MONETARY POLICY REPORT

DECEMBER 2025

The five-thousand-peso bill, Central Bank of Chile (2009).

Between 2009 and 2011, the Central Bank of Chile renewed its entire family of banknotes, something that had only happened with the introduction of definitive banknotes in 1932 and the monetary reforms of 1960 and 1975. This was the first change that did not respond to an inflationary problem. The main reasons were to incorporate global security standards and establish a uniform design. The historical figures were retained, and the 5,000-peso note, dedicated to Gabriela Mistral, was the first to enter circulation. Red in color and made of synthetic polymers, it features a portrait of the Chilean poet alongside the *copihue*, the national flower, and the Mapuche symbol *Antü*, which changes color when tilted. It includes a transparent window as a safety feature, unlike the watermarks on cotton paper bills. On the back, *La Campana* National Park, home to the Chilean palm tree, and the *tucúquere*, a bird of prey found from Tarapacá to Tierra del Fuego, stand out. This new family of banknotes integrates monetary, cultural, and geographical values, reflecting Chile's natural and human wealth. On the 80th anniversary of Gabriela Mistral's Nobel Prize, awarded in December 1945, the Central Bank of Chile is proud of the value that her image brings to the national currency.

To learn more about the Central Bank's collection of banknotes and coins, go to www.museobancocentral.cl or visit the Numismatic Museum, which opens Mondays through Fridays from 10:00 a.m. to 1:00 p.m. at Agustinas 1180, Santiago.

Monetary Policy Report

December 2025

The Central Bank of Chile's Monetary Policy

Money plays a fundamental role in the proper functioning of any economy. To preserve such role, the monetary policy of the Central Bank of Chile (CBCh) must protect the value of the national currency —the peso—, in its quest to keep inflation low and stable. Achieving this fosters the population's wellbeing by safeguarding their income's purchasing power and making the economy function better. When inflation is low and stable, monetary policy can also moderate fluctuations in employment and production.

The inflation target and the monetary policy interest rate (MPR)

The Bank conducts its monetary policy seeking that, irrespective of the current level of inflation, its forecast for a two-year horizon will be 3%. This is similar to the practice of other countries in the world that have, as does Chile, a floating exchange rate; this is the so-called inflation targeting scheme.

The MPR is the main instrument used by the Bank to achieve the inflation target. Its level is decided at the Monetary Policy Meeting, which is held eight times a year. In practice, the MPR is a reference interest rate to determine the cost of money and other financial prices, such as the exchange rate, and longer-term interest rates, among others. In turn, these variables affect the demand for goods and services and, thereby, prices and inflation. Monetary policy decisions take several quarters to be fully reflected in the economy, which warrants that monetary policy be made from a forward-looking point of view, having as its primary focus the inflation projection two years ahead, and not just today's inflation.

Communication, transparency and the Monetary Policy Report

Since the Central Bank makes its monetary policy decisions autonomously, it must constantly account for them and their results to the general public. This is so not only because it is a government agency within a democratic society, but also because a credible monetary policy, understood by the people, helps to keep inflation low and stable. Through the Monetary Policy Report (MP Report), the Bank communicates to the general public its view of the recent evolution of the economy, its projections for the coming years and the way in which, in this context, it will conduct monetary policy in order to meet the inflation target.

The MP Report is published four times a year (every March, June, September, and December) and is put together by a team of around 60 persons.

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*/ For the central scenario construction purposes, the statistical cut-off date is 10 December. This document was originally written in Spanish. In case of discrepancy or difference in interpretation, the Spanish version prevails.

SUMMARY

Headline inflation fell faster than projected in September, in a global and local economic environment that was somewhat better than expected. In the central scenario of this Monetary Policy Report (IPoM), inflation would reach the 3% target in the first quarter of 2026. This considers a more favorable performance from some cost factors, in a context where risks to inflation convergence have diminished. Overall, local activity has been in line with expectations, with more dynamic investment in machinery and equipment. Internationally, the external boost is somewhat stronger for Chile. Global activity has been resilient to the uncertainty shocks at the beginning of the year, and financial conditions have improved. The rise in the price of copper has positively impacted the terms of trade. Nevertheless, global risks remain significant. The Board will evaluate the future movements of the Monetary Policy Rate (MPR) by considering the evolution of the macroeconomic scenario and its implications for the convergence of inflation.

Inflation has declined since September IPoM and is headed to reach its 3% target in the next few months. In November, the year-on-year change in total and core CPI was 3.4%, compared to values close to 4.0% in August. Inflation expectations at shorter horizons have also declined, while two years ahead they remain aligned with the target.

Cumulative inflation over the last four months was lower than forecast in the last IPoM, influenced by the more favorable performance of some cost factors. The difference was concentrated in goods components, influenced by the appreciation of the peso —more than 4% since the previous IPoM— and the effect that trade diversions would have had on the prices of some imported goods. The atypical behavior of certain food prices also contributed. All of this has taken place in a context where the monthly volatility of goods inflation has shown a significant increase in recent years (Box I.2). Services components showed no big differences. Labor costs growth has slowed down, although in nominal terms it remains above its historic averages.

Overall, activity has been in line with expectations, with investment being more dynamic. In the third quarter, non-mining GDP growth was in line with forecasts. Seasonally adjusted, activity in these sectors increased 0.4% quarter-on-quarter (q/q) (+2.6% year-on-year, original series), with services and, to a lesser extent, wholesale and retail trade showing the strongest performance. Meanwhile, total GDP growth contracted 0.1% q/q in the third quarter (+1.6% year-on-year, original series). This result was lower than expected due to the performance of the mining sector, which was affected by a decline in production at some sites and lower ore grades.

As for expenditure, the performance of Gross Fixed Capital Formation (GFCF) stands out, especially in machinery and equipment. In the third quarter, this component grew above expectations once again, and capital goods import figures for October and November confirm that this momentum has been maintained. Mining and energy projects continue to be the main drivers of growth in the machinery and equipment component. Investment in construction and other works is still lagging.

Private consumption has evolved in line with expectations, with improvements in some of its fundamentals. As projected, its quarterly growth pace moderated compared to previous quarters. Regarding its fundamentals, consumer expectations have increased. The labor market shows improvement, although significant challenges remain. The unemployment rate has fallen since September's IPoM but remains above historical averages. Job creation is still sluggish.

On the external front, the world economy has been more resilient than previously estimated. In the third quarter, activity growth in the United States is estimated to have exceeded expectations, although the labor market continues to weaken. The Eurozone also saw positive surprises in activity, partly associated with higher defense spending in several countries. Latin America performed well, while Chinese figures remained in line with the growth objective set by its authorities.

The boom of new technologies and expectations about their impact on productivity have spurred global performance, with noticeable impacts on the real and financial sectors, mainly in the United States. Related investments have become an important driver of the American economy, contributing over a third of its annual GDP growth in the second quarter of 2025 (Box I.1). Stock market gains in the United States have been led by AI-related shares.

The terms of trade have improved in the past few months. Supply problems combined with increased demand associated with AI investment, energy transition, and defense spending have pushed nominal copper prices, exceeding US$5 per pound (LME) (Box II.1). Oil prices have fallen amid improved supply prospects, although refined product prices such as gasoline have not fallen as much as anticipated due to specific distortions in certain markets.

In this context, compared to September, there have been widespread increases in stock markets and mixed movements in interest rates. The Federal Reserve again lowered its benchmark interest rate and is expected to make further cuts throughout 2026. The appreciation of several Latin American currencies stands out, including the Chilean peso.

Accordingly, the external boost from abroad to the Chilean economy is a little stronger, with a slight increase in trading partners' growth and an improvement in the terms of trade. The former is revised from 2.6% to 2.8% on average for the 2025-2026 period. In the terms of trade, the copper price is revised upward across the projection horizon, combined with a limited reduction in oil price estimates.

In any case, the risks surrounding the evolution of international conditions remain high. There are a number of ongoing geopolitical tensions, although some have eased. Military tensions persist and developed economies —particularly in Europe— are stepping up their defense spending, which could further compromise their fiscal situation. Added to this are doubts regarding the valuation of global asset prices.

Projections

The central scenario is somewhat more favorable than in the previous IPoM. GDP is projected to grow by 2.4% in 2025, that is, in the middle zone of the September estimated range (2.25%-2,75%). For 2026, the estimated growth range is revised up to 2.0%-3,0% (1.75%-2.75% in September). As for 2027, GDP growth is still forecast to stand between 1.5% and 2.5%, in line with the trend growth of the economy. Growth projections have been steadily raised over the course of 2025 —particularly for non-mining sectors—, as the global scenario has been resilient and local investment has been more dynamic than anticipated, especially in the mining and energy industries.

The outlook for investment is improved again, driven by a more favorable evolution of its fundamentals. The projected average copper price rises to US$4.7 in 2026 —which determines the lower current account deficit expected for that year— and to US$4.6 in 2027 (US$4.3 previously for both years) (Box II.1). In addition, financial conditions and business expectations have improved compared to previous years. Furthermore, the investment boost is expected to spread across all sectors during the projection horizon. Thus, GFCF growth estimates are revised up for this and next year, to 7% and 4.9%, respectively (5.5% and 4.3% in September). Growth estimate for 2027 remains at 3.1%.

Forecasts for private consumption see limited adjustments. It is expected to further approach expansion rates consistent with trend GDP. Its annual growth will be close to 2.5% in 2025 and 2026, and 2% in 2027, supported by the sustained increase in consumer confidence and the wage bill.

The central scenario assumes that fiscal spending in 2026 will grow in line with the Budget Law. The 2027 forecast incorporates the committed expenses described in the Public Finances Report for the third quarter of 2025.

Total inflation is projected to be close to 3% in the first quarter of 2026 —toward the middle of the year in the case of the CPI without volatile items—and to remain in the vicinity for the remainder of the monetary policy horizon. Among many factors, this considers an appreciation of the real exchange rate, with starts from a lower level due to its recent evolution, consistent with its fundamentals. It also includes a reduction in electricity rates in early 2026, as reported by the authority. These elements are offset by moderate inflationary pressures on the demand side, given that the increased investment is concentrated in the tradable component and some indicators suggest an increase in productivity.

Monetary policy

Inflation has declined faster than was forecast in September, under local and global conditions somewhat better than expected. In the central scenario of this IPoM, inflation is foreseen to reach its 3% target during the first quarter of 2026. This assumption factors in the more favorable performance of some cost factors, in a context of reduced risks facing the convergence of inflation.

The Board will evaluate the future movements of the MPR by considering the evolution of the macroeconomic scenario and its implications for the convergence of inflation. At the same time, it reaffirms its commitment to conduct monetary policy with flexibility, ensuring that projected inflation stands at 3% over the two-year horizon.

The Board revised the range of estimated values for the neutral MPR to 3.75-4.75% in nominal terms. For the purposes of the projection scenarios, the midpoint of this range, 4.25%, is used as the methodological assumption (Box II.2).

The borders of the MPR corridor are defined by sensitivity scenarios similar to those proposed in September. The upper bound is associated with more dynamic domestic demand. A stronger impulse from the local economy might encourage expectations and spending of households and firms, in a context of eased financial conditions, labor costs growing above historic averages and a higher copper price, all of which would result in stronger inflationary pressures.

The lower bound represents a scenario of deteriorating global financial conditions that negatively affect the local economy. This could be the case in the event of a correction in the asset prices of tech companies, which would affect external financing conditions, global activity, and commodity prices, especially copper. Under these conditions, domestic demand would weaken, thus reducing inflationary pressures.

The Board estimates that the risk of a sudden reversal of global financial conditions is still significant. Such situations could be triggered by varied factors. For example, a decline in optimism about the impact of technological breakthroughs on business productivity could reduce risk appetite. It could also occur in the event of less favorable news about current geopolitical tensions. For example, an escalation of the trade war or armed conflicts, as well as a sharper deterioration in the fiscal or institutional situation in the major economies. These aspects need to be closely monitored, as was noted in our latest Financial Stability Report (IEF).

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

	2023	2024	2025 (f)		2026 (f)		2027 (f)	
			Sep.25 IPoM	Dec.25 IPoM	Sep.25 IPoM	Dec.25 IPoM	Sep.25 IPoM	Dec.25 IPoM
Average CPI	7.3	3.9	4.4	4.2	3.2	2.9	3.0	3.1
December CPI	3.4	4.5	4.0	3.6	3.0	3.2	3.0	3.0
CPI in around 2 years (3)							3.0	3.0
Average core CPI	7.5	3.8	3.8	3.7	3.5	3.2	3.1	3.1
December core CPI	4.7	4.3	3.7	3.4	3.1	3.0	3.0	3.0
Core CPI around 2 years (3)							3.1	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 September 2025 IPoM corresponds to inflation forecast for the third quarter of 2027, for December 2025 IPoM to inflation forecast for the fourth quarter of 2027. (f) Forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

TABLE 2: INTERNATIONAL SCENARIO

	2023	2024	2025 (f)		2026 (f)		2027 (f)	
			Sep.25 IPoM	Dec.25 IPoM	Sep.25 IPoM	Dec.25 IPoM	Sep.25 IPoM	Dec.25 IPoM
					(annual change, percent)			
Terms of trade	1.9	4.4	3.3	4.6	1.6	3.8	1.1	-0.2
Trading partners	3.5	3.3	2.8	3.0	2.4	2.6	2.8	2.7
World GDP at PPP	3.5	3.3	2.8	3.0	2.6	2.7	3.0	3.0
Developed GDP at PPP	1.6	1.6	1.3	1.5	1.2	1.3	1.7	1.7
Emerging GDP at PPP	5.0	4.5	3.7	4.0	3.3	3.5	3.8	3.8
					(levels)			
LME copper price (US$cent/pound)	385	415	430	450	430	470	430	460
Oil price, average WTI-Brent (US$/barrel)	80	78	68	67	64	62	64	63

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

TABLE 3: INTERNAL SCENARIO
(annual change, percent)

	2023	2024	2025 (f)		2026 (f)		2027 (f)	
			Sep.25 IPoM	Dec.25 IPoM	Sep.25 IPoM	Dec.25 IPoM	Sep.25 IPoM	Dec.25 IPoM
GDP	0.5	2.6	2.25 - 2.75	2.4	1.75 - 2.75	2.0 - 3.0	1.5 - 2.5	1.5 - 2.5
Domestic demand	-3.7	1.3	4.3	4.4	2.6	3.0	2.3	2.4
Domestic demand (w/o inventory)	-2.7	0.7	3.6	4.0	2.8	3.3	2.6	2.6
Gross fixed capital form	-0.1	-1.4	5.5	7.0	4.3	4.9	3.1	3.1
Total consumption	-3.5	1.4	3.0	3.0	2.4	2.7	2.4	2.5
Private consumption	-4.9	1.0	2.7	2.7	2.3	2.5	2.1	2.1
Goods and services exports	0.1	6.6	4.6	4.6	1.8	1.8	2.9	2.7
Goods and services imports	-10.9	2.5	10.3	11.3	3.2	3.4	3.7	3.9
Current account (% of GDP)	-3.2	-1.5	-2.6	-2.5	-2.4	-2.2	-2.4	-2.5
Gross national saving (% of GDP)	20.2	21.8	21.7	21.8	22.2	22.3	22.2	22.0
Gross fixed capital formation (% of nominal GDP)	24.2	23.5	23.9	24.2	24.3	24.6	24.4	24.8

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

I. RECENT EVOLUTION OF THE MACROECONOMIC SCENARIO

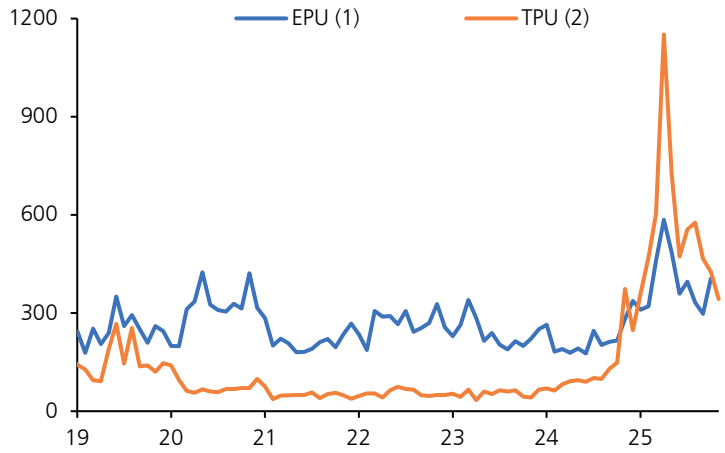
Macroeconomic developments show a somewhat more favorable picture both externally and domestically. On the one hand, the global economy has proven more resilient than expected, amid the rise of investment in new technologies, increased fiscal spending in the developed world, and easing uncertainty linked to the trade conflict. All this has favored the performance of the real and financial sectors. The copper price has risen significantly, improving the outlook for the terms of trade. In any case, the risks of the international scenario remain high, especially in view of a possible reversal of financial conditions. Overall, the local economy has been in line with expectations, with more dynamic machinery and equipment investment. Headline and core inflation have fallen from the latest IPoM, accumulating a smaller variation than expected at that time, mainly due to a more favorable behavior of several cost factors.

