

Tuesday, 27 October 2026

Monetary Policy Meeting – october 2026*

At today's Monetary Policy Meeting, the Board of the Central Bank of Chile decided to hold the monetary policy interest rate at 4.5%. The decision was adopted by the unanimous vote of its members.

On the external front, geopolitical tensions in the Middle East have intensified in recent weeks, resulting in a more adverse energy price outlook than considered in the central scenario of the September Monetary Policy Report (IPoM). Since the cutoff date of that Report, the price of a barrel of oil (WTI-Brent average) has risen by around 25%, while the futures curve points to higher prices over the next two years. At the same time, an unusually strong El Niño event has begun to affect international food prices, adding to cost pressures from energy, transportation and fertilizers associated with the ongoing military conflicts. In this context, concerns about inflation have continued to increase globally. Nevertheless, global activity remains resilient, particularly in economies linked to the development of artificial intelligence (AI). Meanwhile, copper prices remain at levels similar to those prevailing at the last Meeting.

International financial conditions have become more restrictive, amid expectations of tighter monetary policy, declining stock markets, a global appreciation of the U.S. dollar and higher long-term interest rates. The latter reflect, among other factors, strong financing demand associated with investment in AI, increased geopolitical risk and heightened fiscal tensions in developed economies, which have recently become more evident in some European countries. The local financial market has mirrored global trends, with a decline in the stock market (IPSA), a depreciation of the peso and an increase in long-term nominal interest rates.

In terms of local activity, the August Imacec (-1.0% annually; -0.7% monthly in the seasonally adjusted series) was weaker than projected in the central scenario of the IPoM, mainly due to the performance of mining. The non-mining Imacec (+1.4% annually; +0.7% monthly in the seasonally adjusted series) was in line with expectations, with a recovery in some of the sectors most affected by the July storms. As for domestic spending, high-frequency indicators for the third quarter suggest that consumption and, particularly, investment remain weak. At the same time, the investment outlook remains favorable, consistent with information from investment project surveys, the copper price, the boost expected from the Reconstruction Act, and higher projected public investment spending. In the labor market, the unemployment rate rose slightly in the quarter ending in August, while growth in hourly labor costs remained high.

Cumulative inflation through September is in line with the latest IPoM forecast (4.1% and 3.2% annually for headline and core CPI, respectively). To a large extent, inflation has continued to be driven by higher fuel prices, whose pass-through to other prices has followed historical patterns. However, in line with greater cost pressures, market-based short-term inflation expectations have risen significantly. Meanwhile, two-year inflation expectations remained at 3.0% in the Economic Expectations Survey (EEE), while they rose to 3.2% in the Financial Traders Survey (EOF).

Inflation risks have increased considerably. Although CPI data overall have been in line with forecasts, projections for the coming months have risen substantially, placing inflation above the path in the IPoM central scenario. This occurs in a scenario in which the short-term outlook for activity has been revised downward, mainly due to supply-side factors related to mining and the climate shock. Although the domestic economy is expected to regain momentum toward 2027, the possibility that its current weakness may prove more persistent than anticipated cannot be ruled out. In this context of higher-than-usual uncertainty, the Board will be particularly watchful for signs of greater pass-through to and/or persistence of inflation from the shocks being faced.

The Board estimates that it will need to continuously assess alternative scenarios in which the response of the global and domestic economies could lead to inflation trajectories different from those expected and could require changes in monetary policy. Accordingly, the future path of the MPR will be assessed on a meeting-by-meeting basis, depending on how events unfold. The Board reaffirms that it will make every decision necessary to meet its objective of ensuring that projected inflation stands at 3% over a two-year horizon.

The minutes of this Monetary Policy Meeting will be published at 8:30 hours of Wednesday, 4 November 2026. The next Monetary Policy Meeting will be held on Tuesday, 15 December 2026. The corresponding Statement will be released from 18:00 hours of the same day.

*The Spanish original prevails.