banco central Chile

MONETARY POLICY REPORT

September 2026

SUMMARY

The domestic economy has weakened over the course of the year, with domestic demand slowing during the second quarter. This occurred alongside a deterioration in labor market conditions, a decline in confidence indicators, and the negative effects of higher fuel prices on the income of firms and households. Thus, while the impact of supply-side factors predominated in GDP performance at the beginning of the year, its recent evolution has also reflected weak domestic spending. Inflation has followed a path consistent with the projections in the June Monetary Policy Report (IPoM), significantly influenced by fuel prices amid the conflict in the Middle East. Regarding the projections, the main changes in the central scenario are concentrated in the local economy. For 2026, the GDP growth outlook has been revised downward relative to June, from 1.0-1.75% to 0.25-0.75%, owing to the effects of weaker demand, the consequences of adverse weather conditions on several sectors during the current quarter, and lower mining production. Starting next year, the implementation of the Reconstruction Act is expected to provide additional support for economic activity, primarily through investment. The inflation forecast shows no significant changes, reflecting the combination of a cost shock that remains relevant and a weaker demand in the short term, although spending is expected to recover within the forecast horizon. Headline inflation is projected to reach levels around 3% in the second quarter of 2027. The Board estimates that it will need to continuously assess alternative scenarios in which the response of the global and domestic economies could lead to inflation trajectories different from those expected and could require changes in monetary policy. Accordingly, the future path of the Monetary Policy Rate (MPR) will be assessed on a meeting-by-meeting basis based on how events unfold.

In general, inflation figures in recent months have been consistent with the projections in June IPoM. Annual change in the headline CPI has fluctuated around 4%, while that of the core measure, excluding volatile items, has remained between 3.2% and 3.4%. Largely, inflation has continued to be driven by higher fuel prices, with their pass-through to other prices following historical patterns. Two-year inflation expectations stand at around 3% annually according to different measures.

Economic activity remained weak in recent months. In the second quarter, the annual growth of total and non-mining GDP stood at -0.2% and 0.7%, respectively (-0.3% and 0.2% in the first quarter), both below the projections in June IPoM. During the same period, measured in seasonally adjusted terms, total activity remained unchanged relative to the previous quarter, while non-mining activity declined by 0.1%. In July, the Monthly Index of Economic Activity (Imacec) posted an annual contraction of 1.5%, largely reflecting lower mining production and the impact of adverse weather conditions on several sectors.

Whereas the weakness of the economy at the beginning of the year was mainly explained by supply-side factors, more recently a slowdown in domestic demand has been observed in both the public and private components. Annual growth in local spending declined from 2.3% to 0.1% between the first and second quarters, reflecting lower growth rates in both gross fixed capital formation (GFCF) and private consumption. Fiscal spending also posted more moderate growth in recent months.

In the case of private spending, its performance occurred alongside a deterioration in some of its fundamentals. Among these, business and household confidence indicators declined sharply from late in the first quarter onward, affected by both domestic and external factors. Added to this is the impact of higher fuel prices on income, which also affects expectations. Nevertheless, some indicators have shown a modest pickup at the margin, including the IMCE and the IPEC.

A deterioration in employment has also been observed, affecting household income. Indeed, the latest data from the National Statistics Institute (INE) show a loss of jobs, particularly in the formal sector, with the unemployment rate rising to 9.5% (9.3% in seasonally adjusted terms). This has led to slower real growth in the wage bill.

Overall, the Chilean labor market has continued to exhibit weak performance in the post-pandemic period, as a combination of persistent and cyclical factors. As noted in previous Reports, part of this is explained by the significant increase in labor costs over recent years. Additional evidence points to the role of the automation process, driven by the high exposure of certain occupations to these changes and by a decline in the relative cost of technology compared with labor. Regarding cyclical factors, weaker domestic demand has also weighed on employment, particularly in more labor-intensive sectors such as construction.

GFCF was affected by the persistent weakness of the real estate sector, the completion of several large-scale projects, and the postponement of investment decisions. The latest Business Perceptions Report (IPN) indicates that a share of firms delayed their investment projects in response to the deterioration in economic conditions during the second quarter and while awaiting the approval of the Reconstruction Act, which remained under legislative review until a few weeks ago. This was compounded by a significant decline in public investment spending during the first half of the year.

Nevertheless, the outlook for GFCF remains favorable. The latest survey conducted by the Chilean Capital Goods Corporation (CBC) reported a 15% increase in the total amount of investment projected for the 2027-2028 period. This comes in a context where copper prices remain at elevated levels and the medium-term copper price assumption has been revised upward, while the Reconstruction Act is expected to provide a boost to private investment.

Developments related to the conflict in the Middle East continue to dominate the external scenario, with hostilities escalating in the days leading up to the statistical cutoff date for this IPoM. Beyond the recent increase, oil price projections show little change compared to June. An oil price of US$79 per barrel (Brent-WTI average) is assumed for the 2026-2028 period, compared with US$81 in the previous IPoM.

Global economic activity continues to be supported by the boom in artificial intelligence (AI). This has particularly benefited countries that play a more prominent role in the technology value chain, leading to upward revisions to growth forecasts in several Asian economies. It also explains much of the dynamism of activity in the United States.

However, there are growing concerns about the ability of AI-related companies to sustain the current high pace of investment, particularly in a context where their debt levels have increased. These concerns have contributed to greater volatility in technology stock prices, exceeding that observed in other equity segments.

The increase in oil prices, together with global resilience and the communication of some central banks, has renewed concerns about inflation and reinforced expectations of a more restrictive monetary policy stance worldwide. Over the remainder of the year, policy rate increases are anticipated in Europe, where rates were already raised in June, as well as in the United Kingdom, the United States, and several other economies.

This, coupled with competition for the resources needed to finance massive AI-related investments, has contributed to the rise in long-term interest rates. In recent weeks, these rates have climbed to levels not seen in several decades. This increase comes amid a surge in corporate bond issuance to finance AI investments and growing fiscal financing needs across developed economies.

PROJECTIONS

The main changes in the central scenario are concentrated in the domestic economy. For 2026, weaker domestic spending, the adverse effects of weather conditions on several sectors during the third quarter, and lower mining production will converge. As a result, the GDP growth forecast range is revised downward from 1.0-1.75% to 0.25-0.75%. Consumption and GFCF are projected to close 2026 with annual growth rates of 1.7% and -0.3%, respectively (both 2.2% in the previous IPoM).

The central scenario incorporates the approval of the Reconstruction Act. Under this scenario, the Act is assumed to provide a significant boost to investment starting next year, supported by other measures aimed at promoting this component of demand that have been implemented in recent years. Higher investment would contribute to improvements in the labor market and confidence, thereby supporting private consumption. Overall, the projection incorporates approximately 0.5 percentage points of additional annual growth in both 2027 and 2028 because of the Act. Nonetheless, its implementation process could result in a macroeconomic impact that differs from what is currently anticipated.

