Central Bank of Chile
Santiago, 10 April 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 6.25% (annual).

Internationally, prospects for the U.S. have weakened further, and there is a high probability that this economy is or will soon be in a recession. In addition, strong tension persists in world financial markets while global credit conditions have deteriorated. Growth forecasts for emerging economies have been adjusted downward, in spite of high commodity prices.

Domestically, the latest information confirms that first quarter economic activity was somewhat less dynamic than predicted in the last *Monetary Policy Report*. Investment indicators remain strong, while consumer indicators continue to show some signs of slowdown. Unemployment has remained stable.

Although March's inflation was somewhat less than expected, annualized figures are still high. Food prices have risen again but inflationary propagation appears limited and in line with projections. Core inflation measures, including the CPIX1 (which excludes fuels, perishables and some regulated utilities) remain high but have not increased further. Wages have increased according to its usual trend, while the peso has remained appreciated in real terms.

The latest data reaffirms prospects that annual CPI inflation will begin descending over the course of the next few months, although uncertainty about expected monthly figures continue to affect inflation risk premiums in the valuation of financial assets. Long-term inflation expectations remain well-anchored around 3% annually.

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 will depend on incoming information. Particularly important for this will be the implications on inflation of the evolution of the complex present international scenario, of the persistence of the real exchange rate appreciation and on the potential propagation of recent months' inflationary shocks to other prices.

* The Spanish original prevails.