

# MNI Chile Central Bank Preview: December 2025

Monetary policy decision and release of statement: 2100GMT/1600ET – Tuesday, December 16, 2025.

## MNI POV: Rate Cut Seen As CPI Fears Ease

The BCCh is widely expected to deliver a 25bp reference rate cut to 4.50% on Tuesday after benign CPI data over the last two months have eased policymakers concerns about persistent inflation pressures. Headline inflation has fallen back within the central bank's 2-4% target range over the period, while the policy relevant ex-volatiles measure has also declined to below the central bank's latest projections. Recent survey data suggest that a rate cut this week will be followed by a final 25bp move next year, bringing the policy rate down to around its neutral level.

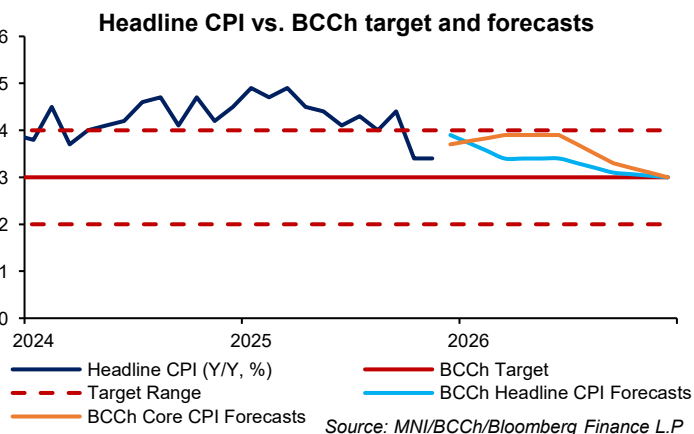
### Return of Inflation Within Target Range Paves Way for Fresh Rate Cut

At the previous monetary policy meeting in October, the central bank Board continued to strike a cautious tone, noting that inflation and activity had evolved as expected, but that risks to the inflation outlook remained. This, it said, warranted waiting to gather more information before continuing the process of reducing the monetary policy rate further towards its neutral range of values. Since then, the last two CPI inflation prints have surprised to the downside, with both the headline and core rates now comfortably inside the central bank's target range, paving the way for a resumption of rate cuts this week.

In October, headline CPI inflation fell by 100bp to 3.4% y/y, its lowest level since April 2021, helped by favourable base effects as last year's electricity price hike dropped out of the annual comparison. Excluding electricity, however, inflation still fell by 50bp to just 2.9% y/y. Meanwhile, the BCCh's preferred ex-volatiles measure also declined from 3.9% y/y to a 15-month low of 3.4%. These data were followed by slightly softer-than-expected November CPI figures as well, which showed both the headline and ex-volatiles CPI measures unchanged at 3.4% y/y. Importantly, this leaves core inflation tracking below the central bank's forecasts from its September monetary policy report, which put it at 3.7% at the end of this year. Given that core inflation was running close to 4% through Q3 this should be enough to assuage BCCh concerns about persistent core CPI pressures. That said, sticky core services inflation (which ticked up to 4.5% y/y in November) still warrants some caution, with the improvement in core inflation recently being driven by a further moderation in core goods prices.

Looking ahead, the central bank currently expects headline inflation to hit the 3% target in Q3 2026 and hover near that level beyond. However, the recent softer-than-expected data, and potential for a cut in electricity bills from the start of next year (after electricity tariffs were miscalculated and consumers overcharged) raises the prospect of a downward revision to these forecasts in Wednesday's Monetary Policy Report (IPoM) and an earlier convergence of inflation to target next year.

Meanwhile, inflation expectations remain well contained, with analysts and market participants both seeing inflation at the 3% target on a two-year horizon, according to the latest BCCh survey data. These surveys also revealed that the central bank is widely expected to deliver a 25bp cut this week, followed by a final 25bp move to 4.25% in H1 2026. As a comparison, the central bank's September monetary policy report also implied a 25bp cut this week, with the policy rate falling to 4.25% in 2026, before converging to 4.00% by mid-2027.



### Market Friendly Election Outcome to Provide Further Support to Peso

Recent currency strength should also help to contain price pressures ahead. The Chilean peso has rallied almost 4% to 14-month highs against the US dollar since the last monetary policy meeting in October, buoyed by rising copper

prices and optimism following the market friendly pivot to the right in last month's general election. With pro-market presidential candidate, Jose Antonio Kast, also winning Sunday's presidential election run-off, as expected, hopes have risen for a more business friendly environment going forward, which should provide further support to the peso over the medium term.

The trend condition in USDCLP remains firmly bearish, with moving average studies highlighting a dominant downtrend. Scope is seen for a move towards the psychological 900.00 mark, before 881.73, the May 20 2024 low and a key medium-term support. On the upside, key resistance is at 936.21, the 50-day EMA.

