SUMMARY

Dirección de Presupuestos

Gobierno de Chile

UPDATE OF THE 2025 MACROECONOMIC AND FISCAL SCENARIO

- In 2025, the international context is marked by persistent global economic uncertainty. This outlook mainly reflects the changing and ambiguous nature of U.S. trade policy announcements, coupled with the recent escalation of geopolitical tensions in the Middle East. Due to the uncertainty surrounding changes in trade and economic policies, international organizations have revised downward their global growth expectations for 2025. These adjustments have not been extended to Chile, however, due to Chile's lower exposure to the issues that dominate the attention of the United States, the opportunities to reorient our exports, and the resilience of our economy. In fact, the local outlook has registered some marginal upward adjustments due to the good start of the economic year in our country. The evolution of commodity prices is in line with projections.
- According to the central scenario of this report, the growth forecast for the Chilean economy in 2025 in terms of real annual change of the GDP is 2.5%, with a greater push from domestic demand. Non-mining real GDP will grow by 2.4%, which is slightly higher than previously estimated (2.3%). The exchange rate has been adjusted downward since the last report, mainly due to the increase in the copper price and the global depreciation of the dollar. This will boost imports, which were adjusted upward from annual growth of 4.8% to 7.3%. Meanwhile, export growth was adjusted upward due to a better-than-expected performance, bringing the current account deficit to 2.0% of GDP, still well below its historical average.

Table 1
2025 Macroeconomic Assumptions

	PFR 1Q25	PFR 2Q25
GDP (real annual change, %)	2.5	**2.5**
MINING GDP (real annual change, %)	3.7	**3.3**
NON-MINING GDP (real annual change, %)	2.3	**2.4**
DOMESTIC DEMAND (real annual change, %)	2.6	**3.1**
CPI (annual change, % average)	4.4	**4.4**
EXCHANGE RATE (CLP/USD, average, nominal value)	979	**962**
COPPER PRICE (USD cents/lb, average, LME)	426	**428**
WTI OIL PRICE (USD/bbl)	71	**66**

Note: The PFR 2Q25 update uses estimated 2025 nominal GDP of CLP 334,363 billion. The cutoff date for macroeconomic forecasts was 25 June 2025.
Source: Ministry of Finance.

- The heightened uncertainty and recent changes in economic policies are reshaping the outlook for public finances in many countries. This reflects lower expected economic growth, high debt levels at the starting point, and increasing spending pressures, especially on defense by European countries and rising interest rates in major economies. All of this contributes to a challenging global fiscal outlook.

- In Chile, the fiscal year started off quite favorably. From January to May, fiscal revenues grew by 5.8% in real terms relative to the same period of the previous year, while the real growth of tax revenues was close to 10%. Contributing factors include sustained growth of the economy and domestic demand, the effectiveness of the tax measures legislated in previous years, and the favorable copper price.

- After a negative performance in the two previous years, the income tax return process recorded a notable improvement, rising from CLP –618,001 million to +1,643,578 million, as a result of tax changes and the implementation of the Mining Royalty and the Tax Compliance Law.

- More generally, the adjustments deriving from the application of the new revenue estimation methodologies, as reported in the 1Q25 PFR, correct a number of collection items but mostly offset each other, such that the revenue outlook for the year has changed very little. This also reflects the stability of the macroeconomic scenario projected by the Ministry of Finance, toward which other agents' projections have been converging.