THE INTERNATIONAL SCENARIO

The external outlook has shown more favorable behavior in recent months. A significant group of economies has exhibit growth figures above market expectations, coupled with positive developments in financial markets and commodity prices.

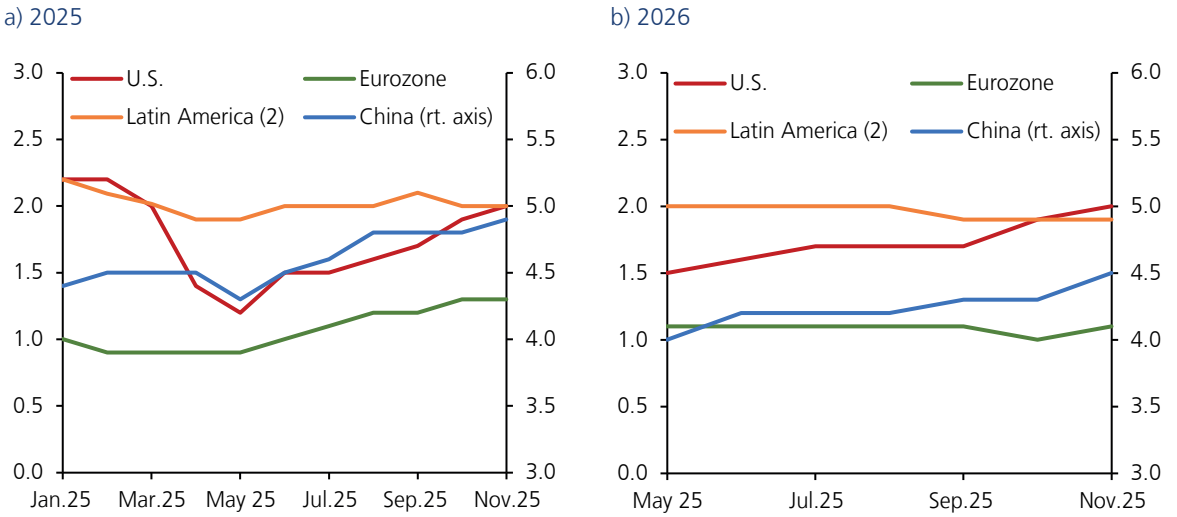
Much of the greater resilience shown by the international scenario is associated with the boom in investments related to artificial intelligence (AI) and expectations about its impact on productivity, especially in the United States. This is compounded by a series of bilateral trade agreements and a decline in uncertainty indicators from their April 2025 peaks (Figure I.1). As a result, the market improved its growth projections for the American economy for 2025 and 2026 (Figure I.2). At the same time, high-frequency data anticipate that, in the third quarter, United States GDP would have expanded more than expected.

FIGURE I.1 UNCERTAINTY INDICATORS
(index)



(1) Corresponds to the Global Economic Policy Uncertainty Index. (2) Corresponds to the Trade Policy Uncertainty Index.
Sources: Baker, Bloom & Davis (2016) and Caldara, Iacoviello, Molligo, Prestipino & Raffo (2020).

FIGURE I.2 CONSENSUS FORECASTS: GLOBAL GROWTH PROJECTIONS (1)
(percent)



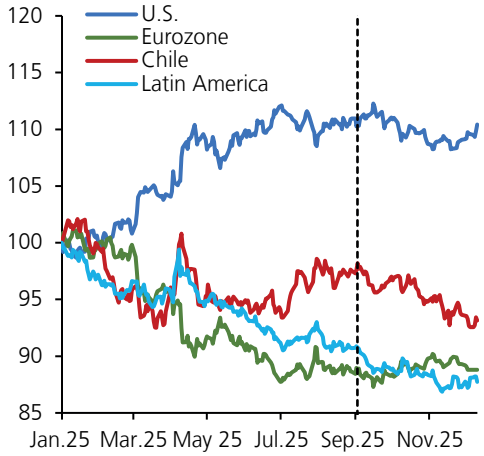
(1) The latest information available at the closing of this Report corresponds to November 2025. Considers Brazil, Argentina, Peru, Colombia and Mexico. PPP-weighted growth, shares of each economy according to WEO (IMF).
Sources: Consensus Forecasts and IMF.

Other developed economies have also benefited from technological breakthroughs, combined with increased fiscal spending in several of them. In the emerging world, growth has generally been in line with forecasts. In the Eurozone, the announced increases in defense spending have begun to materialize amid ongoing bellicosity in the region. In this scenario, third-quarter activity exceeded projections, driven by stronger exports, the performance of the services sector, and infrastructure initiatives. In China, results have been consistent with the objectives set by its authorities and are in line with expectations. Latin America grew more than expected, favored by improved prospects following trade agreements that have so far limited the impact of tariff increases.

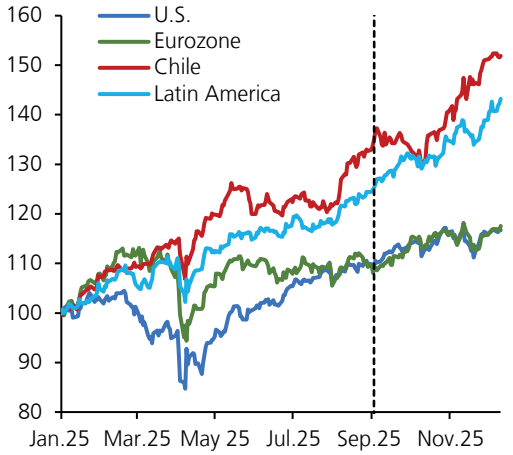
The better tone in the global scenario has also been observed in financial conditions, which have continued improving since the September IPoM (Figure I.3). Market optimism surrounding technological investments has sustained the widespread improvement in stock markets' performance. Interest rates, meanwhile, are showing mixed movements. This is seen in a context in which the Federal Reserve cut its benchmark rate at its December meeting and the market expects that it will continue to do so throughout 2026 (Figure I.4). Lastly, at the statistical closing of this IPoM, exchange rates show mixed performances, with the appreciation of several Latin American currencies standing out, influenced by lower tariff uncertainty and the resilience of the Chinese economy.

FIGURE I.3 FINANCIAL CONDITIONS

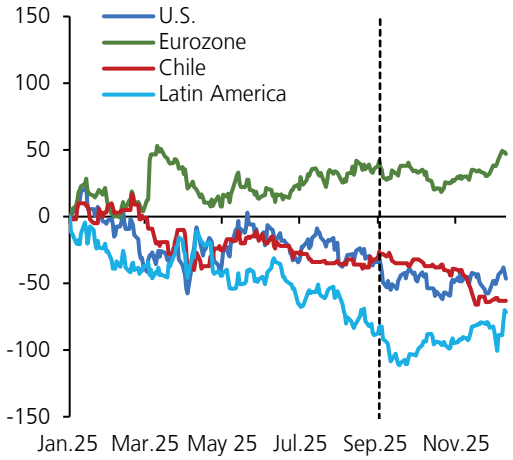
a) Currencies (1) (2) (3)
(index 01.Jan.25 = 100)



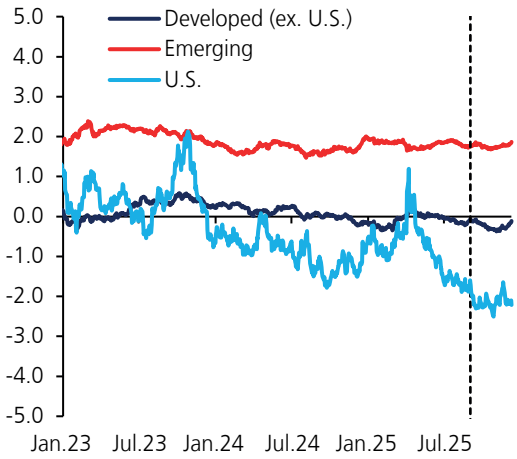
b) Stock markets (1) (2)
(index 01.Jan.25 = 100)



c) Interest rates on nominal 10-year bonds (1) (2)
(difference with respect to 01.Jan.25, basis points)



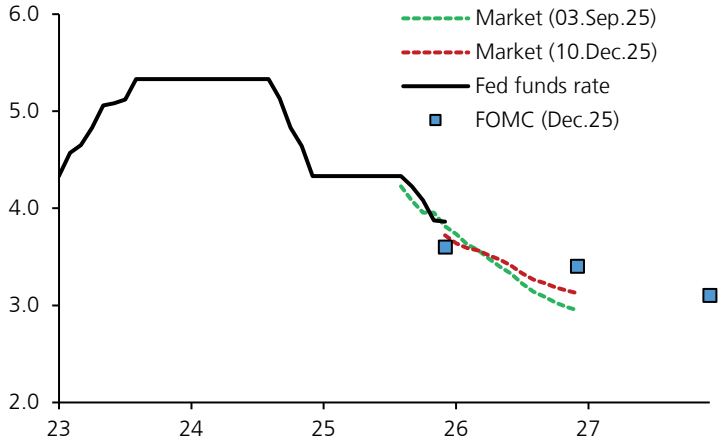
d) Goldman Sachs financial conditions index (1) (4)
(standard deviations)



(1) Dashed vertical line marks the statistical closing of the September 2025 IPoM. (2) For Latin America, the simple average of the indices for Brazil, Mexico, Colombia, and Peru is used. (3) An increase in the index corresponds to a currency depreciation, and vice versa. For the U.S., the multilateral exchange rate is used. (4) Standardized indices with mean and standard deviation between 2010 and 2019. For Developed, it corresponds to the simple average of the Eurozone, the United Kingdom, Canada, Australia, New Zealand, Norway, and Sweden. For Emerging, it corresponds to the simple average of Thailand, Malaysia, Indonesia, the Philippines, South Africa, Hungary, Poland, Brazil, Mexico, and Chile. A higher value indicates tighter financial conditions.

Sources: Central Bank of Chile, Bloomberg and Goldman Sachs.

FIGURE I.4 FED FUNDS RATE (1)
(percent)



(1) FOMC projections correspond to the mid-range of the Fed funds rate presented in September 25; market projections are for the midrange of the Fed funds rate futures at 03/09/25 (statistical closing of the September IPoM) and 10/12/25 (statistical closing of this IPoM). For December 2025, consider the monthly average up to the statistical closing of this IPoM, incorporating the cut made by the FOMC in that month.
Sources: U.S. Federal Reserve and Bloomberg.

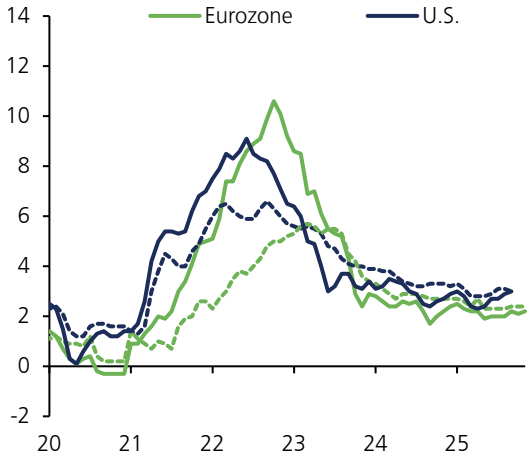
Despite the better international outlook, the risks for future growth remain high. On the one hand, doubts have been brewing about the overvaluation of AI-related companies and the macro-financial impact that a significant correction in asset prices would have (Box I.1). On the other hand, the deterioration of the fiscal accounts in several developed countries could also have negative repercussions on the financial front, particularly on the evolution of long-term interest rates.

Added to this is the persistence of various sources of geopolitical and trade tensions. Although the conflict in the Middle East has calmed down and there are talks about the war between Russia and Ukraine, other sources of concern have emerged; for example, between Japan and China, between Russia and NATO countries, and between the United States and Venezuela. Meanwhile, despite the preliminary agreements reached in the midst of the tariff conflict, some doubts remain about its future sustainability.

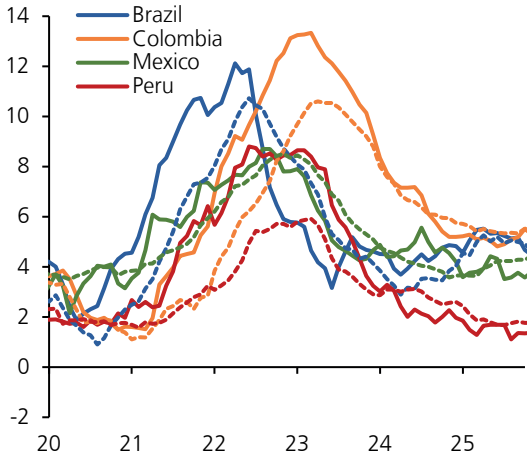
8.The global inflation scenario is similar to that of the previous IPoM. Differences in convergence processes and monetary policy adjustments between countries persist (Figure I.5). Although inflation in the United States has been rising at a slower pace than anticipated, it is still above target and upside risks remain. In the Eurozone, inflation has been around the European Central Bank (ECB)'s target, which decided to keep its benchmark rate unchanged at its October meeting. In Latin America, inflation figures remain high in Colombia and Brazil, in contrast to Peru, where inflation is on target.

FIGURE I.5 WORLD INFLATION (1) (2)
(annual change, percent)

a) Developed economies



b) Latin America (3) (4)

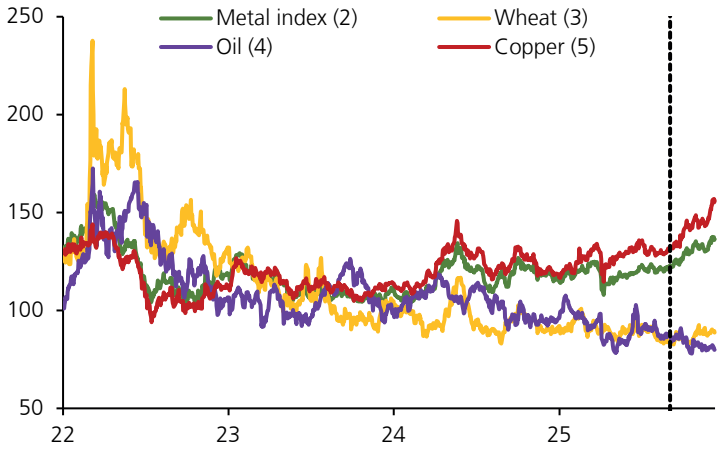


(1) Dashed lines correspond to core inflation. For the Eurozone and Latin America, the latest data corresponds to November; for the U.S., it corresponds to September. (2) Core figures exclude food and energy. (3) Peru's headline inflation rate corresponds to that of Lima. (4) Core inflation for Brazil, Colombia, and Peru excludes food and fuel. For Mexico, it excludes food and energy.

