MONETARY POLICY REPORT

JUNE 2025

SUMMARY

The external macroeconomic scenario has become considerably more uncertain. Part of this is due to the changing announcements about U.S. trade policy and its implications. Although the impacts of this situation on global activity are not yet evident, expectations are that they will be negative. Its magnitude is expected to be greater in the United States than in the emerging world, since, in contrast to other episodes of uncertainty, financial conditions have responded favorably. More recently, an escalation of military conflicts in the Middle East has added, which scope, development and possible impacts on the global and Chilean economies are unknown. At the local level, activity was more dynamic than anticipated in the first quarter, supported by some temporary elements. Inflation has evolved in line with expectations and the upward risks that had been highlighted in the first part of the year have moderated. The central projection scenario shows no major changes. GDP is still estimated to evolve around its trend in the coming quarters, while inflation is foreseen to converge to 3% during the first half of 2026. Over the medium term, the escalating trade conflict will continue to affect the economic outlook. Furthermore, recent events in the Middle East introduce a new source of uncertainty, which could develop into more complex scenarios. However, if the central scenario of this IPoM materializes, in the following quarters the Monetary Policy Rate (MPR) will be approaching its range of neutral values. The Board will assess the future movements of the MPR considering the evolution of macroeconomic conditions and their implications for the convergence of inflation.

The widespread increase in tariffs announced by the United States government at the beginning of April has had significant repercussions on the external scenario. As noted in the first half of the year's Financial Stability Report, this has led to a marked increase in global economic uncertainty, in a context where other risk factors, such as geopolitical conflicts and the high fiscal debt of some countries, are still present.

The escalation of the military conflict in the Middle East adds further uncertainty to this scenario. This event began to be observed more strongly after the statistical cutoff date for this Report —June 11— so its effects are not considered in the central projection scenario.

Regarding the impact of trade tensions, their effect on global activity is estimated to be negative. However, the changing development of the process —including announcements, retaliation from other countries, and postponements— has made it difficult to assess their short-, medium-, and long-term repercussions.

The reaction of global financial markets has not been the usual one seen in events of high uncertainty, and an increase in the risk of U.S. assets has been observed. This may reflect heightened concerns about the U.S. fiscal and institutional situation, which has diminished the attractiveness of all types of financial assets in that economy. At the same time, there is consensus that the main effects of tariff adjustments will fall on both activity and inflation in the United States. In this scenario, according to information available up to the statistical cutoff, the Federal Reserve adopted a more cautious stance regarding the federal funds rate.

The greater relative risk of U.S. assets has led to a more benign evolution of financial conditions in the emerging world —including Chile— than would be expected in the face of a shock of this magnitude. Thus, long-term interest rate differentials with respect to the United States have narrowed in various economies, currencies have strengthened against the dollar, and stock markets have risen.

Domestically, as in other emerging economies, the impacts of the trade conflict on activity have not been significant so far. High-frequency information does not show substantial changes from the previous trends of its foreign trade, maintaining the dynamism of exports and imports of goods. Moreover, the confidence indexes do not show that the external situation is affecting them.

The inflation scenario has evolved as expected, with core inflation (excluding volatile items) running lower than anticipated. In May, total and core CPI annual change was 4.4% and 3.6%, respectively (4.7% and 3.9% in February). The smaller increment of the core component was driven, in particular, by the prices of some foods and services.

Upward risks for inflation, which had been highlighted in the first part of the year, have moderated. On the one hand, two-year inflation expectations have been realigning with the 3% target while, on the other hand, cost shocks from previous quarters are not seen to be causing larger-than-expected second-round effects.

In the first quarter, domestic activity was more dynamic than expected, explained again by the performance of exporting sectors. During this period, non-mining GDP grew 1.2% quarter-on-quarter in its seasonally adjusted series (0.7% in the previous quarter). The contribution of fruits, manufacturing, and fishery production stood out, along with a better performance in several service and retail and wholesale trade sectors, supported by the greater number of foreign tourists. The latest Imacec showed a certain reversal of supply factors, while services remained dynamic.

Domestic demand has continued to grow, as projected. Private consumption expanded again in the first quarter, particularly for goods. This occurred in a context of mixed evolution of the main fundamentals of spending. On the one hand, the debt and financial burden levels continue to decrease, while wages continue to show high rates of expansion, associated with recent legislative changes. The Business Perceptions Report (IPN) and Survey of Expectations and Price Determinants (EDEP) suggest some degree of concern among firms about the future trajectory of wages. On the other hand, labor costs are rising in tandem with sluggish job creation and an increase in the unemployment rate.

Gross fixed capital formation (GFCF) performed poorly in the first quarter, with significant differences between sectors remaining. GFCF posted zero quarterly variation at the beginning of 2025, in both machinery and equipment and construction and works components. By sectors, the dynamism of mining investment continues to contrast with the weak figures of other activities.

Still, leading indicators point to a stronger boost from investment going forward. High-frequency data suggest that GFCF has shown a more favorable performance lately, especially for imports of capital goods. The latest survey of the Capital Goods Corporation (CBC) showed a significant increase in planned investments for 2025 and the next years, particularly in mining and energy, with additional initiatives in the formalities stage.

Projections

The central projection scenario resembles the forecasts of the past six months. Compared to the December and March reports, there is somewhat more dynamic activity in the short term and, regarding inflation, there is a moderation of upward risks and a similar time frame for its convergence to the target.

Globally, however, risks have increased significantly. The tariff hike announced by the United States is an unprecedented event of considerable magnitude. So far, the reaction of the financial markets has been benign and no significant real effects have been observed. However, scenarios of worsening external conditions and negative impacts on the global economy beyond projections cannot be ruled out. The possible impact of military tensions in the Middle East, not included in these projections, is added.

In the central scenario, the outlook for the international economy contains few adjustments. Compared to March, trading partners' growth is lowered by one tenth of a point on average for the period 2025-2027 (2.6%), but by more for the United States. This limited correction responds to two main factors. On the one hand, a significant part of the effects of the trade conflict had already been covered in March, when a substantial cut in projected growth for the United States was made. On the other hand, the markets' responses have mitigated the impact of the financial channel. Regarding commodity prices, the copper price projection remains unchanged —averaging US$4.3 between 2025 and 2027— while the oil price projection is slightly lower. The latter, as noted, does not consider developments after statistical cutoff.

