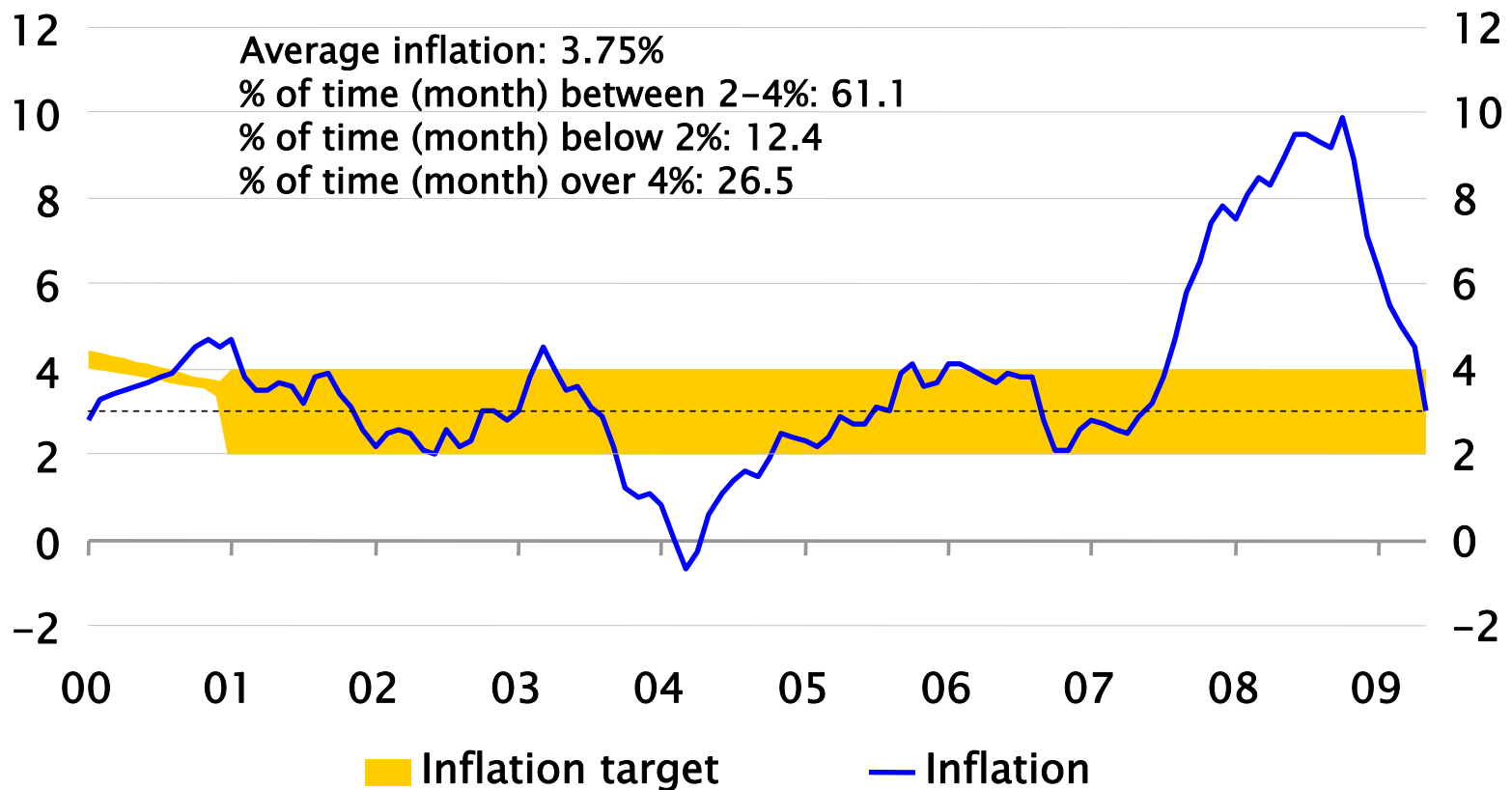
## IV. Assessment of Inflation Performance



With the exception of the last couple of years, inflation has mostly remained at around 3% with a tolerance range of one percentage point and ....

