

SUMMARY



UPDATE OF THE 2025 MACROECONOMIC AND FISCAL SCENARIO

- The global economy performed better than expected at the beginning of the year, despite uncertainty caused by geopolitical and trade tensions. Inflation has fallen at varying rates, allowing some countries to cut their monetary policy rates. The dollar continued to depreciate more sharply worldwide in the last quarter. In terms of stock markets, the year was characterized by excellent performance in Latin America and other emerging countries, with returns exceeding 50% in some cases. On the commodities side, the copper price reached historic highs, while oil prices were adjusted slightly downward.
- The nominal GDP level for the year was higher than estimated when the Budget Law was drafted. However, real growth of 2.3% is projected due to weaker performance in the mining sector, which was not offset by stronger performance in non-mining activity. Domestic demand has been revised upward relative to the previous scenario due to stronger growth in gross fixed capital formation and consumption.
- At the local level, non-mining activity grew more than expected, driven across the board by all sectors. On the expenditure side, the main drivers were gross fixed capital formation and consumption. Foreign trade maintained its momentum despite the uncertainty of a global scenario marked by trade tensions and geopolitical dynamics. With regard to the export sector, most sectors recorded increases, with the exception of forest-related activities, which are mainly carried out in regions affected by fires in recent years. Imports grew, driven by capital goods and intermediate goods.
- Inflation ended the year on a path of convergence toward its target value, with expectations firmly anchored. In turn, the monetary policy rate was adjusted downward, with expectations of further decreases. This, combined with a reduction in local uncertainty, has led to an improvement in financial conditions. The above occurred in a context of the IPSA, growing investments as reported by the Capital Goods Corporation, and an increase in credit flows.

Table 1
Macroeconomic Assumptions in 2025

	PFR 3Q25	PFR 4Q25
GDP (real annual change, %)	2.5	2.3
MINING GDP (real annual change, %)	1.9	-1.1
NON-MINING GDP (real annual change, %)	2.5	2.8
DOMESTIC DEMAND (real annual change, %)	3.3	4.3
CPI (annual change, % average)	4.4	4.2
EXCHANGE RATE (CLP/USD, average, nominal value)	962	952
COPPER PRICE (USD cents/lb, average, LME)	430	451
WTI OIL PRICE (USD/bbl)	66	65

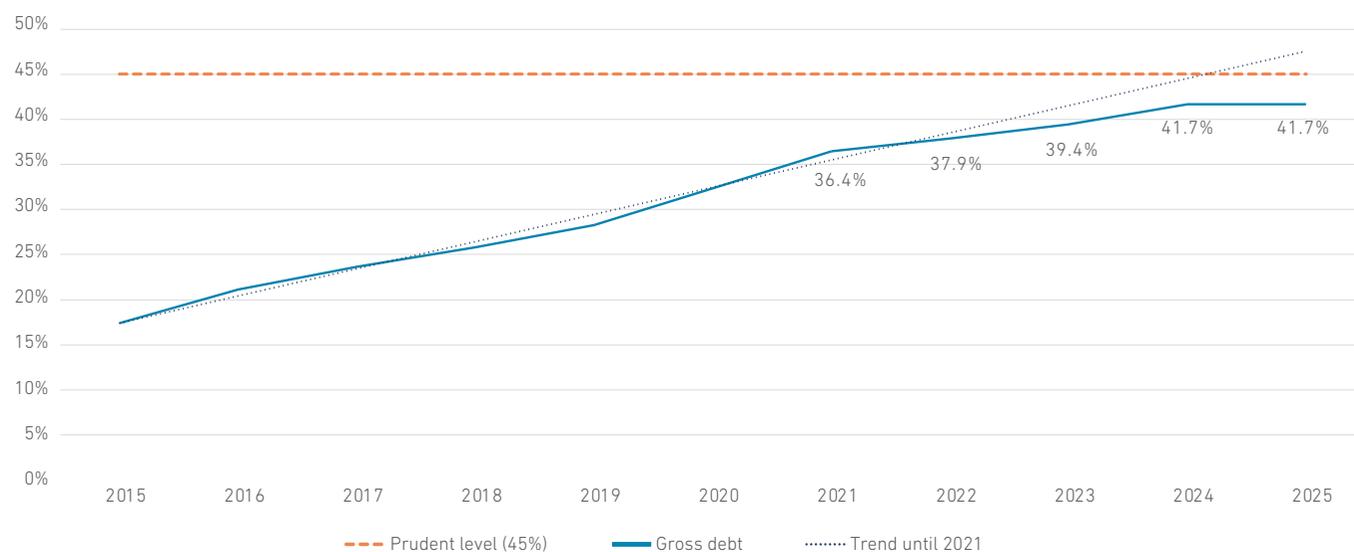
Note: The PFR 4Q25 update uses estimated 2025 nominal GDP of CLP 338,543 billion and an estimated exchange rate at year-end 2025 of 911.18 pesos to the dollar. The cutoff date for macroeconomic forecasts was 9 January 2026.

