



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

Rosanna Costa

Governor

Central Bank of Chile

September 9, 2026

*The September 2026 Monetary Policy Report can be visited at <http://www.bcentral.cl>.

Introduction

Madam President of the Senate, honorable Senators, on behalf of the Board of the Central Bank of Chile, I wish to express my gratitude for your invitation to present the report that, in accordance with the Constitutional Organic Law of the Central Bank, constitutes our account before the Senate.

In this Monetary Policy Report (IPoM), the third of 2026, we note that economic conditions have evolved over the course of the year. Looking back at late 2025, we expected inflation to remain around 3% for much of this year and economic activity to grow between 2% and 3%. Moreover, during the first few months of 2026, the external environment and the improvement in domestic expectations appeared to reinforce that outlook.

However, the outbreak of the conflict in the Middle East and the resulting increase in oil and other commodity prices significantly changed the outlook. Our focus then turned to assessing the effects of this shock on inflation, economic activity, and the conduct of monetary policy. The Chilean economy was well placed to absorb the shock, as it entered this episode with inflation close to the target and without significant macroeconomic imbalances.

Since then, inflation has evolved in line with forecasts, although in a context different from the one originally anticipated. While the global economy proved more resilient than expected, supported by investment associated with the development and adoption of artificial intelligence, the Chilean economy lost momentum. The supply-side disruptions observed at the beginning of the year were compounded by a deterioration in the labor market, declining confidence, and greater weakness in both consumption and investment. As a result, in this IPoM, we once again revise down our growth outlook for this year.

Going forward, we estimate that the economy will return to higher expansion rates, supported by a rebound in investment that would be underpinned, among other factors, by the recently approved Reconstruction Law and high copper prices.

As for inflation, we continue to estimate that it will converge to levels around the 3% target by the second quarter of 2027 and remain around that level over the remainder of the monetary policy horizon.

I will now turn to a more detailed presentation of the contents of the Report, which underpin the monetary policy decision and the outlook communicated following yesterday's Monetary Policy Meeting.

Recent developments in the macroeconomic scenario

First, I should note that, broadly speaking, inflation readings in recent months have been consistent with what we anticipated in the June IPoM. According to the CPI figure released yesterday, annual inflation stood at 4.1%, meaning that it has fluctuated around 4% in recent months. Meanwhile, annual core inflation, measured by the CPI excluding volatile items, stood at 3.3%, and has remained within a range of 3.2% to 3.4% since June.

Inflation has continued to be largely driven by higher fuel prices, with the pass-through of these increases to other prices following historical patterns. In this context, two-year-ahead inflation expectations stand at around 3% across the various measures (Figure 1).

Regarding activity, second-quarter data came in below the forecasts in the previous Report, with the economy having continued to perform weakly in recent months. Annual total GDP growth went from a decline of 0.3% in the first quarter to a decline of 0.2% in the second quarter, while annual non-mining GDP growth increased from 0.2% to 0.7% over the same period. In seasonally adjusted terms, total activity was unchanged in the second quarter relative to the first, while non-mining GDP declined by 0.1%.

Allow me to pause briefly to discuss the July Imacec, released last week, which posted an annual decline of 1.5%, considerably below market expectations. This result was largely influenced by the adverse weather conditions recorded that month, which negatively affected several economic sectors. Lower mining output was an additional factor and, according to the first high-frequency data for August, appears to have remained affected by adverse supply-side factors.

Nevertheless, it is important to note that, while the weakness of the economy earlier in the year was mainly due to supply-side factors, in recent months domestic demand has slowed. Indeed, annual growth in domestic spending fell from 2.3% to 0.1% between the first and second quarters, with lower growth rates in gross fixed capital formation (GFCF) and private consumption. Fiscal expenditure also recorded a more moderate increase in recent months (Figure 2).

The slowdown in private expenditure occurred alongside a deterioration in some of its underlying determinants. Among them, business and household confidence indices fell sharply from late in the first quarter onwards, a decline that has been marginally reversed in the most recent data (Figure 3).

As described in one of the Report's boxes, the decline in confidence appears to reflect multiple factors whose effects occur simultaneously and interact with one another. These include the conflict between the United States and Iran, mainly through its impact on oil and fuel prices and on its contribution to greater global uncertainty; local activity and unemployment figures; and an increase in indicators associated with economic policy uncertainty (Figure 4).

Another factor that may be affecting private consumption is the impact of the deterioration in employment on household income. The latest data from the National Statistics Institute show job losses, particularly in the formal sector, with the unemployment rate rising to 9.5%. All of this has led to slower growth in the real wage bill (Figure 5).

I would like to pause here to recall that developments in domestic demand and its determinants play a key role in our assessment of inflationary pressures and of the monetary policy stance consistent with achieving the inflation target. This requires carefully analyzing household consumption and its determinants, particularly labor income. A clear diagnosis of the persistence and nature of the factors affecting the labor market and of their implications for inflationary pressures, is therefore essential.

One of the boxes included in this Report describes factors behind the weak performance of the Chilean labor market following the pandemic. On the one hand, this analysis confirms the importance of more persistent factors, such as the increase in labor costs, a development already documented in September last year (Figure 6).

On this occasion, we have new evidence on the effect of automation. It suggests that this process may be relevant, given Chile's high exposure to this phenomenon relative to other OECD countries. The study compares workers' labor-market outcomes between 2022 and 2025, grouping them according to their degree of exposure to automation and their age. The first finding shows that workers who

were in occupations highly exposed to automation in 2022 were less likely to remain employed in the formal sector three years later than workers in jobs with lower exposure to automation. The second finding shows that, among workers under the age of 30, the decline in that probability is even greater (Figure 7). Regarding cyclical factors, we find that weaker domestic demand has weighed on employment, especially in more labor-intensive sectors such as construction.

Let me now turn to gross fixed capital formation, or investment. As I mentioned, this component of expenditure also slowed in the second quarter. Its performance was affected by the sustained weakness of the real estate sector, the completion of some large-scale initiatives, and the postponement of investment projects.

The August Business Perceptions Report, which we publish four times a year and which gathers the views of firms throughout the country, indicates that a share of firms postponed their projects in response to the deterioration in economic conditions in the second quarter. It also notes that investment was postponed pending approval of the Reconstruction Law, which remained under legislative consideration until a few weeks ago. Lastly, public investment expenditure showed lower execution in the first half of the year.

In any event, beyond its short-term performance, the outlook for investment remains favorable. The latest survey by the Capital Goods Corporation, which records committed expenditure on major investment projects, reported a 15% increase in total investment amounts expected for 2027-2028. This occurs in a context of high copper prices, an upward revision to the medium-term copper price assumption, and the expected boost to private investment from the Reconstruction Law (Figure 8).

Turning to the external environment, developments surrounding the conflict in the Middle East continue to dominate the international scenario. At the cut-off date of the previous MP Report, we received news of a memorandum of understanding between the United States and Iran. The announcement lowered oil prices and raised expectations of a normalization of shipping traffic through the Strait of Hormuz.

