

Chile's Outlook

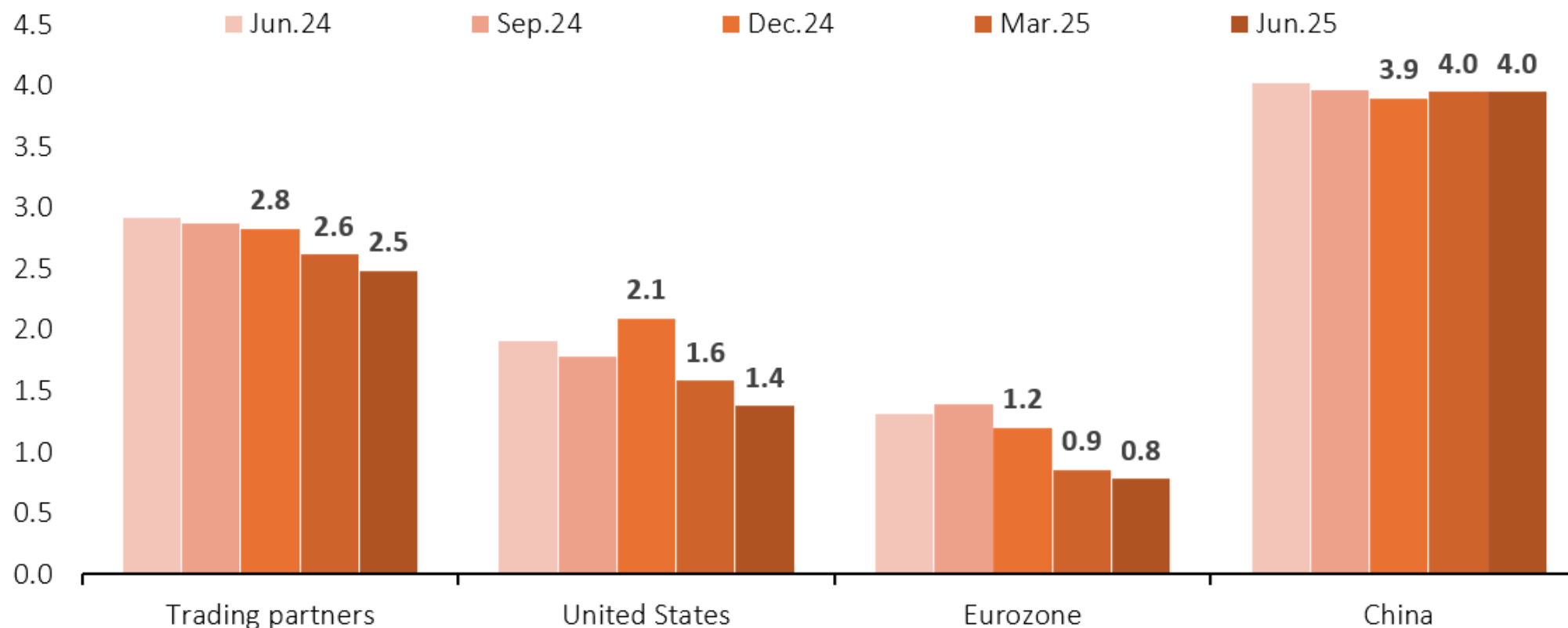
Claudio Soto, Board Member

JUNE 2025



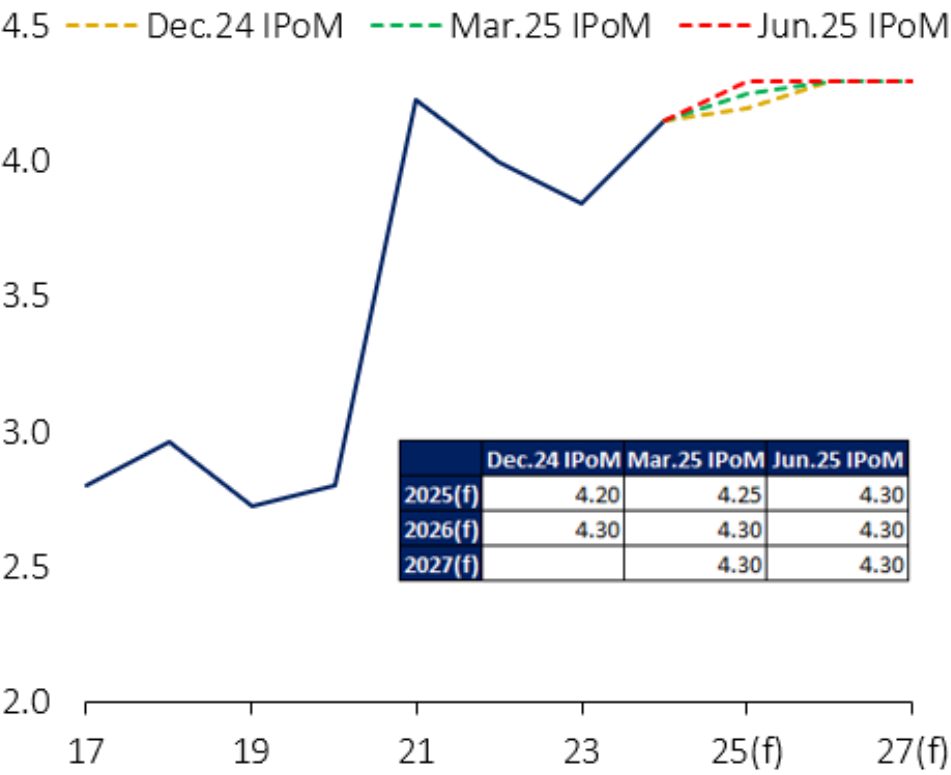
Trade's partners growth forecast have been revised downwards

Average growth forecast for 2025-2026 in each MPR
(real annual change, percent)

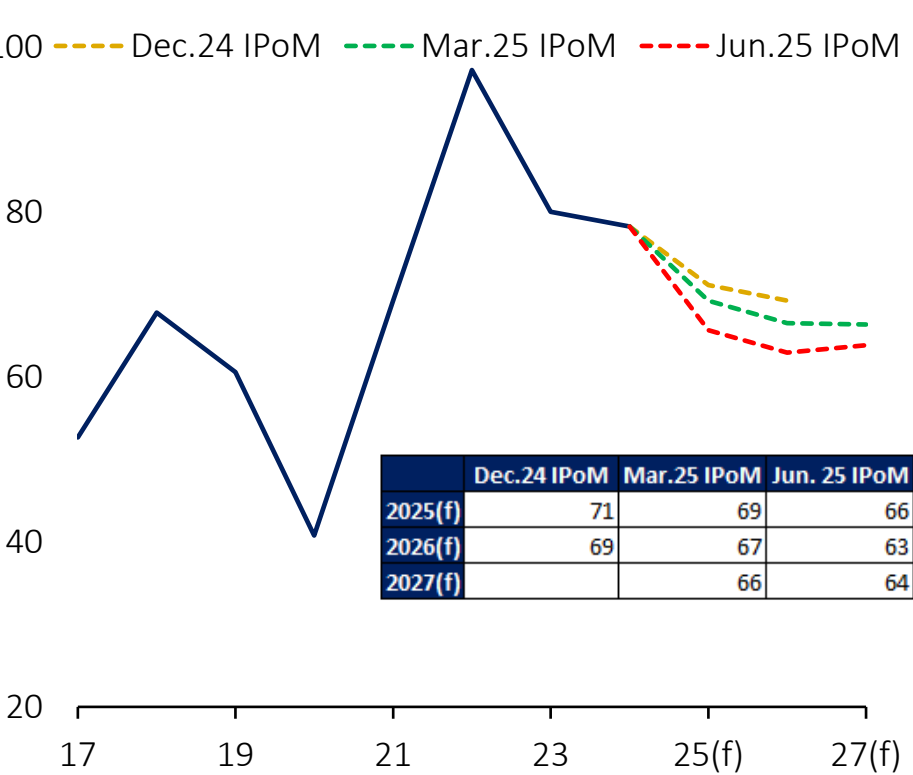


Commodity prices forecast imply an improvement in ToT

Copper price (1)
(dollars per pound)



