

Central Bank of Chile
Press Release*
12 May 2005

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided, by unanimous vote, to raise the monetary policy interest rate by 25 basis points, to 3.25% annually.

Recent evidence shows that output growth, although at a more measured pace than in previous quarters, continues to be above the trend. Investment, consumption and employment continue to grow, supported by clearly expansionary domestic monetary conditions and a favorable international scenario, but with persistently high risks.

The latest price information indicates that, beyond unusual movements in specific prices and the direct incidence of higher oil prices, trend inflation is increasing gradually, in line with previous estimates. It is worth noting that, despite a rise in hourly wages experienced over the past few months, unit labor costs have remained stable.

This increase in the interest rate is consistent with the process of gradual monetary policy normalization introduced last September, and it reflects the good outlook for the Chilean economy while it reduces the risk of sharp movements in the interest rate in the future. The Board reiterates its commitment to conduct monetary policy aiming at keeping expected inflation around 3% per annum over the normal policy horizon of 12 to 24 months.

* This is an unofficial translation. In case of any discrepancy or difference in interpretation, the Spanish original prevails.