### Deviation of inflation rate from target

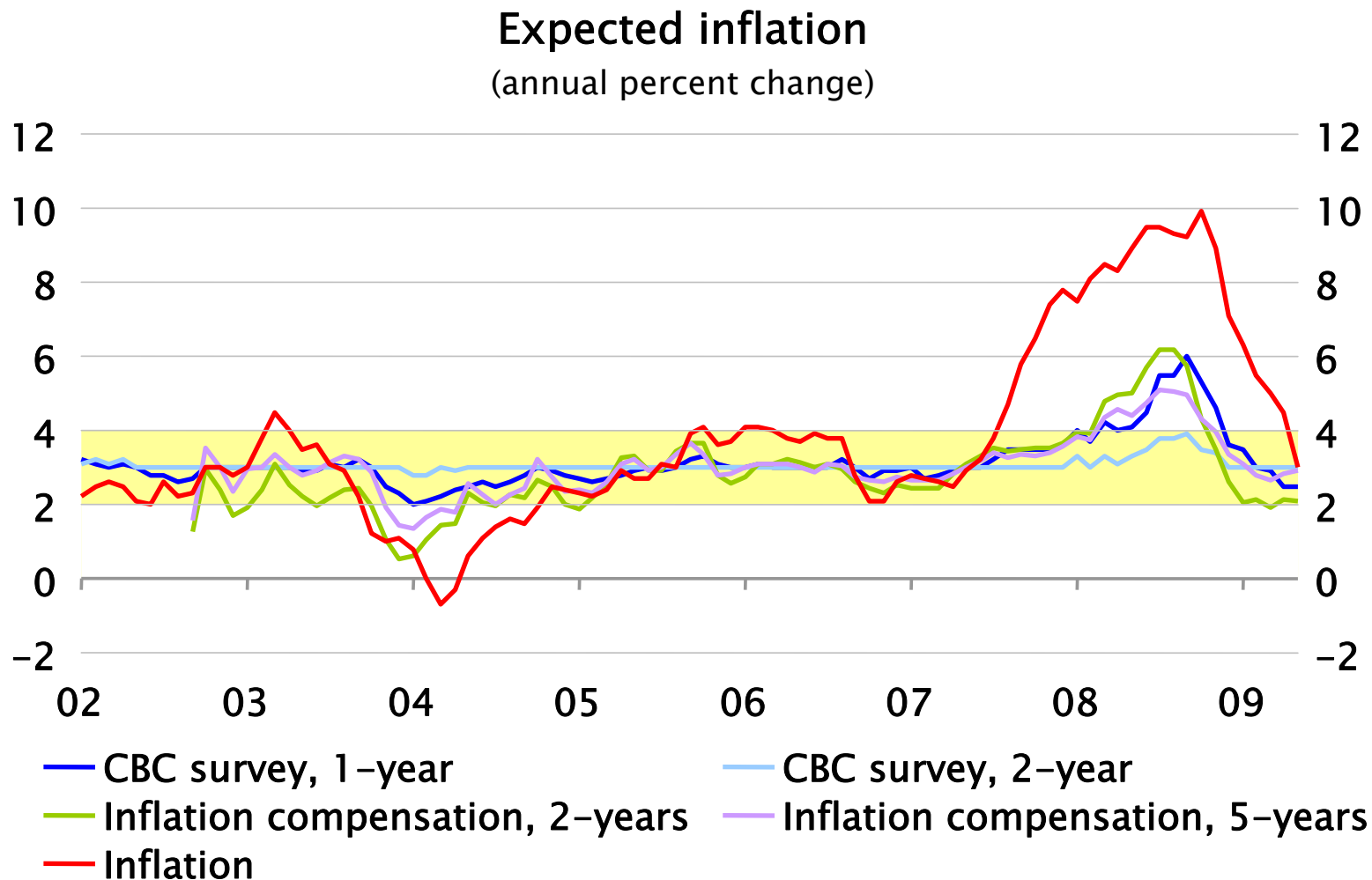
(January 2000–May 2009, annual percent change)



Sources: Central Bank of Chile and National Statistics Bureau.



