

Press Release*
Monthly Monetary Policy Meeting
July 10, 2003

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

Despite the fact that the labor market continues to show high rates of employment creation, sectoral indicators have been mixed in general and the most recent information on economic activity shows that growth in the second quarter was lower than expected. Nonetheless, these circumstances are not sufficient to modify perspectives of a gradual drop in excess capacity during the upcoming quarters. The marked monetary policy stimulus and continuing expectations of increased world growth for the second semester are coherent with this scenario.

The path followed by prices has been within foreseen margins. In addition, it is estimated that the effects on inflation resulting from the increase of the VAT next October will have a limited and transitory effect, so that forecast inflation towards the end of the projection horizon does not change.

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

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