IMF Country Report No. 26/232

CHILE

August 2026

REQUEST FOR AN ARRANGEMENT UNDER THE FLEXIBLE CREDIT LINE AND CANCELLATION OF THE CURRENT ARRANGEMENT—PRESS RELEASE; STAFF REPORT; STAFF SUPPLEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CHILE

In the context of the Request for an Arrangement under the Flexible Credit Line and Cancellation of the Current Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on August 26, 2026, following discussions with the officials of Chile on economic developments and policies underpinning the IMF arrangement under the Flexible Credit Line. Based on information available at the time of these discussions, the staff report was completed on July 20, 2026.
- A **Staff Supplement** on the assessment of the impact of the proposed arrangement under the Flexible Credit Line on the Fund's finances and liquidity position
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Advisor** for Chile.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
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PRESS RELEASE

PR26/278

IMF Executive Board Approves New Two-Year Flexible Credit Line Arrangement with Chile

FOR IMMEDIATE RELEASE

- *The IMF approved today a successor two-year arrangement for Chile under the Flexible Credit Line (FCL), for an amount of about US$11.8 billion (equivalent to 500 percent of quota).*
- *Chile qualifies for the FCL by virtue of its very strong economic fundamentals and institutional policy frameworks, and sustained track record of very strong macroeconomic policies.*
- *In the context of strengthened buffers but still elevated external risks the authorities have requested a reduction in access. They are committed to gradually lowering access depending on external risk developments and intend to continue treating the arrangement as precautionary.*

Washington, DC – August 26, 2026: The Executive Board of the International Monetary Fund (IMF) approved today a two-year arrangement for Chile under the Flexible Credit Line (FCL) in an amount of SDR 8.7215 billion (about US$11.8 billion),[1] equivalent to 500 percent of quota and noted the cancellation of Chile's previous arrangement.[2] The Chilean authorities stated their intention to treat the new arrangement as precautionary and continue to gradually lower access, conditional on external risk developments.

This is Chile's fourth FCL arrangement since 2020 with access having been gradually lowered. The first FCL arrangement was approved on May 29, 2020 in an amount of SDR 17.443 billion (equivalent to 1,000 percent of quota) (see Press Release No. 20/227). The second arrangement, approved on August 29, 2022 (see Press Release No. 22/294), was for an amount of SDR 13.954 billion (equivalent to 800 percent of quota). The third arrangement, approved on August 27, 2024, (see Press Release No. 24/309), was for an amount of SDR 10.466 billion (equivalent to 600 percent of quota).

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[1] US$ amounts have been calculated using the exchange rate as of June 26th, 2026 (1 SDR = US$1.356150), consistent with the Staff Report for the FCL request.

[2] The FCL was established on March 24, 2009 as part of a major reform of the Fund's lending framework (see Press Release No. 09/85). The FCL is designed for crisis prevention purposes as it provides the flexibility to draw on the credit line at any time during the period of the arrangement (one or two years), and subject to a mid-term review in two-year FCL arrangements. Disbursements are not phased nor conditioned on compliance with policy targets as in traditional IMF-supported programs. This large, upfront access with no ongoing conditions is justified by the very strong track records of countries that qualify for the FCL, which gives confidence that their economic policies will remain strong.

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USA

Following the Executive Board’s discussion on Chile, Mr. Kenji Okamura, Deputy Managing Director, and Acting Chair, made the following statement:

“Chile’s economic growth has moderated, with a temporary slowdown in mining activity partly offset by higher copper prices. The war in the Middle East has further weighed on activity via higher oil prices. The Chilean economy remains exposed to elevated external risks, with the outlook subject to sustained hostilities in the Middle East, continued trade tensions, a slowdown in growth in key trading partners, or disorderly corrections related to a reconsideration of AI-led productivity gains.”

“Against this backdrop, the authorities have continued to implement very strong policies to maintain macroeconomic balance and enhance the economy’s resilience, including through the Central Bank of Chile’s international reserve accumulation program. The authorities have appropriately focused on a prudent fiscal path to ensure debt sustainability, bringing inflation back to target, and measures to boost potential growth. Notably, their National Reconstruction Plan aims to boost growth by accelerating investment and lifting potential output, with a focus on simplifying permitting and reducing the tax burden.”

“Chile’s very strong institutional policy frameworks support the economy’s resilience and capacity to respond to shocks. They include a credible inflation-targeting framework with a flexible exchange rate, a debt anchor and structural fiscal balance rule, and effective financial sector regulation and supervision.”

“In this context, the Flexible Credit Line (FCL) arrangement will continue to provide a valuable buffer against tail risks and a signal of Chile’s policy and institutional strengths. The authorities remain committed to treating the FCL arrangement as precautionary and gradually reducing access, in the context of their exit strategy, conditional on external risk developments.”

CHILE

July 20, 2026

REQUEST FOR AN ARRANGEMENT UNDER THE FLEXIBLE CREDIT LINE AND CANCELLATION OF THE CURRENT ARRANGEMENT

EXECUTIVE SUMMARY

Context: The economy remains resilient, though fiscal buffers have shrunk and structural challenges persist. Growth is projected to moderate in 2026 amid temporary weakness in the mining sector, partly offset by higher copper prices, and with higher oil prices following the war in the Middle East adversely affecting activity. The new administration aims to raise potential growth through deregulation and tax reforms, while consolidating the fiscal position via expenditure cuts.

Risks: External risks are tilted to the downside in the near term but balanced over the medium term. Protracted hostilities in the Middle East could keep oil prices higher for longer and weigh on growth. Continued trade tensions, a slowdown in growth in key trading partners, or a disorderly correction in the outlook related to AI-led productivity gains represent additional risks. Persistently high copper prices are a key upside risk. Domestic risks are broadly balanced, although the developing El Niño conditions could adversely affect food production and mining.

Flexible Credit Line (FCL): The authorities are requesting a two-year FCL arrangement for SDR 8.7215 billion (500 percent of quota) and the cancellation of the current arrangement approved on August 27, 2024 (SDR 10.4658 billion, 600 percent of quota). The authorities intend to treat the new arrangement as precautionary and see it as an additional buffer against external tail risks. The lower access reflects the authorities' commitment to a gradual reduction of access conditional on the evolution of external risks and higher buffers. In staff's assessment, Chile continues to meet all the qualification criteria for an FCL arrangement. Staff supports the authorities' request.

Fund Liquidity: The proposed new commitment and cancellation of the current arrangement would have a net positive impact on the Fund's liquidity position.

Approved By
Dora Iakova (WHD) and Bergljot Barkbu (SPR)

The report was prepared by a team comprising Bikas Joshi (head), Peter Nagle, and Myrto Oikonomou (all WHD), Jocelyn Boussard and Narcissa Balta (both SPR), and Kazuhiro Hiraki (MCM), with support from Natalia Martinez-Camelo and Nomuuntugs Tuvaan (both WHD).

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CONTEXT

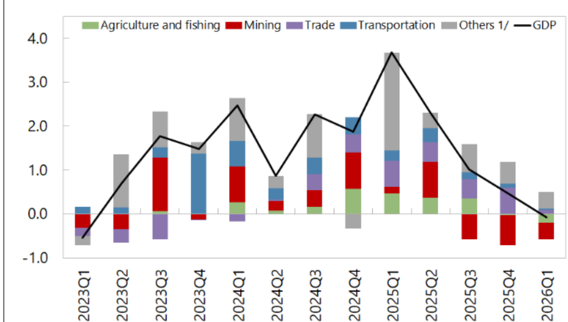
1. **The new administration took office amid an uncertain global economic environment prone to shocks.** The war in the Middle East has impacted Chile through higher oil prices and disruptions to the supply of other inputs. In this context, the authorities have prioritized boosting potential growth and strengthening the structural fiscal position—by cutting red tape and reducing corporate income taxes while targeting a reduction in the structural deficit supported primarily by expenditure rationalization.

2. **The authorities are requesting a successor two-year FCL arrangement with reduced access.** Given strengthened buffers and commensurate with their assessment of external risks, the authorities are requesting access of 500 percent of quota. As described in the recent 2026 Article IV consultation staff report and assessed by the Executive Board, Chile's policies continue to be very strong, based on robust fundamentals and institutional policy frameworks, with a sustained track record of implementing strong policies.

RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

3. **Economic activity has softened.** Real GDP growth eased to 2.5 percent in 2025, from 2.8 percent in 2024—further contracting 0.5 percent (y/y) in 2026Q1—largely reflecting a fall in mining output. Non-mining growth in 2025 was robust at 3 percent, with strong private consumption and investment and lower borrowing costs. Labor market slack persists, with unemployment rising to 9.4 percent in May 2026.

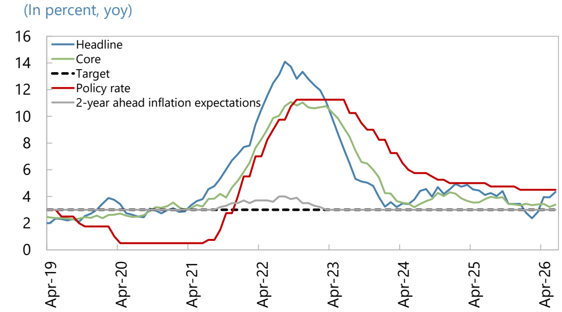
Contributions to Year-on-Year GDP Growth
(In percentage points)



Sources: Central Bank of Chile, Haver, and IMF staff calculations.
1/ Other includes utilities, construction, manufacturing, other services, and taxes less subsidies.

4. **Higher energy prices have pushed inflation past the central bank's 3-percent target.** Headline inflation had steadily declined before the war in the Middle East, to 2.4 percent (y/y) in February 2026, but subsequently picked up due to the war's impact on fuel and transportation services prices, reaching 4.3 percent in June. Core inflation has, however, averaged 3.4 percent so far this year, suggesting contained underlying price pressures. Against this backdrop, the Central Bank of Chile (BCCh) has kept the policy rate unchanged at 4.5 percent at its last four meetings, reiterating its meeting-by-meeting approach to decision making.

Inflation and Policy Rate 1/
(In percent, yoy)

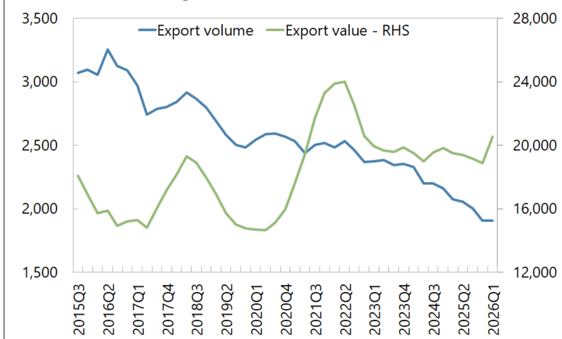


Sources: Haver and IMF staff calculations.
1/ Inflation rates over 2014-2023 are calculated based on the 2018 CPI basket. Inflation rates after January 2024 are calculated based on the 2023 CPI basket. Inflation expectations are from the BCCh Economic Expectations Survey.

5. The headline fiscal deficit remained broadly unchanged. The deficit registered 2.8 percent of GDP in 2025, similar to 2024 though 1.8 percentage points higher than budgeted. While mining-related revenue was higher than expected, it did not fully offset the weaker-than-anticipated non-mining tax revenue and slower growth in non-tax revenue. At 3.2 percent of GDP, staff estimates the structural deficit in 2025 to have been similar to that in 2024. The end-2025 central government debt stood at 41.5 percent of GDP.

6. Chile's current account balance improved through early 2026. Strong demand, supply disruptions, and tariff concerns led to copper prices rising by about 9 percent in 2025, boosting nominal exports, although the increase in price was accompanied by lower copper export volumes. With stronger capital imports offsetting higher exports, the current account deficit remained stable at 1.2 percent of GDP in 2025. Following the onset of the war in the Middle East, global financial conditions tightened, oil prices and U.S. interest rates increased, and the peso depreciated from its February peak. These were mostly reversed during the most recent respite from hostilities. Despite higher imports, Chile's goods trade surpluses have remained historically high, reaching 8 percent of GDP in 2026Q2, given a further surge in copper prices in early 2026.

Copper Exports
(Volume in thousand kg - Value in million USD)



Sources: Central Bank of Chile and IMF staff calculations.

7. The financial system remains sound overall. Banks' capital adequacy, liquidity, and profitability are at or above pre-pandemic levels. The banking sector implemented the Basel III capital and liquidity requirements in 2025, and the BCCh raised in May 2026 the countercyclical capital buffer (CCyB) rate to a positive-neutral level of 1 percent of risk-weighted assets (RWA), with a 24-month implementation period. While non-performing loan ratios have edged slightly above pre-pandemic levels, provisions remain adequate. Bank credit has shown signs of a mild recovery in line with a gradual improvement in credit demand, excluding the drag from valuation effects on foreign-currency loans following peso appreciation prior to the Middle East conflict.

8. Notwithstanding the external headwinds, the near-term outlook remains stable. Real GDP is projected to grow by 1.6 percent in 2026, rising to 2.8 percent in 2027 as a transient drag from lower copper production gives way to a recovery in output and mining investment. Copper prices are expected to ease but remain elevated relative to historical norms, while oil prices gradually decline. Inflation is projected to temporarily exceed the target through the remainder of 2026 and early 2027 but should return to target as fuel and transportation price pressures ease, with both survey- and market-based two-year ahead inflation expectations remaining anchored. The fiscal stance is projected to tighten in 2026 and 2027 through expenditure restraint and revenue recovery, pending final approval in Congress of the government's National Reconstruction Plan (NRP). The current account deficit is expected to remain stable in 2026, as higher copper prices offset lower copper and agricultural export volumes as well as higher oil prices. The deficit is expected to widen toward 2 percent of GDP over the medium term as copper prices retreat.

9. External risks are tilted to the downside in the near term and balanced over the medium term. The External Economic Stress Index (EESI) points to continued downside risks (Box 1). Protracted hostilities in the Middle East could keep oil prices higher for longer and weigh on growth through lower income, disruptions to production, and tighter financial conditions. In a severe scenario, with persistently high oil prices, inflation could remain above target for longer, requiring monetary tightening to ensure that inflation resumes its downward path. Continued trade tensions, weaker growth in key trading partners, and a disorderly correction in the outlook related to AI-led productivity gains represent additional risks. Upside risks include a swifter-than-expected normalization in energy markets, as well as higher copper prices amid structurally higher demand from the energy transition, AI-related infrastructure growth, and defense spending, which could lift growth via higher investment and consumption.

10. Domestic risks, on the other hand, are broadly balanced. Ongoing reforms to boost investment—by reducing red tape, lowering labor costs, and gradually cutting CIT rates—should support medium-term growth. However, broad spending cuts to offset revenue losses from tax reforms could constrain productivity-enhancing outlays, while social tensions remain a risk amid high inequality. Climate shocks, including a potential "super El Niño," could adversely affect the economy through several channels, including agriculture, mining, and hydropower generation, and raise food prices regionally.

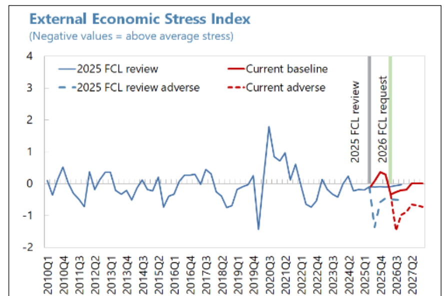
VIEWS ON POLICIES

11. Chile's very strong policies and institutional frameworks have helped maintain macroeconomic stability amid a series of shocks. Fiscal and monetary policies responded in a decisive manner to the pandemic and the imbalances that followed, allowing the economy to return to a sustainable growth path, inflation to decelerate, and the current account deficit to narrow substantially. In early 2026, the authorities acted swiftly to limit the fiscal impact of the oil price stabilization mechanism following the sharp rise in oil prices. Financial supervision and regulation have been effective at monitoring and limiting risks, Basel III capital and liquidity requirements are now effective, and the authorities continue to implement the 2021 FSAP recommendations.

12. A credible and well-prioritized consolidation path will help ensure fiscal sustainability. Given fiscal slippages in 2025, achieving the authorities' target of a structural deficit of 1.5 percent of GDP by 2030 would require additional measures of about ½ percent of GDP beyond staff's baseline, with an additional ½ percentage point needed to keep debt below 45 percent of GDP. Recent steps, such as administrative spending cuts and capping the oil price stabilization mechanism, represent notable commitments to expenditure restraint. Additional efforts should focus on careful policy prioritization and strengthening spending efficiency. In particular, costly tax measures should be weighed against the need to preserve productive spending and safeguard fiscal space. The design of non-priority measures, especially those not directly supporting growth and employment objectives, could be revisited. Strengthening tax compliance, addressing the fragmentation of social programs, and improving targeting of key transfers would help enhance efficiency while protecting the most vulnerable.

Box 1. Chile: External Economic Stress Index

The External Economic Stress Index (EESI) summarizes Chile's exposure to external shocks. The EESI is based on four variables—standardized around their mean—which capture Chile's external risks: U.S. and China real GDP growth to proxy for risks to exports, the change in the copper price to proxy for risks to the copper industry including inward FDI, and the emerging market volatility index (VXEEM) as well as the (detrended) 10-year U.S. Treasury yield to proxy for changes to global financial conditions. Lower values indicate higher stress.[1]



Sources: Central Bank of Chile and IMF staff calculations.

External stress, as measured by the EESI, increased sharply after the start of the war in the Middle East. After decreasing in 2025 thanks to higher copper prices, external stress has increased since March 2026, as the war weighed on global growth, financial conditions, and emerging market volatility. As of June 2026, it is higher than that envisaged at the time of the 2025 review under the FCL arrangement.

Under the baseline, external stress is expected to gradually fall close to historical averages. The baseline broadly follows the April 2026 WEO "reference" scenario.[2] External stress is projected to remain elevated but decrease over the rest of 2026, reflecting a projected rebound of growth in the U.S. and China. From 2027Q2, external stress is expected to stabilize around the historic average level due to the scenario's stable outlook for copper prices, growth in China and the U.S., and financial conditions. However, this trajectory could be highly sensitive to fluctuations in copper prices, U.S. yields, and the VXEEM index.

An adverse scenario shows that Chile faces somewhat higher external risks, comparable to those at the time of the 2025 mid-term review under the FCL arrangement. This scenario combines severe and downside scenarios from the April 2026 WEO, which projects declines in U.S. and China growth of 1.7 percentage points in 2026 and 0.2 percentage points, respectively, in 2027 relative to the baseline, and a large and persistent increase in U.S. long-term yields of 0.5 percentage points in 2026-27. It also assumes a 15-percent decline in the price of copper and an increase in emerging market volatility (a two standard deviation increase in the VXEEM index relative to the baseline).[3] The text chart suggests that Chile faces external risks that are moderately higher but still close to the level observed at the time of the 2025 review under the FCL arrangement.

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[1] Chile's EESI is computed using the following unchanged weights: (i) output growth in the U.S. and China (0.15); (ii) copper price change (0.35); (iii) the VXEEM index (0.25); and (iv) U.S. long-term yield (0.25). The U.S. long-term yield is detrended. The weights are based on the balance of payments and international investment position data, expressed as a share of GDP, and are normalized.

[2] See the description of the April 2026 WEO scenarios in Chapter 1 of World Economic Outlook, April 2026: Global Economy in the Shadow of War.

[3] The first three assumptions are in line with the April 2026 WEO scenario of a more severe and persistent shock to commodity prices, ratcheting up of inflation expectations, and a significant risk-off episode, combined with the downside scenario of a reappraisal of productivity gains from AI, lower asset prices and tighter financial conditions, and a moderate, temporary increase in terms premiums. The assumption on EM volatility is identical to that used in the adverse scenario in the 2025 review under the FCL arrangement.

13. The fiscal implications of priority measures to support medium-term growth should be carefully assessed. The National Reconstruction Plan being discussed in Congress rightly focuses on simplifying permitting and reducing the tax burden. While these measures should support growth, the timing and size of the growth gains remain uncertain. Clarifying the near-term fiscal implications of these measures would help avoid adding to already significant consolidation adjustments. Priority should be given to measures with lower fiscal costs, such as a swift and consistent implementation of permitting reform, complemented by efforts to enhance productivity and investment, including by fostering university-business collaboration, narrowing the skill gaps, and improving logistics. Additionally, moving toward a more universal childcare system could raise female labor supply and productivity.

14. The central bank's approach of taking into account second-round effects on headline inflation when setting monetary policy is welcome. The inflation-targeting framework has served Chile well, and the current broadly neutral monetary stance is appropriate. As the inflation trajectory will largely be shaped by external factors—particularly oil and copper prices—in the period ahead, monetary policy should continue to be calibrated to contain second-round effects on wages and other domestic prices to ensure that headline inflation returns durably to the 3-percent target over the central bank's two-year horizon.

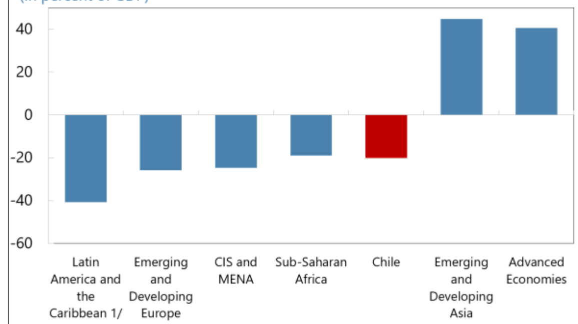
15. Continued international reserve accumulation would bolster Chile's external buffers. A sustainable external position, flexible exchange rates, and the central bank's access to international liquidity represent significant defenses against potential external shocks. Completion of the three-year reserve accumulation program initiated in August 2025, with periodic assessments, would help maintain reserve coverage against relevant adequacy metrics, enhancing Chile's resilience.

16. The authorities are proactively updating their strong financial sector regulatory framework, supervisory efforts, and macroprudential policies. Advancement of key reforms, including full implementation of Basel III, a gradual increase in the CCyB (to a positive neutral level of one percent), enhanced reporting to the Consolidated Debt Registry, and steps to strengthen prudential oversight, including for pension funds and emerging areas such as stablecoins represent important developments. The authorities have also been making efforts to develop capital markets and enhance resilience, including via implementation of the Financial Market Resilience Law, repo market reforms, internationalization of the peso, market-maker program for domestic government bonds, and by amending regulations on the calculation of market risk-weighted assets (RWA) and on requirements for internal ratings-based models to calculate credit RWA to align RWA density to international standards. Ongoing reforms to the pension system are being implemented with due attention to mitigate any market impact, as highlighted in the proposal recently published by the Pension Supervisor for an investment regime under the new pension system. Remaining priorities include advancing industry-funded deposit insurance, bank resolution frameworks, and risk-based insurance supervision, alongside strengthening the autonomy and resources of the Financial Market Commission (CMF). Continued efforts to enhance the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) framework would also be important to support financial integrity, including through stronger coordination, broader coverage, and adequate resourcing.

QUALIFICATION

17. Staff assesses that Chile continues to meet all the qualification criteria for the FCL arrangement. As described in the 2026 Article IV consultation staff report and endorsed by the Executive Board, Chile's policies continue to be very strong, based on robust fundamentals and institutional policy frameworks, along with a sustained track record of implementing very strong policies. The authorities remain committed to maintaining Chile's track record of very strong policies in the future. Based on the set of core indicators, Chile currently meets all nine criteria used to assess underlying fundamentals and economic policies. Staff does not see substantive changes in qualification since either the mid-term review in August 2025 or the approval of the 2024 FCL arrangement. The assessments across reviews are summarized in Text Table 1.

Net International Investment Position, 2025
(In percent of GDP)



Sources: WEO and IMF staff calculations.
1/ Excluding Chile.

18. A sustainable external position. The 2026 Article IV consultation staff report assessed the external position to be broadly in line with the level implied by medium-term fundamentals and desirable policies in 2025, compared to it being moderately weaker in the 2024 Article IV consultation staff report. In the medium term, staff projects the current account deficit to remain close to its adjusted norm of about 2 percent of GDP. Chile's flexible exchange rate regime has helped cushion external shocks in the past. Moreover, at –20 percent of GDP at end-2025, Chile's net international investment position compares favorably to most emerging markets. Gross external debt increased to 77.6 percent of GDP in 2025 (from 74.4 percent in 2024) and is sustainable and robust to standard shocks (Annex I).

19. A capital account position dominated by private flows. Over 2023-25, private flows accounted for 85 percent of total (foreign direct investment, portfolio, and other) asset flows and 86 percent of total liability flows. Since 2025, non-residents' participation in Chile's peso-denominated government bond market has increased, resulting in Chile's banks and pension funds' portfolios rebalancing toward foreign assets. Relative to the 2025 mid-term review under the FCL, this implies a decrease in the share of private liability flows and an increase in the share of private asset flows. That said, Chile's international investment position (IIP) liabilities remain dominated by FDI (averaging 88 percent of GDP over 2023-25), while the private sector accounted for about 97 percent of total IIP assets and 91 percent of liabilities. About 93 percent of external debt is owed to private creditors. Private flows continued to dominate in 2026, including since the onset of the war in the Middle East: as of May, private flows accounted for over 83 percent and 65 percent of total asset and liability flows, respectively.

Text Table 1. Chile: Summary of Qualification Assessments

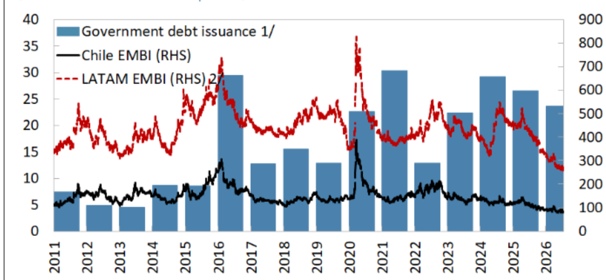
	2026 FCL Request[1]	2025 Mid-term Review[1]	2024 FCL Request[1]
1. A sustainable external position (EBA assessment at least "moderately weaker").	Broadly in line.	Moderately weaker.	Moderately weaker.
2. A capital account dominated by private flows (share of private flows in total capital flows>50 percent, on average over the last three years).	85 percent of asset flows and 86 percent of liability flows.	77 percent of asset flows and 91 percent of liability flows.	72 percent of asset flows and 81 percent of liability flows.
3. A track record of steady sovereign access to sovereign markets at favorable terms (public sector bonds issued or loans disbursed in international markets in at least 3 of the last 5 years; cumulative amount during the last 5 years>50 percent of the country's quota at the Fund).	1,500 percent of quota.	1,500 percent of quota.	1,500 percent of quota.
4. A comfortable reserve position (reserves>100 percent of ARA metric, on average over three (the current and the two previous years).[2]	81 percent.	83 percent.	83 percent.
5. Sound public finances (debt sustainable with high probability).	Debt is sustainable with high probability.	Debt is sustainable with high probability.	Debt is sustainable with high probability.
6. Low and stable inflation (inflation in single digits in the last 5 years preceding qualification).	6.4 percent.	6.1 percent.	5.8 percent.
7. Sound financial system (the average capital adequacy ratio for the banking sector regulatory thresholds; no significant solvency risks or recapitalization needs).	Banks' capital adequacy ratio stood at 16.8 percent in April 2026, comfortably above the regulatory minimum. No significant solvency risks or recapitalization needs.	Banks' capital adequacy ratio stood at 16.7 percent in April 2025, comfortably above the regulatory minimum. No significant solvency risks or recapitalization needs.	Banks' capital adequacy ratio stood at 16.1 percent in February 2024, comfortably above the regulatory minimum. No significant solvency risks or recapitalization needs.
8. Effective financial sector supervision (no substantial concerns regarding the supervisory framework).	No substantial concern in supervisory framework.	No substantial concern in supervisory framework.	No substantial concern in supervisory framework.
9. Data transparency and integrity (an SDDS subscriber or has made satisfactory progress toward meeting the SDDS requirements).	SDDS Plus subscriber.	SDDS Plus subscriber.	SDDS Plus subscriber.

