CHILEAN ECONOMY AND DIGITAL PAYMENTS: PROGRESS AND CHALLENGES[1]

Rosanna Costa
Governor, Central Bank of Chile

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Good morning. I would like to thank InBest for this forum. It is always a pleasure to share this occasion with such a distinguished audience. This instance has become a long-standing tradition to showcase the progress and opportunities of our country.

Just under a month ago, the Central Bank of Chile celebrated its centennial—100 years of commitment to the country's welfare. Today, I would like to dedicate my presentation to the two central aspects of our mandate: price stability and the normal functioning of payments, both of which guide every decision we make with responsibility and a long-term vision.

I will begin by examining the evolution of the Chilean economy amid external tensions, its outlook and implications for monetary policy and inflation. Last week we published our Monetary Policy Report for September 2025. I will draw on that document for the first part of my presentation.

In the second part I will refer to how the means of payment have evolved in Chile. The use of digital payments has grown rapidly over the last decade in our country, with the Central Bank playing a significant role in supporting this transformation. Looking ahead, the challenges remain significant. I will take this opportunity to outline them and the initiatives we plan to develop.

Let me now present a quick overview of Chile's recent macroeconomic developments.

I. Recent macroeconomic development: September 2025 Monetary Policy Report

This year has been marked by a considerable uncertainty on the international front. In early April, the US government announced a widespread increase in tariffs applied on all countries. This process has been quite volatile, but we continue to anticipate that it will have negative effects on global activity.

So far, the impact of tariffs at the global level has been moderate. On economic activity, the available data shows significant changes in global trade flows, caused by anticipated imports ahead of the new tariffs in the United States, especially in the first part of the year.

On inflation, there are early signs of the effects in the latest US CPI data. These showed a rise in inflation for goods most exposed to tariffs, although this was offset by falls in the prices of other items in the basket. In other countries, including Chile, no repercussions have been observed,

[1] Presented at the Chile Day meeting in London, U.K.

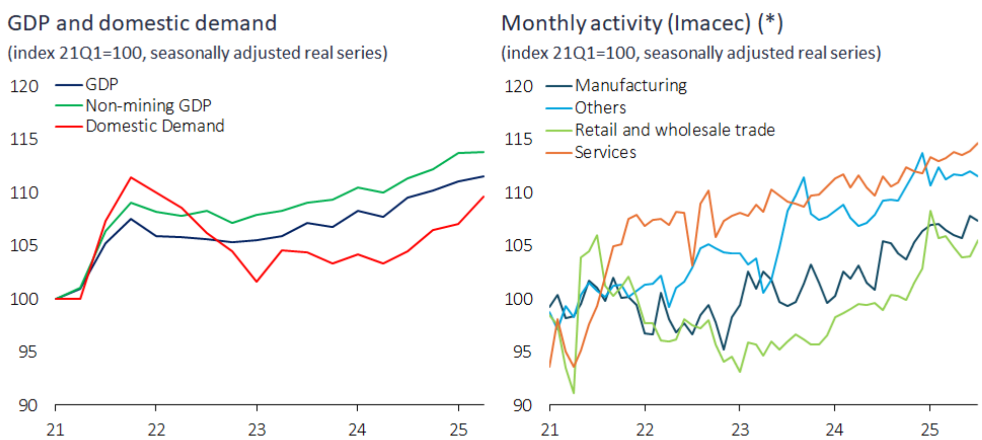
although several observers predict that trade diversions could put some downward pressure on inflation in the short-term.

The benign response of financial conditions so far has been better than what could have been anticipated given the magnitude of the events. This has mitigated the negative impacts of these events, especially for emerging economies.

However, the global scenario remains complex, fraught with geopolitical, economic and institutional tensions, and there are significant risks of an abrupt reversal in financial conditions.

Turning to the local economy, Chile has resumed a growth trajectory in line with its trend growth, close to 2% annual rate. Our latest monetary policy report highlights that activity has been in line with our forecasts, confirming the reversal of some transitory elements identified in the first quarter (Figure 1).