Against this backdrop, the economy is expected to return to higher growth rates starting next year. This projection also assumes that the supply-side factors that affected activity during the current year will gradually dissipate and that there will be no significant disruptions stemming from weather-related events. On the fiscal front, for 2027 and 2028 the central scenario incorporates the nominal committed expenditures reported in the latest Public Finance Report.

In this context, GDP growth is projected to range between 2% and 3% in 2027 and between 2.25% and 3.25% in 2028 (compared with 2-3% and 1.75-2.75%, respectively, in June IPoM). Under the central scenario, both GFCF and private consumption are expected to return to stronger growth rates than those recorded in 2026. GFCF is projected to increase by 8.1% in 2027 and 7.1% in 2028 (compared with 5.0% and 3.2%, respectively, in June), while private consumption is expected to grow by 2.1% and 2.7% in 2027 and 2028, respectively (compared with 2.0% and 2.2% in June).

The external boost to the Chilean economy shows little change relative to the June projections. In the central scenario, global growth and that of Chile's trading partners are projected to remain around 3% over the 2026-2028 period, broadly in line with the previous IPoM. The expected evolution of the terms of trade is more favorable, mainly reflecting improved forecasts for copper prices. At the same time, international financial conditions are expected to become somewhat tighter because of higher interest rates.

Headline inflation forecast remains slightly above 4% at the end of 2026 and continues to anticipate convergence toward levels around 3% in the second quarter of 2027. For the core measure, estimates remain close to 3% throughout much of the projection horizon.

In the near term, inflation behavior is expected to be shaped by the interaction of the opposing effects of weaker demand pressures and cost shocks that remain significant. The forecast once again assumes that these shocks will be transmitted in line with historical patterns and that the real exchange rate will converge to its long-term levels over the coming quarters. Relative to the assumptions made in June, the projection incorporates, on the one hand, stronger growth in hourly wages based on the latest data and higher expected prices for refined petroleum products in international markets. On the other hand, it assumes that the weak performance of domestic demand will help contain these increased cost pressures.

MONETARY POLICY

The macroeconomic scenario remains subject to a higher-than-usual degree of uncertainty. On the one hand, the risks associated with the conflict in the Middle East remain present and have even intensified recently. On the other hand, although the domestic economy is expected to regain momentum toward 2027, it cannot be ruled out that its current weakness may prove more persistent than anticipated. The Board estimates that it will need to continuously assess alternative scenarios in which the response of the global and domestic economies could lead to inflation trajectories different from those expected and could require changes in monetary policy.

Accordingly, the future path of the MPR 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 ensuring that projected inflation stands at 3% over a two-year horizon.

Regarding the MPR corridor, its lower bound is associated with a weaker-than-expected recovery in domestic demand. This could occur if the boost from investment proves smaller than considered, affecting the labor market cycle and confidence. This would imply lower medium-term inflationary pressures than projected, making necessary a lower MPR over the policy horizon.

The upper bound of the MPR corridor corresponds to a situation where inflation is higher and more persistent than anticipated, which could occur if the cost shock and/or its spillover exceeds expectations. This could take place in a scenario where the economy is more dynamic, amplifying the second-round effects of the cost shock beyond expectations, reinforcing inflation persistence mechanisms. In this case, a more contractionary MPR would be required to ensure inflation converges to the target.

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

	2024	2025	2026 (f) Jun.26 IPoM	2026 (f) Sep.26 IPoM	2027 (f) Jun.26 IPoM	2027 (f) Sep.26 IPoM	2028 (f) Jun.26 IPoM	2028 (f) Sep.26 IPoM
Average CPI	3.9	4.2	3.7	3.7	3.2	3.1	3.0	3.0
December CPI	4.5	3.5	4.2	4.3	2.9	2.8	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	3.2	3.1	3.0	3.0
December core CPI	4.3	3.3	3.3	3.3	3.0	2.9	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 June 2026 IPoM corresponds to inflation forecast for the second quarter of 2028, for September 2026 IPoM to inflation forecast for the third quarter of 2028. (f) Forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

TABLE 2 INTERNATIONAL SCENARIO

	2024	2025	2026 (f) Jun.26 IPoM	2026 (f) Sep.26 IPoM	2027 (f) Jun.26 IPoM	2027 (f) Sep.26 IPoM	2028 (f) Jun.26 IPoM	2028 (f) Sep.26 IPoM
				(annual change, percent)				
Terms of trade	3.3	7.6	4.2	9.9	0.2	-2.0	0.9	1.0
Trading partners	3.3	3.3	2.8	2.9	2.7	2.8	2.9	2.9
World GDP at PPP	3.4	3.5	3.0	3.1	3.0	3.1	3.2	3.2
Developed GDP at PPP	1.7	1.7	1.4	1.4	1.7	1.7	2.0	1.9
Emerging GDP at PPP	4.6	4.5	3.8	4.1	3.7	3.8	3.8	3.9
				(levels)				
LME copper price (US$cent/pound)	415	451	580	610	520	540	500	560
Oil price, average WTI-Brent (US$/barrel)	78	67	90	87	78	77	74	72

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

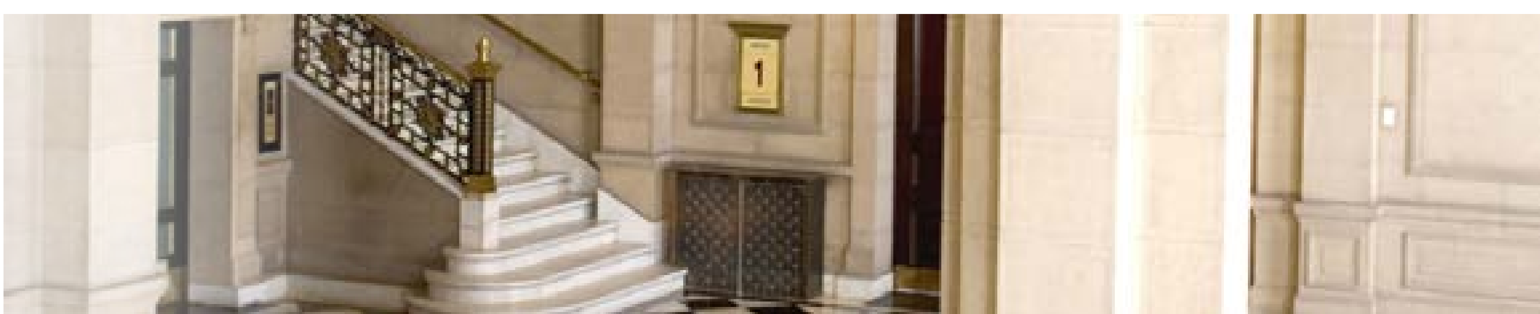
TABLE 3 INTERNAL SCENARIO
(annual change, percent)