Source: Ministry of Finance.

- Total central government gross debt did not increase for the first time in almost two decades. The preliminary fiscal outturn for 2025 amounted to 41.7% of estimated GDP, below the forecast in the Public Finance Report for the third quarter of 2025 (42.4% of GDP) and in line with the 2024 result. This result is explained by a combination of higher nominal GDP growth (3.5% higher than projected in the 2025 Budget Law), spending restraint, and favorable exchange rate effects. This was achieved without withdrawals from the Economic and Social Stabilization Fund (ESSF).
- The change in the trend in the real annual growth of the debt-to-GDP ratio implies substantial savings in interest payments, estimated at USD 1 billion per year. In terms of trends, between 2012 and 2021, the real annual growth rate of gross debt averaged 16.9%. As a result of the change in trend recorded in subsequent years, the debt-to-GDP ratio has not only remained below the prudent level, but is also below all the scenarios projected at the beginning of the administration by the Autonomous Fiscal Council.

Figure 1
Central Government: Gross Debt, 2015–2025

(% of GDP for the respective year)



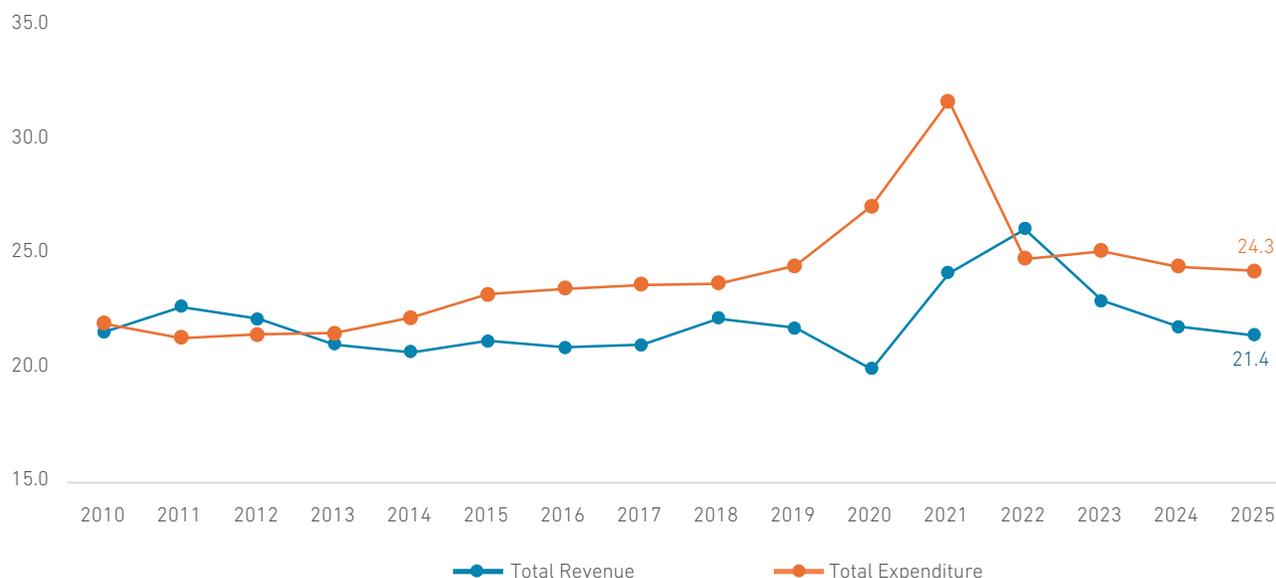
Source: Dipres.

