

Santiago, July 11, 2000

Press Release

At its monthly monetary policy meeting held today, the Board of the Central Bank decided to keep the monetary policy interest rate at its current level of UF plus 5.5% and that liquidity credit lines would also remain unchanged. The Board analyzed recent economic developments and the outlook for the next twenty-four months, based on May's *Monetary Policy Report*.

The data analyzed indicate that domestic demand, economic activity and employment are all following a path of moderate growth with no significant risk to price stability and coherent with economic growth projections of around 6% for the next two years, as indicated in the *May Report*.

This situation is confirmed by the stable evolution of underlying inflation. At the same time, monetary conditions in recent weeks have turned rather more expansive, considering the recent evolution of market interest rates and the exchange rate.

On the external front, the volatility of international financial markets has calmed and recent data on the United States economy are coherent with a scenario of gradual adjustment and an outlook of controlled increases in international interest rates. Finally, international fuel prices continue high, above what domestic prices reflect, which means that domestic fuel prices are liable to further increases. All these considerations led the Board not to change the monetary policy interest rate. The Board once again reiterates its commitment to price stability, that is, with inflation centering on 3% a year within a range of 2% to 4%. It will therefore maintain a flexible monetary policy stance in order to face any threats to achieving the inflation target.