

## Central Bank of Chile

### Press Release<sup>\*</sup>

**Santiago, 13 October 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, output indicators confirm slow growth in the United States and Europe. Consensus forecasts for these economies continue to be revised downward, while forecasts for emerging economies have been reduced. Fiscal and financial risks in the Eurozone are still high and uncertainty persists about how this situation will be resolved. Financial volatility is high and external financial conditions have tightened. Global commodity prices have experienced declines, of particular significance in the cases of copper and other metals. Central banks in the major economies have adopted additional expansionary measures, while most emerging economies have interrupted their tightening cycle, and in some cases, there have been cuts.

Domestically, output and demand show signs of moderation. In the case of output, the slowdown is more pronounced than was assumed in the *Monetary Policy Report's* baseline scenario; the opposite occurs with demand. Labor market conditions remain tight. CPI inflation rates have hovered around 3% y-o-y, while core inflation measures remain contained. Inflation expectations are close to the target.

A deepening of the trends observed in the world economy could shape a more adverse scenario than the one assumed in the *Report's* baseline scenario, with potential consequences for 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.