The central scenario assumes that the impact of trade tensions on the Chilean economy will be limited. To date, it is known that a fraction of domestic shipments to the United States are subject to a 10% tariff. Trade with the rest of the world has not been affected and a potential shift of exports to other destinations would probably have a minor impact on activity. Likewise, the more positive evolution of financial variables such as interest rates or the stock market and the limited deterioration of local agents' expectations would anticipate limited effects on investment. In any case, if the conflict in the Middle East escalates further, it could lead to increased global uncertainty that could affect the global and local economies.

As for inflation, trade diversions would reduce the prices of some of the products imported by Chile. This would be mainly concentrated in durable goods, with a negative impact on the annual change of the CPI that is assumed to be of the order of 0.3 percentage points accumulating throughout the projection horizon.

Thus, the bigger share of adjustments made to forecasts in this IPoM originates domestically. The GDP growth range for 2025 is revised to 2.0%-2.75% (1.75%-2.75% in March), thanks to the better performance early this year. This leaves a higher starting point for activity —and a less negative output gap in the near term— which is expected to converge to a pace of expansion consistent with its trend as the transitory elements that contributed to the higher growth in early 2025 gradually fade away.

For 2026 and 2027, the range for GDP growth is maintained at 1.5%–2.5%. This factors in the effects of the deterioration of external conditions and the effects of more promising prospects for GFCF.

The greater dynamism anticipated for investment will be focused mainly on large-scale mining and energy projects, whose budgeted amounts are reviewed with special emphasis starting in the second half of 2025. Thus, the GFCF growth estimate is maintained at 3.7% for 2025, and raised for 2026 and 2027 to 3.6% and 3.3%, respectively (2.2% and 2.9% in March).

Private consumption will continue to expand around 2% over the projection horizon. The dynamism of real labor income and the fall in the financial burden of households, among other elements, will support this part of spending.

For 2025, the central scenario assumes the fiscal spending growth estimated in the Public Finances Report (IFP). From then onwards, it considers the expenses committed as detailed in said Report.

With respect to March estimates, the inflation trajectory is not significantly changed throughout the projection horizon and is expected to achieve the 3% annual target in the first half of 2026. This is the result of several factors: One is the somewhat more dynamic domestic demand, coupled with a relatively more depreciated real exchange rate over the projection horizon; another is the lower inflation resulting from trade diversions and the lower outlook for fuel prices. In this scenario, core inflation will stand around 3% during the latter part of 2025.

Monetary policy

In recent months, inflation has evolved in line with projections and the upward risks that had appeared early in the year have moderated. Activity has exceeded projections; however, recent events in the Middle East have introduced a new source of uncertainty, which could develop into more complex scenarios.

If the central scenario of this IPoM materializes, in the following quarters the MPR will be approaching its range of neutral values. The Board will assess the future movements of the MPR considering the evolution of macroeconomic conditions and their implications for the convergence of inflation. It also reaffirms its commitment to conduct monetary policy with flexibility, so that projected inflation stands at 3% over the two-year horizon.

Regarding the sensitivity scenarios of the MPR corridor, the upper bound represents a situation in which domestic demand is strengthened above expectations. This may come from a context in which business and household confidence improves, due to a decrease in global tensions, higher local growth prospects, or investments whose effects on the labor market and earnings are greater than anticipated.

The lower bound corresponds to a scenario in which the external scenario deteriorates, negatively affecting the global and local economies. This could be the case if trade tensions flare up and/or global uncertainty soars. This could lead financial markets to behave in a manner similar to previous episodes of risk aversion, including a depreciation of the peso. In addition to the financial repercussions and the fall in global demand, there would be the added impact of greater pessimism among agents, with downward effects on domestic demand.

International developments also define other sensitivity scenarios within the MPR corridor. The supply shock associated with the new tariffs and the impacts of trade diversions on the local economy could be different from the central scenario, in particular the reaction of the prices of products imported by Chile.

As aforesaid, the risks surrounding the global scenario are high in the current context, with potentially significant deviations. The complexity of the external geopolitical scenario —a mixture of political, economic, and military conflicts— does not allow to rule out more disruptive episodes. In fact, what happened in the Middle East at the close of this IPoM is an example of the relevance of factors that in the past were considered less likely. At the moment, its scope, development and potential impacts on the global and local economies are unknown, hence the need to monitor it closely. The Chilean economy is not immune to international events. However, it has the capacity to mitigate the impact of new shocks, including a monetary policy that has room for action should more substantial adjustments be necessary for inflation to converge to the target.

TABLE 1: INFLATION (1)(2)
(annual change, percent)

	2023	2024	2025 (f) Mar.25 IPoM	2025 (f) Jun.25 IPoM	2026 (f) Mar.25 IPoM	2026 (f) Jun.25 IPoM	2027 (f) Mar.25 IPoM	2027 (f) Jun.25 IPoM
Average CPI	7.3	3.9	4.4	4.3	3.0	3.1	3.0	3.0
December CPI	3.4	4.5	3.8	3.7	3.0	3.0	3.0	3.0
CPI in around 2 years (3)							3.0	3.0
Average core CPI	7.5	3.8	3.8	3.5	3.0	3.1	3.0	3.0
December core CPI	4.7	4.3	3.3	3.1	3.0	3.0	3.0	3.0
Core CPI around 2 years (3)							3.0	3.0

(1) Core inflation is measured using the CPI without volatiles. (2) Figures consider the 2023 CPI reference basket and the splice made by the Central Bank of Chile. (3) For March 2025 IPoM corresponds to inflation forecast for the first quarter of 2027, for June 2025 IPoM to inflation forecast for the second quarter of 2027. (f) Forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

TABLE 2: INTERNATIONAL SCENARIO

	2023	2024	2025 (f) Mar.25 IPoM	2025 (f) Jun.25 IPoM	2026 (f) Mar.25 IPoM	2026 (f) Jun.25 IPoM	2027 (f) Mar.25 IPoM	2027 (f) Jun.25 IPoM
			(annual change, percent)					
Terms of trade	1.9	4.4	2.6	2.9	2.0	2.1	0.9	1.1
Trading partners	3.5	3.3	2.7	2.6	2.5	2.4	2.8	2.7
World GDP at PPP	3.7	3.4	2.7	2.6	2.7	2.6	3.1	3.1
Developed GDP at PPP	1.6	1.6	1.2	1.1	1.3	1.1	1.9	1.8
Emerging GDP at PPP	4.9	4.4	3.6	3.5	3.6	3.4	3.9	3.8
			(levels)					
LME copper price (US$cent/pound)	385	415	425	430	430	430	430	430
Oil price, average WTI-Brent (US$/barrel)	80	78	69	66	67	63	66	64

