

Santiago, May 9, 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 75 basis points from an annual 4.75% to 4% and to lower the rates on liquidity credit lines by the same amount each. The decision is based on the outlook for low inflation in the medium term because economic growth continues slower than expected.

The outlook for world growth is more positive than a few months ago although there is only cautious optimism regarding the strength of industrialized countries' recovery. The complex regional situation, although it has not brought financial contagion, has generated adverse effects on trade and output.

The first-quarter economic indicators show domestic spending recovering from the very low levels at end-2001 but more slowly than expected. Output reached its lowest levels in the first months of this year and is now showing signs of gradual expansion.

These circumstances are in line with continuing low inflationary pressures. The reduction of the monetary policy rate thus hopes to maintain inflation on course, converging on 3% a year within the 12 to 24 month horizon and to help to boost economic activity.

The Central Bank confirms its commitment to using monetary policy with the necessary flexibility to avoid any deviation from the inflation target.