	2024	2025	2026 (f) Jun.26 IPoM	2026 (f) Sep.26 IPoM	2027 (f) Jun.26 IPoM	2027 (f) Sep.26 IPoM	2028 (f) Jun.26 IPoM	2028 (f) Sep.26 IPoM
GDP	2.8	2.5	1.0 - 1.75	0.25 - 0.75	2.0 - 3.0	2.0 - 3.0	1.75 - 2.75	2.25 - 3.25
Domestic demand	1.2	4.2	2.2	1.1	3.0	4.1	2.7	3.9
Domestic demand (w/o inventory)	0.7	3.8	2.2	1.2	3.0	3.9	2.7	4.0
Gross fixed capital form	-1.6	7.0	2.2	-0.3	5.0	8.1	3.2	7.1
Total consumption	1.4	2.8	2.2	1.7	2.3	2.5	2.5	2.9
Private consumption	1.1	2.7	1.8	1.5	2.0	2.1	2.2	2.7
Goods and services exports	7.2	4.6	-1.8	-2.6	2.7	3.0	2.4	2.5
Goods and services imports	2.1	10.5	0.8	-0.7	4.5	7.7	3.6	6.1
Current account (% of GDP)	-1.2	-1.2	-1.4	0.2	-1.9	-1.8	-1.9	-2.4
Gross national saving (% of GDP)	22.0	22.8	22.3	23.2	22.9	23.7	23.3	24.5
Gross fixed capital formation (% of nominal GDP)	23.7	24.1	23.8	23.2	24.7	25.6	25.0	27.0

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

CHAPTER

FUTURE EVOLUTION OF MONETARY POLICY



FUTURE EVOLUTION OF MONETARY POLICY

On the domestic front, the changes to the central projection scenario in this Monetary Policy Report (IPoM) combine the weak performance exhibited by activity and domestic demand during the second quarter of this year and at the start of the third quarter, together with the deterioration of some of their fundamentals. Beginning next year, it is assumed that the implementation of the Reconstruction Act will provide a greater boost to economic activity, mainly through private investment, which would gradually spread to the rest of the economy. These dynamics justify a downward revision to the GDP growth range projected for this year relative to the June IPoM, the maintenance of the projection for 2027, and an upward adjustment for 2028. The outlook for headline inflation shows no significant changes, and it is still expected to return to 3% during the second quarter of 2027[1/]. This projection reflects the combined effects of cost pressures that remain relevant and weaker domestic demand during this year, which is expected to regain momentum in 2027. The external impulse that the Chilean economy would receive is similar to that anticipated in June, with global growth and trading partner growth prospects showing no major revisions, slightly more favorable terms of trade, and somewhat tighter financial conditions due to the increase in long-term interest rates. Nevertheless, the macroeconomic scenario remains subject to a higher-than-usual degree of uncertainty. The Board estimates that it will need to continuously assess alternative scenarios in which the response of the global and domestic economies could lead to inflation trajectories different from those expected and could require changes in monetary policy. Accordingly, the future path of the MPR will be assessed on a meeting-by-meeting basis based on how events unfold.

ACTIVITY AND DEMAND PROJECTIONS IN THE CENTRAL SCENARIO

THE DOMESTIC SCENARIO

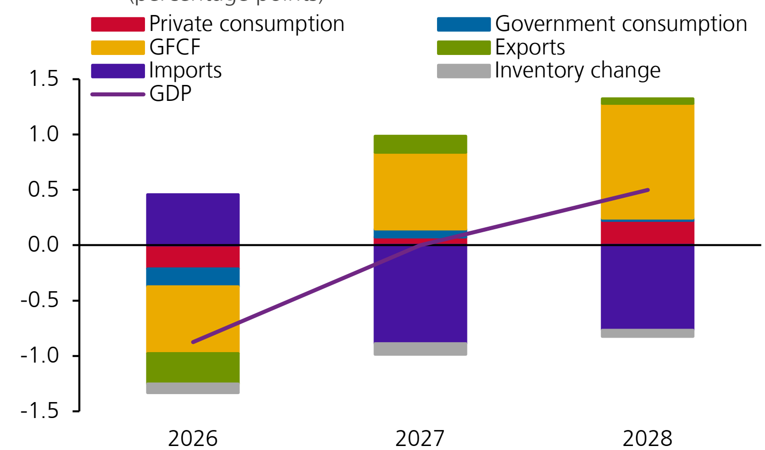
The main adjustments to the central projection scenario are concentrated in the domestic economy, reflecting both the figures observed in the second quarter and at the beginning of the third quarter, as well as changes in the outlook for the components of domestic demand.

For 2026, projections for both gross fixed capital formation (GFCF) and household consumption have been revised downward. This reflects a combination of factors, including their weak performance in the second quarter and the evolution of some of their fundamentals, among them labor market conditions and their impact on household income, the deterioration in business and consumer confidence, and the effect of higher fuel prices on household budgets, spending patterns, and expectations. As a result, private consumption is projected to grow by 1.5% this year (1.8% in June), while GFCF is expected to contract by 0.3% (+2.2% in June).

[1/] The central projection scenario in this IPoM does not incorporate the August CPI figure, which was released after the statistical cutoff date for the Report. The data came in broadly in line with expectations for core CPI, while headline CPI was somewhat higher than anticipated, owing to the behavior of certain volatile food and services components.