However, as the weeks have passed, this memorandum has not materialized into a peace agreement. Moreover, the gap between the positions of the United States and Iran has widened and, together with the recent escalation in hostilities, has reduced the prospects of a negotiated solution. In this setting, traffic through the Strait remains disrupted, oil prices have again approached US\$100 per barrel, and the risk of further increases persists as reserves, which have been used intensively in recent months, become depleted.

In any event, oil futures prices continue to assume that the conflict will be resolved and that crude oil prices will fall. Comparing the statistical cut-off date of this Report, which was Wednesday of last week, with that of the previous Report, we see no substantial differences in the estimated prices for the next two years, which stand around US\$80 for 2026-2028 (Figure 9).

Global activity continues to be driven by the artificial intelligence boom. This has benefited countries that are more deeply involved in the technology supply chain, with expected growth rising in several Asian economies. It also explains much of the strength of economic activity in the United States (Figure 10).

However, doubts are increasing about the ability of firms linked to artificial intelligence to maintain the current high pace of investment, in a context of rising debt levels. These concerns have

contributed to greater volatility in technology-sector equities prices than in the prices of other securities, an issue discussed in another box in the Report.

Regarding global inflation, higher oil prices, together with the resilience of the global economy and communication from some central banks, have renewed inflation concerns and shifted global monetary policy expectations in a more restrictive direction. Thus, policy rate increases are expected during the remainder of the year in Europe, where rates already rose in June, as well as in the United Kingdom, and the United States, among others (Figure 11).

Greater concern about inflation, together with competition for resources to finance massive investment in artificial intelligence, has contributed to the rise in long-term interest rates. Accordingly, in recent weeks these rates have increased to levels not seen in several decades. This increase comes amid growing fiscal funding needs in advanced economies (Figure 12).

Forecasts

Turning to the Report's forecasts, the main changes to the baseline scenario concern the domestic economy.

For 2026, the weakness of domestic expenditure, the adverse effects of weather conditions on several economic sectors during the third quarter, and lower mining output have all contributed to the revision. This leads us to revise the GDP growth range from 1.0-1.75% to 0.25-0.75%. Consumption and GFCF are projected to end 2026 with annual changes of 1.7% and -0.3%, respectively, compared with the 2.2% increase expected for both expenditure components in the previous IPoM.

The baseline scenario incorporates the effects of the approval of the Reconstruction Law on activity in 2027 and 2028, the two-year horizon customarily covered by Report's forecasts. The scenario assumes that the Law would provide a significant boost to investment beginning next year, with additional support from other measures implemented in recent years, including efforts to simplify the investment process and provide greater certainty. This higher capital expenditure would help improve the labor market and confidence, thereby supporting private consumption. Taking all these factors into account, the projection incorporates around 0.5 percentage points of additional annual growth in 2027 and 2028 as a result of the Law.

In addition, the forecast for economic activity assumes that the supply-side factors that affected the economy this year will gradually dissipate during the second half of the year and that there will be no significant additional disruptions caused by weather events. On the fiscal side, the forecasts for 2027 and 2028 incorporate the committed nominal expenditure reported in the latest Public Finance Report.

In this context, the economy is expected to gradually return to higher expansion rates over the coming quarters. Accordingly, the GDP growth range for 2027 is 2% to 3%, unchanged from June. For 2028, growth is forecast to be within the range of 2.25% to 3.25%, up from the 1.75% - 2.75% in the June IPoM. In the baseline scenario, GFCF and private consumption would return to higher expansion rates than those expected for 2026 (Figures 13 and 14).

On the external front, the baseline scenario assumes that the impulse to the Chilean economy will be similar to that incorporated in June. For 2026-2028, the global economy and Chile's trading partners are still estimated to grow at around 3%. The expected evolution of the terms of trade is more

favorable, mainly owing to the improved outlook for copper prices. International financial conditions, meanwhile, would be somewhat tighter, in line with the rise in interest rates.

Expected inflation remains slightly above 4% year on year at the end of 2026, while convergence to the target in the second quarter of 2027 is maintained. For core inflation, measured by the CPI excluding volatile items, estimates remain around 3% for much of the forecast horizon (Figure 15).

In the near term, inflation developments would be determined by the interaction of opposing effects from lower demand pressures and cost shocks that remain relevant. The forecast continues to assume that the effects of these shocks will be passed through in line with historical patterns, as they have been so far, and that the real exchange rate will be at its long-term level in the coming quarters. Relative to the assumptions in June, the forecast incorporates, on the one hand, stronger growth in hourly earnings, based on the latest data, and higher projected international prices for petroleum products. On the other hand, it assumes that weak domestic demand will help contain these stronger cost pressures.

Monetary policy

At our Monetary Policy Meeting held yesterday, the Board decided to keep the Monetary Policy Rate at 4.5%. In our statement following the Meeting, we emphasized that the macroeconomic scenario remains subject to a greater-than-usual degree of uncertainty. On the one hand, risks associated with the conflict in the Middle East remain and have even intensified most recently. On the other hand, although the domestic economy is expected to regain momentum in 2027, its current weakness could prove more persistent than projected.

In this context, we estimate that it will be necessary to continuously evaluate alternative scenarios in which the response of the global and domestic economies could lead to inflation paths different from those expected and require changes in monetary policy. Consistent with this, we noted that the future path of the MPR will continue to be assessed on a meeting-by-meeting basis in light of developments, and that we will take the decisions necessary to ensure that projected inflation reaches 3% over a two-year horizon.

Turning to the final part of the Report, the forecasts I have just described are what we call the central scenario. It is based on a set of assumptions regarding the economic environment, the behavior of agents, and the stance of policies. Based on these assumptions, sensitivity exercises can be conducted that, while keeping GDP growth around the projected ranges, require a somewhat different monetary policy response. These scenarios define the boundaries of the corridor for the Monetary Policy Rate.

Within this corridor, the lower bound is associated with a weaker-than-expected recovery in domestic demand. This could occur if the investment impulse is smaller than assumed, which would affect the labor market cycle and confidence. This would result in lower medium-term inflationary pressures than projected, requiring a lower MPR over the projection horizon.

The upper bound of the MPR corridor corresponds to a situation in which inflation is higher and more persistent than projected, which could occur if the cost shock and/or its propagation exceeds expectations. This could arise in a setting where the economy is more dynamic, raising the second-round effects of the cost shock above those anticipated and strengthening inflation persistence mechanisms. In this case, a more contractionary MPR would be required to ensure inflation convergence to the target (Figure 16).

Final remarks

Honorable Senators, allow me to conclude this presentation by sharing a few brief reflections. The Report I have presented today describes an economy that continues to face significant challenges. Activity and demand have weakened in recent months, jobs have been lost, business and household confidence has deteriorated, and higher fuel prices have affected household purchasing power. All of this is taking place against an external backdrop in which geopolitical tensions remain significant and major technological changes are under way.

While the current situation presents a weaker picture, the outlook for the next two years has a positive tone. We expect the economy to return to higher expansion rates, supported by an investment impulse that will spread to the rest of the economy, including the labor market and private consumption. Inflation will return to 3% in the second quarter of next year and remain around that level over the monetary policy horizon.

