

Central Bank of Chile  
Santiago, 8 September 2005

**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% annual.

Despite the fact that the oil price has remained high, the international environment continues to be favorable. Strong world output growth persists, together with high copper prices and good financial conditions. The effects of hurricane Katrina, which are estimated to be low on world activity, have caused an additional shock on fuel prices and somewhat lower international interest rates.

Domestic output grew relatively less in July than in previous months, due to circumstantial and probably temporary factors. Domestic expenditure continues to increase vigorously in an environment of clearly expansionary monetary conditions. Investment continues to grow strongly, while high growth in employment, combined with optimistic private expectations, favor consumption dynamism.

Annual CPI inflation and various inflationary trend measures are within the target range of 2% to 4%. Private inflation expectations have increased, especially for one year ahead and sooner, in line with the temporary increase in inflation projected in the last *Monetary Policy Report*.

The Board considers that, in the most likely scenario, it will continue to reduce the prevailing monetary stimulus, in order to maintain forecast inflation around 3% per annum in the normal policy horizon of 12 to 24 months.

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\* In case of discrepancy, the Spanish original prevails.