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

TABLE 3: INTERNAL SCENARIO
(annual change, percent)

	2023	2024	2025 (f) Mar.25 IPoM	2025 (f) Jun.25 IPoM	2026 (f) Mar.25 IPoM	2026 (f) Jun.25 IPoM	2027 (f) Mar.25 IPoM	2027 (f) Jun.25 IPoM
GDP	0.5	2.6	1.75 - 2.75	2.0 - 2.75	1.5 - 2.5	1.5 - 2.5	1.5 - 2.5	1.5 - 2.5
Domestic demand	-3.7	1.3	2.5	3.2	2.2	2.7	2.3	2.4
Domestic demand (w/o inventory)	-2.7	0.7	2.6	2.9	2.3	2.5	2.4	2.5
Gross fixed capital form	-0.1	-1.4	3.7	3.7	2.2	3.6	2.9	3.3
Total consumption	-3.5	1.4	2.3	2.6	2.3	2.1	2.3	2.3
Private consumption	-4.9	1.0	2.0	2.2	2.0	2.0	2.0	2.0
Goods and services exports	0.1	6.6	4.3	5.1	2.4	1.8	2.8	2.7
Goods and services imports	-10.9	2.5	5.6	7.6	3.0	4.0	3.8	4.3
Current account (% of GDP)	-3.2	-1.5	-1.9	-1.8	-1.8	-1.8	-2.0	-2.0
Gross national saving (% of GDP)	20.2	21.8	21.5	22.2	21.7	22.7	21.8	22.7
Gross fixed capital formation (% of nominal GDP)	24.2	23.5	23.7	23.8	24.0	24.2	24.3	24.5

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

FUTURE EVOLUTION OF MONETARY POLICY

The projections in the central scenario of this IPoM resemble those of March. The external outlook and related risks have become considerably more uncertain, due to repercussions from both the trade tensions and the Middle East conflict escalation after this Report's statistical cut-off date for projections. Regarding the first factor, its impact on global and local activity is not yet evident. This is so partly due to the more benign evolution of global financial conditions compared to past episodes, which has mitigated the impact of the financial channel. In fact, the outlook for global growth has changed little with respect to the March Report, because the latter had already made a significant adjustment in this variable. Locally, activity was more dynamic than anticipated in the first quarter, explaining a large part of the revised GDP range for this year, which was adjusted at the lower end, from 1.75%-2.75% to 2%-2.75%. A growth range of 1.5-2.5% is still estimated for 2026 and 2027. Headline inflation has declined in line with expectations, while core inflation has been lower. Inflation projections are unchanged from March and are expected to converge to the 3% target in the first half of next year. However, if the central scenario of this IPoM materializes, in the following quarters the Monetary Policy Rate (MPR) will be approaching its range of neutral values. The Board will assess the future movements of the MPR considering the evolution of macroeconomic conditions and their implications for the convergence of inflation.

ACTIVITY AND DEMAND PROJECTIONS IN THE CENTRAL SCENARIO

THE INTERNATIONAL SCENARIO

The wide-ranging increase in tariffs announced by the U.S. government in early April has had significant repercussions to the external scenario, leading to a considerable increase in global economic uncertainty. The escalation of the war in the Middle East aggravates this scenario. This is an event that began to be observed after the statistical closing of this Report on June 11th, so its impacts are not accounted for in this central projection scenario.

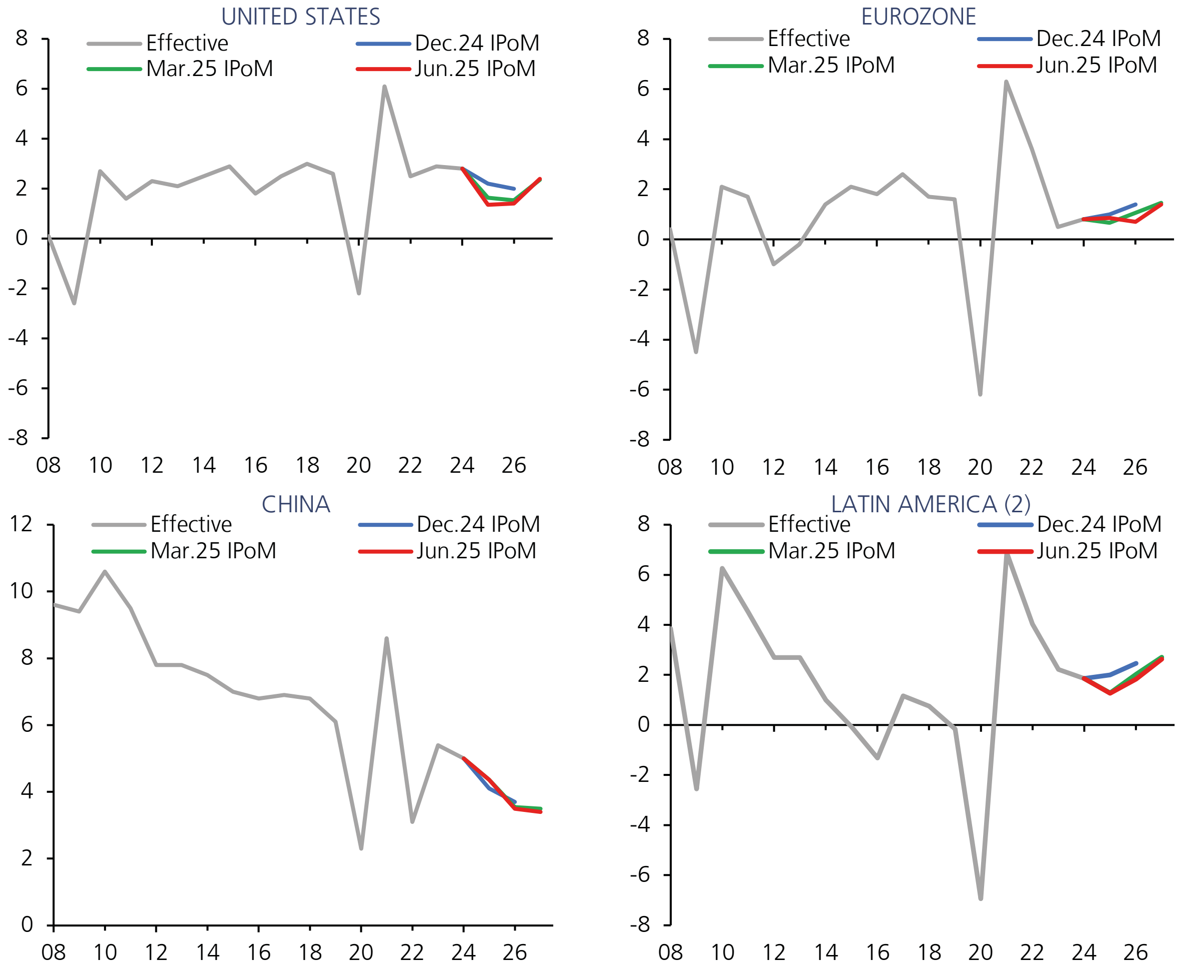
The impact of trade tensions on global activity is expected to be negative. However, the fluctuating evolution of the process —including announcements, retaliations, and postponements— has generated high uncertainty about its short-, medium- and long-term repercussions.