1/ Reported indicators are those available at the time of the request and review, respectively.
2/ Staff assesses reserves to be adequate due to several mitigating factors: (i) sizable usable FX assets (US$5.3 billion as of April 2026), (ii) 16 percent of short-term debt is in the form of intercompany loans which are a stable source of funding, (iii) around 60 percent of bank's short-term external debt is covered by bank's liquid FX assets, (iv) Chile has access to FX liquidity lines totaling US$8.05 billion, (v) the authorities remain strongly committed to a flexible exchange rate.

20. A track record of steady sovereign access to capital markets at favorable terms. Chile has had an uninterrupted access to international capital markets for several decades. It maintains investment grade status from the three major rating agencies and has consistently had one of the lowest sovereign bond spreads among emerging markets. EMBIG and 5-year CDS spreads have averaged about 90 and 47 basis points year to date. The central government has issued external debt in each of the past five years, cumulatively equivalent to about 1,500 percent of Chile's quota in the IMF (well above the threshold of 50 percent of quota).

Government Debt and EMBI Spreads

(In US$ billions and basis points)



Sources: Bloomberg, Ministry of Finance, and IMF staff calculations
1/ Government plan for 2026.
2/ Includes Argentina, Barbados, Bolivia, Brazil, Belize, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, Jamaica, Mexico, Panama, Peru, Paraguay, Suriname, El Salvador, Trinidad and Tobago, Uruguay, and Venezuela.

21. A reserve position that remains relatively comfortable, notwithstanding potential balance of payments pressures that justify IMF assistance. Gross international reserves reached US$51.9 billion at end-June 2026, up US$7.5 billion since end-2024. The increase was largely due to the BCCh's new three-year foreign reserve accumulation program initiated in August 2025, whereby the BCCh intends to purchase up to US$25 million per day in foreign reserves and accumulate up to US$18.5 billion. Cumulative accumulation reached US$5.6 billion by end-June with an average execution rate of 91 percent. Reserves stood at around 81 percent of the Fund's reserve adequacy metric (ARA) at end-June 2026 (or about 14 percent of GDP), averaging 81 percent between January 2024 to June 2026, though still below the recommended range of above 100 percent. The ARA ratio has been affected by a rise in external liabilities during 2025H2, offsetting the increase in reserves. Overall, staff assesses reserves to be adequate due to several mitigating factors that remain largely unchanged:

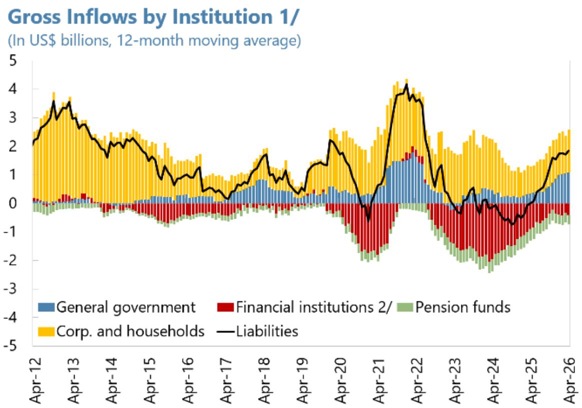
- The government has usable liquid FX assets (US$6 billion as of end-May 2026), up 65 percent since end-2024. This includes US$3.9 billion in the economic and social stabilization fund, and US$2.1 billion in cash (equivalent to an improvement in reserve coverage of up to 9.3 percentage points).

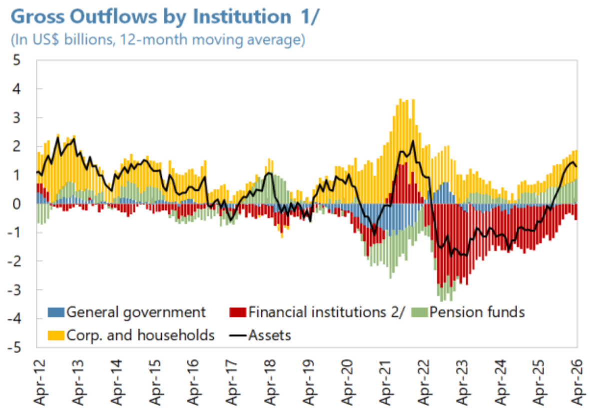
- Around 16 percent of short-term debt (US$8.6 billion as of 2026Q1) represents intercompany loans for foreign direct investors to local firms. These loans are a very stable source of funding with a low probability of resulting in FX funding needs.

- Around 60 percent of banks' short-term external debt (US$21.5 billion at end-2026Q1) is covered by banks' liquid foreign assets (US$12.8 billion) which reduces banks' potential short-term FX funding needs.

- Reserves are complemented by two FX liquidity lines totaling US$8.05 billion: a credit line with FLAR (US$1.25 billion) and a bilateral 5-year, renewable period swap facility with the PBOC (US$6.8 billion) without restrictions on the use of the RMBs. The BCCh is also a subscriber of the Fed's FIMA repo facility, which allows a temporary exchange of U.S. Treasury securities held with the Fed for U.S. dollars (for up to US$26 billion).

- The authorities remain strongly committed to a flexible exchange rate.





Sources: Central Bank of Chile and IMF staff calculations.
1/ The financial account records transactions between residents and nonresidents. Net acquisition of financial assets represents outflows. Net incurrence of liabilities represents inflows.
2/ Financial institutions include Central Bank of Chile, private banks, and other financial institutions.

22. Sound public finances, including a sustainable public debt position determined by a rigorous and systematic debt sustainability analysis. The 2026 Article IV consultation staff report notes that public debt is sustainable with high probability. Public debt declined to 41.5 percent of GDP in 2025 from 41.8 percent in 2024 and the debt trajectory—while projected to gradually increase over the medium term, stabilizing at around 50 percent of GDP—continues to be robust to standard shocks. The authorities' objective of steadily reducing the structural fiscal deficit to 1.5 percent of GDP by 2030 is welcome. However, staff projects that adhering to the target would require additional measures of about ½ percent of GDP beyond the current baseline, with further efforts needed if some of the announced spending cuts turn out not to be feasible or if downside risks (including higher-than-expected fiscal costs from the NRP) materialize. Two-thirds of public debt is denominated in domestic currency, with average external debt maturity above ten years. Liquidity risks are mitigated by assets in the sovereign wealth and pension reserve funds, and the large domestic banking and rising pension fund sectors that can absorb sovereign issuances in case of an abrupt tightening of global financial conditions.

23. Low and stable inflation, in the context of a sound monetary and exchange rate policy framework. Chile maintains a well-functioning inflation-targeting framework with clear policy guidance that has served it well through recent shocks. While inflation averaged 6.4 percent over 2021-25, above the 3-percent target, this reflected a series of global shocks in 2021-23, and electricity price hikes in 2024-25. The BCCh has been responsive, tightening policy decisively in 2022 before easing as inflation declined. After briefly falling below target in early 2026, inflation has risen following higher oil prices, but this increase is expected to be temporary (and second-round effects have not materialized). While there was recently an oil price-driven rise in one-year-ahead inflation expectations, two-year ahead inflation expectations remain well anchored. Market participants view the policy framework as credible and well communicated. The BCCh had a small negative equity in 2025, which neither compromises its policy solvency nor requires immediate recapitalization.

24. A sound financial system and the absence of solvency problems that may threaten systemic stability. The financial sector is sound overall and there are no solvency concerns threatening systemic stability, despite vulnerabilities in a few sectors such as real estate and construction. The 2026 Article IV consultation staff report noted that banks' capital adequacy and liquidity buffers are comfortably above fully implemented Basel III regulatory requirements and have increased relative to the 2024 FCL request. A gradual implementation of the positive-neutral level of the CCyB will further strengthen buffers. Asset prices do not show signs of overvaluation, with the price-to-earnings ratio of the equity index remaining below its historical average. The authorities' predominantly top-down stress tests, equal to or more severe than the IMF's April 2026 WEO adverse scenario, estimate capital destruction under stress reducing the capital adequacy ratio (CAR) by 2.4 percentage points. Given a CAR buffer in the banking system currently of 4.8 percentage points, the financial sector remains robust, with the sector able to withstand severe stress scenarios.

25. Effective financial sector supervision. The 2021 FSAP assessed the banking supervisory framework as robust, while identifying some areas for further enhancement. The 2026 Article IV consultation staff report highlights the ongoing progress in implementing the FSAP recommendations and other resilience-enhancing measures. Recent advances include the implementation of the Basel III requirements, Financial Market Resilience Law, regulatory amendments to support repo market development, and the launch of the Consolidated Debt Registry. Chile also has a strong AML/CFT supervisory framework. The 2023-2027 National AML/CFT Strategy and recent extension of AML/CFT coverage to non-financial sectors are expected to strengthen the detection and prevention of illegal transactions, aiming to address deficiencies identified in the 2021 AML/CFT Mutual Evaluation Report. The implementation of the Fintech Law further enhances financial integrity.

26. Data transparency and integrity. Chile has adhered to the Fund's Special Data Dissemination Standard (SDDS) Plus—the highest tier of the IMF's Data Standards Initiatives—since March 2020. Data provision is adequate for surveillance.

27. Chile continues to have very strong institutional and policy frameworks. The country has a very strong track record of macroeconomic management and policy implementation. This includes prudent fiscal support during the pandemic and timely monetary tightening during the subsequent inflation surge. In 2026, the authorities acted swiftly to limit the fiscal impact of the oil price stabilization mechanism after a sharp rise in oil prices. The 2021 Fiscal Transparency Evaluation concluded that Chile has strong fiscal institutions and sound fiscal transparency practices, which were further strengthened by the Fiscal Responsibility Law implemented in 2024, including by substantiating the monitoring role of the Autonomous Fiscal Council. The Central Bank Transparency Review in 2021 underscored BCCh's high standards of policy analysis, conduct, and independence. These strengths are underpinned by strong governance and institutional quality. The 2026 Article IV consultation did not identify any macro-critical governance or corruption vulnerabilities that could hamper Chile's ability to respond to shocks. Chile scores highly on control of corruption, rule of law, and regulatory frameworks.

28. While Chile's already strong frameworks could be further refined, these areas for improvement do not hamper Chile's ability to respond to shocks. Priorities include better integrating committed expenditure into the medium-term fiscal framework and clearer corrective actions to address deviations from fiscal targets. Continued implementation of the remaining FSAP recommendations would further strengthen resilience, including via the introduction of an industry-funded deposit insurance scheme, a Bank Resolution Law, and risk-based supervision of insurance companies. In this context, the CMF's proposed regulatory amendments on banks' corporate governance and risk management would help enhance governance in financial sector oversight. The CMF is capably staffed with expertise in monitoring individual risks, however, granting it budgetary independence would help ensure its resources remain adequate for its expanding responsibilities such as fintech and cybersecurity.

ACCESS CONSIDERATIONS

29. The authorities have requested an FCL arrangement in the amount of 500 percent of quota (SDR 8.7215 billion). The Central Bank of Chile reiterated that the FCL arrangement has provided a strong and valuable signal to markets about the strength of their policy frameworks. As such, they would like to maintain access under the FCL as part of their buffers against tail risks while they continue to rebuild their own policy buffers in an environment of still-elevated external risks.

30. External downside risks are comparable to those at the 2025 mid-term review under the FCL arrangement (Box 1). The EESI points to continued downside risks. In both the baseline and adverse scenarios, the EESI is slightly higher than, though close to its projected levels, at the time of the 2025 mid-term review of the FCL. While the EESI has picked up since the start of the war in the Middle East, the Chilean economy continues to prove resilient. The adverse scenario, which combines the severe and downside (Scenario B) scenarios of the April 2026 WEO, projects a decline in U.S. and China growth in 2026, a sharp and persistent increase in the U.S. long-term yield, a decline in the price of copper, and an increase in emerging market volatility.

31. Staff nonetheless considers the proposed FCL access level of 500 percent of quota as appropriate to provide sufficient insurance under a plausible downside scenario (Box 2). Under the adverse scenario, the external financing gap is estimated to be slightly lower than that in the 2024 FCL request. The current exercise retains the same calibration of shocks as in the 2024 FCL request. At the same time, external buffers have strengthened. Under the BCCh's accumulation program, reserves are expected to reach US$64.9 billion by end-2027—about US$18 billion, or 15 percentage points of the ARA metric, higher than the level projected for end-2025 at the time of the 2024 FCL request. Higher reserves would allow additional external financing needs arising under the adverse scenario to be partly financed by (i) a drawdown in reserves larger than that assumed in the 2024 FCL request, while maintaining reserves at or above 80 percent of the ARA metric, and (ii) around a third of the resources in the sovereign wealth fund (SWF), a smaller withdrawal than assumed in the 2024 FCL request. The remaining financing gap of around US$11.8 billion (500 percent of quota) would be covered by the FCL arrangement.

Box 2. Chile: Illustrative Adverse Scenario

A new FCL arrangement with access of 500 percent of quota (about US$11.8 billion) would provide sufficient insurance against a broad range of risks in an adverse scenario. The scenario assumes the materialization of external risks that would tighten financial conditions and depress global growth and commodity prices, leading to capital outflows from emerging markets. The calibration of shocks is identical to Chile's 2024 FCL request.

Current account. Mining exports are assumed to fall by 15 percent due to weaker global demand. This is comparable to shocks applied to key export prices in other FCL arrangements, including Chile's 2024 FCL request, and within the 25th percentile of past emerging market crisis episodes. On the back of weaker global prospects, Chile's non-mining exports would also fall by 10 percent. The impact of weaker exports on the current account is partly offset by (i) a decline of 15 percent in oil imports (similar to the decline in copper prices) and a 10 percent fall in non-oil imports driven by exchange rate depreciation and weaker domestic demand; and (ii) an improvement in net income, driven by a 15 percent drop in FDI-related income outflows (proportional to the copper exports decline), which more than offsets the 10 percent drop in FDI-related income inflows (from Chilean companies abroad).

Assumptions Underlying the Illustrative Adverse Scenario
(in percent change vis-à-vis the baseline, unless otherwise indicated)

	2026 FCL	2024 FCL	2022 FCL
Current account			
Exports			
Copper price decline	15	15	15
Decline in non-mining exports	10	10	10
Imports			
Oil price decline	15	15	15
Decline in non-oil imports	10	10	10
Net income			
Decline in FDI income inflows	10	10	10
Decline in FDI income outflows	15	15	15
Financial account			
FDI			
Decline in FDI inflows	15	15	15
Decline in FDI outflows	10	10	10
MLT private sector rollover	80	80	80
ST private sector rollover	80	80	80
Portolio flows decline	0.5 std	0.5 std	1 std
Other investment flows decline	0.5 std	0.5 std	1 std

Foreign direct investment. FDI inflows decline by 15 percent relative to the baseline, reaching a level of 85 percent of the average of the past three years, in line with assumptions in other FCL arrangements. The reduction in FDI inflows is partly offset by a 10 percent decline in outward FDI by Chileans.

Portfolio and other investment flows. Portfolio flows worsen by 0.5 standard deviations, reaching a level of around 25 percent of the average of the past three years. Likewise, other investment flows deteriorate by 0.5 standard deviations. Given the importance of capital flows to Chile, this shock adds more than US$5 billion to external financing needs per year.

External debt. The adverse scenario assumes rollover rates of 80 percent for amortization of short-term and long-term private sector external debt. This is near the 25th percentile of past crisis episodes for long-term private sector external debt and within the 25th percentile of past emerging market crisis episodes for short-term private sector external debt, and in line with other FCL arrangements. The scenario assumes full rollover of public sector external debt, given relatively low public external short-term financing needs compared with public liquid assets.

Use of reserves and the sovereign wealth fund. Additional external financing needs under the adverse scenario would be partly financed by (i) reserves above 80 percent of the ARA metric if the scenario materializes in 2026, and a similar amount if it materializes in 2027, (ii) around a third of the resources in the sovereign wealth fund (SWF). The drawdown of reserves would be larger than assumed in Chile's 2024 FCL request, as the reserves accumulated since 2025 provide a larger buffer, allowing for a smaller withdrawal from the SWF. The remaining financing gap of around US$11.8 billion would be covered by the FCL.

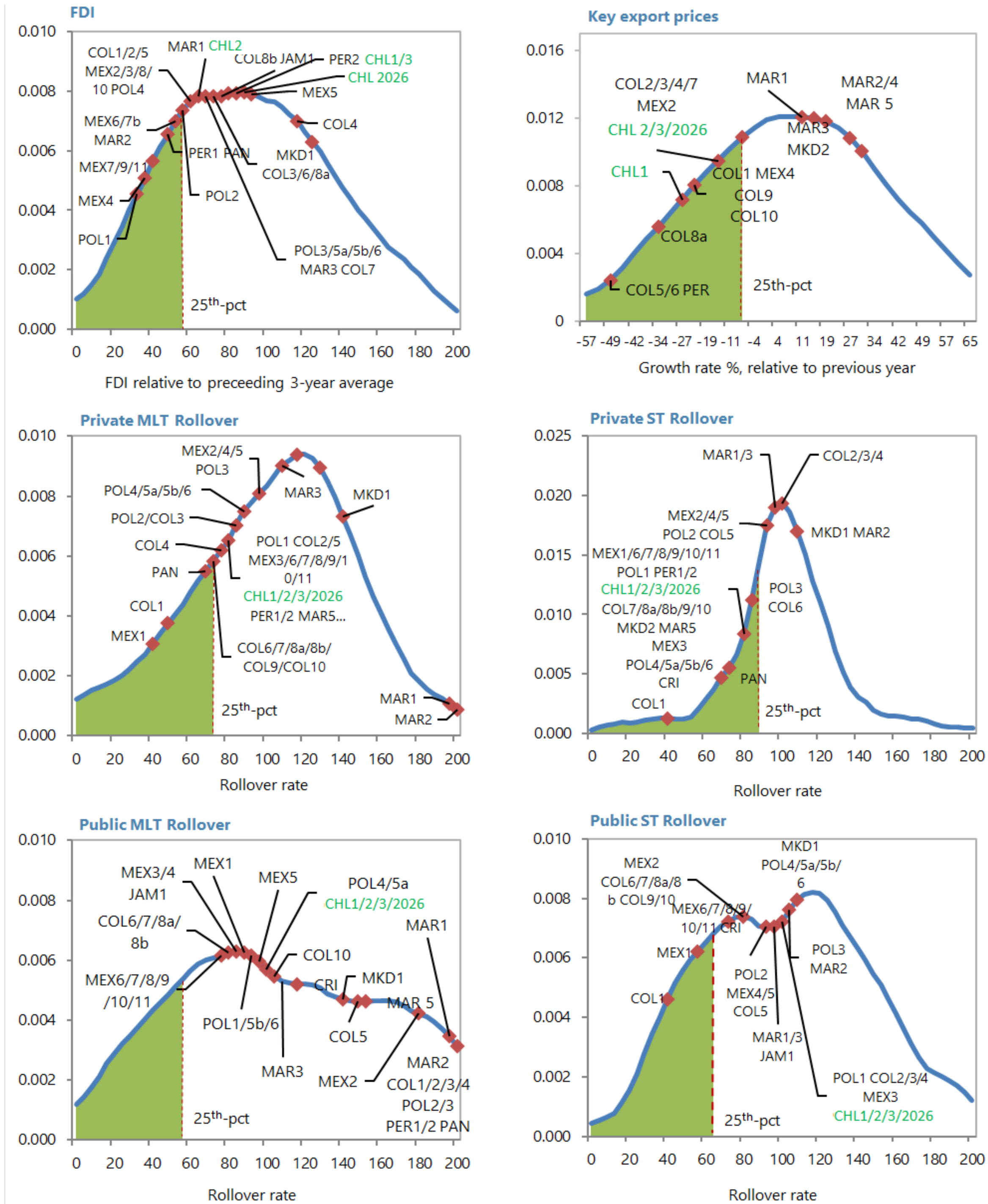
Box 2. Chile: Illustrative Adverse Scenario (continued)
(In US$ billions, unless otherwise specified)

	2025	2026	2027	Adverse 2026	**Contribution to Gap**	Adverse 2027	**Contribution to Gap**
		proj.					
Gross External Financing Requirements	**58.1**	**58.2**	**64.7**	**61.2**	**3.1**	**67.2**	**2.5**
Current Account Deficit	-4.3	-5.0	-8.9	-8.1	3.1	-11.4	2.5
Amortization of Bonds and Loans	53.8	53.2	55.8	53.2		55.8	
Public sector MLT amortization	2.5	1.9	2.3	1.9		2.3	
Private sector MLT amortization	28.1	20.0	20.8	20.0		20.8	
Short term debt amortization	23.1	31.3	32.7	31.3		32.7	
Public sector	0.0	0.9	0.5	0.9		0.5	
Private sector	23.1	30.4	32.2	30.4		32.2	
Available External Financing	**58.1**	**58.2**	**64.7**	**49.4**	**8.7**	**55.4**	**9.3**
Net FDI Inflows	5.8	8.7	8.1	7.0	1.7	6.6	1.6
Net Portfolio Inflows	-7.4	-3.6	-2.0	-6.2	2.5	-4.6	2.5
Financing through Bonds and Loans	53.8	53.2	55.8	43.1		45.2	
Public sector MLT financing	2.5	1.9	2.3	1.9		2.3	
Private sector MLT financing	28.1	20.0	20.8	16.0	4.0	16.6	4.2
Short-term financing	23.1	31.3	32.7	25.2		26.2	
Public sector	0.0	0.9	0.5	0.9		0.5	
Private sector	23.1	30.4	32.2	24.3	6.1	25.8	6.4
Net Other Flows	8.0	5.4	8.3	3.0		5.9	
Other investment	8.1	4.0	7.0	1.6	2.4	4.6	2.4
Derivatives	1.8	1.4	1.3	1.4		1.3	
Other	-1.9	0.0	0.0	0.0		0.0	
Change in International Reserves	2.2	5.6	5.6	-0.5	-6.1	-0.5	-6.1
Additional Change in SWF Assets	0.0	0.0	0.0	-1.9	-1.9	-1.8	-1.8
Financing Gap (USD billions) 1/					**11.8**		**11.8**
SDR (1.35576 USD/SDR, July 1, 2025)					8.7		8.7
Percent of quota					500.0		500.0
Memorandum items							
Reserves (in billions of U.S. dollars)	49.5	57.2	64.9	51.2		58.8	
Reserves (percent of ARA)	78.7	84.7	90.6	80.0		86.5	

Sources: Chilean authorities and IMF staff estimates.
1/ Assumes the adverse scenario materializes either in 2026 or in 2027

Box 2. Chile: Illustrative Adverse Scenario 1/ (concluded)

(Probability Density)



Source: IMF staff calculations.

1/ The countries shown are previous FCL/PCL/PLL arrangements, numbered consecutively by country. CHL2026 is the proposed arrangement for Chile.

32. The authorities remain committed to gradually lowering access conditional on external risk developments. While medium-term resilience will continue to be anchored in very strong policies, the authorities intend to strengthen their own external buffers as an additional step of their exit strategy. Their reserve accumulation program, which follows high transparency standards, is robust to changes in external risks, and avoids significant distortions in the FX market.

IMPACT ON FUND FINANCES, RISKS, AND SAFEGUARDS

33. The lower access level of the proposed successor FCL arrangement (compared to the current one) would have a net positive impact on Fund liquidity. The approval of the proposed arrangement of 500 percent of quota (SDR 8.7215 billion) and cancellation of the current one (SDR 10.4658 billion; 600 percent of quota) would increase the Fund's liquidity as measured by the Forward Commitment Capacity (FCC) by SDR 1.7443 billion.

34. Even if Chile were to draw the full amount, Chile's adequate capacity to repay the Fund would limit credit risks. The authorities have reiterated their intention to treat the proposed arrangement—like all its predecessors—as precautionary. If Chile were to draw the full amount as a single drawing, as described in Box 2 under an illustrative adverse scenario, its impact on the Fund's finances would be significant: it would represent the third largest Fund GRA-credit exposure after Argentina (SDR 42.552 billion) and Ukraine (SDR 10.56 billion). Fund credit to Chile would represent 8.6 percent of total GRA credit outstanding as of July 2, 2026. However, risks would remain manageable: total external debt would temporarily climb to 80 percent of GDP in 2027 before declining over the medium term to 73.4 percent of GDP in 2031 (Table 8). As Chile's external debt is mostly private, public external debt and Fund credit would remain low, peaking at 22.8 and 3.1 percent of GDP in 2028 and 2026, respectively. Debt service to the Fund would peak at about SDR 4.6 billion (about 1.3 percent of GDP) in 2030. Given the lower proposed access level under the new FCL arrangement, these peak values are smaller than those projected at the time of the approvals of Chile's 2020, 2022, and 2024 FCL arrangements. In addition, several factors would mitigate risks to the capacity to repay, including Chile's adequate buffers as well as very strong macroeconomic policies and institutional policy frameworks.

35. FCL safeguards procedures are underway. In preparation for the requested FCL arrangement, the BCCh has provided the required authorization for an update of the safeguards procedures to be conducted by Fund staff in relation to the requested arrangement. These procedures are being conducted based on a review of the BCCh's FY2025 audited annual financial statements and a discussion with the central bank's external auditors. As part of the mid-term review of the 2024 FCL arrangement, staff reviewed the 2024 audit results and did not identify any significant issues from the conduct of the safeguards procedures.

36. Enterprise risks associated with the approval of the proposed FCL arrangement are mitigated by Chile's very strong macroeconomic policies and institutional frameworks. The main financial risks to the Fund would be the adequacy of liquidity resources and credit risk. Under the proposed arrangement, liquidity risks to the Fund would decline with its approval, since the requested access is lower than that of the current arrangement and would therefore improve the Fund's Forward Commitment Capacity (FCC). Credit risks to the Fund would also decline with the approval of the current arrangement owing to reduced exposure. Credit risk is also mitigated by (i) the fact that the authorities intend to treat the arrangement as precautionary, (ii) the strength of the Chilean economy—underscored by its investment-grade status and uninterrupted access to international capital markets at favorable terms for several decades—and ongoing reserve accumulation program to further strengthen its adequate buffers, and (iii) Chile's strong policies and the authorities' commitments to maintaining these policies. Going forward, both financial risks are expected to decline as the authorities intend to gradually reduce access conditional on external risks. A counterbalance to the identified financial risks would be the reputational risk to the Fund if it did not provide sufficient support to a qualifying member facing significant and persistent external shocks with potential economic and financial stability implications.