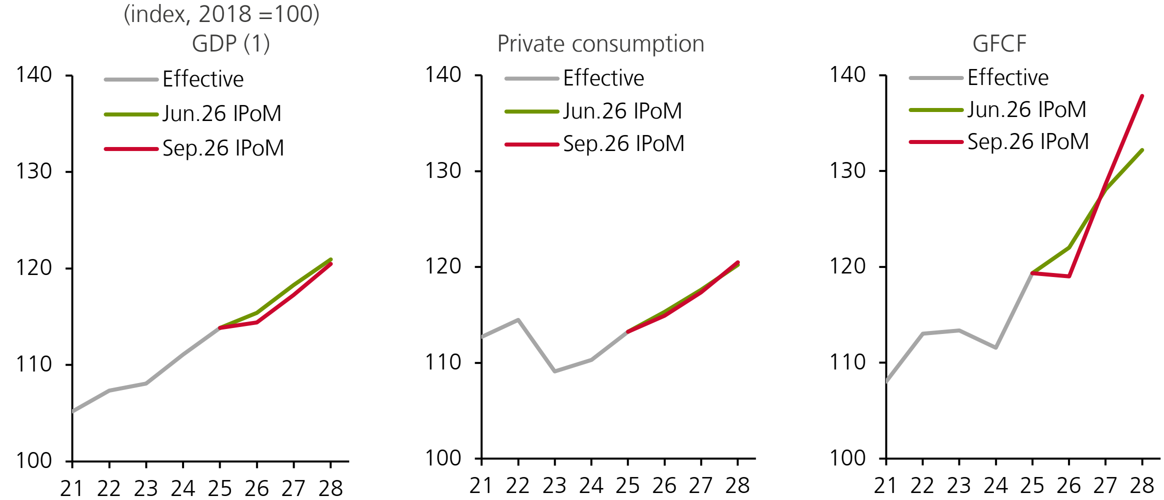
For 2027 and 2028, both expenditure components are expected to return to higher growth rates. The most significant change is in gross fixed capital formation (GFCF), whose projected growth has been revised upward once again. This reflects the increase in the total value of investment projects reported in the latest Capital Goods Corporation Survey (+15% for 2027-2028) and the boost assumed to be provided by the recently approved Reconstruction Act, supported by other measures to promote private investment that have been implemented in recent years. Accordingly, GFCF is projected to grow by 8.1% in 2027 and 7.1% in 2028 (5.0% and 3.2% in June, respectively). As for private consumption, higher growth rates are expected as the economic recovery is increasingly reflected in a more favorable evolution of the labor market and household expectations. Thus, this expenditure component is projected to grow by 2.1% and 2.7% in those years, respectively (2.0% and 2.2% in June) (Figures 1 and 2; Table 1).

FIGURE 1 CHANGE IN THE GDP GROWTH PROJECTION BETWEEN IPOM (1)
(percentage points)



(1) Contributions to the change in the total annual GDP growth projection compared to the June 2026 IPoM projection. GDP growth reflects the difference between the midpoints of the ranges from the respective reports described in Table 1.
Source: Central Bank of Chile.

FIGURE 2 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 1 ECONOMIC GROWTH AND CURRENT ACCOUNT

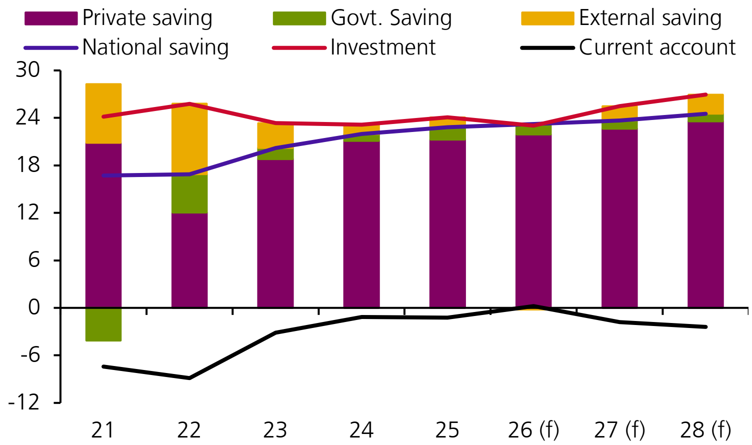
	2025	2026 (f)	2027 (f)	2028 (f)
		(annual change, percent)		
GDP	2.5	0.25-0.75	2.0-3.0	2.25-3.25
National income	4.0	1.9	2.9	3.6
Domestic demand	4.2	1.1	4.1	3.9
Domestic demand (w/o inventory change)	3.8	1.2	3.9	4.0
Gross fixed capital formation	7.0	-0.3	8.1	7.1
Total consumption	2.8	1.7	2.5	2.9
Private consumption	2.7	1.5	2.1	2.7
Goods and services exports	4.6	-2.6	3.0	2.5
Goods and services imports	10.5	-0.7	7.7	6.1
Current account (% of GDP)	-1.2	0.2	-1.8	-2.4
Gross national saving (% of GDP)	22.8	23.2	23.7	24.5
Gross national investment (% of GDP)	24.1	23.0	25.5	26.9
GFCF (% of nominal GDP)	24.1	23.2	25.6	27.0
GFCF (% of real GDP)	24.2	24.0	25.3	26.4
		(US$ million)		
Current account	-4,349	900	-7,500	-11,000
Trade balance	23,847	35,700	28,600	26,200
Exports	110,363	127,300	129,500	136,700
Imports	86,516	91,600	100,900	110,500
Services	-8,936	-9,500	-10,600	-11,400
Rent	-19,353	-26,500	-25,800	-26,100
Current transfers	94	1,200	300	300

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

Regarding fiscal spending, the central scenario incorporates growth in line with the Second Quarter 2026 Public Finance Report**.** Accordingly, for this year the projection assumes fiscal spending growth consistent with that Report, while for 2027 and 2028 it incorporates the committed expenditure levels. This implies a real increase in total fiscal spending of slightly above 2% in 2026, below the figure considered in June (2.6%). For the following two years, fiscal spending is projected to grow at an average rate of around 1% in real terms (0.5% in June).

The current account is expected to record a small surplus in 2026. However, it is projected to move into deficit in 2027 and 2028, in line with the stronger investment outlook. For this year, the central scenario incorporates a current account surplus, measured on a rolling twelve-month basis, supported by an improvement in the terms of trade amid weaker domestic spending, consistent with the figures observed through the second quarter and at the beginning of the third quarter. In the coming years, the current account is expected to shift into deficit as imports of goods and services recover. This is underpinned by the higher growth rates projected for domestic demand, particularly investment. In the saving-investment balance, this is reflected in lower investment and a reduced use of external saving in 2026. However, for 2027 and 2028, both variables are projected to increase more than anticipated in June. Meanwhile, real gross national disposable income is expected to continue rising, owing to more favorable terms of trade and the stronger GDP growth projected for the coming years (Table 1 and Figure 3).

FIGURE 3 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.

In this context, the GDP growth range projected for this year is revised downward to 0.25%-0.75%. This revision reflects weaker growth in non-mining sectors following the incorporation of second-quarter data, consistent with the greater weakness displayed by domestic demand. In addition, the projection assumes modest growth in the third quarter and a further contraction in mining output. In this regard, the latest Imacec reading and August high-frequency indicators reaffirm the importance of the adverse effects of supply-side factors on economic activity, particularly copper production (Figures 1 and 2; Table 1).

For its part, the projected growth range for 2027 remains unchanged, while the outlook for 2028 has been revised upward. This reflects the expectation that the economy will regain stronger growth momentum, supported by the dissipation of the supply-side factors that affected activity during much of the year. This includes the recovery from the adverse weather-related effects observed in the third quarter. These dynamics would be complemented by the additional stimulus assumed to stem from the recently approved Reconstruction Act, particularly through its impact on private investment. In the central scenario, this is estimated to add around 0.5 percentage points to annual GDP growth in both 2027 and 2028[2]/. Nevertheless, its implementation process could result in a macroeconomic impulse that differs from the one anticipated. In any case, these factors would support an improvement in labor market conditions and in business and household confidence, underpinning private consumption. As a result, the GDP growth range is maintained at 2-3% for 2027 and revised upward to 2.25-3.25% for 2028 (1.75-2.75% in June) (Figures 1 and 2; Table 1).

