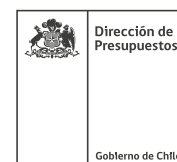


SUMMARY



UPDATE OF THE 2025 MACROECONOMIC AND FISCAL SCENARIO

- In the international arena, Chile has maintained a solid position, with steadily improving investment and growth expectations. Although global economic uncertainty has decreased since the previous report, it remains above historical levels. The record highs seen in the first months of the year, due to uncertainty surrounding U.S. trade policy, have moderated somewhat. The increase in tariffs by the United States has begun to materialize, with negotiation processes reflecting doubt and uncertainty about the soundness of the agreements reached. In terms of global activity, the United States experienced a moderate slowdown while China and the Eurozone benefited from more dynamic exports, reinforced by fiscal stimulus measures. According to the most recent forecasts from the World Economic Outlook (IMF), global economic growth is expected to ease to 3.0% in 2025, compared with 3.3% in 2024. Commodity prices have recorded mixed results, with oil prices falling and food prices rising slightly. Copper prices have remained largely unchanged since the previous report, and the gap with the COMEX market has nearly closed. In the financial markets, there is a greater willingness to take risks. Noteworthy developments include the global weakening of the dollar, the recent decline in U.S. sovereign bond yields—in response to heightened expectations that the Fed will resume rate cuts—and the strong stock market performance of Latin American and emerging economies.
- Domestically, the growth forecast for 2025 remains at 2.5%, with greater momentum in the non-mining sector. Activity data for the second quarter show across-the-board increases in the main sectors, with investment and consumption standing out as main drivers. Over the medium term, consumption has remained positive for six quarters, with non-durable goods making a strong contribution, while gross fixed capital formation has been positive for three quarters, particularly due to machinery and equipment. Foreign trade remains dynamic, despite the context of tariff uncertainty and geopolitical tensions. Meanwhile, local uncertainty remains close to pre-pandemic levels, the stock market is at record highs, and the amount of investment projected for the next four years is the highest since 2015. In this context, investment continues to rise, national savings continue to increase, and the current account deficit stands at around 2% of GDP, below the historical level. Inflation continues to converge to the target value, with anchored expectations. Inflation is expected to begin falling significantly starting in October of this year, once last year's electricity price increases are incorporated into the comparison base. Lending activity has picked up in recent months, with interest rates adjusting slightly downward.

Table 1
2025 Macroeconomic Assumptions

	PFR 2Q25	PFR 3Q25
GDP (real annual change, %)	2.5	2.5
MINING GDP (real annual change, %)	3.3	1.9
NON-MINING GDP (real annual change, %)	2.4	2.5
DOMESTIC DEMAND (real annual change, %)	3.1	3.3
CPI (annual change, % average)	4.4	4.4
EXCHANGE RATE (CLP/USD, average, nominal value)	962	962
COPPER PRICE (USD cents/lb, average, LME)	428	430
WTI OIL PRICE (USD/bbl)	66	66

Note: The PFR 3Q25 update uses estimated 2025 nominal GDP of CLP 335,481 billion and an estimated exchange rate in December 2025 of 959 pesos to the U.S. dollar. The cutoff date for macroeconomic forecasts was August 18th 2025.
Source: Ministry of Finance.

- The macroeconomic scenario expected for 2025, together with information on overall tax revenues as of July, underpins the central government's total revenue forecast for the current year, which is CLP 75,010,477 million (22.4% of GDP). This represents a real annual increase of 6.8% compared to 2024. Based on the above and the methodological application of cyclical adjustments, cyclically adjusted revenue for 2025 is estimated at CLP 74,044,006 million. Compared to the projection made when the fiscal target was set, this a 0.2 percentage points decrease in copper-related revenues as a share of GDP, while non-mining revenues remain unchanged as a share of GDP. Details can be found in the body of this report.
- Central government expenditures are projected at CLP 81,591,862 million in 2025, which is CLP 940,312 million lower than the forecast in the PFR 3Q24, the report submitted with the 2025 Budget Bill, and which implies a 2.6% increase in spending relative to 2024. This update is the result of significant fiscal efforts made by the government, reflecting this administration's commitment to responsible resource management. In particular, this update incorporates the adjustment under the Framework Agreement for the discussion of the 2025 Budget Bill, the cuts in the Public Finance Reports for the fourth quarter of 2024 and first quarter of 2025, and reallocations due to increased pressure from interest and exchange rate expenses.
- Taking into account the updated macroeconomic scenario, together with the 2025 expenditure and revenue forecasts, the overall deficit is estimated at CLP 6,581,385 million, equivalent to 2.0% of projected GDP.
- In 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 7,547,855 million, equivalent to 2.2% of GDP. This does not incorporate corrective actions, given that the respective Bills submitted to Congress are still pending.

