

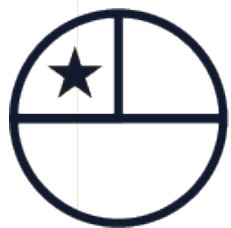
# MONETARY POLICY REPORT

SEPTEMBER 2025

Claudio Soto, Board Member



# Introduction



Main developments since the June IPoM are related to the local scenario.



Headline inflation has continued to decline as anticipated, but core inflation has exceeded June's projections.

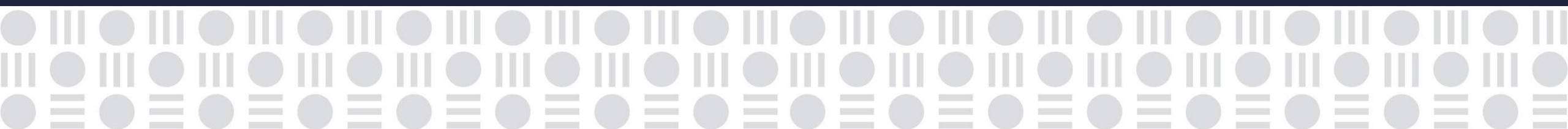


Greater dynamism in domestic spending and a set of cost factors have pushed up core inflation.



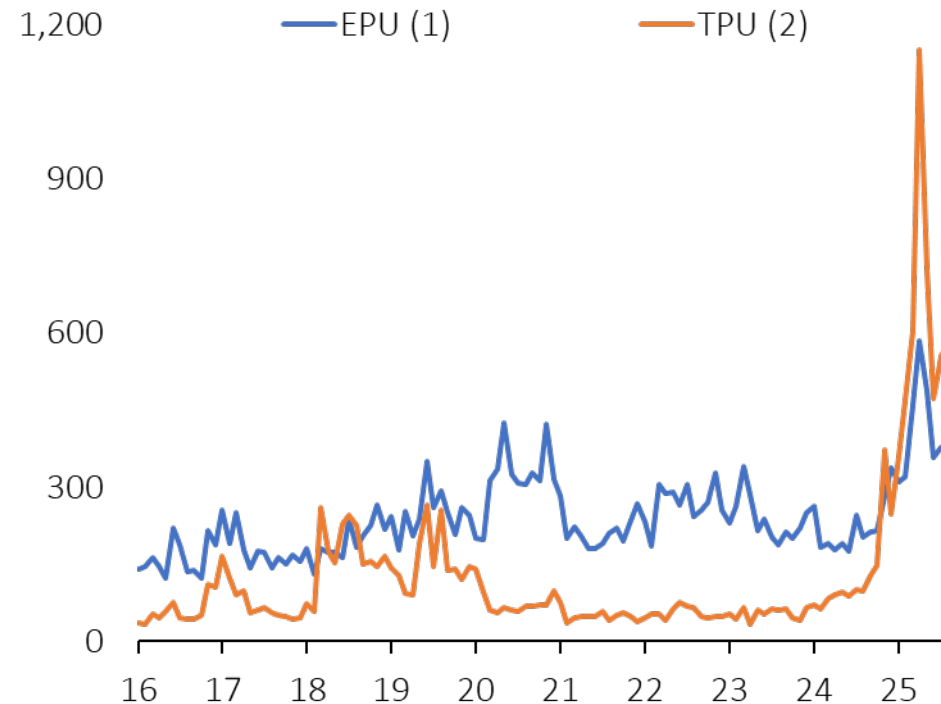
The outlook for private consumption and investment has improved, while inflation convergence to 3% is expected by the third quarter of 2026.

The external scenario does not  
show significant changes from  
our previous IPoM



# Uncertainty has receded, but it is still high

## Uncertainty indicators (index)



(1) Corresponds to the Global Economic Policy Uncertainty Index.. (2) Corresponds to the 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).

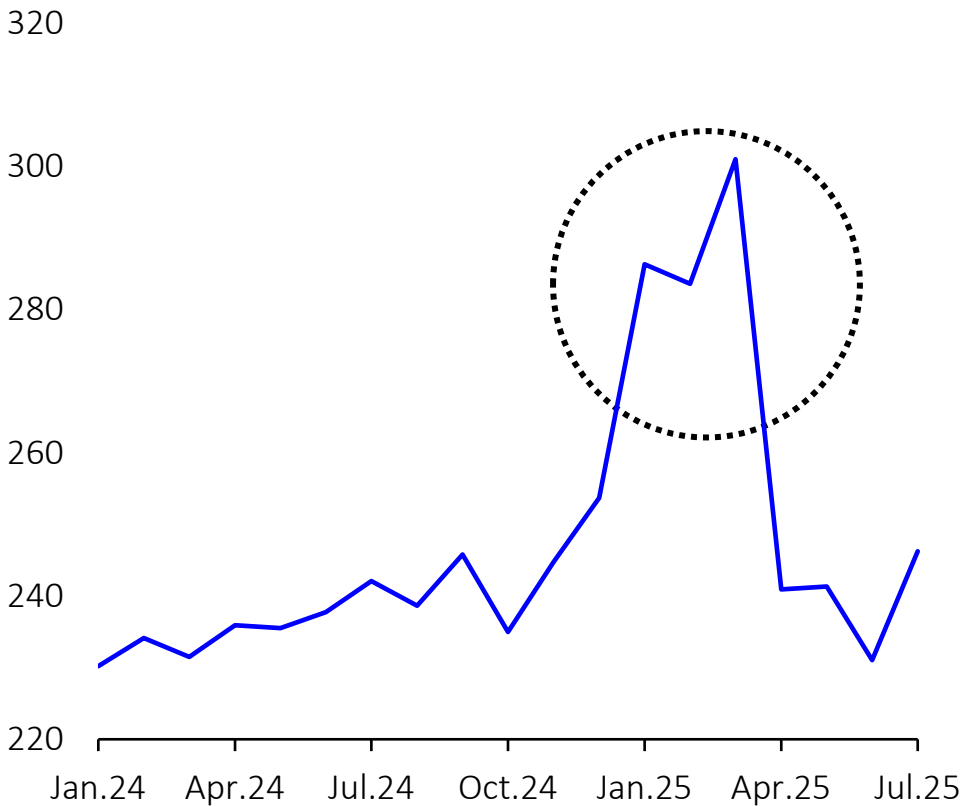
## Several sources of uncertainty:

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

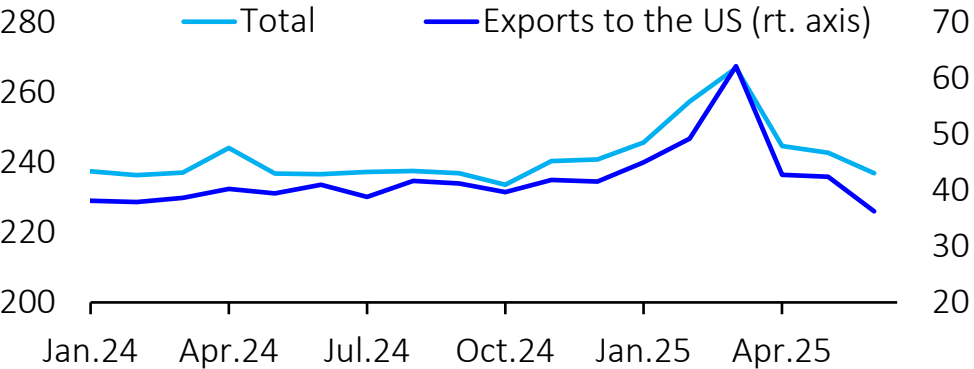


# So far, the impact of the trade conflict has been limited

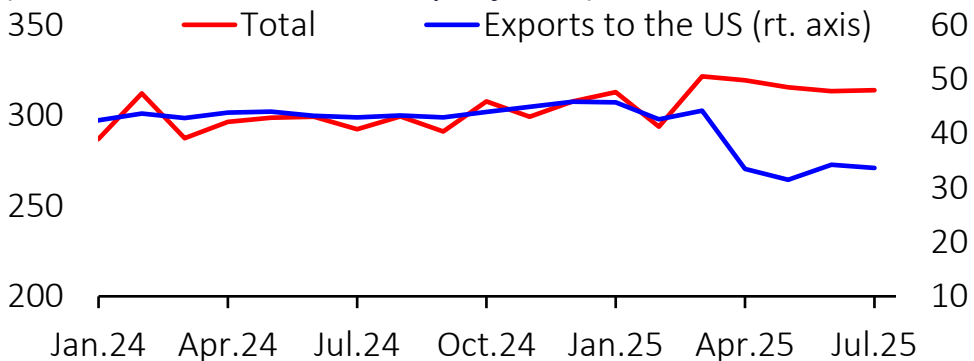
United States' imports  
(billions of dollars, seasonally adjusted)



Eurozone's exports  
(€ billion, seasonally adjusted)



China's exports (1)  
(billions of dollars, seasonally adjusted)

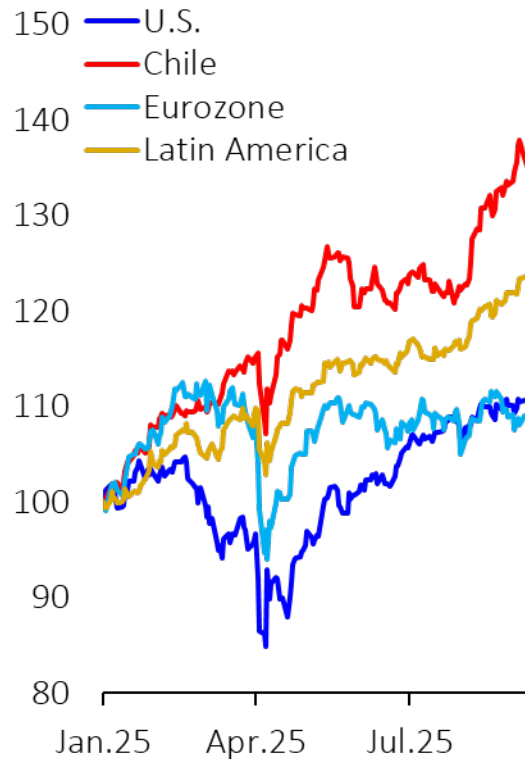


(1) Sasonally adjusted by the Central Bank of Chile using TRAMO-Seats and considering local holidays.  
Sources: General Administration of Customs of China, Bloomberg and Eurostat.

