

Santiago, February 20, 2001

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 UF plus 4.75% to UF plus 4.5% and to lower the rates on liquidity credit lines by the same amount each.

As usual, the Board analyzed recent economic developments and the outlook for the next twenty-four months.

In recent weeks, world economic growth forecasts for this year have continued on a downward trend and interest rates in relevant markets are expected to fall. The expected lower cost of external financing is backed by a reduction in Chile's sovereign spread. The recent appreciation of the peso is related to these indicators.

On the domestic front, output growth is stable and compatible with expectations for this year despite the erratic monthly indicators. Inflation is predicted to revert last year's rising trend this quarter and soon return within the target range. Inflationary pressures in Chile will thus ease. Financial markets agree, as seen by the drop in interest rates at all maturities compared to last month.

These indicators support the Bank's decision to lower the monetary policy rate, a decision that is fully coherent with projected inflation converging gradually on the mid-range target .

The Bank will maintain its flexible monetary policy stance in order to face any threat to achieving the inflation target.