

## MNI Chile Central Bank Preview: October 2025

Monetary policy decision and release of statement: 2100GMT/1700ET – Tuesday, October 28, 2025.

### MNI POV: On Hold Again, Eyes On December Cut

The BCCh is expected to hold the reference rate steady at 4.75%, as the board continues to closely monitor the evolution of core inflation and its fundamentals. While September inflation data confirmed an expected uptick, analysts have pointed out that the core reading was marginally below the central bank's more hawkish estimates. This should keep a December rate cut firmly on the table, a view echoed by both BCCh economist and trader surveys.

#### Neutral Rate Estimate May be Revised Higher

The Board of the BCCh struck a more cautious tone last month, at it voted unanimously to remain on hold, amid concerns about persistent core CPI inflation pressures. The subsequent minutes to that meeting revealed that several board members felt that the risks to inflation had increased, and that although a continued convergence of inflation to target next year was anticipated, those risks should not be ignored. In addition, several members also explicitly acknowledged for the first time that the neutral rate is likely to be in the upper half of the estimated 3.5-4.5% range.

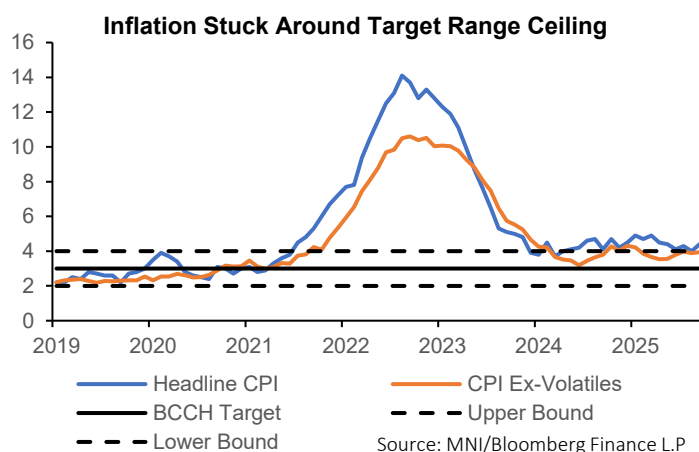
In this context, and with core inflation tracking above its projection, the Board said that the only option was to keep the policy rate at 4.75%, while it continues to monitor the evolution of core inflation and its fundamentals. Going forward, the Board reaffirmed its intention for the policy rate to converge towards its neutral level. However, the prospect of a higher neutral rate estimate means that this may only equate to one or two further 25bp cuts in the coming quarters. Indeed, former deputy governor Pablo Garcia told MNI recently that the central bank is likely to be close to ending its monetary easing cycle and it would not be surprising if the neutral rate estimate is revised to a higher level. (See MNI Policy Team Insights below.)

Following the publication of the central bank's Q3 monetary policy report (IPoM), BCCh Governor Rosanna Costa said that the central bank will monitor headline and core inflation readings closely before deciding on the policy rate in the coming meetings. Costa said that core inflation is seen running higher over the next 12 months, amid wage increase and robust consumer demand, ending this year at 3.7% (vs. 3.1% expected in June) and 3.1% next year (vs. 3.0% previously). Meanwhile, headline inflation is expected to hit the 3% target in Q3 2026 and hover near that level beyond. The IPoM's interest rate corridor now implies a 25bp cut by year-end, with the policy rate falling to 4.25% in 2026, before converging to 4.00% by mid-2027, later than the previous end-2026 forecast.

#### Persistent Core Inflation Prompts Caution

The September CPI inflation data confirmed that core pressures remain persistent, reinforcing the central bank's recent caution. While higher food prices contributed to the 40bp increase in headline inflation to 4.4% y/y, the BCCh's preferred ex-volatiles measure also rose by 0.4% m/m, keeping the annual rate at 3.9% y/y, just below the target range ceiling. Within this, core goods inflation ticked up to 3.2% y/y, while core services inflation was unchanged at 4.5%. On a sequential basis, annualised headline inflation over the last quarter rose to 4.2%, while annualised core inflation reached 5.6%, up from 3.8% in Q2.