Figure 1

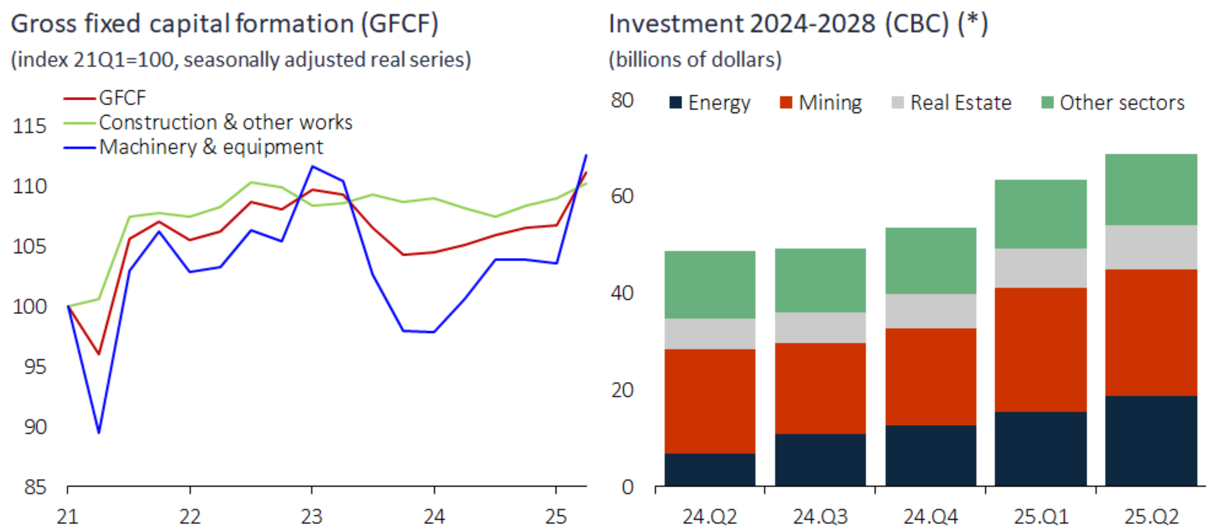


(*) Others include agricultural and forestry activities, fishing, utilities and waste management, and construction.
Source: Central Bank of Chile.

Unlike economic activity, domestic demand was more dynamic than expected in the second quarter. Investment accelerated, particularly in machinery & equipment. The upturn in investment has been largely driven by large-scale projects related to the mining and energy sectors, coupled with somewhat more favourable financial conditions and improved business confidence.

Multiple indicators continue to point to a favourable evolution of this component of demand. Among them are the evolution of capital goods imports and the cadastre of the Capital Goods Corporation for the second quarter, which once again showed an improvement in the investment outlook for the five-year period 2024-2028 (Figure 2).

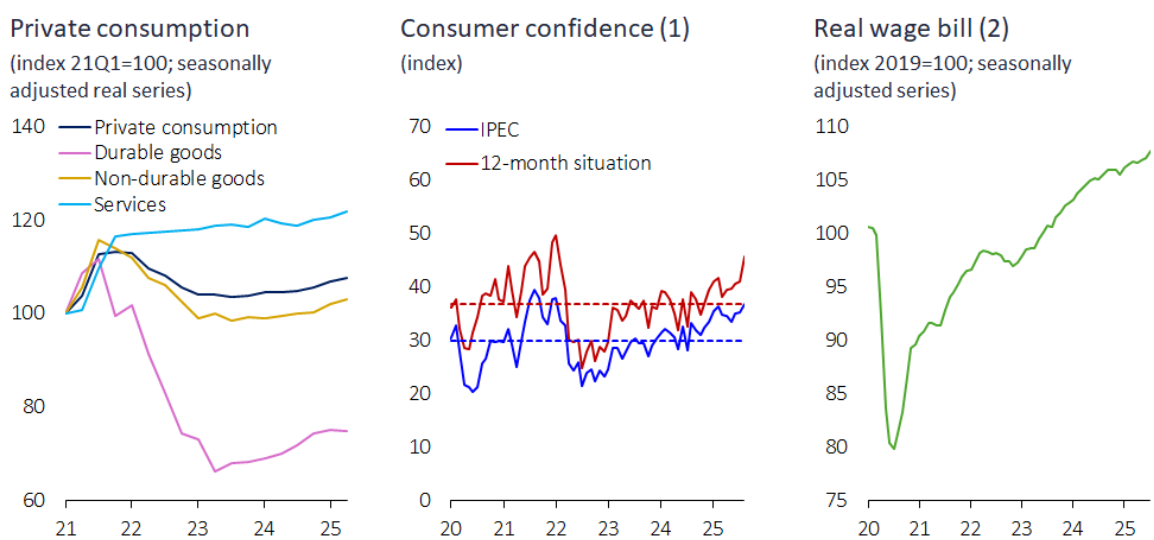
Figure 2



(*) Corresponds to the last five CBC cadastres for the five-year period 2024-2028.
Sources: Central Bank of Chile and Capital Goods Corporation (CBC).