Source: Bloomberg.

Copper price has continued to rise and now stands above US$5 per pound (LME), about 17% higher than reported in September. This has contributed to an improvement in Chile's terms of trade (Figure I.6). In recent months, this metal price has been buoyed by strong demand—associated with the consolidation of geopolitical and technological factors—and by some supply issues in producing countries (Box II.1). In contrast, despite fluctuations, oil price is 7% below the level reported at the closing of the last IPoM. However, recent problems in global refining markets caused gasoline prices to fall by less than anticipated in September. Meanwhile, in November, the FAO food price index accumulated a 3.6% decline since July, in which every component contributed.

FIGURE I.6 COMMODITY PRICES (1)
(index, 2010-2025 average = 100)



(1) Dashed vertical line corresponds to the statistical closing of the September 2025 IPoM. (2) S&P GSCI Industrial Metals. (3) Prices of futures one-month ahead. (4) WTI and Brent simple average.(5) Corresponds to the LME price.
Source: Bloomberg.

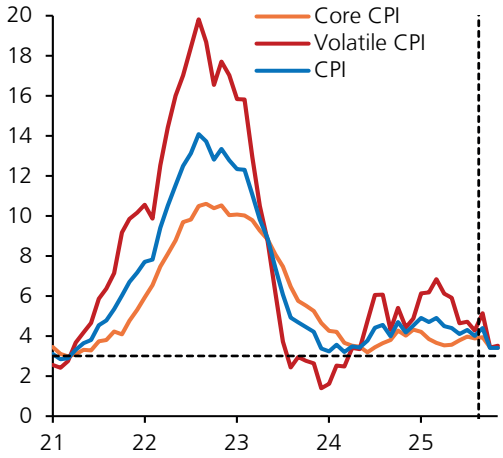
THE DOMESTIC SCENARIO

Overall, the local financial market has followed recent global trends. Since the last IPoM, the stock market (IPSA) has continued to increase, accumulating gains of almost 14%, coinciding with what was registered in other emerging economies. This can be explained mainly by improved local growth prospects and international financial developments. Meanwhile, compared to the previous Report, short-term interest rates remain stable, while long-term rates have fallen. The peso has appreciated and the exchange rate against the dollar is 4% below September's statistical closing.

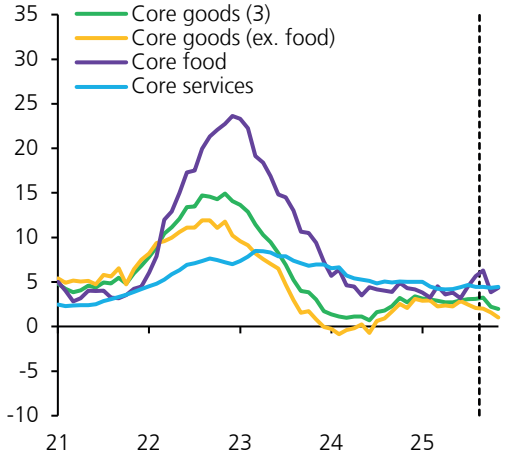
Since the last IPoM, both headline and core —non-volatile CPI— inflation dropped. In November, both indicators registered an annual change of 3.4% (4.0 and 3.9% respectively in August, the latest data available at the September statistical closing) (Figure I.7).[1]/ The decline was concentrated in the goods component.

FIGURE I.7

a) Inflation indicators (1) (2)
(annual change, percent)



b) Core inflation (1) (2)
(annual change, percent)



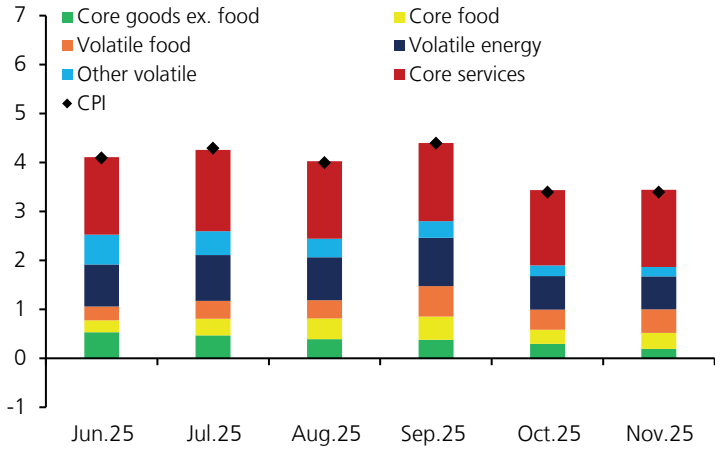
(1) Prior to 2025, the CPI series considers the 2023 reference basket with the BCCh splicing. (2) Dashed vertical line corresponds to the statistical closing of the September 2025 IPoM. (3) Considers the sum of Core goods (ex. food) and Core food.

Sources: Central Bank of Chile and National Statistics Institute.

Cumulative inflation between August and November was lower than expected. This difference was explained mainly by the evolution of goods components (Figure I.8), both core and volatile. In the former, the difference was concentrated on some exchange-rate-sensitive goods, added to by possible impacts related to trade diversions. In addition, there was the atypical behavior of the prices of some volatile food items, particularly the low annual variation in fruit and vegetable prices. The context for this was commodity prices that were more volatile than usual (Box I.2). In contrast, the energy component exceeded expectations, reflecting the evolution of gasoline prices.

[1]/ Prior to 2025, the CPI series considers the 2023 reference basket with the BCCh splicing.

FIGURE I.8 CONTRIBUTIONS TO THE ANNUAL VARIATION OF THE TOTAL CPI (1)
(contributions, percentage points)

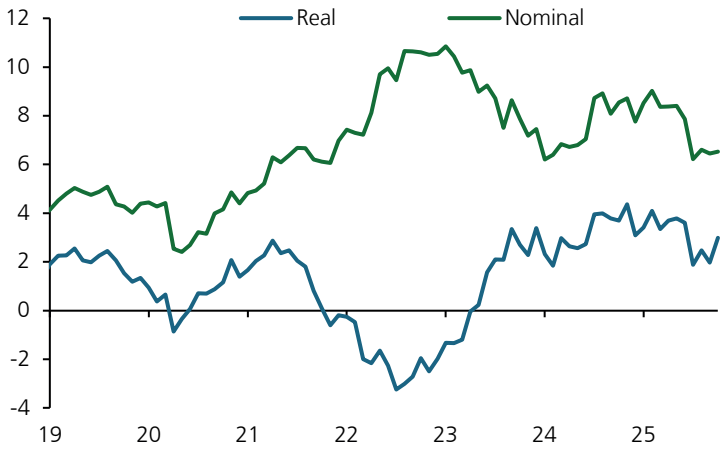


(1) Prior to 2025, the CPI series considers the 2023 reference basket with the BCCh splicing.

Sources: Central Bank of Chile and National Statistics Institute.

Inflation has declined amid the favorable evolution of several cost factors. On the one hand, there is the appreciation of the exchange rate, as well as possible downward impacts on the prices of imported goods due to trade diversion. On the other hand, wage growth has slowed, although it remains high in nominal terms (Figure I.9). Actually, labor costs continue to appear as a focus of concern for businesses according to our November 2025 Business Perceptions Report (IPN) and Price Determinants and Expectations Survey (EDEP).

FIGURE I.9 LABOR COSTS INDEX
(annual change, percent)

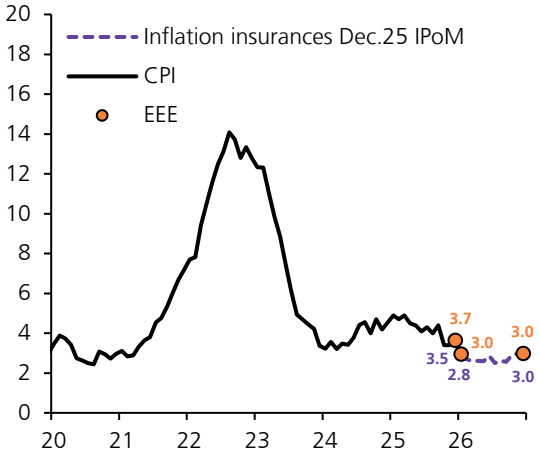


Source: National Statistics Institute (INE).

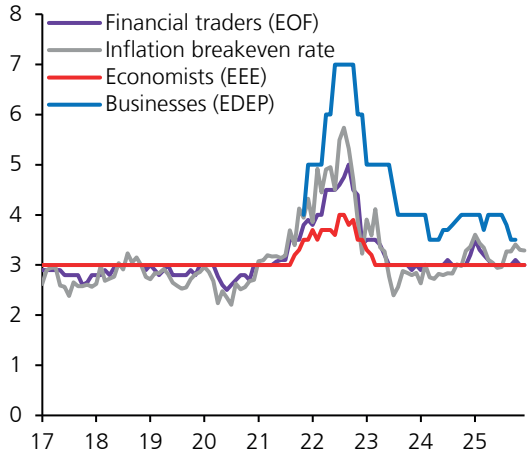
In this context, inflation expectations anticipate a decline between the end of this year and early 2026. On the monetary policy horizon, they stand at around 3% (Figure I.10). As of December this year, expectations implied by insurances and the December Economic Expectations Survey (EEE) place inflation at 3.5% and 3.7%, respectively (3.9% and 4.0% in September IPoM). For early 2026, both sources forecast inflation of around 3%. One year ahead, the EEE, the Financial Traders Survey (EOF) prior to December's monetary policy meeting, and inflation insurances are all at 3%. Two years ahead, both surveys place inflation at 3% and breakeven inflation at 3.3%.

FIGURE I.10

a) Actual and expected annual inflation (1)
(percent, annual change)



b) Two-year inflation expectations (2) (3) (4)
(percent, annual change)



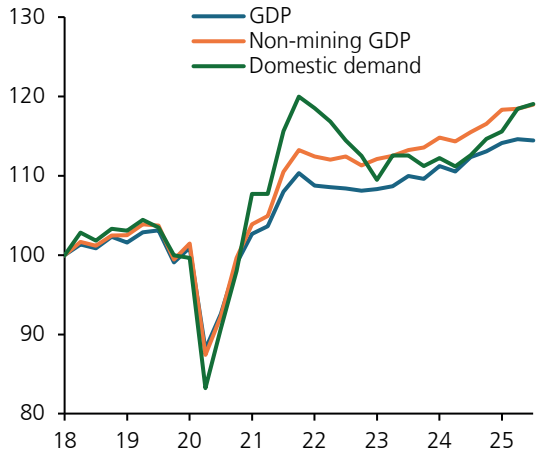
(1) Prior to 2025, the CPI series considers the 2023 reference basket with the BCCh splicing. Inflation insurances consider average prices of the last ten days as of December 10th. (2) For surveys, median of responses are shown. (3) EOF considers the survey of the first half of each month until January 2018. From February 2018 onwards, it considers the last survey published in the month. In months with no survey published, the latest available one is considered. (4) Breakeven inflation considers averaged prices of the last ten days of each month. For December 2025 the average of the last ten days as of December 10th is used. Sources: Central Bank of Chile, ICAP and Risk-America.

Economic activity has generally been in line with forecasts, with more dynamic investment (figures I.11 and I.12b). The dynamism of GFCF and the annual expansion of consumption have contributed to non-mining GDP growth. The latter grew 0.4% quarter-on-quarter (q/q) in its seasonally adjusted series in the third quarter, in line with forecasts (+2.6% annually, original series), with a significant contribution from services—which have seen several quarters of strong performance— and, to a lesser extent, wholesale & retail trade. In October, the seasonally adjusted non-mining Imacec rose 0.6% month-on-month (+2.6% annually, original series), a result where the acceleration of manufacturing and the performance of services, particularly personal ones, stood out.

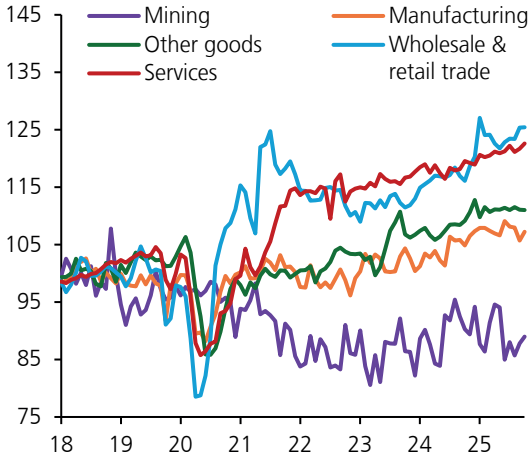
In any case, total third quarter activity was below the September IPoM projection due to a steeper-than-expected decline in mining (Figure I.12a). In its seasonally adjusted series, total GDP fell by 0.1% q/q (+1.6% y/y, original series). This result responded to a decline in production at some mining sites and lower ore grades.

FIGURE I.11

a) Activity and demand
(index 1Q.18=100, real seasonally adjusted series)



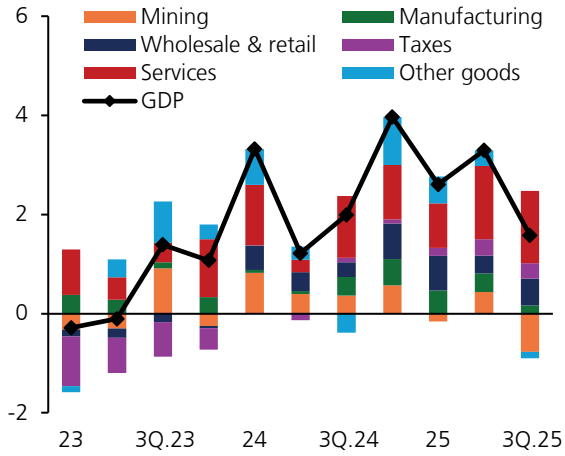
b) Imacec by sectors
(index 2018 average=100, real seasonally adjusted series)



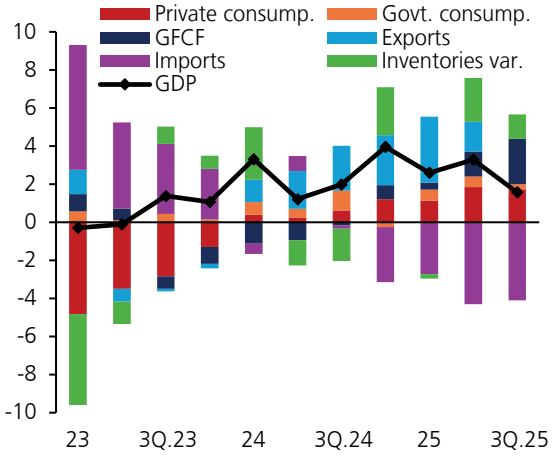
Source: Central Bank of Chile.

FIGURE I.12

a) GDP supply
(contributions to real annual change, percentage points)



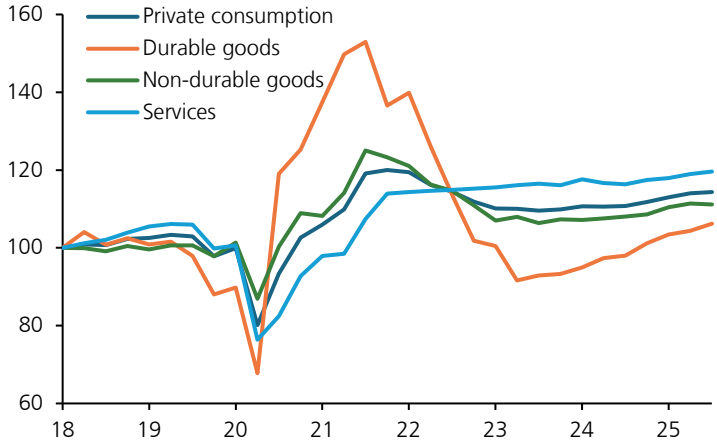
b) GDP demand
(contributions to real annual change, percentage points)



Source: Central Bank of Chile.

