

Chile: Macroeconomic Outlook

October 2025

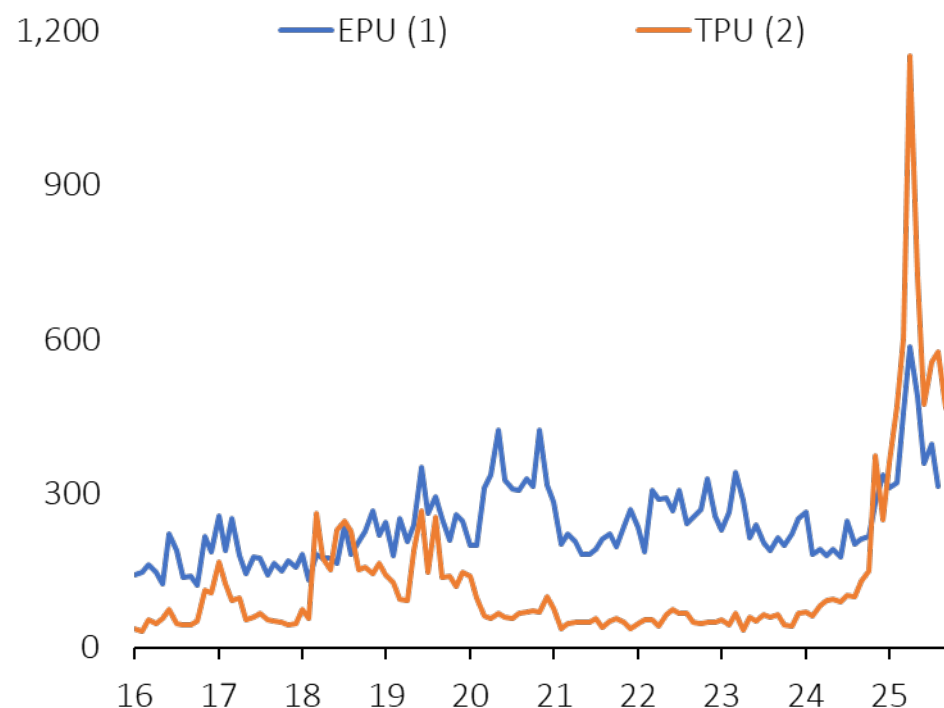
Claudio Soto, Board member of the Central Bank of Chile



Uncertainty has receded, but remains high

Uncertainty indicators

(index)



(1) EPU: Global Economic Policy Uncertainty Index. (2) TPU: Trade Policy Uncertainty Index. Sources: Central Bank of Chile, US International Trade Commission, Tax Foundation, Baker, Bloom & Davis (2016) and Caldara, Iacoviello, Molligo, Prestipino & Raffo (2020).

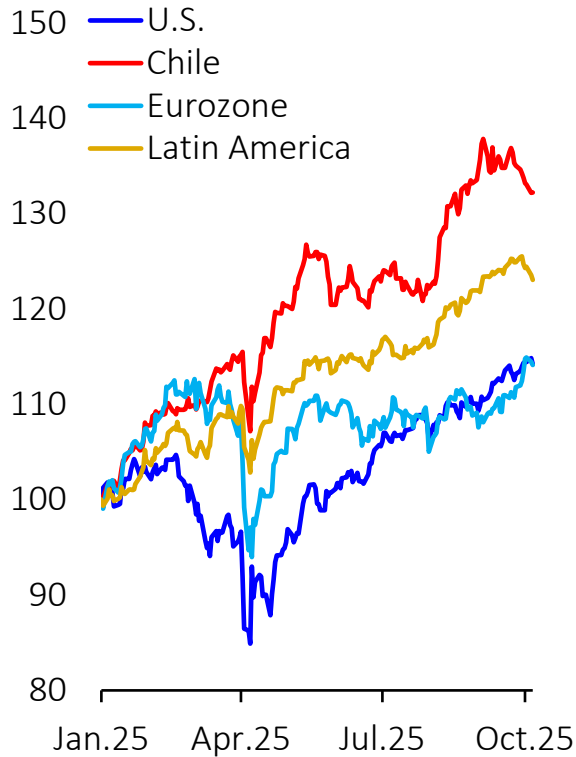
There are several sources of uncertainty in the external sphere, mainly:

- Trade conflict
- War and geopolitical conflicts
- Fiscal situation in developed countries
- Institutional situation in the United States
- Future actions of the Federal Reserve

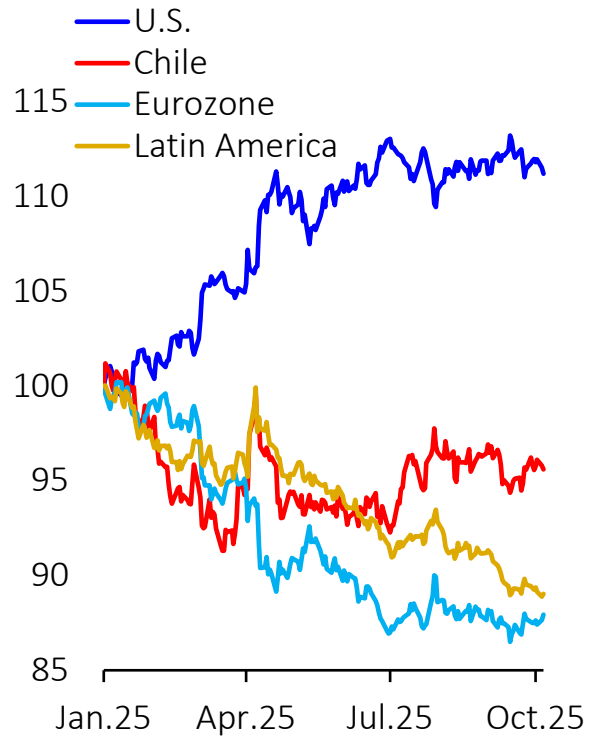


More favorable short-term global financial conditions

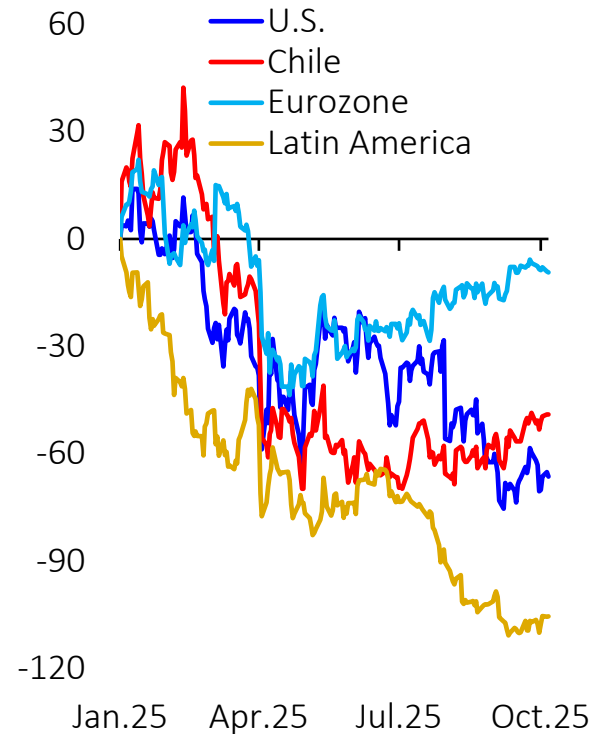
Stock markets (1)
(index 02-Jan.-25=100)



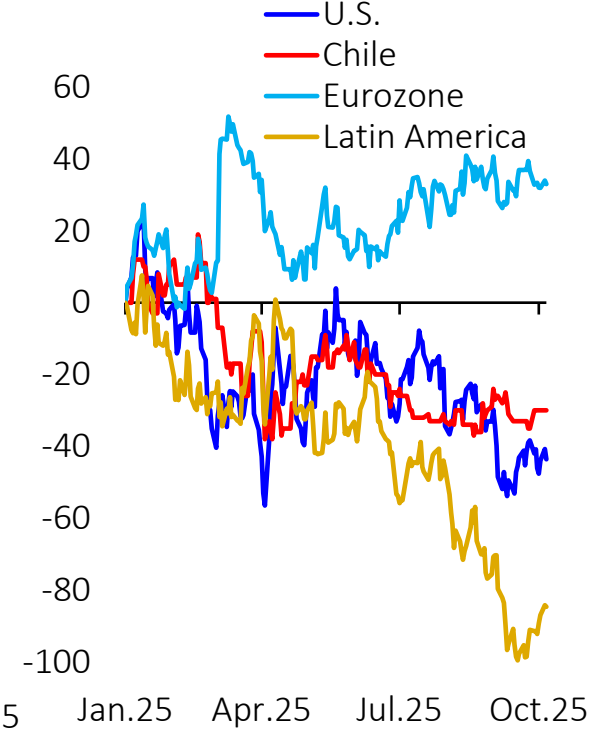
Currencies (1)(2)
(index 02-Jan.-25=100)



2-year rates (1)
(change w/r to 02-Jan.-25, basis points)



10-year rates (1)
(change w/r to 02-Jan.-25, basis points)