- Central government revenue in 2025 reached CLP 72,606,525 million (21.4% of GDP), which implies a real annual increase of 3.5% relative to overall revenue in 2024. Tax revenues grew 4.3% in the year, driven by mining taxation, while non-tax revenues fell 0.3% annually. Mining and non-mining tax revenues followed opposite trends. Non-mining tax revenues grew 1.5%, at a slower pace than economic activity. From a historical perspective, this represents the lowest level since 2014 when measured as a percentage of GDP, excluding the pandemic. Four causes explain this low result: lower taxes paid by large companies, specific effects on large provisional monthly payments taxpayers, currency appreciation, and a drop in additional tax collection.
- Among the ten largest mining companies operating in the country (GMP10), tax revenues grew 47.2% in annual terms, due to the implementation of the Mining Royalty Law and the rise in copper prices. Additional royalty revenue reached US\$944 million, of which US\$790 million is attributable to the GMP10 group.
- Cyclically adjusted revenues for 2025 are estimated at CLP 70,103,342 million, which is 0.7% of GDP less than overall revenues. A significant part of this difference is explained by the cyclical adjustment to Codelco's revenues. Therefore, Box 2 in this report specifically analyzes a series of limitations in the cyclical adjustment to Codelco transfers that affect its link to overall revenues. The year's structural revenues were revised downward by CLP 3,940,664 million (–1.2% of GDP) from the previous report's estimate, mainly due to the effect of lower structural revenues from taxation of non-mining taxpayers (–0.6% of GDP) and raw copper (Codelco) (–0.4% of GDP).

- Total central government expenditures at year-end 2025 were CLP 82,132,035 million, equivalent to 24.3% of estimated GDP for the year (versus 24.4% the previous year). This represents a real increase of 3.5% over the previous year, with growth of 3.1% and 6.0% in current and capital expenditure, respectively. Within the latter component, investment had the highest execution rate since 2019.

Figure 2
Total Central Government: Total Revenue and Expenditure

(% of GDP for each year)



Source: Dipres.

- Based on the preliminary closing of overall income and total expenditures, the overall deficit was CLP 9,525,510 million, equivalent to 2.8% 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 2025 is calculated at CLP 12,028,692 million, equivalent to -3.55% of GDP. This preliminary result is 1.3 pp larger than the deficit forecast in the last PFR (-2.2% of GDP). Given this result, it should be noted that, when expressed as a percentage of GDP, the main influencing factors are the larger cyclical adjustments and the deviation in the revenue collection forecast.

Table 2
Total Central Government: Balance, 2025

(millions of 2025 CLP and % of GDP⁽¹⁾)

	PFR 3Q25 FORECAST		PFR 4Q25 FORECAST	
	CLP MM	% OF GDP	CLP MM	% OF GDP
(1) Total overall revenue	75,010,477	22.4	72,606,525	21.4
(2) Total cyclically adjusted revenue	74,044,006	22.1	70,103,342	20.7
(3) Total expenditures	81,591,862	24.3	82,132,035	24.3
(1)-(3) Overall balance	-6,581,385	-2.0	-9,525,510	-2.8
(2)-(3) Cyclically adjusted balance	-7,547,855	-2.2	-12,028,692	-3.55

(1) Estimated GDP in each report.

Source: Dipres.

