



Ministerio de  
Hacienda

Gobierno de Chile

# Chile's economy: from macro stabilization to long-term inclusive growth

Chile Day  
Paris - London 2024  
Sept. 6th-10th



Mario Marcel | Minister of Finance

# Macro in the shorter run



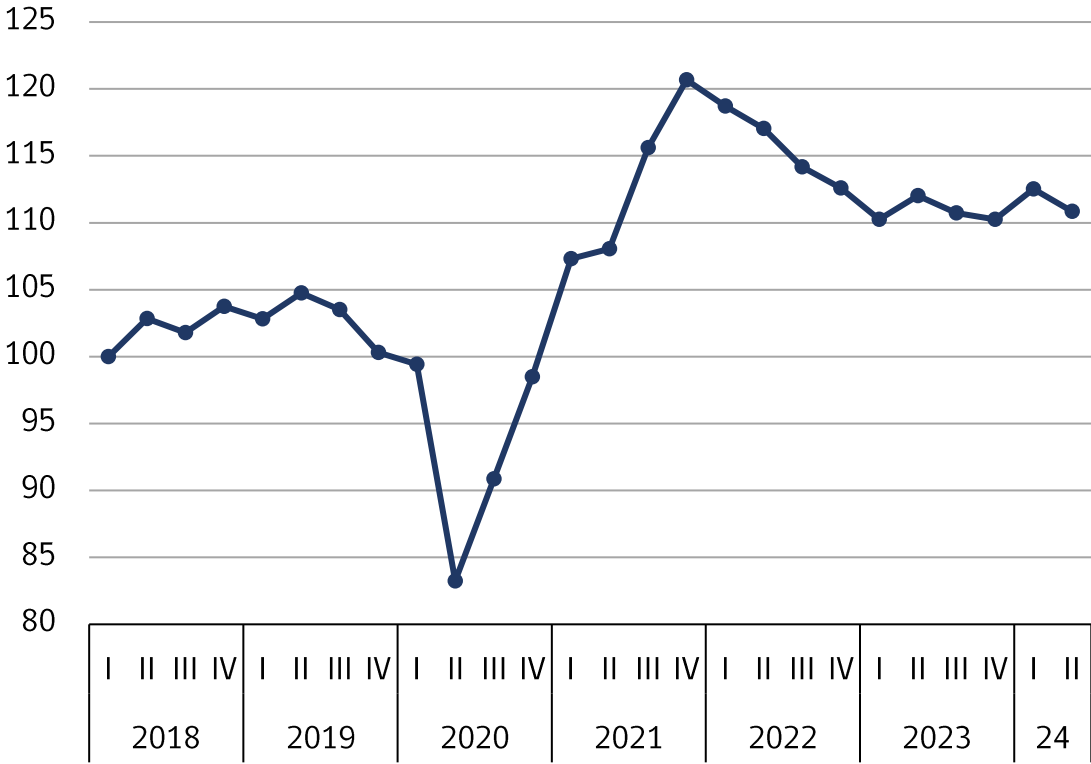
**From Chile Day London #14, September 2023**

Statement 2023	Reasons for skepticism at the time
By the second half of the year, activity levels will exceed those of a year ago, with a growth close to zero for the year as a whole. Positive annual growth will emerge in 2024	Economic activity had declined in 2023Q2, most local analyst projected a contraction in 2023 and growth around 1.5% in 2024
After reaching nearly -10% of GDP the CA will approach -3% of GDP by end-2023	Domestic savings were still depressed because of pension fund withdrawals
The execution of fiscal policy in 2023 and the forthcoming 2024 Budget will be fully compliant with the trajectory set in May 2022, keeping debt/GDP well below the 45% ceiling	Progress in Budget execution revealed a large deficit, with lithium earnings and income tax collection well below 2022 levels. The forthcoming constitutional referendum would generate political pressures to spend
Copper mining Royalty increases revenues for the State while ensuring stability and preserving incentives to invest	The high tax burden on mining made less profitable to invest in this sector
Economic uncertainty would decline further since the Constitutional process would be resolved, one way or another by the end of the year	There was no guarantee that the appetite to replace the Constitution would end with the rejection of a second proposal. Besides, other sources of uncertainty remained

The Chilean economy has overcome the major imbalances left by the social unrest, the pandemic and the oversized policy responses. The adjustment was efficient because it focused where those imbalances originated

Domestic demand

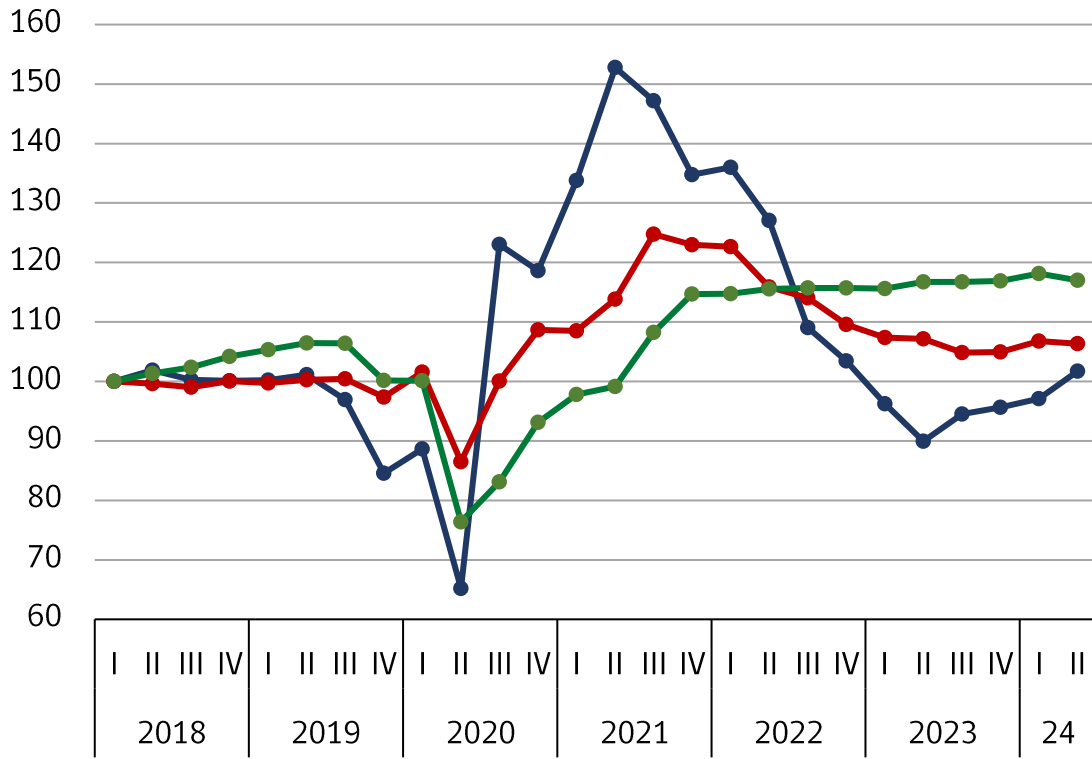
(index 1Q2018=100, seasonally adjusted)



Components of Private Consumption

(index 1Q2018=100, seasonally adjusted)

Durables Non durables Services



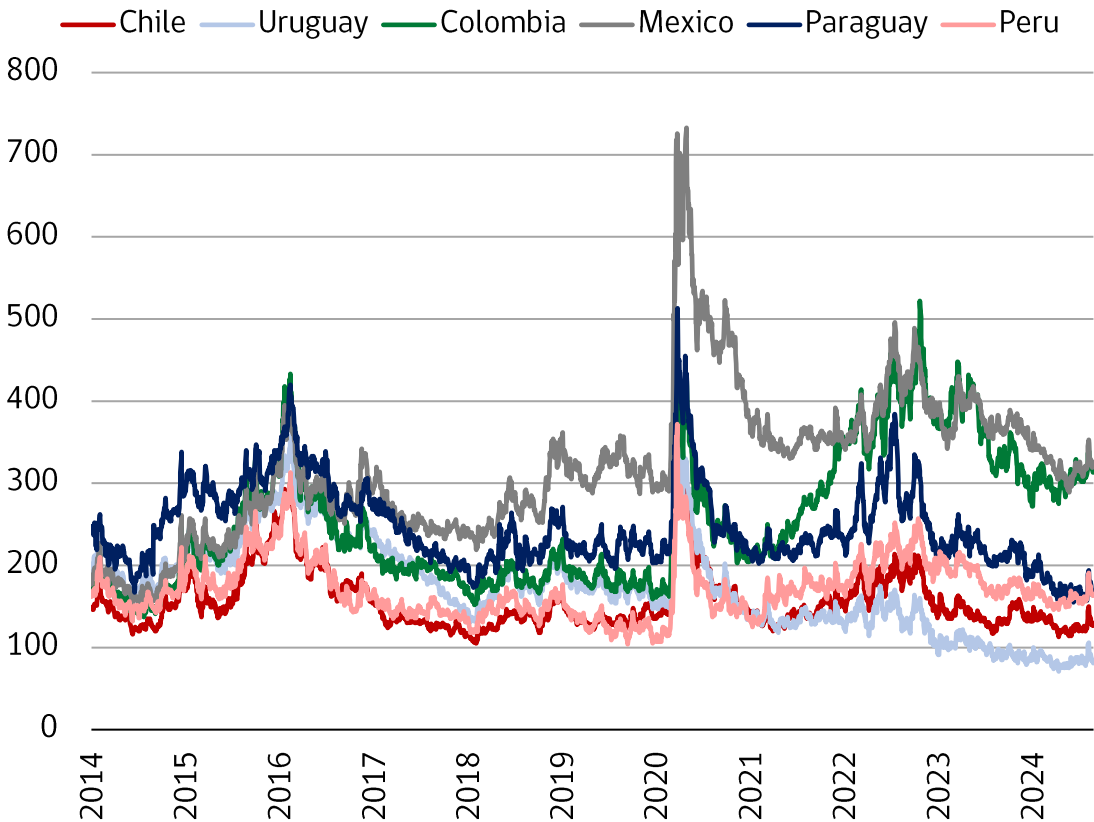
Source: Central Bank of Chile.

# Following economic stabilization and the conclusion of the constitutional process, economic uncertainty has returned to pre-social unrest levels

Chile: Economic Uncertainty Index (1)  
(Index)

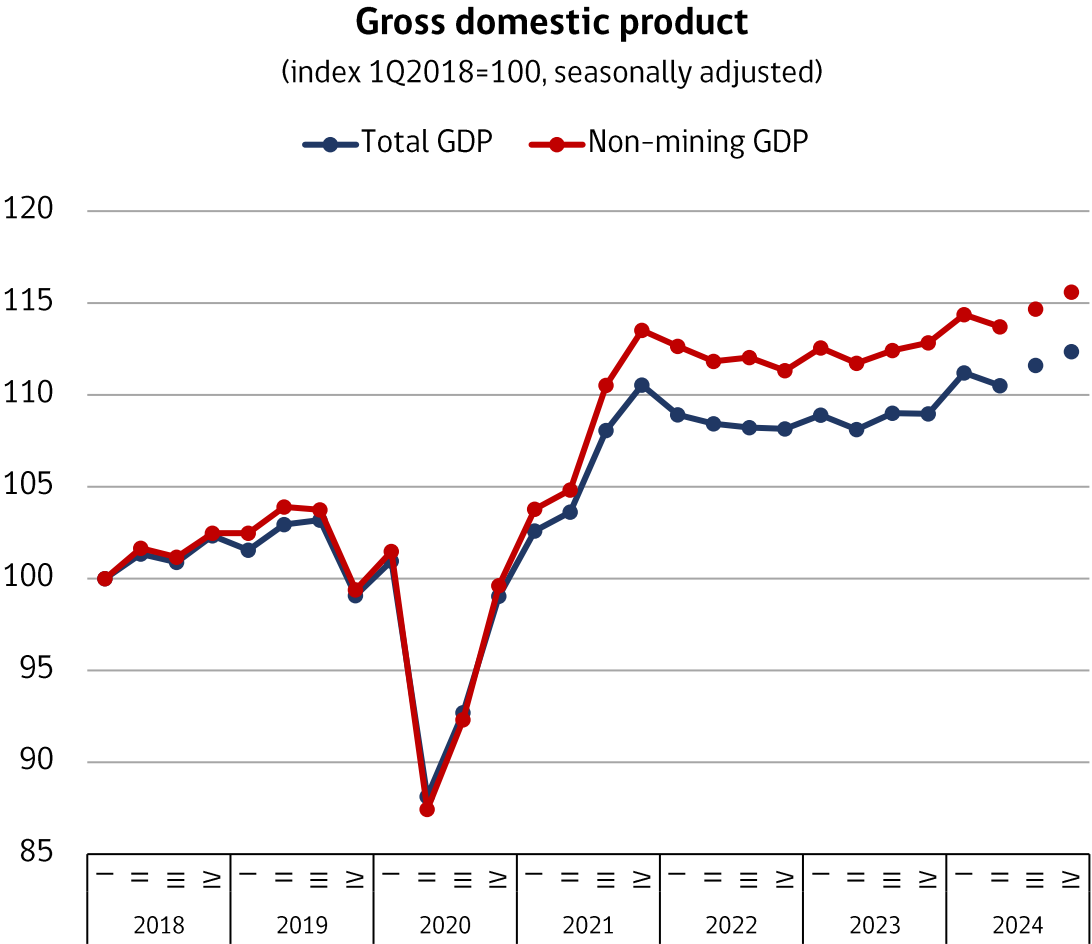


EMBI Sovereign Spread  
(basis points)

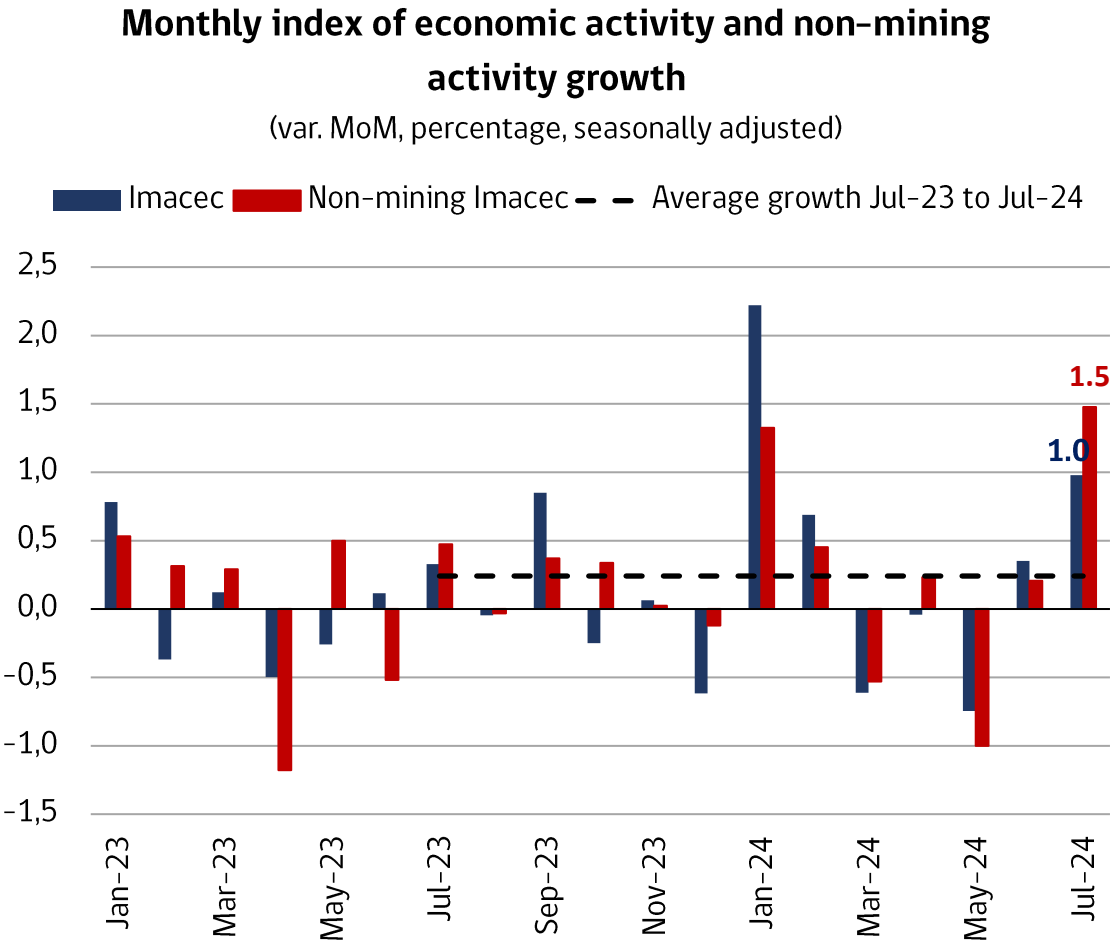


**Note:** (1) Index based on Becerra and Sagner (2020).  
**Source:** Central Bank of Chile and Bloomberg.

Activity began its recovery a year ago. Economic activity weakened in Q2 2024 due to a combination of temporary factors. For the remainder of the year, a return to an expansion path is expected. Strong activity figures for July confirm this perspective



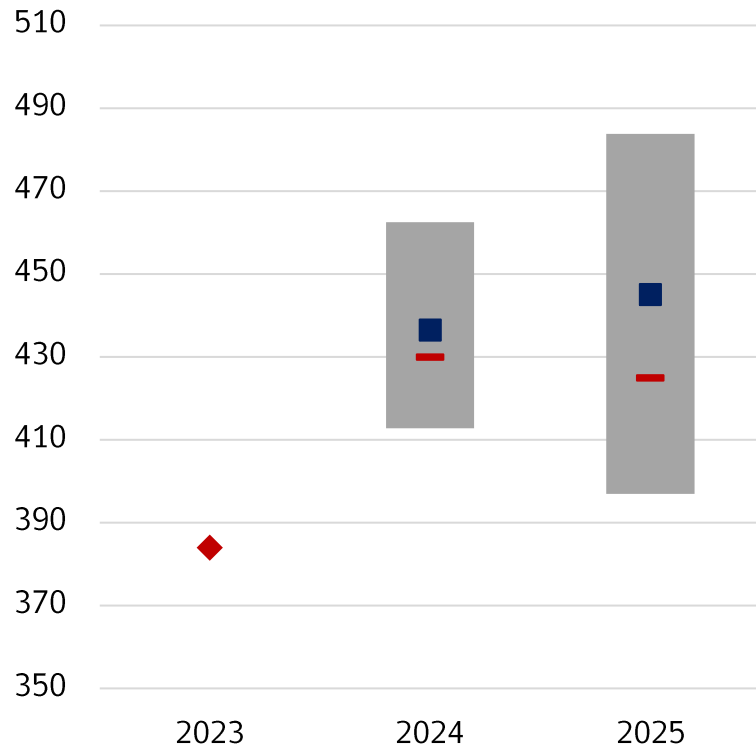
**Note:** (1) In parentheses the share of each sector in the GDP of 2023.  
**Source:** Central Bank of Chile.



