

# Macro scenario - Chile



December 17, 2025

## A New Dawn

- ▶ Domestic demand is performing well, supported by lower average interest rates, easing inflationary pressures, and favorable terms of trade. Consequently, the investment pipeline continues to be revised upward. We now forecast 2026 GDP growth at 2.4% (+0.2pp from our previous forecast). With inflation surprising to the downside in recent quarters, amid anchored inflation expectations, the BCCh delivered the expected 25bp cut to 4.5% in December. We see the cycle ending at 4.25%, in center of the BCCh's revised neutral rate range.

## A New Political Cycle

Right wing candidate José Antonio Kast expectedly defeated the governing coalition's candidate Jeannette Jara in the presidential runoff, marking the fifth consecutive presidential swing between left and right. Kast and the new congress begin their terms next mid-March. Kast campaigned on swiftly addressing concerns on rising crime, public safety, and migration, as well as economic growth, and job creation, policies that mostly require legislative approval.

Regarding Congress, the right retained a sizable share in both chambers but fell slightly short of a majority. With no coalition in full control, governance will require negotiation across the political spectrum. The outgoing administration plans on advancing much-needed constitutional reforms prior to concluding its term that, in principle, reduce fragmentation and polarization in Congress.

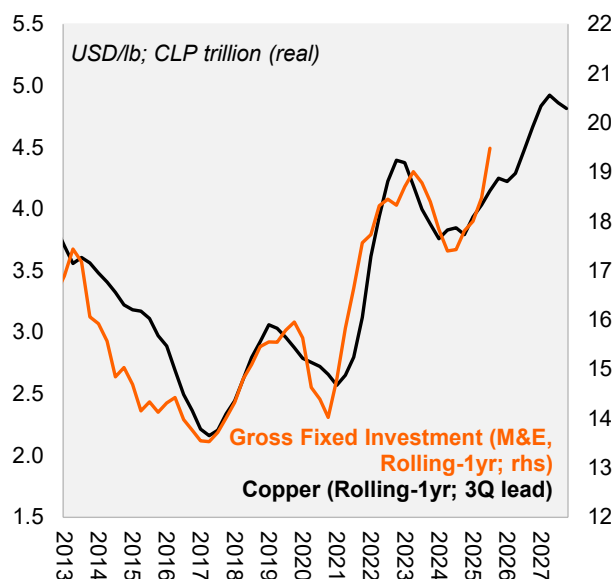
## An Investment-Led Recovery

According to the Corporation of Capital Goods' 3Q25 survey—a key indicator for large-scale investment projects—the five-year nominal investment forecast was revised up by 6.5% compared to 2Q25, reaching USD 79 billion (79% private, 21% public) – substantially greater, in absolute terms, than the USD 25 billion in the RIGI program recently announced by its neighbor across the Andes. This sequential increase follows a 9.6% nominal rise in the previous quarter. Unlike prior revisions driven by mining and energy, the latest uptick reflects real estate and industrial projects. The 2026 investment forecast rose roughly 8%. Along these lines, imports of capital goods have grown at a double-digit annual pace for several months and business confidence has gradually improved. Earlier this year,

Congress approved a bill aimed at streamlining permits, though progress on environmental approvals remains slow and commercial bank-financed credit is subdued.

The improvement in the medium-term investment pipeline coincides with a presidential campaign focused on growth, investment facilitation, and fiscal consolidation. Domestic policy uncertainty has eased, and copper prices remain near record highs.

### Investment surge



Source: BCCh, Itaú

Looking at the rearview mirror, activity in 3Q was weighed down by a 6.5% annual contraction in mining due to temporary supply shocks. Non-mining activity, however, rose by 2.6% with private consumption up nearly 3% and gross fixed investment surging 10%. Investment was led by machinery and equipment, particularly transportation and electrical/electronic machinery for power generation projects. Construction

and other works posted slightly positive figures, driven by engineering projects, still lagging in the investment-led recovery.