Despite the persistence of core inflation, however, it is worth noting that the latest data were marginally below the central bank's more hawkish estimates for core inflation, which the latest IPoM put at 4.0% in Q3. Meanwhile, prospects for a convergence of inflation to target next year have improved recently, after the National Energy Commission reported that electricity tariffs had been miscalculated over



the last two years, resulting in consumers being overcharged. Assuming that the Ministry of Energy adopts the commission's recommendations, this could result in a cut in electricity bills from the start of next year, keeping the door open to further gradual rate cuts to neutral ahead.

Importantly, inflation expectations remain well contained, with analysts still seeing inflation at the 3% target on a two-year horizon, according to the recent BCCh economist survey. Meanwhile, the equivalent traders survey last week revealed that market participants see inflation tracking at 3.1% 24-months from now. According to these latest surveys, the BCCh is widely expected to remain on hold this week, with the next 25bp cut to come in December, followed by a final 25bp move to 4.25% towards the end of Q1 2026.

### Mining Disruptions Weigh on Activity

Economic activity surprised to the downside in August on the back of a temporary disruption to mining activity following the accident at Codelco's El Teniente copper mine. Mining activity fell by 2.3% m/m and 6.3% y/y, dragging overall economic activity down by 0.7% m/m. This brought overall economic growth down to a weaker-than-expected 0.5% y/y, from 1.8%, a six-month low. Ex-mining, however, economic activity rose by a more robust 1.7% y/y, supported by a larger-than-expected increase in manufacturing production and a 2.4% y/y gain in services output.

Overall, the August activity data were underwhelming, suggesting that Q3 growth may disappoint the central bank's expectations. Nonetheless, with private consumption remaining resilient and a mining-led investment rebound still expected ahead, analysts see the economy growing by 2.4% this year, according to the latest central bank economist survey, and 2.2% in 2026, both 10bp above estimates ahead of the September MPC meeting.

### Market Friendly Election Outcome Seen

General elections will be held in Chile on 16 November 2025, where voters will elect the President, renew all seats in the Chamber of Deputies, and fill half of the seats in the Senate. While the latest Cadem poll suggests that left-wing candidate Jeanette Jara leads the first round with around 26% of voting intentions, it still appears likely that hard-right candidate Jose Antonio Kast (polling at 22% in the first round) would win a second-round run-off in December, potentially fostering a more business friendly environment going forward.

### USDCLP Breaches Key Support

A pro-market election outcome is seen as being supportive for the peso on a medium-term horizon. From a technical perspective, a bear cycle in USDCLP remains intact and the pair recently breached key short-term support and the bear trigger at 945.53, the October 9 low, on the back of gains in copper and a return of Hacienda dollar supply to the market. This confirms a continuation of the downtrend and signals scope for a move towards the July lows of 922.67. On the upside, key short-term resistance has been defined at 968.90, the October 6 high.

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	0.4	-0.4	↑	0.5	↓					0.12
CPI	% y/y	4.4	4.1	↑	4.9	↓					-0.04
Oil Price (WTI Active)	\$	61.50	61.65	↓	67.42	↓					-0.18
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	1.8	3.0	↓	-1.4	↑					-0.27
GDP	% y/y	3.1	2.0	↑	1.1	↑					0.69
Industrial Man Prod	% y/y	-1.9	4.8	↓	-3.7	↑					-1.18
Economic Activity	% y/y	0.52	3.30	↓	0.08	↑					-1.28
Trade Analysis		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Trade Balance	\$ (M)	932.5	1142.8	↓	1807.3	↓					-0.90
Exports Total	\$ (M)	8426.2	8261.5	↑	8644.3	↓					0.25
Copper Exports	\$ (M)	4392.2	4656.9	↓	4422.5	↓					0.30
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	5.3	6.0	↓	6.4	↓					0.04
ICME Business Confidence	Index	46.6	44.0	↑	46.0	↑					-0.04
Unemployment Rate	%	8.6	8.9	↓	8.4	↑					-0.08
Nominal Wage Increase	% y/y	2.0	3.5	↓	3.9	↓					-1.57
Markets		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
IPSA Index	Index	9,184	8,248	↑	7,649	↑					1.43
Local 10-Year Swap Rate	%	5.21	5.11	↑	5.37	↓					0.23

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.

