

Central Bank of Chile

Santiago, 12 May 2011

Press Release*

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to raise the monetary policy interest rate by 50 basis points, to 5% (annual).

Internationally, commodity prices have shown a substantial reversal, although still at high levels. Some indicators suggest a moderation in the pace of growth in developed economies, while concerns persist about financial risks in Europe. Globally, inflation has continued on the rise and several economies have further reduced their monetary impulse.

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 reversal, but remain above the target.

The Board estimates that additional increases in the monetary policy rate will be necessary, the timing and the magnitude depending 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.