Ministerio de Hacienda

Gobierno de Chile

Chile Day Londres

September 14, 2025

Nicolás Grau, Minister of Finance – Chile

Plan for the presentation

1. Our starting point
2. Fiscal and socially responsible
3. Economic Outlook
4. Enhancing trend growth

1. Our starting point

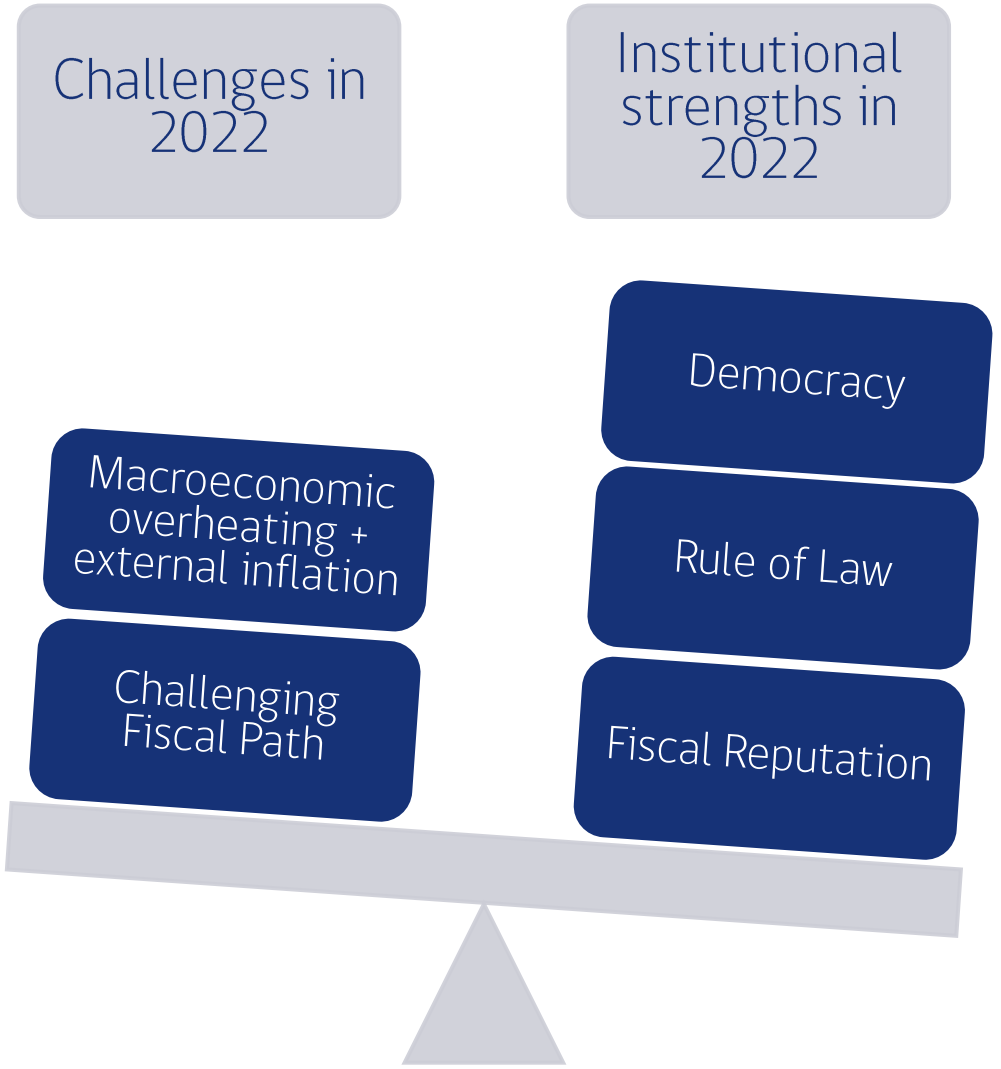
When the Administration started in 2022 Chile had some permanent institutional strengths that helped navigate the relevant challenges faced by the economy and society

Additional challenges were

- Low growth:
  even lower than the pre-pandemic average since deceleration in 2012
- Macro imbalances
- Inequality and lack of social cohesion
- Environmental challenges
- Diverging views about how to address these challenges

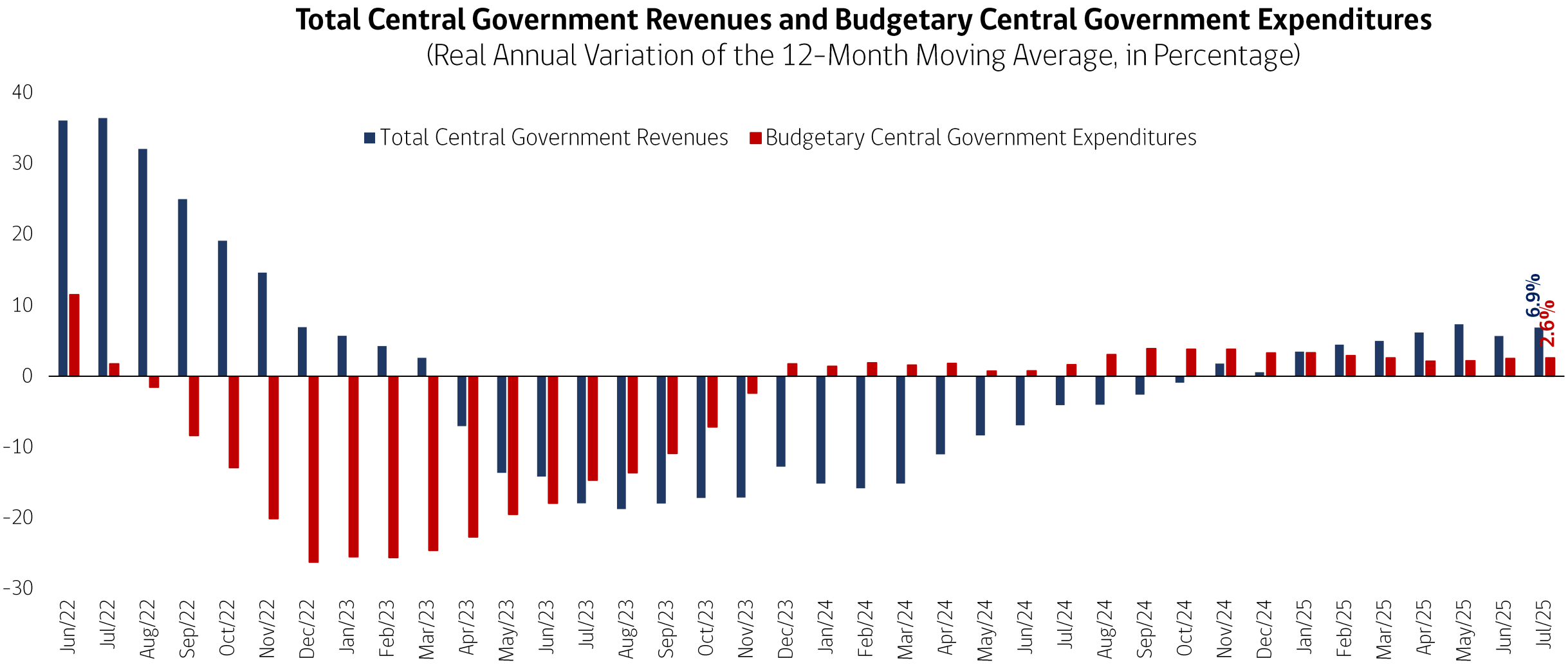
The strategy was to start from the Chilean institutional strengths (guided by our progressive political view) to tackle the challenges.

Two constitutional drafts were voted on.



