MNI Chile Central Bank Review: December 2025

POV: 25bp Cut, Door Open To Further Easing

The Board of the Central Bank of Chile decided to cut the monetary policy interest rate by 25bp to 4.50%, as expected, in a unanimous decision. The move came on the back of a faster-than-expected decline of inflation amid a more supportive local and global backdrop, where the risks to inflation convergence have diminished. The Board is data dependent and will assess further rate adjustments based upon the implication for inflation convergence. Most analysts still see scope for further easing towards neutral ahead, with at least one cut to follow, perhaps in the first quarter of next year.

Amid the faster than projected decline of inflation, the Board now expects the headline rate to reach the 3% target in the first quarter of 2026, as compared to Q3 26 previously. The Board said that this takes into account the "more favourable performance of some cost factors, in a context where the risks to inflation convergence have diminished". The committee also noted that both analysts' and market participants' two-year inflation expectations sit at 3.0%.

Meanwhile, economic activity has continued to be in line with the committee's forecasts, with investment more dynamic than projected, but private consumption performing as expected. However, overall GDP growth was impacted by the weakness in mining. In the labour market, the committee sees improvement, although "significant challenges remain", amid limited job creation.

On the external front, the Board sounded more upbeat, with Chile's main trading partners growing more than anticipated. Overall, the global outlook points to a "slightly stronger external boost for the Chilean economy". It also noted the improvement in global financial conditions – although risks remain – and significant increase in the copper price. Locally, long-term interest rates have declined and the peso has appreciated. Credit remains largely unchanged.

Overall, the Board said that it will "assess future policy adjustments considering the evolving macroeconomic environment and its implications for inflation convergence". It "reaffirms its commitment to conducting monetary policy flexibly, ensuring that projected inflation reaches 3% within the two-year horizon". Looking ahead, most analysts still see room for further easing towards a neutral level, with the next move potentially coming in the first quarter of 2026.

December statement: https://www.bcentral.cl/en/content/-/details/prensa/comunicados-rpm/comunicado-rpm-diciembre-2025

Notable Dates:

- Dec 17 – Release of Q4 Monetary Policy Report
- Jan 05 – Minutes For December 16 MPC Meeting
- Jan 08 – December CPI Inflation Data
- Jan 27 – Next Monetary Policy Meeting

Analyst Views

BBVA: See a Pause As Likely Ahead

- The unanimous decision to cut by 25bp was largely expected. More interesting was the shift in stance in the statement as the Board removed the guidance on reaching neutral, consistent with now having reached the top end of the 3.5%-4.5% estimated neutral range, and used plain language that has historically been a prelude to pauses.
- Overall, the decision and statement should have a limited market impact, being a mild positive for rates on confirmation of the cut but with hints of a pause. Much will depend on the revised policy path forecasts and neutral rate in the IPoM to be presented on Wednesday.

Business Address – MNI Market News, 3rd Floor, 1 Great Tower Street, London, EC3R 5AA

- In general, the elections in Chile have been a more important driver for the CLP and Chilean assets recently. BBVA have maintained a USDCLP short position throughout the election process and prefer receiving 5Y5Y. Chilean markets sold the fact after the Kast election victory over the weekend. After some short-term profit-taking, BBVA still expects USDCLP to test the 900 level and potentially move towards 880, also helped by new highs in copper and lower oil prices.

Goldman Sachs: Forecast Final 25bp Cut in Q1 2026

- In Goldman Sachs assessment, the post-meeting statement reads dovish relative to previous guidance. Given that both headline and core inflation are running below expectations in the September IPoM, and with the MPC expecting inflation to decline to its 3% target in the first quarter of 2026, directors assessed that inflation risks have diminished.
- The MPC also omitted the reference to the need to gather more information before continuing the process of bringing the policy rate toward its neutral range. The December IPoM, scheduled for publication today, should provide additional details on the MPC's plans for any further easing.
- GS are constructive on the disinflation process and forecast another 25bp cut in the first quarter of 2026, bringing the policy rate to a terminal rate of 4.25%. This is slightly above the Central Bank's current point estimate for the nominal neutral rate of 4.1%, but within the upper range of the BCCh's working range of 3.5 to 4.5%, as favoured by some MPC directors.

Itaú: Guidance Retains Plural Reference to Potentially More Than One Further Adjustment Ahead

- The statement recognises that while activity has been broadly in line with their forecast, investment in machinery and equipment surprised again to the upside, consistent with Itaú's view. Itaú believes the positive characterisation of the activity and labour market outlook should be accompanied by an adjustment of the output gap from a slightly negative path in September to a positive path in December. Itaú also sees the 2026 GDP growth forecast revised up.
- Having taken the policy rate down to the ceiling of the BCCh's neutral range, the forward guidance shifted from needing more data before resuming cuts, towards a data dependent guidance that is similar to historical text prior to closing cycles. However, the guidance retained a "plural" reference to potentially more than one adjustment. The one-year real ex ante policy rate fell to 1.5% from 1.75%, at the ceiling of the real neutral estimate.

Santander: BCCh has Further Room to Move Towards Neutral Rate in 2026

- In Santander's view, with inflation converging to the target by the beginning of next year, they estimate that the central bank has room to move towards neutral policy rates during 2026.
- The minutes of the previous Monetary Policy Meeting (RPM) had already suggested that, for the Board, the neutral policy rate would be at the upper end of the estimated range (around 4.25%). In this context, the information contained in today's IPoM rate corridor will be key, as it will provide signals about the arrival level.

SocGen: See Policy Rate Falling Below Neutral to 3.75% Next Year

- The accompanying statement signalled a dovish stance, highlighting a favourable near-term inflation outlook that suggests additional cuts are likely in 1H26, consistent with SocGen's projections. The statement noted that "inflation has declined faster than forecast in September," and the central scenario in the December Monetary Policy Report (IPoM), to be released later today, anticipates inflation converging to the 3.0% target (with a tolerance range of ±1.0pp) by 1Q26.
- SocGen expects inflation to dip below target in the coming months before returning to target over the course of next year. The economy is on track to grow close to potential this year but may slow in 2026 as exports remain weak amid challenges in the mining sector.
- Policy uncertainty could persist in the near term as the new government defines its priorities and demonstrates its ability to advance reforms in Congress. SocGen believes the outlook faces risks from domestic policy

uncertainty and external demand shocks, including trade or tariff risks and potential slowdowns in key markets.

- The current ex-ante real interest rate stands at 1.5%, and the ex-post real rate at 1.1%. Although the December Board statement did not explicitly reference the neutral rate (as it has in the past), the central bank may aim to reduce the real policy rate toward neutral (~1.0% or consistent with MPR at ~4.0%) in the coming quarters, provided inflation continues to converge to target and the economic outlook remains stable.
- Given growth risks, a still-weak labour market, relatively favourable external financial conditions, and the potential for significant inflation moderation, SocGen expects the MPR to fall below neutral in 2026. Their forecast for the terminal policy rate is 3.75% in 2026. That said, risks to their rate outlook are skewed to the upside, particularly if domestic and global economic performance exceeds expectations.