

# Macro scenario - Chile



October 10, 2025

## In observation mode

- ▶ Despite transitory disruptions in mining, the non-mining economy is growing near its potential rate, 2.1% QoQ/SAAR in the quarter ending in August. The investment outlook remains positive, with capital goods imports growing by more than 30% YoY in 3Q25. We continue to anticipate GDP growth of 2.5% for 2025 and 2.2% for 2026. Improved domestic demand has put pressure on core inflation. The Central Bank last cut the policy rate in July, and we expect the wait and see period to extend until the end of the year before another 25-bp cut to 4.5%. Low global oil prices, the expected recovery of the CLP, normalization of wage growth, and higher average interest rates will help consolidate the inflation convergence path to 3% next year.

### Looking through the mining-related activity blip

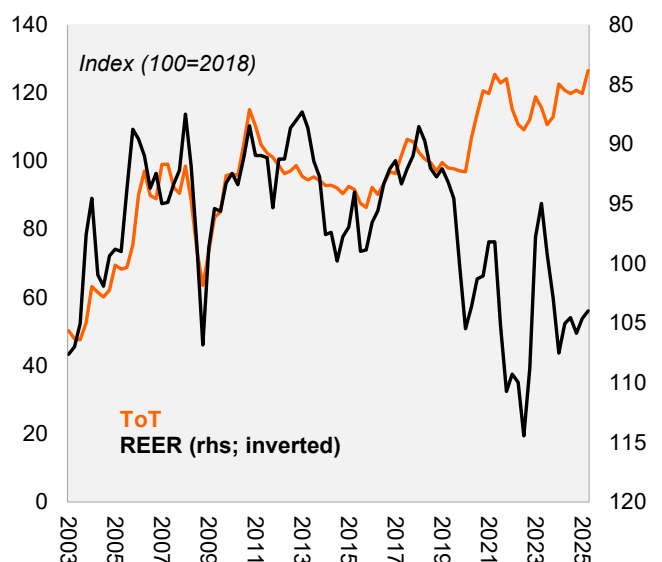
**Recent economic momentum has been driven by non-mining activity.** On a sequential basis, overall economic activity came to a halt in August, falling by 1.2% QoQ/SAAR, marking the first decline since mid-2024, driven by transitory mining disruptions. The pace of the mining activity decline, amid several supply shocks, is the fastest since early 2019. However, non-mining sectors grew by nearly 2.1% QoQ/SAAR (0.1% in 2Q25), driven by manufacturing. The monthly GDP proxy data (IMACEC) suggests the economy grew 1.8% YoY in the August quarter, (3.1% in 2Q25 and 2.5% in 1Q), despite a 7% drop in mining. Meanwhile, commerce and services remain strong. Business confidence levels (IMCE) in September remained near the neutral threshold (46.6 versus 50 neutral), reinforcing an improving trend that began in early 2023, which has gradually led to increased employment demand. At the margin, there are signs that the worst of the credit slump is over, with the banking system's stock of outstanding inflation-adjusted loans rising annually in August for the first time since early 2024. Meanwhile, year-to-date imports of capital goods have increased by 26% YoY, with imports up 31% in September, consolidating the positive investment outlook.

### Exchange rate rally still on ice

**The Chilean peso has remained weak compared to its peers, as low carry remains an obstacle despite improving private sentiment and an optimistic investment outlook.** With terms of trade near historical highs and interest rate differentials expected to widen as the local monetary cycle nears its conclusion, and the

Fed moves forward in its own process, we see potential for a CLP rally. The positive resolution of the decades-long pension reform debate, the narrowing of the current account deficit from cycle highs of around 10% of GDP during 2022, and the decline in domestic political and economic uncertainty also support appreciation of the exchange rate. Despite the more dovish stance of the Fed, non-residents continue to hold around USD 4 billion in short CLP derivative positions. The political cycle and progress in global monetary cycles may be the triggers needed to spark the CLP recovery.

**A weak REER despite elevated ToT**



Source: BCCh, Itaú

## Sequential inflation pressures remain elevated

### Core inflation remained at 3.9% YoY in September.

Core goods inflation is at a lower 3.2%, while core services are at 4.5%. Excluding food and energy prices, inflation is only 0.4 percentage points above the 3% target. Nevertheless, sequentially, annualized headline inflation accumulated over the last quarter reached 4.2%, while core pressures reached an elevated 5.6% (similar to levels in late 2024). Normalizing wage pressures and the expected CLP recovery ahead will help consolidate the inflation convergence path. Importantly, medium-term inflation expectations remain anchored to the 3% target.

