# MONETARY POLICY REPORT

MARCH 2026

HUEMUL
Torres del Paine National Park

# Huemul (*Hippocamelus bisulcus*)

The huemul, known as the South Andean deer, is Chile's national and emblematic animal, depicted on the coat of arms alongside the condor, where it symbolizes reason over strength. It was declared a natural monument in 2006 and is one of the most representative species of Chilean Patagonia. Spotting a huemul in the wild, especially in places like Torres del Paine National Park, is an exceptionally rare experience due to its shy, solitary, and elusive character. However, this species is currently in severe danger of extinction.

In the old days, the huemul inhabited vast areas of the Andes mountain range, in both Chile and Argentina, from the central region to the southern tip of the continent. Today, its range has shrunk dramatically, and it is estimated that only about 2,000 individuals remain in the wild, most of them living in Chile. The main threats to its survival are poaching, attacks by dogs, natural predators, diseases transmitted by livestock, habitat loss, and competition with introduced species such as the red deer.

The huemul is the largest native deer in the country, with a robust body, short legs, and a thick, dense, oily coat that allows it to withstand the low temperatures of Patagonia and swim in icy waters. Males have antlers that regrown annually and large ears that help them detect predators such as pumas. Their solitary and docile nature explains why it is so difficult to spot them in the wild.

# Monetary Policy Report

March 2026

## The Central Bank of Chile's Monetary Policy

Money plays a fundamental role in the proper functioning of any economy. To preserve such role, the monetary policy of the Central Bank of Chile (CBCh) must protect the value of the national currency —the peso—, in its quest to keep inflation low and stable. Achieving this fosters the population's wellbeing by safeguarding their income's purchasing power and making the economy function better. When inflation is low and stable, monetary policy can also moderate fluctuations in employment and production.

## The inflation target and the monetary policy interest rate (MPR)

The Bank conducts its monetary policy seeking that, irrespective of the current level of inflation, its forecast for a two-year horizon will be 3%. This is similar to the practice of other countries in the world that have, as does Chile, a floating exchange rate; this is the so-called inflation targeting scheme.

The MPR is the main instrument used by the Bank to achieve the inflation target. Its level is decided at the Monetary Policy Meeting, which is held eight times a year. In practice, the MPR is a reference interest rate to determine the cost of money and other financial prices, such as the exchange rate, and longer-term interest rates, among others. In turn, these variables affect the demand for goods and services and, thereby, prices and inflation. Monetary policy decisions take several quarters to be fully reflected in the economy, which warrants that monetary policy be made from a forward-looking point of view, having as its primary focus the inflation projection two years ahead, and not just today's inflation.

## Communication, transparency and the Monetary Policy Report

Since the Central Bank makes its monetary policy decisions autonomously, it must constantly account for them and their results to the general public. This is so not only because it is a government agency within a democratic society, but also because a credible monetary policy, understood by the people, helps to keep inflation low and stable. Through the Monetary Policy Report (MP Report), the Bank communicates to the general public its view of the recent evolution of the economy, its projections for the coming years and the way in which, in this context, it will conduct monetary policy in order to meet the inflation target.

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

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*/ The statistical cutoff date was March 19, except for fuel prices and the decision of the March Monetary Policy Meeting. This document was originally written in Spanish. In case of discrepancy or difference in interpretation, the Spanish version prevails.

# SUMMARY

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

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

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

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

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

**GDP ended 2025 with 2.5% growth, similar to the estimate.** The performance of non-mining sector drove activity throughout the year, as its expansion was partly sustained by transitory supply factors that implied some greater potential growth in 2025 (Box II.1). In this context, these industries' activity gap is practically closed. As for mining, output has fallen due to lower copper ore and more persistent effects of disruptions in some mines, elements that continue to show up in the activity figures for the first months of the year.

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

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

### Projections

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

**On the external front, one of the main adjustments of this IPoM falls on the oil price.** The central scenario considers a trajectory consistent with the futures contracts averaged over the five days before the statistical cut-off. This means average prices in the order of US$100 per barrel in the second quarter of 2026 and an average of US$86 for the full year, 60% and 40% above December projections, respectively (Box II.2). For 2027 and 2028, higher prices than those estimated in December are foreseen factoring in a greater geopolitical premium. Upward revisions to the prices of other components of energy and foodstuffs are also considered.

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

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

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

**The central scenario lowers the GDP growth range to 1.5%-2.5% (2.0%-3.0% in December).** This reflects the impact on the economy of the new international environment, reduced fiscal spending, and a downturn in mining activity —due to the persistence of the factors that drove a drop in output last year. For 2027, GDP growth projection is maintained in the 1.5%-2.5% range, the same forecast anticipated for 2028. This is consistent with the estimate of the trend growth of the economy (Box II.3).

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

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

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

### Monetary policy

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

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

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

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

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

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

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

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

**TABLE 2**: INTERNATIONAL SCENARIO

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

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

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

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

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

# I. RECENT EVOLUTION OF THE MACROECONOMIC SCENARIO

The outbreak of the war in the Middle East has significantly increased uncertainty. Most recently, financial conditions have tightened and the rise in oil prices has affected the terms of trade. This is occurring in a context in which, up until late February, global activity had been performing better than anticipated in the previous IPoM. Even so, the latest developments have not fully reversed the improvements seen in previous months. At the local level, economic activity grew at a pace consistent with its potential. Thus, total GDP closed 2025 with 2.5% growth, similar to the projection in the December IPoM. Inflation stands somewhat below 3%, following a decline that has been slightly faster than expected.

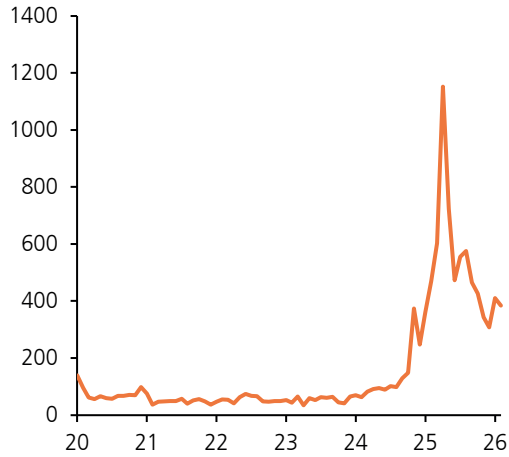
## THE INTERNATIONAL SCENARIO

**The data available for late 2025 and early 2026 indicated a global economic outlook that, up until the last week of February, was better than projected in the December IPoM. However, the war in the Middle East has increased forward-looking risks.** Recent developments raise the possibility that the improvements observed earlier may be partially or entirely reversed, both on the real and financial fronts. This comes on top of other risks that remain in place, including a potential reversal of artificial intelligence (AI)-related investments, the fiscal situation in advanced economies, and ongoing trade tensions (Figure I.1). All of this has made the assessment of the international outlook more complex.

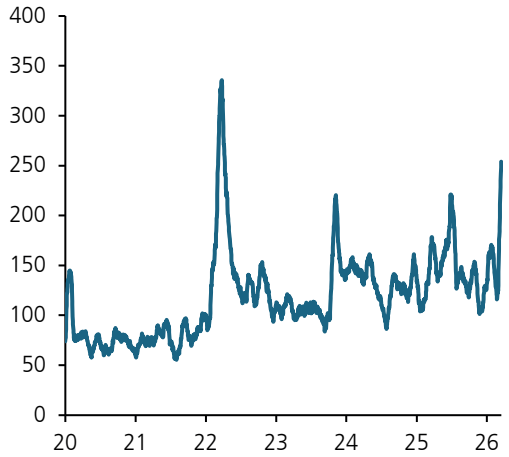
**The onset of the war in the Middle East has triggered an increase in global uncertainty (Figure I.1).** In addition to the uncertainty inherent to any armed conflict, there is limited clarity regarding its objectives, duration, and implications. This requires analyzing various scenarios in which the degree of impact on oil prices, financial conditions, and global growth varies depending on how the war unfolds.

**FIGURE I.1** UNCERTAINTY INDICATORS

a) Trade Policy Uncertainty
(index)




b) Geopolitical Risk (1)
(index, 1985–2019 average = 100)

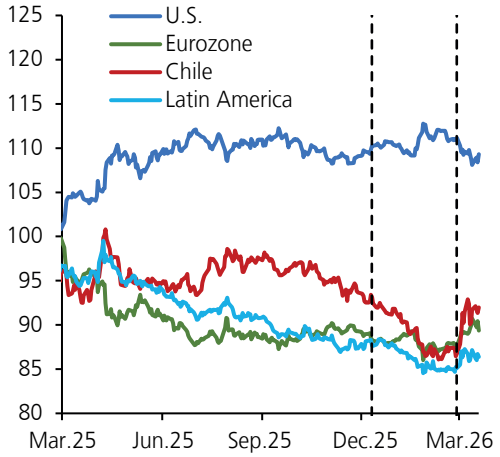



(1) 30-day moving average.
Sources: Caldara, Iacoviello, Molligo, Prestipino & Raffo (2020) and Caldara & Iacovello (2021).

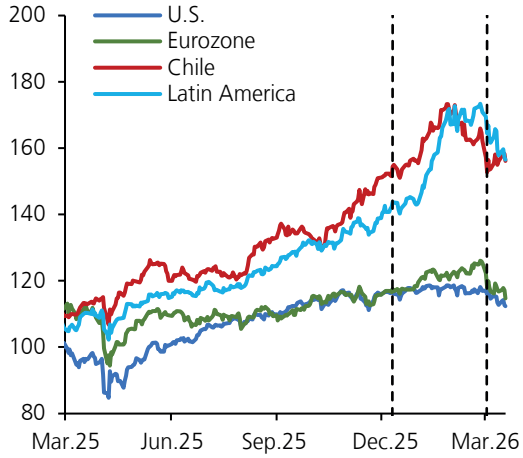
**In this context, international financial conditions have tightened in recent weeks, although the improvements seen in previous months have not been fully reversed, particularly in stock markets and currencies (Figure I.2).** Meanwhile, interest rates have risen around the world following the start of the conflict. On the other hand, the recent appreciation of the U.S. dollar stands out, as it has once again acted as a global safe-haven asset.

**FIGURE I.2** FINANCIAL CONDITIONS

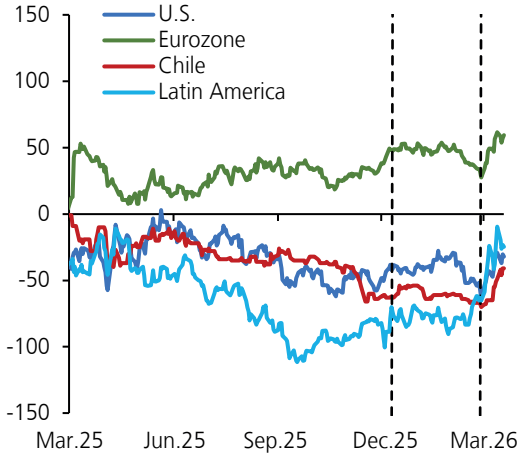
a) Currencies (1) (2) (3)
(index 01.Jan.25 = 100)



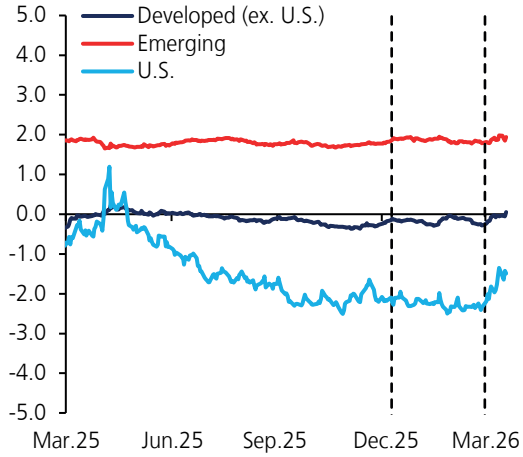

b) Stock markets (1) (2)
(index 01.Jan.25 = 100)




c) Interest rates on nominal 10-year bonds (1) (2)
(difference with respect to 01.Jan.25, basis points)




d) Goldman Sachs financial conditions index (1) (4)
(standard deviations)



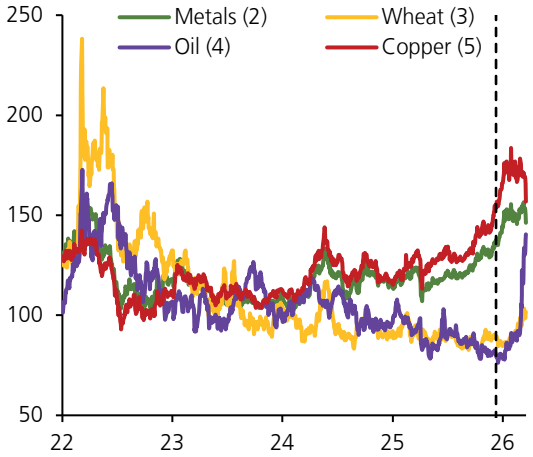

(1) Left dashed vertical line marks the statistical close date of the December 2025 IPoM; right dashed vertical line marks the onset of the war in the Middle East. (2) For Latin America, a simple average of the indices for Brazil, Mexico, Colombia, and Peru is used. (3) An increase in the index corresponds to a depreciation of the currency, and vice versa. For the United States, the multilateral exchange rate is used. (4) Standardized indices with mean and standard deviation between 2010 and 2019. For Developed, it corresponds to the simple average of the Eurozone, the United Kingdom, Canada, Australia, New Zealand, Norway, and Sweden. For Emerging, it corresponds to the simple average of Thailand, Malaysia, Indonesia, the Philippines, South Africa, Hungary, Poland, Brazil, Mexico, and Chile. A higher value indicates tighter financial conditions.
Sources: Central Bank of Chile, Bloomberg and Goldman Sachs.