# Markets anticipate strong copper prices in the next few years. This will support the performance of the local economy and the exchange rate

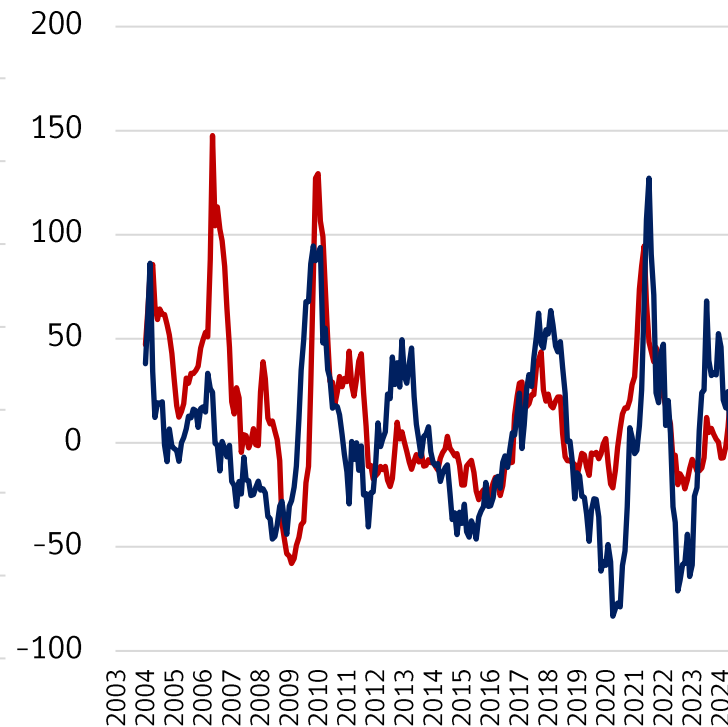
**Copper price consensus forecast**  
(US\$/pound, annual average)

■ P90-P10 ♦ Actual ■ Median — COCHILCO



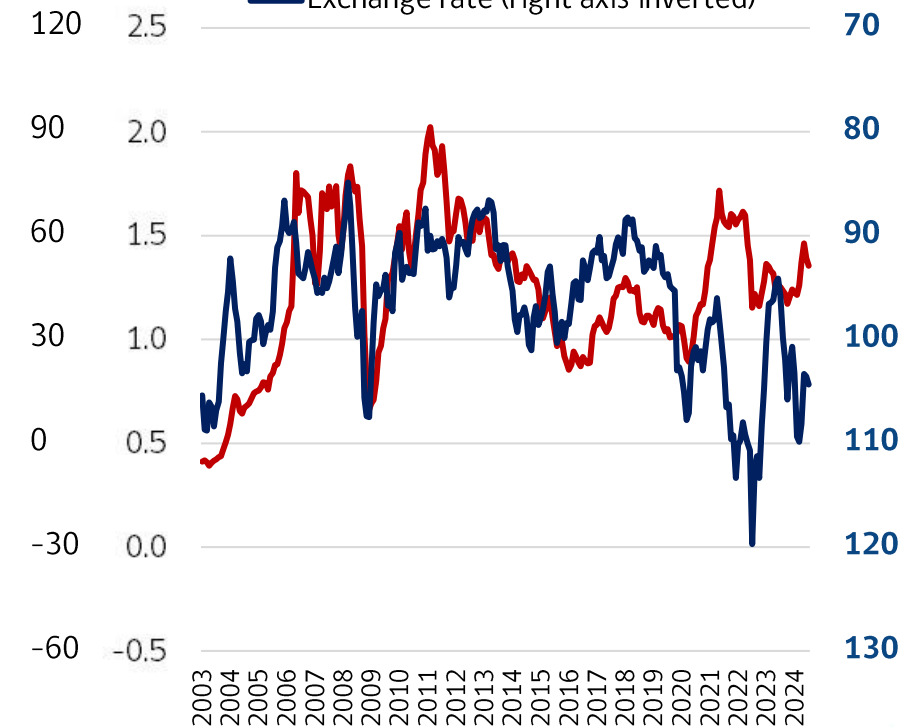
**Copper price & Perception Index (IPEC)**  
(var. YoY, percentage)

— Copper price — IPEC (right axis)



**Copper price in real terms & exchange rate (1)**  
(US\$/pound, index, average 1986=100)

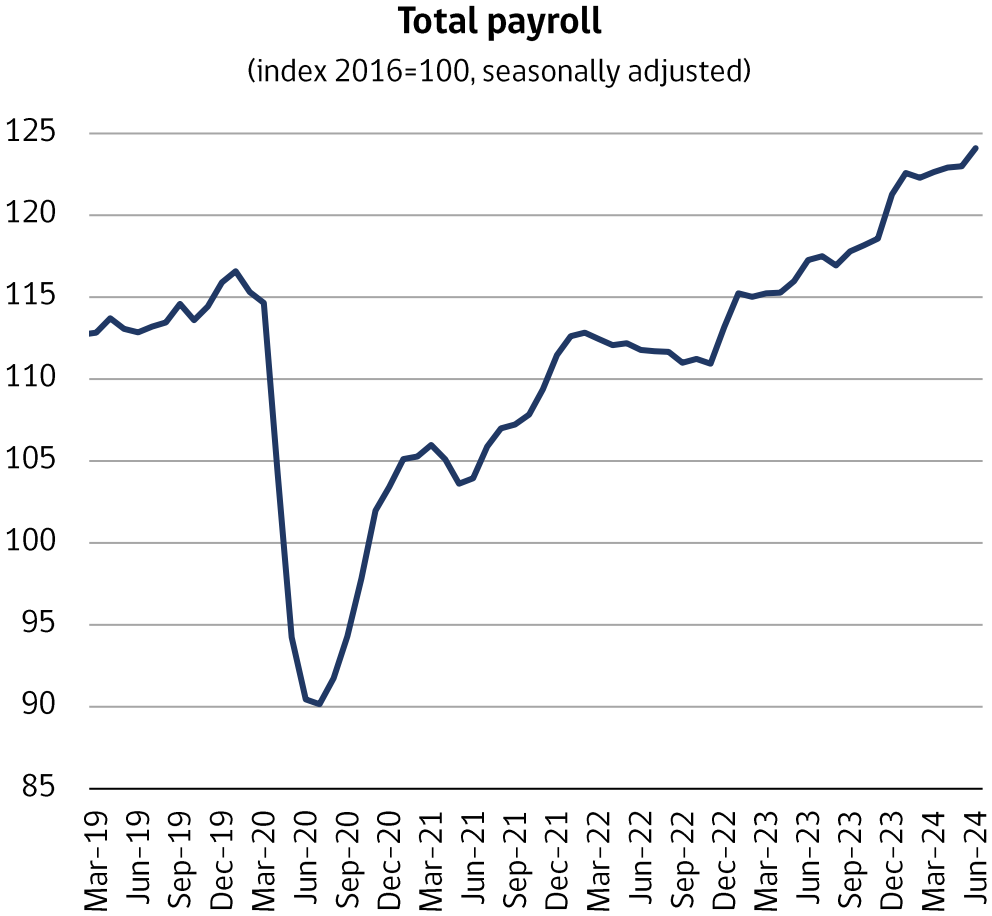
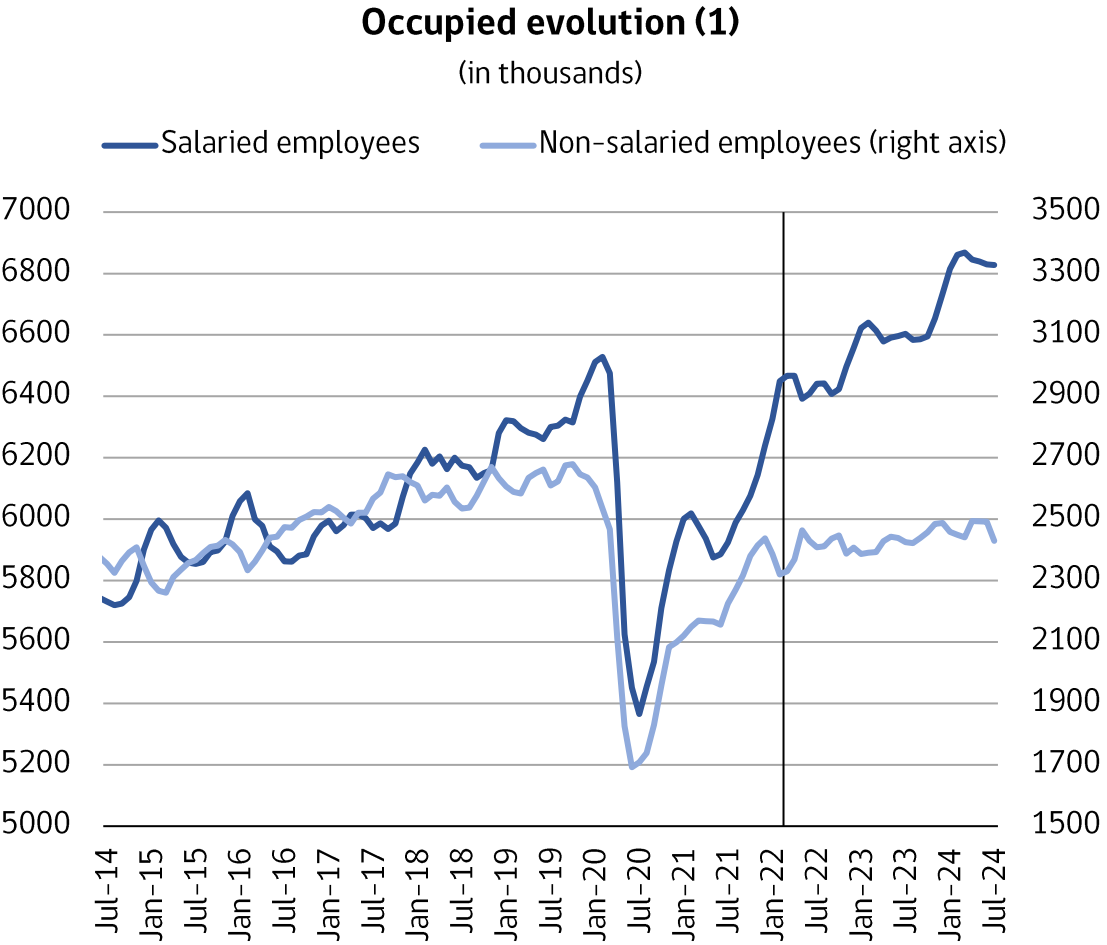
— Copper price in real terms — Exchange rate (right axis inverted)



**Note: (1)** Copper price in real terms was deflated using the United States CPI. For IPEC, the total economic perception Index is used.

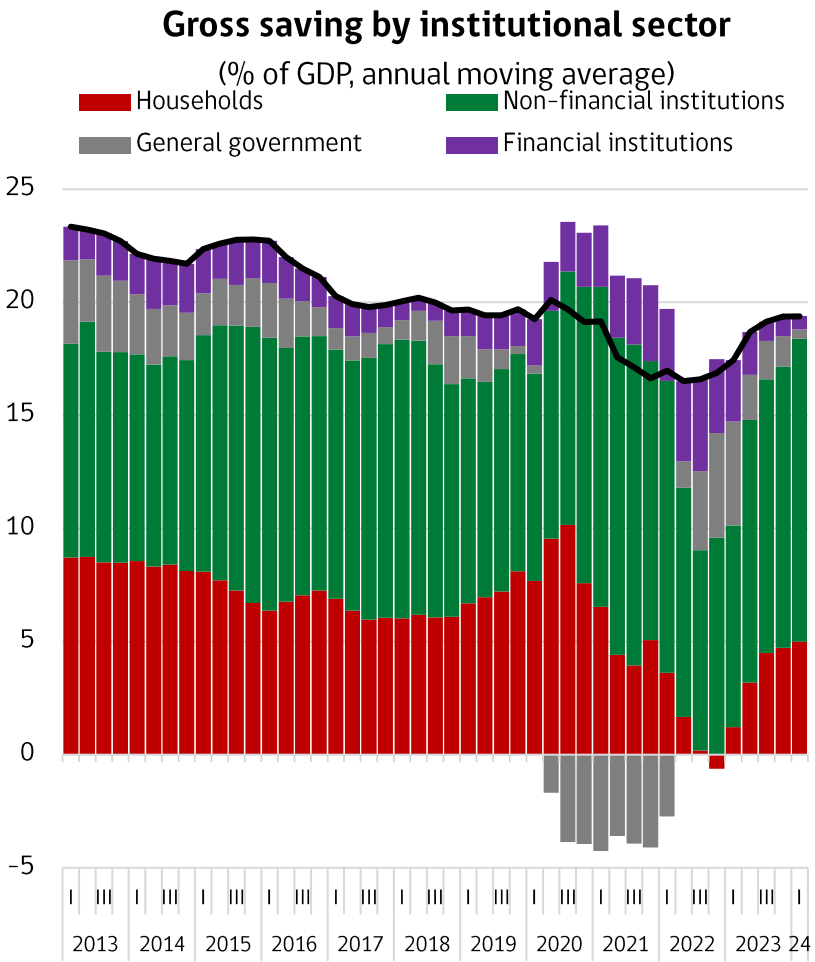
**Source:** Goldman Sachs, Larrain Vial, Central Bank of Chile, Chilean Copper Corporation (COCHILCO), Consensus Forecast and Ministry of Finance.

# The labor market edged up in October 2023. Salaried employment surpassed pre-pandemic levels and returned to historical occupation rates; gaps remain only for self-employed workers. Job creation and growth in earnings combine to a dynamic wage bill and support consumption

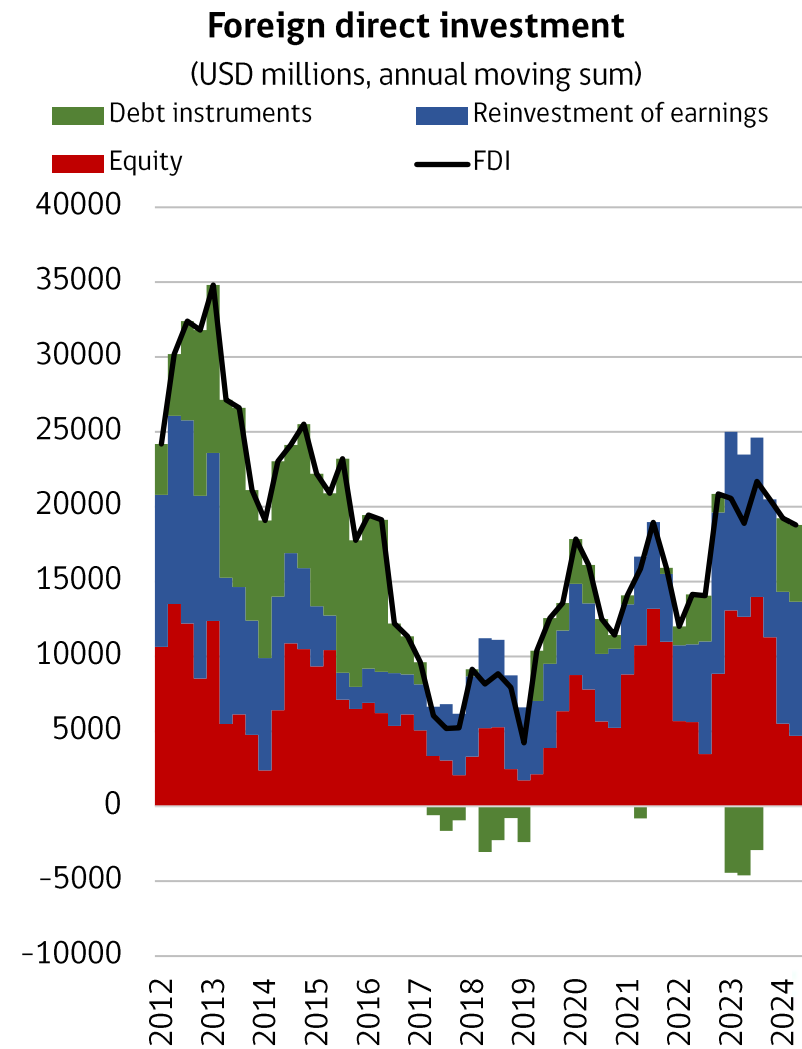
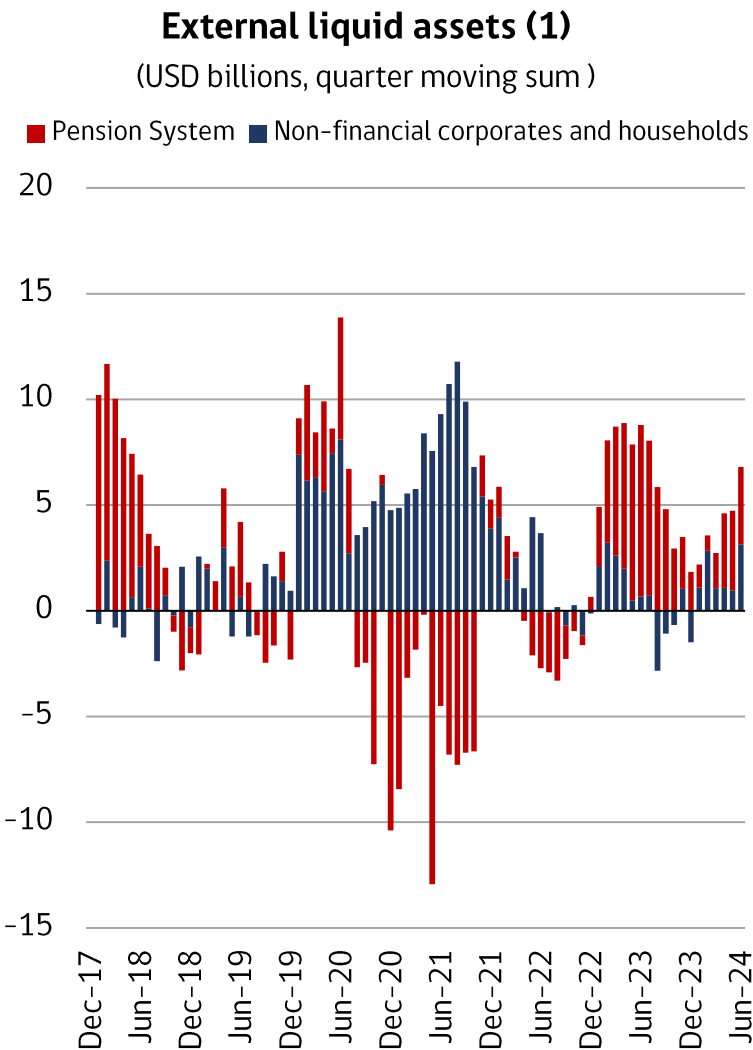


**Note:** (1) Non-salaried: Employers, Self-employed workers, Unpaid family members, Domestic service personnel.  
**Source:** National Statistics Institute, Central Bank of Chile, and Ministry of Finance.

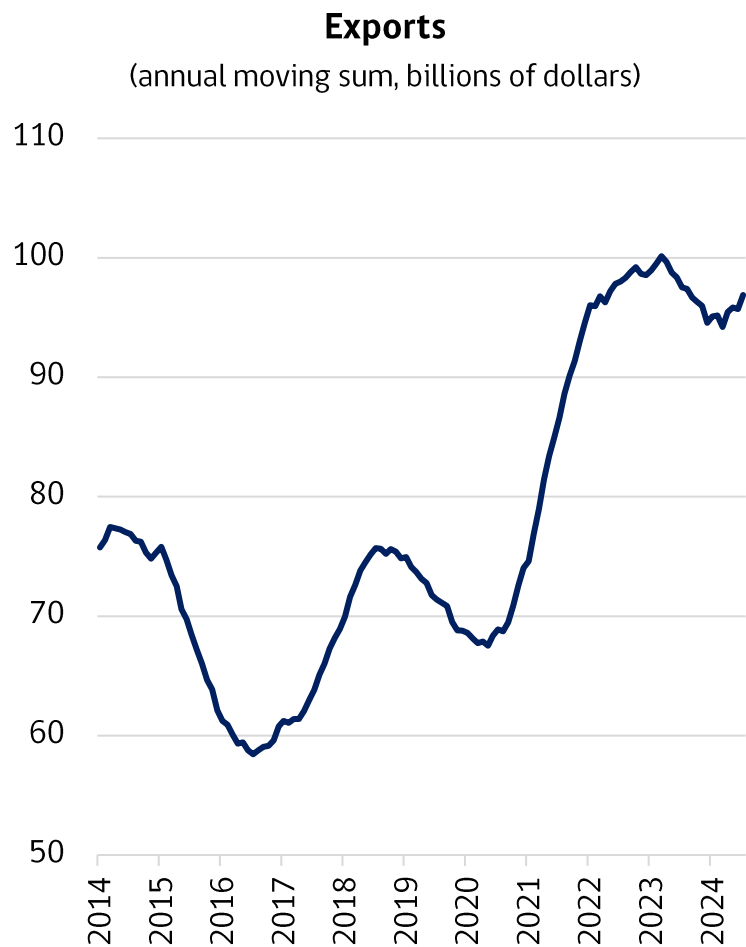
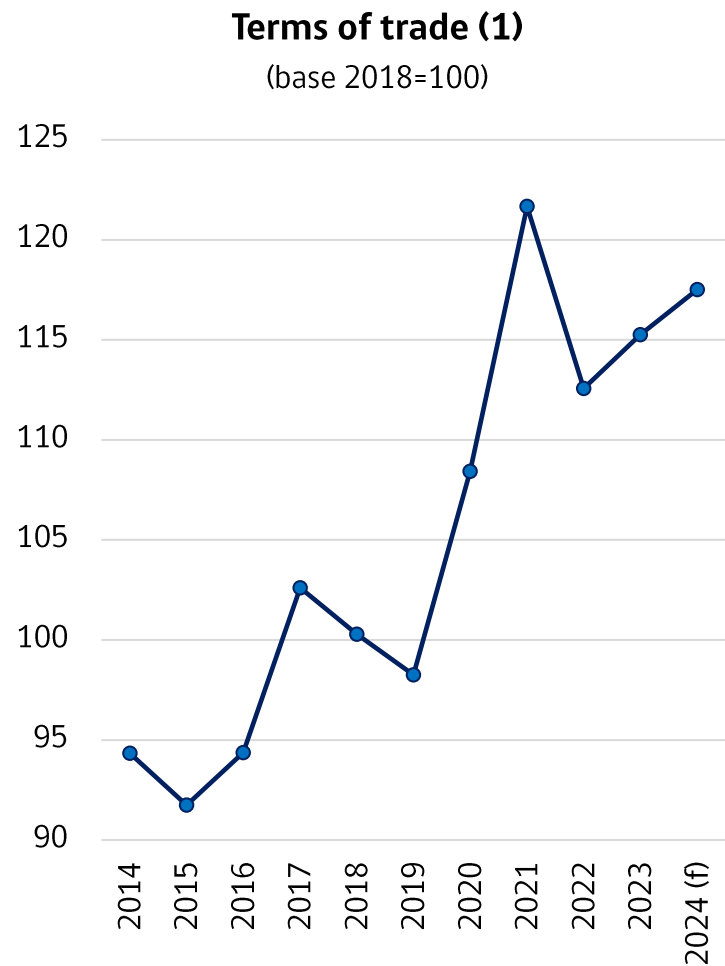
National savings are returning to 2017-2019 levels, led by households and government. Massive local capital outflows ended in late 2022/early 2023, while foreign investment peaked up to its highest level in almost a decade last year



