MONETARY POLICY REPORT

MARCH 2026

SUMMARY

During the past few months, the Chilean economy evolved as expected. By the end of 2025, activity expanded at a pace consistent with its potential growth, and February inflation was somewhat below 3%. However, the war in the Middle East has resulted in considerably higher external energy prices and has added a high degree of uncertainty for the outlook of both local and global economies, after a period of greater external boost at the beginning of the year. With the information at hand at the statistical cut-off, in the central scenario inflation will see a significant increase in the second quarter mainly related to the higher international fuel prices. Regarding activity, various factors would influence its evolution: the new international scenario, the fiscal spending adjustment announced by the government in mid-March, and supply-side factors in sectors like agribusinesses and mining. Thus, the GDP growth range forecast for this year is lowered to 1.5%-2.5% (2%-3% in December). The macroeconomic scenario is subject to a higher-than-usual degree of uncertainty. Therefore, the Board estimates that constant assessment of alternative scenarios will be needed where the reactions of the local and world economies may configure inflationary pressures different from those expected and require changes in monetary policy. Thus, the future evolution of the MPR will be analyzed meeting by meeting based on how events unfold. The Board reaffirms that it will make every decision necessary to meet its objective of ensuring that projected inflation stands at 3% over a two-year horizon. In any case, the starting point of the Chilean economy is such that it allows it to better confront complex developments.

The outbreak of the war in the Middel East has caused a major shock on global energy prices and amplified macroeconomic and financial uncertainty. The war has affected the supply of various commodities, including oil, whose price has soared to more than US$100 per barrel. The prices of other products have also gone up, as has been the case with fertilizers, natural gas, and various chemical products, in addition to higher shipping costs. Given the magnitude of the shock, these hikes will have a significant direct impact on both global and local inflation. However, for the moment it is challenging to anticipate with reasonable certainty the war's duration, intensity, and effects.

Global financial conditions have deteriorated in this scenario. With respect to late February, global stock markets have shown negative performance, currencies have depreciated against the dollar, and nominal interest rates have risen. The domestic market has mirrored these developments, where worth noting is the depreciation of the Chilean peso, which saw a reversal of its appreciation of the first two months of 2026.

These events have largely undone the previous improvements that market expectations had recorded for global growth. The United States stood up, where GDP growth in the third and fourth quarters of 2025 exceeded forecasts, revealing a stronger momentum associated to the boom of investments in new technologies. Europe, China, and Latin America also saw better-than-expected expansion rates. As for copper, its price exceeded December projections, but it has recoiled since the war broke out.

At the local level, inflation is at levels slightly below 3%, falling a little faster than was estimated in the last IPoM. Annual total CPI change dropped from 3.4% in November to 2.4% in February, driven significantly by the electricity component after its increase associated with its price unfreezing in January 2025 ceased to affect annual variations. Meanwhile, core inflation (i.e., without volatile items) stood at 3.3% annually, in line with the forecast in December.

GDP ended 2025 with 2.5% growth, similar to the estimate. The performance of non-mining sector drove activity throughout the year, as its expansion was partly sustained by transitory supply factors that implied some greater potential growth in 2025. In this context, these industries' activity gap is practically closed. As for mining, output has fallen due to lower copper ore and more persistent effects of disruptions in some mines, elements that continue to show up in the activity figures for the first months of the year.

Private consumption remained dynamic, amid the improved performance of several of its fundamentals during previous months. Among these, improved consumer expectations and a sustained increase in real labor income were observed, whose composition is dominated by wage growth as job creation is slow. The unemployment rate showed no significant change.

Gross fixed capital formation (GFCF) continued to grow, boosted by mining and energy projects. By components, machinery & equipment contributed the most to the improvement of investment in 2025, in contrast with lingering construction & other works. At the margin, after the rapid acceleration of previous quarters, GFCF continued to grow, albeit at a slower pace.

Projections

This Report's central scenario projections are based on particularly uncertain conditions with significant risks. In this context, sensitivity scenario analysis becomes more important than usual.

On the external front, one of the main adjustments of this IPoM falls on the oil price. The central scenario considers a trajectory consistent with the futures contracts averaged over the five days before the statistical cut-off. This means average prices in the order of US$100 per barrel in the second quarter of 2026 and an average of US$86 for the full year, 60% and 40% above December projections, respectively. For 2027 and 2028, higher prices than those estimated in December are foreseen factoring in a greater geopolitical premium. Upward revisions to the prices of other components of energy and foodstuffs are also considered.

In the central scenario, the negative effects of the war on global growth largely offset the improved results observed in the latter part of 2025. Thus, our commercial partners' GDP growth is projected at 2.7% during this year, close to December IPoM's 2.6%. For 2027, we maintain projected growth at 2.7%, and at 2.9% for 2028.

Despite the corrections of the last few days, the copper price has shown a better-than-expected trajectory. This continues to be influenced by the boost of increased demand associated with non-traditional uses such as artificial intelligence, the energy transition, and defense spending. The central scenario assumes higher average prices: US$5.4 in 2026, 5.1 in 2027, and 5.0 in 2028.

Locally, projections incorporate the adjustment to fiscal spending announced by the government in mid-March. With respect to the central scenario of December IPoM, this means a reduction of US$3.8 billion in the terms set forth in the Finance Ministry's official letter. It is important to note that the central scenario does not include other governmental measures, such as their date of implementation and ultimate content must be defined. This could alter the outlook for the fiscal impulse.

