

MONETARY POLICY REPORT

SEPTEMBER 2025



SUMMARY

Headline inflation has evolved in line with forecasts and has continued to fall, along with inflation expectations which remain aligned with the 3% target for the next two years. However, the core inflation (which excludes volatile items) has exceeded expectations, influenced by stronger domestic spending and high cost pressures. Compared to the projections in the June Monetary Policy Report (IPoM), both consumption and investment have performed better in recent months, while the impact of the temporary factors that boosted activity early this year has dissipated, as was indicated at the time. Externally, the market outlook for the Federal Reserve's (Fed) monetary policy has become more expansionary, which has favored the evolution of short-term financial conditions. In any case, the risks of an abrupt deterioration in these conditions persist. In the central scenario, projections for domestic demand growth are increasing, especially for this year. Upward adjustments are also being made to GDP, although by a lower magnitude. Regarding inflation, the core component is estimated to reach higher levels than those projected in June between the end of this year and the first part of the next year. Headline inflation is expected to converge to 3% during the third quarter of 2026. The Board will evaluate the next movements of the Monetary Policy Rate (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.

Headline inflation has evolved as forecast in the June IPoM's central scenario. The annual change of the total CPI was 4% in August (4.4% in May), with two-year inflation expectations still aligned with the 3% target.

However, this trajectory combines mixed results from its components, most notably core inflation being above expectations. The latter reached 3.9% annually in August (3.6% in May), with greater increases recorded in both goods and services.

Core inflation has risen in the context of stronger domestic spending, high wage pressures, and a weaker exchange rate. All these factors raise the projection for this inflation measurement between the end of this year and the first part of the next year.

Activity has behaved as anticipated, which ratifies the transitory nature of the factors that boosted it at the beginning of the year. Thus, in the second quarter, total GDP grew by 0.4% quarterly in its seasonally adjusted series (0.8% in the first quarter).

Nevertheless, domestic demand has performed better than expected. It is worth noting the acceleration of investment in the second quarter. This was particularly noticeable in the machinery & equipment component of gross fixed capital formation (GFCF), whose dynamism has reportedly continued so far in the third quarter, according to figures for capital goods imports. The construction & other works component of GFCF has continued to recover gradually. The upturn in investment has been largely supported by the push for large-scale projects, coupled with somewhat more favorable financial conditions and improved business confidence compared to previous years.

Private consumption also grew more than expected, but its difference with the June projection was smaller than that of investment. This advance is occurring alongside a favorable evolution of some of its fundamentals. Thus, it can be seen that labor income (i.e., the real wage bill) has continued to rise, albeit at a slower pace than in previous months. Its composition reveals a contrast between low job creation and a sharp increase in wages. The financial situation of households has improved compared to previous years, due to both lower interest rates and a reduced financial burden. In any case, consumer bank loans remain sluggish. Finally, consumer expectations are also showing a gradual upturn.

In this context, the current account deficit accumulated over the last twelve months went from 1.8% to 2.2% of GDP between the first and second quarters of this year. This was influenced by a stronger growth in imports of goods due to the increase in domestic spending—which has focused on its tradable component—in addition to a slowdown in exports in recent months.

The external scenario continues to be marked by several sources of uncertainty. Although the global impact of tariffs has been limited so far, their evolution is uncertain and the economic effects are still estimated to be negative. Beyond the agreements reached, the average U.S. tariff is slightly above 15%, its highest since the 1940s. Added to this is the concern generated by institutional tensions in that country. Meanwhile, announcements of a significant increase in defense spending, especially in NATO countries, have contributed, on the one hand, to marginally raising growth projections in some economies and, on the other, to increasing fiscal risks.

The U.S. government's announced tariffs have affected the timing of trade flows and activity in major economies. The anticipated imports prior to the actual application of tariffs contributed to the slowdown in the United States in the first half of the year. This has been mirrored by a greater boost to exports in China and the Eurozone, which recorded better-than-expected results and were also driven by higher fiscal spending. These advances in trade between countries have made it difficult to gauge the impact that the trade conflict will have on the global economy in the quarters ahead.

As for global inflation, there are early signs of the impact of the tariff policy, especially in the United States. The latest U.S. CPI data showed an increase in inflation for the goods most exposed to tariffs, although this was offset by falls in the prices of other items in the basket. In other countries, no repercussions have been observed, although several of them anticipate that trade diversions could cause some downward pressure on inflation.

In the international financial markets, short-term interest rates have fallen amid expectations that the Fed will resume its rate cuts shortly. However, upside risks to inflation in the United States maintain the uncertainty regarding the future dynamics of this process. Tariff adjustments, the prospect of a larger fiscal deficit, and rising labor costs in the American economy are raising concerns about the future evolution of inflation, as evidenced by short-term inflation expectations. In such context, the yield curve of U.S. interest rates has been steepening.

Compared with the statistical cut-off of the last IPoM, stock markets have seen widespread highs, including in Chile (IPSA), while currencies exhibit mixed movements. In any case, the dollar remains depreciated globally. The Chilean peso has accumulated a depreciation of around 3% against the dollar and around 3.5% compared to a broader basket of currencies (MER).

Projections

The main adjustments to the central scenario are at the local level, with changes in the projections for domestic demand and core inflation being most noteworthy. In both cases, these revisions are influenced by the higher starting point left by recent months' figures. The spending trajectory is revised upward, especially for 2025. This, coupled with the influence of a number of cost factors, will lead to high inflationary pressures in the coming quarters.

Thus, the outlook for GFCF is revised upward once more. The latest survey by the Capital Goods Corporation again raised the investment amounts for major projects planned for 2025-2028, especially in energy. This couples with the already mentioned dynamism of capital goods imports. In the central scenario, GFCF would show variation rates of 5.5% in 2025, 4.3% in 2026, and 3.1% in 2027 (3.7, 3.6, and 3.3% in June, respectively).