As expected, private consumption moderated its pace of growth compared with previous quarters. Seasonally adjusted, this component grew 0.3% q/q in the third quarter (2.9% annually, original series), decelerating after the high rates of previous quarters—around 1% q/q. This result was a combination of accelerated spending on durable goods and the favorable performance of services, in contrast to the decline in non-durable consumption (Figure I.13). High-frequency indicators—such as electronic ticket sales, the monthly retail trade activity index (IACM), and ANAC automobile sales—show mixed results so far in the fourth quarter. Meanwhile, government consumption grew 1.8% annually in the third quarter, driven mainly by increases in health-care services and, to a lesser extent, education.

FIGURE I.13 PRIVATE CONSUMPTION BY COMPONENTS
(index 1Q.18=100, real seasonally adjusted series)



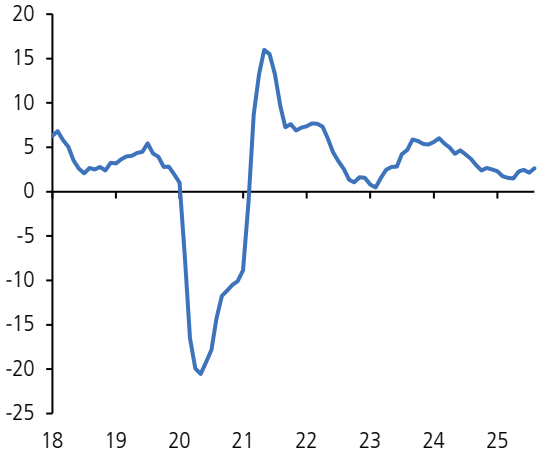
Source: Central Bank of Chile.

Some of the fundamentals of private consumption have improved their performance (Figure I.14). Household expectations—as measured by the IPEC—have continued to rise and remain above previous years' levels. The labor market shows signs of improvement, although significant challenges remain. Real wage bill has continued to grow, and its composition reflects a slightly greater contribution from job creation and a somewhat smaller contribution from wages. The unemployment rate for the moving quarter ending in October fell to 8.4% (8.7% in the May-July period, the latest data available at the close of the September IPoM). In turn, the financial burden has not changed significantly, in a scenario where interest rates on consumer loans have fallen slightly since the last Report.

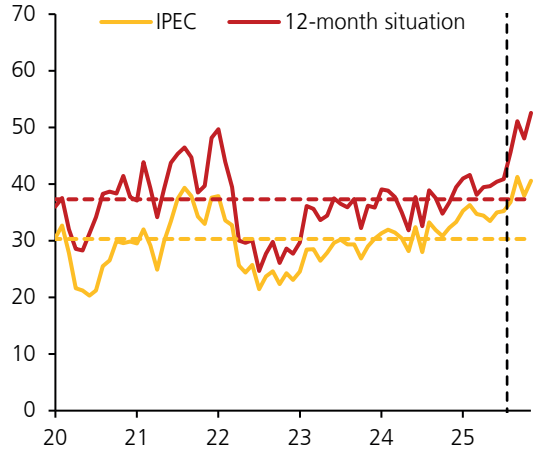
Once more, GFCF grew strongly in the third quarter and outperformed the forecast in the latest IPoM (Figure I.15a). In seasonally adjusted terms, this component of spending rose 4.6% q/q (10% annually, original series), driven by the marked acceleration in the machinery & equipment component (11.7% q/q, seasonally adjusted series; 22.4% annually, original series). This would continue to be mainly associated with the boost from large mining and energy projects. However, it would also respond to the spillover effect of these projects on other sectors, notably construction engineering works, and an early upturn in other areas, as suggested by microdata (Figure I.15b). Beyond this, the construction & other works component continues to lag and contracted slightly by 0.3% q/q in its seasonally adjusted series (+2.0% annually, original series).

FIGURE I.14 DETERMINANTS OF PRIVATE CONSUMPTION

a) Real wage bill (1)
(annual change, percent)



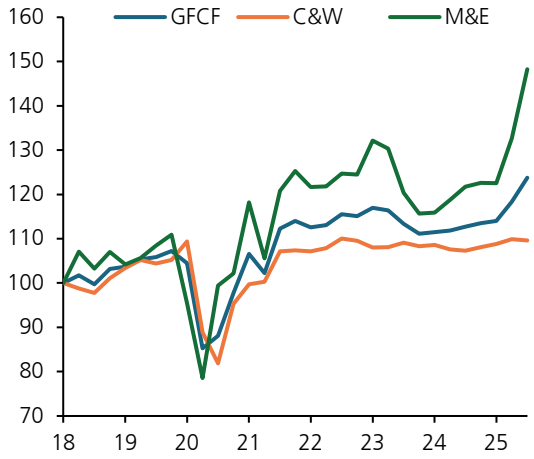
b) Economic Perception Index (IPEC) (2) (3) (4)
(diffusion index)



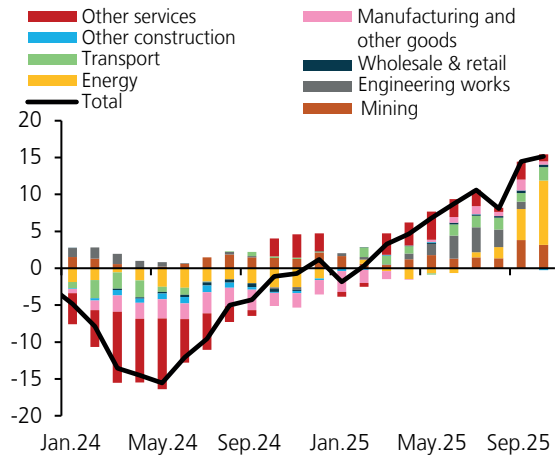
(1) Estimate based on seasonally adjusted series of real IR, habitual worked hours and employment. (2) Value above (below) 50 indicates optimism (pessimism). (3) Dashed vertical line corresponds to the statistical closing of the September 2025 IPoM. (4) Dashed horizontal lines corresponds to 2020-2025 average of each index.
Sources: Central Bank of Chile, National Statistics Institute and GfK Adimark.

FIGURE I.15 INVESTMENT

a) Gross fixed capital formation by components
(index 1Q.18=100, real seasonally adjusted series)



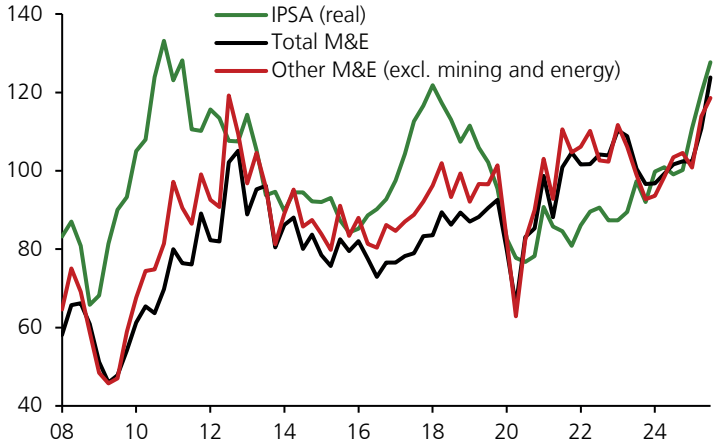
b) Microdata indicator: Machinery and equipment (1)
(contribution to annual change)



(1) The methodological details can be found in the Minutes referenced in Box I.1 of the September 2024 IPoM.
Sources: Central Bank of Chile, Internal Revenue Services (SII) and Customs.

The outlook for investment remains favorable. The Capital Goods Corporation (CBC) survey for the third quarter raised the investment outlook for the 2024-28 five-year period (+3.4% compared to the second quarter), a revision that is mainly explained by the incorporation of new energy projects. Added to this is the high annual growth in capital goods imports, the rise in copper prices, and improved financial conditions, notably the increase in stock prices, and in business expectations compared to previous years. All these factors would point to a strengthening of investment going forward, beyond the mining and energy sectors (Figure I.16) (Box I.1 September 2024 IPoM).

FIGURE I.16 IPSA AND MACHINERY AND EQUIPMENT GFCF (1)
(index 2024=100)



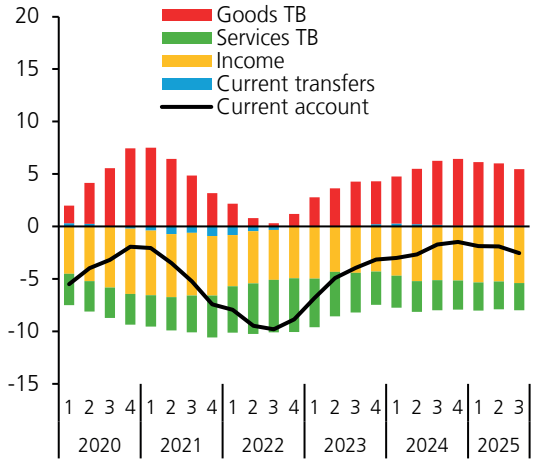
(1) The market value of companies (IPSA) is used as a proxy for the value of installed capital, while the M&E deflator is assumed to represent the replacement cost of capital. The other M&E series is constructed using sectoral investment data from national accounts, microdata, and imports of capital goods.
Source: Central Bank of Chile.

The current account deficit increased, explained by the rise in imports and a slowdown in exports (Figure I.17). In the annual cumulative total, this reached 2.5% of GDP in the third quarter (1.9% of GDP in the second quarter). Regarding the trade balance, the slowdown in exports was driven by a contraction in shipments of goods, particularly copper, while services grew. On the import side, capital goods and other intermediate goods related to machinery & equipment stood out.

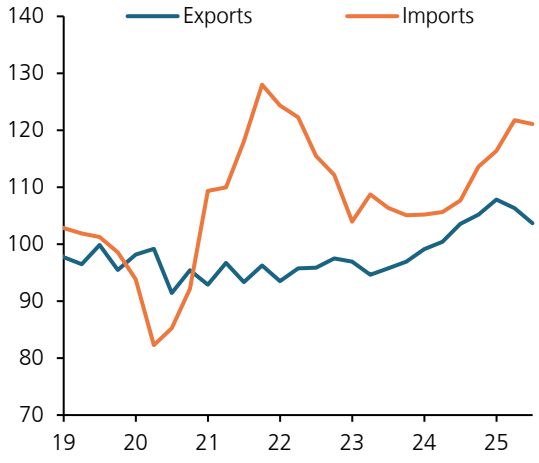
Credit performance remains essentially unchanged, although the commercial loan portfolio is showing some signs of recovery (Figure I.18). The credit stock in this segment has resumed growth in annual terms in recent months, after several years of declines. In the consumer portfolio, bank credit has shown less negative variations than it did a few months ago. Interest rates have fallen slightly since the last IPoM. About the housing segment, access conditions have improved and demand appears to be strengthening, factors that could be associated with the impact of the FOGAES program, as was noted in our Financial Stability Report (IEF) for the second half of the year.

FIGURE I.17

a) Current account, contributions by component
(percent of GDP, moving annual total)



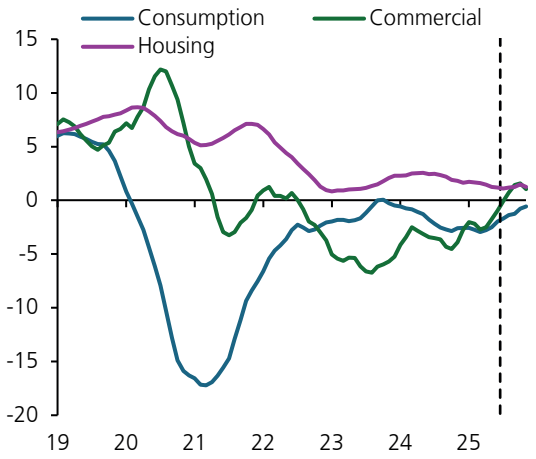
b) International trade
(index 1Q.18=100, real seasonally adjusted series)



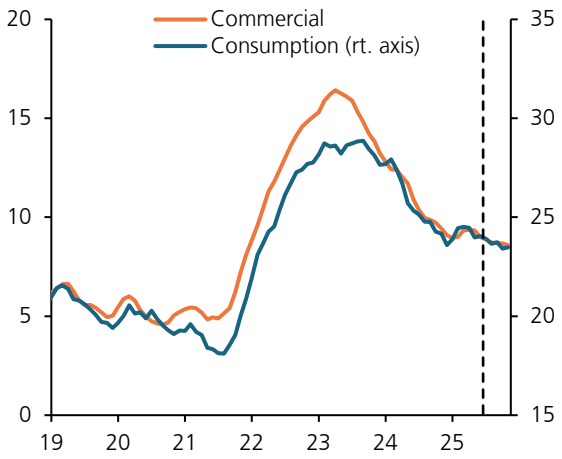
Source: Central Bank of Chile.

FIGURE I.18

a) Real loan stock (1) (2) (3)
(annual change, percent)



b) Lending interest rates (1) (2) (4)
(percent)



(1) Dashed vertical line corresponds to the statistical closing of September 2025 IPoM. (2) Series are shown as quarterly moving average. (3) For consumption and commercial segments, amounts are nominal values deflated by the CPI; for housing, they are deflated by the UF. (4) Weighted average rates of all transactions in Chilean pesos carried out each month in the Metropolitan Region.
Source: Central Bank of Chile.

BOX I.1:

Effects of artificial intelligence on the global economy

Enthusiasm for artificial intelligence (AI) and its importance in global strategic competition has sparked heavy investment in infrastructure, given rise to ambitious plans for future development, and pushed the market valuation of tech companies to historic highs. This box analyzes the main macroeconomic and financial effects of the AI boom, along with its associated risks.

Boost to activity, demand, and financial markets

The rise of AI is a major driver of investment, trade, and financial markets around the world. In the U.S., since the launch of ChatGPT in November 2022, spending on building data centers has tripled. During the first half of this year, investment in information processing equipment has seen a real annual variation of more than 20%—well above the average of 1.2% between 2015 and 2023. Álvarez et al. (2025) estimate that the direct effect of investments in AI would have contributed more than a third to U.S. GDP annual growth in the second quarter of 2025 (Figure I.19) and its impact is expected to remain significant in the coming quarters. In Asia, global demand linked to AI has boosted exports of semiconductors and machinery, with substantial year-on-year increases in economies such as Taiwan (+50%), Malaysia (+29%), South Korea (+12%), and Japan (+8%). In Europe, the effects remain modest, although positive signs are beginning to be seen in tech companies[1]/. In its latest economic report, the European Central Bank highlighted that the pick-up in the services sector *"reflects the fact that many firms have stepped up efforts to modernise their IT infrastructures and integrate artificial intelligence into their operations."*

The impact of AI on financial markets has also been significant. Since early June, the stock market valuation of AI-related firms has surged nearly 25%, while other S&P firms have risen 7.7%. This implies that AI directly contributed around 55% of the total S&P variation (Figure I.20), plus potentially significant indirect effects on top of that. This dynamic has led to a substantial increase in the wealth of US households —according to Fed figures, around 30% of which is held in stocks— which would translate into an estimated rise in consumption of between 0.2% and 0.3% in 2026 [2]/.

Risks

Beyond the enthusiasm and valuations, the sustained development of AI faces challenges. Notably, there is a clear need to transform technological advances into concrete productivity improvements that facilitate their adoption by businesses and individuals. Recent surveys on AI adoption in the business sector suggest that it remains incipient and concentrated in a limited group of firms. According to a survey by the U.S. Census Bureau, although the use of these technologies to produce goods and services has increased significantly since 2023, only 10% of companies have

[1]/ The AI boom has boosted companies such as ASML (€360 billion, chips), Siemens Energy (+125% due to electricity demand), and Schneider Electric (AI infrastructure), while Infineon, STMicro, and ABB have moved forward with semiconductor and automation plans.

