



MONETARY POLICY REPORT

JUNE 2026



SUMMARY

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

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

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

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

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

Several private consumption fundamentals have shown a less favorable evolution since the last IPoM.

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

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

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

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

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

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

Projections

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

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

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

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

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

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

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

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

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

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

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

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

Monetary policy

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

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

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

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

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

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

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

TABLE 2: INTERNATIONAL SCENARIO

	2024	2025	2026 (f)		2027 (f)		2028 (f)	
			Mar.26	Jun.26	Mar.26	Jun.26	Mar.26	Jun.26
			IPoM	IPoM	IPoM	IPoM	IPoM	IPoM
(annual change, percent)								
Terms of trade	3.3	7.6	2.6	4.2	0.7	0.2	0.8	0.9
Trading partners	3.3	3.3	2.7	2.8	2.7	2.7	2.9	2.9
World GDP at PPP	3.4	3.5	2.9	3.0	3.0	3.0	3.3	3.2
Developed GDP at PPP	1.7	1.7	1.5	1.4	1.7	1.7	2.0	2.0
Emerging GDP at PPP	4.6	4.5	3.7	3.8	3.7	3.7	3.9	3.8
(levels)								
LME copper price (US\$/cent/pound)	415	451	540	580	510	520	500	500
Oil price, average								
WTI-Brent (US\$/barrel)	78	67	86	90	75	78	71	74

(f) Forecast.

Source: Central Bank of Chile.

TABLE 3: INTERNAL SCENARIO
(annual change, percent)

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

(f) Forecast.

Source: Central Bank of Chile.

FUTURE EVOLUTION OF MONETARY POLICY

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

ACTIVITY AND DEMAND PROJECTIONS IN THE CENTRAL SCENARIO^{1/}

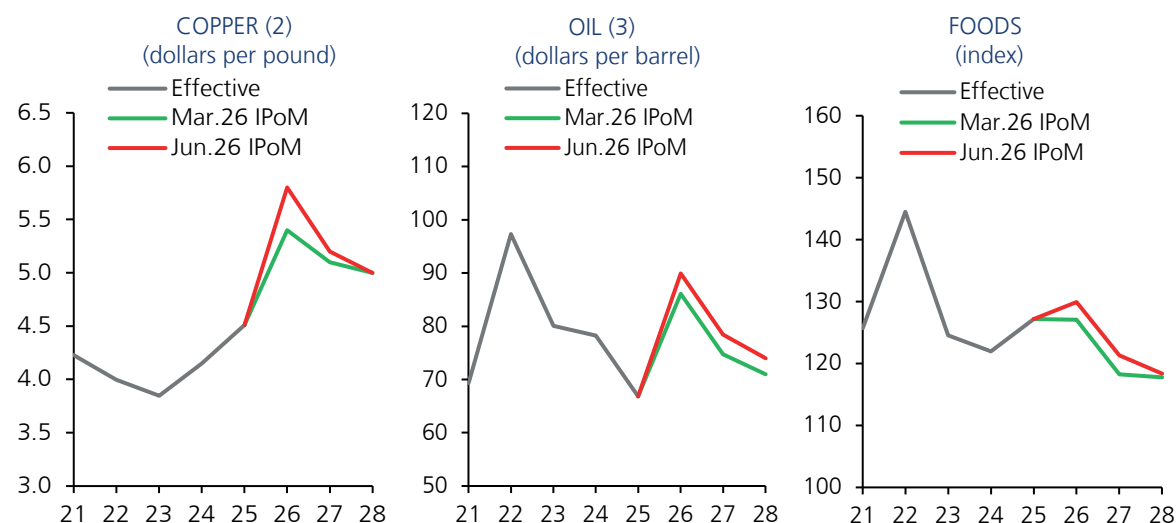
THE INTERNATIONAL SCENARIO

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

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

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

FIGURE 1 COMMODITY PRICES FORECASTS (1)



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

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

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

Sources: Central Bank of Chile and FAO.