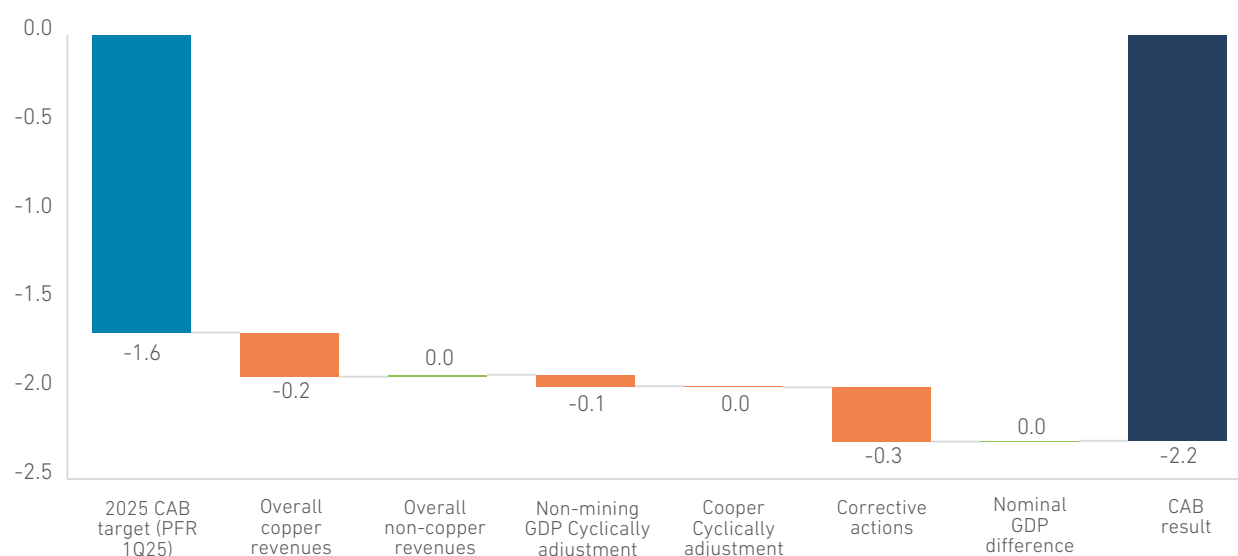
Table 2
Total Central Government: 2025 Balance
(millions of 2025 CLP and % of GDP⁽¹⁾)

		PFR 1Q25 FORECAST		PFR 2Q25 FORECAST		PFR 3Q25 FORECAST	
		CLP MM	% OF GDP	CLP MM	% OF GDP	CLP MM	% OF GDP
(1)	Total overall revenue	75,797,937	22.7	75,591,498	22.6	75,010,477	22.4
(2)	Total cyclically adjusted revenue	75,064,967	22.4	74,697,437	22.3	74,044,006	22.1
(3)	Total expenditures	81,591,862	24.4	81,591,862	24.4	81,591,862	24.3
(4)	CORRECTIVE ACTIONS	1,008,848	0.3	857,372	0.3	—	—
(1) – (3) – (4)	OVERALL BALANCE	-4,785,076	-1.4	-5,142,991	-1.5	-6,581,385	-2.0
(2) – (3) – (4)	CYCLICALLY ADJUSTED BALANCE	-5,518,047	-1.6	-6,037,052	-1.8	-7,547,855	-2.2

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

- Figure I.4.2 illustrates the projected deviation of the cyclically adjusted balance from the fiscal target in the year. Over half of the difference is explained by the fact that the contemplated corrective actions have not been included, since the respective Bills have not yet completed the legislative process and are pending in the National Congress. Second, the projected deviation is determined by lower revenues from copper mining, both from private mining companies and Codelco, where the accident at the El Teniente mine has had a significant impact. Finally, the better macroeconomic scenario in 2025 has resulted in a larger cyclical adjustment that reduces structural revenues by around -0.1% of GDP, such that the latest update for the 2025 CAB is -2.2% of GDP.