Inflation developments are thus subject to opposing forces that we must continue to monitor. The global scenario could become more complex if the conflict in the Middle East continues to expand or intensify. The domestic scenario could provide a different macroeconomic impulse depending on how the economy responds to the approval of the Reconstruction Law. Monetary policy will remain attentive to these developments, always focused on achieving the inflation target.

However, beyond once again discussing the current situation, I would like to use this opportunity to invite you to take a broader view.

We live in a more complex and unpredictable world. Geopolitical fragmentation, technological change, and successive global shocks are transforming the environment in which countries make decisions. For a small, open economy such as Chile, this reality is not an abstract consideration. What happens in the world directly affects our opportunities, the risks we face, and our development prospects.

In this context, the capacity to adapt becomes essential. Adapting means developing capabilities that allow us to respond better to different scenarios, including those that we are not yet able to fully anticipate. Adapting means preparing in a timely manner to meet the challenges that will emerge along the way.

This reflection applies to the economy as a whole, but also to institutions. In the case of the Central Bank, our capacity to adapt rests on a clear purpose: fulfilling our mandate to safeguard the stability of the currency and the normal functioning of domestic and external payments. Instruments may change, diagnoses must evolve, and analytical approaches must incorporate new knowledge. But the objective guiding our decisions must remain firm.

This combination of adaptation and purpose is also the foundation of trust. In times of uncertainty, trust becomes an especially valuable asset. For a central bank, it is probably its main asset. It is not built by promising that the world will not change or that we will be able to anticipate every shock. It is built through consistency, transparency, technical soundness, and the ability to explain decisions timely. It is strengthened through messages and decisions consistent with an objective: low and stable inflation, with inflation at 3% over a two-year horizon.

In this context, trust and adaptation are not opposing objectives. They need each other. Adaptation without a clear purpose can be perceived as inconsistency. But trust without the capacity to adapt

risks becoming rigidity. A trustworthy institution is one that can adjust its instruments and responses when circumstances change, while always remaining firmly committed to its objectives.

This reflection also applies to the country. Preparing for a more uncertain world requires more than reacting to each contingency. It requires strengthening our institutions, enhancing our productive and labor capabilities, and sustaining and fostering basic agreements that allow us to look beyond the immediate cycle and address collective needs.

This reasoning has a concrete expression for people. When we speak of adaptation, we do not refer only to firms, technologies, or institutions. We also refer to workers and households facing a more demanding and changing economic environment.

The labor market is probably where this challenge is most visible today. Weak employment in recent years is not merely a statistical figure. Behind every person who cannot find a job or who is in a job that does not satisfy them are households facing uncertainty, interrupted career paths, and opportunities that fail to materialize.

It is therefore essential to strengthen growth in order to create better jobs and respond to people's legitimate aspirations. On several occasions, in this same forum, I have invited you to reflect on productivity, growth, and how to seize the many opportunities our country has. I am pleased to see that concern about these challenges has spread to many more people and organizations and has become part of the discussions taking place in this Senate.

However, the complexity of the challenge goes beyond this. The world is changing rapidly. We must no longer only create the conditions to adapt to change; we must also adapt to change that is constant and accelerating.

Technological and productive transformations are changing the nature of many jobs and creating new requirements for labor-market participants. This poses significant challenges, particularly for young people entering the world of work, women seeking to increase their labor-force participation, and people whose jobs are undergoing rapid transformation, including through automation and the rise of artificial intelligence. It also poses challenges for our regions, which differ substantially in their productive bases and human capital.

I do not mean that new technologies are a threat. Quite the contrary, they are an opportunity, but they require preparation. The task is not to stop these changes, but to prepare better so that their benefits translate into more opportunities and their costs do not fall disproportionately on those with fewer tools to face them. We must also remember that all these developments are taking place amid significant demographic change in our country, which we must address in all its dimensions.

Honorable Senators, we face an important challenge as a country. People, firms, and institutions need tools to adapt to this new reality, which is already unfolding and which we must assimilate while avoiding unnecessary costs in the process. In a changing context, stability, trust, and the capacity to adapt are not separate attributes. They are necessary conditions for Chile to grow better, create more opportunities, and give people the capabilities to face the changes taking place and those yet to come.

We cannot choose the world we will have to face. But we can choose how to prepare for it: with strong institutions, the capacity to adapt, and trust built day by day through joint effort, with the good of the country as our guiding principle. The Central Bank will continue to contribute to that task by

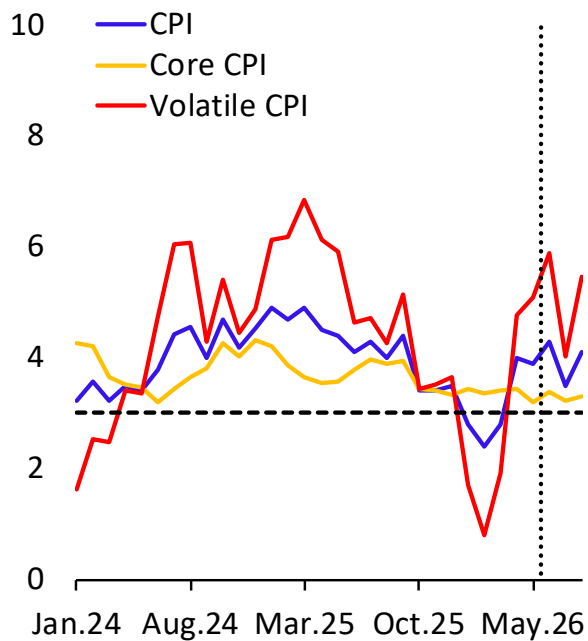
fulfilling its mandate, preserving stability, and strengthening the trust that society has placed in this institution.

Thank you very much.

Figure 1

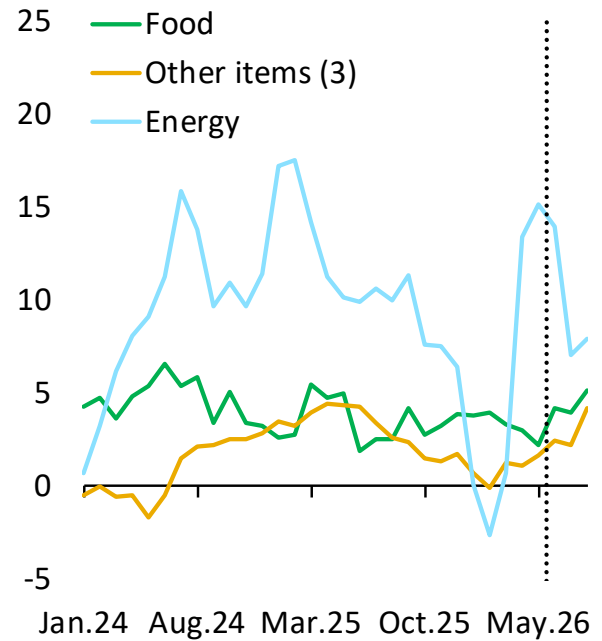
a) Inflation indicators (1) (2)