Source: MNI, Bloomberg

## Analyst Views

In the latest Bloomberg survey, all 15 analysts expect the BCCh to remain on hold at 4.75% this week.

### **BBVA: Next Rate Cut Likely Delayed Until Next Year**

- On Tuesday, the BCCh is likely to keep the policy rate unchanged at 4.75%. Policymakers have expressed concerns about the stickiness of inflation and the need to recalibrate neutral rates that can condition the next moves. The BCCh will likely claim it needs more information on price pressures before making any additional cuts, likely delaying the next move until next year.
- This should remain mildly positive for the CLP, although it is mostly priced in. The CLP has been a market outperformer in the run-up to the Chile elections on 16 November, with an increasing chance of a market-friendlier political swing and new highs in copper prices. This adds to a short-positioned market and the break in correlations after underperforming through mid-year.

### **Goldman Sachs (Oct 08): October Rate Cut Unlikely as Board Accumulates More Information**

- Goldman Sachs highlights that putting the benign August CPI report together with the September numbers, sets both headline and core inflation readings in the third quarter of 2025 below the central bank's forecast foreseen in the September IPoM.
- As several MPC directors noted that the August inflation report was consistent with the central bank's estimates for headline and core inflation, the September inflation figures imply a 0.1pp and 0.2pp miss to their more hawkish expectations on headline and core inflation, respectively.
- Although inflation came below the central bank's expectation and August real activity data was weak, MPC guidance suggests that a rate cut in October is unlikely, as Directors are looking to accumulate additional information before continuing with their easing cycle.
- GS remains constructive on the outlook for inflation and expects the central bank to resume rate cuts before the end of the year.

### **Itaú (Oct 10): On Hold This Week, With Next Cut to Come in December**

- In September, the Board opted to delay revisions to the neutral rate range (currently 3.5%–4.5%) due to elevated uncertainty. However, several members indicated that the neutral rate likely lies in the upper half of that range, which was then confirmed in the minutes.
- The IPoM's rate corridor projects the policy rate at 4.25% in 2026, reaching 4.0% only in 2027, which Itaú interprets as an implicit indication of a bias towards a higher endpoint. The minutes reinforce the hawkish tone of the September meeting and IPoM, effectively ruling out a rate cut in October.
- As such, Itaú does not expect a rate cut in October, with the Board opting to accumulate additional inflation data. By December, Itaú believes that the Board will have sufficient data to confirm the disinflation process and proceed with the final stages of rate cuts.
- Itaú expects the cycle to conclude in 1Q26 at 4.25%, which is 50bp below the current level.

### **JP Morgan (Oct 08): Stubborn Persistence of Core CPI Casts Doubt on December Cut**

- The September inflation report showed monthly inflation outpacing JP Morgan's projections as both headline and core CPI registered 0.4% m/m gains. This momentum propelled annual readings higher, with headline inflation climbing to 4.4% y/y and core CPI reaching 3.9% y/y.
- The most salient takeaway from the September inflation report was the stubborn persistence of core inflation. Sequential momentum has accelerated and is running above levels that would allow headline inflation to converge towards the central bank's target within the policy horizon.
- This data print strengthens the case for the central bank to hold rates steady at its October meeting, while casting doubt on the likelihood of a 25bp cut in December.



**Santander: Anticipate 25bp Rate Cuts in December and June 2026**

- Compared to the scenario projected by the central bank in its latest Monetary Policy Report, headline inflation is relatively in line with expectations, while core inflation - which was the Council's main concern - was slightly lower, around one-tenth of a percentage point lower in the quarter. Santander maintain their CPI inflation projection of 3.8% for the end of 2025 and 2.9% for 2026.
- The economy is slowing at the margin, with mining affected by the shutdown in El Teniente, while the rest of the sectors are showing mixed results. Despite this, Santander's GDP growth projection of 2.4% for 2025 remains unchanged.
- Santander's expect the central bank to keep the rate unchanged at its meeting this month, although they believe that the data leave room for a 25bp cut at the December meeting. Beyond that, only one additional cut to 4.25% is anticipated in June 2026, which would bring the policy rate to its neutral level.

