

MONETARY POLICY REPORT

September 2026





Central Hall

Central hall on the first floor of the Central Bank of Chile's institutional building at Agustinas 1180. Designed by architect Alberto Cruz Montt, together with his assistant Miguel Dávila.

Neoclassical in style, it is distinguished by the use of marble and bronze and by its distinctive geometric flooring—elements that reflect the solidity and permanence that inspired the structure of the building's construction, completed in December 1928.



MONETARY POLICY REPORT

September 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 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 (IPoM)

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



Luis Oscar Herrera Barriga / Legal Representative

Corporate Affairs Division
CENTRAL BANK OF CHILE
Agustinas 1180, Santiago, Chile

Tel.: 56-22670 2000

www.bcentral.cl

bcch@bcentral.cl

ISSN: 0716-2219

This publication is protected under Chilean Law 17336 on intellectual property. Hence, its contents may not be copied or distributed by any means without the express permission of the Central Bank of Chile. However, fragments may be reproduced, provided that a mention is made of source, title, and author.

CONTENTS*/

SUMMARY	4
I. RECENT EVOLUTION OF THE MACROECONOMIC SCENARIO	9
II. FUTURE EVOLUTION OF MONETARY POLICY	35
BOXES	
Box I.1: Developments in macroeconomic risks associated with Artificial Intelligence	25
Box I.2: Factors behind the recent performance of the labor market	28
Box I.3: Evolution of business and household confidence	32
Box II.1: Recent developments in copper prices and medium-term outlook	49
ANNEXES	
Annex A Central Bank of Chile balance sheet	53
Annex B International reserves management	60
Annex C Main measures adopted by the Central Bank of Chile during 2026	69

*/ For the central scenario construction purposes, the statistical cut-off date is 2 September. This document was originally written in Spanish. In case of discrepancy or difference in interpretation, the [Spanish version](#) prevails.



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 (Box I.3). 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 (Box I.2). 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 (Box II.1), 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 (Box I.1).

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)		2027 (f)		2028 (f)	
			Jun.26 IPoM	Sep.26 IPoM	Jun.26 IPoM	Sep.26 IPoM	Jun.26 IPoM	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)		2027 (f)		2028 (f)	
			Jun.26	Sep.26	Jun.26	Sep.26	Jun.26	Sep.26
			IPoM	IPoM	IPoM	IPoM	IPoM	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)

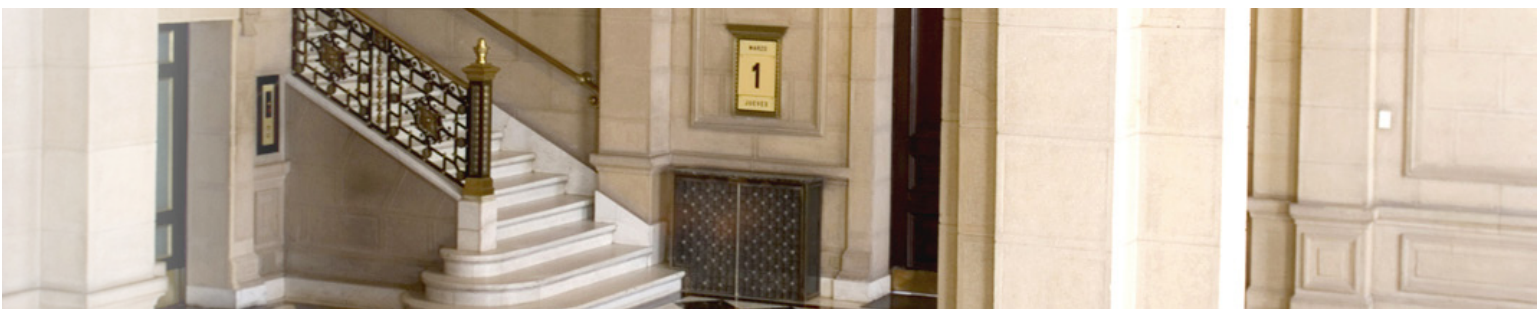
	2024	2025	2026 (f)		2027 (f)		2028 (f)	
			Jun.26 IPoM	Sep.26 IPoM	Jun.26 IPoM	Sep.26 IPoM	Jun.26 IPoM	Sep.26 IPoM
GDP	2.8	2.5	1.0 - 1.75	0.25 - 0.75	2.0 - 3.0	2.0 - 3.0	1.75 - 2.75	2.25 - 3.25
Domestic demand	1.2	4.2	2.2	1.1	3.0	4.1	2.7	3.9
Domestic demand (w/o inventory)	0.7	3.8	2.2	1.2	3.0	3.9	2.7	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 I

RECENT EVOLUTION OF THE MACROECONOMIC SCENARIO





RECENT EVOLUTION OF THE MACROECONOMIC SCENARIO

Geopolitical tensions in the Middle East remain the focus of attention in the external scenario, mainly because of their impact on fuel prices. Despite their effects on costs and uncertainty, global activity has remained resilient, supported by strong investment in economies more closely linked to the development of artificial intelligence (AI). Nevertheless, some risks persist: among them, doubts around the ability of technology-sector firms to sustain the pace of investment have heightened financial volatility. These have been compounded by prospects of a somewhat tighter monetary policy stance in the United States and the recent increase in long-term interest rates. Domestic activity remained weak and came in below expectations in the second quarter. Of particular note were the effects of a broad-based slowdown in domestic demand during that period. Consumption and gross fixed capital formation (GFCF) contracted relative to the previous quarter, amid a deterioration in some of their determinants, including declines in business and household confidence indicators. In the case of private consumption, this is compounded by weaker labor market conditions, which have also affected household income. Meanwhile, the medium-term outlook for investment remains positive, with a significant contribution from the impetus associated with the approval of the Reconstruction Act. Inflation has followed a trajectory consistent with expectations, driven by fuel prices and their impact on the volatile component of the CPI, fluctuating around 4% annually.

THE INTERNATIONAL SCENARIO

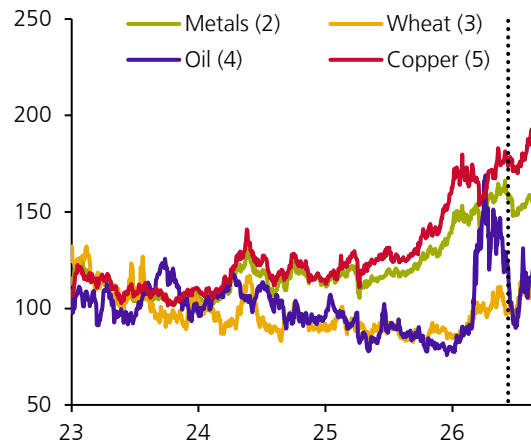
The evolution of the external scenario continues to depend, to a large extent, on geopolitical tensions in the Middle East. The wide gap between the positions of the United States and Iran, together with the recent escalation of hostilities, has reduced the prospects of a negotiated solution, which has risen again the prices of oil and its derivative products.

Oil prices remain on a highly volatile path (Figure I.1). At the statistical cutoff date, the price per barrel of crude oil, measured as the Brent-WTI average, stood at around US\$90. This was below the peaks observed between April and May, but above the level projected in the June IPoM. For the time being, price increases have been contained by a smaller share of traffic through the Strait of Hormuz, the use of alternative routes, increased production by countries outside the conflict zone, and more intensive inventory usage—the latter is reflected in the moderation of imports from China. Nevertheless, the risks of further price increases triggered by reserve depletion remain in place ([Box I.2 of the June 2026 IPoM](#)). Refined fuel prices—gasoline and, particularly, diesel—have risen significantly in recent weeks (the latter, +24% since the previous Report) owing to reduced refining capacities caused by tensions in the Middle East and the war between Russia and Ukraine.

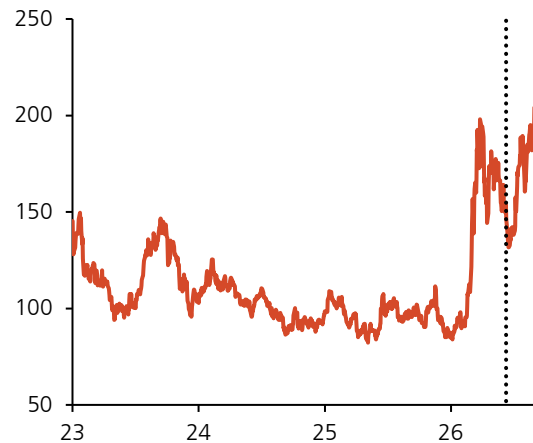


FIGURE I.1

a) Commodity prices (1)
(index, 2010-2026 average = 100)



b) Diesel price (1) (6)
(index, 2010-2026 average = 100)



(1) Dotted vertical line corresponds to the statistical cutoff date of the June 2026 IPoM. (2) S&P GSCI Industrial Metals Index. (3) Prices of futures one-month ahead. (4) WTI and Brent simple average. (5) Corresponds to the LME price. (6) Corresponds to the U.S. diesel price reported by the EIA.

Sources: Bloomberg and EIA.

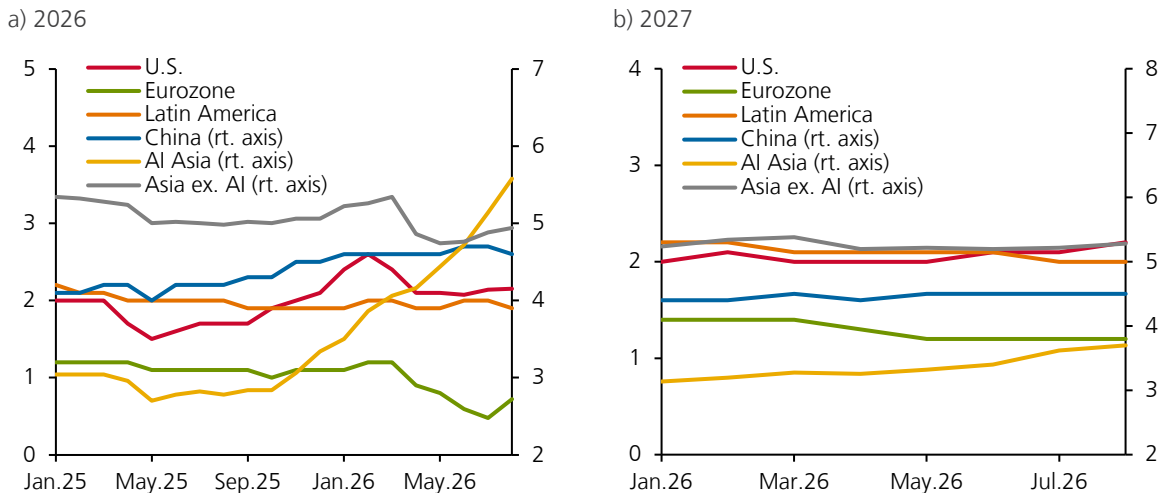
As for other commodities, the price of copper has continued to rise (+5% since the June IPoM), while food prices have remained broadly unchanged on average, albeit with differences across components.

The metal price has continued to be supported by the energy transition, stronger AI-related investment, and increased defense spending, together with some supply constraints (Figure I.1). Higher copper imports from the United States due to new tariff risks also played a role. Accordingly, the central scenario assumption for the medium-term copper price is raised from US\$5.0 to US\$5.6 per pound (Box II.1). For food, the FAO index stands at levels similar to those in the previous IPoM. Significant increases in cereal and oil prices were offset by lower meat prices.

Global activity remains resilient, with greater dynamism in economies that are more involved in the technology value chain. In the second quarter, performance in the United States was supported by consumption and AI-related investment. In China, industrial production and exports continued to increase, led by the technology sector. This partly offset weakness in consumption and investment in traditional sectors. In the Eurozone and Latin America, second-quarter growth was slightly above market expectations. Against this backdrop, market projections for growth this year and next remain close to their June readings, with a slight increase for countries more involved in AI development (Figure I.2).



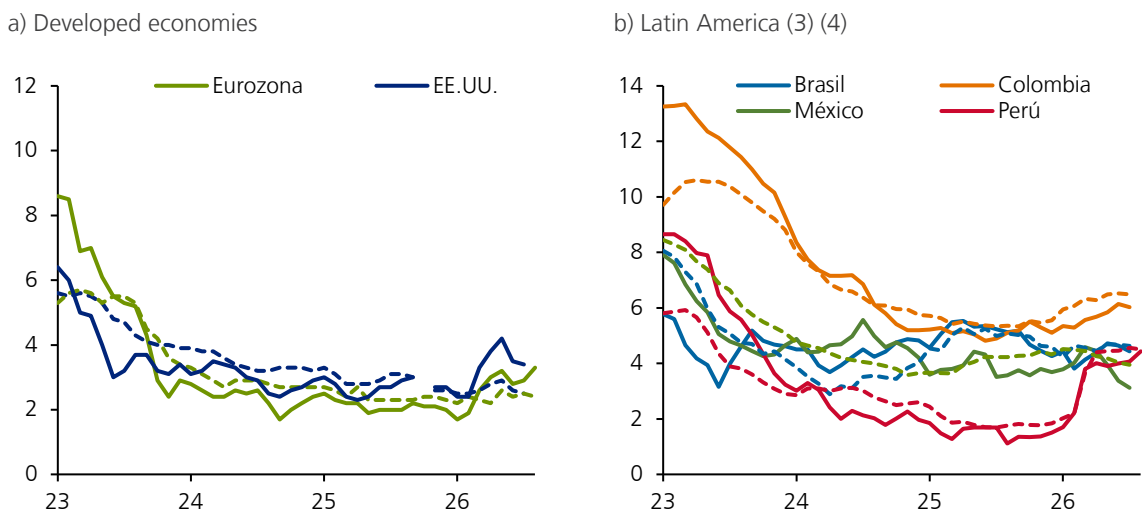
FIGURE I.2 CONSENSUS FORECASTS: GLOBAL GROWTH PROJECTIONS (1)
(percent)



(1) The latest information available as of the cutoff date of this IPOM corresponds to August. Latin America includes Brazil, Mexico, Colombia, Peru, and Argentina, weighted at PPP using each economy's share according to the IMF WEO. AI Asia is the simple average of China, Taiwan, South Korea, Malaysia, and Singapore. Asia ex. AI is the simple average of India, Indonesia, Vietnam, Thailand, and the Philippines. For India, fiscal years 2025 and 2026 are used for the 2026 projection, and fiscal years 2026 and 2027 for the 2027 projection. Sources: Consensus Forecasts and IMF.

Global inflation remains above the levels observed before the onset of the conflict in the Middle East (Figure I.3). The decline in oil prices following the June memorandum of understanding contributed to lower headline inflation in a broad group of countries, particularly through energy components. However, the latest developments in the tensions have once again increased upside inflation risks.

FIGURE I.3 WORLD INFLATION (1) (2)
(annual change, percent)

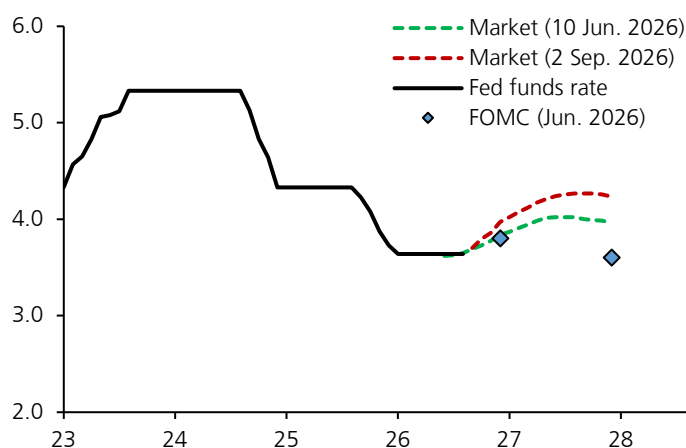


(1) Dashed lines denote core inflation. The latest data refer to July, except for the Eurozone and Peru (August). (2) Core measures exclude food and energy. (3) Inflation in Peru refers to Lima. (4) Core inflation for Brazil and Colombia excludes food and fuel. In Mexico and Peru, it excludes food and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



In this context, monetary policy expectations have become more restrictive. Volatility in such expectations in the United States has stood out, combining the assessment of incoming data and communication by the Federal Reserve (Fed). At the statistical cutoff date, the market raised the probability of an increase in the Fed funds rate (FFR) at the September meeting and expected between one and two hikes over the remainder of the year (Figure I.4). In other economies, the central banks of the Eurozone and the United Kingdom kept their policy rates unchanged at their latest meetings. In Latin America, upside inflation risks continue to be emphasized and monetary policy outlooks generally remain restrictive. This is consistent with policy rates that are still above their neutral levels.

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



(1) FOMC projections correspond to the mid-range of the Fed funds rate presented in June 2026; market projections correspond to the mid-range of the Fed funds rate implied by futures as of Jun.10 2026 (statistical cutoff date of that IPoM) and Sep.2 2026 (statistical cutoff date of this IPoM).

Sources: Federal Reserve and Bloomberg.

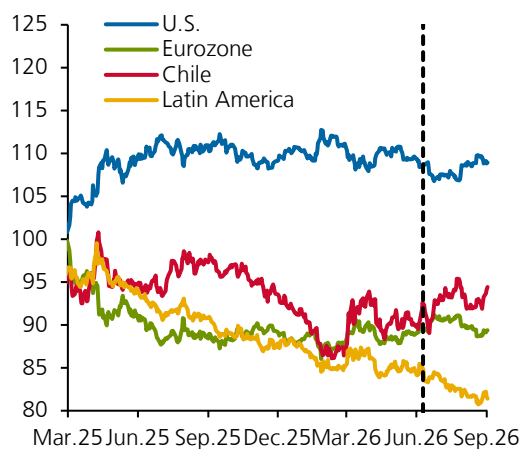
International financial markets continue to show significant fluctuations (Figure I.5). This has been especially noticeable in technology-sector stock indexes, which have become increasingly responsive to different news. This would reflect growing doubts about the ability of AI-related companies to sustain the current high pace of investment, in a context in which their debt levels have increased (Box I.1). Meanwhile, the multilateral dollar index remains around its June levels, although with significant ups and downs mainly associated with the conflict in the Middle East and changes in expectations regarding the Fed's next actions.

Long-term interest rates continued to rise, particularly in advanced economies (Figure I.5). Part of this increase is related to uncertainty surrounding the geopolitical situation and its implications for the global inflation and monetary policy outlook. Other contributing factors include the sharp increase in corporate bond issuance to finance technology-sector investment and the persistence of high public debt levels in several economies. In this context, the United States 30-year nominal interest rate reached its highest levels in nearly two decades in recent weeks. This occurred despite the recent repurchase of long-term bonds by the United States Department of the Treasury, whose downward effect on the yields of these instruments was quickly reversed.

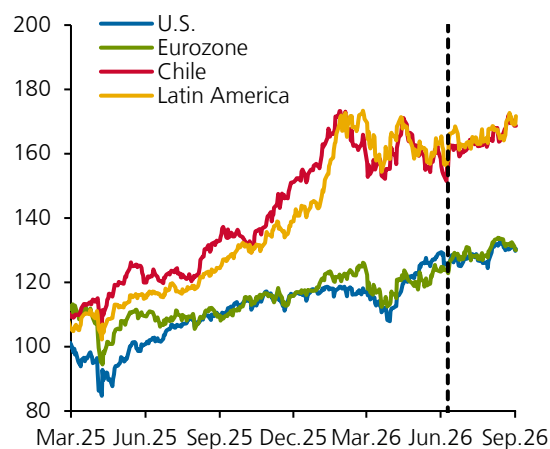


FIGURE I.5 FINANCIAL CONDITIONS

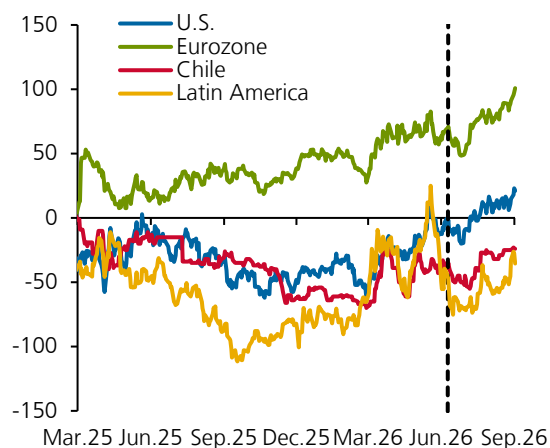
a) Currencies (1) (2) (3)
(index, Jan.01 2025 = 100)



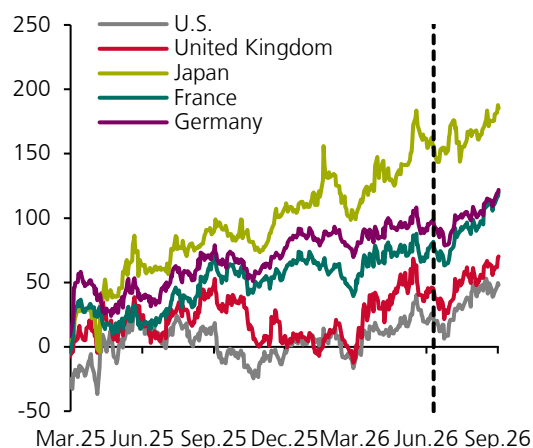
b) Stock markets (1) (2)
(index, Jan.01 2025 = 100)



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



d) Interest rates on nominal 30-year bonds in advanced economies (2)
(difference w/r to Jan.01, 2025, basis points)



(1) For Latin America, it considers the simple average of the indices for Brazil, Mexico, Colombia, and Peru. (2) Dashed vertical line denotes the statistical cutoff date of the June 2026 IPoM. (3) An increase in the index corresponds to a currency depreciation, and vice versa. For the U.S., the multilateral exchange rate is used.
Sources: Central Bank of Chile and Bloomberg.