**Note:** (1) Portfolio investment and other investment flows.  
**Source:** Central Bank of Chile.



# Foreign trade is adding dynamism to the Chilean economy despite global tensions. Trade agreement negotiations continue to progress, contributing to the diversification of trade



## Recent trade agreements

**Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CTPP)**

**EU Trade Agreement Modernization**

**EFTA Modernization Agreement (Switzerland, Norway, Iceland, Liechtenstein)**

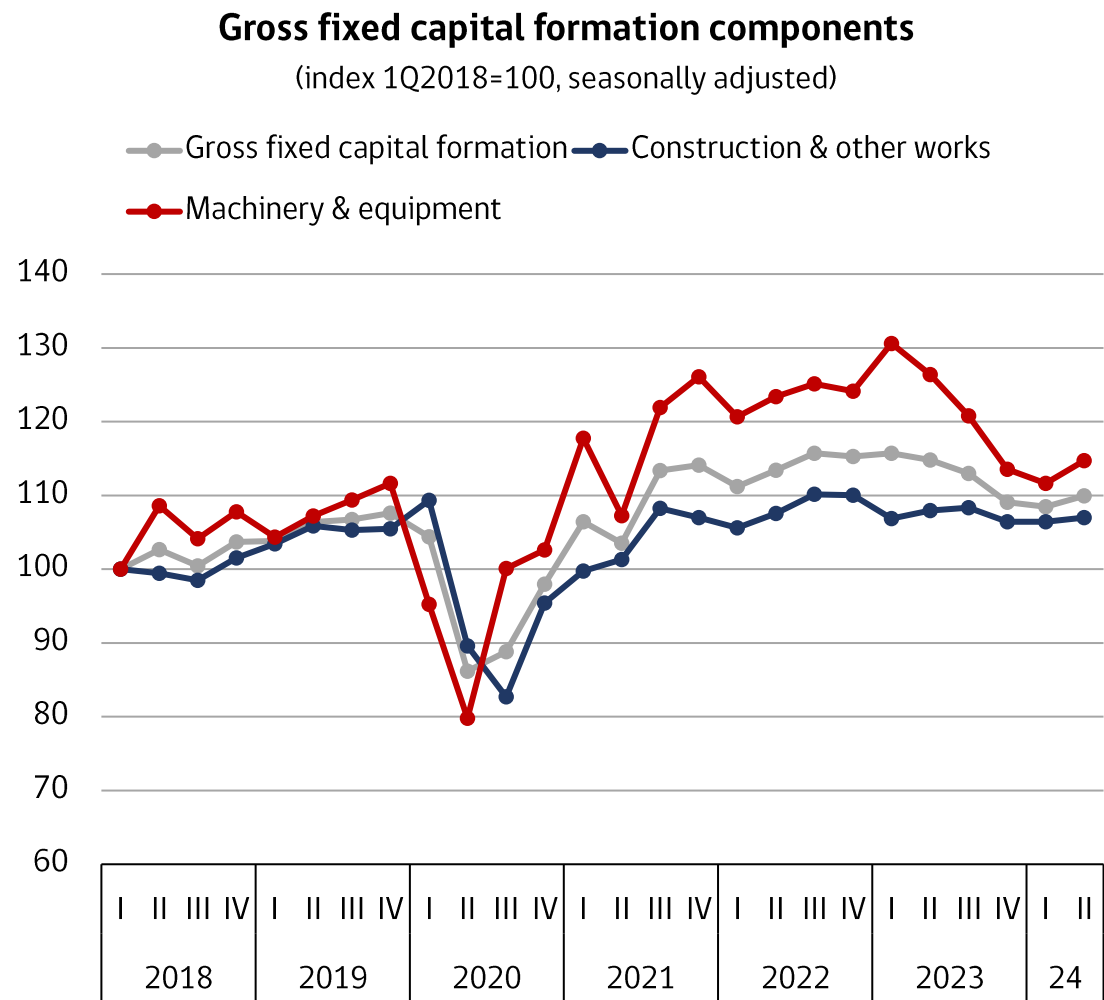
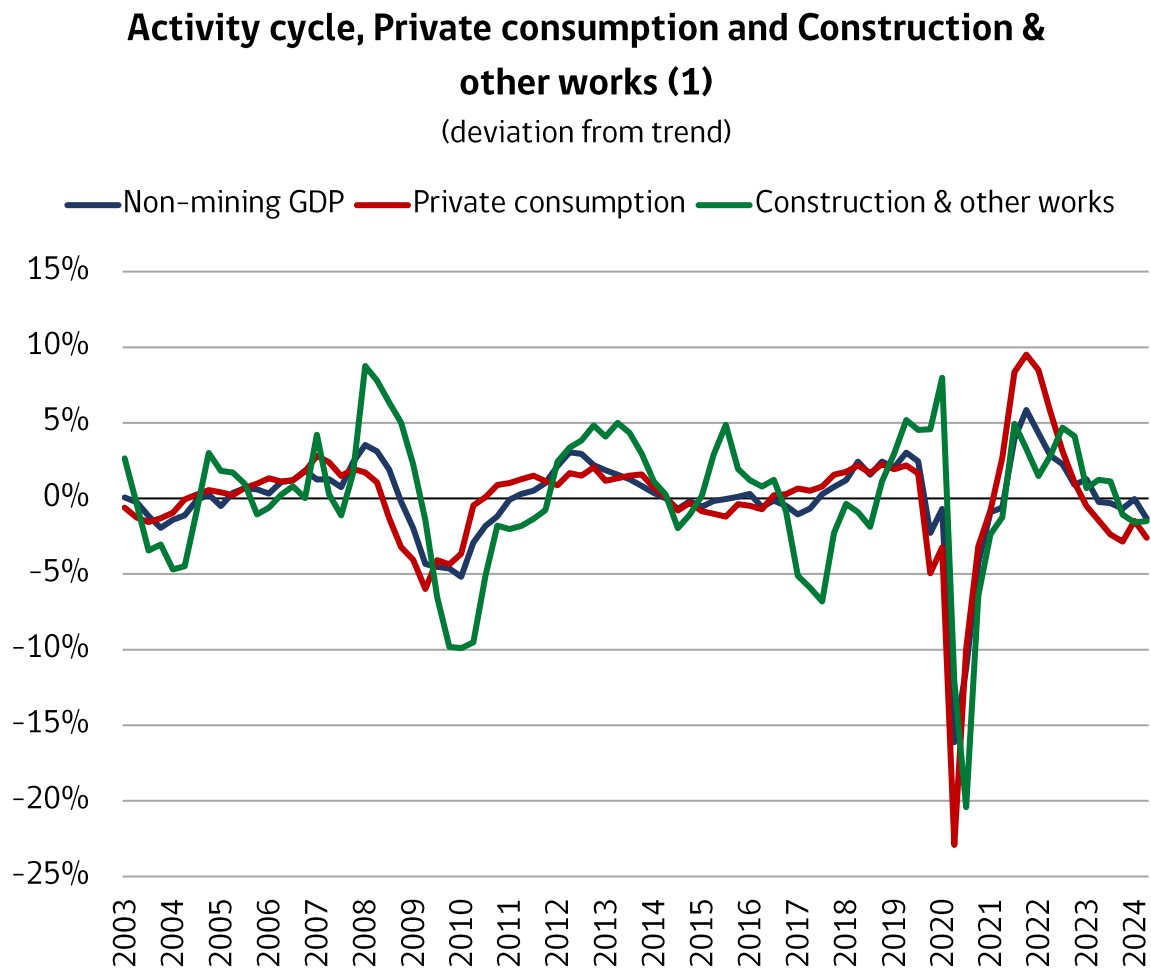
**Digital Economy Partnership Agreement (New Zealand and Singapore))**

**In progress: India, United Arab Emirates**

**Note:** (1) f: forecast

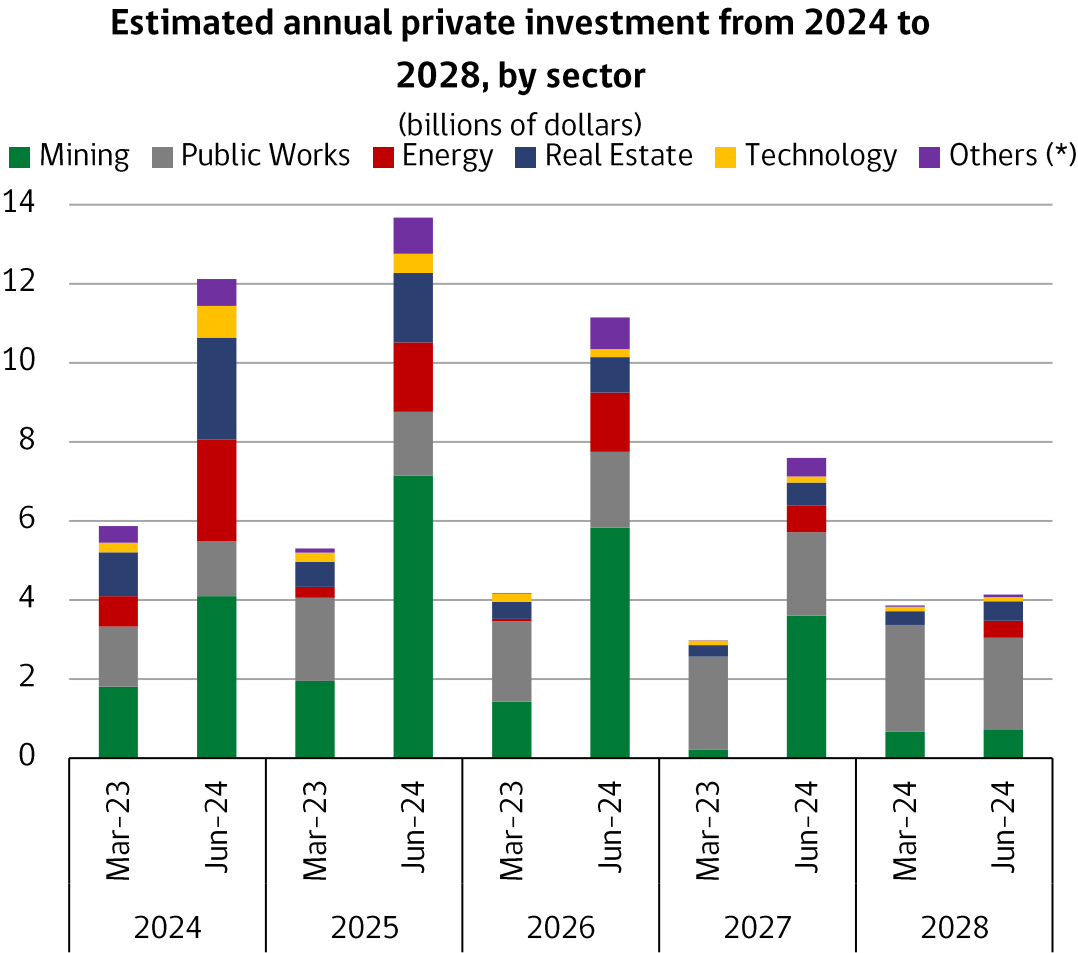
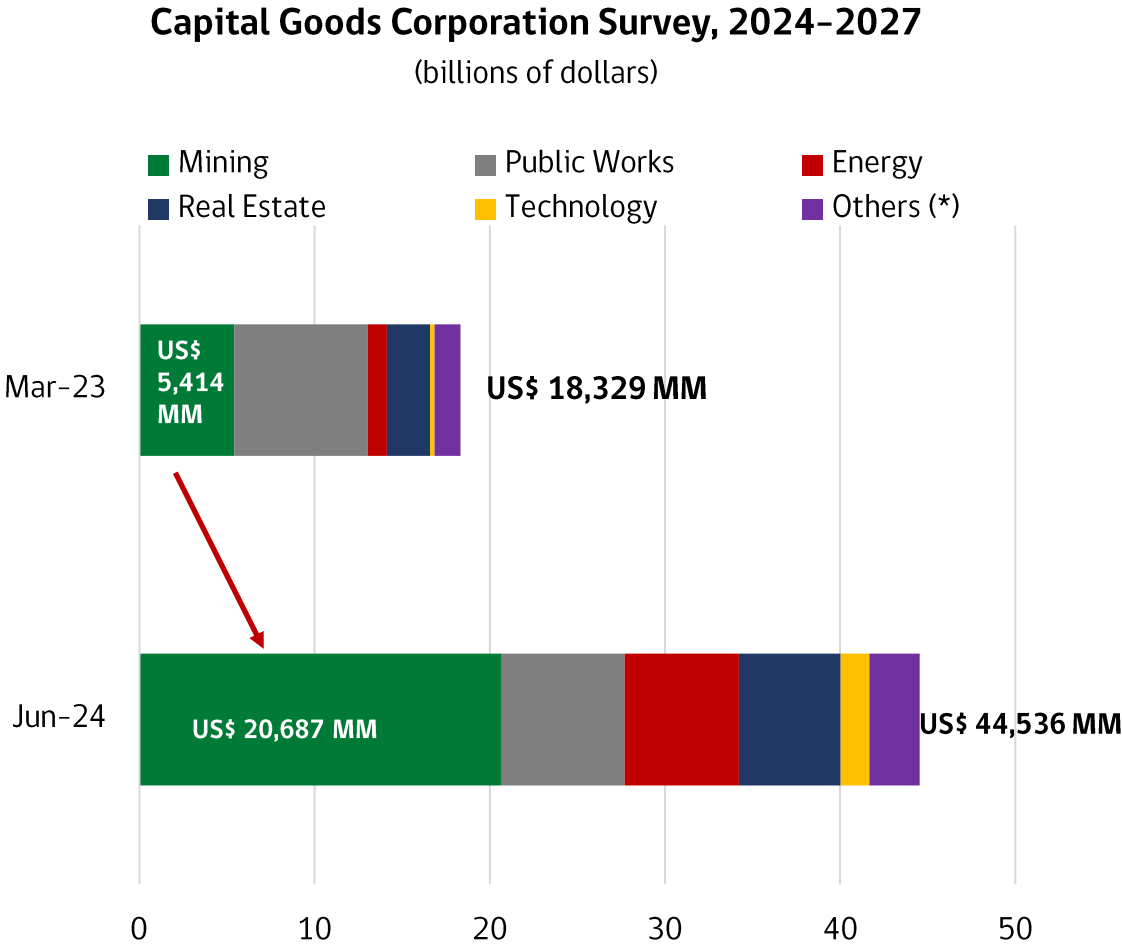
**Source:** Central Bank of Chile and Ministry of Finance.

# Investment, far from collapsing, has exhibited a less procyclical behavior than in previous episodes. Gross fixed capital formation is starting to stabilize but still faces challenges



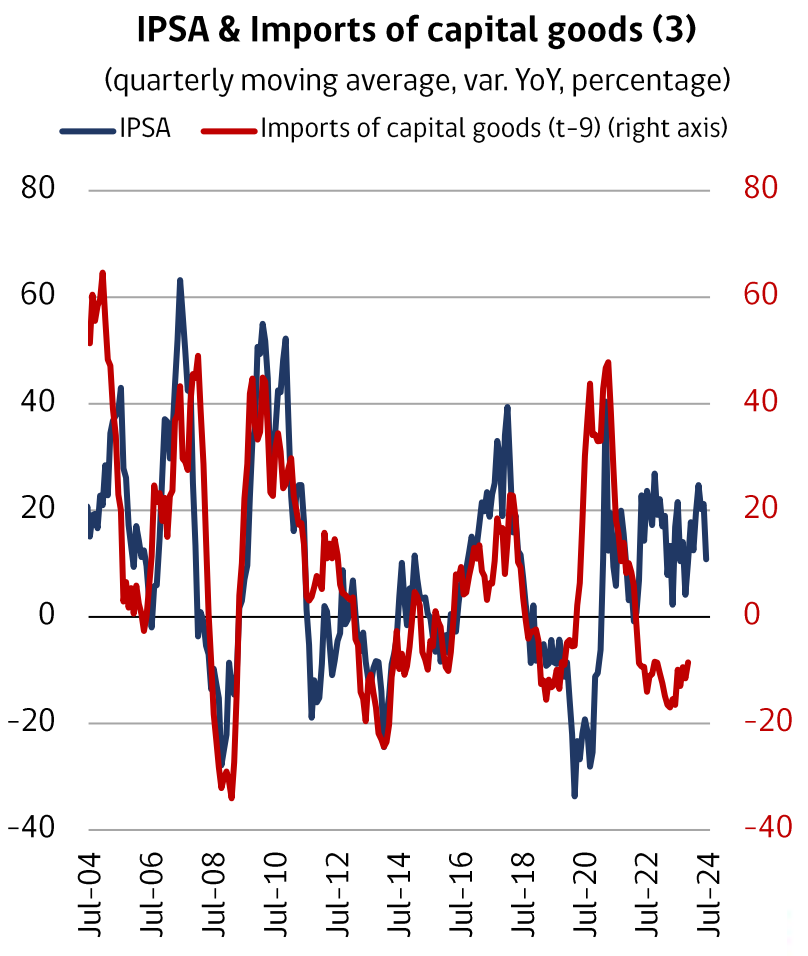
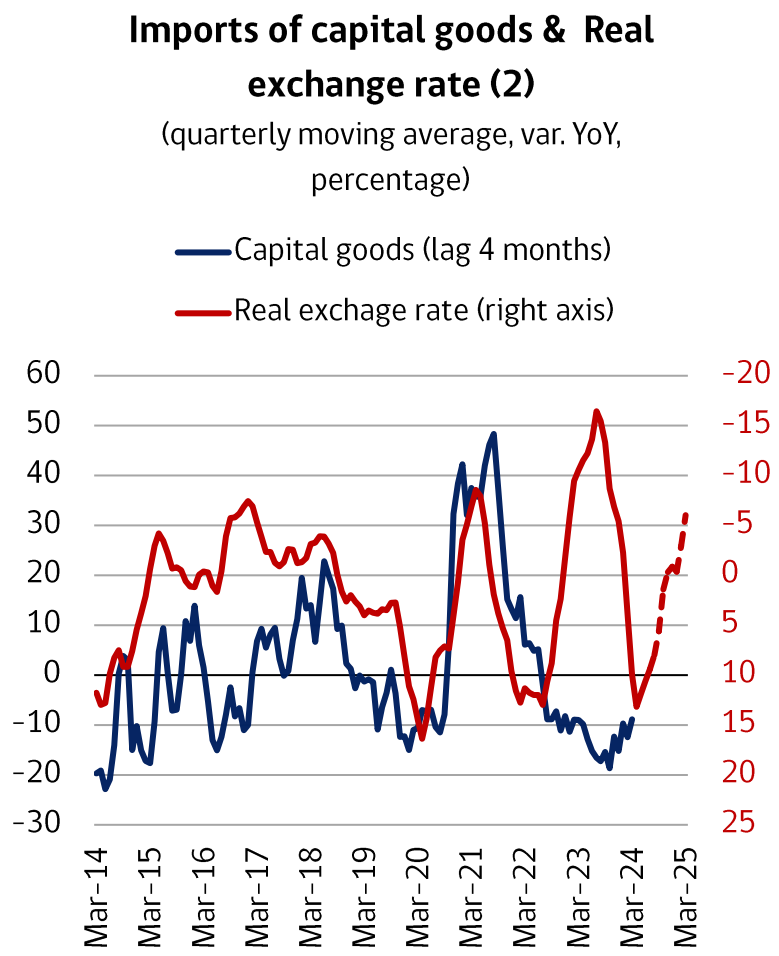
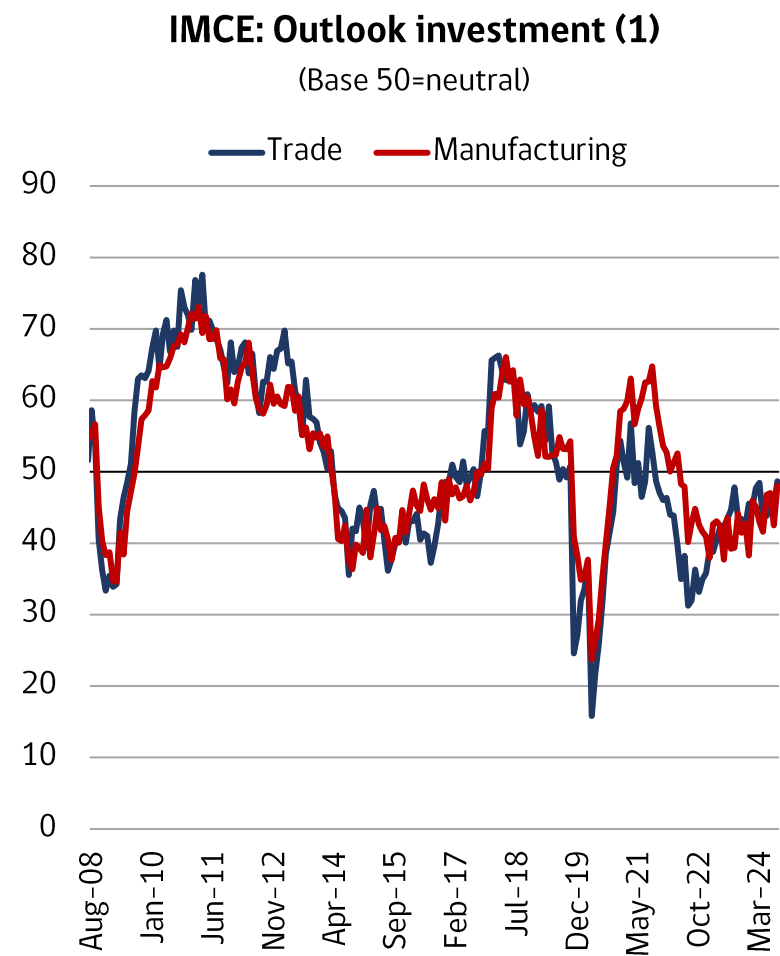
**Note:** (1) Deviation from trend calculated as the difference between the logarithm of the level and the logarithm of a trend calculated using an HP filter.  
**Source:** Central Bank of Chile and Ministry of Finance.