STAFF APPRAISAL

37. Chile's FCL arrangement has supported the authorities' policy efforts amid an uncertain external environment. The FCL arrangement has provided a valuable signal about the strength of Chile's policy and institutional frameworks as well as their commitment to maintaining these in the future.

38. Chile continues to meet all the qualification criteria for an FCL arrangement. Chile has very strong fundamentals and policy frameworks, and a sustained track record of implementing very strong policies that have supported the country's resilience in the face of large shocks. This assessment was shared by the Executive Board in July 2026 in the context of the 2026 Article IV consultation with Chile. Chile remains fully committed to maintaining these policies and policy frameworks.

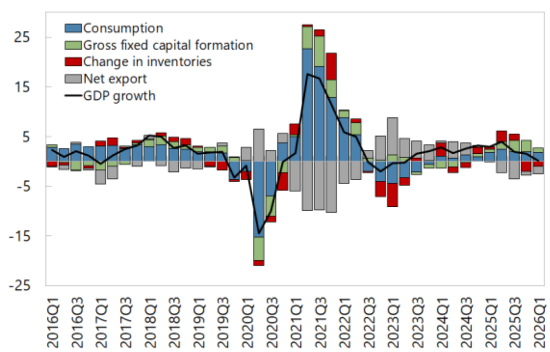
39. Staff recommends approval of the authorities' request for an FCL arrangement and considers the proposed access of SDR 8.7215 billion (500 percent of quota) appropriate. The lower access level is consistent with Chile's stronger external buffers in the face of still-elevated external risks. Protracted hostilities in the Middle East could keep oil prices higher for longer, both increasing inflation and weighing on growth. Continued trade tensions or a disorderly correction in the outlook related to a reconsideration of AI-led productivity gains could lower the price of and demand for Chile's key exports. Against this backdrop, staff supports the authorities' request as it would provide adequate insurance in a plausible downside scenario, while remaining consistent with their exit strategy. In this context, it will be important for the BCCh to continue the accumulation of international reserves to further strengthen external buffers.

40. Staff considers the impact on Fund finances from the proposed FCL arrangement to be manageable. The Fund's credit exposure would remain moderate even with a possible drawing under the new arrangement. There are also several mitigating factors. First, the authorities intend to treat the FCL arrangement as precautionary. Second, most capacity to repay indicators suggest moderate credit risk to the Fund in terms of Chile's capacity to repay. Moreover, Chile has a sustained track record of accessing international capital markets at favorable terms for several decades. The proposed new commitment and cancellation of the current arrangement would have a net positive impact on the Fund's liquidity position.

Figure 1. Chile: Economic Activity

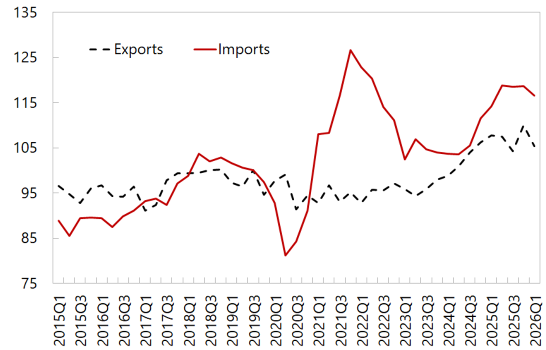
Growth has moderated since the second half of 2025…

Contributions to Real GDP Growth
(In percentage points, yoy, S.A.)



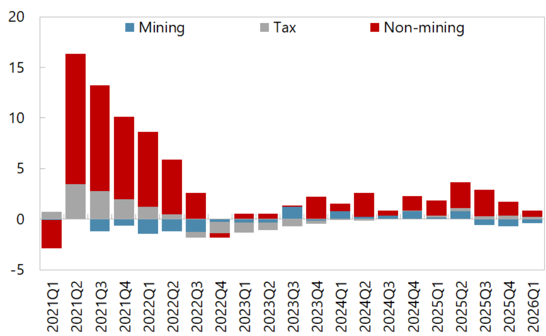
… mostly driven by smaller contributions from net exports.

Exports and Imports of Goods and Services
(S.A. - 2019Q3=100)



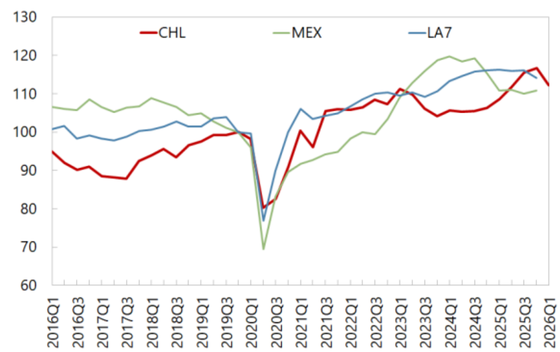
Weaker exports largely reflect a decline in mining activity following an accident in July 2025…

GDP Growth Composition
(In percent of GDP)



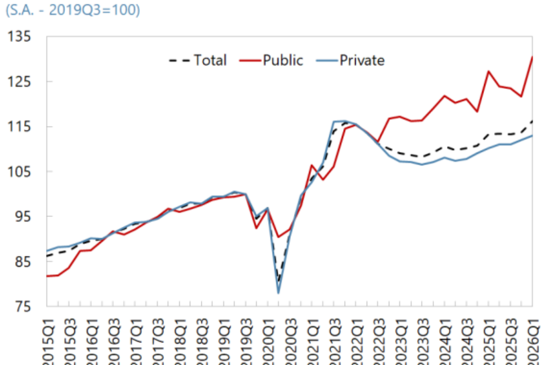
…while stronger imports in 2025 reflect a pickup in investment…

Real Gross Fixed Capital Formation
(Index, 2019Q4 = 100)



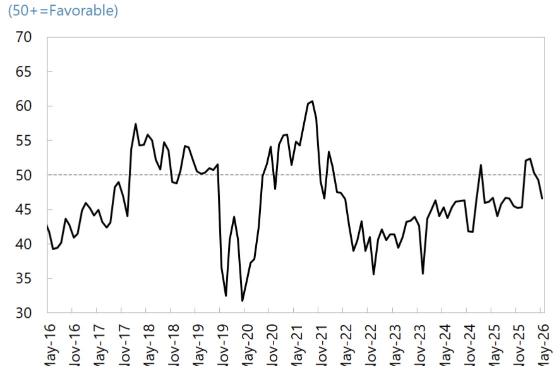
… and still-robust consumption growth.

Real Domestic Consumption
(S.A. - 2019Q3=100)



Business confidence improved through 2025 and early 2026 but has softened since the Middle East conflict.

Monthly Business Confidence (IMCE)
(50+=Favorable)

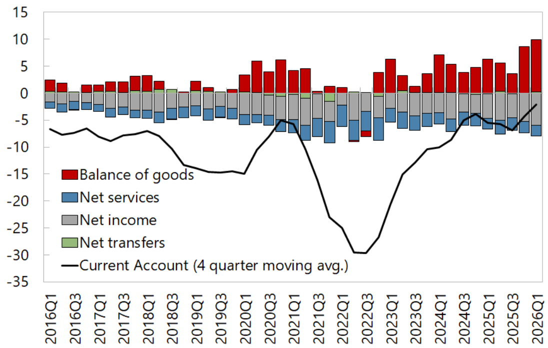


Sources: Central Bank of Chile, Ministry of Finance, INE, Haver Analytics, and IMF staff calculations.

Figure 2. Chile: External Sector

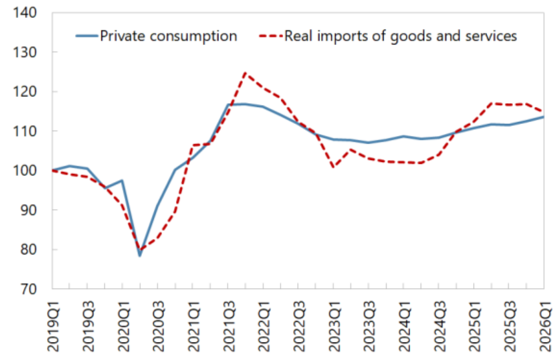
The current account deficit narrowed though 2026Q1.

Current Account Decomposition
(In billions of U.S. dollars)



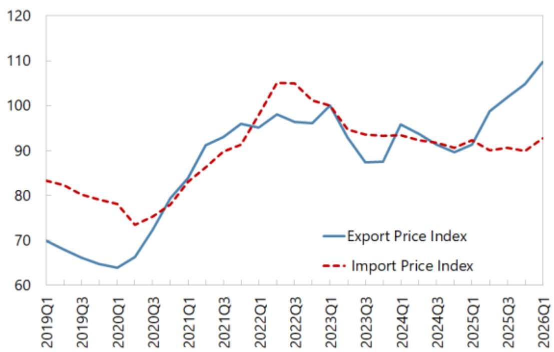
Imports have continued to grow, consistent with robust consumption and investment growth, …

Private Consumption and Real Imports
(Index, 2023Q1=100)



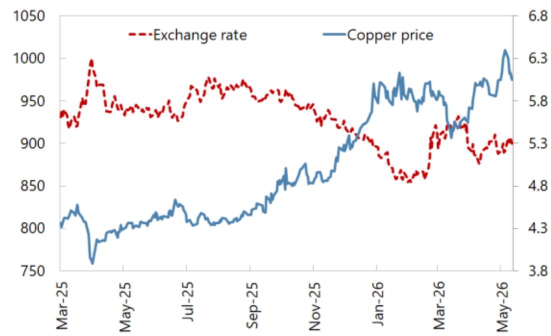
… and the higher trade balance mainly reflects higher copper export prices.

Prices of Goods Exports and Goods Imports
(USD price index, 2023Q1=100)



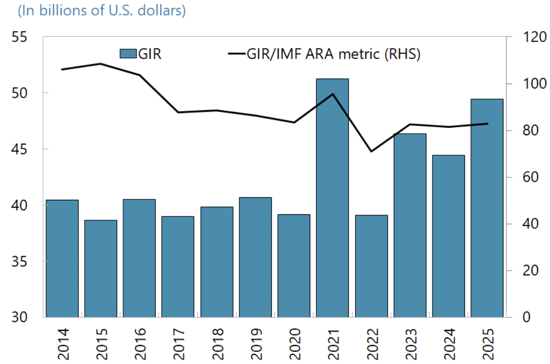
The peso appreciated as copper prices rose, despite temporary volatility following the Middle East conflict.

Chile: Exchange Rate and Copper Price
(CLP/USD - LHS; USD per pound - RHS)



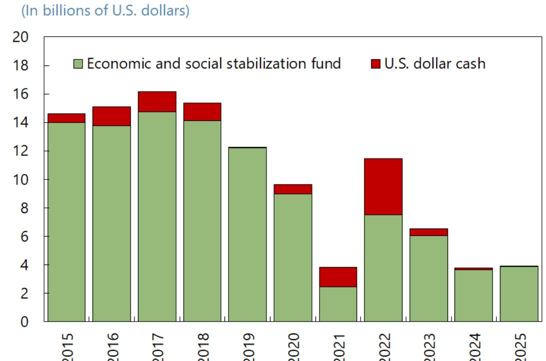
Gross international reserves increased in 2025 but are below 100% of the ARA metric.

Gross Reserves and Reserve Adequacy Metric 1/
(In billions of U.S. dollars)



FX buffers held by the government (not counted as international reserves) have stabilized at a low level.

Government Liquid FX Assets
(In billions of U.S. dollars)

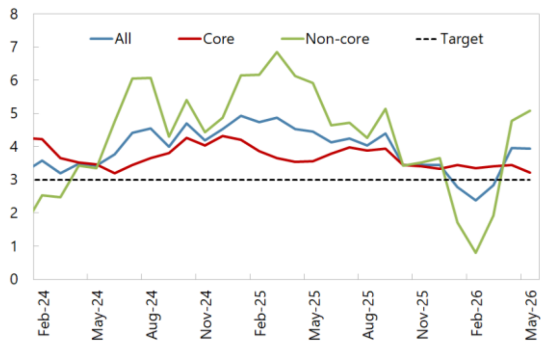


Sources: Central Bank of Chile, DIPRES, Haver Analytics, and IMF staff calculations.
1/ As percent of the IMF reserve adequacy metric. See [Assessing Reserve Adequacy](), IMF.

Figure 3. Chile: Inflation 1/

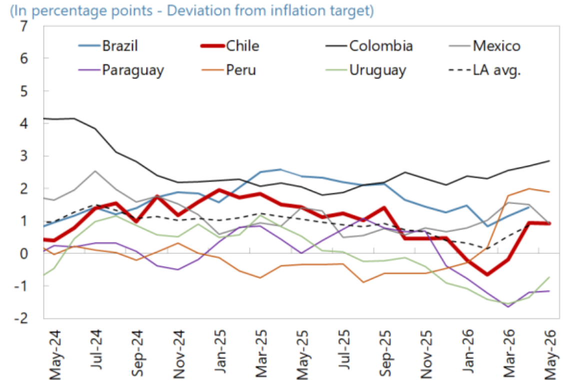
After briefly falling below target, headline inflation has picked up following the conflict in the Middle East.

Inflation
(In percent, NSA, yoy)



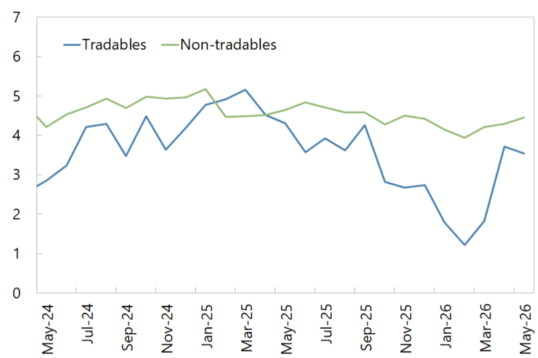
The disinflation in 2025 and the pickup in inflation since March 2026 broadly mirror regional trends.

Headline Consumer Price Inflation 2/
(In percentage points - Deviation from inflation target)



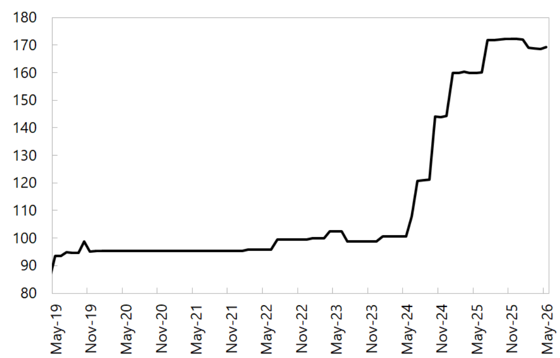
Prior to the war, disinflation was driven by tradable prices, reflecting falling import prices, and peso appreciation…

Tradables & Non-Tradables Price
(In percent, NSA, yoy)



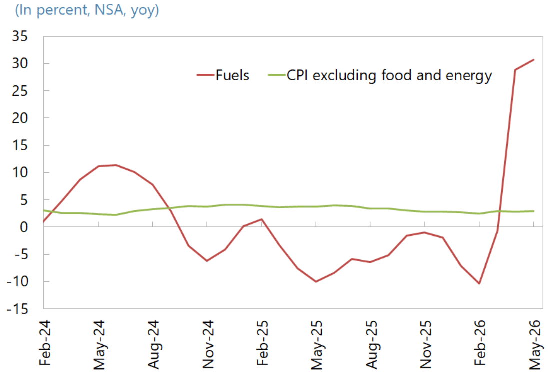
… as well as the fading base effects from the electricity price hikes implemented during 2024-25.

Electricity Price
(NSA, 2023=100)



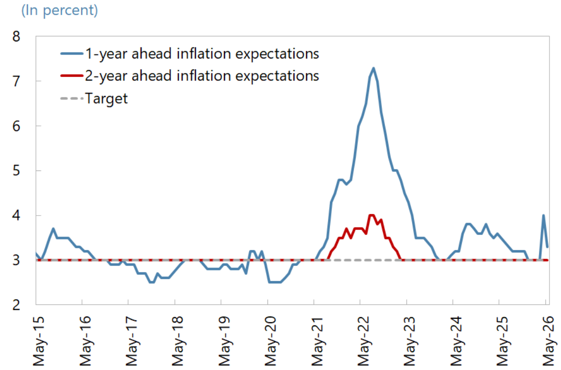
The rise in inflation since March has been led by fuel and transportation prices, with limited second-round effects.

Price Change
(In percent, NSA, yoy)



Two-year inflation expectations remain close to the target.

Inflation Expectations at 1 and 2 Years
(In percent)



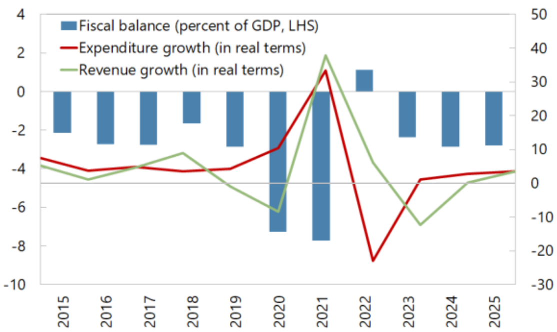
Sources: Central Bank of Chile, Haver Analytics, and IMF staff calculations.
1/ Inflation rates during 2014-2023 are calculated based on the 2018 CPI basket. Inflation rates after January 2024 are calculated based on the 2023 CPI basket.
2/ LA7 group includes seven Latin American countries: Brazil, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay. Average LA inflation is calculated as the PPP-GDP-weighted average inflation rate across these countries.

Figure 4. Chile: Public Finances

The fiscal deficit was unchanged in 2025 mainly due to a weaker-than-expected revenue performance…

Fiscal Balance, Expenditure and Revenue

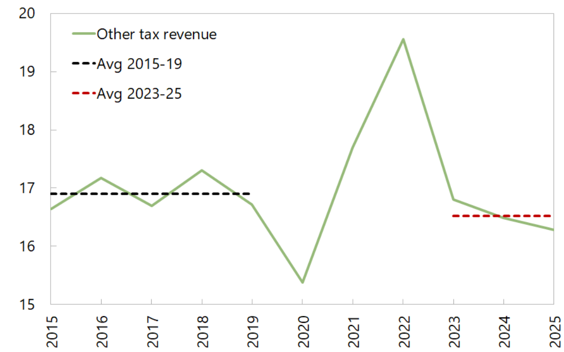
(In percent, yoy)



… which is linked to consistently lower-than-projected non-mining tax revenue-to-GDP ratio.

Other Tax Revenue, Non-Mining

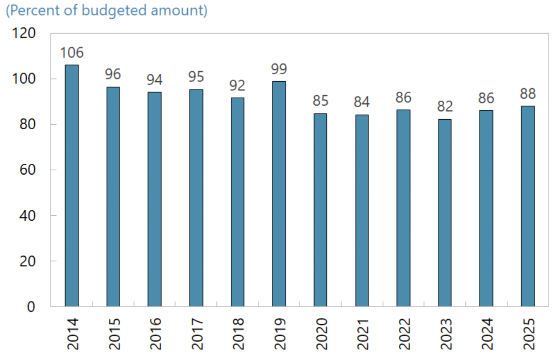
(In percent of GDP)



Capital spending execution increased somewhat in 2025 but remained below pre-pandemic levels.

Capital Spending Execution

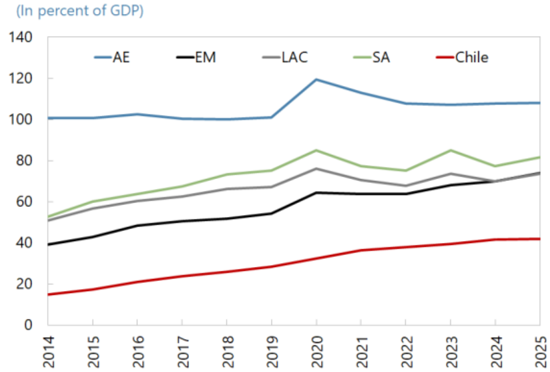
(Percent of budgeted amount)



Chile's gross debt-to-GDP ratio is relatively low by international standards, and…

General Government Gross Debt 1/

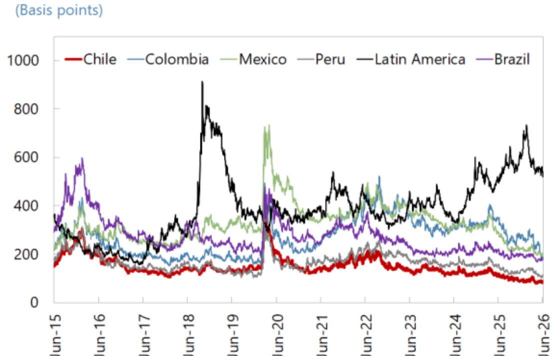
(In percent of GDP)



…the government continues to borrow at favorable rates,

EMBI Spreads

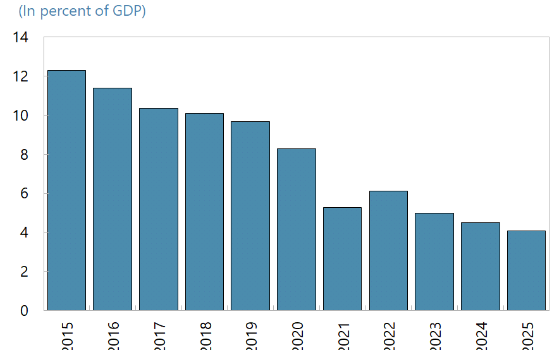
(Basis points)



… while Treasury assets have continued to decline.

Treasury Assets

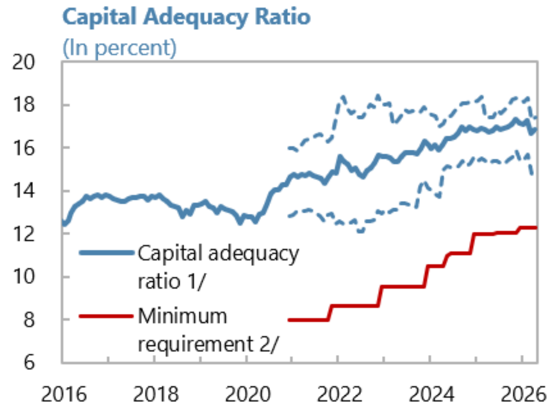
(In percent of GDP)



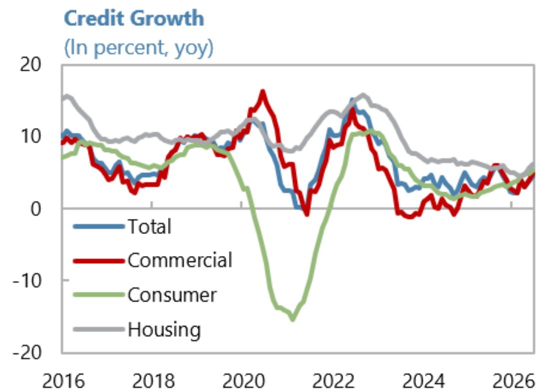
Sources: Ministry of Finance, Dipres, Central Bank of Chile, Bloomberg, and IMF staff calculations and projections.
1/ AE = Advance Economies; EM = Emerging and Developing Economies; LAC = Latin America and the Caribbean, excluding Venezuela; SA = South America, excluding Venezuela.

Figure 5. Chile: Financial Sector

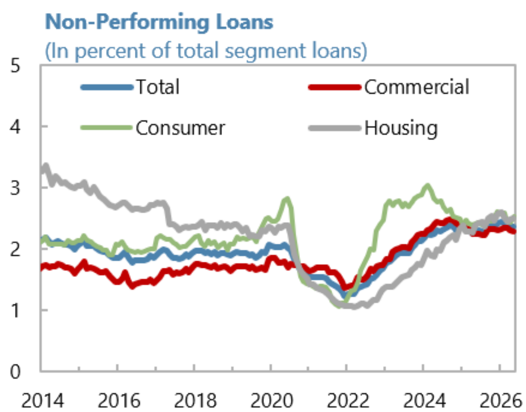
Banks implemented Basel III requirements by end-2025 with a comfortable level of voluntary buffers.



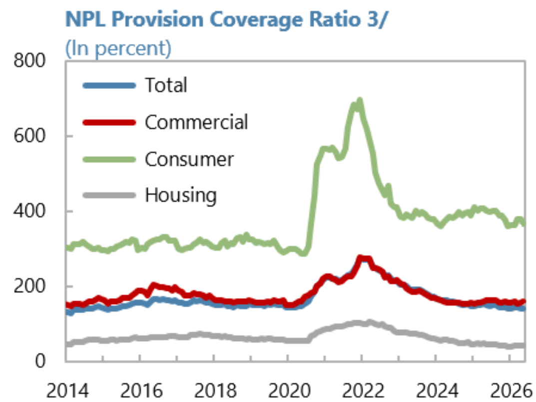
Excluding FX valuation effects on foreign-currency loans, credit growth showed signs of a mild recovery.



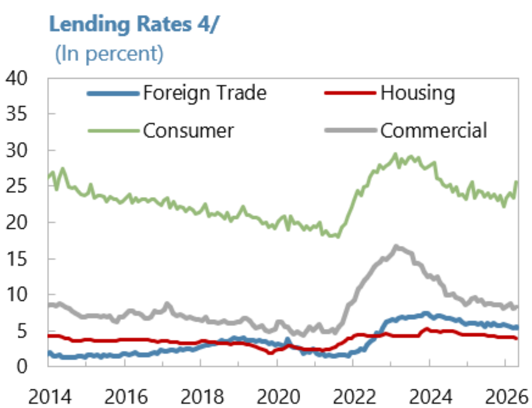
NPL ratios stabilized at a level slightly above the pre-pandemic average…



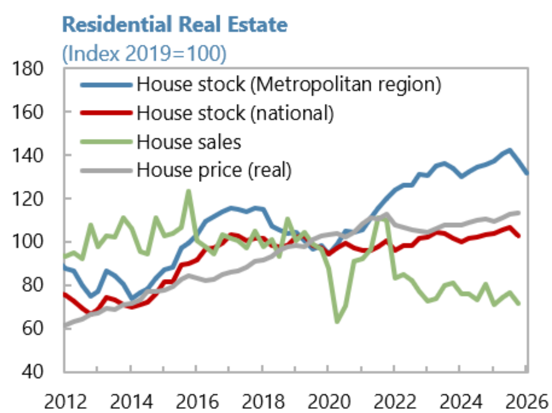
… with provision coverage ratios similar to the pre-pandemic levels.



Lending rates gradually decreased.



Weaknesses in the housing markets remain, given still-elevated inventory levels and subdued sales.



Sources: CMF, CEIC, BCCh, Haver Analytics, and IMF staff calculations.