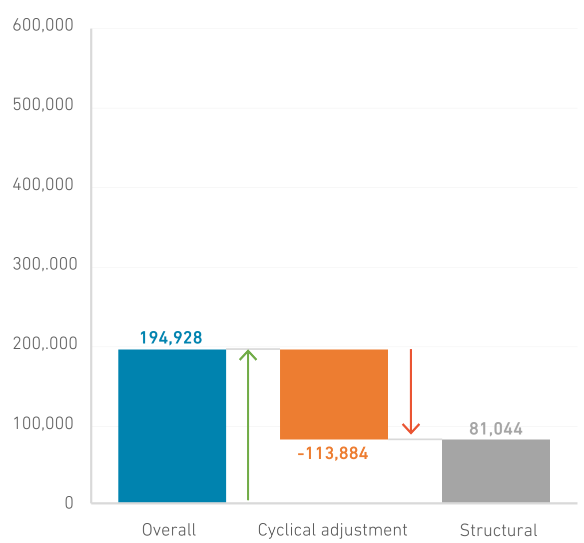
- Expenditure grew by 3.3% in real terms from January to May relative to the same period of 2024. However, capital expenditures (12.4% real) were much more dynamic than current expenditures (2.1% real), which will help reduce the inertia of spending in the remainder of the year, as will the adjustments committed under the approved Budget and the corrective measures to revert the breach of the fiscal target in 2024.

- Thus, overall revenues are estimated to reach CLP 76,149,913 million, reflecting the more dynamic economy and the effectiveness of reforms aimed at increasing fiscal revenues, such as the Mining Royalty and the Tax Compliance Law. At the same time, the lower exchange rate has a significant effect on mining revenues, with a negative impact of CLP –136,000 million. Finally, the estimated impact of Corrective Actions on revenues has been revised downward.

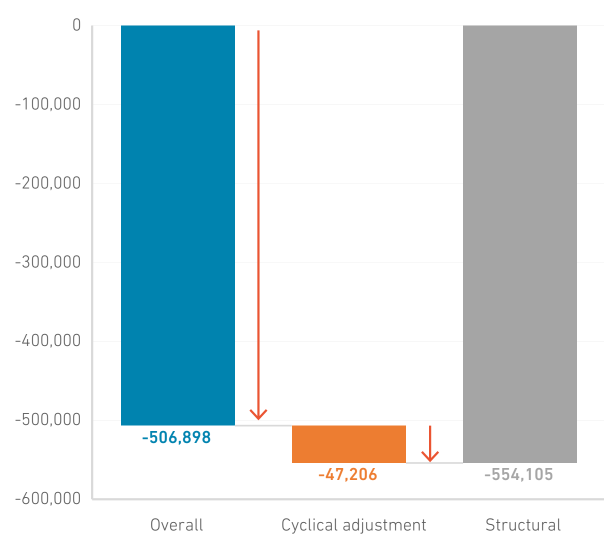
- There was an increase in both non-mining GDP and copper prices, i.e., a macroeconomic improvement, resulting in a downward adjustment of structural revenues (Figure 1).

Figure 1
Difference in Structural Revenues in the PFR 2Q25 versus PFR 1Q25

Revenue Adjustments due to Non-mining GDP
(millions of 2025 pesos)



Revenue Adjustments due to the Copper Price
(millions of 2025 pesos)



Source: Dipres.

- Based on the above overall revenue estimate, the estimate for cyclically adjusted revenues for 2025 is CLP 75,255,852 million. This represents a reduction of –0.8% relative to the last PFR, which is mainly due to the downward revision of structural mining tax revenues, Codelco transfers (Gross Copper), and Codelco's income from lithium, all of which primarily reflects the lower exchange rate.

- The increase in the non-mining tax revenue forecast partially offsets the reduction. This increase is mainly due to the adjustment in income taxes for this segment of taxpayers, as well as a higher collection of the specific fuel tax, attributable to a higher variable component than previously anticipated.

- Central government expenditures are estimated at CLP 81,292,904 million, considering the implementation of the corrective actions, which represents a decrease of 1.5% relative to the approved Budget Law. As a result, spending growth in 2025 is almost halved, from 4% to 2.2% in real terms compared to 2024. It is worth noting that the fiscal efforts already made over the year include adjustments of more than 0.2% of GDP. This implies an overall primary balance of –0.4% of GDP and an overall balance of –1.5% of GDP.

