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CENTRAL BANK MOVES TOWARD NOMINALIZATION OF THE MONETARY POLICY

From August 9, the interest rate for the monetary policy that the Central bank determines will be defined in nominal terms, which implies that it will no longer be a percentage calculated from the UF (*Unidad de Fomento*) and it will be considered in relation to a value in *pesos*.

The decision was adopted yesterday by the Board of Governors, establishing that with a target real interest rate of 3.5% and a 3% expected inflation rate -corresponding to the center of the rank from 2 to 4% defined as goal of long term- then the nominal interest rate will have to be of 6,5%.

In the opinion of experts, this measure will allow the elimination of the persistence of the inflation rate, since an important number of contracts and prices are indexed to the UF. Another advantage of this new resolution is that interest rates will no longer be subject to the monthly variation of inflation, implying a lesser volatility in the short terms rates.

Experts forecast that with the use of nominal interest rates, the monetary demand will stabilize and markets will improve their operation, not only due to a smaller volatility but also because a greater transparency.