MONETARY POLICY MEETING

OCTOBER 2025

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Minutes of monetary policy meeting No. 317, held on 27–28 October 2025.

Present: Rosanna Costa, Governor: Stepanka Novy, Vice-Governor; Alberto Naudon, Board member; Luis Felipe Céspedes, Board member; Claudio Soto, Board member.

Also present: Luis Óscar Herrera Barriga, General Manager; Juan Pablo Araya, Legal Counsel and Attestor; Elías Albagli, Monetary Policy Division Director; Ricardo Consiglio, Financial Markets Division Director; Claudio Raddatz, Monetary Policy Division Director; Gloria Peña, Statistics and Data Division Director; Michel Moure, Institutional Affairs Division Director; Markus Kirchner, Macroeconomic Analysis Director; Enrique Orellana, Monetary Policy Strategy and Communication Manager; Sofía Bauducco, Economic Research Manager; Guillermo Carlomagno, International Analysis Manager; Felipe Musa, Market Operations Manager; Miguel Fuentes, Financial Stability Manager; David Kohn, Head of the Massive Information Analysis Department; Rodrigo Wagner, Advisor to the Finance Minister; Erika Arraño Senior Economist; Marlys Pabst, Secretary General.

1. Background

The international scenario

Overall, the external scenario had evolved in line with the September Monetary Policy Report (IPoM). In the United States, the Federal Reserve (Fed) had resumed lowering its benchmark rate cuts by reducing it by 25 basis points (bp) at its last meeting, bringing it to a range of 4.00% to 4.25%. The median of the dots considered two additional cuts for the remainder of the year, matching the markets' projections. This scenario was marked by signs of a weakening labor market—affected by both supply and demand factors—, a somewhat more resilient economy according to various high-frequency data for the third quarter, and the persistence of some elements that could push inflation upward. Meanwhile, the federal government had been in a partial shutdown for several weeks already, which was headed to last its longest in history. As for the trade conflict, although a possible preliminary agreement between the United States and China had been announced, several significant sources of uncertainty remained.

In the Eurozone, third-quarter activity showed signs of moderation, particularly in manufacturing output, as the anticipatory effects of tariffs reversed. In China, high-frequency indicators continued to reflect weak consumption and a dynamic manufacturing industry.

Beyond fluctuations, global financial markets had performed favorably since the previous meeting. Interest rates had fallen reflecting market expectations regarding the Fed's upcoming decisions. Stock market indicators were rising, where the boost of the US stock market stood out. This was largely related to the positive perception among market agents of the economic impact of new technologies. Currencies had shown mixed movements, where the appreciation of several Latin American ones stood out.

As for commodities, oil prices had been volatile, with declines following the ceasefire in Gaza and good supply prospects, partly offset by the announcement of new US sanctions on Russia's major oil companies. Thus, prices were slightly below the levels seen at the last meeting. The copper price had risen significantly, driven by global supply constraints, increased demand for non-traditional uses, and geopolitical factors.

The domestic scenario

In September, the annual variation in total and core CPI (which excludes volatile items) had been 4.4% and 3.9%, respectively (4.0% and 3.9% in August). Both values were in line with forecasts in the September IPoM. The two-year inflation expectations derived from the Economic Expectations Survey (EEE) and the Financial Traders Survey (EOF) stood at 3% and 3.1%, respectively.

Activity and demand had evolved broadly in line with the September IPoM. In August, the Imacec had posted a monthly decline of 0.7% in the total indicator and 0.5% in its non-mining component, according to deseasonalized figures. In annual terms, the two indicators had risen by 0.5% and 1.7%, respectively. The monthly results highlighted declines in mining —related to El Teniente accident— and entrepreneurial services, both sectors characterized by high volatility. In contrast, trade and manufacturing continued to show improvements, with wholesale foodstuff sales and seafood production standing out in the respective sectors.

In terms of spending, high-frequency indicators taken from digital sales bills and ANAC automobile sales suggested that in the third quarter private consumption had performed as expected. Investment appeared to be more dynamic than anticipated. Among its components, machinery & equipment stood out once again, still driven by large-scale investment projects in the mining and energy sectors. The labor market continued to give mixed signals, with a slight decline in the unemployment rate (8.6% in June-August) and slow job creation. At the same time, annual wage growth rates had moderated.

In the local financial market, short- and long-term interest rates had shown modest changes since the previous meeting. Meanwhile, the peso had appreciated and the stock market had accumulated gains. Credit continued to show no major changes.