Oil price (1)(2)
(dollars per barrel)

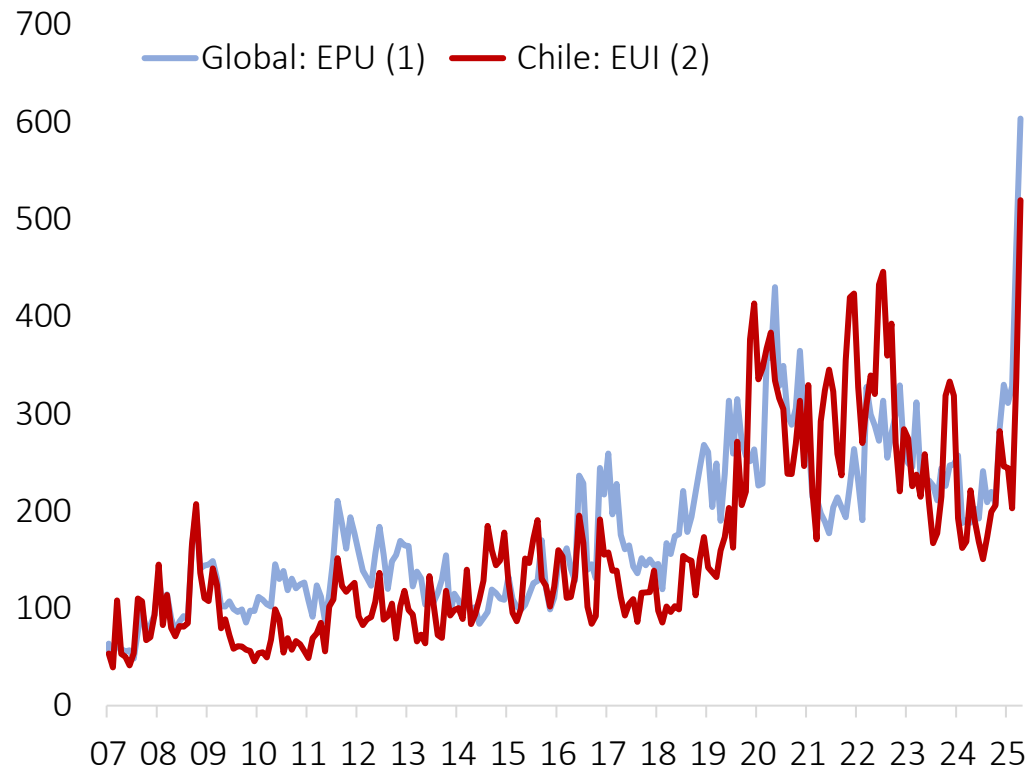


(f) Forecast. (1) Actual price corresponds to the average for each year. Dashed lines represent the 2025-2027 projections contained in each IPoM. (2) WTI-Brent average price. Sources: Central Bank of Chile and Bloomberg.

Local uncertainty has gone up driven by global uncertainty

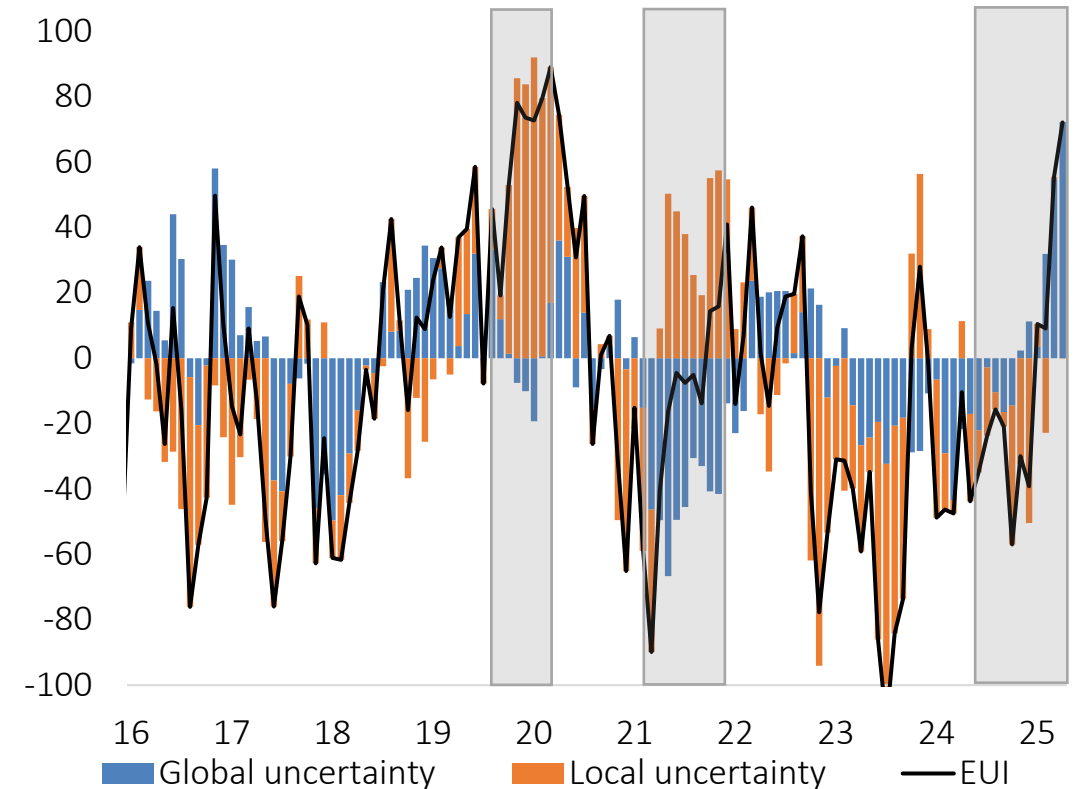
Global and Chilean Economic Uncertainty

(Indices)



Decomposition of Chilean EUI (3)

(Contributions to annual change, percentage points)

