Santiago, October 10, 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.

As usual, the Board analyzed recent economic developments and the outlook for the next twenty-four months, based on September’s *Monetary Policy Report*.

As expected, September’s twelve-month inflation rate (4.2%) exceeded the upper limit of the target range of 4%. This is transitory, coherent with the inflation projection given in September’s *Monetary Policy Report*. It should also be pointed out that most of the increase in inflation this year is related to international oil prices which pass through to domestic prices and is not directly connected with demand, as can be seen by the indicators of underlying inflation which remain within the target range. Moreover, the return to normal of international oil prices and the stability of real exchange rate are part of the central scenario considered by the *Monetary Policy Report* in September and should lead to inflation falling as from the first half of 2001.

The latest data confirms the set of projections given in September’s *Report*, especially the forecast of inflation around 3% within the period and economic activity recovering without generating inflationary pressures. However, the same threats considered a month ago still persist: fuel price volatility, slowdown of the United States economy and domestic demand still growing slowly.

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