

Central Bank of Chile
Santiago, 8 February 2007

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 5% (annual).

The external scenario relevant to the Chilean economy remains favorable. Global growth continues to be strong, while international financial conditions are still positive. The copper price has declined further, although at a more gradual pace than in recent months, while the oil price has shown a rebound. Both movements are consistent with the baseline scenario in the last *Monetary Policy Report*.

Information available shows that domestic activity recovered some dynamism during the last quarter of last year, in line with estimates in the last *Report*. Salaried employment continues on the rise. Domestic financial conditions remain favorable, and the nominal yield curve has declined.

Headline inflation evolved according to forecasts in the last *Monetary Policy Report*. Core measures CPIX and CPIX1 (that exclude fuels and perishables, and some regulated utilities, respectively), increased somewhat more than anticipated, although these increases do not warrant a change in the baseline scenario. Labor costs are still contained, and medium- and long-term inflation expectations remain anchored around 3%.

The Board reaffirms its commitment of conducting monetary policy to assure that projected inflation will be at 3% over the policy horizon. Future changes in the monetary policy rate intended to achieve this objective will depend on incoming information and its implications on projected inflation.

* The Spanish original prevails.