Market participants have continued to revise down their growth expectations for 2026, while expectations for 2027 have continued to be adjusted upward. The median forecasts from the August Consensus Forecast survey and Bloomberg, as of the statistical cutoff date for this IPoM, point to GDP growth of 1.3% and 1.5% for 2026, respectively (2.0% in May and 2.0% as of the June statistical cutoff date, respectively). For 2027, both surveys project growth of 2.9% (2.7% and 2.5%, respectively, in the previous IPoM).

[2]/ The estimates of the impact of the Reconstruction Act on the domestic economy are confined to the two-year monetary policy horizon. For further details, see Albagli *et al.* (2026b).

THE INTERNATIONAL SCENARIO

On the external front, the revisions to the central projection scenario are concentrated on commodity prices and financial conditions, while the outlook for trading partner growth remains broadly unchanged.

With regard to commodity prices, a more favorable path for the terms of trade is expected, owing to the higher projected copper price. The assumption for the medium-term copper price has been revised upward from US$5.0 to US$5.6 per pound, reflecting improved demand prospects for the metal, amid supply conditions that remain constrained. As a result, higher average prices are assumed, reaching US$6.1, US$5.4, and US$5.6 per pound on the LME in 2026, 2027, and 2028, respectively (US$5.8, US$5.2, and US$5.0 in June, respectively) (Table 2; Figures and 5).

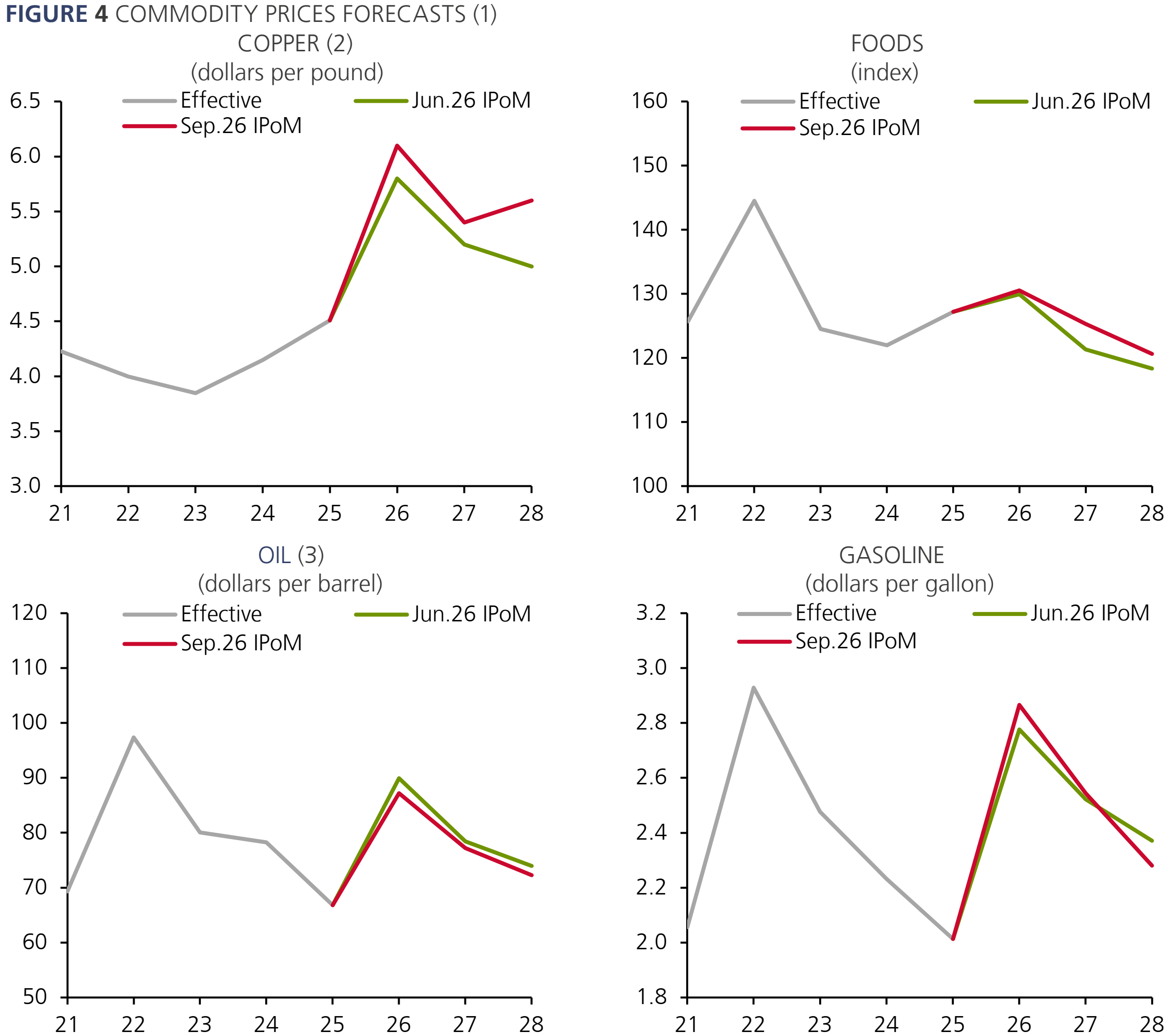
The projected oil price (Brent-WTI average) shows only minor changes relative to the assumptions in the June Report, in line with the evolution of oil futures prices between reporting rounds. Accordingly, average prices of US$87, US$77, and US$72 per barrel are assumed for 2026, 2027, and 2028, respectively (US$90, US$78, and US$74 in June, respectively). By contrast, the projection for refined petroleum products, such as gasoline and diesel, has been revised upward, reflecting reduced supply and refining capacity resulting from tensions in the Middle East and the war between Russia and Ukraine. Similarly, recent developments have led to an upward revision in the assumed path of international food prices (FAO). Additional upside risks stem from potential further increases driven by geopolitical and/or climatic factors (Table 2; Figures 4 and 5). Nevertheless, the escalation of hostilities between the United States and Iran in the days preceding the statistical cutoff date for this IPoM, and its implications for the projections embedded in the central scenario, remains a development that warrants close monitoring.