Private consumption has also displayed greater-than-expected growth in the second quarter. The increase in consumption has been accompanied by favourable developments in some of its fundamentals, such as the financial situation of households and consumer expectations. In addition, labour income has continued to rise, albeit at a slower pace than it did in previous months (Figure 3).

Figure 3

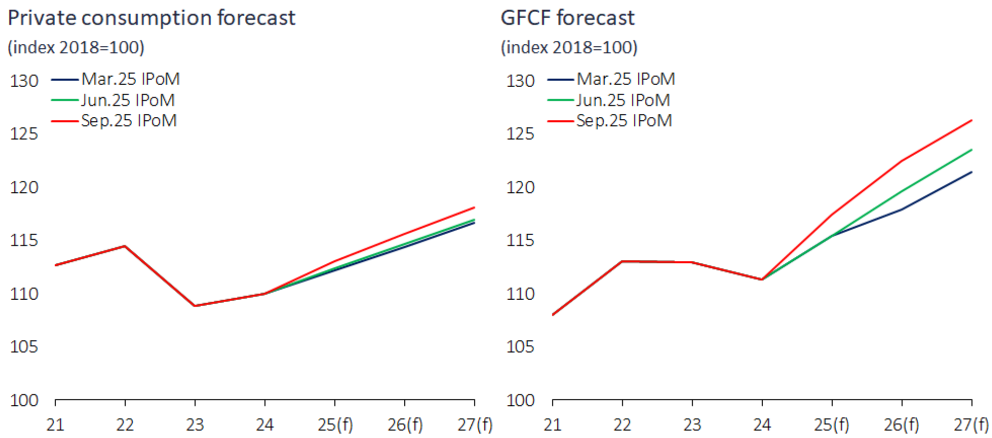


(1) A value above (below) 50 indicates optimism (pessimism). Dotted horizontal lines correspond to the 2020-2025 averages for each index. (2) Estimate based on seasonally adjusted series of the real ICL, usual working hours and employed persons. Sources: Central Bank of Chile, GfK Adimark and National Statistics Institute.

Against this backdrop, our last monetary policy report forecasts an improved outlook for activity and demand. The main adjustments are in investment and consumption. In both cases, this is influenced by the higher starting point left by the most recent figures and improving fundamentals, including improving consumer and business confidence, as well as better financial conditions (Figure 4).

Investment remains primarily focused on large mining and energy projects. Mining projects are underpinned by a sustained demand outlook which have kept copper prices resilient, associated with technological change, the development of clean energy, and increased defense spending. Energy projects, in turn, are supported by growing demand driven by the adoption of new technologies.

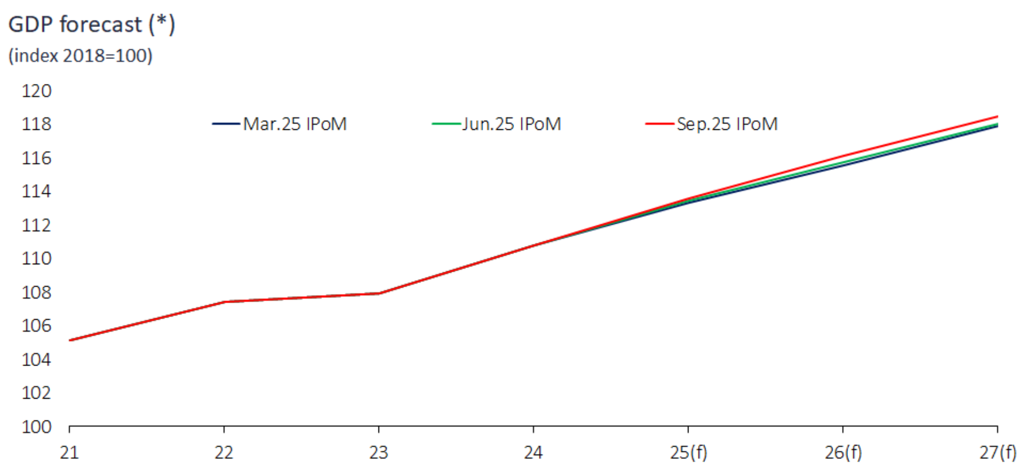
Figure 4



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

For economic activity, GDP growth forecast ranges have undergone moderate changes. On the one hand, as I mentioned, unlike domestic demand, economic activity has performed in line with last June's forecasts. On the other hand, a significant portion of increased domestic spending is directed towards imported goods, which is reflected in a higher projected current account deficit (Figure 5). This couples with the negative effects of various factors on mining output. Thus, 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.