Figure 1
Cyclically Adjusted Balance: 2025 Fiscal Target and Result
(% of GDP)



Note: Differences are calculated in nominal terms and then expressed as a percentage of the projected GDP in this report. However, the IFP 1Q25 was calculated using the GDP forecast available at that time. Due to this difference in the basis of comparison, an adjustment called "Nominal GDP difference" is incorporated.
Source: Dipres.

- The estimate for the central government's gross debt by the end of 2025 budget year is USD 148,429 million, equivalent to 42.4% of GDP for the year, while the net financial position is forecast at -38.1% of GDP in the same period.

UPDATE OF THE 2026 MACROECONOMIC AND FISCAL SCENARIO

- Internationally, following a period of restrictive monetary policy, central banks in advanced economies have begun to show signs of greater flexibility. Financial conditions have improved, aided by a weaker dollar and an easing of tension in the global outlook, after the United States imposed lower effective tariffs than originally expected. According to the latest edition of the International Monetary Fund's World Economic Outlook, global growth for 2026 has been revised marginally upward. Inflation is expected to continue declining in 2026.
- Locally, the growth forecast for 2026 remains at 2.5%, with greater momentum in the mining sector as a result of the normalization of the disruptions that affected 2025. Non-mining GDP will increase slightly compared to 2025, due to higher domestic demand stemming from greater consumption. The price of copper has been revised slightly upward. The other components remain similar to the estimates presented in the last PFR.

Table 3
2026 Macroeconomic Assumptions

	2026	
	PFR 2Q25	PFR 3Q25
GDP (real annual change, %)	2.3	2.5
MINING GDP (real annual change, %)	2.6	3.4
NON-MINING GDP (real annual change, %)	2.2	2.4
DOMESTIC DEMAND (real annual change, %)	2.7	2.9
CPI (annual change, % average)	3.1	3.1
EXCHANGE RATE (CLP/USD, average, nominal value)	956	958
COPPER PRICE (USD cents/lb, average, LME)	430	435
WTI OIL PRICE (USD/bbl)	63	63

Note: The PFR 3Q25 update uses estimated 2026 nominal GDP of CLP 353,258 billion and an estimated exchange rate in December 2026 of 941 pesos to the U.S. dollar. The cutoff date for macroeconomic forecasts was August 18th 2025.
Source: Ministry of Finance.

- The 2026 revenue forecast for the total central government is estimated at CLP 81,019,982 million (22.9% of GDP), based on the 2026 macroeconomic scenario described above and the fiscal revenue estimate for 2025. This implies a real increase of 4.7% relative to the revenue forecast for 2025.
- Based on the above revenue estimate and the methodological application of cyclical adjustments, the projection for cyclically adjusted revenues in 2026 is CLP 82,205,163 million (23.3% of GDP). This represents a real annual increase of 7.7% relative to the 2025 forecast.

- The 2026 Budget Bill has been drafted based on the fiscal responsibility framework defined by the government, taking into account the macroeconomic scenario described above, so as to balance public spending commitments with the need to advance the fiscal consolidation process proposed by the authority, established in the target of Decree No. 542 on Fiscal Policy, which was approved by the Comptroller General of the Republic and will be published shortly in the Official Gazette¹. Accordingly, total central government spending of CLP 86,256,836 million is projected for 2026. This amount represents real growth of 1.7% compared to the Initial Law + Adjustments and Special Laws in 2025. This is due to a virtuous combination of new permanent sources of financing promoted by the administration, such as mining royalties; spending reallocations of more than USD 2.8 billion, using inputs from the public procurement evaluation and monitoring process; and improved medium-term economic prospects.
- Based on the overall income and total expenditure forecasts for 2026, the overall deficit of the total central government is estimated at CLP 5,236,854 million, equivalent to 1.5% of projected GDP for the year.
- In the framework of the structural balance rule, after applying the cyclical adjustments to overall income, the projected cyclically adjusted deficit for 2026 is CLP 4,051,673 million, equivalent to 1.1% of GDP. This, in turn, corresponds to the CAB target for 2026, established in the Fiscal Policy Decree N°542, which will allow the government to continue the process of reducing the structural deficit, a commitment made at the start of the current administration.

