

Santiago, February 19, 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 50 basis points from an annual 6% to 5.5% and to lower the rates on liquidity credit lines by the same amount each. The world situation continues the same as a month ago; the United States a little closer to recovery but other trading partners getting weaker. Argentina continues in a critical state, affecting Chilean exporters and investors in that country but neither the Chilean economy nor others of the region have suffered more than was foreseen in January.

On the domestic front, the scenario of less inflationary pressures in the future is confirmed. Domestic spending is weaker than expected and indicators show that the trend will not be reverted in the near future. Also, oil prices continue moderately low, thus inflation can be expected to fall below the middle of the target range towards the end of the projected horizon. Private expectations of inflation, especially those revealed in interest rates at one year, have also dropped significantly. The Board therefore considers that it is justifiable to make monetary policy more expansive thereby helping to stimulate spending without jeopardizing the inflation target. It thus confirms its commitment to using monetary instruments with the necessary flexibility to keep inflation within the 2% to 4% range and centering on 3%.