One particular factor in this episode has been the reaction of financial conditions, which, for the emerging world, has been more favorable than expected. Thus, unlike former periods of risk aversion, appetite for U.S. assets has fallen, while emerging economies' assets have performed favorably, due to their lower relative risk.

The growth forecast for the trading partners is slightly reduced, to an average of 2.6% in the period 2025-2027 (2.7% in March). The main adjustment, though limited, is concentrated in the United States. It should be noted that in March, a significant revision was made to US growth to reflect the increase in trade tensions. The projections for the rest of the world see milder changes, in line with comparatively better financial conditions and more limited deterioration in most countries' indicators of expectations and uncertainty. The expected impact of the reversal of the momentum on exports in the

Eurozone and China, generated by the anticipation of import tariffs by the United States stands out. All this has been reflected in the market outlook, which is revised downwards for US growth, while for other economies the changes have been minor (Figure 1 and Table 1).

FIGURE 1 TRADING PARTNERS GROWTH PROJECTIONS (1)
(annual change, percent)



(1) Blue, green and red lines correspond to the projection of the central scenario of the respective Monetary Policy Report (IPoM).
(2) The Region considers Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. The series projection is based on GPM model region made up by Brazil, Chile, Colombia, Mexico and Peru.
Source: Central Bank of Chile.

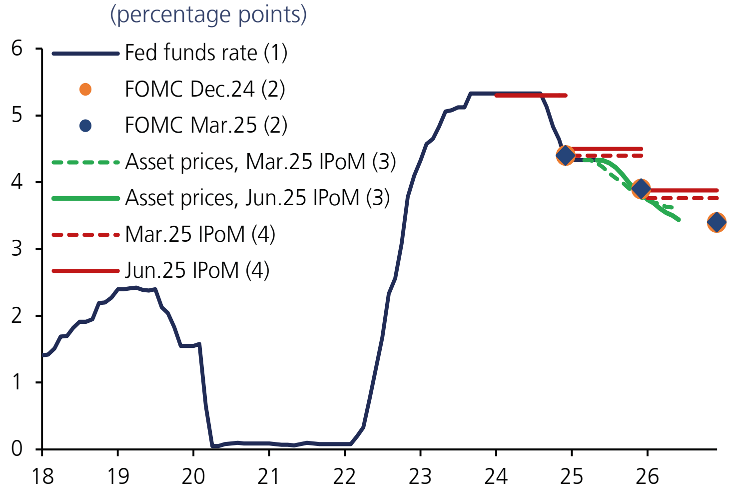
TABLE 1 WORLD GROWTH (*)
(annual change, percent)

	Aveg. 10-19	2023	2024 (e)	2025 (f)	2026 (f)	2027 (f)
World GDP at PPP	3.7	3.7	3.4	2.6	2.6	3.1
World GDP at market exchange rate	3.3	3.0	2.9	2.1	2.1	2.6
Trading partners	3.9	3.5	3.3	2.6	2.4	2.7
United States	2.4	2.9	2.8	1.4	1.4	2.4
Eurozone	1.4	0.5	0.8	0.9	0.7	1.4
Japan	1.2	1.4	0.2	0.8	0.4	0.6
China	7.7	5.4	5.0	4.4	3.5	3.4
India	6.7	9.2	6.5	5.7	5.8	6.8
Rest de Asia	4.5	3.1	4.0	2.9	3.1	3.8
Latin America (excl. Chile)	1.8	2.2	1.9	1.3	1.8	2.6
Commodity exp.	2.2	1.4	1.0	1.2	1.3	2.1

(*) For definition, see Glossary of economic terms.
(f) Forecast.
(e) Estimate.
Source: Central Bank of Chile based on a sample of investment banks, Consensus Forecasts, the IMF, and statistics bureaus of respective countries.

The perception that the tariff increase will impact both activity and inflation in the United States has led the Federal Reserve (Fed) to adopt a more cautious tone. With the information available at the statistical close, we anticipate that during this year tariff-related cost pressures will begin to drive up inflation. Projections also assume that the negative impacts on activity will be more visible towards the end of the year. In the central scenario, a Fed funds rate reduction of 25 basis points (bp) is foreseen by the end of 2025 and three in 2026 (two for both years in the previous IPoM) (Figure 2). This outlook is similar to that of the leading investment banks.