# Investment is key to sustained growth in the future. Private investment plans for 2024-2027 grew by nearly US\$25 billion since last year, with a significant rise anticipated for 2025



**Note:** (\*) Forestry, industrial and port sectors.  
**Source:** Capital Goods Corporation survey.

Business investment expectations remain somewhat below neutral levels. However, the appreciation of the exchange rate and the improvement in the stock market would suggest an increase in the tradable component of investment

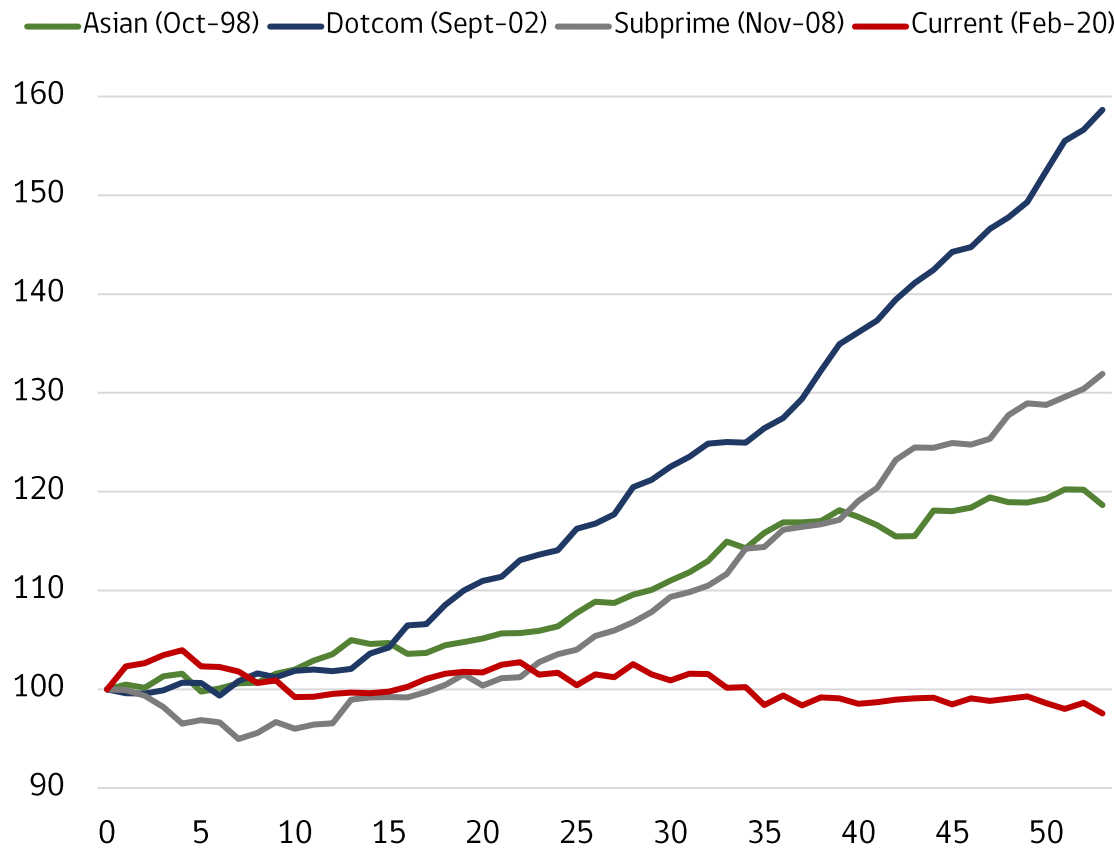


**Note:** (1) IMCE: Monthly Business Confidence Index. (2) Real exchange rate from August 2024 to March 2025 is a forecast of the Ministry of Finance. (3) Imports of capital goods exclude other transport vehicles.  
**Source** Central Bank of Chile, Icare and Ministry of Finance.

Nevertheless, bank credit has remained considerably more restrictive than in previous cycles, slowing down domestic demand. This results from a combination of tight international financial conditions, monetary policy rates, capital requirements and bank risk perceptions

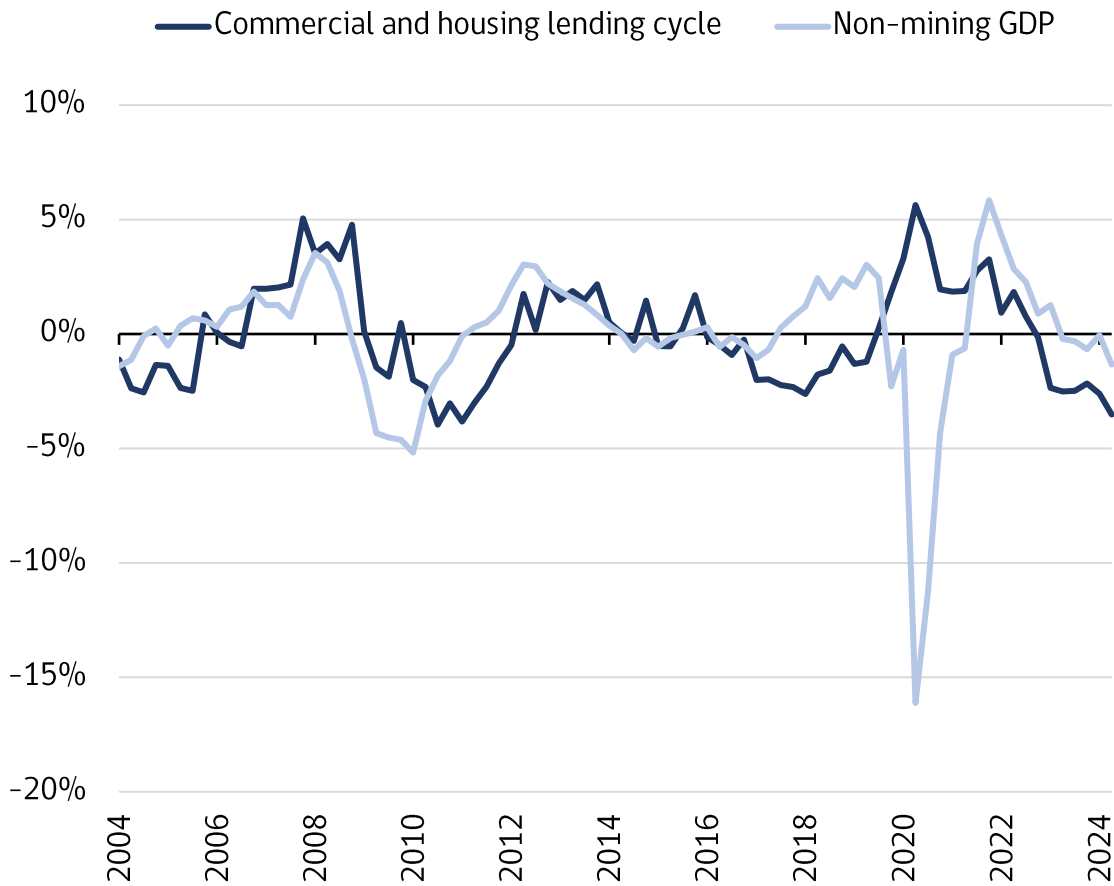
Real total lending

(index, level in the month previous to the shock = 100)



Activity and credit cycle (1)

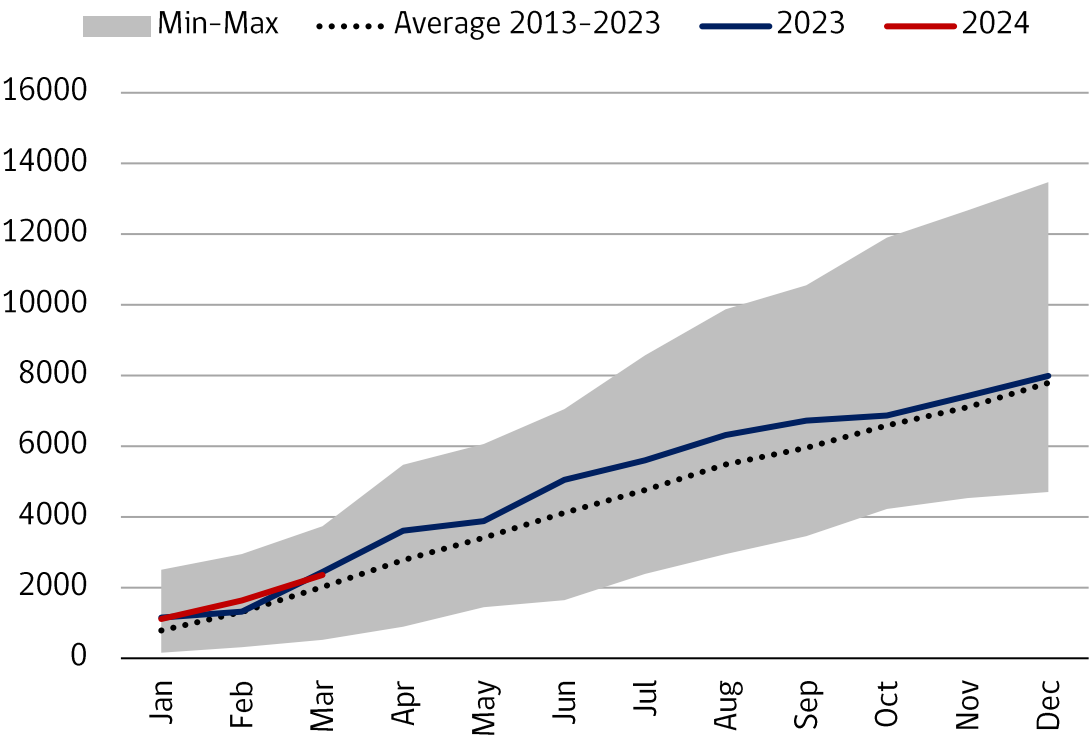
(deviation from trend, percentage)



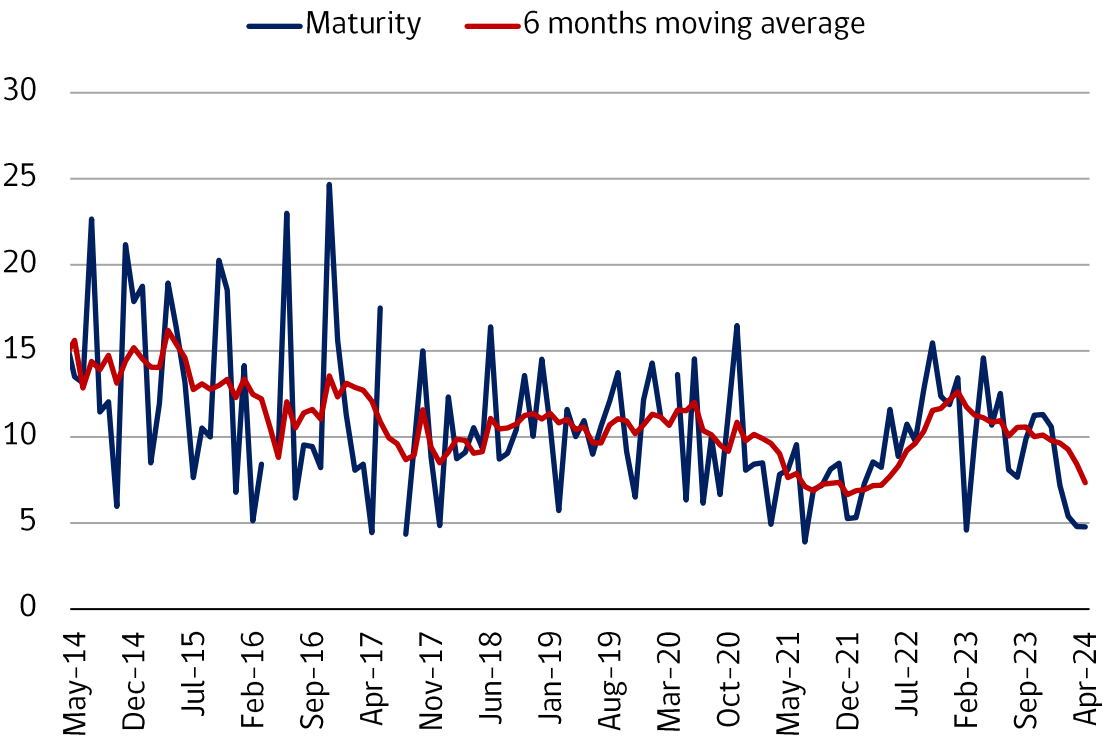
**Note:** (1) Calculated as the difference between the logarithm of the level and the logarithm of a trend calculated using an HP filter.  
**Source:** Central Bank of Chile and Ministry of Finance.

# Financial and non-financial corporate bond issuances in the local market were around historical averages in 1Q24, but maturities have shortened

Issuances of financial and non-financial corporates  
bonds in the local market  
(millions of dollars)



Maturity of financial and non-financial corporates  
bonds issuances in UF local market (1)  
(years)

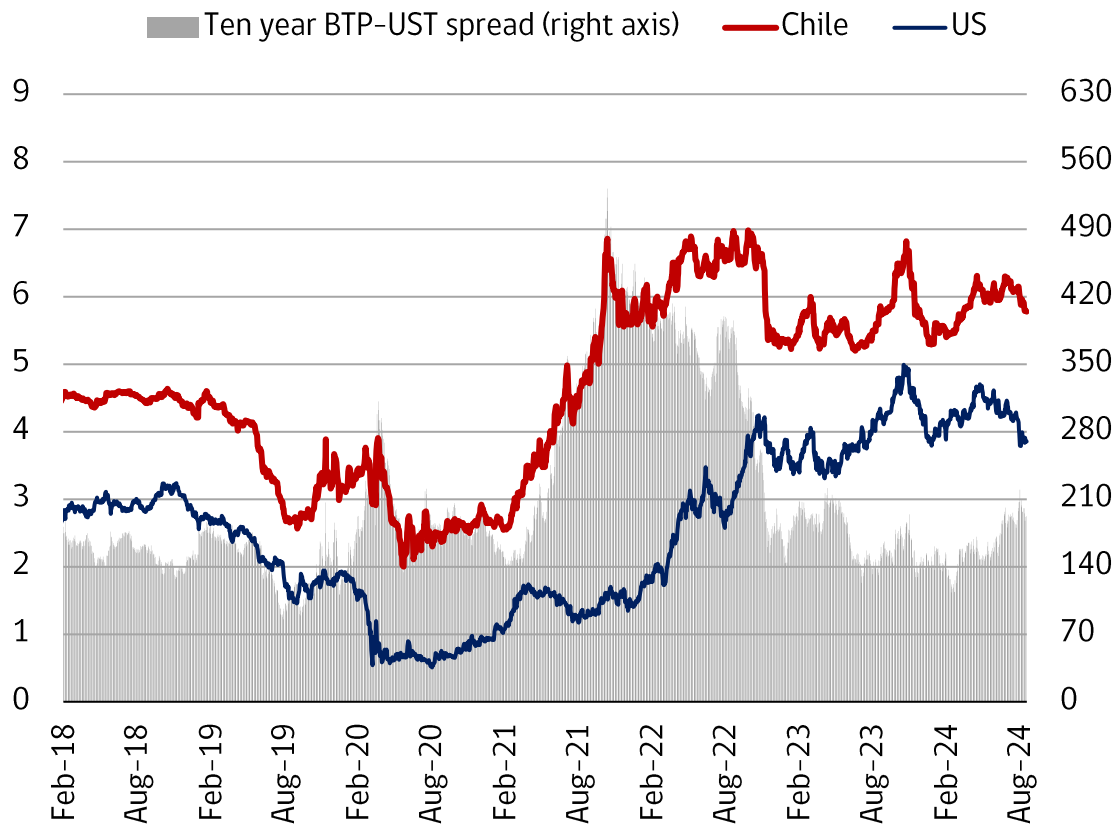


**Note:** (1) UF (Unidad de Fomento) corresponds to an inflation index-linked unit of account.  
**Source:** Financial Stability Report 1H 2024, Central Bank of Chile.

