



PRESS RELEASE

Santiago, 12 March 2009

Monetary Policy Meeting – March 2009*

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to reduce the monetary policy interest rate by 250 basis points, to 2.25% (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 indicate that global growth prospects for this year have deteriorated further, while uncertainty persists with respect to when the global financial problems will be resolved. Although the copper price has increased, commodity prices remain low.

Domestically, available information on output for the first-quarter 2009 show negative y-o-y variation, largely due to the drastic deceleration seen in the last part of 2008. Unemployment has increased. Tight lending conditions persist, but are beginning to reflect the impact of the increased monetary stimulus.

In February, the set of inflation indicators revealed low inflationary pressures. Wage dynamics continue to be in line with historical patterns. Inflation expectations have fallen and a fast drop toward the target is foreseen.

The Board considers that further cuts to the monetary policy rate may be necessary, although their size and frequency will be comparable to historical patterns. Therefore, the Board 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.