

# **Central Bank of Chile**

**Santiago, 12 April 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 4.50% (annual).

Internationally, the prices of oil and foodstuffs have remained high. Recent developments in Portugal have not deteriorated confidence in world markets, although financial risks in Europe are still cause for concern. Developed economies continue to grow and emerging markets remain dynamic. Globally, headline and expected inflation have increased and a growing number of economies have reduced their monetary stimulus.

Domestically, output, demand and employment continue to show dynamism. Inflation has behaved as expected and measures of core inflation remain bounded. However, the rise in international commodity prices, in particular that of oil, are keeping short-term private inflation expectations high.

The Board reiterates that it will be necessary to continue to reduce the monetary stimulus in the coming months. The pace of this process 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.

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\* The Spanish original prevails.