# MONETARY POLICY REPORT

JUNE 2026

MAGELLANIC PENGUINS
Isla Magdalena National Park

# Magellanic Penguins

(*Spheniscus magellanicus*)

The Magellanic penguin is a seabird adapted to living in the water, with a hydrodynamic body ideal for swimming. It has black plumage on its back and white plumage on its chest and abdomen, where two distinctive black stripes set it apart from similar species. It grows to stand roughly 70 cm tall and weighs four kilograms.

Its geographic range covers southern South America, in both the Pacific and Atlantic oceans. During spring and summer, it forms breeding colonies, notably on Magdalena Island in Chile. In winter, it migrates north in search of food, reaching as far as southern Peru and the coast of Brazil.

For food, the Magellanic penguin hunts by diving, feeding on a variety of fish, squid, and crustaceans, and adapting to the availability of resources in its environment.

To reproduce, it nests in the spring in areas with dense vegetation that provide protection. The female typically lays two eggs, which are incubated by both parents for about 40 days. Afterward, both mother and father share the chicks' care. Unlike other species, they do not form nurseries, as they live in burrows. Their reproductive success is higher in the Pacific than in the Atlantic, thanks mainly to better food and habitat conditions.

# Monetary Policy Report

June 2026

## 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 was June 10. This document was originally written in Spanish. In case of discrepancy or difference in interpretation, the Spanish version prevails.

# SUMMARY

As expected, headline inflation has risen rapidly, driven by the significant cost shock resulting from the conflict in the Middle East. Meanwhile, during the first quarter, domestic demand evolved in line with forecasts, while economic activity surprised negatively, largely associated with the performance of sectors linked to natural resources. On the external front, the rise in oil prices caused an increase in inflation in several economies. Global activity remains resilient, partly supported by technology breakthroughs, which have sustained favorable financial conditions. In this context, projections for the 2026–2028 period are made limited adjustments. The GDP growth forecast for 2026 is reduced, mainly due to incoming first-quarter figures. In contrast, a higher growth range is anticipated for 2027, driven in part by stronger investment momentum. Regarding domestic demand, no significant revisions are observed on aggregate, although changes in its composition are considered, mostly this year. In particular, public spending is projected to gain momentum, while household consumption is expected to lose traction, as its underlying fundamentals have weakened. Investment forecasts for this year have also been revised downward, because of lower-than-expected actual figures; however, the medium-term outlook has improved. Forecasts for inflation continue to assume that the annual change in the CPI will resume levels around 3% during the second quarter of 2027. The Board estimates that the balance of risks to inflation has been shifting gradually toward equilibrium, although the macroeconomic outlook remains subject to a higher-than-usual degree of uncertainty. Accordingly, the future path of the monetary policy rate (MPR) will be assessed on a meeting-by-meeting basis, based on how events unfold.

**As expected, inflation has risen rapidly in recent months, driven by the significant cost shock caused by the tensions in the Middle East.** The year-on-year change in the overall CPI rose to 3.9% in May (2.4% in February), mainly reflecting the higher fuel prices. This pushed inflation of the volatile component up to 5.1% annually last May.

**So far, inflation dynamics have evolved in line with expectations, with the pass-through of the shock to other prices consistent with historical averages.** This is reflected in the 3.2% annual variation of core CPI, in line with the March forecast. In any case, while the risks to inflation have been balanced, they remain relevant and should be carefully monitored (Box II.1).

**Activity contracted in the first quarter, with worse-than-expected results, explained largely by the performance of sectors associated with natural resources.** The decline in copper mining stood out, linked to lower ore grades and downtime at some sites. This was compounded by the downturn in the agricultural-forestry and fishing sectors, which affected other industries through supply chains. Construction and some service sectors also underperformed. In April, sectors linked to natural resources continued to dampen economic activity. However, historical data and other indicators point to a reversal of these effects during the second half of the year, except in mining, where they are expected to be more persistent. The nature of these shocks and their limited spillover to the rest of the economy suggest temporary adjustments to potential output and limited effects on the output gap (Box I.3).

**Aggregate domestic spending was in line with forecasts in the first quarter.** In any case, differences were observed in their composition. Private consumption kept growing at a similar pace to that of the previous period (1% quarterly, seasonally adjusted), while public consumption posted a strong rebound. Meanwhile, gross fixed capital formation (GFCF) weakened, particularly the machinery and equipment component, a trend that continued in the data released for the second quarter. Construction and other works performed below projections, remaining virtually stagnant, and continuing to be affected primarily by the housing segment.

**Several private consumption fundamentals have shown a less favorable evolution since the last IPoM.** In the labor market, the unemployment rate has risen, while various indicators point to weak job creation and a shift from formal to informal employment. At the same time, the external shock has reduced the year-on-year change in real wages—due to the rapid rise in inflation—and has negatively affected consumer expectations. In this context, April's economic activity data showed reduced momentum in sectors linked to private consumption.

**For this year, the public spending estimate is higher than that of the previous IPoM, which included all the cuts stipulated in the government's March communication.** The change also includes recognition of higher committed expenditures for 2026, in line with what was reported in the latest Public Finances Report (IFP). Thus, consistent with the information in that Report, this IPoM's fiscal spending assumption is 1.2 percentage points of GDP higher than projected in March.

**Externally, as well as in Chile, inflation has been pushed up by the effects of the oil price hikes.** With significant fluctuations, prices remained above $90 per barrel in the weeks leading up to the statistical cutoff of June 10. Until that date, futures contracts continued to point to a decline in prices, although these remained at levels higher than those seen before the conflict broke out.

**World activity has increased in line with expectations.** The dynamism of tech sectors in several countries continues to bolster financial conditions, investment, and economic activity. However, there is heterogeneity in this area, as the economies most deeply involved in developing new technologies—primarily the United States and some Asian countries—have benefited more than the rest (Box I.1).

**Growing concerns about inflation, against a backdrop of resilient economic activity, have led to a more hawkish monetary policy outlook across a group of economies.** Most central banks remain cautious ahead of their upcoming decisions, and several are highlighting the upside inflationary risks. The United States stands out, where incoming economic data has reinforced expectations of Fed funds rate hikes, in addition to the European Central Bank's increase in its benchmark interest rate at its June meeting.

**In this scenario, global financial conditions continue to show volatility.** Compared to the previous IPoM, riskier assets have rebounded, particularly in the tech sectors, while the global dollar remains stable. Long-term interest rates have continued to rise in major economies, reflecting changes in inflation and monetary policy outlooks, as well as growing fiscal imbalances. At home, the peso and the IPSA show no significant changes when comparing the statistical cutoffs of this IPoM and the last.

## Projections

**On the external front, the oil price trajectory is slightly moved up from the March forecast.** Based on futures prices for the ten days prior to the statistical cutoff date —June 10, the price per barrel (WTI-Brent average) is projected to stand at US$90 in 2026, US$78 in 2027, and US$74 in 2028. On average, these figures are around 4.5% higher than those in the March IPoM.

**As long as the global supply of oil remains restricted, scenarios of even more extreme increases in the price of oil could occur.** The use of oil inventories to compensate for lower global supply has reduced their availability and, therefore, their ability to mitigate the impact on prices. This opens the possibility of scenarios in which oil prices exhibit more extreme spikes, with even stronger effects on global inflation (Box I.2). In any case, should this situation arise, it would also have a contractionary effect on global economic activity through a deterioration in earnings, expectations, and financial conditions.

**The copper price projections are raised for the period 2026-2028, while for world activity they remain similar to those in the previous IPoM.** The former is consistent with higher trading prices and robust global demand, underpinned by increased defense spending, energy transition, and investment in new technologies. Prices are foreseen at US$5.8, US$5.2, and US$5 in 2026, 2027, and 2028, respectively (US$5.4, US$5.1, and US$5 in March). Meanwhile, projections again anticipate GDP growth of 2.8% for Chile's trading partners over the 2026–2028 three-year period.

**Locally, projections maintain a similar trajectory for consumption, although with changes in its composition.** For private consumption, the growth rates foreseen in 2026 and 2027 have been revised downward, in line with changes in their fundamentals. The opposite is true for public consumption, whose growth in 2026 is higher than projected in March, in tune with the new fiscal projections. For 2027 and 2028, the committed public spending included in the latest IFP is considered.

**The GFCF growth estimate is revised downward for this year.** This is influenced by the negative surprise in the first quarter and the less favorable trend in recent available data. With this, the projection has been revised down from 4% in March to 2.2% in this IPoM.

**However, the medium-term investment outlook has continued to improve.** The latest survey from the Capital Goods Corporation raised the projected investment amounts for large-scale projects for the 2026–2029 period by 33%. One factor behind this increase is the sustained high price of copper, along with financial conditions that have remained essentially unchanged in recent months. In this context, investment growth is foreseen at 5% in 2027 (3.2% in March) and 3.2% in 2028 (2.8% in March).

**The growth range foreseen in 2026 is lowered to 1.0-1.75% (1.5-2.5% in March), a revision that is largely explained by the negative surprise of the first quarter.** Worth noting in this change is the contraction projected for the mining industry. For 2027, the range is raised to 2.0–3.0% (1.5–2.5% in March), driven partly by stronger investment performance. For 2028, the range is adjusted to 1.75–2.75% (1.5–2.5% in March).

**Regarding headline inflation, as in March, it is still projected to return to values close to 3% in the second quarter of 2027.** Inflation is expected to be slightly higher by the end of this year than was expected in March, mainly due to the changed assumption about oil prices.

**There are no changes in core inflation.** The spillover of the cost shock to other prices in the economy has been in line with expectations, and the assumption remains that it will follow typical patterns. In any case, monitoring this assumption remains important. Inflationary pressures from spending have not changed substantially, with public and private spending outlook adjustments moving in opposite directions. The projection assumes that the real exchange rate will remain around its long-term level and evolve in line with the March forecast.

**Market inflation expectations are consistent with this scenario.** For the short term, annual inflation is expected to be slightly above 4% for a few quarters. Over the next one to two years, it would stand around 3%.

**After the statistical cutoff of this report, the signing of an agreement between the United States and Iran was announced, to be finalized on Friday, June 19.** Global financial markets reacted positively to the announcement, with stock market gains, lower interest rates, and a global depreciation of the dollar. Regarding commodity prices, the decrease in oil prices stood out. These fell back to levels slightly below US$80 per barrel (WTI-Brent average), representing declines of slightly more than 10% in the short-term price. Looking two years ahead, the trajectory of futures contracts shows a price approximately 3% lower than that considered in the central scenario.

**However, the conflict has been marked by constant back-and-forth negotiations to reach a peace agreement.** For this reason, it is necessary to continue monitoring the course of events and assessing their impact on the inflation outlook.

## Monetary policy

**The Board estimates that the balance of risks to inflation has been shifting gradually toward equilibrium, although the macroeconomic outlook remains subject to a higher-than-usual degree of uncertainty.** The conflict in the Middle East has not been definitively resolved, and global oil supply has not returned to normal. At the same time, while economic activity has been affected mainly by temporary supply-side factors and the outlook for demand has not changed significantly, several household consumption fundamentals have performed less favorably.

**Accordingly, the future path of the monetary policy rate will be assessed on a meeting-by-meeting basis, based on how events unfold.** The Board reaffirms that it will make every decision necessary to meet its objective of bringing projected inflation to 3% over a two-year horizon.

**In terms of the MPR corridor, its lower and upper bounds are defined by similar scenarios to those considered in March. The lower one reflects a sharper deterioration of domestic demand.** This could result from a further weakening of the labor market, as well as of household and business expectations. This would ease medium-term inflationary pressures, calling for a lower MPR over the projection horizon.

**The upper bound reflects a situation where inflation is higher and more persistent than estimated, which could be the case if the cost shock and/or its spillover exceeds expectations.** This could occur in a scenario where both the Chilean and the global economies are more dynamic, thus amplifying the second-round effects of the cost shock beyond expectations and reinforcing the mechanisms driving inflationary persistence. In such case, a more contractionary MPR would be necessary to ensure the convergence of inflation to the target.

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

| | 2024 | 2025 | 2026 (f) | | 2027 (f) | | 2028 (f) | |
|---|---|---|---|---|---|---|---|---|
| | | | Mar.26 IPoM | Jun.26 IPoM | Mar.26 IPoM | Jun.26 IPoM | Mar.26 IPoM | Jun.26 IPoM |
| Average CPI | 3.9 | 4.2 | 3.6 | 3.7 | 3.0 | 3.2 | 3.0 | 3.0 |
| December CPI | 4.5 | 3.5 | 4,0 | 4.2 | 2.9 | 2.9 | 3.0 | 3.0 |
| CPI in around 2 years (3) | | | | | | | 3.0 | 3.0 |
| Average core CPI | 3.8 | 3.7 | 3.3 | 3.3 | 3.1 | 3.2 | 3.0 | 3.0 |
| December core CPI | 4.3 | 3.3 | 3.3 | 3.3 | 3.0 | 3.0 | 3.0 | 3.0 |
| Core CPI around 2 years (3) | | | | | | | 3.0 | 3.0 |

(1) Core inflation is measured using the CPI without volatiles. (2) Figures consider the 2023 CPI reference basket and the splice made by the Central Bank of Chile. (3) For March 2026 IPoM corresponds to inflation forecast for the first quarter of 2028, for June 2026 IPoM to inflation forecast for the second 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) | |
|---|---|---|---|---|---|---|---|---|
| | | | Mar.26 IPoM | Jun.26 IPoM | Mar.26 IPoM | Jun.26 IPoM | Mar.26 IPoM | Jun.26 IPoM |
| | (annual change, percent) | | | | | | | |
| Terms of trade | 3.3 | 7.6 | 2.6 | 4.2 | 0.7 | 0.2 | 0.8 | 0.9 |
| Trading partners | 3.3 | 3.3 | 2.7 | 2.8 | 2.7 | 2.7 | 2.9 | 2.9 |
| World GDP at PPP | 3.4 | 3.5 | 2.9 | 3.0 | 3.0 | 3.0 | 3.3 | 3.2 |
| Developed GDP at PPP | 1.7 | 1.7 | 1.5 | 1.4 | 1.7 | 1.7 | 2.0 | 2.0 |
| Emerging GDP at PPP | 4.6 | 4.5 | 3.7 | 3.8 | 3.7 | 3.7 | 3.9 | 3.8 |
| | (levels) | | | | | | | |
| LME copper price (US$cent/pound) | 415 | 451 | 540 | 580 | 510 | 520 | 500 | 500 |
| Oil price, average WTI-Brent (US$/barrel) | 78 | 67 | 86 | 90 | 75 | 78 | 71 | 74 |

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

**TABLE 3**: INTERNAL SCENARIO
(annual change, percent)

| | 2024 | 2025 | 2026 (f) | | 2027 (f) | | 2028 (f) | |
|---|---|---|---|---|---|---|---|---|
| | | | Mar.26 IPoM | Jun.26 IPoM | Mar.26 IPoM | Jun.26 IPoM | Mar.26 IPoM | Jun.26 IPoM |
| GDP | 2.8 | 2.5 | 1.5 - 2.5 | 1.0 - 1.75 | 1.5 - 2.5 | 2.0 - 3.0 | 1.5 - 2.5 | 1.75 - 2.75 |
| Domestic demand | 1.2 | 4.2 | 2.4 | 2.2 | 2.5 | 3.0 | 2.4 | 2.7 |
| Domestic demand (w/o inventory) | 0.7 | 3.8 | 2.3 | 2.2 | 2.8 | 3.0 | 2.5 | 2.7 |
| Gross fixed capital form | -1.6 | 7.0 | 4.0 | 2.2 | 3.2 | 5.0 | 2.8 | 3.2 |
| Total consumption | 1.4 | 2.8 | 1.8 | 2.2 | 2.6 | 2.3 | 2.5 | 2.5 |
| Private consumption | 1.1 | 2.7 | 2.2 | 1.8 | 2.1 | 2.0 | 2.2 | 2.2 |
| Goods and services exports | 7.2 | 4.6 | 1.5 | -1.8 | 2.8 | 2.7 | 2.4 | 2.4 |
| Goods and services imports | 2.1 | 10.5 | 3.4 | 0.8 | 4.0 | 4.5 | 3.2 | 3.6 |
| Current account (% of GDP) | -1.2 | -1.2 | -1.7 | -1.4 | -1.9 | -1.9 | -1.9 | -1.9 |
| Gross national saving (% of GDP) | 22.0 | 22.8 | 22.6 | 22.3 | 23.7 | 22.9 | 23.5 | 23.3 |
| Gross fixed capital formation (% of nominal GDP) | 23.7 | 24.1 | 24.7 | 23.8 | 24.8 | 24.7 | 24.8 | 25.0 |

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

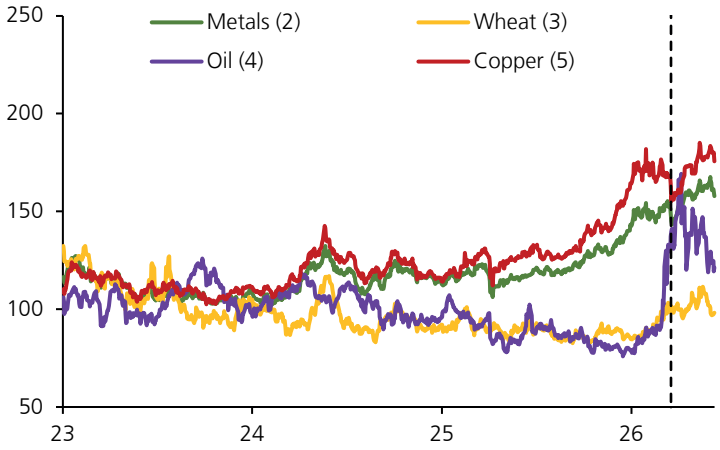
# I. RECENT EVOLUTION OF THE MACROECONOMIC SCENARIO

The external environment has continued to be influenced by the conflict in the Middle East and remains subject to a higher-than-usual level of uncertainty. As of the statistical cutoff date for this Monetary Policy Report, oil prices remained above projected levels, exerting upward pressure on global inflation indicators. Despite this, global activity has remained resilient and expectations have shown only limited changes, giving rise to a more contractionary stance for monetary policy across a broad set of countries. In Chile, economic activity contracted in the first quarter and came in below the forecast in the March IPoM, a result largely attributable to the performance of sectors linked to natural resources. Domestic spending evolved in line with expectations, although with differences in its composition. Private consumption remained dynamic, while gross fixed capital formation (GFCF) declined, driven primarily by the machinery and equipment component. On the margin, April's economic data continued to reflect weak performance in sectors linked to natural resources, compounded by slower growth in areas related to private consumption. Headline inflation increased significantly, driven by fuel prices, while core inflation —CPI excluding volatile items— has shown little change. These developments are in line with those anticipated in the previous Monetary Policy Report, indicating a cost shock pass-through consistent with historical patterns.