**Global financial market trends have been mirrored in Chile.** Before the war, both the stock market (IPSA) and the peso-dollar exchange rate were among the best performing indicators worldwide, but they deteriorated once the conflict began. Similarly, short- and long-term interest rates are currently above the levels recorded at the statistical close of the previous IPoM.

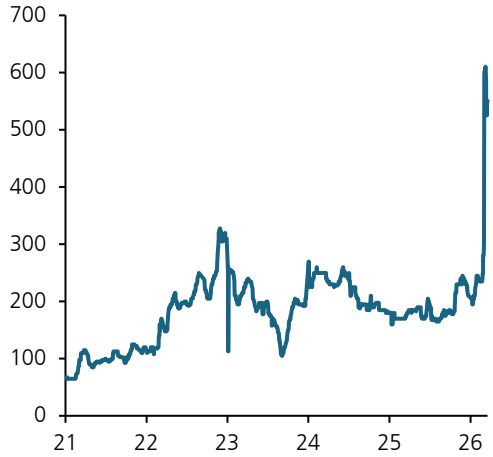
**A large part of the increase in copper price was reversed after the onset of the war, affecting the trajectory of our terms of trade (Figure I.3).** Compared with the close of the previous IPoM, the copper price (LME) shows gains of +7.8%, although with a downward trend in recent weeks. Added to this is the significant rise in the price of the oil barrel (+66.1% relative to the close of the December Report, based on the average of Brent and WTI). Meanwhile, although the February food price index (FAO) showed no major differences from the level reported at the December statistical close, upward pressures are expected going forward, mainly due to cereals—which have been affected by the increase in fertilizer costs following the start of the war. This is taking place in a context in which transportation costs for alternative routes to the Strait of Hormuz also point to rising risks (Figure I.3).

**FIGURE I.3**

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



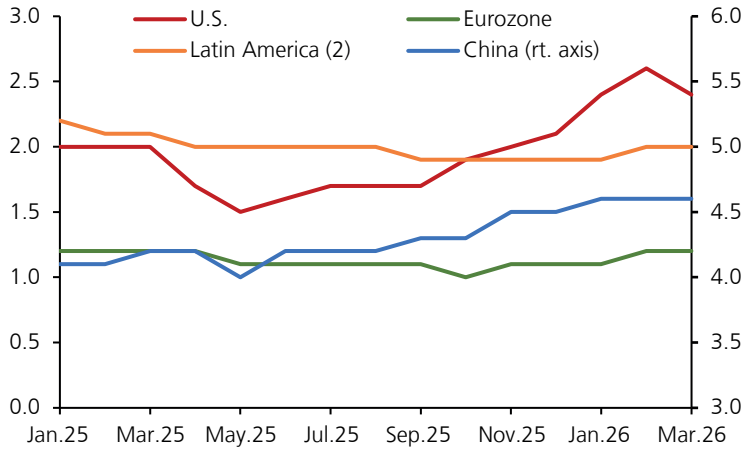

b) Freight rate on the Red Sea–Southeast Asia route
(Worldscale standard)




(1) Dashed vertical line corresponds to the statistical close of the December 2025 IPoM. (2) S&P GSCI Industrial Metals. (3) Prices of futures one-month ahead. (4) WTI and Brent simple average. (5) Corresponds to the LME price.
Sources: Bloomberg and Simpson, Spence & Young.

**As noted earlier, the entire impact of the war in the Middle East is occurring in a scenario in which global activity had been performing better than expected.** In several economies, growth figures for late 2025 exceeded the forecasts from December, contributing to an increase in market expectations for this year before the start of the war (Figure I.4). In the United States, GDP growth in the third and fourth quarters—figures that were not available at the close of the previous IPoM—was supported by the performance of private consumption and AI-related investment components, which even offset the negative impacts of the government shutdown. As a result, these figures were higher than anticipated in the December Report. In the Eurozone, stronger demand for technology services also played a role, complemented by increased fiscal stimulus. In China, activity expanded in line with the target set by its authorities, underpinned by the export sector. Finally, the improvement in financial conditions observed until a few weeks ago supported Latin America's performance.

**FIGURE I.4** CONSENSUS FORECASTS: 2026 GLOBAL GROWTH PROJECTIONS (1)
(percent)

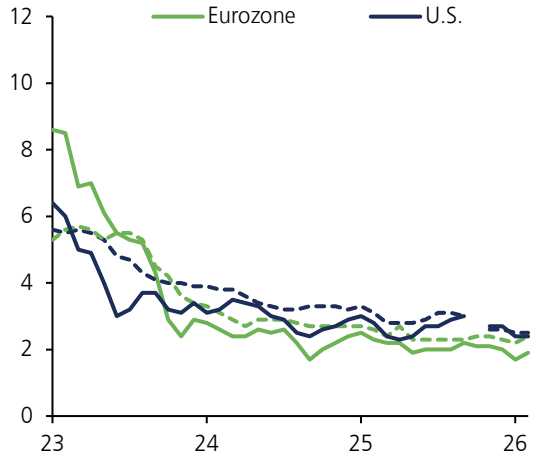



(1) The latest information available at the close of this Report corresponds to March 2026. (2) Considers Brazil, Argentina, Peru, Colombia and Mexico. PPP-weighted growth, shares of each economy according to WEO (IMF).
Sources: Consensus Forecasts and IMF.

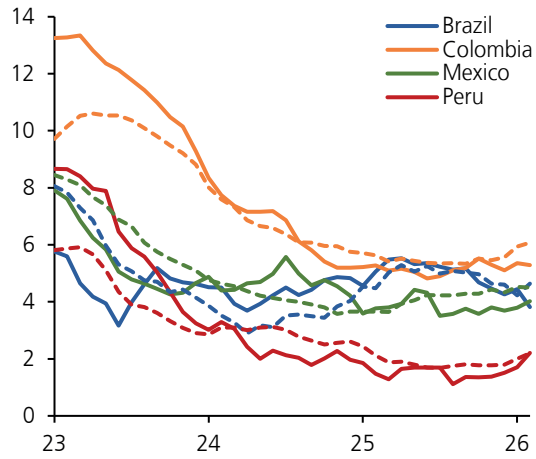
**Up until the start of the war, the global inflation trajectory had not shown major surprises (Figure I.5).** The latest data from the United States showed monthly inflation rates that remained relatively elevated, despite the moderation in annual variations. In China, inflation has remained subdued, while in the Eurozone, beyond a slight acceleration in the margin, it remains around the target. In Latin America, inflation generally remains above target levels and has lately been pressured by core components. Peru remains the exception, with inflation continuing to lie around the midpoint of its target range.

**FIGURE I.5** WORLD INFLATION (1) (2)
(annual change, percent)

a) Developed economies



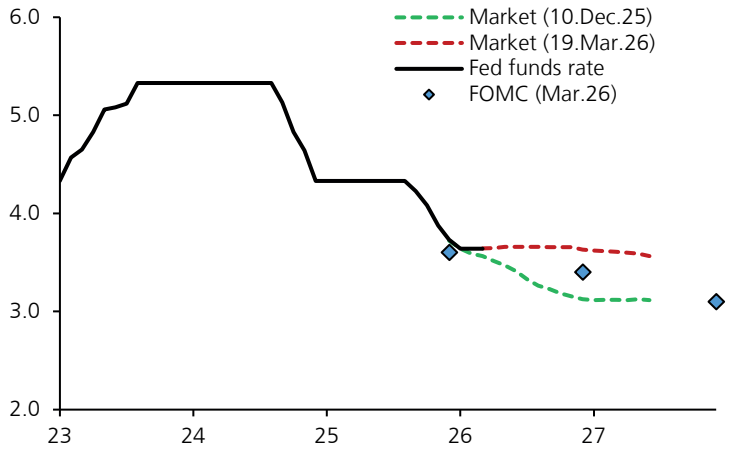

b) Latin America (3) (4)




(1) Dashed lines correspond to core inflation. The latest data corresponds to February. (2) Core figures exclude food and energy. (3) Peru's headline inflation rate corresponds to that of Lima. (4) Core inflation for Brazil, Colombia, and Peru excludes food and fuel. For Mexico, it excludes food and energy.
Source: Bloomberg.

**The market has adopted a less expansionary view regarding the path of the Federal funds rate (FFR) in 2026 (Figure I.6).** Recent data on activity, inflation, and employment in the United States have led the Federal Reserve (Fed) to take a more cautious stance, reinforced by the developments in recent weeks, resulting in the market no longer expecting FFR cuts this year.

**FIGURE I.6** FED FUNDS RATE (1)
(percent)




(1) FOMC projections correspond to the mid-range of the Fed funds rate presented in March 2026; market projections are for the midrange of the Fed funds rate futures at 10/12/25 (statistical close of the December IPoM) and 19/03/26 (statistical close of this IPoM). Effective Fed funds rate for March 2026 considers the average up to 19/03/26.
Sources: Federal Reserve and Bloomberg.

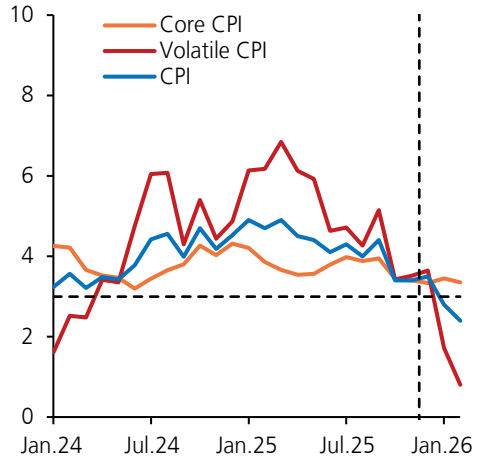
## THE DOMESTIC SCENARIO

**Inflation stands slightly below 3%. The annual variation of headline CPI reached 2.4% in February, compared with the 3.4% recorded last November (the latest figure available at the close of the December IPoM).[1]/** The decline in annual inflation is explained mainly by the energy component, particularly electricity prices (Figure I.8). Annual core inflation—CPI excluding volatiles—has remained somewhat above 3%. Within it, the goods component continues to exhibit high month-to-month variability (Box I.2 in the December 2025 IPoM), while the services component continues to show a more gradual decline.

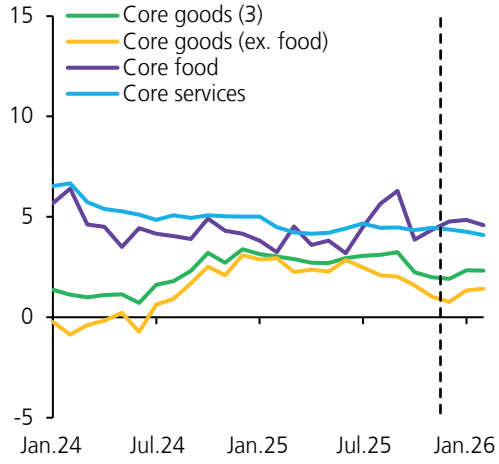
**Cumulative inflation since December is lower than anticipated in the latest IPoM, particularly in its volatile component.** The difference is explained by various factors, such as the trajectory of prices for items more sensitive to exchange rate movements—which showed a marked appreciation through late February—and the evolution of external prices for certain products, such as fuels, which tended to decline up until the onset of the conflict in the Middle East.

**FIGURE I.7**

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



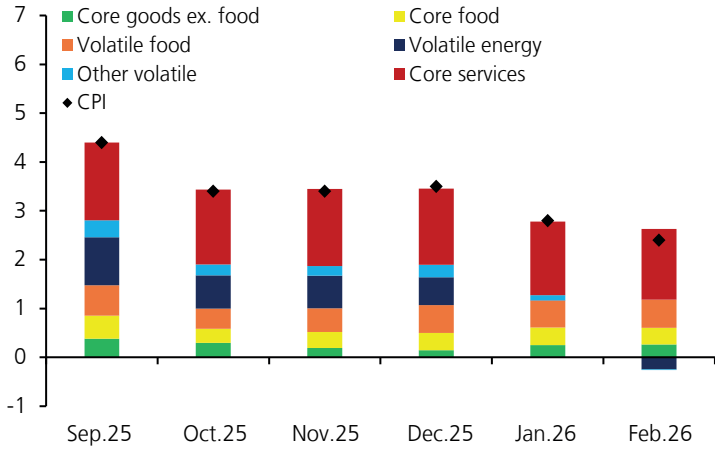

b) Core inflation (1) (2)
(annual change, percent)




(1) Prior to 2025, the CPI series considers the 2023 reference basket with the BCCh splicing. (2) Dashed vertical line corresponds to the statistical close of the December 2025 IPoM. (3) Considers the sum of Core goods (ex. food) and Core food.
Sources: Central Bank of Chile and National Statistics Institute.