TABLE 2 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	9.9	-2.0	1.0
External prices (in US$)	0.6	-0.6	2.1	6.7	1.6	1.8
			(levels)			
LME copper price (US$cent/pound)	306	415	451	610	540	560
WTI oil price (US$/barrel)	72	76	65	83	75	70
Brent oil price (US$/barrel)	80	81	69	91	80	75
Gasoline price (US$/gallon)	2.1	2.2	2.0	2.9	2.5	2.3
US Federal Funds Rate (%) (1) (2)	0.7	5.3	4.4	3.8	4.0	3.8

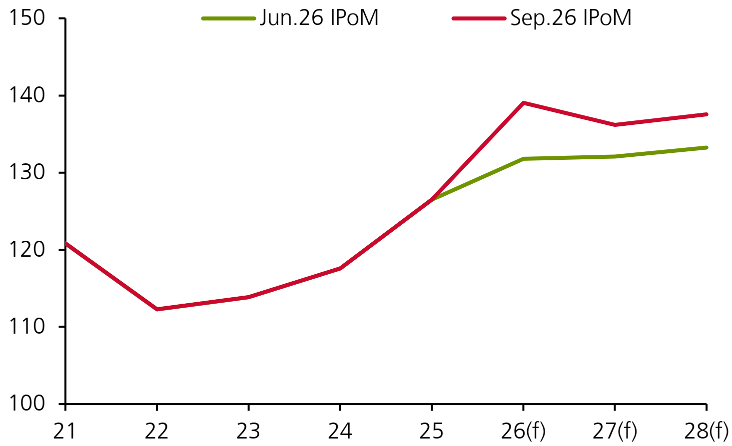
(1) For definition, see Glossary of economic terms.
(2) Annual average for the upper range of the Fed funds rate.
(f) Forecast.
Source: Central Bank of Chile.

FIGURE 4 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, Bloomberg and FAO.

FIGURE 5 TERMS OF TRADE
(level, 2018=100)



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

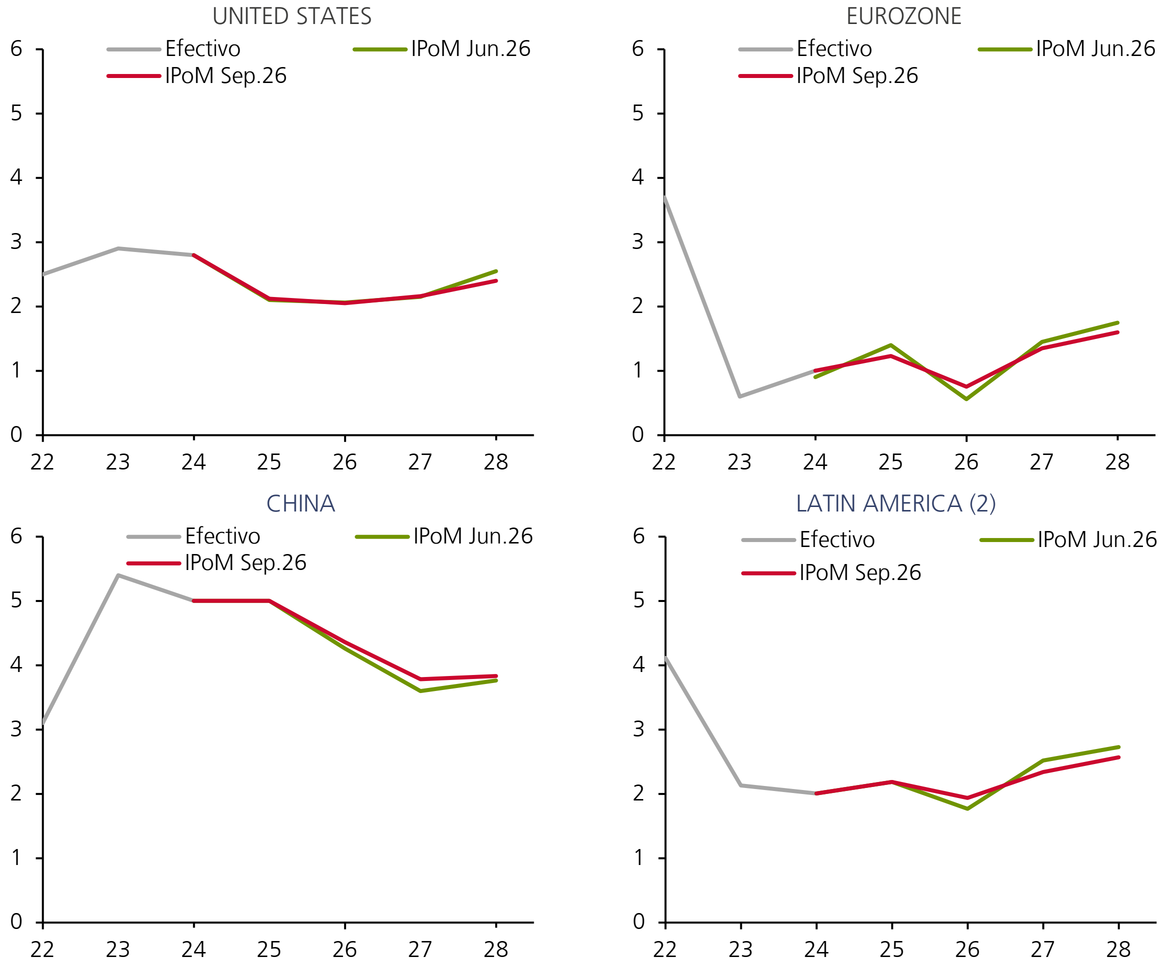
Global growth and trading partner growth outlook for the 2026-2028 period remain around 3%, consistent with the resilience that the global economy has continued to display, supported by the ongoing boom in artificial intelligence (AI). In the central scenario, activity in the United States is expected to remain underpinned by investment in new technologies and private consumption. In China, despite a moderation in domestic demand, growth is projected to be somewhat stronger, reflecting the recent dynamism of industrial production and the export sector, together with expectations of additional fiscal measures during the second half of the year. Growth projections for the rest of Asia have also been revised upward, supported by the boom associated with AI development. In the euro area and Latin America, projections for this year have increased slightly, reflecting stronger second-quarter outcomes (Table 3 and Figure 6). In this context, market expectations for global growth in 2026 have risen at the margin.