(annual change, percent)



b) Volatile inflation (1) (2)

(annual change, percent)



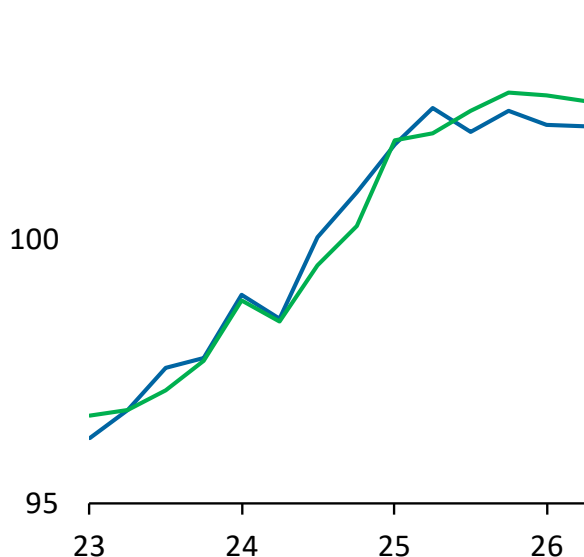
(1) Prior to 2025, the headline inflation series considers the 2023 reference basket and the splicing performed by the Central Bank of Chile. (2) The dashed vertical line indicates the statistical cut-off date for the June 2026 Monetary Policy Report. (3) Considers the sum of volatile goods and volatile services. Sources: Central Bank of Chile and National Statistics Institute.

Figure 2

a) Quarterly activity (GDP)

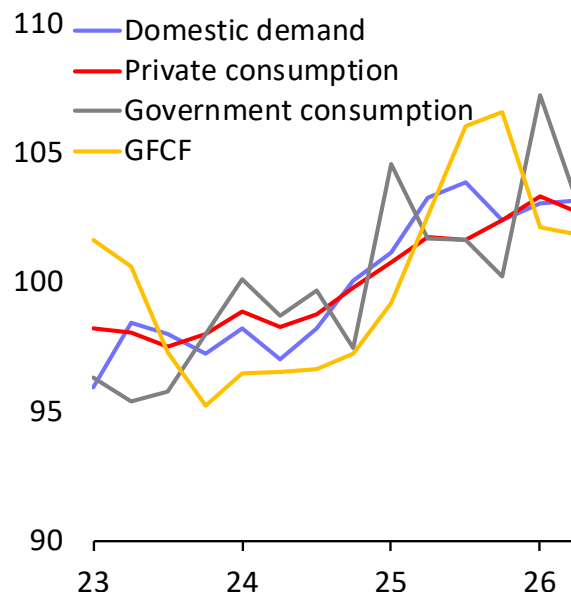
(index 2023-26=100, seasonally adjusted series)

105 — Total GDP — Non-mining GDP



b) Domestic demand and components

(index 2023-26=100, seasonally adjusted series)



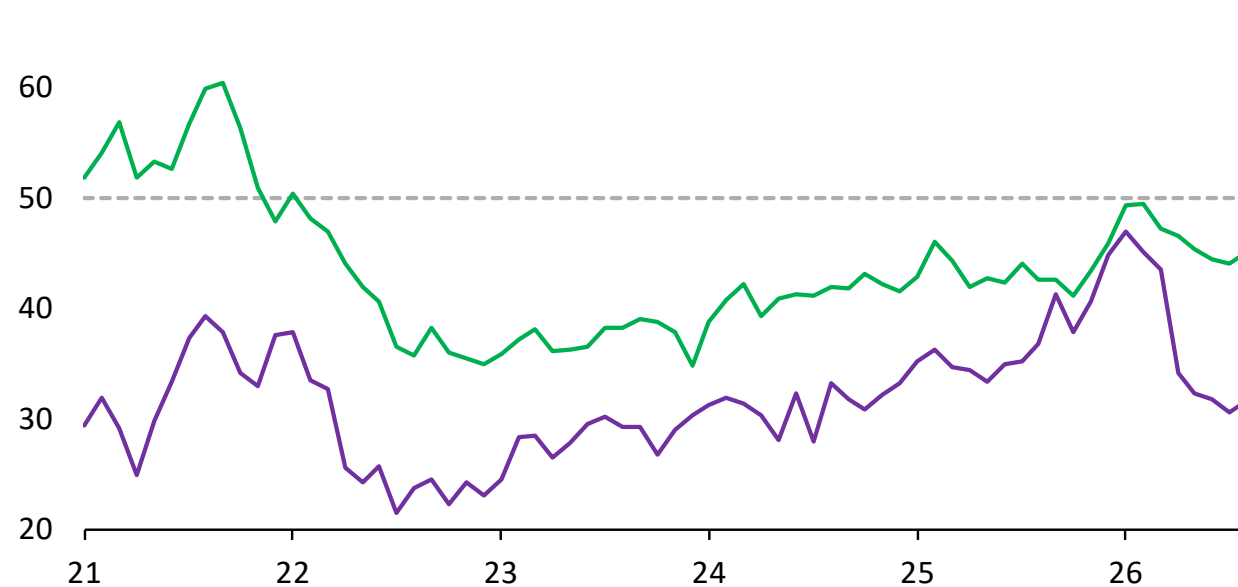
Source: Central Bank of Chile.

Figure 3

Economic perceptions of firms and households

(diffusion index)

70 — Non-mining IMCE (Firms) — IPEC (Consumers)

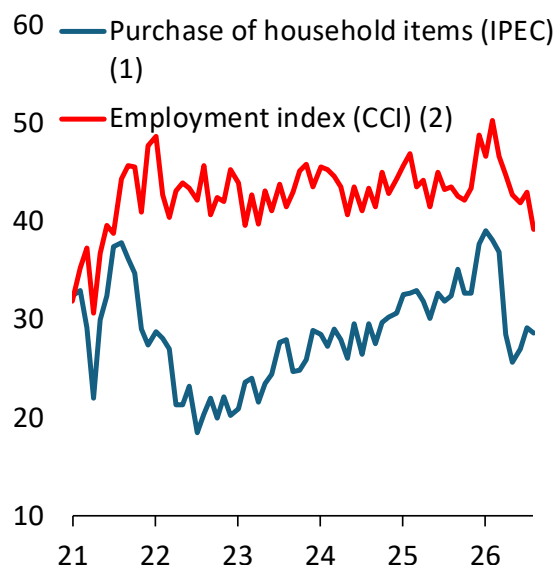


Sources: Gfk Adimark (Economic Perception Index, IPEC); Icare (Monthly Business Confidence Index, IMCE).

