



MONETARY POLICY REPORT
PRESENTATION BEFORE THE FINANCE COMMISSION
OF THE HONORABLE SENATE OF THE REPUBLIC*

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Introduction

Dear Senators, I will begin by expressing my gratitude for the opportunity to present our views on recent macroeconomic developments, as well as their outlook and implications for monetary policy.

I present this IPoM amid a complex scenario. We have prepared this report just days before the outbreak of a war in the Middle East, which has caused significant shock to international energy prices and heightened macroeconomic and financial uncertainty. For now, it is difficult to predict with any reasonable degree of certainty how long the conflict will last, how intense it will prove, or what its effects will be. This adds considerable complexity to any analysis and makes it difficult to draw reliable conclusions.

That said, it is important to note that, prior to the outbreak of the war, local economic activity had been expanding at a pace consistent with its potential, and inflation had returned to levels slightly below the 3% target. In terms of the Central Bank's monetary policy strategy, this represents a relatively more favorable starting point compared to the one we faced during other shocks.

As I will explain in a moment, based on the data available at the statistical cut-off of the Report—to which we must add the announcements of gasoline and diesel price hikes on Monday, the 23rd—the baseline scenario foresees that inflation will rise significantly in the second quarter, to around 4% annually. The main driver of this increase is the surge in international fuel prices.

Regarding expected economic growth for this year, in the baseline scenario we project a reduction in the range from the 2%–3% foreseen in December to a range of 1.5%–2.5% in this IPoM. This is influenced by various elements: the new international landscape, the fiscal spending cuts announced by the government in mid-March, and supply-side factors in some industries such as agribusiness and mining.

As I just noted, and as will be a focal point of our analysis, the definition of the baseline scenario is subject to a high degree of uncertainty, which underscores the need to evaluate alternative scenarios. We will carefully weigh the various pieces of information we receive and their implications for inflation's convergence to the target and for monetary policy. We will continue to be guided by the goal of controlling inflation, which is the greatest contribution the Bank can make to the well-being of families.

Let me now describe the contents of this new IPoM.

The macroeconomic scenario

Again, the war in the Middle East has hit the world economy hard. On the one hand, it has affected the supply of various commodities, including oil, whose price is currently above US\$100 per barrel. Other products that have also become more expensive include fertilizers, natural gas, and various chemicals, compounded by higher shipping costs. Given the magnitude of the shock, these price increases will have a major direct impact on inflation both globally and locally (figures 1 and 2).

Global financial conditions have deteriorated against this backdrop. Compared to the end of February, global stock markets have underperformed, currencies have depreciated against the dollar, and

nominal interest rates have risen. The local market has mirrored these trends, notably with the peso's depreciation, which reversed the appreciation it had experienced in the first two months of 2026 (Figure 3).

Nevertheless, prior to the outbreak of the war, external conditions had been better than expected, creating an outlook that, at that time, seemed more promising for emerging economies, particularly for Chile.

In the latter part of 2025 and the turn of this year, global economic activity had surpassed projections, bolstering market expectations for global growth. The United States stood out, where GDP growth in the third and fourth quarters of 2025 outpaced estimates, largely due to a surge in investment in new technologies (Figure 4). Europe, China, and Latin America also recorded greater-than-expected growth rates. In this context, the price of copper—another key factor for our country—exceeded the levels projected in December. In any case, this price has fallen since the start of the war, settling below US\$5.50 per pound in the last few days.

At home, inflation is somewhat under 3%, with a faster decline than we assumed in the last IPoM, with the contribution of some external prices in the volatile component.

The annual change in the overall CPI fell from 3.4% in November to 2.4% in February, significantly influenced by the electricity component, as the final increase associated with the price freeze being lifted in January 2025 no longer affected the annual changes. Meanwhile, core inflation (which excludes volatiles) stood at 3.3% annually, in line with our December projection (Figure 5).

As for activity, GDP ended 2025 with 2.5% growth, near the December IPoM estimate. The performance of non-mining sectors drove economic activity throughout the year, with expansion partly supported by temporary supply-side factors, which implied somewhat higher potential growth in 2025. In this context, the output gap in the non-mining sectors has virtually closed. As for the mining industry, output has slumped in recent quarters due to lower copper grades and more persistent effects of disruptions at some sites, factors that continue to be reflected in the activity figures for the beginning of this year (Figure 6).

Private consumption remained dynamic amid improved performance in several of its key drivers over the previous months. These included improved consumer expectations and a sustained increase in real labor income, driven primarily by wage growth, while job creation remained tight. The unemployment rate showed no significant changes.

Gross fixed capital formation (GFCF) continued to grow, boosted by mining and energy projects. By components, machinery & equipment contributed the most to investment growth in 2025, in contrast to the slowdown in construction & other works. At the margin, following the strong acceleration of previous quarters, GFCF continued to expand, albeit at a slower pace (Figure 7).

Forecasts

As I said before, the forecasts in this IPoM were generated under particularly uncertain conditions, with significant risks. In this context, the analysis of sensitivity scenarios takes on greater importance than usual.

On the external front, one of the main adjustments in this IPoM is about oil prices. In the baseline scenario, a trajectory consistent with the average of futures contracts over the five days prior to the statistical cut-off date is assumed. This implies average prices of around US\$100 per barrel in the second quarter of the year and an average of US\$86 in 2026, roughly 60% and 40% higher than anticipated in December, respectively.

For 2027 and 2028, prices are expected to surpass those forecasted in December, reflecting a higher geopolitical premium. Upward revisions are also being made to other energy and food components (Figure 8).

