Santiago, October 14, 1999

Press Release

At its quarterly monetary policy meeting held today, the Board of the Central Bank decided to leave the monetary policy interest rate at its current level of UF plus 5% and also the liquidity credit lines at their same rates.

During the meeting, the Board carried out a detailed analysis of the national economic situation, considering recent figures on inflation, external accounts, fiscal accounts, financial markets, output and employment, as well as the international context relevant to the Chilean economy. The Board also analyzed pertinent projections for next year, the inflationary target, external equilibrium and risks that might arise in the future.

The analysis confirmed the main tendencies apparent in recent months regarding inflation, and especially the actual and foreseeable lack of pressure on this variable and on the current account, as well as the rather slow progress of economic recovery.

However, there have been indications in recent weeks that allow a more optimistic outlook for the reactivation of the economy. Domestic monetary conditions continue to expand as a result of the recent exchange depreciation, the expansion of more liquid monetary aggregates picked up again after having slowed in August and credit also shows signs of recovery.

Estimated economic growth for August and the probable figure for September (according to the monthly indicator of economic activity Imace) point to a recovery of output that could reach growth of 5% next year. External and internal risks should not affect the improving rhythm of economic recovery observed to date and the growth forecast for next year.

Similarly, inflation, which is estimated to be less that 3% by the end of 1999, continues at a level coherent with the target for next year and with the medium-term forecast of 2% - 4%, centering on 3% a year.

Thus, after this analysis, the Board decided to keep the monetary policy rate unchanged at UF plus 5% and also the liquidity credit lines at their same rates.