Figure 4

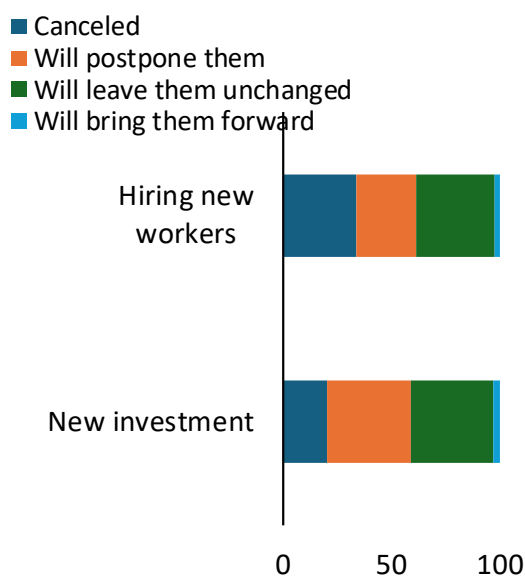
a) Household economic perceptions

(percent)



b) Changes in hiring and investment in response to business concerns (3)

(percent of firms reporting at least one concern)



(1) Corresponds to the question: Is this a good time to purchase household items? (2) Corresponds to the average of questions regarding concerns about job stability, job loss, and fear of job loss. (3)

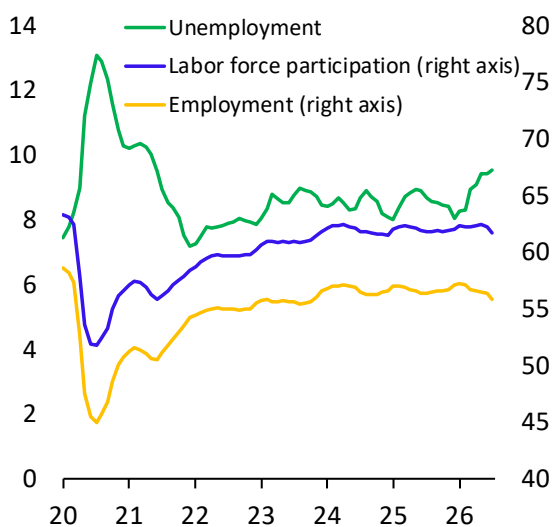
Business Perceptions Survey, August 2026.

Sources: Central Bank of Chile, IPSOS, and NielsenIQ.

Figure 5

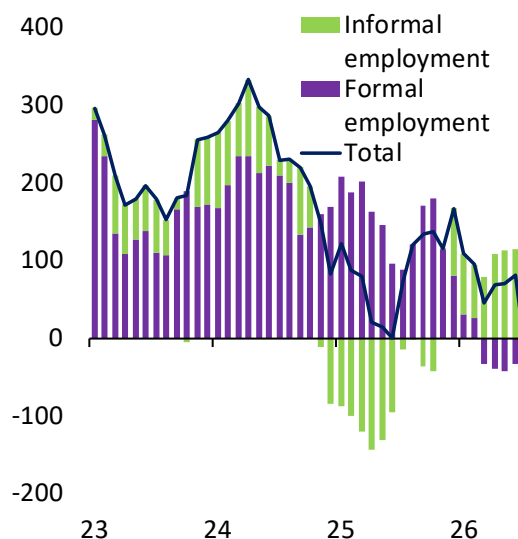
a) Unemployment, employment, and labor force participation rates

(percent)



b) Employment by occupational category

(annual difference, thousands of people)



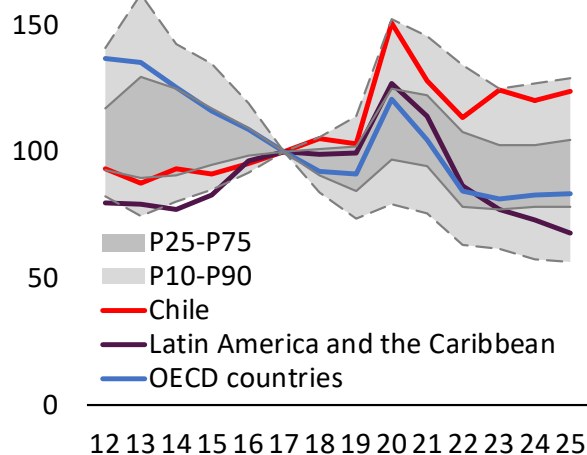
Source: National Statistics Institute.

Figure 6

a) Unemployment rate (1)

(index 2017 = 100)

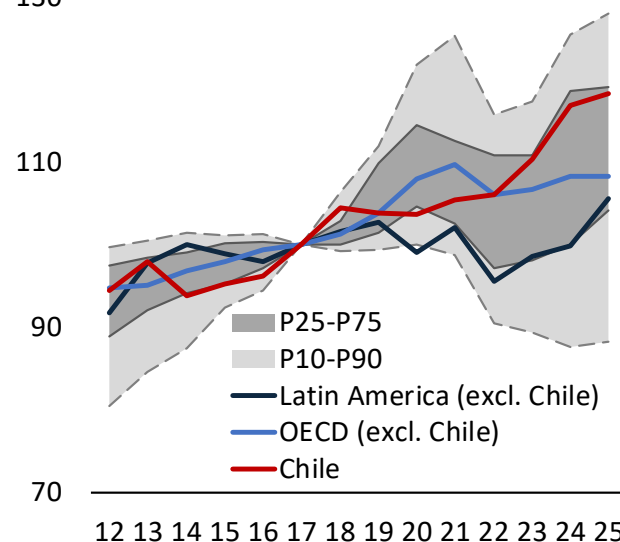
200



b) Real hourly wage (2)

(index 2017 = 100)

130



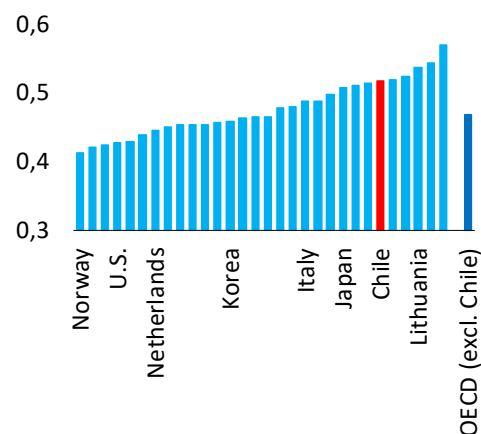
(1) The reported index is calculated separately for each country, using the 2017 unemployment rate as the base value. (2) The reported real wage corresponds to average real hourly earnings for wage and salary workers reporting positive hours worked.

Sources: Central Bank of Chile, International Labour Organization, and World Bank.

