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 4.0% (annual).

Internationally, political tension in the Arab countries and the earthquake and tsunami in Japan have provoked increased uncertainty and volatility in financial and commodity markets. While financial risks in some European economies persist, developed economies continue to grow and emerging markets remain dynamic. Globally, headline and expected inflation have increased and a growing number of economies have reduced their monetary stimulus.

Domestically, output, demand and employment figures continue on a positive trend. Inflation has behaved as expected and measures of core inflation remain bounded. However, the rise in international commodity prices, in particular that of oil, have caused an increase in private short-run inflation expectations.

The Board reiterates that it will be necessary to continue to reduce the monetary stimulus in the coming months. The pace of this process will depend on the unfolding of domestic and external macroeconomic conditions. Accordingly, the Board will continue to use its policies with flexibility so that projected inflation stands at 3% over the policy horizon.

* The Spanish original prevails.