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

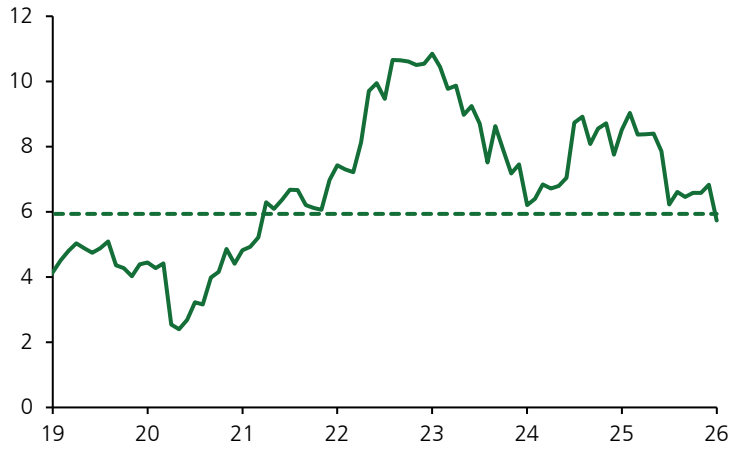
**FIGURE I.8** CONTRIBUTIONS TO THE ANNUAL VARIATION OF THE TOTAL CPI
(contributions, percentage points)




Sources: Central Bank of Chile and National Statistics Institute.

**The decline in inflation coincided with an improvement in several cost factors.** These include the above-mentioned appreciation of the Chilean peso and more moderate growth in nominal wages, which approached historical averages (Figure I.9). Added to this is the decline in fuel prices observed until a few weeks ago —a trend that has recently reversed due to the impact of the war in the Middle East on oil prices— and in electricity prices during February. Likewise, in the February Business Perceptions Report (IPN) and the January Price Determinants and Expectations Survey (EDEP), a view of stable costs prevails among firms, although some concern remains regarding the actual and expected evolution of labor costs (Figure I.10).

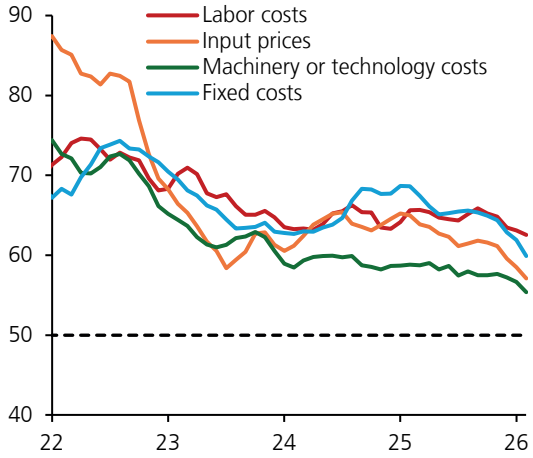
**FIGURE I.9** NOMINAL LABOR COSTS INDEX (1)
(annual change, percent)



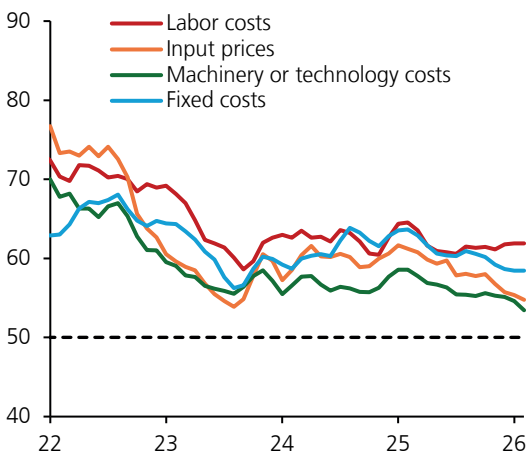

(1) Dashed vertical line corresponds to the average between 2010 and 2019.
Source: National Statistics Institute.

**FIGURE I.10** PRICE DETERMINANTS AND EXPECTATIONS SURVEY (EDEP) (1)

a) Evolution of costs in the last 3 months (diffusion index)




b) Evolution of costs in the next 3 months (diffusion index)

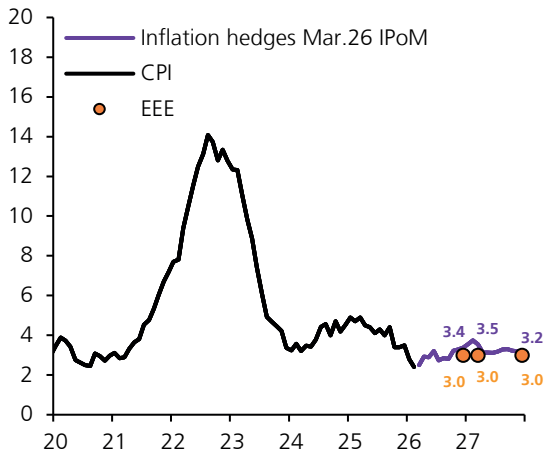



(1) Values above 50 indicate a higher proportion of increase responses, while values below 50 indicate a higher proportion of decrease responses.
Source: Central Bank of Chile.

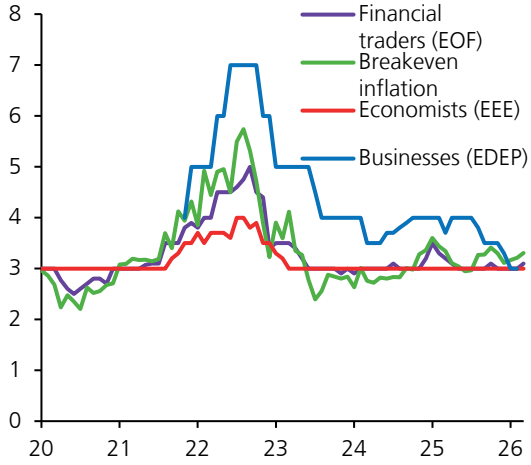
**Short-term inflation expectations have recently shown a significant increase. Expectations at the two-year horizon stand at around 3% (Figure I.11).** As of December 2026, the inflation expectations implied in inflation hedging instruments at the statistical closing date for this IPoM are close to 3.4%, while in the March Economic Expectations Survey (EEE) they stand at 3%. For the one-year horizon, the median of the March Financial Traders Survey (EOF) stands at 3.5%, the EEE at 3%, and inflation hedges have risen recently, standing at around 3.5%. For the two-year horizon, the survey medians are around 3%, while breakeven inflation has risen in recent weeks, standing at 3.3%.

**FIGURE I.11** INFLATION EXPECTATIONS

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




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



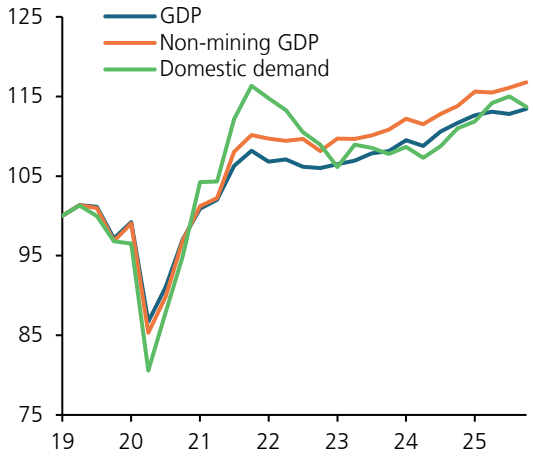

(1) Prior to 2025, the CPI series considers the 2023 reference basket with the BCCh splicing. Inflation insurances consider average prices of the last five days as of March 19th. (2) For surveys, median of responses are shown. (3) EOF considers the survey of the first half of each month until January 2018. From February 2018 onwards, it considers the last survey published in the month. In months with no survey published, the latest available one is considered. (4) Breakeven inflation considers averaged prices of the last ten days of each month. For March 2026 the average of the last five days as of March 19th is used. Sources: Central Bank of Chile, ICAP and Risk-America.

**Domestic activity rose 2.5% in 2025, similar to projections in last December's IPoM (Figure I.12).** In the fourth quarter, the non-mining component of GDP grew by 0.6% quarter-on-quarter (q/q) in its seasonally adjusted series and by 2.6% year-on-year in its original series. The latter figure was driven primarily by domestic spending and, to a lesser extent, by exports (Figure I.13). By sectors, the favorable performance sustained by services over the past few quarters and the acceleration in wholesale & retail trade stood out. Meanwhile, total GDP for the fourth quarter (0.6% q/q, seasonally adjusted series; 1.6% annually, original series) was affected by a larger-than-expected contraction in mining. This was driven by lower copper grades and more persistent effects of disruptions at some mining sites.

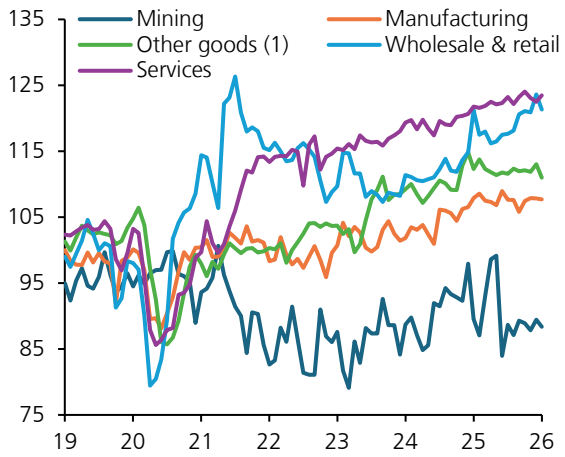
**Early this year, the economy performed below expectations, largely associated with supply-side factors (Figure I.12b).** In January, the seasonally adjusted total and non-mining Imacec showed month-on-month changes of -0.2% and 0%, respectively (-0.5% and -0.4% annually, original series). The mining sector continued to be affected by the factors mentioned above. In the other sectors, the annual figure was marked by the negative impact of lower cherry production compared to the previous season, along with its effects on wholesale & retail trade and transportation activities.

**FIGURE I.12**

a) Activity and demand
(index 1Q.19=100, real seasonally adjusted series)



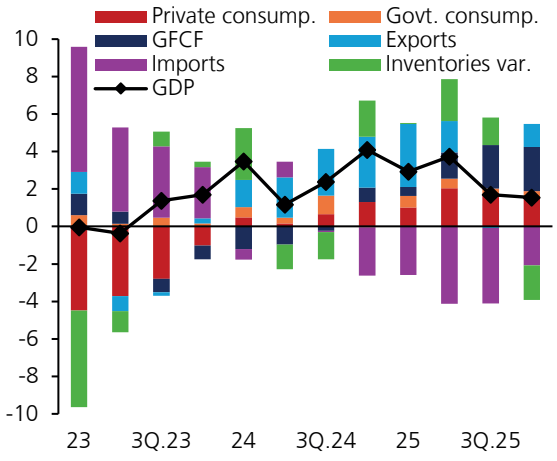

b) Imacec by sectors
(index 2018 average=100, real seasonally adjusted series)



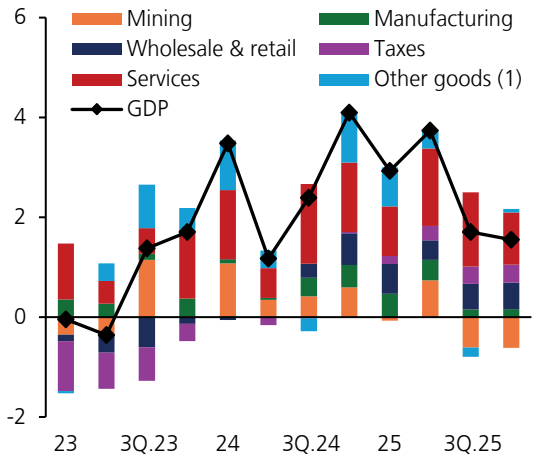

(1) It considers agriculture and forestry, fishing, electricity, gas and water supply (EGA) and waste management, and construction.
Source: Central Bank of Chile.

**FIGURE I.13**

a) GDP demand
(contributions to real annual change, percentage points)



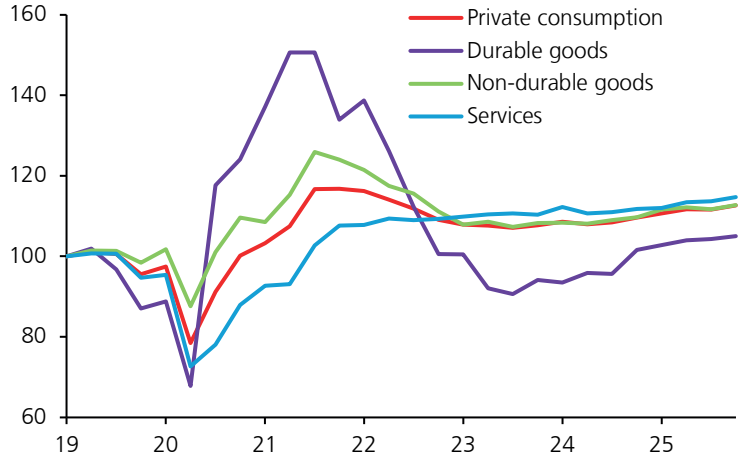

b) GDP supply
(contributions to real annual change, percentage points)




(1) It considers agriculture and forestry, fishing, electricity, gas and water supply (EGA) and waste management, and construction.
Source: Central Bank of Chile.