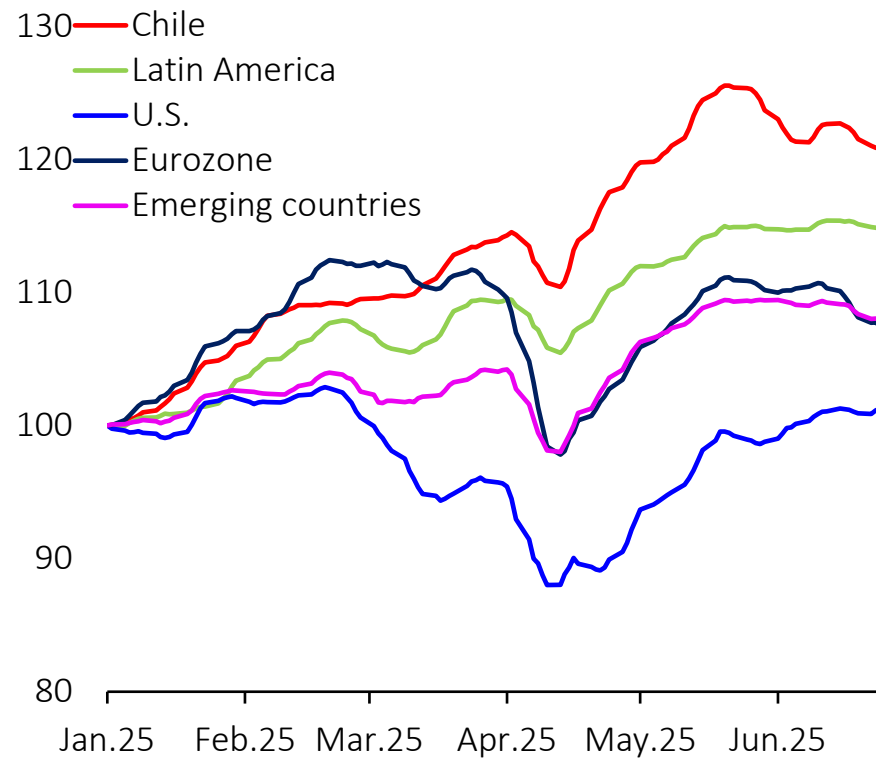


(1) Economic Policy Uncertainty (EPU) index, Baker *et al.* (2016). (2) Economic Uncertainty Index (EUI), Cerda *et al.* (2016). (3) Decomposition based on bivariate structural VAR including the EUI and EPU index, with one lag. The identification strategy assumes that global uncertainty, proxied by EPU, is exogenous to domestic uncertainty dynamics, implying no feedback from EUI to EPU. Source: Central Bank of Chile and Clapes UC.

Despite turbulence Chilean assets have had a good performance

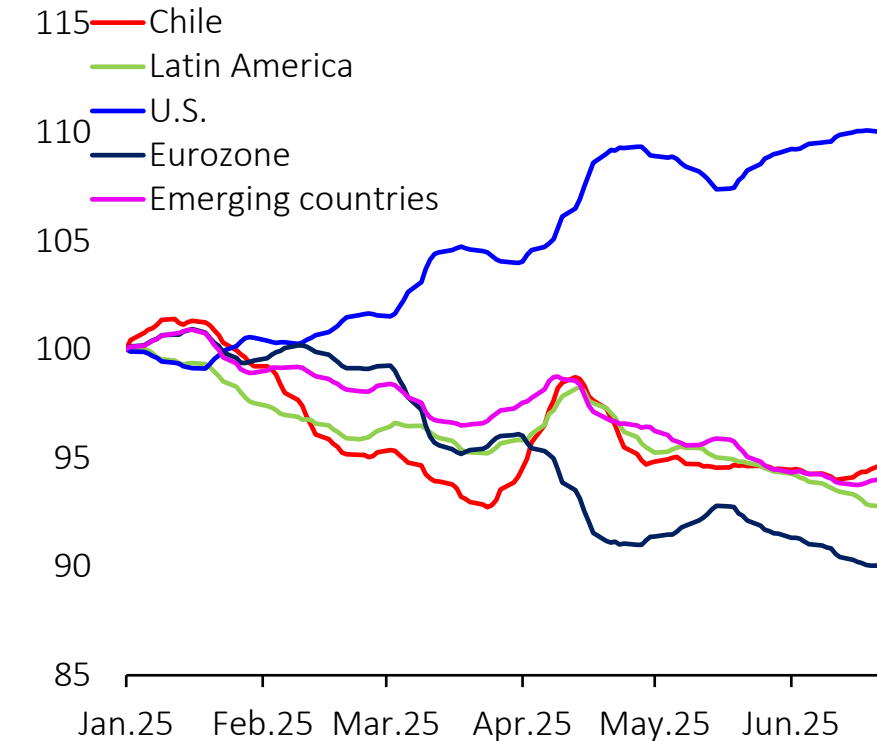
Stock markets (1) (2) (3)

(index, 02.Jan.25=100)



Currencies (1) (2) (3)

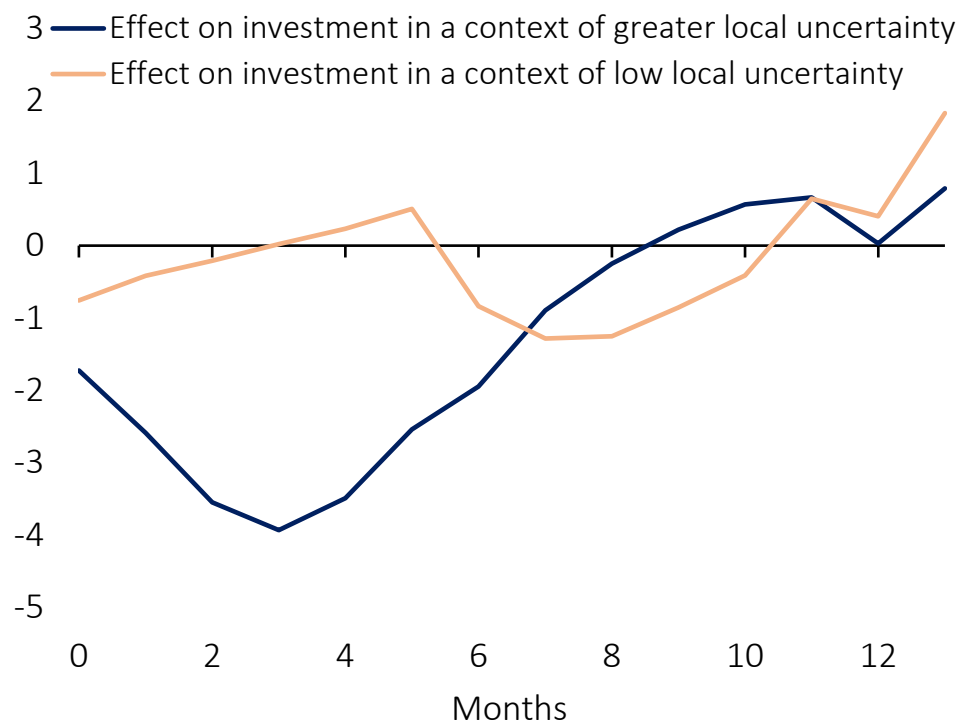
(index 02.Jan.25=100)



(1) 7-day moving average series. (2) Latin America considers the simple average between Brazil, Colombia, Mexico and Peru. (3) Emerging countries consider the simple average between Hungary, Indonesia, Poland, South Africa and Thailand. Source: Bloomberg.

