

Central Bank of Chile
Press Release*
Santiago, 13 May 2010

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to maintain the monetary policy interest rate at 0.50% (annual).

Internationally, the high volatility of the markets has been mitigated by fiscal announcements and financial support measures in Europe. Global growth prospects continue to be favorable, but the effects of recent financial turbulences on world output are still uncertain. The prices of copper and oil have declined, but are still at historic highs.

Domestically, available information on economic activity suggests that the immediate effects of the earthquake exceeded earlier estimates. Demand indicators, meanwhile, show more dynamism than expected in the March Monetary Policy Report. Lending conditions have continued normalizing. Unemployment has kept on falling.

In April, the CPI posted a somewhat smaller increase than had been forecast by the market, while longer term private inflation expectations are consistent with the last Report's baseline scenario.

The Board considers that the time to begin the process of monetary policy normalization is approaching. At the same time, it reiterates that it will continue to use its policies with flexibility so that projected inflation stands at 3% over the policy horizon.

* The Spanish original prevails.