SUMMARY

Dirección de Presupuestos

Gobierno de Chile

UPDATE OF THE 2024 MACROECONOMIC AND FISCAL SCENARIO

- Globally, inflation continues to converge to each country's targets, but the pace has slowed and fluctuations have increased. Global financial markets ended the year with a more appreciated US dollar, due to expectations of an increase in trade tensions and a slowdown in the easing of financial conditions. As for commodities, oil prices closed the year below year-end 2023 levels, while food prices were higher than in December 2023. The copper price ended 2024 above the 2023 average, remaining at around USD 4.15 per pound. Finally, the latest World Economic Outlook (IMF) maintains the global economic growth forecast for 2024 at 3.2%.

- Locally, the Imacec published after the statistical cutoff date of this report showed GDP growth of 2.5% in 2024, with a recovery in the third and fourth quarters driven by a more dynamic export performance and a recovery in investment, relative to the first half of the year. In 2024, exports of goods exceeded USD 100 billion for the first time.

- During the year, waged job creation recorded the highest 12-month average growth rate of the last decade, with the exception of the post pandemic period. In 2024, the Real Wage Index grew at a year-on-year average of over 2.8%, above the pre-pandemic average. Gross fixed capital formation increased during the second and third quarters of 2024, while public investment picked up in pace through November. Financial conditions at the end of 2024 remain tight, with low credit, although rates have been adjusting, in part, in line with monetary policy developments. The second half of the year was marked by greater tension in the global external scenario. The current account remained at sustainable levels, mainly due to the recovery of domestic savings and foreign trade, which continues to boost the economy. Finally, average annual inflation for the year was 3.9% and ended with an annual increase of 4.5% in December. The increase is mainly due to the necessary unfreezing of electricity tariffs from mid-2024 to January 2025, which will be a transitory effect.

Table 1
Macroeconomic Assumptions 2024

	PFR 3Q24	PFR 4Q24
GDP (real annual change, %)	2.6	**2.4**
MINING GDP (real annual change, %)	6.0	**5.6**
NON-MINING GDP (real annual change, %)	2.2	**1.9**
DOMESTIC DEMAND (real annual change, %)	1.5	**1.1**
CPI (annual change, % average)	3.9	**3.9**
EXCHANGE RATE (CLP/USD, average, nominal value)	928	**944**
COPPER PRICE (USD cents/lb, average, LME)	415	**415**
WTI OIL PRICE (USD/bbl)	78	**76**

Note: The PFR 4Q24 update uses estimated 2024 nominal GDP of CLP 307,018 billion and an estimated exchange rate at year-end 2024 of 999.12 pesos per dollar. The cutoff date for macroeconomic forecasts was 24 January 2025.
Source: Ministry of Finance.

- In the fiscal arena, central government revenues in 2024 reached CLP 67,283,221 million, which implies a real annual increase of 1.0% relative to overall revenues in 2023. This is CLP 2,852,533 million lower than the estimate in the last PFR, which is primarily explained by lower income from net non-mining tax revenues and, to a lesser extent, a reduction in property income and gross copper revenues, which was partially offset by income from private mining and other revenues.
- Based on the above overall revenue estimate, the preliminary calculation of cyclically adjusted revenues in 2024 is CLP 66,412,154 million. This represents a decrease of –4.1% relative to the estimate in the last PFR, due to the downward adjustment of –4.1% in the non-mining tax revenue forecast and –47.3% in the gross copper revenue forecast.
- Central government expenditures were CLP 76,163,870 million in 2024, which represents a reduction of CLP 31,305 million relative to the projected level in the last report. This update reflects additional containment efforts of CLP 54,397 million, partially offset by an increase in interest expense of CLP 23,092 million. Thus, expenditures increased 3.5% in real terms relative to the previous year, and decreased –1.0% in real terms relative to the initial 2024 Budget Law.
- Based on the preliminary closing of overall income and total expenditures, the overall deficit was CLP 8,880,648 million, equivalent to 2.9% of projected GDP for the year.
- In the framework of the structural balance rule, after making the cyclical adjustments to overall income, the cyclically adjusted deficit for 2024 is calculated at CLP 9,751,716 million, equivalent to 3.2% of GDP. This preliminary result for the cyclically adjusted balance constitutes a breach from the structural deficit target of –1.9% of GDP set forth in Fiscal Policy Decree No. 1,387 of the Ministry of Finance. This result will be officially confirmed in the 2024 final closing report, when all the actual figures for the year are available.
- Under the new Law No. 21,683 promoting Accountability and Transparency in the Financial Management of the State, the official communication of non-compliance with the cyclically adjusted balance target for the year has implications. This law establishes that at the final closing of the fiscal year, if fiscal policy deviates from the targets established in the fiscal policy decree in force without meeting the conditions for activating the escape clause defined in Article 1 ter, the Ministry of Finance must establish in the immediately subsequent Public Finance Report (PFR 1Q25) the corrective actions necessary to return to a sustainable fiscal situation, which must be reported to the Finance Committees of both Chambers of the National Congress, as well as to the Autonomous Fiscal Council. The latter will have thirty days from the publication of the aforementioned report to issue a well-founded opinion regarding the corrective actions.