# Short-term global financial conditions have improved

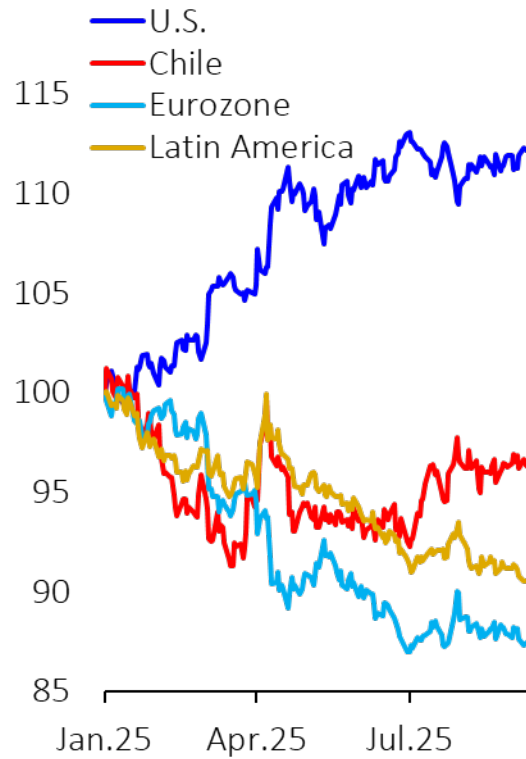
## Stock markets (1)

(index 02-Jan.-25=100)



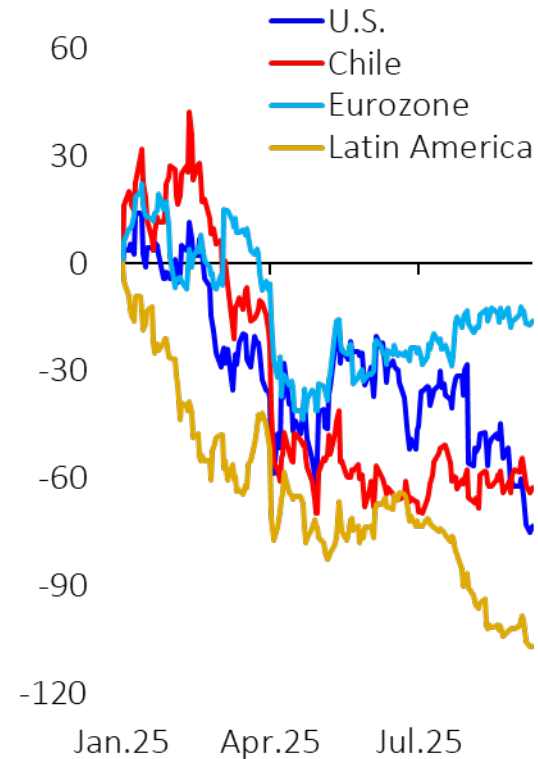
## Currencies (1)(2)

(index 02-Jan.-25=100)



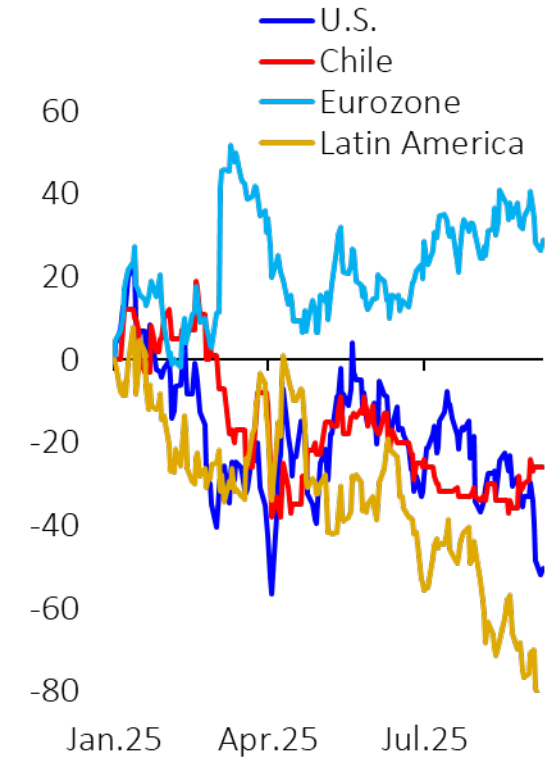
## 2-year rates (1)

(change w/r to 02-Jan.-25, basis points)



## 10-year rates (1)

(change w/r to 02-Jan.-25, basis points)

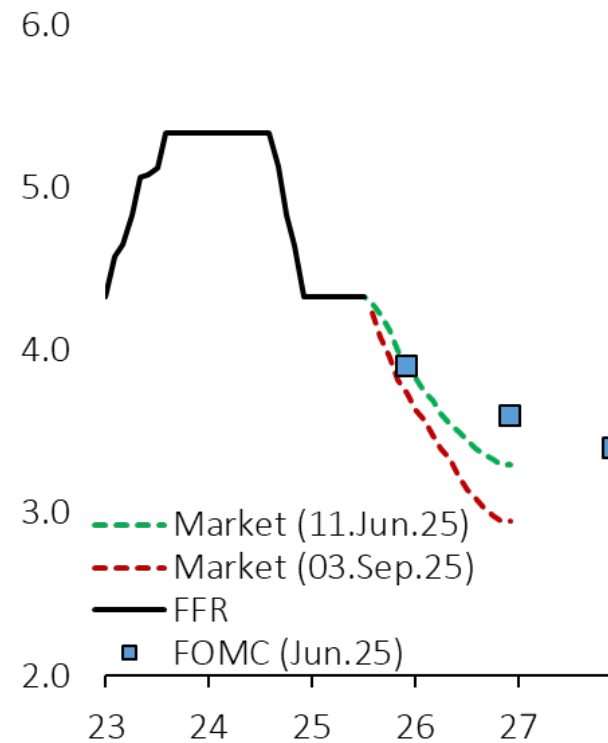


(1) For Latin America, considers the simple average between Brazil, Colombia, Mexico, and Peru. (2) Increase (decrease) indicates depreciation (appreciation).

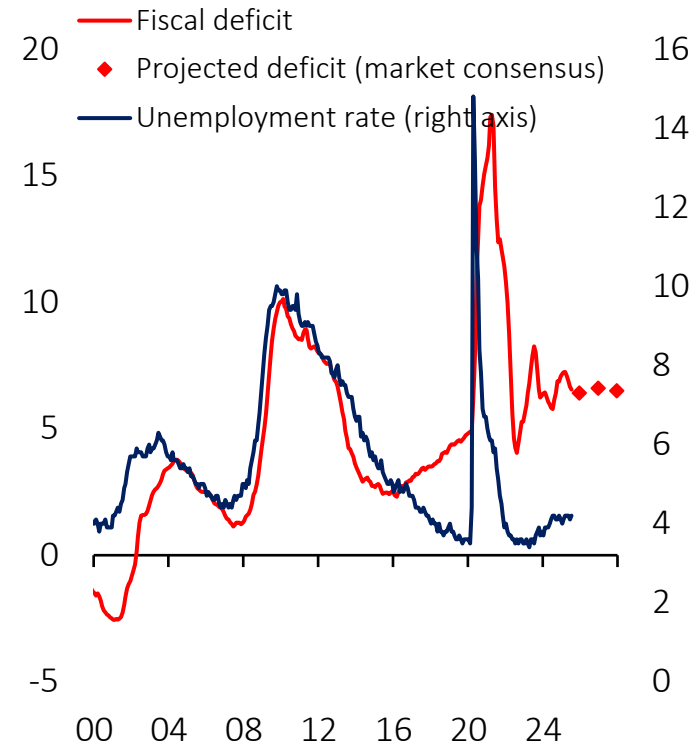
Sources: Central Bank of Chile and Bloomberg.

