

Tuesday, 4 April 2023

## Monetary Policy Meeting – April 2023

**At its Monetary Policy Meeting, the Board of the Central Bank of Chile decided to keep the monetary policy interest rate at 11.25%. The decision was adopted by the unanimous vote of its members.**

Up until early March, the international scenario presented improved global growth prospects and greater concern about inflation, particularly because core indicators remained high in several economies. In recent weeks, attention has turned to the financial health of some banks in developed economies. Authorities have taken various actions to contain the impact of these episodes. Overall, volatility and uncertainty about the future scenario are still substantial.

Global financial markets have fluctuated significantly in the last month, reversing the better tone observed prior to the beginning of March. Thus, interest rates have decreased significantly, while stock markets and currencies have shown mixed movements, amid a lower appetite for risk. Compared to the January meeting, commodity prices have generally declined. Copper is trading at around US\$4.1 per pound (-3% since the last MP Meeting), while the oil price declined to US\$79 per barrel (-5% since the last MP Meeting for the WTI-Brent average).

In general, the local financial market has followed global market trends. Long-term interest rates have declined in recent weeks. With ups and downs, the nominal exchange rate appreciated by around 11.5% with respect to the December Monetary Policy Report, partly due to the consolidation of the easing of domestic uncertainty. Regarding credit, the Bank Lending Survey for the first quarter of 2023 reports that both supply and demand remain tight.

The usual revision of the National Accounts revealed a significant change in the composition of demand with respect to that published previously for the 2020-2022 period. Consumption was revised up and investment was revised down. National savings were lower and the current account deficit were higher. Changes in GDP growth rates and levels were limited.

In the shortest term, the data for the end of 2022 and the turn of 2023 show that the economy's adjustment process has been slower than expected. Discounting seasonality, the non-mining Imacec for February rose 0.1%, with increases in trade and manufacturing activity. Meanwhile, in the fourth quarter, household consumption fell 0.7% with respect to the previous quarter (seasonally adjusted series), slowing its adjustment pace with respect to the immediately preceding quarters. The labor market shows increases in employment and participation, with unemployment rising to 8.4% nationwide. The perception of households and companies remains in pessimistic ground, despite some improvement over previous months.

Inflation remains high. In February, headline and core inflation stood at 11.9% and 10.7% annually, respectively. While total inflation has declined, core inflation has been fairly constant for several months. Moreover, it has accumulated a significant upward surprise in recent months. Most measures of two-years-ahead inflation expectations remain above 3%.

The economy is adjusting more slowly than expected and inflation is taking longer to come down. In this context, the Board considers that it will be necessary to keep the MPR at 11.25% until macroeconomic conditions indicate that the process of inflation convergence to the 3% target has been consolidated. As described in the central scenario of the March MP Report, this process will take longer than expected in December. The Board reaffirms its commitment to act with flexibility in case any of the internal or external risks materializes and macroeconomic conditions so require. The MP Report due to be released tomorrow morning contains the details of the central scenario, the sensitivities and risks surrounding it, and its implications for the future evolution of the MPR.

The minutes of this Monetary Policy Meeting will be published at 8:30 hours of Thursday, 20 April 2023. The next Monetary Policy Meeting will take place on Thursday 11 and Friday 12 May 2023 and the statement thereof will be released at 18:00 hours of the second day.

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\*The Spanish original prevails.

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