

**Central Bank of Chile**  
**Santiago, 12 July 2012**  
**Press Release\***

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to maintain the monetary policy interest rate at 5% (annual).

Internationally, recent announcements in the Eurozone were welcome, although fiscal risks are still significant and financial markets remain highly volatile. Economic indicators in the United States, the Eurozone, China and other emerging economies have been weaker than forecasted by market consensus. The central banks of several economies—developed and emerging—have adopted more expansionary monetary policies. International commodity prices are at similar levels to those of a month ago, with the exception of grains, which have increased.

Domestically, output and demand indicators, despite decelerating less than expected, are evolving at trend rates. The labor market remains tight, although some moderation is observed in the pace of employment growth. Y-o-y CPI inflation has fallen and, together with core inflation measures, stands now at less than 3%. In recent months, the most volatile components of the basket (i.e., energy and foodstuffs) show a negative incidence on the CPI, contrasting with their behavior of the first quarter. Medium-term inflation expectations remain around the target.

The Board reiterates its commitment to conduct monetary policy with flexibility, so that projected inflation stands at 3% over the policy horizon. Any future changes in the monetary policy rate will depend on the implications of domestic and external macroeconomic conditions on the inflationary outlook.

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\* The Spanish original prevails.