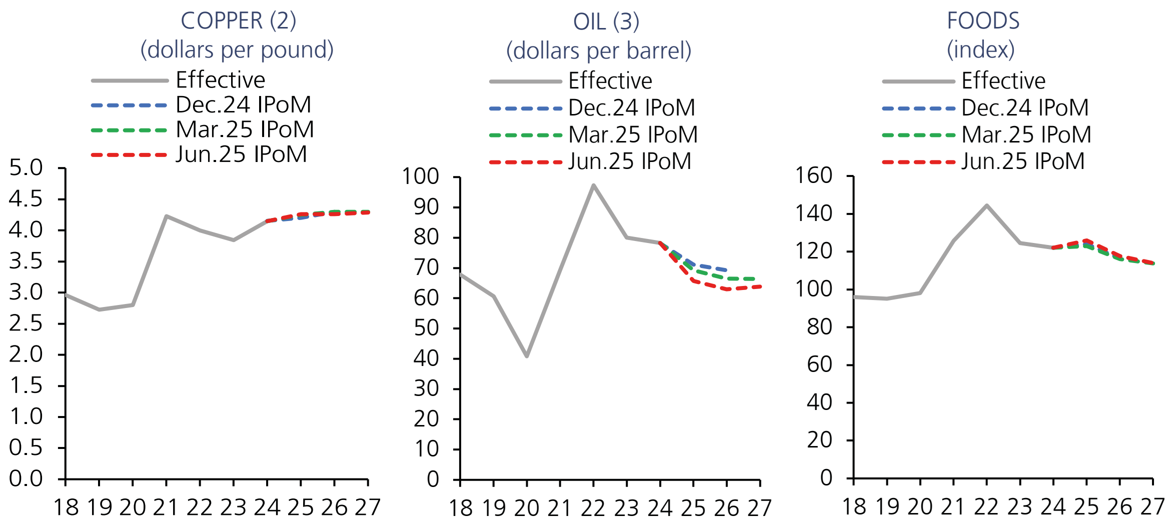
FIGURE 2 EVOLUTION AND FORECASTS FOR THE FED FUNDS RATE
(percentage points)



(1) Actual Fed funds rate. Considers information up to May 2025. (2) Forecast of Federal Open Market Committee (FOMC) at respective meeting. (3) Based on statistical cutoff dates of respective Monetary Policy Report (IPoM). (4) Annual average for the upper range of Fed funds rate in 2024, 2025 and 2026, according to central scenario of each IPoM.
Sources: Bloomberg and U.S. Federal Reserve.

The terms of trade are revised up from March, given the stable trajectory of the copper price and a minor drop in the oil price. Copper is expected to continue trading at around US$4.3 per pound on average between 2025 and 2027. This considers the impact of trade tensions, a supply-demand balance that is still expected to be tight, and geopolitical tensions (Box I.1 in the June 2024 IPoM). For oil, slower global growth prospects and the production increase announced by some OPEC countries lower its Brent-WTI average price. Accordingly, the price of a barrel is expected to go from US$66 to US$64 between 2025 and 2027 (from US$69 to US$66 in March). The price of gasoline undergoes a similar adjustment. Meanwhile, international food prices are revised upward for 2025 and the next two years, reflecting their recent evolution (Table 2 and Figure 3). However, the unfolding war in the Middle East could lead to increases in the international price of fuels or trade barriers that could modify this scenario.

FIGURE 3 COMMODITY PRICES FORECASTS (1)



(1) Actual or projected (slashed lines) average price for each year as contained in respective Monetary Policy Report (IPoM).
(2) Copper price traded on the London Metal Exchange. (3) For oil, WTI-Brent average price per barrel.
Sources: Central Bank of Chile and FAO.

TABLE 2 INTERNATIONAL BASELINE SCENARIO ASSUMPTIONS

	Aveg. 10-19	2023	2024	2025 (f)	2026 (f)	2027 (f)
			(annual change, percent)			
Terms of trade	1.0	1.9	4.4	2.9	2.1	1.1
External prices (in US$)	0.6	-0.2	-0.7	1.3	1.4	1.5
			(levels)			
LME copper price (US$cent/pound)	306	385	415	430	430	430
WTI oil price (US$/barrel)	72	78	76	64	61	62
Brent oil price (US$/barrel)	80	83	81	68	65	66
Gasoline parity price(US$/m3) (1)	610	721	660	555	500	512
US Federal Funds Rate (%) (2)	0.7	5.2	5.3	4.5	3.9	3.4

(1) For definition, see Glossary of economic terms. (2) Annual average for the upper range of the Fed funds rate. (f) Forecast.
Source: Central Bank of Chile.

THE DOMESTIC SCENARIO

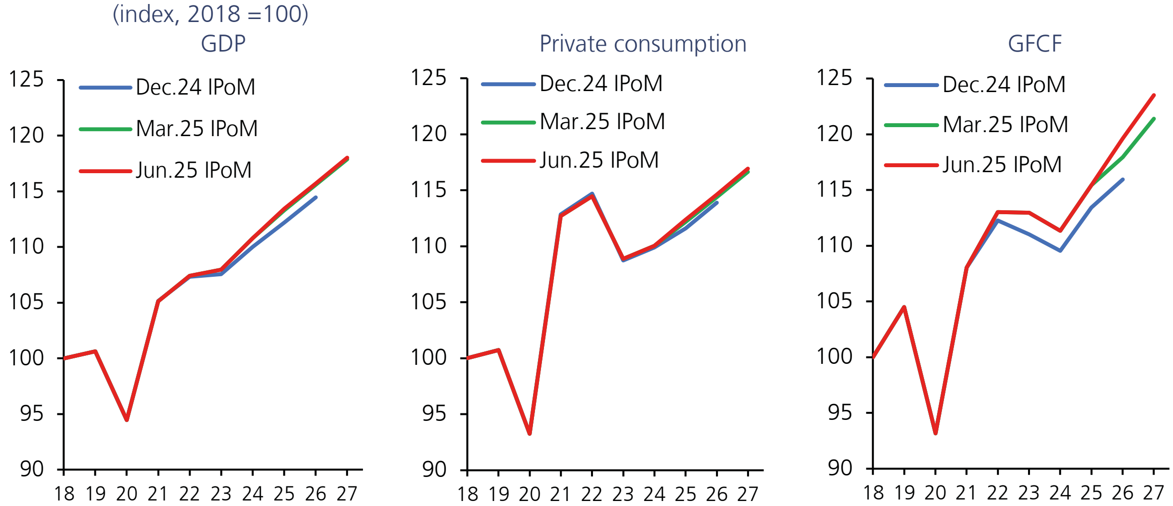
The central scenario of this Report assumes that the effect of the trade conflict and the greater global uncertainty on local activity will be limited. In the export sector, projections reflect the scope of the 10% tariff for a fraction of shipments to the United States. Trade with the rest of the world has not been affected and a potential redirection of exports to the local market and other destinations suggests minor impacts on activity, which would be more concentrated towards 2026. In addition, as a working assumption, it considers that the increase in global financial uncertainty will not significantly affect investment, which factors in the more favorable evolution of variables such as interest rates and the stock market, as well as the minor deterioration of local agents' expectations. Importantly, these assumptions could be subject to revision to factor in the events of the last few days in the Middle East.

