

Central Bank of Chile
Santiago, 14 October 2010
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 25 basis points to 2.75% (annual).

Internationally, a moderated growth scenario has consolidated in developed countries, which contrasts with the strength of emerging market economies. In this context, long-term interest rates show a generalized reduction in the main economies, the dollar has depreciated in world markets and commodity prices have shown an additional rebound in the past several weeks. Slower than expected recovery in developed countries is an important risk factor facing emerging economies.

Domestically, output figures indicate strong economic growth, in line with the scenario assumed in September's Monetary Policy Report. Inflation has been somewhat less than expected. Private inflation expectations show a slight reduction in the short- and medium-term horizons, from the upper half of the tolerance range to levels centered around 3% y-o-y. The peso has continued to appreciate against the dollar.

The Board will continue to reduce the current monetary policy stimulus at a pace that will depend on the unfolding of domestic and external macroeconomic conditions. Accordingly, the Board reiterates that it will continue to use its policies with flexibility so that projected inflation stands at 3% over the policy horizon.

* The Spanish original prevails.