## THE INTERNATIONAL SCENARIO

**The conflict in the Middle East and its economic and financial repercussions continue to capture a significant share of global attention.** As of the statistical cutoff date for this IPoM, developments in the geopolitical scenario were more adverse than anticipated in March. In this context, crude oil prices stood above the levels projected in the previous Report, exceeding US$110 per barrel on several days in April for both WTI and Brent (Figure I.1).

**FIGURE I.1** COMMODITY PRICES (1)
(index, 2010-2026 average = 100)



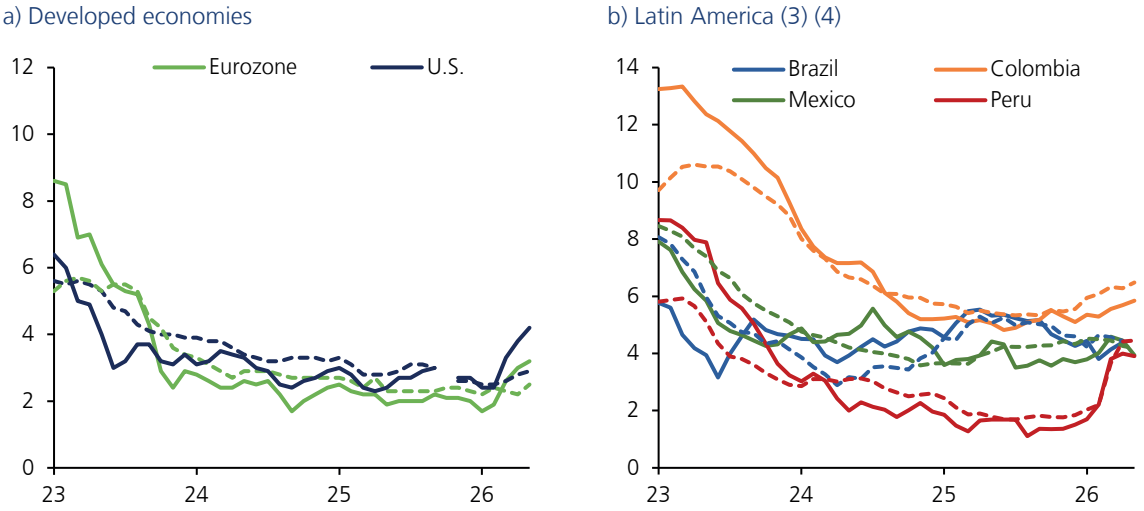

(1) Dashed vertical line corresponds to the statistical cutoff of the March 2026 IPoM. (2) S&P GSCI Industrial Metals. (3) Prices of futures one-month ahead. (4) WTI and Brent simple average. (5) Corresponds to the LME price.
Source: Bloomberg.

**The prolonged military tensions and the closure of the Strait of Hormuz have kept global oil supply constrained.** This situation has been partly mitigated by increased exports from countries outside the conflict zone, the use of reserves, and/or adjustments to usual trade routes. Nevertheless, as long as restrictions on oil supply persist, significant risks scenarios could emerge for the trajectory of oil prices in the coming months (Box I.2).

**Prices of other commodities have also increased, including copper, driven by strong demand, supply constraints, and war-related cost factors (Figure I.1).** On the one hand, expectations of higher demand linked to the use of artificial intelligence (AI), the energy transition, and increased defense spending remain in place. On the other hand, supply-side factors have emerged, such as higher costs for key inputs in copper production—sulfuric acid and fuels—and a renewed increase in expectations of tariff implementation by the United States. Meanwhile, international food prices (FAO index) also rose—+4.2% since the last Report—with increases across nearly all components, alongside higher fertilizer costs.

**In this context, both global inflation and its expectations have increased in a widespread manner (Figure I.2).** Higher oil prices have driven headline inflation indicators in several economies, particularly through energy components. In addition, disruptions to supply chains and the heightened cost pressures stemming from the conflict in the Middle East have filtered through to inflation outlooks in a significant number of countries, both in the short and medium term. Core measures, in turn, show greater heterogeneity.

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

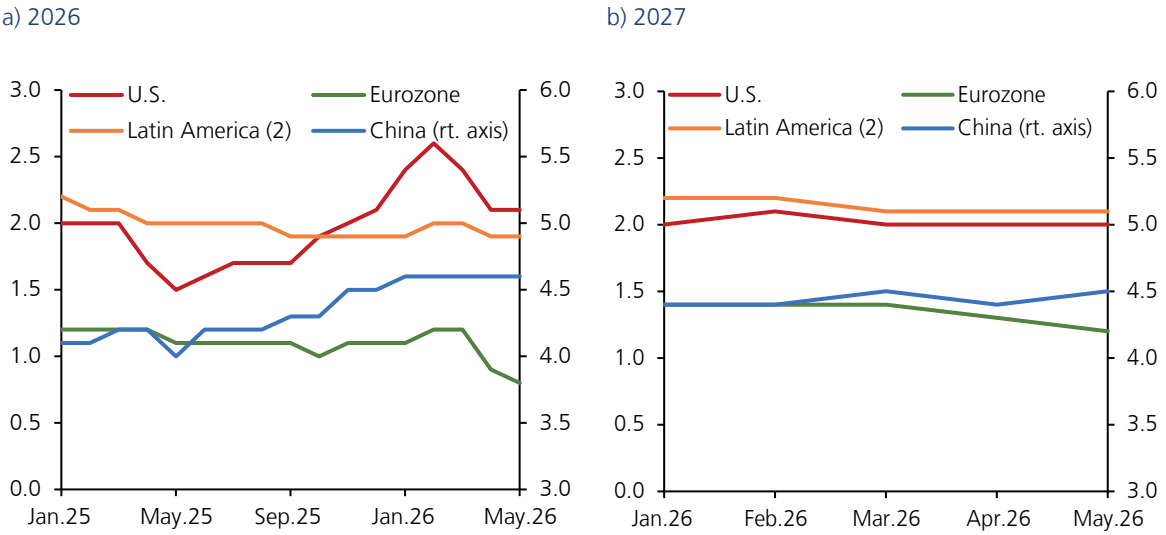



(1) Dashed lines correspond to core inflation. The latest data refer to May (except for Brazil, which corresponds to April). (2) Core measures exclude food and energy. (3) Inflation in Peru refers to Lima. (4) Core inflation for Brazil, Colombia, and Peru excludes food and fuel. In Mexico, it excludes food and energy.
Source: Bloomberg.

[1]/ For the purposes of short-term analysis, this IPoM reverts to the standard methodology, namely the 10-business-day average up to the statistical cutoff date (June 10, 2026). This differs from the approach used in the March IPoM, where, given the volatility observed in financial markets in the weeks leading up to the statistical cutoff date, a five-business-day average was used (March 19, 2026).

**Global activity has remained resilient, notwithstanding some heterogeneity, and market projections show limited adjustments (Box I.1).** In the United States, first-quarter GDP growth was driven by AI-related investments. In China, momentum was explained by the strong performance of manufacturing industry and the external sector—also supported by exports of new technologies. In the same period, growth rates in the Eurozone and Latin America surprised to the downside and upside, respectively, influenced by idiosyncratic factors in some countries. Regarding global growth expectations, compared with the previous IPoM, they show a moderate decline for 2026 and remain broadly unchanged for 2027 (Figure I.3).

**FIGURE I.3** CONSENSUS FORECASTS: GLOBAL GROWTH PROJECTIONS (1)
(percent)

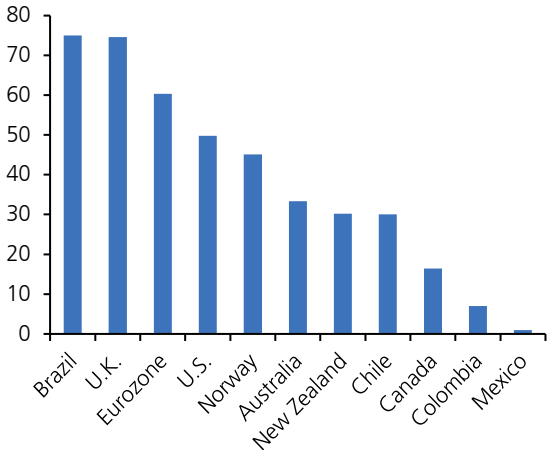



(1) The latest information available as of the cutoff date for this IPoM corresponds to May. (2) Includes Brazil, Argentina, Peru, Colombia, and Mexico. PPP-weighted growth, with each economy's weights based on WEO (IMF).
Sources: Consensus Forecasts and IMF.

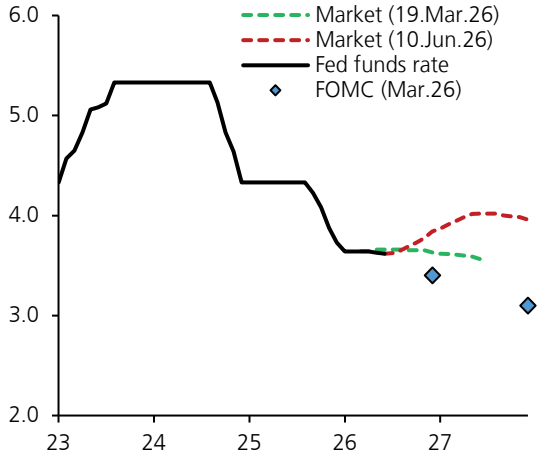
**This more inflationary environment has increasingly translated into more contractionary monetary policy outlooks in a significant number of economies.** Most central banks have adopted a more cautious stance regarding their upcoming decisions, in several cases emphasizing the rise in risks to both current and prospective inflation dynamics. For 2026, the market expects policy rate increases in a relevant group of countries. In the case of the Federal Reserve, the latest data have shifted expectations toward a Fed funds rate hike this year, in contrast to the rate cuts anticipated just a few months ago (Figure I.4).

**FIGURE I.4**

a) Change in expected MPR as of September 2026 (1)
(difference with respect to Feb. 27, 2026, basis points)




b) Fed funds rate (2)
(percent)



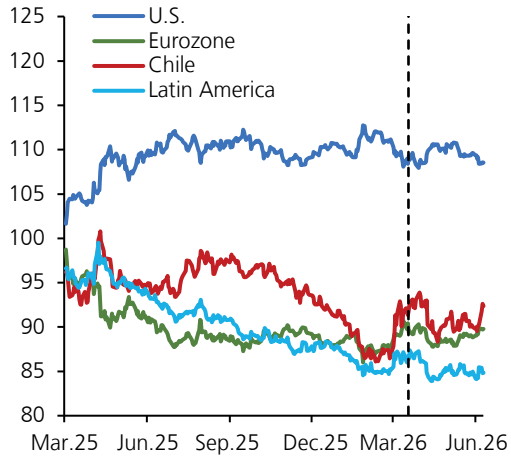

(1) The change in the expected monetary policy rate is calculated based on market rate expectations for the monetary policy meetings of September 2026. For Brazil, the Focus survey is used for the expected policy rate at the September meeting. For Chile, Colombia, and Mexico, the Bloomberg survey for the third quarter of 2026 is used. (2) The FOMC projections correspond to the mid-range of the Fed funds rate presented in March 2026; market projections correspond to the mid-range of the Fed funds rate implied by futures as of Mar. 19, 2026 (statistical cutoff date of that Monetary Policy Report) and Jun. 10, 2026 (statistical cutoff date of this Monetary Policy Report). The effective Fed funds rate for June 2026 considers the average up to June 10, 2026.
Fuentes: Bloomberg and Federal Reserve.

**Global financial conditions remain volatile (Figure I.5).** Stock market indices in several economies have recovered following the declines recorded in March, reflecting expectations regarding the evolution of AI, a more favorable market view of the consequences of the military conflict, and the resilience shown by global activity. Currencies have shown mixed movements against the U.S. dollar. Meanwhile, interest rates have increased across the board, consistent with prospects of higher inflation and economic activity that continues to show no loss of momentum.

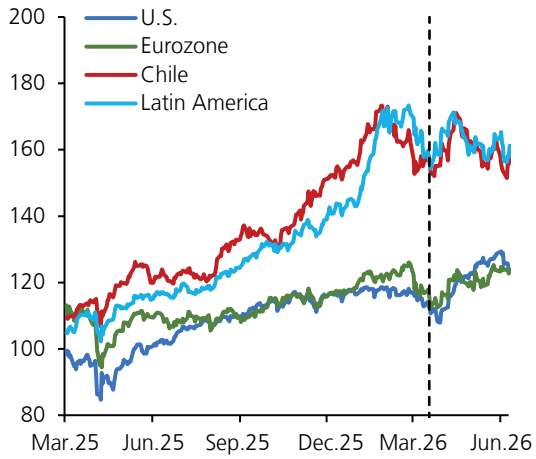
**Local financial market indicators at levels similar to those observed at the statistical cutoff date of the previous IPoM.** Nominal one- and two-year interest rates have shown little variation since March. As for short-term real rates, these declined during April—a movement consistent with the external supply shock—and have edged back toward the levels recorded in the previous Report. Meanwhile, both the stock market (IPSA) and the peso/dollar exchange rate remain around the levels observed in the last IPoM.

**FIGURE I.5** FINANCIAL CONDITIONS

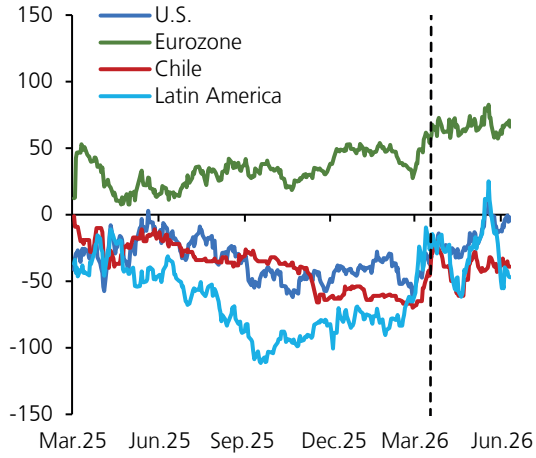
a) Currencies (1) (2) (3)
(index Jan.01, 2025 = 100)



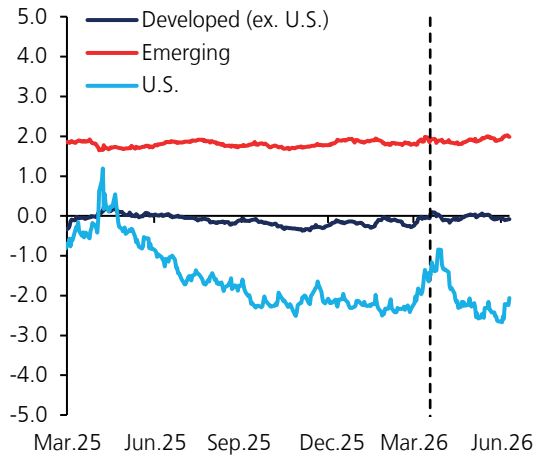

b) Stock markets (1) (2)
(index Jan.01, 2025 = 100)




c) Interest rates on nominal 10-year bonds (1) (2)
(difference with respect to Jan.01, 2025, basis points)




d) GS Financial Conditions Index (1) (4)
(standard deviations)




(1) Dashed vertical line marks the statistical cutoff date of the March 2026 IPoM. (2) For Latin America, it considers the simple average of the indices for Brazil, Mexico, Colombia, and Peru. (3) An increase in the index corresponds to a depreciation of the currency, and vice versa. For the United States, the multilateral exchange rate is used. (4) Indices are standardized with mean and standard deviation over the 2010–2019 period. 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.

**Some of the risks surrounding the future evolution of international environment remain latent.** Should constraints on global oil supply persist, the ability of inventories to contain price increases will be reduced (Box I.2). This would generate renewed pressure on crude oil prices and an increase in external prices, heightening the risk of a reversal in the trajectory of global financial markets. On the other hand, a more resilient global activity scenario could lead to more widespread inflationary pressures. Finally, risks related to fiscal fragility in developed economies and a potential correction in financial asset prices linked to AI cannot be ruled out.

