

**Central Bank of Chile**

**Press Release\***

**11 August 2005**

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to raise the monetary policy rate by 25 basis points, to 3.75% (annual).

The available information shows that output growth continues above trend and domestic expenditure is growing strongly. The international scenario continues to be favorable, despite the fact that oil price is still increasing. Domestically, monetary conditions continue to be clearly expansionary and investment is growing vigorously. Employment is increasing rapidly, which favors stronger consumption dynamism.

CPI inflation exceeded 3% sooner than forecast, mainly due to the incidence of increased fuel prices and some regulated rates. However, the various trend inflation measures are normalizing, leaving behind the unusually low levels of the past few quarters.

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

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\* In case of any discrepancy or difference in interpretation, the Spanish original prevails.