- Within the framework of the structural balance rule, after applying the cyclical adjustments to overall income, the cyclically adjusted deficit for 2025 is calculated at CLP 6,037,052 million, equivalent to 1.8% of GDP. This represents a consolidation of 1.5 percentage points of GDP relative to 2024, which at 3.3% was the highest in the history of the application of the structural fiscal rule in Chile, with the exception of this Administration's result in 2022. This consolidation was achieved through significant efforts to contain public spending through corrective actions, which had a positive impact on the structural result.

- The gap with the structural target is 0.155% of GDP, so efforts will continue in the coming months. It is thus possible that the difference with the CAB target may be reversed, especially given the impact of the exchange rate on mining and, additionally, assuming that tax collection continues to perform well and that some corrective measures produce a higher yield. This, however, will require the support of the National Congress, in line with the legitimate concern that many congressional members have expressed for strengthening fiscal discipline.

Table 2
Total Central Government: 2025 Balance with Corrective Actions
(millions of 2025 CLP and % of GDP[1])

		PFR 1Q25 FORECAST		PFR 2Q25 FORECAST	
		CLP MM	% OF GDP	CLP MM	% OF GDP
(1)	Total overall revenue	76,594,161	22.9	76,149,913	22.8
(2)	Total cyclically adjusted revenue	75,861,190	22.7	75,255,852	22.5
(3)	Total expenditures	81,379,237	24.3	81,292,904	24.3
(1) - (3)	**OVERALL BALANCE**	**–4,785,076**	**–1.4**	**–5,142,991**	**–1.5**
(2) - (3)	**CYCLICALLY ADJUSTED BALANCE**	**–5,518,047**	**–1.6**	**–6,037,052**	**–1.8**

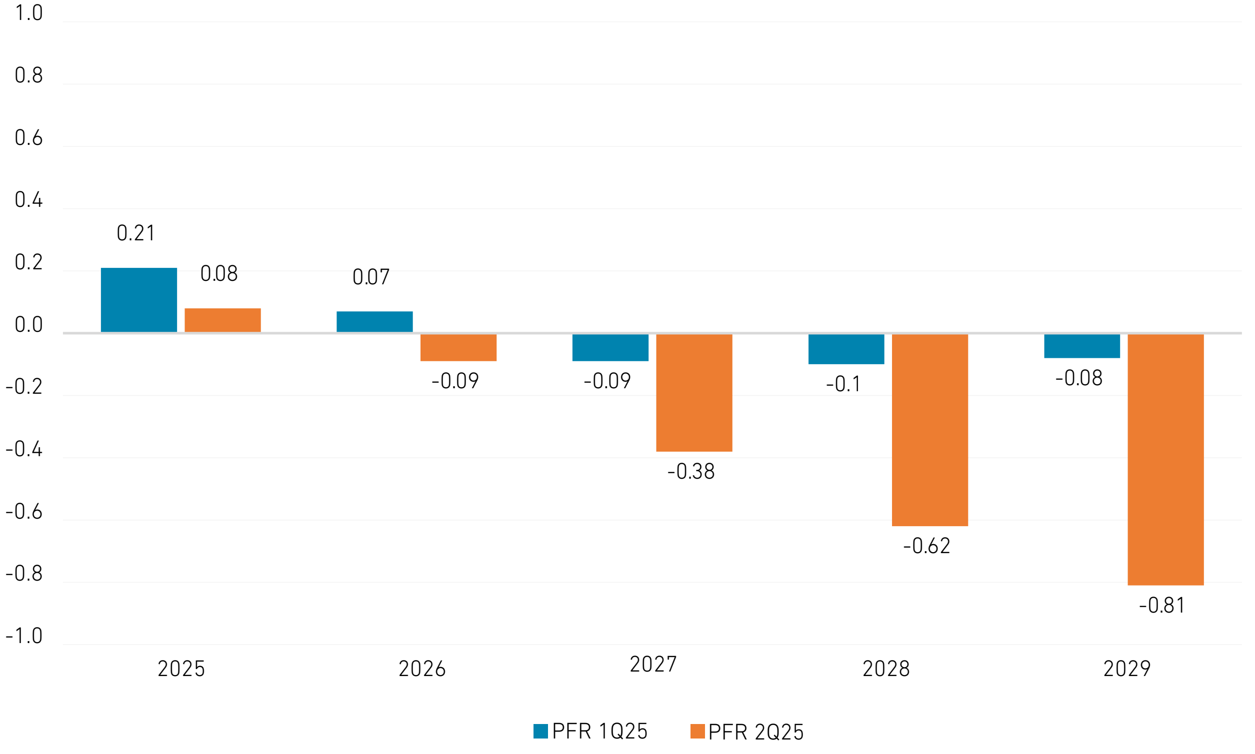
(1) Projected GDP in each report.
Source: Dipres.