Figure 7

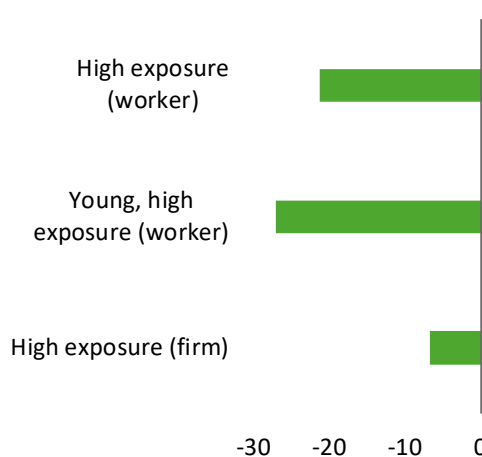
a) Exposure to automation

(average probability of automation)



b) Effect on employment by exposure to automation (1)

(percentage points, relative to the lowest-exposure group)



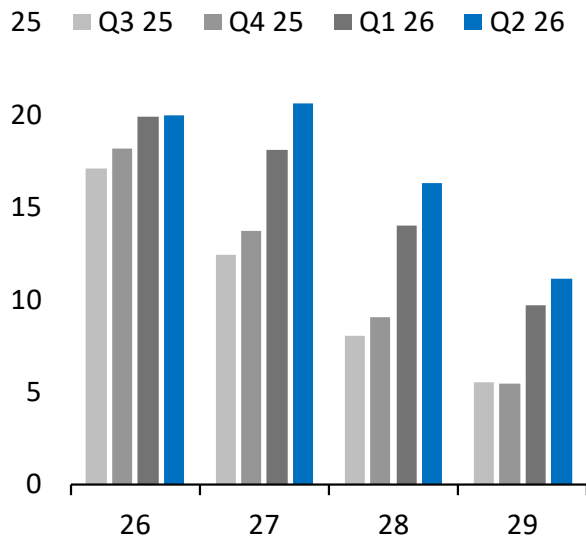
(1) Effects on the probability of remaining employed in the formal sector (worker) and average employment (firm) in 2025, by exposure to automation in 2022. For methodological details, see Albagli et al. (2026).

Sources: Central Bank of Chile and Nedelkoska & Quintini (2018).

Figure 8

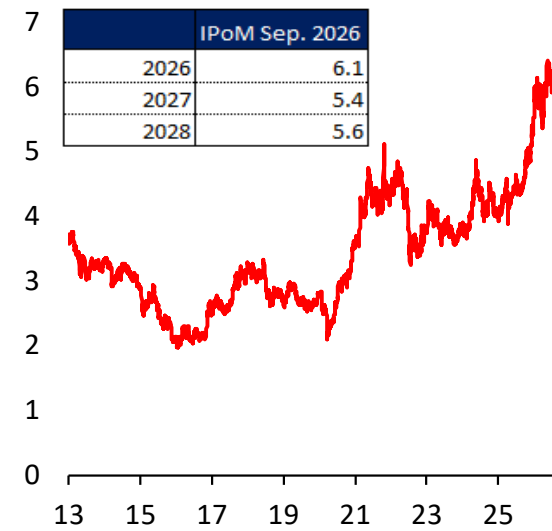
a) CBC: total annual investment

(billions of dollars)



b) Daily copper price

(dollars per pound)



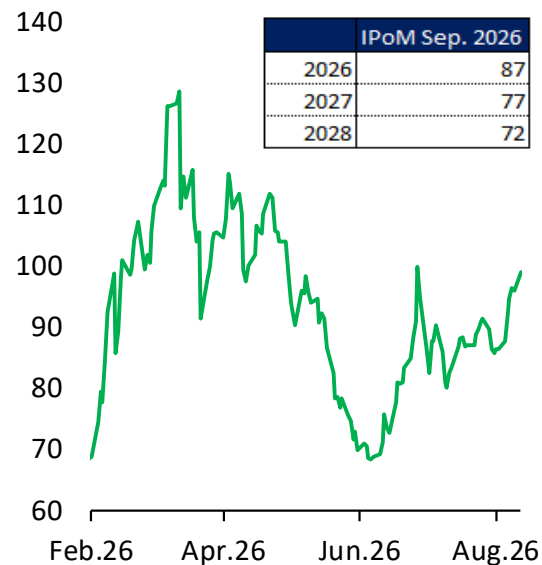
Sources: Capital Goods Corporation, Central Bank of Chile, and London Metal Exchange.

Figure 9

Crude oil price per barrel, WTI-Brent average

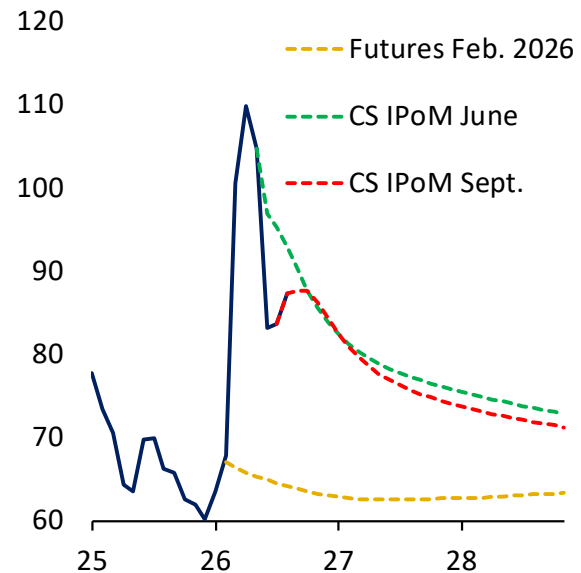
a) Developments since the start of the conflict

(dollars)



b) Futures price curve

(dollars)



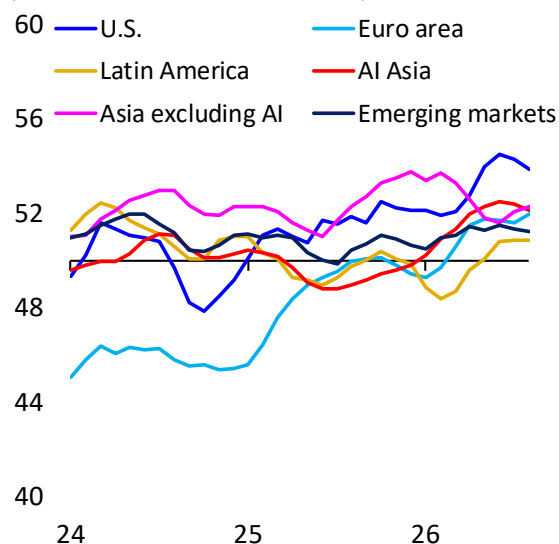
CS: Central Scenario

Sources: Central Bank of Chile, Bloomberg, and FRED.

