The information below has become available following the issuance of the staff report. It does not alter the thrust of the staff appraisal.

1. The government announced fiscal targets for the next four years that are fully consistent with debt sustainability. In line with recommendations by the OECD and the Autonomous Fiscal Council, the government presented structural fiscal targets spanning the four years of the new administration based on a medium-term debt anchor. Gradual medium-term consolidation will lower the structural fiscal deficit to under 0.5 percent of GDP, stabilizing gross public debt below 45 percent of GDP (which the authorities and staff assess to be a prudent level of debt).

2. The Central Bank of Chile continues to show its resolve to tame inflationary pressures. Hikes in global food and fuel prices, exchange rate depreciation, and global supply chain disruptions have continued to exacerbate domestic inflationary pressures. Headline (core) inflation rose to 10.5 (8.3) percent in April, while two-year ahead inflation expectations remain above the 3 percent target. The BCCh raised the policy rate by 125bps on May 5th to 8.25 percent, around the upper bound of the policy rate corridor of the March Monetary Policy Report.
Written Communication

Santiago, May 20th, 2022

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street NW
Washington, DC 20431

Dear Ms. Georgieva,

The Central Bank of Chile would like to thank the IMF’s Executive Board for the decision adopted on May 20th 2022, and hereby confirms its intention to avail itself of the 12-month Short-term Liquidity Line arrangement with access in the amount equivalent to SDR 2.529 billion (145 percent of quota, about US$3.5 billion). We hereby also notify the cancellation of the current Flexible Credit Line arrangement upon effectiveness of the SLL arrangement.

The Central Bank of Chile can confirm that, within the scope of its legal powers contained in its Basic Constitutional Act, it will take actions necessary to respond appropriately to shocks and is committed to maintaining its very strong policies during the course of the arrangement. This is consistent with its legal mandate to look after the stability of the currency and the normal functioning of internal and external payments. For these purposes, the Central Bank of Chile has power to regulate the amount of currency and credit in circulation, the performance of credit transactions and foreign exchange, as well as the issuance of regulatory provisions regarding monetary, credit, financing and foreign exchange matters.

Separately, the Minister of Finance, on behalf of the Government of Chile, hereby confirms its commitment to maintain during the arrangement its current very strong policies.

We consent to the IMF’s publication of this letter and the related staff report.

Sincerely yours,

/s/  /s/
Rosanna Costa C. Mario Marcel C.
Governor Minister of Finance
Central Bank of Chile Republic of Chile