The foreseen expansion of private consumption is also raised, although to a lesser extent than the GFCF. For this year, this is largely explained by the improved actual results for the second quarter. Going forward, the pace of consumption growth is not expected to differ significantly from the June forecast, considering the mixed evolution of its fundamentals. Private consumption is expected to grow by 2.7% in 2025, 2.3% in 2026, and 2.1% in 2027, respectively (2.2% this year and 2% the next two in the June IPoM).

Consistently with the higher expenditure on tradable goods, a larger current account deficit is foreseen for the three-year period 2025-2027. As a share of GDP, this deficit is expected to average around 2.5% in said period (1.9% in the last IPoM).

For activity, GDP growth ranges are revised moderately. For 2025, the lower bound of the range forecast in June is raised to 2.25%-2.75%. For 2026, it is adjusted up to 1.75%-2.75% (1.5%-2.5% in June) and is maintained at 1.5%-2.5% for 2027.

On the fiscal front, for 2025 the central scenario incorporates an increase in spending in accordance with the latest Public Finance Report (IFP). Afterwards, committed expenditures are considered.

Between late 2025 and the first part of 2026, core inflation would exceed the June forecast. This estimate factors in the greater effective variation of recent months, the effect of higher private spending, still high wage pressures, and a more depreciated real exchange rate (RER) than forecast in the previous IPoM. During 2026, annual inflation minus volatile items would decline toward 3%, in a scenario where the activity gap would close, private consumption would grow in line with the economy's trend, and inflation persistence would behave according to usual patterns. This also considers the assumption that the RER will appreciate over the projection horizon.

In this scenario, the convergence of headline inflation to the 3% target would occur during the third quarter of 2026. From then onwards, it would hover around this figure.

For the external scenario, the growth prospects of trading partners remain slightly above 2.5% on average for the period 2025-2027. Although negative effects from the trade conflict are still expected, the evolution of financial conditions in the short term, improved expectations among different agents, and higher fiscal spending expected in a number of economies would sustain global activity. For the terms of trade, the projection of US\$4.3 for a pound of copper in the period 2025-2027 remains unchanged. For a barrel of oil (average WTI-Brent price), the estimate of close to US\$65 on average for the same period is maintained.



Monetary policy

In the central scenario, 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 sensitivity scenario for the upper bound of the MPR corridor is linked to the local economy, particularly the performance of spending. A situation in which activity and domestic demand were more dynamic than expected would reinforce agents' expectations and give an additional boost to spending, in a context in which nominal wages continue to grow above historical averages. All of this would result in increased inflationary pressures.

The lower bound depicts a situation in which the external outlook worsens, with negative effects on the global and local economies. An escalation of trade tensions or a deterioration in global financial conditions cannot be ruled out, with interest rate hikes, stock market declines, and currency depreciation in emerging economies. All of this would negatively affect economic expectations and domestic spending, with a significant reduction in inflationary pressures.

The risk scenarios are still associated with external conditions and cover several sources of tension. The reversal of global financial conditions continues to pose a significant risk. Although indicators of global uncertainty have fallen from the highs of previous months, they remain above the levels of the last decade, and abrupt adjustments of risk premiums by financial markets cannot be ruled out. This could be exacerbated by the deterioration of the fiscal situation in several major economies and fragile global geopolitical issues, including, among other factors, the ongoing trade disputes and the persistence of conflicts and hotspots of military tension.

TABLE 1: INFLATION (1)(2)
(annual change, percent)

	2023	2024	2025 (f)		2026 (f)		2027 (f)	
			Jun.25 IPoM	Sep.25 IPoM	Jun.25 IPoM	Sep.25 IPoM	Jun.25 IPoM	Sep.25 IPoM
Average CPI	7.3	3.9	4.3	4.4	3.1	3.2	3.0	3.0
December CPI	3.4	4.5	3.7	4.0	3.0	3.0	3.0	3.0
CPI in around 2 years (3)							3.0	3.0
Average core CPI	7.5	3.8	3.5	3.8	3.1	3.5	3.0	3.1
December core CPI	4.7	4.3	3.1	3.7	3.0	3.1	3.0	3.0
Core CPI around 2 years (3)							3.0	3.1

(1) Core inflation is measured using the CPI without volatiles. (2) Figures consider the 2023 CPI reference basket and the splice made by the Central Bank of Chile. (3) For June 2025 IPoM corresponds to inflation forecast for the second quarter of 2027, for September 2025 IPoM to inflation forecast for the third quarter of 2027. (f) Forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

TABLE 2: INTERNATIONAL SCENARIO

	2023	2024	2025 (f)		2026 (f)		2027 (f)	
			Jun.25 IPoM	Sep.25 IPoM	Jun.25 IPoM	Sep.25 IPoM	Jun.25 IPoM	Sep.25 IPoM
			(annual change, percent)					
Terms of trade	1.9	4.4	2.9	3.3	2.1	1.6	1.1	1.1
Trading partners	3.5	3.3	2.6	2.8	2.4	2.4	2.7	2.8
World GDP at PPP	3.7	3.4	2.6	2.8	2.6	2.6	3.1	3.0
Developed GDP at PPP	1.7	1.7	1.1	1.3	1.1	1.2	1.8	1.7
Emerging GDP at PPP	4.9	4.5	3.5	3.7	3.4	3.3	3.8	3.8
			(levels)					
LME copper price (US\$cent/pound)	385	415	430	430	430	430	430	430
Oil price, average								
WTI-Brent (US\$/barrel)	80	78	66	68	63	64	64	64

(f) Forecast.

Source: Central Bank of Chile.

