Chile

						Forecasts		
	2020	2021	2022	2023	2024	2025	2026	2027
GDP growth (%)	-6.1	11.3	2.2	0.5	2.6	2.5	2.0	2.3
CPI inflation (%)*	3.0	4.5	11.6	7.6	3.9	4.3	3.1	3.0
Fiscal balance (% of GDP)	-7.1	-7.5	1.4	-2.3	-2.8	-2.1	-1.5	-1.2
Public debt (% of GDP)	32.4	36.4	37.9	39.4	41.7	42.7	43.7	44.0
Reference rate (%)*	0.8	1.2	8.6	10.5	6.2	4.9	4.1	4.0
Exchange rate (CLP/USD)*	791.7	759.7	873.5	840.2	943.4	953.3	961.0	962.0
Current balance (% of GDP)	-1.9	-7.3	-8.8	-3.1	-1.5	-2.5	-2.2	-2.2
External debt (% of GDP)	74.2	76.8	78.1	76.3	73.1	78.5	78.9	78.8

Notes: * Annual average.
Source: CaixaBank Research, based on data from LSEG Datastream.

Outlook

Chile is growing at around its potential rate (2.6% in 2024, 2.5% in 2025 and 2.0% in 2026). The country's fundamentals – fiscal rule, credible monetary policy, market access and investment grade credit rating – remain robust and, despite being patchy, the labour market recovery has allowed consumption to improve thanks to real wage growth (due to the increase in the minimum wage and the gradual reduction in working hours). Furthermore, the resilience and adjustment capacity of the Chilean economy over the last five years are noteworthy (public expenditure reached 33.6% of GDP in 2021 and was reduced to around 24%-25% in 2023-2024).

However, some signs of fragility remain: investment outside the mining sector remains weak and the recovery of private consumption since 2024 has been sluggish, as the recovery of the labour market since the pandemic remains patchy: the unemployment rate (8.3% in 2025) is higher than on average in the decade leading up to the pandemic (7.3%) and job creation continues to be concentrated in services and mining. The main dilemma facing Chile is how to sustain macroeconomic stability amid lower growth than in previous decades, high dependence on commodities and political fragmentation.

Economic policies

Inflation has eased in recent quarters, after increasing due to changes in electricity tariffs (between May 2024 and February 2025, a 59% cumulative increase in electricity tariffs was introduced to reverse the price freeze that had been in place since 2019, adding 1.3 pp to headline inflation at its peak). It is expected to end 2025 at around 4.3% and to converge to 3% in 2026. This has allowed the Central Bank of Chile to cut rates from their peak of 11.25% in 2023 to 4.75% today, and we do not rule out further gradual cuts in the first half of 2026. However, monetary easing has yet to trickle down to businesses and households. The relatively small size of the Chilean financial market and its dependence on foreign capital flows mean that, despite rate cuts, the cost of capital still remains high due to high long-term international (and in particular US) interest rates.

Fiscal consolidation is progressing, albeit slowly. After failing to meet fiscal targets in the last two years (the structural balance, which adjusts the deficit according to the business cycle and copper and lithium prices to prevent any extraordinary income resulting from high prices of these minerals from becoming recurrent expenditure, ended 2023 at –3.4% compared to the target of –1.6%; and in 2024 it stood at –3.1% vs the target of –2.3%), the public deficit is expected to end 2025 at around 2.1% of GDP, compared to the official target of –1.1%, while debt will stand at 42.5% of GDP, close to the anchor of 45%.

The external balance may worsen. Following the improvement in the current account deficit in 2024 (1.5% of GDP), we expect it to widen in 2025 and to stand above 2% in the medium term. This decline is due to stronger domestic demand – which is driving imports – and to the slowdown in the growth of mining exports, following the rally in 2024. Reserves are around 83% of the IMF's recommended level, signalling the need to rebuild buffers and diversify the export base.

Exchange rate

The Chilean peso could depreciate, after depreciating in 2024 (by more than 11% against the USD, and by more than 7% in its real effective exchange rate) and fluctuating in 2025. A slight depreciation is expected going forward, in line with the widening current account deficit and the central bank's rate cuts.