In the baseline scenario, the adverse effects of the war on global growth offset much of the stronger performance observed in the latter part of 2025. As a result, our trading partners' GDP growth is foreseen at 2.7% this year, near the 2.6% forecast in the December IPoM. Growth of 2.7% is maintained for 2027, while an increase of 2.9% is expected for 2028 (Figure 9).

As for the copper price, despite the recent corrections, it has outperformed expectations. This continues to be driven by increased demand linked to non-traditional uses, such as AI, the energy transition, and defense spending. The baseline scenario projects higher average prices: US\$5.40, US\$5.10, and US\$5.00 for 2026, 2027, and 2028, respectively. These figures compare with December estimates below US\$5.00.

Locally, the forecasts also factor in the fiscal spending adjustment announced by the government in mid-March. Compared to the December IPoM, this accounts for a reduction in fiscal spending of US\$3.8 billion, as indicated in the Ministry of Finance's official letter. It is important to note that the baseline scenario does not include other government measures, whose implementation timeline and final details have yet to be determined, which could alter the outlook for the fiscal stimulus.

In the baseline scenario, the GDP growth range for this year is revised downward to 1.5%–2.5% (2.0%–3.0% in December). This reflects the impact on economic activity of the new international conditions, lower fiscal spending, and weaker performance of the mining sector—due to the persistence of factors that affected production last year. For 2027, the GDP growth range remains at 1.5%–2.5%, the same as for 2028 (Figure 10). This is consistent with the estimate of the economy's trend growth that we have updated in this Report.

The outlook for household and business spending has been revised slightly downward. A key factor in this is the deterioration of external conditions, compounded by reduced fiscal spending. In any case, this is partly offset by continued income growth, improved expectations, and a portfolio of investment projects exceeding that of previous years (figures 11 and 12).

For headline inflation, the revisions are concentrated in the short term, primarily due to the impact of the war on international fuel prices and the resulting domestic price hikes announced on Monday, 23 March. This leads to a significant rise in inflation, which is expected to reach around 4% annually starting in the second quarter. Inflation will return to 3% by the second quarter of 2027, to remain in the neighborhood until the end of the monetary policy horizon, that is, the first quarter of 2028.

Core inflation is also revised up in the short term, albeit to a limited extent. This increase is driven by second-round effects stemming from the shock in international fuel prices. The forecast assumes that the spillover of this shock to the rest of the economy will replicate past experiences. Towards the

medium term, these effects are offset by the impact of lower fiscal spending on domestic demand. This projection assumes that the real exchange rate (RER) will follow a path similar to that outlined in December (Figure 13).

Monetary policy

As I have already noted, the definition of the baseline scenario is subject to a higher-than-usual degree of uncertainty.

Abroad, the war could escalate, damage to energy production could worsen, and/or the flow of commodities could remain disrupted for a longer period, leading to further price increases for various input prices. Nor can we rule out the possibility of monetary or fiscal policy responses mitigating the impacts on financial markets and global activity. In Chile, it cannot be ruled out that fiscal stimulus or the response of consumer spending may differ from assumptions in the baseline scenario. All this underscores the need to consider alternative scenarios.

Let me turn to the MPR corridor: the lower bound reflects a scenario in which the effects on economic activity are more negative than assumed in the baseline scenario. This would lead to a sharper reduction in medium-term inflationary pressures, calling for a lower MPR over the projection horizon.

The upper bound reflects a situation where inflation is higher and more persistent than expected, which could occur if the cost shock and/or its spillover effects exceed expectations. This could be fueled by stronger domestic demand, driven by improved global economic performance, greater fiscal stimulus, or domestic expectations boosting private spending decisions. It is also possible that stronger second-round effects could reinforce the mechanisms of inflationary persistence (Figure 14).

In this context, we believe it will be necessary to constantly evaluate alternative scenarios in which the response of the global and local economies could give rise to inflationary pressures different from those expected and require changes in monetary policy. Accordingly, the future path of the MPR will be assessed meeting-by-meeting based on how events unfold.

It is important to note that the forecast scenario contains a path for the MPR that is consistent with achieving the inflation target, subject to the assumptions of the baseline scenario, and that this path falls within the MPR corridor. However, as we have pointed out before, uncertainty is high, so we will assess the economy's performance at each meeting. Thus, there is no ex-ante commitment by the Board regarding how monetary policy will be implemented. This underscores the importance of keeping in mind that the corridor is an informative tool and entails no obligation with respect to monetary policy.

If the scenario we consider most likely materializes, inflation will return to levels consistent with the target during 2027. However, given the magnitude of the ongoing shocks, the Board will be particularly watchful for signs of increased pass-through and/or persistence of inflation.

At this point, it is important to note that the Chilean economy's current position—with the output gap virtually closed, low inflation, and inflation expectations in line with the target—enables it to better

address the challenges posed by this uncertain outlook and to respond effectively to changes in conditions to ensure the convergence of inflation to the target.

Concluding thoughts

Dear Senators, we have repeatedly emphasized that the global context is subject to a set of geopolitical, commercial, and institutional risks, which are not always independent of one another. The war in the Middle East represents the materialization of one such risk, in a region that is both economically and strategically sensitive. It is unfolding in an area crucial for the supply of key commodities, and its escalation and duration could involve significant costs for the world and, obviously, for Chile as well. In fact, the price of oil has remained consistently above US\$100 for several days now, and its impact on local prices is beginning to materialize.