The growth range forecast for this year is revised to 2.0%-2.75%, because of the better performance of activity in the first quarter. In any case, this projection considers the reversal of some supply factors that boosted the performance of export-related sectors such as fruit production, fishery, and the manufacturing industry. Added to this is the expected moderation of the arrival of foreign tourists and its effects on the growth of items such as retail trade, and restaurants & hotels, among others. The latest Imacec showed that some of these elements have begun to fade out, while the services sectors have remained dynamic (Table 3 and Figure 4).

The growth range for the next two years remains between 1.5% and 2.5. This considers that activity will be converging to an expansion trend, that the transitory elements that boosted growth in recent quarters will moderate, and that the economy will see limited effects from the trade tensions. These forces will be counterbalanced by the improved outlook for gross fixed capital formation (GFCF) (Table 3 and Figure 4).

Domestic demand is revised slightly upward, mainly driven by an acceleration of GFCF in the next two years. Worth noting are the better prospects for mining and energy projects for this and coming years (CBC) —to which could be added a potential increase in investment due to additional initiatives in the pipeline —, and the increase in imports of capital goods so far this year. In the central scenario, the

FIGURE 4 ACTIVITY, PRIVATE CONSUMPTION AND GFCF (*)
(index, 2018 =100)



(*) Considers midpoint of GDP growth ranges projected in respective Monetary Policy Report (IPoM).
Source: Central Bank of Chile.

GFCF growth estimate is maintained at 3.7% for 2025, while for 2026 and 2027 it is raised to 3.6% and 3.3%, respectively (2.2% and 2.9% in March). (Table 3 and Figure 4).

Private consumption is expected to continue to rise around 2% annually over the projection horizon. This considers the steady growth of real labor income, the reduction in the financial burden of households and the stability of their expectations (Table 3 and Figure 4).

For 2025, the central scenario incorporates the fiscal spending expansion described in the latest Public Finance Report (IFP)**, including the administrative adjustments noted.** From then onwards, it considers the expenses committed reported therein.

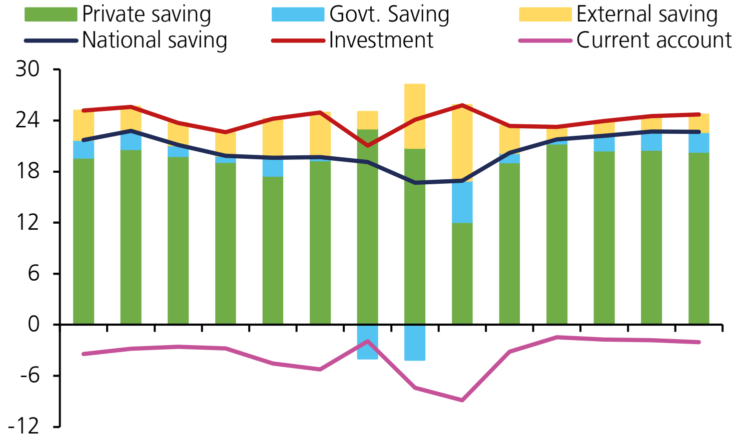
The projection for the current account deficit shows no major changes compared to March. This combines the better outlook for the services balance —favored by an increase in exports—, which this year will be offset by higher income and by 2026-2027 by a lower goods trade balance with respect to the previous IPoM. In the latter, a transitory increase in goods exports is forecast for 2025, in line with the greater volumes recorded so far this year and higher prices for non-mining shipments. Imports are also revised up from March, reflecting higher demand for tradable goods that would be partially offset by the lower outlook for tradables' prices due to the rerouting of shipments. In the central scenario, the forecast trajectory for national savings and total investment is also adjusted up, due mainly to the increase that the private sector will show in both variables (Table 3 and Figure 5).

TABLE 3 ECONOMIC GROWTH AND CURRENT ACCOUNT

	2024	2025 (f)	2026 (f)	2027 (f)
		(annual change, percent)		
GDP	2.6	2.0-2.75	1.5-2.5	1.5-2.5
National income	2.8	3.1	2.8	2.4
Domestic demand	1.3	3.2	2.7	2.4
Domestic demand (w/o inventory change)	0.7	2.9	2.5	2.5
Gross fixed capital formation	-1.4	3.7	3.6	3.3
Total consumption	1.4	2.6	2.1	2.3
Private consumption	1.0	2.2	2.0	2.0
Goods and services exports	6.6	5.1	1.8	2.7
Goods and services imports	2.5	7.6	4.0	4.3
Current account (% of GDP)	-1.5	-1.8	-1.8	-2.0
Gross national saving (% of GDP)	21.8	22.2	22.7	22.7
Gross national investment (% of GDP)	23.2	23.9	24.5	24.7
GFCF (% of nominal GDP)	23.5	23.8	24.2	24.5
GFCF (% of real GDP)	23.2	23.4	23.8	24.1
		(US$ million)		
Current account	-4,853	-6,300	-7,000	-8,200
Trade balance	21,033	21,300	23,100	24,300
Exports	99,165	105,100	110,100	115,800
Imports	78,133	83,800	87,000	91,500
Services	-9,149	-8,800	-10,600	-12,000
Rent	-17,000	-19,000	-19,700	-20,700
Current transfers	264	200	200	200

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

FIGURE 5 CURRENT ACCOUNT: SAVINGS AND INVESTMENT (*)
(percentage of annual GDP)

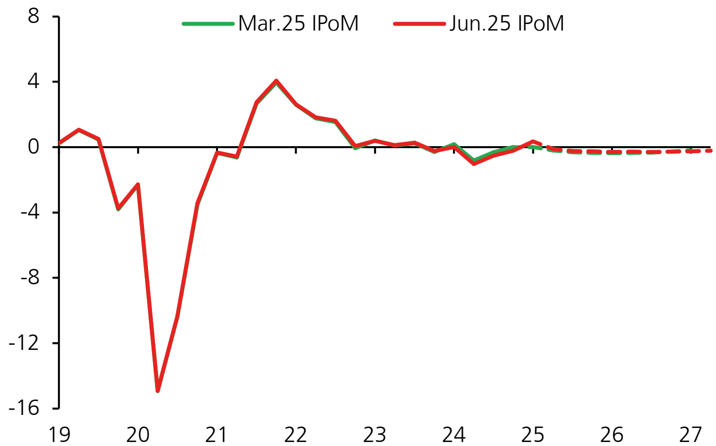


(*) The government savings component considers as actual data up to 2024 the general government's balance sheet; the government savings of the central government's balance sheet is used for the 2025-2027 forecast.
(f) Forecast.
Source: Central Bank of Chile.