2. Fiscal and socially responsible

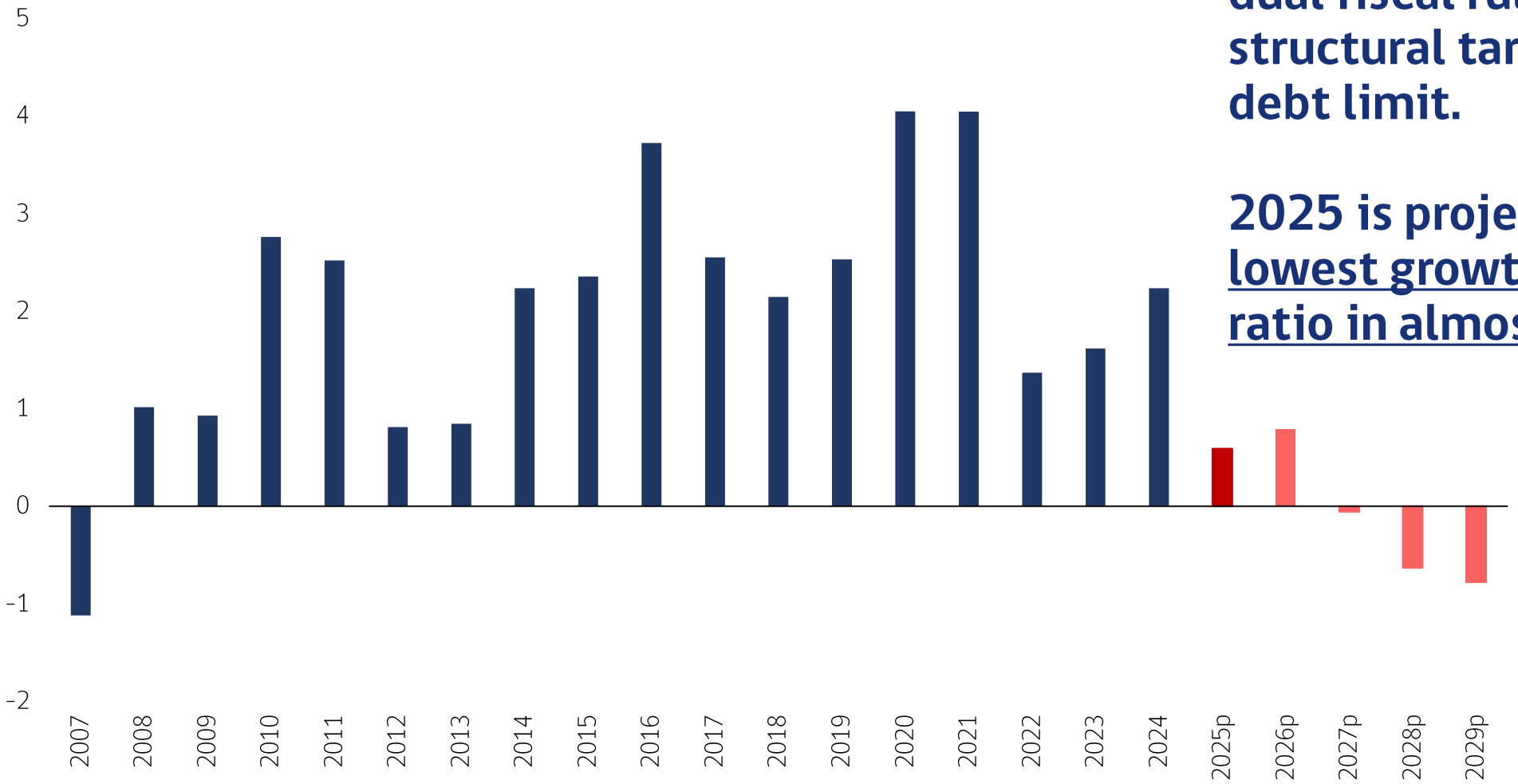
The dynamics of fiscal revenues and expenditures are also starting to normalize. After large shocks the expansive waves effects can persist for long periods with hard-to-predict lags



Source: Budget Office.

Growth of the Debt-to-GDP Ratio

(Annual change in percentage points of GDP)

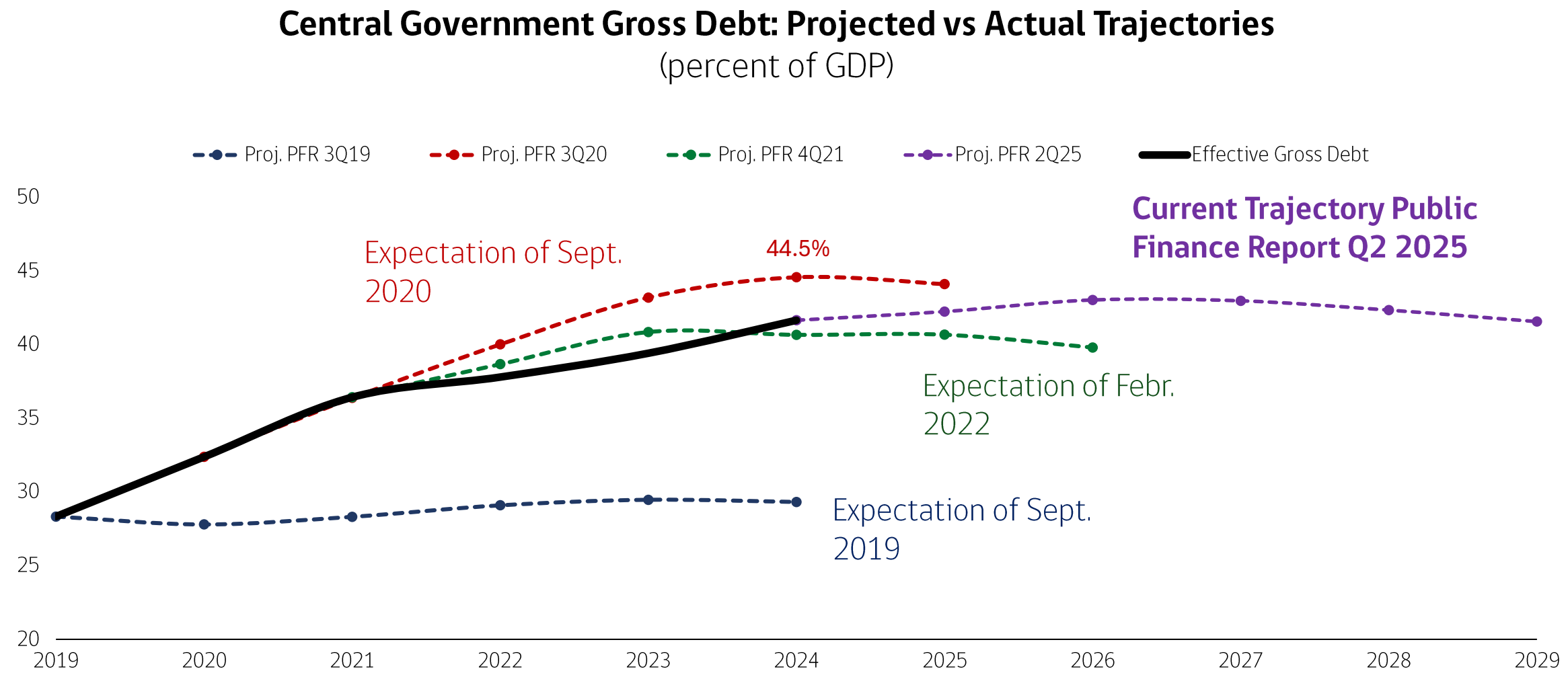


A law was passed (2024) for a dual fiscal rule: adding to the structural target, a prudential debt limit.

2025 is projected to have the lowest growth in Debt-to GDP ratio in almost two decades.

Note: (p) Projected debt-to-GDP ratio according to the Second Public Finance Report of 2025 (PFR).
Source: Budget Office.

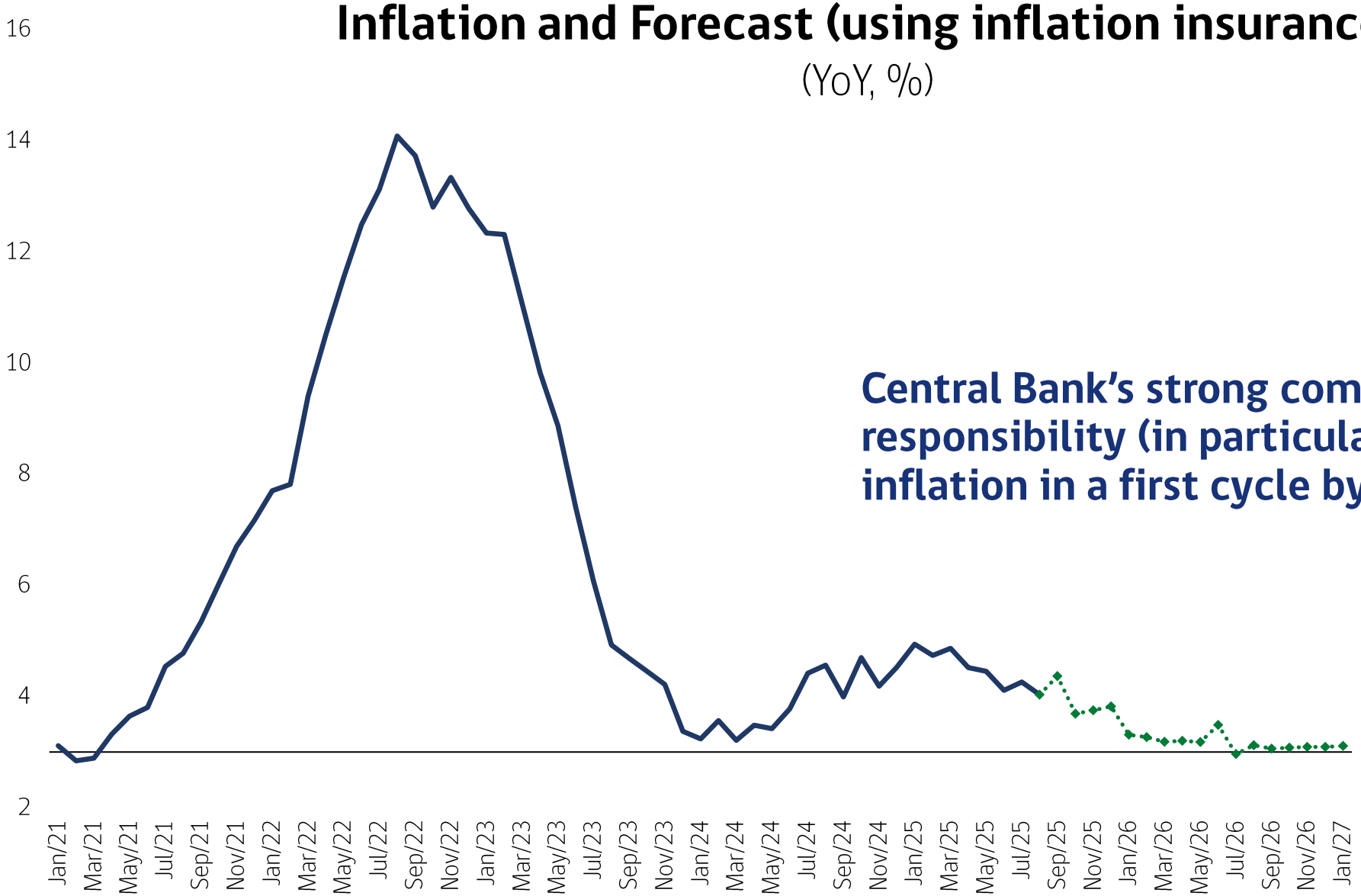
Fiscal responsibility gives meaningful room to keep the debt ratio below the 45% prudential debt limit of the dual fiscal rule



Source: Effective debt-to-nominal GDP ratio based on Central Bank of Chile statistics. The expectations correspond to scenarios from the Public Finance Reports published by the Budget Office.

