

Santiago, April 6, 1999

### **Press Release**

The Board of the Central Bank today decided to lower the monetary policy interest rate fifty basis points from an annual UF plus 7.% to UF plus 6.5% and the liquidity credit lines by the same amount.

This reduction, together with previous referential rate cuts, is coherent with the prudent and timely response of monetary policy to the conditions expected to prevail this year as a consequence of restricted economic circumstances in most of the world. At the same time, inflation is expected to stay in line with the target, the current-account deficit is well under control and economic activity will probably be a little lower than had been forecast, around 2% to 3% a year.

The drop in the monetary policy rate means that short-term market interest rates should approach longer-term rates so that the performance curve is flatter, as is usual at the inflection points of the economic cycle when recovery is beginning.

The Central Bank repeats that there are no important obstacles to the economy achieving a modest recovery in the coming quarters, in the context of low inflation and a current-account deficit that is well within the country's financial possibilities as a result of the adjustment policies applied in 1998.

The Central Bank will maintain its prudent and flexible approach to achieve this recovery.