

Santiago, January 10, 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 6.5% to 6% and to lower the rates on liquidity credit lines by the same amount each.

Although the international situation is weak there are indications of dissipating uncertainty and hopes of economic recovery starting around mid-year. The effects of the Argentine crisis on the region and on Chile appear to have been largely absorbed although other transitory adverse effects cannot be dismissed. The trend towards diminishing inflationary pressures now and within the monetary policy horizon continues because domestic demand is weak, oil prices are low and the output-employment gap remains negative with regard to its potential level.

Consequently a more expansive monetary policy is required so that a mid-range inflation level can be projected over the next two years. The Board thus confirms its commitment to price stability and to the inflation target of 2% to 4% and centering on 3% and will continue to keep monetary policy flexible.