

**Central Bank of Chile**  
**Santiago, 15 June 2006**  
**Press Release<sup>\*</sup>**

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 for the Chilean economy continues to be favorable, despite the fact that financial conditions facing emerging economies have become less advantageous in the past few weeks. In this context, both corporate shares and currencies have adjusted downward, while sovereign spreads have risen slightly. The price of copper has made relatively fast downward corrections, but it remains high.

The information available continues to point at domestic demand moderating its growth rate, in line with projections in the last *Monetary Policy Report*. April's output growth was slower than expected, although evidence at hand suggests that no persistent factors are behind. Employment continues to grow at high rates, especially the salaried component. Internal financial conditions are still expansionary, although less so than in the past few months.

CPI inflation has continued along the path foreseen in the last *Monetary Policy Report*. CPIX1 inflation (that excludes fuels, perishables and some regulated utilities) has declined recently, as have other trend inflation indicators, while the different measures of expected annual inflation continue to be well anchored around 3%. While fuel prices have continued on the rise, other cost pressures seem to be well contained.

This decision to maintain the monetary policy interest rate unchanged is consistent with the strategy of gradual normalization of monetary policy. It does not modify the Board's evaluation that, in the most likely scenario, additional increases in the interest rate in coming months continue to be necessary to have annual inflation around 3% in the normal policy horizon.

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<sup>\*</sup> The Spanish original prevails.