TABLE 3: INTERNAL SCENARIO
(annual change, percent)

	2023	2024	2025 (f)		2026 (f)		2027 (f)	
			Jun.25 IPoM	Sep.25 IPoM	Jun.25 IPoM	Sep.25 IPoM	Jun.25 IPoM	Sep.25 IPoM
GDP	0.5	2.6	2.0 - 2.75	2.25 - 2.75	1.5 - 2.5	1.75 - 2.75	1.5 - 2.5	1.5 - 2.5
Domestic demand	-3.7	1.3	3.2	4.3	2.7	2.6	2.4	2.3
Domestic demand (w/o inventory)	-2.7	0.7	2.9	3.6	2.5	2.8	2.5	2.6
Gross fixed capital form	-0.1	-1.4	3.7	5.5	3.6	4.3	3.3	3.1
Total consumption	-3.5	1.4	2.6	3.0	2.1	2.4	2.3	2.4
Private consumption	-4.9	1.0	2.2	2.7	2.0	2.3	2.0	2.1
Goods and services exports	0.1	6.6	5.1	4.6	1.8	1.8	2.7	2.9
Goods and services imports	-10.9	2.5	7.6	10.3	4.0	3.2	4.3	3.7
Current account (% of GDP)	-3.2	-1.5	-1.8	-2.6	-1.8	-2.4	-2.0	-2.4
Gross national saving (% of GDP)	20.2	21.8	22.2	21.7	22.7	22.2	22.7	22.2
Gross fixed capital formation (% of nominal GDP)	24.2	23.5	23.8	23.9	24.2	24.3	24.5	24.4

(f) Forecast.

Source: Central Bank of Chile.

FUTURE EVOLUTION OF MONETARY POLICY

The projections contained in the central scenario of this IPoM reflect improved prospects for domestic demand. This reflects second quarter figures that exceeded June forecasts, in terms of both investment and household consumption. Added to this is the new increase foreseen for investment in large-scale projects, as well as the positive evolution of some fundamentals of private spending in recent months. Meanwhile, and as expected, several of the temporary factors that had boosted activity at the beginning of the year have dissipated. This, combined with the factors mentioned above, has led to a revision of the GDP growth range for this year, which has been adjusted upward at the lower end, from 2-2.75% to 2.25-2.75%. For 2026, it rises to 1.75-2.75% (1.5-2.5% in June), while for 2027 it remains at 1.5-2.5%. Headline inflation has evolved in line with expectations. However, core inflation—the CPI excluding volatile items—has been higher than expected which, combined with stronger domestic spending and high cost pressures, raises the projection for this component of inflation between the end of this year and the beginning of next year. Headline inflation is expected to converge to the target of 3% during the third quarter of 2026^{1/}. This adjustment comes amid an external scenario in which several sources of uncertainty remain, including doubts concerning the unfolding and impact of the trade conflict. Meanwhile, short-term financial conditions have improved as the market has internalized a more expansionary monetary policy in the United States by the Federal Reserve (Fed). 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.

ACTIVITY AND DEMAND PROJECTIONS IN THE CENTRAL SCENARIO

THE DOMESTIC SCENARIO

Second-quarter 2025 data showed a stronger-than-expected dynamism in domestic demand compared to the June forecast. Investment performance stood out—particularly in machinery & equipment—as did private consumption. This occurred in a context in which, as anticipated, the temporary factors linked to goods exports and tourism that gave a greater boost to activity at the beginning of this year have been dissipating.

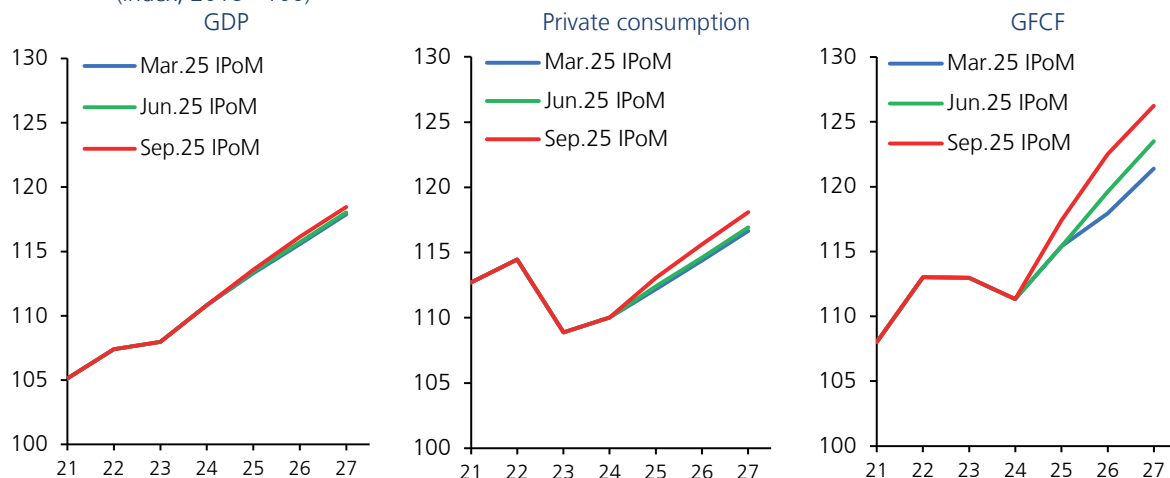
Projected domestic demand growth is raised for this year and next, particularly for Gross Fixed Capital Formation (GFCF). This is due to, among other factors, the boost from big investment projects, strong growth in capital goods imports, improved credit conditions for businesses, and an improvement in business confidence compared to previous years. . As a result, in the central scenario of this IPoM, GFCF would grow by 5.5% in 2025, 4.3% in 2026, and 3.1% in 2027 (3.7; 3.6; and 3.3% in June, respectively) (Figure 1 and Table 1).

