

Central Bank of Chile
Press Release*
12 July 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 3.5% (annual).

The new information available shows that output growth continues above its trend, supported by monetary conditions in Chile that continue to be clearly expansionary, and by a favorable international scenario, despite high oil prices. Investment has continued to grow with unexpected strength, while employment is increasing rapidly, which favors the dynamism of consumption.

Monthly CPI inflation has been higher than forecast in the last *Monetary Policy Report*, due to the incidence of increases in the prices of fuels, some regulated rates and perishables. However, trend inflation continues to rise gradually, in line with projections.

The Board reiterates its commitment to conduct monetary policy in order to maintain forecast inflation around 3% per annum in the normal policy horizon of 12 to 24 months.

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