Effects of trade war on local activity would be limited

Effect of an increase in global financial uncertainty (VIX) on local aggregate investment (1)
(percent)



(1) For details, see note to Figure II.16 in June 2025 IPoM. (2) For details, see Box II.2 in June 2025 IPoM.
Source: Central Bank of Chile.

Effect of a 10% increase in tariffs on local GDP (2)

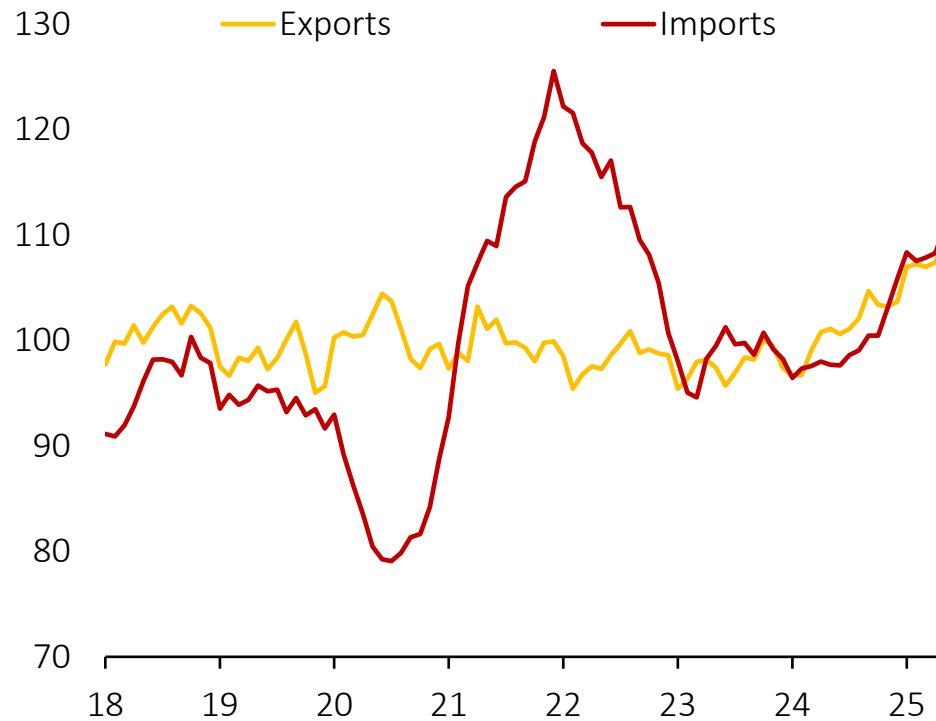
(percentage points of GDP; cumulative change between 2025 and 2027)

	Response to the current shock
Lower exports to the U.S.	-0.2
Higher exports to other destinations and increased sales in the local market	+0.1
Lower global demand	-0.2

High frequency data confirms muted impact

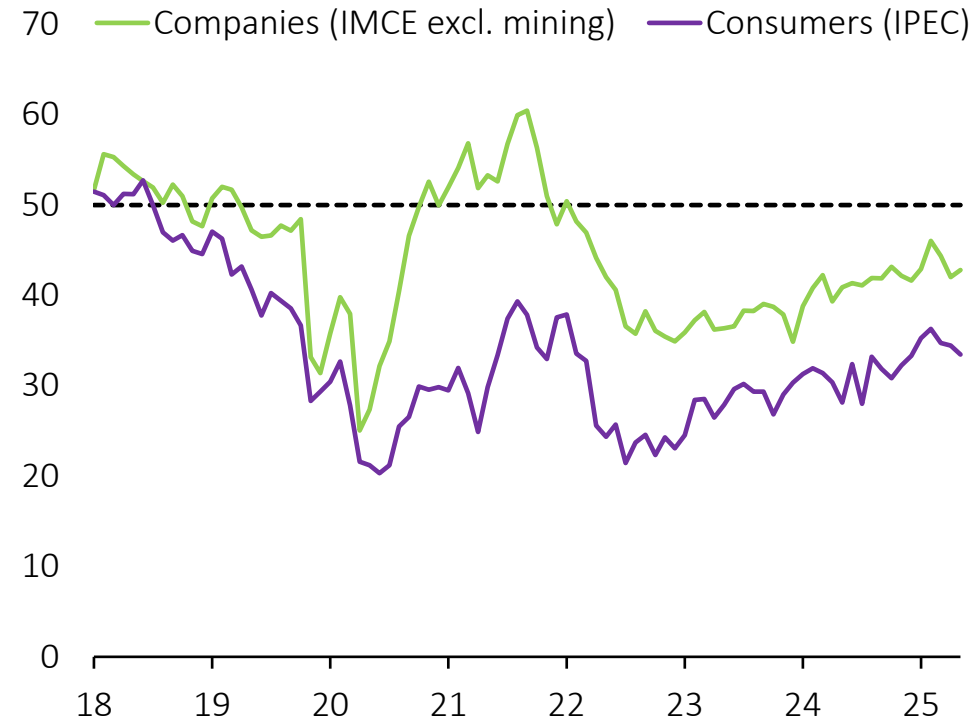
Foreign trade of goods (1)

(index, 2018-2025=100, real monthly seasonally adjusted series)



Economic expectations (2)

(index)

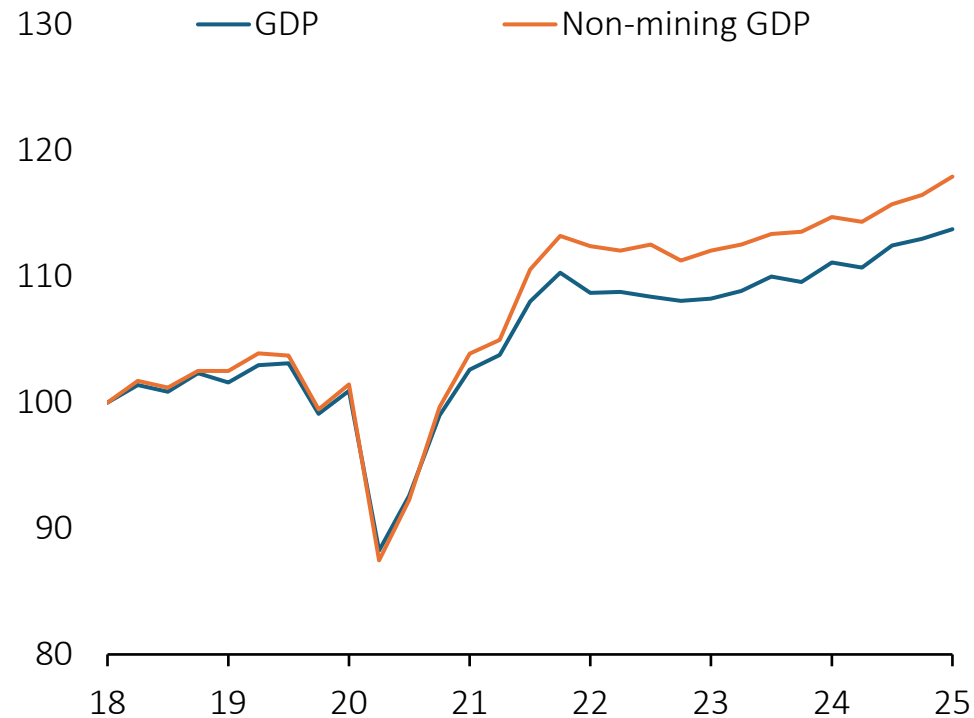


(1) Series in quarterly moving average. Actual data are preliminary monthly estimates using the groupings' price indexes. Seasonal adjustments is performed using X13-ARIMA. (2) A value above (below) 50 indicates optimism (pessimism). Sources: Central Bank of Chile, Gfk Adimark, Icare/Universidad Adolfo Ibáñez.

