

Macro scenario - Chile



April 30, 2026

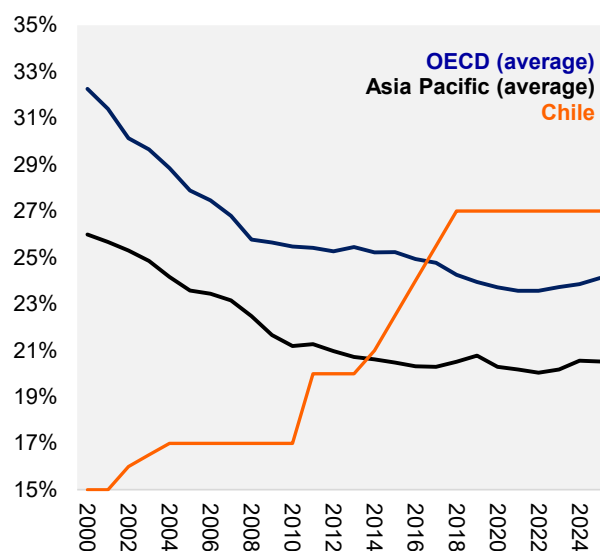
A meeting-by-meeting approach

- ▶ Activity is losing momentum just as inflation is set to re-accelerate on energy pass through, leaving the central bank facing an increasingly difficult trade off. Monetary policy risks are asymmetrically tilted toward a prolonged hold—or potentially a hike—rather than a renewed easing cycle. That said, the cost push nature of the shock, combined with weakening domestic demand, should help keep medium term inflation expectations anchored around the 3% target. Against this backdrop, we expect the policy rate to remain unchanged at 4.5% for a protracted period.

Flagship reform package targets a growth reset

The Kast administration unveiled its **National Reconstruction Bill**, a broad reform package comprising more than forty measures aimed at lifting Chile's potential growth. The bill centers on re-energizing private investment, primarily through tax relief, regulatory simplification, and lower policy uncertainty. While the government acknowledges near-term revenue losses, it frames stronger medium-term growth, alongside expenditure restraint as the key mechanism for restoring fiscal sustainability. The bill's core tax proposals include a gradual cut in the corporate income tax rate for large firms from 27% to 23% by 2029; the full reintegration of the tax system, eliminating the gradual repayment of corporate tax credits and simplifying compliance; and a 25-year tax stability statute for large domestic and foreign investment projects, aimed squarely at reducing policy uncertainty premiums.

Corporate tax rate



Source: OECD

Fiscal credibility will be decisive. Early delivery on this year's spending cuts is critical for offsetting the reform's upfront revenue costs and building legislative momentum. Upon taking office, the administration instructed ministries to implement across-the-board expenditure cuts of 3% (around USD 3bn), supplemented by an additional USD 1bn in cross-ministerial savings—together amounting to roughly 1.2% of GDP. Officials indicate that around half of the spending cuts have already been executed. Swift approval of the bill would likely boost business confidence and investor sentiment. A more detailed review of the reform can be accessed [here](#).

Activity falters as inflation pressures rebuild...