- The estimate for the central government's gross debt at year-end 2025 is USD 147,023 million, equivalent to 42.2% of GDP. This represents the lowest annual growth of the debt since 2007, the last year in which the debt contracted as a percentage of GDP. Finally, the net financial position is forecast at –37.9% of GDP in the same period.

UPDATE OF THE MEDIUM-TERM MACROECONOMIC AND FISCAL SCENARIO: 2026–2029

- The medium-term macroeconomic scenario considers that domestic output will move toward its trend growth rate by the end of the forecast horizon. For 2026–2027, the GDP growth scenario is similar to the last PFR, while it is adjusted upward for the following two years. For reference, the medium-term forecast for Chile published by the OECD is near 2.4%; that of the IMF is in the range of 2.3%.
- Non-mining GDP has been revised upward throughout the period relative to the last report, rising above its trend level, which implies that the cyclical adjustment reduces structural revenues relative to their actual value.

Figure 2
Output Gap (Non-mining GDP) in 2025–2029: PFR 1Q25 versus PFR 2Q25



Note: A negative gap indicates that actual non-mining GDP is greater than trend non-mining GDP. The more negative the gap, the greater the downward cyclical correction.
Source: Dipres.

- The mining GDP scenario has been adjusted downward except for the final year, in line with expectations of mine production cycles. Non-mining GDP has been revised upward from 2027 through the end of the forecast horizon, driven by higher investment and consumption. The upward revision in investment aligns with the improved outlook for projects reported by the Corporación de Bienes de Capital (CPC) This has an immediate effect on the structural income gap, to the extent that non-mining GDP in the medium term is lower than projected.
- Inflation remains unchanged relative to the previous report, converging to its target level in 2026. The copper price is revised slightly upward, incorporating a global scenario of tighter supply. The exchange rate is corrected downward for 2026 and then follows a more depreciated path, ending the period at 933 pesos to the dollar. Finally, the current account is adjusted downward for the entire period, with an average deficit of 2.7% over the four years.

Table 3
2026–2029 Macroeconomic Assumptions

	2026		2027		2028		2029	
	PFR 1Q25	PFR 2Q25	PFR 1Q25	PFR 2Q25	PFR 1Q25	PFR 2Q25	PFR 1Q25	PFR 2Q25
GDP (real annual change, %)	2.3	**2.3**	2.2	**2.2**	2.0	**2.2**	2.0	**2.2**
MINING GDP (real annual change, %)	2.8	**2.6**	2.5	**1.4**	1.6	**1.2**	1.4	**1.8**
NON-MINING GDP (real annual change, %)	2.2	**2.2**	2.1	**2.3**	2.0	**2.3**	2.0	**2.2**
DOMESTIC DEMAND (real annual change, %)	2.3	**2.7**	2.0	**2.6**	2.0	**2.6**	1.9	**2.5**
CPI (annual change, % average)	3.1	**3.1**	3.0	**3.0**	3.0	**3.0**	3.0	**3.0**
EXCHANGE RATE (CLP/USD, average, nominal value)	959	**956**	939	**941**	933	**935**	929	**933**
COPPER PRICE (USD cents/lb, average, LME)	428	**430**	433	**435**	437	**439**	437	**439**
WTI OIL PRICE (USD/bbl)	68	**63**	68	**63**	68	**63**	68	**62**