Local long-term rates have followed the dynamics of their international peers, remaining at high levels in historical perspective. Coupled with real estate market developments this is holding back recovery in the construction sector

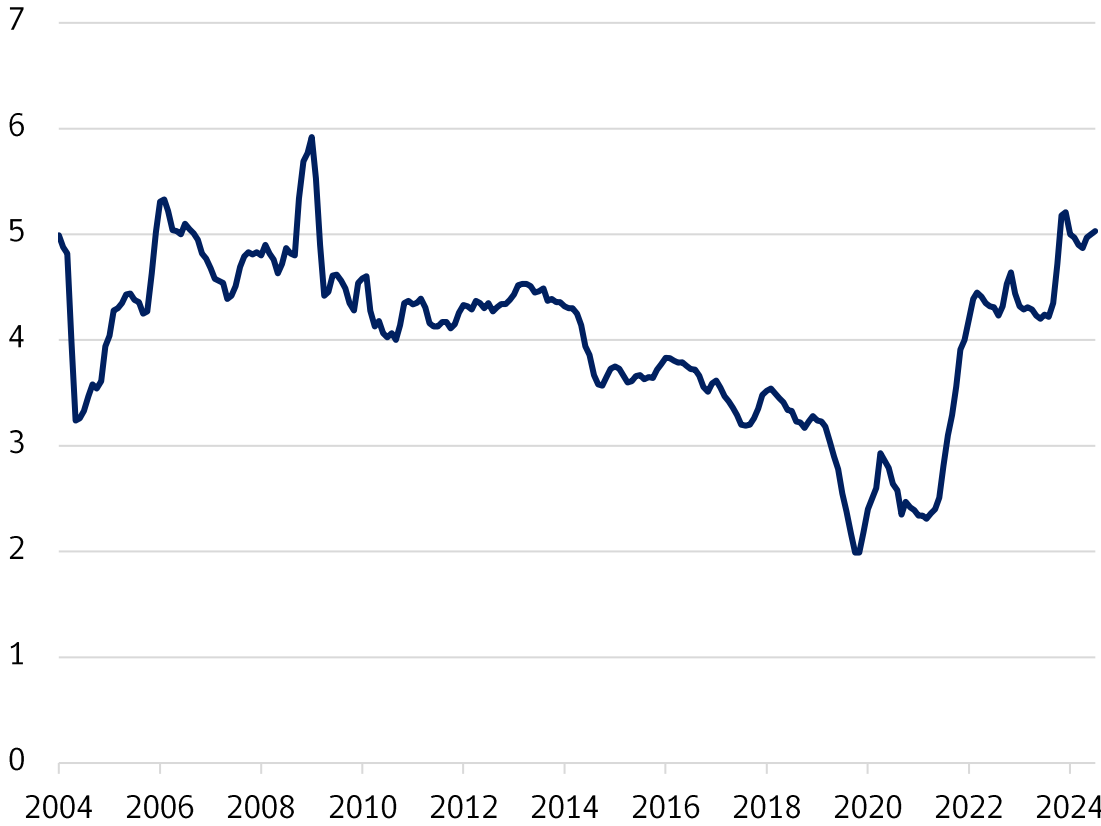
Yield on 10-year bonds

(percentage, basis points)



Mortgage interest rate (1)

(% indexes in UF, monthly average)



**Note:** (1) UF (Unidad de Fomento) corresponds to an inflation index-linked unit of account.  
**Source:** Central Bank of Chile, Bloomberg and Ministry of Finance.

# The Government has developed an agenda to mitigate the impact of financial market constraints on the most lagging and vulnerable sectors and to increase competition in the provision of financial services

## Consumer protection and financial inclusion

- ❑ **“Conoce tu Deuda”** (“Know Your Debt”) platform.
- ❑ **Consolidated Debt Registry.**
- ❑ **State guarantees** to support SMEs and lagging sector:
  - FOGAPE Chile Support (2023)
  - FOGAES Construction (2023)
  - FOGAPE Housing Support (2023)
  - Construction Support Guarantee Program (2024)
  - Housing Support Guarantee Program (2024)

## Financial system regulations to enhance resilience

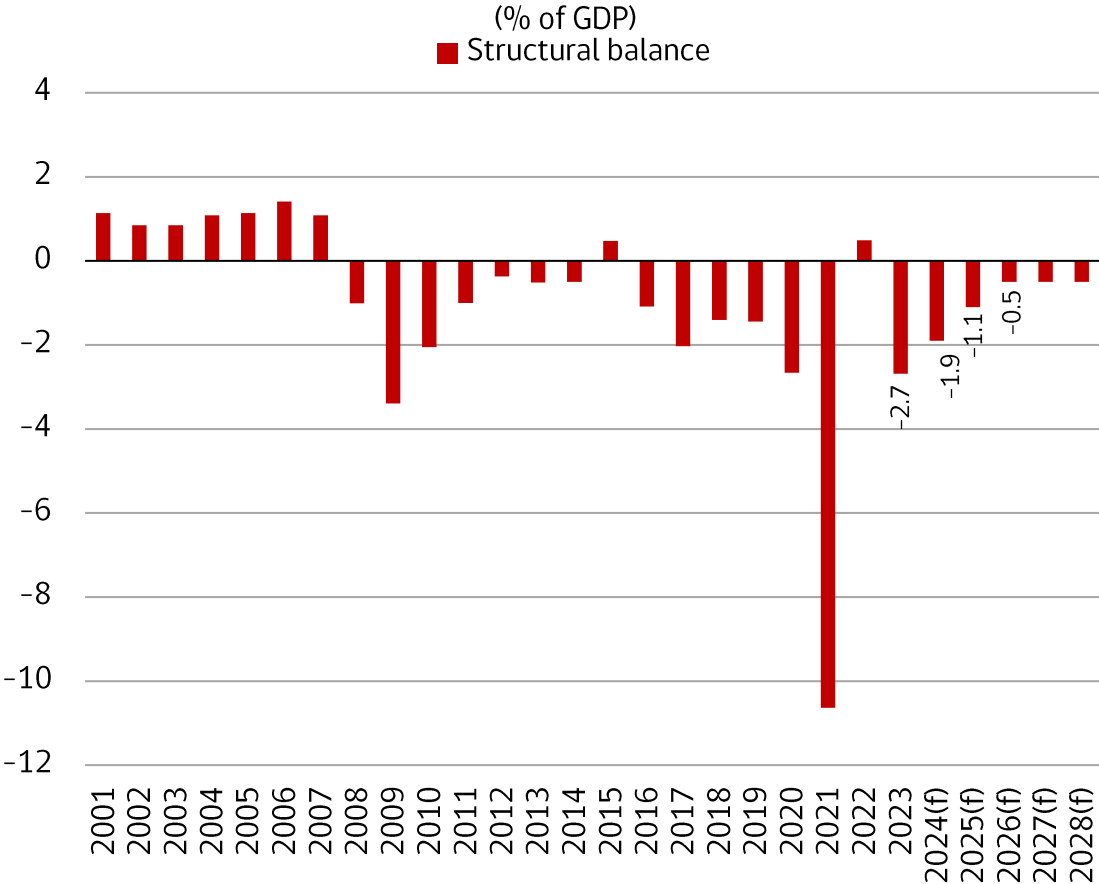
- ❑ **Basel III Implementation Progress:**
  - Capital Conservation Buffer: Full 2.5% level to be reached.
  - Capital Structure Adjustment: Replacement of Tier 2 with Additional Tier 1 to reach 1.5%.
  - Systemically Important Banks: Additional charge to reach 75% of the total.
  - Capital Discount: Increase to 65%.
  - Pillar 2 Requirements: 25% constituted by June 30, 2023.
- ❑ **Law No. 21,641 on financial resilience**
  - FMC Supervision: Expanded to include savings and credit cooperatives.
  - Liquidity Access: Enhanced tools for cooperatives to access Central Bank liquidity.
  - Chilean Peso: Efforts towards internationalization.
  - Regulatory Changes: Focus on developing the REPO market.

## Reforms to increase competition and strengthen the financial system

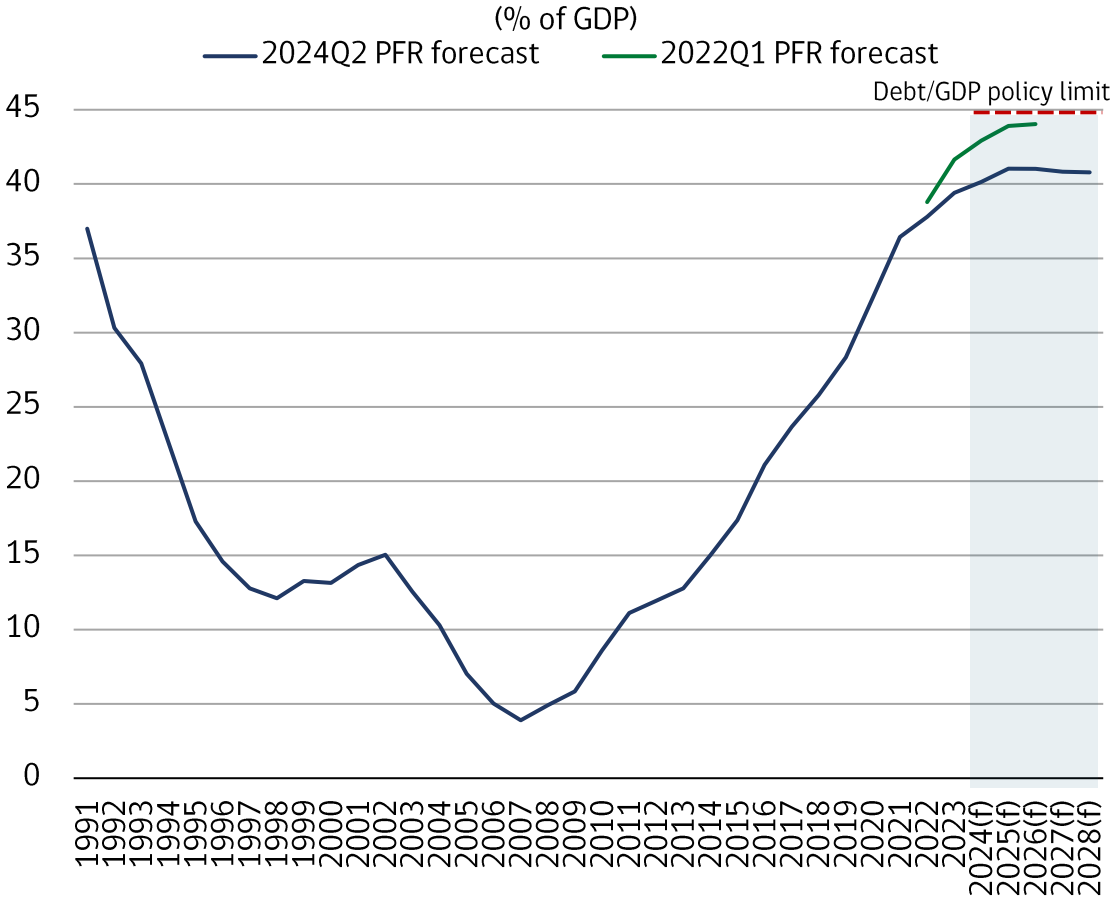
- ❑ **Fintech Law**
- ❑ **Open Finance**
- ❑ **Structural Strengthening Proposals:**
  - Risk-based supervision for insurance companies
  - Bank Resolution & Deposit Insurance: A preliminary bill is being drafted in coordination with the Ministry of Finance, Financial Market Commission, and Central Bank of Chile.

# Public finances reversed the significant imbalances of 2021 and continued the consolidation process even after the temporary factors that favored revenues in 2022 ended. Current macro trends and fiscal policy targets would stabilize debt/GDP below previous estimates

Central Government Fiscal Balance (1)



Central Government Gross Debt

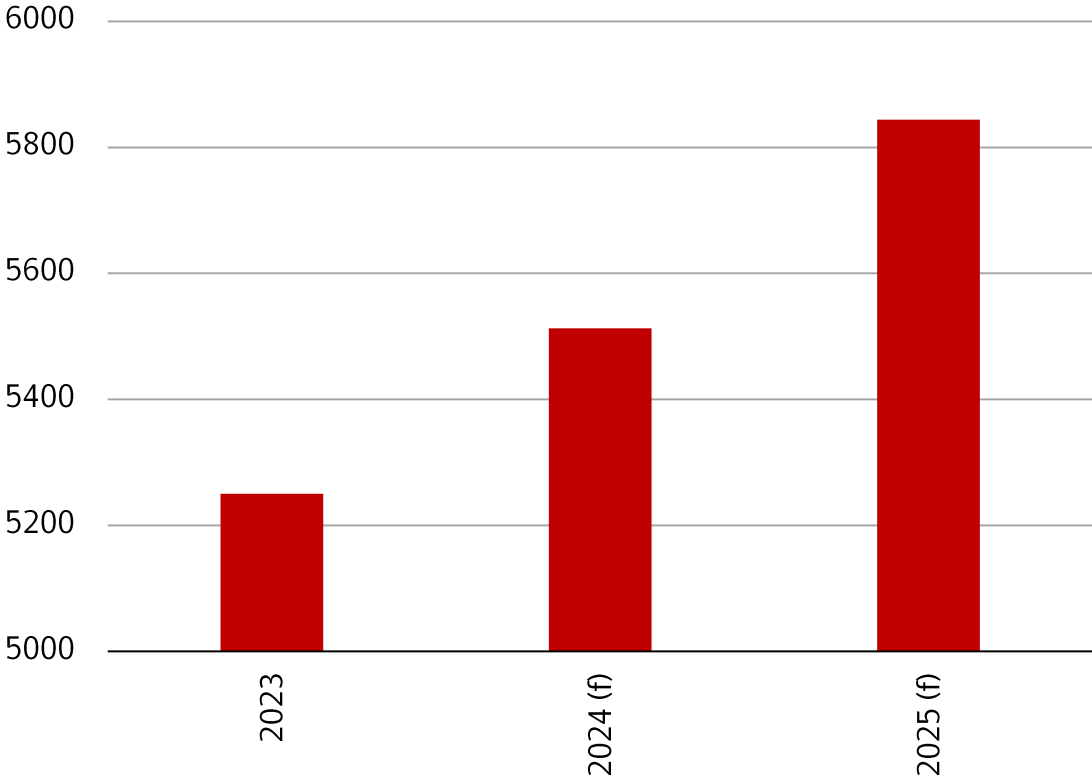


**Note:** (f): forecast. (1) Figures are calculated using different National Accounts benchmark compilations. The structural balance figures for years 2024, 2025 and 2026 correspond to the targets determined in the Fiscal Policy Decree No. 755, most recently modified in January 2024..

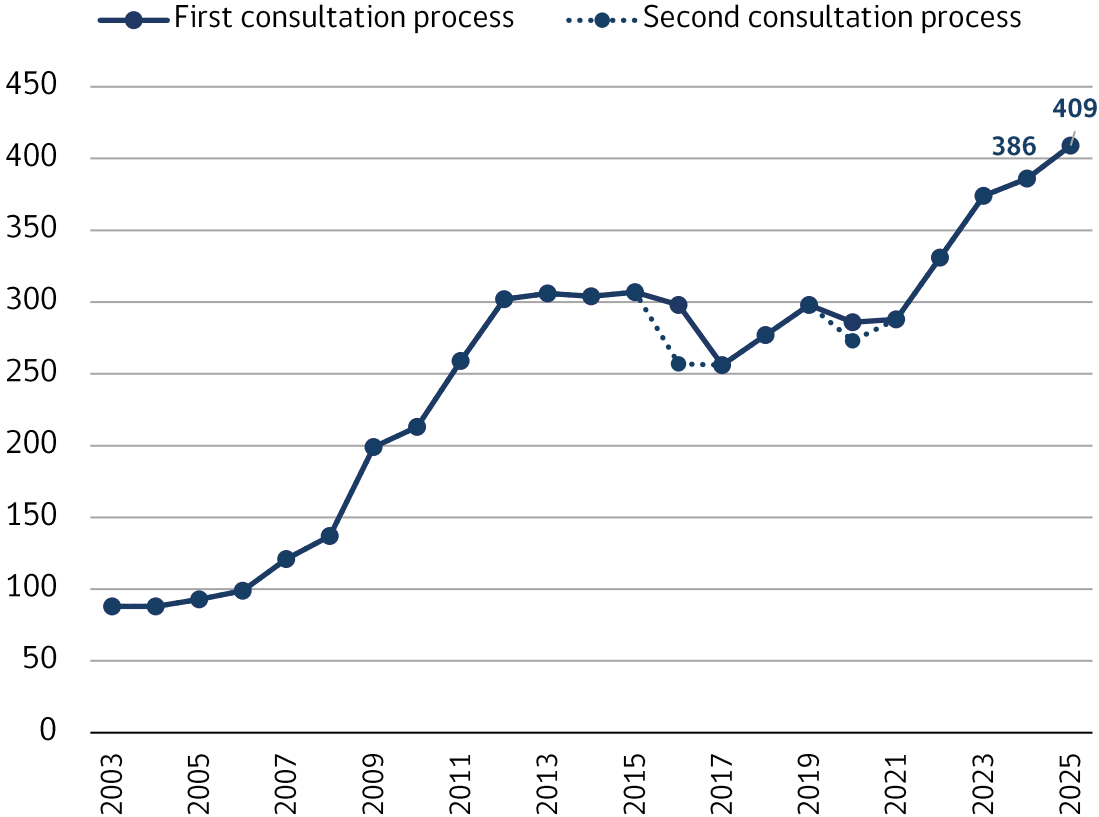
**Source:** Budget Office.

# The increase in copper price and production gives additional structural revenues

Copper production forecast  
(thousands of tons)



Copper Reference Price (1)  
(USc/pound of the respective Budget year)



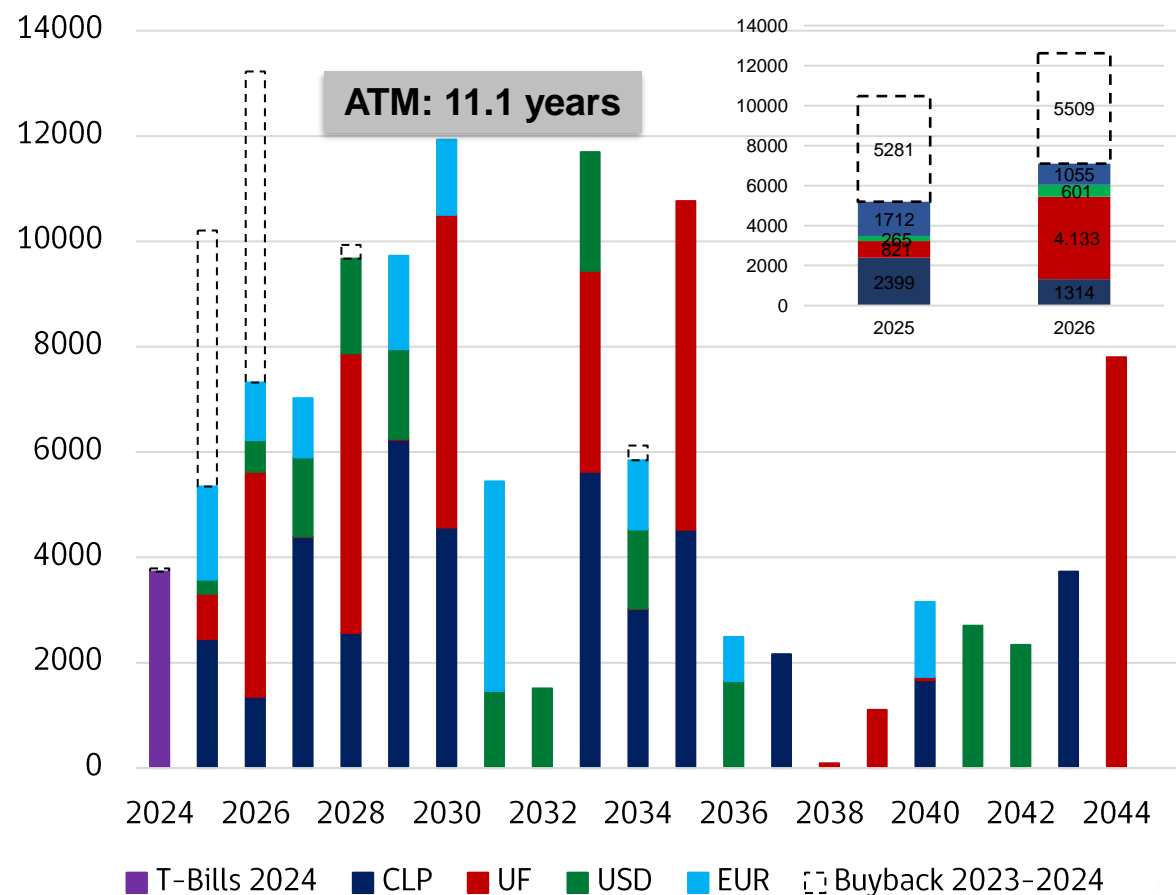
**Note:** ((f) forecast (1) A second consultation process was held in 2016, which changed the reference price from USc 298 to USc 257 per pound. In April 2020, a second consultation process was held, which reduced the reference price from USc 286 to USc 273 per pound.  
**Source:** Cochilco. and Budget Office.

# The government has successfully implemented a buyback operation, significantly reducing debt maturities in the coming years

- The Debt Office has implemented a buyback and exchange plan during the last quarter of 2023 and throughout 2024, aimed at reducing bond maturities in the coming years.
- Bondholders with upcoming maturities are offered the option to exchange these bonds for cash or for other bonds with maturities in later years.
- As of the end of July 2024, a total of US\$5,281 million and US\$5,509 million worth of bonds maturing in 2025 and 2026, respectively, had been repurchased.
- Maturities for 2025 now total approximately US\$5.2 billion, significantly reducing financing needs for the upcoming year.