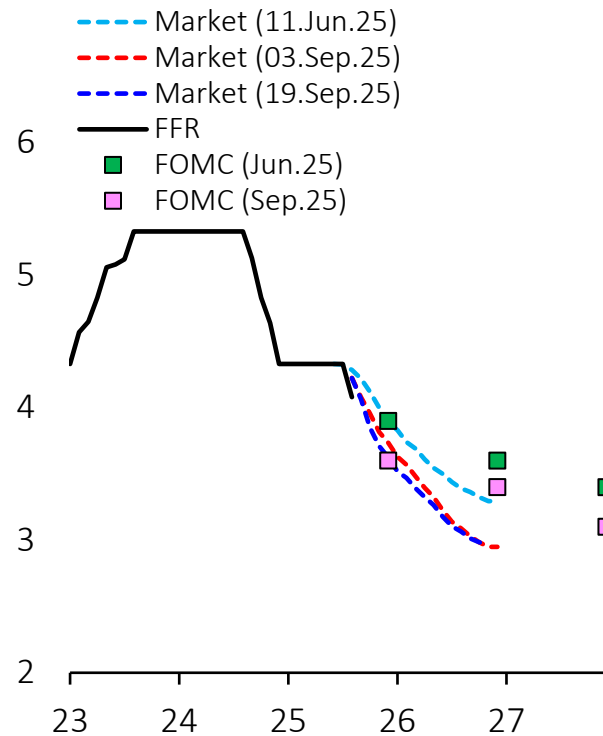


(1) For Latin America, considers the simple average between Brazil, Colombia, Mexico, and Peru. (2) Increase (decrease) indicates depreciation (appreciation).
Sources: Central Bank of Chile and Bloomberg.

Less restrictive Fed's policy, but important risks ahead

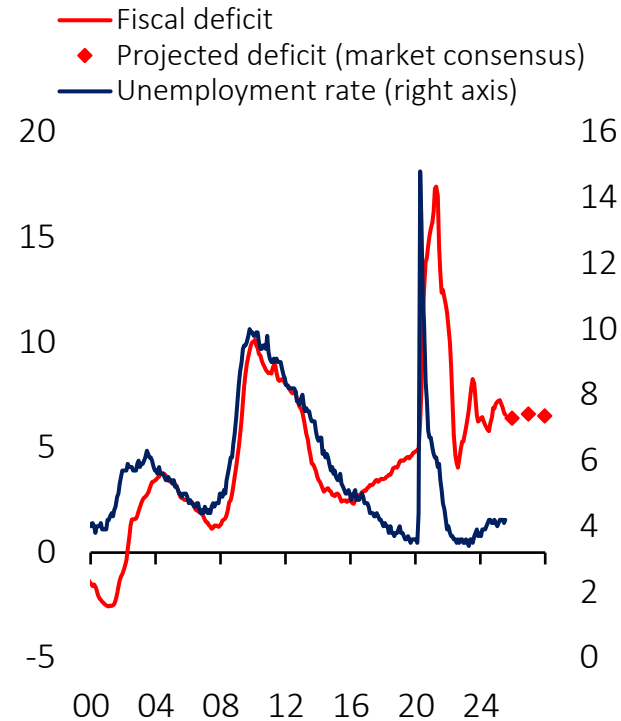
Fed funds rate (1)

(percent)



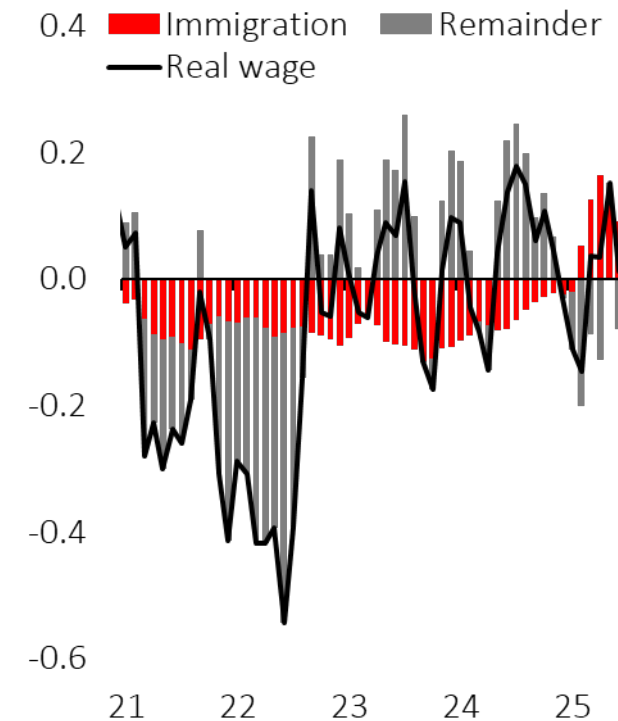
Fiscal deficit and unemployment (2)

(% of GDP, 12 months-sum; seasonally adjusted, percent)



Real wage growth (3)

(monthly change, percentage points)

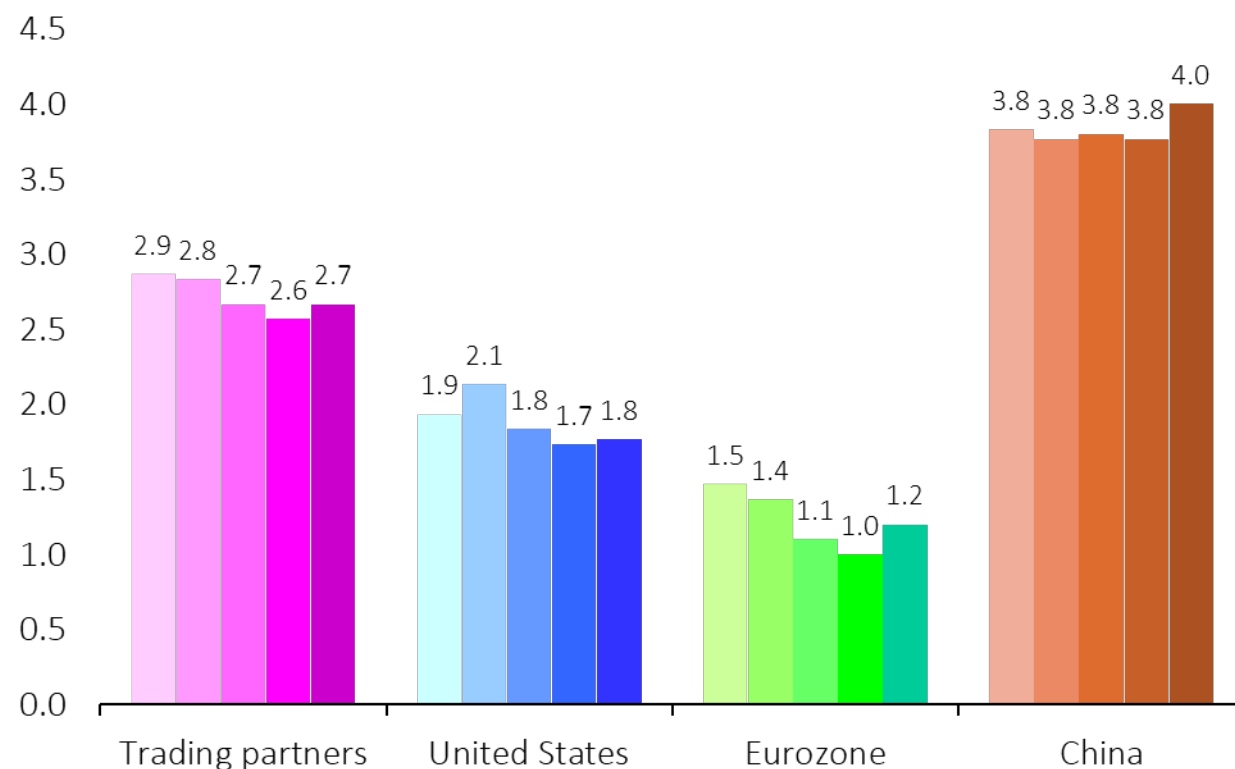


(1) FOMC projections correspond to the mid-range of the Fed funds rate presented in June 2025; market projections are for the mid-range of the Fed funds rate of futures at June 11 (statistical closing of the June IPoM), September 3 (statistical closing of the September IPoM) and September 19. (2) Fiscal deficit in quarterly moving average. Diamonds correspond to the average market projection for the years 2025, 2026 and 2027. (3) Figure represents deviations from the 2013.10 - 2025.07 average, series in quarterly moving averages. VAR model with net flows of unauthorized immigrants as an exogenous variable. For immigration, the Dallas Fed series is used and net flows are assumed to remain at the level of March through July. Sources: Bloomberg, Cheyre et al. (2025) and U.S. Bureau of Labor Statistics.