### CLP Continues to Gain Ground

In mid-December, the Chilean peso hovered around 915, down 4.5% from the 3Q average. Record-high terms of trade, improving growth expectations for 2026, and lower economic uncertainty have supported the recovery trend, even as non-residents resumed quarterly high short positions on the CLP (~USD 6 billion equivalent). The annualized quarterly trade surplus stands near USD 23 billion (SA; 6% of GDP) for the three months ending in November. Our expectation of somewhat greater interest rate differentials with the US and a weaker dollar reinforces our call for further peso appreciation.

### Softer Inflation

Inflation remained at 3.4% in November, close to the BCCh's 3% target. Since August, cumulative downside inflation surprises relative to market consensus reach 0.5pp, mainly driven by goods prices. At the margin, annualized inflation over the last quarter reached 2.0%, while core inflation stands at 3.0% (core goods: 0.7%, core services: 4.9%). Nominal wage growth in October decelerated to 5.9%, well below the 8% average seen in late 2024 and early 2025. Despite this adjustment, real wage growth remains strong, sustaining service price pressures. After the roughly 50% cumulative nominal minimum wage increase since April 2022, we do not anticipate a significant real minimum wage increase next year.

### Almost done

The BCCh delivered the expected unanimous 25-bp cut to 4.5% in December and revised the nominal neutral rate range up by 25bps to 3.75% - 4.75%, hence signaling a terminal rate of 4.25%. The statement's guidance shifted towards data dependent and is similar to historical text immediately prior to closing cycles.

### Growth Up, Inflation Down: Fine-Tuning the Rate Cycle

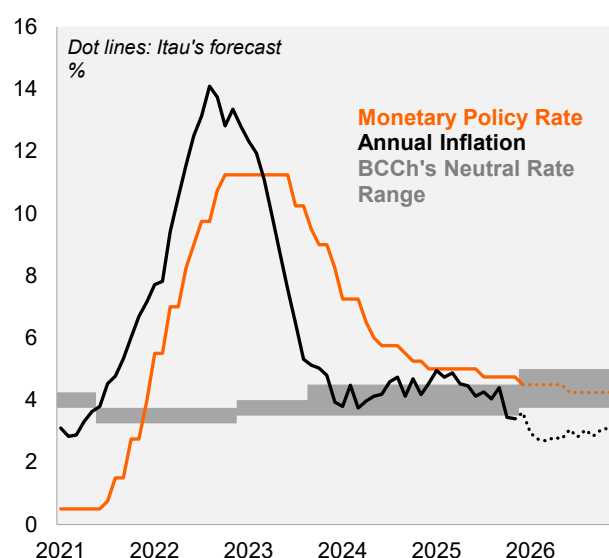
Mining activity is expected to contract somewhat this year, well below initial expectations of growth on top of last year's ~5% gain. As a result, we adjusted our 2025 GDP growth forecast down by 10bps to 2.4%. For 2026, we project growth of 2.4% (+20bps), supported by an

improved investment outlook and slightly greater global growth. Historical revisions to the balance of payments data and higher average copper price path point to a lower CAD this year (-0.2pp to 2.6%) and next (-0.1pp to 2.4%). We maintain our 2026 year-end USDCLP forecast at 880, underpinned by greater interest rate differentials with the U.S., favorable investment outlook, and strong terms of trade.

We forecast inflation to reach 3.0% in 1Q26. Softer inflation pressures in recent months lead us to revise our 20205 year-end call down by 0.2pp to 3.5%. For 2026, we expect average inflation of 2.8%, as an appreciating currency and low global energy prices keep tradable goods inflation subdued. The recovery in domestic demand will keep services inflation around 4%.

Following the 25-bps cut to 4.5% in December, the BCCh is in the fine-tuning stage of the cycle. Changes to our international scenario and a lower average inflation path leads us to see the cycle concluding at 4.25% (-25bps) in June. Still, sticky services inflation amid recovering domestic demand will limit the scope for a deeper easing cycle.