Inflation and Forecast (using inflation insurance)

(YoY, %)



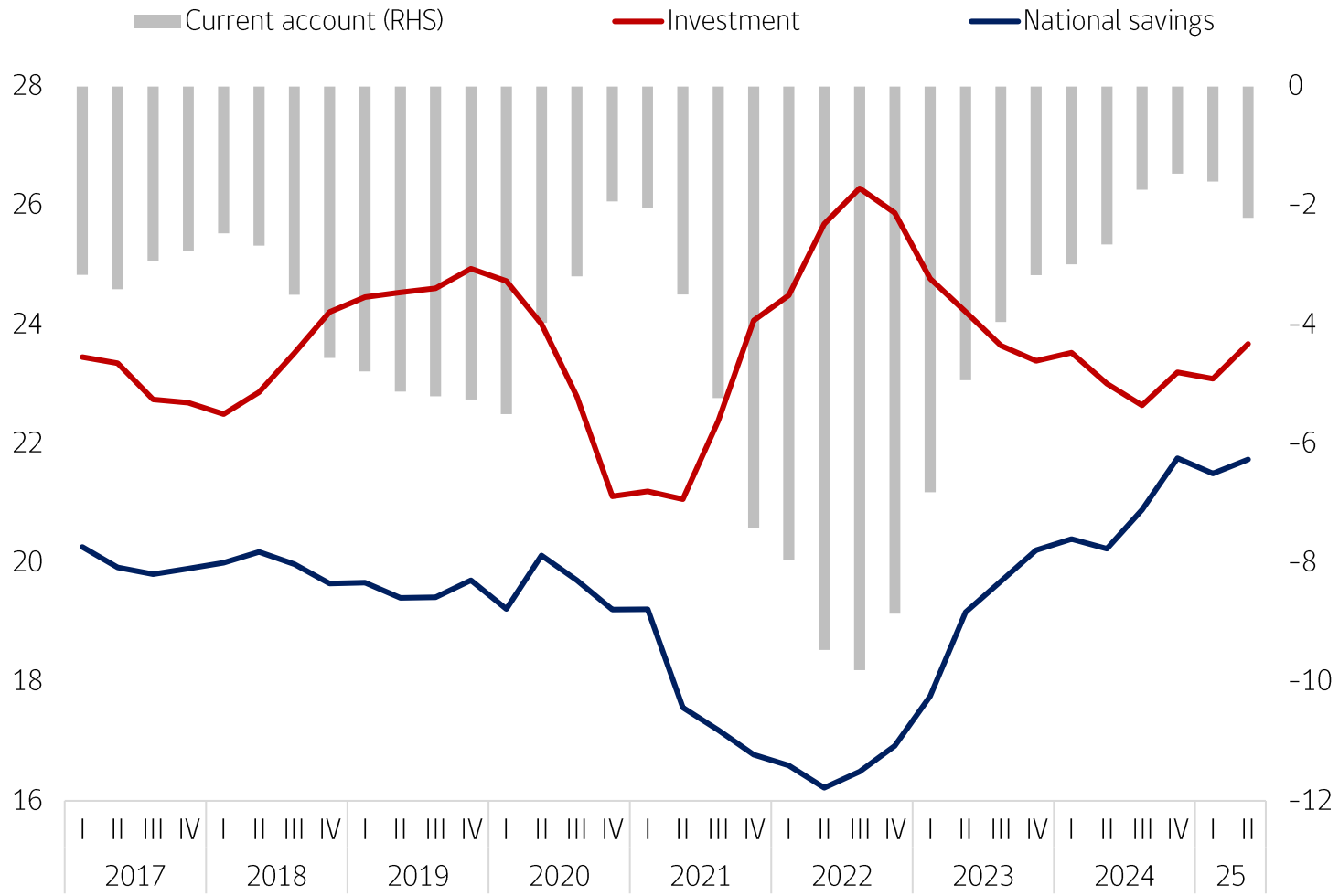
Central Bank's strong commitment and fiscal responsibility (in particular, 2022) controlled inflation in a first cycle by early 2024

Source: National Statistics Institute and inflation insurance as of September 8th, 2025.

Tackling the macroeconomic imbalances:

- By early 2022 the economy was facing a Current Account deficit of around 10% of GDP.
- After 35 points of GDP were added to Households' liquidity around 2021, the economy external and internal balance needed to be restored.

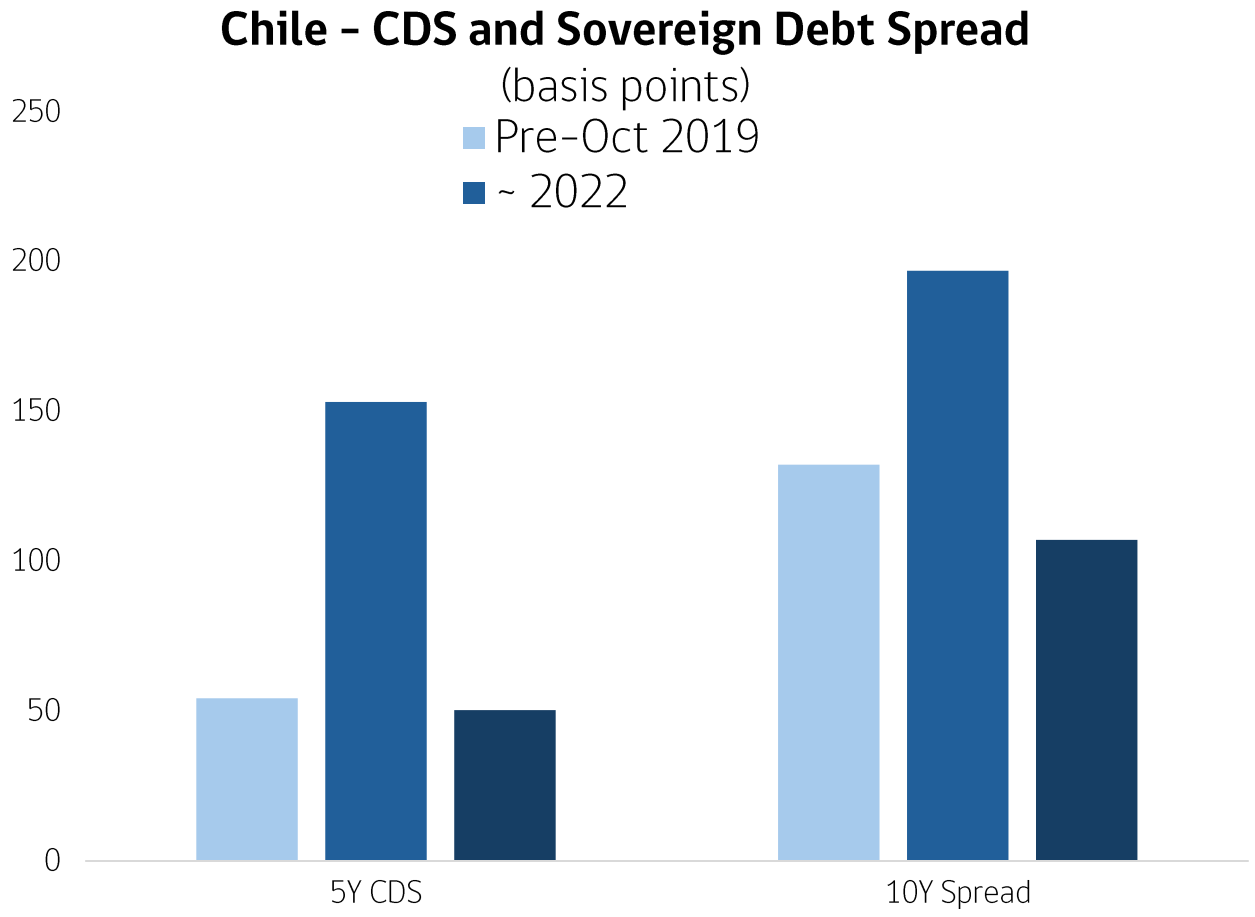
Current account, Investment and National Savings
(percent of GDP, annual moving average)



Source: Ministry of Finance based on Central Bank of Chile.

