

Santiago, November 14, 2000

Press Release

At its monthly monetary policy meeting held today, the Board of the Central Bank decided to keep the monetary policy interest rate at its current level of UF plus 5% and that liquidity credit lines would also remain unchanged. The Board analysed recent economic developments and the outlook for the next twenty-four months, based on September's *Monetary Policy Report*.

As foreseen, October's twelve-month inflation rate (4.5%) exceeded the upper limit of the target range of 4%. Rising international oil prices since the middle of 1999 have been determinant in the high rate of inflation. Provided that these prices do not exert any additional pressures, inflation should start to go down from the first quarter 2001 and return within the target range by mid-2001, approaching a level of 3% within the policy horizon.

Underlying inflation indicators maintain a controlled path within the target range thanks to the behavior of domestic demand. This is coherent with the growth projections for output, demand and exchange rate given in September's *Monetary Policy Report*.

The external scenario is less promising. On one hand, high fuel prices persist and if this continues world growth could well be less than forecast a few months ago. At the same time, financial markets are now more wary of emerging economies, mainly out of distrust of financial conditions in some Asian and Latin American countries. These factors together with the sluggish growth of domestic demand require a flexible and cautious use of monetary policy. The Central Bank will therefore continue attentive to all threats to the inflationary target.