

The Central Bank of Chile

PRESS RELEASE*

November 13, 2003

In 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).

Since the last policy meeting, the increase in the terms of trade has strengthened, and perspectives of increased world growth have continued, while positive international financial conditions prevail. These factors, combined with better domestic expectations, support the increased output growth forecast for the coming quarters.

Regarding inflation, the latest information reveal subdued price pressures. CPI inflation is below 2%, while core inflation is at the bottom of the defined target range. Inflation rates have declined more than expected, because of a temporary incidence of supply-side factors, particularly the exchange rate and retail margins. Therefore, the inflation forecast for next year is now around one percentage point below the figures presented in the last *Monetary Policy Report*. All considered, the projected inflation rate converges to 3% toward the end of the policy horizon

In light of all the available information, the Board considers that the expansionary monetary conditions can be extended for a longer time period than previously foreseen. Notwithstanding, the Board 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 range, centered at 3%.

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