

The Central Bank of Chile

PRESS RELEASE*

October 14, 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, a better international scenario has continued to consolidate. This includes prospects of increased world growth next year, particularly in the U.S. and Asia, an increase in prices of commodities, and improved financial conditions. These factors, combined with positive expectations for the Chilean economy, have been reflected strongly in domestic financial markets.

These favorable developments are expected to translate gradually in better activity indicators for the coming quarters, although for now they have not been reflected into actual output data. In fact, the latest information shows weak growth for August, related to some factors that are considered to be temporary.

Regarding inflation, recent indicators show price pressures lower than initially forecasted. Both CPI and core inflation are in the lower half of the target range, and the former is even expected to be transitorily below 2% in some coming months. However, with all the information at hand the inflation projection remains around 3% over the next 12 to 24 months.

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.