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Chile Economics, Equity Strategy, Metals & Mining Equity | North America

Waiting for the Reform Dividend

Chile is moving closer to the bullish scenario we outlined last year, but the reform dividend will take time. We expect an investment-led recovery to lift growth to 3.5% in 2027, with project execution key to translating favorable policies & copper strength into jobs, earnings & sustainable growth.

Chile's policy backdrop is shifting toward the bullish scenario we outlined last year, but the reform dividend we anticipated has been delayed, with recovery increasingly becoming a 2027 story. Despite higher copper prices and a substantial investment pipeline, mining disruptions, an energy-driven income squeeze, and project delays have weighed on growth. We expect GDP to expand just 0.3% in 2026 before accelerating to 3.5% in 2027 and 3.0% in 2028, above consensus, driven primarily by investment rather than consumption.

The key is turning investment commitments into domestic activity and employment. Our sectoral analysis suggests that construction demand supports 2.4 times as many jobs as equivalent mining demand, highlighting the importance of project execution. We expect the BCCh to remain on hold through most of 2027, while sustained improvements in potential growth will depend on productivity gains and effective reform implementation.

LatAm Equity Strategy: Invest ahead of the dividends. We are OW Chile within our LatAm Model Portfolio on low risk, positive growth bias and strong fit with our LatAm Spring investment framework; migrating from consumption to capex led growth. Policy continuity, a robust institutional framework, and a pipeline of shovel-ready projects with significantly shorter lead times than regional peers underpin one of LatAm's most compelling turnaround stories. The risk-reward proposition looks particularly attractive, supported by undemanding valuations, light international investor positioning, an attractive FX and accelerating earnings momentum. Chilean equities trade at 10.7x PE, in line with LatAm peers despite the lower risk, lower rates and better earnings growth prospects. We prefer banks, mining and electricity generation stocks.

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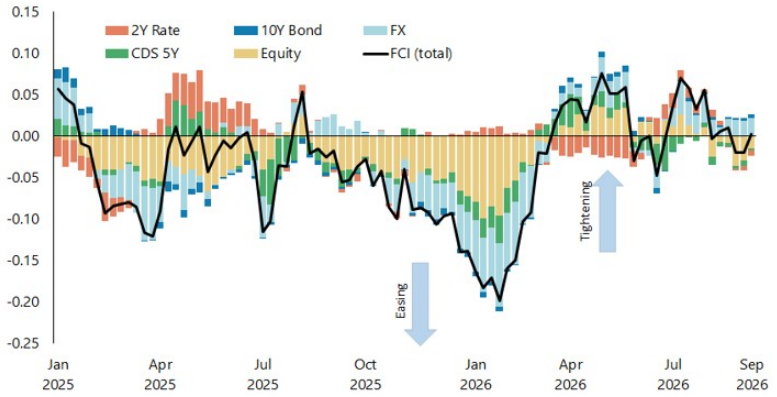
Executive Summary

Economics: Waiting for the Reform Dividend

Chile's policy backdrop has improved materially over the past year, but the growth dividend from reform has yet to materialize. Corporate tax reductions, stronger investment incentives, permitting reform, pension implementation, and initiatives to deepen capital markets increasingly address the structural constraints that have weighed on potential growth. Yet activity has weakened despite favorable copper prices, improving terms of trade, and a substantial investment pipeline. This divergence reinforces our pushback against the optimism we encountered during our February meetings in London, when investors expected the policy shift and higher copper prices to translate quickly into stronger growth. While sharing the constructive medium-term outlook, we emphasized that investment-led recoveries take time to materialize and spill over into broader activity and employment. The subsequent slowdown has reinforced that caution, albeit more sharply than anticipated. We frame the outlook through three clocks: the cyclical clock of supply and income shocks, the recovery clock of mining normalization and project execution, and the slower reform clock through which investment and productivity gains lift potential growth. Weakness in 2026 does not mean reforms have failed, just as a rebound in 2027 would not mean their structural benefits have fully materialized.

The current weakness reflects adverse shocks and delayed transmission, rather than a collapse in investment intentions. Copper prices move quickly, but production responds slowly: Declining ore grades, operational disruptions, and weather-related factors have constrained mining output. Higher energy costs have simultaneously squeezed household purchasing power. Our input-output analysis of gasoline prices rising 30% and diesel prices 60% suggests a burden equivalent to approximately 2.9% of household expenditure, with a heavier impact on lower-income households relative to disposable income. This measures price-shock exposure, not a direct subtraction from GDP growth. Financial conditions also tightened after the onset of the Middle East conflict, reversing much of the easing since 2H25. These headwinds help explain why the income and financial benefits of higher copper prices have not generated a comparable increase in employment and consumption.

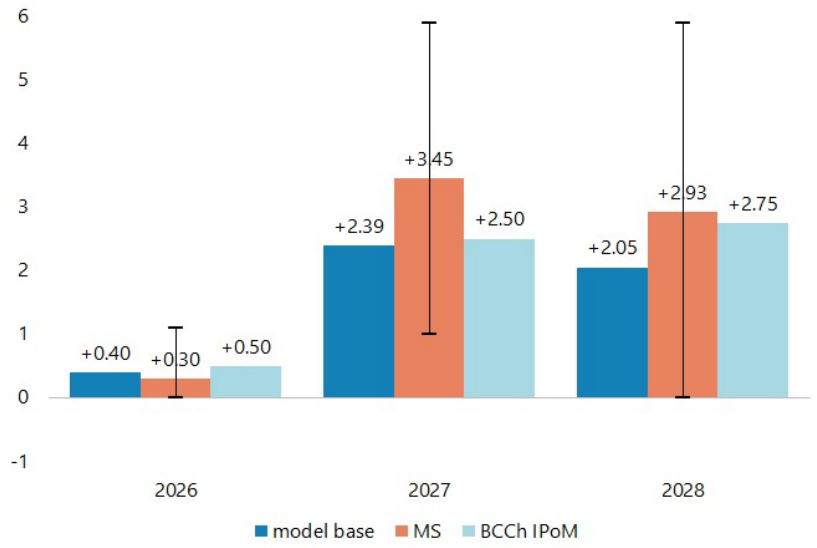
Exhibit 1: Our financial conditions index suggests that the growth impulse was reversed after the start of the Middle East conflict ...



Source: Morgan Stanley LatAm Economics based on the index estimated in the research note from July, 13, 2026; Andean Macro: What Drives Fed Hikes also Matters.

We forecast GDP growth of 0.3% in 2026, accelerating to 3.5% in 2027 and 2.9% in 2028, above consensus expectations of 2.8% and 2.4%, respectively. Our differentiated view of the recovery rests on investment rather than a strong consumption rebound. Planned investment for 2027-28 has increased by 15%, while resilient machinery spending alongside weak construction is consistent with project delays rather than broad cancellations. As execution advances, expenditure should reach domestic works and suppliers, broadening the growth impulse. Our models also imply a smaller import response than BCCh's projections, allowing more of the investment recovery to remain in domestic value added. Higher effective hiring costs, labor-market frictions, and weak real-income growth nevertheless constrain our consumption outlook.

Exhibit 2: GDP Projections (% y-o-y)



Source: Based on September IPoM, 2026. Morgan Stanley LatAm Economics.

Construction is the bridge between investment and a broader employment recovery. Our 2023 input-output exercise suggests that CLP1 trillion of domestic final demand directed to construction supports approximately 31,500 jobs, compared with 13,200 for an equivalent mining-demand shock — roughly 2.4 times as many, despite similar value-

added effects. The distinction is particularly relevant because much of Chile's mining pipeline sustains or replaces existing production rather than adding net new copper supply. Its domestic dividend therefore depends on construction, local procurement, and employment, not simply eventual mining volumes. Accelerating public works, housing, and reconstruction could help bring that dividend forward, although financing constraints, rising hiring costs and labor-supply frictions may limit the employment response.

Exhibit 3: Similar GDP, 2.4x more jobs in construction (CLP1,000bn of domestic final demand; 2023 BCCh input-output matrix)

	Mining	Construction	Constr. vs mining
GDP at factor cost (bn CLP)	858	817	−5%
Employee compensation (bn CLP)	201	392	95%
Labour share of GDP effect	23%	48%	+25pp
Jobs supported	**13,200**	**31,540**	**139%**

Source: Note: GDP means gross value added at factor cost. Employment coefficients use 2023 INE averages. Banco Central de Chile, Matriz Insumo-Producto 2023 (111 actividades); INE, Encuesta Nacional de Empleo; Morgan Stanley Research estimates.

Beyond the cyclical rebound, the reform agenda offers a credible opportunity to address Chile's longstanding deterioration in productive capacity, although execution remains the decisive variable. Relative to the scenarios we outlined in last year's Spring in Chile report, we now lean toward the bullish scenario as the policy agenda has shifted in a more pro-investment direction. That is a judgment about the trajectory of reform, not a claim that its full growth dividend has arrived. The BCCh's earlier estimate of potential growth at approximately 1.8% reflects two decades of stagnant total factor productivity, alongside weaker capital accumulation, rising labor costs and regulatory constraints. The policy agenda increasingly targets these frictions through lower corporate taxation, stronger tax integration, more predictable investment rules, streamlined permitting, pension accumulation, and capital-market development. These measures should improve investment incentives and the economy's financing architecture, but their benefits will materialize at different speeds. But a lasting improvement requires more than additional capital: Productivity, effective labor supply, and execution capacity must improve alongside investment. The challenge is to turn a more favorable policy framework into sustained productive-capacity gains rather than a temporary investment cycle.

Economics Future Scenarios

Our base case combines an investment-led recovery with a broadly stable policy rate through most of 2027. Subdued consumption and eventual capacity gains should limit broad-based inflationary pressures, although construction bottlenecks and rising labor costs remain risks. A stronger-than-expected consumption rebound or more persistent underlying inflation would challenge the hold; weaker activity alongside favorable inflation would tilt the balance toward easing.

Execution is the main differentiator across growth scenarios. In the bullish case, faster permitting, improving financial conditions, and stronger project execution bring forward construction, employment, and productivity gains. In the bearish case, continued delays, labor-market frictions, or renewed external shocks postpone the recovery. The monetary response would depend on the shock: Weaker demand could strengthen the case for easing, whereas renewed energy-price pressures would worsen the growth-inflation trade-off. Ultimately, the reform dividend will be measured not by the size of the announced

pipeline, but by its conversion into domestic activity and sustainably higher productive capacity.

Exhibit 4: Scenario table — Risk, Central and Bull bands of the fan charts

	Risk			Base Case			Bull		
Variable	2026	2027	2028	2026	2027	2028	2026	2027	2028
Investment (GFCF)	-2.1	4.1	2.4	-0.4	8.0	7.0	1.2	11.9	11.6
GDP	-0.2	2.2	1.4	0.3	3.5	2.9	0.8	4.7	4.5
Total consumption	1.4	0.1	-0.3	2.1	1.5	1.8	2.7	2.8	3.9
Domestic demand (ex stocks)	0.5	0.7	0.8	1.5	3.0	3.1	2.4	5.2	5.3
Inflation (CPI, December)	4.2	2.6	2.2	4.6	3.4	3.2	4.9	4.1	4.3
Inflation (CPI, annual average)	3.9	3.3	2.4	4.1	4.1	3.2	4.3	4.8	4.1
Monetary policy rate (%, level)	4.5	3.5	2.5	4.5	4.5	4.5	4.5	5.0	5.5

Source: Morgan Stanley LatAm Economics.

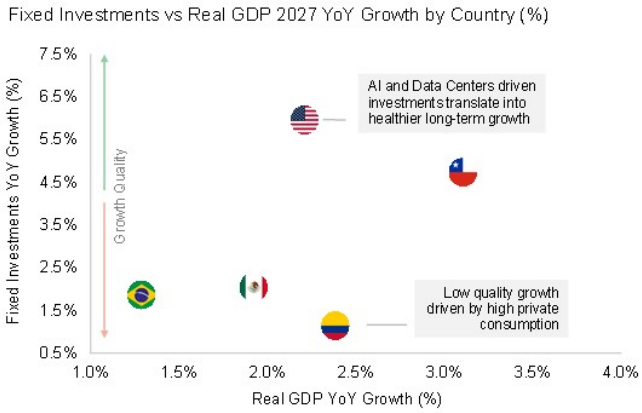
Equity Strategy

Chile's valuations standing at 10.7x P/E and ~1x P/BV represent a buying opportunity and likely the best risk reward in LatAm. We remain OW.

Leaning on the Bull Case for Chile. Every market in LatAm has deep intrigues and complications, although Chile remains an exception. The investment case, we believe, is hiding in plan sight; yet it is trading close to the valuation level of Brazil, a market with great rebalancing potential but also multiple pitfalls surrounding its policies for AI-led investment and fiscal performance.

Chile's economic slowdown represents an opportunity to add to Chilean equities, as we believe it is transitory in nature, and links more with oil price and the standard "find the chair" issues of any new government. However, Chile stands out within LatAm due to several reasons:

Exhibit 5: Chile is the first country in LatAm to move from Spring to Summer via a strong investment pipeline, we think



Source: Morgan Stanley Research

1) Policy continuity:
There's little change to the human resources in the administration, and shovel-ready brownfield investment projects have little run way.

2) Large low risk investment pipeline: Represents a part of GDP and is a close link to the AI capex cycle with lower cyclicality.

3) Strong policy support and low policy risk: Chile's policy reform program; the so called Megarreforma, was initiated by the prior government and enhanced by the new government. Tax reforms will add to earnings, pension fund reforms will add to savings and the capital market. AI development will add to electricity demand. Chile has the lowest level of debt/GDP in LatAm, the most advanced of reforms with the lowest lead time, and has the best regulatory and policy framework of the region.

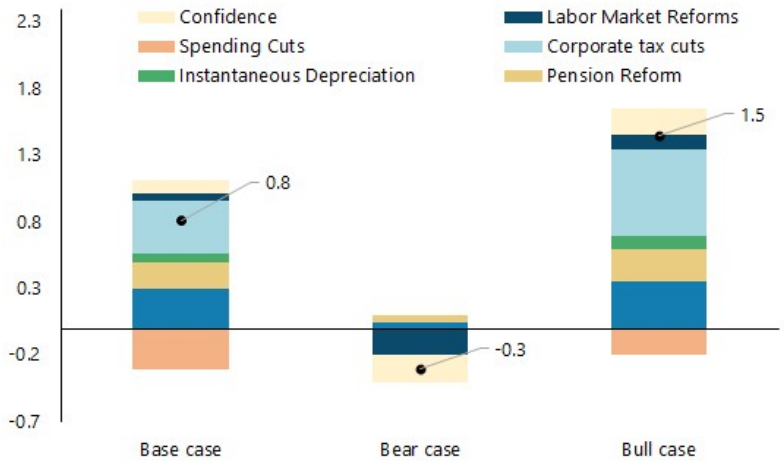
Waiting for the Reform Dividend

Nicolas Eterovic, Julia Lobato, and Fernando Sedano

Chile's policy backdrop has shifted increasingly toward the bullish scenario we outlined in last year's Spring in Chile report, but the growth dividend will take time to materialize. We expect GDP growth to accelerate from just 0.3% in 2026 to 3.5% in 2027 and 2.9% in 2028, driven primarily by an investment recovery rather than stronger consumption. The key question is how quickly Chile can translate its substantial project pipeline and improving policy framework into domestic activity, employment and, ultimately, higher potential growth.

A year ago, in Spring in Chile: Framing Election Outcomes, we argued that Chile was approaching an important macroeconomic inflection point. The question then was whether a change in policy direction could reverse the deterioration in potential growth that had characterized much of the previous decade. One year later, the policy backdrop has moved materially toward the constructive side of that framework. Corporate taxation is moving lower, tax integration and longer-term investment certainty have improved, permitting and project execution have become central administrative priorities, pension reform is entering implementation, and the agenda has broadened into housing and capital markets. Yet the improvement in the policy outlook has not translated into stronger economic activity, reinforcing a distinction we emphasized earlier in the year. At the time, clients were broadly optimistic that higher copper prices, deregulation, and a more investment-friendly administration would quickly translate into stronger growth. Our pushback centered on the timing and transmission of the investment recovery: While we shared the constructive medium-term outlook, we argued that investment-led growth would take time to materialize and spill over into broader activity and employment.

Exhibit 6: Reform scenarios: estimated effects on GDP over 10 years (in pp)



Source: Morgan Stanley LatAm Economics.

Developments since then have largely reinforced that caution, although the slowdown has been more pronounced than we anticipated. Despite favorable copper prices and a

sizable investment pipeline, Chile entered a shallow technical recession in 1H26, reflecting persistent mining disruptions, weaker domestic demand, and additional headwinds from higher energy prices and tighter financial conditions. Investment has yet to gain meaningful traction, underscoring that improved incentives and project announcements do not immediately translate into higher output, particularly in capital-intensive sectors with substantial import content. The growth dividend we anticipated has therefore been delayed rather than derailed, with the recovery increasingly becoming a 2027 story. The central question has consequently shifted from whether the policy framework can improve investment incentives to how quickly those improvements can translate into project execution, broader economic activity, employment, and ultimately higher potential growth.

