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**Statement by Mr. Guerra and Ms. Arevalo Arroyo on Chile  
(Preliminary)  
Executive Board Meeting  
May 14, 2021**

We thank staff for the detailed report and Mr. Herrera for the comprehensive Buff statement. **We support staff's appraisal that Chile continues to meet all the qualification criteria for access under the FCL.** Chile continues to stand out as a country with very strong economic policies and institutional frameworks, with a low level of public debt, well-anchored inflation expectations, and a financial system that has proven resilient to shocks.

**Significant risks to the global outlook remain, given the uncertain effects of the COVID-19 pandemic on global growth.** While commodity prices have recovered and global financial conditions have stabilized, there is still a very uncertain global environment in comparison to other crises' episodes. In addition, we agree with Mr. Herrera, as noted in the Buff statement, that the prospect of a brighter outlook in advanced economies has led to a repricing of inflation and the monetary policy path in financial markets. In this regard, new bouts of volatility and abrupt adjustments in financial conditions cannot be ruled out. These corrections can lead to new episodes of increased global risk aversion, portfolio rebalancing away from emerging markets, and amplified volatility in commodity prices. Going forward, the FCL will continue to play an essential role to underpin confidence, and the IMF should contribute in a flexible manner to assure a durable and timely recovery in Chile. In this regard, we take note of the authorities' openness to consider the use of an instrument like the Short-Term Liquidity Line.

**Chile continues to have a track record of steady sovereign access to international capital markets on favorable terms and is increasing international reserves to cope with the uncertain global outlook.** The country has continued to actively secure additional sources of external liquidity, in the context of a net international reserve position that has

narrowed considerably. Furthermore, the authorities' commitment to a free-floating exchange rate has served as an effective strategy to confront the considerable external shocks without envisaging the use of any capital flow management measures.

**The effective coordination between fiscal and monetary policy reflects the authorities' commitment under the FCL to adjust the policy stance to evolving economic circumstances in a sound and timely manner.** The authorities remain committed to fiscal prudence and plan a gradual consolidation of the structural deficit to stabilize the debt ratio. The buffers accumulated over time have allowed for an effective countercyclical fiscal policy to address the economic effect of the pandemic. The Central Bank reacted in a timely manner with a comprehensive agenda of policy actions in order to diminish the economic scaring of the crisis and ensure the continued flow of credit. All of these measures were implemented while successfully keeping inflation expectations well anchored.

With these remarks we wish the authorities success in their policy endeavors.