TABLE 1 INTERNATIONAL BASELINE SCENARIO ASSUMPTIONS

	Aveg. 10-19	2024	2025	2026 (f)	2027 (f)	2028 (f)
(annual change, percent)						
Terms of trade	1.0	3.3	7.6	4.2	0.2	0.9
External prices (in US\$)	0.6	-0.7	2.1	4.7	1.9	1.3
(levels)						
LME copper price (US\$/cent/pound)	306	415	451	580	520	500
WTI oil price (US\$/barrel)	72	76	65	86	76	71
Brent oil price (US\$/barrel)	80	81	69	94	81	76
Gasoline parity price(US\$/m3) (1)	610	660	592	759	671	593
US Federal Funds Rate (%) (2)	0.7	5.3	4.4	3.8	3.8	3.6

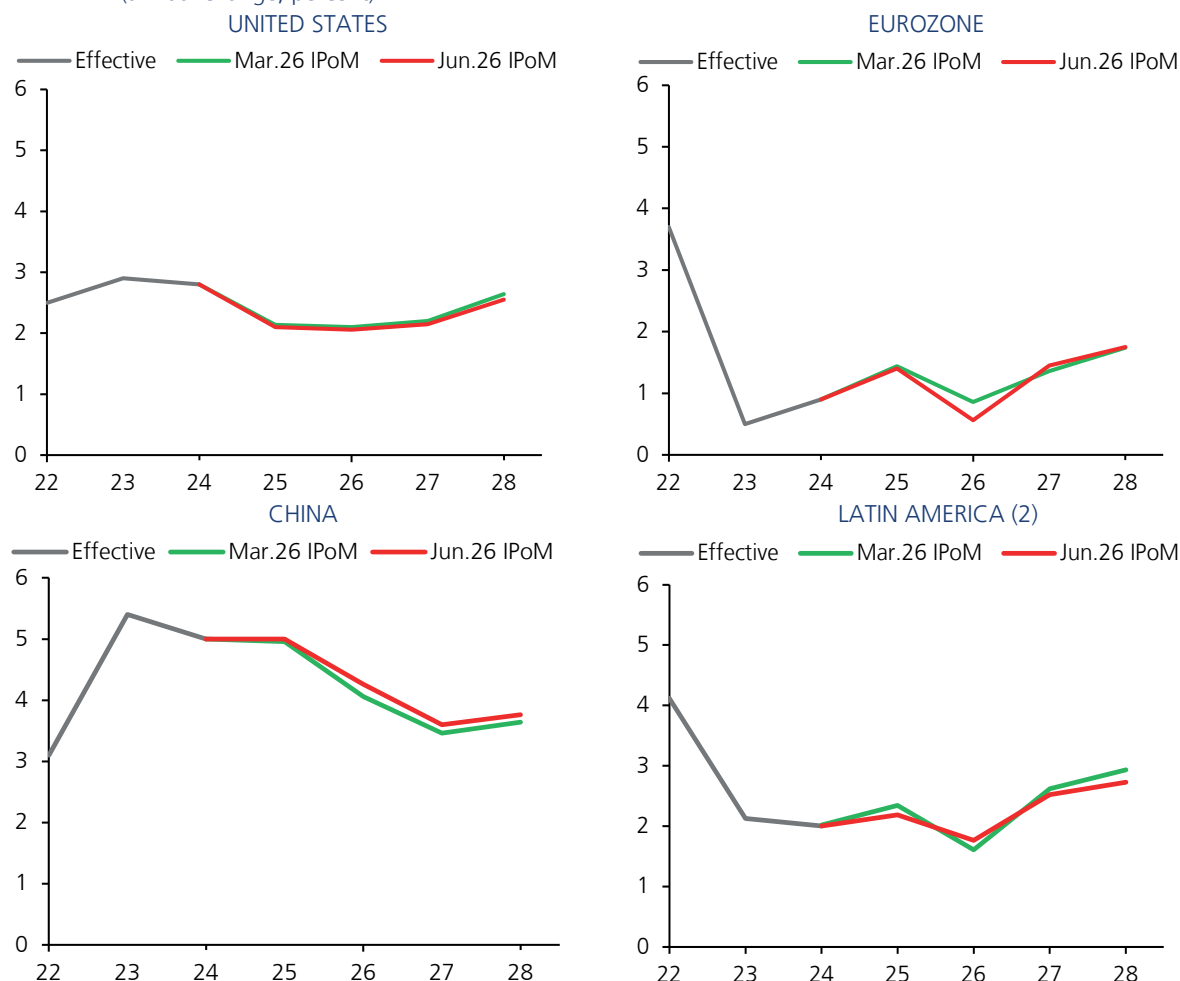
(1) For definition, see [Glossary of economic terms](#).