With the information currently available, it is not possible to predict the duration and intensity of the war, which makes it difficult to devise scenarios and assess their impacts with reasonable certainty. What we do know is that we are facing a significant supply shock that could worsen as the war drags on, its intensity increases, and damage to logistics and production infrastructure continues.

As I noted a few minutes ago, this shock will clearly lead to higher inflation in the short term. Meanwhile, if the problem is more severe and persists for a longer period, it will have a stronger impact on demand, given the importance of oil prices throughout the production chain, their impact on the costs of essential inputs, household incomes, and overall expectations. This second effect, moreover, could be amplified through the financial channel. These potential deflationary effects must be considered in conjunction with the risk that a cost shock of greater magnitude and duration could ultimately affect inflationary dynamics. Based on the information available at the moment, it is unclear which of these effects will ultimately prevail.

Certainly, conducting monetary policy under these circumstances presents an additional challenge. Our policy framework is based on a forward-looking analysis, which establishes a scenario we call the most likely one and on the basis of which we communicate the monetary policy strategy that will bring inflation to the 3% target within two years. In this particular case, the baseline scenario is subject to greater uncertainty, making it especially important to monitor its evolution and analyze alternative scenarios.

We recognize that, under these circumstances, there is a need for more definitive guidelines and clarity. Again, we do not have that certainty in this scenario. However, we can assure you that we will continue to closely monitor developments, always focusing on our mandate to bring inflation to the 3% target within the two-year policy horizon, while addressing the specific considerations of the environment. This is what we have done with every shock we have encountered, and we will do it again this time around. We are vigilant, and this time will be no exception. We understand that inflation affects us all and that our duty is to mitigate its impacts, especially for the most vulnerable.

Thus, going forward, we will continue to analyze how these factors evolve and their implications. We believe this is the appropriate strategy for dealing with shocks that can rapidly alter the macroeconomic landscape. As I mentioned a moment ago, we cannot offer certainties in the face of

an uncertain scenario, nor can we make decisions that might eventually need to be reversed shortly down the road.

In conclusion, let me offer a brief reflection on the environment around us.

We have witnessed how geopolitical factors have influenced economic decisions and policies, clashing with institutional agreements we assumed were well-established. Thus, we have shifted from a trade policy of global integration to nearshoring, and from there to a U.S. trade policy that has adopted a volatile and aggressive tariff strategy. We can add constant tensions, such as the statements regarding Greenland, the Panama Canal, and Taiwan, or the events in Venezuela. The Russian invasion of Ukraine sparked a war that has now dragged on for four years. The current war in the Middle East has no clear end in sight. We are undoubtedly facing a more complex and unstable scenario.

The country faces significant challenges. All stakeholders in society—including our Central Bank and this Honorable Congress—have a responsibility. We must seek common ground and focus on those issues that will enhance our resilience as a country. In this way, we will be able to overcome the challenges of a significantly more uncertain external environment. I have no doubt that this is a shared aspiration, particularly among public servants such as the members of this Commission. At the Central Bank, we work every day toward this goal and will continue to do so.

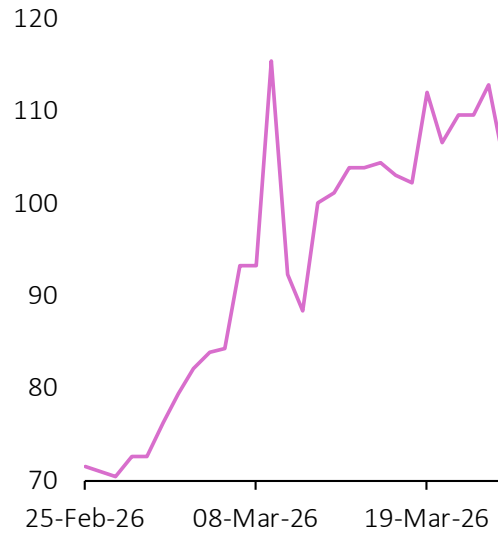
Thank you.

Figure 1
Brent prices
 (US\$/barrel)

a) Monthly averages



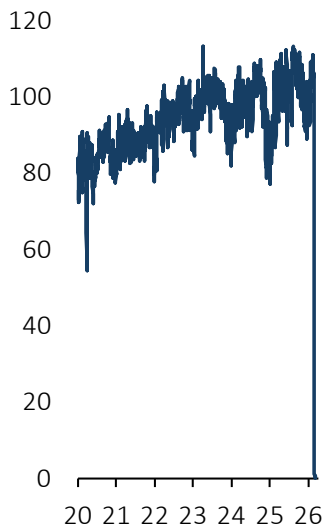
b) Intraday data



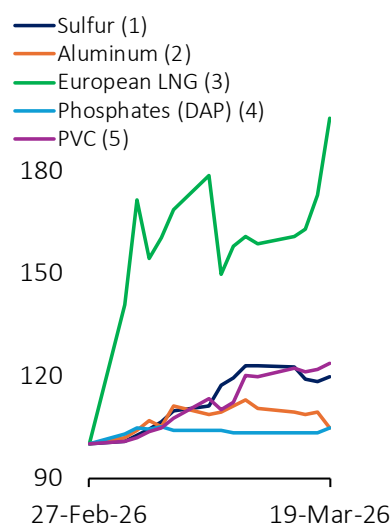
Source: Bloomberg.