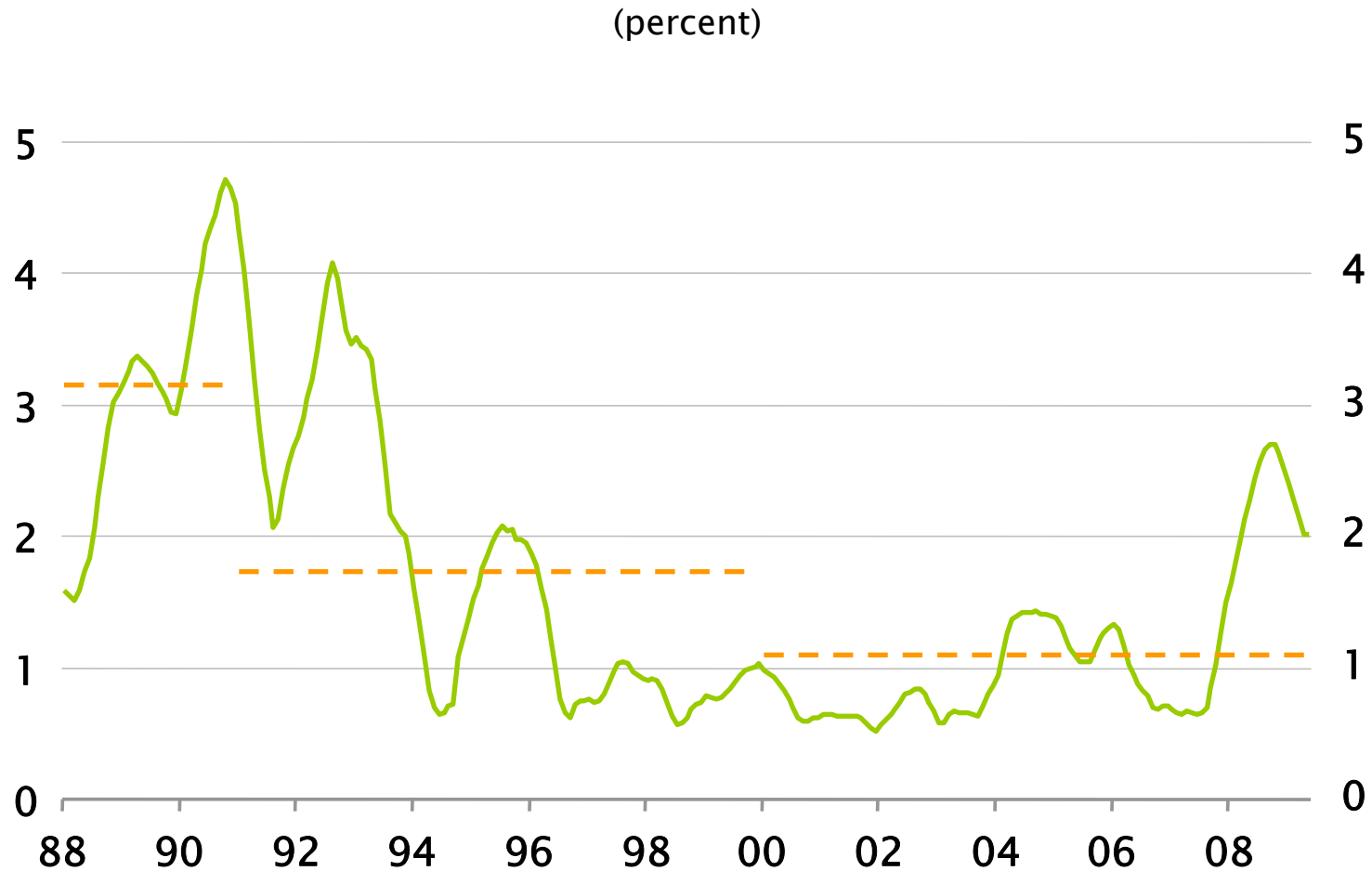
... and inflation expectations have remained well anchored around the inflation target.



Sources: Central Bank of Chile and National Statistics Bureau.