(2) Annual average for the upper range of the Fed funds rate.

(f) Forecast.

Source: Central Bank of Chile.

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



(1) Green and red lines correspond to the projection of the central scenario of the respective Monetary Policy Report (IPoM).

(2) The Region considers Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. The series projection is based on GPM model region made up by Brazil, Colombia, Mexico and Peru.

Source: Central Bank of Chile.

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

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

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

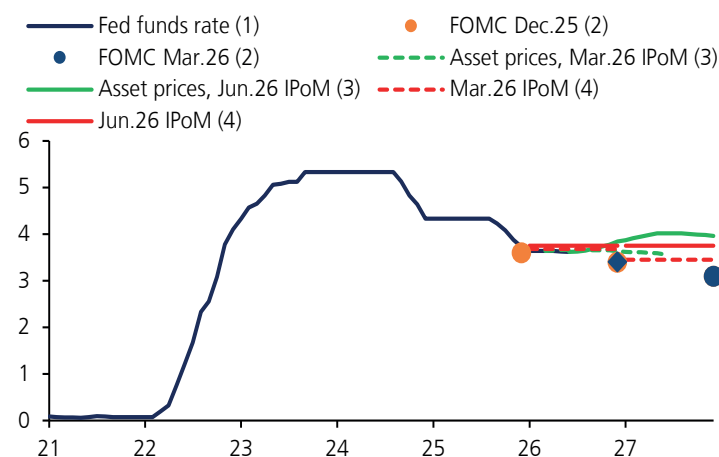
	Aveg. 10-19	2024	2025 (e)	2026 (f)	2027 (f)	2028 (f)
World GDP at PPP	3.7	3.4	3.5	3.0	3.0	3.2
World GDP at market exchange rate	3.4	3.0	2.9	2.4	2.5	2.7
Trading partners	4.0	3.3	3.3	2.8	2.7	2.9
United States	2.4	2.8	2.1	2.1	2.2	2.6
Eurozone	1.4	0.9	1.4	0.6	1.5	1.8
Japan	1.3	-0.2	1.1	0.7	0.8	0.8
China	7.7	5.0	5.0	4.3	3.6	3.8
India	6.7	7.1	7.6	6.3	6.3	6.5
Rest de Asia	4.5	4.2	4.3	3.5	3.5	3.4
Latin America (excl. Chile)	1.8	2.0	2.2	1.8	2.5	2.7
Commodity exp.	2.3	1.3	1.6	1.6	1.6	1.5

(1) For definition, see [Glossary of economic terms](#).

(f) Forecast. (e) Estimate.

Source: Central Bank of Chile based on a sample of investment banks, Consensus Forecasts, the IMF, and statistics bureaus of respective countries.