The central scenario lowers the GDP growth range to 1.5%-2.5% (2.0%-3.0% in December). This reflects the impact on the economy of the new international environment, reduced fiscal spending, and a downturn in mining activity —due to the persistence of the factors that drove a drop in output last year. For 2027, GDP growth projection is maintained in the 1.5%-2.5% range, the same forecast anticipated for 2028. This is consistent with the estimate of the trend growth of the economy.

Prospects for household and business expenditure are slightly revised down. This owes significantly to the deterioration of external conditions, compounded by the drop in fiscal spending. In any case, this is partly offset by the steady growth in income, better expectations, and a bulkier portfolio of investment projects than that of previous years.

For headline inflation, revisions are concentrated in the short run, associated mainly with the impact of the war on global fuel prices. This triggers a significant increase in inflation, which would be around 4% annually from the second quarter. This scenario takes into account the local fuel price increases announced on Monday, March 23. Inflation is projected to return to 3% by the second quarter of 2027.

Core inflation is also revised upwards in the short term, although by a smaller amount. This increase is justified by the second-round effects of the international fuel price shock. The projection assumes that the propagation of this shock to the rest of the economy will be as usual. In the medium term, these effects are offset by the impact of lower fiscal spending on domestic demand. These projections consider that the real exchange rate (RER) will steadily converge to its long-term levels, with a similar trajectory to the one described in December.

Monetary policy

As already highlighted, the definition of the central scenario is subject to a greater-than-usual degree of uncertainty. Abroad, the war may expand, the damage to energy production may deepen, and/or the transportation of commodities may suffer for longer, resulting in bigger increases in the prices of several raw materials. There may also be monetary or fiscal policy responses that moderate the impacts on financial markets and global activity. At home, we cannot rule out the fiscal impulse or the consumption response being different from the central scenario's assumptions. All this calls for the need to evaluate alternative scenarios.

Regarding the MPR corridor, the lower bound reflects a scenario where the negative effects on activity are greater than assumed in the central scenario. This would trigger a sharper reduction of medium-term inflationary pressures, prompting the need for a lower MPR over the projection scenario.

The upper part of the corridor sees higher and more persistent inflation than foreseen, which could be the case of the cost shock and/or its propagation exceeds expectations. This could be fueled by a more dynamic domestic demand, driven by a better performance of the global economy, a stronger fiscal impulse or local expectations sustaining private spending decisions. Another possibility would be greater second-round effects reinforcing the mechanisms of inflation persistence.

The Board estimates that constant assessment of alternative scenarios will be needed where the reactions of the local and world economies may configure inflationary pressures different from those expected and require changes in monetary policy. Thus, the future evolution of the MPR will be analyzed meeting by meeting based on how events unfold. However, the starting point of the Chilean economy, with a virtually closed gap, low inflation and inflation expectations close to the target, allows it to better face the challenges of the uncertain scenario and react effectively to the changes that occur in it to ensure the convergence of inflation towards the target.

The Board reaffirms that it will make every decision necessary to meet its objective of ensuring that projected inflation stands at 3% over a two-year horizon.

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

	2024	2025		2026 (f)		2027 (f)		2028 (f)
		Dec.25 IPoM	Mar.26 IPoM	Dec.25 IPoM	Mar.26 IPoM	Dec.25 IPoM	Mar.26 IPoM	Mar.26 IPoM
Average CPI	3.9	4.2	4.2	2.9	3.6	3.1	3.0	3.0
December CPI	4.5	3.6	3.5	3.2	4.0	3.0	2.9	3.0
CPI in around 2 years (3)						3.0		3.0
Average core CPI	3.8	3.7	3.7	3.2	3.3	3.1	3.1	3.0
December core CPI	4.3	3.4	3.3	3.0	3.3	3.0	3.0	3.0
Core CPI around 2 years (3)						3.0		3.0

(1) Core inflation is measured using the CPI without volatiles. (2) Figures consider the 2023 CPI reference basket and the splice made by the Central Bank of Chile. (3) For December 2025 IPoM corresponds to inflation forecast for the fourth quarter of 2027, for March 2026 IPoM to inflation forecast for the first quarter of 2028. (f) Forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

TABLE 2: INTERNATIONAL SCENARIO

	2024	2025		2026 (f)		2027 (f)		2028 (f)
		Dec.25 IPoM	Mar.26 IPoM	Dec.25 IPoM	Mar.26 IPoM	Dec.25 IPoM	Mar.26 IPoM	Mar.26 IPoM
	(annual change, percent)							
Terms of trade	3.3	4.6	7.6	3.8	2.6	-0.2	0.7	0.8
Trading partners	3.3	3.0	3.3	2.6	2.7	2.7	2.7	2.9
World GDP at PPP	3.3	3.0	3.5	2.7	2.9	3.0	3.0	3.3
Developed GDP at PPP	1.6	1.5	1.7	1.3	1.5	1.7	1.7	2.0
Emerging GDP at PPP	4.5	4.0	4.5	3.5	3.7	3.8	3.7	3.9
	(levels)							
LME copper price (US$cent/pound)	415	450	451	470	540	460	510	500
Oil price, average WTI-Brent (US$/barrel)	78	67	67	62	86	63	75	71

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

TABLE 3: INTERNAL SCENARIO
(annual change, percent)