# Despite market expectation of a more dovish Fed, there are important inflationary risks in the US

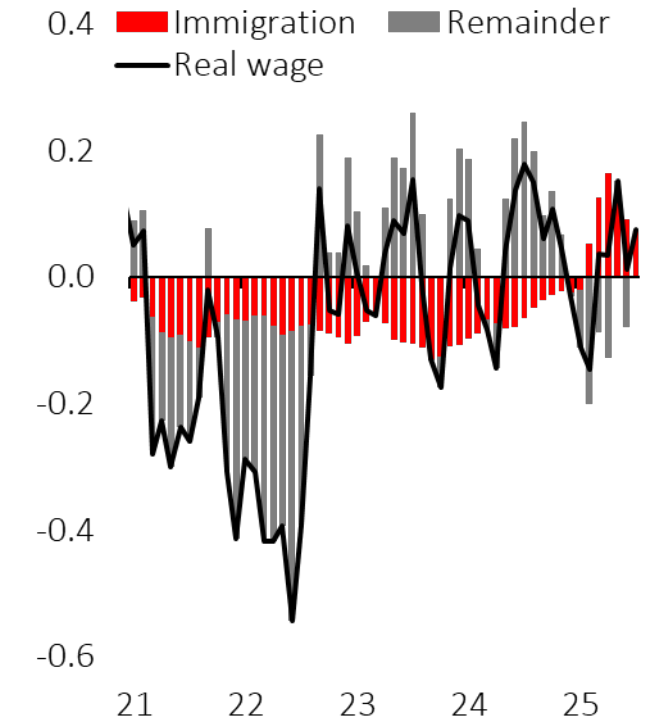
Fed funds rate (1)  
(percent)



Fiscal deficit and unemployment (2)  
(% of GDP, 12 months-sum; s.a., percent)



Real wage growth (3)  
(monthly change, percentage points)

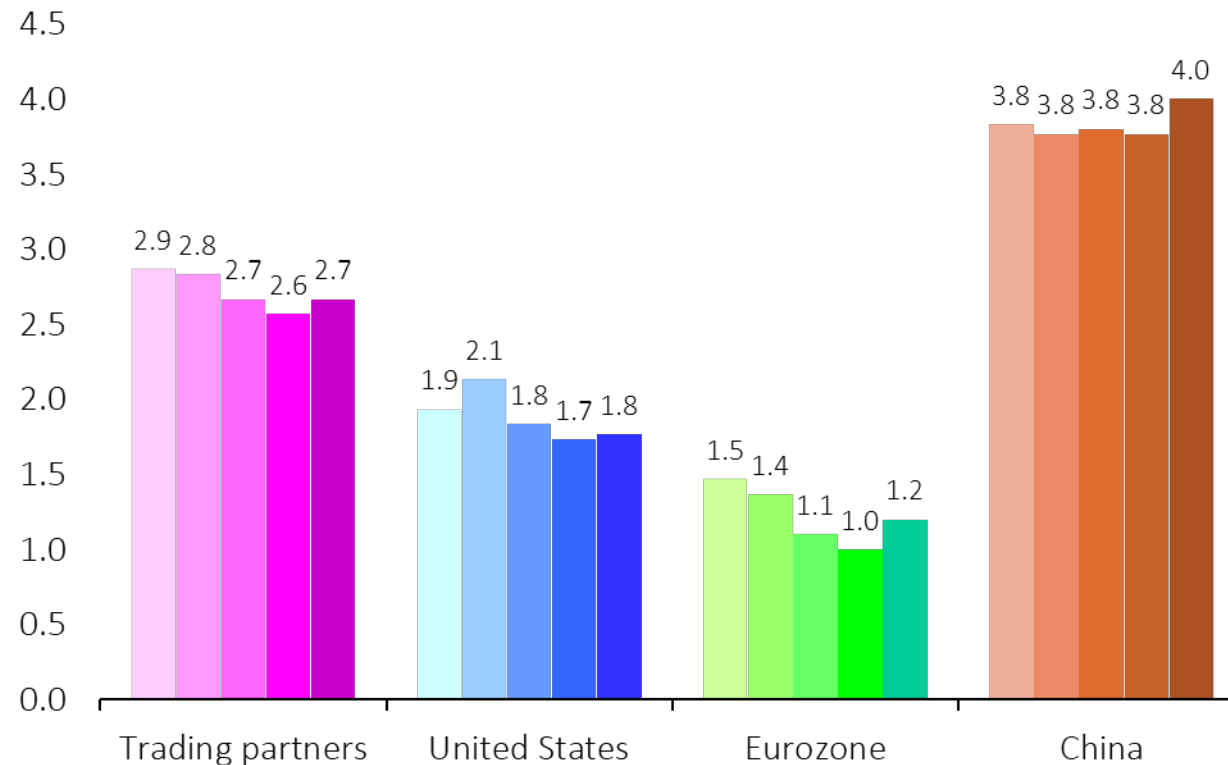


(1) FOMC projections correspond to the mid-range of the Fed funds rate presented in June 2025; market projections are for the mid-range of the Fed funds rate of futures at June 11 (statistical closing of the June IPoM) and September 3 (statistical closing of the September IPoM). (2) Fiscal deficit in 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 revise slightly upward our trading partner's 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.

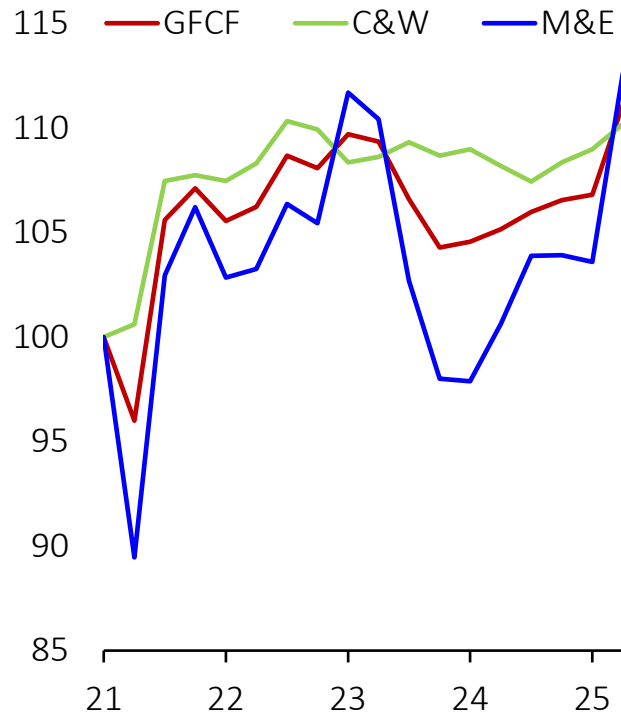


At the local level, we see a  
greater dynamism of business  
and household spending

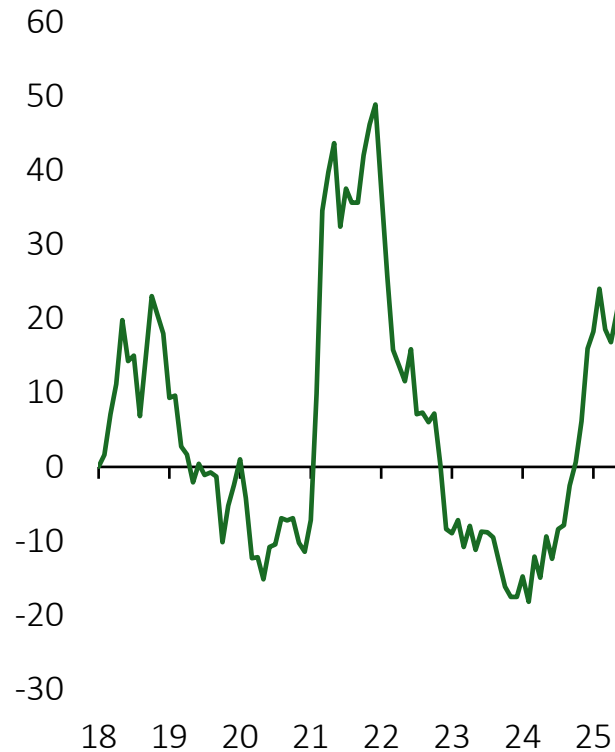


# Investment accelerated significantly in the second quarter

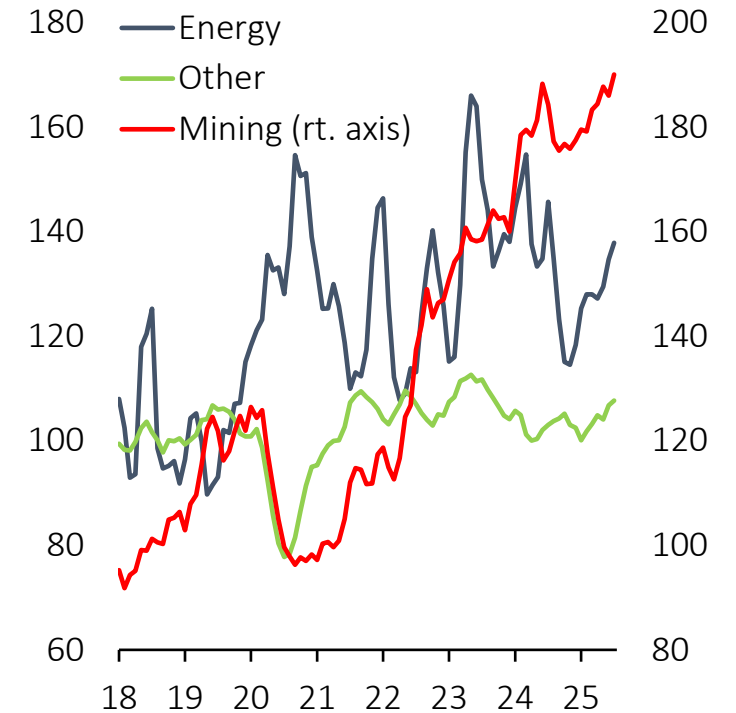
Gross Fixed Capital Formation (GFCF)  
(index 1Q2021=100, seasonally adjusted  
real series)