Although to a lesser extent, private consumption growth is also adjusted up, especially for this year (2.7% versus 2.2% in June). This is largely justified by the improved performance in the second

^{1/} The central projection scenario of this IPoM does not consider the August CPI figure, which was released after the statistical cutoff date of the Report. However, the figure was broadly in line with forecasts.

quarter. Going forward, the pace of expansion in private consumption is not expected to differ significantly from the June forecast—moderating from recent quarters—given the mixed evolution of its fundamentals. Thus, growth rates of 2.3 and 2.1% are projected for 2026 and 2027, respectively (2% for both years in the June IPoM) (Figure 1| and table 1).

FIGURE 1 ACTIVITY, PRIVATE CONSUMPTION AND GFCF (1)
(index, 2018 =100)



(1) Considers midpoint of GDP growth ranges projected in respective Monetary Policy Report (IPoM).
Source: Central Bank of Chile.

TABLE 1 ECONOMIC GROWTH AND CURRENT ACCOUNT

	2024	2025 (f)	2026 (f)	2027 (f)
	(annual change, percent)			
GDP	2.6	2,25-2,75	1,75-2,75	1,5-2,5
National income	2.8	3.1	3.0	2.5
Domestic demand	1.3	4.3	2.6	2.3
Domestic demand (w/o inventory change)	0.7	3.6	2.8	2.6
Gross fixed capital formation	-1.4	5.5	4.3	3.1
Total consumption	1.4	3.0	2.4	2.4
Private consumption	1.0	2.7	2.3	2.1
Goods and services exports	6.6	4.6	1.8	2.9
Goods and services imports	2.5	10.3	3.2	3.7
Current account (% of GDP)	-1.5	-2.6	-2.4	-2.4
Gross national saving (% of GDP)	21.8	21.7	22.2	22.2
Gross national investment (% of GDP)	23.2	24.3	24.6	24.6
GFCF (% of nominal GDP)	23.5	23.9	24.3	24.4
GFCF (% of real GDP)	23.2	23.8	24.3	24.5
	(US\$ million)			
Current account	-4,853	-9,300	-9,100	-9,500
Trade balance	21,033	19,100	20,100	21,500
Exports	99,165	104,900	108,400	113,900
Imports	78,133	85,800	88,300	92,400
Services	-9,149	-8,600	-9,300	-10,100
Rent	-17,000	-20,100	-20,200	-21,300
Current transfers	264	300	300	400

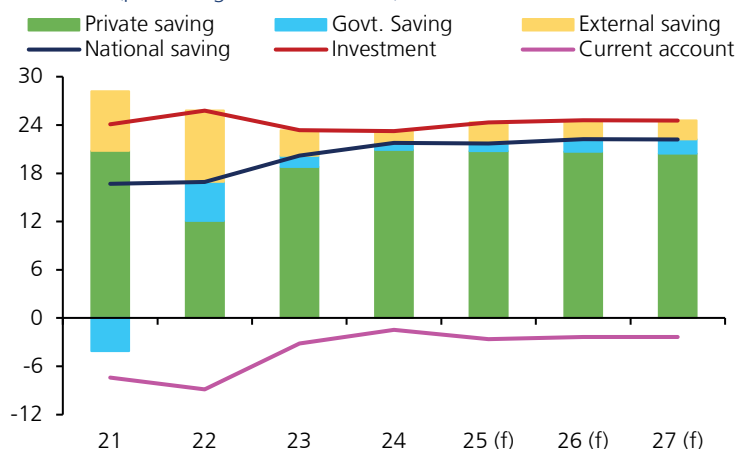
(f) Forecast.

Source: Central Bank of Chile.

For 2025, the central scenario incorporates fiscal spending growth as described in the [Public Finance Report \(IFP\) for the second quarter of this year](#). Thereafter, the committed expenditures indicated in said report are considered.

The current account deficit is expected to be bigger than what was predicted in June, due to higher spending on tradable goods (around 2.5% on average in 2025-2027 versus 1.9% in the previous IPOM). This reflects the weaker outlook for the goods trade balance, due to both lower exports and higher imports. In mining shipments, the change is due to lower estimated production as a result of an accident at El Teniente mining company, delays in the execution of certain projects, and lower ore grades at some copper deposits. However, higher prices forecast for mining products other than copper point to a greater contribution from mining exports in the coming quarters. In non-mining exports, the revision of industrial and agricultural shipments, affected by lower prices, stands out. In imports, the upward revision responds to the higher demand forecast for tradable goods, particularly machinery & equipment. Thus, in the central scenario, projected external savings are increased, coupled with slightly higher private savings in 2026-27. Thus, the improved outlook for domestic demand is consistent with higher expected gross national disposable income and higher external savings (Table 1 and Figure 2).

FIGURE 2 CURRENT ACCOUNT: SAVINGS AND INVESTMENT (1)
(percentage of annual GDP)



(1) The government savings component considers as actual data up to 2024 the general government's balance sheet; the government savings of the central government's balance sheet is used for the 2025-2027 forecast.

(f) Forecast.

