

Central Bank of Chile
Santiago, 10 may 2007
Press Release*

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to maintain the monetary policy interest rate at 5% (annual).

The external scenario relevant to the Chilean economy remains favorable. World economic activity is expanding strongly, the copper price is still high and financial conditions remain positive. Prices of oil and derivatives, especially gasoline, as well as prices of some foods have remained high.

Information available confirms stronger growth in domestic output in the first quarter of 2007, somewhat above earlier projections. Consumption is still robust, while both investment and exports have regained dynamism. Salaried employment continues to grow, and internal financial conditions are good.

CPI inflation is below 3%, although slightly above last January's projections. Most recently, it has been affected by higher-than-expected fuel prices and core CPIX1 inflation (that excludes fuels, perishables and some regulated utilities), especially due to an increase in food prices. Alternative measures of trend inflation show no significant change. Most recently, growth in labor costs has increased from relatively low rates. Medium- and long-term inflation expectations remain well anchored around 3%.

The Board reaffirms its commitment of conducting monetary policy to ensure that projected inflation will be at 3% over the policy horizon. Future changes in the monetary policy rate to achieve this objective will depend on incoming information and its implications on projected inflation.

* The Spanish original prevails.