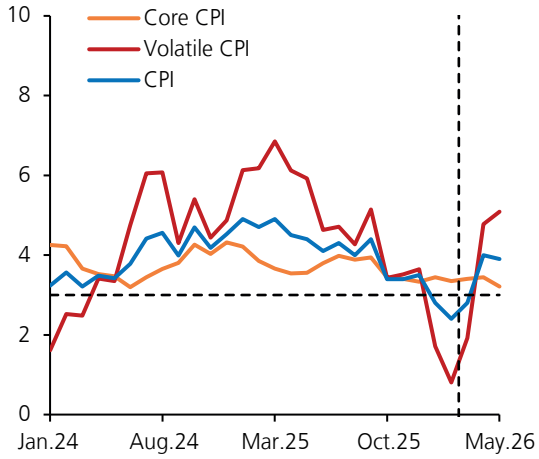
## THE DOMESTIC SCENARIO

**Headline inflation has increased in recent months, affected by the shock to fuel prices caused by the closure of the Strait of Hormuz (Figure I.6).** The annual change in the CPI reached 3.9% in May (2.4% in February, the latest data available at statistical cutoff of the March IPoM).[2]/ The recent rise in inflation was explained by a greater contribution from the volatile component, particularly energy. This was mainly associated with the direct effects of higher gasoline and diesel prices (Figure I.7). Meanwhile, the core measure—CPI excluding volatile items—has remained slightly above 3%, reaching 3.2% in May.

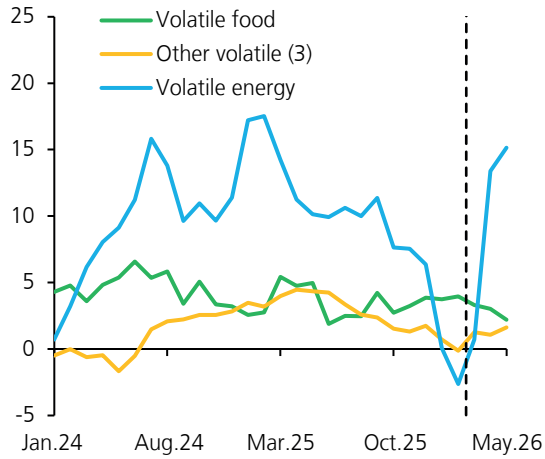
**Overall, the evolution of inflation has been in line with what was projected in the March IPoM.** Core components showed no major surprises, reflecting a cost shock propagation dynamic similar to that expected and consistent with historical averages. Within volatile components, a significant increase in annual inflation was observed, driven by the direct impact of higher fuel prices. Price increases in items not directly affected by the oil shock have been more limited and, with the exception of some transportation services whose costs are more exposed to energy inputs, have been in line with projections.

**FIGURE I.6**

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



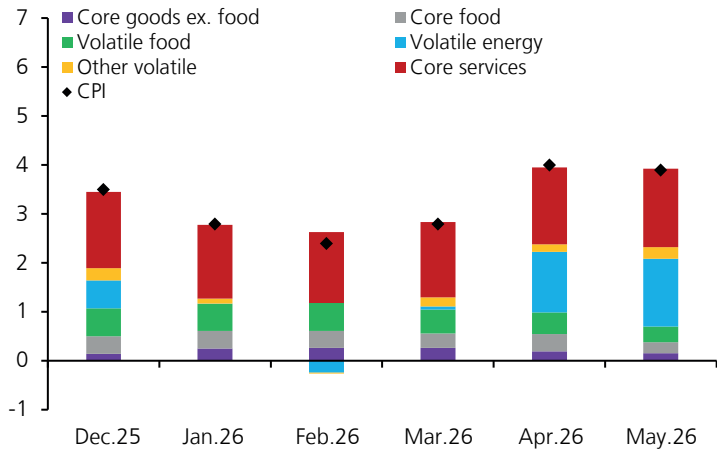

b) Volatile inflation (1) (2)
(annual change, percent)




(1) Prior to 2025, the headline inflation series is based on the 2023 reference basket and the splicing carried out by the Central Bank of Chile. (2) Dashed vertical line corresponds to the statistical cutoff date of the March 2026 IPoM. (3) Includes the sum of Volatile goods and Volatile services.
Sources: Central Bank of Chile and National Statistics Institute.

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

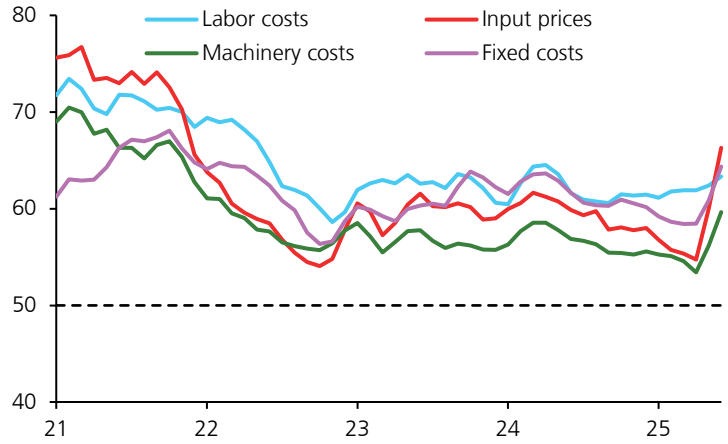
**FIGURE I.7** CONTRIBUTIONS TO ANNUAL VARIATION OF TOTAL CPI
(contributions, percentage points)




Sources: Central Bank of Chile and National Statistics Institute.

**However, cost pressures have increased due to the oil price shock (Figure I.8).** The Price Determinants and Expectations Survey (EDEP), with data through April, showed a significant rise in cost outlooks, particularly for inputs. The IMCE cost index reflected a similar situation in its May report. In the Business Perceptions Report (IPN) for the same month, firms reported increases in the costs of fuel, petroleum byproducts, and both inland and international freight. Meanwhile, in both the EDEP and the IPN, labor costs continue to emerge as a significant cost factor for businesses, although their prominence decreased in the latest IPN report compared to previous issues.

**FIGURE I.8** EDEP: EVOLUTION OF COSTS OVER THE NEXT 3 MONTHS (1)
(diffusion index)

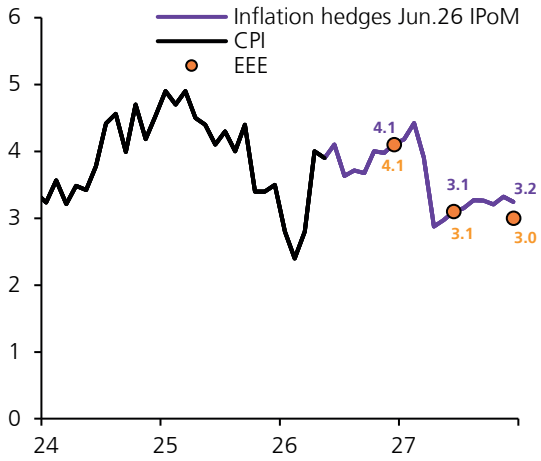



(1) Values above 50 indicate a higher proportion of increase responses, while values below 50 indicate a higher proportion of decrease responses.
Source: Central Bank of Chile.

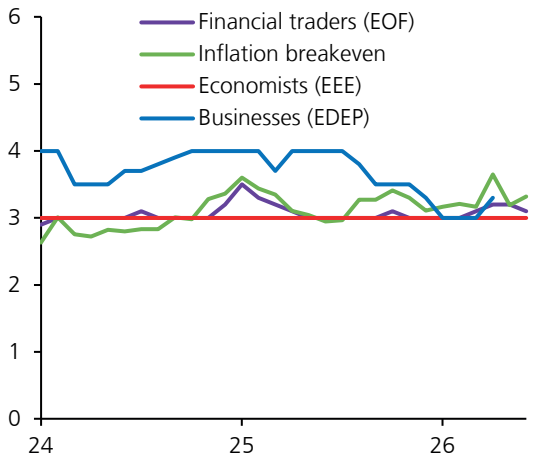
**Inflation expectations for the end of 2026 have risen in recent months. At one- and two-year horizons, they stand around 3% (Figure I.9).** As of December 2026, inflation-hedges at the close of this IPoM and the median of June's Economic Expectations Survey (EEE) are at 4.1%. For the one-year horizon, the median of the Financial Traders Survey (EOF) prior to the June monetary policy meeting, the EEE, and inflation hedges stand at 3.1%. Meanwhile, over the monetary policy horizon (two years), the median of the EOF, the EEE, and inflation hedges are around 3%.

**FIGURE I.9** INFLATION EXPECTATIONS

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




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

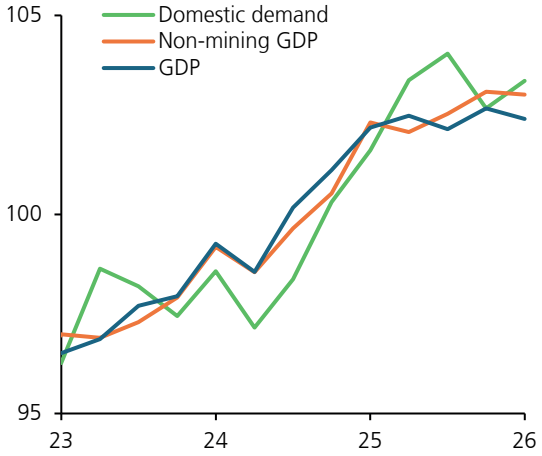



(1) Prior to 2025, the CPI series considers the 2023 reference basket with the BCCh splicing. Inflation hedges consider average prices of the last five days as of June 10th. (2) For surveys, median of responses are reported. (3) EOF considers the survey of the first half of each month until January 2018. 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 June 2026 the average of the last ten days as of June 10th is used. Sources: Central Bank of Chile, ICAP and Risk-America.

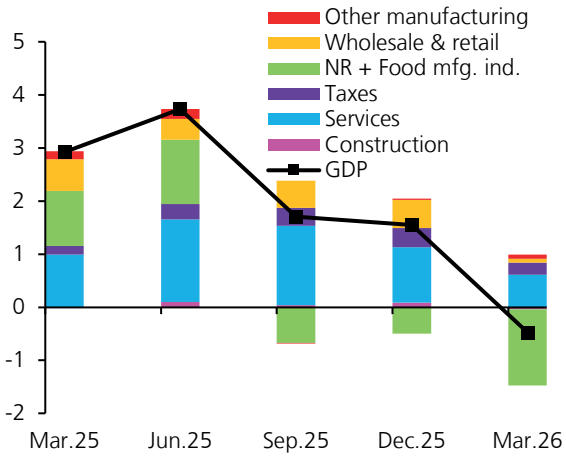
**Local economic activity contracted in the first quarter, falling short of the forecast in the March IPoM. The difference was largely explained by the performance of sectors linked to natural resources (Figure I.10).** During that period, the seasonally adjusted series for total GDP and non-mining GDP declined by 0.3% and 0.1%, respectively, compared with the previous quarter (q/q) (-0.5% and 0% on an annual basis, original series). Copper mining was again affected by lower ore grades and maintenance downtime at some mining sites, factors that could have a more persistent effect (Box I.3). Regarding the non-mining component, fruit production was lower than expected—mainly because of weather conditions—and fishing declined due to lower biomass availability. These sectors, in turn, weighed on the performance of certain segments of wholesale trade and the manufacturing industry.

**FIGURE I.10**

a) Activity and demand
(index 2023-26 average=100, real seasonally adjusted series)



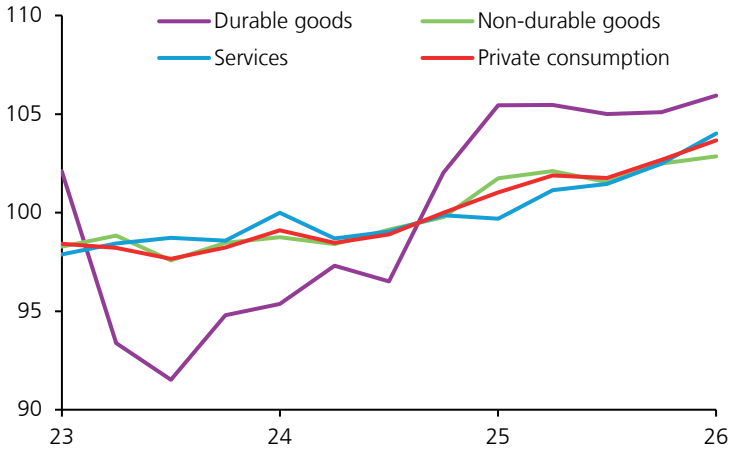

b) GDP supply (1)
(contributions to annual change, percentage points)




(1) Natural Resources (NR) includes the Agriculture and Forestry, Fisheries, Utilities, and Mining sectors.
Source: Central Bank of Chile.

**As expected, private consumption remained dynamic in the first quarter (Figure I.11).** In its seasonally adjusted series, it expanded by 1.0% q/q in the first quarter (2.5% annually, original series). In turn, government consumption grew by 3.0% annually, outpacing the forecast in the March IPoM.

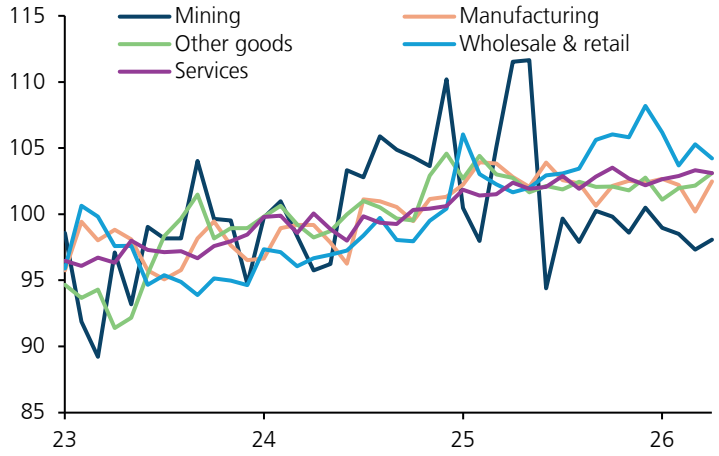
**FIGURE I.11** PRIVATE CONSUMPTION BY COMPONENTS
(index 2023-26 average=100, real seasonally adjusted series)




Source: Central Bank of Chile.

**Partial second quarter data indicate that economic activity has continued to be affected by the aforementioned supply-side factors. Coupled with this was slower growth in sectors linked to private consumption.** In April, the seasonally adjusted total and non-mining Imacec posted monthly changes of 0.1% and 0%, respectively (-1.2% and +0.4% annually, original series) (Figure I.12). In addition to the impact of the aforementioned supply-side factors, this figure was marked by weaker performance in sectors such as retail and some services. Regarding high-frequency indicators, electronic ticket retail sales showed a year-on-year decline in real terms during April, and car sales reported by ANAC saw a moderation in their annual second-quarter growth rates.

**FIGURE I.12** IMACEC BY SECTORS
(index 2023-26 average=100, real seasonally adjusted series)

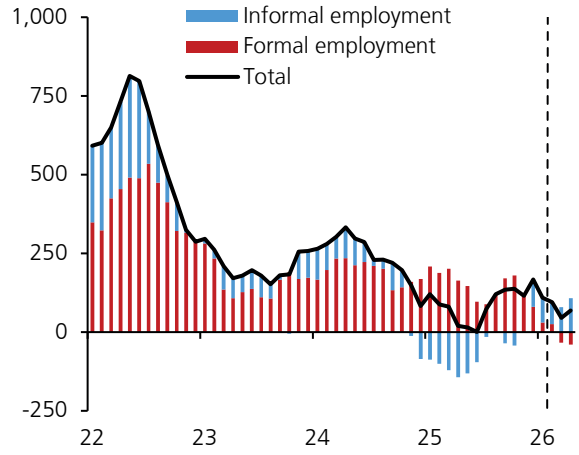



Source: Central Bank of Chile.

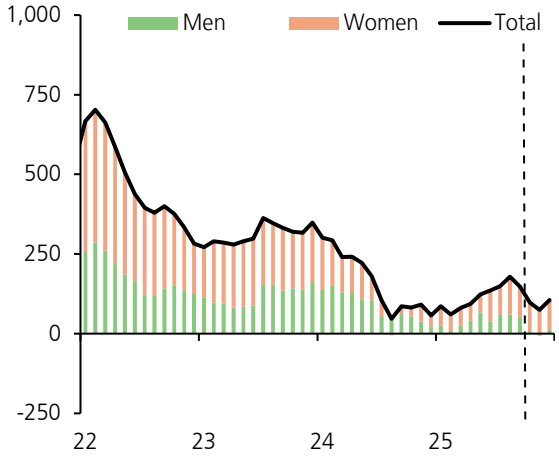
**Overall, the outlook for private consumption has moderated, in line with the less favorable trend in several of its determinants (Figure I.13).** On the one hand, various indicators point to weak job creation and a shift from formal to informal employment (Figure I.13a). On the other, the labor force has increased marginally, particularly among women (Figure I.13b). Thus, the unemployment rate for the moving quarter ending in April rose to 9.1% (8.9% on a seasonally adjusted basis; 8.3% for the November–January quarter, original series; latest data known at the close of the March IPoM). All of this has occurred within the context where the external shock has eroded the annual variation in real wages—associated to the rapid rise in inflation—and has negatively affected consumer expectations (Figure I.14).

