Central Bank of Chile  
Santiago, 7 September 2006  
Press Release¹

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to maintain the monetary policy interest rate at 5.25% (annual).

The external scenario relevant for the Chilean economy remains favorable. International financial conditions continue to be positive; the copper price remains high while the oil price has dropped significantly in the last several days.

Although consumption continues to grow with relative strength, output is still less dynamic than previously forecast. However, salaried employment continues to rise while unemployment is gradually declining. Market interest rates in general have fallen, and domestic financial conditions are still favorable.

CPI inflation remains in the upper part of the target range, due mainly to the incidence of higher fuel prices. Measures of core inflation CPIX and CPIX1 (that exclude fuels, perishables and some regulated utilities) have fallen short of projections, at around 3% and 2.5%, respectively. Also, other indicators of trend inflation show a slight decline. Cost pressures are well contained. The various measures of expected inflation continue to be well anchored around 3% over the normal policy horizon.

The Board considers that, in the most likely scenario, additional increases in the interest rate will be necessary to maintain projected annual inflation around 3%. However, these adjustments might take a rather long period of time, depending on incoming information and its implications on projected inflation.

¹ The Spanish original prevails.