

Central Bank of Chile

Santiago, 12 January 2012

Monetary Policy Meeting – January 2012\*

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to reduce the monetary policy interest rate by 25 basis points, to 5.0% (annual).

Internationally, the advanced economies are growing slowly, although some economic indicators in the United States have shown signs of improvement, while emerging market economies continue decelerating. Uncertainty persists about how problems will be resolved in the Eurozone, where fiscal and financial risks are still very high. Global financial conditions are still tight, and the prices of some commodities have risen.

Domestically, output and demand have evolved in line with forecasts in the latest Monetary Policy Report. The labor market is still tight. The money market has normalized, while financing conditions for some agents are tighter than a few months ago. December's headline and core inflation was higher than expected due to the prices of perishables and other foods and the lagged incidence of the peso depreciation in the fourth quarter of 2011. Inflation expectations remain near 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.