Table 2
Total Central Government: Balance, 2024
(millions of 2024 CLP and % of GDP[1])

		PFR 3Q24 FORECAST		PFR 4Q24 FORECAST	
		CLP MM	% OF GDP	CLP MM	% OF GDP
(1)	Total overall revenue	70,135,754	22.8	67,283,221	21.9
(2)	Total cyclically adjusted revenue	69,270,859	22.5	66,412,154	21.6
(3)	Total expenditures	76,195,175	24.8	76,163,870	24.8
(1)-(3)	**Overall balance**	**–6,059,421**	**–2.0**	**–8,880,648**	**–2.9**
(2)-(3)	**Cyclically adjusted balance**	**–6,924,316**	**–2.3**	**–9,751,716**	**–3.2**

Source: Dipres.

- At the close of the 2024 budget exercise, the central government's gross debt was USD 130,825 million, equivalent to 42.3% of estimated GDP, while the net financial position (NFP) is forecast at –37.7% of GDP in the same period.

UPDATE OF THE 2025 MACROECONOMIC AND FISCAL SCENARIO

- For 2025, central banks in developed economies are expected to continue cutting interest rates, albeit at different speeds and with some possible pauses. Regarding global growth, the latest update of the International Monetary Fund's World Economic Outlook maintains expectations of a better performance at the global level. In addition, inflation is expected to continue to decline in 2025. Meanwhile, the outlook for commodity prices has changed relative to the projections in the last report, with an expected copper price of USD 4.26/lb in 2025 and expected oil price of USD 71/bbl.

- The baseline scenario of this report considers GDP growth of 2.5% in 2025, highlighting a significant recovery in investment. Compared to the last report, mining GDP is adjusted upward to 3.9%, while non-mining GDP is adjusted downward to 2.2%. Investment is expected to grow by 3.9% year-on-year, rebounding sharply after previous declines. Inflation expectations in this PFR have been adjusted upward by five tenths of a percentage point with respect to the scenario of the previous report, to an annual average of 4.7%. This correction is largely influenced by higher inflation concentrated in the first months of the year, which then normalizes over the rest of 2025. On the external side, export growth is revised marginally downward (3.9%) relative to the previous PFR scenario, while imports are corrected downward by 2.3 percentage points (4.2%). Thus, the current account balance of the baseline scenario is adjusted upward by about one percentage point, to –1.2% of GDP.

Table 3
2025 Macroeconomic Assumptions

	PFR 3Q24	PFR 4Q24
GDP (real annual change, %)	2.7	**2.5**
MINING GDP (real annual change, %)	3.5	**3.9**
NON-MINING GDP (real annual change, %)	2.5	**2.2**
DOMESTIC DEMAND (real annual change, %)	3.4	**2.5**
CPI[1] (annual change, % average)	4.2	**4.7**
EXCHANGE RATE (CLP/USD, average, nominal value)	887	**992**
COPPER PRICE (USD cents/lb, average, LME)	430	**426**
WTI OIL PRICE (USD/bbl)	81	**71**

Note: The PFR 4Q24 update uses estimated 2025 nominal GDP of CLP 330,642 billion and an estimated exchange rate in December 2025 of 972 pesos per dollar. The cutoff date for macroeconomic forecasts was 24 January 2025.
Source: Ministry of Finance.

- The macroeconomic scenario projected for 2025 and the overall fiscal revenue execution for 2024 provide the basis for forecasting the total central government's 2025 revenues, which are estimated at CLP 76,361,899 million. This implies a real annual increase of 8.4% relative to overall revenues in 2024.

- Based on the above overall revenue estimate and the methodological application of cyclical adjustments, the projection for cyclically adjusted revenues in 2025 is CLP 76,724,275 million. This represents a real annual increase of 10.4% relative to 2024.