We revised upward our main trade's partners growth forecast



Average growth forecasts 2025-2027 in each IPoM (1)
(real annual change, percent)



Copper price forecast
(dollars per pound)

Year	Mar.25	Jun.25	Sep.25
2025 (f)	4.25	4.3	4.3
2026 (f)	4.3	4.3	4.3
2027 (f)	4.3	4.3	4.3

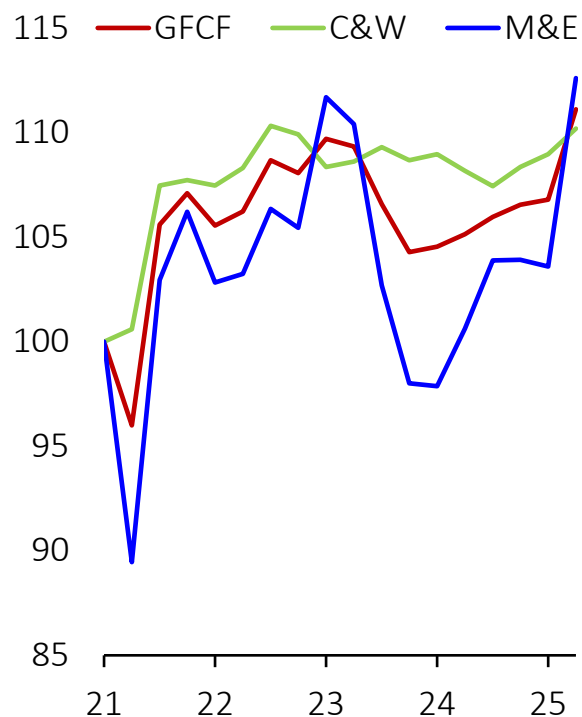
Oil price forecast (2)
(dollars per barrel)

Year	Mar.25	Jun.25	Sep.25
2025 (f)	69	66	68
2026 (f)	67	63	64
2027 (f)	66	64	64

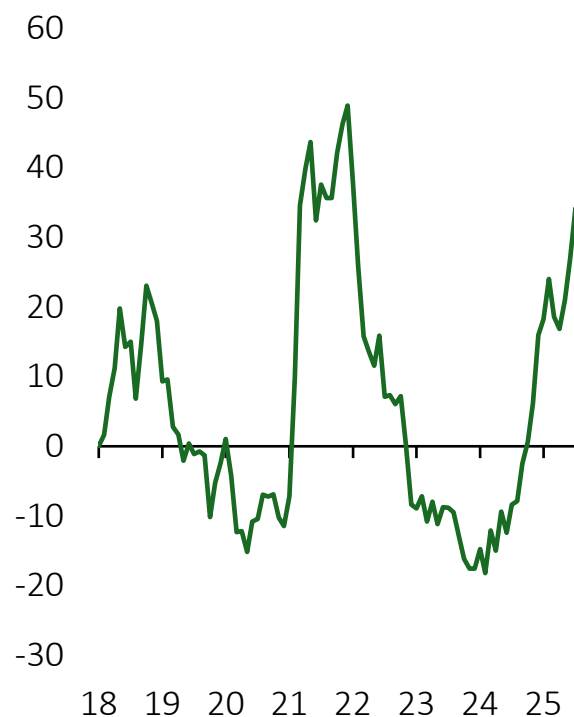
(1) Lighter to darker tone corresponds to the forecasts of the Sep.24, Dec.24, Mar.25, Jun.25 and Sep.25 IPoM, respectively. (2) WTI-Brent average price per barrel. (f) Forecast. Source: Central Bank of Chile.

Local investment has accelerated

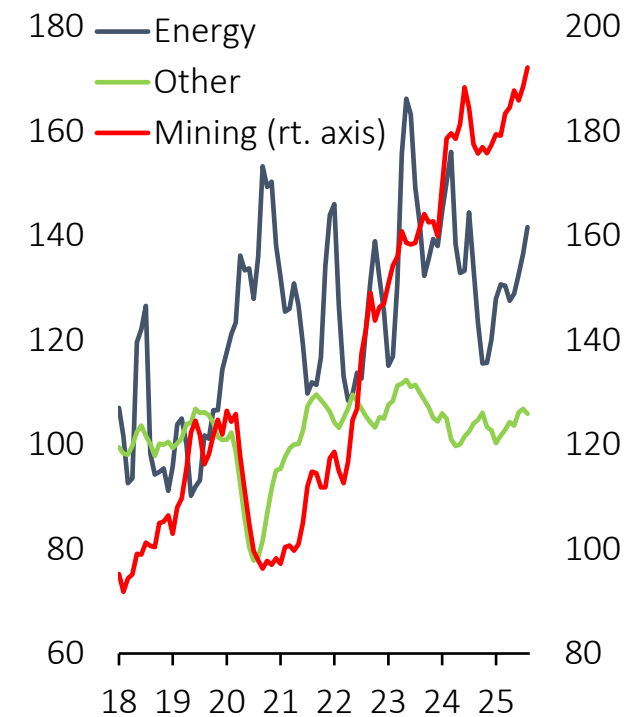
Gross Fixed Capital Formation (GFCF)
(index 1Q2021=100, seasonally adjusted real series)



Imports of capital goods (1)
(annual change, percentage)



Sectoral Investment Indicators (1)(2)
(index 2018=100, seasonally adjusted real series)

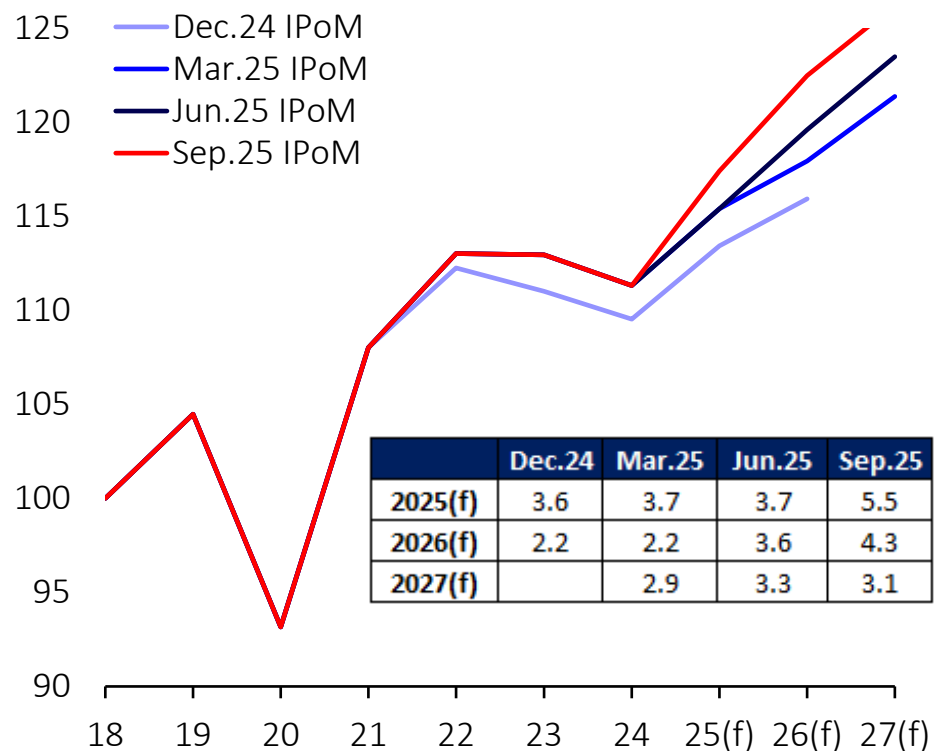


(1) Three-month moving average. (2) Indicators based on microdata. The methodological details can be found in the Minutes of the IPoM boxes for September 2024. Sources: Customs, Central Bank of Chile and Internal Revenue Service.

Important upward revision for investment growth in coming years

GFCF forecast

(index 2018=100)

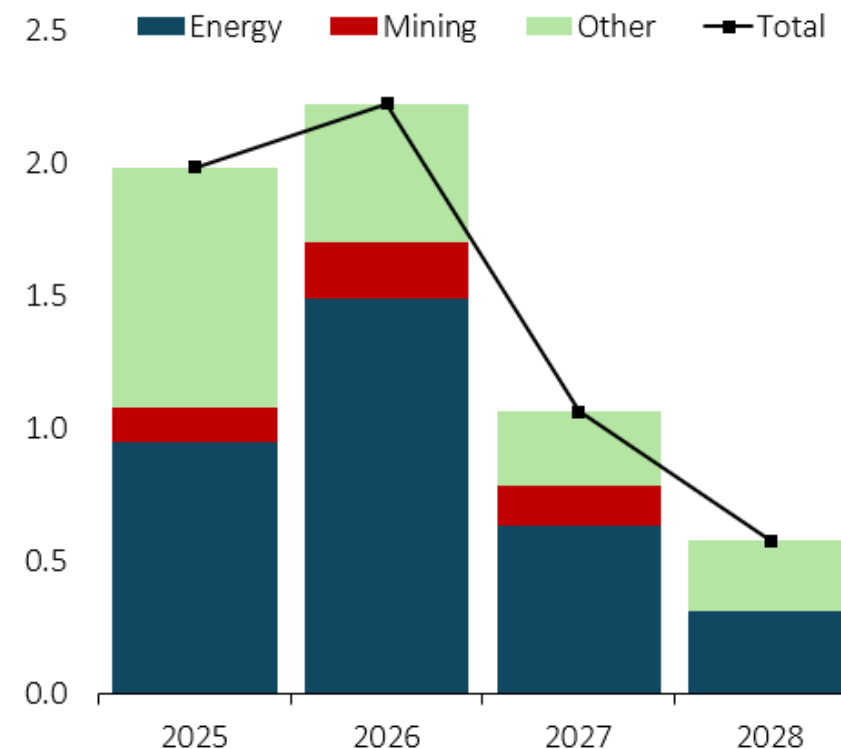


(f) Forecast.

Sources: Central Bank of Chile and Capital Goods Corporation (CBC).