1/ The solid line represents the banking system series, and the dashed lines represent the maximum and minimum values among the six D-SIBs. Data prior to December 2020 is based on the Basel I regulations.

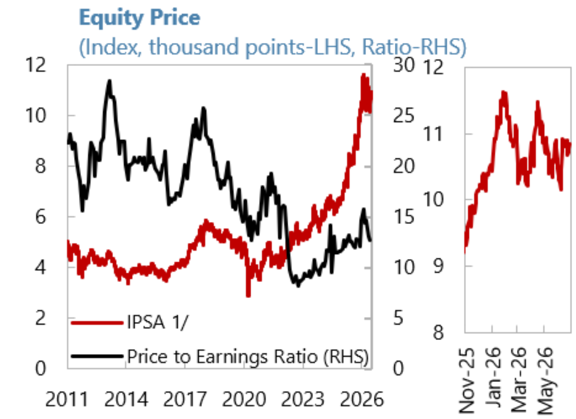
2/ The minimum requirement includes the D-SIB surcharge and the Pillar 2 requirements calculated as the weighted average of individual banks requirements weighted by the risk-weighted assets.

3/ The ratio of the sum of specific and additional provisions to non-performing loans.

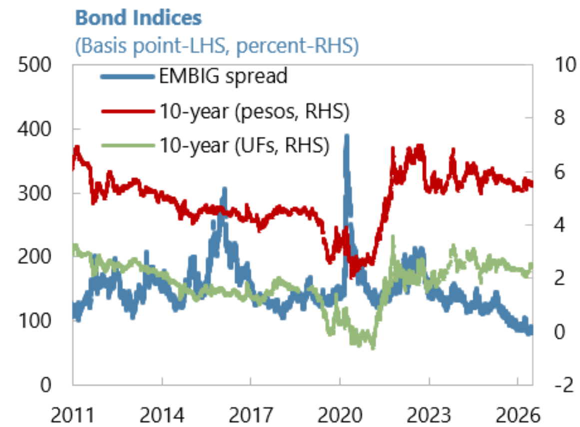
4/ Interest rates for commercial and consumer loans are nominal rates (CLP-based), while that for housing loans is a real rate (UF-based).

Figure 6. Chile: Financial Markets

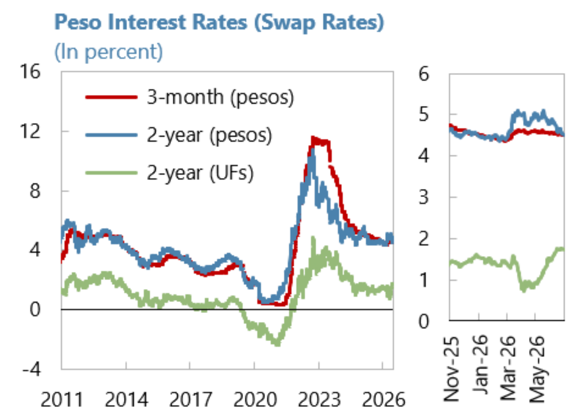
The equity index remains close to its historical highs, while the price-to-earnings ratio is below its past average.



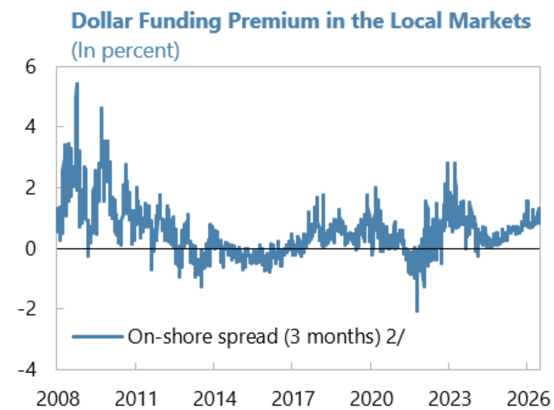
Long-term rates and the sovereign spread have largely been stable in the recent period.



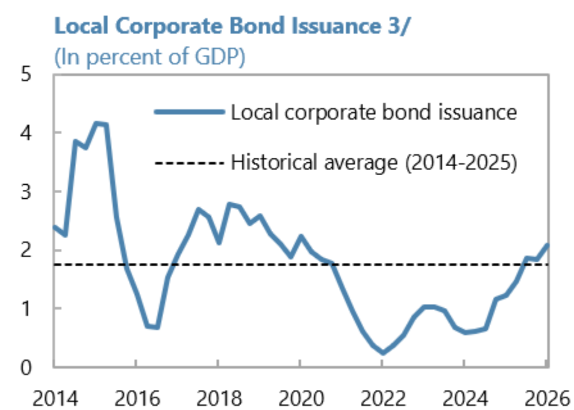
After a gradual decline following monetary policy rate cuts, short-term nominal rates have increased since the war.



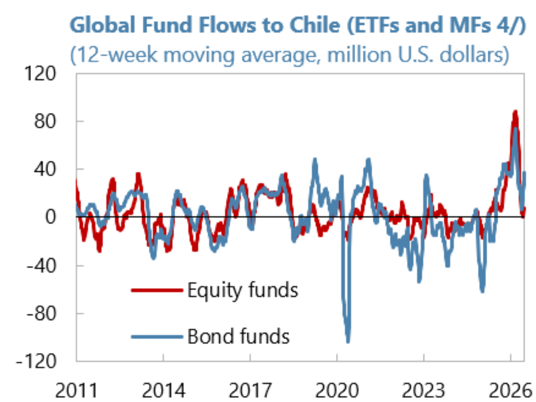
The dollar funding premium is largely unchanged.



Domestic non-financial corporate bond issuance has seen some dynamism in recent quarters.



After experiencing robust inflows, equity and bond funds inflows have softened since the war.



Sources: BCCh, Bloomberg, CEIC, Haver Analytics, and IMF staff calculations.
1/ The index measures the performance of some of the largest and most liquid stocks listed on the Santiago Stock Exchange.
2/ The difference between the onshore rate (the prime deposit rate, i.e., the rate offered by banks to institutional investors) and the Libor (the term SOFR since August 2022), providing a proxy of the cost of financing in U.S. dollars in the national market vis-à-vis the international market
3/ The ratio of the moving sum of four quarters of local corporate bond issuance to a moving sum of four quarters of the quarterly GDP.
4/ ETFs: Exchange traded funds; MFs: Mutual funds.

Table 1. Chile: Selected Social and Economic Indicators 1/

GDP (2025), in trillions of pesos	340	Quota	
GDP (2025), in billions of U.S. dollars	358	in millions of SDRs	1,744
Per capita (2025), U.S. dollars	17,847	in % of total	0.37
Population (2025), in millions 1/	20.0	Poverty rate (2024) 1/	17.3
Main products and exports	Copper, fruits, fish	Gini coefficient (2024) 1/	0.46
Key export markets	China, U.S., Euro Area	Life expectancy (2026)	81.8

					Proj.					
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Output	(Annual percentage change, unless otherwise specified)									
Real GDP	2.1	0.7	2.8	2.5	1.6	2.8	2.3	2.3	2.3	2.3
Consumption	2.5	-3.4	1.4	2.8	1.9	2.3	2.3	2.2	2.3	2.4
Private	1.6	-4.7	1.1	2.7	1.9	2.5	2.2	2.1	2.3	2.5
Public	6.3	2.3	2.8	3.0	1.8	1.9	2.0	2.5	2.0	2.0
Investment 2/	1.5	-4.7	0.5	8.9	1.4	4.3	3.2	3.1	3.2	3.2
Fixed capital formation	4.6	0.3	-1.6	7.0	1.9	3.9	3.2	3.2	3.1	3.2
Exports of goods and services	0.8	0.3	7.2	4.6	-0.9	3.5	2.1	2.5	2.2	2.0
Imports of goods and services	1.3	-11.1	2.1	10.5	-0.2	3.6	2.9	3.0	3.0	3.1
Output gap (in percent)	2.5	0.3	-0.1	0.1	-0.5	0.0	0.0	0.0	0.0	0.0
Employment										
Unemployment rate (in percent, annual average)	7.9	8.7	8.5	8.5	8.9	8.4	8.0	7.8	7.7	7.6
Prices										
GDP deflator	7.5	6.6	7.1	6.8	4.5	1.1	3.4	3.0	3.1	3.0
Change of CPI (end of period)	12.8	3.9	4.5	3.4	4.2	3.0	3.0	3.0	3.0	3.0
Change of CPI (period average)	11.6	7.6	3.8	4.2	3.7	3.4	3.0	3.0	3.0	3.0
Public Sector Finances	(In percent of GDP, unless otherwise specified)									
Central government revenue	26.1	22.9	21.7	21.4	21.8	21.9	21.9	22.0	21.8	21.8
Central government expenditure	25.0	25.3	24.5	24.2	24.2	23.7	23.8	23.8	23.7	23.6
Central government fiscal balance	1.1	-2.4	-2.9	-2.8	-2.3	-1.8	-1.9	-1.8	-1.9	-1.8
Central government structural fiscal balance 3/	-1.7	-3.4	-3.3	-3.2	-2.8	-2.2	-1.9	-1.8	-1.9	-1.8
Structural non-mining primary balance	-2.3	-4.2	-3.8	-4.2	-4.5	-3.7	-3.3	-3.0	-2.8	-2.7
Central government gross debt	37.9	39.4	41.8	41.5	43.4	45.0	46.2	47.3	48.3	49.2
of which, FX-denominated debt	13.5	14.0	15.1	14.1	14.4	15.0	15.9	16.4	16.8	16.3
Central government debt net of treasury assets	31.8	34.4	37.3	37.5	39.6	41.4	42.7	44.0	45.1	46.1
Public sector gross debt 4/	67.2	70.2	61.9	60.6	62.4	64.1	65.3	66.3	67.4	68.3
Money and Credit	(Annual percentage change, unless otherwise specified)									
M2	5.9	2.7	6.1	2.9	3.1	4.0	5.7	5.4	5.4	5.4
Credit to the private sector	10.0	3.3	3.9	2.2	4.0	4.5	6.0	6.0	6.0	6.0
Balance of Payments										
Current account (% of GDP) 5/	-8.9	-3.1	-1.2	-1.2	-1.2	-2.1	-2.0	-1.9	-1.9	-1.9
Current account (in bn of USD)	-26.7	-10.4	-3.8	-4.3	-5.0	-8.9	-8.5	-8.6	-9.1	-9.4
Gross international reserves (in bn of USD) 6/	39.2	46.4	44.4	49.5	57.2	64.9	70.8	73.5	76.3	79.3
Gross external debt (% of GDP) 5/	76.9	72.4	74.4	77.6	72.8	72.9	73.5	73.9	74.2	73.4
Memorandum Items										
Nominal GDP (trillions of pesos)	263	282	311	340	361	375	397	418	441	464

Sources: Central Bank of Chile, Ministry of Finance, Haver Analytics, and IMF staff calculations and projections.

1/ Poverty rate and Gini coefficient are from CASEN (new methodology 2024), and are calculated based on national poverty line.

2/ Investment includes gross fixed capital formation and changes in inventories.

3/ The structural fiscal balance includes adjustments for output, copper prices, and lithium revenues based on IMF calculations.

4/ Includes liabilities of the central government, the Central Bank of Chile and public enterprises. Excludes Recognition Bonds.

5/ Calculated as a share of US$ GDP.

6/ Includes earned interest on reserve assets.

Table 2. Chile: Summary of Operations of the Central Government

(In percent of GDP, unless otherwise specified)

					Proj.					
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues	**26.1**	**22.9**	**21.7**	**21.4**	**21.8**	**21.9**	**21.9**	**22.0**	**21.8**	**21.8**
Taxes	21.1	17.6	17.6	17.8	17.7	18.0	18.0	18.2	18.1	18.1
Private mining companies	1.5	0.8	1.1	1.6	1.9	1.9	1.7	1.7	1.7	1.7
Other tax revenues, non-mining	19.6	16.8	16.5	16.3	15.7	16.0	16.3	16.5	16.5	16.5
Social contributions	1.0	1.2	1.2	1.3	1.4	1.4	1.4	1.4	1.4	1.4
Grants	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	4.0	4.1	2.8	2.2	2.8	2.5	2.5	2.3	2.3	2.2
Codelco revenues	0.7	0.4	0.4	0.5	0.8	0.7	0.6	0.5	0.4	0.4
Income on assets	0.5	0.7	0.4	0.4	0.5	0.4	0.3	0.3	0.3	0.3
Lithium (rental income) 1/	0.9	1.0	0.2	0.1	0.3	0.2	0.2	0.2	0.2	0.2
Operating income	0.4	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Other income	1.3	1.5	1.3	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Expenditures	**25.0**	**25.3**	**24.5**	**24.2**	**24.2**	**23.7**	**23.8**	**23.8**	**23.7**	**23.6**
Expense	23.5	23.8	23.1	22.7	23.0	23.0	23.3	23.4	23.5	23.5
Compensation of employees	4.7	4.9	4.9	5.0	5.0	4.9	4.9	4.9	4.9	4.9
Purchases of goods and services	2.0	1.9	1.9	2.0	1.8	1.8	1.8	1.8	1.8	1.8
Interest payments	1.0	1.1	1.2	1.2	1.3	1.3	1.5	1.6	1.7	1.7
Subsidies and grants	9.3	8.9	8.4	7.8	8.4	7.9	7.7	7.5	7.4	7.4
Social benefits	4.3	5.0	4.6	4.6	4.5	4.5	4.6	4.6	4.6	4.7
Other expense	2.1	2.0	2.0	2.0	2.2	2.1	2.1	2.1	2.1	2.0
Unspecified measures	0.0	0.0	0.0	0.0	0.0	-0.5	-0.7	-0.9	-1.0	-1.0
Net acquistion of nonfinancial assets	1.5	1.5	1.4	1.4	1.2	1.2	1.2	1.2	1.2	1.1
Investment	1.5	1.5	1.4	1.4	1.2	1.2	1.2	1.2	1.2	1.2
Net Lending/Borrowing	**1.1**	**-2.4**	**-2.9**	**-2.8**	**-2.3**	**-1.8**	**-1.9**	**-1.8**	**-1.9**	**-1.8**
Non-mining overall balance	-2.1	-4.7	-4.6	-5.0	-5.4	-4.6	-4.5	-4.2	-4.2	-4.1
Net Financial Transactions	**1.1**	**-2.4**	**-2.9**	**-2.8**	**-2.3**	**-1.8**	**-1.9**	**-1.8**	**-1.9**	**-1.8**
Net acquisition of financial assets	3.5	-0.7	-0.3	-0.3	1.5	1.0	1.1	1.0	1.0	1.0
Net incurrence of liabilities	2.4	1.7	2.6	2.5	3.9	2.8	3.0	2.8	2.9	2.7
Domestic	0.7	0.8	1.6	1.7	2.6	1.7	1.5	1.7	1.7	2.6
External	1.8	1.0	1.0	0.9	1.3	1.0	1.5	1.2	1.1	0.2
Recognition bonds	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items										
Primary balance	1.6	-2.0	-2.1	-2.0	-1.6	-0.9	-0.7	-0.6	-0.5	-0.4
Structural fiscal balance 2/	-1.7	-3.4	-3.3	-3.2	-2.8	-2.2	-1.9	-1.8	-1.9	-1.8
Structural revenue	23.3	21.9	21.3	21.0	21.4	21.5	21.9	22.0	21.8	21.8
Structural Non-Mining Primary Balance (% of NGDP) 1/	-2.3	-4.2	-3.8	-4.2	-4.5	-3.7	-3.3	-3.0	-2.8	-2.7
Fiscal impulse 3/	-9.7	1.9	-0.4	0.4	0.3	-0.8	-0.4	-0.3	-0.2	-0.1
Expenditure growth (in real terms; annual percent change)	-23.0	1.1	2.7	3.5	2.4	-1.3	3.2	2.0	2.1	1.8
Central government debt net of treasury assets	31.8	34.4	37.3	37.5	39.6	41.4	42.7	44.0	45.1	46.1
Central government gross debt	37.9	39.4	41.8	41.5	43.4	45.0	46.2	47.3	48.3	49.2
Public sector gross debt 4/	67.2	70.2	61.9	60.6	62.4	64.1	65.3	66.3	67.4	68.3
Public sector debt net of treasury assets 4/	61.1	65.2	57.4	56.5	58.7	60.4	61.8	63.0	64.2	65.2
General government fiscal balance 5/	1.4	-2.3	-2.8	-2.8	-2.3	-1.7	-1.9	-1.8	-1.9	-1.7
Nominal GDP (trillions of pesos)	263	282	311	340	361	375	397	418	441	464

Sources: Ministry of Finance and IMF staff calculations and projections.

1/ The rental income from lithium is included in income on assets prior to 2022.

2/ The structural fiscal balance includes adjustments for output, copper prices, and lithium revenues based on IMF calculations. The lithium adjustment starts in 2022.

3/ The fiscal impulse is defined as the negative of the annual change of the structural non-mining primary balance.

4/ Includes liabilities of the central government, the cental bank of Chile and non-financial public enterprises. Excludes Recognition Bonds.

5/ Includes the central government and municipality governments.

Table 3. Chile: Balance of Payments
(In US$ billions, unless otherwise specified)

					Proj.					
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Current Account	**-26.7**	**-10.4**	**-3.8**	**-4.3**	**-5.0**	**-8.9**	**-8.5**	**-8.6**	**-9.1**	**-9.4**
Trade balance	3.6	13.8	20.8	23.8	30.3	22.4	22.8	23.4	23.5	23.4
Exports	98.5	93.0	98.9	110.4	124.3	117.9	120.8	124.3	127.7	131.3
Copper	43.8	42.6	49.9	58.7	67.6	61.2	61.4	61.8	62.4	62.8
Non-copper	54.7	50.4	49.0	51.7	56.7	56.7	59.4	62.5	65.4	68.5
Imports	94.9	79.1	78.1	86.5	94.0	95.6	98.0	100.9	104.2	107.8
Net services	-15.5	-10.7	-9.2	-8.9	-10.6	-10.7	-10.9	-11.6	-12.1	-12.6
Net income	-14.7	-14.2	-15.4	-19.4	-25.1	-20.8	-20.7	-20.8	-20.8	-20.7
Net transfers	-0.2	0.6	0.0	0.1	0.4	0.2	0.3	0.3	0.3	0.6
Capital account balance	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Account Balance	**-19.9**	**-16.0**	**-3.7**	**-8.4**	**-10.5**	**-14.4**	**-11.9**	**-8.6**	**-9.1**	**-9.4**
Foreign direct investment	-4.7	-10.8	-9.1	-5.8	-8.7	-8.1	-7.6	-8.3	-8.1	-8.1
Abroad by Chilean residents	14.1	8.4	4.0	8.7	7.5	7.0	8.2	7.9	8.1	8.5
In Chile by foreign residents	18.8	19.2	13.1	14.5	16.2	15.1	15.8	16.2	16.2	16.6
Of which, debt instruments	0.5	2.5	0.4	-0.2	0.9	0.4	0.4	0.6	0.5	0.5
Portfolio investment	-5.6	1.4	1.0	7.4	3.6	2.0	1.5	3.5	4.3	2.8
Abroad by Chilean residents	7.6	5.3	5.5	18.9	10.5	10.0	10.6	11.7	13.0	11.8
In Chile by foreign residents	13.2	3.9	4.5	11.6	6.9	7.9	9.1	8.2	8.7	9.0
Of which, equities	7.7	-1.4	-0.8	-3.1	-1.8	-2.0	-2.4	-2.1	-2.3	-2.3
Of which, debt	5.5	5.3	5.3	14.7	8.7	9.9	11.5	10.4	11.0	11.3
Financial derivatives	0.0	-1.7	-0.5	-1.8	-1.4	-1.3	-1.6	-1.5	-1.5	-1.6
Other investments	-9.7	-4.8	4.8	-8.1	-4.0	-7.0	-4.2	-2.3	-3.8	-2.5
Abroad by Chilean residents	-0.9	-3.0	5.2	1.2	1.2	2.6	1.8	2.0	2.2	2.1
In Chile by foreign residents	8.7	1.8	0.4	9.3	5.2	9.7	5.9	4.3	6.0	4.6
Change in Reserves Assets	**-9.2**	**6.8**	**-2.6**	**2.2**	**5.6**	**5.6**	**3.3**	**0.0**	**0.0**	**0.0**
Errors and omissions	-2.4	1.2	-2.5	-1.8	0.0	0.0	0.0	0.0	0.0	0.0
Gross international reserves (in billions of USD) 1/	39.2	46.4	44.4	49.5	57.2	64.9	70.8	73.5	76.3	79.3
					(In percent of GDP)					
Current Account 2/	**-8.9**	**-3.1**	**-1.2**	**-1.2**	**-1.2**	**-2.1**	**-2.0**	**-1.9**	**-1.9**	**-1.9**
Trade balance of Goods	1.2	4.1	6.3	6.7	7.6	5.4	5.2	5.1	4.9	4.7
Exports	32.7	27.7	30.0	30.9	31.1	28.3	27.7	27.3	26.9	26.5
Copper	14.5	12.7	15.1	16.4	16.9	14.7	14.1	13.6	13.1	12.7
Non-copper	18.2	15.0	14.9	14.5	14.2	13.6	13.6	13.7	13.8	13.8
Imports	31.5	23.6	23.7	24.2	23.5	22.9	22.5	22.2	21.9	21.8
Net services	-5.1	-3.2	-2.8	-2.5	-2.6	-2.6	-2.5	-2.5	-2.5	-2.5
Net income	-4.9	-4.2	-4.7	-5.4	-6.3	-5.0	-4.7	-4.6	-4.4	-4.2
Net transfers	-0.1	0.2	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Financial Account Balance 3/	**-6.6**	**-4.8**	**-1.1**	**-2.3**	**-2.6**	**-3.5**	**-2.7**	**-1.9**	**-1.9**	**-1.9**
					(Annual change in percent)					
Goods export volume	-1.8	-1.0	5.6	4.2	-2.0	4.0	2.1	2.5	2.2	2.0
Goods import volume	-2.6	-12.7	2.4	12.0	0.8	2.5	3.0	2.9	3.0	3.1
Terms of trade 4/	-9.1	2.1	4.5	8.7	1.7	-10.2	0.8	0.3	0.3	0.3
Goods export prices 4/	6.0	-4.7	0.8	7.1	15.4	-9.1	0.3	0.4	0.6	0.7
Goods import prices 4/	16.7	-6.7	-3.5	-1.4	13.6	1.0	-0.5	0.1	0.3	0.4
Memorandum Items										
Copper price (WEO; U.S. cents per pound)	400	385	415	451	566	489	487	485	485	486
Copper price (WEO; annual change in percent)	-5.2	-3.8	7.7	8.8	25.4	-13.5	-0.5	-0.3	0.0	0.1
Volume of copper exports (2005=100)	96	95	99	100	94	98	99	100	101	101
Gross international reserves (in percent of ARA metric)	71	83	81	79	85	91	93	91	89	88

Sources: Central Bank of Chile, Haver Analytics, and IMF staff calculations and projections.

1/ Includes earned interest on reserve assets.

2/ Calculated as a share of GDP in U.S. dollars.

3/ Excluding change in reserves.

4/ Based on a simple average of quarterly price indexes measured in U.S. dollars.

Table 4. Chile: Monetary Survey

(In billions of pesos, unless otherwise specified)

	2021	2022	2023	2024	2025
Central Bank					
Net foreign assets	40,891	31,476	38,756	41,618	42,702
International reserves	43,643	33,653	41,003	44,071	45,074
Other foreign assets, net	-2,752	-2,177	-2,247	-2,453	-2,372
Domestic assets	23,405	24,229	18,885	-797	-639
Net credit to general government	356	322	311	278	294
Net claims on banks and financial corporations	26,894	23,342	15,845	-1,351	-3,263
Credit to the private sector	-38	-33	-28	-32	-35
Other items (net)	-3,807	599	2,756	308	2,365
Monetary liabilities	64297	55,705	57,641	40,821	42,062
Monetary base	21,456	17,641	16,791	18,079	18,497
Currency	15,210	11,608	10,524	10,852	11,042
Currency reserves	6,247	6,033	6,268	7,226	7,455
Others	42,840	38,064	40,850	22,742	23,566
Other Depository Institutions					
Net foreign assets	-4,608	-7,158	-7,998	-8,856	-12,953
Net foreign assets (in millions of US$)	-5,420	-8,328	-9,041	-8,926	-14,216
Domestic assets	186,430	202,050	207,819	218,679	225,107
Credit to general government	17,607	16,945	16,944	20,607	24,318
Credit to the private sector	197,943	217,695	224,836	233,496	238,533
Other items (net)	-29,120	-32,590	-33,960	-35,424	-37,744
Liabilities to the private sector	181,821	194,891	199,820	209,822	212,153
Demand deposits	64,091	47,687	47,482	51,035	53,512
Quasi-money	117,730	147,205	152,338	158,787	158,640
Banking System				-	
Net foreign assets	36,283	24,318	30,757	32,762	29,749
Domestic assets	177,442	195,691	198,472	201,852	207,249
Net credit to general government	17,963	17,267	17,256	20,884	24,611
Credit to the private sector	197,905	217,662	224,808	233,464	238,498
Other items (net)	-38,426	-39,237	-43,591	-52,496	-55,862
Money and private quasi-money	213,725	220,009	229,230	234,614	236,997
Money	79,301	59,295	58,005	61,887	64,554
Quasi-money	134,424	160,715	171,225	172,726	172,443
Memorandum Items		(Annual percentage change)			
Monetary base	-29.1	-17.8	-4.8	7.7	2.3
Banking system' credit to the private sector	10.1	10.0	3.3	3.9	2.2
		(In percent of GDP)			
Monetary base	9.0	6.7	6.0	5.8	5.4
Banking system's credit to the private sector	82.6	82.8	79.7	75.1	70.2

Sources: Central Bank of Chile, Haver, and IMF staff calculations.