Up to now, local activity has been slightly above expectations

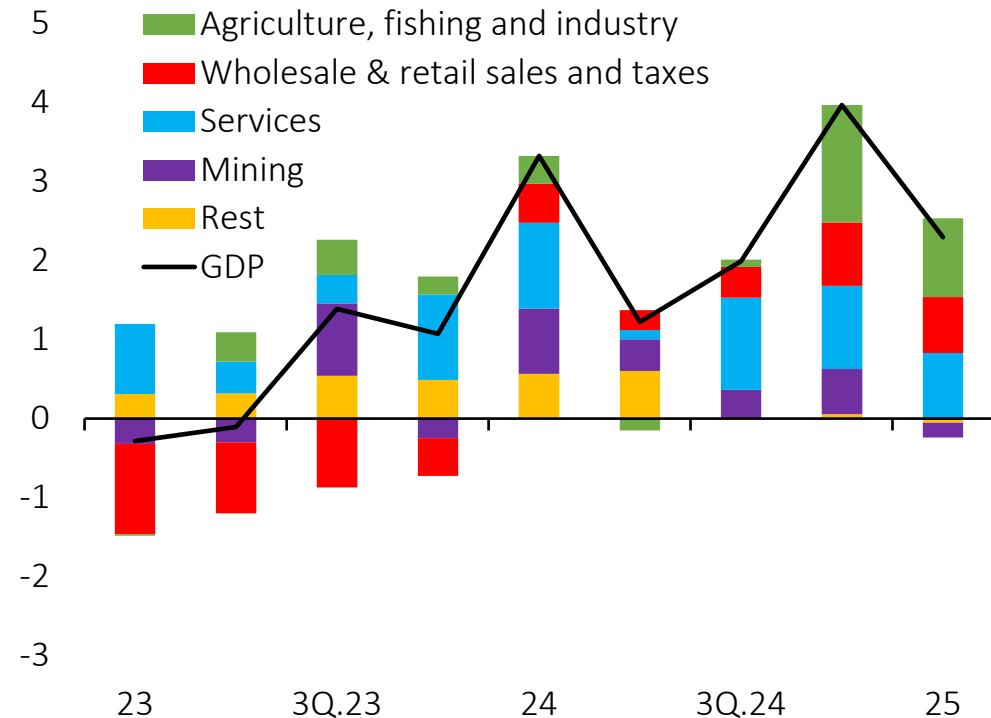
Gross domestic product (GDP)

(index, 2018.I=100, real seasonally adjusted series)



Sectoral contribution to GDP growth (*)

(contributions to annual change, percentage points)



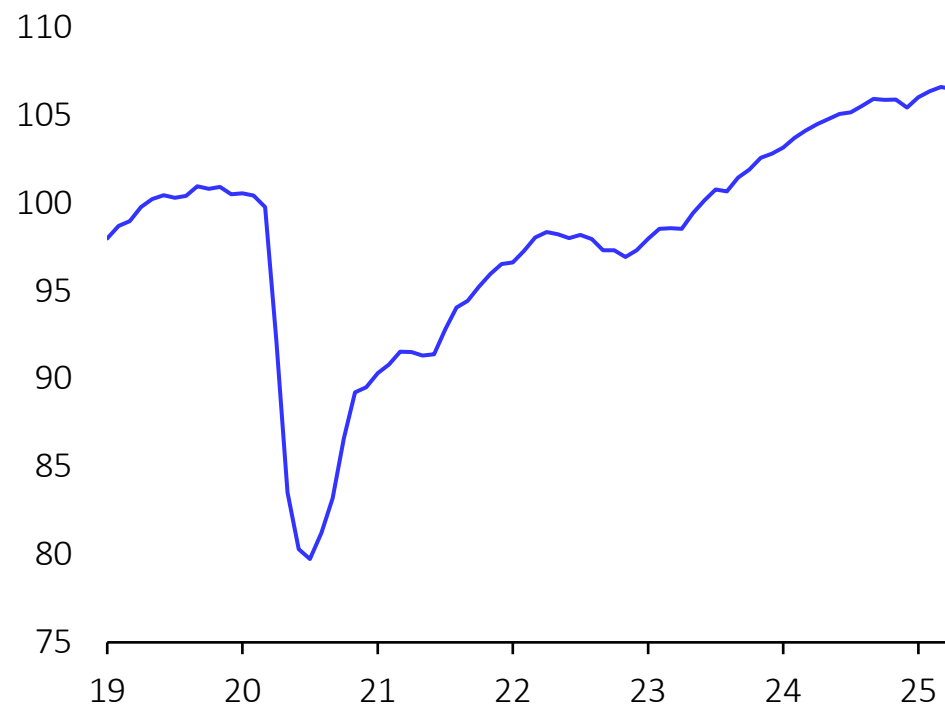
(*) "Other" includes Construction and EGW.

Source: Central Bank of Chile.

Domestic demand fundamentals points towards recovery

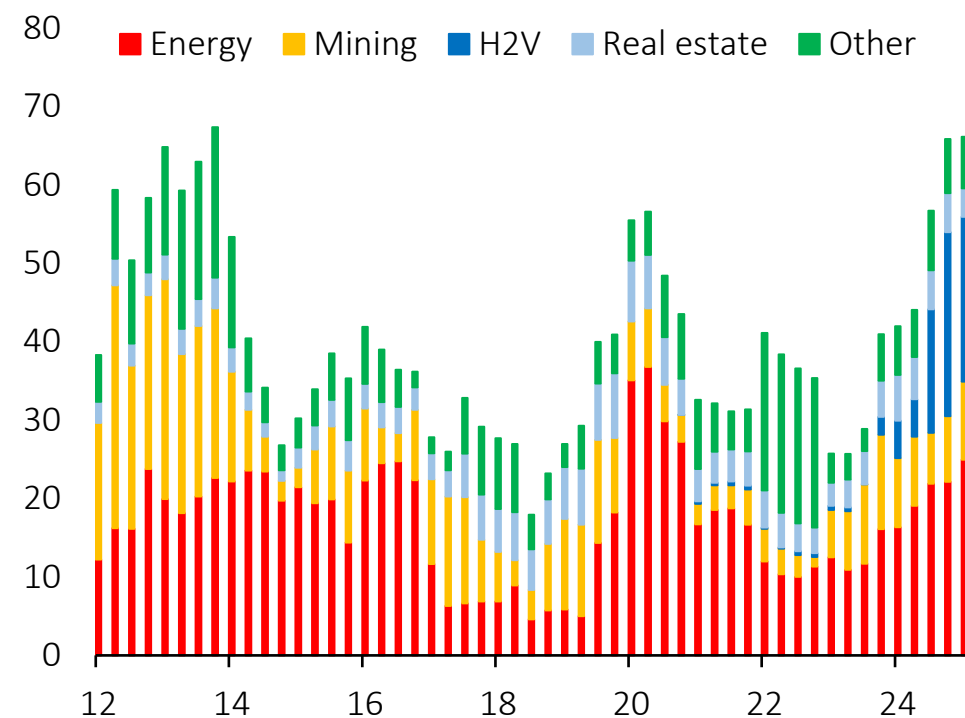
Real wage bill (1)

