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May 12, 2021

Statement by Mr. Fanizza and Mr. Spadafora on Chile
(Preliminary)
Executive Board Meeting
May 14, 2021

We thank staff for an excellent report and Mr. Herrera for his candid Buff statement. We agree with the thrust of the staff's appraisal and its recommendation for completion of the review under the Flexible Credit Line (FCL) arrangement for Chile. We offer a few additional comments.

- **Despite the ongoing economic recovery** – supported by the authorities' swift and strong policy response and Chile's very strong institutional frameworks – **external risks persist and remain tied to the evolution and the impact of the pandemic**. On the positive front, the rise in copper prices and the fast pace of the vaccination program are important offsetting factors. In this context, **we agree that the FCL has contributed to the country's resilience** by providing a valuable buffer and boosting market confidence amid a very uncertain environment resulting from the pandemic.
- **We commend the Central Bank of Chile for letting the exchange rate play its role as a shock absorber in a symmetrical way**, first to mitigate the brunt of the pandemic and now to reflect the increase in copper prices; a wide range of well-thought monetary policy measures has also supported liquidity and preserved financial stability.
- **We share the staff's assessment that Chile continues to meet the qualification criteria for access to FCL resources** and welcome the authorities' expectation of continuing to treat the FCL as precautionary while remaining committed to maintaining prudent policies in the future.
- **We welcome the authorities' intention of exiting the FCL arrangement at the end of the 24-month period** (May 28, 2022), conditional on economic and financial developments, and support their preparatory work to increase reserves through intervention purchases of FX.