SUMMARY[1]

Dirección de Presupuestos
Gobierno de Chile

CLOSING OF THE 2024 MACROECONOMIC AND FISCAL SCENARIO

- In 2024, the global economy showed resilient growth, with an expansion rate of 3.2%, driven by the rebound in trade and the dynamism of economies such as the United States, China, and other emerging countries. However, the scenario was marked by high geopolitical uncertainty, especially in the Middle East and in global trade relations. Inflation in advanced economies, although declining, remained high in services, which slowed convergence to inflation targets. Monetary easing in the United States relaxed global financial conditions in the second half of the year, but the uncertainty generated by expectations of new tariffs and a stronger dollar affected emerging countries in particular, weakening their currencies against the dollar.
- Domestically, the Chilean economy consolidated its growth path with a 2.6% annual increase in GDP, exceeding initial expectations, due to a dynamic external sector and a recovery of domestic demand. Private consumption expanded 1.0% year-on-year in 2024, recovering from the contraction in 2023, fueled by all its components. Investment showed signs of recovery starting in the second quarter, registering three consecutive periods of expansion. However, gross fixed capital formation closed the year with a drop of 1.4% relative to 2023, reflecting the upward revision of levels since 2022 as reported in the National Accounts for the fourth quarter. Finally, the external sector was a key driver, with 6.6% growth in exports, especially copper, fruit, and cellulose, as well as services linked to tourism and transportation.

Table 1
Macroeconomic Assumptions, 2024

	PFR 4Q24	PFR 1Q25
GDP (real annual change, %)	2.4	**2.6**
MINING GDP (real annual change, %)	5.6	**5.2**
NON-MINING GDP (real annual change, %)	1.9	**2.3**
DOMESTIC DEMAND (real annual change, %)	1.1	**1.3**
CPI (annual change, % average)	3.9	**3.9**
EXCHANGE RATE (CPL/USD, average, nominal value)	944	**944**
COPPER PRICE (USD cents/lb, average, LME)	415	**415**
WTI OIL PRICE (USD/bbl)	76	**76**

Note: The PFR 1Q25 update uses actual nominal 2024 GDP of CLP 311,631 billion.
Source: Ministry of Finance.

1 The cutoff date for macroeconomic forecasts was March 27, 2025.

- In the fiscal arena, central government revenues in 2024 reached CLP 67,927,320 million (considering the Fonasa Electronic Voucher), which implies a real annual increase of 1.0%. Revenue growth was driven by private mining taxation, due to the implementation of the Royalty Law, the increase in copper production, and an improvement in the copper price. Other factors included positive growth in the taxation of other taxpayers, Codelco's contributions to the Treasury, and social security contributions. However, the collection of property income decreased, due to the fact that the lithium price fell more than anticipated. This more moderate performance also reflected the lower-than-estimated collection of non-mining tax revenues.
- Central government expenditures were CLP 76,807,969 million in 2024 (considering the Fonasa Electronic Voucher), which represents a real increase of 3.5% relative to the previous year. However, this figure is CLP 754,769 million lower than the amount established in the 2024 Budget Law, explained by the efforts to contain spending. Additionally, budgetary expenditure presented a real annual growth of 3.5% and extra-budgetary expenditure a real annual drop of 56.9%.
- As a result, the overall deficit of the Total Central Government was CLP 8,880,648 million, equivalent to 2.8% of GDP.
- 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 10,240,858 million, equivalent to 3.3% of GDP. This deviation is higher than estimated in the preliminary fiscal closing in February, explained as a result of the Central Bank's National Accounts update for the fourth quarter of 2024, which decreased structural revenues and thus amplified the difference. The reasons for the deviation are duly documented in the report "Compliance with the Fiscal Responsibility Law: Corrective Actions for Fiscal Convergence" and more details on specific aspects can be found in Box 1 of the PFR 1Q25.
- This result for the cyclically adjusted balance constitutes a breach of the structural deficit target of –1.9% of GDP set forth in Fiscal Policy Decree No. 1,387 of the Ministry of Finance. Therefore, pursuant to the new Law No. 21,683 enacted last August, which promotes Accountability and Transparency in the Financial Management of the State, the non-compliance with the cyclically adjusted balance target for the year is officially communicated within the framework of the strengthened fiscal institutionality. In view of the deviation from the targets established in the current fiscal policy decree, the Ministry of Finance has established the necessary corrective actions to return to a sustainable fiscal position, whose path is set forth in a new fiscal policy decree. The details of this proposal can be also found in the document "Compliance with the Fiscal Responsibility Law: Corrective Actions for Fiscal Convergence" appended to this Public Finance Report. This roadmap presents measures related to revenue projections and actions to be implemented to generate more fiscal space.