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



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

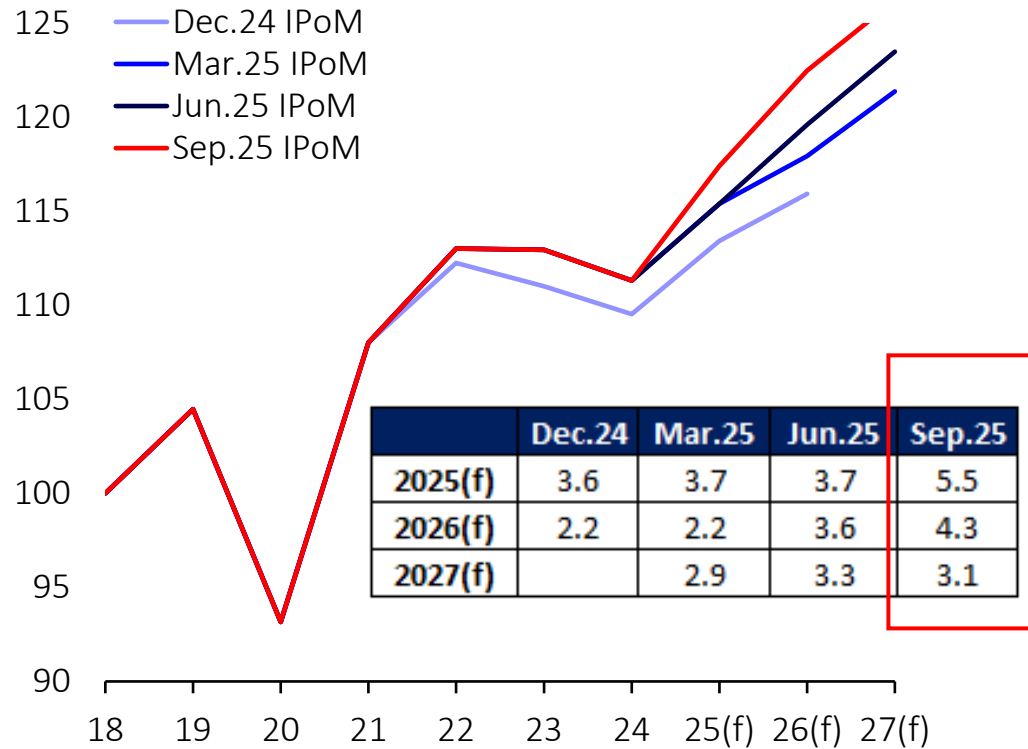


(1) Three-month moving average. (2) Indicators based on microdata. The methodological details can be found in the Minutes of the IPoM boxes for September 2024.  
Sources: Customs, Central Bank of Chile and Internal Revenue Service.

# Investment will be more dynamic than previously expected

## GFCF forecast

(index 2018=100)

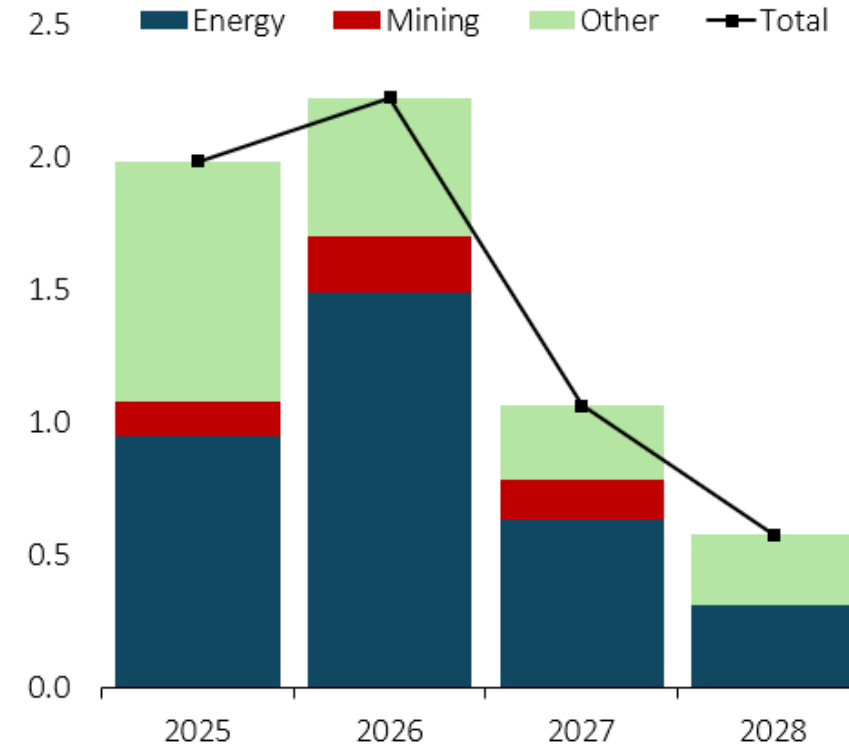


(f) Forecast.

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

## CBC 2Q25 Investment Survey – new projects

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

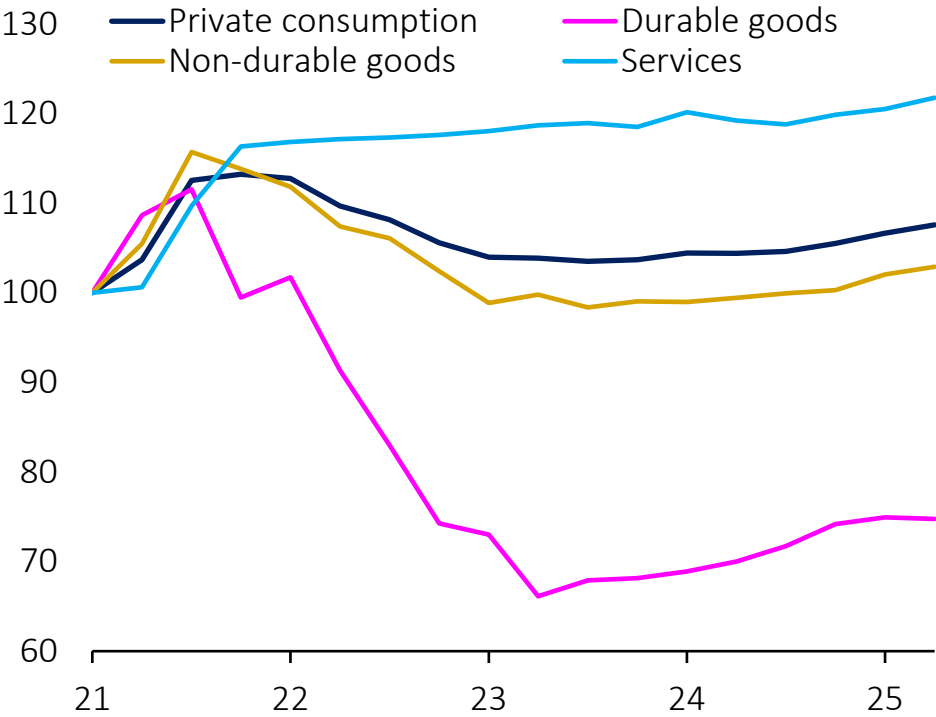


# Private consumption growth is also revised upward, but to a lesser extent



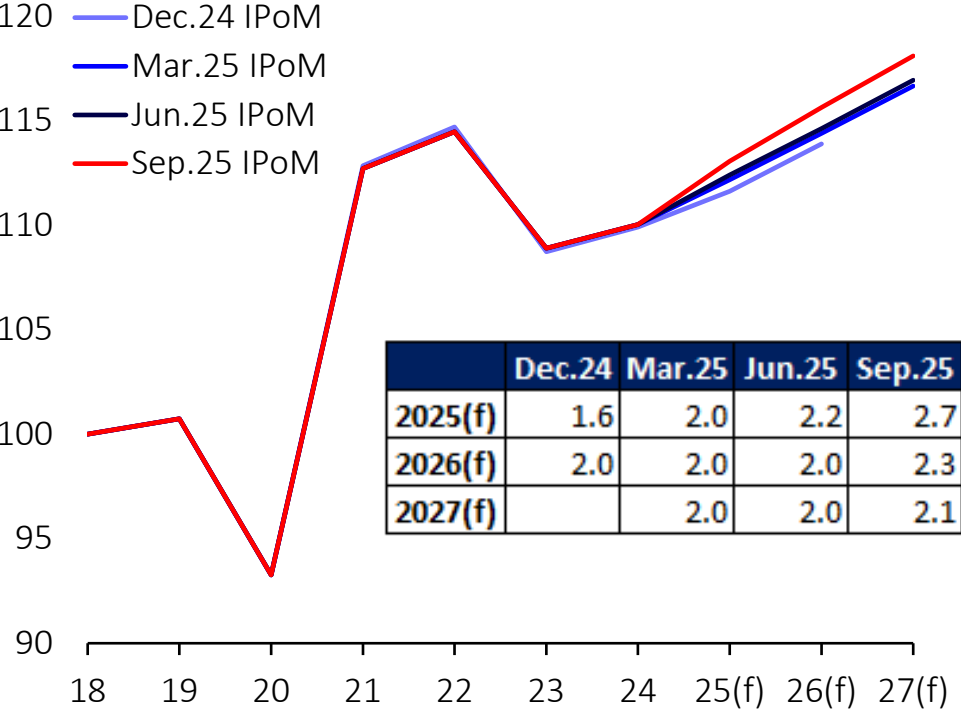
## Private consumption

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



## Private consumption forecast

(index 2018=100)

