

Central Bank of Chile
Press Release*
7 April 2005

In its monthly monetary policy meeting, the Board of the Central Bank decided, by unanimous vote, to raise the monetary policy interest rate by 25 basis points, to 3.0% (annual).

The information available shows robust expansion of domestic expenditure, while activity growth continues to be strong, although somewhat slower than in recent quarters. Continuing clearly expansionary monetary conditions in Chile and a favorable international environment - although with increased risks associated with it - support this scenario.

The latest price information indicates that the various measures of core inflation have continued with their gradual increase, in line with forecasts in the last *Monetary Policy Report*. Also there is some volatility in monthly inflation, provoked by the international oil price increases through direct effects and regulated rates, a situation that most likely will persist in the short run.

Trend inflation and the current monetary stimulus make it advisable to raise the monetary policy interest rate. This adjustment reduces the risk of sharp movements in the future, and is consistent with the process of gradual monetary policy normalization and the good outlook for the Chilean economy.

The Board reiterates its commitment to adjust monetary policy in order to maintain expected inflation around 3% per annum over the normal policy horizon of 12 to 24 months. In the most likely scenario, this entails reducing the monetary impulse at a measured pace.

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