	2024	2025		2026 (f)		2027 (f)		2028 (f)
		Dec.25 IPoM	Mar.26 IPoM	Dec.25 IPoM	Mar.26 IPoM	Dec.25 IPoM	Mar.26 IPoM	Mar.26 IPoM
GDP	2.8	2.4	2.5	2.0 - 3.0	1.5 - 2.5	1.5- 2.5	1.5 - 2.5	1.5 - 2.5
Domestic demand	1.2	4.4	4.2	3.0	2.4	2.4	2.5	2.4
Domestic demand (w/o inventory)	0.7	4.0	3.8	3.3	2.3	2.6	2.8	2.5
Gross fixed capital form	-1.6	7.0	7.0	4.9	4.0	3.1	3.2	2.8
Total consumption	1.4	3.0	2.8	2.7	1.8	2.5	2.6	2.5
Private consumption	1.1	2.7	2.7	2.5	2.2	2.1	2.1	2.2
Goods and services exports	7.2	4.6	4.6	1.8	1.5	2.7	2.8	2.4
Goods and services imports	2.1	11.3	10.5	3.4	3.4	3.9	4.0	3.2
Current account (% of GDP)	-1.2	-2.5	-1.2	-2.2	-1.7	-2.5	-1.9	-1.9
Gross national saving (% of GDP)	22.0	21.8	22.8	22.3	22.6	22.0	23.7	23.5
Gross fixed capital formation (% of nominal GDP)	23.7	24.2	24.1	24.6	24.7	24.8	24.8	24.8

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

FUTURE EVOLUTION OF MONETARY POLICY

The projections of this IPoM are made in an uncertain scenario with significant risks. On the external front, the main element to consider is the war in the Middle East, which has added a high degree of uncertainty to the global economic outlook and its impacts locally, after a period of greater external boost at the beginning of the year. With the information at hand at the statistical close, the central scenario will see a significant increase in the second quarter, mainly associated with the higher international prices of fuels and other commodities. In 2026, our economy would grow in the range of 1.5%-2.5% (2%-3% in December), resulting from the combination of the new international scenario, the fiscal spending adjustment announced by the government in mid-March, and supply-side factors in sectors like agribusiness and mining. Therefore, the Board estimates that constant assessment of alternative scenarios will be needed where the reactions of the local and world economies may configure inflationary pressures different from those expected and require changes in monetary policy. Thus, the future evolution of the Monetary Policy Rate (MPR) will be analyzed meeting by meeting based on how events unfold.

ACTIVITY AND DEMAND PROJECTIONS IN THE CENTRAL SCENARIO[1]/

THE INTERNATIONAL SCENARIO

The projections of this IPoM are made in an uncertain scenario with significant risks. On the external front, the main element to consider is the impact of the war in the Middle East.

The main adjustment to the external scenario is that it factors in the impacts of the Middle East war, which drive up the global prices of oil and other commodities. The trajectory considered is consistent with the one implicit in the average of futures contracts over the five days leading to the statistical close, assuming that the average oil price would exceed US$100 per barrel (Brent-WTI average) in April, to then decline and close the year averaging around US$86 per barrel (+40% with respect to December). For 2027 and 2028, the estimates are that the prices will stabilize above those foreseen in December, reflecting the higher geopolitical premium (Figure 1 and Table 1).

In the central scenario, the negative effects of the war on global growth largely offset the improved results observed in the latter part of 2025. In several economies, activity figures outperformed December expectations, which contributed to the market's growth expectations for 2026. This is visible, for example, in Consensus Forecasts' forecasts, which last November estimated that the U.S. economy would grow 2% this year, and revised to 2.6% in February. China and the Eurozone also increased their growth projections. However, part of these improvements

[1]/ Considering the volatility exhibited by financial markets in recent weeks, for the purposes of calculating various financial and commodity prices, this IPoM uses the average over five business days up to the statistical cutoff date (March 19, 2026). This differs from the standard methodology, which uses the average over ten business days. Inflation projections incorporate the fuel price increase announcements made on Monday, March 23.

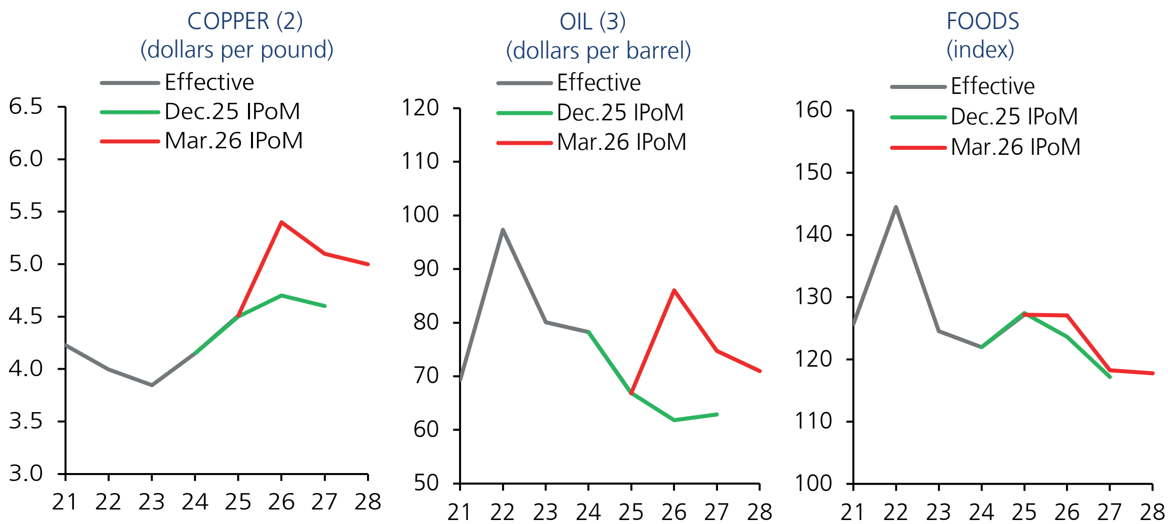
has been revised after the beginning of the Middle East war. In the central scenario, this event is expected to have a negative—but limited— impact on the world economy's projected growth. This effect will originate mainly in the heightened uncertainty, production cost increases, and the impact on real income of the higher fuel prices. Overall, our trading partners are expected to grow 2.7% of GDP in 2026, slightly more than anticipated in December, influenced by the aforementioned improvement of previous months. In 2027 and 2028, our trading partners' growth is projected at 2.7% and 2.9%, respectively (Figure 2 and Table 2).

