Tuesday, September 9, 2025

Monetary Policy Meeting – September 2025

At today's monetary policy meeting, the Board of the Central Bank of Chile decided to hold the monetary policy interest rate at 4.75%. The decision was adopted by the unanimous vote of its member.

The external scenario has evolved around what was expected, although various sources of uncertainty remain. For the time being, the tariff measures implemented by the U.S. government have led to significant changes in trade flows due to anticipatory effects, making it difficult to assess their medium-term impact on activity and inflation in different economies. Market expectations for Chile's main trading partners growth have not changed significantly since the last meeting.

Global financial markets have been consolidating expectations that the Federal Reserve will resume interest rate cuts this month. In this scenario, short- and long-term interest rates have fallen, and stock markets have recovered across the board. The dollar (DXY) remains depreciated, hovering around its values at the time of the last meeting. The copper price remains fairly unchanged since the previous meeting —around US$4.5 per pound— while the oil price has fallen by about 4% to around US$63 per barrel.

In the local financial market, both the exchange rate and short- and long-term interest rates remain near the levels reported at the previous meeting, while the IPSA has continued to accumulate gains. Credit shows no significant changes.

Local activity has evolved in line with the June IPoM projections, confirming the transitory nature of the factors that boosted it at the beginning of the year. Adjusted for seasonality, during the second quarter total and non-mining GDP grew 0.4% and 0.1% compared to the previous quarter (0.8% and 1.4% at the first quarter), respectively. In July, total and non-mining Imacec increased by 1.0% and 0.5% month-on-month in their deseasonalized series (1.8% and 2.5% annually in their original series), respectively. In the second quarter, domestic demand grew more than expected, where the performance of investment in machinery & equipment and private consumption stood out. The labor market continues to show mixed signals, with the unemployment rate standing at 8.7% in the moving quarter ending in July, in a context of slow job creation and wages that continue to grow strongly.

In line with June forecasts, headline inflation has continued to decline. However, core inflation is higher than expected in the previous IPoM for both goods and services. Two-year inflation expectations in both the Economic Expectations Survey (EEE) and the Financial Traders Survey (EOF) stand at 3%.

In the central scenario of the September IPoM, the foreseen path of headline inflation is similar to that of the previous report, but with core inflation expected to be higher over the next twelve months than what was projected in June. Since this CPI component tends to be more persistent, this emphasizes the need for close monitoring of its evolution and its fundamentals.

The Board will evaluate the next movements of the MPR being attentive to the evolution of the macroeconomic scenario and its implications for inflation convergence. In the current conditions, the risk of greater inflation persistence calls for gathering more information before continuing the process of leading the MPR to converge to its neutral range. The Board also reaffirms its commitment to conducting 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 Friday 26 September 2025. The next Monetary Policy Meeting will be held on Monday 27 and Tuesday 28 October, and the Statement thereof will be released at 18:00 hours of the second day.

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*The Spanish original prevails.