**Private consumption maintained its dynamism and grew around 3% annually, in line with expectations (Figure I.14).** In seasonally adjusted terms, growth was 0.9 q/q (2.8% annually, original series). Worth noting was the acceleration of non-durables goods and services. High-frequency indicators —such as electronic ticket sales, the monthly index of retail activity (IACM) and car sales (ANAC)— behaved fairly stably early in the year. In any case, this occurred in the context of weaker momentum in consumption goods imports in recent months. Government consumption, meanwhile, grew 2.5% annually in the fourth quarter. On the other hand, the latest Public Finances Report (IFP) revealed actual and structural deficits of 2.8% and 3.6% in 2025, respectively, above the previous projections of the Ministry of Finance. The same report showed a fiscal spending adjustment for this year, which will couple with the adjustments announced by the government in mid-March.

**FIGURE I.14** PRIVATE CONSUMPTION BY COMPONENTS
(index 1Q.19=100, real seasonally adjusted series)

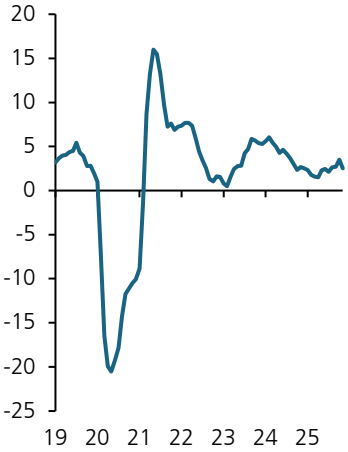



Source: Central Bank of Chile.

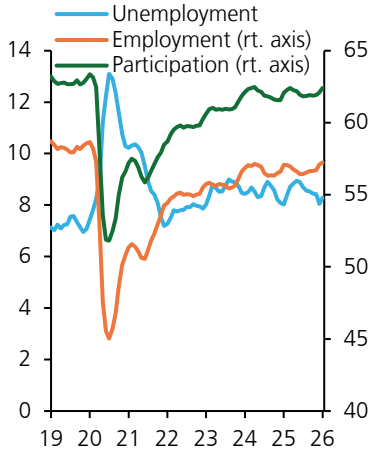
**Several private consumption determinants showed improved performance in earlier months (Figure I.15).** Consumer expectations (IPEC) are still high with respect to previous years, beyond some recent moderation. In the labor market, the real wage bill has continued to grow, although its composition continues to reflect limited job creation. The unemployment rate showed no substantial changes. In the moving quarter ending in January, it stood at 8.3% (8.4% in the August-October quarter, the latest figure known at the close of the December IPoM). On the credit side, it is worth noting the annual growth shown by consumer loans early in the year.

**FIGURE I.15** DETERMINANTS OF PRIVATE CONSUMPTION

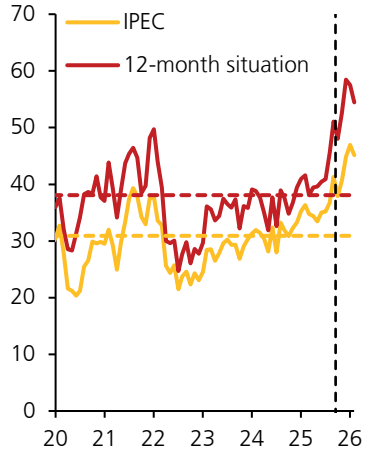
a) Real wage bill (1)
(annual change, percent)




b) Labor market
(percent)



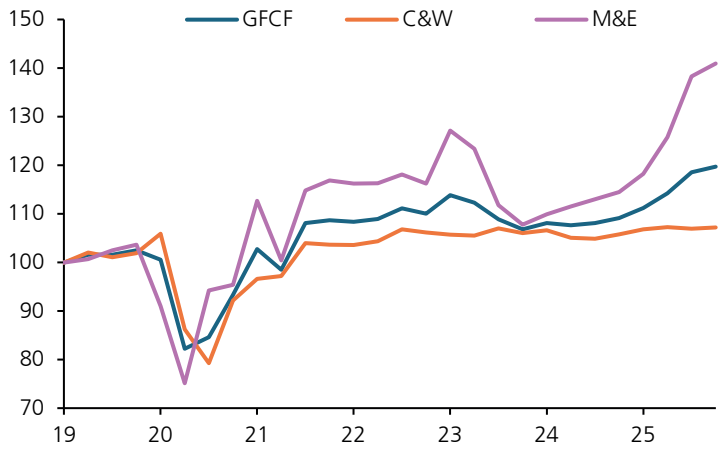

c) Consumer expectations
(IPEC) (2) (3) (4)
(diffusion index)




(1) Estimate based on seasonally adjusted series of real IR, habitual worked hours and employment. (2) Value above (below) 50 indicates optimism (pessimism). (3) Dashed vertical line corresponds to the statistical closing of the December 2025 IPoM. (4) Dashed horizontal lines corresponds to 2020-2026 average of each index
Sources: Central Bank of Chile, National Statistics Institute and GfK Adimark.

**Gross fixed capital formation (GFCF) continued to grow, matching projections (Figure I.16).** The revision of the National Accounts reported stronger dynamism of this spending component in early 2025, which moderated steadily throughout the year. In its seasonally adjusted series, in the fourth quarter GFCF expanded 1.0% q/q (9.7% annually, original series). It remained driven mainly by its machinery & equipment component (1.9% q/q, seasonally adjusted series; 22.9% annually, original series), albeit at a slower pace than in previous quarters. This while capital goods imports have slowed down their annual expansion. According to microdata, growth of this investment component would continue to be mainly associated with energy projects, although with some moderation at the margin. Meanwhile, the construction & other works component remained slow (0.2% q/q, seasonally adjusted series; 1.3% annually, original series).

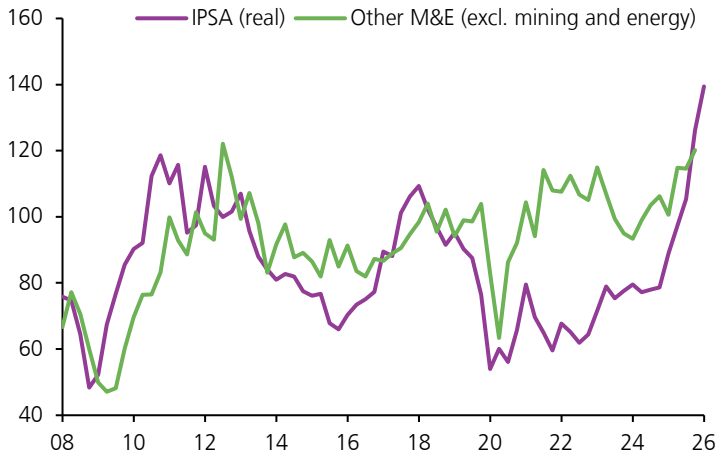
**FIGURE I.16** GROSS FIXED CAPITAL FORMATION BY COMPONENTS
(index 1Q.19=100, real seasonally adjusted series)




Source: Central Bank of Chile.

**According to data up to February, the outlook for investment remains positive.** The Capital Goods Corporation's (CBC) fourth-quarter 2025 survey again revised upward the investment projection for the 2024–2028 five-year period, raising it by 5.2% over the third-quarter survey. This was explained by the entry of projects in the energy sector. In addition, there has been a favorable trend in copper prices, improved business expectations, and a positive performance in the local stock market over the past year (Figure I.17). In any case, regarding non-mining and non-energy investment, qualitative evidence from the February IPN suggests that business optimism has not necessarily translated into adjustments to investment plans, as companies wait to see how the first half of 2026 behaves.

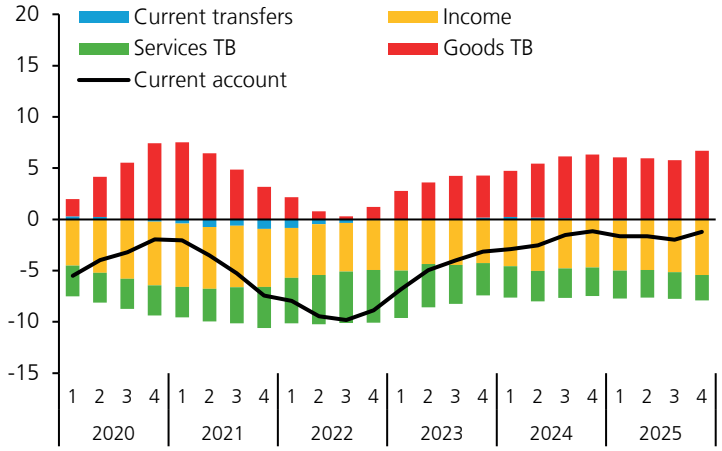
**FIGURE I.17** IPSA AND MACHINERY AND EQUIPMENT GFCF (1)
(index 2024=100)




(1) The market value of companies (IPSA) is used as a proxy for the value of installed capital, while the M&E deflator is assumed to represent the replacement cost of capital. The other M&E series is constructed using sectoral investment data from national accounts, microdata, and imports of capital goods.
Source: Central Bank of Chile.

**The increase in exports and the evolution in the terms of trade explained the reduction of the current account deficit (Figure I.18).** At the close of 2025, in the annual cumulative total, this figure stood at 1.2% of GDP, lower than the 2.5% projected in the December IPoM. In real terms, exports in the fourth quarter, were driven mainly by shipments from the agricultural sector and, to a lesser extent, the mining sector. On the import side, there was a notable slowdown in imports of consumption goods and capital goods. At the same time, the latest revision of figures revealed a larger trade balance surplus in goods for the third quarter of 2025, reducing the current account deficit for that period (2.0% of GDP compared to 2.5% in the previous report).

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



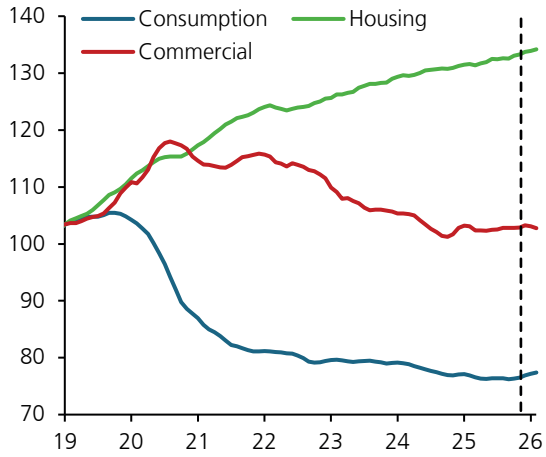

Source: Central Bank of Chile.

**Regarding credit, loans showed mixed movements since the last IPoM (Figure I.19).** On the one hand, the real stock of consumer bank loans grew on a year-on-year basis at the start of the year. On the other hand, the real stock of commercial loans has contracted —largely due to the impact of currency appreciation on foreign-currency and foreign-trade loans. As a result, total real loans have declined in annual terms in recent months. Interest rates have not shown any significant change since the December IPoM. Regarding access conditions, in the February IPN, companies perceive a gradual easing, although this has not necessarily translated into higher credit demand. In the same report, firms again highlight the favorable effect of the FOGAES program on demand in the housing segment. Meanwhile, the Banking Credit Survey (ECB) for the fourth quarter of 2025 reported increased demand in the real estate sector, while the rest of the segments remained comparatively stable.

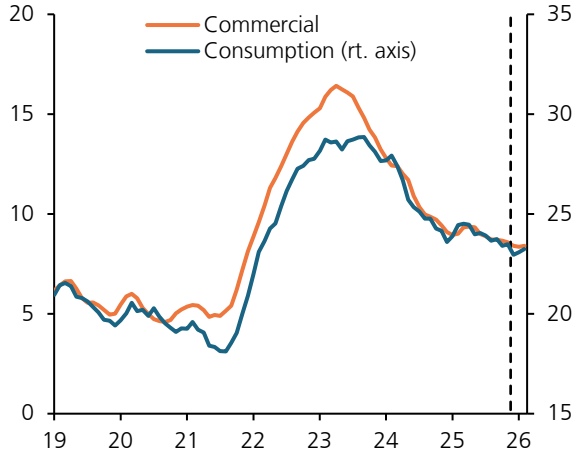
**The markets' growth expectations for this year and next have risen in recent months.** The median forecast in the March Economic Expectations Survey (EEE) sees growth of 2.5% for 2026 and 2.6% for 2027 (2.3% and 2.4%, respectively, in the December EEE). Meanwhile, Consensus Forecasts anticipates growth of 2.4% for 2026 (2.2% in the December IPoM) and 2.5% for 2027.