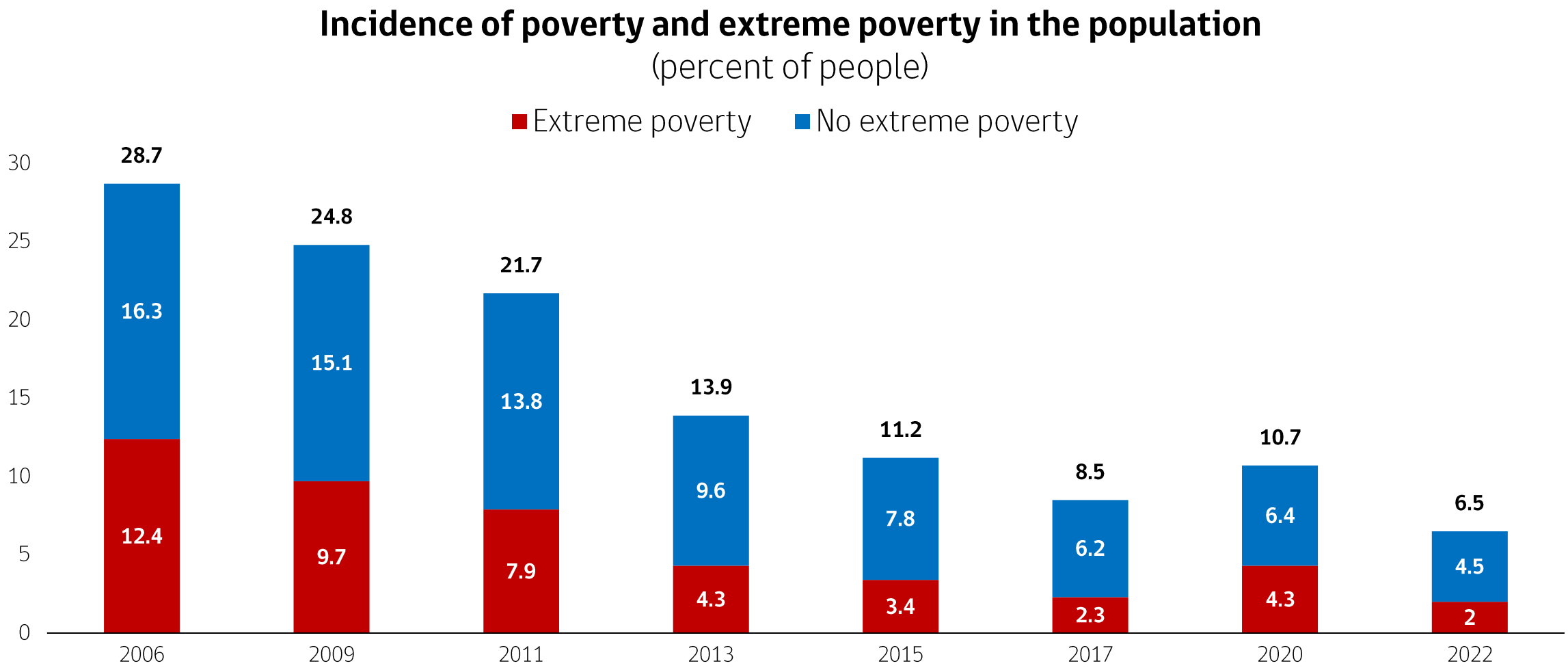
Global markets recognize the healthy Chilean fiscal trajectory with low CDS and record-level sovereign debt spreads (vs US Treasuries)

- CDSs nowadays are similar to pre-Pandemic levels.
- That is when Chile had meaningfully lower debt levels and lower interest rates .



Note: Period figures are averages of daily closing prices. Pre-Oct 2019 refers to the period from 2017 to September 2019; ~2022 corresponds to the average between September and October 2022; 2025 refers to the ongoing September average.
Source: Ministry of Finance based on *Bloomberg*.

Fiscal consolidation and economic rebalancing did not harm low-income families, as the Government concentrated aid policies on them (including an increase minimum wage)



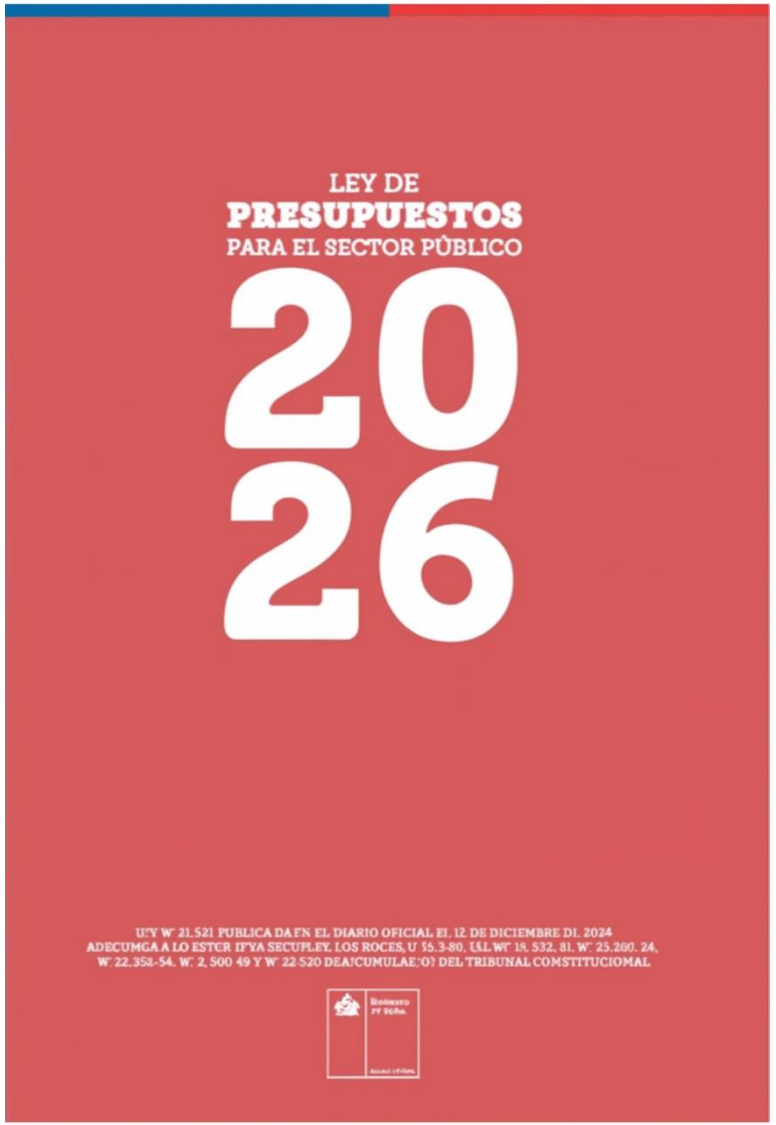
Note: At 95% confidence the differences with respect to 2022 are statistically significant for both categories, except to extreme poverty in 2017-2022.
Source: Ministry of Social Development and Family, CASEN (National Socioeconomic characterization) Survey 2006-2022.

Chile's budget for FY 2026 will be fully coherent with the consolidation path

–1.1 % of GDP

Structural Balance

Compliant with Convergence Path



To combine fiscal and social responsibility, we passed a new Royalty law and tax compliance law, and during 2024 and 2025 we reallocated more than **5 billions** of the fiscal budget.

Source: Budget Office.

Fiscal path and learning

- Safeguarding the **sustainability of the intertemporal budget constraint** is essential for democracies. It requires moving beyond short-termism.
- This administration introduced **institutional improvements** agreed by Government and Opposition (e.g., **dual fiscal rule**), focusing on maintaining a prudent debt stock level.
- Chile holds **manageable debt levels** compared with peers with similar credit ratings, while containing the rising cost of servicing debt.
- In 2024, there was a **deviation from the annual structural target**. Rather than short-term fixes, authorities prioritized a **fiscal consolidation of +1.5% of GDP**, focusing on sustainable corrective measures.
- By 2026, Chile still needs to **complete the consolidation path** toward the **–1.1% structural target**.