- Total Central Government Expenditure for 2025 is projected at CLP $81,902,667 million, representing a decrease of CLP $629,507 million compared to the figure presented in the PFR 3Q24. This expenditure containment primarily includes the CLP 544,000 million fiscal adjustment mandated in the Budget Law[1], which is distributed as follows: 23.8% in personnel expenses, 17.6% in consumer and industrial goods and services, 28.0% in subsidies and donations (which mainly include the Public Treasury), 3.5% in investment, and 27.0% in capital transfers. Finally, it contemplates an additional adjustment for fiscal year 2025 of CLP 85,000 million in the Public Treasury.
- Overall, the total estimated spending level for 2025 implies real annual growth of 2.7% over the previous year, or 1.7% compared to the 2024 Approved Budget Law. The two rates differ as a result of the significant containment of expenditures in the 2024 execution period.
- Based on the overall income and total expenditure forecasts for 2025, the overall deficit of the total central government is estimated at CLP 5,540,767 million, equivalent to 1.7% of projected GDP for the year.
- In the framework of the structural balance rule, after making the cyclical adjustments to overall income, the projected cyclically adjusted deficit for 2025 is CLP 5,178,392 million, equivalent to 1.6% of GDP, which is a higher deficit than the target defined in the Fiscal Policy Decree (structural deficit of 1.1% of GDP)[2]. This result should be considered as transitory, given that corrective measures must be applied in 2025 following the failure to meet the fiscal target in 2024, in accordance with the Law promoting Accountability and Transparency in the Financial Management of the State. These measures will be formalized with the PFR for the first quarter of 2025, which is also consistent with the commitments made during the processing of the Budget Bill for this year.

Table 4
Total Central Government: Balance, 2025
(millions of 2025 CLP and % of GDP[(1)])

		PFR 3Q24 FORECAST		PFR 4Q24 FORECAST	
		CLP MM	% OF GDP	CLP MM	% OF GDP
(1)	Total overall revenue	79,286,725	24.3	76,361,899	23.1
(2)	Total cyclically adjusted revenue	78,835,232	24.1	76,724,275	23.2
(3)	Total expenditures	82,532,174	25.3	81,902,667	24.8
(1)-(3)	**Overall balance**	**–3,245,448**	**–1.0**	**–5,540,767**	**–1.7**
(2)-(3)	**Cyclically adjusted balance**	**–3,696,942**	**–1.1**	**–5,178,392**	**–1.6**

(1) Projected GDP in each forecast.
Source: Dipres.

- The estimate for the central government's gross debt stock at the close of the 2025 budget exercise is USD 142,662 million, equivalent to 42.1% of overall GDP for the period, while the net financial position (NFP) is forecast at –37.9% of GDP in the same period.

1 In accordance with the Framework Agreement for the Discussion of the draft Public Sector Budget Law for the year 2025, signed on 7 November 2024.
2 Finance Ministry Decree No. 1,387 of 2024, amending Finance Ministry Supreme Decree No. 755 of 2022, which establishes the bases for fiscal policy in accordance with Article 1 of Law No. 20,128, on fiscal responsibility.

UPDATE OF THE MEDIUM-TERM FISCAL SCENARIO: 2026–2029

- The medium-term scenario considers that domestic output will move toward its trend growth rate by the end of the forecast horizon. For 2026–2029, output forecasts indicate that non-mining GDP growth will gradually converge to its trend level, with growth of 2.7% and 2.5% in 2026 and 2027, respectively, and 2.0% in 2028 and 2029. The scenario assumes that inflation will converge to the Central Bank's target. The copper and oil price forecasts used in the scenario are estimated at USD 4.37 per pound and USD 67 per barrel between 2027 and 2029, respectively. The exchange rate should reach 940 pesos per dollar by the end of the forecast period.