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



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

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

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

THE DOMESTIC SCENARIO

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

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

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

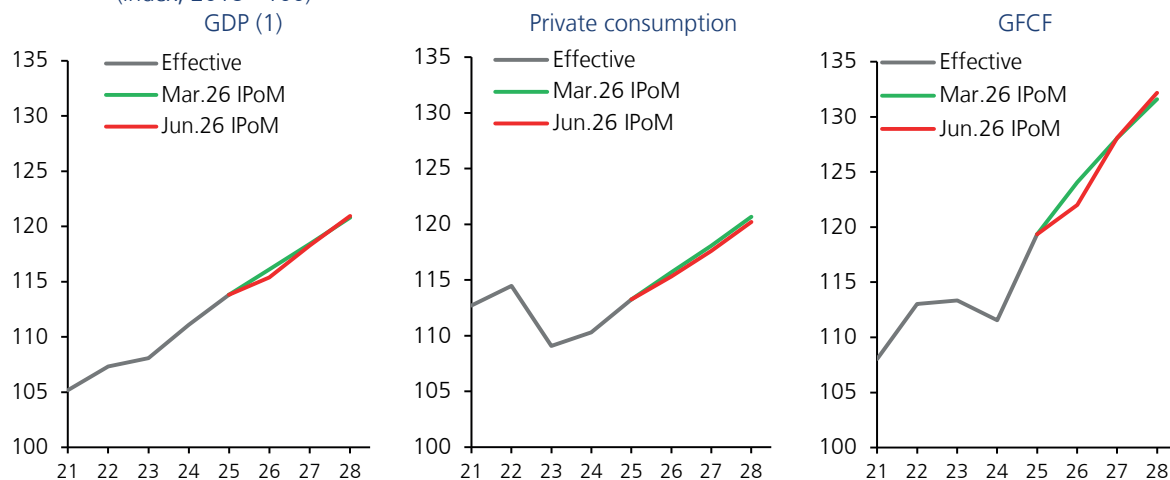
In the case of Gross Fixed Capital Formation (GFCF), the growth forecast for 2026 has been revised downward compared to March, due to the inclusion of lower figures from the beginning of this year and some high-frequency indicators. Thus, this spending component would post 2.2% growth this year (4% in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

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

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

FIGURE 4 ACTIVITY, PRIVATE CONSUMPTION AND GFCF

(index, 2018 = 100)



(1) Considers midpoint of GDP growth ranges projected in respective Monetary Policy Report (IPoM).

Source: Central Bank of Chile.

TABLE 3 ECONOMIC GROWTH AND CURRENT ACCOUNT

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

(f) Forecast.

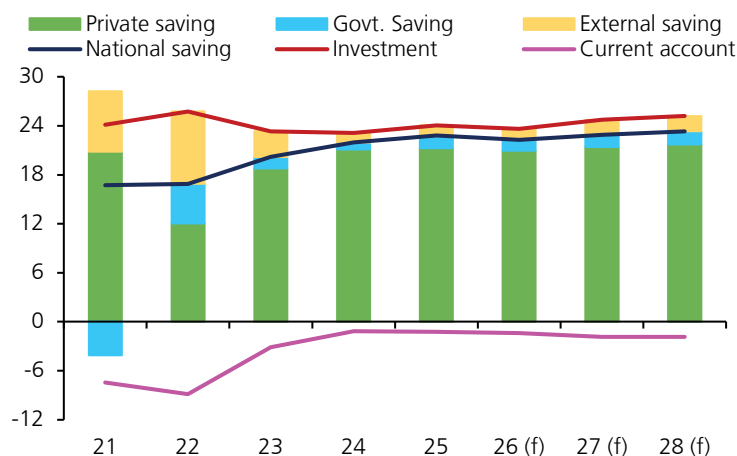
Source: Central Bank of Chile.

