

Central Bank of Chile
Santiago, 13 November 2008
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 8.25% (annual).

This decision is consistent with the Board's update of the baseline scenario considered in the last *Monetary Policy Report*, which accounts for the drastic changes observed in the global economy and their impact on projected inflation. This update will be published tomorrow at 16.30 hrs.

Internationally, measures adopted by various central banks and government authorities have averted more extreme scenarios, although access to credit and asset prices continue under high stress. Markets foresee a significant slowdown of the world economy while commodity prices, particularly those of copper and oil, have fallen sharply.

Domestically, the available information for output during the second-half of 2008 is consistent with a higher annual expansion than in the first half, but in a decelerating path. Although domestic demand continues to grow at high year-on-year rates, a slowdown is perceived in some components of durable consumption. Unemployment has remained stable and tight lending standards persist.

In October, monthly inflation was high, and the various measures of core inflation are still elevated. Meanwhile, wage dynamics continue to be in line with historical patterns and medium-term inflation expectations have fallen.

The Board reaffirms its commitment to conduct monetary policy so as to reduce the current high inflation rates to 3% over the policy horizon.

* The Spanish original prevails.