# At the same time, the volatility of inflation declined.

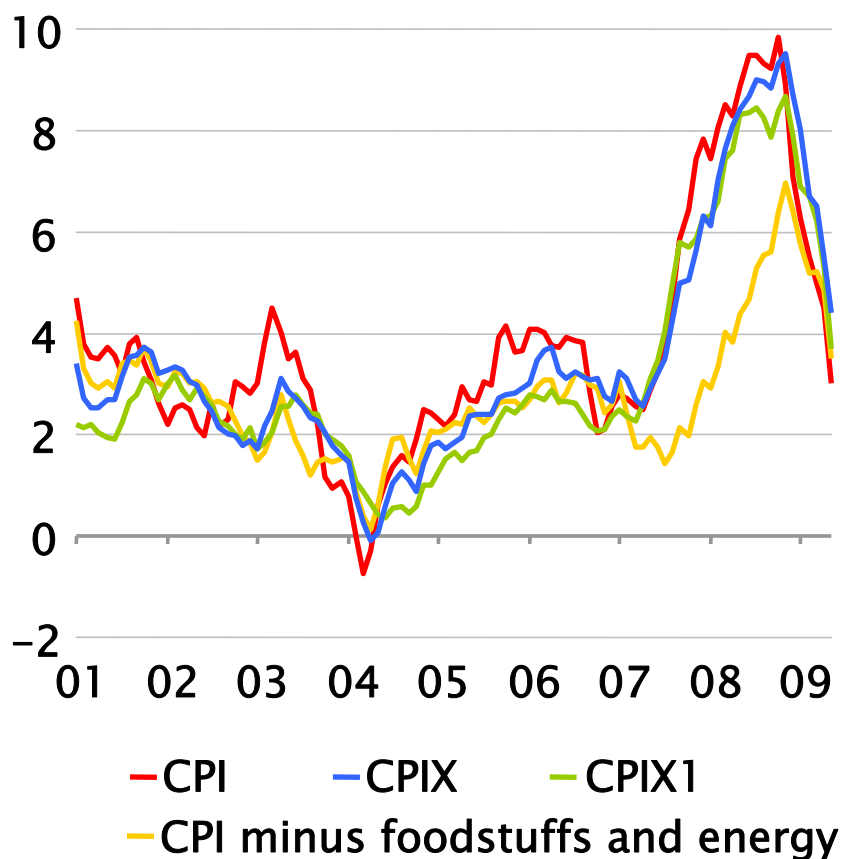


Note: Standard deviation of annual inflation rates using two-year moving windows.  
Source: Central Bank of Chile.