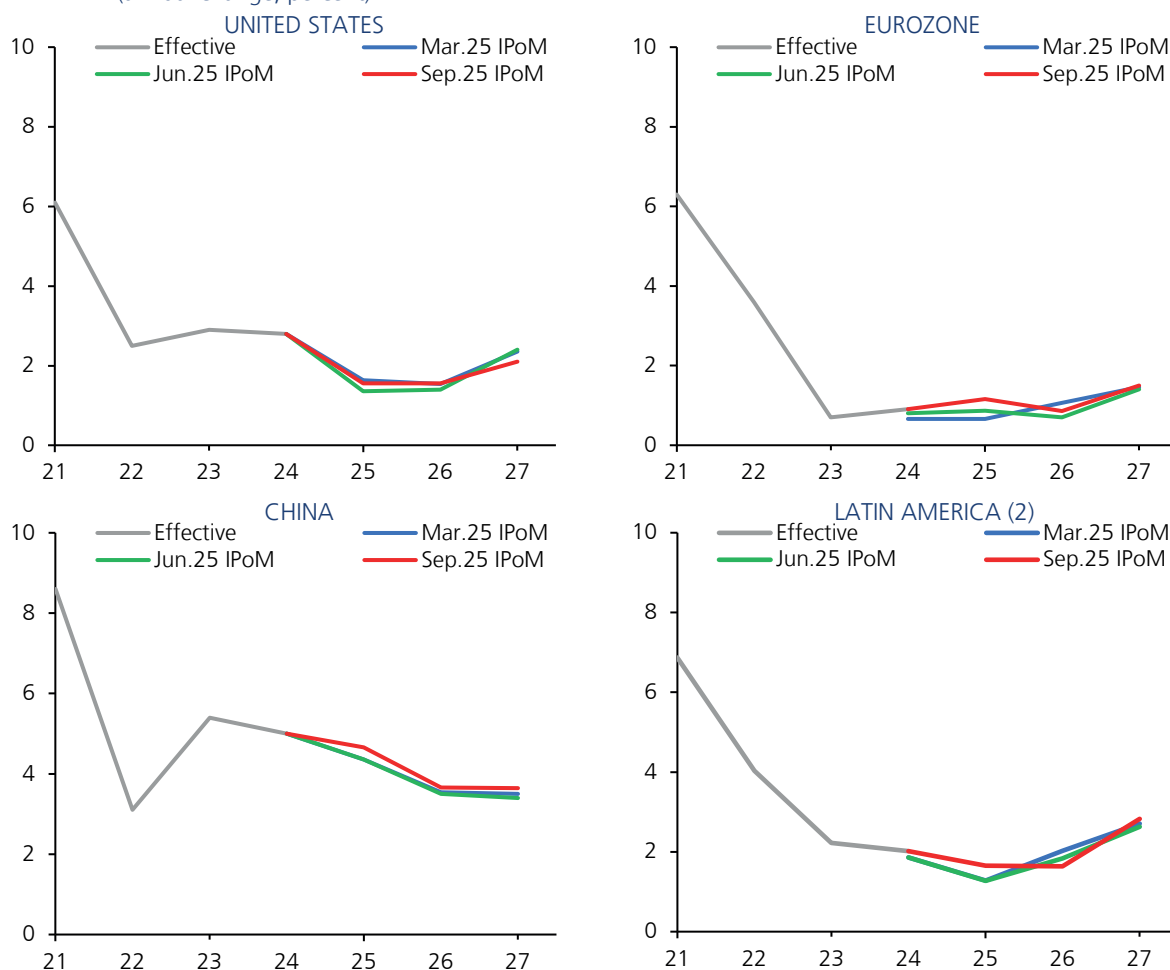
Source: Central Bank of Chile.

Overall, the projection for activity is also revised upward, although not as much as domestic demand. In 2025, GDP is expected to grow between 2.25-2.75%, which raises the lower end of the June range (between 2.0-2.75%). For 2026, the projected growth range is adjusted to 1.75-2.75% (1.5- 2.5% in June), while for 2027 it remains at 1.5-2.5%. These changes are mainly explained by the outlook for non-mining GDP, where some sectors will be boosted by the higher growth expected in private spending. It also considers the weaker short-term outlook for the mining sector, mainly due to lower copper production following the El Teniente accident and the delay in the scaling-up phase of some structural projects (Figure 1 and Table 1).

THE INTERNATIONAL SCENARIO

On the external front, the projected growth of trading partners has been revised slightly upward. As a result, the projection rises marginally (slightly above 2.5% on average for the period 2025-2027). Although the tariff increases are still expected to have negative effects on the global economy, the projections are based on higher fiscal spending expectations in a number of economies and more favorable short-term financial conditions. Market growth projections for this year show a rebound in some countries; however, on aggregate there are no significant changes with respect to the June IPoM (Figure 3 and Table 4).

FIGURE 3 TRADING PARTNERS GROWTH PROJECTIONS (1)
(annual change, percent)



(1) Blue, green and red lines correspond to the projection of the central scenario of the respective Monetary Policy Report (IPoM).
(2) The Region considers Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. The series projection is based on GPM model region made up by Brazil, Chile, Colombia, Mexico and Peru.
Source: Central Bank of Chile.

TABLE 2 WORLD GROWTH (1)
(annual change, percent)

	Aveg. 10-19	2023	2024 (e)	2025 (f)	2026 (f)	2027 (f)
World GDP at PPP	3.7	3.7	3.4	2.8	2.6	3.0
World GDP at market exchange rate	3.3	3.1	2.9	2.3	2.1	2.6
Trading partners	3.9	3.5	3.3	2.8	2.4	2.8
United States	2.4	2.9	2.8	1.6	1.6	2.1
Eurozone	1.4	0.7	0.9	1.2	0.9	1.5
Japan	1.2	1.2	0.1	1.0	0.3	0.6
China	7.7	5.4	5.0	4.7	3.7	3.6
India	6.7	9.2	6.5	5.6	5.6	6.4
Rest de Asia	4.5	3.1	4.0	3.0	3.0	3.4
Latin America (excl. Chile)	1.8	2.2	2.0	1.7	1.6	2.8
Commodity exp.	2.2	1.4	1.2	1.0	1.6	2.0

(1) For definition, see [Glossary of economic terms](#).

(f) Forecast.

(e) Estimate.

Source: Central Bank of Chile based on a sample of investment banks, Consensus Forecasts, the IMF, and statistics bureaus of respective countries.