The October EEE and the EOF prior to the Meeting anticipated that the monetary policy rate (MPR) would be held at 4.75%, which was consistent with what was implicit in financial asset prices. Towards December of this year, the various measures placed the MPR at 4.5%, while one year ahead, the EEE, the EOF, and the forward curve placed it between 4.25% and 4.5%.

2. Background analysis and discussion

On the international front, it was noted that risks stemming from the US tariff policy and geopolitical tensions persisted. It was pointed out that, although the effects of the tariff increases were already being felt in some prices and in trade patterns between countries, aggregate activity figures revealed no significant impact and, if anything, had even surprised on the upside. Meanwhile, labor figures in the United States were beginning to show signs of growing weakness, which had prompted the Federal Reserve to cut its benchmark rate. The market was betting that this process of cuts would continue in upcoming meetings, which had led to a decline in short-term interest rates and an improvement in global financial conditions.

At home, broadly speaking, our economy had evolved as expected, with one difference concentrated in mining. In terms of spending, investment in machinery & equipment had accelerated beyond expectations, driven by mining and energy projects. Job creation remained slow in the labor market. The annual variation in wages had moderated over the last two months, as the sharp increases of 2024 were removed from the basis of comparison. The exchange rate, meanwhile, had appreciated somewhat faster than expected, explained by the sharp copper price hike and loose global financial conditions.

Headline inflation, in line with forecasts, had moderated and expectations remained around the two-year target. The short-term inflation outlook remained largely unchanged. The impact of electricity rate changes on inflation in 2026 should be assessed once the relevant authorities had definitively announced the rate changes to be implemented and the INE had indicated how they would be factored into the CPI calculation. In any case, its effects should be limited and transitory, consistent with was observed in market expectations and financial prices, which were not assigning greater weight to inflation convergence.

The evolution of inflationary risks highlighted in the September IPoM was discussed. On the one hand, it was mentioned that, although leading indicators showed some more dynamism in spending, this was largely explained by the performance of investment in machinery & equipment, with a significant imported component, and therefore had less inflationary implications than other spending components, such as consumption. Regarding costs, it was noted that the exchange rate had appreciated, reinforcing expectations of lower pressures on tradable goods in the short-term. This was further supported by wages moderation and lower oil prices. As for inflation dynamics, it was highlighted that medium-term inflation expectations remained broadly in line with the target. However, the median two-year inflation expectation in the Financial Traders Survey (EOF) was marginally higher than 3%, and this phenomenon needed to be monitored still for some time.

3. Analysis of monetary policy options

All five Board members agreed that the information at hand at this Meeting validated the central scenario of the last IPoM. This led to the conclusion that it was possible to maintain the previously outlined monetary strategy, which stipulated that, given the risk of inflation persisting, more information was needed before continuing with the process of MPR convergence to its range of neutral values.

There was agreement among the Board members that, although the scenario had evolved in line with the September IPoM's assumptions, there were still risks facing the future trajectory of inflation, which warrants gathering more information before continuing with the process of converging the MPR to its range of neutral values. It was noted that new information would be available at the next meeting, such as the National Accounts and a couple more inflation records, and that there would then be a reassessment of medium-term inflation projections. All the Board members agreed that, in such context, the only plausible option at this Meeting was to hold the MPR at 4.75%.

One Board member mentioned that, although the data confirmed the validity of the September IPoM's central scenario, the next steps had to be evaluated with caution. On the one hand, it was added, core inflation was still high and inflationary pressures had not disappeared. On the other hand, the MPR was very close to the upper half of the neutral range, so a careful analysis of its movements was necessary, and it was difficult to conclude that it was being contractionary. One Board member noted that several factors pointed to a reduction in inflation risks, so the option of lowering the rate by 25 basis points could have been discussed, even though it would have ruled it out. One Board Member agreed that, although the option to maintain the rate was clearly dominant on this occasion, it was also clear that, as long as the data continued to validate the central scenario of the IPoM, the rate should continue to be reduced toward a value compatible with the upper half of the range of values for the neutral MPR. Furthermore, it was noted that, given the recent developments in wages, the exchange rate, and economic activity, the risks of deviations from the inflation trajectory had moderated significantly.

4. Monetary policy decision

Governor Costa, Vice-Governor Novy, and Board members Naudon, Céspedes, and Soto voted to hold the monetary policy rate at 4.75%.