

Central Bank of Chile
Press Release*

10 March 2005

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided, by unanimous vote, to maintain the monetary policy rate at 2.75% (annual).

The information available shows that inflation and output growth are behaving consistently with the outlook contained in the last Monetary Policy Report. The strong growth of the economy is supported by a favorable international scenario and continuing monetary conditions in Chile that are clearly expansionary. Investment has continued to grow with exceptional strength, employment and the labor force remain dynamic, and private expectations continue to look optimistic.

Recent price information indicates that, beyond the fluctuations originating in variations in regulated public utility rates, the various measures of trend inflation have continued with their gradual increase, in line with forecasts in the last Monetary Policy Report. This is consistent with output gaps gradually closing. Monthly inflation can be expected to show some volatility in the short run, affected by the large swings in oil prices. However, the twelve-month inflation projection remains low for part of 2005, below 2% for some months.

The decision to maintain the monetary policy rate on this occasion does not alter the expected gradual reduction of the monetary impulse. The Board believes that this strategy permits to achieve, in the most likely scenario, an inflation rate around 3% per annum in 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.