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

		CLP MM	% OF GDP
(1)	Total overall revenue	67,927,320	21.8
(2)	Total cyclically adjusted revenue	66,567,111	24.6
(3)	Total expenditures	76,807,969	21.4
(1) - (3)	**OVERALL BALANCE**	**–8,880,648**	**–2.8**
(2) - (3)	**CYCLICALLY ADJUSTED BALANCE**	**–10,240,858**	**–3.3**

Includes Fonasa electronic vouchers.
Source: Dipres.

- At the close of the 2024 budget exercise, the central government's gross debt was USD 130.825 million, equivalent to 41.7% of GDP, while the net financial position (NFP) was –37.2% of GDP, which is lower than considered in the proposed Budget Law.

UPDATE OF THE 2025 MACROECONOMIC AND FISCAL SCENARIO

- In 2025, the international context is marked by greater uncertainty derived from protectionist trade policies between the United States and China, which has generated increased volatility in financial markets and more moderate global growth. The OECD projects that U.S. GDP will slow to 2.2%, while China will partially offset the slowdown with economic stimulus measures, growing by 4.8%. Financial markets reflect this uncertainty, with losses in the U.S. stock market. In addition, lower growth expectations in the United States have weakened the dollar against other currencies, and uncertainty regarding the imposition of new tariffs has weakened the currencies of emerging and Latin American economies. The outlook for commodity prices in 2025 remains similar to the forecast in the last PFR.

- International fiscal policy is facing increasing structural challenges due to population aging, climate change, rising public spending, and global economic uncertainty. Over the past two decades, public debt has risen steadily, especially in developed countries, which has heightened fiscal sustainability risks and increased financing costs. Projections point to persistent deficits and higher spending requirements, calling for sustained fiscal consolidation strategies and structural reforms to ensure the long-term stability of public accounts. Cases such as Norway, France, and South Korea illustrate how distinct economies, despite their differences, share similar pressures that make it necessary to adjust spending, optimize revenue collection, and rethink the role of the state in the face of a more uncertain and demanding future.

- The pandemic and the increased economic uncertainty have made fiscal sustainability an increasingly pressing challenge. After a sharp increase in spending due to the health emergency, few countries have managed to restore their pre-pandemic spending levels. Notably, Chile does not fall within this group: in 2024, spending as a percentage of GDP returned to its 2019 level of 24.4%, and it is expected to remain at the same level in 2025. On the other hand, global economic uncertainty has affected fiscal revenues, making it difficult to define future economic scenarios and increasing the gaps in growth forecasts and the associated tax collection. As a result, the IMF has lowered its estimates of the cyclically adjusted balance for 2024 for many countries.

- According to the central scenario of this report, the growth forecast for the Chilean economy in 2025 will remain at 2.5%, with a greater boost from domestic demand. Non-mining GDP will post higher growth (2.3%; previous PFR: 2.2%) due to an upward revision in consumption. Inflation expectations have been adjusted downward by three-tenths of a percent in this PFR, relative to the previous scenario, stabilizing close to 3% by 2026. The exchange rate has also been adjusted downward, partly due to a depreciation of the dollar at the global level, but understanding that the global shocks facing the world may be more persistent. On the external side, import growth was adjusted upward from 4.2% to 4.8%, while the outlook for exports improved, with a rise in the forecast from 3.9% to 4.1%. Thus, the current account deficit would stand at 1.9% of GDP.

- It is important to note that on the closing date of this PFR, international uncertainty is high as a result of the protectionism shock affecting the world's economies, the effects of which are still difficult to anticipate, partly due to the volatility of the policies themselves. Possible deviations from the baseline assumptions are taken into account in the alternative scenarios, at the end of the medium-term framework.

Table 3
Macroeconomic Assumptions, 2025

	PFR 4Q24	PFR 1Q25
GDP (real annual change, %)	2.5	**2.5**
MINING GDP (real annual change, %)	3.9	**3.7**
NON-MINING GDP (real annual change, %)	2.2	**2.3**
DOMESTIC DEMAND (real annual change, %)	2.5	**2.6**
CPI (annual change, % average)	4.7	**4.4**
EXCHANGE RATE (CPL/USD, average, nominal value)	992	**979**
COPPER PRICE (USD cents/lb, average, LME)	426	**426**
WTI OIL PRICE (USD/bbl)	71	**71**

Note: The PFR 1Q25 update uses estimated 2025 nominal GDP of CLP 334,630 billion. The cutoff date for macroeconomic forecasts was March 27, 2025.
Source: Ministry of Finance.