Table 4

Total Central Government: 2026 Balance

(millions of 2026 CLP and % of GDP⁽¹⁾)

		PFR 2025 FORECAST ⁽²⁾		PFR 3Q25 FORECAST	
		CLP MM	% OF GDP	CLP MM	% OF GDP
(1)	Total overall revenues	80,199,128	22.9	81,019,982	22.9
(2)	Total cyclically adjusted revenues	79,258,372	22.6	82,205,163	23.3
(3)	Total expenditures	84,830,070	24.2	86,256,836	24.4
(1) - (3)	OVERALL BALANCE	-4,630,942	-1.3	-5,236,854	-1.5
(2) - (3)	CYCLICALLY ADJUSTED BALANCE	-5,571,699	-1.6	-4,051,673	-1.1

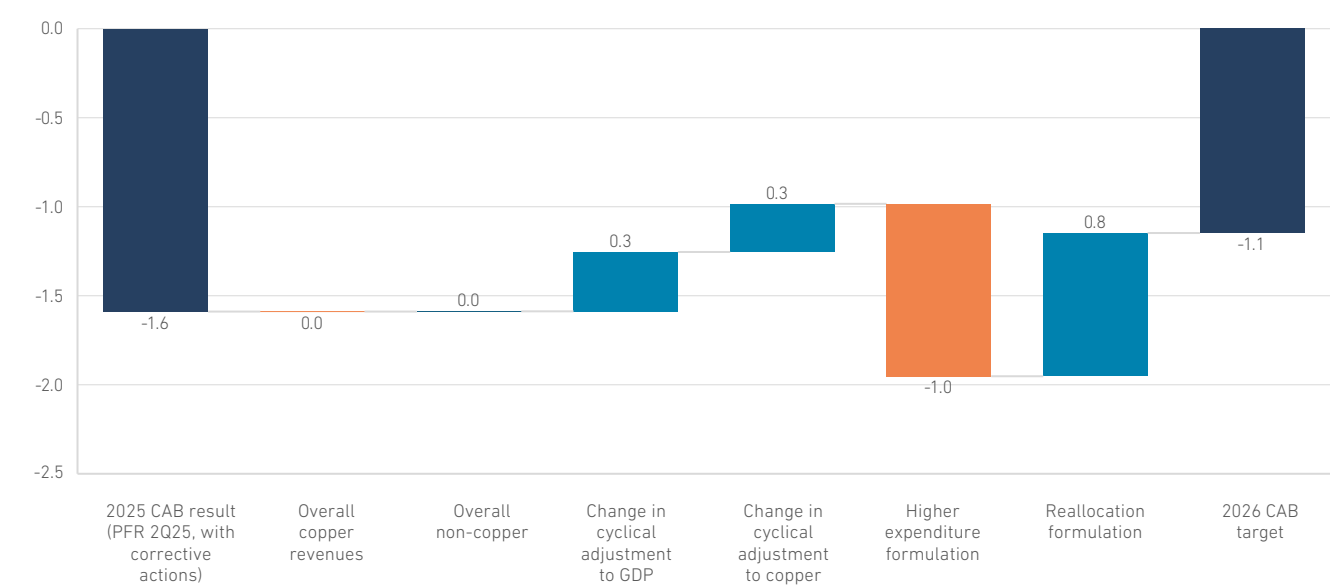
(1) Projected GDP in each report.

Source: Budget Office.

- The estimate for the central government's gross debt by the end of 2025 budget year is USD 152,603,758 million, equivalent to 43.2% of estimated GDP for the period, fully meeting the debt anchor limit of 45% of GDP. The net financial position (NFP) is forecast at -39.0% of GDP in the same period.

¹ Finance Ministry Decree No. 542 on Fiscal Policy was approved by the Comptroller General of the Republic on 29 September 2025.

Figure 2
Total Central Government: 2026 Structural Balance Comparison
 (% of GDP)



Note: GDP in each report.
 Source: Dipres.

UPDATE OF THE MEDIUM-TERM FISCAL SCENARIO: 2027–2030

- The medium-term scenario considers that domestic output will converge to its trend growth rate by the end of the forecast horizon. For 2027, the growth scenario is adjusted upward, with a recomposition of its components: mining GDP decreases and non-mining GDP increases, with higher consumption and a lower current account. For 2028 to 2030, the growth rates of total GDP, mining GDP, and non-mining GDP are all unchanged, although the latter incorporates a recomposition of its growth components, with a reduction in domestic demand and a sharp upward adjustment in the current account. Inflation and the oil price are the same as in the last report, with inflation converging to the target in 2026. The copper price has been revised slightly upward to incorporate a global scenario of greater mineral deficits. The exchange rate is constant from 2028 on. Finally, the current account is adjusted upward throughout the period, with an average deficit of 2.5% over the four years.