Figure 10

a) Manufacturing PMI (1)(2)

(diffusion index, neutral value=50)



b) World growth

(annual change, percent)

	2026-2028 average	
	June 2026 MP Report	September 2026 MP Report
World at PPP	3.1	3.1
Trading partners	2.8	2.9
U.S.	2.3	2.2
Euro area	1.3	1.2
China	3.9	4.0

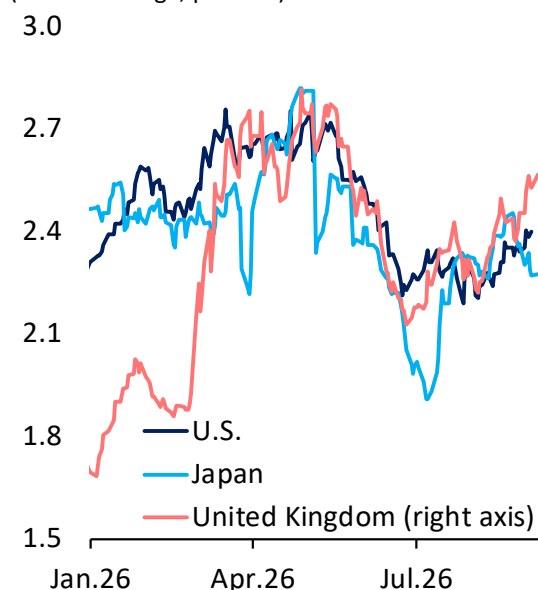
(1) AI Asia corresponds to the average of China, Taiwan, South Korea, Malaysia, and Singapore. Asia excluding AI corresponds to the average of India, Indonesia, Vietnam, Thailand, and the Philippines. Latin America corresponds to the average of Brazil, Mexico, and Colombia. (2) Three-month moving average.

Source: Standard & Poor's Global and Central Bank of Chile.

Figure 11

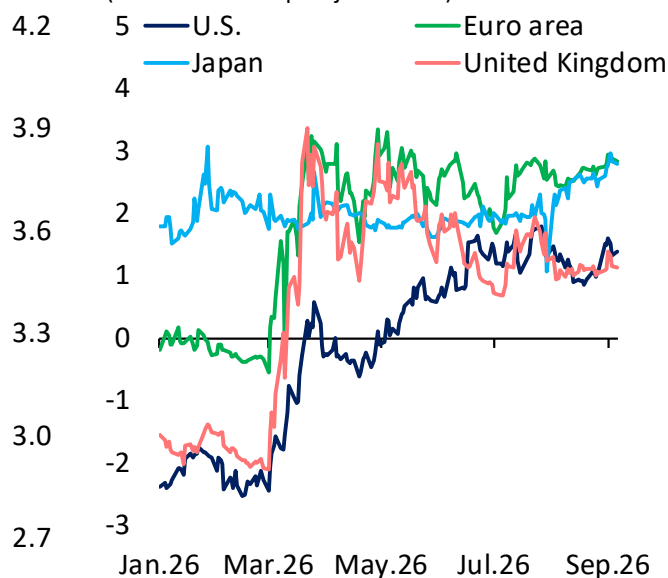
a) Inflation expectations (1)

(annual change, percent)



b) Expected MPR adjustments in 2026 (2)

(number of 25 bp adjustments)



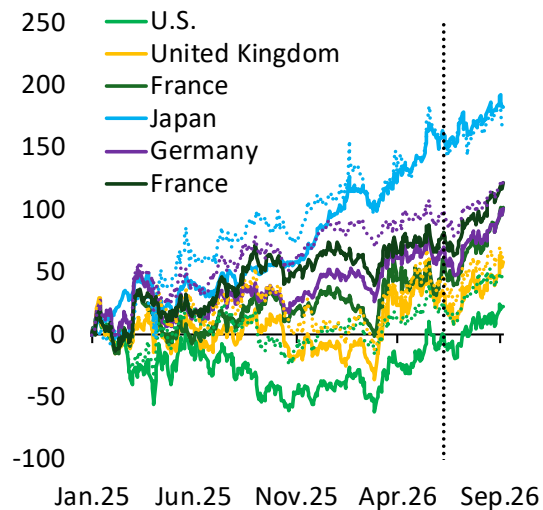
(1) Corresponds to five-year breakeven inflation rates. (2) The chart shows expected changes over the course of 2026, including those already implemented.

Sources: Central banks, official statistical agencies of each economy, and Bloomberg.

Figure 12

a) 10- and 30-year nominal interest rates (1)(2)

(differences relative to Jan. 2, 2025, bp)



b) Global dollar (1)

(index Jan. 1, 2025 = 100)



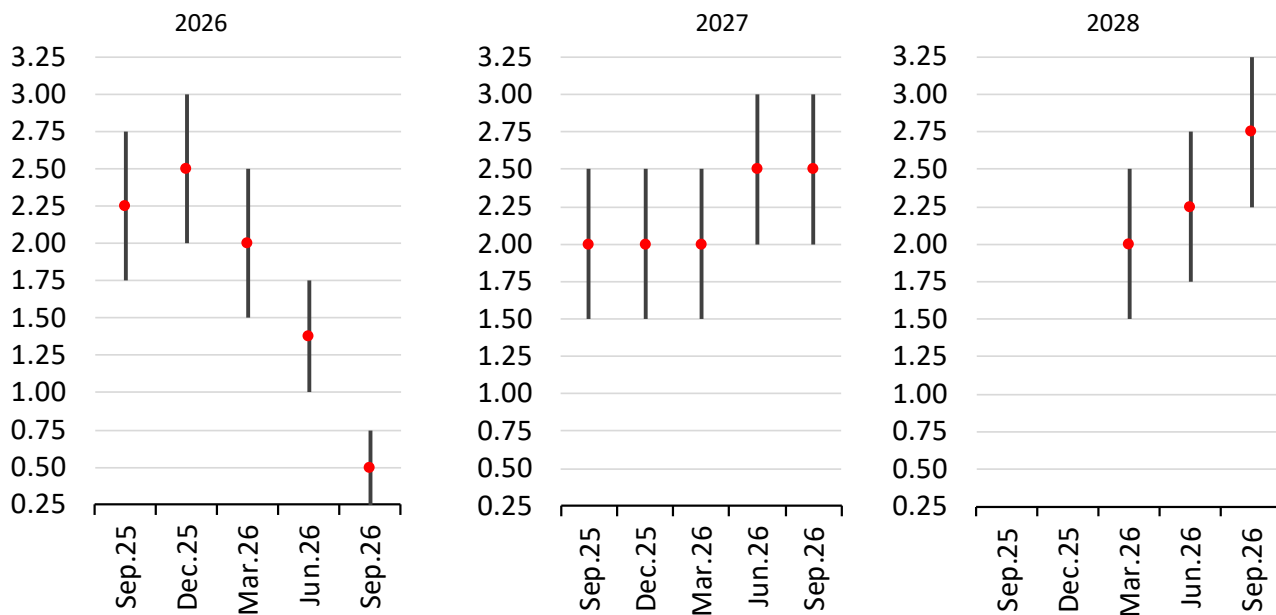
(1) The dotted vertical line indicates the statistical cut-off date for the June 2026 Monetary Policy Report. (2) For each economy, solid lines correspond to 10-year nominal rates, while dashed lines correspond to 30-year rates.

Source: Bloomberg.