Figure 2

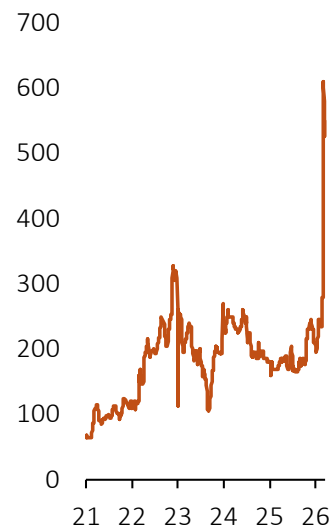
No. of ships crossing the Strait of Hormuz
 (moving 7-day mean)



Commodity prices since 27 February
 (27/Feb/26 = 100)



Freight rate from the Red Sea to Southeast Asia
 (standard world scale)



(1) Physical spot sulfur traded in China (FOB). (2) LME aluminum futures. (3) One-month TTF natural gas forward, traded in the Netherlands. (4) DAP phosphate futures. (5) PVC futures.

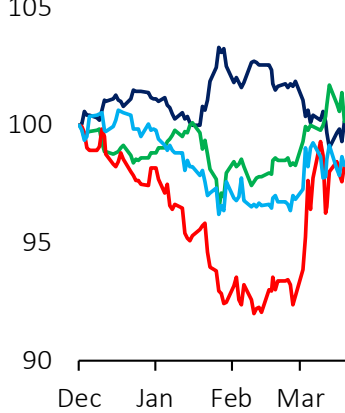
Sources: AIS, SourceSage Pte Ltd., BML, CME, DCE (Dalian Commodity Exchange). Via Bloomberg.

Figure 3

Currencies (1)(2)

(index 01/Dec./25 = 100)

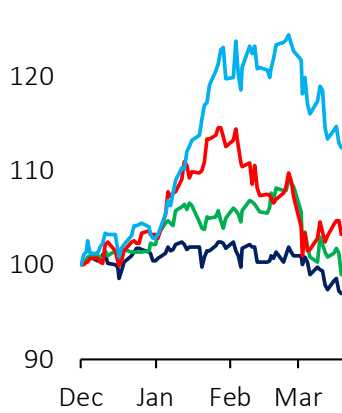
110 — United States
 — Eurozone
 — Chile
 — Latin America



Stocks (1)

(index 01/Dec./25 = 100)

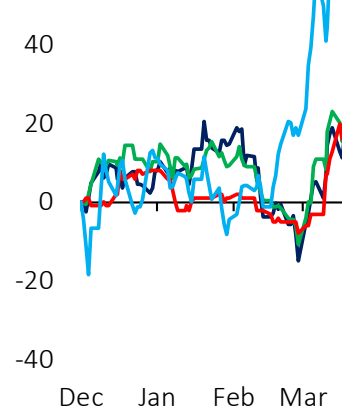
140 — United States
 — Eurozone
 — Chile
 — Latin America



Nominal 10-y rates (1)

(diff. from 01/Dec./25, basis points)

80 — United States
 — Eurozone
 — Chile
 — Latin America



(1) For Latin America, the simple average of the indexes for Brazil, Colombia, Mexico, and Peru is used.

(2) An increase in the index indicates a currency depreciation, and vice versa. For the U.S., the multilateral exchange rate is used.

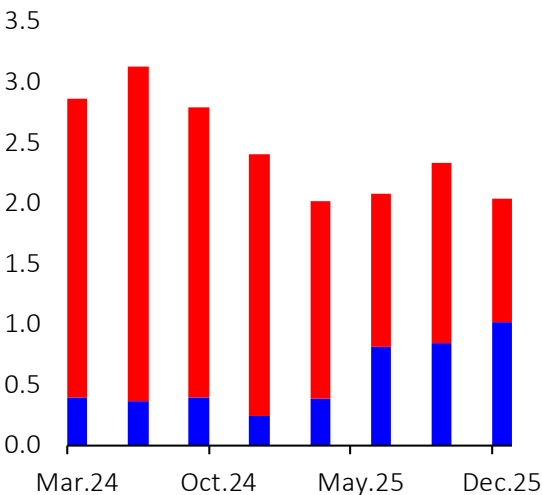
Sources: Central Bank of Chile and Bloomberg.

Figure 4

AI's contribution to U.S. GDP (1)

(in percentage points to y-o-y change)

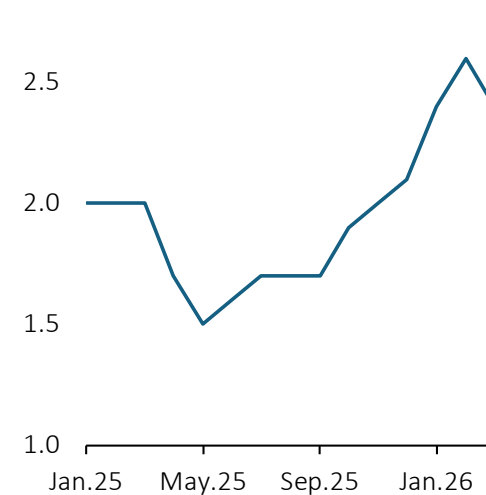
4.0 — AI — Other



U.S. CF growth forecasts for 2026

(percent)

3.0



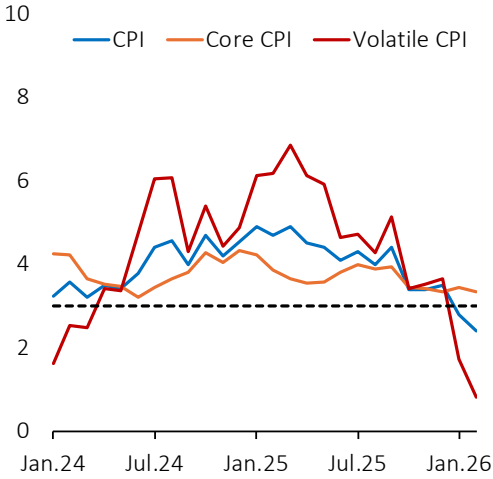
(1) AI (Artificial Intelligence) includes investment in information processing equipment, software, R&D, data centers, energy infrastructure, and net exports of related goods. For details, see Box I.1 in December 2025 IPoM.