[2]/ Own calculations based on data from the Federal Reserve (Financial Accounts Z.1) and the FRB/US model methodology (Aladangady and Feiveson, 2018), assuming a long-term marginal propensity to consume of 0.035 on net wealth in stock indices, considering the evolution of the current S&P compared to its historical trajectory (1990-2019).

adopted them to date (Figure I.21). This has attracted market attention[3]/, in a context where current investments require sales of AI-related services to increase 15-fold to be profitable[4]/. The "circular" nature of some investments —schemes in which hardware manufacturers and infrastructure providers invest in AI developers and, at the same time, are the main recipients of purchases of computing equipment and services— would also indicate that final demand for this technology has yet to develop for investments to be profitable[5]/. Álvarez et al. (2025) estimate that, of the AI investment plans announced in 2024 and 2025 for the next five years, approximately US$700 billion correspond to "circular" investments between AI developers and their suppliers (slightly more than 20% of total AI investment needs through 2030, according to Goldman Sachs estimates).

The valuation of financial assets and the central scenario of this IPoM incorporate a favorable evolution for the demand for AI services and the consolidation of investment profitability. However, the sensitivity of asset prices to negative news about expected returns —with declines of up to 10% in specific stocks on unfavorable days— reflects the market's attention to the associated risks. As noted in our Financial Stability Report (IEF) for the second half of this year, if the market were to turn more pessimistic about expected returns on investments, significant corrections in asset prices could occur. Apart from negative wealth effects, which would be high given that these companies are heavily concentrated in stock indexes, the macroeconomic impact would depend on companies' funding structure, among other things. Lately, this structure has been shifting from using their own funds to resorting to debt, thus increasing risks on the margin (Figure I.22).

Artificial intelligence seems to be establishing itself as a core element of global strategic competition, which not only explains some of the current enthusiasm but also mitigates the associated risks. For example, the United States is promoting Genesis Mission and measures to ensure control of the production chain; China has prioritized it in its five-year plan with massive investments; and the European Union launched the AI Continent Plan along with the Chips Act to reduce its external dependence. This geopolitical interest suggests that investment and development could be sustained even if some of the latent risks materialize.

Conclusion

The AI boom is proving to be a significant driver of activity and demand globally, which explains part of the upward revision in the activity projections for our trading partners in the central scenario of this IPoM. However, significant risks remain that, if materialized, would tighten financial conditions, reduce commodity prices—especially for copper—and slow down global growth. The lower bound of the MPR corridor reflects this type of scenario.

[3]/ See, for example, "Investors expect AI use to soar. That's not happening" (The Economist); Financial Policy Committee Record – October 2025 (Bank of England); "Experts cut through the noise to clarify AI's actual economic impact" Stanford Report).

[4]/ For example, Sequoia estimates that annual sales of around US$600 billion will be required, and JP Morgan estimates US$650 billion by 2030 ('AI Capex – Financing the Investment Cycle: Implications of the Upcoming AI/Data Center Funding Surge, 2025'), up from the current US$45 billion according to JP Morgan. Álvarez et al. (2025) also provide estimates in this regard.

[5]/ See for example the reports by Goldman Sachs and JP Morgan.

FIGURE I.19

AI contribution to U.S. GDP (1)
(contribution to annual change, percentage points)

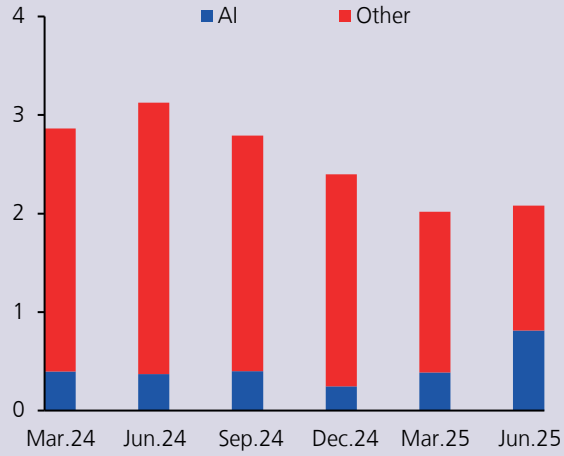
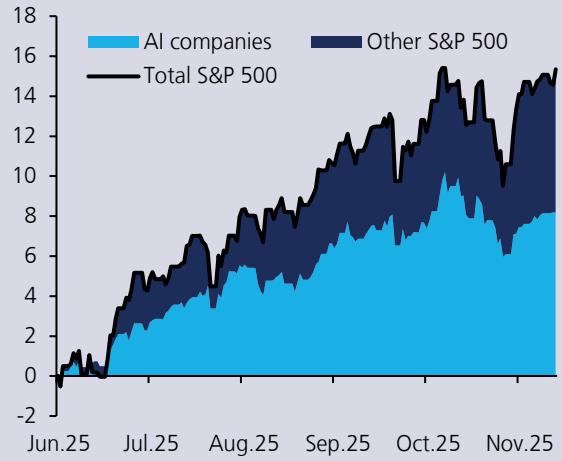


FIGURE I.20

Contribution to the S&P 500 by AI exposure (2)
(cumulative percentage change)



(1) AI includes investment in information processing equipment, software, R&D, data centers, energy infrastructure, and net exports of goods related to these areas. See details in Álvarez et al. (2025). (2) IA companies include: NVIDIA Corporation, Microsoft Corporation, Apple Inc., Amazon.com Inc., Meta Platforms Inc., Broadcom Inc., Alphabet Inc. (Class A), Alphabet Inc. (Class C), Tesla Inc., Oracle Corporation, Palantir Technologies Inc., Advanced Micro Devices Inc., ServiceNow Inc., Adobe Inc., Micron Technology Inc. Cumulative percentage change from June 3 to December 10.
Sources: Bloomberg and Álvarez et al. (2025).

FIGURE I.21

AI adoption in the U.S. (1)
(percentage of companies)

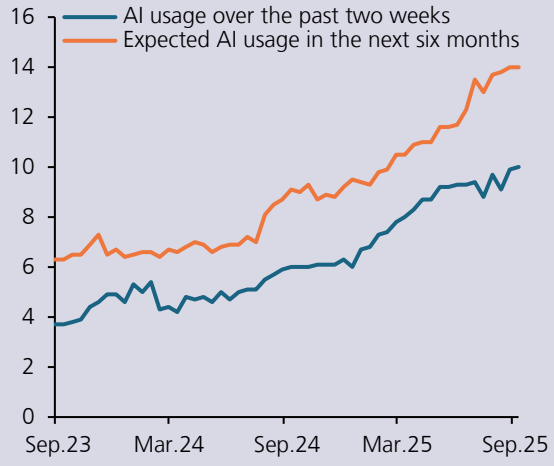
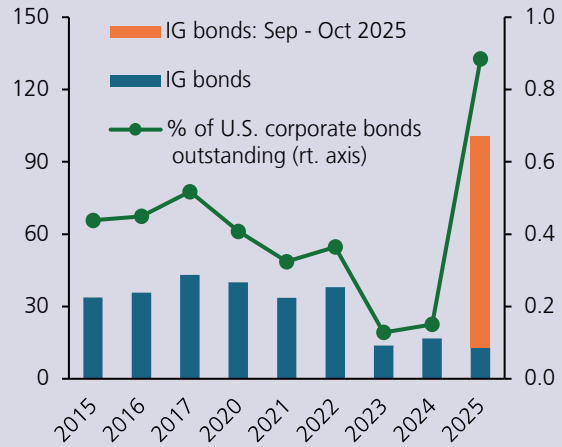


FIGURE I.22

IG bond issuance by AI companies (2)
(US$ billion; percentage)



(1) Business Trends and Outlook Survey (BTOS) conducted by the Census Bureau every two weeks, with the following questions: *In the last two weeks, did this business use Artificial Intelligence (AI) producing goods or services?* and *During the next six months, do you think this business will be using Artificial Intelligence (AI) in producing goods or providing services?* (2) Data obtained from BofA and SIFMA, including company data: Oracle, Meta, Alphabet, Microsoft, and Amazon. The orange bar represents IG bond issuance only during the September–October 2025 period. No issuance data are available for 2018 and 2019.
Sources: BofA, Census Bureau and SIFMA.

BOX I.2:

Recent behavior of goods prices

The variability of goods prices has increased in recent years. This Box analyzes this increase and its causes. Among these, the increased occurrence of shocks stands out, as does the greater relevance of massive discounting events, explaining a significant portion of the monthly price movements around the months in which they occur. This background justifies greater caution in analyzing the short-term trajectory of inflation and placing greater weight on its medium-term trends.

Characterizing the variability of goods prices

The CPI is comprised of goods and services, which account for 55 and 45% of the total basket, respectively. The monthly variation in goods prices has remained highly variable over the last two years, exceeding the levels observed up to 2019 and that shown by services (Figure I.23). In any case, since 2024, much of this increased variability has tended to be offset over time, without significantly affecting the annual trajectory of inflation.

Guzmán *et al.* (2025) estimate a set of conditional volatility models at the CPI subclass level. The results show that, starting in 2019, there has been a generalized and common increase in the volatility of monthly changes in goods prices. In contrast, volatility for services remains close to its historical average (Figure I.24). A similar conclusion can be drawn analyzing changes in the frequency of price adjustments using microdata. For goods, this frequency is higher than that observed in 2018-19, with no significant difference over time is found for services. This higher adjustment frequency is observed in both increases and decreases in goods prices and is statistically significant (Guzmán *et al.*, 2025).

Reasons that explain the increase in the variability of goods prices

There are several reasons behind the increase in the variability of goods prices. Firstly, in recent years, the economy has been exposed to numerous demand and supply shocks (see, for example, Box I.1, December 2022 IPoM; Box II.2, June 2025 IPoM), as well as high exchange rate volatility (Box I.4, March 2023 IPoM). The greater frequency and magnitude of these shocks are consistent with increased price variability. In fact, monthly volatility in goods prices has increased not only in Chile, but also globally (Guzmán *et al.*, 2025).[1]/

Another possible explanation points to the occurrence of massive discount events in recent years. Guzmán *et al.* (2025) conduct an analysis at the CPI subclass level for goods, identifying those most sensitive to this type of event. Specifically, they find that between 20 and 30% of all goods included in the CPI (between 10 and 15% of the total basket) fall into this category. The results suggest that, both in the month of the event and in the months before and after it, these goods show greater movements than those observed in the other subclasses, explaining a significant portion of the monthly movements around these events (Figure I.25).

The reaction of prices during these events has tended to increase in recent years, coinciding with the rise in sales around them.[2]/ In particular, Guzmán *et al.* (2025) estimate that the impact of one of these events on CPI-sensitive goods between 2021 and 2025 is slightly more than twice the average effect of the past 15 years. Thus, its impact on the CPI is estimated to be between 0.1 and 0.3 percentage points downward in the month it occurs.[3]/

[1]/ Changes in the cost structure of trade since the pandemic, associated with the increase in the digital channel for goods marketing, may also have contributed to the increased volatility.

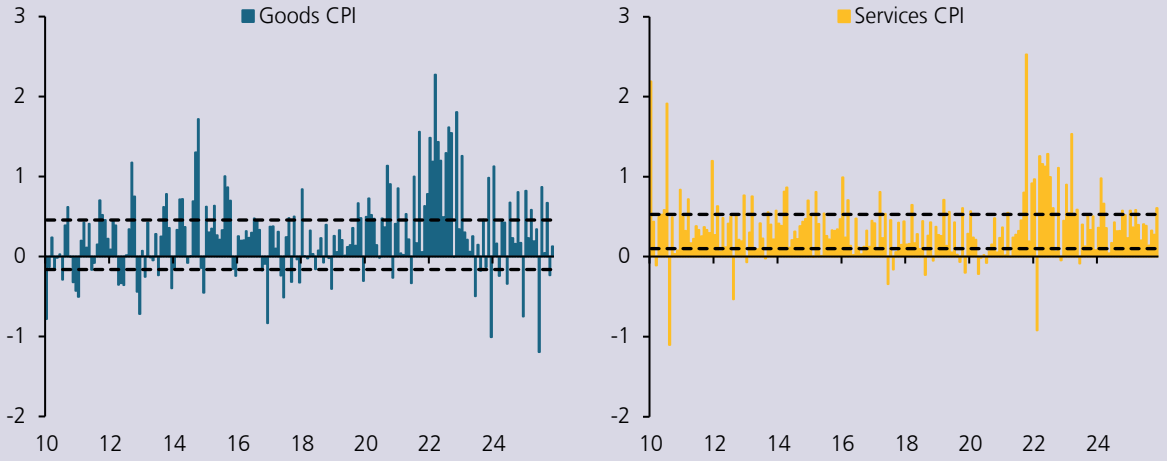
[2]/ Annual spending on these events as a fraction of durable consumption in 2024-2025 has doubled compared to 2019.

[3]/ Measuring the impact of the event on the CPI depends on multiple factors, among which the coincidence between the date of occurrence of the event and the date of collection of the information by INE stands out.

Conclusions

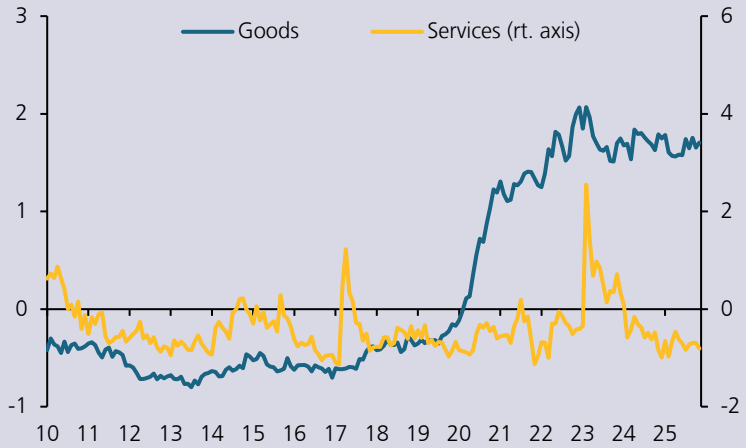
Although annual goods inflation has fallen with respect to 2022-2023 values, its month-on-month variability remains high across the board, affecting the reading of the data at the margin and highlighting the importance of giving greater weight to medium-term inflation trends. The recent evolution of the various inflation trend metrics that the Central Bank regularly monitors[4]/ is consistent with inflation converging to the target in early 2026 (Figure I.26), in line with the projections contained in the central scenario of this IPoM.

FIGURE I.23
Monthly CPI inflation for goods and services (1)
(monthly change, percent)



(1) Horizontal lines represent the 2nd and 8th deciles of the respective monthly variations between 2010 and 2019. Excludes energy. Source: Central Bank of Chile and National Statistics Institute.

FIGURE I.24
Principal component of monthly volatility of the CPI for goods and services (1)
(normalized indices)

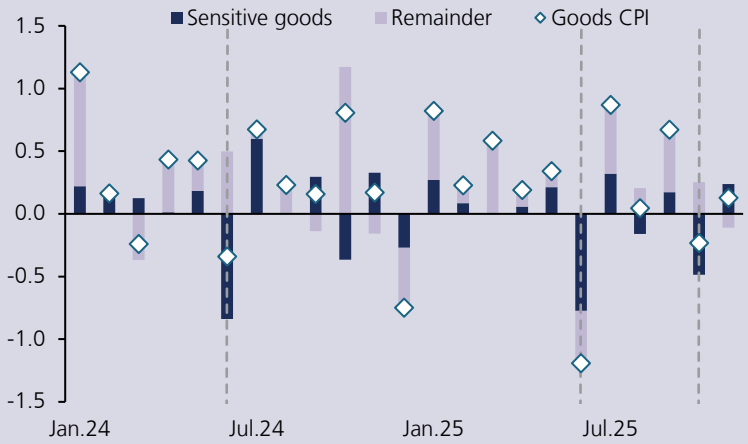


(1) Corresponds to the first principal component of the conditional volatility of errors estimated at the level of those subclasses (excluding energy) in which the presence of heteroskedasticity is detected.
Source: Central Bank of Chile and National Statistics Institute.