### Close to neutral



Source: BCCh, Itau

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## Chile | Forecasts and Data

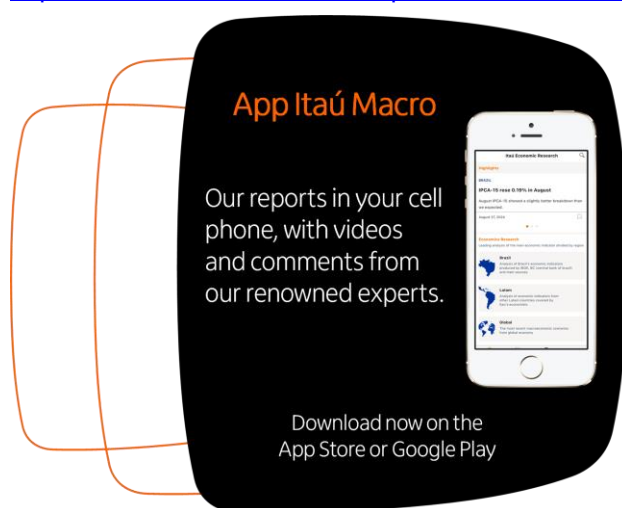
	2021	2022	2023	2024	2025F		2026F		2027F
					Current	Previous	Current	Previous	Current
<b>Economic Activity</b>									
Real GDP growth - %	11,3	2,2	0,5	2,6	<b>2,4</b>	2,5	<b>2,4</b>	2,2	<b>2,2</b>
Nominal GDP - USD bn	315	302	336	330	<b>346</b>	350	<b>389</b>	387	<b>423</b>
Population (millions)	19,7	19,8	20,0	20,1	<b>20,2</b>	20,2	<b>20,3</b>	20,3	<b>20,4</b>
Per Capita GDP - USD	16.024	15.209	16.829	16.442	<b>17.141</b>	17.339	<b>19.140</b>	19.032	<b>20.707</b>
Unemployment Rate - year avg	8,9	7,9	8,7	8,5	<b>8,5</b>	8,5	<b>8,3</b>	8,4	<b>8,3</b>
<b>Inflation</b>									
CPI - %	7,2	12,8	3,9	4,5	<b>3,5</b>	3,7	<b>3,0</b>	3,0	<b>3,0</b>
<b>Interest Rate</b>									
Monetary Policy Rate - eop - %	4,00	11,25	8,25	5,00	<b>4,50</b>	4,50	<b>4,25</b>	4,50	<b>4,25</b>
<b>Balance of Payments</b>									
CLP / USD - eop	851	851	879	996	<b>930</b>	930	<b>880</b>	880	<b>860</b>
Trade Balance - USD bn	10,3	3,6	13,8	21,0	<b>19,2</b>	17,0	<b>20,0</b>	18,0	<b>19,0</b>
Current Account - % GDP	-7,3	-8,8	-3,1	-1,5	<b>-2,6</b>	-2,8	<b>-2,4</b>	-2,5	<b>-2,4</b>
Foreign Direct Investment - % GDP	4,8	6,2	5,5	3,8	<b>4,2</b>	4,4	<b>4,2</b>	4,3	<b>3,9</b>
International Reserves - USD bn	51,3	39,2	46,4	44,4	<b>49,0</b>	49,0	<b>57,0</b>	55,0	<b>65,0</b>
<b>Public Finance</b>									
Primary Balance - % GDP	-6,9	2,1	-1,6	-1,7	<b>-1,4</b>	-0,9	<b>-0,3</b>	-0,3	<b>0,3</b>
Nominal Balance - % GDP	-7,7	1,1	-2,4	-2,8	<b>-2,5</b>	-2,0	<b>-1,5</b>	-1,5	<b>-1,1</b>
Gross Public Debt - % GDP	36,3	38,0	39,4	41,7	<b>42,4</b>	42,4	<b>43,0</b>	43,3	<b>43,1</b>
Net Public Debt - % GDP	20,1	20,5	23,2	26,0	<b>27,1</b>	27,1	<b>27,6</b>	27,8	<b>27,7</b>

Source: IMF, Bloomberg, BCCh, INE, Haver and Itaú

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