- The macroeconomic scenario projected for 2025, the overall fiscal revenue execution for 2024, revenue collections in January and February 2025, and the unprecedented methodological improvements implemented in this Public Finance Report provide the basis for forecasting the total central government's 2025 revenues, which are estimated at CLP 75,797,937 million. This implies lower revenues than projected in the PFR 3Q24 by CLP 3,488,788 million, equivalent to a reduction of –4.4%.
- Based on the above overall revenue estimate and the methodological application of cyclical adjustments, the projection for cyclically adjusted revenues in 2025 is CLP 75.064.967 million. This represents a reduction of –4.8% relative to the PFR 3Q24 forecast.
- Total central government expenditures are projected at CLP 81,591,862 million in 2025, which represents a reduction of CLP 940,312 million relative to the PFR 3Q24. This expenditure update incorporates a containment and under-execution projection in the different line items, which is partially offset by an increase in interest payments.
- Based on the overall income and total expenditure forecasts for 2025, the overall deficit of the total central government is estimated at CLP 5.793.924 million, equivalent to 1.7% of projected GDP for the year.
- As a consequence of the deviation of the official result from the cyclically adjusted balance target in 2024, the Ministry of Finance presents a concrete plan to resume convergence based on a set of corrective actions to be implemented in order to return the country's public finances to a sustainable path. This roadmap is described in detail in the attached document "Compliance with the Fiscal Responsibility Law: Corrective Actions for Fiscal Convergence." In general terms, it includes both revenue collection projections and measures to be applied to public spending.

Table 4
Corrective Actions Requiring Administrative Measures
(millions of 2025 CLP and % of GDP)

	ITEM	DESCRIPTION	2025	2026	2027	2028	2029
1	Preventive expenditure adjustments	Adjustment committed in the Framework Agreement for the discussion of the Public Sector Budget Bill for the year 2025.	544,000 (0.16%)	-	-	-	-
2	Specific expenditure adjustments	Specific expenditure adjustments will be made corresponding to 0.1% of GDP.	396,312 (0.12%)	-	-	-	-
3	Expenditure reviews	Agenda in terms of operational expenses, technology, real estate, personnel, institutional framework, and program offerings.	-	77,622 (0.02%)	127,622 (0.04%)	177,622 (0.05%)	227,622 (0.06%)
4	Replacement and substitution adjustments	Spending on replacements and substitutions will be reduced.	27,622 (0.01%)	-	-	-	-
5	Adjustment of rates for different operational services	Tariffs for different operational services will be increased, which will generate additional tax revenues over and above those contemplated in the financial programming.	129,413 (0.04%)	77,648 (0.02%)	19,576 (0.01%)	19,576 (0.01%)	19,576 (0.01%)
	TOTAL		**1,097,347 (0.33%)**	**155,270 (0.05%)**	**147,198 (0.04%)**	**197,198 (0.06%)**	**247,198 (0.07%)**
	Adjustments to reflect higher productivity in the Health System		325,758 (0.10%)				

Note: GDP for each year is in 2025 CLP; figures are updated as of April 28, 2025.
Source: Dipres.

Table 5
Corrective Actions Requiring Legislative Measures
(millions of 2025 CLP)

