

**Central Bank of Chile**  
**Santiago, 10 June 2008**  
**Press Release\***

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to raise the monetary policy interest rate by 50 basis points, to 6.75% (annual).

Given the deteriorated inflationary outlook, this increase in the monetary policy rate is necessary to avoid an undesired postponement of the convergence of inflation to 3%.

Internationally, growth prospects for developed economies remain weak and financial markets are still under stress. The oil price has risen significantly, most commodity prices remain high and inflationary pressures around the world have increased.

Domestically, the latest information shows that expected second-quarter economic growth is consistent with the growth prospects contained in the last *Monetary Policy Report*. Domestic demand continues to grow strongly, particularly its imported component, while unemployment has remained stable.

May's inflation exceeded expectations substantially, due to new price increases for energy, and especially foodstuffs. Core inflation indicators and various measures for inflation expectations are up. Wage dynamics remain in line with historical patterns.

The Board reaffirms its commitment to conduct monetary policy so as to reduce the current high inflation rates to 3% over the policy horizon. It thus contributes to keeping private expectations anchored to the inflation target. Particularly important for future changes in the policy rate will be the implications on inflation of the evolution of the complex international scenario, the degree of propagation of recent months' inflationary shocks to other prices and wages, and the emergence of new inflationary pressures.

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\* The Spanish original prevails.