An increase in the terms of trade is still anticipated over the three-year period 2025-27. The projection for the price of copper remains around US\$4.3 per pound between 2025 and 2027, consistent with unchanged fundamentals and balanced risks regarding its future evolution. The estimated price per barrel of oil (WTI-Brent average) has been adjusted slightly upward for this year, to US\$68 (US\$66 in June). However, the price is still expected to fall to US\$64 in 2026-27, which will reduce the projected variation in local fuel prices during those years. International food prices (FAO) are projected to be slightly higher this year and the following two, although they are expected to begin declining from the second half of 2025 (Table 3 and Figure 4).

TABLE 3 INTERNATIONAL BASELINE SCENARIO ASSUMPTIONS

	Aveg. 10-19	2023	2024	2025 (f)	2026 (f)	2027 (f)
	(annual change, percent)					
Terms of trade	1.0	1.9	4.4	3.3	1.6	1.1
External prices (in US\$)	0.6	-0.2	-0.7	1.8	1.8	1.2
	(levels)					
LME copper price (US\$/cent/pound)	306	385	415	430	430	430
WTI oil price (US\$/barrel)	72	78	76	66	62	62
Brent oil price (US\$/barrel)	80	83	81	70	65	66
Gasoline parity price(US\$/m3) (1)	610	721	660	578	511	511
US Federal Funds Rate (%) (2)	0.7	5.2	5.3	4.4	3.7	3.4

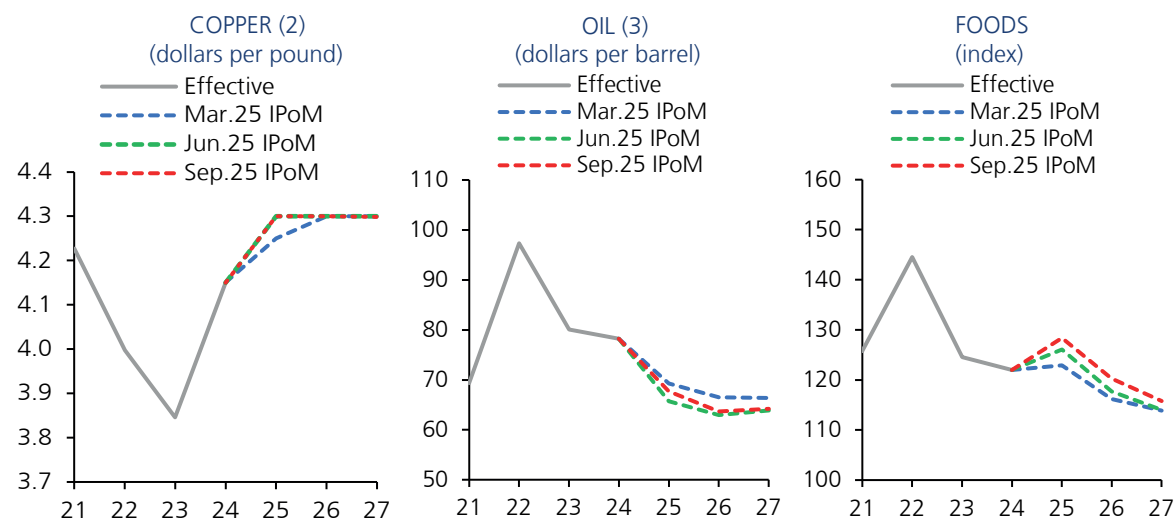
(1) For definition, see [Glossary of economic terms](#).

(2) Annual average for the upper range of the Fed funds rate.

(f) Forecast.

Source: Central Bank of Chile.

FIGURE 4 COMMODITY PRICES FORECASTS (1)



(1) Actual or projected (slashed lines) average price for each year as contained in respective Monetary Policy Report (IPoM).

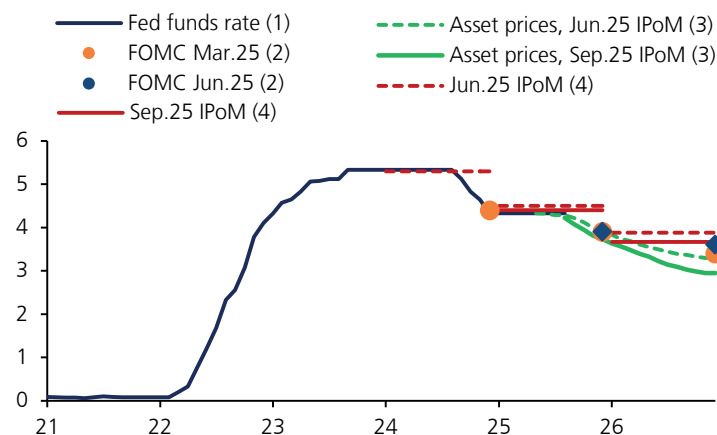
(2) Copper price traded on the London Metal Exchange.

(3) For oil, WTI-Brent average price per barrel.

Sources: Central Bank of Chile and FAO.

Short-term external financial conditions are expected to become more favorable than in June, mainly because of the change in expectations about the Fed's monetary policy. The central scenario assumes that the fed funds rate will be reduced twice in the rest of this year and twice more during 2026 (one and three, respectively, were assumed in the last IPoM (Figure 5). However, there is high uncertainty regarding this assumption, given the inflationary risks that are present in the United States.

FIGURE 5 EVOLUTION AND FORECASTS FOR THE FED FUNDS RATE
(percentage points)



(1) Actual Fed funds rate. Considers information up to August 2025.

(2) Forecast of Federal Open Market Committee (FOMC) at respective meeting.

(3) Based on statistical cutoff dates of respective Monetary Policy Report (IPoM).

