



MONETARY POLICY MEETING

MARCH 2026





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Monetary policy session No. 320, held on 24 March 2026.

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

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

1. Background

At this meeting, background information came from the March Monetary Policy Report (IPoM). This report noted that the outbreak of war in the Middle East had disrupted the supply of various commodities, including oil, triggering a significant shock to international energy prices. Given the magnitude of the shock, these price increases would have a substantial direct impact on inflation both in Chile and around the world. For the moment, there was still considerable uncertainty about the duration, intensity, and effects of the war.

Global financial conditions had deteriorated against this backdrop. Compared to the end of February, global stock markets had posted negative movements, currencies had depreciated against the dollar, and nominal interest rates had risen. The local market had mirrored these developments, notably the depreciation of the peso, which had reversed the appreciation it had seen in the first two months of 2026. These events had also undone much of the previous improvement in market expectations for global growth. As for copper, its price had exceeded December forecasts, although it had fallen back when the conflict erupted.

Locally, inflation was standing slightly under 3%, with a decline somewhat faster than foreseen in the latest IPoM. The annual change in total CPI had declined from 3.4% in November to 2.4% in February. Meanwhile, core inflation (which excludes volatile items) stood at 3.3% annually, in line with the December forecast. Regarding activity, GDP had closed posting 2.5% growth, similar to estimates, with the output gap in the non-mining sectors having virtually closed. Regarding domestic demand, private consumption had maintained its momentum, amid improved performance of several of its determinants in the preceding months. Gross fixed capital formation (GFCF) had continued to grow, underpinned by projects in the mining and energy industries.



The projections contained in the March IPoM's central scenario were generated in a particularly uncertain environment and significant risks. On the external front, one of the main adjustments corresponded to the oil prices, which exceeded those assumed in December throughout the projection horizon. In the central scenario, the adverse effects of the conflict on world growth largely offset the better results seen in the last months of 2025, so the growth projections for our trading partners showed no big differences with the previous Report. Beyond the corrections associated with the outbreak of the war, copper was trading above forecasts and its projected price was being revised upward for 2026 to 2028.

Locally, the projections lowered the GDP growth range for this year to 1.5%–2.5% (2.0%–3.0% in December). This reflected the impact on economic activity of the new international landscape, the reduction in fiscal spending—in line with the Ministry of Finance's mid-March report—and weaker performance in the mining sector. For 2027 and 2028, the GDP growth range stood at 1.5%–2.5%. The outlook for household and business spending was revised slightly downward. The deterioration of the external situation played a prominent role in this, compounded by lower fiscal spending. In any case, this was partly offset by the evolution of its fundamentals.

For headline inflation, revisions centered on the short term, associated primarily with the impact of the war on global fuel prices. This entailed a significant rise in inflation, which would rise to 4% annually as from the second quarter. Core inflation is also adjusted up for the short term, albeit moderately. Thus, inflation would return to 3% in the second quarter of 2027.

2. Background analysis and discussion

There was agreement that the most significant development since the last monetary policy meeting had been the outbreak of war in the Middle East. It was noted that this event had significantly increased uncertainty, and that its effects on the economy were unclear at this point. It could not be ruled out that the war might end soon, in which case international prices could fall and ease pressure on other prices. Likewise, the conflict could also intensify, affecting oil supply and further pushing up global fuel prices. In the short term, this scenario would generate greater inflationary pressures throughout the world. However, in the longer term, a scenario like this would affect global economic growth, thereby easing inflationary pressures in future times.

In this context, the appropriate monetary policy response was far from obvious and had to be carefully assessed, considering its various effects over time. On the one hand, it would be essential to monitor the evolution of economic activity and the output gap, paying close attention to the effects on financial conditions, expectations, and spending decisions. On the other hand, it was important to assess how price formation would behave in the face of a shock of significant magnitude, because changes in the speed or magnitude of price adjustments that could lead to weaker than anticipated inflation dynamics could not be ruled out. There was agreement that particular attention should be paid to signs of greater pass-through and/or persistence in the shocks being faced.



On the domestic front, the changes in fiscal policy were brought up, noting that the IPoM's central scenario considered the effects of a US\$3.8 billion adjustment in fiscal spending, as informed by the Finance Ministry in mid-March. This would reduce government spending and public investment, which would be reflected in slower GDP growth and weaker domestic demand in 2026, and would contribute to reducing inflationary pressures. However, it was important not to lose sight there was uncertainty regarding the level of fiscal policy expansion over the projection horizon. Several announcements had specific contents and implementation dates that needed to be defined, and as more information became available, their effects on activity and inflation could be assessed.

3. Analysis of monetary policy options

All five Board members agreed that the conflict in the Middle East had represented a significant shock to the global and local economies. Early on, it could be characterized as a supply shock: an increase in the oil price elevating inflation on the short-term. In such a context, the standard response of monetary policy suggested navigating through this temporary rise in prices, provided that its impact on core inflation remained within normal limits and price dynamics were not disrupted.

However, the outlook and assessment of the shock had been shifting as the war progressed. There was now considerable uncertainty about how long the conflict would last and how long it would take for trade flows through the Strait of Hormuz to return to normal. Even if the conflict were to subside, logistical problems could cause the shock's effects to be more long-lasting. This required monetary policy to consider the risk of more persistent inflation. If the energy and food shocks were large or prolonged, they could have a significant pass-through to core inflation and pricing decisions. Likewise, the broader impact on global activity and demand also had to be considered, as it could partially or fully alleviate medium-term inflationary pressures.

Thus, all the Board members agreed that implementing monetary policy had become more complex. Scenarios could be assessed where the external shock ended up affecting the world economy significantly and called for a more expansionary monetary policy stance. The opposite could also be true, with stronger inflationary pressures prevailing and monetary policy needing to be more contractionary.

Facing this uncertainty, the Board considered that the most plausible decision at this meeting was to keep the monetary policy rate (MPR) at 4.5%. Furthermore, there was agreement that monetary policy should be reassessed at each meeting, based on how events unfolded and affected the convergence of inflation to the target.

Several Board members noted that it was reasonable to give some thought to the option of raising the MPR by 25 basis points. Some Board members suggested that inflation would rise rapidly to an annual rate of 4% immediately after a prolonged period during which it had been above the target. They noted that this could



entail risks that would affect the persistence of the inflationary process, deviating from the assumptions in the central scenario. One Board member noted that a preemptive rate hike could help contain that more persistent scenario, but such measure might be premature and costly in a situation as uncertain as the one being faced. Another Board member emphasized that discussing the option of raising the MPR should be interpreted as a way of conveying that, in the face of a significant and rapid increase in inflation, risks were not fully balanced. However, this Board member added that maintaining the MPR was consistent with the prevailing scenario of uncertainty.

4. Monetary policy decision

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



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