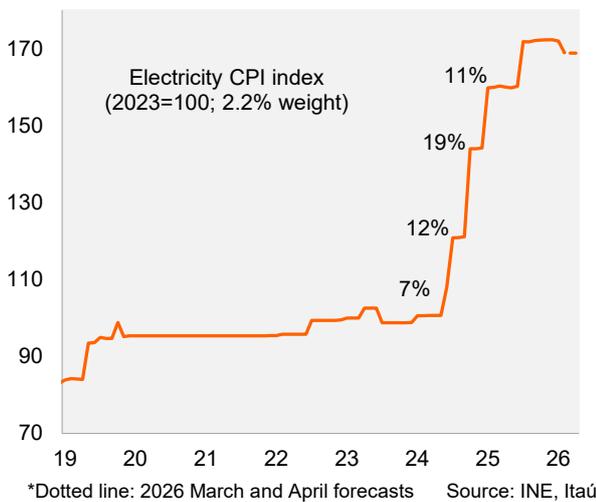


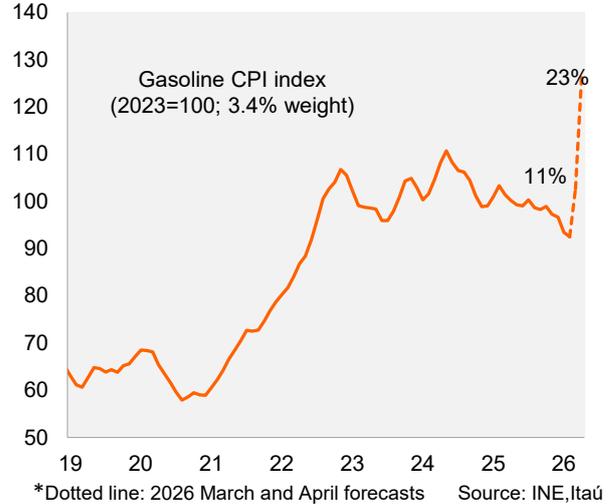
## Government surprises by decreeing an unprecedented jump in oil prices

The government surprised by decreeing an unprecedented jump in oil prices, to take place this Thursday March 26, essentially closing the gap of international oil prices with domestic ones. Gas prices are projected to rise by roughly 30% per liter and diesel prices by about 60% per liter. The adjustment follows an alternative interpretation of article 3 of the Mepco law that had previously led to a maximum hike of CLP 30.

Electricity shock...

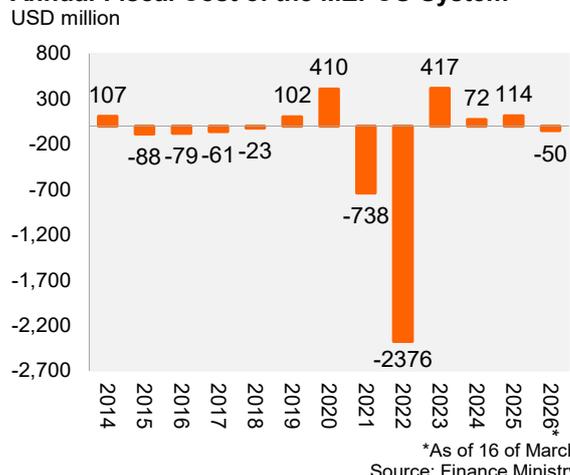


... Followed by a fuel price hike



The MEPCO mechanism will remain in place following the adjustment. If international oil prices fall swiftly, the government plans on passing along the cuts just as fast as it did with the hike. The adjustment takes place to reduce the impact on the fiscal accounts, which the MoF estimated at a cost of USD140 million between March 14-25; maintaining the status quo would have led to an annual cost of USD4 billion, roughly 1.2% of GDP, according to the MoF.

Annual Fiscal Cost of the MEPCO System



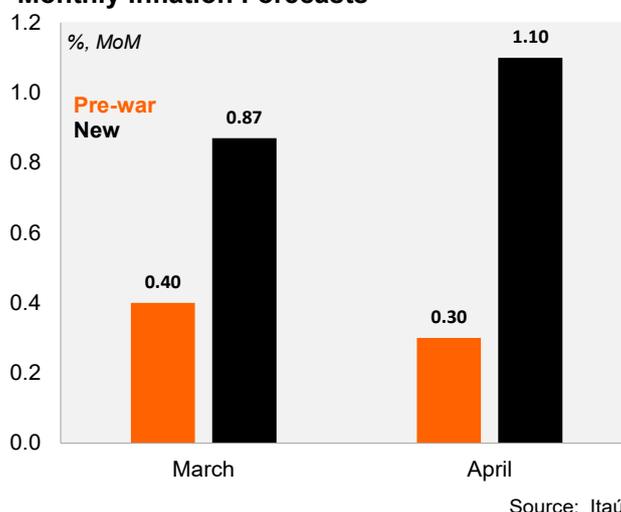
### The administration plans on mitigating the social effects of higher oil prices with several other measures.

Such actions include a freeze on public transportation fees in Santiago through yearend, resources to moderate the rise of public transportation fees in regions, paraffine prices are lowered and frozen back at February 2026 levels, transitory subsidy for taxis, preferential credit line offered by the state-owned bank BancoEstado for taxis to promote electromobility, heightened security measures for transport, and the transitory suspension of the higher credit on the specific tax on non-transport firms.

### Our take: We estimate that this week's jump in gasoline and diesel prices will be reflected in the upcoming monthly inflation prints, including March.

- Our preliminary forecast for the coming months is 0.87% MoM for March and 1.1% for April, consistent with 2.7% YoY and 3.7% YoY, respectively (2.4% in February). Our cumulative inflation forecast for March-April rose from 0.7pp to roughly 2pp. These projections consider only the direct effects of higher gasoline and diesel prices. For comparison purposes, the direct effect of the electricity price readjustment between July22 and July2025 totaled 1.6pp of additional inflation.
- Second round effects would be on top of these forecasts. The interurban bus industry guilds have announced fare hikes of around 21% between these months, which would add an additional 0.05pp. The sudden price spike will also likely accelerate the pass-through to other items in the CPI basket as transportation fees surge.
- Prior to the Middle East conflict our 26YE inflation forecast reached 2.8%, with a downside bias; however, recent announcements suggest inflation could end the year above 4.0%, even considering a swift reversion in international oil prices.
- The government plans on presenting a National Reconstruction Bill of forty measures that boosts investment in the coming days. According to the weekly CADEM poll, the government's approval fell by 6pp last week to 51%.

#### Monthly Inflation Forecasts

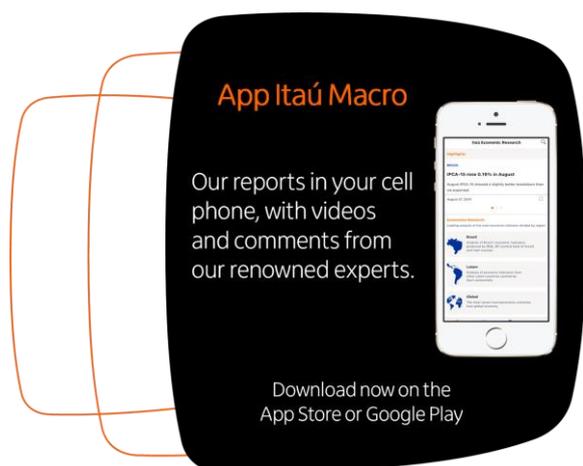


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