[4]/ See Box I.2, March 2024 IPoM and the minutes cited therein.

FIGURE I.25

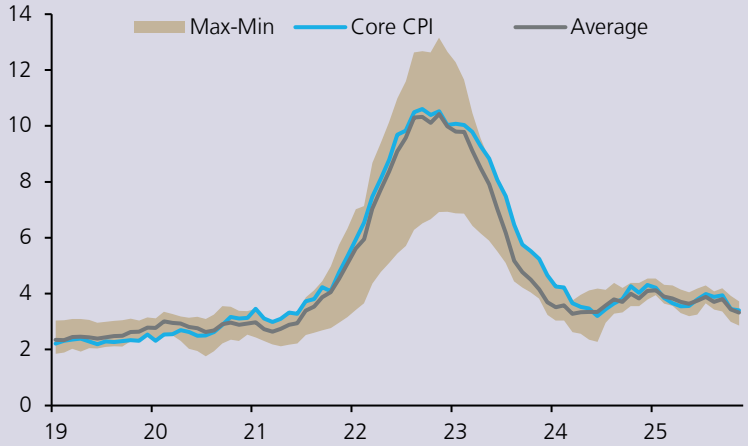
Monthly CPI inflation for goods sensitive to massive discount events (1)
(monthly change, contribution, percentage points)



(1) The sensitive goods index corresponds to those subclasses of the goods CPI (excluding energy) in which it is estimated that massive supply events of the last five years have had a negative and significant impact. Vertical lines indicate months with massive discount events.
Source: Central Bank of Chile and National Statistics Institute.

FIGURE I.26

Measures of inflation trend (1)(2)(3)
(annual change, percent)



(1) Several variable exclusion trend measures (excluding different products each month) are considered within the gray range, including: trimmed mean, volatility-trimmed mean, median, and variance-adjusted mean. (2) Non-volatile CPI is an index that excludes products whose price movements are considered uninformative of the inflation trend. For this, it considers not only the volatility of its component subclasses, but also other desirable properties in a measure of core inflation, such as persistence, bias with respect to headline inflation, and predictive error. The last estimate of the non-volatile CPI basket was made in early 2024, and since then, the monthly volatility of goods has not changed significantly (Figure I.24). (3) Series consider splicing with reference series.
Source: Central Bank of Chile and National Statistics Institute.

II. FUTURE EVOLUTION OF MONETARY POLICY

The central scenario of this IPoM envisages a somewhat more favorable outlook for the Chilean economy. Overall, local activity has been in line with expectations, with investment in machinery and equipment being more dynamic. Inflation has fallen faster than expected and is expected to converge to the 3% target during the first quarter of 2026, supported by a more favorable evolution of some cost factors, including the appreciation of the peso. Internationally, somewhat stronger momentum is anticipated, thanks to improvements in the projected growth of trading partners, terms of trade, and financial conditions. In any case, significant risks remain at the global level. The Board will evaluate the future movements of the Monetary Policy Rate (MPR) by considering the evolution of the macroeconomic scenario and its implications for the convergence of inflation.

ACTIVITY AND DEMAND PROJECTIONS IN THE CENTRAL SCENARIO

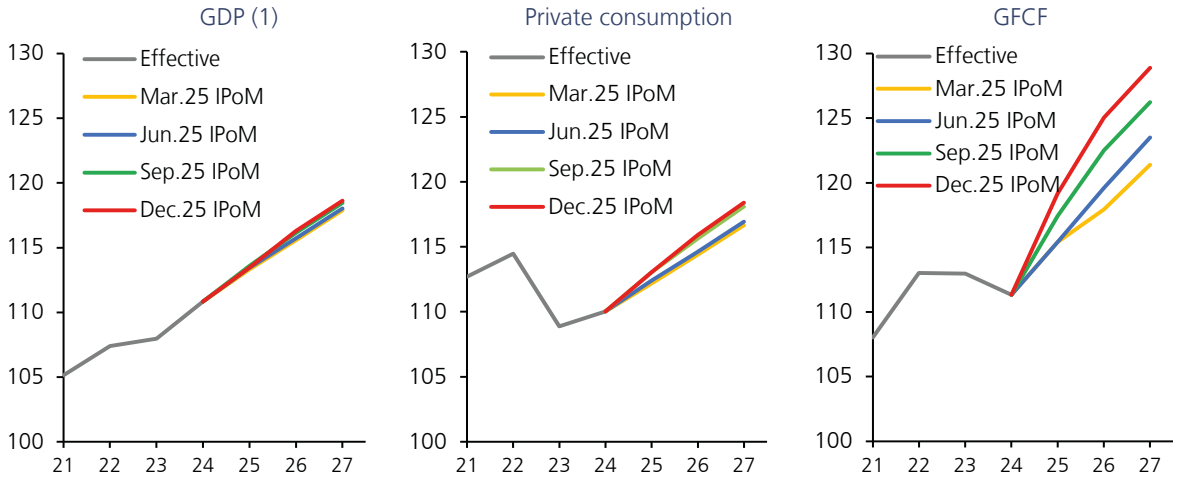
THE DOMESTIC SCENARIO

Our projection for domestic demand growth is raised with respect to September estimates, driven by lower figures recently and a more favorable outlook for gross fixed capital formation (GFCF). Among the fundamentals of investment, it is worth noting the higher average copper price foreseen for the next two years, as well as the improvement of the financial conditions and business expectations compared to previous years. In the central scenario, GFCF would grow 7% in 2025, 4.9% in 2026, and 3.1% in 2027 (5.5%, 4.3%, and 3.1% in September, respectively) (Figure II.1 and Table II.1). Investment is expected to show more widespread growth across different industries during 2026 and 2027, consistent with the improvement in fundamentals and mining investment spilling over to the rest of the economy (Box II.1, IPoM September 2024) (Chapter I). The projection also assumes some moderation of the dynamism of machinery and equipment in the next few quarters, while construction and other works would see higher growth.

The outlook for private consumption growth shows slight changes from September and is expected to gradually approach rates consistent with trend GDP. In the coming quarters, it will continue to be supported by factors such as sustained increase in consumer confidence and the wage bill. Private consumption is expected to grow by 2.7% in 2025 and 2.5% en 2026, coming close to 2% in 2027 (2.7%, 2.3 and 2.1% respectively in September) (Figure II.1 and Table II.1).

About fiscal spending, the central scenario estimates that in 2026 it will grow in line with the Budget Law. By 2027, the committed expenditures contained in the Public Finances Report for the third quarter of 2025 will be factored in.

FIGURE II.1 ACTIVITY, PRIVATE CONSUMPTION AND GFCF
(index, 2018 =100)



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

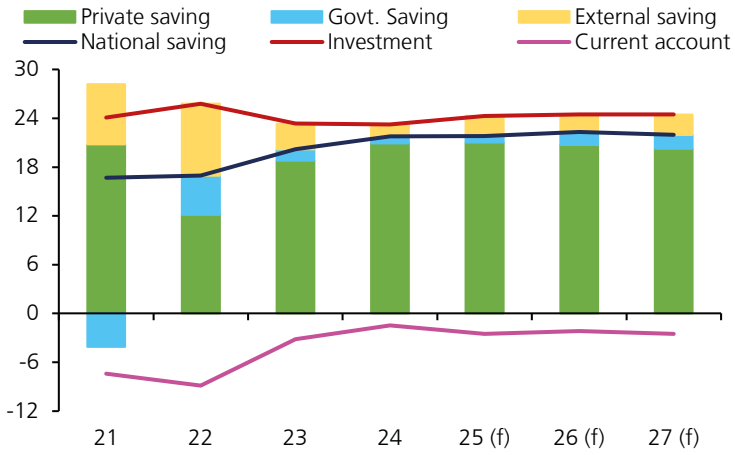
TABLE II.1 ECONOMIC GROWTH AND CURRENT ACCOUNT

	2024	2025 (f)	2026 (f)	2027 (f)
		(annual change, percent)		
GDP	2.6	2.4	2.0-3.0	1.5-2.5
National income	2.8	3.2	3.5	2.3
Domestic demand	1.3	4.4	3.0	2.4
Domestic demand (w/o inventory change)	0.7	4.0	3.3	2.6
Gross fixed capital formation	-1.4	7.0	4.9	3.1
Total consumption	1.4	3.0	2.7	2.5
Private consumption	1.0	2.7	2.5	2.1
Goods and services exports	6.6	4.6	1.8	2.7
Goods and services imports	2.5	11.3	3.4	3.9
Current account (% of GDP)	-1.5	-2.5	-2.2	-2.5
Gross national saving (% of GDP)	21.8	21.8	22.3	22.0
Gross national investment (% of GDP)	23.2	24.3	24.5	24.5
GFCF (% of nominal GDP)	23.5	24.2	24.6	24.8
GFCF (% of real GDP)	23.2	24.2	24.8	25.0
		(US$ million)		
Current account	-4,853	-8,800	-8,500	-10,300
Trade balance	21,033	19,700	22,600	22,000
Exports	99,165	106,600	112,900	117,000
Imports	78,133	86,900	90,300	95,000
Services	-9,149	-8,600	-9,500	-10,200
Rent	-17,000	-20,300	-22,200	-22,700
Current transfers	264	400	600	600

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

The current account deficit forecast for 2025 and 2026 is down somewhat from September, due to higher projected terms of trade. This reflects the revised prices, up for copper and down for oil. The central scenario considers an increase in the trade balance, driven by better prospects for exports—due to the higher copper prices, albeit with lower volumes—which more than offset the rise in imports resulting from higher domestic demand. In contrast, a larger rental income deficit is expected, associated with the copper price and its effect on mining companies' profits. The savings/investment balance shows no major changes for the period 2025-27. Meanwhile, the improved outlook for domestic demand is consistent with higher real gross national disposable income, benefiting mainly from better terms of trade this year and next (Table II.1 and Figure II.2).

FIGURE II.2 CURRENT ACCOUNT: SAVINGS AND INVESTMENT (1)
(percentage of annual GDP)



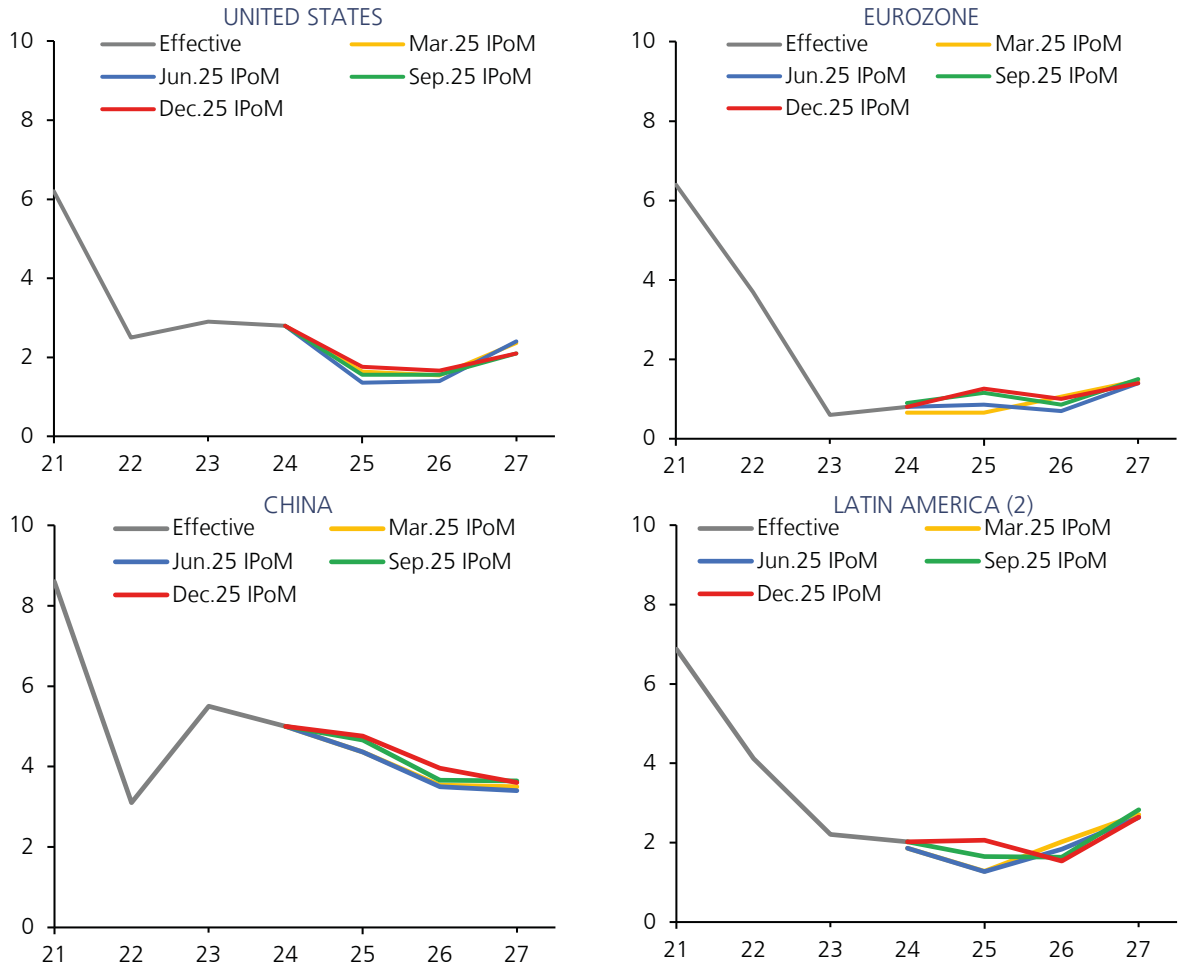
(1) The government savings component considers as actual data up to 2024 the general government's balance sheet; the government savings of the central government's balance sheet is used for the 2025-2027 forecast.
(f) Forecast.
Source: Central Bank of Chile.

In the central scenario, projected activity growth for next year is somewhat higher than in September IPoM, driven by improvements in local investment, several spending fundamentals, and greater resilience of the international economy. Total GDP is estimated to grow by 2.4% in 2025, in the middle of the September range (2.25%-2.75%). This revision considers an increase in the non-mining GDP components, while mining output is revised downward due to disruptions at major sites. For 2026, the projected growth range is adjusted to 2.0%-3.0% (1.75-2.75% in September) and for 2027 it remains at 1.5-2.5%, consistently with the economy growing in line with its trend. Growth projections have been steadily raised over the course of 2025 —particularly for non-mining sectors—, as the global scenario has been resilient and local investment has been more dynamic than anticipated, especially in the mining and energy industries (Figure II.1 and Table II.1).

THE INTERNATIONAL SCENARIO

The boost from abroad will be somewhat stronger than estimated in September. Global activity has shown greater resilience than expected, notwithstanding the persistence of several sources of tension. This prompts a slight upward revision of projected trading partners' growth (from 2.6% to 2.8% on average for 2025–26). This increase is explained by factors such as the positive impact of new technologies on the American economy and international financial markets, higher fiscal spending expectations in several developed economies—amid ongoing military tensions—, more favorable global financial conditions, and milder than expected negative impacts from tariffs. All the above has also boosted market expectations for global activity (Chapter I) (Figure II.3 and Table II.2).

FIGURE II.3 TRADING PARTNERS GROWTH PROJECTIONS (1)
(annual change, percent)



(1) Yellow, 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 II.2 WORLD GROWTH (1)
(annual change, percent)

	Aveg. 10-19	2023	2024 (e)	2025 (f)	2026 (f)	2027 (f)
World GDP at PPP	3.7	3.5	3.3	3.0	2.7	3.0
World GDP at market exchange rate	3.3	3.1	2.9	2.5	2.2	2.5
Trading partners	3.9	3.5	3.3	3.0	2.6	2.7
United States	2.4	2.9	2.8	1.8	1.7	2.1
Eurozone	1.4	0.6	0.8	1.3	1.0	1.4
Japan	1.2	1.2	-0.2	1.3	0.3	0.7
China	7.7	5.5	5.0	4.8	4.0	3.6
India	6.7	9.2	6.6	6.2	5.6	6.4
Rest de Asia	4.5	3.1	4.1	3.4	3.2	3.5
Latin America (excl. Chile)	1.8	2.2	2.0	2.1	1.5	2.6
Commodity exp.	2.2	1.5	1.2	1.1	1.7	1.8

(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.