In this note, we distinguish between cyclical and structural factors behind the slowdown. On the cyclical side, activity in 2026 has been weighed down by weaker mining output, an energy-driven real-income shock, tighter financial conditions and temporary project postponements. The transmission mechanism also matters: higher copper prices reach export income, fiscal revenues, the peso and financial conditions relatively quickly, while the domestic real-economy effects are slower and more uneven, particularly given the sectoral composition of investment and its relatively weak near-term employment linkages.

Structural factors are also playing a role. Lower ore grades, weak total factor productivity, and higher labor costs constrain the economy's ability to translate stronger investment incentives into faster growth. The reform agenda is a step in the right direction, as it aims to address these constraints through stronger investment, better execution and higher productivity. The main risk, however, is that these structural improvements materialize at different speeds. In particular, that capital formation and permitting reform advance faster than the complementary gains in productivity, labor reallocation, and execution capacity needed to sustain higher trend growth.

It is useful to think of the economy as operating on three different clocks. The cyclical clock captures the immediate effects of mining disruptions, adverse weather, fuel prices, and financial conditions. The recovery clock, measured in quarters, captures mining normalization, fading energy effects, and the release of postponed projects. The reform clock, measured in years, captures the effects of tax reform, permitting changes, pension accumulation, capital-market deepening, and productivity improvements on productive capacity.

The mistake would be to treat those clocks as synchronized. The weakness of 2026 does not demonstrate that the reform agenda has failed. Equally, stronger growth in 2027 will not demonstrate that the full reform dividend has arrived.

Weak Growth Now, a Stronger Investment Story in 2027

The latest data support a delayed, rather than aborted, recovery. GDP was broadly flat to slightly negative in 2Q, as domestic demand softened and fixed investment recorded little growth on a year-over-year basis. Stronger machinery and equipment spending was offset by weakness in construction and other works, while mining output remained constrained despite favorable copper prices.

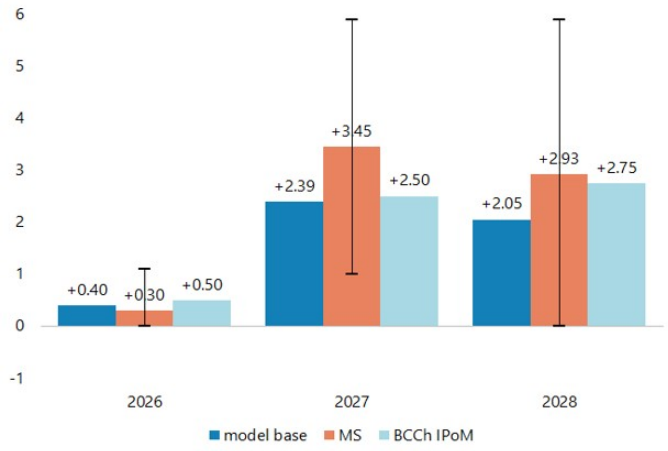
This composition helps explain why the terms-of-trade windfall has yet to translate into a broad-based expansion. The income channel has already been supportive, financial conditions are broadly benign, and the investment pipeline is substantial. However, the credit impulse remains weak, and many projects have not yet reached the execution phase at which they generate substantial construction activity, employment, and domestic supplier demand.

Against this backdrop, we expect GDP growth of just 0.3% in 2026, reflecting the weak first half, subdued housing and delays in project execution. We then expect growth to accelerate to 3.5% in 2027 and 2.9% in 2028, above consensus and BCCh's projections. Our analysis of BCCh's historical forecast errors suggests that current investment projections remain well within the range of typical forecasting outcomes. Combined with the strong historical correlation between CBC project records and realized investment, this increases our confidence that an investment upturn is already taking shape. Incorporating this prospective investment impulse into our models yields growth forecasts that are meaningfully above consensus (2.8% in 2027 and 2.4% in 2028) and BCCh's projections.

Our stronger GDP forecast is not a stronger consumption call. We see less evidence for a strong rebound in consumption. While some cyclical recovery is likely at the margin, we believe a more durable acceleration will require deeper reforms to address rising labor costs and weak productivity, as well as the risks and opportunities associated with AI and automation. The important offset is our lower projected import response: The import sensitivity implied by our models is below that embedded in BCCh's projections. We therefore expect more of the investment recovery to remain in domestic value added, even with weaker consumption

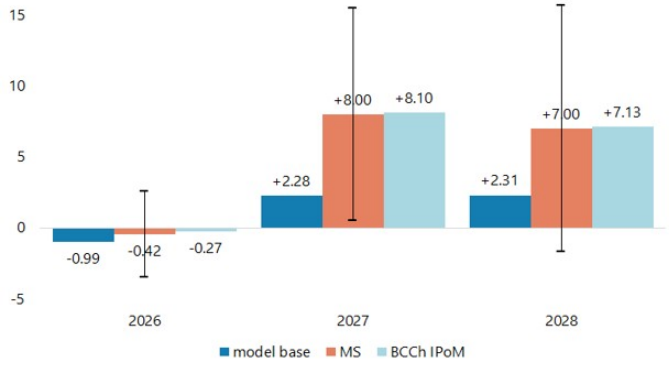
The key downside risk to this outlook is that the transition from engineering and equipment procurement into physical construction remains slower than we anticipate. Conversely, the main upside risk is that regulatory implementation and improving financial conditions accelerate the conversion of approved projects into actual execution. The pipeline is large, but its growth dividend should emerge sequentially: engineering and machinery spending first, construction and employment as execution advances, and ultimately higher operating output as projects come on stream.

Exhibit 7: GDP Projections (% y-o-y)



Source: Based on September IPoM, 2026. Morgan Stanley LatAm Economics

Exhibit 8: Gross Fixed Capital Formation Projections (% y-o-y)



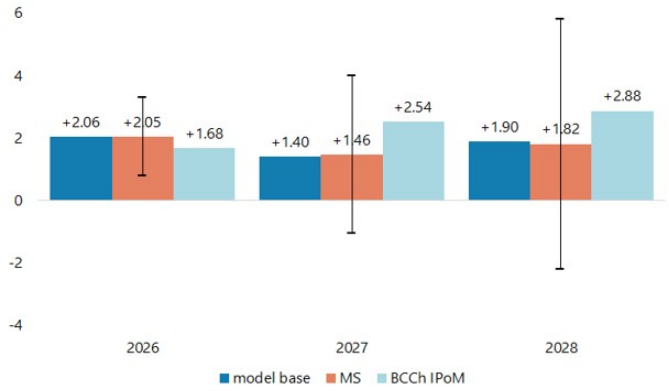
Source: Based on September IPoM, 2026. Morgan Stanley LatAm Economics

Exhibit 9: Imports Projections (% y-o-y)



Source: Based on September IPoM, 2026. Morgan Stanley LatAm Economics.

Exhibit 10: Private Consumption Projections (% y-o-y)



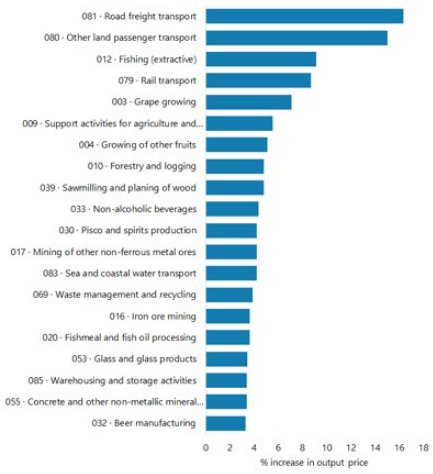
Source: Based on September IPoM, 2026. Morgan Stanley LatAm Economics.

The Cyclical Clock: Why Growth Has Disappointed

Supply shocks have mattered. Mining has been a material drag even as copper prices remained supportive: lower ore grades, maintenance, water and weather constraints, and operational disruptions mean that a higher copper price does not mechanically generate higher mined output. Prices move fast, but quantities take much longer. Higher prices lift revenues on existing output; additional production requires operational normalization or investment that takes time to permit, build, and ramp up. The weakness has also broadened beyond mining, but the first-half recession remained exceptionally thin.

Investment looks delayed more than cancelled. Business expectations have held up better than household expectations and the project pipeline remains large. In 2Q26, fixed investment was essentially flat y-o-y: machinery and equipment still expanded while construction contracted. That mix is consistent with project postponements and uncertainty around rules and permits, rather than a broad withdrawal of investment commitments.

Exhibit 11: Largest activity price increases (+30%, diesel +60%)



Source: Based on BCCh 2023 input-output tables and IX EPF. Morgan Stanley LatAm Economics

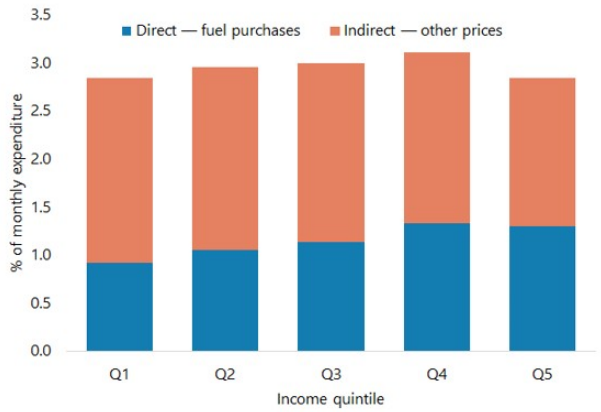
The energy shock hit consumption through real purchasing power. Higher fuel and energy costs raised the import bill, squeezed household budgets and lifted inflation. In 2Q26, household consumption fell 0.5% q-o-q sa. Weak formal hiring compounds this squeeze by limiting labor-income growth. We therefore read part of the deterioration in household confidence as a response to these income pressures, rather than as an autonomous confidence shock.. This is consistent with consumption lagging even while parts of investment remain resilient.

To size the household exposure, we combine BCCh's 2023 input-output tables with the IX EPF household budget survey, following Feng (2018), and calibrate a 30% gasoline-price increase and a 60% diesel-price increase. The direct effect is the additional cost of unchanged household fuel purchases. The indirect effect captures higher fuel costs passed through the prices of other goods and services.

We propagate the activity-level fuel-cost shock through the input-output price system and weight the resulting price increases by each quintile's expenditure pattern.

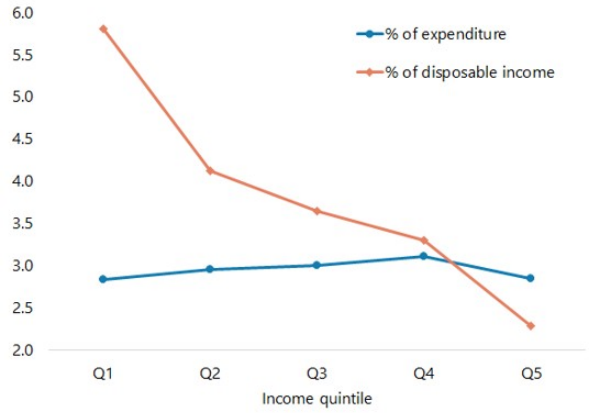
The distributional result matters for consumption. The burden is broadly similar across quintiles as a share of expenditure, but considerably heavier for lower-income households when measured against disposable income. The energy shock therefore weakens household purchasing power even while higher copper prices support export income.

Exhibit 12: Fuel-shock incidence by income quintile — gasoline +30%, diesel +60%



Source: Based on BCCh 2023 input-output tables and IX EPF. Morgan Stanley LatAm Economics.

Exhibit 13: Burden on expenditure vs income (by quintile)



Source: Based on BCCh 2023 input-output tables and IX EPF. Morgan Stanley LatAm Economics.

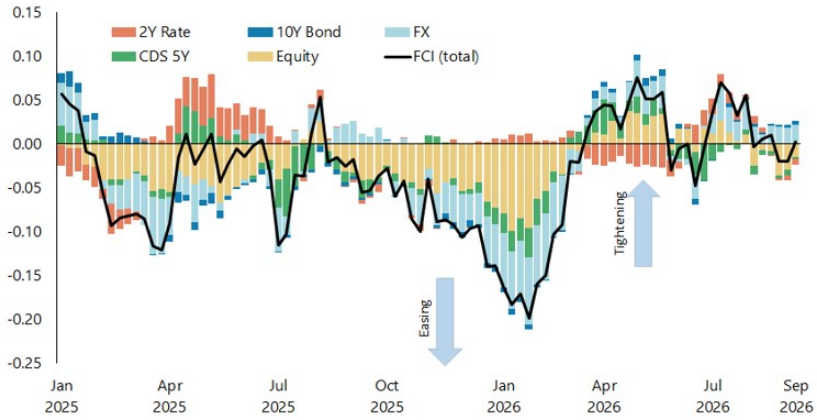
The aggregate burden is a purchasing-power equivalent, not a GDP-growth subtraction. With household consumption at roughly 62% of GDP, the estimated burden of 2.9% of household spending is equivalent to about 1.8% of annual GDP if the full price gap persists for a year, or about 1.1% over seven months. These are illustrative upper-bound calculations: households can substitute, nominal incomes can adjust, and MEPCO has smoothed and partly reversed the price increase. Crucially this is a loss of national income rather than a domestic redistribution.

We also saw a reversal in financial conditions. As we mentioned in a previous note, higher copper prices support the financial channel, but they do not dominate it. They improve export receipts, fiscal revenues, and the CLP; peso appreciation can lower imported inflation and the local-currency cost of capital goods, while metals prices can support sovereign spreads.

The financial channel is therefore helpful but incomplete. Part of the copper windfall arrives as mining profits and operating surplus rather than wages, and some accrues to foreign-owned capital. Chile's structural-balance rule smooths temporary copper revenue rather than spending the full windfall, while the marginal gain from further spread compression is smaller in an economy that already retains market access. Better fiscal metrics and stronger asset prices can therefore coexist with weak employment and household spending.

Moreover, the earlier financial easing has reversed. Our financial conditions index shows substantial easing from 2H25 through late February 2026, followed by a meaningful tightening after the onset of the Middle East conflict (Exhibit 14). Conditions subsequently fluctuated around neutral to tight levels, removing much of the earlier support. This helps reconcile favorable copper prices with weaker investment execution and confidence: the copper channel remained supportive, but the overall financial impulse deteriorated.

Exhibit 14: Our financial conditions index suggests that the growth impulse was reversed after the start of the Middle East conflict ...



Source: Morgan Stanley LatAm Economics based on the index estimated in the research note from July, 13, 2026; Andean Macro: What Drives Fed Hikes also Matters.

The Recovery Clock: The Pipeline Must Become Domestic Activity

The investment pipeline is real, but transmission is sequential

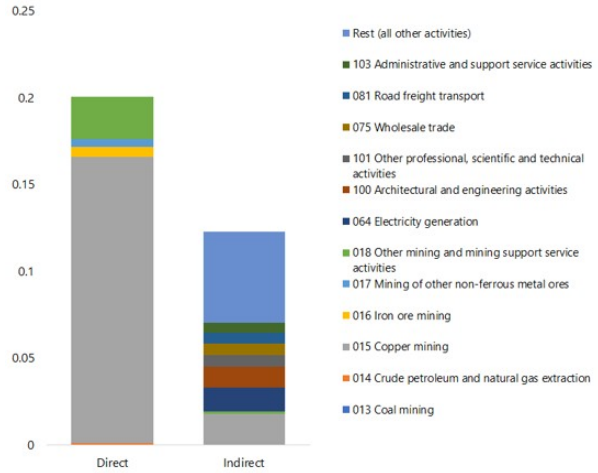
The medium-term investment story remains one of the strongest parts of the Chile outlook. The latest CBC survey continues to point to a large pipeline, and the September IPoM notes a 15% increase in planned investment for 2027-28. The same report also notes that some firms postponed projects in 2026 in response to weaker activity and uncertainty around the Reconstruction Law. We see that as consistent with our view that the capex cycle has been delayed rather than cancelled.

The copper-price outlook remains supportive of the investment cycle. Our commodities strategist expects copper prices to remain elevated relative to history into 2027, despite modest downside from current levels, supported by persistent deficits and rising costs of developing new supply (see Copper Price Outlook). For Chile, we see this as support for mining revenues and investment incentives, rather than an immediate production response. Higher development costs can also absorb part of the price benefit, reinforcing our view that the next domestic growth impulse depends less on further copper-price gains than on converting the existing project pipeline into construction and supplier demand.

The headline size of the pipeline is not the relevant near-term macro variable. What matters is the conversion of announced investment into executed domestic expenditure. Early project stages tend to emphasize feasibility studies, engineering, and procurement, including imported machinery. As physical execution advances, civil works, specialized construction and their suppliers become more important for employment. These stages overlap; they are not a rigid sequence in which all equipment purchases precede construction. Operating effects follow commissioning.