Figure 13

GDP growth projections (1)

(annual real change, percent)



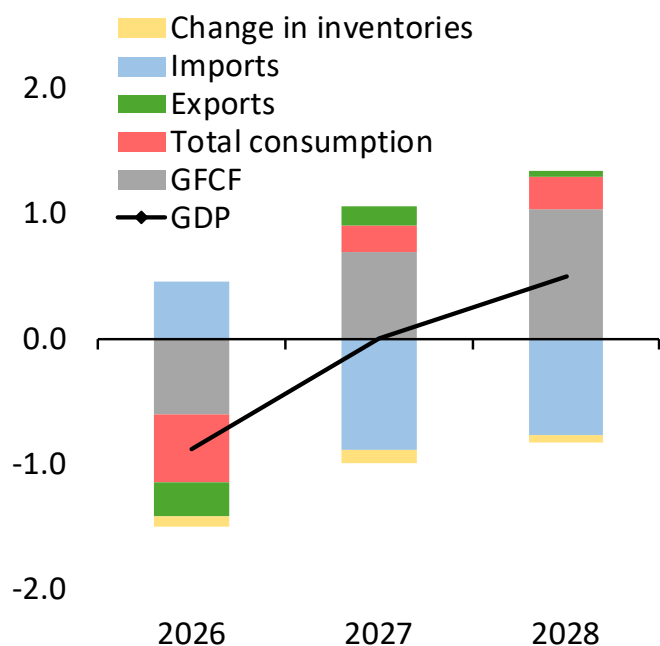
(1) Red dots correspond to the midpoint of the growth ranges, for comparison across projections.

Source: Central Bank of Chile.

Figure 14

GDP and components (1)

(percentage points)



In 2027 and 2028, the approval of the Reconstruction Law would provide a greater boost to activity, mainly through private investment.

	GFCF	
	IPoM Jun.26	IPoM Sep.26
2026 (f)	2.2	-0.3
2027 (f)	5.0	8.1
2028 (f)	3.2	7.1

	Private consumption	
	IPoM Jun.26	IPoM Sep.26
2026 (f)	1.8	1.5
2027 (f)	2.0	2.1
2028 (f)	2.2	2.7

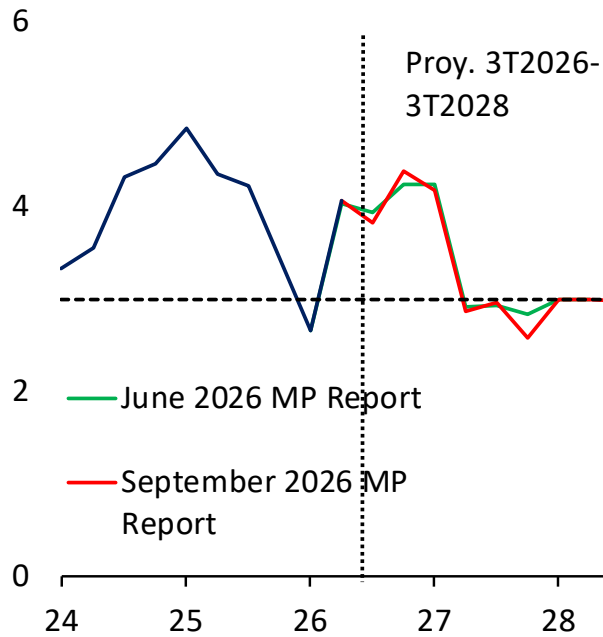
(1) Corresponds to the change in the midpoint of the projected GDP growth range between June and September 2026.

Source: Central Bank of Chile.

Figure 15

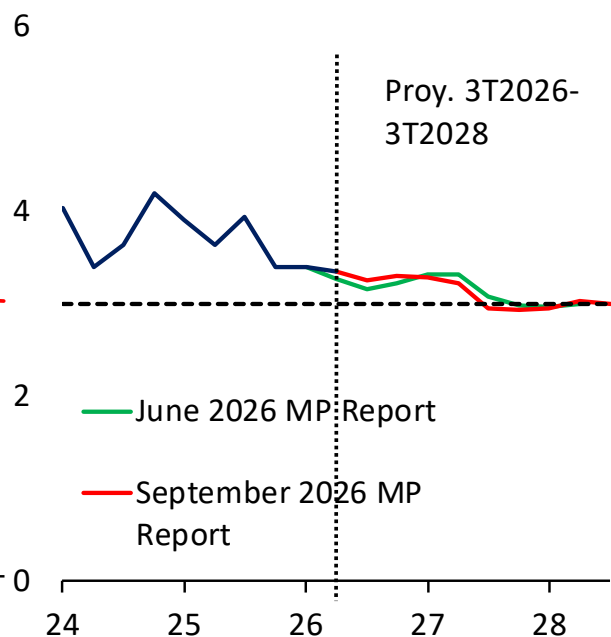
a) Headline inflation projection

(annual change, percent)



b) Core inflation projection (1)

(annual change, percent)



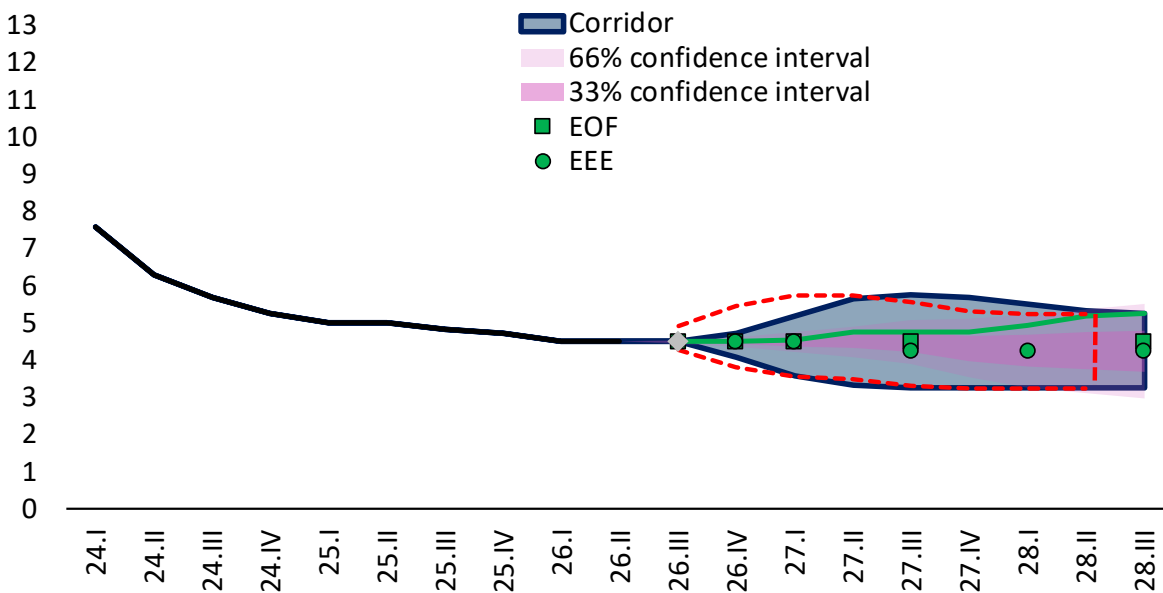
(1) Measured by the CPI excluding volatile items.

Source: National Statistics Institute and Central Bank of Chile.

Figure 16

MPR corridor (1)

(quarterly average, percent)



(1) For details, see the note to Figure II.10 in Chapter II of the September 2026 Monetary Policy Report.

Source: Central Bank of Chile.