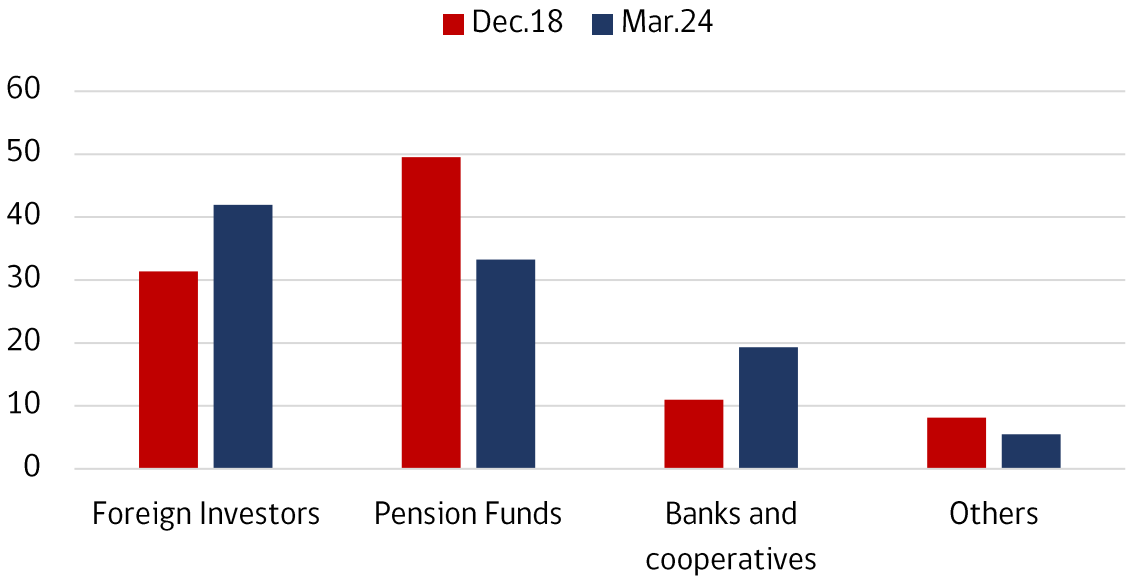
**Maturity Profile of Republic of Chile's Sovereign Bonds**

(millions of dollars)

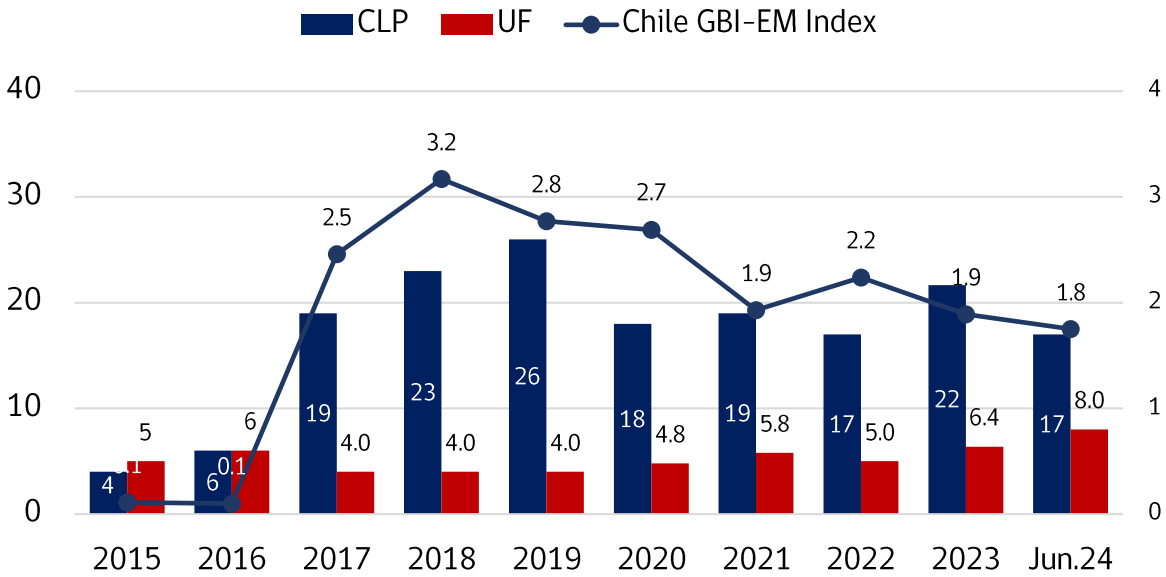


# Benefits of the Chilean Debt Management strategy: larger and more diversified investor base, benchmark points in all currencies and greenium

Holdings of Sovereign Local and External Bonds by Type of Investor (percentage)



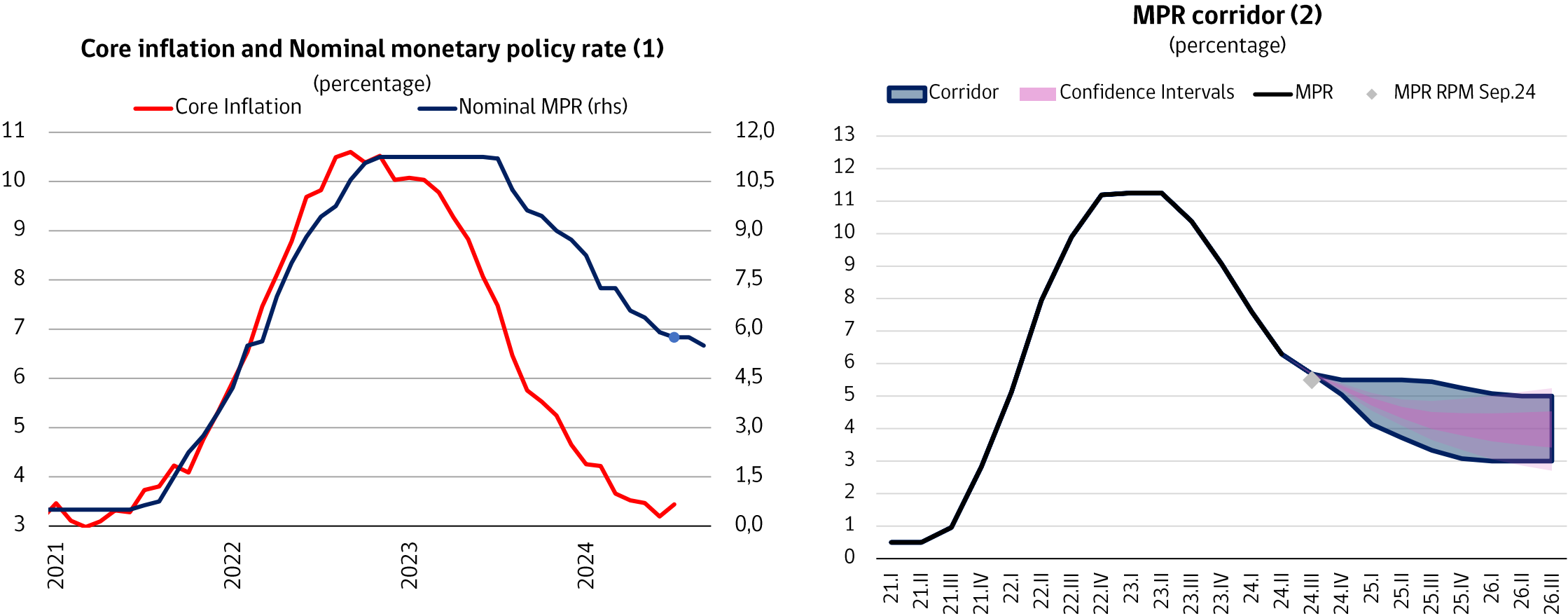
Holdings of Non-Residents in Local Bonds by currency (CLP/UF) and Chile's participation in the GBI-EM Index (1) (percentage)



- The government's financing strategy has included the participation of foreigners through Book-Building issuances, with very active involvement in the transactions.
- Their allocations in the most recent transactions have averaged 40%.
- In October 2023, for the first time, a bond was issued in UF under this modality, allowing foreigners to enter this curve.

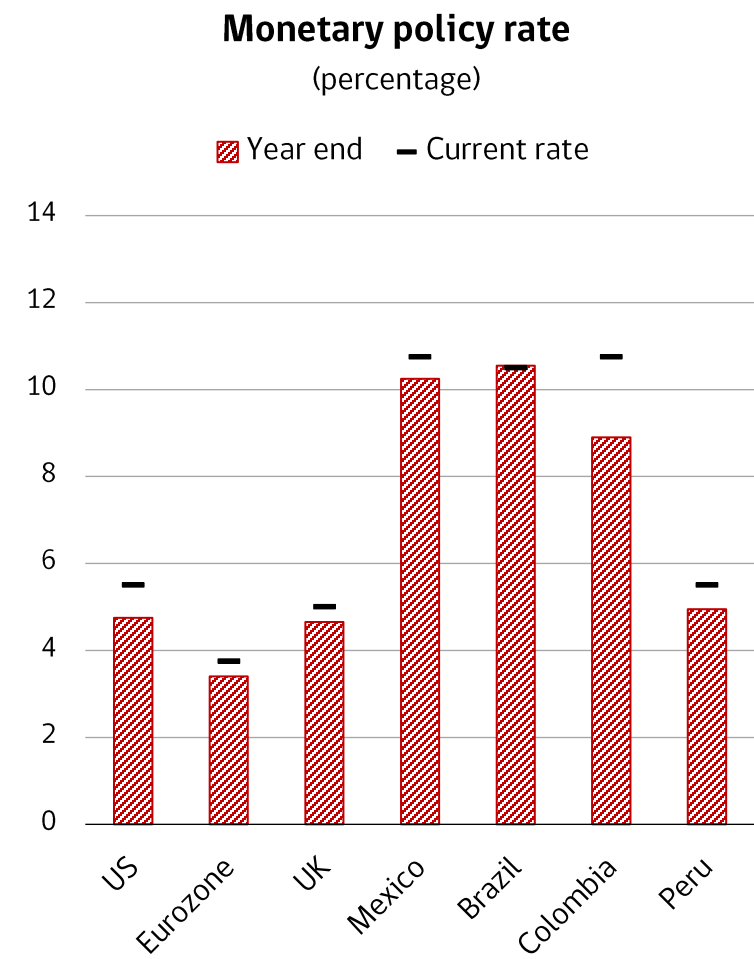
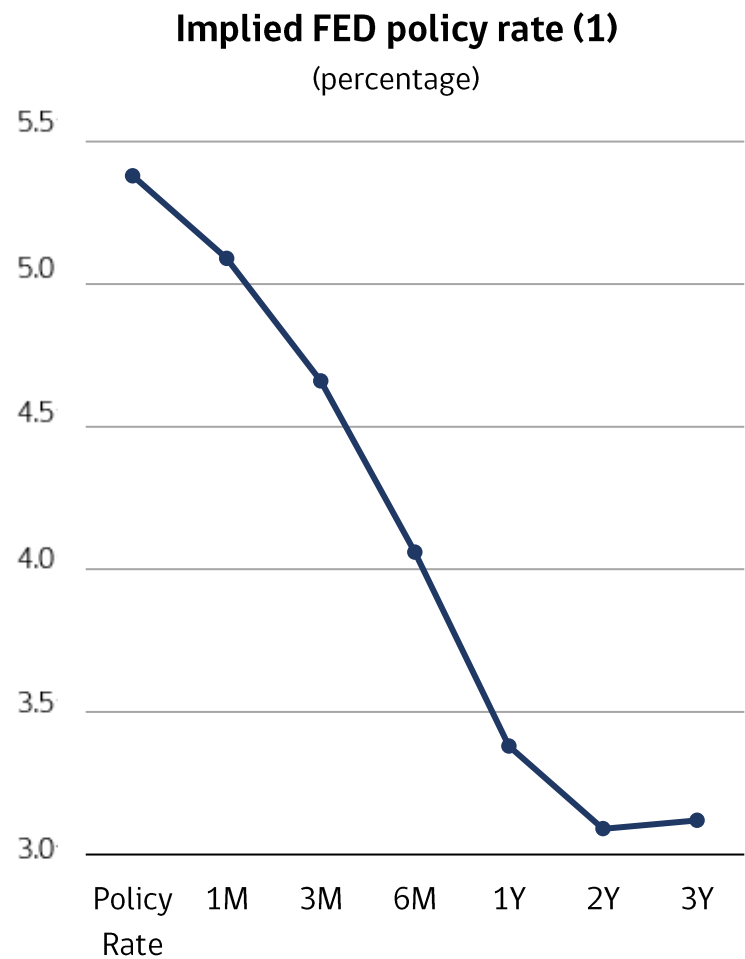
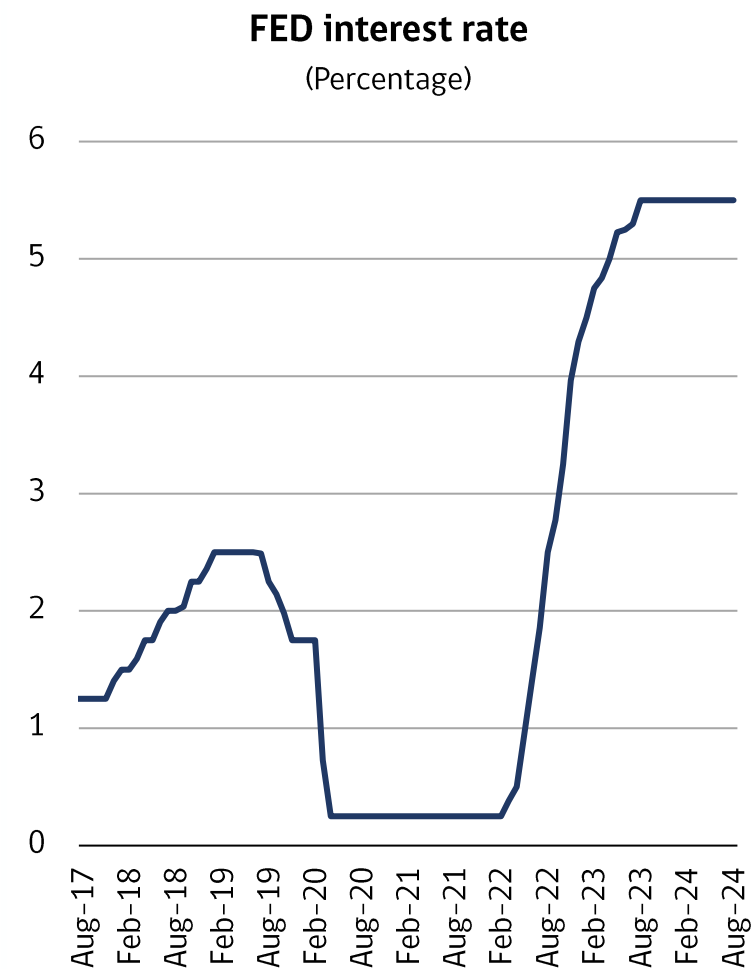
**Note:** (1) UF (Unidad de Fomento) corresponds to an inflation index-linked unit of account  
**Source:** Ministry of Finance.

The un-freezing of electricity prices will push up CP over the coming quarters. Yet 2-year inflation expectations remain anchored at the 3% target, reinforcing the transitory nature of this shock. On this basis, the Central Bank is expecting to further ease the MPR over the remainder of 2024 and first half of 2025



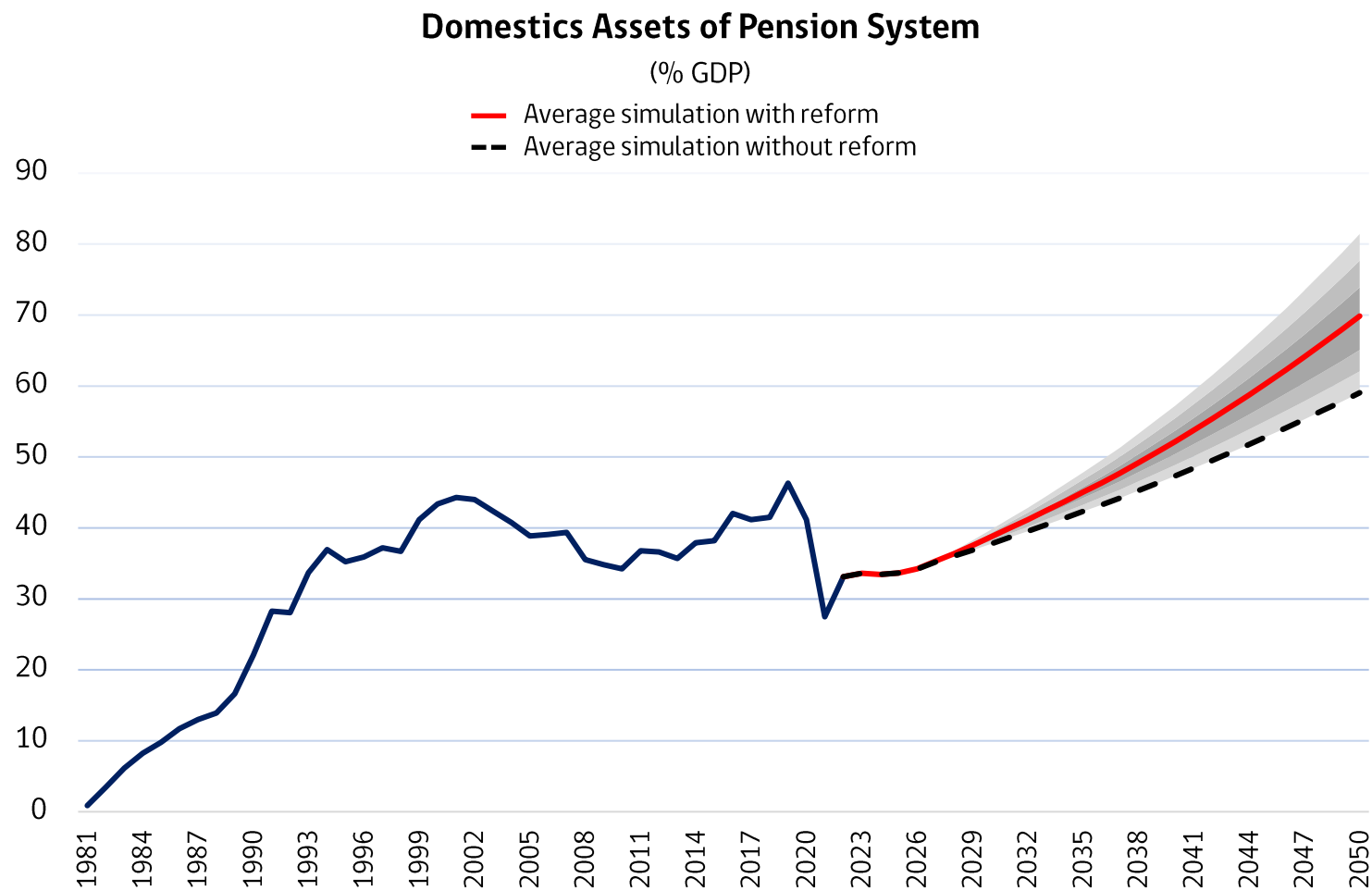
**Note:** (1) The Nominal MPR is calculated as the monthly average (2) Darker area of the corridor represents 33% confidence interval.  
**Source:** National Statistics Institute, Central Bank of Chile and Ministry of Finance.

Markets are anticipating a significant reduction in interest rates in the United States. Additionally, a moderate rate easing is expected by the end of 2024 in several other countries



**Note:** (1) Implied FED policy rate and Monetary policy rate obtained September 2nd  
**Source:** Central Bank of Chile and Bloomberg.