CBC 2Q25 Investment Survey – new projects

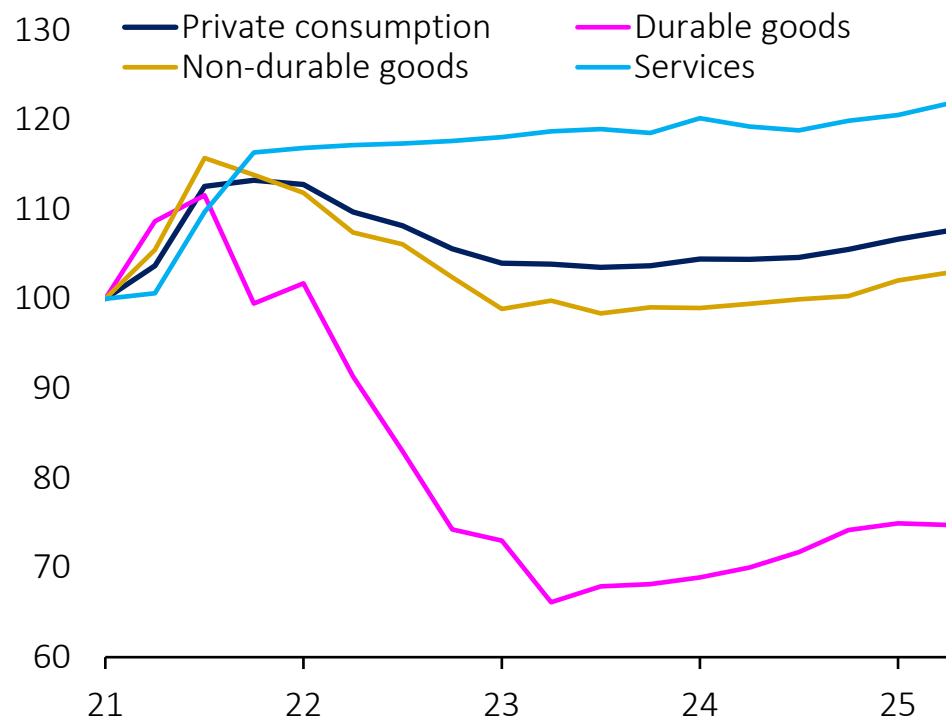
(change from survey of 1Q25, billions of dollars)



Private consumption has gained traction

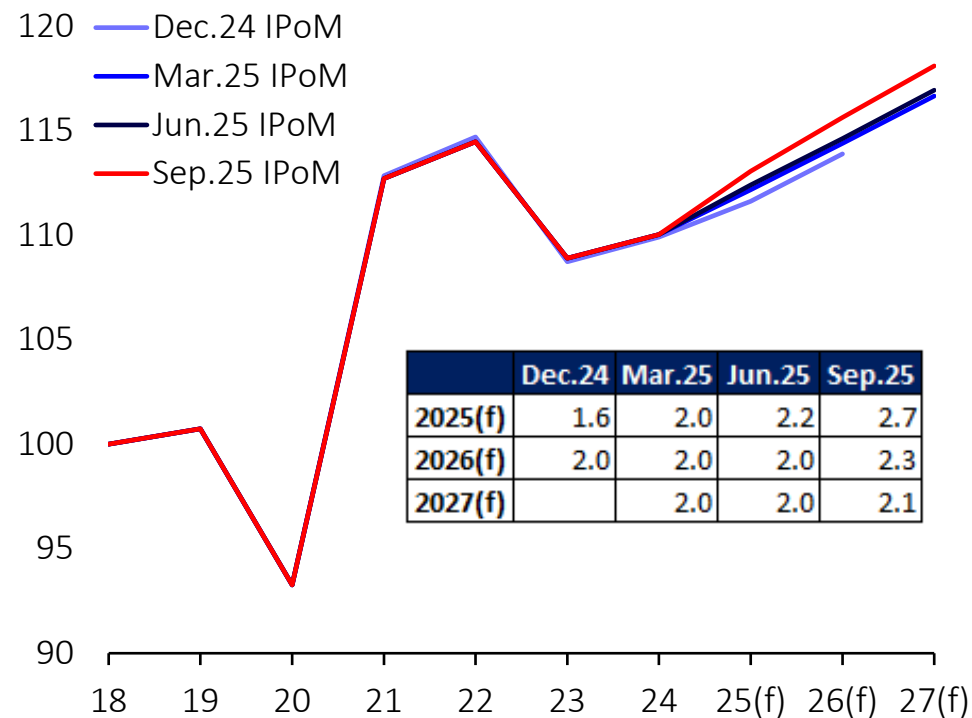
Private consumption

(index 1Q2021=100, seasonally adjusted real series)



Private consumption forecast

(index 2018=100)



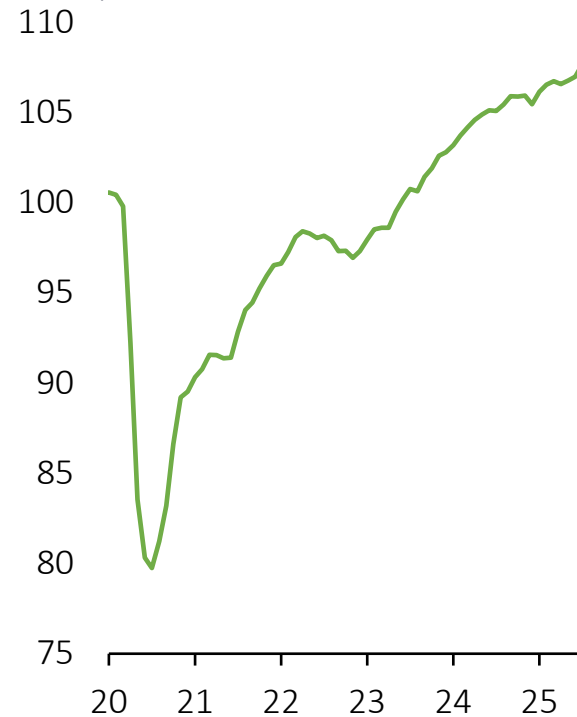
	Dec.24	Mar.25	Jun.25	Sep.25
2025(f)	1.6	2.0	2.2	2.7
2026(f)	2.0	2.0	2.0	2.3
2027(f)		2.0	2.0	2.1

(f) Forecast. Source: Central Bank of Chile.

Several factors explain better consumption outlook

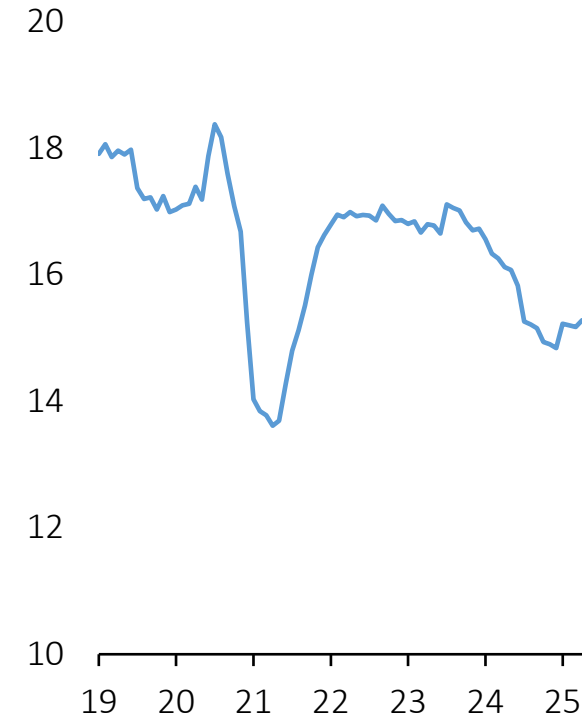
Real wage bill (1)

(index 2019=100, seasonally adjusted series)



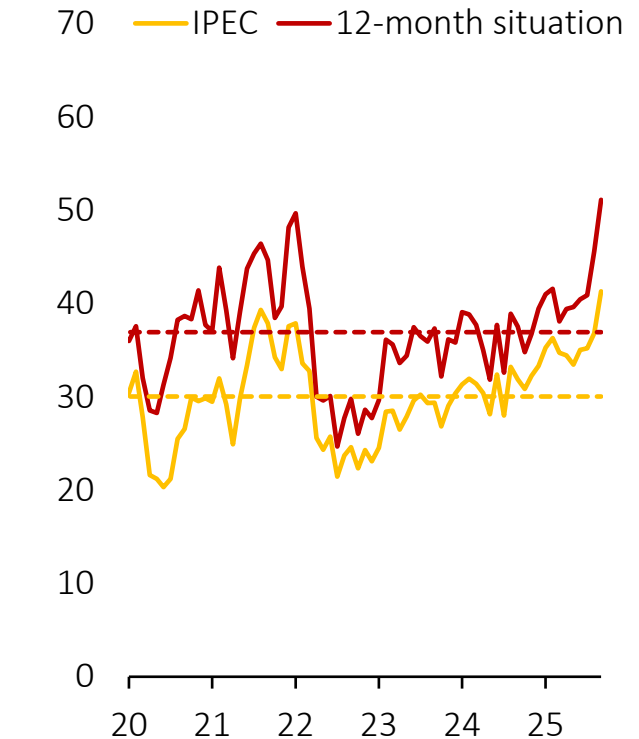
Financial burden/labor Income ratio (2)