UPDATE OF THE 2026 MACROECONOMIC AND FISCAL SCENARIO

- In terms of activity, the global economy is expected to be more dynamic, with an estimated growth rate of 3.3% according to the International Monetary Fund, in a context of looser financial conditions and macroeconomic policies aimed at boosting expansion. This scenario is led by stronger growth in emerging and developing economies. Global inflation, in turn, is expected to decline to 3.8% as a result of a slowdown in demand and lower energy prices. Commodity forecasts point to an increase in the copper price due to supply constraints in the mining sector.
- Domestically, the baseline scenario in this report anticipates GDP growth of 2.4%, down from 2.5% in the previous PFR, due to lower expected growth in the mining sector. Nevertheless, nominal GDP is higher than in the last report. Non-mining GDP is adjusted slightly downward to 2.3%, in a context where investment is expected to grow 5.3%, consistent with the increase in projects in the mining and energy sectors. Inflation is projected to be close to the 3% target, averaging 2.7% in annual terms. The exchange rate is expected to average 896 pesos to the dollar, lower than previously considered, in line with the higher copper price. Finally, export growth is more limited due to lower mining activity, while imports are increasing, mainly driven by capital goods. As a result, the current account deficit is projected to be 2.2%.

Table 3
2026 Macroeconomic Assumptions

	PFR 3Q25	PFR 4Q25
GDP [real annual change, %]	2.5	2.4
MINING GDP [real annual change, %]	3.4	2.7
NON-MINING GDP [real annual change, %]	2.4	2.3
DOMESTIC DEMAND [real annual change, %]	2.9	2.9
CPI⁽¹⁾ [annual change, % average]	3.1	2.7
EXCHANGE RATE [CLP/USD, average, nominal value]	958	896
COPPER PRICE [USD cents/lb, average, LME]	435	515
WTI OIL PRICE [USD/bbl]	63	60

Note: The PFR 4Q25 update uses estimated 2026 nominal GDP of CLP 360,194 billion and an estimated exchange rate in December 2026 of 904 pesos to the dollar. The cutoff date for macroeconomic forecasts was 9 January 2026.

Source: Ministry of Finance.

- Overall income is forecast at CLP 79,162,530 million, CLP 1,857,452 million (2.3%) lower than estimated in the previous report. In line with the 2025 budget execution, the forecast for non-mining tax revenue has been adjusted downward, which will be partially offset by an increase in income from copper and lithium, a reflection of the higher price for these minerals. According to price forecasts, if the average annual copper and lithium prices were to be equivalent to the spot prices observed on 6 February, revenue from these minerals would be more than a trillion higher than estimated in this report.
- Total central government expenditures are forecast at CLP 85,808,105 million in 2026 (equivalent to 23.8% of estimated GDP), which represents a reduction of CLP 448,731 million relative to the projection in the 3Q25 PFR (corresponding to 24.4% of estimated GDP in that report).

- Based on the overall income and total expenditure forecasts for 2026, the total central government's overall deficit is estimated at CLP 6,645,575 million, equivalent to -1.8% of projected GDP for the year. The primary balance is estimated at CLP -2,719,937 million, equivalent to -0.8% of GDP, the lowest level since 2013.
- The estimate for the central government's gross debt at the close of the 2026 budget exercise is CLP 151,333,295 million, equivalent to 42.0% of estimated GDP for the period. This represents a reduction of 1.2% of estimated GDP relative to the estimate in the last PFR, reflecting a higher nominal GDP for the year and the expectation of an appreciation of the peso against the dollar and the euro, as well as lower expected inflation. Finally, this figure is around 3% of GDP lower than the prudent debt level defined for the period.
- In the framework of the structural balance rule, after making the cyclical adjustments to overall income, the cyclically adjusted deficit for 2026 is calculated at CLP 9,621,844 million, equivalent to -2.7% of GDP. In this context, an anticipated non-compliance is looming. However, the incoming administration must establish its own cyclically adjusted balance target and its impact on the debt trajectory in its first Fiscal Policy Decree, which must be published within the first 90 calendar days of taking office according to Article 1 of Law No. 21,683. Subsequently, ex post compliance in the Public Finance Report for the first quarter of 2027 will be assessed under these new parameters.