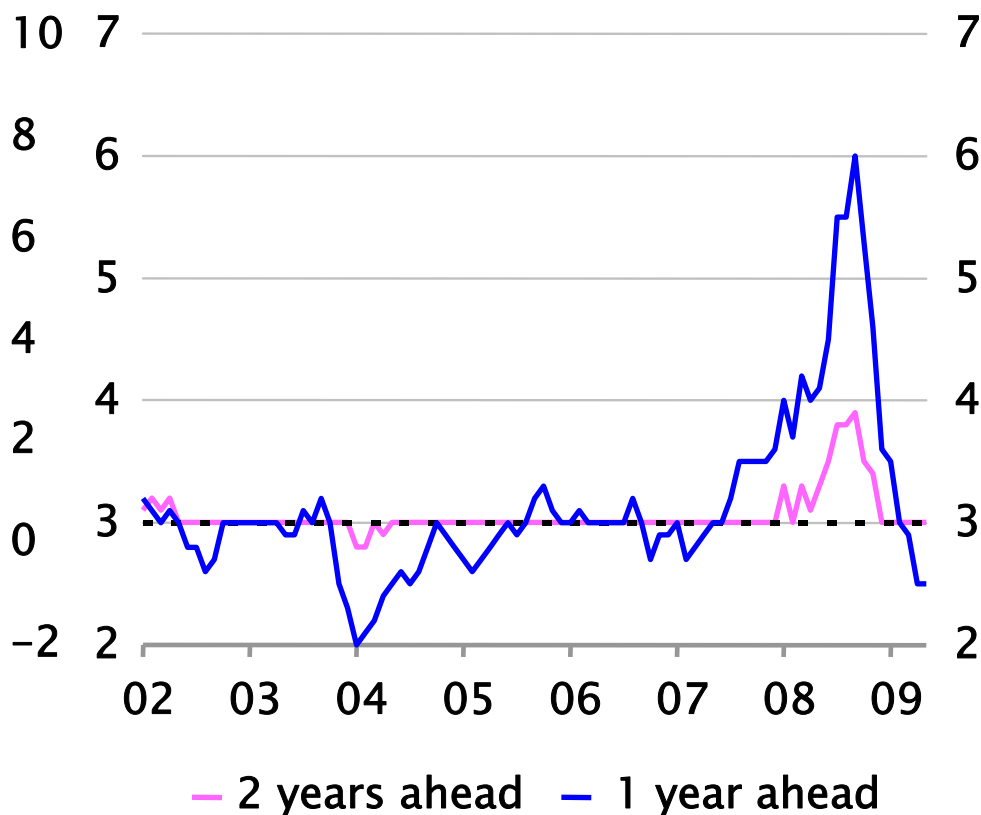


In the last couple of years, domestic inflation has been affected by international commodity price movements. Nevertheless, after observing a significant deviation from the target, effective and expected inflation rates are back to normal levels.

**Inflation indicators**  
(annual change, percent)



**EES: Expected inflation (\*)**  
(annual change, percent)



(\*) EES: Economic Expectations Survey.

Sources: Central Bank of Chile and National Statistics Bureau (INE).



## V. Monetary Policy Meeting



# Importance of the MPM

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- The single most important monetary policy decision – the setting of the MPR – is taken in the so-called Monetary Policy Meeting (MPM).
- The MPM takes place monthly and attracts great attention both from the market and the public in general.



# The media coverage is usually extensive

EL MERCURIO  
VIERNES 8 DE MAYO DE 2009

Política monetaria:

## Banco Central baja la tasa de interés de 1,75 a 1,25% y anticipa nuevos recortes

Con esto, el emisor fija la instancia en su nivel más bajo desde que en agosto de 2001 adoptara la tasa nominal.

El consejo del Banco Central acordó ayer reducir la tasa de interés de política monetaria (TPM) en 50 puntos base, para quedar en 1,25% anual, y no descartó que sea necesario reducirla nuevamente.

En el comunicado en que se dio a conocer la medida, el emisor señaló que en abril las presiones inflacionarias de la economía se mostraron reducidas, y que si bien las expectativas de inflación se mantienen estables en el mediano plazo, se prevén bajos registros de inflación anual en los próximos trimestres. Aldo Lema, economista jefe del Grupo Security, cree que con esta decisión el Central siguió el cuadro macroeconómico que apuntaba a un recorte agresivo de la tasa, debido a las mayores holguras derivadas de presiones desinflacionarias que han presionado al alza la tasa de interés real, y la fuerte apreciación del peso.

Su lectura es que al dejar la posibilidad de nuevos recortes, lo más probable es que en junio el emisor baje la TPM entre 25 y 50 puntos base en junio y 25 puntos más en julio. "El B. Central llegó tarde a la inflación y a la recesión. Ahora tiene que evitar llegar tarde a la deflación ante el riesgo de comprometer la evolución de la actividad". Al comunicar su decisión, el consejo indicó

que la actividad económica en el primer trimestre sigue mostrando tasas de variación interanual negativas, explicadas fundamentalmente por la fuerte caída de fines de 2008. "El desempleo ha aumentado. Las condiciones crediticias se mantienen estrechas, pero están reflejando el impacto del mayor estímulo monetario", agregó.

Dado que la economía continúa con una demanda muy floja y la inflación se está yendo por debajo de la meta, el recorte de la TPM también era esperado por el economista y consultor Guillermo Le Fort. Pero dice que si bien en algo contribuye a reactivar la economía, no es mucho: "Es difícil que esta baja se traspase al conjunto de los clientes mientras no se recupere la confianza".