Risks to the future evolution of the international outlook remain high. The conflict between the United States and Iran has extended, and a negotiated resolution appears more distant. In addition, elevated volatility in AI-related stocks, together with higher risk premiums on corporate bonds in the sector, reflects concerns about the future development for technology companies. Finally, risks related to fiscal fragility persist, particularly in advanced economies. This occurs in a context of higher long-term interest rates, while measures to restrain the effects of high oil prices and risks associated with extreme weather events could generate additional government spending pressures.

THE DOMESTIC SCENARIO

Broadly speaking, the domestic financial market remains aligned with international trends. Compared to the statistical cutoff date of the previous IPoM, long-term interest rates have increased—although in a more limited way than in other countries—while short-term rates, despite some volatility, are at similar levels. The peso-dollar exchange rate has fluctuated, affected by geopolitical tensions and the interest rate differential with the United States and other economies in the region. The IPSA stock index has risen 9% since June, consistent with greater optimism in global markets.

Inflation has continued to fluctuate around 4% annually in the last months (Figure I.6).^{1/} Its recent evolution has continued to be driven mainly by the path of the volatile component of the CPI. The partial reversal of the increase in fuel prices was offset by a greater contribution from some food items—which could be partly associated with supply factors due to weather conditions—and volatile services (Figure I.7). Meanwhile, the annual change in core CPI—which excludes volatile items—has remained between 3.2% and 3.4%, and its trajectory remains consistent with indexation to inflation in previous months, higher labor costs, and pass-through from higher fuel costs in line with historical patterns.

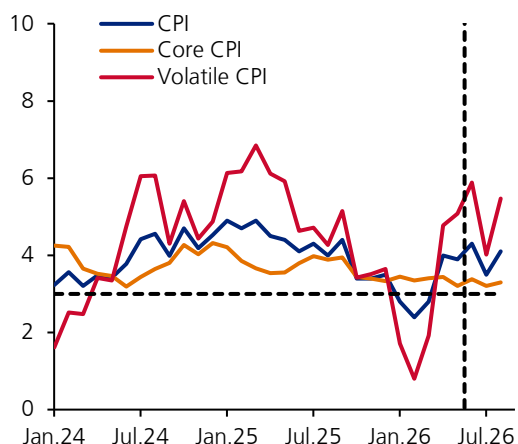
Overall, cumulative inflation between June and August was in line with the projections in the previous IPoM. In the volatile CPI component, energy surprised to the downside. This was explained by the decline in the international oil price after that Report's cutoff date, together with parameter adjustments to the fuel price stabilization mechanism (MEPCO), which accelerated pass-through to domestic prices. The delayed publication of an electricity tariff decree also contributed. By contrast, volatile services surprised to the upside, particularly air transportation. In the core component, surprises were limited both in the aggregate and across its main components.

^{1/} For the recent evolution analysis in this Report, the August figure, published after the statistical cutoff, is considered. For the forecasts in Chapter II, inflation series are considered only through July.

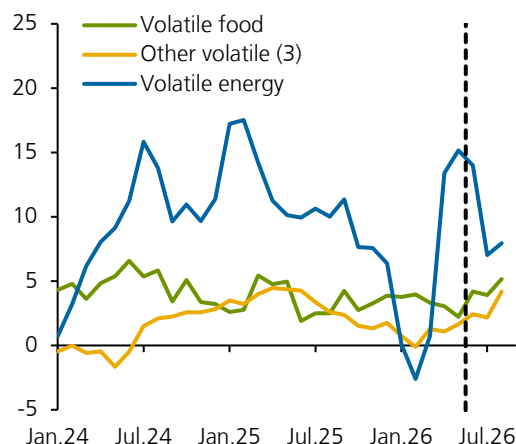


FIGURE I.6

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



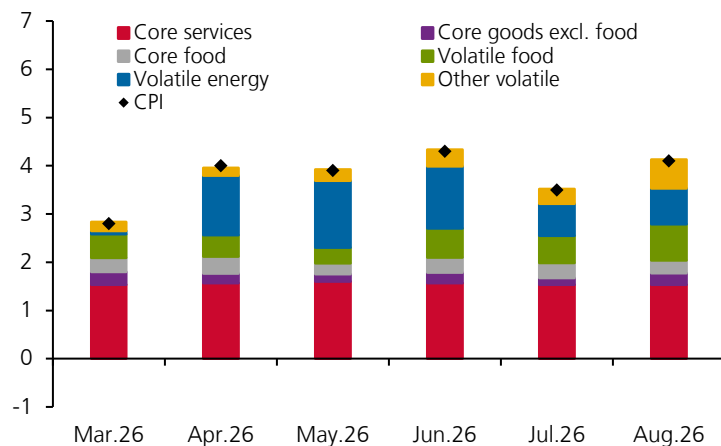
b) Volatile inflation (1) (2)
(annual change, percent)



(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 June 2026 IPoM. (3) Includes the sum of Volatile goods and Volatile services.

Sources: Central Bank of Chile and National Statistics Institute.

FIGURE I.7 CONTRIBUTIONS TO ANNUAL VARIATION OF TOTAL CPI (1)
(contributions, percentage points)

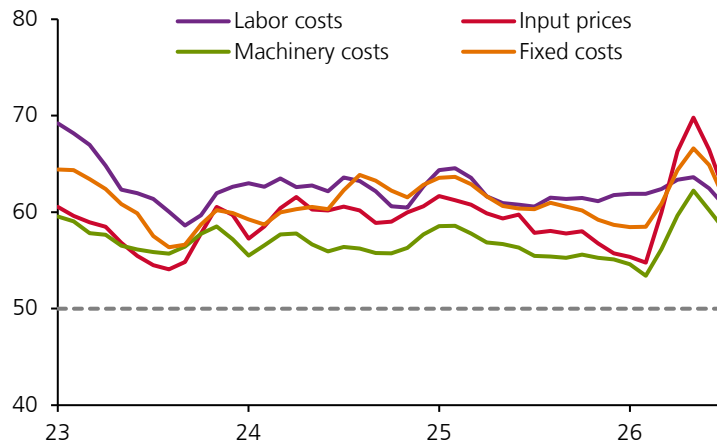


Sources: Central Bank of Chile and National Statistics Institute.

This occurs in a setting in which cost pressures have remained high (Figures I.8 and I.28a). This is reported by the Price Determinants and Expectations Survey (EDEP), with information through July, particularly for input prices. Nevertheless, in the same survey, firms expect cost pressures to ease over the coming months. According to the August Business Perceptions Report (IPN), this would be linked to a mitigation of the pressures stemming from the external conflict, although the situation remains uncertain. The same report also showed an increase, relative to the previous release, in firms' concerns regarding employment costs, consistent with the acceleration in hourly earnings.



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

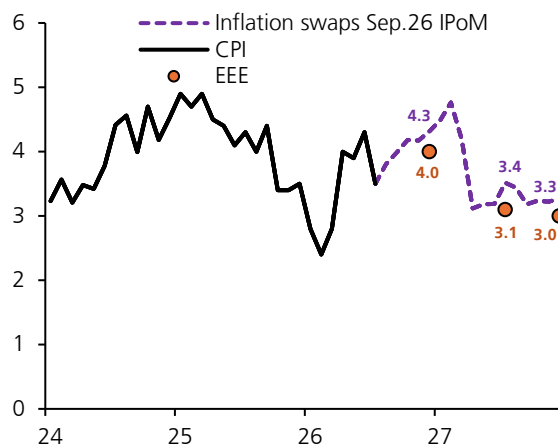


(1) Values above 50 indicate a higher proportion of increase responses, while values below 50 indicate a higher proportion of decrease responses.
Source: Central Bank of Chile.

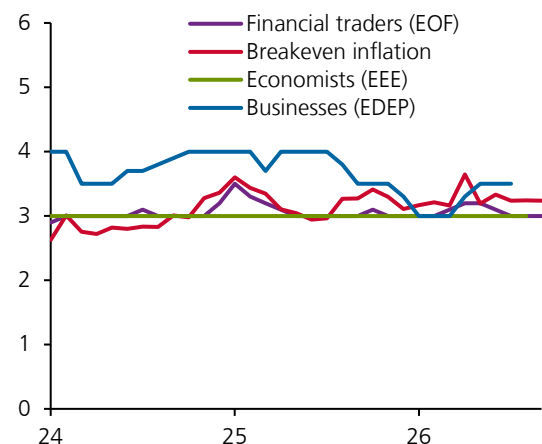
Two-year-ahead inflation expectations stand at around 3% (Figure I.9). For December 2026, expectations embedded in inflation swaps place inflation at around 4.3%. These expectations have shown some volatility related to developments in the international oil price. At the one-year horizon, the medians of the August Economic Expectations Survey (EEE) and the Financial Traders Survey (EOF) conducted prior to the September monetary policy meeting stand at 3.1% and 3.3%, respectively, while inflation swaps anticipate inflation close to 3.4%. At the two-year horizon, the EEE, the EOF, and breakeven inflation all project a value of around 3%.

FIGURE I.9

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



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



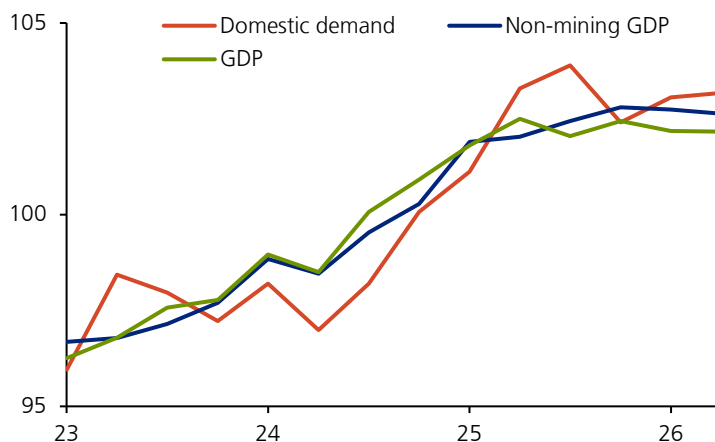
(1) Prior to 2025, the CPI series uses the 2023 reference basket and the splicing carried out by the Central Bank of Chile. Inflation swaps consider the average prices of the last ten days through 2 September. (2) For surveys, median of responses are reported. (3) EOF considers the survey of the first half of each month through January 2018. From February 2018 onwards, it uses the latest survey published during the month. In months when no survey is published, the latest available survey is used. (4) Breakeven inflation considers the average prices over the last ten days of each month. For September 2026 the average over the last ten days through 2 September is used.

Sources: Central Bank of Chile, ICAP and Risk-America.



Domestic activity remained weak in the second quarter (Figure I.10). During the period, the seasonally adjusted series for total GDP showed no change, while non-mining GDP fell 0.1% compared with the previous quarter (q/q) —0,2 decline and 0,7% increase on an annual basis, original series, respectively. In both cases, the figures were below expectations.

FIGURE I.10 ACTIVITY AND DEMAND
(index 2023-26 average=100, real seasonally adjusted series)



Source: Central Bank of Chile.

In the first quarter, the negative impact of supply factors predominated, while more recently the effects of a broad-based slowdown in domestic demand have stood out (Figure I.11). In the second quarter, domestic demand grew 0.1% q/q in seasonally adjusted terms (0.1% annually, original series). This affected activity in non-mining sectors, with particular weakness in wholesale and retail trade, some services—including restaurants and hotels and transportation—and construction, with the latter weakness proving more persistent. Copper mining, meanwhile, continues to be affected by lower ore grades and operational stoppages at some major mining sites.^{1/}

In July, the Imacec contracted 1.5% year on year, largely reflecting lower mining production and the impact of adverse weather conditions across several sectors (Figure I.12). Within the non-mining component, monthly declines were recorded in wholesale and retail trade, services—particularly personal services—and manufacturing. The latter mainly reflected lower production of fuels and chemical products owing to weather conditions.

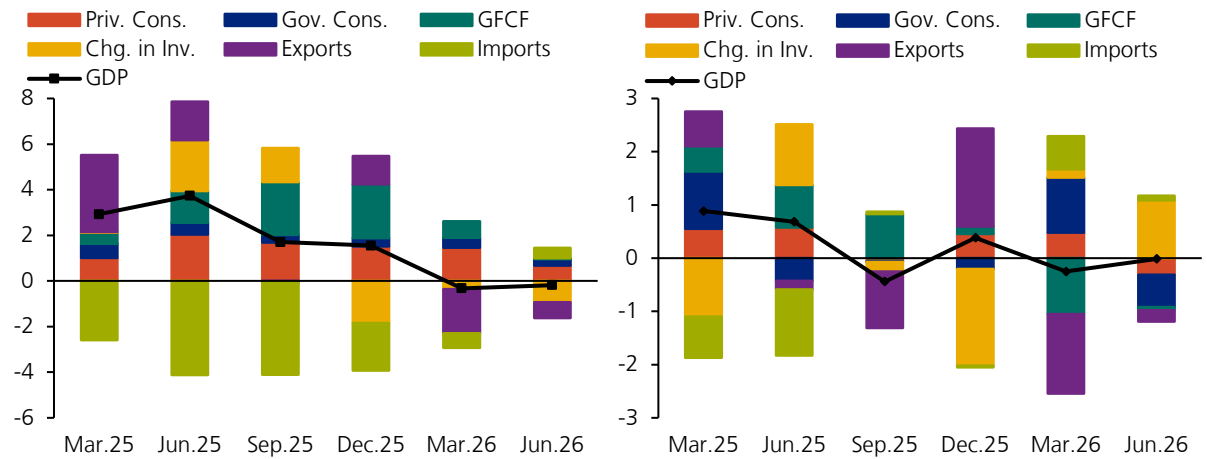
^{1/} For further details on developments in the mining sector, see the blog post ["Una mirada a la minería chilena: evolución reciente y perspectivas de inversión y producción"](#)



FIGURE I.11 EXPENDITURE CONTRIBUTION TO GDP

a) Annual GDP
(contributions to real year-on-year change, percentage points)

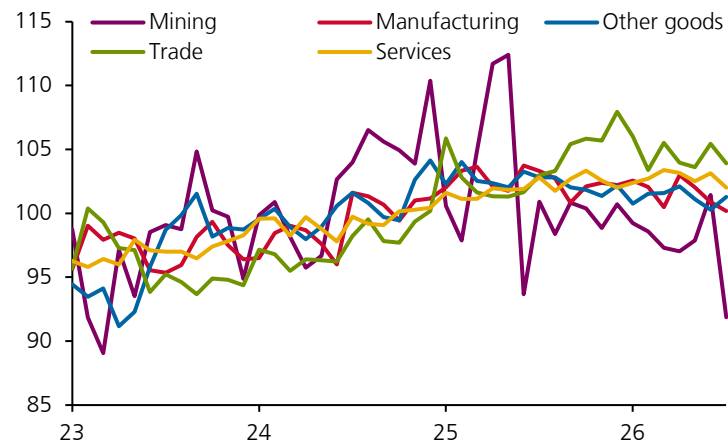
b) Quarterly GDP
(contributions to real quarter-on-quarter change, percentage points)



Source: Central Bank of Chile.

FIGURE I.12 IMACEC BY SECTORS

(index 2023-26 average=100, real seasonally adjusted series)

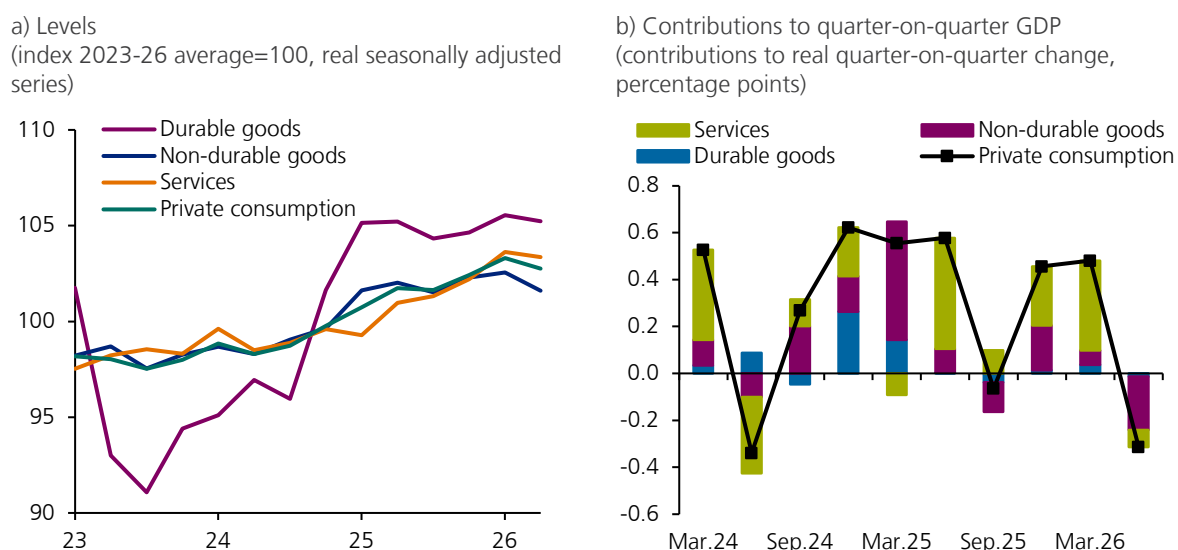


Source: Central Bank of Chile.



Private consumption slowed in the second quarter, with all its components contracting relative to the first quarter (Figure I.13). Private consumption fell 0.5% q/q in seasonally adjusted terms (+1.2% annually in the original series). Spending on nondurable goods posted a notable decline (-0.9% q/q, seasonally adjusted series; -0.3% annually, original series), including a marked drop in fuel consumption. To a lesser extent, spending on durable goods and services also declined from the previous quarter. High-frequency indicators, such as ANAC automobile sales and the retail trade index (IACM), suggest that the weak performance persisted at the beginning of the third quarter, although it was influenced by adverse weather conditions. Government consumption also slowed relative to the first quarter (-3.8% q/q, seasonally adjusted series; +1.8% annually, original series). According to the budget execution report, cumulative fiscal revenue through July grew 7.0% in real terms, supported by private mining and non-tax revenue, while expenditure continued to moderate, mainly because of a sharp decline in capital spending.

FIGURE I.13 PRIVATE CONSUMPTION BY COMPONENT



Source: Central Bank of Chile.

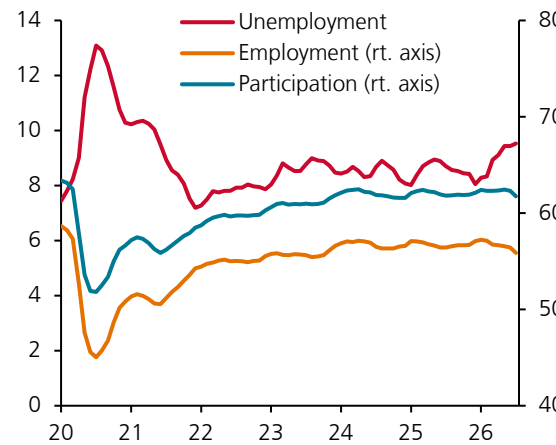
Private consumption has evolved in a context in which some of its determinants have deteriorated (Figures I.14 and I.15). Labor market indicators show weak employment performance, with job destruction at the margin, particularly in formal employment. In addition, the unemployment rate for the quarter ending in July rose to 9.5% (9.3% in seasonally adjusted terms). Employment has remained weak since the pandemic, reflecting a combination of persistent and cyclical factors. Among the former, in addition to the rise in labor costs documented in previous reports, new evidence highlights the importance of the automation process in the Chilean economy in recent years. This has been mediated by the high exposure of certain occupations to these changes and a decline in the relative cost of technology compared with labor (Box I.2).



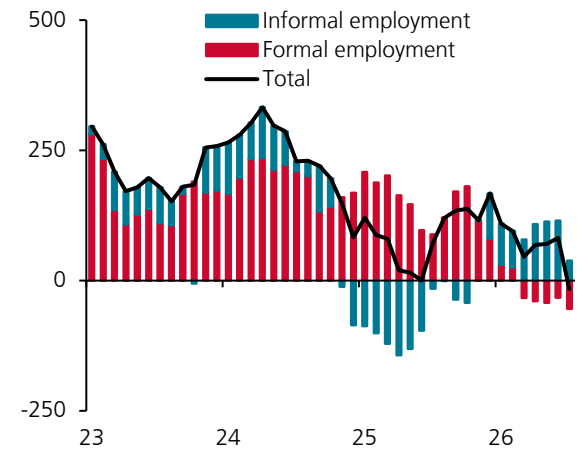
Household confidence, meanwhile, declined significantly from the end of the first quarter amid greater economic uncertainty and higher fuel prices (Figure I.15). The annual growth of the real wage bill has slowed relative to the beginning of the year as a result of lower employment and higher inflation. In the August IPN, respondents confirmed more cautious consumer behavior, which led to lower sales levels for firms in recent months (Box I.3).