Table 5
2027–2030 Macroeconomic Assumptions

	2027		2028		2029		2030	
	PFR 2Q25	PFR 3Q25	PFR 2Q25	PFR 3Q25	PFR 2Q25	PFR 3Q25	PFR 2Q25	PFR 3Q25
GDP (real annual change, %)	2.2	2.2	2.2	2.2	2.2	2.2	—	2.2
MINING GDP (real annual change, %)	1.4	2.0	1.2	1.2	1.8	1.8	—	2.0
NON-MINING GDP (real annual change, %)	2.3	2.2	2.3	2.3	2.2	2.2	—	2.2
DOMESTIC DEMAND (real annual change, %)	2.6	2.1	2.6	2.1	2.5	2.1	—	2.1
CPI (annual change, % average)	3.0	3.0	3.0	3.0	3.0	3.0	—	3.0
EXCHANGE RATE (CPL/USD, average, nominal value)	941	935	935	935	933	935	—	935
COPPER PRICE (USD cents/lb, average, LME)	435	438	439	438	439	438	—	438
WTI OIL PRICE (USD/bbl, average)	63	62	63	63	62	62	—	62

Note: The PFR 3Q25 update uses estimated 2027 nominal GDP of CLP 370,116 million, estimated 2028 nominal GDP of CLP 387,700 million, estimated 2029 nominal GDP of CLP 406,113 million, and estimated 2030 nominal GDP of CLP 425,258 million; and an estimated exchange rate of 939 pesos to the dollar in December 2027, 935 pesos to the dollar in December 2028, 935 pesos to the dollar in December 2029, and 935 pesos to the dollar in December 2030. The cutoff date for macroeconomic forecasts was September 5th 2025.

Source: Ministry of Finance.

Source: Ministry of Finance.

- The revenue forecast for the total central government in the 2027–2030 period considers the macroeconomic scenario described above, the current tax structure, and the projected surpluses transferred from public companies consistent with their current strategic plans and the profit distribution policies defined by the authority.
- The updated estimates of committed expenditures for the 2027–2030 period are based on the committed expenditures outlined in the PFR for the 2026 Budget Bill. Specifically, the updated expenditure of the total central government, without taking into account corrective actions, presents an increase of 1.4% in 2027, relative to the 2026 Budget Bill; a real increase of 1.5% in 2028, relative to the 2027 forecast; 1.0% in 2029; and 0.7% in 2030.

- The results for the total central government's overall and structural balance in the medium term are presented in Table 6. These estimates are consistent with the dual rule that guides fiscal policy: that is, based on a debt anchor, the cyclically adjusted balance targets are set to keep the debt forecast below a level considered prudent, namely, 45% of estimated GDP.

Table 6

Total Central Government: Overall and Structural Balance, 2027–2030

(million 2026 CLP, million 2026 USD, and % of GDP)

	2027	2028	2029	2030
(1) Total overall revenues	83,324,280	86,122,466	87,783,160	89,027,560
(2) Total committed expenditure	87,497,622	88,832,510	89,713,354	90,339,215
(3) Cyclically adjusted revenues	84,672,282	87,760,251	89,801,475	91,349,388
(4) CAB TARGET (% OF GDP)	-0.8	-0.5	0.0	0.0
(5) Spending level compatible with the target	87,546,377	89,586,525	89,801,475	91,349,388
(6) Buffer: Difference in expenditure (5)–(2)	48,755	754,015	88,121	1,010,173
(7) DIFFERENCE IN EXPENDITURE (USD MM)	53	856	103	1,218
(8) Difference in expenditure (% of GDP)	0.0	0.2	0.0	0.3
(9) OVERALL BALANCE COMPATIBLE WITH THE TARGET (1)–(5) (% OF GDP)	-1.2	-0.9	-0.5	-0.6
(10) Corrective actions	-584	-780	-944	-1,099
(11) New buffer (USD MM)	638	1,636	1,047	2,317
(12) NEW BUFFER (% OF GDP)	0.2	0.4	0.2	0.5

Source: Dipres.