TABLE 1 INTERNATIONAL BASELINE SCENARIO ASSUMPTIONS

	Aveg. 10-19	2024	2025	2026 (f)	2027 (f)	2028 (f)
	(annual change, percent)					
Terms of trade	1.0	3.3	7.6	2.6	0.7	0.8
External prices (in US$)	0.6	-0.7	2.1	4.1	1.5	1.6
	(levels)					
LME copper price (US$cent/pound)	306	415	451	540	510	500
WTI oil price (US$/barrel)	72	76	65	83	72	68
Brent oil price (US$/barrel)	80	81	69	89	77	74
Gasoline parity price(US$/m3) (1)	610	660	592	707	595	539
US Federal Funds Rate (%) (2)	0.7	5.3	4.4	3.7	3.5	3.4

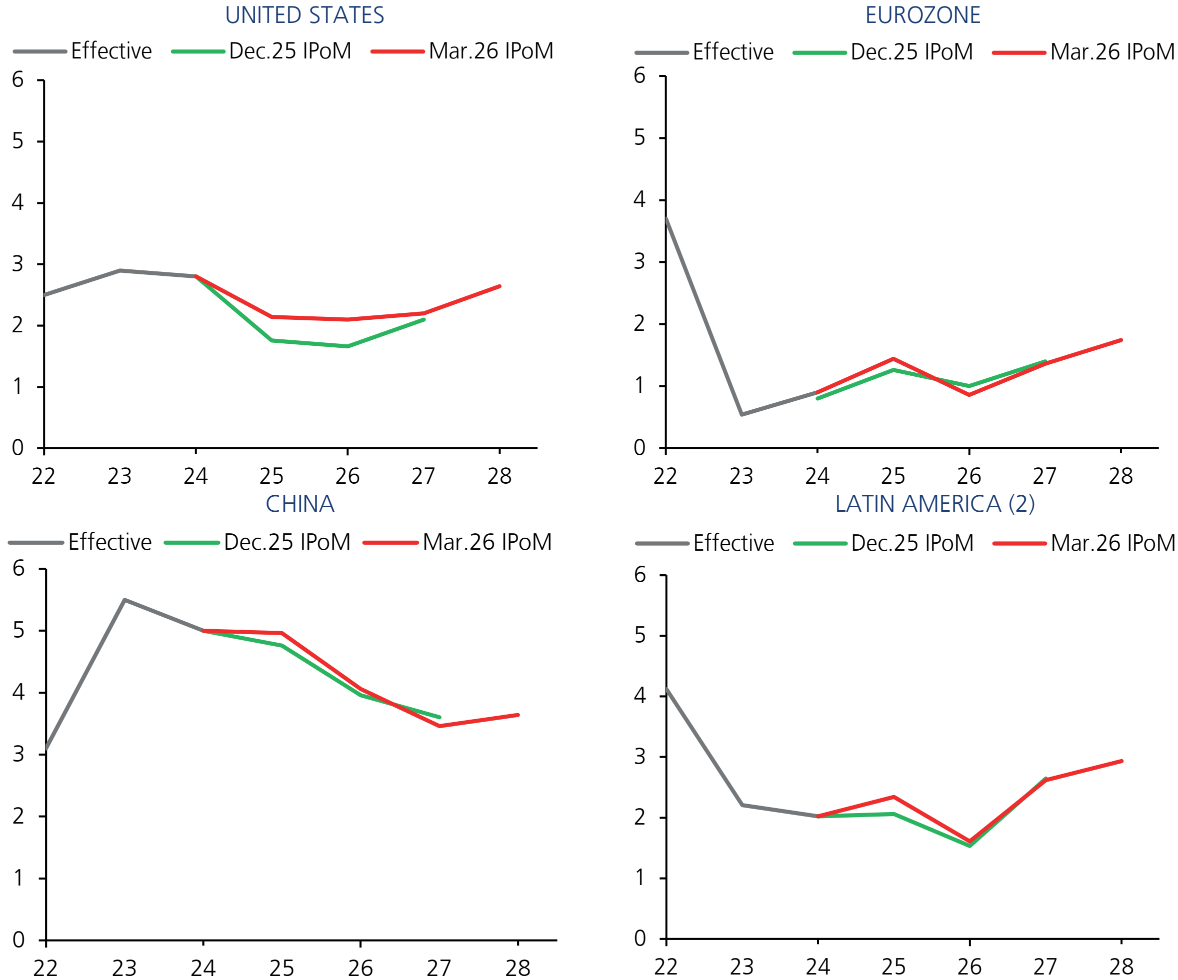
(1) For definition, see Glossary of economic terms.
(2) Annual average for the upper range of the Fed funds rate.
(f) Forecast.
Source: Central Bank of Chile.

FIGURE 1 COMMODITY PRICES FORECASTS (1)



(1) Actual or projected annual 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.