FIGURE I.14 LABOR MARKET

a) Unemployment, employment, and participation rates (percent)



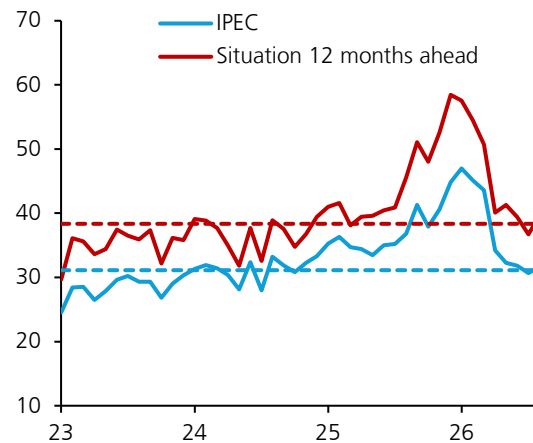
b) Employment by occupational status (annual change, thousands of persons)



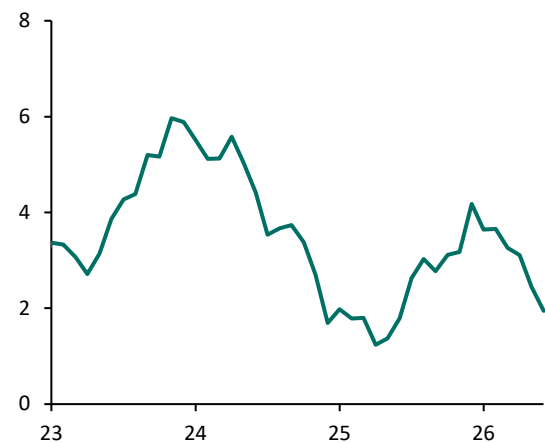
Source: National Statistics Institute (INE).

FIGURE I.15 DETERMINANTS OF PRIVATE CONSUMPTION

a) Economic Perception Index (IPEC) (1) (2) (diffusion index)



b) Real wage bill (3) (annual change, percent)



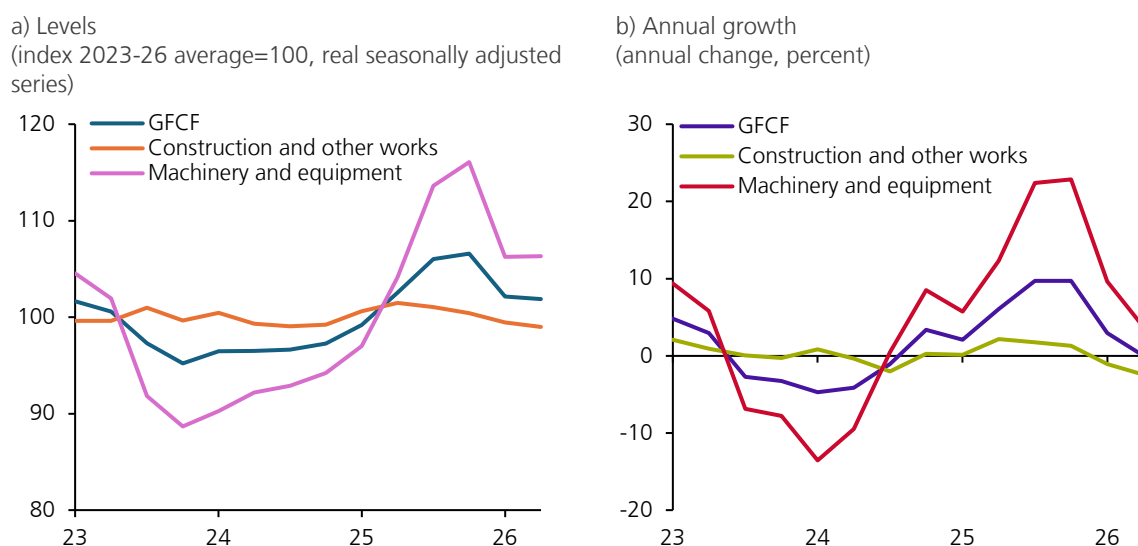
(1) A value above (below) 50 indicates optimism (pessimism). (2) Dashed horizontal lines denote the 2020-2026 averages for each index. (3) Estimate based on seasonally adjusted series of real wage index (IR), ordinary hours worked and employment.

Sources: National Statistics Institute (INE), Central Bank of Chile and GfK Adimark.



Gross fixed capital formation contracted again quarter on quarter, but less sharply than at the beginning of the year (Figure I.16). This occurred in a context in which public investment spending fell significantly in the first half of the year. In seasonally adjusted terms, investment declined 0.3% q/q in the second quarter and showed no annual change in the original series. The outcome was mainly explained by construction and other works, which posted both quarterly and annual declines (-0.5% q/q in seasonally adjusted terms and -2.4% annually in the original series). Part of this would be associated with the completion of some large investment projects, mainly in mining, and the persistent weakness of the real estate sector. Machinery and equipment showed little momentum (0.1% q/q in seasonally adjusted terms; 3.7% annually in the original series). According to microdata, the latter would remain mainly associated with a moderation of investment in the energy and mining sectors (Figure I.17).

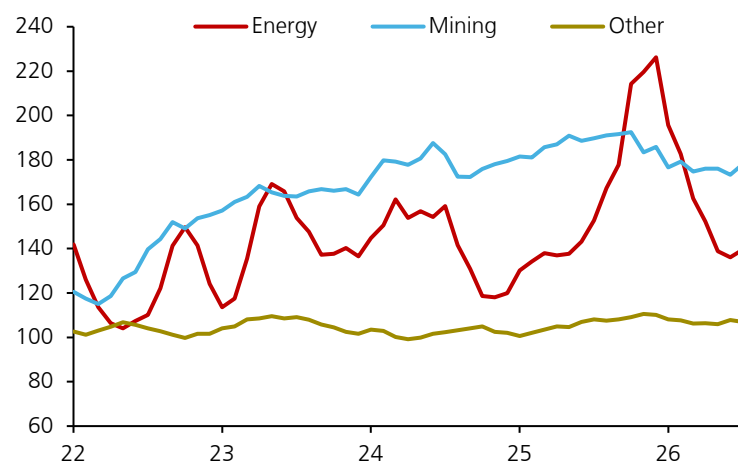
FIGURE I.16 GROSS FIXED CAPITAL FORMATION BY COMPONENT



Source: Central Bank of Chile.

FIGURE I.17 SECTORAL INVESTMENT INDICATORS (1)

(index 2018=100, three-month moving average, real seasonally adjusted series)



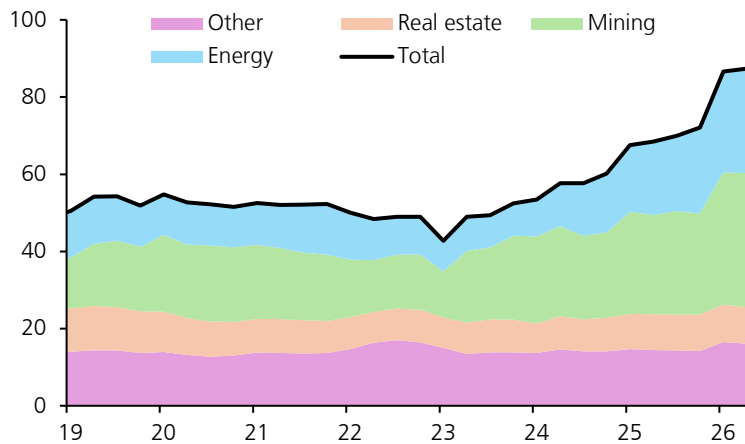
(1) Indicator based on microdata. The methodological details can be found in the Minutes referenced in [Box I.1 of the September 2024 IPoM](#).

Sources: Central Bank of Chile, Internal Revenue Services (SII) and Customs.



Nevertheless, although the short-term investment outlook has weakened, the medium-term outlook remains favorable (Figure I.18). Business confidence, measured by the IMCE, recovered somewhat at the margin after falling sharply in the second quarter, although it remains below levels observed at the beginning of the year. This cautious view is corroborated by respondents to the August IPN. However, they foresee a more favorable outlook beginning in 2027, partly supported by the impetus associated with the Reconstruction Act and by other measures introduced in recent years to promote investment. Over the medium term, the second-quarter survey of projects conducted by the Capital Goods Corporation (CBC) continues to point to a positive outlook for the coming years. It includes an upward adjustment to projected investment amounts, particularly from 2027 onward, across sectors except public works. Additional support comes from the increase in the copper price and the stronger performance of the domestic stock market since the previous IPoM.

FIGURE I.18 CBC: EVOLUTION OF FIVE-YEAR INVESTMENT OUTLOOK
(US\$ billion, seasonally adjusted series)

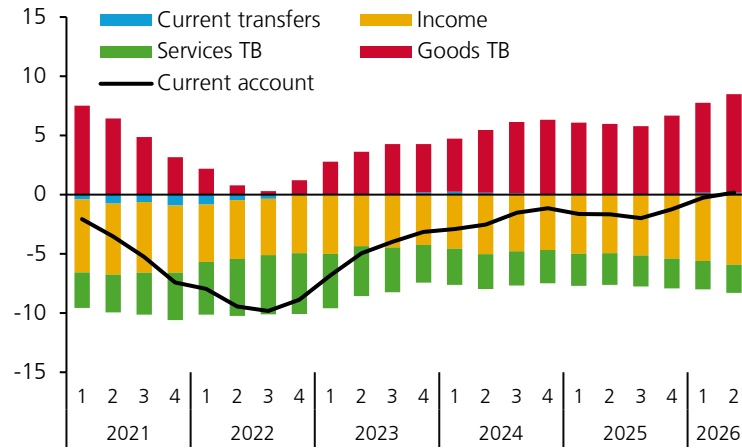


Source: Capital Goods Corporation (CBC).

The current account recorded a small surplus in the second quarter, mainly supported by improved terms of trade (Figure I.19). The terms of trade have continued to be supported by copper and lithium prices. As of the second quarter of 2026, the current account posted a four-quarter cumulative surplus of 0.2% of GDP. On the export side, the sharp acceleration in agricultural shipments contrasted with declines in all other sectors, measured in seasonally adjusted volumes. As for imports, capital goods and services declined, while consumer goods remained weak. The income account deficit widened to 5.9% of GDP on a four-quarter cumulative basis through the second quarter.



FIGURE I.19 CURRENT ACCOUNT, CONTRIBUTIONS BY COMPONENT
(percent of GDP, moving annual total)



Source: Central Bank of Chile.

Bank lending remains subdued. This, amid interest rates that have shown little change since the June IPoM. On the bank lending standards side, the second-quarter Bank Credit Survey reported tighter supply conditions for consumer lending and large firms, and more favorable conditions for small and medium-sized enterprises (SMEs). Demand was perceived as weaker in consumer lending and among large firms, while a slight increase was reported among SMEs, real estate companies, and construction firms. This is consistent with some of the findings of the August IPN, according to which the share of firms applying for credit increased, even though perceptions of access conditions deteriorated slightly.



BOX I.1:

Developments in macroeconomic risks associated with Artificial Intelligence

As highlighted in a box in the [June IPoM](#), developments surrounding artificial intelligence (AI) continue to be one of the main drivers of the global economy and financial markets. While concerns about its adoption by firms and individuals have gradually diminished, they have been replaced by two sources of unease. First, whether a given company will be able to earn a return on its investment, insofar as advances achieved by the most sophisticated AI models can be replicated by other firms, affecting relative valuations among competitors. Second, the scale of investment required to remain competitive has been greater than anticipated, affecting expected profitability and the risks associated with the broader sector. This is increasingly reflected in asset prices, with higher equity-price volatility and default risk premia embedded in the bond prices of firms most exposed to the investment cycle. This Box examines the recent AI-related investment cycle and the potential macroeconomic effects of a possible slowdown.

The investment cycle

Aggregate capital expenditure (CAPEX) by the leading U.S. companies involved in AI development reached US\$600 billion over the last four quarters, more than 80% above the level recorded in the preceding four quarters. This represents close to 10% of total investment and accounts for around 40% of the annual change in GDP over that period^{1/}. Also noteworthy is the speed at which the leading companies have been raising their investment plans. At end-2025, increases of around 26% and 9% were expected for 2026 and 2027, respectively. As of the statistical cutoff date for this Report, those figures stood at 90% and 40%^{2/}. AI-related investment would thus reach around US\$1.1 trillion by 2027, equivalent to 3.4% of expected U.S. GDP that year.

Initially, the increase in investment was financed mainly from companies' own funds. In recent quarters, however, borrowing has risen sharply, with cumulative bond issuance through July 2026 more than doubling the previous year's figure (approximately US\$250 billion). Between 2026 and 2028, the sector's financing needs are estimated at around US\$1.5 trillion^{3/}, close to 5 percentage points of U.S. GDP (Figure I.20).

Overall, AI investment has increasingly become a first-order factor for activity, demand, and financial markets, not only in the U.S. but also in a group of Asian economies with high exposure to the AI value chain (see [Box I.1 in the June 2026 IPoM](#)). Consequently, developments in the external conditions facing the Chilean economy over the monetary policy horizon are linked to the evolution of this process.

^{1/} As a percentage of U.S. GDP, this investment rose from 0.95% in early 2025 to 1.9% in the second quarter of 2026. See the calculation methodology in [Álvarez et al. \(2025\)](#).

^{2/} Based on the Bloomberg analyst consensus.

^{3/} Sources: Morgan Stanley, Goldman Sachs, and Moody's.



Asset prices and risk perceptions in the AI cycle

Although earnings reports from leading companies have generally continued to surprise on the upside, various asset-price signals point to market concerns about the future profitability of investments associated with AI development. On the one hand, the default risk premium paid by companies most heavily involved in the investment process has doubled over the past year, while that of comparable firms not exposed to such investment has edged down (Figure I.21). Although the absolute level of this premium remains contained, its recent trajectory suggests emerging doubts about companies' capacity to generate the returns needed to service their higher debt. These concerns are also reflected in equity valuations: the implied volatility of AI-related stocks has risen significantly in recent months, decoupling from that of comparable firms (Figure I.22). Using an event study around corporate earnings announcements, [Álvarez et al. \(2026a\)](#) suggest that this phenomenon may reflect growing doubts about the profitability of investment plans. In particular, they show that AI-related stocks have reacted negatively when companies announce large expansions in their investment plans, even when reported earnings exceed market expectations (Figure I.23). The opposite occurs among comparable non-AI firms, where higher announced investment is associated with a more favorable stock-market reaction. Taken together, this evidence suggests that investors remain significantly concerned about the scale of investment.

A scenario involving a significant slowdown in AI investment would not only reduce the external impetus to the Chilean economy, but would also entail a material tightening of financial conditions. In such a scenario, equity valuations would fall. However, unlike traditional risk-off episodes or downward revisions to the growth outlook, long-term interest rates would face opposing pressures. On the one hand, lower demand for funds to finance AI investment and stronger demand for safe assets would exert downward pressure. On the other hand, weaker growth prospects would exacerbate the already challenging fiscal outlook in the U.S. and other advanced economies, limiting the decline in interest rates. For Chile, this would be compounded by the adverse effect on copper prices, whose recent increase is closely linked to the AI investment cycle (Box II.1).

Conclusions

The AI-related investment cycle remains a first-order driver of global activity and financial markets. Although the baseline scenario assumes that the cycle will continue without major disruptions, various signals embedded in asset prices reveal market concerns surrounding it. In a scenario in which AI investment slows, global growth would weaken, financial conditions would tighten, and copper prices would decline, adversely affecting the external impetus to the Chilean economy.



FIGURE I.20 AI COMPANY BOND ISSUANCE (1)
(billions of US dollars)

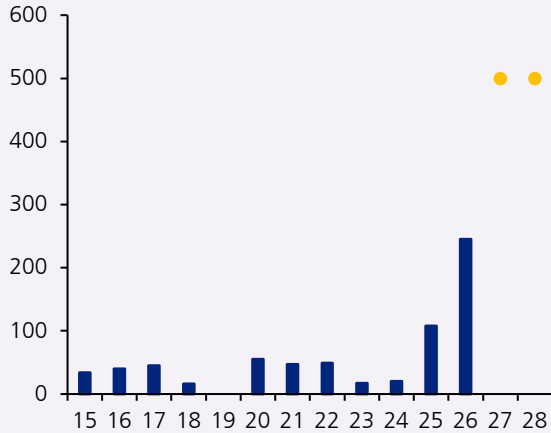
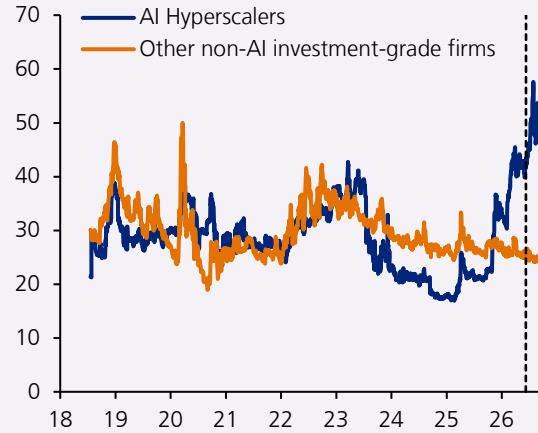


FIGURE I.21 5-YEAR CDS SPREADS (2)
(basis points)



(1) Companies included: Amazon, Alphabet, Microsoft, Meta, and Oracle. For the entire chart through 2025, annual total issuance is reported. For 2026, figures correspond to year-to-date (YTD) values through July. Yellow markers denote estimates from Morgan Stanley and J.P. Morgan. (2) IG refers to firms with an Investment Grade credit rating. The vertical line marks the statistical cutoff date for the June 2026 IPO.

Sources: [Álvarez et al. \(2026a\)](#), Bloomberg, Morgan Stanley and J.P. Morgan.

FIGURE I.22 IMPLIED EQUITY VOLATILITY OF AI AND NON-AI FIRMS (1)
(percent)

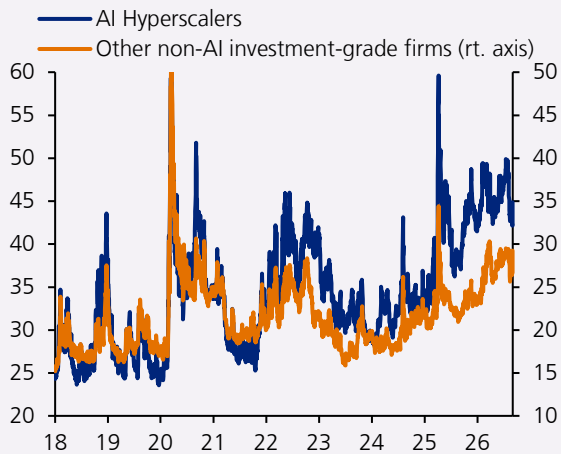
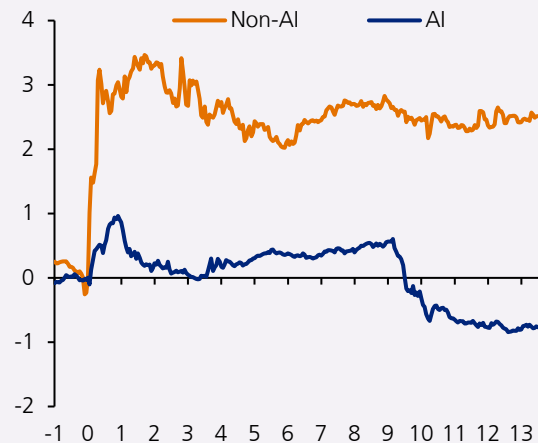


FIGURE I.23 CUMULATIVE RETURNS AROUND ANNOUNCEMENTS OF HIGHER CAPEX (2)
(cumulative percent)



(1) Thirty-day implied volatility computed using the Black-Scholes model. Details on the firms included in each group are provided in [Álvarez et al. \(2026a\)](#). (2) The x-axis denotes hours before and after earnings announcements. Episodes correspond to revisions of CAPEX plans for the current and following year exceeding 5%. $t=0$ denotes the release time of firms' quarterly earnings results. The effect observed nine hours after the announcement reflects the fact that most AI firms release earnings after market close, while the next trading session begins roughly nine hours later.

Sources: [Álvarez et al. \(2026a\)](#) and Bloomberg.