Figure 5

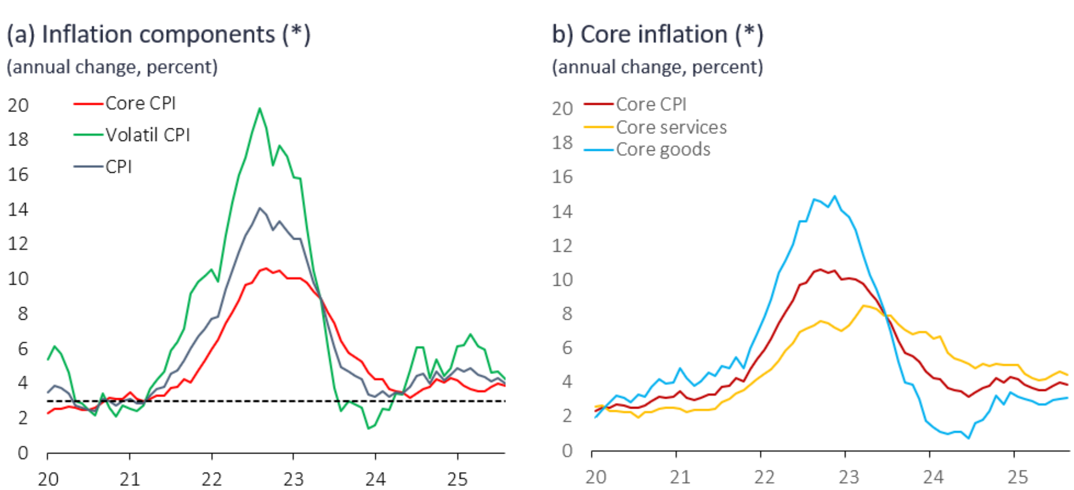


(*) Considers the midpoint of the projected GDP growth ranges. (f) Forecast.
Source: Central Bank of Chile.

Moving on to inflation, the annual variation in headline CPI has continued to decline as expected, reaching 4% annually in August. It is important to note that recent monthly inflation data have shown unusual volatility, making accurate interpretations of underlying trends more challenging. Bear in mind that between June, July, and August, we went from monthly CPI variations of -0.4% to 0.9%, now to 0%.

Core inflation—CPI excluding volatile prices—has been above our forecasts. In August, its annual variation stood at 3.9%, higher than a few months before and the projections made in our June monetary policy report. When we look at the behaviour of its components, we see increases in both goods and services (Figure 6). This takes place in a context of increased demand and elevated costs.

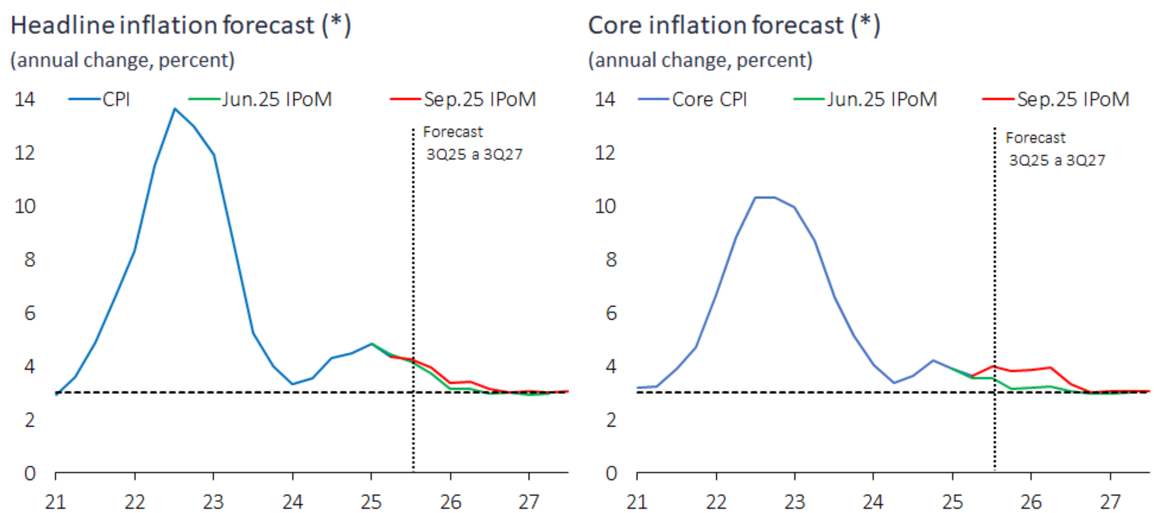
Figure 6



(*) Before 2025, the headline inflation series considers the 2023 reference basket and the splicing made by the Central Bank of Chile.
Sources: Central Bank of Chile and National Statistics Institute.