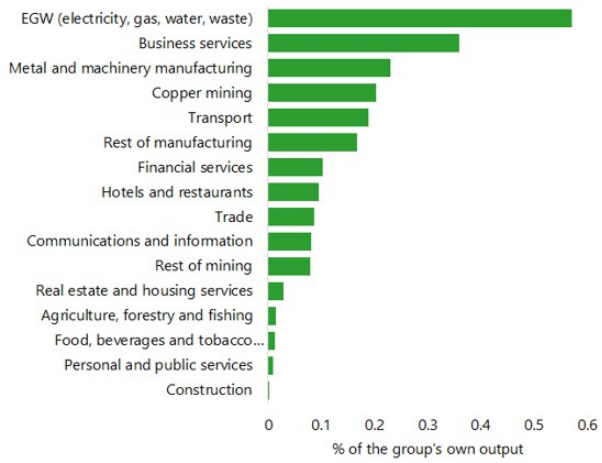
Our sectoral work makes this distinction explicit. We trace a final-demand shock to mining output and the domestic suppliers it activates. A realized investment shock has a sizable economy-wide multiplier, but construction absorbs a substantial share of the domestic response because it connects to a dense local supplier base.

Exhibit 15: Direct vs. indirect effect of ~US$1 bn demand from mining (% of national production)



Source: BCCh, Input-output matrix 2023 (111 activities); INE,; Morgan Stanley Research estimates.

Exhibit 16: Mining shock: indirect effect by activity group (% of the groups own output)



Source: BCCh, Input-output matrix 2023 (111 activities); INE,; Morgan Stanley Research estimates.

The composition of domestic demand matters more for employment than the similar value-added effects might suggest. For CLP1 trillion of domestic final demand, our 2023 input-output and employment coefficients imply roughly 31,500 jobs supported in the construction-demand scenario, versus 13,200 in the mining-demand scenario, or around 2.4 times as many.

Exhibit 17: Similar GDP, 2.4x more jobs in construction (CLP1,000bn of domestic final demand; 2023 BCCh input-output matrix)

	Mining	Construction	Constr. vs mining
GDP at factor cost (bn CLP)	858	817	−5%
Employee compensation (bn CLP)	201	392	95%
Labour share of GDP effect	23%	48%	+25pp
Jobs supported	**13,200**	**31,540**	**139%**

Source: Note: GDP means gross value added at factor cost. Employment coefficients use 2023 INE averages. Banco Central de Chile, Matriz Insumo-Producto 2023 (111 actividades); INE, Encuesta Nacional de Empleo; Morgan Stanley Research estimates.

The timing of the macro dividend therefore depends not only on whether investment rises, but on when expenditure reaches domestic works and their suppliers. An operating-output shock cannot substitute for a project-spending basket, and neither exercise determines how quickly projects are executed.

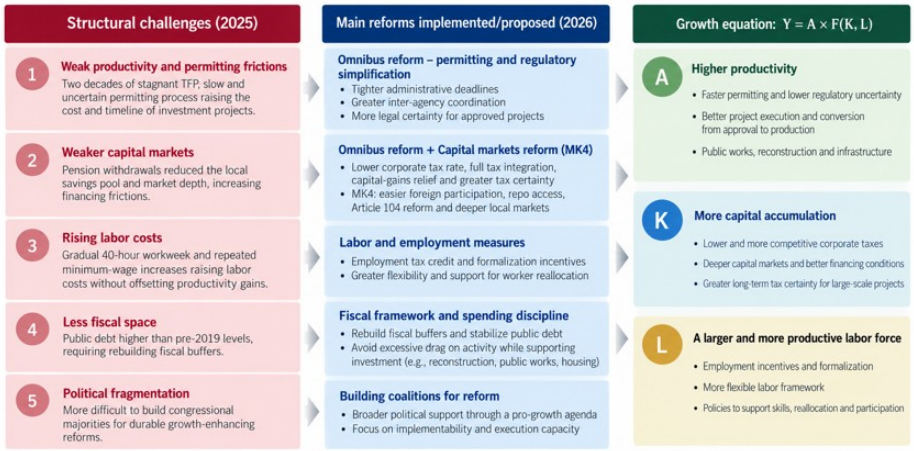
There is a further distinction between investment and net new mining supply. As our Metals & Mining team discusses (Metals & Mining: Chile Copper Sector Overview), much of Chile's pipeline replaces or sustains existing capacity. Such projects still generate construction demand, but their completion need not produce an equivalent increase in aggregate copper output.

The Reform Clock: Raising Productive Capacity

In our September 2025 work, we argued that Chile's central structural challenge was the deterioration in its underlying growth capacity. The BCCh estimated medium-term potential growth at around 1.8%, or roughly half the pace achieved in earlier decades, with two decades of stagnant total factor productivity at the core of the slowdown. But the

problem was broader than productivity alone. Regulatory and permitting frictions had increasingly constrained investment, pension withdrawals had weakened the domestic savings pool and capital-market depth, labor reforms were raising hiring costs, fiscal space had narrowed, and political fragmentation made durable reform more difficult.

Exhibit 18: The reform pipeline is a step in the right direction



Source: Morgan Stanley LatAm Economics.

A year later, the policy agenda can be read as a fairly direct response to those constraints (Exhibit 18). Using the government's shorthand, Y = A x F(K,L), the reforms seek to improve productivity, capital accumulation, and labor. On productivity, the Omnibus package targets permitting frictions through tighter administrative deadlines, stronger inter-agency coordination, and greater legal certainty. The objective is not simply to enlarge the announced pipeline, but to improve its conversion into construction and production.

On capital accumulation, the government is attacking both the return on investment and the financing architecture around it. The Omnibus package lowers the corporate tax rate, restores full integration, and provides capital-gains relief and greater long-term tax certainty for large projects. The proposed MK4 capital-markets reform complements this by facilitating foreign participation, improving fixed-income taxation, opening repo and reverse-repo transactions to pension funds, and modernizing market infrastructure. Taken together, these measures are designed to lower financing frictions and rebuild some of the market depth lost after the pension withdrawals.

The labor agenda addresses another constraint we highlighted last year: weak employment alongside rising formal-employment costs. Repeated minimum-wage increases, higher employer social-security contributions, and shorter statutory working hours have raised labor costs, while regulatory frictions can constrain hiring and worker reallocation. Fewer contractual hours mechanically raise hourly costs when monthly pay is unchanged. Without offsetting productivity gains, we see these pressures as a headwind to formal hiring and labor-income growth. Employment tax credits, formalization incentives, and measures aimed at greater flexibility and worker reallocation are therefore intended to ease this constraint and support a larger, more productive formal workforce.

The direction of travel is therefore broadly consistent with the structural diagnosis we laid out a year ago — the key question is now execution and timing. Supply-side

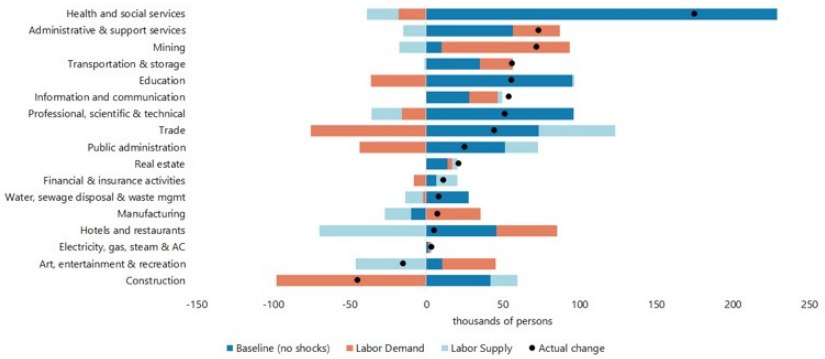
reforms take time to translate into higher productivity, construction, employment and household income, while the economy is already dealing with weak near-term activity. This is why we continue to distinguish the expected 2027 rebound from a genuine increase in potential growth: The former can arise partly from mining normalization and the release of postponed projects. Sustained growth above the BCCh's earlier 1.8% estimate requires the reform agenda to deliver lasting gains in investment, effective labor supply and productivity.

Bridging the Timing Gap: Public Works, Financing, and Employment

The government is trying to accelerate that near-term transmission. In late September, it announced a new employment plan intended to mobilize roughly US$1.35 billion and, according to the government, support the creation of more than 100,000 jobs. The package combines faster execution of already-budgeted public works, housing and reconstruction projects with expanded hiring subsidies, additional liquidity for companies and suppliers, and greater access to credit through FOGAPE (the state-backed guarantee fund for SME financing). The emphasis on construction and shovel-ready infrastructure is particularly relevant in our framework: These are sectors with substantially higher employment multipliers than mining, meaning they can transmit investment into jobs and household income more quickly while the broader supply-side reforms take time to lift potential growth. The key question, however, remains execution. The target is a government objective, not our forecast, and the package should not be treated as an equivalent amount of entirely new fiscal spending.

Our labor-market decomposition adds an important nuance to the policy impulse (Exhibit 19). Using the approach proposed by Brinca et al. (2020), we estimate that construction has one of the largest negative cumulative labor-demand contributions since February 2020. That supports the direction of the government's emphasis on public works and housing with where the employment gap is concentrated: Accelerating construction activity should operate directly on a sector where labor demand has yet to fully normalize and where the employment response to additional investment is relatively high.

Exhibit 19: Cumulative contribution to employment growth (%) — Feb. 2020 to Jul. 2026



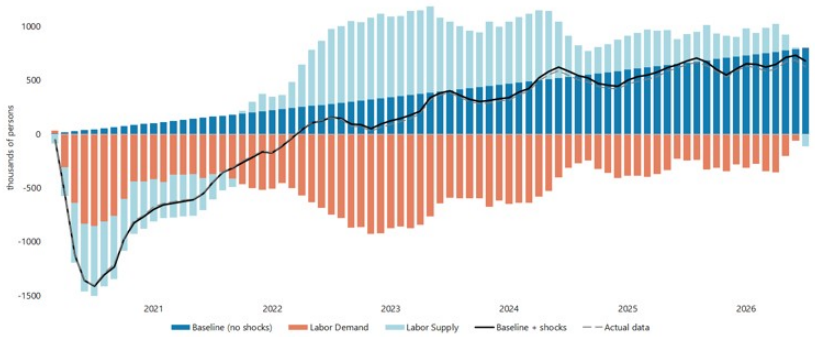
Source: Decomposition based on Brinca et al (2020) and Morgan Stanley LatAm economics.

Our analysis also suggests that the constraint facing construction is no longer purely one of demand. Weak demand drove the 2020 employment collapse and remains a large cumulative drag. However, the positive labor-supply contribution that cushioned

employment from 2021 appears to have weakened since 2023-24, even as demand improved. Under our identification, this is consistent with less favorable labor-supply or wage-setting conditions. Thus, faster infrastructure execution could help close construction's persistent demand gap, but the translation from spending into jobs may be weaker than in a frictionless recovery if higher effective labor costs or other supply constraints are increasingly binding.

The policy mix therefore matters. Public works can support demand relatively quickly, while financing support and measures that ease hiring frictions influence how much of the impulse becomes jobs rather than higher wages and project costs. Accelerated execution is a bridge to the reform dividend, not a substitute for the productivity gains needed to sustain it.

Exhibit 20: Cumulated historical decomposition - Construction - Employment growth (%) (Feb. 2020 to Aug. 2026) [level change]



Source: Decomposition based on Brinca et al (2020) and Morgan Stanley LatAm economics.

Inflation and Monetary Policy: Investment Recovery Is Not the Same as Overheating

The composition of the expected recovery matters for inflation and monetary policy. Our forecast is led primarily by investment, not by a consumption boom. As projects are completed, they can expand productive capacity, preserve existing output and improve productivity. But investment also creates demand during construction, before those supply benefits arrive. An investment-led recovery is therefore not automatically inflationary or automatically disinflationary; the balance depends on execution, domestic capacity and productivity. A consumption-led expansion accompanied by rapid, broad-based employment growth would create more immediate pressure on domestic capacity and services prices.

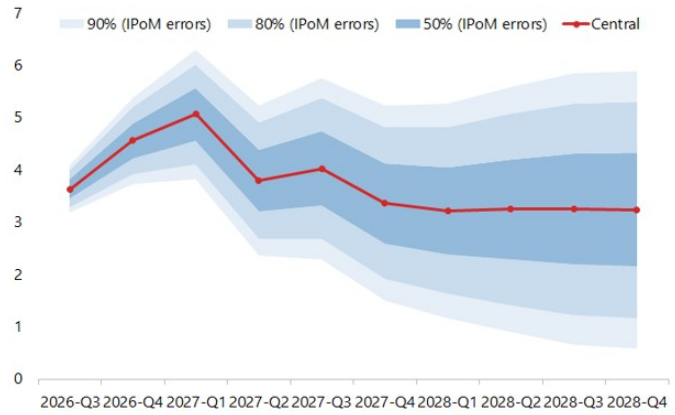
The recovery will not be inflation-free. Large projects can create localized shortages of skilled labor, pressure contractor margins and raise the cost of selected services and materials. The rapid rise in hourly labor costs is therefore relevant. But those sectoral pressures should be distinguished from generalized excess demand while unemployment remains high, employment creation is weak and household demand is subdued.

We expect the BCCh to remain on hold in the near term and through most of 2027. The investment-led — rather than consumption-led — nature of the expected recovery should be consistent with a broadly stable policy rate. The balance of risks tilts toward easing if activity fails to strengthen and inflation evolves favorably. External risks require a

different distinction: A renewed oil-price shock would weaken growth while raising inflation, whereas a significant tightening of global financial conditions would weigh more directly on demand. There are also more bullish scenarios were consumption picks up more strongly and domestic demand accelerates.

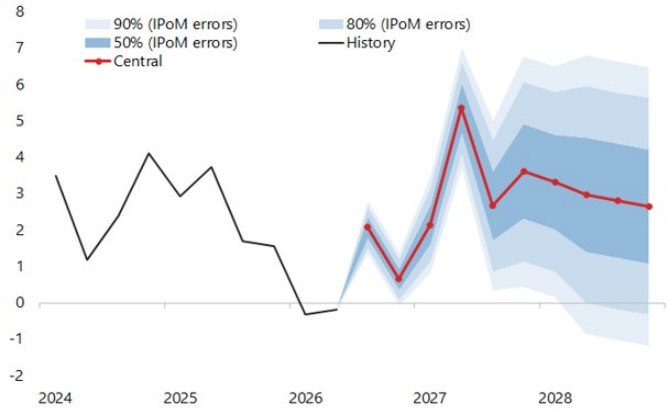
The main upside risks to our rate outlook are a stronger-than-expected consumption recovery and more persistent underlying inflation. If household spending accelerates before productivity and capacity gains materialize, demand could put greater pressure on domestic prices. Higher labor costs or binding construction bottlenecks could also generate more persistent services inflation than we assume. Sustained inflation surprises would challenge our stable-rate baseline.

Exhibit 21: Headline Inflation (% y-o-y)



Source: Based on September IPoM, 2026. Morgan Stanley LatAm Economics.

Exhibit 22: Gross Domestic Product (% y-o-y)



Source: Based on September IPoM, 2026. Morgan Stanley LatAm Economics.

Exhibit 23:

Scenario table — Risk, Central and Bull bands of the fan charts

	Risk			Base Case			Bull		
Variable	2026	2027	2028	2026	2027	2028	2026	2027	2028
Investment (GFCF)	-2.1	4.1	2.4	-0.4	8.0	7.0	1.2	11.9	11.6
GDP	-0.2	2.2	1.4	0.3	3.5	2.9	0.8	4.7	4.5
Total consumption	1.4	0.1	-0.3	2.1	1.5	1.8	2.7	2.8	3.9
Domestic demand (ex stocks)	0.5	0.7	0.8	1.5	3.0	3.1	2.4	5.2	5.3
Inflation (CPI, December)	4.2	2.6	2.2	4.6	3.4	3.2	4.9	4.1	4.3
Inflation (CPI, annual average)	3.9	3.3	2.4	4.1	4.1	3.2	4.3	4.8	4.1
Monetary policy rate (%, level)	4.5	3.5	2.5	4.5	4.5	4.5	4.5	5.0	5.5

Source: Morgan Stanley LatAm Economics.

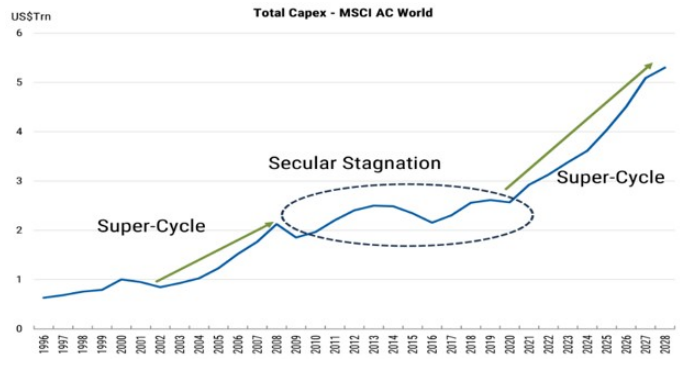
LatAm Equity Strategy: Invest Ahead of the Dividends

Nikolaj Lippmann, Julia Nogueira, and Marcos Ríos

We think Chile stands out as the most compelling equity turnaround story in LatAm, aligning with our Spring scenario across virtually every dimension. This is a story about the anatomy of a recovery, not the anatomy of a downturn. Policy continuity is central to our thesis: The turnaround was already underway under the previous administration and, in our view, should gain further momentum under the current government. Moreover, Chile's capital markets are rivaled only by Brazil in size relative to GDP, while its pipeline of shovel-ready projects offers a significant advantage in terms of execution and time to market. With low interest rates, a manageable fiscal position, and a strong institutional framework, Chile is particularly well positioned to deliver sustainable, lower-risk earnings growth, potentially outpacing the rest of LatAm over the coming years.