### Contraction in Economy Bolsters Rate Cut Expectations

Softer-than-expected Q3 GDP data have also reinforced expectations that the central bank will deliver a renewed 25bp interest rate cut this week. The 0.1% q/q (sa) contraction in real GDP was the first quarterly decline since Q2 2024 and, at 1.6% y/y, it left annual growth slightly below the central bank's projections in its latest IPoM. The slowdown was driven by a drag from the external sector, which offset a further pick-up in investment spending. Private consumption also made another positive contribution, albeit marginally less than in Q2.

Subsequent data revealed a larger-than-expected rebound of activity in October (+0.7% m/m; +2.2% y/y), and looking ahead, a mining-led rebound in investment is still expected to support activity over the next year. However, the uncertain global outlook remains a risk and analysts still expect a slight moderation in Chile GDP growth to 2.3% next year, according to the latest BCCh survey, as compared to an estimated 2.4% this year. Meanwhile, the labour market is still showing mixed signals, with a slight decline in the unemployment rate, but slow job creation and a moderation in wage growth.

### President Boric Nominates New Board Member as Griffith-Jones' Term Ends

Meanwhile, President Boric has nominated Kevin Cowan as the new board member of the central bank, according to a finance ministry statement, replacing board member Stephany Griffith-Jones, whose term ends on December 24. Cowan is a respected academic and was formerly the head of the central bank's Financial Policy Division and chief economist at the Ministry of Finance. He is perceived to have a relatively neutral monetary policy stance, although he will be replacing one of the more dovish members of the Board. His nomination must now be approved by the Senate.

MNI Chile Data Watch List											
Inflation		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
CPI	% m/m	0.3	0.0	↑	0.2	↑					-0.04
CPI	% y/y	3.4	4.0	↓	4.4	↓					-1.50
Oil Price (WTI Active)	\$	57.89	62.70	↓	58.14	↓					-0.73
Economic Activity		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Manufacturing Production	% y/y	-0.4	2.7	↓	-0.1	↓					-0.79
GDP	% y/y	1.6	4.0	↓	3.3	↓					-0.71
Industrial Man Prod	% y/y	-0.4	1.1	↓	4.0	↓					-1.04
Economic Activity	% y/y	2.15	1.84	↑	3.14	↓					-0.41
Trade Analysis		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Trade Balance	\$ (M)	1897.8	1110.3	↑	1624.4	↑					0.39
Exports Total	\$ (M)	8504.3	8064.4	↑	8644.1	↓					-0.34
Copper Exports	\$ (M)	4282.5	4354.4	↓	4634.1	↓					-0.99
Consumer / Labour Market		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Retail Sales	% y/y	6.5	6.0	↑	6.4	↑					0.11
ICME Business Confidence	Index	45.2	46.7	↓	46.7	↓					-0.68
Unemployment Rate	%	8.4	8.7	↓	8.8	↓					-1.59
Nominal Wage Increase	% y/y	5.9	6.3	↓	8.2	↓					-1.05
Markets		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
IPSA Index	Index	10,363	8,900	↑	8,048	↑					1.83
Local 10-Year Swap Rate	%	5.20	5.22	↓	5.09	↑					-0.25
Note: For quarterly data the 3m ago column will display the previous data point and the 6m ago column will display the data point prior to that.											
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## Analyst Views

Nearly all analysts in the latest Bloomberg survey (18/19), expect the BCCh to cut the policy rate by 25bp to 4.50% this week. The remaining analyst (Deutsche Bank) expects the policy rate to be left unchanged.

### **BBVA: Expected Rate Cut Should Have Limited Impact on CLP**

- Chile's central bank is expected to cut rates by 25bp to 4.50%. With inflation persistently surprising to the downside, inflation expectations anchored and the CLP making new yearly highs, conditions are met for an extra step in the normalisation process before the new administration comes in.
- The cut is mostly priced in and, should it materialise, it is likely to have limited impact on the CLP. The revised IPoM forecasts will also remain in focus.

### **BNY Mellon: Further 25bp Cut Seen, Focus on Guidance on Potential End to Easing Cycle**

- The BCCh is expected to cut rates by a further 25bp to 4.50%, though recent activity data have been more robust. The unemployment rate has fallen to 8.4%, and retail sales rose 8.4% y/y, while CPI remains well above 3%.
- However, the forward outlook is challenging – industrial production has contracted, and questions remain over copper export volumes as China diversifies supply chains. Forward pricing suggests terminal rates below 4%, and markets will look to the BCCh for guidance on the potential end of the easing cycle.

### **Goldman Sachs: Data Supportive of December Rate Cut Expectations**

- Goldman Sachs expects the Board to resume its easing cycle and lower its policy rate by 25bp to 4.5%. In their assessment, the central bank's guidance in the September Monetary Policy Report (IPoM) was consistent with a December cut, and data since then have been supportive of this view.
- Headline and core inflation have come below the central bank's forecast and putting together the CPI reports that followed the September IPoM with GS' -0.1% m/m forecast for December inflation sets headline inflation at 3.6% y/y by year-end, notably below the September IPoM's 4.0% y/y forecast. GS also expects core inflation to end the year 0.2-0.3pp below the 3.7% level the central bank anticipated in its last IPoM.
- Activity, in turn, has performed broadly in line with the central bank's expectations, and GS forecasts 2.4% growth this year, around the midpoint of the 2.25-2.75% range the central bank expected in September. In the labour market, job creation remains weak, wage growth has eased, and the unemployment rate remains above historical averages.