BOX 1.2:

Factors behind the recent performance of the labor market

The Central Bank of Chile implements a monetary policy strategy aimed at bringing inflation back to 3% within the two-year policy horizon. This requires a clear assessment of the persistence and nature of the factors affecting the labor market and their implications for inflationary pressures, given the market's role as a determinant of consumption and domestic demand, as well as its relevance as a source of information on economic slack. This motivates the Bank's ongoing research^{1/}.

This Box continues that line of work by assessing the factors that explain developments in Chile's labor market since the pandemic. To this end, it examines employment in relation to activity, updates estimates of benchmark unemployment rates, reviews international evidence, and analyzes the incidence of persistent and cyclical factors. The Box documents the weakness of Chile's labor market since 2019, confirming the importance of higher labor costs in this outcome, a fact documented in September 2025, and providing additional evidence on the relevance of automation. More recently, these factors have been compounded by a cyclical element associated with the economy's weak performance.

Chile's labor market in international comparison

Chile's labor market has not fully recovered from the pandemic. Compared with mid-2019, the employment rate is 2.1 percentage points (pp) lower, the labor force participation rate is 0.9 pp lower, and the unemployment rate is 2 pp higher. During 2026, the seasonally adjusted unemployment rate has risen by 0.8 pp, reaching 9.3% (9.5% in the unadjusted series).

[Albagli et al. \(2026a\)](#) show that Chile's labor market performance ranks among the weakest in a broad group of economies. Between March 2020 and 2022, unemployment in Chile increased more and declined less. By 2025, unemployment was below its 2019 level on average across OECD and Latin American economies, whereas in Chile it remained higher (Figure I.24a). One possible explanation relates to developments in labor costs^{2/}, bearing in mind that real hourly wages in Chile have grown significantly faster than the average for the group analyzed. This would be explained, among other factors, by regulatory changes, greater indexation, and adjustments in labor force participation (Figure I.24b).

The role of cyclical and persistent factors in labor market performance

A useful way to understand labor market performance and its likely evolution is to distinguish between the cyclical and persistent components affecting it. A first approach involves estimating benchmark unemployment rates, particularly the non-accelerating inflation rate of unemployment (NAIRU). In [December 2024](#), the range of NAIRU estimates was documented to have risen by between 1 and 2 pp since the pandemic. [Albagli et al. \(2026a\)](#) update this estimate and obtain similar results (Figure I.25a). This suggests that the current unemployment rate partly reflects persistent factors and, more recently, a cyclical slowdown consistent with the evolution of activity so far in 2026.

^{1/} Over the past two years, boxes have been published in the [March 2024](#), [December 2024](#), and [September 2025](#) IPoMs.

^{2/} The estimates use the Kaitz index (the minimum wage relative to the median wage) as a proxy for labor costs.



A second approach uses error-correction models that relate employment to activity and can be estimated both for the economy as a whole and by sector. [Albagli et al. \(2026a\)](#) show that, since 2020, the level of employment has remained significantly below that implied by its historical relationship with activity (Figure I.25b). This result is robust across different employment data sources and economic sectors. More recently, once this persistent shift in the employment level is controlled for, the estimates consistently indicate that the economy's recent weakness has contributed to lower job creation.

The role of automation

In addition to higher labor costs, another factor that appears to be influencing labor market developments is the adoption of technology, driven both by changes in production methods and by the decline in the relative cost between technology and labor. These processes could have a material impact on Chile's workforce because it is more exposed to automation than those of other OECD countries (Figure I.26a).

[Albagli et al. \(2026a\)](#) analyze the labor market transitions of different workers between 2022 and 2025, distinguishing them by the degree to which their jobs are exposed to automation and by age. The results show that workers who were in occupations highly exposed to automation in 2022 were less likely to remain employed in the formal sector three years later than workers in jobs with lower exposure to automation. Moreover, the decline in this probability is even greater among workers under 30. These results are complemented by firm-level evidence suggesting that companies with greater exposure to automation, defined by the share of their workforce in highly exposed occupations, reduced employment more than less-exposed firms (Figure I.26b).

Evidence gathered from surveys and interviews with firms reinforces these findings. Various respondents indicate that the adoption of new technologies is reducing the pace of worker hiring, whether through slower job creation when production increases or, in some cases, through the substitution of technology for labor.

Conclusions

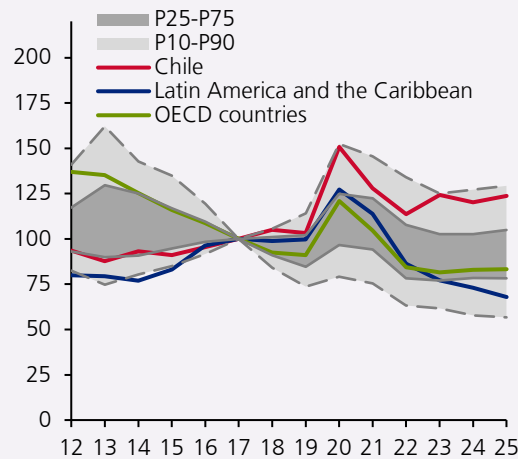
Monitoring the labor market, and in particular distinguishing between cyclical and persistent phenomena, is important for the appropriate conduct of monetary policy. An accurate assessment of this market helps determine its outlook and its implications for consumption, potential and trend output, and inflationary pressures.

The weak performance of Chile's labor market in recent years is explained to a significant extent by persistent factors, including substantial increases in labor costs amid an accelerating process of technology adoption. This has given rise to dynamics that appear to be persistently weakening job creation and placing upward pressure on unemployment, and that are expected to continue affecting labor market developments. Nevertheless, the most recent evolution of employment also reflects cyclical factors, consistent with the recent weakness of economic activity, which should dissipate as the output gap closes.

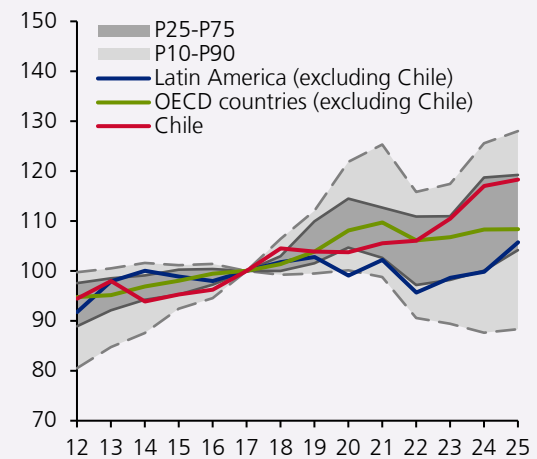


FIGURE I.24

(a) Unemployment rate (1)
(index 2017 = 100)



(b) Real hourly wage (2)
(index 2017 = 100)

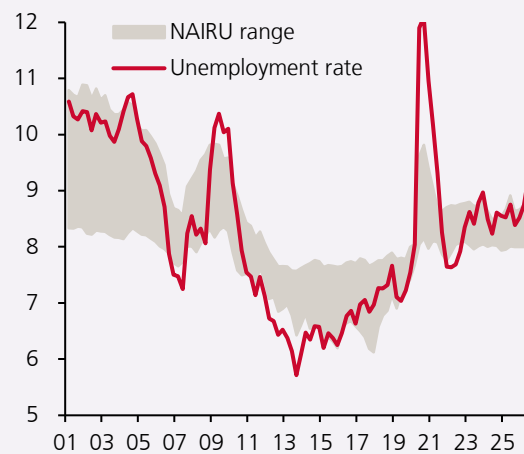


(1) The reported index is calculated separately for each country, using the value of the variable in 2017 as the base. (2) The reported real wage corresponds to average real hourly earnings for employees reporting positive hours worked. Based on [Wages and Working Time Statistics \(COND\)](#).

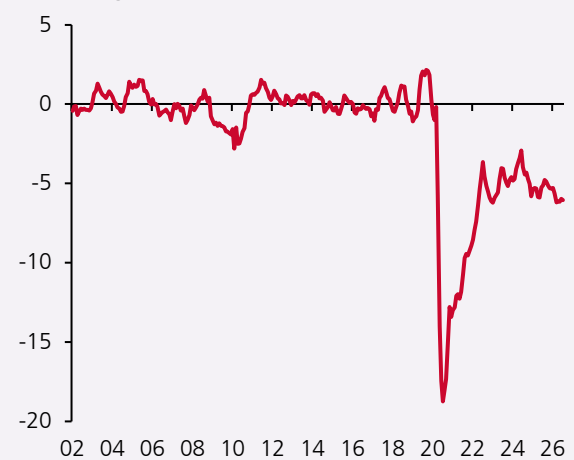
Sources: [Albagli et al. \(2026a\)](#), Central Bank of Chile, International Labour Organization, and World Bank.

FIGURE I.25

(a) Unemployment rate and NAIRU (1)
(percent, seasonally adjusted quarterly data)



(b) Employment residual relative to activity based on the long-run relationship (2)
(percentage points)



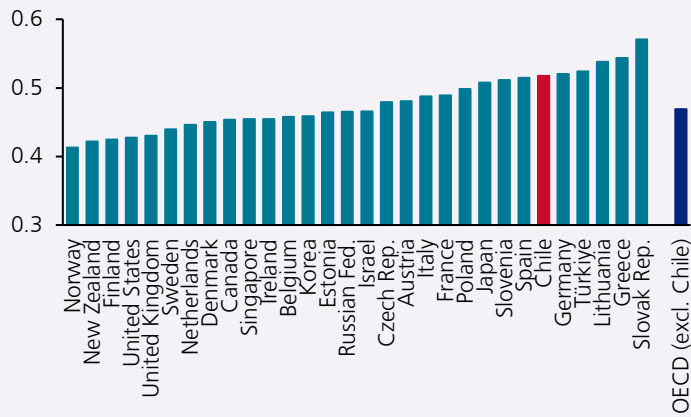
(1) NAIRU range estimated using the methodologies presented in [Levenier et al. \(2024\)](#). (2) Long-run relationship between total employment (INE data) and activity, estimated using data through 2019. For further details, see [Albagli et al. \(2026a\)](#).

Sources: [Albagli et al. \(2026a\)](#), Central Bank of Chile, and National Statistics Institute (INE).

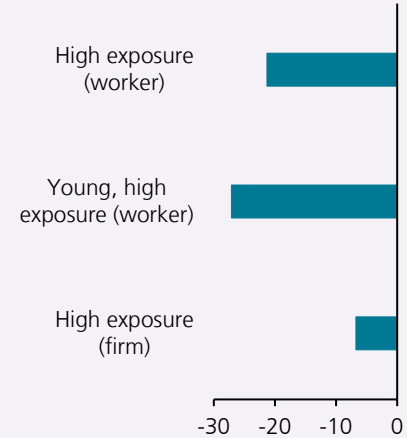


FIGURE 1.26

(a) Exposure to automation
(probability of automation, average)



(b) Employment effects by exposure to automation (1)
(percentage points)



(1) Effects on the probability of remaining employed in the formal sector (worker) and average employment (firm) in 2025, by exposure to automation in 2022, relative to the lowest-exposure group. See [Albagli et al. \(2026a\)](#).
Sources: [Albagli et al. \(2026a\)](#), Central Bank of Chile, and [Nedelkoska & Quintini \(2018\)](#).



BOX I.3:

Evolution of business and household confidence

Domestic demand slowed significantly in the second quarter, coinciding with a deterioration in some of its fundamentals, including a decline in business and consumer confidence (Figure I.27). This Box summarizes the analysis by [Muñoz et al. \(2026\)](#) regarding the evolution of these perceptions based on various sources, such as the Business Perceptions Report (IPN) and the Price Determinants and Expectations Survey (EDEP)^{1/}.

Possible reasons for the lower confidence

Various sources indicate that businesses and households perceived a deterioration in the economic environment during the second quarter. Evidence suggests that this adjustment of expectations stems from multiple factors, with effects occurring simultaneously and interacting with one another. These factors include the conflict between the United States and Iran, primarily through its impact on oil and fuel prices and heightened global uncertainty; domestic activity and unemployment figures; and a rise in indicators associated with economic policy uncertainty.

For firms, the conflict in the Middle East heightened concerns regarding the costs of transport, logistics, energy, and inputs, against a backdrop of persistent global trade tensions. The EDEP shows a deterioration in the perception of costs, alongside a poorer assessment of sales and, in particular, profit margins (Figure I.28). Furthermore, within firms, this perception was accompanied by the postponement of investments and projects scheduled for the first half of the year.

From consumers' perspective, their assessment of labor market conditions deteriorated significantly starting in March, as measured by the degree of perceived security regarding job stability, job loss, and the likelihood of future unemployment—both for themselves and for those in their immediate circle. A similar pattern was observed in perceptions of the economic conditions for making household purchases, reflecting greater caution in consumption spending (Figure I.29).

Impact of lower confidence on business decisions

July IPN data indicate that, in the face of lower perceived demand, firms have implemented limited price adjustments, absorbing cost increases either fully or partially. To mitigate the erosion of their profit margins, they have cut costs by renegotiating with suppliers or switching to new ones, eliminating non-essential expenses, and staggering input purchases over time. Current concerns have also led firms to postpone investments, pending clarity on public and regulatory policies.

Likewise, around half of the firms have postponed or canceled hiring plans. While the share of firms reporting that they had sought to recruit workers over the past six months declined relative to the beginning of the year, the share of those reporting layoffs increased (Figure I.30). In some of the hardest-hit sectors, such as construction and automotive retail, firms reported a scaling back of operations, although these decisions are part of a longer-term process.

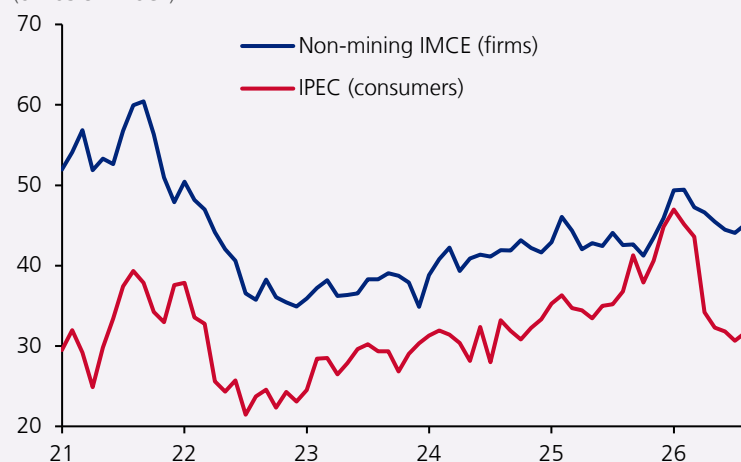
^{1/}The analysis was conducted using a mixed-methods research approach, combining quantitative and qualitative data collection techniques. Further details are available in [Muñoz et al. \(2026\)](#).



Conclusions

Economic expectations among businesses and households have deteriorated compared to the end of last year, particularly from the second quarter of 2026 onwards. This reflects a combination of external and internal factors that appear to have increased caution regarding consumption, investment, and hiring decisions. Looking ahead, expectations are somewhat more favorable, conditional on an improvement in economic activity and a reduction in uncertainty, both domestically and internationally. In this regard, firms report that the implementation of the measures envisaged under the Reconstruction Act could contribute to this. In line with this, recent indicators—such as the IMCE and IPEC for August—show a slight improvement in perceptions.

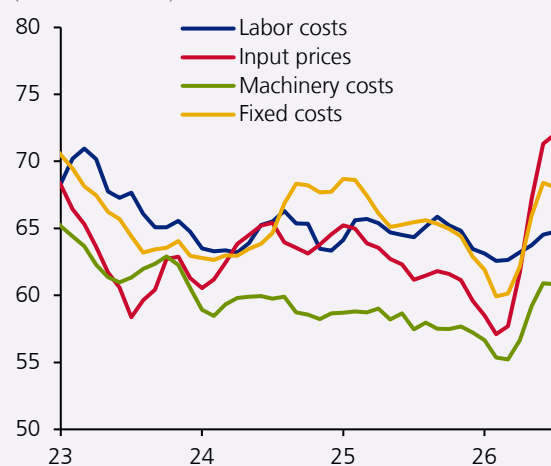
FIGURE I.27 ECONOMIC PERCEPTIONS OF BUSINESSES AND HOUSEHOLDS
(diffusion index)



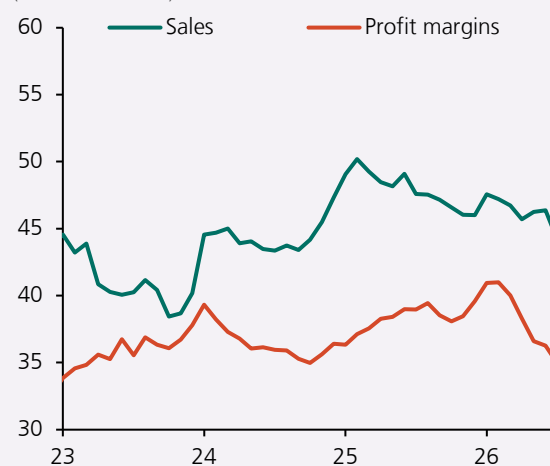
Sources: NielsenIQ and Icare.

FIGURE I.28 EVOLUTION OF FIRMS' COSTS AND PERFORMANCE OVER THE PAST THREE MONTHS

(a) Costs
(diffusion index)



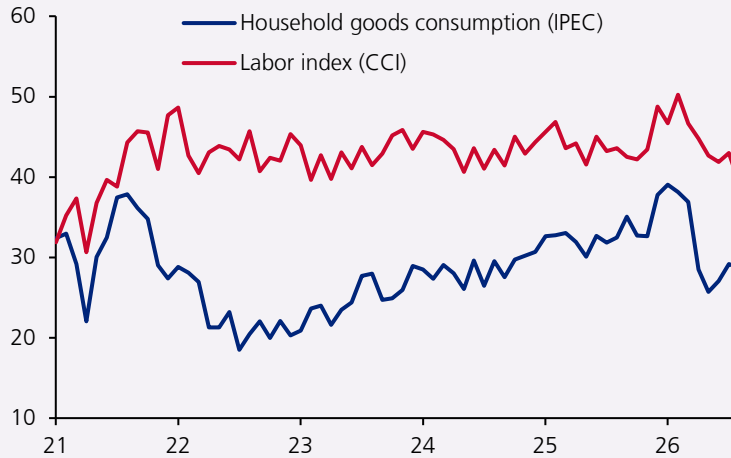
(b) Sales and profit margins
(diffusion index)



Source: [Price Determinants and Expectations Survey \(EDEP\)](#).



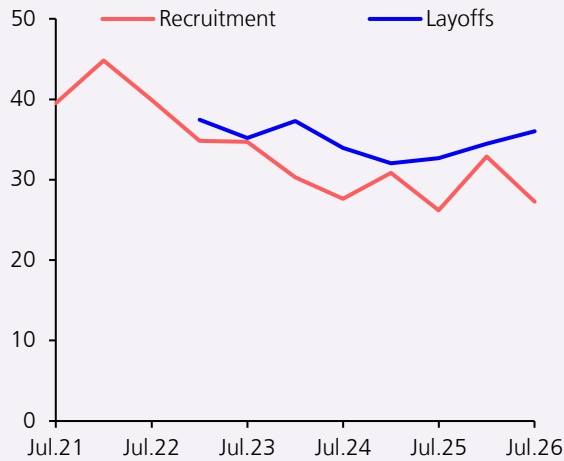
FIGURE I.29 HOUSEHOLDS' ECONOMIC PERCEPTIONS
(diffusion index)



Sources: NielsenIQ and Ipsos.

FIGURE I.30 FIRMS' DECISIONS

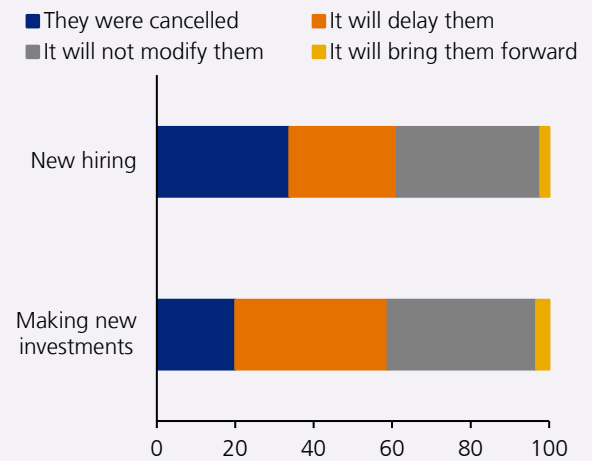
(a) Recruitment and workforce reductions over the past six months (percent)



Source: [Business Perceptions Survey \(EPN\)](#).

(b) Changes in hiring and investment in response to firms' concerns

(percentage of firms reporting at least one concern)



CHAPTER II

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.