**FIGURE I.13** LABOR MARKET

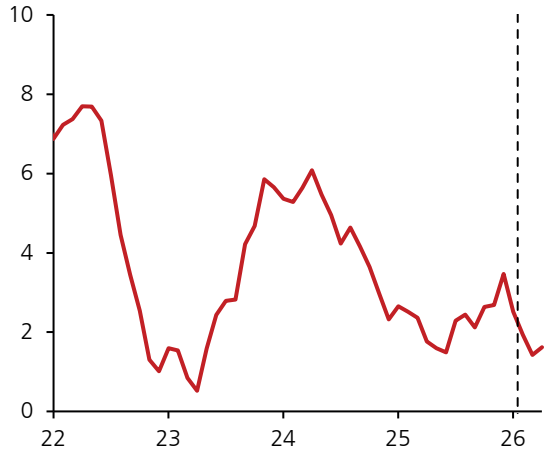
a) Employment by occupational category (1)
(annual difference, thousand persons)



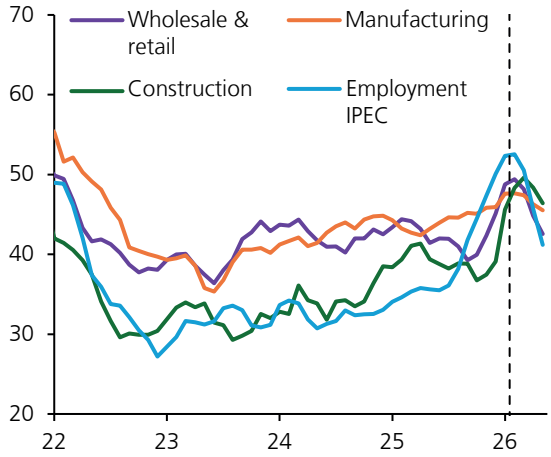

b) Labor force by sex (1)
(annual difference, thousand persons)




c) Real wage bill (1) (2)
(annual change, percent)



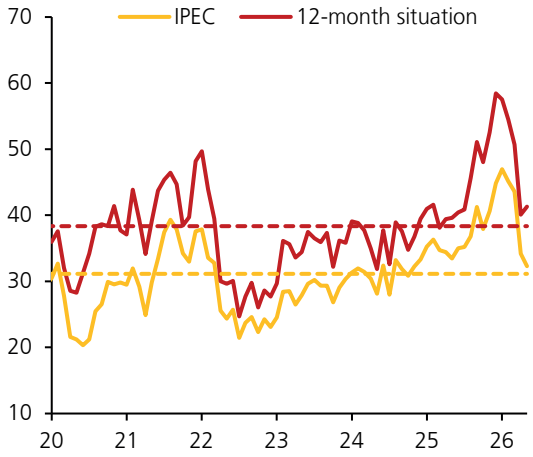

d) Business (IMCE) and consumer (IPEC) expectations (1) (3) (4) (5)
(diffusion index)



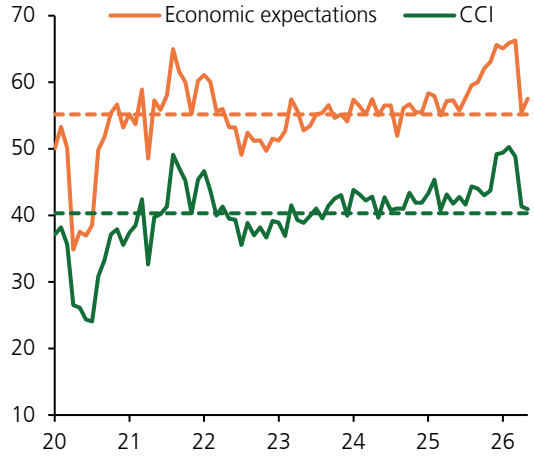

(1) Dashed vertical line corresponds to the statistical cutoff of March 2026 IPoM. (2) Estimate based on seasonally adjusted series of real IR, habitual worked hours and employment. (3) For firms, it corresponds to the employment index of each sector from the IMCE. For consumers, it corresponds to employment expectations from the IPEC. (4) Value above (below) 50 indicates optimism (pessimism). (5) Series reported as three-month moving average of each index.
Sources: Central Bank of Chile, National Statistics Institute (INE), ICARE/UAI and GfK Adimark.

**FIGURE I.14** CONSUMER EXPECTATIONS (1) (2)

a) Economic perception index (IPEC)
(diffusion index)



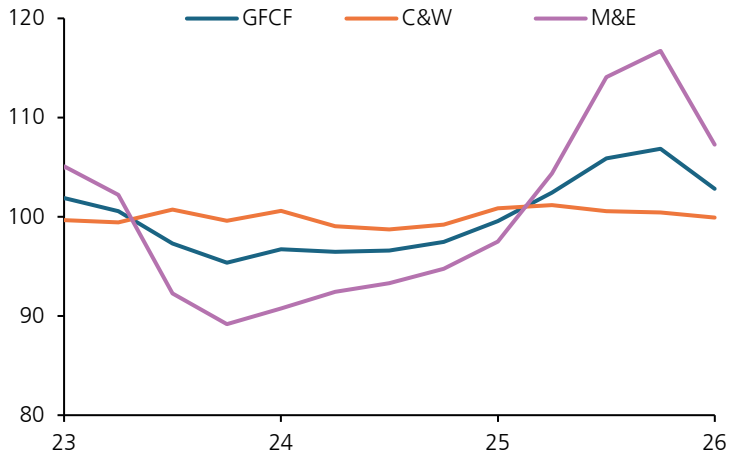

b) Consumer confidence index (CCI) (3)
(diffusion index)




(1) Value above (below) 50 indicates optimism (pessimism). (2) Dashed horizontal lines corresponds to 2020-2026 average of each index. (3) The economic expectations subindex is constructed based on three questions regarding the six-month outlook for the following dimensions: the future of the domestic economy, future personal financial conditions, and expectations of job loss.
Sources: GfK Adimark and IPSOS.

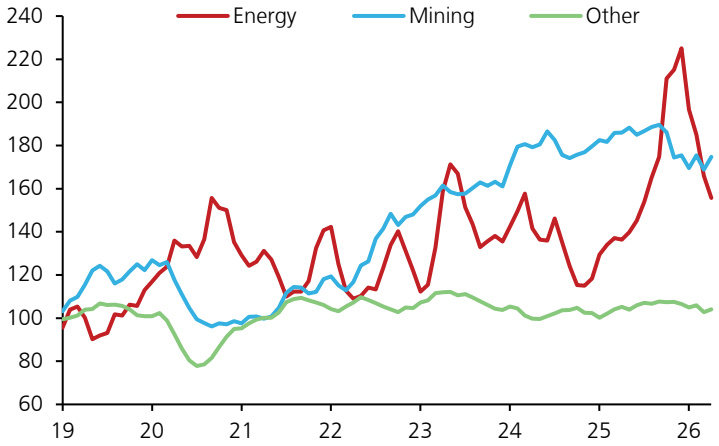
**Gross fixed capital formation (GFCF) declined in the first quarter, turning out lower than expected in March (Figure I.15).** It fell 3.8% q/q in its seasonally adjusted series (+3.2% annually, original series), driven mainly by the contraction in the machinery and equipment component (-8.1% q/q, seasonally adjusted series; +10.1% annually, original series). According to microdata, this was primarily due to a slowdown in investment by the energy sector (Figure I.16). In turn, the construction and other works component continues to lag, posting declines on both a quarterly and annual basis (-0.5% q/q, seasonally adjusted series; -0.9% annually, original series), largely influenced by the residential segment.

**FIGURE I.15** GROSS FIXED CAPITAL FORMATION BY COMPONENTS
(index 2023-26 average=100, real seasonally adjusted series)




Source: Central Bank of Chile.

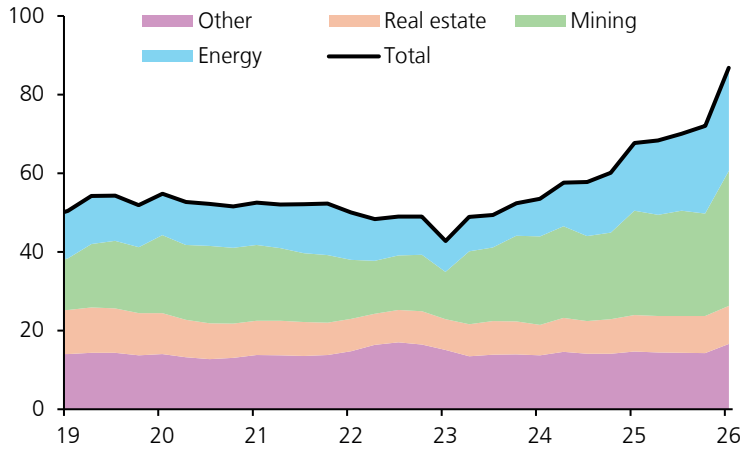
**FIGURE I.16** SECTORAL INVESTMENT INDICATORS (1)
(index 2018=100, three-month moving average, real seasonally adjusted series)




(1) Indicator based on microdata. 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 medium-term outlook for investment has continued to strengthen (Figure I.17).** The Capital Goods Corporation's (CBC) first-quarter 2026 survey showed an increase in planned investment amounts for large-scale projects for the 2026–2029 period (+33% from the previous survey). This increase was widespread across various sectors—with the exception of public works—notably including adjustments to mining investments, followed by the energy sector. This is occurring against a backdrop in which copper prices have remained high and the local stocks are trading close to its levels depicted in the latest IPoM.

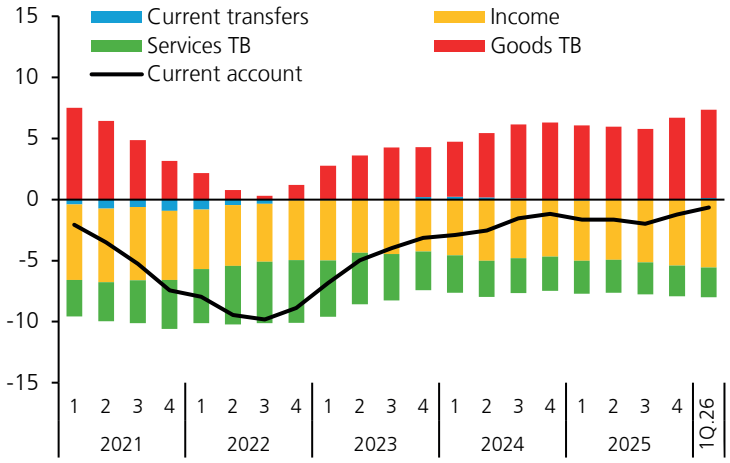
**FIGURE I.17** CBC: EVOLUTION OF FIVE-YEAR INVESTMENT OUTLOOK
(US$ billion, seasonally adjusted series)




Source: Capital Goods Corporation (CBC).

**The current account deficit narrowed in the first quarter, driven by improved terms of trade (Figure I.18).** These terms of trade have continued to be boosted by copper and lithium prices. Thus, as of the first quarter of 2026, the deficit stood at 0.6% of GDP in the annual cumulative total (-1.2% of GDP at the end of 2025). Regarding exports, in real and seasonally adjusted terms, there was a notable decline from the previous quarter in shipments from the agricultural and livestock sector and, to a lesser extent, from the mining industry. On the import side, there were notable declines in imports of capital and intermediate goods, while imports of services accelerated during the first quarter. Income deficit widened over the same period (-5.6% of GDP in the first quarter), driven by FDI flows.

**FIGURE I.18** CURRENT ACCOUNT, CONTRIBUTIONS BY COMPONENT
(percent of GDP, moving annual total)



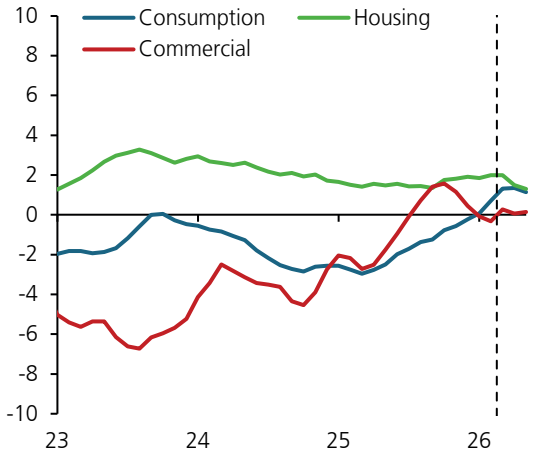

Source: Central Bank of Chile.

**Bank lending has shown some signs of recovery (Figure I.19).** The real stock of consumer loans has maintained positive annual growth rates, although it has slowed in recent months. The real stock of commercial loans has shown more modest growth, influenced by the exchange rate's effect on foreign-currency loans. Excluding this effect, the annual growth of this portfolio has remained stable in recent months. Interest rates for businesses have not changed significantly, while those for consumer loans have risen recently[3]/. Meanwhile, our first-quarter Banking Credit Survey (ECB) reported that banks are seeing weaker demand across most loan portfolios. Regarding credit access conditions, they were perceived more restrictive for consumer credit and more flexible for real estate and construction companies. The May IPN reflected a similar scenario, with a slight decline in the proportion of companies that sought for credit, while the percentage of companies perceiving tighter lending standards increased somewhat.

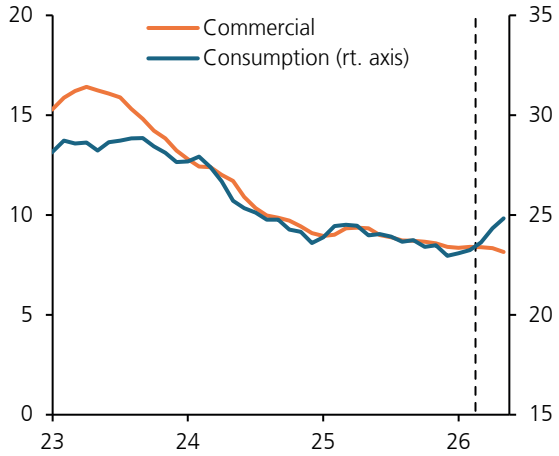
[3]/ Part of this increase in consumer interest rates is linked to the methodological change in the calculation of the current and maximum conventional interest rates implemented by the CMF as from February 2026. For details, see: CMF approves new calculation methodology for Current, Maximum Conventional Interest Rates.

**FIGURE I.19**

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 cutoff of March 2026 IPoM. (2) Series reported as three-month moving average. (3) Series adjusted by CPI, using the 2023 reference basket with the BCCh splice. (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:

## Resilience in the global economy

The conflict in the Middle East and the closure of the Strait of Hormuz have persisted, affecting the global supply of various commodities, particularly oil. The price of the latter has remained at elevated levels, with effects on observed inflation and on the monetary policy outlook in several economies. Despite the prolonged nature of the conflict, financial markets have not shown a significant deterioration—although they have remained highly volatile—and global activity has not exhibited a relevant weakening. Part of this behavior reflects a market view that oil flows through the strait would be resumed soon. Moreover, the performance of aggregate demand, as well as of risky assets at the global level, also points to positive expectations regarding the development of new technologies. This Box analyzes these developments and their implications for this Report's global growth projections.

### Expectations, uncertainty, and the boost from artificial intelligence (AI)

A first element to highlight in the current scenario is that, despite the prolonged nature of the conflict and the uncertainty surrounding a potential peace agreement, the market has remained optimistic about the resumption of oil flows through the Strait of Hormuz (Box I.2). This has helped contain oil prices and is reflected in the fact that the futures curve has consistently anticipated significant declines in the short term. In fact, the implied probability in options that the Brent price would exceed US$100 per barrel by September remained limited since the onset of the conflict (Figure I.20).

A second factor is the boost from artificial intelligence (AI) to global activity and risk appetite. Despite the fact that the conflict has increased uncertainty in the global environment, no significant impact has been observed on either risky asset prices or aggregate demand in the major economies. Optimism surrounding AI appears to have significantly mitigated the effects of uncertainty, as reflected in the stock market performance of companies linked to this technology. According to the indicator developed by Álvarez *et al.* (2026), compared with early 2025, the stock prices of AI-related firms have recorded increases that significantly exceed those of aggregate stock indices, both in the United States and in other economies (Figure I.21). However, exposure to AI is heterogeneous across regions. For example, in the United States these firms account for 39% of market capitalization, while in the rest of the world they represent 17%.

The AI boom has also been reflected in investment across several economies, particularly in some Asian countries and the United States. In the latter, AI-related investment accounted for roughly half of the annual GDP growth over the past two quarters. Moreover, this momentum is expected to persist, with market expectations pointing to investment growth by the main *hyperscalers*[1]/ of around 67 and 23% in 2026 and 2027, respectively (26 and 9% in December, respectively). This would raise the share of such investment in GDP to 2.2 and 2.6% in 2026 y 2027, respectively, compared with 0.95% at the beginning 2025 (Figure I.22). The evolution of industrial production also reflects this dynamism: between March and April 2026, AI-related sectors more than offset the contraction in industries most affected by the oil shock (Figure I.23).

[1]/ An *AI hyperscaler* is a company with large-scale cloud infrastructure/data centers capable of training and running AI models for millions of users and firms. The main companies considered in this analysis are Microsoft, Amazon, Alphabet, Meta, Oracle, Apple, and Corewave.

In Asia, the macroeconomic and financial impact on Taiwan and South Korea stands out, given their importance in the production of advanced semiconductors and high-bandwidth memory, respectively. An index of global trade in AI-related products (Álvarez *et al.*, 2026) shows that exports from these economies have increased by more than 100% compared to 2024. Countries such as Malaysia, Singapore, and China have recorded somewhat smaller, yet still significant, increases (Figure I.24). These dynamics are also reflected in national accounts data. In Taiwan, net exports contributed 10 percentage points (pp) to year-on-year GDP variation in the first quarter of this year, accounting for nearly two-thirds of total growth, while in South Korea this contribution reached 1.5 pp (40% of the total). Likewise, in cumulative terms through April, industrial production sectors linked to AI in South Korea have grown by slightly more than 10%, far outpacing the 2.5% increase in overall industrial production. In China, these sectors have expanded by nearly 12% year-on-year so far this year, compared with 5.6% for total industrial production.

### Short-term outlook

Looking ahead, high-frequency indicators suggest that global activity will maintain its current pace of growth. Manufacturing PMIs remain in expansionary territory in the major economies, and consumer and business expectations show no significant corrections in a large number of countries. Although market projections for global growth were revised downward following the onset of the conflict, they have not continued to decline, despite the persistence of tensions and elevated oil prices. In this context, the global and trading partners' growth projections incorporated into the baseline scenario of this IPoM are similar to those of March.