### **Itaú (Dec 5): Benign Inflation Data Pave Way for Rate Cut**

- Itaú see downside risks to their 3.7% year-end CPI forecast, following the November CPI print. Beyond that, they forecast inflation to reach 3.0% by the end of 1Q26.
- The November CPI data pave the way for the BCCh to deliver a 25bp cut in the December policy meeting to end the year at 4.5%.
- While the BCCh's inflation forecasts are likely to be revised down in the December IPoM, core services dynamics may limit a substantial adjustment, especially considering Itaú's view for an upward revision to 2026 activity forecasts.

### **JP Morgan (Dec 5): Backdrop Favourable For Another 25bp Rate Cut**

- After cooling in October, Chile's inflation returned to form in November, aligning closely with market expectations and registering 3.4% y/y. As policymakers prepare for the next monetary policy meeting, the backdrop appears favourable for another interest rate reduction.
- While activity performance has proved solid, both headline and core inflation levels are running close to the 3% target. The peso has strengthened, buoyed by robust copper prices and growing anticipation of a potential shift in political leadership.
- Barring any major surprises in Sunday's election, JP Morgan expects the BCCh to lower its benchmark rate by 25bp, bringing it to 4.5%.

**Natixis: Project 25bp Cut in December and 4.25% Terminal Rate Next Year**

- Natixis projects a 25bp cut in the policy rate to 4.50%, which would place the rate at the upper bound of the neutral range of 3.5% to 4.5%. Their forecast for the terminal rate remains at 4.25%. Predicting the timing of the last cut may prove challenging. Natixis expects the BCCh to pause in early 2026 to ensure that inflation continues to decline. Additionally, the possibility of the Fed pausing its cutting cycle in early 2026 may prompt the BCCh to adopt a more cautious stance.
- Both external and domestic factors support a rate cut to 4.50%, in Natixis' view. The rally in the Chilean peso, buoyed by the expected election victory of the pro-market, pro-investment right-leaning candidate José Antonio Kast, along with rising copper prices (up 6% mtd), the recent Fed rate cut, and the weakness of the US dollar, provide ample room for the BCCh to lower rates.
- Inflation pressures have continued to moderate, albeit gradually. While inflation remains above the target, inflation expectations are well anchored at 3.0%. Regarding economic activity, Natixis perceives a slight softening in the economy. GDP growth was modest at 1.6% y/y in Q3, constrained by slower outputs in certain segments of the mining sector and subdued domestic demand. October's monthly economic activity showed a rebound of 0.7%, although the year-on-year index moderated to 2.2%, down from 3.2% in September.

**Santander: Inflation Slowdown Provides Room for Further 25bp Cut**

- November CPI data revealed a continued slowdown in the non-volatile component, reflecting lower pressures on underlying good prices. In Santander's view, with activity data evolving in line with the central scenario of the latest IPoM and inflation that, in general terms, shows a reduction in risks, the monetary authority has room to make a further 25bp cut at its December meeting.

**Scotiabank: Expect 25bp Cut this Week and Final 25bp Move to 4.25% in Q1**

- Scotiabank expects the BCCh to announce a 25bp rate cut this week, followed by a final 25bp cut to a terminal 4.25% in Q1 2026.
- The rate decision will be followed on Wednesday by the Monetary Policy Report where the focus will be on the implied BCCh rate path. Within the MPR, the BCCh's estimates for the policy rate path as well as its views on inflationary risks and the economy will be key.

**SocGen: Expect Monetary Policy Rate to Fall Below Neutral in 2026**

- With inflation expectations converging to target, SocGen expects the BCCh to resume a gradual easing cycle by reducing rates to 4.50% in December.
- The current ex-ante real interest rate stands at 1.75%, while the ex-post real rate is 1.35%. The central bank aims to cut the real policy rate to neutral (approximately 1.0%) if inflation is seen converging to target over the policy horizon, provided that the economic scenario does not present significant risks. Therefore, as conditions normalise, the central bank could ideally lower the MPR to 4.0% in the coming quarters, consistent with a real policy rate of around 1.0%.
- The economic outlook faces risks from near-term policy uncertainties, external demand shocks arising from trade or tariff uncertainties, and a potential slowdown in key markets. Given these factors and the possibility of a significant moderation in inflation, SocGen foresees the MPR dropping somewhat below neutral in 2026.
- The Federal Reserve's relatively benign policy stance should also be supportive. SocGen maintain their terminal MPR forecast at 3.75% for 2026.