	ITEM	PROJECT STATUS	DESCRIPTION	INCOME/ EXPENSE	2025	2026	2027	2028	2029
1	Parametric reform in the Work Disability Benefit	Not yet filed (scheduled for first half of the year)	Parametric reform of the Work Disability Benefit, correcting and adjusting the incentives of its design to meet the objectives of reducing absenteeism.	Increase in revenues	243,804	354,343	359,930	293,382	261,010
2	Recovery of SEP balances	Not yet filed (directive filed with Bulletin N°12,979-04)	The recovery of unused and accumulated balances of the Preferential School Subsidy (SEP) will be regulated by means of a directive.	Increase in revenues	315,715	52,619	52,619	52,619	52,619
3	University funding	Filed (Bulletin N°17,169-04)	The current student loan system will be replaced, making collection more efficient, eliminating overpayments to banks, and postponing free tuition increases to the upper income brackets	Net effect on revenues and expenditures	108,324	48,780	60,522	46,501	86,194
4	Electricity subsidy	Filed (Bulletin N°17,064-08)	The bill that extends the coverage of the transitory electricity subsidy of Law No. 21,667 is amended to reduce the proposal with respect to the level considered in committed expenditures.	Reduction in expenditures	179,297	75,051	79,193		
5	Interest rate subsidy	Filed (Bulletin N°17,368-05)	The bill establishes a mortgage interest rate subsidy for the purchase of new homes, which would stimulate demand for 20,000 homes and thus generate incremental VAT revenue from these sales.	Increase in revenues	0	48,239	72,558	29,473	0
6	Suspend technically challenged subsidies	Not yet filed (scheduled for first half of the year)	Eliminate government subsidies that do not fulfill clear public policy purposes.	Reduction in expenditures	5,706	10,416	10,697	10,697	10,697
7	Online gaming	Filed (Bulletin N°14,838-03)	The bill regulates online gaming and governs the licenses and taxes that must be paid by online gaming operators for their business operations.	Increase in revenues	–1,033	16,410	16,141	63,032	84,090
8	Limit on the replacement of employees who take early retirement (3x1)	Via the Budget Law	Establish a limit on the replacement of employees who take advantage of retirement incentive laws, with a maximum of one vacancy filled for every three vacancies created.	Reduction in expenditures		194,097	392,384	359,747	349,949
	TOTAL				**851,813**	**799,955**	**1,044,044**	**855,452**	**844,559**
	% OF GDP				**0.25%**	**0.23%**	**0.30%**	**0.24%**	**0.24%**

Source: Dipres.

Table 6
Summary of Corrective Actions, 2025–2029
(millions of 2025 CLP and % of GDP)

	ITEM	2025	2026	2027	2028	2029
1	Expenditure Adjustment Agreement under the 2025 Budget Law	544,000				
2	Administrative measures (specific adjustments, expenditure reviews, rates)	553,347	155,270	147,198	197,198	247,198
3	Legislative measures	851,813	799,955	1,044,044	855,452	844,559
	TOTAL	**1,949,160**	**955,225**	**1,191,242**	**1,052,650**	**1,091,757**
	% GDP	**0.58%**	**0.28%**	**0.34%**	**0.30%**	**0.31%**

Note: GDP for each year is in 2025 CLP; figures are updated as of 28 April 2025.
Source: Dipres.

- In conjunction, a new trajectory of cyclically adjusted balance targets is presented in a new Fiscal Policy Decree (in process), where the objective is to reach a structural deficit of 1.6% of GDP in 2025. The decree outlines the rationale for the change in the convergence of CAB targets, based on two key factors: first, the impact of the updated macroeconomic scenario, which leads to a worsening of the structural position without an improvement in the overall position, which, in turn, is undesirable from the perspective of its fundamental role of stabilizing public spending in the face of macroeconomic shocks; and the impact of the difference in the 2024 tax revenue estimate and the refinement of the methodology over the medium-term horizon. Thus, the following scenario is presented for the current year.

Table 7
Total Central Government: 2025 Balance with Corrective Actions
(millions of 2025 CLP and % of GDP)

		CLP MM	% OF GDP
(1)	Total overall revenue	76,594,161	22.9
(2)	Total cyclically adjusted revenue	75,861,190	22.7
(3)	Total expenditures	81,379,237	24.3
(1) – (3)	**Overall balance**	**–4,785,076**	**–1.4**
(2) – (3)	**Cyclically adjusted balance**	**–5,518,047**	**–1.6**

Source: Dipres.

- In the alternative scenario, which assumes that the proposed course is not taken and which would require legislation, the overall and cyclically adjusted balances would present significantly larger deficits.

Table 8
Total Central Government: 2025 Balance without Corrective Actions
(millions of 2025 CLP and % of GDP)

		CLP MM	% OF GDP
(1)	Total overall revenue	75,797,937	**22.7**
(2)	Total cyclically adjusted revenue	75,064,967	22.4
(3)	Total expenditures	81,591,862	24.4
(1) – (3)	**Overall balance**	**–5,793,924**	**–1.7**
(2) – (3)	**Cyclically adjusted balance**	**–6,526,895**	**–2.0**

Source: Dipres.

- The estimate for the central government's gross debt at the close of the 2025 budget exercise is USD 143,810 million, equivalent to 42.3% of overall GDP for the period, while the net financial position (NFP) is forecast at –38.1% of GDP in the same period.

