Santiago, April 11, 2000

Press Release

At its monthly monetary policy meeting held today, the Board of the Central Bank analyzed the recent evolution of the economy and the outlook for the next 24 months.

This analysis indicates that following the slight monetary policy interest rate rise on March 16, the threats to inflation have diminished. In particular, international fuel prices have gone down which means that further increases of related domestic price are less likely. Moreover, the exchange rate is going down which should also contribute to other prices not increasing.

In addition, the market has welcomed the commitment to greater fiscal austerity and the preventive rises in monetary policy interest rate in January and March so inflationary expectations remain in line with the medium-term target set by the Bank.

Domestic demand continues to recover slowly, as does economic activity in general. In view of the expected evolution of these variables, based on available information, it is possible to foresee the gap between effective and potential output closing gradually. This allows a forecast of trend inflation over 12 to 24 months in the range of 2% to 4% and centering on an annual 3%, defined as the target. On these grounds, the Board decided to leave the monetary policy interest rate at its current level of UF plus 5.5% and also leave the liquidity credit lines unchanged.