

Santiago, August 8, 2002

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 25 basis points from an annual 3.25% to 3% and to lower the rates on liquidity credit lines by the same amount each.

Data gathered since the last meeting show that the growth outlook for various trading partners has deteriorated, especially the United States both for this year and next. This has already had an effect on some commodity prices in particular copper.

Regional financial markets have been highly volatile over the past month but this should improve after yesterday's announcements made by Brazil and the International Monetary Fund.

Nevertheless, Chile's financial indicators are standing up well. Low inflationary pressures continue, due to the evolution of various cost indicators as well as lower-than-expected growth levels over the coming quarters. This is as forecast in the previous monetary policy meeting and justifies the more expansive monetary stance coherent with controlled inflation converging on the mid-range target within the policy horizon.

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