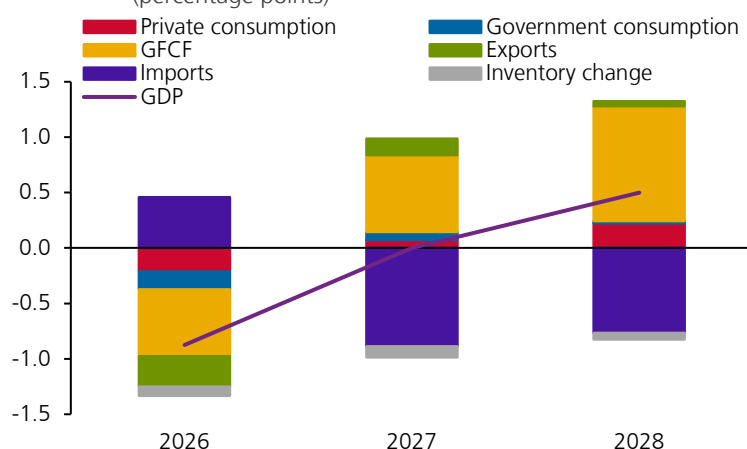
For 2026, projections for both gross fixed capital formation (GFCF) and household consumption have **been revised downward**. This reflects a combination of factors, including their weak performance in the second quarter and the evolution of some of their fundamentals, among them labor market conditions and their impact on household income (Box I.2), the deterioration in business and consumer confidence (Box I.3), 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 II.1 and II.2; Table II.1).

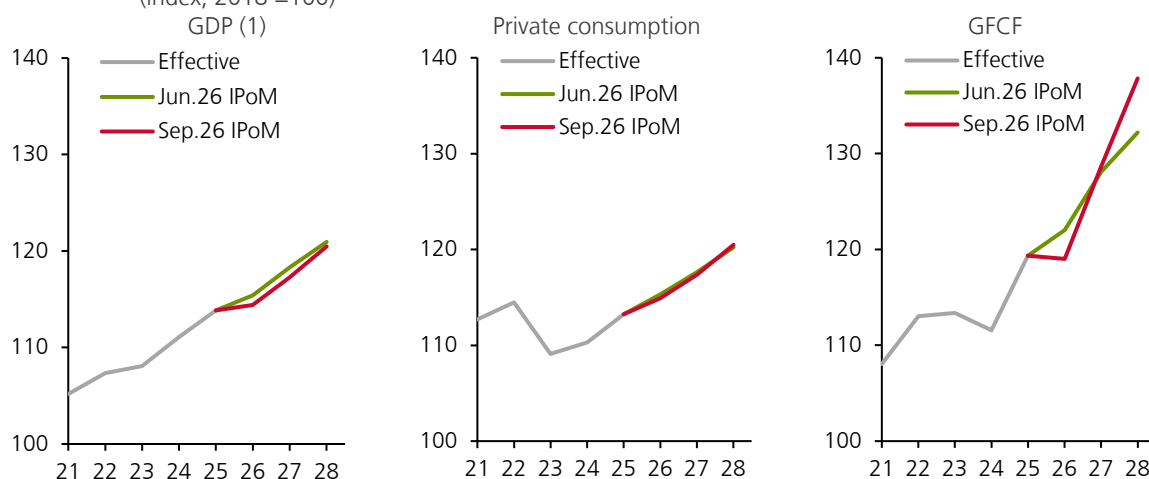
FIGURE II.1 CHANGE IN THE GDP GROWTH PROJECTION BETWEEN IPOM (1)
(percentage points)



(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 II.1.

Source: Central Bank of Chile.

FIGURE II.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 II.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.

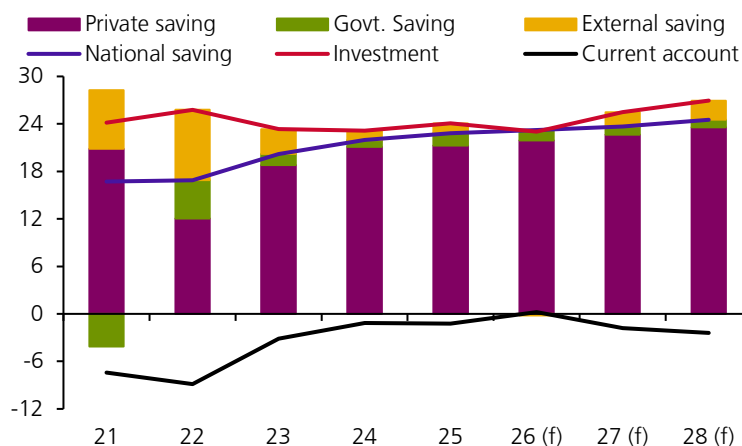
Source: Central Bank of Chile.

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 (Chapter I). 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 II.1 and Figure II.3).



FIGURE II.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 II.1 and II.2; Table II.1).

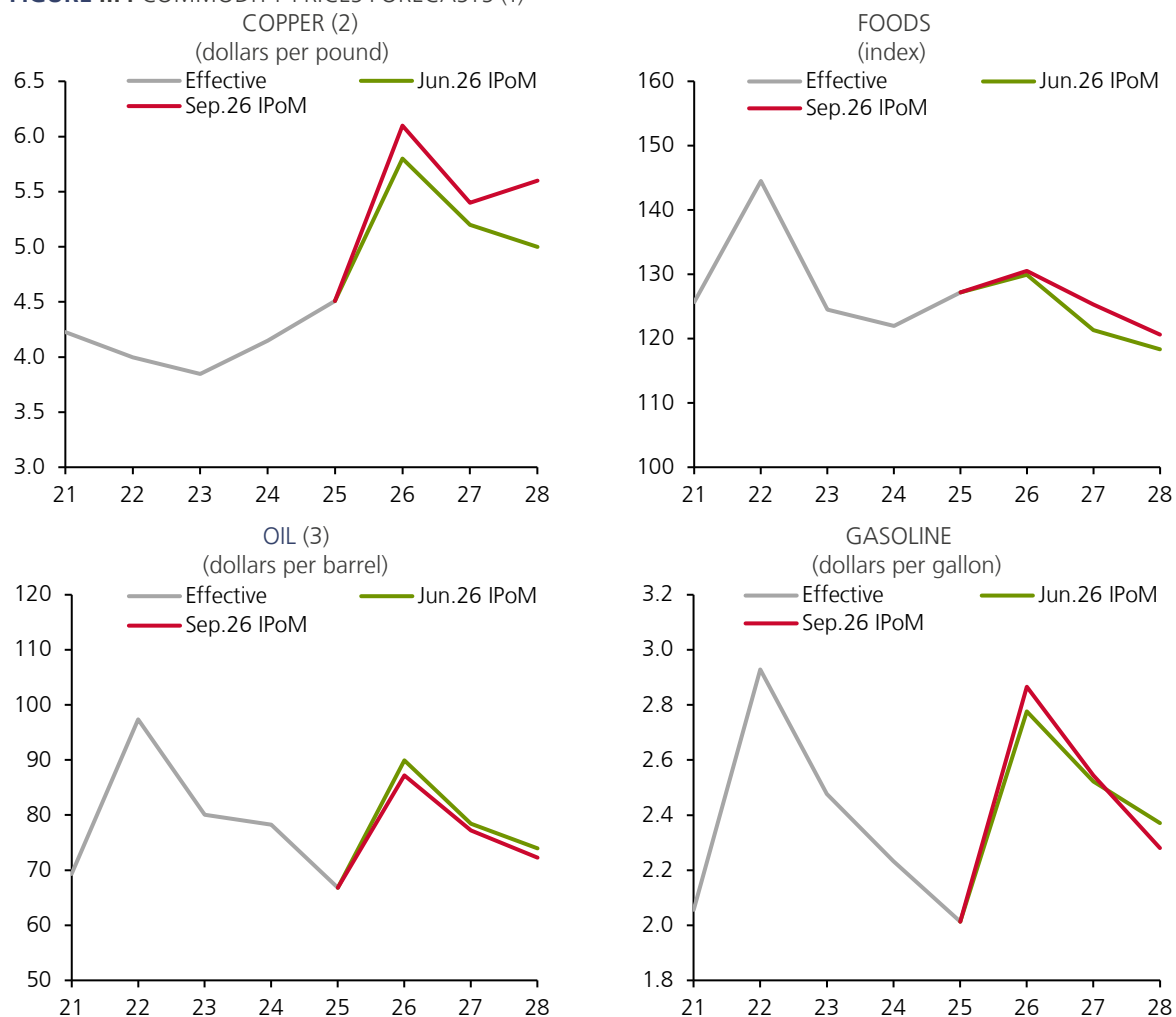
For its part, the projected growth range for 2027 remains unchanged, while the outlook for 2028 has been revised upward. This reflects the expectation that the economy will regain stronger growth momentum, supported by the dissipation of the supply-side factors that affected activity during much of the 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 II.1 and II.2; Table II.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. \(2026b\)](#).



FIGURE II.4 COMMODITY PRICES FORECASTS (1)



(1) Actual or projected annual average price for each year as contained in respective Monetary Policy Report (IPoM).

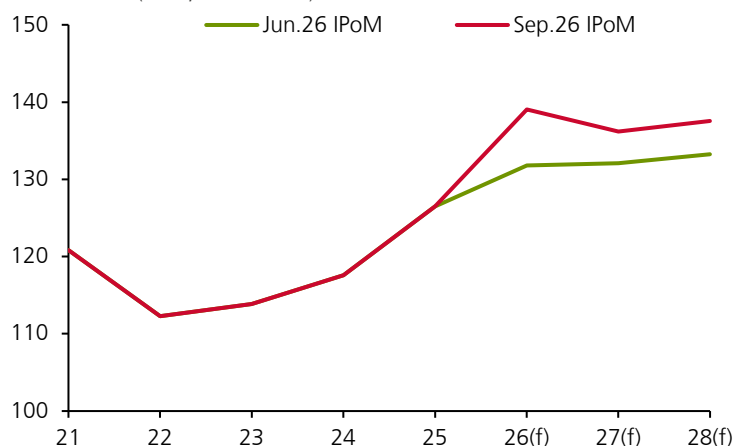
(2) Copper price traded on the London Metal Exchange.

(3) For oil, WTI-Brent average price per barrel.

Sources: Central Bank of Chile, Bloomberg and FAO.



FIGURE II.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 II.3 and Figure II.6). In this context, market expectations for global growth in 2026 have risen at the margin (Chapter I).

TABLE II.3 WORLD GROWTH (1)
(annual change, percent)

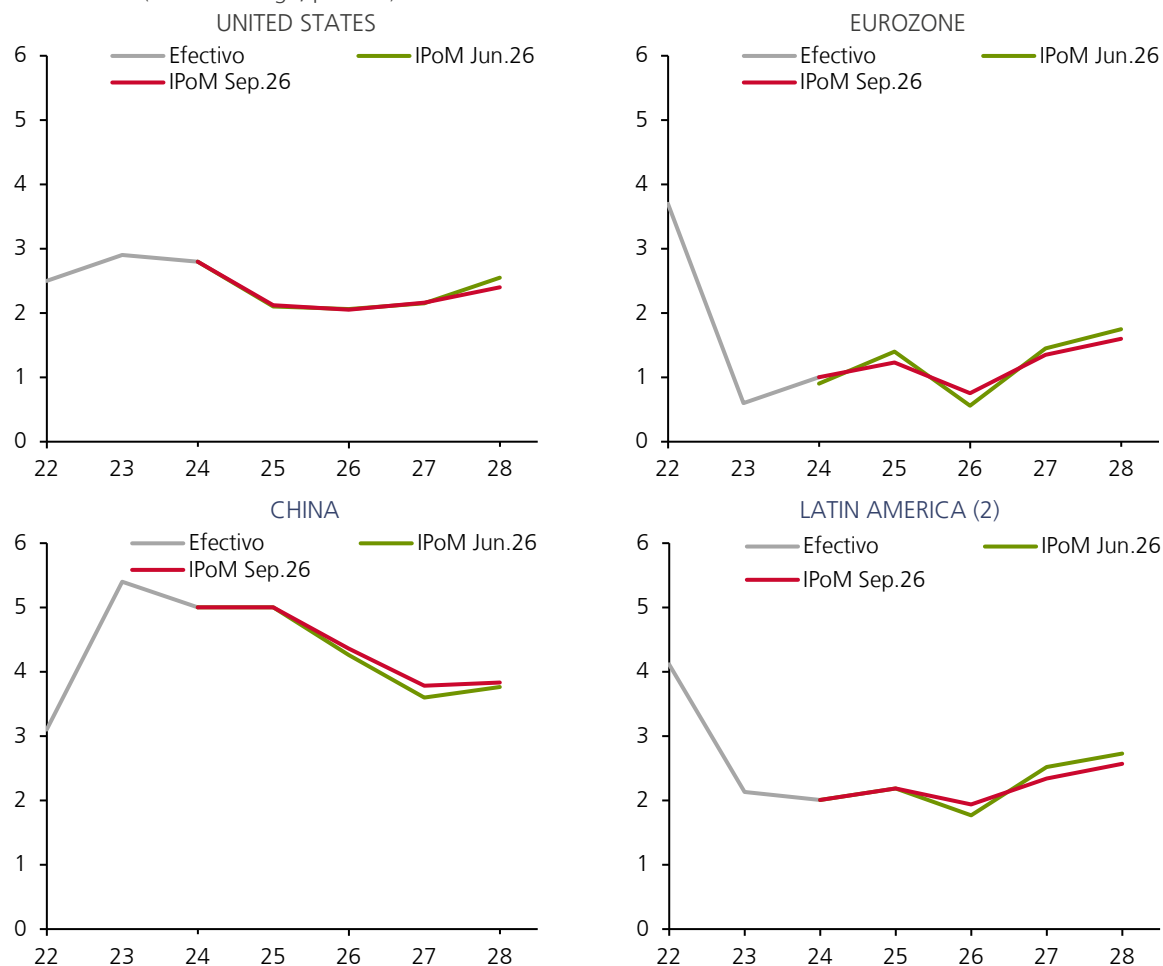
	Aveg. 10-19	2024	2025 (e)	2026 (f)	2027 (f)	2028 (f)
World GDP at PPP	3.7	3.4	3.5	3.1	3.1	3.2
World GDP at market exchange rate	3.3	3.0	2.8	2.5	2.6	2.7
Trading partners	4.0	3.3	3.3	2.9	2.8	2.9
United States	2.4	2.8	2.1	2.1	2.2	2.4
Eurozone	1.4	1.0	1.2	0.8	1.4	1.6
Japan	1.3	0.1	1.2	0.8	0.8	0.8
China	7.7	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 II.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.

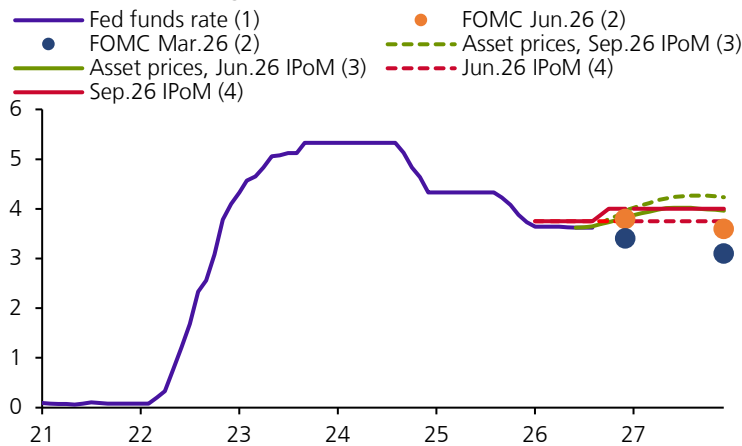
Source: Central Bank of Chile.

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 II.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 (Chapter I). 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 (Box I.1). 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 II.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.

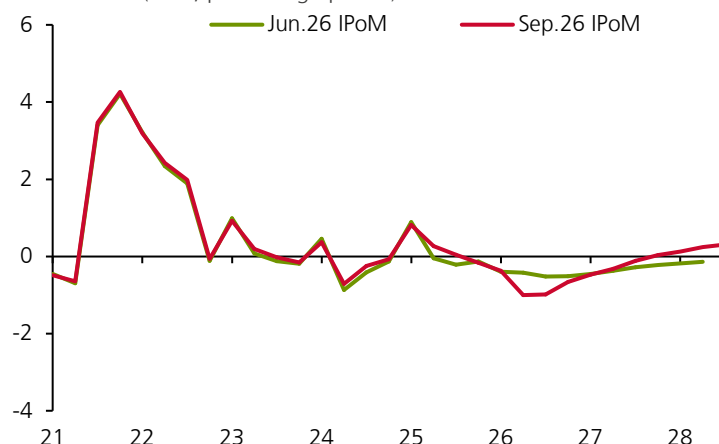
Sources: Bloomberg and U.S. Federal Reserve.



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 II.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 II.8 ACTIVITY GAP (1) (2)
(level, percentage points)



(1) Shows the estimate and projection contained in the respective IPoM. (2) Forecast assumes structural parameters 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 II.4 and Figure II.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 II.4 and Figure II.9).



TABLE II.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

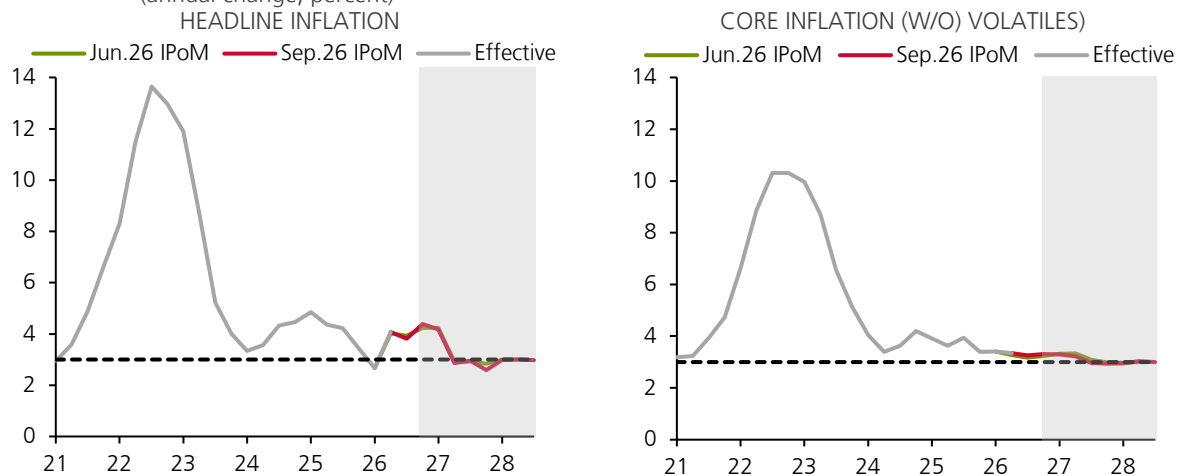
(1) Figures consider the 2023 CPI reference basket and the splice made by the Central Bank of Chile.

(2) Inflation forecast for the third quarter of 2028.

(f) Forecast.

Sources: Central Bank of Chile and National Statistics Institute (INE).

FIGURE II.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 as of the statistical cutoff 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% (Chapter I).



MONETARY POLICY STRATEGY: THE CENTRAL SCENARIO AND SENSITIVITIES

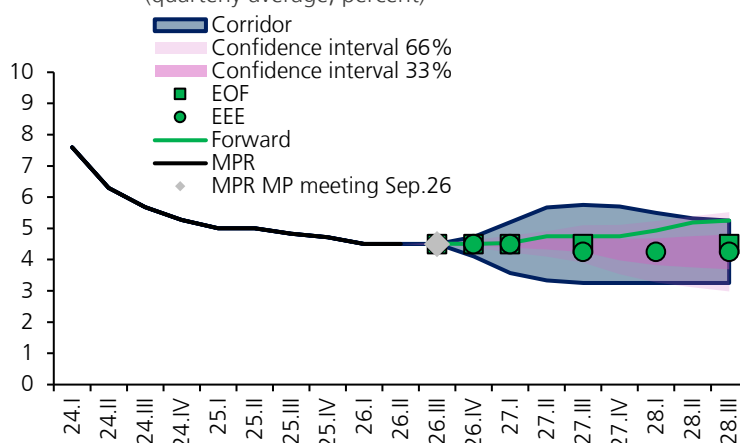
The macroeconomic scenario remains subject to a higher-than-usual degree of uncertainty. On the one hand, the risks associated with the conflict in the Middle East remain present and have even intensified recently. On the other hand, although the domestic economy is expected to regain momentum toward 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 II.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 II.10 MPR CORRIDOR (1)
(quarterly average, percent)



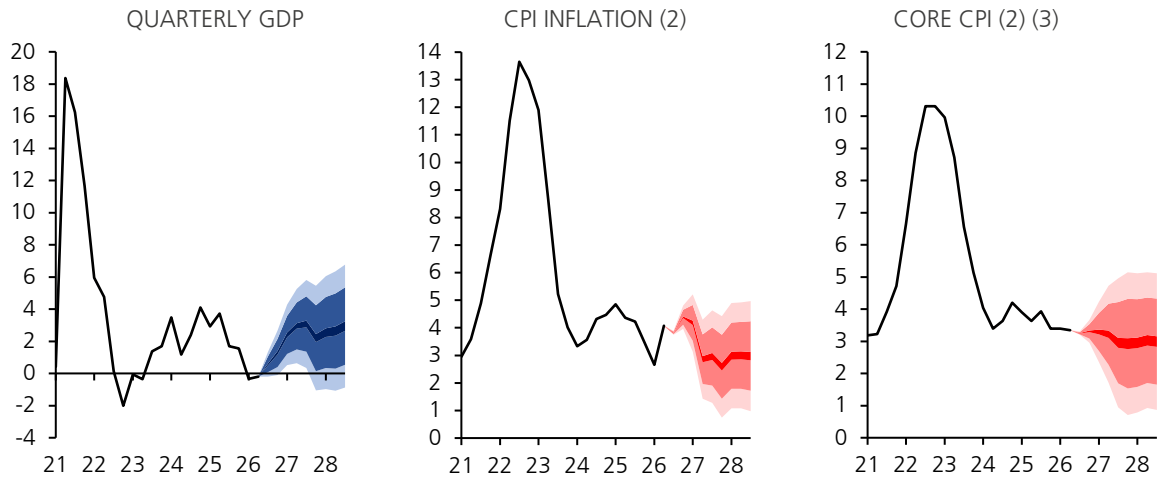
(1) The 2027 and 2028 calendar considers two MP meetings per quarter. The corridor is built by following the methodology described in Boxes [V.1 of March 2020 IPoM](#) and [V.3 of March 2022 IPoM](#). It includes the August Economic expectations survey (EEE), the September pre-MP meeting Financial traders 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 II.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).