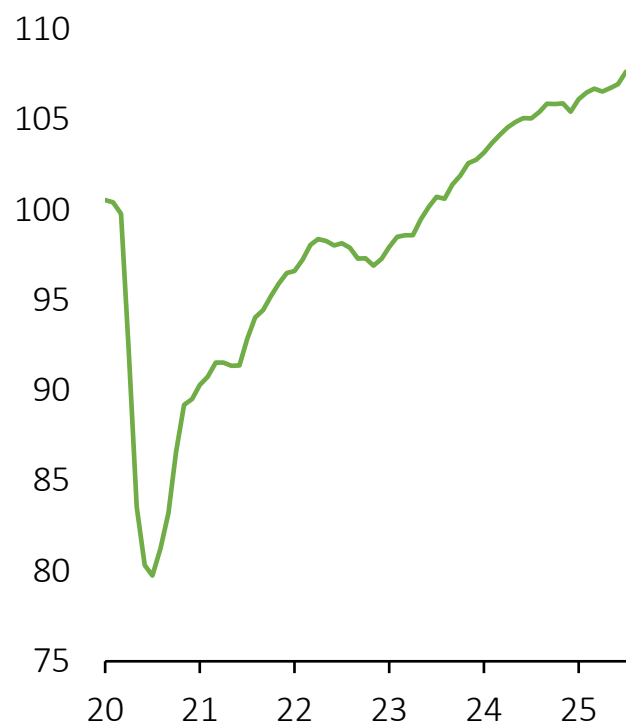


(f) Forecast. Source: Central Bank of Chile.

# Private consumption fundamentals

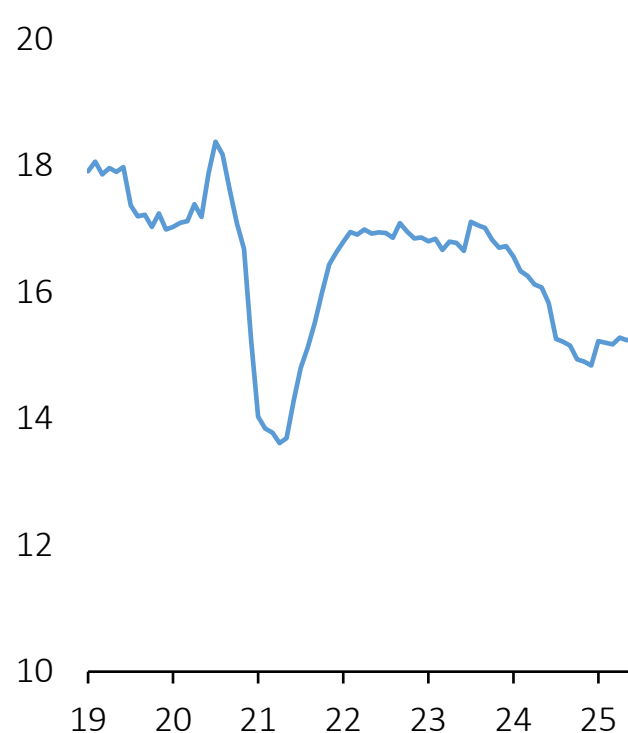
## Real wage bill (1)

(index 2019=100, s.a. series)



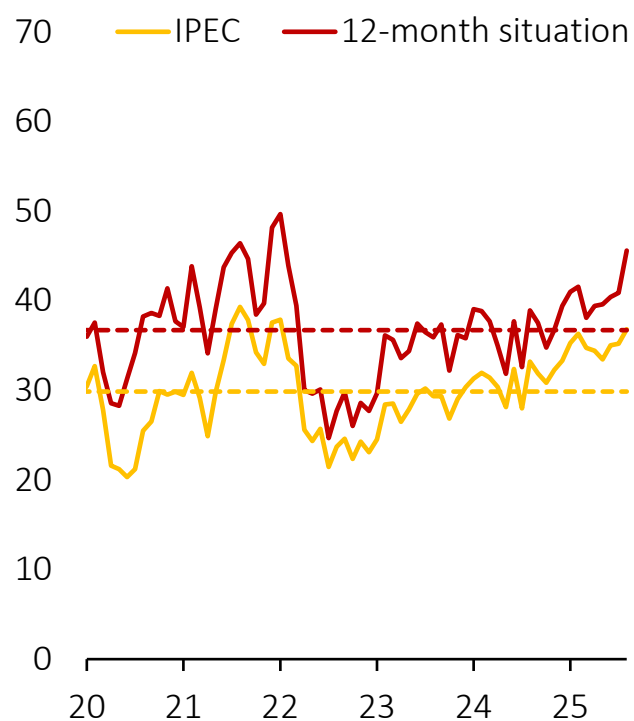
## Financial burden/labor Income (2)

(percent)



## Household Expectations (IPEC) (3)(4)

(diffusion index)



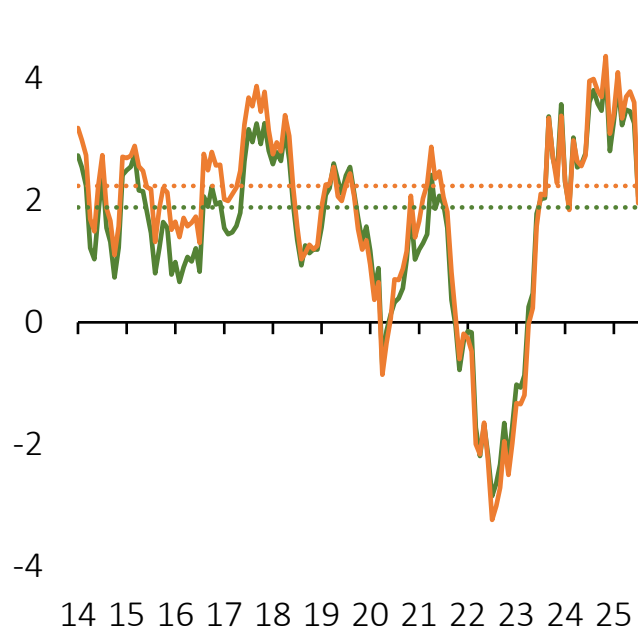
(1) Calculation based on seasonally adjusted series of the real Labor Cost Index, usual hours worked and occupation. (2) 6-month moving average. (3) A value above (below) 50 indicates optimism (pessimism). (4) Dashed horizontal lines correspond to the 2020-2025 averages of each index. Sources: Central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

# Despite slow job creation, wages were growing fast until recently

## Real hourly wages (1)

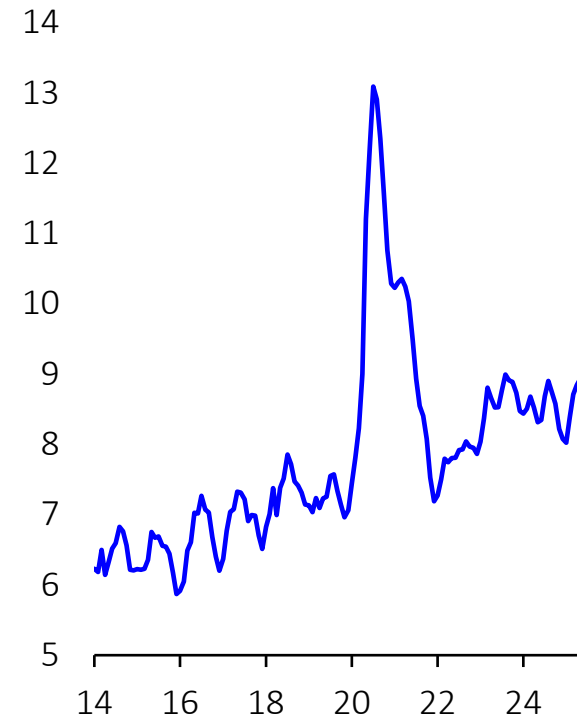
(annual change, percentage)

6 — Wage index — Labor cost index



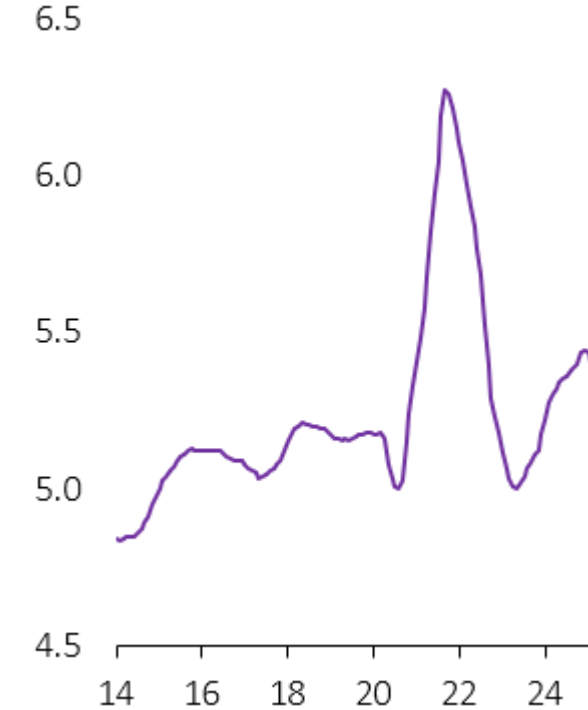
## Unemployment rate

(percentage)