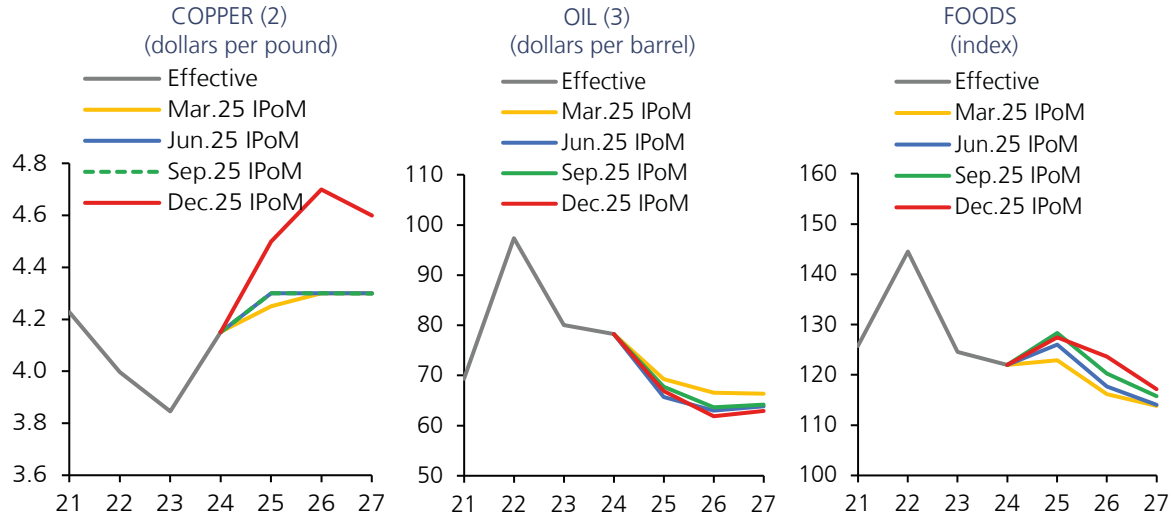
The terms of trade are improved for the period 2025-27, thanks to the higher copper price and a slightly lower oil price estimate. The copper price forecast is risen to US$4.6 per pound in 2027 (US$4.3 in the last IPoM) (Box II.1). Estimates for the price of a barrel of oil (Brent-WTI average) are down slightly due to prospects of increased supply. However, this will not be fully reflected in gasoline prices because of recent problems in global refining markets. The projection for international food prices (FAO) remains largely unchanged and continues to point to a decline in the coming years, albeit from somewhat higher levels (Chapter I) (Table II.3 and Figure II.4).

TABLE II.3 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	4.6	3.8	-0.2
External prices (in US$)	0.6	-0.2	-0.7	2.0	2.9	1.6
			(levels)			
LME copper price (US$cent/pound)	306	385	415	450	470	460
WTI oil price (US$/barrel)	72	78	76	65	60	61
Brent oil price (US$/barrel)	80	83	81	69	64	65
Gasoline parity price(US$/m3) (1)	610	721	660	593	524	513
US Federal Funds Rate (%) (2)	0.7	5.2	5.3	4.4	3.4	3.2

(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.

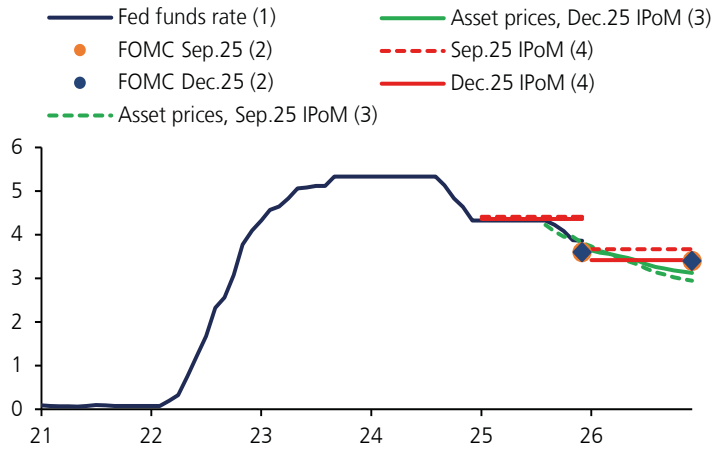
FIGURE II.4 COMMODITY PRICES FORECASTS (1)



(1) Actual or projected 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.

Global financial conditions are expected to be more favorable than foreseen in September, due mainly to expectations regarding the Federal Reserve's monetary policy and market optimism about the returns on investments in new technologies. At its December meeting, the Fed lowered its benchmark rate, thereby accumulating three cuts in 2025 (versus two foreseen in the last IPoM). For 2026, the markets reduced their expected cuts to two, the same as that incorporated in the central scenario of this and the previous IPoMs (Figure II.5).

FIGURE II.5 EVOLUTION AND FORECASTS FOR THE FED FUNDS RATE
(percentage points)

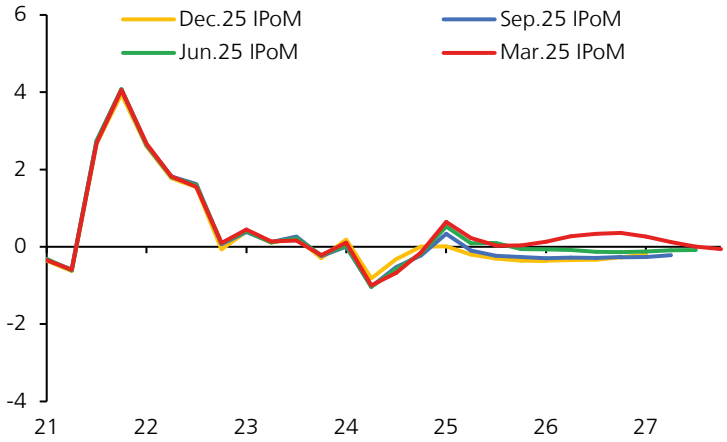


(1) Actual Fed funds rate. For December 2025, consider the monthly average up to the statistical closing of this IPoM, incorporating the cut made by the FOMC in that month. (2) Forecast of Federal Open Market Committee (FOMC) at respective meeting. (3) Based on statistical cutoff dates of respective 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 ACTIVITY GAP AND CONVERGENCE OF INFLATION TO THE TARGET

The central scenario of this IPoM assumes that the activity gap will be slightly positive in the coming quarter (Figure II.6). This reflects better prospects for non-mining GDP and domestic demand over the coming year, together with slightly higher potential output than envisaged in September.

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

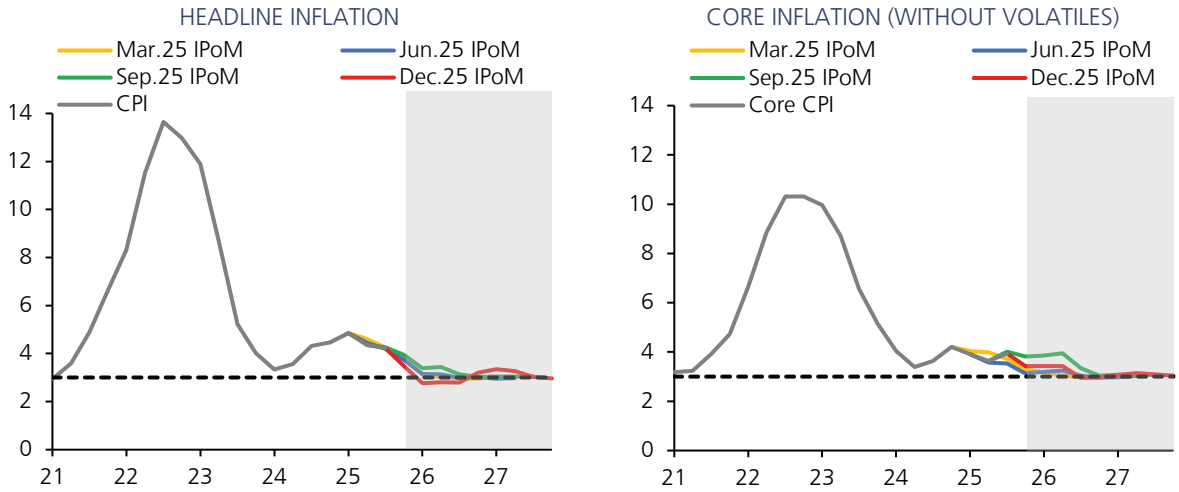


(1) Shows the estimate and projection contained in the respective IPoM.
(2) Forecast assumes structural paramenters updated in September 2024 Monetary Policy Report (IPoM) (trend GDP) and December 2025 IPoM (potential GDP).
Source: Central Bank of Chile.

Core inflation —without volatiles— would reach 3% by mid-2026, that is, sooner than projected in the September IPoM. This is explained by the lower starting point and more favorable developments in some cost factors. As a working assumption, we consider an appreciation of the real exchange rate (RER) relative to the levels at the statistical cutoff date for this Report, given its recent developments, its fundamentals, and the improvement in the terms of trade. In any case, this envisions a similar endpoint to that of September IPoM. The projection considers a moderation in the growth of labor costs. All of the above are offset by moderate inflationary pressures on the demand side, given that the increased investment is concentrated in the tradable component and some indicators suggest an increase in productivity.

Headline inflation is projected to converge to the 3% target during the first quarter of 2026 and to remain in the vicinity for the remainder of the monetary policy horizon. On its volatile component, the projection considers a reduction in electricity rates at the beginning of next year, reflecting what has been reported by the sector authorities. This will be partially offset by an upward adjustment in fuel prices, given the higher price of gasoline compared to the September IPoM. In any case, a downward trajectory continues to be considered over the projection horizon. Market expectations are in line with these projections, forecasting inflation of 3% both at the beginning of 2026 and within the one- and two-years horizons (Figure II.7 and Table II.4).

FIGURE II.7 INFLATION FORECAST (1)
(annual change, percent)



(1) Figures consider the 2023 CPI reference basket and the splice made by the Central Bank of Chile. Gray area, as from fourth quarter 2025, shows forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

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

	2024	2025 (f)	2026 (f)	2027 (f)
Average CPI	3.9	4.2	2.9	3.1
December CPI	4.5	3.6	3.2	3.0
CPI in around 2 years (2)				3.0
Average core CPI	3.8	3.7	3.2	3.1
December core CPI	4.3	3.4	3.0	3.0
Core CPI around 2 years (2)				3.0

(1) Figures consider the 2023 CPI reference basket and the splice made by the Central Bank of Chile.
(2) Inflation forecast for the fourth quarter of 2027.
(f) Forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

MONETARY POLICY STRATEGY: THE CENTRAL SCENARIO AND SENSITIVITIES

Inflation has declined faster than was forecast in September, under local and global conditions somewhat better than expected. In the central scenario of this IPoM, inflation is foreseen to reach its 3% target during the first quarter of 2026. This assumption factors in the more favorable performance of some cost factors, in a context of reduced risks facing the convergence of inflation.

The Board will evaluate the future movements of the MPR by considering the evolution of the macroeconomic scenario and its implications for the convergence of inflation. At the same time, it reaffirms its commitment to conduct monetary policy with flexibility, ensuring that projected inflation stands at 3% over the two-year horizon.

The Board revised the range of estimated values for the neutral MPR to 3.75-4.75% in nominal terms. For the purposes of the projection scenarios, the midpoint of this range, 4.25%, is used as the methodological assumption (Box II.2).

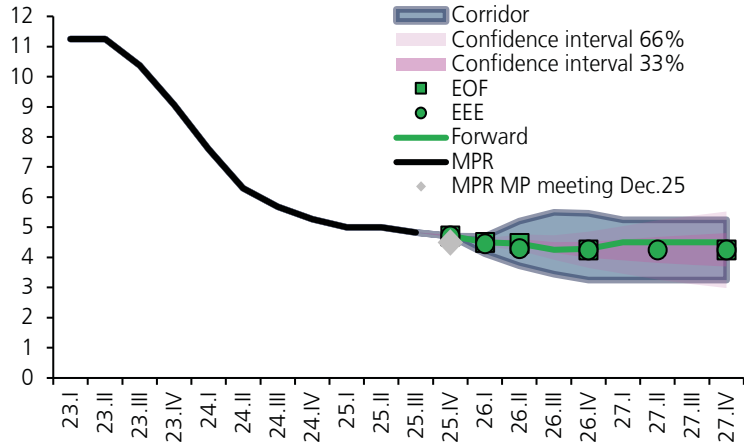
The MPR corridor contains sensitivity scenarios that deviate from the central scenario, have a significant probability of occurrence, and where monetary policy could take a different path (figures II.8 and II.9). The scenarios that define the corridor's borders are similar to those described in September.

The upper bound is associated with more dynamic domestic demand. A stronger impulse from the local economy might encourage expectations and spending of households and firms, in a context of eased financial conditions, labor costs growing above historic averages and a higher copper price, all of which would result in stronger inflationary pressures.

The lower bound represents a scenario of deteriorating global financial conditions that negatively affect the local economy. This could be the case in the event of a correction in the asset prices of tech companies, which would affect external financing conditions, global activity, and commodity prices, especially copper. Under these conditions, domestic demand would weaken, thus reducing inflationary pressures.

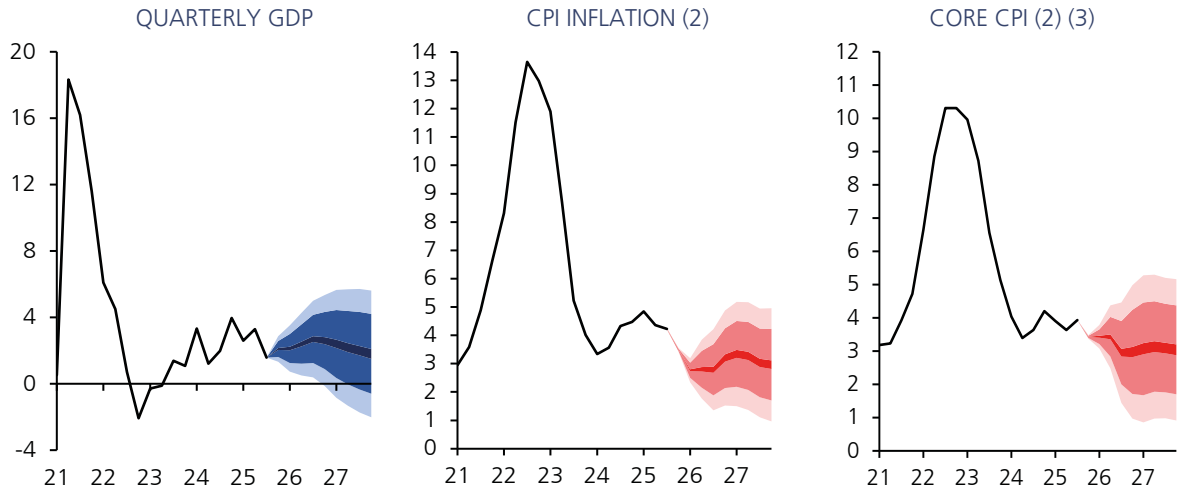
The Board estimates that the risk of a sudden reversal of global financial conditions is still significant. Such situations could be triggered by varied factors. For example, a decline in optimism about the impact of technological breakthroughs on business productivity could reduce risk appetite. It could also occur in the event of less favorable news about current geopolitical tensions. For example, an escalation of the trade war or armed conflicts, as well as a sharper deterioration in the fiscal or institutional situation in the major economies. These aspects need to be closely monitored, as was noted in the latest Financial Stability Report (IEF).