Considering all these factors, we forecast only slightly larger headline inflation for the next year. However, the upward correction in core inflation forecast is more significant. All in all, we expect headline CPI to converge to the 3% target in the third quarter of 2026, roughly a quarter later than our June forecast. However, given the greater persistence of the core component, we must closely monitor its evolution, precisely because it is a better indicator of trends than total inflation (Figure 7).

Figure 7



(*) Before 2025, the headline inflation series considers the 2023 reference basket and the splicing made by the Central Bank of Chile.
Sources: Central Bank of Chile and National Statistics Institute.

Let me now turn to the implications of this analysis for monetary policy, I would like to begin by recalling that at our monetary policy meeting last week, we decided to maintain the MPR at 4.75%.

We made this decision in a context in which, again, the projected path for headline inflation in the September Report is similar to trajectory outlined in the June Report, but with higher core inflation over the next twelve months higher than we considered in June. Given that this component of the CPI tends to be more persistent, there is a greater need to closely monitor its evolution and fundamentals.

Furthermore, we communicated that we will evaluate the next movements of the MPR considering the evolution of the macroeconomic scenario and its implications for inflationary 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.

For some years now, our MP Report contains the MPR corridor. These are sensitivity exercises which, while maintaining GDP growth within the expected ranges, require somewhat different monetary policy action. It is important to reiterate that neither the central scenario projections nor this corridor constitutes a commitment by the Board regarding the future trajectory of monetary policy. They are based on a set of assumptions, which may or may not become a reality.

Therefore, we always reiterate that monetary policy decisions are made on a meeting-by-meeting basis, analysing the data we collect, how it fits into the macroeconomic scenario, and what it implies for the convergence of inflation to the 3% target.

Before moving on to the next part of my presentation, I would like to reiterate that the Central Bank of Chile will conduct monetary policy to ensure that inflation converges to the 3% target, which is a fundamental aspect of macroeconomic stability and the people's well-being.

II. The evolving landscape of retail payments in Chile: where we are and where we are headed

Facilitating payments has been a core function of central banks since their origin, with the issuance of legal tender one of the most visible expressions of that role.

At the Central Bank of Chile, our mandate includes not only preserving price stability but also safeguarding the normal functioning of internal and external payments. For much of our 100-year history, this has meant meeting the public's demand for cash. For instance, by 1964, the Bank operated thirteen branches and seven agencies across the country to fulfil this need.[2]/

But times have changed. Over the past decades, payments have become increasingly digital, and the use of cash is steadily declining. This is a global trend and Chile is no exception.

As the digital economy grows, access to electronic means of payment becomes essential. Individuals and households without such access risk being left behind of an increasingly important part of the economy. Much like mobile phones or the internet, digital payments are no longer a luxury or convenience, they are increasingly becoming a necessity.

In this context, while central banks' mandates on payments remain unchanged, the way we interpret and act on those mandates is evolving. Increasingly, our focus is shifting towards digital payments.

In this part of the presentation, I will describe the rapid growth of digital payments in Chile over the past decade, the role that the Central Bank has played in supporting this transformation, the initiatives we are currently pursuing, and some of the challenges that lie ahead.

