

Central Bank of Chile
Santiago, 17 May 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, the financial and fiscal situation in the Eurozone has deteriorated and uncertainty about its resolution has increased. In global markets, volatility and risk aversion have increased. In the past few months, economic indicators in the United States, China and other emerging economies have been weaker than market consensus. International commodity prices, particularly oil and copper, have continued falling, although their levels remain high.

Domestically, economic activity grew faster in the first quarter than had been projected in the last *Monetary Policy Report*, although without deviating substantially from its trend growth rate. The labor market remains tight. Annual CPI inflation is within the tolerance range, while measures of core inflation stand around 3%. Nominal wages remain strong. Inflation expectations remain close to target over the projection horizon, while short-run expectations have fallen due mostly to the reduction in international oil prices.

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.

* The Spanish original prevails.