FIGURE 2 TRADING PARTNERS GROWTH PROJECTIONS (1)
(annual change, percent)



(1) 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, Colombia, Mexico and Peru.
Source: Central Bank of Chile.

The central scenario assumes that global financial conditions will be less favorable than foreseen in December, given the impacts of the war on some financial variables and the expected monetary policy decisions of the US Federal Reserve and other central banks. For 2026, the central scenario considers a single cut to the fed funds rate (two in the December IPoM). Regarding market expectations, they have lately been postponed to 2027 the next FFR cut (Figure 3). Other central banks have also shown greater caution in light of the uncertainty surrounding international developments, while the market has begun internalizing some hikes.

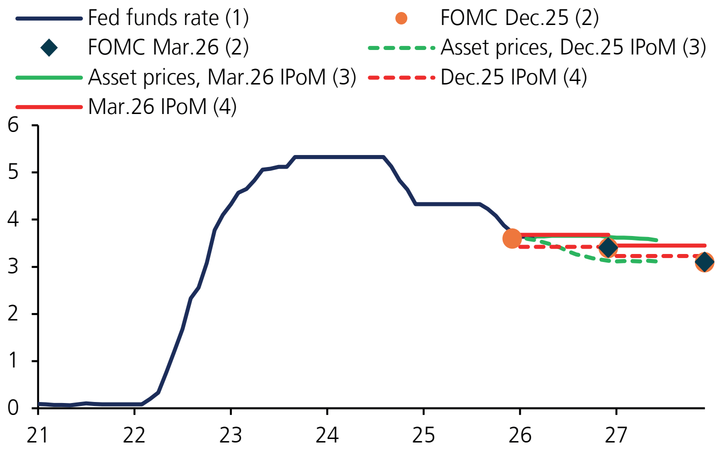
The projected average copper price is raised, based on an increase in structural demand. The average price per pound is revised up to US$5.4 in 2026; 5.1 in 2027, and 5.0 in 2028 (US$4.7 and 4.6 in 2026 and 2027 in December, respectively). This revision again responds to the boost from increased demand associated with AI, the energy transition, and defense spending. This increase occurs even considering the copper price drops since the outbreak of the war. International food prices (FAO) are also raised, responding to their recent increases and costlier fertilizers; (Figure 1 and Table 1).

TABLE 2 WORLD GROWTH (1)
(annual change, percent)

	Aveg. 10-19	2024	2025 (e)	2026 (f)	2027 (f)	2028 (f)
World GDP at PPP	3.7	3.3	3.5	2.9	3.0	3.3
World GDP at market exchange rate	3.3	2.9	2.8	2.4	2.5	2.8
Trading partners	3.9	3.3	3.3	2.7	2.7	2.9
United States	2.4	2.8	2.1	2.1	2.2	2.6
Eurozone	1.4	0.9	1.4	0.9	1.4	1.7
Japan	1.2	-0.2	1.2	0.7	0.8	0.8
China	7.7	5.0	5.0	4.1	3.5	3.6
India	6.7	6.6	7.5	6.1	6.2	6.7
Rest de Asia	4.5	4.1	4.1	3.2	3.4	3.5
Latin America (excl. Chile)	1.8	2.0	2.3	1.6	2.6	2.9
Commodity exp.	2.2	1.2	1.1	1.7	1.8	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.

FIGURE 3 EVOLUTION AND FORECASTS FOR THE FED FUNDS RATE
(percentage points)



(1) Actual Fed funds rate. For March 2026, consider the monthly average up to the statistical closing of this IPoM. (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 2026 and 2027, according to central scenario of each IPoM.
Sources: Bloomberg and U.S. Federal Reserve.

