

**Central Bank of Chile**  
**Santiago, 14 June 2007**  
**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 to the Chilean economy remains favorable. World economic activity confirms its dynamism, with better prospects for developed economies, which has contributed to increase medium and long term interest rates. Prices of copper and of oil and derivatives, especially gasoline, as well as prices of some foods, remain high.

Information available on domestic output and expenditure show increased strength that exceeds previous projections, raising the probability of higher growth than contemplated in last *Monetary Policy Report*'s baseline scenario. In particular, it is worth highlighting the vigor of private consumption, investment and exports. Salaried employment continues on the rise and, despite recent increases in market interest rates, internal financial conditions are favorable.

CPI inflation is slightly below 3% and continues to be influenced by fuel prices and by a rebound of core CPIX1 inflation (that excludes fuels, perishables and some regulated utilities), which has been particularly affected by higher prices of foods and some health-related products. Beyond the increases of these specific prices, alternative measures of trend inflation have risen, while inflation expectations for the medium and long term remain well anchored around 3%.

The Board reaffirms its commitment of conducting monetary policy to ensure that projected inflation will be at 3% over the policy horizon. This implies that, should inflation prospects consolidate at a level that exceeds the forecast of the last *Monetary Policy Report*, it will be necessary to reduce the monetary stimulus.

---

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