

Central Bank of Chile
Press Release*
Santiago, 14 July 2011

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).

Internationally, economic activity indicators confirm somewhat slower growth in the U.S. and Europe, while concerns about fiscal and financial risks in these economies have intensified, particularly in the Eurozone. The risk premiums of various assets have increased. Globally, medium-term inflation expectations have moderated. Prospects for interest rate normalization in advanced economies have been postponed again. Meanwhile, several emerging economies have further reduced their monetary impulse. Commodity prices remain high.

Domestically, output, demand and labor market figures are progressing with strength, showing signs of moderation in line with the baseline scenario in the last Monetary Policy Report. Annual CPI inflation indicators have hovered around 3%, while measures of core inflation remain bounded. Private inflation expectations show a decline, although some of them remain above the target.

The Board estimates that, in the most likely scenario, additional increases in the monetary policy rates will be necessary, the timing of which will depend on the unfolding of domestic and external macroeconomic conditions. Accordingly, it will continue to use its policies with flexibility so that projected inflation stands at 3% over the policy horizon.

* The Spanish original prevails.