



MONETARY POLICY MEETING

JUNE 2026





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Monetary policy session No. N° 322, held on 16 June 2026.

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

Present the Finance Minister, Jorge Quiroz.

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; Alejandro Guin-Po, Advisor to the Finance Minister; Marlys Pabst, Secretary General.

1. Background

For this meeting, the background information was taken from the June Monetary Policy Report (IPoM). Therein, it was noted that, in line with forecasts, inflation had risen rapidly in recent months, driven by the significant cost shock caused by the Middle East unrest. Until now, inflationary dynamics had evolved as expected, with the shock being passed on to other prices in line with historical averages. Thus, overall CPI inflation had risen from 2.4 to 3.9% between February and May, while the year-on-year change in core CPI had declined from 3.4% to 3.2% over the same period.

Activity had contracted in the first quarter, with results falling short of projections. This was largely explained by the performance of sectors linked to natural resources. Of particular note was the decline in copper mining, associated with lower ore grades and maintenance downtime at some mining sites. Added to this was the decline in the agriculture, forestry, and fishing industries, which had affected other sectors through production linkages. Construction and some services had also underperformed. In April, sectors linked to natural resources had continued to dampen economic activity. However, historical data and other indicators pointed to a reversal of these effects during the second half of the year, except in mining, where they would be more persistent. The nature of these shocks suggested temporary adjustments to potential output and moderate effects on the output gap.



On aggregate, domestic spending in the first quarter had performed as expected, although differences were observed in its composition. Private consumption had replicated its growth rate from the previous period (1% quarterly, seasonally adjusted), while public consumption had seen a strong rebound. Meanwhile, gross fixed capital formation (GFCF) had weakened, particularly in the machinery and equipment component, a trend that continued into the second-quarter data available. Construction and other public works had underperformed projections, remaining virtually stagnant, and continued to be affected primarily by the housing sector.

Several fundamentals underlying private consumption had shown a less favorable trend since the last IPoM. In the labor market, the unemployment rate had risen, while various indicators pointed to weak job creation and a shift from formal to informal employment. In turn, the external shock had eroded households' purchasing power—as a result of the rapid rise in inflation—and had negatively affected consumer expectations. In this context, April's economic activity data had lost dynamism in sectors linked to private consumption.

For this year, public spending was projected to exceed assumptions in the previous IPoM, in line with the latest Public Finances Report (IFP). In March, all the cuts stipulated in the government's March official communication had been included. Thus, consistent with the background information in that Report, the fiscal spending assumption in this IPoM was 1.2 percentage points of GDP higher than projected in March.

In the global economy, as in Chile, inflation had risen due to the effects of higher oil prices. Meanwhile, economic activity had expanded in line with expectations, with dynamic performance of the tech industries in several countries, which continued to sustain investment and activity. Greater concerns about inflation, within the context of a resilient economy, had led to a more hawkish monetary policy outlook in a group of economies. Most central banks remained cautious about their upcoming decisions, and several emphasized the upside risks to inflation. Against this backdrop, global financial conditions are still showing volatility.

In this context, considering the entire 2026–2028 period, the projections made modest adjustments but with changes in the profiles. The GDP growth forecast for 2026 was revised downward, mainly responding to first-quarter results. In contrast, a higher growth range was anticipated for 2027, driven in part by more dynamic investment. As for domestic demand, no significant revisions were observed at the aggregate level, although there were changes in its composition, especially in 2026. Specifically, public spending was projected to provide greater momentum, while household consumption—whose fundamentals had weakened—was expected to contribute less. Investment was also revised downward for this year, because of actual data coming in lower than expected. However, its medium-term projections had been raised. The outlook for inflation continued to assume that the annual change in the CPI would return to values of around 3% during the second quarter of next year.

After the statistical cutoff date for the IPoM, the United States and Iran had announced that they had reached an agreement. Global financial markets had reacted positively to the announcement. Oil prices had returned to levels slightly below US\$80 per barrel (WTI-Brent average), representing declines of slightly more than 10% in their short-term price. Over a two-year horizon, the trajectory of futures contracts showed a more limited adjustment, priced at about 3% below the level considered in the central scenario of the June IPoM.