Table 4
Total Central Government: Balance, 2026

(millions of 2026 CLP and % of GDP⁽¹⁾)

		PFR 3Q25 FORECAST		PFR 4Q25 FORECAST	
		CLP MM	% OF GDP	CLP MM	% OF GDP
(1)	Total overall revenue	81,019,982	22.9	79,162,530	22.0
(2)	Total cyclically adjusted revenue	82,205,163	23.3	76,186,261	21.2
(3)	Total expenditures	86,256,836	24.4	85,808,105	23.8
(1)-(3)	Overall balance	-5,236,854	-1.5	-6,645,575	-1.8
(2)-(3)	Cyclically adjusted balance	-4,051,673	-1.1	-9,621,844	-2.7

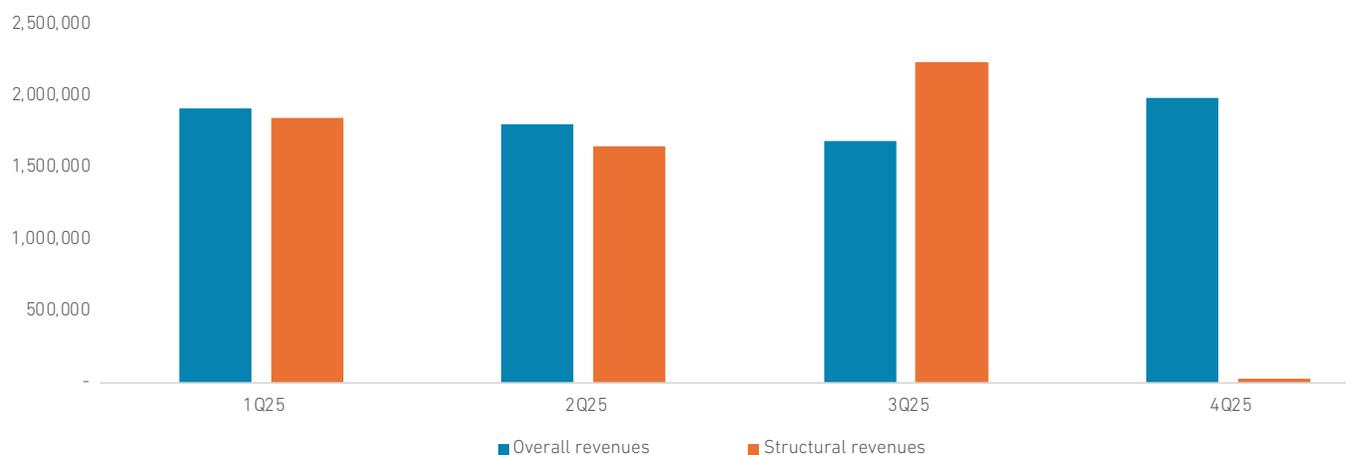
(1) Estimated GDP in each report.

Source: Dipres.

- In the results of the 2026 CAB update, the cyclical adjustment due to transfers from Codelco to the Treasury (raw copper) has a particularly significant impact on the downward revision. Although overall revenues from raw copper increase by 0.1% of GDP compared to the previous estimate, structural revenues are revised downward by -98.7% (-0.6% of GDP) due to the increase in Codelco's projected copper sales price, which is significantly higher than the reference price.

Figure 2
Estimates of Overall and Structural Revenues from Codelco Transfers, 2026

(millions of 2026 CLP)



Notes:

(1) The Public Finance Reports (PFR) for Q1 2025 and Q2 2025 use a copper reference price of 409 USD cents per pound (Expert Committee meeting in July 2024); while the Q3 2025 and Q4 2025 PFRs use a reference price of 438 USD cents per pound (Expert Committee meeting in July 2025).