A decade of transformation in Chile's payment industry

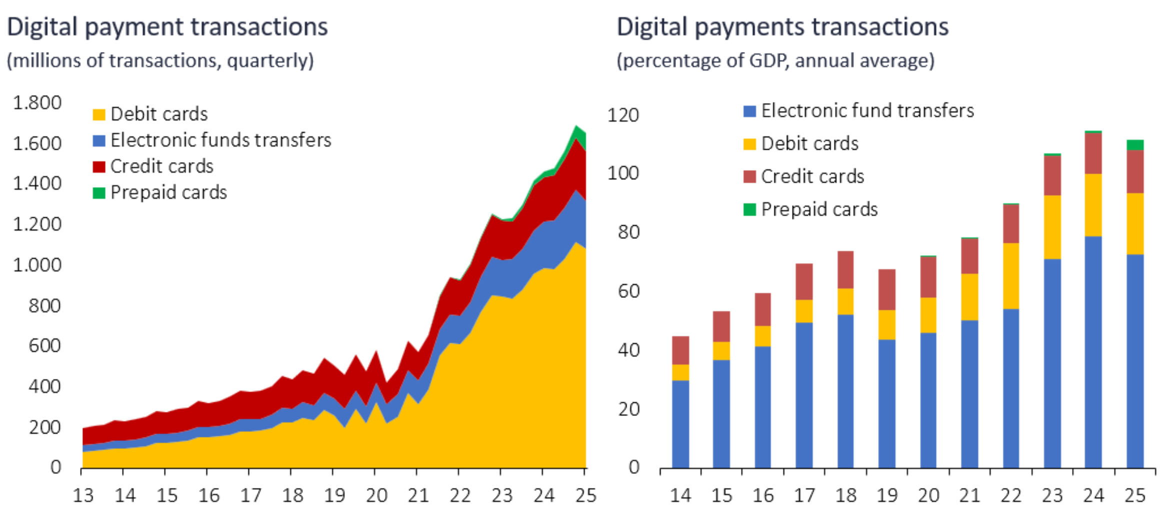
Over the past ten years, Chile's payment industry has undergone a profound transformation, becoming a vibrant sector with many growth opportunities.

[2]/ For more details see C. Carrasco (2009), "Banco Central de Chile 1925-1964 Una Historia Institucional".

One of the most striking figures from our last Payment Systems Report, published just one month ago, is that during the last year, the average number of digital payments per person in Chile reached 374. This includes both card transactions and account-to-account payments. In simple terms, people in Chile are now making digital payments at least once a day—and the total value of these payments amounts to 112% of GDP (Figure 8).

This marks a significant shift from 2016, when the average was 80 digital payments per person, representing 60% of GDP. That is, total transaction value has nearly doubled, while the number of transactions has grown more than 4-fold. If we look specifically at card payments, they accounted for 32% of household spending back then. Today, that figure has more than doubled, to 74%.

Figure 8



Sources: Central Bank of Chile based on data from Financial Market Comission.

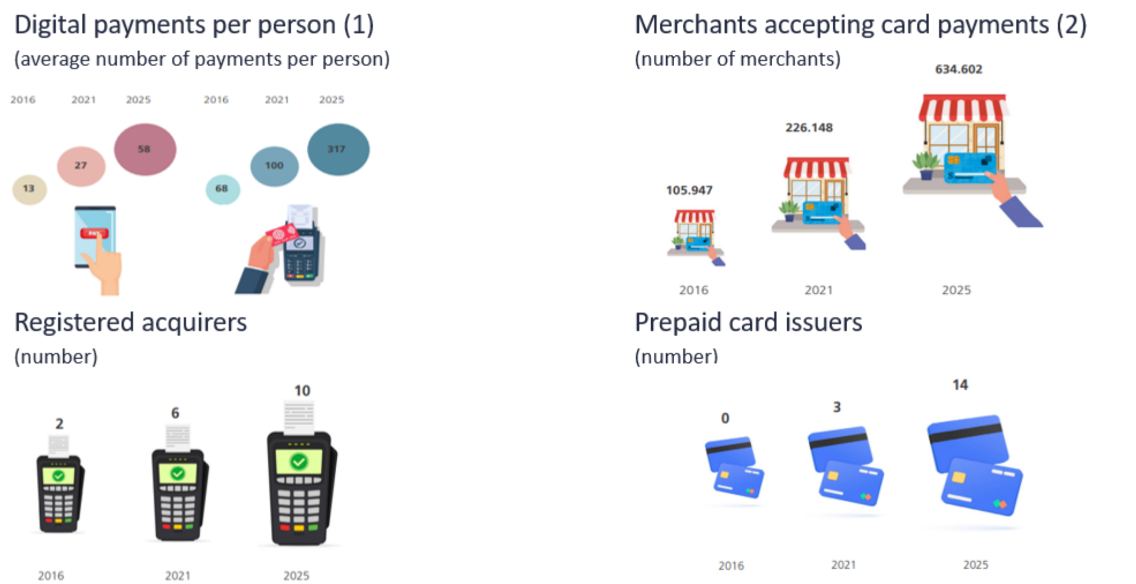
This growth is largely driven by high levels of financial inclusion. In Chile, anyone can open a simplified account and access a debit or prepaid card—often free of charge or at very low cost. A recently developed, robust network of acquirers and sub-acquirers ensures that these cards are widely accepted by merchants across the country.

Also, Chile was one of the first countries in the world to have instant account-to-account payments. That system, operated by a private company and regulated by the Central Bank, processes millions of transactions daily, mostly between individuals.

