

Central Bank of Chile
Santiago, 8 May 2008
Press Release*

In its monthly monetary policy meeting, the Board of the Central Bank of Chile decided to keep the monetary policy interest rate at 6.25% (annual).

Internationally, prospects for the US are still weak and financial markets continue to show signs of stress. However, markets do not expect further reductions in the interest rate and the US dollar has stopped falling *vis a vis* other currencies. Commodity prices remain high, while oil prices have kept on rising.

Domestically, the latest information shows that first-quarter growth was below forecasts. Private consumption indicators point to a slowdown, while investment continues to grow fast. Unemployment has remained stable.

April's inflation was in line with expectations, while the annual figure, although significantly above target, showed some decline. As expected, a limited propagation of inflation is still being observed. Nonetheless, food prices rose again, affecting core inflation measures, which remain high. Wages have increased in line with usual dynamics, while the peso has depreciated substantially since the last monetary policy meeting.

The latest data confirms prospects that annual CPI inflation will continue to fall over the course of the next few months, although the uncertainty regarding expected monthly figures continues to affect inflation risks premiums. Long-term inflation expectations remain well-anchored around 3% annually.

The Board reaffirms its commitment to conduct monetary policy so as to ensure that projected inflation will be at 3% in the policy horizon. Future changes in the monetary policy rate will depend on new information. Particularly important for this will be the implications on inflation of the evolution of the complex international scenario, the degree of propagation of recent months' inflationary shocks to other prices, and the emergence of new inflationary pressures.

* The Spanish original prevails.