(percent)



Household Expectations (IPEC) (3)(4)

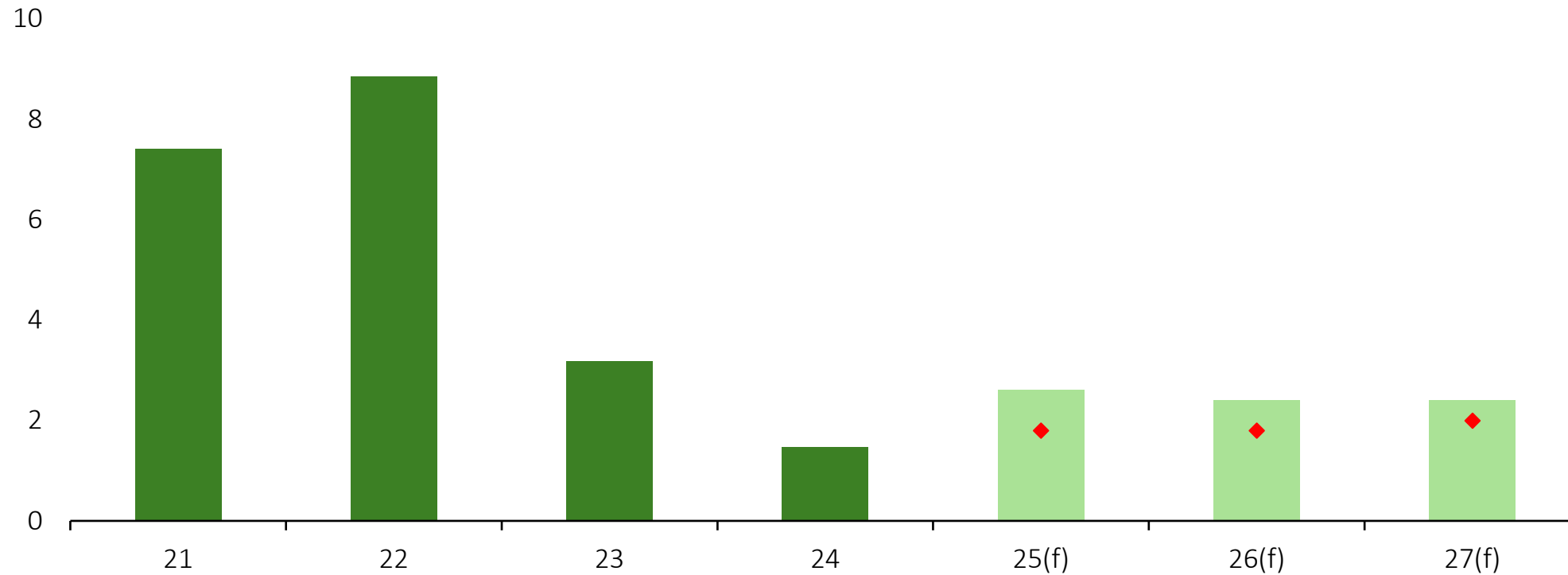
(diffusion index)



(1) Calculation based on seasonally adjusted series of the real Labor Cost Index, usual hours worked and occupation. (2) 6-month moving average. (3) A value above (below) 50 indicates optimism (pessimism). (4) Dashed horizontal lines correspond to the 2020-2025 averages of each index. Sources: Central Bank of Chile, CMF, GfK Adimark, National Institute of Statistics and SUSESO.

Stronger domestic demand will lead to a mild increase in the current account deficit

Current account deficit (1)
(percent of GDP)



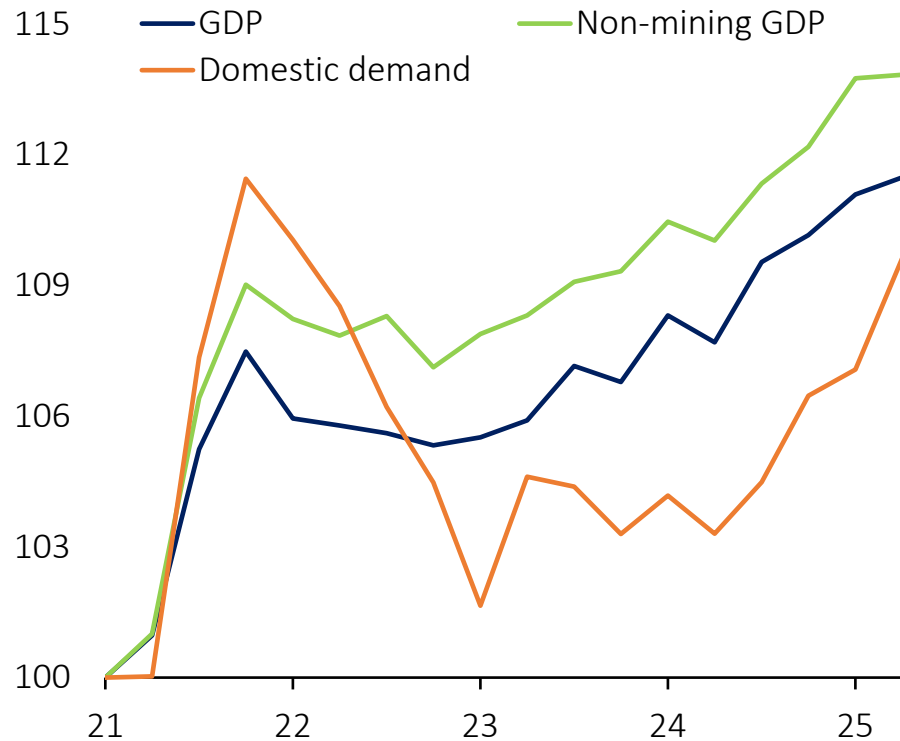
(1) Red diamonds correspond to the projections of the June 2025 IPoM . (f) Forecast.

Source: Central Bank of Chile.

Output has evolved as expected

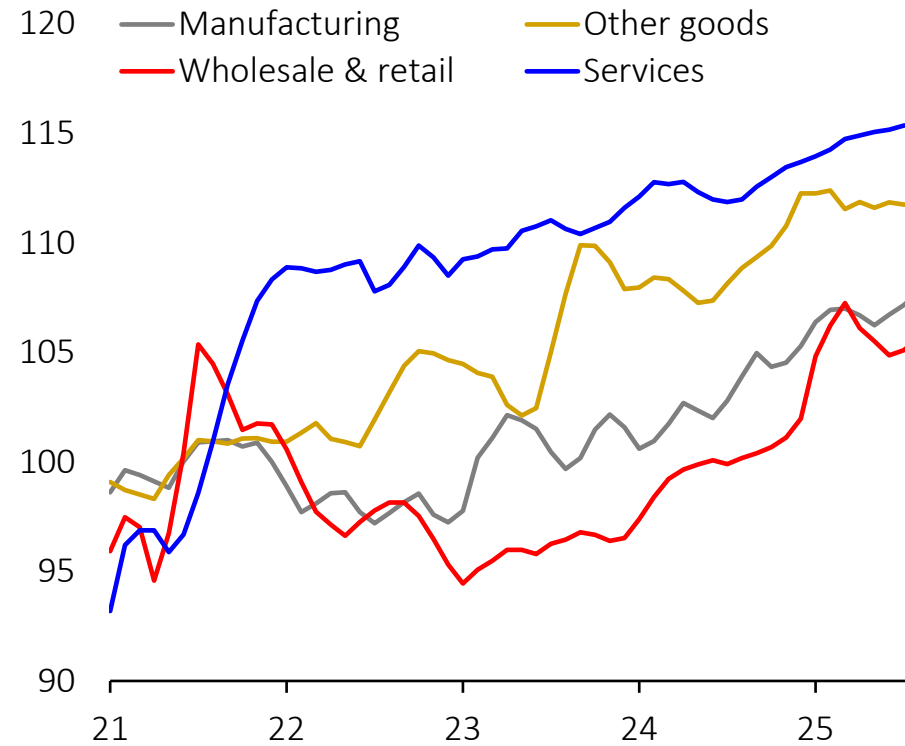
GDP and demand

(1Q2021=100 index, seasonally adjusted real series)



Monthly activity (Imacec) (1)

(average index 2021=100, seasonally adjusted real series)



(1) Series in three-month moving averages. Other goods series considers agricultural-forestry activities, fishing, EGA and waste management, and construction. Source: Central Bank of Chile.