Sources: Álvarez et al. (2025) and Consensus Forecasts.

Figure 5

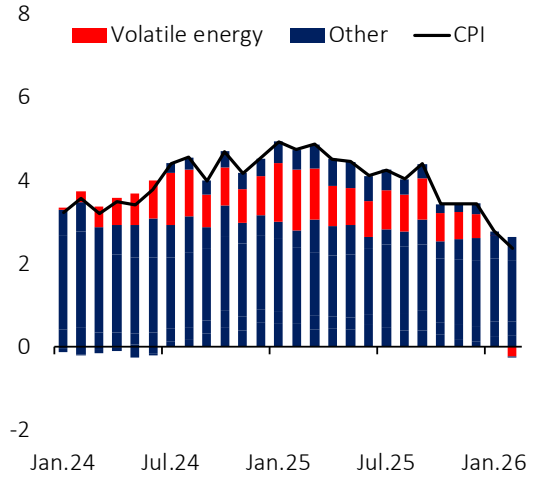
Total, core, and volatile CPI

(annual change, percent)



Total CPI and energy's contribution (1)

(annual contribution over CPI, pp.)



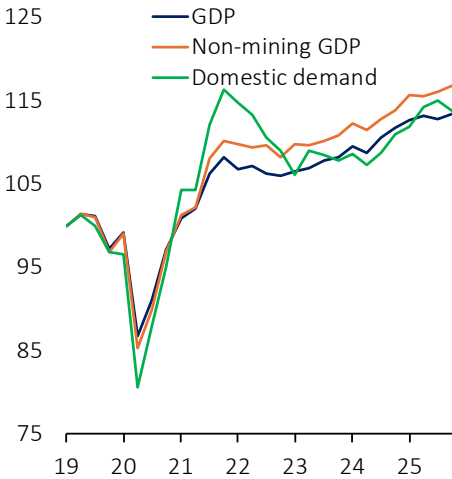
(1) Starting in January 2024, contributions are calculated using indices with 2023=100 base year, so they are not strictly comparable with previous figures.

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

Figure 6

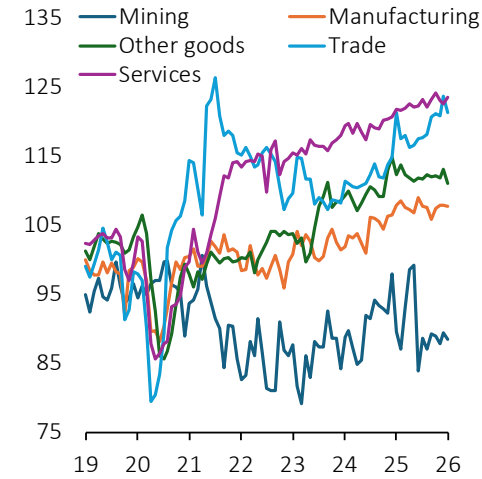
Activity and demand

(index, 2019.I = 100, non-seasonally adjusted data real ser



Imacec by sectors

(index, 2018 avg. = 100, non-seasonally adjusted data real series)

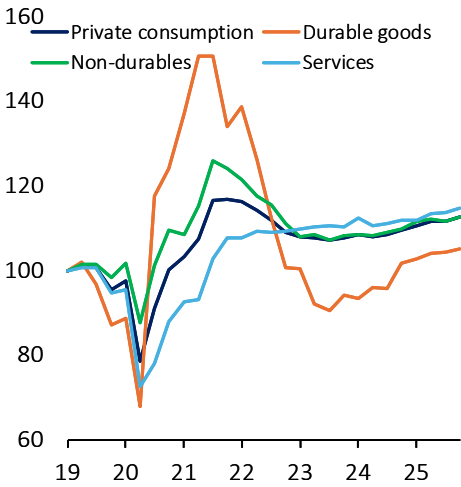


Source: Central Bank of Chile.

Figure 7

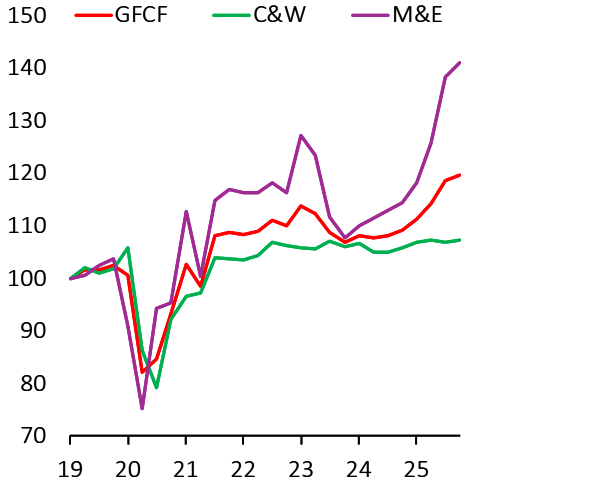
Private consumption by components

(index, 2019.I = 100, non-seasonally adjusted data real series)



GFCF by components (1)

(index, 2019.I = 100, non-seasonally adjusted data real series)