However, the most important changes—reversing the impact of pension fund withdrawals on the long-term domestic capital market—remain pending on the approval of pension reform



## The shorter run, a year after

Statement 2023	Actual performance
By the second half of the year, activity levels will exceed those of a year ago, with a growth close to zero for the year as a whole. Positive annual growth will emerge in 2024	In 2H economic activity was 0.5% above 12 months ago In the whole year, the economy grew 0.2% 2024 growth expected between 2.25% and 2.75%
After reaching nearly -10% of GDP the CA will approach -3% of GDP by end-2023	Current account balance 2023: -3.6% of GDP Current account balance 2024, expected: close to -2%
The execution of fiscal policy in 2023 and the forthcoming 2024 Budget will be fully compliant with the trajectory set in May 2022, keeping debt/GDP well below the 45% ceiling	The budget expenditure execution rate in 2023 was 100%. All the balance targets met. Debt/GDP projected below 42% until 2027
Copper mining Royalty increases revenues for the State while ensuring stability and preserving incentives to invest	Since the approval of the Mining Royalty in May 2023, mining investment has increased by almost US\$15 bn (2024-2028), representing a rise of around 275%
Economic uncertainty would decline further since the Constitutional process would be resolved, one way or another by the end of the year	Economic uncertainty index and EMBI sovereign risk spreads at pre-social crisis levels

# The Chilean economy in the longer run

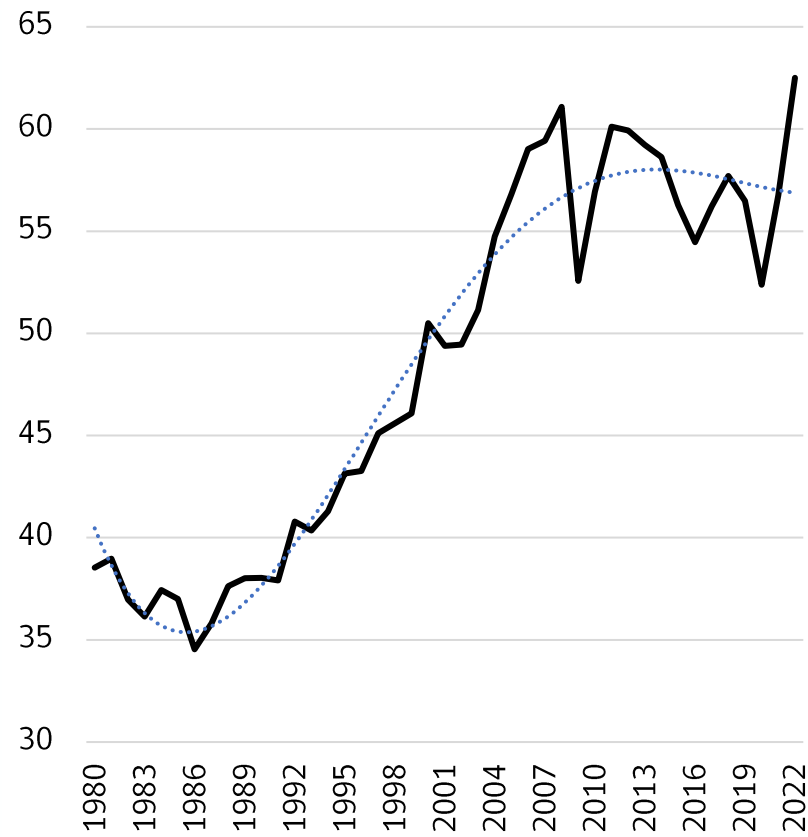


From Chile Day London #14, September 2023

Statement 2023	Reasons for skepticism at the time
A pro-growth agenda in emerging as part of the Fiscal Pact proposed by Presidente Boric in his address to the Nation in June 2023	There were doubts on the Government's commitment to economic growth, as compared to the tax agenda. It was unlikely that opposition parties would sign to a Fiscal Pact
The Government is preparing a comprehensive reform to the processing of investment permits	Investment permitting had grown to an extremely complex system involving dozens of government agencies, hundreds of regulations. Previous efforts in this regard had failed
The national lithium policy will open room for public, private and joint-venture investments to develop this industry	Uncertainty on the precise extent of public involvement and the timing that its implementation would take
The current administration is working on a Green Hydrogen Action Plan 2023-2030. More than 50 projects across the country are under study while several pilot initiatives are starting to operate	Green Hydrogen is a nascent industry motivating many countries in the World; uncertain how Chile would take advantage of its comparative advantages
The government will provide a solution to the challenges posed to the private health insurance system by Supreme Court rulings on pricing	Uncertain commitment by the government to resolve the problem given its critical attitude towards the sector. A crisis would damage the industry, leave millions unprotected and prompt the collapse of private health service providers

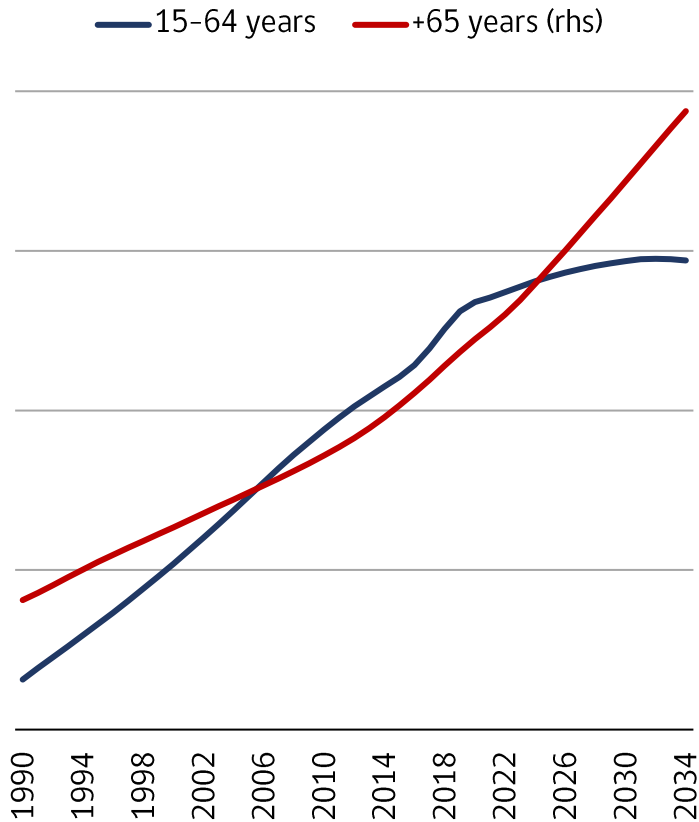
# The factors that contributed to strong growth for the 20 years up to the mid-2000s weakened over time, while some constraints became more visible

**Global Trade**  
(% of GDP)



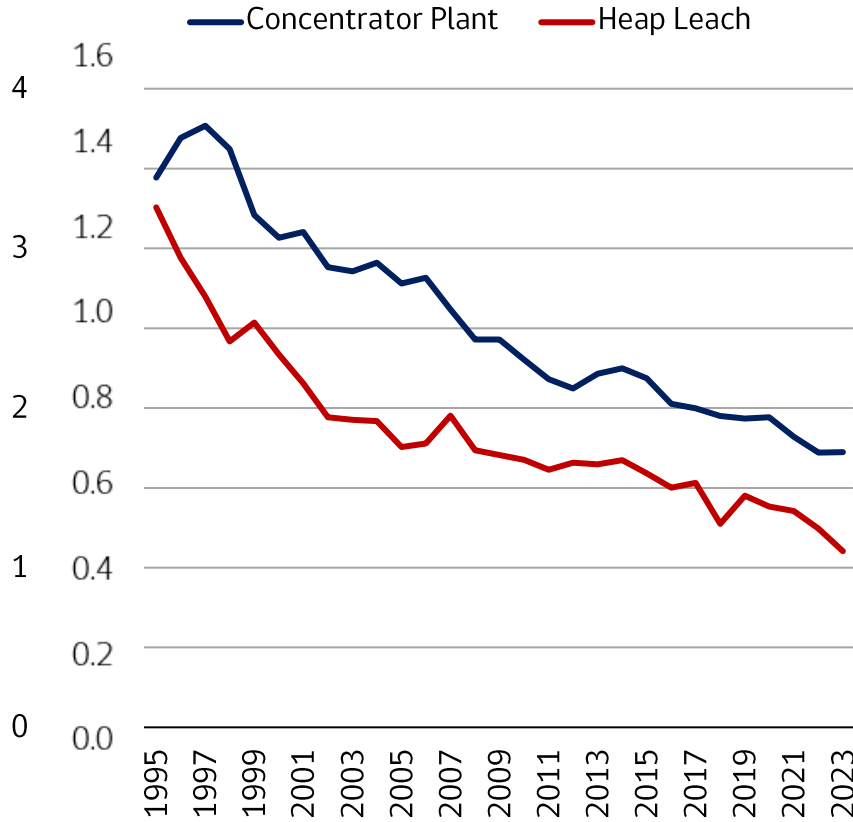
**Note:** Trade is the sum of exports and imports of goods and services measured as shared of gross domestic product.  
**Source:** World Bank

**Population**  
(millions)



**Source:** Latin American and Caribbean Demographic Centre, ECLAC.

**Average Copper Mining Ore Grades**  
(percentage)



**Source:** Huerta and Luttini (2017) and Cochilco.

**Yet global developments are enhancing and developing comparative advantages to the Chilean economy that should broaden its productive base**



**Clean and  
competitive  
mining**



**Lithium**



**Renewable  
energies**



**Green hydrogen**



**Digital economy**



**Tourism**

# The National Lithium Strategy is making good progress. Public-private collaboration should generate a 76% increase in production by 2030 and more than double by 2035

- 1. Projects with majority state participation: **Atacama salt flat** (Codelco-SQM) and **Maricunga salt flat** (Codelco)
- 2. Projects led by State companies: **Alto Andinos salt flats project** (Enami) and **Pedernales salt flat** (Codelco)
- 3. Projects led by national or foreign private investors: Request for Information (RFI) process for 26 salt flats

## High interest in the RFI process:

- ✓ The high participation of private parties in the process stands out
- ✓ 88 expressions of interest expressed, from more than 50 companies and consortia, from 10 countries
- ✓ Interest to develop projects in 36 lithium fields
  - ✓ 53 expressions of interest on 16 salt flats or salt lagoons
  - ✓ 28 demonstrations on other types of deposits
  - ✓ 7 demonstrations in salt flats or areas excluded from the process

National Lithium Strategy Chilean production conservative forecast  
(LCE tons per year)

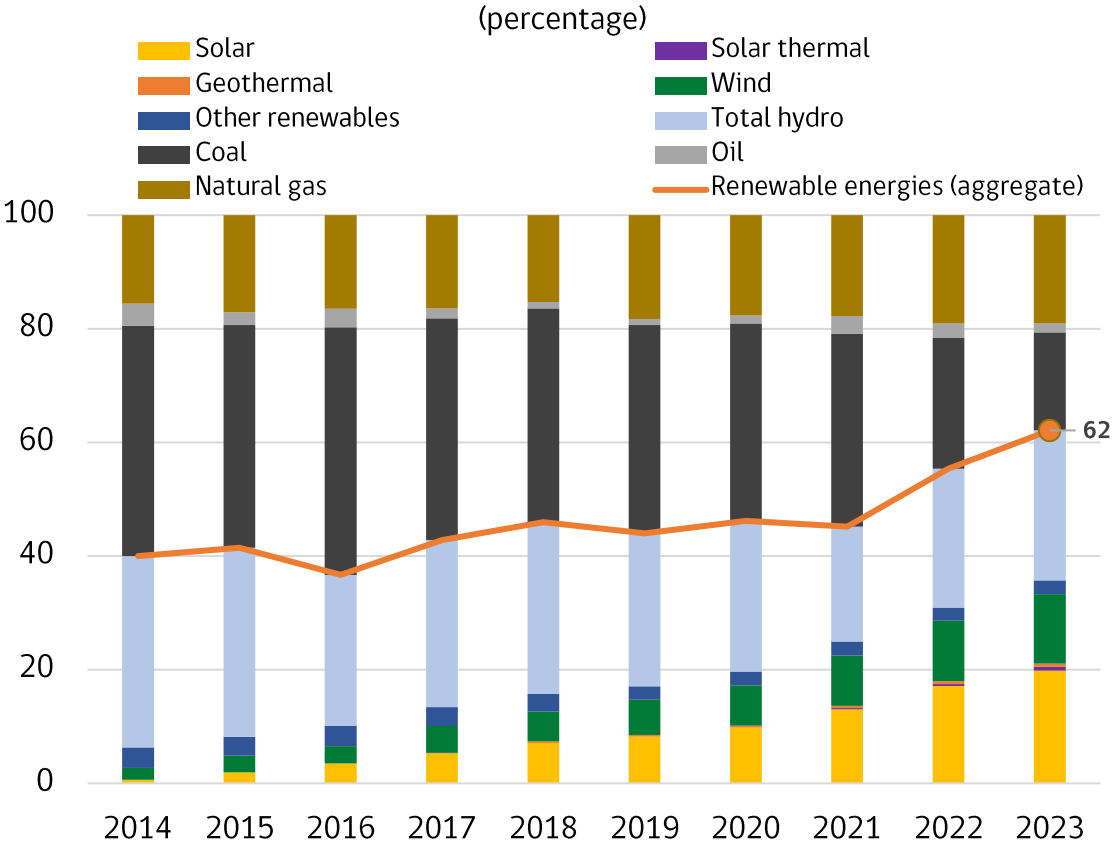
	2023	2030	2035
SQM - CODELCO	170,000	300,000	300,000
Albemarle	55,000	80,000	100,000
Salar Blanco	-	15,200	15,200
ENAMI	-	-	20,000
Nuevos CEOL	-	-	40,000
CODELCO Maricunga y Pedernales	-	-	-
Total	225,000	395,200	475,200
Percent increase	-	76%	111%

**Note:** The proposed territorial distribution of the salt systems is as follows: 49% for projects with public-private participation, 18% for national and international private investors, and the remaining 33% will form a network of protected salt flats.

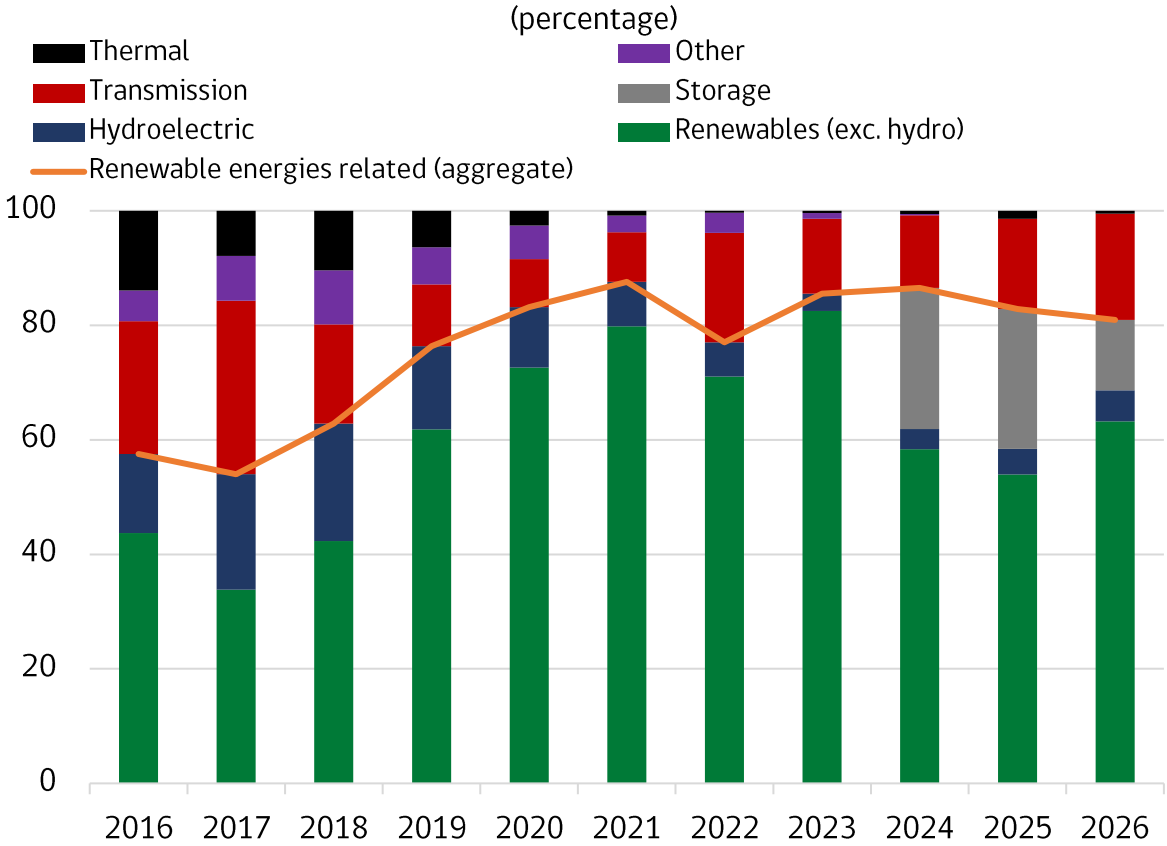
**Source:** [www.gob.cl/chileavanzaconlitio](http://www.gob.cl/chileavanzaconlitio) and [www.minmineria.cl](http://www.minmineria.cl)

# Last year, 62% of electricity generation was based on renewable energies. Investment under way will raise this proportion over 85% by 2030

Electricity generation by technology and NCRE participation



Private investment forecast in energy projects by typology - 2Q2024 (1)



**Note:** (1) Figures for year 2024–2026 are based on the 2Q2024 Capital Goods Corporation survey, and figures for previous years are based on the fourth quarter survey of each year.  
**Source:** Capital Goods Corporation survey and Generadoras Chile.

# 73 GH2 projects in different stages of development. Two of them have already entered the Capital Goods Corporation survey with a defined investment schedule



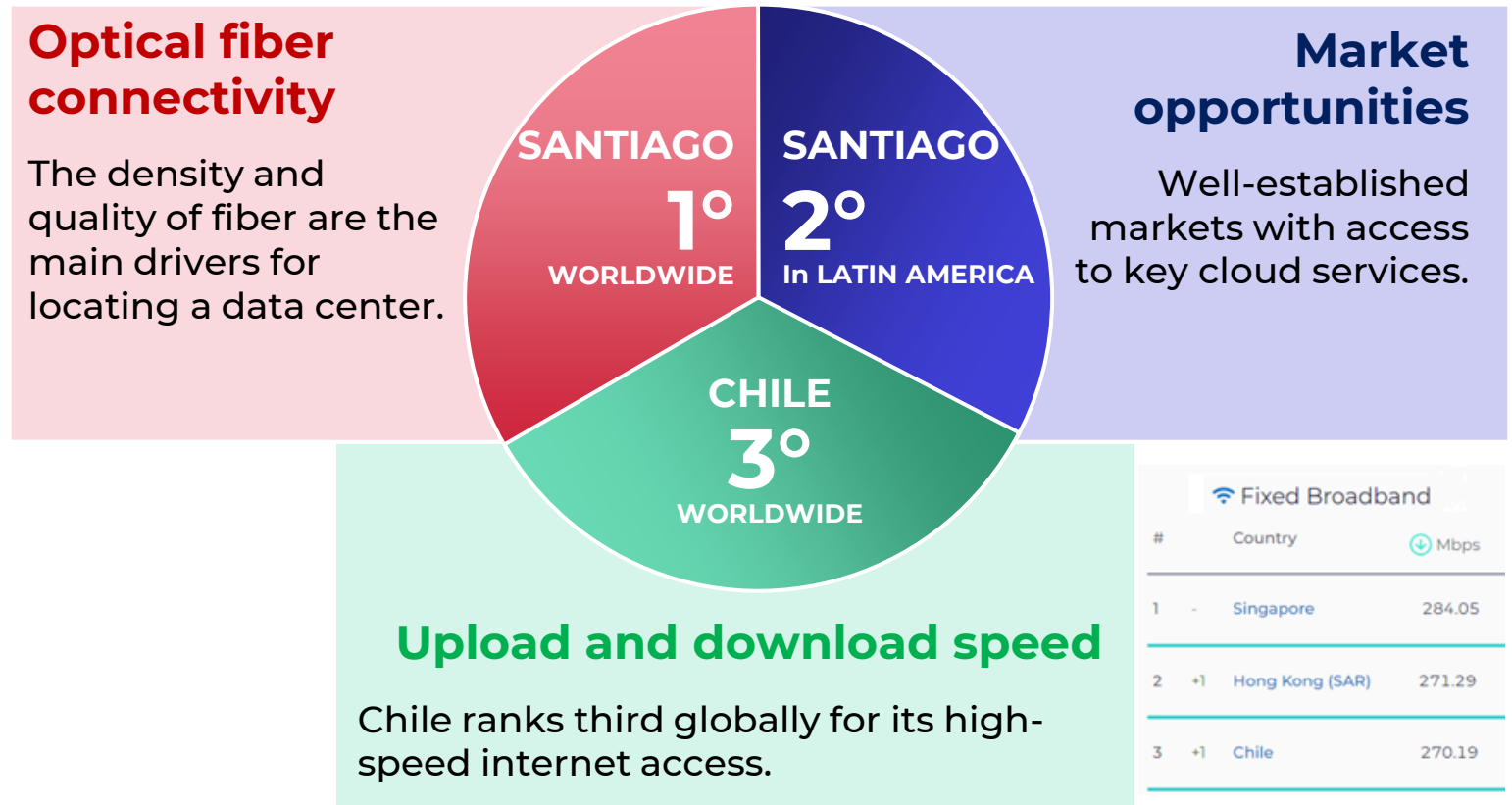
# Chile offers several comparative advantages for digital services development. This is reflected in a large number of data centers already established in the country, with a strong pipeline plan for the coming years

## Data Centers:

- The capacity of data centers in Chile **increased by 20%** during the last quarter of 2023.
- There are **22 operational data centers** in Chile, and the arrival of **28 new ones** is expected nationwide.
- InvestChile is currently managing Data Center projects worth **US\$4,310 millions**.