BOX II.1:

Recent Developments in Copper Prices and Medium-Term Outlook

In the baseline scenario of this Monetary Policy Report (IPoM), the medium-term assumption for the copper price is revised upward from US\$5.0 to US\$5.6 per pound. Since the previous update, the copper price has increased steadily, reaching nearly US\$6.5 per pound on the London Metal Exchange (LME). This box examines the factors behind this increase and the revision to the medium-term assumption. The analysis draws on two independent methodologies: one based on the physical balance of the copper market and another based on information embedded in financial asset prices.

Physical Market Balance and the Effects of Tariffs

From a physical market balance perspective, analyses by various market participants^{1/}, suggest that the global copper market is likely to remain broadly balanced over the 2026-2028 period. This outlook is supported by the recovery from operational disruptions, the ramp-up of already completed projects, and a range of production expansions, while structural demand remains strong. However, this balance is expected to be temporary. As these projects exhaust their expansion capacity, copper production will face increasing constraints associated with aging deposits, declining ore grades, and the scarcity of new greenfield projects^{2/}. In a context of growing demand, this would imply a structural supply deficit beginning in 2029 (Figure II.12). Consistent with this analysis, estimates by specialized market participants place the medium-term incentive price, defined as the marginal cost of the last mine required to meet projected demand, at around US\$5.6 per pound^{3/}.

Beyond the structural balance outlook for the copper market, cyclical factors are also exerting upward pressure on prices. One important factor is the extraordinary accumulation of inventories in the United States, which appears to be related to uncertainty regarding the tariffs that the country may impose on refined copper. This has incentivized a significant frontloading of imports, reducing the availability of metal in other markets and contributing to higher international copper prices. [Álvarez et al. \(2026b\)](#) estimate that, between February 2025 and July 2026, more than 1.2 million tonnes were accumulated in inventories above the normal requirements of the U.S. economy (650,000 tonnes since December) (Figure II.13). This implies that the current copper price incorporates a temporary premium associated with this excess inventory accumulation. Using supply and demand elasticities from the literature, [Álvarez et al. \(2026b\)](#) estimate that this premium has increased by around 8-12% since December. Removing this premium from the current price yields a level close to US\$5.6 per pound, consistent with the structural physical market balance analysis.

Evidence from Asset Prices and Market Expectations

A second approach extracts information from financial asset prices to determine whether persistent or transitory factors explain the evolution of copper prices. It employs a high-frequency asset-price VAR model (based on [Zelpo et al. 2024](#), details in [Álvarez et al. 2026b](#)), which makes it possible to decompose copper price movements into a set of structural shocks that can be classified as either persistent or transitory (Figure II.14). The results show that,

^{1/} Benchmark Minerals, S&P, International Copper Study Group, and Cochilco.

^{2/} Refers to projects involving the development of new mining operations in areas where no previous productive activities exist, including the construction of the infrastructure required for their operation. These differ from brownfield projects, which involve the expansion, replacement, or improvement of existing operations.

^{3/} Benchmark Minerals estimate, in 2028 U.S. dollars.



relative to the December 2025 projection, slightly more than half of the increase in copper prices is explained by persistent factors. Among these, stronger demand associated with investments related to artificial intelligence (AI) and a geopolitical component stand out. Among the transitory factors, the strengthening of global risk appetite (risk-on) is particularly important, as it has supported inflows into commodities and other real assets, as well as a copper-specific shock that has been especially favorable to the metal. Removing the transitory factors from the current price also yields an equilibrium price close to US\$5.6 per pound. Although this methodology does not directly incorporate the effects of tariff-related uncertainty, such effects would be captured by the transitory shocks. On the one hand, the accumulation of inventories in the United States coincided with the risk-on period, meaning that part of its effect may be reflected in that shock. On the other hand, the copper-specific shock should capture increases in demand that are unique to the copper market and do not affect other assets, and therefore are not explained by the model's other shocks.

Market projections have been revised upward consistently since March. For 2028, forecasts currently range between US\$5.2 and US\$6.2 per pound, with a median also close to US\$5.6 per pound (Figure II.15).

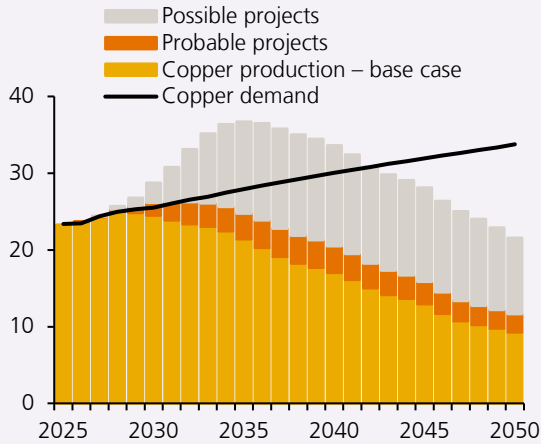
Based on this evidence, the baseline scenario of this IPoM raises the medium-term copper price assumption from US\$5.0 to US\$5.6 per pound. The projected price dynamics over the forecast horizon of this IPoM are shaped by a number of factors. Most importantly, it is assumed that tariff-related uncertainty declines significantly toward the end of this year. Given the excess inventories accumulated in the United States, this would lead to lower demand from that country during 2027. Using a dynamic strategic inventory accumulation model, [Álvarez et al. \(2026b\)](#) estimate an average copper price of US\$5.4 per pound in 2027, converging to US\$5.6 per pound in 2028. These values are used as working assumptions in the baseline scenario of this IPoM.

Conclusions

Different methodologies point to a medium-term copper price of around US\$5.6 per pound, which is the value incorporated into the baseline scenario of this IPoM. The increase relative to the previous update (US\$5.0 per pound) is explained mainly by improved demand prospects, driven by AI-related investment, and by geopolitical factors. Nevertheless, significant risks surround this projection. On the downside, a potential slowdown in AI-related investment stands out (Box I.1). On the upside, it is possible that a significant share of the excess inventory accumulation in the United States is not associated with tariff-related uncertainty, but rather with the desire to hold larger stocks of a critical material for both AI development and the defense industry.



FIGURE II.12 COPPER BALANCE
(million metric tons)



(1) 12-month moving average.

Sources: [Álvarez et al. \(2026b\)](#), Benchmark Minerals, Bloomberg and the U.S. Census Bureau.

FIGURE II.13 U.S. EXCESS DE IMPORTS
(thousand metric tons)

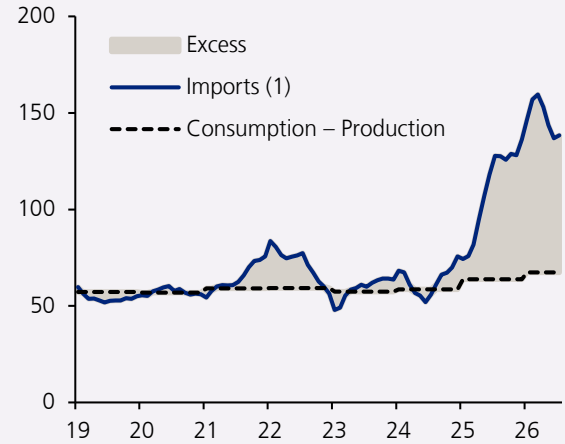


FIGURE II.14 COPPER PRICE DECOMPOSITION (1)
(percent; U.S. dollar per pound)

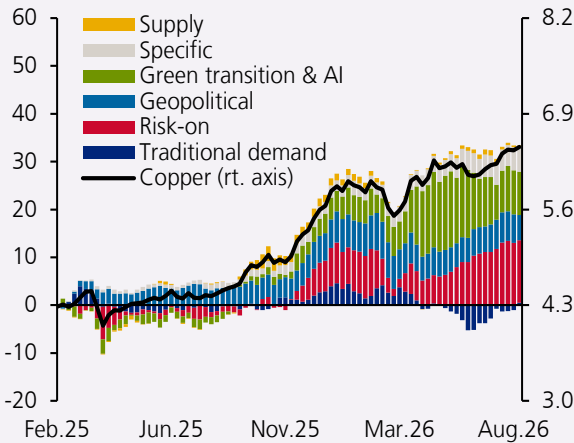
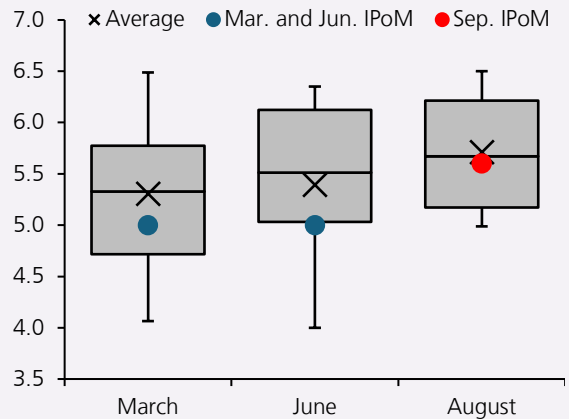


FIGURE II.15 2028 COUNTERPARTIES PROJECTION (2)
(U.S. dollar per pound)



(1) Decomposition based on a Bayesian VAR model using weekly data (2014–2026), estimated with five endogenous variables and one exogenous (supply disruption news), identified by sign and magnitude constraints. Cumulative change from February 2025 to August 2026 is shown on the left-hand axis. Copper (right-hand axis) refers to the copper price in U.S. dollars per pound. See details in [Álvarez et al. \(2026b\)](#). (2) Distribution calculated based on 30 counterparties.

Sources: [Álvarez et al. \(2026b\)](#), Bloomberg and Benchmark Minerals.

ANNEXES





ANNEX A

Central Bank of Chile Balance Sheet

HISTORICAL EVOLUTION OF THE BALANCE SHEET

The performance of the economy, the financial system, and the policies adopted by the Central Bank of Chile (BCCh) affect the size and composition of its balance sheet. Looking at the last 15 years, the most significant changes in both assets and liabilities occurred between 2020 and 2024. These are mainly explained by the exceptional measures adopted by the Bank to mitigate the economic and financial effects of the Covid-19 pandemic^{1/}.

Between 2020 and December 2023, the Bank's balance sheet nearly doubled. After the expiration of most measures implemented in response to the pandemic, balance sheet assets returned to a similar level to that of 2019 (Figure A.1). These measures amounted to a combined CLP\$28.966 trillion, equivalent to 12% of GDP.

During that time, the evolution of liabilities was equivalent, mainly because of the higher issuance of Discountable Promissory Notes by the BCCh (PDBC), which later dropped after they matured during 2024 (Figure A.1). These instruments were necessary to neutralize (or sterilize^{2/}) the monetary effect resulting from the expansion of the balance sheet.

The Central Bank's average net worth between 2011 and 2026 was -1.6% of GDP (Figure A.2), explained by its balance sheet's composition^{3/}, plus the local and global economic and financial conditions. On the one hand, Chile is a small economy that is financially integrated with the rest of the world, which is why it maintains a stock of international reserves (assets) that contributes to strengthening the BCCh's policy framework and, therefore, to meeting the objectives set out in its Constitutional Organic Law (LOC). In order for international reserves to meet capital preservation and liquidity requirements, they are invested in bonds issued by countries that, on average, enjoy high credit ratings. In practice, this means that the rate of return obtained from investing the reserves tends to be lower than the interest paid on the debt issued by the BCCh to finance those reserve assets. This difference between the interest rate on assets and liabilities explains, in part, the resulting net worth.

Between 2022 and 2023, the Bank had positive net worth, primarily due to the strengthening of the U.S. dollar, the main currency for its international reserves. As the dollar appreciates, it generates a positive result for the BCCh, since the same amount of reserves translates into a greater amount of pesos, which is the local unit of account. In other words, the variation in the Bank's net worth is also affected by the performance of the currencies of the assets relative to the local one.

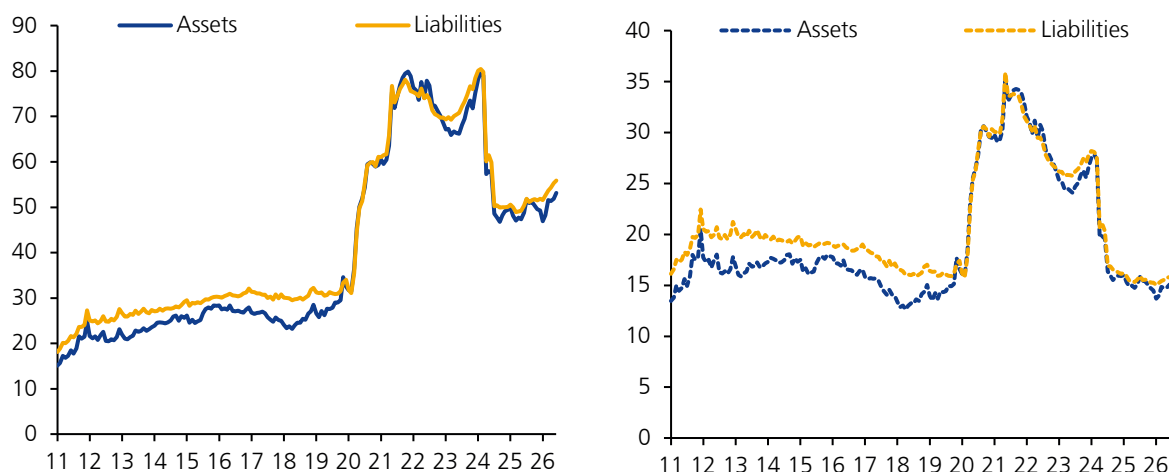
^{1/} For further details, see [Exceptional measures adopted by the Central Bank of Chile](#).

^{2/} Sterilization refers to the measures taken by the Bank to prevent the injection of liquidity or pesos into the economy, resulting from the expansion of BCCh assets (bank credit, purchase of local assets, or purchase of foreign currency), from having inflationary effects. To do so, the Bank withdraws excess liquidity in pesos by issuing debt.

^{3/} In the usual composition of assets and liabilities on the Bank's balance sheet, assets consist mainly of international reserves invested in financial instruments denominated in foreign currency, while liabilities consist largely of debt instruments issued by the BCCh and denominated in local currency (pesos and, to a lesser extent, UFs).

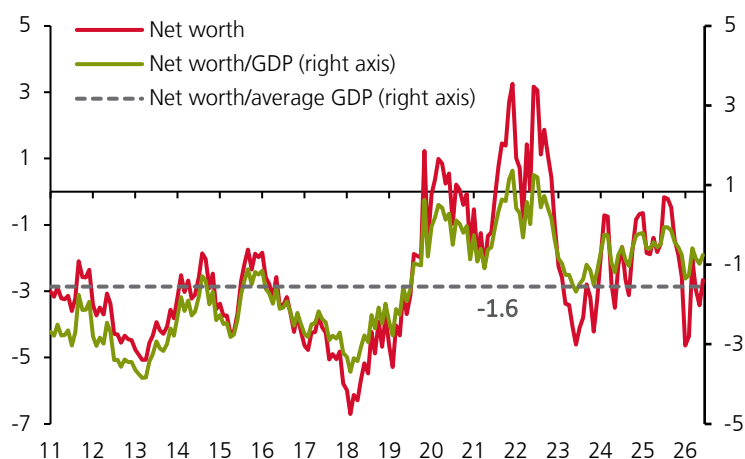


FIGURE A.1 EVOLUTION OF CENTRAL BANK OF CHILE'S ASSETS AND LIABILITIES
(billions of Chilean pesos; percent of GDP)



Source: Central Bank of Chile.

FIGURE A.2 EVOLUTION OF CENTRAL BANK OF CHILE'S NET WORTH
(billions of Chilean pesos; percent of GDP)



Source: Central Bank of Chile.

As of August 8, 2025, an international reserve accumulation program was launched, involving purchases of up to US\$25 million per day over a three-year period, at a pace of up to US\$3.125 billion per half-year, in accordance with the Board's resolution^{4/}. The measure is part of a financial management strategy aimed at gradually replacing a portion of the existing foreign currency credit lines with the Bank's own international reserves. To avoid affecting peso liquidity, these operations are sterilized through the issuance of PDBC's, in line with the monetary policy stance.

^{4/} For further information, see [Central Bank of Chile Launches International Reserves Accumulation Program](#).



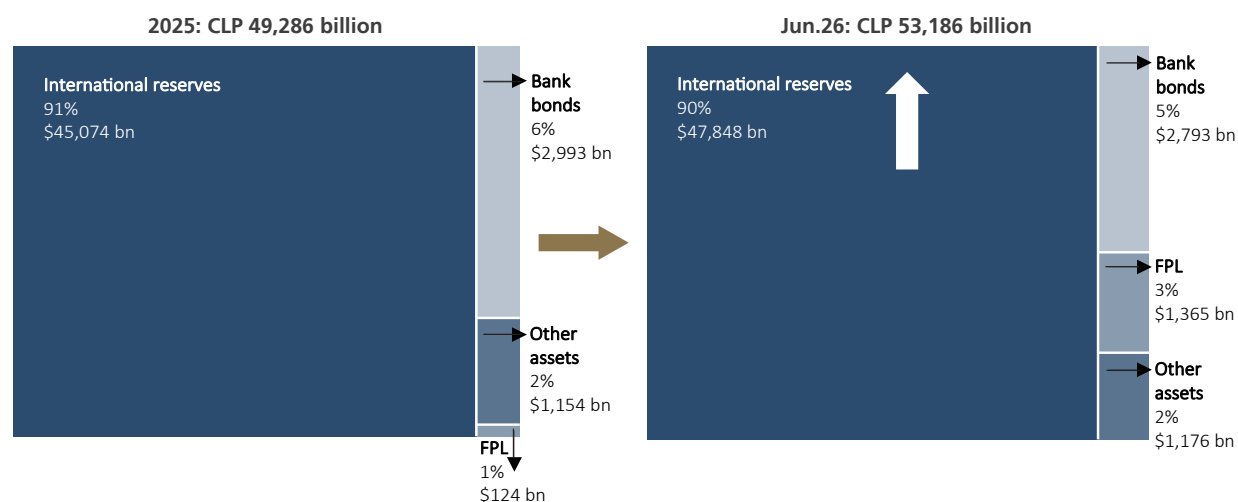
From the launch of the program through the end of June 2026, purchases totaling US\$5.033 billion had been accumulated, equivalent to CLP\$4.602 trillion. These purchases have been incorporated into international reserves on the asset side of the balance sheet, while their sterilization through the issuance of PDBC's has also increased the BCCh's liabilities.

COMPOSITION AND RECENT EVOLUTION OF THE BALANCE SHEET

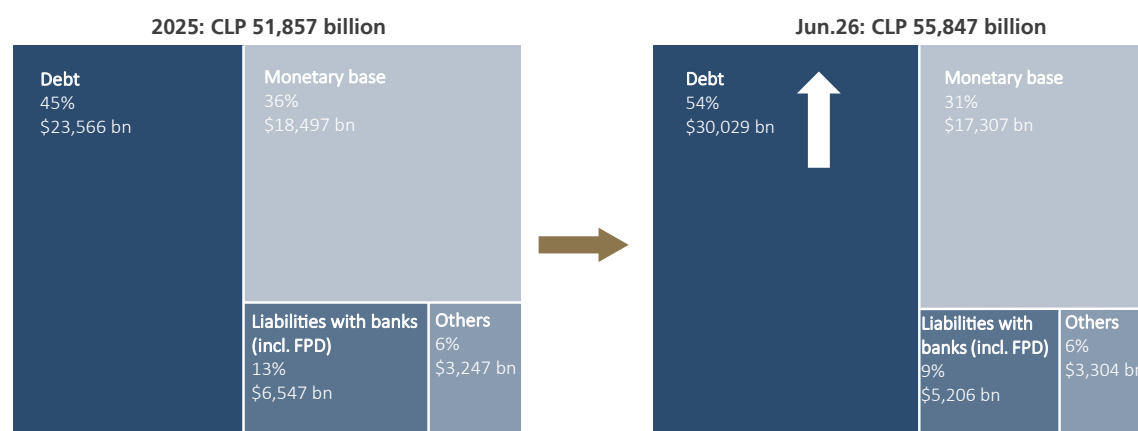
Compared to the end of 2025, the first half of this year saw an increase in the size of the balance sheet. During that period, assets increased by CLP\$3.901 trillion, from 14.5% to 15.1% of GDP. As a counterpart, liabilities increased by CLP\$3.991 trillion (Figure A.3), representing an increase from 15.3% to 15.8% of GDP (Table A.1).