(2) The figures for the 4Q25 PFR take into account Codelco's estimated lithium revenues (CLP 79,070 million). If these were not included, the structural revenues would be negative (CLP -49,696 million).

Source: Dipres.

- Such a large correction is not consistent with the modeling of a cyclical adjustment that reasonably captures temporary copper revenues in the face of abrupt changes in the price of copper. For more details on this issue, see Box 2 for an analysis of the cyclical adjustment to Codelco transfers in 2025, as well as the Public Finance Studies report, "Ajuste Cíclico de los ingresos por Cobre Bruto: desafíos pendientes" (Cyclical Adjustment of Raw Copper Revenues: Pending Challenges).
- The overall and structural results could be updated to reflect improvements deriving from corrective measures to generate fiscal space, particularly those dependent on Congress. Specifically, the initiatives under consideration (which were not included in the projections mentioned above) could generate an improvement of CLP 300 billion.
- Finally, the Finance Ministry has proposed a set of preventive corrective measures in accordance with Article 50 of the 2026 Budget Law, including:
 - o A reduction in above- and below-the-line spending of CLP800 billion, to be implemented by decree in February 2026; and
 - o The creation of a high-level expert commission to evaluate a possible structural change in the collection capacity of the first-category (business) income tax.

UPDATE OF THE MEDIUM-TERM FISCAL SCENARIO: 2027–2030

- The medium-term scenario assumes that domestic activity will return to its trend growth rates toward the end of the forecast period. Total activity remains unchanged, except in 2030, when the mining sector will receive a boost from the start of production at major development and maintenance projects. Non-mining GDP growth rates remain similar to those in the last PFR. Domestic demand is adjusted downward, mainly due to lower growth in gross fixed capital formation. Imports decline in 2027 due to lower imports of capital goods, while exports increase in 2030 due to higher mining exports, reflecting the start-up of production from developments carried out in previous years.
- Inflation remains unchanged, holding steady at its target value. In contrast, the copper price rises throughout the period. Against this backdrop, the exchange rate has been adjusted downward. The oil price has also been adjusted slightly downward. Finally, the current account as a percentage of GDP remains at similar levels, with the average for the period standing at –2.5.

Table 5
2027–2030 Macroeconomic Assumptions

	2027		2028		2029		2030	
	PFR 3Q25	PFR 4Q25						
GDP (real annual change, %)	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.3
MINING GDP (real annual change, %)	1.2	1.4	1.2	1.2	1.8	1.8	2.0	2.9
NON-MINING GDP (real annual change, %)	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.2
DOMESTIC DEMAND (real annual change, %)	2.6	2.4	2.1	2.1	2.1	2.1	2.1	2.1
CPI (annual change, % average)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
EXCHANGE RATE (CLP/USD, average, nominal value)	941	910	935	911	935	911	935	911
COPPER PRICE (USD cents/lb, average, LME)	438	477	438	475	438	475	438	475
WTI OIL PRICE (USD/bbl)	63	61	63	61	62	61	62	61

Note: The PFR 4Q25 update uses estimated 2027 nominal GDP of CLP 373,357 billion, estimated 2028 nominal GDP of CLP 390,693 billion, estimated 2029 nominal GDP of CLP 409,007 billion, and estimated 2030 nominal GDP of CLP 427,762 billion; and an estimated exchange rate of 911 pesos to the dollar in December 2027, 911 pesos to the dollar in December 2028, 911 pesos to the dollar in December 2029, and 911 pesos to the dollar in December 2030. The cutoff date for macroeconomic forecasts was 9 January 2026.

Source: Ministry of Finance.

