

Santiago, May 6, 1999

Press Release

The Board of the Central Bank today decided to lower the monetary policy interest rate by fifty basis points from an annual UF plus 6.5% to UF plus 6% and the liquidity credit lines by the same amount.

The Board considers that the inherent risks in taking this step are at the moment less than the risks of delaying a further adjustment of monetary policy. The Board's decision is based on its projections for the most relevant macroeconomic variables which in turn are based on domestic demand indicators that show a weaker response than had been foreseen, as well as on financial, exchange and earnings indicators that bode well for inflation and current account.

The Bank will continue to handle policies with prudence and flexibility, firmly committed to its aims of reducing inflation and keeping the current-account deficit at reasonable levels.

Any future changes to the monetary policy rate could be up or down as circumstances require and according to the outlook for the main macroeconomic variables.