

**Central Bank of Chile**  
**Santiago, 12 August 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 50 basis points to 2.0 (annual).

Internationally, uncertainty about the pace of recovery of world output has increased and financial market volatility has remained high. Commodity prices are still elevated. Overall, the external scenario facing the Chilean economy continues to be favorable.

Domestically, available data show significant output and demand dynamism, beyond what was foreseen in the latest Monetary Policy Report. Unemployment has declined.

In July, the monthly CPI variation responded mainly to transitory phenomena, and the various measures of core inflation remained well contained. Private expectations consider that in the short term y-o-y inflation will be above the target, but toward the end of the policy horizon they are consistent with levels around 3%.

The Board will continue to reduce the current significant 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.

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\* The Spanish original prevails.