(index 2019=100, real seasonally adjusted series)



Projects submitted for environmental evolution (2)

(billions of dollars)



(1) Calculated based on seasonally adjusted series of real LCI, habitual worked hours and employment. (2) Yearly moving sum of projects submitted and admitted to the SEIA. For each quarter, the amounts admitted, qualified and awaiting qualification are considered. Others includes the agricultural, equipment, forestry, transportation infrastructure, hydraulic and port, fishing and environmental sanitation sectors.

Source: Central Bank of Chile based on CMF and INE data.

Growth forecast



2025: 2.0%-2.75%

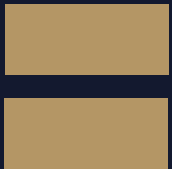
(1.75%-2.75% March IPoM)



Better starting point



Transitory factors will gradually dissipate



**2026-2027:
1.5%-2.5%**



Growth returns to its trend going forward



Projection considers:



Increased demand momentum (GFCF)



Deteriorating external scenario

Trade diversion would contribute to reduce local inflation

Main countries of origin of goods imports

(percent of total goods imported in 2024)



China 25%



United States 19%

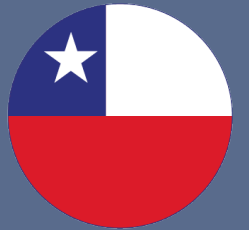


Brazil 9%



Argentina 8%

0.3% lower cumulative inflation over the projection horizon resulting from trade diversions.



Tariffs in the United States could increase the supply of goods in the rest of the world (**trade diversions**).



Countries affected by tariffs can redirect their exports



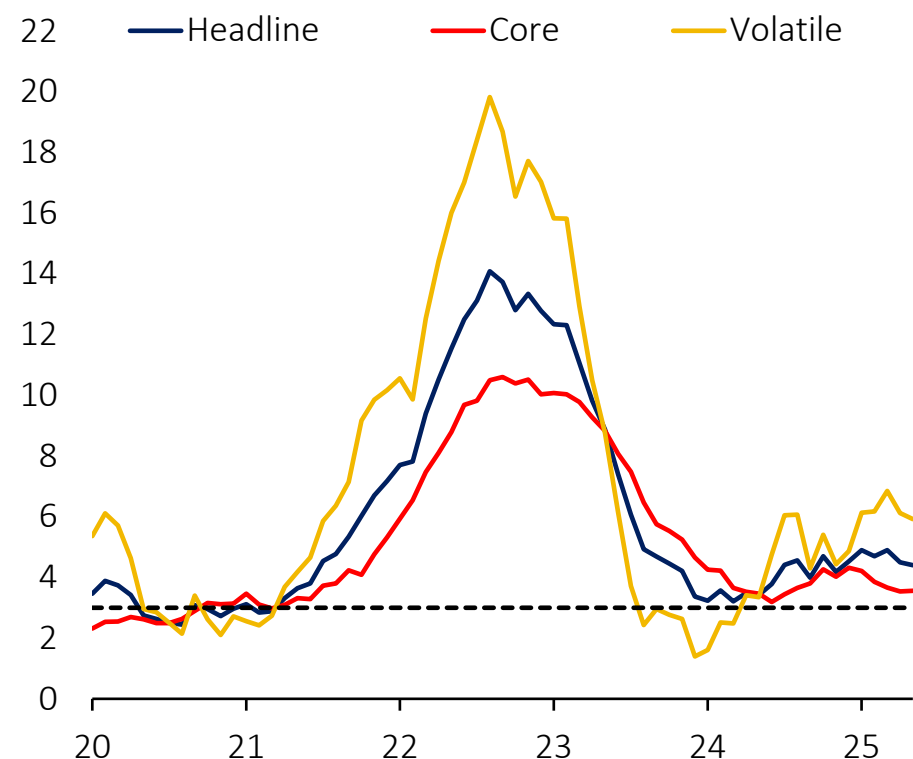
This reduces prices in those destination countries



Inflation already came down and expectations have re-anchored

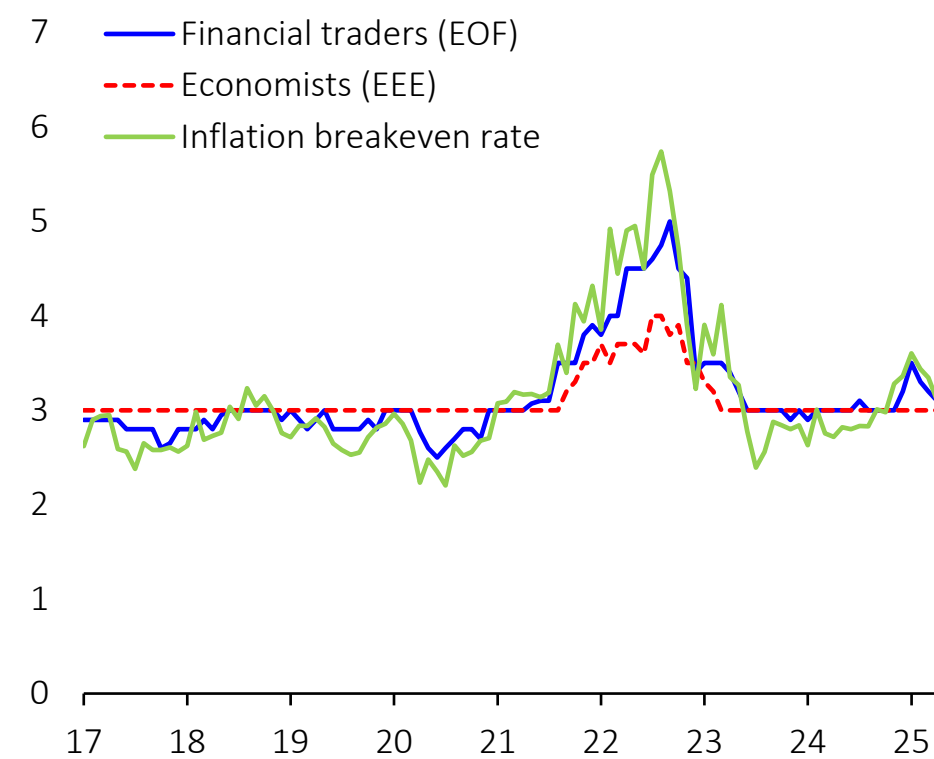
Inflation indicators (1)