Table 5. Chile: Medium-Term Macroeconomic Framework

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
							Proj.			
National Accounts	(Annual percentage change, unless otherwise specified)									
Real GDP	2.1	0.7	2.8	2.5	1.6	2.8	2.3	2.3	2.3	2.3
Total domestic demand	2.2	-3.7	1.2	4.2	1.8	2.8	2.5	2.4	2.5	2.6
Consumption	2.5	-3.4	1.4	2.8	1.9	2.3	2.3	2.2	2.3	2.4
Private	1.6	-4.7	1.1	2.7	1.9	2.5	2.2	2.1	2.3	2.5
Public	6.3	2.3	2.8	3.0	1.8	1.9	2.0	2.5	2.0	2.0
Investment 1/	1.5	-4.7	0.5	8.9	1.4	4.3	3.2	3.1	3.2	3.2
Gross fixed capital formation	4.6	0.3	-1.6	7.0	1.9	3.9	3.2	3.2	3.1	3.2
Inventories 2/	-0.7	-1.1	0.5	0.4	-0.1	0.1	0.0	0.0	0.0	0.0
Net exports 2/	-0.2	4.5	1.6	-1.6	-0.2	0.1	-0.2	-0.1	-0.2	-0.2
Exports of goods and services	0.8	0.3	7.2	4.6	-0.9	3.5	2.1	2.5	2.2	2.0
Imports of goods and services	1.3	-11.1	2.1	10.5	-0.2	3.6	2.9	3.0	3.0	3.1
GDP Deflator	7.5	6.6	7.1	6.8	4.5	1.1	3.4	3.0	3.1	3.0
Change of CPI, end of period	12.8	3.9	4.5	3.4	4.2	3.0	3.0	3.0	3.0	3.0
Change of CPI, period average	11.6	7.6	3.8	4.2	3.7	3.4	3.0	3.0	3.0	3.0
Output gap (percent of potential GDP)	2.5	0.3	-0.1	0.1	-0.5	0.0	0.0	0.0	0.0	0.0
Balance of Payments	(In percent of GDP, unless otherwise specified)									
Current account 3/	-8.9	-3.1	-1.2	-1.2	-1.2	-2.1	-2.0	-1.9	-1.9	-1.9
Trade balance 3/	1.2	4.1	6.3	6.7	7.6	5.4	5.2	5.1	4.9	4.7
Financial account balance 3/	-6.6	-4.8	-1.1	-2.3	-2.6	-3.5	-2.7	-1.9	-1.9	-1.9
Of which, foreign direct investment (net) 3/	-1.6	-3.2	-2.8	-1.6	-2.2	-2.0	-1.8	-1.8	-1.7	-1.6
Change in reserves assets 3/	-3.1	2.0	-0.8	0.6	1.4	1.3	0.8	0.0	0.0	0.0
Errors and omissions 3/	-0.8	0.4	-0.8	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Gross int. reserves (in billions of U.S. dollars)	39.2	46.4	44.4	49.5	57.2	64.9	70.8	73.5	76.3	79.3
Copper price (WEO; U.S. cents per pound)	400	385	415	451	566	489	487	485	485	486
Savings and Investment										
Gross domestic investment	25.8	23.3	23.1	24.1	23.6	24.5	24.6	24.8	25.0	25.2
Public	1.7	1.7	1.7	1.7	1.5	1.5	1.5	1.5	1.5	1.4
Private	24.1	21.6	21.4	22.4	22.2	23.0	23.1	23.3	23.5	23.8
National saving	16.9	20.2	22.0	22.8	22.4	22.4	22.7	22.9	23.1	23.3
Public	3.0	-0.5	-1.2	-1.1	-0.9	-0.3	-0.4	-0.3	-0.4	-0.4
Private	13.8	20.7	23.1	23.9	23.2	22.7	23.1	23.2	23.5	23.7
Operations of the Central Government										
Central government gross debt	37.9	39.4	41.8	41.5	43.4	45.0	46.2	47.3	48.3	49.2
Central government debt net of treasury assets	31.8	34.4	37.3	37.5	39.6	41.4	42.7	44.0	45.1	46.1
Central government balance	1.1	-2.4	-2.9	-2.8	-2.3	-1.8	-1.9	-1.8	-1.9	-1.8
Total revenue	26.1	22.9	21.7	21.4	21.8	21.9	21.9	22.0	21.8	21.8
Total expenditure	25.0	25.3	24.5	24.2	24.2	23.7	23.8	23.8	23.7	23.6
Central government structural balance	-1.7	-3.4	-3.3	-3.2	-2.8	-2.2	-1.9	-1.8	-1.9	-1.8
Employment	(In percent of labor force)									
Unemployment rate (in percent, annual average)	7.9	8.7	8.5	8.5	8.9	8.4	8.0	7.8	7.7	7.6

Sources: Central Bank of Chile, Ministry of Finance, National Statistics Institute, Haver Analytics, and IMF staff projections.
1/ Investment is defined as: gross fixed capital formation + changes in inventories.
2/ Contribution to growth.
3/ Calculated as a share of US$ GDP.

Table 6. Chile: Financial Soundness Indicators 1/
(In percent, unless otherwise specified)

	2018	2019	2020	2021	2022	2023	2024	2025	6/
Assets									
Total assets (In billions of Chilean pesos)	232,963	264,803	323,610	335,326	382,768	399,046	401,936	402,389	
Total assets (Percent of GDP)	123.0	135.4	160.8	140.1	145.5	141.6	129.0	121.5	7/
Total loans (In billions of Chilean pesos) 2/	180,957	197,834	204,342	225,485	248,093	258,101	269,496	278,799	
Total loans (Percent of GDP) 2/	95.5	101.2	101.5	94.2	94.3	91.6	86.5	84.2	7/
Capital Adequacy									
Regulatory capital to risk-weighted assets	13.3	12.8	14.7	14.8	15.6	16.2	16.9	17.0	
Regulatory tier 1 capital to risk-weighted assets	10.7	10.3	10.7	10.6	11.9	12.1	13.1	13.3	
Common Equity Tier 1 capital to risk-weighted assets	...	...	...	...	11.2	11.9	11.9	12.2	
Regulatory tier 1 capital to assets	8.2	7.3	6.6	6.7	7.3	7.8	8.9	9.2	
Credit Risk									
Provisions to NPLs 3/	128.4	123.7	171.4	190.6	146.0	120.4	105.9	107.1	
NPLs to gross loans	1.9	2.1	1.6	1.2	1.7	2.1	2.3	2.3	
NPLs net of provisions to capital	-3.8	-3.6	-7.7	-7.5	-5.0	-2.7	-0.8	-1.0	
Profitability									
Return on assets (after tax)	1.0	1.0	0.4	1.1	1.4	1.1	1.3	1.4	
Return on equity (after tax)	12.5	12.4	5.6	16.6	21.0	15.4	15.2	15.9	
Financial leverage 4/	12.1	12.4	14.5	14.5	14.6	13.4	12.1	11.5	
Interest margin to gross income	67.1	66.9	69.4	69.5	74.4	69.6	70.4	68.5	
Noninterest expenses to gross income	48.9	46.7	54.9	43.6	39.3	42.1	42.6	42.4	
Personnel expenses to noninterest expenses	49.0	48.3	40.9	47.3	47.8	47.7	46.2	47.4	
Trading income to gross income	8.6	9.6	8.4	8.2	5.9	9.0	7.7	8.8	
Liquidity									
Liquidity coverage ratio	...	160.3	236.1	242.3	274.4	256.1	208.5	190.0	
Liquid assets to total assets	14.2	15.3	22.2	20.1	17.1	16.0	14.1	14.8	
FX and Derivative Risk									
FX loans to total loans 2/	18.4	18.9	16.1	18.3	18.7	19.0	20.7	20.6	
Gross asset position in financial derivatives to capital	46.5	98.3	103.2	102.1	105.5	81.7	81.2	64.9	
Gross liability position in financial derivatives to capital	43.1	95.4	106.1	103.2	116.1	86.5	83.3	67.1	
Memorandum Items									
Real Loan Growth (yoy)	7.3	6.3	-0.5	3.6	-2.5	-1.1	0.4	-1.1	8/
Commercial loans (yoy)	7.2	6.6	2.8	2.1	-4.6	-4.6	-1.3	-0.6	8/
Mortgage loans (yoy)	6.7	8.0	5.0	5.9	1.4	3.3	1.6	1.5	8/
Consumer loans (yoy)	6.0	1.0	-16.6	-6.7	-2.0	-0.3	-2.5	-0.2	8/
Real Estate Sector indicators									
General residential property price (index, 2008=100)	188	198	205	220	210	211	217	221	
Number of home sales (index, 2008=100)	128	128	100	131	104	98	97	93	
Loan to home value ratio (simple average)	78	78	79	78	76	78	78	77	
Private Sector Debt Indicators									
Household debt to GDP 5/	48.6	51.2	50.7	47.4	49.2	48.8	47.2	46.6	
Household mortgage debt to GDP 5/	25.3	27.3	28.7	27.4	28.5	28.5	27.4	26.7	
Household gross saving to GDP 5/	6.1	8.1	7.6	5.1	-0.4	5.2	5.6	5.3	
Household net financial assets to GDP 5/	132.8	146.3	147.6	130.6	120.3	121.2	120.4	124.9	
Non-financial corporate debt to GDP	101.7	109.1	112.6	106.5	101.4	98.8	97.5	94.1	
Non-Bank Financial Institutions Indicators									
Money market fund assets to GDP	9.2	11.8	13.3	10.7	9.6	12.1	13.8	13.0	7/
Other investment fund assets to GDP	20.3	22.7	23.2	23.1	19.9	19.9	22.9	26.0	7/
Insurance company assets to GDP	24.6	26.7	26.7	22.2	22.9	22.7	22.6	22.3	7/
Pension fund assets to GDP	70.9	82.0	75.5	60.6	57.6	59.2	59.3	65.5	7/

Sources: IMF Financial Soundness Indicators (for memorandum items, BCCh and CEIC), and IMF staff calculations.

1/ These indicators correspond to depository corporations.
2/ Gross loans including interbank loans.
3/ Specific provision only while total provision in Chile consists of specific and additional provision.
4/ Assets to capital.
5/ Households and nonprofit organizations.
6/ As of September 2025, unless otherwise stated.
7/ The ratio to the sum of the quarterly GDP from 2024Q4 to 2025Q3.
8/ As of December 2025.

Table 7. Chile: Indicators of External Vulnerabilities

(In percent, unless otherwise specified)

	2021	2022	2023	2024	2025
Financial Indicators					
M3 (percent change)	13.4	3.0	6.4	6.8	6.1
Private sector credit to GDP	82.6	82.8	79.7	75.1	70.2
Share of foreign currency deposits in total deposits	18.7	17.3	16.5	16.9	15.8
Share of foreign currency loans in total credit	12.6	12.9	12.6	13.7	12.0
External Indicators					
Exports of goods, U.S. dollars (annual percentage change)	27.8	4.1	-5.6	6.4	11.6
Imports of goods, U.S. dollars (annual percentage change)	53.0	12.6	-16.6	-1.3	10.8
Terms of trade (annual percentage change) 1/	12.3	-9.1	2.1	4.5	8.7
REER (annual percent change, period average)	0.2	7.3	-10.8	7.1	-0.9
Exchange rate (pesos per U.S. dollar, period average)	759.1	873.2	839.8	943.7	951.2
Current account balance (percent of GDP) 2/	-7.3	-8.9	-3.1	-1.2	-1.2
Financial account less reserves accumulation (percent of GDP) 2/	-11.9	-6.6	-4.8	-1.1	-2.3
Gross official reserves (in billions of U.S. dollars) 3/	51.3	39.2	46.4	44.4	49.5
Gross official reserves to M3	14.3	10.7	12.3	12.4	11.9
Gross official reserves to short-term external debt 4/	89.8	65.2	78.5	82.6	93.0
Gross official reserves to GDP 2/	16.3	13.0	13.8	13.5	13.8
Gross official reserves to ARA metric 5/	95.5	71.0	83.2	81.1	78.7
Government liquid FX assets (in billions of U.S. dollars) 6/	2.5	7.5	6.0	3.6	3.9
Total external debt (percent of GDP) 2/	74.6	76.9	72.4	74.4	77.6
Total external debt to exports of goods and services	234.4	216.3	235.7	221.1	224.9
External interest payments to exports of goods and services	5.2	6.1	8.3	8.0	7.2
External amortization payments to exports of goods and services	42.6	53.4	58.1	53.3	43.6
Financial Market Indicators					
Stock market index (in U.S. dollars; period average) 7/	1182	1128	1111	1027	1273
Sovereign long-term foreign currency debt rating (end of period)					
Moody's	A1	A2	A2	A2	A2
S&P	A	A	A	A	A
Fitch ratings	A-	A-	A-	A-	A-

Sources: Central Bank of Chile, Haver Analytics, WEO, and IMF staff calculations.

1/ Based on a simple average of quarterly price indexes.

2/ Calculated as a share of US$ GDP.

3/ Gold valued at end-period market prices.

4/ Includes amortization of medium/long-term debt due during the following year.

5/ Assessing Reserve Adequacy (IMF, 2011 Policy Paper).

6/ Calculated as the sum of the government's economic and social stabilization fund and U.S. dollar cash.

7/ Morgan Stanley Capital International Index (Dec1987 = 100).

Table 8. Chile: Capacity to Repay the Fund 1/

	2025	2026	2027	2028	2029	2030	2031
Exposure and Repayments (In SDR millions)							
GRA credit to Chile	--	8,721.5	8,721.5	8,721.5	7,631.3	3,270.6	--
(In percent of quota)	--	500.0	500.0	500.0	437.5	187.5	--
Charges due on GRA credit 2/	0.0	111.0	367.3	367.4	371.9	247.7	65.8
Debt service due on GRA credit 2/	0.0	111.0	367.3	367.4	1,462.1	4,608.4	3,336.4
Debt and Debt Service Ratios 3/							
In percent of GDP							
Total external debt	77.6	76.6	79.9	79.5	77.8	75.1	73.4
Public external debt	18.3	21.8	22.6	22.8	22.4	21.1	19.5
GRA credit to Chile	--	3.1	3.1	2.9	2.3	0.9	--
Total external debt service	17.5	16.7	16.4	16.3	16.9	17.6	17.4
Public external debt service	1.2	1.2	1.3	1.2	1.5	2.4	1.9
Debt service due on GRA credit	0.0	0.0	0.1	0.1	0.4	1.3	0.9
In percent of Gross International Reserves							
Total external debt	561.0	569.4	526.5	492.7	474.6	469.8	460.7
Public external debt	132.2	161.7	149.2	141.3	137.0	131.9	122.5
GRA credit to Chile	--	23.3	20.3	17.7	14.3	5.9	--
In percent of Exports of Goods and Services							
Total external debt service	50.8	53.1	54.9	54.1	54.4	58.8	58.8
Public external debt service	3.4	3.7	4.2	4.0	4.8	7.9	6.6
Debt service due on GRA credit	0.0	0.1	0.4	0.4	1.4	4.4	3.1
In percent of Total External Debt							
GRA credit to Chile	--	4.1	3.8	3.6	3.0	1.3	--
In percent of Public External Debt							
GRA credit to Chile	--	14.4	13.6	12.5	10.4	4.5	--

Sources: Chilean authorities, IMF Finance Department, World Economic Outlook, and IMF staff estimates.

1/ Assumes no disbursment under the 2024 FCL, full drawing upon approval of the 2026 FCL on 26 August 2026, and materialization of an adverse scenario, even though the authorities intend to treat the arrangement as precautionary.
2/ Projections based on the GRA rate of charge as of July 2nd, 2026.
3/ Staff projections for external debt, GDP, gross international reserves, and exports of goods and services reflect the adverse scenario (and not the baseline scenario) under which the full FCL drawing is assumed.

Annex I. External Debt Sustainability Analysis

External debt increased to 77.6 percent of GDP in 2025, mainly due to an increase in non-resident holdings of Chilean public and private sector long-term debt instruments. With more than 90 percent of external debt denominated in foreign currency, external debt dynamics in 2026 are expected to be primarily driven by the observed appreciation of the peso. Over the medium term (2027-31), external debt is projected to stabilize to about 72-74 percent of GDP. Despite sensitivity to the exchange rate, external debt remains sustainable under a wide range of shocks. The non-financial corporate sector appears highly leveraged, but a large share of its debt is FDI-related (i.e., intercompany loans) and has foreign exchange hedging or long maturity.

Table 1. Chile: External Debt Sustainability Framework

(In percent of GDP, otherwise indicated)

	Actual							Projections						
	2021	2022	2023	2024	2025			2026	2027	2028	2029	2030	2031	**Debt-stabilizing non-interest current account 6/**
1 **Baseline: External debt**	74.6	76.9	72.4	74.4	77.6			**72.8**	**72.9**	**73.5**	**73.9**	**74.2**	**73.4**	**-1.4**
2 Change in external debt	-7.5	2.3	-4.4	2.0	3.2			-4.9	0.1	0.7	0.4	0.2	-0.8	
3 Identified external debt-creating flows (4+8+9)	-9.7	7.6	-6.7	-0.4	-5.5			-1.3	-1.2	-0.7	-1.0	-0.8	-0.8	
4 Current account deficit, excluding interest payments	5.6	6.7	0.6	-1.5	-1.3			-1.3	-0.4	-0.7	-0.8	-0.8	-0.9	
5 Balance of goods and services	-0.7	-3.9	0.9	3.5	4.2			4.9	2.8	2.7	2.6	2.4	2.2	
6 Exports	31.8	35.5	30.7	33.7	34.5			34.3	31.5	30.9	30.4	30.0	29.5	
7 Imports	-32.5	-39.5	-29.8	-30.1	-30.3			-29.4	-28.7	-28.1	-27.8	-27.6	-27.4	
8 Net non-debt creating capital inflows (negative)	-1.3	-4.0	-2.0	-2.4	-0.8			-1.5	-1.4	-1.1	-1.2	-1.1	-1.1	
9 Automatic debt dynamics 1/	-14.0	4.9	-5.2	3.6	-3.4			1.5	0.6	1.0	1.0	1.1	1.1	
10 Contribution from nominal interest rate	1.7	2.2	2.5	2.7	2.5			2.6	2.6	2.6	2.7	2.7	2.8	
11 Contribution from real GDP growth	-7.5	-1.6	-0.5	-2.1	-1.7			-1.1	-2.0	-1.6	-1.6	-1.6	-1.6	
12 Contribution from price and exchange rate changes 2/	-8.2	4.4	-7.3	2.9	-4.2			...	...	...	...	...	...	
13 Residual, incl. change in gross foreign assets (2-3) 3/	2.3	-5.3	2.3	2.3	8.7			-3.5	1.4	1.4	1.3	1.1	0.0	
External debt-to-exports ratio (in percent)	234.4	216.3	235.7	221.1	224.9			211.9	231.2	238.3	242.8	247.3	248.3	
Gross external financing need (in billions of US dollars) 4/	65.8	83.9	70.4	62.9	58.1			**58.2**	**64.7**	**66.7**	**69.8**	**73.5**	**77.1**	
in percent of GDP	20.9	27.9	21.0	19.1	16.3	10-Year	10-Year	14.5	15.5	15.3	15.3	15.5	15.6	
Scenario with key variables at their historical averages 5/								**72.8**	**74.2**	**76.4**	**78.2**	**79.9**	**80.4**	**-2.8**
Key Macroeconomic Assumptions Underlying Baseline						Historical Average	Standard Deviation							
Real GDP growth (in percent)	11.3	2.1	0.7	2.8	2.5	2.1	4.2	1.6	2.8	2.3	2.3	2.3	2.3	
GDP deflator in US dollars (change in percent)	11.5	-6.5	10.8	-4.7	6.0	2.1	7.1	10.3	1.3	2.3	2.0	2.1	2.0	
Nominal external interest rate (in percent)	2.5	2.8	3.7	3.6	3.6	3.0	0.4	3.7	3.7	3.8	3.8	3.8	3.9	
Growth of exports (US dollar terms, in percent)	26.2	6.6	-3.6	7.3	11.4	6.1	9.7	11.4	-4.4	2.5	2.9	2.8	2.8	
Growth of imports (US dollar terms, in percent)	50.6	15.9	-15.9	-0.8	9.3	5.6	19.6	8.5	1.7	2.5	3.2	3.4	3.5	
Current account balance, excluding interest payments	-5.6	-6.7	-0.6	1.5	1.3	-1.8	2.8	1.3	0.4	0.7	0.8	0.8	0.9	
Net non-debt creating capital inflows	1.3	4.0	2.0	2.4	0.8	1.8	0.9	1.5	1.4	1.1	1.2	1.1	1.1	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

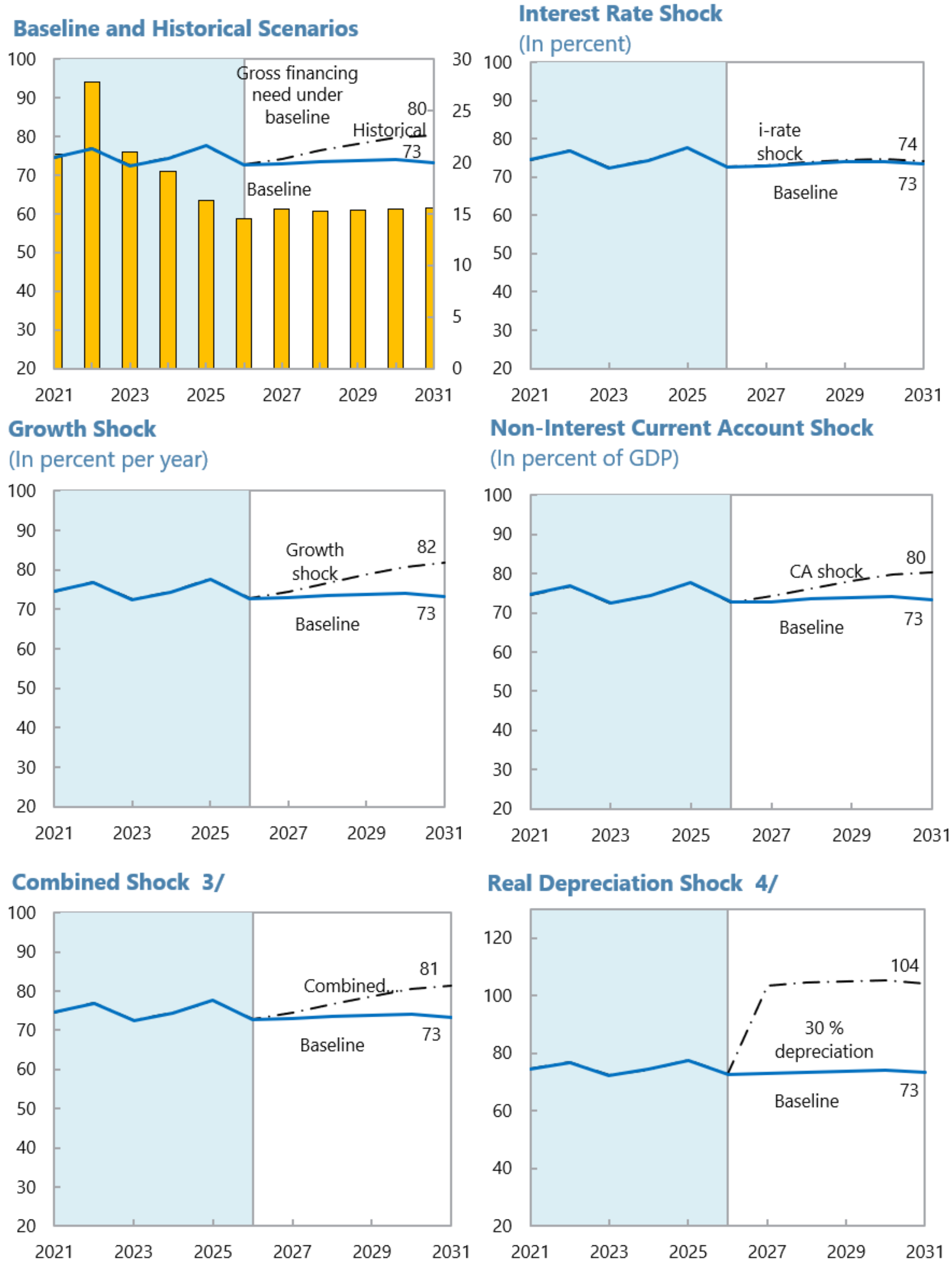
4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure 1. Chile: External Debt Sustainability: Bound Tests 1/ 2/

(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2026.

Annex II. Sovereign Risk and Public Debt Sustainability Analysis

Table 1. Chile: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**Low**	The overall risk of sovereign stress is low, reflecting a relatively low level of vulnerability, including in the medium- and long-term horizons.
Near term 1/			
Medium term	**Low**	**Low**	Medium-term risks are assessed as low, reflecting the strength of the fiscal framework in guiding fiscal policy and rebuilding buffers.
Fanchart	**Moderate**	...	
GFN	**Low**	...	
Stress test	Comm. Prices Nat. Disast.	...	
Long term	...	**Low**	The overall long-run risk indicator is assessed as low. Under the baseline, debt stabilizes at around 50 percent of GDP, which is above the government's debt anchor of 45 percent of GDP. A narrower-than-baseline primary balance is required to stabilize the debt ratio at levels compatible with the government's medium-term fiscal committment. Increases in aging-related expenditure linked to health and pension are expected to be largely paired with higher revenues.
Sustainability assessment 2/		Sustainable with high probability	The projected debt path is expected to stabilize and GFNs will remain at manageable levels. Therefore, debt is assessed as sustainable with high probability.
Debt stabilization in the baseline			No

DSA Summary Assessment

Commentary: Public sector debt is assessed to be sustainable under a wide range of plausible shock scenarios and with high probability, with low medium-term sovereign and financing risks. However, under the baseline, debt-to-GDP ratio is projected to breach the authorities' prudent debt ceiling of 45 percent and stabilize around 50 percent of GDP. The National Reconstruction Plan (NRP), currently pending final approval in Congress, is not included in the baseline.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Table 2. Chile: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					Yes	
2. Subsectors included in the chosen coverage in (1) above:						

Sector	No.	Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	No	Not applicable
CPS / NFPS / GG: expected	4	State governments	No	Debt issuance not allowed
CPS / NFPS / GG: expected	5	Local governments	No	Debt issuance not allowed
CPS / NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

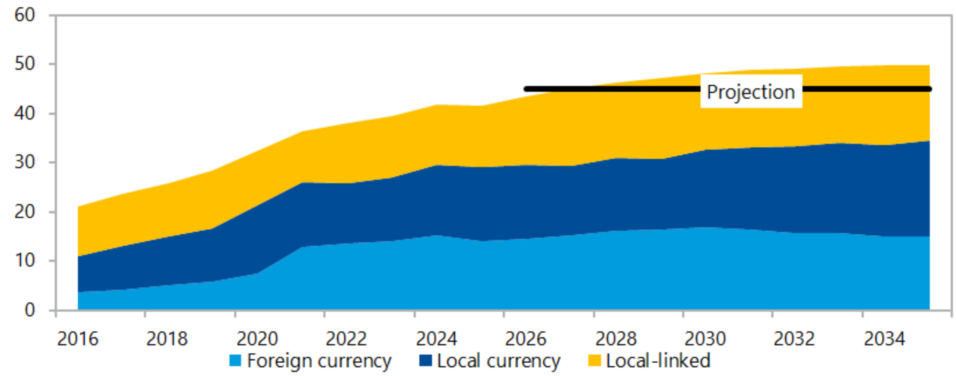
Sector	No.	Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS / NFPS / GG: expected / CG	1	Budget. central govt									0
CPS / NFPS / GG: expected / CG	2	Extra-budget. funds									0
CPS / NFPS / GG: expected / CG	3	Social security funds									0
CPS / NFPS / GG: expected	4	State govt.									0
CPS / NFPS / GG: expected	5	Local govt.									0
CPS / NFPS	6	Nonfin pub. corp.									0
CPS	7	Central bank									0
CPS	8	Oth. pub. fin. corp									0
		Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The authorities continually manage state-contingent debts, which are clearly detailed in a published annual report. The provision of credit guarantees (FOGAPE and CAE) is only expected to result in modest fiscal costs in the medium term.

