

Central Bank of Chile
Santiago, 13 December 2005
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).

The external scenario facing the Chilean economy continues to be very favorable, while some of the risks identified in the past few months have moderated. The copper price has posted another rise and international financial conditions are still propitious.

Domestic financial conditions continue to be expansionary. Recently output grew less than in the past few months, but the year on year rate of growth is still around its trend. Internal demand continues to grow strongly and, despite a slight slowdown in job creation, unemployment is falling steadily.

Annual CPI inflation and its short-term projection have declined, influenced by the rapid normalization of fuel prices and the significant appreciation of the peso. Core inflation measures CPIX and CPIX1 (that exclude fuels, perishables and some regulated rates, among others) have remained below 3%. Other indicators of trend inflation and various measures of inflation expectations are well anchored.

Recent news relating to output, prices and the exchange rate and their implications on the expected inflation trend justify maintaining the monetary policy rate unchanged on this occasion. This pause is consistent with the strategy of normalization of the monetary impulse necessary to attain an annual inflation rate around 3% over the normal policy horizon of 12 to 24 months.

^{*} The Spanish original prevails.