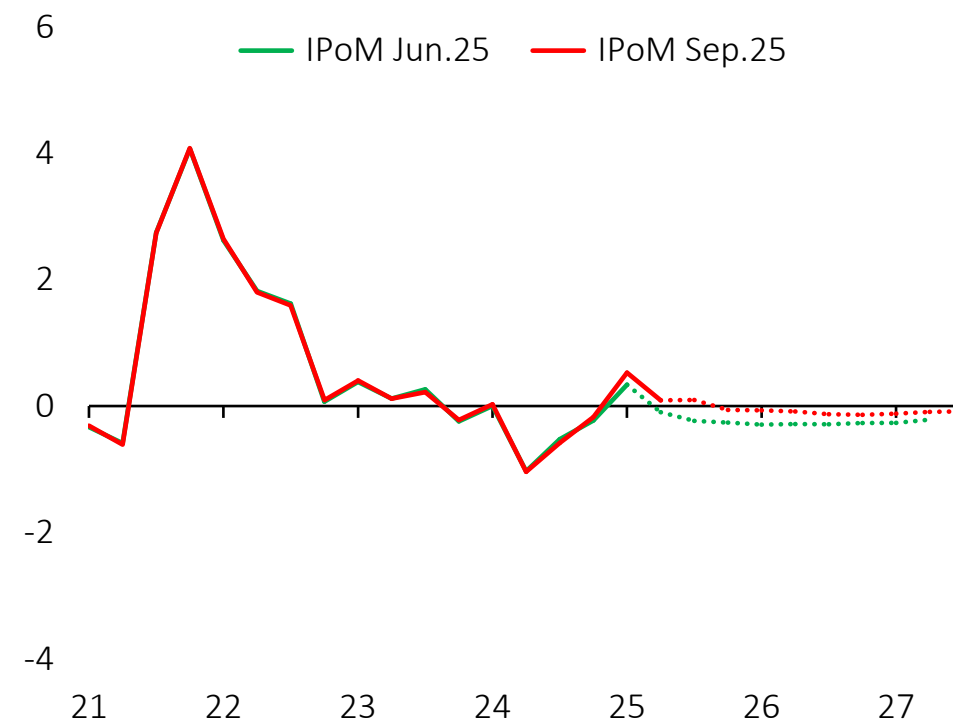
GDP growth projections revised upward

↑ 2025: 2.25-2.75%
(2.0-2.75% Jun.25 IPoM)

↑ 2026: 1.75-2.75%
(1.5-2.5% Jun.25 IPoM)

▬ 2027:
1,5-2,5%

Activity gap (1)(2)
(level, percentage points)

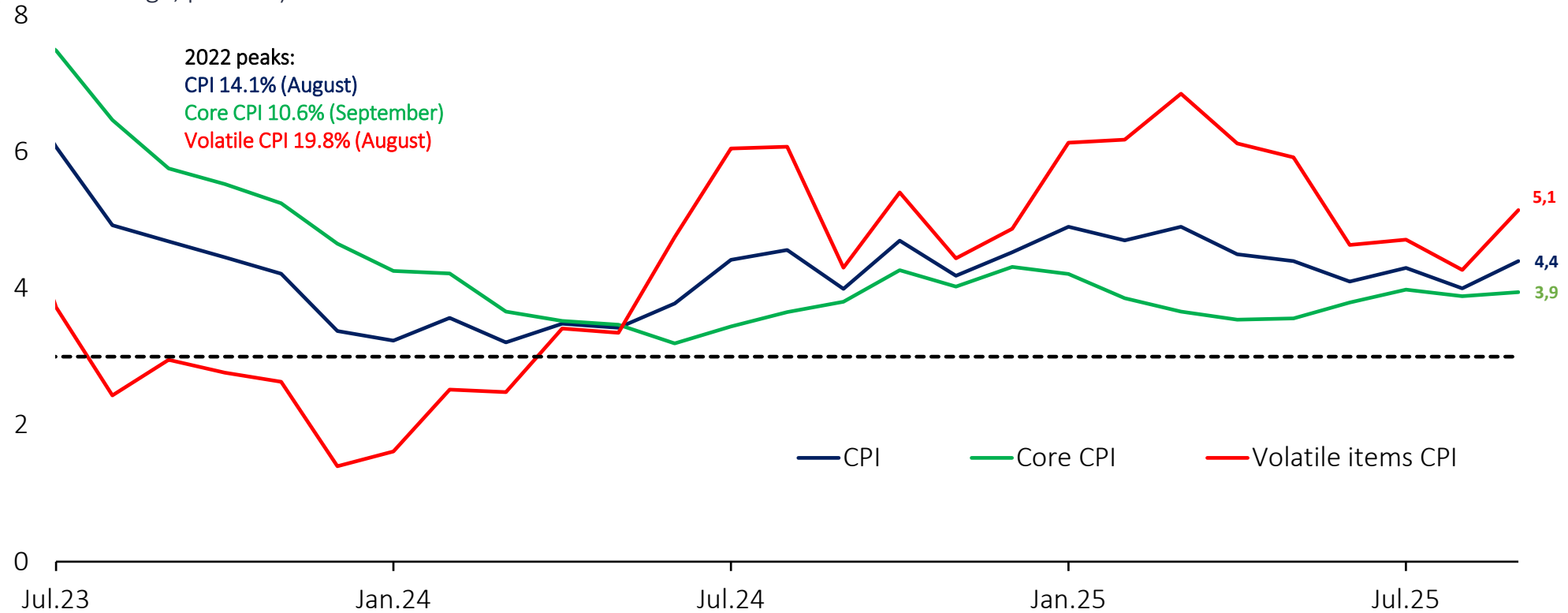


(1) Dotted lines show forecast. (2) Forecast assumes structural parameters updated in September 2024 Monetary Policy Report (IPoM) (trend GDP) and June 2025 IPoM (potential GDP). Source: Central Bank of Chile.

Inflation remains above target

Inflation Indicators (1)

(annual change, percent)

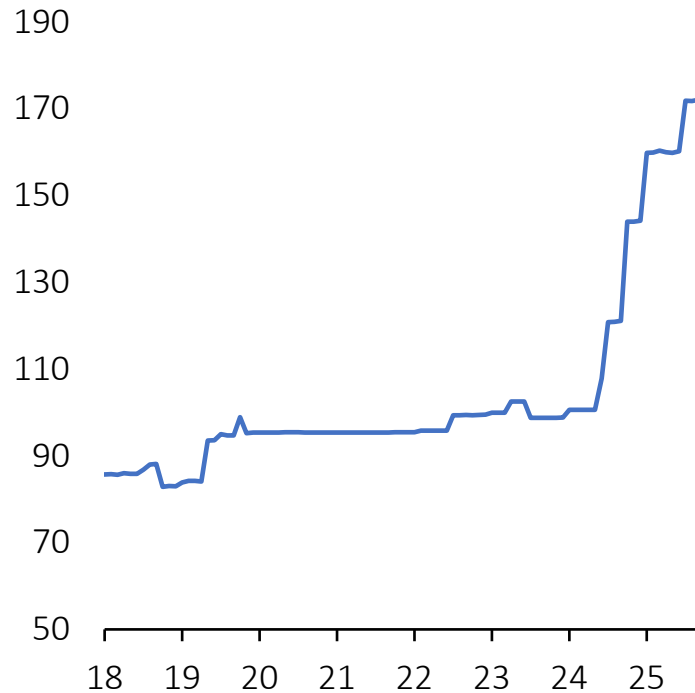


(1) Before 2025, the total inflation series considers the 2023 reference basket and the splicing made by the Central Bank of Chile.

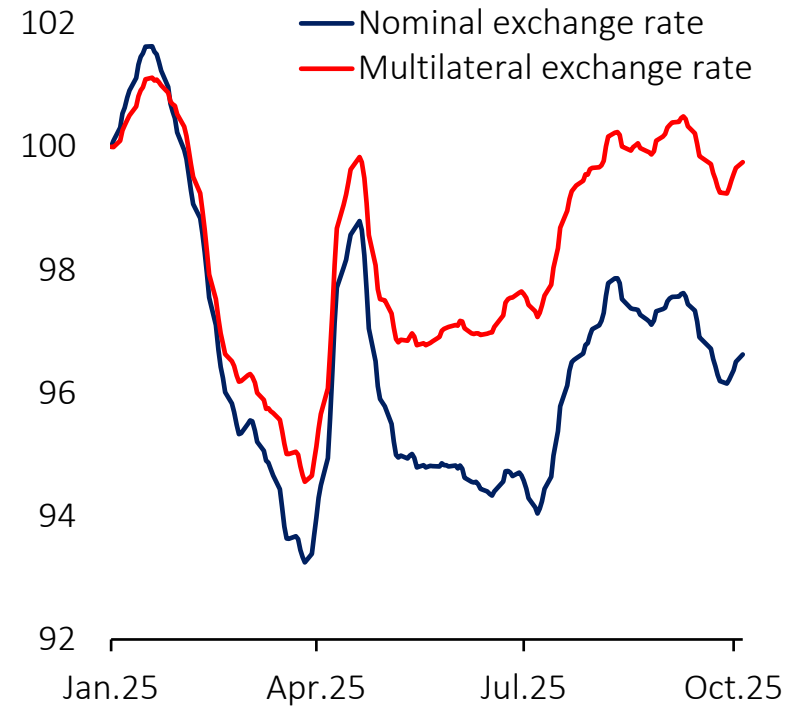
Sources: Central Bank of Chile and National Institute of Statistics.

