

Santiago, August 28, 2000

### **Press Release**

The Minister of Finance last week made available to the Central Bank the latest relevant figures on output, sales and national employment. On the grounds of this information and other data used to calculate the medium-term inflation projections, the Board decided to bring forward to today its monetary policy meeting programmed for Wednesday, September 6.

At today's meeting, the Board analysed the recent evolution of the economy and the outlook for the coming twenty-four months, finding that although economic activity is growing, domestic sales and employment have both gone down in recent months, while underlying inflation remains stable. Persistently high unemployment and the consequent gloomy economic expectations lead to a forecast of more modest domestic demand growth, despite more expansive monetary conditions in recent months. The inflation rate in the medium term, even allowing for the visible effects of higher fuel prices, will probably be at levels below 3%.

On these grounds and bearing in mind the existing slack in the economy, the Board decided to lower the monetary policy rate by 50 basis points to UF plus 5.0% and the liquidity credit lines by the same amount.

This decision was taken in the light of the government's commitment to keep fiscal expenditure growth to 3.3% this year and to achieve a structural surplus of 1% of GDP by the end of 2001. The Minister of Finance repeated these government targets during the Board meeting.

The Central Bank will continue to use monetary policy with the flexibility that the present circumstances warrant to keep inflation in line with medium-term targets.