Press Release

At its monthly monetary policy meeting held today, the Board of the Central Bank decided to lower the monetary policy interest rate by 75 basis points from an annual 5.5% to 4.75% and to lower the rates on liquidity credit lines by the same amount each.

The Board bases its decision on the low inflationary pressures over recent months that continue without change.

There is no substantial improvement of Chile’s trading partners as a whole but there are indications of economic growth in the United States. Nevertheless, emerging economies’ financial markets are showing stronger signs of stability and this has been reflected in key financial prices of the Chilean economy.

On the domestic front, all the data gathered, including national accounts based on 1996, confirms that domestic demand continues below what had been forecast.

These factors together conform a scenario of low inflationary pressures during the policy horizon and this is confirmed by the effective trend of prices and market expectations. The decision to lower the monetary policy interest rate is thus coherent with inflation converging towards an annual 3% during the 12 to 24 month horizon period. Moreover, the monetary impulse generated, supposing that the world growth trend is substantiated, should help to boost domestic economic activity.

The Central Bank will continue to use monetary policy to avoid any deviation from the inflation target.