**FIGURE I.19**

a) Real loan stock (1) (2) (3)
(index 2018 average=100)




b) Lending interest rates (1) (2) (4)
(percent)




(1) Dashed vertical line corresponds to the statistical closing of December 2025 IPoM. (2) Series are shown as quarterly moving average. (3) Series adjusted by CPI, using the 2023 reference basket with the BCCh splice, considering its most recent revision. (4) Weighted average rates of all transactions in Chilean pesos carried out each month in the Metropolitan Region.
Source: Central Bank of Chile.

# II. FUTURE EVOLUTION OF MONETARY POLICY

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

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

### THE INTERNATIONAL SCENARIO

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

**The main adjustment to the external scenario is that it factors in the impacts of the Middle East war, which drive up the global prices of oil and other commodities.** The trajectory considered is consistent with the one implicit in the average of futures contracts over the five days leading to the statistical close, assuming that the average oil price would exceed US$100 per barrel (Brent-WTI average) in April, to then decline and close the year averaging around US$86 per barrel (+40% with respect to December) (Box II.2). For 2027 and 2028, the estimates are that the prices will stabilize above those foreseen in December, reflecting the higher geopolitical premium (Figure II.1 and Table II.1).

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

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

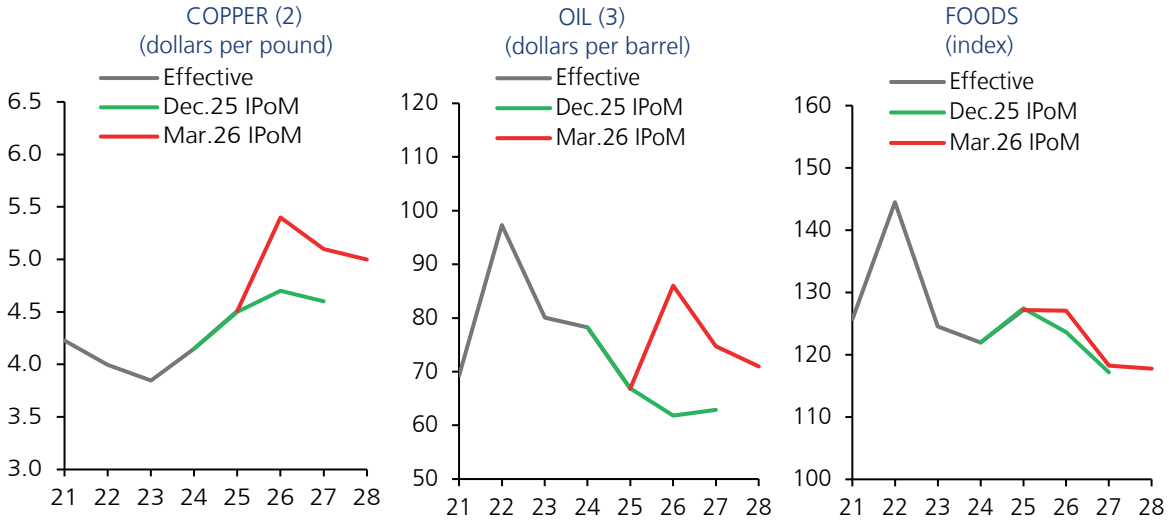
has been revised after the beginning of the Middle East war. In the central scenario, this event is expected to have a negative—but limited— impact on the world economy's projected growth. This effect will originate mainly in the heightened uncertainty, production cost increases, and the impact on real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

**TABLE II.1** INTERNATIONAL BASELINE SCENARIO ASSUMPTIONS

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

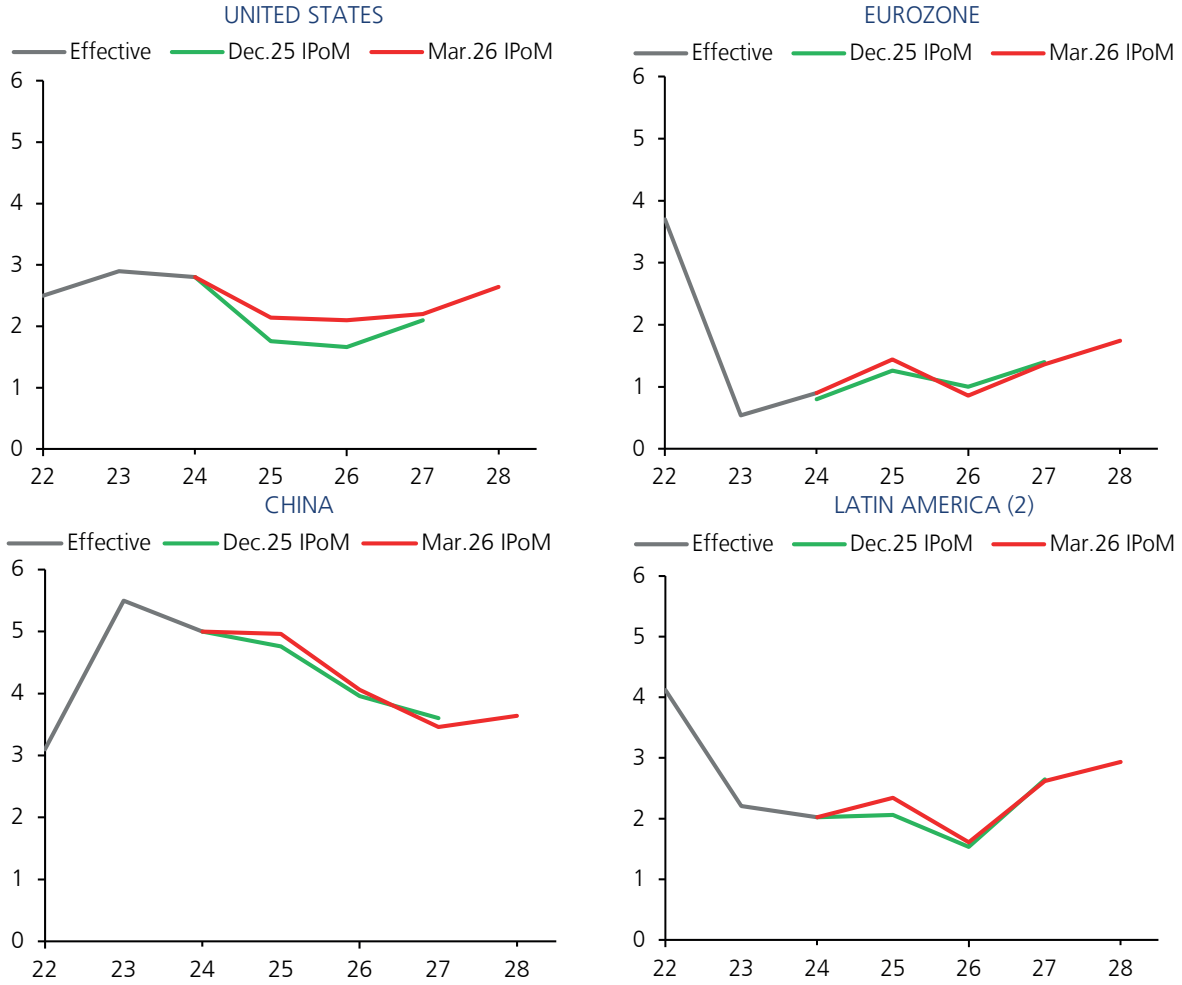
(1) For definition, see Glossary of economic terms.
(2) Annual average for the upper range of the Fed funds rate.
(f) Forecast.
Source: Central Bank of Chile.

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




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

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




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

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

**The projected average copper price is raised, based on an increase in structural demand.** The average price per pound is revised up to US$5.4 in 2026; 5.1 in 2027, and 5.0 in 2028 (US$4.7 and 4.6 in 2026 and 2027 in December, respectively). This revision again responds to the boost from increased demand associated with AI, the energy transition, and defense spending. This increase occurs even considering the copper price drops since the

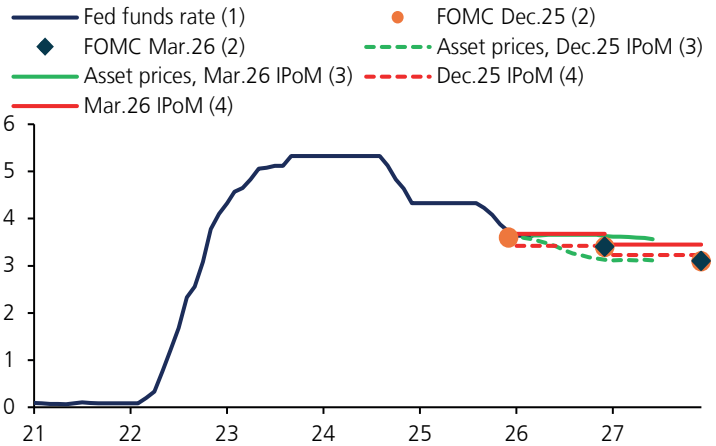
outbreak of the war. International food prices (FAO) are also raised, responding to their recent increases and costlier fertilizers; (Chapter I) (Figure II.1 and Table II.1).

**TABLE II.2** WORLD GROWTH (1)
(annual change, percent)

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

(1) For definition, see Glossary of economic terms.
(f) Forecast.
(e) Estimate.
Source: Central Bank of Chile based on a sample of investment banks, Consensus Forecasts, the IMF, and statistics bureaus of respective countries.

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




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

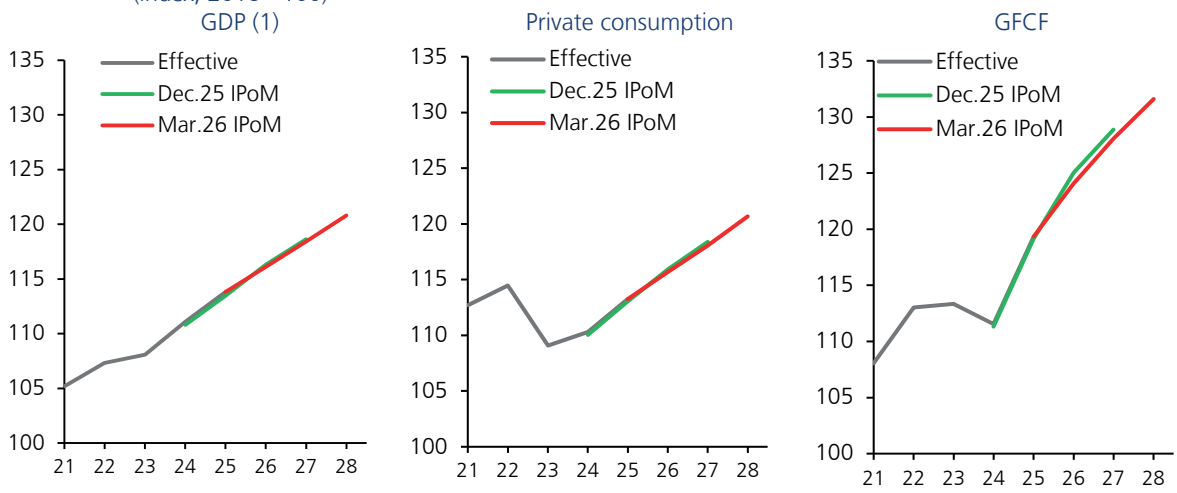
## THE DOMESTIC SCENARIO

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

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

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

**FIGURE II.4** ACTIVITY, PRIVATE CONSUMPTION AND GFCF
(index, 2018 =100)




(1) Considers midpoint of GDP growth ranges projected in respective Monetary Policy Report (IPoM).
Source: Central Bank of Chile.

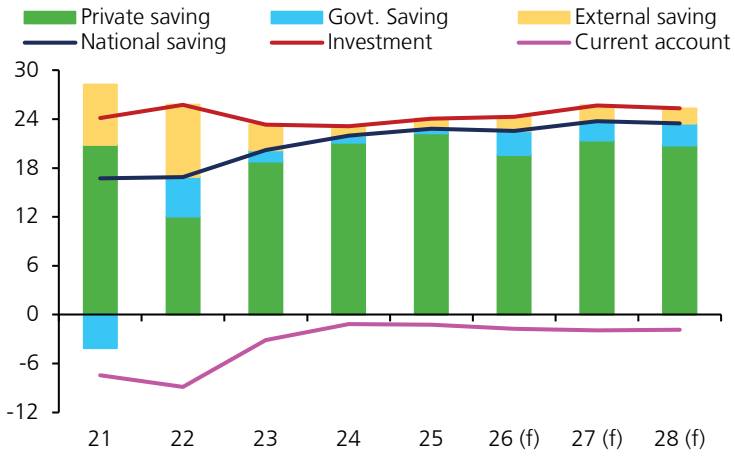
and 2027. This is largely due to improved prospects for exports, particularly of copper—as higher prices more than offset the lower volumes. On the import side, the outlook points to a larger deficit, driven primarily by the impact of increased fuel prices. The revisions to the current account balance are consistent with the expected increase in public-sector savings (Table II.3 and Figure II.5).