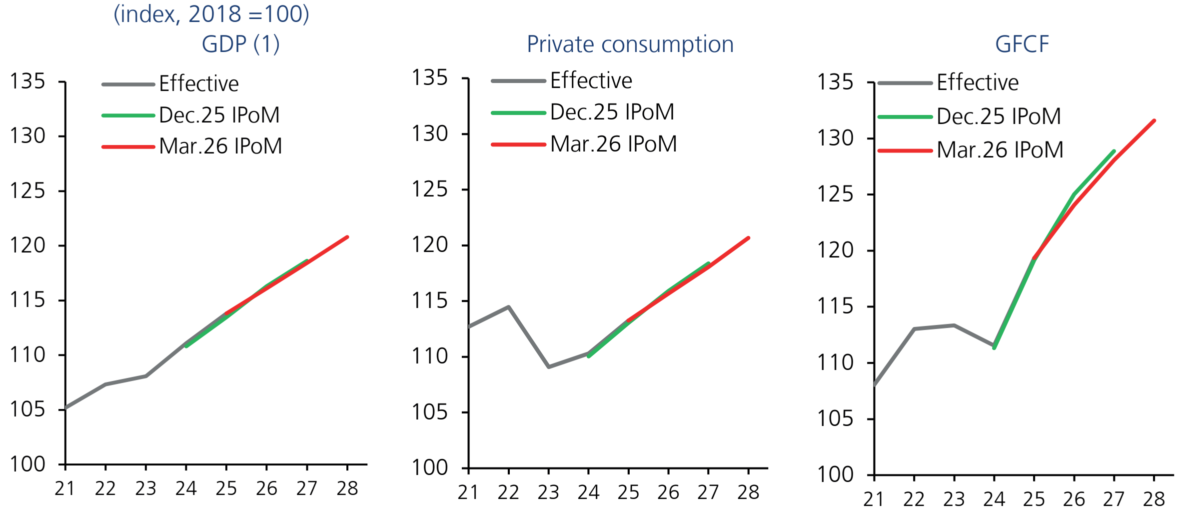
THE DOMESTIC SCENARIO

In the local projection scenario, GDP growth for this year ranges between 1.5% and 2.5% (2.0%-3.0% in December). This considers various factors. On the one hand, the impact of increased uncertainty and higher external prices, which, as noted, is offset by stronger global performance in late 2025 and early 2026. It also assumes that rising international fuel prices will affect national income. Added to this are the weaker outlook for mining, which will continue to be affected by lower copper ore and the more persistent effects of disruptions at some mines. The central scenario also factors in a reduction in fiscal spending of US$3.8 billion in the terms set forth in the Finance Ministry's official letter. It is important to note that the central scenario does not include other governmental measures, such as their date of implementation and ultimate content must be defined. This could alter the outlook for the fiscal impulse. For 2027 and 2028, growth is foreseen in the 1.5% to 2.5% range (Figure 4 and Table 3). This is consistent with the estimate of the trend growth of the economy.

The private spending outlook is also revised slightly down for 2026. In the case of private consumption, its performance would remain sustained by the favorable evolution of many of its fundamentals, including labor income and consumer expectations. In the case of Gross Fixed Capital Formation (GFCF) forecast is based on the figures of the Capital Goods Corporation survey, the better entrepreneurial expectations, and the higher copper price. Overall, the fiscal spending adjustment will reduce government consumption and the public investment component of GFCF. Meanwhile, the changed external scenario and lower national income due to the higher international prices of fuels and other commodities, would also have a negative effect on private consumption and investment (Figure 4 and Table 3).

In the central scenario, the current account of this and next year will have a smaller deficit than was estimated in December. This considers the upward revision of the projected prices of copper and oil, plus a smaller deficit balance in 2025 rent, which in any case it would later return to approaching its historical averages. With respect to the trade balance of goods and services, the central scenario considers an upward adjustment for 2026 and 2027. This is largely due to improved prospects for exports, particularly of copper—as higher prices more than

FIGURE 4 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.

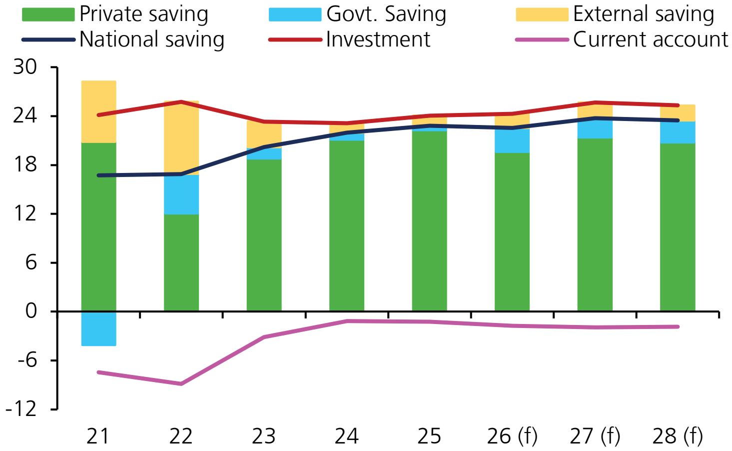
offset the lower volumes. On the import side, the outlook points to a larger deficit, driven primarily by the impact of increased fuel prices. The revisions to the current account balance are consistent with the expected increase in public-sector savings (Table 3 and Figure 5).

TABLE 3 ECONOMIC GROWTH AND CURRENT ACCOUNT

	2025	2026 (f)	2027 (f)	2028 (f)
	(annual change, percent)			
GDP	2.5	1.5-2.5	1.5-2.5	1.5-2.5
National income	4.0	1.9	2.9	2.7
Domestic demand	4.2	2.4	2.5	2.4
Domestic demand (w/o inventory change)	3.8	2.3	2.8	2.5
Gross fixed capital formation	7.0	4.0	3.2	2.8
Total consumption	2.8	1.8	2.6	2.5
Private consumption	2.7	2.2	2.1	2.2
Goods and services exports	4.6	1.5	2.8	2.4
Goods and services imports	10.5	3.4	4.0	3.2
Current account (% of GDP)	-1.2	-1.7	-1.9	-1.9
Gross national saving (% of GDP)	22.8	22.6	23.7	23.5
Gross national investment (% of GDP)	24.1	24.3	25.7	25.3
GFCF (% of nominal GDP)	24.1	24.7	24.8	24.8
GFCF (% of real GDP)	24.2	24.7	24.9	25.1
	(US$ million)			
Current account	-4,349	-7,000	-8,300	-8,200
Trade balance	23,847	26,900	25,500	26,500
Exports	110,363	125,000	126,500	132,300
Imports	86,516	98,100	101,000	105,800
Services	-8,936	-9,800	-10,000	-10,700
Rent	-19,353	-24,000	-23,700	-23,900
Current transfers	94	-100	-100	-100

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

FIGURE 5 CURRENT ACCOUNT: SAVINGS AND INVESTMENT (1)
(percentage of annual GDP)

