MNI Chile Central Bank Review: October 2025

POV: On Hold Again, Easing Bias Maintained

The Board of the Central Bank of Chile decided to keep the monetary policy interest rate unchanged at 4.75%, as expected, in a unanimous decision. The statement continued to strike a cautious tone, with the Board noting that inflation and activity have evolved as expected, but that risks to the inflation outlook remain. As such, it will continue to collect more information before considering further interest rate cuts towards neutral. Analysts still see scope for further easing, with the next cut potentially coming in December, but with risks tilted towards the possibility of a later move.

In the accompanying policy statement, the Board sounded a little more comfortable about the inflation backdrop, with both headline and core inflation in line with the projections from the latest IPoM in September. The committee noted that analysts' two-year inflation expectations remain at 3%, while those for market participants sit at 3.1%.

The committee had more to say about economic activity and demand, which have also evolved as expected in the latest IPoM. The fall in activity in August reflected declines in sectors "characterised by high volatility" such as mining. In contrast, the Board emphasised the "sustained improvement" in wholesale and retail trade and manufacturing. Meanwhile, private consumption was in line with expectations, while investment was stronger than expected.

The labour market still shows "mixed signals", with a slight decline in the unemployment rate, but slow job creation, while wage growth has moderated. The external sector has evolved as expected, although the US government shutdown stands out, and significant sources of uncertainty remain. The Board also noted the significant increase in the copper price, appreciation of the peso and "moderate changes" in local interest rates. Credit was stable.

Overall, the Board says that it will "evaluate the next movements of the MPR by taking into account the evolution of the macroeconomic scenario and its implications for the convergence of inflation". Although the scenario has evolved as expected, it still poses risks for the inflation outlook, which "warrants awaiting to gather more information before continuing the process of leading the MPR to converge to its neutral range of values". Looking ahead, analysts still expect further gradual rate cuts, with the next move potentially coming in December, albeit with risks titled towards the possibility of a delay until early next year. The pause is seen as being supportive for CLP at the margin.

October statement: https://www.bcentral.cl/en/content/-/detalle/comunicado-rpm-octubre-2025

Notable Dates:

- Nov 07 – October CPI Inflation Data
- Nov 13 – Minutes For October 28 MPC Meeting
- Nov 18 – Q3 GDP Data
- Dec 05 – November CPI Inflation Data
- Dec 16 – Next Monetary Policy Meeting

Analyst Views

BBVA: Next Cut Most Likely Delayed until 2026, Focus on Elections

- The BCCh decided unanimously to maintain the policy rate at 4.75% and indicated a likely pause at least through the end of the year. While the communique did highlight some recent developments, including the 'noteworthy' US shutdown, the overall view was that the data were evolving in line with expectations.
- The pause should, at least in theory, be positive for the CLP on the margin, but the decision was widely expected and the market impact should be limited. More important for the CLP and domestic assets is the election on 16 November. BBVA still believes a market-friendly shift would be supportive of Chilean assets, including the CLP.

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- For USDCLP, profit-taking around 940 has pushed back against the recent trend of gains for the peso, with 940 firming up as a near-term support level. BBVA would see spikes higher in USDCLP as opportunities to add CLP long exposure, with USDCLP ultimately likely to break below the 940 support after the election.

Credicorp Capital: Base Case Still for 25bp Cut in December, But with Upward Bias

- The next meeting is scheduled for two days after the presidential runoff. If asset markets are highly volatile, the Board may adopt a cautious stance and decide to hold rates again.
- For now, Credicorp's baseline scenario still calls for a 25bp cut in December, although with an upward bias and a strong dependence on incoming data at the margin.

Itaú: Expect Next Cut in December, With Risks Tilted to Later Move

- For now, Itaú expects one 25bp cut to 4.5% in the December policy meeting dependent on the continuation of softer inflation data. Itaú expects core inflation of 0.0% m/m for October (3.5% y/y). The curve has priced in 14bp of easing for the December meeting.
- The forward guidance suggests a cautious approach to further easing. The Board sees no urgency to cut rates, preferring to gather more data before moving deeper into the neutral range. The December meeting will be more data-rich, with three additional CPI prints since the IPoM (only one before October), and takes place two days after the expected presidential runoff.
- Softer inflation dynamics, particularly on the services front, along with a CLP recovery, dovish Fed outlook, and reduced electricity price pressures ahead may open the door to resuming the easing process, but risks tilt to postponing the resumption to early 2026.

Santander: Still See Next Rate Cut in December

- In its statement, the Board highlighted that both the external and internal environments have evolved as projected in the latest Monetary Policy Report and reiterated that further information gathering will be necessary before making any new adjustments, given the persistent risks to the future trajectory of inflation.
- At the local level, interest rates remained stable, the peso appreciated, and the local stock market posted gains, while credit showed no significant changes. In Santander's view, the peso's appreciation, along with lower oil prices, should help ease inflationary pressures going forward.
- Overall, the statement reinforces a cautious stance, albeit with signs of less external inflationary pressure and a more favourable financial environment, supported by the rebound in copper prices and the stabilisation of global markets.
- From Santander's perspective, the next policy rate cut would take place in December, contingent on core inflation confirming its downward trend and private consumption or investment in non-tradable sectors not regaining significant momentum.

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