

Santiago, January 18, 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 5% to UF plus 4.75% 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.

The data examined indicates that the world economy is suffering a more pronounced slowdown than had been expected. This has generated a less favorable climate for growth of the Chilean economy and has eased inflationary pressures. Both these effects could be only partially compensated by the foreseeable lower cost of external financing.

On the domestic front, private consumption is falling, employment is flat and consumer confidence is depressed. Investment is up but this brings with it an increase in domestic expenditure which consequently eases inflationary pressures.

For these reasons the monetary policy rate was lowered by 25 basis points in order to keep inflation on the lines projected and gradually centering 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.