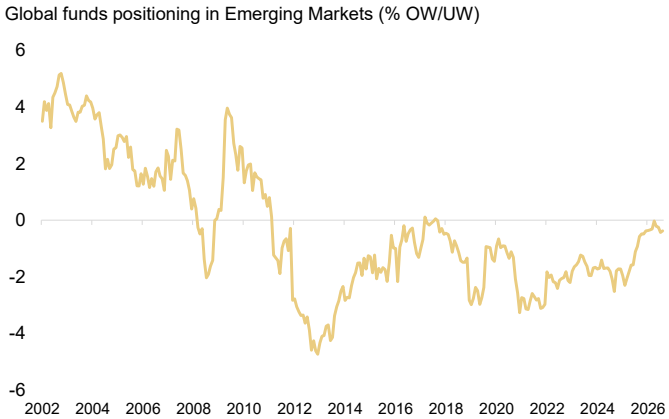
Chile's new policy initiatives come at a time of expanding global investment and interest in EM. The increasing investment stemming from AI initiatives and subsequent flow in the supply chain will boost revenues and margins for industries that are able to capitalize on their comparative advantages for data center development, AI-enabled machinery, cybersecurity, and adjacent needs. A market-friendly environment for investment and corporate growth is paramount to the rapid growth the field is experimenting, and initiatives like Chile's offer investors legal certainty, government support, and access to resources necessary to materialize investment related to the AI capex cycle.

Exhibit 24: A global super-cycle of corporate capex is well underway ...



Source: FactSet, Morgan Stanley Research

Exhibit 25: ... directly benefitting Emerging Markets

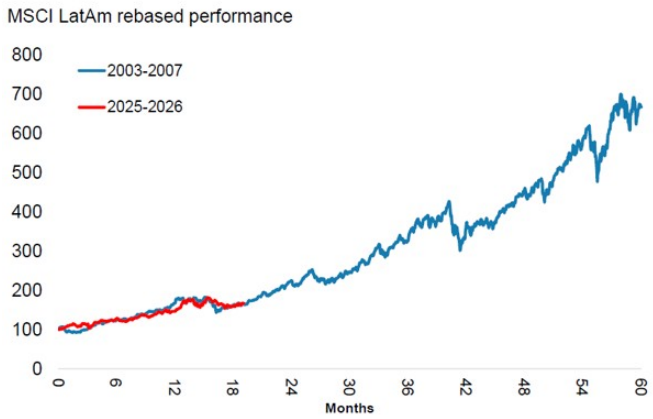


Source: EPFR Global, Morgan Stanley Research

See Asia EM Equity Strategy 2026 October Update – Retain Capex vs. Consumer Preference

As we explained in our Latam Spring report, we see a potential turning point for Latam. The ending of hiking cycles into easing cycles for most of Latam, the vast movements in policy shifts, and the geostrategic advantage of the region could attract a new cycle of growth and investment. For our Spring thesis to materialize, governments must introduce favorable policies and lean on technology that allows them to reduce investment obstacles and increase attractiveness. We are beginning to see fruitful actions from policymakers in Chile that will allow the country to stand in a favorable position for equity growth.

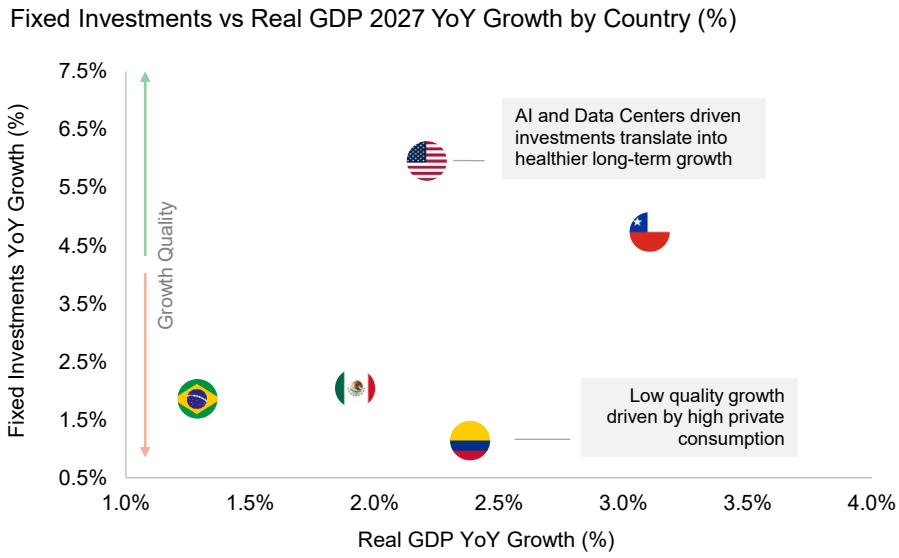
Exhibit 26: We believe we are at the beginning of a bull market for Latam



Source: Bloomberg, Morgan Stanley Research

We expect FDI to flow into energy, mining, and infrastructure projects. Latin America holds a preferential spot as a supplier of copper, renewable energy, and manufacturing due to its geographical proximity to the US and lack of major geopolitical involvement in conflicts taking place in Eastern Europe and the Middle East. As the region successfully attracts and materializes investment in these fields, it has the potential for rapid corporate growth and a concrete position in global supply chains that will expand as the need for compute and hardware grows on-par with global demand. As our economics team points out, Chile's expected growth is not a consumption-based story but a play on an investment pipeline that supports mining output as a main beneficiary and activates multiple domestic responses in direct and indirect goods and services. As main reforms are implemented, policy goes hand-in-hand with investor appetite to consolidate investment plans into realized projects.

Exhibit 27: An economic rebalancing for healthy growth will depend on investment growth



Source: BEA, Morgan Stanley Research

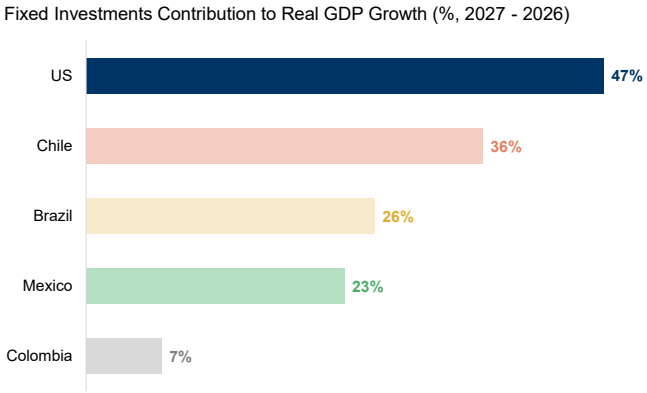
The AI capex story continues to gain force, with Latam emerging as clearly advantaged in minerals and energy. Major hyperscalers have led rises in guidance post-earnings in AI investments, and the backlog in chip and power suppliers are adding pressure to the demand of minerals, energy, and electricity. Chile's AI play comes through both the incremental copper demand for data center power delivery and thermal management (with Chile producing one-fourth of the world's copper) and through the emerging data center build-out amid easing of regulations and structural advantages in its utilities sector. We think that investment is poised to accelerate growth and capex investment in the country, and that Chilean equities can surprise on the upside over the next year due to accelerating earnings growth.

Exhibit 28: Chile's trajectory fits into our Spring thesis



Source: Morgan Stanley Research

Exhibit 29: FDI is a major contributor to growth



Source: Morgan Stanley Research and Estimates

A new flow of foreign investment is in the works for Chile. Initially, the main beneficiaries should be located in Materials, Industrials, and Utilities, although we see investment opportunities in Real Estate and Financials that will remain in our watchlist for

further developments. We have increased our overweight position in our Latam Model Portfolio in SQM, BCH, and Santander, but also flag Falabella, Mallplaza, ANTO and PARAUCO as liquid plays on Chile, as well as Quiñenco (QUINENCO.SN, not covered) on NAV.

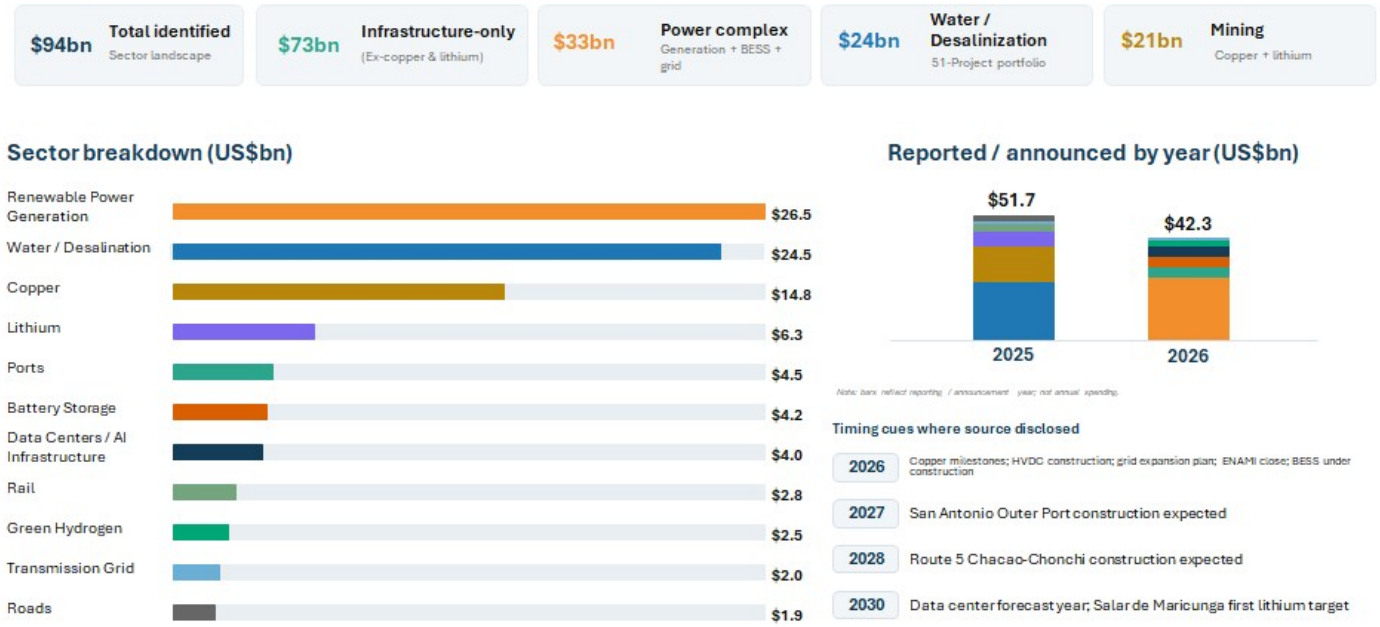
Exhibit 30: Chile's market holds multiple liquid investment opportunities — Stocks with over US$ 5 mn ADTV per day

Ticker	Name	Sector	MS Rating	ADTV (USD mm)	Mkt Cap (USD bn)	Fwd 12m P/E	Fwd EV/EBITDA
ANTO LN	Antofagasta Plc	Materials	Underweight	**41.5**	42.8	21.6	7.2
LTM CC	Latam Airlines Group Sa	Industrials	Overweight	**25.1**	13.7	8.5	4.2
SQM/B CC	**Soc Quimica Y Minera Chile-E**	**Materials**	**++**	**23.5**	16.7	8.2	5.0
FALAB CC	Falabella Sa	Consumer Discretionary	Equal-Weight	**18.2**	17.3	17.8	8.8
CHILE CC	**Banco De Chile**	**Financials**	**Equal-Weight**	**14.3**	19.9	14.1	
ENELAM CC	Enel Americas Sa	Utilities	Overweight	**13.3**	10.0	9.3	4.0
BCI CC	Banco De Credito E Inversion	Financials	Not Covered	**8.6**	14.3	11.3	
BSAN CC	**Banco Santander Chile**	**Financials**	**Equal-Weight**	**8.3**	15.4	12.4	
COPEC CC	Empresas Copec Sa	Consumer Discretionary	Equal-Weight	**7.9**	8.8	11.1	6.8
CENCOSUD CC	Cencosud Sa	Consumer Staples	Equal-Weight	**6.8**	5.3	10.8	6.8
MALLPLAZ CC	Plaza Sa Y Filiales	Real Estate	Equal-Weight	**5.7**	7.9	16.6	14.5
PARAUCO CC	Parque Arauco S.A.	Real Estate	Equal-Weight	**4.9**	3.7	20.3	16.2

Source: Bloomberg and Morgan Stanley Research estimates. ++ Stock Rating for this company has been removed from consideration in this report because, under applicable law and/or Morgan Stanley policy, Morgan Stanley may be precluded from issuing such information with respect to this company at this time.

Investments are already focused in the mining, energy, and infrastructure sectors. Investment plans and announcements have continued to grow after the reduced political volatility post-elections and the market-friendly policy shift initiated by President Kast. Our Metals & Mining team has highlighted that copper continues to be the main focus of investment, and accounts for 90% of all mining projects. The investment story is not as dependent on FDI flows as is the case for other countries such as Peru, as 50% of the planned mining investment comes from Chilean investors; see Andean Macro Strategy, Economics, Metals & Mining Equity: Copper Mining Transmission in Chile and Peru (17 Aug 2026). There are also sizable infrastructure and energy investments spanning billions of dollars in projects across desalination, transmission, and renewable generation and storage, as the country works to modernize its grid and diversify its energy mix toward solar, wind, and battery storage.

Exhibit 31: Chile Investment Landscape



Note: Year bars show reporting year, not annual capex phasing. Figures are nominal US$bn and may include pipeline forecasts. Source: Public announcements and industry reports, Morgan Stanley Research.

Policy Continuity Is a Key Selling Point in Chile

Understanding the shift in policy in Chile begins ahead of last year's president election and shift to recently elected President Kast. The prior government put in place a series of policy initiatives that are likely to be enhanced by the current government. Policy continuation is a powerful institutional element of Chile that should help further cement its position as the number one country from an institutional framework perspective and from the perspective of capital formation.

Reforms in the past included a rethink of the pension fund model that increases contribution, limits individual investment discretion and moves to a Mexico inspired age bracket model. In addition it adds manager flexibility around risk taking and could lead to additional capital toward private and public equity in Chile. We believe an additional ~US$2 billion of demand for Chilean equities could be the result of the reform; see Week Ahead in Latin America: Chile's Pension Reform: Positive, but the Transition is Key (7 Feb 2025).

On the investment side, a series of initiatives have been taken to reduce red tape and importantly increase cross government calibration. This includes the environmental review process for energy and mining investments.

What is more, policymakers are likely to pass a reduction in the corporate tax from 27% to 23% to incentivize an increase in investment. This is set to add ~US$450-500 million to the pool of earnings of Chilean listed equities. Mining stocks could see a higher impact. The government is also working on a series of tax incentives similar to the Argentine RIGI scheme that provides fiscal incentives for new investments in key infrastructure and areas of production.

Large projects carry a strong weight. Chile is a small economy, with a

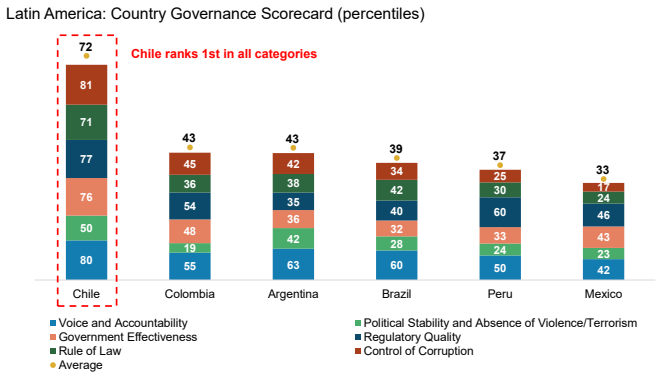
role in the AI capex cycle via leadership in copper and lithium mining where Chile represents ~25% to 50% of global markets respectively. In addition, port expansion including the San Antonio and other port projects will add to the country's infrastructure. Large water desalination plants and energy plants will also provide additional capacity for mining, data centers and general purposes.

The approved pension reform aims to increase employer contributions by 7pp, of which 4.5pp would go to individual accounts. As explained in our first reaction, the reform is positive from a capital markets perspective: higher contributions should translate into higher capital flows into local assets, helping to restore some of the liquidity lost over the past few years due to saving withdrawals (see Exhibit 40). According to our economics team estimates, the additional contribution should result in close to US$40 billion (or ~6.4pp of GDP) in a span of 15 years.