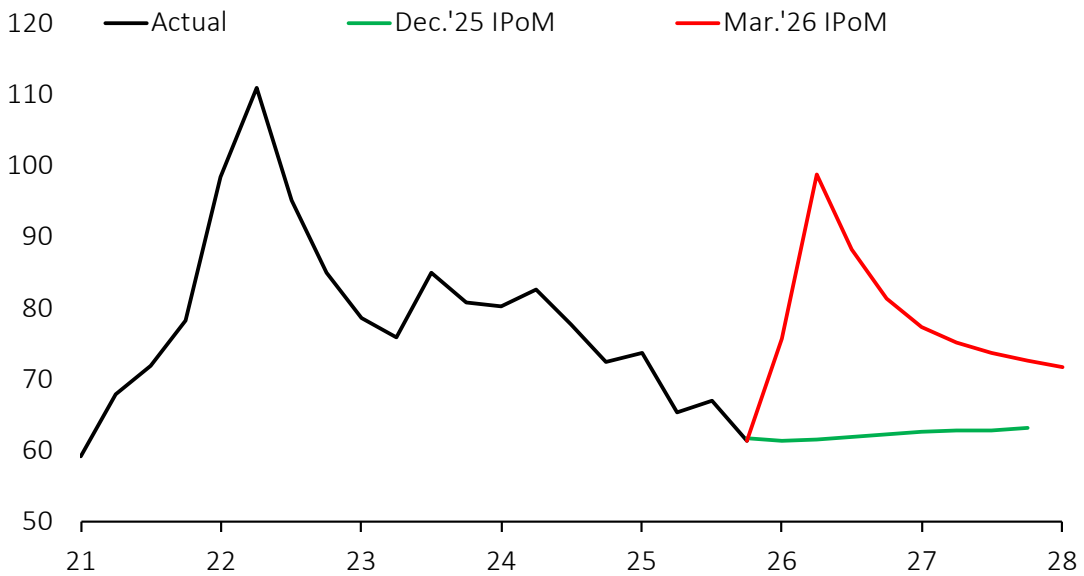
(1) GFCF:

Source: Central Bank of Chile.

Figure 8

Oil price forecasts (1)

(dollars per barrel)



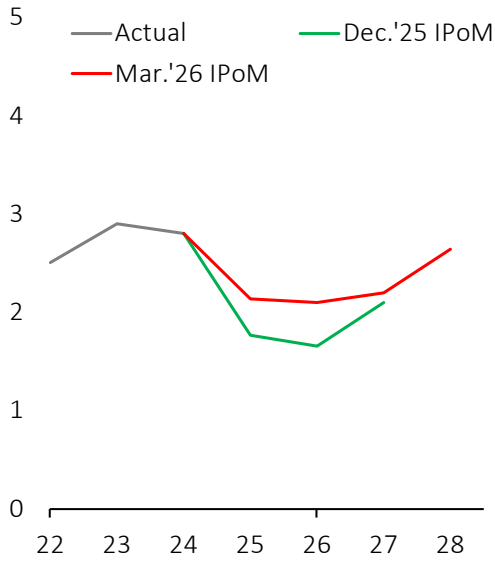
(1) Average quarterly price actual or forecast contained in respective IPoM. Uses WTI-Brent average price per barrel.

Source: Central Bank of Chile.

Figure 9 (1)

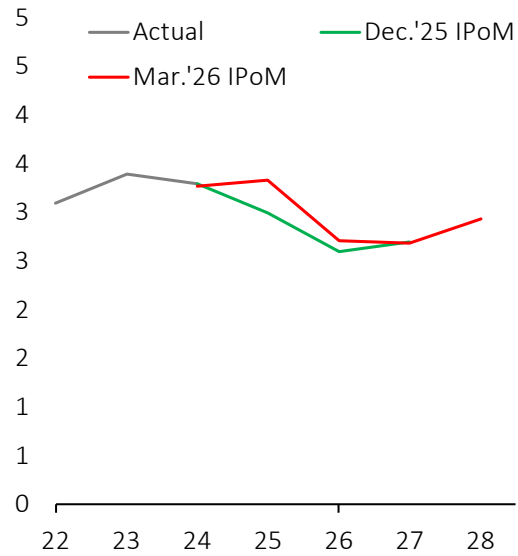
U.S. growth forecasts

(annual change, percent)



Trading partners' growth forecasts

(annual change, percent)



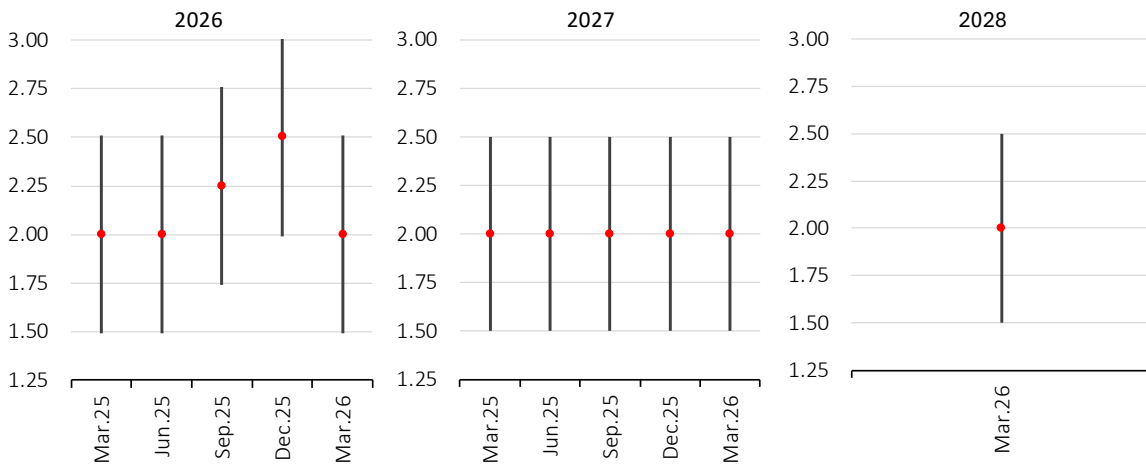
(1) Green and red lines correspond to the forecast in the respective IPoM's central scenario.