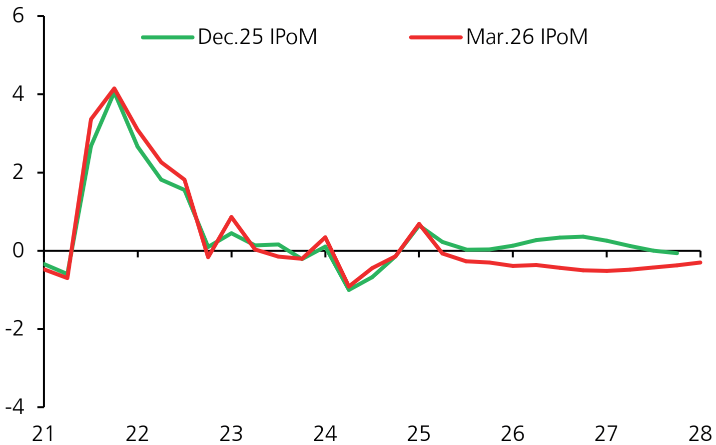


(1) The government savings component considers as actual data up to 2025 the general government's balance sheet; the government savings of the central government's balance sheet is used for the 2026-2028 forecast.
(f) Forecast.
Source: Central Bank of Chile.

THE ACTIVITY GAP AND CONVERGENCE OF INFLATION TO THE TARGET

The activity gap is projected to be slightly negative over the projection horizon (Figure 6). This projection considers a higher potential GDP than in 2025 (2.7% annually) mostly because of transitory supply-side factors that were seen early that year originating in exporting sectors, and the worsened prospects for non-mining GDP in 2026. Throughout the projection horizon, potential GDP growth converges to our economy's trend growth rate estimated for the five-year period 2026-2030 (2.1%). This latter figure is slightly revised up from its previous estimate (2.0% for the 2025-2029 period in the September 2024 IPoM).

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



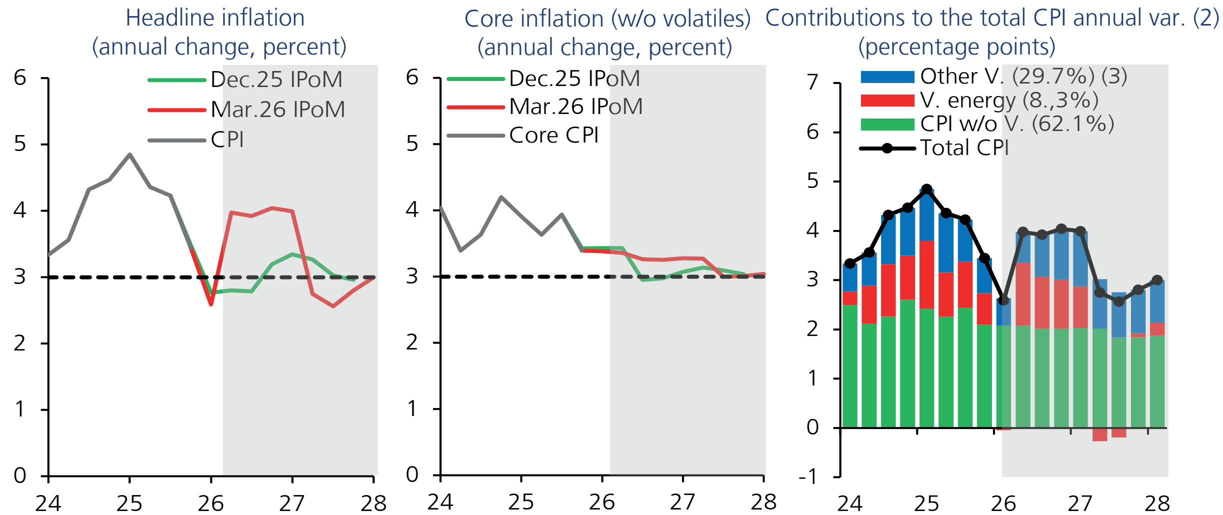
(1) Shows the estimate and projection contained in the respective IPoM.
(2) Forecast assumes structural paramenters updated in March 2026 Monetary Policy Report (IPoM) (trend and potential GDP).
Source: Central Bank of Chile.

The higher international prices of fuels are the main driver of the increased headline inflation forecast, particularly for the short term. There are also the higher expected prices of foods and ither items, given the impacts of the war in the Middle East on production and global prices. This estimation also incorporates the local fuel price increases announced on Monday, March 23.

Thus, inflation would rise to around 4% annually from the second quarter and would return to 3% during the second quarter of 2027. In the central scenario, the latter would be explained by the disappearance of the cost shock to the base of comparison on that date. Market expectations have also begun reflecting an increase in inflation in the coming months (Figure 7 and Table 4). The propagation of these shocks to the rest of the economy is assumed to behave as usual.

Core inflation —the CPI without volatiles— would also be somewhat above the December estimate in the short term. This would reflect the stronger cost pressures coming from the higher fuel prices and shipping costs, as well as the second-round effects resulting from this shock. This would be partly offset by the impact of the lower fiscal spending on domestic demand. For the real exchange rate (RER), the working assumption is that it will converge to its long-term levels, following a similar trajectory to the one described in the last IPoM (Figure 7 and Table 4).

FIGURE 7 INFLATION FORECAST (1)



(1) Figures consider the 2023 CPI reference basket and the splice made by the Central Bank of Chile. Gray area, as from first quarter 2026, shows forecast.
(2) In parentheses, shares in the CPI basket. Abbreviations w/o V. and V. correspond to "without volatiles" and "volatiles", respectively.
(3) Includes food volatiles and other volatiles.
Sources: Central Bank of Chile and National Statistics Institute (INE).