UPDATE OF THE MEDIUM-TERM MACROECONOMIC AND 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, the growth scenario is similar to the last PFR, but with a slight downward adjustment in mining GDP at the end of the period, in line with expectations for extraction productivity cycles. Inflation remains unchanged from the previous report, converging to its target value in 2026. The copper price has been revised downward in 2026 and 2027, incorporating expectations of slightly lower international demand. The exchange rate has also been adjusted downward, reaching 929 pesos per dollar at the end of the period due to a weaker global dollar relative to the last report. The oil price is unchanged. Finally, the current account has been adjusted downward for the whole period with a deficit close to 1.5% of GDP.

Table 9
Macroeconomic Assumptions, 2026 -2029

	2026		2027		2028		2029	
	PFR 4Q24	PFR 1Q25	PFR 4Q24	PFR 1Q25	PFR 4Q24	PFR 1Q25	PFR 4Q24	PFR 1Q25
GDP (real annual change, %)	2.3	**2.3**	2.2	**2.2**	2.1	**2.0**	2.0	**2.0**
MINING GDP (real annual change, %)	2.7	**2.8**	2.5	**2.5**	2.0	**1.6**	2.0	**1.4**
NON-MINING GDP (real annual change, %)	2.2	**2.2**	2.1	**2.1**	2.1	**2.0**	1.9	**2.0**
DOMESTIC DEMAND (real annual change, %)	2.3	**2.3**	2.0	**2.0**	2.0	**2.0**	1.9	**1.9**
CPI (annual change, % average)	3.1	**3.1**	3.0	**3.0**	3.0	**3.0**	3.0	**3.0**
EXCHANGE RATE (CPL/USD, average, nominal value)	972	**959**	951	**939**	945	**933**	940	**929**
COPPER PRICE (USD cents/lb, average, LME)	433	**428**	437	**433**	437	**437**	437	**437**
WTI OIL PRICE (USD/bbl)	68	**68**	67	**68**	67	**68**	67	**68**

Note: The PFR 1Q25 update uses estimated 2026 nominal GDP of CLP 351,059 billion, estimated 2027 nominal GDP of CLP 367,342 billion, estimated 2028 nominal GDP of CLP 384,557 billion, and estimated 2029 nominal GDP of CLP 401,938 billion; and an estimated exchange rate of 942 pesos per dollar in December 2026, 936 pesos per dollar in December 2027, 931 pesos per dollar in December 2028, and 930 pesos per dollar in December 2029. The cutoff date for macroeconomic forecasts was 27 March 2025.
Source: Ministry of Finance.

- The medium-term scenario proposed for guiding fiscal policy in the medium term is presented in table 10. These estimates are consistent with the corrective actions described above, for both revenues and expenditures, and with the new convergence path established by the new Fiscal Policy Decree.

Table 10
Total Central Government:
Overall and Structural Balance with Corrective Actions, 2026–2029
(millions of 2025 CLP and % of GDP)

		2026	2027	2028	2029
(1)	Total overall revenues	78,337,681	81,331,385	83,914,603	85,015,497
(2)	Total committed expenditures	82,515,222	83,757,100	84,905,070	85,406,927
(3)	Cyclically adjusted revenues	77,768,637	81,191,521	84,098,613	85,677,613
(4)	**CAB target (% of GDP)**	**−1.1**	**−0.75**	**−0.5**	**0.0**
(5)	Spending level compatible with the target	81,513,188	83,799,969	85,855,900	85,677,613
(6)	Buffer: Difference in expenditure (5)–(2)	−1,002,034	42,869	950,830	270,686
(7)	Difference in expenditure (USD MM)	−1,077	48	1,115	328
(8)	Difference in expenditure (% of GDP)	−0.3	0.0	0.3	0.1
(9)	**Overall balance compatible with the target (1)-(5) (% of GDP)**	**−0.9**	**−0.7**	**−0.6**	**−0.2**

Source: Dipres.

- Thus, the current PFR estimates the total central government's gross debt, consistent with committed expenditures, under two scenarios: one without the corrective actions; and one with the corrective actions that underlie the new Fiscal Policy Decree.

Table 11
Total Central Government: Gross Debt Forecast with and without Corrective Actions
(% of estimated GDP)

FORECAST SCENARIO	2026	2027	2028	2029
Without the corrective actions	43.3	43.1	42.7	41.2
With the corrective actions	**43.0**	**42.5**	**41.8**	**40.0**

Source: Dipres.

- As usual, this PFR presents exercises using alternative medium-term scenarios, in line with international best practices, in order to explore the sensitivity of the results reported earlier. The different macroeconomic scenarios proposed 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.