

Santiago, January 27, 2000

Press Release

At its monthly monetary policy meeting held today, the Board of the Central Bank analyzed the situation of recent weeks and the outlook for the next 24 months.

The analysis covered the recovery of the Chilean economy, the improvement of the world economic environment, the increasing pressure of international inflation and the effects on Chile's inflation of the higher prices of some products and services (particularly fuels and transport) that have been announced or are foreseeable. In conclusion, the Board agreed that inflation would probably rise during the year 2000, largely because of higher prices of some specific items, and it could even go above the level announced in September if oil prices continue as high as they have been during the past two months.

The Board considered that the outlook for inflation in 2001 is more favorable than that for 2000 since inflation will probably drop once the specific price hikes have been fully assimilated. However, price pressures and the consolidation of economic recovery increase the risk of inflation rising beyond the medium-term target.

The economic reactivation apparent in recent months and the prospect of it continuing make it advisable to moderate the monetary impulse given since June 1999. The Board thus decided to slightly raise the monetary policy interest rate by twenty-five basis points from UF plus 5% to UF plus 5.25% and the liquidity credit lines by the same amount each.