FIGURE A.3 CHANGES IN CENTRAL BANK OF CHILE ASSET-LIABILITY COMPOSITION (1)(2)
(percent of total assets and liabilities)

Assets (billions of Chilean pesos)



Liabilities (billions of Chilean pesos)



(1) FPL: Standing Liquidity Facility. FPD: Permanent Deposit Facility.

(2) White arrows indicate whether the entry rose or fell from the close of 2025.

Source: Central Bank of Chile.



TABLE A.1 STYLIZED CENTRAL BANK OF CHILE BALANCE SHEET
(percent of GDP)

	2022	2023	2024	2025	Jun.26	2026 (f)
ASSETS	26.2	26.6	15.9	14.5	15.1	15.4
International reserves (1)	12.8	14.5	14.2	13.3	13.5	14.0
Fiscal promissory notes and other loans to government	0.1	0.1	0.1	0.1	0.1	0.1
Monetary policy instruments (2)	11.0	10.3	0.2	0.0	0.4	0.3
Bank bonds (3)	1.9	1.5	1.1	0.9	0.8	0.7
Other assets	0.3	0.3	0.3	0.3	0.2	0.3
LIABILITIES	26.6	27.8	16.1	15.3	15.8	16.5
Promissory notes with secondary market	14.5	14.5	7.3	6.9	8.5	9.0
Policy instrument with banks	3.6	5.1	1.5	1.6	1.3	0.5
Other liabilities with banks	0.6	1.1	0.4	0.3	0.2	0.3
Other liabilities except monetary base (4)	1.1	1.1	1.1	1.0	0.9	0.9
Monetary base	6.7	6.0	5.8	5.4	4.9	5.7
NET WORTH (A+B+C)	-0.4	-1.2	-0.2	-0.8	-0.8	-1.1
A. Initial capital	0.7	0.1	-1.0	0.0	-0.9	-0.9
B. Net results	-1.1	-1.2	0.7	-0.8	0.2	-0.1
Non-financial	-0.1	0.0	0.0	0.0	0.0	-0.1
Net interest (5)	-1.6	-1.7	-0.4	0.0	0.2	0.2
Due to exchange rate and UF variation	0.5	0.5	1.1	-0.7	0.0	-0.3
C. Capital contribution	0.0	0.0	0.0	0.0	0.0	0.0
Payable position in foreign currency (6)	11.4	12.1	13.0	12.3	12.7	13.0

(1) International reserves as a percent of GDP, measured in Chilean pesos, may present marginal difference with other measures in dollars. (2) Until 2023, includes Credit Facilities Conditional on the Increase of Loans (FCIC I, II and III) and Liquidity Credit Line (LCL). (3) In 2021, includes spot purchase and forward sale transactions (CC-VP) of bank bonds. (4) Includes other foreign liabilities (mainly SDR allocations with the IMF). (5) Difference between interest earned on investments and monetary policy instruments under assets and interest paid on debt certificates and monetary policy instruments under liabilities. (6) Assets minus liabilities payable in foreign currency. (f) Forecast. Source: Central Bank of Chile.

The increase in assets during the first half of this year was mainly driven by the U.S. dollar purchase program, which raised international reserves by CLP\$2.568 trillion, equivalent to 66% of the total increase in assets (0.7% of GDP) (Figure A.3). The remainder of the increase is explained by greater use of monetary policy instruments (CLP\$1.241 trillion)^{5/}. For their part, bank bonds^{6/} took a drop of 0.01% of GDP (CLP\$136 billion), with maturities of CLP\$260 billion during the first half of the year and a valuation increase of CLP\$124 billion due to the rise in the UF (Table A.1).

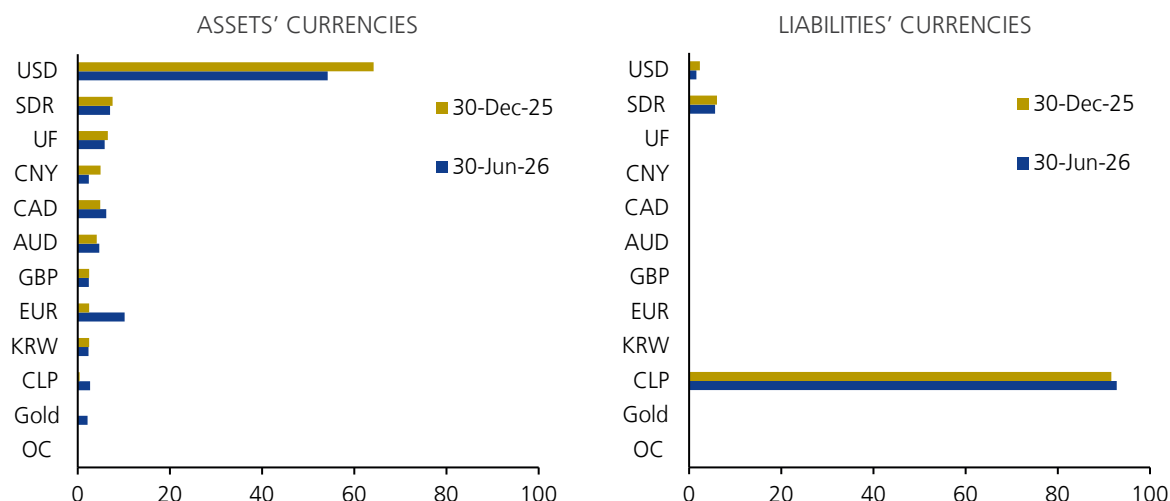
^{5/} Corresponding to the use of the Standing Liquidity Facility (FPL).

^{6/} In the context of the Covid-19 crisis, two bank bond purchase programs were carried out in 2020 and a coupon reinvestment program in 2021. In 2021, the stock of bank bonds reached a peak of nearly CLP\$6.6 trillion, which has been decreasing as these instruments mature. At the end of June 2026, the remaining stock was CLP\$2,798 billion and, given that the portfolio will be maintained until maturity, the total exhaustion of this stock will occur in 2046.



Liabilities increased by an amount broadly equivalent to the increase in assets, rising by 0.6% of GDP. This reflected an increase in the stock of promissory notes with the secondary market^{7/} of 1.6% of GDP (CLP\$6.464 trillion), together with declines in both policy instruments and other liabilities with banks^{8/} amounting to 0.5% of GDP (CLP\$1.341 trillion), as well as a decrease in the monetary base of 0.5% of GDP (CLP\$1.189 trillion). In turn, this resulted in a 5% increase in the share of interest-bearing liabilities^{9/} (Figures A.3 y A.4).

FIGURE A.4 CHANGES IN CENTRAL BANK OF CHILE CURRENCY COMPOSITION OF ASSETS AND LIABILITIES (1)
(percent of total assets and liabilities)



(1) USD: U.S. dollar; UF: Unidad de fomento, Chilean inflation-indexed unit of account; SDR: Special Drawing Right (IMF); CNY: Chinese yuan; CAD: Canadian dollar; EUR: Euro; GBP: British pound; AUD: Australian dollar; KRW: South Korean won; CLP: Chilean peso; OC: Other currencies. Source: Central Bank of Chile.

NET WORTH EVOLUTION

During the first half of 2026, the net worth decreased marginally by 0.01% of GDP (CLP\$90 billion), ending June at a negative value equivalent to 0.8% of GDP (CLP\$2,662 billion). This was mainly driven by fair value adjustments associated with international reserves and bank bonds, amounting to CLP\$683 billion.

The Central Bank of Chile's net worth consists of initial capital and other reserves amounting to a negative CLP\$3,255 billion (-0.9% of GDP), plus a positive net result for the period of CLP\$593 billion (0.2% of GDP). The result for the first half of the year was explained by positive results associated with net interest of CLP\$570 billion, mainly reflecting interest income on international reserves exceeding debt costs, changes in currency parities (foreign currencies and the inflation-indexed unit of account UF) of CLP\$99 billion, and non-financial costs of CLP\$76 billion.

^{7/} These are debt instruments issued by the BCCh, currently consisting of Central Bank's Discountable Promissory Notes (PDBC) and bonds with coupons in UF (BCU).

^{8/} Corresponds to the sum of liabilities with banks, consisting of the Permanent Deposit Facility (FPD) in policy instruments with banks and bank deposits, mainly for constituting foreign currency reserves in other liabilities with banks.

^{9/} Consisting of PDBC, BCU, and FPD.



Part of the results for the period were also explained by the remaining assets from the special measures adopted by the Bank between 2020 and 2021, including the stock of bank bonds in local currency and the stock of NDFs (Non-Deliverable Forward)^{10/}. Said results amount to a total negative figure of CLP\$167 billion (Table A.2).

TABLE A.2 NET WORTH EFFECTS OF SPECIAL MEASURES IMPLEMENTED BY THE CENTRAL BANK OF CHILE (1)
(billions of Chilean pesos)

	Current stock (4)	Profit/Loss
Bank bonds (2)	2,798	-124
Stock (NDF) (3)	2,468	-43
Total		-167

(1) Earnings or losses with an impact on net worth of special measures implemented by the Central Bank of Chile during first half of 2025. (2) Measures announced as of March 2020, due to financial tensions related to Covid-19 and withdrawals from pension funds. (3) Measure announced on July 14, 2022 as part of the exchange intervention program for the second half of 2022. The program managed to accumulate a maximum stock of US\$9.11 billion. Between April and October 2023, a stock reduction program was implemented, which was suspended in October 2023, leaving a residual stock of US\$2.676 billion, in effect to date. (4) Amounts correspond to current stocks at 30 June, 2026. Source: Central Bank of Chile.

BALANCE SHEET FINANCIAL VARIABLES

The structure and size of the Bank's assets and liabilities changed slightly during the period, and the gap between the rate of return on assets and liabilities narrowed over the first half of the year, decreasing from +58 basis points (bp) at the end of 2025 to +23 bp at the end of June 2026. This decline was driven by a lower rate of return on international reserves (Table A.3).

In addition, the duration gap (or maturity) between assets and liabilities decreased by 1.3 months due to the shorter duration of international reserve instruments. The balance sheet's exposure to foreign currencies decreased marginally by 1.6% in assets, as a result of an increase in domestic currency monetary policy assets (FPL) (Table A.3).

TABLE A.3 MAIN FINANCIAL VARIABLES OF THE CENTRAL BANK OF CHILE'S BALANCE SHEET

	Jun.26		Dec.25	
	Assets	Liabilities	Assets	Liabilities
Average yield rate (%)	3.1	2.9	3.6	3.0
Average duration (months) (1)	21.9	0.2	26.4	0.2
Foreign currencies (%)	91.5	7.2	93.1	8.3
Domestic currencies UF (%)	5.8	0.0	6.5	0.0
Domestic currencies CLP (%)	2.7	92.8	0.4	91.7

(1) Liabilities include monetary base with duration equal to zero, and assets and liabilities denominated in UF are corrected by a factor equal to 0.5.

Source: Central Bank of Chile.

^{10/} Related to the exchange intervention program implemented in the second half of 2022.



BALANCE SHEET PROJECTION FOR YEAR-END 2026

The short-term projection uses two main working assumptions: (i) the foreign exchange purchase program announced on August 5, 2025, will be carried out as scheduled^{11/} and; (ii) as announced, the purchase of reserves is sterilized through the issuance of short-term debt. As for the financial assumptions, the central scenario considers no change in the cost of issuing PDBC's. With regard to the macroeconomic assumptions, the nominal GDP forecast for 2026 uses the projected values for real GDP growth and average inflation in June 2026 IPoM.

Based on these assumptions, net interest payments are projected to increase net worth by approximately 0.1% of GDP in 2026. Meanwhile, changes in the valuation of international reserves and local currency assets are projected to reduce the net worth by 0.3% of GDP at year-end. However, net worth is projected to see its deficit increase by 0.3% of GDP by year-end 2026, while the size of balance sheet assets is estimated to rise to 15.4% of GDP and liabilities to 16.5% of GDP (Table A.1).

^{11/} For further information, see [Central Bank of Chile Launches International Reserves Accumulation Program](#).



ANNEX B

International reserves management

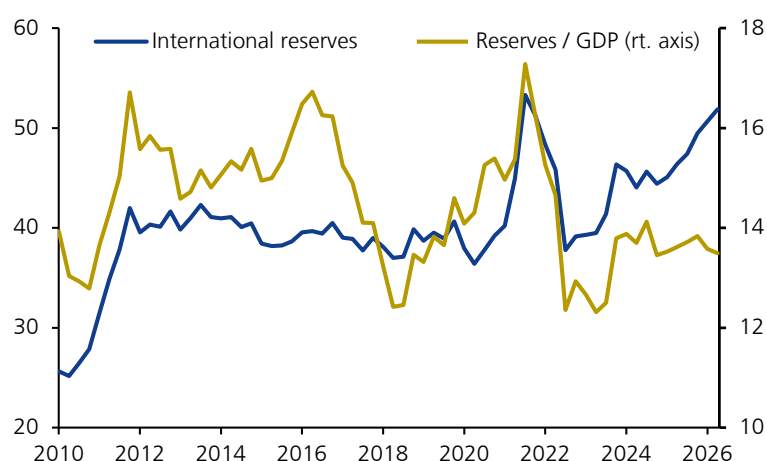
INTRODUCTION

International reserves are foreign assets held by the Central Bank of Chile (BCCh) to support the fulfillment of the objectives associated with its constitutional mandate. For small economies that are financially integrated with the rest of the world, such as Chile, it is important to have, as a precautionary measure, a stock of reserves that allows them to cope with stressful situations. Maintaining an adequate level of reserves is important because it enhances central banks' credibility and provides a robust framework for the implementation of their policies, among other benefits.

In Chile, the flexible exchange rate regime, which is consistent with the BCCh's inflation-targeting framework, enables the exchange rate to absorb the various shocks affecting the economy as the first adjustment mechanism. However, under exceptional circumstances, financial markets and economic agents may be unable to absorb these shocks and may operate under constraints, disrupting price formation process. In such cases, the Bank's Board may use international reserves.

As of the end of June 2026, total international reserves held by the Central Bank of Chile (BCCh) amounted to US\$51.876 billion, equivalent to 13.5% of GDP (Figure B.1).

FIGURE B.1 EVOLUTION OF INTERNATIONAL RESERVES
(billions of U.S. dollars, percent of GDP)



Source: Central Bank of Chile.



While international reserves constitute the main source of foreign currency liquidity, the Bank also has access to complementary precautionary liquidity sources, with the purpose of improving its foreign currency liquidity position to face possible shocks. Including these complementary sources, total available liquidity stands at around 19% of GDP.

In addition, the Bank has access to a liquidity facility (the FIMA Repo Facility) made available by the U.S. Federal Reserve to central banks and monetary authorities, enabling them to obtain temporary U.S. dollar liquidity against collateral consisting of U.S. Treasury bonds. Through this facility, the BCCh could obtain up to approximately US\$26 billion in U.S. dollar liquidity without having to sell reserves. In addition, the BCCh maintains repurchase agreement (repo) arrangements with the Bank for International Settlements (BIS) in both U.S. dollars and renminbi, for up to the equivalent of US\$1 billion in each case. Both facilities provide access to temporary liquidity in exchange for eligible collateral.

Since August 2025, the Bank has been implementing a reserve accumulation program involving purchases of up to US\$25 million per day over a three-year period, with the objective of changing the composition of the BCCh's international liquidity sources and strengthening its own external position. As of June 30, 2026, such purchases totaled US\$5.033 billion, representing 91% of the program's potential amount. This measure forms part of a financial management strategy aimed at gradually replacing a portion of the Bank's existing foreign currency credit lines with its own international reserves. It is not intended to alter financial conditions or affect the functioning of the foreign exchange market; rather, its purpose is to strengthen international reserves as part of the Bank's ongoing responsibilities to safeguard financial stability^{1/}.

CHANGES TO THE INVESTMENT POLICY

In February 2026, the BCCh introduced changes to its international reserves investment policy, primarily aimed at rebalancing investment risks in order to maintain a diversification of issuers and currencies that would allow it to address potential shifts in asset correlations amid changes in the global scenario. The change in the benchmark was primarily intended to reduce the portfolio's relative concentration in the U.S. dollar and increase currency diversification, particularly through a higher allocation to the euro. Meanwhile, the inclusion of gold was also aimed at broadening asset diversification and, in particular, strengthening the risk profile of the reserves, given its role as a safe-haven asset in an environment of heightened uncertainty.

^{1/} Further details on the reserve accumulation program can be found in the following [Press Release](#).



COMPOSITION OF INTERNATIONAL RESERVES

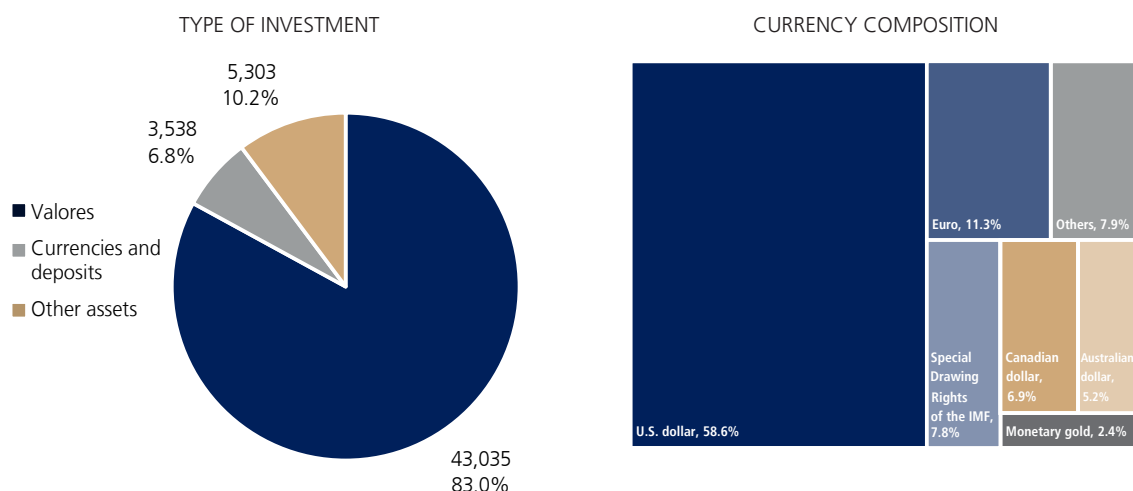
International reserves are organized into three portfolios (Investment Portfolio, Cash Portfolio, and Other Assets Portfolio). The Investment Portfolio is the largest and is divided between the Liquidity Portfolio (50%) and the Diversification Portfolio (50%). The Liquidity Portfolio consists of nominal bills and bonds issued by the U.S. Treasury, which can be converted into U.S. dollars very quickly and with minimal price impact. The Diversification Portfolio, in turn, comprises a range of issuers and currencies that contribute to risk diversification and the generation of long-term returns. This portfolio can also be converted into U.S. dollars relatively quickly and at low cost.

The Bank also maintains current accounts in which local commercial banks, the General Treasury of the Republic, and public enterprises may deposit their foreign currency balances. Balances held in these current accounts constitute the main source of funding for the Cash Portfolio. Consequently, its size does not depend solely on the BCCh's decisions, and it may therefore exhibit significant fluctuations over relatively short periods.

Finally, the Other Assets Portfolio comprises investments of various types, including Special Drawing Rights (SDRs) of the IMF, certified gold holdings, and other smaller international asset items.

As of June 30, 2026, the Investment Portfolio totaled US\$45.561 billion (87.8%), the Cash Portfolio US\$1.012 billion (2.0%), and the Other Assets Portfolio US\$5.303 billion (10.2%). These resources were invested in the instrument and currency categories detailed in Figure B.2.

FIGURE B.2 INTERNATIONAL RESERVES COMPOSITION
(billions of U.S. dollars, percent)



Source: Central Bank of Chile.



MANAGEMENT OBJECTIVES

The reserves are invested in accordance with a set of guidelines. First, they must be invested in instruments permitted under the Bank's Constitutional Organic Act (LOC). This limits investments to foreign currencies, gold, or debt securities, negotiable instruments, or commercial paper issued or guaranteed by foreign states, central banks, or international banking or financial institutions.

Second, to ensure that international reserves can be made available efficiently when required, including under stressed global conditions, they must be invested in assets traded in deep and secure markets, with a view to containing transaction costs and preventing capital losses over the long term. These characteristics are referred to as liquidity and capital preservation. These instruments also generally tend to retain their value in the face of adverse financial shocks and are therefore regarded as safe-haven assets. In addition, over the long term, international reserves must be capable of generating positive returns, which is referred to as the return objective.