Note: The PFR 2Q25 update uses estimated 2026 nominal GDP of CLP 350,759 million, estimated 2027 nominal GDP of CLP 366,944 million, estimated 2028 nominal GDP of CLP 384,195 million, and estimated 2029 nominal GDP of CLP 401,794 million; and an estimated exchange rate of 941 pesos to the dollar in December 2026, 938 pesos to the dollar in December 2027, 934 pesos to the dollar in December 2028, and 933 pesos to the dollar in December 2029. The cutoff date for macroeconomic forecasts was 25 June 2025.
Source: Ministry of Finance.

- Table 4 presents the cyclically adjusted balance (CAB) targets considered in a new Fiscal Policy Decree (in process in the Office of the Comptroller General of the Republic), where the objective is to reach a structural deficit of 1.1% of GDP in 2026. In subsequent years, the targets (which are included for reference purposes, as they correspond to the next administration) are 0.75% of GDP in 2027, 0.5% of GDP in 2028, and 0.0% of GDP in 2029.
- The new spending level compatible with the structural balance target from 2026 to 2029 is lower than estimated in the last PFR throughout the forecast horizon. The fiscal buffer, in turn, is more negative in 2026, switches from positive to negative in 2027 and 2029, and is positive but significantly smaller in 2028, relative to the last Report. This is due to the downward revision of the structural revenue forecast, which mostly reflects gaps in both copper and non-mining GDP throughout the forecast horizon, while maintaining the CAB targets of the previous report.

Table 4

Total Central Government: Overall and Structural Balance, 2026–2029

(million 2025 CLP and % of GDP)

		2026	2027	2028	2029
(1)	Total overall revenues	77,807,679	80,793,837	83,408,158	84,565,786
(2)	Total committed expenditure	82,300,531	83,564,264	84,699,884	85,126,457
(3)	Cyclically adjusted revenues	76,894,974	80,230,988	82,998,881	84,449,929
(4)	**CAB TARGET (% OF GDP)**	**−1.1**	**−0.75**	**−0.5**	**0.0**
(5)	Spending level compatible with the target	80,638,274	82,837,816	84,755,546	84,449,929
(6)	Buffer: Difference in expenditure (5)–(2)	−1,662,257	−726,448	55,663	−676,528
(7)	Difference in expenditure (USD MM)	−1,792	−819	65	−817
(8)	Difference in expenditure (% of GDP)	−0.5	−0.2	0.0	−0.2
(9)	**OVERALL BALANCE COMPATIBLE WITH THE TARGET (1)-(5) (% OF GDP)**	**−0.8**	**−0.6**	**−0.4**	**0.0**

Source: Dipres.

- Thus, the central government's gross debt, consistent with the spending level, expenditures, and CAB presented in Table 4, is estimated at USD 179,025 million at year-end 2029, equivalent to 41.6% of GDP, while the net financial position is estimated at −37.3% of GDP in the same period (see Table 5).

Table 5

Total Central Government: Net Financial Position, Estimated Year-end 2026–2029

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

	2026		2027		2028		2029	
	USD MM	% OF GDP	USD MM	% OF GDP	USD MM	% OF GDP	USD MM	% OF GDP
Total Activos del Tesoro Público	16,456	4.4	16,735	4.3	17,473	4.2	18,241	4.2
Total Deuda Bruta	160,362	43.0	168,038	43.0	174,106	42.3	179,025	41.6
POSICIÓN FINANCIERA NETA	**−143,907**	**−38.6**	**−151,303**	**−38.7**	**−156,633**	**−38.1**	**−160,784**	**−37.3**

Note: Figures were converted to dollars using the estimated exchange rate for December of each period, published at the beginning of this section of this report.
Source: Dipres.