Supply shocks explain recent inflationary dynamics

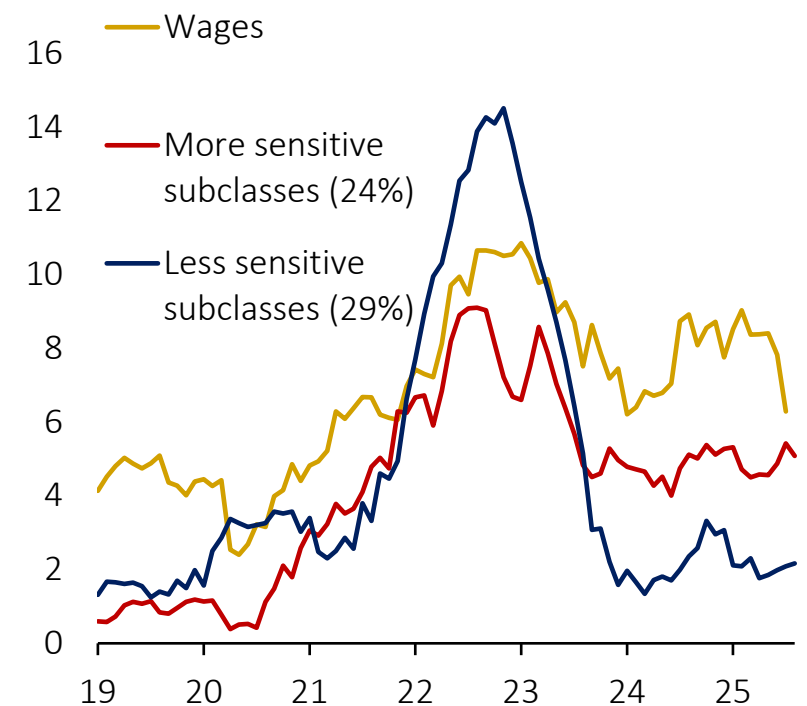
Price of electricity
(Index)



Exchange rate (1)(2)
(02.Jan.25=100, daily data)



Core CPI and wage sensitivity (3)
(annual change, percent)

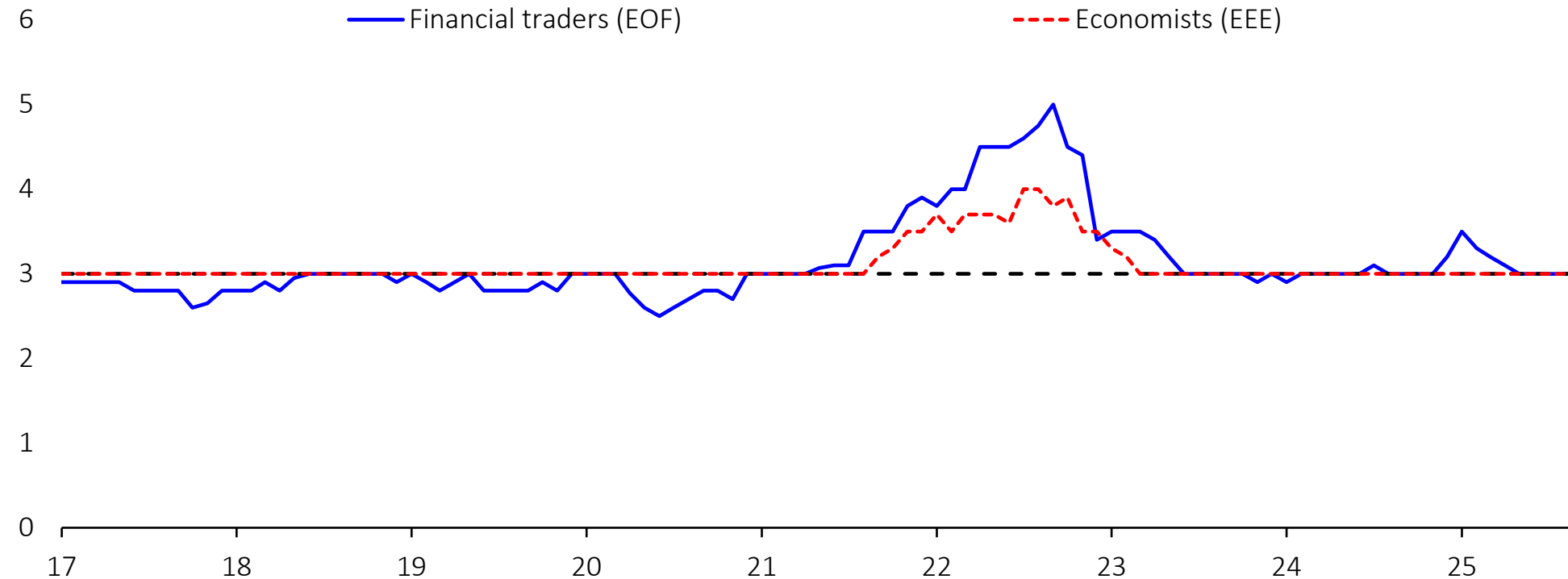


(1) 10-day moving averages of each series. (2) The Multilateral Exchange Rate Index represents a measure of the nominal value of the peso with respect to a broad basket of foreign currencies, weighted according to the flow of international trade. (3) Salary series corresponds to nominal ICL, base 2023=100. Indices of more and less sensitive subclasses based on Shapiro (2022) and Arnaut & Bengali (2024). Non-volatile CPI aggregates are constructed considering wage sensitivity estimated via local projections, for which a real wage shock is considered on each subclass with the cumulative effect over 12 months. Then, a ranking is made by dividing them into tertiles, and they are aggregated according to the weighting on the underlying CPI. In parentheses, the weighting of the indices built on the basis of the 2023 CPI. Sources: Central Bank of Chile and National Institute of Statistics.

Inflation expectations have remained aligned with the target

Two-year inflation expectations (1)(2)

(annual change, percent)

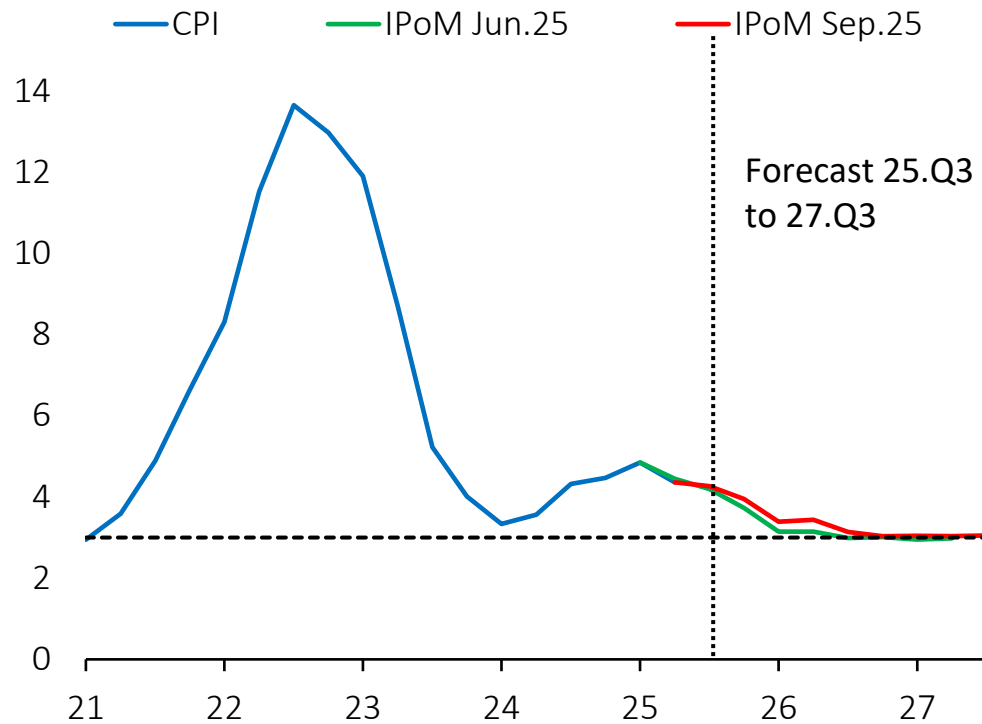


(1) Medians of the responses to each survey. (2) The EOF considers the survey of the first half of each month until January 2018. Since February of that year, consider the last survey published in the month. In the months in which the survey is not published, it is considered the latest available. Source: Central Bank of Chile.

Inflation will converge to 3% in 2026

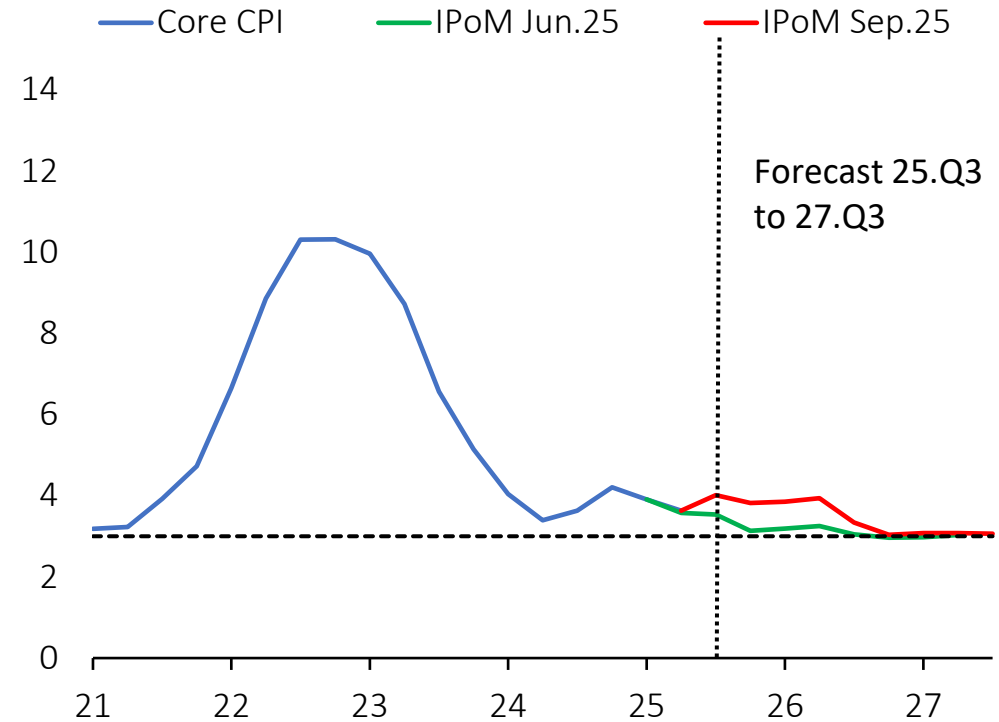
Headline inflation forecast (1)

