

Central Bank of Chile
Santiago, 9 April 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 1.75% (annual).

This decision is grounded on a projected fast decline in inflation, and brings the policy rate closer to a level consistent with the current macroeconomic environment and its related risks.

Internationally, the latest data indicates that global growth prospects for this year have deteriorated further while uncertainty persists. However, stock prices have picked up and commodity prices, particularly prices of copper and oil, have risen.

Domestically, available information on output for the first quarter of this year continues to post negative y-o-y variation rates, largely due to the drastic fall observed by the end of 2008. Unemployment has increased. Tight lending conditions persist, although they are reflecting the impact of the increased monetary stimulus.

In March, the set of inflation indicators revealed contained inflationary pressures. Wage dynamics continue to be in line with historical patterns. Reduced annual inflation rates are foreseen for the coming quarters, while medium-term inflation expectations remain stable.

The Board considers that further cuts to the monetary policy rate may be necessary. Accordingly, it reaffirms its commitment to conduct monetary policy so as to ensure that projected inflation will stand at 3% over the policy horizon.

^{*} The Spanish original prevails.