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

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

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

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

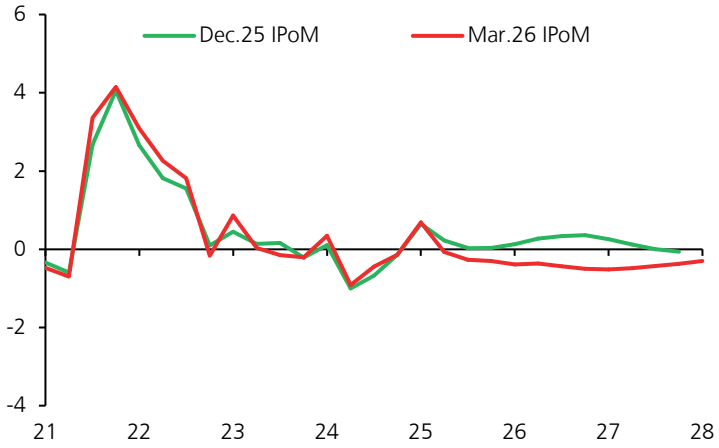



(1) The government savings component considers as actual data up to 2025 the general government's balance sheet; the government savings of the central government's balance sheet is used for the 2026-2028 forecast.
(f) Forecast.
Source: Central Bank of Chile.

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

**The activity gap is projected to be slightly negative over the projection horizon (Figure 6).** This projection considers a higher potential GDP than in 2025 (2.7% annually) mostly because of transitory supply-side factors that were seen early that year originating in exporting sectors, and the worsened prospects for non-mining GDP in 2026 (Box II.1). Throughout the projection horizon, potential GDP growth converges to our economy's trend growth rate estimated for the five-year period 2026-2030 (2.1%). This latter figure is slightly revised up from its previous estimate (2.0% for the 2025-2029 period in the September 2024 IPoM) (Box II.3).

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



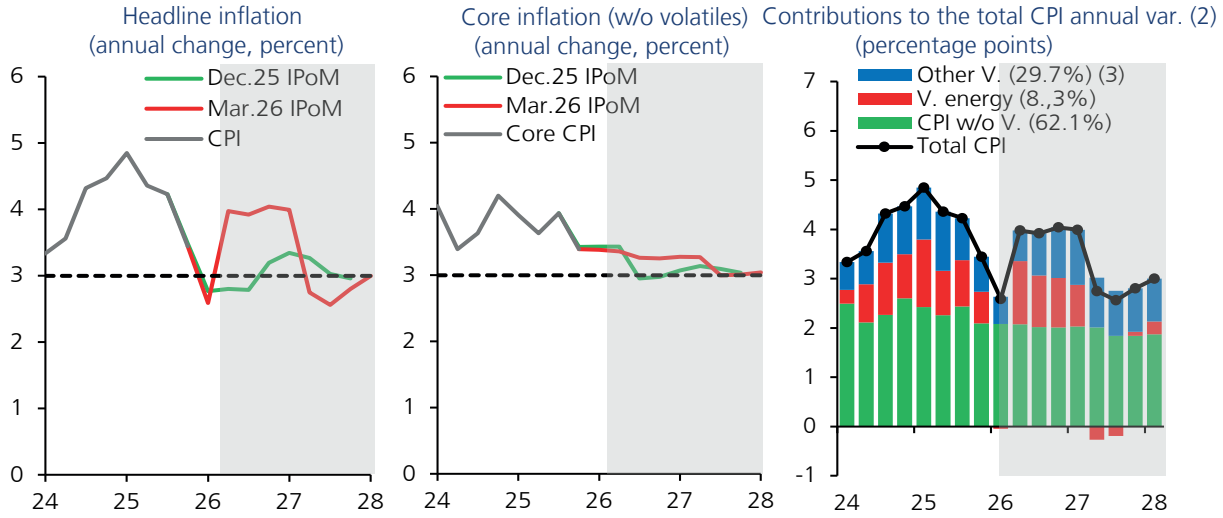

(1) Shows the estimate and projection contained in the respective IPoM.
(2) Forecast assumes structural paramenters updated in March 2026 Monetary Policy Report (IPoM) (trend and potential GDP).
Source: Central Bank of Chile.

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

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

**Core inflation —the CPI without volatiles— would also be somewhat above the December estimate in the short term.** This would reflect the stronger cost pressures coming from the higher fuel prices and shipping costs, as well as the second-round effects resulting from this shock. This would be partly offset by the impact of the lower fiscal spending on domestic demand. For the real exchange rate (RER), the working assumption is that it will converge to its long-term levels, following a similar trajectory to the one described in the last IPoM (Box II.3) (Figure II.7 and Table II.4).

**FIGURE II.7** INFLATION FORECAST (1)




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

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

| | 2025 | 2026 (f) | 2027 (f) | 2028 (f) |
|---|---|---|---|---|
| Average CPI | 4.2 | 3.6 | 3.0 | 3.0 |
| December CPI | 3.5 | 4.0 | 2.9 | 3.0 |
| CPI in around 2 years (2) | | | | 3.0 |
| Average core CPI | 3.7 | 3.3 | 3.1 | 3.0 |
| December core CPI | 3.3 | 3.3 | 3.0 | 3.0 |
| Core CPI around 2 years (2) | | | | 3.0 |

(1) Figures consider the 2023 CPI reference basket and the splice made by the Central Bank of Chile.
(2) Inflation forecast for the first quarter of 2028.
(f) Forecast.
Sources: Central Bank of Chile and National Statistics Institute (INE).

## MONETARY POLICY STRATEGY: THE CENTRAL SCENARIO AND SENSITIVITIES

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

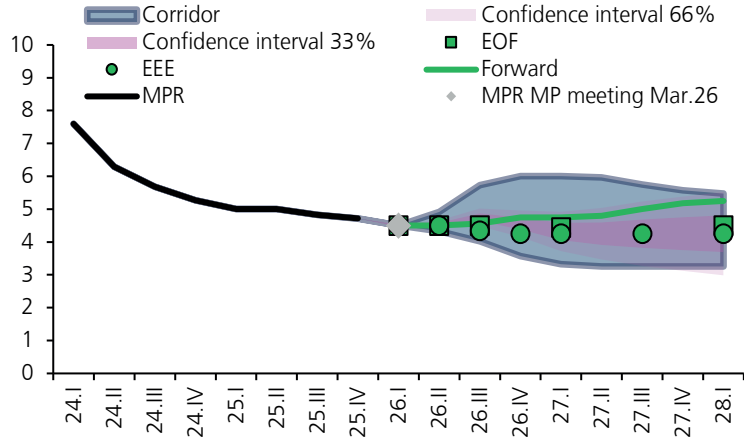
**Regarding the MPR corridor, the lower bound reflects a scenario where the negative effects on activity are greater than assumed in the central scenario.** This would trigger a sharper reduction of medium-term inflationary pressures, prompting the need for a lower MPR over the projection scenario.

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

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

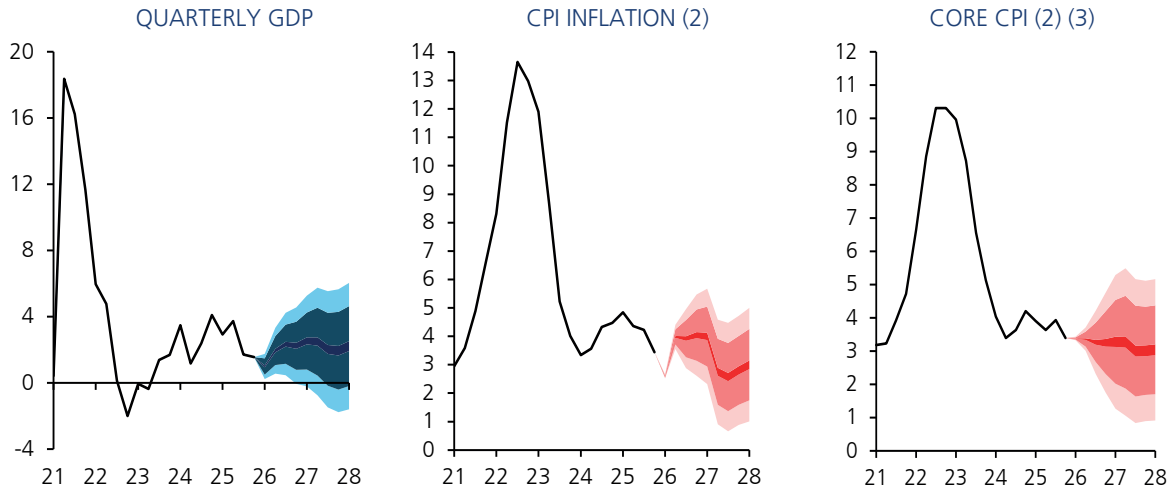
**The Board reaffirms that it will make every decision necessary to meet its objective of ensuring that projected inflation stands at 3% over a two-year horizon.**

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




(1) The 2027 and 2028 calendar considers two MP meetings per quarter. The corridor is built by following the methodology described in Boxes V.1 of March 2020 Report and V.3 of March 2022 Report. It includes the March Economic expectations survey (EEE), the March pre-MP meeting Financial traders survey (EOF) and the quarterly average smoothed forward curve as of March 19. This is calculated by extracting the implicit MPR considering the forward curve over the overnight index swap (OIS) curve for up to 2 years, discounting the fixed rates of each maturity at the simple accrual of the OIS index. For the current quarter, the surveys and the forward curve consider the average of daily actual data and are completed with respective sources. Quarterly average considers working days in each quarter. Gray diamond corresponds to the MP decision of March 2026.
Fuente: Banco Central de Chile.

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




(1) The figure shows the confidence interval of the central projection to the respective horizon (colored area). Includes 10, 70 and 90% confidence intervals around the central scenario. Confidence intervals are constructed from the RMSEs of the XMAS-MEP models, 2009-2017 average.
(2) Figures consider the 2023 CPI reference basket and the splice made by the Central Bank of Chile.
(3) Measured with the CPI without volatiles.
Sources: Central Bank of Chile and National Statistics Institute (INE).

BOX II.1:

## Changes in projections and state of the economy during 2025

Macroeconomic projections play a pivotal role in the Central Bank of Chile's inflation-targeting framework. This box examines their evolution throughout 2025, highlighting the main changes, their relationship to the state of the economy, and the implications for monetary policy.

Over the past year, the macroeconomic environment was marked by trade and geopolitical tensions that heightened global uncertainty. Despite this, the global economy proved resilient, and financial conditions and terms of trade improved throughout 2025, giving way to stronger external boost for the domestic economy. In this context, local growth projections were revised upward during the year—particularly for the non-mining component of GDP—although with moderate adjustments to the output gap. This was so because the higher growth was driven by transitory supply-side factors and the imported component of investment. When these effects are isolated, economic activity is close to its trend and the output gap is near equilibrium.

Along the same lines, changes in inflation forecasts were also limited, driven primarily by cost factors. Consequently, throughout the 2025 Reports, the inflation trajectory remained stable, consistent with the outlook established since late last year, with inflation expected to converge toward the 3% target during 2026. This entailed a stable monetary policy path, aimed at bringing the MPR to its neutral range between 2025 and 2026.

### Evolution of the external scenario

During the first half of last year, the projected growth of Chile's trading partners in 2025 was lowered from 2.9% in the December 2024 IPoM to 2.6% in June 2025 (Table II.5), due to rising tariffs and global uncertainty. However, during the second half, projections were revised upward, to 3% in December. This was explained by the resilient global activity—despite ongoing sources of tension—a rise in AI-related investments, increased defense spending in developed countries, and an attenuation of uncertainty linked to the trade conflict.

The terms of trade were successively adjusted upwards, driven by higher copper prices and a slight downward revision to oil price projections. The projection for the average 2025 copper price was raised to US$4.50 per pound in the December IPoM, amid tight supply and higher demand linked to AI investments, the energy transition, and defense spending (Box II.1, December 2025 IPoM). For its part, the oil price forecast was revised slightly downward from the end of 2024, given expectations of increased supply.

**TABLE II.5**
Central scenario projections for the external context in 2025 (1)

| | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Actual data |
|---|---|---|---|---|---|---|---|
| | | | | (annual change, percent) | | | |
| Trading partners GDP | 2.9 | 2.9 | 2.7 | 2.6 | 2.8 | 3.0 | 3.3 |
| World GDP at PPP | 2.5 | 2.6 | 2.2 | 2.1 | 2.3 | 2.5 | 3.5 |
| Terms of trade | -0.6 | -0.5 | 2.6 | 2.9 | 3.3 | 4.6 | 7.6 |
| External prices (in US$) | 4.2 | 2.5 | -0.2 | 1.3 | 1.8 | 2.0 | 2.1 |
| | | | | (levels) | | | |
| LME copper price (US$cent/pound) | 425 | 420 | 425 | 430 | 430 | 450 | 450 |
| WTI oil price (US$/barrel) | 73 | 69 | 67 | 64 | 66 | 65 | 65 |
| Brent oil price (US$/barrel) | 79 | 74 | 71 | 68 | 70 | 69 | 69 |
| U.S. Federal Funds Rate (%) | 4.3 | 4.1 | 4.4 | 4.5 | 4.4 | 4.4 | 4.4 |

(1) Projections for 2025 published in IPoM between September 2024 and December 2025. The last column corresponds to actual data, except for trading partners GDP and world GDP in PPP, which correspond to preliminary data.
Source: Central Bank of Chile.