FIGURE II.8 MPR CORRIDOR (1)
(quarterly average, percent)



(1) For 2027, a calendar similar to that of 2026 is considered. 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 December Economic expectations survey (EEE), the December pre-MP meeting Financial traders survey (EOF) and the quarterly average smoothed forward curve as of December 10. 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 December 2025.
Source: Central Bank of Chile.

FIGURE II.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) Figures consider the 2023 CPI reference basket and the splice made by the Central Bank of Chile.
(3) Measured with the CPI without volatiles.
Sources: Central Bank of Chile and National Statistics Institute (INE).

BOX II.1:

Copper price outlook

In recent months, the copper price on the London Metal Exchange has risen significantly, reaching a nominal all-time high of over US$5 per pound (15% above the figure included in the last IPoM). These values are also above the US$4.3 assumption used as the convergence price toward the end of the projection horizon in previous IPoMs. This box analyzes the reasons behind this behavior, which motivates an upward revision in the outlook for the copper price over the projection horizon.

Recent price determinants

The current copper market scenario is characterized by strong demand, in the context of tight supply, which has recently been affected by multiple disruptions. On the demand side, geopolitical and technological factors have consolidated and strengthened. Increased geopolitical tensions have led several countries to expand their defense spending and strategic mineral protection plans (Box I.1, September 2025 IPoM). According to Álvarez *et al.* (2025), the weapons industry will increase its demand for copper by around 485,000 tons over the next decade, equivalent to around 2% of current global consumption and around half of Escondida's annual output. In addition, various international authorities have noted the critical importance of the mineral for "national security," reinforcing its geopolitical importance beyond its use in arms manufacturing[1]/.

The rapid growth of the Artificial Intelligence (AI) industry is another factor driving demand for copper. Conservative estimates indicate that the construction of AI data centers will require between 300,000 and 500,000 additional tons of copper each year until 2030, equivalent to about 2% of annual global demand. Added to this direct demand is the indirect consumption associated with the expansion and renovation of the electrical infrastructure needed to support the advancement of AI. Also contributing are the increased risk appetite in financial markets —also linked to the AI boom— and the prospects for looser monetary policy in the United States, which tend to push up commodity prices.

On the supply side, several accidents and cuts to production plans at mines that have significant weight on global supply stand out[2]/. Álvarez *et al.* (2025) estimate that recent events have led to cuts of around 400,000 tons in global production this year (around 1.5% of annual production). Furthermore, the effects are expected to continue throughout 2026 and 2027. This situation is reflected in the increase in sales premiums —the surcharge that buyers pay to ensure supply— of up to US$335-350 per ton in some cases, equivalent to about US$0.15 per pound. It is also reflected in processing and refining charges, which are down to historic lows due to greater idle capacity in the face of lower ore extraction.

[1]/ For example, the United States is promoting a policy of stockpiling critical minerals, including copper (Final 2025 List of Critical Minerals). The European Commission has proposed the creation of reserves of critical minerals in response to growing geopolitical tensions (Comission work 2026 programme). For its part, early this year, China issued a statement indicating that it is working on a plan to strengthen the copper industry, highlighting its strategic nature (State Council Information Office). It subsequently announced initiatives to increase reserves of key metals (Ministry of Industry and Information Technology).

[2]/ Recent accidents have affected the Grasberg (Indonesia), El Teniente (Chile), and Kamoa-Kakula (DR Congo) mines, which add to planned cutbacks in production at Quebrada Blanca and Collahuasi (Chile).

Based on a high-frequency analysis of financial asset prices, Álvarez *et al.* (2025) estimate that around one-third of the copper price increase since February this year —when it was around US$4.3 per pound— can be explained by supply constraints. The bulk of the remaining two-thirds is divided in similar proportions between geopolitical factors, demand linked to the green transition and AI, traditional demand, and increased risk appetite and monetary policy prospects in the United States (Figure II.10).

Outlook

The central scenario of this IPoM assumes that in 2027 the copper price will average around US$4.6 per pound (US$4.3 in the previous IPoM). This revision estimates that some of the factors that drove its recent months' hike will be persistent, particularly traditional demand pressures, those associated with geopolitical factors, and those related to energy transition and AI. In contrast, it is estimated that the most recent supply constraints will be gradually resolved and that financial factors will also diminish. It should be noted that the main market counterparties, which use structural methodologies to analyze the copper market, have revised their projections by similar magnitudes (Figure II.11).

Effects on the Chilean economy

The impact of these higher copper prices on the Chilean economy could differ from that observed in previous situations, because supply and geopolitical shocks affect it differently than demand shocks. When the price rises due to lower domestic production, economic activity contracts rather than expand, and the effects on foreign currency inflows and the exchange rate are milder. To some extent, this is what occurred in the third quarter of this year, explaining the contraction in total activity during the period (Chapter I).

For their part, geopolitical shocks cause global financial movements similar to those of a risk-off, depreciating the currencies of emerging economies and increasing their financing costs. This offsets the positive effect of higher copper prices on the exchange rate (Figure II.12). According to Álvarez *et al.* (2025), the combination of shocks behind the recent evolution of the copper price would partly explain the apparent mismatch between exchange rate levels and the copper price.

It should also be noted that production costs have risen significantly in recent years, so part of the adjustment in international prices acts as compensation for these higher costs, reducing the macroeconomic and fiscal impact of the higher price.

Conclusions

The central scenario of this IPoM assumes that some of the recent shocks to the copper price will be persistent and others will dissipate, leading to raise our forecast from US$4.3 to US$4.6 per pound for the 2027 average. However, the macroeconomic impact of this increase on Chile could be lower than usual, considering the reasons behind the higher price and increased production costs.

FIGURE II.10

Copper price breakdown (1)
(cumulative percentage; US$/pound)

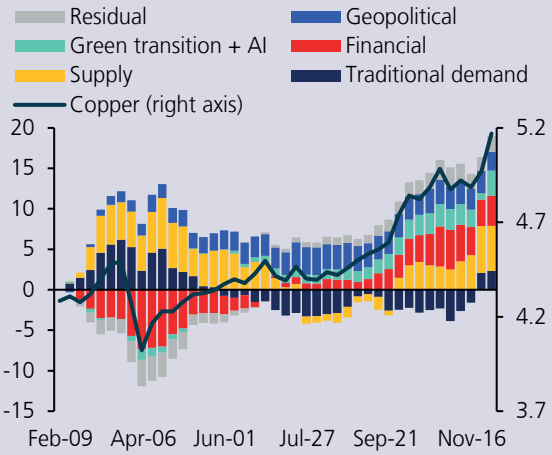
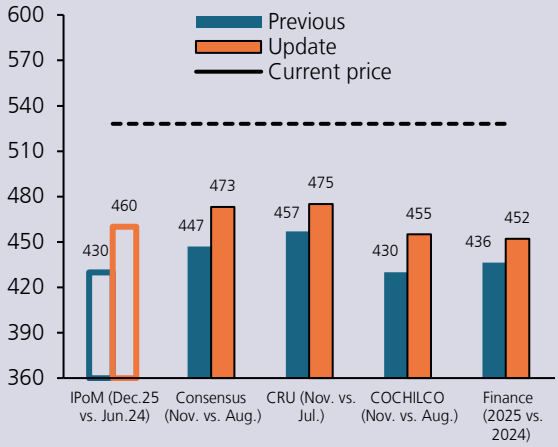


FIGURE II.11

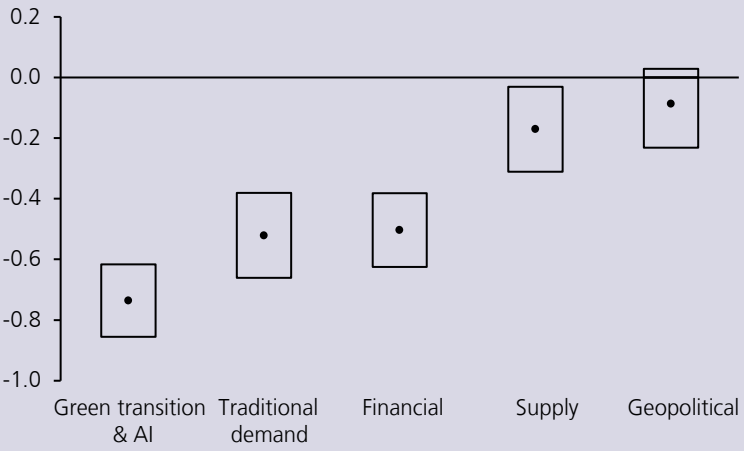
Current counterparty projections for 2027 average vs. previous projections (2)
(US$c/pound, nominal)



(1) VAR with sign restriction on weekly frequency. The cumulative change from the beginning of February 2025 to December 7 is shown on the left axis. Copper (right axis) represents the copper price in US$/pound. See Álvarez *et al.* (2025) for details.
(2) Figures correspond to the 2027 average, except for Cochilco which is the 2026 average.
Sources: Bloomberg, Consensus Forecasts, Copper Research Unit, Chilean Copper Commission and Ministry of Finance and Álvarez *et al.* (2025).

FIGURE II.12

Impulse response functions (IRFs) of the Chilean peso to different shocks on the price of copper (1)
(percent, standard deviations of each shock, cumulative over 10 days)



(1) Figure shows cumulative IRFs two weeks after the initial shock. Confidence intervals are set at 66%.
Sources: Bloomberg and Álvarez *et al.* (2025).

BOX II.2:

The neutral monetary policy rate

The neutral monetary policy rate —NMPR— is defined as the value to which the MPR is expected to converge once the effects of temporary shocks have dissipated, consistent with GDP on its trend equilibrium path and inflation at target. The estimated rate corresponds to the trend value of a real short-term rate that does not include risk or term premiums. This variable is not observable in practice and must be proxied using different methodologies.

Due to several factors, the NMPR estimate has been revised up in recent years. Between December 2022 and December 2023, he nominal NMPR spot value was adjusted from 3.5% to 4%, and the range of values compatible with the NMPR was widened from half a percentage point to one percentage point, reflecting greater uncertainty about it. In September 2024, the latest revision was made, maintaining the values estimated at the end of 2023: a range between 3.5% and 4.5%, using its midpoint, 4%, as the point value for the purposes of the projection scenario.

In an open economy such as Chile's, the NMPR is influenced not only by local conditions, but also by global developments that affect international neutral rates.

In the Board's opinion, today there exists a combination of factors at the global level, which would justify a revision of Chile's NMPR:

1. A reduced influence of demographic factors that encourage saving and exert downward pressure on the NMPR, such as increased life expectancy and declining fertility[1]/;

2. Expectations of higher productivity resulting from the adoption of AI in production processes, and its consequent impact on increased investment;

3. Prospects for higher fiscal deficits, and therefore lower public savings, in developed economies[2]/.

Furthermore, increased geopolitical tensions could reverse the processes of international financial integration observed in recent decades, making capital flows more expensive and driving up the NMPR.

The Board's vision is complemented by the updating of the empirical models that are normally used to estimate the NMPR. These models are based on observed data, so they do not necessarily incorporate the factors mentioned above. However, they allow historical developments to be captured and offer a measure of the degree of uncertainty in NMPR estimates. On this occasion, for methodological reasons, the method of Holston, Laubach and Williams (2023)— widely used by other central banks—was included, and the Taylor Rule and Habitual Consumption models were excluded[3]/. The sample used spans up to the third quarter of 2025. Table II.5 shows that the update yields an average and median of 1.2 for the real NMPR, with an estimation range between 0.9 and 1.7.

[1]/ See Carvalho *et al.* (2016) for a description of the mechanisms associated with demographic changes that affect real interest rates.

[2]/ The expected increase in fiscal deficits is explained by higher social security spending, defense spending, and investments in the green transition. See Box I.1 f the September 2025 IPoM for a discussion of the increase in defense spending in developed economies, its impact on fiscal deficits and financial conditions.

[3]/ The Holston, Laubach, and Williams model is estimated using Bayesian methods, in line with Berger and Kempa (2019). See Arias *et al.* (2025) for a description of the methodologies. Taylor Rule models are excluded because they give equal weight to past and recent information. The Habitual Consumption model, meanwhile, is excluded because it consistently yields atypical estimates.

TABLE II.5 ESTIMATES OF THE REAL NEUTRAL INTEREST RATE
(percent)

Method	Real NMPR
Stochastic trend - BCP10	0.8
Stochastic trend - Convenience yield	0.9
Term premium correction	1.2
Interest rate parity (dots)	1.7
Interest rate parity (U.S. models)	2.2
Common stochastic trend model	1.4
Reduced-form model (dots)	0.9
Reduced-form model (U.S. models)	1.1
Holston, Laubach & Williams	1.4
Median (1)	**1.2**
Mean (1)	**1.2**
Range (1)	**[0.9 – 1.7]**

(1) Excludes lowest (0.8) and highest (2.2) estimates.
Source: Central Bank of Chile.

Conclusion

Based on this background, the Board revised the range of estimated values for the neutral MPR to 3.75%-4.75% in nominal terms. For the purposes of the projection scenarios, the midpoint of this range, 4.25%, is used as a methodological assumption. Beyond the changes in the values of the different quantitative methodologies, this revision is based mainly on the assessment of the factors that are most likely to affect real rates in the long term, as a result of the changes in the aforementioned trends and their impact on the savings-investment balance in the global and local economies.

BOX II.3:

Annual Conference of the Central Bank of Chile: Celebrating the Bank's one hundred years

The twenty-eighth Annual Conference of the Central Bank of Chile, which was part of the institution's centennial celebration, took place on 20-21 November, with the main theme being future challenges for monetary policy and financial markets. The event was co-organized by Professor Ricardo Caballero (MIT), and monetary authorities from different countries and renowned academic experts.

The opening speech, delivered by Governor Rosanna Costa, addressed the history, evolution, and challenges of the Central Bank of Chile. It provided an overview of the origins of currency in Chile and the creation of the Bank, before going on to describe future challenges. These include the need to adapt quickly to an uncertain and changing global environment, strengthen analytical tools, and address technological transformations, while maintaining confidence and institutionality.

Along the same lines, John C. Williams, President and CEO of the Federal Reserve Bank of New York, spoke about the inflation targeting policy framework and its benefits for monetary policy. He noted that most countries have adopted this regime in the last 35 years and emphasized that the Central Bank of Chile was one of the first to implement it. He also noted that the existence of an explicit target, the transparency of monetary policy conduct, and the confidence that these elements convey to the public are the cornerstones of the framework.

Gita Gopinath, professor at Harvard University and former deputy director of the International Monetary Fund, spoke about the emergence of alternative means of payment and their potential impact on the transmission of monetary policy to the real economy. In particular, she warned that the adoption of stablecoins—which have expanded rapidly worldwide—could impact the international monetary regime. This phenomenon poses significant regulatory challenges that central banks and financial regulatory agencies must be prepared to address.

The Conference included discussions related to the global financial cycle and the new challenges associated with international trade and geopolitical conflicts. These topics were addressed in various presentations, as well as in two policy panels that discussed future challenges for monetary policy from the perspective of open economies in the current context of high uncertainty. The importance of central banks' credibility in meeting their objectives was highlighted, for which clear and effective communication is essential. In addition, the need for central banks to be adaptable, innovative, and able to react promptly and decisively when changing conditions so require, was emphasized. In this context, it is essential to have accurate real-time analysis to identify the nature of the shocks affecting the economy, together with the appropriate tools to mitigate them. Finally, participants highlighted the importance of safeguarding and strengthening a credible policy framework, administered by an autonomous central bank that communicates its decisions clearly and transparently.

The discussions reinforced three key elements for the Central Bank of Chile: (i) the importance of safeguarding and clearly communicating the inflation targeting framework; (ii) the need to prepare, from a regulatory standpoint, for new global means of payment, such as stablecoins; and (iii) the role of autonomy, credibility, and the ability to react in a timely manner in a more uncertain global environment.

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