MONETARY POLICY MEETING

JANUARY 2026

MONETARY POLICY MEETING

Monetary policy session No. 319, held on 26–27 January 2026.

Present: Rosanna Costa, Governor; Alberto Naudon, Deputy-Governor; Luis Felipe Céspedes, Board member; Claudio Soto, Board member; Kevin Cowan, Board member.

Present the Finance Minister, Nicolás Grau.

Also present: Luis Óscar Herrera, General Manager; Juan Pablo Araya, Legal Counsel and Attestor; Elías Albagli, Monetary Policy Division Director; Ricardo Consiglio, Financial Markets Division Director; Claudio Raddatz, Financial Policy Division Director; Gloria Peña, Statistics and Data Division Director; Michel Moure, Institutional Affairs Division Director; Markus Kirchner, Macroeconomic Analysis Manager; Enrique Orellana, Monetary Policy Strategy and Communication Manager; Sofía Bauducco, Economic Research Manager; Guillermo Carlomagno, International Analysis Manager; Felipe Musa, Market Operations and Strategies Manager; Miguel Fuentes, Financial Stability Manager; David Kohn, Head of Big Data Analytics; Rodrigo Wagner, Advisor to the Finance Minister; Erika Arraño, Senior Economist; Marlys Pabst, Secretary General.

1. Background

The international scenario

Externally, a scenario of greater momentum for the Chilean economy had been taking shape. On the activity side, the performance of the American economy stood out, with third-quarter growth slightly exceeding market projections. In turn, China's growth was in line with the target established by its authorities.

The terms of trade were more favorable for Chile, mainly due to the higher price of copper, which was trading nearly 12% above the levels seen at the close of the previous meeting, driven by strong demand and new problems on the supply side.

However, the combination of geopolitical, fiscal, and financial factors intensified the downside risks in the global macroeconomic scenario. Among the geopolitical ones, the United States' intervention in Venezuela and its tensions with NATO and Iran deserved special attention. These developments had contributed to the rise in oil prices (+9% compared to the previous meeting). In turn, the US economy was estimated to have lost momentum in the latter part of 2025, following the slowdown observed in the labor market and the effects of the government shutdown.

In this context, financial conditions for the United States had deteriorated marginally, reflecting a drop in the relative preference for assets thereat. This was reflected in increases in long-term US interest rates and the global depreciation of the dollar. At the same time, conditions for emerging economies continued to improve, particularly in Latin America. Compared with the December Meeting, stock markets had risen and the currencies of a number of countries had appreciated.

The domestic scenario

In December, headline and core inflation had seen annual variations of 3.5% and 3.3%, respectively. In core inflation, worth mentioning was the decline in the goods component. Meanwhile, two-year inflation expectations remained at 3% according to both our Economic Expectations Survey (EEE) and our Financial Traders Survey (EOF).

About activity, in November, the seasonally adjusted series for the total and non-mining Imacec showed monthly contractions of 0.6% and 0.5%, respectively. Within the non-mining sectors, the decline in transportation and business services stood out, as results continued to show high volatility. This was compounded by the contraction in mining and other goods, affected by supply-side factors. In contrast, trade grew in monthly terms, partly thanks to the performance of the automotive sector. In any case, several of the factors that had had a negative impact on the Imacec were estimated to be temporary.

On the domestic spending side, short-term indicators—such as digital sales bills and ANAC automobile sales, along with the Imacec lines most closely linked to final spending—suggested that private consumption would show growth in line with expectations in the latter part of 2025. This was accompanied by a favorable evolution of several fundamentals, including improved consumer expectations (IPEC) and growth in the wage bill. Investment data also showed performance consistent with forecasts. The dynamism of the machinery and equipment component continued to stand out, with prospects remaining positive, the same as large-scale investment projects, particularly in the energy sector (CBC survey). This was compounded with increases in the copper price, the local stock market (IPSA), and business expectations (IMCE). In the labor market, the unemployment rate remained unchanged (8.4% in the September-November quarter) while job creation remained constrained.

