

**BOX****ADJUSTMENTS TO THE MONETARY POLICY DECISION-MAKING PROCESS AND COMMUNICATION**

The Central Bank of Chile conducts monetary policy under an inflation targeting framework. The framework's success relies not only on the effective communication of policy decisions and their rationale, but also on in-depth analysis of incoming information and a proper understanding of the evolution of the domestic and global economy. Policy decisions and their communication are currently structured around Monetary Policy Meetings (MPM) and the *Monetary Policy Report* (MPR). Their organization, priority, content, and distribution are based on procedures and standards that were mostly established during the first half of the 2000s.

After an exhaustive internal evaluation based on the Institution's accumulated experience and international best practices, the Board has decided to make several adjustments to its monetary policy decision-making and communication. These modifications are part of the Bank's strategic plan and aim at strengthening the decision-making process, enhancing the Institution's internal analysis, and improving the quantity, quality, and timing of the information that is publicly distributed<sup>1/</sup>.

This box describes the most important adjustments and some aspects of their implementation.

**Changes to Monetary Policy Meetings**

The number of Monetary Policy Meetings will be reduced from 12 to 8 per year, the most common frequency among central banks in low-inflation economies. In this new frequency, meetings will take place about every six to eight weeks, in January, March, May, June, August, September, October, and December of each year.

In addition, meetings will be extended from their current one day duration to one and a half days. Meetings will begin on the afternoon prior to the announcement of the policy decision, thereby granting the Board more time to assess new information and deepen their discussion on monetary policy options.

This will allow garnering more information between meetings and will provide more room to assess the implications of the various economic indicators on the baseline scenario, yielding a more robust analysis of the recent economic developments.

**Changes to the Communication of Monetary Policy**

The MPM statement will be published at 6 p.m. of the second day of the meeting. The new statement will be considerably longer than the current version, providing more details on the economy's performance, the rationale sustaining the Board's decision, and the vote count.

Separately, the MPM minutes will still contain detailed information on the issues discussed during the meeting, monetary policy options that were considered, and the main arguments justifying the Board's decision. In addition, the minutes will include the information currently published in the background statement and the main charts of the presentation delivered by the Research Division at the MPM; the background statement and the presentation will no longer be published separately. These changes will significantly strengthen the MPM minutes and should provide economic agents with additional useful information that may be relevant for a better understanding of the Bank's decisions. The MPM minutes will continue to be published eleven bank working days after the corresponding MPM.

Finally, the Board has decided to publish the transcripts of their MPMs with a ten-year lag. Transcripts contain detailed information and opinions on issues that were discussed by participants in each MPM. Their release will meet several objectives. On the one hand, they will further strengthen the accountability of the decision-makers and will enhance public transparency. On the other hand, they will contribute to study the country's economic history and will provide a better understanding of the decisions from a historical perspective. Transcripts will be released annually every March. Transcripts for MPMs that took place between the years 2000 through 2007 will be published in March 2018.

<sup>1/</sup> For more information on the adjustments see the "Monetary Policy" section of the Bank's web site: [www.bcentral.cl](http://www.bcentral.cl)



### **Changes to the *Monetary Policy Report* and *Financial Stability Report***

Although the frequency of the *Monetary Policy Report* (MPR) remains unchanged, it will now be published on the morning of the day after the MPMs of March, June, September, and December, and will be complemented with a press conference by the Governor at the Central Bank's premises. By publishing the *Report* the day after the MPM, the Board will have the opportunity of strengthening the communication of the reasons behind the decisions made at the MPM. In general, most central banks publish their MPR or similar kind of report the same day as the policy decisions are announced. The *Report* will still be presented to the Senate immediately after its release at dates yet to be determined.

The *Financial Stability Report* (FSR) will still be published twice a year, but will now be published separately from the MPR, in May and November.

In addition, both the MPR and the FSR will more actively integrate economic and financial research taking place at the Bank, in matters that are especially relevant for policy decisions of the Institution. A first step in this direction is the document "Trend Growth" attached to this MPR.

### **Implementation**

The aforementioned changes will take effect in January of 2018.

In September of each year, the Bank will publish the following year's annual calendar for the Monetary Policy Meetings, *Monetary Policy Reports*, and *Financial Stability Reports*. The calendar for 2018 will be published next Thursday September 14th.