(annual change, percent)



Two-year inflation expectations (2)(3)(4)

(annual change, percent)

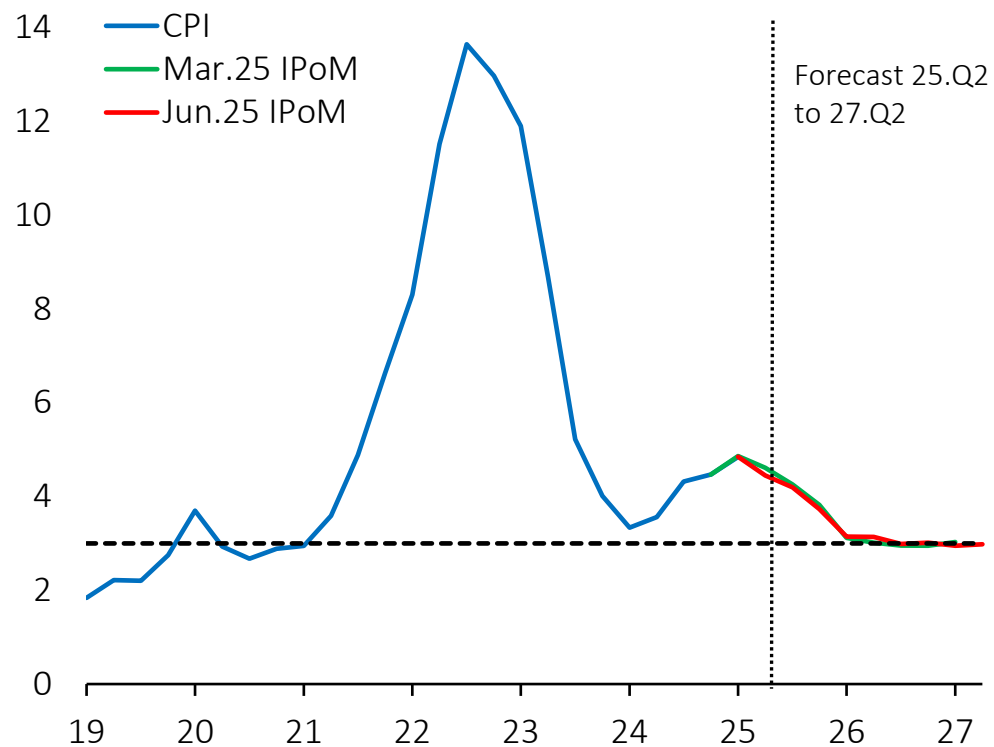


(1) Prior to 2025, the CPI series considers the 2023 benchmark basket and the splicing done by the Central Bank of Chile. (2) For the surveys, the medians of the responses are shown. (3) The EOF considers the survey of the first half of each month until January 2018. From February 2018 onwards, it considers the last survey published in the month. For the months in which the survey is not published, the last available one is used. (4) Breakeven inflation considers average prices of the last 10 days of each month. Jun.25 considers the eight days effective as of the 11th day. Sources: Central Bank of Chile; Icare/Universidad Adolfo Ibáñez; National Statistics Institute (INE).

Inflation forecast

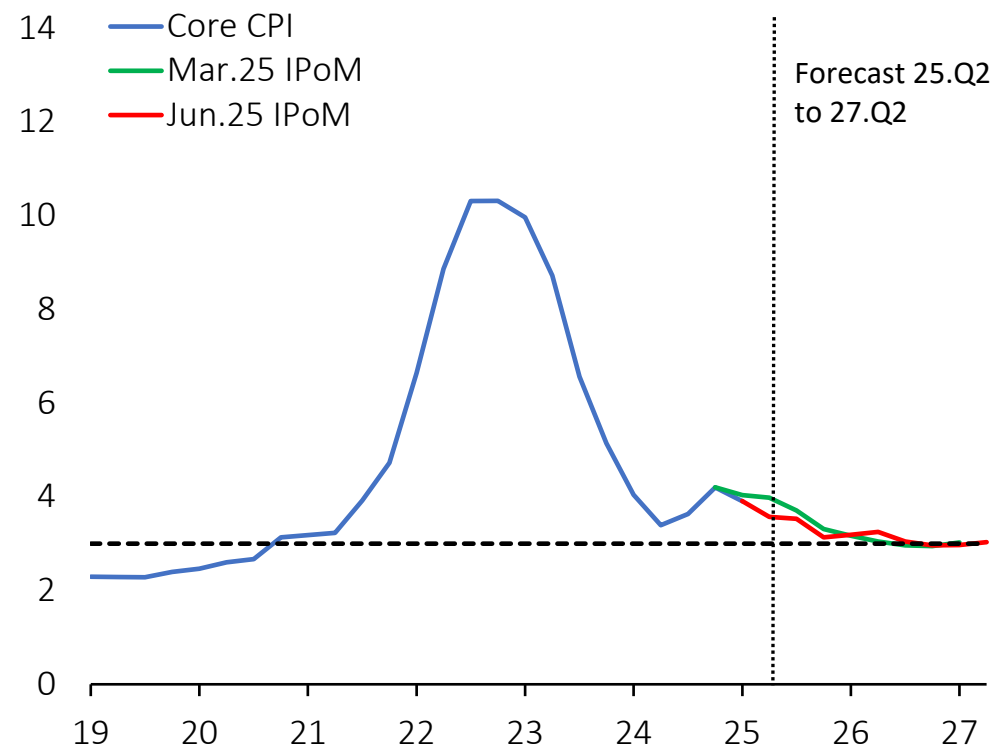
Headline inflation forecast (*)

(annual change, percent)



Core inflation forecast (*)

(annual change, percent)

