

Tuesday, 29 April 2025

Monetary Policy Meeting – April 2025

At its Monetary Policy Meeting, the Board of the Central Bank of Chile decided to keep the monetary policy interest rate at 5%. The decision was adopted by the unanimous vote of its members.

Uncertainty about the outlook for the global economy has increased considerably since the previous Meeting, particularly following the U.S. tariff announcements in early April and later developments. This has led to a negative perception about the future performance of the American economy, along with prospects for higher inflation. In the rest of the world, these events and geopolitical conflicts are also perceived to have negative effects on growth. Price pressures could be reduced in those countries that will not modify their trade policies.

These announcements were reflected in large movements in global financial markets, with episodes of high volatility. The evolution of U.S. long-term rates—which rose significantly during April—and the dollar, which has been different from usual in the face of events of global uncertainty in which it tends to function as a safe haven, stand out. This contrasts with the situation in other economies, where long-term rates fell in several of them and currencies showed mixed movements. In the stock markets, there were mixed movements, with falls in the United States and increases in Latin America being notable. In this period, the copper price (LMEL) has fallen by around 3%, while the price of a barrel of oil (WTI-Brent average) has fallen by close to 12%.

The domestic market was also affected by the international volatility. However, since the beginning of April, local financial conditions have improved, with a decrease in short and long-term interest rates, an appreciation of the peso and a rise in stock prices. Credit has seen no major changes. The Bank Lending Survey (ECB) for the first quarter of 2025 continues to report weak demand in all portfolios, along with unchanged supply conditions.

Activity figures continue to suggest greater dynamism recently, largely due to the performance of export-related supply sectors, accompanied by a gradual recovery of domestic demand. In February, the Imacec contracted 0.1% annually (-0.5% monthly in the seasonally adjusted series), strongly influenced by the calendar effect and the power outage at the end of the month. This contraction was somewhat milder than expected. On the demand side, various indicators of private consumption and gross fixed capital formation continue to point to it performing in line with expectations. The labor market continues to show limited slack.

In March, headline inflation stood at 4.9% annually, in line with the forecasts in the last IPoM. Core inflation, on the other hand, was somewhat lower than projected (3.7% annually), a difference that owed to the evolution of the prices of both goods and services, although with the influence of specific items in the latter. Two-year inflation expectations have been adjusted to 3%, although some indicators are still above this target.

Changes in global trade policy have deteriorated the prospects for global growth, while increasing uncertainty about its future evolution. The magnitude and timing of these effects on the local economy are still uncertain. Regarding inflation, although it will remain at high levels

in the immediate future, its recent evolution and that of its main determinants reaffirm the convergence prospects contained in the March Monetary Policy Report. All considered, the need for caution remains.

The Board will evaluate the next movements in the monetary policy rate considering the evolution of the macroeconomic scenario and its implications for the convergence of inflation. Furthermore, it reaffirms its commitment to conduct monetary policy with flexibility, so that projected inflation stands at 3% over the two-year horizon.

The Minutes of this Monetary Policy Meeting will be published at 8:30 hours of Thursday 15 May 2025. The next Monetary Policy Meeting will be held on Tuesday 17 June 2025, and the statement thereof will be released at 18:00 hours the same day.

*The Spanish original prevails.