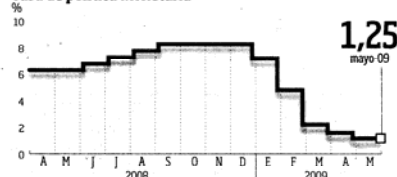
No sólo falta que se noten los efectos del plan fiscal en la recuperación, sino también que el Gobierno entregue un apoyo adicional al bajar tributos o con créditos tributarios para la compra de viviendas, dice Le Fort.

Con agresivas bajas de tasa, el Central está buscando afectar las expectativas, señala Alberto Puente, analista del BBVA. Las tasas largas han subido, pero —indicó— si el consejo anunciara que va a mantener la política expansiva por un tiempo prolongado podría contribuir a bajarlas.

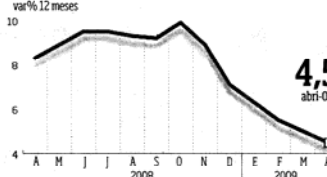
**"En el ámbito externo, algunos datos recientes sugieren que las perspectivas de crecimiento global para este año han tendido a estabilizarse".**

COMUNICADO REUNIÓN  
DE POLÍTICA MONETARIA

Tasa de política monetaria



Inflación



## Banco Central baja tasa a nivel histórico tras sorpresivo IPC negativo por liquidaciones

El instituto emisor redujo 50 puntos la tasa de interés, hasta 1,25%. En cinco bajas consecutivas en 2009, el recorte es de 700 puntos base.

Mientras la inflación se redujo 0,2% en abril - su menor registro en 49 años -, el Central no descartó nuevas bajas en la tasa.

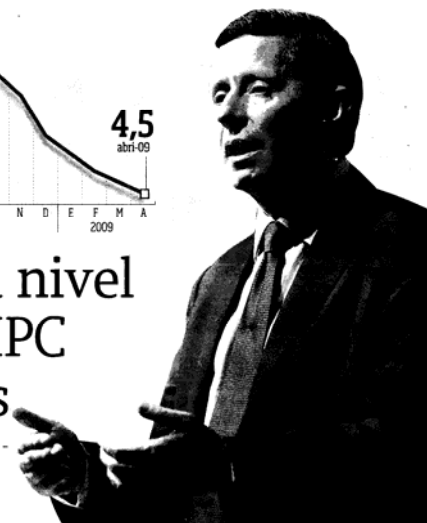
32-33

INSTITUTO EMISOR DEJÓ INTERÉS DE POLÍTICA MONETARIA EN 1,25%

# Nuevo impulso a la economía con baja de tasas del Central

> Organismo afirma que hay menos presión inflacionaria, lo que se manifestó con claridad con el IPC de abril, que retrocedió en 0,2%.

> Reducción del precio del dinero fue mayor al esperado y se adelantó que podría haber nuevos recortes en los meses que vienen.





# Formalities and participants

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- The dates of MPMs are announced six months before they are due to take place.
- The MPM is divided into two sessions:
  - In the morning, economic and financial data is presented and reviewed in detail.
  - In the afternoon, the different policy options are identified and evaluated, board members vote, and a formal short press release is approved.



# Formalities and Participants

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- Participants:
  - 5 board members with the right to vote;
  - Finance Minister with the right to express opinions, but not vote;
  - Top CBC officials and economists.



# MPM in the Board Room





# Economic and financial data presented and reviewed

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- Global macro scenario:
  - Growth trends
  - Inflation and financial markets
- Domestic macro scenario:
  - Financial markets
  - Aggregate demand, real activity and labor markets
  - Market expectations
  - Inflation trends
- The day before the MPM a summary of this information is made public.



# Outcome of the MPM

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- The monetary–policy decision, which may be to maintain, raise or lower the MPR.
- A press release announcing the decision and its reasons, which is made available immediately after the meeting.
- The presentation made by the staff, which is published the day after the MPM.
- Minutes which are published two weeks after the MPM, including:
  - The policy options considered and analyzed;
  - The main arguments behind the decision;
  - The vote of the Board Members.