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

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

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

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

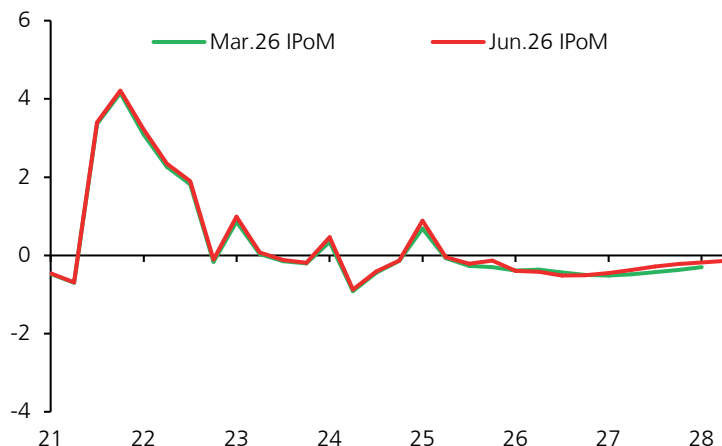


(1) The government savings component considers as actual data up to 2025 the general government's balance sheet; the government savings of the central government's balance sheet is used for the 2026-2028 forecast. (f) Forecast.
Source: Central Bank of Chile.

THE ACTIVITY GAP AND CONVERGENCE OF INFLATION TO THE TARGET

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

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



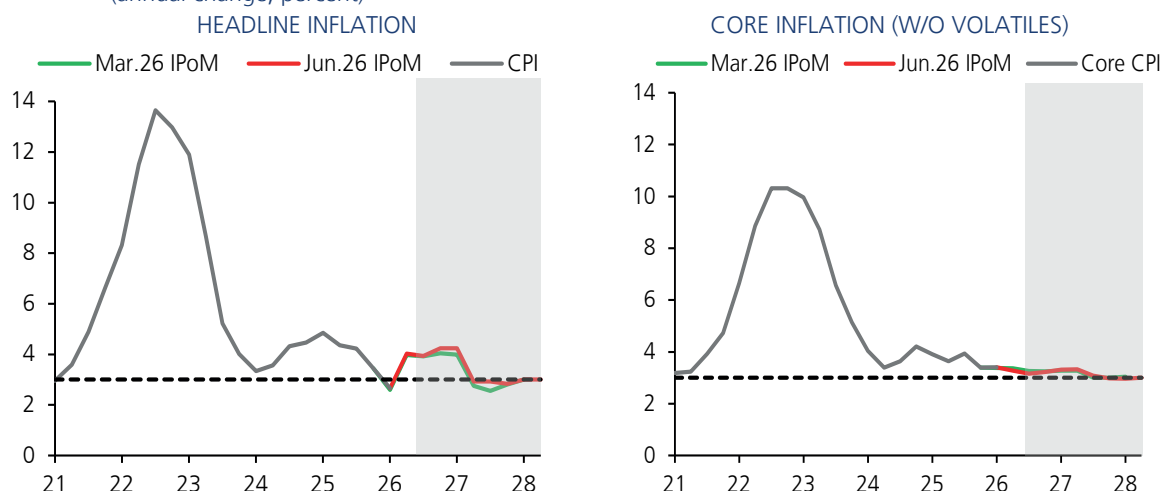
(1) Shows the estimate and projection contained in the respective IPoM. (2) Forecast assumes structural parameters updated in March 2026 Monetary Policy Report (IPoM) (trend GDP) and potential GDP updated in June 2026 IPoM.
Source: Central Bank of Chile.

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

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

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

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



(1) Figures consider the 2023 CPI reference basket and the splice made by the Central Bank of Chile. Gray area, as from second quarter 2026, shows forecast.

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

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

	2025	2026 (f)	2027 (f)	2028 (f)
Average CPI	4.2	3.7	3.2	3.0
December CPI	3.5	4.2	2.9	3.0
CPI in around 2 years (2)				3.0
Average core CPI	3.7	3.3	3.2	3.0
December core CPI	3.3	3.3	3.0	3.0
Core CPI around 2 years (2)				3.0

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

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

(f) Forecast.

