

The Central Bank of Chile

Press Release^{*}

September 4, 2003

At its monthly monetary policy meeting, the Board of the Central Bank of Chile decided, by unanimous vote, to maintain the monetary policy interest rate at 2.75% (annual)

Although domestic activity has continued showing some weakness, in the most likely scenario a strengthening is expected for the coming quarters, together with a gradual reduction in the output gap. This has begun to show in better expectations and financial market indicators. The consolidation of an improved international scenario, especially in the United States and Asia, combined with the marked impulse of monetary policy, support this outlook. Overall, some signs of fragility in domestic activity and risks associated to the international environment still persist.

The latest price information available shows core inflation slowing down significantly in the past few months, and returning to the lower part of the target range. This means that for now inflationary pressures are limited, which when combined with the rest of the available indicators, yields an inflation forecast of around 3% over the next 24 months.

The Central Bank of Chile will continue to conduct monetary policy with the necessary flexibility to address any projected inflation deviations in either direction from the specified target inflation range.

^{*} This is an unofficial translation. In case of any discrepancy or difference of interpretation, the Spanish original prevails.