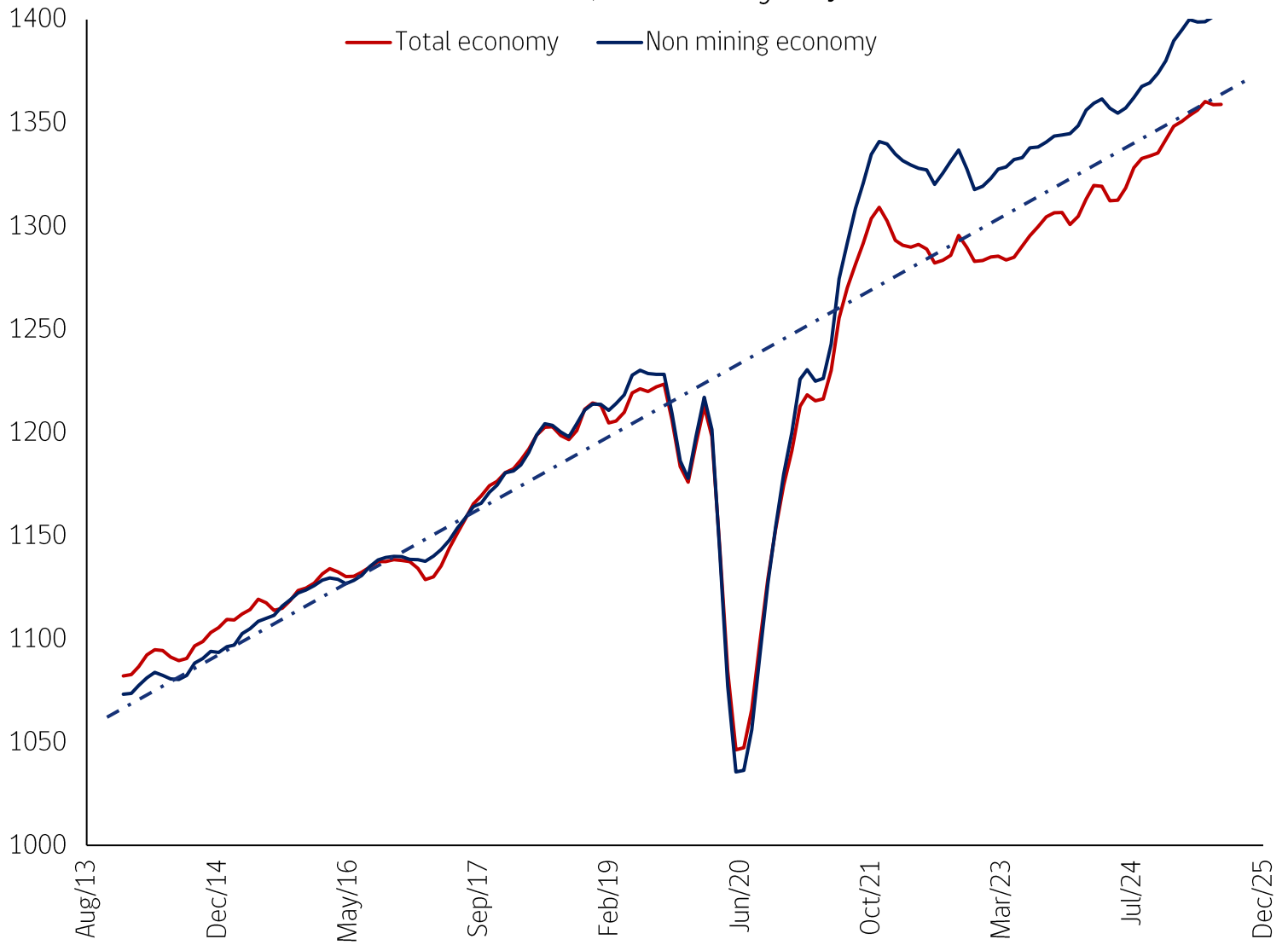
3. Economic Outlook

After two years Chile's economic activity is back to its pre-pandemic trend, even a bit faster

- The non-mining economy recovered its growth trend in 2023 and is projected to grow around 2.3% to 2.5% year-over-year in 2025.

- A little mentioned fact is that **from 2018q1 to 2022q1 Chile lost 15% of its mining GDP**. The country is now recovering from it.

Moving quarter of monthly indicator of economic activity
(In level, seasonally adjusted)



Source: Ministry of Finance based on data from the Central Bank of Chile.

Ministry of Finance Projections have been resilient on 2.5% for 2025. Now analysts and agencies are converging to that view

- In 2023-24, Ministry of Finance anticipated stronger growth while markets lagged.
- For 2025, MoF expects ~2.5% or slightly higher, while markets started lower.
- Reinforces credibility of official projections.

	Preview Forecast (1)	Latest Forecast (2)
Central Bank	2.0 - 2.75%	2.25 - 2.75%
IMF	2.0%	2.3%
OECD	2.3%	2.4%
Bloomberg	2.2%	2.3%
Larrain Vial	2.0%	2.5%

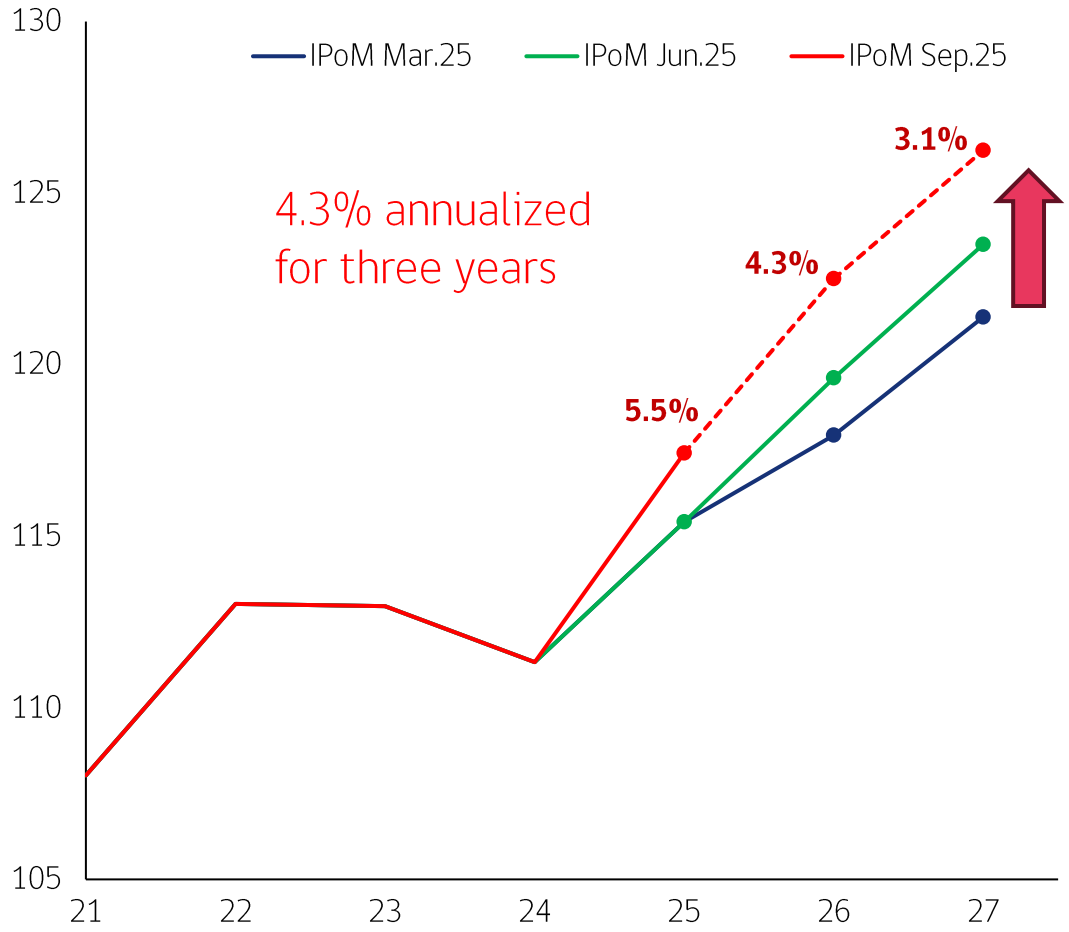
Note : (1) The previous forecasts were published by the Central Bank (IPoM, June 2025) , IMF (WEO, April 2025) , OECD (Economic Outlook, December 2024), World Bank (Global Economic Prospect, January 2025) , Bloomberg (Economic Forecast, April 2025), Larrain Vial (Research, February 2025). (2) The Latest forecasts were published by the Central Bank (IPoM, September 2025) , IMF (August 2025) , OECD (Economic Outlook, June 2025), World Bank (Global Economic Prospect, June 2025) , Bloomberg (Economic Forecast, august 2025), Larrain Vial (Research, September2025).
Source: Central Bank of Chile, IMF, OCDE, Word Bank, Bloomberg and Larrain Vial.

Investment played an important role in driving growth during the first 15 years after the return to democracy. Starting in 2012, growth slowed down significantly. 2025 marks the beginning of a new investment cycle, becoming the main driver of domestic demand

- Investment accelerations have been driven by mining, energy, and infrastructure.
- Estimates from the CBC (capital goods corporation) and the Central Bank of Chile are consistent with the beginning of a more investment-intensive phase for the next 4 to 5 years.
- **Investment is expected to grow twice as fast as GDP during the three years** 2025-26-27 (BCCh), at an annualized rate of 4.3%.

Evolution of Investment Forecasts Central Bank

(Gross Fixed Capital Formation index)



Source: Ministry of Finance based on data from the Central Bank of Chile and CBC.

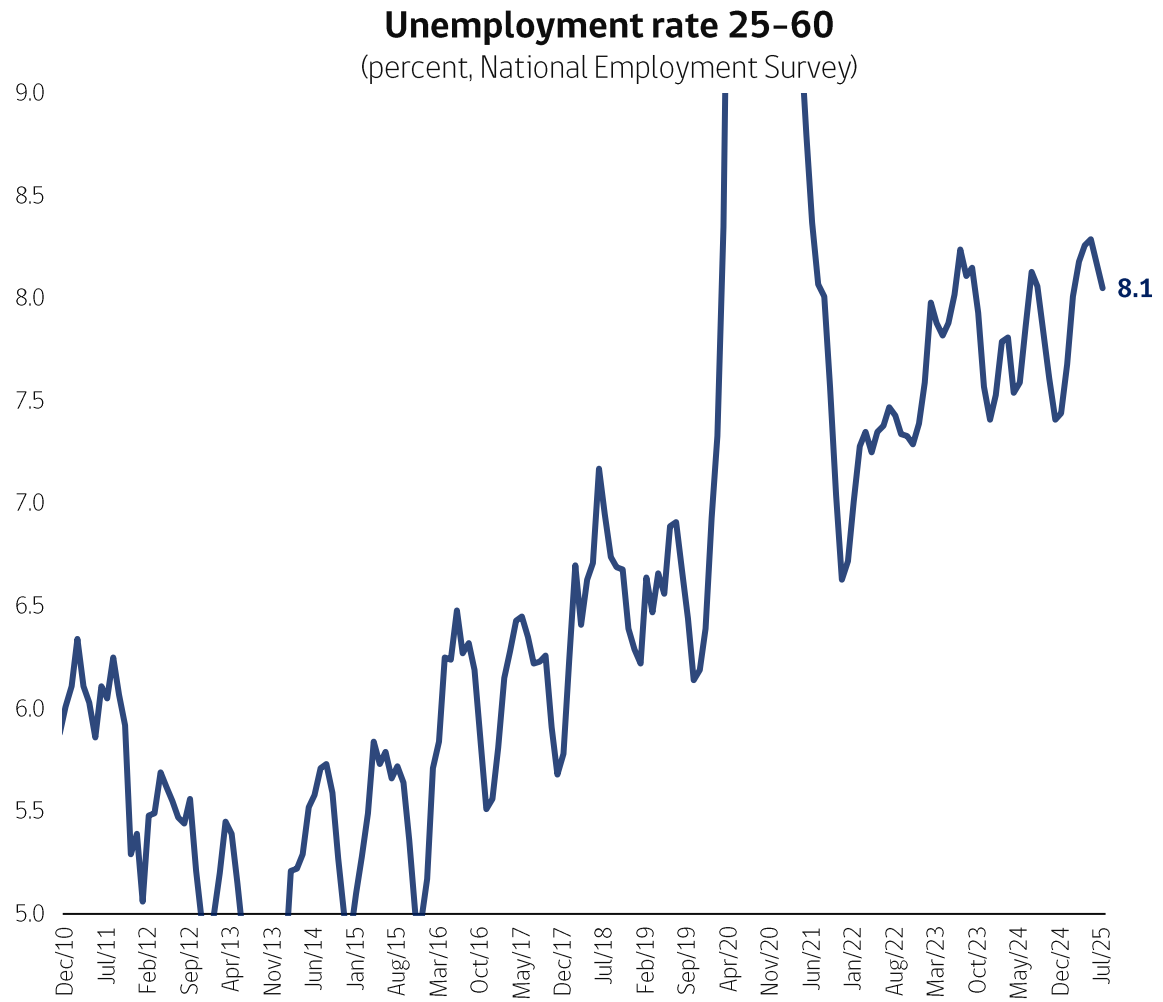
Residential construction: In June the Government started a successful program to subsidize mortgage rates, also matched by private banks