TABLE 3 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	3.1	3.1	3.2
World GDP at market exchange rate	3.3	3.0	2.8	2.5	2.6	2.7
Trading partners	4.0	3.3	3.3	2.9	2.8	2.9
United States	2.4	2.8	2.1	2.1	2.2	2.4
Eurozone	1.4	1.0	1.2	0.8	1.4	1.6
Japan	1.3	0.1	1.2	0.8	0.8	0.8
China	7.7	5.0	5.0	4.4	3.8	3.8
India	6.7	7.1	7.6	6.5	6.4	6.5
Rest de Asia	4.5	4.2	4.3	4.4	3.8	3.7
Latin America (excl. Chile)	1.8	2.0	2.2	1.9	2.3	2.6
Commodity exp.	2.3	1.3	1.6	1.1	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 6 TRADING PARTNERS GROWTH PROJECTIONS (1)
(annual change, percent)

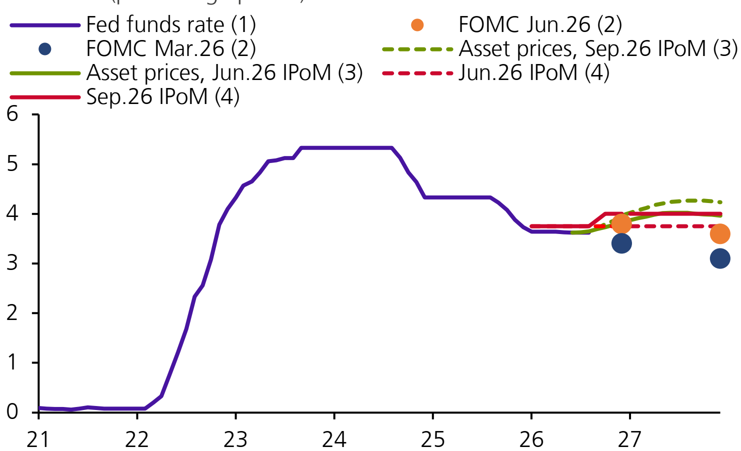


(1) Green and red lines correspond to the projection of the central scenario of the respective Monetary Policy Report (IPoM).
(2) The Region considers Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. The series projection is based on GPM model region made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

The persistence of elevated cost pressures and the resilience of the global economy keep inflationary risks present, as reflected in more contractionary monetary policy outlooks worldwide. The central scenario incorporates a 25-basis-point (bp) increase in the Federal Funds Rate (FFR) this year (compared with no increases in the June IPoM), while, as of the statistical cutoff date, market expectations were factoring in between one and two rate hikes (Figure 7). For the remainder of the year, markets also anticipate policy rate increases in Europe, where rates were already raised in June, and in the United Kingdom, among several other economies.

These elements, together with competition for financing the resource demand associated for AI investment, have significantly increased short- and long-term interest rates in major economies in recent weeks, reaching highs of several years in some cases. Nevertheless, growing doubts have emerged regarding the ability of technology-sector companies to sustain the current high pace of investment, which has been reflected in greater volatility in stock prices linked to this sector relative to other equity segments. This is compounded by challenging fiscal situations in several advanced economies, where fiscal spending has increased for various reasons, including defense expenditures. If this situation persist, it could have repercussions for financial markets and tighten international financial conditions.

FIGURE 7 EVOLUTION AND FORECASTS FOR THE FED FUNDS RATE
(percentage points)

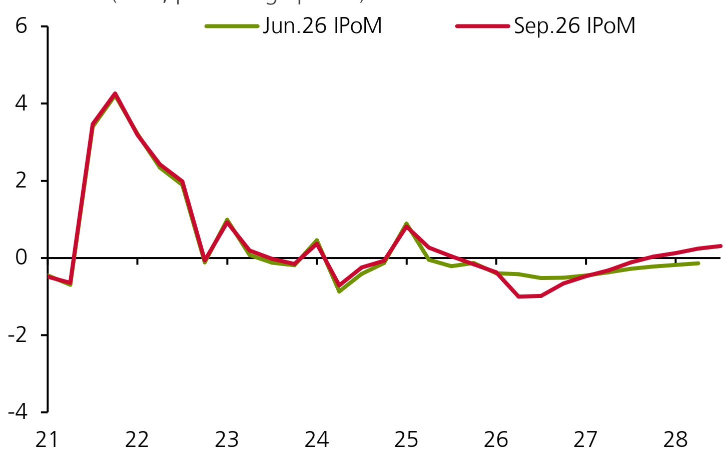


(1) Actual Fed funds rate.
(2) Forecast of Federal Open Market Committee (FOMC) at respective meeting.
(3) Based on statistical cutoff dates of respective Monetary Policy Report (IPoM).
(4) Annual average for the upper range of Fed funds rate in 2026 and 2027, according to central scenario of each IPoM.
Sources: Bloomberg and U.S. Federal Reserve.

THE ACTIVITY GAP AND CONVERGENCE OF INFLATION TO THE TARGET

The projected path for the activity gap differs from that considered in June. It starts from a more negative level, reflecting the activity figures and the greater weakness of demand in the second quarter. Looking ahead, the activity gap is projected to close gradually, reaching slightly positive values during 2028 (Figure 8). This outlook assumes that the economy will return to higher growth rates, supported mainly by the strength of investment and its transmission to the rest of the economy. The projection of the activity gap takes into account that potential GDP in the third quarter will be affected by weather-related factors, which will temporarily constrain productive capacity and are expected to dissipate over the coming quarters.

FIGURE 8 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 September 2026 IPoM.
Source: Central Bank of Chile.

In the central scenario, the inflation projections remain broadly unchanged. The annual variation of core CPI —the CPI that excludes volatile items— is expected to remain around 3% over much of the projection horizon. This continues to assume that the cost shock will keep propagating to the rest of prices in line with historical patterns and that the real exchange rate (RER) will return to its long-term levels over the coming quarters. Compared with the assumptions made in June, the projection incorporates somewhat stronger cost pressures at the margin —most notably a larger increase in hourly wages—, which would be offset by weaker pressures stemming from the subdued performance of domestic demand (Table 4 and Figure 9).

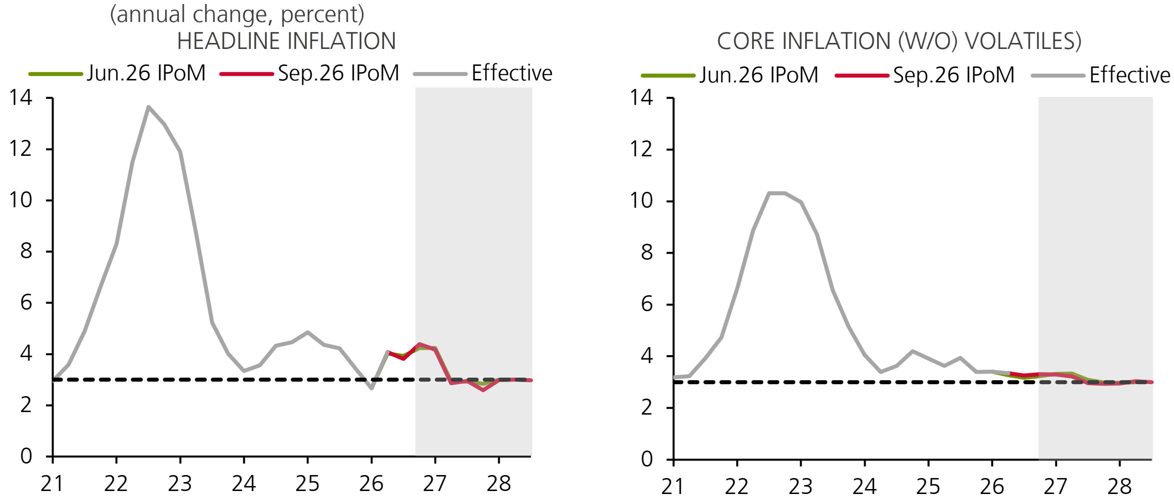
In turn, headline inflation is still expected to remain somewhat above 4% at the end of 2026 and to reach 3% in the second quarter of 2027, once the sharp increases in fuel prices recorded in recent months drop out of the comparison base. In addition to developments in the core component, this projection reflects, among other factors, stronger prospects for international prices of petroleum derivatives (Table 4 and Figure 9).