THE ACTIVITY GAP AND CONVERGENCE OF INFLATION TO THE TARGET

The projection assumes that the activity gap will maintain a less negative path than was estimated in the previous IPoM (Figure 6). This reflects, for one thing, the higher starting point for activity following the better performance earlier this year reported in the latest National Accounts, which also led to a marginal upward revision of potential GDP. Looking ahead, the factors that temporarily boosted GDP growth early this year are expected to dissipate gradually, while external demand would be somewhat lower than estimated in March. In addition, it incorporates the improved outlook for domestic demand, especially for investment. All this implies that the activity gap will remain slightly negative over the projection horizon.

FIGURE 6 ACTIVITY GAP (1) (2)
(level, percentage points)

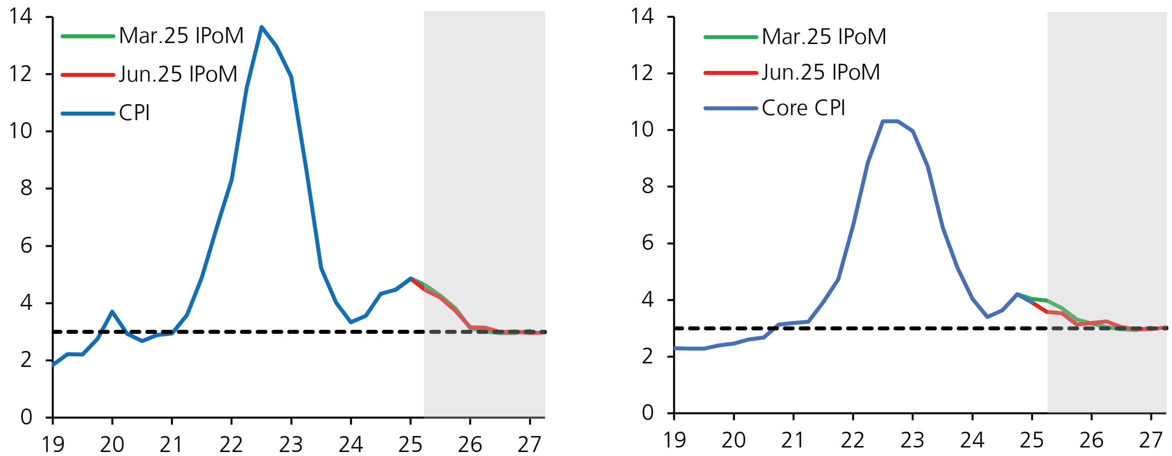


(1) Dotted lines show forecast. (2) Forecast assumes structural paramenters updated in September 2024 Monetary Policy Report (IPoM) (trend GDP) and June 2025 IPoM (potential GDP).
Source: Central Bank of Chile.

The inflation trajectory in the central scenario does not change substantially compared to March. It is expected to converge to 3% annually during the first half of 2026 and then remain in the vicinity until the end of the projection horizon (Figure 7 and Table 4). Its expected evolution takes into account several factors. On the one hand, the better performance of domestic demand, particularly investment, a somewhat more depreciated real exchange rate during the projection horizon —to gradually return to its equilibrium levels— and the inclusion of new information regarding the process of adjusting electricity prices[1,2]/. On the other hand, there are the latest core inflation indicators —which turned out to be lower than expected in March—, the lower inflation resulting from global trade diversions —a negative impact of around 0.3 percentage points on the annual CPI variation of the CPI accumulated in the projection horizon—, and the lower outlook for fuel prices projected at the statistical close. The latter does not consider the possible impact of conflicts in the Middle East.

FIGURE 7 INFLATION FORECAST (*)
(annual change, percent)

HEADLINE INFLATION | CORE INFLATION (WITHOUT VOLATILES)



(*) Inflation figures consider 2023 CPI basket using BCCh splicing. Monthly and annual variations of this index do not coincide with official INE variations –useful for indexation purposes– as these use the previous basket series for base year changes. Gray area, as from second quarter 2025, shows forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

1/ The new information published by the National Energy Comission, along with the update of the exchange rate and indexers, modifies the estimate of electricity prices' adjustments going forward.

2/ It should be noted that, as in previous IPoMs, it is assumed that the repayment of the accumulated debt with the power distribution companies will not directly affect the CPI. This is so because Law 21,667 establishes that this debt will be repaid through recalculations, which are excluded from the CPI measurement (see INE's Methodological Manual).

TABLE 4 INFLATION (1)
(annual change, percent)

	2024	2025 (f)	2026 (f)	2027 (f)
Average CPI	3.9	4.3	3.1	3.0
December CPI	4.5	3.7	3.0	3.0
CPI in around 2 years (2)				3.0
Average core CPI	3.8	3.5	3.1	3.0
December core CPI	4.3	3.1	3.0	3.0
Core CPI around 2 years (2)				3.0

(1) Inflation figures consider 2023 CPI basket using BCCh splicing. Monthly and annual variations of this index do not coincide with official INE variations –useful for indexation purposes– as these use the previous basket series for base year changes.
(2) Inflation forecast for the second quarter of 2027.
(f) Forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

MONETARY POLICY STRATEGY: THE CENTRAL ESCENARIO AND SENSITIVITIES

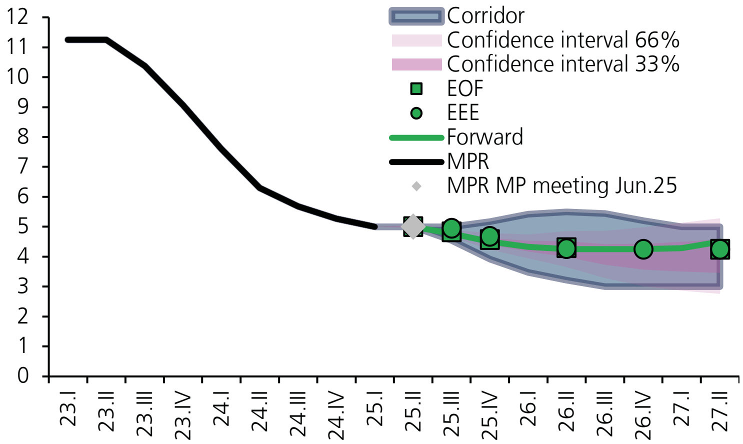
The markets' vision for the MPR has been revised down from the assumptions at the statistical cutoff of the March IPoM. For December 2025, the EEE and the expectations derived from financial asset prices —the Overnight Index Swap (OIS) rates— place it at 4.5% (4.75% and 5.0% at the close of the March IPoM, respectively). One-year forward, the surveys —EEE and EOF— and the OIS rates foresee an MPR of 4.25% (between 4.5% and 5.0% at the close of the March IPoM). Towards the end of the two-year monetary policy horizon, the different measures of market expectations place it between 4.25% and 4.5% (between 4.25% and 5.0% in March).