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

MONETARY POLICY STRATEGY: THE CENTRAL SCENARIO AND SENSITIVITIES

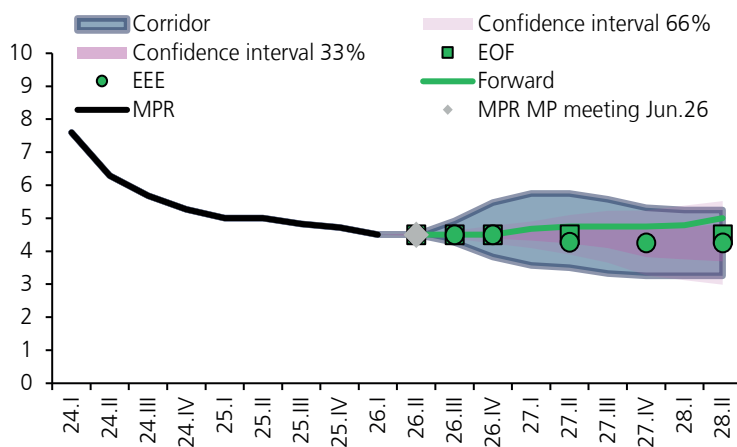
The Board estimates that the balance of risks to inflation has been shifting gradually toward equilibrium, although the macroeconomic outlook remains subject to a higher-than-usual degree of uncertainty. The conflict in the Middle East has not been definitively resolved, and global oil supply has not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

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

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

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

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

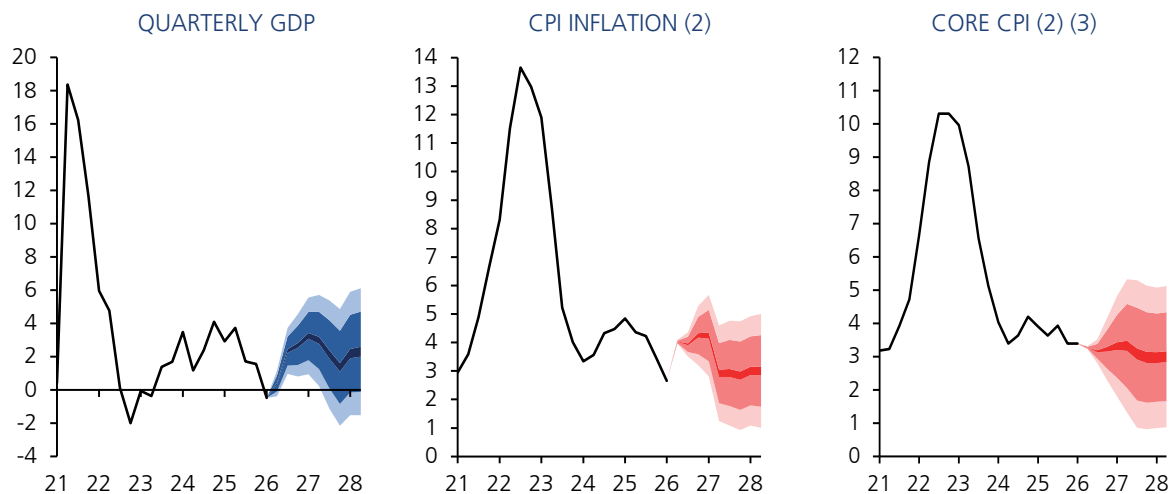


(1) The 2027 and 2028 calendar considers two MP meetings per quarter. The corridor is built by following the methodology described in Boxes V.1 of March 2020 Report and V.3 of March 2022 Report. It includes the June Economic expectations survey (EEE), the June pre-MP meeting Financial traders survey (EOF) and the quarterly average smoothed forward curve as of June 10. This is calculated by extracting the implicit MPR considering the forward curve over the overnight index swap (OIS) curve for up to 2 years, discounting the fixed rates of each maturity at the simple accrual of the OIS index. For the current quarter, the surveys and the forward curve consider the average of daily actual data and are completed with respective sources. Quarterly average considers working days in each quarter. Gray diamond corresponds to the MP decision of June 2026.

Source: Central Bank of Chile.

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

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



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

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

(3) Measured with the CPI without volatiles.

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



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