Institutional Frameworks Remain a Backbone for Potential Investment

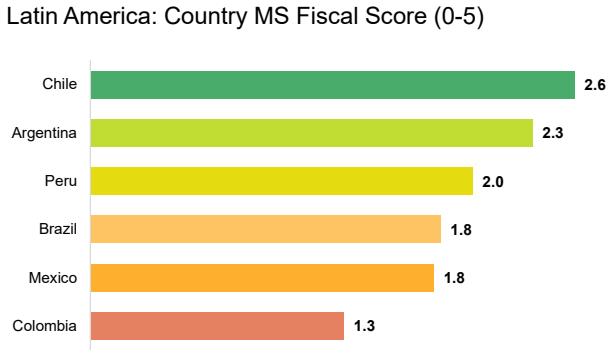
Chile stands out in Latin America for the strength and continuity of its institutional framework, with policy predictability that has persisted even through recent political transitions. This institutional stability underpins deep, well-regulated capital markets and has historically supported lower risk premia and cost of capital relative to regional peers. As a result, Chile has become the preferred destination for large-scale, long-duration investment in the region, particularly in mining and infrastructure, where investors prize judicial security and rule-of-law certainty above almost anything else.

Exhibit 32: Latin America Country Scorecard across Governance



Source: World Bank and Morgan Stanley Research

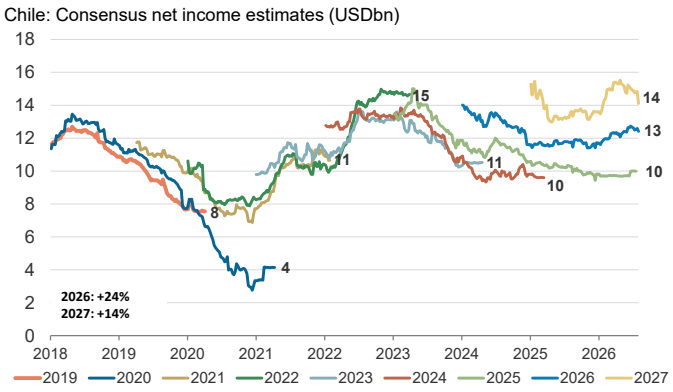
Exhibit 33: Latin America Country Scorecard across Fiscal



Source: Haver Analytics and Morgan Stanley Research

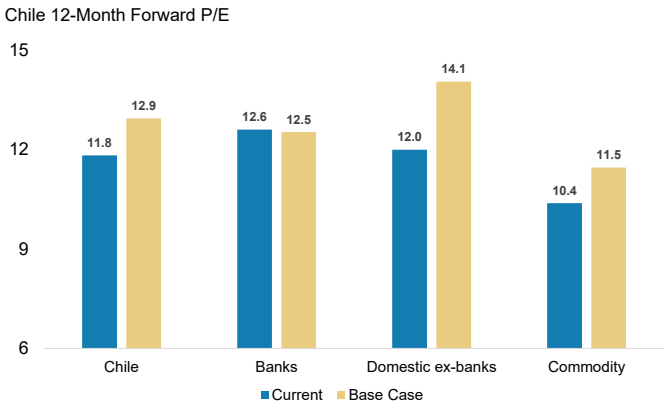
Consensus already points to strong results in profitability, with net income estimates for Chilean equities pointing to 24% growth in 2026 and 14% in 2027. Additionally, this growth is not yet reflected in valuations: Chile trades at just 11.8x forward P/E currently versus our mid-2027 base case of 12.9x, with valuations that suggest the market has yet to price in the earnings inflection from additional investment flows and policy shifts we expect.

Exhibit 34: Earnings Consensus sees 24% earnings growth for 2026



Source: Bloomberg and Morgan Stanley Research

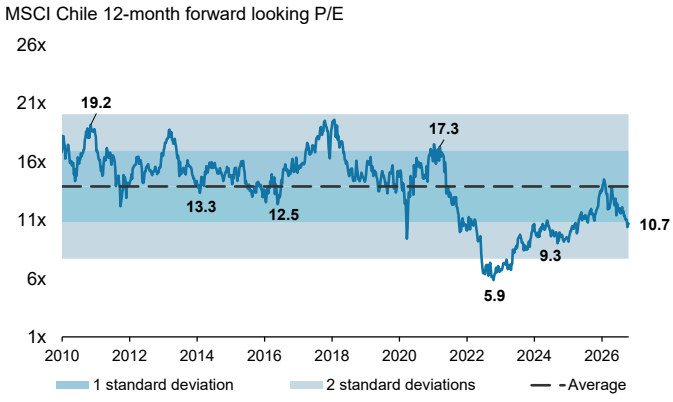
Exhibit 35: We see Chilean equities trading at cheap valuations vs our mid-2027 base case



Source: Morgan Stanley Research Estimates

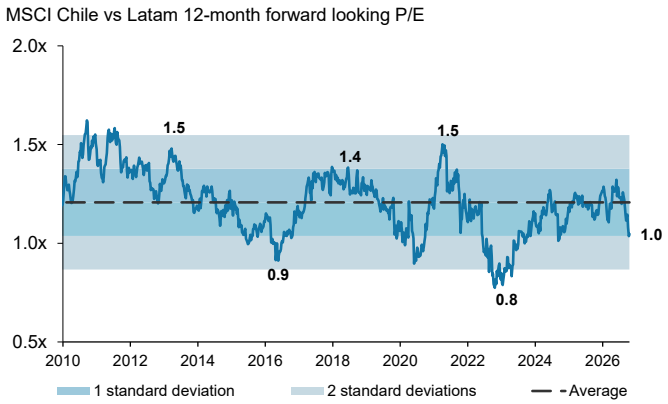
Valuation is also attractive, compared to history. On an absolute basis, MSCI Chile P/E trades at 10.7x, 1 std. deviation below its 16-year historical average. Chile is also trading in-line with LatAm, compared to a 0.2x historical premium.

Exhibit 36: Chile now trades at 10.7x P/E ...



Source: Bloomberg, Morgan Stanley Research

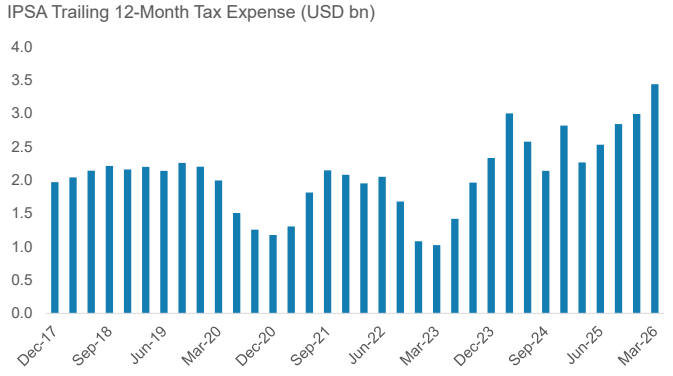
Exhibit 37: ... and in-line with LatAm P/E.



Source: Bloomberg, Morgan Stanley Research

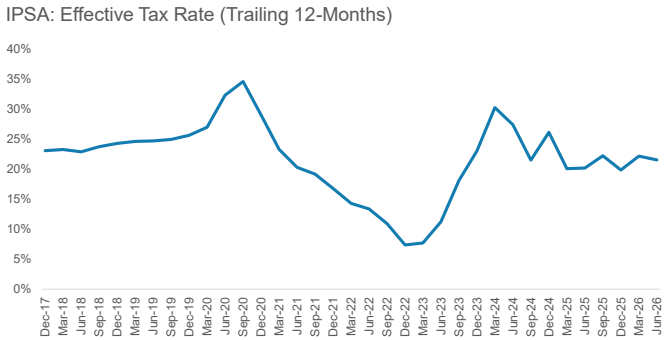
A policy shift has the potential to boost business interest and investment. President Kast has so far strengthened his market-friendly narrative, and focus has been placed on the gradual corporate tax reduction from 27% to 23% that is included in his National Reconstruction Plan. The plan has been approved at large by both the House of Deputies and the Senate, with a final vote remaining in the Senate for an outstanding issue on a Municipal Common Fund. Corporate taxes would be reduced to 25.5% in 2027, 24% in 2028, and 23% in 2029.

Exhibit 38: Companies have seen increasing tax expenses ...



Source: Bloomberg and Morgan Stanley Research

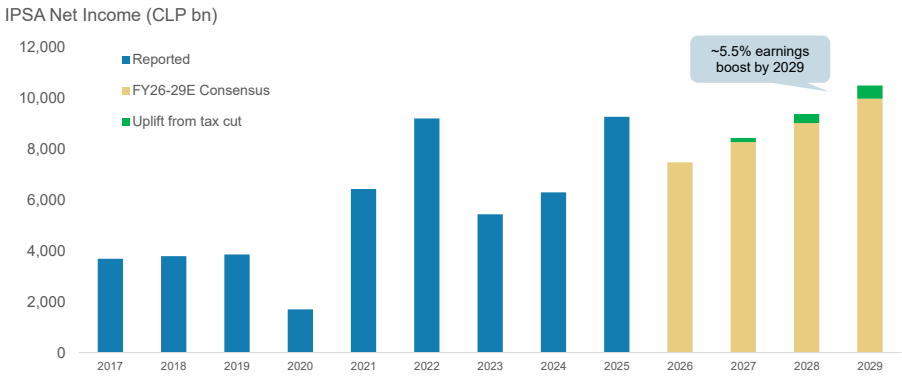
Exhibit 39: ... that are sustained by pretax income growth, and a stable rate post-Covid



Source: Bloomberg and Morgan Stanley Research

Companies will see a 5.5% increase in net income by 2029 on the back of tax cuts. Projected earnings growth paired with a decrease to 23% of the corporate tax structure show earnings should increase at a 12% CAGR in 2026-29. This excludes income from expansionary projects on invested capex and reinvestment of retained earnings. We remain watchful of the sustainability of earnings growth as a potential opportunity for Chile in the upcoming months.

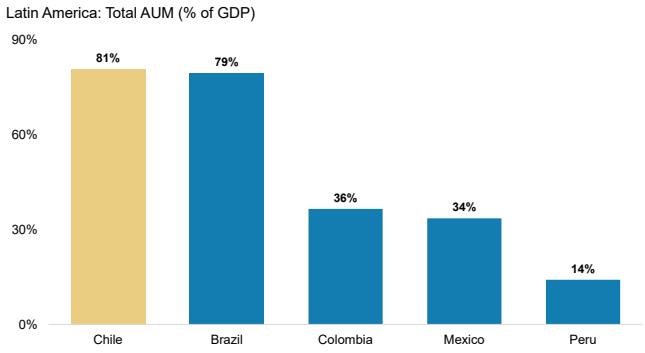
Exhibit 40: Net income consensus projections would see a boost with tax cuts



Source: Bloomberg and Morgan Stanley Research

Pension funds have kept increasing their allocations to domestic equities, aided by the rally of the last few years. The Central Bank of Chile raised the investment limits for chilean pension funds in alternative assets in April 2024, which has likely intensified risk-appetite and diversification provisions in AFP, which have reached highs in domestic equity

Exhibit 41: Mutual Funds AUM in Latam is led by Chile

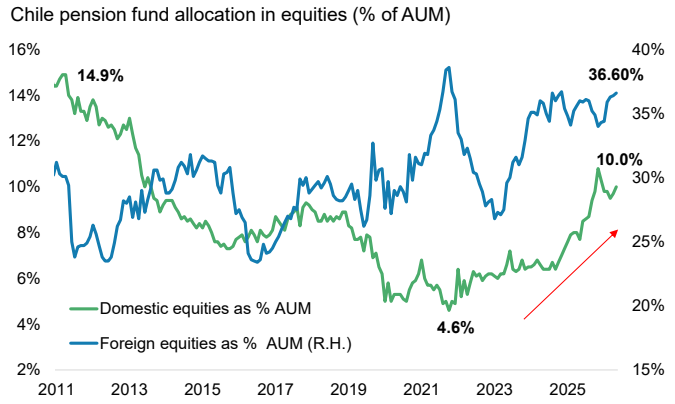


Source: Local governments, Anbima, World Bank and Morgan Stanley Research

allocations not seen since 2014. Paired with a rally in Chilean equities, new funds entering the pension system provide new flows into capital markets that sustain a stable appetite for the limited investable market of Chile. Constant flows are attractive drivers for new players in capital markets, which, paired with new regulations and reforms can attract new capital into the equity universe.

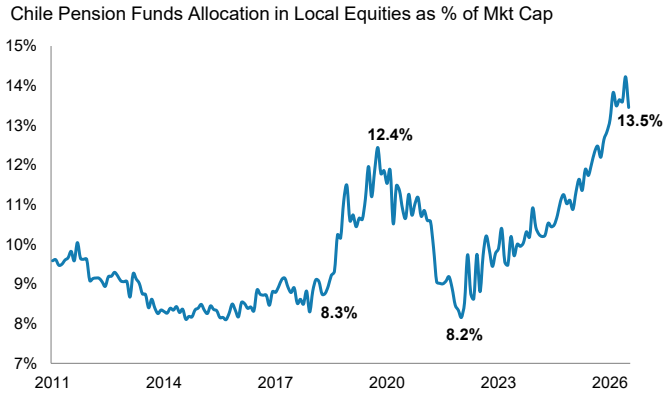
Pension funds have kept increasing their allocations to domestic equities, aided by the rally of the last few years. The Central Bank of Chile raised the investment limits for chilean pension funds in alternative assets in April 2024, which has likely intensified risk-appetite and diversification provisions in AFP, which have reached highs in domestic equity allocations not seen since 2014. Paired with a rally in Chilean equities, new funds entering the pension system provide new flows into capital markets that sustain a stable appetite for the limited investable market of Chile. Constant flows are attractive drivers for new players in capital markets, which, paired with new regulations and reforms can attract new capital into the equity universe.

Exhibit 42: Pension holdings of domestic equities has increased ...



Source: de Pensiones and Morgan Stanley Research

Exhibit 43: ... and AFPs remain the main holder of domestic equities



Source: de Pensiones and Morgan Stanley Research

Index inclusion remains a possibility for additional inflows into capital markets once growth reflects in market capitalization. Currently, MSCI Chile has 10 members, even though there are stocks that can be up for inclusion if they meet the Standard Index methodology requirements. Companies must meet required full market cap and free float market cap requirements, and the current stocks fail to meet free float market cap requirements. The current threshold for MSCI EM eligibility for equities listed in Chile is US$4.2 billion with a free float requirement of US$2.1 billion.

Exhibit 44: MSCI Chile allows for two additional inclusions

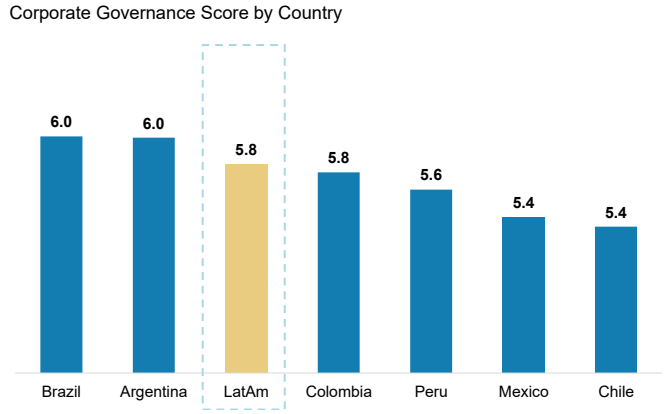
21-Oct-26	Ticker	Name	Weight (%)	Full mkt cap	FF mkt cap	Free float
Current members:						
1	CHILE CC	Banco de Chile	17.8	20,120	**9,055**	45.0%
2	LTM CC	Latam Airlines Group SA	16.4	13,907	**8,338**	60.0%
3	SQM/B CC	Sociedad Quimica y Minera de C	16.1	16,456	**8,189**	49.8%
4	BSAN CC	Banco Santander Chile	10.7	15,637	**5,474**	35.0%
5	BCI CC	Banco de Credito e Inversiones	10.1	14,632	**5,121**	35.0%
6	FALAB CC	Falabella SA	9.4	17,408	**4,787**	27.5%
7	MALLPLAZ CC	Plaza SA	5.5	8,034	**2,812**	35.0%
8	COPEC CC	Empresas Copec SA	5.2	8,897	**2,669**	30.0%
9	CENCOSUD CC	Cencosud SA	4.6	5,354	**2,365**	44.2%
10	ENELCHIL CC	Enel Chile SA	4.2	6,099	**2,135**	35.0%
Elective non-members:						
11	ITAUCL CC	Itau Chile		5,151	**1,545**	30.0%
12	CENCOMAL CC	Cencosud Shopping		3,931	**1,081**	27.5%
Small cap members:						
13	PARAUCO CC	Parque Arauco SA	20.1	3,792	**2,844**	75.0%
14	ANDINAB CC	Embotelladora Andina SA	13.5	4,307	**1,908**	44.3%
15	COLBUN CC	Colbun SA	7.7	2,733	**1,093**	40.0%
16	CMPC CC	Empresas CMPC SA	7.3	2,416	**1,027**	42.5%
17	AGUAS/A CC	Aguas Andinas SA	6.2	2,006	**882**	43.9%
18	ECL CC	Engie Energia Chile SA	5.7	2,024	**809**	40.0%
19	ILC CC	Inversiones La Construccion SA	5.7	2,466	**802**	32.5%
20	PAMPA CC	Pampa Investments SA	5.6	2,143	**786**	36.7%
21	VAPORES CC	Cia Sud Americana de Vapores S	5.0	2,562	**704**	27.5%
22	CCU CC	Cia Cervecerias Unidas SA	4.6	1,994	**648**	32.5%
23	ENTEL CC	Empresa Nacional de Telecomuni	4.3	1,343	**604**	45.0%
24	CONCHA CC	Vina Concha y Toro SA	3.6	676	**507**	75.0%
25	RIPLEY CC	Ripley Corp SA	3.4	924	**485**	52.5%
26	SMU CC	SMU SA	2.9	678	**407**	60.0%
27	IAM CC	Veolia Inversiones Aguas del G	2.6	902	**361**	40.0%
28	CAP CC	CAP SA	2.0	705	**282**	40.0%

