

Central Bank of Chile
Santiago, 12 January 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 4.5% (annual).

Annual inflation is within the 2%-4% target range and core inflation measures CPIX and CPIX1 (that exclude fuels, perishables and some regulated rates, among others) have remained below 3% per annum. Other inflationary trend indicators and the various measures of expected inflation continue to be well anchored. Projections are that—after being temporarily around 4% per annum during the first quarter— the rate of inflation will be under 3% for some time to later converge to the center of the target range in the normal policy horizon of 12 to 24 months.

Economic activity has resumed a growth pace above the trend, which implies that the deceleration of previous months may have been partly transitory. Although the annual growth pace of job creation has moderated, salaried employment continues to grow vigorously. The external environment concerning the Chilean economy is still favorable and domestic financial conditions continue to be expansionary.

The decision to pause is no indication of a change in the strategy of normalization of the monetary impulse. The Board estimates that further increases in the interest rate in future months are still necessary to attain, in the most likely scenario, an annual inflation rate around 3% over the normal policy horizon.

* The Spanish original prevails.