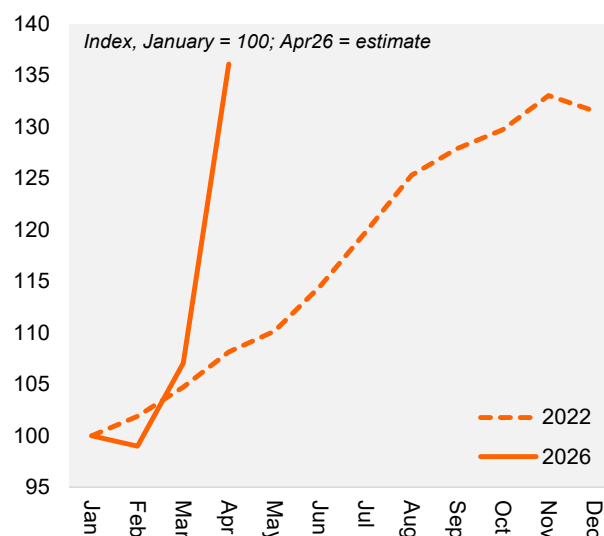
Economic momentum has softened materially. Our forecast includes a mild annual contraction in 1Q (2.5% in 2025), with strength in mining investment offset by weak mining output and a broad deceleration in retail and services activity. This outcome undershoots the BCCh's IPoM 1% growth forecast for the quarter. Tourism—an important tailwind over the past two years—has turned sharply lower, with Argentine arrivals down by roughly one-third in 1Q on an annual basis. Credit conditions remain tight: the stock of outstanding bank credit grew a nominal 3.9% YoY in 1Q26, with surveys pointing to subdued demand and still-restrictive supply. The labor market adds to the downside risks, as employment stagnates and wage growth moderates, weighing on household spending. The weakness observed in 1Q precedes the bulk of the drag expected from higher global oil prices and tighter financial conditions. Meanwhile the rising probability of El Niño is likely to be macro-neutral for Chile, unlike Peru or Colombia, as hydroelectric generation typically benefits from higher rainfall.

Chile's 1Q trade surplus reached USD 9.7bn (2.5% of GDP)—roughly 50% larger than a year earlier—driven by a surge in mining receipts. With metals accounting for over half of exports and prices still supportive, the recent oil price shock will likely erode—but not reverse—the favorable terms-of-trade backdrop prevailing prior to the Middle East conflict. Energy-related goods represent around 15% of total imports, and the energy trade deficit, which stood near USD 13bn last year, could widen by as much as 50% in 2026. The peso has been highly sensitive to geopolitical headlines, but the real exchange rate currently appears close to its medium-term equilibrium.

Headline inflation re-accelerated in March, marking the start of energy pass-through. CPI rose 1.0% MoM in March, driven primarily by fuel prices. Gasoline surged 8.2% MoM, following an unexpected acceleration in pass-through policy, contributing roughly 20bp to monthly inflation. Additional upside surprises came from international airfares (+15% MoM) and education services (+5.5% MoM). As a result, headline inflation rose by 0.4pp to 2.8% YoY, while core inflation increased 0.1pp to 3.4% YoY. Near-term core momentum remains contained but is set to pick up. At the margin, annualized inflation in 1Q26 climbed to 2.9% (from 2.1% in 4Q), while core inflation averaged 2.3%, slightly below the prior quarter. Looking ahead, we expect energy effects to intensify in April, with a 1.4%

MoM CPI print, lifting headline inflation to around 4.1% YoY, while core inflation would hold at 3.4%.

A swift passthrough to gasoline prices



Source: INE, Itaú

... leaving the BCCh in a tough spot

The short-term inflation outlook is set to deteriorate before improving, keeping the BCCh firmly on hold, absent a material shift in medium-term inflation expectations. The inflation path remains front-loaded, complicating the policy trade-off at a time of weakening growth. Recent BCCh communication underscores a deliberately cautious, data-dependent stance, balancing higher inflation against softer activity. With price pressures stemming largely from external and cost shocks, the central bank's priority remains anchoring expectations, rather than reacting mechanically to headline volatility. Encouragingly, while trader and analyst surveys show a sharp pickup in short-term inflation expectations, the two-year horizon remains essentially at the 3% target. Break-evens have been volatile with the 2026 CPI expectation swinging between 4% and 5% depending on updates on the oil price front. The rates curve currently prices one to two 25bp hikes over the remainder of the year, signaling an upside bias to monetary policy.

Forecast fine-tuning

We maintained our 2026 GDP growth forecast at 2.1%, although weak activity tracking and additional short-term headwinds (energy costs and fiscal cuts) pose downside risks. The assumption of a transitory oil price spike, elevated metal prices and a push to unlock investment projects support our view of an acceleration over our forecast horizon. We see growth in 2027 at 2.8% (unchanged).