* Stocks in MSCI Small Cap Index face a different set of entry requirements vis-à-vis stocks not in the index. Source: MSCI, Bloomberg, and Morgan Stanley Research

Much Work Ahead for Chilean Capital Markets

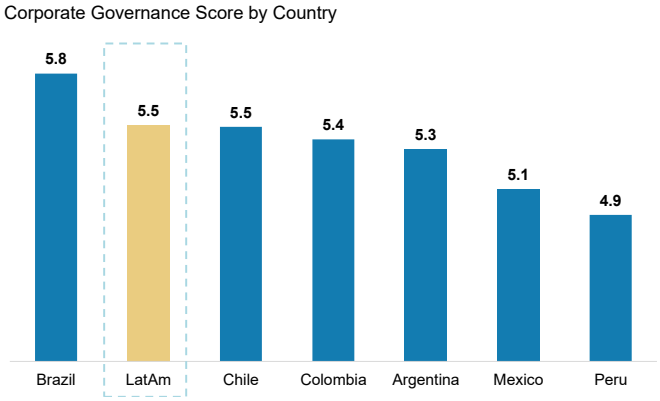
Despite the recent reform, there is still a lot missing for Chile. While the pension fund reform has been an important step towards the deepening of Chile's capital market, the foundation has weak links: (i) below-average governance scores in our LatAm analysis (see our Corporate Governance in LatAm: Still Good to Be Good report and Exhibit 45); (ii) below-peers equity issuance (IPOs and FONs) to GDP ratio (see Exhibit 50); (iii) low stock liquidity levels and (iv) lack of IT and AI ecosystem that could benefit from the AI boom. As it pertains to the pension reform, its benefits to the national capital market are twofold: first, an increased predictability on capital availability; second, increased AUM and potentially private and public equity allocation. In our Rethink Chile: The Case for OW report, we make the case that domestic equity holdings in Chile could increase by 3.4x times until 2035(e), surpassing the 2.5x gains expected for total AUM (see Exhibit 52).

Exhibit 45: Chile screens well below peers in an equal weighted governance index…



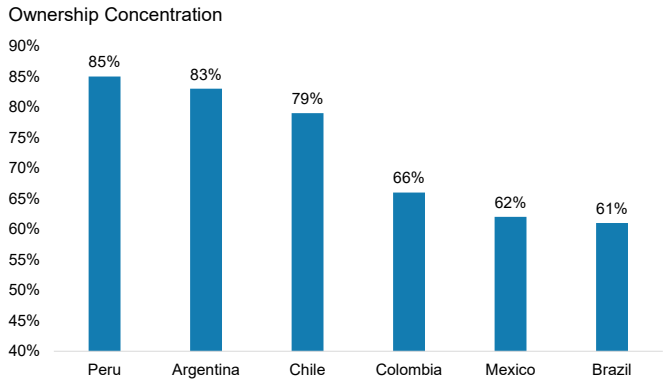
Note: Equal weighted for each country.
Source: Company Data and Morgan Stanley Research.

Exhibit 46: … and in-line with average when considering a market cap weighted index …



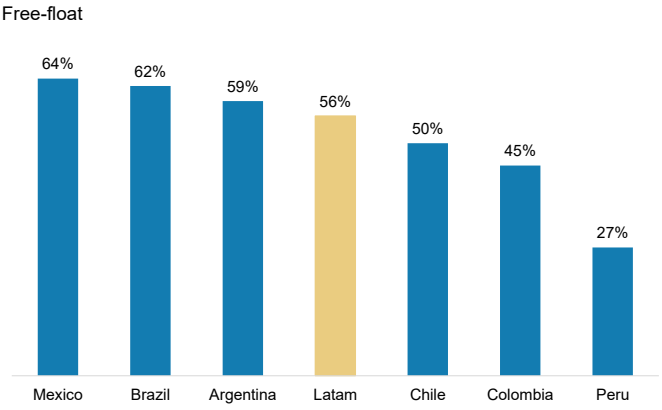
Note: Market Cap weighted for each country.
Source: Company Data and Morgan Stanley Research.

Exhibit 47: …with significant ownership concentration …



Ownership concentration defined as the percent of companies where the three largest shareholders own more than 50% of its equity capital.
Source: OECD and Morgan Stanley Research

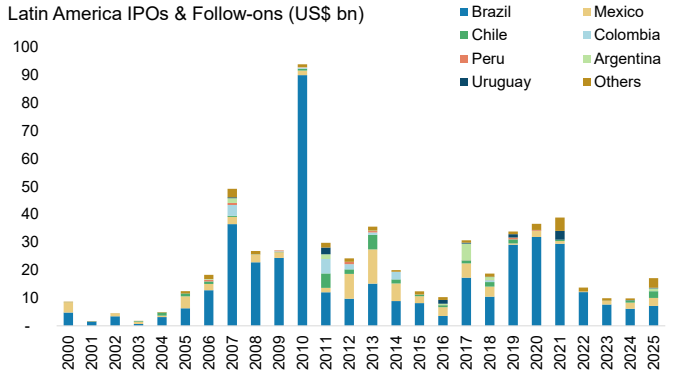
Exhibit 48: … and below-average free-float levels



Source: Bloomberg, Morgan Stanley Research

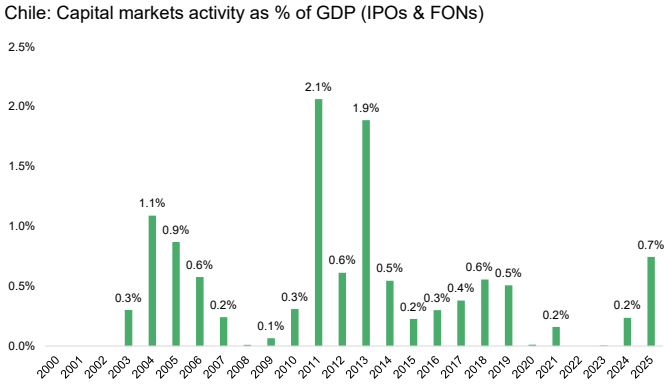
Public equities capital market is set to recover from a multiyear decline. We expect upcoming reforms to reduce investor friction in capital markets, together with lower rates, this could bring-in new activity in 2026 and 2027. Chile is still far below its 2011-14 peak in IPO & FON activity, favorable policies should incentivize new and additional public offerings for investors.

Exhibit 49: While seemingly small, compared to Brazil ...



Source: Bloomberg and Morgan Stanley Research

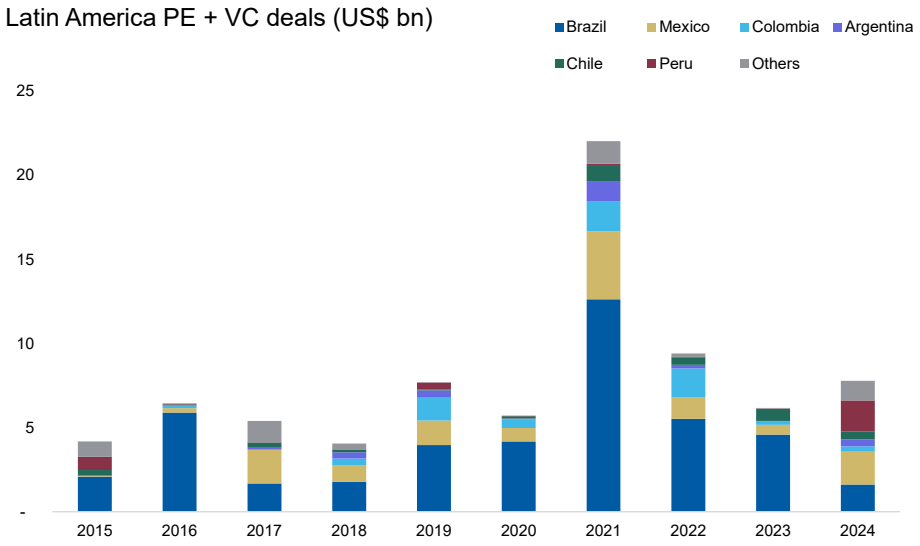
Exhibit 50: ... Chile public equities activity is regaining strength



Source: Bloomberg and Morgan Stanley Research

The potential from PE and VC in Chile. The Chilean private equities capital market has a lot of room to grow and drive investment in the country. Together with the pension fund reform and a growing project pipeline on trade, mining and energy infrastructure creates an increasingly attractive scenario for such market.

Exhibit 51: Chile has a lot of room to grow in equity's private capital markets



Source: Bloomberg, Factset, Morgan Stanley Research

The missing link. Chile does not have a meaningful IT or AI ecosystem, leaving investors in Chile — both private and public — with a structural low positioning in tech. While mining exposure poses a direct link to AI supply chain and capex cycle, other sectors face disruption risks. Companies from real estate, retail to banking are exposed to disruption from next-generation models like MELI and NU.

A capital markets reform is also in the works as a priority for the administration. Designed to work as a complement to the omnibus bill and the tax reforms, a capital markets reform will aim to strengthen the current financing architecture for markets, broaden credit access through simplification, and modernize the capital markets infrastructure. It will also aim to simplify international investor participation and eliminate certain capital gains tax that remain a roadblock for investors in Chile. The market holds

attractive valuations and would likely attract new capital flows if market simplification reforms go into effect, and would amplify the pension reforms inflows we expect, as discussed in our BluePaper: Latin America Equity Strategy: LatAm Spring: Imagine LatAm's Bull Case in a Multipolar World (14 Jan 2026).

Exhibit 52: We expect domestic equity holdings to increase three-fold by 2035

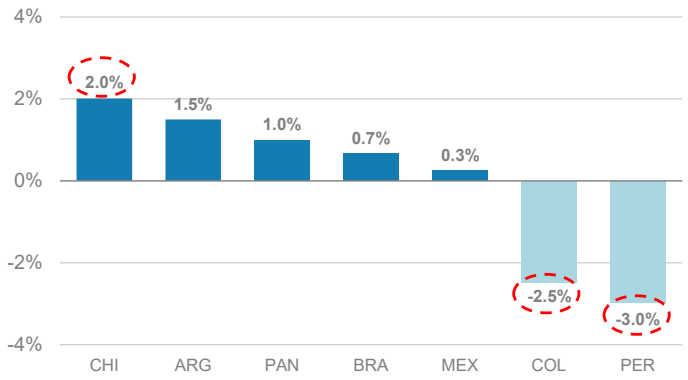
Lower policy rates and a favorable policy mix would trigger domestic portfolio inflows to equities

	Domestic Equities Holdings (US$bn)			Total System AUM (US$bn)		
	2024	2035e	Delta	2024	2035e	Delta
Brazil	94	584	6.2x	1,504	3,813	2.5x
Mexico	50	218	4.4x	621	1,806	2.9x
Chile	15	50	3.4x	266	676	2.5x
Total	158	852	5.4x	2,391	6,295	2.6x

Source: Anbima, CONSAR, de Pensiones de Chile, Morgan Stanley Research

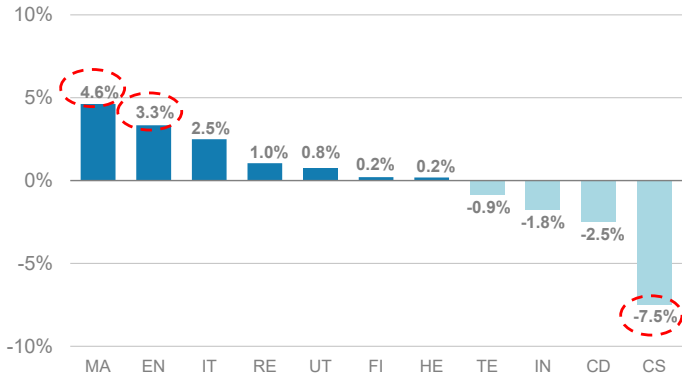
Latin America Model Portfolio

Exhibit 53: We are OW Chile and Brazil in our Latin America Model Portfolio ...



Source: Bloomberg and Morgan Stanley Research

Exhibit 54: ... and OW Materials, Energy, and Info Tech at the sector level



Source: Bloomberg and Morgan Stanley Research

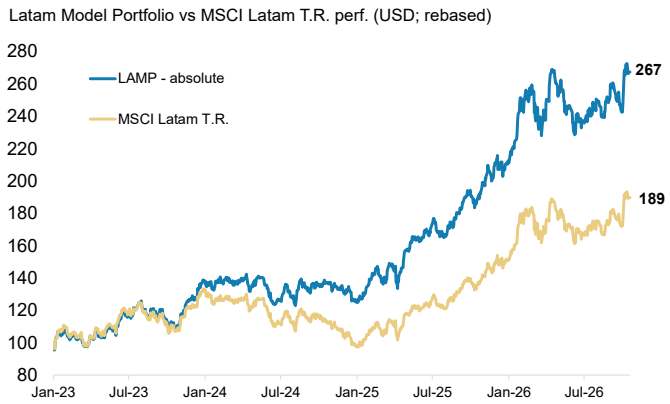
Exhibit 55:

Latin America Model Portfolio

10/15/26 Ticker	Company	Country	Sector	Rating	Weight	MSCI Latam	Over/ Under	Ccy	Price	12-mth PT/FV	Implied Return	Mkt Cap (USDm)
PBR.N	Petrobras	Brazil	EN	OW	13.3%	10.3%	**3.0%**	USD	25.3	31.0	31%	163,042
AXIA3.SA	Axia Energia	Brazil	UT	OW	4.9%	1.9%	**3.0%**	BRL	59.1	72.0	29%	33,106
MELI.O	Mercadolibre	Brazil	IT	OW	2.5%	0.0%	**2.5%**	USD	1,857.0	2,450.0	32%	94,144
BPAC11.SA	BTG Pactual	Brazil	FI	OW	4.3%	1.8%	**2.5%**	BRL	77.1	65.0	-13%	66,157
B3SA3.SA	B3	Brazil	FI	OW	4.7%	2.2%	**2.5%**	BRL	22.2	22.0	5%	22,003
NU.N	Nubank	Brazil	FI	OW	8.4%	5.9%	**2.5%**	USD	14.7	21.0	43%	73,530
EMBJ.N	Embraer	Brazil	IN	OW	4.0%	1.5%	**2.5%**	USD	72.1	100.0	39%	13,347
BVN.N	Buenaventura	Peru	MA	OW	3.1%	0.6%	**2.5%**	USD	31.2	39.0	29%	7,912
XP.O	XP Inc	Brazil	FI	OW	3.5%	1.0%	**2.5%**	USD	30.0	23.0	-21%	15,637
GMEXICOB.MX	Grupo Mexico	Mexico	MA	EW	6.5%	4.5%	**2.0%**	MXN	239.6	236.0	2%	101,801
CX.N	Cemex	Mexico	MA	OW	3.8%	1.8%	**2.0%**	USD	10.1	15.5	54%	14,658
SQM.N	Soquimich	Chile	MA	NA	3.1%	1.1%	**2.0%**	USD	60.5	na	NA	17,103
JBS.N	JBS	Brazil	CS	OW	2.4%	0.4%	**2.0%**	USD	12.7	19.5	61%	13,586
FIBRAPL14.MX	Prologis Property	Mexico	RE	OW	2.5%	0.5%	**2.0%**	MXN	79.1	90.0	19%	7,181
VIST.N	Vista Oil & Gas	Argentina	EN	OW	1.5%	0.0%	**1.5%**	USD	70.0	104.0	49%	7,478
GCC.MX	Cem. de Chihuahua	Mexico	MA	OW	1.5%	0.0%	**1.5%**	MXN	177.8	250.0	43%	3,197
GFNORTEO.MX	Banorte	Mexico	FI	EW	4.5%	3.0%	**1.5%**	MXN	199.3	230.0	23%	30,438
OMAB.O	OMA	Mexico	IN	OW	1.8%	0.4%	**1.4%**	USD	91.3	110.0	27%	4,454
BSAC.N	Santander Chile	Chile	FI	EW	2.0%	0.7%	**1.3%**	USD	32.8	39.0	24%	15,462
ENELCHILE.SN	Enel Chile	Chile	UT	OW	1.3%	0.2%	**1.1%**	CLP	86.0	85.0	4%	6,063
CPA.N	Copa Holdings	Panama	IN	OW	1.0%	0.0%	**1.0%**	USD	133.9	205.0	58%	5,470
ORBIA.MX	Orbia	Mexico	MA	OW	1.0%	0.0%	**1.0%**	MXN	23.3	40.0	72%	2,658
SAUD3.SA	BradSaude	Brazil	HE	EW	0.9%	0.0%	**0.9%**	BRL	15.7	16.5	11%	1,685
SBSP3.SA	Sabesp	Brazil	UT	OW	2.4%	1.5%	**0.9%**	BRL	31.9	32.0	3%	22,076
BCH.N	Banco de Chile	Chile	FI	EW	1.9%	1.1%	**0.8%**	USD	39.1	44.0	18%	19,749
ITUB.N	Itau Unib.	Brazil	FI	OW	6.2%	6.2%	**0.0%**	USD	9.5	10.0	11%	104,707
AMX.N	America Movil	Mexico	TE	OW	1.9%	1.9%	**0.0%**	USD	22.4	30.0	36%	67,402
VALE.N	Vale	Brazil	MA	EW	5.1%	6.1%	**-1.0%**	USD	13.0	15.5	27%	52,877
Model portfolio					**100.0%**						**22%**	
MS universe											15%	
Model portfolio vs MS universe											**7%**	

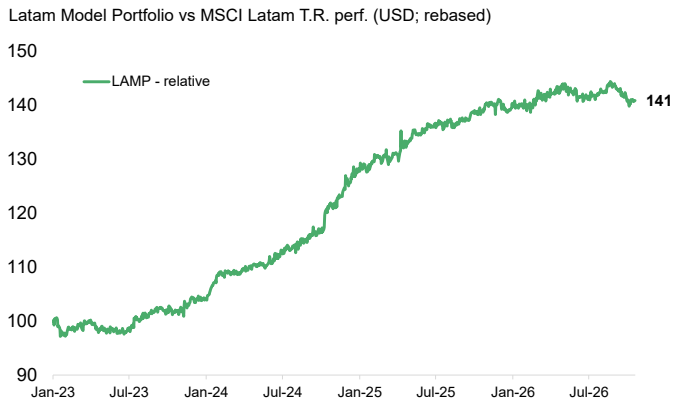
Source: Bloomberg and Morgan Stanley Research

Exhibit 56: Our LatAm Model Portfolio has returned +167% in US$ since 2023 ...