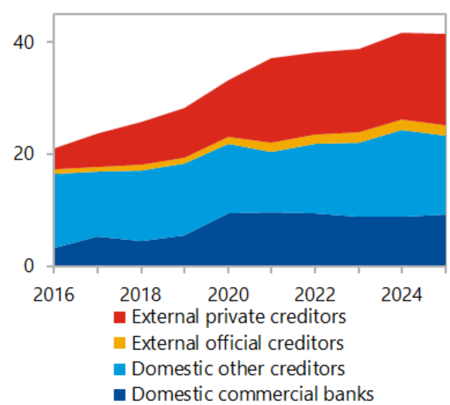
Table 3. Chile: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



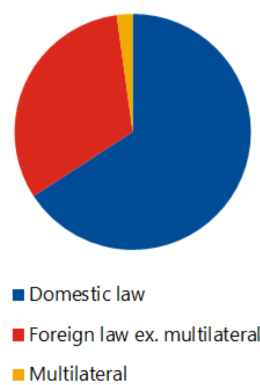
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



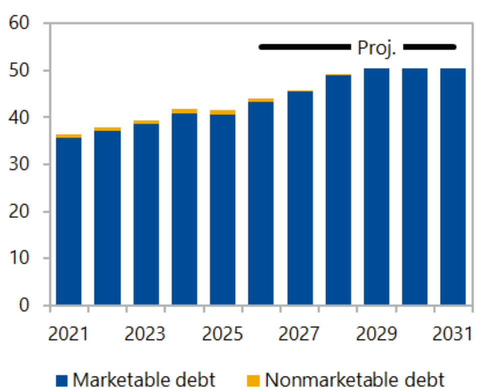
Note: The perimeter shown is central government.

Public Debt by Governing Law, 2025 (percent)



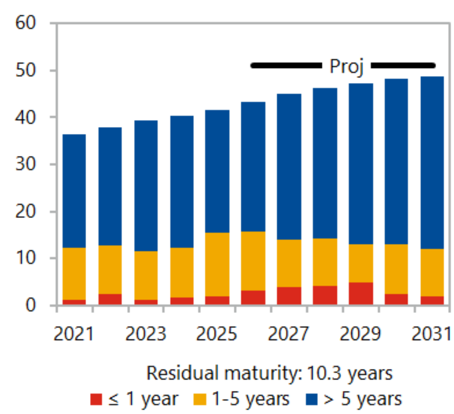
Note: The perimeter shown is central government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is central government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is central government.

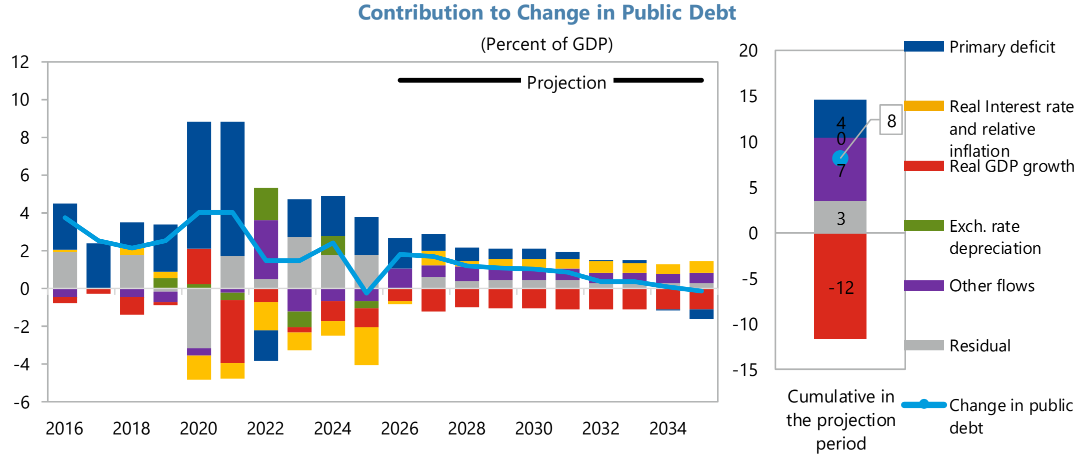
Commentary: Chile has a well-diversified investor base with a large presence of domestic creditors. The share of foreign currency debt is stable at around a third of total debt. The residual maturity of debt is above 10 years, and most of its debt is traded on secondary markets.

Table 4. Chile: Baseline Scenario
(In percent of GDP unless indicated otherwise)

	Actual	Medium-term projection					Extended projection				
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	41.5	43.4	45.0	46.2	47.3	48.3	49.2	49.6	50.0	50.1	49.9
Change in public debt	-0.2	1.8	1.7	1.2	1.1	1.0	0.9	0.4	0.4	0.1	-0.1
Contribution of identified flows	-2.0	1.8	1.0	0.8	0.6	0.6	0.4	0.1	0.1	-0.2	-0.4
Primary deficit	2.0	1.6	0.9	0.7	0.6	0.5	0.4	0.0	0.2	-0.1	-0.5
Noninterest revenues	20.9	21.4	21.5	21.6	21.6	21.5	21.5	21.2	21.6	22.3	22.1
Noninterest expenditures	22.9	22.9	22.4	22.4	22.2	22.0	21.9	21.2	21.8	22.2	21.7
Automatic debt dynamics	-3.4	-0.8	-0.4	-0.7	-0.6	-0.6	-0.6	-0.5	-0.6	-0.6	-0.5
Real interest rate and relative inflatioı	-2.0	-0.2	0.8	0.3	0.4	0.5	0.5	0.6	0.5	0.5	0.6
Real interest rate	-2.5	-0.5	0.9	0.0	0.2	0.3	0.3	0.5	0.3	0.3	0.4
Relative inflation	0.5	0.3	-0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Real growth rate	-1.0	-0.6	-1.2	-1.0	-1.0	-1.0	-1.1	-1.1	-1.1	-1.1	-1.1
Real exchange rate	-0.4	…	…	…	…	…	…	…	…	…	…
Other identified flows	-0.6	1.1	0.6	0.8	0.7	0.6	0.6	0.6	0.6	0.5	0.6
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	-0.4	-0.5	-0.4	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4
Other transactions 1 /	-0.2	1.6	1.0	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Contribution of residual	1.8	0.0	0.6	0.4	0.4	0.5	0.4	0.3	0.3	0.3	0.3
Gross financing needs	6.5	4.2	4.9	5.6	5.7	6.4	4.0	3.4	5.5	3.9	4.8
of which: debt service	5.0	3.1	4.4	5.2	5.4	6.2	4.0	3.8	5.7	4.4	5.7
Local currency	4.2	1.6	2.7	1.5	3.0	2.3	1.5	1.4	3.0	2.1	2.4
Foreign currency	0.6	1.0	1.3	1.1	1.5	1.1	1.5	1.4	1.1	1.5	0.9
Memo:											
Real GDP growth (percent)	2.5	1.6	2.8	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Inflation (GDP deflator; percent)	6.8	4.5	1.1	3.4	3.0	3.1	3.0	3.0	3.0	3.0	3.0
Nominal GDP growth (percent)	9.4	6.1	4.0	5.7	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Effective interest rate (percent)	0.2	3.2	3.1	3.5	3.6	3.8	3.7	4.0	3.7	3.7	3.9

Contribution to Change in Public Debt

(Percent of GDP)



Commentary: Public debt is expected to stabilize around 50 percent of GDP under staff's baseline scenario. The primary balance is projected to deteriorate by roughly 1-1.5 pp of GDP in the next 5-10 years relative to the last Staff Report, reflecting persistent revenue underperformance and rising structural pressures. This deterioration in the primary balance, which shifts in the medium to extended projection period from a surplus, as was the case in the previous Staff Report, to a deficit is the dominant driver of the projected increase in public debt, contributing to the ratio exceeding the authorities' prudent debt ceiling of 45 percent of GDP. Other transactions, which include below-the-line operations such as SOE capitalizations, payments on government-guaranteed student loans and other loan operations are also projected to steadily contribute to public debt.

1/ Other transactions include the use and accumulation of government financial assets, as well as other below-the-line operations.

Table 5. Chile: Realism of Baseline Assumptions 1/

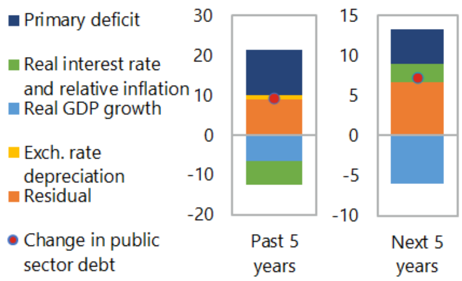
	t+1	t+3	t+5
Public debt to GDP			
Primary deficit			
r - g			
Exchange rate depreciaton			
SFA			
	real-time	**t+3**	**t+5**
Historical Output Gap Revisions 2/			

Comparator Group:
Emerging Markets, Commodity Exporter, Program

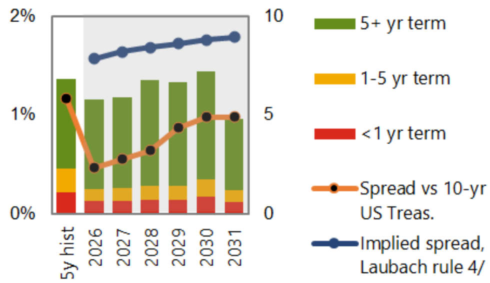
Color Code:

Optimistic	> 75th percentile
	50-75th percentile
Pessimistic	25-50th percentile
	< 25th percentile

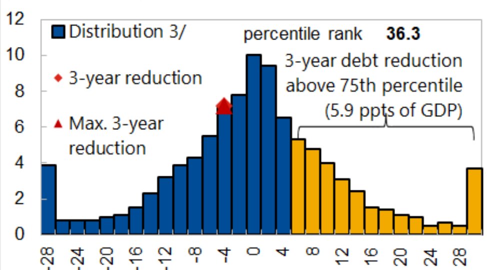
Public Debt Creating Flows
(Percent of GDP)



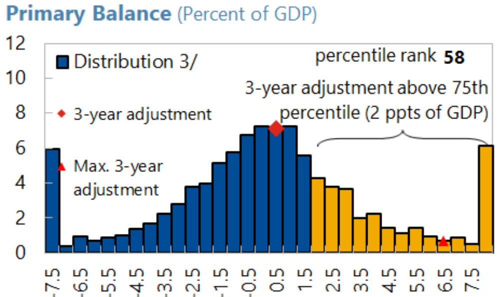
Bond Issuances (Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



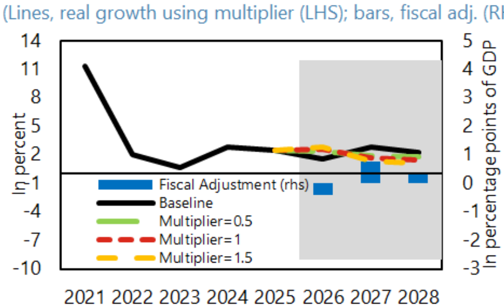
3-Year Debt Reduction
(Percent of GDP)



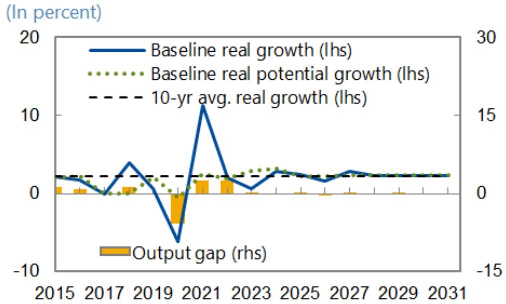
3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



Fiscal Adjustment and Possible Growth Paths
(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth
(In percent)

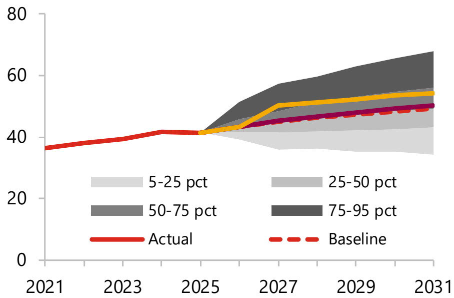


Commentary: The realism analysis does not point to major concerns, and the forecast track record does not reveal any systematic bias. The projected fiscal consolidation is reasonable, when considering Chile's history and other country experiences. The residual contribution to the projected debt ratio comes from 'other flows,' including below-the-line operations like SOE recapitalization and payments on government-guaranteed student loans.

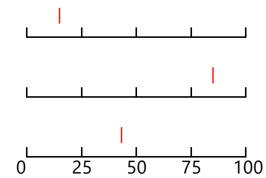
Source : IMF Staff.
1/ Projections made in the October and April WEO vintage. Program status not used in creating comparator group due to lack of data.
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates.
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Table 6. Chile: Medium-Term Risk Analysis

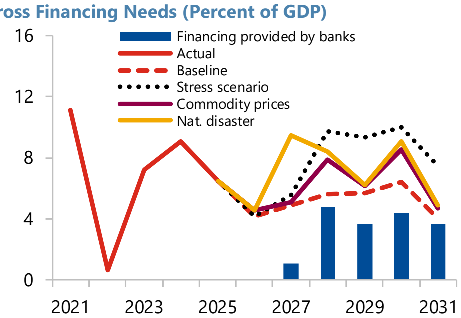
Final Fanchart (Percent of GDP)



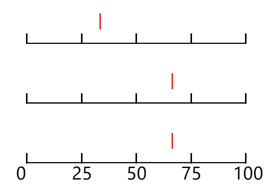
	Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module			
Fanchart width *(percent of GDP)*	33.5	0.5	
Probability of debt non-stabilizaiton *(percent)*	49.7	0.4	
Terminal debt-to-GDP x institutions index	18.6	0.4	
Debt fanchart index (DFI)		1.3	
Risk signal: 3/		**Moderate**	



Gross Financing Needs (Percent of GDP)



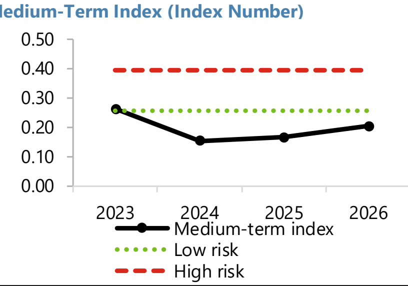
	Value	Contrib 1/	Percentile in peer group 2/
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	5.1	1.8	
Initial Banks' claims on the gen. govt *(pct bank assets)*	7.4	2.4	
Chg. In banks' claims in stress *(pct banks' assets)*	5.5	1.8	
GFN financeability index (GFI)		6.0	
Risk signal: 4/		**Low**	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	(normalized)	Weight	Contribution
Debt fanchart index	1.3	0.3	0.5	0.1
GFN finaceability index	6.0	0.1	0.5	0.1
Medium-term index		0.2		
Risk signal: 5/		**Low**		
Final assessment:		**Low**		

Prob. of missed crisis, 2026-2031, if stress not predicted: 9.1 pct.
Prob. of false alarms, 2026-2031, if stress predicted: 52.3 pct.

Commentary: The debt fanchart module points to moderate risk, with the signal being close to the lower bound of the moderate risk range, while the gross financing needs module points to low risk, underpinned by moderate gross financing needs, and the ability of the banking sector to act as a residual creditor under a stress scenario. The medium-term risk analysis also points to a low level of risk under a stress scenario of a natural disaster shock in the magnitude of 4.5 percent of GDP and a commodity price shock.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, commodity exporter, program.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Table 7. Chile: Long-Term Risk Analysis

Triggered Modules

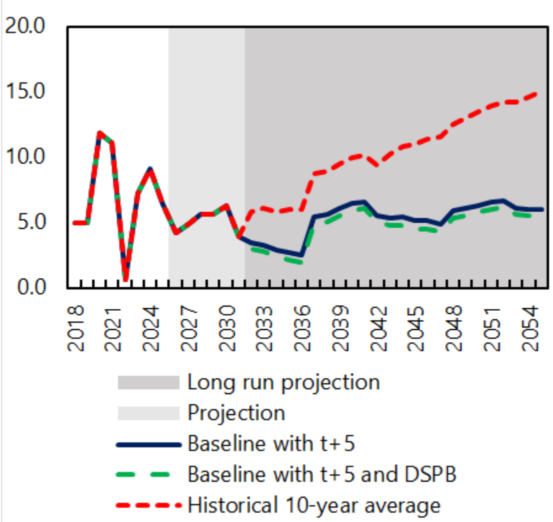
Large amortizations	**Pensions**	Climate change: Adaptation	**Natural Resources**
	Health	Climate change: Mitigation	

Long-Term Risk Assessment: Large Amortization

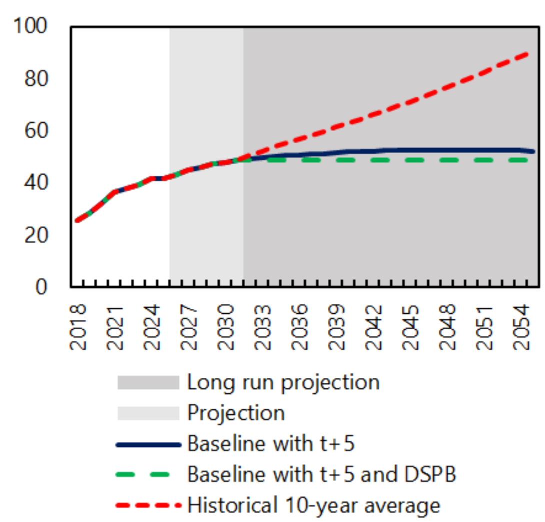
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

Variable	2031	2035 to 2039 average
Real GDP growth	2.3%	2.3%
Primary Balance-to-GDP ratio	-0.2%	0.1%
Inflation (GDP deflator)	3.0%	3.0%

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



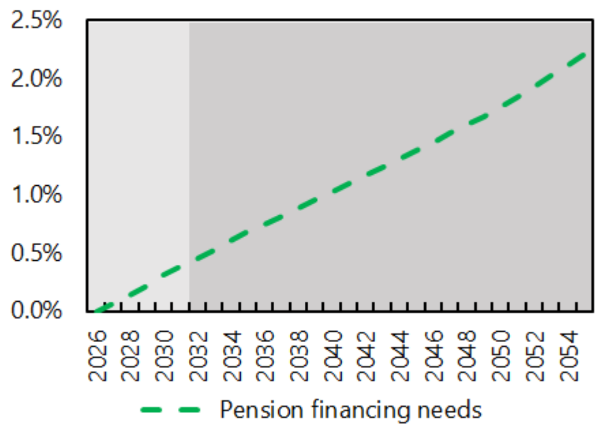
Commentary: The long-run amortization module does not trigger an overall risk indication. The overall long-run risk indicator is low. Under the baseline, debt stabilizes at around 50 percent of GDP in 2050. If historical 10-year averages are used, however, then debt could rise from around 42 percent to almost 90 percent of GDP by 2050. However, this simulation may not be representative as it reflects historically elevated gross financing needs, including the impact of the COVID-19 pandemic.

Table 8. Chile: Long-Term Risk Analysis II

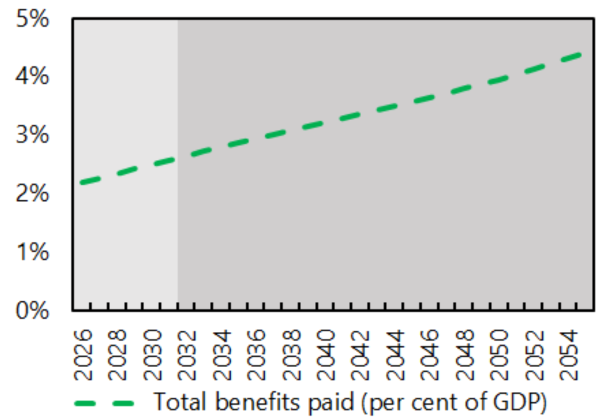
Demographics: Pensions

(Percent of GDP)	30 years	50 years	Until 2100
PGU Costs	4.4	5.7	6.3
Pension financing needs	2.2	3.5	4.1

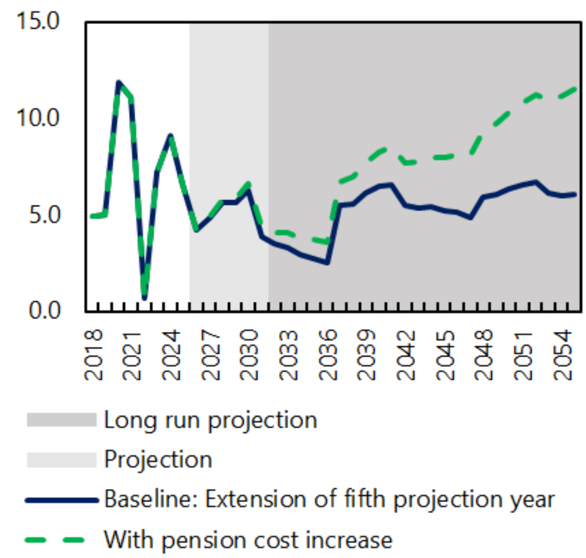
Pension Financing Needs



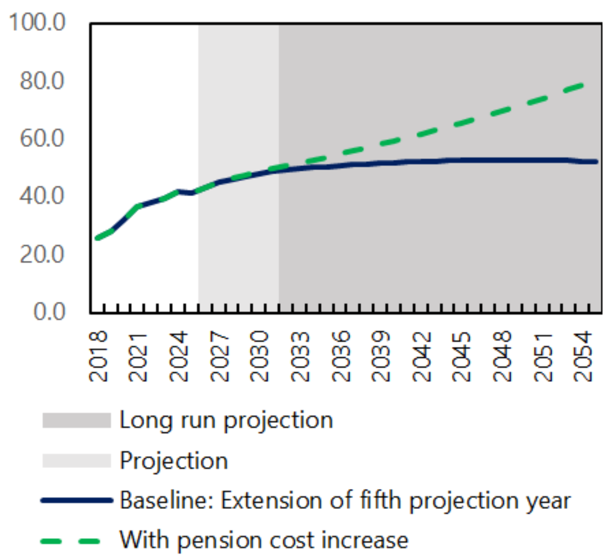
Total Benefits Paid



GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

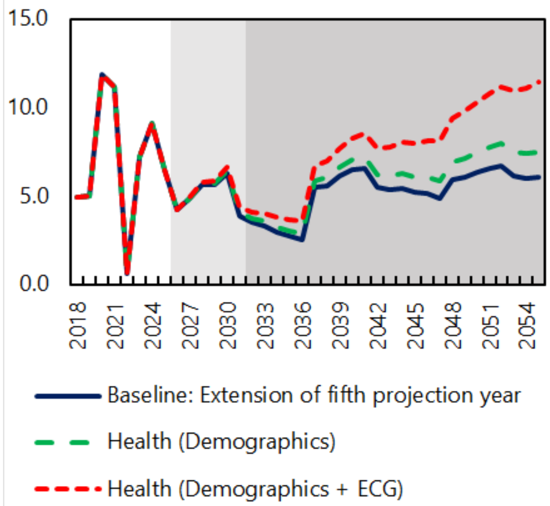


Commentary: Demographic dynamics would increase the fiscal costs of solidarity pensions (including mainly the PGU) from about 2 to about 4.5 percent of GDP in the next 30 years, under the assumption that solidarity pensions increase in real terms in line with real GDP growth. Assuming that available financing through general taxes for solidarity pensions remains at around 2 percent of GDP throughout the forecast period, this would imply an increase in debt to about 75 percent of GDP by 2050 (25 percentage points above the baseline scenario).

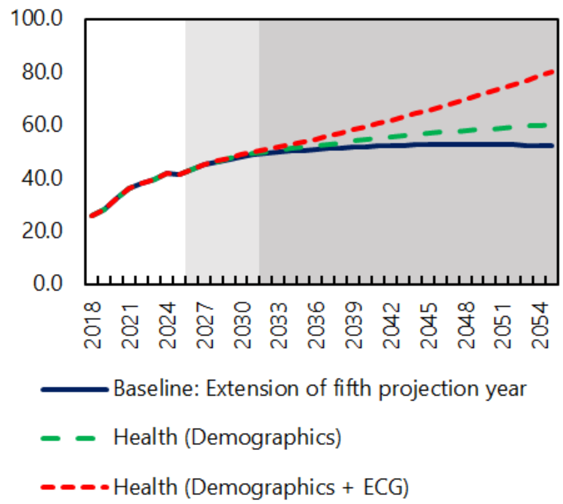
Table 9. Chile: Long-Term Risk Analysis III

Demographics: Health

GFN-to-GDP Ratio



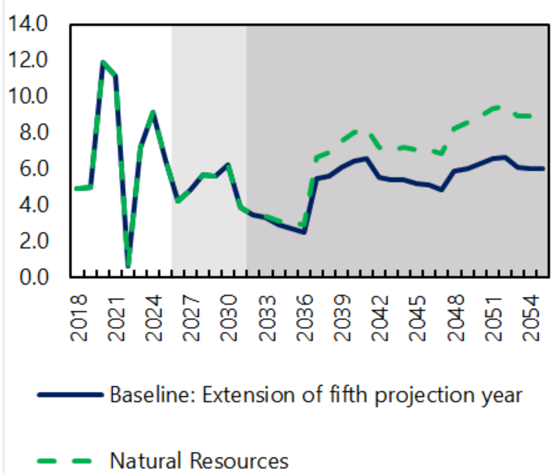
Total Public Debt-to-GDP Ratio



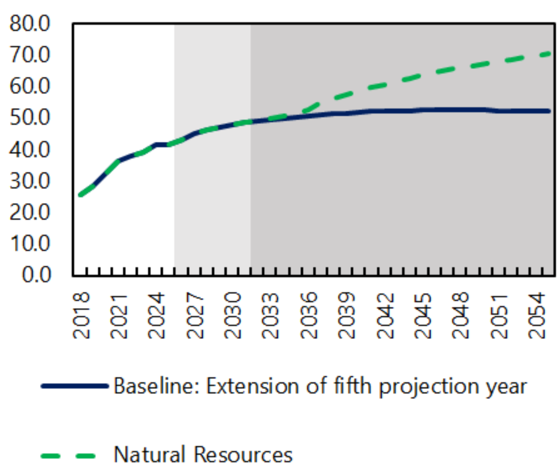
Commentary: Higher health costs due to demographics dynamics as well as excess cost growth of health (difference between health prices and aggregate CPI) would increase debt to about 75 percent of GDP by 2050.

Natural Resources

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: One source of risk is lower copper revenue due to lower production. We assume copper production to increase on average 1 percent annually between 2026-2035 and an annual production of 5 million tonnes is assumed thereafter. Copper revenues were around 2.1 percent of GDP in 2025. We assume copper prices to grow in line with US inflation at 2 percent after 2031, lower than Chile's GDP nominal growth. Taking changes in copper revenues into account, debt would be about 70 percent of GDP by 2050, and the GFN-to-GDP ratio would be about 4 percentage points of GDP higher than under the baseline by 2050.

