

Santiago, February 3, 1998

Press Release

1. The Board of the Central Bank decided to raise the target for the monetary policy interest rate by 150 basis points to a range centering on 8.5% over UF. Similarly, rates on liquidity credit lines will also rise to an annual 8.5%, 8.8% and 9.3% over UF respectively.
2. Liquidity will be handled so as to provide the resources necessary for the financial system to function normally, aiming for the interbank interest rate to center on the monetary policy rate as a minimum and allowing it a margin of flexibility in the short term so that it can vary according to market conditions.
3. The Board has taken this decision to support the domestic spending adjustment process within a macroeconomic scenario of falling inflation in line with the target set for this year and with a prudent balance of payments current-account deficit that should be around 5% of GDP. The Central Bank will continue to watch closely developments at home and abroad to ensure that targets are met and to make any necessary changes to monetary policy which, in the present circumstances, needs to be handled with greater flexibility.