## Humboldt Project:

- First **submarine fiber optic cable** between South America and the Asia-Pacific.
- **Public-private collaboration** between Desarrollo País and Google.



The Pact for Economic Growth, Social Progress, and Fiscal Responsibility emerged from several months of dialogue with business organizations and representatives of political parties. It includes 36 measures to boost growth, 12 to reform the State, and 30 to improve tax compliance



Boosting growth through investment, productivity, and formalization of the economy

36  
initiatives



Reform commitments to strengthen transparency, efficiency, and quality of service in the State

12  
reforms



Needs and spending priorities in favor of the needs expressed by the citizens

4  
sectors



Principles for a modern tax system in Chile

12  
principles



Tax compliance enforcement and income tax reform

30  
measures



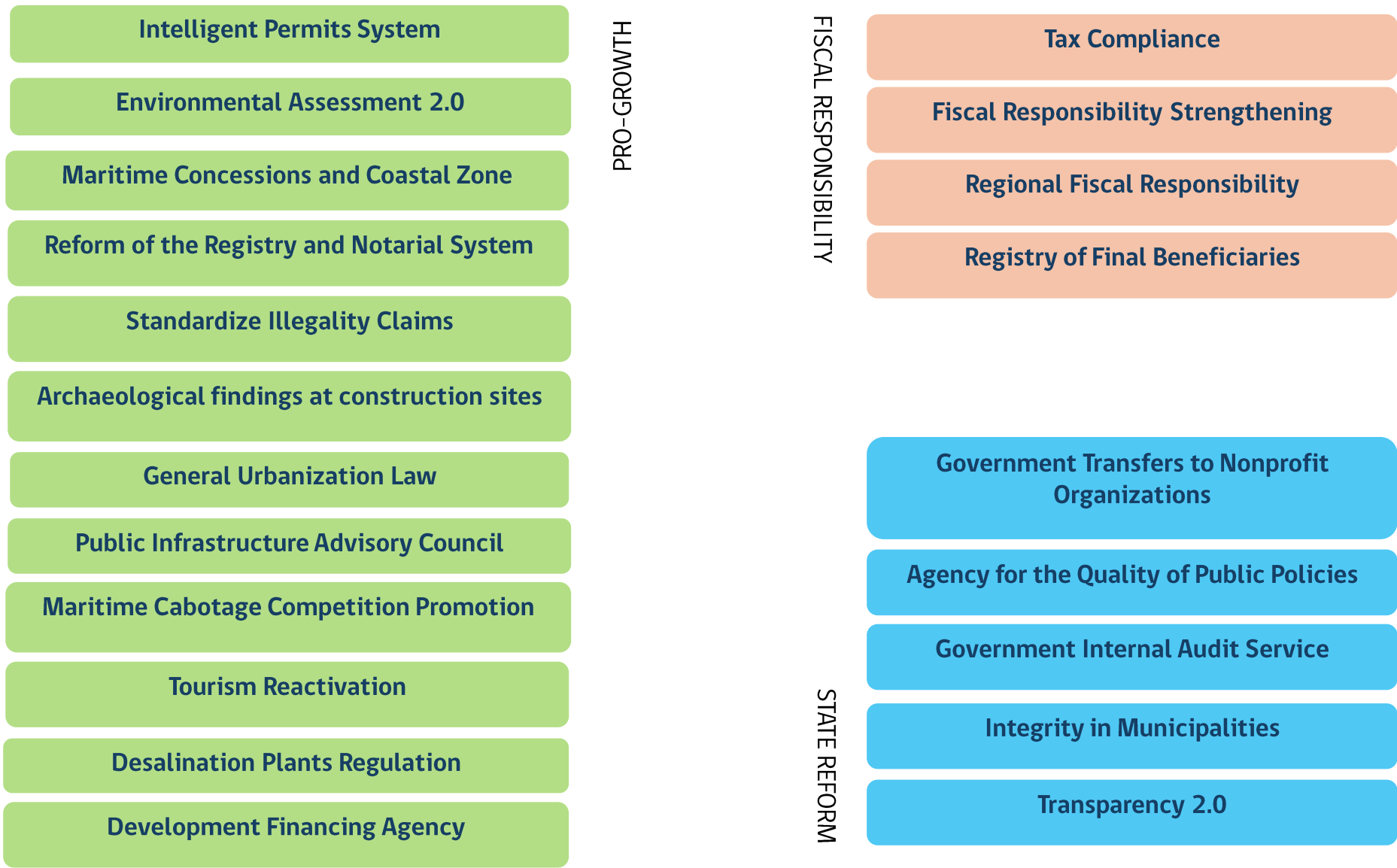
Institutional mechanisms for monitoring, tracking, and evaluating the Fiscal Pact

10  
years

The Fiscal Pact has outlined challenging goals to meet in the key developing sectors at the end of this term and identified concrete measures to achieve them. The private sector, local and foreign, will be key for their attainment

Economic sector	Goal to 2026
Clean and competitive mining	Increase copper production by 1 million metric tons
Lithium	3 to 4 new projects in development
Renewable energies	2/3 of matrix of electricity generation from renewable sources
Green hydrogen	10-12 projects in development
Digital economy	Growth of the digital economy triples the average growth of the economy
Tourism	Increase the number of foreign tourists entering the country by more than 1 million per year

# The Government and Congress have agreed on a fast track to speed up 21 bills under the Pact for Economic Growth, Social Protection and Fiscal Responsibility



One of the most ambitious reforms is aimed at rationalizing and shortening permitting processes. Legal reform proposals for an Intelligent Permit System and an Environmental Assessment 2.0 were submitted to Congress in January, with the expectation of getting them passed before the end of this year



### Other permits in process

**Law on Maritime and Coastal Border Concessions** – to reduce processing times.

**Cultural Heritage Law** – updating of Cultural Heritage legislation.

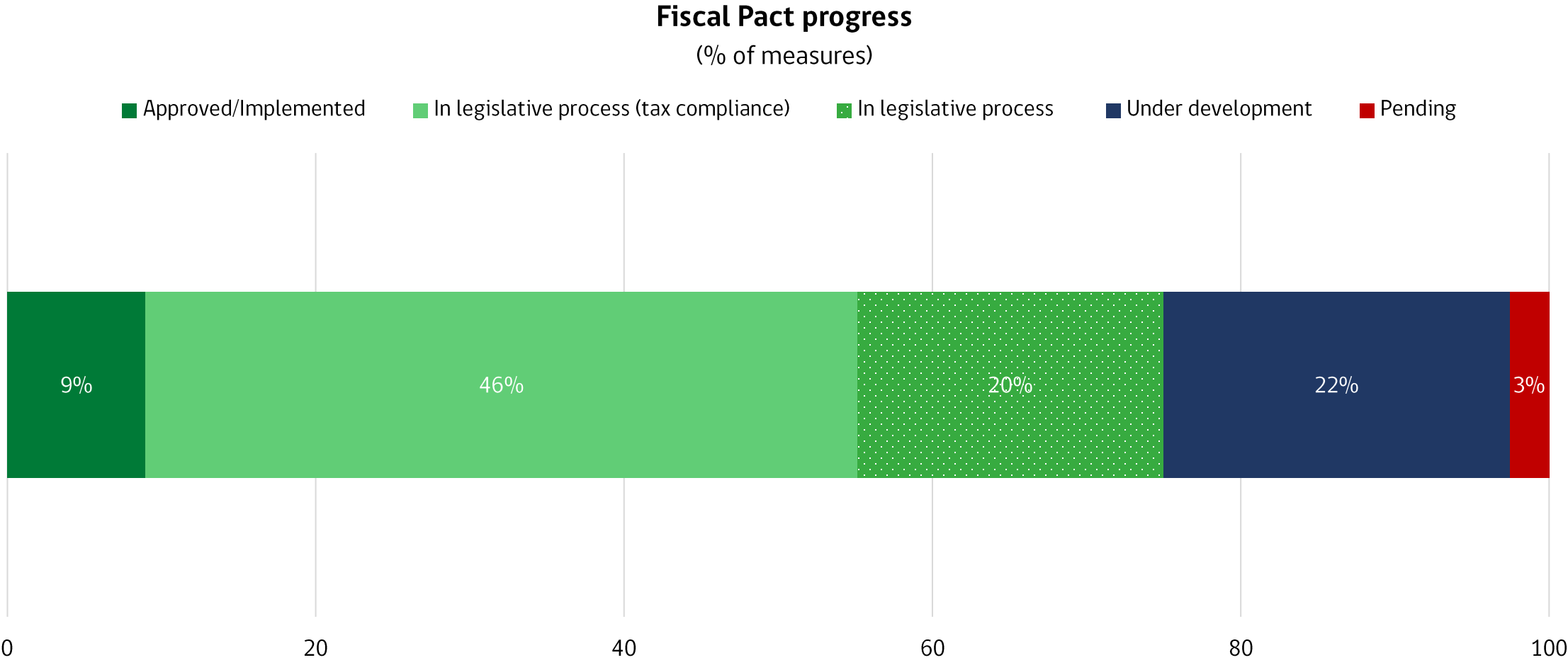
**Reform of the Notary and Registry System** – modernization, higher standards of transparency and quality of service.

**Draft Bill to standardize claims of illegality** – standardize claims of illegality for all acts of public administration into one.

**Bill to amend the General Law of Urbanism and Construction regarding deadlines and penalties for non-compliance** – to streamline and reduce bureaucracy in construction permits and building receptions.

**Bill to regulate desalination plants** – to improve the country's water security and encourage investment in desalination.

# Around three-quarters of the measures outlined in the Fiscal Pact have already been approved, implemented, or are in the legislative process



Source: Ministry of Finance.

The recent approval of the short bill on private health insurance and the lifting of long-standing energy tariff freezes demonstrate a renewed ability to address politically and socially complex challenges that had remained unresolved by public policy for many years

Case	Nature of the problem	Solution
Debt with Electricity Generators under PEC1	A mechanism was initially created to prevent electricity tariff hikes (PEC 1), which proved insufficient, leading to the implementation of a second mechanism to ease tariff increases (PEC 2) and address the accumulated debt.	The Tariff Stabilization Law was passed, allowing for the gradual payment of the accumulated debt to electricity generating companies and the normalization of electricity prices within 12 months.
Private Health Insurance	<ul style="list-style-type: none"><li>• Legal challenges regarding base pricing for years.</li><li>• Obligation for health insurance companies (Isapres) to comply with the Supreme Court ruling on the use of the Unified Risk Table.</li></ul>	<ul style="list-style-type: none"><li>• The "Short Law" for Isapres provides stability to the health system and strengthens Fonasa (with the Modality of Complementary Coverage for more options of free choice). It also provides for the gradual reimbursement of excessive charges.</li></ul>

# The two main reforms under discussion have been the subject of recent political agreements setting objectives, priorities, timing and procedures for approval

## Pension Reform Project Protocol (January 2025)

*Prevent poverty risk in old age, ensure income during retirement, reward consistent contributions, and mitigate unmanageable risks.*

### Priority issues to be addressed

- Increasing pension savings (Contribution, informality, active life)
- Clearly define the parameters of the PGU; objective and clear
- Increasing competition and profitability (Industrial market organization)
- Raising the return on funds (Management)
- Increasing current and future pensions (sustainable Social Security)
- Closing gender gaps in pensions (permanent mechanism)
- Recognizing the value of employee and employer contributions
- Strengthening of pension institutions

## Tax Compliance Project Protocol

*Ensure justice to taxpayers, create equal conditions for competition, and increase fundraising.*

### Subjects with fundamental agreements for progress

- Advance in anti-tax evasion regulations (Informality and modernization of the catalog of tax crimes)
- Organizational modernization of the SII (independence, probity, transparency)
- Strengthening the central role of the National Customs Service and the General Treasury of the Republic
- Strengthening the Taxpayer Ombudsman's Office
- Anonymous whistleblower (tax crimes and organized crime)
- Reforming bank secrecy laws (more expeditious judicial procedure focused on tax crimes and organized crime)

# Approval of Fiscal Pact reforms will reconcile long-term growth, social equity and fiscal sustainability

## Impact of measures on long-term growth (Marfán Commission)

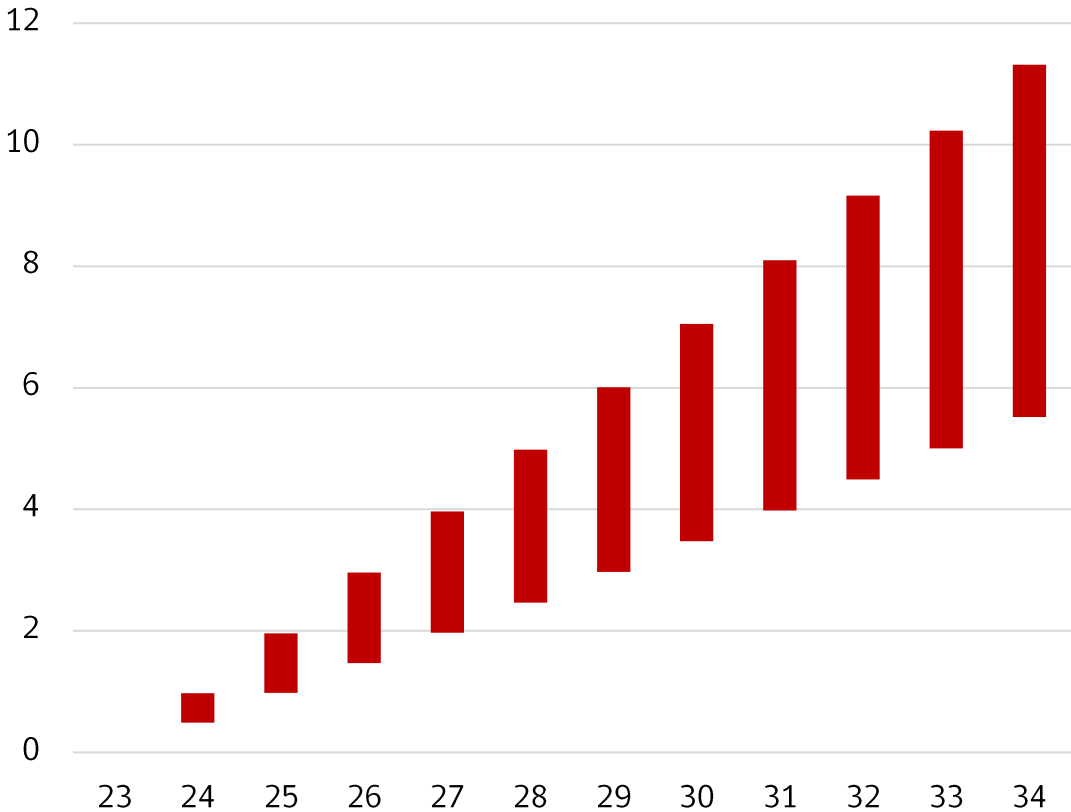
	In 10 years	Annual
Reduction of <b>one</b> percentage point in the first-category tax	0.65%	0.065%
Reduction of permits processing times	2.4%	0.24%
Clean energies, green hydrogen and its derivatives	1.1%	0.11%
Increased development of copper and lithium industries	-	-

**Pro-Growth measures from the Fiscal Pact would provide at least around 0.5% higher annual growth over the next 10 years**

## Impact of closing the gender labor participation gap with the OECD (Marfán Commission)

	Impact on GDP level
Increase in female labor force participation	1.8%

GDP growth from leveraging opportunities versus baseline scenario  
(percentage)



**Source:** Commission of Experts on Fiscal Space and Trend Growth: “Fiscal space that can generate economic growth in the period 2024–2034, considering measures to stimulate investment, productivity, and productive diversification”. Available at: [biblio.hacienda.cl/pacto-fiscal](http://biblio.hacienda.cl/pacto-fiscal), Ministry of Finance.

# The Chilean economy in the longer run



From Chile Day London #14, September 2023

Statement 2023	Actual performance
A pro-growth agenda in emerging as part of the Fiscal Pact proposed by Presidente Boric in his address to the Nation in June 2023	Fiscal Pact final version released in January 2024. Targets for development by the end of the current Administration. 21 proposals undergoing legislative approval on a Fast Track process
The Government is preparing a comprehensive reform to the processing of investment permits	Five initiatives under discussion in Congress. The largest ones – sector permits and environmental permits– making good progress and may be approved by the end of the year
The national lithium policy will open room for public, private and joint-venture investments to develop this industry	RFI process finalized, with 88 proposals from more than 50 countries. CEOL allocation process to start soon. Codelco-SQM agreement signed. Codelco and Enami seeking partners for new projects in 6 salt flats. Chilean Lithium production to increase above 70% by 2030
The current administration is working on a Green Hydrogen Action Plan 2023-2030. More than 50 projects across the country are under study while several pilot initiatives are starting to operate	H2V Action Plan approved in June. 72 projects now under study, the first two entered the investment pipeline.
The government will provide a solution to the challenges posed to the private health insurance system by Supreme Court rulings on pricing	“Short law” on ISAPREs passed by Congress in May, now moving into full implementation, without bankruptcies



Ministerio de  
Hacienda

Gobierno de Chile

# Chile's economy: from macro stabilization to long-term inclusive growth

Chile Day  
Paris - London 2024  
Sept. 6th-10th



Mario Marcel | Minister of Finance

## A challenging environment is giving ground to a normalized economy

- In the three years since October 2019, the Chilean economy suffered successive shocks that generated extreme macro volatility. Uncertainty shot up, resilience was put to a test, and the economy made use of buffers accumulated over many years.
- Some policy responses –like pension fund withdrawals-- broadened macro imbalances, while the constitutional significantly increased political uncertainty. Taking all these factors into account, it would be fair to say that the Chilean economy is overcoming one of the deepest and longest shocks in the World in recent years.
- Macro policy responses were bold and effective: monetary policy responded faster than in other countries and fiscal consolidation in 2022 was particularly drastic. The Basel III financial framework is mostly in place. As a result, major imbalances are resolved, the economy is growing, buffers are rebuilding, and uncertainty is back at pre-crisis levels.
- The main pending issue is a full normalization of financial conditions, still affected by pension fund withdrawals, stabilization policies, global financial conditions, risk perceptions and regulatory capital requirements. This is reflected in constrained credit, high interest rates and a shortening of the fixed income market.
- A number of factors –internal and external-- point to a substantial normalization of financial conditions over the next few months. This would foster investment and support a full recovery of the construction industry and SMEs, which are still lagging. Foreign trade is making a comeback as an engine of growth.
- On these grounds, the economy is expected to grow above potential in 2024 and 2025, with investment growing at a robust pace next year.
- These factors, plus micro and policy developments, will contribute to stabilize public debt well below the policy ceiling of 45% of GDP while sustainably funding much needed social reforms.

## Long-term growth challenges and policy responses

- Short-term volatility and policy responses are overlapping with longer-term economic, social and political challenges. The factors that contributed to strong growth for the 20 years up to the mid-2000s weakened over time, while some constraints became more visible. Demographic transition, globalization, exploitation of non-renewable natural resources, private provision of social goods and political compromise all took a more complex turn without an appropriate strategic response.
- The extraordinary expansion of the middle class imposed new standards and demands on institutions, at a time when growth was slowing down, and politics became more divisive. This created major social and political tensions that fed back into the economy.
- While these challenges are common to many countries, Chile seems better equipped to face them. This is because global developments are enhancing and developing comparative advantages to the Chilean economy that should broaden the productive base of the economy.
- At the same time, the rejection of two politically-charged constitutional proposals is fostering a more pragmatic, gradual approach to change and a revaluation of institutions. The Pact for Economic Growth, Social Progress and Fiscal Responsibility –Fiscal Pact-- is a good reflection of this approach.
- The approval of the short bill on private health insurance and the unfreezing of energy tariffs are demonstrative of a renewed ability to address long-developing politically and socially complex issues.
- The two main reforms currently under discussion –tax compliance and pension reform– have been the subject of recent political agreements. Both initiatives are now being voted under the principles, priorities and timing stated in those agreements. Reforms on investment permitting are also making good progress.
- Recovery may thus combine with a bolder push to stronger and more sustainable growth. Social and political reforms may help rebuild a virtuous circle contributing to future progress and wellbeing.