Appendix I. Written Communication

Santiago, July 15, 2026

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street NW
Washington, DC 20431, USA

Dear Ms. Georgieva,

The Chilean authorities are grateful for the IMF's continued support amid ongoing elevated global uncertainty, including through surveillance, technical assistance, and through the Flexible Credit Line (FCL) arrangement. The FCL has complemented our very strong macroeconomic policies and institutional frameworks by providing valuable insurance against external tail risks. Our government remains committed to its well-established fiscal framework. Our robust inflation-targeting framework has succeeded in anchoring inflation expectations and our three-year reserve accumulation program, launched in August last year, is operating as planned, enhancing our buffers.

Nevertheless, the Chilean economy continues to be exposed to exceptional external risks. Hostilities in the Middle East have contributed to volatility in oil prices, and any renewed escalation remains a key risk. Moreover, a possible slowdown in key trading partners, together with an intensification of geopolitical risks and trade tensions, could lead to lower and more volatile commodity prices. Chile is particularly susceptible to these risks as a small open economy dependent on the export of commodities and highly integrated in global financial markets.

Against this background, we request a successor two-year FCL arrangement, with access at 500 percent of quota, or SDR 8.7215 billion. This access level will provide an additional layer of insurance for our economy and is justified by the still-elevated external risks, as well as the need to maintain adequate reserve levels under a plausible tail risk scenario. If approved, the Central Bank of Chile (BCCh) will be responsible for managing financial operations associated with the FCL arrangement. As with previous arrangements, we intend to treat the new FCL arrangement as insurance against external shocks and as precautionary support for our financial buffers. If FCL resources were to be drawn, they would not be used for budget financing, consistent with our institutional framework. We also reiterate our commitment to gradually reducing access under the FCL arrangement, conditional on external conditions, in the context of our exit strategy, and will reassess the access level at the time of the mid-term review. We hereby notify you of our decision to cancel the current FCL arrangement. The cancellation shall solely become effective upon the IMF Executive Board's approval of the successor arrangement referred to above.

We remain firmly committed to maintaining prudent policies to preserve macroeconomic and financial stability while strengthening external buffers.

- We are committed to our fiscal rule by setting a structural deficit of 1.5 percent of GDP in 2030 and maintaining public debt at a sustainable level, with a prudent threshold of 45 percent of GDP.

- In the context of our highly credible inflation-targeting regime, we maintain our objective of reaching the 3 percent inflation target over the two-year policy horizon. Our monetary policy stance will be decided on a meeting-by-meeting basis, considering all developments.

- Our flexible exchange rate system remains a key absorber of external shocks. We also agree on the relevance of increasing international reserves to rebuild and sustain adequate buffers, which would also support a further reduction in access under the FCL arrangement. We will continue our current reserve accumulation plan, which follows high transparency standards, is robust to changes in external risks, and avoids significant distortions in the FX market.

- The financial sector remains sound, underpinned by a strong regulatory framework. The banking sector is profitable, well capitalized, liquid, and compliant with capital standards and liquidity requirements. The smooth implementation of Basel III standards in 2025 enhanced financial sector resilience, while a gradual conversion to a positive-neutral level of the countercyclical capital buffer will further strengthen buffers. We are strengthening the infrastructure and functioning of financial markets, including by continuing to implement the recommendations of the 2021 FSAP, and facilitating the development of repo markets and internationalization of the peso via regulatory amendments as per the Financial Market Resilience Law. We expect the recent pension reform to contribute to deepening domestic capital markets in the long run. We are also making significant progress in identifying and addressing AML/CFT risks.

- We are advancing with our ambitious reform agenda to boost growth and support private investment alongside fiscal consolidation. Congress is currently discussing our National Reconstruction Plan (NRP), comprising revenue, expenditure, and structural reform measures. This plan should durably increase our medium-term growth by alleviating Chile's heavy tax and regulatory burden, with reforms to accelerate investment.

We reiterate that the FCL would represent an important complement to our very strong institutional policy frameworks, and we will maintain a productive policy dialogue with the Fund. We consent to the IMF's publication of this letter and the related staff report.

Sincerely yours,

/s/	/s/
Rosanna Costa Costa Governor Banco Central de Chile	Jorge Quiroz Castro Minister Ministry of Finance Chile

INTERNATIONAL MONETARY FUND

CHILE

July 20, 2026

ASSESSMENT OF THE IMPACT OF THE PROPOSED ARRANGEMENT UNDER THE FLEXIBLE CREDIT LINE ON THE FUND'S FINANCES AND LIQUIDITY POSITION

Approved By
Zuzana Murgasova (FIN) and Bergljot Barkbu (SPR)

Prepared by the Finance and Strategy, Policy, and Review Departments (in consultation with other departments). The main contributors included Nicolas Magud and Eyno Rots (FIN) and Jocelyn Boussard (SPR).

CONTENTS

INTRODUCTION

1. This note assesses the impact of the proposed successor Flexible Credit Line (FCL) arrangement for Chile on the Fund's finances and liquidity position, in accordance with the policy on FCL arrangements.[1] The proposed arrangement would cover a 24-month period, with access of SDR 8.7215 billion (500 percent of quota), lower than under the current FCL arrangement that is set to expire on August 26, 2026 (SDR 10.4658 billion, 600 percent of quota). The authorities consider the new FCL arrangement important for maintaining Chile's buffers against external shocks and providing insurance against a broad range of risks. The gradual access reduction occurs in the context of Chile's FCL exit strategy, supported by the Central Bank's three-year reserve accumulation program initiated in August 2025, conditional on the evolution of external risks. The authorities intend to treat the new FCL arrangement as precautionary.

BACKGROUND

2. Chile has been utilizing the Fund's precautionary arrangements to augment its reserves buffers against tail risks in recent years. Chile had several Fund arrangements during the 1950s to the 1980s (Annex 1). After that, for three decades (from 1990 to 2019), Chile had no new arrangements. Since 2020, Chile has had four precautionary arrangements with the Fund: three FCL arrangements, from May 2020 to May 2022 (SDR 17.443 billion, 1,000 percent of quota), from August 2022 to August 2024 (SDR 13.954 billion, 800 percent of quota), and from August 2024 to August 2026 (SDR 10.4658 billion, 600 percent of quota); and one Short-Term Liquidity Line (SLL) arrangement (SDR 2.529 billion, 145 percent of quota), which was approved in May 2022 following the expiration of Chile's first FCL arrangement and canceled in August 2022 upon the approval of its second FCL arrangement. Chile has not made purchases under any of the previous FCL and SLL arrangements and does not have any outstanding credit with the Fund.

3. Chile has very strong economic fundamentals and institutional policy frameworks.[2] Chile's monetary policy is anchored in a highly credible inflation-targeting framework on the back of a flexible exchange rate regime. It has a sound and effectively supervised financial system. Fiscal policy has been guided by a structural fiscal balance rule since 2001, complemented by a debt anchor rule since 2022. Public debt is relatively low by international standards, mostly denominated in domestic currency, and with an average external debt maturity above ten years. With these strong fundamentals and policy frameworks in place, the Chilean economy has remained resilient, maintaining a very strong track record of macroeconomic management and policy implementation amid repeated external shocks and two presidential transitions since 2019.

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[1] See *Flexible Credit Line and Short-Term Liquidity Line—Operational Guidance Note* (Policy Paper, 04/11/2025), which documents the requirement for an assessment prepared by FIN/SPR on the impact of the proposed FCL arrangement on the Fund's finances and liquidity position, as a supplement to the staff report.

[2] *Chile—2026—Staff Report for the Article IV Consultation* (IMF Country Report No. 26/169).

4. External risks are tilted to the downside in the near term and balanced over the medium term. The global environment remains uncertain and prone to shocks, and Chile is particularly exposed to a potential tightening in global financing conditions. Given the significance of its commodity exports, other major external risks for Chile include continued trade tensions, weaker growth in key trading partners, and a disorderly correction in the outlook related to AI-led productivity gains. Upside risks include a swifter-than-expected normalization in energy markets, as well as higher copper prices amid structurally higher demand from the energy transition, AI-related infrastructure growth, and defense spending.

5. Public debt is sustainable with high probability. Under staff's baseline scenario, central government debt, at 41.5 percent of GDP at end-2025, is projected to gradually increase over the medium-term and stabilize at around 50 percent of GDP. Net fiscal costs from the authorities' National Reconstruction Plan currently under discussion in Congress could push debt further. While this exceeds the authorities' prudent ceiling of 45 percent of GDP, it remains low by international standards, and debt trajectories are robust to standard shocks. External public debt, at about 18.3 percent of GDP at end-2025, is projected to remain below 20 percent of GDP over the medium term. Liquidity risks continue to be mitigated by liquid assets held in the sovereign wealth fund and the large domestic banking and rising pension fund sectors that can absorb sovereign issuances in case of an abrupt tightening of global financial conditions. Total external debt—largely held by the private sector—is projected to decline from 77.6 percent of GDP at end-2025 to around 73 percent of GDP over the medium term.

Table 1. Chile: Total External Debt, 2021–2026

	2021	2022	2023	2024	2025	2026 Proj. 1/
(In millions of US Dollars)						
Total External Debt	235,405	231,526	243,345	244,989	277,421	291,156
Private	186,089	186,321	192,511	194,933	212,035	220,326
Public	49,316	45,205	50,834	50,056	65,386	70,830
Total External Debt Service	48,065	63,659	68,570	67,856	62,685	63,411
Private	44,855	59,342	63,297	63,871	58,516	59,181
Public	3,210	4,317	5,273	3,984	4,168	4,230
(In percent of GDP)						
Total External Debt	74.6	76.9	72.4	74.4	77.6	72.8
Private	59.0	61.9	57.3	59.2	59.3	55.1
Public	15.6	15.0	15.1	15.2	18.3	17.7
Total External Debt Service	15.2	21.1	20.4	20.6	17.5	15.8
Private	14.2	19.7	18.8	19.4	16.4	14.8
Public	1.0	1.4	1.6	1.2	1.2	1.1

Sources: Chilean authorities and IMF staff estimates.
1/ Baseline scenario.

THE NEW FLEXIBLE CREDIT LINE ARRANGEMENT—IMPACT ON THE FUND'S FINANCES AND LIQUIDITY POSITION

6. **Risks and the impact on Fund finances from Chile's FCL arrangement are assessed in the context of an adverse scenario, which assumes the materialization of downside risks.** The adverse scenario[3] assumes the materialization of external risks that would tighten financial conditions and depress global growth and commodity prices, leading to capital outflows from emerging markets. These risks could arise due to a combination of shocks, stemming, for example, from a ratcheting up of global inflation expectations, a slowdown in key trading partners, and resumption of geopolitical and trade tensions. Table 2 provides a comparison of the main macroeconomic assumptions underlying the baseline and adverse scenarios.

Table 2. Chile: Comparison of Macroeconomic Assumptions Under Baseline and Adverse Scenarios

(In millions of US dollars)

	2025	2026	2027	2028	2029	2030	2031
Baseline scenario							
Real GDP growth (percent)	2.5	1.6	2.8	2.3	2.3	2.3	2.3
Nominal GDP	357,401	400,201	416,803	436,178	455,149	475,098	495,595
Gross international reserves	49,450	57,249	64,923	70,772	73,479	76,330	79,314
in percent of ARA metric	79	85	91	93	91	89	88
Exports of goods and services	123,375	137,380	131,394	134,636	138,571	142,465	146,411
Total external debt (in percent of GDP)	77.6	72.8	72.9	73.5	73.9	74.2	73.4
of which: public external debt (in percent of GDP)	18.3	17.7	18.2	19.1	19.7	20.1	19.5
Adverse scenario							
Real GDP growth (percent)	2.5	-3.4	0.8	5.3	4.3	4.3	2.3
Nominal GDP	357,401	380,191	387,627	418,731	446,046	475,098	495,595
Gross international reserves	49,450	51,171	58,846	67,539	73,092	75,942	78,926
in percent of ARA metric	79	80	87	89	91	89	88
Exports of goods and services	123,375	119,670	116,012	126,558	138,571	142,465	146,411
Total external debt (in percent of GDP)	77.6	76.6	79.9	79.5	77.8	75.1	73.4
of which: public external debt (in percent of GDP)	18.3	21.8	22.6	22.8	22.4	21.1	19.5

Sources: Chilean authorities and IMF staff projections.

7. **Chile's capacity to repay and the impact of the proposed FCL arrangement on the Fund's liquidity are assessed under the assumption that the authorities purchase the full amount available under the arrangement should an adverse scenario materialize.** In that event, Chile would be eligible to draw in full on the FCL arrangement of 500 percent of quota to address the impact of the adverse scenario.

[3] For further details see *Box 2. Chile: Illustrative Adverse Scenario* of the Staff Report on the request for an arrangement under the FCL (July 2026).

8. If Chile were to purchase the full amount available under the proposed FCL arrangement, its capacity to repay the Fund would be adequate (Table 3):

- If Chile were to draw all the resources available under the FCL arrangement at the time of the approval, its total external debt would rise from 72.8 percent of GDP to 76.6 percent of GDP at the end of 2026. The increase would be concentrated in public external debt, which would rise from 17.7 percent of GDP to 21.8 percent of GDP. Total external debt and public external debt ratios would be, respectively, at the 64th percentile and at the 34th percentile of exceptional access arrangements and FCL arrangements approved since 2008 (Figure 1). Chile's Fund credit outstanding would initially reach 3.1 percent of GDP, 23.3 percent of gross international reserves, and 4.1 percent of total external debt at the end of 2026. The peak ratios of the stock of Fund credit outstanding relative to these measures would be moderate, below the medians for exceptional access arrangements and FCL arrangements approved since 2008 (Figure 2).[4]

- External debt service would be 16.7 percent of GDP in 2026, and subsequently remain stable under staff's medium-term macroeconomic projections. Chile’s debt service to the Fund would be around 0.1 percent of GDP in 2026-2028 and peak at 1.3 percent of GDP in 2030, reflecting large repurchases. Chile’s peak total external debt service as a share of exports of goods and services would be 58.8 percent in 2031, above the median of exceptional access arrangements and FCL arrangements approved since September 2008, but peak debt service to the Fund of 4.4 percent in 2030 would be below the median.

- While public external debt service ratios are moderate, private external debt obligations have been high (14.8 percent of GDP in 2026) and are expected to remain elevated in the medium term. However, 22 percent of private external debt is FDI-related intercompany lending, which reduces roll-over risks and is hedged against exchange rate risk.

9. The approval of the proposed FCL arrangement and cancellation of the existing, larger arrangement would have a positive net impact on the Fund's liquidity as measured by the forward commitment capacity (FCC). As noted above (¶1), access under the proposed FCL arrangement would be lower by 100 percent of quota than under the existing arrangement. Commitments under the proposed arrangement would continue to be covered in full from quota resources, with the cancellation of the existing arrangement freeing up SDR 10.4658 billion, compared with SDR 8.7215 billion committed upon approval of the proposed arrangement. Accordingly, other things equal, the FCC would increase by SDR 1.7443 billion (about one percent of current liquidity) upon approval of the proposed FCL arrangement and cancellation of the existing one (Table 4).

[4] In addition to official central bank reserves, the government has usable liquid FX assets of about US$6 billion as of May 2026, including US$3.9 billion in the economic and social stabilization fund and US$2.1 billion in cash. Chile also has a pension reserve fund which is not counted towards the government’s usable liquid FX assets. As of May 2026, the balance of the pension reserve fund stood at US$10.6 billion.

10. A full drawing of the resources available under the proposed FCL arrangement would create a large GRA credit exposure to Chile and affect the Financial Transactions Plan (FTP), the Fund's financing mechanism:[5]

- Fund credit to Chile would represent 8.6 percent of total GRA credit outstanding as of July 2, 2026 (including Chile's purchases under the FCL arrangement). Chile would be the third largest Fund exposure after Argentina and Ukraine (SDR 42.55 billion and SDR 10.56 billion, respectively). The concentration of Fund credit among the top five users of GRA resources would decline from 80.7 percent to 75.8 percent. Fund credit to Chile would be 33.2 percent of the Fund's precautionary balances as of April 2026.
- A single drawing by Chile for the full amount under the proposed FCL arrangement would represent a large funding requirement from participants in the Fund's FTP. If Chile were to draw under the FCL arrangement, it would automatically be excluded from the list of members in the FTP, which would then reduce the FCC and thus partially offset the initial increase in FCC due to the approval of the successor FCL arrangement with smaller access level.

11. The proposed FCL arrangement would have a minor impact on the concentration of the Fund's lending portfolio, both in terms of regions and among Fund facilities (Figure 4):

- **Regional concentration to Latin America would decrease slightly.** Currently, the Western Hemisphere accounts for 61.6 percent of GRA credit and undrawn balances, including for precautionary arrangements. With the proposed FCL arrangement for Chile with smaller access level, that share would decrease to 61.2 percent. Therefore, the proposed FCL would help marginally alleviate the high exposure to the Western Hemisphere, which has been characteristic of the Fund's lending since before the COVID pandemic.

- **Among the Fund's different facilities, the share of FCL commitments would decline moderately.** Commitments under FCL arrangements, which represent the entirety of precautionary arrangements, stood at around SDR 33 billion on July 2, 2026, or 42.8 percent of total current GRA commitments. With the proposed successor FCL arrangement for Chile with smaller access level, the share of commitments from FCL arrangements would decrease to 41.5 percent.

[5] There is an important distinction between *credit risk* and *credit exposure*. *Credit risk* in this assessment is a combined concept taking into account various factors that could affect the probability that a borrower country will fail to meet its financial obligations to the Fund on time, as reflected partially in Capacity to Repay indicators. *Credit exposure* by contrast is a concept linked more directly to the size of the Fund's commitment to a member country.

Table 3. Chile: Capacity to Repay Indicators 1/

	2025	2026	2027	2028	2029	2030	2031
Exposure and Repayments (In SDR millions)							
GRA credit to Chile	--	8,721.5	8,721.5	8,721.5	7,631.3	3,270.6	--
(In percent of quota)	--	500.0	500.0	500.0	437.5	187.5	--
Charges due on GRA credit 2/	0.0	111.0	367.3	367.4	371.9	247.7	65.8
Debt service due on GRA credit 2/	0.0	111.0	367.3	367.4	1,462.1	4,608.4	3,336.4
Debt and Debt Service Ratios							
In percent of GDP							
Total external debt	77.6	76.6	79.9	79.5	77.8	75.1	73.4
Public external debt	18.3	21.8	22.6	22.8	22.4	21.1	19.5
GRA credit to Chile	--	3.1	3.1	2.9	2.3	0.9	--
Total external debt service	17.5	16.7	16.4	16.3	16.9	17.6	17.4
Public external debt service	1.2	1.2	1.3	1.2	1.5	2.4	1.9
Debt service due on GRA credit	0.0	0.0	0.1	0.1	0.4	1.3	0.9
In percent of Gross International Reserves							
Total external debt	561.0	569.4	526.5	492.7	474.6	469.8	460.7
Public external debt	132.2	161.7	149.2	141.3	137.0	131.9	122.5
GRA credit to Chile	--	23.3	20.3	17.7	14.3	5.9	--
In percent of Exports of Goods and Services							
Total external debt service	50.8	53.1	54.9	54.1	54.4	58.8	58.8
Public external debt service	3.4	3.7	4.2	4.0	4.8	7.9	6.6
Debt service due on GRA credit	0.0	0.1	0.4	0.4	1.4	4.4	3.1
In percent of Total External Debt							
GRA credit to Chile	--	4.1	3.8	3.6	3.0	1.3	--
In percent of Public External Debt							
GRA credit to Chile	--	14.4	13.6	12.5	10.4	4.5	--

Sources: Chilean authorities, IMF Finance Department, World Economic Outlook, and IMF staff estimates.

1/ Assumes full drawing under the proposed FCL arrangement upon approval and materialization of an adverse scenario, even though the authorities intend to treat the arrangement as precautionary.

2/ Based on the rate of charge as of July 2, 2026. Includes GRA basic rate of charge, surcharges, service fee, and SDR charges.

Table 4. Chile: Impact on GRA Finances
(In SDR millions, unless otherwise indicated)

	As of 7/2/2026
Liquidity measures	
Current Forward Commitment Capacity (FCC) 1/	181,593
FCC on approval 2/	183,338
Change in percent	1.0
Prudential measures, assuming full FCL drawing	
Fund credit to Chile	
In percent of total GRA credit outstanding 3/	8.6
In percent of current precautionary balances	33.2
Fund credit outstanding to five largest debtors	
In percent of total GRA credit outstanding, before approval	80.7
In percent of total GRA credit outstanding including Chile's assumed full drawing 3/	75.8
Memorandum items	
Fund's precautionary balances (April 30th, 2026)	26,291
Total FCL commitments, including current FCL	32,849
Total FCL commitments, including proposed FCL	31,105
Quota of FTP members with actual and proposed FCLs, in percent of total quota of FTP members	2.7

Source: Finance Department.

1/ The FCC is defined as the Fund's stock of usable resources less undrawn balances under existing arrangements, plus projected repurchases during the coming 12 months, less repayments of borrowing due one year forward, less a prudential balance. The FCC does not include unactivated borrowed resources, which currently consist of the New Arrangements to Borrow and bilateral commitments from members to boost IMF resources.
2/ Current FCC minus access under the proposed FCL arrangement plus access under the current FCL arrangement. The calculation does not take into account the payment of the commitment fee, which would marginally increase the FCC.
3/ Based on current Fund credit outstanding plus full drawings under the proposed FCL arrangement.

ASSESSMENT

12. **The proposed successor FCL arrangement in place of the current one would have a net positive impact on the Fund's liquidity position and reduce the Fund's credit commitments.** On approval of the proposed arrangement with lower access level, the Fund's liquidity position would increase as the cancellation of Chile's existing FCL arrangement would more than offset the liquidity effect from the proposed new arrangement. The Fund's Forward Commitment Capacity (FCC) would increase by about SDR 1.74 billion or one percent from its current level of about SDR 181.6 billion to around SDR 183.3 billion (Table 4). Similarly, lower access under the proposed arrangement would lower the Fund's credit commitments. The concentration of the Fund's commitment portfolio to Latin America would decline slightly but remain elevated. If

Chile were to draw under the FCL arrangement, it would be automatically excluded from the Financial Transaction Plan (FTP), and the FCC would decline (by about SDR 0.9 billion) and thus partially offset the initial increase due to the approval of the successor FCL arrangement. Nevertheless, the Fund's overall liquidity position is expected to remain adequate after the approval of the proposed FCL arrangement.

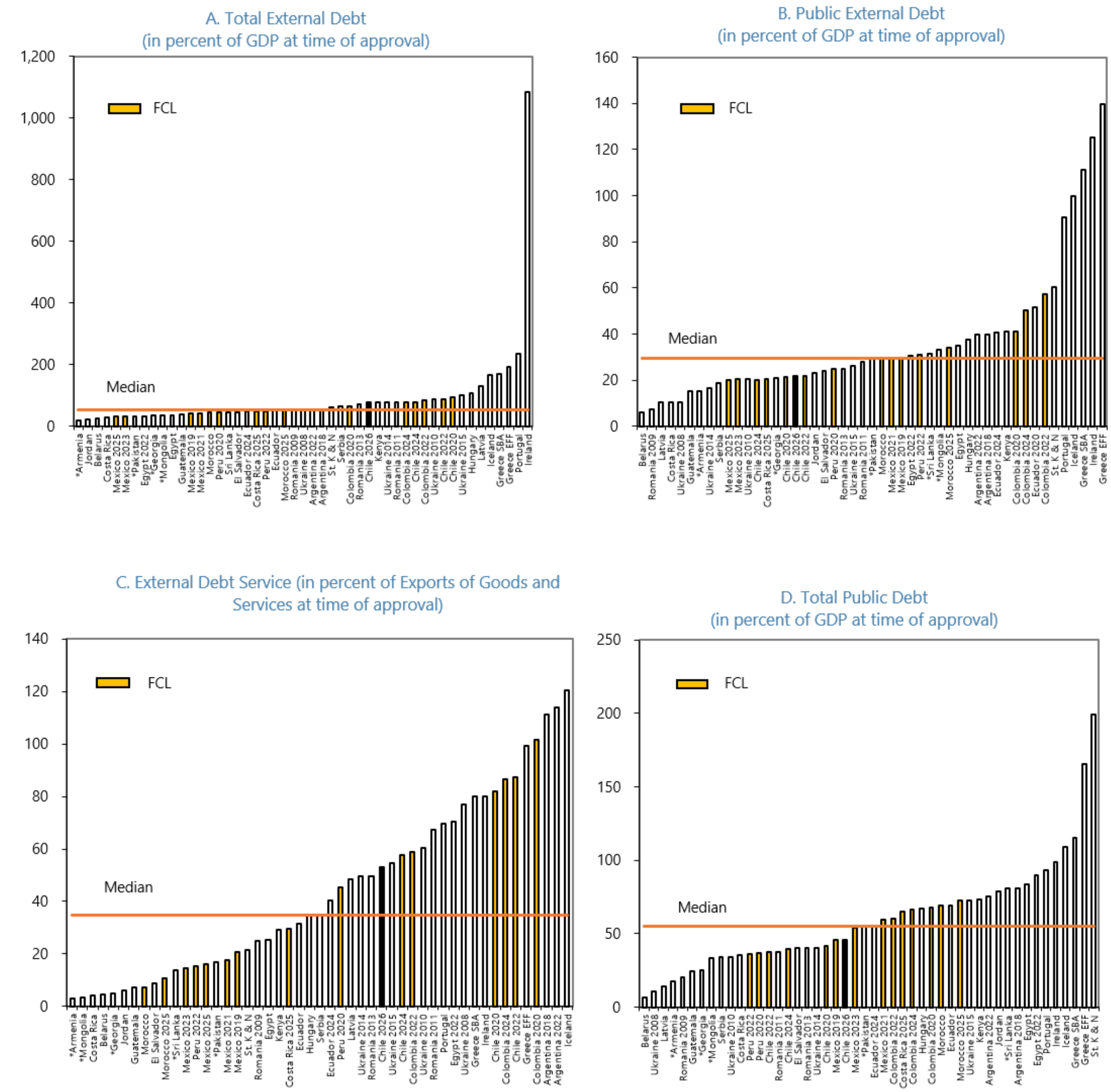
13. Financial enterprise risks are mitigated by several factors. Chile has a long-standing track record of meeting its obligations to the Fund and has had uninterrupted access to international capital markets at favorable terms for several decades. It maintains investment grade status according to the three major rating agencies, and is consistently among the highest-rated emerging market countries.

14. A full drawing of the resources available under the proposed FCL arrangements would create a large GRA credit exposure to Chile, but staff assesses the credit risk to be moderate. Chile's capacity to repay the Fund is assessed to remain adequate, with key metrics related to public debt below or close to the median compared to other recent exceptional access arrangements and FCL arrangements. Moreover, Chile has very strong policy and institutional frameworks, which would shelter the economy from global shocks and cope with domestic shocks.