**Scotiabank (Oct 8): December Rate Cut Remains on the Table**

- Scotiabank believes that a December rate cut remains on the table, but concerns persist over the rising price adjustability, especially among non-volatile items (and, within them, goods).
- September's CPI surprised positively relative to the IPoM scenario, both headline and core. The central bank projected average inflation for Q3 at 4.3% y/y (actual: 4.2%), assuming a September CPI of 4.5% y/y (actual: 4.4%). It also anticipated core CPI at 4.0% y/y for Q3 (actual: 3.9%), assuming a September core CPI of 4.2% y/y (actual: 3.9%).
- The significant core surprise keeps alive the possibility of a December rate cut, which Scotiabank continue to assign a 50% probability, pending upcoming CPI prints. The rising adjustability in the price basket over recent months suggests an attempt to recover margins amid higher labour costs and peso depreciation, in a context of stronger private consumption led by lower-income segments.

**SocGen (Oct 10): Expect 25bp December Cut, But See Increased Risks to 3.75% Terminal Rate Forecast**

- Despite a rise in inflation to 4.40% y/y in September, due to higher food and restaurant prices, base effects in electricity prices are expected to drive inflation below 4.0% in October and lower still in the first half of 2026. The key question is whether growth will slow enough to reduce core inflation as well. Year-ahead inflation expectations declined to 3.2% in August/September, from 3.8% a year earlier.
- At 4.75%, the BCCh's policy rate is just 75bp above what the central bank considers neutral (~4.0%). The peso has underperformed other Latam currencies this year, partly due to a narrowing spread over the Fed rate and election-related uncertainties. Both factors could become supportive for the peso in the coming months, providing room for further rate cuts.
- SocGen maintain their year-end BCCh rate forecast at 4.50%, expecting a rate cut in December. While recent growth data has surprised to the upside, the outlook remains modest given weak conditions in key markets. They continue to expect BCCh rates to fall below neutral (to 3.75%) in H2 2026 but see increased upside risks to their terminal rate forecast.

## MNI Policy Team Insights

**MNI EM INTERVIEW: Chile Nears Easing Cycle End - Ex-Deputy Garcia**

*By Larissa Garcia*  
Sep 15, 2025

The Central Bank of Chile is likely close to ending its monetary easing cycle, as its policy rate is already very near the neutral level, former deputy governor Pablo Garcia told MNI.

Garcia, now a professor at Adolfo Ibanez University, said in an interview that it would not be surprising if the central bank revised its neutral rate estimate from around 4% to a higher level.

"In the [monetary policy] report they published, there is an implied cut in December, another one around the middle of next year, and another toward 2027. But to be transparent, I think this means we are very close to simply stopping the easing cycle," he said.

Last week, the Central Bank of Chile unanimously decided to keep its interest rate at 4.75%, following a 25-basis-point cut in July. The board mentioned the persistence of core inflation and said it needs to gather more information before continuing to lower rates.

The Monetary Policy Report was published last Wednesday, a day after the rate decision.

## HIGHER NEUTRAL RATE

"It would not surprise me if, in the December report, they decide to estimate the neutral rate at 4.5% or 4.25%, and basically either stop or deliver one more cut. But we are already about to end the easing cycle," the former deputy added.

The economy is growing at a rate above that which officials believe to be potential, while inflation remains above target, he said.

"It doesn't make much sense to believe they need to keep cutting down to 4%."

The outlook for monetary policy will hinge on the fiscal stance of the next government, with Chile set to hold presidential elections in November, Garcia said.

"There are elections coming up, and the big question is what will happen with the fiscal strategy. There are many announcements of spending cuts, and also many announcements of tax cuts, and as we know, tax cuts are much more popular than spending cuts."

He mentioned that the quarterly monetary policy report emphasized the labor market but did not address the potential level of GDP, which is possibly higher.

"They put a lot of emphasis on the labor market and none on discussing potential GDP, because neutral rates had to be higher."

## TRADE WAR

Garcia also noted that U.S. President Donald Trump's trade policy does not affect Chile much due to the country's economic structure, as it is not integrated into the global manufacturing value chains that have been the focus of the trade war.

Regarding the next moves of the Federal Reserve, he said while this is clearly a factor the monetary cycles of Chile and the United States are independent, noting that the Chilean central bank cut rates in July while the Fed held.