## Job searching time (2)

(months)

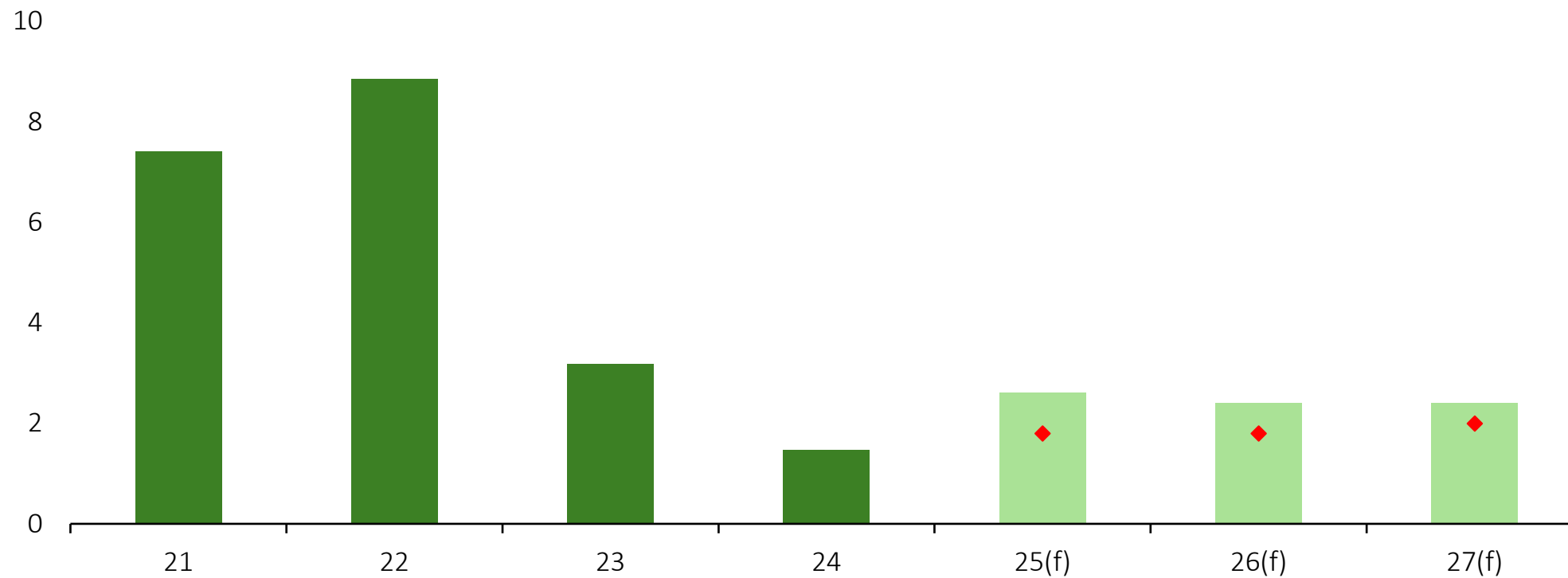


(1) Dashed lines correspond to the 2014-2019 average of each series. (2) The series are constructed with AFC data that include lagging contributions and are spliced using the growth rates of the same series with data that do not include lagging contributions. Sources: Administradora de Fondos de Cesantía de Chile (AFC), Central Bank of Chile and National Institute of Statistics.

# The current account deficit is projected to be running at around 2% of GDP

## 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.

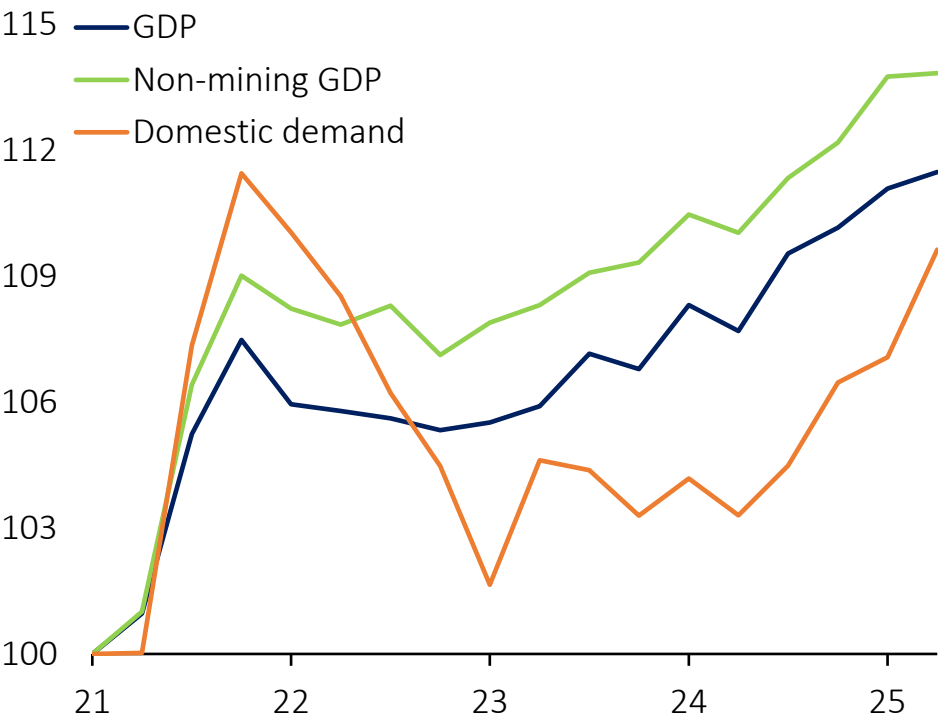


# GDP has evolved broadly in line with expectations



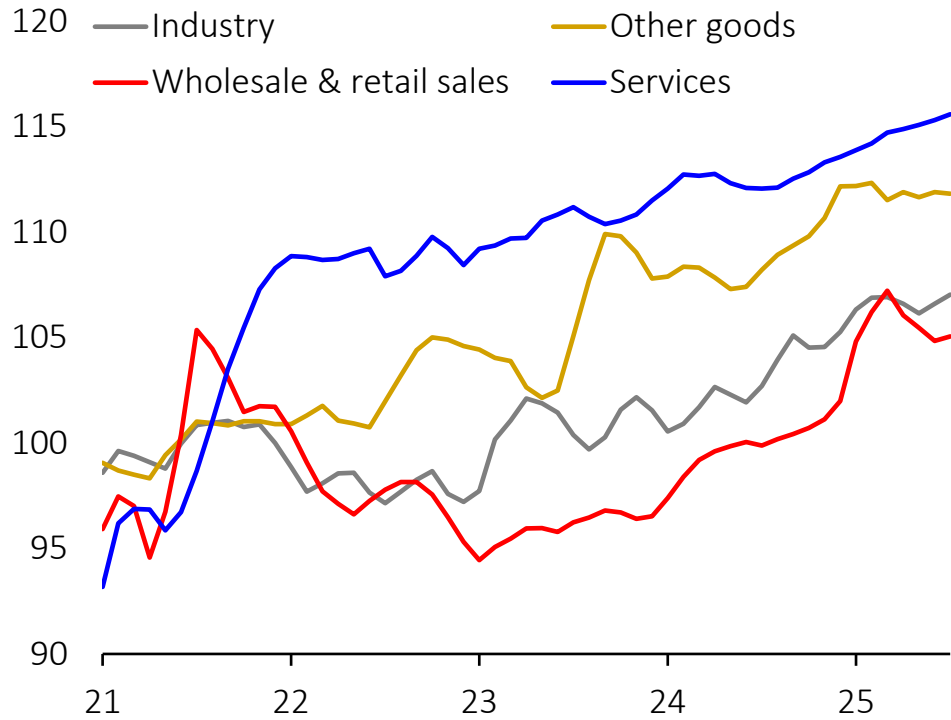
## GDP and domestic demand

(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.