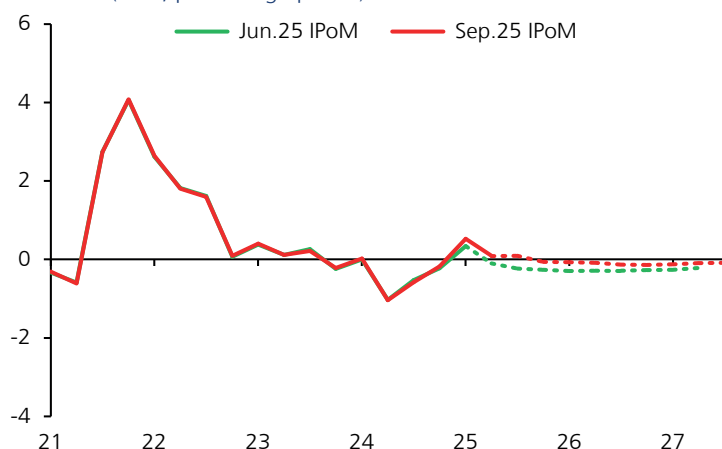
(4) Annual average for the upper range of Fed funds rate in 2024, 2025 and 2026, according to central scenario of each IPoM.

Sources: Bloomberg and U.S. Federal Reserve.

THE ACTIVITY GAP AND CONVERGENCE OF INFLATION TO THE TARGET

A somewhat wider output gap is expected than that estimated in the previous IPoM (Figure 6). This factors in the improved performance of non-mining GDP in the short term, which provides a higher starting point for activity. It also reflects the more favorable outlook for domestic demand, due to revisions to both GFCF and private consumption. All this translates into an activity gap that would be slightly positive in the first part of 2025, which is expected to converge to its equilibrium level during this year and to remain in the vicinity throughout the projection horizon.

FIGURE 6 ACTIVITY GAP (1) (2)
(level, percentage points)



(1) Dotted lines show forecast.

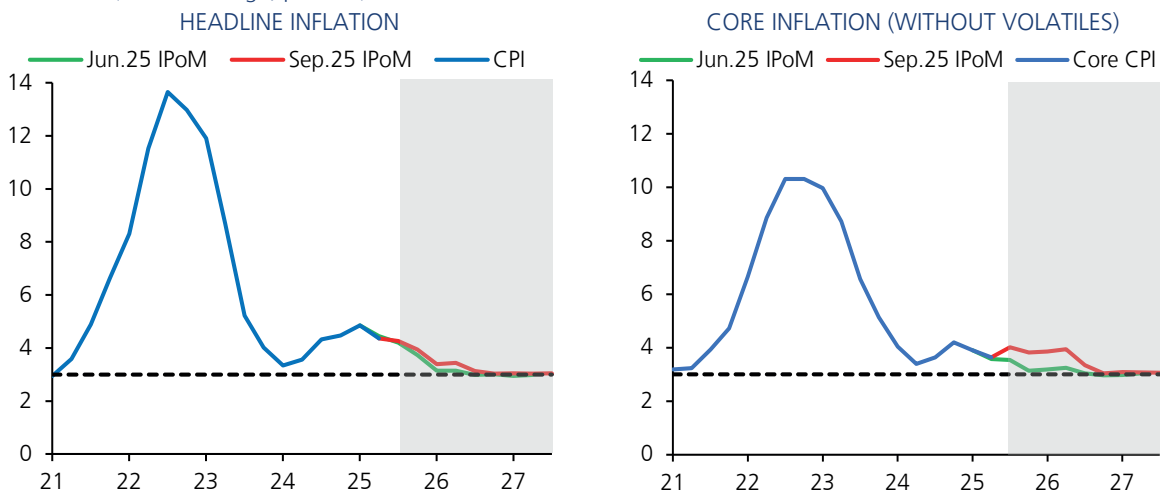
(2) Forecast assumes structural parameters updated in September 2024 Monetary Policy Report (IPoM) (trend GDP) and June 2025 IPoM (potential GDP).

Source: Central Bank of Chile.

With regard to inflation, the central scenario foresees that, between the end of this year and the first half of 2026, the core component will show higher annual variations than those projected in June. This is based on higher-than-expected figures in recent months, improved private spending performance, and a real exchange rate (RER) that is more depreciated than anticipated in June, in the context of still high wage pressures. During 2026, core inflation would decline toward 3% as the activity gap closes, private consumption resumes growth in line with the economy's trend, the RER appreciates, and core CPI rates fluctuate around levels consistent with the target.

Meanwhile, the volatile component is expected to follow a trajectory below that anticipated in June. Thus, headline inflation would converge to the 3% target during the third quarter of 2026, to hover around that value from then on. Compared to the previous IPoM, the volatile component of the CPI is expected to have a lower impact over the projection horizon, in line with a partial reversal of fruit and vegetable prices, lower fuel prices, and the appreciation of the RER contemplated in the central scenario. Additionally, the inflationary impact of the electricity tariff unfreezing process is expected to fade. All the foregoing leads to project that total inflation will converge to the target in the third quarter of 2026. In this context, market expectations are for inflation to stand at 3% in the two-year horizon (Figure 7 and Table 4).

FIGURE 7 INFLATION FORECAST (1)
(annual change, percent)



(1) Prior to 2025, the headline inflation series reflects the 2023 reference basket and the Central Bank of Chile splice. Gray area, as from third quarter 2025, shows forecast.

Sources: Central Bank of Chile and National Statistics Institute (INE).

TABLE 4 INFLATION (1)
(annual change, percent)

	2024	2025 (f)	2026 (f)	2027 (f)
Average CPI	3.9	4.4	3.2	3.0
December CPI	4.5	4.0	3.0	3.0
CPI in around 2 years (2)				3.0
Average core CPI	3.8	3.8	3.5	3.1
December core CPI	4.3	3.7	3.1	3.0
Core CPI around 2 years (2)				3.1

(1) Prior to 2025, the headline inflation series reflects the 2023 reference basket and the Central Bank of Chile splice.

(2) Inflation forecast for the third quarter of 2027.

(f) Forecast.

Sources: Central Bank of Chile and National Statistics Institute (INE).