(annual change, percent)



Core inflation forecast (2)

(annual change, percent)

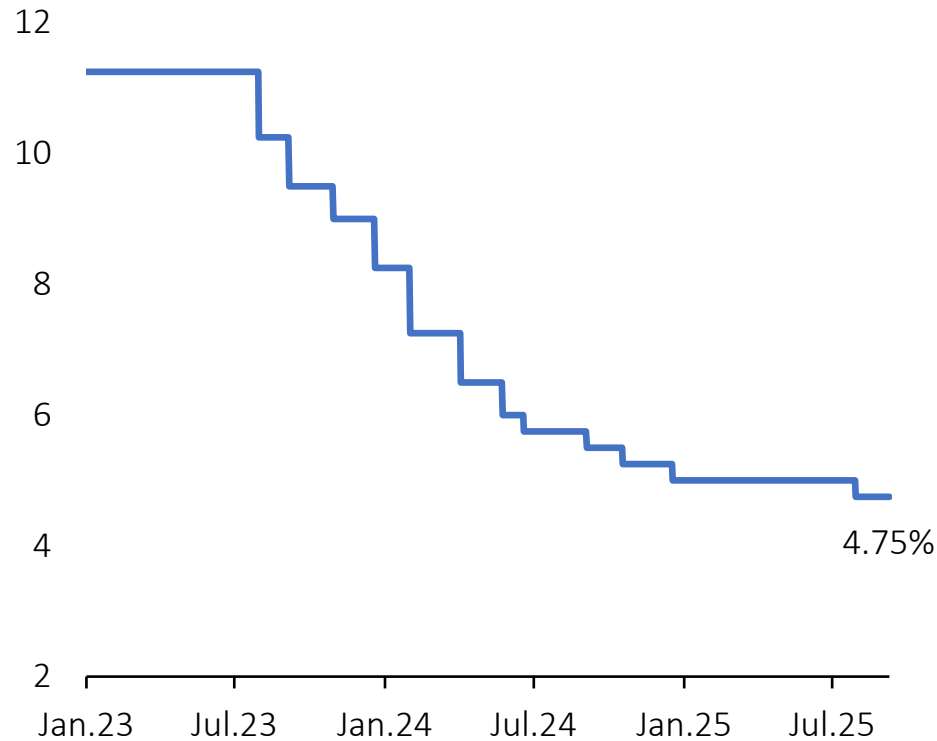


(1) Prior to 2025, the headline inflation series reflects the 2023 reference basket and the Central Bank of Chile splice. (2) Measured with the CPI without volatiles. Sources: Central Bank of Chile and National Institute of Statistics.

Monetary policy rate close to its neutral range

Monetary Policy Rate (MPR)

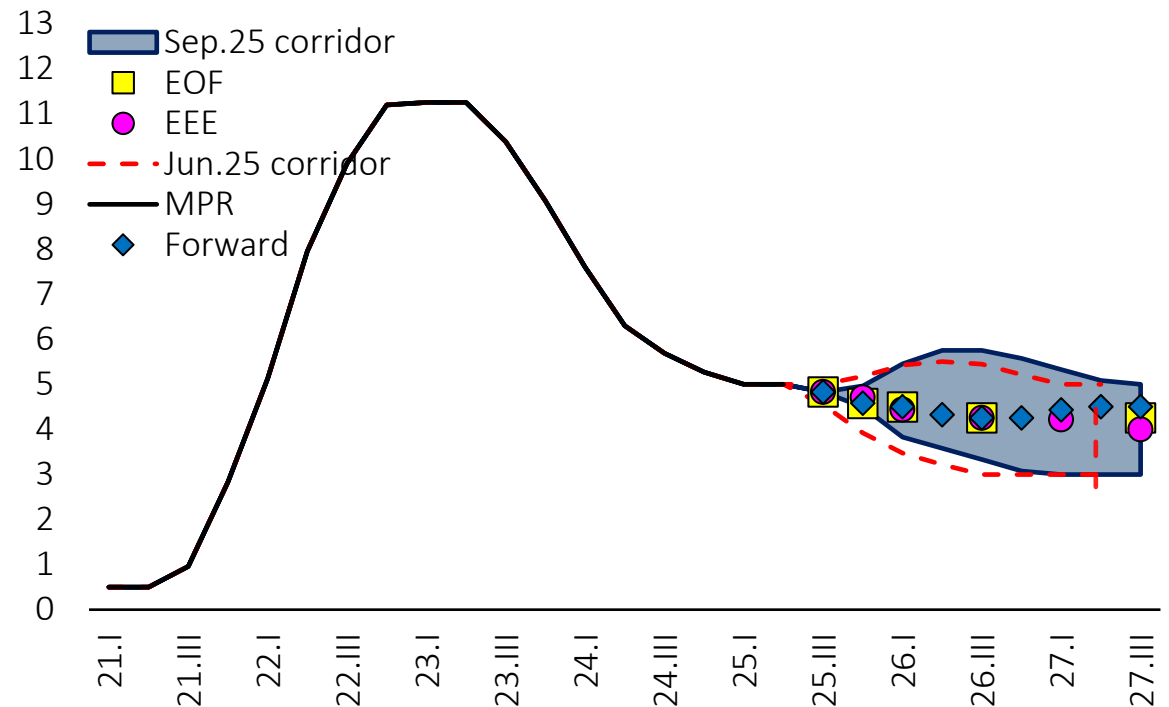
(percent)



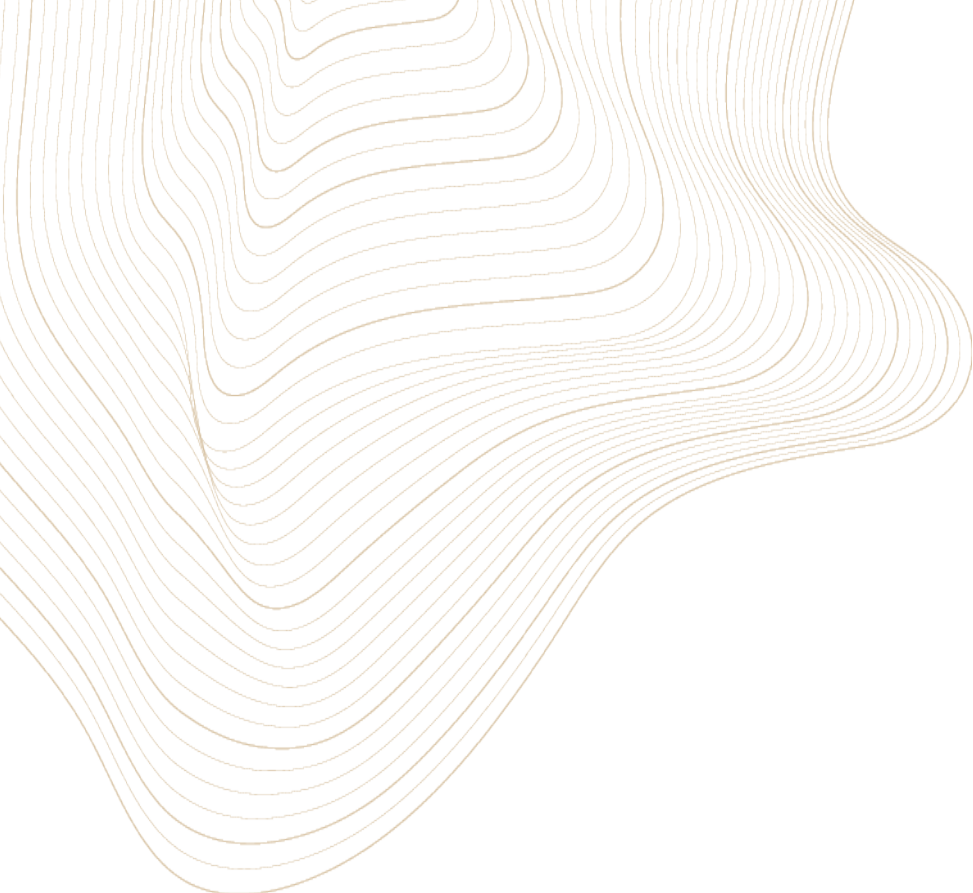
Source: Central Bank of Chile.

MPR corridor (1)

(quarterly average, percent)



(1) The 2026 and 2027 calendar considers two monetary policy 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. For more details, see methodological note (Figure II.8, Chapter II, September 2025 IPoM). Source: Central Bank of Chile.



MONETARY POLICY REPORT

SEPTEMBER 2025



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