# Activity is revised upward



2025: 2.25-2.75%

(2.0-2.75% Jun.25 IPoM)



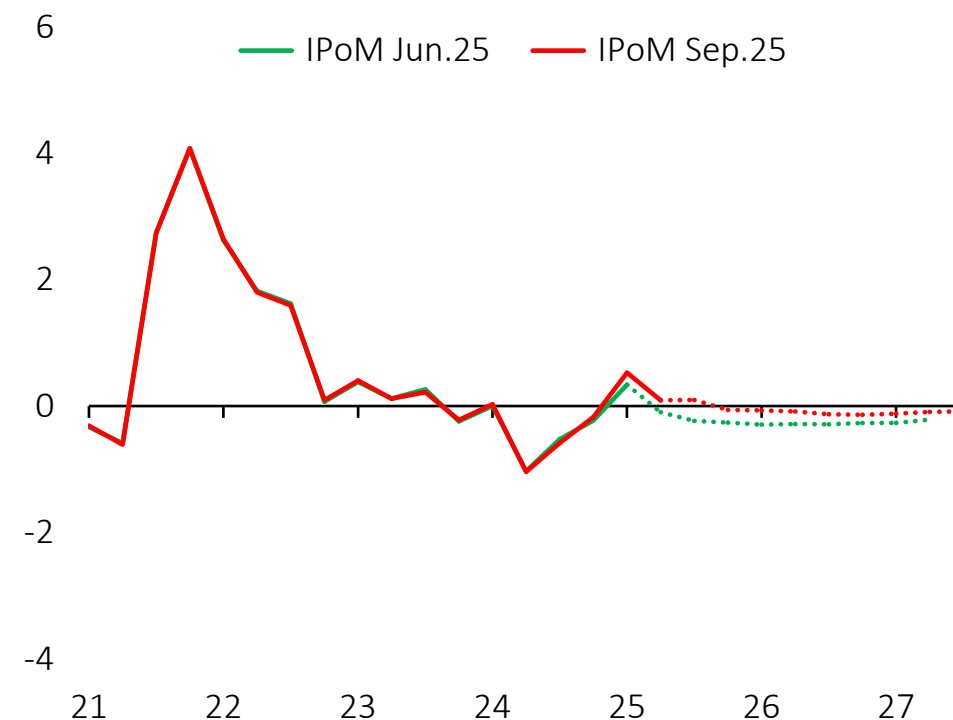
2026: 1.75-2.75%

(1.5-2.5% Jun.25 IPoM)



2027:  
1,5-2,5%

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



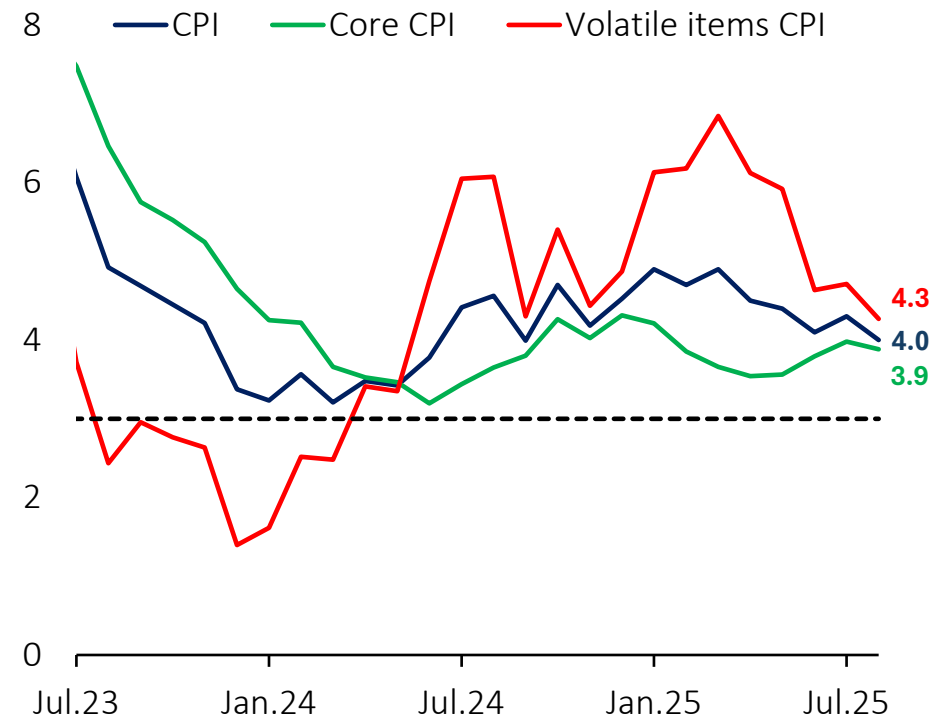
(1) Dotted lines show forecast. (2) Forecast assumes structural parameters updated in September 2024 Monetary Policy Report (IPoM) (trend GDP) and June 2025 IPoM (potential GDP). Source: Central Bank of Chile.

# CPI inflation has come down as expected, but core CPI has moved up



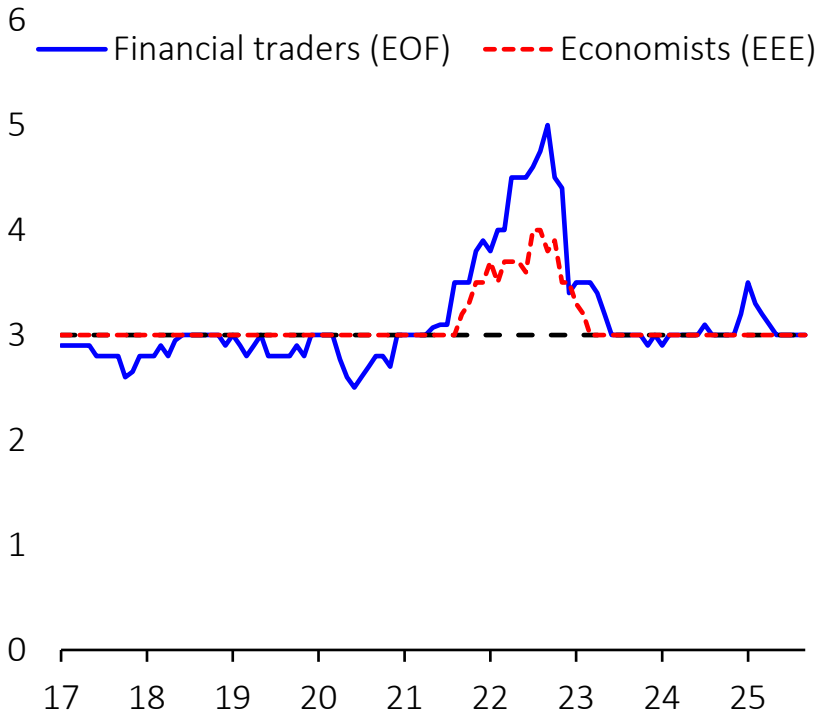
## Inflation Indicators (1)

(annual change, percent)



## Two-year inflation expectations (2)(3)

(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. (2) Medians of the responses to each survey. (3) 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.

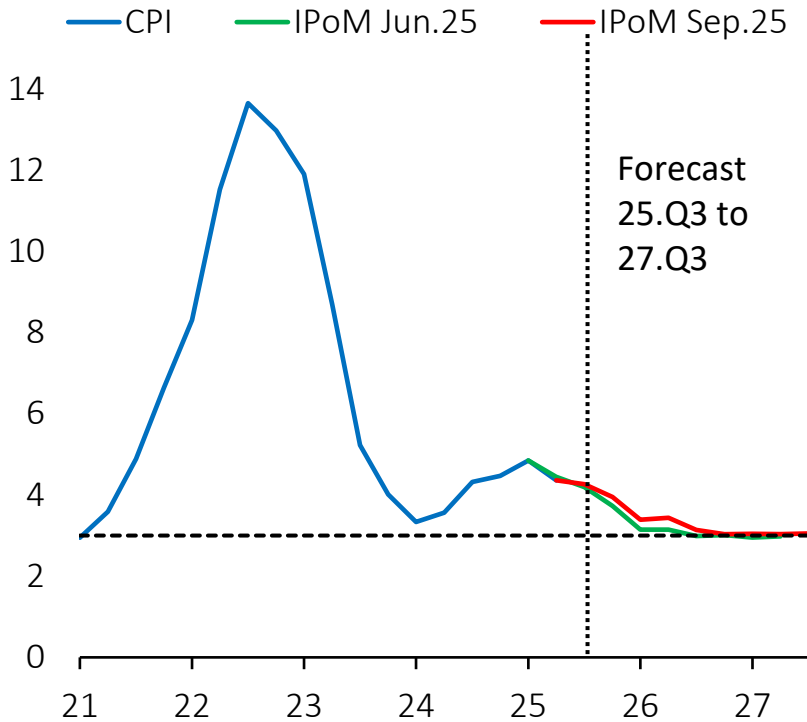
Sources: Central Bank of Chile and National Institute of Statistics.

# Inflation is expected to converge to target during the second part of 2026



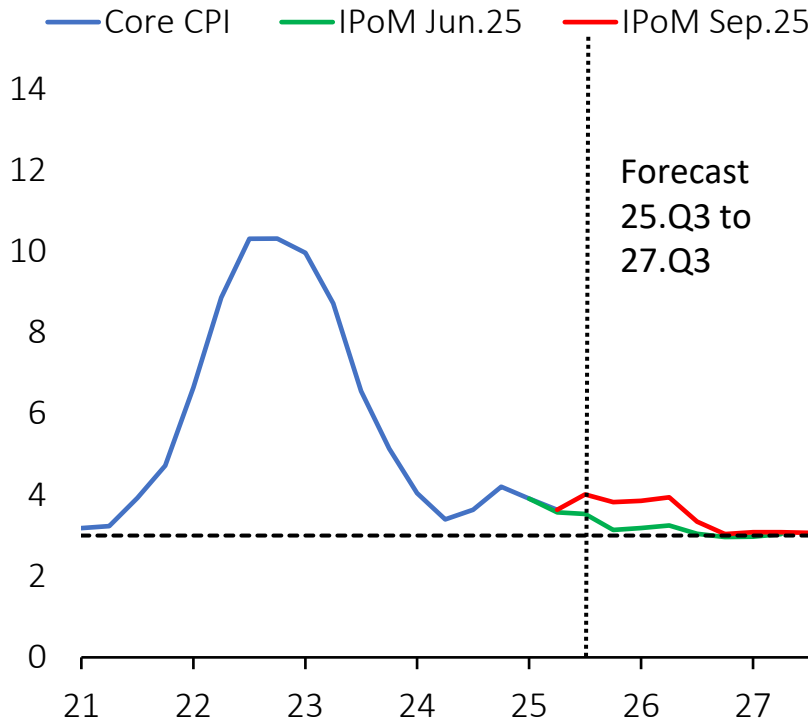
Headline inflation forecast (1)

