

**Central Bank of Chile**  
Santiago, 9 February 2006  
**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 25 basis points to 4.75% (annual).

The external scenario relevant to the Chilean economy continues to be favorable, with a persistently high copper price and an advantageous international financial environment. Internally, financial conditions are still expansionary. Domestic demand is showing signs of moderating its fast growth rate and activity growth continues above its trend. The above reaffirms that output deceleration of the third quarter of last year may have been partly transitory, in line with projections in the latest *Monetary Policy Report*. Although the annual growth pace of job creation has moderated, salaried employment continues to grow vigorously.

Twelve-month inflation was just above 4%, and core inflation measures CPIX and CPIX1 (that exclude fuels, perishables and some regulated utilities, among others) are already around 3%. Although annualized inflation is expected to remain over 4% in the short term, prospects remain that it will converge to 3% during the course of this year, consistently with the baseline scenario described in the latest *Monetary Policy Report*. Other indicators of the inflation trend and the various measures of expected inflation continue well anchored around the center of the target range.

The Board believes that, in the most likely scenario, it will continue with the gradual reduction of the prevailing monetary stimulus, in order to maintain expected inflation around 3% per annum over the normal policy horizon of 12 to 24 months.

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\* The Spanish original prevails.