In any case, it is important to consider that there are significant differences across countries and regions. Economies more closely linked to new technologies—such as some Asian economies and the United States—are receiving a considerably greater boost than others. In contrast, in other economies the boost is more indirect, operating through resilient global demand and financial conditions that have not deteriorated. For Chile, which does not directly participate in the AI production chain, the main transmission channels are associated with the copper price—to a large extent driven by AI—resilient external demand, and more favorable external financial conditions.

### Conclusion

The resilience of global activity despite the geopolitical shock reflects a combination of factors. On the one hand, despite the prolonged nature of the conflict, markets have systematically anticipated a swift resolution, which has helped keep both oil prices and agents' preference for safe assets relatively contained. This has been complemented by the dynamism associated with AI, which has continued to support stock valuations, investment, industrial production, and global trade, thereby sustaining market optimism. Taken together, these factors shape a baseline scenario in which trading partners' growth is similar to that projected in March, despite the complex geopolitical environment. In any case, risks remain elevated: changes in perceptions regarding the geopolitical landscape or in the valuation of AI-related firms could lead to significant price corrections, with meaningful effects on financial conditions and growth prospects.

**FIGURE I.20**
Probability distribution of Brent prices for Sep. 2026 (1)
(percent)

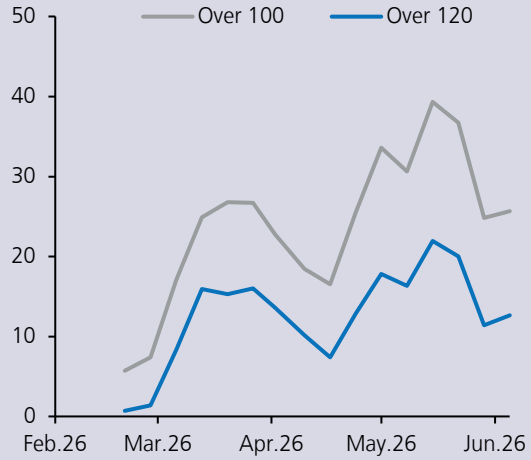
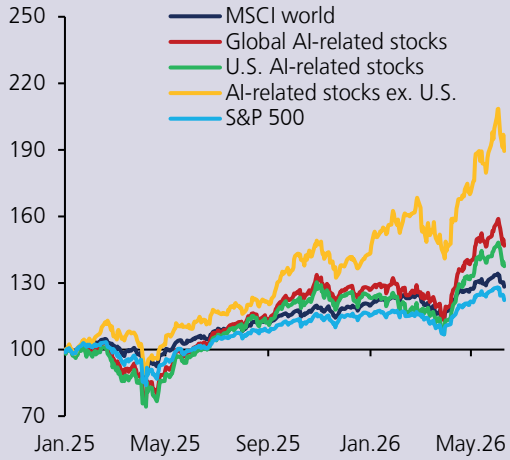



**FIGURE I.21**
MSCI Global and AI-related stocks
(index 100 = 01/01/2025)




(1) Based on Brent options prices. Implied probability distribution using the Breeden-Litzenberger (1978) methodology.
Sources: Álvarez *et al.* (2026) and Bloomberg.

**FIGURE I.22**
AI Hyperscalers CAPEX (1)
(4-quarter rolling sum, percentage of U.S. GDP)

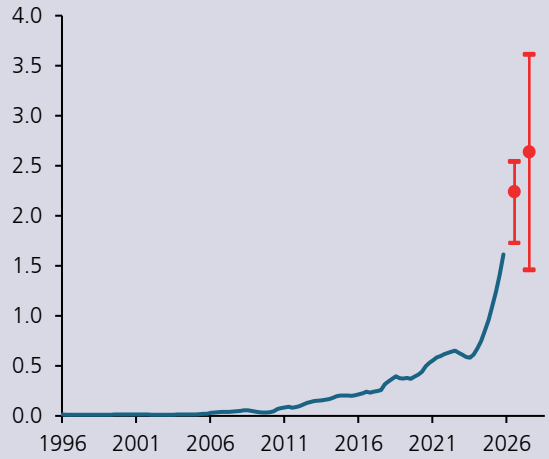
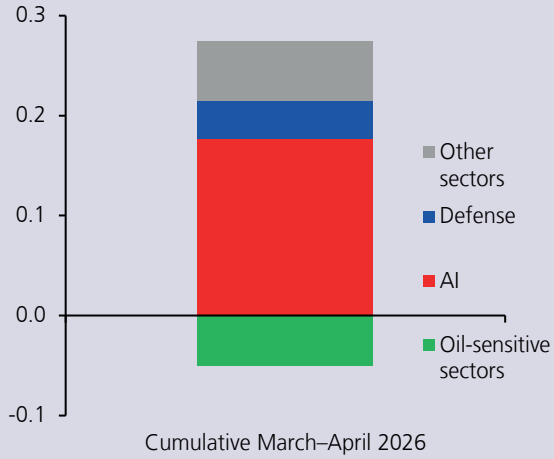
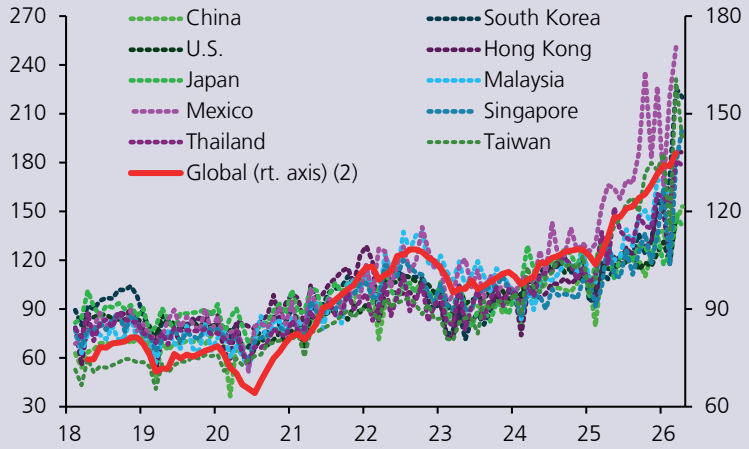



**FIGURE I.23**
Decomposition of U.S. industrial production sectors
(cumulative change between March and April 2026, percent)




(1) Based on Bloomberg consensus quarterly data. Dots refer to the median for 2026 and 2027, while horizontal lines denote the maximum and minimum estimates for each year. GDP for 2026 and 2027 is projected based on Bloomberg consensus.
Sources: Álvarez *et al.* (2026) and Bloomberg.

**FIGURE I.24**
Index of AI-related exports (1)
(index 100 = 01/01/24)




(1) Index constructed based on trade in the main physical inputs for AI development. (2) 3-month moving average.
Sources: Álvarez *et al.* (2026) and Trade Data Monitor.

# BOX I.2:

## Non-linear oil price dynamics

The conflict in the Middle East and the shutdown of the Strait of Hormuz have curtailed global oil supply significantly. In the days following this Report's statistical cutoff, an agreement was announced between the United States and Iran that would allow the Strait to reopen. However, doubts remain regarding several factors, including how soon global oil supply can be restored, what level of demand it will face, and whether geopolitical risk premiums will persist. This box analyzes the role that oil inventories —and expectations regarding their duration— have played in recent price dynamics, as well as the risks associated with a possible resurgence of tensions and a potential deterioration in market expectations regarding a prompt reopening of the Strait.

### Use of buffers

The outbreak of the conflict and the closure of the Strait of Hormuz halted the flow of nearly 20 million oil barrels per day (mbd), the equivalent to 20% of global production. According to the International Energy Agency (IEA)[1]/, part of that shortage has been offset by pipeline diversions (about 6 mbd), the use of global inventories (around 5 mbd), and an increase in global supply (about 1 mbd) (Figure I.25). However, a supply shortfall persists, and constraints have been heterogeneous across regions, with several Asian economies among the hardest hit[2]/.

The use of inventories to offset lower supply has played an important role, but it has its limits. Prior to the conflict, observable global inventories (crude oil plus refined products) stood at around 8,200 million barrels (mb), a high level by historical standards. According to IEA estimates, by the end of April, reserves had fallen to 7,950 mb, with various sources placing the operational stress level at around 7,600 mb and the lower limit at around 6,800 mb[3]/. This means that inventories below those thresholds would lead to increasing operational difficulties, raising the opportunity cost of each additional barrel used. If inventory drawdowns continue at their recent pace, the stress zone could be reached relatively soon. In any case, this depends largely on the speed at which the actual flow through the Strait is restored.

### Potential stress scenarios in the market

Wlasiuk et al. (2026) estimate that, in an operational stress scenario, significant price increases could occur through two channels. The first is relatively gradual: according to inventory management theories, inventories constitute a reserve of flexibility whose value (convenience yield) rises with scarcity: the lower the inventories, the greater their value. This implies that continued use of reserves will require increasingly higher prices.

The second channel relates to theories of bank runs and global games, and is more abrupt in nature. When reserves are relatively low, holders of inventories face a coordination problem: if they anticipate that others will hoard barrels in anticipation of a shortage, it is in their best interest to hoard as well. In such a situation, collective hoarding validates the expectation —the same logic at work in a bank run or a run on a fixed exchange rate. Unlike the gradual channel, the market responds to expectations about aggregate behavior, which can become self-fulfilling. This channel can cause a discrete price jump, even before inventories are physically depleted or reach stress levels. Under this logic,

[1]/ International Energy Agency: Oil Market Report, may 2026.

[2]/ Ibid.

[3]/ The figures correspond to observable global inventories (world oil stocks for which timely and verifiable data are available) reported by the IEA in its monthly report (IEA, 2026). For stress levels, the reference used is the note published on 30 April 2026 by JP Morgan, "The Illusion of Plenty". Other institutions —e.g., Citi, Morgan Stanley and Goldman Sachs, among others— agree with the assessment that global inventories are approaching operationally critical thresholds, although their specific formulations and timing differ somewhat.

the market can operate under three different regimes (Figure I.26): (i) a "normal" regime where inventories are high and the probability of a significant supply constraint is low; (ii) a "fragile" regime where inventories are more limited and/or the probability of disruptions is higher (here, the probability of a "run" becomes significant); and (iii) a stress regime, where inventories are so low or supply constraints so severe that inventories are almost certainly hoarded and the price shoots up.

Wlasiuk et al. (2026) calibrate a structural model to quantify both channels[4]/. The price increase has an upper bound determined by the equilibrium of supply and demand, assuming the Strait is permanently closed and no inventory depletion. Based on an international trade model, the authors estimate this threshold to be between US$160 and US$190 per barrel.

If global oil supply is not replenished promptly —for example, because the Strait does not open in the short term—, they estimate that, without a run, the oil price would rise gradually until reaching the upper limit by mid-2027. A scenario involving a run would cause the price increase to occur sooner: upon crossing the fragility zone, coordinated inventory hoarding would trigger a discrete jump in price to that same level of US$160–US$190, within a much shorter timeframe.

Beyond the timeline of the increase, a scenario involving a sharp spike in oil prices is important because it could be associated with a rapid deterioration in global financial conditions, including significant stock market declines. Furthermore, as has been observed in response to various events since the start of the conflict, this scenario would also be associated with increases in long-term interest rates, rather than declines, as is typical during risk-off events.

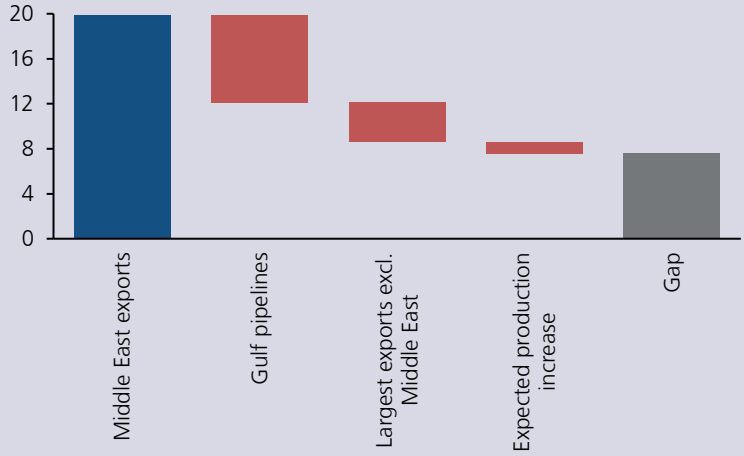
The model does not treat the oil run as a certain event, but rather assigns it an endogenous probability that increases as inventories approach the stress threshold and/or the probability of the Strait reopening decreases. This highlights the fact that, if the flow of oil through the Strait does not begin to increase, the market equilibrium will become increasingly fragile as weeks go by. Conversely, if the Strait does reopen, the market would resume normal operations, although prices would not immediately return to their previous levels: this depends on the damage to infrastructure, the need to replenish depleted inventories, and the risk of a new disruption.

### Conclusions

Although the closure of the Strait of Hormuz reduced global oil supply by about 20%, oil prices have remained well below their all-time highs, and futures contracts continue to point to a decline in the coming months. This reaction is largely due to the drawdown of inventories, the use of alternative export routes from the Middle East, and the markets' continued perception that the conflict will be resolved sooner rather than later. However, if global oil supply takes longer to recover —for example, because the closure of the Strait drags on— inventories could approach a fragile zone, and the price response would cease to be gradual, leading to a significant spike. Such a scenario —the likelihood of which increases as inventories decline and supply fails to recover— could trigger a significant deterioration in global financial conditions. In such a scenario, the implications for medium-term inflationary convergence will depend on the trade-off between short-term inflationary pressures and weaker economic activity over the policy horizon.

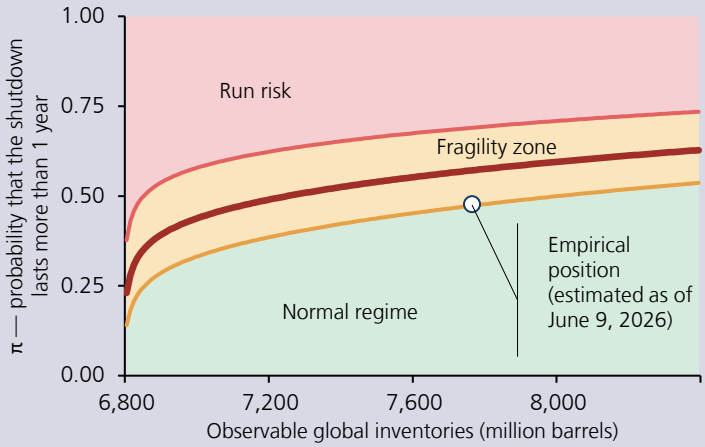
[4]/ The model combines inventory theory (Deaton and Laroque, 1992) with a global coordination game (Morris and Shin, 1998; Goldstein and Pauzner, 2005); for more on multiple equilibria with public signals, see Angeletos and Werning (2006).

**FIGURE I.25**
Current and pre-conflict oil exports (1)
(million barrels per day)




(1) According to the IEA, the largest exports outside the Middle East (3.5 mb/d) come primarily from the drawdown of global inventories, which are reportedly declining at a rate of approximately 5 mb/d. More details can be found in Wlasiuk et al. (2026).
Sources: Wlasiuk et al. (2026), based on IEA and OPEC data.

**FIGURE I.26**
Conceptual framework of possible regimes (1)
(probability)




(1) Phase diagram of the structural inventory–price model. The x-axis represents observable global inventories (mb), with operational lower limit (~6,800 mb) and stress (~7,600 mb) thresholds. The y-axis shows π, the probability that the shutdown lasts more than one year. The boundaries correspond to iso-curves of the run probability q (central: q = 0.5; dashed: q = 0.25 / 0.75), which delineate the fragility zone. The current position (June 9, 2026) is based on observable inventories projected from the IEA OMR May 2026 (latest available; ~7,950 mb as of April 30, 2026) and the probability π implied by the Brent M1 price on that date (USD 91.57/bbl). The positions are intended to illustrate the fragility mechanism and should not be interpreted as calibrated event probabilities. For definitions, derivation of the boundaries, and calibration details, see Wlasiuk et al. (2026).
Sources: Wlasiuk et al. (2026), based on IEA OMR data (May 13 2026).

# BOX I.3:

## Evolution of natural resources sectors

Economic activity showed weak performance in early 2026, falling short of expectations. This result was significantly influenced by sectors linked to natural resources (NR), which were primarily affected by supply-side factors. Mining, agroforestry sector and fishing contracted during this period, which in turn affected other sectors through production chains. Historical trends and other data suggest that several of these elements are likely to be temporary and should reverse in the coming months, with limited effects on the rest of the economy. One exception is copper mining, for which more persistent effects are anticipated.

Overall, the low persistence of most supply shocks affecting natural resource sectors and their limited spillover onto the rest of the economy suggest limited effects on the activity gap and inflationary pressures. However, in specific instances, this dynamic may be disrupted—for example, by more intense and prolonged weather events that could lead to more persistent and far-reaching shocks. In turn, in some sectors, external demand factors and international competition could also affect their future trends over a longer period.

### Recent dynamics of NR sectors and their productive chains

During the first quarter of 2026, GDP contracted by 0.5% annually, a decline largely attributable to the weak performance of natural-resource-intensive sectors, which had shown high dynamism at the beginning of last year (Chapter I, Figure I.10b) (Box II.1, March 2026 IPoM). The largest negative impact was seen in copper mining, affected by lower ore grades and plant maintenance downtime. This was compounded by declines in the agriculture and fisheries sectors, due to lower fruit production and reduced availability of biomass caused by weather conditions, respectively. This outcome spilled over into activities linked to primary production, such as the wholesale trade of fruit exporters, transportation, and the seafood processing industry. According to the April Imacec, many of these factors continued to exert downward pressure at the start of the second quarter, notably the contraction in mining, particularly of copper.