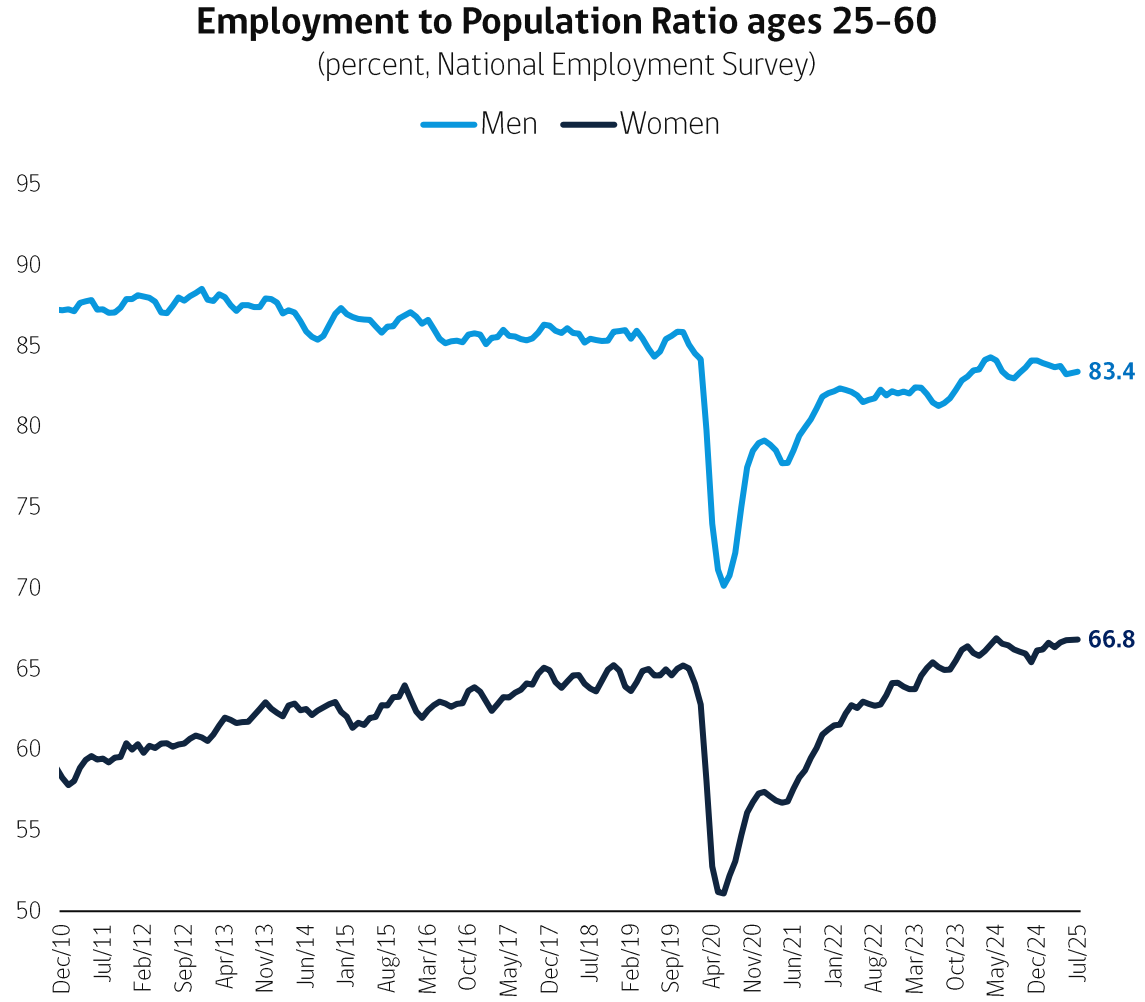
- In June a new law established a **subsidy of 60 bp** on mortgage interest rates plus guarantees through FOGAES.
- In a competitive process, banks offered matching reductions in final interest rates, allowing for a **total subsidy of around 100 bp (lowest value in more than two years).**
- **There are more than 15 thousand operations.**

Real interest rate: Housing
(more than 3 years, monthly average)

Source: Ministry of Finance based on data from the Central Bank of Chile.

Labor market displays structural trends that were evident pre-pandemic. Prime-age employment rates are rising due to female participation, while unemployment trended up since the economy decelerated in mid-2012

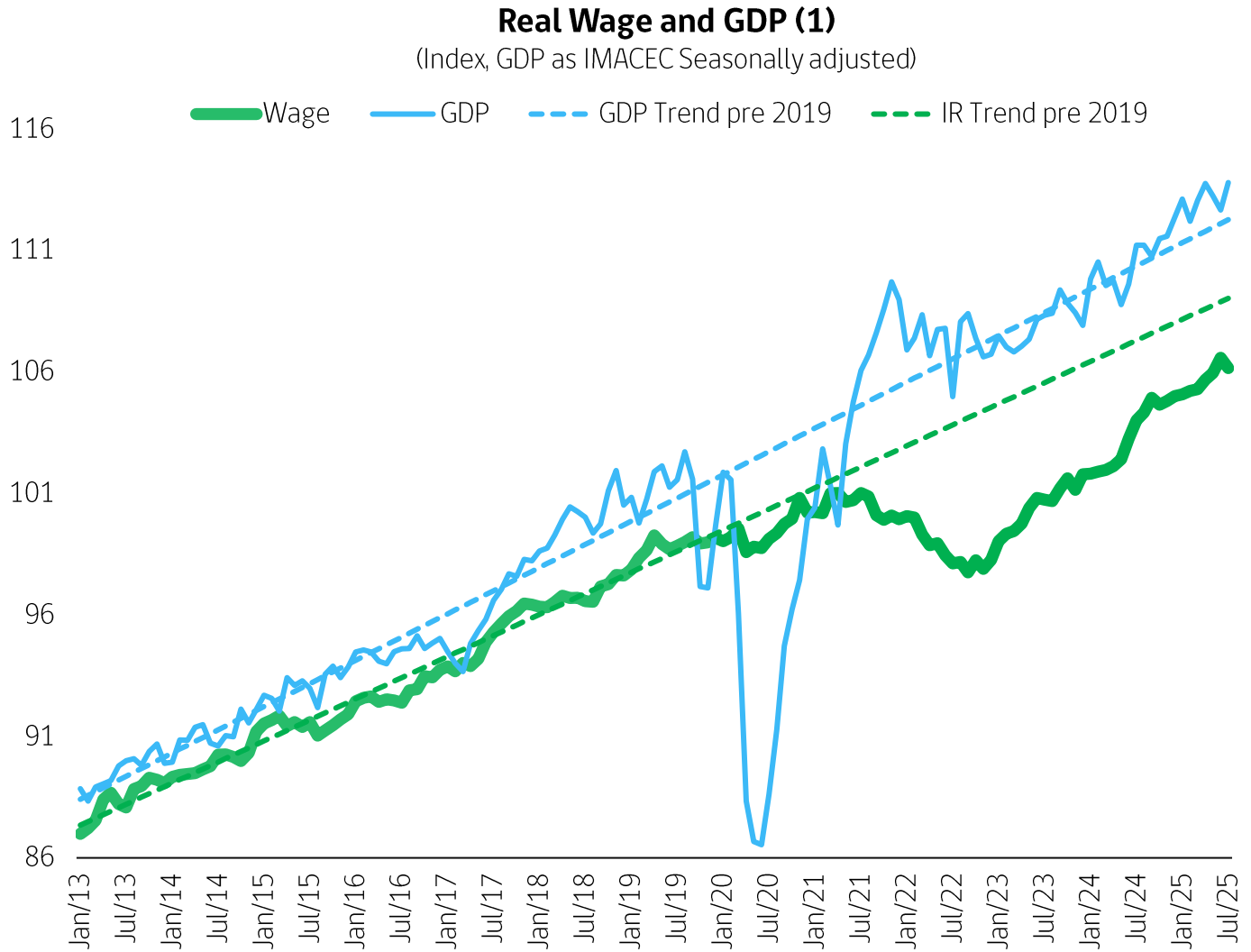




Source: Ministry of Finance based on National Employment Survey.