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

	2025	2026 (f)	2027 (f)	2028 (f)
Average CPI	4.2	3.6	3.0	3.0
December CPI	3.5	4.0	2.9	3.0
CPI in around 2 years (2)				3.0
Average core CPI	3.7	3.3	3.1	3.0
December core CPI	3.3	3.3	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 first quarter of 2028.
(f) Forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

MONETARY POLICY STRATEGY: THE CENTRAL SCENARIO AND SENSITIVITIES

As already highlighted, the definition of the central scenario is subject to a greater-than-usual degree of uncertainty. Abroad, the war may expand, the damage to energy production may deepen, and/or the transportation of commodities may suffer for longer, resulting in bigger increases in the prices of several raw materials. There may also be monetary or fiscal policy responses that moderate the impacts on financial markets and global activity. At home, we cannot rule out the fiscal impulse or the consumption response being different from the central scenario's assumptions. All this calls for the need to evaluate alternative scenarios.

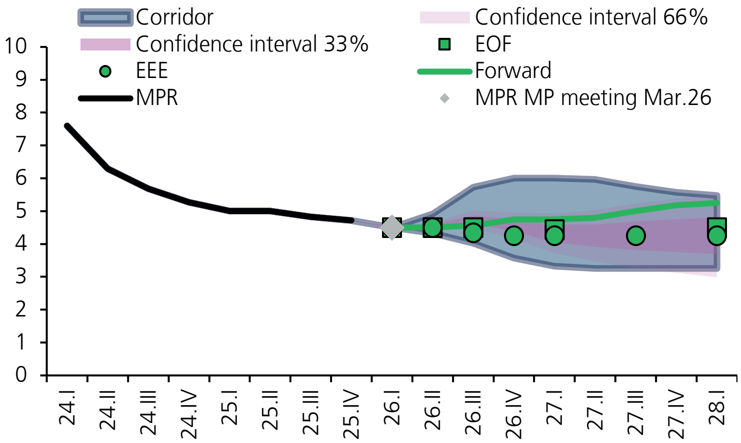
Regarding the MPR corridor, the lower bound reflects a scenario where the negative effects on activity are greater than assumed in the central scenario. This would trigger a sharper reduction of medium-term inflationary pressures, prompting the need for a lower MPR over the projection scenario.

The upper part of the corridor sees higher and more persistent inflation than foreseen, which could be the case of the cost shock and/or its propagation exceeds expectations. This could be fueled by a more dynamic domestic demand, driven by a better performance of the global economy, a stronger fiscal impulse or local expectations sustaining private spending decisions. Another possibility would be greater second-round effects reinforcing the mechanisms of inflation persistence.

The Board estimates that constant assessment of alternative scenarios will be needed where the reactions of the local and world economies may configure inflationary pressures different from those expected and require changes in monetary policy. Thus, the future evolution of the MPR will be analyzed meeting by meeting based on how events unfold. However, the starting point of the Chilean economy, with a virtually closed gap, low inflation and inflation expectations close to the target, allows it to better face the challenges of the uncertain scenario and react effectively to the changes that occur in it to ensure the convergence of inflation towards the target.

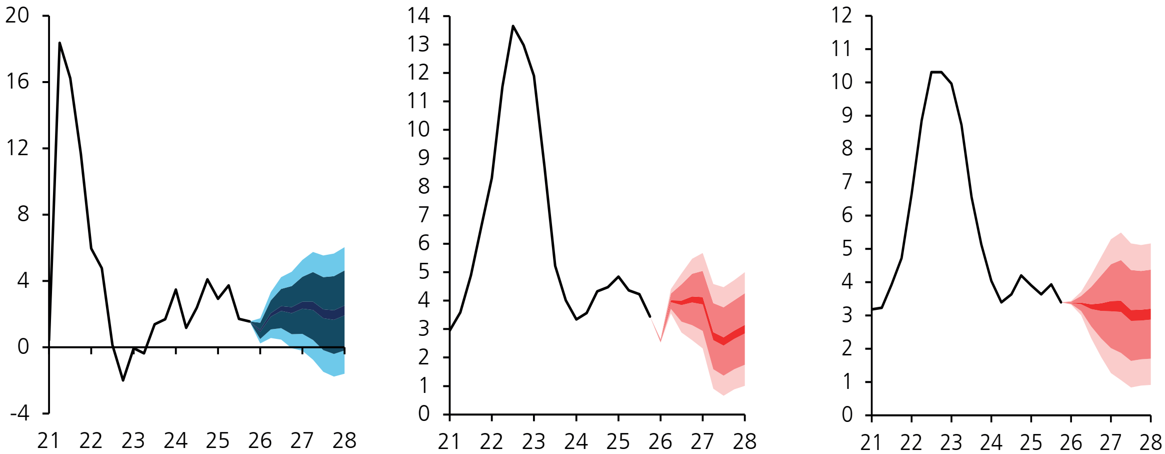
The Board reaffirms that it will make every decision necessary to meet its objective of ensuring that projected inflation stands at 3% over a two-year horizon.

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



(1) The 2027 and 2028 calendar considers two MP meetings per quarter. The corridor is built by following the methodology described in Boxes V.1 of March 2020 Report and V.3 of March 2022 Report. It includes the March Economic expectations survey (EEE), the March pre-MP meeting Financial traders survey (EOF) and the quarterly average smoothed forward curve as of March 19. 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 March 2026.
Fuente: Banco Central de Chile.

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



(1) The figure shows the confidence interval of the central projection to the respective horizon (colored area). Includes 10, 70 and 90% confidence intervals around the central scenario. Confidence intervals are constructed from the RMSEs of the XMAS-MEP models, 2009-2017 average.
(2) 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).

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