

Central Bank of Chile
Press Release*

Santiago, 14 June 2011

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to raise the monetary policy interest rate by 25 basis points, to 5.25% (annual).

Internationally, advanced economies have experienced a slowdown in their growth rates. Concerns about financial risk in Europe have intensified. An increase in the risk premiums of various assets is observed. At the global level, inflation figures have increased further, but other indicators point at a moderation of inflation expectations. Expectations regarding the normalization of interest rates in advanced economies have been postponed. Meanwhile, several emerging economies have further reduced their monetary impulse. Commodity prices have remained high.

Domestically, output, demand and labor market figures reflect the dynamism of the economy. Annual CPI inflation indicators have hovered around 3% while measures of core inflation remain bounded. Private inflation expectations show a decline, although some of them remain above the target.

The Board estimates that, in the most likely scenario, additional increases in the monetary policy rate will be necessary, the timing of which will depend on the unfolding of domestic and external macroeconomic conditions. Accordingly, it will continue to use its policies with flexibility so that projected inflation stands at 3% over the policy horizon.

* The Spanish original prevails.