A recent debate focused on wage growth. But real wage levels needed to catch up after high inflation in 2021–2022

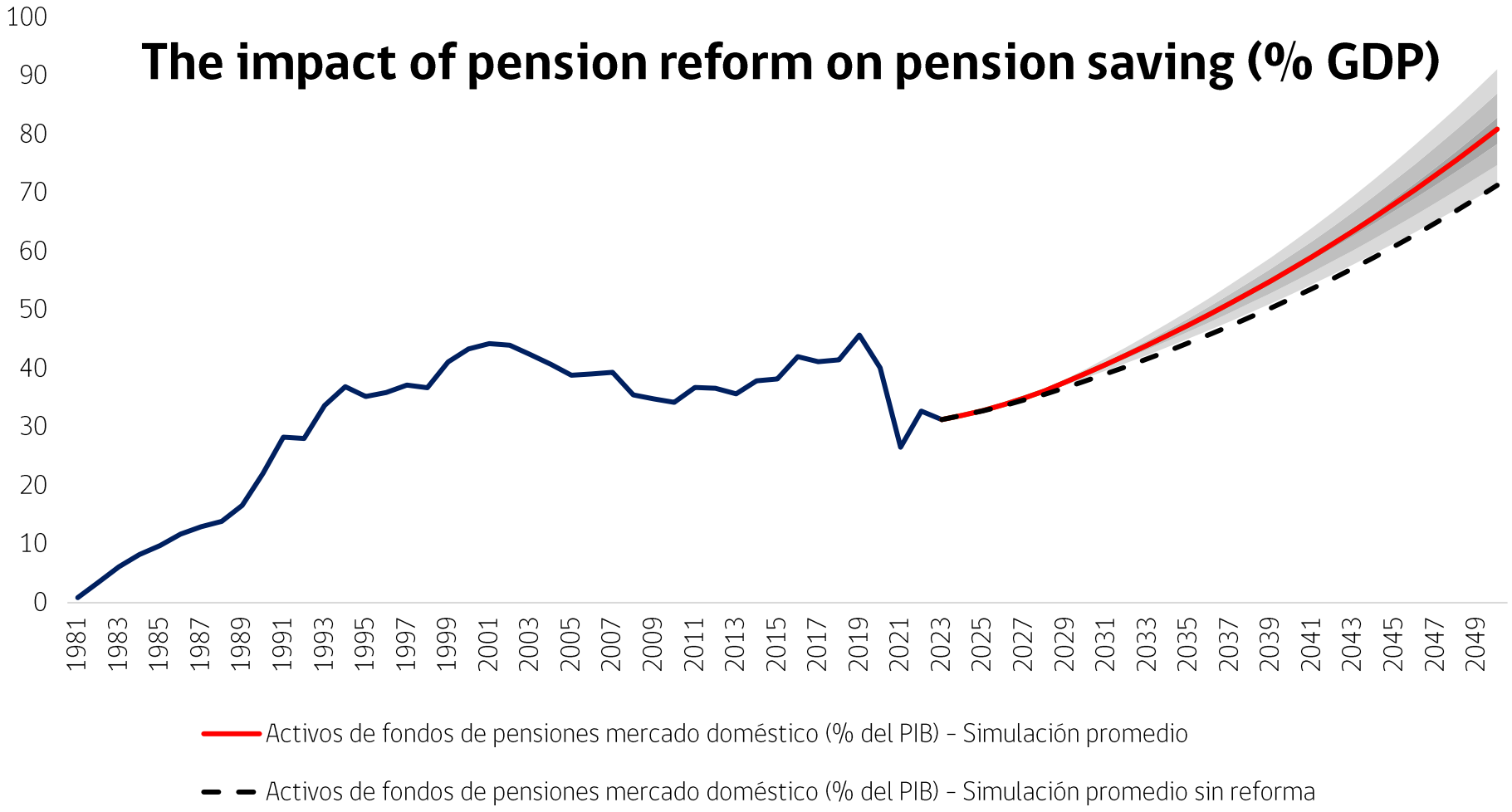
- Catching up requires some transitory wage growth beyond the historical average.
- Past growth during the previous years may not be the best forecast for wage growth in the next years.



Note : (1) The trend is estimated through a linear regression of the monthly data spanning from 2013 to 2019, where the dependent variable is modeled as a function of time.
Source: Ministry of Finance based on data from the Central Bank of Chile and the National Statistics Institute.

4. Enhancing trend growth

Besides improving pensions with fiscal sustainability, the Pension reform is also in the path to restore capital market depth



Growth effects through two channels:

- **Local Capital Market Depth.**
- **Higher aggregate savings rate:** 1pp more of national saving, increases investment by 0.39pp (Cavallo and Pedemonte, 2016).

Note: (1) Reference simulations developed by the Ministry of Finance were used to provide a general sense of the potential impacts. (2) According to estimates by Cavallo and Pedemonte (2016), on average, a 1 percentage point increase in national savings leads to a 0.39 percentage point increase in domestic investment in Latin American countries. For a more recent period, this coefficient decreases to 0.2 percentage points.

New Sectoral Permits Law changes 46 laws to reduce permitting time between 30% and 70%, enhancing the Net Present Value for projects' cash flows

Parallel instead of sequential processing

The new Sectoral Permits Law, which will come into force in **less than ten days**, will **immediately establish a parallel processing system for permits**.

Regulatory Stability at entry

One month after the Law is enacted, regulatory stability for investment projects will be established. That is, **regulation will be frozen once the project enters the permitting system**.

Additionally, two novel administrative regulations were issued this month, which offer tangible benefits for investment projects, improving operational continuity

Regulation of Environmental Evaluation (SEIA)

- Eases thresholds for Declaration vs. Study.
- No need to submit new evaluation for extensions projects with valid RCA permit in case of minor modifications (e.g mine extension).
- Encouragement of industries such as data centers.

Excavation Regulation

- An archeological finding only slows down the small area of the specific discovery, not the full operation / excavation.
- The authorization request will be resolved within 60 days for all types of intervention.

The administration supported the development of a strong pipeline of investments in key areas. Public Works, Mining (US$83 billions 2025–2035), Energy and Data Centers

National Public Infrastructure Plan 2022–2025

- Portfolio comprising more than **22,000 initiatives**, with an estimated investment of over **US$60,000 millions.**
- This plan is aligned with the achievement of 92% of the Sustainable Development Goals targets.

Data Centers National Plan 2024 – 2030

- Over the last decade, the installed capacity of data centers in Chile has experienced rapid growth.
- 30 new projects in various stages of development have been identified through 2028.
- Of these, 14 projects (47%) are in the early stages with a potential investment of **US$1,217 millions**, while the remaining 16 (53%) are in the implementation phase, with an estimated investment of **US$2,931 millions**.

The State's view for business development can be about "abstinence" or being an enabler. This administration leans for enabling, which is important for externality-intensive industries in which Chile has comparative advantage

- Economic prescriptions are conditional on the problem faced by the economy.
- An economy with low taxes and low social cohesion might not necessarily be better for a long-term project.
- In contrast, when externalities are efficiently negotiated, projects can have more reliable cash flows. This matters for valuation.

State as Catalyst for New Businesses in Critical Minerals

Competitive bidding led to two partnerships with Rio Tinto to develop the Maricunga and Altoandinos lithium salt flats. CEOLs for 100% private greenfield projects will be awarded soon.

This is in addition to the most important public and private agreement in decades: Codelco and SQM joint venture

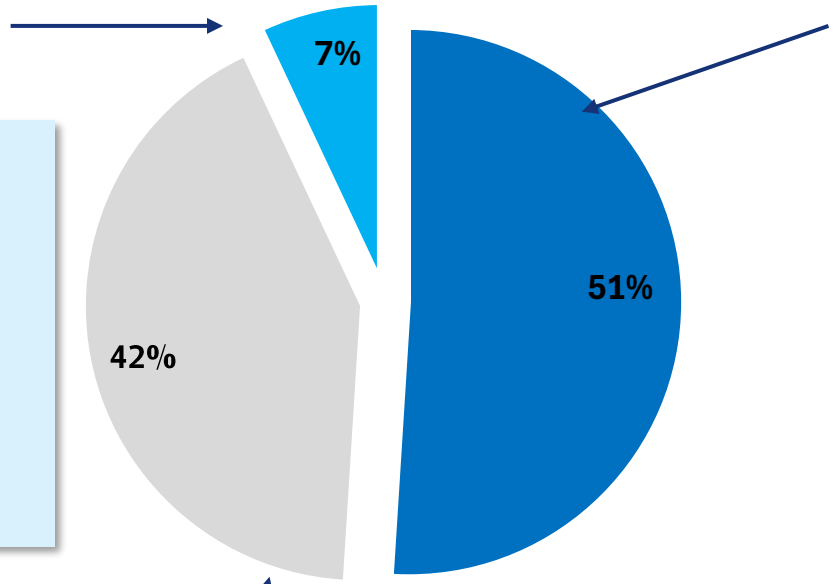
Chile's dynamic and resilient export sector: After the latest announcements nearly 60% of exports to the United States are subject to 0% or preferential tariffs: including mining, forestry, and agricultural products

