

Monthly Economic Update

June 30th, 2025

The contest to become Chile's next president has continued to tighten. A 9th June poll by Cadem showed radical right leader José Antonio Kast (17%) slightly ahead of centre-right veteran Evelyn Matthei (16%) as the most popular candidate, while Communist former Labour Minister Jeannette Jara (8%) was leading centre-left former Interior Minister Carolina Tohá (7%).

A primary election on 29th June will decide whether Jara, Tohá or Deputy Gonzalo Winter will represent the government in the first round of presidential voting on 16th November. Chile bans polls from being published for two weeks prior to elections.

In his final annual address to Congress, President Gabriel Boric sought to shore up support among his followers ahead of this year's presidential elections, with promises to introduce legislation to legalise abortion, end military purchases from Israel, and close a prison for human rights abusers. Support for the president rose to 35% following the speech, its highest level in almost a year.

The Central Bank has held its Monetary Policy Interest Rate steady so far this year while it assesses the impact of rising protectionism and geopolitical tensions on economic activity and prices. On 17th June, its board voted to maintain the rate at 5.0% for the seventh consecutive month, in line with market expectations. Analysts surveyed by the Bank in early June predicted two 25-basis point cuts in the final quarter of the year, reducing the rate to 4.50% by December.

Following negotiations with labour unions, the government sent legislation to Congress to increase the monthly minimum

wage to CLP 529,000 (US\$563) from 1st May 2025, and to CLP 539,000 from January 2026 (up from CLP 510,636 currently).

Amazon Web Services has announced plans to invest up to US\$4.0 billion over the next 15 years to build three new data centres in Santiago. The government launched a National Data Centre Strategy late last year to attract investment and increase integration with the wider economy.

Economic Statistics

The economy grew by 2.5% in April (year-on-year), after expanding by 2.3% during the first three months of the year. The expansion was driven by mining (especially copper production) and services (healthcare and hospitality).

The Central Bank moderately lifted its growth forecast for 2025 to 2.00–2.75%, as strong exports of fruit, fisheries, and manufactured goods lifted activity in the first part of the year. However, the outlook is dominated by increased uncertainty over the US–China trade war and escalating military conflict in the Middle East. Growth is expected to moderate to 1.5–2.5% in 2026 and 2027, as the impact of US trade policy offsets rising investment.

Business confidence has fallen. In May, the Monthly Business Confidence Indicator declined to 42.81 points, down from 46.05 points three months earlier (but still near levels seen throughout 2024), reflecting increased pessimism in construction and

manufacturing due to expectations of lower production and rising costs.

Consumer confidence has also weakened, as sentiment about personal circumstances and the wider economy declined. In May, GfK's Economic Perceptions Index fell to 33.5 points, down three points from February.

Unemployment has continued to rise, averaging 8.8% in the three months to April, up from 8.0% three months earlier. This reflects job losses in farming and the public sector. Wages have continued to grow rapidly, with the government's Remunerations Index rising by 8.3% in the year to April, or 3.6% when adjusted for inflation.

Inflation has declined in recent months, as volatile energy prices have slowed. The Consumer Price Index rose by 0.2% in May (mirroring the increase in April), bringing annual inflation to 4.4%, its lowest level in six months. Energy prices rose by 10.1% in the year to May, down from 17.5% three months earlier, reflecting the fall in oil prices this year.

Inflation expectations have remained relatively stable. In June, the Central Bank forecast that inflation would fall to 3.7% by December and reach its target rate of 3.0% in early 2026. Private analysts are less optimistic, predicting that inflation will end 2025 at 4.0% and fall to 3.0% towards the end of next year.

The Chilean peso has continued to trade at around CLP 940 per US dollar amid significant economic uncertainty. However, the dollar's global weakness has meant the peso has depreciated against other major currencies, including the euro, British pound, and Chinese yuan.

The rally in shares of Chilean companies has slowed, amid uncertainty over global trade and escalating geopolitical tensions. After reaching record levels above 8,400 points in May, the IPSA index of the largest companies listed on the Santiago Stock Exchange slumped as the US and China ramped up tariffs, and again following the outbreak of hostilities between Israel and Iran.

Copper prices rose to over US\$4.45 per pound by early June, after dipping below US\$3.90 in early April as the US announced punishing reciprocal tariffs on dozens of countries. In May, the Chilean Copper Commission forecast that copper prices would average US\$4.30 per pound in both 2025 and 2026 (up from a previous forecast of US\$4.25 per pound).

Copper production reached 1.8 million tonnes during the first four months of the year, up 3.7% year-on-year, largely due to a low base of comparison after Codelco shut its Radomiro Tomic mine following a fatal accident last year. The government expects total copper production to reach 5.6 million tonnes, down from a previous estimate of 5.76 million tonnes.

Chile recorded a trade surplus of US\$10.3 billion during the first five months of the year, little changed from the same period in 2024, as both imports and exports rose. Exports increased by 6.0% to US\$44.5 billion, driven by higher copper prices and fruit exports, while imports rose by 8.1% to US\$34.2 billion.

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