## Tilt toward a higher neutral rate

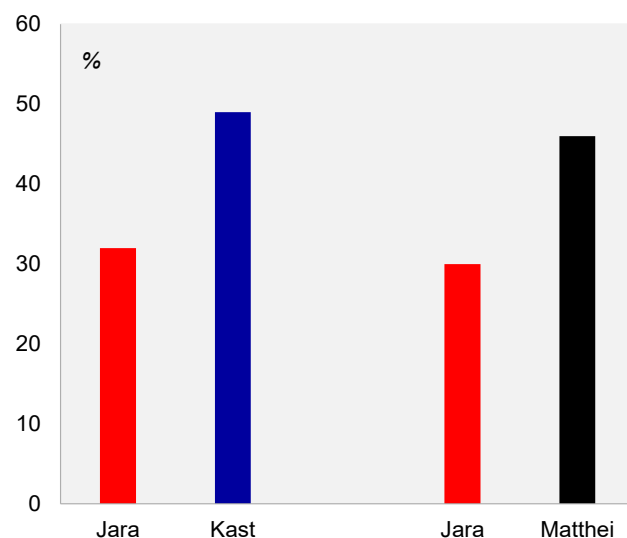
**At its September meeting, the Central Bank of Chile's Board unanimously agreed that maintaining the policy rate at 4.75% was the only plausible option, noting that with the rate now near neutral levels, further adjustments require careful evaluation.** While markets anticipated an update to structural parameters, the Board opted to delay revisions to the neutral rate range (currently 3.5%–4.5%) due to elevated uncertainty. However, several members indicated that the neutral rate likely lies in the upper half of that range, which was then confirmed in the minutes. The IPoM's rate corridor projects the policy rate at 4.25% in 2026, reaching 4.0% only in 2027, which we interpret as an implicit indication of a bias towards a higher endpoint. The minutes reinforce the hawkish tone of the September meeting and IPoM, effectively ruling out a rate cut in October.

## Runoff scenarios favor an opposition win

**All public opinion polls place the incumbent's candidate, Jeannette Jara, in the December runoff vote.** José Antonio Kast, who fell short against Gabriel Boric in 2021, is seen as the most likely candidate to represent the opposition in the second round. Kast has consistently polled ahead of the traditional right candidate, Evelyn Matthei, over the past several months. Runoff polls have shown a large lead for either opposition candidate. While all eyes will be focused on the presidential result, the Congressional outcome will likely determine the magnitude of the financial market response. Polls for Senate and lower house races are not widely available. Nevertheless, political analysts have become more confident of an opposition clean sweep (Presidency, Senate, and Lower House) for the

first time since Michelle Bachelet's first term. Opposition candidates want to cut public spending (by varying amounts), reduce the corporate tax rate by 4 percentage points (to 23% over time), and fast-track investment permitting processes.

### An uphill battle for continuity



Source: Panel Ciudadano, Runoff Scenario (Oct 03)

## Eying the inflation convergence process

**Growth is on track.** With private sector sentiment evolving positively, lower average inflation, and a mining-led investment rebound expected to boost economic activity, we continue to anticipate 2025 GDP growth at 2.5% and 2.2% for 2026.

**We expect a slightly narrower CAD next year (-0.2pp to 2.5%) amid a supply-driven scenario of higher average copper prices.** We still foresee a year-end rate of 930 pesos per dollar, moving to CLP 880 per dollar by the end of 2026, considering wider interest rate differentials with the US, the investment outlook, and elevated terms of trade.

**Low global oil prices, the expected recovery of the CLP, normalization of wage growth, and higher average interest rates will help consolidate the inflation convergence path to 3% next year.**

**We do not expect a rate cut in October, as the Board opts to accumulate additional inflation data.** By December, we believe the Board will have sufficient data to confirm the disinflation process and proceed with the final stages of rate cuts. We expect the cycle to conclude in 1Q26 at 4.25%, which is 50 bps below the current level.