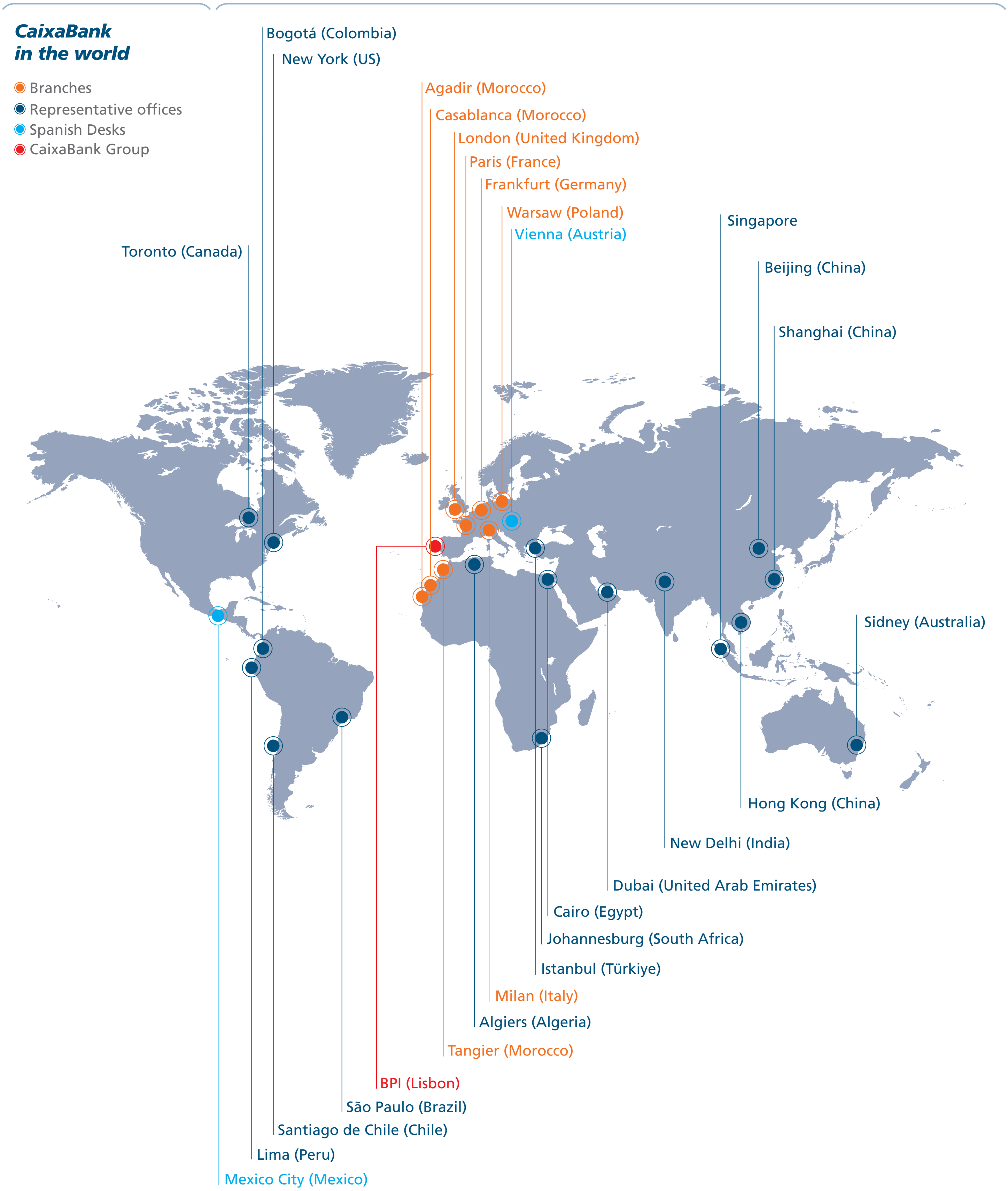
Risks

- **Commercial risk**. Chile depends on mining exports and imports. With trade openness at over 65%, the current protectionist environment poses a challenge for the country. US tariffs (10% overall and 50% on unrefined copper) are having a limited direct impact (the US only accounts for 4.7% of Chilean exports), and their main risk is indirect: slower global growth and falling copper prices due to weaker Chinese demand. The IMF believes that Chile's exposure on this front is above the historical average.
- **Political risk**. In the political arena, high polarisation has led to a highly fragmented parliament after the November elections (with a divided Congress and a tie in the Senate), meaning that legislative deadlocks are likely to hamper fiscal consolidation and the productivity agenda. José Antonio Kast will be sworn in as Chile's president on 11 March. Kast has a pro-market agenda, but his limited support in the legislature, persistent inequality and social tensions will make it difficult to implement.
- **Fiscal risk**. The 2026 budget aims to comply with the fiscal responsibility rule. However, the IMF has stated that it is based on optimistic revenue assumptions and investment cuts that could dampen economic growth. Kast promised spending cuts (–1.8 pp of GDP) and lower taxes, but without cutting social benefits, reducing the scope for fiscal consolidation and increasing dependence on economic growth. In the long term, an ageing population and the cost of the recent pension reform (estimated at 1% of GDP in the long run) will put pressure on structural spending.
- **Financial risk.** Although the capital and liquidity buffers are strong, pockets of vulnerability remain, such as high exposure to the real estate sector and, although central bank stress tests have shown resilience, if international interest rates remain high, local financial conditions could tighten.

Sovereign credit rating				
Rating agency	Rating*	Last changed	Outlook	Last changed
Standard & Poor's	A-	15/09/21	Stable	15/09/21
Moody's	A2	24/04/21	Stable	26/06/24
Fitch Ratings	A-	15/10/20	Stable	08/08/23

Note: *A shaded cell indicates "investment grade" and an unshaded cell indicates "speculative grade".

CaixaBank in the world



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