The higher average oil price path leads us to raise our yearend inflation estimate by 0.2pp to 4.3%. The unwind of oil prices expected ahead along with a projected CLP appreciation from current levels results in YE27 inflation of 3.0% (+0.1pp). Our scenario is consistent with the USDCLP appreciating to 860 by the end of next year. With the energy trade deficit set to rise,

we expect the CAD to increase from 1.2% of GDP last year to a still low 1.7% this year.

The latest BCCh messaging reinforces the view that monetary policy risks are asymmetrically skewed toward a hold or potential hike, rather than a resumption of easing. Managing the narrative around transitory shocks will be critical to keep inflation expectations anchored at the 3% target. We expect the Board to hold the policy rate at 4.5% for the remainder of the year. Should inflation expectations at the policy-relevant horizon begin to move persistently above the Central Bank's target, policy rate hikes would come into play.

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Chile | Forecasts and Data

	2022	2023	2024	2025	2026F		2027F	
					Current	Previous	Current	Previous
Economic Activity								
Real GDP growth - %	2.1	0.7	2.8	2.5	2.1	2.1	2.8	2.8
Nominal GDP - USD bn	301	336	329	357	404	403	441	440
Population (millions)	19.8	20.0	20.1	20.2	20.3	20.3	20.4	20.4
Per Capita GDP - USD	15,202	16,843	16,392	17,680	19,882	19,844	21,564	21,522
Unemployment Rate - year avg	7.9	8.7	8.5	8.5	8.3	8.3	8.0	8.0
Inflation								
CPI - %	12.8	3.9	4.5	3.5	4.3	4.1	3.0	2.9
Interest Rate								
Monetary Policy Rate - eop - %	11.25	8.25	5.00	4.50	4.50	4.50	4.50	4.50
Balance of Payments								
CLP / USD - eop	851	879	996	901	880	880	860	860
Trade Balance - USD bn	3.6	13.8	20.8	23.8	23.0	23.0	22.0	22.0
Current Account - % GDP	-8.9	-3.1	-1.2	-1.2	-1.7	-1.7	-1.9	-1.9
Foreign Direct Investment - % GDP	6.2	5.7	4.0	4.1	4.5	4.5	4.1	4.1
International Reserves - USD bn	39.2	46.4	44.4	49.5	57.0	57.0	65.0	65.0
Public Finance								
Primary Balance - % GDP	2.1	-1.6	-1.8	-1.8	-0.9	-0.9	-0.3	-0.3
Nominal Balance - % GDP	1.1	-2.4	-2.9	-2.8	-2.0	-2.0	-1.5	-1.5
Gross Public Debt - % GDP	38.0	39.4	41.7	41.7	42.0	41.9	42.5	42.5
Net Financial Position - % GDP	-31.8	-34.4	-37.2	-37.6	-38.0	-37.9	-38.5	-38.5
Net Public Debt - % GDP	20.5	23.2	26.0	26.5	26.7	25.9	26.9	26.1

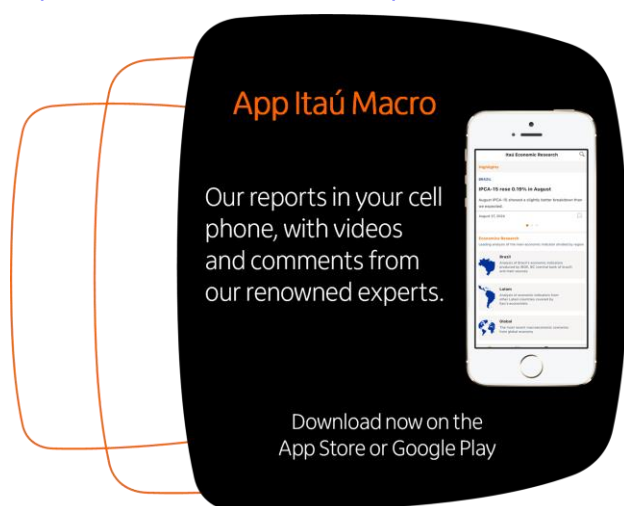
Source: IMF, Bloomberg, BCCh, INE, Haver and Itaú

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