

THE CENTRAL BANK OF CHILE

Press Release^{*}

August 12, 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.)

Recent economic activity figures confirm that growth in the second quarter was lower than expected. This is partly explained by the higher international oil price and by world market conditions, especially in the region, that have undermined the dynamism of some areas of the manufacturing sector.

Despite the above news, future forecasts continue to consider a gradual reduction in the output gap over the upcoming quarters. This scenario is supported by the strong stimulus of monetary policy and the consolidation of increased world growth prospects for the second semester, especially in the US and Asia. However, significant risks remain in the foreign scenario.

The most recent data shows core inflation returning to its expected path. This, combined with other available information, keeps projected inflation around 3% in the policy forecast horizon.

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.