Looking ahead, we expect this momentum to continue. Innovation and new technologies are lowering barriers to entry, enabling new business models and services for consumers. At the same time, the Fintech Law passed in 2023, and the ongoing development of an Open Finance System are designed to foster competition and further expand the market.

In recent years, many new payment companies—including issuers of prepaid cards and acquirers—have entered the Chilean market, some of them from abroad. We see this as a strong sign of confidence in the future of digital payments in Chile. As I will discuss below, despite high adoption rates, there is still significant room for growth (Figure 9).

Figure 9



(1) Corresponds to the 12-month cumulative number of transactions ending in March each year, divided by the total population over 15 years of age.
(2) Corresponds to the total number at the end of March each year.
Sources: Central Bank of Chile based on data from Financial Market Comission.

The role of the Central Bank in supporting safe and inclusive payment innovation

The Central Bank of Chile has played a key role in enabling the transformation of retail payments—ensuring that innovation happens in a safe, orderly, and inclusive manner.

A major milestone came in 2017, with changes to the regulation of payment cards. These reforms laid the foundation for the adoption of the four-party model, which opened the market to multiple acquirers and sub-acquirers, fostering greater competition and expanding access. Before that, in the three-party model, the roles of issuer and acquirer were combined into a single entity.

Since this industry is prone to innovation and dynamism, regulation has continued to evolve. Some updates have fine-tuned prudential requirements, but others were aimed at providing a framework for new business models such as the "cross-border acquiring", "on us" payments, and more recently the integration of payment cards into public transport systems.

At the heart of our regulatory approach is a clear objective: to ensure that retail payments function reliably and securely. To achieve this, we impose prudential requirements —including capital and liquidity standards— to mitigate credit and liquidity risk. We also require robust risk management policies to address operational, fraud, and cybersecurity risks.

A key concept in our framework is "payment responsibility"—the need to clearly define who is ultimately responsible for fulfilling payment obligations to merchants or other payment receivers. This clarity is essential, given our legal mandate to safeguard the integrity of the payment system.

However, regulating issuers and acquirers alone is not enough. Behind the scenes, financial market infrastructures—the "plumbing" of the financial system—play a critical role in ensuring that payments are final, and that clearing and settlement processes minimize credit, liquidity, and operational risks.

While the Central Bank has long regulated large-value payment systems, it wasn't until 2020 that retail payment infrastructures were brought under our regulatory umbrella. The Retail Payments Clearinghouse regulation introduced finality to retail transactions and strengthened the clearing and settlement process through prudential standards.

As I previously noted, Chile's instant account-to-account payment system, operated by a private entity, has been in place for years. Without making much ado about it in international fora, Chile was one of the first countries counting with instant payments. More recently, since 2024, the clearinghouse processing these payments has been formally established as an infrastructure subject to prudential requirements. One notable outcome is that the system is now more resilient—and liquidity needs for participants have dropped significantly.

Soon, debit and credit card payments will also be processed under this framework. Clearing will take place through Visa and Mastercard's clearinghouses, and settlement will occur in the Central Bank's RTGS system, using central bank money.

But this is not the end of the story. The regulation also promotes interoperability between clearinghouses and allows room for exploratory projects. These features are designed to encourage competition and support ongoing innovation in the payments ecosystem.

Adapting regulation to a rapidly evolving payments landscape

As the payments ecosystem continues to evolve, so too must the regulatory framework and the role of the Central Bank.

New business models have emerged—and more will follow. Naturally, many of these innovations were not foreseen when the current regulatory framework was first designed. While we've been able to adapt the rules over time, there are cases where legal constraints limit our ability to respond. In such instances, new legislation, like the recently enacted Fintech Law, becomes essential.

One emerging regulatory challenge is the rise of Banking as a Service (BaaS) -a model where banking products are offered by third parties, often fintechs, through digital platforms. We are beginning to see such initiatives in Chile. From a regulatory standpoint, this raises important questions: Do these models introduce new risks? And if so, how should they be addressed?

A more immediate challenge is the expansion of account-to-account (A2A) payments to merchants. Today, most A2A transactions in Chile occur between individuals. However, in many countries, this method is increasingly used for payments to businesses. While in Chile the technical infrastructure already exists, the user experience remains cumbersome without dedicated interfaces and services tailored for merchants.

Some banks and fintechs—including payment initiators—are developing solutions in this space. However, these efforts are often fragmented, limiting their potential. This raises a key question: Can these initiatives be made interoperable?

