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**Statement by Mr. Hosseini and Mr. Sassanpour on Chile  
(Preliminary)  
Executive Board Meeting  
May 14, 2021**

We thank staff for the concise report and Mr. Herrea for his helpful Buff statement.

Chile's solid track record of sound policies and very strong economic fundamentals and institutional policy frameworks are well established. The significant buffers accumulated over the years, together with a timely, broad-based and proportional policy response at the onset of the pandemic, helped Chile to weather the health and economic impacts of the crisis well. The sharp rise in copper prices to their highest levels in a decade, and the robust economic rebound of Chile's main trading partners, were also important contributing factors to its speedy recovery, while the flexible exchange rate policy served its main purpose of acting as the first line of defense against external shocks. In the context of the authorities' strong policy credibility, the FCL arrangement was also a major source of market confidence and an important buffer against tail risks. **We agree with staff that Chile continues to meet the stringent qualification criteria for access to the FCL and support the completion of the review.**

We take note of the authorities' decision to continue treating the FCL as precautionary and to exit the arrangement at its expiration, conditional on developments and risks. We reiterate our standing position that, in an environment of great external uncertainty, the exit strategy and timing would need to be state-contingent, and that FCL resources are there to be drawn upon to supplement reserves should downside risks materialize. The planned accumulation of foreign reserves is sensible, although we feel that, even at current levels, foreign reserves are comfortable, especially considering the government's large holdings of usable liquid external assets and the central bank's strong commitment to a free-floating exchange rate.

We laud Chile's rapid progress in vaccinating its population. *Could staff indicate whether the pace of vaccination is strong enough to meet the government's target of fully vaccinating*

*most of its adult population by end-June? Could staff also reconcile the progress in vaccination with the apparent continued surge in new cases through April, which seems as steep as those of peers with much lower vaccination rates (Figure1)?*

We support the authorities' cautious policy to maintain their accommodative fiscal, monetary and financial stance until the recovery is on a firm steady track. There is however still some fiscal space to tap into in case demand falters. We welcome the authorities' commitment to continue implementing targeted measures to protect health, employment and incomes of the population, especially the most vulnerable. Addressing the social needs should be a key component of the medium term fiscal program going forward. *Related to monetary policy, we would welcome staff comments on the "lagging components of expenditure" (¶19) and the likely impact of the accumulation of private savings from pension withdrawals on the effectiveness of monetary policy.*

The rapid rundown of pension accounts and the exhaustion of accounts of 5 million pensioners are worrisome, given their lasting negative impact on pension replacement rates and public pension costs. *We would welcome staff comments on the internal government debate on this issue and the degree of concern on the part of the authorities. In staff's view, is the discourse on the New Constitution Process supportive of a major overhaul of the pension system?* We urge the authorities to redouble their efforts to bring the pension reform proposals to early fruition and strengthen the self-financed pension system.

We wish the Chilean authorities and people all the success.