

SU/21/60

May 17, 2021

**The Acting Chair's Summing Up
Chile—Review Under the Flexible Credit Line Arrangement
Executive Board Meeting 21/47
May 14, 2021**

Executive Directors noted that the COVID-19 pandemic hit the Chilean economy hard as the economy was recovering from the 2019 social unrest. They commended the authorities for their swift and strong policy efforts, including the fiscal and monetary stimulus and the vaccination effort, which have helped mitigate negative impacts and put the recovery on a firmer footing. Directors recognized that the country's resilience to the crisis reflects its very strong economic fundamentals and institutional policy frameworks, anchored in the structural fiscal rule, the inflation-targeting regime, the free-floating exchange rate regime, and the effective financial regulation and supervision.

Directors noted that Chile's external economic stress has diminished but remains high, and that external risks remain tied to the evolution of the pandemic. They noted that the FCL has provided a valuable buffer against tail risks and has helped boost market confidence during the pandemic.

Directors agreed that Chile continues to meet the qualification criteria under the FCL arrangement. They welcomed the authorities' intentions to continue to treat the arrangement as precautionary and to exit once the arrangement expires, conditional on developments and risks. Directors supported the authorities' preparations for a timely, smooth exit, particularly efforts to strengthen external buffers and explore other sources of precautionary financing, including potentially the Short-Term Liquidity Line.

Directors welcomed the authorities' firm commitment to maintain sound and prudent policies going forward. They acknowledged in particular the plans for a gradual structural consolidation and for enhancements to the fiscal rule and the pension system, and ongoing efforts to improve financial regulation and supervision.