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**Statement by Mr. Andrianarivelo and Mrs. BoukpeSSI on Chile  
(Preliminary)  
Executive Board Meeting  
May 14, 2021**

We thank staff for the informative report and Mr. Herrera for the helpful Buff statement. The Chilean's authorities' swift and strong policy responses to the Covid-19 pandemic, together with the country's solid macroeconomic fundamentals, institutional policy frameworks and track records of policy implementation have been instrumental to help support the economy during the crisis and lay the foundation for the recovery. Furthermore, the precautionary access to the Flexible Credit Line arrangement (FCL) approved in May 2020, has provided additional buffer and supported market confidence. **Against this backdrop, we support the completion of the review under the FCL arrangement** and Chile's continued qualification for access to FCL resources. We would like to offer the following comments for emphasis.

**The FCL arrangement is serving the Chilean economy well.** We welcome staff's External Stress Index (ESI) analysis in Box 1. While the impressive vaccine rollout and increased copper prices may positively impact the outlook, in a period of elevated uncertainty surrounding the pandemic, we agree that the FCL will continue to provide confidence and additional policy space as significant domestic and external risks still remain, albeit lower than at the time of the FCL approval. We, thus, welcome the authorities' intention to continue to treat the FCL as precautionary and exit the arrangement at its expiration date in May 2022, subject to economic and financial developments. We encourage a continued engagement between the Fund and the authorities, which is fundamental in the implementation of any exit strategy.

**Fiscal policy should continue to be supportive in 2021 while being targeted in protecting the most vulnerable households and firms.** Once the recovery takes hold, a gradual withdrawal of supportive measures should proceed, while fiscal consolidation should mimic both revenue and expenditure pace. Additional social spending should be prioritized to address social needs while anchoring public debt at a sustainable level by 2025.

**The accommodative monetary policy stance remains appropriate and we agree that monetary policy should continue to be guided by the inflation targeting framework with a free-floating exchange rate.** We note the steps taken by the *Banco Central de Chile (BCCCh)* to increase FX reserves *Could staff give us an update on the reserves program accumulation as of today?* This is key for a safe and timely exit of the FCL arrangement. Close monitoring of the financial sector vulnerabilities remains critical to safeguard macroeconomic stability and foster the recovery. When appropriate, pressing ahead with the financial sector reform agenda will be important to improve the regulatory and supervisory framework, notably aimed at strengthening the bank resolution regime, enhancing insurance companies' framework and FinTech activities.

Finally, as underscored during the last Board discussions on the Article IV Consultations in April, stepping efforts in the implementation of wide-ranging structural reforms notably to increase labor market flexibility and strengthen the pension and health system, is needed to lift the country growth prospects while promoting inclusiveness and social cohesion.

With these comments, we wish Chile and its people success in their endeavors.