## Changes in local activity and demand projections

Local growth projections rose steadily throughout 2025 (Table II.6), as the global outlook remained resilient and domestic demand proved more dynamic than expected. In the first half of the year, the range was raised from 1.5%–2.5% in the December 2024 IPoM to 2.0%–2.75% in June 2025, due to temporary factors related to goods exports and tourism flows into the country. In September, the range was adjusted to 2.25%–2.75%, influenced by greater domestic demand. The growth projection in December was 2.4%, the midpoint of the September range. Actual growth in 2025 was 2.5%, within the range expected since the beginning of the year and similar to the December projection.

**TABLE II.6**
Projections for activity, demand and current account in 2025 (1)

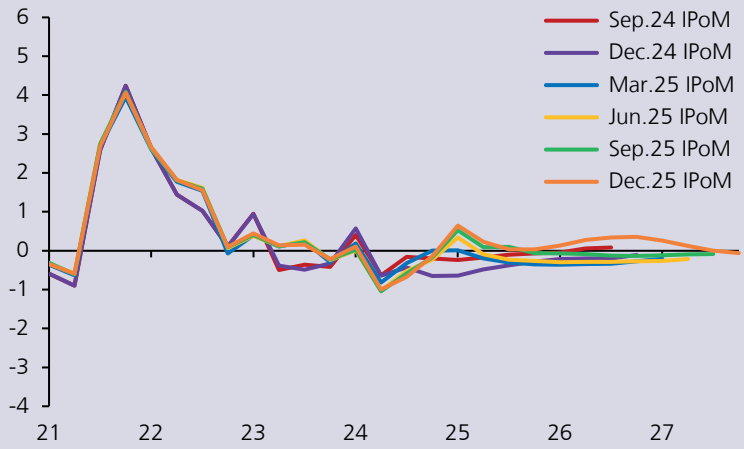
| | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Actual data |
|---|---|---|---|---|---|---|---|
| | | | | (annual change, percent) | | | |
| GDP | 1.5-2.5 | 1.5-2.5 | 1.75-2.75 | 2.0-2.75 | 2.25-2.75 | 2.4 | 2.5 |
| Domestic demand | 2.5 | 1.9 | 2.5 | 3.2 | 4.3 | 4.4 | 4.2 |
| Domestic demand (w/o inventory change) | 2.5 | 2.2 | 2.6 | 2.9 | 3.6 | 4.0 | 3.8 |
| - Gross fixed capital formation | 5.1 | 3.6 | 3.7 | 3.7 | 5.5 | 7.0 | 7.0 |
| - Total consumption | 1.7 | 1.8 | 2.3 | 2.6 | 3.0 | 3.0 | 2.8 |
| - Private consumption | 1.9 | 1.6 | 2.0 | 2.2 | 2.7 | 2.7 | 2.7 |
| - Goods and services exports | 3.2 | 3.8 | 4.3 | 5.1 | 4.6 | 4.6 | 4.6 |
| - Goods and services imports | 4.5 | 4.2 | 5.6 | 7.6 | 10.3 | 11.3 | 10.5 |
| | | | | (GDP percent) | | | |
| Current account | -2.4 | -2.3 | -1.9 | -1.8 | -2.6 | -2.5 | -1.2 |

(1) See note for Table II.5.
Source: Central Bank of Chile.

Projections for the components of domestic demand were also revised upward, driven by increased investment in machinery & equipment, linked to the boost from large-scale mining and energy projects (Box I.2, June 2025 IPoM). In turn, the revision to consumption was driven by growth in the wage bill and improved household expectations. Consistent with higher domestic spending, imports were revised upward. This, along with minor adjustments to exports, explained the projected wider current account deficit. The actual deficit was smaller than expected, mainly due to the positive evolution of the terms of trade.

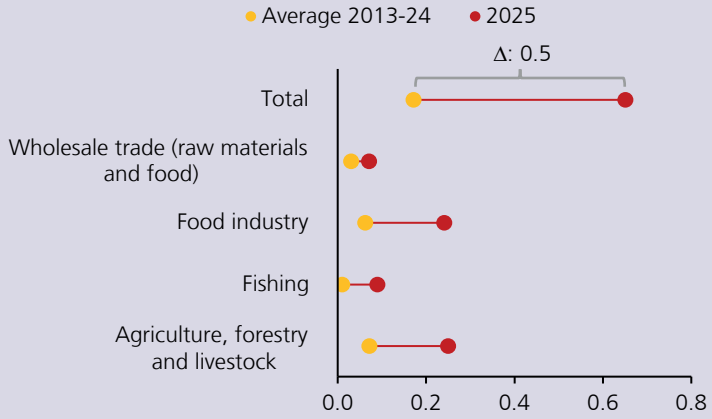
The upward revisions to the GDP outlook were driven by the non-mining component. Even so, changes in the output gap were moderate (Figure II.10), as revisions to output and demand were largely due to supply-side factors and the imported component of investment. Thus, while non-mining GDP grew by 3% in 2025—nearly one percentage point (pp) above the trend growth estimate (Box II. 3)—, a significant portion of this difference (0.5pp) owed to the contribution of certain transitory supply-side factors linked to export sectors, which in early 2025 boosted the agriculture, forestry, and livestock sectors (fruit production), fishing, and related sectors of the food industry and wholesale trade (Figure II.11). Since these factors had no associated impacts on domestic inflation, they are interpreted as temporary increases in non-mining potential GDP, which raised its growth rate to 2.7% during 2025 and explains the more moderate response of the output gap. Toward the end of 2025, actual and potential output growth approached their trend rates, while the output gap is estimated to be around equilibrium (Chapter 2).

**FIGURE II.10**
Activity gap
(level, percentage points)




Source: Central Bank of Chile.

**FIGURE II.11**
Sectoral contributions to non-mining GDP, transitory supply elements (1)
(contribution to the annual change, percentage points)




(1) Sectoral contributions are estimated from the difference between the average contribution of each sector in 2025 and the average of its contribution to non-mining GDP between 2013 and 2024.
Source: Central Bank of Chile.

## Changes in inflation projections and implications for monetary policy

Against a backdrop of moderate changes in the output gap, revisions to inflation projections were also moderate and primarily driven by cost factors (Table II.7). During 2024, the outlook had been revised upward due to increases in electricity prices, the global appreciation of the dollar, and high labor costs. During the first half of 2025, the inflation trajectory was adjusted slightly downward, supported by lower forecasts for fuel prices and the effects of the rerouting of global trade, which were incorporated in June (Box II.2, June 2025 IPoM). In September, projections were revised upward in the immediate term due to a depreciation of the peso and stronger domestic demand, amid still significant wage pressures. Toward the end of 2025, inflation fell somewhat faster than expected, influenced by the peso's appreciation relative to September and the behavior of prices of certain foodstuffs.

**TABLE II.7**
Inflation projections for 2025 (1)
(percent)

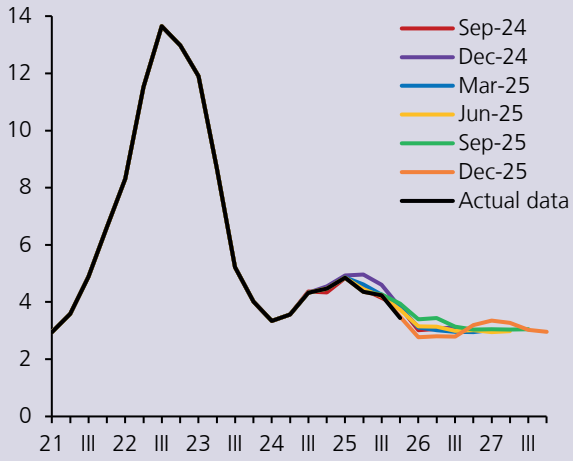
| | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Actual data |
|---|---|---|---|---|---|---|---|
| Average CPI | 4.3 | 4.6 | 4.4 | 4.3 | 4.4 | 4.2 | 4.2 |
| December CPI | 3.6 | 3.6 | 3.8 | 3.7 | 4.0 | 3.6 | 3.5 |
| Average core CPI | 3.4 | 3.9 | 3.8 | 3.5 | 3.8 | 3.7 | 3.7 |
| December core CPI | 3.2 | 3.3 | 3.3 | 3.1 | 3.7 | 3.4 | 3.3 |

(1) See note for Table II.5. Inflation measures from March 2024 IPoM onwards consider the 2023 CPI basket using the Central Bank of Chile splice. Until December 2023 IPoM, the splices consistent with the previous basket (2018) were used.
Sources: Central Bank of Chile and National Statistics Institute (INE).

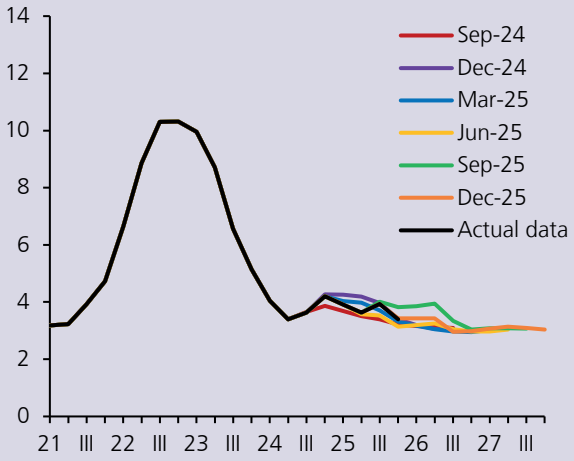
However, by the end of 2025, headline and core inflation—excluding volatile items—were around the forecast since the second half of 2024, and the outlook for convergence to 3% during 2026 remained unchanged throughout (Figure II.12). This convergence was supported by monetary policy actions, an exchange rate appreciation over the projection horizon, the output gap near equilibrium, and the dissipation of comparison base effects associated with the unfreezing of electricity prices between 2024 and early 2025. The Board maintained a stable monetary policy stance, aimed at leading the MPR to converge to its neutral range between 2025 and 2026, as reflected in minor changes in the policy rate corridor during 2025 (Figure II.13).

**FIGURE II.12** SHORT AND MEDIUM-TERM INFLATION PROJECTIONS (1)

(a) CPI
(annual change, percent)

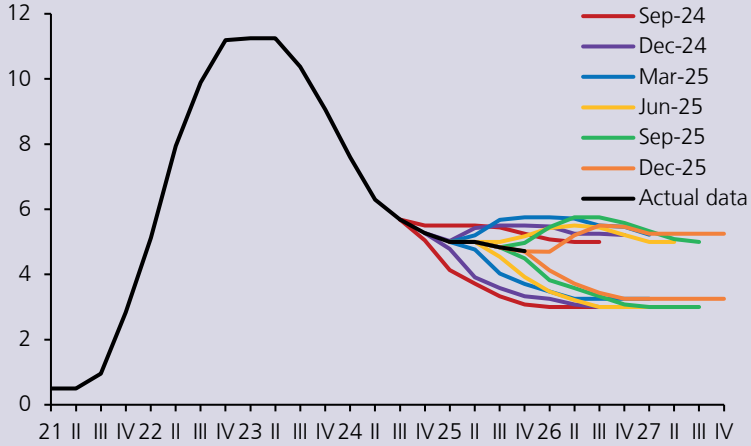



(b) Core CPI (excluding volatiles)
(annual change, percent)




(1) Average inflation for the quarter compared to the same quarter of the previous year. Inflation measures from March 2024 IPoM onwards consider the 2023 CPI basket using the Central Bank of Chile splice. Until December 2023 IPoM, splices consistent with the previous basket (2018) were used. Sources: Central Bank of Chile and National Statistics Institute (INE).

**FIGURE II.13**
Evolution of the MPR corridor
(quarterly average, percent)




Source: Central Bank of Chile.

# BOX II.2:

## Effects of the War on the global economy

The near-complete halt in traffic along this route, coupled with damage to oil infrastructure, has restricted the supply of oil and other key commodities, driving up logistics costs and international prices. In this context, oil prices have risen by more than 50%, reflecting supply constraints and a higher geopolitical premium. Significant increases have also been observed in the prices of fertilizers, natural gas, sulfur (a key input to produce sulfuric acid, used in copper refining), and aluminum (Figure II.14). At the same time, financial markets are seeing increased volatility, rising long-term interest rates, and widespread currency depreciation against the dollar. Of particular note is the rise in U.S. and European 10-year yields, driven by fiscal risks associated with prospects of higher defense spending and rising inflation expectations. This box describes the expected impacts of this new scenario on the global economy and outlines the effects of a more adverse alternative scenario[1]/.

### Future scenarios

The central scenario of this IPoM uses an oil price path consistent with that implied by the average of futures contracts for the five business days between 13 and 19 March. This means a peak of just over US$100 per barrel in April—measured as the daily average of the Brent-WTI midpoint—and around US$100 in the second quarter of this year (60% above the December forecast). For 2026, this scenario projects an average of US$86 (40% higher than assumed in December) (Figure II.15). Going forward, prices are expected to stabilize at levels slightly higher than those considered in December, reflecting a higher geopolitical premium. This oil price scenario is consistent with a situation in which, even if the conflict were to drag on, its intensity would ease in the coming weeks. Furthermore, it would be consistent with the assumption that damage to production capacity would not increase further, allowing production and trade to resume relatively quickly. In this context, it is estimated that, in the central scenario, global uncertainty would decrease in the short term, mitigating the effects on economic activity and demand.

