Central Bank of Chile

Santiago, 17 February 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 0.25% to 3.5% (annual).

Internationally, the outlook for growth in developed economies has improved, and the dynamism of emerging economies has continued. Concerns regarding financial risk in some European economies persist. Thus, difficulties in the recovery of developed countries are still an important risk factor for emerging economies. Meanwhile, international prices of commodities, especially foodstuffs, are still on the rise. Globally, headline and expected inflation have increased and a growing number of economies have been reducing their monetary stimulus.

Domestically, output, demand and employment figures continue on a positive trend, in line with projections in the latest *Monetary Policy Report*. Inflation has behaved as expected and core inflation measures remain bounded. Private inflation expectations show increases, particularly in the short term. The peso has appreciated since the last meeting.

The Board reiterates that it will be necessary to continue to reduce the monetary stimulus in the coming months, in line with forecasts in the last Report. The pace of this process will depend on the unfolding of domestic and external macroeconomic conditions. Accordingly, the Board will continue to use its policies with flexibility so that projected inflation stands at 3% over the policy horizon.

* The Spanish original prevails.