Table 5
2026–2029 Macroeconomic Assumptions

	2026		2027		2028		2029	
	PFR 3Q24	PFR 4Q24	PFR 3Q24	PFR 4Q24	PFR 3Q24	PFR 4Q24	PFR 3Q24	PFR 4Q24
GDP (real annual change, %)	2.3	**2.3**	2.2	**2.2**	2.2	**2.1**	2.1	**2.0**
MINING GDP (real annual change, %)	3.0	**2.7**	3.0	**2.5**	3.0	**2.0**	2.5	**2.0**
NON-MINING GDP (real annual change, %)	2.2	**2.2**	2.1	**2.1**	2.1	**2.1**	2.0	**1.9**
DOMESTIC DEMAND (real annual change, %)	2.7	**2.3**	2.5	**2.0**	2.2	**2.0**	2.1	**1.9**
CPI (annual change, % average)	3.1	**3.1**	3.0	**3.0**	3.0	**3.0**	3.0	**3.0**
EXCHANGE RATE (CLP/USD, average, nominal value)	866	**972**	856	**951**	855	**945**	855	**940**
COPPER PRICE (USD cents/lb, average, LME)	430	**433**	430	**437**	430	**437**	430	**437**
WTI OIL PRICE (USD/bbl)	81	**68**	81	**67**	81	**67**	81	**67**

Note: The PFR 4Q24 update uses estimated 2026 nominal GDP of CLP 347,489 billion, estimated 2027 nominal GDP of CLP 363,654 billion, estimated 2028 nominal GDP of CLP 380,285 billion, and estimated 2029 nominal GDP of CLP 397,452 billion; and an estimated exchange rate of 954 pesos per dollar in December 2026, 947 pesos per dollar in December 2027, 943 pesos per dollar in December 2028, and 938 pesos per dollar in December 2029. The cutoff date for macroeconomic forecasts was 24 January 2025.
Source: Ministry of Finance.

- The revenue forecast for the total central government in the 2026–2029 period considers the macroeconomic scenario described above, the current tax structure, and the projected surpluses transferred from public companies consistent with their current strategic plans and the profit distribution policies defined by the authority. Additionally, this forecast includes expected revenues associated with the Tax Compliance Law and the Codelco-SQM agreement on lithium production in the Atacama Salt Flat.

- The updated estimates of committed expenditures for the 2026–2029 period are based on the committed expenditures outlined in the PFR for the 2025 Budget Bill. Specifically, the updated expenditure of the total central government presents a real annual increase of 1.5% in 2026, 1.9% in 2027, 1.3% in 2028, and 0.7% in 2029.

- The results for the total central government's overall and structural balance in the medium term are presented in table 6. These estimates are consistent with the dual rule that guides fiscal policy: that is, based on a debt anchor, the cyclically adjusted balance targets are set to keep the debt forecast below a level considered prudent, namely, 45% of estimated GDP.

- It should be noted that the current administration has established targets only through 2026. As indicated in past reports, from 2027 on, the targets shown here are solely referential and will be updated in accordance with the current regulation, which mandates that incoming administrations must set CAB targets for each of their years in office. However, although the targets shown are not definitive, this report, in an exercise of fiscal prudence, illustrates the challenge ahead in terms of converging to a structural balance of 0.0% of GDP.

- The new spending level compatible with the structural balance target is lower than estimated in the last PFR for the entire forecast horizon due to the downward adjustment in the projection of total structural revenues in all years. Compatible spending is adjusted downward by –2.6%, –2.4%, –0.9%, and –1.0% for 2026, 2027, 2028, and 2029, respectively.

- Given that the committed expenditure projection had smaller adjustments, the comparison with the expenditure estimate consistent with fiscal targets yields negative buffers for the four years of the forecast, from almost USD 2,700 million in 2026 to just over USD 800 million in 2029. These negative buffers should translate into a projected adjustment needed to meet the desired CAB level, given structural revenues.

- This estimate of negative buffers is neither a prediction of what will happen in the future nor a task to be left to the incoming administration in March 2026. Rather, it is a warning signal to articulate timely corrective actions in terms of fiscal revenues and expenditures. These corrective actions, in accordance with the provisions of the Fiscal Responsibility Law and the Framework Agreement of the Budget Law for 2025, will constitute a central element of the Public Finance Report for the first quarter of 2025, and they are already reflected in the execution of the current Budget and the formulation of the Budget Bill for 2026. The latter will incorporate information on the final fiscal and macroeconomic closing of 2024, the behavior of revenues and expenditures at the beginning of the current fiscal year, an update of the macroeconomic scenario for the period, and the first results of the Budget Office's review of its revenue projection methodologies, which is being carried out with the support of technical assistance from the IMF.

