

**Central Bank of Chile**  
**Santiago, 11 May 2006**  
**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 for the Chilean economy continues to be very favorable, with the copper price increasing sharply to levels considerably above earlier projections. Available information continues to indicate that domestic demand is moderating its fast growth. It also confirms less-than expected growth for the first quarter, although because of one-off effects on specific sectors. Employment continues to grow at high rates, especially the salaried component. Internal financial conditions continue to be expansionary, although lately they show signs of attenuation.

The inflation trend has continued in line with projections. Annual inflation measures CPI and CPIX (that excludes fuels and perishables) are temporarily at the upper half of the target range. On the other hand, core inflation CPIX1 (that also excludes some regulated utility rates), other inflation trend indicators and the different measures of expected inflation, continue to be well anchored around the center of the target range. While fuel prices have risen, other cost pressures are well contained.

The decision to take a pause does not modify the Board's evaluation that, in the most likely scenario, additional increases in the interest rate in coming months continue to be necessary to have annual inflation around 3% in the normal monetary policy horizon.

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\* The Spanish original prevails.