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

	2025	2026 (f)	2027 (f)	2028 (f)
Average CPI	4.2	3.7	3.1	3.0
December CPI	3.5	4.3	2.8	3.0
CPI in around 2 years (2)				3.0
Average core CPI	3.7	3.3	3.1	3.0
December core CPI	3.3	3.3	2.9	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 third quarter of 2028.
(f) Forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

FIGURE 9 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 third quarter 2026, shows forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

Market inflation expectations at two-year horizons remain around the 3% target. For December 2026, inflation swaps at the close of this IPoM stood at 4.3% (4.1% at the close of June), showing some volatility in recent months driven by developments in international oil prices. Meanwhile, inflation expectations one and two years ahead, as measured by the September pre-Monetary Policy Meeting Survey of Financial Traders (EOF), as well as those implied by financial asset prices, place inflation at around 3%.

MONETARY POLICY STRATEGY: THE CENTRAL SCENARIO AND SENSITIVITIES

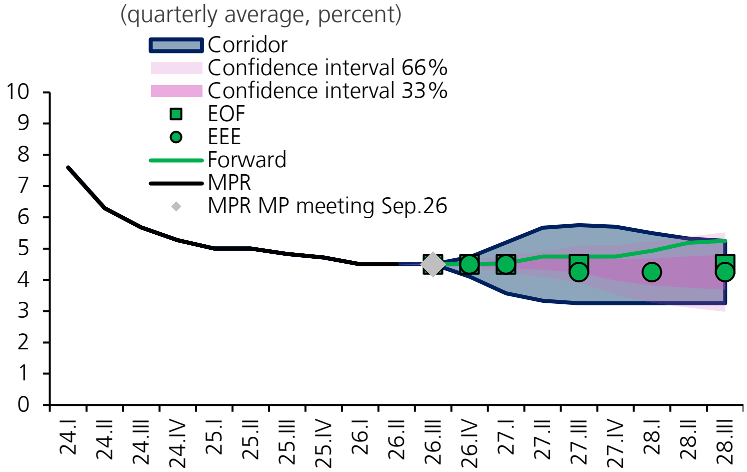
The macroeconomic scenario remains subject to a higher-than-usual degree of uncertainty. On the one hand, the risks associated with the conflict in the Middle East remain present and have even intensified recently. On the other hand, although the domestic economy is expected to regain momentum toward 2027, it cannot be ruled out that its current weakness may prove more persistent than anticipated. The Board estimates that it will need to continuously assess alternative scenarios in which the response of the global and domestic economies could lead to inflation trajectories different from those expected and could require changes in monetary policy.

Accordingly, the future path of the MPR 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 ensuring that projected inflation stands at 3% over a two-year horizon.

Regarding the MPR corridor[3], its lower bound is associated with a weaker-than-expected recovery of domestic demand (Figure 10). This could occur if the boost from investment proves smaller than considered, affecting the labor market cycle and confidence. This would imply lower medium-term inflationary pressures than projected, making necessary a lower MPR over the policy horizon.

The upper bound of the MPR corridor corresponds to a situation where inflation is higher and more persistent than anticipated, which could occur if the cost shock and/or its spillover exceeds expectations. This could take place in a scenario where the economy is more dynamic, amplifying the second-round effects of the cost shock beyond expectations, reinforcing inflation persistence mechanisms. In this case, a more contractionary MPR would be required to ensure inflation converges to the target.

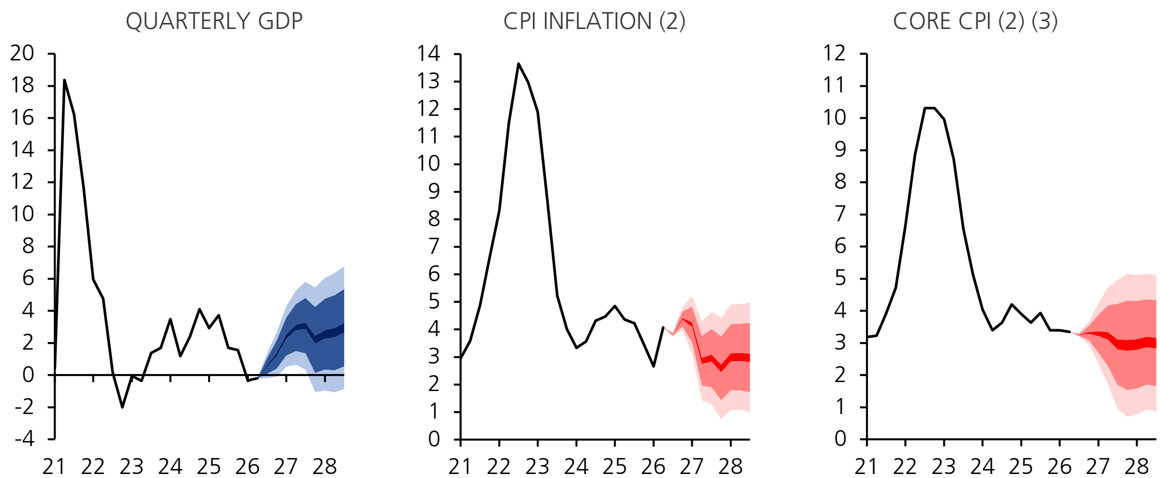
FIGURE 10 MPR CORRIDOR (1)
(quarterly average, percent)



(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 IPoM and V.3 of March 2022 IPoM. It includes the August Economic expectations survey (EEE), the September pre-MP meeting Financial traders survey (EOF) and the quarterly average smoothed forward curve as of September 02. 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 September 2026.
Source: Central Bank of Chile.

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

FIGURE 11 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).

banco central Chile

MONETARY POLICY REPORT September 2026