To this end, the reserves are invested in accordance with an Investment Policy approved by the BCCh's Board. One of the central elements of this Policy is the benchmark comparator for the Investment Portfolio. The benchmark is a theoretical portfolio containing the specific instruments, currencies, and issuers that guide day-to-day investment decisions. It also reflects the Bank's risk and return preferences. To ensure appropriate risk control and management, rules, parameters, and limits are established for the investments that may be made.

Because the benchmark comparator is a central element of the Investment Policy, it is reviewed periodically to ensure that the resulting risk and return profile is consistent with the policy framework and the Bank's strategic objectives. Its design takes into account, among other variables, the BCCh's potential liquidity needs and the financial effects on the institution's balance sheet (Table B.1).

TABLE B.1 BENCHMARK STRUCTURE OF INVESTMENT PORTFOLIO

Issuing country	Share	Currency	Duration (1)	Risk rating (2)	Type of instrument
United States	64%	USD	1.3	AA+	U.S. Treasury bills, nominal bonds, and inflation-indexed bonds
Germany	13%	EUR	2.8	AAA	Nominal bonds
Canada	8%	CAD	2.8	AAA	Nominal bonds
Australia	6%	AUD	2.9	AAA	Nominal bonds
China	3%	RMB	4.3	A	Nominal bonds
United Kingdom	3%	GBP	2.8	AA-	Nominal bonds
South Korea	3%	KRW	4.0	AA	Nominal bonds
TOTAL	100%		1.9	AA+	

(1) Weighted averages, expressed in years.

(2) Prevailing risk rating according to BCCh methodology, based on information of international rating agencies.

Source: Central Bank of Chile.



If the Bank decides to use part of its international reserves to support the fulfillment of its objectives, it will primarily require U.S. dollars, as this is the main foreign currency traded and used in the Chilean economy. This is one of the reasons, in addition to those discussed below, why the benchmark has a relatively high allocation to this currency. The remaining currencies, which also meet the requirements for reserve currencies, contribute to market risk diversification and return generation and can be readily converted into U.S. dollars.

The asset classes included in the benchmark, which guides investment decisions, consist of fixed-income instruments issued by highly rated countries. This has several implications. First, fixed-income instruments mainly comprise bills and bonds, which tend to generate positive returns over the long term because they pay interest that can offset potential declines in their value resulting from changes in market prices. Second, the issuance of bills and bonds by highly rated countries indicates that the interest and principal on reserve investments will be paid within the established time frames. In addition, the instruments, issuers, and currencies in which the reserves are invested are traded in highly liquid markets; that is, they can be converted into U.S. dollars quickly, at low cost, and at prices that are known and transparent to the market.

Another feature of the benchmark comparator relates to the maturity of the investments. The longer the maturity of a bond, the greater the market risk assumed, as its price will be more sensitive to changes in interest rates. The relationship between an instrument's maturity and the risk assumed is measured by a parameter known as duration. As of the end of June 2026, the international reserves benchmark had a duration of 1.9 years, representing limited market risk.

MANAGEMENT

International reserves are managed daily using the investment structure established in the benchmark comparator as a guide. Deviations from the benchmark are permitted within well-defined limits for the parameters described above, including issuers, currencies, and instruments, among others.

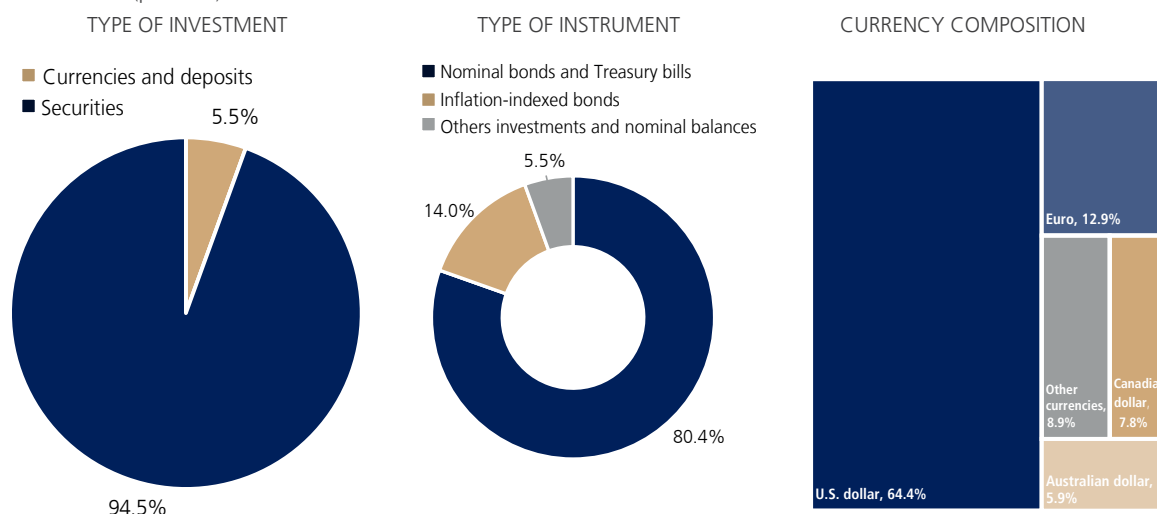
In addition to the various limits and restrictions applicable to these parameters, a risk budget known as tracking error is defined. This measure limits the overall amount of risk that the portfolio manager may assume relative to the benchmark. It is particularly useful for containing market risk, that is, the level of risk associated with changes in the prices of the assets in which the reserves are invested. Accordingly, the larger the risk budget, the greater the deviations that the portfolio manager may assume in practice relative to the benchmark. This also means that the larger the risk budget, the further the returns obtained by the portfolio manager may deviate from the benchmark return.

In the case of the BCCh, in view of the greater external risks faced by financial markets in recent years, the Board has set a limited risk budget of 40 basis points (bp) on a monthly average basis, thereby leaving the benchmark comparator as the main source of risk assumed in the management of international reserves. In practical terms, this means that, at a given confidence level and over a one-year horizon, the return obtained by the portfolio manager is expected to deviate by up to $\pm 0.40\%$ from the benchmark return.



The Investment Portfolio is the most significant portfolio in terms of value. Its management results in a daily position that reflects how its resources are invested. Figure B.3 shows the Investment Portfolio's actual position as of the end of the first half of 2026.

FIGURE B.3 INVESTMENT PORTFOLIO COMPOSITION
(percent)



Source: Central Bank of Chile.

As noted above, at the beginning of the year the Board approved gold purchases for investment purposes of up to 3% of total international reserves. As of the end of the first half of 2026, the Bank held US\$1.258 billion in physical gold, equivalent to 2.4% of total international reserves.

The decision to include gold was made within the framework of a technical assessment that considered a range of factors, with a view to ensuring that the composition of the assets in which international reserves are invested has an efficient risk-return profile. Part of the analysis suggests that some structural changes have occurred in the correlations among the various eligible assets. Accordingly, the inclusion of a small allocation to gold enhances the portfolio's risk diversification. This is also consistent with the evidence found in the international literature on the subject^{2/}.

In addition, gold's strategic value and ability to serve as a safe-haven asset enhance the portfolio's protection against financial stress scenarios, particularly in a context in which episodes of uncertainty originating abroad have become more frequent and more complex in recent years.

Gold is purchased and held abroad. The BCCh uses the Bank of England as custodian through an account held at the BIS. It is worth noting that gold is managed passively and forms part of the Other Assets Portfolio.

^{2/} The inclusion of gold comes amid growing interest among central banks in this asset. According to the World Gold Council, central bank demand for gold has remained at historically high levels. See [Gold Demand Trends: Q2 2026 – World Gold Council](#).



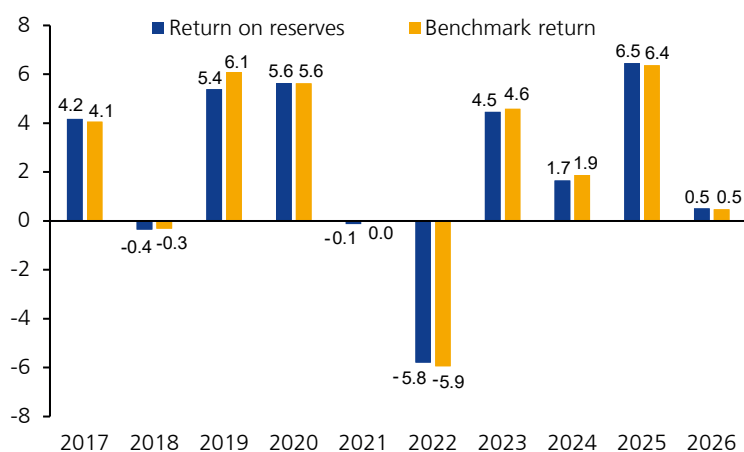
RETURNS

One of the most relevant parameters for assessing the management of international reserves is the measurement of returns. These are calculated by valuing the invested assets daily at market prices and taking into account all sources of income, including coupon and principal payments, changes in instrument prices, and exchange rate fluctuations. This measurement yields an absolute return expressed in U.S. dollars.

The return obtained by the reserve managers is compared with the return on the benchmark, which, as noted above, is a theoretical portfolio used to guide investments. The difference between the return obtained by the BCCh's management and the benchmark return is known as the differential return.

The absolute return obtained from the management of international reserves is presented below and compared with the benchmark return, excluding the Other Assets Portfolio. The difference represents the excess return obtained from reserve management (Figure B.4).

FIGURE B.4 RETURN ON INTERNATIONAL RESERVES (1)
(percent)



(1) Refers to cumulative returns for each year, except for 2026, which reflects the cumulative return as of the end of the first half of the year.

Source: Central Bank of Chile.

In the first half of 2026, the absolute return on the reserves was 0.52%, measured in U.S. dollars. In addition to the returns on assets in their currencies of denomination, this figure reflects the movements of those currencies against the U.S. dollar. Overall, the return was mainly explained by interest accrued during the first half of the year. This effect was partly offset by both a global increase in sovereign interest rates and a weakening (depreciation) against the U.S. dollar of currencies relevant to the portfolio. The combination of higher interest rates and U.S. dollar appreciation tends to reduce absolute returns measured in that currency. Nevertheless, interest from coupons on the portfolio's bonds was sufficient to offset these effects, resulting in a positive total return.



Meanwhile, the differential return obtained from the management of the reserve portfolio in the first half of the year, excluding the Other Assets Portfolio, was 4 bp. This represents the difference between the absolute return obtained by the portfolio manager (0.52%) and the absolute return on the benchmark (0.48%). The differential return over the benchmark was mainly explained by the duration position in the Investment Portfolio, which on average was marginally shorter than the benchmark duration during the period, against a backdrop of rising interest rates.

EXTERNAL MANAGERS

As a complement to the internal management of reserves, since 1995 the Bank has maintained external portfolio management programs for a portion of them. The program's main objective is currently to provide an active benchmark for assessing internal management. In other words, the BCCh's internal management is compared not only with the performance of the benchmark comparator (a theoretical or passive benchmark), but also with the performance of the external managers (an active benchmark), which manage a portfolio with characteristics similar to those of the internally managed portfolio. The BCCh thus has different reference points for assessing its management. In addition, the external portfolio management program is intended to add economic value and facilitate knowledge and technology transfer.

As of the end of the first half of 2026, 2.8% of the Investment Portfolio was managed independently by two external managers: BNP Paribas Asset Management USA, Inc. and Allianz Global Investors GmbH. During the period, the externally managed portfolio recorded a return of 0.49%, equal to that of its benchmark.

ORGANIZATIONAL STRUCTURE FOR INTERNATIONAL RESERVES

International reserves are managed with an appropriate separation of responsibilities across the institution's different hierarchical levels of the Bank. In this context, periodic internal and external audits are conducted to ensure that the processes associated with reserve management are well defined and operate within an appropriate risk control environment. These audits comprehensively review decision-making and the delegation of responsibilities.

Responsibility for international reserves management is assigned to the Financial Markets Division (DMF). To ensure that the investment process is robust, efficient, and subject to appropriate levels of risk control, investment functions (International Investment Management, Front Office) are segregated from recording, reconciliation, and payment functions (Operations and Payment Systems Management, Back Office).

The Corporate Risk Division (DRC) is responsible for identifying, assessing, measuring, and monitoring the Bank's corporate, financial, and strategic risks. Accordingly, it oversees financial compliance, risk measurement, and the validation of the financial methodologies used. This unit also acts as the DMF's technical counterpart in the risk management of the BCCh's financial operations and in policy formulation.



The Bank's Comptroller's Office, in turn, reports directly to the Board and is responsible for periodically assessing the efficiency and effectiveness of internal control, operational risk management, and the governance of the integrated reserves management process.

In its periodic publications (the Annual Report and the September Monetary Policy Report (IPoM)), the Bank systematically presents information to communicate the status of international reserves. Some of the information provided in this Annex is also available in the BCCh's statistical database.



ANNEX C

Main measures adopted by the Central Bank of Chile during 2026

JANUARY

8. Pursuant to [Board Resolution No. 2761-01](#), Mr. Alberto Naudon Dell'Oro was appointed Deputy Governor of the Board and of the Central Bank of Chile, effective from that date through March 22, 2028.
15. Through [Board Resolution No. 2763-01](#), amendments were made to the Regulations for the Functioning of the Board in certain matters and to the Central Bank of Chile's Communications Policy.
21. Pursuant to [Board Resolution No. 2764E-01](#), the incorporation of new Chapter III.H.7 into the Financial Regulations Compendium, concerning Liquidity Management for Central Counterparties Entities, was approved.
22. Through [Board Resolution No. 2765-01](#), the Board determined publication of the Call for Applications and Terms of Reference for a public selection process to appoint two Permanent Members and two Alternate Members of the Competition Tribunal.
22. Through [Board Resolution No. 2765-03](#), a second public consultation was launched regarding amendments to Chapter III.J.1 of the Financial Regulations Compendium to incorporate offline card-payment functionality in Mass Public Transportation Systems.
27. At its [Monetary Policy Meeting](#), the Board of the Central Bank of Chile agreed to keep the monetary policy interest rate at 4.5%. The decision was adopted unanimously.

FEBRUARY

2. Pursuant to [Board Resolution No. 2769E-01-260202](#), the Central Bank granted the prior authorization referred to in Article 76 of the General Banking Act to Banco BTG Pactual Chile for the establishment of a banking subsidiary abroad.
26. Through [Board Resolution No. 2772-01](#), Chapter III.F.4 of the Financial Regulations Compendium was amended to establish the maximum limits on foreign investments and sovereign instruments applicable to Generational Funds and the Autonomous Pension Protection Fund (FAPP), in accordance with Law No. 21,735.

MARCH

3. Pursuant to [Board Resolution No. 2773E-01](#), the Call approved under Resolution No. 2765-01-260122 was amended in connection with the public selection process to appoint two Permanent Members and two Alternate Members of the Competition Tribunal.
24. At its [Monetary Policy Meeting](#), the Board of the Central Bank of Chile agreed to keep the monetary policy



interest rate at 4.5%. The decision was adopted unanimously.

25. The Central Bank of Chile published its [Monetary Policy Report \(IPoM\) for March 2026](#).

APRIL

27. Pursuant to [Board Resolution No. 2787E-01](#), the Board of the Central Bank of Chile submitted to the President of the Republic the shortlists for the appointment of Permanent and Alternate Members of the Competition Tribunal and appointed Mr. Pablo García González as Alternate Economist Member of the Competition Tribunal.

28. At its [Monetary Policy Meeting](#), the Board of the Central Bank of Chile agreed to keep the monetary policy interest rate at 4.5%. The decision was adopted unanimously.

30. Through [Board Resolution No. 2788-01](#), Chapter III.D.3 of the Financial Regulations Compendium was amended, requiring General Fund Administrators (AGF) to report non-foreign-exchange derivatives transactions to the Integrated Derivatives Information System (SIID), in accordance with new regulations issued by the Financial Market Commission (CMF) and with the SIID's adherence to the Principles for Financial Market Infrastructures.

30. The Central Bank of Chile published its [Integrated Annual Report for 2025](#).

31. The Central Bank of Chile began publishing [new regional export series](#), at quarterly and annual frequencies, starting on April 23.

MAY

8. Through [Resolution No. 2788-01-260430](#), Chapter III.D.3 of the Financial Regulations Compendium was amended, requiring General Fund Administrators to report non-foreign-exchange derivatives transactions to the Integrated Derivatives Information System (SIID), in accordance with CMF regulations and with the SIID's adherence to the Principles for Financial Market Infrastructures.

18. At its [Financial Policy Meeting \(RPF\)](#), the Board of the Central Bank of Chile agreed to continue the convergence of the Countercyclical Capital Buffer toward its neutral level, setting it at 1% of risk-weighted assets (RWA) from the current 0.5% over a 24-month period. The decision was adopted unanimously.

19. The Central Bank published the [Financial Stability Report for the first half of 2026](#).

JUNE

4. Pursuant to [Board Resolution No. 2796-01](#), the appointments of Mr. Francisco Ruiz Aburto and Ms. Cecilia Feliú Carrizo as regular representatives, and Ms. Claudia Henríquez Gallegos and Ms. Beatriz Velásquez Ahern as alternate representatives, to the National Commission Responsible for Investigating Distortions in the Prices of Imported Goods were renewed.

9. Through [Board Resolution No. 2797E-01](#), the Board accepted the resignation of Mr. Segismundo Schulín-Zeuthen Serrano as member and Chairman of the Central Bank of Chile's Audit and Compliance Committee



and appointed Mr. Vittorio Corbo Lioi as his replacement.

11. Pursuant to [Board Resolution No. 2798-01](#), the Board approved rules and instructions to ensure compliance with Law No. 19,628 on the Protection of Private Life, as amended by Law No. 21,719.

16. At its [Monetary Policy Meeting](#), the Board of the Central Bank of Chile agreed to keep the monetary policy interest rate at 4.5%. The decision was adopted unanimously.

17. The Central Bank of Chile published its [Monetary Policy Report \(IPoM\) for June 2026](#).

24. Through [Board Resolution No. 2803-03](#), Chapter III.J.1 of the Financial Regulations Compendium on Payment Card Issuance was amended to incorporate an offline card-payment functionality for public transportation using payment cards.

24. Through [Board Resolution No. 2803-04](#), the transitional provisions of Chapter III.J.2 of the Financial Regulations Compendium were amended, stipulating that the deadline for registration in the Payment Card Operators Registry shall be determined by the Financial Market Commission (CMF) through general instructions.

24. Pursuant to [Board Resolution No. 2803-05-260624](#), the Central Bank of Chile authorized, in accordance with Article 76 of the General Banking Act, Banco Itaú Chile to acquire shares in its subsidiary Banco Itaú Colombia S.A.

JULY

14. Pursuant to [Board Resolution No. 2806-02](#), Mr. Ricardo José Villarreal Zan was appointed deputy Technical Secretary of the National Commission Responsible for Investigating Distortions in the Prices of Imported Goods, replacing Mr. Felipe Andrés Aguilar Mimica.

20. Through [Board Resolution No. 2808-01](#), the appointment of Ms. Romina Torres Torres as member and Chair of the Information Technology Advisory Committee was renewed.

28. At its [Monetary Policy Meeting](#), the Board of the Central Bank of Chile agreed to keep the monetary policy interest rate at 4.5%. The decision was adopted unanimously.

AUGUST

5. The Central Bank published the [Payment Systems Report for the year 2026](#).

19. Pursuant to [Board Resolution No. 2812-02-260813](#), the Central Bank of Chile published amendments to Chapters III.C.2, III.H.2, III.H.4 and their subchapters, and III.H.5 and its subchapters of the Financial Regulations Compendium, establishing the conditions and requirements under which certain non-bank financial institutions may access the Gross Settlement System in Real Time (LBTR).

19. Pursuant to [Board Resolution No. 2812-04-260813](#), Chapter 5 and its subchapters of the Monetary and Financial Regulations Compendium were amended with regard to the conditions applicable to current accounts opened by the Central Bank of Chile for the entities specified therein.

26. The Central Bank of Chile, together with the Ministry of Finance, [renewed the International Monetary Fund \(IMF\) Flexible Credit Line \(FCL\)](#) for US\$11.8 billion (SDR 8.7215 billion).



SEPTEMBER

7. Pursuant to [Board Resolution No. 2814E-01-260827](#), the Central Bank issued its favorable prior report, requested by the Superintendence of Pensions, concerning the definition of foreign-exchange hedging and the maximum limits on unhedged foreign investments applicable to the Generational Funds (FFGG) managed by Pension Fund Administrators. The report was issued on the understanding that the transition scheme proposed by the Superintendence of Pensions for implementation of the new regulation should mitigate potential impacts on the foreign exchange market.
8. At its [Monetary Policy Meeting](#), the Board of the Central Bank of Chile agreed to keep the monetary policy interest rate at 4.5%. The decision was adopted unanimously.
9. The Central Bank published its Monetary Policy Report (IPoM) for September 2026.