### Persistence of shocks in NR sectors and their spillover to the rest of the economy

Empirical evidence indicates that shocks that typically affect economic activity in sectors such as agriculture, fisheries, and the food industry generally exhibit high volatility and limited persistence. In these sectors, economic activity fluctuates around a trend that has shown little change over the past fifteen years. In the short term, however, these activities are subject to climatic factors and resource availability, which generate high volatility around that trend but—given their nature—tend to reverse over short time horizons (Figure I.27). This is consistent with reduced-form estimates of the "half-life" of sectoral shocks—that is, the time it takes for these shocks to lose half of their initial effect. On average, this half-life is about two months (Díaz *et al.*, 2026).

However, in specific instances, this dynamic may be disrupted. More intense and prolonged weather events could lead to more persistent and far-reaching shocks. In this regard, results based on a nonlinear specification indicate that, in the face of large-scale shocks, the rate at which these sectors recover could slow (Díaz *et al.*, 2026). Furthermore, in the current context, the high probability of an El Niño phenomenon occurring between this year and next introduces an additional element of uncertainty regarding the trajectory of these sectors in the short and medium term (see blog post by Gonzales *et al.*, 2026). Meanwhile, in some sectors, such as viticulture and winemaking, external demand factors, trends in global trade, and international competition could also have a more persistent impact on their future trajectory.

In contrast, copper mining has shown a more persistently weak trend in recent quarters, accumulating several consecutive periods of negative figures and consistently disappointing expectations. This is occurring despite a significant increase in investment and continued growth in capital stock in the sector (Figure I.28a). This trend is consistent with the decline in ore grade (Figure I.28b), as well as operational constraints due to maintenance and accidents at major mining sites.

Thus, recent trends in copper mining are driven by both structural factors and temporary conditions. Going forward, various specialized institutions, such as Cochilco and consulting firms anticipate a gradual recovery in production, supported by the start-up of new projects, improvements in ore grade at certain specific mines, and the gradual normalization of some of the operational factors observed recently.

In terms of how the above factors spill over the rest of the economy, a major channel operates through the production chains of the agriculture, livestock, and fishing sectors. In particular, the input-output matrix and the supply-use table indicate that the agroforestry sector has significant linkages—primarily forward-linkagese[1]/—with wholesale trade, the food industry, and transportation (Chovar and Leiva, 2026). Meanwhile, the fishing sector also has significant industry linkages.

Even so, according to simulations using a multisectoral structural model, the impact of supply shocks in the primary sectors (including mining) on marginal costs in the rest of the economy is limited (Díaz *et al.*, 2026). In particular, the spillover effects are concentrated in activities such as manufacturing and energy, with little impact on other sectors, especially services.

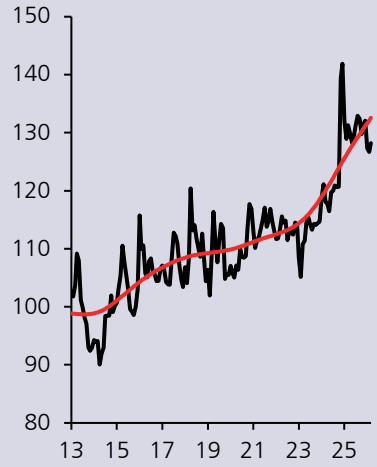
### Conclusions

Supply shocks in NR sectors accounted for a significant share of the economy's weakness in early 2026. Their persistence and spillover are key factors shaping the central scenario of this IPoM. In the copper mining industry, while a gradual recovery is expected, activity is projected to remain below the levels forecast in previous reports, reflecting the structural nature of some of the factors affecting it. In contrast, for non-mining sectors, a more significant rebound is projected, consistent with the historically low average persistence of the shocks affecting them, although with high uncertainty. That said, the very nature of these shocks and their limited spillover to the rest of the economy point to limited effects on the output gap. In line with the above, these shocks are construed as temporary movements in non-mining potential GDP (Box II.1 in March 2026 IPoM), although it cannot be ruled out that factors such as external demand and international competition may affect the future trend of some natural-resource-based sectors more persistently.

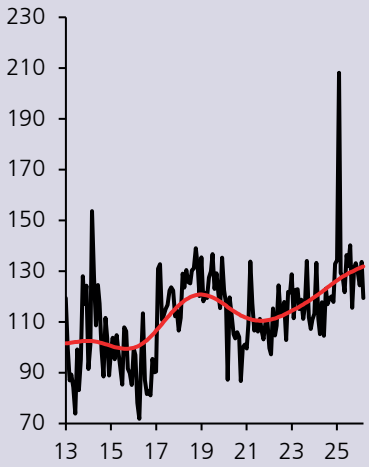
[1]/ Forward linkages measure the importance of a sector as a supplier of inputs to the rest of the economy (see details in Chovar and Leiva, 2026). It should be noted that, in sectors such as agroforestry, linkages with trade and transportation are not fully captured in the input-output matrix (IOM); rather, this relationship is primarily observed through export trade margins. For example, fruit is not an intermediate input for trade; rather, it is this sector that exports fruit and demands transportation services.

**FIGURE I.27** SECTORAL IMACEC (1)

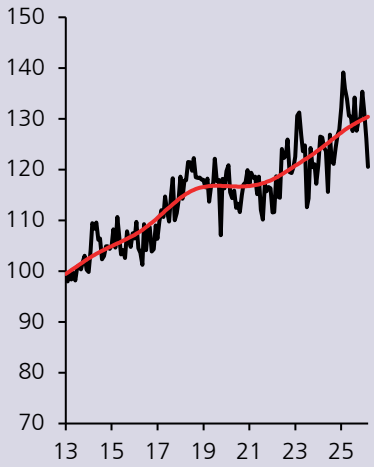
a) Agricultural and forestry
(2013=100, seasonally adjusted)




b) Fishing
(2013=100, seasonally adjusted)



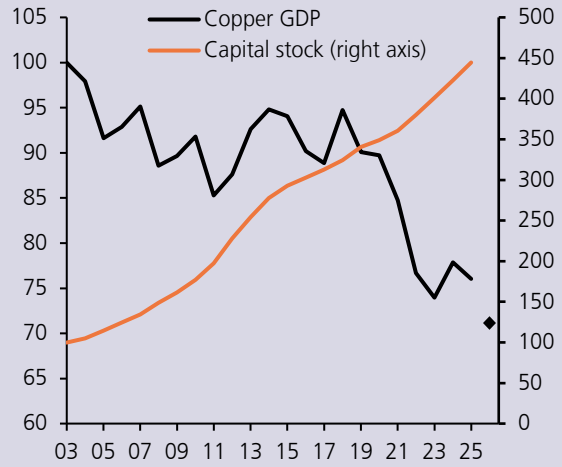

c) Food industry
(2013=100, seasonally adjusted)



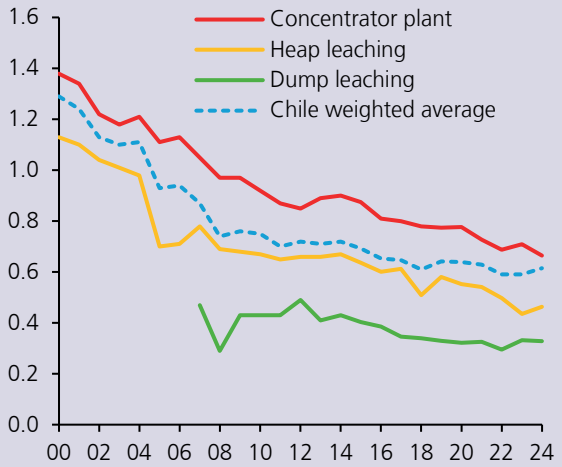

(1) The red series represents the trend calculated using the Hodrick-Prescott filter.
Source: Central Bank of Chile.

**FIGURE I.28**

a) Copper mining: GDP and capital stock (1)
(2003=100, annual series)




b) Copper ore grade (2)(3)
(average percentage of copper in processed ore)




(1) The diamond corresponds to the data from the first quarter of 2026, whose base was recalculated taking the average of the year 2003 as a reference. The 2025 capital stock is approximated by considering the change in mining investment suggested by the microdata (Box I.1 in September 2024 IPoM), assuming a depreciation rate similar to the average of the last 5 years and considering the capital movement law. (2) Depending on the type of ore, copper is recovered using different technologies: sulfide minerals are processed in concentrator plants, while oxidized minerals are processed by leaching. (3) The percentage indicates the proportion of copper contained in relation to the total amount of ore processed.
Sources: Central Bank of Chile and Cochilco.

# II. FUTURE EVOLUTION OF MONETARY POLICY

The central scenario of this IPoM includes limited adjustments along the 2026-2028 period. On the external front, Externally, projections for the prices of some raw materials are being revised upward . The rise in oil prices has driven up global inflation and raised concerns about its future trajectory, leading to a more cautious tone from central banks in several economies and a more contractionary outlook for monetary policy. Locally, the projected growth range for this year is revised downward to 1.0%–1.75%, primarily due to the negative first-quarter result, which was affected by the poor performance of certain economic sectors and some supply-side factors. A reversal of the latter is considered, leading to an upward revision of the outlook for 2027 and 2028 to 2%–3% and 1.75–2.75%, respectively (1.5%–2.5% for both years in the March IPoM). Estimates for domestic demand remain largely unchanged overall, though there are changes in its composition. For this year, the slower growth in private consumption is expected to be offset by the public component. Following the negative surprise of the first quarter, investment is expected to recover, with a higher medium-term outlook. Overall, a slightly negative output gap is still projected, which will gradually close during the projection horizon. The outlook for headline inflation shows no major changes, and it is still expected to return to 3% during the second quarter of 2027, consistent with a pass-through of costs to prices in line with historical patterns and with medium-term inflation expectations anchored to the target. The Board estimates that the balance of risks to inflation has been shifting gradually toward equilibrium, although the macroeconomic outlook remains subject to a higher-than-usual degree of uncertainty. Accordingly, the future path of the Monetary Policy Rate (MPR) will be assessed on a meeting-by-meeting basis, based on how events unfold.

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

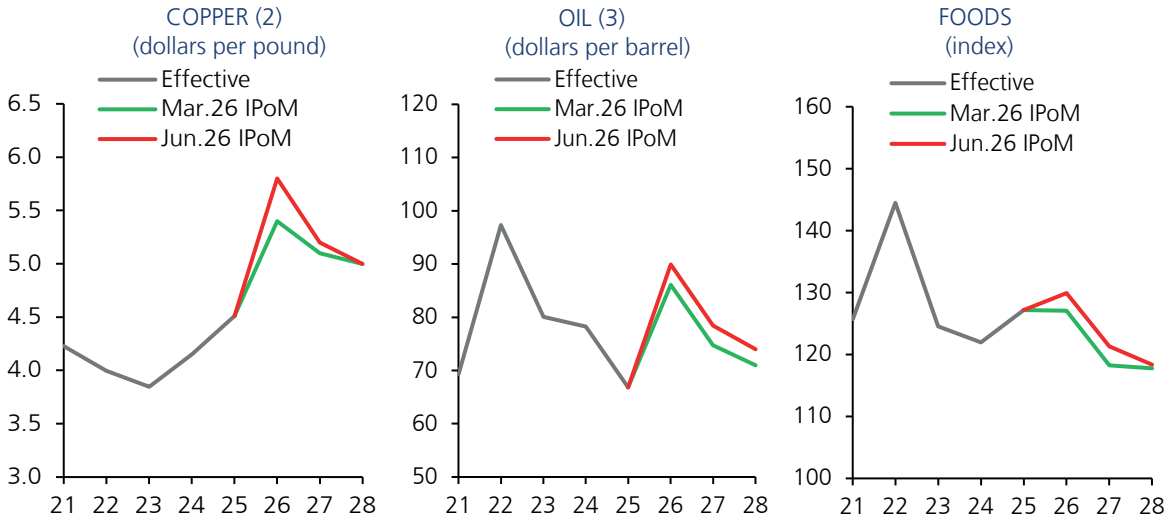
### THE INTERNATIONAL SCENARIO

**Externally, the projected trajectory for the oil price is somewhat higher than that considered in March.** Based on futures contracts for the ten days prior to the statistical cutoff—June 10—, the price of a barrel of crude oil (Brent-WTI average) is projected to stand at US$90 in 2026 (US$86 in March), US$78 in 2027 (US$75 in March), and US$74 in 2028 (US$71 in March). The price of gasoline and other petroleum byproducts is undergoing a similar adjustment. The projection for international food prices (FAO) is also rising, reflecting recent increases and higher input costs, especially for fertilizers and fuels (Chapter I) (Figure II.1; Table II.1).

[1]/ For the purposes of calculating various financial and commodity prices, this IPoM returns to the standard methodology, namely the average over 10 business days up to the statistical cutoff date (June 10, 2026). This differs from the approach used in the March IPoM, where, given the volatility exhibited by financial markets in the weeks leading up to the statistical cutoff date, the average of five business days as of the statistical closure (March 19, 2026) was used.

**The forecast for copper prices has also been raised, mainly due to a more favorable outlook for demand, within the context of tight supply.** The projected average price is raised to $5.80, $5.20, and $5.00 per LME pound in 2026, 2027, and 2028, respectively ($5.40, $5.10, and $5.00 in March). This adjustment is, once again, driven by expectations of higher demand linked to the use of artificial intelligence (AI), the energy transition, and defense spending. Added to this are production constraints, in line with rising costs for certain inputs, as well as the potential application of new tariffs by the United States (Chapter I) (Figure II.1; Table II.1).

**FIGURE II.1** COMMODITY PRICES FORECASTS (1)



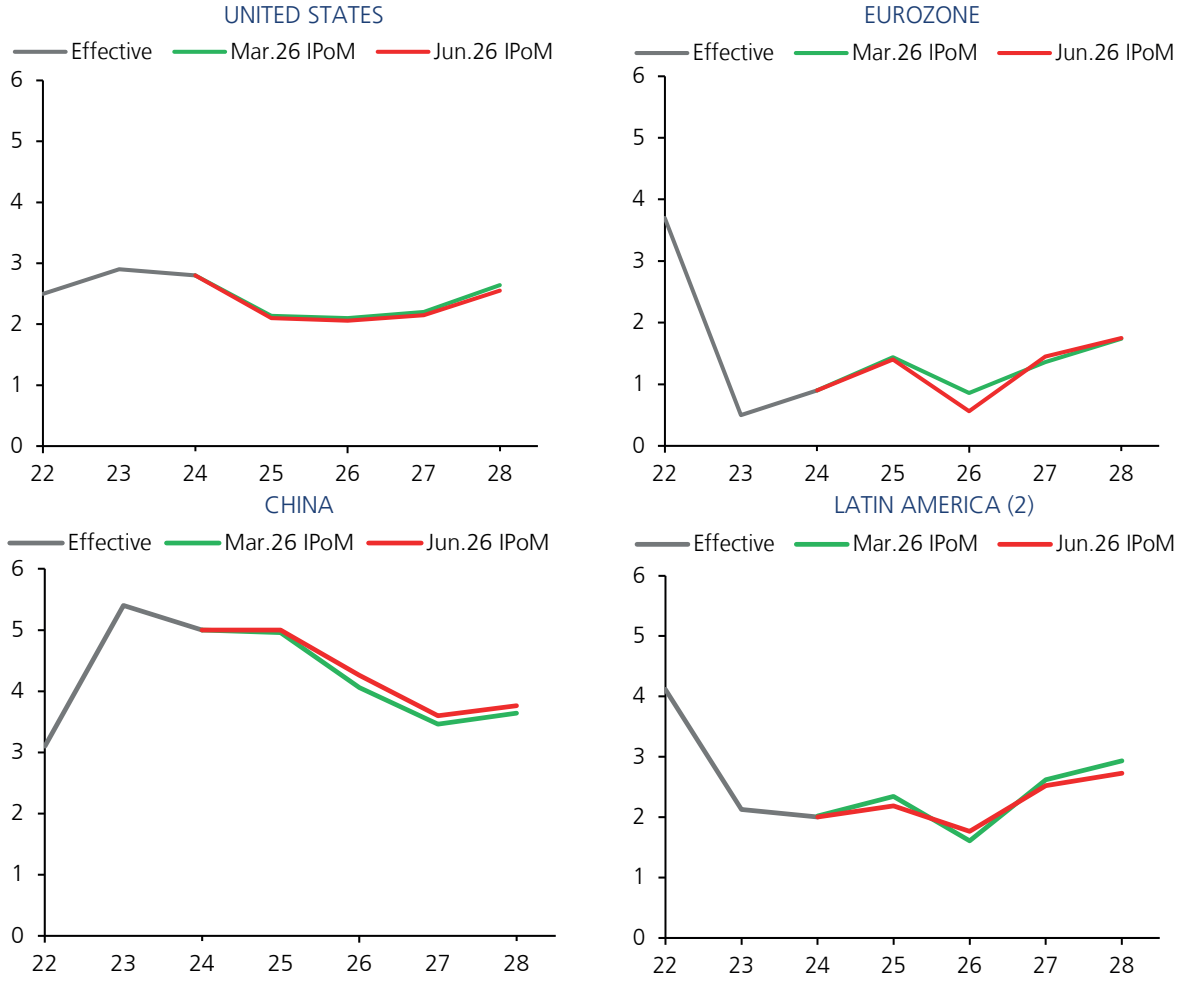

(1) Actual or projected annual average price for each year as contained in respective Monetary Policy Report (IPoM).
(2) Copper price traded on the London Metal Exchange.
(3) For oil, WTI-Brent average price per barrel.
Sources: Central Bank of Chile and FAO.