(annual change, percent)



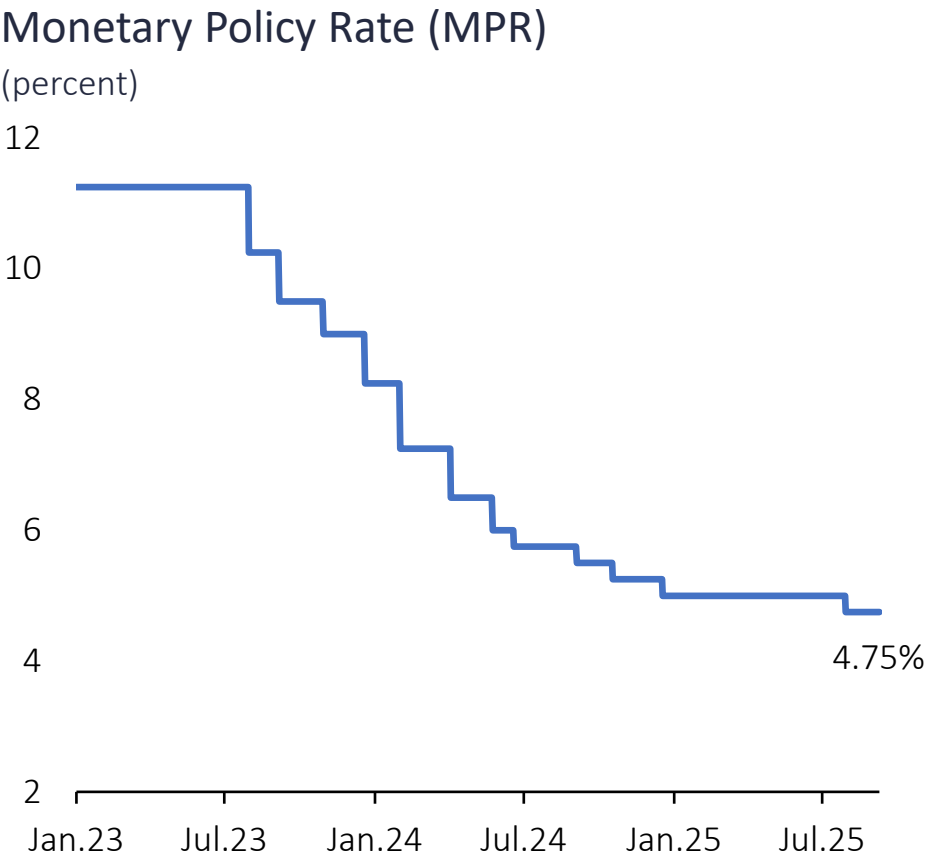
Core inflation forecast (1)

(annual change, percent)

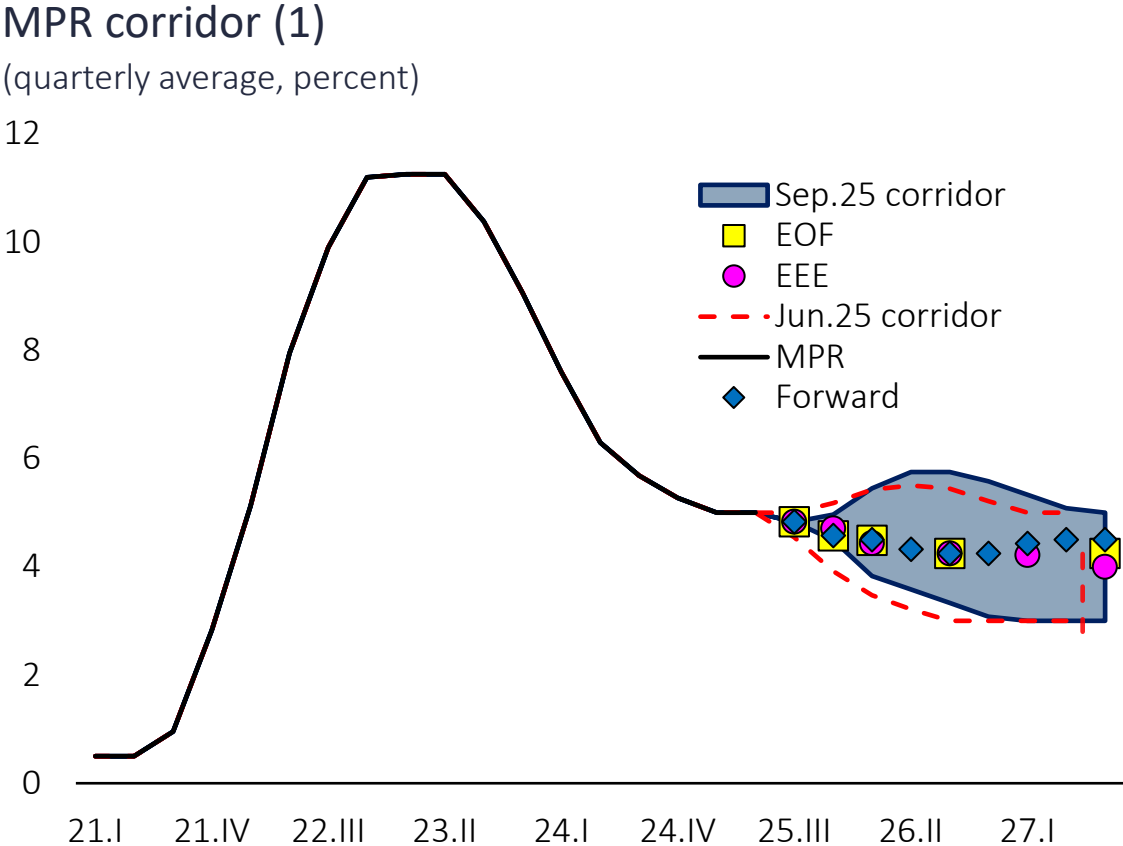


(1) Prior to 2025, the headline inflation series reflects the 2023 reference basket and the Central Bank of Chile splice. (2) Measured with the CPI without volatiles.Sources: Central Bank of Chile and National Institute of Statistics.

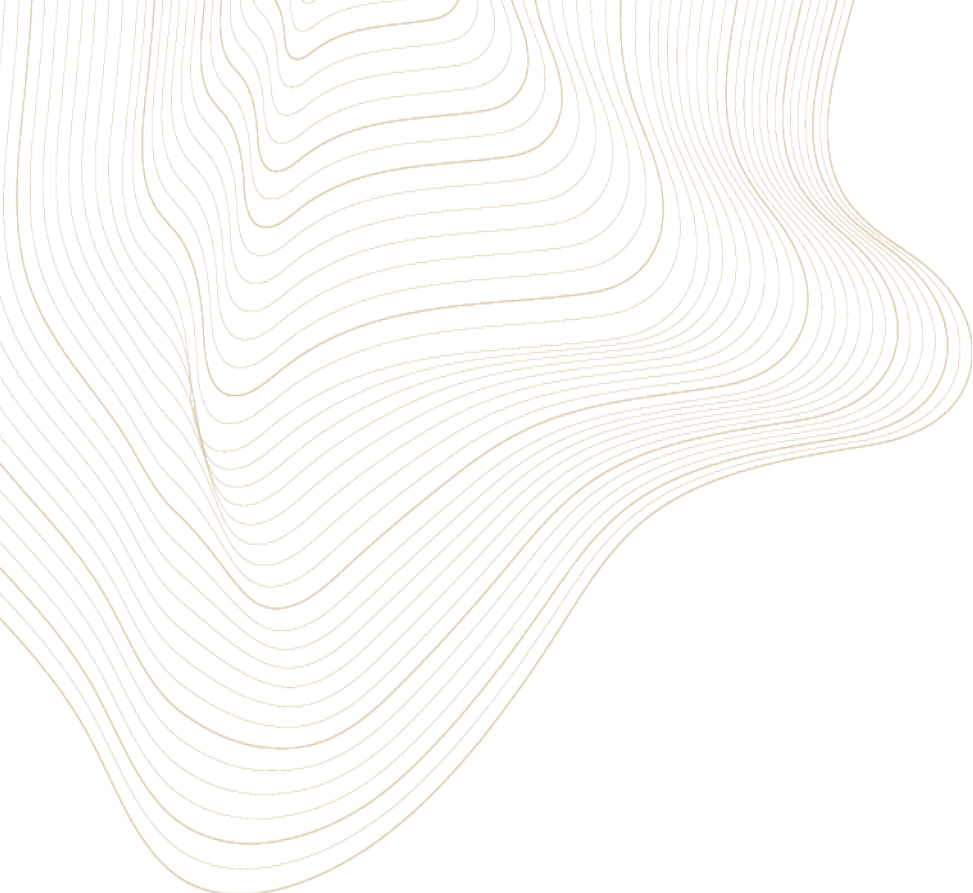
# Monetary policy rate above, but close, to its neutral range



Source: Central Bank of Chile.



(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.



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