MONETARY POLICY STRATEGY: THE CENTRAL ESCENARIO AND SENSITIVITIES

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.

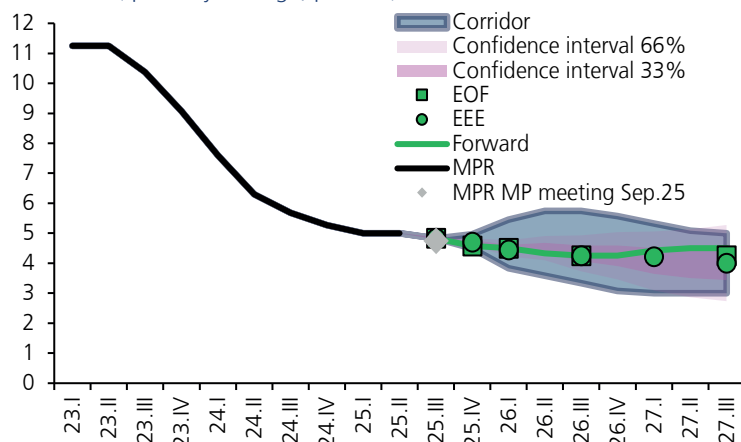
The MPR corridor includes sensitivity scenarios—other than the central scenario and with a significant probability of occurrence—in which monetary policy could follow a different path (figures 8 and 9).

The sensitivity scenario associated with the upper bound of the MPR corridor is tied to local economy, especially the evolution of expenditure. A scenario in which economic activity and domestic demand are more dynamic than expected would reinforce agents' expectations and provide an additional boost to spending, in a context where nominal wages continue to grow above their historical averages. All of this would increase inflationary pressures.

The lower bound reflects a situation in which the external outlook worsens, with negative effects on the global and local economies. An escalation of trade tensions or a deterioration in global financial conditions cannot be ruled out, with interest rate hikes, stock market downturns, and currency depreciation in emerging economies. All this would negatively affect economic expectations and domestic spending, with a significant reduction in inflationary pressures.

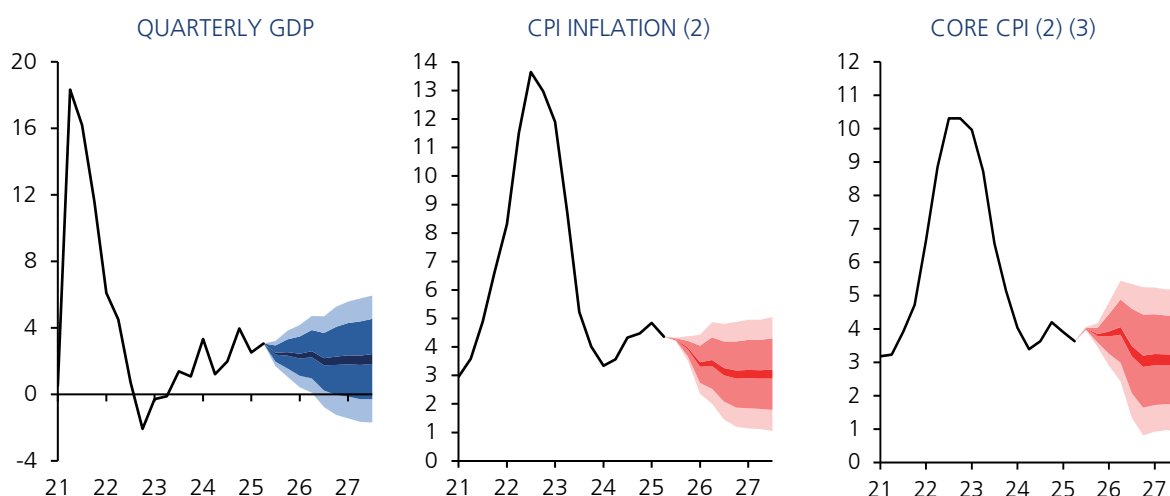
As in recent IPoMs, risk scenarios continue to be linked to external developments and encompass various sources of tension. A reversal of global financial conditions continues to be a significant risk. Although indicators of global uncertainty have fallen from the highs of previous months, they remain above the levels of the last decade, and situations in which financial markets make an abrupt adjustment in risk premiums cannot be ruled out. This could be exacerbated by the deterioration of the fiscal situation in several major economies and a fragile global geopolitical situation, considering the ongoing trade disputes and the persistence of conflicts and hotspots of military tension.

FIGURE 8 MPR CORRIDOR (1)
(quarterly average, percent)



(1) The 2026 and 2027 calendar considers two MP meetings per quarter. The corridor is built by following the methodology described in Boxes [V.1 of March 2020 Report](#) and [V.3 of March 2022 Report](#). It includes the August Economic expectations survey (EEE), the September pre-MP meeting Financial traders survey (EOF) and the quarterly average smoothed forward curve as of September 3. This is calculated by extracting the implicit MPR considering the forward curve over the overnight index swap (OIS) curve for up to 2 years, discounting the fixed rates of each maturity at the simple accrual of the OIS index. For the current quarter, the surveys and the forward curve consider the average of daily actual data and are completed with respective sources. Quarterly average considers working days in each quarter. Gray diamond corresponds to the MP decision of September 2025.
Source: Central Bank of Chile.

FIGURE 9 GROWTH AND INFLATION FORECASTS (1)
(annual change, percent)



(1) The figure shows the confidence interval of the central projection to the respective horizon (colored area). Includes 10, 70 and 90% confidence intervals around the central scenario. Confidence intervals are constructed from the RMSEs of the XMAS-MEP models, 2009-2017 average.

(2) Prior to 2025, the headline inflation series reflects the 2023 reference basket and the Central Bank of Chile splice.

(3) Measured with the CPI without volatiles.

Sources: Central Bank of Chile and National Statistics Institute (INE).



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