- The medium-term forecast for non-mining tax revenues includes prudential adjustments that reflect, as a working assumption, that the lower revenue collection observed in 2025 will have a persistent effect on non-mining tax revenues. In contrast, expected tax revenues from private mining companies (GMP10) are revised upward for the entire medium term, which is consistent with the expected increase in copper prices during the period.
- The updated estimates of committed expenditures for the 2027–2030 period are based on the committed expenditures outlined in the PFR for the 2026 Budget Bill. Specifically, the updated expenditure of the total central government presents a real annual increase of 3.2% in 2027, 1.6% in 2028, 1.1% in 2029, and 0.3% in 2030.

- The results for the total central government's overall and structural balance in the medium term are presented in table 6. As the table shows, the expected path of the cyclically adjusted balance keeps the debt forecast below the prudent level of 45% of estimated GDP.
- For the medium term, Fiscal Policy Decree No. 542 does not set explicit targets for the cyclically adjusted balance, given that the decree only applies until 2026. This is because the definition of these targets corresponds to the next administration, which must issue a new Fiscal Policy Decree based on its macrofiscal projections and the priorities and guidelines of its government program.

Table 6
Total Central Government: Overall and Structural Balance, 2027–2030

(% of GDP for the corresponding year)

		2027	2028	2029	2030
(1)	Total overall revenues	22.7	22.9	22.8	22.8
(2)	Total committed expenditures	24.4	24.4	24.3	24.0
(3)	Cyclically adjusted revenues	22.3	22.8	22.8	22.9
(1)-(2)	Overall balance	-1.7	-1.5	-1.5	-1.2
(3)-(2)	Cyclically adjusted balance	-2.1	-1.7	-1.5	-1.1

Source: Dipres.

- The estimated corrective measures for the medium term amount to an average of 0.15 percentage points of GDP per year. These measures include parametric reform of work disability benefits (SIL), university funding, and limiting the replacement of vacancies due to retirement incentives, all of which have a net effect of reducing expenditure. When these measures are taken into account, the overall and cyclically adjusted balances would improve by between 0.1 and 0.2 percentage points of GDP each year. For more details on the progress of these measures and their estimated amounts, see Box 6 on corrective measures to generate fiscal space, which provides a follow-up on corrective actions taken in 2025 and describes corrective actions for 2026.
- Thus, the current PFR estimates that the total central government's gross debt, consistent with committed expenditures, will be USD 203,925 million at year-end 2030, equivalent to 43.4% of projected GDP for that year, while the net financial position is forecast at -40.2% of GDP in the same period.

Table 7
Total Central Government: Net Financial Position, Estimated Year-end 2027–2030

(millions of USD and % of GDP, 31 December of each year)(millions of USD and % of GDP, 31 December of each year)

	2027		2028		2029		2030	
	USD MM	% OF GDP						
Total Public Treasury assets	15,121	3.7	15,083	3.5	15,048	3.4	15,038	3.2
Total gross debt	176,458	43.1	185,706	43.3	195,622	43.6	203,925	43.4
NET FINANCIAL POSITION	-161,338	-39.4	-170,622	-39.8	-180,574	-40.2	-188,887	-40.2

Note: Figures were converted to dollars using the estimated exchange rate for December of each period.

(1) Considers the possibility that the Strategic Contingency Fund (SCF) will be implemented in 2027, financed with ESSF resources.

Source: Dipres.

- Additionally, this PFR presents exercises based on alternative medium-term scenarios, in line with international best practices, in order to explore the sensitivity of the results described above. Two scenarios are discussed: one with a lower domestic demand forecast (pessimistic) and one with a more persistent increase in the copper price (optimistic). The report then outlines the fiscal results associated with each scenario.
- Thus, the different macroeconomic scenarios proposed entail different dynamics for the evolution of gross debt over the estimated horizon (through 2030), but they all comply with the commitment to keep the debt below the prudent level of 45.0% of GDP. Specifically, the optimistic scenario of a persistently higher copper price entails a debt trajectory below the baseline scenario, reaching 42.6% of GDP toward the end of the forecast horizon. Conversely, the pessimistic scenario of lower domestic demand implies a gross debt of around 43.9% of GDP in 2030.