2. Background analysis and discussion

The inflationary scenario and associated risks were examined. It was noted that the effects of the rise in oil prices had followed historical patterns, consistent with the estimates in the March IPoM. Core inflation showed no deviation from the projections made at that time, and the central scenario in the June IPoM did not introduce any changes to the projections. It was also mentioned that two-year inflation expectations remained around the 3% target, while one-year expectations were gradually approaching that figure. This was consistent with the view that the oil price shock would prove temporary. In addition to these developments, there was the 60-day ceasefire agreement between the US and Iran, which was an ongoing issue but could help normalize the flow of oil through the Strait of Hormuz; it had had a positive effect on financial markets and had brought down oil prices. Furthermore, it mitigated the risk of a breaking point in inventories that could have major effects on global inflation and activity. There was agreement that these developments combined reduced the likelihood of the higher-inflation scenarios discussed in the March IPoM and also considered at the April meeting.

Regarding the economy, its recent evolution and outlook were discussed. It was noted that the negative surprise in GDP in the first quarter originated mainly from the poor performance of sectors linked to natural resources. As was pointed out in the June IPoM, apart from mining, the effects on other natural resources sectors would be temporary. Thus, although the GDP growth projection range was narrowed for 2026 due to the first-quarter result, it was revised upward for 2027, owing to the stronger growth expected in investment.

There was a discussion regarding the underlying strength of the economy. On the one hand, it was noted that information of weaker results in sectors linked to private consumption was only recent and should be evaluated with caution. Furthermore, private consumption had performed as expected in the first quarter, with a quarter-on-quarter expansion rate of 1%, similar to that seen at the end of 2025. For the same reason, it could not be ruled out that some of these signs of reduced momentum observed at the beginning of the second quarter might be due to households adopting a precautionary stance in response to the oil price shock. If the agreement between the United States and Iran succeeded and a decline in crude oil prices took hold, that behavior could reverse. Furthermore, the updated IFP pointed to higher spending this year, representing a significant difference from the projections in the March IPoM.

On the other hand, it was noted that, in addition to signs of a deterioration in the fundamentals of private consumption, investment had weakened in the first quarter, and GDP showed a decline in construction and a slowdown in some services. Thus, it could not be ruled out that the results from the beginning of the year reflected not only temporary supply-side factors associated with natural resources but also weaker demand. Added to this was the evolution of the labor market, which showed weak job creation and rising unemployment. In any case, the need to continue assessing the labor market was emphasized, as cyclical and structural factors could coexist in it. The latter were linked to the cumulative rise in costs in recent years and the impact of ongoing technological change.



3. Analysis of monetary policy options

All five Board members agreed that, although the macroeconomic scenario was still marked by a greater-than-usual degree of uncertainty, inflation had behaved as foreseen, its outlook showed no changes worth noting and expectations two years out were still near the 3% target. Thus, a scenario was configured where the risk balance for inflation had been gradually reaching an equilibrium.

They all coincided that the announced agreement between the United States and Iran was good news because it reduced the risks of more extreme scenarios for the oil price. However, they pointed to the need to wait and see how upcoming negotiations would unfold and the subsequent normalization of the world supply of oil.

There was a consensus that, in the face of greater uncertainty, the credibility of monetary policy required the same degree of caution in response to positive news—such as that of the past few days—as in response to negative news, such as the rise in oil prices in March. Furthermore, recent macroeconomic developments underscored the importance of assessing the course of events on a meeting-by-meeting basis. In this context, all the Board members considered that the only plausible option was to hold the MPR flat at 4.5%.

All five Board members opined that evaluating options other than hold looked inappropriate on this occasion. On the one hand, the decline in inflationary risks reduced the likelihood of scenarios that would require a more contractionary monetary policy. On the other, it was still premature to conclude that the economy might weaken further, and it was necessary to wait for more evidence of a consolidation of the process in the Middle East before determining its implications for the most likely scenario. Meanwhile, it was necessary to carefully assess how demand would react to a more favorable external environment and what other domestic forces might drive expenditure.

4. The monetary policy decision

Governor Costa, Vice-Governor Naudon, and Board members Céspedes, Soto, and Cowan voted for holding the monetary policy interest rate at 4.5%.



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