

**Central Bank of Chile**  
**Santiago, 16 March 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 4.75% (annual).

Despite fluctuations due mainly to the incidence of changes in fuel prices, inflation has been in line with expectations in the last *Monetary Policy Report*. Annual CPI inflation is temporarily somewhat above 4%, and core inflation CPIX (that excludes fuels and perishables) is at 3.5%. Nonetheless, core inflation CPIX1 (that also excludes some regulated utility rates) and other inflation trend indicators, as well as the various measures of inflation expectations are still well anchored around the center of the target range.

Output has continued to grow at a pace above its trend, leaving behind the relative weakness it showed the third quarter of last year. Domestic demand growth has slowed, although less than forecast in the last *Monetary Policy Report*, as a result of stronger consumption. Salaried employment continues to expand vigorously. The favorable external scenario faced by the Chilean economy looks somewhat better than in recent months, and domestic financial conditions are still expansionary.

The Board considers that the information analyzed is insufficient to warrant acceleration, on this occasion, of the pace of monetary policy normalization. Notwithstanding the above, it reaffirms that future increases in the policy rate are still necessary to attain, in the most likely scenario, an inflation rate around 3% per annum over the normal policy horizon of 12 to 24 months.

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