

Wednesday, 12 October 2022

## Monetary Policy Meeting – October 2022

**At its monetary policy meeting, the Board of the Central Bank of Chile decided to raise the monetary policy interest rate by 50 basis points, to 11.25%. The decision was adopted with the unanimous vote of its members.**

The outlook for global growth and international financial conditions has deteriorated. World inflation has continued to show signs of increased persistence, central banks have continued to raise their benchmark rates and market expectations point to a protracted monetary tightening in developed economies. Global financial markets maintain high levels of volatility. The dollar has further strengthened around the world, stock prices have fallen and long-term interest rates have risen. Commodity prices have fluctuated. In the days preceding this Meeting, the barrel of oil was trading at around US\$90 while copper was close to US\$3.5, per pound.

The domestic financial market has mirrored the recent global trends. Compared to the previous meeting, the exchange rate depreciated by around 5%, long-term interest rates rose -especially the UF-indexed and the IPSA stock index posted losses. Bank credit continues to decelerate, amid still tight supply conditions and demand that is perceived to have weakened for all segments.

Last August, the non-mining component of the Imacec (+1.3% annualized; +0.7% monthly seasonally adjusted) was somewhat higher than expected in the September Monetary Policy Report, mainly due to increased activity in some services. However, sectors like trade, manufacturing and construction fell significantly, in line with expectations. On the expenditure side, indicators related to private consumption show further declines. Those linked to investment have remained weak, although with some resilience in some sectors that have boosted imports of machinery and equipment. In the labor market, job creation is stagnant and vacancies continue to decline. The unemployment and participation rates show no big changes. The annual change in real wages continues to be negative. The consumer and business confidence indices remain in the pessimistic zone, although with some recovery most recently.

In September, headline inflation was 13.7% annually, a slight decline from August. Core inflation, meanwhile, rose to 11.1% annually. Compared with the MP Report, cumulative inflation in the last two months has been higher than estimated, mainly due to sharper increases in the prices of some foods. Two-year inflation expectations continue to be above 3%.

The Board estimates that the monetary policy rate has reached its maximum level of the cycle that began in July 2021, and that it will remain there for as long as necessary to ensure the convergence of inflation to the target over the two-year policy horizon. The macroeconomic scenario presents high risks whose short- and medium-term implications must be evaluated carefully. The Board will monitor closely the unfolding of these events, and hereby reaffirms its commitment to conduct monetary policy with flexibility, in order for projected inflation to stand at 3% annually in the policy horizon.

The minutes of this monetary policy meeting will be published at 8:30 hours of Thursday, 27 October 2022. The next monetary policy meeting will take place on Tuesday, 6 December 2022 and the statement thereof will be released at 18:00 hours the same day.

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\*The Spanish original prevails.