In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to raise the monetary policy interest rate by 50 basis points, to 8.25% (annual).

Given the adverse inflationary outlook, this increase in the monetary policy rate is necessary to ensure convergence of inflation toward 3% over the policy horizon.

Internationally, output prospects for developed economies remain weak and world financial markets are still under stress. The oil price has continued to fall but, like the prices of other commodities, is still high. Inflationary pressures continue to be present, especially in emerging economies.

Domestically, available information on third-quarter economic activity is consistent with prospects that year-on-year economic growth during the second half of 2008 will be significantly higher than in the first. Domestic demand continues to grow at a fast pace, particularly its imported component, and unemployment has remained stable.

August inflation was high, although within projections. The different measures of core inflation are still high, confirming that inflationary propagation has been greater than was foreseen a few months back. To date, wage dynamics remain in line with historical patterns.

The Board reaffirms its commitment to conduct monetary policy so as to reduce the current high inflation rates to 3% over the policy horizon. This is essential to align the inflationary dynamic with the price stability objective. The future path of the monetary policy rate considers further adjustments to ensure convergence of inflation to the target, at a pace that will depend on incoming information and its implications on projected inflation.

* The Spanish original prevails.