

Central Bank of Chile

Press Release*

Santiago, 15 July 2010

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 1.50 (annual).

Internationally, volatility in financial markets associated with the economic situation in Europe remains high, and uncertainty persists around its effect on the world economic outlook. Overall, the prices of copper and oil are high, and the external scenario facing the Chilean economy continues to be favorable.

Domestically, available data show significant output and demand dynamism, within the ranges foreseen in the latest Monetary Policy Report.

In June, the CPI posted zero variation, slightly below market expectations, while the various measures of core inflation showed positive figures. Private expectations toward the end of the policy horizon are consistent with y-o-y inflation 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.

* The Spanish original prevails.