

## **Central Bank of Chile**

**Santiago, 13 December 2011**

### **Monetary Policy Meeting – December 2011<sup>\*</sup>**

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, the advanced economies are growing at a slow pace. Consensus forecasts for growth in the Eurozone and other regions have been revised downward, but for the United States, they have not changed. Despite recent announcements, the uncertainty persists about the resolution of the situation in European economies, whose fiscal and financial risks are still very high. Global financial conditions remain tight.

Domestically, economic activity has evolved somewhat below projections, while domestic demand is still strong. Labor market conditions continue to be tight. Financial conditions are somewhat more constrained, reflecting the situation in global markets. Headline inflation has exceeded expectations somewhat, due to the incidence of fuels and foodstuffs. Core inflation figures remain contained. Inflation expectations are close to the target.

Over the course of the past few months, the external scenario has become more adverse than previously projected, which will likely have consequences over growth and inflation in Chile, as well as for the orientation of monetary policy.

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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<sup>\*</sup> The Spanish original prevails.