Source: Bloomberg and Morgan Stanley Research

Exhibit 57: ... outperforming the MSCI Latin America benchmark by +41% over the period



Source: Bloomberg and Morgan Stanley Research

Metals & Mining: Chile Copper Sector Overview

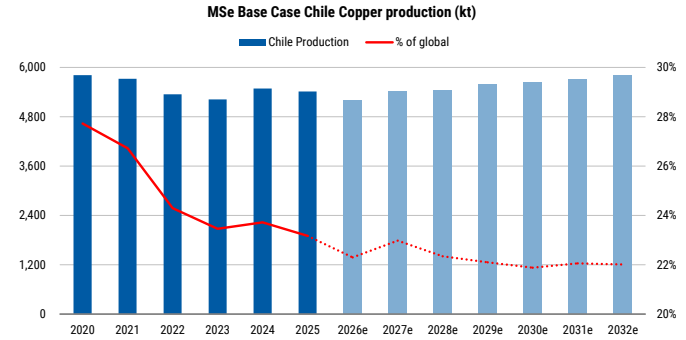
Carlos de Alba, Justin Ferrer, Henrique Braga, and Claudio Dardengo

Chile has a large and advanced project pipeline, but it remains a sustaining story. Most major projects extend existing operations rather than add new greenfield supply. Local investments, mainly by Codelco, will play a prominent role.

Chile is, by a wide margin, the world's top copper producer ... We forecast Chilean copper mine output to trend modestly higher in our base case, rising from 5.4Mt in 2025 to 5.8Mt by 2032 (Exhibit 58). However, as in Peru, Chile's contribution trends slightly lower through the forecast period as new copper supply elsewhere grows faster.

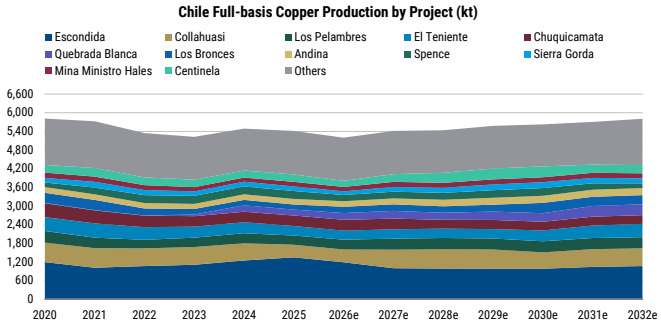
... and future output will continue to rely on a base of large-scale operations. The country's copper production comes from a broad set of large-scale mines, with several operations individually producing at a bigger scale comparable to Peru's largest assets (Exhibit 59). BHP-operated Escondida and Anglo American/Glencore-backed Collahuasi remain the two main anchors of the production; Escondida steps down in 2026e and 2027e after a stronger 2025 in our model, but then stabilizes, while Collahuasi contribution increases from 404kt in 2025 to 572kt in 2032. This larger and more diversified asset base helps smooth the country's production profile, even as mature mines continue to face grade decline and depletion.

Exhibit 58: Chile preserves copper scale even as its global supply share declines ...



Source: Morgan Stanley Research Estimates

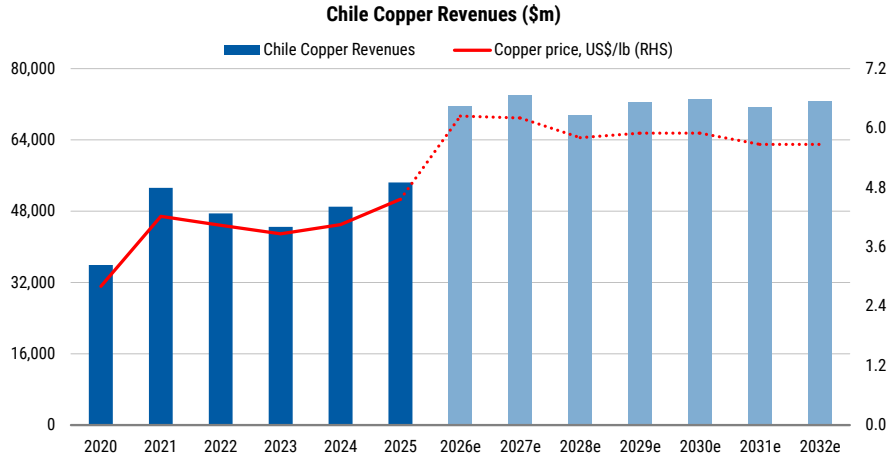
Exhibit 59: ... with output anchored by a broad base of large mines



Source: Morgan Stanley Research Estimates

Chile copper revenue follows the same revenue logic as Peru, but from a much larger production base. We estimate gross copper revenues by multiplying our MSe Base Case production forecast by our copper price deck. With mined output only modestly higher through the forecast period, the increase in copper prices lifts revenues from US$54.4 billion in 2025 to US$71.5 billion in 2026e and a peak of US$74.1 billion in 2027e. Revenues then hover at around US$70-73 billion, reaching US$72.6 billion by 2032e (Exhibit 60). The scale, however, differs materially in both countries: Chile's copper sector generates roughly twice Peru's estimated copper revenue pool, so higher copper prices carry a larger impact even without a meaningful production step-up.

Exhibit 60: Higher prices also lift Chile's copper revenue pool despite stable output



Source: Morgan Stanley Research Estimates

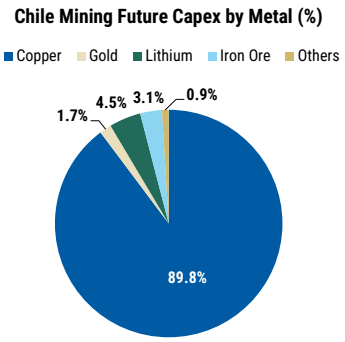
Future Growth

Chile's project pipeline makes the copper focus even clearer. COCHILCO estimates that copper projects account for almost 90% of future mining capex (Exhibit 61), compared with ~71% in Peru. The investment cycle mainly supports a large existing copper base through replacements, expansions and sustaining projects.

The ownership profile also creates a sharp difference vs. Peru. While foreign-led investors dominate Peru's pipeline, Chile has a much stronger local capital component. Chilean-led investors account for roughly 50% of planned mining investment, with Australia, the UK, Canada, and Japan together adding another 39% (Exhibit 62). Codelco drives much of the domestic share, and is projected to spend US$31.3 billion, or ~30% of the full capex pipeline.

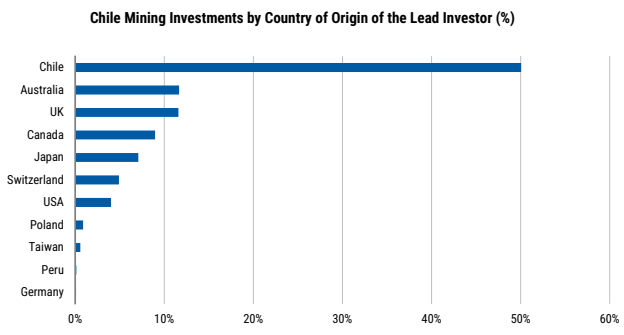
This means that Chile's mining investment story is not so dependent to FDI inflows. Large global miners still play a big role, but a meaningful share of future copper capex runs through the state-owned producer, making Codelco's ability to fund and execute its projects central to Chile's medium- and long-term copper outlook.

Exhibit 61: Copper captures almost 90% of Chile's future mining capex ...



Source: COCHILCO, Morgan Stanley Research

Exhibit 62: ... and local investors, led by Codelco, play a very large role in this story

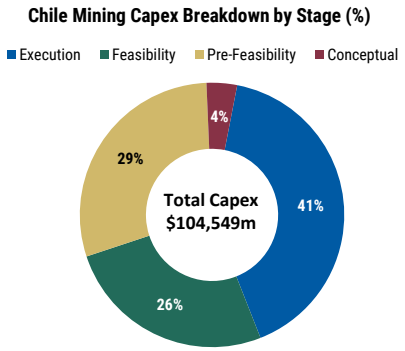


Source: COCHILCO, Morgan Stanley Research

Chile's capex pipeline looks more de-risked than Peru's when measured by project stage. COCHILCO's portfolio totals US$104.5 billion, with roughly 41% already in execution and another 26% in feasibility, meaning about two-thirds of planned mining capex sits in relatively advanced stages (Exhibit 63). Many Chilean projects relate to replacements, expansions, and operational continuity at existing large-scale mines, rather than entirely new greenfield developments. In terms of volumes, the portfolio has a maximum productive contribution of 3.6Mtpa of copper, or ~66% of Chile's 2025 copper production. Not all of this is net new supply, as many projects support replacement and operational continuity.

Timing, however, still looks long dated. Mining capex totals US$38.9 billion through 2029; the remaining US$44.0 billion, or ~53% of the pipeline, sits in 2030+. This shows that even advanced projects can take years to permit, build and ramp-up.

Exhibit 63: Chile's pipeline is relatively advanced, with two-thirds of planned capex in execution or feasibility ...



Source: COCHILCO, Morgan Stanley Research

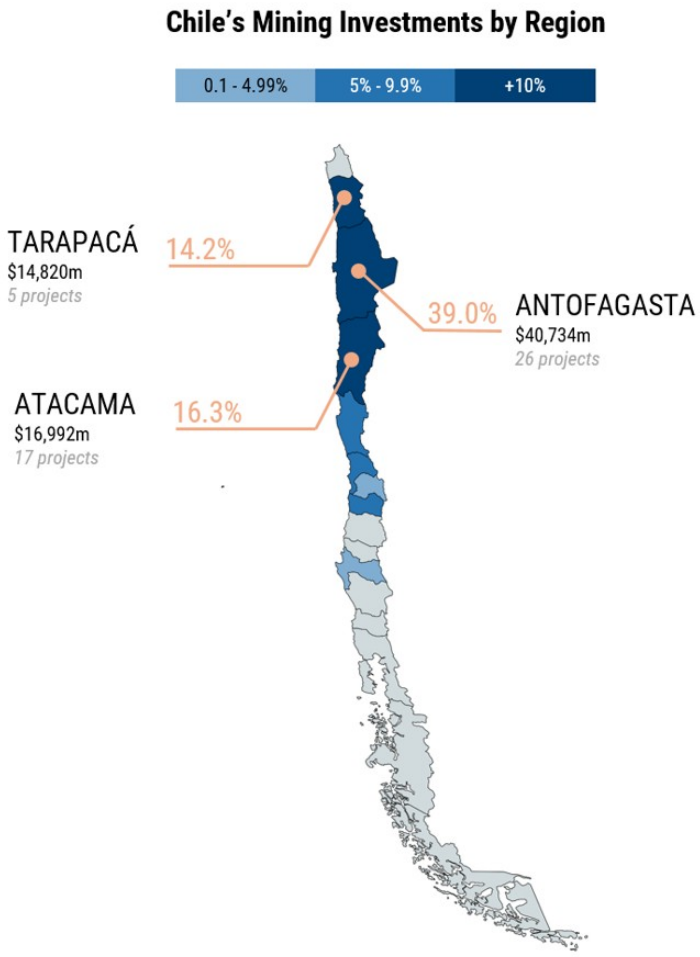
Exhibit 64: ... but almost 53% of investment still sits in 2030+



Source: COCHILCO, Morgan Stanley Research

Chile's mining investment pipeline is highly concentrated in the northern mining regions. Tarapacá, Antofagasta, and Atacama account for 48 of the 64 projects in COCHILCO's portfolio and almost 70% of planned capex (Exhibit 65). Antofagasta represents the largest share with 26 projects, US$40.7 billion of investment and 39.0% of the total, followed by Atacama with 17 projects, US$17.0 billion and 16.3%, and Tarapacá with 5 projects, US$14.8 billion and 14.2%. This regional concentration reflects the location of Chile's core copper districts and reinforces that the country's future mining investment cycle remains heavily tied to the already established mining region in the north.

Exhibit 65: Chile Mining investments Map



Source: COCHILCO, Morgan Stanley Research

At the project level, the five largest investments explain a meaningful share of the pipeline and help frame the key assets to monitor. They total roughly US$33.9bn and 1.67Mtpa of gross copper production/capacity, or ~32% of the full capex portfolio and ~46% of COCHILCO's total copper contribution, respectively.

The five largest projects, capex-wise, are: i) Collahuasi's new concentrator at US$8.0 billion, with 340ktpa Cu; ii) Mina El Abra Operational Continuity at US$7.5 billion, with 340ktpa; iii) Chuquicamata Underground at US$7.1 billion, with 320ktpa Cu; iv) El Teniente New Mine Level at US$6.3 billion, with 430ktpa Cu; and v) Escondida's Los Colorados new concentrator at US$5.0 billion, with 240ktpa Cu. All five projects have start-up dates after 2030, though Chuquicamata Underground is already operating and remains in the portfolio due to ongoing ramp-up and continuity capex.

Importantly, none of the above are classified as a new development. They are all expansion or replacement projects at existing operations, reinforcing that Chile's pipeline is more about sustaining and extending a mature system than building a large set of greenfield mines. Among projects classified as new, the largest copper one is Vizcachitas, led by Los Andes Copper with US$2.8 billion of planned investment and expected start-up in 2032 (Exhibit 66).