**TABLE II.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 | 4.2 | 0.2 | 0.9 |
| External prices (in US$) | 0.6 | -0.7 | 2.1 | 4.7 | 1.9 | 1.3 |
| | | | (levels) | | | |
| LME copper price (US$cent/pound) | 306 | 415 | 451 | 580 | 520 | 500 |
| WTI oil price (US$/barrel) | 72 | 76 | 65 | 86 | 76 | 71 |
| Brent oil price (US$/barrel) | 80 | 81 | 69 | 94 | 81 | 76 |
| Gasoline parity price(US$/m3) (1) | 610 | 660 | 592 | 759 | 671 | 593 |
| US Federal Funds Rate (%) (2) | 0.7 | 5.3 | 4.4 | 3.8 | 3.8 | 3.6 |

(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.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 outlook for global growth remains largely unchanged from the previous IPoM, reflecting the resilience shown by the global economy (Box I.1). Accordingly, Chile's trading partners are still expected to grow by around 2.8% over the 2026–2028 three-year period.** The central scenario maintains its projections for economic activity in the United States, where performance has been bolstered by investments in new technologies. A similar situation has unfolded in some Asian economies, with China posting a positive surprise in the first quarter. Although figures for the Eurozone at the start of the year came in below expectations, this was due to one-off factors in Ireland and, to a lesser extent, in France. In the near future, external demand and fiscal spending are expected to sustain growth, while in Latin America, this role will be played by improved terms of trade and external demand resilience (Figure II.2; Table II.2). Thus, market expectations for global growth have declined slightly this year and remain mostly unchanged for 2027 (Chapter I).

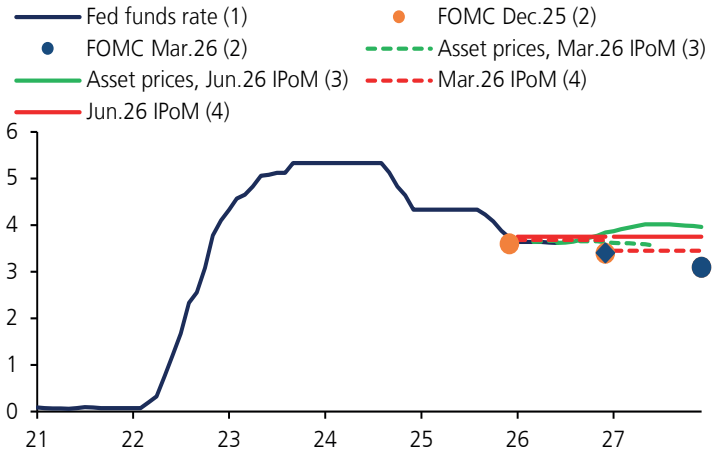
**The actual and projected rise in global inflation, amid resilient economic activity, has led to a more contractionary outlook for monetary policy this year in several economies.** The central scenario projects that the federal funds rate (FFR) will remain in the 3.50%–3.75% range this year, compared with the 25-basis-point cut forecast in the March IPoM. Market expectations have factored in a rate hike toward the end of the year, following the release of the latest employment data (Figure II.3), increases that are also brought forward in an important group of economies (Chapter I).

**TABLE II.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 | 3.4 | 3.5 | 3.0 | 3.0 | 3.2 |
| World GDP at market exchange rate | 3.4 | 3.0 | 2.9 | 2.4 | 2.5 | 2.7 |
| Trading partners | 4.0 | 3.3 | 3.3 | 2.8 | 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 | 0.6 | 1.5 | 1.8 |
| Japan | 1.3 | -0.2 | 1.1 | 0.7 | 0.8 | 0.8 |
| China | 7.7 | 5.0 | 5.0 | 4.3 | 3.6 | 3.8 |
| India | 6.7 | 7.1 | 7.6 | 6.3 | 6.3 | 6.5 |
| Rest de Asia | 4.5 | 4.2 | 4.3 | 3.5 | 3.5 | 3.4 |
| Latin America (excl. Chile) | 1.8 | 2.0 | 2.2 | 1.8 | 2.5 | 2.7 |
| Commodity exp. | 2.3 | 1.3 | 1.6 | 1.6 | 1.6 | 1.5 |

(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 II.3** EVOLUTION AND FORECASTS FOR THE FED FUNDS RATE
(percentage points)




(1) Actual Fed funds rate. For June 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.

**After the statistical cutoff of this report, the signing of an agreement between the United States and Iran was announced, to be finalized on Friday, June 19.** Global financial markets reacted positively to the announcement, with stock market gains, lower interest rates, and a global depreciation of the dollar. Regarding commodity prices, the decrease in oil prices stood out. These fell back to levels slightly below US$80 per barrel (WTI-Brent average), representing declines of slightly more than 10% in the short-term price. Looking two years ahead, the trajectory of futures contracts shows a price approximately 3% lower than that considered in the central scenario.

**However, the conflict has been marked by constant back-and-forth negotiations to reach a peace agreement.** For this reason, it is necessary to continue monitoring the course of events and assessing their impact on the inflation outlook.

## THE DOMESTIC SCENARIO

**In the central scenario, the outlook for domestic demand is similar to that projected in March, but with changes in its composition.**

**In the case of consumption, this year's outlook is characterized by slower growth in household spending and greater government spending with respect to what was considered in March.** On the one hand, this reflects the less favorable trends observed in several fundamentals of private consumption, such as rising unemployment, weak job creation, slower growth in real wages, and deteriorating consumer expectations (Chapter I). On the other hand, it incorporates a recognition of higher committed expenditures for 2026, in line with what was reported in the first-quarter Public Finances Report (IFP). Thus, consistent with the information in that Report, this IPoM's fiscal spending assumption is 1.2 percentage points of GDP higher than projected in March. With this, total consumption would grow 2.2% in 2026 (1.8% in March).

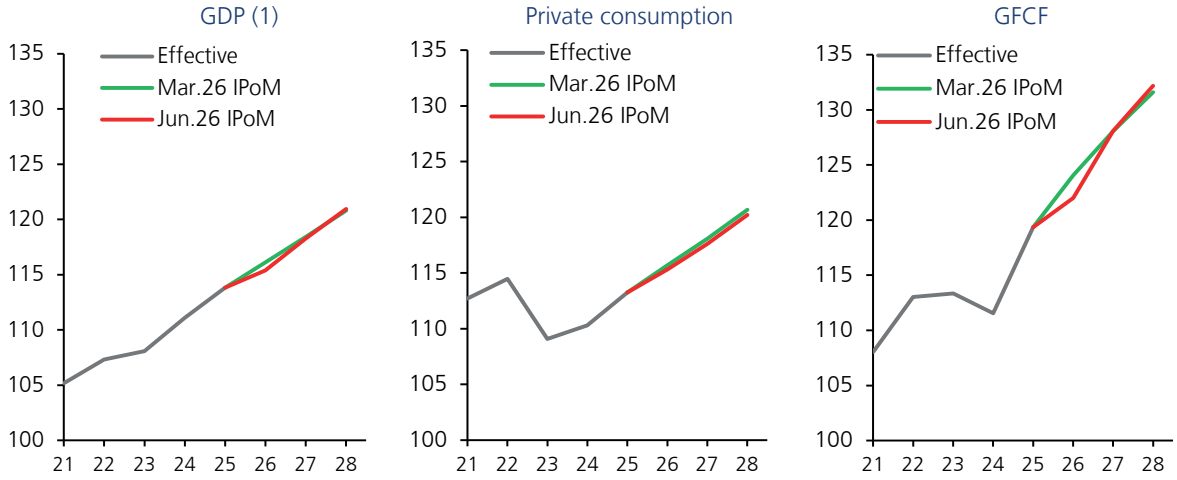
**Toward 2027 and 2028, private consumption will return to growth rates consistent with the overall economic trend, as the impact of the fuel price shock on people's real income subsides.** Accordingly, this component of spending will grow by 2.0% and 2.2% in those years, respectively (2.1% and 2.2% in March). For fiscal spending, the assumption remains that growth will be in line with the committed expenditures indicated in the latest IFP. The central scenario does not take into account the scope of the National Reconstruction Plan Bill, which was still pending in Congress at the time of this Report's statistical cutoff.

**In the case of Gross Fixed Capital Formation (GFCF), the growth forecast for 2026 has been revised downward compared to March, due to the inclusion of lower figures from the beginning of this year and some high-frequency indicators.** Thus, this spending component would post 2.2% growth this year (4% in March).

**For the next two years, the GFCF growth projection is revised up, especially for 2027.** This revision is in line with the significant increase in investment project amounts reported in the latest survey by the Capital Goods Corporation, the improved outlook for copper prices, and financial conditions that have remained largely unchanged for some months. Accordingly, GFCF is projected to grow by 5.0% in 2027 (3.2% in March) and 3.2% in 2028 (2.8% in March) (Figure II.4; Table II.3).

**In the central scenario, the improvement in the trade balance for goods reduces the projected current account deficit in 2026 to -1.4% of GDP accumulated over the past twelve months (-1.7% in March).** Primarily, this reflects higher prices for copper and other mining products, along with lower imports due to weaker private consumption and machinery and equipment investment. This situation would be partially offset by higher import prices and lower real copper exports. For 2027 and 2028, the current account balance is estimated to stand at -1.9%, similar to the forecast in the March IPoM (Figure II.5; Table II.3).

**FIGURE II.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.

**TABLE II.3** ECONOMIC GROWTH AND CURRENT ACCOUNT

| | 2025 | 2026 (f) | 2027 (f) | 2028 (f) |
|---|---|---|---|---|
| | | (annual change, percent) | | |
| GDP | 2.5 | 1.0-1.75 | 2.0-3.0 | 1.75-2.75 |
| National income | 4.0 | 1.9 | 3.0 | 2.9 |
| Domestic demand | 4.2 | 2.2 | 3.0 | 2.7 |
| Domestic demand (w/o inventory change) | 3.8 | 2.2 | 3.0 | 2.7 |
| Gross fixed capital formation | 7.0 | 2.2 | 5.0 | 3.2 |
| Total consumption | 2.8 | 2.2 | 2.3 | 2.5 |
| Private consumption | 2.7 | 1.8 | 2.0 | 2.2 |
| Goods and services exports | 4.6 | -1.8 | 2.7 | 2.4 |
| Goods and services imports | 10.5 | 0.8 | 4.5 | 3.6 |
| Current account (% of GDP) | -1.2 | -1.4 | -1.9 | -1.9 |
| Gross national saving (% of GDP) | 22.8 | 22.3 | 22.9 | 23.3 |
| Gross national investment (% of GDP) | 24.1 | 23.7 | 24.7 | 25.2 |
| GFCF (% of nominal GDP) | 24.1 | 23.8 | 24.7 | 25.0 |
| GFCF (% of real GDP) | 24.2 | 24.4 | 25.0 | 25.2 |
| | | (US$ million) | | |
| Current account | -4,349 | -5,500 | -7,800 | -8,200 |
| Trade balance | 23,847 | 27,700 | 25,500 | 26,000 |
| Exports | 110,363 | 123,400 | 125,500 | 131,200 |
| Imports | 86,516 | 95,700 | 100,000 | 105,200 |
| Services | -8,936 | -9,500 | -9,900 | -10,600 |
| Rent | -19,353 | -23,900 | -23,400 | -23,600 |
| Current transfers | 94 | 200 | 0 | 0 |

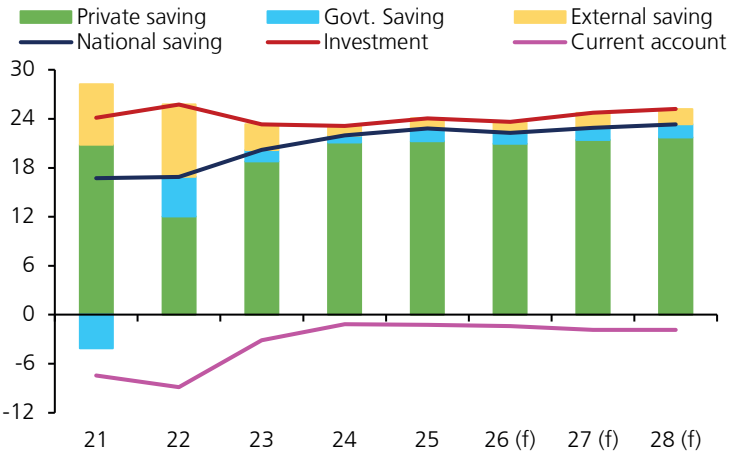
(f) Forecast.
Source: Central Bank of Chile.

**As for activity, GDP growth for this year is revised downward, and wich is partially reversed during 2027-28.** The revision for 2026 responds mainly to the negative surprise in the first quarter, particularly in the natural resources sectors. However, it is believed that several of the factors affecting these sectors are temporary in nature and will fade over the course of the year. One exception is copper mining, for which more persistent effects are foreseen (Box I.3). GDP is thus projected to grow between 1.0% and 1.75% this year (between 1.5% and 2.5% in March).

**For 2027, the projected growth range rises to between 2.0% and 3.0% (1.5% and 2.5% in March), reflecting the expected stronger performance of GFCF and fading of temporary supply-side factors that have affected non-mining sectors.** This is reflected in a lower growth projection for potential non-mining GDP this year (from 2.3% in March to 1.9%), which would recover by 2027 (growing 2.5% compared to 2.1% in the March projection). For 2028, the growth range is adjusted to 1.75%–2.75% (Figure II.4; Table II.3).

**The market has been internalizing the recent developments, which have been reflected in a downward revision to its growth forecasts for this year.** Accordingly, the median forecast from the June Economic Expectations Survey (EEE) projects growth of 1.6% for 2026 (2.5% in March). For 2027 and 2028, respondents project economic growth of 2.6% (2.6% and 2.5% in March).

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

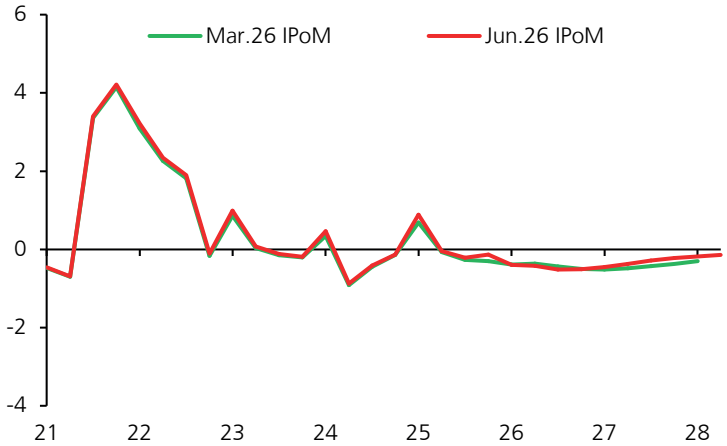



(1) The government savings component considers as actual data up to 2025 the general government's balance sheet; the government savings of the central government's balance sheet is used for the 2026-2028 forecast. (f) Forecast.
Source: Central Bank of Chile.

## THE ACTIVITY GAP AND CONVERGENCE OF INFLATION TO THE TARGET

**As for the output gap, its trajectory is similar to the March forecast, remaining slightly negative throughout the projection horizon (Figure II.6).** This projection assumes that, despite the first-quarter economic activity figures—which came in below expectations—the output gap is not revised significantly. This is so because its deviation from expectations is linked to temporary supply-side factors, which affect potential GDP but not the output gap. It also incorporates a similar outlook for domestic demand over the projection horizon. Here the slower growth expected for private consumption is offset by stronger growth in public spending by 2026, and by the higher GFCF growth expected toward 2027 and 2028.

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



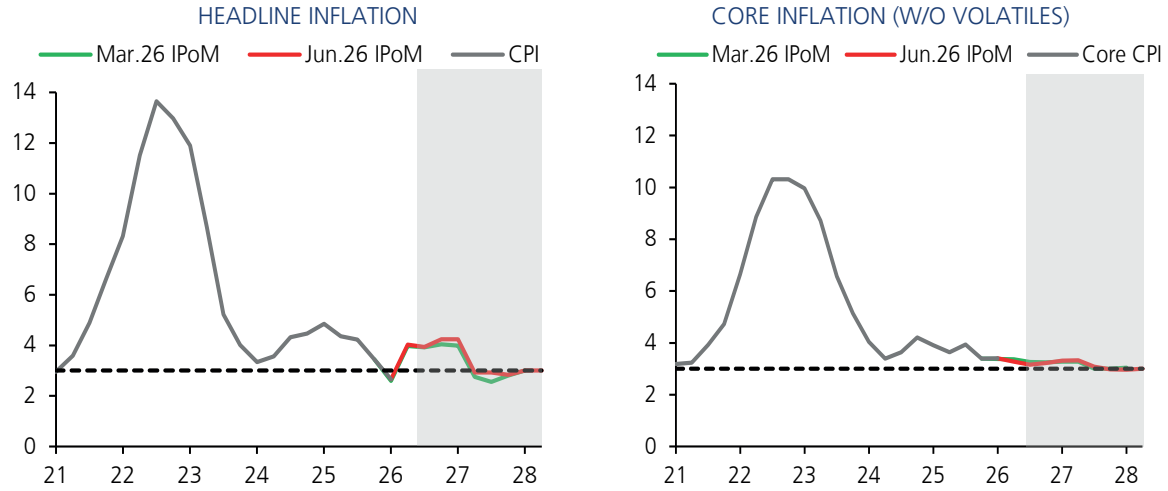

(1) Shows the estimate and projection contained in the respective IPoM. (2) Forecast assumes structural paramenters updated in March 2026 Monetary Policy Report (IPoM) (trend GDP) and potential GDP updated in June 2026 IPoM.
Source: Central Bank of Chile.

**The forecast for headline inflation sees a slight upward revision compared with the March Report, and it is still expected to return to levels around 3% in the second quarter of 2027.** During this year, slightly higher inflation records are expected due to the projected upward trend in the volatile component, given the increased outlook for international fuel prices. This will put upward pressure on the prices of energy and other goods and services that are highly sensitive to these inputs (Figure II.7; Table II.4).