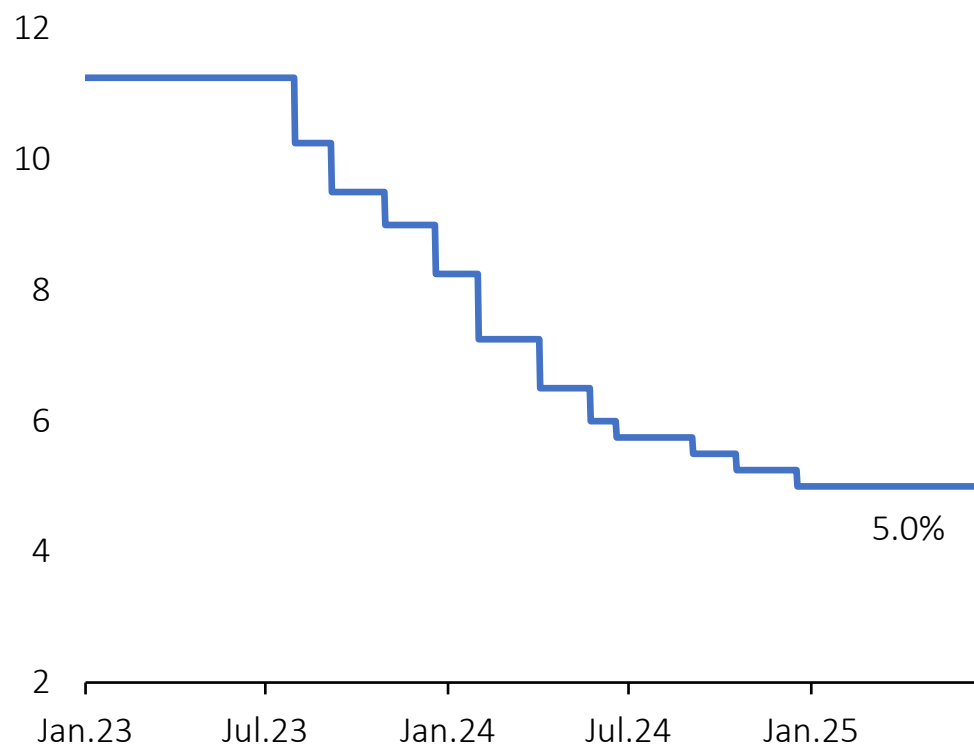


(*) Considers 2023 benchmark basket and splicing of the Central Bank of Chile.
Sources: Central Bank of Chile and National Statistics Institute (INE).

Under baseline scenario MPR will approach its neutral range

Monetary policy rate (MPR) (percent)

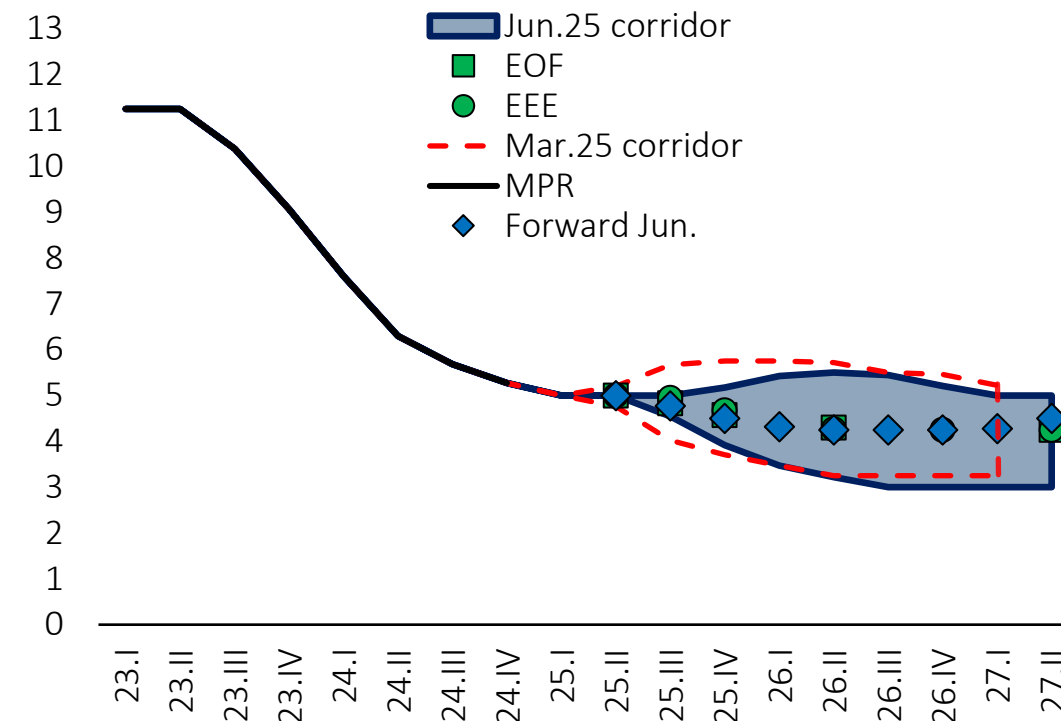
(percent)



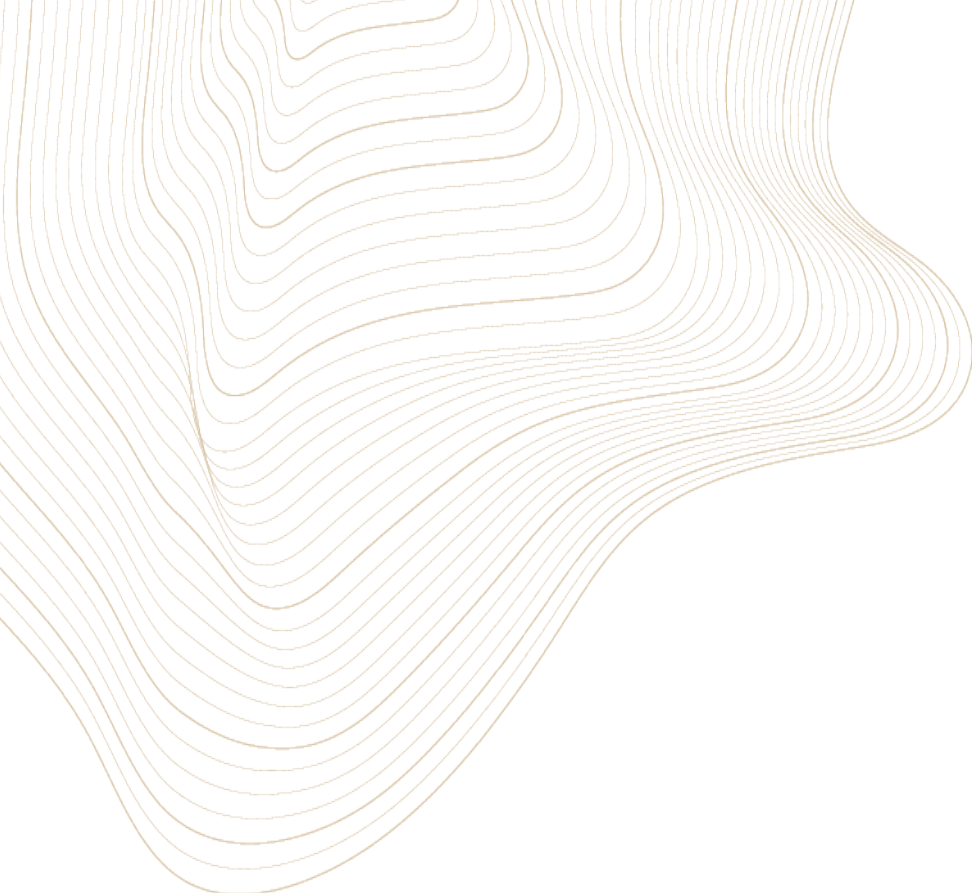
Source: Central Bank of Chile.

MPR corridor (*)

(quarterly average, percent)



(*) The 2025, 2026 and 2027 calendar considers two monetary policy meeting per quarter. The corridor is constructed following the methodology of Box V.1 of the March 2020 IPoM and Box V.3 of the March 2022 IPoM. It includes the June EEE, the June pre-RPM EOF and the quarterly average smoothed forward curve as of 11 June. For details, see methodological note (Figure II.8, Chapter II, IPoM June 2025). Source: Central Bank of Chile.



MONETARY POLICY REPORT

JUNE 2025



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