Source: Central Bank of Chile.

Figure 10

GDP growth forecasts (1)

(real annual change, percent)



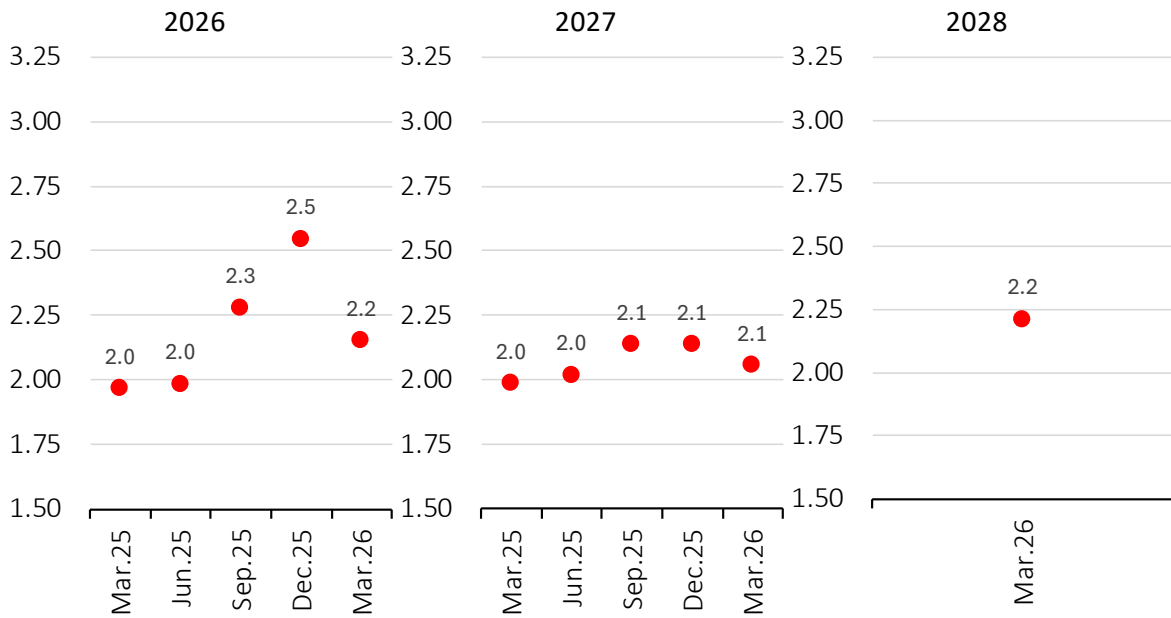
(1) Red dots represent the midpoint of the growth ranges, for comparison purposes. □

Source: Central Bank of Chile.

Figure 11

Private consumption forecasts

(real annual change, percent)

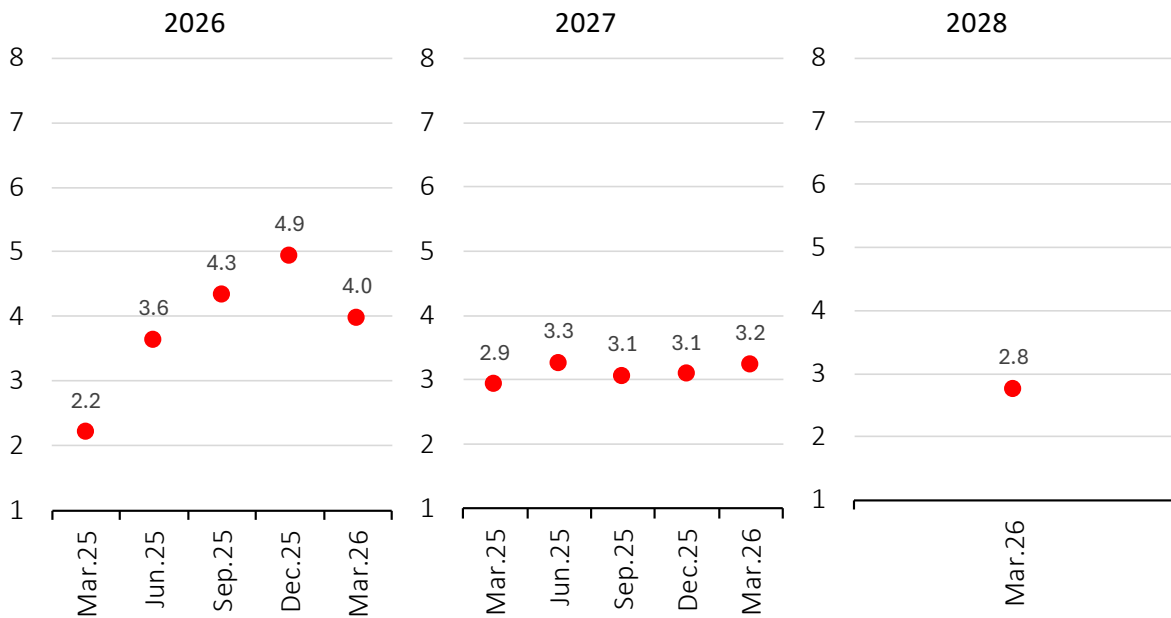


Source: Central Bank of Chile.