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## Chile | Forecasts and Data

|                                   | 2020   | 2021   | 2022   | 2023   | 2024   | 2025F         |          | 2026F         |          |
|-----------------------------------|--------|--------|--------|--------|--------|---------------|----------|---------------|----------|
|                                   |        |        |        |        |        | Current       | Previous | Current       | Previous |
| <b>Economic Activity</b>          |        |        |        |        |        |               |          |               |          |
| Real GDP growth - %               | -6.1   | 11.3   | 2.2    | 0.5    | 2.6    | <b>2.5</b>    | 2.5      | <b>2.2</b>    | 2.2      |
| Nominal GDP - USD bn              | 254    | 311    | 302    | 332    | 324    | <b>350</b>    | 350      | <b>387</b>    | 386      |
| Population (millions)             | 19.5   | 19.7   | 19.8   | 20.0   | 20.1   | <b>20.2</b>   | 20.2     | <b>20.3</b>   | 20.3     |
| Per Capita GDP - USD              | 13,068 | 15,801 | 15,249 | 16,616 | 16,115 | <b>17,339</b> | 17,339   | <b>19,032</b> | 18,995   |
| Unemployment Rate - year avg      | 10.8   | 8.9    | 7.9    | 8.7    | 8.5    | <b>8.7</b>    | 8.7      | <b>8.6</b>    | 8.6      |
| <b>Inflation</b>                  |        |        |        |        |        |               |          |               |          |
| CPI - %                           | 3.0    | 7.2    | 12.8   | 3.9    | 4.5    | <b>3.9</b>    | 3.9      | <b>3.0</b>    | 3.0      |
| <b>Interest Rate</b>              |        |        |        |        |        |               |          |               |          |
| Monetary Policy Rate - eop - %    | 0.50   | 4.00   | 11.25  | 8.25   | 5.00   | <b>4.50</b>   | 4.50     | <b>4.25</b>   | 4.25     |
| <b>Balance of Payments</b>        |        |        |        |        |        |               |          |               |          |
| CLP / USD - eop                   | 711    | 851    | 851    | 879    | 996    | <b>930</b>    | 930      | <b>880</b>    | 880      |
| Trade Balance - USD bn            | 18.9   | 10.3   | 3.6    | 13.8   | 21.0   | <b>15.5</b>   | 15.5     | <b>18.0</b>   | 16.0     |
| Current Account - % GDP           | -1.9   | -7.4   | -8.8   | -3.2   | -1.5   | <b>-3.0</b>   | -3.0     | <b>-2.5</b>   | -2.7     |
| Foreign Direct Investment - % GDP | 4.5    | 4.9    | 6.2    | 5.5    | 3.9    | <b>4.4</b>    | 4.4      | <b>4.3</b>    | 4.3      |
| International Reserves - USD bn   | 39.2   | 51.3   | 39.2   | 46.3   | 44.4   | <b>49.0</b>   | 48.0     | <b>55.0</b>   | 54.0     |
| <b>Public Finances</b>            |        |        |        |        |        |               |          |               |          |
| Primary Balance - % GDP           | -6.3   | -6.9   | 2.1    | -1.6   | -1.7   | <b>-0.9</b>   | -0.9     | <b>-0.3</b>   | 0.0      |
| Nominal Balance - % GDP           | -7.3   | -7.7   | 1.1    | -2.4   | -2.8   | <b>-2.0</b>   | -2.0     | <b>-1.5</b>   | -1.2     |
| Gross Public Debt - % GDP         | 32.4   | 36.4   | 37.8   | 39.4   | 41.7   | <b>42.4</b>   | 42.1     | <b>43.3</b>   | 42.6     |
| Net Public Debt - % GDP           | 13.3   | 20.2   | 20.4   | 23.2   | 26.0   | <b>27.1</b>   | 26.8     | <b>27.8</b>   | 27.5     |

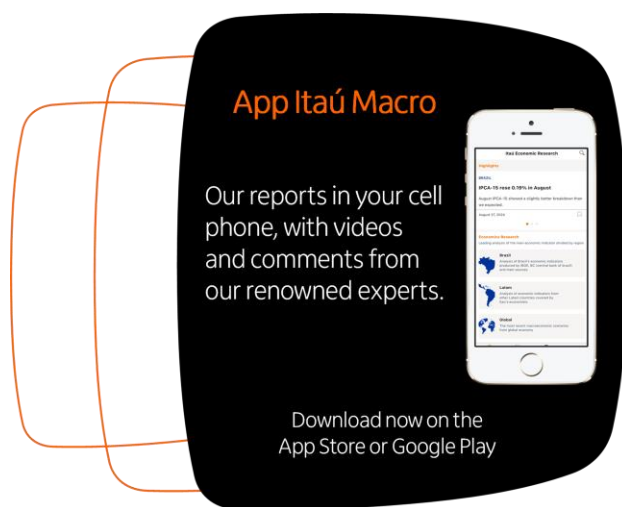
Source: IMF, Bloomberg, BCCh, INE, Haver and Itaú

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