15. The authorities remain committed to treating the FCL arrangement as precautionary and to gradually lower access conditional on external risk developments. In August 2025, the BCCh launched a three-year sterilized international reserve accumulation program under which it would purchase up to US$25 million a day, for a total of up to US$18.5 billion. Through this program, the BCCh intends to gradually replace part of its foreign currency credit lines with reserves, while maintaining the overall level of external buffers. The program has been operating smoothly, with purchases reaching US$5.6 billion by end-June, 2026 and averaging 91 percent of the planned daily maximum; and the BCCh is committed to its full completion. The lower access under the current request underscores the authorities' commitment to gradually lower access in the context of their exit strategy from the FCL. Over the longer term, the BCCh intends to maintain external buffers at an adequate level, while continuing to assess the composition between reserves and other liquidity buffers.

Figure 1. Debt Ratios of Recent Exceptional Access Arrangements and FCLs 1/ 2/

(EA cases since September 2008)



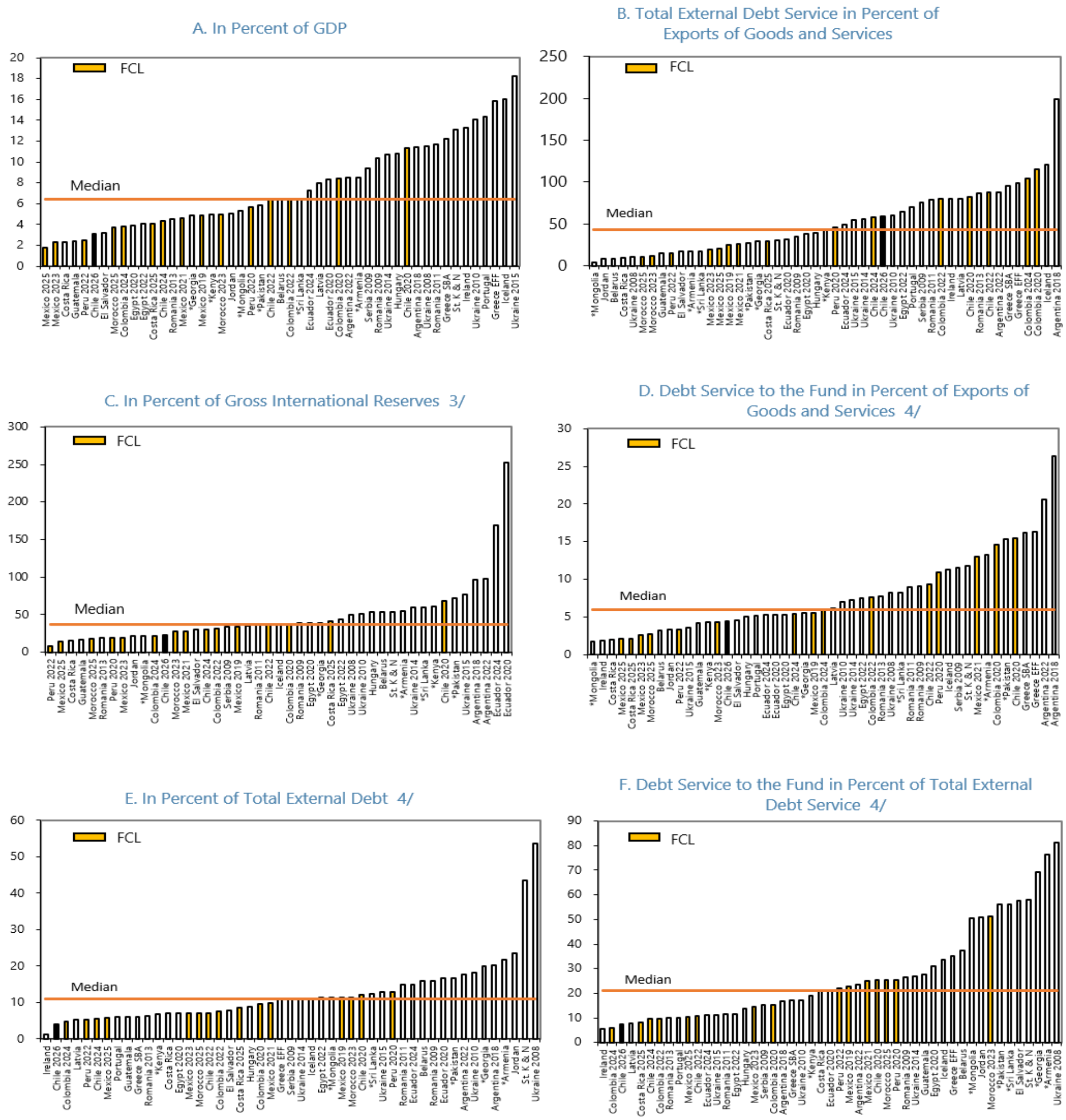
Sources: Finance Department and IMF staff estimates.

1/ Estimates as reported in relevant staff reports on the request of SBAs or arrangements under the EFF approved since September 2008. Also includes ratios reported in relevant staff reports on FCL arrangements for Mexico (2019, 2021, 2023, and 2025), Colombia (2020, 2022, and 2024), Peru (2020 and 2022), Chile (2020, 2022), Morocco (2023, 2025), and Costa Rica (2025).

2/ Asterisks indicate PRGT-eligible countries at the time of the program.

Figure 2. Peak Fund Exposure and Debt Service Ratios for Recent Exceptional Access Arrangements and FCLs 1/ 2/

(EA cases since September 2008)



Sources: Finance Department and IMF staff estimates.

1/ Estimates as reported in relevant staff reports on the request of SBAs or arrangements under the EFF approved since September 2008. Also includes ratios reported in relevant staff reports on FCL arrangements for Mexico (2019,2021, 2023, and 2025), Colombia (2020, 2022, and 2024), Peru (2020,2022), Chile (2020, 2022, and 2024), Morocco (2023, 2025), and Costa Rica (2025).

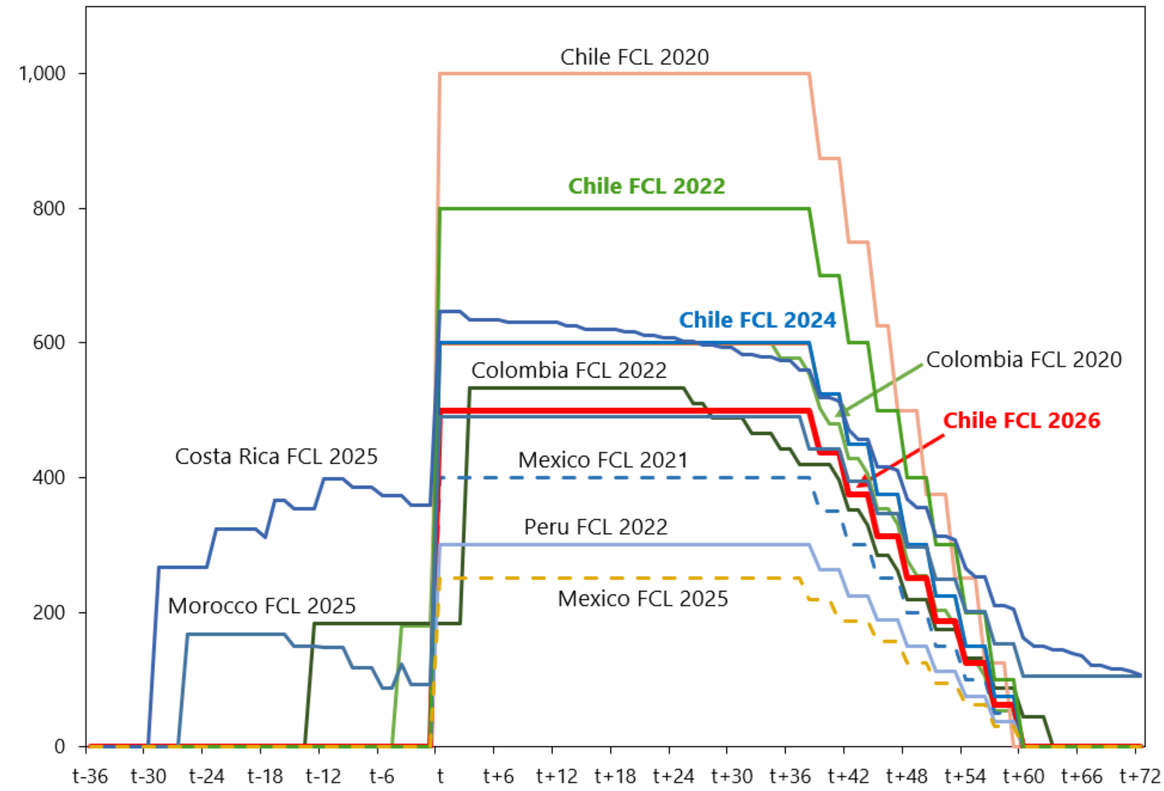
2/ Asterisks indicate PRGT-eligible countries at the time of the program. In Panel F, Georgia's debt service to the Fund includes one from PRGF loan.

3/ Excluding arrangements with members belonging to the euro area at the time of the approval of the arrangement: Greece, Ireland, and Portugal.

4/ For arrangements of which total external debt (or debt service) ratio is not available, public external debt ratio is shown instead.

Figure 3. Projected Fund Credit Outstanding Under Borrowing Scenarios of Recent FCL Requests 1/

(In percent of quota)



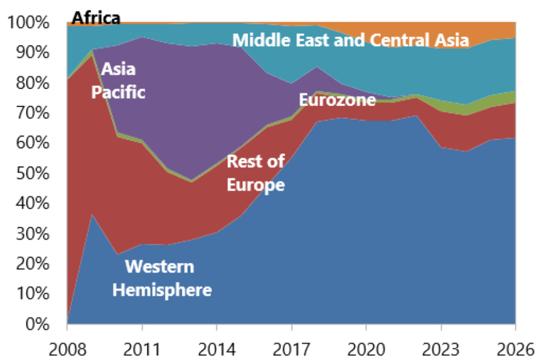
Sources: Finance Department and IMF staff estimates.

1/ t represents the time when outstanding credit to the Fund is at its peak. Time is expressed in months. For illustrative purposes it is assumed that all FCLs are fully drawn down at the time of Board approval.

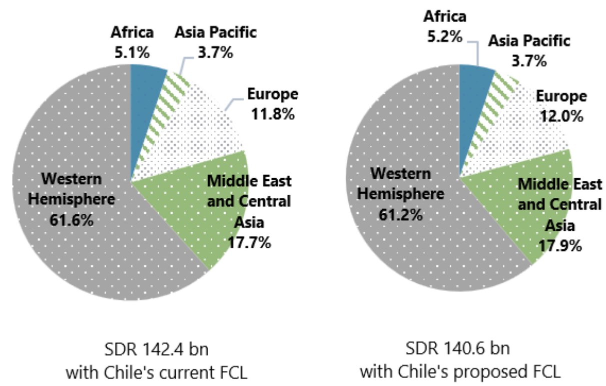
Figure 4. IMF Lending Concentration—By Region and by Lending Instrument

(In Percent, as of July 2, 2026)

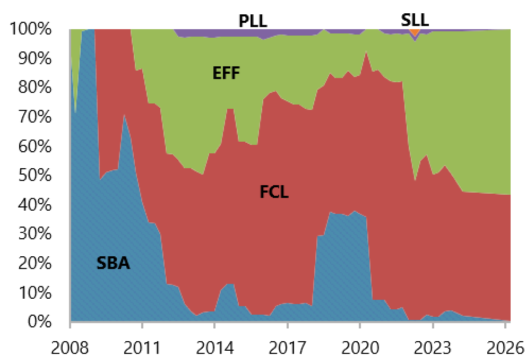
Regional Concentration of Credit and Precautionary Arrangements 1/ 2/



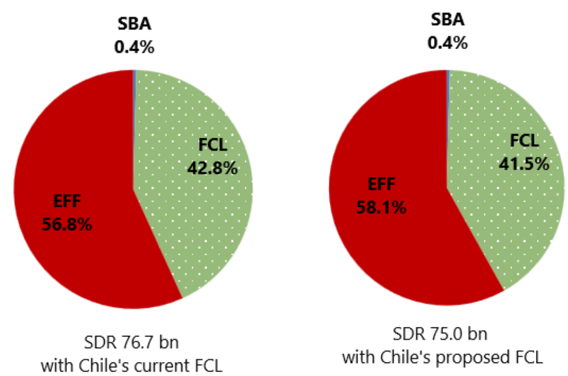
Regional Concentration of Credit and Precautionary Arrangements 1/



Commitments under Current GRA Arrangements



Commitments under Current GRA Arrangements



Source: IMF Finance Department.

1/ GRA credit outstanding plus undrawn balances by region as a share of total GRA balances and total GRA undrawn balances. The latter include undrawn balances under existing arrangements as well as commitments under precautionary arrangements.

2/ Chile's proposed FCL is included within the region of Western Hemisphere.

Annex I. History of Arrangements with the IMF

This annex provides a brief overview of Chile's Fund arrangements from 1983 to present.[1]

Chile has an exemplary track record of meeting its obligations to the Fund under past purchasing arrangements. Chile had three Fund arrangements in the 1980s and fully repaid its remaining outstanding credit in 1995 (Table I.1).

From 1983 to 1989, Chile had two arrangements under the Stand-By Arrangement (SBA) and one Extended Fund Facility (EFF):

- On January 10, 1983, the Fund approved an SBA equivalent to SDR 500 million (154 percent of quota) when Chile's financial problems following a banking crisis and a sudden stop of capital inflows were aggravated by the global economic slowdown and the price of copper, Chile's principal export product, collapsed. Under that arrangement, Chile made purchases totaling SDR 500 million, and its outstanding credit stood at SDR 795 million (245 percent of quota) at end of 1984. Chile made repurchases after 1986.

- On August 15, 1985, an EFF equivalent to SDR 825 million was approved to support the authorities' medium-term economic policy and reform program during the period 1985–89. Solid performance under the program supported by the EFF allowed Chile to fully repay all its outstanding obligations to the Fund.

- On November 8, 1989, a one-year Stand-By Arrangement equivalent to SDR 64 million was approved. Chile made full drawings and the obligations were fully repaid in 1995.

More recently, Chile has had four precautionary arrangements with the Fund:

- On May 29, 2020, the Executive Board approved a two-year Flexible Credit Line Arrangement with Chile for SDR 17,443 million (1,000 percent of quota) to support the authorities' macroeconomic strategy, by providing a valuable buffer and boosting market confidence as the economy remained exposed to external risks tied to the pandemic. The arrangement was canceled on May 19, 2022.

- On May 20, 2022, the Executive Board approved a Short-term Liquidity Line for Chile for SDR 2,529 million (145 percent of quota) to support Chile's economic resilience by providing a backstop for potential, moderate, short-term liquidity needs. The arrangement was set to expire in May 2023, but was cancelled in advance, in August 2022.

- On August 29, 2022, the Executive Board approved a two-year Flexible Credit Line Arrangement with Chile for SDR 13,954 million (800 percent of quota) given the still elevated external risks. The authorities were committed to gradually exit the arrangement conditional on the evolution

[1] The first IMF-supported program for Chile was approved on April 1st, 1956. This appendix focuses on the most recent arrangements.

of external risks. The previous SLL arrangement was canceled upon the approval of this FCL arrangement. This arrangement was cancelled on August 26, 2024.

- On August 27, 2024, the Executive Board approved a two-year Flexible Credit Line Arrangement with Chile for SDR 10,466 (600 percent of quota), in the context of the still elevated external risks Given the stronger near-term baseline outlook, the authorities requested a reduction in access. They remained committed to gradually lowering access depending on external risk developments.

Annex Table I.1. Chile: IMF Financial Arrangements, 1983–2024

(In millions of SDR)

Year	Type of Arrangement	Date of Arrangement	Date of Expiration or Cancellation	Amount of New Arrangement	Amount Drawn	Purchases	Repurchases	Credit Outstanding 1/
1983	Stand-By Arrangement	10-Jan-83	9-Jan-85	500	500	284	0	579
1984						216	0	795
1985	Extended Fund Facility	15-Aug-85	15-Aug-89	825	806	125	0	991
1986						250	42	1,088
1987						225	133	1,032
1988						150	154	983
1989	Stand-By Arrangement	8-Nov-89	7-Nov-90	64	64	120	120	967
1990						0	127	813
1991						0	144	669
1992						0	142	525
1993						0	169	347
1994						0	140	200
1995						0	200	0
...								
2020	Flexible Credit Line	29-May-20	19-May-22	17,443	-	0	0	0
2022	Short-Term Liquidity Line	20-May-22	28-Aug-22	2,529	-	0	0	0
2022	Flexible Credit Line	29-Aug-22	26-Aug-24	13,954	-	0	0	0
2024	Flexible Credit Line	27-Aug-24	26-Aug-26	10,465.8	-	0	0	0

Source: Finance Department.

1/ As of end-December. For 2024 FCL as of July 2, 2026.

INTERNATIONAL MONETARY FUND

CHILE

August 20, 2026

REQUEST FOR AN ARRANGEMENT UNDER THE FLEXIBLE CREDIT LINE AND CANCELLATION OF CURRENT ARRANGEMENT—SUPPLEMENTARY INFORMATION

Approved By
Dora Iakova
(WHD)

Prepared by the Western Hemisphere Department

The information below has become available following the issuance of the staff report and does not alter the thrust of the staff report.

1. Recent data have been broadly in line with staff expectations. While economic activity is estimated to have expanded by 0.6 percent month-on-month, seasonally adjusted, in June, reversing several months of negative growth, real GDP for the second quarter came out lower than expected (at -0.2 percent year-on-year). The outturn was due mostly to a decline in copper production, weaker construction sector, and lower export volumes. Staff continues to expect GDP growth to strengthen in the second half of the year and average 1.6 percent for 2026, though with some downside risk to the projection. Headline year-on-year inflation declined to 3.5 percent in July, with core inflation also easing to 3.2 percent. The unemployment rate (three-month moving average) was steady at 9.4 percent in June. Goods exports rose 20 percent year-on-year in July, largely due to higher copper prices, while imports were broadly flat. The 12-month cumulative trade goods balance rose to 8.4 percent of GDP, its highest level since 2010.

2. At its meeting on July 28, the Banco Central de Chile (BCCh) held the policy rate at 4.5 percent. The statement leaving the policy rate unchanged for the fifth consecutive meeting highlighted that the macroeconomic outlook continues to be subject to elevated volatility and uncertainty. Accordingly, the BCCh Board reiterated its previous guidance, emphasizing that future policy decisions will continue to be assessed on a meeting-by-meeting, data-dependent basis. Staff assessment and advice on monetary policy remain unchanged.

3. The government's National Reconstruction Plan (NRP) was recently approved by Congress, with its main elements broadly unchanged. Revisions to the bill (see Annex V of the 2026 Article IV Staff Report for details) in the legislative process improved the targeting of several measures, reducing the overall fiscal cost. The bill maintains the gradual reduction of the corporate income tax rate from 27 to

23 percent over 2027-2029, alongside a transition to a fully reintegrated tax regime. Measures refined during Congressional discussions to better target investment and employment support include a tiered tax invariability regime, with the duration of tax certainty now based on the investment size (in exchange for a 1.5 percentage point tax rate premium), and a more targeted employment tax credit limited to knowledge-economy service exporters, with an enhanced credit for firms located outside the Santiago Metropolitan Region. Additionally, the revised NRP offers higher central government transfers to municipalities to partially offset revenue losses resulting from the property tax exemption for owner-occupied primary residency for those aged 65 and above. As a result, the authorities' estimate of the medium-term fiscal cost of the package—including their projected growth dividends—declines from 0.33 to around 0.15 percent of GDP by 2030, while yielding a net positive return of around 0.47 percent of GDP by 2040.

4. Since the circulation of the staff report, staff has completed the safeguards procedures for Chile's 2026 FCL arrangement. These procedures did not identify any concerns. The BCCh external audit and financial reporting arrangements continue to reflect sound practices and remain aligned with international standards. KPMG Chile, the BCCh's new external auditor, issued an unmodified (clean) opinion on the 2025 financial statements, which were prepared in accordance with International Financial Reporting Standards (IFRS) and published on a timely basis.

Statement by Rodrigo Alfaro, Advisor to Executive Director
August 26, 2026

On behalf of the Chilean authorities, we thank staff for the report and their assessment that Chile continues to meet the Flexible Credit Line (FCL) qualification criteria. The FCL has proven to be a valuable precautionary instrument against tail risks and, together with Chile's very strong policies and institutional framework, has helped reinforce market confidence. A successor arrangement with a lower access level of 500 percent of quota (SDR 8.7215 billion) will continue to provide safeguard to the Chilean economy amid the current global environment. The authorities reaffirm their commitment to treating the FCL as a precautionary facility, and in a drawing scenario, ensuring that resources would not be used for budget financing, consistent with the country's institutional framework.

Context and Outlook

Chile's economic activity moderated in the first half of 2026, while inflation rose because of the conflict in the Middle East. GDP growth was affected by supply-side factors related to natural resources and the deceleration of domestic demand during the second quarter. The growth rate of gross fixed capital formation slowed more than anticipated; however, the latest Capital Goods Corporation survey continues to point to a favorable outlook for investment projects in 2026–2030, with the increase concentrated from 2027 onward. Consumption was less dynamic than earlier in the year, reflecting the deterioration of its underlying fundamentals. These developments confirm the downward revision in GDP growth forecasts presented in the latest Monetary Policy Report (IPoM) of 1.0–1.75 percent for 2026, while a rebound of 2.0-3.0 percent is expected for 2027. In addition, high copper prices, supported by strong demand linked to artificial intelligence, the energy transition, and increased defense spending, contributed to a current account surplus. In the labor market, the unemployment rate rose to 9.4 percent, amid persistently weak job creation and accelerating hourly labor costs. The authorities concur with staff that the labor market has been negatively affected by recent regulatory changes, including minimum wage hikes, a reduction in working hours, and higher social security costs associated with the Pension Reform. Annual CPI inflation reached 3.5 percent in July, similar to IPoM forecasts and market expectations, while the pass-through from the fuel price shock to other prices remained consistent with historical averages. Finally, two-year horizon inflation expectations, as measured by economic surveys, remained anchored at 3 percent.

The external outlook remained volatile, largely due to the conflict in the Middle East, which pushed up oil prices and sustained uncertainty over the normalization of oil supply. In the latest IPoM, the Central Bank of Chile (BCCh) raised its inflation projection for December 2026, while maintaining its convergence to the 3.0 percent target from the second quarter of 2027. The authorities have taken important steps to rebuild Chile's economic buffers, including: (i) expenditure adjustments by the Minister of Finance (MoF) to address the weak fiscal outcome in 2025, and the MoF's program to sell state-owned unproductive assets to rebuilt fiscal buffers, (ii) the BCCh's three-year reserve accumulation program, which had accumulated US$5.7 billion by mid-August and brought international reserves to US$53 billion, and (iii) the increase in the counter-cyclical capital buffer (CCyB) to its neutral level at 1 percent of risk-weighted assets, strengthening financial sector resilience. In this context, the FCL continues to provide Chile with an important international liquidity buffer, especially amidst high external uncertainty and risks.

Policies

The new authorities remain firmly committed to fiscal responsibility and debt sustainability, supported by a very strong fiscal framework. Chile's fiscal policy is guided by a dual rule, based on the structural balance and a debt-limit. Accordingly, the authorities are committed to the fiscal rule by setting a structural deficit target of 1.5 percent of GDP by 2030 and maintaining public debt at sustainable level, with a prudent threshold of 45 percent of GDP. Fiscal consolidation has been supported by expenditure rationalization, better targeting social spending, and enhancements to improve the efficiency of public enterprises. The recently approved National Reconstruction Plan (NRP) is expected to boost investment and to raise potential output by gradually reducing CIT rate and providing tax invariability for large investment projects. While the NRP involves short-term fiscal costs, estimated at 0.15 percent of GDP by 2030, it includes mitigating measures designated to preserve the fiscal consolidation path.

The Board of the BCCh reaffirms its commitment to continue conducting monetary policy with flexibility to ensure that inflation reaches 3 percent over the two-year horizon, and to maintain the free-floating exchange rate (FX) regimen. At its latest monetary policy meeting, all five Board members agreed that the macroeconomic outlook continued to unfold amid high uncertainty, noting the resurgence of risks associated with the conflict in the Middle East. In this context, they concurred that the monetary policy strategy outlined in June's IPoM remained in effect. Accordingly, the Board decided to keep the monetary policy rate at 4.5 percent. All the available data pointed out elevated risks, with potential medium-term implications that require careful assessment. Thus, the future path of the monetary policy rate will be assessed on a meeting-by-meeting basis, depending on how conditions evolve. Moreover, the FX regimen has served the economy well and FX interventions have remained exceptional, limited to episodes of disorderly market conditions. On all these occasions, the BCCh has implemented transparent programs, announcing and publishing financial conditions after the market close. Finally, the FX framework is supported by comfortable external liquidity buffers, composed of international reserves and access to credit lines, including the FCL.

The Chilean economy is supported by strong macroeconomic fundamentals and robust financial regulation and supervision standards. The institutional framework includes tools to address exceptional scenarios, as well as coordination mechanisms among authorities and regulators. Banks have continued to strengthen their capital base, with solvency indicators improving in line with Basel standards. The CCyB has been set at its neutral level, and stress tests indicate that, under a scenario in which activity drops abruptly and funding costs rise significantly, banks would maintain capital levels above regulatory requirements. In addition, the ongoing implementation of the pension system reform, which entails a gradual rise in the contribution rate, will increase local capital market depth.

FCL access level

Chile still faces elevated external tail risks, and the materialization of those could significantly deteriorate the economy. For instance, an abrupt tightening of financial conditions in advanced economies could trigger negative spillovers into emerging market economies, resulting in an increase in global risk aversion, capital flow volatility, and portfolio rebalancing away from emerging markets. This would affect FX markets, potentially ending up in disorderly events that will require intervention. Similarly, a sizable increase in commodity price volatility could have implications in economic activity and in the Chilean peso. In this context, the FCL continues to play a vital role as an additional buffer to international reserves, mitigating the impact of potential tail risk scenarios in the financial system and the economy.

Against this backdrop, the authorities have requested a successor two-year FCL arrangement with a reduced access level (500 percent of quota). As mentioned in the staff report, elevated external risks persist, and Chile continues to meet the qualification criteria. The access level provides sufficient insurance against a broad range of tail-risk scenarios, and it is consistent with the exit strategy supported by the successful implementation of the three-year purchase program. Furthermore, in a disbursement scenario, the FCL resources would not be used for budget financing, in line with Chile's institutional framework.

The authorities greatly appreciate the support received from the IMF through FCL arrangements. These have provided a strong signal of confidence in the strength of Chile's policy frameworks, institutions, and fundamentals, as well as an important buffer amid unprecedented uncertainty and volatility in external environment. The authorities would like to reiterate that they are committed to treating the FCL as a precautionary arrangement and plan to continue reducing access when external conditions allow.