Lower Tariff for aligned partners

Annex III Potential Tariff Adjustments Tariff Adjustments for aligned partners

- Iodine
- Potassium nitrate
- Molybdenum minerals and their concentrates
- Some jams and jellies
- Fresh lemons, fresh quinces, kiwis, avocados
- Lithium oxide and hydroxide (pharmaceutical use)
- Tea
- Some flowers and bulbs
- Agar-agar, seaweed

Exports from Chile to the United States of America in 2024 according to tax tariff



Tariff that may be better than for other competitor countries

No Tariff

Annex II Exceptions to the application of reciprocal tariffs

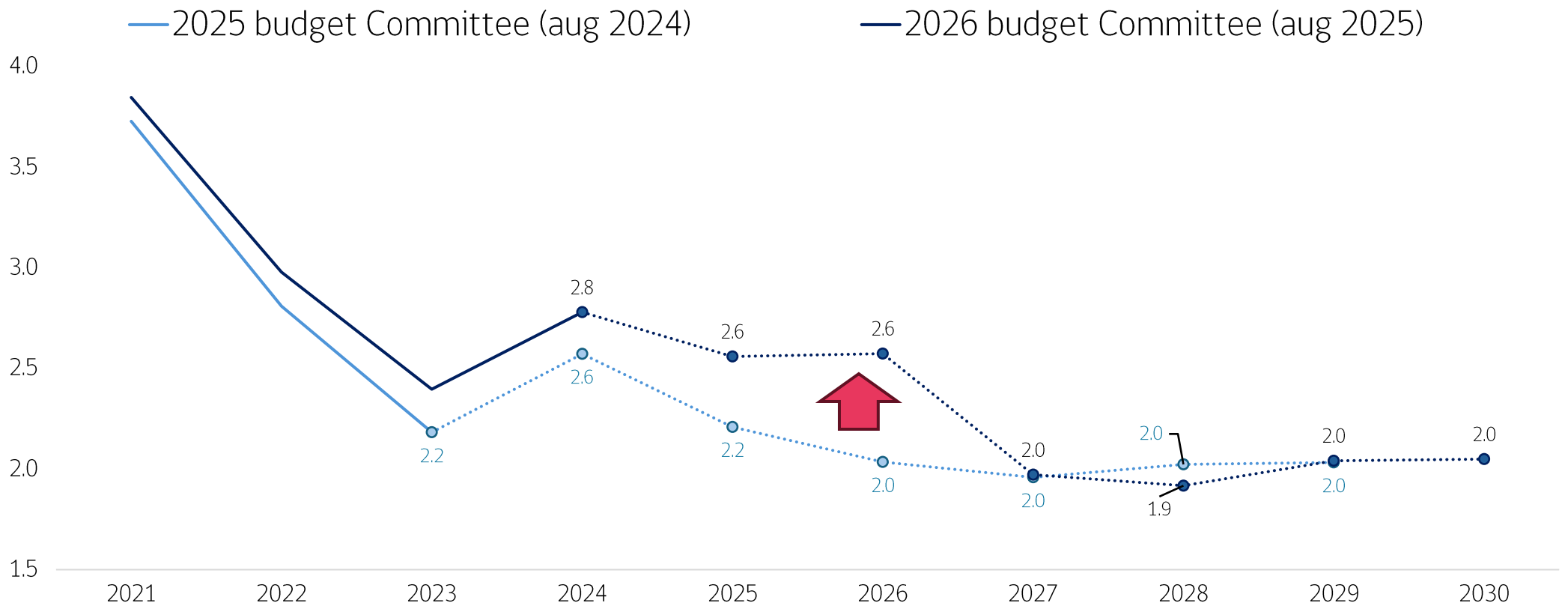
- Copper cathodes
- Shaped wood
- Unfinished silver
- Plywood
- Lumber
- Lithium carbonate
- Potassium nitrate
- Lithium hydroxide
- Copper sulfate
- Unroasted molybdenum concentrates
- Cellulose

Source: Ministry of Finance.

New Expert's committee increased by 1.2% the level of Non-Mining Trend GDP for 2025, and 1.7% for 2026. The average growth rate increased by 50 basis points over the two years

Trend Growth Non Mining GDP 2025 vs 2024

(chained volume at previous year price reference 2018, billions of pesos)

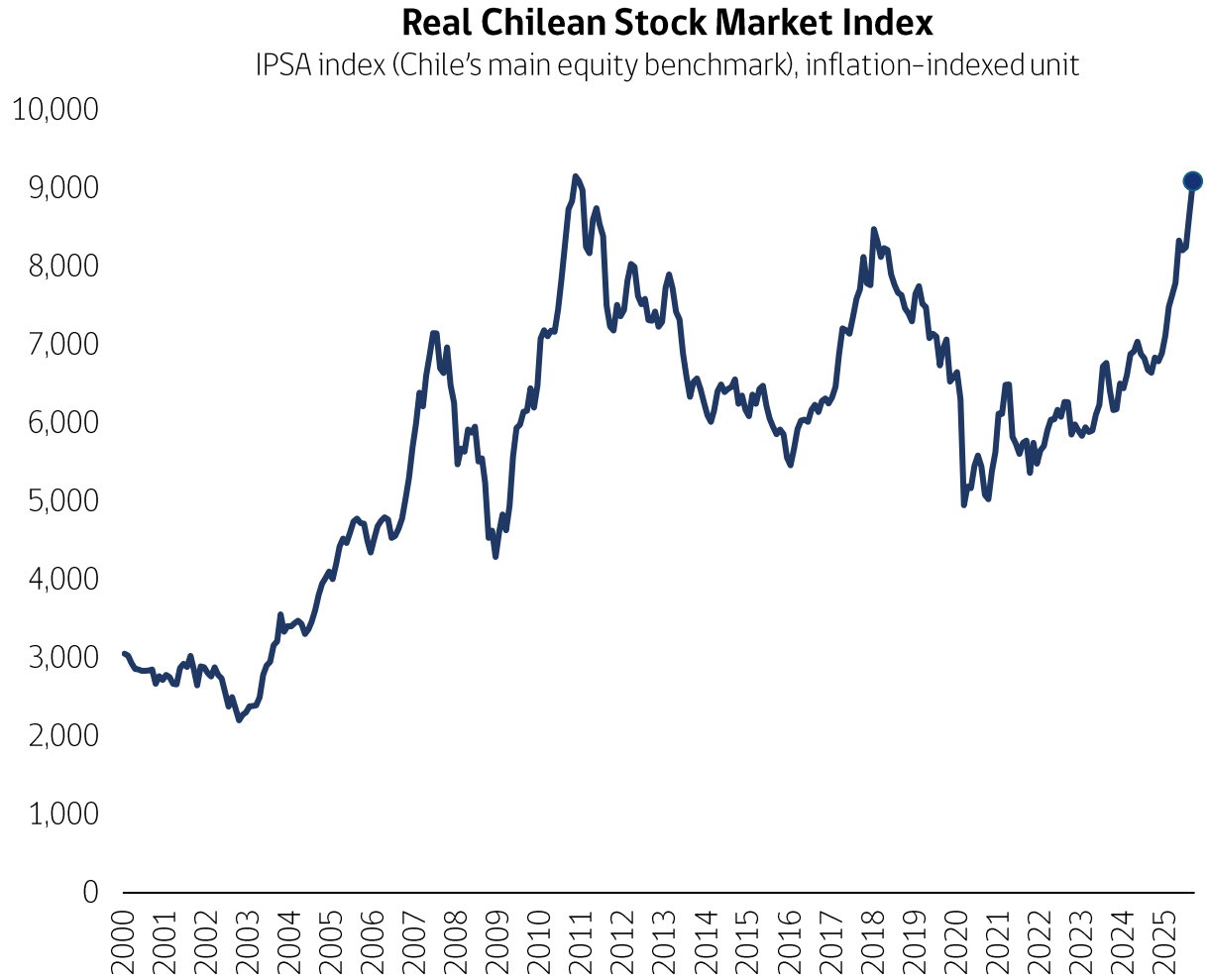


Source: Ministry of Finance based on the results of the Expert's Committee of Trend Non Mining GDP.

After fifteen years, the Chilean stock market reached its new peak month, inflation-adjusted. Last time was around a mining investment boom. Now we are starting a new investment cycle

- In real terms, Santiago Stock Exchange (IPSA) is growing at one of the most dynamic paces in recent years, accumulating a YTD increase of 31%.

- **Measured in US dollars, IPSA increased 39% YTD, versus 20% for the MSCI Emerging Markets Index**.



Note: Monthly averages of the real IPSA index; September 2025 is the highest level since 2000.
Source: Ministry of Finance based on *Bloomberg*.

Remarking a few final points

- The Chilean economy has been steered: from initial instability toward a more growth enhancing situation.
- Commitment to keeping a steady course, maintaining the corrected path set by the current Administration.
- Social-democratic governments have comparative advantages for potential growth:
  - The State acts as a hinge in conflict management, enabling production and agreements.
  - Ability to provide stability in corporate and financial decision-making.

Looking ahead:

- Growth that is more consistent and aligned with fundamentals.
- A more stable and efficient investment cycle.

- **Final message:** Chile is closer to a sustainable macroeconomic normality, with institutions and policies that reinforce investor and market confidence.

Ministerio de Hacienda

Gobierno de Chile

Chile Day Londres

September 14, 2025

Nicolás Grau, Minister of Finance – Chile