

February 8th, 2021

Budget Office publishes Public Finances Report of last quarter, 2020.

Santiago, February 9th, 2021. Yesterday was published the Public Finances Report (Informe de Finanzas Públicas), corresponding to the last quarter of 2020. The report contains the last fiscal update as well as key information on the last

The full report is available in Spanish at the following link: [https://www.dipres.gob.cl/598/articles-215735 Informe PDF 4to Trimestre.pdf](https://www.dipres.gob.cl/598/articles-215735_Informe_PDF_4to_Trimestre.pdf)

General points.

Based on preliminary data, the Chilean economy is estimated to have contracted by 6.0% in 2020, greater than the 5.5% decline projected in the previous report, published in early October 2020. From an expenditure perspective, the larger than anticipated decline in economic activity during 2020 was driven mainly by a deeper contraction in gross fixed capital formation.

The Ministry of Finance projects an important snapback in economic activity during 2021 up to +5.0%, supported by significant policy stimulus and rapid progress on vaccinations.

Annual inflation in 2020 reached 3.0%, in line with the middle of the range established by the Central Bank of Chile.

Higher copper prices implied a review of the copper price estimation for 2021, which is expected to average US\$335 per pound during the year, compared to the previous estimation of US\$288.

Preliminary 2020 Fiscal Outturn & Projections for 2021.

Based on preliminary data, fiscal revenues in 2020 fell by 8.4%, mainly driven by the decline in non-mining revenue, and the tax policy measures implemented by the Government to face the economic effects derived from the COVID shock, which resulted in lower revenues of 1.2% of GDP.

Government expenditures increased by 10.5%, reaching 27.6% of the estimated GDP for 2020, resulting in a lower headline fiscal deficit of 7.4% of GDP, compared to the 8.2% projected in the last report.

Cyclically adjusted revenues for the period increased by 6.3%, explained by higher structural fiscal revenue, as well as for a higher copper price. Thus, the Structural Balance for 2020 reached a deficit of 2.7% of GDP, compared to the -3.2% of the previous report.

For 2021, Central Government revenues are projected to increase by 19.3%, 4.2% higher than the estimation contained in the last report, resulting in a headline fiscal deficit of 3.3%, lower than the deficit projected in the Budget Law (4.3%).

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Cyclically adjusted revenues for 2021 are expected to increase by 2.0% compared to the previous estimation. Given the forecasted expenditures, it implies a cyclically adjusted deficit for 2021 of 4.2% of GDP, considering no changes in expenditures. The structural deficit established in the Budget Law for 2021 is set at 4.7% of GDP.

Medium-term Macro-fiscal projections.

The medium-term estimations consider a gradual reduction of the structural deficit of 1% per year, from 3.9% of GDP in 2022 towards 0.9% of GDP by end-2025.

Gross public debt is estimated to have reached 33% of GDP by end-2020 and 34.9% in 2021. Gross public debt is expected to reach 42.9% in 2025, below the 44.1% projected in the previous report.