Figure 12

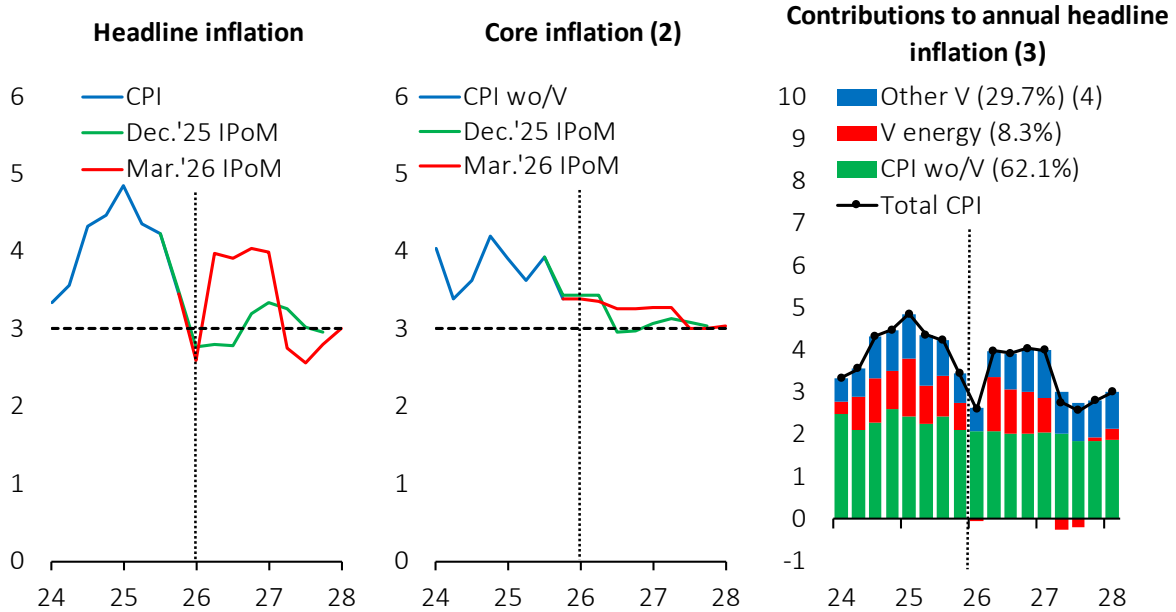
GFCF forecasts

(real annual change, percent)



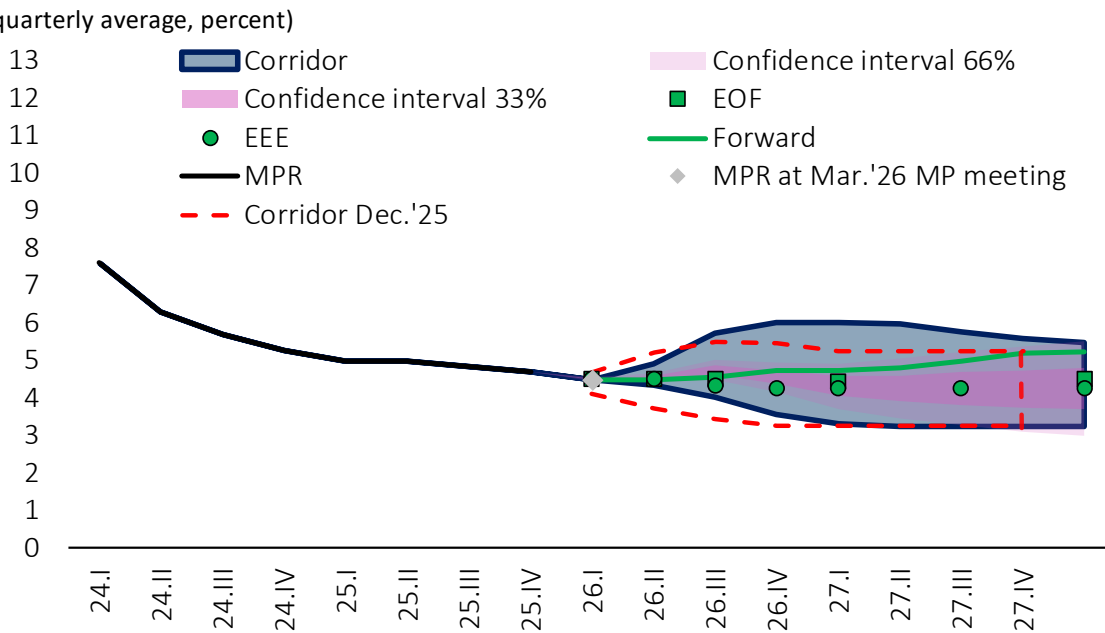
Source: Central Bank of Chile.

Figure 13
Inflation forecasts (1)
 (annual change, percent)



(1) Figures consider the 2023 CPI benchmark basket and splicing made by the BCCh. (2) Measured by CPI excluding volatile items. (3) In parentheses, shares in the CPI basket. The abbreviations wo/V and V stand for “without volatile items” and “volatile items,” respectively. (4) Includes volatile food items and other volatiles. Sources: Central Bank of Chile and National Statistics Institute (INE).

Figure 14
MPR corridor (1)
 (quarterly average, percent)



(1) For details, see note to Figure II.8 in March'2026 IPoM. Source: Central Bank of Chile.