We believe the answer must be yes. Expanding A2A payments to merchants would enhance the resilience of the retail payment system. But to achieve this, interoperability is essential.

There are different paths to interoperability. In some countries, central banks have stepped in to provide public infrastructure for retail payments—marking a shift from their traditional focus on large-value systems. In Chile, we have historically taken a different approach: the public sector regulates and supervises, while the private sector develops and operates most infrastructures. Following this approach, we are studying how our Central Bank can leverage its regulatory authority to facilitate and foster interoperability across existing and future private initiatives. Nonetheless, we are not neutral about the desired outcome. We expect to see increasing use of A2A transfers for P2B payments in the coming years, and will take the necessary steps to make it happen.

Another important challenge is to strengthen the infrastructures that support digital payments. As digital transactions become more prevalent, the systems that process them take on a systemic importance. Any disruption is not just an inconvenience—it can mean lost economic activity. The implementation of the Retail Payments Clearinghouse regulation has made this clearer, and we may need to further strengthen prudential requirements for these systems.

Finally, as more participants enter the ecosystem and alternative rails for instant payments emerge, we must ensure that our RTGS system can handle the growing volume of payment instructions. Expanding its capacity is a complex task that requires careful planning and foresight.

III. Looking ahead: emerging technologies and their impact on payments

As the financial system evolves, some technological developments —though not directly tied to retail payments— are beginning to intersect with them in meaningful ways. These innovations require forward-looking thinking and proactive exploration.

One of the three chapters in our latest Payment Systems Report is dedicated to tokenized assets. These are a new class of digital assets that embed traditional information about the underlying assets, along with pre-defined rules governing ownership, transfer, and trading.

While the market for tokenized assets remains small compared to traditional financial instruments, it is growing rapidly. If these assets become more widely adopted, existing financial market infrastructures will need to adapt—particularly to interact with the technologies that support tokenization, such as Distributed Ledger Technology (DLT).

For example, if securities are increasingly issued on DLT platforms, settling these transactions in central bank money would require central bank systems to communicate with those platforms. There are several ways to achieve this, including synchronization mechanisms or the issuance of a wholesale Central Bank Digital Currency (CBDC) that is native to these systems.

To explore these possibilities, the Central Bank of Chile is preparing to launch a Proof of Concept for a wholesale CBDC. This initiative is not a commitment to issuing a CBDC but rather aims to gain hands-on experience with this technology, identify potential gaps, and strengthen our internal capabilities. The project will simulate the transfer of tokenized assets between agents on a blockchain ledger, using a wholesale CBDC as the settlement instrument.

Another innovation with disruptive potential is Stablecoins. These are digital assets pegged to reference currencies, like the US dollar, and backed by reserves such as fiat currencies or government bonds. Dominated by USDT and USDC, which together hold nearly 80% of the USD 300 billion market, stablecoins are used for cross-border transfers, crypto trading, and settling tokenized transactions on DLT platforms. Although their use in retail payments remains mostly theoretical, it is important to consider and be prepared for scenarios where this could start happening.

In Chile, the Fintech Law assigns regulatory responsibilities to two institutions. The Financial Market Commission (CMF) oversees market conduct for cryptoasset service providers—such as exchanges and custodians—similar to how it regulates securities. Meanwhile, the Central Bank is empowered to regulate the prudential aspects of stablecoins, but only if they are issued by entities supervised by the CMF as issuers of means of payment.

Globally, regulatory efforts are gaining momentum. In the United States, for example, the GENIUS Act aims to regulate stablecoins, and international bodies like the Financial Stability Board have issued guidelines and best practices for Global Stable Coins. These efforts could accelerate the growth of stablecoins, especially those with global reach.

However, in Chile, enforcing international standards on global stablecoins presents challenges. The Fintech Law requires issuers to be established locally and supervised by the CMF. Even if that requirement were lifted, extraterritoriality remains a barrier. This creates a potential regulatory challenge that must be acknowledged and addressed as the ecosystem evolves.

After a decade of significant achievements in modernizing the payment system and with inflation projections that reflect both our accomplishments and the challenges we face, the path forward requires an agile monetary policy capable of responding promptly to emerging risks and an increasingly robust financial system with a modern, safe, and resilient payment system. In this context, we reaffirm that the mandate of price stability and financial stability has guided our work over the past 100 years and will continue to be the cornerstone of our future actions. The ongoing challenges call on us to redouble our efforts, strengthen our capabilities, and continue to act with independence, technical rigor, and public commitment. The Central Bank of Chile remains committed to the well-being of the people and the development of our country.