Exhibit 66: Chile Mining Project Pipeline

Chile Mining Project Pipeline							
Investment Category	Development Stage	Project	Company	Sector	Type	Start-up*	Capex (US$m)
Base	Execution	Fenix Gold Project	Rio2	Gold	New	2025	235
		Collahuasi C20+	Minera Doña Inés de Collahuasi	Copper	Expansion	2026	3,670
		Salvador - Rajo Inca	Codelco	Copper	Replacement	2026	2,688
		Candelaria Optimization	Lundin Mining	Copper	Replacement	2026	600
		Tente en el Aire	SQM	Iodine	Expansion	2026	350
		La Farola Exploration	Minera Altair	Copper	Replacement	2026	260
		Arqueros Project	Nittetsu Mining	Copper	New	2026	235
		Michilla Development	Haldeman Mining	Copper	Replacement	2026	235
		Mantoverde Optimized (MV-O)	Capstone Copper	Copper	Expansion	2026	176
		Centinela 2nd Concentrator	Antofagasta Minerals	Copper	Expansion	2027	4,350
		Los Pelambres Adaptation (PAO)	Antofagasta Minerals	Copper	Replacement	2027	2,000
		Spence Operational Adjustment	BHP	Copper	Replacement	2027	1,652
		Zaldivar Extension	Antofagasta Minerals	Copper	Replacement	2027	1,200
		Los Bronces Hydro Adjustments	Anglo American	Copper	Replacement	2027	1,104
		El Espino	Sociedad Punta del Cobre	Copper	New	2027	700
		Los Bronces Integrated	Anglo American	Copper	Replacement	2028	3,300
		Other Codelco Projects	Codelco	Copper	Replacement	2025-29	5,982
		Codelco Dams	Codelco	Copper	Replacement	2025-29	4,430
		El Teniente New Mine Depth	Codelco	Copper	Replacement	2031	6,254
		Chuquicamata Underground	Codelco	Copper	Replacement	2032	7,088
Probable	Feasibility	El Way Este Extension	Cementos BioBio	Lime	Expansion	2026	75
		María Elena Extension	SQM	Iodine	Replacement	2026	75
		Mina Barreal Seco Optimization	Minera Las Cenizas	Copper	Replacement	2026	73
		Escondida Extension	BHP	Copper	Replacement	2027	200
		Mina El Abra Adjustments	Freeport-McMoran	Copper	Replacement	2028	741
		Los Colorados Adjustments	CAP	Iron Ore	Expansion	2028	344
		Coya Sur Modifications	SQM	Caliche Ore	Replacement	2028	250
		Los Bronces Hydro (Donoso N)	Anglo American	Copper	Replacement	2028	90
		Marimaca Oxides	Marimaca Copper	Copper	New	2029	587
		Paipote Smelter	ENAMI	Copper	New	2030	1,714
		Salar de Maricunga	Minera Salar Blanco	Lithium	New	2030	900
		Radomiro Sulphides Phase II	Codelco	Copper	Replacement	2035	4,851
	Pre-Feasibility	Sierra Gorda Optimization	KGHM International	Copper	Replacement	2026	400
Possible	Feasibility	Aclara Rare Earths	Ree Uno SpA	Rare Earths	New	2027	130
		La Coipa and Purén Extension	Kinross Gold	Gold	Replacement	2028	113
		Sagasca Replacement	Haldeman Mining Company	Copper	Replacement	2028	100
		Escondida Replacement	BHP	Copper	Replacement	2029	900
		SIMCO - Sales Maricunga	SIMCO	Lithium	New	2029	600
		Los Pelambres Extension (EVU)	Antofagasta Minerals	Copper	Replacement	2030	2,000
		Ciclón Exploration	Eco Earth Elements	Gold	New	2030	125
		Cantera Rubí Expansion	Knauf de Chile	Gypsum	Expansion	2030	102
		Escondida - Laguna S. Expansion	BHP	Copper	Replacement	2031	2,351
		Santo Domingo	Capstone Copper	Copper	New	2031	2,300
		Tovaku	Sociedad Punta del Cobre	Copper	New	2035	870
Potential	Feasibility	Escondida - Concentrator Demolition	BHP	Copper	Replacement	2029	400
		Dominga	Andes Iron SpA	Iron Ore	New	2032	2,900
		Sierra Norte	Capstone Copper	Copper	New	2034	597
	Pre-Feasibility	Sierra Gorda 4th Mill Line	KGHM International	Copper	Expansion	2028	1,300
		Spence - Concentrator Expansion	BHP	Copper	Replacement	2030	500
		Escondida - New Contentrator	BHP	Copper	Expansion	2031	5,000
		Collahuasi New Concentrator	Minera Doña Inés de Collahuasi	Copper	Expansion	2032	8,000
		Vizcachitas	Los Andes Copper	Copper	New	2032	2,776
		Cerro Colorado Reopenning	BHP	Copper	Replacement	2032	2,700
		Costa fuego Development	Hot Chili	Copper	New	2032	1,270
		Mina El Abra Expansion	Freeport-McMoran	Copper	Expansion	2033	7,511
		Nueva Esperanza	Kingsgate Consolidated	Gold	New	2035	215
		Lobo-Marte	Kinross Gold	Gold	New	2036	1,080
	Conceptual	Mantoverde (Phase II)	Capstone Copper	Copper	Expansion	2030	700
		Salares Altoandinos	Rio Tinto - ENAMI	Lithium	New	2033	3,200

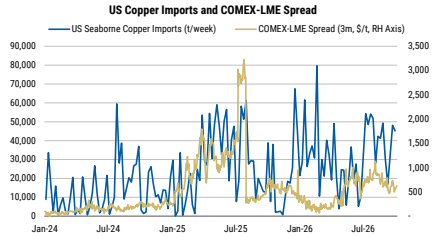
Source: COCHILCO, Morgan Stanley Research. (*) Portfolio start-up years follow COCHILCO's project portfolio definitions and may differ from the date of first production for brownfield, replacement or continuity projects.

Copper Price Outlook

Amy Gower

We laid out our copper price outlook in metal&ROCK: The Price Deck – 4Q26: Selective Optimism (6 Oct 2026) and also raised our long term outlook in Long-term Incentive Prices: Development Costs Rising (6 Oct 2026). We see modest downside for copper prices into 2027 but forecast prices staying elevated relative to history with deficits expected to continue and the cost of new projects rising.

Exhibit 67: The US has over-imported 614 kt of copper YTD, or 3% of global demand when annualised

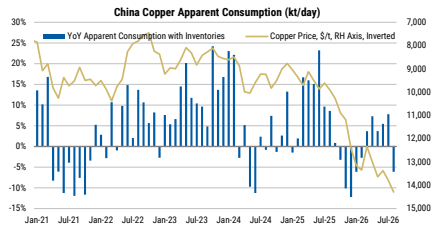


Source: Bloomberg, Morgan Stanley Research

In the short term, the US tariff decision lingers: The market awaits a decision on whether or not the US will impose 15% import tariffs on refined copper from January 2027. In the meantime, this has pushed the COMEX copper benchmark (US deliverable) to trade 4-6% above the LME benchmark, and attracted significant excess metal to the US. In 2026 so far, this has been over 600 kt of excess metal (3% of global demand), which is tightening the market.

We lay out potential scenarios here. A delayed tariff implementation would be most bullish near term, accelerating imports, while tariffs taking effect or being ruled out would be bearish for copper as US stockpiling would cease, making the copper market feel looser. The country may even start under-importing. A decision delayed beyond January 2027 would likely be the most supportive for copper, sustaining imports, albeit likely at a slower pace than seen in 2026.

Exhibit 68: China's apparent consumption is up 1.8% YTD despite elevated prices, although demand growth turned negative in August



Source: Bloomberg, Morgan Stanley Research

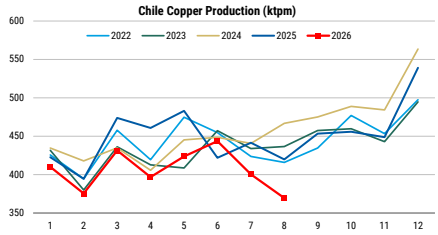
China's demand outlook is mixed: China's copper demand has shown remarkable resilience this year despite elevated prices, with apparent consumption up 1.8% YTD. More recently, China is showing some price sensitivity, with imports falling in August and rebounding on September's price pullback. End-use demand indicators have also been quite mixed, with only grid spend and EV output showing any strength, also raising questions about where all the copper is going, especially with exchange inventories very low. We think this points to a restocking cycle at end users as well as tight scrap and concentrate supply weighing on refined supply and supporting import demand.

Data centres power demand estimates increased: Our US data centre team raised their incremental power demand estimates from DCs, but also a 34% net US power shortfall through 2028. To reflect this, we apply 65% of the updated estimates to imply copper demand of 704 kt in 2026 (2% of total demand), rising to 1,150 kt in 2028 (3%).

High copper prices bring aluminium switching risks: The record high copper/aluminium price ratio increases substitution risk, particularly in applications such as HVAC — in China, air conditioning output consumes ~1.5 Mt of copper with some of this volume at risk if switching accelerates.

Exhibit 69: Chile's copper production is down 7% YTD

Mine supply remains tight: The copper market has faced a number of mine accidents and curtailments as well as pressure from under investment and falling grades. Mine supply fell 1% YoY in Jan-July (ICSG), while refined supply rose 1.7%, driven by secondary output with tight concentrate and high prices. We model -0.3% mine supply growth and 1.1% refined supply growth in 2026, with some recovery in 2027 as Kamoa-Kakula, Grasberg, and Cobre Panama ramp up. However, recent weakness in Chile and uncertainty around Cobre Panama remain downside risks to supply.



Source: Cochilco

Projects are getting more expensive to develop: Several projects in our recent incentive price analysis with updated studies show significant capex increases, driven by a mix of cost inflation and scope changes. Santa Cruz rose 15% to $1.43 billion between its Jun-25 and Sep-26 PFS, including $88 million of construction cost inflation. Jervois increased 21% to $310 million between its Feb-25 FS and Apr-26 update, reflecting cost escalation, additional scope and higher contingency. Larger increases elsewhere were driven primarily by scope changes or redesigns; notably, no project reported lower capex. Some projects are also facing other challenges. Barrick cut 2026 attributable capex guidance from $4.00-4.45 billion to $3.8-4.2 billion, primarily due to lower spending at Reko Diq amid security concerns; and Codelco suspended its Andes Norte development at El Teniente in August, citing emerging deep-seismicity risks.

Buy-versus-build debate continues: BHP's CEO said the group plans to prioritise expansions over M&A and that valuations make building cheaper than buying. He noted, "Copper is really the focus for investment for us." BHP estimates its own growth pipeline has a capital intensity of $16-30k/t (compared to a range of $10-45k/t in our incentive price analysis and a production-weighted average of ~$25k/t), versus implied valuations of $85k/t for pure-play copper companies, even before any potential takeover premium.

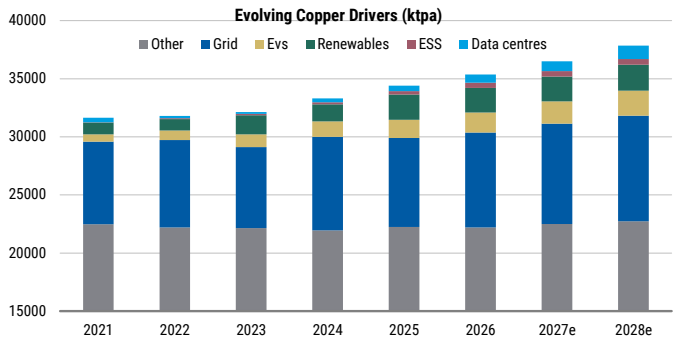
Morgan Stanley outlook: With China showing price sensitivity and uncertainty around US imports, we see limited further upside. However, we think China will continue to buy on dips, while our base case that no US tariff decision is made is likely to keep US imports on the higher side. Supply improves modestly in 2027, but not enough to materially loosen balances. We forecast LME $14,400/t in 1Q27, COMEX $6.92/lb. **Upside risks:** Data centre sentiment rises, more supply issues, US keeps importing, rate cuts. **Downside risks:** Rate hikes weigh on demand, US introduces/rules out tariffs and imports drop, China demand falls once restocking is done.

Exhibit 70: Copper global supply-demand model

	unit	2021	2022	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
World Mine Production											
concentrates	Mt	17.9	18.4	18.6	19.4	19.5	19.8	21.1	21.9	22.8	23.4
SX/EW	Mt	3.4	3.5	3.6	3.7	3.8	3.9	3.8	3.8	3.8	3.6
disruption allowance	%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%	5.5%	5.5%	5.5%	5.5%
Total Mine Production	Mt	**21.4**	**22.0**	**22.3**	**23.1**	**23.4**	**23.3**	**23.6**	**24.3**	**25.2**	**25.7**
YoY change	%	*2.2%*	*2.7%*	*1.2%*	*3.9%*	*1.0%*	*-0.3%*	*1.2%*	*3.2%*	*3.7%*	*1.8%*
Concentrate balance		**-0.6**	**-0.8**	**-1.9**	**-1.8**	**-3.0**	**-4.6**	**-4.8**	**-4.3**	**-3.5**	**-3.0**
TC/RC contract	US$/t,¢/lb	59.5/5.95	65/6.5	88/8.8	80/8	21.3/2.1	0/0	-15/-1.5	-10/-1	0/0	10/1
composite TC/RC/PP charge	US¢/lb	15.3	16.7	22.6	20.5	5.5	0.0	-3.8	-2.6	0.0	2.6
World Smelter Production											
primary	Mt	17.3	17.7	17.9	18.7	18.8	18.7	19.2	19.9	20.7	21.3
secondary	Mt	3.3	3.3	3.5	3.9	4.3	4.5	4.6	4.8	4.9	4.9
Total Smelter Production	Mt	**20.6**	**21.0**	**21.4**	**22.6**	**23.1**	**23.3**	**23.8**	**24.7**	**25.6**	**26.3**
imputed concentrate balance	Mt	-0.6	-0.8	-1.9	-1.8	-3.0	-4.6	-4.8	-4.3	-3.5	-3.0
world refinery production											
electrowon	Mt	3.6	3.7	3.8	3.8	3.9	3.9	3.7	3.7	3.7	3.5
primary	Mt	19.6	19.9	20.3	21.4	21.9	22.1	22.6	23.5	24.4	25.0
secondary	Mt	1.2	1.2	1.2	1.1	1.5	1.7	2.0	2.1	2.1	2.1
Total Refinery Production	Mt	**24.3**	**24.8**	**25.3**	**26.4**	**27.3**	**27.6**	**28.4**	**29.2**	**30.2**	**30.6**
YoY change	%	*2.3%*	*2.1%*	*2.0%*	*4.3%*	*3.5%*	*1.1%*	*2.7%*	*3.0%*	*3.2%*	*1.4%*
World Copper Demand	Mt	**24.4**	**24.8**	**25.3**	**26.2**	**27.2**	**27.7**	**28.5**	**29.4**	**30.2**	**31.0**
YoY change	%	*5.3%*	*1.9%*	*2.0%*	*3.3%*	*3.9%*	*1.9%*	*3.0%*	*2.8%*	*3.0%*	*2.6%*
China demand		12.8	13.1	13.8	14.4	15.0	15.2	15.6	16.0	16.4	16.9
China's YoY change	%	*3.7%*	*2.0%*	*6.0%*	*4.0%*	*4.0%*	*1.5%*	*2.5%*	*2.5%*	*3.0%*	*2.5%*
non-China's YoY change	%	*7.2%*	*1.9%*	*-2.4%*	*2.5%*	*3.7%*	*2.4%*	*3.6%*	*3.3%*	*3.0%*	*2.8%*
Implied Market Balance (before inventory)	Mt	**-0.06**	**-0.02**	**-0.04**	**0.23**	**0.13**	**-0.07**	**-0.16**	**-0.13**	**-0.07**	**-0.45**
Refined Stocks End of Period	kt	**763**	**673**	**661**	**931**	**1,328**	**1,256**	**1,092**	**965**	**897**	**449**
reported refined inventory change	kt	-497	-90	-11	269	398					
of which US		-5	-45	47	4	363					
apparent change in unreported inventories	kt	437	72	-24	-44	-269					
Inventory-to-usage rate	wks	**1.6**	**1.4**	**1.4**	**1.9**	**2.5**	**2.4**	**2.0**	**1.7**	**1.5**	**0.8**
Market Balance	Mt	**0.00**	**-0.02**	**-0.04**	**0.23**	**0.13**	**-0.07**	**-0.16**	**-0.13**	**-0.07**	**-0.45**
Price	US$/t	**$9,299**	**$8,892**	**$8,519**	**$8,928**	**$10,053**	**$13,760**	**$13,675**	**$12,800**	**$13,000**	**$13,000**
	US$/lb	**$4.22**	**$4.03**	**$3.86**	**$4.05**	**$4.56**	**$6.24**	**$6.20**	**$5.81**	**$5.90**	**$5.90**
China's share of global refined copper production	%	42%	43%	46%	47%	51%	54%	54%	53%	52%	51%
China's share of global refined copper demand	%	53%	53%	55%	55%	55%	55%	55%	54%	54%	54%

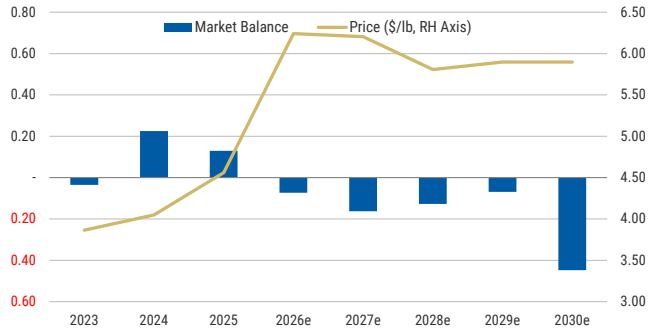
Source: Wood Mackenzie, Bloomberg, ICSG, Morgan Stanley Research estimates (e). YoY = Year on year

Exhibit 71: Data centres and ESS are contributing to demand growth



Source: Morgan Stanley Research estimates

Exhibit 72: Copper balance and price outlook (kt; US$/lb)



Source: Bloomberg, Morgan Stanley Research estimates (e)

Other companies mentioned: Antofagasta (ANTO.L, 3,224p), Banco De Credito E Inversion (BCI.SN, CLP64,809), Cencosud (CENCOSUD.SN, CLP1,867), Empresas Copec (COPEC.SN, CLP6,698), Enel Americas (ENELAM.SN, CLP91), Falabella (FALABELLA.SN, CLP6,790), Latam Airlines Group (LTM.N, US$48), Parque Arauo (PARAUCO.SN, CLP3,780), Plaza (MALLPLAZA.SN, CLP3,590), and Quiñenco (QUINENCO.SN, CLP4,699).

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Global Stock Ratings Distribution

(as of September 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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