

Central Bank of Chile
Santiago, 16 June 2009
Press Release*

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to reduce the monetary policy interest rate by 50 basis points, to 0.75% (annual).

Internationally, recent data show that global growth prospects for this year have stabilized. Stock markets have picked up, credit premiums have decreased and commodity prices, particularly prices of copper and oil, have risen.

Domestically, available information on output for the second quarter of this year continues to post negative y-o-y variation rates. Unemployment has increased. Tight lending conditions persist, although they are reflecting the impact of the increased monetary stimulus.

In May, the set of inflation indicators showed reduced core inflationary pressures. Wage dynamics continue to be in line with historical patterns. Low annual inflation rates are foreseen for the coming quarters, while medium-term inflation expectations remain stable.

The Board considers that, in the most likely scenario, it will be necessary to maintain the monetary stimulus for a longer period than the one implicit in financial asset prices. This permits projected inflation to stand at 3% over the policy horizon.

* The Spanish original prevails.