# Example of a press release

## Press Release\*

Santiago, 7 May, 2009

**In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to reduce the monetary policy interest rate by 50 basis points, to 1.25% (annual).**

Internationally, some recent data suggest that global growth prospects for this year have tended to stabilize. Although uncertainty persists, stock markets have picked up and commodity prices, particularly prices of copper and oil, have risen.

Domestically, available information on output for the first quarter of this year continues to post negative y-o-y variation rates, largely due to the drastic fall observed by the end of 2008. Unemployment has increased. Tight lending conditions persist, although they are reflecting the impact of the increased monetary stimulus.

In April, the set of inflation indicators showed reduced inflationary pressures. Wage dynamics continue to be in line with historical patterns. Low annual inflation rates are foreseen for the coming quarters, while medium-term inflation expectations remain stable.

The Board does not rule out the need for cutting further of the monetary policy rate. Accordingly, it reaffirms its commitment to conduct monetary policy so as to ensure that projected inflation will stand at 3% over the policy horizon.

\* The Spanish original prevails



## VI. Final Remarks



# Final remarks

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- As the literature and experience show, price stability is a prerequisite for high and sustained growth.
- This is properly reflected in Chile's institutional structure which provides the elements needed to achieve this stability.
- From this point of view, the autonomy granted to the CBC to manage monetary policy and maintain a low and stable rate of inflation is particularly important.



# Final Remarks

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- Over the past two decades, remarkable progress has been achieved on inflation.
- This has strengthened the confidence of economic agents in the CBC and, as a result, the effectiveness of monetary policy has increased.



# Final remarks

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- Under the present monetary policy system, the confidence of agents that the CBC will take all the necessary steps to maintain stability is key.
- Monetary policy has also been supported by other components of Chile's institutional and policy framework, particularly its fiscal discipline and the safety and soundness of its financial system.



# Final remarks

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- Although very significant progress has been achieved as regards to inflation, this cannot be taken for granted and discipline and perseverance are necessary.
- That is why the CBC constantly reaffirms its commitment to the goal of price stability and, particularly, to its decision to manage monetary policy in such a way that projected inflation remains at around 3% over its policy horizon.



# Final remarks

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- By acting this way, the Central Bank of Chile is fulfilling its legal mandate while, at the same time, making its best contribution to growth of the Chilean economy and the welfare of its population.



# Appendices



# The Central Bank of Chile and the Federal Reserve System: a comparative view.

	Chile	USA
Mandate (single or dual)	single (inflation)	dual (inflation and growth)
Independence	yes	yes
Financial stability powers	yes	yes
Highest decision-making body	Board	Board
Monetary Policy Committee	Board	FOMC *
Board members	5	7
Tenure of board members (years)	10	14
Appointment of board members	President	President
Senate approval for board members	yes	yes
Federal or regional structure	no	yes
Regulatory powers	yes	yes
Supervisory functions	no	yes, but limited to certain areas or aspects **
Inflation targeting	yes	no

(\*) FOMC is composed of the seven members of the Board of Governors and five of the twelve Reserve Bank presidents.

(\*\*) The main objective of the supervisory process is to evaluate the overall safety and soundness of the banking organization.



# Snapshot of the Chilean Economy

	2005	2006	2007	2008
Gross Domestic Product (billions of USD)	118.2	146.8	163.9	169.5
Real GDP growth (%)	5.6	4.6	4.7	3.2
Consumer prices (annual % change Dec/Dec)	3.7	2.6	7.8	7.1
Population (millions of inhabitants)	16.3	16.4	16.6	16.8
Exports of goods FOB (millions of USD)	41,267	58,680	67,666	66,456
Imports of goods FOB (millions of USD)	30,492	35,900	44,031	57,610
Current account balance (% of GDP)	1.2	4.9	4.4	-2.0
Foreign exchange reserves excl. gold (millions of USD, as of 31 Dec. of each year)	16,960.1	19,424.6	16,904.7	23,156.6
Foreign debt (% of GDP)	39.0	33.7	33.2	38.9
Average exchange rate (Chilean pesos per dollar)	559.8	530.3	522.7	521.8

Sources: Central Bank of Chile and National Bureau of Statistics.



# INSTITUTIONAL FRAMEWORK AND POLICIES OF THE CENTRAL BANK

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