Table 6
Total Central Government: Overall and Structural Balance, 2026–2029
(millions of 2025 CLP and % of GDP)

		2026	2027	2028	2029
(1)	Total overall revenues	79,408,778	81,911,054	84,548,346	86,277,124
(2)	Total committed expenditure	83,103,953	84,647,933	85,750,417	86,360,695
(3)	Cyclically adjusted revenues	78,884,187	81,074,966	83,739,876	85,641,714
(4)	**CAB target (% of GDP)**	**–0.5**	**–0.5**	**–0.5**	**0.0**
(5)	Spending level compatible with the target	80,568,939	82,786,805	85,477,092	85,641,714
(6)	Buffer: Difference in expenditure (5)–(2)	–2,535,014	–1,861,127	–273,325	–718,980
(7)	Difference in expenditure (USD MM)	**–2,689**	**–2,080**	**–317**	**–863**
(8)	Difference in expenditure (% of GDP)	–0.8	–0.5	–0.1	–0.2
(9)	**Overall balance compatible with the target (1)–(5) (% of GDP)**	**–0.3**	**–0.3**	**–0.3**	**0.2**

Source: Dipres.

- Thus, the current PFR estimates that the total central government's gross debt, consistent with committed expenditures, will be USD 172,035 million at year-end 2029, equivalent to 40.6% of projected GDP for that year, while the net financial position is forecast at –36.6% of GDP in the same period.

- Given that this expenditure level is higher than the level compatible with the assumed cyclically adjusted balance (CAB) target path, it corresponds to a more conservative criterion for the estimation of the debt path. It thus highlights the efforts to be made by the fiscal authority through corrective actions for the sustainability of finances in the medium term, which will be carried out in conjunction with the publication of the Public Finances Report for the first quarter of 2025. The benefits of such corrective actions are reflected in the difference with the debt projection considering only the expenditure level compatible with the fiscal policy target, which reaches 39.1% at the end of 2029.

- In this regard, in order to make additional efforts to meet the Debt/GDP ratio between 2026 and 2029, and to avoid committing greater amounts in debt, measures are being taken in the planning of below-the-line transactions by moderating loan projections and controlling capitalizations to public companies through 2029.

Table 7
Total Central Government: Net Financial Position, Estimated Year-end 2026–2029
(millions of USD and % of GDP, 31 December of each year)

	2026		2027		2028		2029	
	USD MM	% OF GDP	USD MM	% OF GDP	USD MM	% OF GDP	USD MM	% OF GDP
Total Public Treasury assets	15,480	4.3	15,938	4.2	16,456	4.1	17,006	4.0
Total gross debt	153,520	42.2	161,542	42.1	169,380	42.0	172,035	40.6
NET FINANCIAL POSITION	–138,040	–37.9	–145,603	–37.9	–152,923	–37.9	–155,029	–36.6

Source: Dipres.

- Additionally, this PFR continues to institutionalize the use of alternative medium-term scenarios, in line with international best practices, in order to explore the sensitivity of the results presented earlier. Two scenarios are discussed: one with a higher output growth forecast (optimistic) and one with a lower growth forecast (pessimistic). The report then describes the fiscal results associated with each scenario

- The analysis of the different economic growth scenarios reveals that, although greater dynamism would increase overall tax revenues in 2026 by USD 911 million, its impact on structural revenues would be much more moderate, with an increase of only USD 199 million due to the cyclical adjustment. In contrast, lower growth would significantly reduce overall revenues by USD 1,532 million in 2026, but would generate a positive effect on structural revenues in that year, with an increase of USD 239 million, due to the widening of the gap of non-mining GDP with respect to its trend. The overall balance would improve by 0.1 pp of GDP in 2026 under the optimistic scenario, while it would deteriorate by 0.2 pp. in the pessimistic scenario. In turn, the structural balance would deteriorate by 0.1 pp of GDP in 2026 in the optimistic scenario and improve by 0.3 pp in the pessimistic scenario, reflecting the impact of the cyclical adjustment. Fiscal buffers reflect these dynamics, being USD 921 million less negative in the pessimistic scenario and USD 389 million more negative in the optimistic scenario. These effects tend to diminish over time, underscoring the importance of the fiscal rule and cyclical adjustment to avoid pro-cyclical responses that compromise fiscal sustainability.

- Thus, the different proposed macroeconomic scenarios entail different dynamics for the evolution of gross debt over the estimated horizon (up to 2029), but they all comply with the commitment to keep the debt below the prudent debt level of 45.0% of GDP. Specifically, the optimistic scenario entails a debt trajectory below the baseline scenario, reaching 40.5% of GDP by the end of the projection horizon. Conversely, the pessimistic scenario implies a gross debt of around 40.9% of GDP in 2029.