In recent months, inflation has evolved in line with projections and the upward risks that had appeared early in the year have moderated. Activity has exceeded projections; however, recent events in the Middle East have introduced a new source of uncertainty, which could develop into more complex scenarios.

If the central scenario of this IPoM materializes, in the following quarters the MPR will be approaching its range of neutral values. The Board will assess the future movements of the MPR considering the evolution of macroeconomic conditions and their implications for the convergence of inflation. It also reaffirms its commitment to conduct monetary policy with flexibility, so that projected inflation stands at 3% over the two-year horizon.

The MPR corridor includes sensitivity scenarios that are alternative to the central one and that have a significant probability of occurrence, in which monetary policy might follow a different course (figures 8 and 9).

FIGURE 8 MPR CORRIDOR (*)
(quarterly average, percent)



(*) The 2025, 2026 and 2027 calendar considers two MP 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 June Economic expectations survey (EEE), the June pre-MP meeting Financial traders survey (EOF) and the quarterly average smoothed forward curve as of June 11. This is calculated by extracting the implicit MPR considering the forward curve over the overnight index swap (OIS) curve for up to 2 years, discounting the fixed rates of each maturity at the simple accrual of the OIS index. For the current quarter, the surveys and the forward curve consider the average of daily actual data and are completed with respective sources. Quarterly average considers working days in each quarter. Gray diamond corresponds to the MP decision of June 2025.

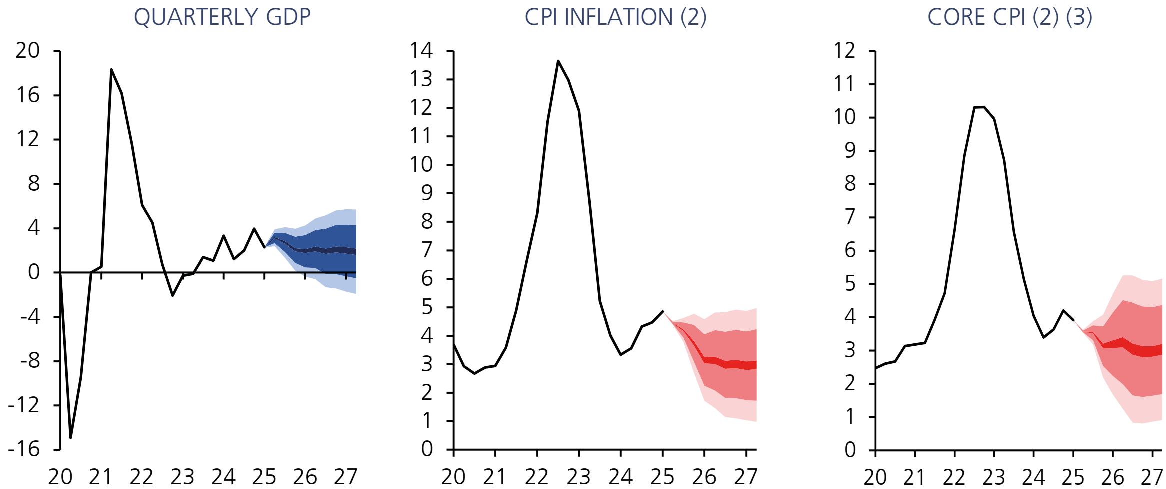
The upper bound represents a situation in which domestic demand is strengthened above expectations. This may come from a context in which business and household confidence improves, due to a decrease in global tensions, higher local growth prospects, or investments whose effects on the labor market and earnings are greater than anticipated.

The lower bound corresponds to a scenario in which the external scenario deteriorates, negatively affecting the global and local economies. This could be the case if trade tensions flare up and/or global uncertainty soars. This could lead financial markets to behave in a manner similar to previous episodes of risk aversion, including a depreciation of the peso. In addition to the financial repercussions and the fall in global demand, there would be the added impact of greater pessimism among agents, with downward effects on domestic demand.

International developments also define other sensitivity scenarios within the MPR corridor. The supply shock associated with the new tariffs and the impacts of trade diversions on the local economy could be different from the central scenario, in particular the reaction of the prices of products imported by Chile.

As aforesaid, the risks surrounding the global scenario are high in the current context, with potentially significant deviations. The complexity of the external geopolitical scenario —a mixture of political, economic, and military conflicts— does not allow to rule out more disruptive episodes. In fact, what happened in the Middle East at the close of this IPoM is an example of the relevance of factors that in the past were considered less likely. At the moment, its scope, development and potential impacts on the global and local economies are unknown, hence the need to monitor it closely. The Chilean economy is not immune to international events. However, it has the capacity to mitigate the impact of new shocks, including a monetary policy that has room for action should more substantial adjustments be necessary for inflation to converge to the target.

FIGURE 9 GROWTH AND INFLATION FORECASTS (1)
(annual change, percent)



(1) The figure shows the confidence interval of the central projection to the respective horizon (colored area). Includes 10, 70 and 90% confidence intervals around the central scenario. Confidence intervals are constructed from the RMSEs of the XMAS-MEP models, 2009-2017 average.
(2) Inflation figures consider the 2023 CPI basket using BCCh splice. The monthly and annual variations of this index do not coincide with the official INE variations –useful for indexation purposes– because the latter use the series of the previous basket for the base-year change.
(3) Measured with the CPI without volatiles.
Sources: Central Bank of Chile and National Statistics Institute (INE).

MONETARY POLICY REPORT / **June 2025**