In this scenario, the macroeconomic effects would be reflected in higher global inflation and somewhat slower growth among trading partners compared to a scenario with no war. World inflation would rise by about 0.6 pp on average in 2026, while trading partners' growth would decline by about 0.3 pp. In the central scenario, our trading partners' growth is thus revised marginally upward in 2026, as the stronger growth observed toward the end of 2025 more than offsets the downward revision due to the War. These calculations factor in the lesser intensity of oil use observed in recent decades (Figure II.16) and the temporary nature of the increase in uncertainty.

This scenario is highly uncertain, and more adverse outcomes cannot be ruled out. On the one hand, Iran faces few obstacles in keeping the Strait of Hormuz closed; the Strait can be targeted with low-cost missiles and drones, which are produced in a decentralized manner and are difficult to detect. On the other hand, the United States' capabilities to neutralize such threats are more costly, and so far its efforts to form a broader coalition to defend the route have not borne fruit. In turn, internal political dynamics and the renewal of radical leadership reduce Iran's incentives for de-escalation. On top of this is the lack of clarity regarding an exit strategy. All of this could keep the conflict more intense than is implied in the central scenario.

In this context, Álvarez *et al.* (2026) outline an alternative scenario that envisions a more adverse course of the conflict, with a greater impact on the global economy. Said scenario assumes a significant and prolonged disruption to supply,

[1]/ For details on the analysis of this box, see Álvarez *et al.* (2026).

for example, if the Strait of Hormuz remains closed for a longer period or if damage to infrastructure is more severe. This scenario would also lead to greater and more persistent increases in uncertainty and risk aversion, tightening financial conditions and adversely affecting global aggregate demand and economic activity.

In this scenario, the authors assume that the Strait of Hormuz remains closed for three months and estimate an oil price (Brent-WTI average) to peak near US$150 per barrel on average in May (US$140 on average in the second quarter) and an annual average of US$110, driven by lower supply and a higher geopolitical risk premium. For global inflation, they estimate an impact of around 1.5 pp on the 2026 average, compared to a no-war scenario. Meanwhile, our trading partners' economic activity would decline by around 0.6 pp due to this factor, which would more than offset the higher growth for 2026 that would be expected in the absence of the conflict.

## Conclusion

The war in the Middle East has sparked strong market reactions, worsening global financial conditions, particularly for emerging economies. The central scenario in this IPoM examines the negative effects of this conflict on various real and financial variables, as well as its spillover effects on the Chilean economy. However, uncertainty regarding the war's progression makes it necessary to continually analyze alternative scenarios.

**FIGURE II.14**

Affected commodity prices (1)
(index 100 = 02.Jan.2026)

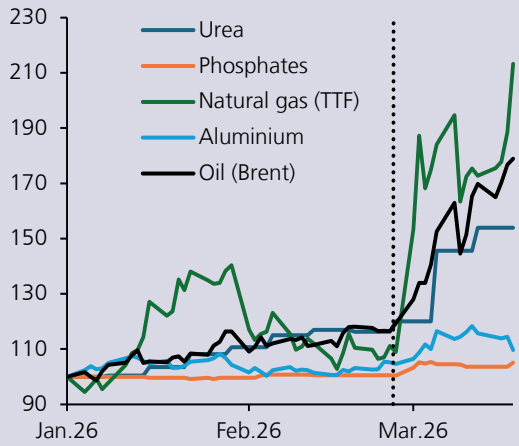
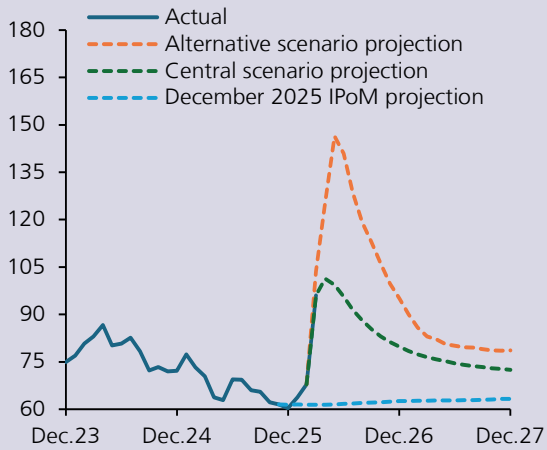



**FIGURE II.15**

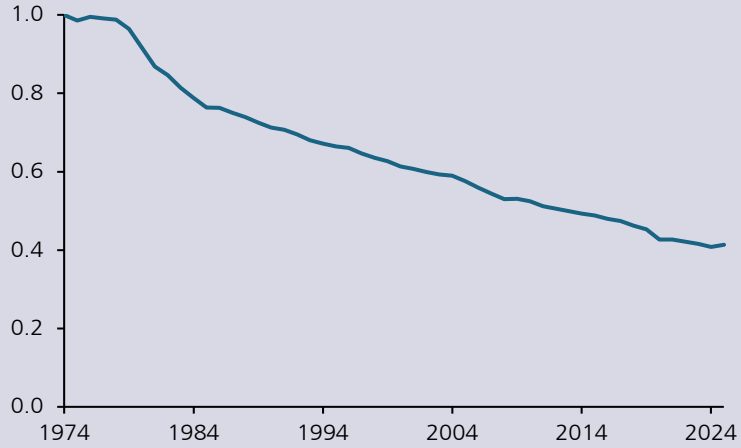
Oil prices and projections (2)
(dollars per barrel)




(1) Prices correspond to the front-month futures for each commodity. For urea and phosphates, NOLA (New Orleans) futures are used; for natural gas, TTF (Title Transfer Facility) futures; for aluminium, futures from the London Metal Exchange (LME); and for oil, futures traded on ICE (Intercontinental Exchange). The dotted vertical line indicates the onset of the war in the Middle East. (2) Average price between Brent and WTI. Dotted lines correspond to the monthly projections of the central scenario, the alternative scenario from the March 2026 IPoM, and the central scenario from the December 2025 IPoM.
Sources: Álvarez *et al.* (2026) and Bloomberg.

**FIGURE II.16**

World oil consumption/Global GDP (1)
(index 1974 = 1)




(1) Global oil consumption is measured in barrels per day. Global GDP is expressed in constant 2015 prices, in USD.
Sources: U.S. Energy Information Administration (EIA) and the World Bank.

# BOX II.3:

## Structural parameters: trend GDP and equilibrium real exchange rate

### Trend GDP

Trend growth is a variable associated with the economy's medium- and long-term growth capacity.[1]/ To estimate it, total GDP is divided into its mining and non-mining components. Following the standard methodology, the estimate of the latter is based on a Cobb-Douglas production function whose determinants are aggregate productivity, productive capital, and labor force, whose expected trajectories are estimated in each revision (Bauducco *et al.*, 2026). In this update, the exercise shows an increase in the contribution of the labor factor to non-mining GDP growth, reaching 0.6 pp in the 2026–2035 decade. This change stems from the inclusion of the new population projections from INE. The contribution of capital to non-mining GDP growth is similar to the previous estimate, standing at 1 pp in 2026–2035. In addition, there is an estimated contribution of 0.35% from total factor productivity (TFP) growth, which also remains unchanged from the previous exercise. With this, trend growth of non-mining GDP is estimated at 2% for 2026-2035 (Table II.8).

To obtain total trend GDP growth, a growth projection for the mining sector is added, which is estimated to be 1.0% per year in 2026–2035. This figure is 0.9 pp lower than the one used in 2024 for the 2025–2034 decade. This is explained by the lower copper production projections for the decade and the historically low average growth of mining GDP. In addition, the mining GDP share of total GDP is reduced from 12% to 11%, in line with the sector's recent average participation. Under these assumptions, total GDP trend growth is 1.9% in 2026–2035, representing an increase of 0.1 pp compared with the estimate in the September 2024 IPoM.

**TABLE II.8**
Trend growth estimate (1)
(percent)

| | Trend growth | | | Contribution to the growth of non-mining GDP | | |
|---|---|---|---|---|---|---|
| Period | Non-mining GDP | Mining GDP | Total GDP | Capital | Labor | TFP |
| 2026-2035 | 2.0 | 1.0 | 1.9 | 1.0 | 0.6 | 0.35 |

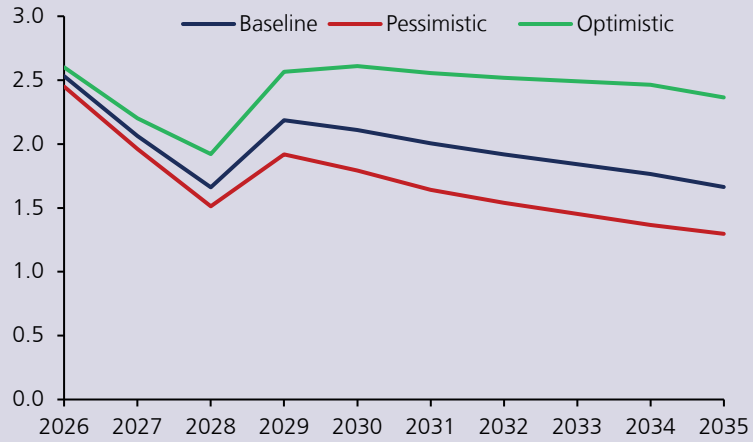
(1) Mining represents 11% of total GDP.
Source: Central Bank of Chile.

Regarding the non-mining component, its expansion is still expected to follow a downward trend. Additionally, two alternative scenarios are considered, both producing similarly declining trajectories. A first scenario—the pessimistic one—assumes a less favorable convergence towards OECD levels for labor-related variables, such as a faster convergence in hours worked and a slower convergence in participation rates and educational attainment, along with lower labor force growth. The optimistic scenario assumes higher TFP growth, which could materialize, for example, if the creation, diffusion, and adoption of new technologies accelerate (Figure II.17).

[1]/ The concept of trend GDP differs from potential GDP. The latter refers to the level of GDP consistent with stable inflation, and therefore is the appropriate measure for gauging the output gap associated with short-term inflationary pressures. Since trend GDP relates to the economy's medium-term growth capacity, both measures converge to the same number in the long run. However, in the short term, transitory elements affecting productive capacity—such as one-off productivity shocks and constraints on factor utilization—may generate differences between the two measures. Hence the importance of analyzing them separately (for further details, see Central Bank of Chile, 2017).

Finally, for the medium-term projections in this IPoM, the average trend non-mining GDP growth for the 2026–2030 period is used, corresponding to 2.1%. This time horizon is appropriate for medium-term projections, as longer horizons relate to an economy whose productive factors differ substantially from those relevant for such projections.

**FIGURE II.17**
Trend growth trajectory of non-mining GDP
(percent)




Source: Central Bank of Chile.

## Long-run real exchange rate (RER)

The long run RER corresponds to the level at which the RER would converge once all shocks dissipate. To estimate it, a set of complementary methodologies is used, each based on conceptually distinct approaches. These range from empirical relationships with observable macroeconomic and financial fundamentals (BEER), to internal and external macroeconomic equilibrium conditions consistent with sustainable balances (FEER), to intertemporal equilibrium dynamics determined by medium- and long-term real fundamentals (NATREX), and purchasing power parity as long-term relative-price anchor (PPA).

Bertinatto *et al.* (2026) show that, on average, the update of these estimates suggests that the long-run RER would lie around 100 (base 1986 = 100), similar to the estimate in the December 2022 IPoM[2]/ and close to its current level (Table II.9). It is worth noting that these estimates are sensitive to both the methodology and the underlying assumptions, including elasticities and unobservable variables on which the models depend.

[2]/ See Minutes in December 2022 IPoM.

**TABLE II.9**
Long-run equilibrium RER estimate
(index 1986 = 100)

| | RER |
|---|---|
| BEER | 94.4 |
| FEER | 102.6 |
| PPA | 106.3 |
| NATREX | 96.6 |
| Average | 100 |
| Range | [94; 106] |

Source: Central Bank of Chile.

In particular, BEER-based estimates suggest that the RER should converge to more appreciated levels than those observed in recent years, under the assumption that certain financial factors (such as risk and uncertainty premiums) that have tended to depreciate the RER in recent years will dissipate. Furthermore, the long-term projection assumes that the terms of trade will remain at levels similar to those observed in recent years, remaining high from a historical perspective. According to different estimates, Bertinatto *et al.* (2026) find that these factors have acted as opposing forces in the recent dynamics of the RER, along with other factors that have played a less significant role (relative productivity *vis-à-vis* trading partners, monetary policy, etc.).

Conversely, models defining the equilibrium RER as that consistent with the economy's internal and external equilibrium—such as the FEER approach—find that the long-run RER lies closer to levels observed in recent years, consistent with an economy near equilibrium. In particular, with non-mining activity close to potential, a relatively stable international investment position, and a current account that, after adjusting for trend prices, lies close to its sustainable level, the FEER model predicts that the RER does not require significant adjustment relative to last year's level for the economy to return to equilibrium.

The baseline scenario of this IPoM assumes that the RER will gradually converge to its long-run level over the projection horizon, following a trajectory similar to that presented in the December 2025 IPoM.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