In the local financial market, IPSA yields rose, while short- and long-term nominal rates showed limited movement and narrowed spreads with US rates. The peso had appreciated. Credit remained mostly unchanged. According to our Bank Lending Survey (BLS) for the fourth quarter of 2025, supply conditions remained relatively stable in the various segments, while demand was perceived to have increased in the real-estate sector.

2. Background analysis and discussion

There was agreement that the main topic for this Meeting was the expected evolution of local inflation. This result was significantly influenced by the evolution of cost factors, including currency appreciation and the behavior of global fuel prices. In this scenario, it was likely that annual inflation would be below 3% in the first half of the year and the IPoM's short-term projections for several months. In the medium term, however, inflation was still expected to converge to the 3% target, given that economic activity did not show significant gaps and, rather, the fundamentals of the economy were better than in previous months. All of this occurred in a context in which two-year inflation expectations remained in line with the inflation target.

Regarding activity, it was noted that November's Imacec had come below the IPoM forecast. However, there were relevant factors to consider. On the one hand, the difference was mainly explained by supply elements and temporary factors. On the other hand, no significant deviations were observed in the sectors most closely linked to domestic demand. Thus, while it was possible to anticipate that growth in 2025 would be fall below the December forecast, this would be the result of transitory factors and not the fact that the economy was showing a different dynamic than expected. In line with this, domestic spending, short-term indicators suggested that consumption and investment were performing in line with expectations.

About medium-term expectations for activity and demand, various indicators seemed to reveal some improvements, including different surveys, the evolution of the perceptions of firms and households, and the investment survey. Part of this greater boost came from abroad, where a more favorable outlook had been materializing, especially due to the improvement in the terms of trade associated with the higher copper price. Nonetheless, while the central scenario improved, at the same time risks were intensifying because of worsening geopolitical and institutional tensions.

It was noted that it was important to monitor the effects that potential improved productivity performance could have. In addition, it was noted that the improved outlook for certain investment fundamentals could give an additional boost to potential GDP going forward. With respect to productivity, it was indicated that the evolution of this determinant of potential GDP is updated periodically, but that it should be considered that it was not a variable whose trend can change so rapidly. Likewise, emphasis was placed on the importance of monitoring overly optimistic scenarios regarding the potential performance of the economy and external conditions. All in all, it was emphasized that all these elements should be carefully reviewed in the next IPoM, given that they had implications for forecasting growth, the activity gap, and medium-term inflation.

3. Analysis of monetary policy options

All the Board members agreed that, given the current state of the economy—with the output gap practically closed, inflation close to target, and no significant risks to prices in the short term—the benchmark rate should converge to the midpoint of its neutral range. Consequently, the plausible options for this meeting were: (i) holding the MPR at 4.5%; or (ii) lowering it by 25 basis points, to 4.25%.

Regarding the option of lowering the MPR, several Board members pointed out that the adjustment in the short-term inflation outlook could provide an important basis for this decision, if the aim was to maintain real monetary momentum similar to that forecast in the December IPoM. They clarified, however, that this adjustment did not imply a change in the monetary policy scenario described in it, but only an adjustment in the timing of when the MPR would converge to the midpoint of the neutral range. One Board member gave less weight to this argument, noting that the monetary policy framework did not consider significant adjustments in the rate path when it came to short-term effects that were not persistent and did not affect the convergence of inflation to the target in the medium term.

Several Board members considered that the decision at this Meeting was significantly marked by tactical factors and risk management issues. Regarding the former, given the Board's prior communication, market consensus anticipated that the MPR would not be changed. Any different decision could have led to greater volatility in financial markets and affected monetary policy predictability. About risks, although short-term projections pointed to lower inflation than forecast in December, there were factors that could skew it upward in the medium term. One of them was the possibility of an additional boost to medium-term growth due to improvements in several fundamentals. In contrast, doubts remained about the persistence of the recent increase in productivity and its effect on the gap and inflationary pressures. These issues should be analyzed with particular attention in the next IPoM.

4. Monetary policy decision

Governor Costa, Deputy-Governor Naudon, and Board members Céspedes, Soto, and Cowan voted to hold the monetary policy interest rate at 4.5%.