**As for core inflation—the CPI that excludes volatile items—its projected trajectory remains unchanged, and is expected to reach 3% in the third quarter of next year.** The working assumption continues to be that the pass-through of the cost shock to other prices in the economy will continue as expected and follow typical patterns, an assumption consistent with the latest CPI data and microdata analysis. However, monitoring this assumption remains important (Box II.1) (Figure II.7; Table II.4). The real exchange rate (RER) is projected to remain near its long-term levels (see Box II.3, March 2026 IPoM), and behave in line with March estimates.

**Consistent with this scenario, short-term market inflation expectations have risen slightly, while one- and two-year expectations stand around the 3% targe.** Both inflation hedging instruments at the close of this IPoM and the June Economic Expectations Survey (EEE) placed inflation as of December 2026 at 4.1% (3.4% and 3.0% respectively at the March cutoff). Meanwhile, for the one-year horizon, inflation expectations derived from surveys—the June EEE and the June Financial Traders Survey (EOF) before the monetary policy meeting—and those implied by financial asset prices stand at around 3%. For the two-year term, they are located around the same value (Chapter I).

**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 second quarter 2026, shows forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

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

| | 2025 | 2026 (f) | 2027 (f) | 2028 (f) |
|---|---|---|---|---|
| Average CPI | 4.2 | 3.7 | 3.2 | 3.0 |
| December CPI | 3.5 | 4.2 | 2.9 | 3.0 |
| CPI in around 2 years (2) | | | | 3.0 |
| Average core CPI | 3.7 | 3.3 | 3.2 | 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 second quarter of 2028.
(f) Forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

## MONETARY POLICY STRATEGY: THE CENTRAL SCENARIO AND SENSITIVITIES

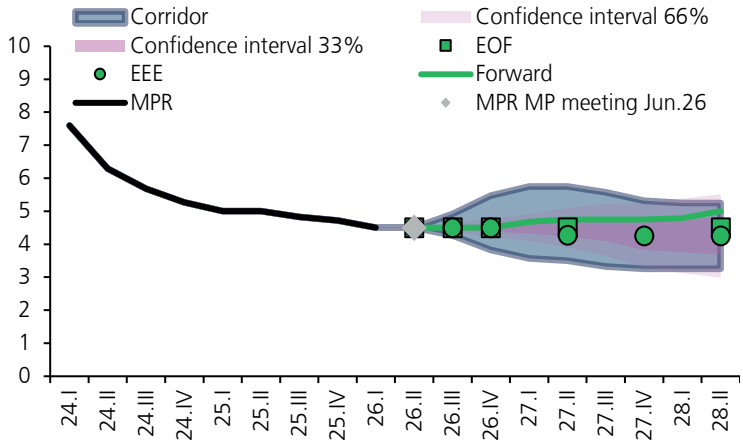
**The Board estimates that the balance of risks to inflation has been shifting gradually toward equilibrium, although the macroeconomic outlook remains subject to a higher-than-usual degree of uncertainty.** The conflict in the Middle East has not been definitively resolved, and global oil supply has not returned to normal. At the same time, while economic activity has been affected mainly by temporary supply-side factors and the outlook for demand has not changed significantly, several household consumption fundamentals have performed less favorably.

**Accordingly, the future path of the monetary policy rate will be assessed on a meeting-by-meeting basis, based on how events unfold.** The Board reaffirms that it will make every decision necessary to meet its objective of bringing projected inflation to 3% over a two-year horizon.

**Regarding the MPR corridor[2]/, its lower and upper bounds are defined by similar scenarios to those considered in March. The lower one reflects a sharper deterioration of domestic demand.** This could result from a further weakening of the labor market, as well as of household and business expectations. This would ease medium-term inflationary pressures, calling for a lower MPR over the projection horizon.

**The upper bound reflects a situation where inflation is higher and more persistent than estimated, which could be the case if the cost shock and/or its spillover exceeds expectations.** This could occur in a scenario where both the Chilean and the global economies are more dynamic, thus amplifying the second-round effects of the cost shock beyond expectations and reinforcing the mechanisms driving inflationary persistence. In such case, a more contractionary MPR would be necessary to ensure the convergence of inflation to the target.

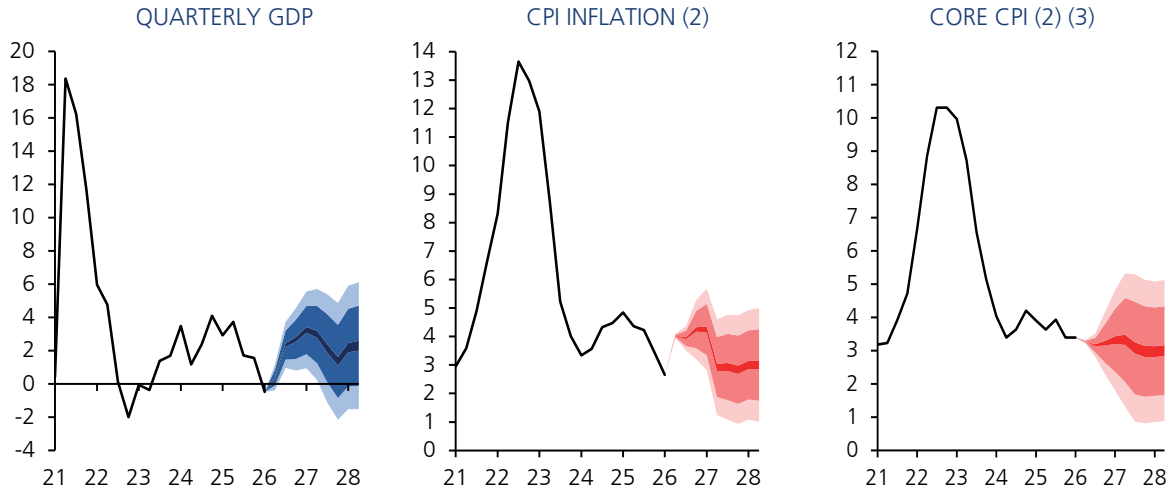
**FIGURE II.8** MPR CORRIDOR (1)
(quarterly average, percent)




(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 June Economic expectations survey (EEE), the June pre-MP meeting Financial traders survey (EOF) and the quarterly average smoothed forward curve as of June 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 June 2026.
Source: Central Bank of Chile.

[2]/ It includes sensitivity scenarios that differ from the central scenario and have a significant probability of occurrence. For details, see Box V.1, March 2020 IPoM.

**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:

## Spillover of oil shock to the CPI

The significant increase in international oil prices is a major shock to inflation. In the short term, this shock is transmitted directly—through local fuel prices—and indirectly through its effects on the production costs of other goods and services. The magnitude of these effects depends on various factors, notably the characteristics of the shock—especially its magnitude and persistence—and the macroeconomic conditions under which it occurs, including the state of the business cycle and the evolution of inflation expectations. This box provides further details on the estimation of direct and indirect effects, as well as real-time monitoring of the magnitude and timing of their transmission.

Headline inflation rose from 2.4% in February to 3.9% in May, driven mainly by the direct impact of rising international fuel prices. In line with expectations, the indirect effect has been of a more limited magnitude than the direct effect. In the central scenario of this IPoM, as in March, the pass-through of the shock to the CPI is expected to remain around historical averages, in a context where the output gap is projected to remain slightly negative over the projection horizon. Overall, the magnitude of the shock, uncertainty regarding its future evolution, and the possibility of a more dynamic than anticipated economy imply upside inflationary risks, which are captured as sensitivity scenarios.

### Transmission channels in response to an oil price shock and estimation of its impact

Given the weight of fuels in the CPI, the direct impact is the main channel through which the rise in the price of oil affects inflation[1]/. On average, a 10% increase in international oil prices leads to an increase in local gasoline prices of approximately 5% over the course of a year, which is equivalent to 0.2 pp of the CPI (Guzmán *et al.*, 2026)[2]/. In the short term, the speed of price pass-through depends on the parameters of the stabilization mechanism and on factors such as refining and marketing margins.

Meanwhile, the indirect impact operates primarily through increases in production costs and how these affect the prices of other goods and services. Estimates based on supply-use tables show that, at the aggregate level, fuels (either directly or through transportation services) account for about 2% of the total production cost of the goods and services consumed by households[3]/ (Guzmán *et al.*, 2026). In accordance with this, various estimates suggest that a 10% increase in the price of oil leads to an impact on the prices of other goods and services of between 0.1pp and 0.3 pp over one year. The results are consistent with evidence based on firm-level microdata, which suggests that price adjustments are greater among firms more exposed to fuel use (Table II.5).

[1]/ Fuels account for 6.4% of the consumer basket according to the CPI with base 2023=100.

[2]/ Estimated using local projections for the gasoline CPI component, and then weighted by gasoline's share of the CPI (3.4%). For fuels overall, the analysis suggests a 4% increase over one year and an impact of 0.3 pp on the CPI.

[3]/ This metric excludes fuels from the households' consumer basket.

In addition to the aforementioned factors, there are other transmission channels, including indexation to past inflation, lower demand resulting from a decline in household purchasing power, and the substitution with other goods in consumption and production decisions, among others. The results of a multisectoral general equilibrium model with price rigidities (Guzmán *et al.*, 2026) suggest that this type of shock exerts greater pressure on the costs and prices of goods. The reaction of service prices tends to be more limited in the short term, though more persistent, in line with the greater rigidities and indexation processes that characterize them (Figure II.10).

### Pass-through observed up until May

Until now, the pass-through to domestic inflation has unfolded as anticipated in the March IPoM. The direct effect has been the main driver behind the rise in the CPI, with its annual contribution increasing by 1.6 pp since February, like the rise recorded by annual inflation during that period. Thus, while international prices for oil and its derivatives rose by nearly 60% from the outbreak of the shock through May, local fuel prices accumulated increases of nearly 30%, suggesting that most of the direct pass-through has already occurred.

As expected, the indirect pass-through to domestic inflation has been more limited than the direct one and, apart from some transportation services, has been in line with projections. This is partly so because firms have absorbed part of the shock through reductions in their margins, as suggested by indicators derived from microdata and qualitative evidence from entrepreneurial surveys (Figure II.11).

In any case, the evidence suggests that the shock has been passed on to a greater extent for goods with higher exposure to oil. Estimates based on microdata show that goods produced by manufacturing and wholesale and retail trade firms more exposed to energy inputs have seen greater price increases than those less exposed (Rivera *et al.*, 2026). Similarly, survey data reveal that firms where fuels account for a larger share of their cost structure report higher price expectations than firms that do not use such inputs in their production processes (Business Perceptions Report (IPN), May 2026).

### Risks to inflation

Inflation has performed as expected; however, risks associated with the cost shock triggered by the conflict in the Middle East persist. The price hikes in oil and byproducts were significant, so we must continue to carefully assess its spillover effects on other prices in the economy. All of this is taking place within a context where more extreme fluctuations in crude oil prices cannot be ruled out (Box I.2).

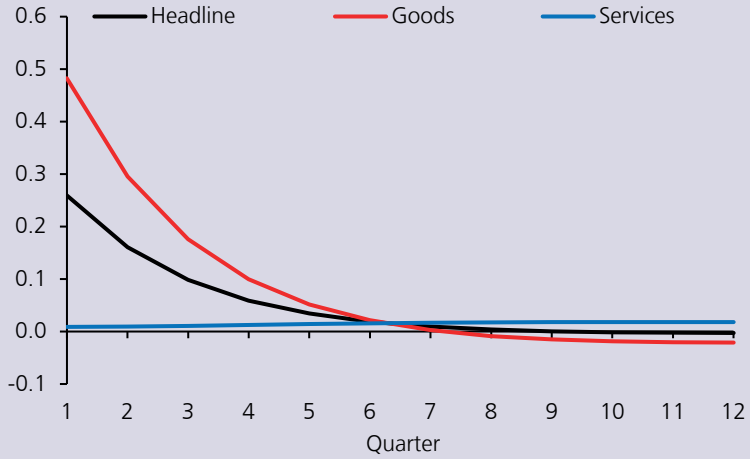
Historically, the magnitude of oil price increases has been a key determinant of how those increases are passed on to the prices of other goods and services. In the face of more significant oil price increases, the pass-through has been—on average—higher (Figure II.12 and Rivera *et al.*, 2026). Thus, scenarios in which the shock persists or intensifies, or in which firms' margins cannot absorb the cost pressures they face, could lead to greater inflationary pressures in the future. Conversely, scenarios where the economy exhibits greater capacity slack would be associated with more limited pass-through (Figure II.12 and Guzmán *et al.*, 2026). These findings are consistent with what firms reported in the May IPN survey, which noted that among the main reasons for not fully passing on higher costs were insufficient sales and the expectation that the cost increase would be temporary.

**TABLE II.5**
ONE-YEAR PASS-THROUGH COEFFICIENT OF THE RISE IN THE PRICE OF OIL
(elasticity)

| Variable | Methodology | Result/range |
|---|---|---|
| IPC without energy | Econometric estimation using INE data (1) | 0.01 y 0.03 |
| IPC without energy | Supply-use tables (2) | 0.01 y 0.02 |
| Firms' prices (wholesale and retail trade and industry) | Econometric estimation using electronic invoice data (3) | 0.01 |

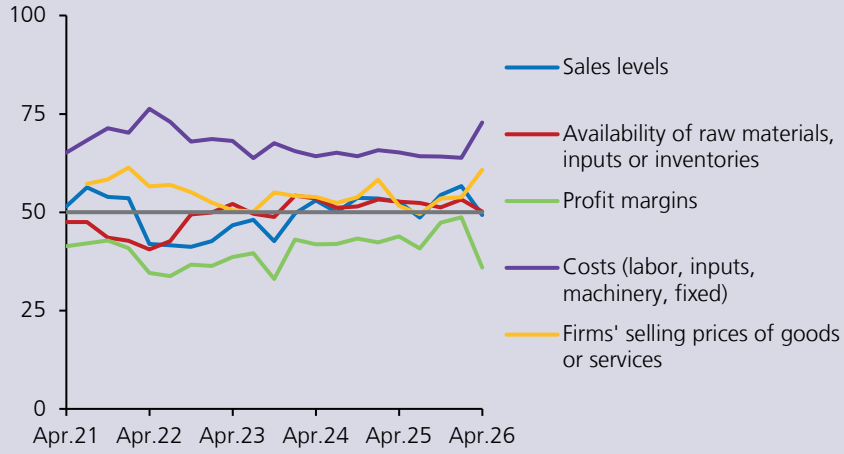
(1) Estimate with local projections for the CPI excluding energy. (2) Aggregate estimate based on the relevance of oil (and derivatives) and the match between economic activities and CPI subclasses, considering a pass-through of costs to prices in line with historical evidence. (3) Panel estimate based on electronic invoice data with local projections according to firms' exposure to the shock, evaluated for a firm with average fuel expenditure.
Sources: Guzmán *et al.* (2026) and Rivera *et al.* (2026).

**FIGURE II.10**
RESPONSE OF HEADLINE, GOODS AND SERVICES INFLATION TO A 10% INCREASE IN THE PRICE OF OIL
(percentage points)




Source: Guzmán *et al.* (2026).

**FIGURE II.11**
EVOLUTION OF THE FIRMS' FACTORS IN THE NEXT THREE MONTHS
(diffusion index)

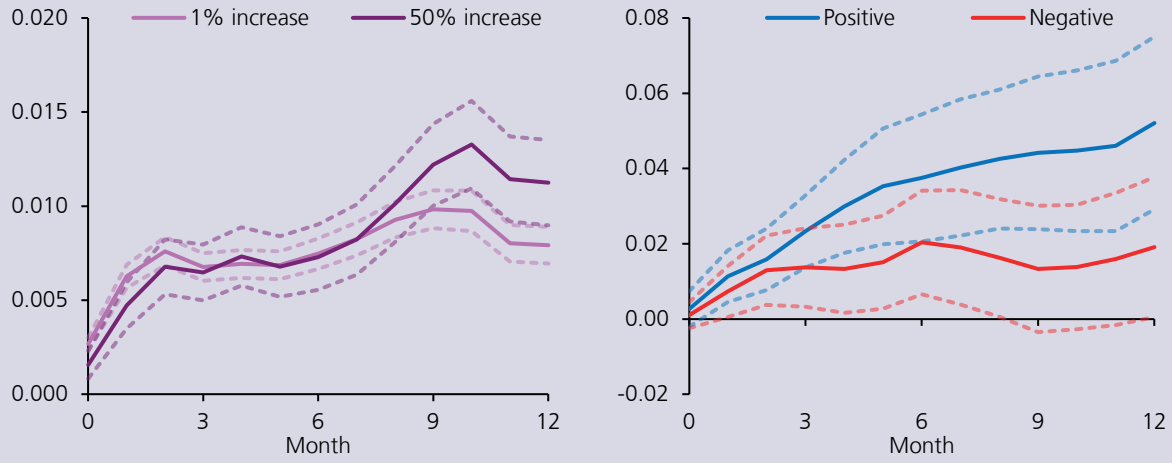



Source: Business Perceptions Survey (EPN), May 2026.

**FIGURE II.12** PASS-THROUGH TO PRICES OF AN OIL PRICE SHOCK

a) According to the magnitude of the shock (1)
(percentage points)

b) According to activity gap (2)
(percentage points)




(1) The figure shows the pass-through coefficient to prices of firms (microdata) in response to oil price shocks of varying magnitudes, for an average exposure of 2.2% of their costs to energy inputs. 95% confidence intervals. (2) The figure shows the pass-through to consumer prices, excluding energy. 68% confidence intervals.
Sources: Guzmán *et al.* (2026) and Rivera *et al.* (2026).


# MONETARY POLICY REPORT / **JUNE 2026**