- Thus, the current PFR estimates that the central government's gross debt, consistent with the structural balance target, will be USD 194,208 million at year-end 2030, equivalent to 42.7% of estimated GDP for that year, while the net financial position is forecast at -38.9% of GDP in the same period.

Table 7

Total Central Government: Net Financial Position, Estimated Year-end 2027–2030

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

	2027		2028		2029		2030	
	(USD MM)	(% OF GDP)	(USD MM)	(% OF GDP)	(USD MM)	(% OF GDP)	(USD MM)	(% OF GDP)
Total Public Treasury assets	16,125	4.1	16,567	4.0	17,014	3.9	17,476	3.8
Total gross debt ⁽¹⁾	172,144	43.7	180,631	43.6	188,274	43.3	194,208	42.7
Net financial position	-156,019	-39.6	-164,064	-39.6	-171,259	-39.4	-176,731	-38.9
Net financial position with CA⁽²⁾	-154,997	-39.3	-162,231	-39.1	-168,483	-38.8	-172,877	-38.0

(1) Considers the committed expenditure forecast for the period.

(2) Net financial position with CA includes the corrective actions.

Source: Dipres.

- Additionally, this PFR continues to institutionalize the use of alternative medium-term scenarios, in line with international best practices, in order to explore the sensitivity of the results presented earlier. Two scenarios are discussed: one with a higher output growth forecast (optimistic) and one with a lower growth forecast (pessimistic). The report then describes the fiscal results associated with each scenario.

- The different macroeconomic scenarios proposed entail different dynamics for the evolution of gross debt over the estimated horizon (through 2030), but they all comply with the commitment to keep it below the prudent debt level of 45.0% of GDP. Specifically, the higher growth scenario implies a debt trajectory below the baseline scenario, reaching 41.9% of GDP by the end of the forecast horizon. Conversely, the lower growth scenario implies gross debt of around 43.7% of GDP in 2030².

MONITORING AND EVALUATION SYSTEM

- Based on information from the monitoring and evaluation process, the budget was reduced by CLP 156,200 million for a set of 100 public programs, including the closure of some of them.
- In the area of program evaluation, this PFR presents the main recommendations from the 20 ex post evaluations completed in 2025. In particular, of the 14 programs evaluated under the Government Program Evaluation (GPE) and the Focused Scope Assessment (FSA), none received a "Good Performance" evaluation; three were rated "Average Performance;" four, "Low Performance;" and seven, "Poor Performance." In addition to the budgetary effects, the reports detail the recommendations of the evaluating teams, which will be incorporated into the commitments signed by the services in charge of executing the programs and Dipres.
- In the framework of the 2026 round, the ex ante evaluation process was recently completed. This year, the possibility of submitting new programs was not considered, but rather revisions and reformulations of existing programs. A total of 109 programs were reviewed, including 46 non-social and 63 social programs. In terms of the results of the process, 78% of all the programs evaluated received a Favorable Recommendation (FR), which represents an increase in favorably assessed programs relative to previous years (68% of programs received a FR in 2024).
- Although monitoring and evaluation results are not the sole determinant of resource allocation, they were used extensively to support decision-making in the 2026 budget formulation process. Specifically, the 2026 budget proposal considers a significant average reduction in programs with design and/or performance weaknesses. In this group, 157 programs were identified that present an average reduction of 15.0% in the resources allocated under the 2026 budget bill. For programs with a good evaluation or with no conditional observations, the budget proposal considers an increase of 2% for 2026 relative to the resources allocated in 2025.

INSTITUTIONAL ADVANCES IN FISCAL AND BUDGET TRANSPARENCY

- In May of this year, the Advisory Commission for Structural Reforms to Public Expenditure was established as part of the corrective actions aimed at returning to the path of fiscal convergence. As a result of the Commission's work, 34 recommendations were presented, organized into seven areas: higher education, health, budgetary control, public employment, public programs, institutional framework, and other cross-cutting areas. Of the measures presented, the Commission considers that 16 have the potential to generate savings in public spending. Together, they are estimated to reduce spending by CLP 1,941,888 million annually in the long term (around 0.6% of GDP). Of these measures, 16 were fully or partially included in the budget bill.

² The referenced forecasts use Committed Expenditure estimates. The results are also lower than the prudent gross debt level for the entire forecast period when expenditures compatible with the CAB targets are used. Finally, the gross debt values are even lower when the impact of corrective actions on committed expenditure is taken into account. See Section III.9 for more details.